



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## March 2010 Summary

**U.S. Economy:** Real GDP grew at a 3.2 percent annual rate in 2010Q1. The ISM manufacturing index reported its eighth straight reading above 50 (signaling expansion); the ISM non-manufacturing composite index remained above 50 for the third consecutive month. Both industrial production and capacity utilization rose for the ninth straight month. Consumer sentiment was unchanged from last month and was up 16.3 points from last year. Housing starts and existing home sales were both up sharply from a year ago, rising 20.2 percent and 16.1 percent, respectively. Retail sales, excluding motor vehicle and gasoline sales, rose 2.8 percent from a year ago (three-month average). The durable goods orders average, excluding defense and aircraft, was up 10.6 percent.

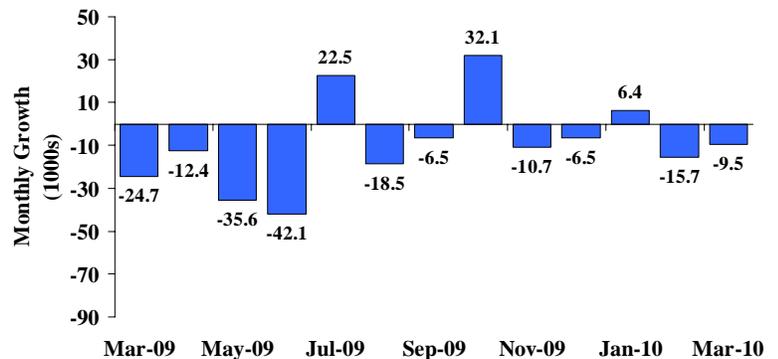
**Employment:** Michigan employment fell by 9,500 jobs in March from February and was down 96,500 jobs from a year ago. National employment rose by 162,000 jobs in March. Compared to February, Michigan's unemployment rate remained unchanged at 14.1 percent; the U.S. rate (9.7 percent) was also unchanged. Michigan's unemployment rate remained the highest among the fifty states.

**Auto Industry:** In March 2010, the light vehicle sales rate rose 13.6 percent from February 2010 to an 11.8 million unit annual rate. Vehicle sales were up 21.3 percent compared to a year ago. Vehicle inventories dropped by 23.1 percent compared to March 2009. In March 2010, Michigan vehicle production rose 44.8 percent compared to a year ago; national vehicle production increased 60.1 percent (three-month average).

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 2.3 percent. The U.S. CPI excluding food and energy rose 1.1 percent. The overall producer price index rose sharply (6.0 percent) but the core producer price index increased only 0.9 percent. Oil prices rose to \$81.24 a barrel, up \$4.82 a barrel from February 2010 and \$33.26 higher than a year ago.

**Michigan Metro Areas:** From March 2009, unemployment rates rose across all of Michigan's 17 major labor market areas with a median increase of 1.9 percentage points. Employment fell in all 17 labor market areas with a median decline of 4.0 percent.

