



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## October 2007 Summary

**U.S. Economy:** October U.S. economic indicators were mostly negative. The ISM manufacturing and non-manufacturing indices were little changed from a year ago. The index of leading economic indicators fell 0.5 percent; the six-month annualized growth rate, often used as a rule of thumb for recession, was negative for the second straight month. Consumer sentiment was down sharply from a year ago (-12.7 points) to its lowest level since May 2006. Housing starts were down 16.4 percent from a year ago and were only slightly above last month's reading, their lowest level in 14 years. Existing home sales fell 20.7 percent with the median home price falling 5.1 percent. Excluding vehicles and gasoline, retail sales rose 4.1 percent compared to a year ago (three-month average) -- its slowest pace since early 2003. The three-month average of new durable goods orders, excluding defense and aircraft, declined 2.5 percent compared to a year ago, marking the ninth straight month of decline -- the longest such streak since 2003. Third quarter real GDP growth was revised upward to 4.9 percent, the fastest growth rate in four years.

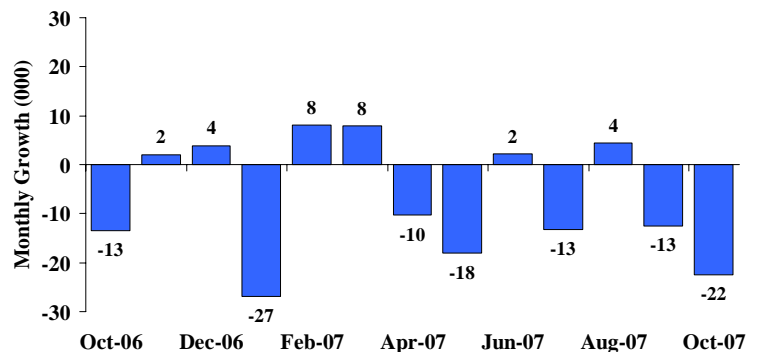
**Employment:** In October, Michigan's payroll employment fell by 22,400 jobs. The State unemployment rate rose to 7.7 percent, its highest monthly level in nearly 15 years.

**Auto Industry:** October light vehicle sales fell to a 16.0 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production rose 9.5 percent compared with a 2.5 percent decline nationally.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 3.5 percent; the core CPI (excluding energy and food) increased only 2.2 percent. Overall producer prices rose 6.1 percent, but core producer prices rose only 2.5 percent.

**Michigan Metro Areas:** From a year ago, October 2007 unemployment rates rose in all 17 major labor market areas. Employment fell in 16 labor market areas with a median decline of 2.4 percent. September 2007 unemployment rates ranged between 4.8 percent (Ann Arbor MSA) and 8.2 percent (Monroe MSA).

**Michigan Employment Falls Sharply in October** (a)



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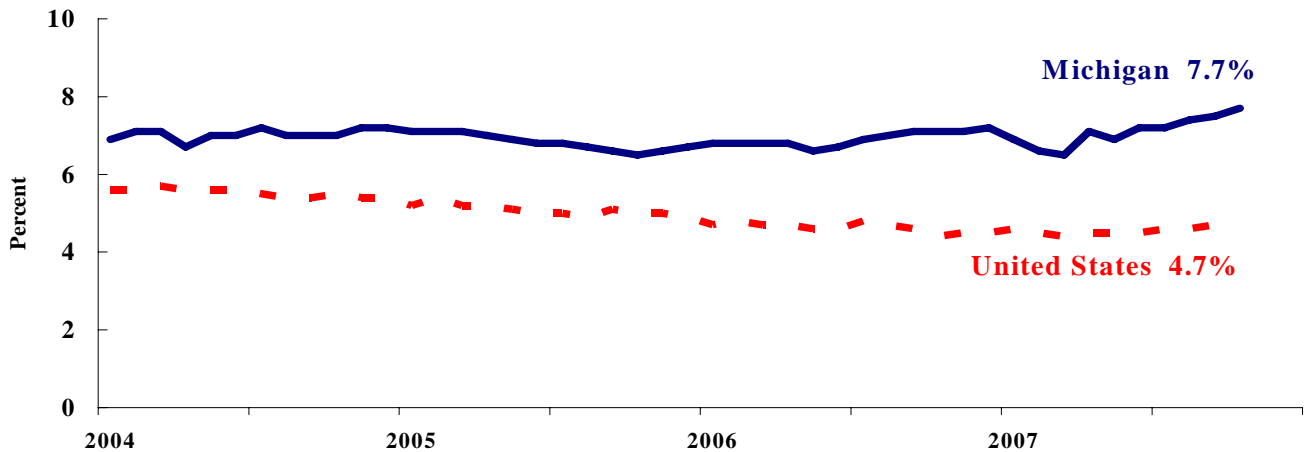
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### Labor Market Statistics

