



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

April 2009 Summary

U.S. Economy: While revised slightly smaller, the second quarter's real GDP decline remained massive at a 5.7 percent annual rate of decline. As well, the real GDP decline between 2008Q3 and 2009Q1 remained the largest in over 50 years. Housing starts fell in April to a record low annual rate of 458,000 units. Compared to a year ago, starts were down 54.2 percent. Compared to April 2008, capacity utilization fell by 10.1 percentage points to 69.1 percent – a record low. Non defense new durable goods orders excluding aircraft were down sharply from a year ago (-22.0 percent, 3-month average). Retail sales, excluding motor vehicle and gasoline sales, were down 1.8 percent from a year ago (3-month average). While still low, consumer sentiment did rise significantly compared with March, increasing to 65.1 from 57.3.

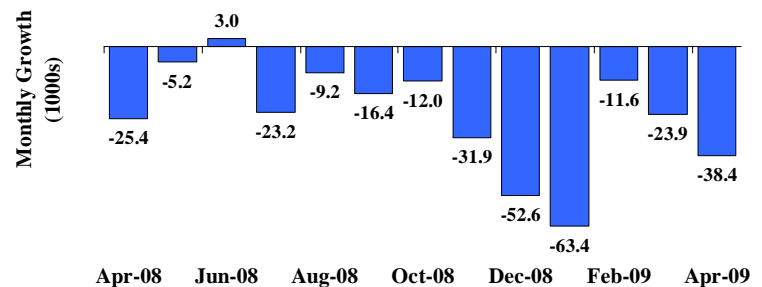
Employment: Employment fell sharply both in Michigan and nationally with State employment falling by 38,400 jobs and U.S. employment dropping by 539,000 jobs. Both the Michigan and the U.S. unemployment rates rose to their highest levels since Fall 1983. At 12.9 percent, Michigan had the highest April 2009 state unemployment rate.

Auto Industry: Light vehicle sales fell 35.7 percent from a year ago to a 9.3 million unit annual rate. April Michigan vehicle production fell 43.9 percent from a year ago while U.S. production dropped 45.2 percent.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was down 0.7 percent; the core CPI increased 1.9 percent. Overall producer prices declined 3.7 percent, but core producer prices rose 3.4 percent. Oil prices, at \$49.79 a barrel, were up \$1.81 from March 2009, but down \$62.78 from a year ago.

Michigan Metro Areas: From April 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 5.5 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 8.2 percent. Unemployment rates ranged between 7.8 percent (Ann Arbor MSA) and 16.4 percent (Northeast Lower Michigan).

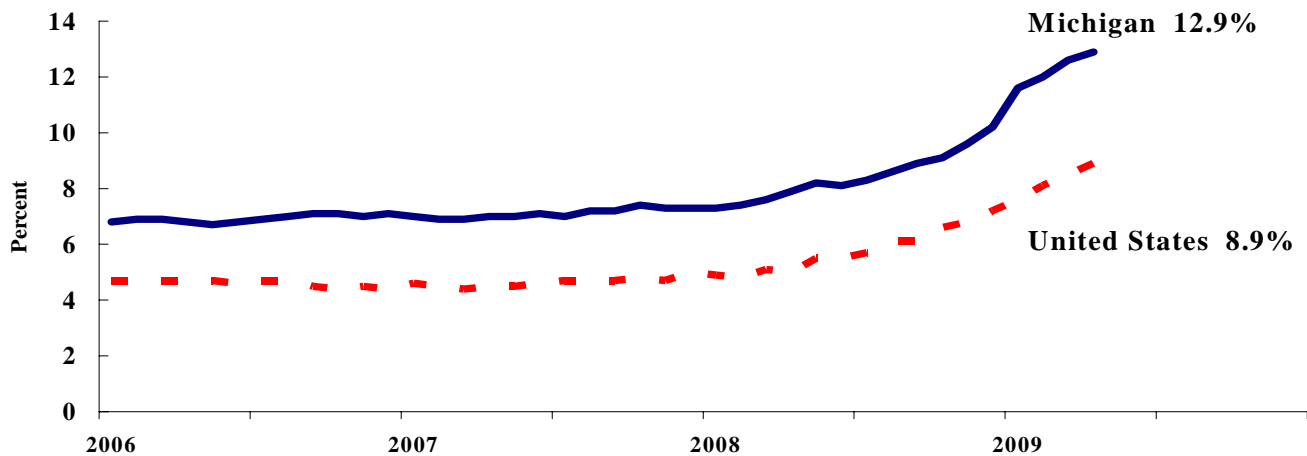
Michigan Economy Loses 221,800 Jobs in Six Months^(a)



