



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## May 2010 Summary

**U.S. Economy:** At 59.7, the ISM manufacturing index fell slightly from April, but reported its tenth straight reading above 50 (signaling expansion). The ISM non-manufacturing composite index remained above 50 for the fifth consecutive month. Both industrial production and capacity utilization (three-month averages) rose for the eleventh straight month. Consumer sentiment rose 1.4 points from last month and was up 4.9 points from last year. Housing starts and existing home sales year-ago increases slowed to 7.8 percent and 19.2 percent, respectively. Retail sales, excluding motor vehicle and gasoline sales, rose from a year ago for the sixth straight month, up 4.9 percent from May 2009 (three-month average). The new durable goods orders average, excluding defense and aircraft, accelerated to a 19.4 percent increase.

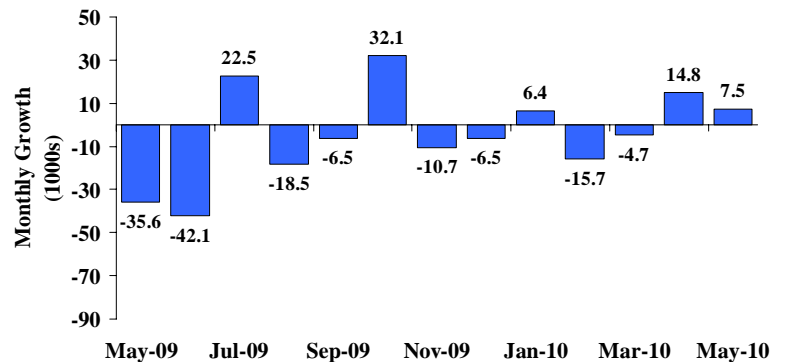
**Employment:** Michigan employment rose by 7,500 jobs in May from April and was down only 21,400 jobs from a year ago. While national employment rose by 431,000 jobs in May, nearly all the increase was from temporary Census worker hiring. Compared to April, Michigan's unemployment rate fell 0.4 of a percentage point to 13.6 percent (the second highest state unemployment rate behind Nevada). The U.S. rate fell 0.2 of a percentage point from April.

**Auto Industry:** In May 2010, the light vehicle sales rate rose 3.7 percent from April 2010 to an 11.6 million unit annual rate. Vehicle sales were up 17.9 percent compared to a year ago. Vehicle inventories dropped 11.8 percent compared to May 2009. In May 2010, Michigan vehicle production rose 45.0 percent compared to a year ago; national vehicle production increased 57.2 percent (three-month average).

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 2.0 percent. The U.S. CPI excluding food and energy rose 0.9 percent. The overall producer price index rose sharply (5.3 percent) but the core producer price index increased only 1.3 percent. Oil prices fell to \$73.84 a barrel from April, down \$10.64 a barrel, but up \$14.68 a barrel from a year ago.

**Michigan Metro Areas:** From May 2009, unemployment rates fell in 10 of Michigan's major labor market areas, rose in 4 areas and were unchanged in 3 areas. Employment fell in 13 labor market areas with a median decline of 1.6 percent.

