



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

November 2008 Summary

U.S. Economy: The state of the U.S. economy remains dismal. Down by almost half from last year, housing starts fell to a new record low – breaking the previous record low set just last month. The three-month average of capacity utilization fell sharply compared to a year ago (-5.6 percentage points) as industrial production plummeted (-5.4 percent). Core durable goods orders (three month average) fell 3.4 percent from a year ago. Core retail sales (three-month average) reported their smallest year-ago growth since at least early 1993 (+0.7 percent). Consumer sentiment declined sharply from a year ago (-20.8 points). The index of leading economic indicators (LEI) fell sharply for the fourth time in the last five months. As a result, the LEI are down 5.4 percent from their January 2006 cyclical peak, surpassing the 2001 recession peak-to-trough decline and approaching the 1990-1991 total drop.

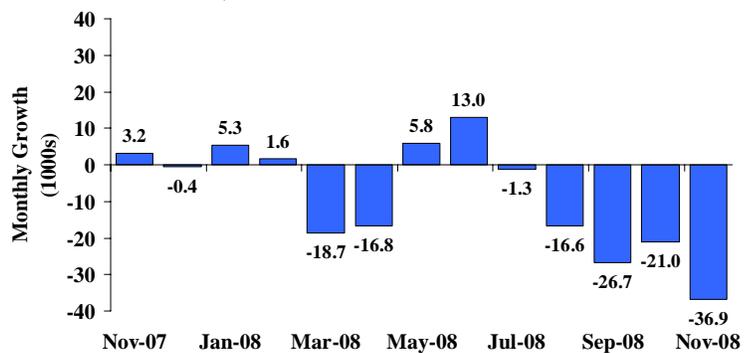
Employment: Employment plummeted both in Michigan and nationally with State employment falling by 36,900 jobs and U.S. employment dropping by 533,000 jobs. Michigan's unemployment rate rose to 9.6 percent, while the U.S. rate increased to 6.7 percent.

Auto Industry: Light vehicle sales fell 36.7 percent from a year ago to their lowest level in 26 years. Compared to a year ago, the three-month average of State vehicle production fell 23.6 percent compared with a 25.0 percent decline nationally.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose only 1.1 percent; the core CPI increased 2.0 percent. Overall producer prices were essentially flat (+0.4 percent); core producer prices increased 4.2 percent. Oil prices fell \$19.21 a barrel from a month ago to \$57.44.

Michigan Metro Areas: From November 2007, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 2.5 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 4.4 percent.

**Michigan Economy
Sheds 101,200 Jobs in Past Four Months^(a)**



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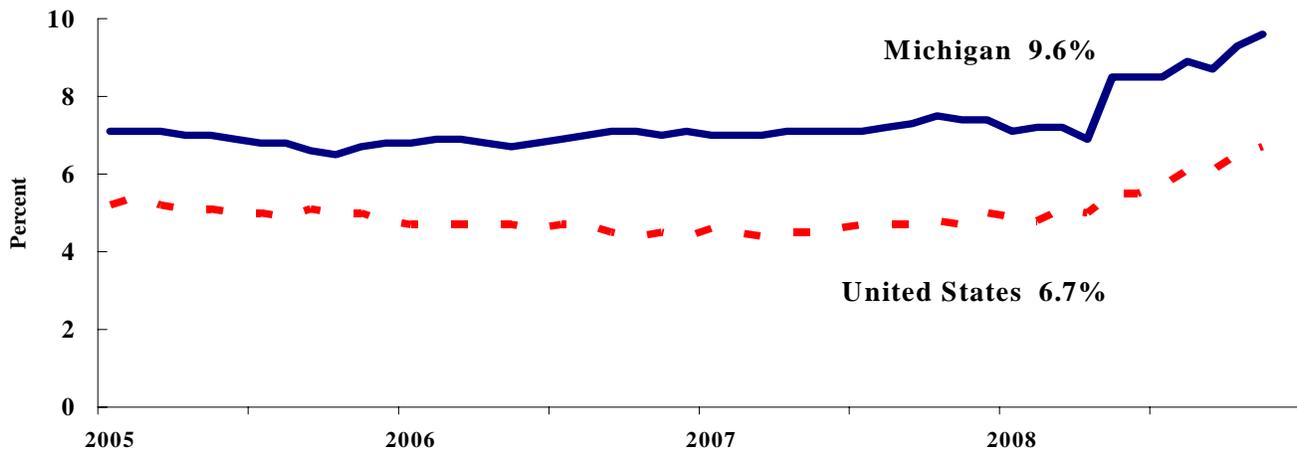
Andrew Lockwood
Economist

