



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

July 2008 Summary

U.S. Economy: U.S. economic indicators pointed to a weak economy. Consumer sentiment increased slightly from June, but was down sharply from a year ago (-29.2 points) to 61.2. Both the ISM manufacturing and non-manufacturing (business activity) indices were down from a year ago with the non-manufacturing index down sharply (-6.3 points). For the fourth straight month, industrial production was essentially flat. Housing starts fell to a 17-year low, down 29.6 from July 2007. Existing home sales rose slightly from June to a 5.0 million unit rate, but inventories remain high (11.2 months supply). Retail sales excluding gasoline stations and motor vehicle and parts dealers rose by 3.5 percent compared to a year ago (three-month average).

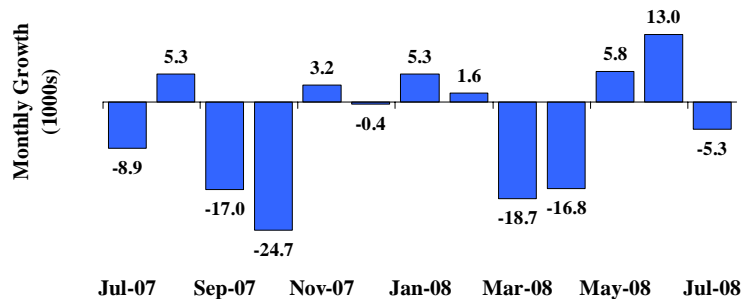
Employment: In July, Michigan's unemployment rate remained at 8.5 percent, its highest monthly rate since October 1992. State payroll employment fell by 5,000 jobs compared to June. The U.S. unemployment rate rose to 5.7 percent while U.S. payroll employment fell by 51,000 jobs, declining for the seventh straight month.

Auto Industry: July light vehicle sales fell to a 12.5 million unit annual rate -- the lowest sales rate in over 16 years. Compared to a year ago, the three-month average of State vehicle production fell 28.6 percent compared with a 20.5 percent decline nationally.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 5.6 percent (a 17-year high); the core CPI (excluding energy and food) increased 2.5 percent. Overall producer prices rose a dizzying 9.8 percent (a 27-year high); core producer prices rose 3.5 percent. The monthly oil price fell very slightly from June's record high to \$133.44 a barrel -- up \$59.26 a barrel from July 2007.

Michigan Metro Areas: From July 2007, unemployment rates rose in all of Michigan's 17 major labor market areas with a median increase of 1.4 percentage points. Employment fell in all 17 labor market areas with a median decline of 2.5 percent. July 2008 unemployment rates ranged between 6.9 percent (Ann Arbor MSA) and 12.3 percent (Flint MSA).

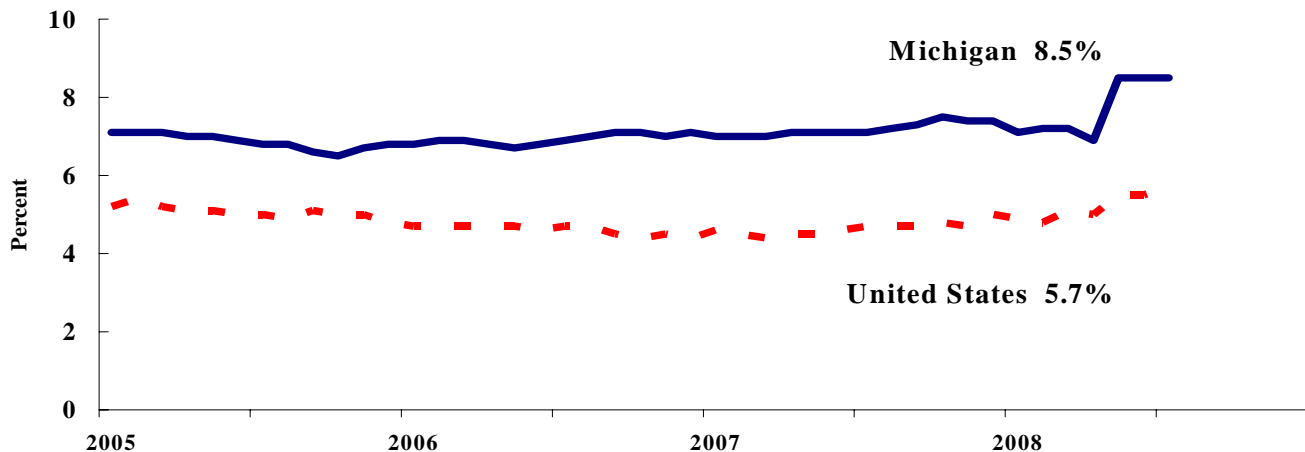
**Michigan Payroll Employment
Decreases in July^(a)**



