STATE OF ILLINOIS ECONOMIC FORECAST

FEBRUARY 2020

PREPARED FOR:

STATE OF ILLINOIS

COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY

PREPARED BY:

MOODY'S ANALYTICS / ECONOMIC & CONSUMER CREDIT ANALYTICS

WWW.ECONOMY.COM

Commission on Government Forecasting and Accountability

COMMISSION CO-CHAIRS

Senator Heather Steans
Representative C.D. Davidsmeyer

SENATE	*HOUSE*
Donald DeWitte	Thomas Bennett
David Koehler	Sonya Harper
Elgie Sims	Elizabeth Hernandez
Dave Syverson	Anna Moeller
Jil Tracy	Joe Sosnowski

EXECUTIVE DIRECTOR
Clayton Klenke

DEPUTY DIRECTOR
Laurie Eby

REVENUE MANAGER
Jim Muschinske

EXECUTIVE SECRETARY
Briana Stafford

MOODY'S
ANALYTICS

ANALYSIS

February 2020

State of Illinois Forecast Report

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

Prepared by

Sarah Crane
Sarah.Crane@moodys.com

Contact Us

Email
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
www.moodysanalytics.com

Contents

Summary

Illinois is in decent shape for a state facing a slowdown in manufacturing, poor agricultural conditions, and numerous demographic and fiscal problems. The economy is doing better than it has in some time. Several private-sector industries are strengthening, and greater fiscal certainty and growth in tax revenues have allowed the public sector to recoup some jobs. After declining for most of the year, the unemployment rate dipped to an all-time low of 3.7% in December despite a stable labor force. The tight labor market coupled with a better jobs mix is helping to preserve big gains in average hourly earnings.

Most economic gauges point to a performance gap with the Midwest and the U.S. The comprehensive count of jobs from the Quarterly Census of Employment and Wages indicates nonfarm employment growth over the past year was weaker than suggested in the survey estimates. Income growth in key industries such as healthcare, professional/business services and manufacturing was slower than average in 2019. The U.S. trade war with China has taken a toll on the industrial and agricultural parts of the state.

Falling mortgage rates and relatively high affordability have barely offset the effects of adverse changes to the federal tax code and weak population trends. Multifamily housing has propelled almost all the growth in residential construction during the current business cycle. Single-family house prices have climbed just 1.5% over the last year, the smallest gain in the Midwest and half the national increase. Home sales are decreasing, and construction remains sluggish.

An array of factors that juiced industrial production and factory job growth in 2018 have all but played out, including federal fiscal stimulus, customers' rush to stock up before tariffs took effect, and increased demand for oil extraction equipment. Illinois can keep advancing without a positive contribution from manufacturing, but the rest of the economy will have to do its part. Illinois will be hard-pressed to match the U.S. pace of growth in any industry, but the state will lean increasingly on healthcare and professional/business services to power job and income gains. Transportation/warehousing, a vanguard of job growth during this expansion, will expand more slowly in coming years. Consumer industries such as retail and leisure/hospitality will pitch in a bit less as the shrinking population weighs on demand. Population loss and troubled state finances will limit Illinois' long-term potential.

Recent Performance

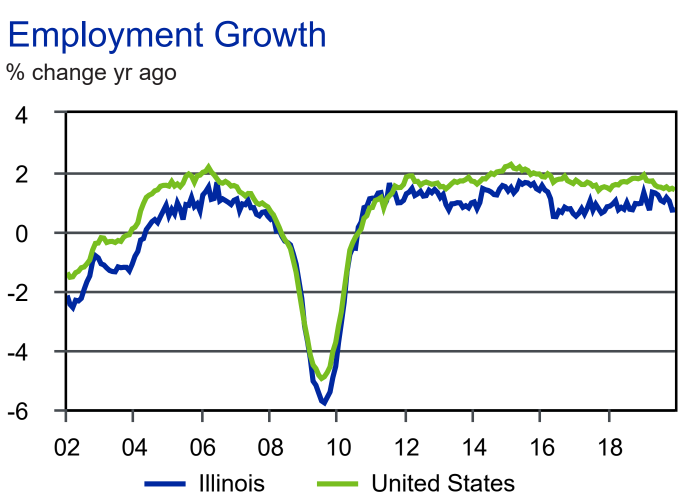
Illinois has trailed its Midwest neighbors in employment and income growth during the current expansion, and the gaps have widened over the years. Growth in employment since 2009 ranks in the middle of Midwest states and is a bit more than half the national increase. Greater state fiscal certainty from the state budget has allowed the public sector to add more jobs in 2019 than in previous years. Job growth in healthcare, leisure/hospitality and transportation/warehousing looks solid, but the upbeat establishment survey data merit caution. Based on a more complete count of jobs from the Quarterly Census of Employment and Wages, employment growth decelerated in the first half of 2019, a trend that likely persisted in subsequent months.

Illinois' jobless rate has decreased and hit 3.7% in December, an all-time low for the 43-year series. The labor force participation rate averaged 64.8% in 2019, just slightly below the Midwest rate of 65% and comfortably above the U.S. rate of 63%. Labor force participation has been relatively flat for five years, but the decline since the Great Recession is above average for the region. Jobless claims are hovering at levels last seen in the 1970s, when the labor force and total population were considerably smaller. There are a few signs of weaker demand for labor: Temporary employment, a leading indicator, has dipped and the average workweek has been shrinking. Employers facing slow demand appear to be scaling back on temporary help and cutting hours rather than laying off workers. The concern is that the tight labor market would make it too difficult to hire when demand firms.

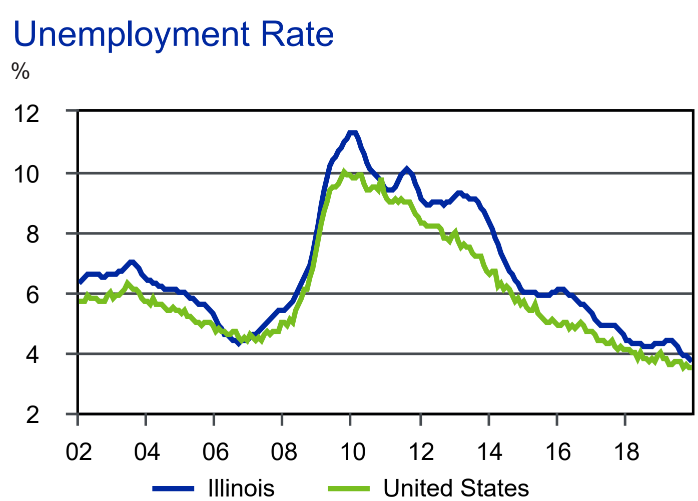
Demand for workers that exceeds supply has pushed employers to raise wages. Although judging by average hourly earnings for the state and the Employment Cost Index for Chicago, the pace of wage growth has lost its edge over the rest of the region and the U.S. as more people entered the labor force. While growth in wage rates is a clear positive, this has not necessarily translated to aggregate after-tax income growth. Slower employment gains have reduced the lift to wage and salary income. The 17% rise in Illinois' personal income over the last five years is below that in the U.S. and all other Midwest states besides Kansas, Nebraska and North Dakota. Worsening underperformance over the past several quarters has knocked Illinois to the back of the regional pack in 2019 personal income growth.

Economic growth in Chicago has cooled more than in other large population centers. Employment growth has decelerated or abated in most industries and the housing market is among the weakest in the top U.S. metro areas and divisions. Chicago would be in worse shape if not for the strength of its vast transportation and distribution network. E-commerce gains have spurred major investments, paving the way for transportation/warehousing to add jobs at triple the pace of overall job growth during this expansion. The jobless rate has edged down to a new low of 3.4%, the lowest since records have been kept.

The labor market in neighboring Lake County is one of Illinois' strongest despite employment volatility in most industries throughout 2019. Goods producers are recovering from their mid-year rout while private services are trending higher at a decelerating rate. Fortunately, the quality of new jobs keeps improving. The pace of job creation in high-wage occupations, which include medical equipment and supplies manufacturing, is the strongest it has been during this cycle. Sluggishness in the mid- and low-



Sources: BLS, Moody's Analytics



Sources: BLS, Moody's Analytics

wage tiers has detracted the most from employment growth in the past year. Total job creation has been strong enough to pull the unemployment rate below 4% for the first time since 2001 amid impressive labor force growth.

Champaign-Urbana is one of the few Illinois metro areas bucking the decelerating trend in state job growth. The University of Illinois is increasing headcount, and private services, which take their cue from the public sector, are briskly adding jobs. A sustained rise in average private sector earnings has finally taken hold: Hourly pay has risen over the past year at one of the fastest rates in the country. Pay increases are helping to ignite labor force growth, though job creation has been strong enough to pull the unemployment rate down to 3.5% by the end of the year.

Employment in Springfield was up marginally over the past year, with job creation concentrated in healthcare. Retail and manufacturing shed positions while most other industries have been holding steady. Employment in the more volatile household survey is faring better, and the unemployment rate has dropped to 3.5%, a 20-year low. Labor market tightness appears to be translating to higher wages, though the big gain in average hourly earnings in 2019 comes on the heels of a similarly sized fall in the previous year.

Peoria has been hit especially hard by the manufacturing slowdown and is one of the increasing number of Illinois metro areas in or at risk of recession. Softer demand for heavy equipment has weakened Caterpillar and pressured manufacturing employment for the past year. The company's sales and revenues have weakened from late 2018 to late 2019. Employment in nearly every private sector industry has decreased since spring and the labor force is down more than 12% from its 2008 high. That explains why the 4.6% unemployment rate is flirting with a 10-year low despite ticking up over the past few months.

The Quad Cities' economy has hit a snag. The upswing in nonfarm jobs at the start of 2019 has been unwound. Anchored by Rock Island Arsenal, the public sector, along with manufacturing, is failing to make meaningful progress. In the face of lower demand for workers, the labor force is stagnant and the unemployment rate is above this cycle's trough.

Decatur's economy has shown some signs of strength. The labor market has steadily improved through 2019. Manufacturing and leisure/hospitality have led employment gains while business/professional services and retail have stabilized after incurring losses in 2018. Strong U.S. business investment in mining equipment drove an upswing in Decatur manufacturing employment over the past three years, as the Caterpillar facility produces large, off-road trucks for moving coal and ore. Trade tensions have reduced soybean processing. The jobless rate hit a cycle low of 5%, and average hourly earnings growth is among the highest in the region despite a recovering labor force. Home sales and house price growth are falling, however, as the population level continues to plummet.