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Secretary

Labor Market Statistics

- Michigan's November monthly unemployment rate increased by 0.3 percentage points from last month to 9.6 percent and the current Michigan jobless rate is 2.2 percentage points above a year ago. The November U.S. unemployment rate increased 0.2 percentage points to 6.7 percent and was 2.0 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 2005 to 2008



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- In November, the number of people employed in Michigan was 4,439,000, down 35,000 from last month, while the labor force decreased by 18,000. The statewide total number of unemployed increased by 16,000 to 473,000.
- United States household employment totaled 144.3 million persons in November, down 673,000 from October. The labor force fell by 422,000 from last month, which meant that there were 251,000 more unemployed people nationally, compared to October.

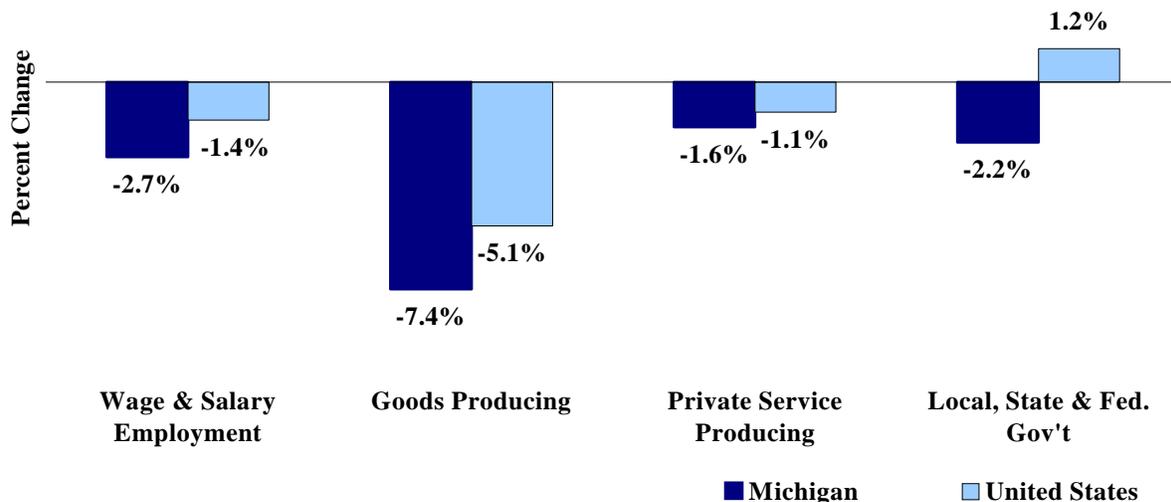
Employment by Place of Residence (in thousands)^(a)

	2007 Average	Sep 2008	Oct 2008	Nov 2008	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,020	4,927	4,930	4,912	-18	-0.4%	-82	-1.6%
Employed	4,660	4,496	4,474	4,439	-35	-0.8%	-185	-4.0%
Unemployed	360	430	457	473	16	3.5%	103	27.8%
Unemployment Rate	7.2%	8.7%	9.3%	9.6%	n.a.	0.3% pts	n.a.	2.2%
United States								
Labor Force	153,124	154,732	155,038	154,616	-422	-0.3%	2,918	1.9%
Employed	146,047	145,255	144,958	144,285	-673	-0.5%	-294	-0.2%
Unemployed	7,078	9,477	10,080	10,331	251	2.5%	3,212	45.1%
Unemployment Rate	4.6%	6.1%	6.5%	6.7%	n.a.	0.2% pts	n.a.	2.0%

