



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

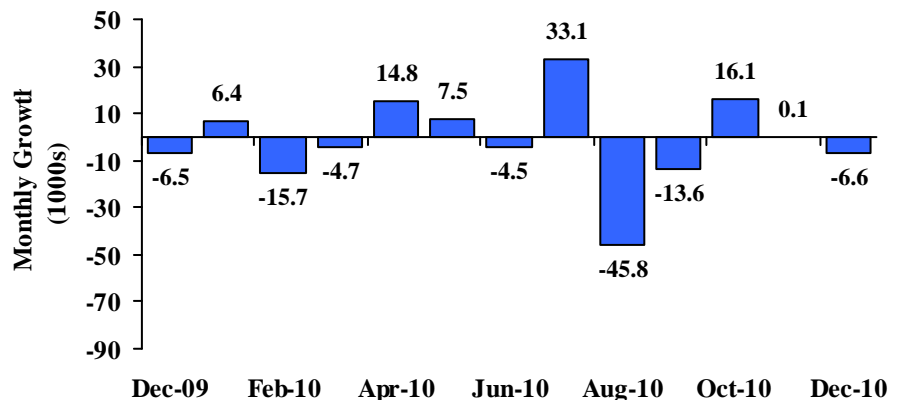
<http://www.michigan.gov/treasury>

December 2010 Summary

U.S. Economy: In 2010Q4, real GDP increased at a 3.2 percent annual rate. In December, the ISM manufacturing index increased 2.1 points from a year ago while the ISM non-manufacturing composite index rose 7.0 points. Both ISM indexes have signaled expansion since December 2009. Consumer sentiment rose 2.9 points from November and was up 2.0 points from last year. Both industrial production and capacity utilization (three-month averages) rose for the 18th straight month. Overall retail sales were up 7.9 percent from last year. December housing starts were down 8.2 percent from last year while existing home sales were off 2.9 percent.

Employment: In December, Michigan employment fell by 6,600 jobs from last month and was down 12,900 jobs from a year ago. National employment increased by 103,000 jobs from November. Falling by 0.7 of a percentage point to 11.7 percent, the December 2010 Michigan unemployment rate represented the state's lowest rate since January 2009. The U.S. rate fell from 9.8 percent to 9.4 percent.

Year-End Michigan Employment Down From Last Year^(a)



Auto Industry: In December, the light vehicle sales rate was up 2.3 percent from November at a 12.5 million unit annual rate. CY 2010 light vehicle sales (11.5 million units) were up 11.0 percent compared to CY 2009. Year-end vehicle inventories were up 20.5 percent from a year ago but days supply was up by only two days. CY 2010 Michigan vehicle production rose 37.6 percent compared to a year ago. However, at 1.6 million units, State production remained 750,000 units below its 2007 level.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 1.5 percent. The core U.S. CPI (excluding food and energy) rose 0.8 percent. The Detroit CPI increased 1.2 percent. The overall producer price index rose 4.0 percent but the core producer price index increased only 1.3 percent. At \$89.04 per barrel, oil prices were up \$14.74 a barrel from December 2009.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in December compared with year ago levels. All areas saw at least a 2.6 percentage point rate decline. Employment rose in sixteen labor market areas and fell in one area.