- Michigan’s October monthly unemployment rate increased 0.2 percentage points to 7.7 percent from last month while the current Michigan jobless rate is 0.6 percentage points above a year ago. The October U.S. unemployment rate remained unchanged at 4.7 percent and was also unchanged compared to 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 October, the number of people employed in Michigan was 4,625,000, down 43,000 from last month, while the labor force decreased by 34,000. The statewide total number of unemployed increased by 9,000 to 387,000.
- United States household employment totaled 146.0 million persons in October, down 250,000 from September. The labor force fell by 211,000 from last month, which meant that there were 38,000 more unemployed people nationally, compared to September.

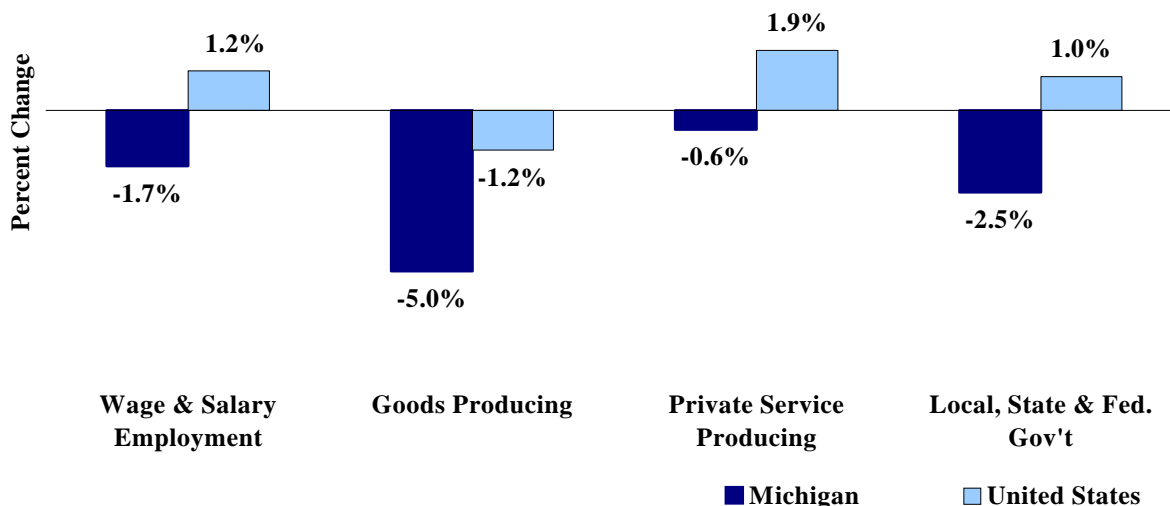
**Employment by Place of Residence (in thousands)<sup>(a)</sup>**

	2006 Average	Aug 2007	Sep 2007	Oct 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,081	5,004	5,046	5,012	-34	-0.7%	-75	-1.5%
Employed	4,730	4,632	4,668	4,625	-43	-0.9%	-101	-2.1%
Unemployed	351	372	378	387	9	2.4%	26	7.2%
Unemployment Rate	6.9%	7.4%	7.5%	7.7%	n.a.	0.2% pts	n.a.	0.6%
<b>United States</b>								
Labor Force	151,428	152,891	153,464	153,253	-211	-0.1%	1,555	1.0%
Employed	144,427	145,794	146,257	146,007	-250	-0.2%	1,428	1.0%
Unemployed	7,001	7,097	7,207	7,245	38	0.5%	126	1.8%
Unemployment Rate	4.6%	4.6%	4.7%	4.7%	n.a.	0.0% pts	n.a.	0.0%

## Employment by Place of Work

- From October 2006 to October 2007, Michigan wage and salary employment decreased 75,000 (1.7 percent). State wage and salary employment decreased 22,000 from September. Nationally, October 2007 wage and salary employment rose 1,676,000 (1.2 percent) from a year ago and was up 166,000 from last month.

### Wage and Salary Employment Growth October 2006 to October 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 0.6 percent compared to last year. From a year ago, October national employment in the goods-producing sector fell 1.2 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.5 hours in Michigan compared to last year.

