



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

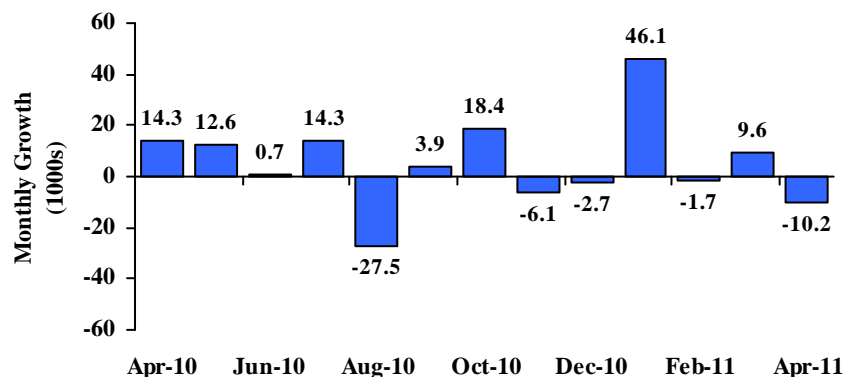
April 2011 Summary

U.S. Economy: In April, the ISM manufacturing index rose 0.8 of a percentage point from a year ago. The ISM non-manufacturing composite index fell 1.8 points from last April. Consumer sentiment recovered slightly from its steep decline last month, but was still 2.4 points less than in April 2010. Compared to a year ago, industrial production was up 5.0 percent and capacity utilization gained 3.7 percentage points. Overall retail sales were up 7.6 percent from last year. New durable goods orders, excluding defense and aircraft, rose 13.0 percent from a year ago. April housing starts fell sharply (-23.9 percent) from last year while existing home sales dropped 12.9 percent from April 2010.

Employment: In April, Michigan employment fell by 10,200 jobs from last month. Compared to a year ago, Michigan employment rose 1.5 percent; nationally employment increased 1.0 percent. At 10.2 percent, the Michigan unemployment rate was down 2.9 percentage points from last April. The U.S. unemployment rate dropped 0.8 of a percentage point from a year ago to 9.0 percent.

Auto Industry: In April, the light vehicle annual sales rate (13.1 million units) rose 16.8 percent from a year ago. April inventories were up 7.5 percent from a year ago but days supply fell by three days as a result of the substantial sales increase from year-ago levels. April Michigan vehicle production rose 32.3 percent compared to a year ago; nationally, production rose 3.6 percent.

Michigan Employment Falls in April^(a)



Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 3.2 percent -- its largest year-over-year increase since October 2008. The core U.S. CPI (excluding food and energy) rose 1.3 percent. The overall producer price index rose sharply (6.8 percent) but the core producer price index increased only 2.1 percent. The Detroit CPI was up 3.1 percent from a year ago. At \$110.04 per barrel, oil prices were up \$25.56 a barrel (30.3 percent) from April 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in April compared with year-ago levels. All areas saw at least a 1.9 percentage point rate decline. Employment rose in 15 of Michigan's 17 areas with a median increase of 2.5 percent.

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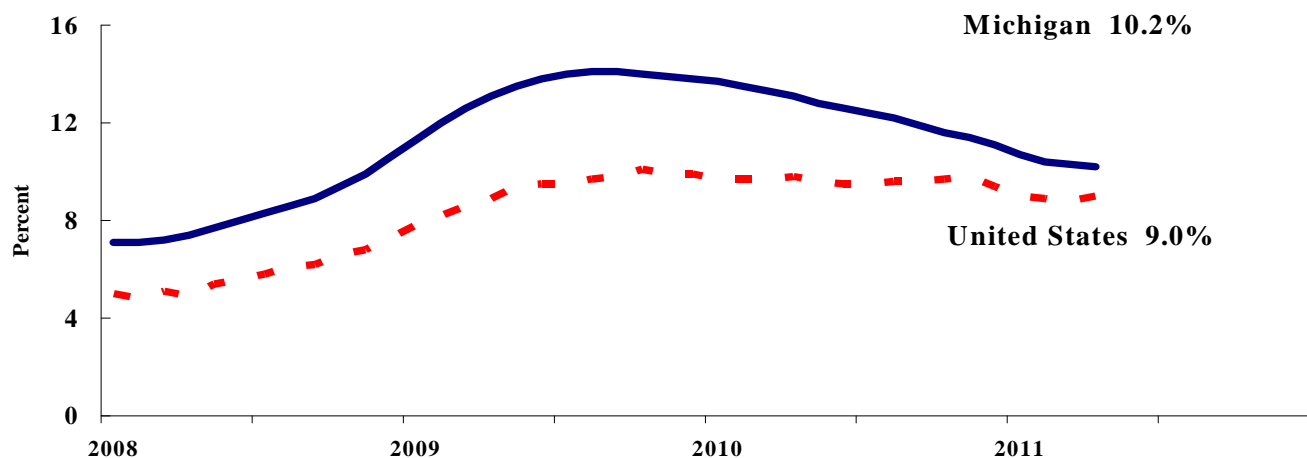
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Labor Market Statistics