Jay Wortley
Director

Thomas Patchak-Schuster
Senior Economist

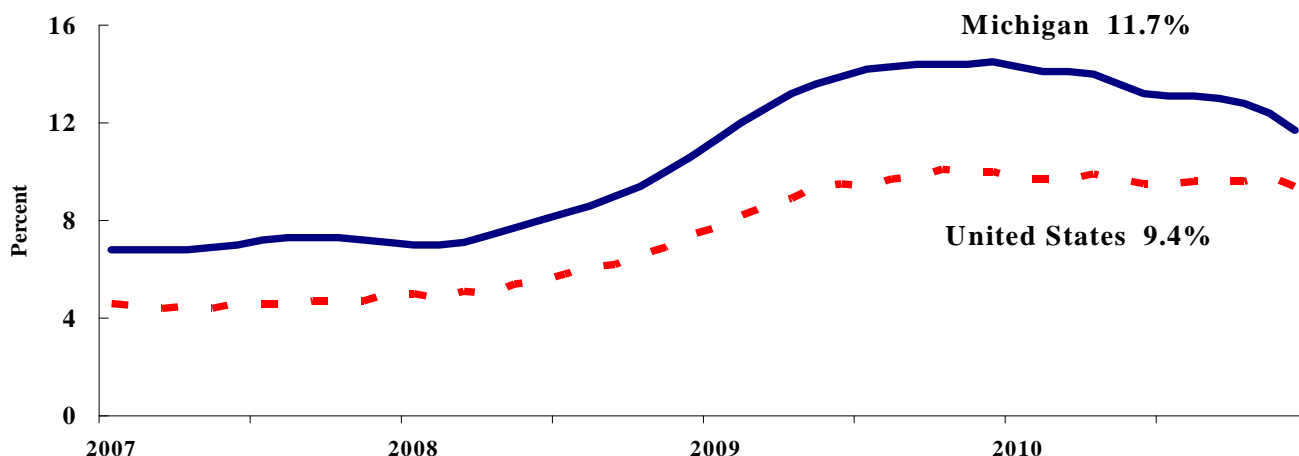
Andrew Lockwood
Senior Economist

Mary Pasch
Executive Secretary

Labor Market Statistics

- Michigan's December unemployment rate decreased 0.7 percentage points from last month to 11.7 percent, and the current Michigan jobless rate is down 2.8 percentage points from a year ago. The December U.S. unemployment rate increased 0.4 percentage points from November to 9.4 percent and was down 0.5 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 December, the number of people employed in Michigan was 4,208,000, up 5,000 from last month, while the labor force decreased by 37,000. The statewide total number of unemployed decreased by 42,000 to 555,000.
- United States household employment totaled 139.2 million persons in December, up 297,000 from November. The labor force fell by 260,000 from last month, which meant there were 556,000 less unemployed people nationally, compared to November.

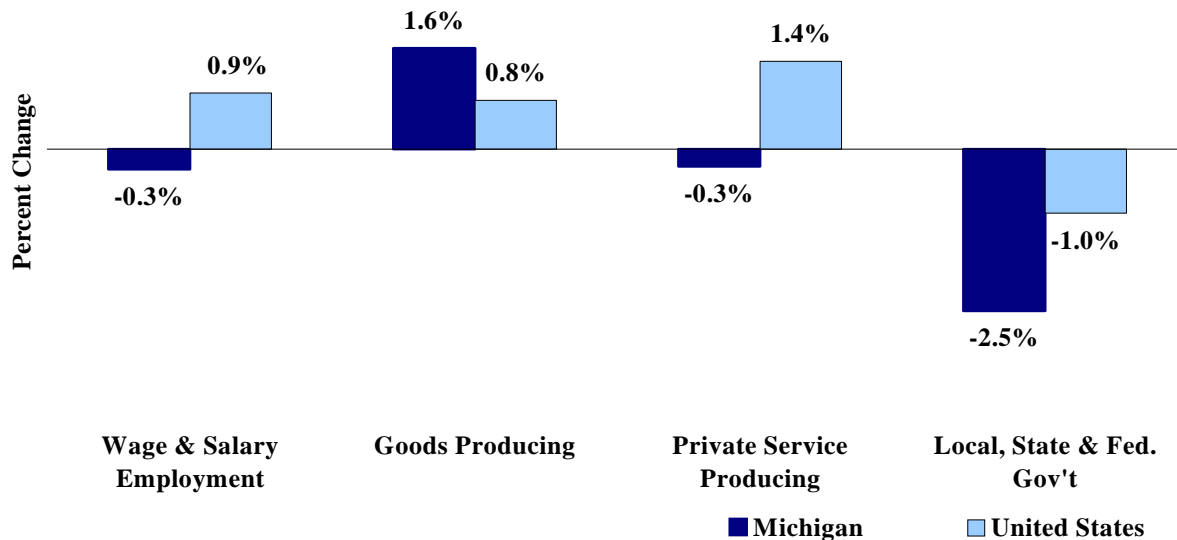
Employment by Place of Residence (in thousands)^(a)

