



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

October 2009 Summary

U.S. Economy: Third quarter real GDP growth was revised substantially downward from 3.5 percent to 2.8 percent, but was still the first quarter of positive growth since 2008Q2. The ISM manufacturing index and the ISM non-manufacturing business activity index both reported their third straight reading above 50. Both industrial production and capacity utilization increased for the fourth straight month. Consumer sentiment fell to 70.6. Housing starts fell substantially, while existing home sales reported their strongest sales rate since early 2007. Retail sales, excluding motor vehicle and gasoline sales, rose 2.0 percent from September but were down 2.3 percent from a year ago (three-month average). Core durable goods new orders fell slightly from September, but were down 16.9 percent from a year ago.

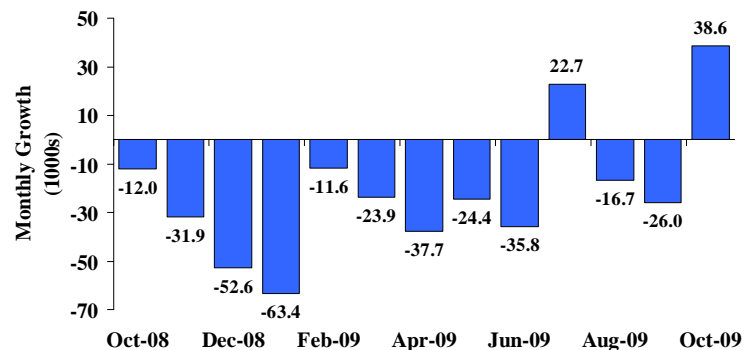
Employment: Michigan employment rose significantly from September but was down 262,700 jobs from a year ago. Nationally, employment fell for the 22nd straight month. Over the past year, the U.S. has lost a net 5.5 million jobs. Michigan's unemployment rate fell 0.2 of a percentage point while the U.S. rate rose 0.4 of a percentage point. Michigan's unemployment rate remained the highest among the fifty states.

Auto Industry: The light vehicle sales rate recovered modestly from September's post "Cash for Clunkers" steep decline to a 10.4 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. and Detroit consumer price indices (CPI) were little changed. Overall producer prices declined 1.9 percent. Oil prices rose from \$69.46 a barrel to \$75.82.

Michigan Metro Areas: From October 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 4.6 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 6.5 percent. Unemployment rates ranged between 8.8 percent (Ann Arbor MSA) and 16.7 percent (Detroit-Warren-Livonia MSA).

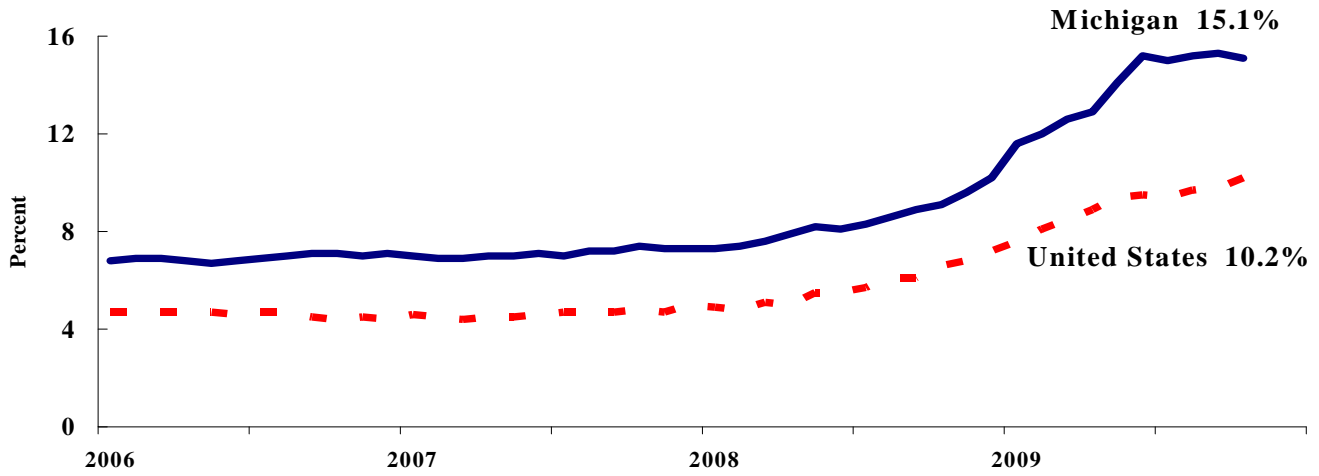
Michigan Economy Loses 262,700 Jobs Over Past Year^(a)



