



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

January 2009 Summary

U.S. Economy: The recession continued to deepen even further. The fourth quarter real GDP decline was revised down sharply to a 6.2 percent annual rate of decline – its greatest decline since early 1982. Down by *more* than half from a year ago, housing starts fell to a new record low for the fourth straight month. Capacity utilization reported its largest year-ago point decline (-9.0 percentage points) since mid-1975 with industrial production reporting its greatest percent decline (-10.0 percent) since mid-1975 as well. Durable goods orders, excluding defense and aircraft, (three-month average) fell 13.0 percent from a year ago. Retail sales, excluding vehicles and gasoline, (three-month average) declined (-1.7 percent) for the second straight month.

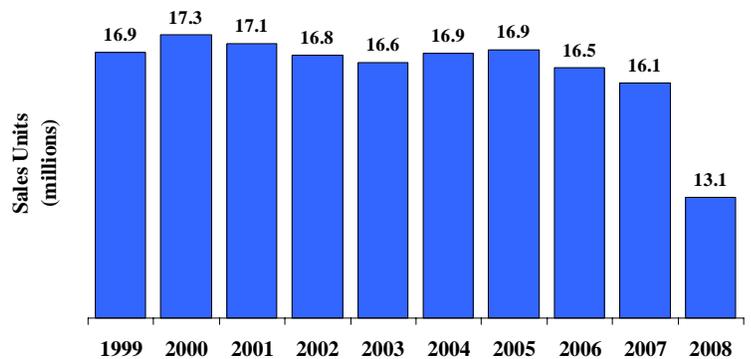
Employment: Employment plummeted both in Michigan and nationally with State employment falling by 61,000 jobs and U.S. employment dropping by 598,000 jobs. Michigan's unemployment rate rose to 11.6 percent, while the U.S. rate increased to 7.6 percent.

Auto Industry: Light vehicle sales fell 37.6 percent from a year ago to a 9.5 million unit rate – the lowest since December 1981. January Michigan vehicle production fell 71.8 percent to its lowest level – by far – since at least 1982. U.S. production also declined sharply (-66.1 percent).

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was unchanged; the core CPI increased 1.7 percent. Overall producer prices declined 1.0 percent, but core producer prices rose 4.2 percent. Oil prices, at 41.74 a barrel, were essentially unchanged from December, but down \$92.19 a barrel from last year's peak.

Michigan Metro Areas: From January 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 4.2 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 7.0 percent. Unemployment rates ranged between 7.3 percent (Ann Arbor MSA) and 17.0 percent (Northeast Lower Michigan).

