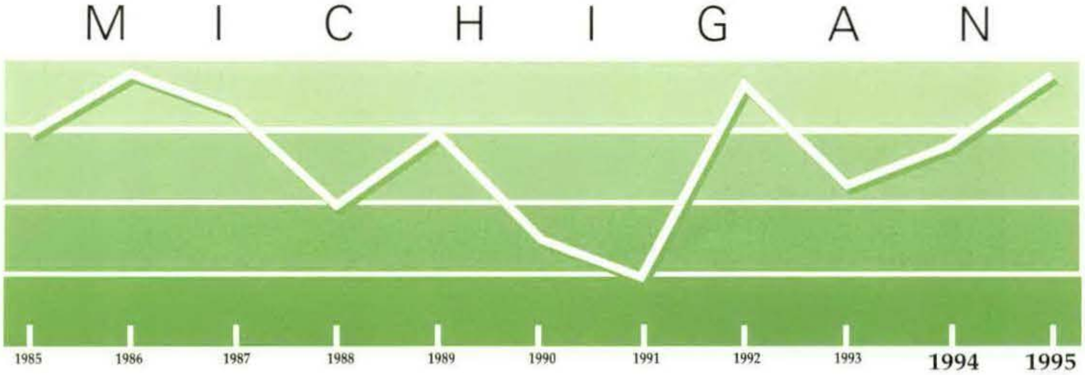
W E L C O M E T O

1994-95 Oakland County Outlook Forecast

OAKLAND COUNTY

M I C H I G A N



Hosts of the 1994-95 Oakland County Outlook Luncheon

OAKLAND
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NBD Bank, N.A.

S P O N S O R S:

Ameritech

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Dykema Gosset

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Etkin Equities Inc.

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Kelly Services Inc.

Maurice Cohen

Plante & Moran

Pontiac Osteopathic Hospital

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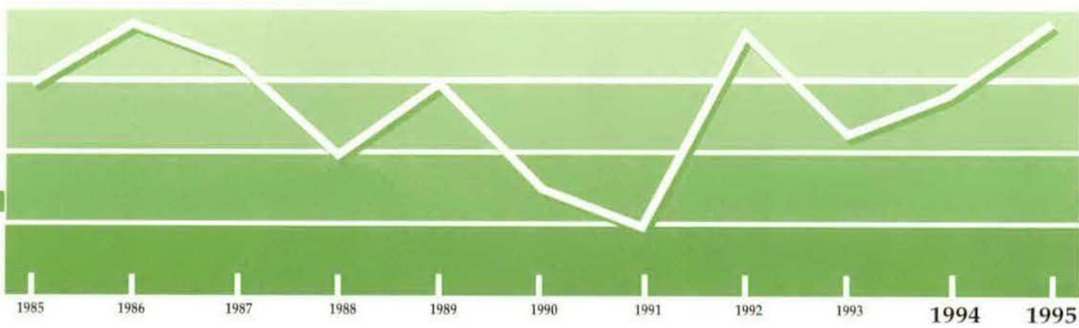


OAKLAND
COUNTY MICHIGAN

L. BROOKS PATTERSON, OAKLAND COUNTY EXECUTIVE

April 20, 1994

Greetings!

Oakland County is a special place where business and investment opportunities abound. Each year the University of Michigan Institute for Labor and Industrial Relations produces for us an economic forecast of employment growth during the next two years. We provide you with this unique and valuable information to advance your knowledge and understanding of the county economy and business opportunities.

Oakland County, together with NBD Bank, N.A., our long time partner and co-host of this event are joined by Oakland Community College, our new host for this project. This year we have added new partner organizations, the sponsors of the Outlook Luncheon, who have helped to underwrite production of this forecast and the luncheon.

As county executive it is my pleasure to provide this perspective on the economy of Oakland County which serves both as a map to where we've been as well as a guide to where we're heading. We are committed to working with businesses and education to create a vital and healthy economic future for our residents and the business community.

Sincerely,

L. Brooks Patterson
County Executive

EXECUTIVE OFFICE BUILDING • 1200 N TELEGRAPH RD DEPT 409 • PONTIAC MI 48341-0409 • (810) 858-0484 • FAX (810) 452-9215

Table 1

Forecast Record for 1993
(Forecast date: March 1993)

Industry	Forecast job gain, 1992 to 1993 (In thousands)	Estimated job gain, 1992 to 1993 (In thousands)
TOTAL PRIVATE JOBS	19	15
MANUFACTURING	1	1
Transportation equipment	-1	-1
Other manufacturing	2	2
NONMANUFACTURING	18	14
Retail trade	4	1
Services	9	10
Other nonmanufacturing	5	3

*Actual values for 1993 are estimated by ILIR as of April 1994.

Track Record Over the Years
(Negative numbers indicate that the forecast was too low)

	1986	1987	1988	1989	1990	1991	1992	1993
Percentage forecast error for total private jobs	+1.4	+0.7	-1.8	-1.9	+2.2	+3.9	-2.0	+0.5

