



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

September 2010 Summary

U.S. Economy: In 2010Q3, the Conference Board index of CEO confidence fell sharply (-12 points) to 50.0 from the prior quarter. The ISM manufacturing index fell 1.9 points from August to 54.4 while the ISM non-manufacturing composite index rose 1.7 points to 53.2. Consumer sentiment fell only slightly from August (0.7 of a point) but was off 5.3 points from last year. Both industrial production and capacity utilization (three-month averages) rose for the 15th straight month. Core retail sales were up 4.7 percent from last year. Housing starts were essentially unchanged from August and up 24,000 from a year ago. Continuing to recover from July's record low, existing home sales rose in September to a 4.53 million rate.

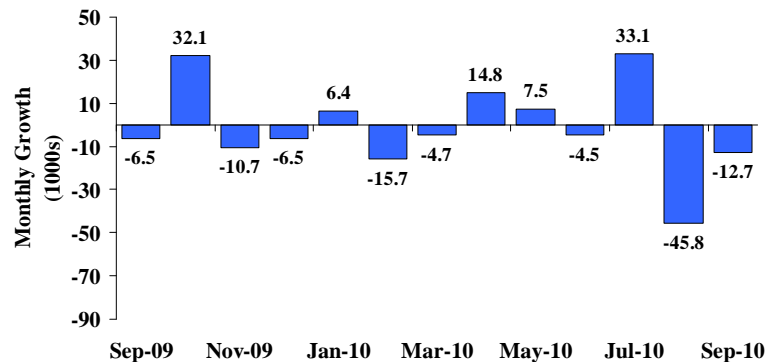
Employment: In September, Michigan employment fell by 12,700 jobs from last month and was down 6,700 jobs from a year ago. National employment fell by 95,000. Falling by 0.1 of a percentage point to 13.0 percent, the September 2010 Michigan unemployment rate represented the state's lowest rate since March 2009. The U.S. rate remained unchanged at 9.6 percent.

Auto Industry: In September, the light vehicle sales rate rose 2.4 percent from August to an 11.7 million unit annual rate. Vehicle sales were up 25.3 percent compared to a year ago when the end of Cash for Clunkers depressed sales. Vehicle inventories were up 33.0 percent from a year ago but days supply was up by only two days. In September 2010, Michigan vehicle production (three-month average) rose 28.8 percent compared to a year ago; the national vehicle production average increased 22.1 percent.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 1.1 percent. The U.S. CPI excluding food and energy rose 0.8 percent. The overall producer price index rose 4.0 percent but the core producer price index increased only 1.6 percent. At \$75.31 per barrel, oil prices were down \$1.51 compared to August, but were up \$5.85 a barrel from September 2009.

Michigan Metro Areas: From September 2009, unemployment rates fell in 16 of Michigan's 17 major labor markets. Employment rose in nine labor market areas and fell in seven.

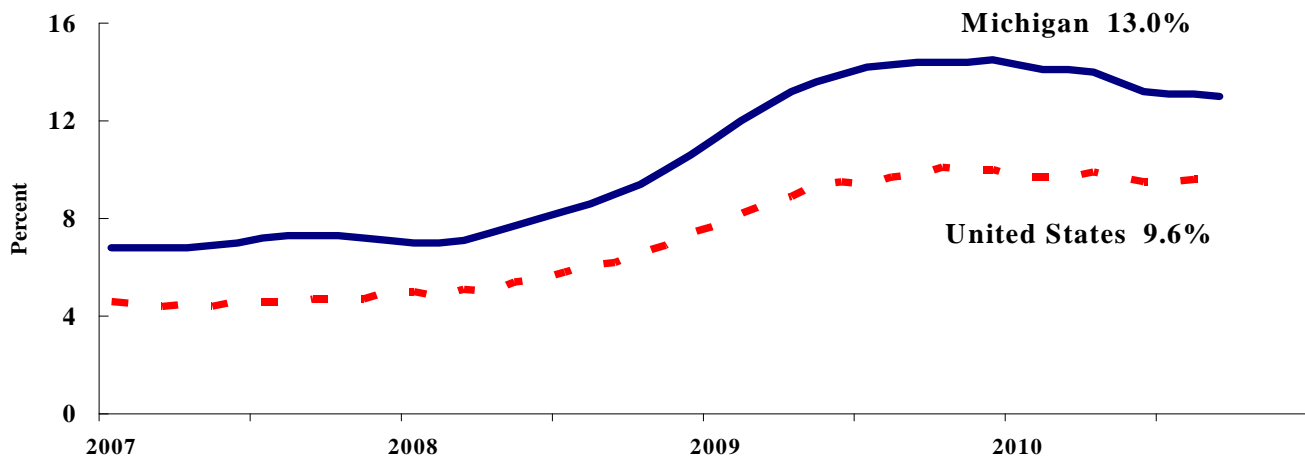
Michigan Employment Falls
in September ^(a)



