

# STATE OF ILLINOIS ECONOMIC FORECAST

February 2018



PREPARED FOR:

STATE OF ILLINOIS  
COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY



PREPARED BY:

MOODY'S ANALYTICS / ECONOMIC & CONSUMER CREDIT ANALYTICS

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## ANALYSIS

February 2018

# State of Illinois Forecast Report

### Prepared by

Sarah Crane  
[Sarah.Crane@moodys.com](mailto:Sarah.Crane@moodys.com)

### Contact Us

Email  
[help@economy.com](mailto:help@economy.com)

U.S./Canada  
+1.866.275.3266

EMEA  
+44.20.7772.5454 (London)  
+420.224.222.929 (Prague)

Asia/Pacific  
+852.3551.3077

All Others  
+1.610.235.5299

Web  
[www.economy.com](http://www.economy.com)  
[www.moodyanalytics.com](http://www.moodyanalytics.com)

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## Prepared for the State of Illinois Commission on Government Forecasting and Accountability

### Summary

Illinois' economy is staking out modest gains, and the passage of the first state budget in more than two years signifies a vital achievement. August 2017 marked the first month since September 2015 that no Illinois metro area was in recession, according to the Moody's Analytics business cycle tracker, which combines employment, factory output, homebuilding and house prices into a single indicator. While single-family housing is sluggish, with weak construction activity and subpar price growth, the apartment market is on a tear.

Still, Illinois does not measure up to the rest of the country in most gauges of economic performance. Employment is increasing more slowly than the Midwest and U.S. averages, the labor force has fallen to its lowest point in more than 10 years, and the weak job market and worsening population trends have set personal income back. Several private service industries are slowly advancing and manufacturing has recouped some jobs, but construction and the public sector are stuck in the mud. Weaker consumer demand than in other states is generating less growth in population-dependent industries such as retail and leisure/hospitality.

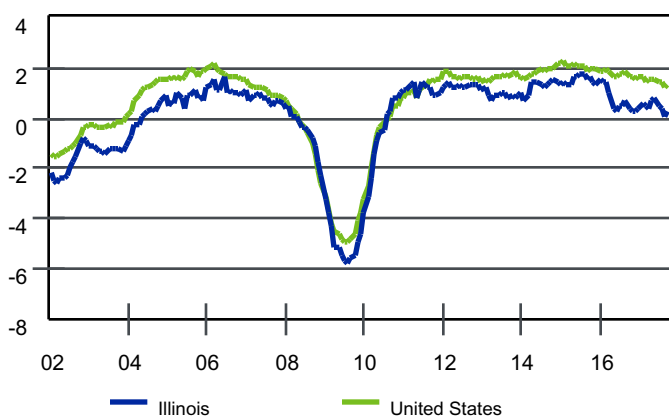
Longer term, Illinois has a lot of what businesses need to thrive—talent, access to customers and capital, transportation hubs—but painful fiscal reforms are needed before it can fully capitalize on these strengths. To be a solid performer longer term, the state must navigate its fiscal challenges without doing lasting damage to its business climate. 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

Illinois' labor market is moving in the right direction, but the state is falling further behind the Midwest and U.S. in the size and breadth of gains. Within the Midwest, state employment growth was faster only than that in Kansas in 2017. Illinois added just 30,000 positions on net, a figure more typical of states less than half its size, or an economy moving beyond full employment into late-cycle expansion, which Illinois is not. Consumer industries such as retail and leisure/hospitality are the largest sore spots, and the performance of other private service-providing industries has been inconsistent.

## Employment Growth

% change yr ago



Sources: BLS, Moody's Analytics

Illinois employment and income growth has trailed that of its neighbors in the Midwest since the end of the Great Recession, and the gap has widened over the years. The disparity is more pronounced in employment, which has expanded more slowly since 2009 than every Midwest state besides Kansas, which is struggling with weakness in agriculture and the public sector. More recently, the energy bust knocked North Dakota to the rear, but Illinois still underperforms most states in the region in job growth.

The 4.7% increase in employment over the last five years is just half the national average and below the average 7.3% rise in the rest of the Great Lakes. Job creation has fallen further behind in the last two years; Illinois employment is up 0.8% since the end of 2015, versus 2.4% on average elsewhere in the Great Lakes and 3% in the U.S.

Income has kept up to a greater degree than employment, thanks in part to the state's above-average reliance on income from dividends, interest and rents, which has benefited from big stock market gains. The 15% rise in state personal income growth

over the last five years is below that in the U.S., Michigan, Minnesota and Indiana, but is the 4th highest in the Midwest overall.

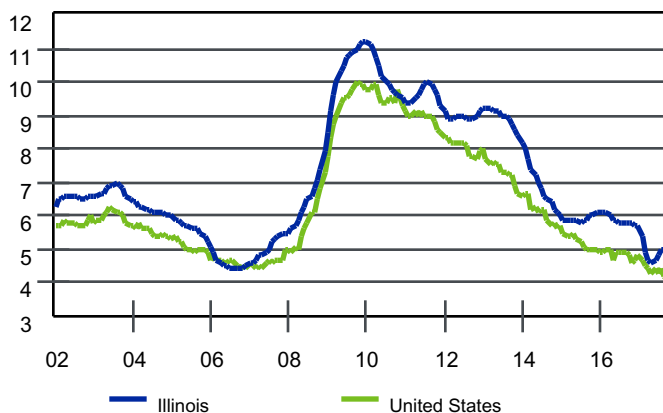
As growth in dividends, interest and rent income has softened more recently, so too has total income growth. Since mid-2015, Illinois personal income has risen 2.8%, less than the 4.8% rise elsewhere in the Great Lakes and the 5.2% increase nationally. Among Illinois' neighbors, wage growth propelled Michigan and Indiana into the lead cohort for total personal income growth thanks to outsize strength in durable goods.

More encouraging, healthier fundamentals at home and abroad are finally bearing fruit for Illinois manufacturers. Although employment is below 2015 levels, a surge of job creation in late 2017 means factories have recouped the massive losses suffered in 2016. The U.S. dollar is down in real terms by 6% from its January 2017 peak versus a broad range of currencies, and exports that originate from Illinois are rising more than elsewhere: Autos and auto parts, tech-producing industries, fabricated metal and industrial equipment are rising modestly. Export-oriented manufacturing centers such as Peoria, Decatur and the Quad Cities are mounting tentative recoveries as energy and agricultural commodities markets turn a corner and industrial production increases.

The unemployment rate has fallen nearly a percentage point over the last year, but the precipitous decline should be taken with a grain of salt. After hovering just under 6% for the better part of two years, the jobless rate plummeted to 4.8% in 2017, about one-half a percentage point above the lowest rate of the last expansion. However, a large contraction in the labor force rather than employment gains explains the apparent tightening. The labor force participation rate fell to 64% by the end of the year. Although this remains com-

## Unemployment Rate

%



Sources: BLS, Moody's Analytics

fortably above the U.S. rate, it marks a 40-year low for Illinois, and bucks the upward, if muted, national trend.

A decline in labor force participation has been especially pronounced in Illinois, with the decline since late 2007 above average for the Midwest. The retreat in the labor force is discouraging because it suggests fewer job opportunities and reduced confidence in the labor market. Some of the drop is also the result of demographic factors, mainly the aging of the population.

Chicago is gaining steam after a shaky start to the year, but progress falls short of that nationally and job creation has been erratic. Windy City tourism has lost potency as a jobs engine, leaving healthcare, office-using industries, and transportation/warehousing to carry the load. The unemployment rate has declined since last year but remains above 5%. Neighboring Lake County is having its share of ups and downs. The labor market is one of Illinois' strongest, thanks to its relatively low exposure to troubled state finances. On the downside, a sustained labor force expansion has not taken hold. Residential building has barely budged from cyclical lows, and house price gains are subdued.

Rockford's pivotal manufacturing industry is recovering from an earlier lull and adding workers, but weakness in other parts of the economy is taking a toll on the metro area. After moving in lockstep with Illinois during the first half of the decade, Rockford has shifted course and shed jobs over the past two years. Private services are responsible, with professional/business services and retail struggling the most.

Springfield's economy is running in place. Total payroll employment has not meaningfully risen since the start of 2017, and the lull is widespread across industries. State government employment—the driving force in the state capital—remains flat despite the passage of Illinois' first budget in nearly two years.

State higher education institutions have struggled to secure their finances and attract students amid Illinois' historic budget impasse. Fortunately, the University of Illinois relies less on state funding than its counterparts and boasts ample liquidity, a below-average debt burden, and solid student demand. The flagship campus in Champaign bucked a statewide trend of public university enrollment declines this fall, posting a small increase. Although UI is in good shape, growth in state government payrolls is barely offsetting job losses in the private sector, leaving Champaign a laggard in key economic gauges.

