



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## December 2009 Summary

**U.S. Economy:** Led by a tremendous jump in inventories, 2009Q4 real GDP rose at a 5.7 percent annual rate -- its fastest rate in over six years. The ISM manufacturing index reported its fifth straight reading above 50; the ISM non-manufacturing business activity index signaled growing activity for the fourth time out of the past five months. Both industrial production and capacity utilization rose for the sixth consecutive month. Consumer sentiment rose from last month and was up 12.4 points from last year. In 2009Q4, business executive confidence increased sharply from a year ago. Housing starts remained depressed, while existing home sales dropped sharply from November. Retail sales, excluding motor vehicle and gasoline sales, rose 0.7 percent from a year ago (three-month average).

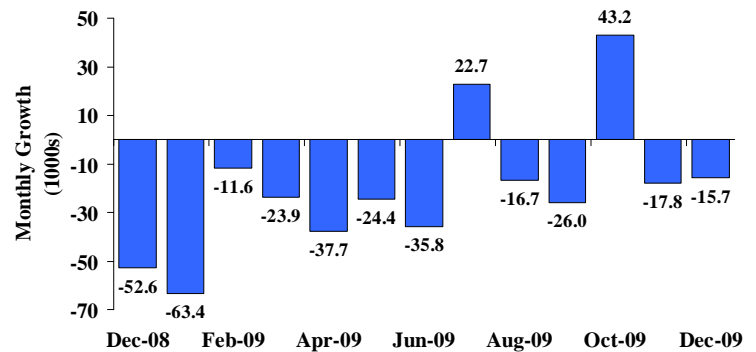
**Employment:** Michigan employment fell by 15,700 jobs from November and was down 207,100 jobs from a year ago. After remaining essentially unchanged in November, national employment fell by 85,000 jobs in December. Over the past year, the U.S. economy has lost a net 4.2 million jobs. Compared to November, Michigan's unemployment rate fell 0.1 of a percentage point while the U.S. rate remained unchanged. Michigan's unemployment rate (14.6 percent) remained the highest among the fifty states.

**Auto Industry:** The light vehicle sales rate rose for the third straight month, rising to an 11.2 million unit annual rate. Compared to a year ago, Michigan's vehicle production (three-month average) fell 12.9 percent while national production was essentially flat.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 2.7 percent while the Detroit CPI rose 3.0 percent. Producer prices increased 4.4 percent. Oil prices fell to \$74.30 a barrel.

**Michigan Metro Areas:** From December 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 3.8 percentage points. Employment fell in all 17 labor market areas with a median decline of 4.8 percent. CY 2009 unemployment rates ranged between 8.8 percent (Ann Arbor MSA) and 16.1 percent (Northeast Lower Michigan).

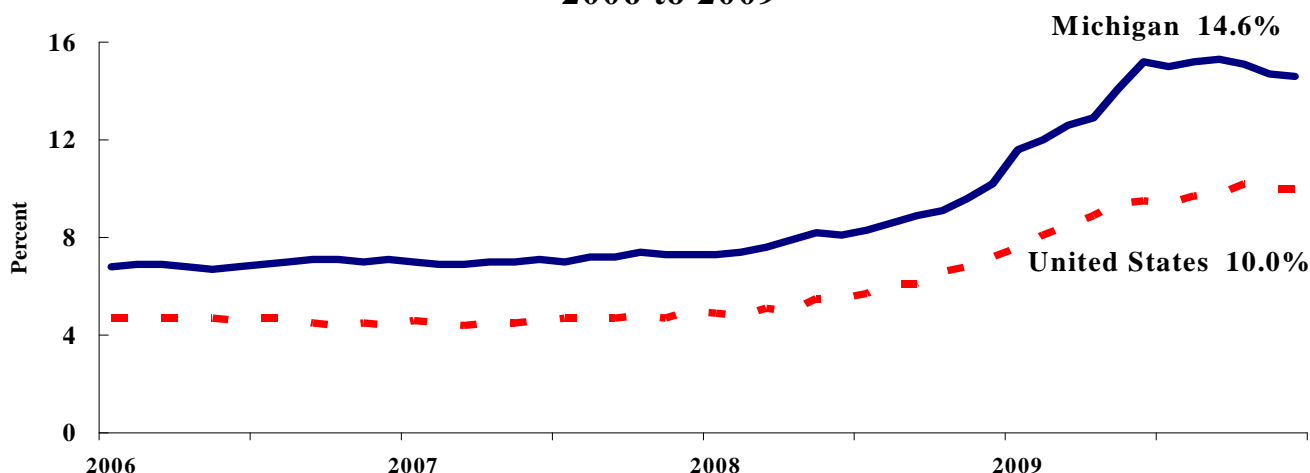
## Michigan Economy Loses 207,100 Jobs Over Past Year<sup>(a)</sup>



