



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## November 2009 Summary

**U.S. Economy:** Third quarter real GDP growth was revised substantially downward again from 2.8 percent to 2.2 percent, but 2009Q3 was still the first quarter of positive growth since 2008Q2. The ISM manufacturing index reported its fourth straight reading above 50; the ISM non-manufacturing business activity index fell slightly below 50. Industrial production reported its fourth increase in the past five months; capacity utilization rose for the fifth straight month. Consumer sentiment fell from last month but was up 12.1 points from a year ago. Housing starts rose from October, while existing home sales reported their strongest sales rate since early 2007. Retail sales, excluding motor vehicle and gasoline sales, fell 0.8 percent from a year ago (three-month average).

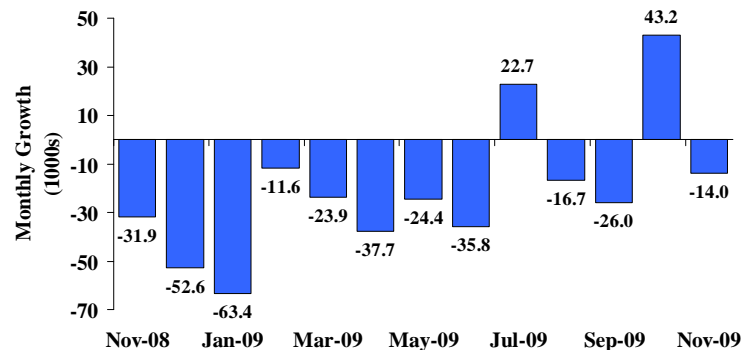
**Employment:** Michigan employment fell by 14,000 jobs from October and was down 240,200 jobs from a year ago. While national employment fell for the 23<sup>rd</sup> straight month, November's fall was the smallest among the 23 declines. Michigan's unemployment rate fell 0.4 of a percentage point while the U.S. rate declined 0.2 of a percentage point. Michigan's unemployment rate (14.7 percent) remained the highest among the fifty states.

**Auto Industry:** The light vehicle sales rate rose for the second straight month, rising to a 10.9 million unit annual rate. Michigan's and the nation's vehicle production (three-month average) declines from a year ago continued to slow.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 1.8 percent while producer prices increased 2.4 percent. Oil prices rose to \$78.08 a barrel.

**Michigan Metro Areas:** From November 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 4.4 percentage points. Employment fell in all 17 labor market areas with median decline of 5.2 percent. Unemployment rates ranged between 8.8 percent (Ann Arbor MSA) and 16.7 percent (Northeast Lower Michigan).

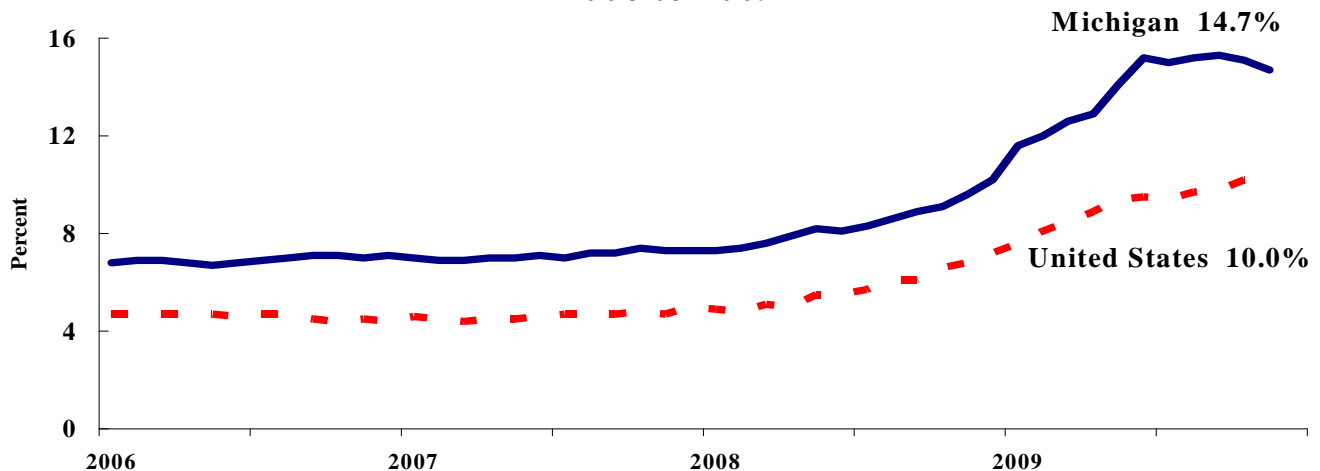
## Michigan Economy Loses 240,200 Jobs Over Past Year<sup>(a)</sup>