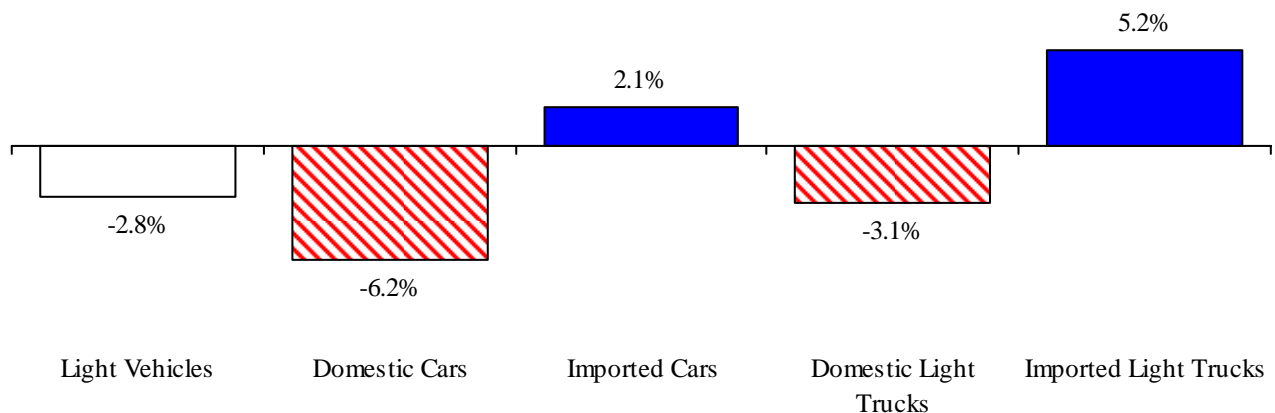
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2006 Average	Oct 2006	Oct 2007	Percent Change	2006 Average	Oct 2006	Oct 2007	Percent Change
Wage & Salary Employment	4,341	4,320	4,245	-1.7%	136,174	136,745	138,421	1.2%
Goods Producing	837	818	777	-5.0%	22,570	22,573	22,294	-1.2%
Manufacturing	648	633	608	-3.9%	14,197	14,166	13,963	-1.4%
Private Service Producing	2,835	2,836	2,819	-0.6%	91,615	92,072	93,795	1.9%
Trade, Trans. & Utilities	795	793	780	-1.6%	26,231	26,258	26,495	0.9%
Services	1,757	1,760	1,762	0.1%	53,965	54,345	55,756	2.6%
Local, State & Fed. Gov't	670	667	650	-2.5%	21,990	22,100	22,332	1.0%
Manufacturing Weekly Hours	42.2	42.2	42.7	0.5 hrs	41.1	41.2	41.2	0.0 hrs

## Motor Vehicle Industry Sales

- At a 16.0 million unit annual rate, October 2007 light vehicle sales were down 1.1 percent compared to September and fell 1.6 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 2.3 percent and foreign light vehicle sales increased 3.1 percent.
- Compared to a year ago, October 2007 domestic sales were down 1.9 percent while foreign sales declined 0.7 percent. As a result, the foreign share of U.S. vehicle sales increased by 0.2 of a percentage point to 23.8 percent. Overall auto sales were essentially flat; light truck sales declined 2.6 percent.
- Year to date domestic auto sales declined 5.6 percent from a year ago while foreign car sales rose 2.0 percent. Foreign light truck sales increased 4.3 percent. At the same time, domestic light truck sales fell 3.1 percent. Heavy truck sales were down 29.8 percent. October light vehicle inventories fell 3.0 percent from a year ago; days supply declined by 1 day.

