



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

April 2010 Summary

U.S. Economy: At 60.4, the ISM manufacturing index rose to its highest level since June 2004 and reported its ninth straight reading above 50 (signaling expansion). The ISM non-manufacturing composite index remained above 50 for the fourth consecutive month. Both industrial production and capacity utilization (three-month averages) rose for the ninth straight month. Consumer sentiment was down 1.4 points from last month but was up 7.1 points from last year. Housing starts and existing home sales were both up very sharply from a year ago, rising 40.9 percent and 22.8 percent, respectively. Retail sales, excluding motor vehicle and gasoline sales, rose 4.2 percent from a year ago (three-month average). The new durable goods orders average, excluding defense and aircraft, was up 16.6 percent.

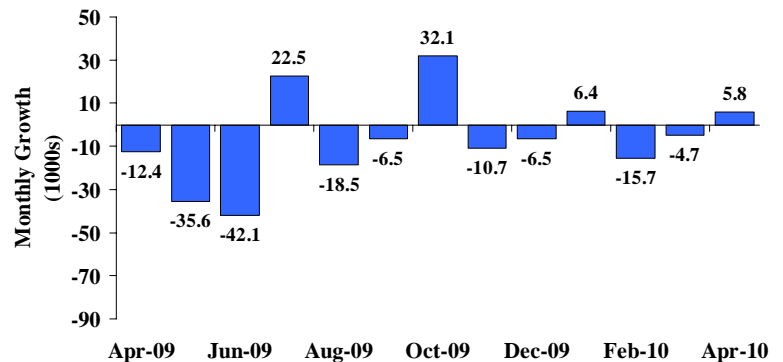
Employment: Michigan employment rose by 5,800 jobs in April from March but was down 73,500 jobs from a year ago. National employment rose by 290,000 jobs in April. Compared to March, Michigan's unemployment rate fell 0.1 of a percentage point to 14.0 percent. The U.S. rate rose 0.2 of a percentage point to 9.9 percent. Michigan's unemployment rate remained the highest among the fifty states.

Auto Industry: In April 2010, the light vehicle sales rate fell 4.8 percent from March 2010 to an 11.2 million unit annual rate. Vehicle sales were up 21.5 percent compared to a year ago. Vehicle inventories dropped by 19.5 percent compared to April 2009. In April 2010, Michigan vehicle production rose 30.2 percent compared to a year ago; national vehicle production increased 45.1 percent (three-month average).

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 2.2 percent; the Detroit CPI increased 1.4 percent. The U.S. CPI excluding food and energy rose 0.9 percent. The overall producer price index rose sharply (5.5 percent) but the core producer price index increased only 1.0 percent. Oil prices rose to \$84.48 a barrel, up \$3.24 a barrel from March 2010 and \$34.69 higher than a year ago.

Michigan Metro Areas: From April 2009, unemployment rates rose in 16 of Michigan's 17 major labor market areas with a median increase of 1.3 percentage points. Employment fell in 15 labor market areas with a median decline of 2.8 percent.

Michigan Employment Rises In April^(a)



