



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

September 2007 Summary

U.S. Economy: September U.S. economic indicators were mixed. The ISM manufacturing and non-manufacturing indices were little changed from a year ago. The index of leading economic indicators rose 0.3 percent; the six-month annualized growth rate, often used as a rule of thumb for recession, fell for the second straight month, and, as a result, was flat in September. Housing starts were down 30.8 percent from a year ago to their lowest level in over 14 years. Existing home sales fell 19.1 percent with single family sales falling to their lowest level in nearly a decade. Excluding vehicles and gasoline, retail sales rose 4.9 percent compared to a year ago (three-month average). The three-month average of new durable goods orders, excluding defense and aircraft, declined 2.5 percent compared to a year ago, marking the eighth straight month of decline -- the longest such streak since 2003. In the third quarter, CEO confidence remained below 50.0 for the second straight quarter. Third quarter real GDP grew at a 3.9 percent pace.

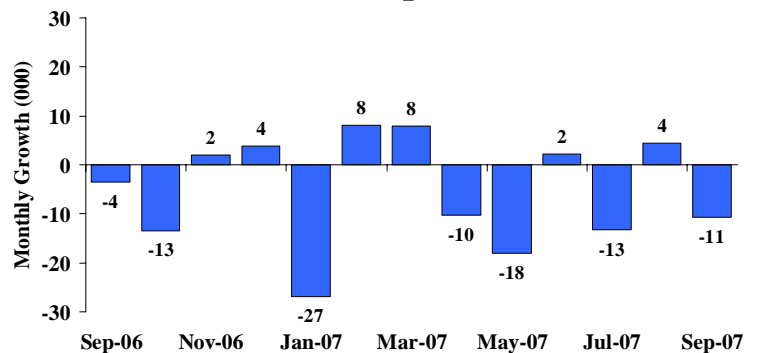
Employment: In September, Michigan's payroll employment fell by 10,600 jobs. The State unemployment rate rose to 7.5 percent. Nationally, employment rose by 110,000 jobs. The U.S. unemployment rate increased to 4.7 percent.

Auto Industry: September light vehicle sales remained unchanged at a 16.2 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production rose 13.1 percent compared with a 0.9 percent rise nationally. Light vehicle inventories fell 5.8 percent from a year ago; days supply declined by 4 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 2.8 percent. The core CPI (excluding energy and food) increased 2.1 percent. Overall producer prices rose 4.4 percent, but core producer prices rose only 2.0 percent.

Michigan Metro Areas: From a year ago, September 2007 unemployment rates rose in 15 major labor market areas. Employment fell in 16 labor market areas with a median decline of 1.1 percent. September 2007 unemployment rates ranged between 5.1 percent (Ann Arbor MSA) and 8.3 percent (Flint MSA).

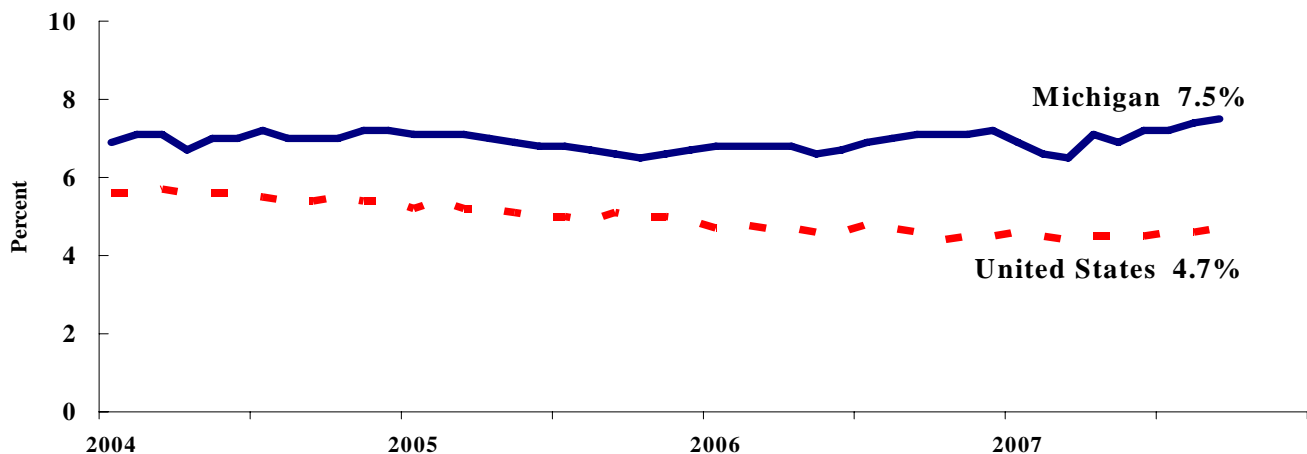
Michigan Employment Falls in September^(a)



