



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## February 2009 Summary

**U.S. Economy:** The recession remained deeply entrenched. Despite rising slightly from last month, housing starts were down 47.3 percent from a year ago and equaled only slightly more than one-fourth (25.6 percent) of their January 2006 peak level. Down 9.9 percentage points from a year ago, capacity utilization stood at its lowest level since at least 1967 (70.2 percent). Durable goods orders, excluding defense and aircraft (three-month average), plummeted 19.1 percent compared to a year ago, falling to their lowest level since August 2004. Retail sales, excluding vehicles and gasoline, (three-month average) declined for the third straight month, falling 1.5 percent.

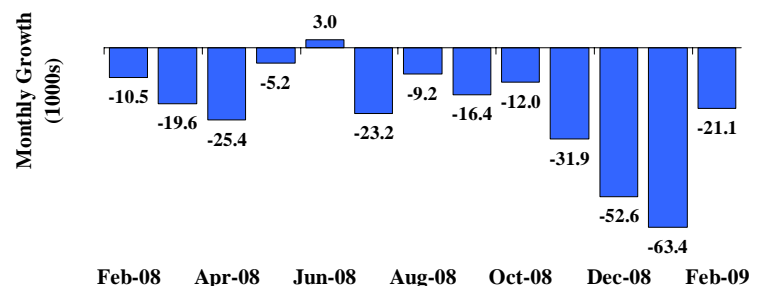
**Employment:** Employment fell substantially both in Michigan and nationally with State employment falling by 21,000 jobs and U.S. employment dropping by 598,000 jobs. Michigan's unemployment rate remained the highest state rate, rising to 12.0 percent. The U.S. rate increased to 8.1 percent.

**Auto Industry:** Light vehicle sales fell 40.5 percent from a year ago to a 9.1 million unit rate – the lowest since December 1981. February Michigan vehicle production fell 61.7 percent from a year ago while U.S. production dropped 54.9 percent. Vehicle production, however, was up significantly from extremely low levels last month.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 0.2 percent; the core CPI increased 1.8 percent. Overall producer prices declined 1.3 percent, but core producer prices rose 4.0 percent. Oil prices, at \$39.16 a barrel, were down only slightly from January 2009, but down \$56.19 from a year ago.

**Michigan Metro Areas:** From February 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 4.2 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 7.7 percent. Unemployment rates ranged between 7.4 percent (Ann Arbor MSA) and 17.4 percent (Northeast Lower Michigan).

## Michigan Economy Loses 169,000 Jobs in Past Four Months <sup>(a)</sup>



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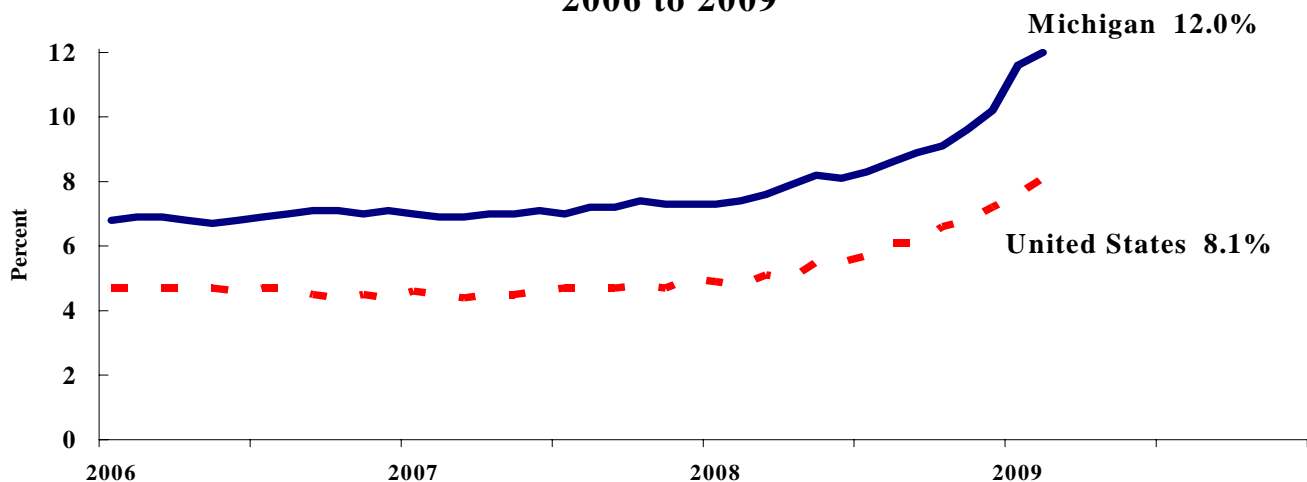
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## Labor Market Statistics

