

# STATE OF THE ECONOMY City of Chicago Fiscal Year 2024

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## Contents

<b>THE U.S. ECONOMY</b> .....	2
<b>UNEMPLOYMENT RATE</b> .....	3
<b>REAL GROSS DOMESTIC PRODUCT - GDP</b> .....	4
<b>DURABLE GOODS</b> .....	5
<b>INTEREST RATES</b> .....	5
<b>PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX</b> .....	6
<b>CONSUMER PRICE INDEX</b> .....	6
<b>U.S. LABOR MARKET</b> .....	7
<b>CHICAGO'S ECONOMY</b> .....	8
<b>CONSUMER PRICE INDEX (CPI)</b> .....	9
<b>INFLATION</b> .....	10
<b>GROSS DOMESTIC PRODUCT</b> .....	10
<b>CHICAGO UNEMPLOYMENT RATE</b> .....	12
<b>CHICAGO LABOR MARKETS</b> .....	13
<b>CHICAGO REAL ESTATE MARKETS</b> .....	14
<b>COMMERCIAL VACANCIES DOWNTOWN OFFICES</b> .....	15
<b>CHICAGO TOURISM</b> .....	15
<b>CHICAGO CASINO</b> .....	16
<b>OTHER ECONOMIC VARIABLES</b> .....	16
<b>CHICAGO FED NATIONAL ACTIVITY INDEX (CFNAI)</b> .....	16
<b>OUT-MIGRATION</b> .....	17
<b>NEW ARRIVALS / MIGRANTS</b> .....	18
<b>PENSIONS CRISIS</b> .....	19
<b>CONCLUSION</b> .....	20

The Council Office of Financial Analysis (COFA) offers a comprehensive overview of the state of the economy for the Chicago Metro area, which includes Chicago, Naperville, and Arlington Heights. The data presented in the report is the most up-to-date information available. The report will cover the state of the U.S. economy as well as provide an economic overview of the Chicago area.

## **THE U.S. ECONOMY**

The U.S. economy exceeded expectations in the second quarter, mainly due to robust consumer spending and business investment increases. Inflationary pressures decreased, leading to expectations of a Federal Reserve interest rate cut in September. The Commerce Department's advance report on second-quarter gross domestic product indicated that the growth was supported by increased inventory and government spending. However, the housing market recovery slowed down, which negatively impacted economic progress. Additionally, the trade deficit widened, further offsetting GDP growth.

The U.S. economy continued to outperform global peers despite significant interest rate hikes by the U.S. central bank in 2022 and 2023, thanks in part to a strong labor market.<sup>1</sup> It appears inflation is in line with the Fed's expectations, and there's a likelihood of a reduction in monetary restraint through an interest rate cut in September. The gross domestic product (GDP) grew at an annualized rate of 2.8% last quarter, which was double the 1.4% growth pace seen in the first quarter.

Consumer spending, which makes up more than two-thirds of the economy, increased at a rate of approximately 2.3% after slowing to a 1.5% pace in the January-March quarter. The increase in spending was driven by higher expenditures on healthcare, housing, and utilities, as well as club memberships, visits to sports centers, parks, theaters, and gambling.

The latest report from the Labor Department shows that spending was supported by wage increases. It also indicates signs of improvement in the labor market, as initial claims for state unemployment benefits decreased by 10,000 to a seasonally adjusted 235,000 for the week ending July 20, 2024.<sup>2</sup>

Despite the solid U.S. economic growth pace, the outlook for the second half of the year is not clear. The labor market is slowing, which will have an impact on wage gains. Consumers are saving less to fund spending. The savings rate fell to 3.5% from 3.8% in the January–March period, which is well below the pre-pandemic average.<sup>3</sup> Even with a mixed report on the current state of the U.S. economy, a recession is not expected.

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<sup>1</sup> Reuters. US Economy regains speed in second quarter; price pressures easing.  
<https://www.reuters.com/markets/us/us-economic-growth-regains-steam-second-quarter-inflation-slows-2024-07-25/>

<sup>2</sup> Ibid

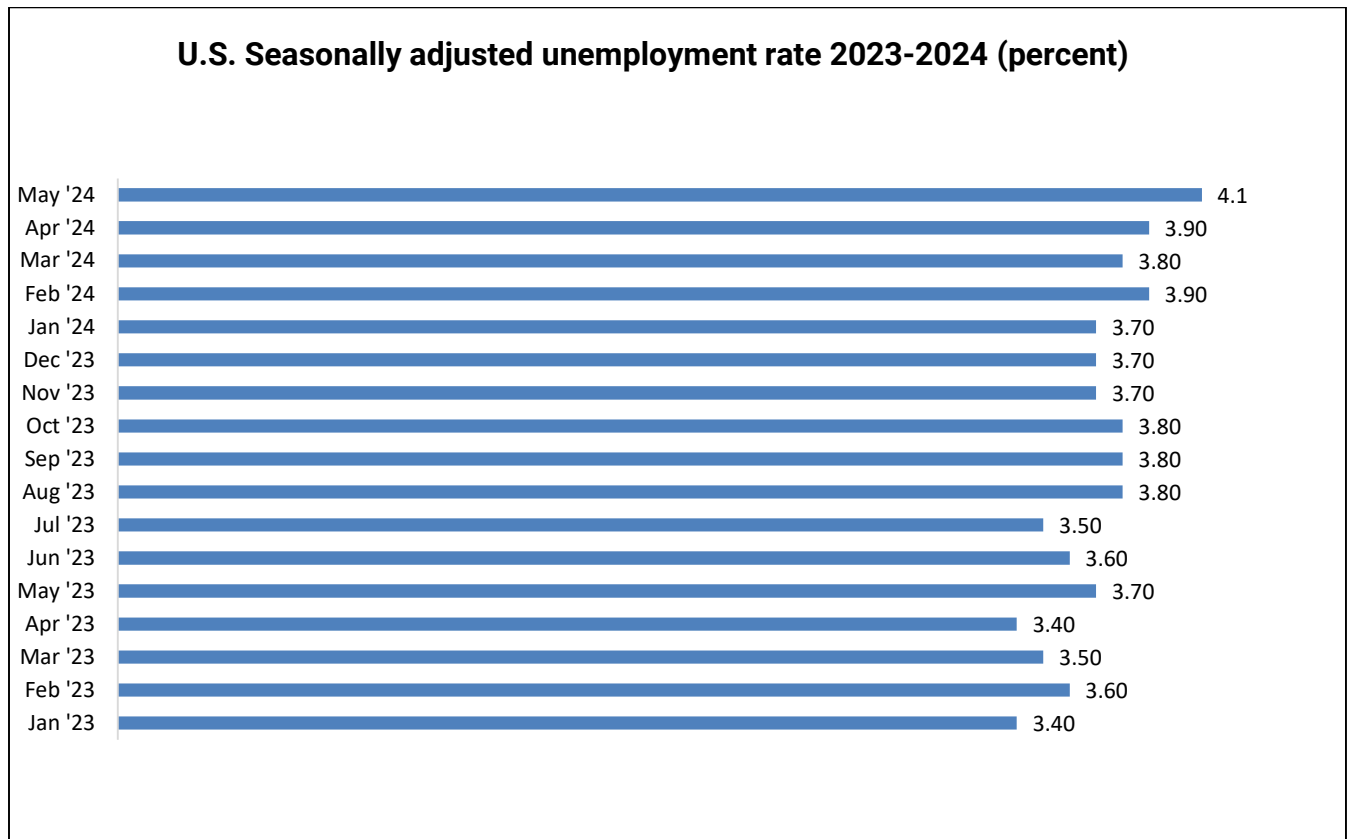
<sup>3</sup> Ibid



## UNEMPLOYMENT RATE

U.S. job growth slowed in June, with the unemployment rate rising to 4.1%.<sup>4</sup> Nonfarm payrolls increased by 206,000 jobs last month according to the Labor Department’s Bureau of Labor Statistics. The Labor Department’s adjusted jobs data for May showed 218,000 instead of the previously reported 272,000.<sup>5</sup>

The 206,000 gains at first glance appeared to be great news, however, government employment increased by 70,000; of the 136,00 increases in private payroll, social assistance, and health care accounted for 60% or 82,000 of the private payroll increase.<sup>6</sup> This suggests cyclical employment increased by only 50,000, adding to evidence of weakness in GDP growth; the huge 48,900 reduction in temporary help employment is also troubling.<sup>7</sup>



SOURCE: Statista

<sup>4</sup> Reuters. *June US job growth moderates, unemployment rate ticks up*. July 2024. Retrieved from: <https://www.reuters.com/markets/us/view-june-us-job-growth-moderates-unemployment-rate-ticks-up-2024-07-05/>