Labor Market Statistics

- Michigan's July monthly unemployment rate remained unchanged at 8.5 percent from last month and the current Michigan jobless rate is 1.4 percentage points above a year ago. The July U.S. unemployment rate increased 0.2 percentage points to 5.7 percent and was 1.0 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 July, the number of people employed in Michigan was 4,538,000, down 29,000 from last month, while the labor force decreased by 33,000. The statewide total number of unemployed decreased by 4,000 to 419,000.
- United States household employment totaled 145.8 million persons in July, down 72,000 from June. The labor force grew by 213,000 from last month, which meant that there were 285,000 more unemployed people nationally, compared to June.

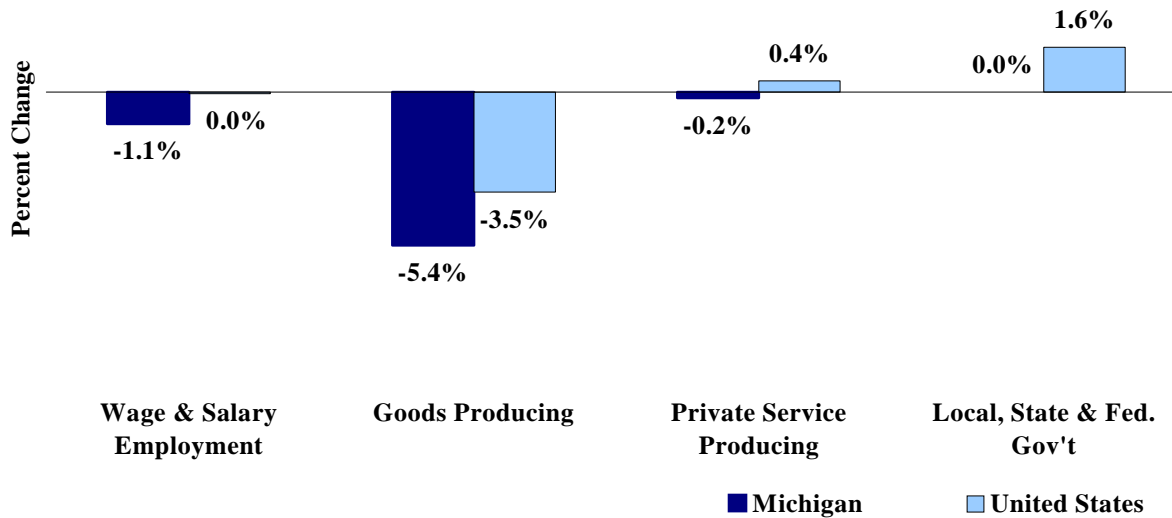
Employment by Place of Residence (in thousands)^(a)

	2007 Average	May 2008	June 2008	July 2008	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	5,020	5,007	4,990	4,957	-33	-0.7%	-59	-1.2%	
Employed	4,660	4,579	4,567	4,538	-29	-0.6%	-124	-2.7%	
Unemployed	360	428	423	419	-4	-0.9%	65	18.4%	
Unemployment Rate	7.2%	8.5%	8.5%	8.5%	n.a.	0.0% pts	n.a.	1.4%	
United States									
Labor Force	153,124	154,534	154,390	154,603	213	0.1%	2,905	1.9%	
Employed	146,047	146,046	145,891	145,819	-72	0.0%	1,240	0.9%	
Unemployed	7,078	8,487	8,499	8,784	285	3.4%	1,665	23.4%	
Unemployment Rate	4.6%	5.5%	5.5%	5.7%	n.a.	0.2% pts	n.a.	1.0%	

Employment by Place of Work

- From July 2007 to July 2008, Michigan wage and salary employment decreased 49,000 (1.1 percent). State wage and salary employment decreased 5,000 from June. Nationally, July 2008 wage and salary employment fell 67,000 (0.0 percent) from a year ago but was down 51,000 from last month.

