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# State of Illinois Forecast Report

Prepared for:

## State of Illinois

Commission on Government Forecasting & Accountability

Prepared by:

Moody's Analytics / Economic & Consumer Credit Analytics

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# State Economic Outlook

**January 2012**

**Illinois**

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## SUMMARY

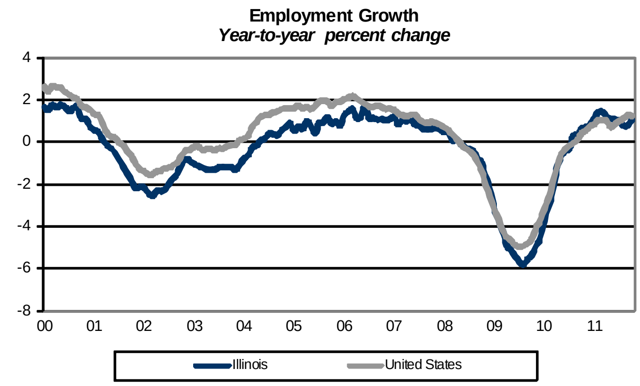


Illinois' economic performance in 2011 was disappointing, and conditions will improve only slowly this year at a slightly slower pace than those of the region and nation. After a promising start to last year, the state suffered a significant reversal of fortune during the summer. An unexpected surge in commodity prices and the disruptions caused by the Japanese earthquake and politcal acrimony in Washington dealt the state a larger blow than other states, and the economy lagged both the nation and the region in the second and third quarters. While growth has picked up more recently, it remains below average, and nearly all economic measures, including income, output and employment, have improved by less in Illinois over the last few years than they have nationally.

Weaker foreign demand and the state's poor finances will make it difficult for the recovery to gain traction early this year, but gradual improvement in the labor market and a diminishing drag from housing and financial sectors ought to allow for some improvement in growth by late in 2012. A more meaningful strengthening is expected next year as housing-related industries start to rebound and government eases as a drag on growth.

Deep-rooted fiscal problems and a worsening tax climate, along with subpar demographic trends, present the biggest challenges for the state over the long run. Service-providing industries, a more efficient and smaller manufacturing core, and transportation/distribution industries will drive modest growth, but the state economy will underperform the region and nation over the forecast horizon.

## RECENT PERFORMANCE (back to top)



Source: Bureau of Labor Statistics

- Illinois' recession was more severe than the nation's, and its recovery has been slower by comparison. Improving labor market and factory conditions helped the state make the leap from recession to recovery early in 2011, with the Moody's Analytics adversity index for the state meeting the criteria for an upturn in the first quarter. We track the progress of each state and metro area through the business cycle using this index, which incorporates data on employment, housing starts, house prices and industrial production into a single measure.

- The improvement in Illinois' job market has been frustratingly slow and uneven, even more so than nationally. Illinois made big strides at the start of 2011, with job growth picking up appreciably in the first few months of the year. Payroll employment shot up by 35,000 in the first quarter, the biggest increase for any quarter since 1997. The gain in the second quarter was only about half as large but still respectable, but payrolls then contracted by 22,000 in the third quarter. The payroll count did bounce back in the fourth quarter, but the increase was only enough to offset the prior quarter's drop. Thus, despite ending 2011 on a high note, the state's labor market made no progress in the year's second half.

- Illinois' labor market has underperformed since the last expansion ended. Payroll employment in the state fell by 415,000, or 6.9%, from the peak in early 2008 to the trough in late 2009. From the bottom, employment in the state has recouped 23% of its recession losses, equating to 96,000 jobs, or growth of 1.7%. Nationally, employment is closer to its prior peak, having recouped 30% of its earlier declines. The peak-to-trough decline for the U.S. was also smaller at 6.3%, and growth from the bottom of 2.1% has been stronger by comparison.

- Service-providing industries are the cause of the state's lagging performance. To be sure, goods industries such as construction and manufacturing made larger cutbacks relative to the size of their workforces during the recession and have been slower to grow their payrolls in the recovery, but trends for construction and manufacturing employment in the state, for example, are similar to those nationally. Goods-producing employment fell by about one-fifth in both Illinois and the nation in 2008 and 2009 and since has recovered only about 10% of those declines.

- Conversely, private service-providing employment logged a bigger decline in the state relative to the nation during the downturn and has come back more slowly. Thus, while private service-providing industries in Illinois slashed payrolls by nearly 6% during the downturn, the drop was closer to 5% nationally. More importantly, whereas nationally these industries have recouped 60% of the jobs lost during the recession, in Illinois the share is a much lower 40%.

| **Illinois<br>Employment, Recent Performance<br>November 2011** | | | | | |
|---|---|---|---|---|---|
| | **Annualized growth rate** | | | | |
| | **3-mo** | **6-mo** | **12-mo** | **5 yr** | **10 yr** |
| **Total** | 1.9 | 0.0 | 1.0 | -0.9 | -0.4 |
| **Construction** | -10.8 | -6.5 | 1.1 | -6.0 | -3.3 |
| **Manufacturing** | 0.6 | 0.4 | 1.9 | -3.5 | -3.1 |
| **Wholesale Trade** | 3.8 | 1.0 | 2.5 | -1.1 | -0.7 |
| **Retail Trade** | -1.5 | -2.2 | 0.1 | -1.4 | -0.7 |
| **Transportation and Utilities** | 9.7 | 1.5 | 2.5 | 0.0 | -0.1 |
| **Information** | -2.0 | -0.8 | -4.5 | -3.5 | -3.9 |
| **Financial Activities** | -0.4 | 0.8 | -0.7 | -2.5 | -1.2 |
| **Professional and Business Services** | 7.4 | 3.7 | 3.5 | -0.6 | 0.4 |
| **Education and Health Services** | 4.9 | 2.5 | 1.8 | 2.3 | 2.0 |
| **Leisure and Hospitality** | 2.5 | 0.9 | 0.8 | -0.1 | 0.7 |
| **Government** | -0.3 | -2.8 | -1.1 | 0.0 | -0.1 |
| | Percent | | | | |
| **Unemployment rate** | 10.0 | 9.8 | 9.3 | 8.1 | 7.1 |

- With the exception of information, financial services and government, all major industries in Illinois have increased their payrolls over the past year. The strongest growth occurred in business/professional services and downstream in manufacturing of transportation and wholesale trade. The two latter industries have been particularly instrumental for job growth in Chicago, accounting for 30% and 37% of the increase in employment from the bottom in the metro area, which includes Gary and Lake County, and the metro division, respectively. Transportation and wholesale trade have not been as important drivers nationally or in the Midwest, accounting for 12% and 13% of the gains, respectively.

- Some of the gains in business/professional services in the state have been in higher-paying tech- and science-based industries as well as in the core of management jobs, but much of the growth has been in temporary services as manufacturers in particular are reluctant to commit to new permanent positions. Though temp positions are not typically a big income generator, in places such as Peoria they tend to be more lucrative because of the specialized skill sets required by Caterpillar and its suppliers. Indeed, a favorable composition of employment is part of the reason incomes in Illinois grew at roughly the national pace in the middle two quarters of the year even though the labor market lagged.

- Weaker than average performance in the other two large office-using industries, financial services and information, is the reason why employment in private service-providing industries is lagging so far in the recovery. Information industries that are in a secular decline such as broadcasting and publishing are contracting more quickly in Illinois than elsewhere, and the state is no longer outperforming in its largest information industry, telecommunications. On the upside, improving demand for data services has led to fewer layoffs in this subsector, though employment has only managed improvement in line with the national trend.

- Financial services are the state's other notable laggard in the service arena. The industry has shed 12% of its workforce since 2007, one-third more than the 9% drop nationally. Industry employment did creep higher in the second and third quarters but reversed course late in the year and is not far from its lows for the cycle reached early in 2011. Employment is higher than it was a year ago in only the small real estate, rental and leasing cluster. Chicago has been hit particularly hard, as banks struggle to overcome large mortgage losses and securities firms try and keep compensation costs low.

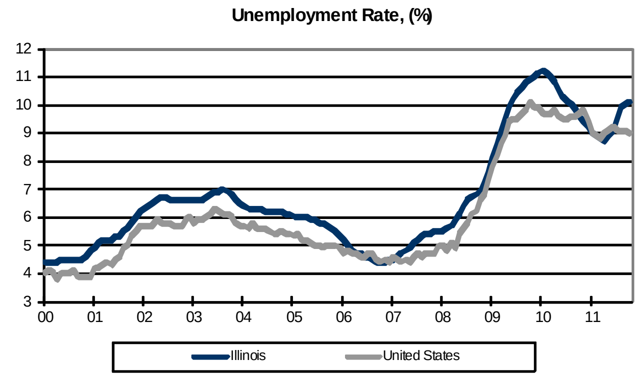
- The public sector is another big drag on Illinois' labor market. The tax revenue recovery has gained some steam, helped by a hike in corporate and personal income taxes at the start of the year. The money, along with budget cuts, has brought revenues and spending into closer balance, but there remains an enormous backlog of unpaid bills that totaled $8.5 billion at the start of 2012, according to the state's comptroller. The state remains in a precarious fiscal position that is not likely to improve in the near term as Medicaid spending increases and pension payments come due with revenue collections unlikely to keep pace.

- The budget solutions could also have unintended long-term consequences. The increase in the corporate tax rate has caused many firms to explore leaving the state, including some very high-profile ones such as Sears and the Chicago Mercantile Exchange. Neighboring states launched campaigns to lure these and other businesses away, prompting lawmakers to cut sweetheart deals with both of these firms to keep them from relocating outside of the state. The tax incentives have been controversial, and the backlash, particularly among smaller corporations that feel they are now shouldering a disproportionate share of the burden, will make renewing the more than 100 tax break deals set to expire over the next three years more difficult.

- Government employment has help up reasonably well despite the state's budget problems, but this is a mirage. To be sure, public sector payrolls are at a five-year low in Illinois, having fallen by 10,000 over the last year, but in the Midwest they are at a more than decade low. This is the reality for Illinois as well, as a universal count of employment from the Quarterly Census of Employment and Wages suggests that job losses in this area are much larger than generally believed. The latest figures show that there were at least 15,000 fewer public sector jobs in the state by the spring of 2011 than indicated in the monthly payroll figures.

- While there is little doubt that the payroll survey significantly overestimated government employment in 2010 and early 2011, employment in the state's private industries may have actually been a touch stronger than portrayed by the current data. On net, however, the larger government job losses suggest that the next benchmark revision to the state's job figures is likely to be modestly negative when the results are released in the spring.

- At 10% in November, Illinois' unemployment rate is a little more than 1 percentage point below its peak reached in early 2010. That said, it was below 9% as recently as the spring, before surging during the summer months as the economy and labor market weakened. Household employment in the state has been much more volatile than payroll employment, helping to explain the big movements in the unemployment rate. Also, the labor force has picked up a bit since midyear, and while this is viewed as a positive signal because it hints at better job opportunities, it has kept the unemployment rate from coming down over the last few months.



*Source: Bureau of Labor Statistics*

- Broadly speaking, the drop in the state's unemployment rate since early 2010 has been surprising given generally disappointing economic growth. Thus, even though the state's labor force has picked up a bit recently, very weak growth over the last two years has contributed to the fall in the jobless rate. While labor force participation in the state has held up better than that nationally—meaning there has not been as big of a decline in the share of Illinois' working-age population that is either employed or unemployed but looking for work—population growth has slowed more substantially in the state, with sharp deterioration in net immigration.

- Alternative measures of unemployment for the state show some improvement but generally show that labor market slack is more pervasive in Illinois than nationally. The U-6 unemployment rate, a broader measure of unemployment that includes underemployed and discouraged workers, is about a percentage point above the national rate. Its average for the prior four quarters stood at 16.9% in the third quarter of 2011, down from a peak of 18% in mid-2010.

- Other traditional labor market barometers are consistent with a modest improvement in hiring. The areas of employment weakness are narrowing slowly, and there is more limited scope for employers to increase hours in the state; more capacity will require more hiring. Thus, slightly more than half of the state's private industries are expanding their payrolls, up from one-third during the summer and one-quarter during the depths of the recession in 2009. Meanwhile, after showing little movement for much of the recovery, the average workweek, a leading indicator, has extended to prerecession lengths in Illinois.

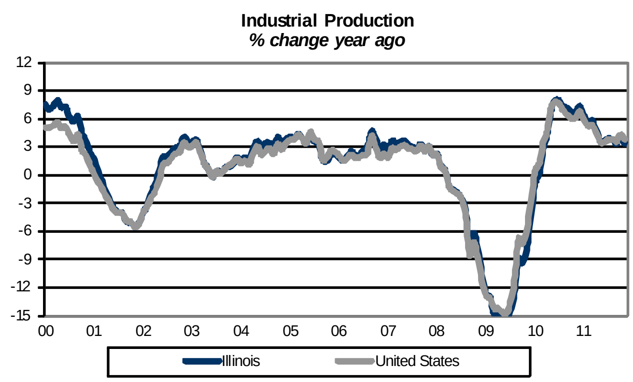
- The data also look better outside of employment. Income growth is reasonably strong and has helped the state avert a second recession. In fact, wages and salaries in Illinois have grown a touch faster than the nation's over the past year even as employment has lagged. A favorable composition of employment is part of the reason for this, but those with jobs are working more hours, resulting in bigger paychecks. Both the average workweek and hourly earnings have risen more in Illinois than they have nationally. Other parts of income besides wages and salaries such as supplements and proprietors' income have also done better in Illinois recently.

- That said, Illinois' consumers are in worse shape than the income numbers suggest. Much of the easing in the federal tax burden at the start of 2011 was offset by an increase in state income tax rates in Illinois, for one. Also, because the housing correction has also been more severe in the state, households have had a tougher time getting their balance sheets in order. Households in the northern part of the state have experienced larger declines in home equity, and with lower levels of wealth, their access to credit has suffered. As a result, consumer spending and related employment have underperformed in the state recently. For example, retail and leisure/hospitality employment has fallen at a 1% annual rate over the last six months, compared with a gain of twice that size nationally.

- On a positive note, the weakening in consumption in Illinois appears concentrated in nondurable goods and services, with spending on durable goods proving more resilient in 2011. This trend is reflected in data on new vehicle registrations, which did not weaken as much in Illinois in the second and third quarters as they did nationally. They have fallen during the last few years, but the decline since 2007 has totaled 20%, whereas it is 30% nationally.

- Housing continues to generate big problems for Illinois, with weakness concentrated upstate. Home sales and residential construction have fallen more sharply than they have nationally, and price declines have been comparatively larger. Household formation has been slower to recover in Illinois because of weaker migration, weighing on housing demand. Excess supply is also a bigger problem for the state because there is more distress inventory. The state's foreclosure overhang has diminished somewhat over the last year, but on a per household basis, inventories are about double the national average.

- Illinois would be in worse shape if not for the rebound in the auto industry. Auto production and sales are picking up as supply chain disruptions from the Japanese earthquake and the Thai floods fade. This is reflected in Chicago's regional manufacturing survey, which is outperforming other regional and the national surveys. The composite index averaged nearly 63 for all of 2011, compared with slightly more than 55 for the national ISM index. The 8-point difference was about twice as large as in 2010, when the Chicago-ISM index also outperformed, but by a smaller margin.



