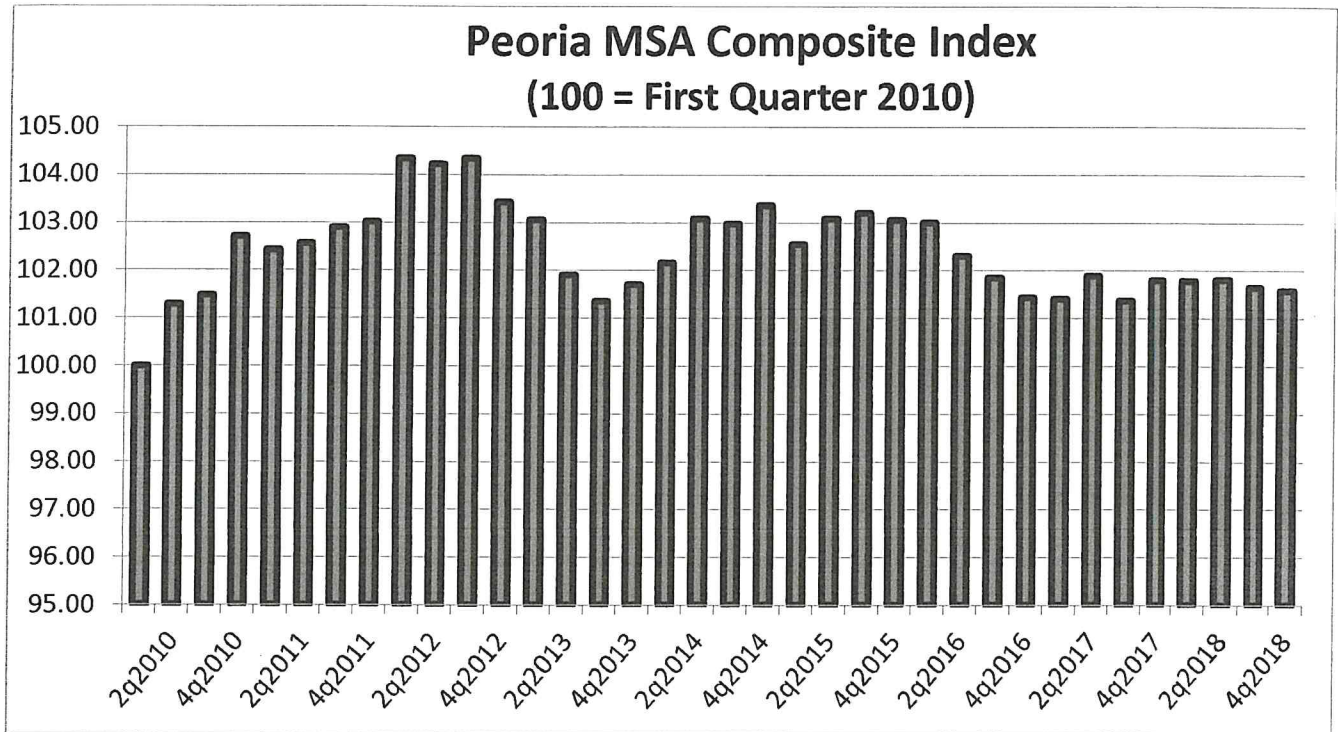




Fourth Quarter 2018 Business and Economic Indicators for the Peoria-Pekin Metropolitan Statistical Area



The Composite Index of Business and Economic Indicators for the Peoria-Pekin Metropolitan Statistical Area (MSA; Peoria, Tazewell, Woodford, Stark and Marshall counties) continued with favorable (above 100) performance in the fourth quarter of 2018, with an Index value of 101.6, little changed from the previous quarter and year before.

The Composite Index for the Peoria-Pekin MSA reflects local business and economic activity on a seasonally adjusted basis, with an Index score of 100 corresponding to local business conditions in the first quarter of 2010. Faculty and staff of the Departments of Economics and of Management and Leadership of the Foster College of Business of Bradley University review over 30 diverse business indicators in the preparation of these quarterly assessments. A detailed analysis of these data appears below. Data reported are adjusted for normal seasonal variation, unless specified otherwise.

