



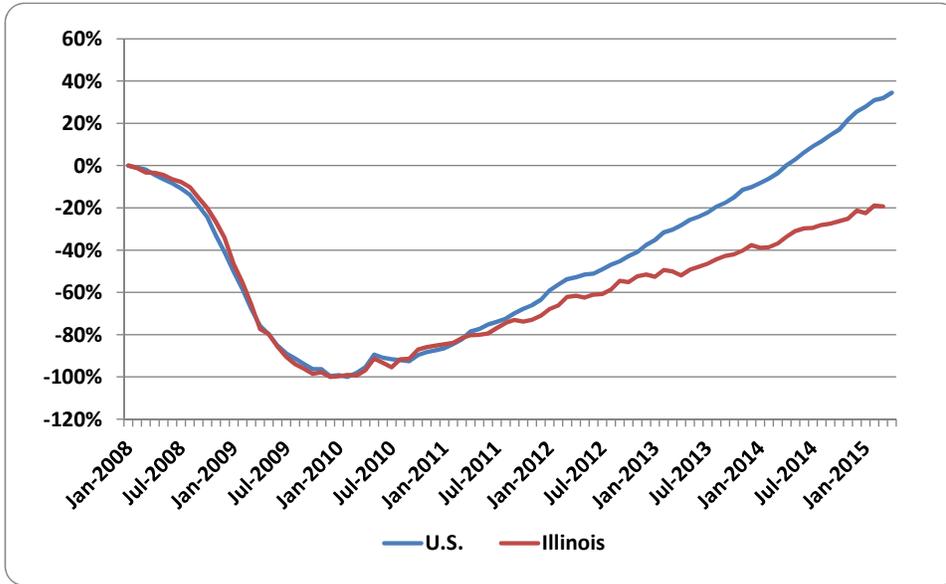
Key Historical Data for U.S. and Illinois Reveal Current Economic Conditions

by Dave Bieneman, Ph. D.

Producing economic analysis for Illinois often requires the utilization of national or regional data in addition to, or in place of, state data. Economic data is often not available at frequent time intervals (if at all) for smaller geographies. Many different measures are available that cover various aspects of the economy. It is optimal to include only those measures covering the same geography over the same time period but compromise is often necessary.

A comparison of Illinois data and national data is used to specify whether Illinois is above, about the same, or below the national average. The United States economy is not homogenous throughout its various regions and states. Likewise each state's economy is not homogenous across all regions. Analyzing state data will help describe the national environment. Similarly sub-state data can tell us how different regions are performing within the state.

Exhibit 1. Current Employment Statistics Data (U.S. & IL) Percentage Change in Employment Since Start of Great Recession



Source: Bureau of Labor Statistics (BLS), Illinois Department of Employment Security (IDES), Haver Analytics

In this article a wide variety of economic data is reviewed to look at various aspects of the economy. The main objective of the paper is to combine national and state data to review the overall economy, then available data can be used to make observations about the Illinois and national economy.

Employment (National and Statewide)

The Great Recession, which officially lasted from December 2007 through June 2009 negatively impacted employment in both the U.S. and Illinois. The employment loss in the U.S. for the recession reached a maximum of 8.7 million jobs in February 2010. The cumulative employment count is shown as a percentage of total lost jobs in **Exhibit 1** with the maximum lost jobs for

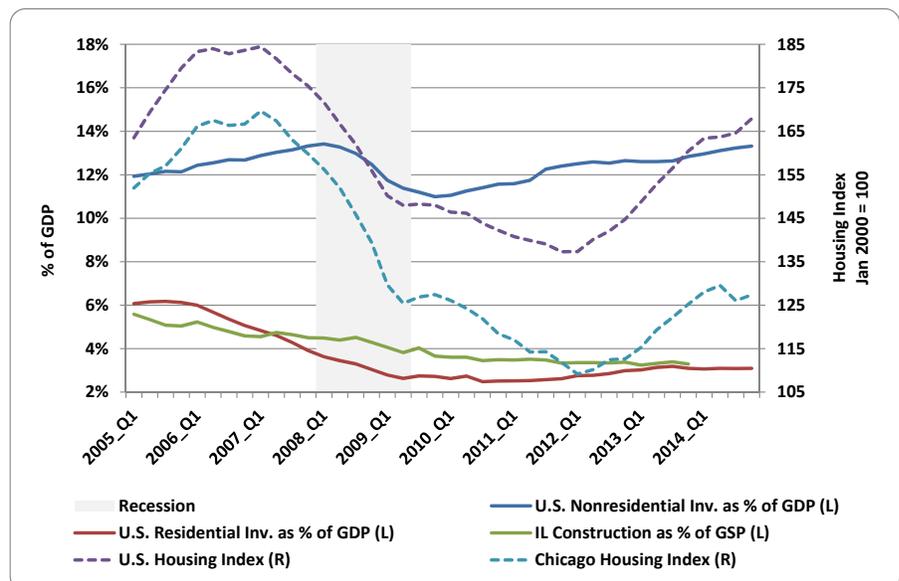
the country represented by -100% on the chart. All of the jobs lost in the nation due to the recession had been recovered by April 2014.

Illinois reached its maximum lost jobs two months before the nation in December 2009. The state followed a similar path as jobs declined and then in the early stages of the recovery, but was unable to maintain the same trajectory of regaining jobs as the U.S. As of April 2015, Illinois is still 18.3 percent short of regaining all of the jobs it lost due to the recession. Illinois lags behind the average state in economic growth, while the nation's strongest growth in recent decades has taken place in the south and west portions of the country.

Production and Expenditures

Exhibit 2 charts data for the proportions of U.S. GDP for both residential and nonresidential private investment, the proportion of Illinois Gross State Product (GSP) for construction, and Case-Shiller housing

Exhibit 2. Residential & Nonresidential Private Investment as % of GDP (U.S.), Construction as % of GSP (IL), and Housing Indices for U.S. & Chicago (L= left axis; R=right axis)



Source: Bureau of Economic Analysis (BEA), S&P/Case-Shiller, Haver Analytics

indices for the U.S. and the Chicago region (proxy for Illinois). Quarterly data from the first quarter of 2005 through the fourth quarter of 2014 (fourth quarter of 2013 for Illinois GSP data) are included.

