STATE OF ILLINOIS ECONOMIC FORECAST

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PREPARED FOR:

STATE OF ILLINOIS

COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY

PREPARED BY:

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State of Illinois Forecast Report

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

Contents

Summary

Illinois job and income growth was already slowing before the disruption from COVID-19 pushed the economy into recession in April 2020. The state navigated the downturn about as well as the U.S. and its neighboring Great Lakes states, though a performance gap has materialized as the pandemic worsened through the end of the year. Illinois' recovery sputtered more than most as 2020 wound down. The decrease in joblessness has been slower than elsewhere, with the unemployment rate averaging 7.3% in the final three months of the year. Job gains have dwindled since the fall, with leisure/hospitality, the industry that has been the most affected by the crisis, bearing the brunt of the late-year layoffs.

The strength of Illinois' recovery in the near term will depend on how quickly it can safely pursue lasting business reopenings, and that will depend on how effectively the virus is contained statewide and nationally. The near-term outlook for Illinois closely resembles that for the U.S. The economy will begin recovering in earnest in mid-2021, and by the end of the year, the unemployment rate will clock in just under 6%. That jobless rate is in line with the national average and higher than other states in the Midwest. The state's industrial composition gives it a slight edge over its peers, though industries reliant on local spending face a long road to recovery. Widespread remote-work capabilities have allowed many professional/business and financial services firms to maintain operations during the crisis and avoid layoffs as dramatic as in the rest of the private sector, putting office-using industries on sturdier footing for 2021. Private-service-providing industries will power job and income gains with support from construction and manufacturing, while government remains a drag.

Demographic troubles will place a speed limit on both the public and private sectors, and fiscal problems could jeopardize Illinois' ability to gracefully emerge from the recession. After years of population declines, Illinois lost residents at the nation's second-fastest clip in 2020. Weak public finances mean Illinois will have to make extraordinary fiscal adjustments that leave it playing catch-up in the next business cycle. Population loss and troubled state finances will limit Illinois' long-term potential.

Recent Performance

The Illinois economy coasted into 2020, and COVID-19 shifted it into reverse. The state fell into a brief but unprecedented recession as the pandemic extended its reach and policies to flatten the curve of infections disrupted economic activity. Though Illinois was one of the first states to close nonessential businesses and implement stay-at-home orders, the magnitude of job losses was in line with regional and national averages. Job gains have slowed in almost every corner of the U.S. since the fall, but Illinois' labor market recovery has fallen behind the nation's and closed 2020 with little forward momentum.

Nonfarm employment went sideways heading into the fourth quarter, leaving payrolls 7% smaller in December than in February, versus 6.5% smaller in the Midwest and the U.S. Employment in most major industries has lost ground since the fall, or at best rose modestly. The battered leisure/hospitality industry has been the biggest drag on Illinois' economy, underperforming its sluggish national counterpart. Goods-producing industries ended 2020 relatively close to pre-pandemic employment partly because they took a smaller hit in the first place. Factories have been relatively resilient throughout the COVID-19 crisis, though manufacturing employment stagnated in the second half of the year. Firms that make consumer products and goods related to homebuilding have experienced strong demand. Food processors have rebounded strongly, while the auto, construction and appliance industries are powering demand for steel, some specialty metals, and machinery.

Construction job gains have been choppy, but industry employment surged in December to close in on the pre-pandemic level. The decline in state government employment has been less drastic than the national trend, but the much larger local government sector has endured severe cuts. As a result, the public sector has taken a huge hit and shows few signs of rebounding.

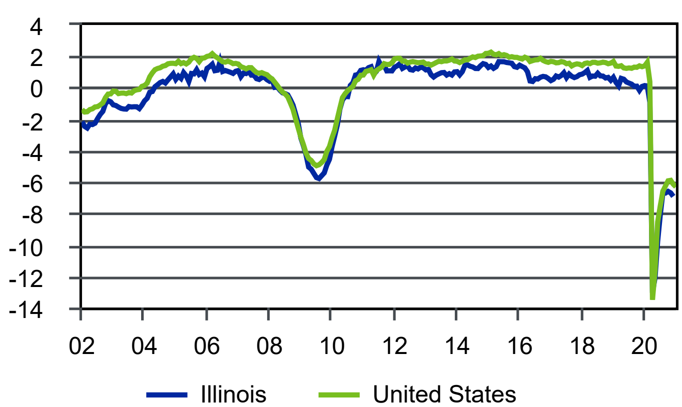
The unemployment rate spiked to 17.2% in April, higher than the U.S. average but typical for a Great Lakes state. The descent in the unemployment rate in subsequent months has been slower than elsewhere. The fourth-quarter average of 7.3% was the highest jobless rate in the Midwest, but similar to those in other large states such as California, New York and Texas. Labor force participation has been volatile in 2020 but averaged 63% for the year, just slightly below the Midwest rate of 64% and above the U.S. rate of 61%. The labor force has struggled to recover from the pandemic-induced hit and ended the year about 3.5% smaller than in the fourth quarter of 2019. That contraction was worse than most in the region but on par with Minnesota as well as large peers such as New York and Pennsylvania. However, Illinois' loss did not come close to that in Iowa, where the labor force was off 7.6% from a year earlier.

The fallout in Chicago from the crisis has been high for the state and the region by virtue of its sheer size and global connections, but typical for the country's largest metro areas and divisions, especially those in the Midwest and Northeast. The unemployment rate has been slow to come down from its 16% high reached in June, averaging 8.4% in the fourth quarter. Leisure/hospitality, the industry that has been most affected by the virus and efforts to contain it, is the biggest sore spot. Transportation has struggled to gain momentum because of weakness in air transportation, which has a sizable local footprint.

The large concentration of office-using industries in Chicago has given workers more opportunities to work from home in 2020

Employment Growth

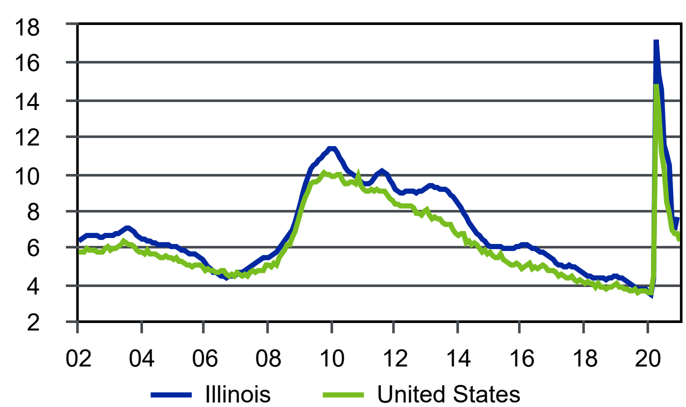
% change yr ago



Sources: BLS, Moody's Analytics

Unemployment Rate

%



Sources: BLS, Moody's Analytics

and has generally been a net positive. As many jobs associated with finance, professional services and information shifted online, the flow of income to workers has continued without disruption. Of course, less foot traffic downtown adds insult to injury for the restaurants, retailers, and other service providers who cater to office workers in the urban core. There are some encouraging signs in retail and manufacturing, both of which are ahead of the curve in their jobs recoveries.

Lake County held on to an above-average share of its jobs during the downturn, but it is emerging from recession a bit more slowly than its counterparts in Illinois and the U.S. Strength among goods producers has helped offset some of the weakness in private and public services. The household survey, which carries more weight for Lake County because of its large commuter population, is more upbeat. Household employment has rebounded quickly, and the unemployment rate averaged 6.7% in the three months ending in November, low for Illinois and below the national rate. Mitigation efforts in Illinois and plentiful testing give Lake County some of the tools required to lessen disruption. Combine this with a low poverty rate, a small share of senior citizens, and a below-average prevalence of hard-hit small businesses, and Lake County is better-positioned than many of its peers.

Peoria's economy is recovering from a harsher than average recession. After losing jobs over the course of 2019, manufacturing fared better than the rest of the economy as well as state and national counterparts in 2020. The recession wiped out two-thirds of leisure/hospitality jobs though, one of the worst declines in the region. The jobless rate has dropped from its record-high 20.8% in April to an average of 7.5% in the three months ending in November. The jobs recovery slowed significantly in the third quarter as many private-service-providing industries and government lost ground. Healthcare has been a bright spot, boasting an impressive jobs rebound through the end of 2020. Still, nonfarm employment in the fourth quarter was almost 10% lower than a year earlier, one of the largest deficits in the region. Caterpillar scaled back production as COVID-19 disturbed supply chains, reduced customer demand, and prompted efforts to stem the virus spread. Demand for heavy machinery has increased from earlier in 2020 but remains weak because of slower construction of everything from cruise ships to pipelines. Layoffs in heavy-machinery plants have abated, but recent factory job gains have come from the smaller nondurable goods segment.

Rockford's economy is struggling, though a bit less than Peoria. Nonfarm payrolls fell to a 30-year low in April, but private employers are gradually bringing back workers. The large manufacturing industry was in the doldrums prior to the pandemic as declining demand for the Jeep Cherokee forced Fiat-Chrysler and local producers that are part of its supply chain to scale back production and cut staff. While Fiat-Chrysler's financial performance improved in the second half of 2020, it has not been enough to stimulate new hiring at Rockford's plant. Expanding logistics industries have been unable to pick up all the slack.

Illinois Employment, Recent Performance

Dec 2020

	Annualized growth rate				
	3-mo	6-mo	12-mo	5 yr	10 yr
Total	-0.8	6.2	-6.9	-1.0	0.1
Construction	29.4	10.2	0.4	0.5	1.3
Manufacturing	-0.6	-1.0	-4.0	-0.9	-0.3
Wholesale Trade	1.0	3.3	-4.0	-1.0	-0.1
Retail Trade	8.1	10.3	-1.0	-1.3	-0.2
Transportation and Utilities	5.6	3.9	-1.8	2.0	2.2
Information	-8.3	-4.0	-9.5	-2.9	-1.5
Financial Activities	0.4	2.3	-2.4	1.0	0.8
Professional and Business Services	19.3	10.0	-3.8	-0.6	1.0
Education and Health Services	-0.5	3.1	-6.1	-0.4	0.6
Leisure and Hospitality	-43.1	16.8	-31.7	-6.4	-2.0
Government	-5.6	6.9	-5.9	-1.0	-0.7
			%		
Unemployment rate	7.3	9.1	9.4	5.7	6.9

Sources: BLS, Moody's Analytics

Though the Quad Cities' economy was weakening prior to 2020, it is weathering COVID-19 better than Illinois and about as well as its regional peers. It is one of the only areas in the state that avoided a fourth-quarter slump. The pivotal manufacturing industry suffered a milder hit in the spring, but John Deere, which is easily the largest manufacturer, and metals producer Arconic have cut hundreds of positions in the past year. Although the public sector has been slow to rebound, private services are staging a quicker comeback.

