



# MICHIGAN ECONOMIC UPDATE

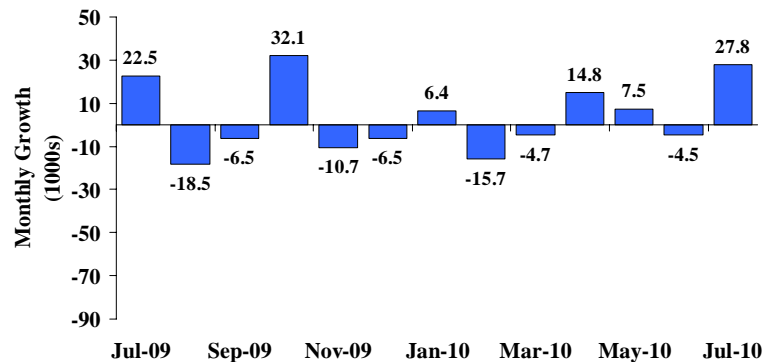
Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## July 2010 Summary

**U.S. Economy:** 2010Q2 real GDP growth was revised down from 2.4 percent to 1.6 percent. At 55.5, the ISM manufacturing index recorded its third consecutive monthly decline, but reported its 12<sup>th</sup> straight reading above 50. The ISM non-manufacturing composite index rose for the first time in four months, increasing to 54.3. Both industrial production and capacity utilization (three-month averages) rose for the 13<sup>th</sup> straight month. Consumer sentiment fell sharply (-8.2 points) from June but was up slightly (1.8 points from last year. Compared to a year ago, housing starts dropped 7.0 percent; existing home sales plummeted (-25.5 percent). While core retail sales (three-month average) rose from a year ago for the eighth straight month, core sales fell from the prior month for the second straight month. The average of core durable goods orders was up substantially from last July, but essentially unchanged from last month.

### Michigan Employment Rises In July <sup>(a)</sup>



**Employment:** In July, Michigan employment rose by 27,800 jobs from last month and was up 21,500 jobs from a year ago. National employment fell by 131,000. Declining 0.1 of a percentage point to 13.1 percent, Michigan's unemployment rate fell for the fourth straight month. The U.S. rate was unchanged at 9.5 percent.

**Auto Industry:** In July, the light vehicle sales rate rose 3.4 percent from June to an 11.5 million unit annual rate. Vehicle sales were up 2.2 percent compared to a year ago. Vehicle inventories were up by five days from July 2009 to 52 days. In July 2010, Michigan vehicle production (three-month average) rose 115.1 percent compared to a year ago; national vehicle production average increased 70.7 percent.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 1.2 percent. The U.S. CPI excluding food and energy rose 0.9 percent. The overall producer price index rose 4.2 percent while the core producer price index increased 1.5 percent. Oil prices rose to \$76.37 a barrel from June, up only \$1.02 a barrel, but \$12.28 a barrel higher than July 2009.

**Michigan Metro Areas:** From July 2009, unemployment rates fell in nine of Michigan's major labor market areas and rose in eight areas. Employment fell in 11 labor market areas, and rose in the other six areas.