<sup>5</sup> Ibid

<sup>6</sup> Ibid

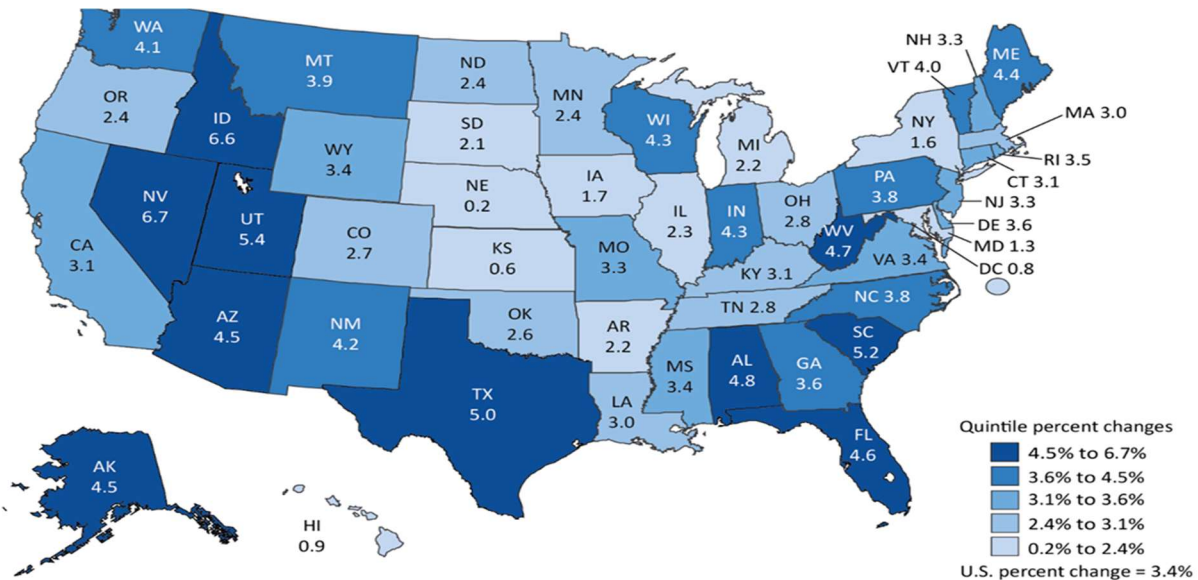
<sup>7</sup> Ibid

## REAL GROSS DOMESTIC PRODUCT - GDP

GDP operates as a scorecard of the country’s health and can be defined as the market value or monetary value of all finished goods and services produced within a country. Real GDP increased by 3.4 percent in the fourth quarter of 2023.<sup>8</sup> Real gross domestic product (GDP) increased at an annual rate of 1.4 percent in the first quarter of 2024. The GDP for the second quarter rose at an annual rate of 2.8% for April through June to \$22.9 trillion according to the Commerce Department, faster than the 1.4% pace in the first quarter and above the 2.1% rate economists forecasted for the second quarter.<sup>9</sup>

The increase in real GDP reflects increases in consumer spending, residential fixed investment, nonresidential fixed investment, and local and state government offset by a decrease in private inventory investment.<sup>10</sup>

### Real GDP: Percent Change at Annual Rate, 2023: Q3 – 2023: Q4



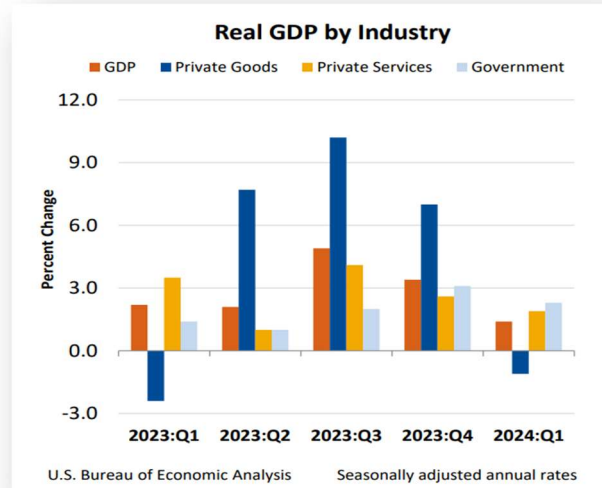
Source: U.S. Bureau of Economic Analysis

<sup>8</sup> Bureau of Economic Analysis (BEA). June 27, 2024. *Gross Domestic Product (Third Estimate) Corporate Profits (revised) and GDP by Industry, first quarter 2024*. Retrieved from: <https://www.bea.gov/sites/default/files/2024-06/gdp1q24-3rd.pdf>

<sup>9</sup> The Wall Street Journal. Economic Growth Quickens, Rising at 2.8% in Second Quarter. <https://www.msn.com/en-us/money/markets/economic-growth-quickens-rising-at-28-rate-in-second-quarter/ar-BB1qBYbB?ocid=BingNewsSerp>

<sup>10</sup> Bureau of Economic Analysis (BEA). June 27, 2024. *Gross Domestic Product (Third Estimate) Corporate Profits (revised) and GDP by Industry, first quarter 2024*. Retrieved from: <https://www.bea.gov/sites/default/files/2024-06/gdp1q24-3rd.pdf>

Real gross domestic product increased in all 50 states and the District of Columbia during Q4 2023, with the percent change ranging from 6.7 percent in Nevada to 0.2 percent in Nebraska. The state of Illinois realized a 2.3% increase.



## DURABLE GOODS

In May, new orders for manufactured durable goods increased by 0.1% to \$283.1 billion, marking the fourth consecutive monthly increase. Excluding transportation, new orders decreased by 0.1%; while excluding defense, new orders saw a decrease of 0.2%. The increase was primarily driven by transportation equipment, which saw a \$0.5 billion (0.5%) increase to \$95.4 billion and has grown in three of the last four months.<sup>11</sup> The data was released by the U.S. Census Bureau on June 27, 2024.

## INTEREST RATES

The Federal Reserve has kept its benchmark interest rate steady at a 23-year high of 5.25% to 5.5%.<sup>12</sup> The Federal Reserve uses interest rates as a tool to achieve monetary goals and manage the economy. The Fed published updated committee member projections to one .25% rate cut in 2024 and four in 2025, four members do not anticipate cuts this year, seven members project one cut, and eight forecast two.<sup>13</sup> Policymakers do not expect to reduce rates until they gain greater confidence that inflation is moving sustainably toward 2%.

<sup>11</sup> United States Census Bureau. *Monthly Advance Report on Durable Goods Manufacturer's shipments Inventories and Orders*. Retrieved from: <https://www.census.gov/manufacturinThe Fg/m3/adv/current/index.html>

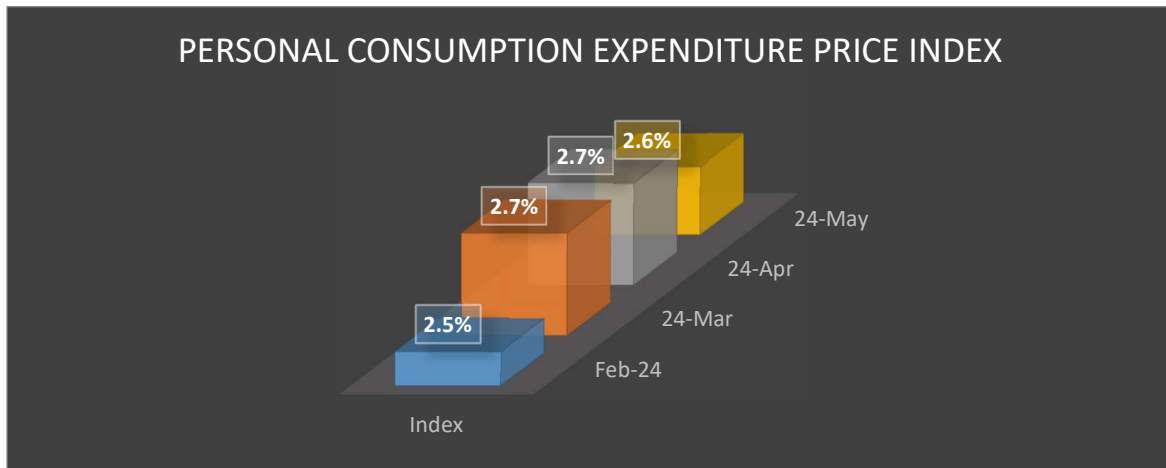
<sup>12</sup> Economists Monthly Monitor Farm Journals Pork. *Is the Fed Cutting Interest Rates Now Imminent?* July 8, 2024. Retrieved from: <https://www.porkbusiness.com/news/ag-policy/fed-cutting-interest-rates-now-imminent#:~:text=Since%20July%202023%2C%20the%20Federal,a%20contentious%20point%20of%20debate.>

<sup>13</sup> U.S. Wealth Management. *Federal Reserve keeps interest rates ready, projecting one .25% rate cut later this year*. Retrieved from: <https://www.usbank.com/investing/financial-perspectives/market-news/federal-reserve-interest-rate.html>

## PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX

The Personal Consumption Expenditure Price Index (PCEPI) measures the prices paid by people in the United States for goods and services. It is produced by the Bureau of Economic Analysis (BEA) and is used by the Federal Reserve to measure inflation. The PCEPI tracks changes in consumer behavior and can have an impact on business decisions.