Labor and Job Markets

Increased numbers of Peoria MSA residents joined the labor force in the fourth quarter of 2018 and found work, boosting the number of working area residents by 1.6% from the year before, to reach 169,265 during the fourth quarter of 2018. The increase in the number working is consistent with the low rates of area layoffs indicated by the New Unemployment Claims index (down 33.2% from the base year of 2014), and the positive numbers of jobs advertised (98.8% of the base year of 2014). The favorable job market also attracted Peoria MSA residents to look for work, boosting the local unemployment rate to 5.1% from 4.8% a year ago.

Increased Peoria MSA job opportunities were notable in business cycle sensitive industries such as Manufacturing, where increased demand lead to a 1.9% increase from the previous year in jobs on Manufacturing firms' payrolls. Increased demand for the services of firms in Professional and Business Services lead to a fourth quarter 3.1% increase in its jobs since the third quarter, for a 8.5% total increase from the year before in the number of jobs on Professional and Business Services payrolls. A 1.0% fourth quarter increase from the preceding quarter in jobs in Education and Health Services partially reversed earlier declines, leaving the total number of jobs in the sector off 1.2% from the year before.

The number of jobs on fourth quarter Hospitality/Entertainment firms' payrolls jobs fell 1.8% from the previous quarter. The fourth quarter decline added to previous declines, for a 6.9% drop from the year before in the total number of jobs on Hospitality/Entertainment firms' payrolls. The decline in the number of persons on the industry's payrolls is consistent with a heightened rate of voluntary employee turnover, as seen in the elevated employee "quit rate" for the fourth quarter of 2018 reported for Midwestern states.

Retail and related services

The fourth quarter showed little change in total dollar spending on products from retail and from related service firms, with estimated taxable retail sales of \$1.423 billion for the fourth quarter of 2018, similar to the \$1.422 billion during the fourth of 2017. The Inflation Adjusted Retail Sales Index for the Peoria MSA however, shows a 1.5% decline from the year before. Related employment in Retail/Wholesale trade was little changed from the year before, while the related employment at Hospitality/Entertainment industry firms was down 6.9% from the year before.

Home Sales/Construction

The favorable number of homes sold in the fourth quarter (up 11.2% from the year before) helped reduce the number of homes left available for sale by 4.0% (seasonally adjusted) from the previous quarter, for a 5.5% decline from the year before.

Area builders continue to be cautious with their building plans, taking out 24.5% fewer permits during the fourth quarter than the same time last year, for a level less than half the number of seasonally adjusted new single family building permits during the base period of the first quarter of 2010. The number of jobs on the payrolls of local construction firms also fell, and was down 1.4% from the year before.

Review and Outlook

Long term growth trends are associated with the increased retirements of members of the large post-World War II “baby boom” cohort, as they reach in to their 60’s and 70’s. These retirements help open opportunities for younger job seekers in local labor markets (see Reinhold, 2018 for related research on age, retirement, and Illinois labor force participation) and help sustain local consumer purchasing.

For the shorter term, local area “leading indicators” (that signal future levels of economic performance) showed little improvement, pointing to little growth in overall local business and economic conditions for the near term.

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Reinhold, Rich, “Declining Labor Force Participation in Illinois: Why Have More People Stopped Working or Looking for Work” Illinois Department of Employment Security | Economic Information and Analysis Division | January 2018 <http://www.ides.illinois.gov/lmi/ILMR/DecliningLaborForce.pdf>

