

State of the Economy

City of Chicago
August 2025



City of Chicago
Council Office of Financial Analysis
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INTRODUCTION

The Council Office of Financial Analysis (COFA) offers an annual comprehensive overview of the state of the economy for the U.S and the Chicago metropolitan area. The information presented in the report reflects data available from July 2024 to July 2025.

The State of the Economy report draws on multiple indicators for the labor market, domestic production, inflation, and other indicators to provide insight into the national and local economies. While these indicators build understanding of national and local economic activity over the past year, it is not an exhaustive list of economic measures. Measures include employment data, workforce participation rate, and the unemployment rate are used to represent the labor market, evaluating job growth and economic stability. Gross Domestic Product (GDP) and durable goods capture output and production. Inflation gauges such as the Consumer Price Index (CPI), Personal Consumption Expenditures (PCE) Price Index, and the Producer Price Index (PPI) measure cost pressures and inform interest rate expectations.

Certain national measures are disaggregated to reveal metropolitan area insights; measures with Chicago-level data are included in both the U.S. Economy and Chicago Economy sections and include measures such as unemployment, GDP, and CPI, among others. Additional economic indicators supplement national indicators available at a metropolitan level. Housing prices, commercial vacancies, and tourism highlight sector-specific dynamics that are particularly important to Chicago's economic landscape, and migration trends provide insight into population growth and labor supply.

THE U.S. ECONOMY

The national economy is inherently interconnected to local-level economic outcomes. Understanding the state of the national economy, particularly related to economic expansion, contraction, or impending recessions, can provide local leaders with insight into business or employment decisions as well as the level of financial strain on local communities. Below outlines indicators related to the U.S. labor market, gross domestic production, durable goods, interest rates, and inflation, along with discussion of the potential impacts of recent federal trade policy decisions.

LABOR MARKET

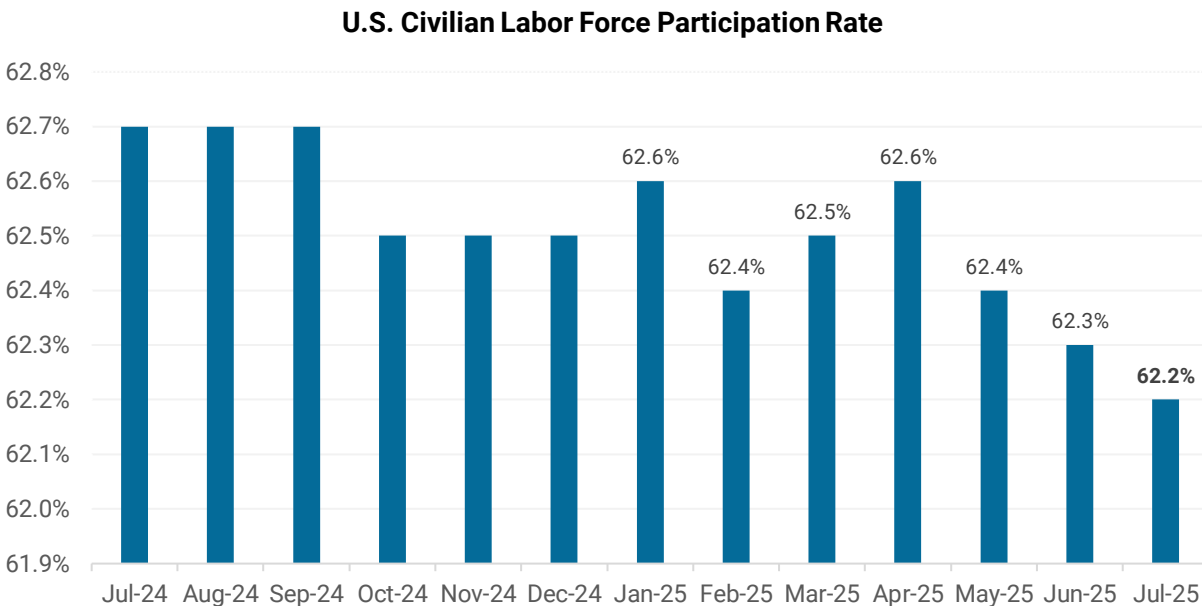
The U.S. labor market grew consistently between July 2024 and 2025 but shows signs of cooling. [Nonfarm payroll employment](#) added 19,000 jobs in May 2025, and 14,000 new jobs were added in June 2024. July 2025 saw 73,000 new jobs. While July reflected stronger jobs data than May and June 2025, month-over-month change is down compared to July 2024 (July 2024 added 88,000 new nonfarm jobs).

In July 2025, [total](#) nonfarm employment was nearly 160 million, with an approximately 1.5 million [12-month net change](#) in total nonfarm employment from the prior year. Service providing, private education, leisure and hospitality, and government sectors featured the largest year-over-year gains. For the [first six months](#) of 2025, most job gains came from the service providing sector (494,000 new jobs). Health care [added](#) around 62,000 jobs in early 2025, supported by an aging population and strong demand for medical services. Leisure and hospitality (restaurants, hotels, and entertainment) also grew as more people travelled and dined out.

Other sectors weakened. Professional and business services, including technology and consulting, have seen job cuts, and manufacturing saw small declines as factory demand softened. The information sector, which includes technology and media, experienced layoffs in late 2024 but stabilized by 2025. While government hiring increased in 2024, the government sector experienced job losses when looking at time frames of six-month net change or shorter time frames.

Notable changes in government employment stem from federal policy decisions, with the Trump Administration focusing heavily on personnel cuts in the first and second quarters of 2025. As of the end of July 2025, one nonpartisan organization estimated nearly 150,000 [civil servants left](#) the federal workforce, with over 115,000 employees leaving the federal government in three months (February, March, and June experienced the largest reductions in force). The Departments of Treasury, Agriculture, Defense, and Health and Human Services had the most employees that involuntarily or voluntarily separated from government service, with approximately 31,000, 21,000, 20,000, and 13,000 civil services leaving in 2025, respectively. These numbers are aggregated from various sources and are not publicized by the federal government, though the estimates can provide insight into potential downstream effects of government service and job impacts. (The federal government [maintains public data](#) on its workforce, however, the Office of Personnel Management only has preliminary data available beyond March 2025, with final data releases on employee separations last updated in March 2024.) Federal agencies have offices across the country and large reductions in force may significantly impact local job markets as well. See below for discussion of federal employment changes in Chicago.

Figure 1.



Source: U.S. Bureau of Labor Statistics, [Civilian Labor Force Participation Rate](#)

Labor force participation is another [useful indicator](#) to understand the labor market, reflecting the number of people in the labor force as a share of working-age population. The participation rate includes the

numbers of people with a job as well as the number actively looking for work (as compared to the employment-to-population ratio which simply is those employed as a share of working-age population). The labor force participation rate remains consistent in 2025, with the total civilian labor force participation rate hovering between [62.4 – 62.6%](#) -- continuing to increase from its low in April 2020 during the COVID-19 pandemic, but still below pre-pandemic levels. Wage growth averaged 4% to 5% annually, now slightly outpacing inflation and boosting workers' real incomes.

While the U.S. economy continues to add new jobs, slower hiring trends in mid-2025 may reflect uncertainty in the labor market. The U.S. continues to see [relatively](#) high interest rates, and [rapid changes](#) in federal trade policies may impact businesses desire to expand as details and effects of such changes emerge. However, steadily rebounding workforce participation rate indicates the job market overall remains strong.