Employment by Place of Work

- From November 2007 to November 2008, Michigan wage and salary employment decreased 113,000 (2.7 percent). State wage and salary employment decreased 37,000 from October. Nationally, November 2008 wage and salary employment fell 1,870,000 (1.4 percent) from a year ago and was down 533,000 from last month.

Wage and Salary Employment Growth November 2007 to November 2008



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

- In the goods-producing sector, Michigan employment fell 7.4 percent from a year ago while private service-producing sector employment decreased 1.6 percent compared to last year. From a year ago, November national employment in the goods-producing sector fell 5.1 percent and decreased 1.1 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 1.4 hours in Michigan compared to last year.

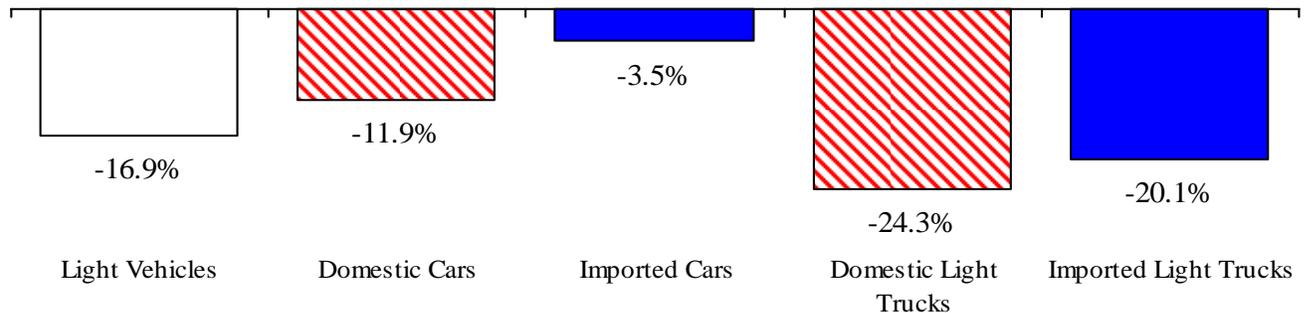
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2007 Average	Nov 2007	Nov 2008	Percent Change	2007 Average	Nov 2007	Nov 2008	Percent Change
Wage & Salary Employment	4,262	4,228	4,115	-2.7%	137,623	138,037	136,167	-1.4%
Goods Producing	791	773	716	-7.4%	22,221	22,049	20,920	-5.1%
Manufacturing	617	603	564	-6.5%	13,884	13,794	13,168	-4.5%
Private Service Producing	2,814	2,806	2,761	-1.6%	93,199	93,710	92,703	-1.1%
Trade, Trans. & Utilities	788	785	763	-2.8%	26,608	26,693	25,977	-2.7%
Services	1,750	1,746	1,733	-0.7%	55,254	55,735	55,663	-0.1%
Local, State & Fed. Gov't	657	651	637	-2.2%	22,203	22,278	22,544	1.2%
Manufacturing Weekly Hours	42.5	42.4	41.0	-1.4 hrs	41.2	41.3	40.3	-1.0 hrs

Motor Vehicle Industry Sales

- At a 10.1 million unit annual rate, the November 2008 light vehicle sales rate fell to its lowest monthly sales rate since October 1982. Vehicle sales were down 3.6 percent compared to October and declined by more than a third from a year ago (-36.7 percent). Compared to November 2007, domestic sales were down 38.5 percent while foreign sales fell 30.9 percent. Light truck sales fell 36.5 percent, while autos declined by 36.9 percent.
- Year-to-date, light vehicle sales were down 16.9 percent with domestic sales declining 19.0 percent and foreign sales falling 9.7 percent. As a result, the foreign share of U.S. light vehicle sales increased by 2.0 percentage points to 25.3 percent. Overall year-to-date auto sales were down 9.3 percent; light truck sales have declined sharply (-23.6 percent). Heavy truck sales were down 19.9 percent through November.
- Due to a sharply declining sales rate, November 2008 days' supply of light vehicles rose by 37 days from a year ago to 110 days even while inventories declined by 4.4 percent.

