



North Central Region Showing Signs of Recovery

by Norman Kelewitz

The North Central Economic Development Region of Illinois, along with many areas across the country, has been negatively affected by the recent recession, which ran from December 2007 to June 2009. However, the local economy is now starting to show signs of recovery. Between May 2007 and May 2010, the region, located midway between Chicago and St. Louis, lost thousands of nonfarm payroll jobs, and the not seasonally adjusted unemployment rate climbed. However, starting in mid-2010, and continuing in

2012, the area began experiencing a fairly steady uptick in jobs.

Impact of the recession

As a result of the national recession that hit the North Central Region in mid-2008, the unemployment rate rose from 3.8 percent in May 2007 to 8.9 percent in May 2010 (see **Chart 1, next page**). Nonfarm payroll employment dropped by 12,700 jobs, with steep drops in manufacturing (-9,100), construction (-1,900) and retail trade (-1,600).

Editor's Note: This article is an update to a 2011 report on economic developments in the North Central Economic Development Region in Illinois. At the time of writing, May 2012 was the latest economic data available and remains relevant for analyzing economic trends in the region.

The Recovery

Since mid-2010, the economic news in the region has been more positive than negative as both employment and unemployment have trended in a positive direction.

The not seasonally adjusted unemployment rate fell to 6.9 percent in May 2012 from 8.9 percent in May 2010. The last time the May unemployment rate was equal to or lower than May 2012 was in 2008 when it was 4.9 percent. The May 2012 rate marks the 23rd consecutive month the rate has been equal to or lower than the year-ago level.

The region has also had a gain in nonfarm payroll jobs (see **Chart 2**). Since May 2010, 8,200 nonfarm payroll jobs have been added to the area. The largest gains occurred in manufacturing (+4,100) and professional and business services (+2,700). Educational and health services (+2,400) continued to increase with expansions at hospitals. From May 2007 to May 2010, this sector grew by 1,900 jobs.

Two sectors that have not recovered are government and construction. Government, which added 1,600 jobs during the recession, has declined by 1,300 jobs during the recovery due to pressures on government budgets. Recovery in the construction industry continues to lag with a decline of 1,200 jobs. Building permits for new privately owned housing went from 412 during the first five months of 2007 to 287 for the first five months of 2010. The total was only 251 during the same period in 2012.

Chart 1: May Unemployment Rates, North Central Economic Development Region

Source: Illinois Department of Employment Security

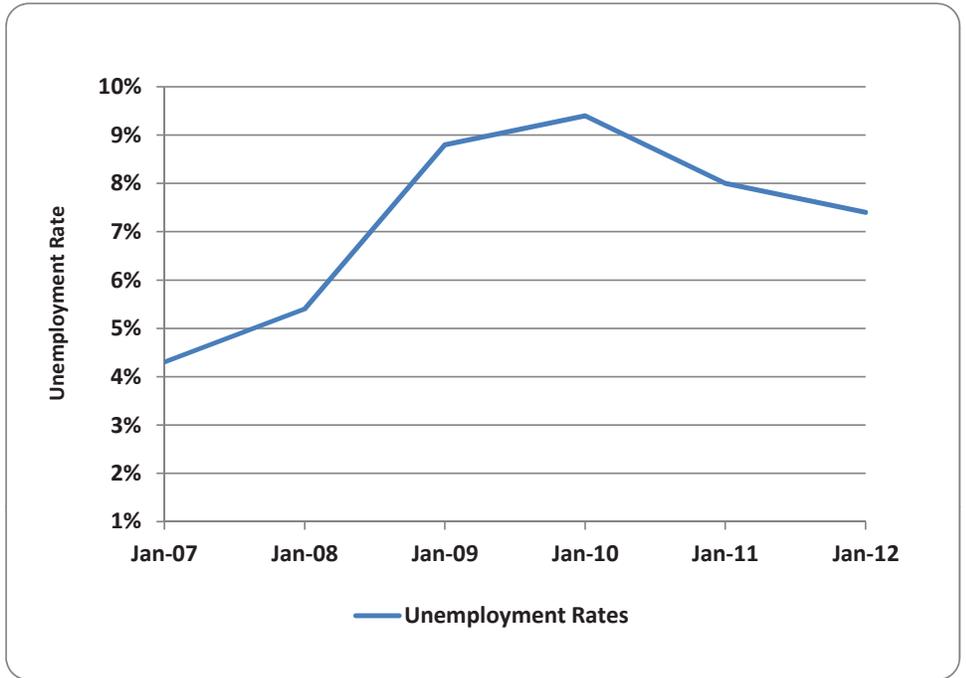
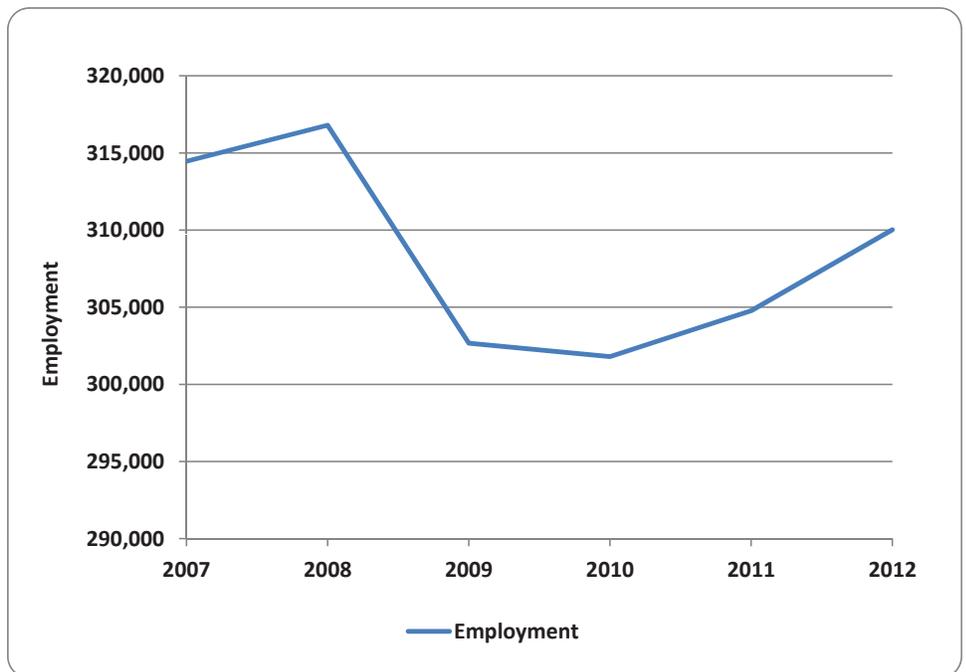


