



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

August 2009 Summary

U.S. Economy: The ISM manufacturing index rose above 50 for the first time since January 2008, while the ISM non-manufacturing business activity index increased above 50 for the first time in nearly a year. Both industrial production and capacity utilization increased for the second straight month -- although both were still down from their year-ago levels. Housing starts rose to their highest level this year, but remained at a historically very low level, substantially below a year ago. Retail sales, excluding motor vehicle and gasoline sales, rose compared with July but were down significantly from a year ago. Existing home sales recorded their first monthly decline since March 2009. Durable goods excluding defense and aircraft fell for the third straight month and were down sharply from a year ago. Consumer sentiment slipped slightly from July but was up from August 2008.

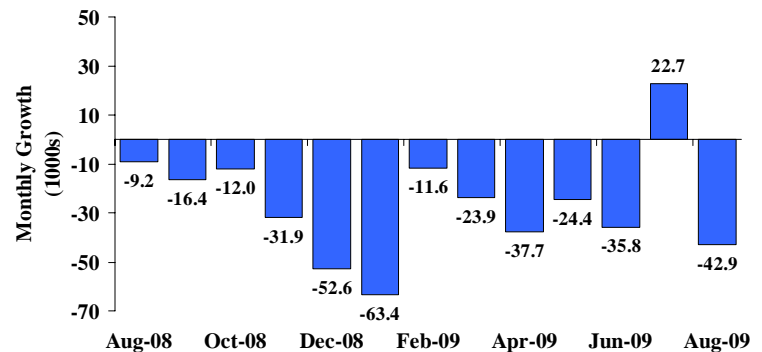
Employment: Michigan employment retreated substantially from July and was down 329,900 jobs from a year ago. Nationally, employment fell for the 20th straight month. However, August's decline was the smallest in a year. Michigan's unemployment rate rose 0.2 of a percentage point while the national rate increased 0.3 of a percentage point. Michigan's unemployment rate remained the highest among the fifty states.

Auto Industry: Boosted by "Cash for Clunkers," the light vehicle sales rate rose to a 14.1 million unit annual rate – the highest monthly sales rate since May 2008. Both Michigan and U.S. vehicle production were down by about 20 percent from a year ago.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) fell 1.5 percent. Overall producer prices declined 4.3 percent. Oil prices rebounded after July's decline.

Michigan Metro Areas: From August 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 4.6 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 7.9 percent. Unemployment rates ranged between 9.5 percent (Ann Arbor MSA) and 17.0 percent (Detroit-Warren-Livonia MSA).

Michigan Economy Loses 329,900 Jobs Over Past Year^(a)



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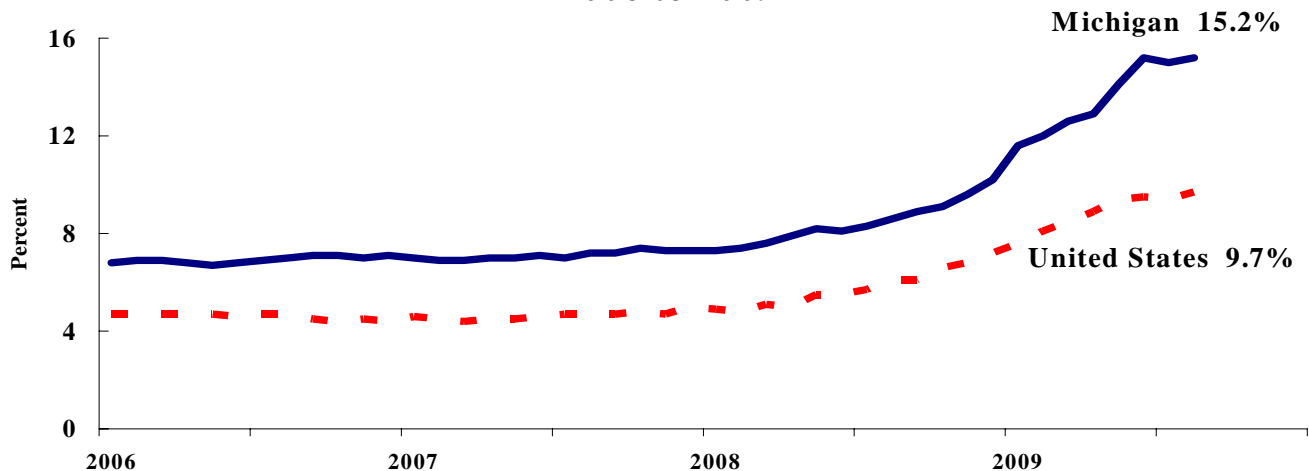
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Labor Market Statistics