The PCEPI index is released monthly in the Personal Income and Outlays report and reflects changes in the prices of goods and services and is included in the GDP release.<sup>14</sup>



Source: BEA

## CONSUMER PRICE INDEX

The Consumer Price Index (CPI) measures the change in prices consumers pay for goods and services. The CPI reflects spending patterns for all urban consumers, urban wage earners, and clerical workers; the all-urban consumer group represents 90% of the total U.S. population.<sup>15</sup>

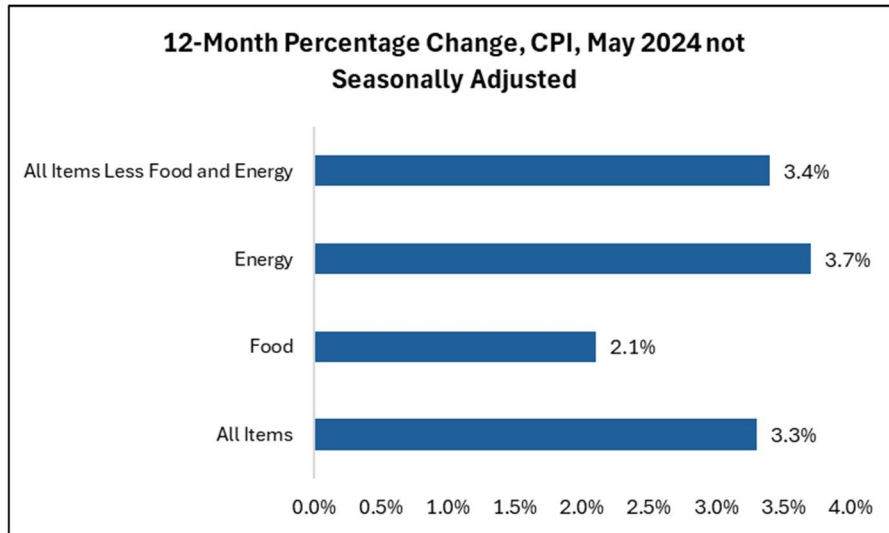
In May, the Consumer Price Index for all Urban Consumers was unchanged, seasonally adjusted, and increased 3.3% over the last 12 months, not seasonally adjusted.<sup>16</sup> The index for all items less food and energy increased 0.2% in May, up 3.4% over the year.<sup>17</sup>

<sup>14</sup> BEA. Personal Consumption Expenditure Price Index. Retrieved from: <https://www.bea.gov/data/personal-consumption-expenditures-price-index>

<sup>15</sup> U.S. Bureau of Labor Statistics. Economic News Release *Consumer Price Index*. Retrieved from: <https://www.bls.gov/news.release/cpi.nr0.htm>,

<sup>16</sup> U.S. Bureau of Labor Statistics. Consumer Price Index. Retrieved from: <https://www.bls.gov/cpi/>.

<sup>17</sup> Ibid



Source: U.S. Bureau of Labor Statistics

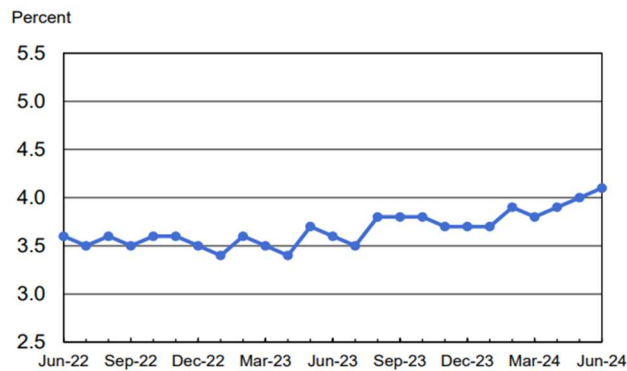
## U.S. LABOR MARKET

Payroll employment increased by 206,000 in June, the unemployment rate changed to 4.1%, up from 4.0% the month before. The job gains occurred in government, health care, social assistance, and construction.<sup>18</sup>

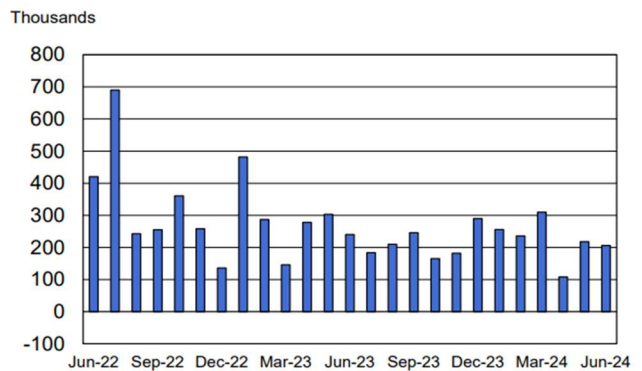
- Government employment rose by 70,000 in June, higher than the average monthly gain of 49,000 over the prior 12 months.
- Healthcare added 49,000 jobs in June, lower than the average monthly gain of 64,000.
- Employment in social assistance increased by 34,000 in June, primarily in family services.
- Construction added 27,000 jobs in June, higher than the monthly gain of 20,000 over the prior 12 months.

Source: News Release Bureau of Labor Statistics. U.S. Department of Labor. July 5, 2024.

**Chart 1. Unemployment rate, seasonally adjusted, June 2022 – June 2024**



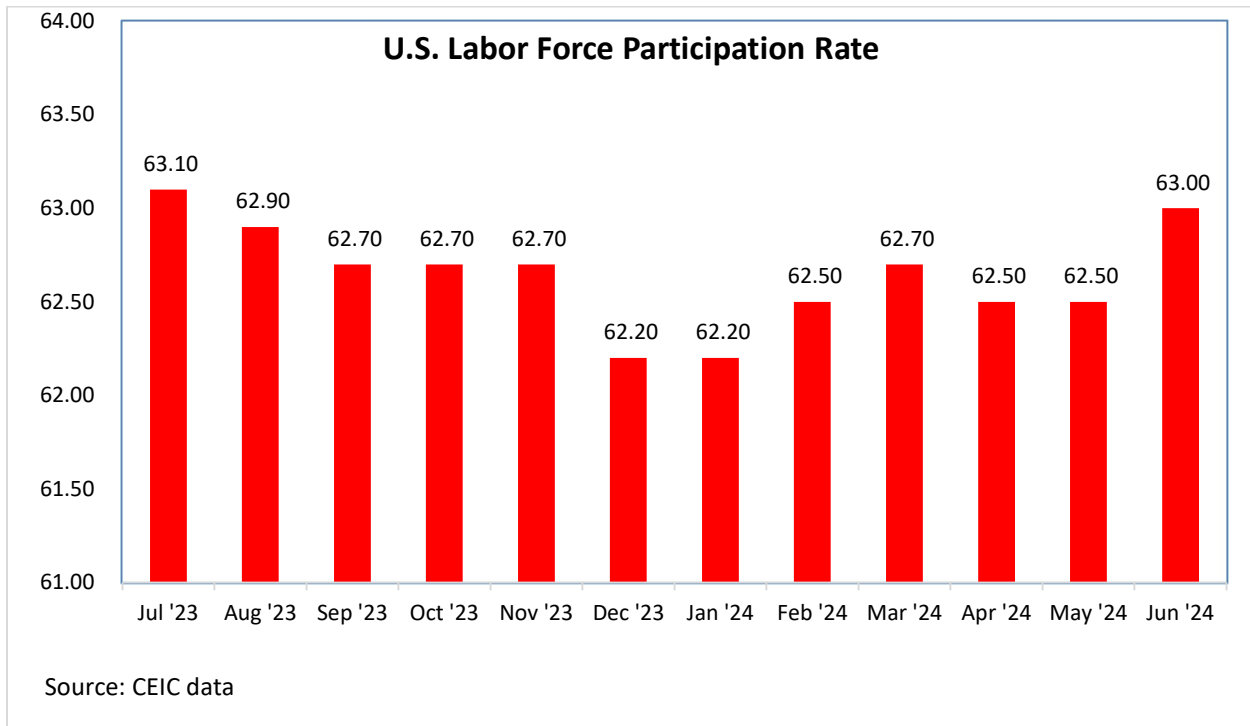
**Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, June 2022 – June 2024**



<sup>18</sup> U.S. Bureau of Labor Statistics. Retrieved from: <https://www.bls.gov/>



The labor force participation rate is defined by the current population survey (CPS) as the number of people in the labor force as a percentage of the civilian noninstitutional population and is reported by the U.S. Bureau of Labor Statistics.<sup>19</sup> The United States Labor Force Participation Rate increased to 63.0% in June 2024, compared with 62.5% the previous month. The data reached an all-time high, in July 1997 of 68.1% and a record low of 57.2% in Jan 1948.<sup>20</sup> The country’s monthly earnings were USD 4,789.6 USD in May 2024.<sup>21</sup>



## CHICAGO’S ECONOMY

The data presented for the Chicago economy is a snapshot of the Chicago Metro area comprising the Chicago, Naperville, and Arlington Heights communities. This section will review the Chicago Consumer Price Index (CPI), Inflation, Gross Domestic Product, Chicago Unemployment Rate, Chicago Labor Markets, Chicago Real Estate Markets, Commercial Vacancies, Chicago Tourism, Chicago Casino, and other Economic Variables.