The nonresidential private investment proportion of national GDP (reflects non-residential construction activity) rose to just above a 13 percent share in early 2008. This proportion fell to 11 percent by the end of 2009, and then steadily rebounded to above 13 percent again in 2014. Meanwhile the residential private investment proportion of national GDP (reflects residential construction activity) was above a 6 percent share in 2005. At about the same time the housing price indices for both the U.S. and the Chicago region (represented by dashed

lines on chart) began to level off, the residential private investment share of GDP started to decline. Housing prices stayed flat through 2006 and then began to decrease through 2011, although the rate of decline lessens in 2009.

This movement in housing prices represents the deflation of the housing bubble. Although the residential private investment share of GDP had started to slide when prices were leveling off, the downward trend continued through about 2010 to a bottom of 2.5 percent. Only then did the residential private investment share start to increase, albeit slightly. This data shows that the housing market activity has yet to pick up significantly. A strong housing market would be a good signal of a strong economic recovery.

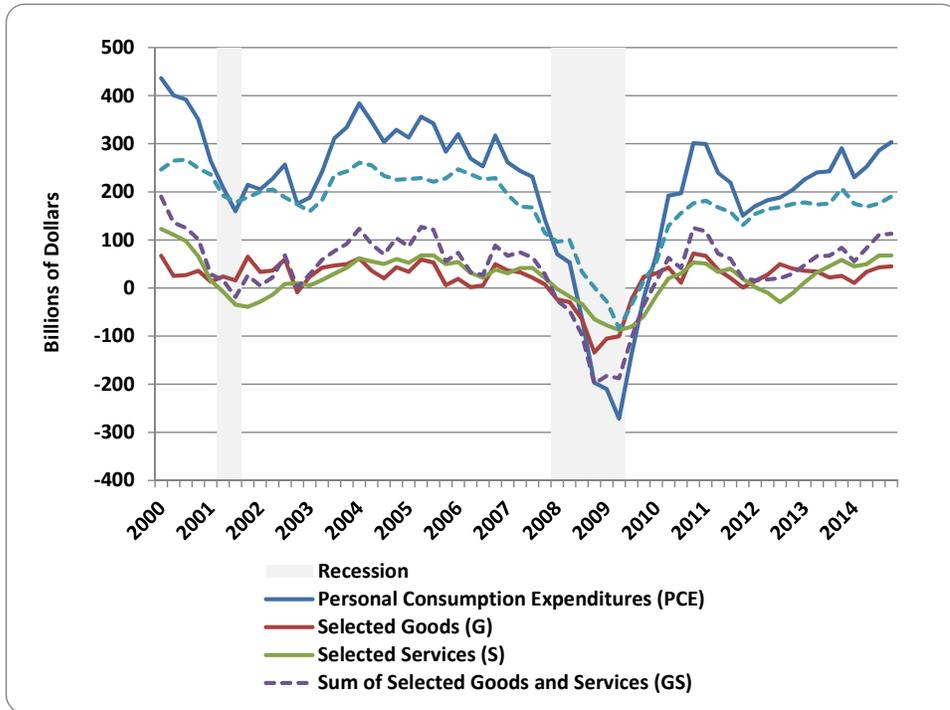
The share of construction spending as a proportion of the Illinois GSP is analogous to combining the residential and nonresidential construction components of U.S. GDP. The share of construction spending in Illinois is well below the combined shares of residential and nonresidential investment for the U.S. Illinois construction also fell as a proportion of GSP throughout the same period that the national residential construction fell, but not as steeply.

The housing price indices series have not yet completely rebounded to their highs, which occurred around the start of 2007. National prices have regained almost 65 percent of the ground they lost on the national index while the Chicago region index has regained only about 30 percent of the value it lost. Comparing the national price series directly with the Chicago region price series shows that the value of the national series is a little over 10 greater than the regional series in 2005, about 20 greater in 2009, about 30 greater in 2012, and about 40 greater in 2014. Even though the series tended to go up and down at the same intervals they have continued to drift further apart over time.

The residential private investment proportion of national GDP was at 6.2 percent in 2005, fell to 2.5 percent in 2010 and 2011, and is most recently 3.1 percent in the fourth quarter of 2014. It is no coincidence that the failure of housing prices to recover is reflected in the weakness of the residential private investment proportion of national GDP over nearly a decade. These numbers are also reflected in the residential construction employment sector that lost about half of its employment from



Exhibit 3. Personal Consumption Expenditures (PCE) and Related Component Series (Year-to-Year Change)



Source: Bureau of Economic Analysis (BEA)

peak to trough and have only recovered about one-third of the lost jobs by 2014 Q3 (according to Quarterly Census of Employment and Wages (QCEW) data).

beverages purchased for off-premises consumption; and 2) clothing and footwear. The series S is comprised of three sub-components: 1) transportation services; 2) food services and

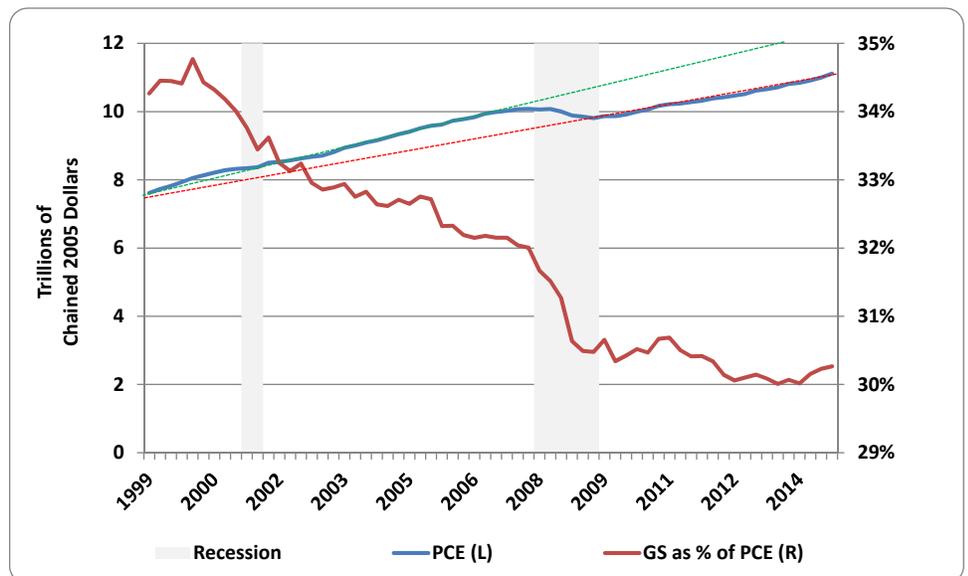
accommodations; and 3) financial services and insurance. The two series (G and S) combined equal the series of selected goods and services (GS). These series were selected because they are discretionary goods and services; consumers will purchase more of these goods and services during economic expansions, but reduce these purchases during economic recessions.