- Michigan's August monthly unemployment rate increased by 0.2 percentage points from last month to 15.2 percent, and the current Michigan jobless rate is 6.6 percentage points above a year ago. The August U.S. unemployment rate increased 0.3 percentage points to 9.7 percent and was 3.5 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 August, the number of people employed in Michigan was 4,099,000, down 28,000 from last month, while the labor force decreased by 22,000. The statewide total number of unemployed increased by 6,000 to 736,000.
- United States household employment totaled 139.6 million persons in August, down 392,000 from July. The labor force rose by 73,000 from last month, which meant that there were 466,000 more unemployed people nationally, compared to July.

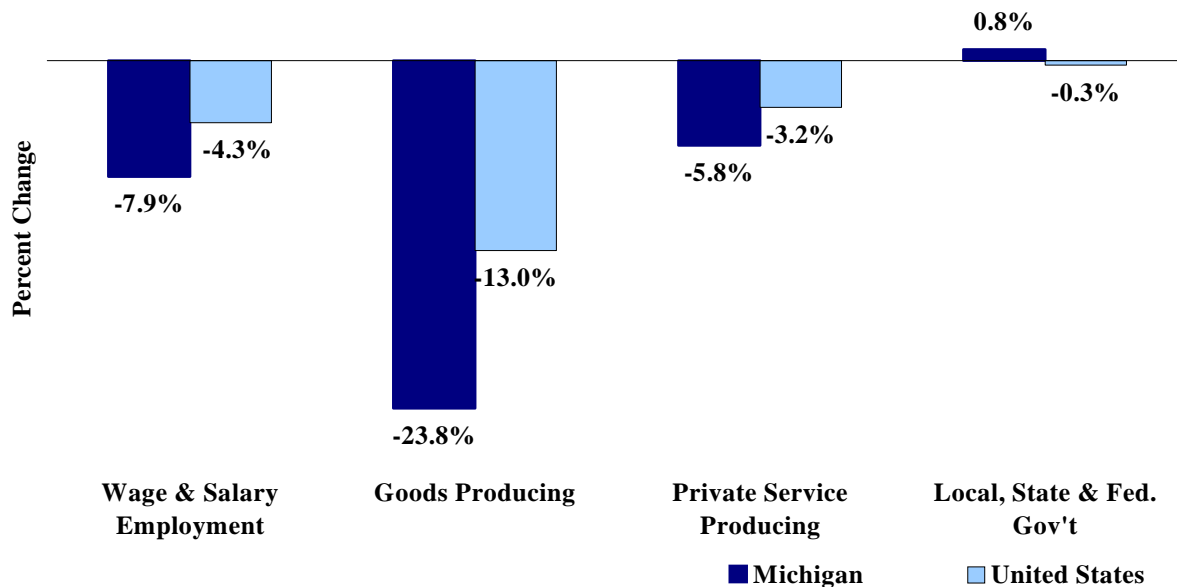
Employment by Place of Residence (in thousands)^(a)