Michigan Employment Rises  
In May <sup>(a)</sup>



Jay Wortley  
Director

Thomas Patchak-Schuster  
Senior Economist

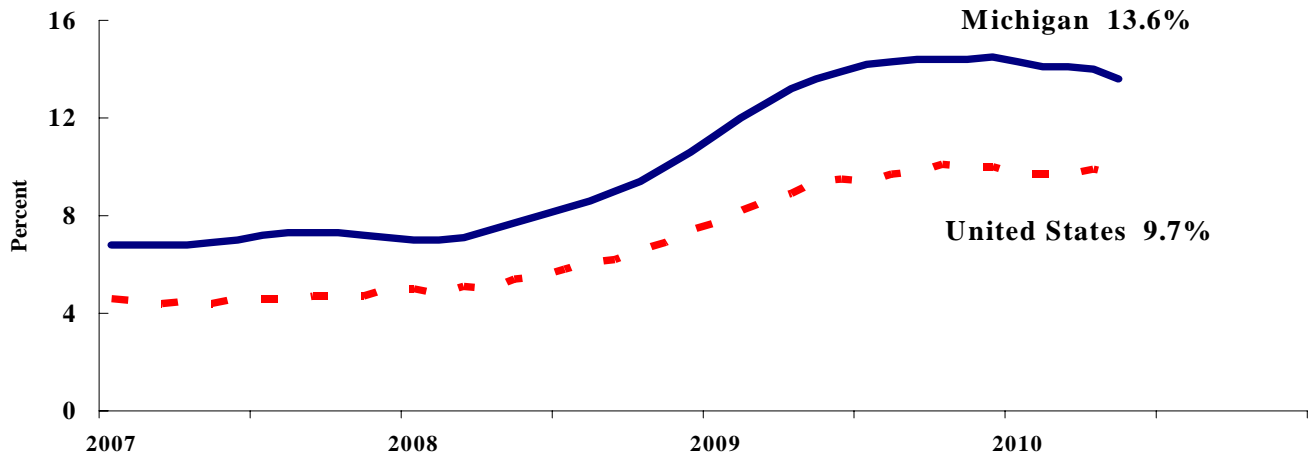
Andrew Lockwood  
Economic Specialist

Mindy Parshall  
Analyst

### Labor Market Statistics

- Michigan’s May unemployment rate decreased 0.4 percentage points from last month to 13.6 percent, and the current Michigan jobless rate is unchanged from a year ago. The May U.S. unemployment rate decreased 0.2 percentage points from April to 9.7 percent and was 0.3 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 May, the number of people employed in Michigan was 4,222,000, up 24,000 from last month, while the labor force increased by 4,000. The statewide total number of unemployed decreased by 19,000 to 662,000.
- United States household employment totaled 139.4 million persons in May, down 35,000 from April. The labor force fell by 322,000 from last month, which meant there were 287,000 fewer unemployed people nationally, compared to April.

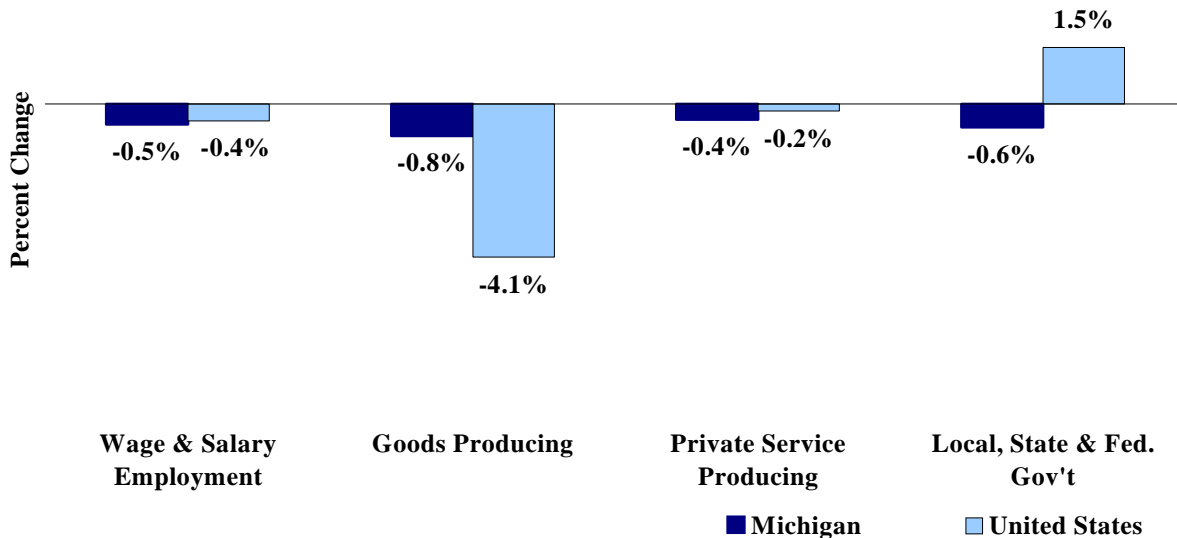
**Employment by Place of Residence (in thousands)<sup>(a)</sup>**

