



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

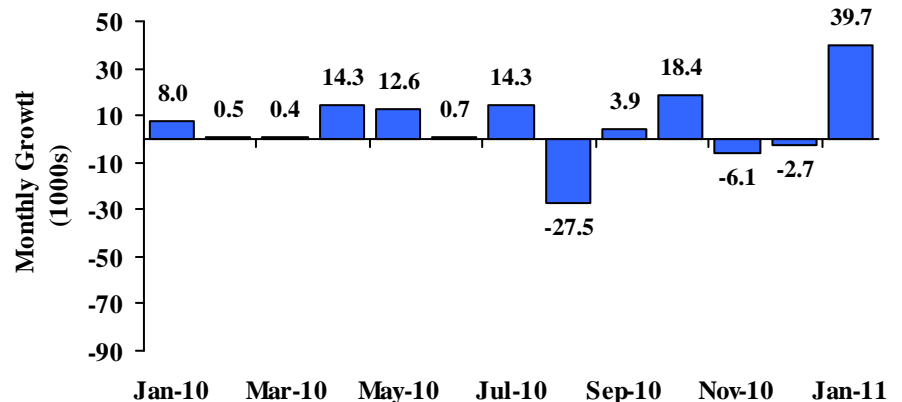
<http://www.michigan.gov/treasury>

January 2011 Summary

U.S. Economy: In January, the ISM manufacturing index increased 2.5 points from a year ago while the ISM non-manufacturing composite index rose 8.7 points. Both ISM indexes have signaled expansion since December 2009. Consumer sentiment fell slightly both from December and a year ago. Both industrial production and capacity utilization (three-month averages) rose for the 18th straight month. Overall retail sales were up 8.1 percent from last year. December housing starts were up 1.0 percent from last year while existing home sales rose 6.1 percent.

Employment: In January, Michigan employment jumped by 39,700 jobs from last month. Compared to a year ago, Michigan employment rose 1.8 percent; nationally employment increased 0.8 percent. At 10.7 percent, the Michigan unemployment rate was down 3.0 percentage points from last January. The U.S. unemployment rate dropped 0.7 of a percentage point to 9.0 percent.

Michigan Employment Jumps Sharply in January^(a)



Auto Industry: In January, the light vehicle annual sales rate (12.6 million units) was up 17.1 percent from a year ago. The foreign sales share decreased 0.6 percentage points from a year ago to 23.5 percent. January inventories were up 17.7 percent from a year ago but days supply was unchanged. Compared to a year ago, January Michigan vehicle production rose 22.6 percent; nationally, production rose 8.8 percent.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 1.6 percent. The core U.S. CPI (excluding food and energy) rose 1.0 percent. The overall producer price index rose 3.6 percent but the core producer price index increased only 1.6 percent. At \$89.42 per barrel, oil prices were up \$11.20 a barrel from January 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in January compared with year ago levels. All areas saw at least a 1.7 percentage point rate decline. Employment rose in all 17 areas with a median increase of 1.8 percent.

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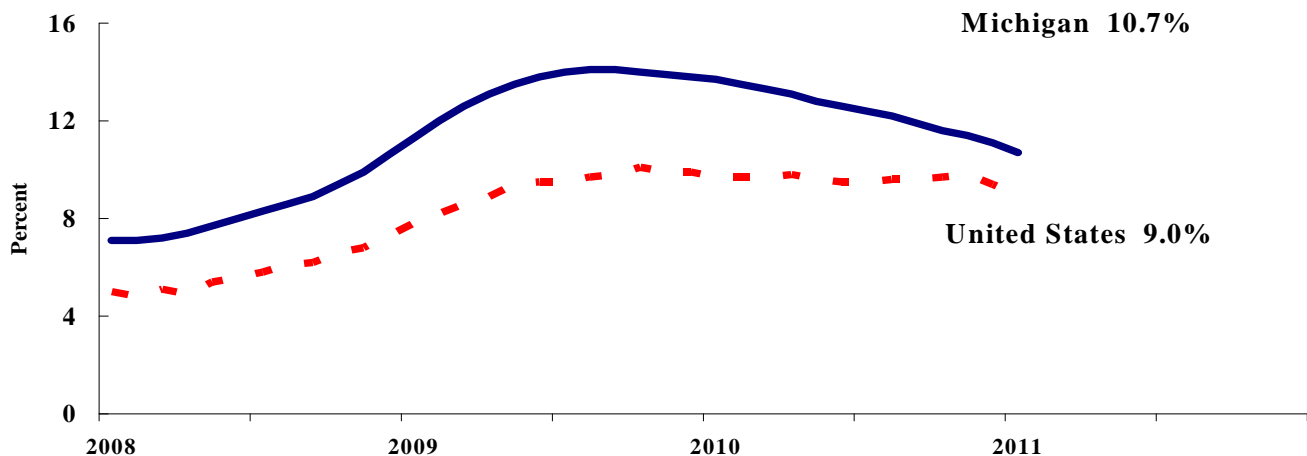
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Labor Market Statistics

