



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

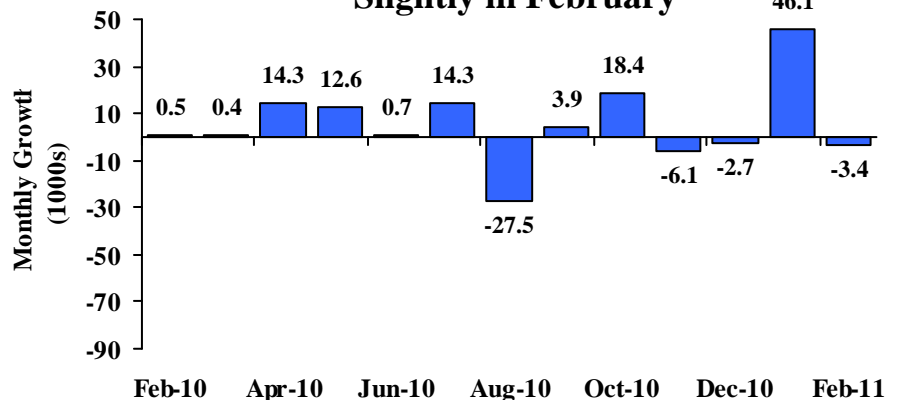
<http://www.michigan.gov/treasury>

February 2011 Summary

U.S. Economy: In February, the ISM manufacturing index increased 4.3 points from a year ago to its highest level since late 1983. The ISM non-manufacturing composite index rose 7.0 points from last February to its highest level in the index's three-year publication history. Consumer sentiment increased 3.9 points from a year ago. Both industrial production and capacity utilization (three-month averages) reported their 19th straight monthly increase. Overall retail sales were up 8.9 percent from last year. December housing starts plummeted 20.8 percent from last year while existing home sales fell 2.8 percent.

Employment: In February, Michigan employment fell slightly (3,400 jobs) from last month. Compared to a year ago, Michigan employment rose 1.8 percent; nationally employment increased 1.0 percent. At 10.4 percent, the Michigan unemployment rate was down 3.1 percentage points from last February. The U.S. unemployment rate dropped 0.8 of a percentage point to 8.9 percent.

Michigan Employment Falls Slightly in February^(a)



Auto Industry: In February, the light vehicle annual sales rate (13.4 million units) rose 27.5 percent from a year ago to its highest level since late 2009's Cash for Clunkers program. The foreign sales share decreased 0.3 percentage points from a year ago to 23.6 percent. February inventories were up 13.3 percent from a year ago but days supply dropped by 7 days as a result of the large year-ago sales increase. Compared to a year ago, February Michigan vehicle production rose 20.7 percent; nationally, production rose 21.9 percent.

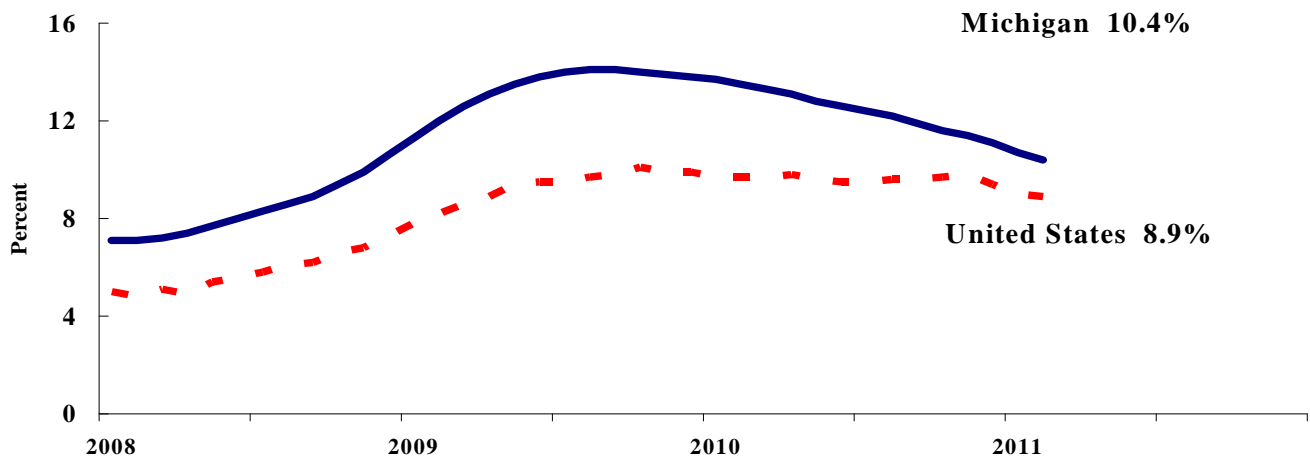
Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 2.1 percent while the Detroit CPI increased 1.7 percent. The core U.S. CPI (excluding food and energy) rose 1.1 percent. The overall producer price index rose sharply (5.6 percent) but the core producer price index increased only 1.8 percent. At \$89.58 per barrel, oil prices were up \$13.16 a barrel from February 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in February compared with year-ago levels. All areas saw at least a 2.0 percentage point rate decline. Employment rose in all 17 areas with a median increase of 2.8 percent.

