



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

August 2010 Summary

U.S. Economy: The Conference Board index of leading economic indicators rose 0.3 percent from last month and was up 6.9 percent from a year ago. At 56.3, the ISM manufacturing index rose for the first time in four months (+0.8 point) and was up 3.5 points from last August. At 51.5, the August ISM non-manufacturing composite index was down 2.8 points from July but up 3.3 points from August 2009. Both industrial production and capacity utilization (three-month averages) rose for the 14th straight month. Consumer sentiment recovered only slightly from July's large drop but was up 3.2 points from last year. Housing starts rose to their highest level since April's home buyer credit expiration. Recovering only slightly from July's record low, August existing home sales (4.13 million annual rate) were the second lowest on record.

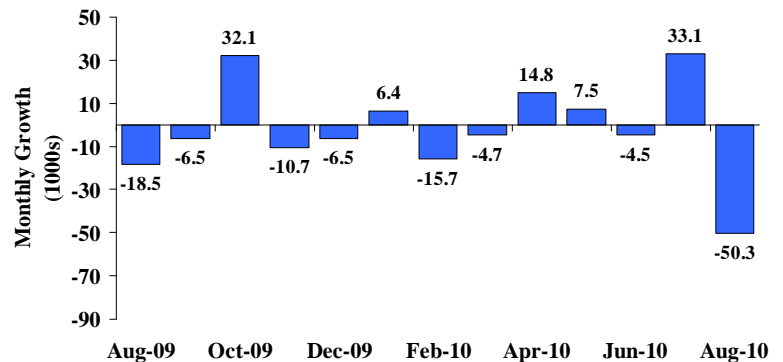
Employment: In August, Michigan employment fell by 50,300 jobs from last month and was down 5,000 jobs from a year ago. National employment fell by 54,000. Unchanged at 13.1 percent, the August 2010 Michigan unemployment rate remained the state's lowest rate since March 2009. The U.S. rate rose 0.1 of a percentage point to 9.6 percent.

Auto Industry: In August, the light vehicle sales rate fell 0.8 percent from July to an 11.4 million unit annual rate. Vehicle sales were down 19.1 percent compared to a year ago when Cash for Clunkers boosted sales. Vehicle inventories were unchanged from July but up 23 days from last August. In August 2010, Michigan vehicle production (three-month average) rose 78.1 percent compared to a year ago; the national vehicle production average increased 48.9 percent.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 1.1 percent. The U.S. CPI excluding food and energy rose 0.9 percent. The overall producer price index rose 3.1 percent but the core producer price index increased only 1.3 percent. Oil prices were essentially unchanged compared to July, but were up \$5.76 a barrel from August 2009 to \$76.82.

Michigan Metro Areas: From August 2009, unemployment rates fell in 13 of Michigan's 17 major labor markets. However, employment fell in 13 labor market areas.

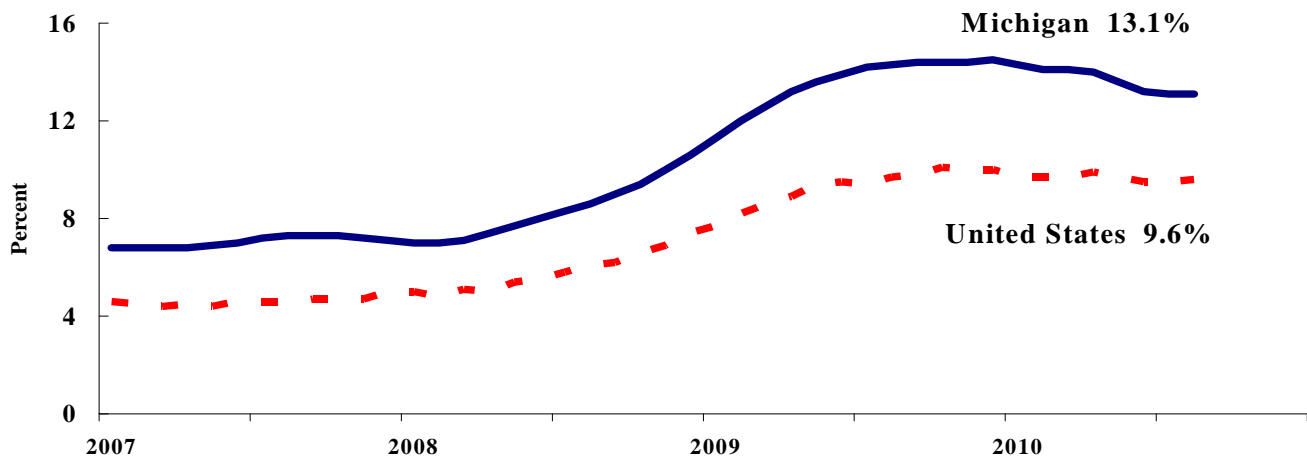
Michigan Employment Falls Sharply in August^(a)