	2008 Average	Jun 2009	Jul 2009	Aug 2009	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,936	4,869	4,857	4,835	-22	-0.5%	-89	-1.8%	
Employed	4,519	4,129	4,127	4,099	-28	-0.7%	-401	-8.9%	
Unemployed	416	740	730	736	6	0.8%	313	73.8%	
Unemployment Rate	8.4%	15.2%	15.0%	15.2%	n.a.	0.2% pts	n.a.	6.6%	
United States									
Labor Force	154,287	154,926	154,504	154,577	73	0.0%	-246	-0.2%	
Employed	145,362	140,196	140,041	139,649	-392	-0.3%	-5,624	-3.9%	
Unemployed	8,924	14,729	14,462	14,928	466	3.2%	5,378	56.3%	
Unemployment Rate	5.8%	9.5%	9.4%	9.7%	n.a.	0.3% pts	n.a.	3.5%	

Employment by Place of Work

- From August 2008 to August 2009, Michigan wage and salary employment decreased 330,000 (7.9 percent). State wage and salary employment decreased 43,000 from July. Nationally, August 2009 wage and salary employment fell 5,830,000 (4.3 percent) from a year ago and was down 216,000 from last month.

Wage and Salary Employment Growth August 2008 to August 2009



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

- In the goods-producing sector, Michigan employment fell 23.8 percent from a year ago while private service-producing sector employment decreased 5.8 percent compared to last year. From a year ago, August national employment in the goods-producing sector fell 13.0 percent and decreased 3.2 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 0.5 hours in Michigan compared to last year.

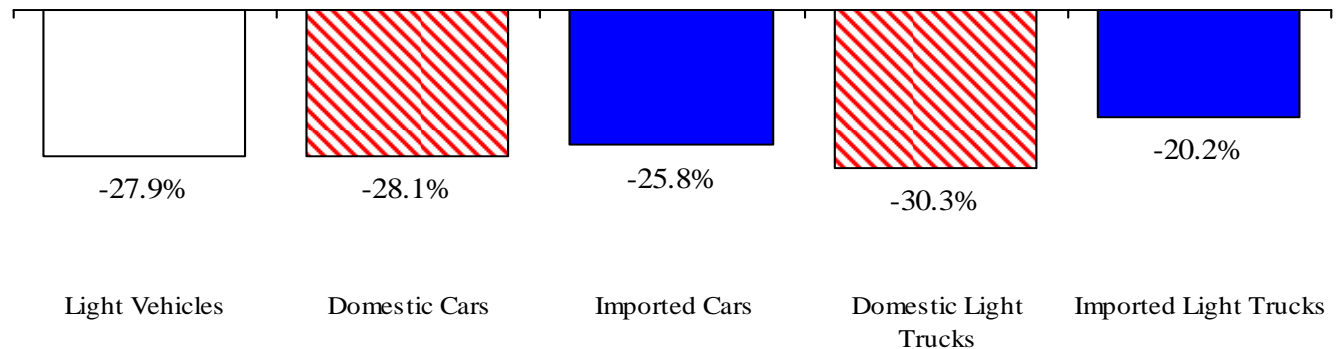
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2008 Average	Aug 2008	Aug 2009	Percent Change	2008 Average	Aug 2008	Aug 2009	Percent Change
Wage & Salary Employment	4,159	4,151	3,821	-7.9%	137,066	137,053	131,223	-4.3%
Goods Producing	737	730	556	-23.8%	21,419	21,351	18,571	-13.0%
Manufacturing	575	571	429	-24.9%	13,431	13,387	11,771	-12.1%
Private Service Producing	2,775	2,767	2,606	-5.8%	93,146	93,146	90,165	-3.2%
Trade, Trans. & Utilities	769	769	710	-7.7%	26,385	26,354	25,145	-4.6%
Services	1,739	1,733	1,651	-4.7%	55,620	55,661	54,493	-2.1%
Local, State & Fed. Gov't	648	654	659	0.8%	22,500	22,556	22,487	-0.3%
Manufacturing Weekly Hours	42.2	41.9	41.4	-0.5 hrs	40.8	40.8	39.8	-1.0 hrs