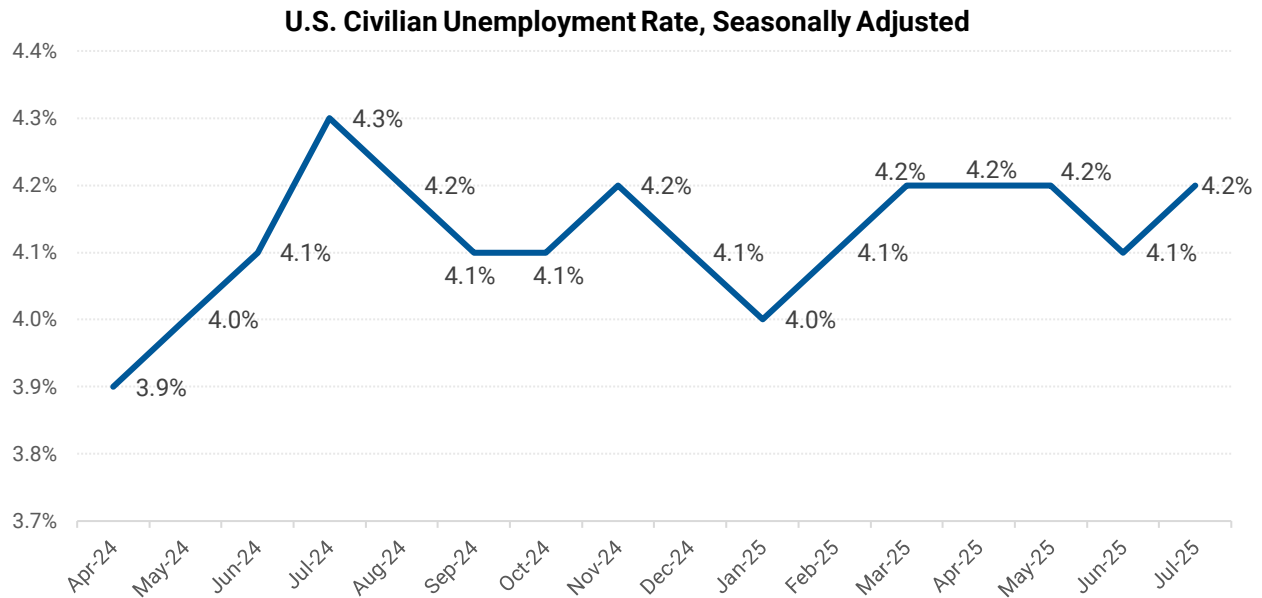
UNEMPLOYMENT RATE

The [unemployment rate](#) is the number of unemployed people that are actively looking for work as a percentage of the total labor force. It excludes those not seeking employment. The labor market is sum of employed and unemployed people, so depending on overall employment numbers the unemployment rate may change. Though limited as a measurement alone, the unemployment rate is a key indicator for the health of the labor market and is often cited as a signal of the nation's economic stability.

U.S. unemployment [remained](#) at 4.2% since July 2024, with minor dips between December 2024 and February 2025 to 4.1% and 4.0%. Over the period from June 2024 to May 2025, the unemployment rate fluctuated in a narrow range (4.0% to 4.3%), suggesting the labor market remains strong. The slight rise from a year ago (when unemployment was around 3.9% in May 2024) corresponds to slower job growth and an expansion of the labor force. Unemployment over the entire period between July 2024 and 2025 rose consistently from April 2023, when unemployment was at the lowest rate (3.4%) since the pandemic.

Overall, the labor market is gradually slowing, though stable unemployment levels point to slowing in a controlled way. The steady cooling helps the Federal Reserve fight inflation while avoiding a sharp rise in unemployment.

Figure 2.



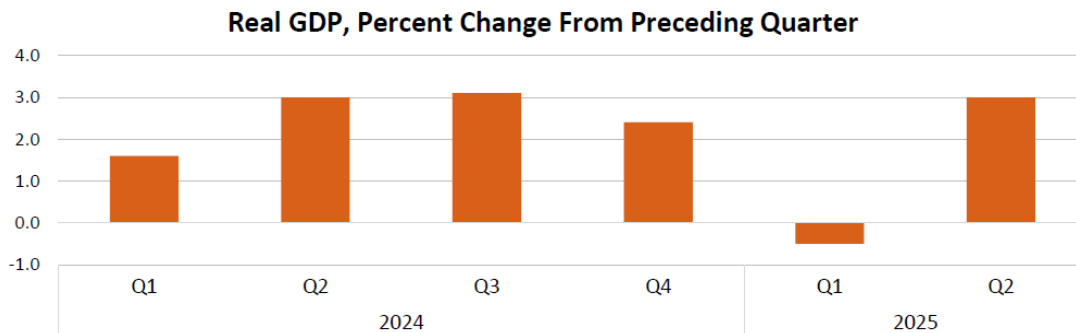
Source: U.S. Bureau of Labor Statistics, [Civilian Unemployment Rate](#)

GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) is the market value of all final goods and services produced the broadest measure of the nation's economic output. Real GDP, which is adjusted for inflation, gives a clear picture of the economy's health. Over the past year, U.S. real GDP has grown, though growth has been uneven.

After [strong increases](#) in the third quarter of 2024 at 3.1%, growth slowed to 2.4% in the fourth quarter. For the full year 2024, real GDP rose 2.8%, nearly the same as the 2.9% growth in 2023. Solid growth in 2024 was mainly driven by strong consumer spending and business investment. In late 2024, some households increased spending by using savings and making early purchases in anticipation of changes in U.S. tariff policy. However, by early 2025, the pace of expansion slowed.

Figure 3.

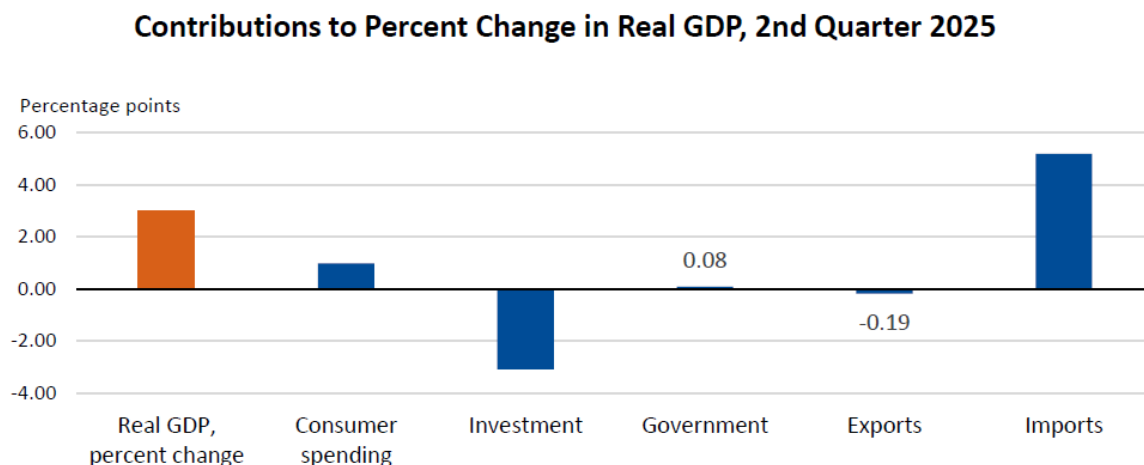


Source: U.S. Bureau of Economic Analysis, [Gross Domestic Product](#)

Real GDP [decreased](#) at an annual rate of 0.5% in the first quarter of 2025. The modest contraction was primarily driven by a sharp increase in imports, which are subtracted from GDP, and a decline in government spending, particularly defense-related expenditures. These drags were only partly offset by gains in consumer spending, private investment, and exports. Advance estimates show [real GDP rebounded](#), showing positive growth (3%) in the second quarter of 2025 – reflecting a decrease in imports and increased consumer spending, offset by decreases in investments.

Real final sales to private domestic purchases -- which combines personal consumption expenditures and gross private fixed investment – is a [key measure](#) of underlying domestic demand. Also referred to as “core GDP,” the pace of real final sales to private domestic purchases decreased since the third quarter of 2024 when it hit 3.4% growth from the prior quarter. Core GDP only [increased 1.2%](#) in the second quarter of 2025 compared to 1.9% in the first quarter of 2025.

Figure 4.

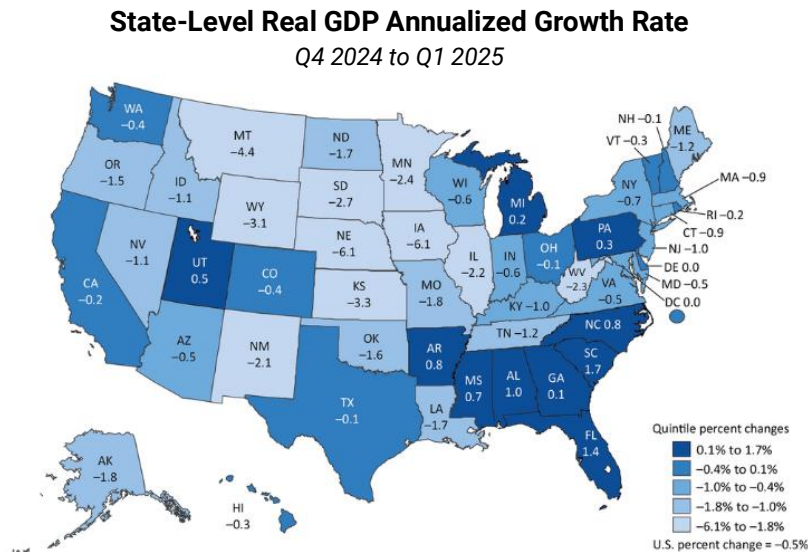


Source: U.S. Bureau of Economic Analysis, [Gross Domestic Product, 2nd Quarter 2025](#)

Economic performance across U.S. states [varied](#) significantly during Q1 of 2025. According to the BEA’s state-level data, real GDP declined in nearly all states, with only a few seeing growth. Uneven performance across states reflects varying regional exposure to trade, government activity, agriculture, and weather disruptions.