## Labor Market Statistics

- Michigan's November monthly unemployment rate decreased by 0.4 percentage points from last month to 14.7 percent, and the current Michigan jobless rate is 5.1 percentage points above a year ago. The November U.S. unemployment rate decreased 0.2 percentage points to 10.0 percent and was 3.2 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 November, the number of people employed in Michigan was 4,133,000, up 16,000 from last month, while the labor force decreased by 4,000. The statewide total number of unemployed decreased by 20,000 to 713,000.
- United States household employment totaled 138.5 million persons in November, up 227,000 from October. The labor force fell by 98,000 from last month, which meant that there were 325,000 fewer unemployed people nationally, compared to October.

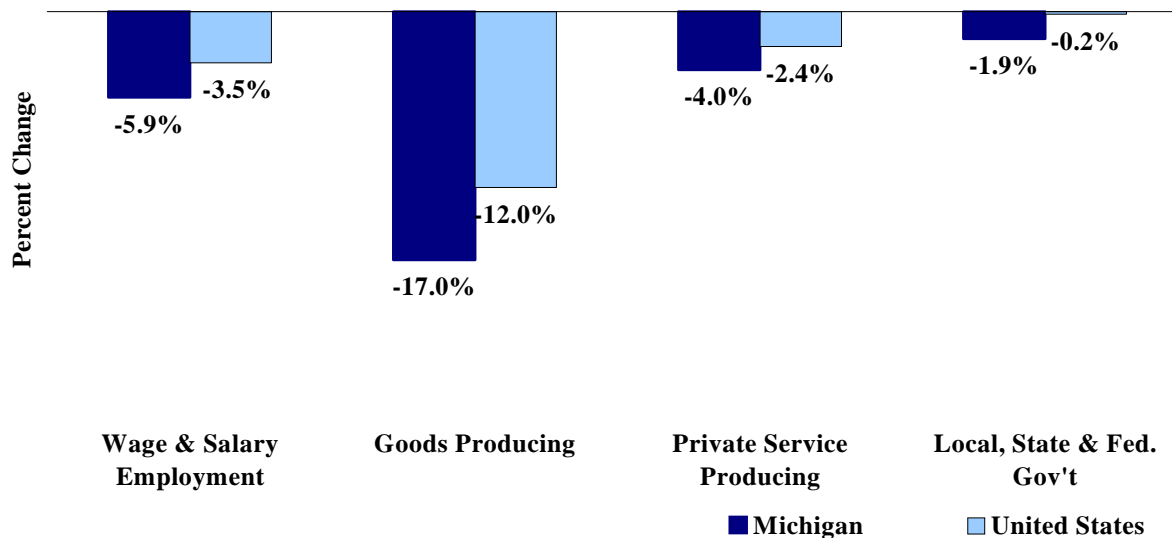
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2008 Average	Sep 2009	Oct 2009	Nov 2009	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,936	4,833	4,850	4,846	-4	-0.1%	-54	-1.1%
Employed	4,519	4,094	4,117	4,133	16	0.4%	-296	-6.7%
Unemployed	416	739	733	713	-20	-2.7%	242	51.5%
Unemployment Rate	8.4%	15.3%	15.1%	14.7%	n.a.	-0.4% pts	n.a.	5.1%
<b>United States</b>								
Labor Force	154,287	154,006	153,975	153,877	-98	-0.1%	-743	-0.5%
Employed	145,362	138,864	138,275	138,502	227	0.2%	-5,642	-3.9%
Unemployed	8,924	15,142	15,700	15,375	-325	-2.1%	4,899	46.8%
Unemployment Rate	5.8%	9.8%	10.2%	10.0%	n.a.	-0.2% pts	n.a.	3.2%

## Employment by Place of Work

- From November 2008 to November 2009, Michigan wage and salary employment decreased 240,000 (5.9 percent). State wage and salary employment decreased 14,000 from October. Nationally, November 2009 wage and salary employment fell 4,759,000 (3.5 percent) from a year ago and was down 11,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 17.0 percent from a year ago while private service-producing sector employment decreased 4.0 percent compared to last year. From a year ago, November national employment in the goods-producing sector fell 12.0 percent and decreased 2.4 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 1.3 hours in Michigan compared to last year.

