

City Economic Forecast

Chicago

Economist

Michael Reid
 Senior Economist
 +1 646.503.3057

- Chicago's GDP contracted by 10.4% in the trough of the Global Coronavirus Recession, with job losses spiking to nearly 569,000. We estimate that approximately 35% of those job losses have been recovered in Q3 2020, lagging the US jobs recovery rate of 38%. Without a health solution in place, a long recovery lies ahead. Business constraints and economic headwinds mean employment will not fully recover here in the medium term. Looking out to 2024, we forecast below average GDP growth of 1.2% annually but without notable job creation.
- Chicago continues to suffer from underlying economic fundamentals that will continue to drag on economic and job growth, including, weakening demographics and over-reliance on slow growth and lower value-added industries. GDP growth averaged 1.5% per year over the last five years, 1 ppt below the national average. In the medium term, employment is expected to contract reflecting an inability for gains in GDP to translate into new jobs, especially in manufacturing. Chicago's and Illinois' protracted budget crisis will be further intensified by the economic drag stemming from the COVID-19 crisis. Financing government operations will be a fundamental challenge, as will be the fast-rising pension liabilities, leading to insolvency risk.
- Chicago's bright spot of GDP growth can be found in high-tech, which we project will weather the coronavirus-induced economic storm better than any other non-government sector. However, this sector remains relatively small compared to the rest of the economy. Finance & real estate and professional services will be the key drivers of growth over the next five years. Chicago still remains equipped to play a role in high-tech. A well-educated and skilled population and the presence of two top-ranked universities serve as fundamental assets to support growth and transformation, despite population declines.

US metro scores

Economics:
 1st quartile

Human capital:
 1st quartile

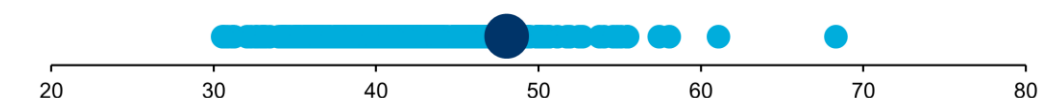
Quality of life:
 1st quartile

Forecast for Chicago							
(Annual percentage changes unless specified)							
	2019	2020	2021	2022	2023	2024	2020-24
GDP	1.8	-3.8	3.5	2.7	2.1	1.9	1.2
Personal disposable income	0.9	6.5	-3.9	0.6	0.9	1.0	0.9
Employment	0.7	-6.2	2.4	2.5	1.0	0.3	0.0
Unemployment rate, %	3.8	10.0	7.9	5.8	4.6	4.0	6.5
Population	-0.3	-0.2	-0.1	-0.2	-0.1	-0.1	-0.2