## Labor Market Statistics

- Michigan's December monthly unemployment rate decreased by 0.1 percentage points from last month to 14.6 percent, and the current Michigan jobless rate is 4.4 percentage points above a year ago. The December U.S. unemployment rate remained unchanged at 10.0 percent and was 2.8 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 December, the number of people employed in Michigan was 4,112,000, down 20,000 from last month, while the labor force decreased by 31,000. The statewide total number of unemployed decreased by 11,000 to 701,000.
- United States household employment totaled 137.8 million persons in December, down 589,000 from November. The labor force fell by 661,000 from last month, which meant that there were 73,000 fewer unemployed people nationally, compared to November.

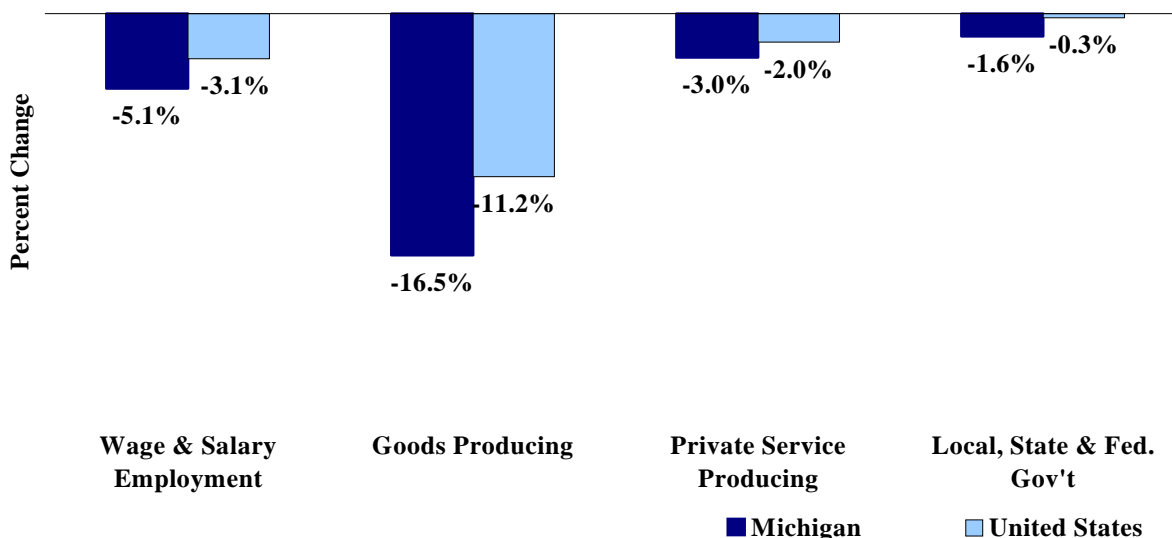
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2008 Average	Oct 2009	Nov 2009	Dec 2009	Change From			
					Prior Month		Last Year	
<b>Michigan</b>								
Labor Force	4,936	4,850	4,844	4,813	-31	-0.6%	-72	-1.5%
Employed	4,519	4,117	4,132	4,112	-20	-0.5%	-276	-6.3%
Unemployed	416	733	712	701	-11	-1.5%	205	41.3%
Unemployment Rate	8.4%	15.1%	14.7%	14.6%	n.a.	-0.1% pts	n.a.	4.4%
<b>United States</b>								
Labor Force	154,287	153,854	153,720	153,059	-661	-0.4%	-1,388	-0.9%
Employed	145,362	138,242	138,381	137,792	-589	-0.4%	-5,546	-3.9%
Unemployed	8,924	15,612	15,340	15,267	-73	-0.5%	4,159	37.4%
Unemployment Rate	5.8%	10.1%	10.0%	10.0%	n.a.	0.0% pts	n.a.	2.8%