- The Chicago Metro economy is growing slower than expected compared to the national average and similar big cities. Although there has been a slight increase in payroll employment, it hasn't

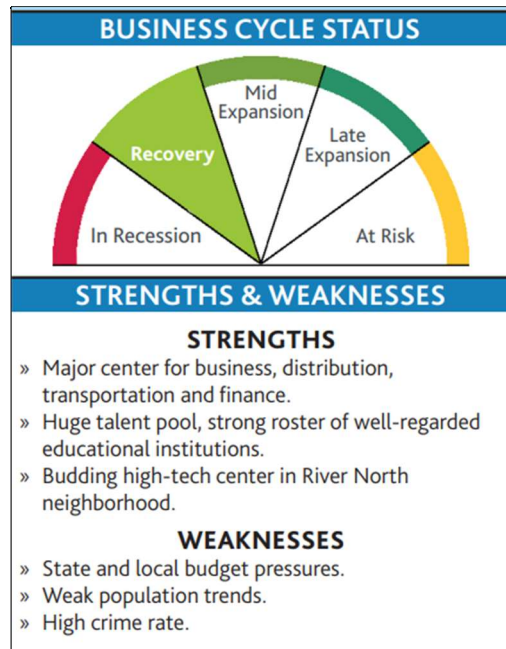
<sup>19</sup> Federal Reserve Bank of St. Louis. Economy, Labor Participation Rate. <https://fred.stlouisfed.org/series/CIVPART>

<sup>20</sup> CEIC. United States Labor Force Participation Rate. <https://www.ceicdata.com/en/indicator/united-states/labour-force-participation-rate>

<sup>21</sup> Ibid

progressed much compared to the previous year. Key sectors such as professional/business services, finance, and transportation/warehousing have shown weak performance. In the Chicago Metro area, the healthcare sector has been the primary driver of job creation, backed by contributions from manufacturing and the public sector. Housing indicators present a mixed picture.

- Single-family home prices are rising in line with national trends, the number of new single-family home constructions remains historically low, and there has been a decrease in multifamily housing starts (Moody’s 2024).
- The job market is struggling, and although the healthcare sector has been creating jobs at an impressive rate in recent years, improvement across other sectors is necessary to drive the economy forward.
- Population decline will impact consumer demand. The wages of private workers have decreased more in Chicago than in the rest of the U.S. Job growth underperformance will be most noticeable at the higher end of the pay scale, which will affect hourly earnings.
- Chicago's tourism and business travel remain strong. Major entertainment and social events are contributing to the growth of tourism and hospitality. O'Hare and Midway airports have seen a significant year-over-year increase in passenger traffic. However, remote work is hurting commercial real estate.

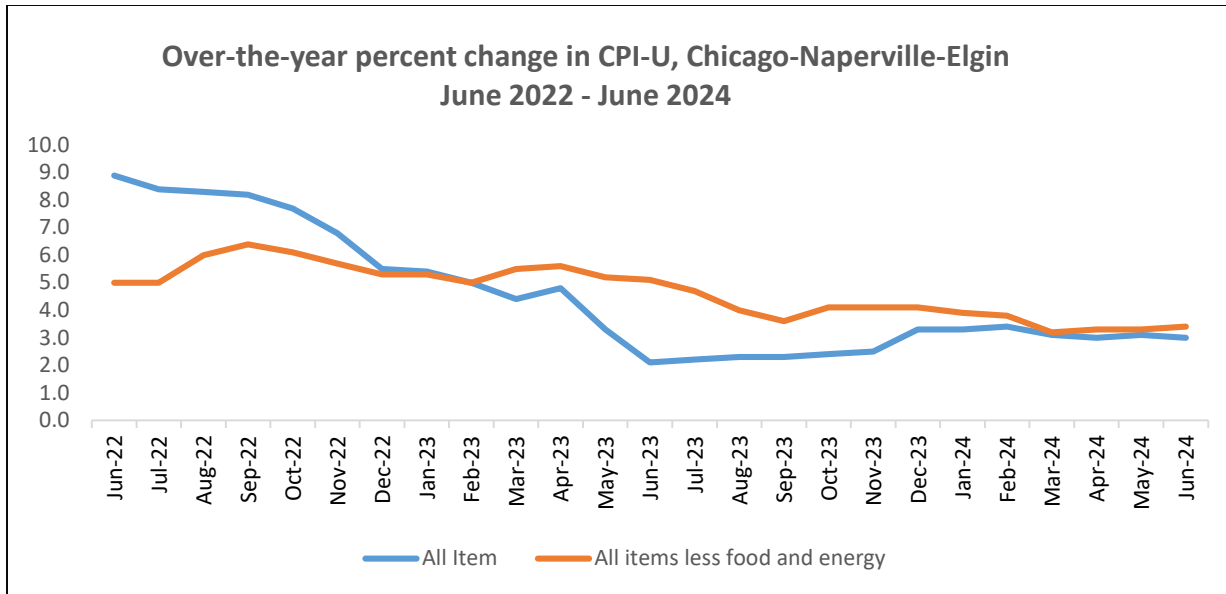


Source: Moody’s

### CONSUMER PRICE INDEX (CPI)

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of goods and services.

The Chicago-Naperville -Elgin Consumer Price Index for all Urban Consumers (CPI-U), was unchanged in June according to the U.S. Bureau of Labor Statistics. Over the last 12 months, the CPI-U rose by 3.0 percent. The index for all items less food and energy rose 3.4 percent year over year. Food prices rose by 1.9 percent



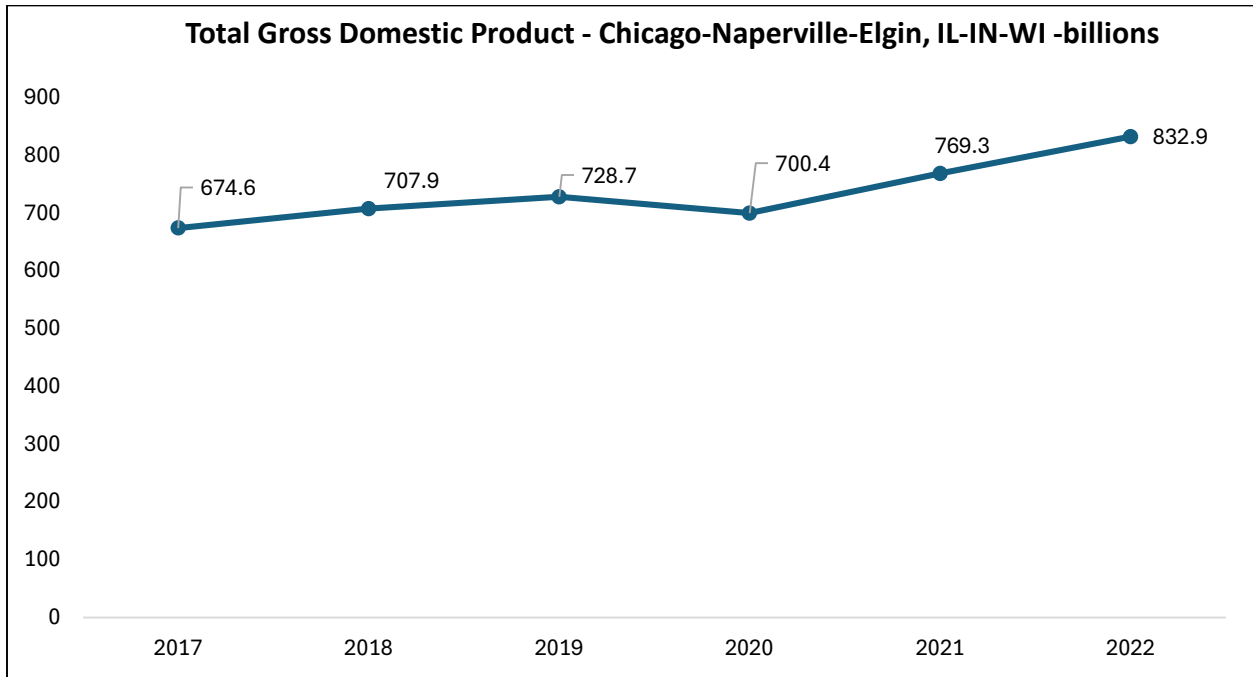
Source: U.S. Bureau of Labor Statistics

## INFLATION

The rate of inflation in Chicago has been 3.1 percent over the last 12 months. According to the U.S. Bureau of Labor Statistics prices in Chicago are 2,796.05% higher in 2024 versus 1914 (a \$559.21 difference in value). Between 1914 and 2024: Chicago experienced an average inflation rate of 3.11% per year. This rate of change indicates significant inflation.

