STATE OF ILLINOIS ECONOMIC FORECAST

February 2014

PREPARED FOR:

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State of Illinois Forecast Report

February 2014

Prepared for:

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State Economic Outlook

February 2014

Illinois

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SUMMARY

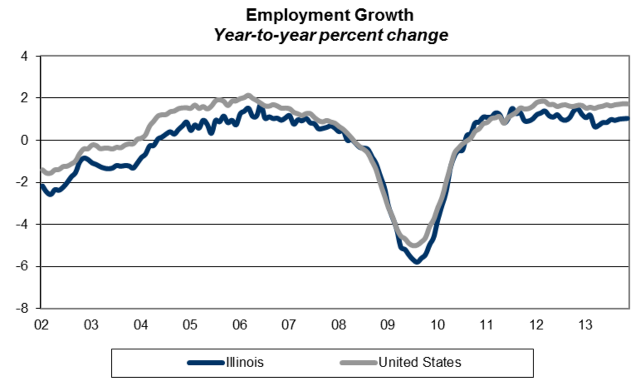
Illinois' economy is struggling to get back on its feet. Although it has shown progress very recently, the state has been among the Midwest's weakest over the past year and since the national recovery took hold in mid-2009. Illinois ranked in the bottom one-third of Midwest states in jobs, income and output in 2013. There are some positive signs, however. A decline in foreclosures is helping housing, manufacturing is no longer backpedaling and consumers are benefiting from an increase in wealth and better credit quality. The factory improvement has been especially important to the downstate economy, which was a drag on the state's performance last year. Chicago's economy made steady progress in 2013, advancing at roughly the same pace as the prior year and significantly faster than other parts of the state.

Illinois' economy is poised to strengthen, but severe state budgetary problems and poor population trends will act as a speed limit on growth. Consequently, while improvement in housing and manufacturing will ensure that the Ilinois economy grows a little bit faster this year and next, the pickup is projected to be modest and will not be enough to narrow the state's performance gap with the region and nation.

Longer term, Illinois has a lot of what of businesses need to thrive—talent, access to customers and capital, transportation—but painful fiscal reforms are needed before it can fully capitalize on these strengths. Pension reform still faces a significant legal challenge, and a partial rollback of temporary income tax rate increases will dramatically reduce revenues starting in fiscal 2015. The state's demographics present it with another challenge, as an aging population coupled with a trend toward fewer workers hampers job and income gains, which are forecast to be below average over the extended forecast horizon.

RECENT PERFORMANCE (back to top)

- Illinois' recession was more severe than the nation's, and its recovery has been slower. This was not always the case, however. In the first two years of the rebound, from mid-2009 until mid-2011, the state grew at roughly the same pace as the nation. Since then, however, Illinois' relative performance has slipped. Nowhere is this more evident than the labor market. Between mid-2009 and mid-2011, payroll employment grew at roughly the same pace as the nation and the Midwest region. However, in the subsequent two years the state lagged both the region and nation in job growth.

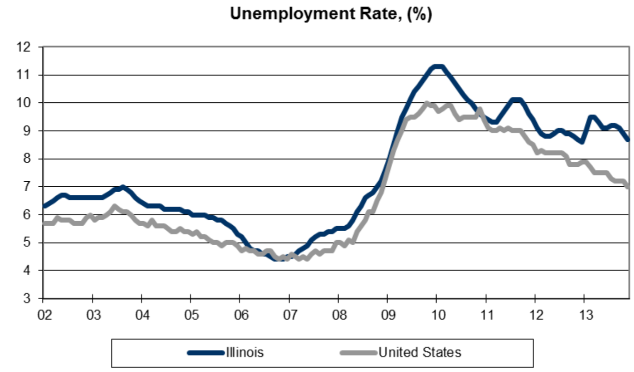


Source: Bureau of Labor Statistics

- It should come as no surprise, then, that employment in the state is further from its prior peak than elsewhere. Illinois has recouped roughly two-thirds of its recessionary job loss, while the Midwest has taken back 75% and the nation has recovered 85%. The only Midwest states where employers have reversed a lower share of their earlier cutbacks are Missouri (50%) and Ohio (48%). Wisconsin and Indiana have recouped 75% and 95%, respectively, of their earlier declines, while payrolls in Minnesota and Iowa are already comfortably above where they were prior to the downturn.

- The divergence in performance between the state and the region appears even greater, at least for the period spanning the second half of 2012 and the first half of 2013. Based on data collected from unemployment insurance records that form the basis of the benchmark revisions to payroll employment, growth is expected to be revised up slightly in the Midwest region and down in Illinois during this yearlong period. Specifically, job gains in private service industries do not appear to be as large as initially believed.

- The good news, however, is that Illinois' economy gained strength in last year's third and fourth quarters, which rivaled the best of the recovery so far. The latest indicators, including those on employment, suggest gathering momentum heading into the current year even as winter weather clouds the picture. The severe start to winter led businesses that typically cut back on workers to let more go sooner, putting a temporary stop to payroll gains. Yet, even with the December letdown the state's labor market had its second best quarter of the recovery thanks to big job gains in October and December.



Source: Bureau of Labor Statistics

- More importantly, many other reports for the month of December and the fourth quarter have reaffirmed that the state's recovery strengthened into year's end. Industrial production is climbing at its fastest rate in almost two years, and the state's ISM manufacturing survey is once again outperforming the nation's. Meanwhile, forward-looking indicators such as the workweek and temporary hiring strongly suggest there will be a bounce back in job growth as weather effects fade.

- There are also fewer signs of weather affecting work in the household of survey of employment, which is the source of the unemployment rate. Illinois' jobless rate is down from a peak of over 11% in early 2010 and the lowest it has been in a year, but at 8.6% it is about 2 percentage points higher than the national and regional averages and the highest among Midwest states. On the upside, the labor force has risen significantly over the past few months, a sign of greater job opportunities and increased confidence in the labor market.

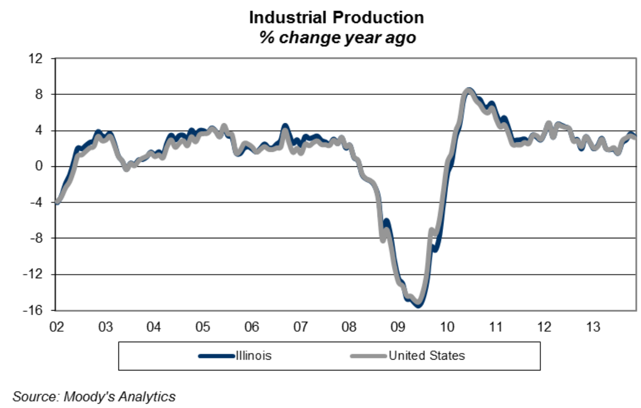
- Although the state's labor force has grown modestly over the last few months, it is significantly smaller than it was this time last year and is hovering near levels last hit in 2006. The decline in labor force participation has been especially pronounced in the state, with the decline last year the largest among Midwest states. Some of the drop is due to a combination of demographics factors, mainly the aging of the population, and other causes associated with the weak economy, especially downstate.

- The household survey can be quite volatile and undoubtedly overstates weakness in Illinois' labor market. However, the survey does do a better job capturing hiring by small businesses, which have been a much weaker force for Illinois' recovery. According to Intuit, employment among Illinois firms with fewer than 20 workers has barely risen over the last few years. Other indicators of small-business health such as nonfarm proprietors' income have also shown substantially less improvement since the recession.

Illinois
Employment, Recent Performance
December 2013

	Annualized growth rate				
	3-mo	**6-mo**	**12-mo**	**5 yr**	**10 yr**
Total	1.7	1.6	1.1	-0.1	0.1
Construction	-2.6	-4.0	-0.1	-5.5	-3.9
Manufacturing	2.4	0.2	-0.8	-1.8	-1.9
Wholesale Trade	1.5	1.6	2.4	-0.1	0.1
Retail Trade	5.5	4.1	0.4	-0.3	-0.3
Transportation and Utilities	7.1	7.5	2.3	0.9	0.9
Information	4.9	0.0	0.8	-2.0	-2.2
Financial Activities	-3.2	-1.9	0.5	-0.7	-0.8
Professional and Business Services	3.0	3.5	3.5	1.5	1.4
Education and Health Services	-0.4	-0.3	1.0	1.7	2.0
Leisure and Hospitality	3.8	2.2	1.4	0.7	0.8
Government	-0.1	0.9	-0.5	-0.7	-0.2
	Percent				
Unemployment rate	8.7	9.0	9.1	9.6	7.6

- Illinois' housing market fared better than expected in 2013, with a surge in investor activity in Chicago fueling a sharp rise in sales and faster recovery in prices. While the increase in distress sales has helped clear out some of the foreclosure pipeline, inventories in Chicago and the surrounding region are still about triple what they are nationally. The excess supply has kept builders on the sidelines for the most part, and construction employment in both Chicago and the rest of the state is at or near its cycle low. Downstate it has been weakness in sales, not foreclosures, which have kept construction at bay. Household formation has been slow to recover because of weak migration patterns and the midyear hiccup in the job market, both of which have kept a lid on housing demand.



- Manufacturing, on the other hand, closed out last year on a high note, providing much-needed support to goods producing employment. Factories have emerged from an extended soft patch and key influences on the industry are turning more positive as domestic businesses and consumers spend more aggressively. Industrial production in the state is up around 3% over the last year, but growth over the last three months is more than twice that and the strongest it has been since early 2012. Manufacturing employment in Illinois is also climbing again, but it is still below its mid-2012 high and further from its prior peak than the region or nation.

- Foreign demand has been slower to improve in Illinois, making it especially challenging for those manufacturing-centric metro areas that export a lot what of they produce. Peoria and Decatur have been hit hard by slower growth in emerging economies and China in particular. Caterpillar and its suppliers have struggled with a sharp downturn in demand for industrial machinery. Though increases in prices for certain commodities such coal, iron ore, gold and copper have led to increased mining production, firms continue to reduce capital expenditures. Caterpillar's orders for new mining equipment dropped significantly in mid-2012 and have yet to recover, delivering a big blow to its financial results. The downturn in sales has led to both permanent and temporary layoffs, as well as furloughs and much lower incentive pay.

- Statewide exports fell just over 3% in 2013, while nationally they rose about 2%. There was some improvement late in the year, but the pickup was heavily concentrated in agricultural products and is unlikely to be sustained. Exports of manufactured goods fell 5% after a similarly sized gain in 2012 and double-digit increases in the first two years of Illinois' recovery. Increasing construction has led to some improvement in the demand for industrial machinery, but statewide exports remain soft as mining-related investment struggles to recover. Industrial machinery accounts for about one-fifth of the state's exports, twice the national share, and while industry exports have been more or less steady since mid-2013, they are roughly 25% below their year-ago level.

- The auto industry was a source of strength for Illinois manufacturing in the second half of 2013. Although transportation equipment producers in the state employ about half as many workers as machinery manufacturers, they have added more jobs over the last four years. Chicago and Rockford account for the vast majority of the rebound, which amounts to roughly 12,000 jobs since mid-2009. Each of the three vehicles built at Chrysler's assembly plant in Belvidere—the Dodge Dart, Jeep Compass and Jeep Patriot—set annual sales records in 2013.

- Private service industries are beginning to feel the effects of the improvement in manufacturing. Downstream industries to manufacturing such as wholesale trade and transportation came under pressure in the first half of 2013 when shipping volumes were weak because of soft overseas demand. More recently, the trend has been positive. Although state exports have been slow to rebound, cargo traffic through O'Hare and Midway airports is no longer declining with the increase in factory production and utilization, demand for warehouse space is on the rise.

- The rest of private services have not fared quite as well. Office-using industries in Illinois struggled a bit down the stretch last year, though slowing would have been even more pronounced if not for an increase in temporary positions in manufacturing. Employment in business/professional services surpassed its prior peak last year, and a jump in the number of jobs in administrative and support services is a big reason why. Industry growth has also been powered by workforce additions at tech- and science-based companies, employment in this high-paying cluster is also at a new all-time high. The smaller but important core of management jobs has also performed well, especially in Chicago. The Windy City has become a hot spot for headquarters, with a 13% increase in these jobs since the end of 2007. This is far stronger than in competing cities. New York has managed growth of just 3% during this period, while Los Angeles has 1% fewer jobs.

- Illinois' financial service firms are not yet out of the woods. Real estate and leasing firms suffered more during the downturn and have not fared quite as well as those nationally during the recovery, but there was fairly steady progress made last year. Finance and insurance firms, meanwhile, expanded rapidly in the first half of 2013, but then quickly shifted gears and cut back on employment once interest rates began to rise. With the drop-off concentrated entirely in credit intermediation, the change in course appears to be related to the decrease in refinancing activity. Insurer expansion has actually run ahead of expectations, with payrolls in this cluster already above their prior peak and climbing faster than they are nationally.

- Consumer industries have been mixed bag recently. Leisure/hospitality has performed much better in the recovery than retail thanks to the boost from the travel industry and Chicago tourism in particular. Meanwhile, because their wealth fell so much during the recession, households have been more aggressive cutting debt and padding saving, hurting consumer industries in the process. But with debt service burdens dramatically reduced and delinquency rates at a multiyear low, households are more willing and able to borrow. Rising house prices are reducing the number of borrowers with negative equity, while soaring stock prices are providing more support as households in Illinois receive a higher than average share of their income from dividends, interest and rent. The increase in financial wealth will mean more to the upstate economy, where stock ownership is highest.