The year-to-year changes for both G and S became negative near the start of the recession and remained negative for a total of eight quarters. The annual difference for their sum, GS, accounts for almost the entire negative gap of the year-to-year change in PCE around the time of the recession. This is the focus of this chart since GS includes only three sub-components of goods and only three sub-components of services. The year-to-year change for the remaining nine sub-components (out of a total of 15 sub-components) was negative for only three quarters, having

Consumer Expenditures (U.S.)

Personal consumption expenditures (PCE) account for approximately two-thirds of national GDP so changes in consumer spending have a major impact on the economy. **Exhibit 3** charts the year-to-year changes for PCE as well as: selected goods (G), and selected services (S); the sum of those two, selected goods and services (GS); and the series representing the difference in PCE and GS. Series G is comprised of one sub-component within durable goods: motor vehicles and parts, and two sub-components within nondurable goods: 1) food and

Exhibit 4. Personal Consumption Expenditures (PCE) and Selected Goods and Services (GS) as a % of PCE (L= left axis; R= right axis)



Source: Bureau of Economic Analysis (BEA)

a lesser impact during the recession. Non-discretionary goods and services are those that tend to be more stable during expansions and recessions.

Exhibit 4, on the previous page, is a chart plotted with PCE and GS as a percentage of PCE. The difference in the quarter-to-quarter changes in PCE before and after the recession are reflected in the slope of the PCE in the years leading up to the recession (represented by green dashed trend line), which is steeper than the slope of the PCE in the years after the recession (represented by red dashed trend line). On the same chart you can see that GS as a percentage of PCE has trended downward over the 15 years plotted. This means that on average, consumers are spending less of each dollar on GS over time.

During the Great Recession the decline in GS as a % of PCE accelerated and the path of PCE transitioned from one trend line to another trend line as a result of the large dip in PCE during that period. During the time that the proportional share (GS as % of PCE) has shrunk, consumers have spent more of each dollar (proportional share has increased) on the component series including: 1) health care; 2) recreational goods and vehicles; and 3) furnishings and durable household equipment. This implies that a structural change has taken place in consumer spending away from GS and toward 1); 2); and 3).

Wealth and Income

Exhibit 5 is a plot of three individual series from the Federal Flow of Funds data: total net worth (TNW), total financial assets (TFA), and real estate at

market value (REMV); two combined series that are sums of component series of TFA: corporate equities, mutual fund shares, and equity in noncorporate business (CEMFSENB) and the remaining 16 component series of TFA (TFA – CEMFSENB); along with the S & P 500 Composite Index (3-month average of monthly average price data). The CEMFSENB series represents assets that tend to be more volatile while the series TFA – CEMFSENB represents assets that tend to be more stable in growth. Some component series included in the latter are: pension fund reserves, time and savings deposits, municipal securities, and life insurance reserves.

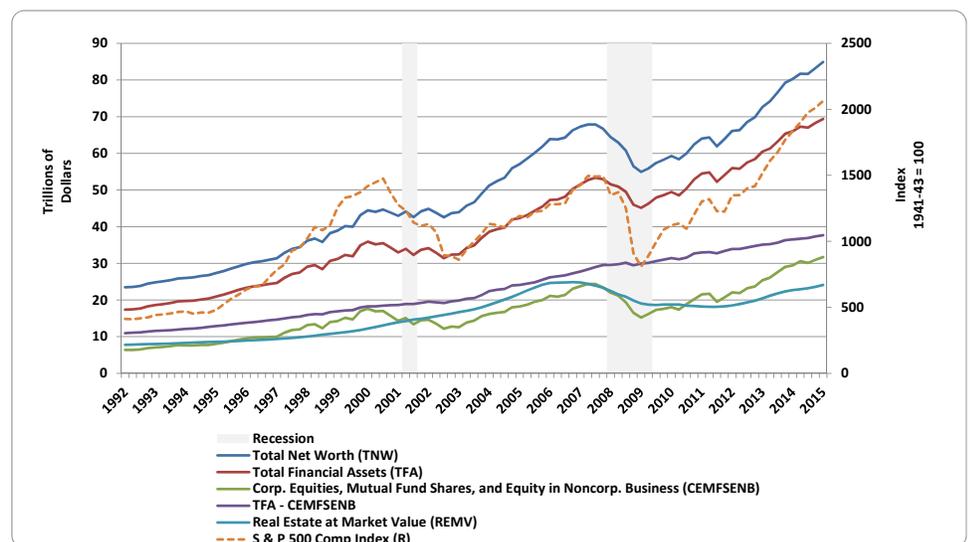
Two time periods on the chart are of interest. The period around the dot com

bubble of March – December 2001 and the period around the Great Recession of December 2007 – June 2009, demonstrate significant fluctuations in the data series around these times.