	2009 Average	Mar 2010	Apr 2010	May 2010	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,889	4,851	4,880	4,884	4	0.1%	-24	-0.5%
Employed	4,224	4,169	4,198	4,222	24	0.6%	-18	-0.4%
Unemployed	665	682	681	662	-19	-2.8%	-6	-0.9%
Unemployment Rate	13.6%	14.1%	14.0%	13.6%	n.a.	-0.4% pts	n.a.	0.0%
<b>United States</b>								
Labor Force	154,142	153,910	154,715	154,393	-322	-0.2%	-563	-0.4%
Employed	139,877	138,905	139,455	139,420	-35	0.0%	-1,018	-0.7%
Unemployed	14,265	15,005	15,260	14,973	-287	-1.9%	455	3.1%
Unemployment Rate	9.3%	9.7%	9.9%	9.7%	n.a.	-0.2% pts	n.a.	0.3%

### Employment by Place of Work

- From May 2009 to May 2010, Michigan wage and salary employment decreased 21,000 (0.5 percent). State wage and salary employment increased 8,000 from April. Nationally, May 2010 wage and salary employment fell 585,000 (0.4 percent) from a year ago but was up 431,000 from last month. The hiring of temporary Federal Census workers accounted for 411,000 of May's monthly job gain.

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



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

- In the goods-producing sector, Michigan employment fell 0.8 percent from a year ago while private service-producing sector employment decreased 0.4 percent compared to last year. From a year ago, May national employment in the goods-producing sector fell 4.1 percent and decreased 0.2 percent in the private service-producing sector.
- Manufacturing weekly hours increased sharply by 6.5 hours in Michigan compared to last year.

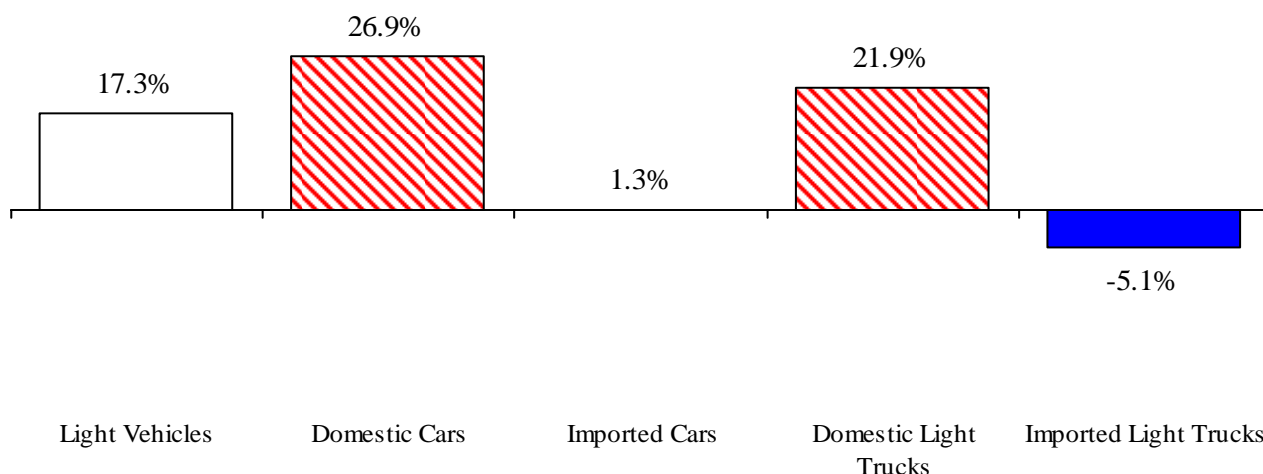
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2009 Average	May 2009	May 2010	Percent Change	2009 Average	May 2009	May 2010	Percent Change
Wage & Salary Employment	3,876	3,874	3,853	-0.5%	130,912	131,155	130,570	-0.4%
Goods Producing	597	592	587	-0.8%	18,620	18,731	17,971	-4.1%
Manufacturing	462	456	462	1.3%	11,883	11,911	11,660	-2.1%
Private Service Producing	2,633	2,633	2,622	-0.4%	89,749	89,796	89,631	-0.2%
Trade, Trans. & Utilities	717	720	708	-1.7%	24,947	24,997	24,727	-1.1%
Services	1,670	1,665	1,679	0.8%	54,236	54,214	54,577	0.7%
Local, State & Fed. Gov't	647	649	645	-0.6%	22,544	22,628	22,968	1.5%
Manufacturing Weekly Hours	39.3	40.6	47.1	6.5 hrs	39.3	38.7	40.5	1.8 hrs

