

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The preliminary estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated the economy grew at a 2.8% annual rate in the third quarter, down from the advance estimate of 3.5%. The revisions reflected higher imports and slower consumption and business investment than initially estimated. Despite the revisions, the economy grew at the strongest rate since the third quarter of 2007 and consumption exhibited the strongest growth since the first quarter of 2007. Partially reflecting the impact of the Federal "cash for clunkers" program, nearly half of the improvement in consumption reflected motor vehicle expenditures and motor vehicle output accounted for 52.0% of the net growth in the economy during the third quarter.
- **Retail sales** increased 1.4% in October from the September level, but were still 2.1% below the level one year ago. October motor vehicle and parts sales increased 7.4% compared with the September level, while most sectors exhibited weak growth. However, sectors associated with the housing market, such as furniture, building supplies and appliances, exhibited declines.
- The **U.S. unemployment rate** increased from 9.8% in September to 10.2% in October, the highest rate since April 1983 and above the year-ago rate of 6.6%. The increases in the unemployment rate understate the changes in the economy, as 903,000 people have exited the labor force since October 2008 and 31,000 left between September and October 2009. Had they remained in the labor force seeking jobs, the rate would have been higher.
- **House starts** dropped 10.6% in October from the September level and were down 30.7% from one year ago. October starts were at their weakest level since April 2009 and October was the fourth weakest month in records dating to 1959.



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- **Michigan's unemployment rate** decreased from 15.3% in September to 15.1% in October; the second time in four months the rate fell after 12 consecutive months of increases between June 2008 and June 2009. The monthly decline occurred even though the labor force grew by 16,000, as employment increased by 22,000 jobs.
 - In October, for a sixth consecutive month, **average weekly earnings** exhibited strong year-over-year growth in most sectors. Three sectors exhibited year-over-year growth rates exceeding 9.0%: construction (9.7%), food/beverage stores (9.6%), and financial activities (9.4%). While the wholesale trade, retail trade and professional/business services sectors all exhibited declines, no other sector exhibited year-over-year growth of less than 4.2%.
 - October **revenue from Michigan's major taxes** was down 15.7% from one year ago. The most significant declines were in sales tax revenue (-17.6%), withholding (-11.1%), and the use tax (-15.9%). Most taxes exhibited year-over-year declines, although revenue collections were higher for tobacco taxes, the casino tax, and the insurance tax. Real estate transfer taxes were up 15.7%, the second time in four months this revenue exhibited year-over-year growth, after 38 months of consecutive year-over-year declines.



