



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

October 2010 Summary

U.S. Economy: The 2010Q3 real GDP growth rate estimate was revised up from last month's 2.0 percent to 2.5 percent. The ISM manufacturing index rose 2.5 points from September to 56.9 while the ISM non-manufacturing composite index rose 1.1 points to 54.3. Consumer sentiment fell 0.5 of a point from September and was off 2.9 points from last year. Both industrial production and capacity utilization (three-month averages) rose for the 16th straight month. Core retail sales three-month average was up 5.0 percent from last year. October housing starts were down 1.9 percent from last year while existing home sales were off 25.9 percent.

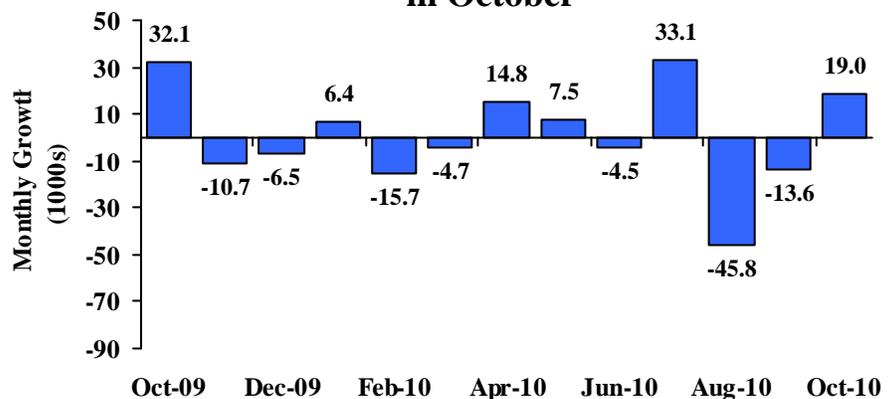
Employment: In October, Michigan employment rose by 19,000 jobs from last month but was down 20,700 jobs from a year ago. National employment increased by 151,000. Falling by 0.2 of a percentage point to 12.8 percent, the October 2010 Michigan unemployment rate represented the state's lowest rate since March 2009. The U.S. rate remained unchanged at 9.6 percent.

Auto Industry: In October, the light vehicle sales rate rose 4.3 percent from September to a 12.2 million unit annual rate. Light vehicle sales were up 17.4 percent compared to a year ago. Vehicle inventories were up 25.5 percent from a year ago but days supply was up by only four days. In October 2010, Michigan vehicle production (three-month average) rose 13.9 percent compared to a year ago; the national vehicle production average increased 13.3 percent.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 1.2 percent. The core U.S. CPI (excluding food and energy) rose 0.6 percent. The Detroit CPI was only 0.4 percent higher than last October while the core Detroit CPI fell 0.8 percent from a year ago. The overall producer price index rose 4.3 percent but the core producer price index increased only 1.5 percent. At \$81.90 per barrel, oil prices were up \$6.08 a barrel from October 2009.

Michigan Metro Areas: Unemployment rates fell in all 17 Michigan major labor markets in October compared with year ago levels. Employment rose in ten labor market areas and fell in seven.