### Employment by Place of Work

- From December 2008 to December 2009, Michigan wage and salary employment decreased 207,000 (5.1 percent). State wage and salary employment decreased 16,000 from November. Nationally, December 2009 wage and salary employment fell 4,164,000 (3.1 percent) from a year ago and was down 85,000 from last month.

#### Wage and Salary Employment Growth December 2008 to December 2009



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

- In the goods-producing sector, Michigan employment fell 16.5 percent from a year ago while private service-producing sector employment decreased 3.0 percent compared to last year. From a year ago, December national employment in the goods-producing sector fell 11.2 percent and decreased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 2.9 hours in Michigan compared to last year.

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

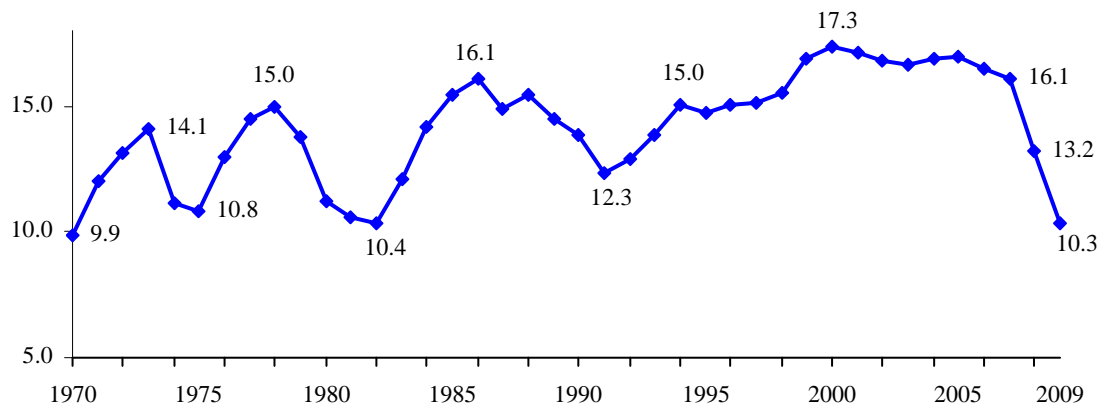
	Michigan				United States			
	2008 Average	Dec 2008	Dec 2009	Percent Change	2008 Average	Dec 2008	Dec 2009	Percent Change
Wage & Salary Employment	4,159	4,038	3,831	-5.1%	137,066	135,074	130,910	-3.1%
Goods Producing	737	695	580	-16.5%	21,419	20,532	18,240	-11.2%
Manufacturing	575	544	453	-16.7%	13,431	12,902	11,630	-9.9%
Private Service Producing	2,775	2,703	2,622	-3.0%	93,146	92,010	90,203	-2.0%
Trade, Trans. & Utilities	769	743	695	-6.5%	26,385	25,843	24,962	-3.4%
Services	1,739	1,700	1,686	-0.8%	55,620	55,217	54,740	-0.9%
Local, State & Fed. Gov't	648	641	631	-1.6%	22,500	22,532	22,467	-0.3%
Manufacturing Weekly Hours	42.2	40.8	43.7	2.9 hrs	40.8	39.9	40.4	0.5 hrs

