



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

January 2008 Summary

U.S. Economy: January U.S. economic indicators were largely negative. The ISM manufacturing index was up only slightly, while the non-manufacturing business activity index was down sharply (-16.0 points). The six-month annualized rate of decline of the index of leading economic indicators slipped from -2.3% to -4.0%, the lowest since April 2001. Consumer sentiment was down sharply from a year ago (-18.5 points) to 78.4. Both existing home sales and housing starts fell by nearly one-fourth compared to a year ago. Excluding vehicles and gasoline, retail sales rose by only 3.5 percent compared to a year ago (three-month average) -- its slowest growth rate in over four years. The three-month average of new durable goods orders, excluding defense and aircraft, rose 1.6 percent compared to a year ago.

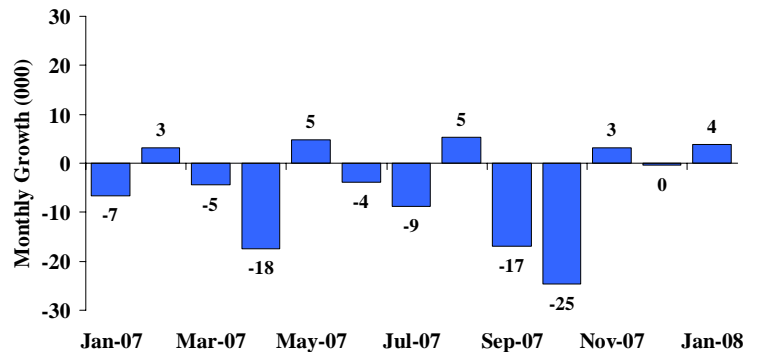
Employment: In January, Michigan's payroll employment rose by 3,900 jobs. The State unemployment rate fell to 7.1 percent. Nationally, employment fell by 17,000 jobs.

Auto Industry: January light vehicle sales fell sharply to a 15.3 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production rose 2.4 percent compared with a 3.8 percent decline nationally.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 4.3 percent; the core CPI (excluding energy and food) increased only 2.5 percent. Overall producer prices rose 7.4 percent, but core producer prices rose only 2.3 percent. Oil prices rose to \$93 a barrel.

Michigan Metro Areas: From January 2007 to January 2008, unemployment rates rose in eight of Michigan's 17 major labor market areas with a median increase of 0.3 of a percentage point. Employment fell in 16 labor market areas with a median decline of 1.7 percent. January 2008 unemployment rates ranged between 4.8 percent (Ann Arbor MSA) and 12.4 percent (Northeast Lower Michigan).

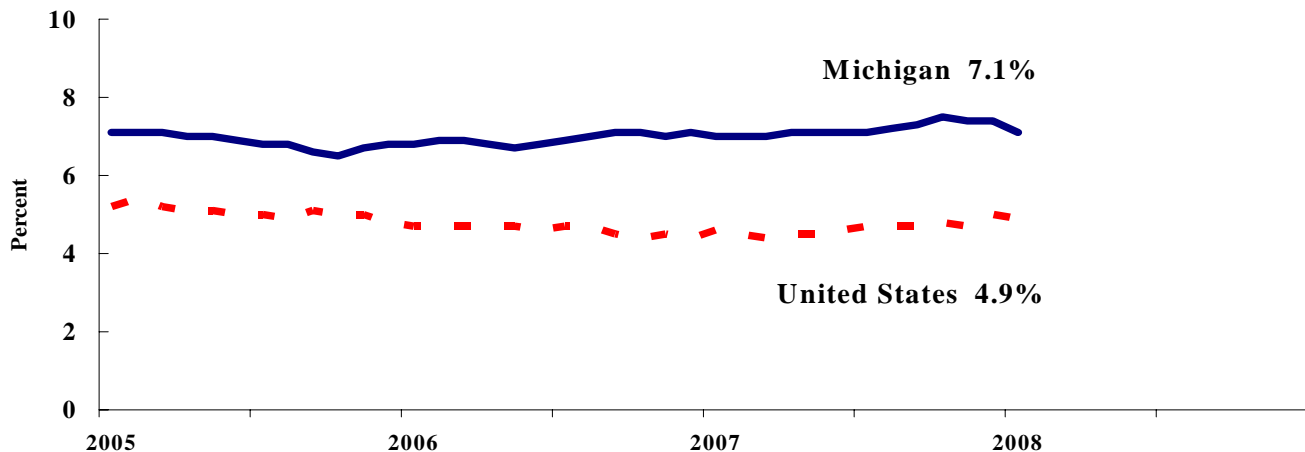
Michigan Employment
Rises^(a)