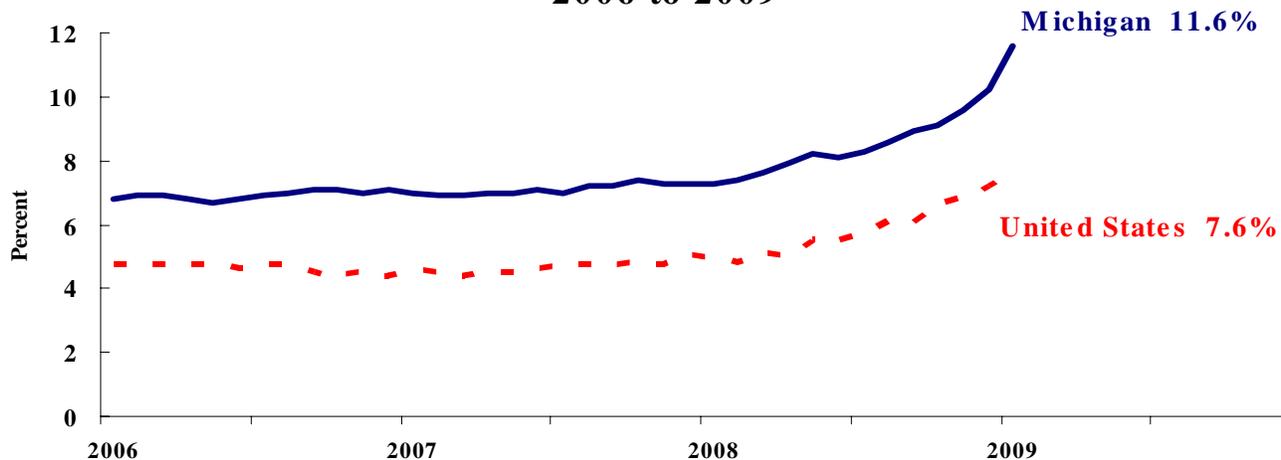
Light Vehicle Sales
Fall Sharply



Labor Market Statistics

- Michigan's January monthly unemployment rate increased by 1.4 percentage point from last month to 11.6 percent and the current Michigan jobless rate is 4.3 percentage points above a year ago. The January U.S. unemployment rate increased 0.4 percentage points to 7.6 percent and was 2.7 percentage points above a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2006 to 2009



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- In January, the number of people employed in Michigan was 4,299,000, down 89,000 from last month, while the labor force decreased by 21,000. The statewide total number of unemployed increased by 69,000 to 565,000.
- United States household employment totaled 142.1 million persons in January, down 1,239,000 from December. The labor force fell by 731,000 from last month, which meant that there were 508,000 more unemployed people nationally, compared to December.

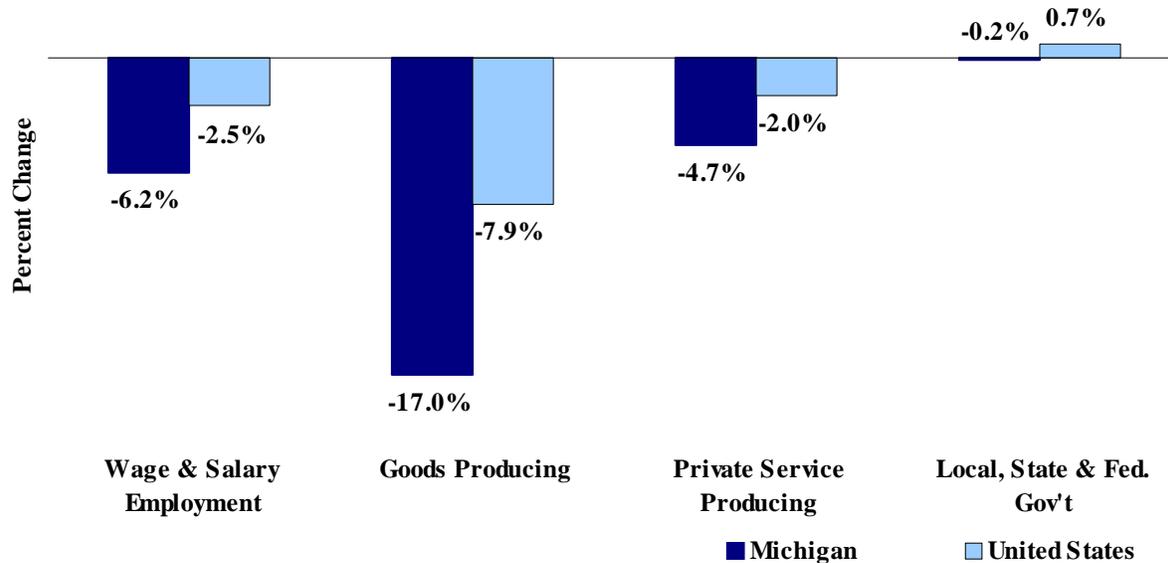
Employment by Place of Residence (in thousands)^(a)

