



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## February 2008 Summary

**U.S. Economy:** U.S. economic indicators remained largely negative in February. Consumer sentiment was down sharply from a year ago (-20.5 points) to 70.8, its lowest reading in 16 years. The index of leading economic indicators fell for the fifth straight month to its lowest level since Hurricane Katrina. The ISM manufacturing index signaled a contracting sector and both the ISM manufacturing and non-manufacturing (business activity) indices were down from a year ago. Compared to a year ago, housing starts fell by more than one-fourth. Similarly, existing home sales declined by nearly one-fourth -- despite being somewhat inflated by foreclosure sales. Excluding vehicles and gasoline, retail sales rose by only 2.8 percent compared to a year ago (three-month average) -- its slowest growth rate in nearly five years. In its early March Beige Book, the Federal Reserve reported either weaker or only moderate growth in each of its twelve districts across the U.S.

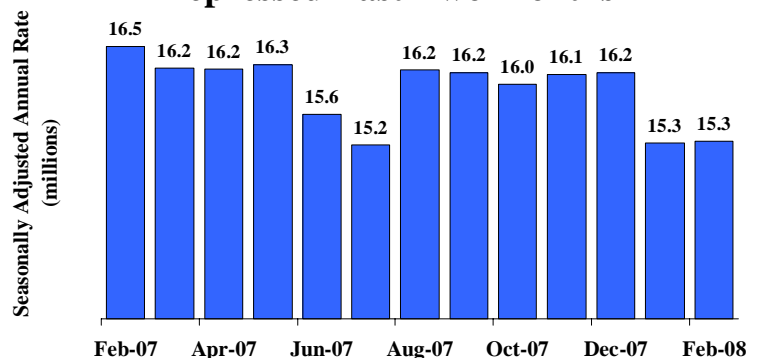
**Employment:** In February, Michigan's payroll employment declined by 4,000 jobs. The State unemployment rate rose to 7.2 percent while the national rate fell to 4.8 percent. Nationally, employment fell by 63,000 jobs.

**Auto Industry:** February light vehicle sales were flat at a 15.3 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production rose 2.1 percent compared with a 4.5 percent decline nationally.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 4.0 percent; the core CPI (excluding energy and food) increased only 2.3 percent. Overall producer prices rose 6.4 percent, but core producer prices rose only 2.4 percent. Oil prices rose to \$95 a barrel.

**Michigan Metro Areas:** From February 2007, unemployment rates rose in all of Michigan's 17 major labor market areas with a median increase of 0.5 of a percentage point. Employment fell in 16 labor market areas with a median decline of 1.7 percent. February 2008 unemployment rates ranged between 5.0 percent (Ann Arbor MSA) and 13.0 percent (Northeast Lower Michigan).

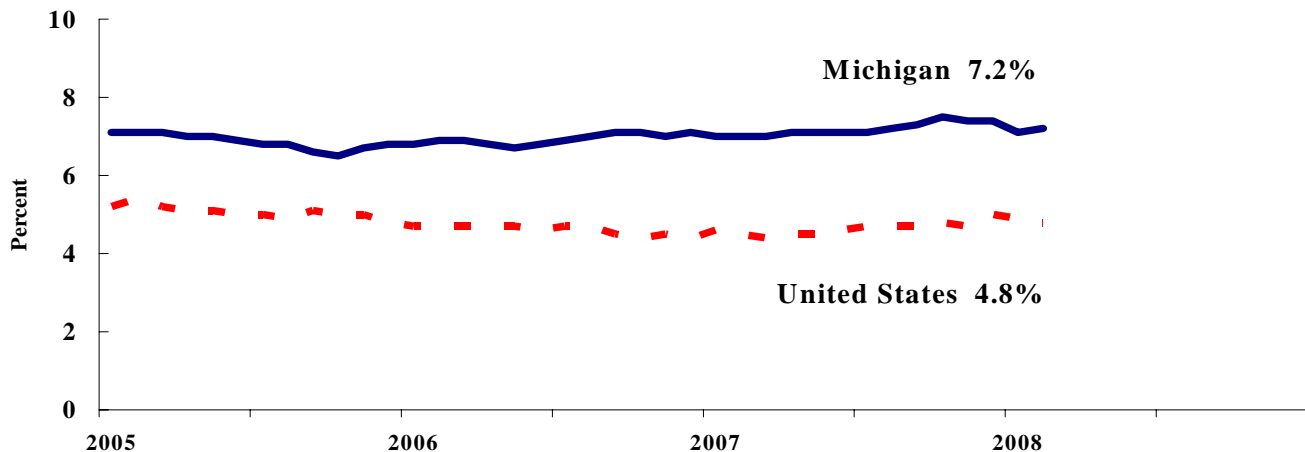
**Light Vehicle Sales  
Depressed Last Two Months<sup>(c)</sup>**