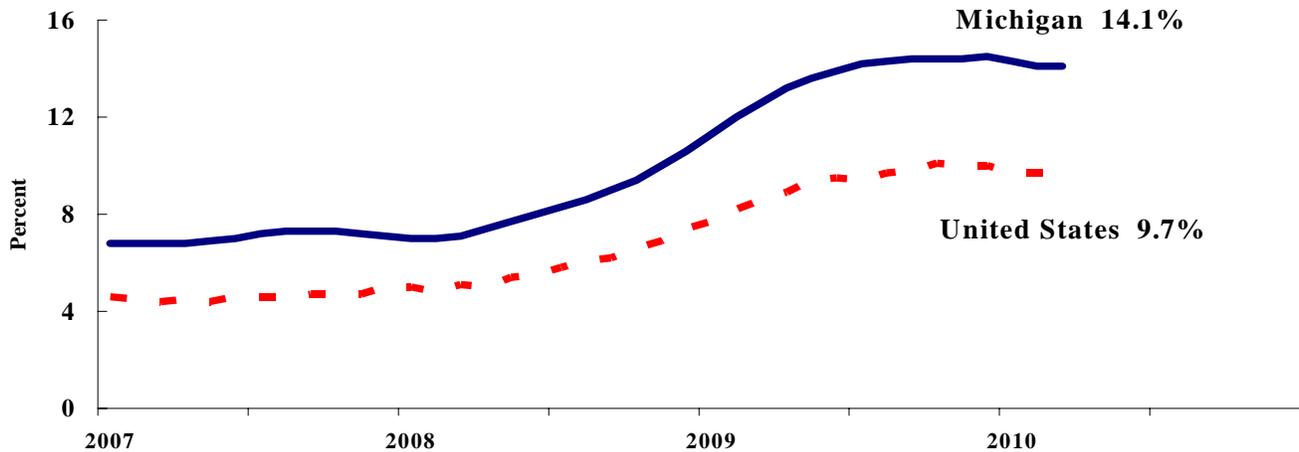
**Michigan Employment Falls In March<sup>(a)</sup>**



## Labor Market Statistics

- Michigan's March unemployment rate remained unchanged from last month at 14.1 percent, and the current Michigan jobless rate is 1.5 percentage points above a year ago. The March U.S. unemployment rate remained unchanged at 9.7 percent and was 1.1 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 2007 to 2010



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- In March, the number of people employed in Michigan was 4,168,000, up 8,000 from last month, while the labor force increased by 7,000. The statewide total number of unemployed decreased by 2,000 to 682,000.
- United States household employment totaled 138.9 million persons in March, up 264,000 from February. The labor force rose by 398,000 from last month, which meant there were 134,000 more unemployed people nationally, compared to February.

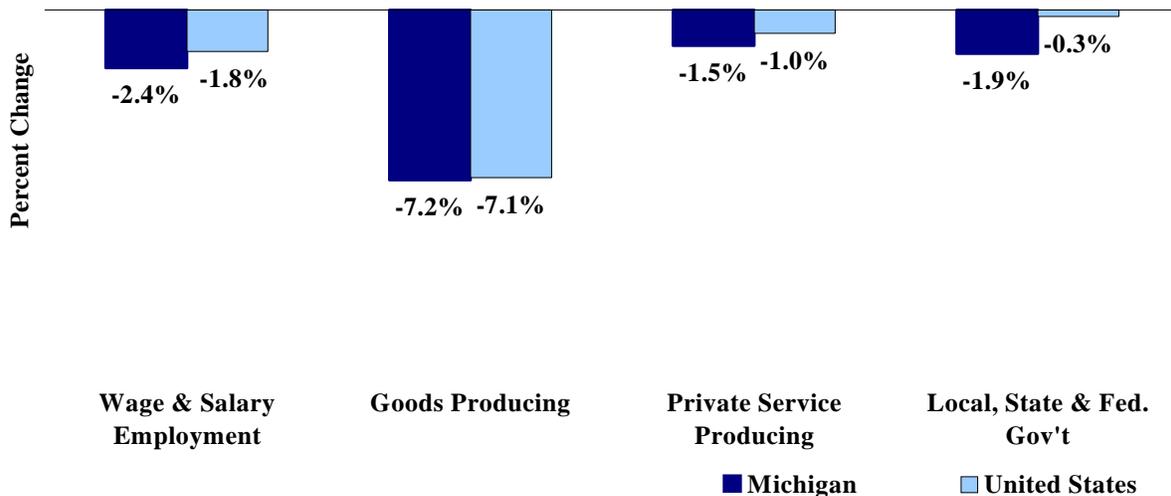
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

