



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## May 2009 Summary

**U.S. Economy:** At a 532,000 unit rate, housing starts rose from April's record low, but remained 45.2 percent below a year ago. Capacity utilization fell to a new record low (68.3 percent), down 10.6 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 2.6 percent from a year ago (3-month average). While consumer sentiment rose for the third consecutive month and was up 8.9 points from a year ago, it remained at historically low levels (68.7). First quarter personal income reported its smallest year-ago quarterly increase in over 50 years (0.8 percent).

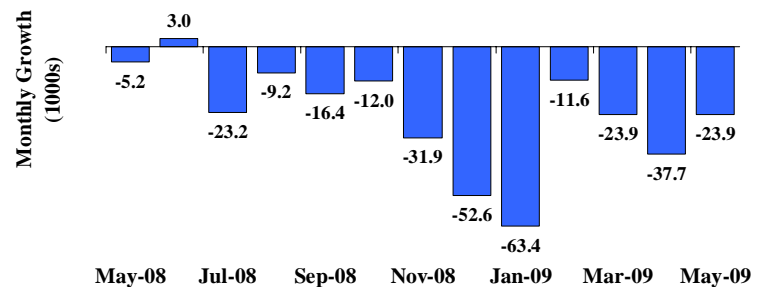
**Employment:** Employment fell sharply both in Michigan and nationally – although less so than in April. Both the Michigan and the U.S. unemployment rates rose to their highest levels since 1983. At 14.1 percent, Michigan reported the highest state unemployment rate.

**Auto Industry:** May light vehicle sales fell 30.4 percent from a year ago to a 9.9 million unit rate, but were up 6.4 percent from last month. May Michigan vehicle production fell sharply both from a year ago and from April as did national production. Year-to-date, vehicle production is down by more than 50 percent both in Michigan and nationally.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was down 1.3 percent; the core CPI increased 1.8 percent. Overall producer prices declined 5.0 percent, but core producer prices rose 3.0 percent. Oil prices, at \$59.16 a barrel, were up \$9.37 from April 2009, but down \$66.23 from a year ago.

**Michigan Metro Areas:** From May 2008, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 5.4 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 8.7 percent. Unemployment rates ranged between 9.1 percent (Ann Arbor MSA) and 16.5 percent (Flint MSA).