	2008 Average	Nov 2008	Dec 2008	Jan 2009	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,936	4,900	4,885	4,864	-21	-0.4%	-118	-2.4%	
Employed	4,519	4,429	4,388	4,299	-89	-2.0%	-320	-6.9%	
Unemployed	416	471	496	565	69	13.9%	202	55.6%	
Unemployment Rate	8.4%	9.6%	10.2%	11.6%	n.a.	0.4% pts	n.a.	4.3% pts	
United States									
Labor Force	154,287	154,620	154,447	153,716	-731	-0.5%	-157	-0.1%	
Employed	145,362	144,144	143,338	142,099	-1,239	-0.9%	-4,218	-2.9%	
Unemployed	8,924	10,476	11,108	11,616	508	4.6%	4,061	53.8%	
Unemployment Rate	5.8%	6.8%	7.2%	7.6%	n.a.	0.4% pts	n.a.	2.7% pts	

Employment by Place of Work

- From January 2008 to January 2009, Michigan wage and salary employment decreased 264,000 (6.2 percent). State wage and salary employment decreased 61,000 from December. Nationally, January 2009 wage and salary employment fell 3,500,000 (2.5 percent) from a year ago and was down 598,000 from last month.

Wage and Salary Employment Growth January 2008 to January 2009



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

- In the goods-producing sector, Michigan employment fell 17.0 percent from a year ago while private service-producing sector employment decreased 4.7 percent compared to last year. From a year ago, January national employment in the goods-producing sector fell 7.9 percent and decreased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours significantly decreased by 5.1 hours in Michigan compared to last year.

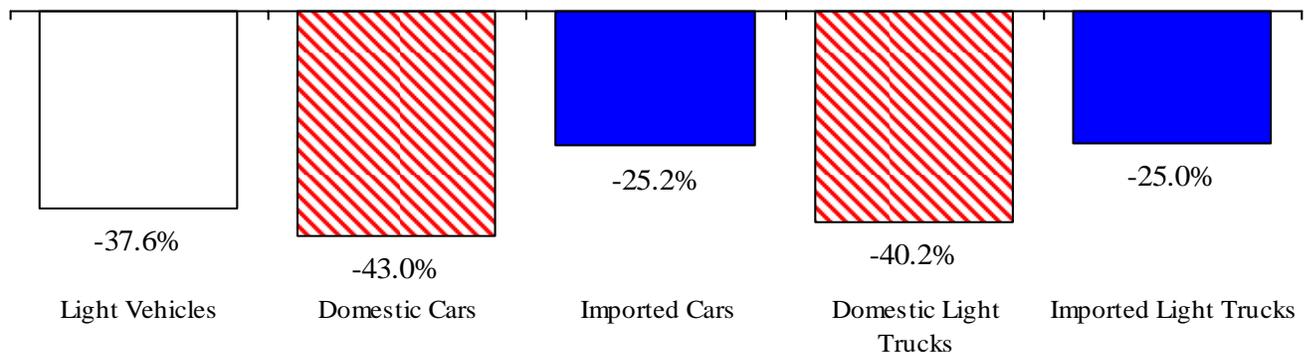
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2008 Average	Jan 2008	Jan 2009	Percent Change	2008 Average	Jan 2008	Jan 2009	Percent Change
Wage & Salary Employment	4,159	4,241	3,977	-6.2%	137,066	138,080	134,580	-2.5%
Goods Producing	737	777	645	-17.0%	21,419	21,981	20,245	-7.9%
Manufacturing	575	605	491	-18.8%	13,431	13,744	12,713	-7.5%
Private Service Producing	2,775	2,817	2,684	-4.7%	93,146	93,708	91,796	-2.0%
Trade, Trans. & Utilities	769	784	735	-6.3%	26,385	26,717	25,740	-3.7%
Services	1,739	1,761	1,706	-3.1%	55,620	55,740	55,162	-1.0%
Local, State & Fed. Gov't	648	649	648	-0.2%	22,500	22,391	22,539	0.7%
Manufacturing Weekly Hours	42.2	43.3	38.2	-5.1 hrs	40.8	41.1	39.8	-1.3 hrs

Motor Vehicle Industry Sales

- At a 9.5 million unit annual rate, the January 2009 light vehicle sales rate fell 7.1 percent from December. Vehicle sales declined by more than a third from a year ago (-37.6 percent). The January 2009 sales rate represented the lowest monthly rate since December 1981 when light vehicles sold at an 8.8 million unit rate.
- Compared to January 2008, domestic sales were down 41.4 percent while foreign sales fell 25.1 percent. As a result, the foreign share of U.S. vehicle sales rose sharply (4.7 percentage points).
- Light truck sales fell 37.7 percent from a year ago, while autos sales declined 37.6 percent. Heavy truck sales fell 34.7 percent.
- Due to a sharply declining sales rate, January 2009 days' supply of light vehicles rose by 41 days from a year ago to 121 days even while inventories fell 8.8 percent.