Labor Market Statistics

- Michigan's August unemployment rate remained unchanged from last month at 13.1 percent, and the current Michigan jobless rate is down 1.2 percentage points from a year ago. The August U.S. unemployment rate increased 0.1 percentage points from July at 9.6 percent and was down 0.1 percentage points from a year ago. Monthly unemployment rates fluctuate in part 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 August, the number of people employed in Michigan was 4,196,000, down 13,000 from last month, while the labor force decreased by 15,000. The statewide total number of unemployed decreased by 3,000 to 634,000.
- United States household employment totaled 139.3 million persons in August, up 290,000 from July. The labor force rose by 550,000 from last month, which meant there were 261,000 more unemployed people nationally, compared to July.

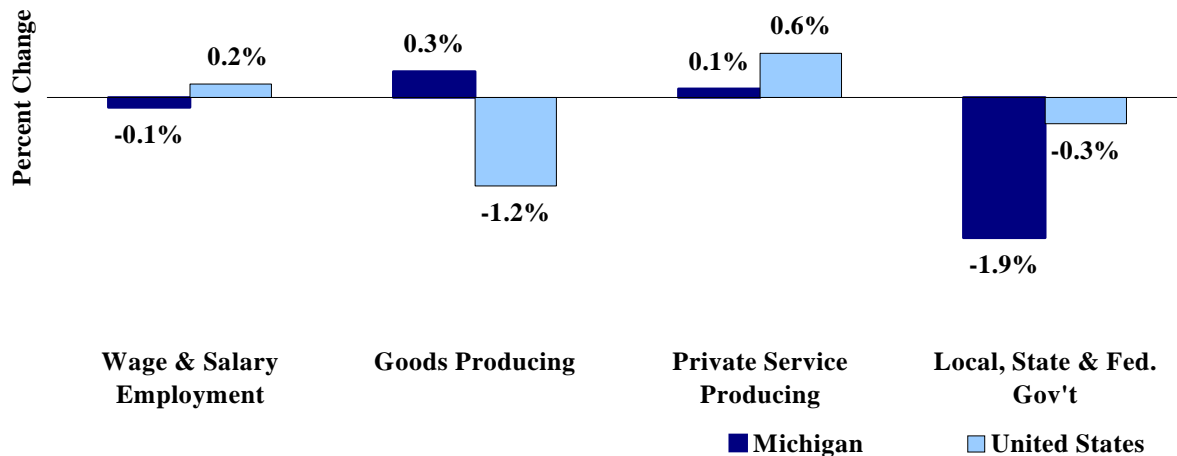
Employment by Place of Residence (in thousands)^(a)

	2009 Average	Jun 2010	Jul 2010	Aug 2010	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,889	4,863	4,846	4,831	-15	-0.3%	-47	-1.0%
Employed	4,224	4,222	4,209	4,196	-13	-0.3%	16	0.4%
Unemployed	665	640	637	634	-3	-0.5%	-64	-9.2%
Unemployment Rate	13.6%	13.2%	13.1%	13.1%	n.a.	0.0% pts	n.a.	-1.2%
United States								
Labor Force	154,142	153,741	153,560	154,110	550	0.4%	-316	-0.2%
Employed	139,877	139,119	138,960	139,250	290	0.2%	-183	-0.1%
Unemployed	14,265	14,623	14,599	14,860	261	1.8%	-133	-0.9%
Unemployment Rate	9.3%	9.5%	9.5%	9.6%	n.a.	0.1% pts	n.a.	-0.1%

Employment by Place of Work

- From August 2009 to August 2010, Michigan wage and salary employment decreased 5,000 (0.1 percent). State wage and salary employment decreased 50,000 from July. Nationally, August 2010 wage and salary employment rose 229,000 (0.2 percent) from a year ago but was down 54,000 from last month.