Labor Market Statistics

- Michigan's February unemployment rate decreased 0.3 percentage points from last month to 10.4 percent, and the current Michigan jobless rate is down 3.1 percentage points from a year ago. The February U.S. unemployment rate decreased 0.1 percentage point from January to 8.9 percent and was down 0.8 percentage point 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 February, the number of people employed in Michigan was 4,245,000, up 11,000 from last month, while the labor force decreased by 2,000. The statewide total number of unemployed decreased by 13,000 to 495,000.
- United States household employment totaled 139.6 million persons in February, up 250,000 from January. The labor force rose by 60,000 from last month, which meant there were 190,000 less unemployed people nationally, compared to January.

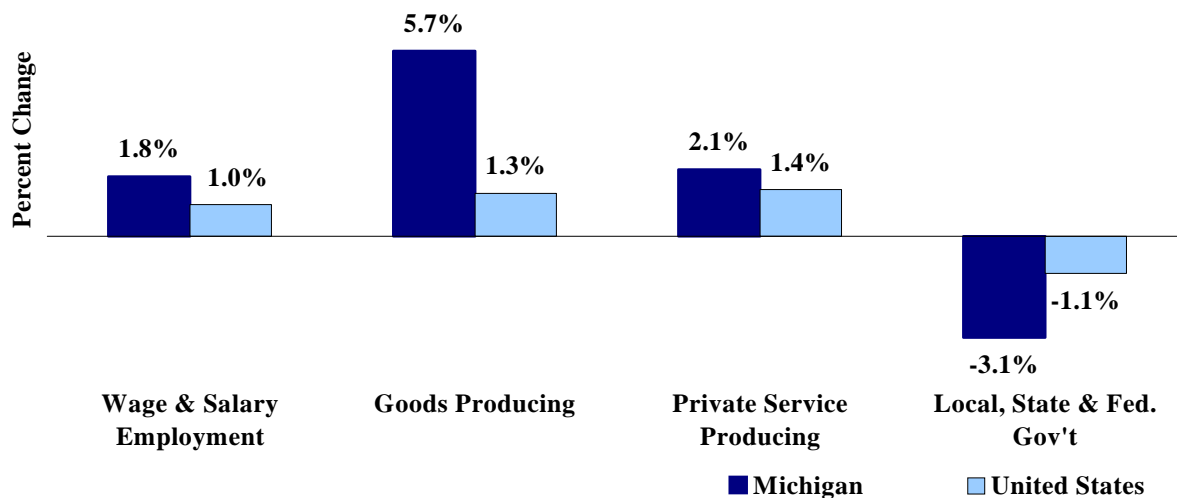
Employment by Place of Residence (in thousands)^(a)

