



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## June 2010 Summary

**U.S. Economy:** In 2010Q2, real GDP grew at a 2.4 percent annual rate, compared to 3.7 percent and 5.0 percent growth in the prior two quarters. At 56.2, the ISM manufacturing index recorded its second consecutive monthly decline, but reported its 11<sup>th</sup> straight reading above 50. The ISM non-manufacturing composite index fell to 53.8 after remaining unchanged at 55.4 for three months. Both industrial production and capacity utilization (three-month averages) rose for the 12<sup>th</sup> straight month. Consumer sentiment rose 2.4 points from last month and was up 5.4 points from last year. Housing starts fell both compared to May and a year ago. Retail sales, excluding motor vehicle and gasoline sales, rose from a year ago for the sixth straight month.

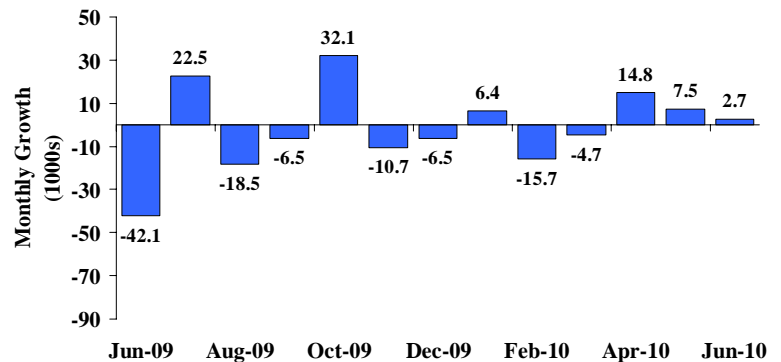
**Employment:** Michigan employment rose by 2,700 jobs in June from May and was up 23,400 jobs from a year ago -- marking Michigan's first year-ago increase since March 2005. National employment fell by 125,000 as Census work slowed. Compared to May, Michigan's unemployment rate fell 0.4 of a percentage point to 13.2 percent (the second highest rate behind Nevada). The U.S. rate fell 0.2 of a percentage point from May.

**Auto Industry:** In June 2010, the light vehicle sales rate fell 4.8 percent from May 2010 to an 11.1 million unit annual rate. However, vehicle sales were up 14.3 percent compared to a year ago. Vehicle inventories were little changed from June 2009. In June 2010, Michigan vehicle production rose 91.2 percent compared to a year ago; national vehicle production increased 70.3 percent (three-month average).

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 1.1 percent and the Detroit CPI rose 0.2 percent. The U.S. CPI excluding food and energy rose 0.9 percent. The overall producer price index rose 2.8 percent while the core producer price index increased 1.1 percent. Oil prices rose to \$75.35 a barrel from May, up \$1.51 a barrel, and \$5.67 a barrel higher than June 2009.

**Michigan Metro Areas:** From June 2009, unemployment rates fell in 14 of Michigan's major labor market areas, rose in two areas and were unchanged in one area. Employment fell in 9 labor market areas, but rose in the other eight areas.