Labor Market Statistics

- Michigan's September monthly unemployment rate increased 0.1 percentage points to 7.5 percent from last month while the current Michigan jobless rate is 0.4 percentage points above a year ago. The September U.S. unemployment rate increased 0.1 percentage points to 4.7 percent and was 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 September, the number of people employed in Michigan was 4,668,000, up 36,000 from last month, while the labor force increased by 42,000. The statewide total number of unemployed increased by 6,000 to 378,000.
- United States household employment totaled 146.3 million persons in September, up 463,000 from August. The labor force rose by 573,000 from last month, which meant that there were 110,000 more unemployed people nationally, compared to August.

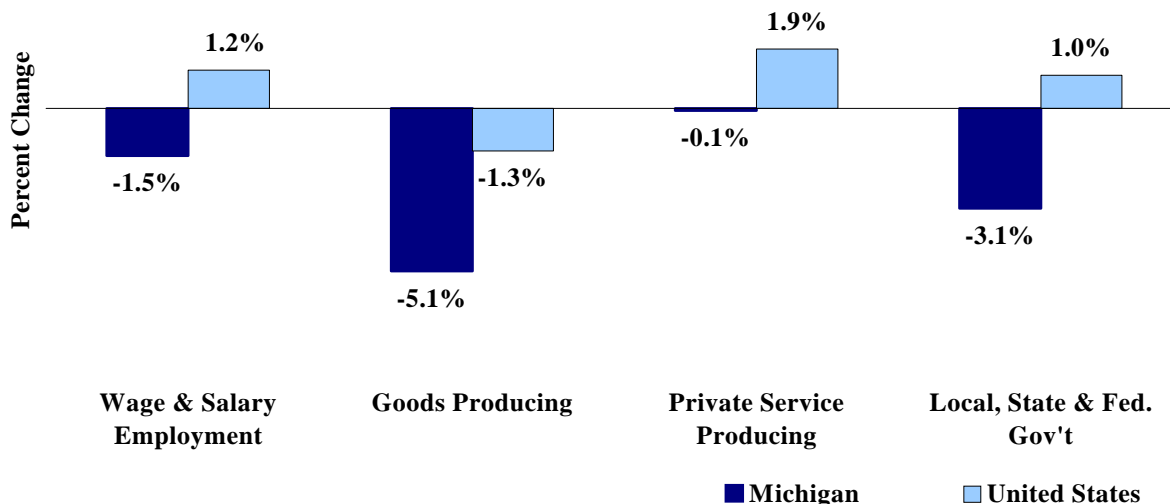
Employment by Place of Residence (in thousands)^(a)