- Michigan's April unemployment rate decreased 0.1 percentage point from last month to 10.2 percent, and the current Michigan jobless rate is down 2.9 percentage points from a year ago. The April U.S. unemployment rate increased 0.2 percentage point from March to 9.0 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 Technology, Management & Budget and Bureau of Labor Statistics, U.S. Dept. of Labor

- In April, the number of people employed in Michigan was 4,257,000, down 1,000 from last month, while the labor force decreased by 4,000. The statewide total number of unemployed decreased by 3,000 to 484,000.
- United States household employment totaled 139.7 million persons in April, down 190,000 from March. The labor force rose by 15,000 from last month, which meant there were 205,000 more unemployed people nationally, compared to March.

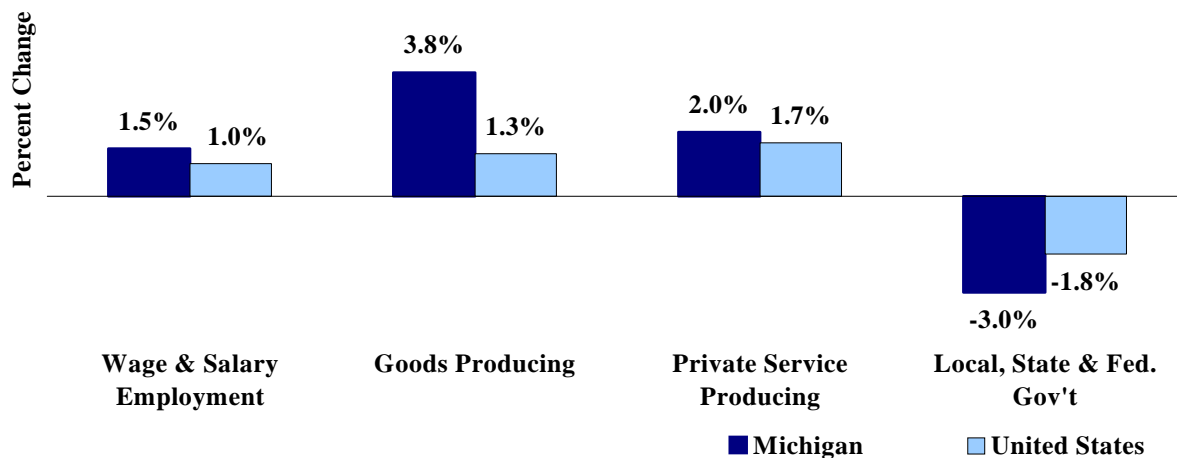
Employment by Place of Residence (in thousands)^(a)

	2010 Average	Feb 2011	Mar 2011	Apr 2011	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,790	4,740	4,745	4,741	-4	-0.1%	-73	-1.5%
Employed	4,193	4,246	4,258	4,257	-1	0.0%	72	1.7%
Unemployed	597	494	487	484	-3	-0.6%	-145	-23.0%
Unemployment Rate	12.5%	10.4%	10.3%	10.2%	n.a.	-0.1% pts	n.a.	-2.9%
United States								
Labor Force	153,889	153,246	153,406	153,421	15	0.0%	-1,099	-0.7%
Employed	139,064	139,573	139,864	139,674	-190	-0.1%	292	0.2%
Unemployed	14,825	13,673	13,542	13,747	205	1.5%	-1,391	-9.2%
Unemployment Rate	9.6%	8.9%	8.8%	9.0%	n.a.	0.2% pts	n.a.	-0.8%

Employment by Place of Work

- From April 2010 to April 2011, Michigan wage and salary employment increased 57,000 (1.5 percent). State wage and salary employment decreased 10,000 from March. Nationally, April 2011 wage and salary employment rose 1,313,000 (1.0 percent) from a year ago and was up 244,000 from last month.

