



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

July 2009 Summary

U.S. Economy: Housing starts were down 37.7 percent from a year ago, while existing home sales rose 5.0 percent. The ISM manufacturing overall index continued its climb from last December's low – rising for the seventh straight month. The ISM non-manufacturing business activity index fell both from last month and a year ago. Capacity utilization reported its first monthly increase since last October but remained 10.1 percentage points down from a year ago. Non defense new durable goods orders excluding aircraft were down sharply from a year ago (-21.6 percent, 3-month average). Retail sales, excluding motor vehicle and gasoline sales, were down 4.0 percent from a year ago (3-month average). Consumer sentiment saw its first month-ago decline since February 2009, but was up 4.8 points from a year ago.

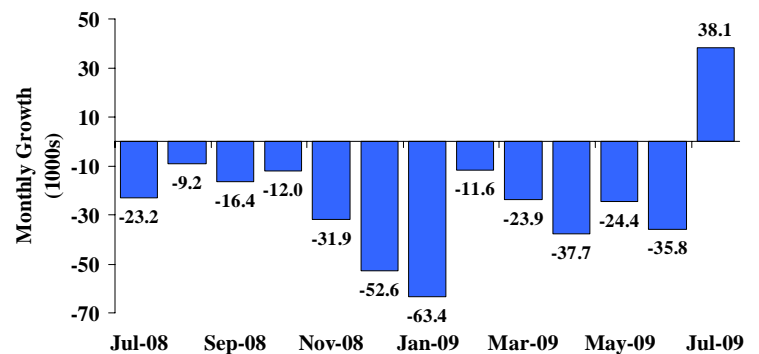
Employment: Michigan employment fell compared to a year ago, but rose from June 2009. Nationally, employment declined both from a year ago and a month ago. The unemployment rate fell slightly both in Michigan and nationally. Michigan's unemployment rate remained the highest among the fifty states.

Auto Industry: Boosted by “cash for clunkers,” the light vehicle sales rate rose above 10 million for the first time this year (11.2 million rate). Both Michigan and U.S. vehicle production were down by about one-third from a year ago.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) fell 2.1 percent. Overall producer prices declined 6.8 percent. Oil prices reported their first monthly decline since February 2009. At \$64.09, oil prices were \$69.84 below their June 2008 record high price.

Michigan Metro Areas: From July 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 5.0 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 7.5 percent. Unemployment rates ranged between 10.3 percent (Ann Arbor MSA) and 17.7 percent (Detroit-Warren-Livonia MSA).

Michigan Economy Loses 280,800 Jobs Over Past Year^(a)



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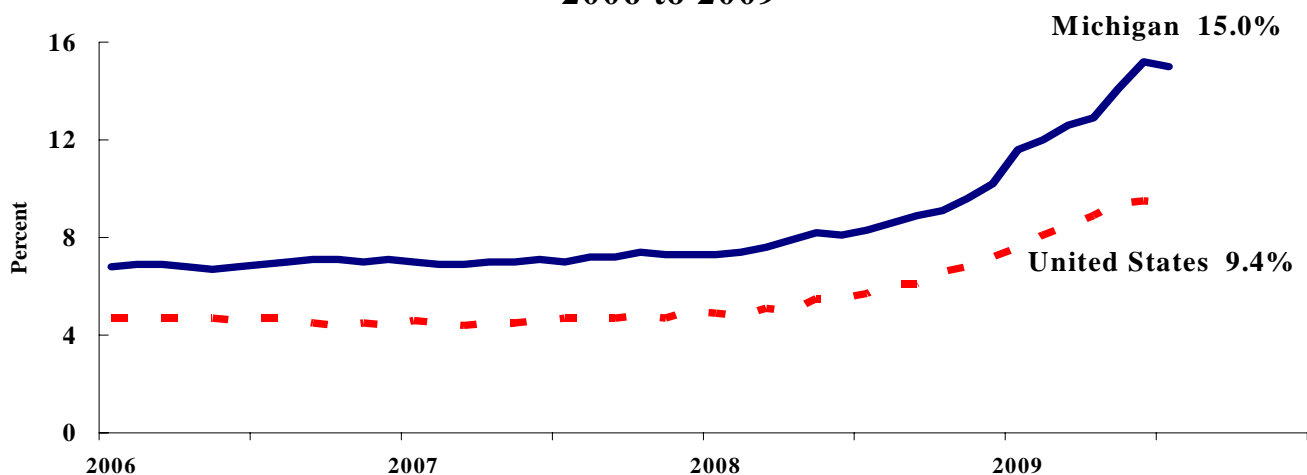
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Labor Market Statistics