Labor Market Statistics

- Michigan’s October monthly unemployment rate decreased by 0.2 percentage points from last month to 15.1 percent, and the current Michigan jobless rate is 6.0 percentage points above a year ago. The October U.S. unemployment rate increased 0.4 percentage points to 10.2 percent and was 3.6 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 October, the number of people employed in Michigan was 4,116,000, up 22,000 from last month, while the labor force increased by 16,000. The statewide total number of unemployed decreased by 6,000 to 733,000.
- United States household employment totaled 138.3 million persons in October, down 589,000 from September. The labor force fell by 31,000 from last month, which meant that there were 558,000 more unemployed people nationally, compared to September.

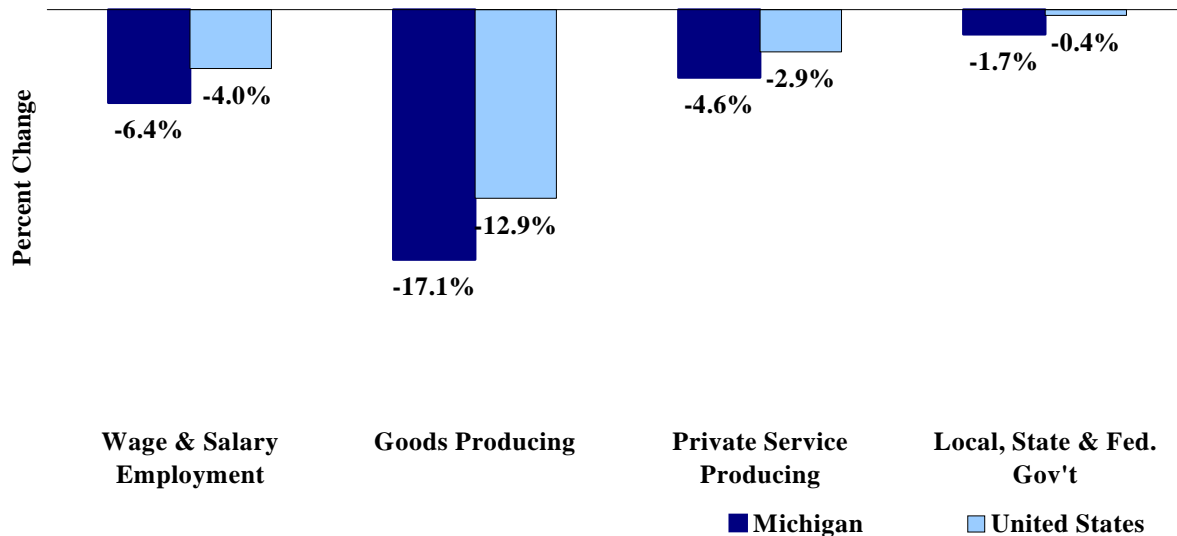
Employment by Place of Residence (in thousands)^(a)

