



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

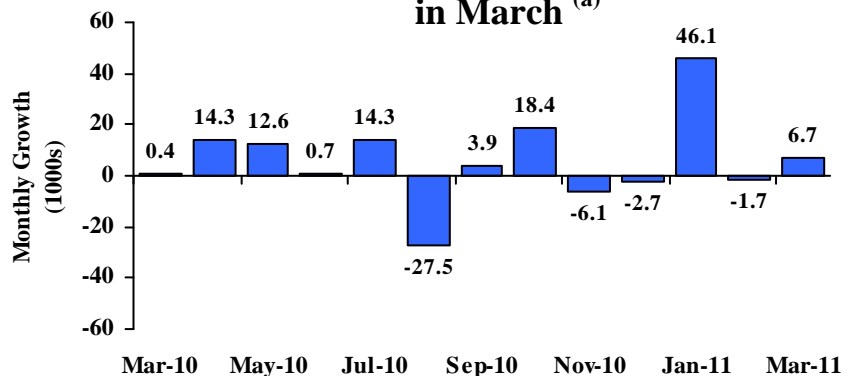
<http://www.michigan.gov/treasury>

March 2011 Summary

U.S. Economy: In the first quarter of 2011, real GDP growth slowed substantially from the prior quarter – slowing from 3.11 percent to 1.75 percent. In March, the ISM manufacturing index rose 0.8 of a percentage point from a year ago. The ISM non-manufacturing composite index rose 3.2 points from last March. Consumer sentiment dropped sharply (-6.1 points) from a year ago to its lowest level in over a year. Both industrial production and capacity utilization (three-month averages) reported their 20th straight monthly increase. Overall retail sales were up 7.1 percent from last year. March housing starts fell sharply (-13.4 percent) from last year while existing home sales dropped 6.3 percent from March 2010.

Employment: In March, Michigan employment rose modestly (6,700 jobs) from last month. Compared to a year ago, Michigan employment rose 2.1 percent; nationally employment increased 1.0 percent. At 10.3 percent, the Michigan unemployment rate was down 3.0 percentage points from last March. The U.S. unemployment rate dropped 0.9 of a percentage point to 8.8 percent from a year ago.

Michigan Employment Rises in March ^(a)



Auto Industry: In March, the light vehicle annual sales rate (13.1 million units) rose 11.6 percent from a year ago. The foreign sales share increased 0.8 percentage points from a year ago to 23.9 percent. March inventories were up 15.0 percent from a year ago but days supply rose by only one day as a result of the significant year-ago sales increase. Compared to a year ago, March Michigan vehicle production rose 47.6 percent; nationally, production rose 19.5 percent.

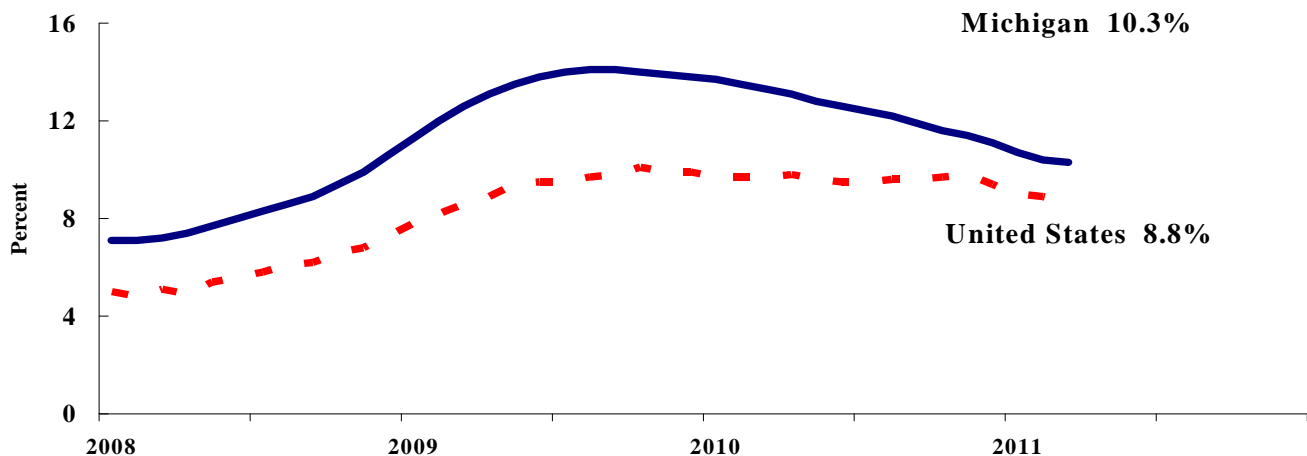
Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 2.7 percent -- its greatest year-ago increase since December 2009. The core U.S. CPI (excluding food and energy) rose 1.2 percent. The overall producer price index rose sharply (5.8 percent) but the core producer price index increased only 1.9 percent. At \$102.94 per barrel, oil prices were up \$21.70 a barrel (26.7 percent) from March 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in March compared with year-ago levels. All areas saw at least a 1.8 percentage point rate decline. Employment rose in all 17 areas with a median increase of 2.9 percent.

