



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## September 2009 Summary

**U.S. Economy:** In the third quarter, real GDP grew at a 3.5 percent annual rate, marking the first quarter of growth since 2008Q2 and the fastest quarterly growth rate since 2007Q3. The Conference Board's Business Executives Confidence Quarterly Index rose to its highest reading since 2004Q2. The ISM manufacturing index and the ISM non-manufacturing business activity index both reported their second straight reading above 50. Both industrial production and capacity utilization increased for the third straight month. Consumer sentiment rose to its highest level since January 2008. Housing starts rose slightly, while existing home sales reported their strongest sales rate since July 2007. Retail sales, excluding motor vehicle and gasoline sales, rose slightly from August but were down significantly from a year ago (three-month average).

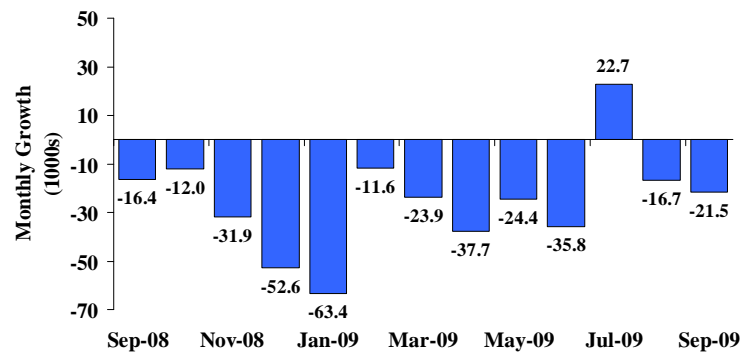
**Employment:** Michigan employment fell significantly from August and was down 308,800 jobs from a year ago. Nationally, employment fell for the 21<sup>st</sup> straight month. While greater than August's decline, September's national employment decrease was significantly smaller than declines seen earlier this year. Both Michigan's and the national unemployment rate rose 0.1 of a percentage point. Michigan's unemployment rate remained the highest among the fifty states.

**Auto Industry:** As a result of the expiration of "Cash for Clunkers," the light vehicle sales rate fell sharply to a 9.2 million unit annual rate. Michigan vehicle production fell 1.7 percent and U.S. production was down 12.0 percent from a year ago.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) fell 1.3 percent. Overall producer prices declined 4.8 percent. Oil prices fell slightly from August to \$69.46 a barrel.

**Michigan Metro Areas:** From September 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 4.7 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 7.6 percent. Unemployment rates ranged between 9.3 percent (Ann Arbor MSA) and 17.3 percent (Detroit-Warren-Livonia MSA).

Michigan Economy Loses 308,800 Jobs Over Past Year <sup>(a)</sup>



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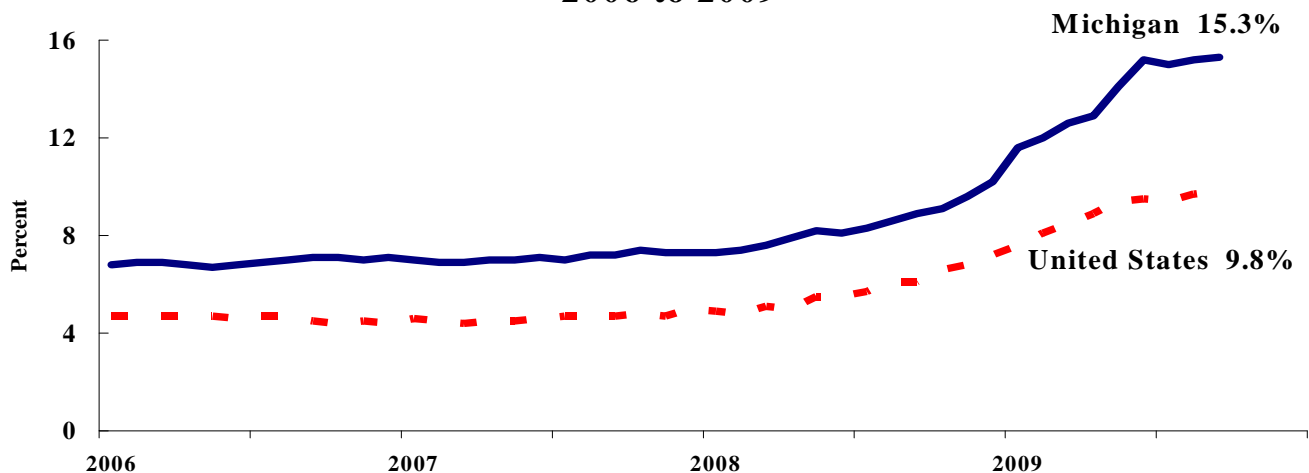
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## Labor Market Statistics

