



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## December 2007 Summary

**U.S. Economy:** December U.S. economic indicators were largely negative. The ISM manufacturing index and non-manufacturing indices were both down from last year. The index of leading economic indicators fell for the third straight month. Consumer sentiment was down sharply from a year ago (-16.2 points) to 75.5, its second lowest reading since the early 1990's. Housing starts were down a dramatic 38.2 percent from a year ago. Existing home sales fell 22.0 percent with the median home price falling 6.0 percent. Excluding vehicles and gasoline, retail sales rose 4.0 percent compared to a year ago (three-month average). The three-month average of new durable goods orders, excluding defense and aircraft, declined 1.2 percent compared to a year ago, marking the eleventh straight month of decline -- the longest such streak since 2003. Fourth quarter real GDP growth rose at a meager 0.6 percent annual rate -- sharply slower than the third quarter's 4.9 percent annual growth rate.

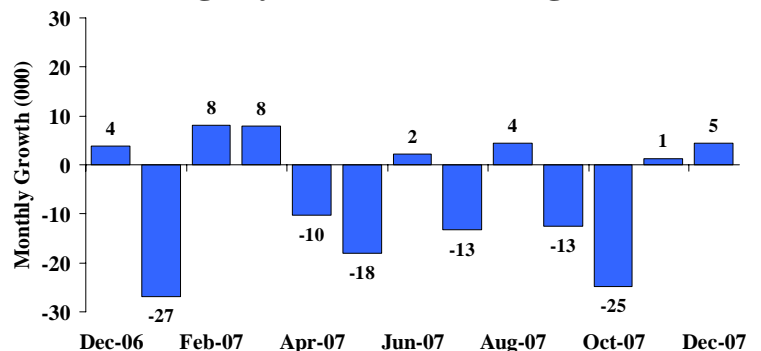
**Employment:** In December, Michigan's payroll employment rose by 4,500 jobs. The State unemployment rate rose to 7.6 percent. Nationally, employment rose by 18,000 jobs.

**Auto Industry:** December light vehicle sales rose to a 16.2 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production rose 9.3 percent compared with a 3.0 percent decline nationally.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 4.1 percent; the core CPI (excluding energy and food) increased only 2.4 percent. Overall producer prices rose 6.3 percent, but core producer prices rose only 2.0 percent.

**Michigan Metro Areas:** From a year ago, December 2007 unemployment rates rose in all of the Michigan's 17 major labor market areas. Employment fell in 16 labor market areas with a median decline of 2.0 percent. December 2007 unemployment rates ranged between 4.7 percent (Ann Arbor MSA) and 10.8 percent (Northeast Lower Michigan).

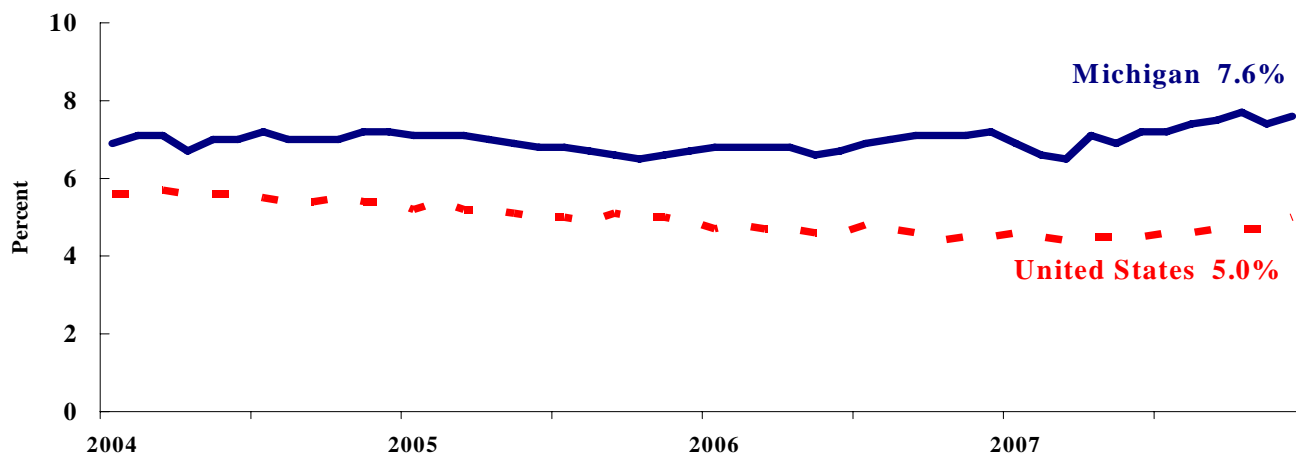
**Michigan Employment  
Rises Slightly for Second Straight Month<sup>(a)</sup>**



