



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

June 2009 Summary

U.S. Economy: Real GDP declined at a substantially slower rate in 2009Q2 (-1.0 percent annual rate) compared to the two previous quarters (2009Q1, -6.4 percent rate; 2008Q4, -5.4 percent rate). At a 582,000 unit rate, housing starts rose for the second straight month, but remained 46.0 percent below a year ago. Capacity utilization fell to a new record low (68.0 percent), down 10.7 percentage points from a year ago. Non defense new durable goods orders excluding aircraft were down sharply from a year ago (-22.8 percent, 3-month average). Retail sales, excluding motor vehicle and gasoline sales, were down 3.5 percent from a year ago (3-month average). While consumer sentiment rose for the fourth consecutive month and was up 14.4 points from a year ago, sentiment remained at historically low levels (70.8).

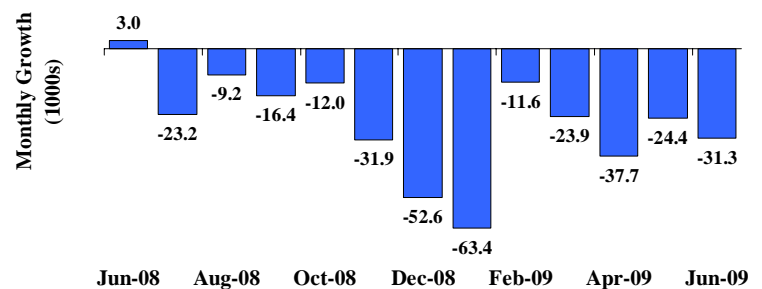
Employment: Employment fell sharply both in Michigan and nationally. Both Michigan's unemployment rate (15.2 percent) and the U.S. rate (9.5 percent) rose to their highest levels since 1983. Michigan reported the highest June 2009 state unemployment rate.

Auto Industry: June light vehicle sales fell 29.2 percent from a year ago to a 9.7 million unit rate, down 2.4 percent from last month. While rising slightly from May, both Michigan and national vehicle production were down by more than 50 percent compared to a year ago.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) fell 1.4 percent while the Detroit CPI dropped 1.5 percent. Overall producer prices declined 4.6 percent. Oil prices reported their third sharp monthly increase in the past four months, but at \$69.68, were still \$64.25 below the June 2008 record high price.

Michigan Metro Areas: From June 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 5.9 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 8.5 percent. Unemployment rates ranged between 10.6 percent (Ann Arbor MSA) and 17.4 percent (Flint MSA).

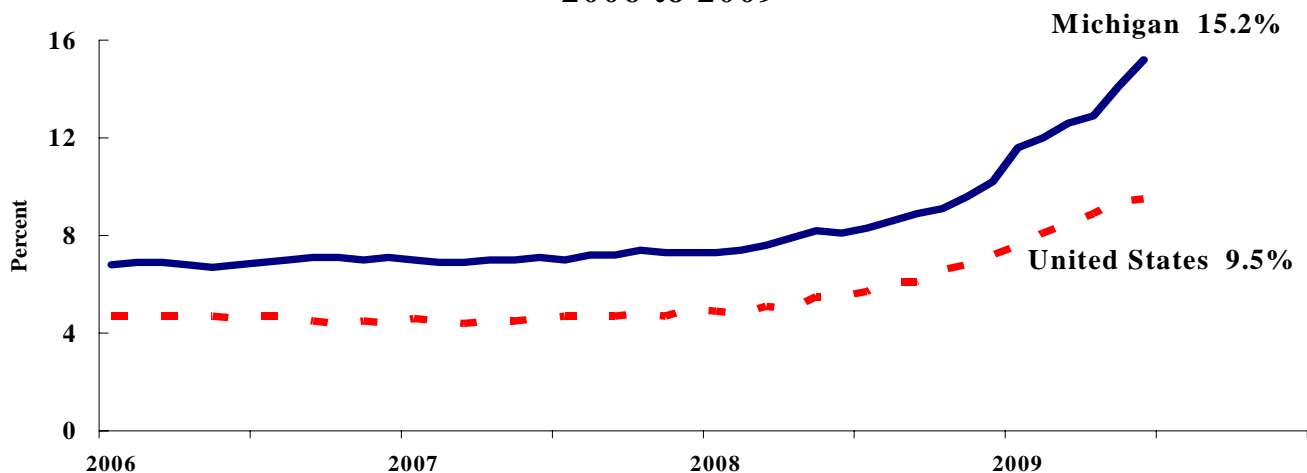
Michigan Economy Loses 337,600 Jobs Over Past Year ^(a)



Labor Market Statistics

- Michigan's June monthly unemployment rate increased by 1.1 percentage points from last month to 15.2 percent, and the current Michigan jobless rate is 7.1 percentage points above a year ago. The June U.S. unemployment rate increased 0.1 percentage points to 9.5 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 June, the number of people employed in Michigan was 4,132,000, down 35,000 from last month, while the labor force increased by 24,000. The statewide total number of unemployed increased by 59,000 to 740,000.
- United States household employment totaled 140.2 million persons in June, down 374,000 from May. The labor force fell by 155,000 from last month, which meant that there were 218,000 more unemployed people nationally, compared to May.