Source: Moody's Analytics

- While the factory sector has been more important in driving growth in manufacturing centers downstate, it has also been important in closing Chicago's performance gap with the nation. This is a shift from the last two recoveries, when manufacturing was only neutral or a slight positive for growth.

- While manufacturing in Illinois is expanding at an above-average rate, there has been a clear downshift in growth since the summer, when producers began to scale back in response to an earlier commodity price spike and a weakening in financial markets. That said, the resiliency of demand during this period appeared to catch businesses off guard, leading to an unintended decline in inventories in the third quarter. Support from a positive turn in the inventory cycle has helped keep industrial production in the state on an even keel recently despite some clear weakening in foreign demand and some slowing in business investment.

- Agriculture plays an important role in the downstate economy through direct farm activity, transportation and distribution, and food processing. Prices of corn and soybeans have fallen since the summer, but at around $6 and $12 per bushel, respectively, both remain well above their historical ranges. The recent decline has helped the food processing industry by lowering input costs, but farmers have received lower prices for their products. Still, with farm income in the state up 40% from a year earlier in the third quarter, the trend is still very healthy. Indeed, the strength of agriculture and comparatively less weakness in housing are key reasons why consumer-related industries downstate did not weaken as much as in Chicago and surrounding areas during the summer swoon.

- While incoming data indicate that the Illinois economy is transitioning into the new year on a positive note, recession odds are still high enough to suggest that the recoveries of the state and seven of its metro areas remain in danger of coming unwound. The upturns appear more durable in places that have benefited from surging business investment and strong foreign demand such as Peoria and the Quad Cities. Only one metro area in the state, Champaign, has slipped back into recession because of its significant exposure to troubles in state government.

## NEAR-TERM OUTLOOK (back to top)

- Although recession risks have faded in recent months, the Illinois economy is not out of the woods. In fact, following some better economic signs at the end of last year, growth is expected to moderate in the first half of 2012 as consumer spending slows, support from inventory rebuilding wanes, and foreign demand weakens. The state's poor finances will also apply restraint, and job and income growth is expected to fall short of the national and Midwest averages in 2012. The recovery should strengthen early in 2013 as housing rebounds and the drag from government lessens somewhat.

- Employment in the state is not expected to return to its prior peak until early 2015, about a year later than the nation. The unemployment rate will hold at close to 10% over the next several months before gradually coming down late in the year and falling more quickly throughout 2013. It will take three more years for the jobless rate to return to a long-run value of 5% to 6%.

- The outlook for downstream manufacturing has deteriorated as a result of the worsening situation in Europe. The recession in the region and slower growth elsewhere will weigh on exports, and manufacturing will begin to lose momentum once inventories are replenished, probably in the spring. Weaker foreign demand also threatens downstream industries such as transportation and wholesale trade, which have been big job producers in Chicago in particular. With a lower share of its exports going to the struggling European economy, Chicago relies more heavily on emerging economies, where growth over the past few months also has slowed to a pace that is weaker than at any time in the past few years. China is in the midst of a soft landing as policymakers grapple with weaker external demand and a deflating property market. Slackening overseas demand is beginning to appear in the state's trade data, which show exports cooling in recent months.

- Illinois would be in worse shape if not for the rebound in the auto industry, which will continue to support growth in 2012. Domestic automakers are ramping up production as they rebuild depleted inventories. While the benefits of higher output will mainly flow through to overtime for existing workers and expansion among suppliers, some new auto manufacturing jobs are expected. Ford is adding a third shift and 1,200 workers at a plant in Chicago beginning early this year. The retooling of Chrysler's Belvidere assembly plant is injecting much-needed life into the Rockford economy that will diminish only slowly this year. Two new suppliers have established operations in nearby industrial parks, and hundreds of construction workers are planned for the final stages of a $600 million addition to the plant's body shop. Consumer response to new Fiat models will partly determine the plant's prospects in 2013 and beyond.

- Auto sales are expected to continue climbing this year as the release of pent-up demand, made possible by a gradual easing of credit standards, helps compensate for only modest job and income gains and persistent housing woes. Sales are expected to reach 14.2 million units this year, with a pickup in the U.S. economy allowing for further acceleration to 16 million units, their rate prior to the recession, in 2013.

- A key reason the boost from manufacturing will not diminish altogether is the strength of global demand for industrial machinery. Though there has been a slowdown in China, surging sales for mining equipment and construction machinery elsewhere in the world are fueling record profits at companies such as Caterpillar and John Deere. Emerging economies have been scrambling to buy enough new equipment to keep up with demand, while in developed markets, customers have been replacing aging equipment fleets. Both companies are upbeat in their outlooks for the coming year, but demand for their goods is expected to slacken as economies around the world, particularly in Europe, shift into a lower gear. However, with both Caterpillar's and Deere's backlogs at all-time highs, risks are geared toward growth in heavy earth-moving and farming equipment remaining stronger for longer.

- Nonetheless, income growth is apt to slow as manufacturers pare their hiring and downstream industries expand more slowly. With households in the state also having a tougher time getting their finances in order, the implications are negative for consumer activity. Also, with larger house price declines, more homeowners are under water on their mortgages, and as a result, they are more focused on saving and less able to use credit to finance spending. An above-average 20% of Illinois banks failed to turn a profit in the third quarter. Employment in leisure/hospitality and retail will struggle to keep pace with that of the nation this year.

- Spillover from financial stress is another concern. Europe's crisis has yet to significantly impair the flow of credit, but policymakers in the region could still make a mistake and unhinge financial markets. Moreover, with the Federal Reserve signaling that the era of ultra-low interest rates may last even longer, interest margins are likely to compress further, to the detriment of banks' profits. Loan quality has improved, and there is some nascent growth, but trading and investment banking revenues are down and banks are also being hurt by regulatory changes and other legal fees related to the housing bust.

- Large finance companies in Chicago face an additional threat via their exposure to troubled European nations. Both Bank of America and JP Morgan hold a significant amount of foreign bank assets. Should they stop performing, an already-tenuous outlook for the industry would significantly worsen. Chicago's banking industry will continue to suffer from the lingering effects of mergers and acquisitions that have reduced the relative importance of the metro division in the national financial industry.

- Tourism will make a larger contribution to growth this year after lagging early in the recovery. Hotel occupancy rates and room rates are rising more quickly in Illinois than in the nation. Importantly, visitor numbers are picking up in Chicago following last year's unexpected declines. With higher gasoline prices resulting in fewer day trips to the city, officials have been targeting overnight leisure travel and international visitors, a move that is starting to pay dividends. The outlook for business travel has also improved now that reforms enacted to keep trade shows from fleeing the city are being implemented after a long delay.

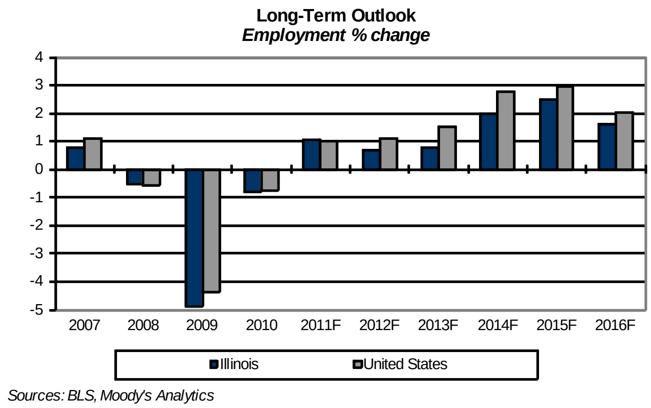
- Federal fiscal policy will remain a drag on the state economy through 2013, even if Congress extends payroll tax cuts and emergency jobless benefits. However, fiscal austerity on the part of state and local governments will present the bigger headache for Illinois, with cutbacks in government jobs and services expected to be larger than average this year and next. Springfield and Champaign will suffer the most because of their outsize dependence on government for jobs and income.

- Although the tax revenue recovery has gained some steam, helped by a hike in income taxes at the start of the year, there have not been enough leftover monies to make a dent in the huge backlog of unpaid bills. A quick reduction of the backlog seems unlikely as legislators quibble about how to solve the problem.

- The governor and lawmakers have not been able to agree on a casino expansion bill, and the state's broken pension system is an issue that has yet to be tackled. Illinois has the largest unfunded liability of any state, with $85 billion owed for the state's five funded plans as of mid-2010. The law that raised taxes at the start of 2011 included a provision to authorize borrowing to cover the gap in unpaid pension obligations, but another provision to authorize borrowing to cover the unpaid vouchers and transfers was rejected by the state legislature.

- The outlook for Illinois' farmers remains bright as the global market for food commodities still faces capacity constraints. But while corn and soybeans have settled into a new range above their previous historical averages, a return to the 2008 level is not expected, and some further easing in prices is likely in the first half of 2012. Following a bountiful U.S. harvest, the Department of Agriculture is projecting record global output for both of these food grains. Widely unpopular among farmers, price and export restrictions have recently come off in major grain-exporting nations such as Canada and Argentina, also contributing to greater supplies. While the dry prevailing weather pattern in South America is a concern, the continent is still expected to reap a massive harvest in the spring. Demand has eased as well, mainly because slowing economic growth in China has reduced feedstock purchases.

## LONG-TERM OUTLOOK: POSITIVE FACTORS (back to top)




- Deep-rooted fiscal problems and a worsening tax climate, along with subpar demographic trends, represent the biggest hurdles to the longer-term outlook. The forecast anticipates that the state will grow roughly in line with the Midwest average but a step behind the nation over the extended forecast horizon.

- The state will continue to diversify into service-providing industries while nurturing its more efficient and smaller traditional manufacturing core. Chicago will continue to develop as the transportation/distribution center for the Midwest, fueled by the recent push for a high-speed passenger rail that will also result in an upgrade and modernization of its freight rail system and will increasingly develop its tech industry. The best growth prospects for downstate are found in agriculture-related projects such as food-processing facilities, energy projects and distribution facilities.

*Business climate*

- Illinois' business climate outshines its regional rivals, although rising corporate taxes and fiscal uncertainty have begun to erode its competitive edge. Still, the state has what it needs to remain a top business center, as long as it can solve the fiscal problems that are eroding its edge in the competition for talent, jobs and capital.

- Specifically, Illinois has a larger pool of talented workers, bigger markets, more money for investment, and better transportation. The state has these advantages because it has Chicago, the nation's third largest metro area. No neighboring state has a city even half as large.

- About 31% of the state's population age 25 and older has a bachelor's degree and 12% has a graduate degree—both above the national average, according to the census data. In Chicago, the shares are even higher at 34% and 13%, respectively. In addition to better educational attainment levels, Illinois also has deep pockets of specialized expertise in areas such as pharmaceuticals and medical devices, capital goods manufacturing, and logistics that businesses value.

- Chicago's central location and extensive transportation network add to its appeal, particularly for companies that need to move their workers around the country and globe. The metro area is unique among the nation's big cities as a hub to three major carriers. The state is also the country's top rail hub, with slightly more than 7,300 miles of track served by 42 railroads.

- Illinois also offers businesses greater access to customers and capital than its neighbors. These factors are particularly important to newly formed companies that may be targeting a specific demographic and must be able to raise money in order to grow. Illinois companies raised almost $300 million in venture capital in the first half of 2011, almost three times the amount of its closest regional competitor in Indiana.

*Business services*

- Business and professional services are expected to drive growth and indeed be the strongest industry in the long-run forecast horizon. Most of the growth will take place in northern Illinois. Downstate Illinois has few possibilities in developing well-paying business service jobs such as business consulting; it is more likely to attract low-end business service such as call centers, especially as a result of a high share of high school graduates.

- Chicago's large concentration of corporate headquarters; outsourcing; growth of the consulting industry, which serves both national and international clients; and growth of information technology should help boost the business and professional services industry.

- Indeed, the outlook for Chicago depends on its expansion as a center of global commerce. According to Moody's Analytics, Chicago ranks as the sixth most global metro area in the nation, behind New York, San Francisco, Boston, Miami and Bridgeport. Despite the loss of headquarters and hence Chicago's status as a world-class city, it has managed to remain a business center through the growth of such businesses as insurance and benefits consulting, which involve intermediate firm-to-firm transactions rather than headquarters.

- In addition to business services, the success of the state's economy (particularly the Chicago metro area) will depend on the strength of its high-tech services, including computer systems and design and biotechnology. Tech companies that are able to meet the needs of Illinois' vast manufacturing base will be most successful. Outside of Chicago, much of the development and activity in high-tech services is in Champaign, centered on the University of Illinois.

*Financial services*

- Financial services, which employ more than 6% of the state's workforce and more than 7% of Chicago's workforce, will remain among the state's core industries despite their recent decline. One reason for this is that the outlook for Chicago's commodities exchanges is promising, particularly now that the state has passed a new law that will reduce the taxes they pay. The exchanges have successfully adapted to new technologies and, through mergers, have increased their market share in the global marketplace. They also hold virtual monopolies over their most important products, thereby benefiting from strong pricing power. Chicago is considered the world capital of futures trading since it is now by far the world's largest derivatives exchange.

*Tourism and conventions*

- Illinois' tourism industry is expected to perform well over the next decade. Chicago is hunting overseas for new tourists to offset a recent drop in leisure travelers that could persist if gasoline prices remain high. Slightly more than 38 million tourists visited Chicago in 2010, down from 39.5 million in 2009 and 45.7 million in 2008. In addition to more overseas visitors, increased business travel ought to help improve these numbers in the coming years. Specifically, Chicago's convention business ought to improve now that the long-delayed reforms at the McCormick Place are being implemented.

*Transportation/distribution*

- Even though manufacturing is declining in the Illinois economy, its distribution and transportation network remains an integral part of the economy, facilitating the movement of both domestic and imported goods throughout the Midwest and supporting the state's manufacturing and exports. Transportation and distribution job growth has outpaced manufacturing job growth consistently since the late 1990s. The outlook for logistics-related expansion remains positive. Greater export penetration is a key reason for the gains in manufacturing employment over the last two years, particularly in industrial machinery.

- In addition, distribution, warehousing, wholesale and transportation make up an estimated 9.3% of Illinois' output and 9.8% of Chicago's output. Among the nation's largest metro areas, only Dallas and Houston are more dependent on this cluster of industries. O'Hare International Airport is the nation's second busiest airport, after Hartsfield in Atlanta, handling about 67 million passengers annually. The airport generates 450,000 jobs and $38 billion in economic activity for the Chicago region and the state.

- Chicago's transportation network, however, is reaching capacity. O'Hare was the nation's busiest airport before 2005, when the federal government imposed stricter limits to reduce flight delays at the airport. A $6.6 billion expansion of O'Hare (the O'Hare Modernization Program) is under way that will help increase capacity at the airport. The program is expected to create an additional 195,000 jobs and $18 billion in economic activity, according to the City of Chicago. The most controversial part of the project is the proposed construction of a new western terminal with more gates and parking.

