



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## January 2010 Summary

**U.S. Economy:** The ISM manufacturing index reported its sixth straight reading above 50 (signaling expansion); the ISM non-manufacturing composite index rose above 50 in January. Compared to the prior month, both industrial production and capacity utilization rose for the seventh consecutive month. Consumer sentiment rose from last month and was up 13.2 points from last year. Housing starts were up 25.2 percent from a year ago, while existing home sales were up 11.5 percent. Retail sales, excluding motor vehicle and gasoline sales, rose 3.5 percent from a year ago (three-month average). The durable goods average, excluding defense and aircraft, was down slightly (-0.5 percent).

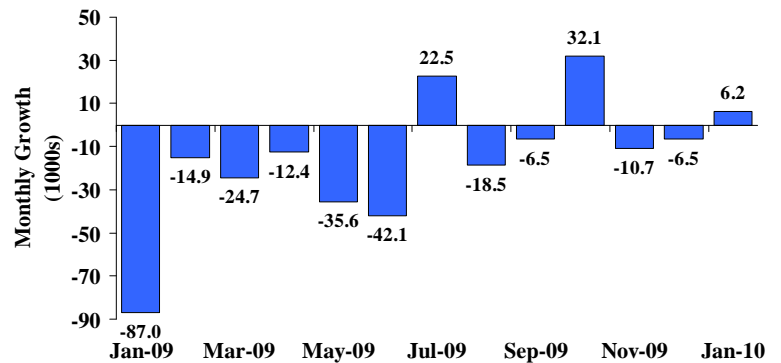
**Employment:** Michigan employment rose by 6,200 jobs from December and was down 111,100 jobs from a year ago. National employment fell by 20,000 jobs in January. Over the past year, the U.S. economy has lost a net 4.0 million jobs. Compared to December, Michigan's unemployment rate fell 0.2 of a percentage point while the U.S. rate fell 0.3 of a percentage point. Michigan's unemployment rate (14.3 percent) remained the highest among the fifty states.

**Auto Industry:** In January, the light vehicle sales rate fell 3.9 percent from December 2009 to a 10.8 million unit annual rate, but rose 12.3 percent compared to a year ago. Vehicle inventories dropped nearly one-third compared to January 2009. In January 2010, both Michigan and national vehicle production doubled from January 2009 when many plants were closed.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 2.6 percent. The U.S. CPI excluding food and energy rose 1.3 percent. The core producer price index increased 1.0 percent. Oil prices rose to \$78.22 a barrel.

**Michigan Metro Areas:** From January 2009, unemployment rates rose across all of Michigan's 17 major labor market areas with a median increase of 3.0 percentage points. Employment fell in all 17 labor market areas with a median decline of 5.1 percent. January 2010 unemployment rates ranged between 9.3 percent (Ann Arbor MSA) and 20.0 percent (Northeast Lower Michigan).

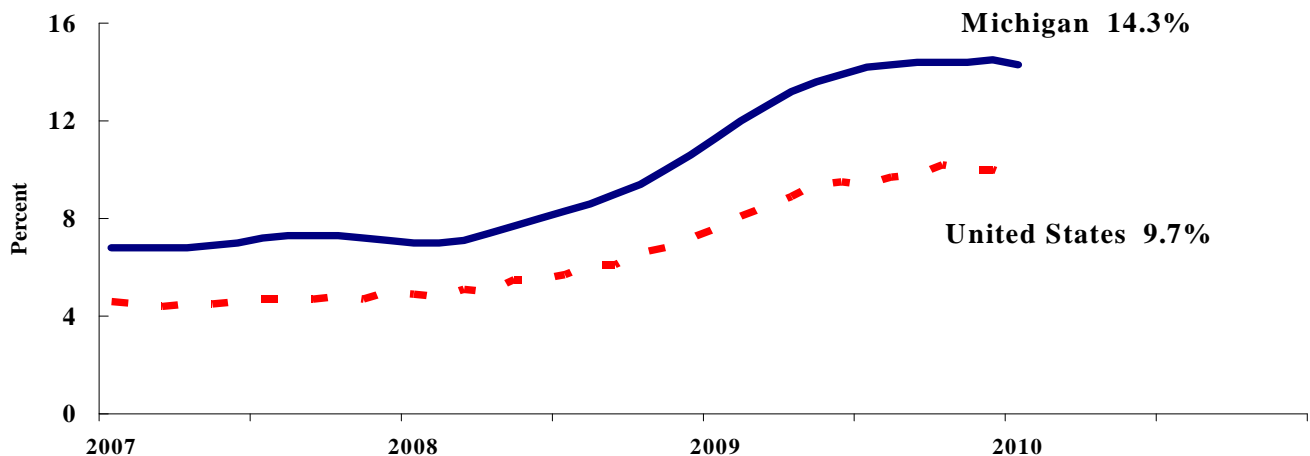
Michigan Employment Rises Slightly  
In January <sup>(a)</sup>



