



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

April 2008 Summary

U.S. Economy: U.S. economic indicators remained largely negative in April. Consumer sentiment was down sharply from a year ago (-24.5 points) to 62.6, its lowest reading in 26 years. The ISM manufacturing index signaled a contracting sector for the third straight month and both the ISM manufacturing and non-manufacturing (business activity) indices were down from a year ago. Industrial production was nearly flat compared to a year ago. Compared to a year ago, housing starts fell by 30.6 percent to a 1.032 million pace. Similarly, existing home sales declined by 17.5 percent. Excluding vehicles and gasoline, retail sales rose by only 2.2 percent compared to a year ago (three-month average) -- a five-year low. While revised upward slightly to 0.9 percent, GDP growth remained below a 1.0 percent annual rate for the second straight quarter.

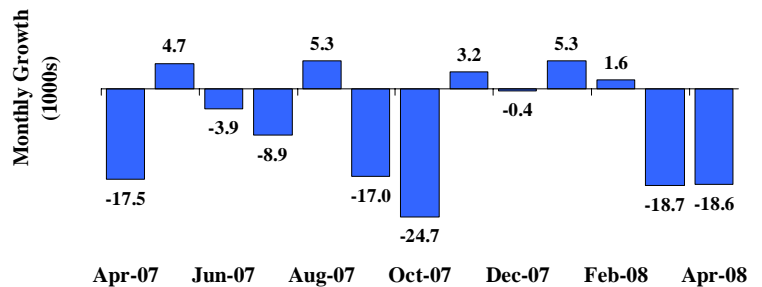
Employment: In April, Michigan's payroll employment declined by 18,600 jobs -- similar to March's decline of 18,700 jobs. The State unemployment rate fell to 6.9 percent while the national rate declined to 5.0 percent. Nationally, employment fell by 20,000 jobs.

Auto Industry: April light vehicle sales fell to a 14.4 million unit annual rate, the lowest sales rate in nearly ten years. Compared to a year ago, the three-month average of State vehicle production fell 10.1 percent compared with a 12.7 percent decline nationally.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 3.9 percent; the core CPI (excluding energy and food) increased only 2.3 percent. Overall producer prices rose 6.5 percent; core producer prices rose 3.0 percent. April's monthly oil price broke March's previous record high, rising to \$112.57 a barrel.

Michigan Metro Areas: From April 2007, unemployment rates fell in 12 of Michigan's 17 major labor market areas with a median decrease of 0.4 of a percentage point. Employment fell in 10 labor market areas with a median decline of 0.8 percent. April 2008 unemployment rates ranged between 4.2 percent (Ann Arbor MSA) and 9.8 percent (Northeast Lower Michigan).

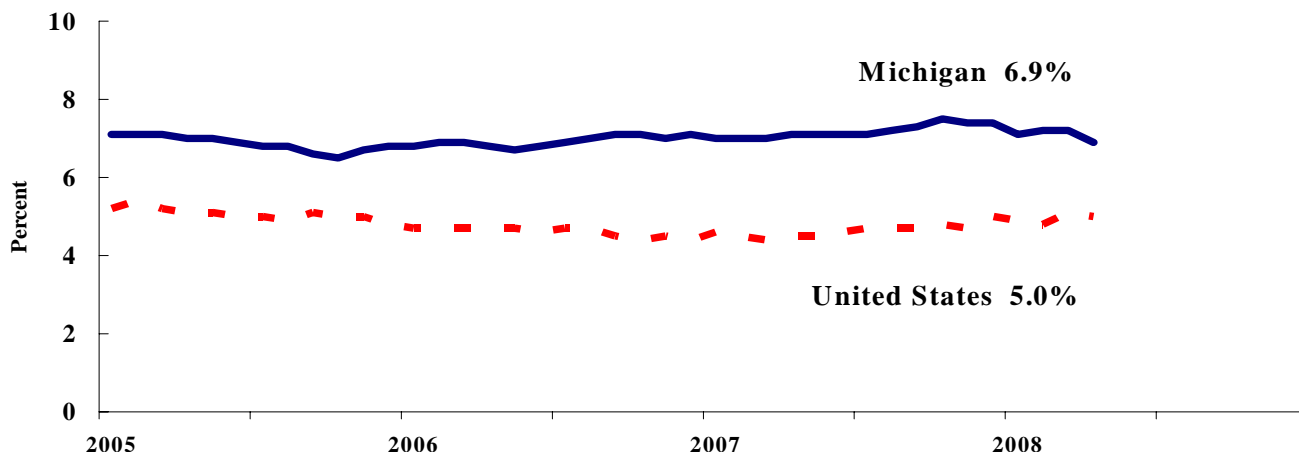
Michigan Employment Drops Sharply for Second Straight Month^(a)