Wage and Salary Employment Growth April 2010 to April 2011



Source: Bureau of Labor Statistics, Michigan Department of Technology, Management & Budget

- In the goods-producing sector, Michigan employment increased 3.8 percent from a year ago while private service-producing sector employment increased 2.0 percent compared to last year. From a year ago, April national employment in the goods-producing sector rose 1.3 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.2 hours in April compared to last year.

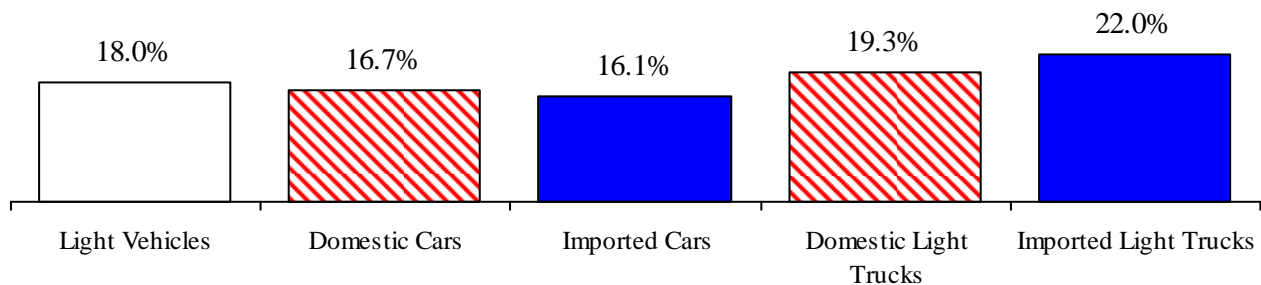
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	Apr 2010	Apr 2011	Percent Change	2010 Average	Apr 2010	Apr 2011	Percent Change
Wage & Salary Employment	3,861	3,855	3,912	1.5%	129,818	129,715	131,028	1.0%
Goods Producing	603	600	623	3.8%	17,755	17,762	17,997	1.3%
Manufacturing	474	471	494	4.9%	11,524	11,509	11,706	1.7%
Private Service Producing	2,623	2,617	2,669	2.0%	89,582	89,383	90,865	1.7%
Trade, Trans. & Utilities	709	711	715	0.6%	24,605	24,581	24,861	1.1%
Services	1,672	1,665	1,712	2.8%	54,636	54,438	55,705	2.3%
Local, State & Fed. Gov't	636	640	621	-3.0%	22,482	22,570	22,166	-1.8%
Manufacturing Weekly Hours	40.9	44.0	43.8	-0.2 hrs	40.2	40.2	40.4	0.2 hrs

Motor Vehicle Industry Sales

- At a 13.1 million unit rate, April 2011 light vehicle sales rose slightly (0.5 percent) from March 2011. April 2011 light vehicle sales were up 16.8 percent from a year ago. April 2011 marked the third straight month that the sales rate stood above 13.0 million units.
- Compared to March 2011, April 2011 domestic sales increased 2.5 percent while foreign sales declined 6.0 percent. Domestic sales rose 16.8 percent compared to a year ago while foreign sales increased 16.6 percent. Consequently, the foreign share of U.S. light vehicle sales decreased very slightly (-0.03 percentage point) from a year ago to 22.3 percent.
- Auto sales fell 2.1 percent in April 2011 compared to March but increased 19.9 percent compared to a year ago. Light truck sales increased 3.4 percent from March and rose 13.6 percent from April 2010. Heavy truck sales were up 26.8 percent compared to a year ago.
- In April 2011, light vehicle inventories fell 7.4 percent from March but were up 7.5 percent from a year ago. Days supply was unchanged from March and down 3 days from a year ago.