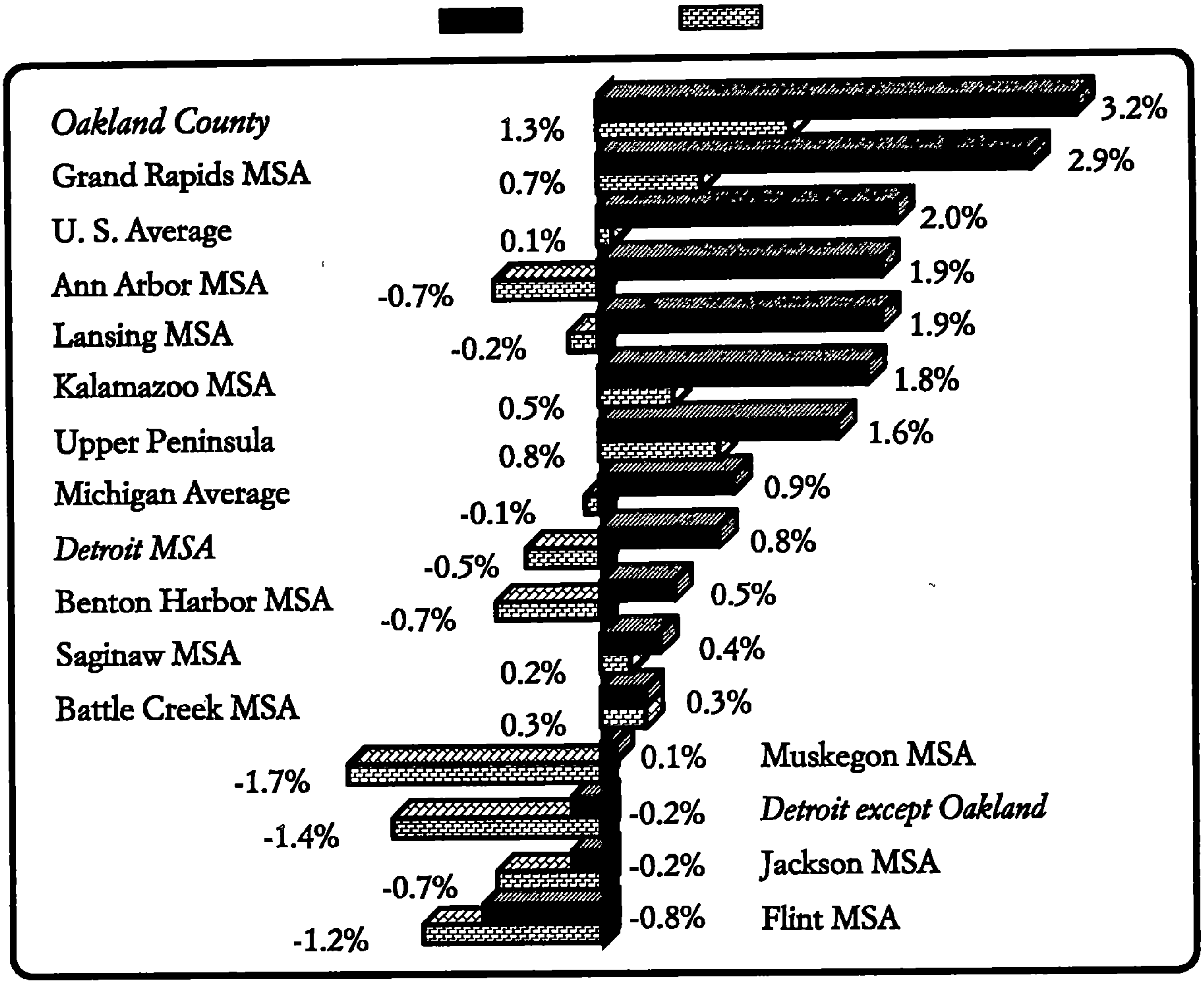
Average absolute forecast error over eight years: 1.8%

- Last year's forecast was remarkably accurate. The overall error of 0.5 percent was our smallest in eight years.
- We forecast that employment would grow by 19,000 jobs in 1993; we now estimate that it grew by 15,000 jobs.
- Almost all of the error was in retail trade, which did not grow as fast as we expected. All of the other industries were virtually on the mark. Retail trade still behind recovery.

Figure 1

Total Private Nonfarm Employment: Average Annual Growth Rate

1979 to 1990 and 1990 to 1993



Note: MSA stands for Metropolitan Statistical Area

Long term (1979 to 1990) - solid bars

- Oakland County is out front, with private job growth expanding at an average rate of 3.2 percent per year between 1979 and 1990.
- Oakland County and Grand Rapids are the only two urban areas in Michigan that exceed the U.S. growth rate, and both are far ahead of other local areas in the state.
- The decline in the rest of the Detroit metropolitan area is due to the poor performance of Wayne County.

Short term (1990 to 1993) - checkered bars

- Compared with the 1980s, Oakland's growth in the 1990s has been much slower, although it has picked up steam since the 1990-91 recession.
- Compared with other areas, Oakland's growth is much better--it is almost double that of the runner-up, and only a few of the others show any growth at all.