	2008 Average	Aug 2009	Sep 2009	Oct 2009	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,936	4,845	4,833	4,849	16	0.3%	-63	-1.3%
Employed	4,519	4,109	4,094	4,116	22	0.5%	-347	-7.8%
Unemployed	416	736	739	733	-6	-0.8%	284	63.4%
Unemployment Rate	8.4%	15.2%	15.3%	15.1%	n.a.	-0.2% pts	n.a.	6.0%
United States								
Labor Force	154,287	154,577	154,006	153,975	-31	0.0%	-903	-0.6%
Employed	145,362	139,649	138,864	138,275	-589	-0.4%	-6,382	-4.4%
Unemployed	8,924	14,928	15,142	15,700	558	3.7%	5,479	53.6%
Unemployment Rate	5.8%	9.7%	9.8%	10.2%	n.a.	0.4% pts	n.a.	3.6%

Employment by Place of Work

- From October 2008 to October 2009, Michigan wage and salary employment decreased 263,000 (6.4 percent). State wage and salary employment increased 39,000 from September. Nationally, October 2009 wage and salary employment fell 5,504,000 (4.0 percent) from a year ago and was down 190,000 from last month.

Wage and Salary Employment Growth October 2008 to October 2009



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

- In the goods-producing sector, Michigan employment fell 17.1 percent from a year ago while private service-producing sector employment decreased 4.6 percent compared to last year. From a year ago, October national employment in the goods-producing sector fell 12.9 percent and decreased 2.9 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 2.2 hours in Michigan compared to last year.

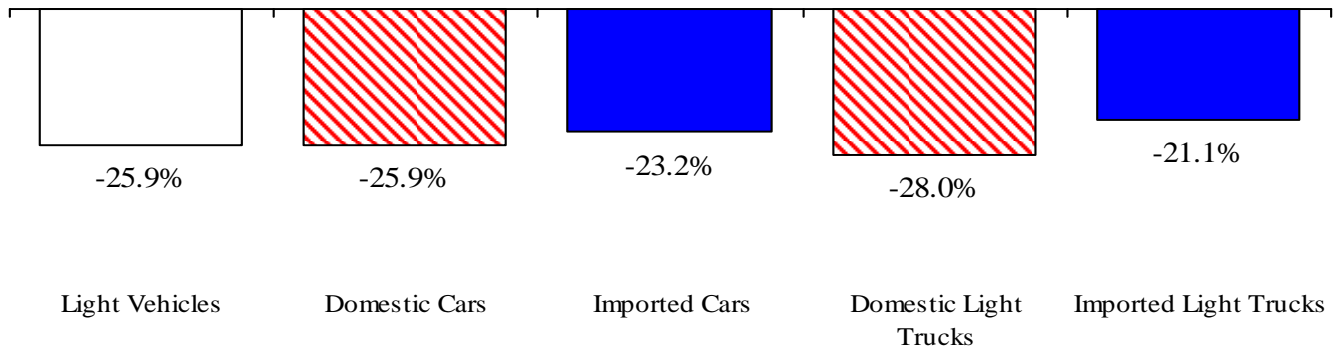
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2008 Average	Oct 2008	Oct 2009	Percent Change	2008 Average	Oct 2008	Oct 2009	Percent Change
Wage & Salary Employment	4,159	4,123	3,860	-6.4%	137,066	136,352	130,848	-4.0%
Goods Producing	737	718	595	-17.1%	21,419	21,063	18,340	-12.9%
Manufacturing	575	560	464	-17.1%	13,431	13,203	11,675	-11.6%
Private Service Producing	2,775	2,758	2,630	-4.6%	93,146	92,750	90,061	-2.9%
Trade, Trans. & Utilities	769	761	701	-7.9%	26,385	26,157	25,014	-4.4%
Services	1,739	1,734	1,686	-2.8%	55,620	55,523	54,519	-1.8%
Local, State & Fed. Gov't	648	647	636	-1.7%	22,500	22,539	22,447	-0.4%
Manufacturing Weekly Hours	42.2	41.3	43.5	2.2 hrs	40.8	40.4	40.0	-0.4 hrs

