



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## February 2010 Summary

**U.S. Economy:** The ISM manufacturing index reported its seventh straight reading above 50 (signaling expansion); the ISM non-manufacturing composite index remained above 50 for the second consecutive month. Compared to the prior month, both industrial production and capacity utilization rose for the eighth straight month. Consumer sentiment fell slightly from last month but was up 17.3 points from last year. Housing starts were essentially flat compared to a year ago, while existing home sales were up 7.0 percent. Retail sales, excluding motor vehicle and gasoline sales, rose 2.0 percent from a year ago (three-month average). The durable goods average, excluding defense and aircraft, was up 5.4 percent.

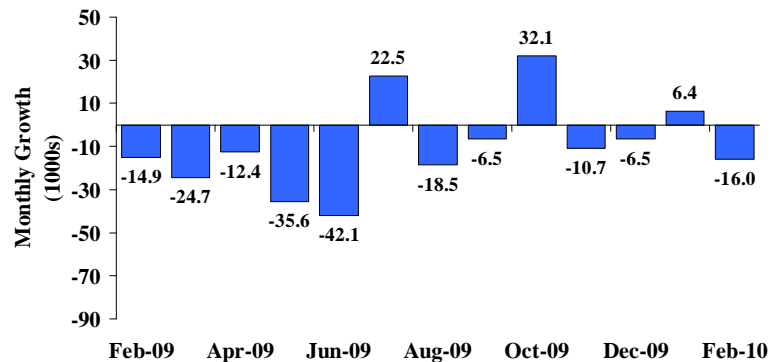
**Employment:** Michigan employment fell by 16,000 jobs from December and was down 112,000 jobs from a year ago. National employment fell by 36,000 jobs in February. Compared to January, Michigan's unemployment rate fell 0.2 of a percentage point while the U.S. rate was unchanged. Michigan's unemployment rate (14.1 percent) remained the highest among the fifty states.

**Auto Industry:** In February 2010, the light vehicle sales rate fell 4.0 percent from January 2010 to a 10.3 million unit annual rate. However, vehicle sales were up 13.1 percent compared to a year ago. Vehicle inventories dropped by 25.2 percent compared to February 2009. In February 2010, Michigan vehicle production rose 48.8 percent compared to a year ago; national vehicle production increased 40.6 percent.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 2.1 percent. The U.S. CPI excluding food and energy rose 1.3 percent. The overall producer price index increased 4.4 percent while the core producer price index increased 1.0 percent. At \$76.42 a barrel, oil prices remained around \$75 a barrel for the fifth straight month.

**Michigan Metro Areas:** From February 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 4.3 percent.

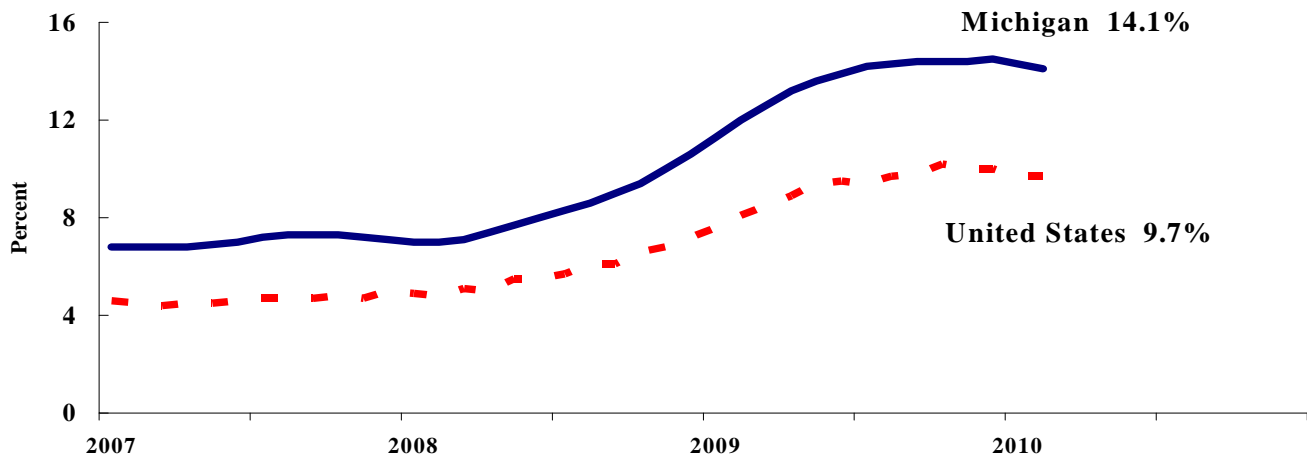
## Michigan Employment Falls In February<sup>(a)</sup>