Labor Market Statistics

- Michigan's January monthly unemployment rate decreased 0.3 percentage points to 7.1 percent from last month while the current Michigan jobless rate is 0.1 percentage points above a year ago. The January U.S. unemployment rate decreased 0.1 percentage points to 4.9 percent and was 0.2 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 January, the number of people employed in Michigan was 4,650,000, up 33,000 from last month, while the labor force increased by 14,000. The statewide total number of unemployed decreased by 18,000 to 353,000.
- United States household employment totaled 146.2 million persons in January, up 37,000 from December. The labor force fell by 42,000 from last month, which meant that there were 79,000 less unemployed people nationally, compared to December.

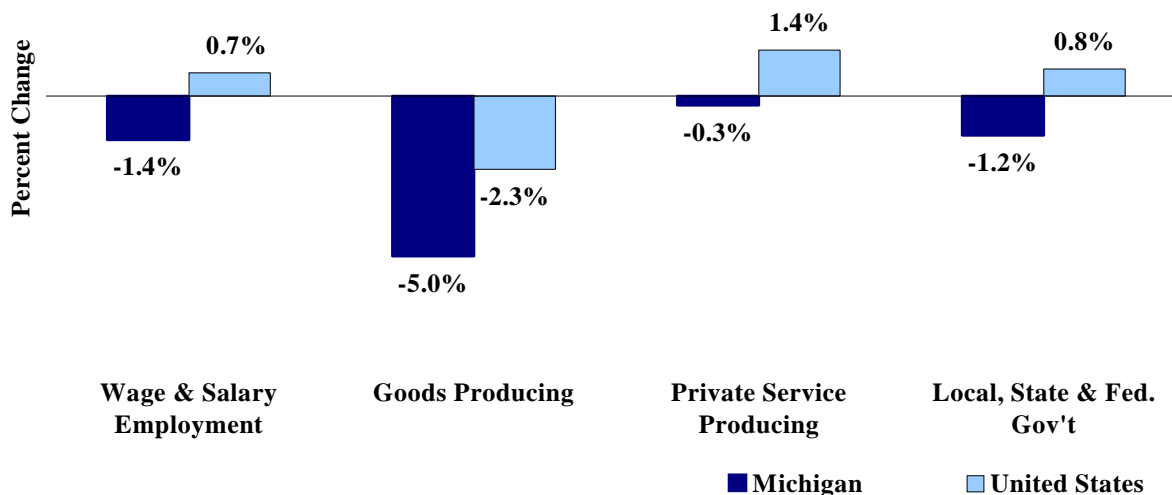
Employment by Place of Residence (in thousands)^(a)

	2007 Average	Nov 2007	Dec 2007	Jan 2008	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,020	4,994	4,989	5,003	14	0.3%	-45	-0.9%
Employed	4,660	4,624	4,617	4,650	33	0.7%	-44	-0.9%
Unemployed	360	370	372	353	-18	-4.9%	-1	-0.3%
Unemployment Rate	7.2%	7.4%	7.4%	7.1%	n.a.	-0.3% pts	n.a.	0.1%
United States								
Labor Force	153,124	153,828	153,866	153,824	-42	0.0%	2,126	1.4%
Employed	146,047	146,647	146,211	146,248	37	0.0%	1,669	1.2%
Unemployed	7,078	7,181	7,655	7,576	-79	-1.0%	457	6.4%
Unemployment Rate	4.6%	4.7%	5.0%	4.9%	n.a.	-0.1% pts	n.a.	0.2%

Employment by Place of Work

- From January 2007 to January 2008, Michigan wage and salary employment decreased 58,000 (1.4 percent). State wage and salary employment increased 4,000 from December. Nationally, January 2008 wage and salary employment rose 994,000 (0.7 percent) from a year ago and was down 17,000 from last month.

Wage and Salary Employment Growth January 2007 to January 2008



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 0.3 percent compared to last year. From a year ago, January national employment in the goods-producing sector fell 2.3 percent and increased 1.4 percent in the private service-producing sector.
- Manufacturing weekly hours increased sharply by 2.2 hours in Michigan compared to last year.