- States like South Carolina (+1.7%), Florida (+1.4%), and Alabama (+1.0%) posted the strongest gains.
- In contrast, Iowa (-6.1%), Nebraska (-6.1%), and Montana (-4.4%) experienced the largest contractions.
- Illinois saw a decline of -2.2%, reversing the moderate growth it achieved in 2024.

Figure 5.



Source: U.S. Bureau of Economic Analysis, [State-Level Real GDP Annualized Growth Rate](#)

DURABLE GOODS

Durable goods orders are a [key indicator](#) of manufacturing sector health, representing a large share of discretionary consumer spending that is often financed, revealing trends related to both spending and lending. New orders for durable goods have fluctuated over the past year, however, overall spending on new orders rose in 2025. New orders stayed consistent between July 2024 and February 2025, bringing in [approximately \\$290 billion](#) each month. In March 2025, [new orders](#) for durable goods jumped 7.6% compared to the prior month, followed by a 6.6% decline in April, nearing 2024 levels. May 2025 experienced a notably large positive jump – an 16.5% increase in new orders compared to April, totaling \$344.1 billion. However, June saw a 9.3% decline in orders compared to May, bringing in \$311.8 billion in new orders.

The U.S. Census Bureau [notes](#) that orders for transportation equipment drove the decline in June 2025. Similarly, transportation equipment orders were behind the March increase, mostly due to a surge in commercial aircraft orders. Transportation equipment can [skew](#) monthly numbers due to the high values of aircraft and other transportation goods. For example, Boeing [received](#) 192 plane orders in March, compared to only 13 orders in the previous month, helping push transportation equipment orders up by 27% in an advance estimate. The sharp rise was partly due to companies placing orders ahead of expected tariffs and the end of the Boeing strike, giving a temporary boost to manufacturing. As anticipated, orders dropped in April following the surge in orders in March. Looking at core capital goods orders – which exclude transportation and defense and serve as a measure of business investment – growth is slow, around [1–2% year-over-year](#), suggesting businesses are still investing but cautiously, likely given high interest rates.

According to Institute for Supply Management (ISM), the U.S. manufacturing sector remained under pressure in June 2025. ISM [publishes](#) a monthly indicator assessing the health of the manufacturing sector

called the Manufacturing Purchasing Managers' Index (PMI) – with a 50% reading or above pointing to sector growth while anything below indicates contraction. In June 2025, the PMI [registered](#) 49%, indicating contraction for the fourth straight month, though at a slower rate than in May 2025. Improvements in inventories and production were the biggest contributing factors to the improvement, despite remaining in contraction territory. Out of the 15 manufacturing industries reporting to ISM, nine industries grew in June while six contracted. The PMI indicated the overall economy continued in expansion for 62th month after one month of contraction in April 2020, [according](#) to ISM's *June Report on Business*. New orders (46.4%), employment (45%), and backlogs of orders (44.3%) continued to decline, consistently reflecting contraction, while inventories (46.7%) and export orders (46.3) stayed in contraction territory, though improved compared to May 2025. Production switched from contracting to growing, reaching 50.3%. ISM detailed most concerns from businesses related to impacts of new federal tariff policies, geopolitical volatility, and overall economic uncertainty.

INTEREST RATES

As of July 2025, the Federal Reserve maintained U.S. interest rates, also known as the [federal funds rate](#), at 4.33%. While the rate [declined](#) since its recent height in 2024, it remains much higher than rates prior to the pandemic. The federal funds rate is the [primary tool](#) the Federal Reserve can leverage to influence monetary policy and is a key indicator for economic health as it directly affects borrowing costs across the economy. When the Federal Reserve raises the federal funds rate, it becomes more expensive for banks to borrow from each other, which in turn pushes up interest rates for consumers, businesses, and governments.

Interest rates are closely tied with inflation (discussed below) – the Federal Reserve will increase the interest rate to disincentivize consumer spending, which reflects high demand to purchase goods and may result in higher wages and costs of goods and services. [Inflation](#) in the U.S. spiked to the highest point in recent history in 2022, topping 9% -- the Federal Reserve raised rates to bring down the cost of inflation. The Federal Reserve's actions were effective, with inflation hovering at 2.7% as of June 2025. While high interest rates combat high inflation, inflated interest rates negatively impact many parts of the economy. For example, the 30-year mortgage rate is currently around [6.72%](#), roughly double pre-pandemic levels. Higher mortgage rates make monthly housing payments more expensive, which slows the housing market.

The Federal Reserve remains cautious and has yet to further reduce interest rates amid uncertain effects of new federal policy shifts in tariffs, immigration, and taxes. Low unemployment and declining inflation month-over-month will serve as signals for the Federal Reserve in its next assessment and decision to adjust rates in September 2025. (Rates [remained](#) at 4.33% at the time of publishing in August 2025.)

INFLATION

Economists produce price indexes to show changes in overall prices of goods and services. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers for a fixed basket of goods and services, including housing, food, energy, healthcare, and transportation. The Personal Consumption Expenditures (PCE) Price Index measures changes in what consumers pay for goods and services at a given time. Though similar indexes, the Federal Reserve [seeks to achieve 2% inflation](#), measured as the annual change in price index for PCE because it more quickly reflects changes in spending patterns compared to the CPI. The Producer Price Index (PPI) [measures](#) average change of time in selling prices received by

domestic producers for output – reflecting the first transaction in the commercial development for many goods and an indicator of future prices for consumers.

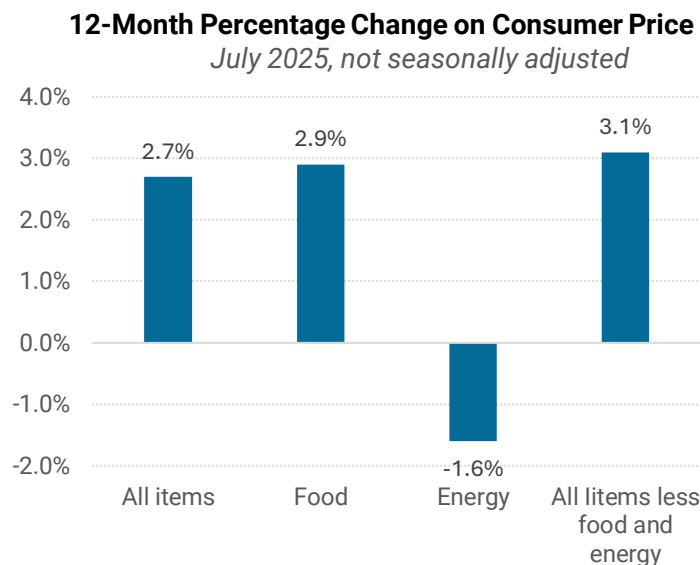
CONSUMER PRICE INDEX

While the Federal Reserve uses PCE as its primary index when determining monetary policy, CPI is the [most broad and comprehensive](#) index for inflation and is the index [widely used](#) to measure and discuss inflation. As measured by the CPI, [inflation](#) in the U.S. has largely recovered after reaching over 9% in 2022 following increased interest rates by the Federal Reserve. In July 2025, [U.S. consumer prices](#) continued to rise at a modest pace, with the CPI for all items at 2.7% higher than all item prices 12 months prior. All items increased 0.3% compared to June 2025.

The core CPI, which excludes food and energy, rose 0.3% in July and 3.1% year-over-year. July [data](#) reflects 12-month percentage changes in U.S. inflation rates remaining consistent in 2025, with incremental month-to-month increases for all items. However, the slow increases show inflation continues to rise. Core inflation rose faster in July than June (0.2% from May). June 2025 saw a 2.9% increase in 12-month percentage change for core inflation.