- As if a slower recovery process in banking and housing was not bad enough, the state's budget woes are far from fixed. Admittedly, state and local government, which has been a larger drain on employment in Illinois than it has elsewhere in the region and nationally, is no longer in free fall, and the passage of long-awaited pension reform finally happened in December. But the pension law is being challenged in the courts, and fiscal 2014 is the last full year before a partial rollback of a temporary income tax rate increase that will dramatically reduce revenues. The state's financial condition remains precarious as chronic deficits have led to a budget that is not fiscally sustainable.

- Illinois' financial problems were created over decades of fiscal management by previous governors and legislatures. The state's budget has been unbalanced and unsustainable for many years. Assessing the severity of the problem, and possible solutions, requires an understanding of just how much money the state brings in and spends in a given year. But tracking the budget is much more difficult than it seems because of convoluted accounting practices. The use of borrowing and budget maneuvers such as putting off bills until the following year can obscure the truth. The state's unpaid bills amounted to $7.6 billion at the end of last year, down 15% from the prior year but still roughly one-fifth of the state's operating budget.

- The state's fiscal condition has deteriorated for two principal reasons. First, for decades it has balanced its annual cash budget by not putting aside sufficient funds to cover the increase in future pension benefits, causing unfunded liabilities to increase. Second, when the state economy was performing well from the late 1990s into the mid-2000s, Illinois expanded government services but did not raise taxes or put away cash reserves. The state's fiscal condition was poor going into the Great Recession, which had a devastating effect on revenues and increased demand for services. The chronic short-sightedness and avoidance of tough choices accumulated to a significant structural deficit for Illinois. The state's current tax structure creates inadequate revenue growth to maintain levels of services from one year to the next.

- The state's ongoing budget shortfalls and rising liabilities are compounded by the fiscal stress in Chicago. The city's pension system is separate from the state budget, but it too is grossly underfunded and will undermine the city's capacity to provide essential services if left untouched. Among the nation's five largest cities, Chicago has put away the smallest portion of its looming pension obligations. It holds the dubious distinction of having the worst funded public pension system of any major city. The pension burden is also significant and growing for Cook County. Chicago has the largest overlapping pension liabilities, including those for Cook County, Chicago Public Schools, the Metropolitan Water Reclamation District of Chicago, the Cook County Forest Preserve District, and the Chicago Park District.

- Chicago is hoping that the state's pension law will serve as a model for an overhaul of its own pension crisis. Its budgetary flexibility is burdened by high fixed costs, including significant debt service payments, and a state law requiring that the city pay far more into its pension fund beginning in fiscal 2015. Efforts to reduce costs have been meaningful with state and local government employment in the metro division at a more than 12-year low and faring much worse than in past recoveries.

NEAR-TERM OUTLOOK (back to top)

- Despite the positive signs, it is important not to get overly optimistic about the state's prospects. It will take at least two more years for employment to reach its prerecession peak, with job growth expected to fall well short of the national average in 2014 and 2015. The recovery process in banking and housing is less advanced in Illinois, and the state's budget woes are far from fixed. Pension reform still faces a significant legal challenge, and fiscal 2014 is the last full year before a partial rollback of temporary income tax rate increases will dramatically reduce revenues.

- Even with follow-through on pension reform, the state's financial condition in fiscal 2014 could end up being the high watermark in the near term. While the pension law cuts benefits and reduces costs to the tune of $160 billion, it does not take effect until next year, and any saving would not be released for several years down the road. The bigger near-term threat is the sunsetting of temporary income tax increases that will shine the spotlight brightly on the state's structurally unbalanced budget.

- Although Champaign and Springfield have the most to lose because of their outsize dependence on government for jobs and income, the threat posed by Illinois' poor finances extends to all parts of the state as businesses, worried they will have to pay the price for decades of fiscal mismanagement, think twice about expanding or setting up operations. Chicago is also grappling with its own pension woes, which, if left unsolved, will soon undermine the city's capacity to provide essential services.

- Chicago will likely need to see state pension reform implemented before taking action to ease its own pension payments. Chicago enjoys a broad and diverse economy and home-rule powers over taxation, but its flexibility is limited by the city's reluctance to adjust taxes. A state law requires that the city pay much more into its pension fund starting in fiscal 2015, which the mayor wants to push back. State and local government job cuts will persist through mid-2015, with bigger declines in Chicago than the rest of Illinois.

- Fortunately, consumer industries will perform better this year and next, especially upstate, and the turnaround in manufacturing will give a much-needed boost to downstate economies. Factory output recently emerged from an extended soft patch, and the early read on activity this quarter points toward further acceleration. The ISM-Chicago index is easily the most upbeat of the regional manufacturing surveys, and key influences on the industry are turning more positive. Capital spending plans are improving and there has been some strengthening in foreign markets, especially Europe. Statewide exports are no longer declining and the Fed’s latest Beige Book indicates that orders for industrial machinery have picked up.

- Some parts of manufacturing will grow more slowly in the first half of 2014. With vehicle sales no longer climbing as fast as before, and dealer inventories starting to pile up, a slowdown in auto production is on the horizon. In fact, the monthly auto production schedules provided by Wards and IHS show modest declines in the first quarter as automakers look to curb the rate of inventory accumulation.

- The softening in auto production is expected to prove temporary, however, and the continued revival of motor vehicle manufacturing will be a key support to the state’s manufacturing industry in the coming years. With the vast majority of the factory jobs Illinois has added during the recovery in auto manufacturing or supplier industries, this is an important area to watch. Although transportation equipment manufacturing payrolls are expected to dip this year, the job loss should be modest and be more than offset by gains elsewhere. However, auto sales need to resume climbing to ensure that the setback does not evolve into something more damaging to growth. After contracting 0.8% last year, manufacturing payrolls in the state are forecast to climb 0.5% in 2014.

- When it comes to manufacturing, Peoria and Decatur face the biggest challenges as a result of their reliance on faster growth abroad and stronger overseas demand for heavy equipment in particular. Caterpillar looks for sales to rebound this year, and the company may even be conservative in its outlook if dealers stop reducing inventories and construction picks up quickly. Miners have reported better results recently and will invest more if improvement is sustained. The recent pickup in U.S. machinery orders is a positive sign, and dealer statistics show that sales in certain end markets such as Europe and North America have improved very recently.

- Nonetheless, Caterpillar will remain a source of downside risk until there is more improvement in emerging economies. China in particular is a worry as the government forges ahead with structural reforms and seeks to curb elevated debt levels to help create long-term sustainable growth. More broadly, there are constraints on domestic spending in emerging economies from a tightening in domestic financial conditions and a squeeze on profit margins that has caused businesses to curtail capital spending and hiring.

- Producers of agricultural machinery such as Deere, which does more than half of its business with emerging economies, will also face a challenging environment. Higher interest rates will make equipment loans more expensive, and falling commodity prices will reduce anticipated returns. In recent years, these factors have driven many farmers to purchase new equipment. Anecdotal reports suggest that some farmers have replaced combines each year because it has been so inexpensive to do so. This means not only that farmers have on average newer equipment, but that the secondhand market is well-stocked. Declining demand for new tractors in the coming quarters will squeeze sales and restrict hiring. Moreover, if demand disappoints, the heavy equipment maker could idle production, a negative for incomes and consumer spending in Davenport.

- The outlook for downstream industries to manufacturing such as transportation and distribution is promising, especially in Chicago. Cargo traffic through O'Hare and Midway airports is no longer declining and, after securing a federal loan, the city is ready to start construction on an $800 million intermodal facility. O'Hare's international terminal is undergoing a major face-lift, and the airport's recently opened runway means it is now capable of handling the latest generation of Boeing cargo planes. Finally, the city is also moving forward on a plan to privatize the Port District in an attempt to spur investment and jobs. Consequently, some of the rebound is structural rather than cyclical. The importance of the industry to the state's labor market is 1.3 times greater than the national average, the most in three decades.

- Consumer industries are poised to do better thanks to improvement upstate, where households have made big adjustments to the liability side of their balance sheets and have seen the value of their real estate and financial asset holdings increase dramatically. Households are more willing and able to borrow, a development that bodes well for the state's struggling retailers. Rising house prices are reducing the number of borrowers with negative equity, while an increase in stock prices is providing support as upstate households receive a higher than average share of their income from dividends, interest and rent. Between the two, an increase in financial wealth will mean more to Lake County, where house price increases have been smaller and there has been less high-wage job creation.

- Stock ownership is not as prevalent in Rockford, but labor income is poised to do better. Although less support from autos will hurt manufacturing, a handful of relocation and expansion projects will limit the extent of any slowing. The biggest gains will occur at Woodward Inc.'s new $300 million manufacturing campus in Loves Park, which is expected to expand its workforce by 600 over the next five years. These additions, along with those at Packaging Coordinators Inc., medical software company Practice Velocity, and a Vision Financial call center, will more than offset the loss of construction jobs once the projects are complete.

- Illinois' Medicaid expansion will ensure that healthcare providers add to their payrolls more quickly this year than last, and the aging of the state's population will ensure that the industry is a driver of growth throughout the forecast horizon. Healthcare and social assistance accounts for a below-average share of employment in the state, but the industry's role will increase in the coming years as ambulatory services, hospitals, and nursing and care facilities bolster payrolls to accommodate rising healthcare demand. The Medicaid expansion is expected to enlarge Medicaid rolls by 10% by the end of 2014, as well as ease the financial burden from uninsured patients, which usually fell upon medical centers.

- Slower healing in housing will continue to act as a speed limit on growth. Although foreclosure inventories are down sharply over the last year, builders will be hesitant to construct new homes until more of the overhang is cleared. The process of clearing remaining excess supply is expected to take most of the year because the earlier slowing in job and income growth, and increased financing costs have taken the wind out of sales. Once excess supply is worked through, however, builders will get much more aggressive and housing will contribute more significantly to the state's recovery. Also, by 2015, lower unemployment and better consumer confidence should lead to more household formation and stronger sales. Construction payrolls in the state are expected to fall this year at roughly half the pace of last year, but the 0.7% decline compares with an increase of greater than 4% nationally and is the weakest forecast among Midwest states.

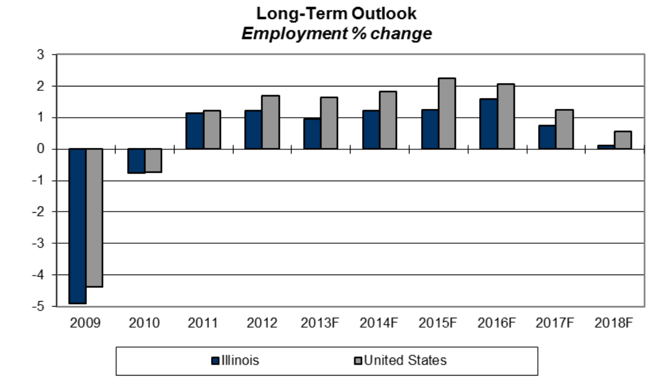
- Small businesses will continue to be a weaker force for the state's recovery. While a dearth of fast-growing startups has weighed on job creation nationally, in Illinois the weight is especially pronounced as entrepreneurs worry that they will end up inheriting the state's financial problems and have to help pay for them. Small firms seeking a stable environment are looking elsewhere to set up shop or expand. The risk centers on businesses that are more cost sensitive and located downstate, which does not have Chicago's unique features that appeal to businesses.

- Office industries are expected to generate about the same number of jobs this year as last, but gains will be more concentrated, with all of the increase expected to come from business/professional services. After holding back industry growth last year, administrative and support services will transition back to a significant source of new jobs as more expansionary businesses seek out temporary help to meet demand. In addition, stronger demand for talent in science and technology fuels increased hiring in this high-paying cluster, while the number of lucrative headquarters jobs is also expected to grow as large corporations focus on expanding their businesses. The gains will be especially large in Chicago, where more companies that built sprawling campuses on the fringes of the metro division move back to the urban core.

- Financial services are no longer expected to add to growth in office-using employment this year; industry payrolls are forecast to dip slightly. Weakness will be concentrated in Chicago, where real estate and leasing is struggling and a decline in mortgage refinancing has led to another round of layoffs at banks. On the upside, credit card companies such as Discover are taking consumer lending share from big banks and should benefit from greater card usage and stronger loan growth. Conditions will also remain favorable for insurers, and trading volume gains position the state’s exchanges and securities firms for stronger growth.

LONG-TERM OUTLOOK: POSITIVE FACTORS

(back to top)



- 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 city is also ready to start construction on an $800 intermodal facility and is moving forward on a plan to privatize the Port District in an attempt to spur investment and jobs. Meanwhile, the best growth prospects for downstate are found in agriculture-related projects such as food-processing facilities, energy projects and distribution facilities.

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 that can get by with a low-skilled workforce as long as rents are low.

- 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.

- The outlook for Chicago depends on its expansion as a center of global commerce. The latest trends are encouraging in this regard as the metro division builds out its small but important core of high-paying headquarters jobs faster than its peers. In recent years, the urban core has become the new economic engine, as more jobs downtown attract residents to move nearby, prompting additional companies to join the inward migration. Indeed, a downtown location is fast becoming a necessity in the competition for talent. The gains have been concentrated in urban core and the mega Loop in particular, the population of which has surged in part because of the expanding roster of high-tech companies in the Merchandise Mart in River North.

