

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The final estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated the economy grew at a 2.6% annual rate in the third quarter of 2010, compared with 1.7% growth during the second quarter. Partially offsetting growth in personal consumption spending, nonresidential fixed investment, and Federal expenditures, residential investment contracted at a 27.3% annual rate and net trade fell (i.e., imports grew more rapidly than exports). Growth in inventories has represented more than 90% of the growth in the economy over the last three quarters, and accounted for more than 100% of net growth during the third quarter.
- **Housing starts** fell 11.1% in October from the September level to the lowest rate since October 2009, and the fifth-lowest rate in modern records, as starts of multiunit housing fell in most regions. Compared with October 2009, starts were 0.9% higher. Housing starts in the Midwest remained stable between September and October, but were down 5.0% from one year ago. Starts in the Northeast region were higher, compared with both September and one year ago, while in the West starts were lower.
- **Corporate profits** in the third quarter rose to the second highest level in the post-World War II period and the highest level since the fourth quarter of 2007. Profits were broadly distributed across sectors, with durable goods manufacturing exhibiting a record high and the motor vehicle sector exhibiting the highest level since the first quarter of 1994.
- Seasonally adjusted **light vehicle sales** rose to a 12.2 million unit annual rate in October, up 4.3% from September and 17.4% above the year-ago level. October light vehicle sales were at their highest level since September 2008. Sales of automobiles were 7.5% above October 2009, while light truck sales were up 28.2%.



- Seasonally adjusted **Michigan motor vehicle production** decreased 7.2% in October from the September level, but was 11.8% above the level in October 2009. Compared with one year ago, automobile production was down 37.7% while truck production increased 60.5%.
- **Michigan wage and salary employment** increased by 16,000 jobs in October from the September level, the first increase since July. Compared with October 2009, employment was down by 24,000 jobs, with government (20,000) and leisure/hospitality services (10,000) exhibiting the largest declines and manufacturing exhibiting an increase of 8,000 jobs.
- **Michigan personal income** grew 0.6% in the third quarter of 2010, slightly less than the national average of 0.7% and ranking 39th among the states. Transfer payments accounted for much of Michigan's ranking, with payments in Michigan rising 0.5% compared with the national average of 1.3%, primarily reflecting the largest decline in state unemployment benefits exhibited by any state. The decline in state unemployment benefits reduced personal income growth by 0.15 percentage point.



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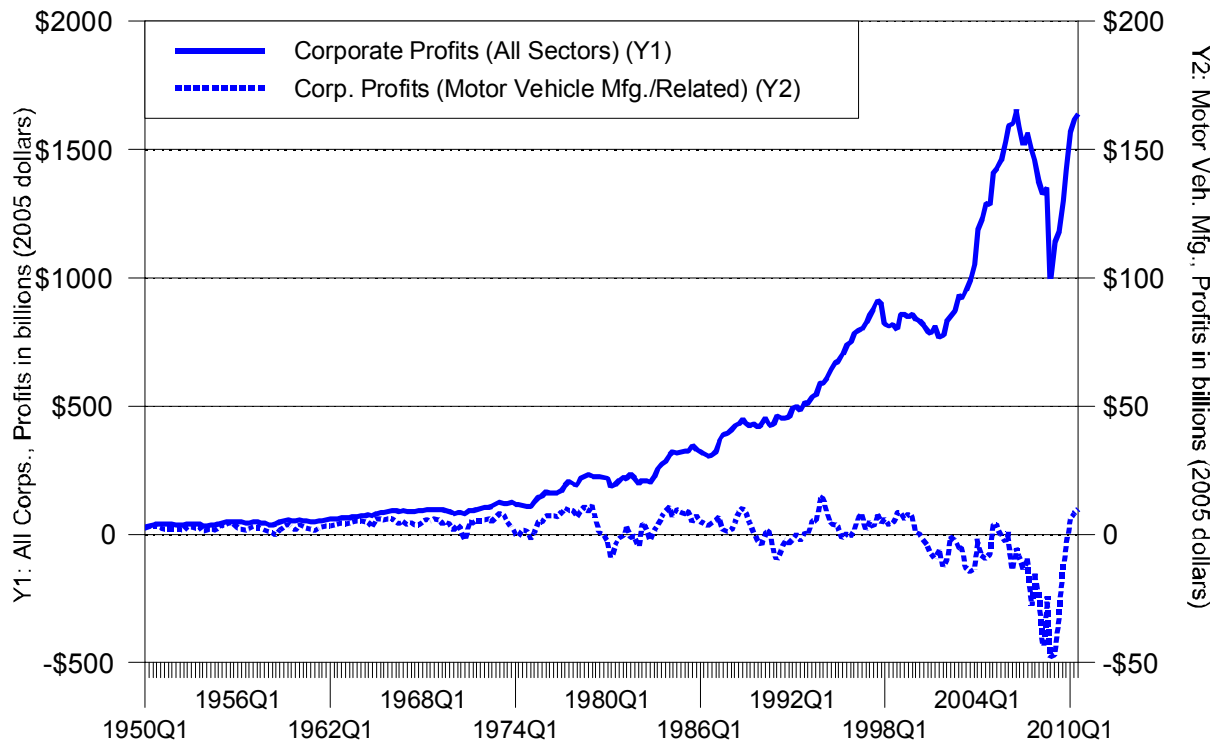
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Oct. 2010	Sept. 2010	Oct. 2009	<u>Change from Sept.</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	153,904	154,158	153,854	(254)	(0.2)%	50	0.0%
Employment	139,061	139,391	138,242	(330)	(0.2)	819	0.6
Unemployment	14,843	14,767	15,612	76	0.5	(769)	(4.9)
Unemployment Rate	9.6%	9.6%	10.1%	---	---	---	---