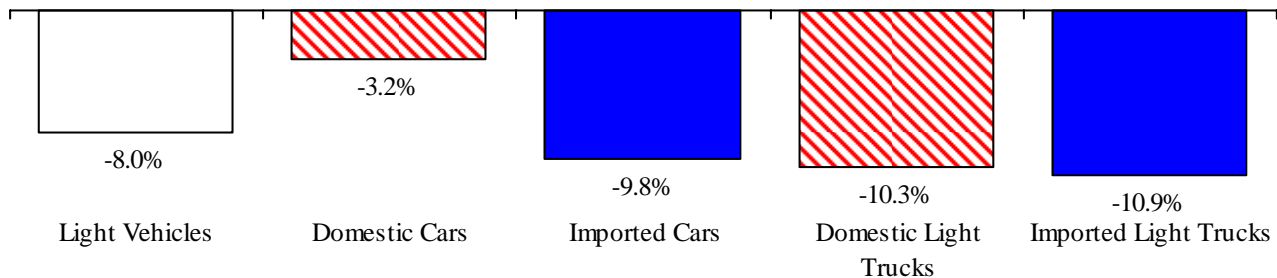
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2007 Average	Jan 2007	Jan 2008	Percent Change	2007 Average	Jan 2007	Jan 2008	Percent Change
Wage & Salary Employment	4,262	4,289	4,231	-1.4%	137,623	137,108	138,102	0.7%
Goods Producing	791	807	767	-5.0%	22,221	22,447	21,937	-2.3%
Manufacturing	617	626	596	-4.8%	13,884	14,015	13,746	-1.9%
Private Service Producing	2,814	2,822	2,814	-0.3%	93,199	92,558	93,877	1.4%
Trade, Trans. & Utilities	788	794	788	-0.8%	26,608	26,493	26,669	0.7%
Services	1,750	1,749	1,752	0.2%	55,254	54,688	55,938	2.3%
Local, State & Fed. Gov't	657	659	651	-1.2%	22,203	22,103	22,288	0.8%
Manufacturing Weekly Hours	42.5	41.6	43.8	2.2 hrs	41.2	40.9	41.1	0.2 hrs

Motor Vehicle Industry Sales

- At a 15.3 million unit annual rate, January 2008 light vehicle sales were down 5.6 percent compared to December and fell 8.0 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 5.4 percent and foreign light vehicle sales decreased 6.0 percent.
- Compared to a year ago, January 2008 domestic sales were down 7.4 percent while foreign sales declined 10.2 percent. As a result, the foreign share of U.S. vehicle sales decreased by 0.5 of a percentage point to 23.0 percent. Overall auto sales were down 5.3 percent; light truck sales declined 10.4 percent. Heavy truck sales were down sharply (-35.7 percent).
- January light vehicle inventories fell 4.6 percent from a year ago; days supply were unchanged.

January 2008 Light Vehicle Sales Declined Sharply Compared to a Year Ago



Motor Vehicle Sales Statistics

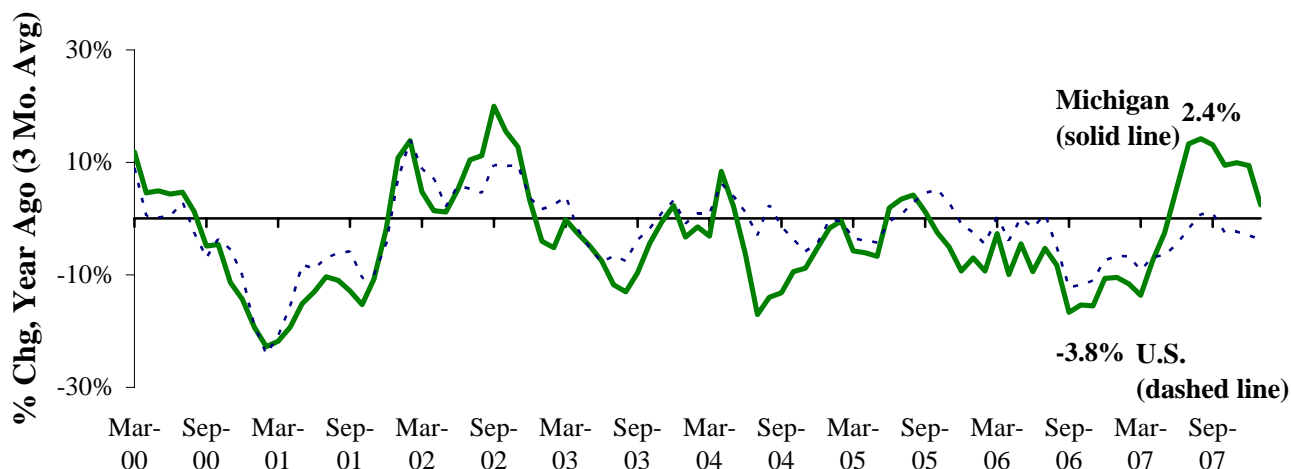
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2007 Average	Nov 2007	Dec 2007	Jan 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	8.0	7.9	7.3	7.7	(0.4)	-5.3%
Domestics	5.2	5.6	5.5	5.1	5.4	(0.2)	-3.2%
Imports	2.4	2.4	2.3	2.2	2.3	(0.2)	-9.8%
Import Share	31.2%	29.5%	29.6%	30.3%	29.8%	-1.5% pts	
Light Trucks	8.5	8.2	8.3	8.0	8.2	(0.9)	-10.4%
Domestics	7.1	6.8	6.9	6.7	6.8	(0.8)	-10.3%
Imports	1.4	1.4	1.4	1.3	1.4	(0.2)	-10.9%
Import Share	16.3%	17.2%	17.0%	16.4%	16.9%	-0.1% pts	
Total Light Vehicles	16.1	16.1	16.2	15.3	15.9	(1.3)	-8.0%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.2)	-35.7%
Total Vehicles	16.5	16.5	16.5	15.6	16.2	(1.5)	-8.9%
U.S. Light Vehicle Inventories^(d)		Nov-07	Dec-07	Jan-08	3 Month	Change	
Total Car	1.372	1.405	1.310	1.380	1.365	-0.130	
Days Supply	56	62	54	69	62	-5 days	
Total Truck	1.957	2.028	1.873	1.947	1.950	-0.030	
Days Supply	71	84	65	90	80	5 days	