## Michigan Economy Loses Over 300,000 Jobs in Past Year<sup>(a)</sup>



Jeff Guilfoyle  
Director

Thomas Patchak-Schuster  
Senior Economist

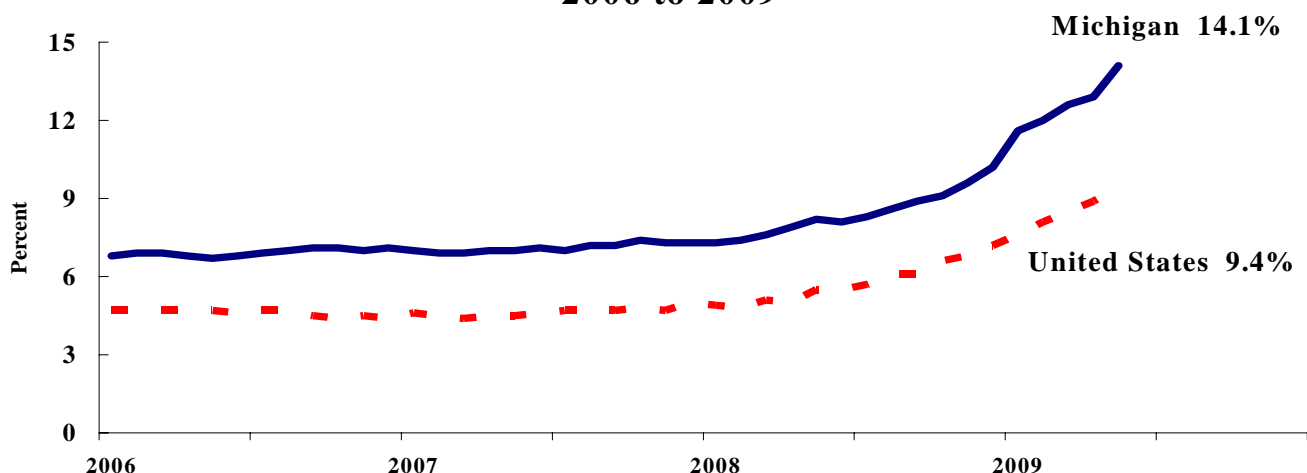
Andrew Lockwood  
Economist

Mindy Parshall  
Analyst

### Labor Market Statistics

- Michigan’s May monthly unemployment rate increased by 1.2 percentage points from last month to 14.1 percent, and the current Michigan jobless rate is 5.9 percentage points above a year ago. The May U.S. unemployment rate increased 0.5 percentage points to 9.4 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 May, the number of people employed in Michigan was 4,167,000, down 54,000 from last month, while the labor force increased by 1,000. The statewide total number of unemployed increased by 55,000 to 682,000.
- United States household employment totaled 140.6 million persons in May, down 437,000 from April. The labor force rose by 350,000 from last month, which meant that there were 787,000 more unemployed people nationally, compared to April.

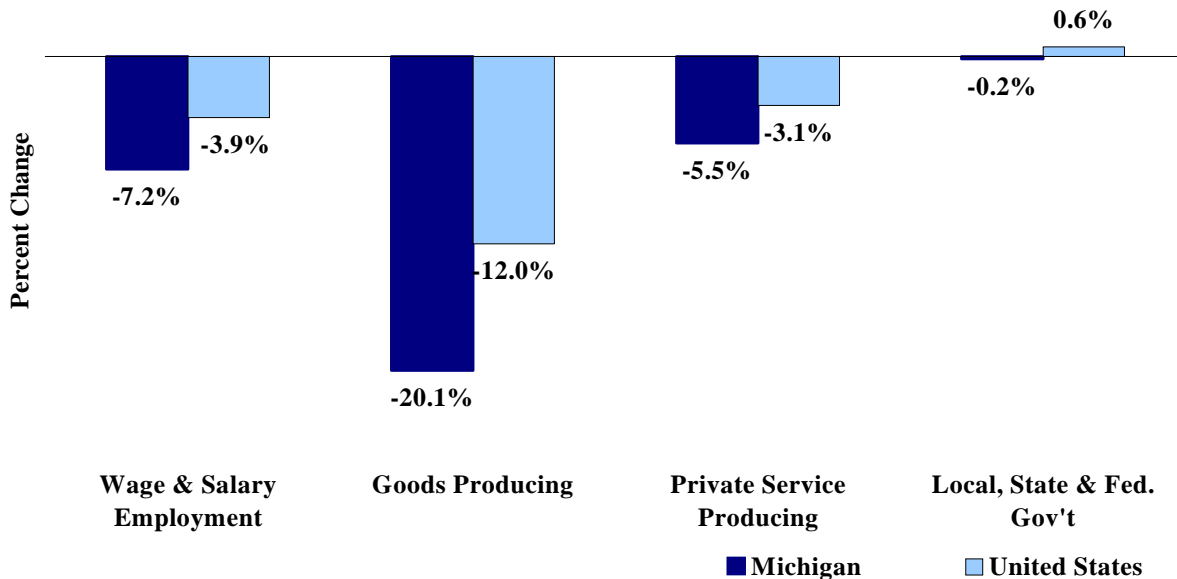
#### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2008 Average	Mar 2009	Apr 2009	May 2009	Change From				
					Prior Month		Last Year		
						Level	%	Level	%
<b>Michigan</b>									
Labor Force	4,936	4,841	4,848	4,849	1	0.0%	-106	-2.1%	
Employed	4,519	4,232	4,221	4,167	-54	-1.3%	-380	-8.3%	
Unemployed	416	609	627	682	55	8.8%	274	67.2%	
Unemployment Rate	8.4%	12.6%	12.9%	14.1%	n.a.	1.2% pts	n.a.	5.9%	
<b>United States</b>									
Labor Force	154,287	154,048	154,731	155,081	350	0.2%	571	0.4%	
Employed	145,362	140,887	141,007	140,570	-437	-0.3%	-5,404	-3.7%	
Unemployed	8,924	13,161	13,724	14,511	787	5.7%	5,975	70.0%	
Unemployment Rate	5.8%	8.5%	8.9%	9.4%	n.a.	0.5% pts	n.a.	3.9%	