## Labor Market Statistics

- Michigan's February monthly unemployment rate increased 0.1 percentage points to 7.2 percent from last month and the current Michigan jobless rate is 0.2 percentage points above a year ago. The February U.S. unemployment rate decreased 0.1 percentage points to 4.8 percent and was 0.1 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 February, the number of people employed in Michigan was 4,642,000, down 8,000 from last month, while the labor force decreased by 3,000. The statewide total number of unemployed increased by 5,000 to 358,000.
- United States household employment totaled 146.0 million persons in February, down 255,000 from January. The labor force fell by 450,000 from last month, which meant that there were 195,000 less unemployed people nationally, compared to January.

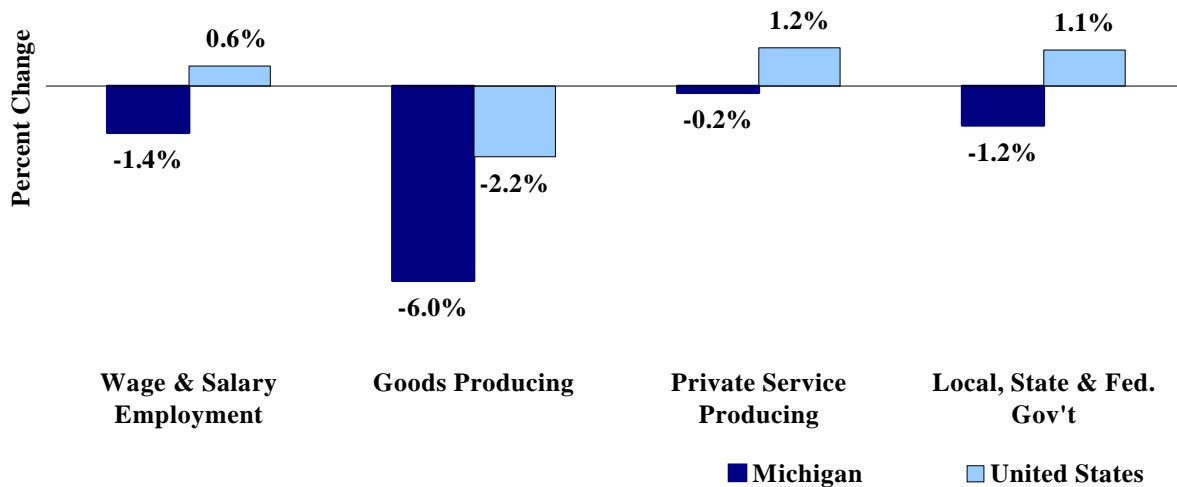
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2007 Average	Dec 2008	Jan 2008	Feb 2008	Change From				
					Prior Month		Last Year		
						Level	%	Level	%
<b>Michigan</b>									
Labor Force	5,020	4,989	5,003	5,000	-3	-0.1%	-42	-0.8%	
Employed	4,660	4,617	4,650	4,642	-8	-0.2%	-49	-1.1%	
Unemployed	360	372	353	358	5	1.3%	7	2.1%	
Unemployment Rate	7.2%	7.4%	7.1%	7.2%	n.a.	0.1% pts	n.a.	0.2%	
<b>United States</b>									
Labor Force	153,124	153,866	153,824	153,374	-450	-0.3%	1,676	1.1%	
Employed	146,047	146,211	146,248	145,993	-255	-0.2%	1,414	1.0%	
Unemployed	7,078	7,655	7,576	7,381	-195	-2.6%	262	3.7%	
Unemployment Rate	4.6%	5.0%	4.9%	4.8%	n.a.	-0.1% pts	n.a.	0.1%	

## Employment by Place of Work

- From February 2007 to February 2008, Michigan wage and salary employment decreased 62,000 (1.4 percent). State wage and salary employment decreased 4,000 from January. Nationally, February 2008 wage and salary employment rose 860,000 (0.6 percent) from a year ago and was down 63,000 from last month.

### Wage and Salary Employment Growth February 2007 to February 2008



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

- In the goods-producing sector, Michigan employment fell 6.0 percent from a year ago while private service-producing sector employment decreased 0.2 percent compared to last year. From a year ago, February national employment in the goods-producing sector fell 2.2 percent but increased 1.2 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 1.6 hours in Michigan compared to last year.

