



National and State Economic Outlook

Prepared for:
Association of Businesses
Advocating Tariff Equity

October 13, 2009

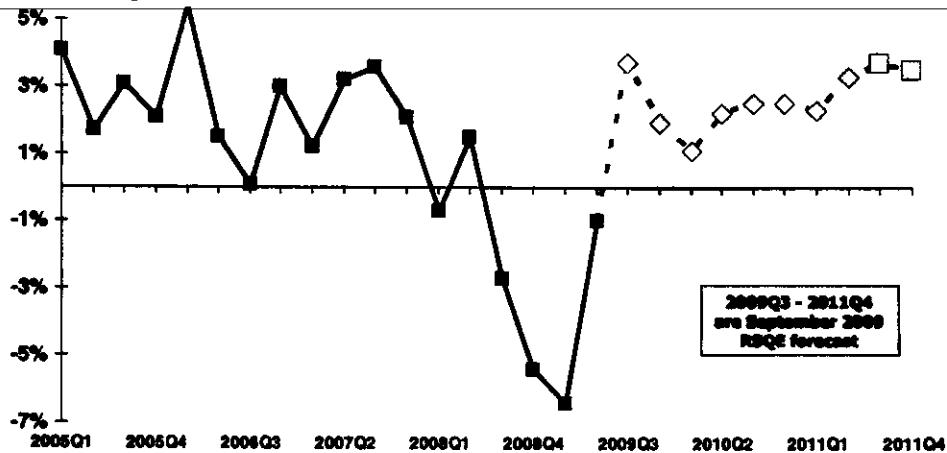


Mitchell E. Bean, Director



GDP Forecast

Percent Change

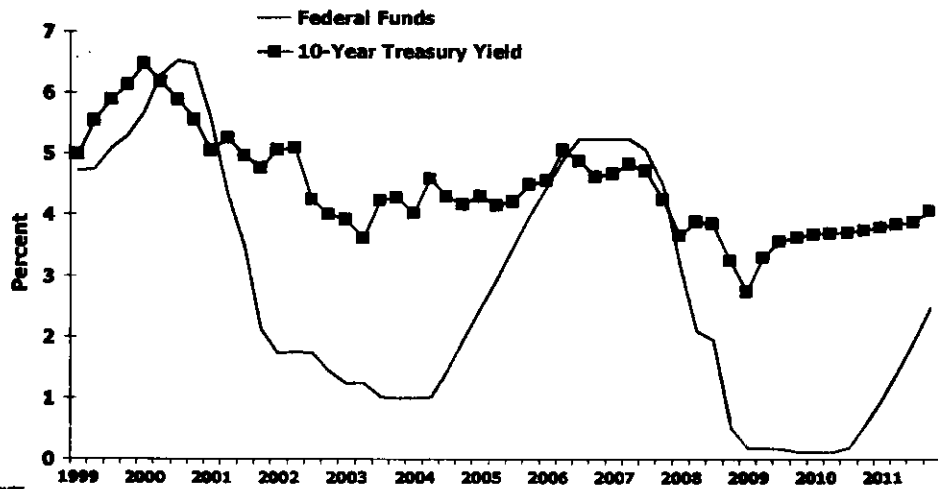


Source: U.S. Bureau of Economic Analysis and University of Michigan RSQE September 2009 Forecast

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Interest Rates



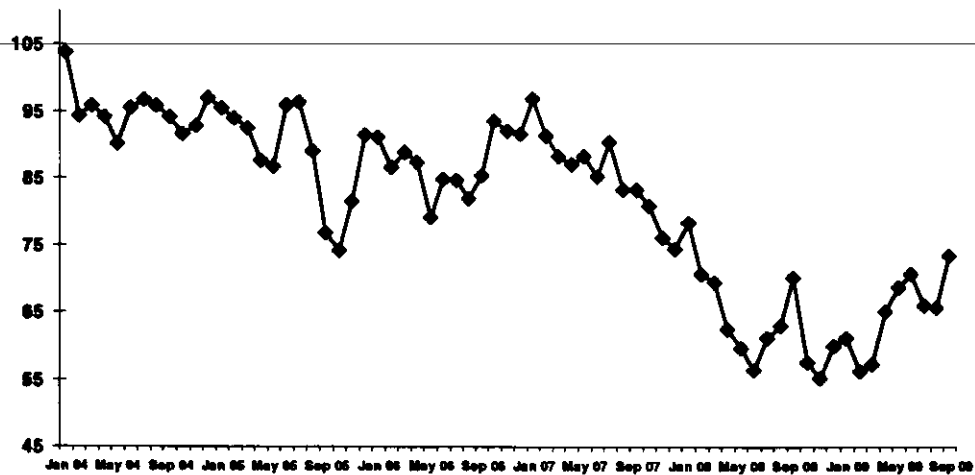
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Source: IHS Global Insight, September 2009