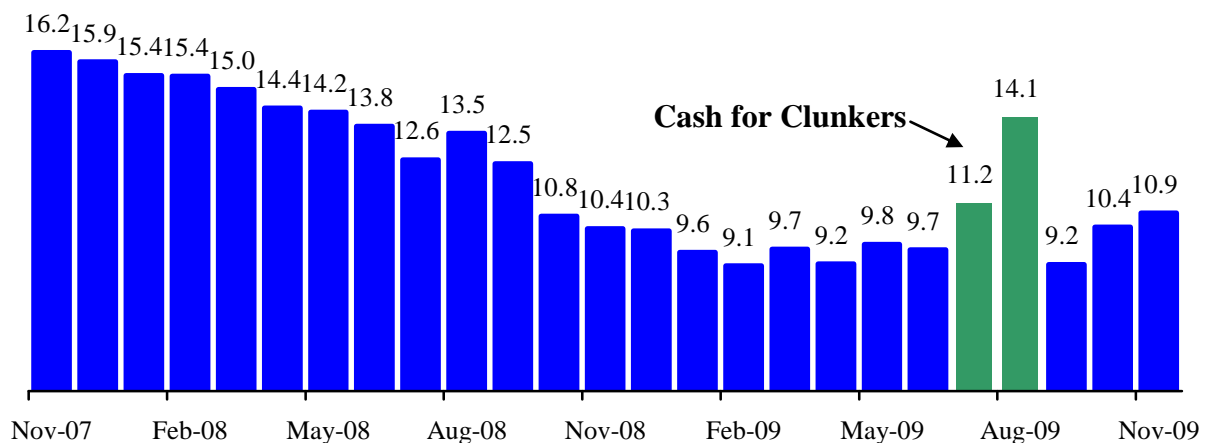
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2008 Average	Nov 2008	Nov 2009	Percent Change	2008 Average	Nov 2008	Nov 2009	Percent Change
Wage & Salary Employment	4,159	4,091	3,851	-5.9%	137,066	135,755	130,996	-3.5%
Goods Producing	737	711	590	-17.0%	21,419	20,814	18,306	-12.0%
Manufacturing	575	556	461	-17.1%	13,431	13,082	11,648	-11.0%
Private Service Producing	2,775	2,737	2,628	-4.0%	93,146	92,398	90,189	-2.4%
Trade, Trans. & Utilities	769	754	694	-8.0%	26,385	26,005	24,996	-3.9%
Services	1,739	1,721	1,692	-1.7%	55,620	55,385	54,700	-1.2%
Local, State & Fed. Gov't	648	644	632	-1.9%	22,500	22,543	22,501	-0.2%
Manufacturing Weekly Hours	42.2	41.1	42.4	1.3 hrs	40.8	40.2	40.4	0.2 hrs

## Motor Vehicle Industry Sales

- At a 10.9 million unit annual rate, the November 2009 light vehicle sales rate rose 4.5 percent from October and was up 5.0 percent compared to a year ago.
- Compared to October, domestic sales increased 5.3 percent while foreign sales rose 1.8 percent. Compared to a year ago, domestic sales were up 8.0 percent; foreign sales decreased 3.5 percent. As a result, the foreign share of U.S. vehicle sales dropped 2.1 percentage points to 23.9 percent.
- November auto sales increased 2.7 percent compared to October while light truck sales rose 6.4 percent. Compared to a year ago, auto sales increased 8.5 percent while light truck sales rose 1.6 percent. Heavy truck sales fell only 1.5 percent from last month but were down 26.4 percent compared to a year ago.
- Light vehicle inventories shrank 38.7 percent from a year ago. At 62 days, days supply fell only 1 day compared to October but were down 48 days from a year ago.