|                      | 2009<br>Average | Jan<br>2010 | Feb<br>2010 | Mar<br>2010 | Change From |          |           |       |
|----------------------|-----------------|-------------|-------------|-------------|-------------|----------|-----------|-------|
|                      |                 |             |             |             | Prior Month |          | Last Year |       |
|                      |                 |             |             |             | Level       | %        | Level     | %     |
| <b>Michigan</b>      |                 |             |             |             |             |          |           |       |
| Labor Force          | 4,889           | 4,840       | 4,844       | 4,851       | 7           | 0.1%     | -70       | -1.4% |
| Employed             | 4,224           | 4,147       | 4,160       | 4,168       | 8           | 0.2%     | -131      | -3.0% |
| Unemployed           | 665             | 693         | 684         | 682         | -2          | -0.3%    | 60        | 9.6%  |
| Unemployment Rate    | 13.6%           | 14.3%       | 14.1%       | 14.1%       | n.a.        | 0.0% pts | n.a.      | 1.5%  |
| <b>United States</b> |                 |             |             |             |             |          |           |       |
| Labor Force          | 154,142         | 153,170     | 153,512     | 153,910     | 398         | 0.3%     | -254      | -0.2% |
| Employed             | 139,877         | 138,333     | 138,641     | 138,905     | 264         | 0.2%     | -1,949    | -1.4% |
| Unemployed           | 14,265          | 14,837      | 14,871      | 15,005      | 134         | 0.9%     | 1,695     | 12.7% |
| Unemployment Rate    | 9.3%            | 9.7%        | 9.7%        | 9.7%        | n.a.        | 0.0% pts | n.a.      | 1.1%  |

### Employment by Place of Work

- From March 2009 to March 2010, Michigan wage and salary employment decreased 97,000 (2.4 percent). State wage and salary employment decreased 10,000 from February. Nationally, March 2009 wage and salary employment fell 2,320,000 (1.8 percent) from a year ago and was up 162,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 7.2 percent from a year ago while private service-producing sector employment decreased 1.5 percent compared to last year. From a year ago, March national employment in the goods-producing sector fell 7.1 percent and decreased 1.0 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 1.3 hours in Michigan compared to last year.

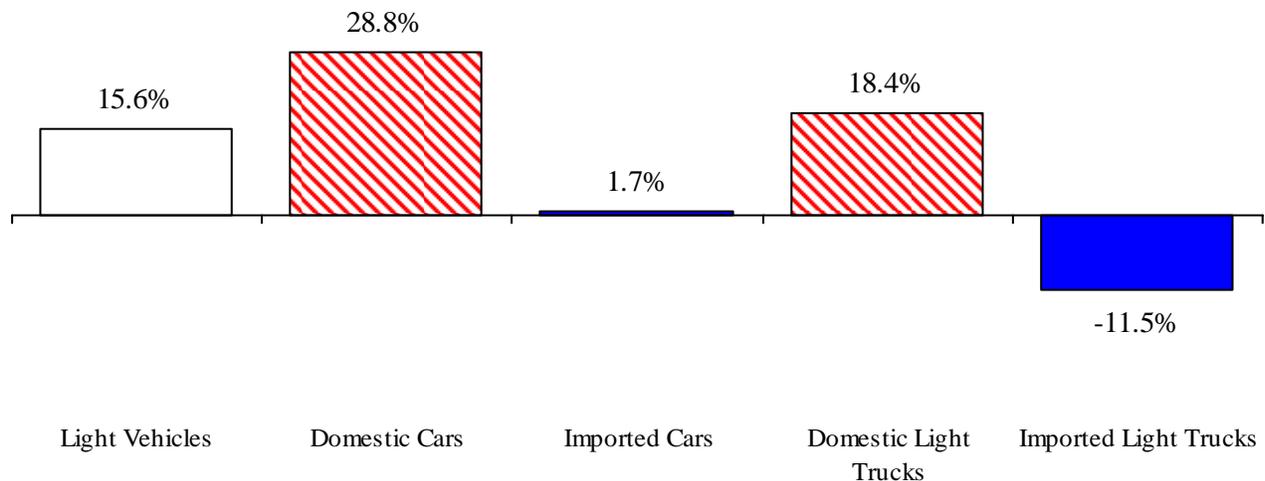
### Establishment Employment (in thousands)<sup>(b)</sup>