Jay Wortley
Director

Thomas Patchak-Schuster
Senior Economist

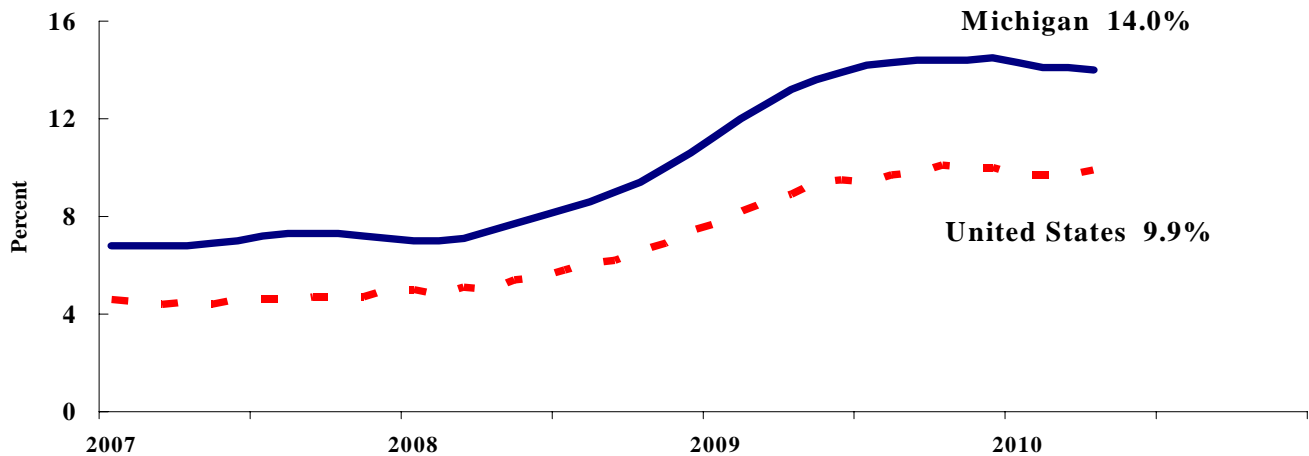
Andrew Lockwood
Economic Specialist

Mindy Parshall
Analyst

Labor Market Statistics

- Michigan’s April unemployment rate decreased 0.1 percentage points from last month to 14.0 percent, and the current Michigan jobless rate is 0.8 percentage points above a year ago. The April U.S. unemployment rate increased 0.2 percentage points to 9.9 percent and was 1.0 percentage points above a year ago. Monthly unemployment rates fluctuate 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 April, the number of people employed in Michigan was 4,197,000, up 28,000 from last month, while the labor force increased by 27,000. The statewide total number of unemployed decreased by 1,000 to 681,000.
- United States household employment totaled 139.5 million persons in April, up 550,000 from March. The labor force rose by 805,000 from last month, which meant there were 255,000 more unemployed people nationally, compared to March.

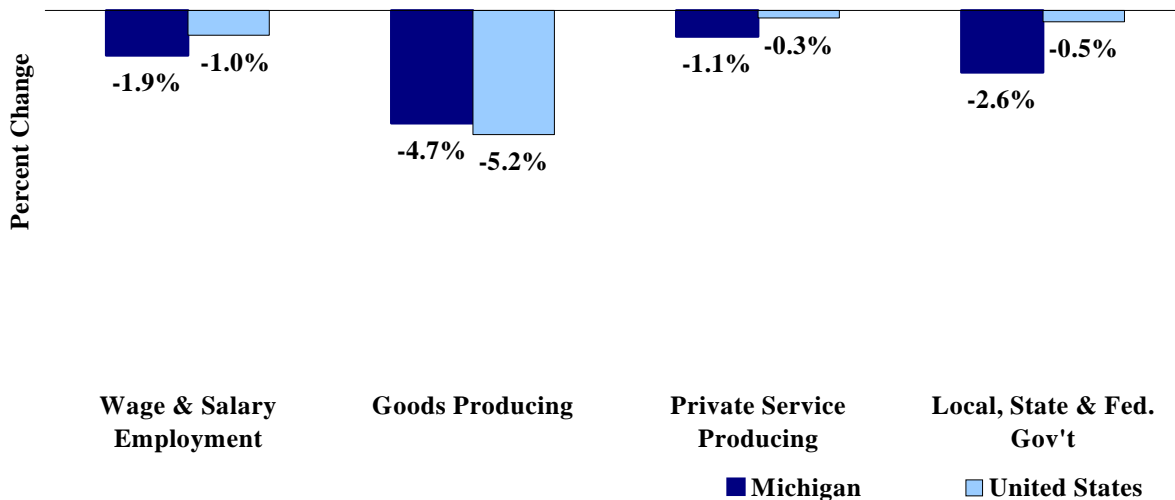
Employment by Place of Residence (in thousands)^(a)