### Light Vehicle Sales Up from Early 2009, Still Historically Low Annual Sales Rate (millions)



### Motor Vehicle Sales Statistics

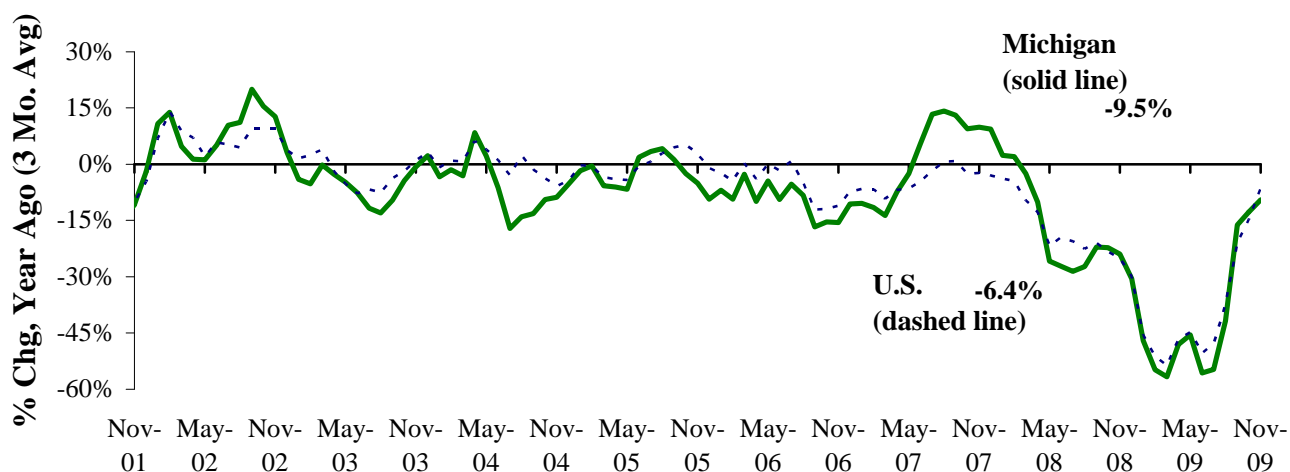
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2008	Sep	Oct	Nov	3 Month	Change from	
	Average	2009	2009	2009	Average	Level	%
Autos	6.8	5.0	5.4	5.6	5.3	0.4	8.5%
Domestics	4.5	3.3	3.7	3.8	3.6	0.4	12.6%
Imports	2.3	1.7	1.8	1.8	1.8	0.0	0.7%
Import Share	33.4%	34.2%	32.9%	31.8%	32.9%	-2.5% pts	
Light Trucks	6.4	4.2	5.0	5.3	4.8	0.1	1.6%
Domestics	5.3	3.5	4.2	4.5	4.1	0.2	4.4%
Imports	1.1	0.8	0.8	0.8	0.8	(0.1)	-11.4%
Import Share	17.2%	17.9%	15.3%	15.5%	16.1%	-2.3% pts	
Total Light Vehicles	13.2	9.2	10.4	10.9	10.2	0.5	5.0%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-26.4%
Total Vehicles	13.5	9.4	10.6	11.1	10.4	0.4	4.2%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Sep-09</b>	<b>Oct-09</b>	<b>Nov-09</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.340	0.850	0.979	1.057	0.962	-0.567	
Days Supply	65	53	64	65	61	-48 days	
Total Truck	1.826	0.815	0.910	0.954	0.893	-0.704	
Days Supply	90	59	62	59	60	-49 days	

## Motor Vehicle Industry Production

- At 105,681 units, November 2009 Michigan motor vehicle production fell 10.7 percent from a year ago. National production rose 10.7 percent. Compared to October 2009, Michigan production fell 28.6 percent while national production decreased 10.5 percent.
- Michigan car production dropped 35.1 percent from a year ago, and State truck production rose 14.9 percent. Nationally, car production fell 0.7 percent while truck production increased 19.9 percent.
- From a year ago, Michigan's share of national production fell by 4.2 percentage points to 17.7 percent.

### Michigan and U.S. Vehicle Production Declines Slowing <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Sep 2009	Oct 2009	Nov 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	314.0	266.2	294.7	239.8	266.9	(1.7)	-0.7%
Trucks	414.5	387.6	373.7	358.6	373.3	59.5	19.9%
Total	728.5	653.7	668.4	598.4	640.2	57.8	10.7%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	83.7	82.1	78.4	39.5	66.7	(21.3)	-35.1%
Trucks	70.0	76.8	69.7	66.2	70.9	8.6	14.9%
Total	153.7	158.9	148.1	105.7	137.6	(12.7)	-10.7%
Michigan as % of U.S.	21.1%	24.3%	22.2%	17.7%	21.5%	-4.2% pts	

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

November 2009 area unemployment rates (seasonally unadjusted) ranged between 8.8 percent (Ann Arbor MSA) and 16.7 percent (Northeast Lower Michigan). The median unemployment rate was 13.4 percent.

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 4.4 percentage points. All but one area (Ann Arbor MSA, 2.8 percent) reported rate increases exceeding 3.0 percentage points. Three areas saw increases greater than 5.0 percentage points: Muskegon-Norton Shores MSA (5.7 percentage points), Detroit-Warren-Livonia MSA (5.6 percentage points) and Jackson MSA (5.2 percentage points).