## Labor Market Statistics

- Michigan's February unemployment rate decreased by 0.2 percentage points from last month to 14.1 percent, and the current Michigan jobless rate is 2.1 percentage points above a year ago. The February U.S. unemployment rate remained unchanged at 9.7 percent and was 1.6 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 2007 to 2010



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 4,160,000, up 13,000 from last month, while the labor force increased by 4,000. The statewide total number of unemployed decreased by 9,000 to 684,000.
- United States household employment totaled 138.6 million persons in February, up 308,000 from January. The labor force rose by 342,000 from last month, which meant there were 34,000 more unemployed people nationally, compared to January.

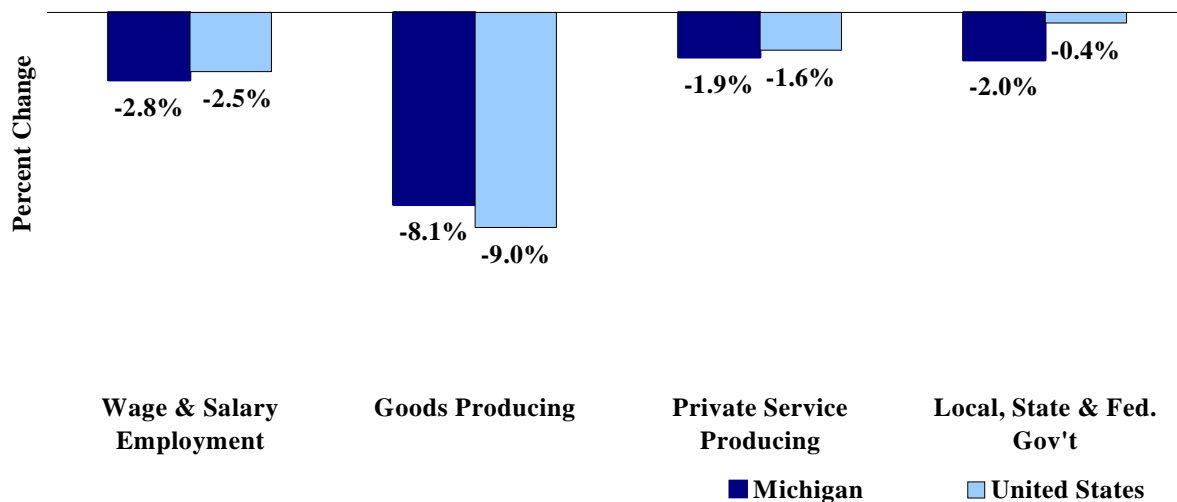
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2009 Average	Dec 2009	Jan 2010	Feb 2010	Change From			
					Prior Month Level	%	Last Year Level	%
<b>Michigan</b>								
Labor Force	4,889	4,836	4,840	4,844	4	0.1%	-83	-1.7%
Employed	4,224	4,136	4,147	4,160	13	0.3%	-174	-4.0%
Unemployed	665	700	693	684	-9	-1.3%	92	15.5%
Unemployment Rate	13.6%	14.5%	14.3%	14.1%	n.a.	-0.2% pts	n.a.	2.1%
<b>United States</b>								
Labor Force	154,142	153,059	153,170	153,512	342	0.2%	-702	-0.5%
Employed	139,877	137,792	138,333	138,641	308	0.2%	-3,107	-2.2%
Unemployed	14,265	15,267	14,837	14,871	34	0.2%	2,404	19.3%
Unemployment Rate	9.3%	10.0%	9.7%	9.7%	n.a.	0.0% pts	n.a.	1.6%