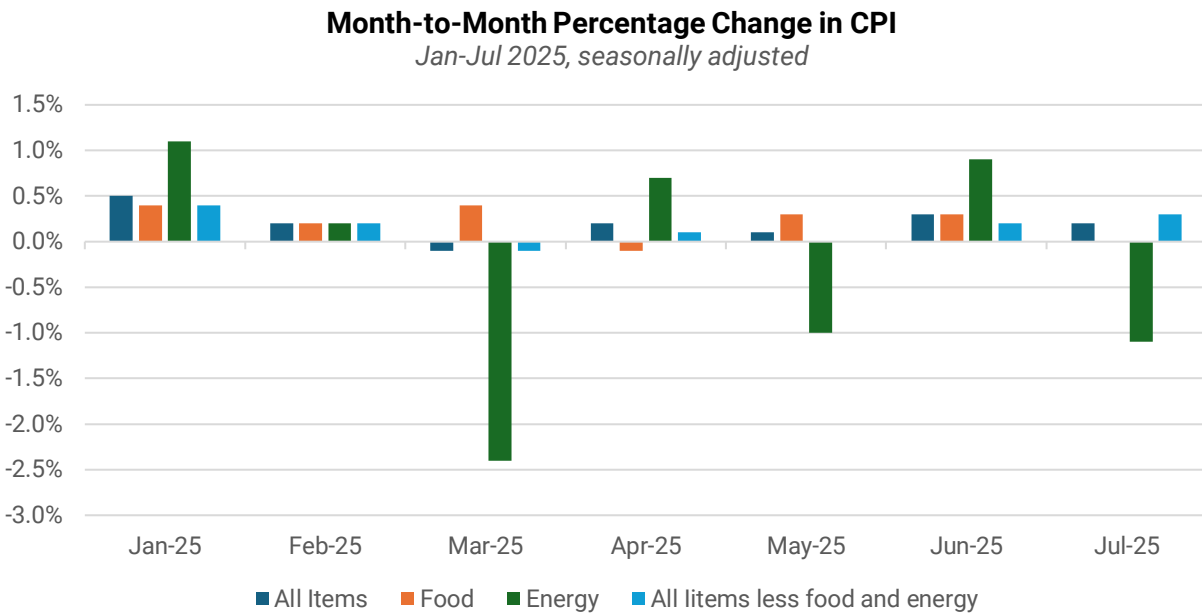
Food prices [increased](#) 0.3% in June from May and are up 2.9% annually, with grocery prices rising 2.2% and restaurant prices 3.9% year-over-year. In July, energy prices dropped 0.2% from June 2025 and were down 1.6% over the year, mostly due to falling emergency commodities (including gasoline and fuel oil). Utility (piped) gas service was the largest increase in year-over-year changes, rising 13.8% from July 2024. Fuel oil rose the most since June 2025, increasing 1.8%, though it is still 2.9% lower compared to July 2024. Other items outside of food and energy have steadily increased; shelter is 3.7% higher than the year prior, though increases month-to-month have remained 0.2 – 0.4% higher than the month prior.

Figure 6.



Source: U.S. Bureau of Labor Statistics, [Consumer Price Index Summary](#)

Figure 7.



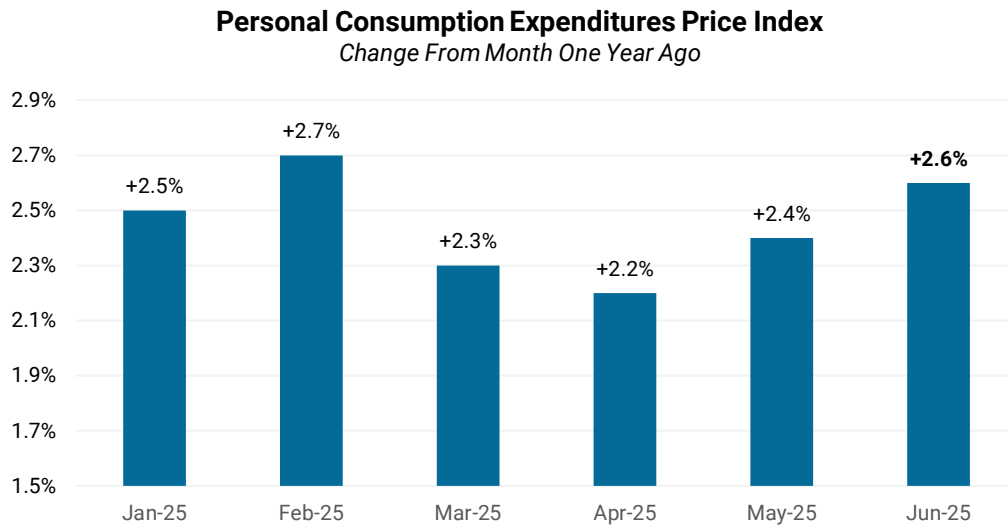
Source: U.S. Bureau of Labor Statistics, [Consumer Price Index Summary](#)

PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX

The Personal Consumption Expenditures (PCE) Price Index tracks how much prices have changed compared to the same month one year earlier. Similar to the CPI, the PCE price index also is known for [capturing](#) inflation across a wide range of consumer expense and reflecting changes in consumer behavior. As noted, the PCEPI is the Federal Reserve’s preferred [inflation gauge](#), as the CPI tends to give slightly higher readings because it captures out-of-pocket expenses more directly and is less flexible to changes in consumer behavior.

In June 2025, prices were 2.6% [higher](#) than June 2024, following similar year-over-year increases of 2.4% in May, 2.2% in April, and 2.3% in March. The highest annual increase in 2025 occurred in February, at 2.7% higher than February 2024, while January started the year at 2.5% above January 2024. Compared to May 2025, [consumer spending](#) on goods increased in every category except motor vehicles and parts in June; spending on services increased except for spending on transportation and recreation services as well as final expenditures of nonprofit institutions. Health care and housing and utilities increased the most month-over-month, rising 17.5% and 16.3% from May to June, respectively.

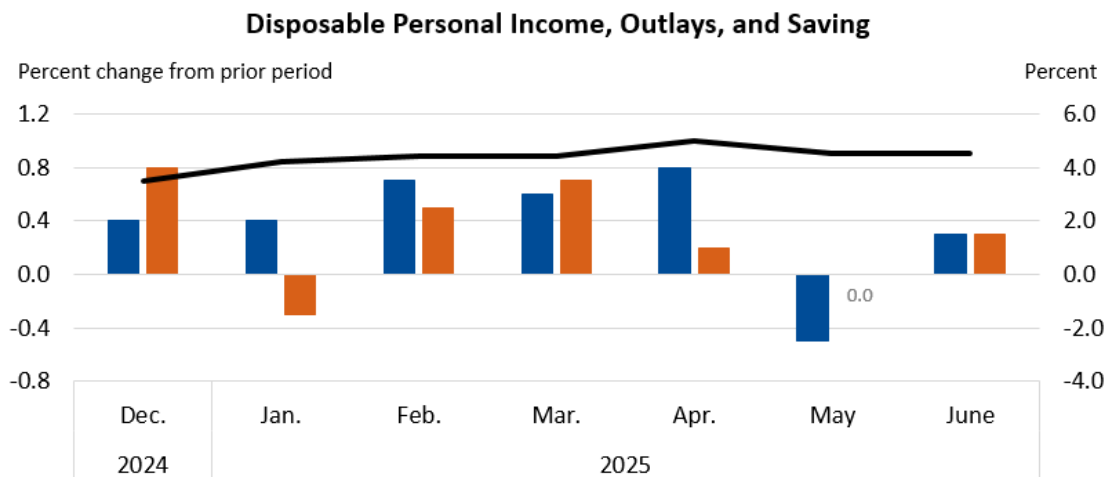
Figure 8.



Source: U.S. Bureau of Economic Analysis, [Personal Income and Outlays](#)

Personal income increased 0.3% from May 2025 to June 2025, rising \$71.4 billion collectively. Disposable personal income (DPI), personal income after taxes, also increased 0.3%. Along with income, personal consumer spending (PCE) increased 0.3% in June 2025. Figure 9 below highlights trends in income, spending, and saving between November 2024 and June 2025. After steady growth in early 2025, May saw a sharp reversal. DPI posted its largest drop in the period, while outlays decreased slightly. Importantly, the personal saving rate fell from 4.8% to 4.5%, reflecting tighter household budgets. While trends turned upward in June 2025, percent change in personal income is not as high as December 2024. While personal savings declined slightly since April 2025, savings remain higher than the end of 2024 – signaling that though households continued spending despite pressure in May, households are finding more stability in the summer of 2025.

Figure 9.



Source: U.S. Bureau of Economic Analysis, [Personal Income and Outlays](#)

PRODUCER PRICE INDEX

Along with the CPI and PCE Price Index, PPI is another key indicator of inflation in the national economy and serves a [pre-indicator](#) of inflationary pressures. The PPI for total final demand in July 2025 [increased](#) 0.9% from June 2025 (including a 1.1% increase for services and 0.7% increase for goods). The July increase is the largest increase in producer prices in the last year – and while the PPI reached its highest [historic levels](#) in June 2022, July 2025 marks the second highest recorded PPI.