	2010 Average	Dec 2010	Jan 2011	Feb 2011	Change From			
					Prior Month Level	%	Last Year Level	%
Michigan								
Labor Force	4,790	4,746	4,742	4,740	-2	0.0%	-78	-1.6%
Employed	4,193	4,217	4,234	4,245	11	0.3%	76	1.8%
Unemployed	597	529	508	495	-13	-2.6%	-155	-23.8%
Unemployment Rate	12.5%	11.1%	10.7%	10.4%	n.a.	-0.3% pts	n.a.	-3.1%
United States								
Labor Force	153,889	153,690	153,186	153,246	60	0.0%	-312	-0.2%
Employed	139,064	139,206	139,323	139,573	250	0.2%	875	0.6%
Unemployed	14,825	14,485	13,863	13,673	-190	-1.4%	-1,187	-8.0%
Unemployment Rate	9.6%	9.4%	9.0%	8.9%	n.a.	-0.1% pts	n.a.	-0.8%

Employment by Place of Work

- From February 2010 to February 2011, Michigan wage and salary employment increased 71,000 (1.8 percent). State wage and salary employment decreased 3,000 from January. Nationally, February 2011 wage and salary employment rose 1,269,000 (1.0 percent) from a year ago and was up 192,000 from last month.

Wage and Salary Employment Growth February 2010 to February 2011



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

- In the goods-producing sector, Michigan employment increased 5.7 percent from a year ago while employment in the private service-producing sector increased 2.1 percent compared to last year. From a year ago, February national employment in the goods-producing sector rose 1.3 percent and increased 1.4 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.8 hours in Michigan compared to last year.

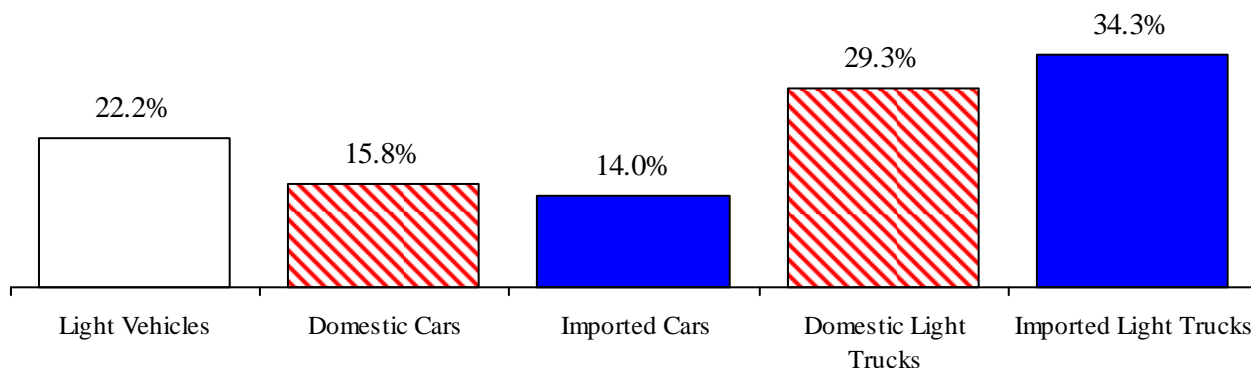
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	Feb 2010	Feb 2011	Percent Change	2010 Average	Feb 2010	Feb 2011	Percent Change
Wage & Salary Employment	3,861	3,840	3,911	1.8%	129,818	129,246	130,515	1.0%
Goods Producing	603	592	626	5.7%	17,755	17,667	17,902	1.3%
Manufacturing	474	463	491	6.0%	11,524	11,462	11,651	1.6%
Private Service Producing	2,623	2,610	2,664	2.1%	89,582	89,105	90,396	1.4%
Trade, Trans. & Utilities	709	707	716	1.3%	24,605	24,525	24,767	1.0%
Services	1,672	1,661	1,705	2.6%	54,636	54,192	55,336	2.1%
Local, State & Fed. Gov't	636	639	619	-3.1%	22,482	22,474	22,217	-1.1%
Manufacturing Weekly Hours	40.9	43.7	44.5	0.8 hrs	40.2	39.7	40.5	0.8 hrs