	2009 Average	Oct 2010	Nov 2010	Dec 2010	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,889	4,818	4,800	4,763	-37	-0.8%	-73	-1.5%
Employed	4,224	4,200	4,203	4,208	5	0.1%	72	1.7%
Unemployed	665	619	597	555	-42	-7.0%	-145	-20.7%
Unemployment Rate	13.6%	12.8%	12.4%	11.7%	n.a.	-0.7% pts	n.a.	-2.8%
United States								
Labor Force	154,142	153,960	153,950	153,690	-260	-0.2%	518	0.3%
Employed	139,877	139,084	138,909	139,206	297	0.2%	1,246	0.9%
Unemployed	14,265	14,876	15,041	14,485	-556	-3.7%	-727	-4.8%
Unemployment Rate	9.3%	9.7%	9.8%	9.4%	n.a.	-0.4% pts	n.a.	-0.5%

Employment by Place of Work

- From December 2009 to December 2010, Michigan wage and salary employment decreased 13,000 (0.3 percent). State wage and salary employment decreased 7,000 from November. Nationally, December 2010 wage and salary employment rose 1,124,000 (0.9 percent) from a year ago and was up 103,000 from last month.

Wage and Salary Employment Growth December 2009 to December 2010



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

- In the goods-producing sector, Michigan employment increased 1.6 percent from a year ago while private service-producing sector employment decreased 0.3 percent compared to last year. From a year ago, December national employment in the goods-producing sector rose 0.8 percent and increased 1.4 percent in the private service-producing sector.
- Manufacturing weekly hours decreased 2.3 hours in Michigan compared to last year.

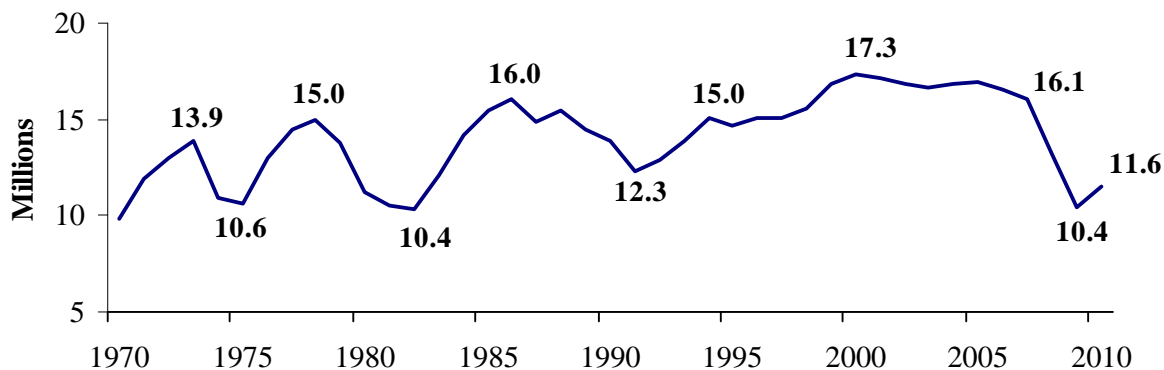
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2009 Average	Dec 2009	Dec 2010	Percent Change	2009 Average	Dec 2009	Dec 2010	Percent Change
Wage & Salary Employment	3,876	3,844	3,832	-0.3%	130,912	129,588	130,712	0.9%
Goods Producing	597	576	585	1.6%	18,620	17,906	18,041	0.8%
Manufacturing	462	450	460	2.2%	11,883	11,534	11,670	1.2%
Private Service Producing	2,633	2,631	2,624	-0.3%	89,749	89,201	90,412	1.4%
Trade, Trans. & Utilities	717	706	706	0.0%	24,947	24,653	24,880	0.9%
Services	1,670	1,684	1,685	0.1%	54,236	54,143	55,236	2.0%
Local, State & Fed. Gov't	647	639	623	-2.5%	22,544	22,481	22,259	-1.0%
Manufacturing Weekly Hours	39.3	44.7	42.4	-2.3 hrs	39.3	39.6	40.2	0.6 hrs