January 2009 Vehicle Sales Down Sharply Compared to January 2008



Motor Vehicle Sales Statistics

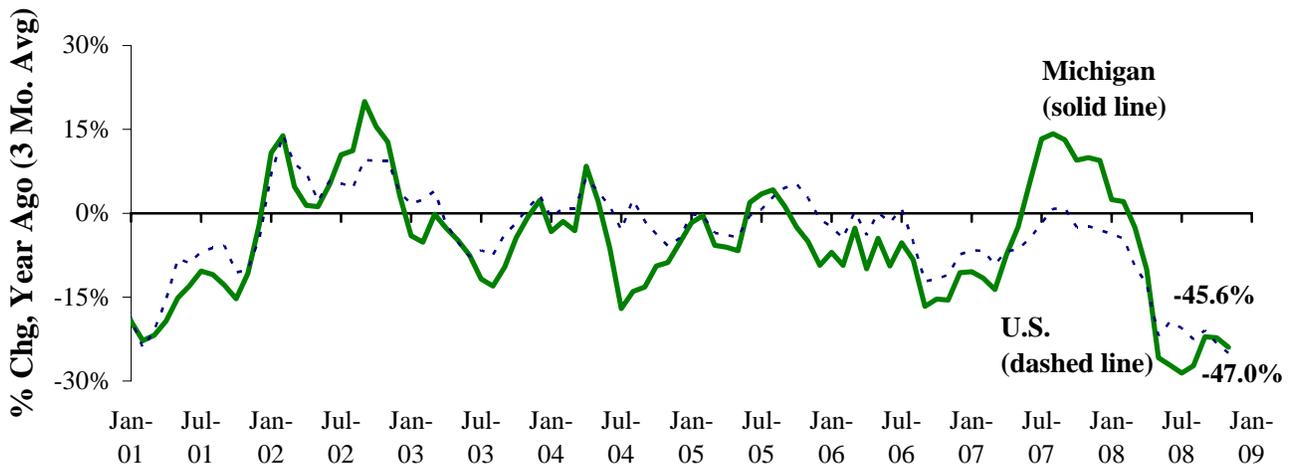
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2008 Average	Nov 2008	Dec 2008	Jan 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.7	5.0	5.2	4.6	4.9	(2.8)	-37.6%
Domestics	4.5	3.3	3.6	2.9	3.3	(2.2)	-43.0%
Imports	2.2	1.7	1.6	1.7	1.6	(0.6)	-25.2%
Import Share	33.0%	33.8%	30.4%	36.5%	33.4%	6.0% pts	
Light Trucks	6.4	5.2	5.1	5.0	5.1	(3.0)	-37.7%
Domestics	5.3	4.3	4.1	4.0	4.1	(2.7)	-40.2%
Imports	1.1	0.9	0.9	1.0	0.9	(0.3)	-25.0%
Import Share	17.1%	17.6%	18.4%	20.0%	18.7%	3.4% pts	
Total Light Vehicles	13.1	10.1	10.3	9.5	10.0	(5.8)	-37.6%
Heavy Trucks	0.3	0.3	0.3	0.2	0.2	(0.1)	-34.7%
Total Vehicles	13.4	10.4	10.5	9.8	10.2	(5.9)	-37.6%
U.S. Light Vehicle Inventories^(d)		Nov-08	Dec-08	Jan-09	3 Month	Change	
Total Car	1.340	1.624	1.643	1.595	1.621	0.212	
Days Supply	65	113	101	132	115	63 days	
Total Truck	1.825	1.659	1.552	1.440	1.550	-0.504	
Days Supply	89	108	86	110	101	20 days	