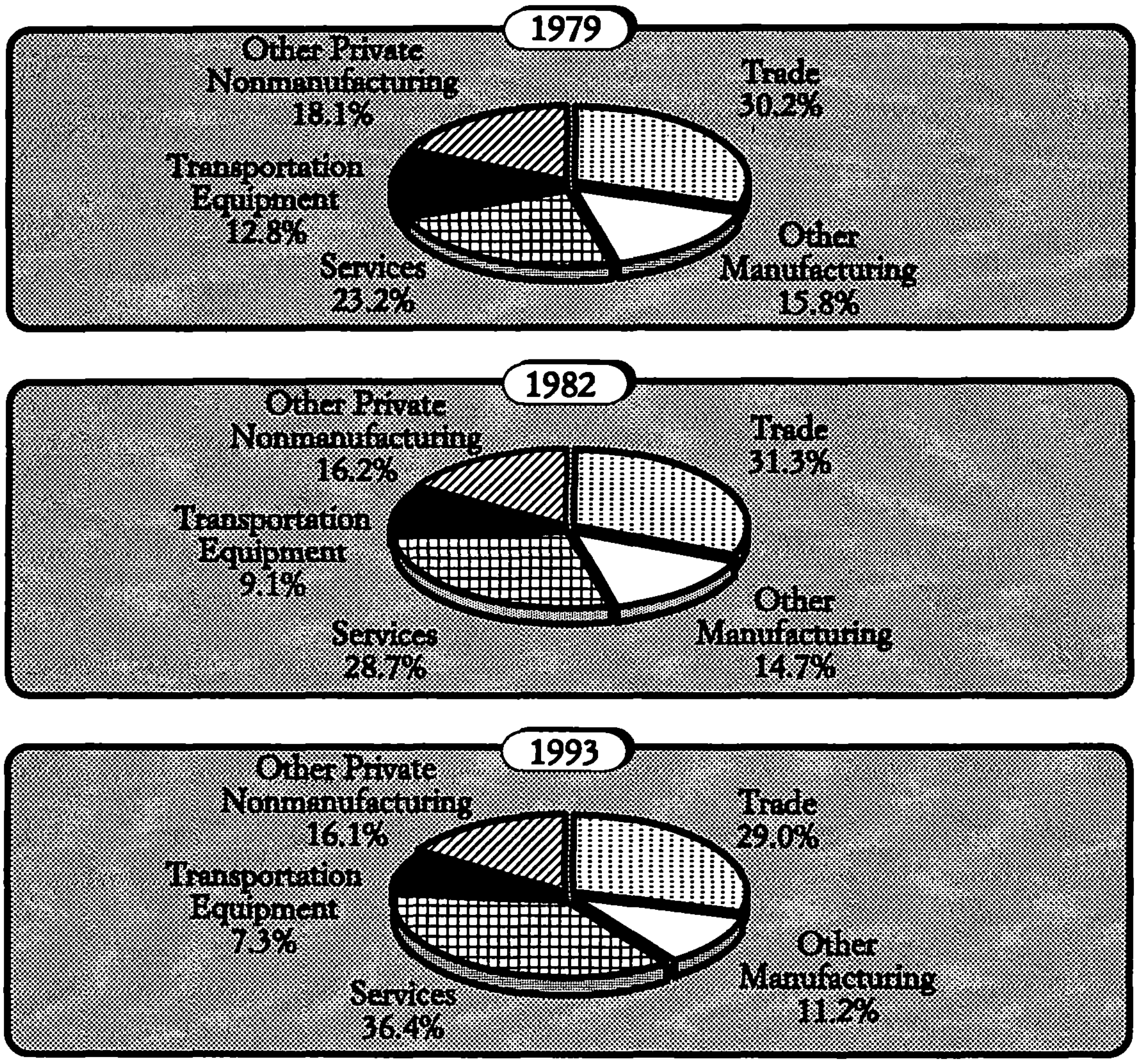
Transport
12.8 - 7.3%

Services
23.2% —
36.4%

Figure 2

Distribution of Private Sector Employment in Oakland County

1979, 1982, and 1993

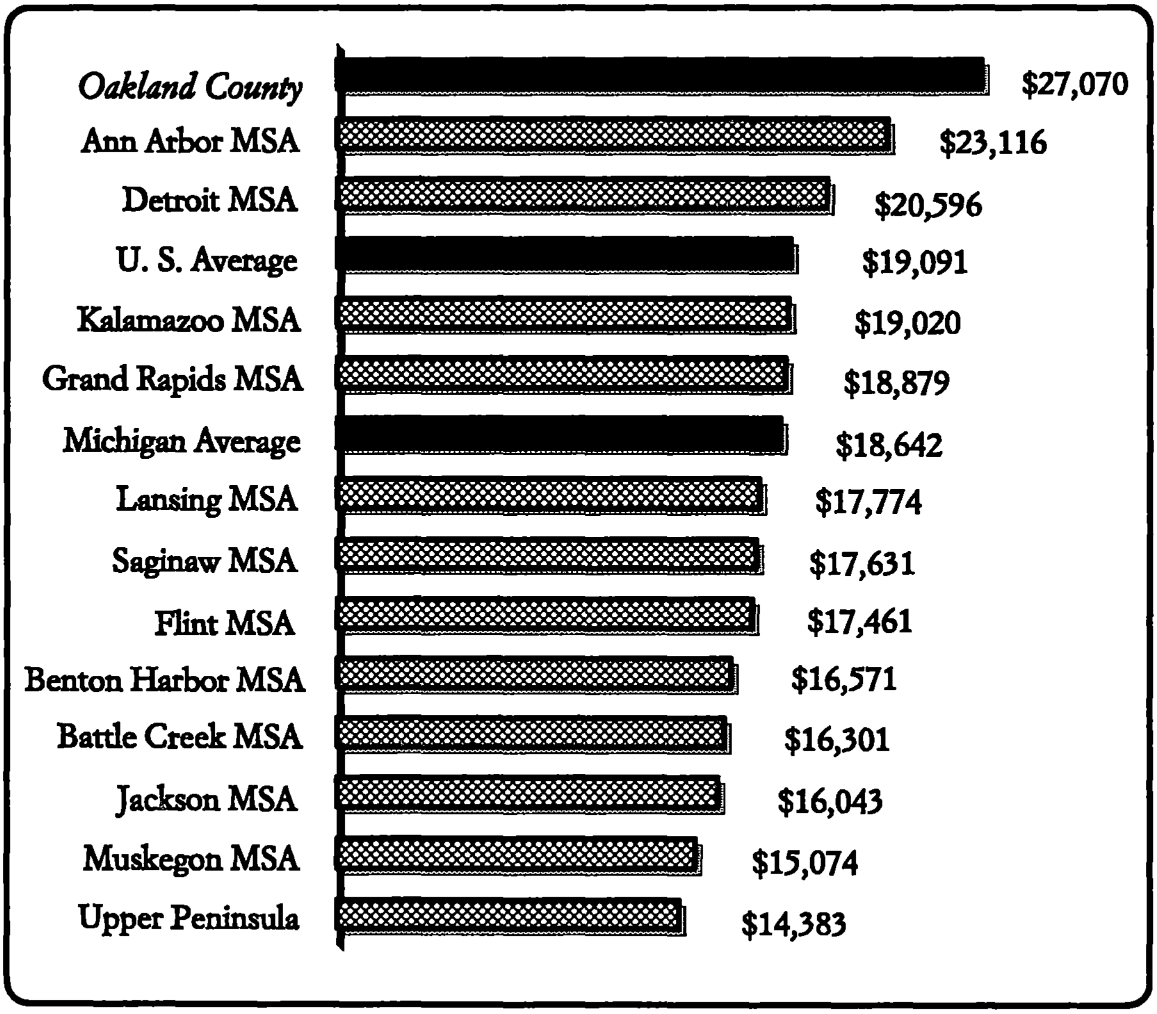


- There has been a major shift in employment, away from manufacturing and toward services. In 1979, manufacturing had more jobs than services; in 1993, services had almost twice as many as manufacturing.
- Although there was an absolute decline in motor vehicle employment, the major reason for manufacturing's loss of share is the rapid growth in private nonmanufacturing.
- Much of the gain in services was in business and professional services, which more than tripled in size between 1979 and 1993.
- This appears to be a fundamental change in the structure of the local economy, which should result in less sensitivity to business cycle downturns.

Figure 3

Personal Income Per Capita

1991



Note: MSA stands for Metropolitan Statistical Area

- Oakland County has by far the highest level of personal income per capita in Michigan, and is also well above the U.S. average.

- In fact, although it isn't shown here, Oakland ranks among the top two percent of the counties in the nation.

Table 2

Comparison of Economic Structure and Performance Across Selected Suburban Counties, 1979 to 1991

Suburban county (Central city indicated in bold)	Employment growth, 1979 to 1991: Total private nonfarm	Manufacturing	Private nonmanufacturing	Services	Personal income per capita: Dollars 1991	Growth 1979-91	Private nonfarm earnings/job: Dollars 1979	Dollars 1991	Growth 1979-91
Detroit, MI									
Oakland	40.6	-6.1	54.8	98.3	27,070	106.1	17,652	30,059	70.3
(Rank)	12	13	12	9	10	23	2	8	25
Macomb	30.7	4.2	49.6	78.3	20,877	100.3	18,174	29,556	62.6
Atlanta, GA									
De Kalb	48.8	-3.1	57.4	102.6	21,366	120.9	13,613	26,622	95.6
Baltimore, MD									
Baltimore	37.0	-20.3	53.8	88.2	23,836	120.3	14,302	24,661	72.4
Boston, MA									
Essex	17.3	-16.7	33.0	60.1	23,164	141.8	12,398	25,970	109.5
Middlesex	23.8	-17.9	40.5	59.3	25,878	152.7	13,969	31,083	122.5
Norfolk	28.3	-29.6	46.2	73.4	27,309	151.1	13,275	28,190	112.3