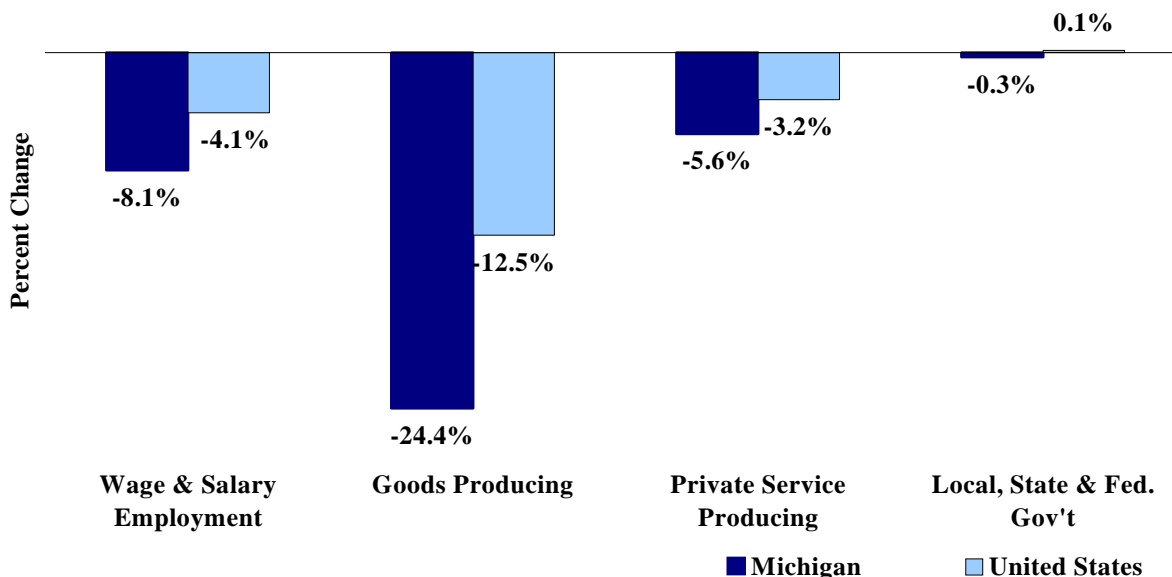
Employment by Place of Residence (in thousands)^(a)

	2008 Average	Apr 2009	May 2009	Jun 2009	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,936	4,848	4,848	4,872	24	0.5%	-69	-1.4%	
Employed	4,519	4,221	4,167	4,132	-35	-0.8%	-406	-8.9%	
Unemployed	416	627	681	740	59	8.7%	337	83.8%	
Unemployment Rate	8.4%	12.9%	14.1%	15.2%	n.a.	1.1% pts	n.a.	7.1%	
United States									
Labor Force	154,287	154,731	155,081	154,926	-155	-0.1%	526	0.3%	
Employed	145,362	141,007	140,570	140,196	-374	-0.3%	-5,542	-3.8%	
Unemployed	8,924	13,724	14,511	14,729	218	1.5%	6,067	70.0%	
Unemployment Rate	5.8%	8.9%	9.4%	9.5%	n.a.	0.1% pts	n.a.	3.9%	

Employment by Place of Work

- From June 2008 to June 2009, Michigan wage and salary employment decreased 338,000 (8.1 percent). State wage and salary employment decreased 31,000 from May. Nationally, June 2009 wage and salary employment fell 5,664,000 (4.1 percent) from a year ago and was down 467,000 from last month.

Wage and Salary Employment Growth June 2008 to June 2009



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

- In the goods-producing sector, Michigan employment fell 24.4 percent from a year ago while private service-producing sector employment decreased 5.6 percent compared to last year. From a year ago, June national employment in the goods-producing sector fell 12.5 percent and decreased 3.2 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 2.4 hours in Michigan compared to last year.

