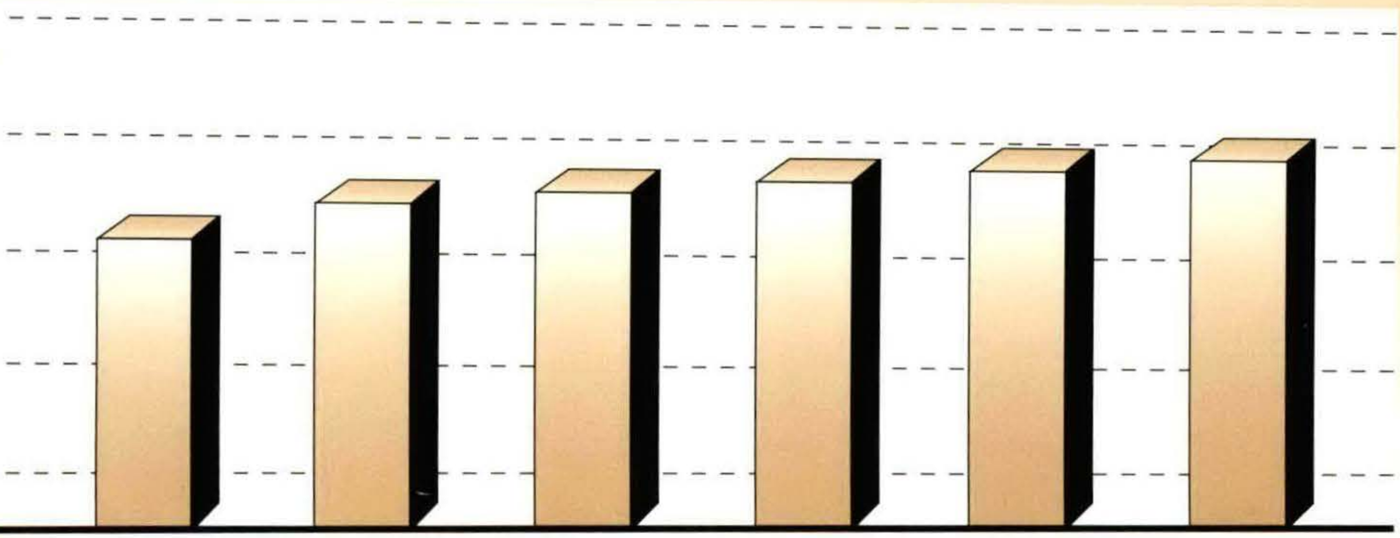
W E L C O M E T O

1995-96 Oakland County Outlook Forecast

OAKLAND COUNTY
M I C H I G A N



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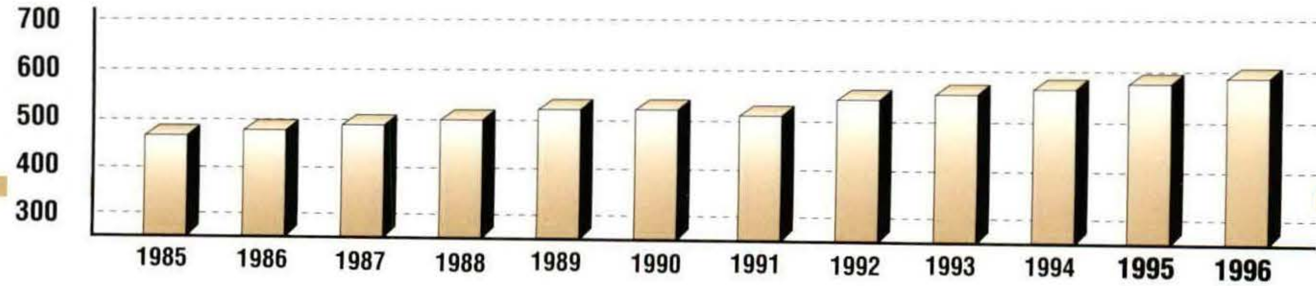


OAKLAND
COUNTY MICHIGAN
L. BROOKS PATTERSON, OAKLAND COUNTY EXECUTIVE

April 21, 1995

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 and Oakland Community College, provide major funding for this project. Corporations in Oakland County sponsor the Outlook Luncheon and help 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 of 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 1994
(Forecast date: March 1994)

Industry	Forecast job gain, 1993 to 1994 (In thousands)	Estimated job gain, 1993 to 1994* (In thousands)
TOTAL PRIVATE JOBS	24	31
MANUFACTURING	5	9
Motor vehicles	2	3
Other manufacturing	3	6
NONMANUFACTURING	19	22
Construction	2	2
Transportation and utilities	0	2
Wholesale trade	1	1
Retail trade	4	3
Finance	2	2
Services	9	12
Business and professional	7	9
Health	0	2
Other services	2	1
Other nonmanufacturing	1	0

*Actual values for 1994 are estimated by ILIR as of April 1995.