## Labor Market Statistics

- Michigan's January unemployment rate decreased by 0.2 percentage points from last month to 14.3 percent, and the current Michigan jobless rate is 3.0 percentage points above a year ago. The January U.S. unemployment rate decreased 0.3 percentage points to 10.0 percent and was 2.1 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 2007 to 2010



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 4,147,000, up 11,000 from last month, while the labor force increased by 4,000. The statewide total number of unemployed decreased by 6,000 to 693,000.
- United States household employment totaled 138.3 million persons in January, up 541,000 from December. The labor force rose by 111,000 from last month, which meant there were 430,000 fewer unemployed people nationally, compared to December.

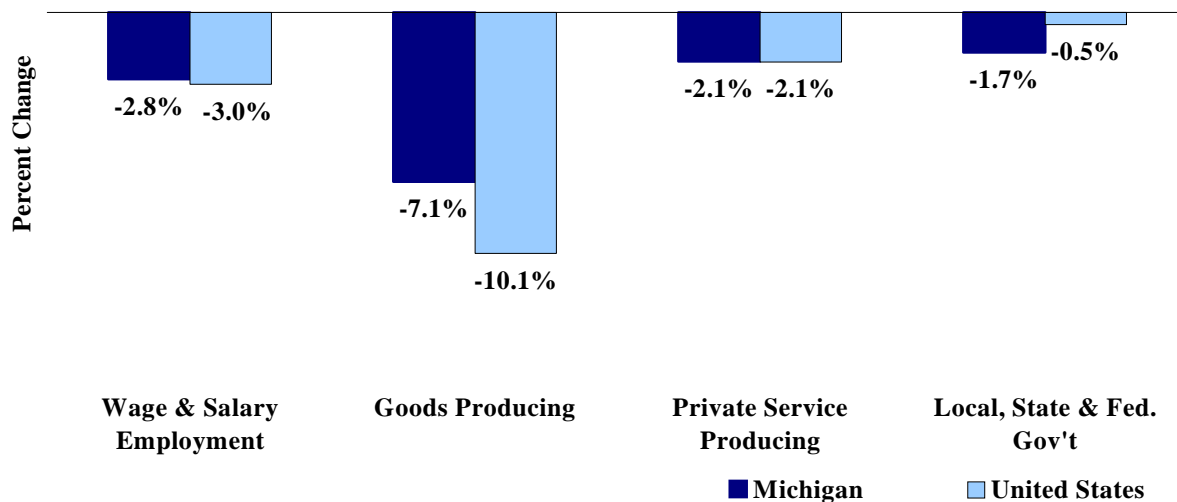
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2008 Average	Nov 2009	Dec 2009	Jan 2010	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,936	4,845	4,836	4,840	4	0.1%	-93	-1.9%
Employed	4,519	4,145	4,136	4,147	11	0.3%	-227	-5.2%
Unemployed	416	700	700	693	-6	-0.9%	134	23.9%
Unemployment Rate	8.4%	14.4%	14.5%	14.3%	n.a.	-0.2% pts	n.a.	3.0%
<b>United States</b>								
Labor Force	154,287	153,720	153,059	153,170	111	0.1%	-546	-0.4%
Employed	145,362	138,381	137,792	138,333	541	0.4%	-3,766	-2.7%
Unemployed	8,924	15,340	15,267	14,837	-430	-2.8%	3,221	27.7%
Unemployment Rate	5.8%	10.0%	10.0%	9.7%	n.a.	-0.3% pts	n.a.	2.1%

## Employment by Place of Work

- From January 2009 to January 2010, Michigan wage and salary employment decreased 111,000 (2.8 percent). State wage and salary employment increased 6,000 from December. Nationally, January 2009 wage and salary employment fell 4,022,000 (3.0 percent) from a year ago and was down 20,000 from last month.