- Michigan's January unemployment rate decreased 0.4 percentage points from last month to 10.7 percent, and the current Michigan jobless rate is down 3.0 percentage points from a year ago. The January U.S. unemployment rate decreased 0.4 percentage points from December to 9.0 percent and was down 0.4 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 2008 to 2011



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

- In January, the number of people employed in Michigan was 4,233,000, up 15,000 from last month, while the labor force decreased by 5,000. The statewide total number of unemployed decreased by 21,000 to 508,000.
- United States household employment totaled 139.3 million persons in January, up 117,000 from December. The labor force fell by 504,000 from last month, which meant there were 622,000 less unemployed people nationally, compared to December.

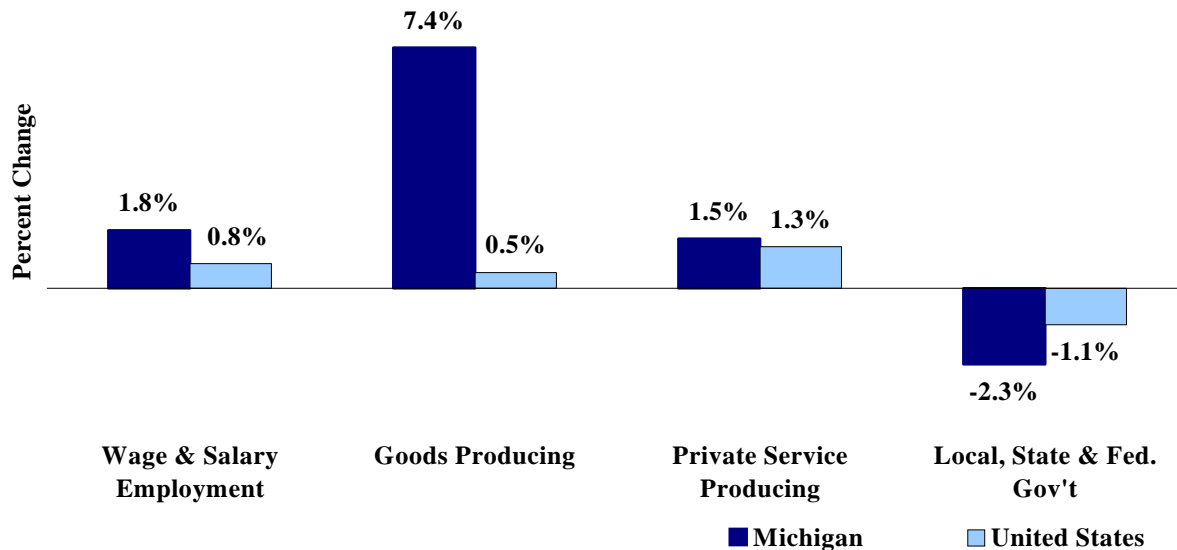
Employment by Place of Residence (in thousands)^(a)