Decatur's recovery has sputtered. The large manufacturing sector is steadily rehiring workers; however, private services job growth has stalled as the coronavirus outbreak saps demand. Agricultural conditions have improved, as the removal of trade barriers and greater federal support have lifted local farm incomes, which make up an outsize share of total income. China's purchase of U.S. soybeans has doubled since early this year, causing prices received by farmers to recover from their lowest point and hit a half-decade high last fall.

Urbana-Champaign, Bloomington and Springfield have navigated the crisis better than most, though the latter two economies were flagging before the COVID-19-induced recession. Despite massive spikes in April, unemployment rates in these metro areas have dropped quickly and sit below those in Illinois and the United States. A reliance on healthcare and white-collar jobs tied to state government has softened some of the blow from pandemic-related losses compared with manufacturing-dependent areas or gateway cities such as Chicago.

The University of Illinois at Urbana-Champaign set an enrollment record for the eighth straight year despite the pressures of the pandemic and the economic downturn. Strength at the university has preserved an above-average share of local jobs tied to the state government, though employment in most parts of Urbana-Champaign's economy wobbled in the fourth quarter. The buffering impacts of state government and healthcare made for a milder recessionary impact on Springfield as well. Bloomington owes its consistent monthly job gains to the outperformance of consumer industries and stability in the financial services driver.

The state's housing market remains an underachiever but has held up better than expected in 2020. Rock-bottom mortgage rates have bolstered demand for homes despite the adverse effects of the pandemic. Combined with low inventories, this has put upward pressure on prices. Illinois single-family house price appreciation reached its most robust pace in more than five years, though less than regional and national averages. Growth in the Case-Shiller single-family home price index through October registered at 4.6% on a year-ago basis. The median sales prices of existing single-family homes reached $242,110 in the third quarter of 2020, a new high.

New construction has been paltry. Single-family starts were up from a year earlier for the first time since 2016, but that is not saying much. The number of single-family starts in 2020 was lower than in a majority of midwestern states, despite Illinois having more people and households than any of its regional peers. Multifamily construction was slightly stronger than in the preceding few years and accounted for almost half of total starts.

The fallout from the pandemic on state and local budgets has exacerbated Illinois' fiscal problems. The state and its localities are grappling with mounting pension obligations and a shrinking tax base, and unprecedented direct spending needs and a drop in tax revenues make matters worse. Fourth-quarter state and local government employment was off 7% from a year earlier, just more than in the 6.5% regional and national decreases, with local government bearing the brunt of the job losses. Illinois is by no means in a class by itself, however. Michigan, Minnesota, Ohio, Wisconsin and a dozen other states outside the Midwest are down by larger shares year over year.

Higher prices for key crops and government subsidies have lifted farm income and provided support for agriculture-dependent parts of the state. Rising corn, soybean and wheat prices reflect increases in exports and lower stocks compared with a year earlier. Crop yields were lower than expected and the drop in production has supported higher prices. Plus, China is ramping up imports of American agricultural products as part of the Phase One trade deal, providing some support to U.S. grain prices. China's purchases of U.S. soybeans have doubled since early this year and there is more to be spent. The U.S. federal government announced a second Coronavirus Food Assistance program in September, which has helped struggling farmers stay afloat and limit bankruptcies.

Near-term outlook

After a soft end to 2020 and a difficult start to the new year, Illinois' economic recovery is projected to gain momentum through 2021, supported by the coronavirus vaccine rollout. While there is a high degree of uncertainty, the baseline forecast assumes that the U.S. population will effectively achieve herd immunity from the virus by the third quarter of 2021. Much of the population will have been inoculated, already had the virus and thus has developed some form of immunity, or is not at meaningful risk of getting seriously ill. The economy should quickly kick into an extended period of strong growth as people shed their fear of getting sick and get back to doing what they did before the pandemic. By the end of the year, Illinois' unemployment rate will clock in just under 6%, higher than in other Midwest states but in line with the U.S.

Even with the much stronger growth expected once the pandemic subsides, it will be at least 2023 before the economy is back in full swing. It will take at least that long for the Illinois labor market to recover the 400,000 jobs it is still down since the pandemic hit, get everyone who left the workforce during the pandemic back in, and reduce unemployment to the precrisis level. Parts of the economy that are most sensitive to COVID-19, primarily consumer services, will face continued challenges in the year ahead, spelling more trouble for low-wage workers who have already borne the brunt of the pandemic's economic toll. Employment in tourism-related industries has wobbled following the initial second-quarter bounce and leisure/hospitality has the longest road to recovery.

Relative strength in the Chicago metro division's core drivers is a plus, but industries reliant on local spending will struggle mightily. Commercial passenger activity at O'Hare and Midway international airports has increased since bottoming out in April but is a long way from normal. Along with its airports, Chicago is home to United's headquarters and major American and Southwest hubs. The federal bailout for the airline industry barred layoffs, involuntary furloughs, or pay cuts for employees until last October, but layoffs will pile up. The severe hit to travel will weigh on hospitality and especially accommodations. Chicago's hotel occupancy rate averaged 32% in the three months ended in November, versus 73% during the same period in 2019. The average room rate was down by about 47% from a year earlier. Would-be tourists will remain cautious until a widely available treatment or vaccine restores confidence.

Tourism will remain muted as businesses maintain capacity constraints, events are canceled or postponed, international travel is restricted, and people remain cautious about the spread of the virus. Further, convention and trade shows will temporarily move to a virtual format, costing Chicago a crucial source of visitors and spending. The forecast assumes that consumer services will begin to recover as the share of the population that is vaccinated increases and COVID-19 cases abate. The leisure/hospitality industry will benefit meaningfully from the distribution and wide acceptance of the COVID-19 vaccines. Employment will be coming off an extremely depressed base and the recovery will take much longer than it will for other industries.

While leisure travelers will begin unleashing pent-up demand for vacations by midyear, business travel is unlikely to fully recover. In-person events, especially those held indoors, will remain somewhat risky if an insufficient share of the population is vaccinated. Further, many businesses may continue to embrace virtual meetings given their relative ease and cost savings. This could take an especially steep toll on established business travel hubs such as Chicago. Brick-and-mortar retail jobs lost in the pandemic to online competitors are also unlikely to be restored. This restructuring would have eventually happened but was accelerated by the pandemic. And the jobs gone with the hundreds of thousands of failed restaurants, gyms, performing arts venues, and the like will not come back until new businesses start up, which will take time.

Factory output and job additions will be modest in the next few months, but the outlook over the next couple of years is favorable. Chicago food producers, including local giants Kraft Heinz, Mondelez and Conagra, have rebounded strongly, and rising agricultural exports and the removal of trade barriers will extend food processors' outperformance. Firms that make consumer durables and goods related to homebuilding will contribute to job growth as well. Conversely, producers in industries that were most hurt by the pandemic such as oil and gas drilling will struggle to right themselves.

Lake County began its recovery from a relatively strong position and will roughly match Chicago's pace of growth in the near term. Relative population density and proximity to a largely shuttered Chicago will handicap the northern suburbs for the first half of the year, with increased precautions preventing more robust growth. Retail will shift into higher gear later next year, but prospects are bleak for leisure/hospitality. The outsize life sciences industry will be a source of stability. The metro division boasts one of the highest concentrations of biomedical companies in the country and strength in biomedical manufacturing will keep a floor under factory employment. High demand for Abbott Labs' molecular COVID-19 test will endure and provide steady workloads for the company's staff. Once the pandemic is contained, the aging U.S. population will uphold demand for pharmaceuticals and medical devices, preserving the favorable outlook for the critical life-sciences cluster.

Bloomington's economy will benefit from the growing electric-vehicle industry and investment from Amazon, but it will be the second half of 2021 before employment takes off. Automaker Rivian is gearing up to produce a new fleet of electric trucks and SUVs. Demand for new workers at its local facility will bolster the economy in 2021. The first phase of a more than 1,000-worker staffing plan will begin early in 2021 as the plant prepares for summer production. In addition to Rivian's own line of trucks and SUVs, Amazon recently debuted a prototype of a Rivian-built electric delivery van, to be produced at the Normal plant. This partnership will be extremely lucrative for Rivian, and the local economy, as it competes for a greater market share in the electric-vehicle space.

Financial services in the metro area, anchored by State Farm, stand to benefit as consumer preferences shift away from crowded public transportation. New-vehicle registrations have made a strong comeback and will give underwriting a much-needed boost. At the start of the pandemic, there was a sizable dip in both miles driven and accidents, and State Farm decided to lower rates to support customer retention. While the industry will not add significant jobs in the near term, State Farm will be a source of stability in the outlook.

Urbana-Champaign will return to early-2020 employment by early 2023, sooner than the rest of the service area and on par with the nation. Private services will lead the jobs recovery as the U of I provides stability. The relatively favorable outlook depends on the university's ability to navigate virus-related challenges. As the home to the U of I's flagship campus, the metro area is more dependent than most on state government. The university has offered a blend of in-person and remote instruction during the pandemic. Urbana-Champaign avoided drastic state government job cuts in the spring, but staffing levels have decreased in recent months. Many faculty and staff can work remotely, but the school has less need for jobs tied to the campus, including maintenance and food-service employees.