### Wage and Salary Employment Growth January 2009 to January 2010



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

- In the goods-producing sector, Michigan employment fell 7.1 percent from a year ago while private service-producing sector employment decreased 2.1 percent compared to last year. From a year ago, January national employment in the goods-producing sector fell 10.1 percent and decreased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 0.4 hours in Michigan compared to last year.

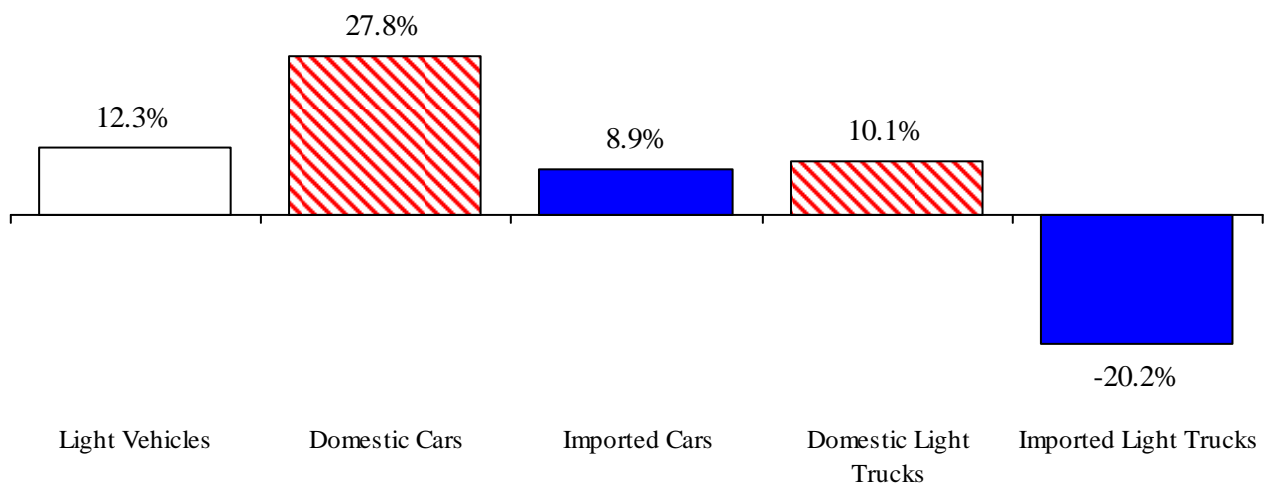
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2009 Average	Jan 2009	Jan 2010	Percent Change	2009 Average	Jan 2009	Jan 2010	Percent Change
Wage & Salary Employment	3,876	3,962	3,851	-2.8%	130,912	133,549	129,527	-3.0%
Goods Producing	597	633	588	-7.1%	18,620	19,855	17,846	-10.1%
Manufacturing	462	486	460	-5.3%	11,883	12,543	11,540	-8.0%
Private Service Producing	2,633	2,675	2,620	-2.1%	89,749	91,106	89,209	-2.1%
Trade, Trans. & Utilities	717	737	708	-3.9%	24,947	25,475	24,642	-3.3%
Services	1,670	1,686	1,673	-0.8%	54,236	54,798	54,171	-1.1%
Local, State & Fed. Gov't	647	654	643	-1.7%	22,544	22,588	22,472	-0.5%
Manufacturing Weekly Hours	39.3	43.3	43.7	0.4 hrs	39.3	39.0	39.9	0.9 hrs