## Near-term outlook

Illinois' economy will build momentum over the next several quarters, posting job and income growth that nonetheless falls short of regional and national rates. Several reliable growth drivers will keep Illinois moving in the right direction. Employment in office-using industries such as finance and professional and business services is trending higher and will lead the way forward. Even as job gains in logistics taper off, Illinois will benefit from investment in transportation and construction of warehouses as well as the ripple effects from recent large-scale job gains in the industry. Giv-

## Employment, Recent Performance

Dec 2017

	Annualized growth rate				
	3-mo	6-mo	12-mo	5 yr	10 yr
Total	0.9	0.1	0.5	0.9	0.1
Construction	7.1	0.9	2.8	2.6	-2.1
Manufacturing	4.5	0.9	1.4	-0.2	-1.5
Wholesale Trade	6.2	2.6	1.1	0.5	-0.3
Retail Trade	-5.6	-4.7	-2.8	0.0	-0.6
Transportation and Utilities	12.8	9.5	3.8	2.7	1.3
Information	-2.4	-5.8	0.2	-0.3	-1.6
Financial Activities	-2.3	-0.2	2.3	0.9	-0.3
Professional and Business Services	1.9	1.0	0.6	1.8	0.9
Education and Health Services	-1.4	-0.2	0.7	1.3	1.6
Leisure and Hospitality	-0.7	-2.4	-0.2	1.9	1.1
Government	1.2	0.9	-0.5	-0.1	-0.3
	%				
Unemployment rate	4.9	4.9	5.0	6.6	7.8

Sources: BLS, Moody's Analytics

en healthier fundamentals at home and abroad, steady demand for Illinois-made goods should remain intact, providing a floor under factory employment, but manufacturing will not add significantly to payrolls.

Poor population trends will keep consumer industries in check and impede a more robust housing rebound. Fiscal headwinds have died down somewhat, but the state's financial pressures present serious challenges.

Chicago will lose its edge over the rest of Illinois in coming quarters, but professional services will be the labor market's workhorse. Downtown Chicago will enjoy the bulk of the gains, with slower growth in areas outside of the city. The addition of new professional, scientific and technical services positions will provide a needed boost to incomes and support the flourishing downtown real estate market. Meanwhile, downstate economies will gradually improve, bringing their job growth rates closer to that of Chicago.

Although the threat posed by Illinois' poor fiscal health extends to all parts of the state, Champaign and Springfield have the most to lose because of their outsize dependence on state government for jobs and income. The passage of Illinois' first state budget in more than two years is good news for Springfield and will avert further contraction in state government payrolls.

However, most new revenues will go to public education, healthcare and the university systems, limiting direct hiring in the capital city. State government agencies in Springfield will continue to operate with less personnel even as the state increases funding for public services and infrastructure projects. Large unfunded liabilities further dim chances for a pickup in state employment, and mounting pension obligations will crimp state payrolls and crowd out private investment. Given Springfield's reliance on the public sector, muted growth in state payrolls will keep job and personal income gains well behind Illinois' larger metro areas.

The University of Illinois in Champaign faces greater financial and political pressure than its peers. The threat of budget cuts and shortfalls in staffers' pension funds makes attracting and retaining top talent difficult. Fortunately, UI relies less on state funding than its in-state public counterparts: One-third of its operating revenues come from the state. Nevertheless, disenfranchised faculty could lessen the school's appeal to would-be enrollees, and upward pressure on tuition could hinder its cost-competitiveness.

State funding restrictions over the past two years caused UI to implement cost-cutting measures ranging from suspending raises to delaying construction and maintenance. Less federal support for public research universities has made matters worse. These disadvantages threaten to pave the way for faculty poaching by better-funded and higher-paying institutions, weakening student demand

and the school's ties to knowledge-based industries. Sturdy enrollment growth should encourage campus expansion and faculty and staff additions, but risk to the outlook for state government employment is still weighted heavily to the downside.

Most other downstate economies are strengthening due to an improved climate for manufacturers, especially machinery producers. Broad global economic expansion and increased stability among farmers and drillers are good news for producers in Peoria, Decatur and the Quad Cities, which have struggled for the past few years with reduced demand for heavy equipment. Solid export growth has paved the way for modest manufacturing job gains.

Caterpillar's relocation of its headquarters and executive staff from its longtime home in Peoria to suburban Chicago will sting, but it will not substantially alter the economy's performance. While the loss of management jobs will dent incomes, Caterpillar employs a much larger number of workers at its four Peoria production facilities. Peoria's greatest challenges stem from Caterpillar's reliance on stronger overseas demand for heavy equipment.

The outlook for downstream industries to manufacturing such as transportation and distribution is promising, especially in Chicago. Chicago does not export a lot of what it produces, and logistics firms will benefit as imports and shipping volumes rise.

Low population growth is one of the harshest headwinds against the state. Census data for 2017 reveal that Illinois declined in population for a fourth consecutive time in the year ending July 1, 2017. A bigger bite from out-migration caused state population to contract 0.3% and the trend of population loss is poised to continue. The Trump administration's stance toward immigration is likely to contribute to a slowdown in net international migration over the next few years, dragging on population growth.

The federal tax overhaul that went into effect to begin 2018 is a mixed bag, but long-term impacts skew to the downside. Lower corporate tax rates will generate a short-term increase in output and corporate profits that will be most noticeable in places such as Chicago and Lake County, both of which are home to numerous corporate headquarters. Lower rates will reduce businesses' after-tax cost of capital, incenting them to invest more, add to their capital stock, and ultimately increase their productivity and the state economy's growth. However, the higher interest rates resulting from the timing and deficit financing of the tax cuts will soon increase businesses' cost of capital and could wash out most of the benefit.

The personal tax cut many residents will receive and a tightening labor market will help drive up disposable income, which will support stronger consumer spending over the next couple of years.

## Illinois, Annualized Growth From 2017Q4 Through...

% change

	2018Q4			2020Q4			2027Q4		
	Tax reform	Difference from prior law	% difference rank*	Tax reform	Difference from prior law	% difference rank*	Tax reform	Difference from prior law	% difference rank*
Gross state product	2.5	0.241	49	1.42	-0.019	49	1.62	-0.018	47
Employment	1.18	0.257	38	0.48	0.059	45	0.48	0.007	41

\*Out of the 50 states and the District of Columbia

Sources: BEA, BLS, IRS, JCT, Moody's Analytics

The main support to spending will come from a tight labor market, which will force employers to offer higher wages as the economy moves toward full employment. The biggest boost to income growth will occur this year, although the timing is still uncertain as it depends on adjustments to tax withholdings.

Other provisions put Illinois at a relative disadvantage. An elevated share of high earners, who benefit most significantly from revised personal tax brackets, is offset by the new cap on the state and local tax deduction and a lower mortgage interest deduction threshold. The negative impacts will be especially pronounced in expensive housing markets in Chicago and Lake County.

From the fourth quarter of 2017 through the fourth quarter of 2018, the tax change is forecast to boost Illinois gross state product by an annualized 0.24 percentage point, versus prior law. State employment will get a 0.26-percentage point bump. The differences, while positive, rank near the bottom out of the 50 states and the District of Columbia. As tax cuts in lower tax brackets taper off and the hit to housing takes hold, the stimulus will prove fleeting. By 2027, annualized growth in gross state product is estimated to be 0.02 percentage point lower than it would have been without the tax overhaul, a small decrease that is nonetheless larger than in all but four other states. The boost to employment over the same time period will amount to 0.01 percentage point, ranking 41st nationally.

### Long-term outlook: Positive factors

The state will continue to diversify into service-providing industries while nurturing its more efficient and smaller traditional manufacturing core. Chicago will 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 explosion of tech-related hiring on the Near North and West sides and corporation relocations such as Peapod, Hillshire Brands, Kraft Heinz, and United Continental Holdings from

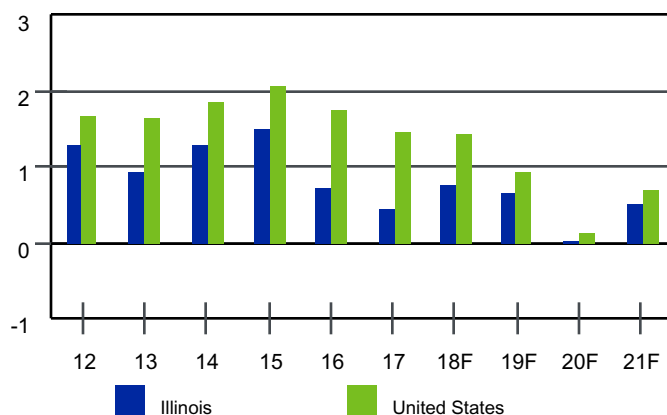
the suburbs suggest that this new economic engine has reached critical mass, enabling its growth to become self-perpetuating.

**Business services.** Business and professional services are expected to drive growth and will be a top performer 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 lower-wage business services such as call centers. 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

## Long-Term Outlook: Employment

% change



Sources: BLS, Moody's Analytics

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 the urban core and the mega Loop in particular.

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. Large companies and other institutions are expanding their efforts to encourage entrepreneurship and innovation in the Windy City. Tech giant Siemens is expanding its footprint downtown with a new digital research and development hub. The company said it will invest \$20 million per year in the new space, dubbed the Siemens Building Technologies CPS Software House. Tech companies that are able to meet the needs of Illinois' manufacturing base will also be successful.

**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. 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.** Illinois' tourism industry is expected to outperform other parts of the economy over the next decade, but growth will be much slower than in the previous few years. The industry has come back faster in the state than it has nationally, thanks almost entirely to more people visiting Chicago. However, Chicago tourism has lost potency as a jobs engine. Leisure/hospitality, which dominated job gains in 2015 and 2016, has come off the boil, and retail employment is falling briskly. Other indicators paint a similarly pessimistic picture; hotel occupancy and room rates are down over the year. Further, locals are not lending much support to consumer industries either. This comes as no surprise given Illinois' slow disposable income growth. Illinoisans took home less spending money in 2016 than initially estimated, and state personal income gains in 2017 have been trivial compared with the averages for the Midwest and U.S.