The University of Illinois System's fiscal 2021 budget is lower than the previous year's, but the institution will draw on reserve funds to help meet expenses anticipated to combat COVID-19. Higher costs associated with hygiene and social-distancing measures and lower revenues mean state government jobs will recover slowly. Though the pandemic is weighing on colleges and universities, institutions such as the U of I with strong finances and ample student demand will weather the crisis.

Private-service providers will power job growth in Urbana-Champaign over the next few quarters. The pandemic-related hit to healthcare employment was minor, and continued strength bodes well for incomes and consumption since healthcare is the metro area's largest source of good-paying jobs. Office-using industries and consumer services have more ground to make up, but both will return to precrisis employment sooner than in other metro areas. Turning to goods-producing industries, the strong rebound in construction will offset some of the weakness in manufacturing. Construction will generate strong job gains in the near term as the U of I works through its capital allocation and developers respond to healthy housing demand. The cautiously optimistic outlook for the university, and thus the metro area, is loaded with downside risks. A drastically worsening outbreak this winter would ensure campuses cannot reopen, potentially leaving the U of I and local businesses exposed to a more precipitous decline in revenues.

Springfield's economic future is almost wholly dependent on Illinois' ability to repair the additional damage done to its already-weak fiscal position by the pandemic. State and local government jobs make up 23% of employment in Springfield; among Midwest capitals, only Jefferson City MO and Lansing MI are more reliant on state and local government for employment. The three-month shutdown in Illinois earlier this year dealt a massive blow via free-falling revenues and ramped-up public spending.

The crisis temporarily set healthcare back, but the industry will be a lifeline for Springfield, which has the highest share of medical services employment in the state. Healthcare was the metro area's top performer prior to the pandemic, largely driven by demand for outpatient services from the outsize senior population. Risk of exposure to COVID-19 has led providers to cancel or postpone non-urgent appointments and elective procedures and reduce staff. As the pandemic recedes, pent-up demand for routine and non-emergency care among the large population of seniors will allow healthcare to recover quickly.

Peoria's economy will advance at a weaker pace than slow-growing Illinois, the region and the U.S. Caterpillar's challenges will be slow to lift, limiting the upside for manufacturing and downstream industries. Some positive developments will help the company post a sales recovery, including a pickup in mining, North America's strong housing market, and China's infrastructure spending. There is little need for additional factory labor though, so machinery manufacturing employment will flatten in the near term. Medical services will be pressured over the next couple of quarters as many continue to put off elective procedures and even more avoid nursing and residential care services.

Decatur's economy will be stuck in neutral over the next year. Once the pandemic is in the rearview mirror, rising agricultural exports thanks to the global recovery and removal of trade barriers will boost food manufacturers, including top employer Archer Daniels Midland. Further, low interest rates that drive down financing costs for large machinery and pent-up demand will temporarily lift durable goods manufacturing. Hiring at local factories will outpace the national and state averages.

Growth in the Quad Cities will closely trail Illinois and the U.S. over the short term, as the COVID-19 pandemic keeps manufacturing and private services subdued with only limited support from the military. Manufacturing will turn into a headwind early in 2021. Though the industry has staged a comeback as producers restocked, there are signs demand is weakening. Metals and machinery producers employ just less than half of all factory workers in the metro area, the eighth highest share in the Midwest. Metals producers will contend with depressed energy exploration on the back of low oil prices, and Deere will face a tough environment despite firmer overseas business in the third quarter.

Rockford will take longer to recover from the pandemic-induced recession and will not recover all the jobs lost this spring until the middle of the decade due to less support from manufacturing. The economy will struggle to get its factory sector back on track without stronger business investment. Consequently, while manufacturing employment will rise gradually in coming quarters, industry payrolls will decline in the second half of the decade as the producers turn to automation to raise output with fewer workers. Logistics will be a source of strength, but this key driver cannot cure all that ails the economy. The growing prominence of online sales will create new investment opportunities as more cargo operators flock to Rockford, taking advantage of its low business costs, international airport and proximity to Chicago. These advantages will allow Rockford to serve as a major logistics hub for the third largest metro division in the country.

Long-term outlook: Positive factors

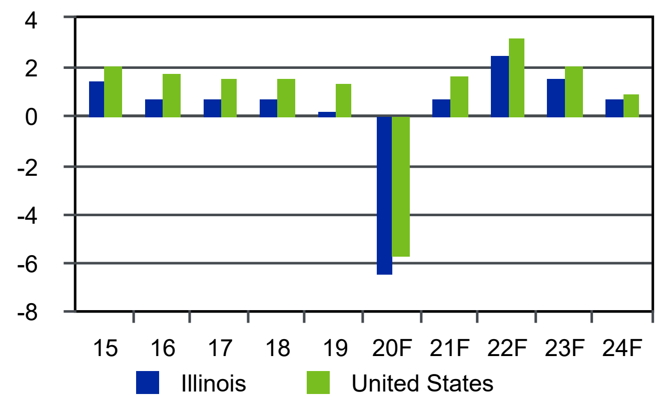
The state will continue to diversify into service-providing industries while nurturing its more efficient and smaller traditional manufacturing core. Chicago will continue to develop as the transportation and distribution center for the Midwest and will increasingly develop its tech industry. The explosion 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 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 to the urban core. 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.

Elsewhere, low business costs and the presence of a major research university make Champaign fertile ground for growth in high tech, and professional, scientific and technical services in particular. Tech will outperform overall job growth and at least keep pace with that in other major Midwest college towns.

Long-Term Outlook: Employment

% change



Sources: BLS, Moody's Analytics

Financial services. Financial services, which employ 6.9% of the state's workforce and 7.5% of Chicago's workforce, compared with 5.9% 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.

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 18% of employment, nine times the U.S. average. Insurance will remain a reliable source of jobs and income.

Tourism. Illinois' tourism-dependent industries are expected to outperform other parts of the economy over the next decade, but they will be crawling out of an extremely deep hole. Illinois achieved its ninth consecutive year of record tourism growth in 2019, before COVID-19 brought travel to a halt. Job growth in leisure/hospitality outperformed in the past business cycle 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 Chicago's appeal as a destination will remain a bright spot for the economy.

The legalization of recreational cannabis offers upside risk for Illinois to become 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 the last expansion. Explosive growth in online shopping has strained supply chains during the COVID-19 crisis, but existing distribution hubs such as Illinois stand to benefit. 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 those economies.

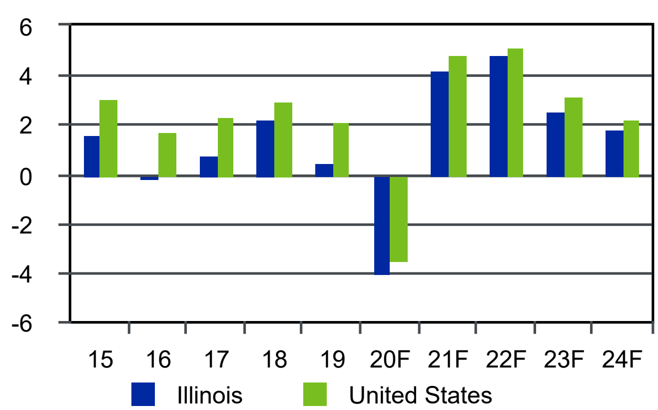
Healthcare. Healthcare will contribute positively to growth throughout the state as the population ages. The industry has been one of the economy's strongest in recent years and will be an especially potent driver downstate. The cohort of those age 65 and older is the only part of the population that 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 years of weak crop prices and temporary trade distortions. After languishing for several years, crop prices are on a stronger trajectory, which has provided a long-awaited bump in revenues, according to the U.S. Department of Agriculture. Rising corn, soybean and wheat prices reflect increases in exports and lower stocks compared with a year earlier. Crop yields were lower than expected and the drop in production has supported higher prices. High yields and low prices will extend into the coming year, though a full recovery is on the distant horizon. 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 36% of the state's population age 25 and older has at least a bachelor's degree and 14% has a graduate degree—

Long-Term Outlook: Gross Product



Sources: BEA, Moody's Analytics

both above the national average—according to Census Bureau data. Among midwestern states, only Minnesota has a higher educational attainment rate than Illinois. In Chicago, the shares are even higher, with 40% holding at least a bachelor's degree and 16% holding a graduate degree. 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.

Business costs in the state are lower than they are nationally and have trended downward for the past few decades. Overall costs are lower than those in Michigan and Wisconsin, but higher than those in Indiana, Iowa and Ohio. By and large, 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.

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 6.7%, below the 7.7% increase for the Midwest and 8.8% rise nationally.

The recovery will proceed much more quickly than the last one, which was hampered by damaged household and business balance sheets and a fragile financial system. However, the economy will emerge somewhat altered, because the pandemic has accelerated the shift toward e-commerce and the consolidation of higher education. The near-term outlook for Illinois closely resembles that for

Index of Relative Business Costs, 2019

	Labor cost		Tax burden		Energy cost		Overall index	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Illinois	102	28	102	36	89	13	100	26
Indiana	93	6	83	11	103	36	95	15
Ohio	97	16	107	42	96	28	98	22
Michigan	109	47	92	20	104	38	106	39
Wisconsin	100	25	95	23	103	37	101	29
Iowa	92	4	101	35	91	17	92	6

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

the U.S., but the state will underperform in the long term because of poor population trends and extraordinary pressure on state and local governments.

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 13%. Illinois' largest manufacturing industries, in order of number of jobs, are fabricated metals, food processing, industrial machinery, chemicals and plastics. Together, these industries account for about 58% of all manufacturing jobs, compared with 46% 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. Although higher education has typically been insulated from the whims of the business cycle—and sometimes even been the beneficiary of economic downturns—the COVID-19 pandemic is hitting the sector head-on and thrusting into the spotlight problems that have long been simmering in higher education. Academia faces a looming demand problem not only due to rising costs but also due to changing demographic patterns. Longer-term structural issues in combination with pandemic-related stress will leave some institutions at risk of failure. If and when school failures occur, they are likely to be dominated by those already in poor financial condition due to sagging enrollment, poor student retention, and an overreliance on public funding.