- Northern Illinois remains the nation's rail hub. The industry is benefiting from a rebound in freight demand and Chicago's well-developed multimodal transportation facilities. Rising trucking costs are driving more freight toward the rails, spurring new investment. Notably, CenterPoint Properties is planning a third train-to-truck terminal in Will County that will create several thousand jobs.

- Intermodal traffic is the fastest growing part of the rail industry, as most railway yards have been converted to handle intermodal traffic. Chicago is the third largest intermodal container handler in the world, behind Hong Kong and Singapore. A number of intermodal terminals have been built in recent years in Chicago, Rochelle and Davenport (Rock Island).

*Education*

- Other service-based industries that will support growth in the state include healthcare facilities and educational institutions. The University of Illinois-Champaign, Illinois State University in Bloomington, and Southern Illinois University will provide long-term stability to the downstate economy. Chicago also supports a number of universities including Northwestern, the University of Chicago, the University of Illinois in Chicago, and Loyola, but they are not as vital to the Chicago economy as they are downstate. With private university tuition rising and incomes remaining low, downstate public universities have become attractive and will likely be able to increase enrollment throughout the current decade. In addition to providing direct educational services, the universities also spur new avenues of growth through spinoffs from university research.

*Healthcare*

- Healthcare will support growth throughout the state as the population ages. This will be a driver of growth downstate, particularly in regional healthcare centers such as Peoria, Rockford and Springfield. In Peoria, for example, healthcare is expected to lead growth in the medium and long term. Healthcare is also important in Kankakee, which uses its local cost advantages and proximity to Chicago to focus on long-term healthcare for the elderly and disabled. Although Illinois' 15% share of healthcare employment is roughly in line with the nation's, it is much higher than average in Kankakee, Peoria, Rockford and Springfield. However, growth will lag the U.S. average primarily because of Illinois' relatively weaker population trends.

*Agriculture*

- The outlook for Illinois' large agricultural industry is optimistic. Despite the strong competition from agricultural powerhouses Brazil, Argentina, India and China, Illinois' farmers will benefit from a growing global economy. Domestic and international policy developments point to increased openness of agricultural markets.

- Developing alternative energy sources, including renewable sources that are eligible for tax breaks, are expanding markets for agricultural products. The price of oil, now in the $95 to $100 per barrel range, is likely to rise only slowly over the course of this year, but it will increase steadily in the medium term. This will make alternative energy production, in which Illinois is focused on ethanol, more economically viable.

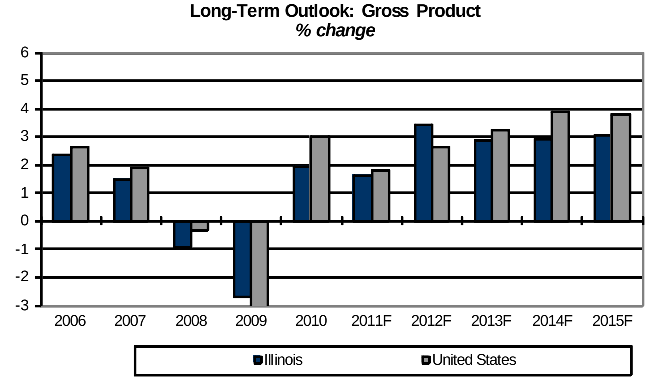
- Farm subsidies will remain an integral component of U.S. agriculture. The ballooning budget deficit could result in a reduction in subsidies down the road. Not only could farmers see cutbacks in obviously expendable programs such as conservation set-asides, but they could also see sharp cuts in both price supports and insurance.

*Energy*

- The increase in oil prices will drive the long-term outlook for alternative fuels as the U.S. seeks to reduce its dependence on foreign oil. Illinois is second only to Iowa in ethanol production from corn. Such companies as Decatur-based Archer Daniels Midland, corn processor A.E. Staley, and Adkins Energy should benefit.

- Even though the demand for coal declined as industrial production fell during the recession, the long-term outlook for Illinois' industry is still somewhat favorable. Illinois is home to the second-largest coal reserves in the nation. Many Illinois plants and mines have been resurrected as states attempt to keep electricity prices low and boost energy security by offering an alternative to foreign oil and gas.

## LONG-TERM OUTLOOK: NEGATIVE FACTORS (back to top)




- Illinois will not grow as fast as the nation despite its close ties to the national business cycle because of its worse long-run trend growth rate. This means the outlook for the Illinois economy is closely tied to the outlook for the nation, but in movement from growth to recession and back again, not through a common rate of growth. The state economy's tracking of the national business cycle is indicated below by the systemic volatility, which measures how much of the state's employment volatility is explained by the national business cycle. According to Moody's Analytics, 98% of the variation in the Illinois economy is related to variations in the national economy.

- Although Illinois' business cycle closely tracks the nation's business cycle, job growth has trailed the national pace for the last 10 years. A beta higher than 1 indicates that cyclical swings have greater amplitude than the national average. Unfortunately for Illinois, that amplitude has been evident in downswings in the business cycle but not in upswings. This has been the case in the latest cycle, with the state experiencing a steeper downturn than the nation but a more muted recovery thus far.

*Business climate*

- In order for Illinois to prevent significant erosion in its business climate it will need to solve the fiscal problems eroding its edge in areas such as talent, transportation, and access to customers and capital. Leveraging these advantages is important because business costs in Illinois are higher than in surrounding states and have risen more quickly recently because of the hike in corporate and personal income taxes.

## Employment Diversity and Volatility

| | Diversity[1] | Volatility 2010 | | | |
|---|---|---|---|---|---|
| | 2010 | Total[2] | Systematic[3] | Nonsystematic[3] | Beta[4] |
| **Illinois** | **0.89** | **98** | **98** | **2** | **0.96** |
| Indiana | 0.73 | 111 | 90 | 10 | 0.99 |
| Ohio | 0.86 | 94 | 97 | 3 | 0.91 |
| Michigan | 0.76 | 114 | 87 | 13 | 0.99 |
| Wisconsin | 0.74 | 92 | 97 | 3 | 0.90 |
| Iowa | 0.68 | 78 | 93 | 7 | 0.73 |
| United States | 1.00 | 100 | 100 | 0 | 1.00 |
| Median | 0.75 | 96 | 93 | 7 | 0.91 |

***Notes:***

1) Diversity is defined as the extent to which a state's industrial structure approximates that of the nation. The more closely the state's economy resembles the national economy, the higher the value. The diversity measure is bounded between 0 and 1. 1 means the state has the same industrial structure as the U.S., 0 means it has a totally different industrial structure than the U.S. Diversity is estimated using data for 2010.
2) Total volatility is the standard deviation of a state's employment growth. This relative deviation has been indexed to the United States = 100. Volatility is estimated using data for 2010.
3) Systematic fluctuation is that portion of an area's economy that is associated with national economic fluctuations. Nonsystematic volatility is that portion of an area's volatility not associated with national economic fluctuations.
4) Beta measures the magnitude of an area's sensitivity to national economic conditions. The U.S. average, by definition, is 1. A one percentage point increase in national employment will cause that portion of a metro area's employment base to rise by the percentage value of beta.

- While taxes are not the only factor affecting business decisions, they do matter, and temporary hikes in personal and corporate income tax rates have hurt Illinois' competitiveness to a degree. The state's overall tax climate deteriorated over the past year, with its ranking dropping from 16th to 28th among the 50 states, according to the Tax Foundation. The 12-point move was the largest move in either direction for any state between the start of fiscal 2011 and fiscal 2012.

- Among the tax-related impediments to expansion, Illinois' corporate, property and unemployment insurance taxes stack up poorly compared with other states. However, it was the hike in the corporate tax rate that was the single biggest reason for the recent slippage in the state's tax climate. With the increase, corporate income tax rates in the state are now the fifth highest nationally. Among Midwest states, only Iowa and Michigan had worse rankings in fiscal 2012. In the prior year, Illinois landed in the middle of the pack for this category and in the top half on a regional basis, scoring better than seven of 12 Midwest states.

- Illinois ranks in the middle of pack for its sales tax and scores in the top one-fourth of states for its individual income tax, which, similar to the corporate income tax, was also hiked about a year ago in an effort to shore up the state's finances. But while the changes delivered a significant blow to the business tax climate, the personal tax environment worsened only modestly. The state's ranking slipped only three spots from 10th to 13th in this important category, which the Tax Foundation assigns the largest weighting to among the five components it uses to score each state's tax system. Greater importance is assigned to those tax components that exhibit more variability.

- Illinois had the best individual income tax in the Midwest in fiscal 2011, so even the modest slippage weakens its relative position in this category, albeit only modestly. The two states that now score better—Michigan and Indiana—share a distinction with Illinois in that they are the only Midwest states with a flat income tax rate. The other nine states use progressive tax rates for individuals.

- Although a less favorable tax climate is expected to subtract modestly from growth, Illinois is unlikely to lose its appeal for corporate headquarters and companies that need highly skilled workers and are willing to pay for the top talent. Instead, the risk centers on businesses that are more cost sensitive. Specifically, retaining businesses in industries such as manufacturing and transportation that hire semi-skilled workers at decent wages will be a challenge if taxes increase again or if there is a perception that they will rise in the future. This is a concern since manufacturing in the state is no longer the drag on the economy it once was, and downstream industries have been star performers for Illinois during the recovery and in years past.

*Manufacturing*

- Manufacturing will occupy a slightly greater than average share of the Illinois economy, but the state will have to fight to hold on to its manufacturing base. More than

326,000 jobs have been lost since 1997, or 36%. Most of these manufacturing losses are permanent. The long-run decline of manufacturing will prevail despite the industry's current resurgence, seen in 19,000 regained jobs statewide since the beginning of 2010. Manufacturing is of greater importance in northern and central Illinois than it is in Chicago. While the share of employment in manufacturing in the state as a whole, at 10.1%, is only somewhat higher than the national average of 8.9%, the share outside of Chicago is somewhat higher, at 12%. Illinois' largest manufacturing industries, in order of importance, are fabricated metals, industrial machinery, food processing, chemicals and plastics. Together, the five account for 60% of all manufacturing jobs, compared with 45% nationally. Areas such as Peoria, Decatur and Davenport-Moline have a particularly high exposure to the two largest industries.

- Illinois' manufacturers will face daunting competition in the global marketplace in the long term. They have been forced to shift operations to lower-cost regions of the world to remain competitive, and the depreciating dollar does not reduce the cost advantage sufficiently to reverse this process, though it may slow it. This downward trend will prevail despite the near parity in business costs between downstate manufacturing centers and southern manufacturing centers, particularly in electricity costs. Many companies have yet to benefit from the global marketplace. Smaller exporters that depend on distributors do not see the exchange rate benefits as readily—unless overseas buyers increase their orders—because the distributors absorb the currency gains. Much of the state's low-value-added manufacturing, with the exception of food processing, is likely to leave the state.

- Many manufacturers recognize that they cannot improve efficiency enough to be able to sell their products for as little as Chinese companies can. They are allowing their business to slowly dwindle. According to the Alliance for Illinois Manufacturing, up to three-quarters of the area's manufacturing companies are either struggling to figure out how to change or have no strategy to ensure long-term viability. More than two-thirds of manufacturers use outdated processes.

- Illinois' pharmaceuticals industry, headed by Abbott Labs and Baxter International, has not escaped the restructuring that has thinned the ranks of workers in other industries. Local production has declined as the industry is going through a wave of acquisitions, mergers and downsizing. However, the industry has strong long-term prospects, and local research and development connections to major local universities and hospitals will assure its continued presence in the area.

*Airlines*

- The restructuring of Illinois' airline industry has accelerated over the past year. Both United Airlines and American Airlines, O'Hare's largest carriers, have struggled with increased competition in the industry. In 2010, United Airlines merged with Continental Airlines and kept its corporate headquarters in Chicago, avoiding the previous risk of headquarters job losses.

*Tourism*

- Chicago faces an uphill battle in increasing its international visitor count, which barely grew last year because of fewer travelers from the U.K.—the metro division's largest inbound overseas market. Overseas tourism is important because international visitors stay longer and spend more than their domestic counterparts. Though Chicago's tourism bureau is re-establishing a presence in London, a quick rebound seems unlikely given the country's worsening economic outlook.

*Structural deficiencies*

- The state's outlook is tarnished by such structural problems as a lack of strong growth drivers, slowly growing industries, and weak population trends. The state's costs of doing business are just slightly above average, but higher than in most Midwest states. Unit labor costs are above average, in part because of a still-high presence of unions. This makes it difficult for Illinois to attract expanding companies. For example, the state lost out to Texas in 2010 for a new Caterpillar plant.

- Among the state's metro areas, however, overall business costs are above average only in Chicago and Lake County. The Moody's Analytics measure of metro business costs includes an index of office rents, which is measured as rent per square foot. In particular, energy costs are higher in the Chicago area than they are elsewhere in the state. Labor costs are above average in every metro area, with the exception of Peoria and Springfield. The increase in the tax burden, which increased for all of the state's metro areas, will not be reflected in the 2011 numbers.

**Index of Relative Business Costs**

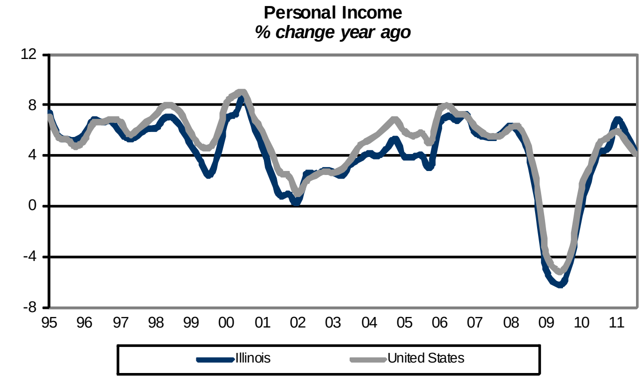
| | Labor Cost | | Tax Burden | | Energy Cost | | Overall Index | |
|---|---|---|---|---|---|---|---|---|
| | Index | *Rank* | Index | *Rank* | Index | *Rank* | | *Rank* |
| **Illinois** | **102** | ***11*** | **99** | ***18*** | **96** | ***21*** | **101** | ***15*** |
| Indiana | 90 | 42 | 99 | 20 | 83 | 32 | 88 | 43 |
| Ohio | 97 | 27 | 107 | 11 | 96 | 19 | 98 | 21 |
| Michigan | 107 | 4 | 102 | 14 | 95 | 25 | 104 | 12 |
| Wisconsin | 101 | 15 | 108 | 10 | 96 | 22 | 100 | 17 |
| Iowa | 89 | 44 | 95 | 25 | 75 | 41 | 86 | 46 |

***Notes:***

1) Rank is for all states plus District of Columbia.
2) U.S. average = 100.
3) Labor Costs are measured by total earnings per employee at the 3-digit NAICS level.
4) Tax Burdens are measured by all taxes excluding severance, education, and hospital taxes relative to personal income.
5) Energy costs are measured by cents per kwh for industrial and commercial users.
6) In the overall Index, Labor Costs have 75% weight, Energy Costs have 15% weight, and Taxes have 10% weight.