Rockford's economy is struggling. Payroll employment has fallen over the past six months and is higher than a year earlier only

Illinois Employment, Recent Performance

Dec 2019

	Annualized growth rate				
	3-mo	6-mo	12-mo	5 yr	10 yr
Total	0.2	0.2	0.7	0.9	1.0
Construction	-5.9	-3.4	-0.5	1.2	0.9
Manufacturing	-2.6	-1.5	-0.3	0.2	0.6
Wholesale Trade	-1.0	-0.7	1.0	0.4	0.6
Retail Trade	-1.7	-0.6	-1.9	-0.7	0.1
Transportation and Utilities	-4.9	-1.4	1.2	3.0	2.7
Information	5.8	3.8	-0.8	-1.5	-1.2
Financial Activities	0.0	0.6	0.4	1.4	0.9
Professional and Business Services	-2.5	-1.8	0.1	0.9	2.2
Education and Health Services	3.8	2.6	1.8	1.4	1.6
Leisure and Hospitality	3.6	1.0	2.7	2.6	2.3
Government	2.5	2.0	1.6	0.3	-0.2
			%		
Unemployment rate	3.8	3.9	4.1	5.0	7.0

Sources: BLS, Moody's Analytics

because it was even weaker in 2018. Layoffs in the critical auto sector are responsible for most of the weakness, though professional/business services have helped pick up some of the slack. The unemployment rate has fallen more than a percentage point in recent months because workers are dropping out of the labor force. The housing market is a mixed bag. House price appreciation has slowed dramatically, but new-home construction remains strong.

Bloomington is gradually recovering from a yearlong recession. Though it is no longer falling as quickly, nonfarm employment has been trending lower for more than a decade and is faring worse than in the rest of Illinois and the U.S. on a year-over-year basis. Leisure/hospitality is the only major industry that has expanded consistently in the past year as retailers and manufacturers lay off workers. The outsize financial services industry appears to have stabilized but remains in a deep hole following steep cuts in 2018. The unemployment rate has fallen below 4% for the first time in more than a decade, though this is mostly a byproduct of workforce departures.

Places in Illinois that rely on exports to China, particularly crops and livestock, have suffered from the trade war between the U.S. and China. The trade war is not all that ails the agricultural sector, but the timing of retaliatory tariffs has exacerbated farmers' woes. The loss of the Chinese export market has suppressed prices for key crops when heavy rains that hampered planting suggest lower corn and soybean production. Illinois farm bankruptcies are up as years of sluggish earnings force more in the industry to borrow to finance their operations. Extra government subsidy payments have boosted farm income, leaving the agricultural sector in about the same financial shape as it was a year earlier.

Near-term outlook

The best of this business cycle is over for Illinois, but the labor market will pull in the right direction for a few more quarters if private services maintain momentum. Poor prospects for core industries put downstate manufacturing hubs at a disadvantage over their peers, and that part of the state will struggle to grow this year. The state's labor market will be hard-pressed to match the U.S. pace of growth in any industry, but prospects are strongest in office-using industries and healthcare. Professional/business services and tech firms in particular will invest heavily in the Windy City to leverage its large talent pool and lower costs than on either coast. Firms such as Google, Facebook, Salesforce and Glassdoor are joined by Uber, which plans to establish its largest tech hub outside San Francisco in Chicago.

Insurers will lead modest financial service job additions. Interest rate cuts will weigh on the profitability of banks, which are already cutting costs and scaling back on the number of brick-and-mortar locations. In 2019, there were 830 fewer bank branches in Illinois than there were prior to the Great Recession. The role of cost-cutting and consolidation is evident considering the 16% decline in bank branches occurred alongside a 22% jump in inflation-adjusted deposits. The outlook is mostly positive for job growth in the medical field. The state's population is aging more quickly than the populations of its neighbors, and growth in the crucial 65-and-older cohort is poised to accelerate. Now that global economic growth has slowed, softer overseas demand for everything from farm products to transportation equipment will weigh on industrial production and reduce the need for more factory labor.

The Chicago metro division will retain its edge over the rest of Illinois, with downtown enjoying the bulk of the gains. The smaller than average share of seniors has capped healthcare employment growth for most of the decade. The 65-and-older population has been expanding, however, and job gains in healthcare are proceeding more quickly than in other industries. As the metro area grays, demand for medical services will increase and extend solid job growth. Industry additions will lag the U.S. average primarily because of weaker overall population trends.

The outlook for the critical life sciences cluster is positive, and new investment will provide additional avenues for growth. The Lake County metro division boasts the highest concentration of biomedical companies in the Midwest, and the bulk of its high-tech jobs are in medical manufacturing. An aging population should uphold demand for pharmaceuticals and medical devices. Rosalind Franklin University of Medicine and Science has opened Helix 51, Lake County's first bioscience incubator, at its new Innovation and Research Park. The IRP will provide space for research labs, biotech startups, and life sciences firms. The university's investment will ensure Lake County can accommodate new research opportunities and will help to preserve the economy's highest-paying jobs.

Champaign will outperform other Illinois metro areas in the short term as direct university spending and local spillover swells in coming quarters. The outlook for the University of Illinois is positive, with prior state cuts to education being gradually restored and officials aggressively recruiting students, adding staff, and expanding school resources. University officials are appealing to the state for a big state funding increase in fiscal 2021 to make up for belt-tightening during the two-year budget impasse. The requested increase would come on top of the boost in aid to the system this fiscal year, much of which is being channeled to faculty hiring and retention. The school is also working through its massive new capital allocation for new buildings, renovations and other upgrades at the flagship campus. Local construction employment is climbing and will pack a big punch over the next few years.

Healthcare will extend its lead over other parts of Springfield's economy. Additions to state government payrolls in the state capital will be modest, but greater budget certainty and the mild economic upswing will safeguard current staffing levels in the near term. Given Springfield's reliance on the public sector, muted growth in state payrolls will keep job and personal income gains roughly on track with the state average.

Financial services need to improve in order to lift Bloomington's economy back into recovery, and prospects for industry growth are modestly upbeat following heavy losses in recent years. Bloomington depends greatly on its insurance industry, which makes up close to 18% of employment, nine times the U.S. average. Fortunately, State Farm's financial footing has improved over the last year, giving it the wherewithal to expand. Rate reductions are helping insurance sales and customer retention, though weaker U.S. auto sales in 2020 and 2021 will limit underwriting opportunities. Auto insurance accounts for about two-thirds of State Farm's business.

Bloomington's big bet on a new auto firm remains a potential upside, though. Electric-vehicle maker Rivian made headlines with the debut of its all-electric pickup truck and SUV at 2018 auto shows. With the production of the pickup slated for late 2020 at the old Mitsubishi plant in Normal, Rivian is making investments and upgrades at the facility. The company's timeline and low initial production schedule may help it outlast the drag from trade policy and input cost factors that are weighing on other auto producers. In all, odds are on a modest recovery in Bloomington rather than a full-fledged resurgence.

Peoria's economy will bring up the rear in Illinois and place near the bottom of the broader Midwest in key economic gauges. Peoria has been hit especially hard by the manufacturing slowdown, and a weak global economy and negative impacts from the trade war mean a quick comeback is not in the cards. Demand for new equipment will lessen as trade-related and other uncertainties limit the enthusiasm for businesses to commit to capital expansion. The slump in industrial production has reduced the need for factory labor and will keep it flat at best in the near term. Business services hold the most promise but will struggle to turn things around without improvements in manufacturing.

Decatur is in a precarious position. In the short term, job growth will decline as private services flatline and manufacturing gains run out. Slowing U.S. business investment in mining equipment will weigh on manufacturing employment, which has propelled impressive growth in recent years. Though China has signaled willingness to begin importing more U.S. grain and oil seeds, the baseline forecast is for the trade war to persist through the end of President Trump's first term, and food processing growth will slow.

In response to a protracted period of weak demand for farm equipment, John Deere is laying off workers at its East Moline and Davenport facilities. Even modest cuts will reverberate loudly given that the industry is the third largest source of high-wage jobs in the Quad Cities. Producers of primary and fabricated metals, which together with heavy equipment account for over half of all local manufacturing jobs, will not fare much better as a result of weakness in mining investment and in capital spending more broadly as trade-related uncertainty and lower profits keep firms cautious.

Rockford's auto industry will be a drag on the broader economy following Fiat Chrysler's decision to cut production and lay off 1,400 workers. Manufacturing is the cornerstone of Rockford's economy, accounting for one-fifth of all jobs. The layoffs are the result of a slowing global economy and stiff competition that has reduced SUV sales. Affected workers were given the opportunity to return to the Belvidere plant as temporary contractors or relocate to other plants. Many workers chose to return as temporary contractors but will work reduced shifts, limiting the benefit to the local economy. Those who leave, however, will deal a far greater blow to the economy as they hasten the outflow of skilled workers, further eroding Rockford's depleted labor pool. The cut in auto production will also be hard on the local contingent of auto part suppliers, many of which will be forced to cut production and reduce headcount. The loss of well-paying factory jobs will sting consumer industries as incomes and spending suffer.

Manufacturing employment has peaked, and increased input costs tied to tariffs on steel and aluminum and a difficult trade environment dim the already-subdued outlook for durable goods segments. Tariffs and the trade war will also pressure transportation and warehousing. The former has been a key pillar of support, but the foundation looks shaky. Downstate Illinois is one of the most export-dependent parts of the country, and state exports through November were off 8% from the same period in 2018, three times more than nationally. Lower shipping volumes will translate to lower demand for freight services, and there is a risk of excess capacity in trucking as demand sours.

The signing of the Phase One trade deal will do little to reverse the damage of the U.S.-China trade war, but it may deter escalation. As part of the agreement, the U.S. canceled new tariffs while promising to roll back existing tariffs, in exchange for China purchasing more American goods and services, including agricultural products. Agricultural exports to China, especially soybeans, make up a larger portion of total exports in Illinois than they do in almost any other state. The partial trade deal could help lay the foundation for a bigger agreement in the coming months.

While the Phase One agreement provides some reassurance, uncertainty surrounding the trade war remains. Renewed hostilities could lead to a more widespread malaise in farm- and manufacturing-dependent corners of Illinois. Should the re-election campaign or signs of weakness elsewhere in the economy inspire the president to make a face-saving deal, growth could exceed expectations and the Farm Belt could find itself on firmer footing sooner than expected.

The last fiscal year was a strong one for state revenues, and an on-time fiscal 2020 budget offers short-term stability. State lawmakers passed a sweeping package that adopts most of Governor J.B. Pritzker's agenda. The plan features new revenue and added spending, including a $45 billion, six-year capital program. Local governments will receive new funding for roads, bridges, transit, schools and state facilities, as well as potential new sources of operating revenue.

Separately, a new law puts Illinois' minimum wage on a path to reach $15 per hour by 2025. The hourly minimum wage will increase from $9.25 to $10 in July 2020 and will increase by $1 every January for the next five years. Increasing the minimum wage incrementally will not derail the trajectory of low-wage industries in and around Chicago, which adopted its own increase, but could encourage firms in other parts of the state to operate with less labor. Statewide, the impact of raising the minimum wage will be marginal.

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 continue to develop as the transportation and distribution center for the Midwest and will increasingly develop its tech industry. The explosion of tech-related hiring on the Near North and West sides and corporate relocations from the suburbs—such as those by Walgreens, Mondelez International, Peapod, Hillshire Brands, Kraft Heinz, and United Continental Holdings—suggest that this new economic engine has reached critical mass, enabling its growth to become self-perpetuating.

