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General Motors Strike Poses Tax Threat to Michigan.

- More than 20% of Michigan wages come from manufacturing
- Moody's says work stoppage 'poses outsized economic threat'

The federal bailout of General Motors Co. helped prevent Michigan from sinking deeper after the recession. Now, the strike by its workers is threatening to exert a drag on the state and its local governments amid the record-long economic recovery.

General Motors employees stopped working on Sept. 16 as United Auto Workers union leaders negotiate with the car manufacturer over wages and benefits. If the standoff continues to drag on, Michigan officials anticipate that the state could lose as much as \$4.6 million a week in tax revenue, according to Moody's Investors Service.

"The work stoppage poses an outsized economic threat to the state of Michigan as well as local governments in the state such as Detroit that have above-average economic exposure to the automotive giant," Moody's analyst Ted Hampton wrote in a report.

Michigan is the birthplace of the American automobile industry and remains heavily tethered to it. More than 20% of Michigan wages in 2017 came from manufacturing, including more than 5% from car makers, according to Moody's. That makes it twice as dependent on manufacturing and the auto industry than the overall U.S.

Unemployment has tumbled since depths of Great Recession

If the strike negatively affects the state's revenue, the record-long economic expansion has left Michigan with a significant cash cushion to weather it: It had \$1 billion in its rainy day fund at the end of June 2018, compared with \$2.2 million in 2008, according to Moody's.

The bond market has also brushed off the potential impacts of the strike. Debt sold in Michigan has gained 6.5% this year, more than the 6.3% advance for the broader municipal-bond market, according to Bloomberg Barclays indexes.

General Motors' offer to end the strike includes 5,400 new and retained jobs and \$7 billion in U.S. investment during the next four years, the Detroit Free Press reported Thursday. The parties resumed talks Thursday morning following negotiations late Wednesday night.

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