Wage and Salary Employment Growth August 2009 to August 2010



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

- In the goods-producing sector, Michigan employment increased 0.3 percent from a year ago while private service-producing sector employment increased 0.1 percent compared to last year. From a year ago, August national employment in the goods-producing sector fell 1.2 percent and increased 0.6 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 0.3 hours in Michigan compared to last year.

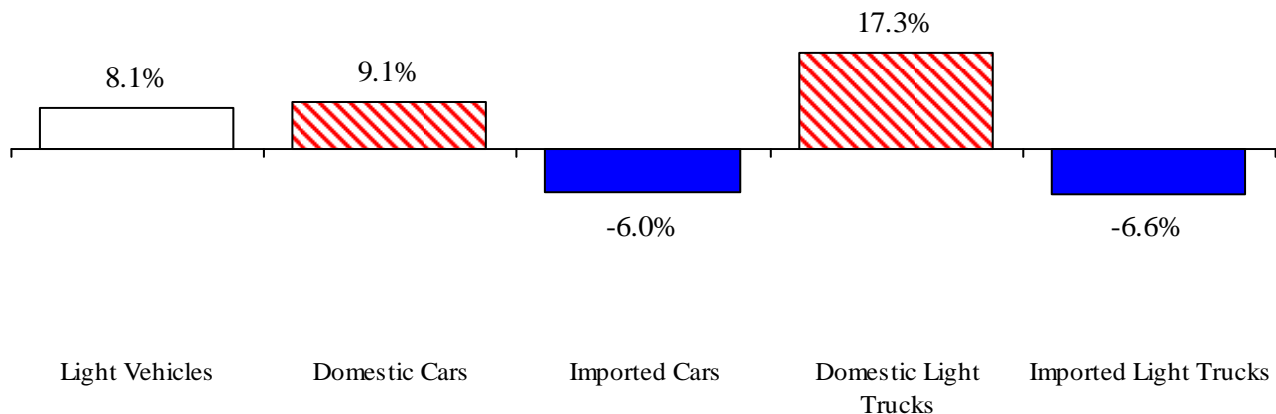
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2009 Average	Aug 2009	Aug 2010	Percent Change	2009 Average	Aug 2009	Aug 2010	Percent Change
Wage & Salary Employment	3,876	3,836	3,831	-0.1%	130,912	130,082	130,311	0.2%
Goods Producing	597	583	585	0.3%	18,620	18,245	18,031	-1.2%
Manufacturing	462	455	464	2.0%	11,883	11,682	11,679	0.0%
Private Service Producing	2,633	2,609	2,612	0.1%	89,749	89,318	89,839	0.6%
Trade, Trans. & Utilities	717	711	706	-0.7%	24,947	24,819	24,757	-0.2%
Services	1,670	1,653	1,673	1.2%	54,236	54,028	54,792	1.4%
Local, State & Fed. Gov't	647	645	633	-1.9%	22,544	22,519	22,441	-0.3%
Manufacturing Weekly Hours	39.3	43.7	43.4	-0.3 hrs	39.3	40.1	40.2	0.1 hrs

Motor Vehicle Industry Sales

- At an 11.4 million unit rate, August 2010 light vehicle sales fell 0.8 percent from July 2010. August 2010 light vehicle sales were down 19.1 percent from a year ago.
- Compared to July 2010, August 2010 domestic sales decreased 3.2 percent while foreign sales rose 7.3 percent. Domestic sales fell 16.4 percent compared to a year ago while foreign sales decreased 26.3 percent. Consequently, the foreign share of U.S. light vehicle sales dropped 2.4 percentage points from a year ago to 25.1 percent.
- Auto sales rose 0.7 percent compared to July 2010 but fell sharply (29.2 percent) compared to a year ago. Light truck sales decreased 2.1 percent from July and dropped 6.1 percent from August 2009. Heavy truck sales were up 15.3 percent compared to a year ago.
- In August 2010, light vehicle inventories rose 3.6 percent from July and were up 48.2 percent from a year ago. At 52 days, days supply were unchanged from July but were up 23 days from a year ago.