Year-to-Date Truck Sales Down Sharply Compared to a Year Ago



Motor Vehicle Sales Statistics

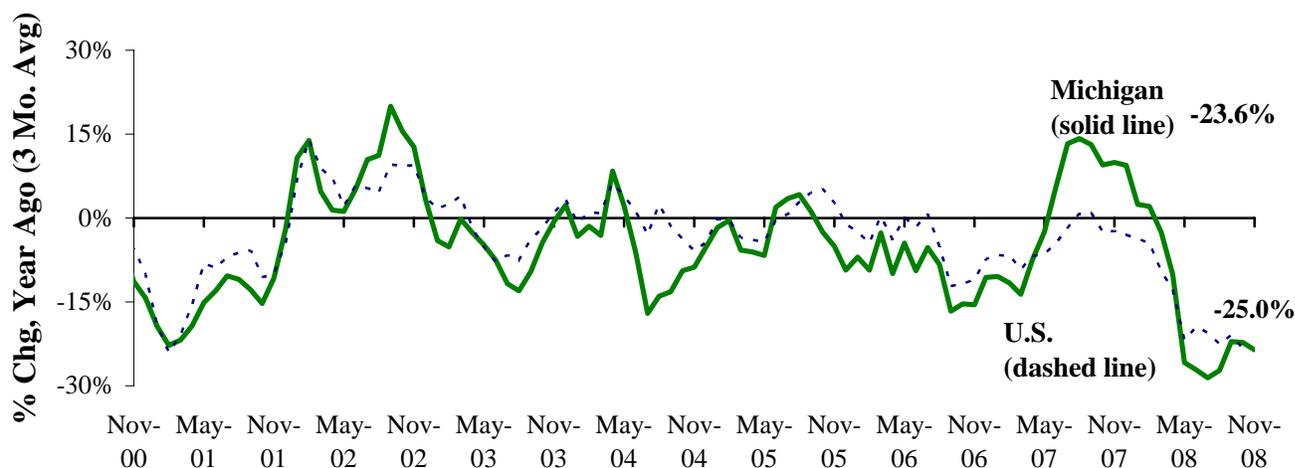
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2007	Sep	Oct	Nov	3 Month	Change from	
	Average	2008	2008	2008	Average	Level	%
Autos	7.6	6.2	5.6	5.0	5.6	(2.9)	-36.9%
Domestics	5.2	4.3	3.7	3.3	3.8	(2.2)	-40.4%
Imports	2.4	1.9	1.9	1.7	1.8	(0.7)	-28.9%
Import Share	31.2%	30.4%	33.9%	33.8%	32.6%	3.8% pts	
Light Trucks	8.5	6.3	4.9	5.2	5.5	(3.0)	-36.5%
Domestics	7.1	5.2	4.0	4.3	4.5	(2.5)	-36.9%
Imports	1.4	1.0	0.9	0.9	1.0	(0.5)	-34.4%
Import Share	16.3%	16.7%	18.3%	17.6%	17.4%	0.6% pts	
Total Light Vehicles	16.1	12.5	10.5	10.1	11.0	(5.9)	-36.7%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.0)	-13.7%
Total Vehicles	16.5	12.7	10.8	10.4	11.3	(5.9)	-36.3%
U.S. Light Vehicle Inventories^(d)		Sep-08	Oct-08	Nov-08	3 Month	Change	
Total Car	1.374	1.228	1.466	1.624	1.439	0.218	
Days Supply	56	61	92	113	89	51 days	
Total Truck	1.957	1.646	1.668	1.660	1.658	-0.370	
Days Supply	71	82	111	108	101	24 days	