Chart 2: May Nonfarm Payroll Employment North Central Economic Development Region

Source: Illinois Department of Employment Security



The labor and management picture in the region should be fairly stable for the next few years. In late 2010 the union at one major manufacturer agreed to a pay cut and a contract extension to 2015, which includes a provision for no involuntary layoffs. In exchange, the company will make a new product to replace the ones that were being phased out. In early 2011 the union at another major manufacturer agreed to a new six-year contract. The contract provides more cash and a new rewards program but does not provide wage increases, other than a cost of living adjustment to workers hired more than six years before.

The region has active economic development groups that work to attract new employers to the area, assist entrepreneurs and small business start-ups and help existing businesses expand. The groups are focusing their economic development efforts on the agricultural, logistics and warehousing, information technology, finance and insurance services, education and training, manufacturing, and healthcare sectors.

Norman Kelewitz is the IDES Labor Market Economist for the Peoria and Bloomington-Normal metropolitan areas.

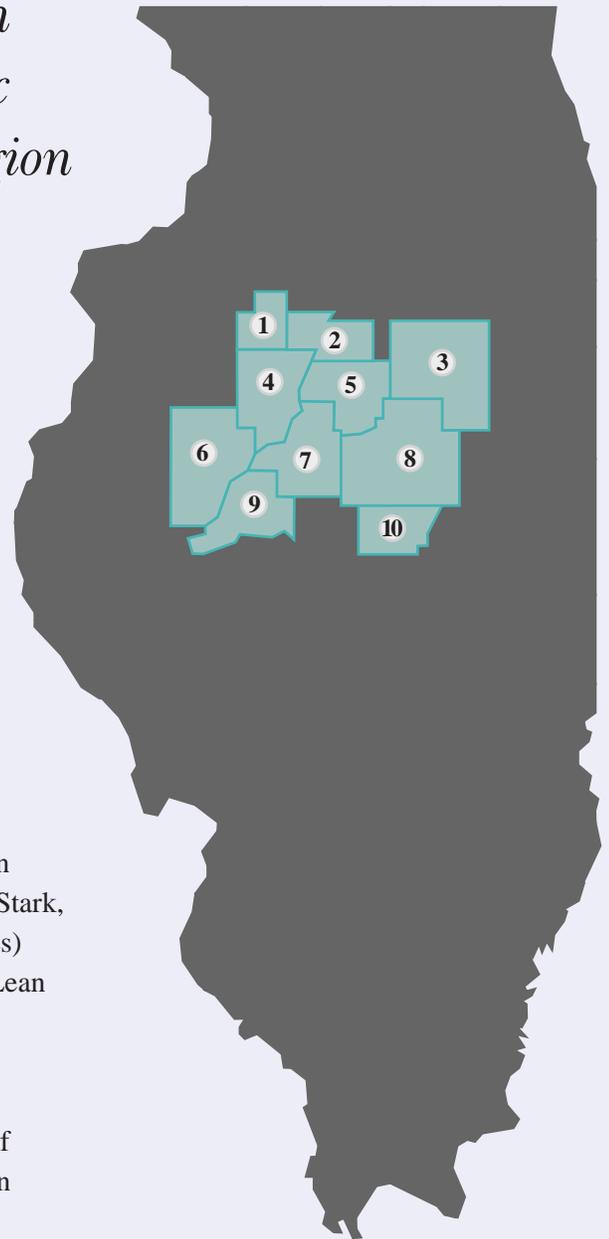
Location of North Central Economic Development Region

The North Central Economic Development Region is located midway between Chicago and St. Louis and consists of the following 10 counties:

1. Stark
2. Marshall
3. Livingston
4. Peoria
5. Woodford
6. Fulton
7. Tazewell
8. McLean
9. Mason
10. DeWitt

The region has two metropolitan areas Peoria (Marshall, Peoria, Stark, Tazewell and Woodford counties) and Bloomington-Normal (McLean County).

Compared with the state, the region has a larger percentage of non-farm payroll employment in the educational-health services, government, manufacturing and financial activities sectors.



Recovery In North Central Economic Development Region:

Unemployment:

May 2007: 3.8%
 May 2010: 8.9%
 May 2012: 6.9%

Nonfarm Payroll Jobs:

May 2007: 314,500
 May 2010: 301,800
 May 2012: 310,000

Largest Industry Gains Since May 2010:

Manufacturing: + 4,100 jobs
 Professional and business services: + 2,700 jobs