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Index of Consumer Sentiment January 2004 Through September 2009



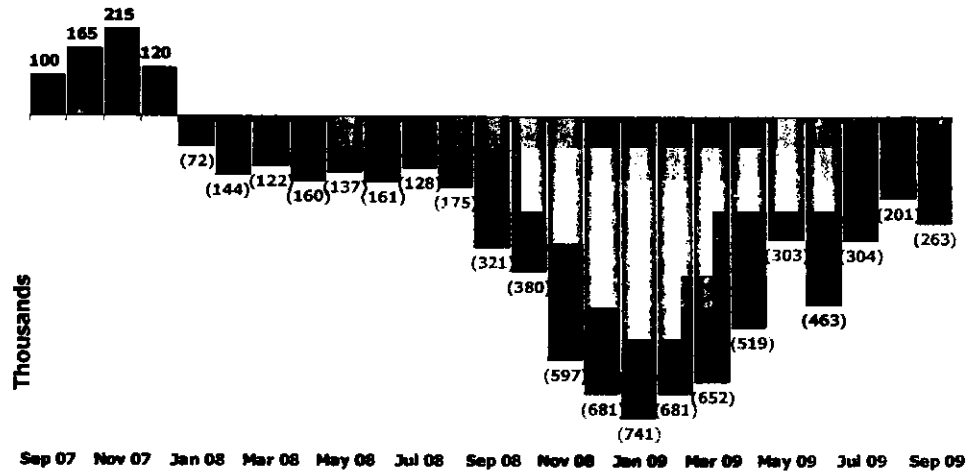
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Source: University of Michigan Index of Consumer Sentiment

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U.S. Economy Has Lost 2.0 Million Jobs in Six Months



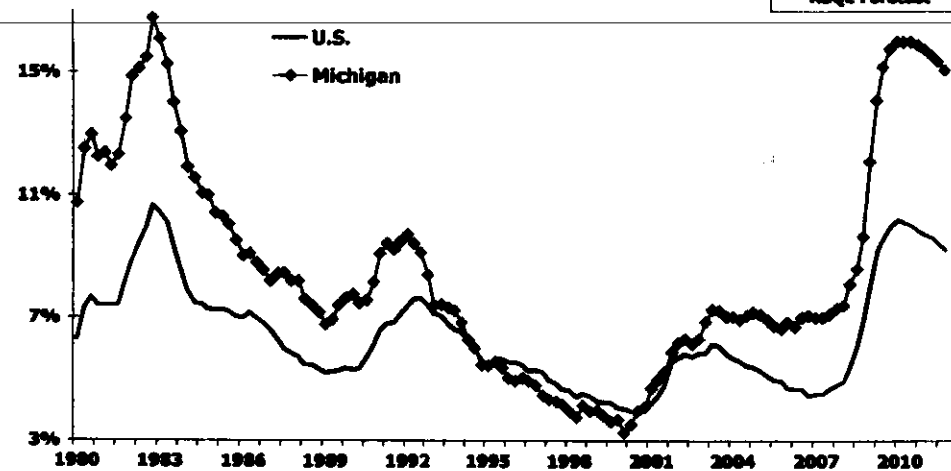
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Source: U.S. Bureau of Labor Statistics, U.S. Department of Labor

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U.S. and Michigan Unemployment Rates