2011 Year-to-Date Light Vehicle Sales Up Substantially from Year Ago



Motor Vehicle Sales Statistics

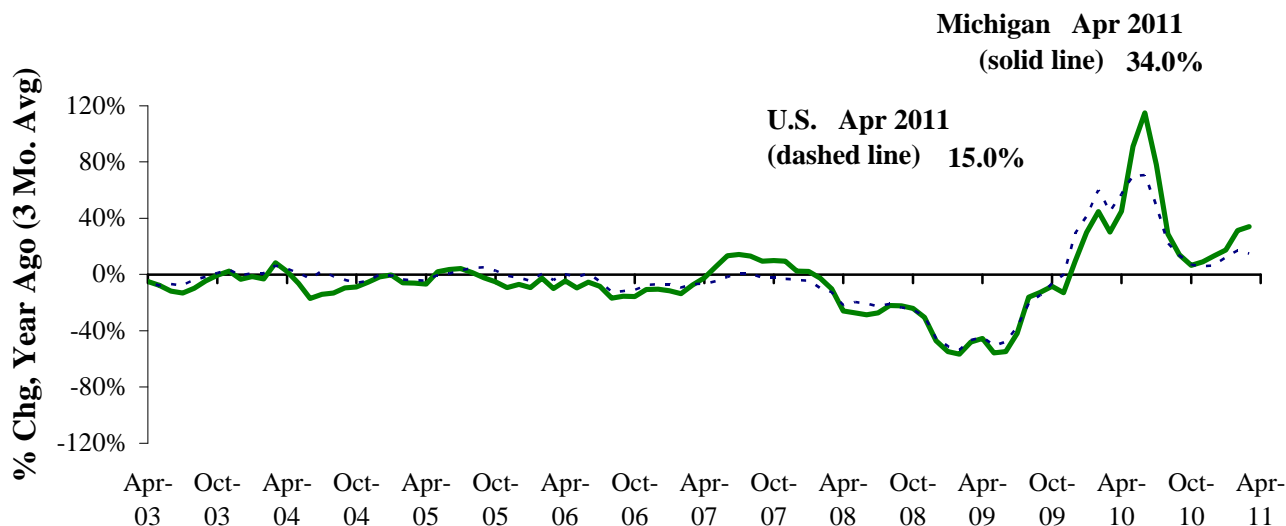
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Feb 2011	Mar 2011	Apr 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	6.8	7.0	6.8	6.9	1.1	19.9%
Domestics	3.9	4.7	4.9	4.8	4.8	0.8	20.8%
Imports	1.8	2.1	2.1	2.0	2.1	0.3	17.6%
Import Share	32.3%	30.8%	30.1%	29.4%	30.1%	-0.6%	pts
Light Trucks	5.8	6.6	6.1	6.3	6.3	0.8	13.6%
Domestics	4.9	5.5	5.1	5.4	5.3	0.6	13.4%
Imports	0.9	1.1	1.0	0.9	1.0	0.1	14.4%
Import Share	15.4%	16.2%	16.8%	14.8%	15.9%	0.1%	pts
Total Light Vehicles	11.6	13.4	13.1	13.1	13.2	1.9	16.8%
Heavy Trucks	0.2	0.3	0.3	0.2	0.3	0.1	26.8%
Total Vehicles	11.8	13.7	13.3	13.4	13.5	1.9	16.9%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.075	1.136	1.066	0.942	1.048	-0.138	
Days Supply	59	56	45	42	48	-15	days
Total Truck	1.110	1.328	1.425	1.364	1.372	0.298	
Days Supply	58	63	64	66	64	9	days

Motor Vehicle Industry Production

- At 157,680 units, April 2011 Michigan motor vehicle production rose 32.3 percent from last April. National production rose 3.6 percent from April 2010. Compared to March 2011, Michigan production dropped 17.1 percent while national production was down 24.8 percent.
- Michigan car production rose 32.8 percent in April 2011 from a year ago while State truck production increased 32.1 percent. Nationally, car production fell 9.9 percent while truck production increased 12.6 percent.
- From a year ago, Michigan’s share of national production rose 5.3 percentage points to 24.1 percent.

Michigan 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	Feb 2011	Mar 2011	Apr 2011	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	241.7	245.9	300.3	228.6	258.2	(25.1)	-9.9%
Trucks	404.0	459.9	567.7	424.5	484.0	47.5	12.6%
Total	645.7	705.7	868.0	653.1	742.3	22.4	3.6%
Michigan Production ^(f)							
Autos	44.6	40.7	63.7	58.2	54.2	14.4	32.8%
Trucks	86.8	100.4	126.6	99.5	108.8	24.2	32.1%
Total	131.4	141.1	190.3	157.7	163.0	38.5	32.3%
Michigan as % of U.S.	20.4%	20.0%	21.9%	24.1%	22.0%	5.3% pts	

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

April 2011 local area unemployment rates ranged between 6.2 percent (Ann Arbor MSA) and 13.2 percent (Northeast Lower Michigan). The median March 2011 unemployment rate was 9.6 percent.

Compared to a year ago, the April unemployment rate fell in all 17 major Michigan labor market areas with the rate falling by at least 1.9 percentage points in each area. The median unemployment rate decline was 2.6 percentage points. The Muskegon-Norton Shores MSA saw the largest rate decline (-3.9 percentage points) followed by the Jackson MSA (-3.3 percentage points) and the Flint MSA (-3.2 percentage points).

