

Moody's: Chicago economy most balanced in U.S.

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Chicago's economy has taken its lumps lately, but a new analysis has found that by one measure, it might be the strongest in the nation.

The bond-rating agency Moody's Investors Service Inc. said the economy in the nine-county region is No. 1 in business-sector diversity. In this context, diversity means balance, like a carefully tuned portfolio.

Using a statistical analysis of major job categories, Moody's concluded that the Chicago area's economy is most like the nation's, with no undue reliance on any single sector. The agency calculated a diversity scale, with 100 being the perfect score, and Chicago earned a 95.1.

Sally Gordon, a vice president at Moody's and the report's principal author, said the Chicago market is well-equipped to handle a slowdown in a particular industry. Other industries can pick up the slack, something that's not likely to happen where the employment base is restricted and a major shutdown has a ripple effect, she said.

Her report is aimed at buyers of mortgage-backed securities, who typically seek "plain vanilla" portfolios designed to hold down risk. Such investors "shouldn't be afraid of an overweighting of a city like Chicago" because its economy mirrors the nation's so closely, she said.

Businesses also should examine economic diversity when considering new locations, Gordon said. She said the city's deep labor pool provides a cost advantage, and lenders like a broad economic base, too.

"The cost of capital should be lower, as lenders don't need to add a risk premium" to their interest charges, Gordon said.

The study's conclusion was welcomed at World Business Chicago, a public-private agency that works for job growth. The group led the drive to win Boeing Co. headquarters in 2001, but saw momentum from that triumph dissipate in an economic slowdown that cost the region 57,400 jobs in 2002.

The number grabbed headlines as the largest job loss of any metro area, but it amounted to only 1.4 percent of total employment. Forty-one cities lost a greater proportion of their jobs, according to the U.S. Labor Department.

Glen Marker, director of research at World Business Chicago, said companies are grasping the correlation between a diverse economy and an available labor pool. He said that last year his

group and state officials used labor data to thwart a move to Kentucky by S-B Power Tool Co., the maker of Skil and Bosch tools.

Marker said the company employs many engineers. City and state officials showed S-B that the number of engineers in Kentucky was limited, so the company would have to pay higher salaries if it moved there. The company wound up relocating from the city's Northwest Side to Mount Prospect, keeping 450 jobs in the area.

The Chicago market's score of 95.1 matched that of Little Rock, Ark., but topped it when additional decimal places were calculated, Gordon said. The Baltimore area ranked third, with a score of 95.0.

Last year, Chicago was third in the survey, and it's always finished in the top 10, Gordon said.