Motor Vehicle Industry Sales

- At a 13.4 million unit rate (the highest sales rate since August 2009 when Cash for Clunkers pushed the rate to 14.1 million), February 2011 light vehicle sales rose 6.4 percent from January 2011. February 2011 light vehicle sales were up 27.5 percent from a year ago.
- Compared to January 2011, February 2011 domestic sales increased 6.3 percent while foreign sales increased 6.8 percent. Domestic sales rose 27.9 percent compared to a year ago while foreign sales increased 26.1 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 0.3 percentage points from a year ago to 27.5 percent.
- Auto sales rose 12.7 percent in February 2011 compared to January and increased 23.3 percent compared to a year ago. Light truck sales increased 0.6 percent from January and jumped 32.1 percent from February 2010. Heavy truck sales were up 31.9 percent compared to a year ago to their highest level since August 2008.
- In February 2011, light vehicle inventories rose 1.3 percent from January and were up 13.3 percent from a year ago. Days supply was down 11 days from January and off 7 days from a year ago.

Year-to-Date Light Truck Sales Up Significantly from Year Ago



Motor Vehicle Sales Statistics

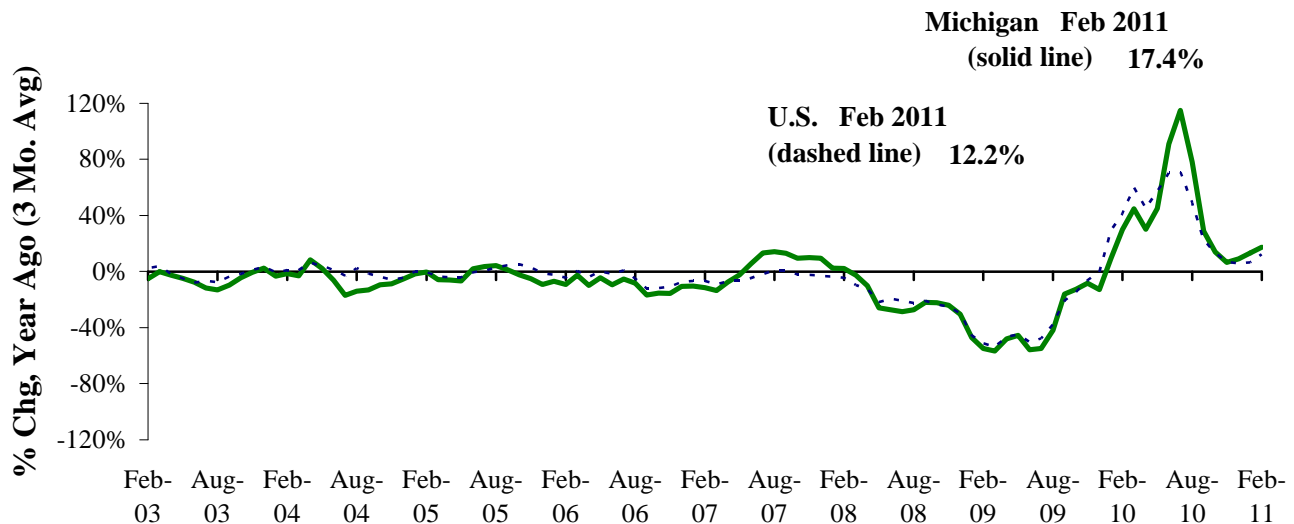
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Dec 2010	Jan 2011	Feb 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	6.1	6.1	6.8	6.3	1.3	23.3%
Domestics	3.9	4.0	4.1	4.7	4.3	0.9	24.7%
Imports	1.8	2.0	2.0	2.1	2.0	0.4	20.2%
Import Share	32.3%	33.7%	32.4%	30.8%	32.2%	-0.8% pts	
Light Trucks	5.8	6.4	6.5	6.6	6.5	1.6	32.1%
Domestics	4.9	5.4	5.5	5.5	5.5	1.3	30.8%
Imports	0.9	1.0	1.0	1.1	1.0	0.3	39.5%
Import Share	15.4%	15.6%	15.3%	16.2%	15.7%	0.9% pts	
Total Light Vehicles	11.6	12.5	12.6	13.4	12.8	2.9	27.5%
Heavy Trucks	0.2	0.2	0.3	0.3	0.2	0.1	31.9%
Total Vehicles	11.8	12.7	12.8	13.7	13.1	3.0	27.6%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.074	1.127	1.151	1.136	1.138	0.020	
Days Supply	59	60	73	56	63	-12 days	
Total Truck	1.110	1.207	1.282	1.328	1.272	0.270	
Days Supply	58	52	71	63	62	-3 days	