- Michigan's July monthly unemployment rate decreased by 0.2 percentage points from last month to 15.0 percent, and the current Michigan jobless rate is 6.7 percentage points above a year ago. The July U.S. unemployment rate decreased 0.1 percentage points to 9.4 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 July, the number of people employed in Michigan was 4,134,000, up 5,000 from last month, while the labor force decreased by 5,000. The statewide total number of unemployed decreased by 9,000 to 731,000.
- United States household employment totaled 140.0 million persons in July, down 155,000 from June. The labor force fell by 422,000 from last month, which meant that there were 267,000 fewer unemployed people nationally, compared to June.

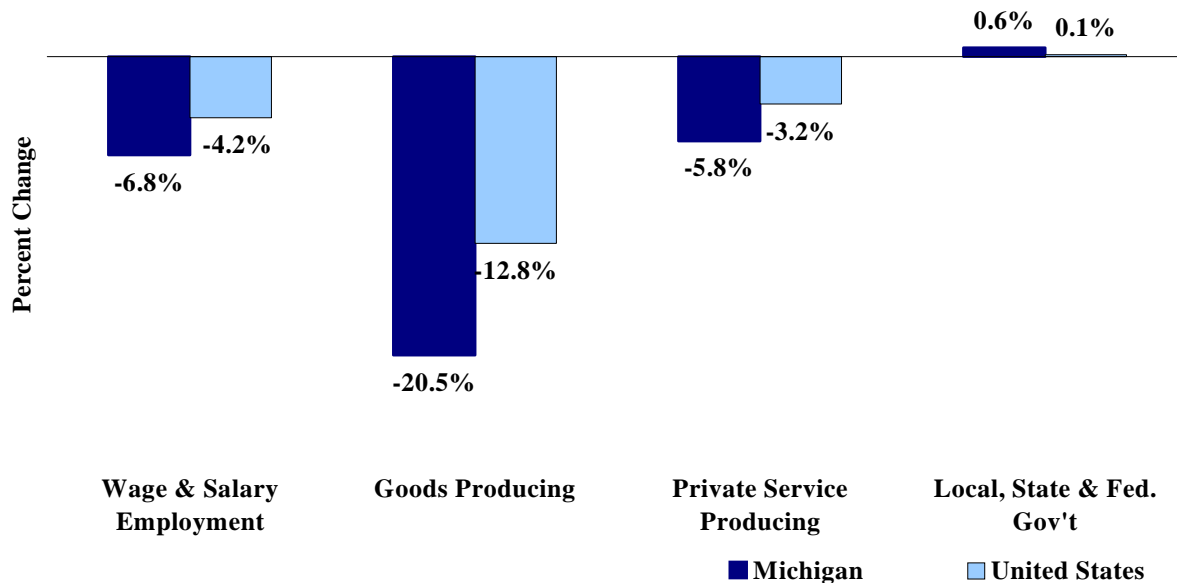
Employment by Place of Residence (in thousands)^(a)