Labor Market Statistics

- Michigan’s April monthly unemployment rate decreased 0.3 percentage points to 6.9 percent from last month and the current Michigan jobless rate is 0.2 percentage points below a year ago. The April U.S. unemployment rate decreased 0.1 percentage points to 5.0 percent and was 0.3 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 April, the number of people employed in Michigan was 4,635,000, down 2,000 from last month, while the labor force decreased by 15,000. The statewide total number of unemployed decreased by 14,000 to 346,000.
- United States household employment totaled 146.3 million persons in April, up 362,000 from March. The labor force rose by 173,000 from last month, which meant that there were 189,000 less unemployed people nationally, compared to March.

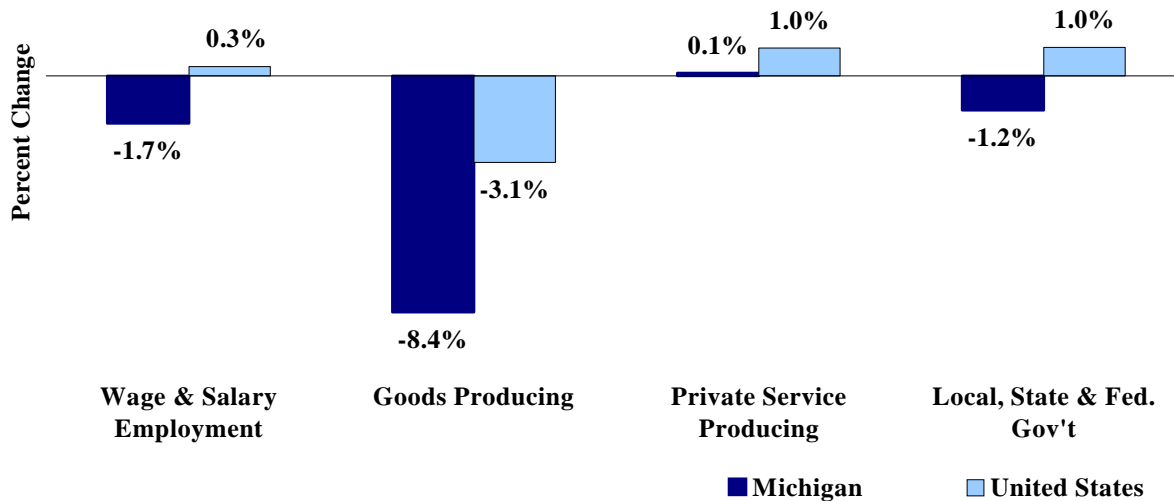
Employment by Place of Residence (in thousands)^(a)

	2007 Average	Feb 2008	Mar 2008	Apr 2008	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	5,020	5,000	4,996	4,981	-15	-0.3%	-50	-1.0%	
Employed	4,660	4,642	4,637	4,635	-2	0.0%	-39	-0.8%	
Unemployed	360	358	360	346	-14	-3.9%	-11	-3.1%	
Unemployment Rate	7.2%	7.2%	7.2%	6.9%	n.a.	-0.3% pts	n.a.	-0.2%	
United States									
Labor Force	153,124	153,374	153,784	153,957	173	0.1%	2,259	1.5%	
Employed	146,047	145,993	145,969	146,331	362	0.2%	1,752	1.2%	
Unemployed	7,078	7,381	7,815	7,626	-189	-2.4%	507	7.1%	
Unemployment Rate	4.6%	4.8%	5.1%	5.0%	n.a.	-0.1% pts	n.a.	0.3%	

Employment by Place of Work

- From April 2007 to April 2008, Michigan wage and salary employment decreased 72,000 (1.7 percent). State wage and salary employment decreased 19,000 from March. Nationally, April 2008 wage and salary employment rose 462,000 (0.3 percent) from a year ago but was down 20,000 from last month.