Chicago, IL									
Du Page	98.3	45.6	110.0	138.4	26,593	111.0	15,031	28,916	92.4
Los Angeles, CA									
Riverside	82.6	33.5	90.6	114.9	17,584	82.9	12,176	21,723	78.4
San Bernardino	67.0	27.9	74.8	99.2	15,979	80.0	13,346	23,715	77.7
Ventura	69.0	40.2	74.3	106.5	20,648	107.2	12,819	24,967	94.8
New York, NY									
Bergen, NJ	15.3	-28.0	31.5	57.8	32,557	155.5	15,396	32,321	109.9
Middlesex, NJ	30.5	-20.9	57.6	98.3	25,254	137.1	16,359	33,456	104.5
Monmouth, NJ	41.0	-25.7	53.6	69.8	27,326	157.7	12,497	26,017	108.2
Union, NJ	-6.6	-37.7	8.4	36.7	26,475	130.4	17,262	33,653	95.0
Nassau, NY	17.2	-31.3	26.4	49.3	31,596	144.3	14,017	28,180	101.0
Suffolk, NY	47.0	0.0	60.1	88.0	24,189	163.4	12,853	25,278	96.7
Westchester, NY	14.6	-28.4	25.4	40.3	33,511	150.1	15,345	30,960	101.8
Philadelphia, PA									
Bucks	36.2	-17.2	59.8	102.9	22,916	133.1	13,946	25,129	80.2
Delaware	22.7	-26.6	37.7	52.0	23,869	133.1	14,363	26,954	87.7
Montgomery	26.6	-16.4	43.5	68.1	29,885	139.3	15,017	29,104	93.8
San Francisco, CA									
Contra Costa	63.5	14.9	71.1	96.2	26,215	120.9	14,485	28,346	95.7
San Mateo	31.1	-0.3	36.1	63.6	28,993	122.7	16,640	31,814	91.2
Washington, DC									
Montgomery, MD	48.1	56.3	47.7	56.2	30,915	128.1	13,637	29,768	118.3
Prince Georges, MD	57.2	-1.5	61.4	100.7	19,993	119.9	12,610	24,963	98.0
Fairfax, VA	100.3	105.2	100.0	146.2	29,554	133.8	12,933	30,074	132.5
Addenda:									
United States	24.4	-11.6	35.6	60.4	19,091	111.7	14,136	25,130	77.8
Michigan	12.9	-21.9	30.3	52.4	18,642	95.6	17,163	26,604	55.0
Detroit Metro Area	7.7	-28.7	25.5	48.6	20,596	95.3	18,726	29,851	59.4
Wayne	-16.3	-48.0	1.7	14.5	17,662	80.6	19,768	30,992	56.8
Lapeer, Livingston, Monroe, St. Clair	43.6	30.2	48.0	84.8	18,263	105.4	14,276	22,378	56.8

Notes on Table 2

Comparison of Economic Structure and Performance
Across Selected Suburban Counties, 1979 to 1991

- For employment growth between 1979 and 1991, Oakland County falls in the middle among the twenty-six large suburban counties listed. It ranked twelfth in total private employment growth, thirteenth in manufacturing, twelfth in private nonmanufacturing, and ninth in services.