## Motor Vehicle Industry Sales

- At 10.3 million units, calendar year (CY) 2009 light vehicle sales fell 21.6 percent from CY 2008. December 2009 light vehicle sales (11.2 million unit rate) were up 8.8 percent from December 2008.
- Compared to CY 2008, 2009 domestic sales decreased 22.2 percent while foreign sales fell 19.7 percent. As a result, the CY foreign share of U.S. vehicle sales rose 0.6 of a percentage point to 26.2 percent. In December 2009, domestic sales were up 11.4 percent from December 2008 and foreign sales rose 1.2 percent.
- Calendar year auto sales fell 20.4 percent from 2008 while light truck sales dropped 22.8 percent. CY heavy truck sales declined by almost one-third (-32.9 percent). December 2009 auto sales were 13.1 percent higher than a year earlier while light truck sales were up only 4.3 percent. December heavy truck sales were down 5.6 percent from a year ago.
- In December 2009, light vehicle inventories shrank 39.2 percent from a year ago. At 53 days, days supply fell 9 days compared to November and were down 40 days from a year ago.

### CY 2009 Light Vehicle Sales Fall to Near 40-Year Low

Annual Sales Rate (millions)



### Motor Vehicle Sales Statistics

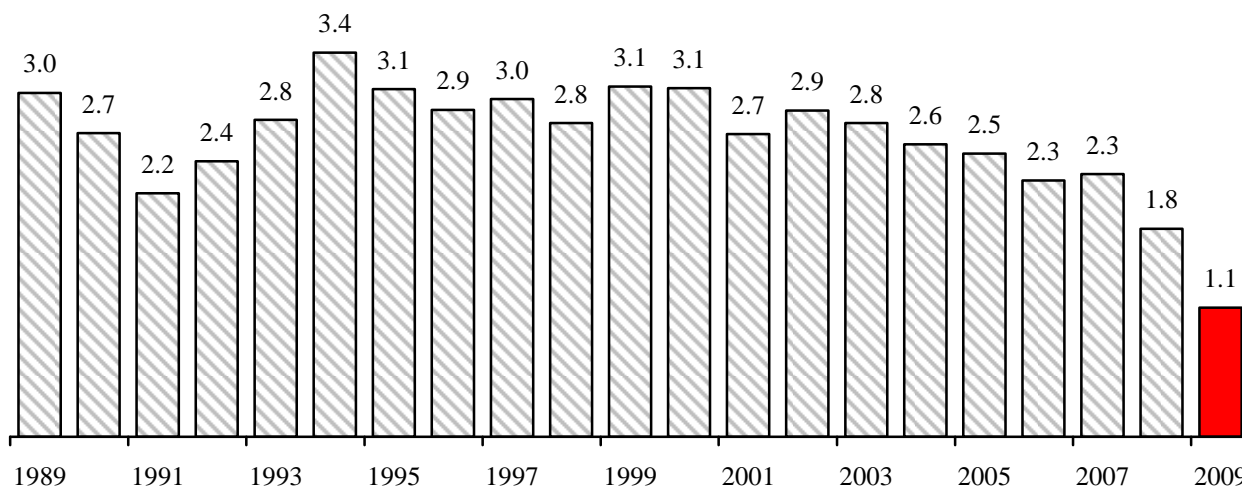
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2009 Average	Oct 2009	Nov 2009	Dec 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.4	5.4	5.6	5.9	5.7	0.7	13.1%
Domestics	3.6	3.7	3.8	4.1	3.9	0.6	15.8%
Imports	1.8	1.8	1.8	1.8	1.8	0.1	7.2%
Import Share	33.7%	32.9%	31.8%	30.3%	31.6%	-1.7%	pts
Light Trucks	4.9	5.0	5.3	5.3	5.2	0.2	4.3%
Domestics	4.0	4.2	4.5	4.4	4.4	0.3	7.5%
Imports	0.9	0.8	0.8	0.8	0.8	(0.1)	-9.5%
Import Share	17.9%	15.3%	15.5%	16.1%	15.6%	-2.5%	pts
Total Light Vehicles	10.3	10.4	10.9	11.2	10.8	0.9	8.8%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	-5.6%
Total Vehicles	10.5	10.6	11.1	11.4	11.1	0.9	8.5%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Oct-09</b>	<b>Nov-09</b>	<b>Dec-09</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.159	0.979	1.056	1.032	1.023	-0.611	
Days Supply	70	64	65	56	62	-45 days	
Total Truck	1.057	0.910	0.952	0.909	0.924	-0.642	
Days Supply	68	62	59	50	57	-36 days	