Professional/business services. Professional/business services will be critical to the economy's success. Most of the growth in well-paying industries such as professional, scientific and technical consulting will take place in northern Illinois. Chicago's large concentration of corporate headquarters and growth of information technology should help boost the industry. In addition to professional/business services, the success of the state's economy, and particularly that of the Chicago metro area, will depend on the strength of its high-tech services, including computer systems and design and biotechnology. Tech companies that can meet the needs of Illinois' manufacturing base will also be successful.

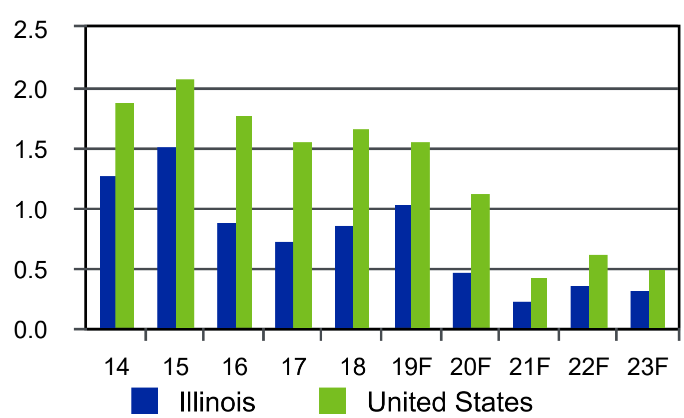
The outlook for Chicago depends on its expansion as a center of global commerce. In recent years, the urban core has become the new economic engine as more jobs downtown attract residents to move nearby, prompting additional companies to join the inward migration. The gains have been concentrated in the urban core and a downtown location is fast becoming a necessity in the competition for talent.

Elsewhere, low business costs and the presence of a major research university make Champaign fertile ground for growth in high tech, and the outlook has brightened. Professional, scientific and technical services, one of the metro area's largest tech industries, has been a reliable contributor to growth lately thanks to expansions that will lend additional support to the economy in coming years. Tech will outperform overall job growth and at least keep pace with that in other major Midwest college towns.

Financial services. Financial services, which employ 6.5% of the state's workforce and just over 7% of Chicago's workforce, compared with 5.7% nationally, 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 home to by far the world's largest derivatives exchange.

Long-Term Outlook: Employment

% change



Sources: BLS, Moody's Analytics

An outsize tech industry and legacy ties to financial services make financial technology a promising area of development, but stiff competition from existing fintech hubs limits upside. The insurance industry also has a large footprint on Illinois' economy, especially in Bloomington, where it makes up close to 18% of employment, nine times the U.S. average. Insurance will remain a reliable source of jobs and income.

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 past years. The industry has outperformed thanks almost entirely to more people visiting Chicago. Vacationers and business travelers have flocked to the area's hotels, restaurants, recreation facilities and entertainment venues, and tourism offerings are expanding on multiple fronts. More tourists visited Chicago than ever in 2018, and the city's appeal as a destination will remain a bright spot for the economy. Lofty growth in leisure/hospitality employment will slow next year alongside the U.S. economy, but the outlook is positive, and a significant gambling expansion anchors risks to the upside. The U.S. Supreme Court repealed the 1992 federal ban on sports gambling, and Illinois state lawmakers legalized sports betting and approved as many as six new casinos, including one in the city of Chicago. The existing casinos nearest to Chicago are in the close-in suburbs.

Further, a new state law authorizes recreational cannabis starting in 2020, a move that could make Illinois a hub for cannabis tourism in the Midwest. The Cannabis Regulation and Tax Act of 2019 made Illinois the 11th state to legalize recreational cannabis. The law legalized the possession and purchase of cannabis for adults and established a regulated market for cultivators, processors, retail stores and testing labs. Medical cannabis has been legal in the state since 2014. Legalization of recreational cannabis will benefit Illinois employment, income and tax revenues, but more time, and data, will paint a clearer picture of the ways in which legalization will reshape the economy.

The success of a fledgling state cannabis market may depend to some degree on how deeply rooted the black market is and whether legal prices prove competitive enough after taxes to entice black-market buyers to purchase legally. Illinois' state and local tax burden on retail cannabis sales is among the country's highest. Medical cannabis presents another option for cost-conscious consumers, since it is taxed at a lower rate. Illinois greatly expanded conditions for which a patient may be prescribed medical marijuana in 2019. Prices warrant a close watch for another reason: Illinois ties its taxation entirely to the price of cannabis, which has been shown to fall in other states after legalization. Although falling prices for legal cannabis is good news for users, it spells budgetary trouble for states that tax legal cannabis as a percentage of price. Sales volume growth per state is unlikely to accelerate enough to compensate for sinking prices, especially as markets mature and more states enter.

Transportation/distribution. Illinois' distribution and transportation network will remain an integral part of the economy and help drive growth. Transportation, warehousing and wholesale trade account for 13% of Chicago's output and 12% of Illinois' gross state product. Among Midwest states, only Nebraska and North Dakota are more dependent on this cluster of industries. A central location and transportation advantages such as an airport with direct connections around the globe have made Chicago a hub for distribution and logistics. E-commerce gains have spurred major investments, paving the way for transportation/warehousing to add jobs at triple the pace of overall job growth during this expansion. Although there will be less cyclical support as trade flows weaken, there is structural support as companies take advantage of low costs, a favorable location, and agglomeration economies.

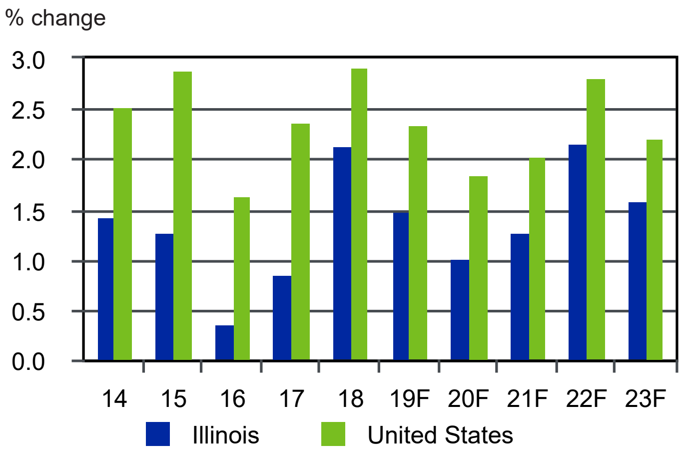
Northern Illinois remains the nation's rail hub. The industry is benefiting from stronger domestic demand and Chicago's well-developed transportation facilities. Intermodal traffic is the fastest-growing part of the rail industry, as most railway yards have been converted to handle intermodal traffic. Several 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 and education. The University of Illinois Urbana-Champaign, Illinois State University in Bloomington-Normal, and Southern Illinois University in Carbondale will provide long-term stability. 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. The industry has been one of the economy's strongest in recent years and will be an especially potent driver downstate. The cohort of those age 65 and older is the only part of the population that is growing, a distinction it will retain. Although declines in other cohorts will drag on demand, seniors consume a lot of medical services. Illinois will add such jobs at about double the pace of overall job growth over the next five years. However, industry job growth will lag the U.S. average, primarily because of Illinois' weaker population trends.

Agriculture. The outlook for Illinois' large agricultural industry is optimistic despite weakness in crop prices that has hurt farm incomes and trade distortions that will prove temporary. While relatively stable for several years, corn and soybean prices are barely

Long-Term Outlook: Gross Product



Sources: BEA, Moody's Analytics

above 2015 lows amid exceptionally high yields, according to the U.S. Department of Agriculture. 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.

Business climate. 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 35% of the state's population age 25 and older has at least a bachelor's degree and 14% has a graduate degree—both above the national average—according to Census Bureau data. In Chicago, the shares are even higher at 40% and 16%, respectively. In addition to better educational attainment levels, Illinois has deep pockets of specialized expertise in areas that businesses value such as pharmaceuticals and medical devices, capital goods manufacturing, and logistics.

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, 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

Weak demographic trends and deep-rooted fiscal problems such as mounting pension obligations and a shrinking tax base 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 2%, below the 2.7% increase for the Midwest and 3.7% rise nationally.

Although Illinois' business cycle closely tracks the nation's, job growth has trailed the national pace for the last 10 years. Cyclical swings in the Illinois economy have greater amplitude than the national average, a dynamic that has been evident in downswings

Index of Relative Business Costs, 2018

	Labor cost		Tax burden		Energy cost		Overall index	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Illinois	101	29	98	28	89	13	98	24
Indiana	93	7	101	34	100	32	95	13
Ohio	97	16	108	43	97	29	98	22
Michigan	108	46	105	39	103	37	107	40
Wisconsin	100	25	110	47	105	38	102	34
Iowa	90	4	101	32	89	14	90	5

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

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 expansion.

Moody's Analytics expects the U.S. labor market to remain in expansion through 2020, but the pace of gains will moderate further in coming quarters. Rising incomes and low interest rates will help extend the expansion and provide a boost to the housing market. With the economy set to grow below potential because of the diminished impact of fiscal stimulus, political gridlock, and deficits, the unemployment rate will begin to increase during the second half of this year. As consumers and businesses rein in spending, Illinois' economy will follow suit.

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 short-lived resurgence. 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, at 9.6%, 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 although this trend has slowed as labor has become more expensive overseas, it does not reduce the cost advantage sufficiently to reverse this process. Among the state's key manufacturing industries, employment levels will be best preserved in high-value-added pharmaceutical production and lower-value-added food processing and plastics manufacturing.

Higher education. With the college-age population in Illinois and the broader Midwest set to decline over the coming decades, it will take a greater share going to school or more international students to increase demand for Illinois' higher education institutions. Colleges across the U.S. face demographic headwinds, but they are more acute in Illinois, where the cohort of 20- to 24-year-olds is shrinking more rapidly. Given the net loss of domestic residents, college towns such as Urbana-Champaign depend on immigrant flows to maintain population, labor force growth, and students and faculty at colleges and universities. Enrollment at most of Illinois' public universities declined during the prolonged state budget stalemate. Future budget cuts that take aim at public education threaten to lessen local colleges' desirability and hinder their cost-competitiveness.

Business climate. Illinois, and Chicago in particular, is 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, the state's financial problems threaten to discourage firms from locating to or remaining in the state. This is a concern, since manufacturing is already sputtering, and downstream industries have been strong performers for Illinois during the current business cycle.

The state's 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. Overall costs are similar to those in Ohio, lower than those in Michigan and Wisconsin, but higher than those in neighboring Indiana and Iowa. Firms in Illinois tend to pay less in taxes and their utility costs are below average, but labor is on the expensive side. Illinois is gradually increasing its minimum wage, but more than 20 other states and dozens of local governments have raised their wage floors this year as well.

By and large, though, business costs are 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.

Unions. 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.

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 than nationally, contributing to the underperformance of retail and leisure/hospitality. Consumption depends mostly on the state's income from labor, predominantly wages and salaries, which has lagged the U.S. and regional averages badly during this business cycle. The 42% increase in income from 2009 is below average for Midwest states and 12 percentage points below the national average. The most important source of income, wages and salaries, has risen 37% during that time period, lagging the region by 4 percentage points and the U.S. by almost 12 percentage points. Professional/business services, typically the largest contributor to earnings increases, offered less support in 2019, leaving healthcare and manufacturing to do most of the heavy lifting.