### Motor Vehicle Industry Sales

- At an 11.6 million unit rate, May 2010 light vehicle sales rose 3.7 percent from April 2010. May 2010 light vehicle sales were up 17.9 percent from a year ago.
- Compared to April 2010, May 2010 domestic sales increased 4.0 percent while foreign sales increased 2.8 percent. Domestic sales rose 23.5 percent compared to a year ago while foreign sales increased 1.5 percent. Consequently, the foreign share of U.S. light vehicle sales dropped sharply from a year ago (-3.5 percentage points) to 21.8 percent – the lowest share since March 2006.
- Auto sales rose only 0.3 percent compared to April 2010 but increased 14.9 percent compared to a year ago. Light truck sales increased 7.2 percent from April and increased 20.9 percent from May 2009. Heavy truck sales rose 14.9 percent compared to a year ago.
- In May 2010, light vehicle inventories shrank 11.8 percent from a year ago. At 49 days, days supply fell 8 days from April 2010 and were down by 17 days from a year ago.

### 2010 Year-to-Date Light Vehicle Sales Up Substantially from Year Ago Percent Change



### Motor Vehicle Sales Statistics

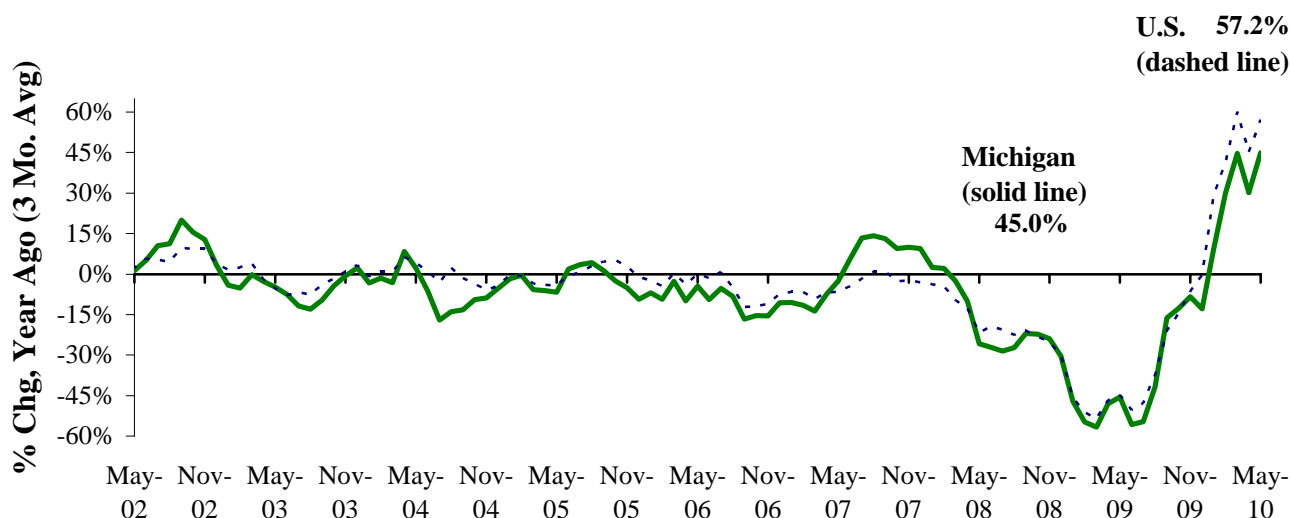
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2009 Average	Mar 2010	Apr 2010	May 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.5	6.0	5.6	5.6	5.7	0.7	14.9%
Domestics	3.6	4.3	3.9	3.9	4.1	0.7	23.0%
Imports	1.8	1.7	1.6	1.6	1.7	(0.0)	-0.9%
Import Share	33.7%	28.7%	29.3%	29.2%	29.1%	-4.6% pts	
Light Trucks	4.9	5.8	5.6	6.0	5.8	1.0	20.9%
Domestics	4.1	4.7	4.8	5.1	4.9	1.0	23.9%
Imports	0.9	1.0	0.8	0.9	0.9	0.1	6.2%
Import Share	17.9%	17.9%	14.6%	14.9%	15.8%	-2.1% pts	
Total Light Vehicles	10.4	11.8	11.2	11.6	11.5	1.8	17.9%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	14.9%
Total Vehicles	10.6	12.0	11.4	11.8	11.7	1.8	17.9%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>							
Total Car	1.158	1.083	1.073	1.028	1.061	-0.192	
Days Supply	70	53	57	48	53	-18 days	
Total Truck	1.057	1.075	1.066	1.034	1.058	-0.085	
Days Supply	68	53	57	49	53	-17 days	