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

Year of forecast	Percentage forecast error for total private jobs
1986	+1.4
1987	+0.7
1988	-1.8
1989	-1.9
1990	+2.2
1991	+3.9
1992	-2.0
1993	+0.5
1994	-1.3

Average absolute forecast error over nine years: 1.7%

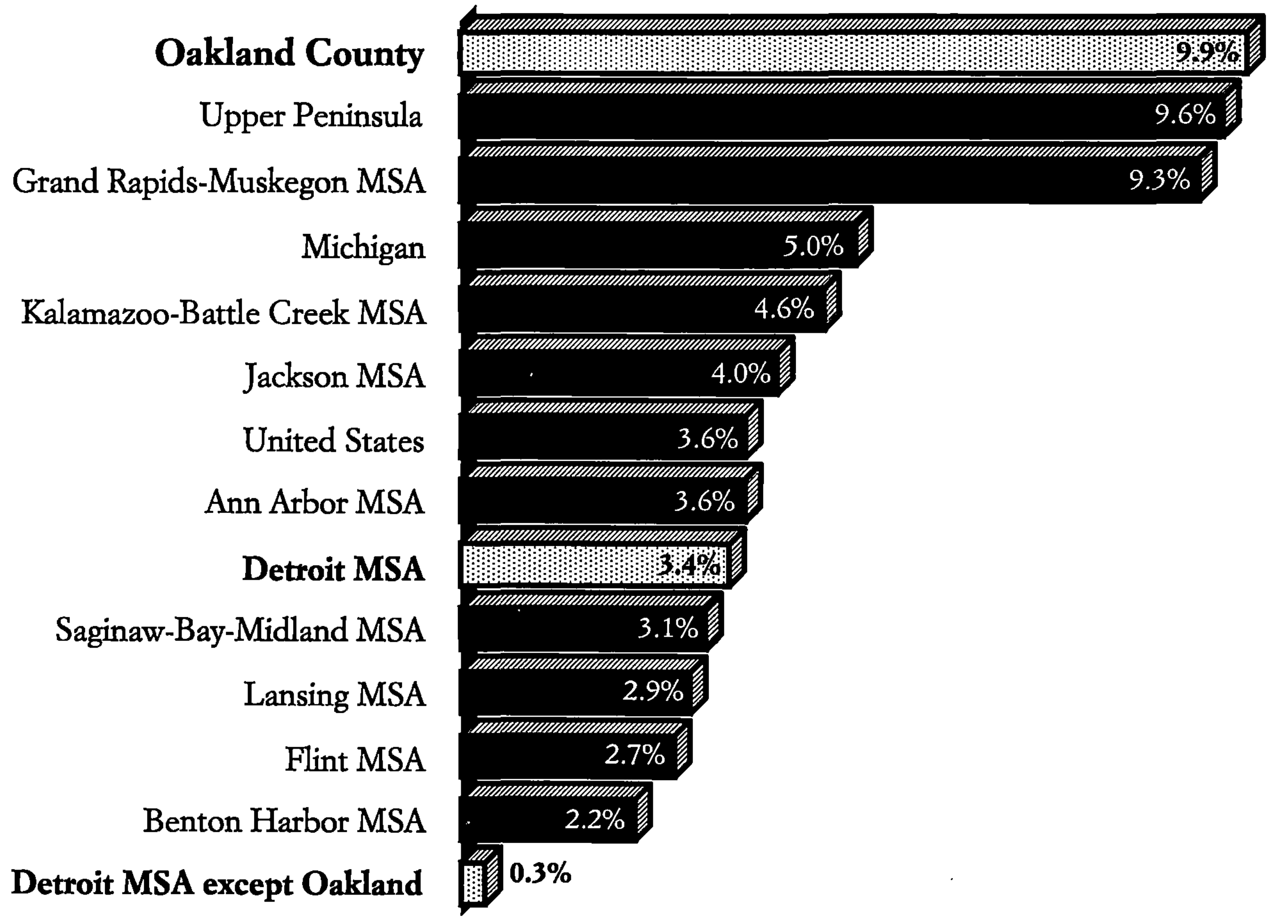
Notes on Table 1

Forecast Record for 1994
(Forecast date: March 1994)

- Last year's forecast was one of our most accurate. The overall error of 1.3 percent was our third-best performance in nine years. The best overall forecast was the one for 1993, and the second-best was the one for 1987.
- Job growth in Oakland County last year was the strongest it's been since 1985. We anticipated that job growth would be very strong, but the boom that occurred was beyond all expectations. We forecast a gain of 24,000 jobs; the actual gain is now estimated at 31,000.
- The biggest error was in the manufacturing sector. We predicted a solid gain of 5,000 jobs, but the actual gain was 9,000—the greatest gain in manufacturing jobs in almost a decade.
- The main source of our error in manufacturing was the unanticipated strength in the industrial machinery and equipment industry, which grew dramatically in response to the boom in capital investment.

Figure 1

Percentage Change in Total Private Nonfarm Employment
1990 to 1994



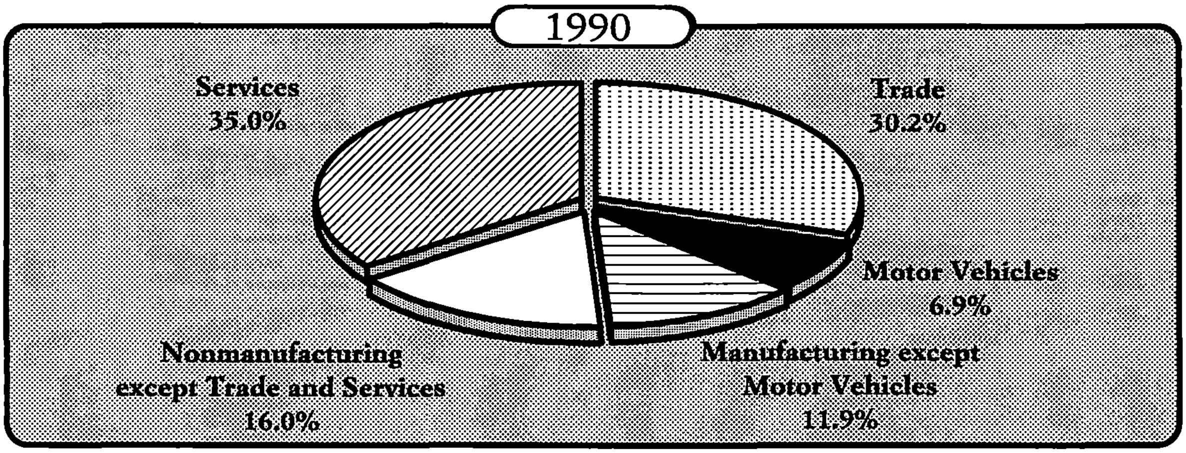
Note: MSA stands for Metropolitan Statistical Area