Motor Vehicle Industry Sales

- At a 10.4 million unit annual rate, the October 2009 light vehicle sales rate rose 13.6 percent from September and was down 3.3 percent compared to a year ago.
- Compared to September, domestic sales increased 17.0 percent while foreign sales rose 4.1 percent. Compared to a year ago, domestic sales fell 1.2 percent; foreign sales decreased 9.1 percent. As a result, the foreign share of U.S. vehicle sales dropped 1.6 percentage points to 24.5 percent.
- October auto sales increased 9.7 percent compared to September while light truck sales rose sharply (18.1 percent). Compared to a year ago, auto sales fell 4.9 percent while light truck sales dropped 1.4 percent. Heavy truck sales rose 2.5 percent from last month but were down 16.9 percent compared to a year ago.
- Light vehicle inventories shrank 39.7 percent from a year ago. Days supply rose by 7 days compared to September but decreased by 39 days from a year ago.

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



Motor Vehicle Sales Statistics

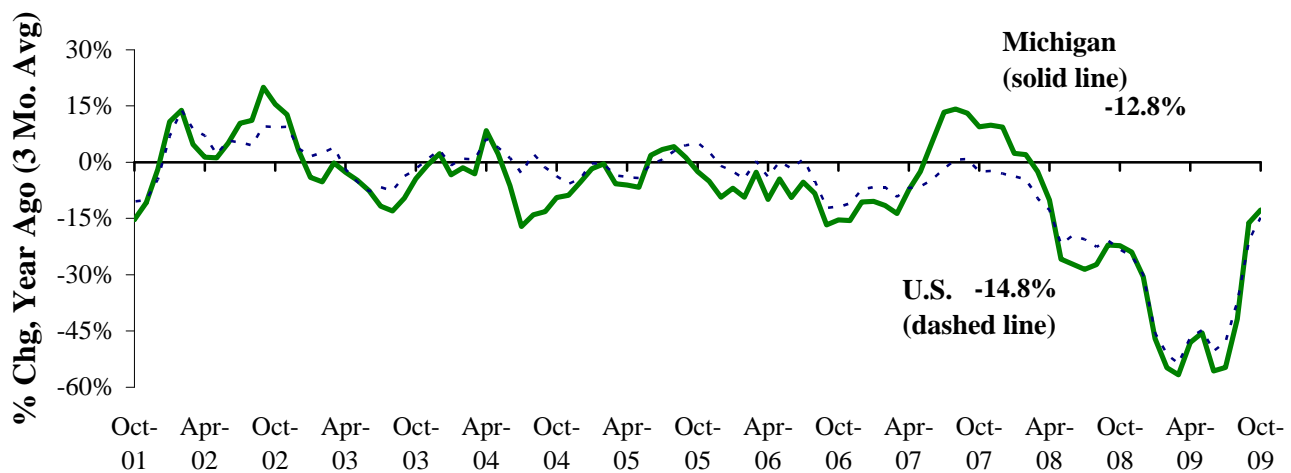
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2008 Average	Aug 2009	Sep 2009	Oct 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.8	8.0	5.0	5.4	6.1	(0.3)	-4.9%
Domestics	4.5	5.3	3.3	3.7	4.1	(0.2)	-4.8%
Imports	2.3	2.7	1.7	1.8	2.1	(0.1)	-5.1%
Import Share	33.4%	34.1%	34.2%	32.9%	33.8%	-0.1% pts	
Light Trucks	6.4	6.1	4.2	5.0	5.1	(0.1)	-1.4%
Domestics	5.3	4.9	3.5	4.2	4.2	0.1	2.2%
Imports	1.1	1.2	0.8	0.8	0.9	(0.2)	-17.3%
Import Share	17.2%	19.6%	17.9%	15.3%	17.7%	-2.9% pts	
Total Light Vehicles	13.2	14.1	9.2	10.4	11.2	(0.4)	-3.3%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-22.8%
Total Vehicles	13.5	14.3	9.4	10.6	11.4	(0.4)	-3.7%
U.S. Light Vehicle Inventories^(d)		Aug-09	Sep-09	Oct-09	3 Month	Change	
Total Car	1.340	0.714	0.850	0.979	0.848	-0.486	
Days Supply	65	26	53	64	48	-29 days	
Total Truck	1.826	0.692	0.815	0.909	0.805	-0.757	
Days Supply	90	33	59	62	51	-49 days	