Institutions that can weather the current crisis should be able to recover, and schools in Illinois are generally well positioned. The most vulnerable institutions are small, nonelite private schools with poor finances, small endowments and retention issues, and small public universities with an overreliance on room and board and government funding as drivers of revenue. The least vulnerable schools are selective colleges with excellent balance sheets, large endowments, and little reliance on public funding and room and board revenue.

Although the pandemic has the potential to weigh on college enrollment in the short run as some students temporarily alter their plans, the longer-term structural decline in enrollment is the bigger risk to most universities. With the college-age population in Illinois and the broader U.S. 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. The state's outlook is tarnished primarily by its budget woes and weak population trends, not its high costs relative to nearby states. Firms in Illinois tend to pay more in taxes compared with those in neighboring states and labor is on the expensive side, but overall business costs are below the national average. Illinois is gradually increasing its minimum wage, but dozens of other states and local governments raised their wage floors in 2020 as well. Twenty-five states and the District of Columbia are set to raise their minimum wage in 2021.

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, a trend that will extend through the new business cycle. Consumption depends mostly on the state's income from labor, predominantly wages and salaries, which has lagged the U.S. and regional averages. Total personal income increased 3.6% per year on average over the course of the expansion that ended in 2019, less than the 3.8% regional average and 4.4% national average. Growth in the most important source of income, wages and salaries, averaged 3.3% per year over the 10-year period versus 3.5% in the Midwest and 4.1% in the U.S. Earnings in all major industry categories increased in 2019, but the majority slowed from the previous year. One of the few to accelerate was finance and insurance, which, along with professional/business services, contributed the most to wage and salary increases.

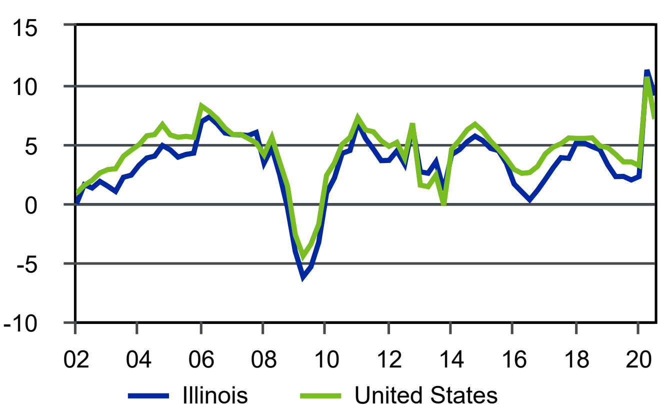
Historically steep employment declines stemming from widespread business closures decimated wage and salary income in the second quarter of 2020. Dividends, interest and rent also came under downward pressure as diminished corporate profits weighed on dividends, lower interest rates held back interest income, and landlords struggled to fill vacancies and maintain current tenants. The combination of cash payments to households and enhanced unemployment benefits offset the sharp declines in earnings and other forms of income in the second quarter, boosting personal income. Business reopenings supported a rebound in earnings in the third quarter, but total income dipped from the second quarter as some forms of federal support expired. The intensifying second wave of the COVID-19 pandemic, the sputtering jobs recovery, and fading federal government support likely caused state personal income to drop again in the fourth quarter.

The COVID-19 recession and recovery have turned many traditional economic patterns on their heads. The crisis has weakened the relationship between personal income growth and consumer spending. The surge in nonwage income was accompanied by a plunge in spending and tax revenues as consumers saved at unprecedented rates. This was partly because of fewer spending opportunities as business restrictions and stay-at-home orders went into effect, and partly out of precaution. Further, the composition of consumer spending during the economic downturn has shifted. So far, the biggest hit to spending has come to previously stable services, while goods spending, which is normally more volatile, has bounced back strongly. Some long-running trends, like the shift to buying online, accelerated to the point that a change that was expected to take several years was accomplished in a few weeks. Others, like the shift from buying groceries to eating out, have abruptly reversed.

Government support will again be the saving grace for consumers as 2021 begins. After-tax income has soared despite the job losses and reductions in investment income. Consumers, at least in aggregate, have been left with a lot of cash, and another round of fiscal stimulus in the first quarter of 2021 ought to boost income again in the near term. As that support fades, other components of income will gradually take up the slack as the vaccines make an impact. Given the below-average forecast for Illinois' jobs recovery, state personal income growth will remain a step behind the Midwest and U.S. rates.

Personal Income

% change



Sources: BEA, Moody's Analytics

Balance sheets

Illinois' households were willing and able to borrow over the course of the last expansion and through 2020. Consumers had taken on increasing amounts of debt leading up to the current crisis, though growth in borrowing had slowed in the past several years. Consumer credit balances in the state have grown around 1.5% per year since 2016, about half the U.S. pace. Household debt in Illinois ended 2020 right around its pre-Great Recession peak, compared with 13% above peak nationally.

Because of generous financial support from Congress in the form of unemployment benefits and direct stimulus, as well as elevated rates of saving among higher-income households, consumer credit performance unexpectedly improved during 2020. Federal income supports and responsiveness on the part of creditors have kept late-payment rates down despite the stressed state of the labor market. Delinquency rates in Illinois and in all corners of the state ended the year at or near their lowest levels in the dataset maintained by Moody's Analytics. Trends brought on by the COVID-19 recession remain in place at the product level, specifically the outperformance of mortgage and, to a lesser degree, auto lending, while unsecured markets are struggling. Payment performance on mortgages has been strong this year thanks in large part to the forbearance programs authorized under the CARES Act. The situation may change once these programs expire in the first and second quarters of 2021, but the prospects are high for the industry to have dodged the worst of the crisis.

Business bankruptcy filings spiked during the teeth of the recession, but the number of new filings is declining, suggesting that the reopening of the economy and the increase in demand have been enough to prevent healthy businesses from closing. As they have nationally and in the Midwest, personal bankruptcies have dropped sharply in Illinois. Personal bankruptcies were down 24% from a year earlier in the third quarter of 2020, versus a 21% drop in the Midwest and a 22% decrease nationally. That reduced the number of personal bankruptcies per household, but the gap between Illinois and other states persisted. One in every 142 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 179 households for the Midwest and one in every 217 nationally. As accommodation programs expire, consumer balance sheets could falter and foreclosures could rise.

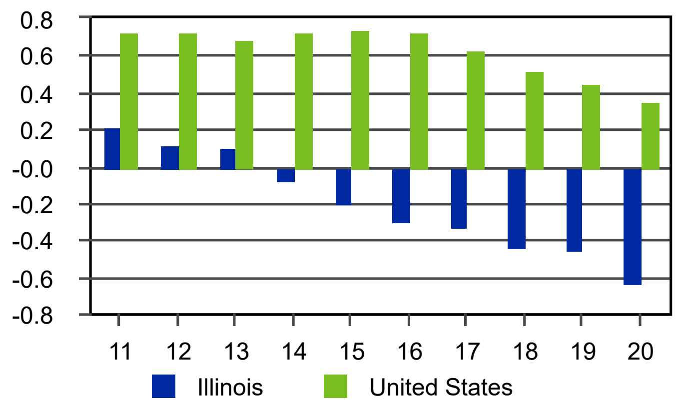
Demographic trends

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 seventh consecutive year for the 12-month period ended July 1, 2020 and the pace of contraction accelerated compared with the previous year. The state's population declined 0.63%, versus no change in the Midwest and an increase of 0.35% nationally. When Illinois is excluded, the Midwest's population rose by 0.1%. Illinois' population decrease raises the odds that after results from the 2020 census are released, the state could lose up to two congressional districts.

The midyear population estimates mostly reflect a continuation of long-term trends, but the COVID-19 shock and economic fallout detracted from population growth nationally and affected migration patterns regionally. Fifteen other states joined Illinois in losing population in 2020, compared with 12 others in 2019. Among Illinois' midwestern peers, Michigan's population decreased for the second consecutive year, dropping by 0.18%, and Ohio's population dipped 0.03%, the state's first loss in decades.

Population

% change



Sources: Census Bureau, Moody's Analytics

New York's loss of 0.65% was the worst nationally and California recorded its first ever decline, shrinking by 0.18%.

The Census Bureau has not yet released 2020 data on the components of states' population change: births, deaths and migration. Total net migration in Illinois clocked in at -85,800 in 2019, a slight improvement from a net outflow of 93,400 in 2018. 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.

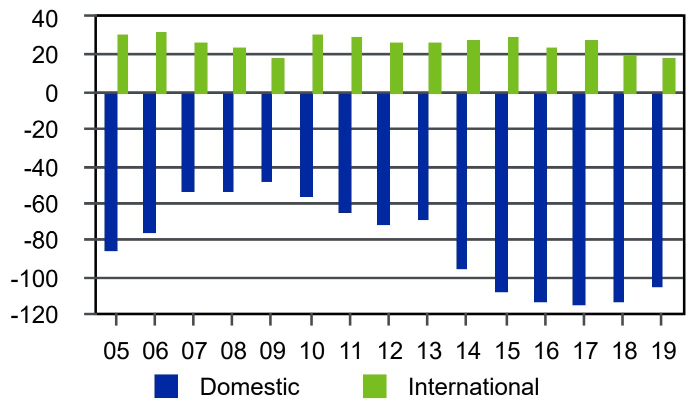
The Internal Revenue Service offers a more detailed view of migration flows between states. The IRS migration numbers are not an exact match for those from the Census Bureau because the agencies' counts employ different methodologies. For many years the largest number of the state's out-migrants headed 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.

International migration has weakened since 2017. 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 the COVID-19 pandemic drastically curtailed immigration in 2020.

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 Great Recession 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. The 60 and older age group was the only major segment of the population to increase in 2019. 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 0.27% in 2019, the fifth consecutive decline. The loss was most pronounced in the Chicago metro division, but the Lake County metro division population logged its largest percentage decrease in the series' 50-year history and the Elgin metro division lent very little support. Three of the Chicago metro division's six counties—Cook, DuPage and McHenry—lost residents during that period, while Will County logged no change and Kendall and Grundy counties posted small gains.