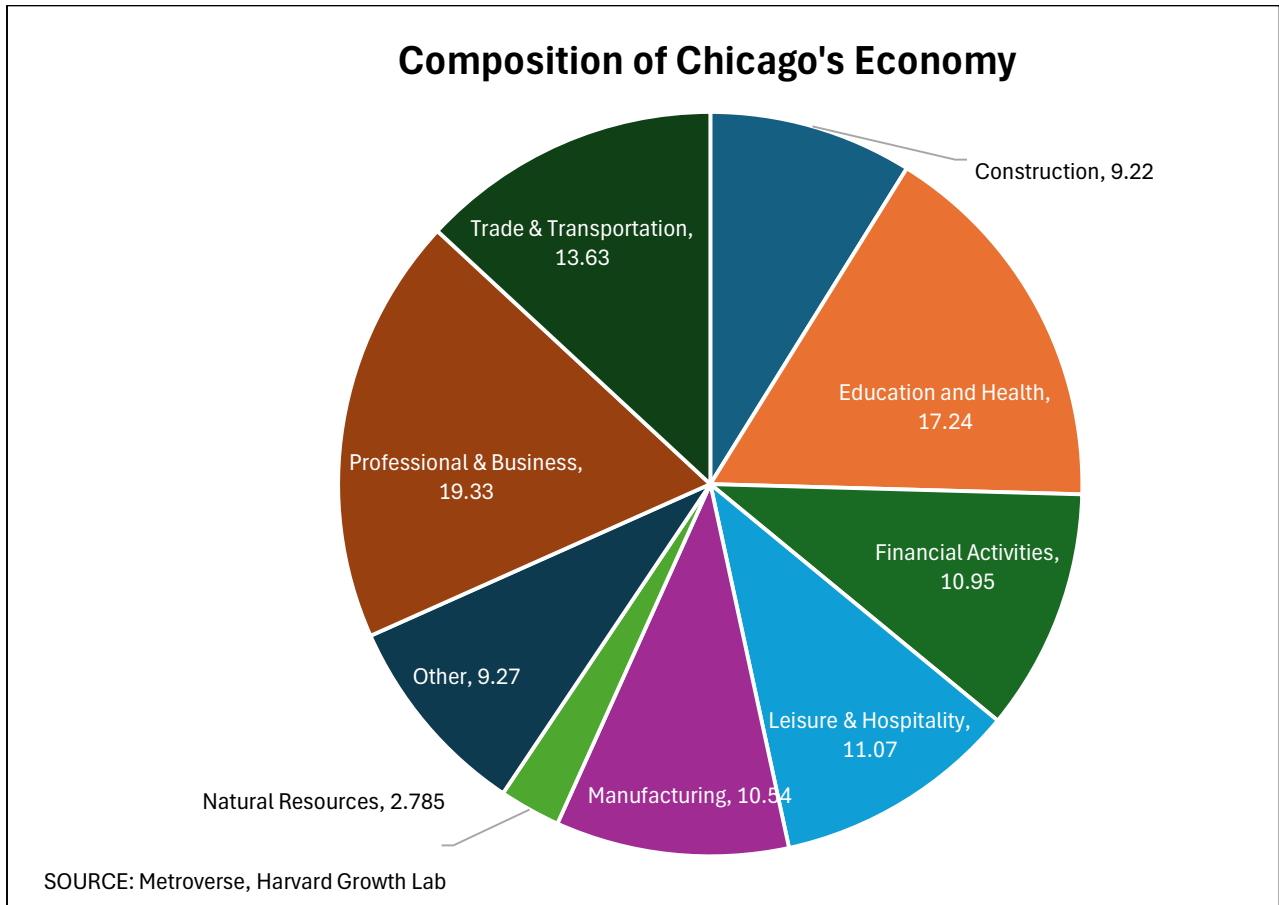
## GROSS DOMESTIC PRODUCT

The Gross Domestic Product (GDP) is the value and productivity of the economy in Chicago. The GDP measures the market value of final goods and services produced annually. The Gross Domestic Product (GDP) for Chicago will be \$832.9 billion in 2022. Chicago is home to several Fortune 500 companies including Archer Daniels Midland, Conagra Brand, Exelon, McDonald’s, and Motorola to name a few. Chicago has a diverse economy that has contributed to the strong GDP, however, large companies such as Boeing, Caterpillar, Citadel LLC, and Tyson Foods have moved their headquarters from Chicago reflecting a shift in corporate preferences.



Source: Fred Graph – Federal Reserve Economic Data – U.S. Bureau of Economic Analysis

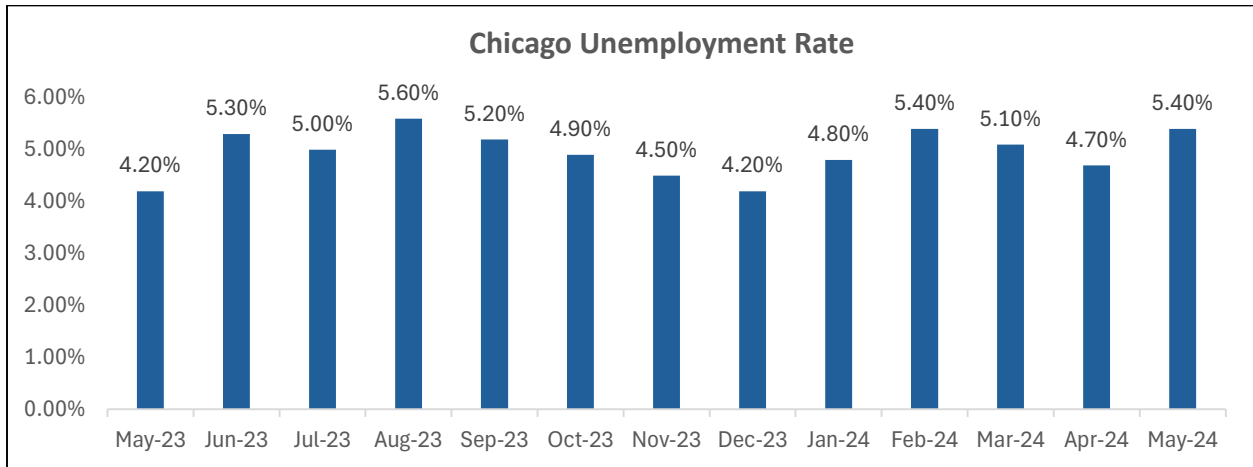
The chart below represents data from 2020 and examines Chicago’s labor force. According to 2020 data from Metroverse, Chicago ranks 9<sup>th</sup> most populated and has the 19<sup>th</sup> highest GDP per capita (Metroverse, Harvard Growth Lab). The largest sector in Chicago consists of Professional and business service industries representing 19.33% of employees in the City. Education and health service industries also have a large presence.



### CHICAGO UNEMPLOYMENT RATE

The Chicago unemployment rate measures the percentage of total employees in Chicago, IL who are a part of the labor force, but without a job. As of July 3, 2024, the unemployment rate for the city of Chicago was 5.40%, which is lower than its long-term average of 7.55%. The current rate is higher than the previous month's rate (4.70%) and the previous year (4.20%).