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



Motor Vehicle Sales Statistics

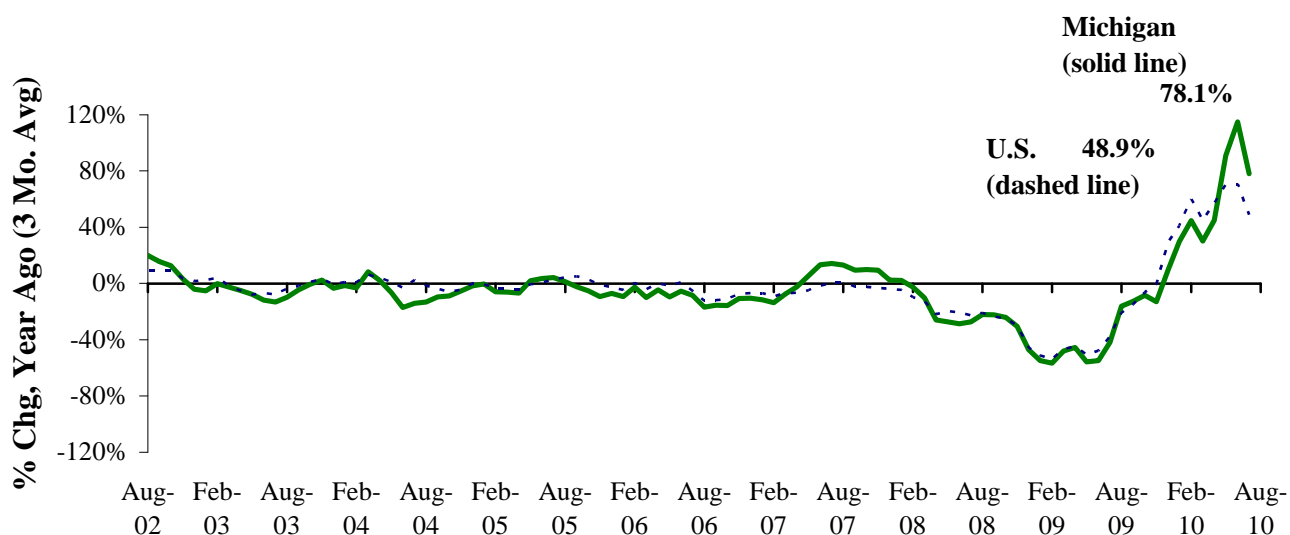
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2009	Jun	Jul	Aug	3 Month	Change from	
	Average	2010	2010	2010	Average	Level	%
Autos	5.5	5.5	5.6	5.6	5.6	(2.3)	-29.2%
Domestics	3.6	3.8	3.8	3.7	3.8	(1.6)	-29.7%
Imports	1.8	1.7	1.8	1.9	1.8	(0.8)	-28.2%
Import Share	33.7%	31.2%	31.7%	34.2%	32.4%	0.5% pts	
Light Trucks	4.9	5.7	5.9	5.8	5.8	(0.4)	-6.1%
Domestics	4.1	4.8	5.0	4.9	4.9	(0.1)	-2.3%
Imports	0.9	0.8	0.9	0.9	0.9	(0.3)	-22.1%
Import Share	17.9%	14.9%	15.2%	16.3%	15.5%	-3.3% pts	
Total Light Vehicles	10.4	11.1	11.5	11.4	11.4	(2.7)	-19.1%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	15.3%
Total Vehicles	10.6	11.4	11.8	11.7	11.6	(2.7)	-18.7%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.156	1.057	0.985	1.001	1.014	0.290	
Days Supply	70	54	52	51	52	25 days	
Total Truck	1.058	1.107	1.021	1.078	1.068	0.386	
Days Supply	68	57	52	54	54	21 days	

Motor Vehicle Industry Production

- At 155,883 units, August 2010 Michigan motor vehicle production rose 37.4 percent from last August. National production rose 26.9 percent in August. Compared to July 2010, Michigan production increased 30.9 percent while national production was up 33.0 percent.
- Michigan car production fell 10.8 percent from a year ago and State truck production increased 88.6 percent. Nationally, car production grew 10.6 percent while truck production increased 39.1 percent.
- From a year ago, Michigan’s share of national production rose by 1.7 percentage points to 22.0 percent.