Motor Vehicle Industry Production

- At 148,064 units, October 2009 Michigan motor vehicle production fell by 15.9 percent from a year ago. National production declined by 12.9 percent. Compared to September 2009, Michigan production fell by 6.8 percent while national production increased 2.2 percent.
- Michigan car production dropped 11.6 percent from a year ago, and State truck production declined 20.2 percent. Nationally, car production fell 21.0 percent while truck production dropped 5.3 percent.
- From a year ago, Michigan's share of national production fell by 0.8 percentage points to 22.2 percent.

Michigan and U.S. Vehicle Production Declines Slowing ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Aug 2009	Sep 2009	Oct 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	314.0	238.2	266.2	294.7	266.3	(78.1)	-21.0%
Trucks	414.5	319.5	387.6	373.7	360.3	(21.1)	-5.3%
Total	728.5	557.7	653.7	668.4	626.6	(99.2)	-12.9%
Michigan Production ^(f)							
Autos	83.7	58.4	82.1	78.4	73.0	(10.2)	-11.6%
Trucks	70.0	55.0	76.8	69.7	67.2	(17.7)	-20.2%
Total	153.7	113.4	158.9	148.1	140.1	(27.9)	-15.9%
Michigan as % of U.S.	21.1%	20.3%	24.3%	22.2%	22.4%	-0.8% pts	

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

October 2009 area unemployment rates (seasonally unadjusted) ranged between 8.8 percent (Ann Arbor MSA) to 16.7 percent (Detroit-Warren-Livonia MSA). The median unemployment rate was 12.9 percent.

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 4.6 percentage points. Thirteen areas saw rate increases exceeding 4.0 percentage points. Four areas saw increases greater than 5.0 percentage points: Detroit-Warren-Livonia MSA (7.3 percentage points), Muskegon-Norton Shores MSA (6.1 percentage points), Jackson MSA (5.5 percentage points) and Holland-Grand Haven MSA (5.3 percentage points).

Between October 2008 and October 2009, employment fell substantially in all 17 major labor market areas with declines exceeding 5.0 percent in all 17 areas and a median employment decline of 6.5 percent. The Upper Peninsula saw the smallest decline (-5.3 percent). The Flint MSA saw the largest employment drop (-10.2 percent), followed by Holland-Grand Haven MSA (-8.6 percent). All areas saw a labor force decline with a median decline of 2.0 percent. Labor force declines ranged between -0.4 percent (Detroit-Warren-Livonia MSA) and -5.0 percent (Flint MSA).

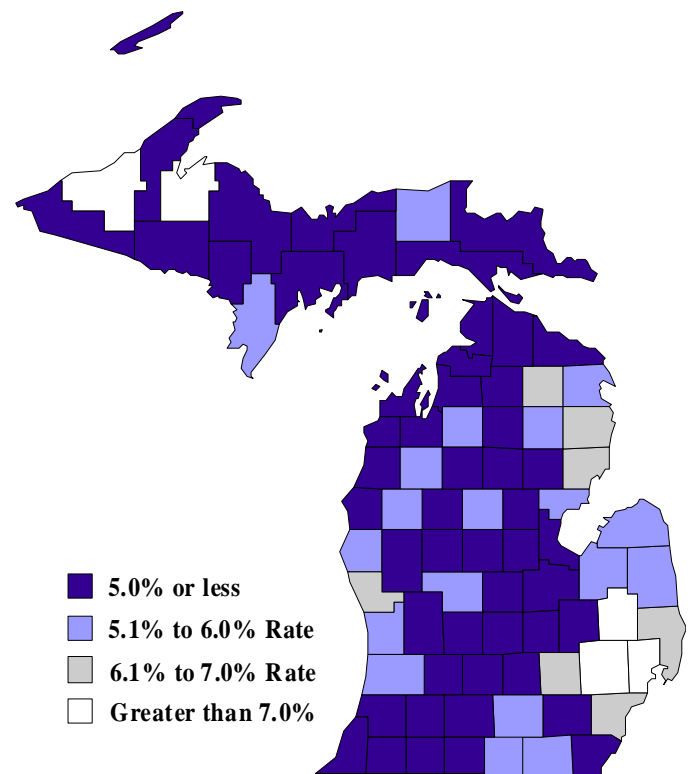
Compared to last month, 14 areas saw a small non-seasonally adjusted unemployment rate decline with a median drop of 0.4 of a percentage point. One area saw no change and two saw small rate increases.