## Employment by Place of Work

- From February 2009 to February 2010, Michigan wage and salary employment decreased 112,000 (2.8 percent). State wage and salary employment decreased 16,000 from January. Nationally, February 2009 wage and salary employment fell 3,297,000 (2.5 percent) from a year ago and was down 36,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 8.1 percent from a year ago while private service-producing sector employment decreased 1.9 percent compared to last year. From a year ago, February national employment in the goods-producing sector fell 9.0 percent and decreased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 1.7 hours in Michigan compared to last year.

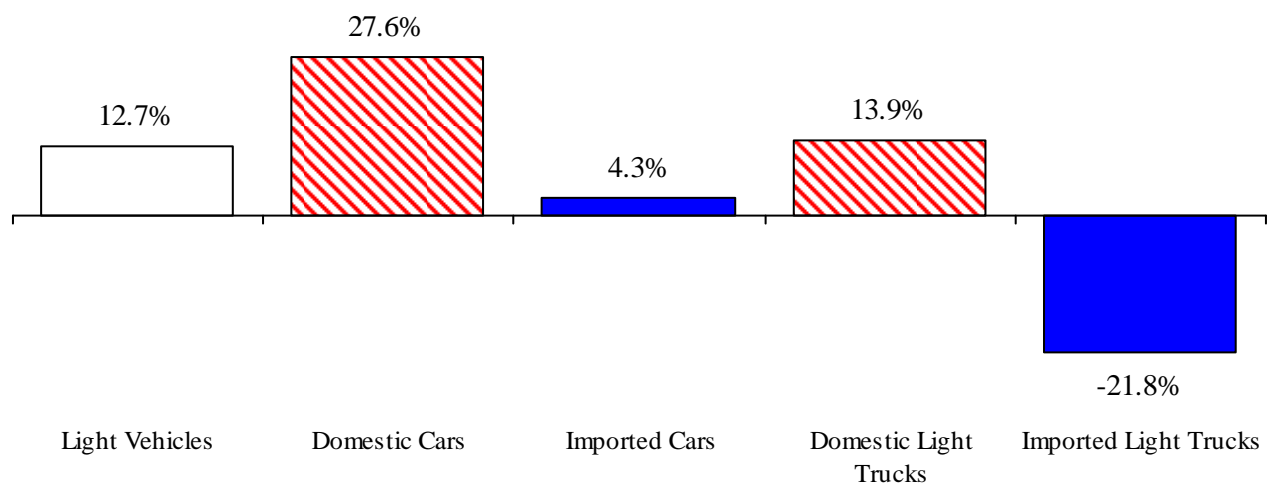
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2009 Average	Feb 2009	Feb 2010	Percent Change	2009 Average	Feb 2009	Feb 2010	Percent Change
Wage & Salary Employment	3,876	3,947	3,835	-2.8%	130,912	132,823	129,526	-2.5%
Goods Producing	597	632	581	-8.1%	18,620	19,559	17,793	-9.0%
Manufacturing	462	485	455	-6.2%	11,883	12,377	11,555	-6.6%
Private Service Producing	2,633	2,669	2,619	-1.9%	89,749	90,695	89,263	-1.6%
Trade, Trans. & Utilities	717	733	703	-4.1%	24,947	25,330	24,623	-2.8%
Services	1,670	1,684	1,678	-0.4%	54,236	54,598	54,280	-0.6%
Local, State & Fed. Gov't	647	649	636	-2.0%	22,544	22,569	22,470	-0.4%
Manufacturing Weekly Hours	39.3	41.4	43.1	1.7 hrs	39.3	39.1	39.5	0.4 hrs