Motor Vehicle Industry Production

- At 171,566 units, January 2008 Michigan motor vehicle production rose 2.0 percent from a year ago, compared with a 1.8 percent decline nationally. As a result, Michigan's share of national production rose 0.8 percentage points to 20.1 percent.
- Compared with a year ago, state car production was up sharply (14.7 percent) while state truck production fell substantially (9.7 percent). Nationally, car production was down 1.5 percent while truck production decreased by 2.0 percent.
- Michigan's three-month average of vehicle production was up 2.4 percent from a year ago; national production fell 3.8 percent.

Michigan Vehicle Production Up Slightly U.S. Vehicle Production Down Slightly ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2007 Average	Nov 2007	Dec 2007	Jan 2008	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	325.2	328.6	258.0	340.0	308.9	(5.2)	-1.5%
Trucks	582.8	570.9	425.8	512.2	502.9	(10.7)	-2.0%
Total	908.0	899.5	683.8	852.2	811.8	(15.9)	-1.8%
Michigan Production ^(f)							
Autos	84.1	88.4	69.7	92.5	83.5	11.9	14.7%
Trucks	110.2	114.3	82.4	79.0	91.9	(8.5)	-9.7%
Total	194.3	202.7	152.1	171.6	175.4	3.4	2.0%
Michigan as % of U.S.	21.4%	22.5%	22.2%	20.1%	21.6%	0.8% pts	

Calendar Year 2007 Unemployment Rates Rose in Eleven Major Michigan Labor Market Areas (Not Seasonally Adjusted)

From calendar year (CY) 2006 to CY 2007, unemployment rates rose in 11 of Michigan’s 17 major labor market areas. The median unemployment rate increase was 0.2 of a percentage point. The unemployment rate fell in four areas and remained unchanged in two areas.

Between CY 2006 and CY 2007, employment fell in 15 major labor market areas. The median employment decrease was 1.4 percent. Employment declined by more than 1.0 percent in 12 areas. Three areas saw employment declines exceeding 2.0 percent: Flint MSA, Monroe MSA and the Northeast Lower Peninsula. Fourteen areas saw a labor force decline with a median decline of 1.3 percent. Ten areas recorded a labor force decline exceeding 1.0 percent; two saw greater than a 2.0 percent decline.