- Michigan's September monthly unemployment rate increased by 0.1 percentage points from last month to 15.3 percent, and the current Michigan jobless rate is 6.4 percentage points above a year ago. The September U.S. unemployment rate increased 0.1 percentage points to 9.8 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 September, the number of people employed in Michigan was 4,095,000, down 14,000 from last month, while the labor force decreased by 10,000. The statewide total number of unemployed increased by 4,000 to 740,000.
- United States household employment totaled 138.9 million persons in September, down 785,000 from August. The labor force fell by 571,000 from last month, which meant that there were 214,000 more unemployed people nationally, compared to August.

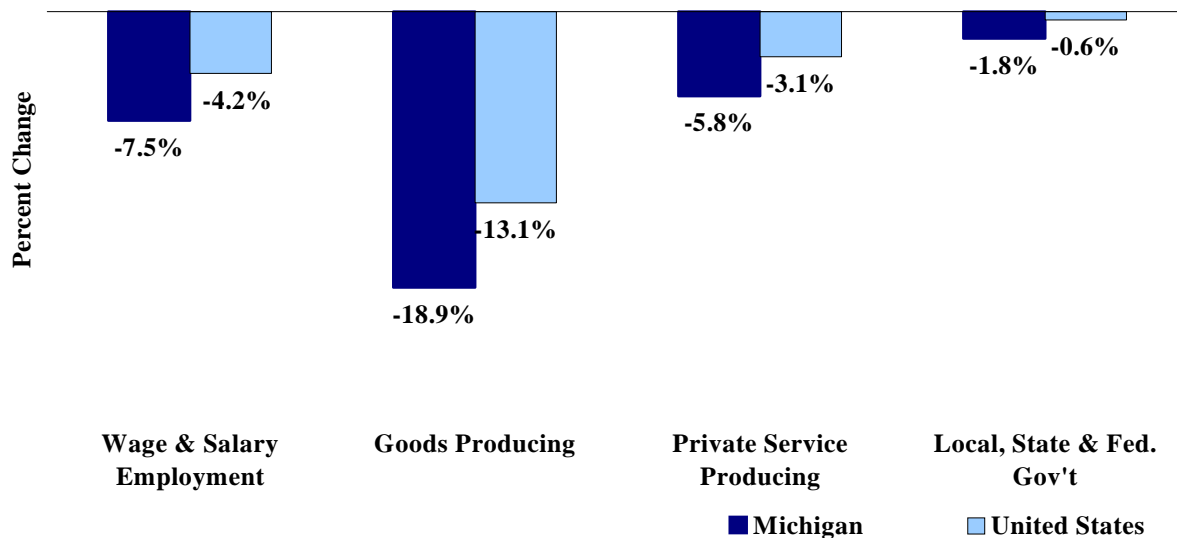
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2008 Average	Jul 2009	Aug 2009	Sep 2009	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	4,936	4,857	4,845	4,835	-10	-0.2%	-79	-1.6%	
Employed	4,519	4,127	4,109	4,095	-14	-0.3%	-384	-8.6%	
Unemployed	416	730	736	740	4	0.5%	305	70.1%	
Unemployment Rate	8.4%	15.0%	15.2%	15.3%	n.a.	0.1% pts	n.a.	6.4%	
<b>United States</b>									
Labor Force	154,287	154,504	154,577	154,006	-571	-0.4%	-615	-0.4%	
Employed	145,362	140,041	139,649	138,864	-785	-0.6%	-6,165	-4.3%	
Unemployed	8,924	14,462	14,928	15,142	214	1.4%	5,550	57.9%	
Unemployment Rate	5.8%	9.4%	9.7%	9.8%	n.a.	0.1% pts	n.a.	3.6%	