## INCOME (back to top)

- Nominal personal income growth slowed to a crawl in the third quarter of 2011, rising 0.5% at an annual rate. This was the smallest gain since 2009 and illuminates the downshift in growth in the second half of the year. The slowdown was not isolated to Illinois as income growth in Iowa, Minnesota, Wisconsin and Missouri slowed noticeably. Incomes in Indiana fell in the third quarter.



Sources: BEA, Moody's Analytics

- After supplementing incomes in Illinois, the government is a drag. Transfer payments fell 1.7% annualized in the third quarter of 2011, its second decline in the past three quarters. Much of the weakness is attributable to fewer unemployment insurance payments, as they have fallen for four consecutive quarters. Transfer payments account for more than 16% of personal income, well above the 13% prior to the recession.

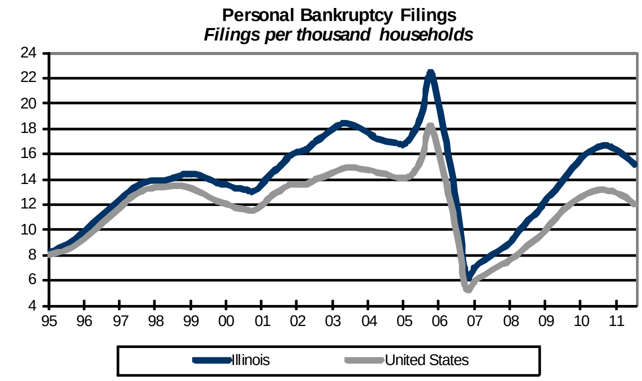
- Excluding transfer payments, nominal personal income eked out only a 1% annualized gain in last year's third quarter. This comes on the heels of a 3.3% gain in the second quarter and a 13.4% jump in the first quarter. The first quarter was inflated by the reduction in the Social Security tax.

- With the government's support fading, the labor market needs to generate the necessary wage income to support spending and consumer credit conditions. The news on wage income is mixed. Although wage growth slowed sharply in the middle two quarters of last year, the gains were better than expected given the lack of new jobs. Still, wage growth is falling short of inflation, and real wages have fallen in three of the past four quarters.

- Per capita income in Illinois increased 2.4% in 2010 to $42,057. This follows a decline of 5.6% in 2009, which was the first time per capita income fell in the state since the 1950s.

## BALANCE SHEETS (back to top)

- The bankruptcy law passed in October 2005, which made filing for protection more onerous, caused a measurable spike and then a subsequent decline in bankruptcy filings in Pennsylvania and the U.S. It should be kept in mind that the low level of personal bankruptcy filings is not indicative of an improvement in the local or regional economies.




Source: Administrative Office of U.S. District Courts

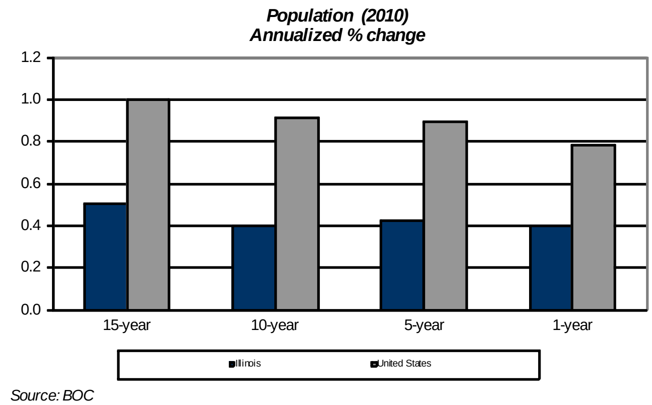
- Delinquency and default rates are better measures of credit conditions in Illinois, and they suggest that households in the state are having a tougher time getting their finances in order, with negative implications for consumer activity. Delinquency rates are falling more slowly, and more of the improvement is due to the removal of bad accounts from lenders' portfolios. Charge-off rates for the state have yet to turn down like they have nationally.

- Many households are struggling to overcome their falling home values. With the correction particularly severe in Chicago and the surrounding areas, a larger share of homeowners are under water on their mortgages in the northern part of the state. Home equity per household has fallen by about two-thirds from the peak in Illinois and more than three-quarters in Chicago, where the steepest fall in house prices has occurred. Nationally, households have seen their home equity fall closer to one-half.

- Mortgage credit conditions have not improved appreciably this year, with delinquencies on home equity loans above the national average for the first time since 2006. Foreclosures are also more problematic in the state, but with its lengthy judicial resolution process, there has not been a bursting of the pipeline that would spell greater downward pressure on house prices.

## DEMOGRAPHIC TRENDS (back to top)

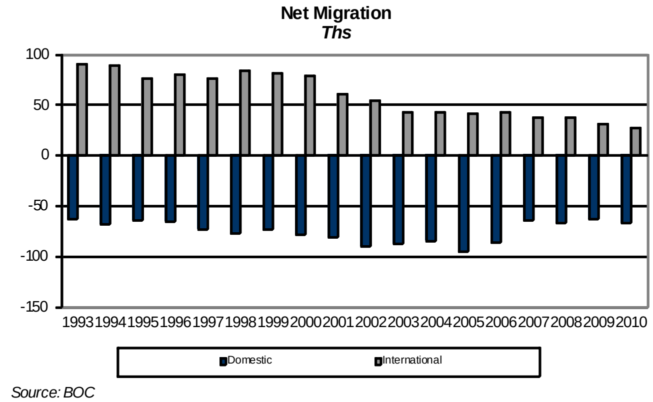
- An important determinant of the prospects for the Illinois economy is its demographic profile, which is considerably weaker than the nation's but roughly in line with that of the lagging Midwest. Population growth in the state has ratcheted lower fairly steadily since the early 1990s, though there was a temporary disruption in the weakening trend very late in the last expansion and during the recession. After slipping by almost a full percentage point between 1992 and 2005, from 1.1% to 0.2%, population growth in Illinois doubled to 0.4% by 2007 and held at that pace in the subsequent two years. New estimates show that the rate fell back to 0.2% in 2011, as both immigration and birth rates have declined.




- During the 2000s, Illinois' population grew 3.3%, roughly one-third the national increase of 9.7% and modestly less than the mediocre 3.9% gain in the Midwest. During the 1990s, population growth in the state was about one-half of the national growth rate and a touch better than in region. The weakening population trends have had far-reaching consequences, from weak labor force growth to weak demand for housing and consumer goods and services.

- Within the state, trends are better in Chicago than they are downstate, where population growth has been ratcheting down since 2006. The slowing in population growth since the early 1990s is fairly broad-based across the state, but the trend is more pronounced in Chicago than in the rest of the state. Other metro areas in the northern part of the state logged even bigger slowdowns in population growth over the last two decades but, unlike Chicago, have not made any improvement in the last several years.

- One encouraging aspect of the outlook for Chicago is the strengthening demographics in the urban core. Not since the late 1990s has population growth in




Cook County been this strong. This recentralization in demographics is apt to continue given the diminished appeal of owning a home in the outer suburbs and the increasing number of well-paying jobs downtown. The recent hike in corporate taxes has stirred unhappiness in the local business community, but for most large corporations the effect on profits is too small to be a deciding factor in whether to relocate out of the state.

- As the national recovery strengthens, more of the state's residents are seeking opportunities elsewhere. A net 39,000 residents left the state in 2011, an increase of about 25% from the prior year and triple the amount that relocated in 2009, when both Illinois and nation were in the throes of the financial crisis and recession, and labor mobility has ground to a halt.

- Over the past two decades, international migrants have helped temper the negative impact on Illinois' population base due to the tide of domestic out-migrants. However, foreign immigration has tailed off over the past couple of years, and with changes to immigration laws still floating around Congress, a key source of population growth for the state could be at risk. Net foreign migration totaled 27,000 in 2011, down from nearly 36,000 in 2010 and the smallest total since 1990. Net domestic migration in the state has been fairly steady at between -65,000 and -70,000 over the last few years.

- The natural rate of population growth has also slowed in Illinois, with the difference in birth and death rates reaching a post-World War II low in 2011. That said, the difference was still larger than it was nationally in 2011, as Illinois' birth rate is slightly higher than average because of a higher proportion of the population near the peak child-bearing age.

- While Illinois' population between the ages of 25 and 44 makes up a larger share of the total compared with the Midwest and the nation, it has been contracting steadily for the past decade. The pace has slowed a bit over the last few years, and the trend should continue, with very small gains over the next few years expected to give way to more modest growth in the second half of the current decade. Some of this is natural and related to larger numbers of people entering into the bucket and fewer leaving it. That said, the rate at which working-age adults are leaving the state in search of better opportunities is also expected to diminish somewhat as the performance gap between Illinois and the nation diminishes once the state's housing recovery gets going in 2013.

- A big wild card for the state is whether baby boomers will leave en masse to retire to warmer climates. In the baseline outlook, the assumption that baby boomers will tire and move out of the state results in a gradual slowing in population growth after 2013. While the largest number of the state's out-migrants is headed to Indiana, where living costs are lower, retiree destinations such as Florida, Texas and California now rank as the second, third and fourth most popular destinations for relocating residents.

- Because Illinois is expected to lose a good number of elderly residents to areas further south, the share of the population 65 and older is not expected to close its gap with the Midwest and national averages over the forecast horizon. This has important implications for the types of goods and services that will be demanded in the state. In particular, it will weigh on the growth of healthcare, with demand for health services rising at a slower than average pace as baby boomers age.

- Another demographic determinant of Illinois' outlook is the educational attainment of the population. In 2010, most Illinois workers had some postsecondary education, and nearly 31% held a bachelor's degree. Both of those figures are considerably better than national and regional averages. However, Illinois' share of adults with a college degree ranks 13th nationally. Most northeastern states rank ahead of Illinois, as do Colorado and Washington in the West. The only midwestern state to rank ahead of Illinois is Minnesota. No southern state ranks above Illinois.

- The state's relatively high ranking is primarily due to the concentration of white-collar jobs in the Chicago area and in downstate metro areas including Champaign, Bloomington and Springfield. The metro areas that have a high dependence on manufacturing, including Davenport, Decatur, Kankakee, Peoria and Rockford, all have below-average educational attainment levels. Champaign and Bloomington have the best-educated labor forces in the state. Primary and secondary education in the state is uniformly strong, as every metro area in Illinois boasts an above-average share of high school graduates.

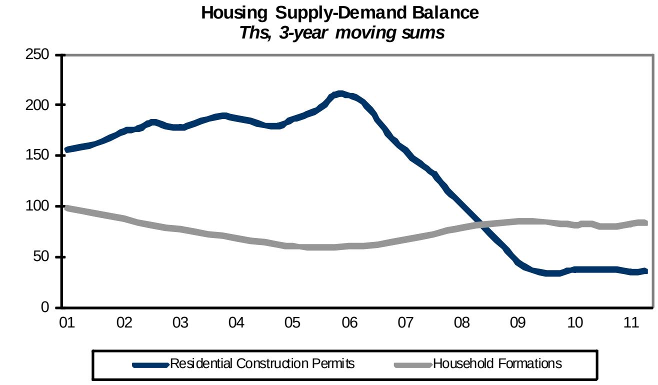
**Migration Flows - IL - 2010**

| Into Illinois | Number of Migrants | From Illinois | Number of Migrants |
|---|---|---|---|
| Indiana | 14,389 | Indiana | 18,847 |
| California | 11,775 | Texas | 16,853 |
| Wisconsin | 10,920 | California | 14,578 |
| Missouri | 10,378 | Florida | 14,174 |
| Florida | 10,041 | Wisconsin | 13,581 |
| Texas | 9,238 | Missouri | 12,994 |
| Michigan | 8,625 | Iowa | 8,549 |
| Iowa | 6,797 | Michigan | 6,730 |
| Ohio | 5,740 | Arizona | 6,518 |
| New York | 5,037 | Georgia | 6,116 |
| **Inmigration** | **159,673** | **Outmigration** | **202,582** |
| | | **Net Migration** | **-42,909** |

***Note:***
Net Migration: Number of Migrants is the net flow of migrants.

*Source: Moody's Analytics calculation from 2010 IRS data*

## RESIDENTIAL REAL ESTATE (back to top)



Sources: BOC, Moody's Analytics

- The Illinois housing market is going nowhere fast, and it will not be until very late in the year that conditions improve. Home sales and construction remain at their weakest point in decades. While single-family construction is registering a faint pulse nationally, there are no signs of a pickup from the bottom in Illinois. Moreover, construction is receiving less support from multifamily activity, which is improving but not as fast as that nationally.

- A large foreclosure backlog in Chicago, Lake County and Rockford will cause the state's beleaguered housing market to fare worse than the Midwest and the nation over the next year. The three metro areas account for 90% of the state's foreclosures but only two-thirds of its housing stock. Foreclosure inventories have come down quite a bit from their peak at the start of the 2011, but at 21 per 1,000 households in the state, they are still about double the national average. Moreover, improvement has been driven mainly by the robo-signing controversy and not improving fundamentals. Foreclosure filings have recently picked up, suggesting banks are more willing to foreclose.

- Household formation has also been slower to recover because of weak population growth, weighing on housing demand. The better job market should help reverse this trend in 2012, but with so much excess inventory, builders will be slow to build new homes. Weak population growth will also limit the rebound in household formation, which so far has trailed both the Midwest and national averages. Consequently, it will be a challenge for construction payrolls to hold on to their recent gains in place such as Lake County, which has reversed about 40% of the recession job losses in the industry over the last year.

- With excess supply more of a problem in the state and demand expected to be weaker, house prices will continue to fall this year except in those parts of the state where foreclosure inventories are low and homes are undervalued. Prices in Kankakee and Peoria, for example, ought to begin their ascent in the spring, six to nine months ahead of the rest of the state.

- There is one reason to be hopeful that house prices in parts of the state where foreclosures are still a big problem may not be hit too hard as the excess supply that has been held back by the robo-signing comes on the market. This is because the distress market is becoming disconnected from the rest of the market. Thus, while there are thousands of vacant homes, many are in poor condition, and homeowners who owe more on their mortgage than the price their home can fetch are unwilling to sell. With vacancies of attractive properties falling and apartment rents rising, the prices of nondistress homes are being bid up. Less contagion from distress properties could also boost construction, to the extent that more housing demand gets funneled back toward newly constructed homes relative to existing ones.

## COMMERCIAL REAL ESTATE (back to top)

- Rising business investment and improved access to credit are providing support to Illinois' commercial real estate market, which is in better shape than it was last year at this time. Warehousing and office segments are experiencing declining vacancy rates, and space needs are rising along with employment. Banks only recently began to loosen standards on commercial real estate loans, a trend that will continue as loan quality improves.

- Employment levels generally dictate space needs. Consequently, while commercial real estate conditions are improving, it is likely that the market will not reach prerecession levels for two to three more years, mirroring the pattern for payrolls. Over the coming year, the office market is expected to take the baton from the industrial market as the strongest performer. During the recession, office-using employment in the state fell by almost 153,000, or 11%. Only about one-quarter of that loss, or 35,000 jobs, has been regained.