Net Migration



Sources: Census Bureau, Moody's Analytics

Weaker natural population growth and more out-migration caused Cook County's population to contract 0.42%. The City of Chicago is popular with tourists, and the downtown job and real estate markets have been hot, but beyond the city center, the decline of manufacturing and quality of life issues have eroded the population base. Elgin was the only metro area or division in Illinois where population did not contract in 2019. Five of the region's 10 fastest-shrinking metro areas in 2019 were in Illinois: Danville, Carbondale, Peoria, Bloomington and Springfield.

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

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

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.

Real estate

Conditions related to the pandemic and its fiscal and monetary policy response have fueled bigger house price gains in 2020. Single-family house price appreciation rocketed higher in the second half of 2020, bringing Illinois' increases closer to regional and national rates after more than three years of dramatic underperformance. Primarily, house prices have risen because exceptionally low mortgage rates have boosted demand. Prices are also rising because housing inventory is in short supply, partly because of federal policy. The CARES Act required many lenders to reduce or temporarily suspend mortgage payments for up to 180 days when homeowners claimed financial hardship due to the coronavirus pandemic. At some point, pending expirations of foreclosure moratoriums and the coming end to mortgage forbearance periods will impact the housing market. When this happens, distressed properties will be added to the existing-home inventory, and house prices will increase at a slower rate.

The pace of appreciation is set to moderate in 2021 for several other reasons. Mortgage rates are poised to rise off their historic lows over the next several years, which will cool homebuyer demand. Also, housing affordability has eroded, having a negative compounding impact on low- and middle-income potential homebuyers who have been hit disproportionately hard by the pandemic. Finally, the protracted lack of inventory will begin to ameliorate as single-family construction picks up speed. The last two factors are less pronounced in Illinois compared with the U.S., so price appreciation will slow slightly less in the state than in the U.S. in the near term.

New construction has been paltry. Single-family starts in 2020 were up from a year earlier for the first time since 2016, but that is not saying much. The number of single-family starts was lower than in a majority of midwestern states, despite Illinois having more people and households than any of its regional peers. Single-family starts will remain well below their prior peak over the forecast horizon. Multifamily construction was a bit stronger in 2020 than in the preceding few years and will remain stable in the near term. Housing-related employment has struggled to maintain momentum in its recovery from the COVID-19 recession. Through November, Illinois had regained just under half of the housing-related jobs that it lost in April, versus 78% in the Midwest and 87% nationally.

Commercial real estate will face greater challenges than residential real estate over the next several quarters. The increasing inventory of distressed properties, especially in the hotel and retail segments, is set to hit the market as landlords raise capital to shore up their operations. The severe hit to travel will weigh on hospitality and especially accommodations. Smaller lodging establishments that lack access to the capital markets face the largest cash-flow difficulties. Brick-and-mortar retailers have also faced significant challenges over the past couple of quarters and the segment is not out of the woods yet. Households have ramped up their online purchases throughout the pandemic, and e-commerce sales now account for 14% of total retail activity. However, malls and smaller brick-and-mortar retailers are still hurting as shoppers minimize in-person activity. Retail commercial property prices will fall from current levels as distressed inventory is cleared from the market.

Elsewhere, the office property market will perform comparatively better, as white-collar firms have experienced fewer disruptions to cash flows than either the lodging or retail segments. The industrial segment will continue to be buoyed by strong warehouse demand because of e-commerce, and there will be only limited weakness in the flex/research and development subspace.

Forecast risks

The biggest threats to the outlook relate to COVID-19, the state's fiscal problems, and a weak demographic profile. The COVID-19 crisis continues to present several downside risks to the forecast. A surge in the number of new virus cases in every state this winter has forced many states and cities to tighten restrictions. So far, restrictions have been less severe than in the spring, but the worsening of the outbreak could force even stricter lockdowns, including the closure of nonessential businesses. Even if widespread lockdowns are avoided, there is still the risk that the financial damage from earlier lockdowns coupled with weak consumer spending will result in a significant wave of business bankruptcies, keeping the unemployment rate elevated for longer.

Major population centers such as Chicago are up against their own headwinds. The work-from-home trend that was turbocharged by the pandemic is a double-edged sword. Office closures have reduced the multiplier effects typically associated with the types of high-wage office jobs that are frequently concentrated in large, highly educated urban areas such as Chicago. This has somewhat offset the benefit associated with many of these industries. Further, there is a risk that with remote work becoming more prevalent, residents and white-collar firms will be more comfortable locating farther away from major population centers such as the Windy City.

The assumptions underpinning our outlook for state and local government budgets have changed a great deal over the past couple of months. Additional federal fiscal aid was enacted in the final weeks of 2020, the COVID-19 vaccination process began in earnest, and the balance of power in the Senate has shifted, upending expectations for the next few quarters and beyond. These changes to the outlook point to a more manageable fiscal picture for state policymakers heading into legislative sessions.

Although the December fiscal relief package included grants for education, nearly all of which can be used to offset budget shortfalls in school districts and higher education institutions, it left out more general aid to states and localities. Illinois and its metro areas could be subject to more significant pain from limited aid to state and local governments. Amid population losses and large pension liabilities, Illinois enters 2021 in a relatively unfavorable position. A broader downturn, a smaller than expected stimulus bill, or a pickup in out-migration would set the economy back.

President Biden has begun to unwind Trump's restrictions on immigration. This lends some upside to Illinois' population forecast and growth in the labor force, since the state relies heavily on immigration to make up for some of the population loss from domestic out-migration.

Trade tensions remain a key downside risk but one that has diminished. U.S.-China relations are likely to remain tense, but the change in U.S. leadership could help defuse the situation. Although Biden may keep some tariffs in place for some period, chances of further escalation are low. A more predictable approach and the potential for the U.S. to enter into multilateral deals modeled after the Trans-Pacific Partnership should help trade-dependent areas, especially those that rely heavily on Chinese demand. Should Biden act more quickly than expected in lifting tariffs on China, this could provide a major boost to trade-dependent areas and farmers, disproportionately benefiting Illinois. With the U.S. and global economies still grappling with the economic fallout of the pandemic, a trade war would inflict significantly more damage than last year's skirmish and could easily push the U.S. economy back into recession.

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 2017 tax cuts and COVID-19 relief will cause the nation's debt load to rise faster than previously thought over the next decade. The nation's publicly traded debt-to-GDP ratio has surged to near 100% and will soon breach the all-time high of 106% reached briefly just after World War II. Lawmakers are not focused on the red ink given the COVID-19 crisis, but once the virus is history, addressing the nation's fragile fiscal situation will be critical. Against this backdrop, farm support programs could be at risk, especially as the Midwest's population share, and hence representation in Congress, declines.

Demographic profile

Indicator	Units	Illinois	U.S.	Rank	Year
Households					
Households, % change (2015-2020)	Ann % change	0.1	0.6	45	2020
Population w/ BA degree or higher	% of adult population	35.8	33.1	13	2019
Median household income	$	69,187	65,712	18	2019
% change yr ago		*6.4*	*6.1*	*17*	*2019*
Population					
Per capita income	$	58,764	56,490	15	2019
% change yr ago		*2.8*	*3.5*	*41*	*2019*
Population	ths	12,588	329,484	6	2020
% change yr ago		*-0.6*	*0.4*	*50*	*2020*
White	%	76.8	76.3	34	2019
Black or African American	%	14.6	13.4	16	2019
Hispanic	%	17.4	18.2	10	2018
Asian	%	5.9	5.9	11	2019
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	%	11.5	12.3	25	2019
Median age	yrs	38.6	38.5	25	2019
Household Cost Indexes					
Median existing-home price	$ ths	219.6	269.9	30	2019
% change yr ago		*1.95*	*3.75*	*47*	*2019*