## Employment by Place of Work

- From September 2008 to September 2009, Michigan wage and salary employment decreased 309,000 (7.5 percent). State wage and salary employment decreased 22,000 from August. Nationally, September 2009 wage and salary employment fell 5,785,000 (4.2 percent) from a year ago and was down 263,000 from last month.

### Wage and Salary Employment Growth September 2008 to September 2009



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

- In the goods-producing sector, Michigan employment fell 18.9 percent from a year ago while private service-producing sector employment decreased 5.8 percent compared to last year. From a year ago, September national employment in the goods-producing sector fell 13.1 percent and decreased 3.1 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 0.4 hours in Michigan compared to last year.

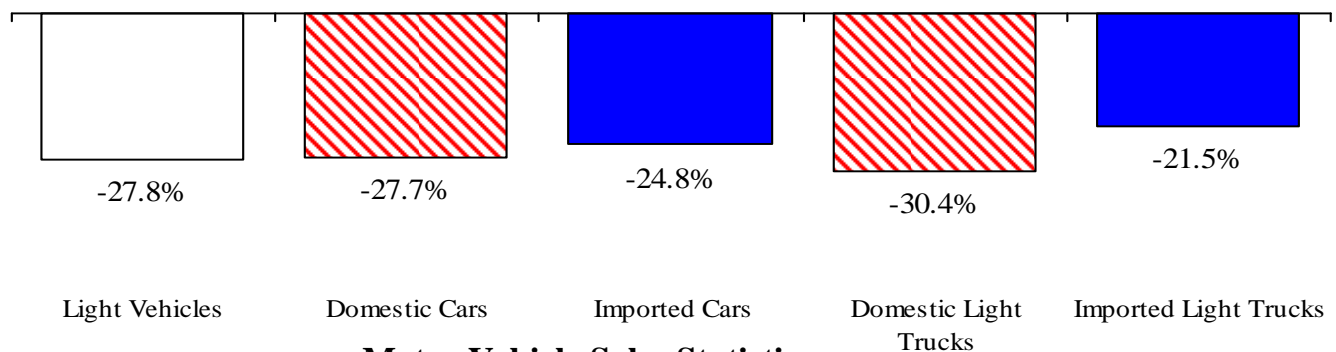
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2008 Average	Sep 2008	Sep 2009	Percent Change	2008 Average	Sep 2008	Sep 2009	Percent Change
Wage & Salary Employment	4,159	4,135	3,826	-7.5%	137,066	136,732	130,947	-4.2%
Goods Producing	737	725	588	-18.9%	21,419	21,247	18,465	-13.1%
Manufacturing	575	566	464	-18.0%	13,431	13,322	11,719	-12.0%
Private Service Producing	2,775	2,762	2,602	-5.8%	93,146	92,950	90,079	-3.1%
Trade, Trans. & Utilities	769	768	703	-8.5%	26,385	26,257	25,092	-4.4%
Services	1,739	1,730	1,654	-4.4%	55,620	55,592	54,459	-2.0%
Local, State & Fed. Gov't	648	649	637	-1.8%	22,500	22,535	22,403	-0.6%
Manufacturing Weekly Hours	42.2	41.7	42.1	0.4 hrs	40.8	40.5	39.8	-0.7 hrs