	2006 Average	Jul 2007	Aug 2007	Sep 2007	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	5,081	5,020	5,004	5,046	42	0.8%	-39	-0.8%	
Employed	4,730	4,660	4,632	4,668	36	0.8%	-57	-1.2%	
Unemployed	351	360	372	378	6	1.6%	18	5.0%	
Unemployment Rate	6.9%	7.2%	7.4%	7.5%	n.a.	0.1% pts	n.a.	0.4%	
United States									
Labor Force	151,428	153,231	152,891	153,464	573	0.4%	1,766	1.2%	
Employed	144,427	146,110	145,794	146,257	463	0.3%	1,678	1.2%	
Unemployed	7,001	7,121	7,097	7,207	110	1.5%	88	1.2%	
Unemployment Rate	4.6%	4.6%	4.6%	4.7%	n.a.	0.1% pts	n.a.	0.0%	

Employment by Place of Work

- From September 2006 to September 2007, Michigan wage and salary employment decreased 64,000 (1.5 percent). State wage and salary employment decreased 11,000 from August. Nationally, September 2007 wage and salary employment rose 1,629,000 (1.2 percent) from a year ago and was up 110,000 from last month.

Wage and Salary Employment Growth September 2006 to September 2007



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

- In the goods-producing sector, Michigan employment fell 5.1 percent from a year ago while private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, September national employment in the goods-producing sector fell 1.3 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.1 hours in Michigan compared to last year.

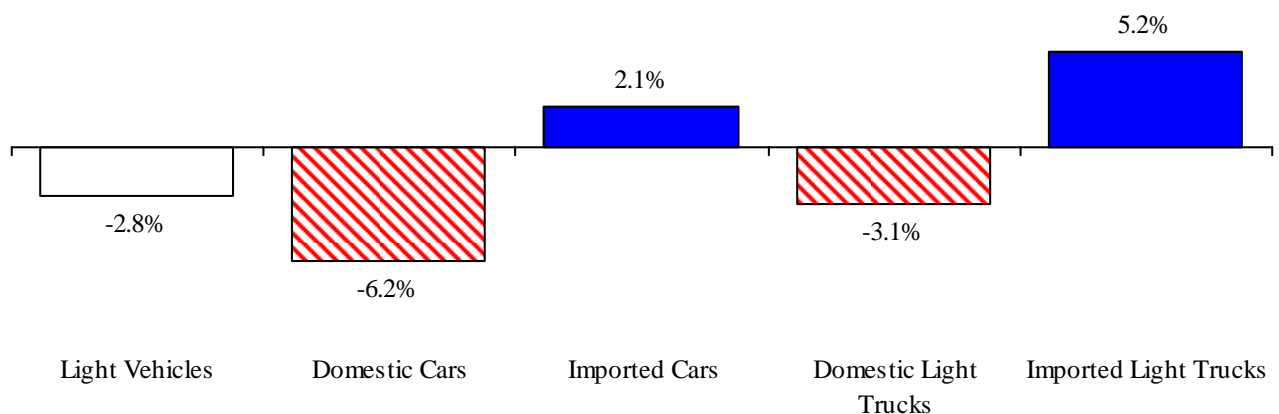
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2006 Average	Sep 2006	Sep 2007	Percent Change	2006 Average	Sep 2006	Sep 2007	Percent Change
Wage & Salary Employment	4,341	4,333	4,269	-1.5%	136,174	136,636	138,265	1.2%
Goods Producing	837	828	786	-5.1%	22,570	22,625	22,324	-1.3%
Manufacturing	648	641	616	-3.9%	14,197	14,206	13,983	-1.6%
Private Service Producing	2,835	2,833	2,831	-0.1%	91,615	91,935	93,637	1.9%
Trade, Trans. & Utilities	795	792	781	-1.4%	26,231	26,241	26,520	1.1%
Services	1,757	1,758	1,771	0.7%	53,965	54,234	55,570	2.5%
Local, State & Fed. Gov't	670	673	652	-3.1%	21,990	22,076	22,304	1.0%
Manufacturing Weekly Hours	42.2	42.7	42.8	0.1 hrs	41.1	41.1	41.4	0.3 hrs