## Motor Vehicle Industry Sales

- At a 10.8 million unit rate, January 2010 light vehicle sales fell 3.9 percent from December 2009. However, January 2010 light vehicle sales were up 12.3 percent from a year ago.
- Compared to December 2009, January 2010 domestic sales decreased 4.9 percent while foreign sales fell 0.6 percent. Domestic sales rose 17.7 percent compared to a year ago while foreign sales declined 1.7 percent. Consequently, the foreign share of U.S. light vehicle sales dropped sharply (-3.5 percentage points) to 24.4 percent.
- Auto sales fell 5.0 percent compared to December 2009, but rose sharply compared to a year ago (21.0 percent). Light truck sales fell 2.6 percent from December but increased 4.1 percent from January 2009. Heavy truck sales rose 6.0 percent compared to a year ago.
- In January 2010, light vehicle inventories shrank 32.2 percent from a year ago. At 71 days, days supply rose by 18 days from December 2009 but were down by 50 days from a year ago.

### January 2010 Light Vehicle Sales Up Substantially from Year Ago Annual Sales Rate (millions)



### Motor Vehicle Sales Statistics

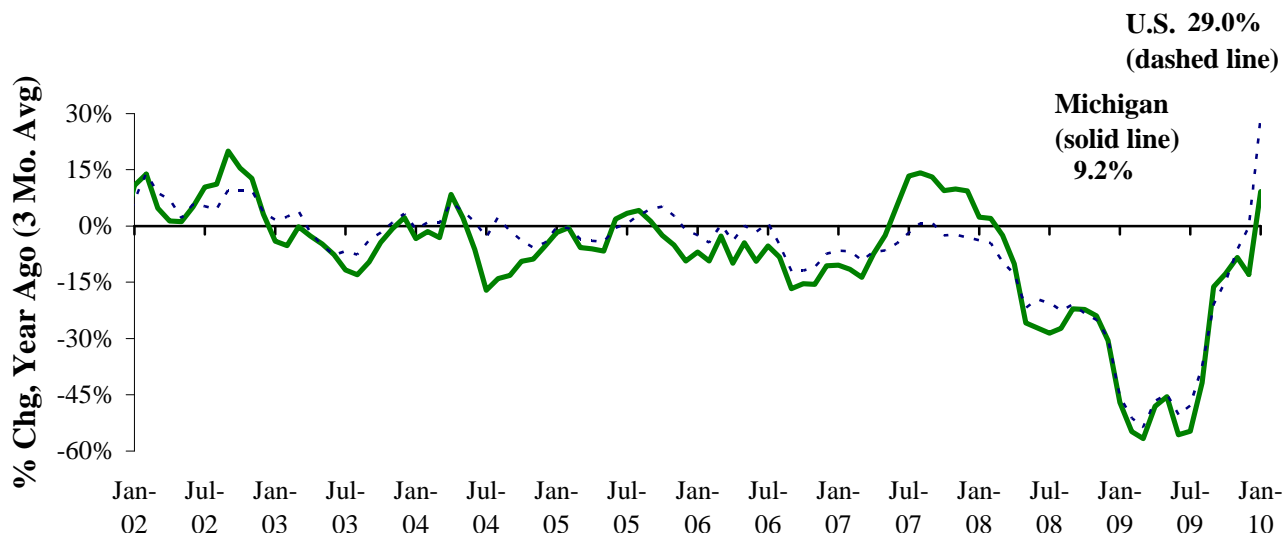
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2009 Average	Nov 2009	Dec 2009	Jan 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.4	5.6	5.9	5.7	5.7	1.0	21.0%
Domestics	3.6	3.8	4.1	3.8	3.9	0.8	27.8%
Imports	1.8	1.8	1.8	1.9	1.8	0.2	8.9%
Import Share	33.7%	31.8%	30.3%	32.8%	31.6%	-3.6% pts	
Light Trucks	4.9	5.3	5.3	5.1	5.2	0.2	4.1%
Domestics	4.0	4.5	4.4	4.3	4.4	0.4	10.1%
Imports	0.9	0.8	0.8	0.8	0.8	(0.2)	-20.2%
Import Share	17.9%	15.5%	16.2%	15.2%	15.6%	-4.6% pts	
Total Light Vehicles	10.3	10.9	11.2	10.8	11.0	1.2	12.3%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	6.0%
Total Vehicles	10.5	11.1	11.4	11.0	11.2	1.2	12.2%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Nov-09</b>	<b>Dec-09</b>	<b>Jan-10</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.159	1.056	1.031	1.077	1.055	-0.521	
Days Supply	70	65	56	71	64	-61 days	
Total Truck	1.057	0.952	0.899	0.983	0.945	-0.458	
Days Supply	68	59	49	71	60	-39 days	