### October 2007 Light Vehicle Sales Declined Year to Date, Compared to a Year Ago



### Motor Vehicle Sales Statistics

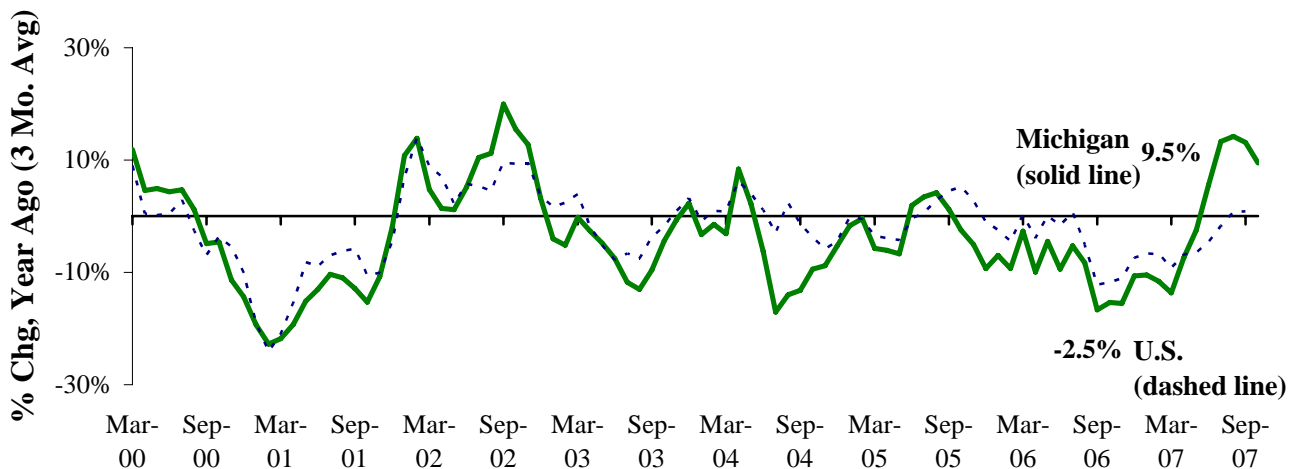
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2006 Average	Aug 2007	Sep 2007	Oct 2007	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.8	7.4	7.5	7.5	7.4	0.0	0.1%
Domestics	5.4	5.1	5.2	5.1	5.2	(0.0)	-0.2%
Imports	2.3	2.2	2.3	2.3	2.3	0.0	0.6%
Import Share	30.0%	30.0%	30.6%	31.4%	30.7%	0.2%	pts
Light Trucks	8.7	8.8	8.7	8.5	8.7	(0.3)	-3.1%
Domestics	7.4	7.6	7.3	7.1	7.3	(0.2)	-3.2%
Imports	1.3	1.3	1.4	1.5	1.4	(0.0)	-2.6%
Import Share	15.5%	14.6%	16.2%	17.2%	16.0%	0.1%	pts
Total Light Vehicles	16.5	16.2	16.2	16.0	16.1	(0.3)	-1.6%
Heavy Trucks	0.5	0.3	0.3	0.3	0.3	(0.2)	-39.6%
Total Vehicles	17.0	16.5	16.5	16.3	16.5	(0.5)	-2.9%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Aug-07</b>	<b>Sep-07</b>	<b>Oct-07</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.324	1.194	1.203	1.332	1.243	0.020	
Days Supply	53	47	49	61	52	1 day	
Total Truck	2.223	1.882	1.864	1.946	1.897	-0.120	
Days Supply	79	64	67	76	69	-2 days	

## Motor Vehicle Industry Production

- At 229,956 units, October 2007 Michigan motor vehicle production rose 21.9 percent from a year ago, compared with essentially no change nationally. As a result, Michigan's share of national production rose 4.2 percentage points to 23.1 percent.
- Compared with a year ago, state car production was essentially flat while state truck production rose sharply (47.1 percent). Nationally, car production was down 9.4 percent while truck production increased by 6.4 percent.
- Michigan's three-month average of vehicle production was up 9.5 percent from a year ago; national production fell 2.5 percent.

### Michigan Vehicle Production Up Substantially National Production Down Slightly<sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 Average	Aug 2007	Sep 2007	Oct 2007	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production<sup>(e)</sup></b>							
Autos	364.3	363.7	291.9	364.2	339.9	(37.7)	-9.4%
Trucks	584.1	675.8	552.0	629.4	619.0	37.7	6.4%
Total	948.4	1,039.5	843.8	993.6	959.0	(0.1)	0.0%
<b>Michigan Production<sup>(f)</sup></b>							
Autos	93.0	97.2	65.0	102.0	88.1	0.4	0.4%
Trucks	96.6	125.4	102.3	127.9	118.5	40.9	47.1%
Total	189.6	222.6	167.2	230.0	206.6	41.3	21.9%
Michigan as % of U.S.	20.0%	21.4%	19.8%	23.1%	21.5%	4.2% pts	

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

From October 2006 to October 2007, unemployment rates rose in all 17 major labor market areas. The median unemployment rate increase was 0.9 of a percentage point.