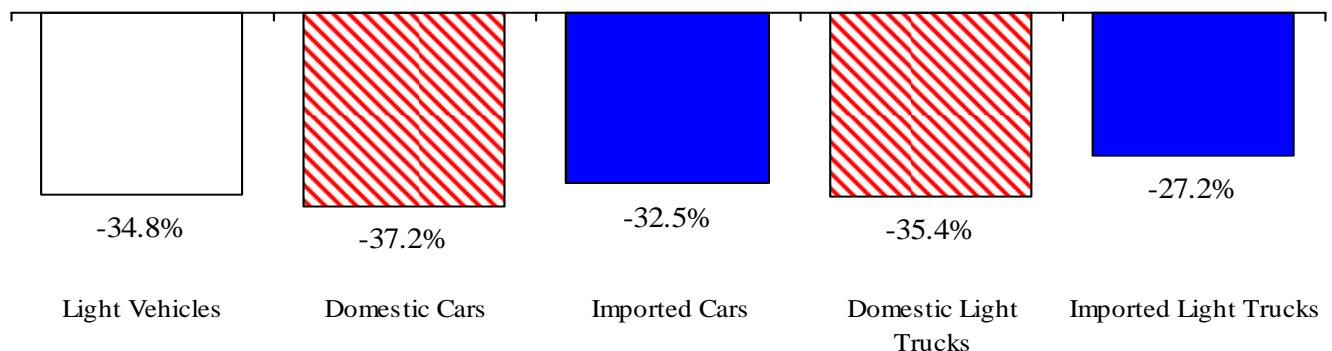
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2008 Average	June 2008	June 2009	Percent Change	2008 Average	June 2008	June 2009	Percent Change
Wage & Salary Employment	4,159	4,183	3,846	-8.1%	137,066	137,356	131,692	-4.1%
Goods Producing	737	751	568	-24.4%	21,419	21,507	18,815	-12.5%
Manufacturing	575	589	436	-26.0%	13,431	13,505	11,854	-12.2%
Private Service Producing	2,775	2,785	2,630	-5.6%	93,146	93,327	90,323	-3.2%
Trade, Trans. & Utilities	769	774	719	-7.1%	26,385	26,467	25,263	-4.5%
Services	1,739	1,744	1,663	-4.6%	55,620	55,692	54,468	-2.2%
Local, State & Fed. Gov't	648	650	648	-0.3%	22,500	22,522	22,554	0.1%
Manufacturing Weekly Hours	42.2	42.5	40.1	-2.4 hrs	40.8	40.9	39.5	-1.4 hrs

Motor Vehicle Industry Sales

- At a 9.7 million unit annual rate, the June 2009 light vehicle sales rate fell 2.4 percent from May. Compared to a year ago, light vehicle sales declined sharply, falling by 29.2 percent.
- Compared to June 2008, domestic sales were down 27.7 percent while foreign sales fell 32.9 percent. As a result, the foreign share of U.S. vehicle sales fell 1.5 percentage points.
- June light truck sales fell 24.6 percent from a year ago, while autos sales declined 32.8 percent. Heavy truck sales fell 44.4 percent.
- Light vehicle inventories shrank 32.1 percent from a year ago. With a substantial increase in the days supply of autos and significant decline in the days supply of trucks, overall days supply was essentially unchanged (-1 day) from a year ago.

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



Motor Vehicle Sales Statistics

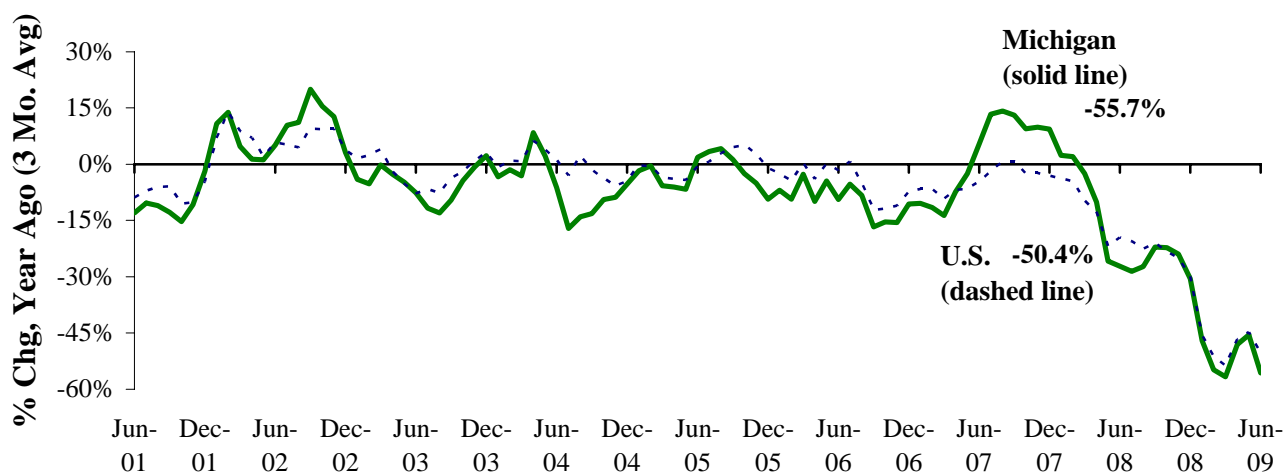
(Millions, unless otherwise specified)