### Employment by Place of Work

- From May 2008 to May 2009, Michigan wage and salary employment decreased 303,000 (7.2 percent). State wage and salary employment decreased 24,000 from April. Nationally, May 2009 wage and salary employment fell 5,366,000 (3.9 percent) from a year ago and was down 345,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 20.1 percent from a year ago while private service-producing sector employment decreased 5.5 percent compared to last year. From a year ago, May national employment in the goods-producing sector fell 12.0 percent and decreased 3.1 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 2.6 hours in Michigan compared to last year.

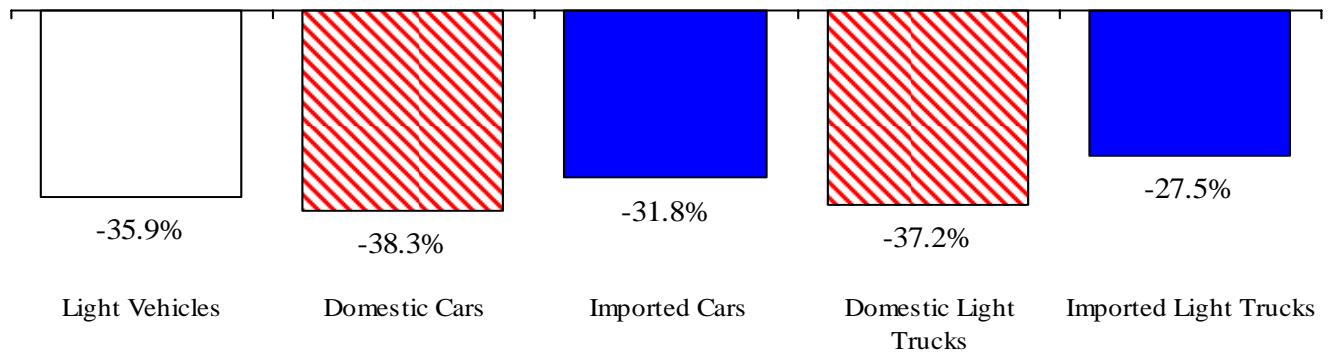
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2008 Average	May 2008	May 2009	Percent Change	2008 Average	May 2008	May 2009	Percent Change
Wage & Salary Employment	4,159	4,180	3,878	-7.2%	137,066	137,517	132,151	-3.9%
Goods Producing	737	740	591	-20.1%	21,419	21,612	19,021	-12.0%
Manufacturing	575	576	455	-21.0%	13,431	13,556	11,986	-11.6%
Private Service Producing	2,775	2,796	2,641	-5.5%	93,146	93,417	90,502	-3.1%
Trade, Trans. & Utilities	769	775	721	-7.0%	26,385	26,503	25,310	-4.5%
Services	1,739	1,752	1,672	-4.6%	55,620	55,722	54,549	-2.1%
Local, State & Fed. Gov't	648	646	645	-0.2%	22,500	22,488	22,628	0.6%
Manufacturing Weekly Hours	42.2	40.4	37.8	-2.6 hrs	40.8	40.9	39.3	-1.6 hrs