Compared to a year ago, employment fell in 16 major labor market areas. The median employment decrease was 2.4 percent. Employment declined by more than 1.0 percent in all 16 areas reporting a decline. Nine areas saw employment declines exceeding 2.0 percent; five experienced declines exceeding 3.0 percent. In three areas declines were greater than 4.0 percent: Bay City (-4.8 percent), Flint (-4.5 percent) and Saginaw-Saginaw Township (-4.2 percent). Fifteen areas saw a labor force decline with a median decline of 1.3 percent. Three areas realized greater than a 3.0 percent labor force decline.

Compared to a year ago, Monroe MSA had the largest unemployment rate increase (2.1 percentage points), followed by four areas each reporting a 1.1 percentage point increase.

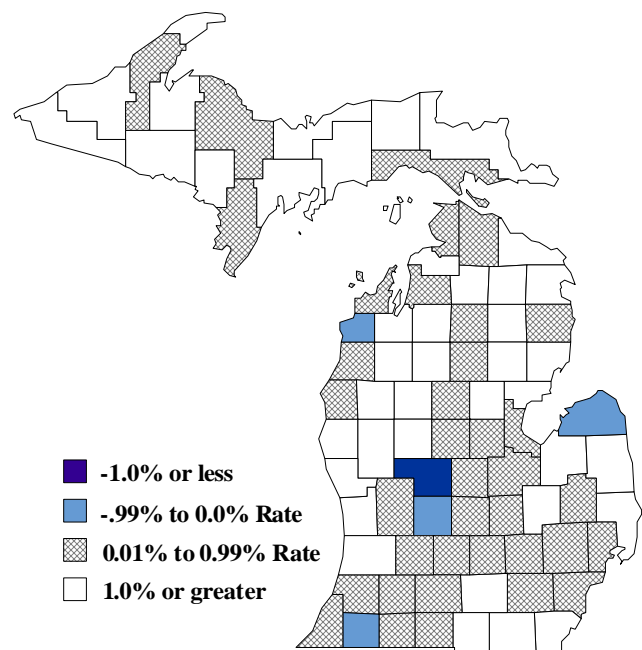
Compared to September 2007, 13 major labor market areas reported a non-seasonally adjusted unemployment rate decline with a median decrease of 0.2 of a percentage point. October 2007 unemployment rates ranged between 4.8 percent (Ann Arbor MSA) and 8.2 percent (Monroe MSA).

Compared to October 2006, the unemployment rate rose in 78 counties and fell in three counties.

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

<u>Local Area</u>	<u>Oct 2006 Rate</u>	<u>Sep 2007 Rate</u>	<u>Oct 2007 Rate</u>
Michigan	6.2%	7.0%	7.0%
Ann Arbor	4.1%	5.1%	4.8%
Battle Creek	6.0%	6.8%	6.6%
Bay City	5.5%	6.7%	6.3%
Detroit-Warren-Livonia	7.1%	7.7%	7.8%
Flint	7.0%	8.3%	8.1%
Grand Rapids-Wyoming	5.1%	6.0%	5.8%
Holland-Grand Haven	4.5%	5.6%	5.5%
Jackson	6.3%	7.7%	7.3%
Kalamazoo-Portage	4.6%	5.6%	5.3%
Lansing-East Lansing	4.8%	5.8%	5.4%
Monroe	6.1%	6.3%	8.2%
Muskegon-Norton Shores	6.1%	7.3%	7.2%
Niles-Benton Harbor	5.8%	6.4%	6.3%
Saginaw-Saginaw Township	5.9%	7.1%	6.8%
Upper Peninsula	5.1%	6.3%	6.1%
Northeast Lower Mich	6.6%	7.7%	7.7%
Northwest Lower Mich.	5.5%	6.5%	6.6%