	2010 Average	Nov 2010	Dec 2010	Jan 2011	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,790	4,753	4,746	4,741	-5	-0.1%	-75	-1.6%
Employed	4,193	4,213	4,217	4,233	15	0.4%	75	1.8%
Unemployed	597	541	529	508	-21	-3.9%	-149	-22.7%
Unemployment Rate	12.5%	11.4%	11.1%	10.7%	n.a.	-0.4% pts	n.a.	-3.0%
United States								
Labor Force	153,889	153,950	153,690	153,186	-504	-0.3%	-167	-0.1%
Employed	139,064	138,909	139,206	139,323	117	0.1%	812	0.6%
Unemployed	14,825	15,041	14,485	13,863	-622	-4.3%	-979	-6.6%
Unemployment Rate	9.6%	9.8%	9.4%	9.0%	n.a.	-0.4% pts	n.a.	-0.7%

Employment by Place of Work

- From January 2010 to January 2011, Michigan wage and salary employment increased 69,000 (1.8 percent). State wage and salary employment increased 40,000 from December. Nationally, January 2011 wage and salary employment rose 984,000 (0.8 percent) from a year ago and was up 36,000 from last month.

Wage and Salary Employment Growth January 2010 to January 2011



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

- In the goods-producing sector, Michigan employment increased 7.4 percent from a year ago while private service-producing sector employment increased 1.5 percent compared to last year. From a year ago, January national employment in the goods-producing sector rose 0.5 percent and increased 1.3 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.8 hours in Michigan compared to last year.

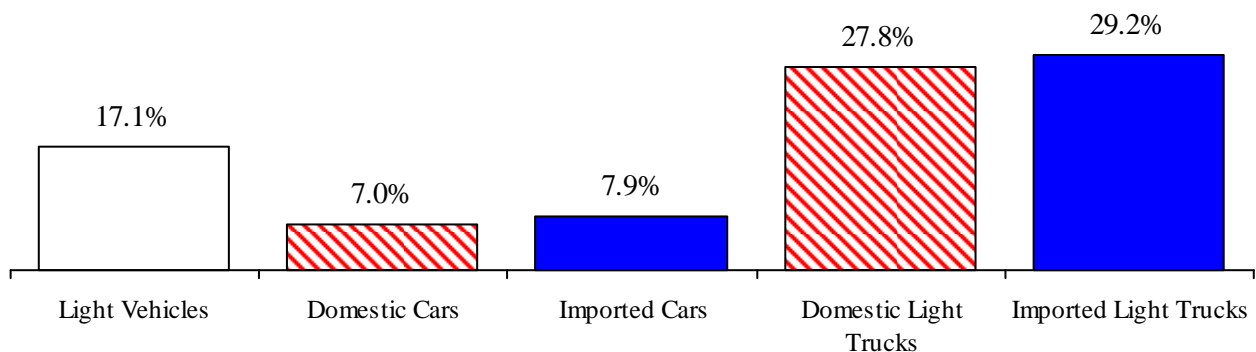
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	Jan 2010	Jan 2011	Percent Change	2010 Average	Jan 2010	Jan 2011	Percent Change
Wage & Salary Employment	3,861	3,839	3,908	1.8%	129,818	129,281	130,265	0.8%
Goods Producing	603	591	635	7.4%	17,755	17,717	17,804	0.5%
Manufacturing	474	462	498	7.8%	11,524	11,465	11,617	1.3%
Private Service Producing	2,623	2,610	2,650	1.5%	89,582	89,076	90,226	1.3%
Trade, Trans. & Utilities	709	708	715	1.0%	24,605	24,536	24,739	0.8%
Services	1,672	1,659	1,693	2.0%	54,636	54,137	55,183	1.9%
Local, State & Fed. Gov't	636	639	624	-2.3%	22,482	22,488	22,235	-1.1%
Manufacturing Weekly Hours	40.9	43.5	44.3	0.8 hrs	40.2	40.0	40.5	0.5 hrs