Motor Vehicle Industry Production

- At 141,096 units, February 2011 Michigan motor vehicle production rose 20.7 percent from last February. National production rose 21.9 percent from February 2010. Compared to January 2011, Michigan production increased 16.9 percent while national production was up 12.0 percent.
- Michigan car production rose 4.0 percent in February 2011 from a year ago while State truck production increased 29.0 percent. Nationally, car production rose 8.6 percent while truck production increased 30.5 percent.
- From a year ago, Michigan's share of national production fell 0.2 percentage points to 20.0 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	Dec 2010	Jan 2011	Feb 2011	3 Month Average	Level	%
U.S. Production^(e)							
Autos	241.7	194.3	210.8	245.9	217.0	19.4	8.6%
Trucks	404.0	365.7	419.3	459.9	414.9	107.3	30.5%
Total	645.7	559.9	630.1	705.7	631.9	126.8	21.9%
Michigan Production^(f)							
Autos	44.6	25.2	27.0	40.7	30.9	1.6	4.0%
Trucks	86.8	77.7	93.7	100.4	90.6	22.6	29.0%
Total	131.4	102.9	120.7	141.1	121.6	24.2	20.7%
Michigan as % of U.S.	20.4%	18.4%	19.2%	20.0%	19.2%	-0.2% pts	

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

February 2011 local area unemployment rates ranged between 6.5 percent (Ann Arbor MSA) and 15.5 percent (Northeast Lower Michigan). The median February 2011 unemployment rate was 11.4 percent.

Compared to a year ago, the February unemployment rate fell in all seventeen major Michigan labor market areas with the rate falling by at least 2.0 percentage points in each area. The median unemployment rate decline was 3.0 percentage points. The Muskegon-Norton Shores MSA saw the largest rate decline (-4.2 percentage points) followed by the Monroe MSA (-3.8 percentage points) and the Holland-Grand Haven MSA (-3.5 percentage points).

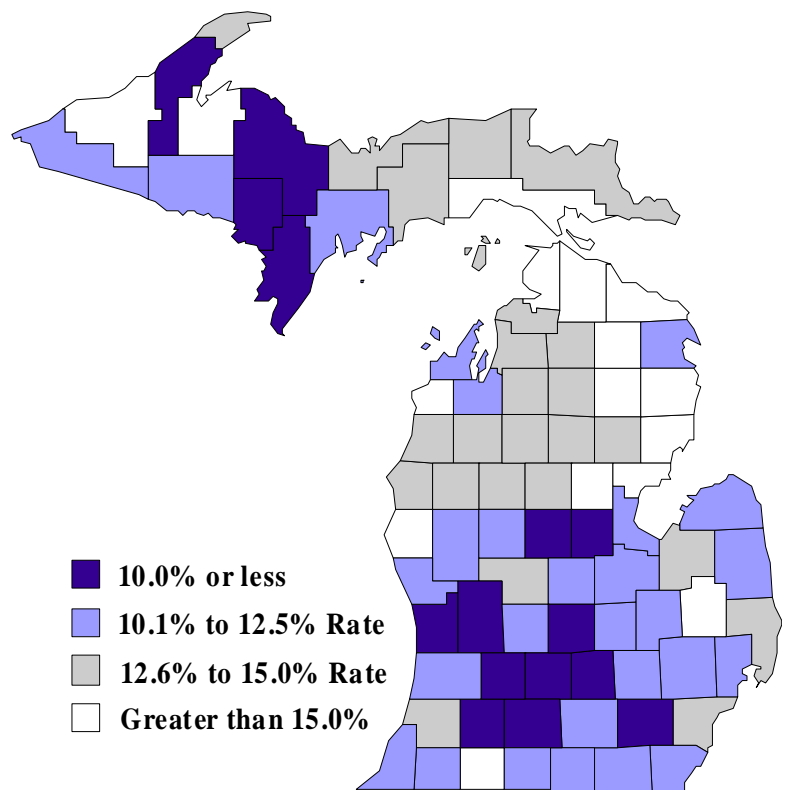
Between February 2010 and February 2011, all seventeen labor market areas saw an employment increase. The median employment increase was 2.8 percent. The Niles-Benton Harbor MSA experienced the largest employment increase (5.5 percent), followed by the Grand Rapids-Wyoming MSA (4.1 percent). Compared to a year ago, the labor force fell in nine areas with the Detroit-Warren-Livonia MSA experiencing the largest decline (-3.1 percent) and Niles-Benton Harbor MSA seeing the greatest increase (2.0 percent). The median labor force change was a 0.2 percent drop.