Labor Market Statistics

- Michigan's September unemployment rate decreased 0.1 percentage point from last month to 13.0 percent, and the current Michigan jobless rate is down 1.4 percentage points from a year ago. The September U.S. unemployment rate remained unchanged from July at 9.6 percent and was down 0.2 percentage points from a year ago. Monthly unemployment rates fluctuate in part due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2007 to 2010



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- In September, the number of people employed in Michigan was 4,201,000, up 4,000 from last month, while the labor force decreased by 4,000. The statewide total number of unemployed decreased by 9,000 to 625,000.
- United States household employment totaled 139.4 million persons in September, up 141,000 from August. The labor force rose by 48,000 from last month, which meant there were 93,000 less unemployed people nationally, compared to August.

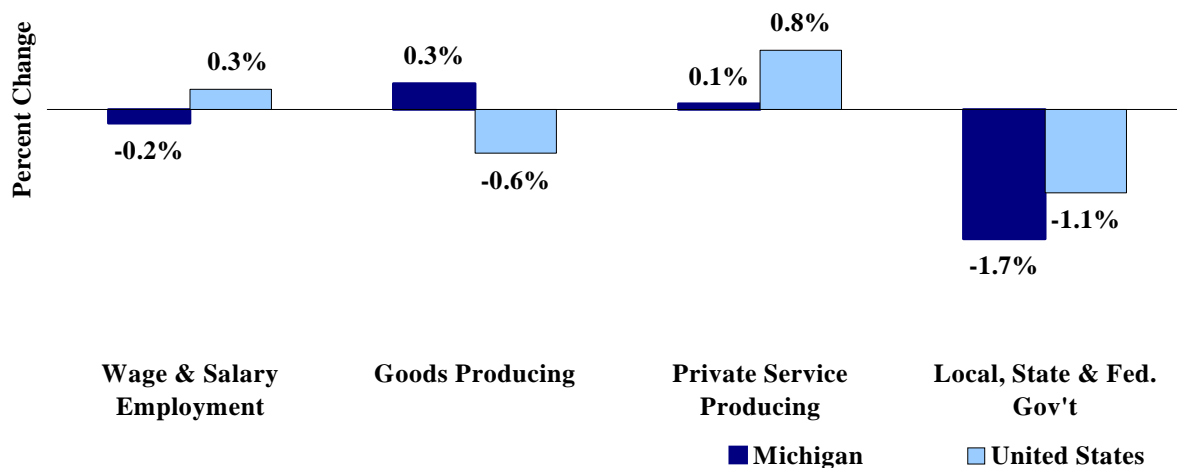
Employment by Place of Residence (in thousands)^(a)

	2009 Average	Jul 2010	Aug 2010	Sep 2010	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,889	4,846	4,831	4,827	-4	-0.1%	-39	-0.8%	
Employed	4,224	4,209	4,197	4,201	4	0.1%	34	0.8%	
Unemployed	665	637	634	625	-9	-1.4%	-74	-10.6%	
Unemployment Rate	13.6%	13.1%	13.1%	13.0%	n.a.	-0.1% pts	n.a.	-1.4%	
United States									
Labor Force	154,142	153,560	154,110	154,158	48	0.0%	231	0.2%	
Employed	139,877	138,960	139,250	139,391	141	0.1%	623	0.4%	
Unemployed	14,265	14,599	14,860	14,767	-93	-0.6%	-392	-2.6%	
Unemployment Rate	9.3%	9.5%	9.6%	9.6%	n.a.	0.0% pts	n.a.	-0.2%	

Employment by Place of Work

- From September 2009 to September 2010, Michigan wage and salary employment decreased 7,000 (0.2 percent). State wage and salary employment decreased 13,000 from August. Nationally, September 2010 wage and salary employment rose 344,000 (0.3 percent) from a year ago but was down 95,000 from last month.