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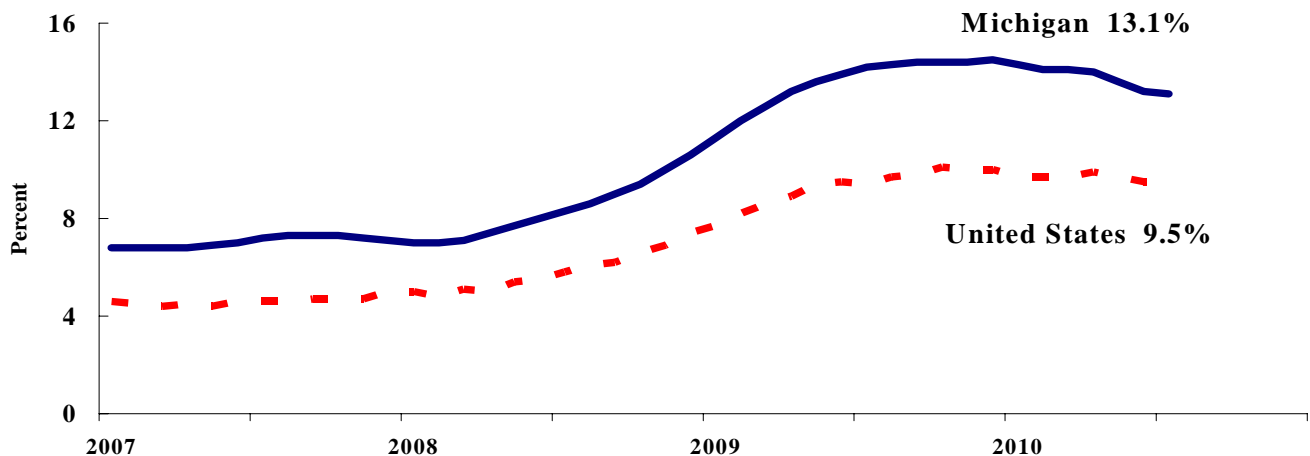
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## Labor Market Statistics

- Michigan's July unemployment rate decreased 0.1 percentage points from last month to 13.1 percent, and the current Michigan jobless rate is down 1.1 percentage points from a year ago. The July U.S. unemployment rate remained unchanged from June at 9.5 percent and was up 0.1 percentage points from a year ago. Monthly unemployment rates fluctuate in part 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 July, the number of people employed in Michigan was 4,208,000, down 14,000 from last month, while the labor force decreased by 18,000. The statewide total number of unemployed decreased by 3,000 to 637,000.
- United States household employment totaled 139.0 million persons in July, down 159,000 from June. The labor force fell by 181,000 from last month, which meant there were 24,000 fewer unemployed people nationally, compared to June.

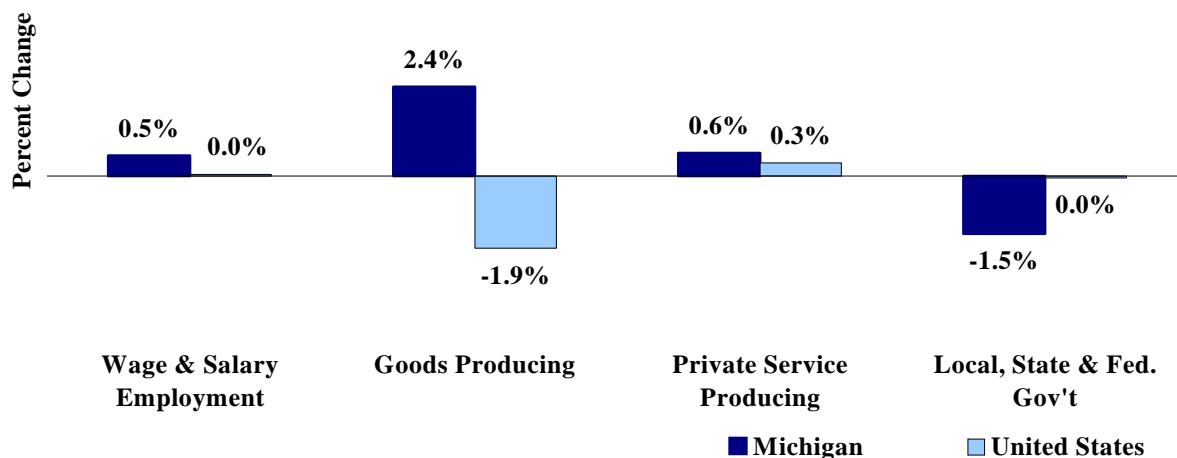
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2009 Average	May 2010	Jun 2010	Jul 2010	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	4,889	4,884	4,863	4,845	-18	-0.4%	-44	-0.9%	
Employed	4,224	4,222	4,222	4,208	-14	-0.3%	12	0.3%	
Unemployed	665	662	640	637	-3	-0.5%	-56	-8.1%	
Unemployment Rate	13.6%	13.6%	13.2%	13.1%	n.a.	-0.1% pts	n.a.	-1.1%	
<b>United States</b>									
Labor Force	154,142	154,393	153,741	153,560	-181	-0.1%	-791	-0.5%	
Employed	139,877	139,420	139,119	138,960	-159	-0.1%	-857	-0.6%	
Unemployed	14,265	14,973	14,623	14,599	-24	-0.2%	65	0.4%	
Unemployment Rate	9.3%	9.7%	9.5%	9.5%	n.a.	0.0% pts	n.a.	0.1%	