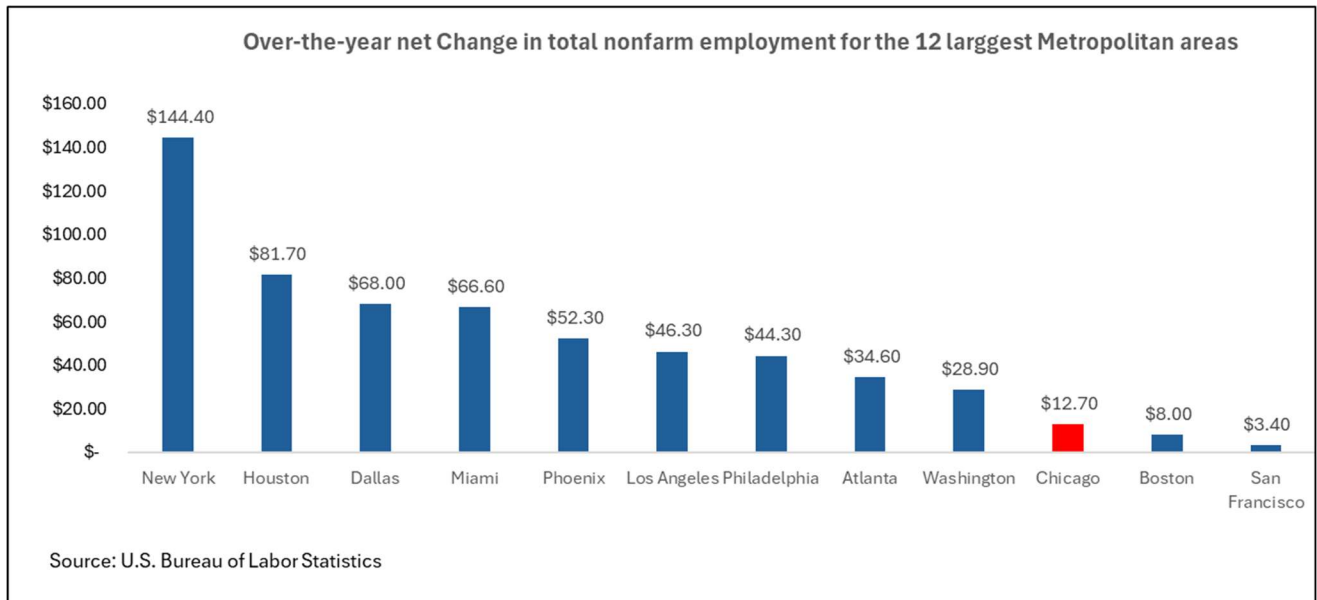




Source: YCharts

### CHICAGO LABOR MARKETS

Chicago-Naperville-Elgin, IL-IN-WI was one of the twelve largest metropolitan statistical areas in May 2024. Six of the twelve areas gained payroll employment over the year. The largest gains were seen in New York-Newark-Jersey City with an increase of 144,400. The Chicago Metropolitan area saw a gain of 12,700.

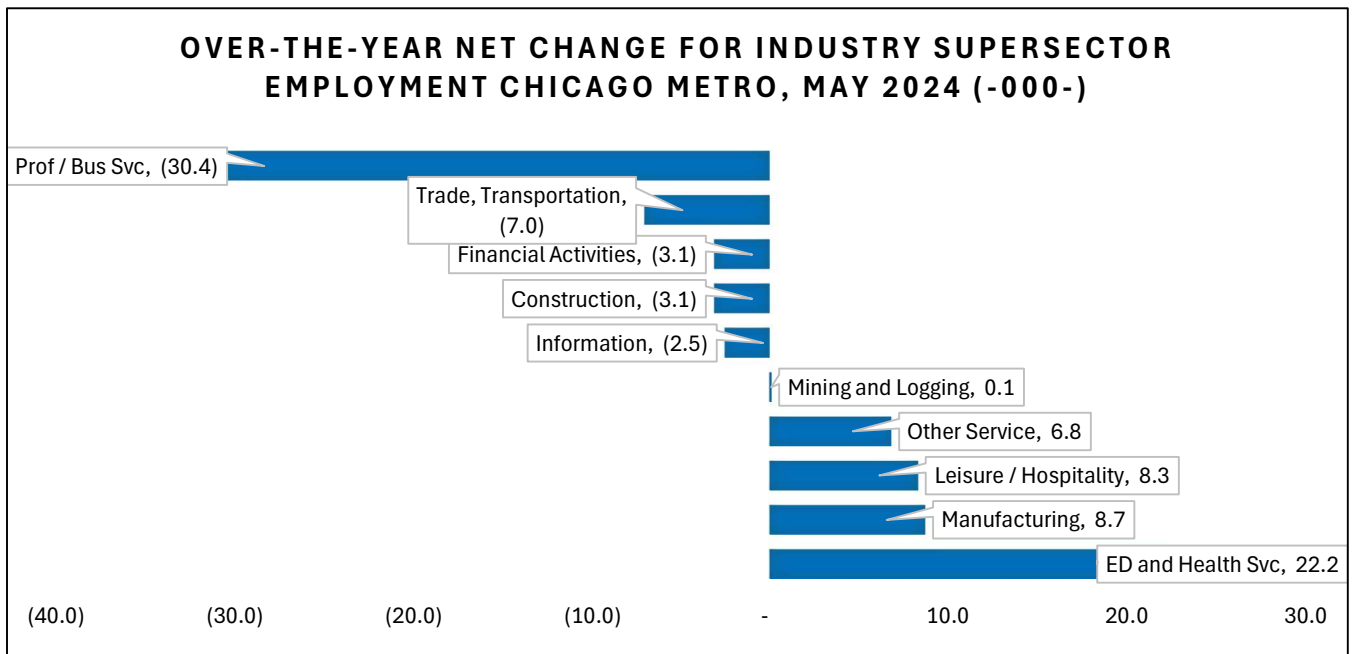


Source: U.S. Bureau of Labor Statistics

Total nonfarm employment for the Chicago-Naperville-Elgin, IL-IN-WI, metropolitan area stood at 4,798,500 in May 2024 compared to 4,785,800 a year ago, according to the U.S. Bureau of Labor Statistics. Nationally, employment rose 1.8% over the year.

In the Chicago-Naperville-Elgin IL-IN-WI area, education and health services had the most significant gain of 22,200 among the metropolitan area’s private industry sectors. The area added 18,700 jobs in the healthcare and social assistance sectors. The 2.9% rise in the metropolitan area’s education and health services is significantly lower than the 4.2% increase at the national level.<sup>22</sup>

The graph below shows the over-the-year *net change* for private industry employment in the Chicago metropolitan area for May 2024. As seen in the graph employment in professional and business services was down 30,400 over the year, conversely, education and health services had a significant gain of 22,200.



Source: U.S. Bureau of Labor Statistics

## CHICAGO REAL ESTATE MARKETS

- In March 2024, the housing market in Chicago experienced a downturn in home sales compared to the prior year. According to the Illinois Realtors, a total of 6,794 homes were sold in the nine-county Chicago Metro Area.
- There was also a notable decline in the number of homes available for purchase, with inventory decreasing by 15.5% from March 2023 to March 2024, leaving only 10,409 homes on the market.
- Despite the decrease in inventory and sales volume, there was a significant increase in the median home price in the Chicago Metro Area. In March 2024, the median home price reached \$339,000, a 9.6% rise from the prior year when the median price was lower at \$310,000.
- 32.5% of sales are happening over the list price, while 52.7% are under the list price.
- Rents in the Chicago metropolitan area surged 20.7% compared to the previous year.

<sup>22</sup> U.S. Bureau of Labor Statistics. [https://www.bls.gov/regions/midwest/news-release/AreaEmployment\\_Chicago.htm](https://www.bls.gov/regions/midwest/news-release/AreaEmployment_Chicago.htm)

Source: Norada <https://www.noradarealestate.com/blog/chicago-real-estate-market/>

The Chicago housing market displayed mixed trends, with a decline in home sales contrasted with increasing median home prices. Despite decreasing inventories, the market remains resilient. The outlook for the Chicago housing market remains cautiously optimistic.

## COMMERCIAL VACANCIES DOWNTOWN OFFICES

- The total office availability rate in downtown Chicago decreases in Q2 2024 to 29.1% after an early start in 2024 with a historic high of 29.6%.
- Subleased available space decreased significantly this quarter from 7.6 million feet available to 6.97 million square feet.
- While the downsizing trend is expected to continue this year, the new supply will be effectively shut off for the next couple of years. Only 360,000 square feet of new office inventory is on track to be delivered through the end of 2025.
- Most of the downsizing pain has been felt by owners of so-called Class B and Class C buildings, which are generally older and have fewer modern amenities. About 70% of negative net absorption during the first quarter came from such properties.
- Top-tier, or Class A, buildings also saw negative net absorption for the first time in two and a half years, according to CBRE. But vacancies among that set are still lower than at older, lower-quality buildings, as companies flock to space that will help encourage employees to show up.
- Leasing news from the first quarter illustrated tenants' push for the newest and most updated buildings, as well as the trend of shrinking footprints.

Source: Crains Chicago Business

## CHICAGO TOURISM

Chicago is a major city with a rich history and local culture. Chicago has attracted many visitors from all over and tourism in Chicago is booming. Events like the NASCAR Chicago Street Race injected \$109 million into the Chicago economy and created 750 jobs.<sup>23</sup> Conventions are also big business, the oncology conference brought in 44,000 attendees and contributed to local businesses.