- 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. A second incubator for startup technology firms in Chicago, this one focusing on biotech and pharmaceutical companies, is in the works. Tech companies that are able to meet the needs of Illinois' vast manufacturing base will also be 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 just over 6% of the state's workforce and closer to 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. They 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. The industry has come back faster in the state than it has nationally, thanks almost entirely to more people visiting Chicago. The mayor's goal of 50 million overnight visitors by 2020 looks increasingly attainable. It would require growth of 1.2% per year, or a half million more visitors annually, between now and then. If, instead, the city were able to raise the per-year total by even half as much as in 2012, the overnight visitor count by 2020 would be 60 million.

Transportation/distribution

- Even though manufacturing itself is not expected to be a significant positive force as a result of productivity enhancements and increasing globalization, the state's distribution and transportation network will remain an integral part of the economy and help drive growth. Transportation, warehousing and wholesale trade account for just over 11% of Chicago's output and slightly less than 11% of Illinois' gross state product. Among Midwest states, only Nebraska and North Dakota are more dependent on this cluster of industries.

- Chicago has gotten the green light to break ground on an $800 million intermodal facility at O'Hare International Airport, shoring up role of logistics in the region's recovery. The venture, one of the largest capital improvements in the airport's history, marks another step forward for the O'Hare Modernization Project, an $8 million expansion that completed its first phase late last year with the opening of a new runway.

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

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 Chicago as schools downstate is to that economy.

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' 13% share of jobs that are in healthcare 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, farmers will benefit from an expanding global economy. Although efforts to rein in the federal budget deficit could result in a reduction in farm subsidies down the road, the forecast assumes that they will remain an integral component of U.S. agriculture in the longer term.

Energy

- 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 forecast to increase gradually over the next few years as a result of higher oil demand. Global oil demand will rise more quickly the next few years as growth in developed economies accelerates, absorbing more supply even as domestic shale oil production reaches record highs and curbs imports into the U.S., the world's biggest oil user. This will make alternative energy production, in which Illinois is focused on ethanol, more economically viable. 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.

Business climate

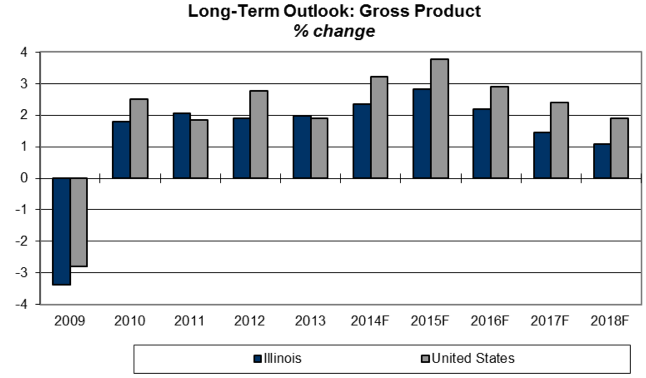
- Illinois' business climate outshines its regional rivals, although rising corporate taxes and fiscal uncertainty has some firms questioning whether they want to expand in the state or elsewhere. Illinois has what it needs to remain a top business center, as long as it can solve the fiscal problems 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 20% 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 22% and 14%, respectively. In addition to better educational attainment levels, Illinois 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 3,000 to 4,000 more miles of track than any state that it borders.

- 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 did not raise much in the way of venture capital in the first half of 2013, with very few deals in the first quarter and very small deals in the second quarter. The drop-off was disconcerting given that there have been other signs of a steeper drop-off of entrepreneurial activity than elsewhere. However, startups were much more active in last year’s third quarter, with the dollar volume of deals jumping to a more than two-year high of $190 million. This was more than double the amount of the state’s closest regional competitors, Ohio and Minnesota. The greater availability of capital has played a key role in raising Chicago’s technology profile, for example, most noticeably with the success of the 1871 incubator in the landmark Merchandise Mart in Chicago’s River North neighborhood. The increase in activity is a clear positive for long-term growth because some of the smallest firms are the most important when it comes to spurring employment. Start-ups that can expand quickly, often dubbed “gazelles,” are especially important to economic growth, sparking lots of job creation and investment.

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



Source: Moody's Analytics

- 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. Between now and the end of the decade, employment in Illinois is forecast to increase just over 4%, below the more than 5% increase for the entire Midwest region and 8% rise nationally.

- Despite its close ties to the national business cycle, Illinois will underperform 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 those in surrounding states and have risen more quickly recently because of the hike in corporate and personal income taxes.

- While taxes are not the only factor affecting business decisions, they do matter, and temporary hikes in personal and corporate income tax rates enacted in 2011 have hurt Illinois' competitiveness. Individual income tax rates were raised to 5% from 3%, while corporate income tax rates went to 7% from 4.8%. As a result, Illinois' tax climate now ranks in the bottom half of states, according to the latest estimates put forth by the Tax Foundation. At the start of fiscal 2014 the state's tax system was 31st best nationally, down from 30th in the prior year and 29th in fiscal 2012. Prior to the temporary tax hike, Illinois sported the 16th lowest burden in the nation.

- Among the tax-related impediments to expansion, Illinois' corporate, property and unemployment insurance taxes stack up poorly compared with other states'. However, the hike in the corporate tax rate was the single biggest reason for the slippage in the state's tax climate. With the increase, corporate income tax rates in the state are now the fourth highest nationally. Among Midwest states, only Iowa has higher corporate costs. South Dakota easily has lowest tax burden in the region with no corporate or income tax, but among Illinois' more direct competitors only Missouri and Michigan sport lower corporate tax rates. Michigan recently improved its competitiveness by replacing its discretionary receipts tax with a flat 6% corporate income tax that is largely free of special tax preferences.

- 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 hiked in 2011 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, after the tax hike took effect. Moreover, since then Illinois has clawed its way back to 11th in this important category, which accounts for one-third of the index. The component is important to businesses because about 75% of small businesses are organized in such a way that they pay personal income taxes on their business income.

- 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 strong performers for Illinois during the recovery and in years past.

- While lawmakers are mindful of their state's business tax climate, they are often tempted to entice business with lucrative tax incentives and subsidies instead of broad-based tax reform. There is a recurring pattern of such behavior in Illinois, in part because officials are covering for the state's woeful corporate tax climate. However, a far more effective method would be to take steps to improve the business tax climate for the longer term so as to improve the state's competitiveness in a systematic way that does not compromise the longer-term budget picture.

- Not surprisingly, Illinois' business competitiveness tends to be quite different for mature and newly established firms. According to the Tax Foundation, the state's total effective tax rate for mature firms, defined as those that have been around for at least 10 years, is 45th, or sixth highest in the nation. However, the state's rank for new firms, defined as those that have been in operation for less than three years, is much better at 24th as the various tax incentive programs that are available to new investments are taken into account and lower the effective tax rate.

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, evident in the 23,000 jobs regained 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 9.9%, is only somewhat higher than the national average of 8.8%, the share outside Chicago is higher, at 12.5%. Illinois' largest manufacturing industries, in order of number of jobs, are fabricated metals, industrial machinery, food processing, chemicals and plastics. Together, the five industries account for 58% of all manufacturing jobs, compared with 46% 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. Much of the state's low-value-added manufacturing, with the exception of food processing, is likely to leave the state.

Business costs

- The state's longer-term outlook is tarnished primarily by its budget woes and weak population trends, not its higher costs relative to nearby states. Business costs in the state are only marginally higher than they are nationally. Costs are on par with those in Wisconsin and Ohio but higher than those in neighboring Missouri and Indiana. Firms in Illinois tend to pay less in taxes and their utility costs are below average, but labor is on the expensive side. By and large, though, business costs are pretty favorable and lower than those in states that have similarly large metropolitan areas with unique features that appeal to businesses such as California and New York.

Index of Relative Business Costs, 2011								
	Labor Cost		Tax Burden		Energy Cost		Overall Index	
	Index	*Rank*	Index	*Rank*	Index	*Rank*		*Rank*
Illinois	**101**	***21***	**98**	***20***	**92**	***27***	**100**	***17***
Indiana	89	46	100	17	84	34	87	42
Ohio	98	27	108	11	95	22	98	22
Michigan	104	7	104	14	99	18	103	12
Wisconsin	102	19	109	10	99	19	101	15
Iowa	91	44	97	23	78	41	86	48

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.

- The cost of energy has shifted from a disadvantage for the state in the mid-1980s, when it was 20% more expensive than nationally, to an advantage today, with utility rates in Illinois now about 12% below the U.S. average. Although the entire Midwest has become more competitive in this area, Illinois has made bigger strides, and for the first time in more than four decades energy costs are noticeably less than the regional average.

- The state's tax burden has been consistently below that of the Midwest region since the early 1980s and has been lower than the national average since the late 1980s. Illinois' tax burden is also lower than those of its neighboring states, with the exception of Missouri and Indiana. The state has been able to keep its tax rates low by deferring its commitments for employee compensation. However, now that debts must be repaid, the state must reform its tax system in order to gets its finances on a sustainable path. This may require tax burdens to rise above national and regional norms, which, in the absence of an accompany rise in services, could diminish the appeal of investing and living in the state.

Right-to-work

- Unit labor costs in the state are above the national average, in part because of a still-high presence of unions. The state's unit labor costs are significantly higher than those of neighboring Indiana but lower than in Michigan's, two states that have adopted right-to-work laws. Under right-to-work laws, employees in unionized workplaces cannot be forced to pay union feeds or join unions. Michigan passed a law after a number of businesses, mostly in manufacturing, cited the law as a factor in their decision to locate in the Hoosier State.

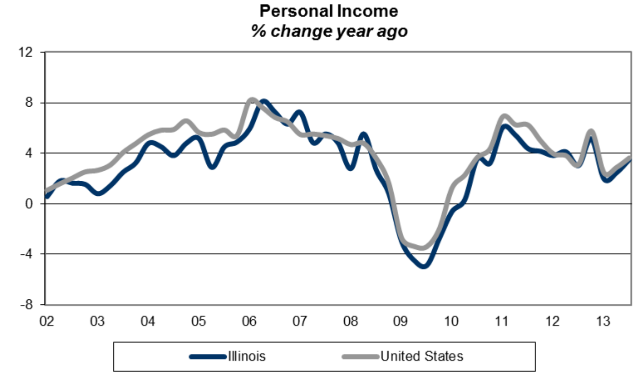
- Right-to-work laws weaken labor unions by eroding the power and influence of organized labor—they tilt the balance of power so that workers reap fewer of the gains from growth. The laws create what is known as a free-rider problem—by making the payment of union dues voluntary, workers are able to benefit from union bargaining efforts without having to pay for it. With fewer employees paying for the cost of representation, the financial resources of unions get eroded and their influence and power suffers.

- Right-to-work laws do tend to cause a decline in union density. The percentage of workers belonging to unions fell more significantly in Idaho and Oklahoma than in the rest of the country after they adopted such laws in the early 2000s. More recently, organized labor has suffered big membership losses in the industrial Midwest, including Michigan and Indiana, states that have recently passed laws that make organizing labor more difficult.

- Less clear are the effects that right-to-work laws have on economic growth. The lack of clarity is mainly due to the fact that union strength is just one factor businesses look at when deciding whether to set up shop or relocate. Energy and other costs also matter, as do a slew of other factors including talent, infrastructure, and access to customers and capital that make it extremely difficult to gauge the effects of right-to-work laws on job creation and a state's economic prosperity.

- Also debatable is whether right-to-work laws enhance economic growth even in circumstances where they do help attract businesses to a state. Since laws that hurt unions shift the balance of power from employees to owners, they tend to erode wages and lead to a more uneven distribution of the gains of economic growth. Consequently, even if the impact of right-to-work laws is positive in the short run, it can diminish over time because of the downward pressure on incomes.

INCOME (back to top)



Sources: BEA, Moody's Analytics

- Personal income has been slower to rise in Illinois, contributing to the underperformance of retail. Consumption depends most on labor income, which has lagged during the recovery. Incomes in Illinois are only about 9% above their prior peak, compared with more than 12% in the Midwest and 13% nationally. The increase is the second smallest among Midwest states, with Missouri and Michigan the only Midwest states to register single digits. Incomes are up more than 11% in Indiana, more than 13% in Ohio, and 14% in Wisconsin

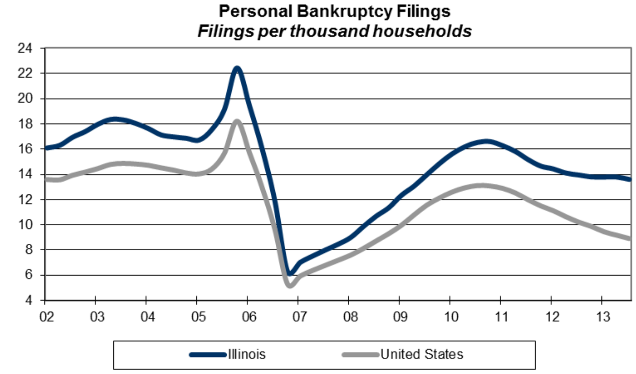
- Consumers were less of an engine for growth in Illinois last year because personal income was slower to rise. Recently released third quarter data show that growth was third slowest among Midwest states both from the prior quarter and the same period a year earlier. The slowdown in manufacturing weighed heavily on wages and salaries, which are rising about a half of a percentage point more slowly than those in the Midwest and region. In the third quarter the performance gap was the largest it has been since the recovery began, though more timely data on hourly pay the workweek suggest that it shrank late in the year when manufacturing payrolls turned back up. Average weekly earnings in the private sector grew almost three times as fast in the fourth quarter as the third quarter, and year-over-year growth exceeded the national average for the first time since the same period last year.