	2009 <u>Average</u>	Feb <u>2010</u>	Mar <u>2010</u>	Apr <u>2010</u>	Change From			
					Prior Month		Last Year	
					<u>Level</u>	<u>%</u>	<u>Level</u>	<u>%</u>
Michigan								
Labor Force	4,889	4,844	4,851	4,878	27	0.6%	-37	-0.8%
Employed	4,224	4,160	4,169	4,197	28	0.7%	-71	-1.7%
Unemployed	665	684	682	681	-1	-0.1%	33	5.1%
Unemployment Rate	13.6%	14.1%	14.1%	14.0%	n.a.	-0.1% pts	n.a.	0.8%
United States								
Labor Force	154,142	153,512	153,910	154,715	805	0.5%	-3	0.0%
Employed	139,877	138,641	138,905	139,455	550	0.4%	-1,447	-1.0%
Unemployed	14,265	14,871	15,005	15,260	255	1.7%	1,444	10.5%
Unemployment Rate	9.3%	9.7%	9.7%	9.9%	n.a.	0.2% pts	n.a.	1.0%

Employment by Place of Work

- From April 2009 to April 2010, Michigan wage and salary employment decreased 74,000 (1.9 percent). State wage and salary employment increased 6,000 from March. Nationally, April 2010 wage and salary employment fell 1,381,000 (1.0 percent) from a year ago and was up 290,000 from last month.

Wage and Salary Employment Growth April 2009 to April 2010



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

- In the goods-producing sector, Michigan employment fell 4.7 percent from a year ago while private service-producing sector employment decreased 1.1 percent compared to last year. From a year ago, April national employment in the goods-producing sector fell 5.2 percent and decreased 0.3 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 2.0 hours in Michigan compared to last year.

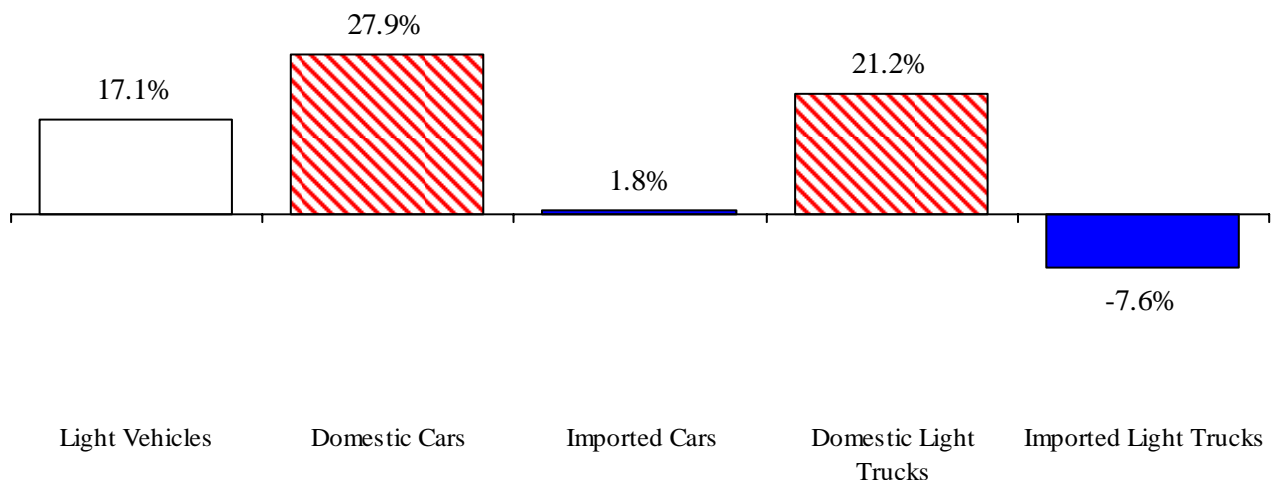
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2009 Average	Apr 2009	Apr 2010	Percent Change	2009 Average	Apr 2009	Apr 2010	Percent Change
Wage & Salary Employment	3,876	3,910	3,836	-1.9%	130,912	131,542	130,161	-1.0%
Goods Producing	597	612	583	-4.7%	18,620	18,956	17,968	-5.2%
Manufacturing	462	473	455	-3.8%	11,883	12,063	11,635	-3.5%
Private Service Producing	2,633	2,647	2,618	-1.1%	89,749	89,905	89,622	-0.3%
Trade, Trans. & Utilities	717	723	705	-2.5%	24,947	25,052	24,697	-1.4%
Services	1,670	1,674	1,677	0.2%	54,236	54,211	54,590	0.7%
Local, State & Fed. Gov't	647	652	635	-2.6%	22,544	22,681	22,571	-0.5%
Manufacturing Weekly Hours	39.3	41.9	43.9	2.0 hrs	39.3	38.7	40.1	1.4 hrs