|                            | Michigan     |          |          |                | United States |          |          |                |
|----------------------------|--------------|----------|----------|----------------|---------------|----------|----------|----------------|
|                            | 2009 Average | Mar 2009 | Mar 2010 | Percent Change | 2009 Average  | Mar 2009 | Mar 2010 | Percent Change |
| Wage & Salary Employment   | 3,876        | 3,922    | 3,826    | -2.4%          | 130,912       | 132,070  | 129,750  | -1.8%          |
| Goods Producing            | 597          | 626      | 581      | -7.2%          | 18,620        | 19,233   | 17,870   | -7.1%          |
| Manufacturing              | 462          | 484      | 456      | -5.8%          | 11,883        | 12,212   | 11,579   | -5.2%          |
| Private Service Producing  | 2,633        | 2,650    | 2,610    | -1.5%          | 89,749        | 90,277   | 89,384   | -1.0%          |
| Trade, Trans. & Utilities  | 717          | 726      | 704      | -3.0%          | 24,947        | 25,174   | 24,700   | -1.9%          |
| Services                   | 1,670        | 1,675    | 1,671    | -0.2%          | 54,236        | 54,390   | 54,359   | -0.1%          |
| Local, State & Fed. Gov't  | 647          | 647      | 635      | -1.9%          | 22,544        | 22,560   | 22,496   | -0.3%          |
| Manufacturing Weekly Hours | 39.3         | 41.6     | 42.9     | 1.3 hrs        | 39.3          | 38.7     | 39.9     | 1.2 hrs        |

### Motor Vehicle Industry Sales

- At an 11.8 million unit rate, March 2010 light vehicle sales rose 13.6 percent from February 2010. March 2010 light vehicle sales were up 21.3 percent from a year ago.
- Compared to February 2010, March 2010 domestic sales increased 14.4 percent while foreign sales rose 11.2 percent. Domestic sales rose 29.1 percent compared to a year ago while foreign sales increased 1.3 percent. Consequently, the foreign share of U.S. light vehicle sales dropped very sharply from a year ago (-4.6 percentage points) to 23.4 percent – the lowest share since September 2007.
- Auto sales rose 10.0 percent compared to February 2010 and rose 19.0 percent compared to a year ago. Light truck sales rose 17.7 percent from February and increased 23.8 percent from March 2009. Heavy truck sales fell 7.4 percent compared to a year ago.
- In March 2010, light vehicle inventories shrank 23.1 percent from a year ago. At 53 days, days supply fell 14 days from February 2010 and were down by 29 days from a year ago.