- Michigan's February monthly unemployment rate increased by 0.4 percentage points from last month to 12.0 percent, and the current Michigan jobless rate is 4.6 percentage points above a year ago. The February U.S. unemployment rate increased 0.5 percentage points to 8.1 percent and was 3.3 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 February, the number of people employed in Michigan was 4,270,000, down 29,000 from last month, while the labor force decreased by 8,000. The statewide total number of unemployed increased by 21,000 to 584,000.
- United States household employment totaled 141.7 million persons in February, down 351,000 from January. The labor force rose by 498,000 from last month, which meant that there were 851,000 more unemployed people nationally, compared to January.

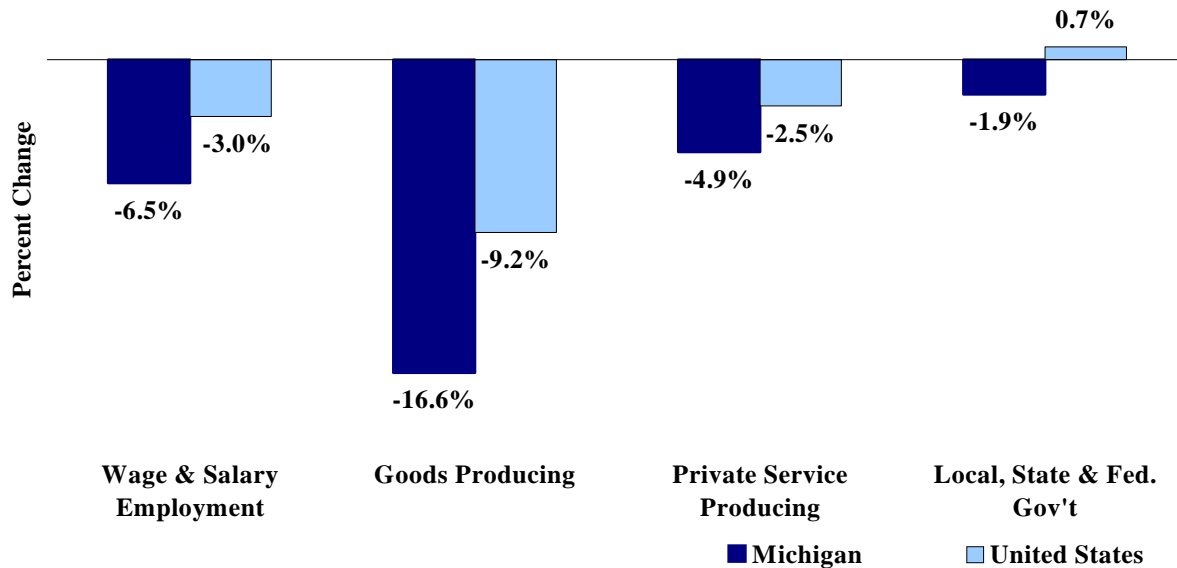
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2008 Average	Dec 2009	Jan 2009	Feb 2009	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,936	4,885	4,862	4,854	-8	-0.2%	-135	-2.7%
Employed	4,519	4,388	4,299	4,270	-29	-0.7%	-347	-7.5%
Unemployed	416	496	563	584	21	3.7%	212	57.1%
Unemployment Rate	8.4%	10.2%	11.6%	12.0%	n.a.	0.4% pts	n.a.	4.6%
<b>United States</b>								
Labor Force	154,287	154,447	153,716	154,214	498	0.3%	716	0.5%
Employed	145,362	143,338	142,099	141,748	-351	-0.2%	-4,327	-3.0%
Unemployed	8,924	11,108	11,616	12,467	851	7.3%	5,044	68.0%
Unemployment Rate	5.8%	7.2%	7.6%	8.1%	n.a.	0.5% pts	n.a.	3.3%