Motor Vehicle Industry Sales

- At a 14.1 million unit annual rate, the August 2009 light vehicle sales rate rose 25.3 percent from July and increased 3.9 percent compared to a year ago. August marked the highest light vehicle sales rate since May 2008. Sales were buoyed by the “Cash for Clunkers” program.
- Compared to July, domestic sales were up 21.3 percent while foreign sales rose 36.8 percent. Compared to a year ago, domestic sales fell 1.3 percent; foreign sales increased 20.0 percent. As a result, the foreign share of U.S. vehicle sales rose 3.8 percentage points to 28.2 percent.
- August auto sales rose sharply compared to July (29.7 percent) while light truck sales increased 19.9 percent. Compared to a year ago, auto sales rose 17.4 percent while light truck sales dropped 9.8 percent. Heavy truck sales fell 29.9 percent.
- Light vehicle inventories shrank 49.0 percent from a year ago. Days supply dropped by 18 days compared to July and decreased by 31 days from a year ago.

August Year-to-Date 2009 Vehicle Sales Down Sharply Compared to 2008



Motor Vehicle Sales Statistics

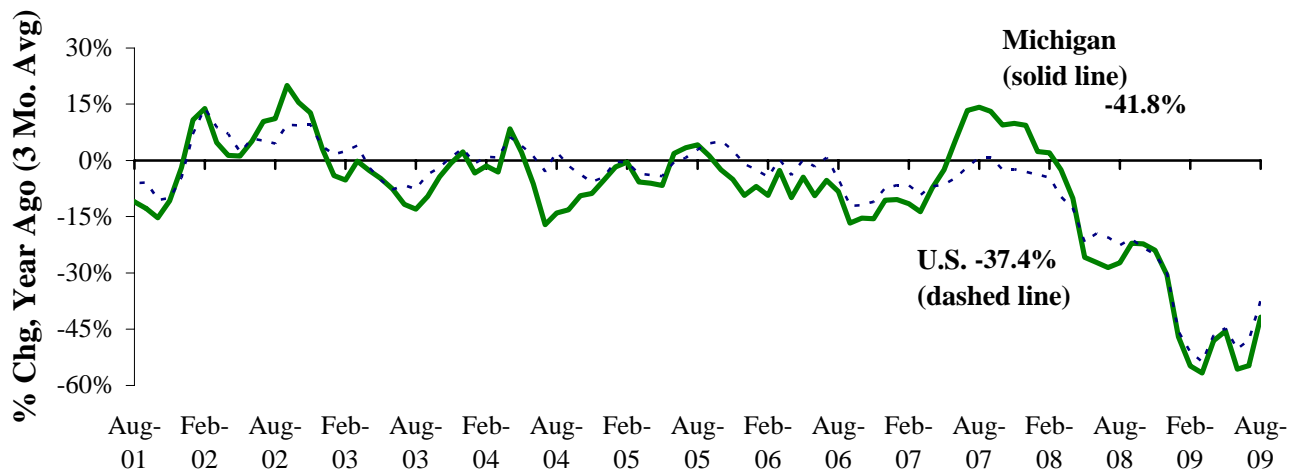
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2008	Jun	Jul	Aug	3 Month	Change from	
	Average	2009	2009	2009	Average	Level	%
Autos	6.8	5.0	6.2	8.0	6.4	1.2	17.4%
Domestics	4.5	3.3	4.2	5.3	4.2	0.8	16.7%
Imports	2.3	1.7	2.0	2.7	2.1	0.4	18.9%
Import Share	33.4%	33.8%	32.5%	34.1%	33.5%	0.4% pts	
Light Trucks	6.4	4.7	5.1	6.1	5.3	(0.7)	-9.8%
Domestics	5.3	3.9	4.2	4.8	4.3	(0.9)	-15.5%
Imports	1.1	0.8	0.9	1.2	1.0	0.2	22.5%
Import Share	17.2%	16.9%	17.7%	20.4%	18.5%	5.4% pts	
Total Light Vehicles	13.2	9.7	11.2	14.1	11.7	0.5	3.9%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-29.9%
Total Vehicles	13.5	9.9	11.4	14.3	11.8	0.4	3.2%
U.S. Light Vehicle Inventories^(d)		Jun-09	Jul-09	Aug-09	3 Month	Change	
Total Car	1.340	1.159	0.963	0.714	0.945	-0.378	
Days Supply	65	64	45	26	45	-21 days	
Total Truck	1.827	0.993	0.830	0.693	0.839	-0.976	
Days Supply	90	62	48	34	48	-39 days	