Motor Vehicle Industry Sales

- At an 11.2 million unit rate, April 2010 light vehicle sales fell 4.8 percent from March 2010. However, April 2010 light vehicle sales were up 21.5 percent from a year ago.
- Compared to March 2010, April 2010 domestic sales decreased 3.0 percent while foreign sales dropped 10.8 percent. Domestic sales rose 27.7 percent compared to a year ago while foreign sales increased 3.7 percent. Consequently, the foreign share of U.S. light vehicle sales dropped sharply from a year ago (-3.8 percentage points) to 22.0 percent – the lowest share since March 2006.
- Auto sales fell 7.2 percent compared to March 2010 but rose 17.4 percent compared to a year ago. Light truck sales decreased 2.4 percent from March but increased 25.9 percent from April 2009. Heavy truck sales rose 23.5 percent compared to a year ago.
- In April 2010, light vehicle inventories shrank 19.5 percent from a year ago. At 57 days, days supply rose 4 days from March 2010 but were down by 28 days from a year ago.

2010 Year-to-Date Light Vehicle Sales Up Substantially from Year Ago Percent Change



Motor Vehicle Sales Statistics

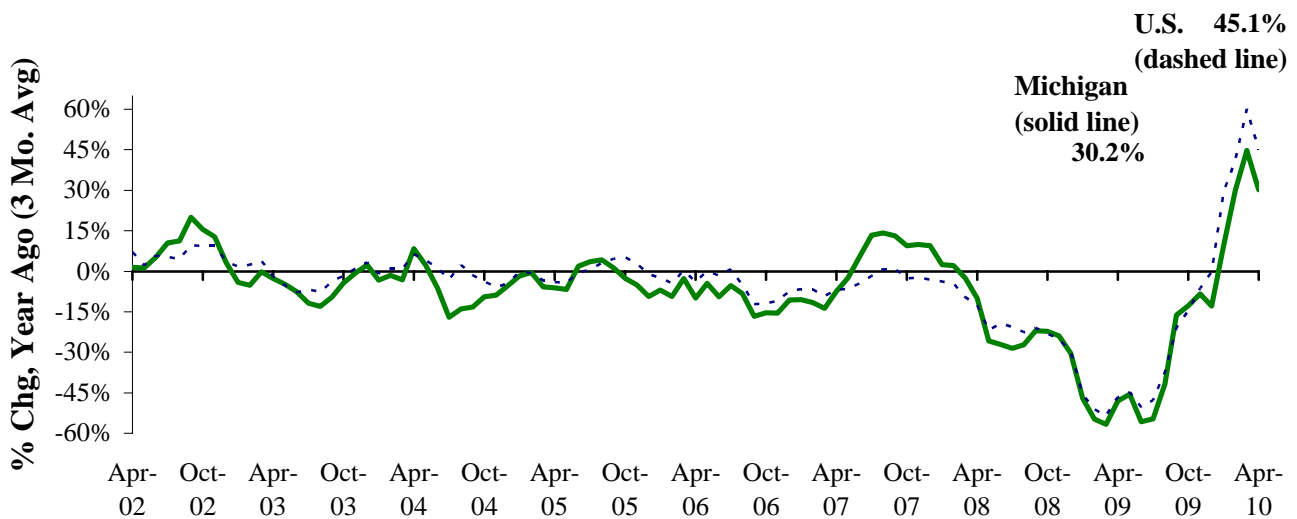
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2009 Average	Feb 2010	Mar 2010	Apr 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.5	5.4	6.0	5.6	5.7	0.8	17.4%
Domestics	3.6	3.7	4.3	3.9	4.0	0.8	25.2%
Imports	1.8	1.7	1.7	1.6	1.7	0.0	2.2%
Import Share	33.7%	31.5%	28.7%	29.3%	29.8%	-4.4%	pts
Light Trucks	4.9	4.9	5.8	5.6	5.4	1.2	25.9%
Domestics	4.1	4.1	4.7	4.8	4.6	1.1	29.9%
Imports	0.9	0.8	1.0	0.8	0.9	0.1	6.7%
Import Share	17.9%	15.5%	17.9%	14.7%	16.1%	-2.6%	pts
Total Light Vehicles	10.4	10.3	11.8	11.2	11.1	2.0	21.5%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	23.5%
Total Vehicles	10.6	10.5	12.0	11.4	11.3	2.0	21.6%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.158	1.116	1.083	1.073	1.091	-0.292	
Days Supply	70	67	53	57	59	-26	days
Total Truck	1.057	1.050	1.075	1.066	1.064	-0.227	
Days Supply	68	66	53	57	59	-29	days