	2008 Average	May 2009	Jun 2009	Jul 2009	Change From				
					Prior Month		Last Year		
						Level	%	Level	%
Michigan									
Labor Force	4,936	4,848	4,869	4,864	-5	-0.1%	-63	-1.3%	
Employed	4,519	4,167	4,129	4,134	5	0.1%	-386	-8.5%	
Unemployed	416	681	740	731	-9	-1.2%	324	79.4%	
Unemployment Rate	8.4%	14.1%	15.2%	15.0%	n.a.	-0.2% pts	n.a.	6.7%	
United States									
Labor Force	154,287	155,081	154,926	154,504	-422	-0.3%	-2	0.0%	
Employed	145,362	140,570	140,196	140,041	-155	-0.1%	-5,555	-3.8%	
Unemployed	8,924	14,511	14,729	14,462	-267	-1.8%	5,552	62.3%	
Unemployment Rate	5.8%	9.4%	9.5%	9.4%	n.a.	-0.1% pts	n.a.	3.6%	

Employment by Place of Work

- From July 2008 to July 2009, Michigan wage and salary employment decreased 281,000 (6.8 percent). State wage and salary employment increased 38,000 from June. Nationally, July 2009 wage and salary employment fell 5,740,000 (4.2 percent) from a year ago and was down 247,000 from last month.

Wage and Salary Employment Growth July 2008 to July 2009



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

- In the goods-producing sector, Michigan employment fell 20.5 percent from a year ago while private service-producing sector employment decreased 5.8 percent compared to last year. From a year ago, July national employment in the goods-producing sector fell 12.8 percent and decreased 3.2 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 0.1 hours in Michigan compared to last year.

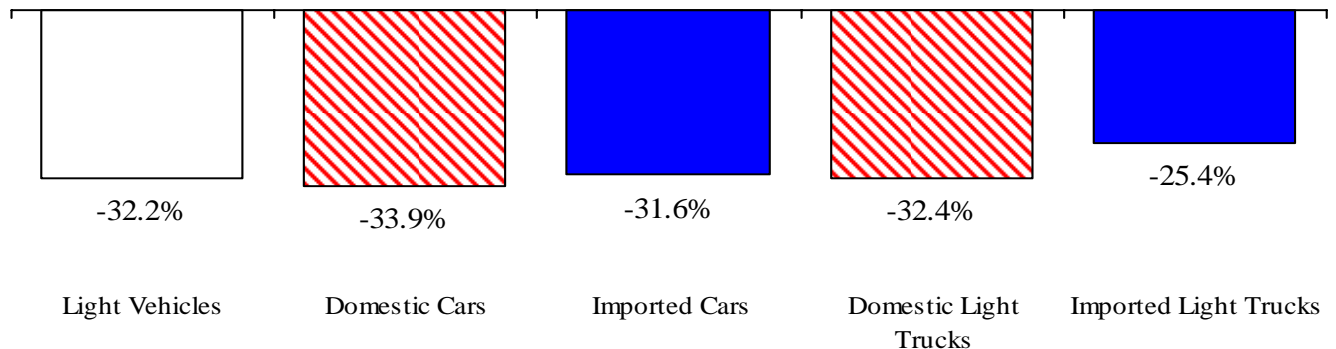
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2008 Average	July 2008	July 2009	Percent Change	2008 Average	July 2008	July 2009	Percent Change
Wage & Salary Employment	4,159	4,160	3,879	-6.8%	137,066	137,228	131,488	-4.2%
Goods Producing	737	733	583	-20.5%	21,419	21,432	18,690	-12.8%
Manufacturing	575	573	454	-20.8%	13,431	13,454	11,817	-12.2%
Private Service Producing	2,775	2,782	2,621	-5.8%	93,146	93,259	90,234	-3.2%
Trade, Trans. & Utilities	769	770	717	-6.9%	26,385	26,425	25,176	-4.7%
Services	1,739	1,739	1,677	-3.6%	55,620	55,685	54,492	-2.1%
Local, State & Fed. Gov't	648	653	657	0.6%	22,500	22,537	22,564	0.1%
Manufacturing Weekly Hours	42.2	43.4	43.3	-0.1 hrs	40.8	41.0	39.8	-1.2 hrs