Motor Vehicle Industry Production

- At 113,432 units, August 2009 Michigan motor vehicle production fell by 21.4 percent from a year ago. Similarly, national production declined by 19.8 percent. Compared to July 2009, Michigan production rose by 69.5 percent while national production increased 44.6 percent.
- Michigan car production dropped 37.7 percent from a year ago, but State truck production rose 9.0 percent. Nationally, car production fell 31.4 percent while truck production dropped 8.1 percent.
- From a year ago, Michigan's share of national production rose by 0.4 of a percentage point to 20.3 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Jun 2009	Jul 2009	Aug 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	314.0	164.3	152.8	238.2	185.1	(109.0)	-31.4%
Trucks	414.5	210.1	233.0	319.5	254.2	(28.3)	-8.1%
Total	728.5	374.4	385.8	557.7	439.3	(137.3)	-19.8%
Michigan Production ^(f)							
Autos	83.7	32.9	24.0	58.4	38.4	(35.4)	-37.7%
Trucks	70.0	30.0	42.9	55.0	42.6	4.6	9.0%
Total	153.7	62.9	66.9	113.4	81.1	(30.8)	-21.4%
Michigan as % of U.S.	21.1%	16.8%	17.3%	20.3%	18.5%	-0.4% pts	

August Unemployment Rates Rose Substantially in All Major Labor Markets Employment Plummeted in All Areas (Not Seasonally Adjusted)

August 2009 area unemployment rates (seasonally unadjusted) ranged between 9.5 percent (Ann Arbor MSA) to 17.0 percent (Detroit-Warren-Livonia MSA). The median unemployment rate was 13.0 percent.

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 4.6 percentage points. Sixteen areas saw rate increases exceeding 4.0 percentage points. Six areas saw increases of 5.0 percentage points or greater: Detroit-Warren-Livonia MSA (7.9 percentage points), Muskegon-Norton Shores MSA (7.0 percentage points), Jackson MSA (6.0 percentage points), Flint MSA (5.9 percentage points), Holland-Grand Haven MSA (5.7 percentage points) and Niles-Benton Harbor MSA (5.2 percentage points).

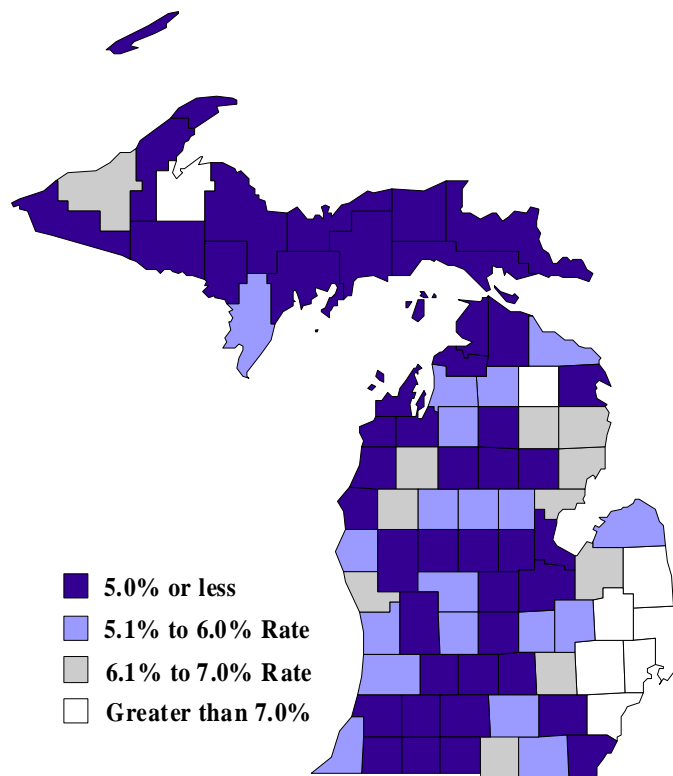
Between August 2008 and August 2009, employment fell substantially in all 17 major labor market areas with declines exceeding 5.0 percent in all 17 areas and a median employment decline of 7.9 percent. The Upper Peninsula saw the smallest decline (-5.2 percent). Holland-Grand Haven MSA saw the largest employment drop (-9.7 percent), followed by Detroit-Warren-Livonia MSA (-9.4 percent). Four other areas saw employment declines between -9.0 percent and -9.2 percent: Muskegon-Norton Shores, Niles-Benton Harbor MSA, Jackson MSA, and Saginaw-Saginaw Township MSA. All areas saw a labor force decline with a median decline of 2.4 percent. Labor force declines ranged between -0.7 percent (Detroit-Warren-Livonia MSA) and -6.9 percent (Flint MSA).