Labor Market Statistics

- Michigan’s April monthly unemployment rate increased by 0.3 percentage points from last month to 12.9 percent, and the current Michigan jobless rate is 5.0 percentage points above a year ago. The April U.S. unemployment rate increased 0.4 percentage points to 8.9 percent and was 3.9 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 April, the number of people employed in Michigan was 4,221,000, down 11,000 from last month, while the labor force increased by 7,000. The statewide total number of unemployed increased by 18,000 to 627,000.
- United States household employment totaled 141.0 million persons in April, up 120,000 from March. The labor force rose by 683,000 from last month, which meant that there were 563,000 more unemployed people nationally, compared to March.

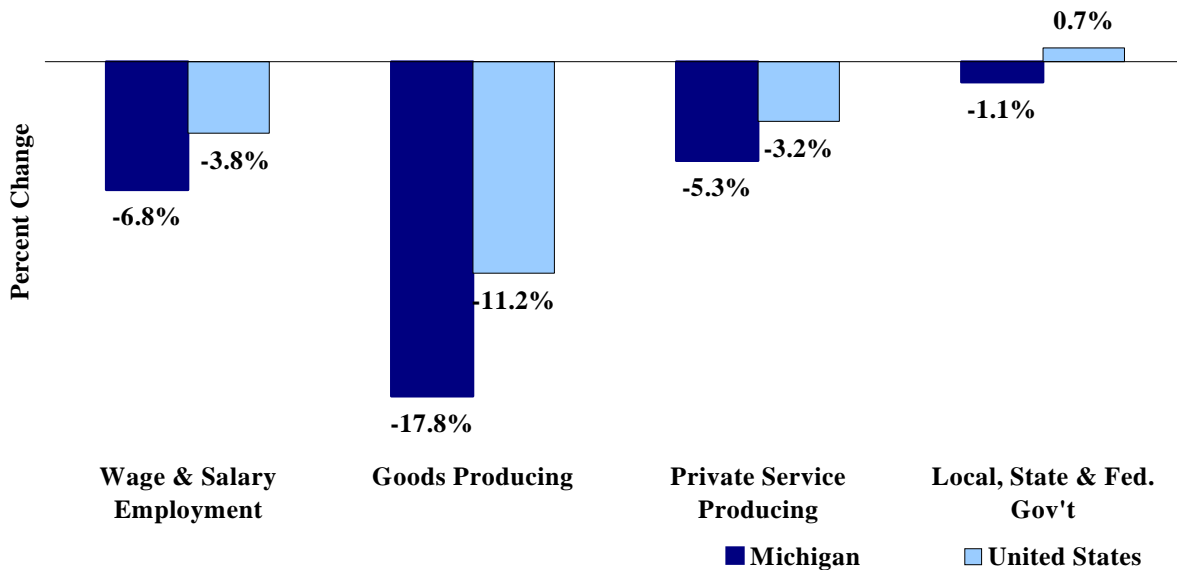
Employment by Place of Residence (in thousands)^(a)

	2008 <u>Average</u>	Feb <u>2009</u>	Mar <u>2009</u>	Apr <u>2009</u>	Change From			
					Prior Month		Last Year	
					<u>Level</u>	<u>%</u>	<u>Level</u>	<u>%</u>
Michigan								
Labor Force	4,936	4,858	4,841	4,848	7	0.1%	-107	-2.2%
Employed	4,519	4,274	4,232	4,221	-11	-0.3%	-341	-7.5%
Unemployed	416	584	609	627	18	3.0%	234	59.7%
Unemployment Rate	8.4%	12.0%	12.6%	12.9%	n.a.	0.3% pts	n.a.	5.0%
United States								
Labor Force	154,287	154,214	154,048	154,731	683	0.4%	799	0.5%
Employed	145,362	141,748	140,887	141,007	120	0.1%	-5,250	-3.6%
Unemployed	8,924	12,467	13,161	13,724	563	4.3%	6,049	78.8%
Unemployment Rate	5.8%	8.1%	8.5%	8.9%	n.a.	0.4% pts	n.a.	3.9%

Employment by Place of Work

- From April 2008 to April 2009, Michigan wage and salary employment decreased 285,000 (6.8 percent). State wage and salary employment decreased 38,000 from March. Nationally, April 2009 wage and salary employment fell 5,240,000 (3.8 percent) from a year ago and was down 539,000 from last month.