### Motor Vehicle Industry Production

- At 95,362 units, December 2009 Michigan motor vehicle production fell 14.9 percent from a year ago. National production rose 7.3 percent. Compared to November 2009, Michigan production fell 13.9 percent while national production decreased 11.2 percent.
- Michigan car production dropped 31.8 percent from a year ago, and State truck production rose 4.0 percent. Nationally, car production increased 3.4 percent while truck production was up 10.2 percent.
- From a year ago, Michigan’s share of national production fell by 4.7 percentage points to 17.9 percent.

**2009 Michigan Vehicle Production Drops Sharply for Second Straight Year** <sup>(e,f)</sup>  
(millions)



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009 Monthly Average	Oct 2009	Nov 2009	Dec 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	194.2	294.7	239.8	220.3	251.6	7.3	3.4%
Trucks	285.2	373.7	358.6	311.2	347.8	28.8	10.2%
Total	479.5	668.4	598.4	531.4	599.4	36.2	7.3%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	42.5	78.4	44.6	40.5	54.5	(18.8)	-31.8%
Trucks	53.0	69.7	66.2	54.9	63.6	2.1	4.0%
Total	95.5	148.1	110.7	95.4	118.1	(16.7)	-14.9%
Michigan as % of U.S.	19.9%	22.2%	18.5%	17.9%	19.7%	-4.7%	pts

## Unemployment Rates Rise Sharply in Calendar Year 2009

(Not Seasonally Adjusted)

Calendar year (CY) 2009 unemployment rates ranged between 8.8 percent (Ann Arbor MSA) and 16.1 percent (Northeast Lower Michigan). The *median* CY 2009 local area unemployment rate was 13.0 percent

Compared to CY 2008, unemployment rates rose in all 17 major Michigan labor market areas. The *median* unemployment rate increase was 4.8 percentage points. All but one area (Ann Arbor MSA, 2.9 percentage points) reported an increase exceeding 4.0 percentage points. Two areas saw increases greater than 6.0 percentage points: Muskegon-Norton Shores MSA (6.7 percentage points) and Detroit-Warren-Livonia MSA (6.6 percentage points).

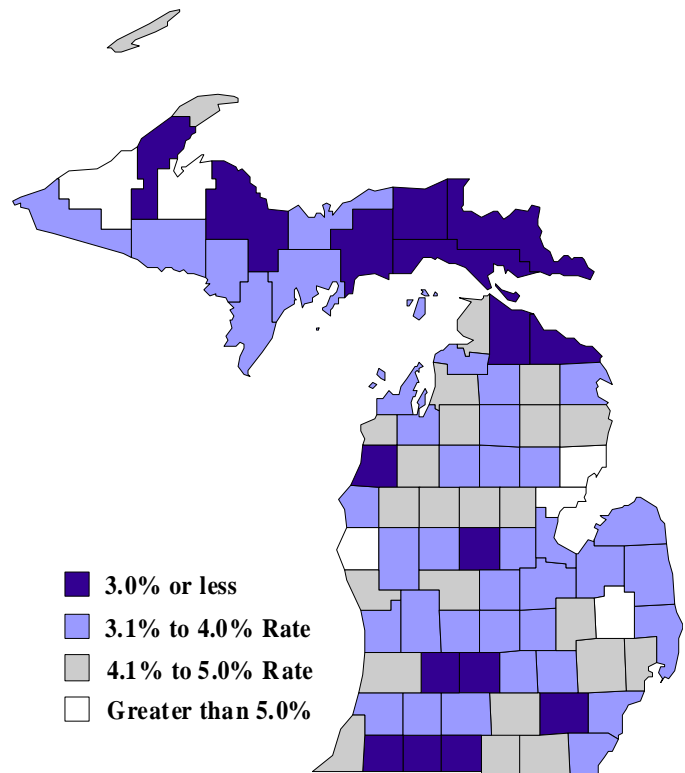
Between December 2008 and December 2009, employment fell substantially in all 17 major labor market areas with a median employment decline of 4.8 percent. The Ann Arbor MSA saw the smallest decline (-3.3 percent). The Flint MSA saw the largest employment drop (-8.6 percent), followed by Holland-Grand Haven MSA (-6.8 percent). Sixteen areas saw a labor force decline with a median change of -1.0 percent. Labor force changes ranged between +0.3 percent (Northwest Lower Michigan) and -3.7 percent (Flint MSA).