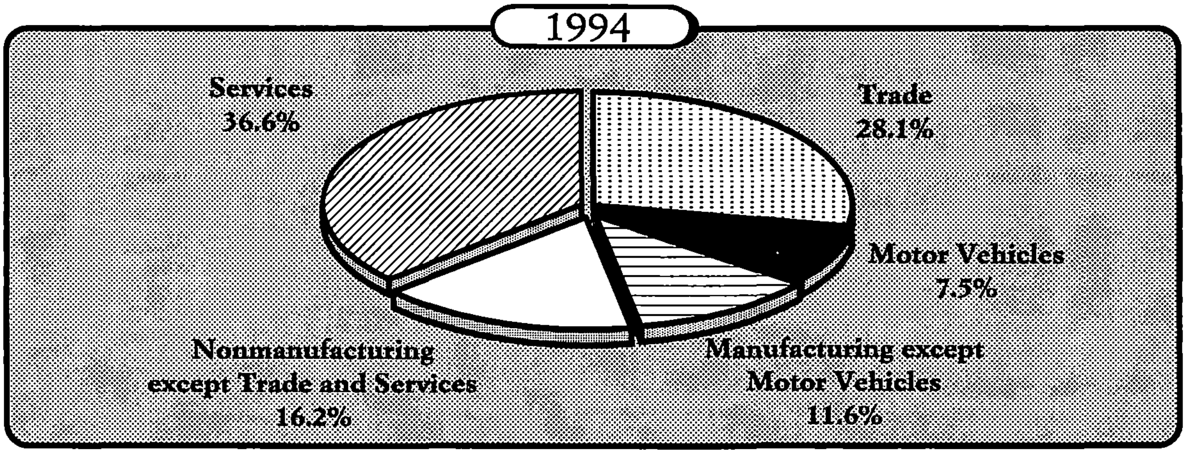
- Oakland County is in the lead, with private sector job growth of 9.9 percent between 1990 and 1994.
- The weak performance in the rest of the Detroit metropolitan area during the 1990s is due to a decline in private sector employment in Wayne County.
- Over the 1990s, Oakland County grew twice as fast as the state and nearly three times as fast as the nation.

Figure 2

Distribution of Private Sector Employment in Oakland County

1990 and 1994





- There has been a shift in employment over the 1990s, away from trade and toward services and motor vehicle manufacturing. This is a departure from the trend of the 1980s, when the manufacturing sector lost ground to the service sector and trade maintained its share.

- The gain in motor vehicles reflects the cyclical rebound in auto sales and the expansion of research and headquarters activity in the county.

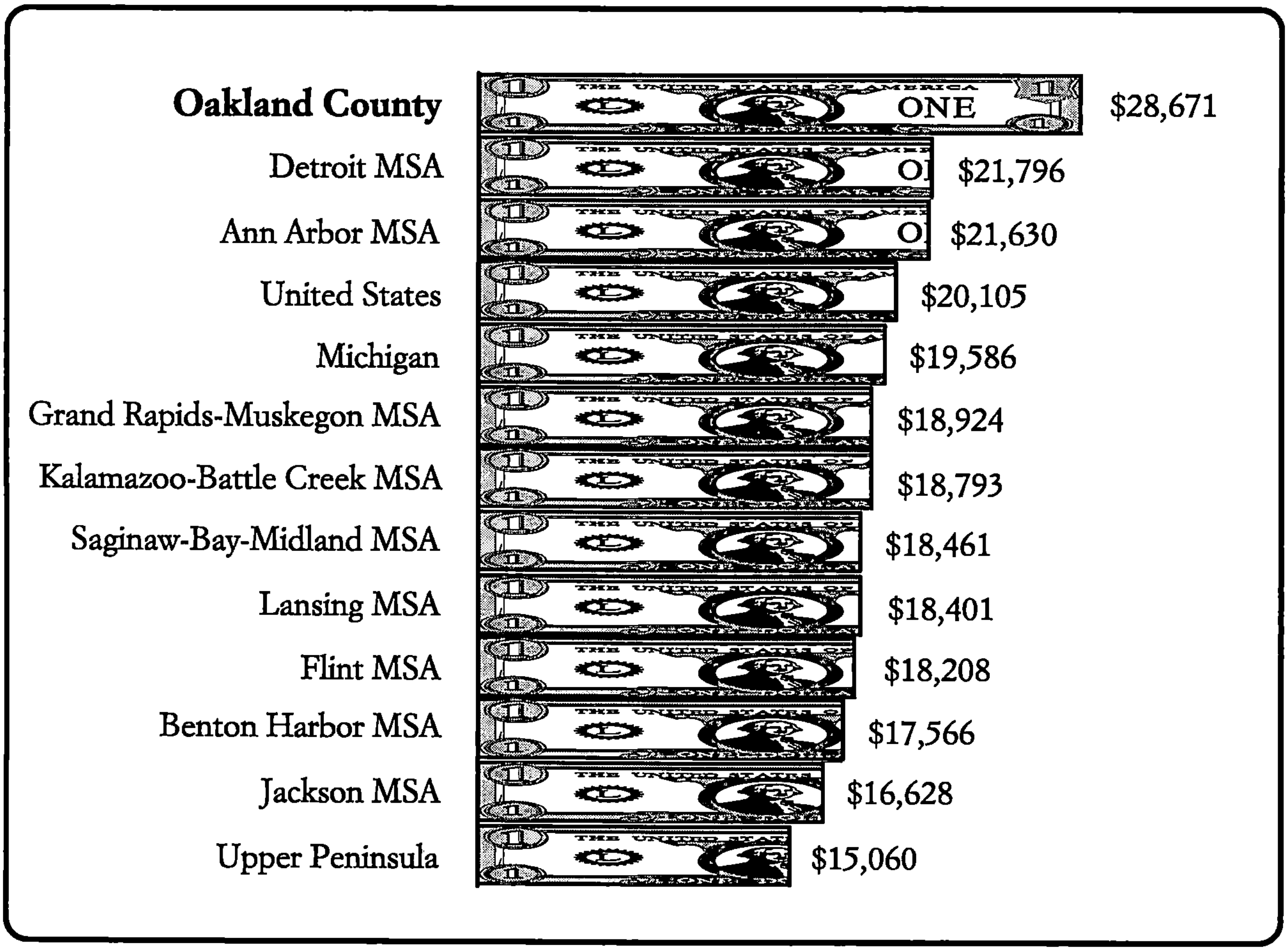
- The gain in services was broad-based, excepting only hotels, automotive repair, and miscellaneous repair services.