## Employment by Place of Work

- From February 2008 to February 2009, Michigan wage and salary employment decreased 277,000 (6.5 percent). State wage and salary employment decreased 21,000 from January. Nationally, February 2009 wage and salary employment fell 4,168,000 (3.0 percent) from a year ago and was down 598,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 16.6 percent from a year ago while private service-producing sector employment decreased 4.9 percent compared to last year. From a year ago, February national employment in the goods-producing sector fell 9.2 percent and decreased 2.5 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 2.4 hours in Michigan compared to last year.

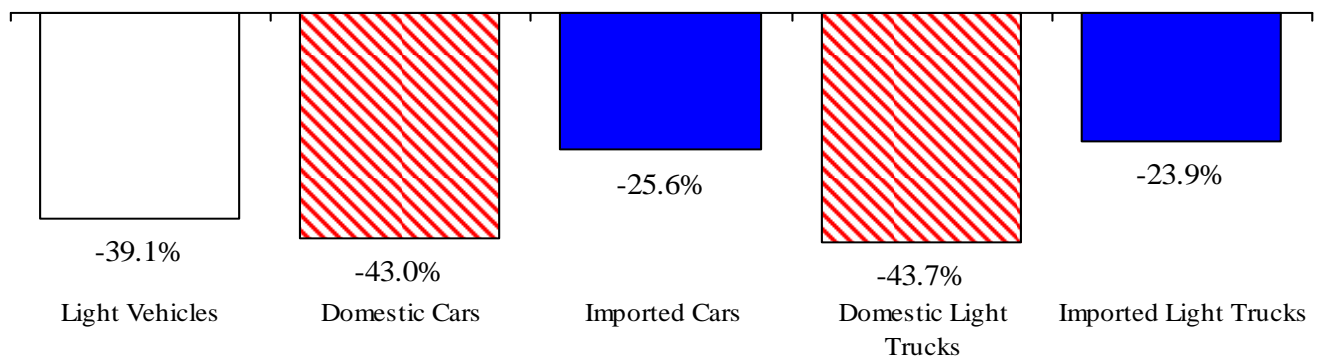
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2008 Average	Feb 2008	Feb 2009	Percent Change	2008 Average	Feb 2008	Feb 2009	Percent Change
Wage & Salary Employment	4,159	4,231	3,954	-6.5%	137,066	137,936	133,768	-3.0%
Goods Producing	737	770	642	-16.6%	21,419	21,887	19,877	-9.2%
Manufacturing	575	600	488	-18.7%	13,431	13,692	12,477	-8.9%
Private Service Producing	2,775	2,814	2,676	-4.9%	93,146	93,628	91,319	-2.5%
Trade, Trans. & Utilities	769	783	733	-6.4%	26,385	26,655	25,615	-3.9%
Services	1,739	1,760	1,687	-4.1%	55,620	55,737	54,884	-1.5%
Local, State & Fed. Gov't	648	648	636	-1.9%	22,500	22,421	22,572	0.7%
Manufacturing Weekly Hours	42.2	43.4	41.0	-2.4 hrs	40.8	41.2	39.6	-1.6 hrs

## Motor Vehicle Industry Sales

- At a 9.1 million unit annual rate, the February 2009 light vehicle sales rate fell 4.7 percent from January. Compared to a year ago, vehicle sales declined by 40.5 percent. The February 2009 sales rate represented the lowest monthly rate since December 1981 when light vehicles sold at an 8.8 million unit rate.
- Compared to February 2008, domestic sales were down 45.4 percent while foreign sales fell 24.9 percent. As a result, the foreign share of U.S. vehicle sales rose very sharply (6.3 percentage points).
- February light truck sales fell 43.2 percent from a year ago, while autos sales declined 37.6 percent. Heavy truck sales fell 40.2 percent.
- Due to a sharply declining sales rate, February 2009 days' supply of light vehicles rose by 28 days from a year ago to 101 days even while inventories fell 16.0 percent.