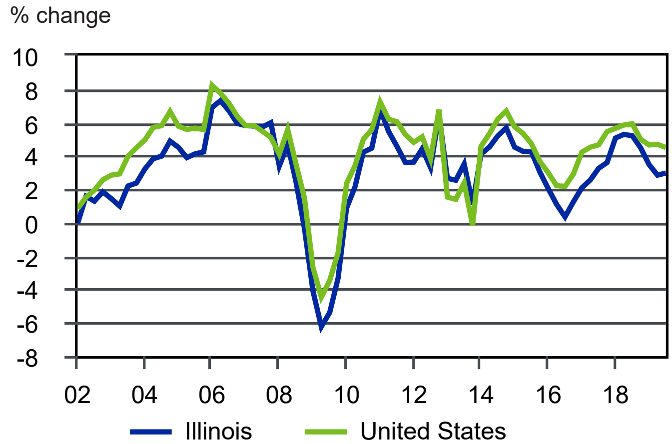
Growth in wage and salary income will decelerate in the coming year because faster growth in wage rates will be offset by slower growth in employment and hours. The unemployment rate will begin to rise in the second half of 2020, and growth in wage and salary income, the most important driver of spending growth, will slow.

Spending by high-income households appears wobbly, raising concerns for local consumer industries. Chicago and Lake County skew wealthier than most of the nation, meaning that investment income accounts for a larger share of personal income. High equity prices are boosting economic growth via the wealth effect, but a significant correction would jeopardize the outlook. Real estate has offered little support. Disappointing house price appreciation has undermined wealth effect spending. With income growth decelerating, the implications for consumer industries upstate are potentially significant.

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. Consumer confidence and lower than expected interest rates were key drivers for credit growth throughout 2019. Consumer credit balances have grown 2% per year since 2016, about half the U.S. pace. Household debt in Illinois ended the year about 1.5% below its prior peak, compared with 9% above peak nationally.

Personal Income



Sources: BEA, Moody's Analytics

Illinois households have come a long way in repairing their balance sheets and are increasingly willing and able to borrow. Although consumer debt is below its prior peak upstate, it is rising, and when Chicago, Lake County and Rockford are excluded, it is about 9.5% above its prior peak and climbing. Because households downstate 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.

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 were, until recently, more widespread. Home equity loan delinquencies have come down significantly over the last few years and the gap between Illinois and the national average is narrowing. Half of the delinquent home loans are in Chicago, down from two-thirds during the Great 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 1.8% from a year earlier in the third quarter of 2019, more than the 0.3% drop in the Midwest. Bankruptcies increased 0.3% nationally during that period. The number of personal bankruptcies per household is also declining, but more slowly than it is nationally. One in every 108 Illinois households was in bankruptcy in the third quarter, the highest ratio among Midwest states and one of the highest nationwide. This compares with one in 142 households for the Midwest and one in every 168 nationally. The gap with the nation is the largest in more than two decades, but it stopped growing in 2016.

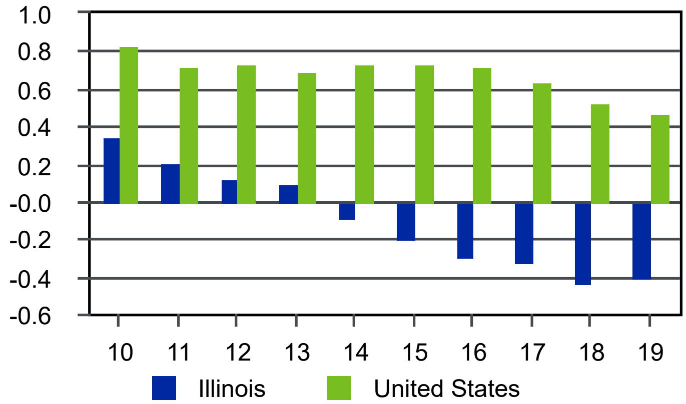
Demographic trends

Illinois has been losing population since 2014. Immigration and the birthrate are falling, and more people are leaving the state than moving in. Illinois' population decreased for a sixth consecutive year for the 12-month period ended July 1. The pace of contraction eased slightly compared with the previous year. The state population declined 0.4%, versus increases of 0.1% in the Midwest and 0.5% nationally. Illinois' forecast has been lowered to reflect expectations for faster population loss over the forecast horizon. The latest forecast projects that by 2029, the state's population will be 1.5% below the level forecast in 2019.

The vibrant national economy is enticing more of the state's residents to seek opportunities elsewhere. Total net migration clocked in at -85,800 in 2019, a slight improvement from a net outflow of 93,400 in 2018, according to the Census Bureau's midyear estimates. 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 105,000 domestic residents on net in 2019, fewer than in 2018 but twice as many as a decade earlier.

Population

% change



Sources: Census Bureau, Moody's Analytics

The Internal Revenue Service offers a more detailed view of migration flows between states. The IRS migration numbers are not an exact match for those from the Census Bureau because the agencies' counts employ different methodologies. For many years the largest number of the state's out-migrants headed to Indiana, where living costs are lower, but retiree destinations Florida and Texas ranked as the first and second most popular destinations for relocating Illinoisans over the past 10 years. 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 almost any other state.

International migration weakened from 2017 to 2019. This is troubling because international migrants have helped temper the bite to Illinois' population base from the tide of domestic out-migrants. Net international migration totaled 19,200 in 2019, down from 20,300 the previous year and in the 40,000 range in the mid-2000s. The Trump administration's stiff implementation of immigration law has substantially slowed net immigration into the U.S., and recent policy proposals from the White House have argued for further restrictions.

Less immigration is exacerbating decades of slowing natural population growth, measured as births minus deaths. The natural rate of population growth has slowed from close to 80,000 per year just prior to the financial crisis to a multidecade low of around 34,000 in 2019. Natural population growth has slowed in all parts of the U.S., but Illinois' pace has slowed more than average over the past several years. This has dulled Illinois' longstanding edge over the rest of the Great Lakes census division. Natural population growth fell behind that in Indiana in 2019, marking the first time in at least 40 years that Illinois did not boast the strongest rate in the Great Lakes. The pace slipped below neighboring Iowa's for the first time as well. Illinois' birthrate, or number of births per 1,000 residents, has dropped off significantly since the early 2000s, when it was well above the regional and national averages. It dipped again in 2019 to its lowest in more than three decades, but it is only a hair lower than that of the rest of the Midwest and the nation.

The death rate exceeded the national average in 2019 for the first time since 2005 but remains below the Midwest rate. The number of deaths per 1,000 residents increased in Illinois but dipped slightly in neighboring states and nationally. The cohort of those age 65 and older was the only part of the population to grow in 2018. Although seniors consume a lot of medical services, declines in other cohorts will drag on demand. While Illinois is expected to lose a good number of senior residents to areas farther south, the share of the population age 65 and older will catch up to the Midwest and national averages over the next decade.

Demographic trends have become a bigger challenge in Chicago. The Chicago metro area population fell 0.23% in 2018, the fourth consecutive decline. The loss was most pronounced in the Chicago metro division because of a severe drop in Cook County, but the Lake County population suffered a drop as well. The Chicago metro division's two largest counties—Cook and DuPage—lost residents during that period, while the smaller Will, McHenry, Kendall and Grundy counties posted modest gains.

Weaker natural population growth and more out-migration caused Cook County's population to contract 0.46%. The city of Chicago is popular with tourists, and the downtown job and real estate markets are hot, but beyond the city center, the decline of manufacturing and quality of life issues are eroding the population base. Elgin was the only metro area or division in Illinois to grow in population in 2018, but the gain has decelerated and fell short of the U.S. average. Six of the region's 10 fastest-shrinking metro areas in 2018 were in Illinois: Danville, Peoria, Decatur, Springfield, Carbondale and Kankakee. Danville's population decrease was the worst in the Midwest and the fourth largest in the U.S.

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 the Quad Cities, Decatur, Kankakee, Peoria and Rockford, have below-average educational attainment levels. Primary and secondary education in the state is strong, as almost every metro area in Illinois boasts an above-average share of high school graduates. Only in Elgin is the high school graduation rate significantly below the U.S. rate.

Residential real estate

A declining population and below-average income growth will keep house price appreciation and residential construction subdued. Sales of existing homes have been sluggish in most parts of the country, and Illinois is no different. Single-family house prices have climbed just 1.5% over the last year, the smallest gain in the Midwest and half the national increase. This has left the market undervalued, and since there has been little new construction, the

Migration Flows

INTO ILLINOIS	NUMBER OF MIGRANTS
Indiana	14,907
California	13,621
Texas	12,562
Florida	12,128
Missouri	11,899
Wisconsin	11,735
Iowa	7,367
Michigan	6,935
New York	6,223
Ohio	5,306
Total in-migration	*172,137*

FROM ILLINOIS	
Indiana	25,754
Florida	23,884
Texas	20,599
California	19,130
Wisconsin	18,924
Missouri	14,591
Arizona	11,114
Michigan	9,814
Iowa	9,139
Tennessee	8,868
Total out-migration	*259,810*
Net migration	**-87,673**

Sources: IRS, Moody's Analytics, 2018

market is not oversupplied. These factors give prices room to rise modestly in the near term. Housing financing costs will remain low and stronger household finances, including the improved ability to save for a down payment, will bolster homebuyer confidence.

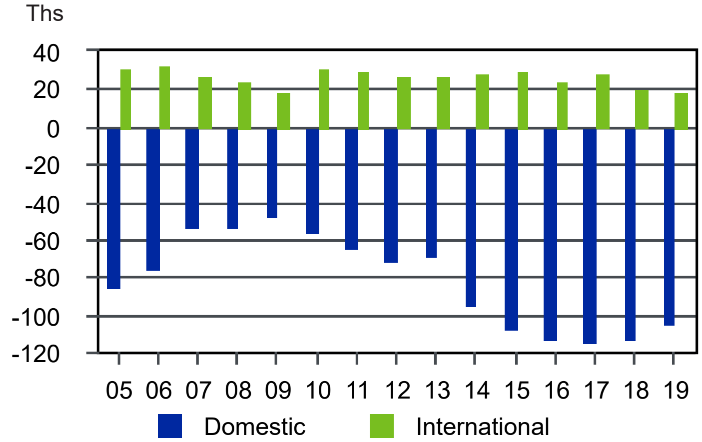
A slump in housing-related employment following years of sluggish growth means Illinois has regained just 27% of the housing-related jobs that it lost from 2007 to 2010, versus 100% nationally. Few of the country's top 25 metro areas and divisions boast construction employment above its prerecession peak, but even fewer are further below previous highs than Chicago, where payrolls are 19% lower than in 2006. Phoenix and Riverside CA fall short partly because they experienced such dramatic housing bubbles and subsequent corrections.

Residential construction in Chicago will be muted in the near term relative to the past several years. The strong downtown job market has fueled a surge in demand for apartments, and a multifamily building boom propelled almost all the growth in residential construction during the current business cycle. Construction is slowing amid rising costs, stricter affordable housing regulations, and uncertainty about property taxes. Single-family starts will remain well below their prior peak over the forecast horizon. House prices are further below their peak than in all but a few other large metro areas and will not reach new heights until 2021, five years later than the U.S. average.