Both Michigan and National Motor Vehicle Production Increase Substantially from Year Ago ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009					Change from Year Ago	
	Monthly Average	Jun 2010	Jul 2010	Aug 2010	3 Month Average	for the Month Level	%
U.S. Production ^(e)							
Autos	194.2	273.4	191.0	263.6	242.6	25.4	10.6%
Trucks	285.2	448.2	341.2	444.4	411.3	124.9	39.1%
Total	479.5	721.6	532.2	708.0	653.9	150.3	26.9%
Michigan Production ^(f)							
Autos	42.5	62.0	38.5	52.1	50.9	(6.3)	-10.8%
Trucks	53.0	96.3	80.6	103.8	93.5	48.7	88.6%
Total	95.5	158.3	119.1	155.9	144.4	42.5	37.4%
Michigan as % of U.S.	19.9%	21.9%	22.4%	22.0%	22.1%	1.7% pts	

Local Area Unemployment Rate and Employment Down In Most Areas Compared to Last Year (Not Seasonally Adjusted)

August 2010 area unemployment rates ranged between 8.8 percent (Ann Arbor MSA) and 14.4 percent (Detroit-Warren-Livonia MSA). The median unemployment rate was 11.8 percent.

Compared to a year ago, the unemployment rate fell in thirteen major Michigan labor market areas, rose in three areas and was unchanged in one. The median unemployment rate change was a 0.3 of a percentage point drop. The Muskegon-Norton Shores MSA saw the largest rate decline (-1.7 percentage points), followed by the Detroit-Warren-Livonia MSA (-1.5 percentage points). The Northwest Lower Michigan region reported the largest year-ago rate increase (0.3 percentage points).

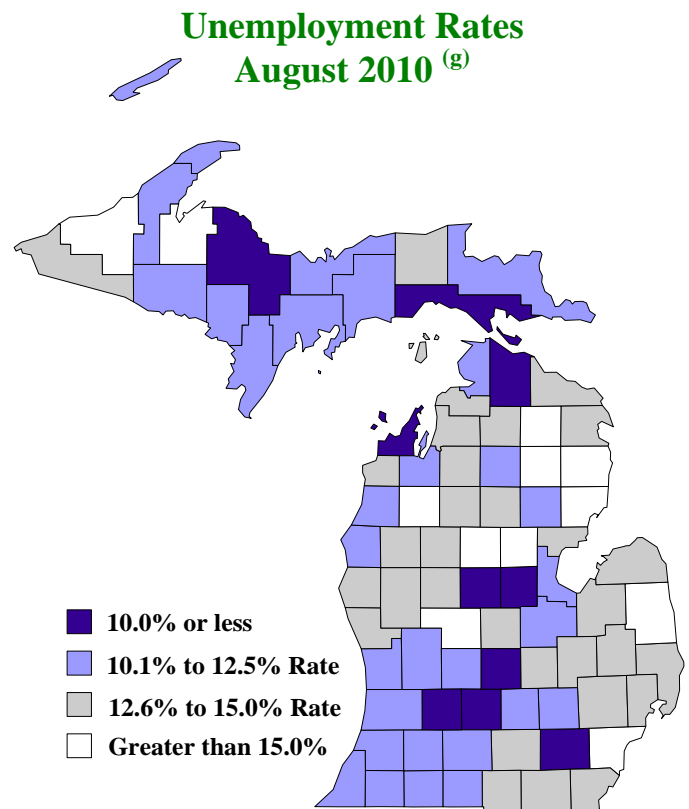
Between August 2009 and August 2010, thirteen labor market areas saw an employment decline while four saw an increase. The three northern labor market areas experienced the largest employment declines: Northeast Lower Michigan region (-3.6 percent), Upper Peninsula (-2.5 percent) and Northwest Lower Michigan region (-2.5 percent). The Detroit-Warren-Livonia MSA had the largest year-ago employment increase (1.7 percent), followed by the Grand Rapids-Wyoming MSA (0.7 percent). Compared to a year ago, labor force fell in sixteen areas with the Northeast Lower Michigan region experiencing the largest decline (-3.8 percent). The median labor force decline was -1.7 percent.