Michigan	Oct. 2010	Sept. 2010	Oct. 2009	<u>Change from Sept.</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	4,818	4,826	4,855	(8)	(0.2)%	(37)	(0.8)%
Employment	4,200	4,201	4,155	(2)	(0.0)	44	1.1
Unemployment	619	625	700	(6)	(1.0)	(81)	(11.6)
Unemployment Rate	12.8%	13.0%	14.4%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Inflation-Adjusted Corporate Profits Nearing Record Levels



MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Oct. 2010*	Sept. 2010	Oct. 2009	<u>Change from Sept.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Non-Agricultural Jobs	3,838	3,822	3,862	16	0.4%	(24)	(0.6)%
Goods Producing Industries	590	586	587	4	0.6	3	0.5
Mining and Logging	7	7	7	0	1.4	1	7.2
Construction	116	114	122	1	1.2	(6)	(4.9)
Manufacturing	467	464	458	2	0.5	8	1.8
Transportation Equipment	130	128	129	2	1.6	1	1.1
Service Producing Industries	3,249	3,236	3,275	12	0.4	(26)	(0.8)
Trade, Transportation & Utilities	711	707	712	5	0.7	(0)	(0.1)
Wholesale Trade	154	152	152	2	1.2	2	1.3
Retail Trade	449	447	449	2	0.5	(0)	(0.1)
Transportation & Utilities	109	108	111	1	0.6	(2)	(1.8)
Information	51	53	54	(2)	(3.2)	(3)	(5.6)
Financial Activities	183	182	190	2	0.9	(6)	(3.3)
Professional & Business Services	518	512	510	6	1.2	8	1.5
Education & Health Services	625	617	620	8	1.3	5	0.8
Leisure & Hospitality Services	368	375	378	(6)	(1.7)	(10)	(2.7)
Other Services	167	164	166	3	1.6	1	0.6
Government	625	628	645	(3)	(0.5)	(20)	(3.1)

Source: Bureau of Labor Statistics, U.S. Department of Labor

*Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Oct. 2010	Year Ago	Percent Change	Oct. 2010	Year Ago	Percent Change
Construction	40.6	39.8	2.0%	\$910.25	\$895.10	1.7%
Manufacturing	44.2	43.4	1.8	958.26	941.35	1.8
Durable Goods	45.4	45.1	0.7	1,064.18	1,064.36	(0.0)
Transportation Equipment Mfg.	45.1	45.0	0.2	1,285.80	1,264.05	1.7
Motor Vehicle Parts Mfg.	45.4	45.6	(0.4)	1,153.61	1,175.57	(1.9)
Nondurable Goods	40.8	38.9	4.9	654.02	609.17	7.4
Wholesale Trade	38.1	37.6	1.3	764.67	702.74	8.8
Retail Trade	29.3	28.9	1.4	381.78	369.63	3.3
Information	32.1	31.4	2.2	781.96	790.97	(1.1)
Financial Activities	36.4	36.0	1.1	745.11	771.48	(3.4)
Professional & Business Services	34.2	33.6	1.8	704.86	655.87	7.5
Health Care & Social Assistance	31.5	31.3	0.6	590.63	573.73	2.9
Leisure & Hospitality	22.6	23.0	(1.7)	223.97	217.58	2.9
Accommodation & Food Services	22.6	23.2	(2.6)	217.19	213.44	1.8