## Labor Market Statistics

- Michigan's December monthly unemployment rate increased 0.2 percentage points to 7.6 percent from last month while the current Michigan jobless rate is 0.4 percentage points above a year ago. The December U.S. unemployment rate increased 0.3 percentage points to 5.0 percent and was 0.3 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 2004 to 2007



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

- In December, the number of people employed in Michigan was 4,629,000, down 21,000 from last month, while the labor force decreased by 8,000. The statewide total number of unemployed increased by 13,000 to 383,000.
- United States household employment totaled 146.2 million persons in December, down 492,000 from November. The labor force fell by 4,000 from last month, which meant that there were 488,000 more unemployed people nationally, compared to November.

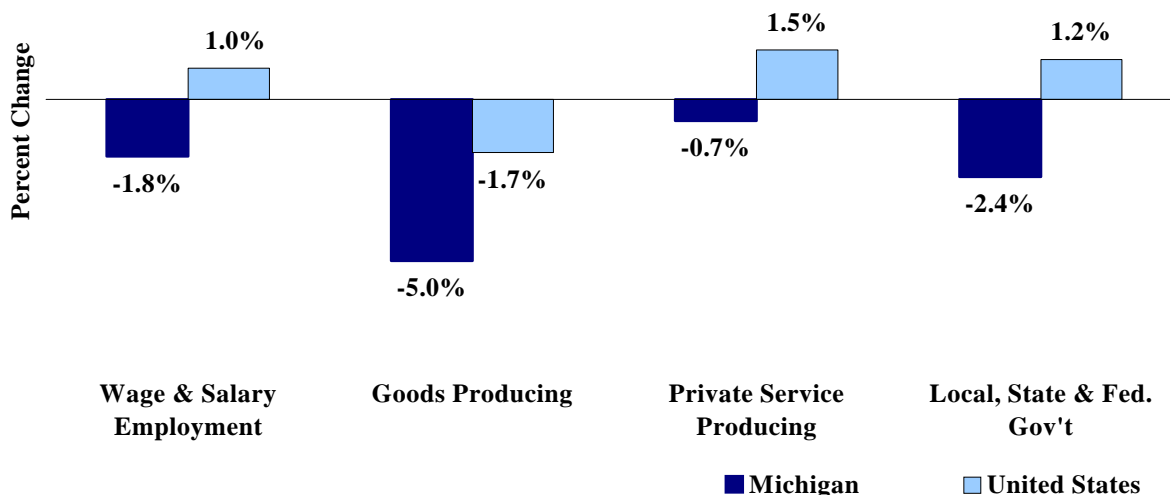
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2006 Average	Oct 2007	Nov 2007	Dec 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,081	5,012	5,020	5,012	-8	-0.2%	-73	-1.4%
Employed	4,730	4,625	4,650	4,629	-21	-0.5%	-90	-1.9%
Unemployed	351	387	370	383	13	3.5%	17	4.6%
Unemployment Rate	6.9%	7.7%	7.4%	7.6%	n.a.	0.2% pts	n.a.	0.4%
<b>United States</b>								
Labor Force	151,428	153,253	153,870	153,866	-4	0.0%	2,168	1.4%
Employed	144,427	146,007	146,703	146,211	-492	-0.3%	1,632	1.1%
Unemployed	7,001	7,245	7,167	7,655	488	6.8%	536	7.5%
Unemployment Rate	4.6%	4.7%	4.7%	5.0%	n.a.	0.3% pts	n.a.	0.3%

## Employment by Place of Work

- From December 2006 to December 2007, Michigan wage and salary employment decreased 78,000 (1.8 percent). State wage and salary employment increased 5,000 from November. Nationally, December 2007 wage and salary employment rose 1,328,000 (1.0 percent) from a year ago and was up 18,000 from last month.

### Wage and Salary Employment Growth December 2006 to December 2007



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

- In the goods-producing sector, Michigan employment fell 5.0 percent from a year ago while private service-producing sector employment decreased 0.7 percent compared to last year. From a year ago, December national employment in the goods-producing sector fell 1.7 percent and increased 1.5 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.9 hours in Michigan compared to last year.