Source: BLS, US Census Bureau, Oxford Economics

Oxford Economics' US metro index

0=min, 100=max

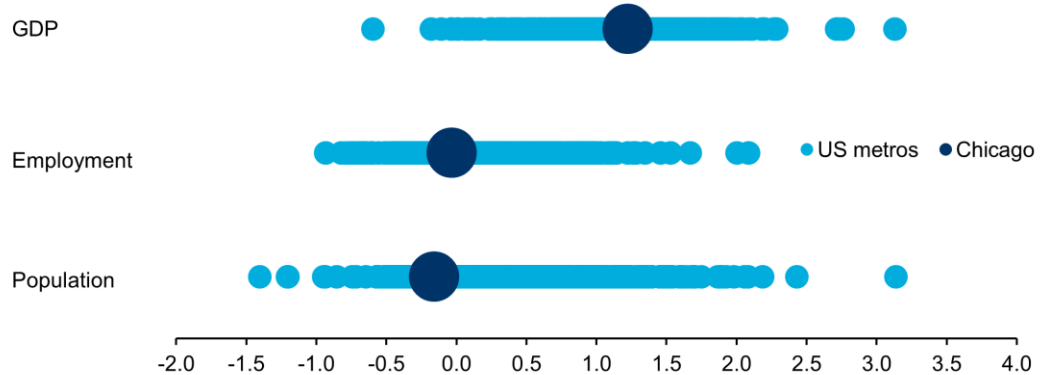


Source: Oxford Economics

Contact: Michael Reid | michaelreid@oxfordeconomics.com

Economic scale & structure

Average annual growth, %

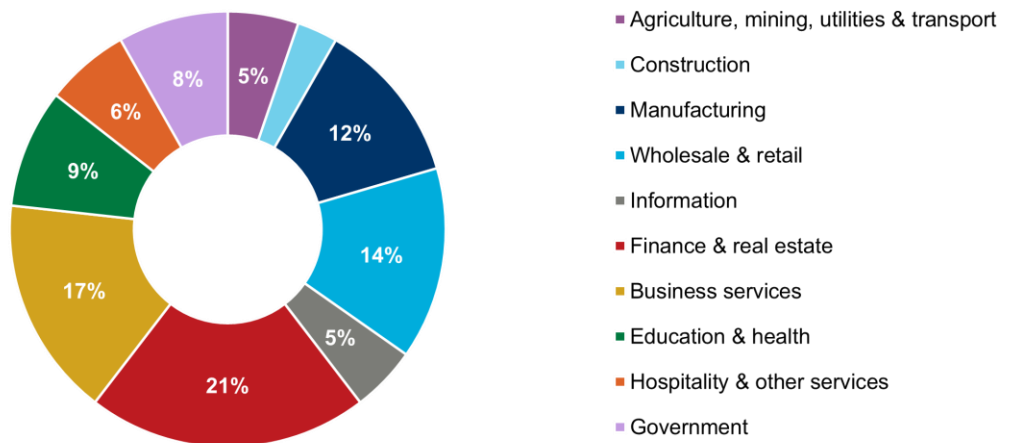


Source: Oxford Economics

GDP in Chicago is forecast to grow by an annual average of 1.2% over the next 5 years—a relatively weak performer compared to most large US metros.

GDP structure, 2019

Share of total, %



Source: Oxford Economics

Despite Chicago's exposure to finance & real estate and business services, the metro is underrepresented in information, specifically in key tech sectors.

The city's skilled labor pool and world-class institutions are generally underutilized assets.

Structural indicators		
	Chicago	United States
GDP per capita, ths US\$	72.7	63.1
Population-weighted density, people per square mile	8,613	5,369
Foreign-born population, %	17.7	13.7
Attained Bachelor's degree or higher, % aged 25+	37.4	31.5
Share of total employment in STEM occupations, %	6.0	6.4
Industrial diversity*	5.4	7.8
Crime rates, per 100,000 people	2,966	2,580
Mean travel time to work, minutes	31.9	26.6
Median house price / median household income	3.6	4.3

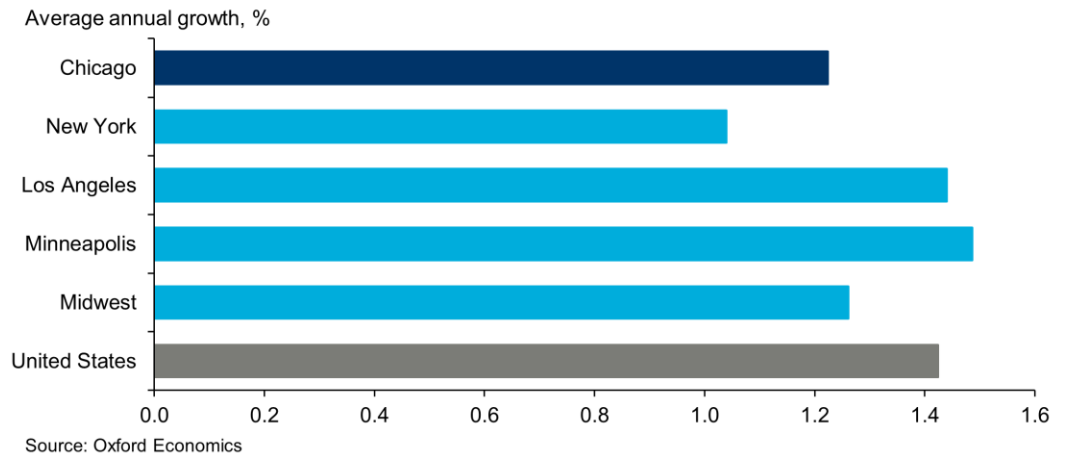
Source: BEA, US Census Bureau, BLS, FBI, National Association of Realtors, Oxford Economics

* The US figure is an average of the 382 metros for this variable, where a higher score = more polarization of industry GDP