## Employment by Place of Work

- From July 2009 to July 2010, Michigan wage and salary employment increased 22,000 (0.5 percent). State wage and salary employment increased 28,000 from June. Nationally, July 2010 wage and salary employment rose 52,000 (0.1 percent) from a year ago and was down 131,000 from last month.

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



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

- In the goods-producing sector, Michigan employment increased 2.4 percent from a year ago while private service-producing sector employment increased 0.6 percent compared to last year. From a year ago, July national employment in the goods-producing sector fell 1.9 percent and increased 0.3 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 2.0 hours in Michigan compared to last year.

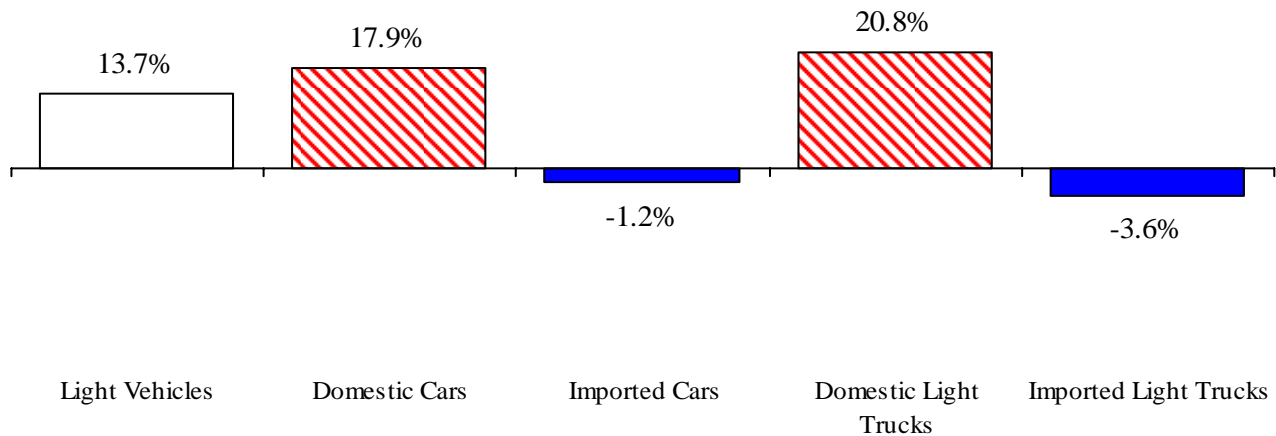
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2009 Average	July 2009	July 2010	Percent Change	2009 Average	July 2009	July 2010	Percent Change
Wage & Salary Employment	3,876	3,855	3,876	0.5%	130,912	130,242	130,294	0.0%
Goods Producing	597	592	606	2.4%	18,620	18,375	18,023	-1.9%
Manufacturing	462	462	483	4.5%	11,883	11,739	11,717	-0.2%
Private Service Producing	2,633	2,611	2,627	0.6%	89,749	89,403	89,714	0.3%
Trade, Trans. & Utilities	717	711	710	-0.1%	24,947	24,845	24,761	-0.3%
Services	1,670	1,654	1,684	1.8%	54,236	54,054	54,668	1.1%
Local, State & Fed. Gov't	647	652	642	-1.5%	22,544	22,516	22,505	0.0%
Manufacturing Weekly Hours	39.3	43.5	45.5	2.0 hrs	39.3	38.8	40.1	1.3 hrs