Wage and Salary Employment Growth July 2007 to July 2008



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

- In the goods-producing sector, Michigan employment fell 5.4 percent from a year ago while private service-producing sector employment decreased 0.2 percent compared to last year. From a year ago, July national employment in the goods-producing sector fell 3.5 percent but increased 0.4 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 1.4 hours in Michigan compared to last year.

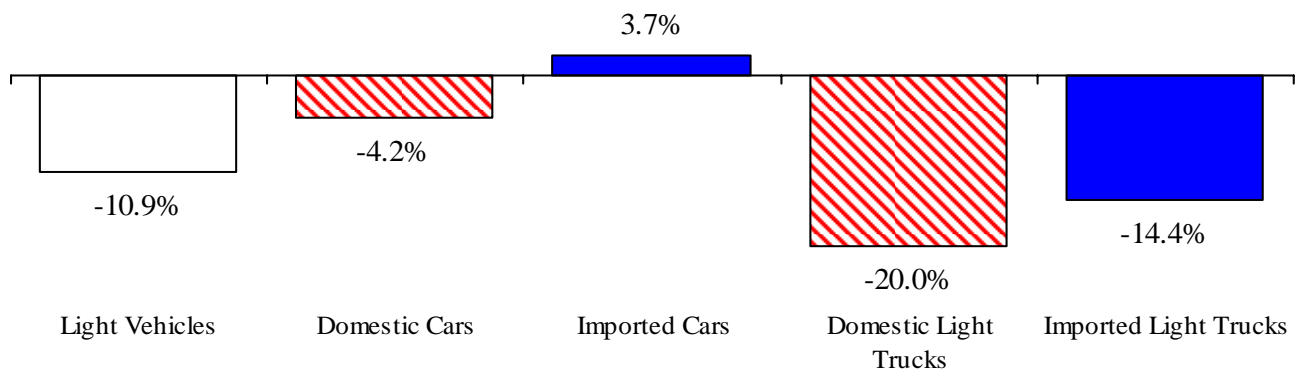
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2007 Average	July 2007	July 2008	Percent Change	2007 Average	July 2007	July 2008	Percent Change
Wage & Salary Employment	4,262	4,261	4,213	-1.1%	137,623	137,682	137,615	0.0%
Goods Producing	791	792	749	-5.4%	22,221	22,242	21,454	-3.5%
Manufacturing	617	619	593	-4.2%	13,884	13,884	13,501	-2.8%
Private Service Producing	2,814	2,812	2,806	-0.2%	93,199	93,270	93,640	0.4%
Trade, Trans. & Utilities	788	789	781	-1.0%	26,608	26,617	26,397	-0.8%
Services	1,750	1,745	1,755	0.6%	55,254	55,295	56,047	1.4%
Local, State & Fed. Gov't	657	657	657	0.0%	22,203	22,170	22,521	1.6%
Manufacturing Weekly Hours	42.5	42.3	43.7	1.4 hrs	41.2	41.4	41.0	-0.4 hrs

Motor Vehicle Industry Sales

- At a 12.5 million unit annual rate (the lowest sales rate since April 1992), July 2008 light vehicle sales were down 8.2 percent compared to June and fell 19.0 percent compared to a year ago. Domestic sales were down 23.1 percent while foreign sales fell 5.8 percent. Light truck sales were down by almost one-third (-31.1 percent), but autos declined by only 5.5 percent.
- Year-to-date domestic sales were down 13.4 percent while foreign sales declined 3.0 percent. As a result, the foreign share of U.S. vehicle sales increased by 2.1 percentage points to 25.6 percent. Overall year-to-date auto sales were down 1.7 percent; light truck sales have declined sharply (-19.1 percent). Heavy truck sales are down 21.5 percent through July.
- July 2008 days supply of trucks rose sharply from a year ago, increasing by 30 days to 96 days while days supply of cars were down 1 day to 46 days.