Wage and Salary Employment Growth September 2009 to September 2010



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods-producing sector, Michigan employment increased 0.3 percent from a year ago while private service-producing sector employment increased 0.1 percent compared to last year. From a year ago, September national employment in the goods-producing sector fell 0.6 percent and increased 0.8 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 0.2 hours in Michigan compared to last year.

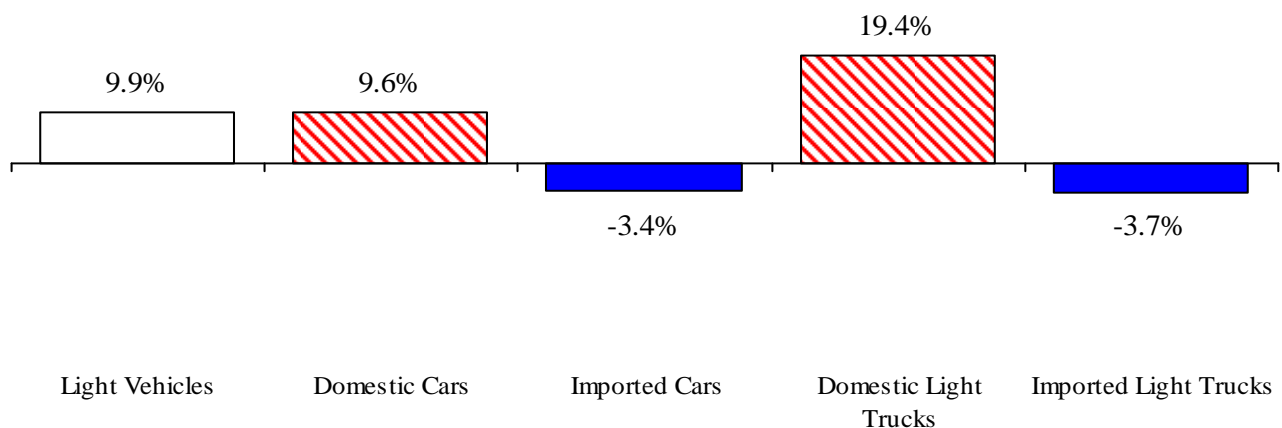
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2009 Average	Sep 2009	Sep 2010	Percent Change	2009 Average	Sep 2009	Sep 2010	Percent Change
Wage & Salary Employment	3,876	3,830	3,823	-0.2%	130,912	129,857	130,201	0.3%
Goods Producing	597	582	584	0.3%	18,620	18,124	18,019	-0.6%
Manufacturing	462	456	464	1.8%	11,883	11,634	11,670	0.3%
Private Service Producing	2,633	2,607	2,609	0.1%	89,749	89,253	89,951	0.8%
Trade, Trans. & Utilities	717	709	708	-0.1%	24,947	24,754	24,785	0.1%
Services	1,670	1,654	1,667	0.8%	54,236	54,039	54,878	1.6%
Local, State & Fed. Gov't	647	641	630	-1.7%	22,544	22,480	22,231	-1.1%
Manufacturing Weekly Hours	39.3	43.5	43.3	-0.2 hrs	39.3	39.0	40.1	1.1 hrs

Motor Vehicle Industry Sales

- At an 11.7 million unit rate, September 2010 light vehicle sales rose 2.4 percent from August 2010. September 2010 light vehicle sales were up 25.3 percent from a year ago.
- Compared to August 2010, September 2010 domestic sales increased 1.9 percent while foreign sales rose 3.8 percent. Domestic sales rose 26.8 percent compared to a year ago while foreign sales increased 21.0 percent. Consequently, the foreign share of U.S. light vehicle sales dropped 0.9 percentage points from a year ago to 25.5 percent.
- Auto sales rose 3.2 percent compared to August 2010 and increased 15.9 percent compared to a year ago. Light truck sales increased 1.6 percent from August and jumped 36.1 percent from September 2009. Heavy truck sales were up 18.3 percent compared to a year ago.
- In September 2010, light vehicle inventories rose 6.3 percent from August and were up 33.0 percent from a year ago. Days supply was up 6 days from August and was 2 days higher than a year ago.