- The trade sector lost ground relative to the other industries because retail trade employment has been stagnant over the 1990s.

Figure 3

Personal Income per Capita

1992



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

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

Table 2

Comparison of Economic Structure and Performance Across Selected Suburban Counties, 1979 to 1992

Suburban county (Central city indicated in bold)	Employment growth, 1979 to 1992: Total private nonfarm	Manufacturing	Private nonmanufacturing	Services	Personal income per capita: Dollars 1992	Growth 1979-92	Private nonfarm earnings/job: Dollars 1979	Dollars 1992	Growth 1979-92
Detroit, MI									
Oakland	45.8	-3.6	60.8	103.8	28,671	118.3	17,652	31,457	78.2
(Rank)	9	10	10	11	9	23	2	10	25
Macomb	33.3	4.9	53.5	84.3	21,920	110.3	18,174	30,473	67.7
Atlanta, GA									
De Kalb	45.0	-6.7	53.6	106.0	22,542	133.1	13,613	28,418	108.8
Baltimore, MD									
Baltimore	36.6	-24.6	54.6	87.4	24,794	129.1	14,302	25,726	79.9
Boston, MA									
Essex	14.7	-18.9	30.2	63.5	23,233	142.6	12,398	27,467	121.5
Middlesex	21.5	-23.5	39.6	67.4	27,510	168.6	13,969	32,730	134.3
Norfolk	23.2	-33.9	40.9	75.6	28,270	160.0	13,275	30,227	127.7
Chicago, IL									
Du Page	100.1	44.0	112.6	141.7	29,587	134.7	15,031	32,779	118.1
Los Angeles, CA									
Riverside	90.4	36.8	99.2	139.5	17,682	83.9	12,176	22,128	81.7
San Bernardino	79.5	31.8	88.9	129.2	16,466	85.5	13,346	23,992	79.8
Ventura	75.6	41.0	82.1	134.4	21,977	120.6	12,819	25,332	97.6
New York, NY									
Bergen, NJ	11.9	-34.4	29.1	60.5	33,815	165.3	15,396	36,823	139.2
Middlesex, NJ	33.3	-25.4	64.3	110.5	25,369	138.2	16,359	34,624	111.7
Monmouth, NJ	40.5	-36.7	55.1	76.4	27,226	156.8	12,497	28,239	126.0
Union, NJ	-7.3	-41.8	9.5	37.4	27,910	142.9	17,262	35,331	104.7
Nassau, NY	8.8	-39.9	18.1	41.3	32,270	149.5	14,017	31,299	123.3
Suffolk, NY	40.5	-4.9	53.2	88.7	23,769	158.8	12,853	27,159	111.3
Westchester, NY	11.0	-34.2	22.4	41.7	34,843	160.1	15,345	33,628	119.1
Philadelphia, PA									
Bucks	39.1	-24.4	67.1	115.8	23,699	141.0	13,946	26,059	86.9
Delaware	22.7	-29.5	38.6	59.4	24,513	139.4	14,363	28,951	101.6
Montgomery	26.1	-18.5	43.8	70.2	31,747	154.2	15,017	31,915	112.5
San Francisco, CA									
Contra Costa	64.6	9.4	73.2	109.5	26,491	123.2	14,485	30,468	110.4
San Mateo	29.7	-7.6	35.7	71.5	29,918	129.8	16,640	33,797	103.1
Washington, DC									
Montgomery, MD	59.9	46.1	60.5	79.2	33,614	148.1	13,637	30,298	122.2
Prince Georges, MD	60.0	1.7	64.2	114.5	21,373	135.1	12,610	25,530	102.5
Fairfax, VA	103.4	96.3	103.7	172.8	31,204	146.9	12,933	31,920	146.8
Addenda:									
United States	26.6	-13.1	39.0	69.6	20,105	123.0	14,136	26,477	87.3
Michigan	14.5	-21.4	32.4	56.8	19,586	105.5	17,163	28,022	63.3
Detroit Metro Area*	8.4	-29.3	27.0	52.3	21,796	106.4	18,795	31,709	68.7
Wayne	-16.8	-48.9	1.2	18.5	18,787	92.1	19,768	33,316	68.5
Lapeer, Monroe, St. Clair	37.6	21.3	43.2	71.4	17,758	105.8	14,772	24,043	62.8

*Includes Oakland, Macomb, Wayne, Lapeer, Monroe, and St. Clair counties.