All areas saw a non-seasonally adjusted state unemployment rate decline compared with last month with a median drop of -0.8 of a percentage point. Between August 2008 and August 2009, the unemployment rate rose in all 83 Michigan counties with a median increase of 4.9 percentage points.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2008 Rate</u>	<u>Jul 2009 Rate</u>	<u>Aug 2009 Rate</u>
Michigan	8.6%	15.6%	14.7%
Ann Arbor	6.5%	10.3%	9.5%
Battle Creek	7.9%	13.6%	12.5%
Bay City	7.6%	13.3%	12.1%
Detroit-Warren-Livonia	9.1%	17.7%	17.0%
Flint	10.4%	17.6%	16.3%
Grand Rapids-Wyoming	7.5%	12.7%	12.0%
Holland-Grand Haven	7.2%	14.0%	12.9%
Jackson	9.1%	16.0%	15.1%
Kalamazoo-Portage	7.2%	12.2%	11.6%
Lansing-East Lansing	7.0%	12.6%	11.4%
Monroe	10.0%	17.0%	14.9%
Muskegon-Norton Shores	9.1%	16.9%	16.1%
Niles-Benton Harbor	8.2%	14.0%	13.4%
Saginaw-Saginaw Township	8.4%	14.5%	13.0%
Upper Peninsula	7.6%	12.3%	11.7%
Northeast Lower Mich	9.4%	15.1%	14.3%
Northwest Lower Mich.	8.0%	13.1%	12.5%

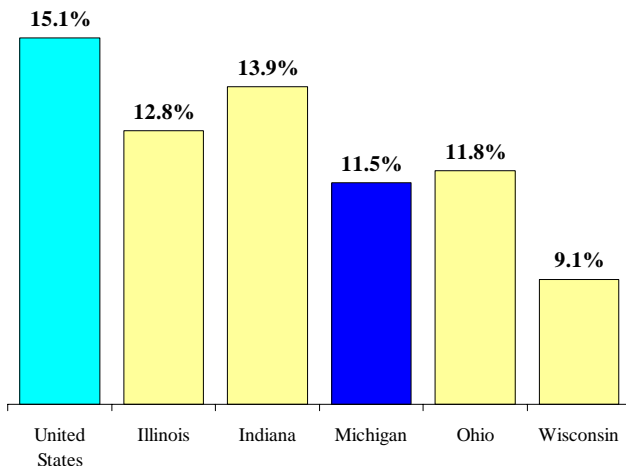
Unemployment Rate Change August 2008 – August 2009^(g)