Motor Vehicle Industry Sales

- At 11.6 million units (sum of non-seasonally adjusted monthly sales), calendar year (CY) 2010 light vehicle sales were 11.1 percent higher than CY 2009 sales. December 2010 light vehicle sales were up 12.6 percent from December 2009.
- Compared to CY 2009, CY 2010 domestic sales increased 14.7 percent while foreign sales rose just 0.9 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 2.4 percentage points from CY 2009 to 23.8 percent.
- In CY 2010, auto sales rose 5.0 percent compared to CY 2009. Light truck sales increased 17.8 percent from CY 2009. Heavy truck sales were up 8.9 percent compared to last year.
- In December 2010, light vehicle inventories were down 4.9 percent from November but were up 20.5 percent from a year ago. Days supply of inventories were up 2 days from a year ago.

Vehicle Sales Recover Slightly from 2009 Low



Motor Vehicle Sales Statistics

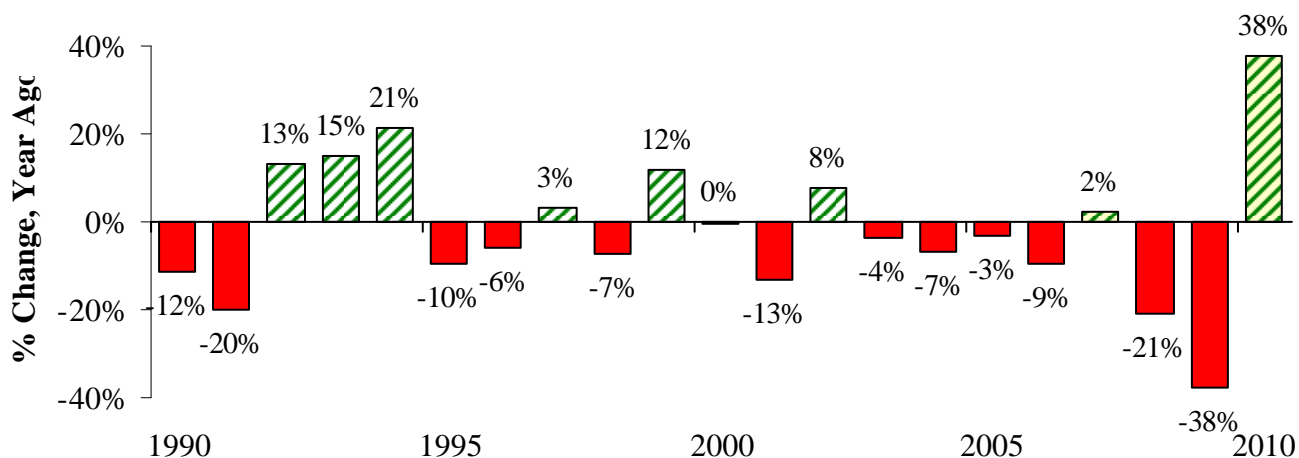
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Oct 2010	Nov 2010	Dec 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	5.8	5.9	6.1	5.9	0.2	3.2%
Domestics	3.9	3.7	3.8	4.0	3.9	(0.1)	-3.0%
Imports	1.8	2.1	2.0	2.1	2.1	0.3	17.5%
Import Share	32.3%	35.6%	34.2%	34.6%	34.8%	4.2% pts	
Light Trucks	5.8	6.4	6.4	6.4	6.4	1.2	23.2%
Domestics	4.9	5.4	5.3	5.4	5.4	1.0	24.0%
Imports	0.9	1.0	1.0	1.0	1.0	0.2	19.2%
Import Share	15.4%	15.1%	16.0%	15.5%	15.5%	-0.5% pts	
Total Light Vehicles	11.6	12.2	12.2	12.5	12.3	1.4	12.6%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	-2.3%
Total Vehicles	11.8	12.4	12.4	12.7	12.5	1.4	12.3%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.073	1.119	1.178	1.120	1.139	0.096	
Days Supply	59	69	71	59	66	2 days	
Total Truck	1.109	1.248	1.268	1.206	1.240	0.299	
Days Supply	58	66	64	52	61	3 days	