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



Motor Vehicle Sales Statistics

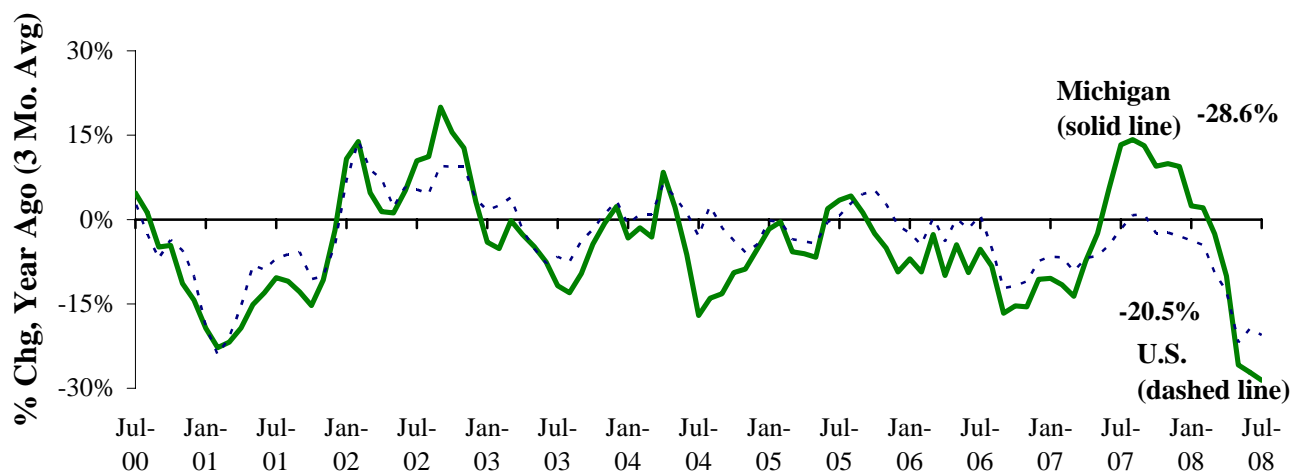
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2007 Average	May 2008	Jun 2008	Jul 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.9	7.5	6.9	7.4	(0.4)	-5.5%
Domestics	5.2	5.3	4.9	4.4	4.9	(0.6)	-11.1%
Imports	2.4	2.6	2.7	2.5	2.6	0.1	6.4%
Import Share	31.2%	33.1%	35.3%	35.8%	34.7%	4.0% pts	
Light Trucks	8.5	6.3	6.1	5.6	6.0	(2.5)	-31.1%
Domestics	7.1	5.2	5.1	4.6	5.0	(2.2)	-31.9%
Imports	1.4	1.1	1.0	1.0	1.1	(0.4)	-26.8%
Import Share	16.3%	18.1%	16.9%	17.5%	17.5%	1.0% pts	
Total Light Vehicles	16.1	14.2	13.6	12.5	13.4	(2.9)	-19.0%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.1)	-15.8%
Total Vehicles	16.5	14.5	13.9	12.8	13.8	(3.0)	-18.9%
U.S. Light Vehicle Inventories^(d)		May-08	Jun-08	Jul-08	3 Month	Change	
Total Car	1,374	1,216	1,170	1,113	1,166	-0.111	
Days Supply	56	41	42	46	43	-1 day	
Total Truck	1,957	1,944	1,996	1,873	1,938	-0.014	
Days Supply	71	88	92	96	92	30 days	

Motor Vehicle Industry Production

- At 98,730 units, July 2008 Michigan motor vehicle production declined 23.7 percent from a year ago compared with a 13.4 percent drop nationally. Michigan’s share of national production fell 2.3 percentage points to 17.0 percent.
- Compared with a year ago, Michigan car production was up 11.6 percent while State truck production was down by half (-50.1 percent). Nationally, car production was up 13.8 percent and truck production decreased by more than one-fourth (-28.9 percent).
- The three-month moving average of Michigan vehicle production was down 28.6 percent from a year ago; national production fell 20.5 percent. Year-to-date, Michigan has comprised 20.6 percent of U.S. vehicle production.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2007 <u>Average</u>	May <u>2008</u>	Jun <u>2008</u>	Jul <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	298.6	331.3	277.6	302.5	33.7	13.8%
Trucks	582.8	439.0	497.1	303.9	413.3	(123.5)	-28.9%
Total	908.0	737.6	828.4	581.5	715.8	(89.8)	-13.4%
Michigan Production ^(f)							
Autos	84.1	88.6	92.1	61.7	80.8	6.4	11.6%
Trucks	110.2	58.5	82.6	37.0	59.4	(37.1)	-50.1%
Total	194.3	147.1	174.7	98.7	140.2	(30.6)	-23.7%
Michigan as % of U.S.	21.4%	19.9%	21.1%	17.0%	19.6%	-2.3% pts	