Wage and Salary Employment Growth April 2007 to April 2008



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

- In the goods-producing sector, Michigan employment fell 8.4 percent from a year ago while private service-producing sector employment increased 0.1 percent compared to last year. From a year ago, April national employment in the goods-producing sector fell 3.1 percent but increased 1.0 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 0.2 hours in Michigan compared to last year.

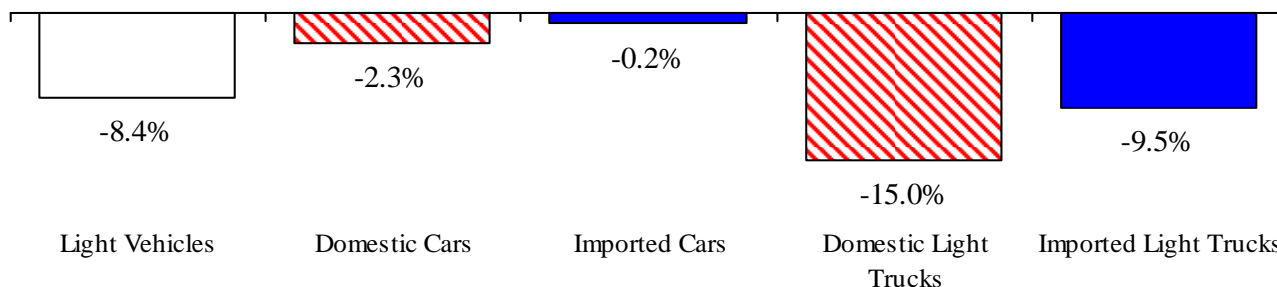
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2007 Average	Apr 2007	Apr 2008	Percent Change	2007 Average	Apr 2007	Apr 2008	Percent Change
Wage & Salary Employment	4,262	4,269	4,197	-1.7%	137,623	137,356	137,818	0.3%
Goods Producing	791	800	733	-8.4%	22,221	22,300	21,618	-3.1%
Manufacturing	617	626	573	-8.5%	13,884	13,922	13,596	-2.3%
Private Service Producing	2,814	2,813	2,816	0.1%	93,199	92,895	93,815	1.0%
Trade, Trans. & Utilities	788	788	785	-0.4%	26,608	26,571	26,524	-0.2%
Services	1,750	1,747	1,758	0.6%	55,254	54,975	56,050	2.0%
Local, State & Fed. Gov't	657	657	649	-1.2%	22,203	22,161	22,385	1.0%
Manufacturing Weekly Hours	42.5	42.5	42.7	0.2 hrs	41.2	41.1	40.9	-0.2 hrs

Motor Vehicle Industry Sales

- At a 14.4 million unit annual rate, April 2008 light vehicle sales were down 4.3 percent from March and fell 11.2 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 4.9 percent and foreign light vehicle sales fell 2.6 percent. From March, auto sales were down slightly (-0.7 percent) while light truck sales were down 7.9 percent.
- Year-to-date domestic sales were down 9.9 percent while foreign sales declined 3.6 percent. As a result, the foreign share of U.S. vehicle sales increased by 1.2 percentage points to 24.7 percent. Overall year-to-date auto sales were down 1.6 percent; light truck sales declined sharply (-14.1 percent). Heavy truck sales were down very sharply (-29.7 percent).
- April light vehicle inventories fell 4.6 percent from a year ago; days of supply were up 7 days.