Comparing PPI to July 2024, the PPI increased 3.3%, which is the largest 12-month increase in 2025 since rising 3.4% in February 2025. The index saw no change from May to June 2025. Except for March and April 2025, where the PPI decreased 0.2% each month, the PPI increased in 2025, with the largest jump apart from June to July 2025 happening between December 2024 and January 2025, with an increase of 0.7%. Not considering food, energy, and trade services, the PPI increases slightly less, advancing 0.6% in July 2025 from June 2025 – though still the largest monthly increase since March 2022. This “core” PPI increased 2.8% since July 2024.

The PPI provides insight into certain sectors [better](#) than others. For example, mining and manufacturing sectors include price information from virtually every industry, according to BLS. PPI coverage for the service sector is less complete, accounting for approximately 70% of service sector revenue. However, the PPI is the first step in producing consumer goods, thus July’s PPI indicates the CPI and PCE Price Index will likely see higher prices in coming months of 2025. The increase is likely due to changes in federal trade policy.

TRADE POLICY

At the heart of much uncertainty and wavering national economic indicators are changes in trade policy implemented by the Trump Administration. While the U.S. maintained certain levels of tariffs across various Administrations for years, the Trump Administration has taken a more aggressive stance compared to predecessors. Tariffs, taxes on imported goods, disincentive trade between countries and result in higher prices on imported goods. While the tax must be paid by the exporting country, the tax is often passed on to the consumer in the form of higher prices. Analysts [suggest](#) tariffs can raise revenue for the U.S. federal government but may [increase costs](#) for U.S. consumers and businesses and shrink the GDP.

In February 2025, and again in March 2025, tariffs [increased](#) on all imported goods from China. On [April 2, 2025](#), the Administration announced increased tariffs on countries across the globe in response to U.S. trade deficits with various countries. The initial announcement caused economic concerns and impacted stock and bond markets, resulting in Trump’s Administration pausing implementation. Since April, certain countries have come to agreements with the Administration, while different versions of federal trade policy have been announced and delayed. (At the time of publishing, as of August 6, following multiple delays, new tariff rates [went into effect](#). These include a blanket 10% reciprocal tariff to all countries across the globe and additional varied tariffs on specific countries.)

While the full impact of the Trump Administration’s tariff policies will take time to show up in economic measures, the ambiguity in federal policy, delays in implementation, and general resistance to tariffs have caused market volatility and uncertainty across sectors of the economy. These concerns are reflected in dips and spikes in economic indicators described above. The impact of these policies will impact the U.S. economy throughout the rest of 2025.

The indicators selected to represent the U.S. economy are heavily informed by one another, providing a wholistic view of the state of the U.S. economy. From July 2024 to June 2025, the U.S. economy demonstrated strong momentum but begins to show signs of contraction. Continued inflation, frozen interest rates, significant changes related to the government and government-adjacent labor market, and the yet-to-be-seen impact of new tariff policy all heighten levels of uncertainty across the U.S. economy. The second half of 2025 will reveal whether the steady growth since the pandemic will outweigh major shakeups in federal economic policy.

CHICAGO ECONOMY

While local trends broadly reflect national movements, Chicago’s economy has its own dynamics driven by the region’s mix of industry, population shifts, and city-specific policy environment. The following section examines Chicago-area employment, inflation, consumer activity, housing, commercial real estate, tourism, and population changes to assess the region’s economic health between July 2024 and July 2025.

The Chicago economy in this report largely refers to the Chicago–Naperville–Elgin Metropolitan Statistical Area (MSA), which encompasses the broader Chicago economic and includes nearby portions of Illinois, Indiana, and Wisconsin. This geographic definition is widely used by the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA) to capture the full scope of economic activity affecting the City of Chicago and its surrounding labor and housing markets. For nationally collected economic measures, this report refers to the Chicago–Naperville–Elgin MSA. For city-specific considerations, such as tourism or housing, the report refers to the geographic region encompassing only the City of Chicago. The relevant region is noted in the discussion of each indicator below.

LABOR MARKET

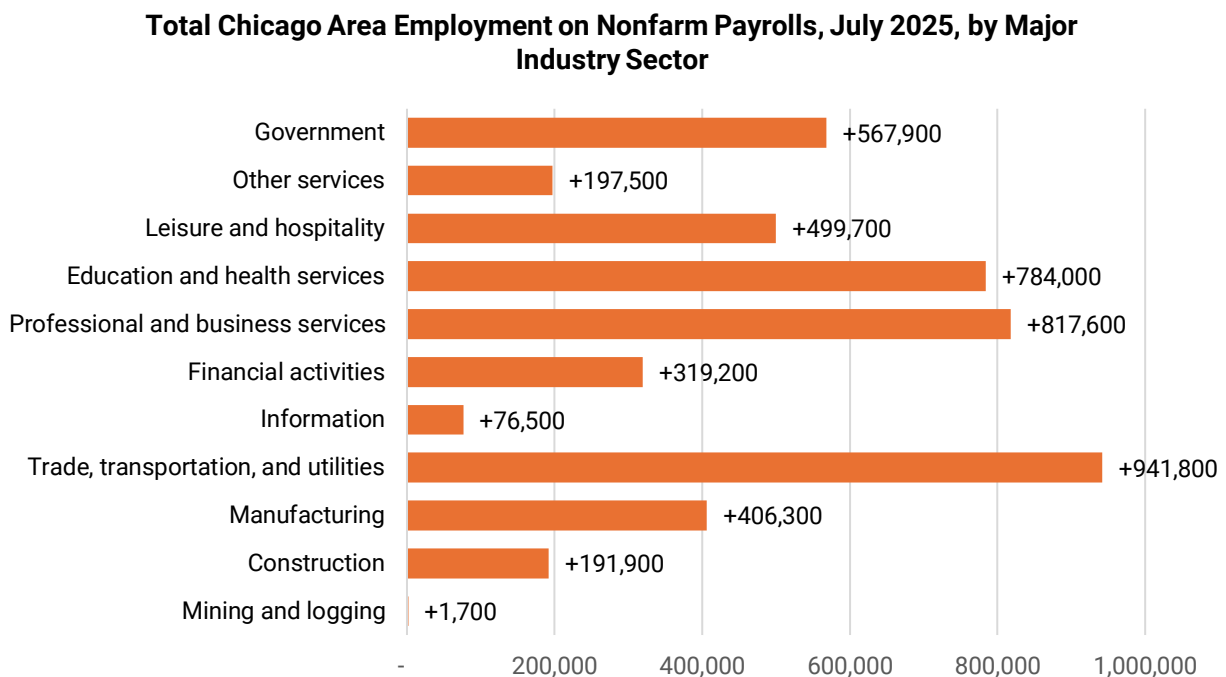
Changes in Chicago-area employment is more turbulent than U.S. rates – though they follow similar overall trends. (BLS publishes “Chicago area” economic summaries.) As of July 2025, there were 4.8 million [nonfarm jobs](#) in the Chicago area, an addition of 30,600 jobs – or a 0.6% increase – compared to June 2024. Growth slowed both nationally and in the Chicago region since 2022, following a spike in new employment after the pandemic resulted in significant job loss and high unemployment. June 2024 saw the lowest hiring rates in the Chicago region, with job losses instead of gains, however, by July 2025, growth in the region is rising.

Most employment gains are [concentrated](#) in a few sectors. Government, construction, education, and health services saw the largest percentage increases since June 2024, all over 2% growth. Leisure and hospitality, which include restaurants, hotels, and entertainment venues, added 16,400 new jobs from the prior year,

with a 1.3% increase. Financial activity and information sectors also grew approximately 1%. However, manufacturing, professional and business services, and trade, transportation, and utilities saw decreases in employment since June 2024.

[Wages and salaries](#) in the Chicago-Naperville-Elgin MSA align with national levels, hovering around 3.5% growth over the year. The Chicago area saw a dip in over-the-year changes in late 2024 and the first quarter of 2025, with the wage growth rate dipping below 3%. Wage increases occurred in sectors with the most job growth, with the highest over-the-year percent change occurring in the government, construction, education and health services, and leisure and hospitality sectors.

Figure 10.