Michigan Employment Rises  
In June <sup>(a)</sup>



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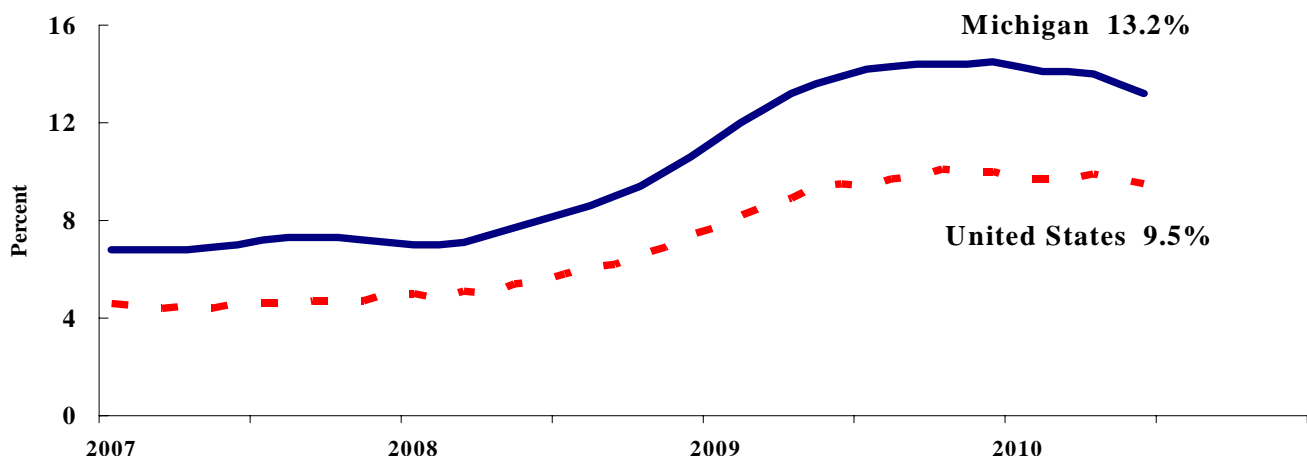
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## Labor Market Statistics

- Michigan's June unemployment rate decreased 0.4 percentage points from last month to 13.2 percent, and the current Michigan jobless rate is down 0.7 percentage points from a year ago. The June U.S. unemployment rate decreased 0.2 percentage points from May to 9.5 percent and was unchanged from a year ago. Monthly unemployment rates fluctuate 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 June, the number of people employed in Michigan was 4,223,000, up 1,000 from last month, while the labor force decreased by 20,000. The statewide total number of unemployed decreased by 21,000 to 641,000.
- United States household employment totaled 139.1 million persons in June, down 301,000 from May. The labor force fell by 652,000 from last month, which meant there were 350,000 fewer unemployed people nationally, compared to May.

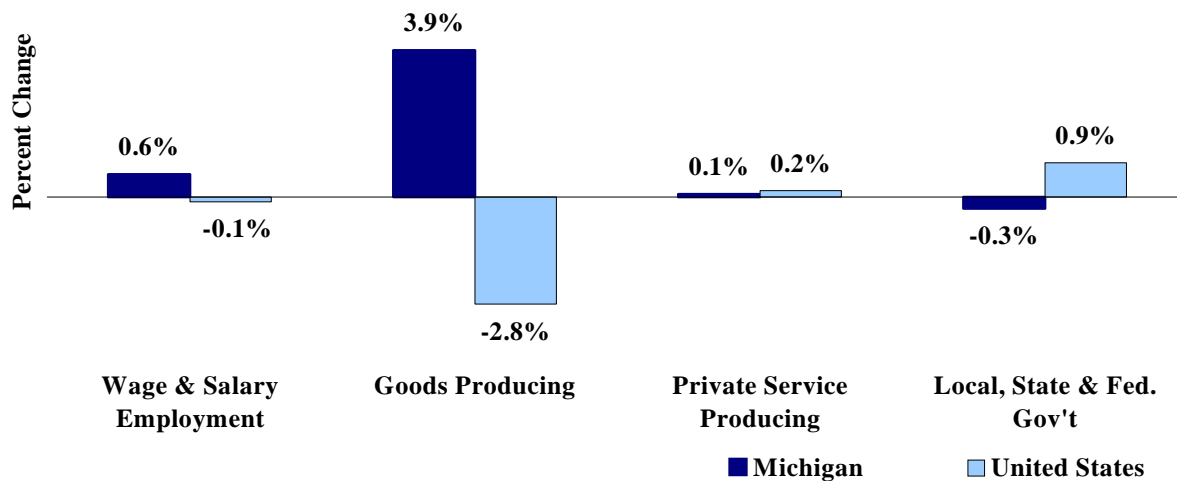
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2009 Average	Apr 2010	May 2010	Jun 2010	Change From			
					Prior Month Level	%	Last Year Level	%
<b>Michigan</b>								
Labor Force	4,889	4,880	4,884	4,864	-20	-0.4%	-35	-0.7%
Employed	4,224	4,198	4,222	4,223	1	0.0%	7	0.2%
Unemployed	665	681	662	641	-21	-3.2%	-42	-6.1%
Unemployment Rate	13.6%	14.0%	13.6%	13.2%	n.a.	-0.4% pts	n.a.	-0.7%
<b>United States</b>								
Labor Force	154,142	154,715	154,393	153,741	-652	-0.4%	-1,018	-0.7%
Employed	139,877	139,455	139,420	139,119	-301	-0.2%	-919	-0.7%
Unemployed	14,265	15,260	14,973	14,623	-350	-2.3%	-98	-0.7%
Unemployment Rate	9.3%	9.9%	9.7%	9.5%	n.a.	-0.2% pts	n.a.	0.0%