- The forecast calls for a bit more growth in office-using employment this year, but the real strengthening will come in 2013 and 2014, once lagging financial services make a comeback. The information sector is another industry that is expected to see growth quicken significantly close to the middle of the decade.

- With the state's consumers having a tougher time getting their financial houses in order, the retail market will struggle to keep pace with the rest of the market. The hotel industry should outperform, however, as a dearth of new construction and improving demand cause occupancy and room rates to rise this year, albeit more slowly than in 2011.

## FORECAST RISKS (back to top)

- Even with incoming data indicating that the Illinois economy is transitioning to the new year on a positive note, the risks are geared to the downside. Deep-rooted fiscal problems and a worsening tax climate are the largest risks facing the state's economy. Last year's tax hikes have hurt the business climate, at least at the margin, and still could limit job creation and retention if businesses and consumers start to believe the increases will be made permanent or be followed up by additional increases in the coming year. How quickly lawmakers respond to the state's gargantuan pension problem will influence perception of the likelihood more painful tax hikes will occur down the road.

- An intensification of sovereign debt troubles in Europe or a hard landing for emerging economies would extend the period of weakness in exports, and manufacturing and downstream industries would suffer. Unresolved fiscal and banking issues in Europe also present threats to financial stability, with negative implications for the state's financial services, which would likely pull back on any sign of trouble. Unsettled financial conditions would also tend to make it more expensive for the state to borrow, adding to its fiscal problems.

- There are also worrying policy uncertainties domestically. Specifically, Congress' vote to postpone a decision on expiring tax relief and jobless benefits needlessly heightens uncertainty and provides ample reason to worry that more challenging sources of fiscal restraint in 2013 may not be safely overcome. Although 2013 is expected to be a much better year for the Illinois economy, the recovery will be vulnerable to a setback in the first few months.

- The scaling back of farm support programs, on which many Illinois farmers depend, create another risk for the state. Given the mounting federal government deficit, compounded by large federal budget deficits, and the impending retirement of baby boomers, farm support programs could be at risk, especially as the Midwest's population share (and, hence, representation in Congress) declines.

- Energy prices have stayed high recently and have proven sensitive to brief interruptions in global supply. Another escalation of oil prices would increase the stresses on the economy, particularly energy-dependent segments such as manufacturing and transportation/distribution, both of which are concentrated in the state.

- However, an increase in energy prices also has upside potential for Illinois. It would give a spark to the state’s nascent alternative energy industries, including ethanol, biodiesel, and other forms of renewable energy, as well as more fuel-efficient technologies and equipment. Support for such green industries has been a consistent tool in the Obama administration’s efforts to increase environmental protection.

## DEMOGRAPHIC PROFILE (back to top)

| Indicator | Units | Illinois | U.S. | Rank | Year |
|---|---|---|---|---|---|
| **Households** | | | | | |
| Households, % change (2006-2011) | Ann. % change | 0.6 | 1.0 | 40 | 2011 |
| Population w/ B.A. degree or higher | % of adult population | 26.1 | 24.4 | 15 | 2000 |
| Median household income | $ | 52,972 | 50,046 | 18 | 2010 |
| *% change year ago* | | *-1.8* | *-0.4* | 36 | 2010 |
| **Population** | | | | | |
| Per capita income | $ | 42,057 | 39,945 | 17 | 2010 |
| *% change year ago* | | *2.4* | *2.8* | 34 | 2010 |
| Population | thousands | 12,869 | 311,592 | 5 | 2011 |
| *% change year ago* | | *0.2* | *0.7* | 42 | 2011 |
| White | % | 71.5 | 72.4 | 33 | 2010 |
| Black or African American | % | 14.6 | 12.6 | 15 | 2010 |
| Hispanic | % | 15.8 | 16.4 | 10 | 2010 |
| Asian | % | 3.5 | 3.8 | 10 | 2000 |
| Net domestic migration, rate | Persons/ths. pop. | -5.2 | 0.0 | 51 | 2011 |
| International migration, rate | Persons/ths. pop. | 2.1 | 2.3 | 16 | 2011 |
| Poverty rate | % | 10.7 | 12.4 | 22 | 1999 |
| Median age | years | 36.6 | 37.2 | 16 | 2010 |
| Household Cost Indexes | | | | | |
| Housing affordability index | | 202.8 | 187.8 | 18 | 2010 |
| Median existing home price | $ ths | *156.0* | *174.3* | 22 | 2010 |
| *% change year ago* | | -2.16 | 2.09 | 39 | 2010 |

# Illinois

## Recent Monthly Performance

| | Nov 10 | Dec 10 | Jan 11 | Feb 11 | Mar 11 | Apr 11 | May 11 | Jun 11 | Jul 11 | Aug 11 | Sep 11 | Oct 11 | Nov 11 | Most Recent Yr/Yr % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Establishment Employment (Ths, SA)** | | | | | | | | | | | | | | |
| Total Employment | 5,629.0 | 5,623.8 | 5,648.0 | 5,668.3 | 5,670.9 | 5,680.0 | 5,684.9 | 5,677.6 | 5,657.0 | 5,659.9 | 5,658.6 | 5,685.5 | 5,686.1 | 1.0 |
| *% change* | *0.0* | *-0.1* | *0.4* | *0.4* | *0.0* | *0.2* | *0.1* | *-0.1* | *-0.4* | *0.1* | *0.0* | *0.5* | *0.0* | |
| Natural Resources & Mining | 9.4 | 9.5 | 9.5 | 9.6 | 9.4 | 9.4 | 9.3 | 9.4 | 9.5 | 9.5 | 9.6 | 9.3 | 9.6 | 2.1 |
| *% change* | *0.0* | *1.1* | *0.0* | *1.1* | *-2.1* | *0.0* | *-1.1* | *1.1* | *1.1* | *0.0* | *1.1* | *-3.1* | *3.2* | |
| Construction | 197.2 | 191.5 | 200.8 | 201.3 | 202.7 | 202.9 | 206.2 | 207.8 | 204.9 | 205.2 | 201.2 | 201.1 | 199.4 | 1.1 |
| *% change* | *-0.3* | *-2.9* | *4.9* | *0.2* | *0.7* | *0.1* | *1.6* | *0.8* | *-1.4* | *0.1* | *-1.9* | *0.0* | *-0.8* | |
| Manufacturing | 560.6 | 560.4 | 564.1 | 563.7 | 563.6 | 568.7 | 570.3 | 572.1 | 573.9 | 570.5 | 569.6 | 571.5 | 571.4 | 1.9 |
| *% change* | *-0.1* | *0.0* | *0.7* | *-0.1* | *0.0* | *0.9* | *0.3* | *0.3* | *0.3* | *-0.6* | *-0.2* | *0.3* | *0.0* | |
| Trade, Transportation, & Utilities | 1,127.2 | 1,124.6 | 1,136.2 | 1,136.0 | 1,140.2 | 1,145.4 | 1,144.6 | 1,142.7 | 1,135.4 | 1,134.9 | 1,136.9 | 1,142.3 | 1,141.4 | 1.3 |
| *% change* | *-0.2* | *-0.2* | *1.0* | *0.0* | *0.4* | *0.5* | *-0.1* | *-0.2* | *-0.6* | *0.0* | *0.2* | *0.5* | *-0.1* | |
| Retail Trade | 587.3 | 583.3 | 595.6 | 593.9 | 593.9 | 596.7 | 594.4 | 592.9 | 590.2 | 590.0 | 586.2 | 589.5 | 587.8 | 0.1 |
| % change | *-0.6* | *-0.7* | *2.1* | *-0.3* | *0.0* | *0.5* | *-0.4* | *-0.3* | *-0.5* | *0.0* | *-0.6* | *0.6* | *-0.3* | |
| Wholesale Trade | 283.9 | 283.9 | 283.5 | 285.5 | 288.1 | 288.7 | 289.7 | 289.5 | 288.0 | 288.4 | 289.4 | 290.7 | 291.1 | 2.5 |
| *% change* | *-0.1* | *0.0* | *-0.1* | *0.7* | *0.9* | *0.2* | *0.3* | *-0.1* | *-0.5* | *0.1* | *0.3* | *0.4* | *0.1* | |
| Transportation & Utilities | 256.0 | 257.4 | 257.1 | 256.6 | 258.2 | 260.0 | 260.5 | 260.3 | 257.2 | 256.5 | 261.3 | 262.1 | 262.5 | 2.5 |
| *% change* | *0.6* | *0.5* | *-0.1* | *-0.2* | *0.6* | *0.7* | *0.2* | *-0.1* | *-1.2* | *-0.3* | *1.9* | *0.3* | *0.2* | |
| Information Services | 101.4 | 100.6 | 100.3 | 99.2 | 98.0 | 96.4 | 97.2 | 97.5 | 97.7 | 97.3 | 95.7 | 97.4 | 96.8 | -4.5 |
| *% change* | *0.5* | *-0.8* | *-0.3* | *-1.1* | *-1.2* | *-1.6* | *0.8* | *0.3* | *0.2* | *-0.4* | *-1.6* | *1.8* | *-0.6* | |
| Financial Services | 359.4 | 358.0 | 356.5 | 355.8 | 354.5 | 353.2 | 355.4 | 355.7 | 357.1 | 357.2 | 355.8 | 358.1 | 356.8 | -0.7 |
| *% change* | *0.0* | *-0.4* | *-0.4* | *-0.2* | *-0.4* | *-0.4* | *0.6* | *0.1* | *0.4* | *0.0* | *-0.4* | *0.6* | *-0.4* | |
| Professional & Business Services | 805.7 | 809.5 | 810.8 | 818.0 | 820.9 | 819.7 | 819.2 | 815.9 | 814.7 | 819.3 | 819.3 | 830.5 | 834.1 | 3.5 |
| *% change* | *0.2* | *0.5* | *0.2* | *0.9* | *0.4* | *-0.1* | *-0.1* | *-0.4* | *-0.1* | *0.6* | *0.0* | *1.4* | *0.4* | |
| Education & Health Services | 844.6 | 843.9 | 842.7 | 848.3 | 847.0 | 848.4 | 849.1 | 845.2 | 847.7 | 849.5 | 855.0 | 859.5 | 859.8 | 1.8 |
| *% change* | *0.3* | *-0.1* | *-0.1* | *0.7* | *-0.2* | *0.2* | *0.1* | *-0.5* | *0.3* | *0.2* | *0.6* | *0.5* | *0.0* | |
| Leisure & Hospitality Services | 518.1 | 519.6 | 521.4 | 528.0 | 524.0 | 522.8 | 519.9 | 523.1 | 517.4 | 519.1 | 518.9 | 521.7 | 522.3 | 0.8 |
| *% change* | *0.3* | *0.3* | *0.3* | *1.3* | *-0.8* | *-0.2* | *-0.6* | *0.6* | *-1.1* | *0.3* | *0.0* | *0.5* | *0.1* | |
| Other Services | 253.1 | 254.3 | 256.3 | 259.4 | 260.8 | 260.0 | 258.7 | 256.5 | 252.6 | 254.0 | 253.6 | 251.8 | 251.7 | -0.6 |
| *% change* | *-0.6* | *0.5* | *0.8* | *1.2* | *0.5* | *-0.3* | *-0.5* | *-0.9* | *-1.5* | *0.6* | *-0.2* | *-0.7* | *0.0* | |
| Government | 852.3 | 851.9 | 849.4 | 849.0 | 849.8 | 853.1 | 855.0 | 851.7 | 846.1 | 843.4 | 843.0 | 842.3 | 842.8 | -1.1 |
| % change | *-0.1* | *0.0* | *-0.3* | *0.0* | *0.1* | *0.4* | *0.2* | *-0.4* | *-0.7* | *-0.3* | *0.0* | *-0.1* | *0.1* | |
| | | | | | | | | | | | | | | **1 Year Change** |
| Unemployment Rate (%, SA) | 9.4 | 9.2 | 9.0 | 8.9 | 8.8 | 8.7 | 8.9 | 9.1 | 9.5 | 9.9 | 10.0 | 10.1 | 10.0 | 0.6 |
| | | | | | | | | | | | | | | **Most Recent Yr/Yr % Change** |
| Labor Force (Ths) | 6,658.9 | 6,666.1 | 6,648.5 | 6,614.9 | 6,602.1 | 6,596.7 | 6,597.5 | 6,596.7 | 6,587.7 | 6,596.2 | 6,619.0 | 6,627.2 | 6,627.3 | -0.5 |
| % change | *0.1* | *0.1* | *-0.3* | *-0.5* | *-0.2* | *-0.1* | *0.0* | *0.0* | *-0.1* | *0.1* | *0.3* | *0.1* | *0.0* | |
| Number of Unemployed (Ths) | 623.8 | 613.4 | 599.2 | 588.3 | 581.9 | 575.2 | 584.8 | 603.5 | 627.6 | 652.8 | 663.1 | 668.7 | 660.6 | 5.9 |
| % change | *-1.9* | *-1.7* | *-2.3* | *-1.8* | *-1.1* | *-1.2* | *1.7* | *3.2* | *4.0* | *4.0* | *1.6* | *0.8* | *-1.2* | |
| Number of Employed (Ths) | 6,035.1 | 6,052.7 | 6,049.3 | 6,026.6 | 6,020.2 | 6,021.5 | 6,012.6 | 5,993.2 | 5,960.1 | 5,943.4 | 5,955.9 | 5,958.5 | 5,966.7 | -1.1 |
| % change | *0.3* | *0.3* | *-0.1* | *-0.4* | *-0.1* | *0.0* | *-0.1* | *-0.3* | *-0.6* | *-0.3* | *0.2* | *0.0* | *0.1* | |
| Total Residential Permits (# of units YTD, NSA) | 10,460 | 11,596 | 833 | 922 | 1,811 | 2,592 | 3,779 | 4,897 | 5,702 | 7,142 | 8,165 | 9,723 | 10,997 | 5.1 |
| year to year % change | *2.3* | *6.3* | *118.6* | *-17.5* | *-15.8* | *-19.6* | *-17.5* | *-14.2* | *-11.5* | *-4.0* | *-3.1* | *0.0* | *5.1* | |
| Single-family, (# of units YTD, NSA) | 7,516 | 7,862 | 291 | 634 | 1,356 | 1,981 | 2,671 | 3,349 | 4,019 | 4,770 | 5,392 | 6,115 | 6,657 | -11.4 |
| year to year % change | *-3.3* | *-4.5* | *-12.6* | *-27.5* | *-21.8* | *-24.8* | *-22.3* | *-21.1* | *-18.0* | *-14.3* | *-13.3* | *-10.8* | *-11.4* | |
| Multifamily, (# of units YTD, NSA) | 2,944 | 3,734 | 542 | 288 | 455 | 611 | 1,108 | 1,548 | 1,683 | 2,372 | 2,773 | 3,608 | 4,340 | 47.4 |
| year to year % change | *20.1* | *39.5* | *1029.2* | *19.0* | *9.4* | *3.7* | *-3.1* | *5.9* | *9.4* | *26.3* | *25.6* | *26.1* | *47.4* | |
| 5 +, (# of units YTD, NSA) | 2,492 | 3,242 | 530 | 243 | 360 | 494 | 952 | 1,353 | 1,430 | 2,011 | 2,354 | 3,094 | 3,791 | 52.1 |
| year to year % change | *27.5* | *49.5* | *1792.9* | *16.3* | *1.4* | *-0.4* | *-0.2* | *10.5* | *12.0* | *28.2* | *25.9* | *26.0* | *52.1* | |
| | | | | | | | | | | | | | | **Most Recent Yr/Yr % Change** |
| Avg. Hrly Earnings: Mfg, ($ Per Hr, SA) | 17.11 | 17.14 | 17.26 | 17.30 | 17.52 | 17.64 | 18.00 | 18.01 | 18.29 | 18.21 | 18.34 | 18.47 | 18.39 | 7.5 |
| *% change* | *0.3* | *0.2* | *0.7* | *0.2* | *1.3* | *0.7* | *2.0* | *0.1* | *1.5* | *-0.4* | *0.7* | *0.7* | *-0.4* | |