Notes on Table 2

Comparison of Economic Structure and Performance
Across Selected Suburban Counties, 1979 to 1992

National Comparisons

- For employment growth between 1979 and 1992, Oakland County falls in the middle among the twenty-six large suburban counties listed. It ranked ninth in total private employment growth, tenth in manufacturing and private nonmanufacturing, and eleventh in services.

- Oakland County had the ninth-highest level of personal income per capita in 1992, but its growth in that category between 1979 and 1992 ranked among the lowest of the counties listed (twenty-third).

- Private nonmanufacturing employment grew 50 percent faster in Oakland County than in the United States as a whole. Rapid growth in the private nonmanufacturing sector, and especially in the services industry, was typical for these large suburban counties. Only seven of them fell below the national average.

- The decline in manufacturing employment in Oakland County was not as rapid as the national average. This was not typical; the rate of decline in thirteen of the other twenty-five counties exceeded the national average.

Detroit Metropolitan Area Comparisons

- Manufacturing is leaving Wayne County and gravitating to Lapeer, Macomb, Monroe, and St. Clair counties.

- Activity in the service industry is becoming increasingly concentrated in Oakland County.

Table 3

Distribution of Private Nonfarm Earnings
Selected Suburban Counties, 1979 and 1992

Suburban county (Central city indicated in bold)	Distribution of earnings 1979 Manuf.	1979 Business & prof. services	1979 Other private nonmfg.	1992 Manuf.	1992 Business & prof. services	1992 Other private nonmfg.	Change 1979 to 1992 Manuf.	Change Business & prof. services	Change Other private nonmfg.
Detroit, MI									
Oakland	33.8	8.8	57.4	24.2	16.9	58.9	-9.6	8.1	1.5
Macomb	57.8	4.7	37.5	53.3	7.4	39.2	-4.5	2.8	1.8
Atlanta, GA									
De Kalb	19.0	8.1	72.8	11.7	12.6	75.7	-7.3	4.5	2.8
Baltimore, MD									
Baltimore	34.9	7.2	57.9	21.7	11.5	66.9	-13.2	4.3	9.0
Boston, MA									
Essex	44.0	3.2	52.8	34.6	8.5	56.9	-9.4	5.3	4.1
Middlesex	37.3	11.7	51.0	27.4	20.8	51.8	-9.9	9.1	0.8
Norfolk	32.1	6.6	61.3	19.0	11.8	69.2	-13.0	5.2	7.9
Chicago, IL									
Du Page	23.3	12.9	63.8	16.6	19.1	64.2	-6.7	6.2	0.5
Los Angeles, CA									
Riverside	18.7	6.9	74.4	14.9	9.2	75.8	-3.7	2.3	1.5
San Bernardino	24.5	6.2	69.3	17.1	9.6	73.3	-7.4	3.4	4.0
Ventura	21.0	8.0	71.0	18.0	15.1	66.9	-3.0	7.1	-4.1
New York, NY									
Bergen, NJ	33.4	8.3	58.3	19.4	15.6	64.9	-13.9	7.3	6.6
Middlesex, NJ	42.8	5.4	51.9	26.6	13.5	59.9	-16.2	8.2	8.0
Monmouth, NJ	20.1	13.8	66.1	9.3	21.4	69.3	-10.8	7.5	3.2
Union, NJ	39.2	8.5	52.3	28.8	12.3	59.0	-10.4	3.8	6.7
Nassau, NY	20.4	9.5	70.1	12.1	12.5	75.4	-8.3	3.0	5.3
Suffolk, NY	27.8	7.4	64.8	20.4	11.6	68.0	-7.4	4.2	3.2
Westchester, NY	30.8	7.6	61.5	20.9	10.8	68.3	-10.0	3.2	6.8
Philadelphia, PA									
Bucks	42.4	4.7	52.9	24.2	10.8	65.0	-18.2	6.2	12.0
Delaware	36.5	5.5	58.0	22.9	9.8	67.3	-13.6	4.3	9.2
Montgomery	38.2	7.4	54.4	26.6	12.2	61.2	-11.6	4.9	6.8
San Francisco, CA									
Contra Costa	21.5	8.8	69.7	16.4	13.4	70.2	-5.1	4.6	0.5
San Mateo	17.0	7.7	75.3	14.2	16.4	69.4	-2.8	8.7	-5.9
Washington, DC									
Montgomery, MD	5.9	26.1	68.0	5.7	28.3	66.0	-0.2	2.3	-2.1
Prince Georges, MD	9.7	8.6	81.7	6.4	16.2	77.4	-3.3	7.7	-4.3
Fairfax, VA	5.6	22.9	71.5	5.5	31.2	63.3	-0.1	8.3	-8.2
Addenda:									
United States	30.7	6.0	63.3	22.7	10.1	67.2	-8.0	4.2	3.8
Michigan	47.9	4.4	47.7	37.2	8.5	54.3	-10.8	4.2	6.6
Detroit Metro Area*	47.6	5.0	47.4	35.1	10.3	54.6	-12.5	5.3	7.2
Wayne	51.8	3.6	44.5	37.1	6.9	56.0	-14.7	3.2	11.5
Lapeer, Monroe, St. Clair	34.9	3.7	61.4	36.0	3.5	60.5	1.2	-0.3	-0.9

*Includes Oakland, Macomb, Wayne, Lapeer, Monroe, and St. Clair counties.