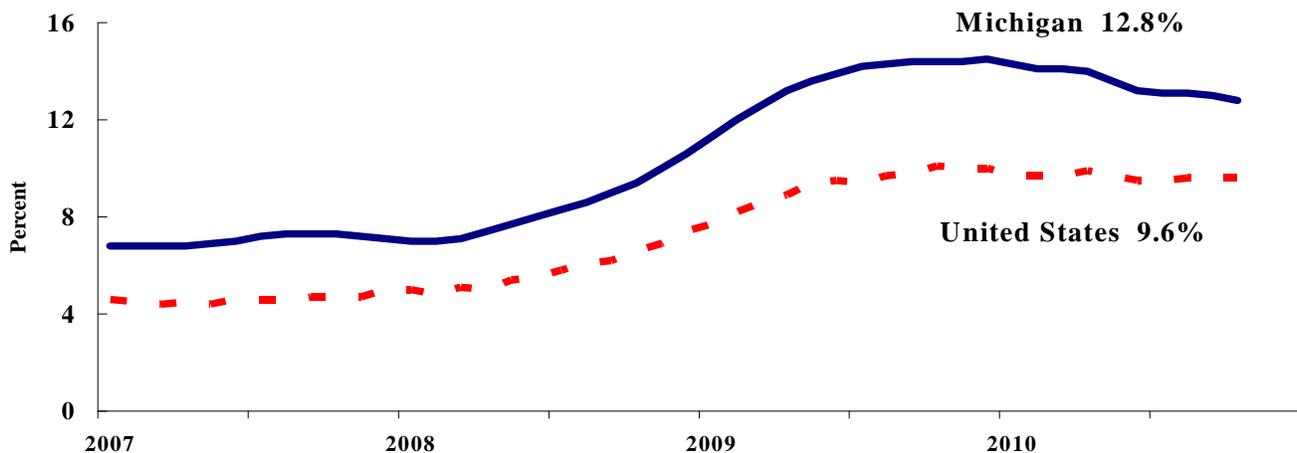
Michigan Employment Rises
in October (a)



Labor Market Statistics

- Michigan's October unemployment rate decreased 0.2 percentage points from last month to 12.8 percent, and the current Michigan jobless rate is down 1.6 percentage points from a year ago. The October U.S. unemployment rate remained unchanged from September at 9.6 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 October, the number of people employed in Michigan was 4,200,000, down 1,000 from last month, while the labor force decreased by 7,000. The statewide total number of unemployed decreased by 6,000 to 619,000.
- United States household employment totaled 139.1 million persons in October, down 330,000 from September. The labor force fell by 254,000 from last month, which meant there were 76,000 more unemployed people nationally, compared to September.

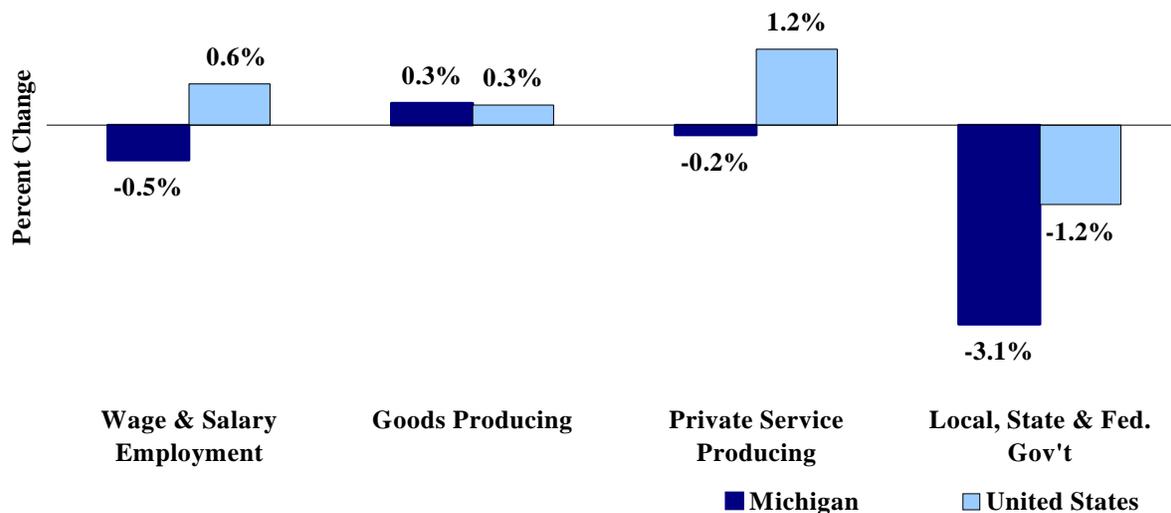
Employment by Place of Residence (in thousands)^(a)