During the 2001 recession, the stock market, represented by the S & P 500 Comp Index, began to decline before the recession and continued its steep slide after the recession. Both TFA and TNW leveled off and even declined slightly during this period while REMV continued to trend upward. The CEMFSENB series moved up and down at the same time as the S & P 500 Comp index, which is reflected in both TFA and TNW. CEMFSENB accounted for 49.1 percent of TFA in 2000 Q1 but fell to 38.8 percent of TFA in 2002 Q3. Meanwhile, the stable asset series TFA

Exhibit 5. Graph of Total Net Worth (TNW), Total Financial Assets (TFA), Corporate Equities, Mutual Fund Shares & Equity in Noncorporate Business (combined) (CEMFSENB), (TFA – CEMFSENB), and Real Estate at Market Value (REMV) for the U.S. [Not Seasonally Adjusted (NSA)] and the S&P 500 Composite Index (R = right axis)

Note: dollar amounts for Federal Flow of Funds data are not adjusted for inflation



Source: Federal Reserve Board, Federal Reserve Bank of St. Louis, Standard & Poor's, Haver Analytics

– CEMFSENB continued its steady trend upward.

Even though the stock market index dropped over 40 percent over the ten quarters of this recession, the total market value of real estate (REMV) increased more than 27 percent during the same period. REMV accounts for roughly 80 percent of Total Nonfinancial Assets on the FFF Balance Sheet of Households and Nonprofit Organizations.

In contrast, during the Great Recession the stock market index declined sharply at the start of the recession and then started upward at the end of the recession, a total decline of about 45 percent across six quarters. TFA, TNW, and CEMFSENB declined around this same period. In this case the national

housing price index had hit its peak in the first quarter of 2007 and had started moving down, slowly at first, then fell faster after the start of the Great Recession. CEMFSENB fell from 46.3 percent of the value of TFA in the second quarter of 2007 to 33.6 percent of the value in the first quarter of 2009. The remaining components (TFA – CEMFSENB) continued to trend upward throughout the same period.

As the housing bubble was deflating, the REMV data series also started moving downward early in 2007. The peak of TNW was in the second quarter of 2007, a couple of quarters before the major decline in the stock market index. TNW started to decline earlier because it also incorporated the decline in REMV from total nonfinancial assets.

After the Great Recession the stock market index recovered and moved steeply upward driving the trend in CEMFSENB, TFA and TNW. REMV remained flat for a few years before going through what appeared to be a slight recovery as a result of increases in housing prices. This shows that REMV has had a relatively small impact on the increase of TNW after the Great Recession.

During the 2001 recession both TFA and TNW remained relatively flat with a small decline for a couple of years. At the same time REMV continued to trend upward. Later, during the Great Recession, TFA fell as the stock market fell and while REMV also moved downward. TNW fell as a result of the changes in both TFA and REMV. TFA and TNW both recovered with an upward trend even as REMV sputtered.

The data in **Exhibit 6** show that REMV is not quite back to the same value (3.1 percent lower for Peak to Most Recent) as the peak in 2006 Q4. The value of national real estate has not recovered its value almost a decade later even though the data are in nominal dollars, that is, are not adjusted for inflation.

TNW regained its value by 2012 Q3 and TFA regained its nominal value by 2011 Q1. The most recent data shows that the value of TNW is 25.1 percent higher than it was at the peak before the Great Recession occurred. Data show that the value of TFA is 30.0 percent higher than at the peak before the Great Recession. So TNW has achieved larger values after the Great Recession because of increases in TFA, and not because of REMV.

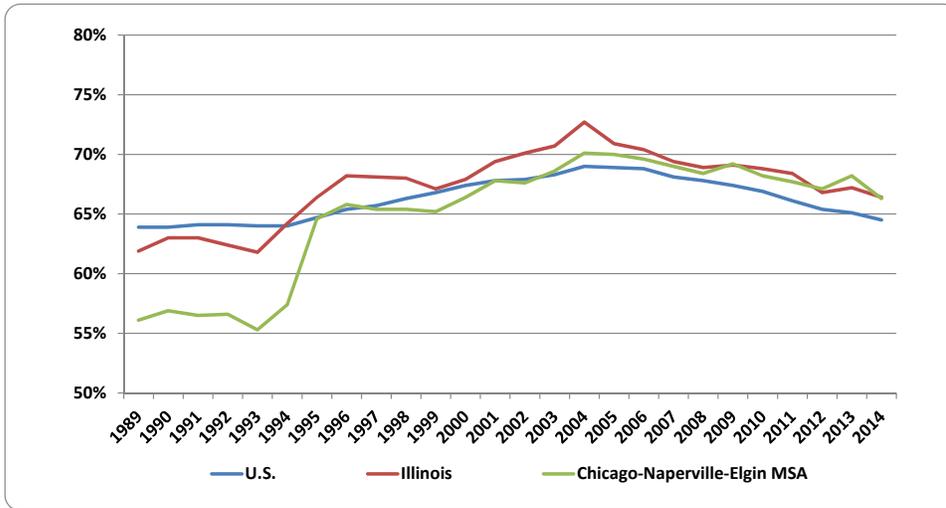
Exhibit 6. Analysis Table for Great Recession Period for Total Net Worth (TNW), Total Financial Assets (TFA), Corporate Equities, Mutual Fund Shares & Equity in Noncorporate Business (combined) (CEMFSENB), (TFA – CEMFSENB), and Real Estate at Market Value (REMV) for the U.S. [Not Seasonally Adjusted (NSA)]

Note: dollar amounts for Federal Flow of Funds data are not adjusted for inflation

| Quarter - Year | 3 Components of TFA (CEMFSENB) | | | Remaining 16 Components of TFA | (REMV) | Description |
|-------------------------------------|-----------------------------------|---------------------------------------|--|-----------------------------------|--------------------------------|---------------------|
| | (TNW) Total Net Worth | (TFA) Total Financial Assets | Corp. Equities, Mutual Fund Shares & Equity in Noncorp. Bus. | (TFA - CEMFSENB) | Real Estate Market Value | |
| Value in Trillions of Dollars (NSA) | | | | | | |
| 2006 Q4 | | | 24.38 | | 24.88 | Peak |
| 2007 Q2 | | | | | | Peak |
| 2007 Q3 | 67.86 | 53.36 | | | | Peak |
| 2008 Q3 | | | | 30.16 | | Peak |
| 2008 Q4 | | | | 29.49 | | Bottom |
| 2009 Q1 | 54.96 | 45.12 | 15.18 | | | Bottom |
| 2009 Q3 | | | | | | Bottom |
| 2011 Q2 | | | | | 18.13 | Bottom |
| 2015 Q1 | 84.92 | 69.38 | 31.72 | 37.67 | 24.12 | Most Recent |
| Period to Period % Change | | | | | | |
| 2006 Q4 to 2011 Q2 | | | | | -27.1% | Peak to Bottom |
| 2006 Q4 to 2015 Q1 | | | | | -3.1% | Peak to Most Recent |
| 2007 Q2 to 2009 Q1 | | | -37.7% | | | Peak to Bottom |
| 2007 Q2 to 2015 Q1 | | | 30.1% | | | Peak to Most Recent |
| 2007 Q3 to 2009 Q1 | -19.0% | -15.4% | | | | Peak to Bottom |
| 2007 Q3 to 2015 Q1 | 25.1% | 30.0% | | | | Peak to Most Recent |
| 2008 Q3 to 2008 Q4 | | | | | -2.2% | Peak to Bottom |
| 2008 Q3 to 2015 Q1 | | | | | 24.9% | Peak to Most Recent |