Wage and Salary Employment Growth April 2008 to April 2009



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

- In the goods-producing sector, Michigan employment fell 17.8 percent from a year ago while private service-producing sector employment decreased 5.3 percent compared to last year. From a year ago, April national employment in the goods-producing sector fell 11.2 percent and decreased 3.2 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 2.2 hours in Michigan compared to last year.

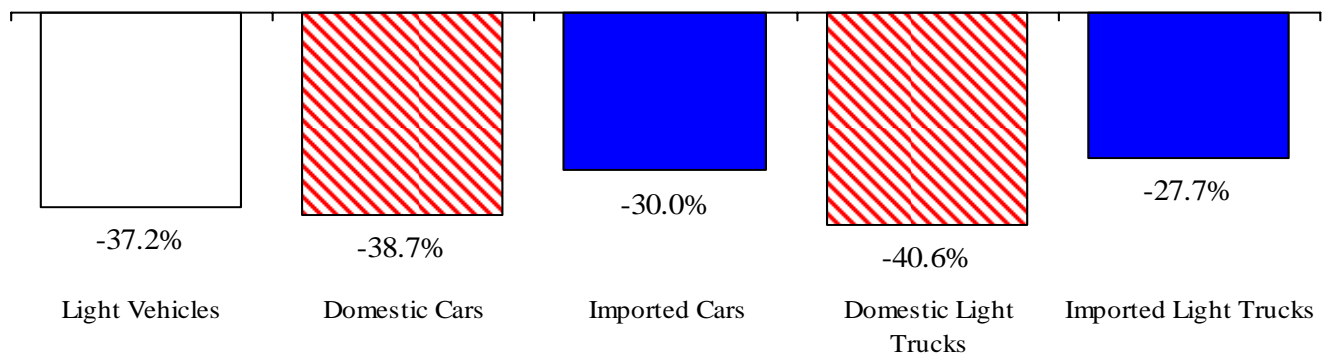
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2008 Average	Apr 2008	Apr 2009	Percent Change	2008 Average	Apr 2008	Apr 2009	Percent Change
Wage & Salary Employment	4,159	4,186	3,901	-6.8%	137,066	137,654	132,414	-3.8%
Goods Producing	737	743	611	-17.8%	21,419	21,679	19,244	-11.2%
Manufacturing	575	579	470	-18.8%	13,431	13,586	12,152	-10.6%
Private Service Producing	2,775	2,796	2,649	-5.3%	93,146	93,524	90,557	-3.2%
Trade, Trans. & Utilities	769	777	726	-6.6%	26,385	26,562	25,345	-4.6%
Services	1,739	1,750	1,672	-4.5%	55,620	55,755	54,510	-2.2%
Local, State & Fed. Gov't	648	648	641	-1.1%	22,500	22,451	22,613	0.7%
Manufacturing Weekly Hours	42.2	42.8	40.6	-2.2 hrs	40.8	41.0	39.6	-1.4 hrs

Motor Vehicle Industry Sales

- At a 9.3 million unit annual rate, the April 2009 light vehicle sales rate fell 5.5 percent from March. Compared to a year ago, light vehicle sales declined sharply, falling by 35.7 percent.
- Compared to April 2008, domestic sales were down 35.0 percent while foreign sales fell 37.9 percent. As a result, the foreign share of U.S. vehicle sales fell 0.9 of a percentage point.
- April light truck sales fell 35.3 percent from a year ago, while autos sales declined 36.2 percent. Heavy truck sales fell 45.0 percent.
- Light vehicle inventories shrank 20.4 percent from a year ago. However, due to the sharp drop in sales, April 2009 days' supply of light vehicles was up 15 days compared to a year ago, and up by 3 days from March 2009.