- The late-year improvement in wage income can be traced to the pickup in the factory sector. Admittedly, through most of last year, hourly earnings growth in manufacturing moderated, and in the fourth quarter, year-over-year growth registered about one-fourth of what its national counterpart did. And yet average weekly earnings in manufacturing managed to keep pace with nation thanks to increased overtime opportunities and more hours worked. By year's end the average factory workweek had lengthened to 42 hours, the longest since the upturn began and a half an hour above the national average. The increase in the average workweek is a positive sign for manufacturing job growth since it suggests there is less room for producers to tap the current workforce before they have to hire.

- The state's high-wage jobs tend to be clustered in Chicago, which boasts higher than average incomes in just about every major industry. On a per capita basis, Chicago ranks 24th nationally, with incomes more than 109% of the national average. However, per capita income is about average for a metro area of its size, and Chicago's position relative to its peers and the nation has deteriorated steadily since the late 1990s, when per capita incomes were roughly 117% of the national average.

- Per capita incomes in Rockford and Lake County have fared even worse than those in Chicago, and all of the deterioration in the state's relative income position over the past two decades has occurred upstate. By contrast, per capita incomes downstate either have been close to unchanged or are actually higher relative to the nation than they were two decades ago, as is the case in Peoria, Decatur, and the Quad Cities. All three are manufacturing centric and tend to ship a lot of what they produce overseas. Unfortunately, recent improvement has not been enough to offset the weakening elsewhere. At $45,832, statewide per capita income is still higher than the nation's and that of most other Midwest states, but its advantage is gradually slipping.

BALANCE SHEETS (back to top)



Source: Administrative Office of U.S. District Courts

- Besides income, there are other reasons consumers have been a weaker force for Illinois' recovery. Household balance sheets in the state have taken longer to heal and are generally in worse shape than the nation's. Because their wealth fell so much during the recession, households upstate have been more aggressive in cutting debt and padding saving, hurting consumer industries in the process. Household debt in Chicago, Lake County and Rockford ended last year about 17% below its prior peak, compared with a 10% shortfall nationally. At 4.6% in last year's fourth quarter, the delinquency rate in the three metro areas is also higher than the national average of 4.4% and the average elsewhere in the state of 3.3%.

- Fortunately, Illinois households have come a long way in repairing their balance sheets and are increasingly willing and able to borrow. Although consumer debt is well below its prior peak upstate, it is no longer falling, and when Chicago, Lake County and Rockford are excluded, it is climbing and recently surpassed its prior peak. Because households did not overextend during the last expansion and were spared the foreclosure crisis, they have not had to make the adjustments to the liability side of their balance sheets that have been necessary upstate and sport lower delinquency rates for nearly all types of credit. The strength of balance sheets downstate has helped cushion the blow of weaker manufacturing on consumer industries such as retail and leisure/hospitality. Households downstate have been more willing and able to smooth through the income shock of a job loss by increasing debt to support spending.

- The rise in financial wealth in places such as Chicago and Lake County, where stock ownership is more pervasive and dividends, interest and rents account for a higher than average share of local incomes, has been more pronounced than the increase in the rest of the state. But because declines in housing wealth were also much larger than average upstate, consumer balance sheets have generally improved by less than average. While nationally house prices have reversed about one-third of their earlier decline, in Illinois only around one-fifth the drop has been recouped because of the steeper decline and tepid rebound upstate.

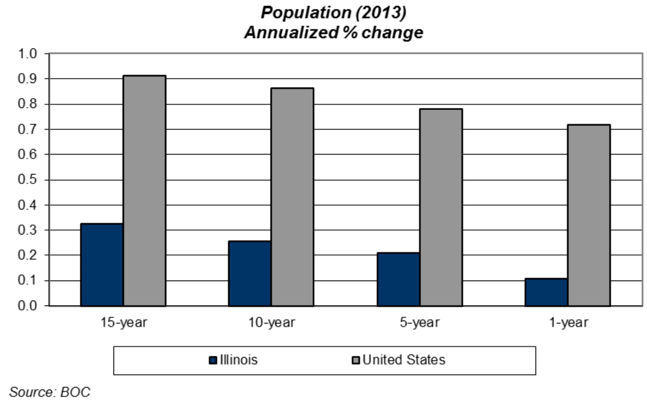
- By contrast, most Illinois metro areas downstate did not experience a huge runup in real estate values that led households to overextend. Because downstate economies did not suffer much of a housing bubble or bust, a much lower than average share of its homeowners has negative home equity and is collateral-constrained. With the exception of Danville, house prices in downstate metro areas have either moved sideways, such as those in Champaign, Decatur and Peoria, or, in the case of Bloomington, Springfield and Davenport, eclipsed new highs. Because homeowners have not had to endure a significant loss of home equity, they have been able to get their financial houses in order more quickly.

- With many homeowners upstate still struggling to overcome falling home values, mortgage credit quality is somewhat of a sore spot in Illinois. Although delinquencies on first mortgages are no more prominent in the state than they are nationally, late payments on home equity loans are more widespread. Home loan delinquencies have been falling for only about two years, half as long as nationally. At the end of last year, the delinquency rate stood just above 4%, more than a percentage point above the national average. Roughly four-fifths of the delinquent home loans are in Chicago, up from less than two-thirds prior to the recession. Mortgage credit conditions are apt to stay tighter for longer in Chicago, keeping some prospective homebuyers from entering the market and hurting sales.

- Personal bankruptcies are trending lower in the state, but it is clear from the data that the slowdown in the state's economic recovery is causing hardship for those who have lost their jobs and do not have significant financial cushions to fall back on. Although personal bankruptcies in the service area were roughly 3% below their year-ago level in the fourth quarter of 2013, this was the smallest decline among

Midwest states and compares with a 12% decline nationally. The state also has more personal bankruptcies per 1,000 households than the nation, and the gap is the largest it has been in more than decade.

DEMOGRAPHIC TRENDS (back to top)

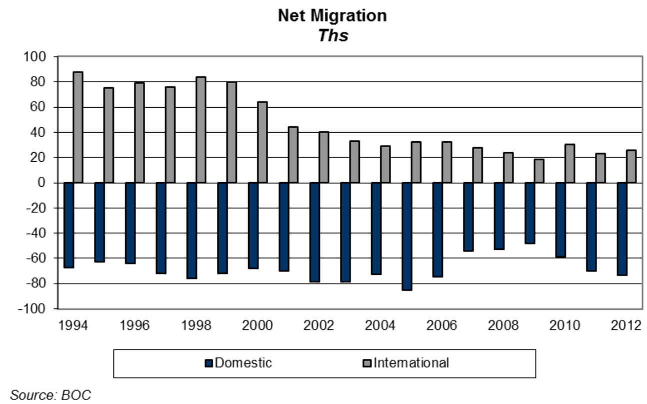


- While household credit quality has been less of a hindrance for the downstate economy, demographic trends have been a bigger challenge. Chicago's population grew 0.3% in 2012, the same as in 2011. But across the rest of the state, the population contracted for a second straight year in 2012, the first time there has been back-to-back declines since the 1980s.

- The population numbers for 2013 have been released for states, but not metro areas. Illinois' population grew 0.1% last year, the same as in 2012, and the slowest growth rate since the late 1980s. 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. The slowing trend resumed in 2010; both immigration and birth rates have declined since then.

- As the national recovery strengthens, more of the state's residents are seeking opportunities elsewhere. A net 40,000 residents left the state in 2013, an improvement from 2012, when the 46,000 net residents Illinois lost was the most in more than two decades. The main reason for this is a loss of domestic residents. Although the state has been losing more domestic residents than it has taken in for decades, in the past few years the gap has widened as an underperforming economy has reduced the state's appeal. Illinois lost just more than 67,000 net domestic residents in 2012, about 6,000 fewer than in 2012.

- Looking at the movement of workers across state lines, Illinois loses and gains the most number of residents from neighboring Indiana. In the early 1980s, the state took in approximately the same number of residents from Indiana that it lost to the Hoosier State. Since then the number of residents relocating to Illinois from Indiana has stayed about the same, but the number of Illinois residents moving to Indiana has risen by about 50%. On the upside, since the mid-2000s the number of Illinois residents leaving for Indiana has fallen by about one-fourth.



- Illinois also loses more residents to Missouri and Kentucky than it takes in from these states, but the trends have been about stable over the last two decades. Meanwhile, Illinois also loses more residents to Iowa than it takes in, but the numbers leaving for the Hawkeye State have steadily increased since the early 1990s, when the migration rate with Iowa was positive. On the upside, Illinois is losing fewer residents to Minnesota and Wisconsin, and the migration rate with Ohio and Michigan is positive.

- 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 retire and move out of the state results in a gradual slowing in population growth after a brief period of improvement this year and next. While the largest number of the state's out-migrants is headed to Indiana, where living costs are lower, retiree destinations Florida, Texas and California now rank as the second, third and fourth most popular destinations for relocating residents.

- Over the past two decades, international migrants have helped temper the bite to Illinois' population base from the tide of domestic out-migrants. Foreign immigration has weakened since the mid-2000s, but the trend appears to be stabilizing. The 2013 total of 28,000 was unchanged from the prior year and up from 2011's increase of 25,000, which was the smallest since the early 1990s. The recent improvement is expected to be sustained as Chicago in particular will remain a gateway for foreigners seeking jobs in the U.S. Immigration policy is also expected to become looser in the coming years because of the country's changing voter profile.

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

- The natural rate of population growth has also slowed in Illinois, from close to 80,000 per year just prior to the recession to a multidecade low of around 57,000 in 2013. The rate of natural population increase, or the difference between birth rates and death rates, was below the national average for a second straight year in 2013. To be sure, the state's death rate is lower than the region's and the nation's and the favorable gap has grown a bit larger in recent years as the importance of elderly residents in the state's population base has been slower to increase. Among neighboring states, only Minnesota had a lower death rate than Illinois in 2013.

- Unfortunately, the birth rate in Illinois has dropped off significantly since the early 2000s, when it was well above both the regional and national averages. While the death rate in Illinois was more or less unchanged in 2013, the birth rate dipped again to its lowest rate in more than three decades. The birth rate was higher than in the rest of the Midwest but lower than the national average. It was on par with that in Iowa and higher than in Michigan, Ohio and Wisconsin but lower than in Missouri, Minnesota and Indiana.

- Illinois’ population between the ages of 25 and 44 makes up a larger share of the total than that of the Midwest and the nation, but 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.

- Because Illinois is expected to lose a good number of elderly residents to areas further south over the next decade, the share of the population 65 and older will be slower to increase and will fall short of 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. About 32% of the workforce has at least a bachelor’s degree and 12% has a graduate degree—both above the national average. Most of the state’s neighbors trail it in educational attainment. Illinois’ share of adults with a bachelor’s degree ranks 14th nationally. Most northeastern states rank ahead of Illinois, as do Colorado and Washington in the West. The only Midwest state to rank ahead of Illinois in the share of adults with at least a four-year degree is Minnesota. Wisconsin comes closest at about 27%, followed by Iowa, Missouri and Michigan at 26%, Indiana at 23% and Kentucky at 22%. No southern state ranks above Illinois.

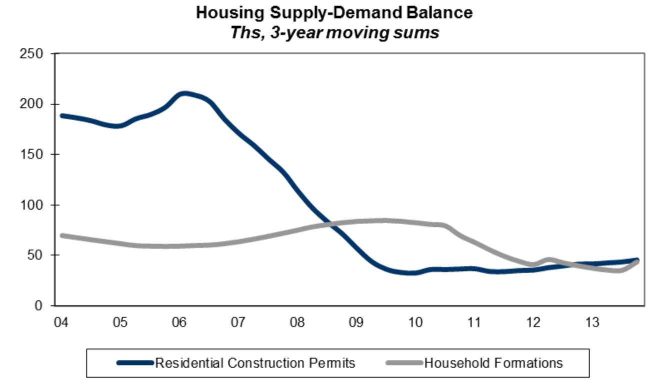
- The state's large pool of talented workers is primarily due to the concentration of white-collar jobs in the Chicago area and in downstate metro areas including Champaign, Bloomington and Springfield. The metro areas that have a high dependence on manufacturing, including Davenport, Decatur, Kankakee, 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.

- Weak population growth has far-reaching consequences, from sluggish labor force growth to low demand for housing and consumer goods. Consequently, if the forecast for improvement in population growth takes longer to materialize, so too could the strengthening of the Illinois economy. The recent divergence in growth rates between Illinois and the lagging Midwest is a concern because it suggests that the state is losing out to its closest competitors when it comes to attracting and maintaining residents.

- Illinois' population is expected to increase a bit more quickly this year, but risks are skewed to the downside because of persistent weakness in housing and the state's poor financial situation. The difference between birth rates and death rates is expected to narrow a bit further as a result of the aging population, but migration patterns are forecast to improve as a result of slightly firmer foreign immigration and smaller domestic resident outflows. Population growth is forecast to pick up to 0.2% in 2014 and 0.3% in 2015, bringing it in line with the regional average.

- One important element of the outlook is the strengthening demographics in Chicago and the downtown area in particular. Not since the late 1990s has population growth in Cook County been this strong. This recentralization of demographic growth from the suburbs to the urban core is expected to persist given the diminished appeal of owning a home in the outer suburbs and the increasing number of well-paying jobs downtown. The expanding roster of high-tech companies such as Groupon, Facebook and LinkedIn downtown has other companies believing that they need to locate there in order to land top talent and compete successfully. 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.