Motor Vehicle Industry Production

- At 119,148 units, April 2010 Michigan motor vehicle production rose 31.2 percent from a year ago. National production rose sharply (41.3 percent). Compared to March 2010, Michigan production fell 7.6 percent while national production dropped 13.2 percent.
- Michigan car production rose 21.0 percent from a year ago, and State truck production rose 38.0 percent. Nationally, car production grew 54.3 percent while truck production increased 33.8 percent.
- From a year ago, Michigan’s share of national production fell by 1.5 percentage points to 18.9 percent.

Both Michigan and National Motor Vehicle Production Increases Slow ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009					Change from Year Ago	
	Monthly Average	Feb 2010	Mar 2010	Apr 2010	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	194.2	226.4	283.1	253.7	254.4	89.3	54.3%
Trucks	285.2	352.5	443.1	377.0	390.9	95.2	33.8%
Total	479.5	579.0	726.2	630.7	645.3	184.4	41.3%
Michigan Production ^(f)							
Autos	42.5	39.1	44.8	43.8	42.6	7.6	21.0%
Trucks	53.0	77.8	84.2	75.3	79.1	20.7	38.0%
Total	95.5	116.9	128.9	119.1	121.7	28.4	31.2%
Michigan as % of U.S.	19.9%	20.2%	17.8%	18.9%	18.9%	-1.5% pts	

Unemployment Rate Rises and Employment Drops in Most Areas Compared to Year Ago (Not Seasonally Adjusted)

April 2010 area unemployment rates ranged between 8.6 percent (Ann Arbor MSA) and 17.2 percent (Northeast Lower Michigan). The median unemployment rate was 13.4 percent.

Compared to a year ago, unemployment rates rose in 16 major Michigan labor market areas. The median unemployment rate increase was 1.3 percentage points. The Kalamazoo-Portage MSA and Niles-Benton Harbor MSA saw the largest increase (2.1 percentage points) while the Monroe MSA saw the only rate decline (0.5 of a percentage point).

Between April 2009 and April 2010, employment fell in 15 major labor market areas with a median employment decline of 2.8 percent. The Monroe MSA saw the largest employment drop (-4.8 percent), followed by the Northeast Lower Peninsula and Muskegon-Norton Shores MSA (each with a 4.0 percent drop). Fourteen areas reported a labor force decline with a median drop of -0.9 percent. Labor force changes ranged between a 1.5 percent increase (Saginaw-Saginaw Township MSA) and 5.3 percent decline (Monroe MSA).