### Motor Vehicle Industry Sales

- At a 9.9 million unit annual rate, the May 2009 light vehicle sales rate rose 6.4 percent from April. Compared to a year ago, light vehicle sales declined sharply, falling by 30.4 percent.
- Compared to May 2008, domestic sales were down 28.8 percent while foreign sales fell 34.8 percent. As a result, the foreign share of U.S. vehicle sales fell 1.7 percentage points.
- May light truck sales fell 22.0 percent from a year ago, while autos sales declined 37.2 percent. Heavy truck sales fell 42.5 percent.
- Light vehicle inventories shrank 25.9 percent from a year ago. May 2009 days' supply of light vehicles was up 5 days compared to a year ago, but down by 19 days from April 2009.

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



### Motor Vehicle Sales Statistics

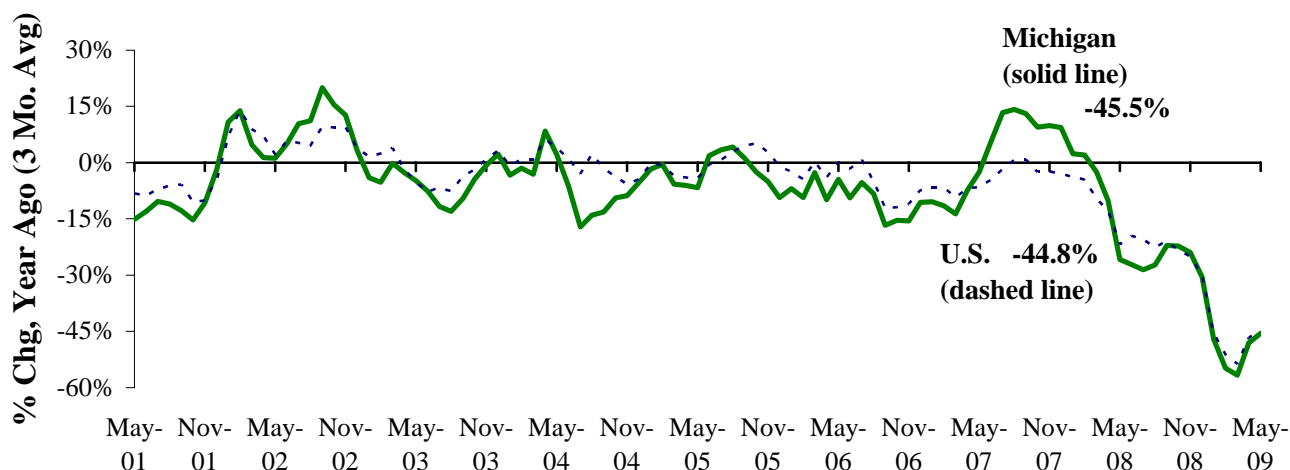
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2008 Average	Mar 2009	Apr 2009	May 2009	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.7	5.1	4.8	5.0	4.9	(2.9)	-37.2%
Domestics	4.5	3.3	3.2	3.3	3.2	(1.9)	-36.7%
Imports	2.2	1.8	1.6	1.7	1.7	(1.0)	-38.1%
Import Share	33.0%	35.6%	33.6%	33.8%	34.4%	-0.5%	pts
Light Trucks	6.4	4.7	4.5	4.9	4.7	(1.4)	-22.0%
Domestics	5.3	3.8	3.7	4.1	3.9	(1.1)	-20.9%
Imports	1.1	1.0	0.8	0.8	0.9	(0.3)	-26.9%
Import Share	17.1%	20.3%	17.3%	16.9%	18.2%	-1.1%	pts
Total Light Vehicles	13.1	9.8	9.3	9.9	9.7	(4.3)	-30.4%
Heavy Trucks	0.3	0.2	0.2	0.2	0.2	(0.1)	-42.5%
Total Vehicles	13.4	10.0	9.5	10.1	9.9	(4.5)	-30.7%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Mar-09</b>	<b>Apr-09</b>	<b>May-09</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.340	1.458	1.374	1.228	1.353	0.013	
Days Supply	65	82	83	66	77	25 days	
Total Truck	1.826	1.346	1.288	1.115	1.250	-0.833	
Days Supply	90	82	86	66	78	-23 days	