- Oakland County had the tenth-highest level of personal income per capita in 1991, but was twenty-third in income growth between 1979 and 1991.

- Oakland's strong showing in job growth is powered by a large increase in the private nonmanufacturing sector, especially the services industry.

- Rapid growth in the nonmanufacturing sector and especially in the services industry was typical for these large suburban counties. Only five counties fell below the national average in employment growth in the private nonmanufacturing sector.

- Thirteen of the twenty-six counties had a larger decline in manufacturing employment than the United States as a whole. Oakland declined less than the United States.

Table 3

Distribution of Private Nonfarm Earnings
Selected Suburban Counties, 1979 and 1991

Suburban county (Central city indicated in bold)	Distribution of earnings						Change 1979 to 1991		
	1979			1991					
	Manuf.	Business & prof. services	Other private nonmfg.	Manuf.	Business & prof. services	Other private nonmfg.	Manuf.	Business & prof. services	Other private nonmfg.
Detroit, MI									
Oakland	33.8	8.8	57.4	24.0	18.2	57.8	-9.8	9.4	0.4
Macomb	57.8	4.7	37.5	53.0	8.1	38.9	-4.8	3.4	1.4
Atlanta, GA									
De Kalb	19.0	8.1	72.8	12.5	14.5	73.0	-6.5	6.4	0.1
Baltimore, MD									
Baltimore	34.9	7.2	57.9	22.3	11.6	66.1	-12.6	4.4	8.2
Boston, MA									
Essex	44.0	3.2	52.8	34.3	8.9	56.8	-9.7	5.7	4.0
Middlesex	37.3	11.7	51.0	27.6	20.7	51.7	-9.7	9.0	0.7
Norfolk	32.1	6.6	61.3	19.0	12.4	68.5	-13.0	5.8	7.2
Chicago, IL									
Du Page	23.3	12.9	63.8	17.1	19.8	63.1	-6.1	6.8	-0.7
Los Angeles, CA									
Riverside	18.7	6.9	74.4	14.7	9.0	76.3	-4.0	2.1	1.9
San Bernardino	24.5	6.2	69.3	17.0	9.7	73.3	-7.5	3.5	4.0
Ventura	21.0	8.0	71.0	17.9	14.7	67.4	-3.1	6.7	-3.6
New York, NY									
Bergen, NJ	33.4	8.3	58.3	21.4	14.5	64.1	-12.0	6.2	5.8
Middlesex, NJ	42.8	5.4	51.9	27.7	13.8	58.5	-15.1	8.4	6.7
Monmouth, NJ	20.1	13.8	66.1	10.9	22.5	66.6	-9.2	8.6	0.6
Union, NJ	39.2	8.5	52.3	30.4	12.4	57.2	-8.8	3.9	4.9
Nassau, NY	20.4	9.5	70.1	12.6	12.8	74.5	-7.8	3.3	4.5
Suffolk, NY	27.8	7.4	64.8	20.8	11.3	67.9	-7.0	3.9	3.1
Westchester, NY	30.8	7.6	61.5	21.4	11.9	66.7	-9.4	4.3	5.2
Philadelphia, PA									
Bucks	42.4	4.7	52.9	26.8	11.1	62.1	-15.6	6.4	9.2
Delaware	36.5	5.5	58.0	23.6	10.2	66.1	-12.8	4.7	8.1
Montgomery	38.2	7.4	54.4	27.6	12.5	59.9	-10.6	5.1	5.5
San Francisco, CA									
Contra Costa	21.5	8.8	69.7	16.3	13.4	70.3	-5.2	4.6	0.6
San Mateo	17.0	7.7	75.3	15.1	14.2	70.7	-1.9	6.5	-4.6
Washington, DC									
Montgomery, MD	5.9	26.1	68.0	6.2	28.8	65.1	0.3	2.7	-3.0
Prince Georges, MD	9.7	8.6	81.7	6.2	16.3	77.5	-3.5	7.7	-4.2
Fairfax, VA	5.6	22.9	71.5	6.0	30.8	63.2	0.4	7.9	-8.3
Addenda:									
United States	30.7	6.0	63.3	23.2	10.3	66.5	-7.5	4.3	3.2
Michigan	47.9	4.4	47.7	37.3	9.0	53.7	-10.6	4.6	6.0
Detroit Metro Area	47.5	5.0	47.5	34.8	10.8	54.4	-12.7	5.8	6.9
Wayne	51.8	3.6	44.5	36.8	6.7	56.5	-15.0	3.0	12.0
Lapeer, Livingston, Monroe, St. Clair	34.0	3.8	62.2	34.1	6.1	59.8	0.1	2.3	-2.4

Notes on Table 3

Distribution of Private Nonfarm Earnings
Selected Suburban Counties, 1979 and 1991

- Oakland County's economic performance compares favorably with its peers. The main force behind its rapid employment growth has been business and professional services.

- The manufacturing sector accounted for about one-third of total private earnings in Oakland County in 1979, and a little less than one-quarter of earnings in 1991. This was only slightly more than in the United States as a whole.

- Between 1979 and 1991, the manufacturing sector's share of total private earnings decreased in twenty-four of the twenty-six counties, the exceptions being two counties in the Washington, D.C., area that have very little manufacturing activity.

- Business and professional services increased their share of total private earnings over the period in all twenty-six counties, and the largest increase occurred in Oakland County.