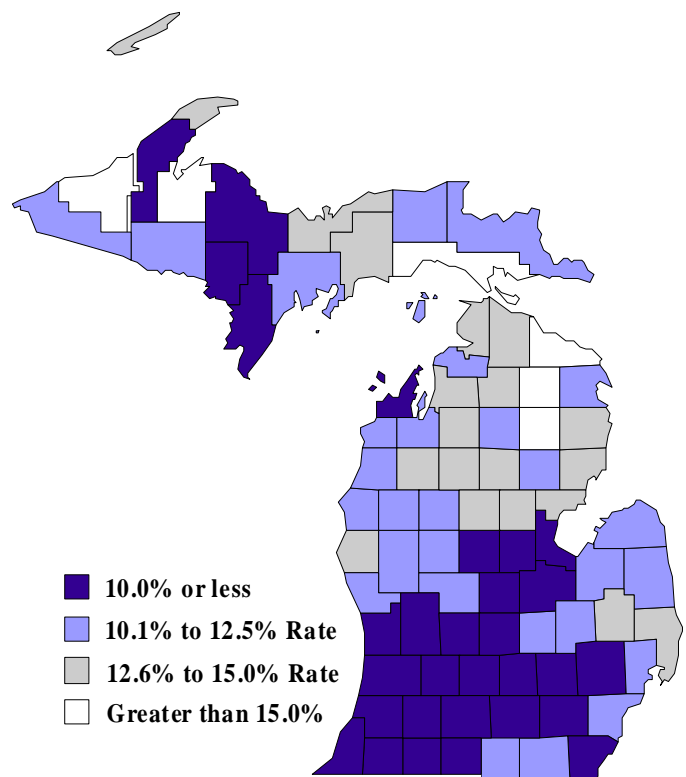
Between April 2010 and April 2011, 15 labor market areas saw an employment increase. The median employment increase was 2.5 percent. The Niles-Benton Harbor MSA experienced the largest employment increase (4.0 percent), followed by the Grand Rapids-Wyoming MSA (3.5 percent) and Kalamazoo-Portage MSA (3.0 percent). Compared to a year ago, the labor force fell in 12 areas with the Detroit-Warren-Livonia MSA experiencing the largest decline (-3.8 percent), followed by the Flint MSA (-3.5 percent). The Ann Arbor MSA and Grand Rapids-Wyoming MSA experienced the greatest increase (0.5 percent). The median labor force change was an 0.8 percent drop.

Between April 2010 and April 2011, the unemployment rate fell in all 83 Michigan counties with a median rate decrease of 2.7 percentage points. Baraga County posted the largest decline (-6.0 percentage points) followed by Hillsdale County (-4.3 percentage points). Twenty-seven counties saw an April 2011 unemployment rate below 10.0 percent. Six counties reported rates higher than 15.0 percent.

County Unemployment Rates April 2011 ^(g)

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2010 Rate</u>	<u>Mar 2011 Rate</u>	<u>Apr 2011 Rate</u>
Michigan	12.9%	11.0%	10.1%
Ann Arbor	8.1%	7.0%	6.2%
Battle Creek	11.2%	9.4%	8.6%
Bay City	12.1%	10.8%	9.6%
Detroit-Warren-Livonia	14.0%	11.8%	11.1%
Flint	14.0%	11.8%	10.8%
Grand Rapids-Wyoming	10.7%	9.1%	8.1%
Holland-Grand Haven	11.3%	9.3%	8.1%
Jackson	13.0%	10.9%	9.7%
Kalamazoo-Portage	10.9%	9.5%	8.3%
Lansing-East Lansing	9.9%	8.6%	7.6%
Monroe	12.5%	10.9%	9.5%
Muskegon-Norton Shores	14.0%	11.2%	10.1%
Niles-Benton Harbor	12.7%	11.0%	9.7%
Saginaw-Saginaw Township	12.0%	10.6%	9.4%
Upper Peninsula	12.8%	11.8%	10.6%
Northeast Lower Mich	16.0%	15.2%	13.2%
Northwest Lower Mich.	14.3%	13.4%	11.9%