### Unemployment Rate Change From a Year Ago October 2007<sup>(g)</sup>



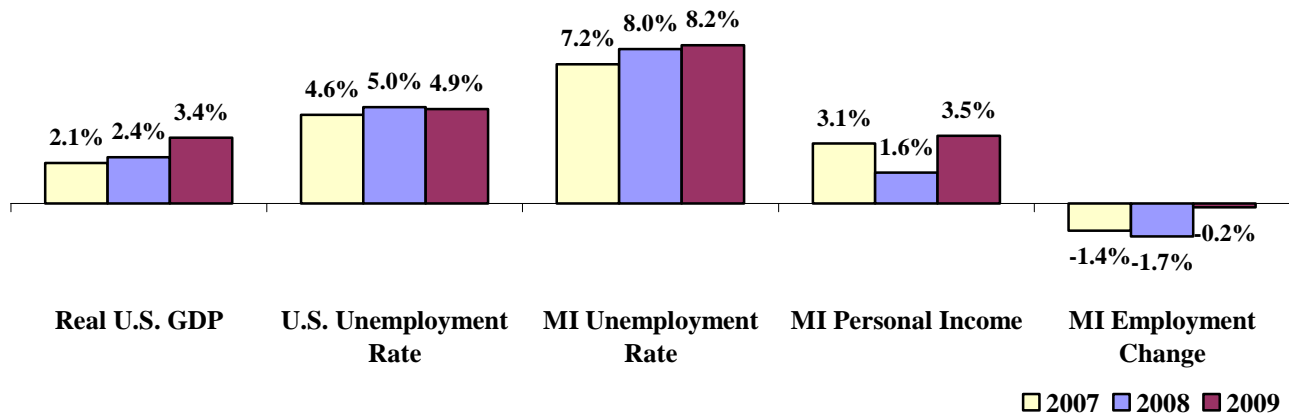
## University of Michigan Economic Forecast Brief Slowdown Then Moderate Growth

On November 15 and 16, 2007, the Research Seminar in Quantitative Economics (RSQE), University of Michigan released its forecast for the U.S. and Michigan economies for 2008 and 2009. Forecast highlights include:

- After growing 2.1 percent in 2007, real GDP is forecast to rise 2.4 percent in 2008 and increase 3.4 percent in 2009. The U.S. unemployment rate is projected to increase from 4.6 percent in 2007 to 5.0 percent in 2008 before declining slightly to 4.9 percent in 2009. Quarterly growth is forecast to slow in late 2007 and early 2008 and then accelerate to a moderate rate.
- Light vehicle sales are projected to be relatively flat in 2008 with sales of 16.0 million units and 2008 sales of 16.3 million units in 2009.
- After declining 1.4 percent in 2007, Michigan wage and salary employment is forecast to fall 1.7 percent in 2008 before declining slightly in 2009 (-0.2 percent).
- Michigan's unemployment rate is forecast to average 8.0 percent in 2008 and 8.2 percent in 2009.
- After growing 3.1 percent in 2007, Michigan's personal income growth is expected to slow to 1.6 percent in 2008 before accelerating to 3.5 percent in 2009. Michigan wages and salaries income is flat in 2008 and then rises 2.5 percent in 2009.
- With Detroit CPI inflation of 2.6 percent in 2008 and 2.4 percent in 2009, real (inflation adjusted) Michigan personal income is forecasted to fall 0.9 percent in 2008 and to rise 1.0 percent in 2009.

### U.S. Economic Forecast Slower Growth

### Michigan Economic Forecast Employment Continues Decline



## U.S. Economic Conditions

	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	90.4	83.4	83.4	80.9	-12.7 points
ISM Manufacturing Index <sup>(i)</sup>	53.8	52.9	52.0	50.9	-0.6 points
ISM Non Manufacturing Index <sup>(i)</sup>	55.8	55.8	54.8	55.8	-1.6 points
	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	
Business Executives' Confidence <sup>(j)</sup>	50.0	53.0	45.0	44.0	0.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	208.3	207.9	208.5	208.9	3.5%
Detroit CPI	NA	199.7	NA	201.8	2.6%
U.S. Producer Price Index	168.2	165.8	167.4	168.6	6.1%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.84%	4.34%	4.01%	3.97%	-0.92% points
Aaa Corporate Bonds <sup>(m)</sup>	5.73%	5.79%	5.74%	5.66%	0.15% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	114.2	114.4	114.6	114.0	1.8%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	82.2%	82.2%	82.2%	81.7%	-0.1% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$376.9	\$377.2	\$379.6	\$380.3	5.2%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.371	1.347	1.193	1.229	-16.4%
Existing Home Sales <sup>(p)</sup>	5.750	5.480	5.030	4.970	-20.7%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$230.5	\$218.4	\$215.3	\$214.5	1.9%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>% Change From Year Ago</u>
Michigan	\$342.7	\$343.3	\$349.5	\$353.3	3.6%
U.S.	\$11,016.4	\$11,180.6	\$11,458.8	\$11,595.4	6.4%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,395.5	\$11,412.6	\$11,520.1	\$11,659.3	4.9%



**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.