Motor Vehicle Industry Sales

- At an 11.2 million unit annual rate, the July 2009 light vehicle sales rate rose 16.0 percent from May. Compared to a year ago, light vehicle sales declined 11.3 percent. July marked the highest light vehicle sales rate since September 2008. Sales were buoyed by the “cash for clunkers” program.
- Compared to June, domestic sales were up 15.7 percent while foreign sales rose 16.8 percent. Compared to a year ago, domestic sales fell 9.3 percent; foreign sales dropped 16.5 percent. As a result, the foreign share of U.S. vehicle sales fell 1.6 percent to 25.8 percent.
- July auto sales rose sharply compared to June (23.1 percent) while light truck sales increased 8.4 percent. Compared to a year ago, auto sales fell 11.7 percent while light truck sales dropped 10.7 percent. Heavy truck sales fell 33.7 percent.
- Light vehicle inventories shrank 40.1 percent from a year ago. Days supply dropped by 16 days compared to June and decreased by 22 days from a year ago.

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



Motor Vehicle Sales Statistics

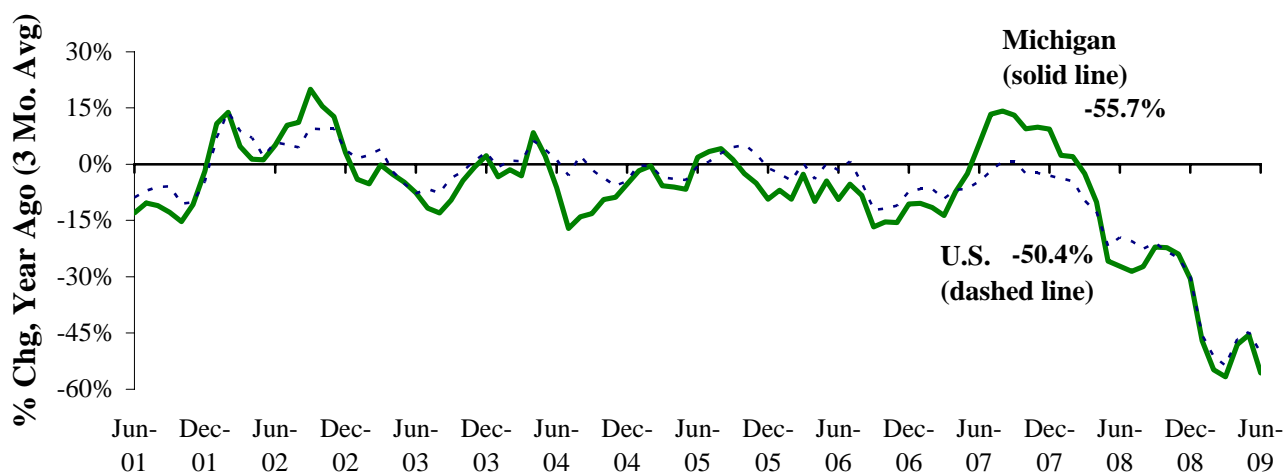
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2008 Average	May 2009	Jun 2009	Jul 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.7	4.9	5.0	6.2	5.3	(0.8)	-11.7%
Domestics	4.5	3.2	3.3	4.2	3.6	(0.4)	-7.8%
Imports	2.2	1.6	1.7	2.0	1.8	(0.5)	-18.9%
Import Share	33.0%	33.9%	33.8%	32.5%	33.3%	-2.9% pts	
Light Trucks	6.4	5.0	4.7	5.1	4.9	(0.6)	-10.7%
Domestics	5.3	4.1	3.9	4.2	4.1	(0.5)	-10.7%
Imports	1.1	0.8	0.8	0.9	0.8	(0.1)	-10.6%
Import Share	17.1%	16.9%	16.9%	17.7%	17.2%	0.0% pts	
Total Light Vehicles	13.1	9.8	9.7	11.2	10.2	(1.4)	-11.3%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-33.7%
Total Vehicles	13.4	10.0	9.9	11.4	10.4	(1.5)	-11.8%
U.S. Light Vehicle Inventories^(d)		May-09	Jun-09	Jul-09	3 Month	Change	
Total Car	1.340	1.228	1.159	0.963	1.117	-0.151	
Days Supply	65	66	64	45	58	-1 days	
Total Truck	1.827	1.115	0.993	0.830	0.979	-1.048	
Days Supply	90	66	62	48	59	-48 days	