Motor Vehicle Industry Production

- At 120,725 units, November 2008 Michigan motor vehicle production fell very sharply from a year ago (-40.4 percent) as did national production (-39.9 percent). Michigan's share of national production fell slightly (-0.2 of a percentage point) to 22.3 percent.
- Compared with a year ago, Michigan car production was down 31.2 percent; nationally, car production was down 26.5 percent. Both State and U.S. truck production plummeted in November, falling by nearly half (-47.6 percent).
- The three-month moving average of Michigan vehicle production was down 23.6 percent from a year ago; national production fell 25.0 percent. Year-to-date, Michigan has comprised 21.0 percent of U.S. vehicle production.

Michigan and U.S. Vehicle Production Down Sharply^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2007 <u>Average</u>	Sep <u>2008</u>	Oct <u>2008</u>	Nov <u>2008</u>	3 Month <u>Average</u>	Change from Year Ago for the Month	
						<u>Level</u>	<u>%</u>
U.S. Production^(e)							
Autos	325.2	350.3	372.8	241.5	321.5	(87.2)	-26.5%
Trucks	582.8	392.9	394.8	299.1	362.3	(271.8)	-47.6%
Total	908.0	743.2	767.6	540.5	683.8	(359.0)	-39.9%
Michigan Production^(f)							
Autos	84.1	95.6	88.7	60.8	81.7	(27.5)	-31.2%
Trucks	110.2	66.1	87.3	59.9	71.1	(54.4)	-47.6%
Total	194.3	161.7	176.0	120.7	152.8	(81.9)	-40.4%
Michigan as % of U.S.	21.4%	21.8%	22.9%	22.3%	22.3%	-0.2%	pts

November Unemployment Rates Rose Significantly in All Major Michigan Labor Market 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 2.5 percentage points. Fifteen areas saw rate increases exceeding 2.0 percentage points. Five areas saw increases equal to or greater than 3.0 percentage points: Flint MSA (3.9 percentage points), Monroe MSA (3.4 percentage points), Muskegon-Norton Shores MSA (3.3 percentage points), Northeast Lower Michigan and Northwest Lower Michigan (3.0 percentage points).

Between November 2007 and November 2008, employment fell in all 17 major labor market areas with declines exceeding 3.0 percent in all 17 areas and a median employment decline of 4.4 percent. Eleven areas saw declines greater than 4.0 percent. Three areas experienced declines equaling or exceeding 5.0 percent: Flint MSA (-8.2 percent), Saginaw-Saginaw Township MSA (-6.0 percent) and Monroe MSA (-5.0 percent). All 17 areas saw a labor force decline with a median reduction of 1.6 percent. Three areas saw more than a 3.0 percent labor force reduction: Flint MSA (-4.1 percent), Saginaw-Saginaw Township MSA (-3.5 percent) and Ann Arbor MSA (-3.1 percent).