### Motor Vehicle Industry Production

- At 60,623 units, May 2009 Michigan motor vehicle production fell sharply from a year ago (-58.8 percent) as did national production (-51.2 percent). Production was down from last month, falling 33.2 percent in Michigan and down 19.3 percent nationally. Numerous plant shut downs weighed heavily on vehicle production.
- Michigan car production dropped 67.0 percent from a year ago while State truck production fell 46.3 percent. Nationally, car production fell 49.7 percent while truck production dropped 52.1 percent.
- From a year ago, Michigan’s share of national production fell significantly (3.1 percentage points) to 16.8 percent.

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



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2008 Average	Mar 2009	Apr 2009	May 2009	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	314.0	182.5	164.5	150.1	165.7	(148.5)	-49.7%
Trucks	414.5	293.4	281.8	210.3	261.8	(228.8)	-52.1%
Total	728.5	475.9	446.3	360.3	427.5	(377.3)	-51.2%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	83.7	49.6	36.2	29.2	38.4	(59.4)	-67.0%
Trucks	70.0	61.3	54.6	31.4	49.1	(27.1)	-46.3%
Total	153.7	110.9	90.8	60.6	87.4	(86.5)	-58.8%
Michigan as % of U.S.	21.1%	23.3%	20.3%	16.8%	20.5%	-3.1 pts	

## May Unemployment Rates Rose Substantially in All Major Labor Markets Employment Plummeted in All 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 5.4 percentage points. Ten areas saw rate increases exceeding 5.0 percentage points. Four areas saw increases of 6.0 percentage points or greater: Muskegon-Norton Shores MSA (7.6 percentage points), Monroe MSA (7.5 percentage points), Detroit-Warren-Livonia MSA (6.6 percentage points) and Holland-Grand Haven MSA (6.2 percentage points).

Between May 2008 and May 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 8.7 percent. The Upper Peninsula saw the smallest decline (-6.9 percent). Eight areas saw declines greater than 9.0 percent. Two areas experienced employment drops exceeding 10.0 percent: Holland-Grand Haven MSA (-11.3 percent) and Muskegon-Norton Shores MSA (-10.4 percent). All areas saw a labor force decline with a median reduction of 3.0 percent. Six areas saw more than a 4.0 percent labor force reduction: Holland-Grand Haven MSA (-4.9 percent), Ann Arbor MSA (-4.8 percent), Grand Rapids-Wyoming MSA (-4.5 percent), Lansing-East Lansing MSA (-4.4 percent), Battle Creek MSA (-4.3 percent) and Niles-Benton Harbor (-4.3 percent).

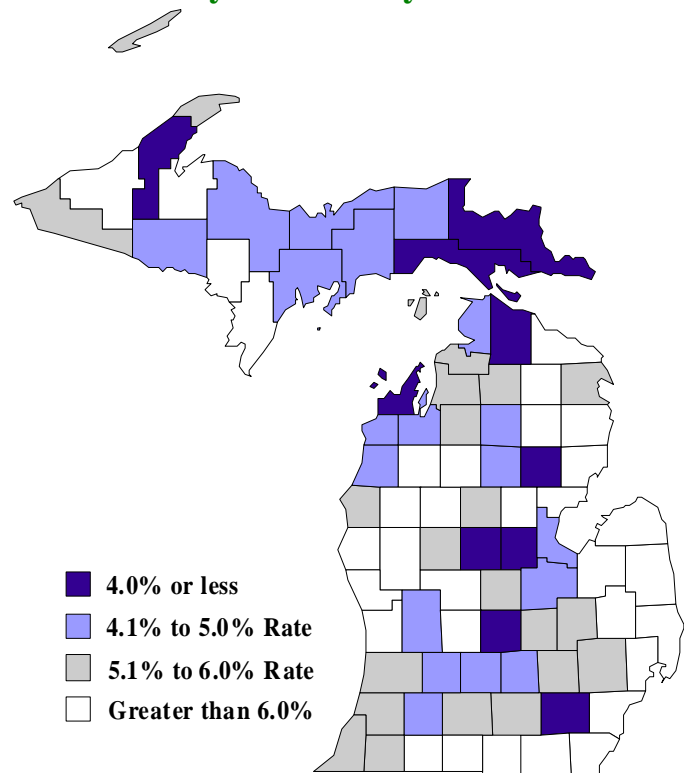
Compared to April 2009, non-seasonally adjusted unemployment rates rose in 14 areas, with a median increase of 1.3 percentage points. April 2009 unemployment rates ranged between 9.1 percent (Ann Arbor MSA) to 16.5 percent (Flint MSA).