Notes on Table 3

Distribution of Private Nonfarm Earnings
Selected Suburban Counties, 1979 and 1992

National Comparisons

- 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 1992. This was only slightly more than the national average.

- Between 1979 and 1992, manufacturing's share of total private earnings decreased in all of the twenty-six counties.

- Business and professional services' share of total private earnings increased in all twenty-six counties; Oakland County's increase was the fifth-largest.

Detroit Metropolitan Area Comparisons

- By 1992, Oakland County had the sixth-highest share of total private earnings in business and professional services (16.9 percent) and Macomb County had the smallest (7.4 percent). Business and professional services accounted for only 6.9 percent of earnings in Wayne County.

- The manufacturing sector increased its share of earnings in Lapeer and Monroe counties. This is unusual not only among counties in the Detroit metropolitan area, but also among all suburban counties in the country.

Table 4

Summary of National Outlook, March 1995
Research Seminar in Quantitative Economics (RSQE)
University of Michigan

	Actual		RSQE Forecast	
	1993	1994	1995	1996
Real Gross Domestic Product (% change)	3.1	4.0	3.3	2.1
Inflation (consumption deflator, % change)	2.5	2.1	2.5	3.2
Light vehicle sales (millions of units)	13.9	15.1	15.0	15.1
Auto sales (millions of units)	8.7	9.2	8.8	8.8
Light truck sales (millions of units)	5.2	5.8	6.1	6.3
Private housing starts (thousands)	1,293	1,444	1,349	1,181
3-month treasury bill rate (%)	3.0	4.2	6.3	6.5
30-year treasury bond rate (%)	6.6	7.4	7.8	8.1
Civilian unemployment rate (%)	6.8	6.1	5.6	5.8

Notes on Table 4

Summary of National Outlook, March 1995

- Output (inflation-adjusted Gross Domestic Product) in the United States grew 4 percent in 1994, the best performance since 1984.

- The U.S. economy is forecast to continue to grow, but at a steadily moderating pace through 1995 and the first half of 1996 as the interest-sensitive sectors respond to the more restrictive monetary policy of the Federal Reserve. The economy begins to edge up in the second half of 1996. This growth pattern translates into an annual average increase of 3.3 percent for 1995 and 2.1 percent for 1996.

- This pattern of economic growth is consistent with an unemployment rate that holds steady at about 5.6 percent during 1995, drifting up to nearly 6 percent by the end of 1996.

- Inflation is forecast to remain moderate throughout the forecast period. Consumer prices are projected to increase by 2.5 percent for 1995 and 3.2 percent for 1996.

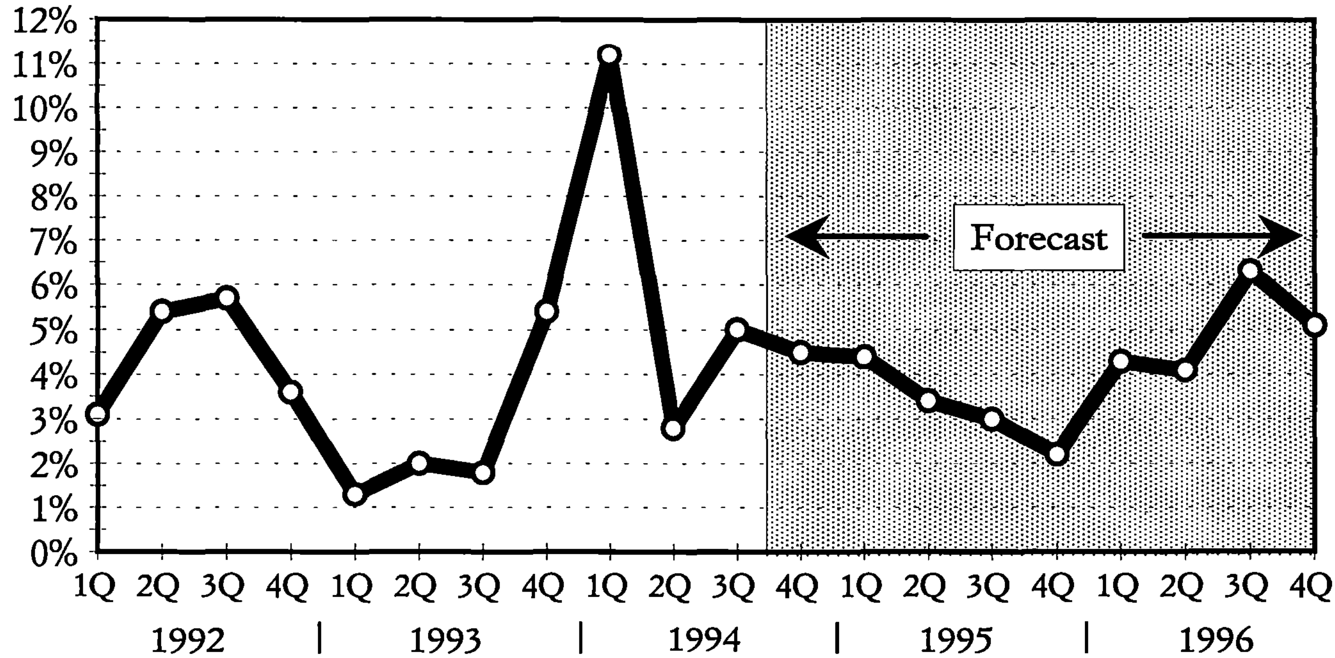
- The motor vehicle sector made a major contribution to output growth in 1994, but is projected to have little impact on output growth over the next two years. Vehicle sales are expected to maintain their strong pace of 15 million units over the forecast period, but to show no further growth.