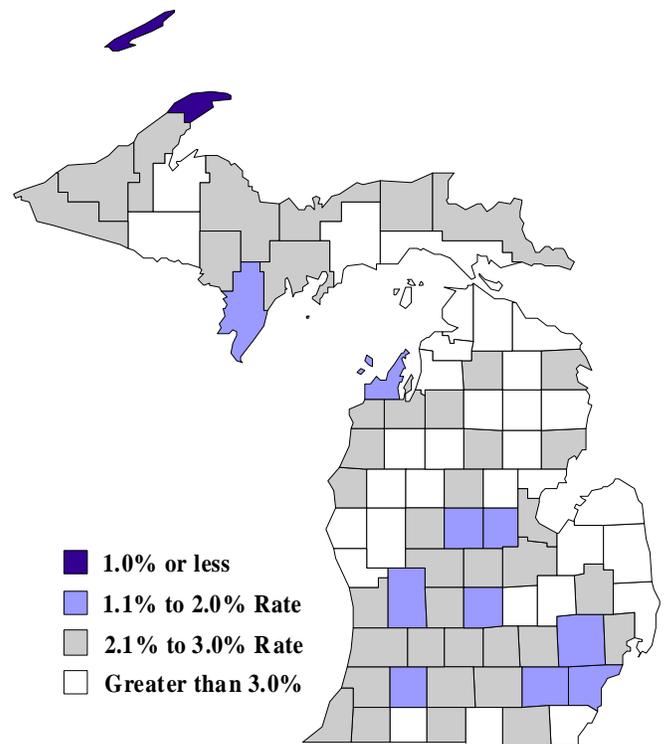
Compared to October 2008, non-seasonally adjusted unemployment rates rose in 16 areas, with a median increase of 0.3 of a percentage point. November 2008 unemployment rates ranged between 6.0 percent (Ann Arbor MSA) to 12.2 percent (Northeast Lower Peninsula).

Between November 2007 and November 2008, the unemployment rate rose in all 83 Michigan counties with a median county unemployment rate increase of 2.8 percentage points. Thirty-two counties saw greater than a 3.0 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 6.0 percent (Washtenaw) and 19.0 percent (Mackinac).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Nov 2007 Rate</u>	<u>Oct 2008 Rate</u>	<u>Nov 2008 Rate</u>
Michigan	6.8%	8.6%	9.1%
Ann Arbor	4.5%	6.1%	6.0%
Battle Creek	6.3%	8.2%	8.4%
Bay City	6.2%	7.8%	8.4%
Detroit-Warren-Livonia	7.6%	8.8%	9.5%
Flint	7.7%	10.9%	11.6%
Grand Rapids-Wyoming	5.5%	7.5%	7.7%
Holland-Grand Haven	5.3%	7.5%	7.7%
Jackson	7.1%	9.4%	9.6%
Kalamazoo-Portage	5.2%	7.1%	7.3%
Lansing-East Lansing	5.1%	7.2%	7.4%
Monroe	6.2%	9.1%	9.6%
Muskegon-Norton Shores	6.7%	9.8%	10.0%
Niles-Benton Harbor	6.2%	8.4%	8.8%
Saginaw-Saginaw Township	6.7%	8.9%	9.2%
Upper Peninsula	6.8%	7.8%	9.4%
Northeast Lower Mich	9.2%	10.3%	12.2%
Northwest Lower Mich.	7.4%	9.2%	10.4%

Unemployment Rate Change November 2008^(g)



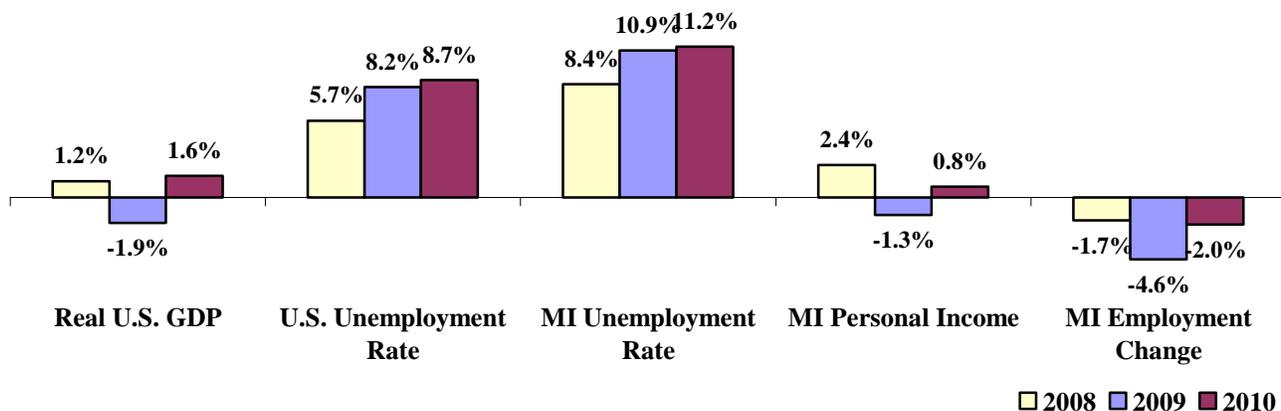
Consensus Economic Forecast Severe U.S. and Michigan Recessions