## Motor Vehicle Industry Sales

- At a 9.2 million unit annual rate, the September 2009 light vehicle sales rate fell 34.7 percent from August and was down 26.6 percent compared to a year ago. Sales fell sharply with “Cash for Clunkers” having ended in August.
- Compared to August, domestic sales dropped 33.7 percent while foreign sales fell 37.3 percent. Compared to a year ago, domestic sales fell 29.1 percent; foreign sales decreased 18.8 percent. As a result, the foreign share of U.S. vehicle sales rose 2.6 percentage points to 26.7 percent.
- September auto sales fell sharply compared to August (37.8 percent) while light truck sales decreased 30.6 percent. Compared to a year ago, auto sales fell 21.3 percent while light truck sales dropped 32.0 percent. Heavy truck sales fell 38.2 percent to an annual rate of 170,000 units – tying last April as having the lowest heavy truck sales rate since May 1983.
- Light vehicle inventories shrank 42.1 percent from a year ago. Days supply rose by 27 days compared to August and decreased by 16 days from a year ago.

### September Year-to-Date 2009 Vehicle Sales Down Sharply Compared to 2008



### Motor Vehicle Sales Statistics

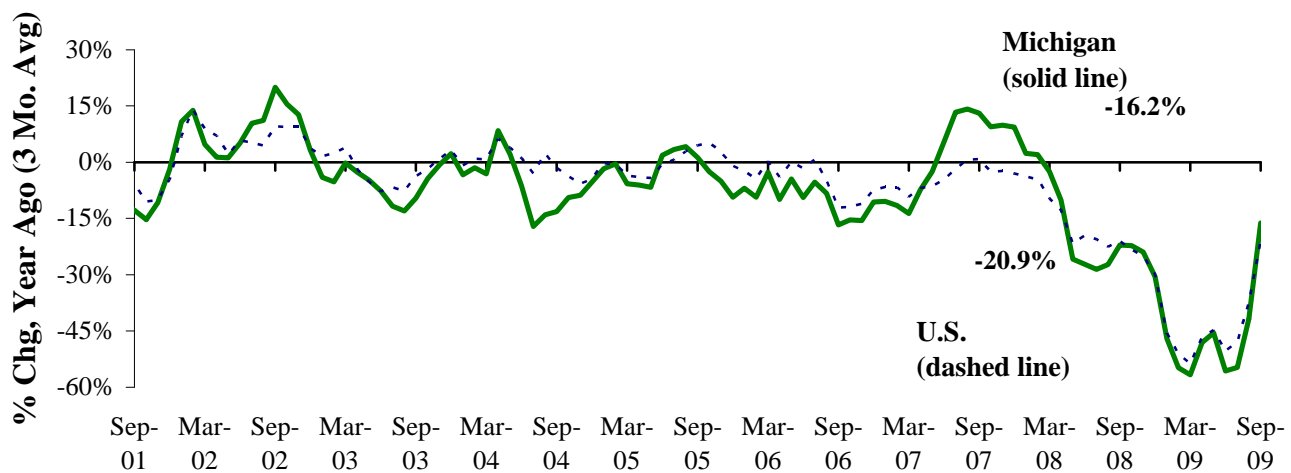
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2008 Average	Jul 2009	Aug 2009	Sep 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.8	6.2	8.0	5.0	6.4	(1.3)	-21.3%
Domestics	4.5	4.2	5.3	3.3	4.2	(1.1)	-24.6%
Imports	2.3	2.0	2.7	1.7	2.1	(0.3)	-14.1%
Import Share	33.4%	32.5%	34.1%	34.2%	33.6%	2.9% pts	
Light Trucks	6.4	5.1	6.1	4.2	5.1	(2.0)	-32.0%
Domestics	5.3	4.2	4.9	3.5	4.2	(1.7)	-32.9%
Imports	1.1	0.9	1.2	0.8	0.9	(0.3)	-27.7%
Import Share	17.2%	17.7%	19.6%	17.8%	18.5%	1.1% pts	
Total Light Vehicles	13.2	11.2	14.1	9.2	11.5	(3.3)	-26.6%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-38.2%
Total Vehicles	13.5	11.4	14.3	9.4	11.7	(3.4)	-26.9%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Jul-09</b>	<b>Aug-09</b>	<b>Sep-09</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.340	0.963	0.714	0.850	0.842	-0.378	
Days Supply	65	45	26	53	41	-8 days	
Total Truck	1.827	0.830	0.692	0.815	0.779	-0.832	
Days Supply	90	48	33	59	47	-23 days	