- By 1991, Oakland County had the sixth-highest share of total private earnings in business and professional services (18.2 percent) and Macomb County had the smallest (8.1 percent). Business and professional services accounted for only 6.7 percent of earnings in Wayne County.

Table 4

U of M. Research Seminar on Quantitative Economics

Summary of RSQE National Outlook, March 1994

	Actual		RSQE Forecast	
	1992	1993	1994	1995
Real GDP (% change)	2.6	3.0	3.9	2.0
Inflation (consumption deflator, % change)	3.3	2.7	2.3	3.6
Light vehicle sales (millions of units)	12.8	13.9	15.6	15.5
Auto sales (millions of units)	8.4	8.7	9.4	9.4
Light truck sales (millions of units)	4.4	5.2	6.2	6.1
Private housing starts (thousands)	1,203	1,290	1,385	1,397
3-month treasury bill rate (%)	3.4	3.0	3.5	3.6
30-year treasury bond rate (%)	7.7	6.6	6.8	7.0
Civilian unemployment rate (%)	7.4	6.8	6.3	6.2

- There was vigorous output growth (inflation-adjusted GDP) in the U.S. economy in the second half of 1993; robust growth is forecast to continue into the first half of 1994.

- The expansion is expected to slow down beyond mid-1994, a consequence of more restrictive monetary policy to keep inflation in check, and more restrictive fiscal policy to reduce the federal budget deficit.

- Inflation remains well under control throughout the next two years. Consumer prices are forecast to increase by 2.3 percent for 1994 and 3.6 percent for 1995.

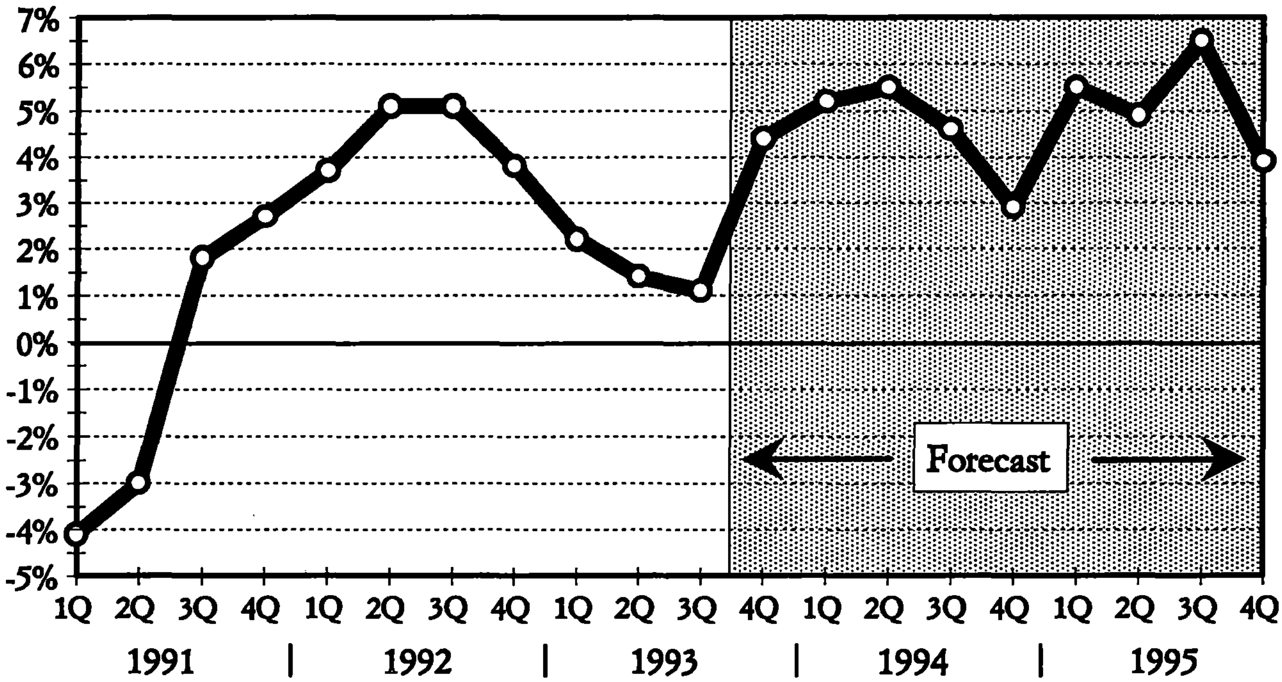
- Economic growth during 1994 brings the average unemployment rate down from 6.5 percent in the first quarter to 6.2 percent by the second half of the year. The sluggish growth forecast for much of 1995 keeps the unemployment rate in the 6.2 percent range throughout the year.

- Light vehicle sales have surged recently, and are forecast to continue rising, to 15.7 million vehicles by the second half of 1994. Sales then drift down to a still-healthy pace of 15.4 million units by the end of 1995. Sales total 15.6 million for 1994 and 15.5 million for 1995, following sales of 13.9 million for 1993. % of domestic increased.

Figure 4

Annual Growth Rate of Private Nonfarm Employment

Oakland County, 1991 1st Quarter to 1995 4th Quarter



- The local job market rebounded from the 1990-91 recession, with growth turning positive in the third quarter of 1991 and then accelerating through the second quarter of 1992, to an annual rate of more than 5 percent.

- The recovery then decelerated through the third quarter of 1993, to an annual rate of just over one percent. GM Jobs Bank Funds exhausted.

- We are forecasting that job growth will accelerate again, at an average rate of about 5 percent during the year between third quarter 1993 and third quarter 1994. It then grows by another 5 percent during the next year, before falling off to about 4 percent at the end of 1995.