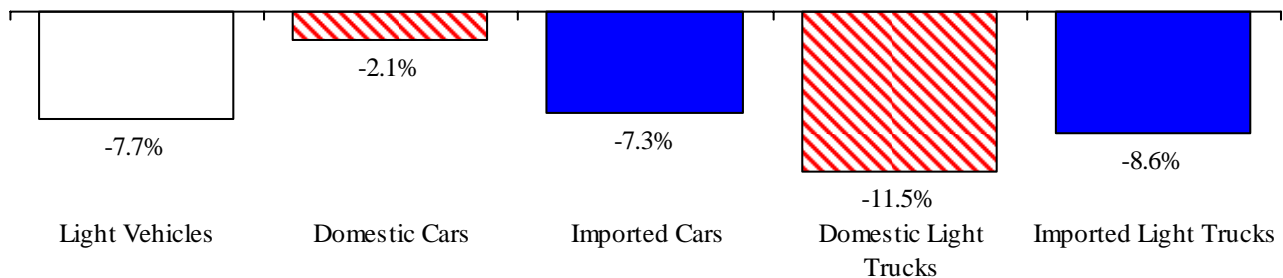
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2007 Average	Feb 2007	Feb 2008	Percent Change	2007 Average	Feb 2007	Feb 2008	Percent Change
Wage & Salary Employment	4,262	4,291	4,229	-1.4%	137,623	137,133	137,993	0.6%
Goods Producing	791	812	763	-6.0%	22,221	22,322	21,833	-2.2%
Manufacturing	617	633	596	-5.8%	13,884	13,988	13,689	-2.1%
Private Service Producing	2,814	2,822	2,816	-0.2%	93,199	92,684	93,785	1.2%
Trade, Trans. & Utilities	788	792	786	-0.8%	26,608	26,516	26,607	0.3%
Services	1,750	1,751	1,755	0.2%	55,254	54,785	55,931	2.1%
Local, State & Fed. Gov't	657	659	651	-1.2%	22,203	22,127	22,375	1.1%
Manufacturing Weekly Hours	42.5	42.3	43.9	1.6 hrs	41.2	40.9	41.1	0.2 hrs

## Motor Vehicle Industry Sales

- At a 15.3 million unit annual rate, February 2008 light vehicle sales were essentially flat compared to January and fell 7.4 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 0.7 percent and foreign light vehicle sales rose 2.8 percent.
- Compared to a year ago, February 2008 domestic sales were down 8.0 percent while foreign sales declined 5.4 percent. As a result, the foreign share of U.S. vehicle sales increased by 0.5 of a percentage point to 23.6 percent. Overall auto sales were down 2.2 percent; light truck sales declined sharply (-11.7 percent); heavy truck sales were down by nearly one-third (-32.5 percent).
- February light vehicle inventories fell 2.8 percent from a year ago; days supply were up significantly (6 days) due to a lower sales rate.