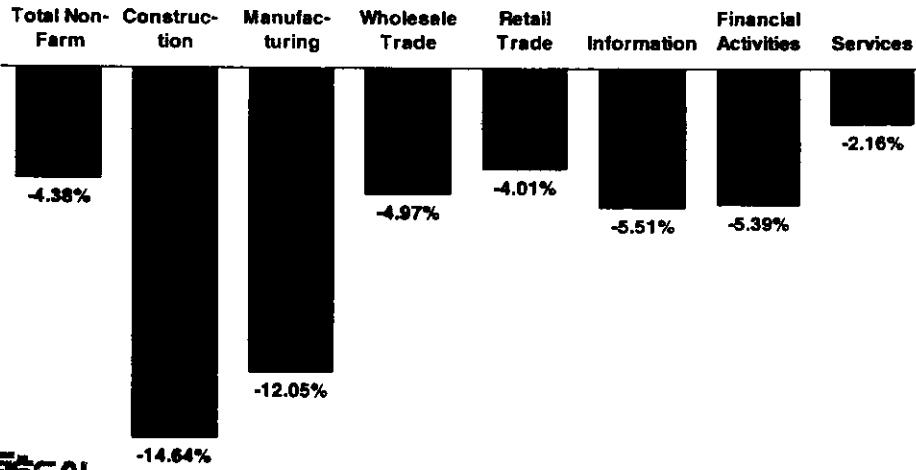
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Sources: U.S. Bureau of Labor Statistics and University of Michigan RSCQ September 2009 Forecast

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U.S. % Change in Employment August 2008 Through August 2009



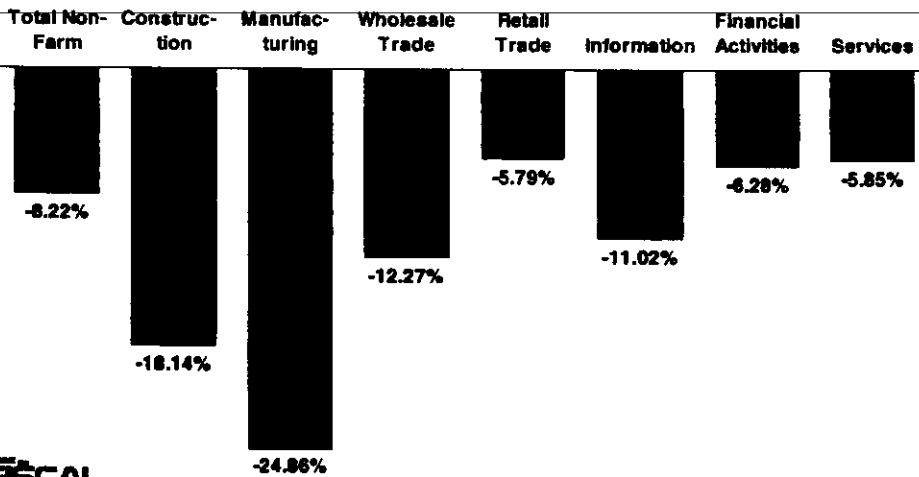
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Source: U.S. Bureau of Labor Statistics

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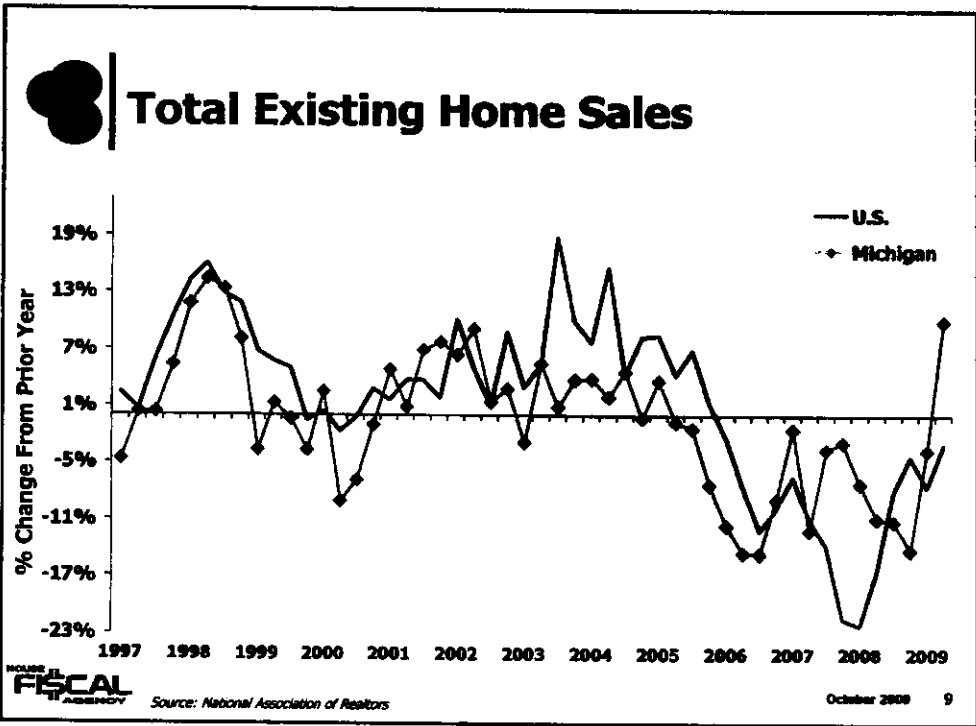
Michigan % Change in Employment August 2008 Through August 2009