RESIDENTIAL REAL ESTATE (back to top)



Sources: BOC, Moody's Analytics

- Housing has been slower to rebound in Illinois, owing to a still-substantial foreclosure overhang upstate and disappointing household formation downstate. The gain in house prices last year was greater than anticipated, supported by record high affordability at the start of 2013 and more recently by investor demand for distress properties upstate. Investors in single-family rentals are flocking to state in search of better returns as discounts on distress properties in warmer states have evaporated along with supply.

- Investors are scooping up foreclosed properties and boosting Chicago-area home sales. The distress share of sales was close to 40% in the Windy City in 2013, compared with a national average of closer to 20%. Discounts on distress properties have come down quickly as a result, and the subsequent lift to house prices is helping reinforce demand from more traditional home seekers sensing that the time to buy is now.

- Also important is that the large number of borrowers in negative equity is shrinking as prices increase. The shift to positive equity implies more homeowners with troubled balance sheets will be able to refinance or sell, freeing up cash for other consumption. Of course, with mortgage rates up since the spring, fewer can refinance, and with prices also higher, affordability has taken a hit. The pace of sales improvement in Illinois has slowed considerably in recent months and leading indicators such as housing permits point to weaker construction in the first part of 2014.

- Progress in clearing the supply of distressed properties has been slower in Illinois than it has been nationally. The state's lengthy judicial process is primarily to blame. According to RealtyTrac, it takes almost two years to foreclose in Illinois, about twice the national timeframe. Because of Illinois' slow foreclosure resolution process, there is still a lot of excess supply that needs to be worked through. Foreclosure inventories are falling rapidly, but at 20 per 1,000 households, they are still about twice the national average.

- Problem mortgage loan are being processed more quickly now that services have clarity about foreclosures rules, however. After trending up in the second half of 2011 and first half of 2012, foreclosure filings in the state has dropped off. The number per 1,000 households is the lowest since mid-2007 and only slightly higher than the national average.

- In addition to the speed of disposing foreclosures, the size of the pipeline is also important for the outlook. Fortunately for Illinois, the backlog of distressed properties is not as large as in other states with similarly slow foreclosure processes. The share of first mortgages that are seriously delinquent, while still historically high, is on par with the national average. Consequently, while more foreclosures are about to hit the market, the overhang should look considerably smaller by this time next year.

- Also, housing inventory is already low across much of the state. The vast majority state's distress supply is located in Chicago, Lake County and Rockford, with the three areas accounting for 93% of Illinois' foreclosures. Unfortunately, even with housing inventory very low across much of the state, demand is struggling to outpace supply. The ripple effects from earlier factory slowing have hurt job and income growth, and with downstate metro areas also struggling to retain residents, the rate of household formation has languished. Consequently, opportunities for builders have been few and far between and house prices have been slower to rebound. Although up from a year ago in all but two of the state's metro areas—Rockford and Kankakee—house prices are climbing more slowly than average pretty much everywhere and in most cases the difference from the nation's prices is quite large.

- A decline in affordability will take some steam out of the market, but prices will continue to rise. So far, higher rates have mainly affected the decision of what to buy, not whether to buy. In Chicago, homes in the lowest price tier have appreciated about twice as much as those in the highest tier over the past year. Moreover, even with the price rise, renting still costs more than owning in most parts of Chicago and

Lake County, and affordability is still above the national average in these metro divisions for the first time since the early 1980s.

- A stronger pace of sales is needed to absorb the distress supply, which has so far kept a lid on construction and limited the improvement in housing-related employment. Although the housing pipeline supports jobs across a number of industries, homebuilding and related construction jobs account for the biggest portion. The lack of a meaningful turnaround in home construction is the primary reason housing-related employment has lagged in Illinois. To be sure, the state's housing recovery reached a milestone last year as the benefits spread to the labor market and broader economy, but the turn-up in payrolls around midyear appeared excessive given the still-substantial foreclosure overhang, and most of the increase was reversed in the second half of the year. On a year-ago basis, housing-related employment in Illinois is no longer declining, but growth is well below the regional and national averages.

- Housing is poised to improve as foreclosures decline rapidly in the first half of 2014, but it will be 2015 before job creation in construction and related fields takes off. Household formation is expected to improve and job and income growth turn more supportive, a combination that will more than offset the drag from higher mortgage rates and cause demand for housing to start improving again before long. Although sales are forecast to rise at a below-average rate this year and next, builders will begin to ramp up activity as the inventory of vacant homes dwindles and prices increase.

COMMERCIAL REAL ESTATE (back to top)

- Commercial real estate conditions in Illinois are expected to improve in 2014, but progress will be slower than average. With manufacturing in the state looking much better as of late and factory payrolls no longer declining, the industrial market will improve the fastest, followed by retail. Household balance sheets are increasingly supportive of spending, so demand for retail space ought to pick up pretty quickly since stronger income growth should translate quickly to better consumer spending.

- While a decline in population will create headwinds for retail development downstate, the larger role of the industrial market and stronger connection between manufacturing and other segments should ensure the anticipated improvement in market conditions is not confined to Chicago and the surrounding area. Temporary positions are the first to be added when industrial production is increased, both in manufacturing and elsewhere, as producers such as Caterpillar and Deere maintain contracts with service producers ranging from engineering to cleaning companies. Consequently, the rebound in industrial production has led to firmer demand for temporary help, and office-using employment in downstate economies has resumed its climb after stalling in 2012 and declining in the first half of 2013.

- Across the state, office-using employment is further from its prior peak than that nationally, and employment levels typically dictate space needs. Payrolls are forecast to rise at a below-average rate because of the weaker recovery in housing and ongoing concerns about the potential impact of the state's budget woes on demand. On the upside, healthcare construction will likely remain solid, as this industry tends to follow demographic rather than economic drivers. The aging of the population will also fuel growth in healthcare, as the elderly typically require higher levels of healthcare spending than do other population cohorts.

- Tourism will be a major driver of new investment in Chicago. There are several large hotels under construction downtown and additional projects are planned. The recent slowing in tourist traffic should not deter developers, since business travelers and meeting and trade-show visitors make up about 85% of customers. The pipeline of new hotels will fuel faster growth in leisure/hospitality employment in the Windy City the next couple of years. Meanwhile, a $500 million plan to renovate Wrigley Field has been approved, and the Navy Pier is due for a $155 million makeover. Finally, while the office market has been slower to improve, there are encouraging signs. Downtown office sales show more appetite for risk, and for better located buildings, especially in the River North submarket where the Merchandise Mart is located, rents are starting to creep back up and occupancy levels have increased.

FORECAST RISKS (back to top)

- The risks to the outlook are weighted toward the downside. The biggest threats are related to fiscal and monetary policy and the state's weak demographic profile. Although it is encouraging that federal lawmakers came to terms on a budget to keep the government open and scaled back some of the spending cuts under sequestration that threatened grant funding for Illinois' universities, Congress will need to raise the debt ceiling before long and a last-minute deal could roil confidence and financial markets. The winding down of the Federal Reserve's bond-buying program is another near-term threat.

- The state's finances are also far from fixed, despite the passage of long-awaited pension reform late last year. The pension law still faces a significant legal challenge, and fiscal 2014 is the last full year before a partial rollback of temporary income tax rates increases will dramatically reduce revenues. The state also has a large backlog of unpaid bills and structural budget deficit to contend with, and businesses, worried they will have to pay the price for decades of fiscal mismanagement, may think twice about expanding or setting up operations in Illinois. Specifically, earlier tax increases on corporations have hurt the business climate and could impede job creation further if firms start to believe that the higher rates will be made permanent or be followed by additional increases in the coming years.

- Housing in Illinois could take even longer to recover, and without greater support the state will be more vulnerable to anything that might go wrong. Because of the state's foreclosure resolution process, there is a still a lot of excess supply that needs to get worked through before builders get aggressive about new construction. If demand disappoints, which could happen if investor interest wanes or household formation is slower to rebound, it will be even longer before the foreclosure pipeline is emptied and housing add more significantly to the state's recovery.

- The scaling back of farm support programs is a longer-term risk for Illinois, particularly its rural areas in the southern part of the state. The federal government's near-term fiscal outlook is stable, but the nation's debt load is uncomfortably high, and unless policymakers come to terms on entitlement and tax reform soon, deficits and debt will balloon early in the next decade. Against this backdrop, farm support programs could be at risk, especially as the Midwest's population share, and hence representation in Congress, declines.

- The strength of the turn-up in manufacturing remains a key outlook uncertainty. Although the state's factory job base is forecast to shrink over the extended forecast horizon as a result of overseas competition and productivity enhancements, these headwinds will not be so strong as to prevent a modest increase in the number of factory jobs the next few years as production expands. But the failure of domestic capital equipment spending to recover or disappointing emerging market growth could limit the rebound in production and demand for additional factory labor. Specifically, a sharper than anticipated slowing in Chinese demand is a real threat, as a drive by regulators to rein in the shadow banking sector will cool credit and investment growth. Downstream industries are also likely to fall short of expectations if exports fail to rebound as anticipated.

- On the other hand, the longer-term forecast for manufacturing could prove too pessimistic, particularly if the dollar depreciates more than forecast. With its lowest energy costs and deep pockets of specialized expertise, the Midwest has more of what manufacturers need to thrive. If large multinational companies decide to bring some production work back to the U.S., the Midwest will be a key beneficiary and Illinois could benefit.

- In addition, enhancements to Chicago's vast transportation and distribution network as well as the expansion of O'Hare's international terminal could fuel better than expected growth in downstream industries to manufacturing and help buoy growth more broadly if it helps support corporate relocations and expansion of the city's population.

DEMOGRAPHIC PROFILE (back to top)

Indicator	Units	Illinois	U.S.	Rank	Year
Households					
Households, % change (2008-2013)	Ann. % change	0.4	0.9	42	2013
Population w/ B.A. degree or higher	% of adult population	31.6	29.1	13	2012
Median household income	$	55,137	51,371	17	2012
% change year ago		*3.6*	*1.7*	8	2012
Population					
Per capita income	$	45,832	43,735	16	2012
% change year ago		*3.9*	*3.4*	10	2012
Population	thousands	12,882	316,129	5	2013
% change year ago		*0.1*	*0.7*	46	2013
White	%	77.9	77.9	34	2012
Black or African American	%	14.8	13.1	15	2012
Hispanic	%	16.3	16.9	10	2012
Asian	%	5.0	5.1	11	2012
Net domestic migration, rate	Persons/ths. pop.	-5.2	0.0	49	2013
International migration, rate	Persons/ths. pop.	2.2	2.7	19	2013
Poverty rate	%	1850.6	48760.1	47	2012
Median age	years	36.6	37.2	16	2010
Household Cost Indexes					
Housing affordability index		260.0	222.3	12	2012
Median existing home price	$ ths	*144.2*	*173.0*	26	2012
% change year ago		1.37	4.76	40	2012

