



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

March 2009 Summary

U.S. Economy: The recession remained deeply entrenched. Real GDP reported its second massive quarterly decline, falling at a 6.1 percent annual rate following the prior quarter's 6.3 percent drop. As a result, the U.S. economy posted its worst two-quarter real GDP decline in 50 years. Housing starts declined in March, falling nearly back to the record low level seen in January. Compared to a year ago, starts were down 48.4 percent from a year ago. Compared to a year ago, industrial production fell 12.8 percent – its largest percentage decline since 1946. Retail sales, excluding vehicles and gasoline, (three-month average) declined for the third straight month, falling 1.2 percent.

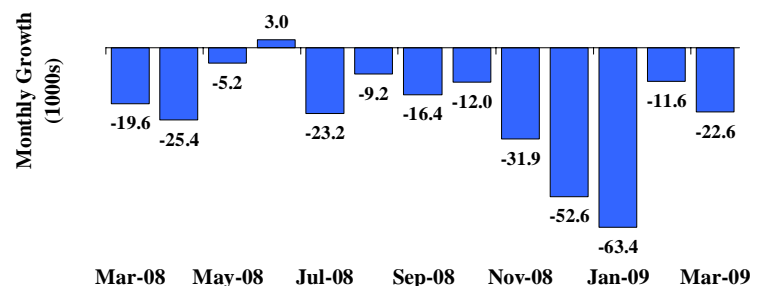
Employment: Employment fell substantially both in Michigan and nationally with State employment falling by 22,600 jobs and U.S. employment dropping by 663,000 jobs. Both the Michigan and the U.S. unemployment rates rose to their highest levels since 1983. At 12.6 percent, Michigan had the highest March 2009 state unemployment rate.

Auto Industry: Light vehicle sales fell 34.6 percent from a year ago to a 9.8 million unit rate. March Michigan vehicle production fell 35.6 percent from a year ago while U.S. production dropped 38.4 percent. Vehicle production, however, was up significantly from last month.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was down 0.4 percent; the core CPI increased 1.8 percent. Overall producer prices declined 3.5 percent, but core producer prices rose 3.8 percent. Oil prices, at \$47.98 a barrel, were up \$8.82 from February 2009, but down \$57.58 from a year ago.

Michigan Metro Areas: From March 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 4.9 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 8.2 percent. Unemployment rates ranged between 7.9 percent (Ann Arbor MSA) and 18.2 percent (Northeast Lower Michigan).

Michigan Economy Loses 182,100 Jobs in Past Five Months ^(a)



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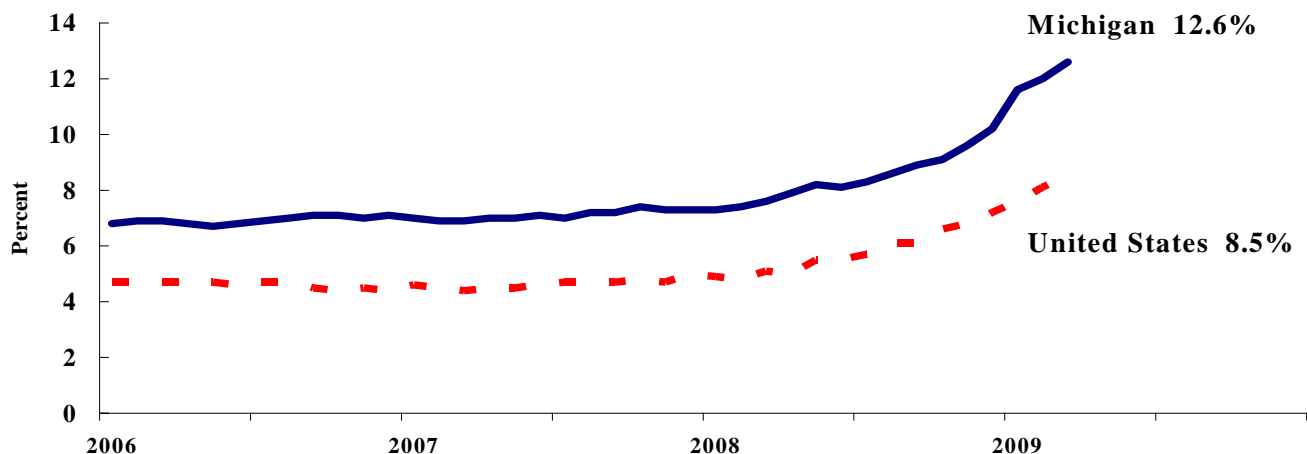
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Labor Market Statistics