Between February 2010 and February 2011, the unemployment rate fell in 82 Michigan counties with a median rate decrease of 3.1 percentage points. Baraga County posted the largest decline (-5.2 percentage points) followed by Sanilac County (-4.8 percentage points). Fourteen counties saw a February 2011 unemployment rate below 10.0 percent. Sixteen counties reported rates higher than 15.0 percent.

County Unemployment Rates February 2011 ^(g)

Local Area Unemployment Rates ^(g)

<u>Local Area</u>	<u>Feb 2010 Rate</u>	<u>Jan 2011 Rate</u>	<u>Feb 2011 Rate</u>
Michigan	14.2%	11.3%	11.0%
Ann Arbor	8.5%	6.9%	6.5%
Battle Creek	12.0%	9.9%	9.4%
Bay City	13.4%	11.2%	10.1%
Detroit-Warren-Livonia	15.2%	11.7%	11.8%
Flint	15.2%	12.6%	11.8%
Grand Rapids-Wyoming	11.8%	9.4%	8.9%
Holland-Grand Haven	12.8%	9.8%	9.3%
Jackson	14.2%	11.4%	10.8%
Kalamazoo-Portage	11.8%	10.0%	9.4%
Lansing-East Lansing	10.8%	8.8%	8.3%
Monroe	14.3%	11.8%	10.5%
Muskegon-Norton Shores	15.5%	11.9%	11.3%
Niles-Benton Harbor	14.1%	11.7%	11.1%
Saginaw-Saginaw Township	13.3%	11.0%	10.4%
Upper Peninsula	14.1%	12.1%	11.8%
Northeast Lower Mich	18.9%	16.0%	15.5%
Northwest Lower Mich.	16.4%	14.0%	13.5%