Illinois

Recent Monthly Performance

	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Most Recent Yr/Yr % Change
Establishment Employment (Ths, SA)														
Total Employment	5,778.1	5,772.9	5,778.7	5,794.0	5,777.5	5,775.6	5,780.4	5,788.7	5,796.2	5,800.1	5,810.4	5,827.6	5,837.0	1.0
% change	*0.2*	*-0.1*	*0.1*	*0.3*	*-0.3*	*0.0*	*0.1*	*0.1*	*0.1*	*0.1*	*0.2*	*0.3*	*0.2*	
Natural Resources & Mining	10.3	10.3	10.3	10.3	10.3	10.4	10.3	10.4	10.4	10.6	10.6	10.7	10.7	3.9
% change	*1.0*	*0.0*	*0.0*	*0.0*	*0.0*	*1.0*	*-1.0*	*1.0*	*0.0*	*1.9*	*0.0*	*0.9*	*0.0*	
Construction	183.7	183.3	184.9	187.2	185.4	177.6	181.2	186.9	188.8	184.0	184.3	182.3	188.4	2.6
% change	*-1.9*	*-0.2*	*0.9*	*1.2*	*-1.0*	*-4.2*	*2.0*	*3.1*	*1.0*	*-2.5*	*0.2*	*-1.1*	*3.3*	
Manufacturing	586.5	582.3	582.0	583.7	583.7	582.3	579.8	577.1	575.7	574.4	574.2	577.1	576.2	-1.8
% change	*0.2*	*-0.7*	*-0.1*	*0.3*	*0.0*	*-0.2*	*-0.4*	*-0.5*	*-0.2*	*-0.2*	*0.0*	*0.5*	*-0.2*	
Trade, Transportation, & Utilities	1,166.8	1,169.4	1,165.8	1,166.9	1,159.9	1,159.1	1,156.3	1,160.7	1,168.2	1,170.6	1,171.1	1,172.9	1,179.6	1.1
% change	*0.6*	*0.2*	*-0.3*	*0.1*	*-0.6*	*-0.1*	*-0.2*	*0.4*	*0.6*	*0.2*	*0.0*	*0.2*	*0.6*	
Retail Trade	603.7	601.9	597.9	598.3	592.6	589.1	587.7	592.1	594.2	596.2	596.1	598.0	602.7	-0.2
% change	*0.7*	*-0.3*	*-0.7*	*0.1*	*-1.0*	*-0.6*	*-0.2*	*0.7*	*0.4*	*0.3*	*0.0*	*0.3*	*0.8*	
Wholesale Trade	296.2	296.7	299.9	300.6	298.9	299.7	300.3	301.4	303.5	303.6	302.7	301.1	302.4	2.1
% change	*0.5*	*0.2*	*1.1*	*0.2*	*-0.6*	*0.3*	*0.2*	*0.4*	*0.7*	*0.0*	*-0.3*	*-0.5*	*0.4*	
Transportation & Utilities	266.9	270.8	268.0	268.0	268.4	270.3	268.3	267.2	270.5	270.8	272.3	273.8	274.5	2.8
% change	*0.3*	*1.5*	*-1.0*	*0.0*	*0.1*	*0.7*	*-0.7*	*-0.4*	*1.2*	*0.1*	*0.6*	*0.6*	*0.3*	
Information Services	99.2	99.7	99.6	99.9	99.5	99.2	100.3	100.5	99.2	99.2	99.3	99.7	99.9	0.7
% change	*-0.3*	*0.5*	*-0.1*	*0.3*	*-0.4*	*-0.3*	*1.1*	*0.2*	*-1.3*	*0.0*	*0.1*	*0.4*	*0.2*	
Financial Services	368.4	368.6	370.9	371.2	371.2	372.8	373.7	373.9	373.8	373.2	373.3	371.8	370.6	0.6
% change	*0.0*	*0.1*	*0.6*	*0.1*	*0.0*	*0.4*	*0.2*	*0.1*	*0.0*	*-0.2*	*0.0*	*-0.4*	*-0.3*	
Professional & Business Services	871.5	868.0	868.9	876.0	869.6	871.5	877.7	883.0	891.0	892.2	891.7	901.0	897.3	3.0
% change	*0.4*	*-0.4*	*0.1*	*0.8*	*-0.7*	*0.2*	*0.7*	*0.6*	*0.9*	*0.1*	*-0.1*	*1.0*	*-0.4*	
Education & Health Services	871.4	871.8	875.3	876.4	879.6	881.3	881.4	882.2	877.8	881.5	881.6	879.1	882.5	1.3
% change	*0.1*	*0.0*	*0.4*	*0.1*	*0.4*	*0.2*	*0.0*	*0.1*	*-0.5*	*0.4*	*0.0*	*-0.3*	*0.4*	
Leisure & Hospitality Services	537.4	537.7	539.0	540.5	535.1	535.7	541.1	539.2	537.7	540.7	540.1	545.6	545.2	1.5
% change	*0.1*	*0.1*	*0.2*	*0.3*	*-1.0*	*0.1*	*1.0*	*-0.4*	*-0.3*	*0.6*	*-0.1*	*1.0*	*-0.1*	
Other Services	250.8	250.3	252.0	251.4	253.1	253.8	255.0	251.2	250.4	249.8	256.9	258.8	258.9	3.2
% change	*0.1*	*-0.2*	*0.7*	*-0.2*	*0.7*	*0.3*	*0.5*	*-1.5*	*-0.3*	*-0.2*	*2.8*	*0.7*	*0.0*	
Government	832.1	831.5	830.0	830.5	830.1	831.9	823.6	823.6	823.2	823.9	827.3	828.6	827.7	-0.5
% change	*0.0*	*-0.1*	*-0.2*	*0.1*	*0.0*	*0.2*	*-1.0*	*0.0*	*0.0*	*0.1*	*0.4*	*0.2*	*-0.1*	
														1 Year Change
Unemployment Rate (%, SA)	8.7	8.6	9.0	9.5	9.5	9.3	9.1	9.1	9.2	9.2	9.1	8.9	8.7	0.0
														Most Recent Yr/Yr % Change
Labor Force (Ths)	6,610.9	6,617.4	6,632.1	6,639.7	6,611.6	6,580.8	6,578.8	6,564.1	6,540.6	6,525.5	6,527.1	6,519.5	6,523.2	-1.3
% change	*0.1*	*0.1*	*0.2*	*0.1*	*-0.4*	*-0.5*	*0.0*	*-0.2*	*-0.4*	*-0.2*	*0.0*	*-0.1*	*0.1*	
Number of Unemployed (Ths)	575.2	571.9	594.5	627.5	629.0	610.8	599.1	600.5	604.5	601.8	592.0	579.3	567.5	-1.3
% change	*-0.7*	*-0.6*	*3.9*	*5.5*	*0.2*	*-2.9*	*-1.9*	*0.2*	*0.7*	*-0.4*	*-1.6*	*-2.1*	*-2.0*	
Number of Employed (Ths)	6,035.7	6,045.5	6,037.5	6,012.2	5,982.6	5,970.0	5,979.7	5,963.6	5,936.0	5,923.6	5,935.0	5,940.2	5,955.7	-1.3
% change	*0.2*	*0.2*	*-0.1*	*-0.4*	*-0.5*	*-0.2*	*0.2*	*-0.3*	*-0.5*	*-0.2*	*0.2*	*0.1*	*0.3*	
Total Residential Permits (# of units YTD, NSA)	12,914	13,675	568	1,271	2,586	4,013	5,533	6,798	8,139	9,343	11,826	13,664	14,296	10.7
year to year % change	*17.4*	*12.5*	*38.2*	*32.5*	*5.3*	*17.7*	*21.4*	*20.4*	*20.3*	*13.3*	*18.6*	*19.7*	*10.7*	
Single-family, (# of units YTD, NSA)	8,353	8,870	409	876	1,668	2,584	3,494	4,403	5,423	6,407	7,304	8,423	9,229	10.5
year to year % change	*25.5*	*24.6*	*16.2*	*17.6*	*5.1*	*11.6*	*6.5*	*7.9*	*10.4*	*8.1*	*8.5*	*9.4*	*10.5*	
Multifamily, (# of units YTD, NSA)	4,561	4,805	159	395	918	1,429	2,039	2,395	2,716	2,936	4,522	5,241	5,067	11.1
year to year % change	*5.1*	*-4.5*	*169.5*	*84.6*	*5.6*	*30.5*	*59.7*	*53.2*	*46.7*	*26.5*	*39.7*	*41.1*	*11.1*	
5 +, (# of units YTD, NSA)	4,038	4,162	85	240	701	1,106	1,668	1,982	2,277	2,439	3,944	4,621	4,400	9.0
year to year % change	*6.5*	*-6.8*	*80.9*	*25.7*	*-10.0*	*18.4*	*60.7*	*60.7*	*54.7*	*28.8*	*42.8*	*43.3*	*9.0*	
														Most Recent Yr/Yr % Change
Avg. Hrly Earnings: Mfg, ($ Per Hr, SA)	19.56	19.65	19.62	19.78	19.55	19.44	19.52	19.48	19.42	19.36	19.19	19.29	19.31	-1.3
% change	*0.6*	*0.5*	*-0.2*	*0.8*	*-1.2*	*-0.6*	*0.5*	*-0.2*	*-0.3*	*-0.3*	*-0.9*	*0.6*	*0.1*	

Illinois

Recent Quarterly Performance

	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	Most Recent Yr/Yr % Change
Gross State Product (Bil Constant$, SAAR)	576.6	574.1	586.3	585.5	580.2	580.3	595.7	593.0	591.0	597.0	600.3	603.0	608.4	2.9
% change	*0.8*	*-0.4*	*2.1*	*-0.1*	*-0.9*	*0.0*	*2.7*	*-0.5*	*-0.3*	*1.0*	*0.6*	*0.4*	*0.9*	
Establishment Employment (Ths, SA)														
Total Employment	5,611.7	5,641.0	5,653.8	5,669.8	5,688.4	5,694.9	5,727.5	5,735.8	5,746.0	5,773.2	5,783.4	5,781.6	5,802.2	1.0
% change	*0.0*	*0.5*	*0.2*	*0.3*	*0.3*	*0.1*	*0.6*	*0.1*	*0.2*	*0.5*	*0.2*	*0.0*	*0.4*	
Natural Resources & Mining	9.2	9.4	9.4	9.4	9.8	9.9	10.2	10.3	10.2	10.3	10.3	10.4	10.5	3.3
% change	*2.2*	*1.8*	*0.0*	*0.4*	*3.9*	*1.0*	*3.0*	*1.3*	*-1.3*	*0.7*	*0.3*	*0.6*	*1.6*	
Construction	194.5	198.2	198.7	197.2	195.5	192.7	194.7	188.2	185.5	184.7	185.8	181.9	185.7	0.1
% change	*-2.8*	*1.9*	*0.2*	*-0.7*	*-0.9*	*-1.4*	*1.0*	*-3.3*	*-1.5*	*-0.4*	*0.6*	*-2.1*	*2.1*	
Manufacturing	563.0	567.5	570.7	574.1	575.5	575.9	579.7	583.4	584.6	584.7	583.1	579.7	574.8	-1.7
% change	*0.7*	*0.8*	*0.6*	*0.6*	*0.2*	*0.1*	*0.7*	*0.6*	*0.2*	*0.0*	*-0.3*	*-0.6*	*-0.9*	
Trade, Transportation, & Utilities	1,128.0	1,130.7	1,136.6	1,142.0	1,146.1	1,149.7	1,152.7	1,152.4	1,153.5	1,165.5	1,164.2	1,158.7	1,170.0	1.4
% change	*0.3*	*0.2*	*0.5*	*0.5*	*0.4*	*0.3*	*0.3*	*0.0*	*0.1*	*1.0*	*-0.1*	*-0.5*	*1.0*	
Retail Trade	589.3	589.8	591.8	594.6	595.9	598.1	597.6	596.0	594.5	601.6	596.3	589.6	595.5	0.2
% change	*0.2*	*0.1*	*0.3*	*0.5*	*0.2*	*0.4*	*-0.1*	*-0.3*	*-0.3*	*1.2*	*-0.9*	*-1.1*	*1.0*	
Wholesale Trade	286.3	286.2	287.7	289.0	290.5	290.7	293.1	294.1	294.7	295.9	299.8	300.5	303.3	2.9
% change	*0.2*	*0.0*	*0.5*	*0.4*	*0.5*	*0.1*	*0.8*	*0.3*	*0.2*	*0.4*	*1.3*	*0.2*	*0.9*	
Transportation & Utilities	252.4	254.8	257.1	258.4	259.7	260.9	261.9	262.3	264.4	267.9	268.1	268.6	271.2	2.6
% change	*0.9*	*0.9*	*0.9*	*0.5*	*0.5*	*0.5*	*0.4*	*0.2*	*0.8*	*1.3*	*0.1*	*0.2*	*1.0*	
Information Services	101.5	101.1	100.6	100.6	100.8	100.4	100.4	100.3	99.6	99.5	99.7	100.0	99.2	-0.3
% change	*-0.4*	*-0.4*	*-0.6*	*0.0*	*0.3*	*-0.4*	*0.0*	*0.0*	*-0.8*	*-0.1*	*0.2*	*0.3*	*-0.8*	
Financial Services	363.3	364.0	363.6	362.6	363.6	363.6	364.4	365.7	366.4	368.5	371.1	373.5	373.4	1.9
% change	*-0.1*	*0.2*	*-0.1*	*-0.3*	*0.3*	*0.0*	*0.2*	*0.3*	*0.2*	*0.6*	*0.7*	*0.6*	*0.0*	
Professional & Business Services	805.0	815.6	821.6	826.6	835.7	841.4	852.7	859.6	865.5	869.1	871.5	877.4	891.6	3.0
% change	*0.8*	*1.3*	*0.7*	*0.6*	*1.1*	*0.7*	*1.3*	*0.8*	*0.7*	*0.4*	*0.3*	*0.7*	*1.6*	
Education & Health Services	835.6	841.3	844.6	846.0	850.1	853.1	857.9	860.6	863.7	871.1	877.1	881.6	880.3	1.9
% change	*0.5*	*0.7*	*0.4*	*0.2*	*0.5*	*0.4*	*0.6*	*0.3*	*0.4*	*0.9*	*0.7*	*0.5*	*-0.2*	
Leisure & Hospitality Services	515.5	519.3	517.9	521.0	523.9	526.2	532.8	534.1	536.6	537.3	538.2	538.7	539.5	0.5
% change	*0.3*	*0.7*	*-0.3*	*0.6*	*0.6*	*0.4*	*1.3*	*0.2*	*0.5*	*0.1*	*0.2*	*0.1*	*0.2*	
Other Services	245.7	248.9	248.8	249.9	249.5	249.6	250.2	249.4	249.2	250.5	252.2	253.3	252.4	1.3
% change	*-0.6*	*1.3*	*-0.1*	*0.5*	*-0.2*	*0.0*	*0.2*	*-0.3*	*-0.1*	*0.5*	*0.7*	*0.5*	*-0.4*	
Government	850.3	845.0	841.4	840.5	837.7	832.3	831.8	831.7	831.2	832.0	830.2	826.4	824.8	-0.8
% change	*-1.5*	*-0.6*	*-0.4*	*-0.1*	*-0.3*	*-0.6*	*-0.1*	*0.0*	*-0.1*	*0.1*	*-0.2*	*-0.5*	*-0.2*	
														1 Year Change
Unemployment Rate (%, SA)	10.1	9.6	9.3	9.7	10.1	9.6	8.9	8.9	8.9	8.7	9.3	9.2	9.2	0.2
														Most Recent Yr/Yr % Change
Labor Force (Ths)	6,597.2	6,579.5	6,568.8	6,571.6	6,587.9	6,593.8	6,587.9	6,583.6	6,588.6	6,610.7	6,627.8	6,574.6	6,531.0	-0.9
% change	*-0.6*	*-0.3*	*-0.2*	*0.0*	*0.2*	*0.1*	*-0.1*	*-0.1*	*0.1*	*0.3*	*0.3*	*-0.8*	*-0.7*	
Number of Unemployed (Ths)	667.0	633.4	612.6	635.5	664.6	634.9	590.2	585.5	587.8	575.4	617.0	603.5	599.5	2.0
% change	*-5.9*	*-5.0*	*-3.3*	*3.7*	*4.6*	*-4.5*	*-7.0*	*-0.8*	*0.4*	*-2.1*	*7.2*	*-2.2*	*-0.7*	
Number of Employed (Ths)	5,930.2	5,946.2	5,956.1	5,936.1	5,923.2	5,959.0	5,997.7	5,998.1	6,000.9	6,035.3	6,010.8	5,971.1	5,931.6	-1.2
% change	*0.1*	*0.3*	*0.2*	*-0.3*	*-0.2*	*0.6*	*0.7*	*0.0*	*0.0*	*0.6*	*-0.4*	*-0.7*	*-0.7*	
Total Residential Permits (# of units YTD, NSA)	8,428	11,596	1,811	4,897	8,165	12,151	2,456	5,644	9,972	13,675	2,586	6,798	11,826	18.6
year to year % change	*3.8*	*6.3*	*-15.8*	*-14.2*	*-3.1*	*4.8*	*35.6*	*15.3*	*22.1*	*12.5*	*5.3*	*20.4*	*18.6*	
Single-family, (# of units YTD, NSA)	6,220	7,862	1,356	3,349	5,392	7,117	1,587	4,081	6,734	8,870	1,668	4,403	7,304	8.5
year to year % change	*-0.3*	*-4.5*	*-21.8*	*-21.1*	*-13.3*	*-9.5*	*17.0*	*21.9*	*24.9*	*24.6*	*5.1*	*7.9*	*8.5*	
Multifamily, (# of units YTD, NSA)	2,208	3,734	455	1,548	2,773	5,034	869	1,563	3,238	4,805	918	2,395	4,522	39.7
year to year % change	*17.0*	*39.5*	*9.4*	*5.9*	*25.6*	*34.8*	*91.0*	*1.0*	*16.8*	*-4.5*	*5.6*	*53.2*	*39.7*	
5 +, (# of units YTD, NSA)	1,869	3,242	360	1,353	2,354	4,464	779	1,233	2,761	4,162	701	1,982	3,944	42.8
year to year % change	*25.4*	*49.5*	*1.4*	*10.5*	*25.9*	*37.7*	*116.4*	*-8.9*	*17.3*	*-6.8*	*-10.0*	*60.7*	*42.8*	