	2008 Average	Apr 2009	May 2009	Jun 2009	3 Month Average	Change from Year Ago	
						Level	%
Motor Vehicle Sales^(c)							
Autos	6.7	4.8	5.0	5.1	4.9	(2.5)	-32.8%
Domestics	4.5	3.2	3.3	3.3	3.2	(1.5)	-31.1%
Imports	2.2	1.6	1.7	1.8	1.7	(1.0)	-35.9%
Import Share	33.0%	33.6%	33.9%	34.7%	34.1%	-1.7%	pts
Light Trucks	6.4	4.5	4.9	4.6	4.7	(1.5)	-24.6%
Domestics	5.3	3.7	4.1	3.8	3.9	(1.2)	-24.6%
Imports	1.1	0.8	0.8	0.8	0.8	(0.3)	-24.9%
Import Share	17.1%	17.3%	16.9%	16.9%	17.0%	-0.1%	pts
Total Light Vehicles	13.1	9.3	9.9	9.7	9.6	(4.0)	-29.2%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-44.4%
Total Vehicles	13.4	9.5	10.1	9.8	9.8	(4.1)	-29.5%
U.S. Light Vehicle Inventories^(d)		Apr-09	May-09	Jun-09	3 Month	Change	
Total Car	1.340	1.374	1.228	1.159	1.254	-0.056	
Days Supply	65	83	66	64	71	23 days	
Total Truck	1.826	1.288	1.115	0.994	1.132	-0.954	
Days Supply	90	86	66	62	71	-27 days	

Motor Vehicle Industry Production

- At 62,907 units, June 2009 Michigan motor vehicle production fell sharply from a year ago (-64.0 percent) as did national production (-54.8 percent). Both Michigan and national production were up slightly from last month.
- Michigan car production dropped 64.2 percent from a year ago while State truck production fell 63.7 percent. Nationally, car production fell 50.4 percent while truck production dropped 57.7 percent.
- From a year ago, Michigan's share of national production fell significantly (4.3 percentage points) to 16.8 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Apr 2009	May 2009	Jun 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	314.0	164.5	150.1	164.3	159.6	(167.0)	-50.4%
Trucks	414.5	281.8	210.3	210.1	234.1	(287.0)	-57.7%
Total	728.5	446.3	360.3	374.4	393.7	(454.0)	-54.8%
Michigan Production ^(f)							
Autos	83.7	36.2	29.2	32.9	32.8	(59.2)	-64.2%
Trucks	70.0	54.6	31.4	30.0	38.6	(52.6)	-63.7%
Total	153.7	90.8	60.6	62.9	71.4	(111.8)	-64.0%
Michigan as % of U.S.	21.1%	20.3%	16.8%	16.8%	18.1%	-4.3% pts	

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

All 17 major labor market areas reported a June 2009 unemployment rate exceeding 10.0 percent; seven areas reported a rate above 14.0 percent. June 2009 area unemployment rates ranged between 10.6 percent (Ann Arbor MSA) to 17.4 percent (Flint MSA).

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 5.9 percentage points. Sixteen areas saw rate increases exceeding 5.0 percentage points. Four areas saw increases of 7.0 percentage points or greater: Monroe MSA (8.6 percentage points), Muskegon-Norton Shores (8.2 percentage points), Detroit-Warren-Livonia MSA (8.1 percentage points) and Flint MSA (7.6 percentage points).

Between June 2008 and June 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 8.5 percent. The Upper Peninsula saw the smallest decline (-6.2 percent). Seven areas saw declines greater than 9.0 percent. Three areas experienced employment drops equaling or exceeding 10.0 percent: Flint MSA (-11.5 percent), Holland-Grand Haven MSA (-10.5 percent) and Muskegon-Norton Shores MSA (-10.0 percent). All but one area (Monroe MSA) saw a labor force decline. Five areas saw more than a 3.0 percent labor force reduction with the Ann Arbor MSA seeing the greatest drop (-4.1 percent).