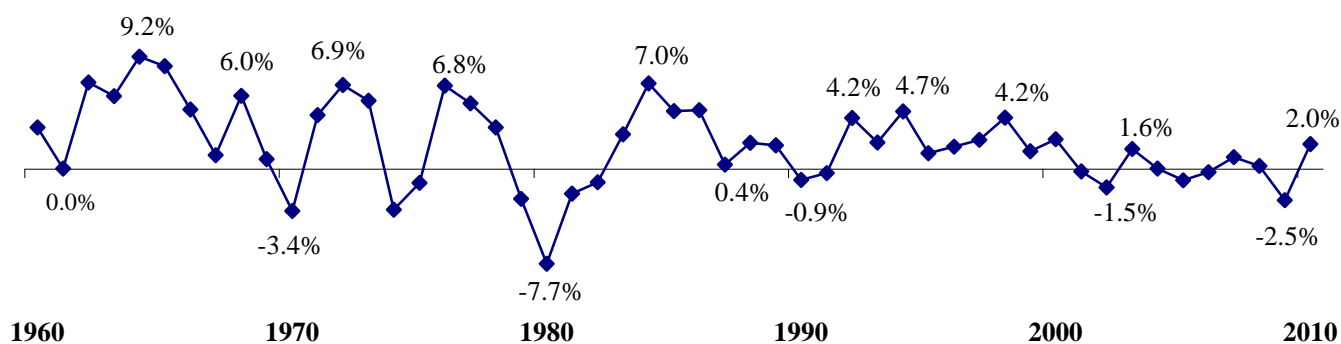


Michigan Personal Income Rebounds from Sharp Drop in 2009

On March 23, 2011, the Bureau of Economic Analysis released its first calendar year 2010 state personal income estimates and revised income estimates for earlier years. (The BEA did not release per capita personal income estimates for 2001-2009 because state population estimates consistent with the 2000 and 2010 decennial census counts are not currently available.) Release highlights include:

- In 2009, Michigan personal income reported its largest decline since 1945 (-3.1 percent). In 2010, Michigan personal income rose 2.8 percent. Nationally, personal income increased 3.0 percent in 2010.
- Of the \$9.7 billion Michigan personal income increase in 2010, wages and salaries and supplements to wages and salaries accounted for \$5.2 billion (53.1 percent) while transfer payments comprised \$4.6 billion (47.2 percent). Greater proprietors' income raised personal income by \$1.2 billion while higher contributions for social insurance subtracted \$1.0 billion from personal income. Dividend, interest and rental payments fell by \$0.2 billion.
- In 2009, Michigan and the United States each reported its largest real (inflation adjusted) personal income decline since 1980 (-2.5 percent and -1.4 percent, respectively). Last year, Michigan's real personal income rose 2.0 percent while real personal income increased 1.3 percent nationally.
- At \$35,597 Michigan's 2010 per capita personal income ranked 36th among all U.S. states and fourth among the five Great Lakes states. In 2010, Michigan per capita income equaled 87.7 percent of U.S. per capita income (\$40,584). In contrast, in 2000, Michigan per capita income had ranked 18th nationally and second among the Great Lakes states. In 2000, Michigan per capita income had equaled 96.9 percent of U.S. per capita income.
- Following an 18.4 percent decline in 2009, Michigan manufacturing earnings rose 5.2 percent in 2010. In 2009, manufacturing earnings accounted for over three-fourths of the total personal income drop. The 2010 manufacturing earnings increase represented 20.1 percent of the overall personal income increase. Over the past decade, manufacturing earnings have fallen by \$16.1 billion (28.9 percent). As a result, the sector's share of overall personal income has fallen from 19.1 percent to 11.3 percent over the past ten years.

Michigan Real Personal Income Rebounds in 2010 (Annual Percent Change)



U.S. Economic Conditions

	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	71.6	74.5	74.2	77.5	3.9 points
ISM Manufacturing Index ⁽ⁱ⁾	58.2	58.5	60.8	61.4	4.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.0	57.1	59.4	59.7	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>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.8	219.2	220.2	221.3	2.1%
Detroit CPI	NA	206.4	NA	206.8	1.7%
U.S. Producer Price Index	181.9	183.0	184.4	186.9	5.6%
INTEREST RATES					
90 Day T-Bill ^(l)	0.13%	0.15%	0.15%	0.14%	0.04% points
Aaa Corporate Bonds ^(m)	4.87%	5.02%	5.04%	5.22%	-0.13% points
INDUSTRIAL PRODUCTION ^(m)					
	91.5	92.8	93.0	93.0	5.8%
CAPACITY UTILIZATION ^(m)					
	75.9%	77.0%	77.1%	77.0%	4.8% points
RETAIL SALES ⁽ⁿ⁾					
	\$378.3	\$380.7	\$383.4	\$387.1	8.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.548	0.522	0.618	0.479	-20.8%
Existing Home Sales ^(p)	4.640	5.220	5.400	4.880	-2.8%
DURABLE GOODS ORDERS ^(q)					
	\$196.1	\$194.8	\$202.0	\$200.8	6.6%
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.