July Unemployment Rates Rose 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 1.4 percentage points. Four areas saw rate increases exceeding 1.5 percentage points: Flint MSA (2.6 percentage points), Monroe MSA (2.4 percentage points), Muskegon-Norton Shores MSA (1.8 percentage points) and Niles-Benton Harbor MSA (1.7 percentage points).

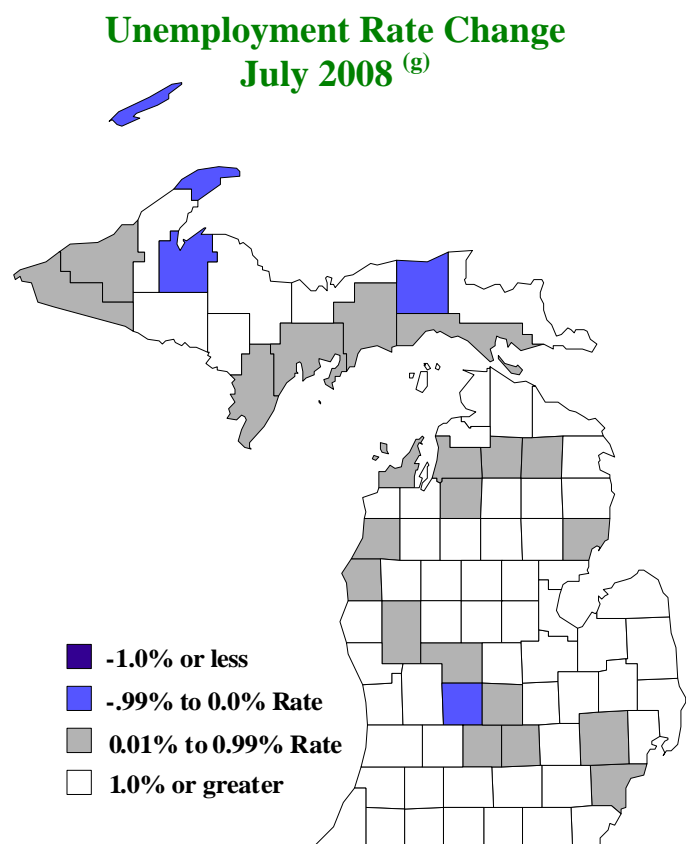
Between July 2007 and July 2008, employment fell in all 17 major labor market areas. The median employment decrease was 2.5 percent. Twelve areas saw employment declines exceeding 2.0 percent. Four areas saw declines greater than 3.0 percent: Flint MSA (-6.7 percent), Saginaw-Saginaw Township MSA (-4.4 percent), Battle Creek MSA (-3.8 percent) and Jackson MSA (-3.2 percent). Fifteen areas saw a labor force decline with a median reduction of 0.9 percent. Four areas saw more than a 2.0 percent labor force reduction: Flint MSA (-3.9 percent), Saginaw-Saginaw Township MSA (-2.9 percent), Battle Creek MSA (-2.7 percent) and Lansing-East Lansing (-2.4 percent).

Compared to June 2008, 16 major labor market areas saw non-seasonally adjusted unemployment rate increases with a median rate increase of 0.9 percentage points. July 2008 unemployment rates ranged between 6.9 percent (Ann Arbor MSA) to 12.3 percent (Flint MSA).