	2009 Average	Aug 2010	Sep 2010	Oct 2010	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,889	4,831	4,826	4,819	-7	-0.1%	-36	-0.7%	
Employed	4,224	4,197	4,201	4,200	-1	0.0%	45	1.1%	
Unemployed	665	634	625	619	-6	-1.0%	-81	-11.6%	
Unemployment Rate	13.6%	13.1%	13.0%	12.8%	n.a.	-0.2% pts	n.a.	-1.6%	
United States									
Labor Force	154,142	154,110	154,158	153,904	-254	-0.2%	50	0.0%	
Employed	139,877	139,250	139,391	139,061	-330	-0.2%	819	0.6%	
Unemployed	14,265	14,860	14,767	14,843	76	0.5%	-769	-4.9%	
Unemployment Rate	9.3%	9.6%	9.6%	9.6%	n.a.	0.0% pts	n.a.	-0.5%	

Employment by Place of Work

- From October 2009 to October 2010, Michigan wage and salary employment decreased 21,000 (0.5 percent). State wage and salary employment increased 19,000 from September. Nationally, October 2010 wage and salary employment rose 829,000 (0.6 percent) from a year ago and was up 151,000 from last month.

Wage and Salary Employment Growth October 2009 to October 2010



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

- In the goods-producing sector, Michigan employment increased 0.3 percent from a year ago while private service-producing sector employment decreased 0.2 percent compared to last year. From a year ago, October national employment in the goods-producing sector rose 0.3 percent and increased 1.2 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 2.4 hours in Michigan compared to last year.

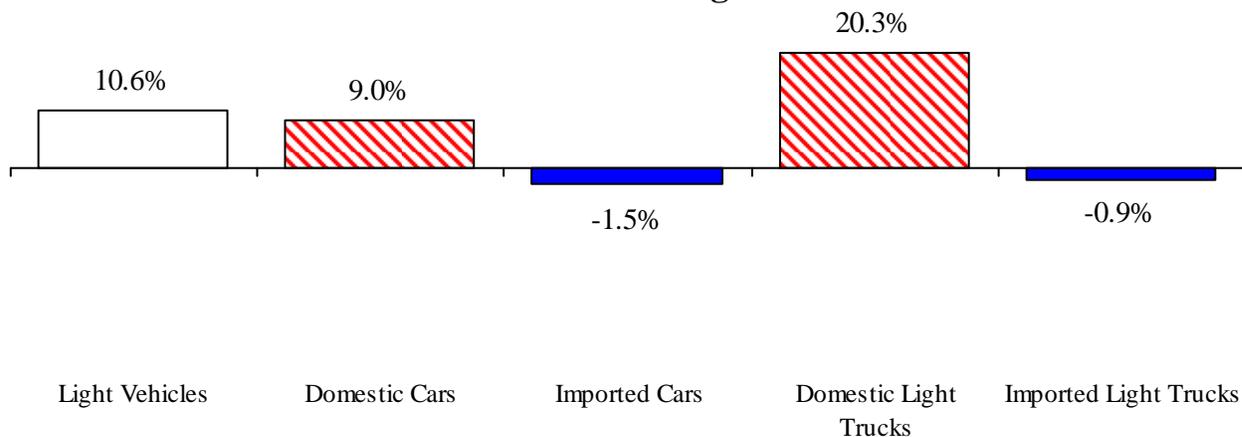
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2009 Average	Oct 2009	Oct 2010	Percent Change	2009 Average	Oct 2009	Oct 2010	Percent Change
Wage & Salary Employment	3,876	3,862	3,841	-0.5%	130,912	129,633	130,462	0.6%
Goods Producing	597	587	589	0.3%	18,620	17,993	18,049	0.3%
Manufacturing	462	458	467	2.0%	11,883	11,577	11,669	0.8%
Private Service Producing	2,633	2,630	2,626	-0.2%	89,749	89,122	90,173	1.2%
Trade, Trans. & Utilities	717	712	711	-0.1%	24,947	24,670	24,843	0.7%
Services	1,670	1,674	1,679	0.3%	54,236	54,014	55,040	1.9%
Local, State & Fed. Gov't	647	645	625	-3.1%	22,544	22,518	22,240	-1.2%
Manufacturing Weekly Hours	39.3	41.1	43.5	2.4 hrs	39.3	39.1	40.3	1.2 hrs