OCTOBER 2009

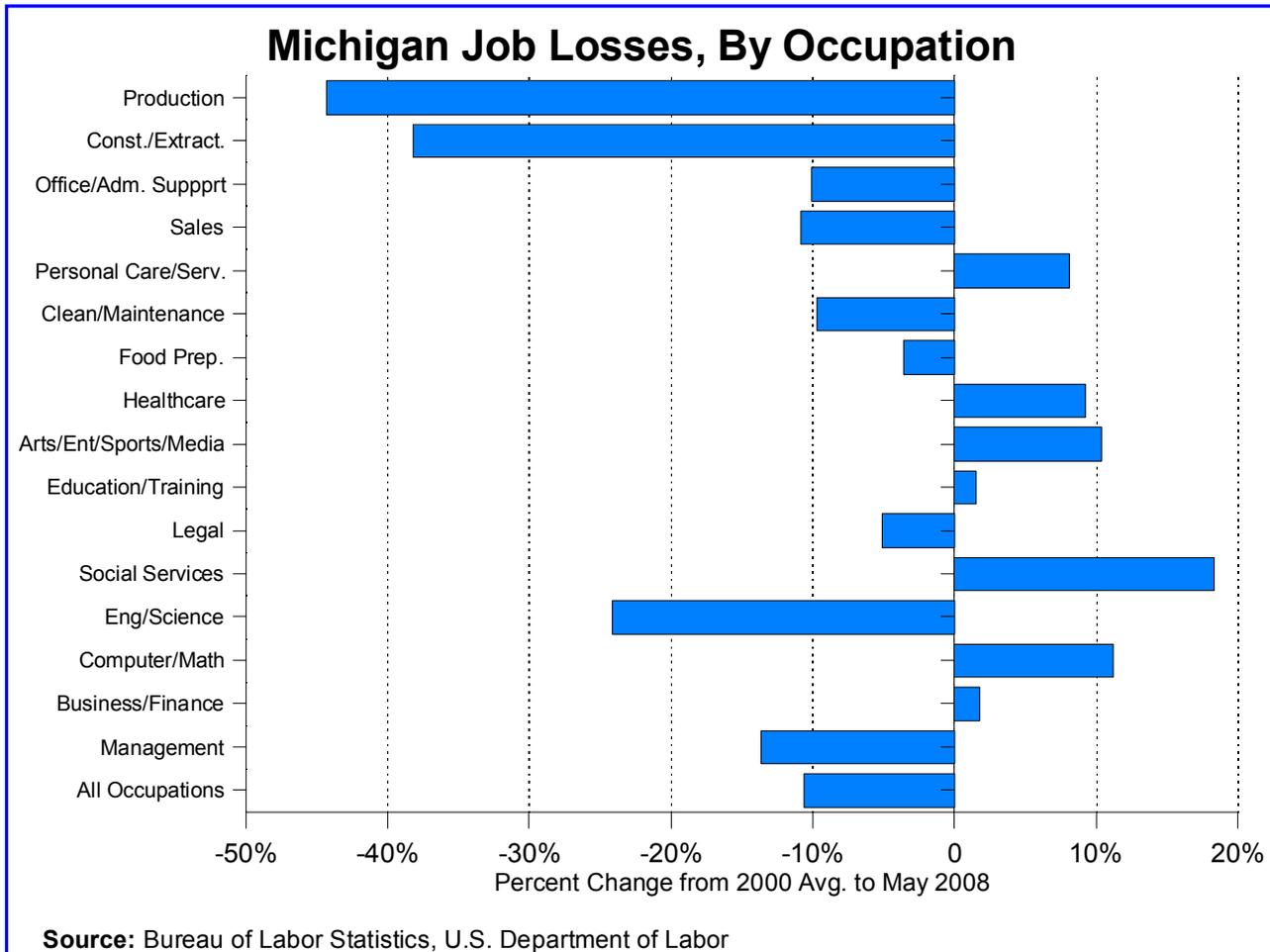
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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

| U.S. | Oct. 2009 | Sept. 2009 | Oct. 2008 | Change from Sept. | | Change from Year Ago | |
|-------------------|-----------|------------|-----------|-------------------|---------|----------------------|---------|
| | | | | Number | Percent | Number | Percent |
| Labor Force | 153,975 | 154,006 | 154,878 | (31) | (0.0)% | (903) | (0.6)% |
| Employment | 138,275 | 138,864 | 144,657 | (589) | (0.4) | (6,382) | (4.4) |
| Unemployment | 15,700 | 15,142 | 10,221 | 558 | 3.7 | 5,479 | 53.6 |
| Unemployment Rate | 10.2% | 9.8% | 6.6% | --- | --- | --- | --- |

| Michigan | Oct. 2009 | Sept. 2009 | Oct. 2008 | Change from Sept. | | Change from Year Ago | |
|-------------------|-----------|------------|-----------|-------------------|---------|----------------------|---------|
| | | | | Number | Percent | Number | Percent |
| Labor Force | 4,849 | 4,833 | 4,912 | 16 | 0.3% | (63) | (1.3)% |
| Employment | 4,116 | 4,094 | 4,463 | 22 | 0.5 | (347) | (7.8) |
| Unemployment | 733 | 739 | 449 | (6) | (0.8) | 284 | 63.4 |
| Unemployment Rate | 15.1% | 15.3% | 9.1% | --- | --- | --- | --- |