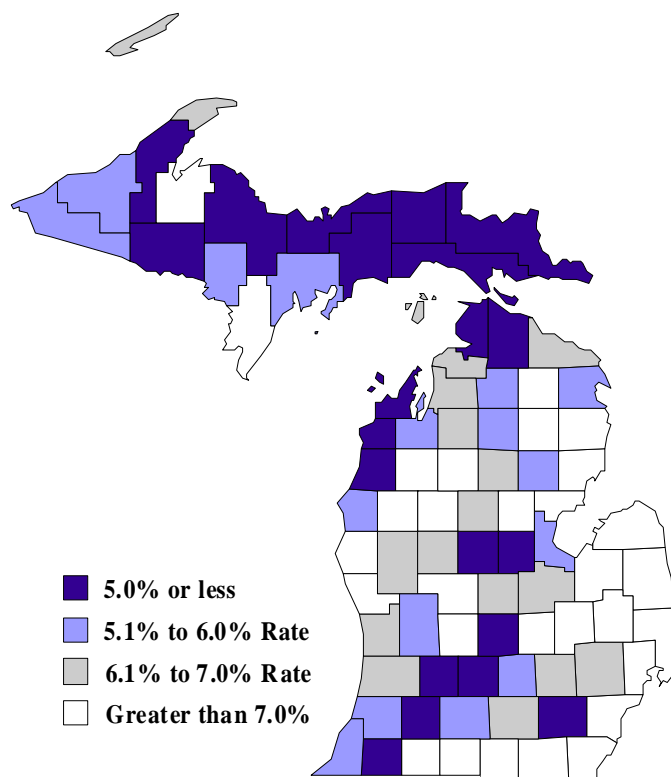
Compared to May 2009, non-seasonally adjusted unemployment rates rose in all areas, with a median increase of 1.1 percentage points.

Between June 2008 and June 2009, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 6.3 percentage points. Seventeen counties saw greater than an 8.0 percentage point increase.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jun 2008 Rate</u>	<u>May 2009 Rate</u>	<u>Jun 2009 Rate</u>
Michigan	8.4%	13.9%	15.4%
Ann Arbor	6.4%	9.2%	10.6%
Battle Creek	7.7%	12.7%	13.5%
Bay City	7.8%	12.5%	13.6%
Detroit-Warren-Livonia	9.0%	14.9%	17.1%
Flint	9.8%	16.5%	17.4%
Grand Rapids-Wyoming	7.3%	11.7%	12.8%
Holland-Grand Haven	7.2%	12.9%	14.0%
Jackson	8.6%	14.1%	15.5%
Kalamazoo-Portage	7.1%	10.8%	12.2%
Lansing-East Lansing	7.2%	11.2%	12.3%
Monroe	8.5%	16.2%	17.1%
Muskegon-Norton Shores	8.6%	15.8%	16.8%
Niles-Benton Harbor	8.1%	12.8%	14.0%
Saginaw-Saginaw Township	8.5%	13.5%	14.6%
Upper Peninsula	8.0%	12.6%	13.1%
Northeast Lower Mich	9.4%	15.1%	15.4%
Northwest Lower Mich.	7.8%	13.1%	13.6%

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



U.S. Economic Conditions

	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	57.3	65.1	68.7	70.8	14.4 points
ISM Manufacturing Index ⁽ⁱ⁾	36.3	40.1	42.8	44.8	-4.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	44.1	45.2	42.4	49.8	-0.9 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>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	212.7	213.2	213.9	215.7	-1.4%
Detroit CPI	NA	202.4	NA	204.5	-1.5%
U.S. Producer Price Index	168.9	169.9	170.8	174.1	-4.6%
INTEREST RATES					
90 Day T-Bill ^(l)	0.25%	0.17%	0.15%	0.17%	-1.72% points
Aaa Corporate Bonds ^(m)	5.50%	5.39%	5.54%	5.61%	-0.07% points
INDUSTRIAL PRODUCTION ^(m)	97.7	96.9	95.8	95.4	-13.6%
CAPACITY UTILIZATION ^(m)	69.5%	69.0%	68.2%	68.0%	-10.7% points
RETAIL SALES ⁽ⁿ⁾	\$339.2	\$338.3	\$339.9	\$342.1	-9.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.521	0.479	0.562	0.582	-46.0%
Existing Home Sales ^(p)	4.550	4.660	4.720	4.890	-0.2%
DURABLE GOODS ORDERS ^(q)	\$158.3	\$160.5	\$162.6	\$158.6	-26.8%
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	\$12,892.4	-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.