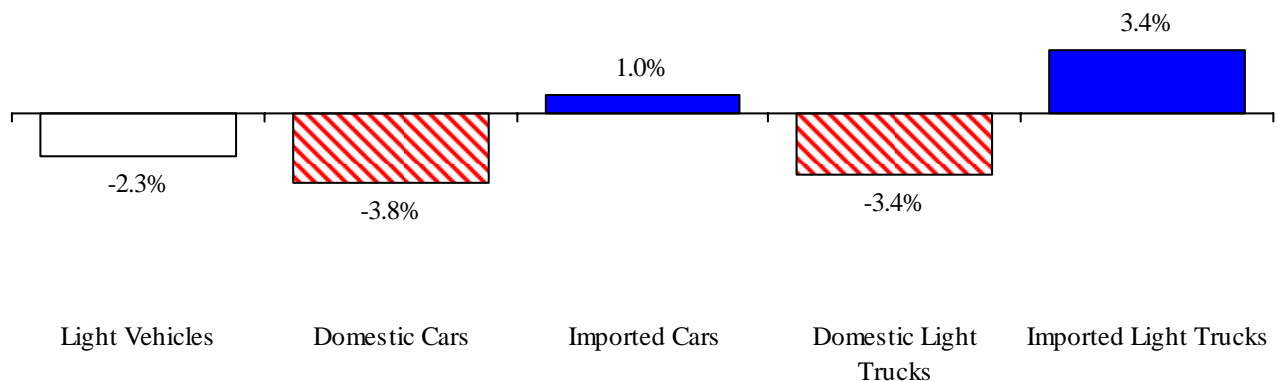
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2006 Average	Dec 2006	Dec 2007	Percent Change	2006 Average	Dec 2006	Dec 2007	Percent Change
Wage & Salary Employment	4,341	4,325	4,248	-1.8%	136,174	137,167	138,495	1.0%
Goods Producing	837	815	774	-5.0%	22,570	22,520	22,146	-1.7%
Manufacturing	648	631	606	-4.0%	14,197	14,131	13,919	-1.5%
Private Service Producing	2,835	2,846	2,827	-0.7%	91,615	92,533	93,961	1.5%
Trade, Trans. & Utilities	795	793	781	-1.5%	26,231	26,345	26,526	0.7%
Services	1,757	1,771	1,770	-0.1%	53,965	54,677	55,948	2.3%
Local, State & Fed. Gov't	670	664	648	-2.4%	21,990	22,114	22,388	1.2%
Manufacturing Weekly Hours	42.2	41.5	42.4	0.9 hrs	41.1	41.0	41.1	0.1 hrs

## Motor Vehicle Industry Sales

- At a 16.1 million units, calendar year (CY) 2007 light vehicle sales were down 2.3 percent from 2006. Compared to CY 2006, 2007 domestic light vehicle sales declined 3.6 percent while foreign light vehicle sales rose 1.9 percent.
- CY 2007 domestic auto sales declined 3.8 percent from a year ago while foreign car sales rose 1.0 percent. Foreign light truck sales increased 3.4 percent. At the same time, domestic light truck sales fell 3.4 percent. Heavy truck sales were down 31.3 percent. The calendar year average of light vehicle inventories was down 0.3 percent compared to 2006.
- December 2007 light vehicles sales were down 2.0 percent from a year ago. In December, domestic light vehicle sales fell 1.3 percent while foreign light vehicle sales declined 4.4 percent.