## Employment by Place of Work

- From June 2009 to June 2010, Michigan wage and salary employment increased 23,000 (0.6 percent). State wage and salary employment increased 3,000 from May. Nationally, June 2010 wage and salary employment fell 170,000 (0.1 percent) from a year ago and was down 125,000 from last month.

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



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

- In the goods-producing sector, Michigan employment increased 3.9 percent from a year ago while private service-producing sector employment increased 0.1 percent compared to last year. From a year ago, June national employment in the goods-producing sector fell 2.8 percent and increased 0.2 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 1.2 hours in Michigan compared to last year.

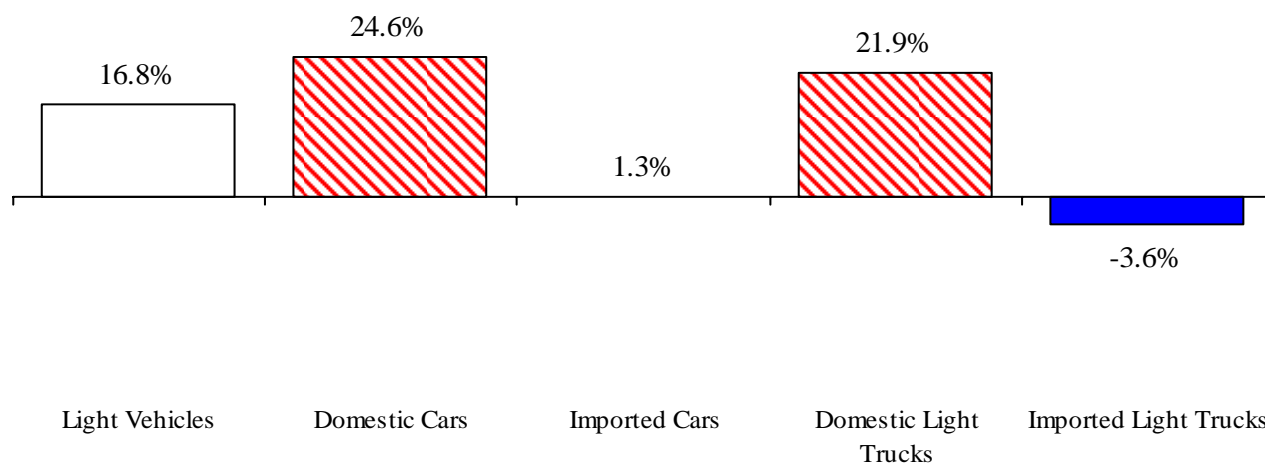
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2009 Average	June 2009	June 2010	Percent Change	2009 Average	June 2009	June 2010	Percent Change
Wage & Salary Employment	3,876	3,832	3,855	0.6%	130,912	130,640	130,470	-0.1%
Goods Producing	597	566	588	3.9%	18,620	18,503	17,977	-2.8%
Manufacturing	462	434	464	6.9%	11,883	11,782	11,670	-1.0%
Private Service Producing	2,633	2,621	2,623	0.1%	89,749	89,572	89,723	0.2%
Trade, Trans. & Utilities	717	717	709	-1.1%	24,947	24,943	24,744	-0.8%
Services	1,670	1,657	1,679	1.3%	54,236	54,090	54,680	1.1%
Local, State & Fed. Gov't	647	647	645	-0.3%	22,544	22,565	22,770	0.9%
Manufacturing Weekly Hours	39.3	42.3	43.5	1.2 hrs	39.3	40.1	40.5	0.4 hrs