Source: Bureau of Labor Statistics, U.S. Department of Labor



**MICHIGAN WAGE AND SALARY EMPLOYMENT
(Seasonally adjusted, thousands)**

| | Oct. 2009* | Sept. 2009 | Oct. 2008 | <u>Change from Sept.</u> | | <u>Change from Yr Ago</u> | |
|-------------------------------------|---------------|---------------|--------------|--------------------------|---------|---------------------------|---------|
| | | | | Number | Percent | Number | Percent |
| Total Wage & Salary Jobs | 3,860 | 3,821 | 4,123 | 39 | 1.0% | (263) | (6.4)% |
| Goods Producing Industries | 595 | 587 | 718 | 8 | 1.4 | (123) | (17.2) |
| Mining and Logging | 8 | 7 | 8 | 0 | 1.4 | (1) | (6.3) |
| Construction | 123 | 118 | 150 | 5 | 4.6 | (26) | (17.6) |
| Manufacturing | 464 | 461 | 560 | 3 | 0.5 | (96) | (17.2) |
| Transportation Equipment | 121 | 121 | 165 | 1 | 0.5 | (44) | (26.6) |
| Service Producing Industries | 3,265 | 3,235 | 3,405 | 31 | 0.9 | (140) | (4.1) |
| Trade, Transportation & Utilities | 701 | 703 | 761 | (3) | (0.4) | (61) | (7.9) |
| Wholesale Trade | 148 | 147 | 165 | 1 | 1.0 | (17) | (10.4) |
| Retail Trade | 442 | 445 | 474 | (3) | (0.7) | (32) | (6.7) |
| Transportation & Utilities | 111 | 112 | 123 | (1) | (1.0) | (12) | (9.4) |
| Information | 54 | 55 | 61 | (1) | (0.9) | (7) | (11.4) |
| Financial Activities | 189 | 189 | 202 | 1 | 0.3 | (12) | (6.1) |
| Professional & Business Services | 512 | 486 | 546 | 25 | 5.2 | (35) | (6.3) |
| Education & Health Services | 622 | 611 | 613 | 11 | 1.8 | 9 | 1.5 |
| Leisure & Hospitality Services | 382 | 386 | 399 | (4) | (1.1) | (18) | (4.5) |
| Other Services | 170 | 170 | 176 | 0 | 0.1 | (6) | (3.1) |
| Government | 636 | 635 | 647 | 1 | 0.1 | (11) | (1.7) |

Source: Bureau of Labor Statistics, U.S. Department of Labor

* Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS

| Industry | <u>Average Weekly Hours</u> | | | <u>Average Weekly Earnings</u> | | |
|----------------------------------|-----------------------------|----------|----------------|--------------------------------|----------|----------------|
| | Sept. 2009 | Year Ago | Percent Change | Sept. 2009 | Year Ago | Percent Change |
| Construction | 37.5 | 34.6 | 8.4% | \$828.38 | \$754.97 | 9.7% |
| Manufacturing | 43.9 | 41.7 | 5.3 | 946.48 | 908.23 | 4.2 |
| Durable Goods | 45.7 | 43.2 | 5.8 | 1,070.75 | 1,018.66 | 5.1 |
| Transportation Equipment Mfg. | 45.0 | 42.3 | 6.4 | 1,253.70 | 1,187.36 | 5.6 |
| Motor Vehicle Parts Mfg. | 44.9 | 41.8 | 7.4 | 1,147.20 | 1,063.81 | 7.8 |
| Nondurable Goods | 39.0 | 37.0 | 5.4 | 611.52 | 568.32 | 7.6 |
| Wholesale Trade | 37.0 | 38.5 | (3.9) | 694.86 | 746.90 | (7.0) |
| Retail Trade | 28.9 | 30.3 | (4.6) | 368.19 | 376.63 | (2.2) |
| Food & Beverage Stores | 24.2 | 27.5 | (12.0) | 340.98 | 311.03 | 9.6 |
| Information | 31.3 | 33.2 | (5.7) | 816.93 | 762.27 | 7.2 |
| Financial Activities | 35.9 | 34.7 | 3.5 | 754.62 | 689.84 | 9.4 |
| Professional & Business Services | 33.6 | 33.5 | 0.3 | 655.20 | 670.34 | (2.3) |
| Health Care & Social Assistance | 34.6 | 33.9 | 2.1 | 638.02 | 593.59 | 7.5 |
| Leisure & Hospitality | 22.8 | 22.2 | 2.7 | 216.60 | 204.68 | 5.8 |
| Accommodation & Food Services | 22.9 | 22.4 | 2.2 | 212.05 | 200.70 | 5.7 |