- Michigan’s March monthly unemployment rate increased by 0.6 percentage points from last month to 12.6 percent, and the current Michigan jobless rate is 5.0 percentage points above a year ago. The March U.S. unemployment rate increased 0.4 percentage points to 8.5 percent and was 3.4 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 March, the number of people employed in Michigan was 4,233,000, down 41,000 from last month, while the labor force decreased by 16,000. The statewide total number of unemployed increased by 25,000 to 609,000.
- United States household employment totaled 140.9 million persons in March, down 861,000 from February. The labor force fell by 166,000 from last month, which meant that there were 694,000 more unemployed people nationally, compared to February.

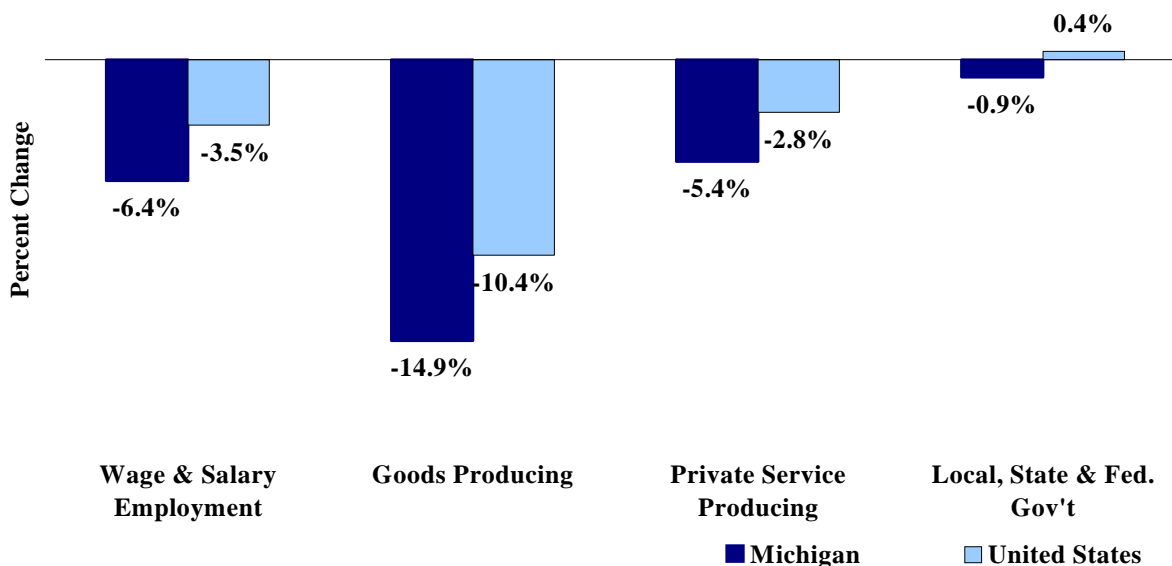
Employment by Place of Residence (in thousands)^(a)