## Motor Vehicle Industry Sales

- At an 11.1 million unit rate, June 2010 light vehicle sales fell 4.8 percent from May 2010. However, June 2010 light vehicle sales were up 14.3 percent from a year ago.
- Compared to May 2010, June 2010 domestic sales decreased 6.3 percent while foreign sales increased 0.6 percent. Domestic sales rose 18.3 percent compared to a year ago while foreign sales increased 2.5 percent. Consequently, the foreign share of U.S. light vehicle sales dropped 2.6 percentage points from a year ago to 23.0 percent.
- Auto sales rose fell 1.7 percent compared to May 2010 but increased 9.6 percent compared to a year ago. Light truck sales dropped 7.6 percent from May but increased 19.3 percent from June 2009. Heavy truck sales rose 9.8 percent compared to a year ago.
- In June 2010, light vehicle inventories shrank slightly (0.4 percent) from a year ago. At 55 days, days supply rose 6 days from May 2010 but were down by 8 days from a year ago.

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



### Motor Vehicle Sales Statistics

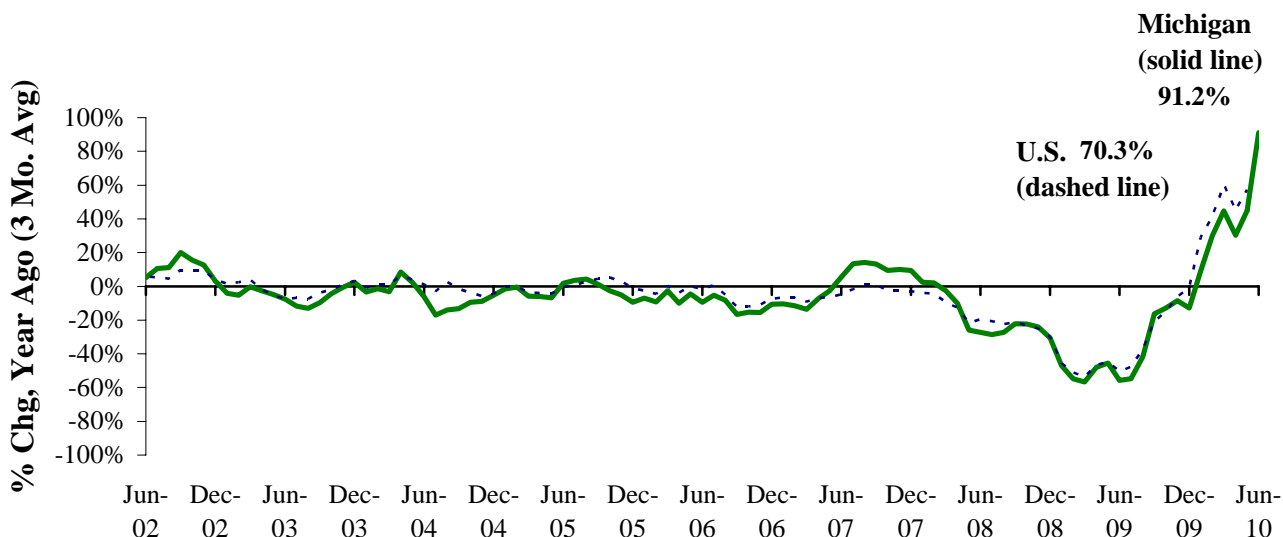
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2009 Average	Apr 2010	May 2010	Jun 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.5	5.6	5.6	5.5	5.5	0.5	9.6%
Domestics	3.6	3.9	3.9	3.8	3.9	0.5	13.7%
Imports	1.8	1.6	1.6	1.7	1.7	0.0	1.4%
Import Share	33.7%	29.3%	29.2%	31.3%	29.9%	-2.5%	pts
Light Trucks	4.9	5.6	6.0	5.6	5.7	0.9	19.3%
Domestics	4.1	4.8	5.1	4.7	4.9	0.9	22.3%
Imports	0.9	0.8	0.9	0.8	0.8	0.0	4.9%
Import Share	17.9%	14.6%	14.9%	14.8%	14.8%	-2.0%	pts
Total Light Vehicles	10.4	11.2	11.6	11.1	11.3	1.4	14.3%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	9.8%
Total Vehicles	10.6	11.4	11.8	11.3	11.5	1.4	14.2%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>							
Total Car	1.157	1.073	1.029	1.053	1.052	-0.099	
Days Supply	70	57	48	53	53	-11 days	
Total Truck	1.058	1.066	1.034	1.106	1.068	0.109	
Days Supply	68	57	49	57	54	-5 days	