Motor Vehicle Industry Production

- At 66,928 units, July 2009 Michigan motor vehicle production fell by 32.2 percent from a year ago. Similarly, national production declined by 33.7 percent. Compared to June 2009, Michigan production rose by 6.4 percent while national production increased 3.0 percent.
- Michigan car production dropped 61.1 percent from a year ago, but State truck production rose 16.1 percent. Nationally, car production fell 45.0 percent while truck production dropped 23.3 percent.
- From a year ago, Michigan's share of national production rose by 0.4 of a percentage point to 17.3 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	May 2009	Jun 2009	Jul 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	314.0	150.1	164.3	152.8	155.7	(124.8)	-45.0%
Trucks	414.5	210.3	210.1	233.0	217.8	(70.9)	-23.3%
Total	728.5	360.3	374.4	385.8	373.5	(195.7)	-33.7%
Michigan Production ^(f)							
Autos	83.7	29.2	32.9	24.0	28.7	(37.8)	-61.1%
Trucks	70.0	31.4	30.0	42.9	34.8	5.9	16.1%
Total	153.7	60.6	62.9	66.9	63.5	(31.8)	-32.2%
Michigan as % of U.S.	21.1%	16.8%	16.8%	17.3%	17.0%	0.4% pts	

July Unemployment Rates Rose Substantially in All Major Labor Markets Employment Plummeted in All Areas (Not Seasonally Adjusted)

July 2009 area unemployment rates (seasonally unadjusted) ranged between 10.3 percent (Ann Arbor MSA) to 17.7 percent (Detroit-Warren-Livonia MSA). The median unemployment rate was 14.0 percent with all areas reporting an unemployment rate exceeding 10.0 percent.

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 5.0 percentage points. Sixteen areas saw rate increases exceeding 4.0 percentage points. Five areas saw increases of 6.0 percentage points or greater: Detroit-Warren-Livonia MSA (8.4 percentage points), Muskegon-Norton Shores MSA (6.9 percentage points), Jackson MSA (6.3 percentage points), Holland-Grand Haven MSA (6.1 percentage points) and Monroe MSA (6.1 percentage points).

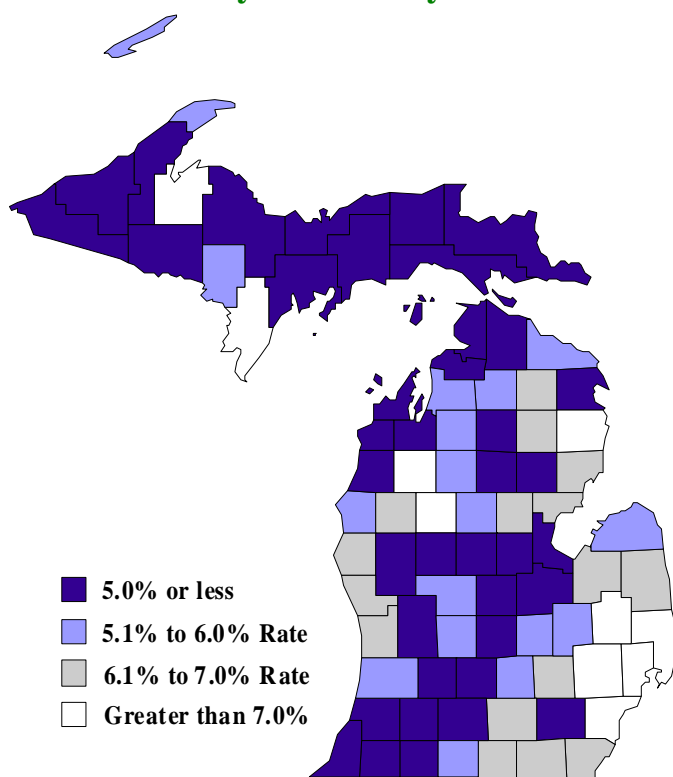
Between July 2008 and July 2009, employment fell substantially in all 17 major labor market areas with declines exceeding 5.5 percent in all 17 areas and a median employment decline of 7.5 percent. The Upper Peninsula saw the smallest decline (-5.7 percent). Five areas saw declines greater than 9.0 percent: Flint MSA (-10.6 percent), Niles-Benton Harbor MSA (-9.9 percent), Holland-Grand Haven MSA (-9.6 percent), Muskegon-Norton Shores MSA (-9.4 percent) and Detroit-Warren-Livonia MSA (-9.3 percent). All areas saw a labor force decline. Detroit-Warren-Livonia saw only an extremely small decline (less than 0.1 percent) while the Flint MSA saw the largest fall (-4.7 percent).