	2008 <u>Average</u>	Jan <u>2009</u>	Feb <u>2009</u>	Mar <u>2009</u>	Change From		Change From	
					Prior Month <u>Level</u>	<u>%</u>	Last Year <u>Level</u>	<u>%</u>
Michigan								
Labor Force	4,936	4,862	4,858	4,842	-16	-0.3%	-119	-2.4%
Employed	4,519	4,299	4,274	4,233	-41	-1.0%	-351	-7.7%
Unemployed	416	563	584	609	25	4.3%	232	61.7%
Unemployment Rate	8.4%	11.6%	12.0%	12.6%	n.a.	0.6% pts	n.a.	5.0%
United States								
Labor Force	154,287	153,716	154,214	154,048	-166	-0.1%	205	0.1%
Employed	145,362	142,099	141,748	140,887	-861	-0.6%	-5,136	-3.5%
Unemployed	8,924	11,616	12,467	13,161	694	5.6%	5,341	68.3%
Unemployment Rate	5.8%	7.6%	8.1%	8.5%	n.a.	0.4% pts	n.a.	3.4%

Employment by Place of Work

- From March 2008 to March 2009, Michigan wage and salary employment decreased 271,000 (6.4 percent). State wage and salary employment decreased 23,000 from February. Nationally, March 2009 wage and salary employment fell 4,795,000 (3.5 percent) from a year ago and was down 663,000 from last month.

Wage and Salary Employment Growth March 2008 to March 2009



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

- In the goods-producing sector, Michigan employment fell 14.9 percent from a year ago while private service-producing sector employment decreased 5.4 percent compared to last year. From a year ago, March national employment in the goods-producing sector fell 10.4 percent and decreased 2.8 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 2.8 hours in Michigan compared to last year.

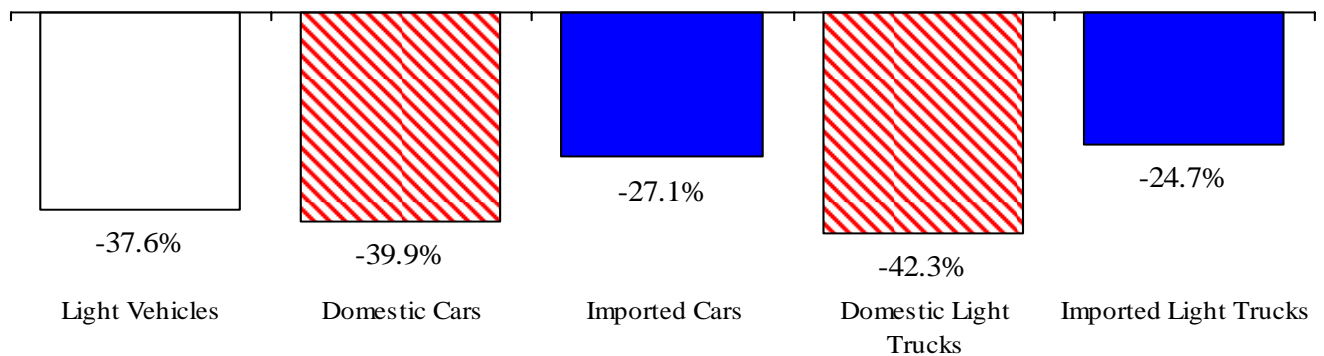
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2008 Average	Mar 2008	Mar 2009	Percent Change	2008 Average	Mar 2008	Mar 2009	Percent Change
Wage & Salary Employment	4,159	4,211	3,941	-6.4%	137,066	137,814	133,019	-3.5%
Goods Producing	737	757	644	-14.9%	21,419	21,800	19,537	-10.4%
Manufacturing	575	590	493	-16.4%	13,431	13,643	12,310	-9.8%
Private Service Producing	2,775	2,808	2,656	-5.4%	93,146	93,573	90,944	-2.8%
Trade, Trans. & Utilities	769	781	729	-6.7%	26,385	26,629	25,502	-4.2%
Services	1,739	1,756	1,674	-4.7%	55,620	55,717	54,668	-1.9%
Local, State & Fed. Gov't	648	646	640	-0.9%	22,500	22,441	22,538	0.4%
Manufacturing Weekly Hours	42.2	43.2	40.4	-2.8 hrs	40.8	41.2	39.3	-1.9 hrs