Motor Vehicle Industry Sales

- At a 12.6 million unit rate, January 2011 light vehicle sales rose 0.7 percent from December 2010. January 2011 light vehicle sales were up 17.1 percent from a year ago.
- Compared to December 2010, January 2011 domestic sales increased 1.8 percent while foreign sales fell 2.7 percent. Domestic sales rose 18.0 percent compared to a year ago while foreign sales increased 14.3 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 0.6 percentage points from a year ago to 23.5 percent.
- Auto sales fell 0.2 percent compared to December 2010 and increased 7.3 percent compared to a year ago. Light truck sales increased 1.6 percent from December and jumped 28.0 percent from January 2010. Heavy truck sales were up 14.3 percent compared to a year ago to their highest level in over two years.
- In January 2011, light vehicle inventories rose 4.2 percent from December and were up 17.7 percent from a year ago. Days supply was up 16 days from December but was unchanged from a year ago.

January 2011 Light Truck Sales Up Significantly from Year Ago



Motor Vehicle Sales Statistics

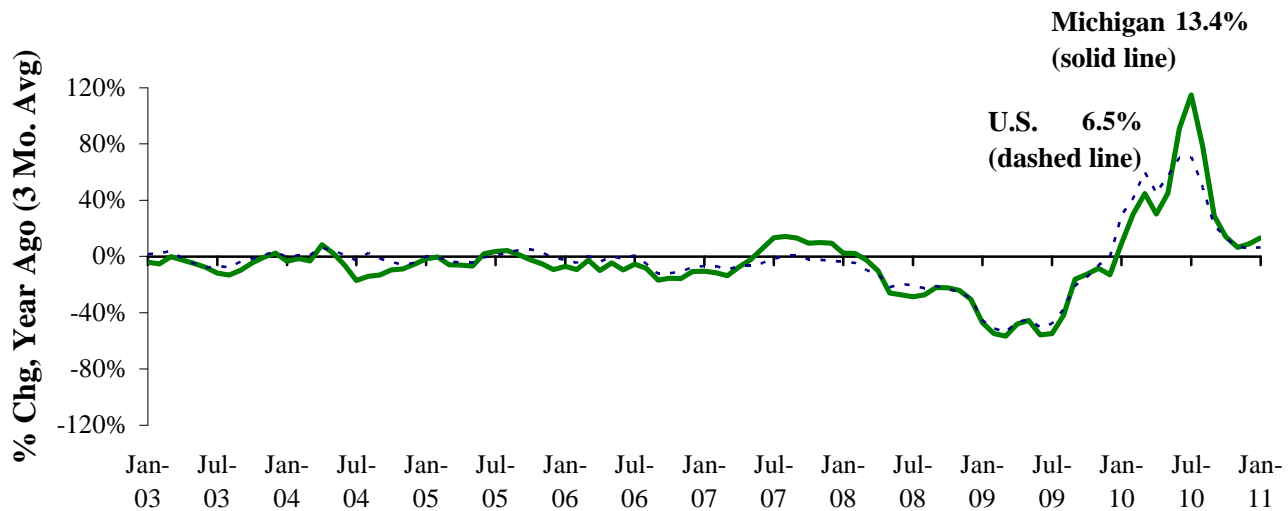
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010	Nov	Dec	Jan	3 Month	Change from	
	Average	2010	2010	2011	Average	Level	%
Autos	5.7	5.9	6.1	6.1	6.0	0.4	7.3%
Domestics	3.9	3.8	4.0	4.1	4.0	0.3	7.0%
Imports	1.8	2.0	2.0	2.0	2.0	0.1	7.9%
Import Share	32.3%	34.2%	33.7%	32.4%	33.4%	0.2% pts	
Light Trucks	5.8	6.4	6.4	6.5	6.4	1.4	28.0%
Domestics	4.9	5.3	5.4	5.5	5.4	1.2	27.8%
Imports	0.9	1.0	1.0	1.0	1.0	0.2	29.2%
Import Share	15.4%	16.0%	15.6%	15.3%	15.6%	0.1% pts	
Total Light Vehicles	11.6	12.2	12.5	12.6	12.4	1.8	17.1%
Heavy Trucks	0.2	0.2	0.2	0.3	0.2	0.0	14.3%
Total Vehicles	11.8	12.4	12.7	12.8	12.7	1.9	17.1%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.074	1.178	1.127	1.151	1.152	0.072	
Days Supply	59	71	60	73	68	0 days	
Total Truck	1.109	1.268	1.207	1.282	1.252	0.293	
Days Supply	58	64	52	71	62	1 day	