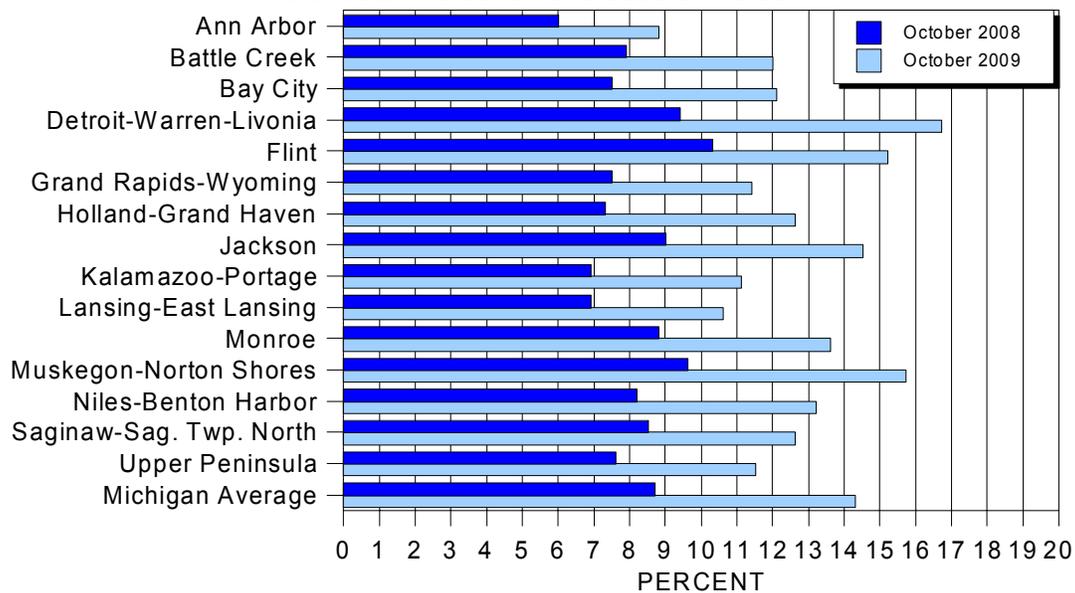
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

| | Oct. 2009 | Sept. 2009 | Aug. 2009 | Oct. 2008 |
|--|-----------|------------|-----------|--------------|
| Metropolitan Statistical Areas | | | | |
| Ann Arbor | 8.8% | 9.3% | 9.4% | 6.0% |
| Battle Creek | 12.0 | 12.4 | 12.5 | 7.9 |
| Bay City | 12.1 | 12.3 | 12.1 | 7.5 |
| Detroit-Warren-Livonia | 16.7 | 17.3 | 17.0 | 9.4 |
| Flint | 15.2 | 15.8 | 16.1 | 10.3 |
| Grand Rapids-Wyoming | 11.4 | 11.9 | 12.0 | 7.5 |
| Holland-Grand Haven | 12.6 | 12.8 | 12.9 | 7.3 |
| Jackson | 14.5 | 14.9 | 15.1 | 9.0 |
| Kalamazoo-Portage | 11.1 | 11.7 | 11.6 | 6.9 |
| Lansing-East Lansing | 10.6 | 11.0 | 11.3 | 6.9 |
| Monroe | 13.6 | 14.2 | 14.8 | 8.8 |
| Muskegon-Norton Shores | 15.7 | 16.0 | 16.2 | 9.6 |
| Niles-Benton Harbor | 13.2 | 13.5 | 13.4 | 8.2 |
| Saginaw-Saginaw Twp North | 12.6 | 12.9 | 12.9 | 8.5 |
| Multi-County Areas | | | | |
| Northeast Lower Michigan | 14.7 | 14.2 | 14.3 | 10.0 |
| Northwest Lower Michigan | 13.2 | 13.1 | 12.5 | 8.9 |
| Upper Peninsula | 11.5 | 11.5 | 11.7 | 7.6 |
| Michigan Statewide Average | | | | |
| -- Unadjusted (comparable to figures shown above) | 14.3 | 14.8 | 14.7 | 8.7 |
| Source: Michigan Department of Energy, Labor, and Economic Growth | | | | *Preliminary |