Labor Market Statistics

- Michigan’s March unemployment rate decreased 0.1 percentage point from last month to 10.3 percent, and the current Michigan jobless rate is down 3.0 percentage points from a year ago. The March U.S. unemployment rate decreased 0.1 percentage point from January to 8.9 percent and was down 0.9 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 March, the number of people employed in Michigan was 4,257,000, up 11,000 from last month, while the labor force increased by 5,000. The statewide total number of unemployed decreased by 7,000 to 487,000.
- United States household employment totaled 139.9 million persons in March, up 250,000 from February. The labor force rose by 160,000 from last month, which meant there were 131,000 less unemployed people nationally, compared to February.

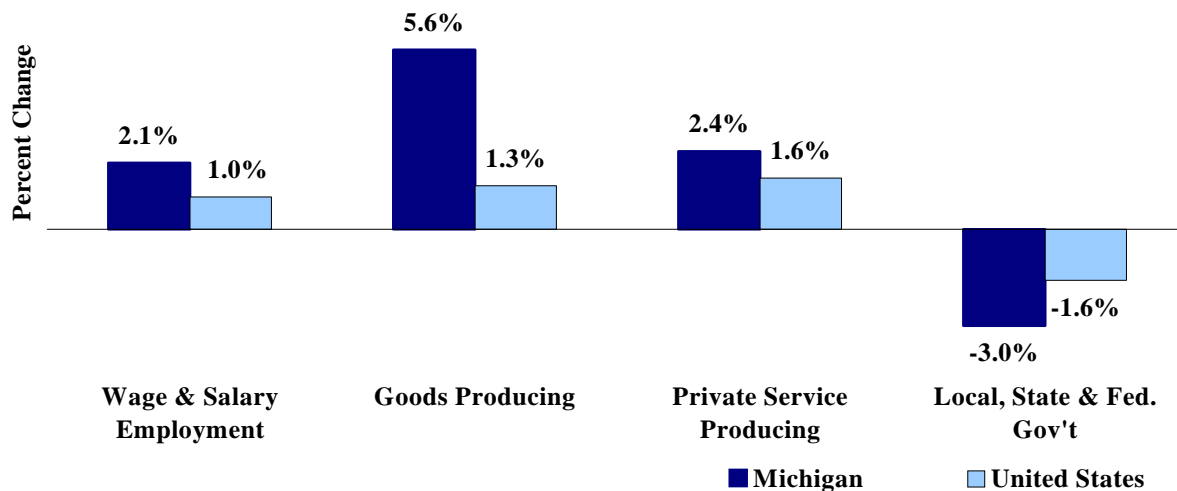
Employment by Place of Residence (in thousands)^(a)