## Motor Vehicle Industry Sales

- At an 11.5 million unit rate, July 2010 light vehicle sales rose 3.4 percent from June 2010. July 2010 light vehicle sales were up 2.2 percent from a year ago.
- Compared to June 2010, July 2010 domestic sales increased 3.0 percent while foreign sales rose 4.9 percent. Domestic sales rose 5.4 percent compared to a year ago while foreign sales decreased 7.3 percent. Consequently, the foreign share of U.S. light vehicle sales dropped 2.4 percentage points from a year ago to 23.3 percent.
- Auto sales rose 2.2 percent compared to June 2010 but fell 8.6 percent compared to a year ago. Light truck sales increased 4.6 percent from June and rose 15.0 percent from July 2009. Heavy truck sales were up 26.9 percent compared to a year ago.
- In July 2010, light vehicle inventories fell 7.3 percent from June but were up 12.0 percent from a year ago. At 52 days, days supply dropped 3 days from June but were up by 5 days from a year ago.

### 2010 Year-to-Date Domestic Vehicle Sales Up Substantially from Year Ago



### Motor Vehicle Sales Statistics

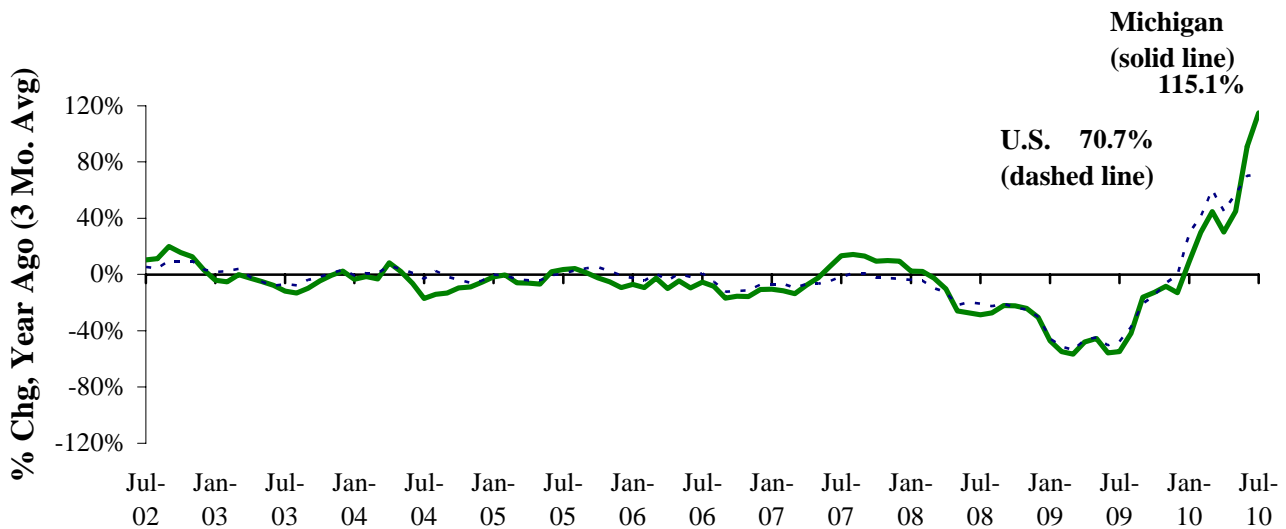
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2009 Average	May 2010	Jun 2010	Jul 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.5	5.6	5.5	5.6	5.6	(0.5)	-8.6%
Domestics	3.6	4.0	3.8	3.8	3.9	(0.3)	-7.8%
Imports	1.8	1.7	1.7	1.8	1.7	(0.2)	-10.2%
Import Share	33.7%	29.3%	31.2%	31.7%	30.7%	-0.6%	pts
Light Trucks	4.9	6.0	5.7	5.9	5.8	0.8	15.0%
Domestics	4.1	5.1	4.8	5.0	5.0	0.8	18.5%
Imports	0.9	0.9	0.8	0.9	0.9	(0.0)	-0.9%
Import Share	17.9%	15.0%	14.9%	15.2%	15.0%	-2.4%	pts
Total Light Vehicles	10.4	11.6	11.1	11.5	11.4	0.2	2.2%
Heavy Trucks	0.2	0.2	0.2	0.3	0.2	(0.1)	26.9%
Total Vehicles	10.6	11.8	11.4	11.8	11.7	0.3	2.6%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>							
Total Car	1.157	1.029	1.057	0.985	1.024	0.028	
Days Supply	70	48	54	52	51	6 days	
Total Truck	1.058	1.034	1.107	1.020	1.054	0.186	
Days Supply	68	49	57	52	53	4 days	