Motor Vehicle Industry Production

- At 1,576,897 units, calendar year (CY) 2010 Michigan motor vehicle production was up 37.6 percent from CY 2009. 2010 State production remains 754,322 units below 2007 production. National production rose 34.7 percent in CY 2010. December 2010 Michigan production was up 7.9 percent from December 2009. Between December 2009 and December 2010, national production rose 5.4 percent.
- In CY 2010, Michigan car production rose 5.1 percent from CY 2009 while State truck production surged 63.7 percent higher than CY 2009. Nationally, car production increased 24.4 percent and truck production rose 41.6 percent.
- From CY 2009 to CY 2010, Michigan’s share of national production rose 0.4 percentage points to 20.4 percent.

Michigan Vehicle Production Rises Sharply in 2010 After Two Steep Declines ^(f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009					Change from Year Ago for the Month	
	Monthly Average	Oct 2010	Nov 2010	Dec 2010	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	194.2	247.5	229.9	194.3	223.9	(26.0)	-11.8%
Trucks	285.2	464.0	400.4	365.7	410.0	54.5	17.5%
Total	479.5	711.6	630.4	559.9	633.9	28.5	5.4%
Michigan Production ^(f)							
Autos	42.5	49.1	37.3	25.2	37.2	(15.3)	-37.8%
Trucks	53.0	112.0	84.6	77.7	91.4	22.8	41.6%
Total	95.5	161.0	121.9	102.9	128.6	7.5	7.9%
Michigan as % of U.S.	19.9%	22.6%	19.3%	18.4%	20.3%	0.4% pts	

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

December 2010 area unemployment rates ranged between 6.6 percent (Ann Arbor MSA) and 14.8 percent (Northeast Lower Michigan). The median unemployment rate was 10.6 percent. For calendar year 2010 as a whole, the Ann Arbor MSA recorded the lowest unemployment rate (8.6 percent); Northeast Lower Michigan saw the highest unemployment rate (15.9 percent). The median CY 2010 unemployment rate was 12.6 percent.

Compared to a year ago, the December unemployment rate fell in all seventeen major Michigan labor market areas with the rate falling by at least 2.6 percentage points in each area. The median unemployment rate decline was 3.4 percentage points. The Muskegon-Norton Shores MSA saw the largest rate decline (-4.8 percentage points) followed by the Monroe MSA (-4.4 percentage points) and the Jackson MSA (-4.3 percentage points).