	2010 <u>Average</u>	Jan <u>2011</u>	Feb <u>2011</u>	Mar <u>2011</u>	Change From			
					Prior Month		Last Year	
					<u>Level</u>	<u>%</u>	<u>Level</u>	<u>%</u>
Michigan								
Labor Force	4,790	4,742	4,740	4,745	5	0.1%	-73	-1.5%
Employed	4,193	4,234	4,246	4,257	11	0.3%	78	1.9%
Unemployed	597	508	494	487	-7	-1.4%	-153	-23.9%
Unemployment Rate	12.5%	10.7%	10.4%	10.3%	n.a.	-0.1% pts	n.a.	-3.0%
United States								
Labor Force	153,889	153,186	153,246	153,406	160	0.1%	-489	-0.3%
Employed	139,064	139,323	139,573	139,864	291	0.2%	912	0.7%
Unemployed	14,825	13,863	13,673	13,542	-131	-1.0%	-1,401	-9.4%
Unemployment Rate	9.6%	9.0%	8.9%	8.8%	n.a.	-0.1% pts	n.a.	-0.9%

Employment by Place of Work

- From March 2010 to March 2011, Michigan wage and salary employment increased 79,000 (2.1 percent). State wage and salary employment increased 7,000 from February. Nationally, March 2011 wage and salary employment rose 1,300,000 (1.0 percent) from a year ago and was up 216,000 from last month.

Wage and Salary Employment Growth March 2010 to March 2011



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

- In the goods-producing sector, Michigan employment increased 5.6 percent from a year ago while private service-producing sector employment increased 2.4 percent compared to last year. From a year ago, March national employment in the goods-producing sector rose 1.3 percent and increased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours increased 2.3 hours in Michigan compared to last year.

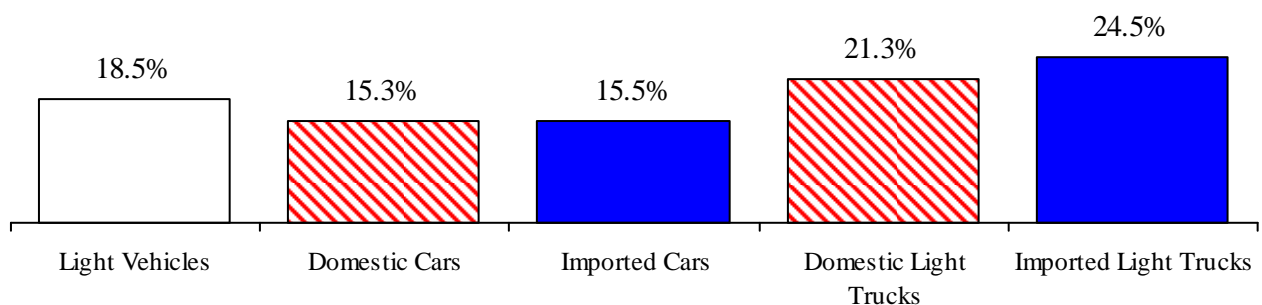
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	Mar 2010	Mar 2011	Percent Change	2010 Average	Mar 2010	Mar 2011	Percent Change
Wage & Salary Employment	3,861	3,840	3,919	2.1%	129,818	129,438	130,738	1.0%
Goods Producing	603	593	626	5.6%	17,755	17,701	17,939	1.3%
Manufacturing	474	464	493	6.3%	11,524	11,471	11,667	1.7%
Private Service Producing	2,623	2,611	2,674	2.4%	89,582	89,215	90,633	1.6%
Trade, Trans. & Utilities	709	708	718	1.4%	24,605	24,559	24,797	1.0%
Services	1,672	1,661	1,732	4.3%	54,636	54,295	55,545	2.3%
Local, State & Fed. Gov't	636	638	619	-3.0%	22,482	22,522	22,166	-1.6%
Manufacturing Weekly Hours	40.9	43.5	45.8	2.3 hrs	40.2	40.0	40.5	0.5 hrs