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



### Motor Vehicle Sales Statistics

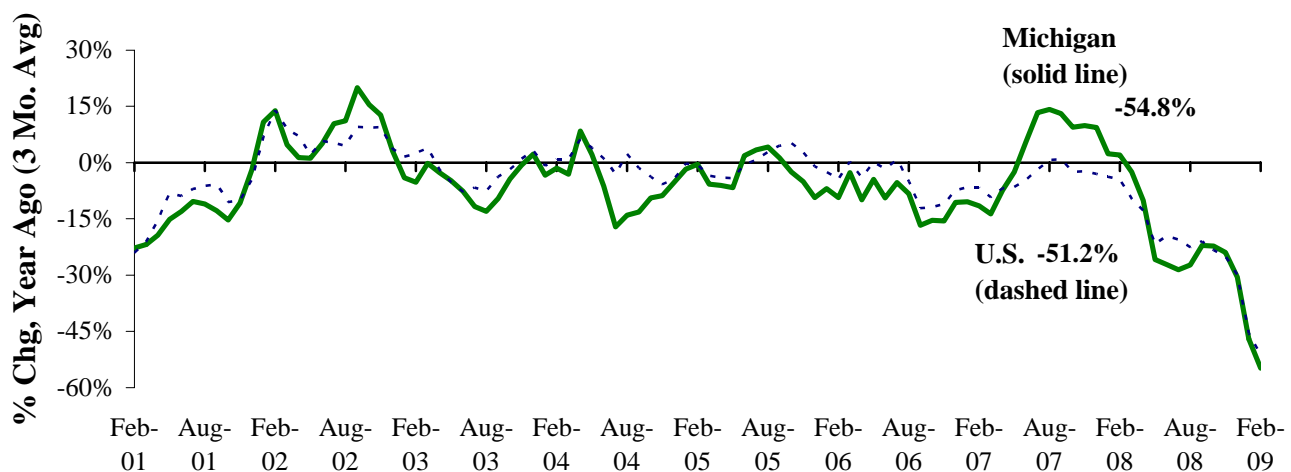
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2008 Average	Dec 2008	Jan 2009	Feb 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.7	5.2	4.6	4.6	4.8	(2.8)	-37.6%
Domestics	4.5	3.6	2.9	2.9	3.1	(2.2)	-43.0%
Imports	2.2	1.6	1.7	1.7	1.7	(0.6)	-26.0%
Import Share	33.0%	30.4%	36.5%	37.7%	34.7%	5.9% pts	
Light Trucks	6.4	5.1	5.0	4.5	4.8	(3.4)	-43.2%
Domestics	5.3	4.1	4.0	3.5	3.9	(3.1)	-47.3%
Imports	1.1	0.9	1.0	1.0	1.0	(0.3)	-22.9%
Import Share	17.1%	18.4%	20.0%	22.7%	20.3%	6.0% pts	
Total Light Vehicles	13.1	10.3	9.5	9.1	9.6	(6.2)	-40.5%
Heavy Trucks	0.3	0.3	0.2	0.2	0.2	(0.1)	-40.2%
Total Vehicles	13.4	10.5	9.8	9.3	9.9	(6.3)	-40.5%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Dec-08</b>	<b>Jan-09</b>	<b>Feb-09</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.340	1.643	1.595	1.495	1.578	0.075	
Days Supply	65	101	132	105	113	42 days	
Total Truck	1.825	1.552	1.441	1.399	1.464	-0.626	
Days Supply	89	86	110	97	98	14 days	