Motor Vehicle Industry Sales

- At a 9.8 million unit annual rate, the March 2009 light vehicle sales rate rose 8.1 percent from February. However, compared to a year ago, light vehicle sales declined sharply, falling by 34.6 percent.
- Compared to March 2008, domestic sales were down 36.8 percent while foreign sales fell 28.3 percent. As a result, the foreign share of U.S. vehicle sales rose sharply (2.5 percentage points).
- March light truck sales fell 36.9 percent from a year ago, while autos sales declined 32.3 percent. Heavy truck sales fell 46.3 percent.
- March 2009 days' supply of light vehicles was up 18 days compared to a year ago, but down by 19 days from March 2009.

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



Motor Vehicle Sales Statistics

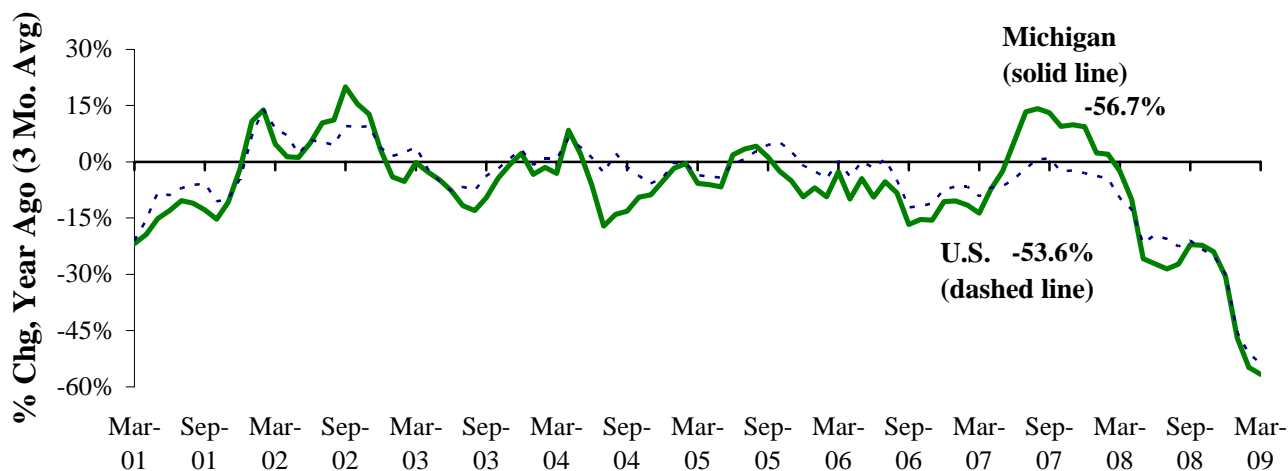
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2008	Jan	Feb	Mar	3 Month	Change from	
	Average	2009	2009	2009	Average	Level	%
Autos	6.7	4.6	4.6	5.1	4.8	(2.4)	-32.3%
Domestics	4.5	2.9	2.9	3.3	3.0	(1.7)	-33.7%
Imports	2.2	1.7	1.7	1.8	1.7	(0.8)	-29.5%
Import Share	33.0%	36.5%	37.7%	35.6%	36.6%	1.4% pts	
Light Trucks	6.4	5.0	4.5	4.7	4.7	(2.8)	-36.9%
Domestics	5.3	4.0	3.5	3.8	3.7	(2.4)	-39.2%
Imports	1.1	1.0	1.0	1.0	1.0	(0.3)	-26.0%
Import Share	17.1%	20.0%	22.6%	20.3%	20.9%	3.0% pts	
Total Light Vehicles	13.1	9.5	9.1	9.8	9.5	(5.2)	-34.6%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-46.3%
Total Vehicles	13.4	9.8	9.3	10.0	9.7	(5.3)	-34.8%
U.S. Light Vehicle Inventories^(d)		Jan-09	Feb-09	Mar-09	3 Month	Change	
Total Car	1.340	1.595	1.495	1.458	1.516	0.088	
Days Supply	65	132	105	82	106	30 days	
Total Truck	1.825	1.441	1.400	1.345	1.395	-0.598	
Days Supply	89	110	97	82	96	6 days	