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



Motor Vehicle Sales Statistics

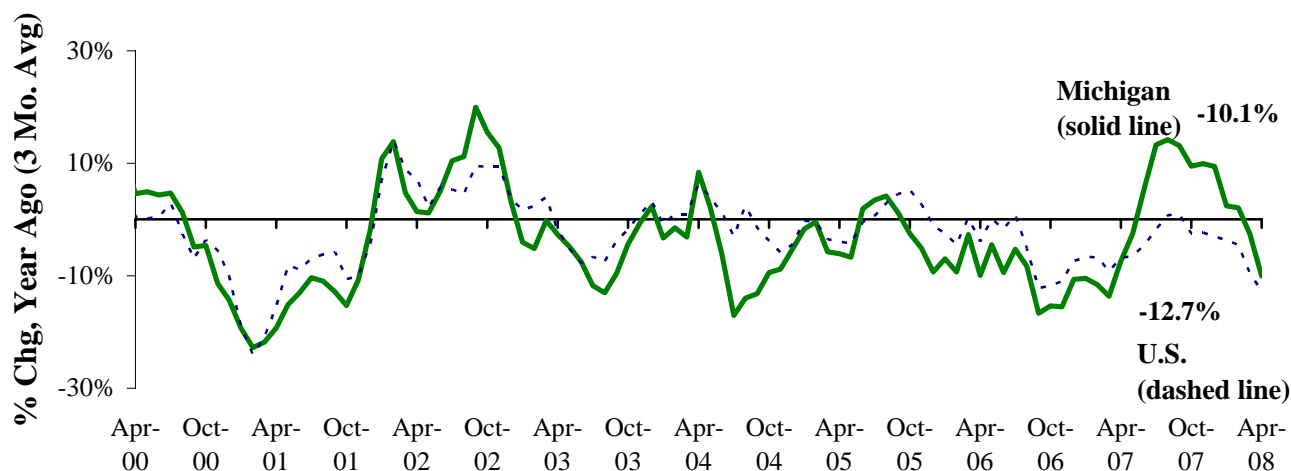
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2007 Average	Feb 2008	Mar 2008	Apr 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.3	7.5	7.5	7.4	0.1	1.4%
Domestics	5.2	5.0	4.9	4.9	5.0	(0.1)	-1.9%
Imports	2.4	2.3	2.6	2.6	2.5	0.2	8.3%
Import Share	31.2%	31.6%	34.4%	34.2%	33.4%	2.2%	pts
Light Trucks	8.5	8.0	7.5	6.9	7.5	(1.9)	-21.7%
Domestics	7.1	6.7	6.2	5.7	6.2	(1.7)	-23.5%
Imports	1.4	1.3	1.3	1.2	1.3	(0.2)	-11.7%
Import Share	16.3%	16.5%	17.4%	17.9%	17.2%	2.0%	pts
Total Light Vehicles	16.1	15.3	15.0	14.4	14.9	(1.8)	-11.2%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.1)	-26.7%
Total Vehicles	16.5	15.6	15.4	14.7	15.2	(1.9)	-11.5%
U.S. Light Vehicle Inventories^(d)		Feb-08	Mar-08	Apr-08	3 Month	Change	
Total Car	1.373	1.420	1.369	1.356	1.382	-0.152	
Days Supply	56	63	52	53	56	-5 days	
Total Truck	1.957	2.026	1.941	1.980	1.982	-0.008	
Days Supply	71	83	76	88	82	20 days	

Motor Vehicle Industry Production

- At 161,794 units, April 2008 Michigan motor vehicle production fell sharply (-20.9 percent) from a year ago compared with a less steep national decline (-11.9 percent). Michigan’s share of national production fell 2.3 percentage points to 19.9 percent. Strikes curtailed production.
- Compared with a year ago, state car production was essentially flat (-0.7 percent) while state truck production declined very sharply (-34.9 percent). Nationally, car production was up 4.2 percent and truck production decreased steeply (-20.4 percent).
- The three-month moving average of Michigan vehicle production was down 10.1 percent from a year ago; national production fell 12.7 percent. Year-to-date, Michigan has comprised 21.2 percent of U.S. vehicle production.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2007 <u>Average</u>	Feb <u>2008</u>	Mar <u>2008</u>	Apr <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	344.3	318.8	332.8	332.0	13.5	4.2%
Trucks	582.8	569.8	453.9	481.3	501.7	(123.2)	-20.4%
Total	908.0	914.1	772.8	814.1	833.6	(109.7)	-11.9%
Michigan Production ^(f)							
Autos	84.1	97.5	90.2	83.2	90.3	(0.6)	-0.7%
Trucks	110.2	107.9	81.9	78.6	89.5	(42.1)	-34.9%
Total	194.3	205.4	172.1	161.8	179.8	(42.8)	-20.9%
Michigan as % of U.S.	21.4%	22.5%	22.3%	19.9%	21.6%	-2.3% pts	