### 2010 Year-to-Date Light Vehicle Sales Up Substantially from Year Ago Percent Change



### Motor Vehicle Sales Statistics

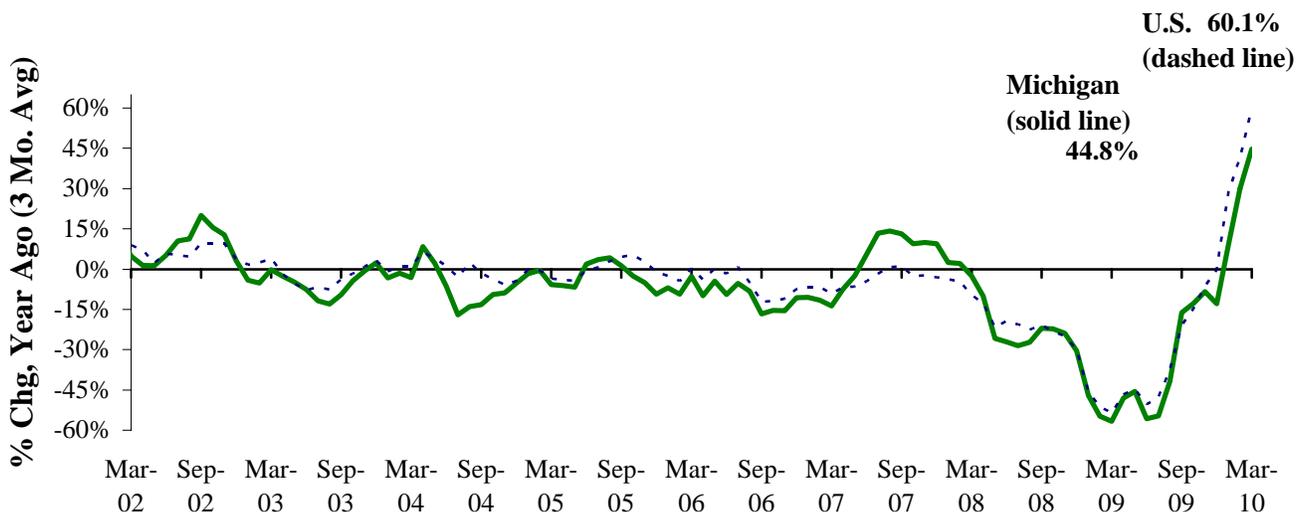
(Millions, unless otherwise specified)

|   | 2009<br>Average | Jan<br>2010 | Feb<br>2010 | Mar<br>2010 | 3 Month<br>Average | Change from<br>Year Ago |       |
|---|-----------------|-------------|-------------|-------------|--------------------|-------------------------|-------|
|   |                 |             |             |             |                    | Level                   | %     |
| <b>Motor Vehicle Sales<sup>(c)</sup></b>            |                 |             |             |             |                    |                         |       |
| Autos   | 5.4             | 5.7         | 5.4         | 6.0         | 5.7                | 1.0                     | 19.0% |
| Domestics   | 3.6             | 3.8         | 3.7         | 4.3         | 3.9                | 1.0                     | 31.1% |
| Imports   | 1.8             | 1.9         | 1.7         | 1.7         | 1.8                | (0.1)                   | -3.3% |
| Import Share  | 33.7%           | 32.8%       | 31.5%       | 28.7%       | 31.0%              | -6.6% pts               |       |
| Light Trucks  | 4.9             | 5.1         | 4.9         | 5.8         | 5.3                | 1.1                     | 23.8% |
| Domestics   | 4.0             | 4.3         | 4.1         | 4.7         | 4.4                | 1.0                     | 27.3% |
| Imports   | 0.9             | 0.8         | 0.8         | 1.0         | 0.9                | 0.1                     | 10.0% |
| Import Share  | 17.9%           | 15.2%       | 15.5%       | 17.9%       | 16.3%              | -2.2% pts               |       |
| Total Light Vehicles                                | 10.3            | 10.8        | 10.3        | 11.8        | 11.0               | 2.1                     | 21.3% |
| Heavy Trucks  | 0.2             | 0.2         | 0.2         | 0.2         | 0.2                | (0.0)                   | -7.4% |
| Total Vehicles                                      | 10.5            | 11.0        | 10.5        | 11.9        | 11.2               | 2.0                     | 20.7% |
| <b>U.S. Light Vehicle Inventories<sup>(d)</sup></b> |                 |             |             |             |                    |                         |       |
| Total Car   | 1.159           | 1.077       | 1.116       | 1.091       | 1.094              | -0.368                  |       |
| Days Supply   | 70              | 71          | 67          | 52          | 63                 | -30 days                |       |
| Total Truck   | 1.057           | 0.982       | 1.050       | 1.067       | 1.033              | -0.278                  |       |
| Days Supply   | 68              | 70          | 66          | 53          | 63                 | -29 days                |       |

### Motor Vehicle Industry Production

- At 128,912 units, March 2010 Michigan motor vehicle production rose 16.2 percent from a year ago. National production rose sharply (52.6 percent). Compared to February 2010, Michigan production rose 10.2 percent while national production increased 25.4 percent.
- Michigan car production fell 9.8 percent from a year ago, and State truck production rose 37.3 percent. Nationally, car production grew 55.1 percent while truck production increased 51.0 percent.
- From a year ago, Michigan’s share of national production fell by 5.6 percentage points to 17.8 percent.