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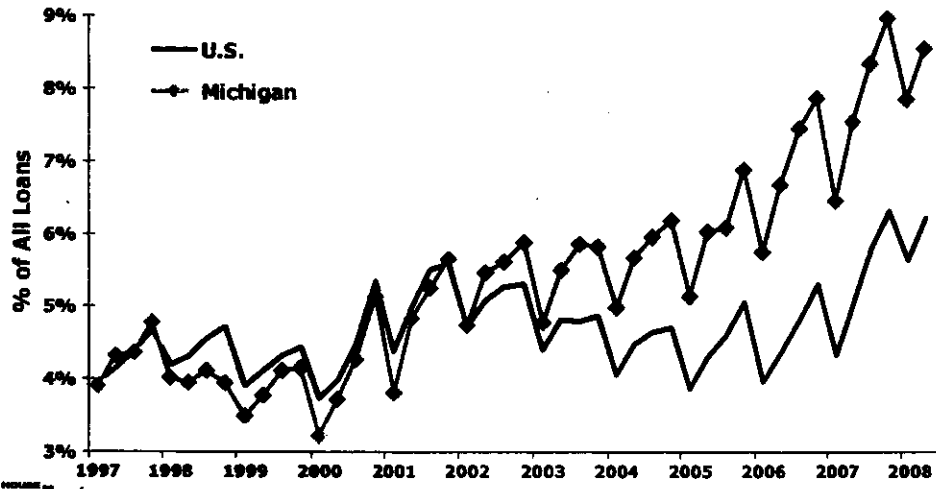
Source: U.S. Bureau of Labor Statistics

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Total Delinquencies



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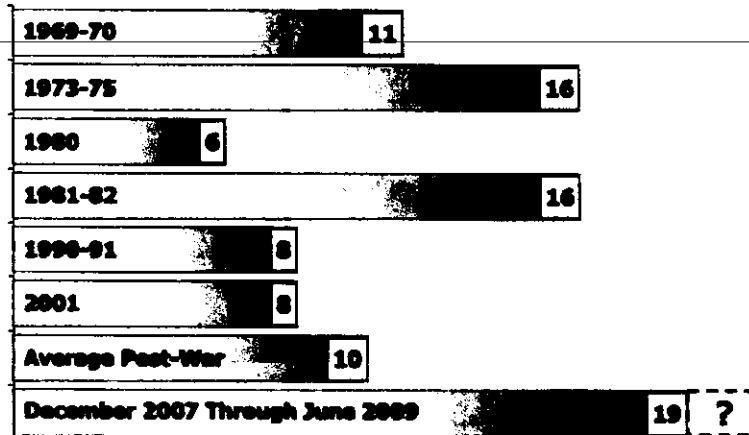
Sources: Mortgage Bankers Association and Fannie Mae