Between July 2007 and July 2008, the unemployment rate rose in 79 Michigan counties, fell in three counties and remained unchanged in one county. The median county unemployment rate change was a 1.2 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 4.5 percent (Mackinac) and 13.4 percent (Sanilac).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Ju1 2007 Rate</u>	<u>Jun 2008 Rate</u>	<u>Jul 2008 Rate</u>
Michigan	8.0%	8.7%	9.1%
Ann Arbor	5.6%	6.3%	6.9%
Battle Creek	7.7%	7.8%	8.8%
Bay City	7.4%	7.8%	8.5%
Detroit-Warren-Livonia	8.6%	9.7%	9.4%
Flint	9.7%	9.7%	12.3%
Grand Rapids-Wyoming	6.9%	7.1%	8.0%
Holland-Grand Haven	6.2%	7.2%	7.7%
Jackson	8.3%	8.6%	9.7%
Kalamazoo-Portage	6.3%	6.9%	7.8%
Lansing-East Lansing	7.3%	7.2%	7.7%
Monroe	8.4%	8.3%	10.8%
Muskegon-Norton Shores	8.1%	8.5%	9.9%
Niles-Benton Harbor	7.3%	8.0%	9.0%
Saginaw-Saginaw Township	8.1%	8.4%	9.5%
Upper Peninsula	7.0%	7.9%	8.0%
Northeast Lower Mich	8.6%	9.2%	10.0%
Northwest Lower Mich.	6.9%	7.6%	8.3%



Consumer Price Inflation: Highest in 17 Years

Producer Price Inflation: Steepest in 27 Years

Consumer Prices

- In July 2008, overall consumer prices rose 5.6 percent compared to a year ago -- the greatest year-over-year increase in over 17 years. Consumer prices in the U.S. Midwest also rose 5.6 percent -- the highest Midwest inflation rate since December 1990.
- Food and beverage prices were up 5.8 percent compared to a year ago -- the greatest rise in 18 years. Fuel and utilities prices rose 16.0 percent from July 2007.
- Core consumer prices (excluding food and energy) rose 2.5 percent from July 2007.

Producer Prices

- Overall producer prices rose 9.8 percent compared to a year ago -- the steepest increase since 1981.
- Crude fuel prices were up 80.1 percent from July 2007.
- Core producer prices accelerated from 3.0 percent year-over-year growth to 3.5 percent -- the steepest increase since early 1991.

International Trade Prices

- Export prices rose 10.2 percent from a year ago -- their largest increase since the series began in 1983. The rise was led by a record increase in agricultural export prices (39.9 percent).
- Import prices rose 21.6 percent compared to a year ago, the largest increase since the series was first published in 1982. The rise was led by petroleum price increases, up 79.2 percent from a year ago. However, excluding petroleum, import prices still rose 8.0 percent -- the largest increase in 20 years.

U.S. Economic Conditions

	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	62.6	59.8	56.4	61.2	-29.2 points
ISM Manufacturing Index ⁽ⁱ⁾	48.6	49.6	50.2	50.0	-2.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	50.9	53.6	49.9	49.6	-6.3 points
	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	
Business Executives' Confidence ^(j)	44.0	39.0	38.0	39.0	-6.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	214.8	216.6	218.8	220.0	5.6%
Detroit CPI	205.3	NA	207.6	NA	3.0%
U.S. Producer Price Index	176.7	179.6	182.5	185.0	9.8%
INTEREST RATES					
90 Day T-Bill ^(l)	1.32%	1.71%	1.90%	1.72%	-3.12% points
Aaa Corporate Bonds ^(m)	5.55%	5.57%	5.68%	5.67%	-0.06% points
INDUSTRIAL PRODUCTION ^(m)					
	111.3	111.1	111.6	111.8	-0.1%
CAPACITY UTILIZATION ^(m)					
	79.8%	79.6%	79.8%	79.9%	-1.5% points
RETAIL SALES ⁽ⁿ⁾					
	\$380.8	\$383.8	\$385.1	\$384.6	2.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.004	0.982	1.084	0.965	-29.6%
Existing Home Sales ^(p)	4.890	4.990	4.850	5.000	-13.2%
DURABLE GOODS ORDERS ^(q)					
	\$213.5	\$213.7	\$216.4	\$219.3	-4.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	<u>% Change From Year Ago</u>
Michigan	\$350.2	\$353.6	\$354.6	\$357.9	2.5%
U.S.	\$11,568.7	\$11,722.8	\$11,867.0	\$12,002.1	4.8%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,625.7	\$11,620.7	\$11,646.0	\$11,740.3	3.3%

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.