Motor Vehicle Industry Sales

- At a 13.1 million unit rate, March 2011 light vehicle sales fell 2.4 percent from February 2011. March 2011 light vehicle sales were up 11.6 percent from a year ago. March 2011 marked the second straight month that the sales rate stood above 13.0 million units.
- Compared to February 2011, March 2011 domestic sales decreased 2.8 percent while foreign sales declined 1.3 percent. Domestic sales rose 10.6 percent compared to a year ago while foreign sales increased 15.2 percent. Consequently, the foreign share of U.S. light vehicle sales increased 0.8 percentage point from a year ago to 23.9 percent.
- Auto sales rose 2.0 percent in March 2011 compared to February and increased 15.8 percent compared to a year ago. Light truck sales decreased 7.0 percent from February and rose 7.3 percent from March 2010. Heavy truck sales were up 20.0 percent compared to a year ago.
- In March 2011, light vehicle inventories rose 1.1 percent from February and were up 15.0 percent from a year ago. Days supply was down 6 days from February and up 1 day from a year ago.

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



Motor Vehicle Sales Statistics

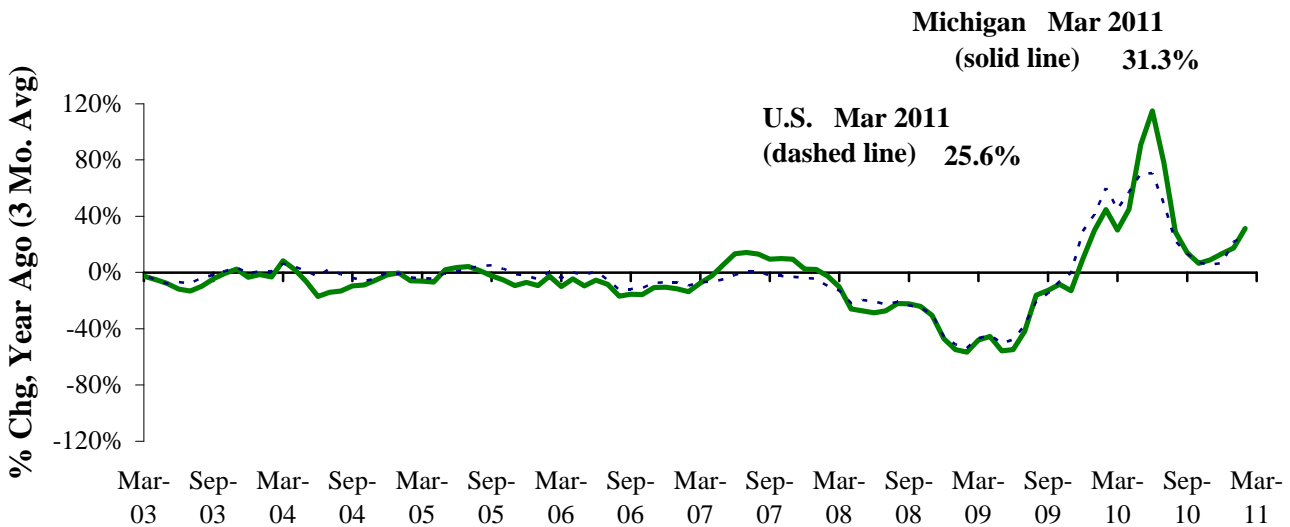
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Jan 2011	Feb 2011	Mar 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	6.1	6.8	7.0	6.6	0.9	15.8%
Domestics	3.9	4.1	4.7	4.9	4.6	0.6	14.5%
Imports	1.8	2.0	2.1	2.1	2.1	0.3	18.8%
Import Share	32.3%	32.4%	30.8%	30.1%	31.0%	0.8% pts	
Light Trucks	5.8	6.5	6.6	6.1	6.4	0.4	7.3%
Domestics	4.9	5.5	5.5	5.1	5.4	0.3	7.0%
Imports	0.9	1.0	1.1	1.0	1.0	0.1	8.6%
Import Share	15.4%	15.3%	16.2%	16.8%	16.1%	0.2% pts	
Total Light Vehicles	11.6	12.6	13.4	13.1	13.0	1.4	11.6%
Heavy Trucks	0.2	0.3	0.3	0.3	0.3	0.0	20.0%
Total Vehicles	11.8	12.8	13.7	13.3	13.3	1.4	11.8%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.074	1.151	1.136	1.066	1.118	-0.025	
Days Supply	59	73	56	45	58	-8 days	
Total Truck	1.110	1.282	1.328	1.426	1.345	0.350	
Days Supply	58	71	63	64	66	11 days	