Compared to last month, all areas saw decreases in their non-seasonally adjusted unemployment rate with a median decline of 1.3 percentage points.

Between August 2009 and August 2010, the unemployment rate fell in 57 Michigan counties with a median rate decrease of 0.6 of a percentage point. Twenty-four counties saw a rate increase with a median increase of 0.5 of a percentage point. Ten counties saw an August 2010 unemployment rate below 10.0 percent; Mackinac reported the lowest rate (5.6 percent.) Twelve counties reported rates higher than 15.0 percent; Baraga recorded the highest rate (22.0 percent).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2009 Rate</u>	<u>Jul 2010 Rate</u>	<u>Aug 2010 Rate</u>
Michigan	13.8%	14.0%	12.9%
Ann Arbor	9.0%	10.0%	8.8%
Battle Creek	11.6%	13.0%	11.3%
Bay City	11.5%	12.7%	11.5%
Detroit-Warren-Livonia	15.9%	15.2%	14.4%
Flint	14.7%	15.4%	13.9%
Grand Rapids-Wyoming	11.4%	11.9%	10.7%
Holland-Grand Haven	12.2%	12.6%	11.3%
Jackson	14.0%	14.3%	12.8%
Kalamazoo-Portage	10.8%	12.2%	10.9%
Lansing-East Lansing	10.8%	11.3%	10.1%
Monroe	14.1%	14.4%	12.9%
Muskegon-Norton Shores	15.2%	14.9%	13.5%
Niles-Benton Harbor	12.6%	14.0%	12.4%
Saginaw-Saginaw Township	11.9%	13.1%	11.8%
Upper Peninsula	11.1%	12.5%	11.3%
Northeast Lower Mich	13.6%	15.0%	13.5%
Northwest Lower Mich.	11.9%	13.2%	12.2%

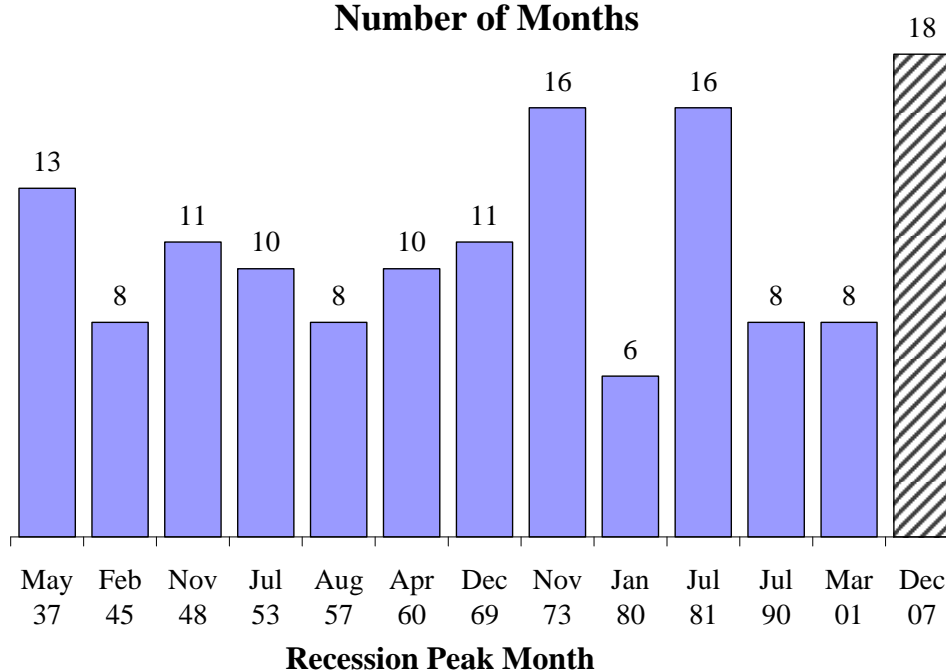


National Bureau of Economic Research Announces Official End To Most Recent Recession

On September 20, 2010, the National Bureau of Economic Research (NBER) announced that the U.S. economy reached a trough in June 2009, making the 18-month recession that began in December 2007 the longest economic downturn since the Great Depression. Measured in quarters, the most recent recession began in 2007Q4 and ended in 2009Q2.