Source: Federal Reserve Board, Federal Reserve Bank of St. Louis

Exhibit 7. Homeownership Rates for the U.S., Illinois, and the Chicago-Naperville-Elgin Metropolitan Statistical Area (IL-IN-WI) (MSA)



Source: Census Bureau, Haver Analytics

These data are important because they show that increases in national net worth are being allocated to the portion of the population that own financial assets. Households that maintain a large proportion of their net worth in their real estate holdings are less likely to have realized increases in their net worth.

Exhibit 7 shows that the homeownership rate in Illinois climbed higher than the national rate in 1994 and has remained higher through 2014. The chart also shows how the increase in the rate for the Chicago-Naperville-Elgin (IL-IN-WI) MSA drove the increase in the Illinois rate. Specifically, the rate for the Chicago region increased over ten percentage points between 1993 and 1996 (55.3% to 65.8%).

During the early 1990s, the Chicago region had a surge in population growth, primarily in the collar counties. The distribution of population for the region also peaked for the 25-29 and

densities than many metropolitan areas and, combined with good transportation access, leads to more affordable housing.¹

Thus, the homeownership rate for Illinois has remained above the national rate since 1994. The rate for the Chicago region has pulled above the national rate, remaining around the overall state rate in recent years. This data shows that a larger percentage of households in Illinois own their home than the national average.

Census data show that 25.7 percent of the households in the Midwest region for 2011 had a net worth of at least \$250,000. Similar data for the other regions of the country show that 31.8 percent of the households in the Northeast exceeded this amount, while the proportional share for the West was

30-34 age groups in 1990. People from these age groups tend to be interested in establishing home ownership. The Chicago region has lower residential



28.0 percent and 22.6 percent for the South.² Given that Illinois' share of homeowners is larger than the nation's, it is likely that Illinois homeowners as a group suffered more than the nation in their housing asset wealth.

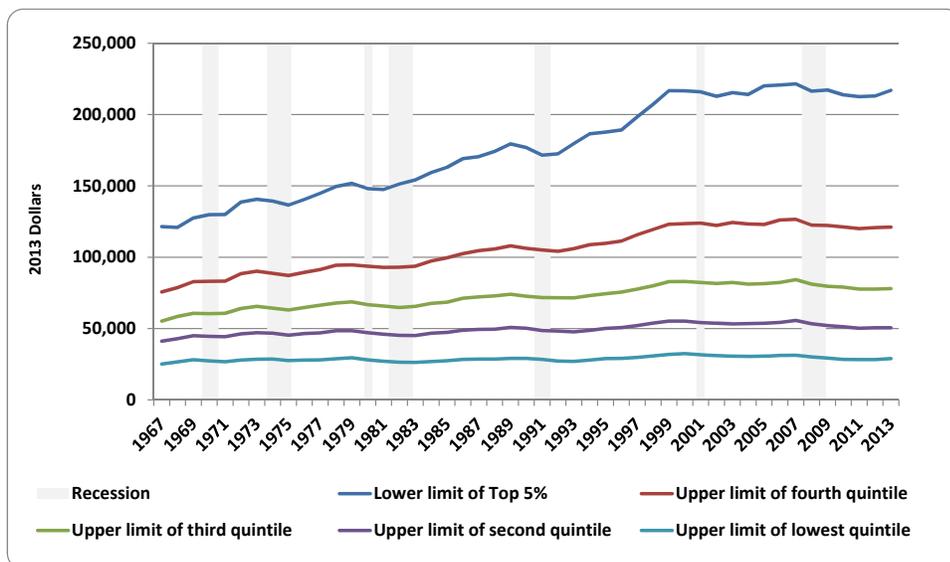
Income Distribution

Exhibit 8 provides the income levels for the upper limits of the lowest quintile; the second, third, and fourth quintiles; and the lower limit of the Top 5%. These series are charted with annual data (2013 \$) from 1967 through 2013. Since all of the series are in constant dollars it is easier to compare changes in one series with changes in the other series. The lower limit of the Top 5% (95% percentile) and the upper limit of the fourth quintile (80% percentile) both appear to be moving upward faster than the other levels as the years increase.

Exhibit 9 demonstrates that the lower limit of the Top 5% had the biggest increase across the entire period (1967-2013) of 78.6 percent. The upper limits of the fourth quintile (60.1 percent), third quintile (41.4 percent), second quintile (22.8 percent), and lowest quintile (15.3 percent) also increased in real terms over the 46-year period.

Most, if not all, of the increase occurred from 1967-1999. In fact, the Top 5% lower limit increased 78.4 percent in 1967-1999 (compared to 78.6 percent for 1967-2013), the upper limit of the fourth quintile rose 62.8 percent, the upper limit of the third quintile rose 50.2 percent, the upper limit of the second quintile rose 34.2 percent, and the upper limit of the lowest quintile rose 27.2 percent.