2010 Year-to-Date Domestic Vehicle Sales Up Significantly from Year Ago



Motor Vehicle Sales Statistics

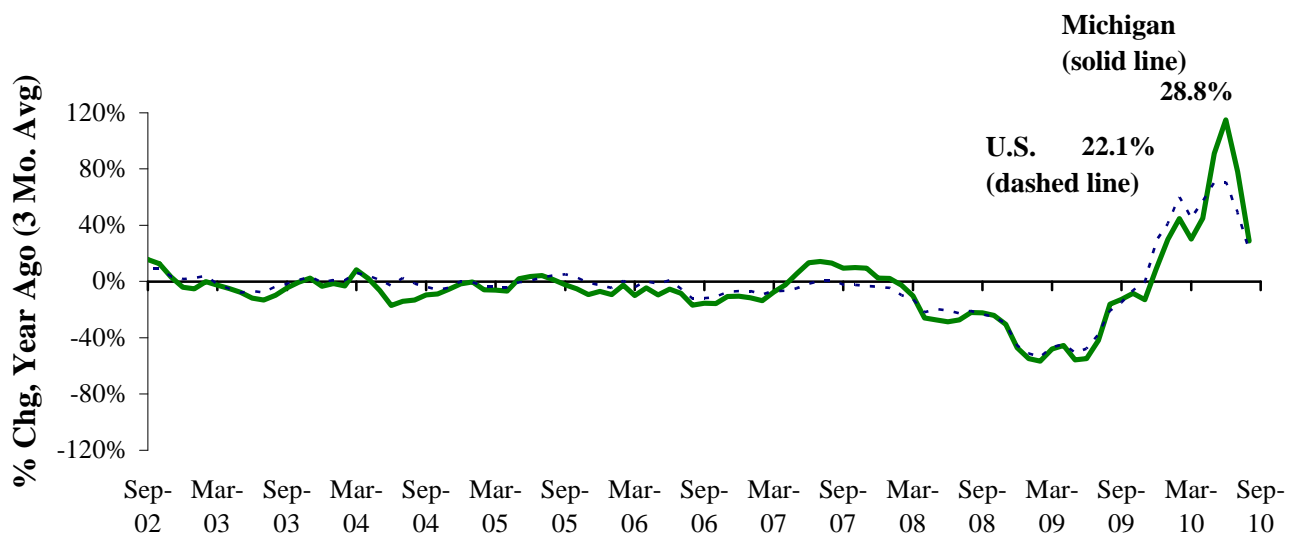
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2009 Average	Jul 2010	Aug 2010	Sep 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.5	5.6	5.6	5.8	5.7	0.8	15.9%
Domestics	3.6	3.8	3.7	3.8	3.8	0.5	14.2%
Imports	1.8	1.8	1.9	2.0	1.9	0.3	19.3%
Import Share	33.7%	31.7%	34.2%	35.0%	33.7%	1.0% pts	
Light Trucks	4.9	5.9	5.8	5.9	5.9	1.6	36.1%
Domestics	4.1	5.0	4.8	4.9	4.9	1.4	38.5%
Imports	0.9	0.9	0.9	0.9	0.9	0.2	24.8%
Import Share	17.9%	15.2%	16.3%	16.1%	15.8%	-1.5% pts	
Total Light Vehicles	10.4	11.5	11.4	11.7	11.6	2.4	25.3%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	18.3%
Total Vehicles	10.6	11.8	11.7	11.9	11.8	2.4	25.1%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.156	0.985	1.001	1.039	1.008	0.194	
Days Supply	70	52	51	56	53	2 days	
Total Truck	1.058	1.021	1.077	1.169	1.089	0.353	
Days Supply	68	52	53	59	55	1 day	

Motor Vehicle Industry Production

- At 162,098 units, September 2010 Michigan motor vehicle production rose 2.0 percent from last September. National production rose 8.7 percent in September. Compared to August 2010, Michigan production increased 4.0 percent while national production was up 0.4 percent.
- Michigan car production fell 33.4 percent from a year ago while State truck production increased 39.9 percent. Nationally, car production fell 4.0 percent while truck production increased 17.5 percent.
- From a year ago, Michigan's share of national production fell 1.5 percentage points to 22.8 percent.