Source: Bureau of Labor Statistics, U.S. Department of Labor

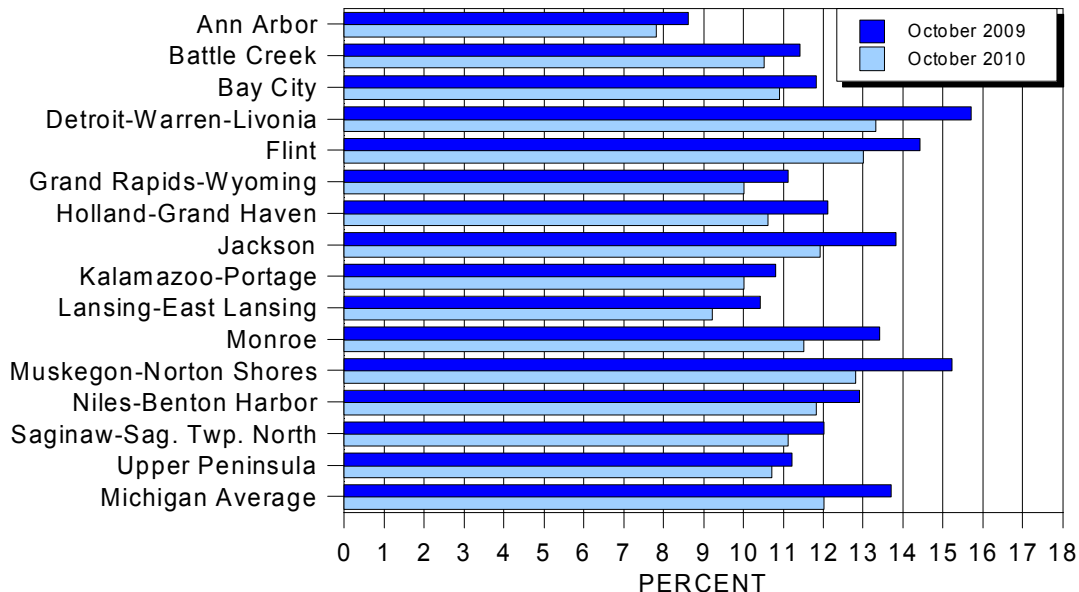
**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	Oct. 2010	Sept. 2010	Aug. 2010	Oct. 2009
Metropolitan Statistical Areas				
Ann Arbor	7.8%	8.4%	8.8%	8.6%
Battle Creek	10.5	11.1	11.3	11.4
Bay City	10.9	11.5	11.5	11.8
Detroit-Warren-Livonia	13.3	13.4	14.4	15.7
Flint	13.0	13.8	13.9	14.4
Grand Rapids-Wyoming	10.0	10.5	10.7	11.1
Holland-Grand Haven	10.6	11.1	11.3	12.1
Jackson	11.9	12.5	12.7	13.8
Kalamazoo-Portage	10.0	10.7	10.9	10.8
Lansing-East Lansing	9.2	9.9	10.1	10.4
Monroe	11.5	12.4	13.0	13.4
Muskegon-Norton Shores	12.8	13.2	13.4	15.2
Niles-Benton Harbor	11.8	12.3	12.5	12.9
Saginaw-Saginaw Twp North	11.1	11.6	11.8	12.0
Multi-County Areas				
Northeast Lower Michigan	13.5	13.4	13.5	14.4
Northwest Lower Michigan	12.3	12.4	12.2	13.0
Upper Peninsula	10.7	11.1	11.3	11.2
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	12.0	12.3	12.9	13.7

Source: Michigan Department of Energy, Labor, and Economic Growth

Michigan Regional Unemployment Rates

October 2010 and October 2009



Source: Michigan Department of Energy, Labor, and Economic Growth

MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)