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



Motor Vehicle Sales Statistics

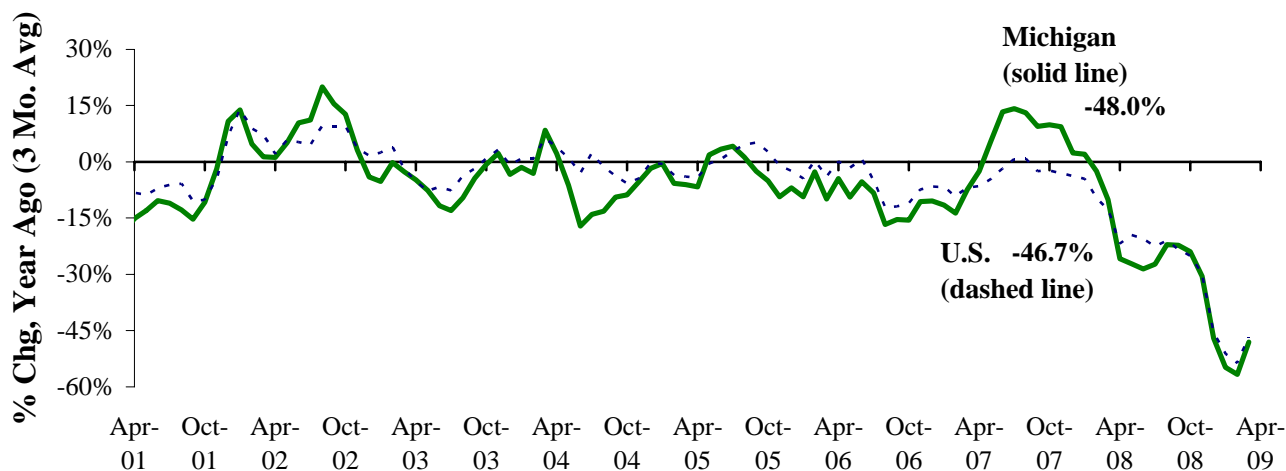
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2008 Average	Feb 2009	Mar 2009	Apr 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.7	4.6	5.1	4.8	4.8	(2.7)	-36.2%
Domestics	4.5	2.9	3.3	3.2	3.1	(1.7)	-35.0%
Imports	2.2	1.7	1.8	1.6	1.7	(1.0)	-38.3%
Import Share	33.0%	37.7%	35.6%	33.6%	35.6%	-1.2%	pts
Light Trucks	6.4	4.5	4.7	4.5	4.6	(2.5)	-35.3%
Domestics	5.3	3.5	3.8	3.7	3.7	(2.0)	-34.9%
Imports	1.1	1.0	1.0	0.8	0.9	(0.5)	-37.0%
Import Share	17.1%	22.6%	20.3%	17.3%	20.1%	-0.5%	pts
Total Light Vehicles	13.1	9.1	9.8	9.3	9.4	(5.2)	-35.7%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.2)	-45.0%
Total Vehicles	13.4	9.3	10.0	9.5	9.6	(5.3)	-35.9%
U.S. Light Vehicle Inventories^(d)		Feb-09	Mar-09	Apr-09	3 Month	Change	
Total Car	1.340	1.495	1.458	1.374	1.442	0.018	
Days Supply	65	105	82	83	90	30 days	
Total Truck	1.826	1.400	1.346	1.287	1.344	-0.698	
Days Supply	90	97	82	86	88	-3 days	

Motor Vehicle Industry Production

- At 90,795 units, April 2009 Michigan motor vehicle production fell sharply from a year ago (-43.9 percent) as did national production (-45.2 percent). Production was down from last month, falling 18.1 percent in Michigan and down 6.2 percent nationally.
- Michigan car production dropped 56.5 percent from a year ago while State truck production fell 30.5 percent. Nationally, car production fell 50.6 percent while truck production dropped 41.4 percent.
- From a year ago, Michigan’s share of national production rose 0.5 of a percentage point to 20.3 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Feb 2009	Mar 2009	Apr 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	314.0	153.2	182.5	164.5	166.7	(168.3)	-50.6%
Trucks	414.5	258.7	293.4	281.8	278.0	(199.5)	-41.4%
Total	728.5	411.9	475.9	446.3	444.7	(367.8)	-45.2%
Michigan Production ^(f)							
Autos	83.7	21.9	49.6	36.2	35.9	(47.0)	-56.5%
Trucks	70.0	56.6	61.3	54.6	57.5	(24.0)	-30.5%
Total	153.7	78.6	110.9	90.8	93.4	(71.0)	-43.9%
Michigan as % of U.S.	21.1%	19.1%	23.3%	20.3%	21.0%	0.5% pts	