4Q2018 SCOPE data table

All data and changes are seasonally adjusted,
except those specified as NSA

	4th Quarter 2018	4th Quarter 2017	Year -to- Year Change	4th Q2018 from 3rd Q2018
LEADING INDICATORS				
Single Family Building Permits Index (2010=100) (NSA) (L)	49.2	65.1	-24.5%	NSA
Job Opening Index (2014=100) (L) e	98.8	98.7	0.1%	-0.6%
REVERSE SCALE LEADING INDICATORS				
Average Unemp. Rate	5.1%	4.8%	0.3	0.4
New Unemployment Claims Index (2010=100) (L)	66.8	66.7	0.1%	43.3%
COINCIDENT INDICATORS				
Employed Residents	169 265	166 679	1.6%	0.1%
Total Jobs	172 378	171 947	0.3%	0.3%
LAGGING INDICATORS				
Prime Rate (U.S.)	5.30%	4.38%	0.92	0.21
Mortgage Cost Rate (local)	4.75%	4.00%	0.75	0.05
OTHER INDICATORS				
<i>Employment-related</i>				
<i>Employment in:</i>				
Construction	7 146	7 244	-1.4%	-0.3%
Manufacturing	23 150	22 717	1.9%	-0.1%
Total Services/Trade	142 050	141 951	0.1%	0.3%
Local Government	17 098	17 130	-0.2%	-1.6%
All Private Services/Trade	121 257	121 025	0.2%	0.6%
Professional and Business Services	24 136	22 243	8.5%	3.1%
Education and Health Services	31 042	31 407	-1.2%	1.0%
Hospitality/Entertainment	17 027	18 288	-6.9%	-1.8%
Retail and Wholesale Trade	24 981	25 048	-0.3%	-0.5%
<i>Sales-related</i>				
Estimated Retail Sales (bil) NSA e	\$1,423	\$1,422	0.1%	NSA
Inflation Adjusted Retail Sales Index (2010 = 100)	96.3	97.7	-1.5%	-4.8%
Number Homes Sold NSA, e	1 463	1 316	11.2%	NSA
Available Homes For Sale Index (2010=100)	89.4	94.6	-5.5%	-4.0%
COMPOSITE PEORIA MSA INDEX (2010=100)				
	101.6	101.8	-0.2%	-0.1%
BACKGROUND INDICATORS				
Average Illinois Unemployment Rate	4.2%	4.9%	-0.7	0.1
Average US Unemployment Rate	3.8%	4.1%	-0.3	0.0
Midwest Quit Rate	2.43%	2.10%	0.33	-0.07
Average US Hours Worked/Week	42.1	41.9	0.4%	-0.2%
Average US Overtime Hours/Week, Durable Manufacturing	4.6	4.5	2.2%	0.7%
Average Midwest Urban CPI (1982-84=100)	234.5	230.8	1.6%	-0.4%
Value of US Dollar Index	92	89	3.0%	1.5%
L = Leading indicator Lg = Lagging Indicator e = Preliminary estimate				

Background

Business indicator data reported are adjusted for normal seasonal variation, except where indicated otherwise. We rely on SPSS for seasonal adjustment. The seasonal adjustment procedure removes the impact of seasonal components, i.e., the predictable seasonal variations of the data, so that any underlying trend in the data series can be discerned.

The "Composite Peoria-Pekin MSA Index" consists of the average of 14 key standardized, seasonally adjusted economic indicators. Indicators are standardized using a z transformation. A value of 100 corresponds to the Index value in the first quarter of 2010.

The "Single Family Building Permits" Index includes activity authorized by local building permits issued by the City of Peoria, Peoria County, Tazewell County and Woodford County.

The "Job Opening Index" reflects an a weighted average of new help wanted postings for the Peoria MSA, with an Index value of 100 corresponding to the average quarter's five-county help wanted postings in 2014.

The "New Unemployment Claims Index" refers to the seasonally adjusted number of new weekly unemployment claims in the five-county Peoria-Pekin MSA, with an Index value of 100 reflecting the average weekly number of new unemployment claims in 2010.

A regression model is used to estimate the most recent quarter's taxable retail sales. The Inflation Adjusted Retail Sales Index reflects estimated taxable retail spending in the Peoria-Pekin MSA, adjusted for inflation and for normal seasonal variation in retail sales. A score of 100 represents the inflation adjusted, seasonally adjusted retail sales during the first quarter of 2010.

The five-county seasonally adjusted Index of available homes for sale is computed relative to the score of 100 in the base year of 2010. The estimate of the seasonally adjusted Index of Price of Homes Sold is computed relative to a score of 100 in the base year of 2010.

US government statistics compiled with seasonal adjustment include Illinois and US unemployment rates, the average number of hours worked/week by production and non-supervisory workers, average number of hours of overtime worked/week in durable goods manufacturing, the Midwest Urban Consumer Price Index (CPI; computed monthly for the Midwest region by the Bureau of Labor Statistics), the Midwest quit rate, and Value of U.S. Dollar Index.

The Quit Rate is the number of quits during the month, divided by the number of employees who worked at that time.