### Calendar Year 2007 Light Vehicle Sales Declined Compared to a Year Ago to CY 2006



### Motor Vehicle Sales Statistics

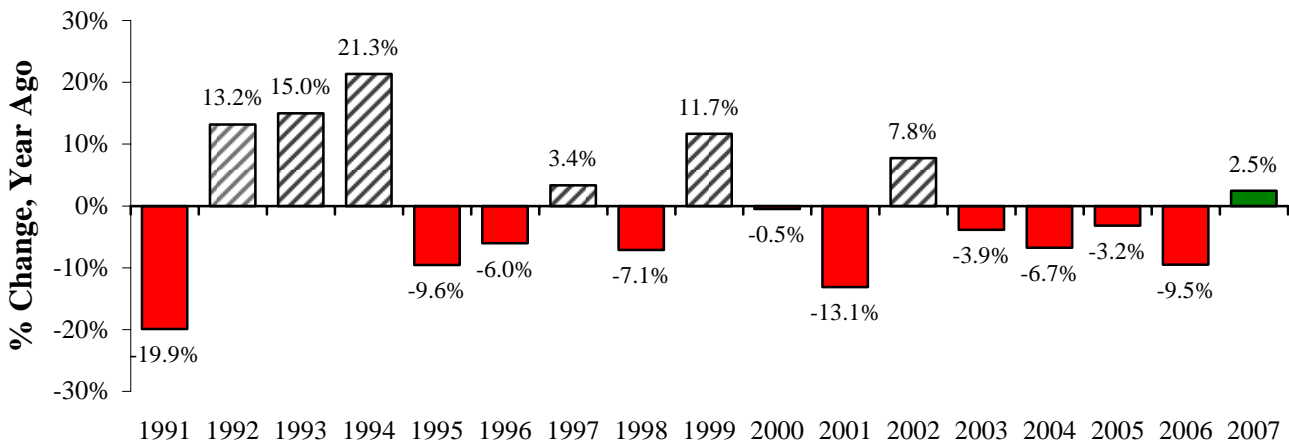
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2007 Average	Oct 2007	Nov 2007	Dec 2007	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.5	8.0	7.9	7.8	(0.1)	-1.5%
Domestics	5.2	5.1	5.6	5.5	5.4	0.1	1.0%
Imports	2.4	2.3	2.4	2.3	2.3	(0.2)	-6.8%
Import Share	31.2%	31.4%	29.4%	29.8%	30.2%	-1.7% pts	
Light Trucks	8.5	8.5	8.2	8.4	8.3	(0.2)	-2.6%
Domestics	7.1	7.1	6.8	6.9	6.9	(0.2)	-3.1%
Imports	1.4	1.5	1.4	1.4	1.4	-	0.0%
Import Share	16.3%	17.2%	17.2%	16.9%	17.1%	0.4% pts	
Total Light Vehicles	16.1	16.0	16.2	16.2	16.1	(0.3)	-2.0%
Heavy Trucks	0.4	0.3	0.3	0.4	0.3	(0.2)	-37.8%
Total Vehicles	16.5	16.3	16.5	16.6	16.5	(0.6)	-3.2%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Sep-07</b>	<b>Oct-07</b>	<b>Nov-07</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.371	1.203	1.332	1.405	1.314	-0.025	
Days Supply	56	49	61	62	57	-4 days	
Total Truck	1.957	1.864	1.944	2.028	1.945	-0.023	
Days Supply	71	67	76	84	76	6 days	

### Motor Vehicle Industry Production

- At 152,069 units, December 2007 Michigan motor vehicle production fell 6.1 percent from a year ago, compared with a 12.6 percent decline nationally. As a result, Michigan’s share of national production rose 1.5 percentage points to 22.2 percent.
- CY 2007 state car production fell 9.6 percent while state truck production rose substantially (14.1 percent). Nationally, car production was down 10.7 percent while U.S. truck production was essentially flat. Overall 2007 state vehicle production was up 2.5 percent while U.S. production was down 4.3 percent. Consequently, between 2006 and 2007, Michigan’s share of U.S. vehicle production rose 1.4 percentage points to 21.4 percent.

### Michigan Vehicle Production Up Slightly First Calendar Year Increase in Five Years <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 Average	Oct 2007	Nov 2007	Dec 2007	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	364.3	364.2	328.6	258.0	316.9	(40.2)	-13.5%
Trucks	584.1	629.4	570.9	425.8	542.0	(58.2)	-12.0%
Total	948.4	993.6	899.5	683.8	858.9	(98.4)	-12.6%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	93.0	102.0	88.4	69.7	86.7	(6.6)	-8.6%
Trucks	96.6	127.9	114.3	82.4	108.2	(3.3)	-3.8%
Total	189.6	230.0	202.7	152.1	194.9	(9.9)	-6.1%
Michigan as % of U.S.	20.0%	23.1%	22.5%	22.2%	22.7%	1.5% pts	

## December 2007 Unemployment Rates Rose in All Seventeen Major Michigan Labor Market Areas (Not Seasonally Adjusted)

From December 2006 to December 2007, unemployment rates rose in all 17 major labor market areas. The median unemployment rate increase was 0.3 of a percentage point.

Compared to a year ago, employment fell in 16 major labor market areas. The median employment decrease was 2.0 percent. Employment declined by more than 1.0 percent in 14 areas. Seven areas saw employment declines exceeding 2.0 percent. Five areas experienced declines exceeding 3.0 percent: Bay City (-4.2 percent), Flint, (-4.1 percent), Saginaw-Saginaw Township (-4.0 percent) and Detroit-Warren-Livonia (-3.3 percent) and Jackson (-3.1 percent). Sixteen areas saw a labor force decline with a median decline of 1.5 percent. Three areas realized greater than a 3.0 percent labor force decline.