Both Michigan and National Year-Ago Motor Vehicle Production Increases Slow Substantially^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009					Change from Year Ago	
	Monthly Average	Jul 2010	Aug 2010	Sep 2010	3 Month Average	Level	%
U.S. Production^(e)							
Autos	194.2	191.0	263.6	255.5	236.7	(10.7)	-4.0%
Trucks	285.2	341.2	444.4	455.2	413.6	67.7	17.5%
Total	479.5	532.2	708.0	710.7	650.3	57.0	8.7%
Michigan Production^(f)							
Autos	42.5	38.5	52.1	54.7	48.4	(27.4)	-33.4%
Trucks	53.0	80.6	103.8	107.4	97.2	30.6	39.9%
Total	95.5	119.1	155.9	162.1	145.7	3.2	2.0%
Michigan as % of U.S.	19.9%	22.4%	22.0%	22.8%	22.4%	-1.5% pts	

Local Area Unemployment Rate Down In Sixteen Areas Compared to Last Year

(Not Seasonally Adjusted)

September 2010 area unemployment rates ranged between 8.4 percent (Ann Arbor MSA) and 13.7 percent (Flint MSA). The median unemployment rate was 11.6 percent.

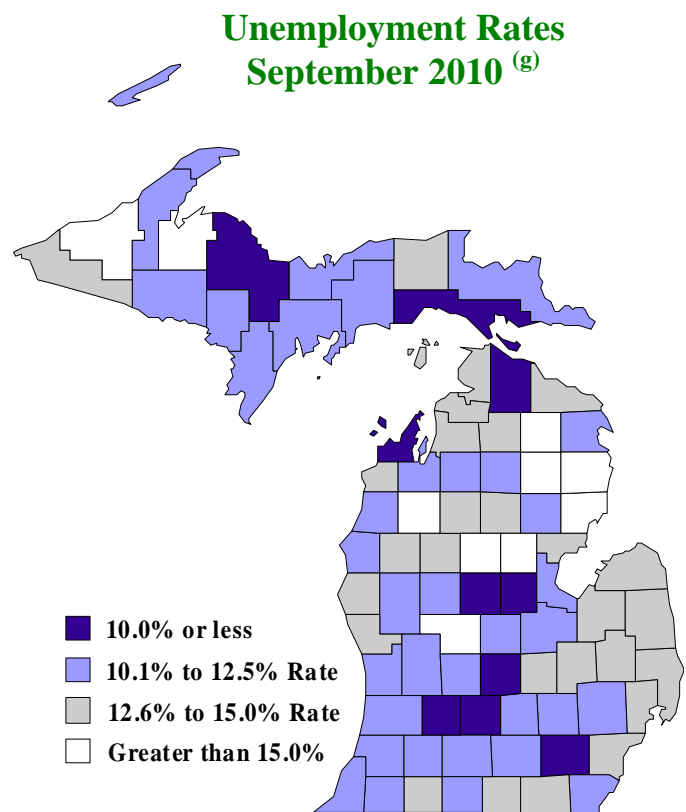
Compared to a year ago, the unemployment rate fell in sixteen major Michigan labor market areas and rose in one. The median unemployment rate change was a 0.6 of a percentage point drop. The Detroit-Warren-Livonia MSA saw the largest rate decline (-2.4 percentage points), followed by the Muskegon-Norton Shores MSA (-2.0 percentage points). The only area to report an increase, the Upper Peninsula, saw only a 0.1 percentage point rise.