## Motor Vehicle Industry Production

- At 158,914 units, September 2009 Michigan motor vehicle production fell by 1.7 percent from a year ago. National production declined by 12.0 percent. Compared to August 2009, Michigan production rose by 40.1 percent while national production increased 17.2 percent.
- Michigan car production dropped 14.1 percent from a year ago, but State truck production rose 16.2 percent. Nationally, car production fell 24.0 percent while truck production dropped 1.4 percent.
- From a year ago, Michigan's share of national production rose by 2.6 percentage points to 24.3 percent.

## Michigan and U.S. Vehicle Production Down Sharply <sup>(e,f)</sup>



## Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Jul 2009	Aug 2009	Sep 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	314.0	152.8	238.2	266.2	219.1	(84.2)	-24.0%
Trucks	414.5	233.0	319.5	387.6	313.3	(5.3)	-1.4%
Total	728.5	385.8	557.7	653.7	532.4	(89.5)	-12.0%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	83.7	24.0	58.4	82.1	54.8	(13.5)	-14.1%
Trucks	70.0	42.9	55.0	76.8	58.2	10.7	16.2%
Total	153.7	66.9	113.4	158.9	113.1	(2.8)	-1.7%
Michigan as % of U.S.	21.1%	17.3%	20.3%	24.3%	21.2%	2.6% pts	

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

September 2009 area unemployment rates (seasonally unadjusted) ranged between 9.3 percent (Ann Arbor MSA) to 17.3 percent (Detroit-Warren-Livonia MSA). The median unemployment rate was 13.0 percent.

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 4.7 percentage points. Fifteen areas saw rate increases exceeding 4.0 percentage points. Six areas saw increases of 5.0 percentage points or greater: Detroit-Warren-Livonia MSA (8.4 percentage points), Muskegon-Norton Shores MSA (6.8 percentage points), Jackson MSA (5.8 percentage points), Holland-Grand Haven MSA (5.6 percentage points), Flint MSA (5.3 percentage points) and Niles-Benton Harbor MSA (5.1 percentage points).

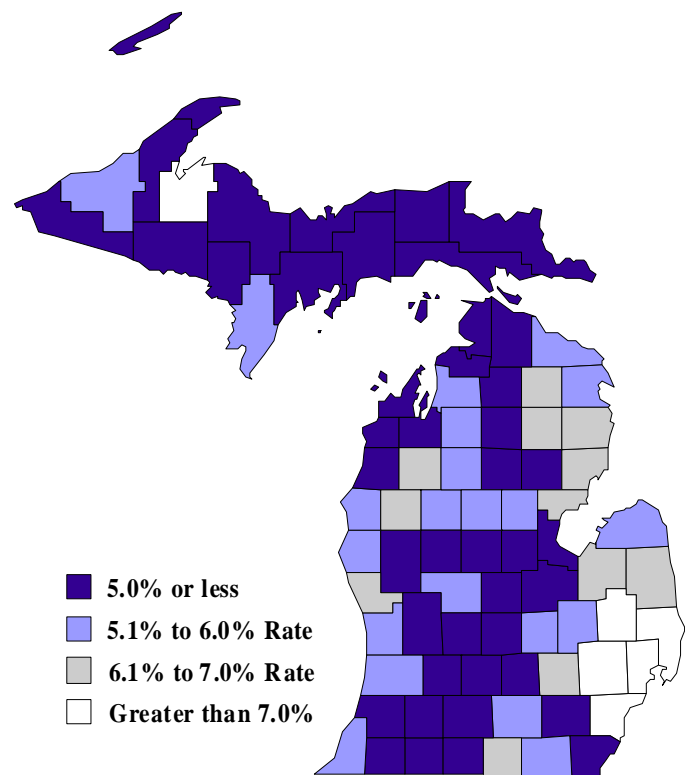
Between September 2008 and September 2009, employment fell substantially in all 17 major labor market areas with declines exceeding 5.0 percent in all 17 areas and a median employment decline of 7.6 percent. The Upper Peninsula saw the smallest decline (-5.5 percent). The Flint MSA saw the largest employment drop (-10.7 percent), followed by Detroit-Warren-Livonia MSA (-9.5 percent). All areas saw a labor force decline with a median decline of 2.6 percent. Labor force declines ranged between -0.3 percent (Detroit-Warren-Livonia MSA) and -5.2 percent (Flint MSA).