Economic outlook

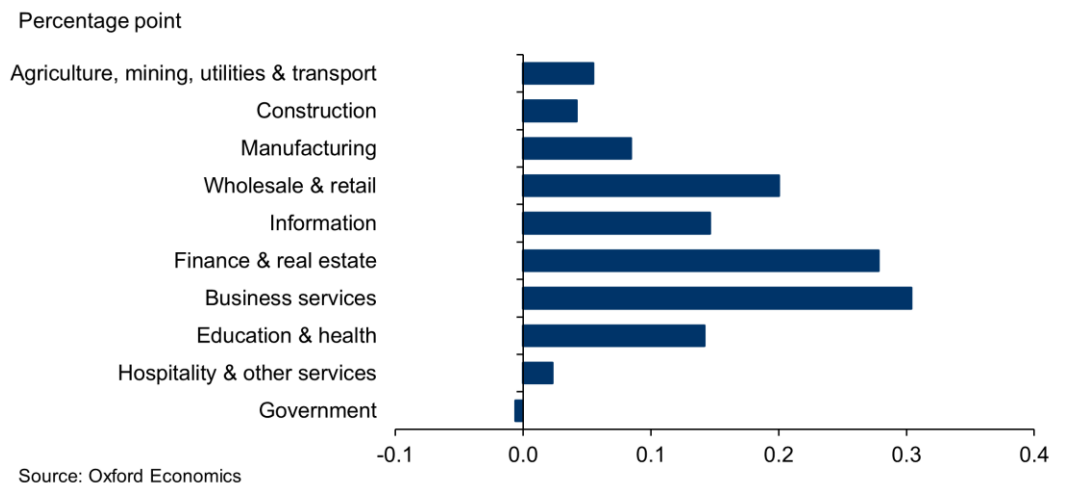
Economic growth in Chicago is expected to be on a par with the Midwest regional average.

GDP growth, 2020-24



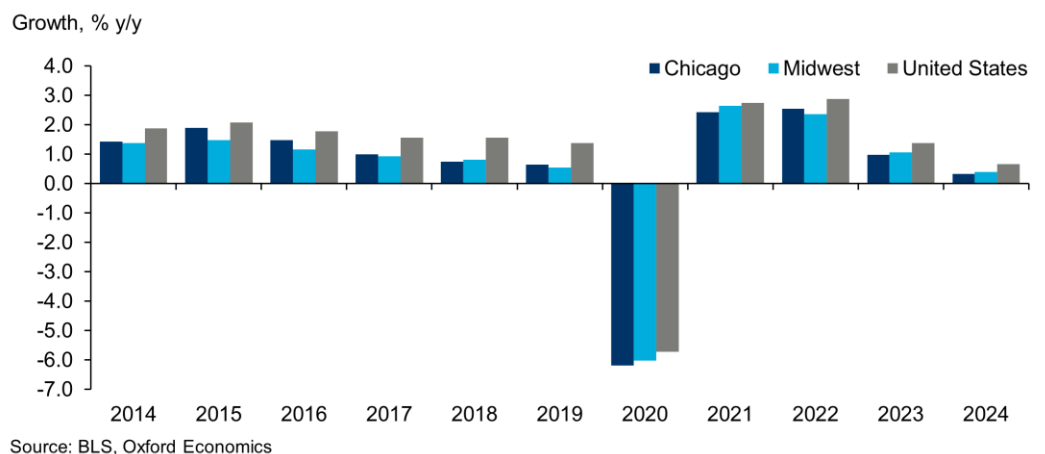
The greatest contributors to future growth are expected to be business services and financial activities.

Contribution to GDP growth, 2020-24



Lower job resiliency will add to labor market headwinds. After a sharp decline in 2020, employment is not projected to fully rebound by 2024 —this largely reflects low-skilled occupation displacement.