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Length of U.S. Recessions

of Months From Peak to Trough



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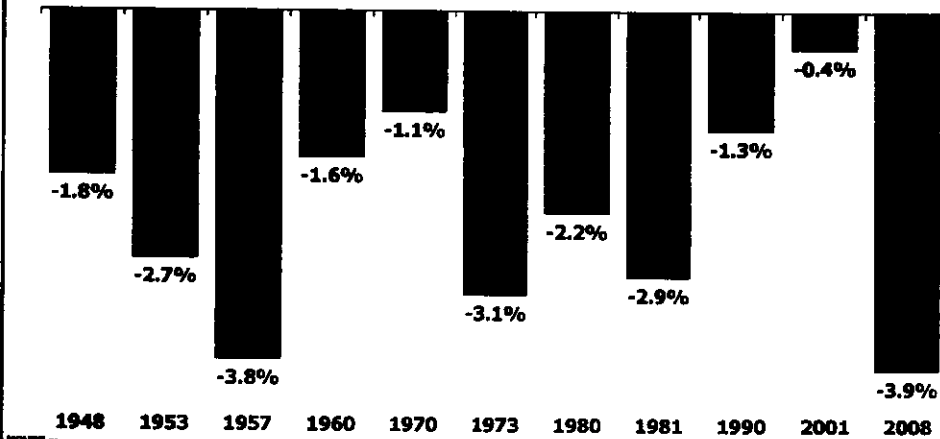
Source: National Bureau of Economic Research and Global Insight September 2009 Forecast

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Decline in GDP Steep Compared to Recent Recessions

Peak to Trough GDP Decline



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Source: Global Insight

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What Ends the Recession?

- High oil and gasoline prices helped create the recession, but sharply declining prices are now acting as a stimulus
- Massive federal intervention into financial markets prevented complete financial collapse and will help spur recovery
- Significant federal stimulus anticipated of as much as \$1 trillion over two years, including aid to the states
- Time will also help heal the U.S. economy

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How Does It Compare?

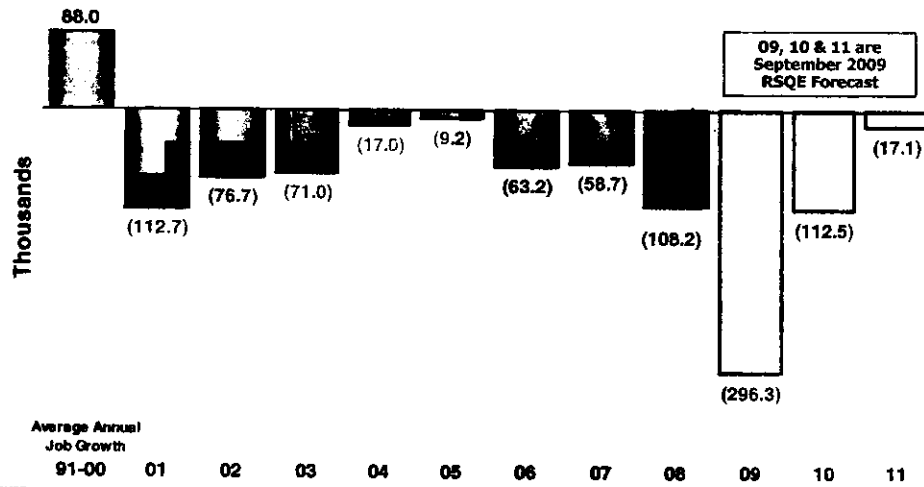
	<u>Calendar 2009 Estimate</u>	
	<u>May 2009 HFA Forecast</u>	<u>Comments</u>
Light Vehicle Sales (millions)	9.5	1971: 9.9 million
U.S. Unemployment Rate	9.5%	Highest Since 1983
Housing Starts (million units)	0.465	Lowest Back to 1959
U.S. Payroll Employment (% change)	-4.0%	Lowest Since 1958
U.S. Personal Income (% change)	0.1%	Lowest Since 1949



MICHIGAN FORECAST



Job Growth in Michigan



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Source: U.S. Bureau of Labor Statistics and University of Michigan RSQE September 2009 Forecast

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Growing and Declining Industries in Michigan 2002 - 2007

Private non-farm employment: **(183,348)**
Change 2002 - 2007

Number of industries:

Growing or unchanged **419**

Declining **641**

Growing and outperforming U.S. **298**

Average
Wage
2007

Industry employment change:

Growing **204,923** **\$36,095**

Declining **(403,920)** **\$49,996**

Unclassified **15,649** **\$40,355**

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Source: University of Michigan RSQE

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Industries With the Greatest Number of Job Gains in Michigan