Most areas saw only a slight non-seasonally adjusted state unemployment rate change compared with last month with a median drop of -0.1 of a percentage point. Between September 2008 and September 2009, the unemployment rate rose in all 83 Michigan counties with a median increase of 5.0 percentage points.

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

<u>Local Area</u>	<u>Sep 2008 Rate</u>	<u>Aug 2009 Rate</u>	<u>Sep 2009 Rate</u>
Michigan	8.5%	14.7%	14.8%
Ann Arbor	6.4%	9.4%	9.3%
Battle Creek	8.0%	12.5%	12.4%
Bay City	7.6%	12.1%	12.3%
Detroit-Warren-Livonia	8.9%	17.0%	17.3%
Flint	10.5%	16.1%	15.8%
Grand Rapids-Wyoming	7.5%	12.0%	11.9%
Holland-Grand Haven	7.2%	12.9%	12.8%
Jackson	9.1%	15.1%	14.9%
Kalamazoo-Portage	7.2%	11.6%	11.7%
Lansing-East Lansing	6.9%	11.3%	11.0%
Monroe	9.3%	14.8%	14.2%
Muskegon-Norton Shores	9.2%	16.2%	16.0%
Niles-Benton Harbor	8.4%	13.4%	13.5%
Saginaw-Saginaw Township	8.7%	12.9%	12.9%
Upper Peninsula	7.5%	11.7%	11.5%
Northeast Lower Mich	9.5%	14.3%	14.2%
Northwest Lower Mich.	8.3%	12.5%	13.1%

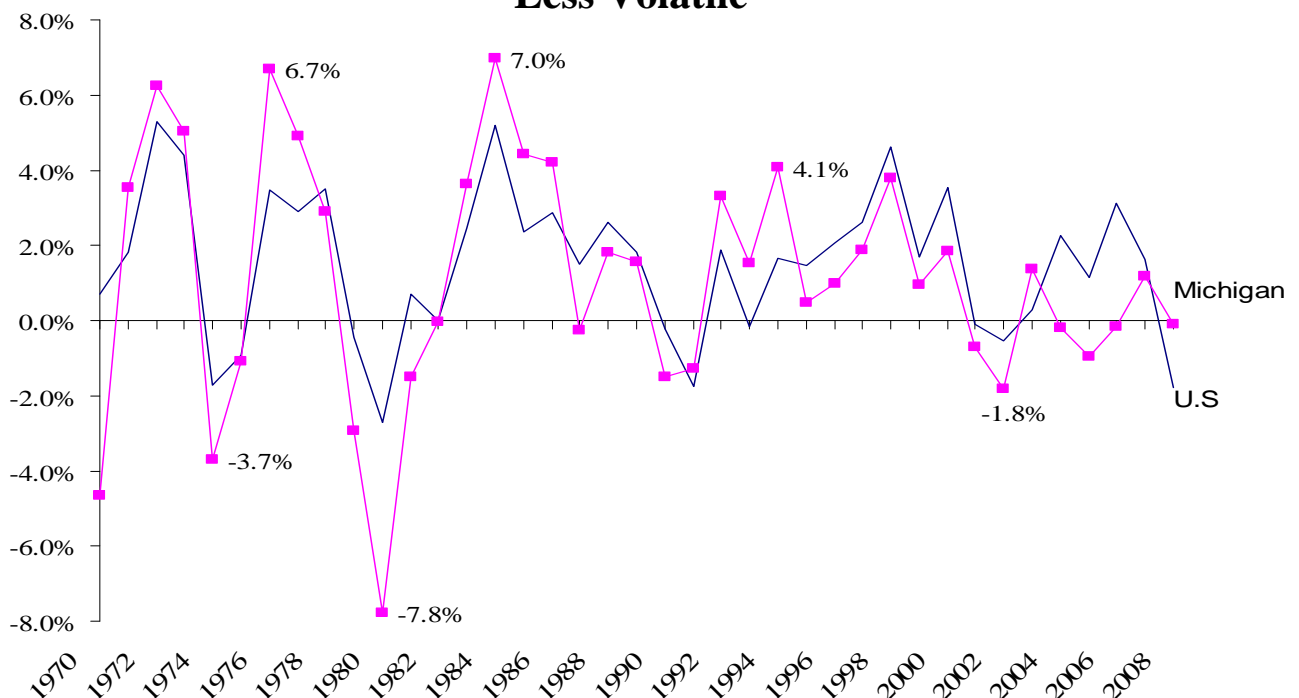
### Unemployment Rate Change September 2008 – September 2009<sup>(g)</sup>