- Residential building, which started declining in the second half of 1994, acts as a drag on the economy through 1995 and most of 1996.

Figure 4

Annual Growth Rate of Private Nonfarm Employment

Oakland County, 1992 1st Quarter to 1996 4th Quarter



- Growth in private nonfarm employment accelerated at the end of 1993, following a period of relatively slow growth during the first three quarters of the year.

- Employment growth spiked dramatically in the beginning of 1994, as the local automotive sector rebounded sharply. Other industries contributing to this surge in growth were trucking and industrial machinery and equipment.

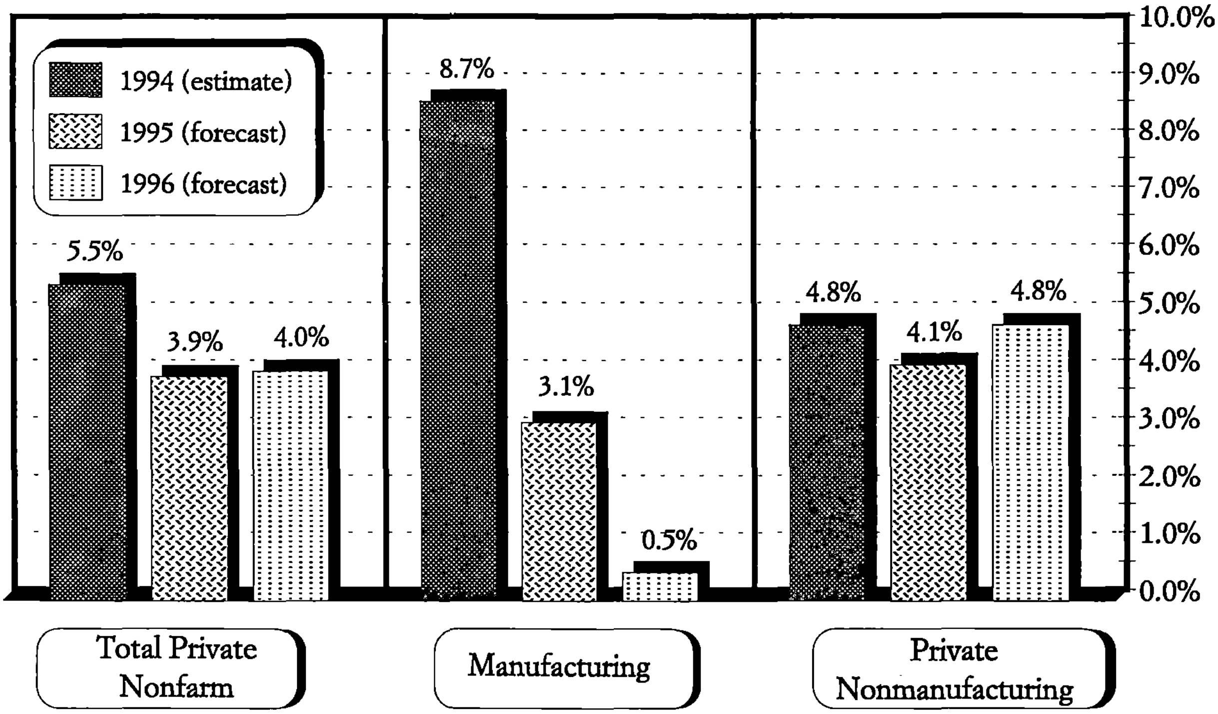
- Following solid job growth of 5 percent in the summer of 1994, we are projecting that growth will slow through the end of 1995 to an annual rate of 2 1/4 percent. This slower growth coincides with the moderating pace of the national economy, in response to the rising interest rates engineered by the Federal Reserve.

- Local employment growth is projected to pick up again in the first half of 1996, to about 4 1/4 percent, as the effect of higher interest rates is absorbed by the economy.

- Employment growth is forecast to accelerate in the second half of 1996, with the opening of the Chrysler headquarters facility and Somerset Collection North.

Figure 5

Oakland County Forecast for 1995 and 1996
Growth in Private Nonfarm Jobs by Sector



- Growth in total private nonfarm employment is forecast to slow from the unsustainable rate of 5.5 percent realized in 1994 to 3.9 percent in 1995. Growth in 1996 is expected to be similar to 1995 (4 percent).

- Growth in manufacturing employment is expected to slow over the next two years, from 8.7 percent in 1994 to 3.1 percent in 1995 and 0.5 percent in 1996.

- Growth in private nonmanufacturing employment is expected to decline slightly, from 4.8 percent in 1994 to 4.1 percent in 1995, before returning to 4.8 percent in 1996.