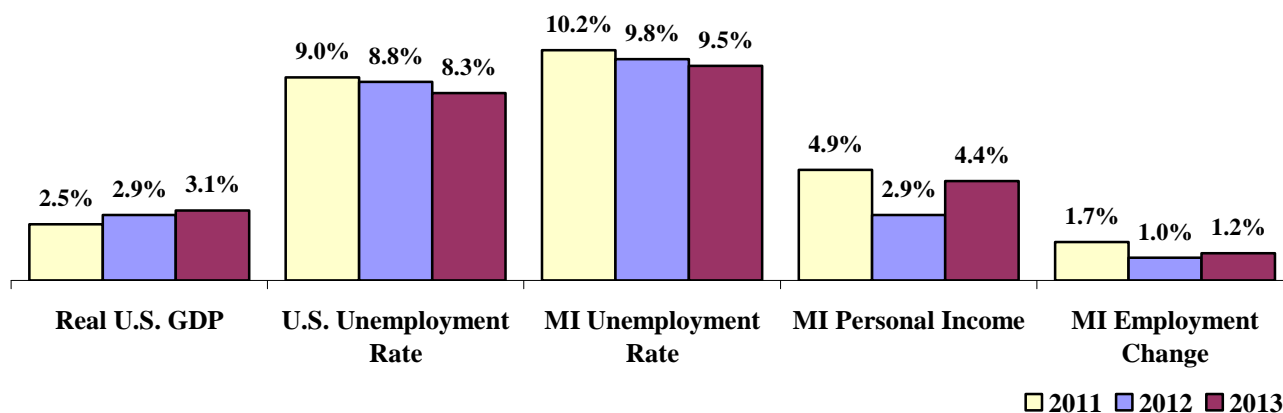
Consensus Economic Forecast Continued Recovery

On May 16, 2011, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2011, 2012 and 2013. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.5 percent in 2011. Real GDP is then expected to grow 2.9 percent in 2012 and 3.1 percent in 2013. The 2011 projected increase is down 0.3 percentage point from the January 2011 Conference projection; the 2012 projection is 0.2 percentage point higher than January.
- The U.S. unemployment rate is forecast to fall over the next three years from the 9.6 percent rate in 2010. The rate is projected to drop to 9.0 percent in 2011, decline to 8.8 percent in 2012 and fall to 8.3 percent in 2013.
- Light vehicle sales are expected to rise to 13.0 million units in 2011, 14.6 million units in 2012 and 15.2 million units in 2013.
- The May Consensus projects Michigan wage and salary employment will rise 1.7 percent in 2011 – compared to a 0.2 percent projected rise with the January Consensus. 2011 would mark the first calendar year increase in Michigan employment since 2000. The May Consensus predicts 1.0 percent employment growth in 2012 and a 1.2 percent employment increase in 2013.
- According to the May Consensus, the Michigan unemployment rate will fall from 12.5 percent in 2010 to 10.2 percent in 2011. The forecast sees the State’s unemployment rate falling further to 9.8 percent in 2012 and to 9.5 percent in 2013.
- Personal income is projected to rise 4.9 percent in 2011, 2.9 percent in 2012 and 4.4 percent in 2013. Wages and salaries are expected to increase as follows: 4.7 percent in 2011, 3.3 percent in 2012 and 3.7 percent in 2013.

**U.S. Economic Forecast
Moderate Recovery**

**Michigan Economic Forecast
Growing Labor Market**



U.S. Economic Conditions

	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	74.2	77.5	67.5	69.8	-2.4 points
ISM Manufacturing Index ⁽ⁱ⁾	60.8	61.4	61.2	60.4	0.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.4	59.7	57.3	52.8	-1.8 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>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	220.2	221.3	223.5	224.9	3.2%
Detroit CPI	NA	206.8	NA	211.7	3.1%
U.S. Producer Price Index	184.4	186.9	189.4	191.7	6.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.15%	0.14%	0.11%	0.06%	-0.09% points
Aaa Corporate Bonds ^(m)	5.04%	5.22%	5.13%	5.16%	-0.13% points
INDUSTRIAL PRODUCTION ^(m)	92.7	92.4	93.1	93.1	5.0%
CAPACITY UTILIZATION ^(m)	76.8%	76.5%	77.0%	76.9%	3.7% points
RETAIL SALES ⁽ⁿ⁾	\$379.3	\$384.0	\$387.4	\$389.4	7.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.636	0.518	0.585	0.523	-23.9%
Existing Home Sales ^(p)	5.400	4.920	5.090	5.050	-12.9%
DURABLE GOODS ORDERS ^(q)	\$190.7	\$188.7	\$197.0	\$189.9	5.3%
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	\$13,441.9	1.84%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Department of Technology, Management and Budget.
- (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 Technology, Management and Budget.
- (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.