### Motor Vehicle Industry Production

- At 132,240 units, May 2010 Michigan motor vehicle production more than doubled (118.1 percent) from last May's depressed level. National production rose sharply (82.9 percent). Compared to April 2010, Michigan production increased 11.0 percent while national production was up 4.5 percent.
- Michigan car production rose 88.7 percent from a year ago, and State truck production increased 145.5 percent. Nationally, car production grew 71.7 percent while truck production increased 90.9 percent.
- From a year ago, Michigan's share of national production rose by 3.2 percentage points to 20.1 percent.

### Both Michigan and National Motor Vehicle Production Increase Sharply for Year Ago <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009 Monthly Average	Mar 2010	Apr 2010	May 2010	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	194.2	283.1	253.7	257.7	264.8	107.6	71.7%
Trucks	285.2	443.1	377.0	401.5	407.2	191.2	90.9%
Total	479.5	726.2	630.7	659.1	672.0	298.8	82.9%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	42.5	44.8	43.8	55.1	47.9	25.9	88.7%
Trucks	53.0	84.2	75.3	77.1	78.9	45.7	145.5%
Total	95.5	128.9	119.1	132.2	126.8	71.6	118.1%
Michigan as % of U.S.	19.9%	17.8%	18.9%	20.1%	18.9%	3.2% pts	

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

May 2010 area unemployment rates ranged between 8.8 percent (Ann Arbor MSA) and 14.7 percent (Flint MSA). The median unemployment rate was 12.3 percent.

Compared to a year ago, unemployment rates fell in 10 major Michigan labor market areas, rose in 4 areas and were unchanged in 3 areas. The median unemployment rate change was a 0.2 of a percentage point drop. The Monroe MSA saw the largest rate decline (-2.8 percentage points), followed by the Detroit-Warren-Livonia MSA (-1.2 percentage points). The Kalamazoo-Portage MSA saw the largest increase (1.0 percentage points), followed by Northwest Lower Michigan (0.8 of a percentage point).

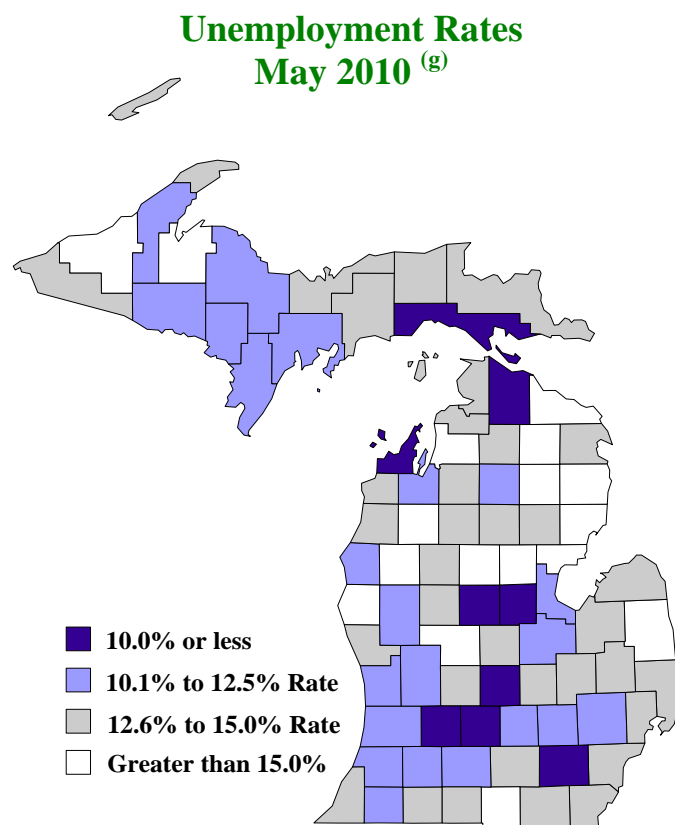
Between May 2009 and May 2010, employment fell in 13 major labor market areas with a median employment decline of 1.6 percent. The Muskegon-Norton Shores MSA saw the largest employment drop (-2.4 percent), followed by the Northeast Lower Peninsula and Monroe MSA (each with a 2.2 percent drop). Fifteen areas reported a labor force decline with a median drop of 1.1 percent. Labor force changes ranged between a 0.7 percent increase (Saginaw-Saginaw Township MSA) and a 5.2 percent decline (Monroe MSA).