### Motor Vehicle Industry Production

- At 119,089 units, July 2010 Michigan motor vehicle production rose a sharp 77.9 percent from last July. National production rose 38.0 percent in July. Compared to June 2010, Michigan production decreased 24.8 percent while national production was down 26.2 percent.
- Michigan car production rose 60.6 percent from a year ago and State truck production increased 87.6 percent. Nationally, car production grew 24.9 percent while truck production increased 46.5 percent.
- From a year ago, Michigan’s share of national production rose by 5.0 percentage points to 22.4 percent.

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



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009					Change from Year Ago	
	Monthly Average	May 2010	Jun 2010	Jul 2010	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	194.2	257.7	273.4	191.0	240.7	38.1	24.9%
Trucks	285.2	401.5	448.2	341.2	397.0	108.3	46.5%
Total	479.5	659.1	721.6	532.2	637.6	146.4	38.0%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	42.5	55.1	62.0	38.5	51.9	14.5	60.6%
Trucks	53.0	77.1	96.3	80.6	84.7	37.6	87.6%
Total	95.5	132.2	158.3	119.1	136.6	52.2	77.9%
Michigan as % of U.S.	19.9%	20.1%	21.9%	22.4%	21.4%	5.0% pts	

## Local Area Unemployment Rate and Employment Changes Mixed Compared to Last Year (Not Seasonally Adjusted)

July 2010 area unemployment rates ranged between 10.0 percent (Ann Arbor MSA) and 15.4 percent (Flint MSA). The median unemployment rate was 13.2 percent.

Compared to a year ago, unemployment rates fell in nine major Michigan labor market areas and rose in eight areas. The median unemployment rate change was a 0.3 of a percentage point drop. The Monroe MSA saw the largest rate decline (-1.7 percentage points), followed by the Detroit-Warren-Livonia MSA (-1.5 percentage points). Three areas reported the largest year-ago rate increase (0.8 percentage points): Kalamazoo-Portage MSA, Niles-Benton Harbor MSA and the Upper Peninsula.

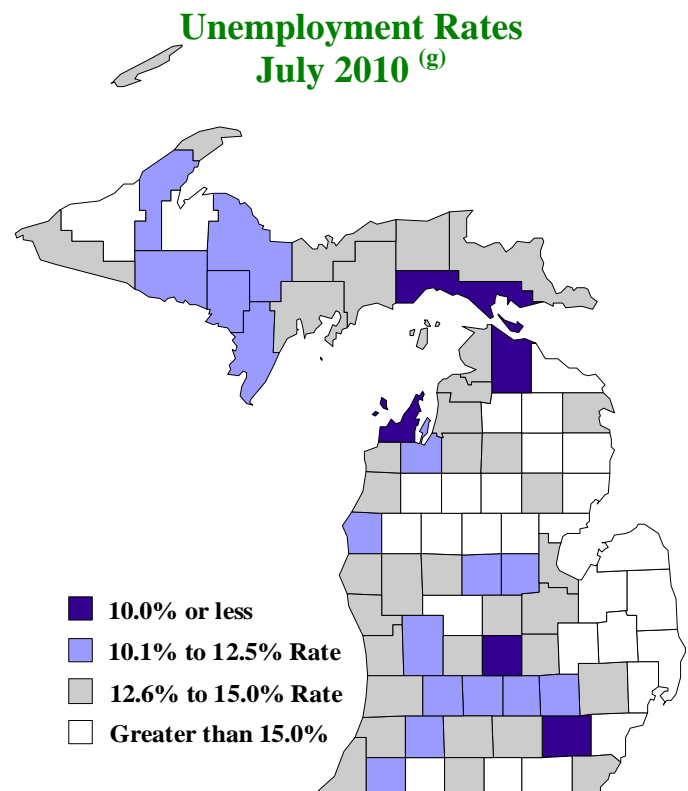
Between July 2009 and July 2010, eleven labor market areas saw an employment decline while six saw an increase. The three northern labor market areas experienced the largest employment declines: Northeast Lower Michigan (-4.0 percent), Upper Peninsula (-2.8 percent) and Northwest Lower Michigan (-2.5 percent). The Saginaw-Saginaw Township MSA had the largest year-ago employment increase (1.3 percent), followed by the Grand Rapids-Wyoming MSA (1.1 percent). Compared to a year ago, labor force fell in 13 areas with Monroe MSA experiencing the largest decline (-3.6 percent). The median labor force decline was -1.4 percent.