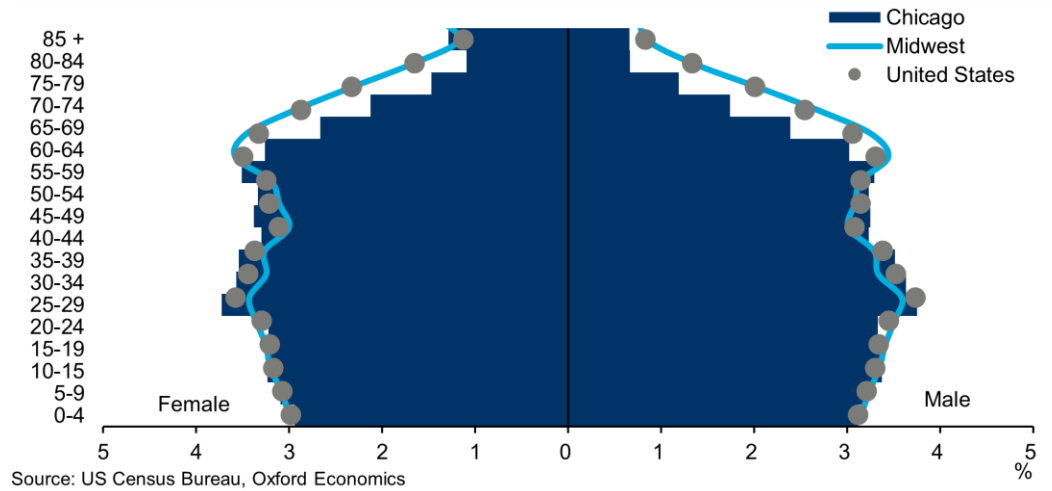
Employment growth, 2014-24



Demographics

Chicago's harsh winters cause many retirees to leave the city for warmer climates.

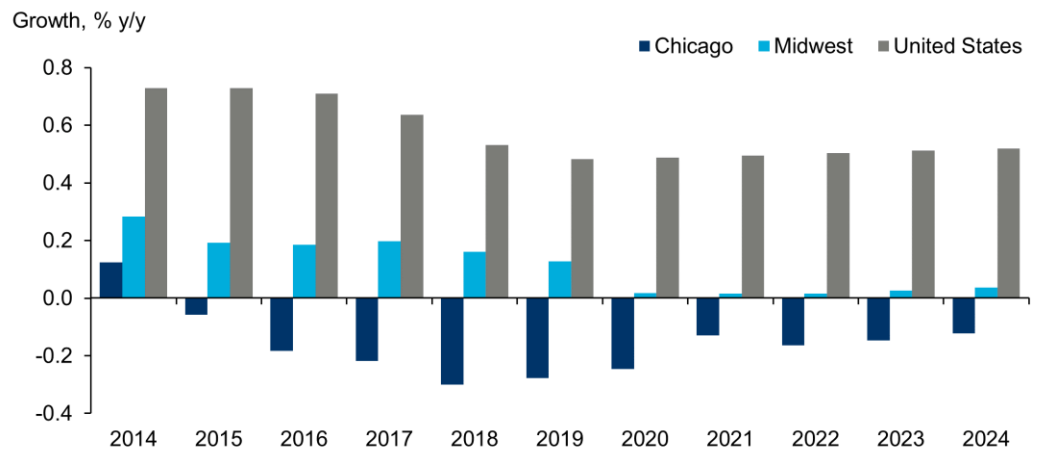
Population structure, 2019



Source: US Census Bureau, Oxford Economics

Chicago's expected negative population growth through 2024 presents long-term downside risks to consumption and housing prices.

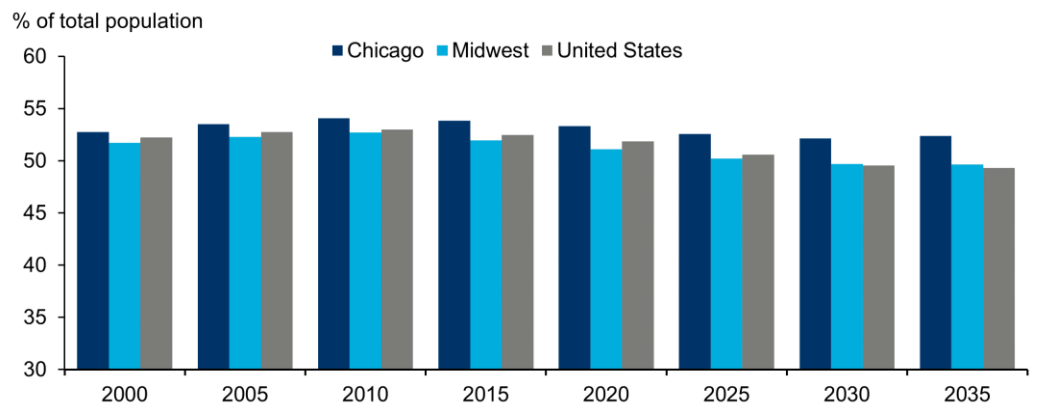
Population growth, 2014-24



Source: US Census Bureau, Oxford Economics

Chicago's working age population will remain strong relative to the Midwest and national average.