<u>Industries with the greatest job increase in Michigan</u>	<u>Change 2002-07</u>	<u>Average Wage Michigan 2007</u>
Temporary help services	14,231	\$25,283
Full-service restaurants	12,206	13,427
General medical and surgical hospitals	10,131	45,558
Offices of physicians, except mental health	9,725	70,223
Elementary and secondary schools	7,685	25,235
Home health care services	6,524	28,269
Limited-service restaurants	5,547	11,153
General freight trucking, long-distance TL	4,533	40,033
Professional employer organizations	3,770	34,378
Other individual and family services	3,465	26,199
Home centers	3,359	26,982
Machine shops	3,322	45,907
Family clothing stores	2,984	12,491
Plastics material and resin manufacturing	2,695	86,934
Services for the elderly and disabled	2,693	18,336



Source: University of Michigan RSQE

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Employment Location Quotients by Industry

Michigan: February 2009

<u>Industry</u>	<u>Location Quotient</u>
Detroit 3 vehicle and parts manufacturing	16.20
Manufacturing except Detroit 3	1.18
Private non-manufacturing	0.96

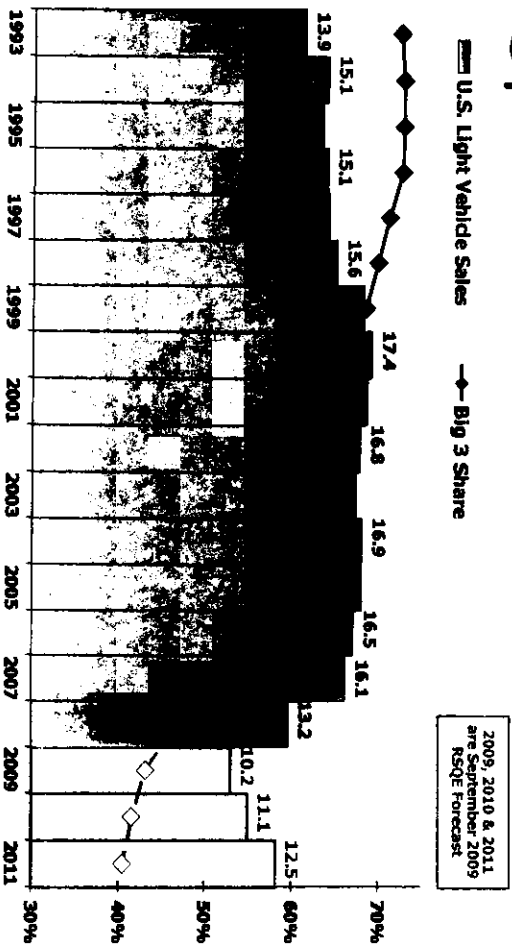


Source: University of Michigan RSQE, May 2009

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Big 3 Losing Market Share



2009, 2010 & 2011 are September 2009 RSQE Forecast

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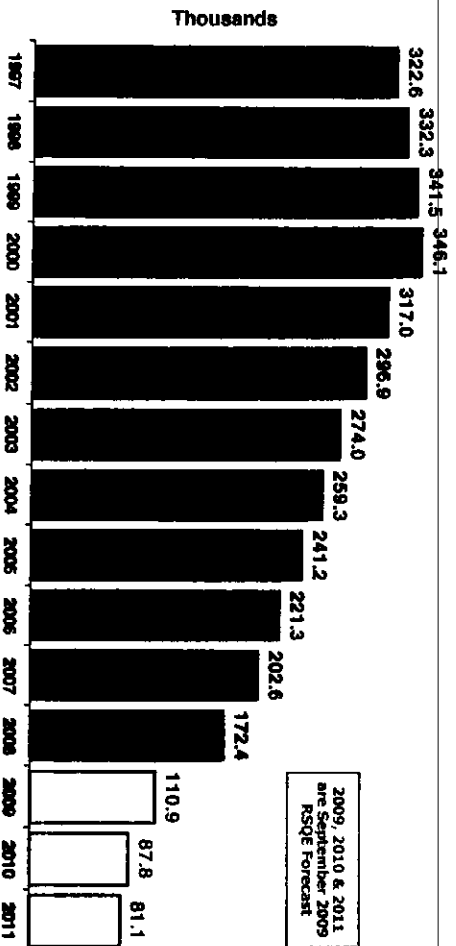
Source: University of Michigan RSQE September 2009 Forecast