Compared to last month, 16 areas saw declines in their non-seasonally adjusted unemployment rate with a median decrease of 0.5 percentage points.

Between May 2009 and May 2010, the unemployment rate fell in 48 Michigan counties with a median rate decrease of 0.7 of a percentage point. Thirty-one counties saw a rate increase with a median increase of 0.5 of a percentage point. Nine counties saw a May 2010 unemployment rate below 10.0 percent with Mackinac reporting the lowest rate (7.8 percent.) Seventeen counties reported rates higher than 15.0 percent. Two counties saw rates above 20.0 percent with Baraga recording the highest (24.7 percent).

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

<u>Local Area</u>	<u>May 2009 Rate</u>	<u>Apr 2010 Rate</u>	<u>May 2010 Rate</u>
Michigan	13.5%	13.7%	12.8%
Ann Arbor	8.8%	8.5%	8.8%
Battle Creek	11.9%	11.8%	11.5%
Bay City	11.9%	12.8%	12.1%
Detroit-Warren-Livonia	14.9%	14.8%	13.7%
Flint	15.5%	14.9%	14.7%
Grand Rapids-Wyoming	11.1%	11.3%	10.9%
Holland-Grand Haven	12.4%	12.2%	11.8%
Jackson	13.2%	13.5%	13.0%
Kalamazoo-Portage	10.2%	11.4%	11.2%
Lansing-East Lansing	10.7%	10.5%	10.2%
Monroe	15.5%	13.4%	12.7%
Muskegon-Norton Shores	14.8%	14.8%	14.0%
Niles-Benton Harbor	12.3%	13.3%	12.8%
Saginaw-Saginaw Township	12.9%	12.7%	12.3%
Upper Peninsula	12.1%	13.7%	12.1%
Northeast Lower Mich	14.5%	17.2%	14.5%
Northwest Lower Mich.	12.7%	15.3%	13.5%