Population aged 25-64, 2000-35

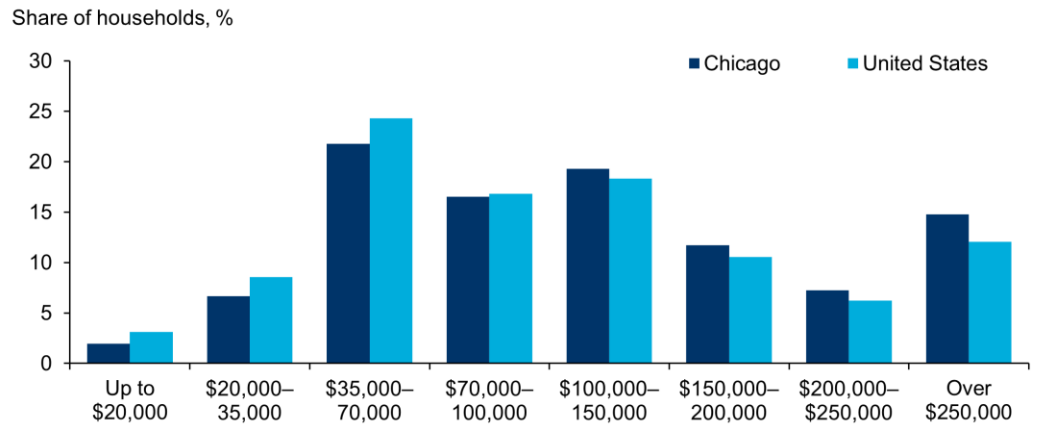


Source: US Census Bureau, Oxford Economics

Consumer

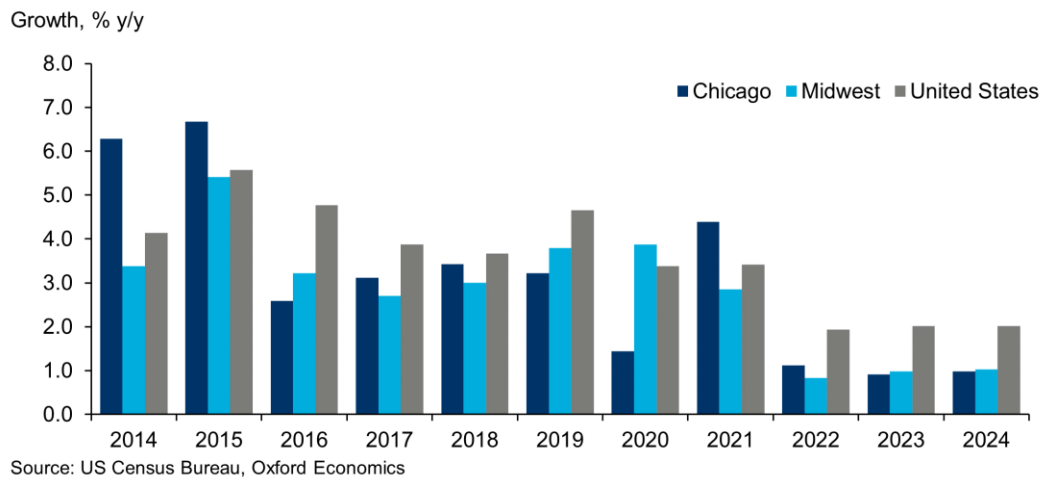
Household income distribution, 2019

The share of households with income greater than \$100,000 is more than the US average, driven in part by the high concentration of global headquarters and financial institutions.