Between November 2008 and November 2009, employment fell substantially in all 17 major labor market areas with a median employment decline of 5.2 percent. The Ann Arbor MSA saw the smallest decline (-3.9 percent). The Flint MSA saw the largest employment drop (-9.0 percent), followed by Holland-Grand Haven MSA (-7.2 percent). Thirteen areas saw a labor force decline with a median change of -0.8 percent. Labor force changes ranged between +0.8 percent (Northeast Lower Michigan) and -3.9 percent (Flint MSA).

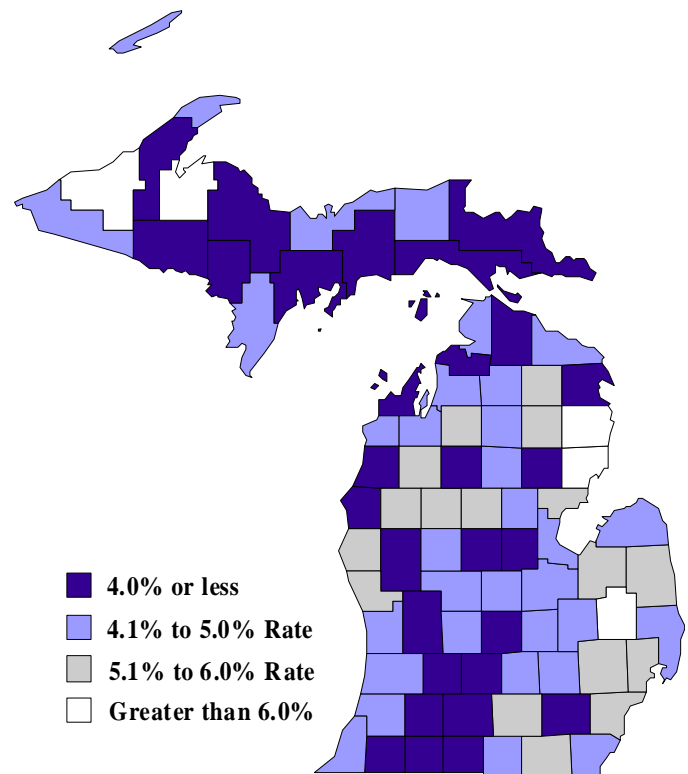
Compared to last month, 14 areas saw a small non-seasonally adjusted unemployment rate increase with a median increase of 0.7 of a percentage point. Two areas saw no change and one saw a rate drop.

Between November 2008 and November 2009, the unemployment rate rose in all 83 Michigan counties with a median increase of 4.4 percentage points. Two counties saw November 2009 unemployment rates less than 10.0 percent while 39 counties reported rates higher than 15.0 percent.

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

<u>Local Area</u>	<u>Nov 2008 Rate</u>	<u>Oct 2009 Rate</u>	<u>Nov 2009 Rate</u>
Michigan	9.3%	14.3%	14.1%
Ann Arbor	6.0%	8.8%	8.8%
Battle Creek	8.2%	12.0%	12.1%
Bay City	8.3%	12.1%	12.8%
Detroit-Warren-Livonia	9.8%	16.7%	15.4%
Flint	11.4%	15.2%	16.1%
Grand Rapids-Wyoming	7.8%	11.4%	11.7%
Holland-Grand Haven	7.8%	12.6%	12.7%
Jackson	9.5%	14.5%	14.7%
Kalamazoo-Portage	7.4%	11.2%	11.4%
Lansing-East Lansing	7.2%	10.6%	11.3%
Monroe	9.5%	13.6%	14.4%
Muskegon-Norton Shores	10.0%	15.7%	15.7%
Niles-Benton Harbor	8.8%	13.2%	13.5%
Saginaw-Saginaw Township	9.0%	12.6%	13.3%
Upper Peninsula	9.4%	11.5%	12.9%
Northeast Lower Mich	12.4%	14.7%	16.7%
Northwest Lower Mich.	10.4%	13.2%	14.8%