**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 12%

of Chicago's output and about 11% of Illinois' gross state product. Among Midwest states, only Nebraska and North Dakota are more dependent on this cluster of industries.

Rising online sales will, on balance, help Illinois. Transportation and warehousing employment will benefit from the rise of e-commerce and increasing demand for materials handling, warehousing and order fulfillment. More warehouse space was absorbed in Chicago in the past four quarters than anywhere else in the country, according to Colliers International, with Amazon leading the charge.

Northern Illinois remains the nation's rail hub. The industry is benefiting from stronger domestic demand and Chicago's well-developed transportation facilities. Intermodal traffic is the fastest-growing part of the rail industry, as most railway yards have been converted to handle intermodal traffic. A number of intermodal terminals have been built in recent years in Chicago, Rochelle, and the Quad Cities.

**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-Normal, and Southern Illinois University in Carbondale 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 at Chicago, and Loyola, but they are not as vital to Chicago as schools downstate are to that economy.

**Healthcare.** Healthcare will contribute positively to growth throughout the state as the population ages. It will be a driver of gains downstate, particularly in regional healthcare centers such as Peoria, Rockford and Springfield. Several large hospitals and a growing medical program make Springfield a regional hub for higher education and medical research, but reliance on state funding will cap long-run gains. Several of Springfield's largest healthcare providers receive government funding, and proposed cuts to medical research at the federal level would deal a body blow to local universities. Similar to other small metro areas in Southern Illinois, healthcare providers rely on an aging population as a key source of demand. 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 Peoria, Rockford and Springfield. However, industry job growth will lag the U.S. average primarily because of Illinois' weaker population trends.

Competition for new medical graduates from better-paying hospitals in Chicago and St. Louis compounds the risk to the outlook. For instance, Springfield exports health services to a large population in central Illinois, but out-migration of younger residents, including newly trained doctors and other medical staff, has



increased in recent years and could result in a shortage of trained professionals in the near and medium term. While Southern Illinois University's School of Medicine has increased efforts to train and retain rural physicians, higher pay offered at hospitals upstate could siphon new graduates.

**Agriculture.** The outlook for Illinois' large agricultural industry is optimistic, despite weakness in crop prices that has hurt farm incomes. While relatively stable this year, corn and soybean prices are near multiyear lows amid exceptionally high yields. Livestock farmers are faring better than grain farmers, but a full recovery is on the distant horizon. High yields and low prices will extend into the coming year. Despite strong competition from agricultural powerhouses Brazil, Argentina, India and China, farmers will benefit from an expanding global economy longer term.

**Energy.** The southern part of the state has rich deposits of natural gas, and state lawmakers have signed off on rules regulating oil and gas drilling in Illinois. Southeastern Illinois is home to the New Albany shale formation, which is largely undeveloped but could bring a much needed boost to that part of the state.

The potential of the state's New Albany shale formation is subject to considerable uncertainty. Energy prices declined before Illinois could reap the benefits of the hydraulic fracturing boom. If the play turns out to be productive and fracking gets under way in Illinois, it is projected to be able to support as many as 1,000 drilling jobs per year. There would also be a positive economic impact from land leases and royalties, and other industries such as accounting, credit intermediation and transport will benefit as drillers demand more services. However, this upside risk is severely tempered in the current price environment for energy commodities. Prices for natural gas would have to rebound significantly before energy companies would be willing to pull the trigger on any such exploratory investments.

The outlook for the state's coal industry is less upbeat. Nationwide limits on coal-fired power plant emissions were never implemented and are unlikely to be enacted any time soon, but the power sector has been shifting from coal to lower-carbon natural gas, a trend that will be hard to reverse.

**Business climate.** Illinois' business climate outshines its regional rivals, but the state's shaky finances have 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 huge talent pool of highly skilled workers, world-class universities, more money for investment, and better transportation with an airport with direct connections around

the globe. 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 34% of the state's population age 25 and older has at least a bachelor's degree and 13% has a graduate degree—both above the national average—according to Census Bureau data. In Chicago, the shares are even higher at 38% and 15%, 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 the world. 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. The greater availability of capital has played a key role in raising Chicago's technology profile, for example, most notably 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. Startups that can expand quickly, often dubbed "gazelles," are especially important to economic growth, sparking lots of job creation and investment.

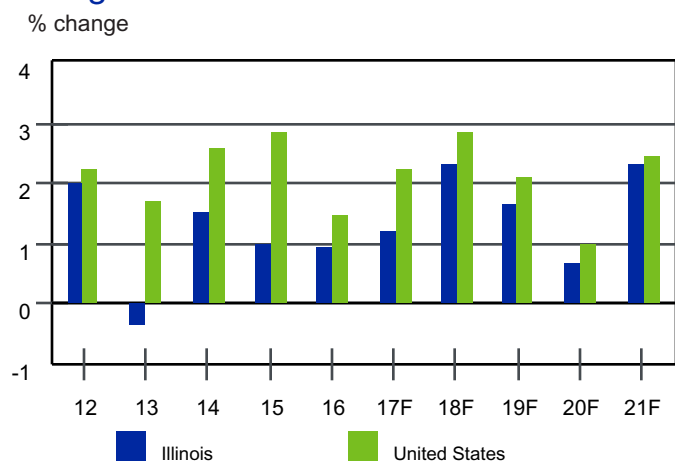
### Long-term outlook: Negative factors

Deep-rooted fiscal problems along with subpar demographic trends represent the biggest hurdles to the longer-term outlook. The forecast anticipates that the state will grow a step behind the Midwest average and a few steps behind the nation over the extended forecast horizon. Over the next five years, employment in Illinois is forecast to increase close to 3.1%, below the 3.8% increase for the Midwest and 4.3% rise nationally.

According to Moody's Analytics, 98% of the variation in the Illinois economy is related to variations in the national economy. 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.

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

## Long-Term Outlook: Gross Product



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.** Illinois, and Chicago in particular, is in general an appealing location to corporate headquarters and companies that need highly skilled workers and are willing to pay for top talent. Despite Illinois' advantages, however, uncertainty stemming from the state's fiscal crisis threatens to discourage firms from locating or remaining in the state. This is a concern since manufacturing in the state is already sputtering, and downstream industries have been strong performers for Illinois during the recovery and in years past. The good news is that the state's two-year budget logjam finally broke in 2017 with the passage of a \$36 billion spending package, easing some of the longstanding uncertainty in the outlook.

Mindful of the state business tax climate, lawmakers have in the past relied heavily on lucrative tax incentives and subsidies. A far more effective method to improve the business tax climate over the longer term is to focus on more broad-based income tax reforms and provide firms more certainty as to what their future tax burdens might be. This can be accomplished only by getting the overall budget situation on a more sustainable, and certain, path.

**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. The long-run decline of manufacturing will prevail despite the industry's current resurgence, which has lost momentum because of weakness downstate. Manufacturing is of greater importance in northern and central Illinois than it is in Chicago. While the share of employment in manu-

facturing in the state as a whole, at 9.5%, is only somewhat higher than the national average of 8.5%, the share outside Chicago is higher at 12.7%. Illinois' largest manufacturing industries, in order of number of jobs, are fabricated metals, food processing, industrial machinery, chemicals and plastics. Together, the five industries account for about 60% of all manufacturing jobs, compared with half nationally. Downstate areas besides Springfield have a high exposure to at least one, and typically several, of these 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 while this trend has slowed as labor has gotten more expensive overseas, it does not reduce the cost advantage sufficiently to reverse this process. 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 high costs relative to nearby states. Business costs in the state are lower than they are nationally and have trended downward for the past few decades. Costs are lower than those in Wisconsin and Michigan but higher than those in neighboring Indiana, Iowa, Kentucky and Missouri. 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.

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 energy costs are noticeably less than the regional average.

The Relative Business Costs Index understates the current tax burden in Illinois. The state's tax burden has been consistently below that of the Midwest and national averages since the 1980s. However, in an effort to narrow the state's persistent budget deficits, the state enacted historic personal and business income tax increases in 2011, pushing Illinois' tax burden above national and regional norms. The largest increases were partially stepped down in 2015, but Illinois' overall tax burden is higher than those of neighboring states, with the exceptions of Michigan and Wisconsin. The spending package that ended the two-year budget stalemate in 2017 includes a \$5 billion personal income tax hike. Although the deal is an important first step toward repairing state finances,

in the absence of a rise in services, the tax increases will raise business and living costs and could weaken the state's competitiveness.

Some provisions of the federal tax overhaul that went into effect in 2018 will exacerbate the problem. Lower tax rates will be accompanied by the elimination or scaling back of key tax deductions, which will raise the effective burden of state and local taxes on taxpayers who itemize their federal returns. Illinoisans itemize their returns at a higher rate than average. Combined with the inevitable accelerating path of interest rate increases, limits on mortgage interest and property tax deductions will put downward pressure on house prices, especially in Chicago and Lake County. Increased living costs for the most expensive parts of the state in and near Chicago could drive additional out-migration to lower-tax neighboring states.