Motor Vehicle Industry Production

- At 190,301 units, March 2011 Michigan motor vehicle production rose 47.6 percent from last March. National production rose 19.5 percent from March 2010. Compared to February 2011, Michigan production increased 34.9 percent while national production was up 23.0 percent.
- Michigan car production rose 42.3 percent in March 2011 from a year ago while State truck production increased 50.4 percent. Nationally, car production rose 6.1 percent while truck production increased 28.1 percent.
- From a year ago, Michigan’s share of national production rose 4.2 percentage points to 21.9 percent.

Michigan and National Motor Vehicle Production Up Substantially from Last Year ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2010					Change from Year Ago for the Month	
	Monthly Average	Jan 2011	Feb 2011	Mar 2011	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	241.7	210.8	245.9	300.3	252.3	17.2	6.1%
Trucks	404.0	419.3	459.9	567.7	482.3	124.6	28.1%
Total	645.7	630.1	705.7	868.0	734.6	141.8	19.5%
Michigan Production ^(f)							
Autos	44.6	27.0	40.7	63.7	43.8	18.9	42.3%
Trucks	86.8	93.7	100.4	126.6	106.9	42.4	50.4%
Total	131.4	120.7	141.1	190.3	150.7	61.4	47.6%
Michigan as % of U.S.	20.4%	19.2%	20.0%	21.9%	20.5%	4.2% pts	

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

March 2011 local area unemployment rates ranged between 7.1 percent (Ann Arbor MSA) and 15.2 percent (Northeast Lower Michigan). The median March 2011 unemployment rate was 10.8 percent.

Compared to a year ago, the March unemployment rate fell in all seventeen major Michigan labor market areas with the rate falling by at least 1.8 percentage points in each area. The median unemployment rate decline was 2.9 percentage points. The Muskegon-Norton Shores MSA saw the largest rate decline (-4.4 percentage points) followed by the Monroe MSA (-3.9 percentage points) and the Holland-Grand Haven MSA (-3.6 percentage points).

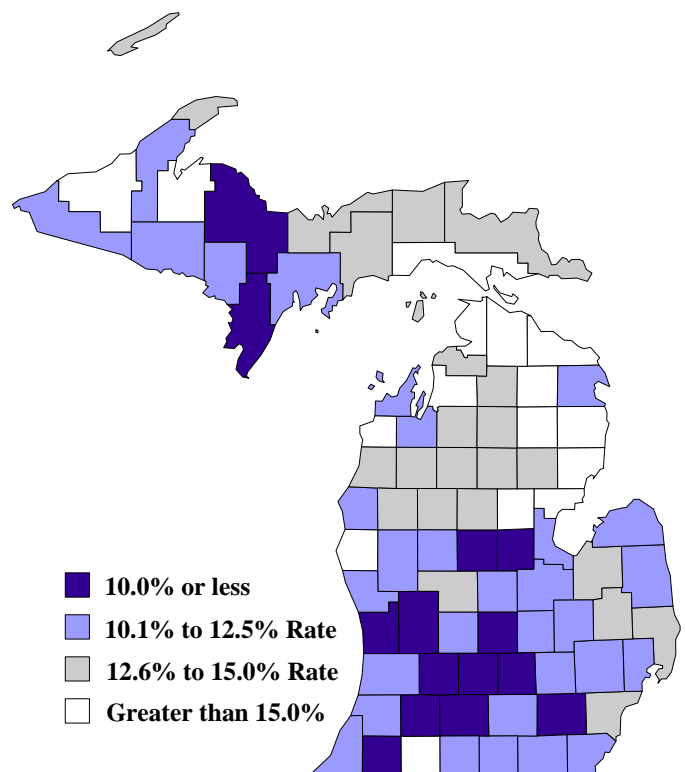
Between March 2010 and March 2011, all seventeen labor market areas saw an employment increase. The median employment increase was 2.9 percent. The Niles-Benton Harbor MSA experienced the largest employment increase (4.9 percent), followed by the Lansing-East Lansing MSA (4.5 percent). Compared to a year ago, the labor force fell in 10 areas with Northeast Lower Michigan experiencing the largest decline (-3.7 percent). Three areas saw the second largest labor force drop (-2.5 percent). The Lansing-East Lansing MSA experienced the greatest increase (1.7 percent). The median labor force change was a 0.3 percent drop.