Table 5

Forecast of Private Nonfarm Employment in Oakland County
Institute of Labor and Industrial Relations
University of Michigan

(Thousands of persons)

Industry	Actual		Estimate	Forecast	
	1990	1993	1994	1995	1996
TOTAL PRIVATE JOBS	539	562	593	616	640
(Annual percentage change)			(5.5)	(3.9)	(4.0)
MANUFACTURING	101	104	113	116	117
Motor vehicles	37	41	44	45	45
Other manufacturing	64	63	69	71	72
NONMANUFACTURING	438	458	480	500	523
Construction	23	22	24	24	24
Transportation and utilities	15	15	17	17	17
Wholesale trade	43	46	47	49	52
Retail trade	120	117	120	122	126
Eating and drinking	43	41	42	43	44
Other retail	77	76	78	79	82
Finance	43	49	51	52	54
Services	189	205	217	231	245
Business and professional	96	101	110	121	132
Health	47	54	56	57	59
Other services	46	50	51	53	54
Other nonmanufacturing	5	4	4	5	5

Notes on Table 5

Forecast of Private Nonfarm Employment in Oakland County
Institute of Labor and Industrial Relations
University of Michigan

- The manufacturing sector is expected to gain 4,000 jobs over the next two years, a much slower pace of expansion than the very strong performance of 1994. These gains would put manufacturing at the highest employment levels ever recorded for that sector in Oakland County.

- The motor vehicle industry is forecast to gain about 1,000 jobs this year, and to show no additional increase in 1996. A reduction in blue-collar jobs is more than offset by an increase in white-collar jobs (engineering and headquarters) at General Motors and Chrysler.

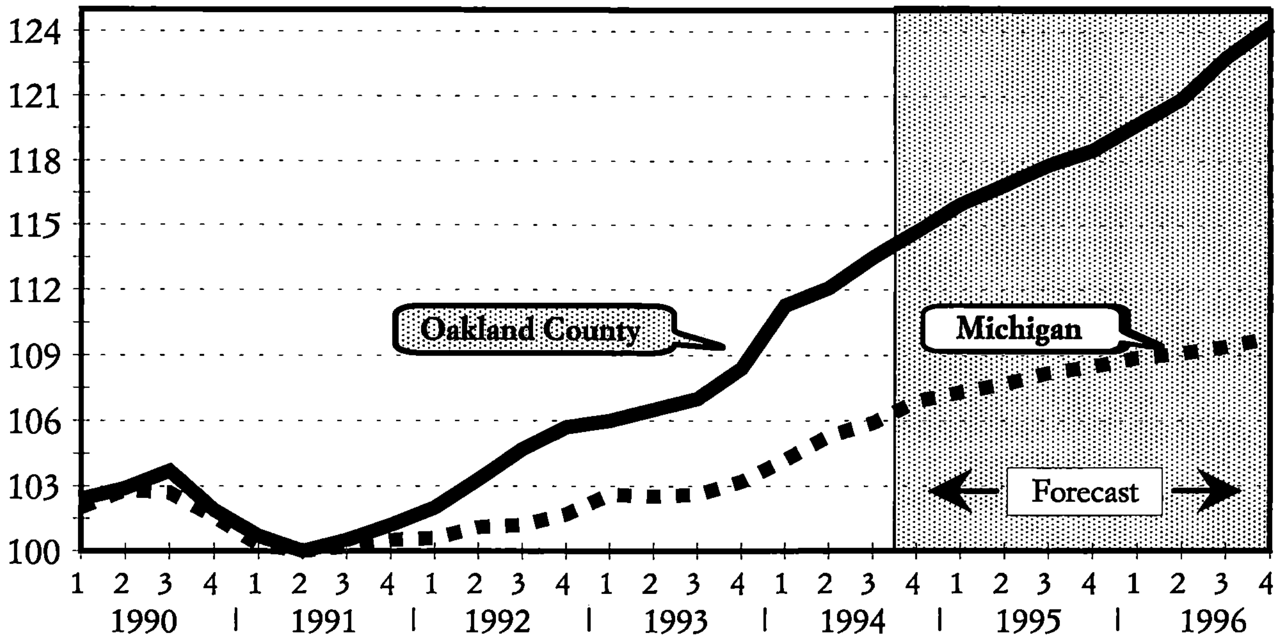
- Employment in the construction industry is not expected to change over the next two years. Adverse effects of higher interest rates are offset by continued growth in the local economy.

- Retail trade is projected to gain 6,000 jobs over the next two years, 4,000 of them in 1996. The large job gains in 1996 reflect the scheduled opening of Somerset Collection North in mid-1996. With the combination of the county's strong projected economic growth and its low unemployment rate, it is possible that these stores will have difficulty finding all the workers they need.

- Business and professional services is expected to gain 11,000 jobs in each of 1995 and 1996, accounting for nearly one-half of all job gains in the county over the next two years. In 1993, the average wage in this industry in Oakland County was $32,184; for the entire private sector, it was $31,985.

Figure 6

Growth in Total Private Nonfarm Employment
Oakland County vs. Michigan, 1990 to 1996
(Second quarter of 1991 = 100)



- Employment in Oakland County is projected to grow 2 1/2 times faster than the state from the end of 1994 to mid-1996. Spurred by the openings of Chrysler headquarters and Somerset Collection North, the county grows almost four times faster than the state during the second half of 1996.

For more information contact:

Jeffrey A. Kaczmarek, Manager
Development & Planning Division
1200 N. Telegraph Road, Dept. 412
Pontiac, MI 48341-0412
(810) 858-0720
FAX: (810) 858-1080

Oakland County Department of Community and Economic Development

Kenneth Rogers, Director

L. Brooks Patterson
County Executive

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