**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 and Wisconsin, three states that have adopted right-to-work laws. Under right-to-work laws, employees in unionized workplaces cannot be forced to pay union fees 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.

## Index of Relative Business Costs

	Labor cost		Tax burden		Energy cost		Overall index	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Illinois	101	27	94	22	88	15	98	25
Indiana	89	4	102	38	94	26	92	7
Ohio	95	9	107	42	95	27	96	16
Michigan	106	42	103	39	103	36	105	37
Wisconsin	101	25	107	41	105	37	102	34
Iowa	89	3	96	29	84	9	88	3

### 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.

Source: Moody's Analytics

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 precise effects of right-to-work laws on job creation and a state's economic prosperity.

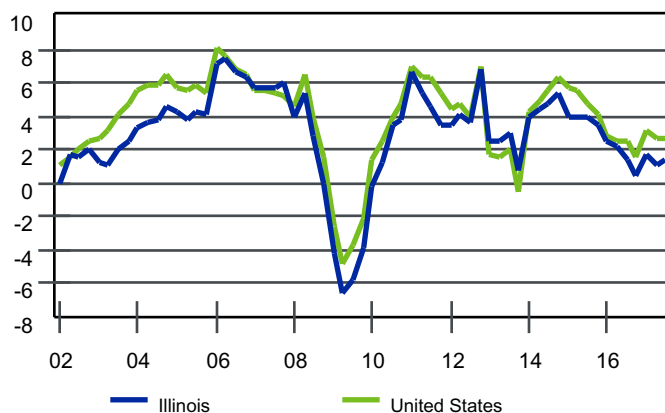
## Income

Personal income has been slower to rise in Illinois, contributing to the underperformance of retail and leisure/hospitality. Consumption depends mostly on labor income, which has lagged the U.S. and regional averages badly during the recovery. The 29% increase in income from 2009 is the second-smallest among Midwest states and 7 percentage points below the national average. The most important source of income, wages and salaries, has risen 27% during that time period, lagging the region by 3.5 percentage points and the U.S. by 7 percentage points.

The slowdown in manufacturing in 2015 weighed heavily on wages and salaries downstate. Manufacturers are getting their bearings as global growth accelerates and demand for agriculture and mining equipment increases, but Illinois factory employment has recovered to a lesser degree than that in most parts of the Midwest. Personal income rose at a year-over-year rate of about 3.7% per quarter between 2010 and 2015 but has averaged only 1.7% since 2016, underperforming compared with the lackluster gains in the Midwest and the U.S. Growth in wage income specifically is softer in part because of slower than expected growth in wage

## Personal Income

% change



Sources: BEA, Moody's Analytics

rates, likely related to low inflation. The Employment Cost Index for Chicago suggests wage pressures are rising in line with those nationally, indicating that the labor market is tight and supporting the forecast for further improvement in the coming year.

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 incomes are 115% 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 since the late 1990s, when per capita incomes were about 118% of the national average.

### Balance sheets

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 savings, hurting consumer industries in the process. Household debt in Illinois ended the year about 5% below its prior peak, compared with 1% above nationally.

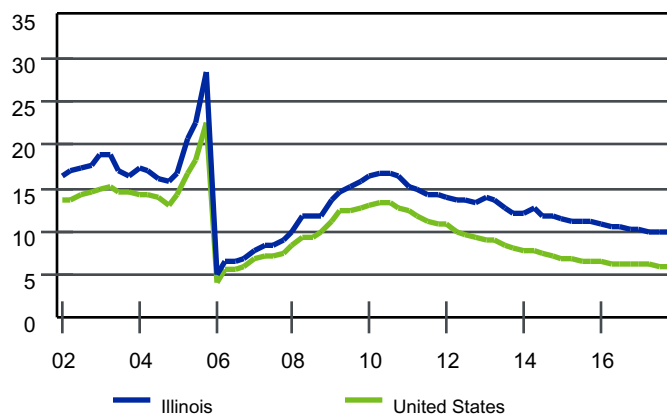
Illinois households have come a long way in repairing their balance sheets and are increasingly willing and able to borrow. Although consumer debt is well below its prior peak upstate, it is rising, and when Chicago, Lake County and Rockford are excluded, it is about 6% above its prior peak and climbing. 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 they 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 just about all of their earlier decline, in Illinois only around half of the drop has been recouped.

With many homeowners upstate still struggling to overcome falling home values, mortgage credit quality is somewhat of a sore

## Personal Bankruptcy Filings

Filings per 1,000 households



Sources: Administrative Office of U.S. District Courts, Moody's Analytics

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. About 3% of home equity loans are delinquent, compared with 2.3% nationally. Home loan delinquencies have come down significantly over the last six years—reaching pre-crash levels in 2017—and the gap between Illinois and the national average is narrowing. Slightly more than half of the delinquent home loans are in Chicago, down from two-thirds prior to the recession. The distribution of delinquent home loans has generally returned to pre-crash norms across the state.

In some areas, however, Illinois surpasses the U.S. The state has a lower delinquency rate on student loans, for instance, and performs significantly better in consumer finance loans. Chicago's high incomes and house prices lead consumers to take on more debt, with 65% of the state's debt located in the metro division, which is home to 57% of the state's population. Despite this, Chicago's default rate falls around the middle among the state's metro areas and divisions, and total metro area debt remains below its prerecession peak. Default rates across the state have returned to prerecession levels.

Personal bankruptcies are trending lower in the state, evidence that Illinois' recovery is slowly helping to reduce financial hardship for households as more previously unemployed workers find jobs. Personal bankruptcies were down 5.7% from a year earlier in the third quarter of 2017, more than the 2.2% drop in the Midwest and 1.7% drop nationally. The number of personal bankruptcies per household is also declining, but more slowly than it is nationally. One in every 99 Illinois households was in bankruptcy in the third

quarter, the highest among Midwest states and one of the highest nationwide. This compares with one in 137 households for the Midwest and one in every 163 nationally. The gap with the nation is the largest in more than two decades, but stopped growing in 2016.

## Demographic trends

Population estimates for 2017 have been released for states, but not metro areas. Once the fifth-most-populous state, Illinois has been surpassed by Pennsylvania. Bucking a regional trend in which nearly all states added residents at a faster pace than in the previous year, Illinois declined in population for a fourth consecutive time in the year ending July 1, 2017. A bigger bite from out-migration caused state population to contract 0.3%.

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; immigration and birthrates have declined since then.

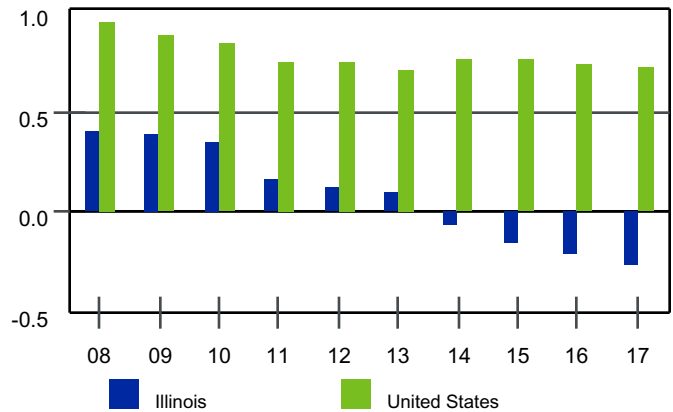
The vibrant national economy is enticing more of the state's residents to seek opportunities elsewhere. Total net migration declined to negative 81,100 in 2017, down from negative 75,800 in 2016. Net migration is the difference between in-migration to Illinois and out-migration from Illinois during a time period. The main reason for the worsening trend is a loss of domestic residents, or people moving from Illinois to other parts of the U.S. 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 compared with the rest of the country. Illinois lost 114,800 domestic residents on net in 2017, about 15,000 more than in 2016.

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. Net international migration totaled 33,700 in 2017, down slightly from the previous year. The pace of foreign immigration into the U.S. is likely to be curtailed under various proposals put forth by the Trump administration, including to the state of Illinois. This is reflected in the latest forecast, which projects weaker population growth over the next several years than previous outlooks.

Slightly lagged data from the IRS offer a more detailed view of migration flows. For many years the largest number of the state's out-migrants headed to Indiana, where living costs are lower, but

## Population

% change



Sources: Census Bureau, Moody's Analytics

retiree destinations Florida and Texas now rank as the first and second most popular destinations for relocating Illinoisans. In the baseline outlook, the assumption that baby boomers will retire and move out of the state to warmer climates contributes to a decrease in Illinois' population. More concerning is the decline in the working-age population, which is more severe in Illinois than in most other parts of the country. Over the next decade, Illinois will lose a larger share of working-age residents than any other state.

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 47,000 in 2017. The birthrate in Illinois has dropped off significantly since the early 2000s, when it was well above the regional and national averages. It dipped again last year to its lowest in more than three decades, but it is only a hair lower than that for the rest of the Midwest and the nation. The birthrate was higher than in the rest of the Great Lakes.

Although household credit quality has been less of a hindrance for the downstate economy, demographic trends have been a bigger challenge. The Chicago metro area population fell 0.2% in 2016, the second consecutive decline since the mid-1980s. The loss was most pronounced in the Chicago metro division, but Lake County population suffered a small drop as well. Chicago's loss was concentrated in Cook County, where population fell by 0.27%. Outside of Cook County, population grew 0.1%. Champaign and Elgin were the only metro areas and divisions in Illinois to grow in population in 2016, but gains in both fell short of the U.S. average.