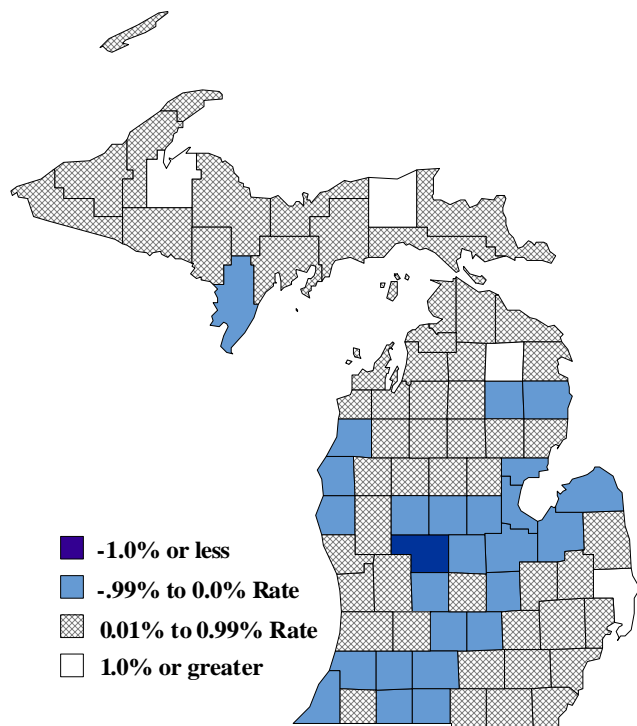
The state’s largest labor market area (Detroit-Warren-Livonia), along with the Northeast Lower Peninsula, recorded the greatest CY unemployment rate increase compared to 2006 with a 0.5 of a percentage point rate increase. Between CY 2006 and CY 2007, the unemployment rate rose in 57 Michigan counties, fell in 18 counties and remained unchanged in the remaining eight counties.

Between January 2007 and January 2008, the unemployment rate rose in eight major labor market areas with a median increase of 0.3 of a percentage point. Total employment decreased in 16 areas with a median decline of 1.7 percent; the labor force fell in 16 areas with a 1.5 percent median decline. Compared to January 2007, the unemployment rate rose in 44 counties, fell in 31 counties and remained unchanged in eight counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>CY 2006 Rate</u>	<u>CY 2007 Rate</u>
Michigan	6.9%	7.2%
Ann Arbor	4.6%	4.8%
Battle Creek	6.9%	6.9%
Bay City	6.9%	6.7%
Detroit-Warren-Livonia	7.2%	7.7%
Flint	8.1%	8.3%
Grand Rapids-Wyoming	5.9%	5.9%
Holland-Grand Haven	5.3%	5.6%
Jackson	7.2%	7.6%
Kalamazoo-Portage	5.5%	5.6%
Lansing-East Lansing	5.9%	5.8%
Monroe	6.5%	6.7%
Muskegon-Norton Shores	6.9%	7.1%
Niles-Benton Harbor	7.0%	6.8%
Saginaw-Saginaw Township	7.4%	7.1%
Upper Peninsula	7.2%	7.4%
Northeast Lower Mich	9.1%	9.6%
Northwest Lower Mich.	7.2%	7.6%

Unemployment Rate Change CY 2006 – CY 2007^(g)



U.S. Economic Conditions

	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	80.9	76.1	75.5	78.4	-18.5 points
ISM Manufacturing Index ⁽ⁱ⁾	50.4	50.0	48.4	50.7	1.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.5	54.6	54.4	41.9	-16.0 points
	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	
Business Executives' Confidence ^(j)	53.0	45.0	44.0	39.0	-11.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	208.9	210.2	210.0	211.1	4.3%
Detroit CPI	201.8	NA	200.2	NA	1.9%
U.S. Producer Price Index	168.6	171.3	170.6	171.9	7.4%
INTEREST RATES					
90 Day T-Bill ^(l)	3.97%	3.49%	3.08%	2.86%	-2.10% points
Aaa Corporate Bonds ^(m)	5.66%	5.44%	5.49%	5.33%	-0.07% points
INDUSTRIAL PRODUCTION ^(m)					
	111.8	112.3	112.4	112.5	2.5%
CAPACITY UTILIZATION ^(m)					
	80.8%	81.1%	81.0%	81.0%	0.5% points
RETAIL SALES ⁽ⁿ⁾					
	\$380.3	\$383.4	\$380.7	\$382.3	4.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.274	1.178	1.000	1.071	-23.7%
Existing Home Sales ^(p)	5.060	5.020	4.910	4.890	-23.4%
DURABLE GOODS ORDERS ^(q)					
	\$214.3	\$215.2	\$224.7	\$214.2	4.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>% Change From Year Ago</u>
Michigan	\$350.3	\$351.0	\$354.9	\$357.3	4.1%
U.S.	\$11,452.0	\$11,568.8	\$11,722.9	\$11,839.9	5.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<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	\$11,677.1	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.