Motor Vehicle Industry Sales

- At a 12.2 million unit rate, October 2010 light vehicle sales rose 4.3 percent from September 2010. October 2010 light vehicle sales were up 17.4 percent from a year ago.
- Compared to September 2010, October 2010 domestic sales increased 5.3 percent while foreign sales rose 1.2 percent. Domestic sales rose 17.0 percent compared to a year ago while foreign sales increased 18.8 percent. Consequently, the foreign share of U.S. light vehicle sales increased 0.3 percentage points from a year ago to 24.8 percent.
- Auto sales fell 0.3 percent compared to September 2010 and increased 7.5 percent compared to a year ago. Light truck sales increased 8.8 percent from September and jumped 28.2 percent from October 2009. Heavy truck sales were up 5.4 percent compared to a year ago.
- In October 2010, light vehicle inventories rose 7.2 percent from September and were up 25.5 percent from a year ago. Days supply was up 8 days from September and was 4 days higher than a year ago.

2010 Year-to-Date Domestic Vehicle Sales Up Significantly from Year Ago



Motor Vehicle Sales Statistics

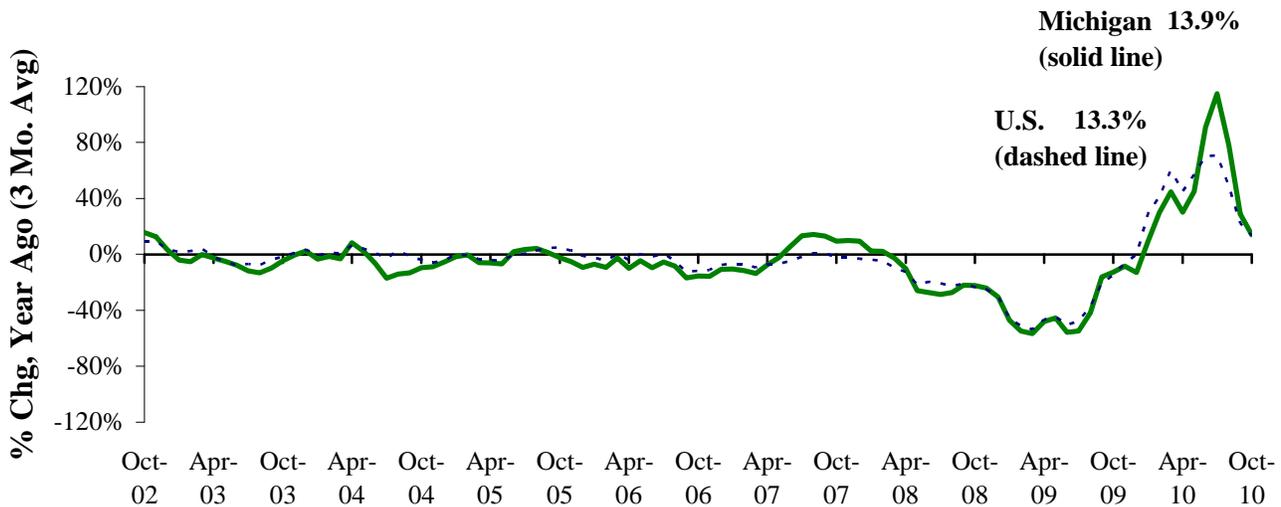
(Millions, unless otherwise specified)

	2009 Average	Aug 2010	Sep 2010	Oct 2010	3 Month Average	Change from Year Ago	
						Level	%
Motor Vehicle Sales^(c)							
Autos	5.5	5.6	5.8	5.8	5.8	0.4	7.5%
Domestics	3.6	3.7	3.8	3.7	3.7	0.1	3.1%
Imports	1.8	1.9	2.0	2.1	2.0	0.3	16.3%
Import Share	33.7%	34.2%	35.0%	35.6%	34.9%	2.7%	pts
Light Trucks	4.9	5.8	5.9	6.4	6.0	1.4	28.2%
Domestics	4.1	4.8	4.9	5.4	5.1	1.2	28.9%
Imports	0.9	1.0	1.0	1.0	1.0	0.2	24.4%
Import Share	17.9%	16.5%	16.2%	15.1%	15.9%	-0.5%	pts
Total Light Vehicles	10.4	11.4	11.7	12.2	11.8	1.8	17.4%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	0.0	5.4%
Total Vehicles	10.6	11.7	11.9	12.4	12.0	1.8	17.2%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.155	1.001	1.039	1.119	1.053	0.148	
Days Supply	70	51	56	69	59	4 days	
Total Truck	1.059	1.077	1.169	1.247	1.165	0.334	
Days Supply	68	53	59	66	59	4 days	