Exhibit 8. Income Distribution for U.S. (Quintiles and Top 5%) (Real 2013 \$)



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Exhibit 9. Table for Interval Calculations - Income Distribution for U.S. (Quintiles and Top 5%) (Real 2013 \$)

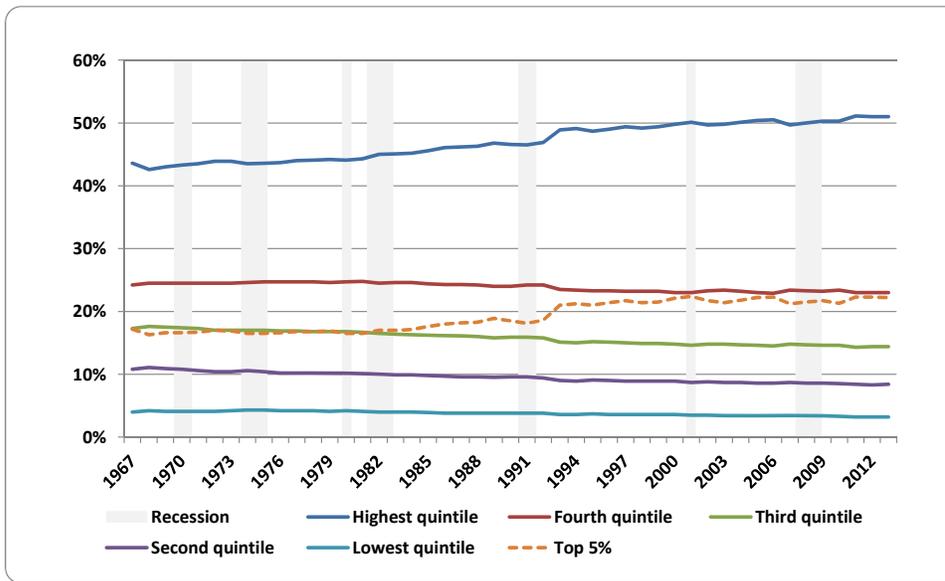
| % Change in Limit over Period of Years | 1967-1999 | 1999-2002 | 2002-2007 | 2007-2013 |
|--|-----------|-----------|-----------|-----------|
| Lower limit of top 5 percent (dollars) | 78.4% | -1.8% | 4.1% | -2.0% |
| Upper limit of fourth quintile | 62.8% | -0.6% | 3.5% | -4.3% |
| Upper limit of third quintile | 50.2% | -1.6% | 3.3% | -7.4% |
| Upper limit of second quintile | 34.2% | -2.8% | 3.7% | -9.2% |
| Upper limit of lowest quintile | 27.2% | -2.5% | 0.7% | -7.7% |

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Separating the remaining years into sections shows that the years 1999 through 2002 had a negative impact on all income levels. The years of economic recovery (2002-2007) had a small positive impact on all incomes, and the final segment that included the Great Recession (2007-2013) had a more significant negative impact than before, especially at the lower income levels.

The income distribution data support the notion that households with the highest incomes are having their incomes grow at a higher rate than those with lower incomes. Most of the growth came prior to 1999. Since that time the intervals for the Top 5% and quintiles have held their own much better at the higher income levels than the lower levels.

Exhibit 10. Proportion of Total Income Earned by Quintiles and Top 5 %



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Exhibit 11. Table for Proportion of Total Income Earned by Quintiles and Top 5 %

| Proportion of Total Income Earned by | 1967 | 1999 | 2007 | 2013 |
|--------------------------------------|-------|-------|-------|-------|
| Top 5 Percent | 17.2% | 21.5% | 21.2% | 22.2% |
| Highest quintile | 43.6% | 49.4% | 49.7% | 51.0% |
| Fourth quintile | 24.2% | 23.2% | 23.4% | 23.0% |
| Third quintile | 17.3% | 14.9% | 14.8% | 14.4% |
| Second quintile | 10.8% | 8.9% | 8.7% | 8.4% |
| First quintile | 4.0% | 3.6% | 3.4% | 3.2% |

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Exhibit 10 shows the history of the proportions of total income earned by each of the income quintiles as well as the Top 5 % of earnings households. The chart shows that the highest quintile and the Top 5 % have proportions that have steadily risen over time. The

remaining quintiles have proportions that have slightly decreased over time. So individual households toward the top of the income distribution account for an increasingly larger proportion of total income relative to households toward the bottom of the distribution.

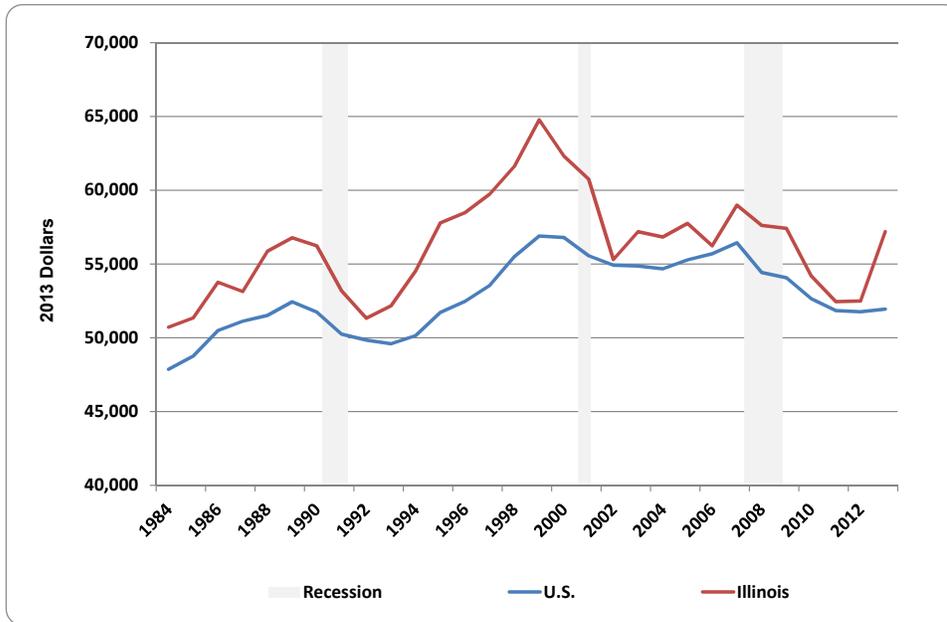
Exhibit 11 provides a data table for the proportions of total income held by each quintile (and the Top 5 %) in 1967, 1999, 2007, and 2013. It is clear that the proportion of total income has increased over time for both the Top 5 % (17.2 percent in 1967 to 22.2 percent in 2013) and highest quintiles (43.6 percent in 1967 to 51.0 percent in 2013). The remaining quintiles have all decreased over time in the proportion of total income earned with the fourth (24.2 percent to 23.0 percent), third (17.3 percent to 14.4 percent), second (10.8 percent to 8.4 percent), and lowest (4.0 percent to 3.2 percent) all declining from 1967 to 2013. This supports the conclusions that the households with the highest incomes are dominating any growth that exists in income.