- Over the course of the 2007-2009 recession, real GDP fell 4.1 percent – the largest real GDP decline of all recessions for which there are GDP data, which dates back to the 1948Q4 – 1949Q4 downturn. A year after the 2007-2009 recession’s end, real GDP is up 3.0 percent – the third smallest one-year increase following a recession on record. One year after the end of the 2001Q1-2001Q4 downturn, real GDP rose only 1.9 percent. However, in contrast to the 2007-2009’s sharp decline, real GDP actually rose during the 2001 recession.
- In the 2007-2009 recession, real consumption fell 2.4 percent. Non-residential investment dropped 19.3 percent. Residential investment, which had begun its decline prior to the start of the recession, plummeted 36.2 percent during the recession.
- Over the most recent recession’s 18 months, U.S. wage and salary employment fell 5.3 percent – the greatest recessionary employment decline since the February 1945-October 1945 downturn when employment dropped 7.9 percent. In August 2010, employment was 0.3 percent lower than at the recession’s end. This marks only the second time on record that employment was lower 14 months after a downturn’s trough than it was at the end of the recession.
- Housing starts declined 43.8 percent between December 2007 and June 2009 – the largest recessionary decline on record (going back to 1960).
- During the recession, the U.S. unemployment rate increased by 4.5 percentage points from 5.0 percent to 9.5 percent. Fourteen months after the end of the recession, at 9.6 percent, the U.S. unemployment rate is little changed from the end of the recession.

2007-2009 Recession Longest Post Depression Downturn
Number of Months



U.S. Economic Conditions

	<u>May-10</u>	<u>Jun-10</u>	<u>Jul-10</u>	<u>Aug-10</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	73.6	76.0	67.8	68.9	3.2 points
ISM Manufacturing Index ⁽ⁱ⁾	59.7	56.2	55.5	56.3	3.5 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.4	53.8	54.3	51.5	3.3 points
	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	
Business Executives' Confidence ^(j)	63.0	64.0	62.0	62.0	7.0 points
INFLATION ^(k)					
1982-84 = 100	<u>May-10</u>	<u>Jun-10</u>	<u>Jul-10</u>	<u>Aug-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.2	218.0	218.0	218.3	1.1%
Detroit CPI	NA	204.9	NA	205.4	0.4%
U.S. Producer Price Index	180.1	179.1	179.7	179.6	3.1%
INTEREST RATES					
90 Day T-Bill ^(l)	0.16%	0.12%	0.16%	0.15%	-0.03% points
Aaa Corporate Bonds ^(m)	4.96%	4.88%	4.72%	4.49%	-0.77% points
INDUSTRIAL PRODUCTION ^(m)					
	92.4	92.5	93.1	93.2	6.2%
CAPACITY UTILIZATION ^(m)					
	74.0%	74.1%	74.6%	74.7%	4.7% points
RETAIL SALES ⁽ⁿ⁾					
	\$362.2	\$361.2	\$362.2	\$363.7	3.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-10</u>	<u>Jun-10</u>	<u>Jul-10</u>	<u>Aug-10</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.588	0.539	0.541	0.598	2.2%
Existing Home Sales ^(p)	5.660	5.260	3.840	4.130	-19.0%
DURABLE GOODS ORDERS ^(q)					
	\$192.6	\$192.3	\$193.7	\$191.2	11.2%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2009.3</u>	<u>2009.4</u>	<u>2010.1</u>	<u>2010.2</u>	<u>% Change From Year Ago</u>
Michigan	\$341.7	\$344.7	\$344.8	\$348.3	1.4%
U.S.	\$12,156.9	\$12,225.8	\$12,341.2	\$12,462.7	2.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<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	\$13,194.9	1.7%

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.