Motor Vehicle Industry Production

- At 110,915 units, March 2009 Michigan motor vehicle production fell sharply from a year ago (-35.6 percent) as did national production (-38.4 percent). However, production was up sharply from last month, rising 41.2 percent in Michigan and up 15.6 percent nationally.
- Michigan car production dropped 45.0 percent from a year ago while State truck production fell 25.2 percent. Nationally, car production fell 42.8 percent while truck production dropped 35.4 percent.
- From a year ago, Michigan’s share of national production rose 1.0 percentage point to 23.3 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Jan 2009	Feb 2009	Mar 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	314.0	104.1	153.2	182.5	146.6	(136.3)	-42.8%
Trucks	414.5	185.1	258.7	293.4	245.7	(160.5)	-35.4%
Total	728.5	289.3	411.9	475.9	392.4	(296.8)	-38.4%
Michigan Production ^(f)							
Autos	83.7	11.6	21.9	49.6	27.7	(40.6)	-45.0%
Trucks	70.0	36.8	56.6	61.3	51.6	(20.6)	-25.2%
Total	153.7	48.4	78.6	110.9	79.3	(61.2)	-35.6%
Michigan as % of U.S.	21.1%	16.7%	19.1%	23.3%	20.2%	1.0% pts	

March 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 4.9 percentage points. Sixteen areas saw rate increases exceeding 4.0 percentage points. Four areas saw increases of 6.0 percentage points or greater: Muskegon-Norton Shores MSA (7.1 percentage points), Holland-Grand Haven MSA (6.4 percentage points) and Monroe MSA (6.4 percentage points) and Detroit-Warren-Livonia MSA (6.0 percentage points).

Between March 2008 and March 2009, employment fell sharply in all 17 major labor market areas with declines equaling or exceeding 6.0 percent in all 17 areas and a median employment decline of 8.2 percent. Four areas saw declines of 9.0 percent or greater: Holland-Grand Haven MSA (-9.9 percent), Grand Rapids-Wyoming MSA (-9.2 percent), Battle Creek MSA (-9.0 percent) and Muskegon-Norton Shores MSA (-9.0 percent). All areas saw a labor force decline with a median reduction of 2.7 percent. Three areas saw more than a 4.0 percent labor force reduction: Ann Arbor MSA (-5.5 percent), Grand Rapids-Wyoming MSA (-4.3 percent) and Battle Creek MSA (-4.1 percent).

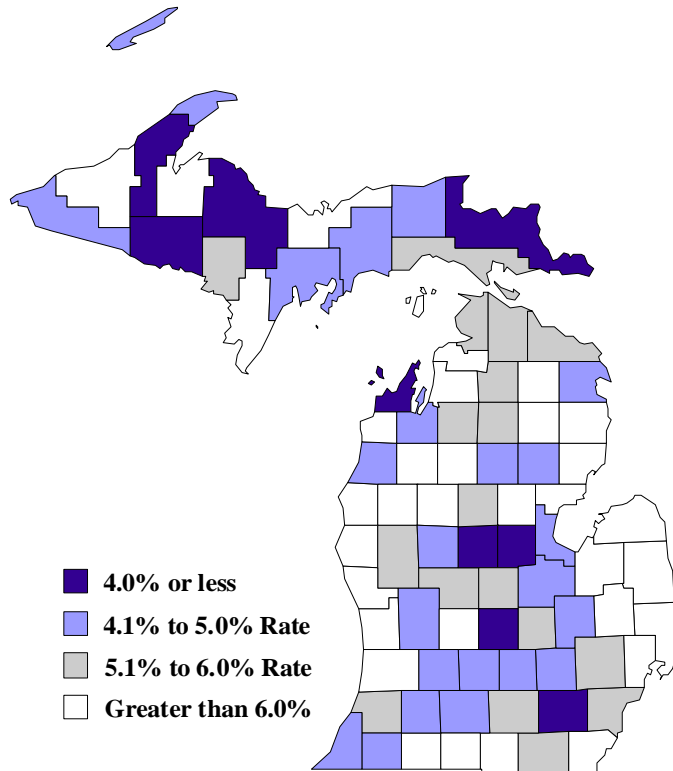
Compared to February 2009, non-seasonally adjusted unemployment rates rose in all 17 areas, with a median increase of 0.7 of a percentage point. March 2009 unemployment rates ranged between 7.9 percent (Ann Arbor MSA) to 18.2 percent (Northeast Lower Peninsula).