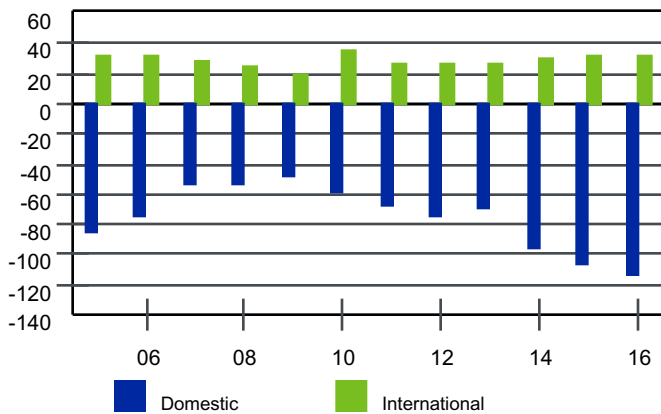
Because Illinois is expected to lose a good number of senior residents to areas further south over the next decade, the share of the population age 65 and older will be slower to increase and will

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 more slowly than average as baby boomers age.

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, have below-average educational attainment levels. 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.

## Net Migration

Ths



Sources: Census Bureau, Moody's Analytics

## Migration Flows

### INTO ILLINOIS

	NUMBER OF MIGRANTS
Indiana	14,077
Texas	13,131
California	12,678
Missouri	11,426
Wisconsin	11,339
Florida	10,136
Iowa	7,427
Michigan	7,129
New York	6,323
Ohio	5,735
<b>Total in-migration</b>	<b>169,018</b>

## Residential real estate

Housing is a mixed bag. The apartment market is a bright spot in light of weak single-family housing. Multifamily starts have been volatile month to month, but construction over the past 12 months exceeds that in the preceding year and meets pre-crash norms. Builders have put up twice as many multifamily units as single-family homes in Chicago in the past year, an unprecedented shift in the composition of residential construction. The Case-Shiller condo price index for Chicago is advancing at a modest but steady rate that outpaces the rise in the single-family index. Slower household formation will ultimately cap demand, but in the short term, there is room for builders to run.

Even with single-family housing inventory very low across much of the state, demand is struggling to keep pace with supply. The ripple effects from factory slowing have hurt job and income growth, and with the state 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. House price growth has strengthened in most metro areas in the past year, but in no metro area are house prices climbing in line with the national rate.

As single-family building has slowed, construction employment has stalled for the past two years, compounding the drag from the state's slow economic recovery. Illinois has regained just 30% of the housing-related jobs that it lost from 2007 to 2010, compared with 85% nationally. Against this backdrop, the newly passed tax overhaul is likely to handicap the housing market further. Restrictions on the state and local tax deduction, which includes property taxes, along with a lower cap on the mortgage interest deduction, are especially concerning. Counties around Chicago are

### FROM ILLINOIS

Florida	22,985
Texas	22,552
Indiana	22,300
California	20,326
Wisconsin	17,361
Missouri	13,434
Arizona	10,626
Michigan	9,683
Iowa	9,340
Georgia	8,747
<b>Total out-migration</b>	<b>256,855</b>
<b>Net migration</b>	<b>-87,837</b>

Source: IRS, 2016

likely to endure the biggest impact on house prices relative to the previous system.

### Forecast risks

The risks to the outlook are tipped to the downside. The biggest threats relate to the state's fiscal problems and Illinois' weak demographic profile, both of which cast doubt on the forecasts for state and local government, housing, and consumer-related industries. Illinois' population loss is forecast to slow this year, but risks are that it takes longer for this to happen because of the state's shaky finances and job growth that is slower than average. Longer term, the federal tax overhaul could encourage intrastate migration from costlier to less expensive parts of Illinois and amplifies the risk of increased out-migration from Illinois to lower-tax locales.

Other areas of concern include small businesses, which may think twice about expanding or setting up operations in Illinois if the state cannot get its fiscal house in order, and manufacturing, where improvement will happen more slowly if foreign countries retaliated in kind against U.S. tariffs. Immigration adds to uncertainty as undocumented workers leave the country, leading to a contraction in the labor force. Tighter immigration policies, including a proposed plan to limit new green cards, would worsen Illinois' population loss.

Housing in Illinois could take longer to recover, and without the increased support the state economy will be more vulnerable to anything that might go wrong in state and local government or manufacturing. If demand for housing disappoints, which could happen if household formation is slower to rebound, it would reduce the need for new construction. Household formation should pick up as the labor market improves, but if domestic out-migration does not slow as quickly as anticipated the pace is likely to fall short of expectations.

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 deficit-financed tax cuts will cause the nation's debt load to rise faster than previously thought over 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.

On the upside, broad global economic expansion and a falling dollar are giving Illinois producers a leg up, and assuming the global economy can avoid serious setbacks, solid economic fundamentals could usher in a period of stronger manufacturing and export growth. The longer-term forecast for manufacturing could likewise 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.

Illinois stands to gain if Foxconn's plan to build a \$10 billion plant in neighboring Wisconsin comes to fruition. The proposed LCD screen plant is expected to locate in the southeastern part of the Badger State, near the Illinois border. Upstate Illinois' vast transportation and distribution network is well-positioned to accommodate an increase in business generated by the facility.

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

# State of Illinois Forecast Report

## Demographic profile

Indicator	Units	Illinois	U.S.	Rank	Year
<b>Households</b>					
Households, % change (2012-2017)	Ann % change	0.6	1.0	41	2017
Population w/ BA degree or higher	% of adult population	34.0	31.3	14	2016
Median household income	\$	60,960	57,617	17	2016
<i>% change yr ago</i>		2.3	3.3	37	2016
<b>Population</b>					
Per capita income	\$	51,817	49,246	16	2016
<i>% change yr ago</i>		1.9	1.6	20	2016
Population	ths	12,802	325,719	6	2017
<i>% change yr ago</i>		-0.3	0.7	49	2017
White	%	77.0	76.8	34	2016
Black or African American	%	14.6	13.3	16	2016
Hispanic	%	17.0	17.8	10	2016
Asian	%	5.5	5.7	11	2016
Net domestic migration, rate	Persons/thrs pop	-9.0	0.0	47	2017
International migration, rate	Persons/thrs pop	2.6	3.4	18	2017
Poverty rate	%	13.0	14.0	24	2016
Median age	yrs	36.6	37.2	16	2010
<b>Household Cost Indexes</b>					
Median existing-home price	\$ ths	195.1	235.0	28	2016
<i>% change yr ago</i>		6.95	5.26	8	2016