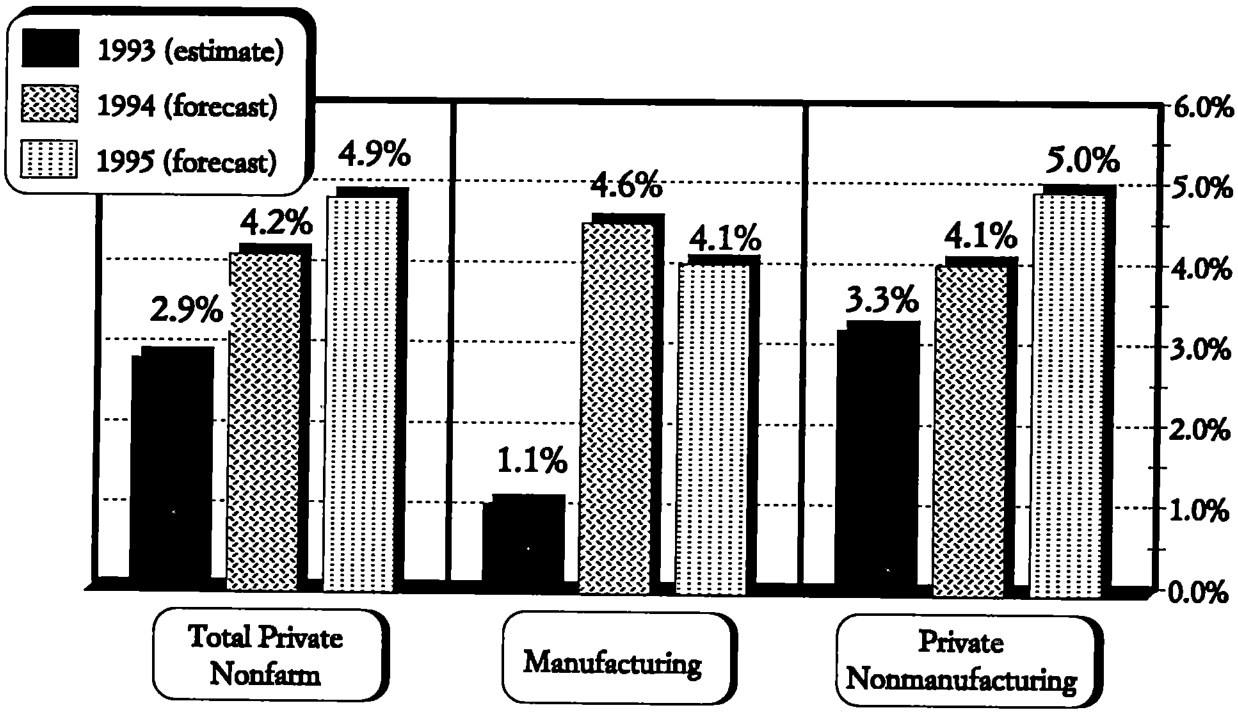
- There is a dip at the end of 1994, owing to the anticipated closing of the Pontiac West assembly plant, but that is only temporary. We expect that some of the laid-off workers will be transferred to the Pontiac East plant in early 1995, and that most of those remaining will enter the Jobs Bank program in the summer of 1995.

- The surge in the third quarter of 1995 comes from the Jobs Bank additions and the opening of the Chrysler headquarters in Auburn Hills.

Figure 5

Oakland County Forecast for 1994 and 1995

Growth in Private Nonfarm Jobs by Sector



- Total private nonfarm employment is forecast to show a steady improvement over the 2.9 percent increase in 1993, growing by 4.2 percent in 1994 and 4.9 percent in 1995.

* - What is noteworthy about this growth is that it is fairly evenly distributed between manufacturing and nonmanufacturing. It has been more common in recent years for nonmanufacturing to contribute the lion's share to any growth in employment. 1994 Auto sales.
  1995 White collar – Chrysler headquarters. Guardian. GM. engineers

- Manufacturing growth in 1994 is dominated by increases in motor vehicle production and business spending on machinery and equipment. In 1995, most of the growth in manufacturing is due to increases in white-collar employment at corporate headquarters and engineering facilities.

Table 5

ILIR Forecast:
Private Employment in Oakland County
(Thousands of persons)

Recent manufacturing.
but white collar jobs.

Industry	Estimate 1993	Forecast 1994	Forecast 1995
TOTAL PRIVATE JOBS	561	585	613
(Annual percentage change)	(2.9)	(4.2)	(4.9)
MANUFACTURING	104	109	113
Transportation equipment	41	43	46
Other manufacturing	63	66	67
NONMANUFACTURING	457	476	500
Construction	22	24	25
Transportation and utilities	15	15	15
Wholesale trade	46	47	50
Retail trade	117	121	126
Eating and drinking	41	43	45
Other retail	76	78	81
Finance	49	51	53
Services	204	213	226
Business and professional	100	107	117
Health	54	54	55
Other services	50	52	54
Other nonmanufacturing	4	5	5

Average wage 1992 31,300 higher than average non-manufacturing private sector.

Notes on Table 5

ILIR Forecast:
Private Employment in Oakland County

- We expect Oakland County to gain 24,000 jobs in 1994 and 28,000 in 1995, following an increase of 15,000 in 1993.

- The manufacturing sector is expected to participate fully in the gain, adding 5,000 jobs this year and 4,000 jobs in 1995, a marked improvement over its increase of 1,000 in 1993. These gains would put the manufacturing sector above its 1985 peak employment levels.

- Over the two-year period, the motor vehicle industry (transportation equipment) will gain about 5,000 jobs. Some of these are production jobs, but most come from growth in headquarters and engineering activity. Oakland County's ability to attract these high-wage, high-skill jobs is why it has done so well during the 1980s, and why we believe it will continue to do well in the 1990s.