Between March 2010 and March 2011, the unemployment rate fell in all 83 Michigan counties with a median rate decrease of 3.2 percentage points. Baraga County posted the largest decline (-6.6 percentage points) followed by Alcona County (-4.9 percentage points). Fourteen counties saw a March 2011 unemployment rate below 10.0 percent. Sixteen counties reported rates higher than 15.0 percent.

County Unemployment Rates March 2011 ^(g)

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Mar 2010 Rate</u>	<u>Feb 2011 Rate</u>	<u>Mar 2011 Rate</u>
Michigan	14.2%	11.0%	11.0%
Ann Arbor	8.9%	6.5%	7.1%
Battle Creek	12.3%	9.4%	9.4%
Bay City	13.6%	10.7%	10.8%
Detroit-Warren-Livonia	15.1%	11.8%	11.8%
Flint	15.2%	11.8%	11.8%
Grand Rapids-Wyoming	12.0%	8.9%	9.1%
Holland-Grand Haven	12.9%	9.3%	9.3%
Jackson	14.3%	10.8%	10.8%
Kalamazoo-Portage	12.1%	9.4%	9.5%
Lansing-East Lansing	11.1%	8.3%	8.6%
Monroe	14.8%	10.5%	10.9%
Muskegon-Norton Shores	15.5%	11.3%	11.1%
Niles-Benton Harbor	14.1%	11.1%	11.0%
Saginaw-Saginaw Township	13.4%	10.4%	10.6%
Upper Peninsula	14.5%	11.8%	11.8%
Northeast Lower Mich	18.7%	15.5%	15.2%
Northwest Lower Mich.	16.3%	13.5%	13.4%



U.S. Economic Conditions

	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	74.5	74.2	77.5	67.5	-6.1 points
ISM Manufacturing Index ⁽ⁱ⁾	58.5	60.8	61.4	61.2	0.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	57.1	59.4	59.7	57.3	3.2 points
	<u>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	
Business Executives' Confidence ^(j)	62.0	50.0	62.0	67.0	5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	219.2	220.2	221.3	223.5	2.7%
Detroit CPI	206.4	NA	206.8	NA	1.7%
U.S. Producer Price Index	183.0	184.4	186.9	189.4	5.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.15%	0.15%	0.14%	0.11%	-0.04% points
Aaa Corporate Bonds ^(m)	5.02%	5.04%	5.22%	5.13%	-0.14% points
INDUSTRIAL PRODUCTION ^(m)					
	92.6	92.8	92.8	93.6	5.9%
CAPACITY UTILIZATION ^(m)					
	76.8%	76.9%	76.9%	77.4%	4.6% points
RETAIL SALES ⁽ⁿ⁾					
	\$380.7	\$383.7	\$387.8	\$389.3	7.1%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.522	0.628	0.512	0.549	-13.4%
Existing Home Sales ^(p)	5.220	5.400	4.920	5.100	-6.3%
DURABLE GOODS ORDERS ^(q)					
	\$194.8	\$202.0	\$203.3	\$208.4	10.5%
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>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,194.9	\$13,278.5	\$13,380.7	\$13,438.8	1.75%

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.