Between October 2008 and October 2009, the unemployment rate rose in all 83 Michigan counties with a median increase of 4.7 percentage points. Nine counties saw October 2009 unemployment rates less than 10.0 percent while 26 counties reported rates higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Oct 2008 Rate</u>	<u>Sep 2009 Rate</u>	<u>Oct 2009 Rate</u>
Michigan	8.7%	14.8%	14.3%
Ann Arbor	6.0%	9.3%	8.8%
Battle Creek	7.9%	12.4%	12.0%
Bay City	7.5%	12.3%	12.1%
Detroit-Warren-Livonia	9.4%	17.3%	16.7%
Flint	10.3%	15.8%	15.2%
Grand Rapids-Wyoming	7.5%	11.9%	11.4%
Holland-Grand Haven	7.3%	12.8%	12.6%
Jackson	9.0%	14.9%	14.5%
Kalamazoo-Portage	6.9%	11.7%	11.1%
Lansing-East Lansing	6.9%	11.0%	10.6%
Monroe	8.8%	14.2%	13.6%
Muskegon-Norton Shores	9.6%	16.0%	15.7%
Niles-Benton Harbor	8.2%	13.5%	13.2%
Saginaw-Saginaw Township	8.5%	12.9%	12.6%
Upper Peninsula	7.6%	11.5%	11.5%
Northeast Lower Mich	10.0%	14.2%	14.7%
Northwest Lower Mich.	8.9%	13.1%	13.2%

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

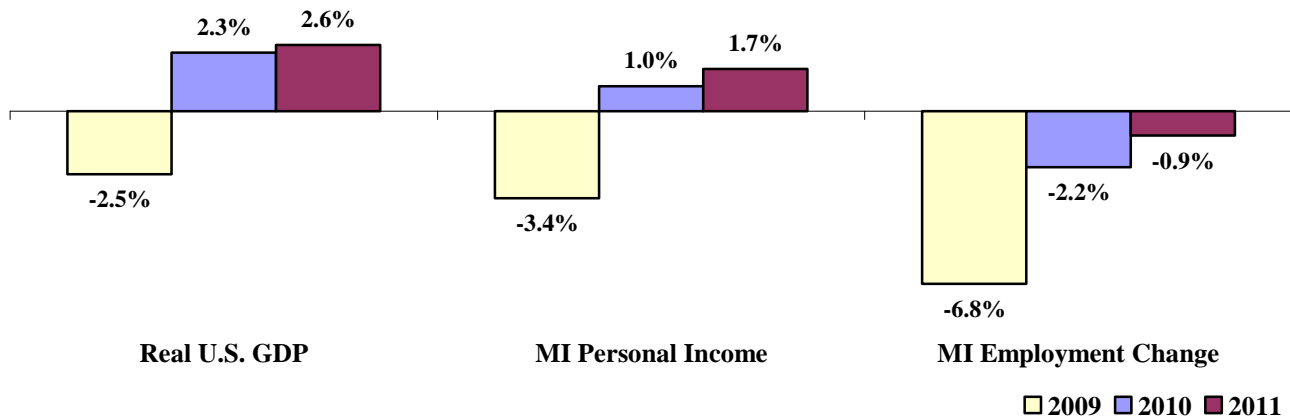


University of Michigan Economic Forecast Improving Economic Outlook

On November 19 and 20, 2009, the Research Seminar in Quantitative Economics (RSQE), University of Michigan released its forecast for the U.S. and Michigan economies for 2010 and 2011. Forecast highlights include:

- Real GDP is projected to report moderate growth each quarter through at least 2011Q4. Consequently, CY 2010 real GDP is forecast to rise 2.3 percent followed by 2.6 percent growth in CY 2011.
- The U.S. labor market is expected to lag GDP growth. As a result, the U.S. unemployment rate, in 2010, is projected to rise from 9.3 percent to 10.1 percent – the highest national unemployment rate since at least 1948. The unemployment rate is then forecast to fall slightly to 9.6 percent in 2011.
- After having fallen from 13.2 million units to 10.2 million units in 2009 (a 39-year record low), light vehicle sales are forecast to rise to 11.2 million units in 2010. Sales are then expected to rise to 12.1 million units in 2011.
- After reporting its greatest percentage job loss since 1958 in 2009 (-6.8 percent), Michigan employment declines are projected to slow significantly in 2010 (-2.2 percent) and 2011 (-0.9 percent). However, 2011 will mark the 11th straight year that Michigan’s labor market reports a decline. As a result, 2011 Michigan employment will have fallen to its lowest level since 1987.
- In 2009 the Michigan unemployment rate is estimated to increase sharply (5.8 percentage points) to 14.2 percent. While rising substantially less in 2010, the State unemployment rate is forecast to rise to its highest rate since at least 1976 (15.8 percent) before falling slightly to 15.4 percent in 2011.
- 2009 Michigan personal income is estimated to fall 3.4 percent – marking the first decline since at least 1970. State personal income is then forecast to rise 1.0 percent in 2010 and to increase 1.7 percent in 2011.

Modest GDP and Michigan Personal Income Growth Michigan Employment Declines Slowing



U.S. Economic Conditions

	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	66.0	65.7	73.5	70.6	13.0 points
ISM Manufacturing Index ⁽ⁱ⁾	48.9	52.9	52.6	55.7	17.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	46.1	51.3	55.1	55.2	10.7 points
	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	
Business Executives' Confidence ^(j)	24.0	30.0	55.0	63.0	23.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	215.4	215.8	216.0	216.2	-0.2%
Detroit CPI	NA	204.7	NA	205.1	-0.1%
U.S. Producer Price Index	172.6	174.3	173.4	174.1	-1.9%
INTEREST RATES					
90 Day T-Bill ^(l)	0.19%	0.18%	0.13%	0.08%	-0.76% points
Aaa Corporate Bonds ^(m)	5.41%	5.26%	5.13%	5.15%	-1.13% points
INDUSTRIAL PRODUCTION ^(m)					
	96.7	97.9	98.6	98.6	-7.1%
CAPACITY UTILIZATION ^(m)					
	69.0%	70.0%	70.5%	70.7%	-4.8% points
RETAIL SALES ⁽ⁿ⁾					
	\$342.5	\$350.8	\$342.8	\$347.5	-1.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.593	0.581	0.592	0.529	-30.7%
Existing Home Sales ^(p)	5.240	5.090	5.540	6.100	23.5%
DURABLE GOODS ORDERS ^(q)					
	\$168.5	\$164.0	\$167.2	\$166.2	-11.9%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>% Change From Year Ago</u>
Michigan	\$349.6	\$349.7	\$336.5	\$339.1	-3.6%
U.S.	\$12,273.7	\$12,218.4	\$11,939.3	\$11,959.2	-2.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<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	\$12,990.3	2.8%

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.