## Motor Vehicle Industry Production

- At 78,563 units, February 2009 Michigan motor vehicle production fell sharply from a year ago (-61.7 percent) as did national production (-54.9 percent). However, production was up sharply from last month's extremely low production, rising 62.4 percent in Michigan and up 42.4 percent nationally.
- Michigan car production dropped 77.5 percent from a year ago while State truck production fell 47.5 percent. Nationally, car production fell 55.5 percent while truck production dropped 54.6 percent.
- From a year ago, Michigan's share of national production fell 3.4 percentage points to 19.1 percent.

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



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Dec 2008	Jan 2009	Feb 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	314.0	212.9	104.1	153.2	156.8	(191.1)	-55.5%
Trucks	414.5	282.3	185.1	258.7	242.0	(311.1)	-54.6%
Total	728.5	495.3	289.3	411.9	398.8	(502.2)	-54.9%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	83.7	59.3	11.6	21.9	30.9	(75.6)	-77.5%
Trucks	70.0	52.8	36.8	56.6	48.8	(51.2)	-47.5%
Total	153.7	112.1	48.4	78.6	79.7	(126.8)	-61.7%
Michigan as % of U.S.	21.1%	22.6%	16.7%	19.1%	20.0%	-3.4% pts	

## February Unemployment Rates

### Rose Substantially in All Major Michigan Labor Market Areas

(Not Seasonally Adjusted)

Compared to a year ago, unemployment rates rose in all 17 major Michigan labor market areas. The median unemployment rate increase was 4.2 percentage points. Ten areas saw rate increases exceeding 4.0 percentage points. Four areas saw increases greater than 5.0 percentage points: Muskegon-Norton Shores MSA (6.4 percentage points), Detroit-Warren-Livonia MSA (6.1 percentage points), Holland-Grand Haven MSA (5.7 percentage points) and Monroe MSA (5.4 percentage points).

Between February 2008 and February 2009, employment fell sharply in all 17 major labor market areas with declines exceeding 5.0 percent in all 17 areas and a median employment decline of 7.7 percent. Six areas saw declines of 8.0 percent or greater: Flint MSA (-9.9 percent), Holland-Grand Haven MSA (-9.3 percent), Grand Rapids-Wyoming MSA (-8.6 percent), Muskegon-Norton Shores MSA (-8.3 percent), Ann Arbor MSA (-8.0 percent) and Battle Creek MSA (-8.0 percent). All areas saw a labor force decline with a median reduction of 2.5 percent. Three areas saw more than a 4.0 percent labor force reduction: Ann Arbor MSA (-5.5 percent), Flint MSA (-5.0 percent) and Grand Rapids-Wyoming MSA (-4.4 percent).

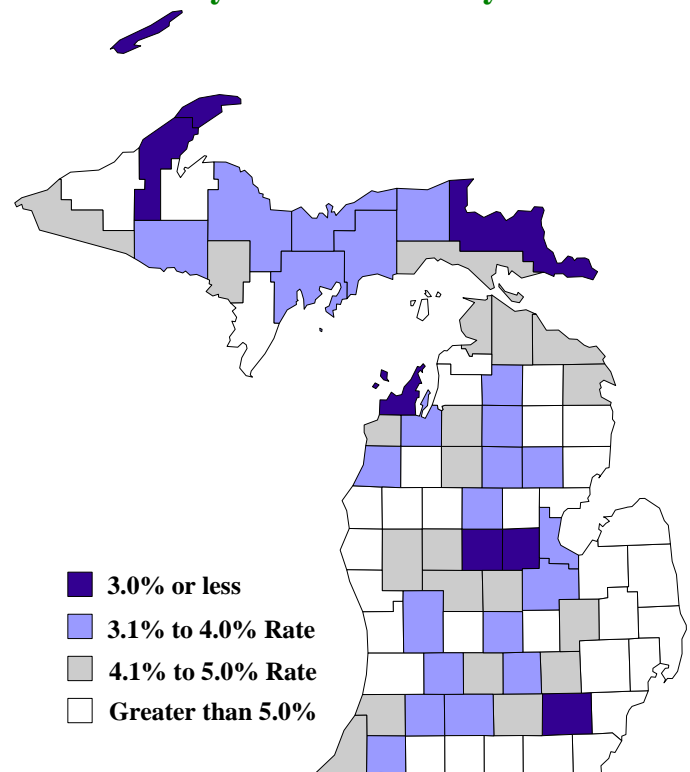
Compared to January 2009, non-seasonally adjusted unemployment rates rose in 12 areas, with a median increase of 0.4 of a percentage point. February 2009 unemployment rates ranged between 7.4 percent (Ann Arbor MSA) to 17.4 percent (Northeast Lower Peninsula).