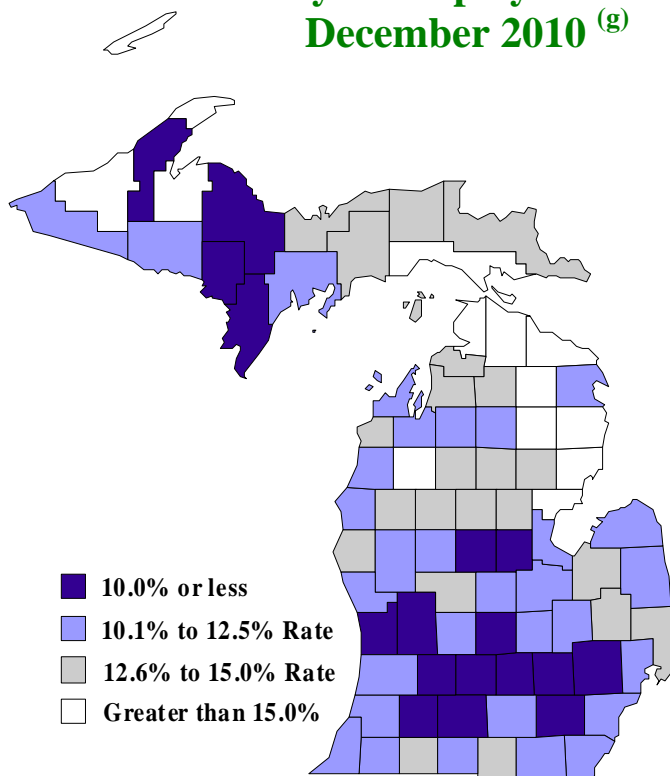
Between December 2009 and December 2010, sixteen labor market areas saw an employment increase and one area saw a decline. The median employment increase was 1.5 percent. The Detroit-Warren-Livonia MSA experienced the largest employment increase (3.1 percent), followed by the Grand Rapids-Wyoming MSA (2.3 percent). Compared to a year ago, the labor force fell in all seventeen areas with the Northeast Lower Michigan experiencing the largest decline (-5.7 percent) followed by the Muskegon-Norton Shores MSA (-4.4 percent). The median labor force decline was a 2.8 percent drop.

Between December 2009 and December 2010, the unemployment rate fell in all 83 Michigan counties with a median rate decrease of 3.6 percentage points. Baraga County posted the largest decline (-6.5 percentage points) followed by Iosco County (-5.8 percentage points). Seventeen counties saw a December 2010 unemployment rate below 10.0 percent. Thirteen counties reported rates higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Dec 2009 Rate</u>	<u>Nov 2010 Rate</u>	<u>Dec 2010 Rate</u>
Michigan	14.3%	11.3%	10.6%
Ann Arbor	9.2%	7.2%	6.6%
Battle Creek	12.5%	9.9%	9.4%
Bay City	13.7%	10.6%	10.4%
Detroit-Warren-Livonia	14.9%	12.0%	11.1%
Flint	16.0%	12.5%	11.8%
Grand Rapids-Wyoming	12.3%	9.5%	8.9%
Holland-Grand Haven	13.4%	10.1%	9.5%
Jackson	15.1%	11.3%	10.8%
Kalamazoo-Portage	12.3%	9.7%	9.3%
Lansing-East Lansing	11.7%	8.7%	8.3%
Monroe	15.0%	10.9%	10.6%
Muskegon-Norton Shores	16.2%	12.1%	11.4%
Niles-Benton Harbor	14.5%	11.4%	11.1%
Saginaw-Saginaw Township	13.7%	10.7%	10.2%
Upper Peninsula	14.5%	11.2%	11.3%
Northeast Lower Mich	18.9%	14.6%	14.8%
Northwest Lower Mich.	16.4%	13.0%	13.0%

County Unemployment Rates December 2010^(g)