Motor Vehicle Industry Sales

- At a 16.2 million unit annual rate, September 2007 light vehicle sales were essentially flat compared to August and fell 2.3 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 1.8 percent and foreign light vehicle sales increased 5.5 percent.
- Compared to a year ago, September 2007 domestic sales were down 2.9 percent while foreign sales were roughly flat. As a result, the foreign share of U.S. vehicle sales increased by 0.5 of a percentage point to 22.8 percent. Overall auto sales declined 2.6 percent; light truck sales rose 4.0 percent.
- Year to date domestic auto sales declined 6.2 percent from a year ago while foreign car sales rose 2.1 percent. Foreign light truck sales increased 5.2 percent. At the same time, domestic light truck sales fell 3.1 percent. Heavy truck sales were down 28.6 percent. September light vehicle inventories fell 5.8 percent from a year ago; days supply declined by 4 days.

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



Motor Vehicle Sales Statistics

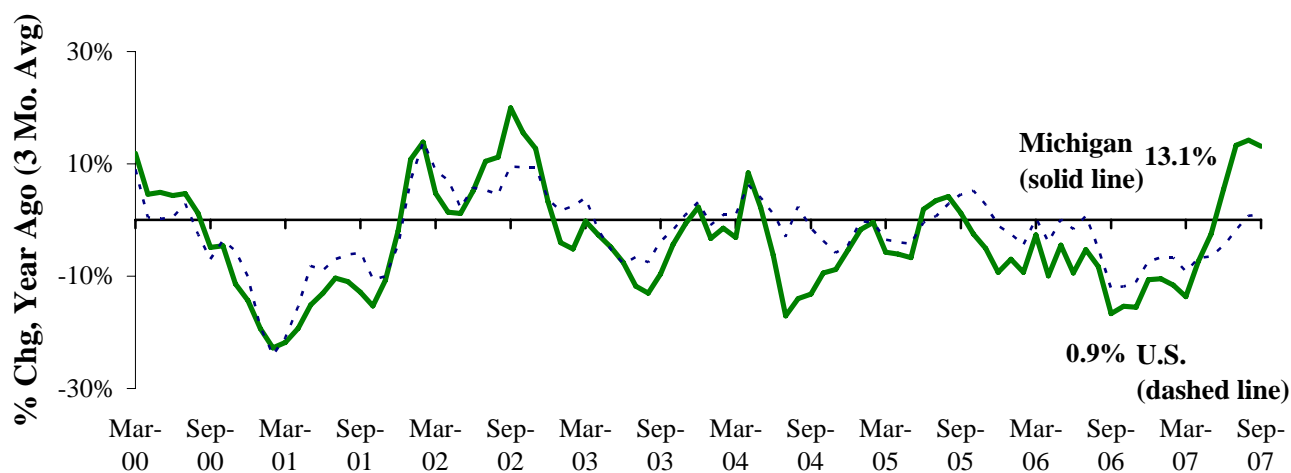
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2006	Jul	Aug	Sep	3 Month	Change from	
	Average	2007	2007	2007	Average	Level	%
Autos	7.8	7.2	7.4	7.5	7.3	(0.2)	-2.6%
Domestics	5.4	4.9	5.1	5.2	5.1	(0.1)	-2.6%
Imports	2.3	2.3	2.2	2.3	2.3	(0.1)	-2.6%
Import Share	30.0%	31.8%	30.0%	30.6%	30.8%	0.0% pts	
Light Trucks	8.7	8.0	8.8	8.7	8.5	(0.2)	-2.0%
Domestics	7.4	6.7	7.6	7.3	7.2	(0.2)	-3.1%
Imports	1.3	1.3	1.3	1.4	1.3	0.1	4.0%
Import Share	15.5%	16.6%	14.6%	16.2%	15.8%	0.9% pts	
Total Light Vehicles	16.5	15.2	16.2	16.2	15.9	(0.4)	-2.3%
Heavy Trucks	0.5	0.3	0.3	0.3	0.3	(0.2)	-39.5%
Total Vehicles	17.0	15.6	16.5	16.5	16.2	(0.6)	-3.5%
U.S. Light Vehicle Inventories^(d)		Jul-07	Aug-07	Sep-07	3 Month	Change	
Total Car	1.323	1.220	1.194	1.200	1.205	0.072	
Days Supply	53	47	47	49	48	7 days	
Total Truck	2.224	1.891	1.882	1.864	1.879	-0.194	
Days Supply	79	66	64	67	66	-6 days	