Motor Vehicle Industry Production

- At 48,384 units, January 2009 Michigan motor vehicle production plummeted from a year ago (-71.8 percent) as did national production (-66.1 percent). January 2009 Michigan motor vehicle production represented the State's lowest monthly production level – by far – since at least 1982.
- Michigan car production dropped 87.5 percent from a year ago while State truck production fell 53.4 percent. Nationally, car production fell 69.4 percent while truck production dropped 63.9 percent.
- Michigan's share of national production fell 3.4 percentage points to 16.7 percent.

Michigan and U.S. Vehicle Production Down Sharply ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Nov 2008	Dec 2008	Jan 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	314.0	241.5	212.9	104.1	186.2	(235.9)	-69.4%
Trucks	414.5	299.1	282.3	185.1	255.5	(327.1)	-63.9%
Total	728.5	540.5	495.3	289.3	441.7	(562.9)	-66.1%
Michigan Production ^(f)							
Autos	83.7	60.8	59.3	11.6	43.9	(81.0)	-87.5%
Trucks	70.0	57.6	52.8	36.8	49.1	(42.2)	-53.4%
Total	153.7	118.4	112.1	48.4	93.0	(123.2)	-71.8%
Michigan as % of U.S.	21.1%	21.9%	22.6%	16.7%	21.0%	-3.4% pts	

January Unemployment Rates Rose Substantially in All Major Michigan Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 4.2 percentage points. Ten areas saw rate increases exceeding 4.0 percentage points. Four areas saw increases greater than 5.0 percentage points: Monroe MSA (6.5 percentage points), Muskegon-Norton Shores MSA (6.1 percentage points), and Flint MSA and Holland-Grand Haven MSA (5.3 percentage points).

Between January 2008 and January 2009, employment fell sharply in all 17 major labor market areas with declines exceeding 5.0 percent in all 17 areas and a median employment decline of 7.0 percent. Four areas saw declines greater than 8.0 percent: Flint MSA and Holland-Grand Haven MSA (-9.1 percent) and Grand Rapids-Wyoming MSA and Muskegon-Norton Shores (-8.2 percent). All areas saw a labor force decline with a median reduction of 2.5 percent. Five areas saw more than a 3.0 percent labor force reduction: Grand Rapids-Wyoming MSA (-4.1 percent), Ann Arbor MSA (-4.0 percent), Holland-Grand Haven (-3.8 percent), Battle Creek MSA (-3.6 percent) and Flint MSA (-3.4 percent).

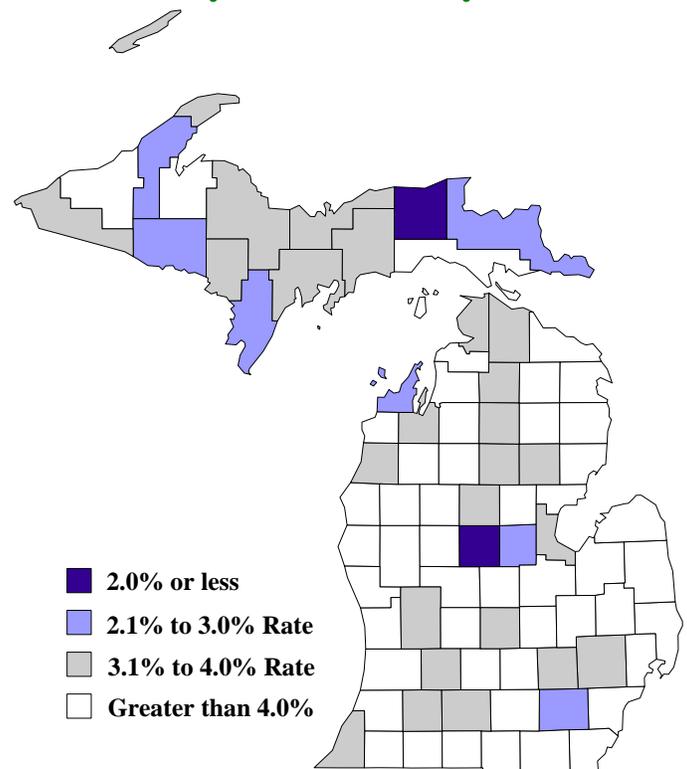
Compared to December 2008, non-seasonally adjusted unemployment rates rose in all 17 areas, with a median increase of 1.8 percentage points. January 2009 unemployment rates ranged between 7.3 percent (Ann Arbor MSA) to 17.0 percent (Northeast Lower Peninsula).