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Michigan Vehicle Employment



2009, 2010 & 2011 are September 2009 RSQE Forecast

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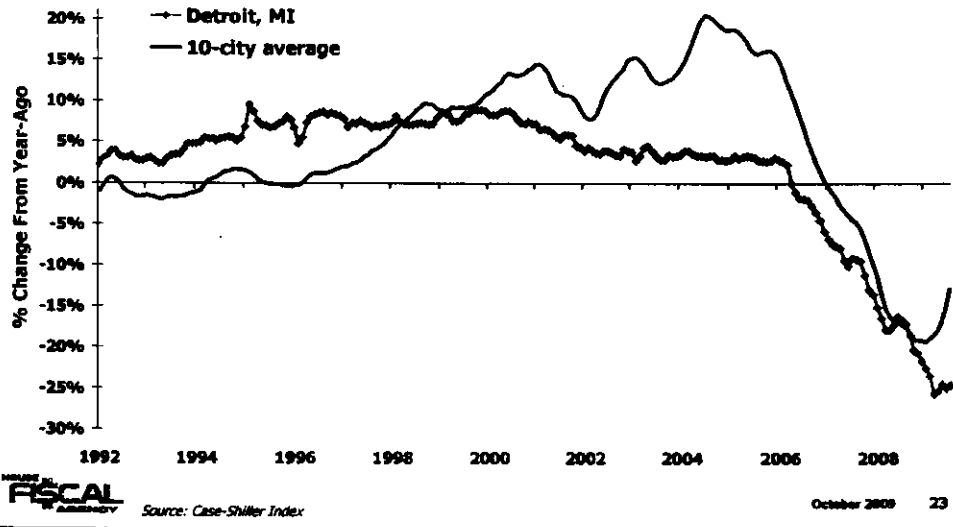
Source: U.S. Bureau of Labor Statistics and University of Michigan RSQE September 2009 Forecast

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Home Prices Fall Sharply



Property Value Growth Slowing

	Yearly Change		
	Inflation Rate Multiplier for Property	Total SEV Growth	Total Taxable Value Growth
1996	2.8 %	7.5 %	5.1 %
1997	2.8 %	8.2 %	5.7 %
1998	2.7 %	9.5 %	6.1 %
1999	1.6 %	9.9 %	6.0 %
2000	1.9 %	9.0 %	5.5 %
2001	3.2 %	10.0 %	7.1 %
2002	3.2 %	9.8 %	6.7 %
2003	1.5 %	7.5 %	4.8 %
2004	2.3 %	6.3 %	5.7 %
2005	2.3 %	5.9 %	5.6 %
2006	3.3 %	5.0 %	5.8 %
2007	3.7 %	3.8 %	5.2 %
2008	2.3 %	-1.3 %	1.4 %
2009*	4.4 %	-5.4 %	-0.8 %

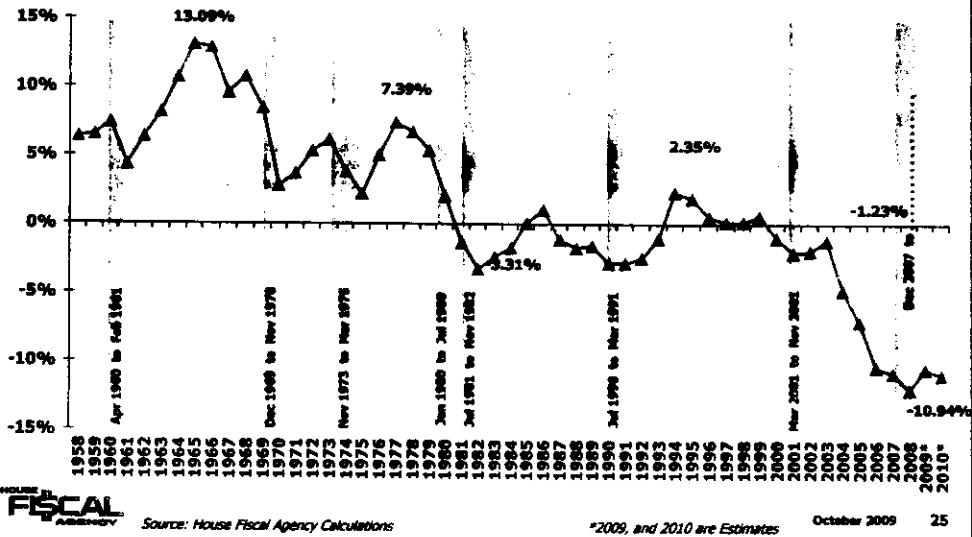
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*2009 Values are Estimates