Illinois
Recent Monthly Performance

	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Most recent % change yr ago
Establishment Employment (ths, SA)									
Total Employment	5,381.9	5,524.2	5,629.2	5,714.8	5,705.6	5,712.6	5,696.4	5,693.9	-6.9
% change	*1.1*	*2.6*	*1.9*	*1.5*	*-0.2*	*0.1*	*-0.3*	*-0.0*	
Natural Resources & Mining	7.7	6.9	6.8	6.9	6.9	6.9	6.9	7.1	-12.3
% change	*6.9*	*-10.4*	*-1.4*	*1.5*	*0.0*	*0.0*	*0.0*	*2.9*	
Construction	211.7	213.5	210.2	212.2	210.1	213.8	215.8	224.1	0.4
% change	*5.7*	*0.9*	*-1.5*	*1.0*	*-1.0*	*1.8*	*0.9*	*3.8*	
Manufacturing	537.8	557.6	553.4	559.5	555.5	554.5	552.3	554.7	-4.0
% change	*2.5*	*3.7*	*-0.8*	*1.1*	*-0.7*	*-0.2*	*-0.4*	*0.4*	
Trade, Transportation, & Utilities	1,103.2	1,138.5	1,143.4	1,153.9	1,160.6	1,160.8	1,166.6	1,176.7	-1.9
% change	*0.2*	*3.2*	*0.4*	*0.9*	*0.6*	*0.0*	*0.5*	*0.9*	
Retail Trade	518.6	550.1	555.6	562.0	566.7	571.8	571.6	577.8	-1.0
% change	*1.4*	*6.1*	*1.0*	*1.2*	*0.8*	*0.9*	*-0.0*	*1.1*	
Wholesale Trade	277.0	275.8	275.5	278.2	279.6	278.8	278.5	280.3	-4.0
% change	*-0.1*	*-0.4*	*-0.1*	*1.0*	*0.5*	*-0.3*	*-0.1*	*0.6*	
Transportation & Utilities	307.6	312.6	312.3	313.7	314.3	310.2	316.5	318.6	-1.8
% change	*-1.3*	*1.6*	*-0.1*	*0.4*	*0.2*	*-1.3*	*2.0*	*0.7*	
Information Services	88.3	88.6	87.5	86.2	88.7	87.2	88.1	86.8	-9.5
% change	*-0.9*	*0.3*	*-1.2*	*-1.5*	*2.9*	*-1.7*	*1.0*	*-1.5*	
Financial Services	401.4	399.5	401.8	402.9	403.7	404.6	402.7	404.1	-2.4
% change	*-0.2*	*-0.5*	*0.6*	*0.3*	*0.2*	*0.2*	*-0.5*	*0.3*	
Professional & Business Services	851.7	859.1	866.1	874.5	862.1	880.6	887.9	900.9	-3.8
% change	*1.9*	*0.9*	*0.8*	*1.0*	*-1.4*	*2.1*	*0.8*	*1.5*	
Education & Health Services	853.8	877.9	892.1	899.4	892.5	889.3	886.9	891.4	-6.1
% change	*-0.4*	*2.8*	*1.6*	*0.8*	*-0.8*	*-0.4*	*-0.3*	*0.5*	
Leisure & Hospitality Services	341.6	394.5	461.3	479.8	490.8	493.3	467.2	426.3	-31.7
% change	*11.6*	*15.5*	*16.9*	*4.0*	*2.3*	*0.5*	*-5.3*	*-8.8*	
Other Services	210.3	231.8	233.6	237.9	241.4	240.9	240.6	239.8	-6.7
% change	*1.6*	*10.2*	*0.8*	*1.8*	*1.5*	*-0.2*	*-0.1*	*-0.3*	
Government	774.4	756.3	773.0	801.6	793.3	780.7	781.4	782.0	-5.9
% change	*-2.3*	*-2.3*	*2.2*	*3.7*	*-1.0*	*-1.6*	*0.1*	*0.1*	
									1-yr change
Unemployment Rate (%, SA)	15.3	14.5	11.5	11.0	10.4	7.4	6.9	7.6	3.9
	-11.0	-5.2	-20.7	-4.3	-5.5	-28.8	-6.8	10.1	**Most recent**
									% change yr ago
Labor force (ths)	6,305.0	6,493.4	6,248.9	6,316.5	6,345.1	6,288.7	6,167.2	6,170.4	-4.1
% change	*3.0*	*3.0*	*-3.8*	*1.1*	*0.5*	*-0.9*	*-1.9*	*0.1*	
Number of unemployed (ths)	967.0	943.6	715.8	695.0	660.8	466.3	425.9	466.2	97.4
% change	*-7.9*	*-2.4*	*-24.1*	*-2.9*	*-4.9*	*-29.4*	*-8.7*	*9.5*	
Number of employed (ths)	5,338.0	5,549.8	5,533.0	5,621.5	5,684.3	5,822.3	5,741.4	5,704.2	-7.9
% change	*5.2*	*4.0*	*-0.3*	*1.6*	*1.1*	*2.4*	*-1.4*	*-0.6*	
Total Residential Permits (# of units YTD, NSA)	7,033	8,351	10,309	11,436	13,211	14,905	16,513	17,831	-13.9
% change yr ago	*-22.2*	*-18.8*	*-16.9*	*-17.6*	*-13.0*	*-12.1*	*-11.8*	*-14.8*	
Single-family, (# of units YTD, NSA)	3,184	4,103	5,142	6,079	7,163	8,144	8,943	9,719	11.0
% change yr ago	*-15.5*	*-9.3*	*-6.4*	*-2.4*	*1.4*	*2.8*	*4.7*	*7.8*	
Multifamily, (# of units YTD, NSA)	3,849	4,248	5,167	5,357	6,048	6,761	7,570	8,112	-37.4
% change yr ago	*-27.0*	*-26.2*	*-25.3*	*-30.0*	*-25.6*	*-25.2*	*-25.6*	*-31.8*	
5 +, (# of units YTD, NSA)	3,524	3,836	4,637	4,721	5,319	5,985	6,733	7,219	-46.6
% change yr ago	*-27.5*	*-26.8*	*-26.0*	*-31.6*	*-26.4*	*-25.1*	*-25.3*	*-32.4*	
									Most recent
									% change yr ago
Avg Hrly Earnings: Mfg, ($ per hr, SA)	22.37	22.06	22.12	22.00	22.03	21.99	22.20	21.89	-2.0
% change	*1.5*	*-1.4*	*0.3*	*-0.6*	*0.2*	*-0.2*	*1.0*	*-1.4*	

Illinois
Recent Quarterly Performance

	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	Most recent % change yr ago
Gross State Product (Ch. 2009$ mil, SAAR)	773,419.4	769,635.5	774,889.3	774,597.9	762,096.5	697,776.3	751,378.3	na	-3.0
% change	*0.2*	*-0.5*	*0.7*	*-0.0*	*-1.6*	*-8.4*	*7.7*	*na*	
Establishment Employment (Ths, SA)									
Total Employment	6,119.0	6,122.3	6,121.7	6,112.9	6,105.3	5,409.5	5,683.2	5,701.0	-6.7
% change	*0.1*	*0.1*	*-0.0*	*-0.1*	*-0.1*	*-11.4*	*5.1*	*0.3*	
Natural Resources & Mining	8.2	8.4	8.2	8.2	7.9	7.3	6.9	7.0	-14.7
% change	*1.2*	*2.9*	*-2.0*	*-0.8*	*-2.9*	*-8.4*	*-5.5*	*1.5*	
Construction	227.0	228.8	228.7	223.5	225.3	208.5	210.8	217.9	-2.5
% change	*0.3*	*0.8*	*-0.0*	*-2.3*	*0.8*	*-7.5*	*1.1*	*3.4*	
Manufacturing	590.7	587.4	584.0	578.7	575.7	540.0	556.1	553.8	-4.3
% change	*0.1*	*-0.5*	*-0.6*	*-0.9*	*-0.5*	*-6.2*	*3.0*	*-0.4*	
Trade, Transportation, & Utilities	1,208.0	1,205.7	1,205.2	1,200.3	1,202.9	1,114.1	1,152.6	1,168.0	-2.7
% change	*0.1*	*-0.2*	*-0.0*	*-0.4*	*0.2*	*-7.4*	*3.5*	*1.3*	
Retail Trade	592.2	587.5	584.3	582.3	585.2	526.7	561.4	573.7	-1.5
% change	*-0.4*	*-0.8*	*-0.6*	*-0.3*	*0.5*	*-10.0*	*6.6*	*2.2*	
Wholesale Trade	295.1	295.5	295.3	292.3	292.2	276.7	277.8	279.2	-4.5
% change	*0.4*	*0.2*	*-0.1*	*-1.0*	*-0.0*	*-5.3*	*0.4*	*0.5*	
Transportation & Utilities	320.8	322.6	325.6	325.7	325.5	310.7	313.4	315.1	-3.3
% change	*0.6*	*0.6*	*0.9*	*0.0*	*-0.1*	*-4.5*	*0.9*	*0.5*	
Information Services	95.4	95.1	95.1	95.9	96.0	88.7	87.5	87.4	-8.9
% change	*0.4*	*-0.2*	*-0.0*	*0.8*	*0.1*	*-7.6*	*-1.4*	*-0.1*	
Financial Services	408.8	410.8	411.8	413.4	412.1	401.1	402.8	403.8	-2.3
% change	*0.6*	*0.5*	*0.2*	*0.4*	*-0.3*	*-2.7*	*0.4*	*0.2*	
Professional & Business Services	948.4	948.1	947.4	937.9	930.7	848.8	867.6	889.8	-5.1
% change	*0.0*	*-0.0*	*-0.1*	*-1.0*	*-0.8*	*-8.8*	*2.2*	*2.6*	
Education & Health Services	933.9	936.3	938.5	946.6	948.9	862.8	894.7	889.2	-6.1
% change	*0.0*	*0.3*	*0.2*	*0.9*	*0.2*	*-9.1*	*3.7*	*-0.6*	
Leisure & Hospitality Services	621.8	621.7	621.7	621.7	614.7	347.4	477.3	462.3	-25.6
% change	*0.3*	*-0.0*	*0.0*	*0.0*	*-1.1*	*-43.5*	*37.4*	*-3.1*	
Other Services	255.3	255.9	254.9	256.2	257.1	216.3	237.6	240.4	-6.2
% change	*-0.1*	*0.2*	*-0.4*	*0.5*	*0.3*	*-15.8*	*9.8*	*1.2*	
Government	821.6	824.1	826.1	830.5	833.9	774.5	789.3	781.4	-5.9
% change	*0.1*	*0.3*	*0.2*	*0.5*	*0.4*	*-7.1*	*1.9*	*-1.0*	
									1-yr change
Unemployment Rate (%, SA)	4.3	4.1	3.8	3.7	3.7	15.7	11.0	7.3	3.6
									Most recent
									% change yr ago
Labor force (ths)	6,468.4	6,448.1	6,442.5	6,433.9	6,370.0	6,307.3	6,303.5	6,208.8	-3.5
% change	*-0.0*	*-0.3*	*-0.1*	*-0.1*	*-1.0*	*-1.0*	*-0.1*	*-1.5*	
Number of unemployed (ths)	280.5	264.7	246.1	236.0	236.9	987.0	690.6	452.8	91.9
% change	*0.5*	*-5.6*	*-7.0*	*-4.1*	*0.4*	*316.6*	*-30.0*	*-34.4*	
Number of employed (ths)	6,188.0	6,183.5	6,196.4	6,197.9	6,133.1	5,320.3	5,612.9	5,756.0	-7.1
% change	*-0.1*	*-0.1*	*0.2*	*0.0*	*-1.0*	*-13.3*	*5.5*	*2.5*	
Total Residential Permits (# of units YTD, NSA)	3,589	10,280	15,191	20,917	4,295	8,351	13,211	17,831	-14.8
% change yr ago	*-8.1*	*-1.7*	*-6.2*	*-3.9*	*19.7*	*-18.8*	*-13.0*	*-14.8*	
Single-family, (# of units YTD, NSA)	1,795	4,526	7,063	9,017	1,760	4,103	7,163	9,719	7.8
% change yr ago	*-11.3*	*-10.2*	*-10.3*	*-11.8*	*-1.9*	*-9.3*	*1.4*	*7.8*	
Multifamily, (# of units YTD, NSA)	1,794	5,754	8,128	11,900	2,535	4,248	6,048	8,112	-31.8
% change yr ago	*-4.7*	*6.2*	*-2.3*	*3.0*	*41.3*	*-26.2*	*-25.6*	*-31.8*	
5 +, (# of units YTD, NSA)	1,585	5,244	7,231	10,683	2,377	3,836	5,319	7,219	-32.4
% change yr ago	*-6.6*	*5.6*	*-3.7*	*1.8*	*50.0*	*-26.8*	*-26.4*	*-32.4*	