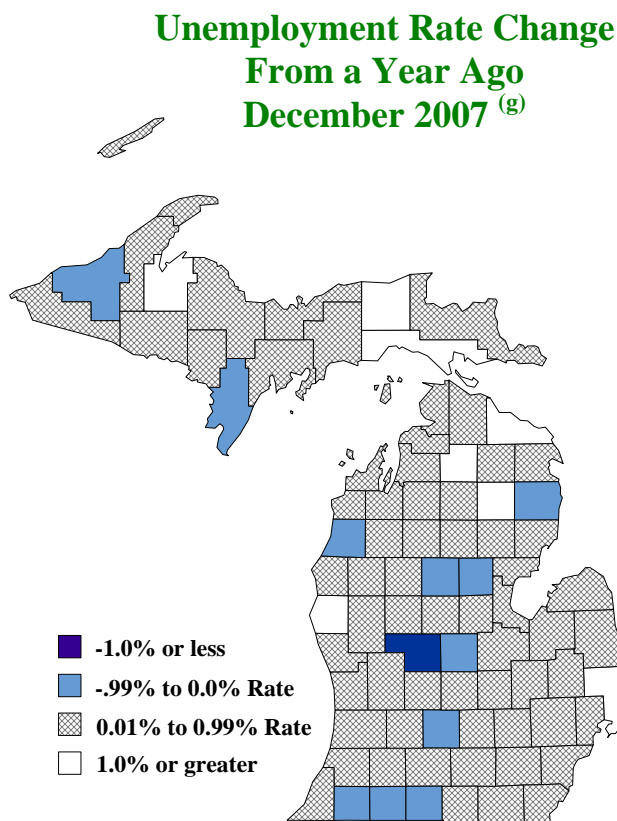
The state’s largest labor market area (Detroit-Warren-Livonia) recorded the greatest unemployment rate increase compared to a year ago (0.8 of a percentage point). Flint and Northeast Lower Michigan reported the second largest rate increase (0.6 of a percentage point).

Compared to November 2007, 13 major labor market areas reported a non-seasonally adjusted unemployment rate increase with a median increase of 0.3 of a percentage point. December 2007 unemployment rates ranged between 4.7 percent (Ann Arbor MSA) and 10.8 percent (Northeast Lower Michigan).

Compared to December 2006, the unemployment rate rose in 71 counties, fell in 11 counties and remained unchanged in one county.

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

<u>Local Area</u>	<u>Dec 2006 Rate</u>	<u>Nov 2007 Rate</u>	<u>Dec 2007 Rate</u>
Michigan	6.9%	6.9%	7.4%
Ann Arbor	4.4%	4.7%	4.7%
Battle Creek	6.5%	6.6%	6.7%
Bay City	6.8%	6.8%	7.2%
Detroit-Warren-Livonia	7.2%	7.2%	8.0%
Flint	7.7%	8.3%	8.3%
Grand Rapids-Wyoming	5.8%	5.9%	6.0%
Holland-Grand Haven	5.4%	5.6%	5.8%
Jackson	7.3%	7.5%	7.6%
Kalamazoo-Portage	5.6%	5.5%	5.7%
Lansing-East Lansing	5.6%	5.5%	5.7%
Monroe	6.1%	6.5%	6.5%
Muskegon-Norton Shores	6.7%	7.1%	7.0%
Niles-Benton Harbor	7.0%	6.8%	7.1%
Saginaw-Saginaw Township	6.9%	7.1%	7.4%
Upper Peninsula	7.8%	7.2%	8.0%
Northeast Lower Mich	10.2%	9.5%	10.8%
Northwest Lower Mich.	7.9%	7.7%	8.3%