Motor Vehicle Industry Production

- At 161,047 units, October 2010 Michigan motor vehicle production rose 8.8 percent from last October. National production rose 6.5 percent in October. Compared to September 2010, Michigan production decreased 0.6 percent while national production was up 0.1 percent.
- Michigan car production fell 37.4 percent from a year ago while State truck production increased 60.8 percent. Nationally, car production fell 16.0 percent while truck production increased 24.2 percent.
- From a year ago, Michigan's share of national production rose 0.5 percentage points to 22.6 percent.

Both Michigan and National Motor Vehicle Production Increases From Year-Ago Levels Slow Substantially ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009					Change from Year Ago for the Month	
	Monthly Average	Aug 2010	Sep 2010	Oct 2010	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	194.2	263.6	255.5	247.5	255.5	(47.1)	-16.0%
Trucks	285.2	444.4	455.2	464.0	454.6	90.3	24.2%
Total	479.5	708.0	710.7	711.6	710.1	43.2	6.5%
Michigan Production ^(f)							
Autos	42.5	52.1	54.7	49.1	52.0	(29.4)	-37.4%
Trucks	53.0	103.8	107.4	112.0	107.7	42.3	60.8%
Total	95.5	155.9	162.1	161.0	159.7	13.0	8.8%
Michigan as % of U.S.	19.9%	22.0%	22.8%	22.6%	22.5%	0.5% pts	

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

October 2010 area unemployment rates ranged between 7.8 percent (Ann Arbor MSA) and 13.5 percent (Northeast Lower Michigan). The median unemployment rate was 11.1 percent.

Compared to a year ago, the unemployment rate fell in all seventeen major Michigan labor market areas with the rate falling by at least 0.5 percentage points in each area. The median unemployment rate declined 1.1 percent. The Detroit-Warren-Livonia MSA and Muskegon-Norton Shores MSA saw the largest rate decline (-2.4 percentage points), followed by the Jackson MSA and Monroe MSA (both down 1.9 percentage point).

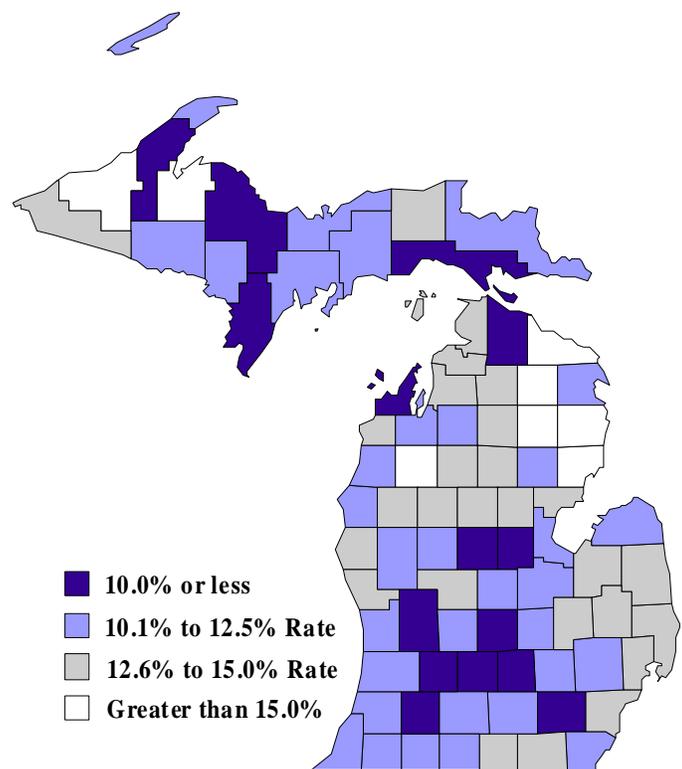
Between October 2009 and October 2010, ten labor market areas saw an employment increase and seven realized a decline. The Detroit-Warren-Livonia MSA experienced the largest employment increase (2.6 percent), followed by the Grand Rapids-Wyoming MSA and Saginaw-Saginaw Township MSA (1.1 percent). Northeast Lower Michigan had the largest year ago decline (-2.1 percent) while the Monroe MSA saw the second largest drop (-1.4 percent). Compared to a year ago, the labor force fell in sixteen areas with the Monroe MSA experiencing the largest decline (-3.5 percent) followed by Northeast Lower Michigan (-3.2 percent). The median labor force decline was a 1.1 percent drop. The Saginaw-Saginaw Township MSA saw a very slight labor force rise (0.1 percent).