Between December 2008 and December 2009, the unemployment rate rose in all 83 Michigan counties with a median increase of 3.8 percentage points. Two counties saw December 2009 unemployment rates less than 10.0 percent while 50 counties reported rates higher than 15.0 percent.

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

<u>Local Area</u>	<u>CY 2008 Rate</u>	<u>CY 2009 Rate</u>	<u>Change</u>
Michigan	8.4%	14.0%	5.6% pts
Ann Arbor	5.9%	8.8%	2.9%
Battle Creek	7.7%	12.3%	4.6%
Bay City	7.9%	12.4%	4.5%
Detroit-Warren-Livonia	8.8%	15.4%	6.6%
Flint	10.6%	15.8%	5.2%
Grand Rapids-Wyoming	7.2%	11.6%	4.4%
Holland-Grand Haven	7.0%	12.7%	5.7%
Jackson	8.7%	14.3%	5.6%
Kalamazoo-Portage	6.9%	11.1%	4.2%
Lansing-East Lansing	6.8%	11.1%	4.3%
Monroe	8.9%	14.8%	5.9%
Muskegon-Norton Shores	8.8%	15.5%	6.7%
Niles-Benton Harbor	8.1%	13.0%	4.9%
Saginaw-Saginaw Township	8.6%	13.1%	4.5%
Upper Peninsula	8.5%	12.6%	4.1%
Northeast Lower Mich	11.1%	16.1%	5.0%
Northwest Lower Mich.	9.0%	13.8%	4.8%

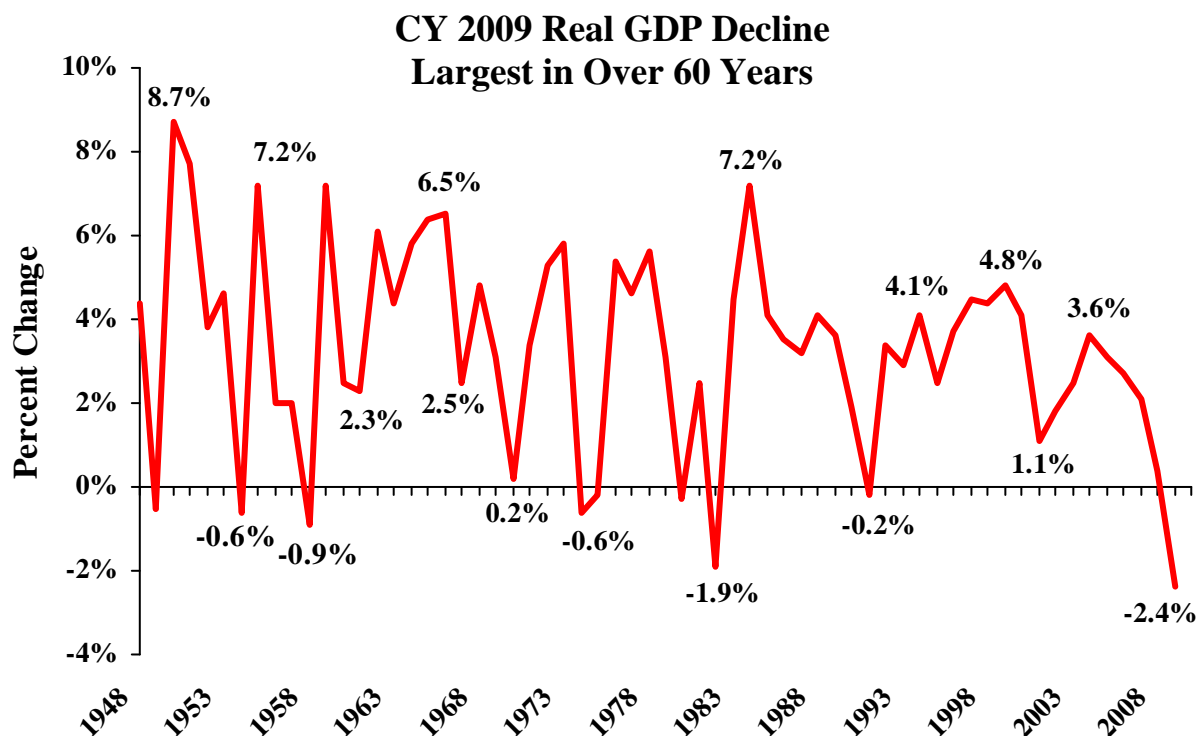
### Unemployment Rate Change December 2008 – December 2009<sup>(g)</sup>