## Consensus Economic Forecast

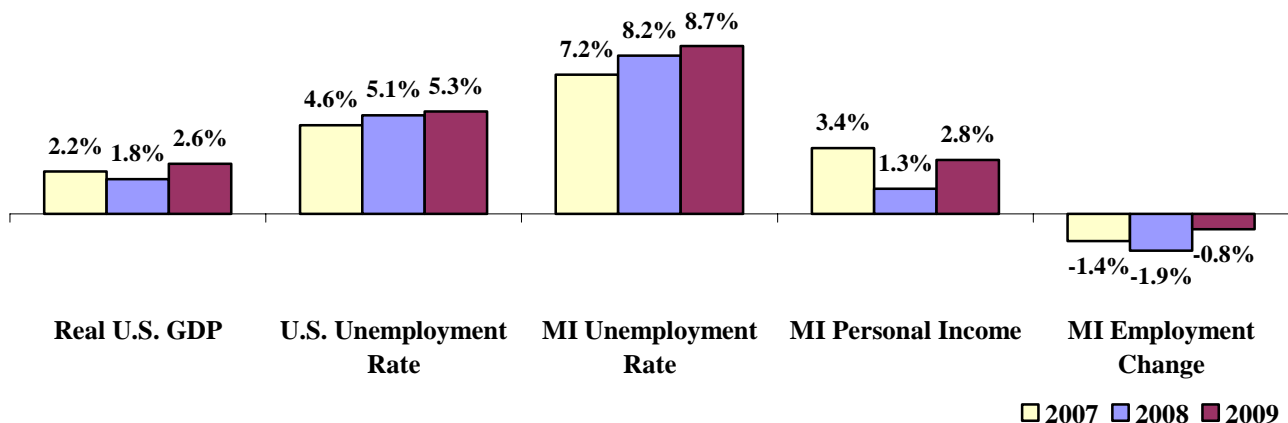
### Economy Slows in 2008 Before Moderating in 2009

On January 11, 2008, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2008 and 2009. Below are highlights of that consensus agreement:

- After growing 2.2 percent in 2007, real GDP is forecast to rise 1.8 percent in 2008 and increase 2.6 percent in 2009. The U.S. unemployment rate is projected to increase from 4.6 percent in 2007 to 5.1 percent in 2008 before rising to 5.3 percent in 2009.
- Light vehicle sales are projected to fall to 15.7 million units in 2008, down from 16.1 million units in 2007. Light vehicle sales in 2009 are expected to rebound to 16.0 million units.
- After declining 1.4 percent in 2007, Michigan wage and salary employment is forecast to fall 1.9 percent in 2008. Declines are expected to slow in 2009 with employment falling 0.8 percent.
- Michigan's unemployment rate is forecast to average 8.2 percent in 2008 and 8.7 percent in 2009.
- After growing 3.4 percent in 2007, Michigan's personal income growth is expected to slow to 1.3 percent in 2008 before accelerating to 2.8 percent in 2009. Michigan wages and salaries income falls in 2008 (-0.7 percent) before rising 1.4 percent in 2009.
- With Detroit CPI inflation of 2.5 percent in 2008 and 2.3 percent in 2009, real (inflation adjusted) Michigan real personal income is forecasted to fall 1.2 percent in 2008 and to rise 0.5 percent in 2009.

#### U.S. Economic Forecast Slower Growth

#### Michigan Economic Forecast Employment Continues Decline



## U.S. Economic Conditions

	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	83.4	80.9	76.1	75.5	-16.2 points
ISM Manufacturing Index <sup>(i)</sup>	52.0	50.9	50.8	47.7	-3.7 points
ISM Non Manufacturing Index <sup>(i)</sup>	54.8	55.8	54.1	53.9	-2.8 points
	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	
Business Executives' Confidence <sup>(j)</sup>	53.0	45.0	44.0	39.0	-11.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	208.5	208.9	210.2	210.0	4.1%
Detroit CPI	NA	201.8	NA	200.2	1.9%
U.S. Producer Price Index	167.4	168.6	171.3	170.6	6.3%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.01%	3.97%	3.49%	3.08%	-1.77% points
Aaa Corporate Bonds <sup>(m)</sup>	5.74%	5.66%	5.44%	5.49%	0.17% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	114.2	113.7	114.0	114.0	1.5%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	81.9%	81.4%	81.6%	81.4%	-0.2% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$380.2	\$380.3	\$384.3	\$382.9	4.2%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.182	1.274	1.173	1.006	-38.2%
Existing Home Sales <sup>(p)</sup>	5.030	4.980	5.000	4.890	-22.0%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$215.3	\$214.3	\$215.4	\$226.6	3.7%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	<u>% Change From Year Ago</u>
Michigan	\$343.3	\$349.3	\$350.6	\$354.3	3.4%
U.S.	\$11,180.6	\$11,455.1	\$11,563.2	\$11,727.1	6.5%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,412.6	\$11,520.1	\$11,658.9	\$11,677.4	0.6%



**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.
- (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.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.