Between October 2009 and October 2010, the unemployment rate fell in 76 Michigan counties with a median rate decrease of 1.1 percentage points. St. Clair County posted the largest decline (-3.5 percentage points) followed by Lapeer County (-3.3 percentage points). Seven counties saw a rate increase with a median increase of 0.3 percent. Fifteen counties saw an October 2010 unemployment rate below 10.0 percent. Eight counties reported rates higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Oct 2009 Rate</u>	<u>Sep 2010 Rate</u>	<u>Oct 2010 Rate</u>
Michigan	13.7%	12.3%	12.0%
Ann Arbor	8.6%	8.4%	7.8%
Battle Creek	11.4%	11.1%	10.5%
Bay City	11.8%	11.5%	10.9%
Detroit-Warren-Livonia	15.7%	13.4%	13.3%
Flint	14.4%	13.8%	13.0%
Grand Rapids-Wyoming	11.1%	10.5%	10.0%
Holland-Grand Haven	12.1%	11.1%	10.6%
Jackson	13.8%	12.5%	11.9%
Kalamazoo-Portage	10.8%	10.7%	10.0%
Lansing-East Lansing	10.4%	9.9%	9.2%
Monroe	13.4%	12.4%	11.5%
Muskegon-Norton Shores	15.2%	13.2%	12.8%
Niles-Benton Harbor	12.9%	12.3%	11.8%
Saginaw-Saginaw Township	12.0%	11.6%	11.1%
Upper Peninsula	11.2%	11.1%	10.7%
Northeast Lower Mich	14.4%	13.4%	13.5%
Northwest Lower Mich.	13.0%	12.4%	12.3%

County Unemployment Rates October 2010^(g)

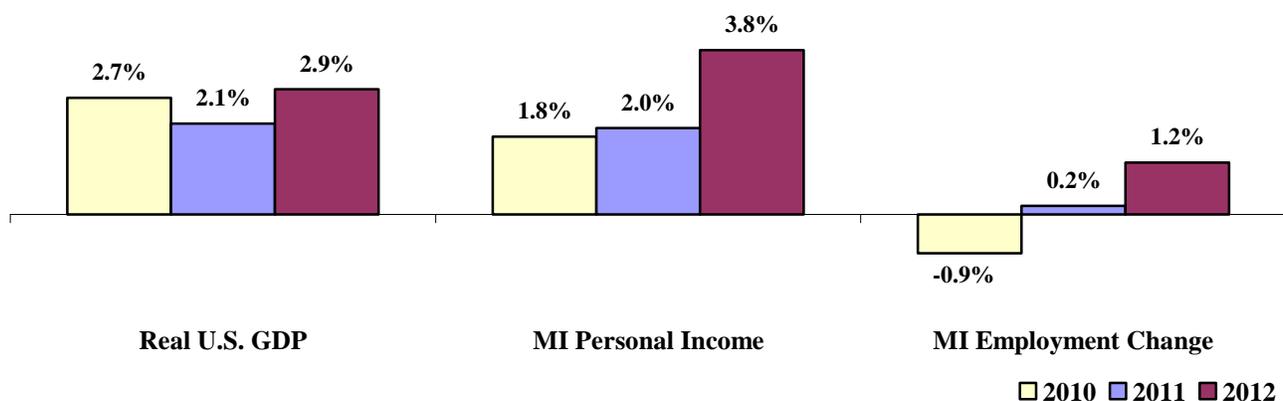


University of Michigan Economic Forecast Slowly Accelerating Growth

On November 18 and 19, 2010, the Research Seminar in Quantitative Economics (RSQE), University of Michigan released its forecast for the U.S. and Michigan economies for 2011 and 2012. Forecast highlights include:

- In early 2011, real GDP is projected to post only slightly faster growth than in late 2010. Growth is then expected to accelerate in late 2011 before increasing to more solid growth during 2012. Consequently, CY 2011 real GDP is forecast to rise 2.1 percent followed by 2.9 percent growth in CY 2012.
- The U.S. labor market is expected to slowly recover. As a result, the U.S. unemployment rate is projected to fall from 9.7 percent in 2010 to only 9.6 percent in 2011. The unemployment rate is then forecast to fall to 9.3 percent in 2012.
- After having fallen to 10.4 million units in 2009 (a 27-year record low), light vehicle sales are estimated to have risen to 11.5 million in 2010. Sales are expected to rise to 12.7 million in 2011 and to increase further to 14.8 million in 2012.
- Following 2009's 51-year record drop (-6.9 percent), Michigan employment is estimated to decrease only 0.9 percent in 2010. Following this decline, Michigan employment is forecast to increase 0.2 percent in 2011 – marking the first annual Michigan employment increase since 2000. State employment growth is expected to accelerate to 1.2 percent in 2012.
- In 2009, the Michigan unemployment rate rose sharply (5.3 percentage points) to 13.6 percent – Michigan's highest annual rate since 1983. In 2010, the Michigan unemployment rate is estimated to fall slightly to 13.4 percent. The rate is forecast to fall to 12.4 percent in 2011 and to drop further to 11.5 percent in 2012.
- After Michigan personal income declined by 3.1 percent in 2009 (the first decline since 1958), Michigan personal income is estimated to rise 1.8 percent in 2010. State personal income is then forecast to increase 2.0 percent in 2011 and to grow 3.8 percent in 2012.

Modest GDP and Michigan Personal Income Growth Michigan Employment Increases



U.S. Economic Conditions

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	67.8	68.9	68.2	67.7	-2.9 points
ISM Manufacturing Index ⁽ⁱ⁾	55.5	56.3	54.4	56.9	1.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.3	51.5	53.2	54.3	4.2 points
	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	
Business Executives' Confidence ^(j)	64.0	62.0	62.0	50.0	-13.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.0	218.3	218.4	218.7	1.2%
Detroit CPI	NA	205.4	NA	205.8	0.4%
U.S. Producer Price Index	179.7	179.6	180.2	181.2	4.3%
INTEREST RATES					
90 Day T-Bill ^(l)	0.16%	0.15%	0.15%	0.13%	0.05% points
Aaa Corporate Bonds ^(m)	4.72%	4.49%	4.53%	4.68%	-0.47% points
INDUSTRIAL PRODUCTION ^(m)					
	93.3	93.5	93.4	93.4	5.3%
CAPACITY UTILIZATION ^(m)					
	74.8%	74.9%	74.8%	74.8%	4.1% points
RETAIL SALES ⁽ⁿ⁾					
	\$362.8	\$366.0	\$368.6	\$373.1	7.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.550	0.614	0.588	0.519	-1.9%
Existing Home Sales ^(p)	3.840	4.120	4.530	4.430	-25.9%
DURABLE GOODS ORDERS ^(q)					
	\$194.7	\$193.2	\$202.8	\$196.0	10.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>% Change From Year Ago</u>
Michigan	\$341.7	\$344.7	\$344.8	\$348.3	1.4%
U.S.	\$12,156.9	\$12,225.8	\$12,341.2	\$12,462.7	2.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>2010.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,019.0	\$13,138.8	\$13,194.9	\$13,277.4	2.5%

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.