# Illinois

## Recent Quarterly Performance

| | 08Q3 | 08Q4 | 09Q1 | 09Q2 | 09Q3 | 09Q4 | 10Q1 | 10Q2 | 10Q3 | 10Q4 | 11Q1 | 11Q2 | 11Q3 | Most Recent Yr/Yr % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross State Product (Bil Constant$, SAAR)** | 581.4 | 580.3 | 566.8 | 569.4 | 570.9 | 574.1 | 571.5 | 579.6 | 584.6 | 589.3 | 588.4 | 590.1 | 592.9 | 1.4 |
| *% change* | *-0.7* | *-0.2* | *-2.3* | *0.5* | *0.3* | *0.6* | *-0.5* | *1.4* | *0.9* | *0.8* | *-0.2* | *0.3* | *0.5* | |
| **Establishment Employment (Ths, SA)** | | | | | | | | | | | | | | |
| Total Employment | 5,947.5 | 5,882.2 | 5,767.7 | 5,667.4 | 5,608.1 | 5,588.4 | 5,589.3 | 5,619.8 | 5,612.1 | 5,627.0 | 5,662.4 | 5,680.8 | 5,658.5 | 0.8 |
| % change | *-0.5* | *-1.1* | *-1.9* | *-1.7* | *-1.0* | *-0.4* | *0.0* | *0.5* | *-0.1* | *0.3* | *0.6* | *0.3* | *-0.4* | |
| Natural Resources & Mining | 9.8 | 9.8 | 9.7 | 9.5 | 9.2 | 9.0 | 8.8 | 9.0 | 9.2 | 9.4 | 9.5 | 9.4 | 9.5 | 3.2 |
| % change | *1.4* | *0.0* | *-0.7* | *-2.4* | *-3.2* | *-2.5* | *-1.5* | *1.9* | *2.6* | *2.2* | *0.7* | *-1.4* | *1.8* | |
| Construction | 258.1 | 248.5 | 234.3 | 217.3 | 211.0 | 206.0 | 203.7 | 200.3 | 192.7 | 195.5 | 201.6 | 205.6 | 203.8 | 5.7 |
| % change | *-1.2* | *-3.7* | *-5.7* | *-7.3* | *-2.9* | *-2.4* | *-1.1* | *-1.6* | *-3.8* | *1.4* | *3.1* | *2.0* | *-0.9* | |
| Manufacturing | 656.3 | 639.5 | 610.6 | 578.6 | 562.5 | 555.2 | 554.7 | 560.3 | 560.9 | 560.7 | 563.8 | 570.4 | 571.3 | 1.9 |
| % change | *-1.2* | *-2.6* | *-4.5* | *-5.2* | *-2.8* | *-1.3* | *-0.1* | *1.0* | *0.1* | *0.0* | *0.6* | *1.2* | *0.2* | |
| Trade, Transportation, & Utilities | 1,203.5 | 1,187.5 | 1,163.9 | 1,143.1 | 1,129.5 | 1,121.8 | 1,120.0 | 1,126.1 | 1,127.5 | 1,127.0 | 1,137.5 | 1,144.2 | 1,135.7 | 0.7 |
| *% change* | *-0.7* | *-1.3* | *-2.0* | *-1.8* | *-1.2* | *-0.7* | *-0.2* | *0.5* | *0.1* | *0.0* | *0.9* | *0.6* | *-0.7* | |
| Retail Trade | 626.4 | 615.9 | 605.2 | 597.6 | 592.2 | 587.5 | 586.8 | 588.4 | 588.3 | 587.1 | 594.5 | 594.7 | 588.8 | 0.1 |
| *% change* | *-0.9* | *-1.7* | *-1.7* | *-1.3* | *-0.9* | *-0.8* | *-0.1* | *0.3* | *0.0* | *-0.2* | *1.2* | *0.0* | *-1.0* | |
| Wholesale Trade | 310.2 | 307.1 | 300.2 | 292.9 | 288.0 | 286.0 | 284.7 | 286.3 | 286.6 | 284.0 | 285.7 | 289.3 | 288.6 | 0.7 |
| % change | *-0.6* | *-1.0* | *-2.2* | *-2.4* | *-1.7* | *-0.7* | *-0.5* | *0.6* | *0.1* | *-0.9* | *0.6* | *1.3* | *-0.2* | |
| Transportation & Utilities | 266.8 | 264.5 | 258.5 | 252.6 | 249.3 | 248.3 | 248.6 | 251.4 | 252.6 | 255.9 | 257.3 | 260.3 | 258.3 | 2.3 |
| % change | *-0.3* | *-0.9* | *-2.3* | *-2.3* | *-1.3* | *-0.4* | *0.1* | *1.1* | *0.5* | *1.3* | *0.5* | *1.2* | *-0.7* | |
| Information Services | 114.2 | 111.9 | 109.6 | 106.7 | 105.0 | 104.3 | 103.2 | 101.9 | 100.7 | 101.0 | 99.2 | 97.0 | 96.9 | -3.8 |
| *% change* | *-1.2* | *-2.0* | *-2.0* | *-2.7* | *-1.6* | *-0.7* | *-1.1* | *-1.3* | *-1.1* | *0.2* | *-1.8* | *-2.2* | *-0.1* | |
| Financial Services | 390.2 | 385.8 | 379.2 | 373.7 | 369.1 | 365.9 | 363.6 | 361.7 | 360.0 | 358.9 | 355.6 | 354.8 | 356.7 | -0.9 |
| *% change* | *-1.0* | *-1.1* | *-1.7* | *-1.5* | *-1.2* | *-0.9* | *-0.6* | *-0.5* | *-0.5* | *-0.3* | *-0.9* | *-0.2* | *0.5* | |
| Professional & Business Services | 858.3 | 840.3 | 810.0 | 786.1 | 776.7 | 779.3 | 786.7 | 799.2 | 805.1 | 806.5 | 816.6 | 818.3 | 817.8 | 1.6 |
| *% change* | *-1.2* | *-2.1* | *-3.6* | *-3.0* | *-1.2* | *0.3* | *0.9* | *1.6* | *0.7* | *0.2* | *1.2* | *0.2* | *-0.1* | |
| Education & Health Services | 805.4 | 809.7 | 813.0 | 815.0 | 817.4 | 820.5 | 824.5 | 829.3 | 832.8 | 843.5 | 846.0 | 847.6 | 850.7 | 2.1 |
| *% change* | *0.8* | *0.5* | *0.4* | *0.2* | *0.3* | *0.4* | *0.5* | *0.6* | *0.4* | *1.3* | *0.3* | *0.2* | *0.4* | |
| Leisure & Hospitality Services | 532.3 | 528.7 | 521.7 | 517.8 | 514.7 | 512.6 | 512.5 | 513.5 | 513.6 | 518.0 | 524.5 | 521.9 | 518.5 | 0.9 |
| % change | *-0.5* | *-0.7* | *-1.3* | *-0.7* | *-0.6* | *-0.4* | *0.0* | *0.2* | *0.0* | *0.9* | *1.2* | *-0.5* | *-0.7* | |
| Other Services | 264.7 | 262.7 | 260.1 | 258.9 | 256.7 | 256.1 | 255.6 | 254.3 | 254.1 | 254.0 | 258.8 | 258.4 | 253.4 | -0.3 |
| *% change* | *0.4* | *-0.8* | *-1.0* | *-0.4* | *-0.9* | *-0.2* | *-0.2* | *-0.5* | *-0.1* | *0.0* | *1.9* | *-0.2* | *-1.9* | |
| Government | 854.7 | 857.8 | 855.5 | 860.8 | 856.5 | 857.7 | 856.1 | 864.3 | 855.4 | 852.4 | 849.4 | 853.3 | 844.2 | -1.3 |
| *% change* | *0.0* | *0.4* | *-0.3* | *0.6* | *-0.5* | *0.1* | *-0.2* | *1.0* | *-1.0* | *-0.4* | *-0.3* | *0.5* | *-1.1* | |
| | | | | | | | | | | | | | | **1 Year Change** |
| Unemployment Rate (%, SA) | 6.7 | 7.2 | 8.6 | 9.9 | 10.6 | 11.0 | 11.1 | 10.5 | 10.0 | 9.4 | 8.9 | 8.9 | 9.8 | -0.2 |
| | | | | | | | | | | | | | | **Most Recent Yr/Yr % Change** |
| Labor Force (Ths) | 6,658.2 | 6,610.5 | 6,594.1 | 6,597.9 | 6,583.7 | 6,586.2 | 6,634.5 | 6,643.6 | 6,637.2 | 6,658.8 | 6,621.9 | 6,596.9 | 6,601.0 | -0.5 |
| *% change* | *-0.7* | *-0.7* | *-0.2* | *0.1* | *-0.2* | *0.0* | *0.7* | *0.1* | *-0.1* | *0.3* | *-0.6* | *-0.4* | *0.1* | |
| Number of Unemployed (Ths) | 445.3 | 478.3 | 566.0 | 652.7 | 697.7 | 726.3 | 735.2 | 700.0 | 660.3 | 624.3 | 589.8 | 587.8 | 647.8 | -1.9 |
| *% change* | *8.8* | *7.4* | *18.4* | *15.3* | *6.9* | *4.1* | *1.2* | *-4.8* | *-5.7* | *-5.5* | *-5.5* | *-0.3* | *10.2* | |
| Number of Employed (Ths) | 6,212.9 | 6,132.3 | 6,028.1 | 5,945.2 | 5,886.0 | 5,859.8 | 5,899.2 | 5,943.6 | 5,976.9 | 6,034.5 | 6,032.0 | 6,009.1 | 5,953.1 | -0.4 |
| % change | *-1.3* | *-1.3* | *-1.7* | *-1.4* | *-1.0* | *-0.4* | *0.7* | *0.8* | *0.6* | *1.0* | *0.0* | *-0.4* | *-0.9* | |
| **Total Residential Permits (# of units YTD, NSA)** | 18,541 | 21,889 | 1,590 | 4,398 | 8,123 | 10,912 | 2,151 | 5,705 | 8,428 | 11,596 | 1,811 | 4,897 | 8,165 | -3.1 |
| *year to year % change* | *-46.0* | *-48.7* | *-70.7* | *-65.6* | *-56.2* | *-50.1* | *35.3* | *29.7* | *3.8* | *6.3* | *-15.8* | *-14.2* | *-3.1* | |
| Single-family, (# of units YTD, NSA) | 10,400 | 12,308 | 1,205 | 3,643 | 6,236 | 8,236 | 1,735 | 4,243 | 6,220 | 7,862 | 1,356 | 3,349 | 5,392 | -13.3 |
| *year to year % change* | *-48.9* | *-50.4* | *-56.0* | *-48.1* | *-40.0* | *-33.1* | *44.0* | *16.5* | *-0.3* | *-4.5* | *-21.8* | *-21.1* | *-13.3* | |
| Multifamily, (# of units YTD, NSA) | 8,141 | 9,581 | 385 | 755 | 1,887 | 2,676 | 416 | 1,462 | 2,208 | 3,734 | 455 | 1,548 | 2,773 | 25.6 |
| *year to year % change* | *-41.9* | *-46.3* | *-85.6* | *-86.9* | *-76.8* | *-72.1* | *8.1* | *93.6* | *17.0* | *39.5* | *9.4* | *5.9* | *25.6* | |
| 5 +, (# of units YTD, NSA) | 7,178 | 8,416 | 264 | 499 | 1,490 | 2,169 | 355 | 1,224 | 1,869 | 3,242 | 360 | 1,353 | 2,354 | 25.9 |
| *year to year % change* | *-40.9* | *-45.3* | *-88.7* | *-90.3* | *-79.2* | *-74.2* | *34.5* | *145.3* | *25.4* | *49.5* | *1.4* | *10.5* | *25.9* | |

# Illinois

## Recent Quarterly Performance

| | 08Q3 | 08Q4 | 09Q1 | 09Q2 | 09Q3 | 09Q4 | 10Q1 | 10Q2 | 10Q3 | 10Q4 | 11Q1 | 11Q2 | 11Q3 | Most Recent Yr/Yr % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Existing Single-Family Home Sales (Ths, SAAR) | 168.2 | 149.5 | 144.6 | 147.9 | 172.7 | 204.3 | 184.3 | 192.1 | 129.2 | 144.9 | 164.0 | 160.2 | 155.1 | 20.0 |
| *% change* | *-0.8* | *-11.1* | *-3.3* | *2.3* | *16.8* | *18.3* | *-9.8* | *4.2* | *-32.7* | *12.2* | *13.2* | *-2.3* | -3.2 | |
| Home Price Index (Index 1980Q1 = 100, NSA) | 355.1 | 354.7 | 354.5 | 345.2 | 334.5 | 332.4 | 327.0 | 324.9 | 329.5 | 327.8 | 314.8 | 310.1 | 314.4 | -4.6 |
| *% change* | *-2.9* | *-0.1* | *-0.1* | *-2.6* | *-3.1* | *-0.6* | *-1.6* | *-0.7* | *1.4* | *-0.5* | *-4.0* | *-1.5* | *1.4* | |
| Median Existing Home Sales Price (Ths, SA) | 189.3 | 175.4 | 161.0 | 160.1 | 159.3 | 157.5 | 153.8 | 159.4 | 155.0 | 156.0 | 140.7 | 144.7 | 147.6 | -4.7 |
| *% change* | *-4.7* | *-7.3* | *-8.2* | *-0.6* | *-0.5* | *-1.2* | *-2.3* | *3.7* | *-2.8* | *0.7* | *-9.8* | *2.8* | *2.0* | |
| Personal Income (Mil $, SAAR) | 556,551 | 546,603 | 527,939 | 524,682 | 522,620 | 526,403 | 528,162 | 537,297 | 544,926 | 550,171 | 563,952 | 568,163 | 568,932.0 | 4.4 |
| *% change* | *-0.4* | *-1.8* | *-3.4* | *-0.6* | *-0.4* | *0.7* | *0.3* | *1.7* | *1.4* | *1.0* | *2.5* | *0.7* | *0.1* | |
| Wages & Salaries (Mil. $) | 304,130 | 300,828 | 290,164 | 287,461 | 285,918 | 287,490 | 286,851 | 292,170 | 295,470 | 296,292 | 302,313 | 303,756 | 304,396.0 | 3.0 |
| *% change* | *0.0* | *-1.1* | *-3.5* | *-0.9* | *-0.5* | *0.5* | *-0.2* | *1.9* | *1.1* | *0.3* | *2.0* | *0.5* | *0.2* | |
| Nonwage Income (Mil. $) | 252,421 | 245,775 | 237,775 | 237,221 | 236,702 | 238,913 | 241,311 | 245,127 | 249,456 | 253,879 | 261,639 | 264,407 | *264536.0* | 6.0 |
| *% change* | *-1.0* | *-2.6* | *-3.3* | *-0.2* | *-0.2* | *0.9* | *1.0* | *1.6* | *1.8* | *1.8* | *3.1* | *1.1* | *0.0* | |
| Avg. Hrly Earnings: Mfg ($ Per Hr, SA) | 16.41 | 16.49 | 16.51 | 16.55 | 16.64 | 16.75 | 16.80 | 16.81 | 16.95 | 17.11 | 17.36 | 17.89 | 18.28 | 7.8 |
| *% change* | *-0.1* | *0.5* | *0.2* | *0.2* | *0.6* | *0.7* | *0.3* | *0.1* | *0.8* | *0.9* | *1.5* | *3.0* | *2.2* | |
| Personal Bankruptcies (# 3-Month Ending, SAAR) | 56,516 | 57,363 | 66,467 | 70,203 | 73,799 | 76,645 | 79,858 | 82,324 | 81,344 | 78,741 | 73,484 | 73,174 | 68,947 | -15.2 |