April 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 5.5 percentage points. Fifteen areas saw rate increases exceeding 4.0 percentage points. Six areas saw increases of 6.0 percentage points or greater: Muskegon-Norton Shores MSA (7.6 percentage points), Monroe MSA (7.3 percentage points), Detroit-Warren-Livonia MSA (6.6 percentage points), Northeast Lower Michigan (6.5 percentage points), Holland-Grand Haven MSA (6.3 percentage points), and Jackson MSA (6.3 percentage points).

Between April 2008 and April 2009, employment fell sharply in all 17 major labor market areas with declines exceeding 6.0 percent in all 17 areas and a median employment decline of 8.2 percent. Six areas saw declines greater than 9.0 percent: Holland-Grand Haven MSA (-10.4 percent), Muskegon-Norton Shores MSA (-10.2 percent), Battle Creek MSA (-9.6 percent), Grand Rapids-Wyoming MSA (-9.3 percent), Niles-Benton Harbor MSA (-9.3 percent) and Jackson MSA (-9.2 percent). All areas saw a labor force decline with a median reduction of 2.8 percent. Four areas saw more than a 4.0 percent labor force reduction: Ann Arbor MSA (-4.6 percent), Flint MSA (-4.3 percent), Grand Rapids-Wyoming MSA (-4.2 percent), and Holland-Grand Rapids MSA (-4.1 percent).

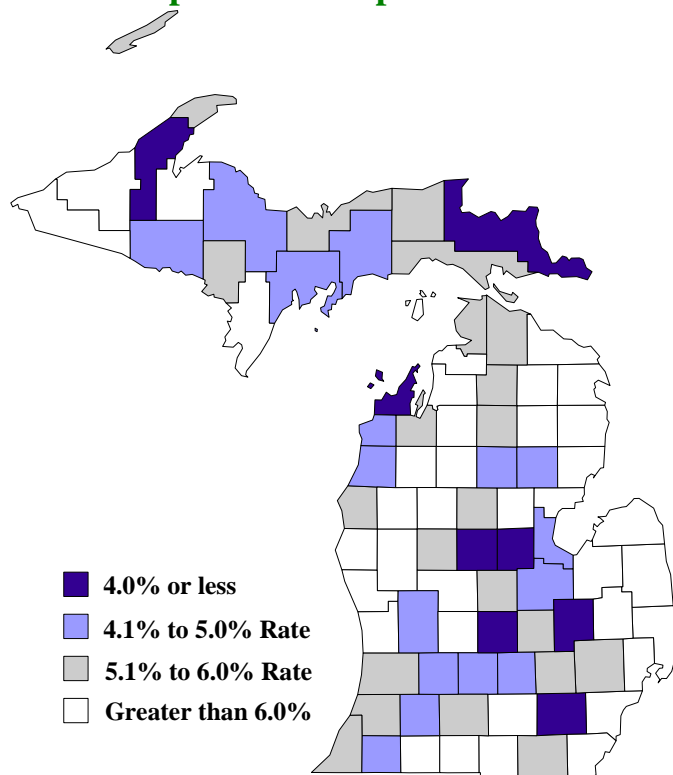
Compared to March 2009, non-seasonally adjusted unemployment rates fell in 16 areas, with a median reduction of 0.8 of a percentage point. April 2009 unemployment rates ranged between 7.8 percent (Ann Arbor MSA) to 16.4 percent (Northeast Lower Peninsula).