Illinois
Recent Quarterly Performance

	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	Most recent % change yr ago
Existing Single-Family Home Sales (ths, SAAR)	182.6	186.9	190.6	188.2	195.8	145.9	na	na	na
% change	*-0.9*	*2.4*	*2.0*	*-1.2*	*4.0*	*-25.5*	*na*	*na*	
Home Price Index (1980Q1=100, NSA)	346.7	350.8	353.1	356.1	358.2	358.6	361.8	367.0	3.1
% change	*1.1*	*1.2*	*0.6*	*0.8*	*0.6*	*0.1*	*0.9*	*1.4*	
Median Existing Home Sales Price (ths, SA)	217.7	217.2	217.4	226.1	231.8	222.3	242.1	na	na
% change	*0.8*	*-0.2*	*0.1*	*4.0*	*2.5*	*-4.1*	*8.9*	*na*	
Personal Income ($ mil, SAAR)	740,748	740,697	746,800	750,318	757,400	824,170	814,837	na	9.1
% change	0.7	-0.0	0.8	0.5	0.9	8.8	-1.1	na	
Wages & Salaries ($ mil)	394,590	393,123	395,009	396,863	400,104	374,320	395,770	na	0.2
% change	*2.1*	*-0.4*	*0.5*	*0.5*	*0.8*	*-6.4*	*5.7*	*na*	
Nonwage Income ($ mil)	346,158	347,573	351,791	353,455	357,296	449,850	419,067	na	19.1
% change	*-0.9*	*0.4*	*1.2*	*0.5*	*1.1*	*25.9*	*-6.8*	*na*	
Avg Hrly Earnings: Mfg ($ per hr, SA)	21.58	21.78	22.00	22.20	21.98	22.16	22.05	22.03	-0.8
% change	*-0.4*	*0.9*	*1.0*	*0.9*	*-1.0*	*0.8*	*-0.5*	*-0.1*	
Personal Bankruptcies (# 3-mo Ending, SAAR)	46,136	48,888	48,299	47,553	43,311	26,268	26,779	24,062	-49.4

Illinois
Recent Annual Performance

	2013	2014	2015	2016	2017	2018	2019	2020	5-yr Avg Annual % change
Gross State Product (Ch. 2009$ mil, SAAR)	719,922.2	735,876.3	747,666.8	746,370.0	752,459.2	769,631.2	773,135.5	na	1.0
% change	*-0.1*	*2.2*	*1.6*	*-0.2*	*0.8*	*2.3*	*0.5*	*na*	
Establishment Employment (Ths, SA)									
Total Employment	5,803.6	5,877.8	5,964.2	6,012.5	6,055.6	6,102.3	6,119.0	5,724.7	-0.8
% change	*0.9*	*1.3*	*1.5*	*0.8*	*0.7*	*0.8*	*0.3*	*-6.4*	
Natural Resources & Mining	9.7	9.9	9.3	8.1	7.8	7.9	8.2	7.3	-4.9
% change	*-5.0*	*2.7*	*-6.0*	*-13.4*	*-3.4*	*0.9*	*4.7*	*-11.9*	
Construction	191.4	201.8	213.4	218.6	220.4	226.2	227.0	215.6	0.2
% change	*1.2*	*5.5*	*5.7*	*2.4*	*0.8*	*2.6*	*0.4*	*-5.0*	
Manufacturing	579.6	580.4	582.0	575.1	576.0	587.1	585.2	556.4	-0.9
% change	*-0.6*	*0.1*	*0.3*	*-1.2*	*0.2*	*1.9*	*-0.3*	*-4.9*	
Trade, Transportation, & Utilities	1,161.8	1,177.3	1,198.6	1,208.7	1,210.6	1,211.6	1,204.8	1,159.4	-0.7
% change	*0.7*	*1.3*	*1.8*	*0.8*	*0.2*	*0.1*	*-0.6*	*-3.8*	
Retail Trade	600.0	606.4	616.6	620.4	613.1	601.4	586.6	561.8	-1.0
% change	*0.5*	*1.1*	*1.7*	*0.6*	*-1.2*	*-1.9*	*-2.5*	*-4.2*	
Wholesale Trade	294.9	296.0	296.7	294.2	294.7	294.2	294.6	281.5	-1.8
% change	*1.0*	*0.4*	*0.3*	*-0.9*	*0.2*	*-0.1*	*0.1*	*-4.4*	
Transportation & Utilities	266.8	274.9	285.3	294.1	302.8	316.0	323.7	316.2	2.1
% change	*0.8*	*3.0*	*3.8*	*3.1*	*3.0*	*4.4*	*2.4*	*-2.3*	
Information Services	98.9	99.0	100.4	98.4	97.5	94.8	95.4	89.9	-2.2
% change	*-1.3*	*0.1*	*1.4*	*-1.9*	*-1.0*	*-2.8*	*0.6*	*-5.8*	
Financial Services	378.9	378.0	382.4	386.7	395.0	402.9	411.2	405.0	1.2
% change	*0.9*	*-0.2*	*1.2*	*1.1*	*2.1*	*2.0*	*2.1*	*-1.5*	
Professional & Business Services	883.6	908.9	921.1	931.5	942.1	947.9	945.5	884.2	-0.8
% change	*3.0*	*2.9*	*1.3*	*1.1*	*1.1*	*0.6*	*-0.3*	*-6.5*	
Education & Health Services	875.2	886.1	900.3	915.4	923.7	932.0	938.8	898.9	-0.0
% change	*1.4*	*1.2*	*1.6*	*1.7*	*0.9*	*0.9*	*0.7*	*-4.3*	
Leisure & Hospitality Services	546.4	558.4	578.4	597.2	610.9	617.9	621.7	475.4	-3.8
% change	*1.8*	*2.2*	*3.6*	*3.2*	*2.3*	*1.1*	*0.6*	*-23.5*	
Other Services	249.9	252.2	252.1	251.3	252.8	254.2	255.6	237.9	-1.2
% change	*0.1*	*0.9*	*-0.1*	*-0.3*	*0.6*	*0.6*	*0.5*	*-6.9*	
Government	828.2	825.7	826.2	821.6	818.9	819.9	825.6	794.8	-0.8
% change	*-0.5*	*-0.3*	*0.1*	*-0.6*	*-0.3*	*0.1*	*0.7*	*-3.7*	
									5-yr change
Unemployment Rate (%)	9.0	7.1	6.0	5.8	4.9	4.3	4.0	9.4	5.4
									5-yr Avg
									Annual % change
Labor force (ths)	6,551.6	6,513.3	6,506.9	6,542.4	6,477.7	6,464.2	6,448.2	6,297.4	-0.7
% change	*-0.5*	*-0.6*	*-0.1*	*0.5*	*-1.0*	*-0.2*	*-0.2*	*-2.3*	
Number of unemployed (ths)	591.7	461.8	387.3	380.8	318.6	279.5	256.8	591.8	8.8
% change	*-0.1*	*-22.0*	*-16.1*	*-1.7*	*-16.3*	*-12.3*	*-8.1*	*130.4*	
Number of employed (ths)	5,959.9	6,051.5	6,119.6	6,161.6	6,159.1	6,184.8	6,191.4	5,705.6	-1.4
% change	*-0.5*	*1.5*	*1.1*	*0.7*	*-0.0*	*0.4*	*0.1*	*-7.8*	
									5-yr Avg
Total Residential Permits (# of units)	15,348	19,857	19,472	22,508	25,313	21,776	20,917	17,831	21,669
% change yr ago	*12.2*	*29.4*	*-1.9*	*15.6*	*12.5*	*-14.0*	*-3.9*	*-14.8*	
Single-family	9,981	10,258	10,551	10,677	10,692	10,225	9,017	9,719	10,066
% change yr ago	*12.5*	*2.8*	*2.9*	*1.2*	*0.1*	*-4.4*	*-11.8*	*7.8*	
Multifamily	5,367	9,599	8,921	11,831	14,621	11,551	11,900	8,112	11,603
% change yr ago	*11.7*	*78.9*	*-7.1*	*32.6*	*23.6*	*-21.0*	*3.0*	*-31.8*	
5 +	4,671	8,849	8,122	10,954	13,522	10,496	10,683	7,219	10,575
% change yr ago	*12.2*	*89.4*	*-8.2*	*34.9*	*23.4*	*-22.4*	*1.8*	*-32.4*	

Illinois
Recent Annual Performance

	2013	2014	2015	2016	2017	2018	2019	2020	5-yr Avg Annual % change
Existing Single-Family Home Sales (Ths)	190.6	175.9	190.3	196.8	200.1	191.0	187.1	na	na
% change	*18.2*	*-7.7*	*8.2*	*3.4*	*1.7*	*-4.5*	*-2.1*	*na*	
Home Price Index (1980Q1=100)	296.2	305.3	316.1	325.7	334.4	342.0	351.7	361.4	2.7
% change	*0.3*	*3.1*	*3.5*	*3.0*	*2.7*	*2.3*	*2.8*	*2.8*	
Median Existing Home Sales Price (ths)	161.2	172.2	182.2	195.5	208.1	215.4	219.6	na	na
% change	*8.1*	*6.9*	*5.8*	*7.3*	*6.4*	*3.5*	*1.9*	*na*	
Personal Income ($ mil)	607,671	637,280	665,490	672,020	693,274	727,064	744,641	na	3.2
% change	*2.4*	*4.9*	*4.4*	*1.0*	*3.2*	*4.9*	*2.4*	*na*	
Wages & Salaries ($ mil)	320,099	333,328	350,187	355,778	367,692	382,886	394,896	na	3.4
% change	*1.7*	*4.1*	*5.1*	*1.6*	*3.3*	*4.1*	*3.1*	*na*	
Nonwage Income ($ mil)	287,572	303,952	315,303	316,242	325,581	344,178	349,744	na	2.8
% change	*3.3*	*5.7*	*3.7*	*0.3*	*3.0*	*5.7*	*1.6*	*na*	
Avg Hrly Earnings: Mfg. ($ per hr)	19.45	19.49	19.77	20.25	20.21	21.30	21.89	22.05	2.2
% change	*1.5*	*0.2*	*1.4*	*2.4*	*-0.2*	*5.4*	*2.8*	*0.7*	
Personal Bankruptcies	64,882	60,205	56,104	52,845	50,479	47,242	47,719	30,105	-11.7
% change	*-3.4*	*-7.2*	*-6.8*	*-5.8*	*-4.5*	*-6.4*	*1.0*	*-36.9*	
Population (ths)	12,895.8	12,885.1	12,859.6	12,821.7	12,779.9	12,724.7	12,667.0	12,587.5	-0.4
% change	*0.1*	*-0.1*	*-0.2*	*-0.3*	*-0.3*	*-0.4*	*-0.5*	*-0.6*	
Net Migration (ths)	-40.4	-65.9	-77.6	-88.7	-85.1	-93.4	-85.8	na	-86.1