Source: U.S. Bureau of Labor Statistics, [Chicago Area Economic Summary](#)

Federal reductions in force will shift the labor market in the Chicago region, and while the full economic impacts will be better understood over the remaining months in 2025, it is worth noting. The federal government is the [largest single employer](#) in the Chicago area at [48,000 employees](#) in 2025 (though only 1% of the [entirety](#) of the Chicago workforce). While many in Chicago work for government entities outside of the federal government (e.g., City of Chicago, Chicago Public Schools, Cook County) that contribute to total government employment rising across the Chicago area, federal workforce changes will likely have an overall effect on the Chicago area economy. Federal salaries in the Chicago-Naperville, IL-IN-WI area [range](#) from \$29,260 at GS-1 to \$195,200 in GS-15 – the lowest and highest levels in federal service, respectively – and workers are guaranteed a retirement savings plan, among other benefits. Further, the federal workforce provides a path for upward mobility, particularly for African Americans. African American employees represent [nearly](#) 20% of the federal workforce while making up [only](#) 13.7% of the

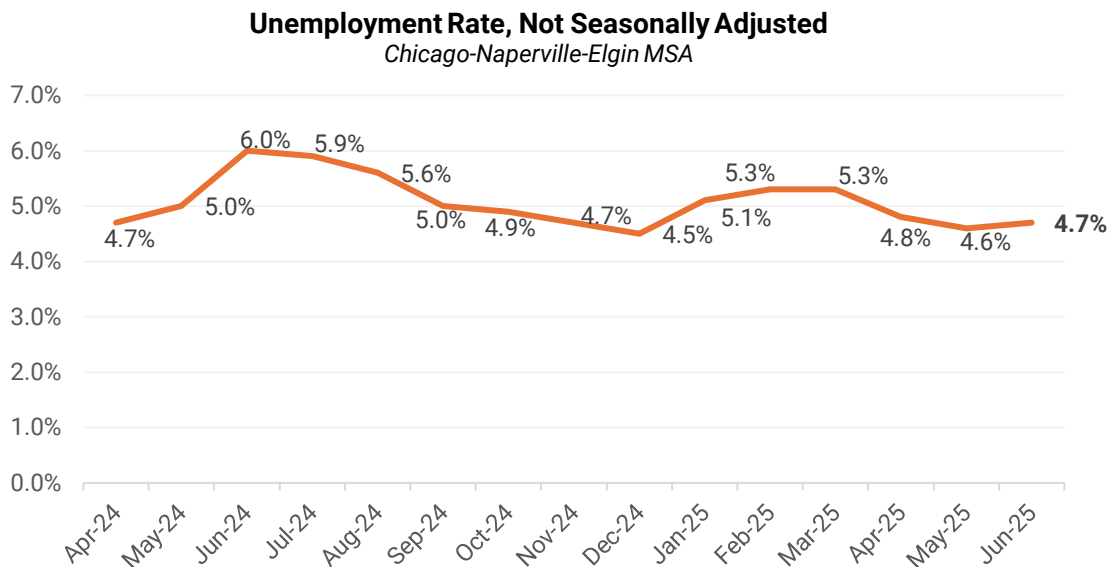
U.S. population in 2023. In Illinois, African Americans [constitute](#) 20.1% of federal workers, with over 45,000 Black employees across the state. Crain’s Chicago Business [reporting](#) notes the unique role the federal government plays in advancing economic stability for African American groups – with federal reductions in force likely having an outsized impact on Chicago’s Black population.

UNEMPLOYMENT RATE

As of July 2025, the unemployment rate for the Chicago-Naperville-Elgin metro area stood at [4.7%](#), slightly above the national average of [4.2%](#). This marks an [improvement](#) from June 2024, when unemployment rate in the Chicago area was 6%. Month-over-month, the area also saw slight improvements; while the unemployment rate in the rate increased 0.1% from May 2025, it is [lower](#) than February, March, and April 2025.

Unemployment varies across the broader region. For example, Cook County (which includes the city of Chicago) reported a [5.2%](#) unemployment rate in June 2025, while nearby DuPage County was lower at [4.3%](#). Suburban areas like [Lake County](#) and [Kane County](#) have also seen notable improvements, with unemployment rates falling 1.4% and 1.3% compared to June 2024, respectively.

Figure 11.



Source: Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, [Unemployment Rate in Chicago-Naperville-Elgin, IL-IN-WI](#)

While the Chicago area continues to improve from the [nearly 20%](#) jobless rates seen during the pandemic, impacts of wider federal changes and other economic progress will reverberate throughout the Chicago labor market over the next year.

GROSS DOMESTIC PRODUCT

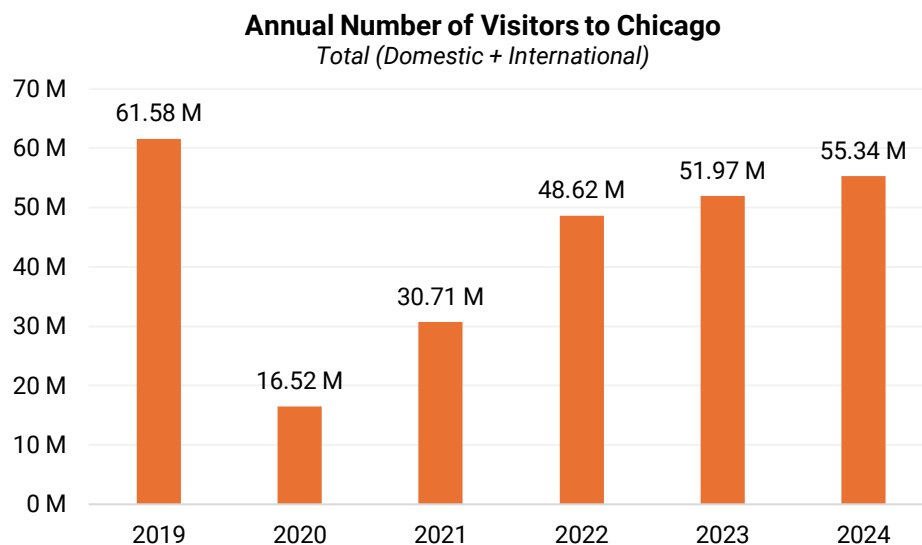
Total real GDP for Chicago-Naperville-Elgin MSA [steadily increased](#) following a dip during the pandemic. While 2024 MSA-level GDP data will not be released until December 2025, the Chicago MSA real GDP in 2023 [increased](#) 1.4% from 2022 to nearly \$627 billion. In 2022, the GDP was up 2.5% compared to 2021, and in 2021, up 5.8% compared to 2020. This trend may indicate increasing GDP in 2024 and 2025, if the local economy remains on the same trajectory.

As an indicator of all goods and services produced in a region, insight into Chicago's business environment can provide more evidence into the city's likely growing GDP in 2024 and the first half of 2025. In 2024, Chicago [ranked](#) third in Fortune's 500 list of companies, with 15 companies in the city making the Fortune 500 rankings. Chicago's [Fortune 500](#) companies [include](#) United Airlines, McDonald's, Mondelez, Kraft Heinz, Walgreens, JLL, US Foods, and more. Outside of major corporations, as of August 2025, the City of Chicago had 52,827 [active business licenses](#) across the city – all contributing to the city's GDP.

TOURISM

Tourism is another significant contributor to the economic output of the city, encompassing multiple industries involved in travel and tourism, including restaurants, hotels, tours, and airports. Tourism [generates](#) millions of dollars in tax revenue and billions of dollars in economic impact annually. Chicago's tourism industry continued to rebound from the pandemic throughout 2024 to mid-2025, though the city has yet to reach pre-pandemic tourism levels. In 2024, the city welcomed [55.34 million](#) visitors in total, up 6.5% from 2023. Domestic (53.3 million) and international (2.04 million) visitors increased each year from the lowest levels in 2020 and 2021, but visitors remain roughly 10% below the 61.6 million visitors to the city in 2019. Choose Chicago estimates visitors spent over \$20 billion in Chicago in 2024.

Figure 12.



Source: CHOOSE CHICAGO, [Chicago Tourism Performance](#)

Leisure was the [primary reason](#) for travel, constituting nearly 40% of visitors. Between July 2024 and July 2025, Chicago hosted several major events, including Lollapalooza, NASCAR, the James Beard Awards, and the 2024 Democratic National Convention – all drawing global media attention and visitors. The share of visitors in Chicago for business purposes surpassed 2019 levels in 2024, increasing from 12.83% in 2019 to 14.46% in 2024. In 2024, Chicago [hosted](#) 26 conventions at McCormick Place alone, bringing in an estimated \$1.7 billion to the local economy – in addition to other conventions and business meetings taking place at hotels across the city. Choose Chicago estimates over \$4.8 billion in economic impact between conventions and meetings in 2024.