## Motor Vehicle Industry Sales

- At a 10.3 million unit rate, February 2010 light vehicle sales fell 4.0 percent from January 2010. However, February 2010 light vehicle sales were up 13.1 percent from a year ago.
- Compared to January 2010, February 2010 domestic sales decreased 3.3 percent while foreign sales fell 5.9 percent. Domestic sales rose 22.3 percent compared to a year ago while foreign sales declined 8.7 percent. Consequently, the foreign share of U.S. light vehicle sales dropped very sharply from a year ago (-5.7 percentage points) to 23.9 percent.
- Auto sales fell 3.6 percent compared to January 2010, but rose sharply compared to a year ago (17.1 percent). Light truck sales fell 4.4 percent from January but increased 9.0 percent from February 2009. Heavy truck sales rose 3.6 percent compared to a year ago.
- In February 2010, light vehicle inventories shrank 25.2 percent from a year ago. At 67 days, days supply fell 4 days from January 2010 and were down by 34 days from a year ago.

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



### Motor Vehicle Sales Statistics

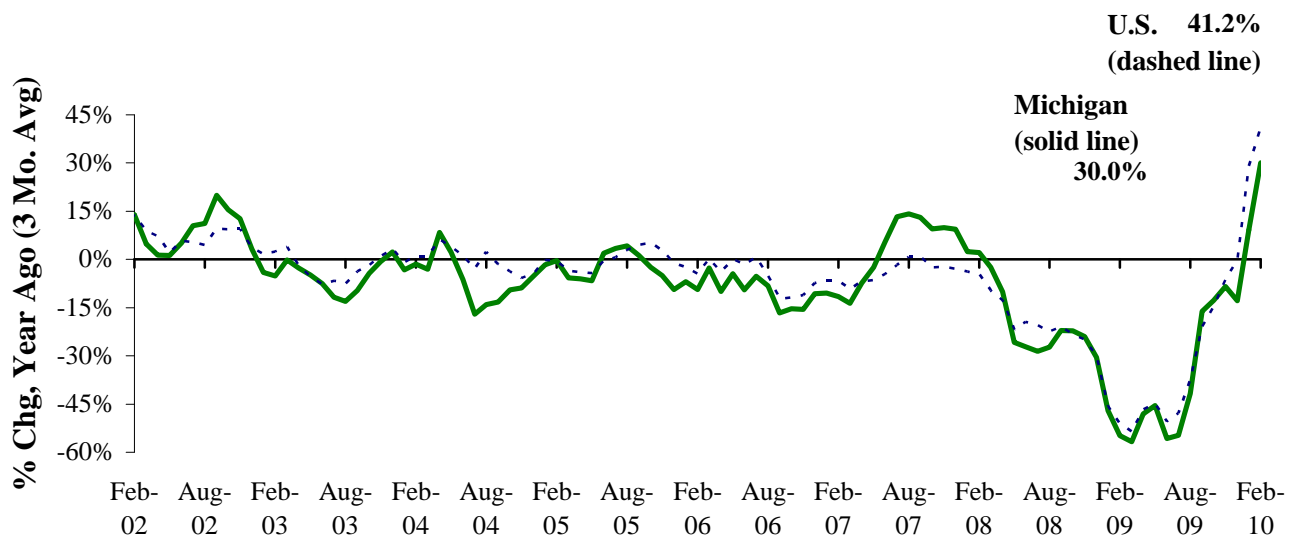
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2009 Average	Dec 2009	Jan 2010	Feb 2010	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.4	5.9	5.7	5.4	5.7	0.8	17.1%
Domestics	3.6	4.1	3.8	3.7	3.9	0.8	27.3%
Imports	1.8	1.8	1.9	1.7	1.8	(0.0)	-0.3%
Import Share	33.7%	30.3%	32.8%	31.5%	31.5%	-5.5% pts	
Light Trucks	4.9	5.3	5.1	4.9	5.1	0.4	9.0%
Domestics	4.0	4.4	4.3	4.1	4.3	0.6	18.2%
Imports	0.9	0.8	0.8	0.8	0.8	(0.2)	-23.3%
Import Share	17.9%	16.2%	15.2%	15.5%	15.6%	-6.5% pts	
Total Light Vehicles	10.3	11.2	10.8	10.3	10.8	1.2	13.1%
Heavy Trucks	0.2	0.2	0.2	0.2	0.2	(0.0)	3.6%
Total Vehicles	10.5	11.4	11.0	10.5	11.0	1.2	12.9%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>							
Total Car	1.159	1.031	1.077	1.116	1.074	-0.381	
Days Supply	70	56	71	67	65	-38 days	
Total Truck	1.057	0.899	0.982	1.050	0.977	-0.351	
Days Supply	68	49	70	67	62	-30 days	