### Both Michigan and National Motor Vehicle Production Rise Sharply <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

|   | 2009<br>Monthly<br>Average | Jan<br>2010 | Feb<br>2010 | Mar<br>2010 | 3 Month<br>Average | Change from<br>Year Ago<br>for the Month |       |
|---|----------------------------|-------------|-------------|-------------|--------------------|--|-------|
|   |                            |             |             |             |                    | Level                                    | %     |
| <b>U.S. Production <sup>(e)</sup></b>     |                            |             |             |             |                    |  |       |
| Autos                                     | 194.2                      | 224.0       | 226.4       | 283.1       | 244.5              | 100.6                                    | 55.1% |
| Trucks                                    | 285.2                      | 355.2       | 352.5       | 443.1       | 383.6              | 149.7                                    | 51.0% |
| Total                                     | 479.5                      | 579.2       | 579.0       | 726.2       | 628.1              | 250.3                                    | 52.6% |
| <b>Michigan Production <sup>(f)</sup></b> |                            |             |             |             |                    |  |       |
| Autos                                     | 42.5                       | 33.6        | 39.1        | 44.8        | 39.2               | (4.9)                                    | -9.8% |
| Trucks                                    | 53.0                       | 64.9        | 77.8        | 84.2        | 75.6               | 22.9                                     | 37.3% |
| Total                                     | 95.5                       | 98.5        | 116.9       | 128.9       | 114.8              | 18.0                                     | 16.2% |
| Michigan as % of U.S.                     | 19.9%                      | 17.0%       | 20.2%       | 17.8%       | 18.3%              | -5.6% pts                                |       |

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

March 2010 area unemployment rates ranged between 9.6 percent (Ann Arbor MSA) and 20.2 percent (Northeast Lower Michigan). The median unemployment rate was 14.6 percent.

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 1.9 percentage points. Bay City MSA saw the largest increase (2.8 percentage points) while the Detroit-Warren-Livonia MSA saw the smallest increase (1.2 percentage points).

Between March 2009 and March 2010, employment fell in all 17 major labor market areas with a median employment decline of 4.0 percent. The Monroe MSA saw the largest employment drop (-6.8 percent), followed by the Jackson MSA (-5.9 percent) and Muskegon-Norton Shores MSA (-5.5 percent). All but one area (Detroit-Warren-Livonia, +0.1 percent) reported a labor force decline with a median drop of -1.6 percent. Labor force declines ranged between -0.1 percent (Saginaw-Saginaw Township MSA) and -4.2 percent (Monroe MSA).