# State of Illinois Forecast Report

## Illinois Recent Monthly Performance

	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Most recent % change yr ago
<b>Establishment Employment (ths, SA)</b>									
Total Employment	6,040.5	6,046.9	6,047.5	6,044.9	6,037.0	6,046.3	6,049.4	6,050.9	0.5
% change	0.2	0.1	0.0	-0.0	-0.1	0.2	0.1	0.0	
Natural Resources & Mining	8.1	8.1	8.2	8.2	8.0	8.0	8.1	8.0	2.6
% change	-1.2	0.0	1.2	0.0	-2.4	0.0	1.3	-1.2	
Construction	216.9	215.2	212.8	214.1	212.5	211.2	214.0	216.2	2.8
% change	2.2	-0.8	-1.1	0.6	-0.7	-0.6	1.3	1.0	
Manufacturing	573.4	575.1	574.0	570.9	571.3	573.0	575.9	577.6	1.4
% change	0.1	0.3	-0.2	-0.5	0.1	0.3	0.5	0.3	
Trade, Transportation, & Utilities	1,204.2	1,203.9	1,199.3	1,204.9	1,201.8	1,206.1	1,206.8	1,206.6	-0.2
% change	-0.0	-0.0	-0.4	0.5	-0.3	0.4	0.1	-0.0	
Retail Trade	613.3	614.1	612.1	610.6	608.1	607.7	604.7	599.4	-2.8
% change	-0.5	0.1	-0.3	-0.2	-0.4	-0.1	-0.5	-0.9	
Wholesale Trade	298.6	298.8	296.8	298.8	298.2	298.4	301.3	302.7	1.1
% change	0.3	0.1	-0.7	0.7	-0.2	0.1	1.0	0.5	
Transportation & Utilities	292.3	291.0	290.4	295.5	295.5	300.0	300.8	304.5	3.8
% change	0.7	-0.4	-0.2	1.8	0.0	1.5	0.3	1.2	
Information Services	101.1	101.2	100.5	99.5	98.8	97.9	98.8	98.2	0.2
% change	0.8	0.1	-0.7	-1.0	-0.7	-0.9	0.9	-0.6	
Financial Services	393.7	394.1	393.7	392.7	396.1	398.6	396.4	393.8	2.3
% change	0.4	0.1	-0.1	-0.3	0.9	0.6	-0.6	-0.7	
Professional & Business Services	942.8	947.0	953.1	948.7	947.1	947.8	954.6	951.5	0.6
% change	0.3	0.4	0.6	-0.5	-0.2	0.1	0.7	-0.3	
Education & Health Services	930.2	925.7	922.2	929.2	927.9	929.4	927.0	924.7	0.7
% change	0.2	-0.5	-0.4	0.8	-0.1	0.2	-0.3	-0.2	
Leisure & Hospitality Services	597.5	602.7	606.2	597.9	596.6	597.0	595.7	595.5	-0.2
% change	0.3	0.9	0.6	-1.4	-0.2	0.1	-0.2	-0.0	
Other Services	250.1	250.0	252.6	253.2	251.8	250.9	248.7	251.3	1.2
% change	0.2	-0.0	1.0	0.2	-0.6	-0.4	-0.9	1.0	
Government	822.5	823.9	824.9	825.6	825.1	826.4	823.4	827.5	-0.5
% change	-0.4	0.2	0.1	0.1	-0.1	0.2	-0.4	0.5	
									<b>1-yr change</b>
<b>Unemployment Rate (% , SA)</b>	4.6	4.7	4.8	5.0	5.0	4.9	4.9	4.8	-0.9
									<b>Most recent % change yr ago</b>
Labor force (ths)	6,483.7	6,462.8	6,438.0	6,425.8	6,424.9	6,425.4	6,445.4	6,464.4	-0.6
% change	-0.3	-0.3	-0.4	-0.2	-0.0	0.0	0.3	0.3	
Number of unemployed (ths)	298.1	302.3	308.2	323.0	321.6	317.1	313.7	309.2	-17.1
% change	-2.8	1.4	2.0	4.8	-0.4	-1.4	-1.1	-1.5	
Number of employed (ths)	6,185.6	6,160.5	6,129.8	6,102.8	6,103.2	6,108.2	6,131.6	6,155.3	0.4
% change	-0.2	-0.4	-0.5	-0.4	0.0	0.1	0.4	0.4	
<b>Total Residential Permits (# of units YTD, NSA)</b>									
% change yr ago	-1.8	22.2	19.3	18.8	15.2	6.4	8.8	12.5	
Single-family, (# of units YTD, NSA)	4,031	5,177	6,232	7,336	8,320	9,253	10,135	10,692	0.1
% change yr ago	-2.6	0.6	3.6	3.4	2.2	-0.7	0.5	0.1	
Multifamily, (# of units YTD, NSA)	4,535	7,223	8,685	9,727	10,762	11,998	12,989	14,621	23.6
% change yr ago	-1.0	44.5	33.9	34.0	27.7	12.7	16.3	23.6	
5 +, (# of units YTD, NSA)	4,173	6,779	8,160	9,061	10,005	11,077	11,951	13,522	23.4
% change yr ago	-2.7	46.0	35.7	34.2	28.4	11.3	15.5	23.4	
									<b>Most recent % change yr ago</b>
<b>Avg Hrlly Earnings: Mfg, (\$ per hr, SA)</b>	20.06	20.01	20.00	20.07	20.38	20.48	20.51	20.62	3.4
% change	-1.3	-0.3	-0.0	0.3	1.6	0.5	0.1	0.6	

# State of Illinois Forecast Report

## Illinois Recent Quarterly Performance

	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	Most recent % change yr ago
<b>Gross State Product (Ch. 2009\$ mil, SAAR)</b>	694,247.0	695,112.0	696,238.0	700,238.0	696,884.0	700,723.0	706,780.0	na	1.5
% change	0.3	0.1	0.2	0.6	-0.5	0.6	0.9	na	
<b>Establishment Employment (Ths, SA)</b>									
Total Employment	6,008.3	5,999.7	6,022.1	6,021.1	6,036.7	6,038.9	6,043.1	6,048.9	0.5
% change	0.1	-0.1	0.4	-0.0	0.3	0.0	0.1	0.1	
Natural Resources & Mining	8.5	8.0	7.8	7.8	8.1	8.1	8.1	8.0	3.0
% change	-3.1	-5.1	-3.3	0.4	4.3	0.0	0.0	-1.2	
Construction	219.7	218.0	217.8	212.7	218.7	214.8	213.1	213.8	0.5
% change	1.4	-0.8	-0.1	-2.4	2.8	-1.8	-0.8	0.3	
Manufacturing	576.6	575.0	574.2	570.9	569.3	573.7	572.1	575.5	0.8
% change	-0.3	-0.3	-0.1	-0.6	-0.3	0.8	-0.3	0.6	
Trade, Transportation, & Utilities	1,208.9	1,209.1	1,211.3	1,207.6	1,212.5	1,204.3	1,202.0	1,206.5	-0.1
% change	0.2	0.0	0.2	-0.3	0.4	-0.7	-0.2	0.4	
Retail Trade	620.8	621.1	621.0	617.7	618.1	614.7	610.3	603.9	-2.2
% change	0.4	0.0	-0.0	-0.5	0.1	-0.6	-0.7	-1.0	
Wholesale Trade	299.4	299.1	300.3	299.3	301.9	298.4	297.9	300.8	0.5
% change	-0.3	-0.1	0.4	-0.3	0.9	-1.2	-0.2	1.0	
Transportation & Utilities	288.7	288.9	290.0	290.6	292.5	291.2	293.8	301.8	3.8
% change	0.2	0.1	0.4	0.2	0.7	-0.5	0.9	2.7	
Information Services	98.7	98.5	99.0	98.2	98.4	100.9	99.6	98.3	0.1
% change	-2.7	-0.2	0.5	-0.8	0.2	2.5	-1.3	-1.3	
Financial Services	382.5	382.9	383.9	383.7	391.2	393.4	394.2	396.3	3.3
% change	0.2	0.1	0.3	-0.1	2.0	0.6	0.2	0.5	
Professional & Business Services	931.7	927.6	935.4	943.9	942.3	943.4	949.6	951.3	0.8
% change	0.1	-0.4	0.8	0.9	-0.2	0.1	0.7	0.2	
Education & Health Services	909.6	912.0	916.8	918.5	923.6	927.9	926.4	927.0	0.9
% change	0.4	0.3	0.5	0.2	0.6	0.5	-0.2	0.1	
Leisure & Hospitality Services	591.9	592.6	595.2	597.3	596.0	598.6	600.2	596.1	-0.2
% change	0.5	0.1	0.4	0.4	-0.2	0.4	0.3	-0.7	
Other Services	251.8	250.6	251.1	248.5	249.5	249.9	252.5	250.3	0.7
% change	-0.2	-0.5	0.2	-1.0	0.4	0.2	1.1	-0.9	
Government	828.4	825.4	829.6	832.0	827.1	823.9	825.2	825.8	-0.7
% change	-0.0	-0.4	0.5	0.3	-0.6	-0.4	0.2	0.1	
									<b>1-yr change</b>
<b>Unemployment Rate (% SA)</b>	6.1	5.9	5.8	5.8	5.3	4.7	4.9	4.9	-0.9
									<b>Most recent % change yr ago</b>
Labor force (ths)	6,564.3	6,539.8	6,515.0	6,504.4	6,524.2	6,483.9	6,429.6	6,445.1	-0.9
% change	0.4	-0.4	-0.4	-0.2	0.3	-0.6	-0.8	0.2	
Number of unemployed (ths)	401.6	387.2	377.1	374.2	349.7	302.4	317.6	313.3	-16.3
% change	1.9	-3.6	-2.6	-0.8	-6.5	-13.5	5.0	-1.3	
Number of employed (ths)	6,162.7	6,152.6	6,138.0	6,130.3	6,174.4	6,181.5	6,112.0	6,131.7	0.0
% change	0.3	-0.2	-0.2	-0.1	0.7	0.1	-1.1	0.3	
<b>Total Residential Permits (# of units YTD, NSA)</b>									
% change yr ago	49.0	7.4	15.5	15.6	-19.8	22.2	15.2	12.5	
Single-family, (# of units YTD, NSA)	2,141	5,147	8,143	10,677	2,064	5,177	8,320	10,692	0.1
% change yr ago	32.8	6.1	0.1	1.2	-3.6	0.6	2.2	0.1	
Multifamily, (# of units YTD, NSA)	3,155	5,000	8,428	11,831	2,186	7,223	10,762	14,621	23.6
% change yr ago	62.5	8.7	35.8	32.6	-30.7	44.5	27.7	23.6	
5 +, (# of units YTD, NSA)	2,982	4,642	7,795	10,954	1,961	6,779	10,005	13,522	23.4
% change yr ago	61.1	7.3	37.4	34.9	-34.2	46.0	28.4	23.4	

# State of Illinois Forecast Report

## Illinois Recent Quarterly Performance

	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	Most recent % change yr ago
<b>Existing Single-Family Home Sales (ths, SAAR)</b>	187.3	192.1	179.3	177.5	195.0	199.2	179.2	na	-0.1
<i>% change</i>	4.2	2.6	-6.6	-1.0	9.8	2.2	-10.0	na	
<b>Home Price Index (1980Q1=100, NSA)</b>	323.9	327.0	330.3	332.9	336.1	339.6	342.4	na	3.7
<i>% change</i>	1.0	1.0	1.0	0.8	1.0	1.0	0.8	na	
<b>Personal Income (\$ mil, SAAR)</b>	658,494	663,971	666,425	664,462	669,517	671,557	675,331	na	1.3
<i>% change</i>	-0.5	0.8	0.4	-0.3	0.8	0.3	0.6	na	
<b>Wages &amp; Salaries (\$ mil)</b>	352,260	356,172	357,807	354,882	358,264	360,089	363,351	na	1.5
<i>% change</i>	-1.3	1.1	0.5	-0.8	1.0	0.5	0.9	na	
<b>Nonwage Income (\$ mil)</b>	306,234	307,799	308,617	309,581	311,253	311,468	311,980	na	1.1
<i>% change</i>	0.4	0.5	0.3	0.3	0.5	0.1	0.2	na	
<b>Avg Hrly Earnings: Mfg (\$ per hr, SA)</b>	20.38	20.40	20.25	19.96	20.03	20.13	20.15	20.54	2.9
<i>% change</i>	1.6	0.1	-0.7	-1.4	0.4	0.5	0.1	1.9	
<b>Personal Bankruptcies (# 3-mo Ending, SAAR)</b>	54,796	52,662	52,385	51,485	51,236	50,537	50,040	50,122	-2.6