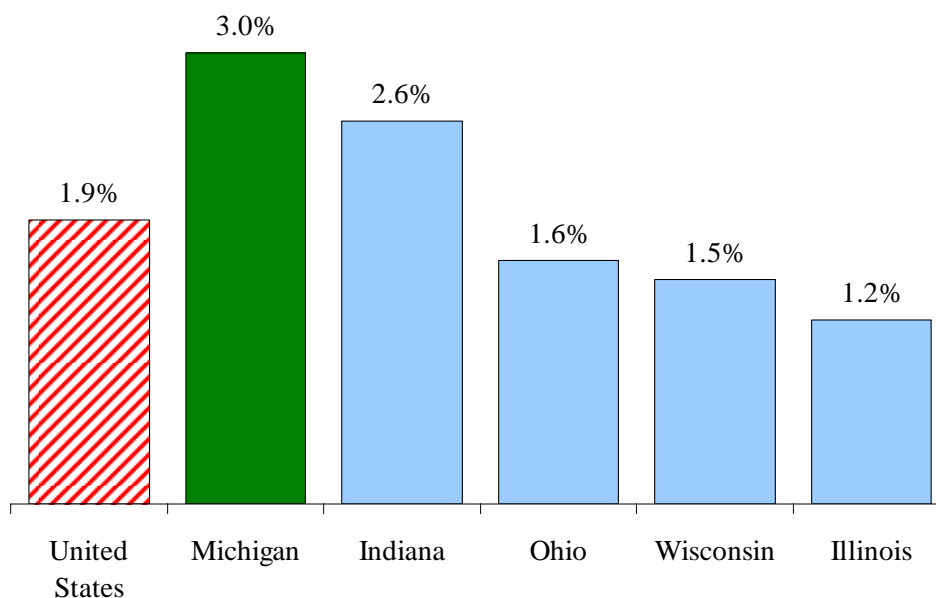


## Michigan Reports Substantial Personal Income Growth Over Past Year

On June 18, 2010, the Bureau of Economic Analysis released 2010Q1 state personal income data. Below are highlights from that release:

- Between 2009Q1 and 2010Q1, Michigan personal income rose 3.0 percent compared to a 1.9 percent U.S. personal income increase. Among U.S. states and the District of Columbia, Michigan saw the ninth fastest increase from a year-ago. Vermont ranked first with a 4.7 percent year-ago personal income increase. Only two states' personal income fell over the past year: Wyoming (-1.5 percent) and Nevada (-0.3 percent).
- Between 2000Q1 and 2010Q1, Michigan and the U.S. experienced their slowest 10-year personal income growth since at least 1979, rising 19.1 percent and 45.1 percent respectively.
- Michigan's wage and salary income rose 0.5 percent over the past year while U.S. wages and salaries fell 0.4 percent between 2009Q1 and 2010Q1.
- Michigan manufacturing wages and salaries increased 2.0 percent from 2009Q1. Nationally, manufacturing wages and salary income dropped 3.4 percent.
- Severe weakness in the Michigan and national construction industry weighed heavily on that sector's wages and salaries. Over the past year, construction wages and salaries declined 18.4 percent in Michigan and fell 13.9 percent nationally.
- Over the past 20 years, Michigan manufacturing wages and salaries have fallen slightly (-1.0 percent) while wages and salaries outside that sector nearly doubled (99.0 percent). As a result, manufacturing's share of Michigan wages fell from 28.1 percent (1990Q1) to 16.3 percent (2010Q1). U.S. manufacturing wages and salaries accounted for 18.7 percent of overall wage and salary income in 1990Q1, but only 10.5 percent in 2010Q1.

### Michigan Records Fastest Personal Income Growth Among Great Lakes States 2009Q1 to 2010Q1





## U.S. Economic Conditions

	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	73.6	73.6	72.2	73.6	4.9 points
ISM Manufacturing Index <sup>(i)</sup>	56.5	59.6	60.4	59.7	16.5 points
ISM Non Manufacturing Index <sup>(i)</sup>	53.0	55.4	55.4	55.4	10.9 points
	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	
Business Executives' Confidence <sup>(j)</sup>	55.0	63.0	64.0	62.0	32.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	216.7	217.6	218.0	218.2	2.0%
Detroit CPI	203.4	NA	205.2	NA	1.4%
U.S. Producer Price Index	177.3	179.2	179.6	180.1	5.3%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.10%	0.15%	0.15%	0.16%	0.01% points
Aaa Corporate Bonds <sup>(m)</sup>	5.35%	5.27%	5.29%	4.96%	-0.58% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	90.5	90.8	91.4	92.6	8.0%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	72.4%	72.7%	73.1%	74.1%	5.8% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$357.3	\$364.8	\$366.9	\$362.5	6.9%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.605	0.634	0.659	0.593	7.8%
Existing Home Sales <sup>(p)</sup>	5.010	5.360	5.790	5.660	19.2%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$188.3	\$188.5	\$194.2	\$192.0	14.9%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>% Change From Year Ago</u>
Michigan	\$341.2	\$339.0	\$342.4	\$345.5	3.0%
U.S.	\$12,034.7	\$11,988.8	\$12,054.4	\$12,167.3	1.9%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2005 Dollars) <sup>(c)</sup>	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$12,901.5	\$12,973.0	\$13,149.5	\$13,238.6	2.7%



**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.
- (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. 2007 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.