## Motor Vehicle Industry Production

- At 116,937 units, February 2010 Michigan motor vehicle production rose sharply (48.8 percent) from a year ago. Similarly, national production rose 40.6 percent. Compared to January 2010, Michigan production rose 18.8 percent while national production was flat.
- Michigan car production increased 78.4 percent from a year ago, and State truck production rose 37.4 percent. Nationally, car production grew 47.8 percent while truck production increased 36.3 percent.
- From a year ago, Michigan's share of national production rose by 1.1 percentage points to 20.2 percent.

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



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2009					Change from Year Ago	
	Monthly Average	Dec 2009	Jan 2010	Feb 2010	3 Month Average	for the Month Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	194.2	220.3	224.0	226.4	223.6	73.3	47.8%
Trucks	285.2	311.2	355.2	352.5	339.6	93.8	36.3%
Total	479.5	531.4	579.2	579.0	563.2	167.1	40.6%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	42.5	40.5	33.6	39.1	37.7	17.2	78.4%
Trucks	53.0	54.9	64.9	77.8	65.9	21.2	37.4%
Total	95.5	95.4	98.5	116.9	103.6	38.4	48.8%
Michigan as % of U.S.	19.9%	17.9%	17.0%	20.2%	18.4%	1.1% pts	

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

February 2010 area unemployment rates ranged between 8.9 percent (Ann Arbor MSA) and 19.9 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. Northwest Lower Michigan saw the largest increase (2.9 percentage points) while the Lansing-East Lansing MSA saw the smallest increase (0.9 percentage points).

Between February 2009 and February 2010, employment fell in all 17 major labor market areas with a median employment decline of 4.3 percent. The Monroe MSA saw the largest employment drop (-6.6 percent), followed by the Muskegon-Norton Shores MSA (-5.9 percent) and Northeast Lower Michigan (-5.5 percent) and the Jackson MSA (-5.5 percent). All 17 areas saw a labor force decline with a median drop of -2.0 percent. Labor force changes ranged between -0.3 percent (Saginaw-Saginaw Township MSA) and -4.4 percent (Monroe MSA).

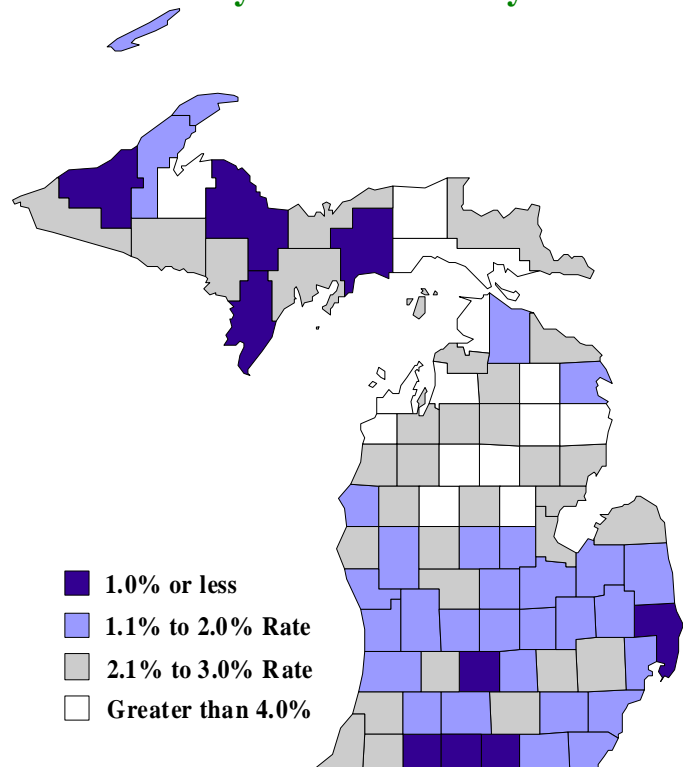
Compared to last month, most areas saw small declines in their non-seasonally adjusted unemployment rate with a median decrease of 0.3 percentage points.