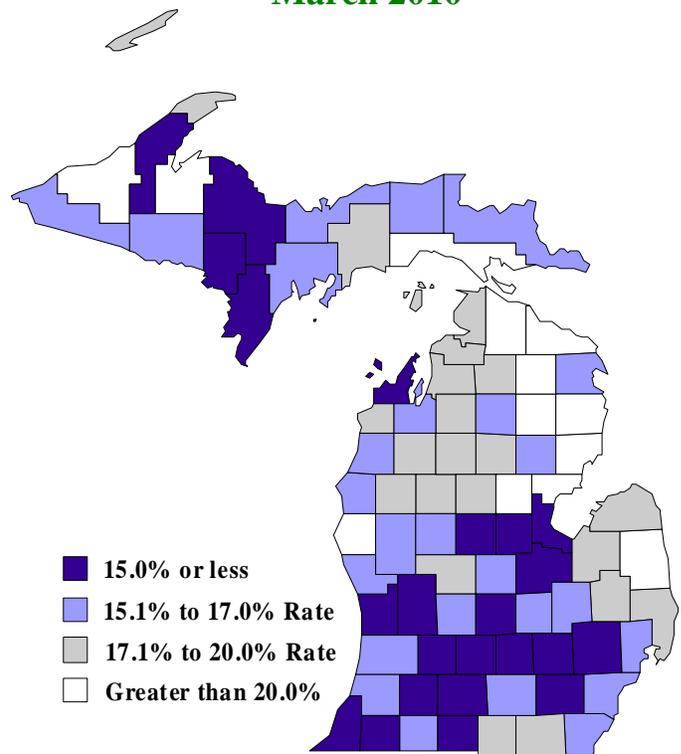
Compared to last month, all areas saw increases in their non-seasonally adjusted unemployment rate with a median increase of 0.4 percentage points.

Between March 2009 and March 2010, the unemployment rate rose in 80 Michigan counties with a median increase of 2.2 percentage points. One county saw a March 2010 unemployment rate below 10.0 percent (Washtenaw, 9.6 percent.) Sixty counties reported rates higher than 15.0 percent. Thirteen counties saw rates above 20.0 percent.

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

| <u>Local Area</u>        | <u>Mar 2009 Rate</u> | <u>Feb 2010 Rate</u> | <u>Mar 2010 Rate</u> |
|--------------------------|----------------------|----------------------|----------------------|
| Michigan                 | 13.3%                | 14.6%                | 14.9%                |
| Ann Arbor                | 7.8%                 | 8.9%                 | 9.6%                 |
| Battle Creek             | 11.3%                | 12.6%                | 13.2%                |
| Bay City                 | 11.8%                | 14.0%                | 14.6%                |
| Detroit-Warren-Livonia   | 14.3%                | 15.3%                | 15.5%                |
| Flint                    | 14.8%                | 15.9%                | 16.3%                |
| Grand Rapids-Wyoming     | 11.1%                | 12.4%                | 12.8%                |
| Holland-Grand Haven      | 12.5%                | 13.6%                | 14.0%                |
| Jackson                  | 12.7%                | 14.8%                | 15.2%                |
| Kalamazoo-Portage        | 10.2%                | 12.2%                | 12.7%                |
| Lansing-East Lansing     | 10.5%                | 11.2%                | 11.8%                |
| Monroe                   | 13.8%                | 15.1%                | 16.0%                |
| Muskegon-Norton Shores   | 14.6%                | 16.3%                | 16.5%                |
| Niles-Benton Harbor      | 12.4%                | 14.6%                | 14.9%                |
| Saginaw-Saginaw Township | 12.4%                | 13.7%                | 14.2%                |
| Upper Peninsula          | 13.3%                | 14.8%                | 15.5%                |
| Northeast Lower Mich     | 17.8%                | 19.9%                | 20.2%                |
| Northwest Lower Mich.    | 14.8%                | 17.1%                | 17.4%                |