### February 2008 Year-to-Date Light Vehicle Sales Down Sharply Compared to a Year Ago



### Motor Vehicle Sales Statistics

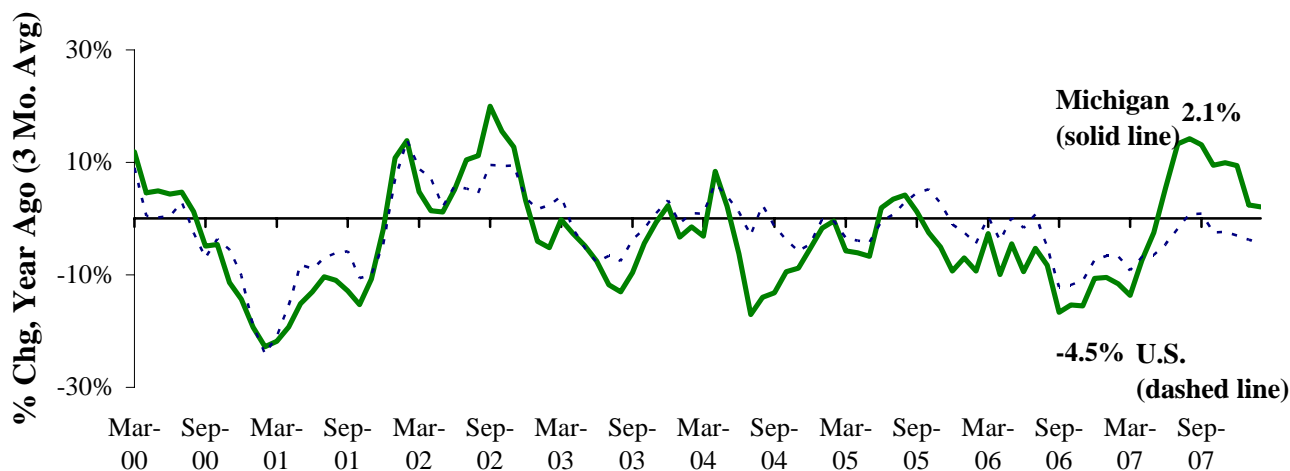
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2007 Average	Dec 2007	Jan 2008	Feb 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.9	7.3	7.3	7.5	(0.2)	-2.2%
Domestics	5.2	5.5	5.1	5.0	5.2	(0.1)	-1.0%
Imports	2.4	2.3	2.2	2.3	2.3	(0.1)	-4.9%
Import Share	31.2%	29.6%	30.3%	31.4%	30.4%	-0.9%	pts
Light Trucks	8.5	8.3	8.0	8.0	8.1	(1.1)	-11.7%
Domestics	7.1	6.9	6.7	6.6	6.7	(1.0)	-12.7%
Imports	1.4	1.4	1.3	1.3	1.3	(0.1)	-6.3%
Import Share	16.3%	17.0%	16.4%	16.6%	16.7%	0.9%	pts
Total Light Vehicles	16.1	16.2	15.3	15.3	15.6	(1.2)	-7.4%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.2)	-32.5%
Total Vehicles	16.5	16.5	15.6	15.6	15.9	(1.4)	-8.1%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Dec-07</b>	<b>Jan-08</b>	<b>Feb-08</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.372	1.310	1.380	1.420	1.370	-0.136	
Days Supply	56	54	69	64	62	-2	days
Total Truck	1.957	1.873	1.947	2.023	1.948	0.036	
Days Supply	71	65	90	83	79	13	days

## Motor Vehicle Industry Production

- At 205,376 units, February 2008 Michigan motor vehicle production rose 9.2 percent from a year ago, compared to essentially flat production nationally. As a result, Michigan's share of national production rose 1.9 percentage points to 22.5 percent.
- Compared with a year ago, state car production was up sharply (13.3 percent) while state truck production rose 5.7 percent. Nationally, car production was up 3.9 percent while truck production decreased by 2.5 percent.
- Michigan's three-month average of vehicle production was up 2.1 percent from a year ago; national production fell 4.5 percent.

### Michigan Vehicle Production Up Slightly U.S. Vehicle Production Down Slightly <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2007 Average	Dec 2007	Jan 2008	Feb 2008	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	325.2	258.0	340.0	344.3	314.1	13.0	3.9%
Trucks	582.8	425.8	512.2	569.8	502.6	(14.8)	-2.5%
Total	908.0	683.8	852.2	914.1	816.7	(1.7)	-0.2%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	84.1	69.7	92.5	97.5	86.6	11.5	13.3%
Trucks	110.2	82.4	79.0	107.9	89.8	5.8	5.7%
Total	194.3	152.1	171.6	205.4	176.3	17.3	9.2%
Michigan as % of U.S.	21.4%	22.2%	20.1%	22.5%	21.6%	1.9% pts	

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

Compared to a year ago, unemployment rates rose in all of Michigan's 17 major labor market areas. The median unemployment rate increase was 0.5 of a percentage point. Unemployment rates ranged between 5.0 percent (Ann Arbor MSA) to 13.0 percent (Northeast Lower Michigan).