- Tourism in Chicago in 2023 exceeded pre-pandemic levels and surpassed the numbers of 2022.
- International visitation increased by 13% compared to last year.
- Chicago is the top US tourist destination
- Chicago tourism in 2023 reached 111 million a 14% increase over 2021.
- Hotel rates surpassed pre-pandemic levels by 13%, generating \$1.12 billion in hotel revenue, in the first half of the year.

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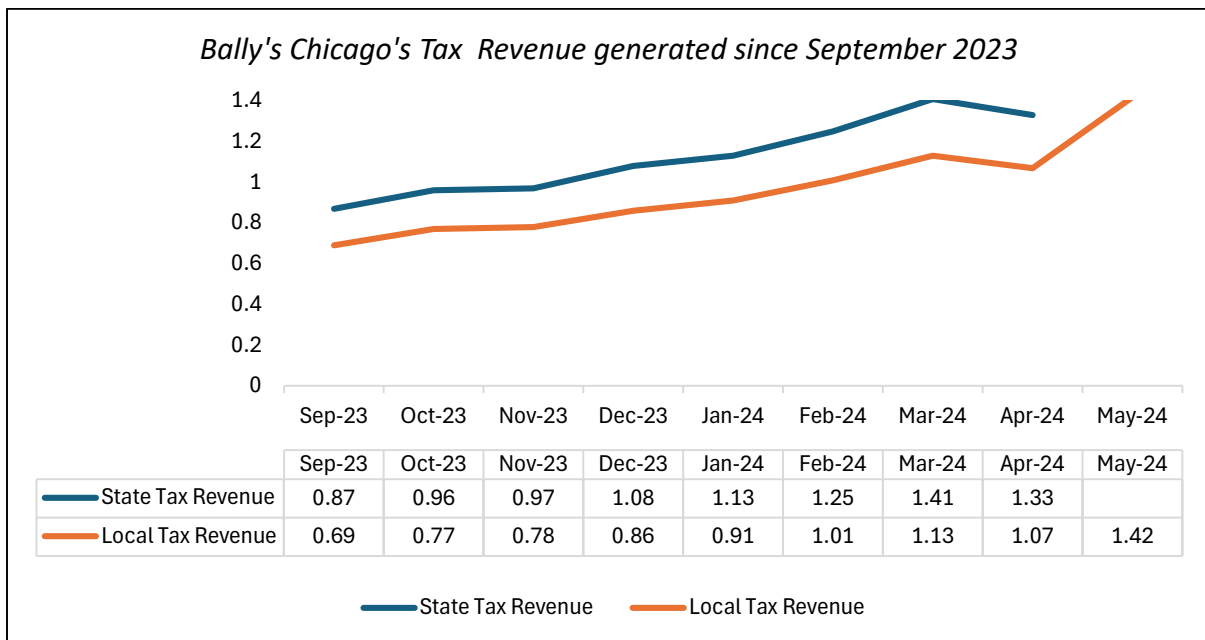
<sup>23</sup> Chicago Tourism Statistics Skyrockets to Record Breaking Numbers in 2023.  
<https://www.connollycove.com/record-breaking-chicago-tourism-statistics/>

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- It is estimated that Lollapalooza generated \$422 million for Chicago’s economy in 2023.<sup>24</sup>

## CHICAGO CASINO

After a 7% reduction in adjusted gross receipts in April, Bally’s Chicago saw record growth in May. The casino is not on schedule to meet Mayor Brandon Johnson’s 2024 budget plan, which anticipates \$35 million in local tax revenue or on average \$3 million per month. In May, the Chicago casino brought in \$1.42 million, a 32.7 increase from April. For the first five months of 2024, Bally’s has generated \$5.5 million in local tax revenue, therefore, to make the city’s budget plan they will need to average \$4.2 million per month for the remaining seven months.<sup>25</sup>



Source: Crain’s Chicago Business. <https://www.chicagobusiness.com/gambling/ballys-chicago-casino-revenue-numbers>

## OTHER ECONOMIC VARIABLES

### CHICAGO FED NATIONAL ACTIVITY INDEX (CFNAI)

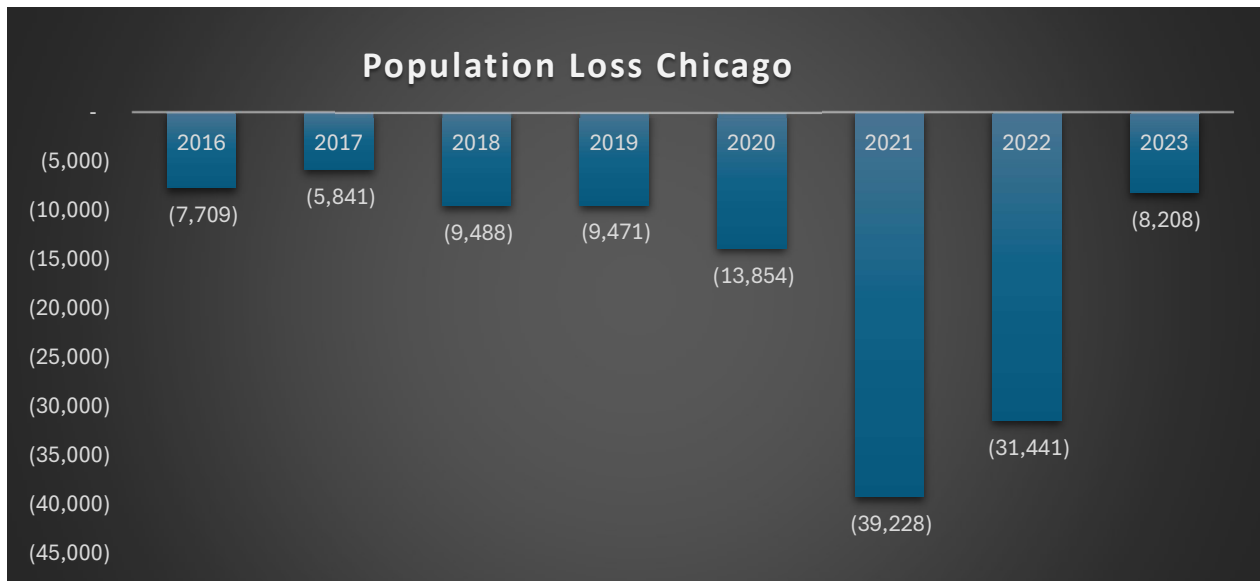
The Chicago Fed National Activity Index (CFNAI) is a monthly index designed to monitor overall economic activity and any related inflationary pressure in the United States. The CFNAI is a weighted average of 85 monthly indicators related to national economic activity and constructed to have an average value of zero

<sup>24</sup> Crains Business, Lolla gave Chicago’s economy \$422 million. Retrieved from: <https://www.chicagobusiness.com/politics/lollapalooza-boosts-chicago-economy-422-million-2023-impact-study-says>

<sup>25</sup> After a tough April, Bally’s Chicago sees a big jump in May. Retrieved from: <https://www.chicagobusiness.com/gambling/ballys-chicago-casino-revenue-numbers>.

and a standard deviation of one.<sup>26</sup> According to the Federal Reserve Bank of Chicago in June 2024 the Chicago Fed National Activity Index (CFNAI) decreased to +0.05 in June from +.23 in May.<sup>27</sup> Three of the four broad categories of indicators used to construct the index decreased in May, and three categories made negative contributions in June.<sup>28</sup>

## OUT-MIGRATION



Source: Illinois Policy

Chicago suffered its ninth consecutive year of population decline in 2023 according to data released May 16<sup>th</sup> by the U.S. Census Bureau. Chicago began declining in 2015, and since then the city has lost more than 128,000 residents.<sup>29</sup> According to the U.S. Census Bureau, Chicago’s population decreased by 8,208 residents from July 2022 to July 23, this was the ninth year in a row that Chicago’s population has decreased. Last year’s population drop was the third-worst of any city in the nation with New York (-77,763) and Philadelphia (-16,294) losing more residents.

Illinois’ declines during the past decade have been attributed to domestic outmigration, the city’s population is declining because residents are fleeing. Major reasons for those who left the state based on a survey by NPR Illinois and the University of Illinois were taxes, housing, and employment opportunities. IRS data released the week of June 29, 2024, show between calendar years 2021 and 2022, the number of people entering Illinois was nearly 177,000 and the number leaving was over 264,000 for a net loss of

<sup>26</sup> Federal Reserve Bank of Chicago. Chicago Fed National Activity Index (CFNAI). Retrieved from:

<https://www.chicagofed.org/research/data/cfnai/current-data>

<sup>27</sup> Federal Reserve Bank of Chicago. Retrieved July 19, 2024.