Between April 2008 and April 2009, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 5.8 percentage points. Twenty-five counties saw greater than a 7.0 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 7.5 percent (Isabella) and 24.9 percent (Baraga).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2008 Rate</u>	<u>Mar 2009 Rate</u>	<u>Apr 2009 Rate</u>
Michigan	6.8%	13.4%	12.7%
Ann Arbor	4.6%	7.9%	7.8%
Battle Creek	5.9%	11.8%	11.4%
Bay City	6.6%	12.2%	11.5%
Detroit-Warren-Livonia	7.0%	14.0%	13.6%
Flint	10.2%	15.3%	14.2%
Grand Rapids-Wyoming	5.4%	11.3%	10.5%
Holland-Grand Haven	5.2%	12.6%	11.5%
Jackson	6.5%	13.4%	12.8%
Kalamazoo-Portage	5.0%	10.5%	9.7%
Lansing-East Lansing	5.5%	10.7%	9.6%
Monroe	7.0%	13.9%	14.3%
Muskegon-Norton Shores	6.6%	14.9%	14.2%
Niles-Benton Harbor	6.0%	12.4%	11.6%
Saginaw-Saginaw Township	7.3%	12.6%	11.8%
Upper Peninsula	7.7%	13.6%	12.9%
Northeast Lower Mich	9.9%	18.2%	16.4%
Northwest Lower Mich.	7.9%	15.1%	13.7%

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



Consensus Economic Forecast Deep Recession in 2009, Modest Recovery in 2010

On May 15, 2009, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2009 and 2010. Below are highlights of that consensus agreement:

- Real GDP is forecast to decline by 3.7 percent in 2009 – the largest decline since 1946, when the U.S. economy contracted sharply with the end of World War II. Real GDP is then projected to grow a slight 0.8 percent in 2010.
- The U.S. unemployment rate is forecast to average 9.2 percent in 2009 before rising to 10.4 percent in 2010. The 10.4 percent unemployment rate would be the highest rate in a history dating back to 1948.
- Light vehicle sales are projected to decline to 9.6 million units in 2009 – the lowest sales level since 1967. Sales are then forecast to rise to 11.1 million units in 2010.
- After declining 2.6 percent in 2008, Michigan wage and salary employment is forecast to fall 8.3 percent in 2009 and 4.6 percent in 2010. Projected 2010 employment would be the State’s lowest employment level since 1985 with employment falling 22.2 percent from the 2000 employment peak.
- Michigan’s unemployment rate is expected to rise from 8.4 percent to 14.0 percent in 2009 before increasing in 2010 to 15.3 percent – the State’s highest unemployment rate since 1982.
- Personal income is projected to drop 3.9 percent in 2009 and fall by 2.8 percent in 2010. Wages and salaries are forecasted to decline by 7.0 percent in 2009 and then fall by 3.2 percent in 2010.
- Overall consumer prices are forecast to fall in 2009 both nationally and in Michigan.

**U.S. Economic Forecast
Deep Recession**

**Michigan Economic Forecast
Severe Employment Drop**



U.S. Economic Conditions

	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	61.2	56.3	57.3	65.1	2.5 points
ISM Manufacturing Index ⁽ⁱ⁾	35.6	35.8	36.3	40.1	-8.5 points
ISM Non Manufacturing Index ⁽ⁱ⁾	44.2	40.2	44.1	45.2	-6.0 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>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	211.1	212.2	212.7	213.2	-0.7%
Detroit CPI	NA	201.9	NA	202.4	-1.4%
U.S. Producer Price Index	170.3	170.1	168.9	169.9	-3.7%
INTEREST RATES					
90 Day T-Bill ^(l)	0.12%	0.31%	0.25%	0.17%	-1.15% points
Aaa Corporate Bonds ^(m)	5.05%	5.27%	5.50%	5.39%	-0.16% points
INDUSTRIAL PRODUCTION ^(m)					
	100.3	99.3	97.6	97.1	-12.5%
CAPACITY UTILIZATION ^(m)					
	71.3%	70.6%	69.4%	69.1%	-10.1% points
RETAIL SALES ⁽ⁿ⁾					
	\$342.0	\$343.4	\$338.9	\$337.7	-10.1%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.488	0.574	0.525	0.458	-54.2%
Existing Home Sales ^(p)	4.490	4.710	4.550	4.680	-3.5%
DURABLE GOODS ORDERS ^(q)					
	\$159.2	\$161.8	\$158.4	\$161.5	-24.4%
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	\$11,353.7	-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.