### Unemployment Rates March 2010<sup>(g)</sup>



## U.S. Economic Conditions

|   | <u>Dec-09</u> | <u>Jan-10</u> | <u>Feb-10</u> | <u>Mar-10</u> | <u>Change from<br/>Year Ago</u>           |
|---|---------------|---------------|---------------|---------------|---|
| <b>KEY ECONOMIC INDICATORS</b>                    |               |               |               |               |   |
| Consumer Sentiment <sup>(h)</sup>                 | 72.5          | 74.4          | 73.6          | 73.6          | 16.3 points                               |
| ISM Manufacturing Index <sup>(i)</sup>            | 54.9          | 58.4          | 56.5          | 59.6          | 23.2 points                               |
| ISM Non Manufacturing Index <sup>(i)</sup>        | 49.8          | 50.5          | 53.0          | 55.4          | 14.2 points                               |
|   | <u>2009.2</u> | <u>2009.3</u> | <u>2009.4</u> | <u>2010.1</u> |   |
| Business Executives' Confidence <sup>(j)</sup>    | 55.0          | 63.0          | 64.0          | 62.0          | 32.0 points                               |
| <b>INFLATION <sup>(k)</sup></b>                   |               |               |               |               |   |
| <b>1982-84 = 100</b>                              | <u>Dec-09</u> | <u>Jan-10</u> | <u>Feb-10</u> | <u>Mar-10</u> | <u>Change from<br/>Year Ago</u>           |
| U.S. Consumer Price Index                         | 215.9         | 216.7         | 216.7         | 217.6         | 2.3%                                      |
| Detroit CPI                                       | 203.9         | NA            | 203.4         | NA            | 0.7%                                      |
| U.S. Producer Price Index                         | 176.2         | 178.3         | 177.3         | 179.2         | 6.0%                                      |
| <b>INTEREST RATES</b>                             |               |               |               |               |   |
| 90 Day T-Bill <sup>(l)</sup>                      | 0.07%         | 0.06%         | 0.10%         | 0.15%         | -0.10% points                             |
| Aaa Corporate Bonds <sup>(m)</sup>                | 5.26%         | 5.26%         | 5.35%         | 5.27%         | -0.23% points                             |
| <b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>       |               |               |               |               |   |
|   | 100.3         | 101.2         | 101.5         | 101.6         | 4.0%                                      |
| <b>CAPACITY UTILIZATION <sup>(m)</sup></b>        |               |               |               |               |   |
|   | 72.0%         | 72.7%         | 73.0%         | 73.2%         | 3.7% points                               |
| <b>RETAIL SALES <sup>(n)</sup></b>                |               |               |               |               |   |
|   | \$353.8       | \$355.6       | \$357.5       | \$363.2       | 7.6%                                      |
| <b>HOUSING STARTS and SALES</b>                   |               |               |               |               |   |
| (Millions Annual Rate)                            | <u>Dec-09</u> | <u>Jan-10</u> | <u>Feb-10</u> | <u>Mar-10</u> | <u>% Change From<br/>Year Ago</u>         |
| Housing Starts <sup>(o)</sup>                     | 0.573         | 0.609         | 0.616         | 0.626         | 20.2%                                     |
| Existing Home Sales <sup>(p)</sup>                | 5.440         | 5.050         | 5.010         | 5.350         | 16.1%                                     |
| <b>DURABLE GOODS ORDERS <sup>(q)</sup></b>        |               |               |               |               |   |
|   | \$170.5       | \$180.8       | \$180.2       | \$182.8       | 15.7%                                     |
| <b>PERSONAL INCOME <sup>(c)</sup></b>             |               |               |               |               |   |
| (Billions of Dollars)                             | <u>2009.1</u> | <u>2009.2</u> | <u>2009.3</u> | <u>2009.4</u> | <u>% Change From<br/>Year Ago</u>         |
| Michigan  | \$335.3       | \$341.1       | \$338.6       | \$341.9       | -2.2%                                     |
| U.S.  | \$11,939.4    | \$12,034.7    | \$11,988.8    | \$12,099.3    | -1.0%                                     |
| <b>GROSS DOMESTIC PRODUCT</b>                     |               |               |               |               |   |
| (Billions of Chained 2005 Dollars) <sup>(c)</sup> | <u>2009.2</u> | <u>2009.3</u> | <u>2009.4</u> | <u>2010.1</u> | <u>Annualized % Chg<br/>From Last Qtr</u> |
|   | \$12,901.5    | \$12,973.0    | \$13,149.5    | \$13,254.7    | 3.2%                                      |

**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. 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.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.