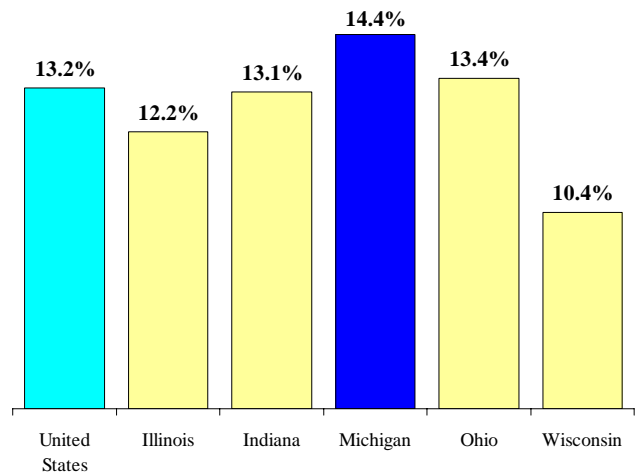
Michigan Reports Health Uninsured Rate and Median Household Income Below the Nation and Poverty Rate Above U.S. Rate

- In September 2009, the Census Bureau released the results from its 2008 American Community Survey. Below are some highlights.
- With a 2008 median household income of \$48,591, Michigan ranked 30th among U.S. states. Michigan’s median income was 6.6 percent below the national median of \$52,029. Median household income ranged between \$70,545 (Maryland) and \$37,790 (Mississippi).
- Michigan’s 2008 poverty rate was 14.4 percent compared with the national poverty rate of 13.2 percent. Among U.S. states, Michigan’s poverty rate ranked 16th highest. Poverty rates ranged between 7.6 percent (New Hampshire) and 21.2 percent (Mississippi).
- In 2008, an estimated 1.1 million Michigan residents lacked health insurance (public or private). Nationally, an estimated 45.1 million persons were without health insurance.
- Only 15 states had a lower uninsured rate than Michigan’s 11.5 percent. Texas had the highest uninsured rate among U.S. states with a 24.1 percent rate while Massachusetts reported the lowest rate (4.1 percent).

Smaller Share of Michigan Residents Without Health Insurance than Nationally 2008



Michigan Poverty Rate Above National Rate 2008



U.S. Economic Conditions

	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	68.7	70.8	66.0	65.7	2.7 points
ISM Manufacturing Index ⁽ⁱ⁾	42.8	44.8	48.9	52.9	3.6 points
ISM Non Manufacturing Index ⁽ⁱ⁾	42.4	49.8	46.1	51.3	0.5 points
	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	
Business Executives' Confidence ^(j)	40.0	24.0	30.0	55.0	16.0 points
INFLATION ^(k)					
1982-84 = 100	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	213.9	215.7	215.4	215.8	-1.5%
Detroit CPI	NA	204.5	NA	204.7	-2.3%
U.S. Producer Price Index	170.8	174.1	172.6	174.3	-4.3%
INTEREST RATES					
90 Day T-Bill ^(l)	0.15%	0.17%	0.19%	0.18%	-1.61% points
Aaa Corporate Bonds ^(m)	5.54%	5.61%	5.41%	5.26%	-0.38% points
INDUSTRIAL PRODUCTION ^(m)					
	96.1	95.8	96.7	97.4	-10.7%
CAPACITY UTILIZATION ^(m)					
	68.5%	68.3%	69.0%	69.6%	-8.0% points
RETAIL SALES ⁽ⁿ⁾					
	\$339.9	\$342.9	\$342.3	\$351.4	-5.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.551	0.590	0.589	0.598	-29.6%
Existing Home Sales ^(p)	4.720	4.890	5.240	5.100	3.4%
DURABLE GOODS ORDERS ^(q)					
	\$162.7	\$160.8	\$168.5	\$164.4	-20.2%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>% Change From Year Ago</u>
Michigan	\$356.1	\$354.8	\$355.2	\$352.4	0.4%
U.S.	\$12,130.9	\$12,150.9	\$12,100.9	\$12,037.4	0.8%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,324.6	\$13,141.9	\$12,925.4	\$12,901.5	-0.7%

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.