Between March 2008 and March 2009, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 5.4 percentage points. Sixteen counties saw greater than a 7.0 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 7.9 percent (Washtenaw) and 28.0 percent (Mackinac).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Mar 2008 Rate</u>	<u>Feb 2009 Rate</u>	<u>Mar 2009 Rate</u>
Michigan	7.9%	12.7%	13.4%
Ann Arbor	5.0%	7.4%	7.9%
Battle Creek	6.9%	11.2%	11.8%
Bay City	7.9%	11.3%	12.2%
Detroit-Warren-Livonia	8.0%	13.6%	14.0%
Flint	10.7%	13.8%	15.3%
Grand Rapids-Wyoming	6.4%	10.5%	11.3%
Holland-Grand Haven	6.2%	12.1%	12.6%
Jackson	7.9%	12.7%	13.4%
Kalamazoo-Portage	6.1%	9.9%	10.5%
Lansing-East Lansing	6.1%	10.1%	10.6%
Monroe	7.5%	12.9%	13.9%
Muskegon-Norton Shores	7.8%	14.2%	14.9%
Niles-Benton Harbor	7.5%	11.9%	12.4%
Saginaw-Saginaw Township	8.6%	11.8%	12.7%
Upper Peninsula	9.0%	12.8%	13.6%
Northeast Lower Mich	12.5%	17.4%	18.2%
Northwest Lower Mich.	9.4%	14.1%	15.1%

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



U.S. Economic Conditions

	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	60.1	61.2	56.3	57.3	-12.2 points
ISM Manufacturing Index ⁽ⁱ⁾	32.9	35.6	35.8	36.3	-12.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	38.9	44.2	40.2	44.1	-8.5 points
	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	
Business Executives' Confidence ^(j)	39.0	40.0	24.0	30.0	-8.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	210.2	211.1	212.2	212.7	-0.4%
Detroit CPI	198.0	NA	201.9	NA	-0.2%
U.S. Producer Price Index	168.8	170.3	170.1	168.9	-3.5%
INTEREST RATES					
90 Day T-Bill ^(l)	0.04%	0.12%	0.31%	0.25%	-1.13% points
Aaa Corporate Bonds ^(m)	5.08%	5.05%	5.27%	5.50%	-0.01% points
INDUSTRIAL PRODUCTION ^(m)					
	102.5	100.3	98.8	97.4	-12.8%
CAPACITY UTILIZATION ^(m)					
	72.8%	71.3%	70.3%	69.3%	-10.5% points
RETAIL SALES ⁽ⁿ⁾					
	\$336.4	\$342.0	\$343.3	\$339.2	-9.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.558	0.488	0.572	0.510	-48.4%
Existing Home Sales ^(p)	4.740	4.490	4.710	4.570	-7.1%
DURABLE GOODS ORDERS ^(q)					
	\$172.7	\$159.2	\$161.8	\$160.5	-25.6%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>% Change From Year Ago</u>
Michigan	\$350.3	\$355.7	\$354.0	\$352.5	1.3%
U.S.	\$11,939.0	\$12,130.9	\$12,150.9	\$12,125.4	2.4%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,727.4	\$11,712.4	\$11,522.1	\$11,340.9	-6.1%

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.