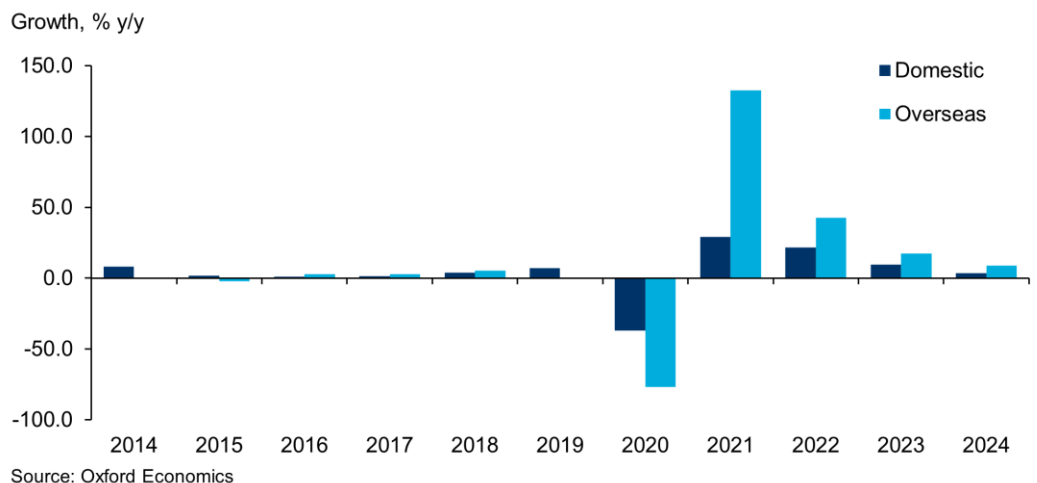
Retail sales growth, 2014-24

Retail sales are expected to see a slower recovery, relative to the Midwest and national average—owing in part to weak demographics and high sales taxes.



Overnight visits growth, 2014-24

Chicago is an international destination for both leisure and business travelers, but travel remains constrained during the COVID-19 pandemic.

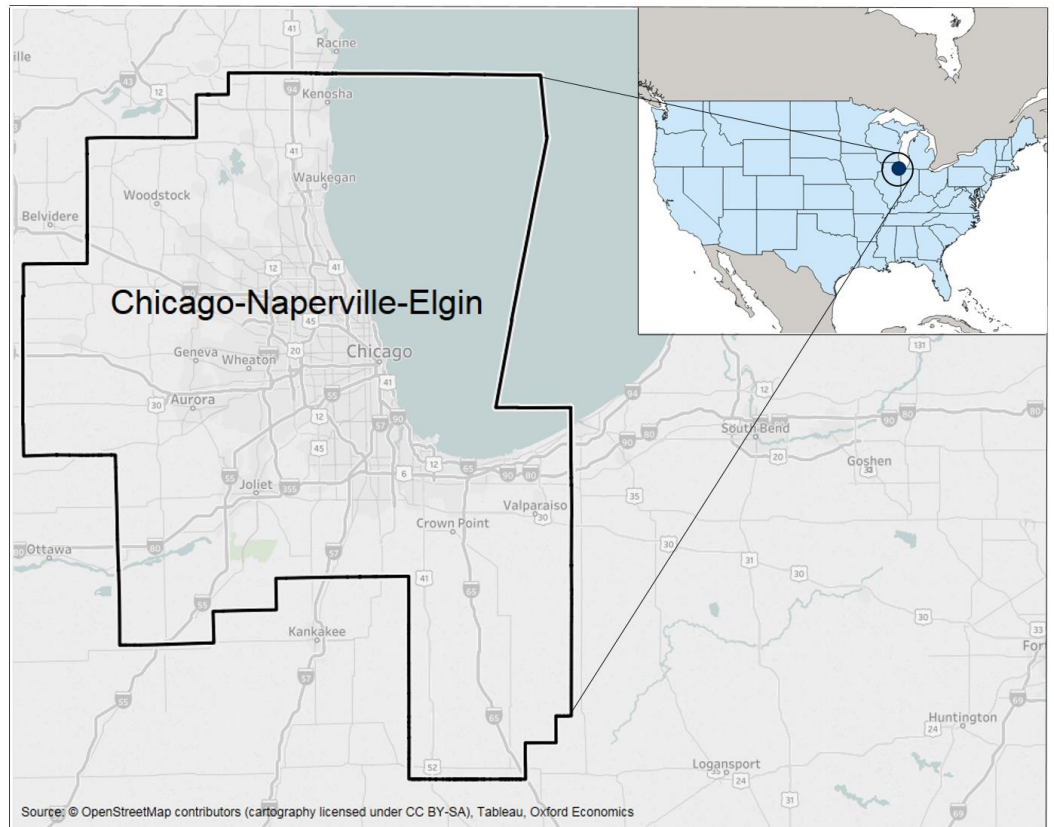


Background information

The data used in this report refers to the Chicago-Naperville-Elgin metropolitan statistical area as defined by the US Office of Management and Budget. Chicago is the epicenter of the Midwest region and although it has limited exposure to high-growth industries it is a global center of professional and financial services. Several Fortune 500 companies are headquartered here including: Walgreens, Boeing and United Continental.

Geographical coverage

Chicago is the epicenter of the Midwest region.



Strengths

- Very large and diverse economy
- Strong global transit links
- Long list of corporate headquarters
- World-class cultural amenities

Weaknesses

- Poor public finances
- Small technology sector
- High crime rate in some quarters
- Located in a slower growth region of the US

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The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

A glossary of terms can be downloaded from <http://www.oxfordeconomics.com/publication/download/263827>