Between February 2008 and February 2009, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 4.7 percentage points. Twenty counties saw greater than a 6.0 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 7.4 percent (Washtenaw) and 28.0 percent (Mackinac).

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

<u>Local Area</u>	<u>Feb 2008 Rate</u>	<u>Jan 2009 Rate</u>	<u>Feb 2009 Rate</u>
Michigan	7.6%	12.5%	12.8%
Ann Arbor	4.9%	7.3%	7.4%
Battle Creek	7.2%	11.1%	11.2%
Bay City	7.5%	11.4%	11.3%
Detroit-Warren-Livonia	7.5%	13.0%	13.6%
Flint	9.1%	14.8%	13.8%
Grand Rapids-Wyoming	6.4%	10.3%	10.5%
Holland-Grand Haven	6.4%	11.3%	12.1%
Jackson	8.0%	12.1%	12.7%
Kalamazoo-Portage	6.2%	9.6%	9.9%
Lansing-East Lansing	6.2%	10.8%	10.1%
Monroe	7.5%	14.6%	12.9%
Muskegon-Norton Shores	7.8%	13.5%	14.2%
Niles-Benton Harbor	7.7%	11.6%	11.9%
Saginaw-Saginaw Township	7.9%	12.4%	11.8%
Upper Peninsula	9.0%	12.2%	12.8%
Northeast Lower Mich	12.8%	17.0%	17.4%
Northwest Lower Mich.	9.6%	13.8%	14.1%

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



## U.S. Economic Conditions

	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	55.3	60.1	61.2	56.3	-14.5 points
ISM Manufacturing Index <sup>(i)</sup>	36.6	32.9	35.6	35.8	-13.0 points
ISM Non Manufacturing Index <sup>(i)</sup>	33.3	38.9	44.2	40.2	-10.8 points
	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	
Business Executives' Confidence <sup>(j)</sup>	38.0	39.0	40.0	24.0	-15.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	212.4	210.2	211.1	212.2	0.2%
Detroit CPI	NA	198.0	NA	201.9	-0.2%
U.S. Producer Price Index	172.1	168.8	170.3	170.1	-1.3%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.30%	0.04%	0.12%	0.31%	-1.90% points
Aaa Corporate Bonds <sup>(m)</sup>	6.15%	5.08%	5.05%	5.27%	-0.26% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>	104.9	102.4	100.3	98.8	-11.8%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>	74.6%	72.7%	71.3%	70.2%	-9.9% points
<b>RETAIL SALES <sup>(n)</sup></b>	\$351.8	\$341.0	\$347.2	\$346.8	-8.6%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.655	0.558	0.477	0.583	-47.3%
Existing Home Sales <sup>(p)</sup>	4.540	4.740	4.490	4.720	-4.6%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>	\$181.0	\$172.7	\$159.2	\$164.7	-23.8%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>% Change From Year Ago</u>
Michigan	\$350.3	\$355.7	\$354.0	\$352.5	1.3%
U.S.	\$11,939.0	\$12,130.9	\$12,150.9	\$12,125.4	2.4%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,646.0	\$11,727.4	\$11,712.4	\$11,522.1	-6.3%

**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.