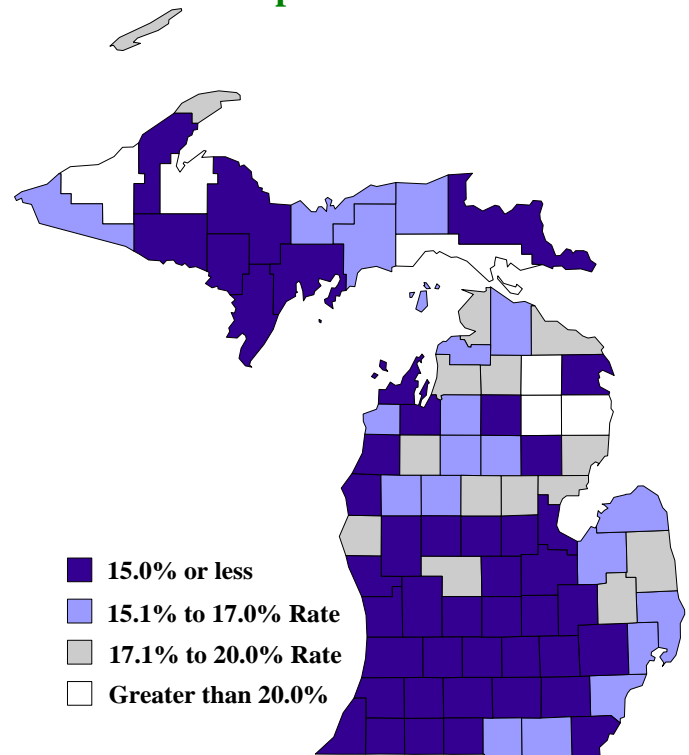
Compared to last month, all areas saw declines in their non-seasonally adjusted unemployment rate with a median decrease of 1.5 percentage points.

Between April 2009 and April 2010, the unemployment rate rose in 78 Michigan counties with a median increase of 1.4 percentage points. Four counties saw an April 2010 unemployment rate below 10.0 percent with Washtenaw reporting the lowest rate (8.6 percent.) Thirty-nine counties reported rates higher than 15.0 percent. Six counties saw rates above 20.0 percent with Baraga recording the highest (26.8 percent).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2009 Rate</u>	<u>Mar 2010 Rate</u>	<u>Apr 2010 Rate</u>
Michigan	12.5%	14.9%	13.7%
Ann Arbor	7.6%	9.6%	8.6%
Battle Creek	10.8%	13.1%	11.8%
Bay City	11.1%	14.6%	12.8%
Detroit-Warren-Livonia	13.7%	15.5%	14.8%
Flint	13.5%	16.3%	14.9%
Grand Rapids-Wyoming	10.2%	12.8%	11.3%
Holland-Grand Haven	11.2%	14.0%	12.2%
Jackson	12.1%	15.2%	13.6%
Kalamazoo-Portage	9.3%	12.7%	11.4%
Lansing-East Lansing	9.4%	11.7%	10.5%
Monroe	13.9%	16.0%	13.4%
Muskegon-Norton Shores	13.6%	16.5%	14.9%
Niles-Benton Harbor	11.3%	14.9%	13.4%
Saginaw-Saginaw Township	11.5%	14.2%	12.7%
Upper Peninsula	12.4%	15.5%	13.7%
Northeast Lower Mich	15.9%	20.2%	17.2%
Northwest Lower Mich.	13.4%	17.4%	15.3%

Unemployment Rates April 2010^(g)



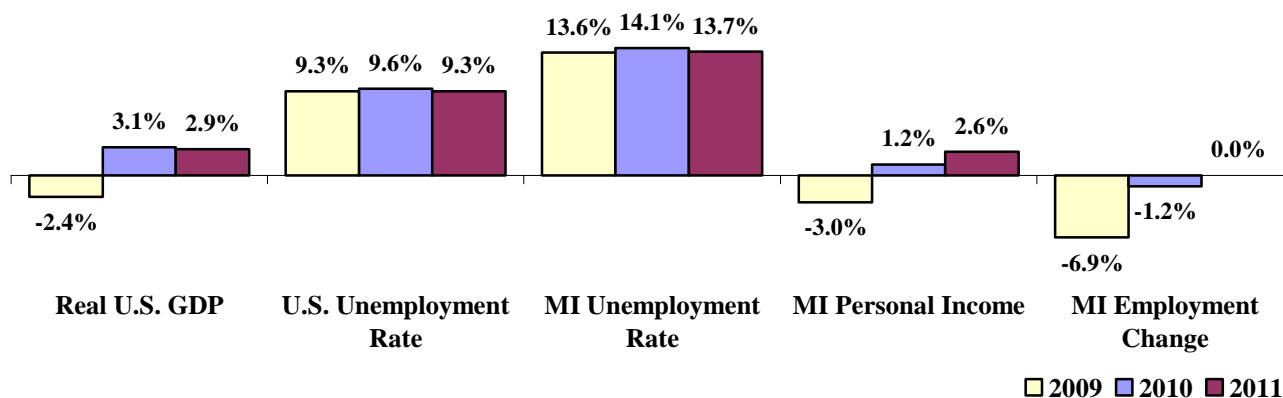
Consensus Economic Forecast Improved Economic Outlook