# State of Illinois Forecast Report

## Illinois Recent Annual Performance

	2010	2011	2012	2013	2014	2015	2016	2017	5-yr Avg Annual % change
<b>Gross State Product (Ch. 2009\$ mil, SAAR)</b>	645,982.8	658,411.3	671,492.8	669,261.0	681,546.0	689,831.8	696,458.8	na	1.1
% change	1.2	1.9	2.0	-0.3	1.8	1.2	1.0	na	
<b>Establishment Employment (Ths, SA)</b>									
Total Employment	5,611.1	5,675.6	5,749.9	5,803.8	5,878.5	5,968.5	6,012.8	6,041.9	1.0
% change	-0.8	1.1	1.3	0.9	1.3	1.5	0.7	0.5	
Natural Resources & Mining	9.2	9.6	10.2	9.7	10.0	9.3	8.0	8.1	-4.5
% change	-2.0	4.9	6.0	-4.8	2.7	-6.1	-14.2	1.1	
Construction	198.5	195.9	189.1	191.4	201.7	213.6	217.1	215.1	2.6
% change	-8.6	-1.3	-3.5	1.2	5.4	5.9	1.6	-0.9	
Manufacturing	561.0	574.0	582.9	579.1	580.0	581.2	574.2	572.7	-0.4
% change	-2.7	2.3	1.6	-0.6	0.2	0.2	-1.2	-0.3	
Trade, Transportation, & Utilities	1,125.6	1,143.6	1,156.0	1,164.2	1,179.6	1,201.1	1,209.2	1,206.3	0.9
% change	-1.2	1.6	1.1	0.7	1.3	1.8	0.7	-0.2	
Retail Trade	588.3	595.1	596.9	599.2	605.3	615.4	620.2	611.7	0.4
% change	-1.2	1.2	0.3	0.4	1.0	1.7	0.8	-1.4	
Wholesale Trade	285.8	289.5	294.5	298.3	299.4	300.7	299.5	299.8	0.5
% change	-2.1	1.3	1.7	1.3	0.4	0.4	-0.4	0.1	
Transportation & Utilities	251.5	259.0	264.6	266.7	274.8	285.0	289.5	294.8	2.2
% change	-0.3	3.0	2.2	0.8	3.0	3.7	1.6	1.8	
Information Services	101.9	100.6	100.1	98.9	99.1	101.0	98.6	99.3	-0.2
% change	-4.2	-1.3	-0.5	-1.1	0.1	2.0	-2.4	0.7	
Financial Services	371.6	371.2	374.3	377.5	376.4	380.6	383.2	393.8	1.0
% change	-2.2	-0.1	0.8	0.8	-0.3	1.1	0.7	2.7	
Professional & Business Services	793.6	823.4	857.2	883.3	909.2	922.9	934.6	946.7	2.0
% change	1.8	3.8	4.1	3.0	2.9	1.5	1.3	1.3	
Education & Health Services	830.9	847.5	862.2	874.3	885.2	899.4	914.2	926.3	1.4
% change	2.0	2.0	1.7	1.4	1.2	1.6	1.6	1.3	
Leisure & Hospitality Services	515.3	522.2	536.2	545.9	558.0	578.1	594.2	597.7	2.2
% change	-0.3	1.4	2.7	1.8	2.2	3.6	2.8	0.6	
Other Services	249.3	249.7	249.6	249.8	252.2	252.1	250.5	250.6	0.1
% change	-3.4	0.2	-0.1	0.1	0.9	-0.0	-0.6	0.0	
Government	854.3	837.8	832.2	829.7	827.2	829.1	828.9	825.5	-0.2
% change	-0.3	-1.9	-0.7	-0.3	-0.3	0.2	-0.0	-0.4	
									<b>5-yr change</b>
<b>Unemployment Rate (%)</b>	10.3	9.6	9.0	9.0	7.0	5.9	5.9	5.0	-4.0
									<b>5-yr Avg</b>
									<b>Annual % change</b>
Labor force (ths)	6,606.2	6,575.9	6,580.9	6,556.8	6,505.2	6,504.8	6,530.9	6,470.7	-0.3
% change	-0.2	-0.5	0.1	-0.4	-0.8	-0.0	0.4	-0.9	
Number of unemployed (ths)	678.6	633.2	590.7	587.2	455.5	385.5	385.0	320.8	-11.5
% change	-0.5	-6.7	-6.7	-0.6	-22.4	-15.4	-0.1	-16.7	
Number of employed (ths)	5,927.6	5,942.8	5,990.1	5,969.5	6,049.7	6,119.2	6,145.9	6,149.9	0.5
% change	-0.1	0.3	0.8	-0.3	1.3	1.1	0.4	0.1	
									<b>5-yr Avg</b>
<b>Total Residential Permits (# of units)</b>	11,596	12,151	13,675	15,348	19,857	19,472	22,508	25,313	20,500
% change yr ago	6.3	4.8	12.5	12.2	29.4	-1.9	15.6	12.5	
Single-family	7,862	7,117	8,870	9,981	10,258	10,551	10,677	10,692	10,432
% change yr ago	-4.5	-9.5	24.6	12.5	2.8	2.9	1.2	0.1	
Multifamily	3,734	5,034	4,805	5,367	9,599	8,921	11,831	14,621	10,068
% change yr ago	39.5	34.8	-4.5	11.7	78.9	-7.1	32.6	23.6	
5 +	3,242	4,464	4,162	4,671	8,849	8,122	10,954	13,522	9,224
% change yr ago	49.5	37.7	-6.8	12.2	89.4	-8.2	34.9	23.4	

# State of Illinois Forecast Report

## Illinois Recent Annual Performance

	2010	2011	2012	2013	2014	2015	2016	2017	5-yr Avg Annual % change
<b>Existing Single-Family Home Sales (Ths)</b>	121.6	122.8	150.9	173.9	166.9	180.9	184.1	na	8.4
<i>% change</i>	-3.3	0.9	22.9	15.3	-4.0	8.4	1.7	na	
<b>Home Price Index (1980Q1=100)</b>	316.6	301.3	296.0	297.4	307.0	318.0	328.5	na	1.7
<i>% change</i>	-5.0	-4.8	-1.8	0.5	3.2	3.6	3.3	na	
<b>Personal Income (\$ mil)</b>	535,464	562,292	587,601	600,783	628,783	652,685	663,338	na	3.4
<i>% change</i>	2.1	5.0	4.5	2.2	4.7	3.8	1.6	na	
Wages & Salaries (\$ mil)	291,034	303,015	314,839	320,206	333,331	350,076	355,280	na	3.2
<i>% change</i>	1.5	4.1	3.9	1.7	4.1	5.0	1.5	na	
Nonwage Income (\$ mil)	244,430	259,277	272,762	280,577	295,452	302,609	308,058	na	3.5
<i>% change</i>	2.8	6.1	5.2	2.9	5.3	2.4	1.8	na	
<b>Avg Hrly Earnings: Mfg. (\$ per hr)</b>	16.92	18.00	19.17	19.45	19.49	19.77	20.25	20.21	1.1
<i>% change</i>	1.8	6.4	6.5	1.5	0.2	1.5	2.4	-0.2	
<b>Personal Bankruptcies</b>	80,607	71,070	67,238	64,908	60,200	56,048	52,832	50,484	-5.6
<i>% change</i>	12.2	-11.8	-5.4	-3.5	-7.3	-6.9	-5.7	-4.4	
<b>Net Migration (ths)</b>	-24.0	-39.8	-42.6	-41.2	-63.2	-72.4	-75.8	-81.1	-66.7