Motor Vehicle Industry Production

- At 167,244 units, September 2007 Michigan motor vehicle production fell 3.5 percent from a year ago, compared with a 9.0 decline nationally. As a result, Michigan's share of national production rose 1.1 percentage points to 19.8 percent.
- Compared with a year ago, state car production fell sharply (-26.9 percent) while state truck production rose significantly (21.3 percent). Nationally, car production was down 20.4 percent while truck production fell slightly (-1.7 percent).
- Michigan's three-month average of vehicle production was up 13.1 percent from a year ago; national production increased 0.9 percent. Michigan's strong showing may be attributed to the new Delta GM plant running, and unusually weak July 2006 production paired with an unusually strong July 2007.

Michigan Vehicle Production Up Substantially National Production Up Slightly^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 Average	Jul 2007	Aug 2007	Sep 2007	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production^(e)							
Autos	364.3	243.9	363.7	291.9	299.8	(74.6)	-20.4%
Trucks	584.1	427.4	675.8	552.0	551.7	(9.3)	-1.7%
Total	948.4	671.3	1,039.5	843.8	851.5	(83.9)	-9.0%
Michigan Production^(f)							
Autos	93.0	55.3	97.2	65.0	72.5	(23.9)	-26.9%
Trucks	96.6	74.1	125.4	102.3	100.6	17.9	21.3%
Total	189.6	129.4	222.6	167.2	173.1	(6.0)	-3.5%
Michigan as % of U.S.	20.0%	19.3%	21.4%	19.8%	20.3%	1.1% pts	

September 2007 Unemployment Rates Rose in Fifteen Major Labor Market Areas (Not Seasonally Adjusted)

From September 2006 to September 2007, unemployment rates rose in 15 major labor market areas and decreased in two areas. The median unemployment rate increase was 0.5 of a percentage point.

Compared to a year ago, employment fell in 16 major labor market areas. The median employment decrease was 1.1 percent. Employment declined by more than 1.0 percent in nine labor market areas. Four areas saw employment declines exceeding 2.0 percent. Two experienced declines exceeding 3.0 percent: Bay City MSA (-4.2 percent) and Saginaw-Saginaw Township MSA (-3.1 percent). The labor force fell in 13 labor market areas with a median decline of 1.2 percent.

Compared to a year ago, Muskegon-Norton Shores MSA had the largest unemployment rate increase (0.7 of a percentage point). Three areas saw unemployment rate increases of 0.6 percent: Jackson MSA, Upper Peninsula and Northeast Lower Michigan.

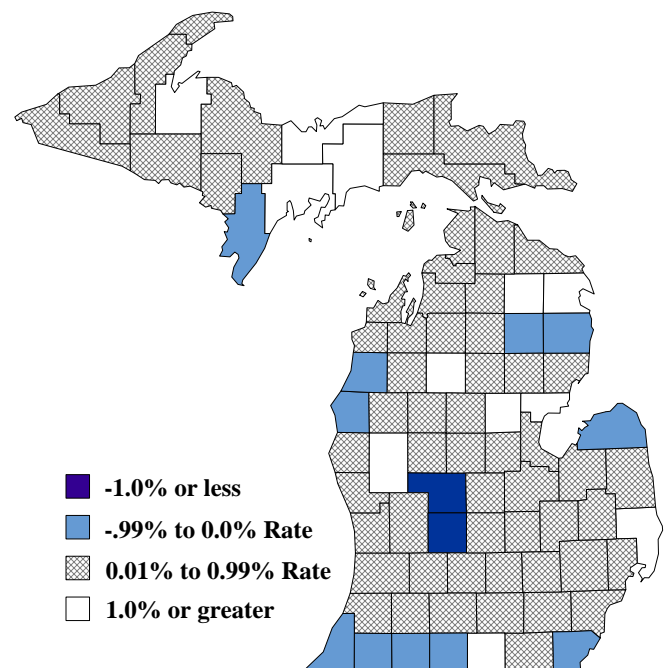
Compared to August 2007, 14 major labor market areas reported a non-seasonally adjusted unemployment rate increase with a median increase of 0.2 of a percentage point. September 2007 unemployment rates ranged between 5.1 percent (Ann Arbor MSA) and 8.3 percent (Flint MSA).