The city's [hotel industry](#) continued to improve since 2019, with hotels reaching 68% occupancy in 2024, up slightly from 65% in 2023. Hotel occupancy rate was 74% in 2019, hinting that tourism levels are nearing full recovery from the pandemic. Revenue per available room (RevPAR) reached \$164.76, higher than pre-pandemic levels in nominal terms – though largely due to increase daily rates and overall rising cost of goods and services. Hotel revenue generated \$2,813.1 million in 2024, an 11.4% increase compared to the previous 2023, resulting in hotel tax revenue of \$156.97 million for the City.

Tourism data for 2025 is not yet available but Chicago's airports are experiencing record levels of passengers in the summer months of 2025. In June 2025, O'Hare Airport [recorded](#) seven of its ten busiest days in its history, with its busiest day screening nearly 116,000 visitors. In the first six months of 2025, O'Hare Airport travel increased 10.4% from the same period in 2023. Over the [July 4 holiday](#), O'Hare Airport expected 1.54 million passengers between July 2 and July 7, 2025, 11% over 2023 levels and 9.2% above 2019 levels for the same days. Midway Airport anticipated a surge as well, with over 320,000 passengers flying to the airport over the July 4, 2025 holiday. Data from the airports indicate another year of increased tourism levels in the Chicago region in 2025.

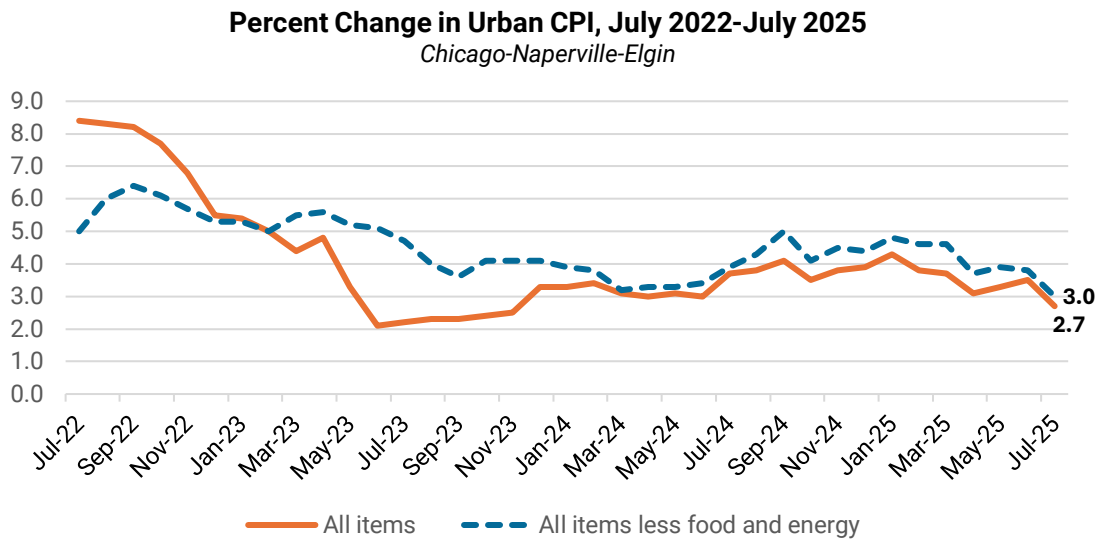
INFLATION

The BLS produces a national CPI as well as state, region, and certain local-level CPI measurements. The BEA PCE Price Index is a [national indicator](#) and is not produced to measure inflation in specific regions. (BEA does release statistics related to personal consumption expenditure [annually by state](#), though this is not a real-time reflection of prices and spending patterns as seen with the national PCE Price Index.) PPI is also not produced on a regional basis, it only [covers](#) the national geography. As such, inflation in the Chicago region is reflected in the CPI.

CONSUMER PRICE INDEX

As of [July 2025](#), prices in the Chicago-Naperville-Elgin MSA were up 2.7% compared to a year ago and down 0.2% from June – following increases in the CPI between May and June 2025. Core inflation, excluding food and energy, rose 3.0% year-over-year. By comparison, as noted above, the [national CPI](#) is 2.7% overall and 3.1% for core prices as of June 2025. Like nationwide trends, CPI for all items in the Chicago-Naperville-Elgin MSA are showing steady, small increases month-over-month, while core inflation is rising at a quicker rate as of July 2025.

Figure 13.



Source: U.S. Bureau of Labor Statistics, [Consumer Price Index, Chicago-Naperville-Elgin area](#)

Food prices in the Chicago-Naperville-Elgin MSA rose 0.4% in July 2025 from June 2025 – including a 0.4% increase for grocery store purchases and 0.5% increase for food away from home. Looking at year-over-year changes, food rose 2.3% in the Chicago region over the past year (1.7% for food at home, 3.3% increase for food away from home). Some grocery categories saw bigger changes: prices for meats, poultry, fish, and eggs jumped 3.4% from the prior year, while fruits and vegetables were 2.3% cheaper than last year. Energy prices increase 0.9% year-over-year as of July 2025, decreasing 0.7% since June 2025. While gasoline prices were up 0.3% in July 2025 from June 2025, gasoline prices were down 13.2% compared to July 2024.

Core inflation remains mostly driven by housing costs. Housing prices (including rent and home ownership costs) rose 5% year-over-year between July 2024 and July 2025. Medical care services also increased slightly, 2.9% compared to July 2024.

OTHER TOPICS IMPACTING CHICAGO’S ECONOMY

HOUSING MARKET

Chicago’s housing market gained strength over 2024 and 2025, even as high mortgage rates cooled activity in many parts of the country. The May 2025 [monthly report](#) by the Illinois Realtors Association estimated home prices in the city of Chicago to be 8.3% higher than in May 2024, and 7.1% higher from January through May 2025 than they were in the same time period the year before. In the Chicago metropolitan area (which includes nine counties), median sales price [increased](#) 5.9% from January through May 2025 compared to the same time period in 2024. Zillow [reports](#) an average home value of about \$316,000 in mid-2025, up around 1.4% from a year earlier. Other sources [estimate](#) price growth between 2% and 4% depending on the neighborhood. Another estimate puts the [median](#) home listing price at \$344,900, though

down 4.2% from last year. Average home values in Chicago [consistently increased](#) since 2020, peaking in 2022 and remaining relatively steady in the following years.

On the rental side, demand is strong, consistently pushing up price of rent in Chicago since 2020. Exact estimates of year-over-year increases vary. The Chicago Real Estate Institute [estimates](#) a 6-8% increase in rent compared to mid-2024. Another [estimate](#) from one real estate investment firm puts rental costs up 3.5% year-over-year as of the first quarter of 2025, noting the average rent across Chicago is \$1,916 per month – roughly 22% above national average. Estimates may vary due to availability of rental data, timing of analysis, or comparison period, among other variables.

High [mortgage rates](#) have kept many renters from entering the housing market; 30-year mortgages spiked following the pandemic and remained between 6 – 7.5% since the end of 2022. Many owners are holding onto homes due to low locked-in mortgage rates, while new construction remains well below historic norms. This has contributed to a persistent supply side challenge: limited housing [inventory](#). The housing inventory in Chicago is [51.3% lower](#) than prior to the pandemic when mortgage rates remained low and steady. Chicago's lack of recovery from the pandemic as it related to housing inventory levels remains the lowest among the nation's largest housing markets. Between July 2023 and July 2024, while the majority of the U.S. saw slight increases to housing units, Cook County saw [no change](#) in additional available housing units.

Chicago also faces difficulties adding new housing stock to the market, [most notably](#) affordable units. The strong housing market (i.e., rising home prices) and slower rates of new housing supply [contribute](#) to growing affordability issues across the U.S. While existing homeowners and higher-income households may be gaining equity and finding housing within their budgets, lower- and middle-income households are experiencing varying levels of strain to afford housing. One study showed increasing rates of households spending over 30% of income on rent; 2022 data showed [nearly 47%](#) of Chicago households spend over 30% of their household income on rent and utilities. Chicago's trends toward higher home prices and restricted supply indicate renters are still highly burdened across the city and likely will continue to be unless supply increases.