April Unemployment Rates Fell in Twelve Major Michigan Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, unemployment rates fell in 12 major Michigan labor market areas. The median unemployment rate decrease was 0.4 of a percentage point. Unemployment rates ranged between 4.2 percent (Ann Arbor MSA) to 9.8 percent (Northeast Lower Michigan).

Between April 2007 and April 2008, employment fell in 10 major labor market areas. The median employment decrease was 0.8 percent. Three areas saw employment declines exceeding 2.0 percent: Flint MSA (-4.9 percent), Saginaw-Saginaw Township MSA (-2.8 percent) and Battle Creek MSA (-2.3 percent). Twelve areas saw a labor force decline with a median reduction of 0.8 percent. Three areas recorded a labor force decline exceeding 2.0 percent: Flint MSA (-3.3 percent), Battle Creek MSA (-2.8 percent), Saginaw-Saginaw Township MSA (-2.4 percent).

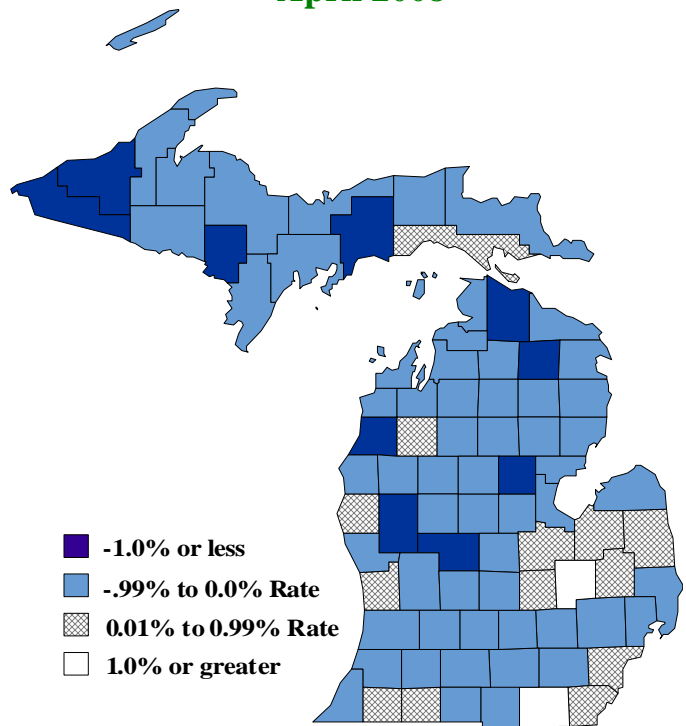
The Jackson MSA and the Upper Peninsula reported the largest unemployment rate decrease compared to a year ago (-0.8 of a percentage point), followed by the Battle Creek MSA (-0.7 of a percentage point). Compared to March, all 17 major labor markets saw non-seasonally adjusted unemployment rate declines with a median rate decrease of 1.2 of percentage points.

Between April 2007 and April 2008, the unemployment rate fell in 64 Michigan counties, rose in 15 counties and remained unchanged in the remaining four counties. The median county unemployment rate change was a 0.4 of a percentage point decline. Non-seasonally adjusted county unemployment rates ranged between 4.2 percent (Washtenaw) and 15.3 percent (Mackinac).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2007 Rate</u>	<u>Mar 2008 Rate</u>	<u>Apr 2008 Rate</u>
Michigan	6.8%	7.9%	6.6%
Ann Arbor	4.3%	4.9%	4.2%
Battle Creek	6.6%	7.0%	5.9%
Bay City	6.6%	7.8%	6.6%
Detroit-Warren-Livonia	7.0%	8.1%	6.9%
Flint	7.8%	10.6%	9.3%
Grand Rapids-Wyoming	5.6%	6.3%	5.3%
Holland-Grand Haven	5.1%	6.1%	5.2%
Jackson	7.3%	7.9%	6.5%
Kalamazoo-Portage	5.2%	5.9%	4.9%
Lansing-East Lansing	5.4%	6.1%	5.1%
Monroe	5.8%	7.4%	6.4%
Muskegon-Norton Shores	6.6%	7.6%	6.5%
Niles-Benton Harbor	6.5%	7.3%	5.9%
Saginaw-Saginaw Township	6.8%	8.5%	7.3%
Upper Peninsula	8.4%	8.9%	7.6%
Northeast Lower Mich	10.3%	12.3%	9.8%
Northwest Lower Mich.	8.3%	9.3%	7.8%