Michigan Regional Unemployment Rates

October 2008 and October 2009

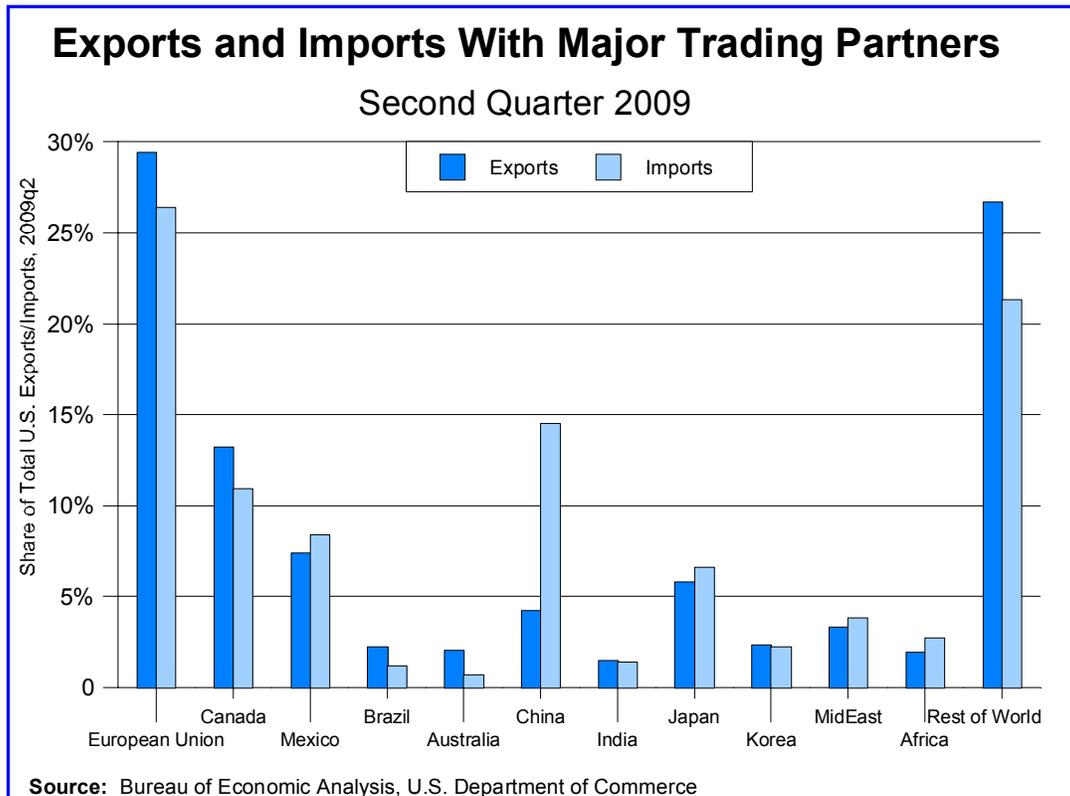


Source: Michigan Department of Energy, Labor, and Economic Growth

| MOTOR VEHICLE SALES AND PRODUCTION STATISTICS (Thousands of Units) | | | | | | | |
|---|-----------|------------|-----------|-----------|------------------|----------------------|-------------------------|
| | Oct. 2009 | Sept. 2009 | Aug. 2009 | July 2009 | Year Ago Oct. | Percent Change From: | |
| | | | | | | Oct./Sept. | Oct. 2009/ Oct. 2008 |
| Motor Vehicle Sales¹⁾ (thousands of units, SAAR) | | | | | | | |
| Autos | 5,448 | 4,968 | 7,985 | 6,158 | 5,729 | 9.7% | (4.9)% |
| Domestics | 3,654 | 3,268 | 5,266 | 4,159 | 3,838 | 11.8 | (4.8) |
| Imports | 1,794 | 1,700 | 2,719 | 1,999 | 1,891 | 5.5 | (5.1) |
| Import Share | 32.9% | 34.2% | 34.1% | 32.5% | 33.0% | --- | --- |
| Light Trucks | 4,985 | 4,216 | 6,087 | 5,065 | 5,051 | 18.2 | (1.3) |
| Domestics | 4,223 | 3,462 | 4,896 | 4,169 | 4,131 | 22.0 | 2.2 |
| Imports | 762 | 754 | 1,191 | 896 | 920 | 1.1 | (17.2) |
| Import Share | 15.3% | 17.9% | 19.6% | 17.7% | 18.2% | --- | --- |
| Subtotal: Light Vehicle Sales | 10,433 | 9,184 | 14,072 | 11,223 | 10,780 | 13.6 | (3.2) |
| Heavy Trucks | 193 | 201 | 187 | 198 | 267 | (4.0) | (27.7) |
| Total Vehicle Sales | 10,626 | 9,385 | 14,259 | 11,421 | 11,047 | 13.2 | (3.8) |
| U.S. Motor Vehicle Production¹⁾ (millions of units, SAAR) | | | | | | | |
| Autos | 2,880 | 2,840 | 2,539 | 2,208 | 3,722 | 1.4 | (22.6) |
| Michigan Motor Vehicle Production²⁾ (thousands of units, SAAR) | | | | | | | |
| Autos | 828 | 905 | 631 | 532 | 938 | (8.6) | (11.7) |
| Trucks | 757 | 958 | 620 | 870 | 946 | (21.0) | (20.0) |
| Total | 1,584 | 1,863 | 1,251 | 1,402 | 1,883 | (15.0) | (15.9) |
| Michigan Production as % of U.S. | 22.2% | 24.3% | 20.3% | 17.3% | 23.8% | --- | --- |
| U.S. Motor Vehicle Inventories³⁾ | | | | | | | |
| Total Car | 996 | 826 | 765 | 1,029 | 1,495 | 20.6 | (33.4) |
| Days Supply | 63 | 50 | 26 | 46 | 91 | 26.0 | (30.8) |
| Total Truck | 881 | 769 | 667 | 800 | 1,617 | 14.6 | (45.5) |
| Days Supply | 63 | 58 | 34 | 49 | 111 | 8.6 | (43.2) |