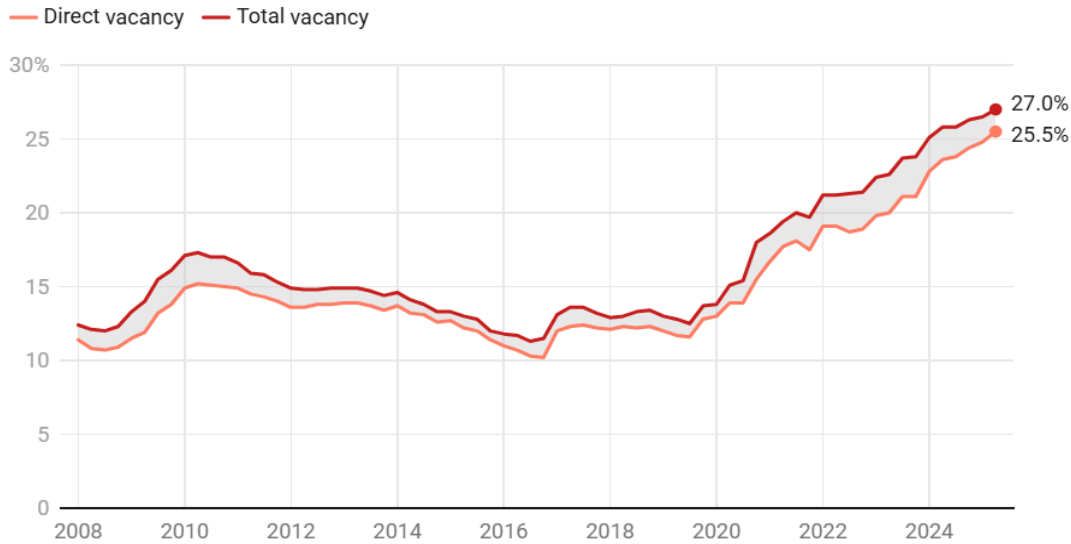
The City of Chicago is taking steps to improve housing affordability through its [Affordable Units Ordinance](#) requiring new developments to include affordable units as well as implementation of the Johnson Administration's [Cut the Tape Initiative](#) to reduce bureaucratic hurdles and approval of the [Green Social Housing Ordinance](#). Despite steady inflation increases and wages keeping pace as of mid-2025, the full economic impact of federal job losses, tariffs, and interest rates may continue to drive up the cost of living – making items aside from housing more expensive, further compounding strained housing budgets.

COMMERCIAL VACANCIES

Chicago's downtown office market continues to face serious challenges. The downtown vacancy rate hit an [all-time high](#) of 27% mid-way through 2025. The 27% commercial vacancy rate marks an increase from

26.5% in the first quarter of 2025, making it the 12th consecutive quarter of new highs. Commercial vacancies are nearly double the 13.8% vacancy rate seen before the pandemic.

Figure 14.



Source: CBRE; Graph Source: [Crain's Chicago Business](#)

High vacancies in downtown commercial spaces are impacted by [several factors](#):

- The rise of hybrid and work-from-home arrangements has structurally reduced the need for office space, keeping demand well below pre-pandemic levels.
- Large firms continue to consolidate and downsize real estate footprints, frequently relocating into smaller, more efficient spaces.
- Tenants are prioritizing newer, high-quality buildings with better amenities, contributing to lower vacancy rates in Class A properties and elevated vacancies among older Class B and C buildings.
- Newer towers delivered in recent years have drawn tenants away from legacy buildings, adding further pressure to already high vacancies in the downtown area.

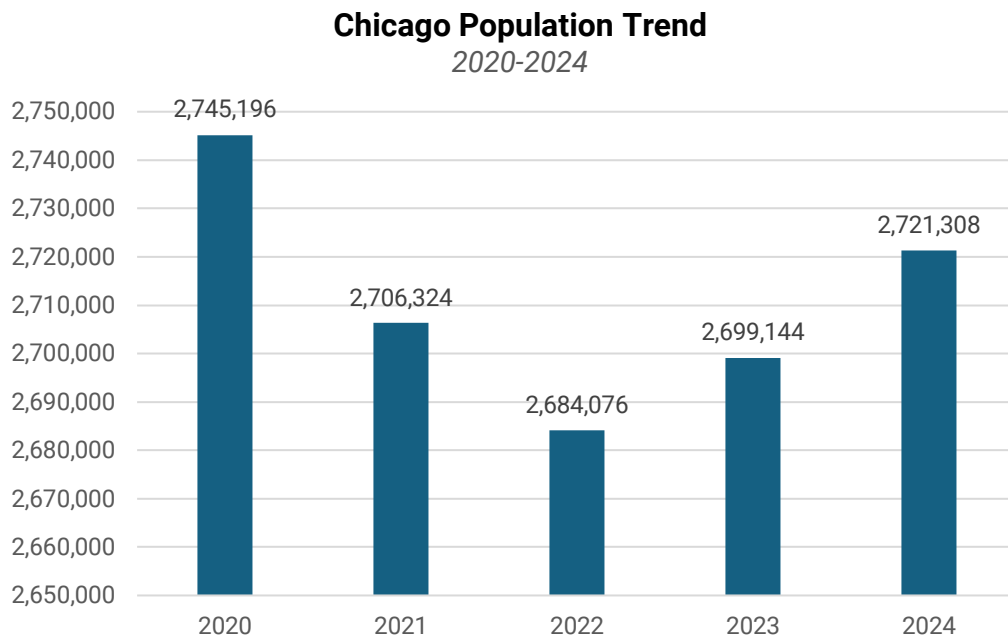
Despite the high vacancy rate, there were small signs of improvement in early 2025. Leasing availability is an indicator that reflects open units [not included](#) in the vacancy rate; availability reflects the ratio of available spaces per square feet available to lease, sublease, or sell. Leasing activity in downtown Chicago was [consistent](#) in the first half of 2025, with over 5.6 million square feet of sublease space available by the end of June and 1.4 million square feet of leasing volume. Leasing volume matches that of the second quarter in 2024, although it remains below pre-pandemic levels. The first quarter saw a positive net absorption of around [56,000 square feet](#), the first quarterly gain since 2023, as some smaller companies expanded their space in downtown.

MIGRATION

The number of people moving to or moving away from a city reveals insight into the economic health of a city and the economic opportunities available. In 2025, the City of Chicago remains the third largest city, behind New York City and Los Angeles.

As of July 1, 2024, the U.S. Census Bureau [estimated](#) Chicago’s population to be 2,721,308. This is about 23,888 fewer residents than in 2020, but an increase of 22,164 people from 2023. with Chicago [ranked](#) seventh out of the top fifteen U.S. metropolitan areas for numeric growth (though not percentage growth) in 2024. Across the Chicago metropolitan area, Cook County, and Illinois, all areas [experienced](#) increased populations in 2023 and 2024 after a trend of losses. In Chicago’s metropolitan area, 2024 brought at 0.8% population increase, up from 0.3% increase in 2023, and a decline of 0.6% in 2022. [According](#) to the U.S. Census Bureau, 9.7% of residents moved within the U.S., including 0.6% within Illinois, 2.5% from another state, and 1.3% from abroad.

Figure 15.



Source: U.S. Census Bureau, [City and Town Population Totals, 2020-2024](#)

International migration [may be driven](#) by humanitarian migrants, such as migrants from Venezuela or Ukraine. Since August 2022, the City of Chicago received [over 51,000](#) migrants that were transported from the southern U.S. border. The City implemented its new arrivals initiative, providing shelter and support across the city. In October 2024, the City [launched](#) the Equitable Transition to One System Initiative (OSI), marking a shift from operating a separate shelter system for new arrivals to a unified homelessness services model for all residents. Beginning January 2025, all shelter services and funding were consolidated under the Department of Family and Support Services (DFSS), which will lead the transition and develop a five-year plan to improve shelter capacity and service delivery. The initiative includes a reduction in City-funded beds to 2,100 by the end of 2024, the closure of the New Arrivals Landing Zone and State intake center, and expanded partnerships with the State and Cook County. The shift in the City’s approach reflects both

declining migration volumes and a push for a more equitable and cost-effective approach to homelessness and housing instability in Chicago.

Chicago's population rebound signals a potential turning point. However, the benefits of new migration will depend on Chicago's ability to retain newcomers long-term and integrate them into housing, education, and employment systems. Addressing the root causes of domestic out-migration, such as high living costs and economic opportunity gaps, will remain critical to ensuring sustainable growth.

CONCLUSION

Overall, the indicators presented in COFA's State of Economy report suggest that both the U.S. and Chicago metropolitan economies remain strong – though face mounting uncertainty. From July 2024 to July 2025, the U.S. economy grew modestly, with steady job gains in services, unemployment near 4%, and gradual improvement in labor force participation. Inflation eased but kept interest rates elevated, while trade shifts and supply-side indicators signaled mixed conditions. The Chicago area followed similar trends, adding jobs and seeing population growth through international migration, but faced record office vacancies and the threat of higher unemployment in the face of federal reductions in force.

Understanding both national and local economic conditions is essential for policymakers as they weigh fiscal choices and long-term planning. A clear view of economic trends helps ensure decisions are grounded in current realities and responsive to future challenges.