Between May 2008 and May 2009, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 5.7 percentage points. Nineteen counties saw greater than a 7.0 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 8.1 percent (Mackinac) and 26.2 percent (Baraga). Thirty-one counties recorded an unemployment rate greater than 15.0 percent.

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

<u>Local Area</u>	<u>May 2008 Rate</u>	<u>Apr 2009 Rate</u>	<u>May 2009 Rate</u>
Michigan	8.0%	12.6%	13.9%
Ann Arbor	6.0%	7.8%	9.1%
Battle Creek	7.3%	11.4%	12.7%
Bay City	7.8%	11.5%	12.5%
Detroit-Warren-Livonia	8.3%	13.5%	14.9%
Flint	10.9%	14.2%	16.5%
Grand Rapids-Wyoming	6.8%	10.5%	11.7%
Holland-Grand Haven	6.7%	11.5%	12.9%
Jackson	8.1%	12.7%	14.1%
Kalamazoo-Portage	6.3%	9.7%	10.8%
Lansing-East Lansing	7.0%	9.6%	11.3%
Monroe	8.7%	14.3%	16.2%
Muskegon-Norton Shores	8.2%	14.2%	15.8%
Niles-Benton Harbor	7.4%	11.6%	12.8%
Saginaw-Saginaw Township	8.9%	11.8%	13.5%
Upper Peninsula	7.9%	12.9%	12.6%
Northeast Lower Mich	9.5%	16.4%	15.1%
Northwest Lower Mich.	8.0%	13.7%	13.1%

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



## U.S. Economic Conditions

	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	56.3	57.3	65.1	68.7	8.9 points
ISM Manufacturing Index <sup>(i)</sup>	35.8	36.3	40.1	42.8	-6.5 points
ISM Non Manufacturing Index <sup>(i)</sup>	40.2	44.1	45.2	42.4	-10.5 points
	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	
Business Executives' Confidence <sup>(j)</sup>	39.0	40.0	24.0	30.0	-8.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	212.2	212.7	213.2	213.9	-1.3%
Detroit CPI	201.9	NA	202.4	NA	-1.4%
U.S. Producer Price Index	170.1	168.9	169.9	170.8	-5.0%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.31%	0.25%	0.17%	0.15%	-1.56% points
Aaa Corporate Bonds <sup>(m)</sup>	5.27%	5.50%	5.39%	5.54%	-0.03% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	99.4	97.6	96.9	95.8	-13.4%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	70.7%	69.4%	69.0%	68.3%	-10.6% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$343.4	\$339.2	\$338.4	\$340.0	-9.6%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	0.574	0.521	0.454	0.532	-45.2%
Existing Home Sales <sup>(p)</sup>	4.710	4.550	4.660	4.770	-3.6%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$161.8	\$158.3	\$161.1	\$163.9	-23.3%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2008.2</u>	<u>2008.3</u>	<u>2008.4</u>	<u>2009.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,727.4	\$11,712.4	\$11,522.1	\$11,360.5	-5.5%

**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.