Motor Vehicle Industry Production

- At 120,700 units, January 2011 Michigan motor vehicle production rose 22.6 percent from last January. National production rose 8.8 percent from January 2010. Compared to December 2010, Michigan production increased 17.3 percent while national production was up 12.5 percent.
- Michigan car production fell 19.7 percent from a year ago while State truck production increased 44.4 percent. Nationally, car production fell 5.9 percent while truck production increased 18.0 percent.
- From a year ago, Michigan's share of national production rose 2.2 percentage points to 19.2 percent.

Michigan and National Motor Vehicle Production Year-Ago Growth^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2010					Change from Year Ago for the Month	
	Monthly Average	Nov 2010	Dec 2010	Jan 2011	3 Month Average	Level	%
U.S. Production^(e)							
Autos	241.7	229.9	194.3	210.8	211.7	(13.2)	-5.9%
Trucks	404.0	400.4	365.7	419.3	395.1	64.1	18.0%
Total	645.7	630.4	559.9	630.1	606.8	50.9	8.8%
Michigan Production^(f)							
Autos	44.6	37.3	25.2	27.0	29.8	(6.6)	-19.7%
Trucks	86.8	84.6	77.7	93.7	85.4	28.8	44.4%
Total	131.4	121.9	102.9	120.7	115.2	22.2	22.6%
Michigan as % of U.S.	20.4%	19.3%	18.4%	19.2%	19.0%	2.2% pts	

Local Area Unemployment Rate Falls In All Seventeen Local Areas (Not Seasonally Adjusted)

January 2011 area unemployment rates ranged between 6.9 percent (Ann Arbor MSA) and 16.0 percent (Northeast Lower Michigan). The median January 2011 unemployment rate was 11.4 percent.

Compared to a year ago, the January unemployment rate fell in all seventeen major Michigan labor market areas with the rate falling by at least 1.7 percentage points in each area. The median unemployment rate decline was 2.5 percentage points. The Detroit-Warren-Livonia MSA saw the largest rate decline (-3.9 percentage points) followed by the Muskegon-Norton Shores MSA (-3.7 percentage points) and the Holland-Grand Haven MSA (-3.2 percentage points).

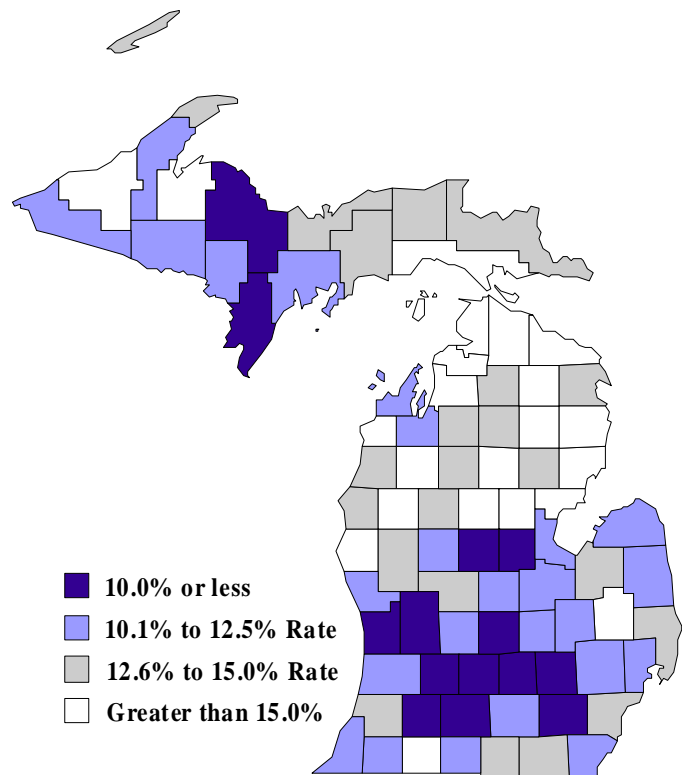
Between January 2010 and January 2011, all seventeen labor market areas saw an employment increase. The median employment increase was 1.8 percent. The Niles-Benton Harbor MSA experienced the largest employment increase (5.0 percent), followed by the Holland-Grand Haven MSA (3.8 percent). Compared to a year ago, the labor force fell in twelve areas with the Northeast Lower Michigan experiencing the largest decline (-2.8 percent) and Niles-Benton Harbor MSA seeing the greatest increase (1.7 percent). The median labor force change was a 1.0 percent drop.