SAAR = Seasonally Adjusted at Annual Rates.

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 3) Automotive News, Crain Communications, Inc. (ending inventory).



OTHER KEY ECONOMIC INDICATORS

| Variable | Latest Period | Actual Data | | | Percent Chng From | |
|---|------------------|---------------|-----------------|------------|-------------------|----------|
| | | Latest Period | Previous Period | Year Ago | Previous Period* | Year Ago |
| Index of Consumer Sentiment , monthly ¹⁾ (1996 Q1=100) | Oct. | 70.6 | 73.5 | 57.6 | (3.9)% | 22.6% |
| Oil Prices ²⁾ (\$ per barrel, West Texas Intermediate Crude) | Oct. | \$75.82 | \$69.46 | \$76.65 | 9.2 | (1.1) |
| Housing Starts, U.S. ³⁾ (thousands of units, SAAR) | Oct. | 529 | 592 | 763 | (10.6) | (30.7) |
| Retail Sales, U.S. ³⁾ (billions, seasonally adjusted) | Oct. | \$309.1 | \$304.8 | \$315.8 | 1.4 | (2.1) |
| Industrial Production Index ⁴⁾ (1997=100, seasonally adjusted) | Oct. | 98.6 | 98.6 | 106.2 | 0.1 | (7.1) |
| Capacity Utilization ⁴⁾ (% of total capacity, seasonally adjusted) | Oct. | 70.7 | 70.5 | 75.4 | 0.2 | (6.4) |
| Consumer Price Index ⁵⁾ (1982-84=100) | | | | | | |
| U.S. (seasonally adjusted) | Oct. | 216.4 | 215.8 | 216.9 | 3.4 | (0.2) |
| Detroit (not seasonally adjusted) | Oct. | 205.1 | 204.7 | 205.2 | 1.2 | (0.1) |
| Interest Rates | | | | | | |
| 3-month Treasury Bill ⁴⁾ | Oct. | 0.08% | 0.13% | 0.84% | --- | --- |
| Corporate Aaa Bonds ⁴⁾ | Oct. | 5.15% | 5.13% | 6.28% | --- | --- |
| Real Gross Domestic Product ⁶⁾ (billions of 2005 \$, SAAR, Chain-Weighted) | 2009 3rd Qtr. | \$12,990.3 | \$12,901.5 | \$13,324.6 | 2.8 | (2.5) |
| Michigan Tax Collections ⁷⁾ (12 major taxes, millions) | Oct. 2008 | \$2,604.7 | \$1,922.0 | \$3,090.9 | NM | (15.7) |

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Reuters/University of Michigan Surveys of Consumers. 2) Dow Jones & Company/Federal Reserve Bank of St. Louis.

3) U.S. Department of Commerce, Bureau of the Census. 4) Board of Governors of the Federal Reserve System. 5) U.S. Department of Labor, Bureau of Labor Statistics. 6) U.S. Department of Commerce, Bureau of Economic Analysis. 7) Michigan Department of Treasury and the Senate Fiscal Agency.