Between January 2008 and January 2009, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 4.8 percentage points. Forty-nine counties saw greater than a 4.0 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 7.2 percent (Isabella) and 27.6 percent (Mackinac).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jan 2008 Rate</u>	<u>Dec 2008 Rate</u>	<u>Jan 2009 Rate</u>
Michigan	7.9%	10.5%	12.5%
Ann Arbor	4.9%	6.9%	7.3%
Battle Creek	7.2%	9.6%	11.2%
Bay City	7.6%	9.7%	11.5%
Detroit-Warren-Livonia	8.2%	10.6%	13.0%
Flint	9.5%	12.1%	14.8%
Grand Rapids-Wyoming	6.3%	9.0%	10.3%
Holland-Grand Haven	6.1%	9.3%	11.4%
Jackson	7.9%	11.0%	12.1%
Kalamazoo-Portage	6.1%	8.9%	9.6%
Lansing-East Lansing	6.1%	8.4%	10.9%
Monroe	8.1%	11.3%	14.6%
Muskegon-Norton Shores	7.5%	11.6%	13.6%
Niles-Benton Harbor	7.7%	10.2%	11.6%
Saginaw-Saginaw Township	8.2%	10.2%	12.4%
Upper Peninsula	8.9%	11.4%	12.4%
Northeast Lower Mich	12.5%	15.2%	17.0%
Northwest Lower Mich.	9.2%	12.2%	13.8%

Unemployment Rate Change January 2008 – January 2009^(g)



U.S. Economic Conditions

	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	57.6	55.3	60.1	61.2	-17.2 points
ISM Manufacturing Index ⁽ⁱ⁾	38.7	36.6	32.9	35.6	-15.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	44.5	33.3	38.9	44.2	2.6 points
	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	
Business Executives' Confidence ^(j)	38.0	39.0	40.0	24.0	-15.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	216.6	212.4	210.2	211.1	0.0%
Detroit CPI	205.2	NA	198.0	NA	-1.1%
U.S. Producer Price Index	177.3	172.1	168.8	170.3	-1.0%
INTEREST RATES					
90 Day T-Bill ^(l)	0.84%	0.30%	0.04%	0.12%	-2.74% points
Aaa Corporate Bonds ^(m)	6.28%	6.15%	5.08%	5.05%	-0.28% points
INDUSTRIAL PRODUCTION ^(m)					
	107.0	105.7	103.2	101.3	-10.0%
CAPACITY UTILIZATION ^(m)					
	76.1%	75.2%	73.3%	72.0%	-9.0% points
RETAIL SALES ⁽ⁿ⁾					
	\$360.3	\$351.8	\$341.0	\$347.2	-9.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.767	0.655	0.560	0.466	-56.2%
Existing Home Sales ^(p)	4.940	4.540	4.740	4.490	-8.6%
DURABLE GOODS ORDERS ^(q)					
	\$188.5	\$181.0	\$172.7	\$164.9	-22.8%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>% Change From Year Ago</u>
Michigan	\$347.9	\$350.2	\$355.6	\$355.8	2.4%
U.S.	\$11,839.4	\$11,933.7	\$12,125.3	\$12,131.2	3.7%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,646.0	\$11,727.4	\$11,712.4	\$11,525.0	-6.2%

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. Non-manufacturing index is the business activity index.
- (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. 2002 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.