Between January 2010 and January 2011, the unemployment rate fell in 81 Michigan counties with a median rate decrease of 2.7 percentage points. Lapeer County posted the largest decline (-4.6 percentage points) followed by Baraga County and Saint Clair County (-4.4 percentage points). Fourteen counties saw a January 2011 unemployment rate below 10.0 percent. Twenty-two counties reported rates higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jan 2010 Rate</u>	<u>Dec 2010 Rate</u>	<u>Jan 2011 Rate</u>
Michigan	14.4%	10.6%	11.3%
Ann Arbor	8.6%	6.6%	6.9%
Battle Creek	12.1%	9.4%	9.9%
Bay City	13.4%	10.4%	11.2%
Detroit-Warren-Livonia	15.6%	11.1%	11.7%
Flint	15.4%	11.9%	12.5%
Grand Rapids-Wyoming	11.9%	8.9%	9.4%
Holland-Grand Haven	13.0%	9.2%	9.8%
Jackson	14.3%	10.9%	11.4%
Kalamazoo-Portage	11.9%	9.4%	10.0%
Lansing-East Lansing	11.1%	8.3%	8.8%
Monroe	14.7%	10.6%	11.9%
Muskegon-Norton Shores	15.6%	11.4%	11.9%
Niles-Benton Harbor	14.4%	10.9%	11.7%
Saginaw-Saginaw Township	13.3%	10.3%	11.0%
Upper Peninsula	14.0%	11.2%	12.1%
Northeast Lower Mich	18.7%	14.6%	16.0%
Northwest Lower Mich.	16.2%	13.0%	14.0%

County Unemployment Rates January 2011^(g)



U.S. Economic Conditions

	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	67.7	71.6	74.5	74.2	-0.2 points
ISM Manufacturing Index ⁽ⁱ⁾	56.9	58.2	58.5	60.8	2.5 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.6	56.0	57.1	59.4	8.7 points
	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	
Business Executives' Confidence ^(j)	62.0	62.0	50.0	62.0	-2.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.7	218.8	219.2	220.2	1.6%
Detroit CPI	205.8	NA	206.4	NA	1.2%
U.S. Producer Price Index	181.2	181.9	183.0	184.4	3.6%
INTEREST RATES					
90 Day T-Bill ^(l)	0.13%	0.13%	0.15%	0.15%	0.09% points
Aaa Corporate Bonds ^(m)	4.68%	4.87%	5.02%	5.04%	-0.22% points
INDUSTRIAL PRODUCTION ^(m)	91.2	91.5	92.8	93.0	6.0%
CAPACITY UTILIZATION ^(m)	75.7%	75.9%	77.0%	77.1%	5.2% points
RETAIL SALES ⁽ⁿ⁾	\$375.5	\$378.3	\$380.7	\$383.4	8.1%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.533	0.548	0.522	0.618	1.0%
Existing Home Sales ^(p)	4.380	4.640	5.220	5.400	6.1%
DURABLE GOODS ORDERS ^(q)	\$196.2	\$196.1	\$194.8	\$201.8	7.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	<u>% Change From Year Ago</u>
Michigan	\$344.8	\$350.5	\$354.5	\$357.5	3.8%
U.S.	\$12,334.3	\$12,503.0	\$12,582.1	\$12,701.1	3.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,138.8	\$13,194.9	\$13,278.5	\$13,380.7	3.1%

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.