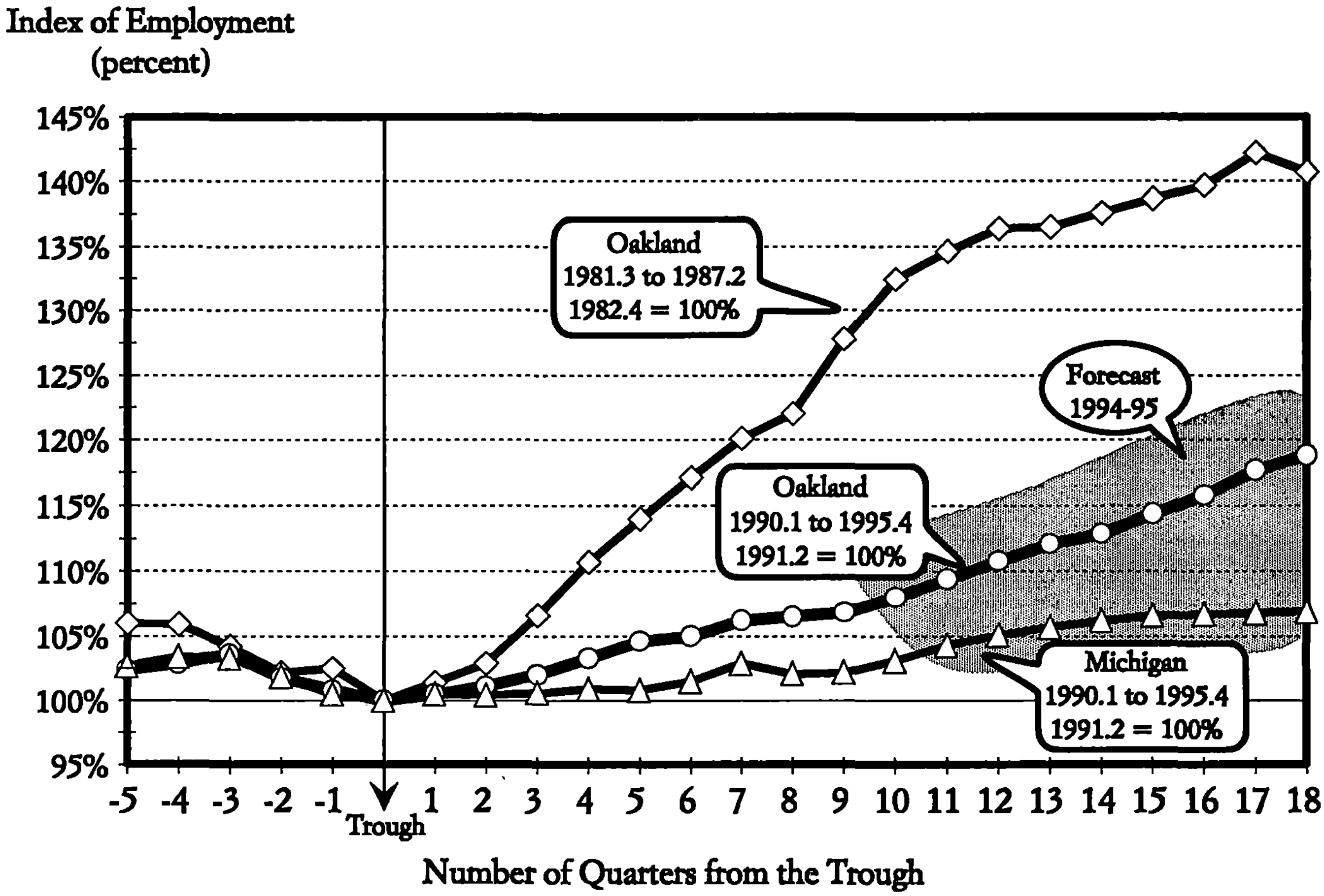
- We project that most of the private nonmanufacturing industries will have healthy growth over the next two years, with two exceptions: transportation and utilities, which is expected to remain flat; and health services, which we believe will increase by only 1,000 jobs.

- The weakness in the transportation and utilities sector results from continued retrenching in the telecommunications industry. By 1995, we expect this industry to employ less than half the number of people it employed in 1985. The slow growth in medical services can be traced to cost-cutting measures that we believe will be implemented at local hospitals.

- The strong employment growth projected in most other industries is led by business and professional services, which is forecast to gain 7,000 jobs in 1994 and 10,000 jobs in 1995. By 1995, this industry will employ about 117,000 people, whereas in 1979 it employed only 33,000. In 1992, the average wage in this industry in Oakland County was $31,335; for the entire private sector it was $30,847.

Figure 6

A Comparison of the Past Two Recoveries in Oakland County



- In the first two and a half years of the current recovery, employment in Oakland County grew at a much slower rate than it did at the same stage of the previous recovery. From the end of 1982 to mid-1985, employment grew at an impressive but unsustainable annual rate of about 12 percent; from mid-1991 to the end of 1993 the rate of growth was roughly 3 percent.

- In our forecast, Oakland County's employment grows over the next two years at about a 5 percent annual rate, whereas at that stage of the mid-1980s recovery, the county's economy grew at only a 3 percent annual rate.

- The county economy forecast is for continued growth, at a rate almost three times as fast as the state as a whole. In fact, Oakland accounts for 47 percent of private sector job growth in Michigan over the next two years, despite having only a 17 percent share of private employment.

56% of total job creation in Mich. in Oakland Co.
13% of population.
17% now of private sector employment.

Could be wrong for following reasons.

1. Interest rates in US. – downside – are increasing.
2. Auto sales may do better 1995 – pent-up demand for autos 16 million
3. Cost containment to hold down health care growth –
4. Insurance industry could do better.
5. Retail trade lagging behind.

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L. Brooks Patterson
County Executive

Economic Outlook Forecast
1994-95