Illinois
History

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Employment (ths)	5,677.7	5,751.0	5,803.6	5,877.8	5,964.2	6,012.5	6,055.6	6,102.3	6,119.0	5,724.7
% change	*1.2*	*1.3*	*0.9*	*1.3*	*1.5*	*0.8*	*0.7*	*0.8*	*0.3*	*-6.4*
Manufacturing	574.5	583.3	579.6	580.4	582.0	575.1	576.0	587.1	585.2	556.4
Construction	195.9	189.1	191.4	201.8	213.4	218.6	220.4	226.2	227.0	215.6
Prof. and Bus. Serv.	824.0	857.5	883.6	908.9	921.1	931.5	942.1	947.9	945.5	884.2
Edu. and Health Serv.	848.4	863.1	875.2	886.1	900.3	915.4	923.7	932.0	938.8	898.9
Leisure and Hospitality	522.4	536.6	546.4	558.4	578.4	597.1	610.9	617.9	621.7	475.4
Other Services	249.7	249.8	249.9	252.2	252.1	251.3	252.8	254.2	255.6	237.9
Trade, Trans. and Util.	1,141.6	1,153.8	1,161.8	1,177.3	1,198.6	1,208.7	1,210.6	1,211.6	1,204.8	1,159.4
Wholesale	287.1	291.9	294.9	296.0	296.7	294.2	294.7	294.2	294.6	281.5
Retail	595.3	597.2	600.0	606.4	616.6	620.4	613.1	601.4	586.6	561.8
Trans. and Util.	259.1	264.7	266.8	274.9	285.3	294.1	302.8	316.0	323.7	316.2
Financial Activities	372.4	375.6	378.9	378.0	382.4	386.7	394.9	402.9	411.2	405.0
Information	100.5	100.1	98.9	99.0	100.4	98.4	97.5	94.8	95.4	89.9
Government	838.7	832.0	828.2	825.7	826.2	821.6	818.9	819.9	825.6	794.8
Natural Res. and Min.	9.6	10.2	9.7	9.9	9.3	8.1	7.8	7.9	8.2	7.3
Unemployment Rate (%)	9.7	9.0	9.0	7.1	6.0	5.8	4.9	4.3	4.0	9.4
Population (ths)	12,867.8	12,883.0	12,895.8	12,885.1	12,859.6	12,821.7	12,779.9	12,724.7	12,667.0	12,587.5
% change	*0.2*	*0.1*	*0.1*	*-0.1*	*-0.2*	*-0.3*	*-0.3*	*-0.4*	*-0.5*	*-0.6*
Age: <5	825.3	813.9	801.3	793.8	786.8	779.0	770.0	760.6	746.9	na
Age: 5-19	2,631.0	2,603.6	2,576.0	2,541.9	2,510.8	2,481.1	2,453.0	2,425.5	2,398.4	na
Age: 20-24	887.3	898.3	906.1	907.2	898.2	880.6	863.1	847.5	830.0	na
Age: 25-44	3,491.4	3,481.6	3,478.8	3,465.6	3,445.4	3,425.4	3,414.0	3,409.5	3,395.2	na
Age: 45-64	3,390.1	3,384.1	3,384.1	3,380.5	3,377.9	3,366.9	3,343.4	3,305.0	3,258.1	na
Age: >65	1,642.1	1,702.6	1,751.9	1,800.0	1,845.2	1,894.0	1,942.8	1,993.0	2,043.2	na
Households (ths)	4,875.6	4,904.8	4,945.9	4,982.2	5,019.2	5,054.6	5,073.8	5,084.8	5,077.6	5,047.0
% change	*0.6*	*0.6*	*0.8*	*0.7*	*0.7*	*0.7*	*0.4*	*0.2*	*-0.1*	*-0.6*
Personal Income ($bil)	568.0	593.2	607.7	637.3	665.5	672.0	693.3	727.1	744.6	798.2
% change	*5.1*	*4.4*	*2.4*	*4.9*	*4.4*	*1.0*	*3.2*	*4.9*	*2.4*	*7.2*
Total Residential Permits (#)	11,809.0	13,797.0	15,545.0	20,578.0	19,571.0	22,603.0	24,992.0	21,510.0	20,524.0	18,227.0
% change	*-4.1*	*16.8*	*12.7*	*32.4*	*-4.9*	*15.5*	*10.6*	*-13.9*	*-4.6*	*-11.2*
Single-family permits	6,834.0	8,564.0	9,869.0	10,553.0	10,076.0	10,187.0	10,181.0	10,041.0	8,745.0	9,640.4
Multifamily permits	4,975.0	5,233.0	5,676.0	10,025.0	9,495.0	12,416.0	14,811.0	11,469.0	11,779.0	8,586.6

Illinois
Forecast

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Employment (ths)	5,724.7	5,766.3	5,910.9	6,004.8	6,049.7	6,075.0	6,098.2	6,120.2	6,140.6
% change	*-6.4*	*0.7*	*2.5*	*1.6*	*0.8*	*0.4*	*0.4*	*0.4*	*0.3*
Manufacturing	556.4	559.0	566.2	564.3	556.8	548.4	540.6	533.2	526.1
Construction	215.6	223.6	235.0	239.3	243.0	245.2	245.0	244.6	243.8
Prof. and Bus. Serv.	884.2	909.6	934.6	948.2	954.8	964.6	974.6	984.8	995.3
Edu. and Health Serv.	898.9	903.0	925.3	943.0	952.9	959.5	966.2	971.5	976.1
Leisure and Hospitality	475.4	466.1	493.6	515.4	528.7	535.4	540.5	545.8	551.0
Other Services	237.9	242.7	247.9	252.0	254.1	255.0	256.1	256.9	257.4
Trade, Trans. and Util.	1,159.4	1,178.7	1,206.3	1,224.2	1,230.5	1,233.9	1,237.6	1,240.5	1,242.4
Wholesale	281.5	282.2	289.0	293.0	293.8	293.8	294.0	294.1	294.1
Retail	561.8	579.1	590.0	598.0	601.0	602.4	604.2	605.3	605.8
Trans. and Util.	316.2	317.4	327.3	333.2	335.7	337.6	339.5	341.1	342.5
Financial Activities	405.0	406.8	413.4	417.9	419.9	421.7	425.2	429.3	433.3
Information	89.9	88.8	90.4	91.4	91.8	92.0	92.1	92.1	92.1
Government	794.8	780.4	789.6	800.2	808.2	810.3	811.4	812.9	814.4
Natural Res. and Min.	7.3	7.8	8.6	8.9	9.0	8.9	8.9	8.8	8.7
Unemployment Rate (%)	9.4	6.5	5.2	4.5	4.6	4.6	4.7	4.8	4.8
Personal Income ($ bil)	798.2	841.3	833.8	871.5	907.7	944.3	983.0	1,024.9	1,069.0
% change	*7.2*	*5.4*	*-0.9*	*4.5*	*4.2*	*4.0*	*4.1*	*4.3*	*4.3*
Population (ths)	12,587.5	12,543.5	12,499.6	12,453.3	12,404.8	12,353.9	12,300.8	12,245.4	12,186.6
% change	*-0.6*	*-0.4*	*-0.4*	*-0.4*	*-0.4*	*-0.4*	*-0.4*	*-0.5*	*-0.5*
Age: <5	730.1	721.2	717.5	718.6	720.7	720.2	719.6	717.6	715.4
Age: 5-19	2,362.7	2,336.8	2,312.4	2,285.2	2,257.7	2,231.1	2,205.5	2,180.9	2,159.5
Age: 20-24	813.2	804.0	792.5	782.1	772.8	761.0	754.0	751.9	745.8
Age: 25-44	3,388.6	3,383.0	3,373.6	3,361.2	3,344.3	3,322.0	3,297.8	3,269.5	3,242.9
Age: 45-64	3,199.8	3,150.9	3,104.9	3,059.8	3,018.1	2,981.0	2,944.8	2,912.0	2,880.9
Age: >65	2,094.6	2,146.2	2,197.4	2,246.6	2,292.4	2,337.4	2,377.7	2,412.3	2,442.2
Households (ths)	5,047.0	4,997.1	5,110.0	5,121.7	5,124.8	5,126.7	5,124.5	5,117.7	5,108.7
% change	*-0.6*	*-1.0*	*2.3*	*0.2*	*0.1*	*0.0*	*-0.0*	*-0.1*	*-0.2*
Total Residential Permits (#)	18,227.0	26,565.9	29,752.8	29,905.0	29,629.4	29,194.1	27,651.1	26,129.5	25,576.5
% change	*-11.2*	*45.8*	*12.0*	*0.5*	*-0.9*	*-1.5*	*-5.3*	*-5.5*	*-2.1*
Single-family permits	9,640.4	16,636.4	20,406.8	20,614.2	20,305.3	20,126.8	19,398.7	18,511.3	17,699.7
Multifamily permits	8,586.6	9,929.5	9,346.1	9,290.8	9,324.1	9,067.4	8,252.4	7,618.2	7,876.8

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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.

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