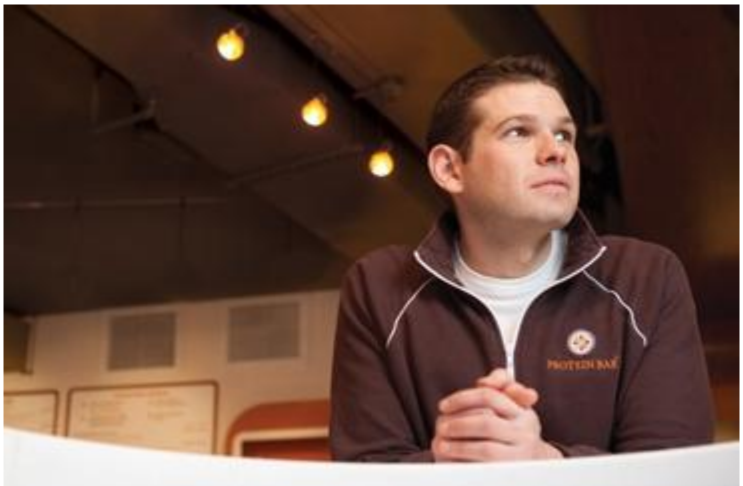
Chicago's economic outlook: Here's to a mediocre 2012

By: Brigid Sweeney January 02, 2012



Matt Matros, founder of restaurant chain Protein Bar, plans to expand and add nearly 200 employees.
Photo by: Erik Unger

It could have been worse, but it sure wasn't great.

Though the Chicago economy managed to eke out marginal growth in 2011, most people likely have written it off as another lost year—when forecasts for recovery fell short, lending remained tight, nervous workers continued to cling to jobs and the wildly fluctuating markets turned every peek at a 401(k) into a stomach-turning adventure.

That scenario won't markedly improve in 2012, as the metro economy inches forward slower than previously predicted, according to a forecast by Moody's Analytics Inc.

The Chicago-area economy, which grew only 0.9% last year, should expand at about a 1.6% pace during the first half of 2012 and by about 2% for the full year, Moody's says. That lags its predicted 2.6% increase in gross national output. Moreover, it's significantly less than its prediction six months ago, when the economic research unit of New York-based Moody's Corp. expected the Chicago economy to grow by about 4% in 2012.

The anemic growth won't help Chicago job-seekers much; Moody's predicts the metro unemployment rate will climb to 11.4% in the first half of this year from 10.6% in 2011's second half. Once again, that's a far more bearish estimate compared to its calculations six months ago, when the company foresaw the jobless rate hitting 9.2% in 2012's first half.

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CareerBuilder Inc.

Part of the problem is that economic uncertainty borne of unstable financial markets and European debt worries have paralyzed employers and delayed growth.

CareerBuilder Inc. estimates that 23% of Midwest employers plan to add full-time jobs in the new year but are waiting to see how the economy shapes up. “Barring any major economic upsets, we expect 2012 to bring a better hiring picture than 2011, especially in the second half of the year,” CEO Matt Ferguson says of the Chicago-based job-listing company. “Many companies have been operating lean and have already pushed productivity limits.”

Matt Matros, the founder of Protein Bar, a fledgling local chain of health-minded salads, wraps and smoothies, expects to hire nearly 200 employees as he opens three more outlets in Chicago and expands to the East Coast. “We're so small that we haven't noticed the larger economic speed bumps,” he says. Despite prevailing uncertainty, “we've found that the vast majority of urban professionals still won't make their lunch at home.”

Similarly, Checkers Drive-In Restaurants Inc. opened its biggest franchise in the country, on the South Side on Nov. 30 with 20 employees. The Tampa, Fla.-based fast-food chain plans to add as many as 140 locations in metro Chicago over the next five years. It has nine now.

Based on analysis of employment trends by Moody's and CareerBuilder, the sectors with the strongest prospects include health care and information technology. Financial services and government are expected to slip, as they did in 2011.

“You'll see an increase in hiring most closely tied to revenue generation,” a CareerBuilder spokeswoman says. “So sales and business development positions” will do well.

The manufacturing sector also should expand, as companies such as Burr Ridge-based Fusion Systems Inc. respond to increasing demand. Fusion, a 40-employee contract maker of industrial equipment, plans to hire 12 people in 2012 and sees revenue surging almost 25% to $8.3 million from $6.7 million in 2011, President Craig Zoberis says.

“Our companies are making things again,” says Brian McGuire, president of the Park Ridge-based Tooling and Manufacturing Assn. “We all understand the auto industry is not going to return to pre-recession growth numbers, but aerospace (manufacturing) is steady as it goes, and certainly medical device (manufacturing) hasn't been hit.”

The residential and commercial real estate markets also should perk up in 2012, though they still struggle to shake the hangover from the 2008 crash.

High-end office properties are going fast again, according to Jeff Liljeberg, a managing director at Chicago-based Jones Lang LaSalle Inc. The tightening at the top of the market will trickle down to midlevel properties, though he doesn't see big price increases.

Residential sales will jump by 40% over 2011, as banks and other distressed-property owners drop prices by a quarter to get rid of homes, according to Tracy Cross, president of Tracy Cross & Associates Inc., a residential real estate consulting firm in Schaumburg.

Still, a bounceback from 2011 doesn't necessarily mean much: Mr. Cross, whose company sold 33,000 units during its 2005 peak, moved only 2,900 properties in 2011—a 91% drop. Even if his business rebounds as he expects, he stands to sell fewer than 4,100 properties in 2012. Business won't truly bounce back until 2016, and even then he guesses he'll sell only 22,000 or 23,000 homes annually.

“We're still four years away from normal, and it's going to be a new normal at that,” Mr. Cross says.