Illinois

Recent Quarterly Performance

	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	Most Recent Yr/Yr % Change
Existing Single-Family Home Sales (Ths, SAAR)	129.2	144.9	164.0	160.2	155.1	na	na	na	na	na	na	na	na	20.0
% change	*-32.7*	*12.2*	*13.2*	*-2.3*	*-3.2*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	na	
Home Price Index (Index 1980Q1 = 100, NSA)	320.3	318.4	307.5	302.0	304.4	304.4	300.9	297.7	300.7	301.1	299.4	301.5	304.3	1.2
% change	*1.1*	*-0.6*	*-3.4*	*-1.8*	*0.8*	*0.0*	*-1.2*	*-1.1*	*1.0*	*0.1*	*-0.6*	*0.7*	*0.9*	
Median Existing Home Sales Price (Ths, SA)	152.3	155.9	142.1	142.0	144.7	140.1	143.8	145.7	143.4	143.8	143.8	154.0	156.2	8.9
% change	*-3.0*	*2.3*	*-8.9*	*0.0*	*1.9*	*-3.2*	*2.6*	*1.4*	*-1.6*	*0.3*	*0.0*	*7.1*	*1.4*	
Personal Income (Mil $, SAAR)	545,609	549,539	561,980	564,973	569,464	572,369	583,475	588,240	586,741	601,920	594,991	602,765	607,332.0	3.5
% change	*1.8*	*0.7*	*2.3*	*0.5*	*0.8*	*0.5*	*1.9*	*0.8*	*-0.3*	*2.6*	*-1.2*	*1.3*	*0.8*	
Wages & Salaries (Mil. $)	294,254	295,677	301,182	302,664	305,093	302,800	312,998	313,190	313,151	320,123	317,954	321,186	323,334.0	3.3
% change	*1.4*	*0.5*	*1.9*	*0.5*	*0.8*	*-0.8*	*3.4*	*0.1*	*0.0*	*2.2*	*-0.7*	*1.0*	*0.7*	
Nonwage Income (Mil. $)	251,355	253,863	260,799	262,309	264,371	269,569	270,477	275,050	273,590	281,797	277,037	281,579	*283998.0*	3.8
% change	*2.4*	*1.0*	*2.7*	*0.6*	*0.8*	*2.0*	*0.3*	*1.7*	*-0.5*	*3.0*	*-1.7*	*1.6*	*0.9*	
Avg. Hrly Earnings: Mfg ($ Per Hr, SA)	16.92	17.11	17.42	17.88	18.24	18.47	18.71	19.08	19.32	19.55	19.65	19.48	19.32	0.0
% change	*0.7*	*1.1*	*1.8*	*2.6*	*2.0*	*1.2*	*1.3*	*2.0*	*1.3*	*1.2*	*0.5*	*-0.9*	*-0.8*	
Personal Bankruptcies (# 3-Month Ending, SAAR)	81,517	78,431	73,867	72,941	69,044	68,043	69,863	67,284	66,419	64,948	70,015	67,461	63,074	-5.0

Illinois

Recent Annual Performance

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	5 Yr. Average Annual % Change
Gross State Product (Bil Constant$, SAAR)	540.8	551.8	564.3	568.1	581.6	588.6	580.7	561.2	571.2	583.1	594.2	0.2
% change	*0.3*	*2.0*	*2.3*	*0.7*	*2.4*	*1.2*	*-1.3*	*-3.4*	*1.8*	*2.1*	*1.9*	
Establishment Employment (Ths, SA)												
Total Employment	5,883.3	5,810.9	5,817.0	5,862.2	5,932.9	5,979.9	5,949.0	5,657.1	5,613.4	5,676.8	5,745.6	-0.8
% change	*-1.9*	*-1.2*	*0.1*	*0.8*	*1.2*	*0.8*	*-0.5*	*-4.9*	*-0.8*	*1.1*	*1.2*	
Natural Resources & Mining	9.7	9.5	9.4	9.9	10.3	10.1	9.8	9.3	9.1	9.6	10.3	0.3
% change	*-3.1*	*-2.3*	*-0.9*	*5.1*	*4.1*	*-1.3*	*-3.5*	*-4.5*	*-2.0*	*5.4*	*6.4*	
Construction	277.4	274.8	270.3	268.7	275.2	271.0	258.2	217.2	198.6	196.0	188.3	-7.0
% change	*0.1*	*-0.9*	*-1.7*	*-0.6*	*2.4*	*-1.5*	*-4.7*	*-15.9*	*-8.5*	*-1.3*	*-3.9*	
Manufacturing	754.0	714.1	697.2	688.2	683.4	675.1	657.1	576.7	561.3	574.1	583.1	-2.9
% change	*-7.5*	*-5.3*	*-2.4*	*-1.3*	*-0.7*	*-1.2*	*-2.7*	*-12.2*	*-2.7*	*2.3*	*1.6*	
Trade, Transportation, & Utilities	1,197.8	1,183.1	1,180.3	1,186.9	1,198.5	1,212.4	1,205.0	1,139.5	1,125.7	1,143.6	1,156.0	-0.9
% change	*-2.8*	*-1.2*	*-0.2*	*0.6*	*1.0*	*1.2*	*-0.6*	*-5.4*	*-1.2*	*1.6*	*1.1*	
Retail Trade	631.7	625.5	625.4	626.3	628.7	635.5	628.0	595.5	588.5	595.1	597.4	-1.1
% change	*-1.8*	*-1.0*	*0.0*	*0.1*	*0.4*	*1.1*	*-1.2*	*-5.2*	*-1.2*	*1.1*	*0.4*	
Wholesale Trade	307.4	303.0	299.9	302.9	307.8	310.7	310.3	291.9	285.8	289.5	294.4	-1.2
% change	*-2.9*	*-1.4*	*-1.0*	*1.0*	*1.6*	*1.0*	*-0.1*	*-6.0*	*-2.1*	*1.3*	*1.7*	
Transportation & Utilities	258.8	254.5	255.0	257.7	262.0	266.1	266.7	252.2	251.5	259.0	264.1	-0.2
% change	*-4.8*	*-1.6*	*0.2*	*1.1*	*1.7*	*1.6*	*0.2*	*-5.4*	*-0.3*	*3.0*	*2.0*	
Information Services	137.1	127.6	120.9	118.2	116.2	115.9	114.4	106.4	101.9	100.6	99.9	-2.9
% change	*-6.8*	*-6.9*	*-5.2*	*-2.3*	*-1.7*	*-0.2*	*-1.4*	*-7.0*	*-4.2*	*-1.3*	*-0.7*	
Financial Services	400.6	401.7	399.4	401.9	405.2	402.8	391.6	372.0	363.7	363.3	366.2	-1.9
% change	*-0.7*	*0.3*	*-0.6*	*0.6*	*0.8*	*-0.6*	*-2.8*	*-5.0*	*-2.2*	*-0.1*	*0.8*	
Professional & Business Services	791.5	777.3	798.6	826.3	854.4	870.7	860.0	787.5	801.8	831.3	861.7	-0.2
% change	*-3.6*	*-1.8*	*2.7*	*3.5*	*3.4*	*1.9*	*-1.2*	*-8.4*	*1.8*	*3.7*	*3.7*	
Education & Health Services	710.6	718.2	729.8	745.1	762.1	779.7	801.3	816.5	833.1	848.4	863.3	2.1
% change	*1.9*	*1.1*	*1.6*	*2.1*	*2.3*	*2.3*	*2.8*	*1.9*	*2.0*	*1.8*	*1.8*	
Leisure & Hospitality Services	492.0	497.4	506.2	512.3	522.8	531.5	532.6	516.6	515.3	522.3	535.2	0.1
% change	*0.2*	*1.1*	*1.8*	*1.2*	*2.1*	*1.7*	*0.2*	*-3.0*	*-0.3*	*1.4*	*2.5*	
Other Services	251.9	254.4	259.7	258.4	259.4	261.1	263.7	258.0	249.2	249.5	249.8	-0.9
% change	*0.3*	*1.0*	*2.1*	*-0.5*	*0.4*	*0.7*	*1.0*	*-2.2*	*-3.4*	*0.1*	*0.1*	
Government	860.5	852.9	845.2	846.4	845.5	849.5	855.4	857.4	853.7	838.0	831.7	-0.4
% change	*1.2*	*-0.9*	*-0.9*	*0.1*	*-0.1*	*0.5*	*0.7*	*0.2*	*-0.4*	*-1.8*	*-0.8*	
												5 Year Change
Unemployment Rate (%)	6.6	6.7	6.2	5.8	4.7	5.1	6.4	10.0	10.4	9.7	8.9	-0.8
												5 Yr. Average Annual % Change
Labor Force (Ths)	6,351.0	6,318.5	6,342.3	6,405.0	6,526.6	6,661.1	6,672.6	6,600.9	6,613.6	6,580.5	6,592.7	-0.2
% change	*-1.5*	*-0.5*	*0.4*	*1.0*	*1.9*	*2.1*	*0.2*	*-1.1*	*0.2*	*-0.5*	*0.2*	
Number of Unemployed (Ths)	416.3	425.5	395.5	370.7	303.1	337.2	425.4	661.7	689.0	636.9	584.7	11.6
% change	*18.8*	*2.2*	*-7.1*	*-6.3*	*-18.2*	*11.2*	*26.2*	*55.5*	*4.1*	*-7.6*	*-8.2*	
Number of Employed (Ths)	5,934.7	5,893.0	5,946.9	6,034.3	6,223.4	6,324.0	6,247.2	5,939.2	5,924.6	5,943.6	6,008.0	-1.0
% change	*-2.7*	*-0.7*	*0.9*	*1.5*	*3.1*	*1.6*	*-1.2*	*-4.9*	*-0.2*	*0.3*	*1.1*	