# State of Illinois Forecast Report

## Illinois History

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Total Employment (ths)</b>	5,977.7	5,947.0	5,655.7	5,611.1	5,675.6	5,749.9	5,803.8	5,878.5	5,968.5	6,012.8
<i>% change</i>	0.8	-0.5	-4.9	-0.8	1.1	1.3	0.9	1.3	1.5	0.7
Manufacturing	675.1	657.1	576.8	561.0	574.0	582.9	579.1	580.0	581.2	574.2
Construction	271.0	258.2	217.2	198.5	195.9	189.1	191.4	201.7	213.6	217.1
Prof. and Bus. Serv.	862.8	852.1	779.6	793.6	823.4	857.2	883.3	909.2	922.9	934.6
Edu. and Health Serv.	777.6	799.2	814.8	830.9	847.5	862.2	874.3	885.2	899.4	914.2
Leisure and Hospitality	531.5	532.6	516.7	515.2	522.2	536.2	545.9	558.0	578.1	594.2
Other Services	261.1	263.7	258.0	249.3	249.7	249.6	249.8	252.2	252.1	250.5
Trade, Trans. and Util.	1,212.4	1,205.0	1,139.6	1,125.6	1,143.6	1,156.0	1,164.2	1,179.6	1,201.1	1,209.2
Wholesale	310.7	310.3	291.9	285.8	289.5	294.5	298.3	299.4	300.7	299.5
Retail	635.5	628.0	595.5	588.3	595.1	596.9	599.2	605.3	615.4	620.2
Trans. and Util.	266.1	266.7	252.2	251.5	259.0	264.6	266.7	274.8	285.0	289.5
Financial Activities	410.7	399.7	380.0	371.6	371.2	374.3	377.5	376.4	380.6	383.2
Information	115.9	114.3	106.4	101.9	100.6	100.1	98.9	99.1	101.0	98.6
Government	849.5	855.4	857.2	854.3	837.8	832.2	829.7	827.2	829.1	828.9
Natural Res. and Min.	10.1	9.8	9.3	9.2	9.6	10.2	9.7	9.9	9.3	8.0
<b>Unemployment Rate (%)</b>	5.0	6.5	10.3	10.3	9.6	9.0	9.0	7.0	5.9	5.9
<b>Population (ths)</b>	12,695.9	12,747.0	12,796.8	12,841.2	12,862.3	12,878.5	12,890.4	12,882.4	12,862.1	12,835.7
<i>% change</i>	0.4	0.4	0.4	0.3	0.2	0.1	0.1	-0.1	-0.2	-0.2
Age: <5	851.5	848.6	840.3	833.8	823.7	811.8	799.5	799.2	803.1	812.8
Age: 5-19	2,679.6	2,673.5	2,669.4	2,655.8	2,631.1	2,605.8	2,579.7	2,639.5	2,656.2	2,608.1
Age: 20-24	881.0	876.7	877.4	880.5	883.2	896.0	906.4	859.0	856.7	928.5
Age: 25-44	3,551.8	3,536.0	3,516.7	3,501.1	3,491.4	3,480.9	3,472.5	3,383.6	3,277.4	3,160.5
Age: 45-64	3,189.1	3,241.7	3,300.4	3,354.7	3,393.0	3,388.1	3,387.5	3,401.0	3,411.2	3,409.4
Age: >65	1,542.8	1,570.5	1,592.6	1,615.3	1,639.9	1,695.9	1,744.8	1,800.2	1,857.5	1,916.4
<b>Households (ths)</b>	4,825.9	4,854.8	4,852.7	4,846.1	4,875.2	4,906.0	4,947.2	4,984.2	5,022.8	5,051.4
<i>% change</i>	0.5	0.6	-0.0	-0.1	0.6	0.6	0.8	0.7	0.8	0.6
<b>Personal Income (\$bil)</b>	536.6	552.7	524.6	535.5	562.3	587.6	600.8	628.8	652.7	663.3
<i>% change</i>	5.8	3.0	-5.1	2.1	5.0	4.5	2.2	4.7	3.8	1.6
<b>Total Residential Permits (#)</b>	43,020.0	22,528.0	10,859.0	12,318.0	11,809.0	13,797.0	15,545.0	20,578.0	19,571.0	22,603.0
<i>% change</i>	-26.8	-47.6	-51.8	13.4	-4.1	16.8	12.7	32.4	-4.9	15.5
Single-family permits	24,511.0	11,827.0	7,844.0	7,624.0	6,834.0	8,564.0	9,869.0	10,553.0	10,076.0	10,187.0
Multifamily permits	18,509.0	10,701.0	3,015.0	4,694.0	4,975.0	5,233.0	5,676.0	10,025.0	9,495.0	12,416.0

# State of Illinois Forecast Report

## Illinois Forecast

	2017	2018	2019	2020	2021	2022	2023	2024	11-16 Annual Growth (%)	16-21
<b>Total Employment (ths)</b>	6,041.0	6,088.3	6,129.3	6,131.9	6,164.9	6,218.8	6,253.3	6,283.6	1.2	0.5
<i>% change</i>	0.5	0.8	0.7	0.0	0.5	0.9	0.6	0.5		
Manufacturing	572.6	573.4	567.5	557.2	549.3	543.8	535.8	527.8	0.0	-0.9
Construction	215.0	219.4	228.2	230.1	234.0	239.1	241.5	243.4	2.1	1.5
Prof. and Bus. Serv.	947.4	968.8	986.4	987.9	999.6	1,019.8	1,033.6	1,046.8	2.6	1.4
Edu. and Health Serv.	926.4	935.3	943.0	949.5	957.0	965.6	972.6	978.9	1.5	0.9
Leisure and Hospitality	597.5	600.5	606.6	610.5	616.3	623.1	628.8	634.0	2.6	0.7
Other Services	250.2	250.4	250.8	250.2	250.4	251.5	252.2	252.4	0.1	-0.0
Trade, Trans. and Util.	1,205.7	1,210.3	1,214.7	1,212.3	1,213.9	1,218.6	1,220.3	1,221.7	1.1	0.1
Wholesale	299.5	302.1	304.5	304.5	305.5	307.4	308.3	308.8	0.7	0.4
Retail	611.6	607.4	609.7	608.9	609.9	612.4	613.9	615.3	0.8	-0.3
Trans. and Util.	294.6	300.8	300.5	298.9	298.6	298.8	298.1	297.6	2.3	0.6
Financial Activities	393.8	398.1	398.9	399.5	401.9	405.6	408.7	411.8	0.6	1.0
Information	99.4	99.3	99.4	99.3	99.4	99.6	99.6	99.6	-0.4	0.2
Government	825.0	824.7	825.5	827.2	834.7	843.6	851.7	858.7	-0.2	0.1
Natural Res. and Min.	8.1	8.2	8.3	8.3	8.4	8.5	8.5	8.5	-3.6	1.0
<b>Unemployment Rate (%)</b>	5.0	4.5	4.4	5.0	5.3	5.3	5.4	5.4	3.7	-0.6
<b>Population (ths)</b>	12,802.0	12,781.6	12,771.4	12,757.0	12,741.1	12,734.5	12,730.4	12,728.6	-0.0	-0.1
<i>% change</i>	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.0	-0.0		
Age: <5	822.8	832.3	833.3	831.5	826.4	819.5	814.1	810.6	-0.3	0.3
Age: 5-19	2,564.8	2,534.8	2,524.1	2,522.0	2,513.7	2,513.8	2,519.0	2,513.7	-0.2	-0.7
Age: 20-24	1,007.7	1,064.4	1,095.2	1,093.4	1,059.6	1,043.3	1,039.7	1,049.8	1.0	2.7
Age: 25-44	3,040.4	2,947.6	2,883.6	2,836.1	2,835.1	2,815.0	2,779.0	2,742.6	-2.0	-2.2
Age: 45-64	3,392.2	3,366.4	3,331.0	3,299.4	3,259.6	3,220.8	3,180.2	3,138.8	0.1	-0.9
Age: >65	1,974.3	2,036.0	2,104.2	2,174.7	2,246.8	2,322.0	2,398.4	2,473.0	3.2	3.2
<b>Households (ths)</b>	5,055.0	5,083.8	5,113.2	5,141.2	5,166.3	5,192.2	5,220.7	5,250.6	0.7	0.5
<i>% change</i>	0.1	0.6	0.6	0.5	0.5	0.5	0.5	0.6		
<b>Personal Income (\$bil)</b>	674.8	703.9	736.2	763.9	794.8	826.1	856.0	887.0	3.4	3.7
<i>% change</i>	1.7	4.3	4.6	3.8	4.0	3.9	3.6	3.6		
<b>Total Residential Permits (#)</b>	25,451.9	28,867.5	33,890.5	32,325.3	37,210.6	39,626.9	39,130.0	38,789.8	18,418.8	31,549.2
<i>% change</i>	12.6	13.4	17.4	-4.6	15.1	6.5	-1.3	-0.9		
Single-family permits	10,685.2	16,647.9	22,612.8	22,760.2	26,830.6	28,005.3	27,633.8	27,785.7	9,849.8	19,907.4
Multifamily permits	14,766.6	12,219.6	11,277.7	9,565.1	10,380.0	11,621.6	11,496.2	11,004.1	8,569.0	11,641.8

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Moody's Analytics added the economic forecasting firm Economy.com to its portfolio in 2005. This unit is based in West Chester PA, a suburb of Philadelphia, with offices in London, Prague and Sydney. More information is available at [www.economy.com](http://www.economy.com).

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## CONTACT US

For further information contact us at a location below:

**U.S./CANADA**  
+1.866.275.3266

**EMEA**  
+44.20.7772.5454 London  
+420.224.222.929 Prague

**ASIA/PACIFIC**  
+852.3551.3077

**OTHER LOCATIONS**  
+1.610.235.5299

Email us: [help@economy.com](mailto:help@economy.com)  
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## **BACKGROUND**

The Commission on Government Forecasting and Accountability (CGFA), a not-for-profit bipartisan, joint legislative research commission, that provides the Illinois General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

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

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

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

These reports are available from:

Commission on Government Forecasting and Accountability  
703 Stratton Office Building  
Springfield, Illinois 62706  
(217) 782-5320  
(217) 782-3513 (FAX)

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