Compared to September 2006, the unemployment rate rose in 70 counties, fell in 12 counties and remained unchanged in one county.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Sep 2006 Rate</u>	<u>Aug 2007 Rate</u>	<u>Sep 2007 Rate</u>
Michigan	6.6%	7.0%	7.0%
Ann Arbor	4.7%	5.0%	5.1%
Battle Creek	6.6%	6.6%	6.8%
Bay City	6.2%	6.4%	6.7%
Detroit-Warren-Livonia	7.2%	7.9%	7.7%
Flint	7.8%	8.0%	8.3%
Grand Rapids-Wyoming	5.8%	5.9%	6.0%
Holland-Grand Haven	5.1%	5.3%	5.6%
Jackson	7.1%	7.6%	7.7%
Kalamazoo-Portage	5.2%	5.4%	5.6%
Lansing-East Lansing	5.6%	5.7%	5.8%
Monroe	6.6%	6.4%	6.3%
Muskegon-Norton Shores	6.6%	7.1%	7.3%
Niles-Benton Harbor	6.6%	6.3%	6.4%
Saginaw-Saginaw Township	6.9%	6.9%	7.1%
Upper Peninsula	5.7%	6.3%	6.3%
Northeast Lower Mich	7.1%	7.6%	7.7%
Northwest Lower Mich.	6.0%	6.3%	6.5%

Unemployment Rate Change From a Year Ago September 2007^(g)