On May 21, 2010, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2010 and 2011. Below are highlights of that consensus agreement:

- After declining 2.4 percent in 2009, real GDP is forecast to increase 3.1 percent in 2010 – up significantly from the January 2010 Conference’s 2.2 percent 2010 growth projection. Real GDP is then expected to grow 2.9 percent in 2011.
- The U.S. unemployment rate is forecast to average 9.6 percent in 2010. The 9.6 percent unemployment rate would be the second highest annual rate in a history dating back to 1948. The unemployment rate is then projected to decline in 2011 to 9.3 percent.
- After coming in at 10.4 million units in 2009, light vehicle sales are expected to rise to 11.7 million units in 2010 and 13.3 million units in 2011. The 2010 projection is up 0.5 million units from the January Conference and the 2011 projection is 0.8 million units higher compared with January.
- Michigan wage and salary employment fell 6.9 percent in 2009. The May Consensus projects a 1.2 percent jobs decline in 2010, compared with January’s expected 2.2 percent drop. In January, employment was forecast to fall an additional 0.9 percent in 2011. In contrast, the May forecast sees no change in employment between 2010 and 2011. However, projected 2010 and 2011 employment (3.83 million) would be the State’s lowest employment level since 1988 with employment falling 18.1 percent from the 2000 employment peak.
- Michigan’s unemployment rate is expected to rise from 13.6 percent to 14.1 percent in 2010 and then fall to 13.7 percent in 2011. In contrast, the January consensus, made prior to BLS’s annual revisions, had estimated the 2009 unemployment rate would be 14.1 percent and had projected a 15.7 percent 2010 rate and a 15.3 percent 2011 rate.
- Personal income is projected to rise 1.2 percent in 2010 and 2.6 percent in 2011. After dropping sharply in 2009 (-8.5 percent), wages and salaries are expected to fall 0.3 percent in 2010 and then rise 1.8 percent in 2011.

U.S. Economic Forecast Modest Recovery

Michigan Economic Forecast Slowing Employment Drop



U.S. Economic Conditions

	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	74.4	73.6	73.6	72.2	7.1 points
ISM Manufacturing Index ⁽ⁱ⁾	58.4	56.5	59.6	60.4	20.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	50.5	53.0	55.4	55.4	11.5 points
	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	
Business Executives' Confidence ^(j)	55.0	63.0	64.0	62.0	32.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	216.7	216.7	217.6	218.0	2.2%
Detroit CPI	NA	203.4	NA	205.2	1.4%
U.S. Producer Price Index	178.3	177.3	179.2	179.6	5.5%
INTEREST RATES					
90 Day T-Bill ^(l)	0.06%	0.10%	0.15%	0.15%	-0.02% points
Aaa Corporate Bonds ^(m)	5.26%	5.35%	5.27%	5.29%	-0.10% points
INDUSTRIAL PRODUCTION ^(m)					
	101.4	101.2	101.5	102.3	5.2%
CAPACITY UTILIZATION ^(m)					
	72.8%	72.8%	73.1%	73.7%	4.5% points
RETAIL SALES ⁽ⁿ⁾					
	\$355.2	\$357.3	\$364.9	\$366.4	8.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.612	0.605	0.635	0.672	40.9%
Existing Home Sales ^(p)	5.050	5.010	5.360	5.770	22.8%
DURABLE GOODS ORDERS ^(q)					
	\$187.5	\$188.3	\$188.3	\$193.9	18.9%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>% Change From Year Ago</u>
Michigan	\$335.3	\$341.1	\$338.6	\$341.9	-2.2%
U.S.	\$11,939.4	\$12,034.7	\$11,988.8	\$12,099.3	-1.0%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$12,901.5	\$12,973.0	\$13,149.5	\$13,248.2	3.0%

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. 2002 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.