# Illinois

## Recent Annual Performance

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 5 Yr. Average Annual % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross State Product (Bil Constant$, SAAR)** | 537.1 | 538.8 | 540.7 | 551.7 | 565.4 | 569.5 | 583.0 | 591.5 | 586.0 | 570.3 | 581.3 | 0.4 |
| *% change* | *3.6* | *0.3* | *0.4* | *2.0* | *2.5* | *0.7* | *2.4* | *1.5* | *-0.9* | *-2.7* | *1.9* | |
| **Establishment Employment (Ths, SA)** | | | | | | | | | | | | |
| Total Employment | 6,044.8 | 5,995.1 | 5,883.4 | 5,810.7 | 5,816.9 | 5,862.2 | 5,932.8 | 5,979.5 | 5,949.3 | 5,657.9 | 5,612.1 | -0.9 |
| % change | *1.4* | *-0.8* | *-1.9* | *-1.2* | *0.1* | *0.8* | *1.2* | *0.8* | *-0.5* | *-4.9* | *-0.8* | |
| Natural Resources & Mining | 9.9 | 10.0 | 9.7 | 9.4 | 9.4 | 9.8 | 10.3 | 10.1 | 9.8 | 9.3 | 9.1 | -1.5 |
| % change | *-6.7* | *1.3* | *-3.2* | *-2.8* | *-0.6* | *5.3* | *4.1* | *-1.4* | *-3.4* | *-4.3* | *-2.4* | |
| Construction | 269.6 | 277.1 | 277.4 | 274.8 | 270.3 | 268.7 | 275.2 | 271.2 | 258.2 | 217.1 | 198.1 | -5.9 |
| % change | *5.3* | *2.8* | *0.1* | *-0.9* | *-1.7* | *-0.6* | *2.4* | *-1.5* | *-4.8* | *-15.9* | *-8.8* | |
| Manufacturing | 870.6 | 815.4 | 753.9 | 714.1 | 697.1 | 688.2 | 683.3 | 675.2 | 657.3 | 576.7 | 559.1 | -4.1 |
| % change | *-1.3* | *-6.3* | *-7.5* | *-5.3* | *-2.4* | *-1.3* | *-0.7* | *-1.2* | *-2.7* | *-12.3* | *-3.0* | |
| Trade, Transportation, & Utilities | 1,247.6 | 1,231.7 | 1,197.8 | 1,183.0 | 1,180.3 | 1,186.9 | 1,198.5 | 1,212.2 | 1,204.9 | 1,139.6 | 1,125.2 | -1.1 |
| *% change* | *1.4* | *-1.3* | *-2.8* | *-1.2* | *-0.2* | *0.6* | *1.0* | *1.1* | *-0.6* | *-5.4* | *-1.3* | |
| Retail Trade | 650.7 | 643.4 | 631.7 | 625.5 | 625.4 | 626.3 | 628.7 | 635.5 | 627.8 | 595.6 | 587.6 | -1.2 |
| *% change* | *1.4* | *-1.1* | *-1.8* | *-1.0* | *0.0* | *0.1* | *0.4* | *1.1* | *-1.2* | *-5.1* | *-1.3* | |
| Wholesale Trade | 320.8 | 316.6 | 307.3 | 303.0 | 300.0 | 302.9 | 307.7 | 310.7 | 310.3 | 291.8 | 285.4 | -1.3 |
| % change | *1.2* | *-1.3* | *-2.9* | *-1.4* | *-1.0* | *1.0* | *1.6* | *1.0* | *-0.1* | *-6.0* | *-2.2* | |
| Transportation & Utilities | 276.2 | 271.7 | 258.8 | 254.5 | 255.0 | 257.7 | 262.0 | 266.1 | 266.8 | 252.2 | 252.1 | -0.4 |
| % change | *1.8* | *-1.6* | *-4.8* | *-1.6* | *0.2* | *1.1* | *1.7* | *1.5* | *0.3* | *-5.5* | *0.0* | |
| Information Services | 147.5 | 147.2 | 137.1 | 127.6 | 120.9 | 118.2 | 116.2 | 115.9 | 114.4 | 106.4 | 101.7 | -3.0 |
| *% change* | *2.8* | *-0.2* | *-6.8* | *-6.9* | *-5.2* | *-2.3* | *-1.7* | *-0.2* | *-1.3* | *-7.0* | *-4.4* | |
| Financial Services | 404.1 | 403.6 | 400.6 | 401.7 | 399.4 | 401.9 | 405.2 | 402.8 | 391.7 | 372.0 | 361.1 | -2.1 |
| *% change* | *-0.4* | *-0.1* | *-0.7* | *0.3* | *-0.6* | *0.6* | *0.8* | *-0.6* | *-2.8* | *-5.0* | *-2.9* | |
| Professional & Business Services | 842.8 | 820.6 | 791.5 | 777.3 | 798.6 | 826.3 | 854.4 | 870.6 | 860.3 | 788.0 | 799.4 | -0.7 |
| *% change* | *3.1* | *-2.6* | *-3.6* | *-1.8* | *2.7* | *3.5* | *3.4* | *1.9* | *-1.2* | *-8.4* | *1.4* | |
| Education & Health Services | 681.1 | 697.1 | 710.6 | 718.1 | 729.9 | 745.1 | 762.2 | 779.8 | 801.3 | 816.5 | 832.5 | 2.2 |
| *% change* | *2.4* | *2.3* | *1.9* | *1.1* | *1.6* | *2.1* | *2.3* | *2.3* | *2.8* | *1.9* | *2.0* | |
| Leisure & Hospitality Services | 486.6 | 491.1 | 492.0 | 497.3 | 506.1 | 512.3 | 522.7 | 531.5 | 532.7 | 516.7 | 514.4 | 0.1 |
| % change | *1.6* | *0.9* | *0.2* | *1.1* | *1.8* | *1.2* | *2.0* | *1.7* | *0.2* | *-3.0* | *-0.4* | |
| Other Services | 245.3 | 251.1 | 251.9 | 254.4 | 259.7 | 258.4 | 259.4 | 261.1 | 263.5 | 257.9 | 254.5 | -0.3 |
| *% change* | *0.8* | *2.4* | *0.3* | *1.0* | *2.1* | *-0.5* | *0.4* | *0.7* | *0.9* | *-2.1* | *-1.3* | |
| Government | 839.7 | 850.2 | 860.7 | 853.0 | 845.1 | 846.3 | 845.5 | 849.1 | 855.3 | 857.6 | 857.0 | 0.3 |
| *% change* | *1.7* | *1.2* | *1.2* | *-0.9* | *-0.9* | *0.2* | *-0.1* | *0.4* | *0.7* | *0.3* | *-0.1* | |
| | | | | | | | | | | | | **5 Year Change** |
| Unemployment Rate (%) | 4.5 | 5.4 | 6.6 | 6.7 | 6.2 | 5.8 | 4.6 | 5.1 | 6.4 | 10.0 | 10.3 | 0.2 |
| | | | | | | | | | | | | **5 Yr. Average Annual % Change** |
| Labor Force (Ths) | 6,463.4 | 6,447.0 | 6,351.0 | 6,318.5 | 6,342.3 | 6,405.0 | 6,526.6 | 6,663.7 | 6,673.8 | 6,590.5 | 6,643.5 | 0.7 |
| *% change* | *0.6* | *-0.3* | *-1.5* | *-0.5* | *0.4* | *1.0* | *1.9* | *2.1* | *0.2* | *-1.2* | *0.8* | |
| Number of Unemployed (Ths) | 291.2 | 350.3 | 416.3 | 425.5 | 395.5 | 370.7 | 303.1 | 338.4 | 427.0 | 660.7 | 679.9 | 12.9 |
| *% change* | *1.2* | *20.3* | *18.8* | *2.2* | *-7.1* | *-6.3* | *-18.2* | *11.6* | *26.2* | *54.7* | *2.9* | |
| Number of Employed (Ths) | 6,172.2 | 6,096.7 | 5,934.7 | 5,893.0 | 5,946.9 | 6,034.3 | 6,223.4 | 6,325.3 | 6,246.8 | 5,929.8 | 5,963.6 | -0.2 |
| % change | *0.5* | *-1.2* | *-2.7* | *-0.7* | *0.9* | *1.5* | *3.1* | *1.6* | *-1.2* | *-5.1* | *0.6* | |

# Illinois

## Recent Annual Performance

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 5 Yr. Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Residential Permits (# of units)** | 52,011 | 53,900 | 57,791 | 61,411 | 62,576 | 67,852 | 59,121 | 42,666 | 21,889 | 10,912 | 11,596 | 29,237 |
| *year to year % change* | *-1.0* | *3.6* | *7.2* | *6.3* | *1.9* | *8.4* | *-12.9* | *-27.8* | *-48.7* | *-50.1* | *6.3* | |
| Single-family | 37,750 | 38,808 | 42,200 | 43,829 | 48,898 | 49,084 | 39,485 | 24,827 | 12,308 | 8,236 | 7,862 | 18,544 |
| *year to year % change* | *-4.3* | *2.8* | *8.7* | *3.9* | *11.6* | *0.4* | *-19.6* | *-37.1* | *-50.4* | *-33.1* | *-4.5* | |
| Multifamily | 14,261 | 15,092 | 15,591 | 17,582 | 13,678 | 18,768 | 19,636 | 17,839 | 9,581 | 2,676 | 3,734 | 10,693 |
| *year to year % change* | *9.2* | *5.8* | *3.3* | *12.8* | *-22.2* | *37.2* | *4.6* | *-9.2* | *-46.3* | *-72.1* | *39.5* | |
| 5 + | 11,098 | 11,876 | 11,917 | 13,705 | 9,500 | 13,906 | 16,023 | 15,395 | 8,416 | 2,169 | 3,242 | 9,049 |
| *year to year % change* | *15.2* | *7.0* | *0.3* | *15.0* | *-30.7* | *46.4* | *15.2* | *-3.9* | *-45.3* | *-74.2* | *49.5* | |
| | | | | | | | | | | | | **5 Yr. Average Annual % Change** |
| Existing Single-Family Home Sales (Ths) | 225.8 | 228.7 | 243.4 | 245.4 | 273.0 | 279.5 | 258.8 | 215.6 | 166.7 | 167.4 | 162.6 | -10.3 |
| *% change* | *-0.3* | *1.3* | *6.4* | *0.8* | *11.3* | *2.4* | *-7.4* | *-16.7* | *-22.7* | *0.4* | *-2.8* | |
| Home Price Index (Index 1980Q1 = 100) | 247.3 | 262.6 | 278.8 | 293.7 | 318.1 | 346.3 | 366.9 | 373.2 | 361.9 | 341.6 | 327.3 | -1.1 |
| *% change* | *6.2* | *6.2* | *6.2* | *5.3* | *8.3* | *8.9* | *5.9* | *1.7* | *-3.0* | *-5.6* | *-4.2* | |
| Median Existing Home Sales Price (Ths) | 141.4 | 154.9 | 169.6 | 179.6 | 195.6 | 215.7 | 223.6 | 220.6 | 193.4 | 159.5 | 156.0 | -6.3 |
| *% change* | *3.8* | *9.5* | *9.5* | *5.9* | *8.9* | *10.3* | *3.7* | *-1.3* | *-12.4* | *-17.5* | *-2.2* | |
| Personal Income (Mil $) | 405,919 | 415,021 | 423,278 | 435,901 | 455,291 | 472,073 | 504,493 | 532,587 | 554,467 | 525,411 | 540,139 | 2.7 |
| *% change* | *7.3* | *2.2* | *2.0* | *3.0* | *4.4* | *3.7* | *6.9* | *5.6* | *4.1* | *-5.2* | *2.8* | |
| Wages & Salaries (Mil. $) | 236,932 | 242,154 | 243,034 | 245,913 | 256,737 | 267,283 | 283,068 | 298,743 | 304,029 | 287,758 | 292,696 | 1.8 |
| *% change* | *6.4* | *2.2* | *0.4* | *1.2* | *4.4* | *4.1* | *5.9* | *5.5* | *1.8* | *-5.4* | *1.7* | |
| Nonwage Income (Mil. $) | 168,987 | 172,867 | 180,244 | 189,988 | 198,554 | 204,790 | 221,426 | 233,844 | 250,439 | 237,653 | 247,443 | 3.9 |
| *% change* | *8.5* | *2.3* | *4.3* | *5.4* | *4.5* | *3.1* | *8.1* | *5.6* | *7.1* | *-5.1* | *4.1* | |
| Avg. Hrly Earnings: Mfg. ($ Per Hr) | na | 14.66 | 14.99 | 15.20 | 15.61 | 15.84 | 16.03 | 16.47 | 16.44 | 16.61 | 16.92 | 1.3 |
| *% change* | *na* | *na* | *2.2* | *1.4* | *2.7* | *1.5* | *1.2* | *2.7* | *-0.2* | *1.1* | *1.8* | |
| Personal Bankruptcies | 59,934 | 73,043 | 80,887 | 84,294 | 79,172 | 105,675 | 29,843 | 40,536 | 54,795 | 71,779 | 80,567 | -5.3 |
| *% change* | *-4.3* | *21.9* | *10.7* | *4.2* | *-6.1* | *33.5* | *-71.8* | *35.8* | *35.2* | *31.0* | *12.2* | |
| Population (Ths) | 12,434.2 | 12,488.4 | 12,525.6 | 12,556.0 | 12,589.8 | 12,609.9 | 12,644.0 | 12,695.9 | 12,747.0 | 12,796.8 | 12,842.0 | 0.4 |
| *% change* | *0.6* | *0.4* | *0.3* | *0.2* | *0.3* | *0.2* | *0.3* | *0.4* | *0.4* | *0.4* | *0.4* | |
| | | | | | | | | | | | | **5 Yr. Average** |
| Net Migration (Ths) | -3.8 | -25.6 | -38.6 | -46.0 | -44.0 | -53.2 | -42.7 | -26.9 | -29.5 | -30.1 | -28.0 | -31.5 |