Compared to June 2009, the non-seasonally adjusted state unemployment rate change equaled 0.2 of a percentage point. Between July 2008 and July 2009, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 5.2 percentage points. Twenty-six counties saw greater than a 6.0 percentage point increase.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jul 2008 Rate</u>	<u>Jun 2009 Rate</u>	<u>Jul 2009 Rate</u>
Michigan	9.1%	15.4%	15.6%
Ann Arbor	7.1%	10.6%	10.3%
Battle Creek	8.7%	13.5%	13.6%
Bay City	8.5%	13.6%	13.3%
Detroit-Warren-Livonia	9.3%	17.1%	17.7%
Flint	12.2%	17.5%	17.6%
Grand Rapids-Wyoming	8.2%	12.8%	12.7%
Holland-Grand Haven	7.8%	14.0%	13.9%
Jackson	9.6%	15.5%	15.9%
Kalamazoo-Portage	7.9%	12.1%	12.2%
Lansing-East Lansing	7.6%	12.4%	12.7%
Monroe	10.9%	17.0%	17.0%
Muskegon-Norton Shores	10.0%	16.8%	16.9%
Niles-Benton Harbor	9.0%	14.0%	14.0%
Saginaw-Saginaw Township	9.5%	14.7%	14.5%
Upper Peninsula	8.0%	13.0%	12.3%
Northeast Lower Mich	10.1%	15.3%	15.1%
Northwest Lower Mich.	8.4%	13.6%	13.1%

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



U.S. Economic Conditions

	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	65.1	68.7	70.8	66.0	4.8 points
ISM Manufacturing Index ⁽ⁱ⁾	40.1	42.8	44.8	48.9	-0.6 points
ISM Non Manufacturing Index ⁽ⁱ⁾	45.2	42.4	49.8	46.1	-4.0 points
	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	
Business Executives' Confidence ^(j)	40.0	24.0	30.0	55.0	16.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	213.2	213.9	215.7	215.4	-2.1%
Detroit CPI	202.4	NA	204.5	NA	-1.5%
U.S. Producer Price Index	169.9	170.8	174.1	172.6	-6.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.17%	0.15%	0.17%	0.19%	-1.53% points
Aaa Corporate Bonds ^(m)	5.39%	5.54%	5.61%	5.41%	-0.26% points
INDUSTRIAL PRODUCTION ^(m)					
	97.0	95.9	95.5	96.0	-13.1%
CAPACITY UTILIZATION ^(m)					
	69.0%	68.3%	68.1%	68.5%	-10.1% points
RETAIL SALES ⁽ⁿ⁾					
	\$338.3	\$339.9	\$342.5	\$342.3	-8.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.479	0.551	0.587	0.581	-37.7%
Existing Home Sales ^(p)	4.660	4.720	4.890	5.240	5.0%
DURABLE GOODS ORDERS ^(q)					
	\$160.5	\$162.7	\$160.8	\$169.0	-22.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>% Change From Year Ago</u>
Michigan	\$356.1	\$354.8	\$355.2	\$352.4	0.4%
U.S.	\$12,130.9	\$12,150.9	\$12,100.9	\$12,037.4	0.8%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,324.6	\$13,141.9	\$12,925.4	\$12,892.5	-1.0%

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.