## Motor Vehicle Industry Production

- At 98,465 units, January 2010 Michigan motor vehicle production doubled (103.5 percent) from a year ago when several plants were closed. Similarly, national production rose 100.2 percent. Compared to December 2009, Michigan production rose 3.3 percent while national production increased 9.0 percent.
- Michigan car production increased 190.6 percent from a year ago, and State truck production rose 76.2 percent. Nationally, car production grew 115.1 percent while truck production increased 91.8 percent.
- From a year ago, Michigan's share of national production rose by 0.3 of a percentage point to 17.0 percent.

### Michigan Production Up Significantly National Production Rises Sharply <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009 Monthly Average	Nov 2009	Dec 2009	Jan 2010	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	194.2	239.8	220.3	224.0	228.0	119.9	115.1%
Trucks	285.2	358.6	311.2	355.2	341.6	170.0	91.8%
Total	479.5	598.4	531.4	579.2	569.7	289.9	100.2%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	42.5	44.6	40.5	33.6	39.5	22.0	190.6%
Trucks	53.0	66.2	54.9	64.9	62.0	28.1	76.2%
Total	95.5	110.7	95.4	98.5	101.5	50.1	103.5%
Michigan as % of U.S.	19.9%	18.5%	17.9%	17.0%	17.8%	0.3% pts	

## Unemployment Rate Rises and Employment Drops in All Areas Compared to Year Ago (Not Seasonally Adjusted)

January 2010 area unemployment rates (seasonally unadjusted) ranged between 9.3 percent (Ann Arbor MSA) and 20.0 percent (Northeast Lower Michigan). The median unemployment rate was 15.2 percent.

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 3.0 percentage points. Eight areas saw increases greater than 3.0 percentage points. Northwest Lower Michigan saw the largest increase (4.0 percentage points) while Lansing-East Lansing MSA saw the smallest increase (1.1 percentage points).

Between January 2009 and January 2010, employment fell in all 17 major labor market areas with a median employment decline of 5.1 percent with all but the Lansing-East Lansing MSA (-1.7 percent) reporting a decline of 3.0 percent or more. The Muskegon-Norton Shores MSA saw the largest employment drop (-7.0 percent), followed by the Monroe MSA and Jackson MSA (-6.7 percent). All 17 areas saw a labor force decline with a median drop of -1.5 percent. Labor force changes ranged between -0.1 percent (Niles-Benton Harbor MSA) and -4.9 percent (Monroe MSA).

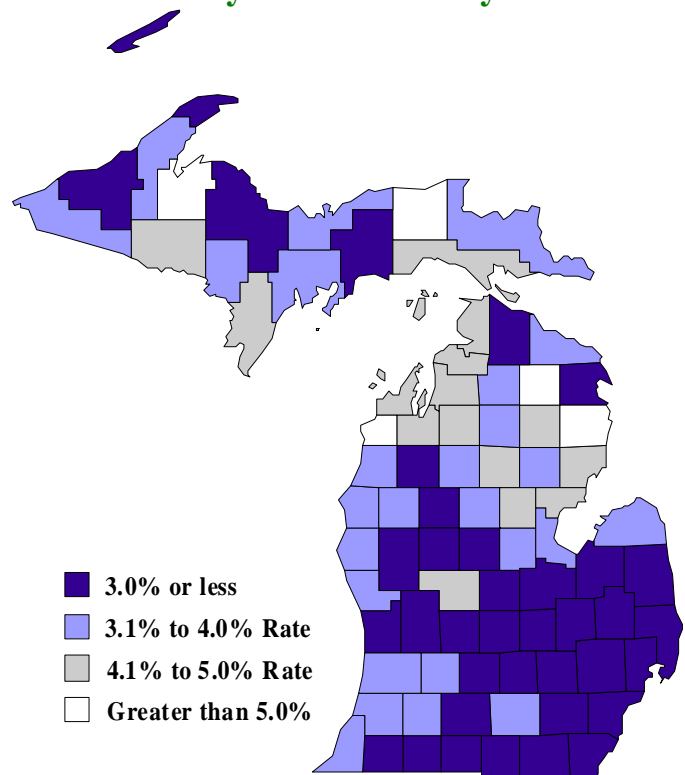
Compared to last month, 16 areas saw a non-seasonally adjusted unemployment rate increase with a median increase of 0.5 of a percentage point. One area saw no change.