## Michigan Personal Income Rebounds Significantly in 2008Q2

- In 2008Q2, Michigan personal income rose 0.8 percent after having fallen sharply in the first quarter (-3.8 percent). U.S. personal income increased 0.2 percent in the second quarter after having declined 2.3 percent in the first quarter.
- Declines in the durable manufacturing sector weighed heavily on Michigan personal income. Excluding that sector, Michigan personal income would have fallen only 2.3 percent in the first quarter and risen 1.4 percent in the second quarter.
- Unemployment insurance payments played a significant role in supporting Michigan personal income growth. Unemployment insurance payments rose more than 40 percent in the first and second quarters. Without these transfer payments, first quarter State personal income would have dropped 4.3 percent and second quarter income growth would have been essentially flat (0.1 percent).
- In 2008, Michigan per capita income increased 2.2 percent compared to 2.0 percent growth nationally. 2008 Michigan per capita income growth ranked 28<sup>th</sup> among U.S. states.
- Real (inflation adjusted) Michigan per capita income changed little (-0.1 percent) in 2008. Nationally real per capita income fell 1.8 percent between 2007 and 2008.
- Over the last 40 years, both Michigan and national real per capita income growth has become less volatile as the graph below demonstrates.

### Real Per Capita Personal Income Growth Less Volatile



## U.S. Economic Conditions

	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	70.8	66.0	65.7	73.5	3.2 points
ISM Manufacturing Index <sup>(i)</sup>	44.8	48.9	52.9	52.6	9.2 points
ISM Non Manufacturing Index <sup>(i)</sup>	49.8	46.1	51.3	55.1	3.6 points
	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	
Business Executives' Confidence <sup>(j)</sup>	24.0	30.0	55.0	63.0	23.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	215.7	215.4	215.8	216.0	-1.3%
Detroit CPI	204.5	NA	204.7	NA	-2.3%
U.S. Producer Price Index	174.1	172.6	174.3	173.4	-4.8%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.17%	0.19%	0.18%	0.13%	-1.33% points
Aaa Corporate Bonds <sup>(m)</sup>	5.61%	5.41%	5.26%	5.13%	-0.52% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	95.8	96.6	97.8	98.5	-6.1%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	68.3%	69.0%	69.9%	70.5%	-4.1% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$342.9	\$342.5	\$349.9	\$344.7	-5.7%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.590	0.593	0.587	0.590	-28.2%
Existing Home Sales <sup>(p)</sup>	4.890	5.240	5.090	5.570	9.2%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$160.8	\$168.5	\$164.1	\$165.7	-19.6%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>% Change From Year Ago</u>
Michigan	\$349.6	\$349.7	\$336.5	\$339.1	-3.6%
U.S.	\$12,273.7	\$12,218.4	\$11,939.3	\$11,959.2	-2.6%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2005 Dollars) <sup>(c)</sup>	<u>2008.4</u>	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,141.9	\$12,925.4	\$12,901.5	\$13,014.0	3.5%



**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.