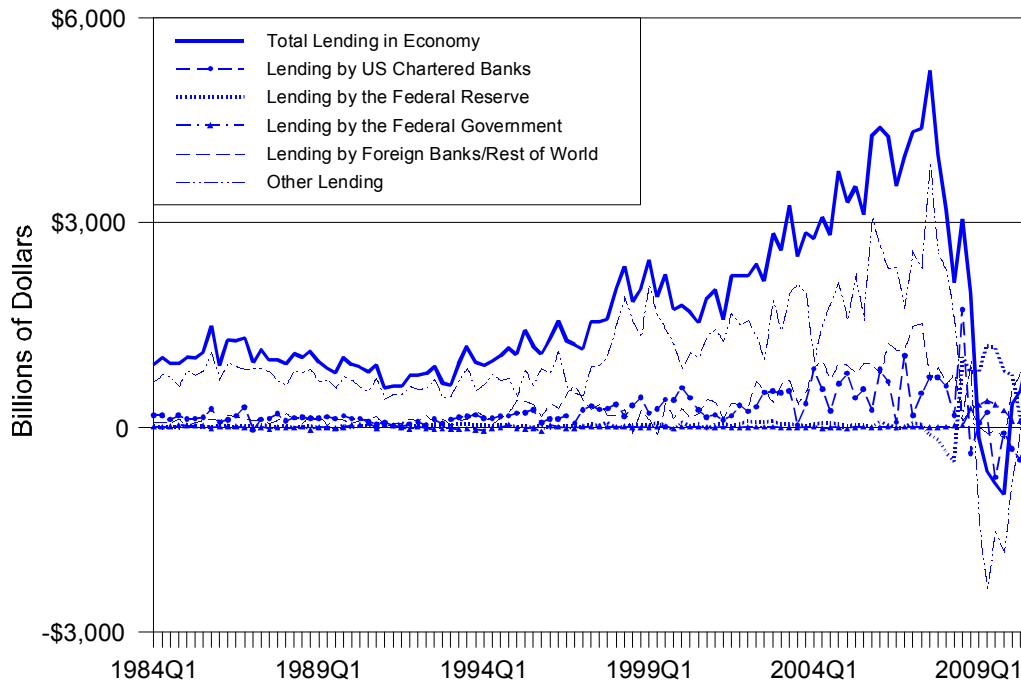
	Oct. 2010	Sept. 2010	Aug. 2010	July 2009	Year Ago Oct.	Percent Change From:	
						Oct./Sept.	Oct. 2010/ Oct. 2009
Motor Vehicle Sales¹⁾ (thousands of units, SAAR)							
Autos	5,810	5,828	5,648	5,610	5,407	(0.3)%	7.5%
Domestics	3,744	3,789	3,714	3,830	3,631	(1.2)	3.1
Imports	2,066	2,039	1,934	1,780	1,776	1.3	16.3
Import Share	35.6%	35.0%	34.2%	31.7%	32.8%	---	---
Light Trucks	6,401	5,881	5,788	5,917	4,993	8.8	28.2
Domestics	5,437	4,926	4,835	5,009	4,218	10.4	28.9
Imports	964	955	953	908	775	0.9	24.4
Import Share	15.1%	16.2%	16.5%	15.3%	15.5%	---	---
Subtotal: Light Vehicle Sales	12,211	11,709	11,436	11,527	10,400	4.3	17.4
Heavy Trucks	215	226	218	238	204	(4.9)	5.4
Total Vehicle Sales	12,426	11,935	11,654	11,765	10,604	4.1	17.2
U.S. Motor Vehicle Production¹⁾ (millions of units, SAAR)							
Autos	2,672	2,779	2,869	2,846	2,910	(3.8)	(8.2)
Michigan Motor Vehicle Production²⁾ (thousands of units, SAAR)							
Autos	455	590	524	754	730	(22.9)	(37.7)
Trucks	1,193	1,186	1,265	1,634	744	0.7	60.5
Total	1,648	1,775	1,789	2,389	1,474	(7.2)	11.8
Michigan Production as % of U.S.	22.6%	22.8%	22.0%	22.4%	22.2%	---	---
U.S. Motor Vehicle Inventories³⁾							
Total Car	1,156	1,100	1,054	1,047	996	5.1	16.0
Days Supply	67	56	50	51	63	19.6	6.3
Total Truck	1,174	1,103	1,011	970	881	6.4	33.2
Days Supply	65	59	53	52	63	10.2	3.2

SAAR = Seasonally Adjusted at Annual Rates.

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 3) Automotive News, Crain Communications, Inc. (ending inventory).