Median Household Income Data

Exhibit 12, on the following page, graphs median household income data for both the U.S. and Illinois. The median income for Illinois has remained higher than that of the U.S. from 1984 through 2013. The years of the largest difference have been 1999 and 2013. Nationally the median income has slowly decreased (all values in 2013 \$) from 1999 through 2013. The Illinois data has trended downward over that same time except for a big increase in 2013.

Additional data from the Census Bureau, Current Population Survey shows that the median income for Illinois households has been higher than the median income for the entire Midwest region over the last ten years. The Northeast and West regions have

Exhibit 12. Median Household Income Data (U.S. & IL) (Real 2013 \$)



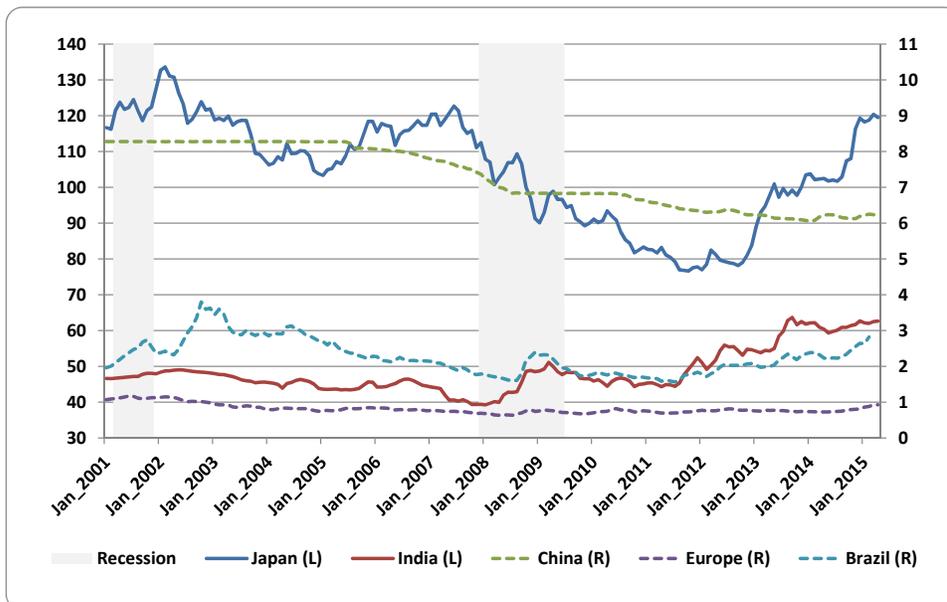
Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Exhibit 13. Median Household Income Data Table (U.S. & IL) (Real 2013 \$)

| % Change for Period | U.S. | IL |
|---------------------|-------|--------|
| 1984 to 2013 | 8.5% | 12.8% |
| 1984 to 1999 | 18.9% | 27.7% |
| 1999 to 2002 | -3.5% | -14.6% |
| 2002 to 2007 | 2.8% | 6.7% |
| 2007 to 2013 | -8.0% | -3.0% |

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Exhibit 14. Foreign Currency to U.S. Dollar Exchange Rate (L= left axis; R=right axis)



Source: Federal Reserve Board; Haver Analytics

the highest median incomes and Illinois is similar, if not higher, to the medians for those regions. The South region lags behind in fourth among the regions.³

Exhibit 13 is a data table that shows the historical differences in the trends of median household income for the U.S. and Illinois. From 1984 to 2013 the median income grew 8.5 percent for the U.S. and 12.8 percent for Illinois (annual incomes in 2013 dollars). Breaking the income growth down into smaller time segments reveals additional information. Between 1984 and 1999 the growth in median income was 18.9 percent for the U.S. and 27.7% for Illinois. The period between 1999 and 2002 had a decline in median income growth for both the U.S. (-3.5%) and Illinois (-14.6%). Then both the U.S. (2.8%) and Illinois (6.7%) had increases in wages for the 2002 to 2007 period. Finally from 2007 to 2013 the wages for both the U.S. (-8.0%) and Illinois (-3.0%) declined.

Relationship of U.S. Dollar to other Currencies

Exhibit 14 shows the time history of foreign exchange data with prices of foreign currency in exchange for one dollar over time. The currencies included are the Japanese Yen, the Chinese Yuan, the European Euro, the Indian Rupee, and the Brazilian Real. The price of the Yen has been trending upward since 2013 while the price of the Yuan has been trending steadily downward since 2005. Although it has fluctuated recently. The Euro, Rupee, and Real have all been trending upward recently. It appears that all of these currencies are already becoming worth less relative to the U.S. Dollar or they have levelled off and appear to be on the verge of decline.