# Illinois
## History

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Employment (Ths.)** | 5,995.1 | 5,883.4 | 5,810.7 | 5,816.9 | 5,862.2 | 5,932.8 | 5,979.5 | 5,949.3 | 5,657.9 | 5,612.1 |
| ***% Change*** | *-0.8* | *-1.9* | *-1.2* | *0.1* | *0.8* | *1.2* | *0.8* | *-0.5* | *-4.9* | *-0.8* |
| **Manufacturing** | 815.4 | 754.0 | 714.1 | 697.1 | 688.2 | 683.3 | 675.2 | 657.3 | 576.7 | 559.1 |
| **Construction** | 277.1 | 277.4 | 274.8 | 270.3 | 268.7 | 275.2 | 271.2 | 258.2 | 217.1 | 198.1 |
| **Prof. and Bus. Serv.** | 820.6 | 791.5 | 777.3 | 798.6 | 826.3 | 854.4 | 870.6 | 860.3 | 788.0 | 799.4 |
| **Edu. and Health Serv.** | 697.1 | 710.6 | 718.1 | 729.9 | 745.1 | 762.2 | 779.8 | 801.3 | 816.5 | 832.5 |
| **Leisure and Hospitality** | 491.1 | 492.0 | 497.3 | 506.1 | 512.3 | 522.7 | 531.5 | 532.7 | 516.7 | 514.4 |
| **Other Services** | 251.1 | 251.9 | 254.4 | 259.7 | 258.4 | 259.4 | 261.1 | 263.5 | 257.9 | 254.5 |
| **Trade, Trans. and Util.** | 1,231.7 | 1,197.8 | 1,183.0 | 1,180.3 | 1,186.9 | 1,198.5 | 1,212.2 | 1,204.9 | 1,139.6 | 1,125.2 |
| Wholesale | 316.6 | 307.3 | 303.0 | 300.0 | 302.9 | 307.7 | 310.7 | 310.3 | 291.8 | 285.4 |
| Retail | 643.4 | 631.7 | 625.5 | 625.4 | 626.3 | 628.7 | 635.5 | 627.8 | 595.6 | 587.6 |
| Trans. and Util. | 271.7 | 258.8 | 254.5 | 255.0 | 257.7 | 262.0 | 266.1 | 266.8 | 252.2 | 252.1 |
| **Financial Activities** | 403.6 | 400.6 | 401.7 | 399.4 | 401.9 | 405.2 | 402.8 | 391.7 | 372.0 | 361.1 |
| **Information** | 147.2 | 137.1 | 127.6 | 120.9 | 118.2 | 116.2 | 115.9 | 114.4 | 106.4 | 101.7 |
| **Government** | 850.2 | 860.7 | 853.0 | 845.1 | 846.3 | 845.5 | 849.1 | 855.3 | 857.6 | 857.0 |
| **Natural Res. and Min.** | 10.0 | 9.7 | 9.4 | 9.4 | 9.9 | 10.3 | 10.1 | 9.8 | 9.4 | 9.1 |
| **Unemployment Rate (%)** | 5.4 | 6.6 | 6.7 | 6.2 | 5.8 | 4.7 | 5.1 | 6.4 | 10.0 | 10.3 |
| **Population (Ths.)** | 12,497.0 | 12,537.8 | 12,570.4 | 12,605.7 | 12,624.8 | 12,657.0 | 12,708.7 | 12,759.6 | 12,806.8 | 12,848.3 |
| ***% Change*** | *0.5* | *0.3* | *0.3* | *0.3* | *0.2* | *0.3* | *0.4* | *0.4* | *0.4* | *0.3* |
| Age: <5 | 880.1 | 883.8 | 887.5 | 892.1 | 891.0 | 883.5 | 884.6 | 886.7 | 887.0 | 888.6 |
| Age: 5-19 | 2,726.2 | 2,716.8 | 2,702.0 | 2,690.1 | 2,673.5 | 2,666.7 | 2,660.7 | 2,652.3 | 2,643.9 | 2,634.3 |
| Age: 20-24 | 875.6 | 884.9 | 896.8 | 910.3 | 908.3 | 907.0 | 908.0 | 905.6 | 910.0 | 918.6 |
| Age: 25-44 | 3,759.8 | 3,724.3 | 3,678.9 | 3,637.1 | 3,598.1 | 3,573.5 | 3,552.9 | 3,538.1 | 3,517.0 | 3,502.9 |
| Age: 45-64 | 2,754.5 | 2,828.9 | 2,899.4 | 2,966.8 | 3,040.3 | 3,108.1 | 3,166.9 | 3,214.8 | 3,267.9 | 3,310.5 |
| Age: >65 | 1,500.8 | 1,499.1 | 1,505.7 | 1,509.3 | 1,513.6 | 1,518.3 | 1,535.6 | 1,562.0 | 1,581.1 | 1,593.3 |
| **Households (Ths.)** | 4,629.5 | 4,653.6 | 4,674.8 | 4,697.0 | 4,713.3 | 4,734.6 | 4,763.3 | 4,791.8 | 4,819.0 | 4,844.1 |
| ***% Change*** | *0.7* | *0.5* | *0.5* | *0.5* | *0.3* | *0.5* | *0.6* | *0.6* | *0.6* | *0.5* |
| **Personal Income (Bil. $)** | 415.0 | 423.3 | 435.9 | 455.3 | 472.1 | 504.5 | 532.6 | 554.5 | 525.4 | 540.1 |
| ***% Change*** | *2.2* | *2.0* | *3.0* | *4.4* | *3.7* | *6.9* | *5.6* | *4.1* | *-5.2* | *2.8* |
| **Total Residential Permits (#)** | 54,839.0 | 60,971.0 | 62,211.0 | 59,753.0 | 66,942.0 | 58,802.0 | 43,020.0 | 22,528.0 | 10,859.0 | 12,318.0 |
| ***% Change*** | *5.6* | *11.2* | *2.0* | *-4.0* | *12.0* | *-12.2* | *-26.8* | *-47.6* | *-51.8* | *13.4* |
| Single-family Permits | 39,362.0 | 42,545.0 | 45,379.0 | 46,207.0 | 47,705.0 | 37,903.0 | 24,511.0 | 11,827.0 | 7,844.0 | 7,624.0 |
| Multifamily Permits | 15,477.0 | 18,426.0 | 16,832.0 | 13,546.0 | 19,237.0 | 20,899.0 | 18,509.0 | 10,701.0 | 3,015.0 | 4,694.0 |

# Illinois
## Forecast

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 05-10 | 10-15 | 15-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Annual Growth (%) | | |
| **Total Employment (Ths.)** | 5,672.0 | 5,711.2 | 5,754.3 | 5,868.9 | 6,014.7 | 6,112.7 | 6,135.4 | 6,134.2 | 6,137.8 | 6,146.7 | -0.9 | 1.4 | 0.4 |
| ***% Change*** | *1.1* | *0.7* | *0.8* | *2.0* | *2.5* | *1.6* | *0.4* | *0.0* | *0.1* | *0.1* | | | |
| **Manufacturing** | 569.2 | 573.4 | 575.3 | 579.8 | 587.8 | 592.4 | 590.0 | 584.8 | 580.0 | 575.6 | -4.1 | 1.0 | -0.4 |
| **Construction** | 202.6 | 193.7 | 185.5 | 198.8 | 211.5 | 221.0 | 221.3 | 219.1 | 217.6 | 217.4 | -5.9 | 1.3 | 0.6 |
| **Prof. and Bus. Serv.** | 821.7 | 842.2 | 857.2 | 886.4 | 922.2 | 948.9 | 961.7 | 970.2 | 979.6 | 990.1 | -0.7 | 2.9 | 1.4 |
| **Edu. and Health Serv.** | 851.0 | 868.0 | 883.2 | 905.2 | 931.5 | 950.6 | 958.5 | 962.5 | 967.4 | 972.7 | 2.2 | 2.3 | 0.9 |
| **Leisure and Hospitality** | 521.8 | 529.1 | 541.8 | 559.4 | 579.6 | 594.3 | 600.9 | 604.9 | 609.5 | 614.6 | 0.1 | 2.4 | 1.2 |
| **Other Services** | 255.6 | 252.9 | 255.6 | 259.0 | 263.8 | 266.9 | 266.9 | 265.7 | 264.7 | 264.0 | -0.3 | 0.7 | 0.0 |
| **Trade, Trans. and Util.** | 1,139.7 | 1,153.8 | 1,159.4 | 1,166.2 | 1,179.3 | 1,185.1 | 1,177.9 | 1,167.7 | 1,158.5 | 1,150.7 | -1.1 | 0.9 | -0.5 |
| Wholesale | 288.7 | 292.3 | 293.4 | 295.3 | 299.0 | 301.1 | 300.2 | 298.3 | 296.5 | 295.0 | -1.2 | 0.9 | -0.3 |
| Retail | 591.4 | 596.3 | 600.1 | 603.2 | 609.8 | 612.5 | 607.9 | 601.8 | 596.6 | 592.4 | -1.3 | 0.7 | -0.6 |
| Trans. and Util. | 259.6 | 265.2 | 265.9 | 267.7 | 270.5 | 271.4 | 269.9 | 267.6 | 265.4 | 263.3 | -0.4 | 1.4 | -0.5 |
| **Financial Activities** | 356.0 | 357.7 | 361.4 | 369.0 | 379.2 | 386.1 | 387.3 | 386.4 | 385.9 | 385.1 | -2.1 | 1.0 | 0.3 |
| **Information** | 97.5 | 97.2 | 97.1 | 98.7 | 100.7 | 101.5 | 101.1 | 100.5 | 100.0 | 99.7 | -3.0 | -0.2 | -0.2 |
| **Government** | 847.4 | 833.4 | 828.2 | 836.6 | 849.2 | 856.0 | 860.0 | 862.8 | 865.3 | 867.6 | 0.3 | -0.2 | 0.4 |
| **Natural Res. and Min.** | 9.5 | 9.7 | 9.7 | 9.8 | 9.9 | 10.0 | 9.8 | 9.6 | 9.5 | 9.3 | -1.5 | 1.6 | -1.2 |
| **Unemployment Rate (%)** | 9.4 | 9.9 | 9.2 | 7.3 | 5.7 | 4.9 | 4.7 | 4.7 | 4.7 | 4.6 | 7.0 | 8.6 | 4.9 |
| | | | | | | | | | | | Annual Growth (%) | | |
| **Population (Ths.)** | 12,875.3 | 12,925.1 | 12,982.0 | 13,037.8 | 13,089.0 | 13,139.5 | 13,188.2 | 13,236.4 | 13,283.5 | 13,327.6 | 0.4 | 0.4 | 0.4 |
| ***% Change*** | *0.2* | *0.4* | *0.4* | *0.4* | *0.4* | *0.4* | *0.4* | *0.4* | *0.4* | *0.3* | | | |
| Age: <5 | 890.2 | 893.8 | 897.9 | 901.6 | 904.5 | 906.7 | 908.2 | 909.0 | 909.4 | 909.3 | -0.1 | 0.4 | 0.1 |
| Age: 5-19 | 2,623.4 | 2,620.2 | 2,620.1 | 2,622.0 | 2,625.0 | 2,631.4 | 2,642.8 | 2,656.0 | 2,669.1 | 2,681.4 | -0.3 | -0.1 | 0.4 |
| Age: 20-24 | 926.2 | 934.7 | 939.4 | 939.8 | 934.4 | 927.0 | 917.5 | 907.8 | 899.8 | 893.1 | 0.2 | 0.3 | -0.9 |
| Age: 25-44 | 3,495.4 | 3,496.4 | 3,502.9 | 3,508.2 | 3,506.3 | 3,507.5 | 3,514.0 | 3,527.0 | 3,543.0 | 3,553.3 | -0.5 | 0.0 | 0.3 |
| Age: 45-64 | 3,330.6 | 3,329.8 | 3,330.9 | 3,338.1 | 3,349.6 | 3,358.8 | 3,357.1 | 3,345.6 | 3,327.4 | 3,305.8 | 1.7 | 0.2 | -0.3 |
| Age: >65 | 1,609.5 | 1,650.3 | 1,690.9 | 1,728.1 | 1,769.3 | 1,808.1 | 1,848.6 | 1,890.9 | 1,934.8 | 1,984.7 | 1.0 | 2.1 | 2.3 |
| **Households (Ths.)** | 4,857.9 | 4,887.9 | 4,918.0 | 4,949.5 | 4,982.1 | 5,007.8 | 5,026.6 | 5,042.4 | 5,061.2 | 5,079.5 | 0.5 | 0.6 | 0.4 |
| ***% Change*** | *0.3* | *0.6* | *0.6* | *0.6* | *0.7* | *0.5* | *0.4* | *0.3* | *0.4* | *0.4* | | | |
| **Personal Income (Bil. $)** | 567.9 | 586.5 | 615.3 | 653.5 | 692.4 | 725.0 | 749.9 | 774.9 | 803.0 | 833.5 | 2.7 | 5.1 | 3.8 |
| ***% Change*** | *5.1* | *3.3* | *4.9* | *6.2* | *6.0* | *4.7* | *3.4* | *3.3* | *3.6* | *3.8* | | | |
| | | | | | | | | | | | | Average | |
| **Total Residential Permits (#)** | 11,451 | 17,577 | 29,056 | 33,066 | 34,811 | 35,506 | 35,980 | 36,401 | 36,777 | 37,073 | 35,745 | 23,046 | 36,091 |
| ***% Change*** | *-7.0* | *53.5* | *65.3* | *13.8* | *5.3* | *2.0* | *1.3* | *1.2* | *1.0* | *0.8* | | | |
| Single-family Permits | 6,805 | 11,203 | 20,956 | 24,347 | 25,835 | 26,477 | 26,909 | 27,290 | 27,626 | 27,882 | 22,902 | 16,128 | 27,003 |
| Multifamily Permits | 4,646 | 6,375 | 8,100 | 8,719 | 8,976 | 9,029 | 9,071 | 9,111 | 9,151 | 9,191 | 12,843 | 6,918 | 9,088 |

# About Moody's Analytics

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# BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;
2) Analysis of the fiscal impact of revenue bills;
3) Preparation of State debt impact notes on legislation which would appropriate bond funds or increase bond authorization;
4) Periodic assessment of capital facility plans;
5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a "Monthly Briefing", the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Legislative Capital Plan Analysis" examines the State's capital appropriations plan and debt position. "The Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year "Budget Summary"; "Report on the Liabilities of the State Employees' Group Insurance Program"; and "Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program". The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website.

These reports are available from:

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http://www.ilga.gov/commission/cgfa2006/home.aspx