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Michigan Per Capita Income Deviation from National Average



Conclusion

- U.S. in the worst recession in decades
- What will eventually end the recession?
 - Lower oil prices
 - Financial bailout
 - Government stimulus
 - Time
- Michigan has been in a long-term recession due to the auto sector
- Michigan recovery will require
 - U.S. recovery
 - Stability in the auto sector



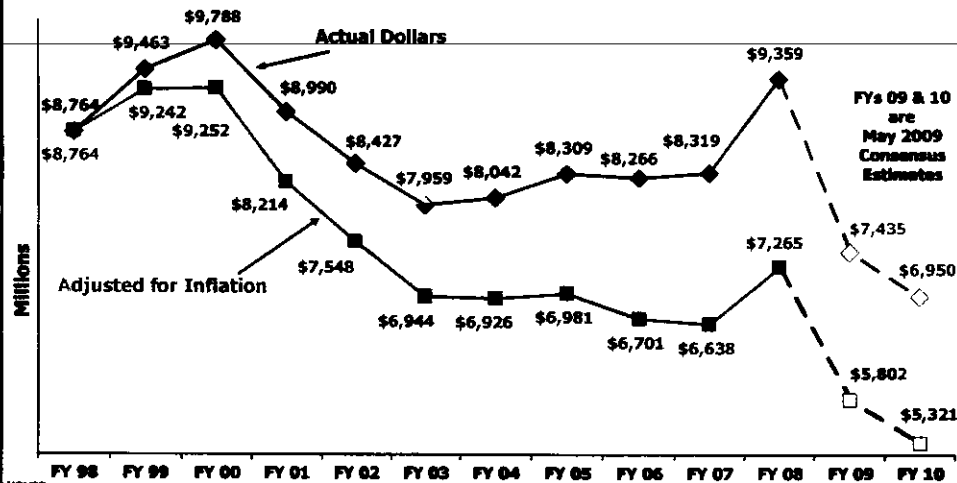
MICHIGAN REVENUE

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Inflation Adjusted GF/GP Revenue Down 42.5% Since FY 2000

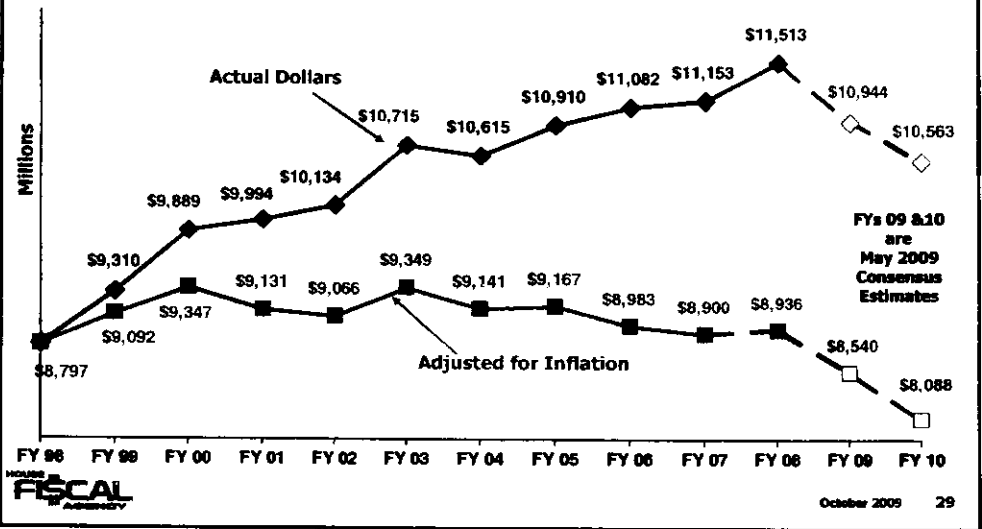


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Inflation Adjusted SAF Net Revenue Down 13.5% Since FY 2000



Impact of Tax Exemptions/Credits/Deductions