The drivers of the housing market outlook can be categorized as either near-term policy drivers or medium-term structural drivers. With the effects of the 2017 tax law now a given, the main short-term changes in policy will come from the Federal Reserve, whose actions will indirectly drive mortgage rates. After bottoming out in the third quarter of 2019, mortgage rates will be relatively flat for the coming year. The main beneficiaries are states and metro areas such as Chicago where single-family construction has been weaker than average over the past several years due to slower job growth and despite high population density. Macroeconomic downside risks are less prominent for the U.S. housing market now that trade conflict with China is less likely to escalate and that the Fed is likely to wait at least another year before it begins to tighten short-term rates. As a result, Moody's Analytics remains relatively optimistic about the housing outlook even though it does not dismiss either drags on growth or downside risks.

The state's proportion of short and real estate owned sales to total sales has fallen to 5% after hovering near 25% for five years after the housing crash. The small share of distressed properties removes one potential weight from house prices. Although downstate Illinois never had a big problem with foreclosures, they are elevated in some areas, namely Peoria, Champaign and Kankakee.

Net Migration



Sources: Census Bureau, Moody's Analytics

Peoria's proportional inventory of homes in foreclosure has dropped from 2018 levels but remains uncomfortably high. Local single-family prices are lower than a year ago, putting Peoria within the bottom 3% of metro areas nationally. Household formation is decelerating and will proceed at a slower pace, keeping home sales in check. Confronted with prices that have barely budged for several years and a declining population, developers will remain leery of building new housing. Champaign's foreclosure rate is below recession levels, but it has risen above what is typical for the metro area, putting downward pressure on prices. The pace of single-family starts has decelerated since 2016, though multifamily construction is going strong.

Although house price appreciation remains mediocre in most Illinois metro areas, a few standouts have emerged: House prices are climbing in line with or faster than the national rate in Danville and Decatur, owing partially to supply constraints given that the pace of homebuilding has slowed. Opportunities for new construction are limited because of sluggish household formation.

Forecast risks

The biggest threats to the outlook relate to the state's fiscal problems and weak demographic profile. The two are connected. All else equal, Illinois' population losses would be expected to stabilize on their own, but the state's shaky finances and policy uncertainty up the odds that net out-migration continues throughout the forecast.

The Moody's Analytics 2019 stress test of state budgets finds that Illinois is among the worst prepared for the next U.S. recession. State coffers depend heavily on income tax revenues, which are especially sensitive to changes in the business cycle. Further, Illinois voters will decide in November whether to adopt a progressive state income tax. The measure would raise new revenue but may make revenue and employment more sensitive to the business cycle.

More importantly, there is an inadequate amount of money in the state's reserve funds, meaning lawmakers will have to raise taxes or cut spending by substantial amounts to weather the next downturn. Most other midwestern states are well prepared or within striking distance, making Illinois an outlier in the region. The state is unusually vulnerable to economic downturns because of the sizable pension contributions owed annually from the state budget. Further, public sector pension costs are growing at a greater rate than property taxes in many parts of the state. The outlook for state and local government is already highly uncertain because of the state budget problems, and more local revenue devoted to pensions means less will be available for government services or infrastructure needs.

At the national level, any policies that would severely curtail legal immigration would hurt Illinois' population and labor force growth, since the state relies heavily on immigration to temper the bite to population from domestic out-migration. Additionally, while attempts to tighten the border have not meaningfully reduced tourism in gateway markets such as Chicago, the risk of such an impact remains.

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, the forecast for manufacturing could prove too pessimistic, particularly if the dollar depreciates more than forecast. With its low 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 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 Preparedness - Moderate Recession Scenario

% of estimated fiscal 2019 revenues

Illinois & select peer states	Rainy-day balances*	Total balances*	Fiscal shock moderate recession	Rainy-day surplus/shortfall**	Total surplus/shortfall**
North Dakota	41.7%	45.3%	-21.8%	19.8%	23.5%
Texas	20.8%	28.2%	-12.4%	8.4%	15.8%
Minnesota	10.6%	13.3%	-8.8%	1.8%	4.5%
Iowa	9.9%	12.3%	-8.6%	1.3%	3.7%
Indiana	8.4%	13.5%	-9.8%	-1.4%	3.6%
California	13.0%	16.5%	-13.1%	-0.1%	3.4%
South Dakota	10.7%	10.7%	-7.5%	3.2%	3.2%
Nebraska	7.0%	13.5%	-10.4%	-3.5%	3.0%
Sum of 50 states	8.2%	11.8%	-11.2%	-3.1%	0.6%
Missouri	3.3%	9.8%	-10.4%	-7.0%	-0.5%
New York	2.9%	8.9%	-10.3%	-7.4%	-1.4%
Ohio	8.1%	10.6%	-12.2%	-4.1%	-1.6%
Kansas	0.0%	9.3%	-11.2%	-11.2%	-1.9%
Michigan	11.3%	13.6%	-16.5%	-5.2%	-2.8%
Wisconsin	1.9%	6.1%	-10.9%	-9.0%	-4.8%
Florida	4.4%	9.3%	-14.9%	-10.5%	-5.6%
Pennsylvania	0.1%	0.1%	-7.5%	-7.4%	-7.4%
New Jersey	0.0%	2.9%	-10.4%	-10.4%	-7.5%
Kentucky	1.1%	1.1%	-10.0%	-8.8%	-8.8%
Illinois	0.0%	1.0%	-10.9%	-10.9%	-10.0%

* Rainy-day and total balances are estimated as of the end of fiscal 2019 by the National Association of State Budget Officers. All numbers are shown as a % of fiscal 2019 general fund revenues also estimated by NASBO.

** The estimated shortfalls refer to the amount of fiscal shock that would not be covered by actual reserves under a moderate recession scenario.
A negative percentage means a state would not be able to make up for the entire fiscal shock associated with a moderate recession.

Source: Moody's Analytics

Demographic profile

Indicator	Units	Illinois	U.S.	Rank	Year
Households					
Households, % change (2014-2019)	Ann % change	0.4	0.8	41	2019
Population w/ BA degree or higher	% of adult population	35.1	32.6	13	2018
Median household income	$	65,030	61,937	16	2018
% change yr ago		*3.2*	*2.7*	*21*	*2018*
Population					
Per capita income	$	56,839	54,446	15	2018
% change yr ago		*5.4*	*4.9*	*11*	*2018*
Population	ths	12,672	328,240	6	2019
% change yr ago		*-0.4*	*0.5*	*49*	*2019*
White	%	77.0	76.6	34	2018
Black or African American	%	14.6	13.4	16	2018
Hispanic	%	17.4	18.3	10	2018
Asian	%	5.9	5.9	11	2018
Net domestic migration, rate	Persons/ths pop	-8.3	0.0	48	2019
International migration, rate	Persons/ths pop	1.5	1.8	20	2019
Poverty rate	%	12.1	13.1	22	2018
Median age	yrs	38.3	38.2	25	2018
House prices					
Median existing-home price	$ ths	216.5	261.7	29	2018
% change yr ago		*3.55*	*5.20*	*42*	*2018*

Illinois
Recent Monthly Performance

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Most recent % change yr ago
Establishment Employment (ths, SA)									
Total Employment	6,176.5	6,178.8	6,186.4	6,187.7	6,181.9	6,190.4	6,198.7	6,181.5	0.7
% change	*0.3*	*0.0*	*0.1*	*0.0*	*-0.1*	*0.1*	*0.1*	*-0.3*	
Natural Resources & Mining	7.6	7.6	7.6	7.4	7.4	7.4	7.4	7.3	-7.6
% change	*0.0*	*0.0*	*0.0*	*-2.6*	*0.0*	*0.0*	*0.0*	*-1.4*	
Construction	230.3	228.0	226.9	226.8	226.4	226.4	224.6	221.8	-1.8
% change	*3.1*	*-1.0*	*-0.5*	*-0.0*	*-0.2*	*0.0*	*-0.8*	*-1.2*	
Manufacturing	591.9	592.8	592.6	593.0	593.5	591.9	590.2	589.4	-0.0
% change	*-0.3*	*0.2*	*-0.0*	*0.1*	*0.1*	*-0.3*	*-0.3*	*-0.1*	
Trade, Transportation, & Utilities	1,223.0	1,223.4	1,223.8	1,223.4	1,224.2	1,226.0	1,225.1	1,221.2	0.0
% change	*-0.1*	*0.0*	*0.0*	*-0.0*	*0.1*	*0.1*	*-0.1*	*-0.3*	
Retail Trade	596.3	594.9	592.5	590.4	591.3	593.1	593.5	589.6	-2.1
% change	*-0.4*	*-0.2*	*-0.4*	*-0.4*	*0.2*	*0.3*	*0.1*	*-0.7*	
Wholesale Trade	303.5	304.1	304.2	304.9	304.0	304.0	303.2	302.7	1.9
% change	*0.4*	*0.2*	*0.0*	*0.2*	*-0.3*	*0.0*	*-0.3*	*-0.2*	
Transportation & Utilities	323.2	324.4	327.1	328.1	328.9	328.9	328.4	328.9	2.3
% change	*-0.1*	*0.4*	*0.8*	*0.3*	*0.2*	*0.0*	*-0.2*	*0.2*	
Information Services	90.7	90.1	90.7	90.4	90.9	91.1	93.0	92.3	-1.5
% change	*-1.0*	*-0.7*	*0.7*	*-0.3*	*0.6*	*0.2*	*2.1*	*-0.8*	
Financial Services	405.1	404.4	405.7	405.9	406.2	407.0	406.9	406.9	0.3
% change	*0.2*	*-0.2*	*0.3*	*0.0*	*0.1*	*0.2*	*-0.0*	*0.0*	
Professional & Business Services	962.9	964.8	965.8	963.9	961.5	963.1	960.7	954.1	-0.2
% change	*0.5*	*0.2*	*0.1*	*-0.2*	*-0.2*	*0.2*	*-0.2*	*-0.7*	
Education & Health Services	946.6	947.9	946.9	950.8	949.0	950.5	956.1	954.3	1.6
% change	*0.1*	*0.1*	*-0.1*	*0.4*	*-0.2*	*0.2*	*0.6*	*-0.2*	
Leisure & Hospitality Services	630.5	630.8	637.3	638.0	632.9	635.0	637.4	636.5	2.9
% change	*1.0*	*0.0*	*1.0*	*0.1*	*-0.8*	*0.3*	*0.4*	*-0.1*	
Other Services	258.7	258.5	257.7	256.1	256.6	257.3	258.2	259.0	1.3
% change	*0.5*	*-0.1*	*-0.3*	*-0.6*	*0.2*	*0.3*	*0.3*	*0.3*	
Government	829.2	830.5	831.4	832.0	833.3	834.7	839.1	838.7	1.4
% change	*0.2*	*0.2*	*0.1*	*0.1*	*0.2*	*0.2*	*0.5*	*-0.0*	
									1-yr change
Unemployment Rate (%, SA)	4.4	4.4	4.3	4.2	4.0	3.9	3.9	3.8	-0.5
	0.0	0.0	-2.3	-2.3	-4.8	-2.5	0.0	-2.6	**Most recent**
									% change yr ago
Labor force (ths)	6,486.0	6,487.7	6,490.9	6,496.5	6,504.5	6,506.2	6,505.1	6,496.3	0.4
% change	*0.1*	*0.0*	*0.0*	*0.1*	*0.1*	*0.0*	*-0.0*	*-0.1*	
Number of unemployed (ths)	286.7	285.1	277.4	272.6	262.5	255.9	251.0	246.0	-10.8
% change	*0.8*	*-0.5*	*-2.7*	*-1.7*	*-3.7*	*-2.5*	*-1.9*	*-2.0*	
Number of employed (ths)	6,199.4	6,202.6	6,213.5	6,223.9	6,242.0	6,250.2	6,254.1	6,250.3	0.9
% change	*0.1*	*0.1*	*0.2*	*0.2*	*0.3*	*0.1*	*0.1*	*-0.1*	
Total Residential Permits (# of units YTD, NSA)	6,952	9,038	10,280	12,409	13,879	15,191	16,960	18,718	-9.1
% change yr ago	*19.3*	*2.6*	*-1.7*	*3.5*	*0.9*	*-6.2*	*-7.0*	*-9.1*	
Single-family, (# of units YTD, NSA)	2,792	3,769	4,526	5,493	6,227	7,063	7,924	8,544	-12.1
% change yr ago	*-5.9*	*-7.5*	*-10.2*	*-8.1*	*-11.8*	*-10.3*	*-11.4*	*-12.1*	
Multifamily, (# of units YTD, NSA)	4,160	5,269	5,754	6,916	7,652	8,128	9,036	10,174	-6.5
% change yr ago	*45.3*	*11.2*	*6.2*	*14.9*	*14.2*	*-2.3*	*-2.7*	*-6.5*	
5 +, (# of units YTD, NSA)	3,865	4,863	5,244	6,265	6,905	7,231	7,991	9,018	-8.6
% change yr ago	*48.7*	*11.5*	*5.6*	*15.8*	*15.3*	*-3.7*	*-4.4*	*-8.6*	
									Most recent
									% change yr ago
Avg Hrly Earnings: Mfg, ($ per hr, SA)	21.63	21.76	22.02	21.88	22.01	22.10	22.06	22.10	1.5
% change	*0.3*	*0.6*	*1.2*	*-0.6*	*0.6*	*0.4*	*-0.2*	*0.2*	