Compared to last month, all areas saw increases in their non-seasonally adjusted unemployment rate with a median increase of 0.8 percentage points.

Between July 2009 and July 2010, the unemployment rate rose in 44 Michigan counties with a median rate increase of 0.8 of a percentage point. Thirty-seven counties saw a rate decrease with a median increase of 0.9 of a percentage point. Four counties saw a July 2010 unemployment rate below 10.0 percent; Mackinac reported the lowest rate (6.0 percent.) Twenty-four counties reported rates higher than 15.0 percent. Two counties saw rates above 20.0 percent; Baraga recorded the highest (24.0 percent).

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

<u>Local Area</u>	<u>Jul 2009 Rate</u>	<u>Jun 2010 Rate</u>	<u>Jul 2010 Rate</u>
Michigan	14.7%	13.1%	14.0%
Ann Arbor	9.8%	9.3%	10.0%
Battle Creek	12.7%	11.5%	13.0%
Bay City	12.6%	12.0%	12.8%
Detroit-Warren-Livonia	16.7%	14.3%	15.2%
Flint	16.3%	14.1%	15.4%
Grand Rapids-Wyoming	12.2%	11.1%	11.9%
Holland-Grand Haven	13.3%	12.0%	12.6%
Jackson	14.9%	13.2%	14.3%
Kalamazoo-Portage	11.4%	11.4%	12.2%
Lansing-East Lansing	12.0%	10.6%	11.3%
Monroe	16.1%	12.9%	14.4%
Muskegon-Norton Shores	16.0%	13.9%	14.9%
Niles-Benton Harbor	13.2%	13.1%	14.0%
Saginaw-Saginaw Township	13.6%	12.3%	13.2%
Upper Peninsula	11.7%	11.9%	12.5%
Northeast Lower Mich	14.4%	14.2%	15.0%
Northwest Lower Mich.	12.5%	12.8%	13.2%



## U.S. Economic Conditions

	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>	<u>Jul-10</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	72.2	73.6	76.0	67.8	1.8 points
ISM Manufacturing Index <sup>(i)</sup>	60.4	59.7	56.2	55.5	6.4 points
ISM Non Manufacturing Index <sup>(i)</sup>	55.4	55.4	53.8	54.3	7.6 points
	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	
Business Executives' Confidence <sup>(j)</sup>	63.0	64.0	62.0	62.0	7.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>	<u>Jul-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.0	218.2	218.0	218.0	1.2%
Detroit CPI	205.2	NA	204.9	NA	0.2%
U.S. Producer Price Index	179.6	180.1	179.1	179.7	4.2%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.15%	0.16%	0.12%	0.16%	-0.03% points
Aaa Corporate Bonds <sup>(m)</sup>	5.29%	4.96%	4.88%	4.72%	-0.69% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	91.3	92.5	92.5	93.4	7.7%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	73.1%	74.1%	74.1%	74.8%	5.7% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$366.0	\$362.2	\$361.2	\$362.7	5.5%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>	<u>Jul-10</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.679	0.588	0.537	0.546	-7.0%
Existing Home Sales <sup>(p)</sup>	5.790	5.660	5.260	3.830	-25.5%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$194.0	\$192.6	\$192.5	\$193.0	9.3%
<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>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$12,860.8	\$13,019.0	\$13,138.8	\$13,191.5	1.6%

**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.