Exhibit 15. Illinois Export Data

| | Total Illinois Exports (Billions of \$) | Annual Percentage Change | Manufacturing Share of Total | Non-Manufacturing Share of Total |
|------|---|--------------------------|------------------------------|----------------------------------|
| 2005 | 36.2 | | 94.2% | 5.8% |
| 2006 | 42.1 | 16.5% | 94.9% | 5.1% |
| 2007 | 48.9 | 16.0% | 92.7% | 7.3% |
| 2008 | 53.7 | 9.8% | 90.7% | 9.3% |
| 2009 | 41.6 | -22.5% | 90.7% | 9.3% |
| 2010 | 50.1 | 20.3% | 92.5% | 7.5% |
| 2011 | 64.9 | 29.6% | 92.0% | 8.0% |
| 2012 | 68.2 | 5.0% | 93.1% | 6.9% |
| 2013 | 66.1 | -3.0% | 91.4% | 8.6% |
| 2014 | 68.2 | 3.2% | 90.8% | 9.2% |

Export data not adjusted for inflation

Illinois Top 5 Exports in 2014:

1. Machinery, except Electrical (12.9 Billion \$)
2. Transportation Equipment (8.0 Billion \$)
3. Chemicals (7.6 Billion \$)
4. Computer and Electronic Products (7.3 Billion \$)
5. Petroleum and Coal Products (5.4 Billion \$)

Illinois Top 5 Export Markets in 2014:

1. Canada (22.0 Billion \$)
2. Mexico (7.9 Billion \$)
3. China (4.7 Billion \$)
4. Germany (2.9 Billion \$)
5. Japan (2.6 Billion \$)

Illinois Exports by Metropolitan Area (2013 Data):

1. Chicago-Naperville-Elgin MSA (44.9 Billion \$; portions of MSA extend into IN and WI)
2. Peoria MSA (12.2 Billion \$; 16.0 % share of Illinois exports)
3. Rockford MSA (2.5 Billion \$; 3.3 %)
4. Decatur MSA (2.2 Billion \$; 2.8 %)
5. Champaign-Urbana MSA (1.0 Billion \$; 1.4 %)

Source: International Trade Association, U.S. Department of Commerce

As the U.S. Dollar becomes more expensive relative to foreign currencies (or foreign currencies have less value relative to the U.S. Dollar) then the price of imported goods to the U.S. becomes cheaper but the price of exported goods from the U.S. to other countries around the world becomes more expensive. So it is a good time for people from this country to purchase goods from other

parts of the world but we can expect less international demand for U.S. goods and services.

Exhibit 15 presents data related to Illinois exports. Historical export data is shown for Illinois from 2005 through 2014 (Export data not adjusted for inflation). Examining the “Annual Percentage Change” column shows

that the Great Recession had a large negative impact on Illinois exports. Export growth has also slowed down significantly in the last few years. A stronger dollar is one factor in that outcome.

An extremely large share of Illinois exports come from manufacturing industries with less than 10 percent of exports originating from non-manufacturing industries. The proportion of non-manufacturing exports are trending upward over the 10-year period.

The Chicago-Naperville-Elgin MSA produces the most exports of any state region (44.9 Billion \$ total for 2013 data) although it should be noted that portions of the MSA extend into Indiana and Wisconsin. The Peoria MSA produces the second most exports (12.2 B\$; 16.0% share of Illinois exports). The next three regions in export production are 3) Rockford MSA (2.5 B\$; 3.3%); 4) Decatur MSA (2.2 B\$; 2.8%); and the Champaign-Urbana MSA (1.0 B\$; 1.4%).

Summary

Economic data show that Illinois lags behind the nation in its recovery from the most recent recession. While the U.S. had recovered all jobs lost in the Great Recession by April of 2014, Illinois remains over 18 percent short of regaining its lost jobs as of April 2015.

Differences in economic growth between the U.S. and Illinois are also reflected in other data. The national nonresidential private investment component of GDP has recovered

nicely from the recession while the residential component has not rebounded as well. Combined they account for a much larger proportion of GDP than construction does relative to Illinois GSP. Construction investment and employment is a bellwether for economic growth.

Housing prices for both the nation and the Chicago metro region, which comprise approximately 2/3 of Illinois population and employment, fell together once the housing bubble burst. The gap between the higher national prices and the lower Chicago region prices has continued to grow over the last five years as both have been slow to rebound. Supply and demand differences for the two geographies are responsible for the dissimilar rates of recovery.

Consumer expenditure data shows that the Great Recession had a major impact on how households spent their money. The recession itself caused the nation's consumers to move from one spending trajectory to another and accelerated the shift in the types of goods and services that households purchase.

Federal balance sheet data shows that the drop in housing prices that corresponded to the Great Recession had a significant impact on the market value of real estate (REMV). Since the nation's stock market has rebounded from the recession much better than has housing prices, the total net worth (TNW) of the country is more dependent on financial assets (TFA) after the recession than before. Thus households that invest in equities and mutual funds (among other financial investments) have seen their net worth rise much faster than those households

whose primary investment is their home.

National income distribution data reveal that the amount of total income earned by the top 20 percent of households continues to trend upward and is at 51.0 percent as of 2013 (most recent data available). The top 5 percent of households now accumulate 22.2 percent of total income. The remaining four quintiles saw their proportions of total income fall between 2007 and 2013.

Median household income data is available for both the U.S. and Illinois. Illinois income data has remained above the national median although both started trending downward around the turn of the century. The median income for Illinois saw a significant increase in 2013. The median income for Illinois is similar to the median incomes for the Northeast and West regions of the nation. Those two regions have the highest median incomes among all regions.

Foreign exchange rate data provides information on the cost of other countries goods and services to the U.S. and goods and services from the U.S. to them. Recently the U.S. Dollar has been becoming stronger overall. In most cases foreign currencies are becoming worth less relative to the Dollar causing imported goods to become cheaper and exported goods from the U.S. to become more expensive.

Much information can be harvested from this data analysis regarding Illinois' economic place in the nation. It is clear that the state's growth lags behind the nation as a whole, mainly because of the population shift to the

south and west. Although housing prices have been slower to recover in the Chicago metro region than in the U.S. as a whole, it is also true that housing prices are lower in the region. This makes housing more affordable when combined with the fact that median household incomes are higher in Illinois than in the nation overall.

End Notes

1. S. Soot, K. Kawamura, V. Thakuriah, L. Dirks, D. Yang, P. Metaxatos, J. DiJohn, T. Sternberg, G. Yanos, P. Murphy, S. Sakina, A. Seetharaman, E. Graves, and A. Allicoli, "Travel Behavior and Employment Decentralization," Urban Transportation Center – University of Illinois at Chicago, April 2001.
2. U.S. Census Bureau, Survey of Income and Program Participation (SIPP), Table 4: Percent Distribution of Household Net Worth, by Amount of Net Worth and Selected Characteristics: 2011; <https://www.census.gov/people/wealth/data/dtables.html>
3. U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

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