Between January 2009 and January 2010, the unemployment rate rose in all 83 Michigan counties with a median increase of 3.3 percentage points. Two counties saw January 2010 unemployment rates less than 10.0 percent while 58 counties reported rates higher than 15.0 percent. Twelve counties saw rates above 20.0 percent.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Jan 2009 Rate</u>	<u>Dec 2009 Rate</u>	<u>Jan 2010 Rate</u>
Michigan	12.4%	14.3%	14.9%
Ann Arbor	7.0%	9.2%	9.3%
Battle Creek	10.6%	12.5%	12.9%
Bay City	10.9%	13.7%	14.3%
Detroit-Warren-Livonia	13.5%	14.9%	15.6%
Flint	14.3%	16.0%	16.4%
Grand Rapids-Wyoming	10.0%	12.3%	12.7%
Holland-Grand Haven	11.0%	13.4%	14.0%
Jackson	11.3%	15.1%	15.2%
Kalamazoo-Portage	9.2%	12.3%	12.6%
Lansing-East Lansing	10.6%	11.7%	11.7%
Monroe	14.1%	15.0%	15.8%
Muskegon-Norton Shores	13.0%	16.2%	16.6%
Niles-Benton Harbor	11.4%	14.5%	15.2%
Saginaw-Saginaw Township	11.9%	13.7%	14.2%
Upper Peninsula	11.8%	14.5%	15.2%
Northeast Lower Mich	16.4%	18.9%	20.0%
Northwest Lower Mich.	13.3%	16.4%	17.3%

### Unemployment Rate Change January 2009 – January 2010<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	70.6	67.4	72.5	74.4	13.2 points
ISM Manufacturing Index <sup>(i)</sup>	55.2	53.7	54.9	58.4	22.9 points
ISM Non Manufacturing Index <sup>(i)</sup>	50.1	48.4	49.8	50.5	7.3 points
	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	
Business Executives' Confidence <sup>(j)</sup>	30.0	55.0	63.0	64.0	40.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	216.2	216.3	215.9	216.7	2.6%
Detroit CPI	205.1	NA	203.9	NA	3.0%
U.S. Producer Price Index	173.8	176.2	176.2	178.3	4.6%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.08%	0.05%	0.07%	0.06%	-0.06% points
Aaa Corporate Bonds <sup>(m)</sup>	5.15%	5.19%	5.26%	5.26%	0.21% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	98.9	99.5	100.0	100.9	0.8%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	70.8%	71.4%	71.8%	72.5%	1.4% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$347.6	\$354.5	\$353.8	\$354.3	4.1%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.524	0.579	0.573	0.611	25.2%
Existing Home Sales <sup>(p)</sup>	5.980	6.490	5.440	5.050	11.5%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$168.1	\$167.4	\$170.5	\$174.9	9.7%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>% Change From Year Ago</u>
Michigan	\$349.7	\$335.5	\$341.3	\$342.4	-2.0%
U.S.	\$12,218.4	\$11,944.1	\$12,039.4	\$12,077.6	-1.6%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2005 Dollars) <sup>(c)</sup>	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$12,925.4	\$12,901.5	\$12,973.0	\$13,161.1	5.9%

**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.
- (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.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.