Between February 2009 and February 2010, the unemployment rate rose in 81 Michigan counties with a median increase of 2.1 percentage points. The unemployment rate fell in Ontonagon County (-0.4 of a percentage point) and was unchanged in Branch County. Two counties saw February 2010 unemployment rates below 10.0 percent (Washtenaw, 8.9 percent and Isabella, 9.7 percent). Fifty-four counties reported rates higher than 15.0 percent. Ten counties saw rates above 20.0 percent.

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

<u>Local Area</u>	<u>Feb 2009 Rate</u>	<u>Jan 2010 Rate</u>	<u>Feb 2010 Rate</u>
Michigan	12.9%	14.9%	14.6%
Ann Arbor	7.5%	9.3%	8.9%
Battle Creek	11.1%	12.9%	12.6%
Bay City	11.3%	14.3%	14.0%
Detroit-Warren-Livonia	13.8%	15.6%	15.3%
Flint	13.8%	16.4%	15.8%
Grand Rapids-Wyoming	10.7%	12.7%	12.4%
Holland-Grand Haven	12.4%	14.0%	13.7%
Jackson	12.5%	15.2%	14.8%
Kalamazoo-Portage	9.9%	12.6%	12.2%
Lansing-East Lansing	10.3%	11.7%	11.2%
Monroe	13.2%	15.8%	15.1%
Muskegon-Norton Shores	14.3%	16.6%	16.3%
Niles-Benton Harbor	12.3%	15.2%	14.6%
Saginaw-Saginaw Township	11.9%	14.2%	13.7%
Upper Peninsula	12.9%	15.1%	14.8%
Northeast Lower Mich	17.4%	20.0%	19.9%
Northwest Lower Mich.	14.2%	17.3%	17.1%

### Unemployment Rate Change February 2009 – February 2010<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	67.4	72.5	74.4	73.6	17.3 points
ISM Manufacturing Index <sup>(i)</sup>	53.7	54.9	58.4	56.5	20.8 points
ISM Non Manufacturing Index <sup>(i)</sup>	48.4	49.8	50.5	53.0	10.9 points
	<u>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	
Business Executives' Confidence <sup>(j)</sup>	30.0	55.0	63.0	64.0	40.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	216.3	215.9	216.7	216.7	2.1%
Detroit CPI	NA	203.9	NA	203.4	0.7%
U.S. Producer Price Index	176.2	176.2	178.3	177.3	4.4%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.05%	0.07%	0.06%	0.10%	-0.21% points
Aaa Corporate Bonds <sup>(m)</sup>	5.19%	5.26%	5.26%	5.35%	0.08% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	99.5	100.0	100.9	101.0	1.7%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	71.4%	71.8%	72.5%	72.7%	2.0% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$354.5	\$353.8	\$354.3	\$355.5	3.9%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.579	0.573	0.611	0.575	0.2%
Existing Home Sales <sup>(p)</sup>	6.490	5.440	5.050	5.020	7.0%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$167.4	\$170.5	\$177.2	\$178.1	10.9%
<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 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>2009.1</u>	<u>2009.2</u>	<u>2009.3</u>	<u>2009.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$12,925.4	\$12,901.5	\$12,973.0	\$13,149.5	5.6%

**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.