Unemployment Rate Change April 2008^(g)



Consensus Economic Forecast Slow Growth over Next Two Years

On May 16, 2008, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2008 and 2009. Below are highlights of that consensus agreement:

- After growing 2.2 percent in 2007, real GDP is forecast to rise only 1.1 percent in 2008 and increase 1.8 percent in 2009. The U.S. unemployment rate is projected to increase from 4.6 percent in 2007 to 5.3 percent in 2008 before rising to 5.8 percent in 2009.
- Light vehicle sales are projected to fall to 14.9 million units in 2008, down from 16.1 million units in 2007. Light vehicle sales in 2009 are expected to be essentially flat at 15.0 million units. The drop in domestic vehicle sales accounts for essentially the entire decline in light vehicle sales between 2007 and 2009.
- After declining 1.5 percent in 2007, Michigan wage and salary employment is forecast to fall 1.8 percent in 2008 and 1.5 percent in 2009. Projected 2009 employment would be the State's lowest employment level since 1993 with employment falling 11.8 percent from the 2000 employment peak.
- Michigan's unemployment rate is forecast to average 7.6 percent in 2008 and 8.3 percent in 2009.
- After growing 3.5 percent in 2007, Michigan's personal income growth is expected to slow to 1.4 percent in 2008 before accelerating to 1.9 percent in 2009. Michigan wages and salaries income is essentially flat in 2008 (0.1 percent) before rising 0.7 percent in 2009.
- With Detroit CPI inflation of 2.9 percent in 2008 and 2.5 percent in 2009, real (inflation adjusted) Michigan personal income is forecasted to fall 1.4 percent in 2008 and to decline 0.6 percent in 2009.

**U.S. Economic Forecast
Slower Growth**

**Michigan Economic Forecast
Employment Continues Decline**



U.S. Economic Conditions

	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	78.4	70.8	69.5	62.6	-24.5 points
ISM Manufacturing Index ⁽ⁱ⁾	50.7	48.3	48.6	48.6	-4.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	41.9	50.8	52.2	50.9	-5.1 points
	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	
Business Executives' Confidence ^(j)	45.0	44.0	39.0	38.0	-15.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	211.1	211.7	213.5	214.8	3.9%
Detroit CPI	NA	202.4	NA	205.3	2.4%
U.S. Producer Price Index	171.9	172.2	175.4	176.7	6.5%
INTEREST RATES					
90 Day T-Bill ^(l)	2.86%	2.21%	1.38%	1.32%	-3.56% points
Aaa Corporate Bonds ^(m)	5.33%	5.53%	5.51%	5.55%	0.08% points
INDUSTRIAL PRODUCTION ^(m)					
	112.6	111.8	112.0	111.2	0.2%
CAPACITY UTILIZATION ^(m)					
	81.0%	80.3%	80.4%	79.7%	-1.3% points
RETAIL SALES ⁽ⁿ⁾					
	\$380.0	\$378.1	\$378.9	\$378.1	2.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.064	1.107	0.954	1.032	-30.6%
Existing Home Sales ^(p)	4.890	5.030	4.940	4.890	-17.5%
DURABLE GOODS ORDERS ^(q)					
	\$213.7	\$216.1	\$215.5	\$214.4	-3.4%
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>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,520.1	\$11,658.9	\$11,675.7	\$11,701.9	0.9%

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. 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.