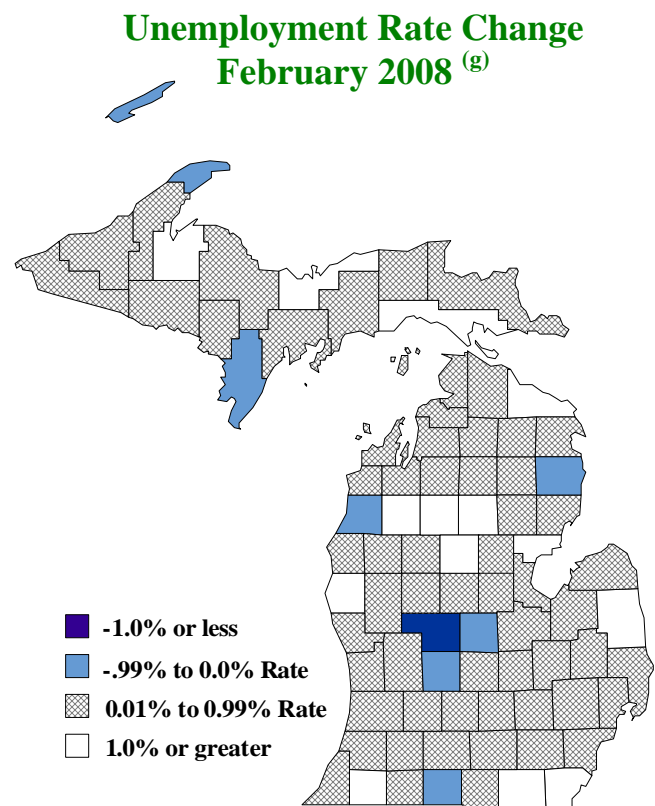
Between February 2007 and February 2008, employment fell in 16 major labor market areas. The median employment decrease was 1.7 percent. Six areas saw employment declines exceeding 2.0 percent; two recorded declines greater than 3.0 percent: Flint MSA (3.7 percent) and Saginaw-Saginaw Township (3.6 percent). Fifteen areas saw a labor force decline with a median decline of 1.2 percent. Four areas recorded a labor force decline exceeding 2.0 percent: Flint MSA (3.4 percent), Saginaw-Saginaw Township (3.1 percent), Battle Creek MSA (2.6 percent) and Jackson MSA (2.2 percent).

The Monroe MSA reported the largest unemployment rate decline compared to a year ago (1.2 percentage points), followed by Northeast Lower Michigan (0.7 of a percentage point). Compared to January, thirteen major labor markets saw non-seasonally adjusted unemployment rate increases with a median rate increase of 0.3 of a percentage point.

Between February 2007 and February 2008, the unemployment rate rose in 75 Michigan counties, fell in six counties and remained unchanged in the remaining two counties. The median county unemployment rate change was a 0.5 of a percentage point. Non-seasonally adjusted unemployment county unemployment rates ranged between 5.0 percent (Washtenaw) and 23.2 percent (Mackinac).

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

<u>Local Area</u>	<u>Feb 2007 Rate</u>	<u>Jan 2008 Rate</u>	<u>Feb 2008 Rate</u>
Michigan	7.3%	7.8%	7.8%
Ann Arbor	4.6%	4.8%	5.0%
Battle Creek	7.2%	7.2%	7.4%
Bay City	7.5%	7.6%	7.7%
Detroit-Warren-Livonia	7.2%	8.2%	7.7%
Flint	9.1%	9.5%	9.3%
Grand Rapids-Wyoming	6.2%	6.3%	6.5%
Holland-Grand Haven	5.9%	6.1%	6.5%
Jackson	7.8%	8.0%	8.3%
Kalamazoo-Portage	5.9%	6.0%	6.3%
Lansing-East Lansing	5.9%	6.1%	6.4%
Monroe	6.4%	8.0%	7.6%
Muskegon-Norton Shores	7.3%	7.5%	7.9%
Niles-Benton Harbor	7.6%	7.6%	7.9%
Saginaw-Saginaw Township	7.6%	8.2%	8.1%
Upper Peninsula	8.8%	8.8%	9.2%
Northeast Lower Mich	12.3%	12.4%	13.0%
Northwest Lower Mich.	9.2%	9.2%	9.8%



## U.S. Economic Conditions

	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	76.1	75.5	78.4	70.8	-20.5 points
ISM Manufacturing Index <sup>(i)</sup>	50.0	48.4	50.7	48.3	-3.2 points
ISM Non Manufacturing Index <sup>(i)</sup>	54.6	54.4	41.9	50.8	-4.1 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>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	210.2	210.0	211.1	211.7	4.0%
Detroit CPI	NA	200.2	NA	202.4	2.2%
U.S. Producer Price Index	171.4	170.6	171.9	172.2	6.4%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	3.49%	3.08%	2.86%	2.21%	-2.81% points
Aaa Corporate Bonds <sup>(m)</sup>	5.44%	5.49%	5.33%	5.53%	0.14% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	112.3	112.4	112.6	111.8	1.1%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	81.1%	81.0%	81.0%	80.3%	-0.6% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$383.4	\$380.7	\$382.2	\$380.8	2.9%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.178	1.000	1.083	1.075	-27.7%
Existing Home Sales <sup>(p)</sup>	5.020	4.910	4.890	5.030	-23.8%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$215.2	\$224.7	\$214.2	\$210.6	2.2%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<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	\$11,675.7	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.