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



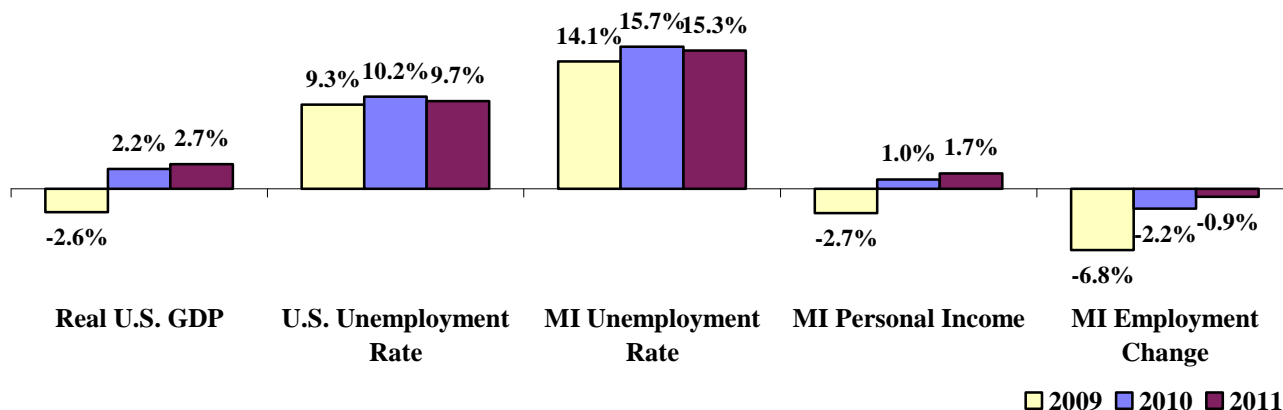
## Consensus Economic Forecast Improving Economic Outlook

On January 11, 2010, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2010 and 2011. Below are highlights of that consensus agreement:

- After declining 2.6 percent in 2009, real GDP is forecast to increase 2.2 percent in 2010 – up significantly from the May 2009 Conference’s 0.8 percent 2010 growth projection. Real GDP is then projected to grow 2.7 percent in 2011.
- The U.S. unemployment rate is forecast to average 10.2 percent in 2010. The 10.2 percent unemployment rate would be the highest annual rate in a history dating back to 1948. The unemployment rate is then projected to decline slightly in 2011 to 9.7 percent.
- After coming in at 10.3 million units in 2009 (their worst sales level since 1970), light vehicle sales are expected to rise to 11.2 million units in 2010 and 12.5 million units in 2011.
- After declining 6.8 percent in 2009, Michigan wage and salary employment is expected to continue to decline, but at smaller rates -- falling 2.2 percent in 2010 and decreasing 0.9 percent in 2011. However, projected 2011 employment would be the State’s lowest employment level since 1987 with employment falling nearly 20 percent from the 2000 employment peak.
- Michigan’s unemployment rate is expected to rise from 14.1 percent to 15.7 percent in 2010, which would be Michigan’s highest annual unemployment rate in history dating back to 1976. Michigan’s unemployment rate is then expected to fall slightly to 15.3 percent in 2011.
- Personal income is projected to rise 1.0 percent in 2010 and 1.7 percent in 2011. After dropping sharply in 2009 (-7.9 percent), wages and salaries are expected to fall 1.0 percent in 2010 and then rise 0.6 percent in 2011.

**U.S. Economic Forecast  
Mild Recovery**

**Michigan Economic Forecast  
Slowing Employment Drop**



Legend: 2009 (Yellow), 2010 (Blue), 2011 (Purple)

## U.S. Economic Conditions

	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	65.7	73.5	70.6	67.4	12.1 points
ISM Manufacturing Index <sup>(i)</sup>	52.9	52.6	55.7	53.6	17.0 points
ISM Non Manufacturing Index <sup>(i)</sup>	51.3	55.1	55.2	49.6	16.3 points
	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	
Business Executives' Confidence <sup>(j)</sup>	24.0	30.0	55.0	63.0	23.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	215.8	216.0	216.2	216.3	1.8%
Detroit CPI	204.7	NA	205.1	NA	-0.1%
U.S. Producer Price Index	174.3	173.4	174.1	176.2	2.4%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.18%	0.13%	0.08%	0.05%	-0.25% points
Aaa Corporate Bonds <sup>(m)</sup>	5.26%	5.13%	5.15%	5.19%	-0.96% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	98.1	98.6	98.6	99.4	-5.1%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	70.1%	70.6%	70.6%	71.3%	-3.1% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$350.8	\$343.7	\$347.6	\$352.1	1.9%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.581	0.586	0.527	0.574	-12.4%
Existing Home Sales <sup>(p)</sup>	5.090	5.540	6.090	6.540	44.1%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$164.0	\$167.6	\$166.5	\$166.9	-7.8%
<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>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,141.9	\$12,925.4	\$12,901.5	\$12,973.0	2.2%



**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.