Illinois

Recent Annual Performance

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	5 Yr. Average
Total Residential Permits (# of units)	57,791	61,411	62,576	67,852	59,121	42,666	21,889	10,912	11,596	12,151	13,675	14,045
year to year % change	*7.2*	*6.3*	*1.9*	*8.4*	*-12.9*	*-27.8*	*-48.7*	*-50.1*	*6.3*	*4.8*	*12.5*	
Single-family	42,200	43,829	48,898	49,084	39,485	24,827	12,308	8,236	7,862	7,117	8,870	8,879
year to year % change	*8.7*	*3.9*	*11.6*	*0.4*	*-19.6*	*-37.1*	*-50.4*	*-33.1*	*-4.5*	*-9.5*	*24.6*	
Multifamily	15,591	17,582	13,678	18,768	19,636	17,839	9,581	2,676	3,734	5,034	4,805	5,166
year to year % change	*3.3*	*12.8*	*-22.2*	*37.2*	*4.6*	*-9.2*	*-46.3*	*-72.1*	*39.5*	*34.8*	*-4.5*	
5 +	11,917	13,705	9,500	13,906	16,023	15,395	8,416	2,169	3,242	4,464	4,162	4,491
year to year % change	*0.3*	*15.0*	*-30.7*	*46.4*	*15.2*	*-3.9*	*-45.3*	*-74.2*	*49.5*	*37.7*	*-6.8*	
												5 Yr. Average Annual % Change
Existing Single-Family Home Sales (Ths)	243.4	245.4	273.0	279.5	258.8	215.6	166.7	167.4	162.6	na	na	-10.3
% change	*6.4*	*0.8*	*11.3*	*2.4*	*-7.4*	*-16.7*	*-22.7*	*0.4*	*-2.8*	*na*	*na*	
Home Price Index (Index 1980Q1 = 100)	279.1	294.0	318.6	346.8	366.4	371.8	358.6	335.5	318.9	304.6	300.1	-4.2
% change	*6.2*	*5.3*	*8.4*	*8.9*	*5.7*	*1.5*	*-3.6*	*-6.4*	*-4.9*	*-4.5*	*-1.5*	
Median Existing Home Sales Price (Ths)	169.3	179.6	195.5	215.4	223.3	220.4	192.6	158.4	155.0	142.2	144.2	-8.1
% change	*9.6*	*6.0*	*8.9*	*10.2*	*3.6*	*-1.3*	*-12.6*	*-17.8*	*-2.1*	*-8.2*	*1.4*	
Personal Income (Mil $)	427,479	436,026	455,547	475,419	508,208	536,662	552,436	531,625	540,223	567,197	590,094	1.9
% change	*1.4*	*2.0*	*4.5*	*4.4*	*6.9*	*5.6*	*2.9*	*-3.8*	*1.6*	*5.0*	*4.0*	
Wages & Salaries (Mil. $)	243,025	245,935	256,670	267,040	282,734	297,802	303,218	286,831	291,038	302,935	314,865	1.1
% change	*0.3*	*1.2*	*4.4*	*4.0*	*5.9*	*5.3*	*1.8*	*-5.4*	*1.5*	*4.1*	*3.9*	
Nonwage Income (Mil. $)	184,454	190,091	198,877	208,378	225,473	238,860	249,217	244,795	249,185	264,262	275,229	2.9
% change	*2.8*	*3.1*	*4.6*	*4.8*	*8.2*	*5.9*	*4.3*	*-1.8*	*1.8*	*6.1*	*4.1*	
Avg. Hrly Earnings: Mfg. ($ Per Hr)	14.99	15.20	15.61	15.84	16.03	16.47	16.44	16.61	16.92	18.00	19.17	3.1
% change	*2.2*	*1.4*	*2.7*	*1.5*	*1.2*	*2.7*	*-0.2*	*1.1*	*1.8*	*6.4*	*6.5*	
Personal Bankruptcies	80,887	84,294	79,172	105,675	29,834	40,532	54,788	71,772	80,511	70,974	67,128	10.6
% change	*10.7*	*4.2*	*-6.1*	*33.5*	*-71.8*	*35.9*	*35.2*	*31.0*	*12.2*	*-11.8*	*-5.4*	
Population (Ths)	12,525.6	12,556.0	12,589.8	12,609.9	12,644.0	12,695.9	12,747.0	12,796.8	12,839.7	12,856.0	12,868.2	0.2
% change	*0.3*	*0.2*	*0.3*	*0.2*	*0.3*	*0.4*	*0.4*	*0.4*	*0.3*	*0.1*	*0.1*	
												5 Yr. Average
Net Migration (Ths)	-38.4	-45.8	-43.7	-52.9	-42.4	-26.5	-29.0	-29.5	-28.3	-46.7	-47.6	-36.2

Illinois
History

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Employment (Ths.)	5,810.9	5,817.0	5,862.2	5,932.9	5,979.9	5,949.0	5,657.1	5,613.4	5,676.8	5,745.6
% Change	*-1.2*	*0.1*	*0.8*	*1.2*	*0.8*	*-0.5*	*-4.9*	*-0.8*	*1.1*	*1.2*
Manufacturing	714.1	697.2	688.2	683.4	675.1	657.1	576.7	561.3	574.1	583.1
Construction	274.8	270.3	268.7	275.2	271.0	258.2	217.2	198.6	196.0	188.3
Prof. and Bus. Serv.	777.3	798.6	826.3	854.4	870.7	860.0	787.5	801.8	831.3	861.7
Edu. and Health Serv.	718.2	729.8	745.1	762.1	779.7	801.3	816.5	833.1	848.4	863.3
Leisure and Hospitality	497.4	506.2	512.3	522.8	531.5	532.6	516.6	515.3	522.3	535.2
Other Services	254.4	259.7	258.4	259.4	261.1	263.7	258.0	249.2	249.5	249.8
Trade, Trans. and Util.	1,183.1	1,180.3	1,186.9	1,198.5	1,212.4	1,205.0	1,139.5	1,125.7	1,143.6	1,156.0
Wholesale	303.0	299.9	302.9	307.8	310.7	310.3	291.9	285.8	289.5	294.4
Retail	625.5	625.4	626.3	628.7	635.5	628.0	595.5	588.5	595.1	597.4
Trans. and Util.	254.5	255.0	257.7	262.0	266.1	266.7	252.2	251.5	259.0	264.1
Financial Activities	401.7	399.4	401.9	405.2	402.8	391.6	372.0	363.7	363.3	366.2
Information	127.6	120.9	118.2	116.2	115.9	114.4	106.4	101.9	100.6	99.9
Government	852.9	845.2	846.4	845.5	849.5	855.4	857.4	853.7	838.0	831.7
Natural Res. and Min.	9.5	9.4	9.9	10.3	10.1	9.8	9.3	9.1	9.6	10.3
Unemployment Rate (%)	6.7	6.2	5.8	4.7	5.1	6.4	10.0	10.4	9.7	8.9
Population (Ths.)	12,556.0	12,589.8	12,609.9	12,644.0	12,695.9	12,747.0	12,796.8	12,839.7	12,856.0	12,868.2
% Change	*0.2*	*0.3*	*0.2*	*0.3*	*0.4*	*0.4*	*0.4*	*0.3*	*0.1*	*0.1*
Age: <5	871.3	871.2	865.9	854.4	851.5	848.6	840.3	834.2	826.4	815.8
Age: 5-19	2,710.4	2,698.4	2,686.7	2,682.9	2,679.6	2,673.5	2,669.4	2,654.5	2,630.9	2,604.8
Age: 20-24	884.8	893.1	887.6	883.0	881.0	876.7	877.4	883.0	883.0	895.8
Age: 25-44	3,674.6	3,633.9	3,595.3	3,571.0	3,551.8	3,536.0	3,516.7	3,501.3	3,490.1	3,478.3
Age: 45-64	2,908.2	2,979.9	3,056.9	3,128.9	3,189.1	3,241.7	3,300.4	3,351.7	3,386.9	3,380.1
Age: >65	1,506.6	1,513.2	1,517.5	1,523.7	1,542.8	1,570.5	1,592.6	1,615.0	1,638.6	1,693.5
Households (Ths.)	4,674.8	4,697.0	4,713.3	4,734.6	4,763.3	4,791.8	4,819.0	4,844.1	4,847.4	4,864.9
% Change	*0.5*	*0.5*	*0.3*	*0.5*	*0.6*	*0.6*	*0.6*	*0.5*	*0.1*	*0.4*
Personal Income (Bil. $)	436.0	455.5	475.4	508.2	536.7	552.4	531.6	540.2	567.2	590.1
% Change	*2.0*	*4.5*	*4.4*	*6.9*	*5.6*	*2.9*	*-3.8*	*1.6*	*5.0*	*4.0*
Total Residential Permits (#)	62,211.0	59,753.0	66,942.0	58,802.0	43,020.0	22,528.0	10,859.0	12,318.0	11,809.0	13,797.0
% Change	*2.0*	*-4.0*	*12.0*	*-12.2*	*-26.8*	*-47.6*	*-51.8*	*13.4*	*-4.1*	*16.8*
Single-family Permits	45,379.0	46,207.0	47,705.0	37,903.0	24,511.0	11,827.0	7,844.0	7,624.0	6,834.0	8,564.0
Multifamily Permits	16,832.0	13,546.0	19,237.0	20,899.0	18,509.0	10,701.0	3,015.0	4,694.0	4,975.0	5,233.0

Illinois
Forecast

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	07-12	12-17	17-22
											Annual Growth (%)		
Total Employment (Ths.)	5,801.1	5,871.1	5,943.6	6,038.2	6,082.8	6,088.6	6,085.5	6,082.5	6,080.1	6,070.2	-0.8	1.1	0.0
% Change	*1.0*	*1.2*	*1.2*	*1.6*	*0.7*	*0.1*	*-0.1*	*-0.1*	*0.0*	*-0.2*			
Manufacturing	578.5	581.4	587.9	593.5	593.5	589.2	584.0	578.6	573.0	566.7	-2.9	0.4	-0.9
Construction	185.5	184.2	186.1	199.6	203.7	206.9	210.5	213.2	214.9	216.0	-7.0	1.6	1.2
Prof. and Bus. Serv.	884.5	911.7	935.3	959.0	974.6	982.3	987.6	992.9	999.7	1,006.3	-0.2	2.5	0.6
Edu. and Health Serv.	880.4	891.5	907.6	924.2	933.2	937.1	939.4	941.5	943.2	942.8	2.1	1.6	0.2
Leisure and Hospitality	540.4	555.0	571.1	586.7	597.9	602.0	604.5	607.7	611.6	614.6	0.1	2.2	0.5
Other Services	254.2	259.1	261.2	263.8	264.4	262.6	260.3	258.3	256.5	254.5	-0.9	1.1	-0.8
Trade, Trans. and Util.	1,168.1	1,192.1	1,205.5	1,215.0	1,212.4	1,204.1	1,194.6	1,185.4	1,177.4	1,168.4	-0.9	1.0	-0.7
Wholesale	301.5	304.2	306.9	309.9	309.1	305.9	302.3	299.1	296.7	294.1	-1.1	1.0	-1.0
Retail	596.0	608.9	615.8	619.8	618.1	614.2	609.7	605.1	601.0	596.2	-1.2	0.7	-0.7
Trans. and Util.	270.6	279.0	282.8	285.3	285.2	284.0	282.6	281.2	279.8	278.0	-0.2	1.5	-0.5
Financial Activities	372.2	371.3	376.5	383.1	387.0	387.8	388.0	387.9	388.1	387.3	-1.9	1.1	0.0
Information	99.7	99.4	100.2	101.4	102.1	102.0	101.4	100.8	100.0	99.0	-2.9	0.4	-0.6
Government	827.3	814.9	801.8	801.1	803.1	803.7	804.5	805.5	805.1	804.1	-0.4	-0.7	0.0
Natural Res. and Min.	10.5	10.6	10.5	10.8	10.9	10.8	10.8	10.7	10.6	10.5	0.3	1.2	-0.8
Unemployment Rate (%)	9.1	7.5	6.3	5.7	5.3	5.2	5.2	5.1	5.0	5.0	8.4	7.1	5.1
											Annual Growth (%)		
Population (Ths.)	12,882.1	12,918.0	12,954.2	12,991.1	13,027.0	13,062.8	13,097.2	13,127.9	13,159.0	13,188.1	0.3	0.2	0.2
% Change	*0.1*	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*	*0.2*	*0.2*	*0.2*			
Age: <5	817.2	825.9	835.2	843.7	845.0	845.7	845.7	845.1	844.1	842.5	-0.9	0.7	-0.1
Age: 5-19	2,582.0	2,559.1	2,539.0	2,524.8	2,521.1	2,519.0	2,518.0	2,514.5	2,512.9	2,515.1	-0.6	-0.7	0.0
Age: 20-24	901.4	903.9	896.5	883.9	870.9	859.8	848.4	841.7	838.3	834.2	0.3	-0.6	-0.9
Age: 25-44	3,474.7	3,479.0	3,480.6	3,486.9	3,500.2	3,519.5	3,542.7	3,557.4	3,573.9	3,584.5	-0.4	0.1	0.5
Age: 45-64	3,370.8	3,371.6	3,380.1	3,384.6	3,378.2	3,360.8	3,336.1	3,310.1	3,280.4	3,250.2	1.2	0.0	-0.8
Age: >65	1,736.0	1,778.4	1,822.9	1,867.2	1,911.7	1,958.0	2,006.3	2,059.2	2,109.3	2,161.6	1.9	2.5	2.5
Households (Ths.)	4,879.6	4,902.6	4,934.8	4,967.7	4,994.5	5,017.1	5,039.6	5,061.9	5,082.4	5,099.8	0.4	0.5	0.4
% Change	*0.3*	*0.5*	*0.7*	*0.7*	*0.5*	*0.5*	*0.4*	*0.4*	*0.4*	*0.3*			
Personal Income (Bil. $)	604.5	631.9	662.3	699.6	730.3	758.4	785.9	813.8	843.4	872.5	1.9	4.3	3.6
% Change	*2.4*	4.5	4.8	5.6	4.4	3.8	3.6	3.6	3.6	3.4			
											Average		
Total Residential Permits (#)	15,075	15,663	28,028	36,713	39,131	41,607	43,556	43,043	42,276	42,793	19,055	24,735	42,068
% Change	*9.3*	*3.9*	*78.9*	*31.0*	*6.6*	*6.3*	*4.7*	*-1.2*	*-1.8*	*1.2*			
Single-family Permits	9,286	10,099	19,617	25,910	27,213	28,955	30,416	30,310	30,019	30,255	11,201	16,782	29,528
Multifamily Permits	5,789	5,564	8,411	10,803	11,918	12,652	13,140	12,734	12,258	12,537	7,855	7,953	12,540

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