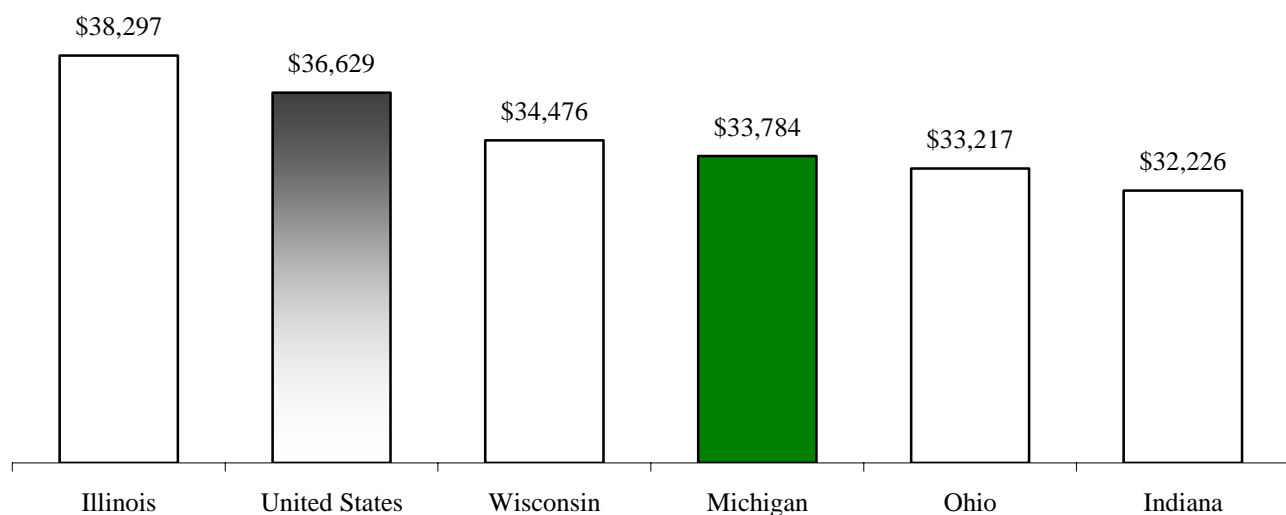


Michigan Personal Income Per Person Below National Average

On September 20, 2007, and April 26, 2007, the U.S. Department of Commerce released revised 2006 state personal income estimates, and 2005 metropolitan and county income estimates. Below are some highlights from those releases:

- In 2006, Michigan's personal income totaled \$341.1 billion, 3.1 percent of U.S. personal income.
- In 2006, Michigan's per capita income was \$33,784. Michigan's 2006 income per person ranked 26th among U.S. states and third in the Great Lakes region behind Illinois and Wisconsin.
- In 2006, Michigan personal income grew 3.2 percent compared with 6.6 percent nationally and 4.8 percent in the Great Lakes region.
- Michigan income per person grew 3.3 percent last year, compared with 5.6 percent nationally and 4.4 percent in the Great Lakes region.
- Over the last decade, Michigan income per person annualized growth of 3.3 percent trailed national growth of 4.2 percent and Great Lakes region growth of 3.7 percent. Between 1996 and 2006, Michigan's income per person growth ranked last among all U.S. states.
- Between 1996 and 2006, real (inflation adjusted) Michigan income per person grew 0.8 percent per year compared to 1.7 percent annualized growth at the national level.
- Among Michigan's 83 counties, Oakland had the highest 2005 per capita income at \$52,274 followed by Washtenaw County at \$39,689. Luce County had the lowest 2005 per capita income at \$19,115.
- Among Michigan's MSAs in 2005, Ann Arbor's per capita income ranked first at \$39,689, followed by the Detroit MSA at \$37,515. The Detroit MSA reported the fastest per capita income growth in 2005 (3.9 percent).

2006 Per Capita Income Great Lakes States



Source: Bureau of Economic Analysis, U.S. Department of Commerce (September 20, 2007 Release.)

U.S. Economic Conditions

	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	85.3	90.4	83.4	83.4	-2.0 points
ISM Manufacturing Index ⁽ⁱ⁾	56.0	53.8	52.9	52.0	-0.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	60.7	55.8	55.8	54.8	0.2 points
	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	
Business Executives' Confidence ^(j)	50.0	53.0	45.0	44.0	0.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	208.4	208.3	207.9	208.5	2.8%
Detroit CPI	201.6	NA	199.7	NA	0.5%
U.S. Producer Price Index	167.1	168.2	165.8	167.4	4.4%
INTEREST RATES					
90 Day T-Bill ^(l)	4.63%	4.84%	4.34%	4.01%	-0.81% points
Aaa Corporate Bonds ^(m)	5.79%	5.73%	5.79%	5.74%	0.23% points
INDUSTRIAL PRODUCTION ^(m)					
	113.5	114.2	114.3	114.4	1.9%
CAPACITY UTILIZATION ^(m)					
	81.8%	82.2%	82.1%	82.1%	0.0% points
RETAIL SALES ⁽ⁿ⁾					
	\$374.7	\$376.9	\$378.0	\$380.2	5.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.468	1.371	1.327	1.191	-30.8%
Existing Home Sales ^(p)	5.760	5.750	5.480	5.040	-19.1%
DURABLE GOODS ORDERS ^(q)					
	\$217.6	\$230.5	\$218.3	\$214.5	-6.6%
PERSONAL INCOME ^(c)					
(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%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<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	\$11,630.7	3.9%

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.