Illinois
Recent Quarterly Performance

	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	Most recent % change yr ago
Gross State Product (Ch. 2009$ mil, SAAR)	759,308.5	765,063.9	766,486.1	773,851.8	773,800.6	778,055.2	780,258.8	783,066.9	1.2
% change	*0.3*	*0.8*	*0.2*	*1.0*	*-0.0*	*0.5*	*0.3*	*0.4*	
Establishment Employment (Ths, SA)									
Total Employment	6,084.0	6,104.0	6,102.0	6,121.4	6,141.5	6,165.8	6,180.6	6,186.7	1.1
% change	*0.2*	*0.3*	*-0.0*	*0.3*	*0.3*	*0.4*	*0.2*	*0.1*	
Natural Resources & Mining	7.7	7.7	7.8	7.9	7.9	7.6	7.6	7.4	-5.9
% change	*-0.4*	*0.0*	*1.7*	*0.4*	*0.4*	*-3.4*	*-0.4*	*-2.6*	
Construction	221.3	225.4	225.9	226.5	225.5	225.9	228.4	226.5	0.0
% change	*0.5*	*1.9*	*0.2*	*0.2*	*-0.4*	*0.2*	*1.1*	*-0.8*	
Manufacturing	580.8	584.7	587.7	588.8	590.5	593.6	592.4	592.8	0.7
% change	*0.4*	*0.7*	*0.5*	*0.2*	*0.3*	*0.5*	*-0.2*	*0.1*	
Trade, Transportation, & Utilities	1,213.6	1,216.5	1,214.2	1,213.0	1,220.5	1,228.3	1,223.4	1,224.5	0.9
% change	*0.3*	*0.2*	*-0.2*	*-0.1*	*0.6*	*0.6*	*-0.4*	*0.1*	
Retail Trade	608.7	606.7	604.0	600.5	601.9	600.8	594.6	591.6	-1.5
% change	*-0.3*	*-0.3*	*-0.4*	*-0.6*	*0.2*	*-0.2*	*-1.0*	*-0.5*	
Wholesale Trade	295.1	296.1	295.5	295.6	298.0	302.5	303.9	304.3	2.9
% change	*0.2*	*0.3*	*-0.2*	*0.0*	*0.8*	*1.5*	*0.5*	*0.1*	
Transportation & Utilities	309.8	313.7	314.6	316.9	320.6	325.0	324.9	328.6	3.7
% change	*1.8*	*1.3*	*0.3*	*0.7*	*1.2*	*1.4*	*-0.0*	*1.1*	
Information Services	94.8	94.7	93.9	95.0	93.9	92.2	90.5	90.8	-4.4
% change	*-2.0*	*-0.1*	*-0.9*	*1.2*	*-1.2*	*-1.8*	*-1.8*	*0.3*	
Financial Services	397.9	399.5	400.7	402.6	405.4	403.6	405.1	406.4	0.9
% change	*0.4*	*0.4*	*0.3*	*0.5*	*0.7*	*-0.4*	*0.4*	*0.3*	
Professional & Business Services	947.4	950.5	944.4	955.9	955.1	960.4	964.5	962.8	0.7
% change	*0.5*	*0.3*	*-0.6*	*1.2*	*-0.1*	*0.6*	*0.4*	*-0.2*	
Education & Health Services	927.6	930.3	932.0	932.7	939.4	945.2	947.1	950.1	1.9
% change	*0.3*	*0.3*	*0.2*	*0.1*	*0.7*	*0.6*	*0.2*	*0.3*	
Leisure & Hospitality Services	613.1	615.5	616.0	617.9	620.6	625.4	632.9	635.3	2.8
% change	*0.1*	*0.4*	*0.1*	*0.3*	*0.4*	*0.8*	*1.2*	*0.4*	
Other Services	253.6	253.8	253.7	254.4	255.9	256.5	258.3	256.7	0.9
% change	*0.2*	*0.1*	*-0.1*	*0.3*	*0.6*	*0.3*	*0.7*	*-0.6*	
Government	826.2	825.4	825.7	826.8	826.9	827.0	830.4	833.3	0.8
% change	*-0.3*	*-0.1*	*0.0*	*0.1*	*0.0*	*0.0*	*0.4*	*0.4*	
									1-yr change
Unemployment Rate (%, SA)	4.7	4.4	4.3	4.2	4.3	4.3	4.4	4.0	-0.2
									Most recent
									% change yr ago
Labor force (ths)	6,490.2	6,477.0	6,467.0	6,460.7	6,469.3	6,477.8	6,488.2	6,502.4	0.6
% change	*-0.1*	*-0.2*	*-0.2*	*-0.1*	*0.1*	*0.1*	*0.2*	*0.2*	
Number of unemployed (ths)	302.8	284.2	277.6	273.8	275.7	282.1	283.1	263.7	-3.7
% change	*-5.0*	*-6.2*	*-2.3*	*-1.3*	*0.7*	*2.3*	*0.4*	*-6.9*	
Number of employed (ths)	6,187.4	6,192.9	6,189.4	6,186.9	6,193.6	6,195.7	6,205.2	6,238.7	0.8
% change	*0.2*	*0.1*	*-0.1*	*-0.0*	*0.1*	*0.0*	*0.2*	*0.5*	
Total Residential Permits (# of units YTD, NSA)	25,313	3,906	10,459	16,200	21,776	3,589	10,280	15,191	-6.2
% change yr ago	*12.5*	*-8.1*	*-15.7*	*-15.1*	*-14.0*	*-8.1*	*-1.7*	*-6.2*	
Single-family, (# of units YTD, NSA)	10,692	2,023	5,042	7,877	10,225	1,795	4,526	7,063	-10.3
% change yr ago	*0.1*	*-2.0*	*-2.6*	*-5.3*	*-4.4*	*-11.3*	*-10.2*	*-10.3*	
Multifamily, (# of units YTD, NSA)	14,621	1,883	5,417	8,323	11,551	1,794	5,754	8,128	-2.3
% change yr ago	*23.6*	*-13.9*	*-25.0*	*-22.7*	*-21.0*	*-4.7*	*6.2*	*-2.3*	
5 +, (# of units YTD, NSA)	13,522	1,697	4,968	7,510	10,496	1,585	5,244	7,231	-3.7
% change yr ago	*23.4*	*-13.5*	*-26.7*	*-24.9*	*-22.4*	*-6.6*	*5.6*	*-3.7*	

Illinois
Recent Quarterly Performance

	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	Most recent % change yr ago
Existing Single-Family Home Sales (ths, SAAR)	200.5	199.7	192.6	189.4	192.5	180.2	186.6	186.9	-1.3
% change	*3.7*	*-0.4*	*-3.6*	*-1.7*	*1.6*	*-6.4*	*3.6*	*0.2*	
Home Price Index (1980Q1=100, NSA)	341.3	345.0	346.6	348.8	350.6	355.1	357.9	359.0	2.9
% change	*0.9*	*1.1*	*0.5*	*0.6*	*0.5*	*1.3*	*0.8*	*0.3*	
Median Existing Home Sales Price (ths, SA)	na	na	na	na	na	na	na	na	na
% change	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	
Personal Income ($ mil, SAAR)	701,368	714,931	721,164	727,933	732,729	739,746	741,610	749,490	3.0
% change	1.4	1.9	0.9	0.9	0.7	1.0	0.3	1.1	
Wages & Salaries ($ mil)	372,978	380,029	381,422	384,579	385,737	393,840	392,040	394,749	2.6
% change	*0.9*	*1.9*	*0.4*	*0.8*	*0.3*	*2.1*	*-0.5*	*0.7*	
Nonwage Income ($ mil)	328,391	334,902	339,742	343,353	346,991	345,906	349,570	354,741	3.3
% change	*1.9*	*2.0*	*1.4*	*1.1*	*1.1*	*-0.3*	*1.1*	*1.5*	
Avg Hrly Earnings: Mfg ($ per hr, SA)	20.57	20.99	21.17	21.38	21.68	21.62	21.80	22.00	2.9
% change	*2.0*	*2.0*	*0.9*	*1.0*	*1.4*	*-0.2*	*0.8*	*0.9*	
Personal Bankruptcies (# 3-mo Ending, SAAR)	49,944	47,408	47,941	47,352	46,252	46,039	48,296	48,440	2.3