On January 9, 2009, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2009 and 2010. Below are highlights of that consensus agreement:

- In 2009, the U.S. economy is forecast to contract by 1.9 percent (matching 1982 for the largest calendar year real GDP decline since 1946). Real GDP is then expected to recover modestly in 2010, growing 1.6 percent.
- In 2009, light vehicle sales will fall to 10.8 million units – the lowest sales rate since 1982 (10.4 million units). Sales will rise to a still historically very low 12.2 million units in 2010.
- The U.S. CPI will rise very little in 2009 (0.7 percent) before accelerating in 2010 to 2.5 percent growth. Similarly, the Detroit CPI is expected to increase only 0.4 percent in 2009 before rising to 2.0 percent in 2010.
- The U.S. unemployment rate will rise significantly from 2008 (5.7 percent) to 8.2 percent in 2009. In 2010, the rate will increase to 8.7 percent – higher than all years since 1948 except 1982 (9.7 percent) and 1983 (9.6 percent).
- In 2009, Michigan wage and salary employment will decline 4.6 percent – the largest calendar year Michigan employment decline since 1982 (-5.1 percent). Michigan employment is forecast to decline another 2.0 percent in 2010 – the tenth straight annual decline.
- Michigan’s unemployment rate will rise sharply from 8.4 percent in 2008 to 10.9 percent in 2009 and 11.2 percent in 2010 – the highest rate since 1984 (11.4 percent).
- Michigan personal income will fall 1.3 percent in 2009 before rising a slight 0.8 percent in 2010. 2009’s decline would mark the first nominal Michigan personal income decline since 1958 when income fell 1.8 percent.

U.S. Economic Forecast Sharp GDP Decline

Michigan Economic Forecast Sharp Employment Decline



U.S. Economic Conditions

	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	63.0	70.3	57.6	55.3	-20.8 points
ISM Manufacturing Index ⁽ⁱ⁾	49.9	43.5	38.9	36.2	-13.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	51.6	52.1	44.2	33.0	-21.6 points
	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	
Business Executives' Confidence ^(j)	39.0	38.0	39.0	40.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	219.1	218.8	216.6	212.4	1.1%
Detroit CPI	209.5	NA	205.2	NA	1.7%
U.S. Producer Price Index	182.1	182.0	177.3	172.1	0.4%
INTEREST RATES					
90 Day T-Bill ^(l)	1.79%	1.46%	0.84%	0.30%	-3.19% points
Aaa Corporate Bonds ^(m)	5.64%	5.65%	6.28%	6.15%	0.71% points
INDUSTRIAL PRODUCTION ^(m)					
	109.8	105.2	106.8	106.1	-5.5%
CAPACITY UTILIZATION ^(m)					
	78.3%	75.0%	76.0%	75.4%	-5.6% points
RETAIL SALES ⁽ⁿ⁾					
	\$379.0	\$373.0	\$362.0	\$355.7	-7.4%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.854	0.824	0.771	0.625	-47.0%
Existing Home Sales ^(p)	4.910	5.140	4.910	4.490	-10.6%
DURABLE GOODS ORDERS ^(q)					
	\$206.1	\$206.0	\$188.7	\$186.9	-13.2%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>% Change From Year Ago</u>
Michigan	\$347.5	\$347.9	\$350.2	\$355.6	3.3%
U.S.	\$11,699.8	\$11,839.4	\$11,933.7	\$12,125.3	5.0%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,620.7	\$11,646.0	\$11,727.4	\$11,712.4	-0.5%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of 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 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.