### Motor Vehicle Industry Production

- At 158,321 units, June 2010 Michigan motor vehicle production more than doubled (151.7 percent) from last June’s depressed level. National production also rose sharply (92.7 percent). Compared to May 2010, Michigan production increased 19.7 percent while national production was up 9.5 percent.
- Michigan car production rose 88.3 percent from a year ago and State truck production increased 221.4 percent. Nationally, car production grew 66.4 percent while truck production increased 113.3 percent.
- From a year ago, Michigan’s share of national production rose by 5.1 percentage points to 21.9 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 Monthly Average	Apr 2010	May 2010	Jun 2010	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	194.2	253.7	257.7	273.4	261.6	109.1	66.4%
Trucks	285.2	377.0	401.5	448.2	408.9	238.1	113.3%
Total	479.5	630.7	659.1	721.6	670.5	347.2	92.7%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	42.5	43.8	55.1	62.0	53.7	29.1	88.3%
Trucks	53.0	75.3	77.1	96.3	82.9	66.3	221.4%
Total	95.5	119.1	132.2	158.3	136.6	95.4	151.7%
Michigan as % of U.S.	19.9%	18.9%	20.1%	21.9%	20.4%	5.1% pts	

## Unemployment Rate Down in Most Areas and Employment Changes Mixed Compared to Year Ago (Not Seasonally Adjusted)

June 2010 area unemployment rates ranged between 9.3 percent (Ann Arbor MSA) and 14.3 percent (Detroit-Warren-Livonia MSA). The median unemployment rate was 12.3 percent.

Compared to a year ago, unemployment rates fell in 14 major Michigan labor market areas, rose in two areas and were unchanged in one area. The median unemployment rate change was a 0.9 of a percentage point drop. The Monroe MSA saw the largest rate decline (-3.1 percentage points), followed by the Detroit-Warren-Livonia MSA (-2.0 percentage points) and the Flint MSA (-1.8 percentage points). The Kalamazoo-Portage MSA (0.2 of a percentage point) and Niles-Benton Harbor MSA (0.1 of a percentage point) saw the only year-ago rate increases.

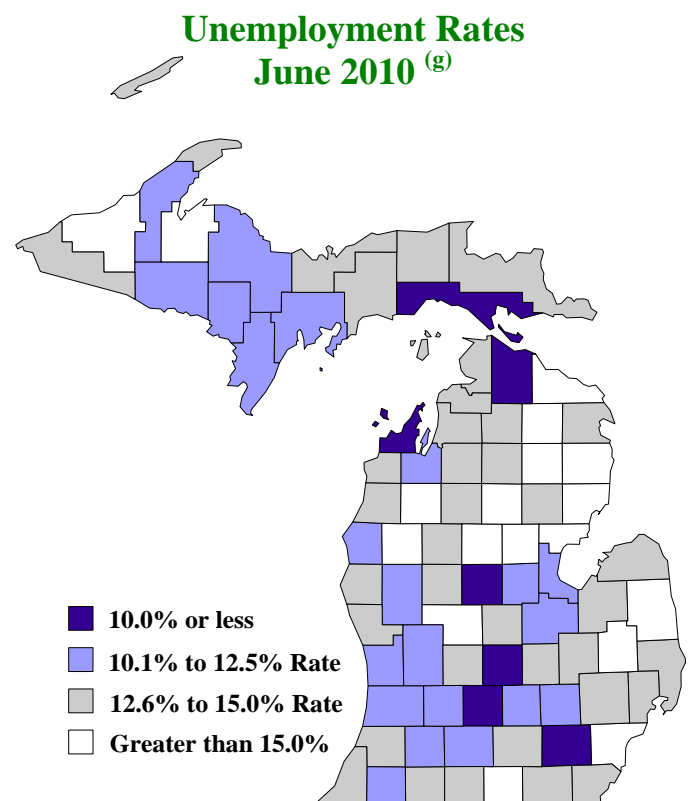
Between June 2009 and June 2010, nine labor market areas saw an employment decline while eight saw an increase. The three northern labor market areas experienced the largest employment declines: Northeast Lower Michigan (-3.4 percent), Upper Peninsula (-2.6 percent) and Northwest Lower Michigan (-2.0 percent). The Saginaw-Saginaw Township MSA had the largest year-ago employment increase (2.1 percent), followed by the Flint MSA (1.0 percent). Labor force fell compared to a year ago in all but one area (Saginaw-Saginaw Township). The median labor force decline was -1.7 percent.