Illinois
Recent Annual Performance

	2011	2012	2013	2014	2015	2016	2017	2018	5-yr Avg Annual % change
Gross State Product (Ch. 2009$ mil, SAAR)	707,059.5	720,702.3	724,616.4	735,035.6	744,517.8	747,168.0	753,638.0	769,800.6	1.2
% change	*1.7*	*1.9*	*0.5*	*1.4*	*1.3*	*0.4*	*0.9*	*2.1*	
Establishment Employment (Ths, SA)									
Total Employment	5,675.1	5,749.6	5,803.8	5,877.9	5,966.8	6,020.0	6,064.6	6,117.2	1.1
% change	*1.2*	*1.3*	*0.9*	*1.3*	*1.5*	*0.9*	*0.7*	*0.9*	
Natural Resources & Mining	9.6	10.2	9.7	9.9	9.4	8.1	7.8	7.8	-4.2
% change	*4.9*	*6.0*	*-5.0*	*2.7*	*-5.9*	*-13.5*	*-3.0*	*-0.2*	
Construction	195.9	189.1	191.4	201.8	213.6	218.8	220.2	225.8	3.4
% change	*-1.3*	*-3.5*	*1.2*	*5.5*	*5.8*	*2.4*	*0.7*	*2.5*	
Manufacturing	574.5	583.3	579.6	580.4	582.1	575.2	576.0	587.9	0.3
% change	*2.3*	*1.5*	*-0.6*	*0.1*	*0.3*	*-1.2*	*0.1*	*2.1*	
Trade, Transportation, & Utilities	1,141.6	1,153.8	1,161.8	1,177.3	1,198.7	1,208.9	1,210.7	1,216.1	0.9
% change	*1.6*	*1.1*	*0.7*	*1.3*	*1.8*	*0.8*	*0.2*	*0.4*	
Retail Trade	595.3	597.2	600.0	606.4	616.7	620.5	613.1	603.3	0.1
% change	*1.1*	*0.3*	*0.5*	*1.1*	*1.7*	*0.6*	*-1.2*	*-1.6*	
Wholesale Trade	287.1	291.9	294.9	296.0	296.7	294.2	294.7	296.3	0.1
% change	*1.3*	*1.7*	*1.0*	*0.4*	*0.2*	*-0.8*	*0.1*	*0.6*	
Transportation & Utilities	259.1	264.7	266.8	274.9	285.3	294.1	302.9	316.5	3.5
% change	*3.0*	*2.1*	*0.8*	*3.0*	*3.8*	*3.1*	*3.0*	*4.5*	
Information Services	100.5	100.1	98.9	99.0	100.4	98.5	97.4	94.4	-0.9
% change	*-1.4*	*-0.3*	*-1.3*	*0.1*	*1.4*	*-1.9*	*-1.1*	*-3.1*	
Financial Services	372.4	375.6	378.9	378.0	382.4	386.6	395.0	402.0	1.2
% change	*-0.1*	*0.9*	*0.9*	*-0.2*	*1.2*	*1.1*	*2.2*	*1.8*	
Professional & Business Services	824.0	857.5	883.6	908.9	921.3	931.7	941.9	951.5	1.5
% change	*3.8*	*4.1*	*3.0*	*2.9*	*1.4*	*1.1*	*1.1*	*1.0*	
Education & Health Services	848.4	863.1	875.2	886.1	900.3	915.2	923.9	933.6	1.3
% change	*2.0*	*1.7*	*1.4*	*1.2*	*1.6*	*1.7*	*0.9*	*1.0*	
Leisure & Hospitality Services	522.5	536.6	546.4	558.4	578.5	597.4	611.0	617.5	2.5
% change	*1.4*	*2.7*	*1.8*	*2.2*	*3.6*	*3.3*	*2.3*	*1.1*	
Other Services	249.7	249.8	249.9	252.2	252.1	251.4	252.9	254.4	0.4
% change	*0.2*	*0.0*	*0.1*	*0.9*	*-0.1*	*-0.3*	*0.6*	*0.6*	
Government	836.2	830.7	828.4	825.8	828.2	828.3	827.6	826.2	-0.1
% change	*-1.9*	*-0.7*	*-0.3*	*-0.3*	*0.3*	*0.0*	*-0.1*	*-0.2*	
									5-yr change
Unemployment Rate (%)	9.7	9.0	9.0	7.1	6.0	5.8	4.9	4.3	-0.6
									5-yr Avg
									Annual % change
Labor force (ths)	6,586.3	6,583.0	6,551.6	6,513.3	6,511.9	6,550.3	6,489.0	6,468.5	-0.3
% change	*-0.5*	*-0.1*	*-0.5*	*-0.6*	*-0.0*	*0.6*	*-0.9*	*-0.3*	
Number of unemployed (ths)	638.1	592.5	591.7	461.8	387.4	380.7	318.5	277.8	-14.0
% change	*-7.0*	*-7.1*	*-0.1*	*-22.0*	*-16.1*	*-1.7*	*-16.4*	*-12.8*	
Number of employed (ths)	5,948.2	5,990.4	5,959.9	6,051.5	6,124.5	6,169.5	6,170.6	6,190.7	0.8
% change	*0.2*	*0.7*	*-0.5*	*1.5*	*1.2*	*0.7*	*0.0*	*0.3*	
									5-yr Avg
Total Residential Permits (# of units)	12,151	13,675	15,348	19,857	19,472	22,508	25,313	21,776	21,785
% change yr ago	*4.8*	*12.5*	*12.2*	*29.4*	*-1.9*	*15.6*	*12.5*	*-14.0*	
Single-family	7,117	8,870	9,981	10,258	10,551	10,677	10,692	10,225	10,481
% change yr ago	*-9.5*	*24.6*	*12.5*	*2.8*	*2.9*	*1.2*	*0.1*	*-4.4*	
Multifamily	5,034	4,805	5,367	9,599	8,921	11,831	14,621	11,551	11,305
% change yr ago	*34.8*	*-4.5*	*11.7*	*78.9*	*-7.1*	*32.6*	*23.6*	*-21.0*	
5 +	4,464	4,162	4,671	8,849	8,122	10,954	13,522	10,496	10,389
% change yr ago	*37.7*	*-6.8*	*12.2*	*89.4*	*-8.2*	*34.9*	*23.4*	*-22.4*	

Illinois
Recent Annual Performance

	2011	2012	2013	2014	2015	2016	2017	2018	5-yr Avg Annual % change
Existing Single-Family Home Sales (Ths)	123.0	151.4	175.0	167.9	182.5	188.9	198.9	193.5	2.0
% change	*1.0*	*23.1*	*15.5*	*-4.1*	*8.7*	*3.5*	*5.3*	*-2.7*	
Home Price Index (1980Q1=100)	300.7	295.3	296.4	305.6	316.5	326.3	336.8	347.7	3.2
% change	*-4.9*	*-1.8*	*0.4*	*3.1*	*3.5*	*3.1*	*3.2*	*3.2*	
Median Existing Home Sales Price (Ths)	na	na	na	na	na	na	na	na	na
% change	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	
Personal Income ($ mil)	*567,968*	*593,239*	*607,671*	*637,279*	*662,761*	*670,504*	*689,724*	*724,189*	*3.6*
% change	5.1	4.4	2.4	4.9	4.0	1.2	2.9	5.0	
Wages & Salaries ($ mil)	302,711	314,744	320,099	333,328	350,160	355,628	367,463	382,942	3.7
% change	*4.1*	*4.0*	*1.7*	*4.1*	*5.0*	*1.6*	*3.3*	*4.2*	
Nonwage Income ($ mil)	265,256	278,496	287,571	303,951	312,601	314,877	322,261	341,247	3.5
% change	*6.2*	*5.0*	*3.3*	*5.7*	*2.8*	*0.7*	*2.3*	*5.9*	
Avg Hrly Earnings: Mfg. ($ per hr)	18.00	19.17	19.45	19.49	19.77	20.25	20.21	21.30	1.8
% change	*6.4*	*6.5*	*1.5*	*0.2*	*1.4*	*2.4*	*-0.2*	*5.4*	
Personal Bankruptcies	71,070	67,238	64,906	60,192	56,044	52,848	50,485	47,238	-6.2
% change	*-11.8*	*-5.4*	*-3.5*	*-7.3*	*-6.9*	*-5.7*	*-4.5*	*-6.4*	
Population (ths)	12,867.5	12,882.5	12,895.1	12,884.5	12,858.9	12,820.5	12,778.8	12,723.1	-0.3
% change	*0.2*	*0.1*	*0.1*	*-0.1*	*-0.2*	*-0.3*	*-0.3*	*-0.4*	
Net Migration (ths)	-33.9	-43.7	-40.4	-65.9	-77.6	-88.7	-85.1	-93.4	-86.1

Illinois
History

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Employment (ths)	5,654.7	5,610.0	5,675.1	5,749.6	5,803.8	5,877.9	5,966.8	6,020.0	6,064.6	6,117.2
% change	*-4.9*	*-0.8*	*1.2*	*1.3*	*0.9*	*1.3*	*1.5*	*0.9*	*0.7*	*0.9*
Manufacturing	577.0	561.4	574.5	583.3	579.6	580.4	582.1	575.2	576.0	587.9
Construction	217.2	198.5	195.9	189.1	191.4	201.8	213.6	218.8	220.2	225.8
Prof. and Bus. Serv.	779.6	793.9	824.0	857.5	883.6	908.9	921.3	931.7	941.9	951.5
Edu. and Health Serv.	815.6	831.7	848.4	863.1	875.2	886.1	900.3	915.2	923.9	933.6
Leisure and Hospitality	516.7	515.5	522.4	536.6	546.4	558.4	578.5	597.4	611.0	617.5
Other Services	257.9	249.3	249.7	249.8	249.9	252.2	252.1	251.4	252.8	254.4
Trade, Trans. and Util.	1,138.0	1,123.7	1,141.6	1,153.8	1,161.8	1,177.3	1,198.7	1,208.9	1,210.7	1,216.1
Wholesale	290.0	283.5	287.1	291.9	294.9	296.0	296.7	294.2	294.7	296.3
Retail	595.8	588.7	595.3	597.2	600.0	606.4	616.7	620.5	613.1	603.3
Trans. and Util.	252.2	251.5	259.1	264.7	266.8	274.9	285.3	294.1	302.9	316.4
Financial Activities	381.2	372.7	372.4	375.6	378.9	378.0	382.4	386.6	395.0	402.0
Information	106.3	101.9	100.5	100.1	98.9	99.0	100.4	98.5	97.4	94.4
Government	855.8	852.2	836.2	830.7	828.4	825.8	828.2	828.3	827.6	826.2
Natural Res. and Min.	9.3	9.2	9.6	10.2	9.7	9.9	9.3	8.1	7.8	7.8
Unemployment Rate (%)	10.2	10.4	9.7	9.0	9.0	7.1	6.0	5.8	4.9	4.3
Population (ths)	12,796.8	12,840.8	12,867.3	12,884.1	12,898.3	12,889.0	12,864.3	12,826.9	12,786.2	12,741.1
% change	*0.4*	*0.3*	*0.2*	*0.1*	*0.1*	*-0.1*	*-0.2*	*-0.3*	*-0.3*	*-0.4*
Age: <5	840.3	834.8	825.3	813.9	801.3	793.8	786.8	779.0	770.0	760.6
Age: 5-19	2,669.4	2,655.5	2,631.0	2,603.6	2,576.0	2,541.9	2,510.8	2,481.1	2,453.0	2,425.5
Age: 20-24	877.4	880.1	887.3	898.3	906.1	907.2	898.2	880.6	863.1	847.5
Age: 25-44	3,516.7	3,500.2	3,491.4	3,481.6	3,478.8	3,465.6	3,445.4	3,425.4	3,414.0	3,409.5
Age: 45-64	3,300.4	3,354.2	3,390.1	3,384.1	3,384.1	3,380.5	3,377.9	3,366.9	3,343.4	3,305.0
Age: >65	1,592.6	1,616.1	1,642.1	1,702.6	1,751.9	1,800.0	1,845.2	1,894.0	1,942.8	1,993.0
Households (ths)	4,853.1	4,846.0	4,875.2	4,906.9	4,948.2	4,985.9	5,023.1	5,064.9	5,082.8	5,097.6
% change	*-0.0*	*-0.1*	*0.6*	*0.7*	*0.8*	*0.8*	*0.7*	*0.8*	*0.4*	*0.3*
Personal Income ($bil)	525.2	540.5	568.0	593.2	607.7	637.3	662.8	670.5	689.7	724.2
% change	*-4.8*	*2.9*	*5.1*	*4.4*	*2.4*	*4.9*	*4.0*	*1.2*	*2.9*	*5.0*
Total Residential Permits (#)	10,859.0	12,318.0	11,809.0	13,797.0	15,545.0	20,578.0	19,571.0	22,603.0	24,992.0	21,510.0
% change	*-51.8*	*13.4*	*-4.1*	*16.8*	*12.7*	*32.4*	*-4.9*	*15.5*	*10.6*	*-13.9*
Single-family permits	7,844.0	7,624.0	6,834.0	8,564.0	9,869.0	10,553.0	10,076.0	10,187.0	10,181.0	10,041.0
Multifamily permits	3,015.0	4,694.0	4,975.0	5,233.0	5,676.0	10,025.0	9,495.0	12,416.0	14,811.0	11,469.0