Liquidity Returning to Financial Markets

Fed. Reserve & Fed. Gov. Stimulus Gone, Net Increase Reflects Foreign Lending



Source: Federal Reserve Board of Governors

OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Index of Consumer Sentiment , monthly ¹⁾ (1996 Q1=100)	Oct.	67.7	68.2	70.6	(0.7)%	(4.1)%
Oil Prices ²⁾ (\$ per barrel, West Texas Intermediate Crude)	Oct.	\$81.90	\$75.31	\$75.82	8.8	8.0
Housing Starts, U.S. ³⁾ (thousands of units, SAAR)	Oct.	534	601	529	(11.1)	0.9
Retail Sales, U.S. ³⁾ (billions, seasonally adjusted)	Oct.	\$335.7	\$329.8	\$309.8	1.8	8.4
Industrial Production Index ⁴⁾ (1997=100, seasonally adjusted)	Oct.	93.5	93.7	88.6	(0.2)	5.5
Capacity Utilization ⁴⁾ (% of total capacity, seasonally adjusted)	Oct.	74.9	75.1	70.7	(0.2)	5.9
Consumer Price Index ⁵⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Oct.	218.9	218.4	216.4	2.8	1.2
Detroit (not seasonally adjusted)	Oct.	208.8	205.4	205.1	10.4	1.8
Interest Rates						
3-month Treasury Bill ⁴⁾	Oct.	0.13%	0.15%	0.08%	---	---
Corporate Aaa Bonds ⁴⁾	Oct.	4.68%	4.53%	5.15%	---	---
Real Gross Domestic Product ⁶⁾ (billions of 2005 \$, SAAR, Chain-Weighted)	2010 3rd Qtr.	\$13,278.5	\$13,194.9	\$12,860.8	2.6	3.2
Michigan Tax Collections ⁷⁾ (12 major taxes, millions)	Oct. 2010	\$2,550.3	\$2,023.1	\$2,604.7	NM	(2.1)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

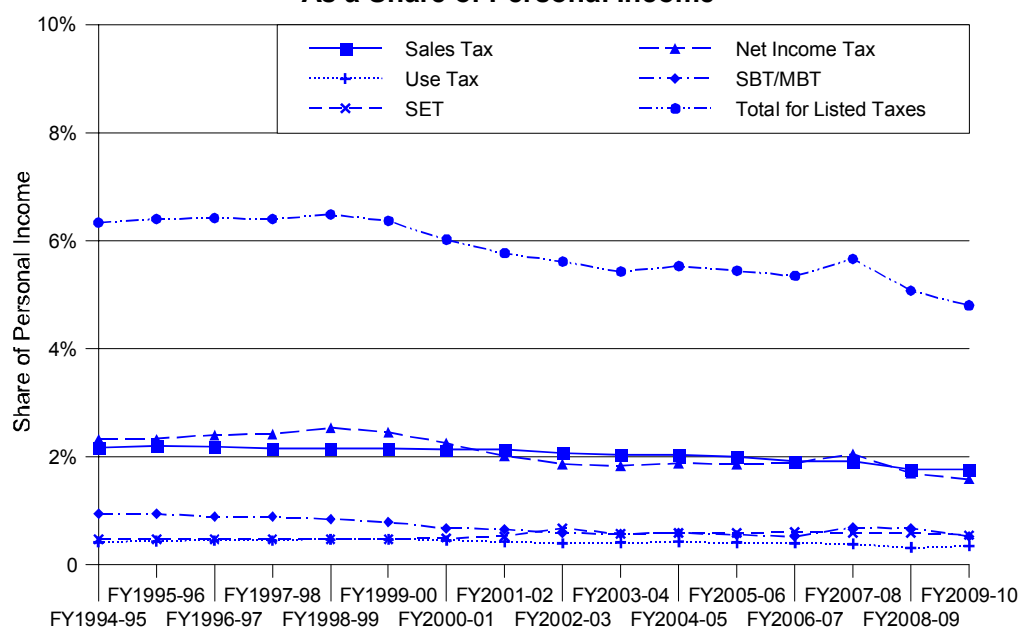
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Reuters/University of Michigan Surveys of Consumers. 2) Dow Jones & Company/Federal Reserve Bank of St. Louis.

3) U.S. Department of Commerce, Bureau of the Census. 4) Board of Governors of the Federal Reserve System. 5) U.S. Department of Labor, Bureau of Labor Statistics. 6) U.S. Department of Commerce, Bureau of Economic Analysis. 7) Michigan Department of Treasury and the Senate Fiscal Agency.

Revenue From Major Michigan Taxes

As a Share of Personal Income



Source: Comprehensive Annual Financial Report, Dept. of Technology, Management, and Budget, various years; January 2011 Consensus Revenue Estimates; & Bureau of Economic Analysis, U.S. Department of Commerce