Compared to last month, nine areas saw increases in their non-seasonally adjusted unemployment rate with a median increase of 0.2 percentage points, while seven experienced rate declines with a median decline of -0.2 percentage points.

Between June 2009 and June 2010, the unemployment rate fell in 61 Michigan counties with a median rate decrease of 0.9 of a percentage point. Eighteen counties saw a rate increase with a median increase of 0.3 of a percentage point. Six counties saw a June 2010 unemployment rate below 10.0 percent with Mackinac reporting the lowest rate (6.2 percent.) Eighteen counties reported rates higher than 15.0 percent. Two counties saw rates above 20.0 percent with Baraga recording the highest (23.3 percent).

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

<u>Local Area</u>	<u>Jun 2009 Rate</u>	<u>May 2010 Rate</u>	<u>Jun 2010 Rate</u>
Michigan	14.5%	12.8%	13.1%
Ann Arbor	10.0%	8.8%	9.3%
Battle Creek	12.4%	11.5%	11.5%
Bay City	12.7%	12.1%	12.0%
Detroit-Warren-Livonia	16.3%	13.7%	14.3%
Flint	15.9%	14.7%	14.1%
Grand Rapids-Wyoming	12.0%	10.9%	11.1%
Holland-Grand Haven	13.1%	11.8%	12.0%
Jackson	14.1%	13.0%	13.1%
Kalamazoo-Portage	11.2%	11.2%	11.4%
Lansing-East Lansing	11.6%	10.2%	10.6%
Monroe	16.0%	12.7%	12.9%
Muskegon-Norton Shores	15.4%	14.0%	13.9%
Niles-Benton Harbor	13.0%	12.8%	13.1%
Saginaw-Saginaw Township	13.6%	12.4%	12.3%
Upper Peninsula	12.2%	12.1%	11.9%
Northeast Lower Mich	14.3%	14.5%	14.2%
Northwest Lower Mich.	12.8%	13.5%	12.8%



## U.S. Economic Conditions

	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	73.6	72.2	73.6	76.0	5.2 points
ISM Manufacturing Index <sup>(i)</sup>	59.6	60.4	59.7	56.2	10.9 points
ISM Non Manufacturing Index <sup>(i)</sup>	55.4	55.4	55.4	53.8	7.5 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>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	217.6	218.0	218.2	218.0	1.1%
Detroit CPI	NA	205.2	NA	204.9	0.2%
U.S. Producer Price Index	179.2	179.6	180.1	179.1	2.8%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.15%	0.15%	0.16%	0.12%	-0.05% points
Aaa Corporate Bonds <sup>(m)</sup>	5.27%	5.29%	4.96%	4.88%	-0.73% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	91.0	91.2	92.5	92.5	8.2%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	72.8%	73.1%	74.1%	74.1%	6.0% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$364.8	\$366.0	\$362.0	\$360.2	4.8%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.634	0.679	0.578	0.549	-5.8%
Existing Home Sales <sup>(p)</sup>	5.360	5.790	5.660	5.370	9.8%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$188.5	\$194.0	\$192.5	\$190.5	15.9%
<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	\$13,216.5	2.4%

**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.