Illinois Forecast

	2019	2020	2021	2022	2023	2024	2025	2026	13-18	18-23
									Annual Growth (%)	
Total Employment (ths)	6,180.4	6,185.4	6,142.7	6,177.0	6,202.3	6,223.1	6,243.0	6,263.2	1.1	0.3
% change	*1.0*	*0.1*	*-0.7*	*0.6*	*0.4*	*0.3*	*0.3*	*0.3*		
Manufacturing	592.4	582.3	566.4	557.7	548.6	539.4	530.9	522.7	0.3	-1.4
Construction	227.1	229.0	230.9	238.2	240.3	241.0	240.8	239.8	3.4	1.3
Prof. and Bus. Serv.	963.0	966.3	960.3	976.0	987.0	997.1	1,006.4	1,015.7	1.5	0.7
Edu. and Health Serv.	948.1	951.5	948.8	953.6	959.3	964.1	969.3	974.6	1.3	0.5
Leisure and Hospitality	632.4	637.2	636.0	641.1	646.2	650.7	655.1	659.4	2.5	0.9
Other Services	256.9	255.4	252.3	252.2	252.5	252.1	251.5	251.0	0.4	-0.2
Trade, Trans. and Util.	1,225.6	1,222.1	1,209.3	1,211.3	1,213.0	1,213.7	1,214.7	1,216.3	0.9	-0.0
Wholesale	303.8	303.8	300.6	301.0	301.1	300.8	300.6	300.5	0.1	0.3
Retail	594.8	589.6	583.7	584.1	584.9	585.2	585.6	586.2	0.1	-0.6
Trans. and Util.	327.0	328.7	325.0	326.2	327.1	327.7	328.5	329.5	3.5	0.7
Financial Activities	405.4	406.0	403.6	405.6	408.3	410.7	413.6	416.9	1.2	0.3
Information	91.0	90.3	89.4	89.3	89.3	89.2	89.1	88.9	-0.9	-1.1
Government	831.0	837.8	838.5	844.6	850.6	857.9	864.3	870.8	-0.1	0.6
Natural Res. and Min.	7.5	7.3	7.3	7.3	7.3	7.3	7.2	7.2	-4.2	-1.3
Unemployment Rate (%)	4.2	4.1	4.8	5.0	5.1	5.1	5.1	5.0	-13.9	3.4
Population (ths)	12,690.7	12,631.6	12,581.9	12,556.4	12,535.9	12,513.5	12,488.5	12,460.0	-0.2	-0.3
% change	*-0.4*	*-0.5*	*-0.4*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*		
Age: <5	759.2	754.8	747.8	740.0	733.7	729.1	726.1	724.6	-1.0	-0.7
Age: 5-19	2,407.2	2,396.7	2,382.2	2,378.8	2,380.8	2,371.7	2,365.7	2,355.0	-1.2	-0.4
Age: 20-24	875.6	871.0	835.5	818.3	813.8	822.4	826.9	828.5	-1.3	-0.8
Age: 25-44	3,334.7	3,275.4	3,265.0	3,240.1	3,200.2	3,159.1	3,102.3	3,056.9	-0.4	-1.3
Age: 45-64	3,259.4	3,216.7	3,168.8	3,125.7	3,081.7	3,036.0	2,998.7	2,958.5	-0.5	-1.4
Age: >65	2,054.5	2,117.0	2,182.6	2,253.5	2,325.7	2,395.3	2,468.8	2,536.4	2.6	3.1
Households (ths)	5,114.0	5,133.6	5,143.8	5,160.5	5,175.7	5,187.3	5,197.4	5,204.3	0.6	0.3
% change	*0.3*	*0.4*	*0.2*	*0.3*	*0.3*	*0.2*	*0.2*	*0.1*		
Personal Income ($bil)	750.8	775.8	799.6	837.5	870.7	902.4	935.1	970.2	3.6	3.8
% change	*3.7*	*3.3*	*3.1*	*4.7*	*4.0*	*3.6*	*3.6*	*3.8*		
									Average	
Total Residential Permits (#)	20,747.5	25,146.5	33,971.7	42,946.9	43,408.6	41,413.6	39,234.2	35,650.8	21,850.8	33,244.2
% change	*-3.5*	*21.2*	*35.1*	*26.4*	*1.1*	*-4.6*	*-5.3*	*-9.1*		
Single-family permits	9,957.9	16,160.2	23,531.8	31,418.4	32,058.0	30,596.6	29,113.4	26,964.5	10,207.6	22,625.3
Multifamily permits	10,789.6	8,986.3	10,439.9	11,528.5	11,350.6	10,817.0	10,120.7	8,686.4	11,643.2	10,619.0

About Moody's Analytics

Moody's Analytics provides financial intelligence and analytical tools supporting our clients' growth, efficiency and risk management objectives. The combination of our unparalleled expertise in risk, expansive information resources, and innovative application of technology helps today's business leaders confidently navigate an evolving marketplace. We are recognized for our industry-leading solutions, comprising research, data, software and professional services, assembled to deliver a seamless customer experience. Thousands of organizations worldwide have made us their trusted partner because of our uncompromising commitment to quality, client service, and integrity.

Concise and timely economic research by Moody's Analytics supports firms and policymakers in strategic planning, product and sales forecasting, credit risk and sensitivity management, and investment research. Our economic research publications provide in-depth analysis of the global economy, including the U.S. and all of its state and metropolitan areas, all European countries and their subnational areas, Asia, and the Americas. We track and forecast economic growth and cover specialized topics such as labor markets, housing, consumer spending and credit, output and income, mortgage activity, demographics, central bank behavior, and prices. We also provide real-time monitoring of macroeconomic indicators and analysis on timely topics such as monetary policy and sovereign risk. Our clients include multinational corporations, governments at all levels, central banks, financial regulators, retailers, mutual funds, financial institutions, utilities, residential and commercial real estate firms, insurance companies, and professional investors.

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.

Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO). Further information is available at www.moodysanalytics.com.

About Moody's Corporation

Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO). MCO reported revenue of $4.4 billion in 2018, employs approximately 13,100 people worldwide and maintains a presence in 42 countries. Further information about Moody's Analytics is available at www.moodysanalytics.com.

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
Or visit us: www.economy.com

Moody's Analytics

COMMISSION OVERVIEW

The Commission on Government Forecasting & Accountability is a bipartisan legislative support service agency responsible for advising the Illinois General Assembly on economic and fiscal policy issues and for providing objective policy research for legislators and legislative staff. The Commission's board is comprised of twelve legislators—split evenly between the House and Senate and between Democrats and Republicans. Effective December 10, 2018, pursuant to P.A. 100-1148 the former Legislative Research Unit was merged into the Commission.

The Commission has three internal units—Revenue, Pensions, and Research, each of which has a staff of analysts and researchers who analyze policy proposals, legislation, state revenues & expenditures, and benefit programs, and who provide research services to members and staff of the General Assembly. The Commission's staff fulfills the statutory obligations set forth in the Commission on Government Forecasting and Accountability Act (25 ILCS 155/), the State Debt Impact Note Act (25 ILCS 65/), the Illinois Pension Code (40 ILCS 5/), the Pension Impact Note Act (25 ILCS 55/), the State Facilities Closure Act (30 ILCS 608/), the State Employees Group Insurance Act of 1971 (5 ILCS 375/), the Public Safety Employee Benefits Act (820 ILCS 320/), the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/), and the Reports to the Commission on Government Forecasting and Accountability Act (25 ILCS 110/).

- The **Revenue Unit** issues an annual revenue estimate, reports monthly on the state's financial and economic condition, and prepares bill analyses and debt impact notes on proposed legislation having a financial impact on the State. The Unit publishes a number of statutorily mandated reports, as well as on-demand reports, including the Monthly Briefing newsletter and annually, the Budget Summary, Capital Plan Analysis, Illinois Economic Forecast Report, Wagering in Illinois Update, and Liabilities of the State Employees' Group Insurance Program, among others. The Unit's staff also fulfills the agency's obligations set forth in the State Facilities Closure Act.
- The **Pension Unit** prepares pension impact notes on proposed pension legislation and publishes several statutorily mandated reports including the Financial Condition of the Illinois State Retirement Systems, the Financial Condition of Illinois Public Pension Systems and the Fiscal Analysis of the Downstate Police & Fire Pension Funds in Illinois. The Unit's staff also fulfills the statutory responsibilities set forth in the Public Safety Employee Benefits Act.
- The **Research Unit** primarily performs research and provides information as may be requested by members of the General Assembly or legislative staffs. Additionally, the Unit maintains a research library and, per statute, collects information concerning state government and the general welfare of the state, examines the effects of constitutional provisions and previously enacted statutes, and considers public policy issues and questions of state-wide interest. Additionally, the Unit publishes First Reading, a quarterly newsletter which includes abstracts of annual reports or special studies from other state agencies, the Illinois Tax Handbook for Legislators, Federal Funds to State Agencies, various reports detailing appointments to State Boards and Commissions, the 1970 Illinois Constitution Annotated for Legislators, the Roster of Illinois Legislators, and numerous special topic publications.

Commission on Government
Forecasting & Accountability
802 Stratton Office Building
Springfield, Illinois 62706
Phone: 217.782.5320
Fax: 217.782.3513
http://cgfa.ilga.gov