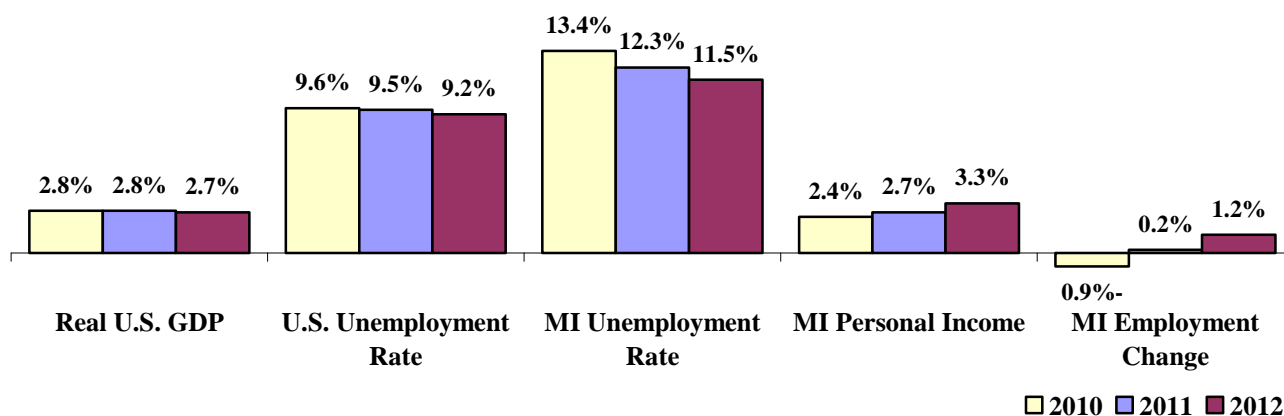
Consensus Economic Forecast Continued Recovery

On January 14, 2011, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2011 and 2012. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.8 percent in 2011. Real GDP is then expected to grow 2.7 percent in 2012. The 2011 projected increase is down slightly (-0.1 percentage point) from the May 2010 Conference projection. Participants agreed to their first 2012 Consensus forecast at the January 2011 Conference.
- The U.S. unemployment rate is forecast to fall modestly over the next two years from the estimated 9.6 percent rate in 2010. The rate is projected to drop to 9.5 percent in 2011 and then decline to 9.2 percent in 2012.
- Light vehicle sales are expected to rise to 12.9 million units in 2011 and 14.5 million units in 2012. The 2011 projection is down 0.4 million units from the May 2010 Conference projection.
- The January Consensus projects Michigan wage and salary employment will rise 0.2 percent in 2011 – marking the first increase since 2000. The Consensus forecasts a 1.2 percent employment increase in 2012.
- According to the January Consensus, the Michigan unemployment rate will fall from 13.4 percent in 2010 to 12.3 percent in 2011. The forecast sees the State's unemployment rate falling further to 11.5 percent in 2012.
- Personal income is projected to rise 2.7 percent in 2011 and 3.3 percent in 2012. Wages and salaries are expected to increase 2.6 percent in 2011 and then rise 3.0 percent in 2012.

U.S. Economic Forecast Modest Recovery

Michigan Economic Forecast Improving Labor Market



U.S. Economic Conditions

	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	68.2	67.7	71.6	74.5	2.0 points
ISM Manufacturing Index ⁽ⁱ⁾	55.3	56.9	58.2	58.5	2.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	53.9	54.6	56.0	57.1	7.0 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>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.4	218.7	218.8	219.2	1.5%
Detroit CPI	NA	205.8	NA	206.4	1.2%
U.S. Producer Price Index	180.2	181.2	181.9	183.0	4.0%
INTEREST RATES					
90 Day T-Bill ^(l)	0.15%	0.13%	0.13%	0.15%	0.08% points
Aaa Corporate Bonds ^(m)	4.53%	4.68%	4.87%	5.02%	-0.24% points
INDUSTRIAL PRODUCTION ^(m)					
	94.0	93.8	94.1	94.9	5.9%
CAPACITY UTILIZATION ^(m)					
	75.3%	75.2%	75.4%	76.0%	4.4% points
RETAIL SALES ⁽ⁿ⁾					
	\$369.4	\$375.5	\$378.6	\$380.9	7.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.601	0.533	0.553	0.529	-8.2%
Existing Home Sales ^(p)	4.530	4.430	4.700	5.280	-2.9%
DURABLE GOODS ORDERS ^(q)					
	\$202.6	\$196.2	\$196.0	\$191.0	6.9%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	<u>% Change From Year Ago</u>
Michigan	\$344.7	\$345.0	\$350.9	\$352.8	3.3%
U.S.	\$12,225.8	\$12,338.2	\$12,506.6	\$12,590.7	3.6%
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	\$13,382.6	3.2%

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.