## Calendar Year 2009 Gross Domestic Product Down Sharply

On January 29, 2010, the Bureau of Economic Analysis, U.S. Department of Commerce, released calendar year (CY) 2009 gross domestic product advance estimates. Below is a summary of that release:

- In calendar year 2009, real (inflation adjusted) GDP fell 2.4 percent – its largest CY decline since 1946 when the economy slowed dramatically following World War II.
- CY 2009 real gross domestic investment depressed overall real GDP by 3.49 percentage points, while consumption contributed an additional 0.40 of a percentage point to the overall economic decline. However, an improvement in the trade deficit (net exports) and higher government spending partially offset the investment and consumption drops. As a result, overall real GDP dropped 2.4 percent.
- Real domestic investment fell by almost one-fourth (-23.5 percent) -- its fastest decline since 1949. Non-residential investment accounted for 14.1 percentage points of the overall investment decline, while residential investment contributed 4.4 percentage points and declining inventories accounted for 5.0 percentage points.
- Real consumption declined by 0.6 percent with the drop in goods consumption accounting for slightly more than 100 percent of the overall consumption drop.
- Federal government spending increased 5.2 percent with defense spending rising 5.4 percent and non-defense spending increasing 4.7 percent. State and local government spending was essentially flat (-0.1 percent). Thus combined federal, state and local government spending rose 1.9 percent and government spending lessened the overall GDP decline by 0.38 of a percentage point.
- Both exports and imports dropped. However, imports fell more than exports. As a result, net exports (exports minus imports) rose from -\$494.3 billion to -\$353.8 billion and lessened the overall GDP drop by 1.08 percentage points.





## U.S. Economic Conditions

	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	73.5	70.6	67.4	72.5	12.4 points
ISM Manufacturing Index <sup>(i)</sup>	52.6	55.7	53.6	55.9	23.0 points
ISM Non Manufacturing Index <sup>(i)</sup>	55.1	55.2	49.6	53.7	14.8 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>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	216.0	216.2	216.3	215.9	2.7%
Detroit CPI	NA	205.1	NA	203.9	3.0%
U.S. Producer Price Index	173.4	174.1	176.2	176.2	4.4%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.13%	0.08%	0.05%	0.07%	0.03% points
Aaa Corporate Bonds <sup>(m)</sup>	5.13%	5.15%	5.19%	5.26%	0.18% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	98.9	99.1	99.7	100.3	-2.0%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	70.8%	71.0%	71.5%	72.0%	-0.7% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$343.7	\$347.6	\$354.0	\$353.0	5.4%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.586	0.524	0.580	0.557	0.2%
Existing Home Sales <sup>(p)</sup>	5.540	6.090	6.540	5.450	15.0%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$168.2	\$168.1	\$167.5	\$167.9	-3.1%
<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	\$13,155.0	5.7%



**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.