Between September 2009 and September 2010, nine labor market areas saw an employment increase; seven realized a decline and one saw no change. The Detroit-Warren-Livonia MSA experienced the largest employment increase (3.2 percent), followed by the Saginaw-Saginaw Township MSA (1.5 percent). Northeast Lower Michigan had the largest year ago decline (-3.0 percent) while the Monroe MSA saw the second largest drop (-1.6 percent). Compared to a year ago, labor force fell in twelve areas with the Northeast Lower Michigan region experiencing the largest decline (-3.2 percent). Labor force in three areas rose and remained unchanged in two. The median labor force change was a 0.6 of a percentage point decline.

Between September 2009 and September 2010, the unemployment rate fell in 65 Michigan counties with a median rate decrease of 0.9 of a percentage point. Fifteen counties saw a rate increase with a median increase of 0.6 of a percentage point. Ten counties saw a September 2010 unemployment rate below 10.0 percent; Mackinac reported the lowest rate (5.8 percent.) Ten counties reported rates higher than 15.0 percent. Two counties saw rates above 20.0 percent: Baraga (21.3 percent) and Oscoda (20.2 percent).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Sep 2009 Rate</u>	<u>Aug 2010 Rate</u>	<u>Sep 2010 Rate</u>
Michigan	13.8%	12.9%	12.3%
Ann Arbor	8.9%	8.8%	8.4%
Battle Creek	11.7%	11.3%	11.1%
Bay City	11.8%	11.5%	11.5%
Detroit-Warren-Livonia	15.8%	14.4%	13.4%
Flint	14.6%	13.9%	13.7%
Grand Rapids-Wyoming	11.3%	10.7%	10.5%
Holland-Grand Haven	12.1%	11.3%	11.1%
Jackson	14.0%	12.7%	12.5%
Kalamazoo-Portage	11.1%	10.9%	10.7%
Lansing-East Lansing	10.5%	10.1%	9.9%
Monroe	13.8%	13.0%	12.4%
Muskegon-Norton Shores	15.2%	13.4%	13.2%
Niles-Benton Harbor	12.9%	12.5%	12.4%
Saginaw-Saginaw Township	12.1%	11.8%	11.6%
Upper Peninsula	11.0%	11.3%	11.1%
Northeast Lower Mich	13.7%	13.5%	13.4%
Northwest Lower Mich.	12.5%	12.2%	12.4%



U.S. Economic Conditions

	<u>Jun-10</u>	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	76.0	67.8	68.9	68.2	-5.3 points
ISM Manufacturing Index ⁽ⁱ⁾	56.2	55.5	56.3	54.4	2.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	53.8	54.3	51.5	53.2	3.1 points
	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	
Business Executives' Confidence ^(j)	64.0	62.0	62.0	50.0	-13.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jun-10</u>	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.0	218.0	218.3	218.4	1.1%
Detroit CPI	204.9	NA	205.4	NA	0.4%
U.S. Producer Price Index	179.1	179.7	179.6	180.2	4.0%
INTEREST RATES					
90 Day T-Bill ^(l)	0.12%	0.16%	0.15%	0.18%	0.05% points
Aaa Corporate Bonds ^(m)	4.88%	4.72%	4.49%	4.53%	-0.60% points
INDUSTRIAL PRODUCTION ^(m)	92.6	93.2	93.4	93.2	5.4%
CAPACITY UTILIZATION ^(m)	74.2%	74.7%	74.8%	74.7%	4.2% points
RETAIL SALES ⁽ⁿ⁾	\$361.2	\$362.8	\$365.4	\$367.7	7.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jun-10</u>	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.539	0.550	0.608	0.610	4.1%
Existing Home Sales ^(p)	5.260	3.840	4.120	4.530	-19.1%
DURABLE GOODS ORDERS ^(q)	\$192.3	\$194.7	\$193.2	\$200.0	12.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>% Change From Year Ago</u>
Michigan	\$341.7	\$344.7	\$344.8	\$348.3	1.4%
U.S.	\$12,156.9	\$12,225.8	\$12,341.2	\$12,462.7	2.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,019.0	\$13,138.8	\$13,194.9	\$13,260.7	2.0%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Energy, Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Energy, Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) Economic Indicators, Council of Economic Advisors.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2007 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.