<https://www.chicagofed.org/research/data/cfnai/current-data>

<sup>28</sup> Ibid

<sup>29</sup> Illinois Policy. <https://www.illinoispolicy.org/9-years-of-decline-expect-chicago-to-be-no-4-behind-houston-by-2035/>



7,286.<sup>30</sup> According to the latest Internal Revenue Service data; the more than 87,000 people who moved out of Illinois took nearly \$10 billion in income.<sup>31</sup>

One of the most damaging impacts of out-migration is the decline of the Illinois tax base. When people leave, they take their incomes and the state's tax base suffers. In all the cumulative impact of out-migration for the last 23 years was a loss to the state budget of \$3.6 billion in income tax revenue in 2022 alone, so if those people did not leave over the last 23 years the state would have \$3.6 billion more income tax revenues in 2022 alone.<sup>32</sup> When you analyze the losses from out-migration it is even larger when you take into account other foregone revenue streams such as sales taxes, gas taxes, fees, etc.

### **NEW ARRIVALS / MIGRANTS**

Since August 31, 2022, the City of Chicago has welcomed 45,000 new arrivals at a cost of approximately \$433.7 million (as of June 2024). The closure of an elementary school was a blow to residents of the majority-Black neighborhood it served, symbolizing indifference to their interests.<sup>33</sup> Black residents are frustrated that long-standing needs are not being met while the new arrivals are cared for with a sense of urgency. This is causing division in a city that has a history of such.

The migrant situation in Chicago and other large Democratic cities has a broader implication in an election year. The Biden administration is now advocating a more restrictive approach to immigration. History does repeat itself: thousands of Black Southerners moved to Chicago in the early 20<sup>th</sup> century searching for economic opportunities and white Chicagoans at the time accused them of receiving disproportionate resources from the city. In 1919 tensions escalated to a surge of racist attacks, white residents burned large swaths of Chicago's Black neighborhoods and killed 23 Black people and more than 500 people were injured.

Fast forward to 1962, the Reverse Freedom Rides were attempts by segregationists in the South to send African Americans to northern cities by bus with a one-way ticket and a promise of high-paying jobs and free housing. It was a cruel hoax with no jobs or permanent housing waiting – these people were pawns in a segregationist game.<sup>34</sup>

According to The City of Chicago New Arrival Cost Dashboard, the cumulative total spent between August 2022 and June 2024 is \$433.7 million, including \$215 million since Mayor Brandon Johnson took office in

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<sup>30</sup> Washington Examiner. IRS: Illinois loses \$10 billion in income from 87,000 people moving out. <https://www.washingtonexaminer.com/news/campaigns/state/3064522/irs-illinois-loses-10-billion-in-income-from-87000-people-moving-out/>

<sup>31</sup> Ibid

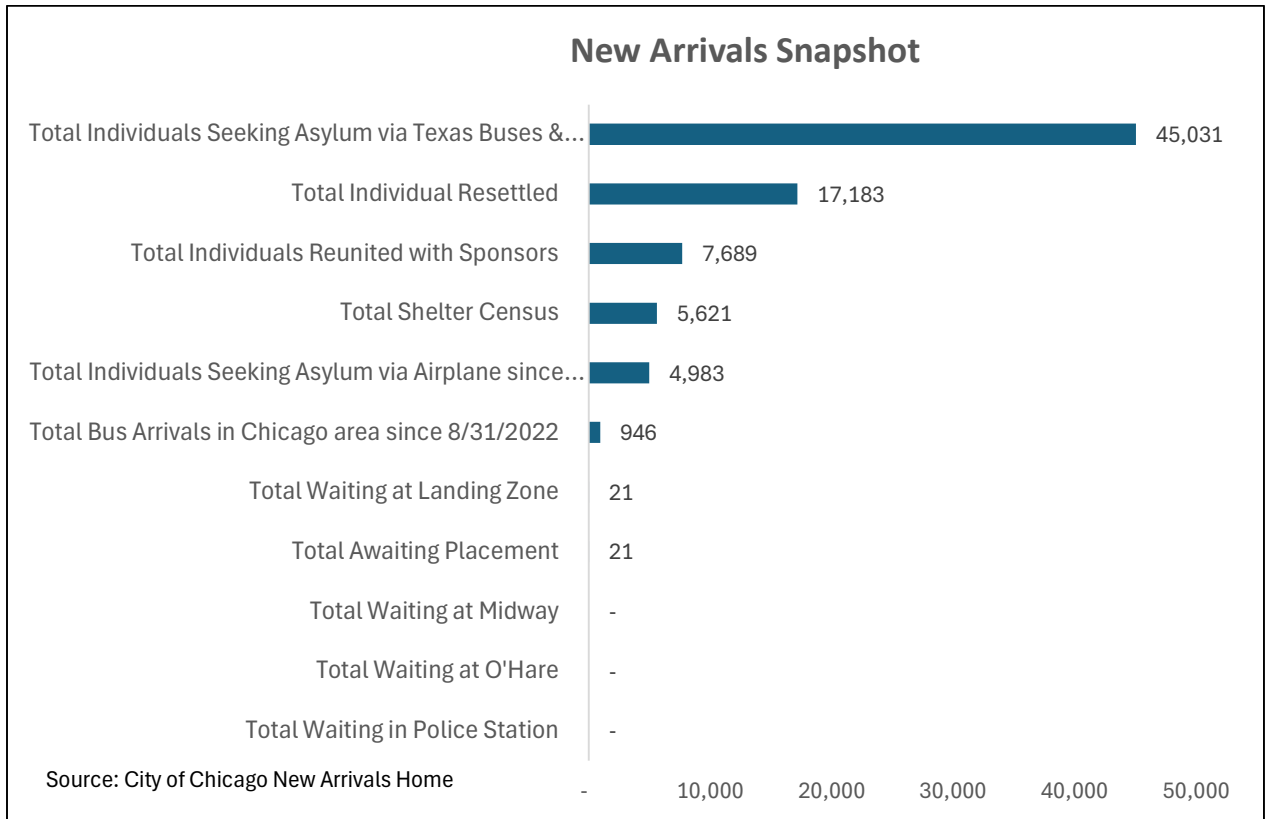
<sup>32</sup> Wirepoints. Illinois' out-migration losses: Measuring the destructive impact on the state's tax base

<sup>33</sup> AP News. Chicago's response to migrant influx stirs longstanding frustrations among Black residents.

<sup>34</sup> WBEZ Chicago The Cruel Story Behind The "Reverse Freedom Rides".

<https://www.npr.org/sections/codeswitch/2020/02/29/809740346/the-cruel-story-behind-the-reverse-freedom-rides>

May 2023. The city of Chicago uses three primary vendors: Favorite Healthcare Staffing Inc., Equitable Social Solutions LLC, and Open Kitchens, Inc.<sup>35</sup>



### PENSIONS CRISIS

In 2023, Chicago's pension debt rose by about \$1.8 billion according to the city's financial report. The City of Chicago has a total pension liability of \$37.2 billion across its four employee pension funds, which cover police officers, firefighters, municipal employees, and laborers. This information was detailed in the 2023 Annual Comprehensive Financial Report.

In 2023, the City contributed an additional \$242 million to its four pension funds. This year, it continued the same approach by making an extra payment of \$306.6 million. The city is making progress towards meeting the state legislation mandate of achieving a 90% funded ratio by 2055.

<sup>35</sup> City of Chicago Cost Dashboard Vendor Payments, New Arrivals. <https://www.chicago.gov/city/en/sites/texas-new-arrivals/home/cost-dashboard.html>

## CONCLUSION

In the first half of 2024, both Chicago and the U.S. have experienced strong economic growth. However, there is a looming threat of inflation that could potentially push the economy into a recession. The U.S. Federal Reserve's decision to maintain high interest rates has undoubtedly increased borrowing costs. Despite Chicago's significant advantages such as major airports, Fortune 500 companies, prestigious universities, and a diverse economy, the city has underperformed economically due to its reliance on manufacturing and trade. As a result, Chicago is projected to fare worse than larger cities with booming technology sectors.

According to the Empowering American Cities project, Chicago is expected to experience a 0.1% gross domestic product growth in 2024, ranking 43rd out of the 50 largest cities in the country.<sup>36</sup> The project also predicts that the manufacturing, business services, trade, and transportation sectors will contract in 2024. This is concerning because these sectors employ almost half of the area's workforce.

Crime continues to plague Chicago, accompanied by the persisting challenges of out-migration, the influx of new arrivals, public safety concerns, the school system, and the dire need for affordable housing. The recent headlines are grim, but Chicago has significant potential for a turnaround.

The City has a diverse economy and is home to many major corporations. Additionally, Chicago is home to top-ranked universities that provide a link to a highly educated workforce. The City boasts robust tourism and physical beauty with the lakefront, downtown skyline, arts and entertainment centers, award-winning restaurants, and extensive transit. Chicago has a lot to offer, but also faces obstacles such as crime, pension funding, program sustainability without relying solely on federal funding, affordable housing, and providing quality education, to name a few.

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<sup>36</sup> Empowering American Cities. Retrieved from: <https://empoweringamericancities.com/dashboard/>