



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

August 2008 Summary

U.S. Economy: U.S. economic indicators pointed to an economy in or near recession. Consumer sentiment remained down sharply from a year ago (-20.4 points). Both the ISM manufacturing and non-manufacturing (business activity) indices were down from a year ago. Industrial production fell sharply from last month and a year ago and capacity utilization declined to its lowest rate in nearly four years. The Conference Board's index of leading economic indicators fell sharply for the second straight month and is down 2.7 percentage points from a year ago. Compared with July, core durable goods orders were flat; core retail sales fell 0.4 percent (three month moving averages). Down 33.1 percent from a year ago, housing starts fell below a 900,000 annual rate for the first time in over 17 years.

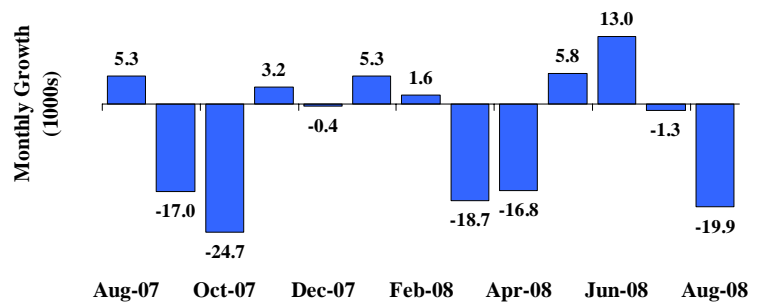
Employment: In August, Michigan's unemployment rate rose to 8.9 percent, its highest monthly rate since September 1992. State payroll employment fell by 19,900 jobs compared to July. The U.S. unemployment rate rose 0.4 of a percentage point to 6.1 percent while U.S. payroll employment fell by 84,000 jobs, declining for the eighth straight month.

Auto Industry: While up from July's 16-year-plus low, light vehicle sales were down 15.7 percent from a year ago. Compared to a year ago, the three-month average of State vehicle production fell 27.3 percent compared with a 22.6 percent decline nationally.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 5.4 percent; the core CPI increased 2.5 percent. Overall producer prices rose 9.6 percent; core producer prices rose 3.6 percent. Oil prices fell \$16.83 a barrel to \$116.61 from a month ago.

Michigan Metro Areas: From August 2007, unemployment rates rose sharply across all of Michigan's 17 major labor market areas with a median increase of 1.8 percentage points. Employment fell in all 17 labor market areas with an extremely large median decline of 3.6 percent. August 2008 unemployment rates ranged between 6.4 percent (Ann Arbor MSA) and 10.5 percent (Flint MSA).

Michigan Payroll Employment Falls Sharply in August^(a)



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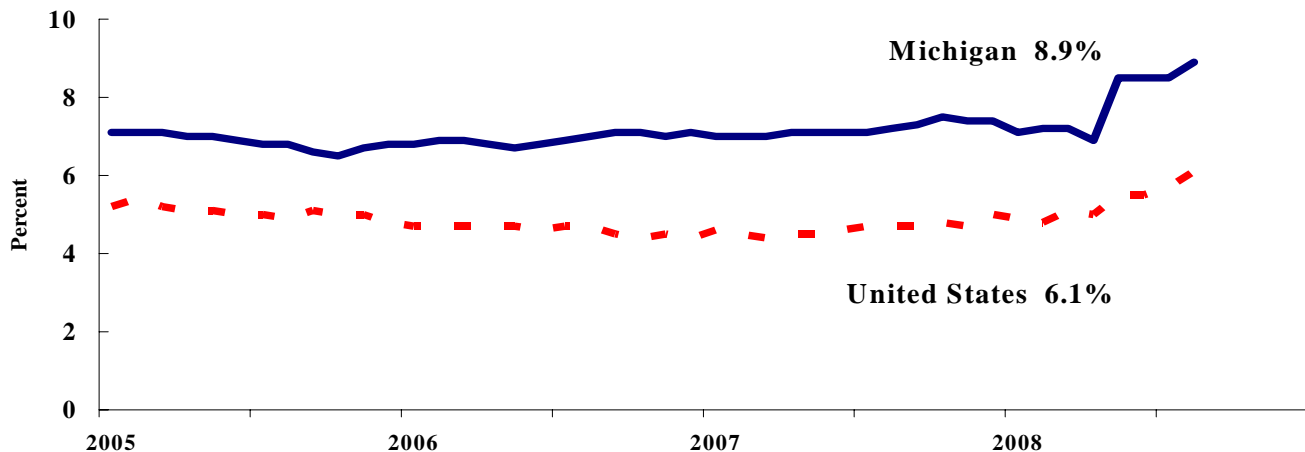
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Labor Market Statistics

- Michigan's August monthly unemployment rate increased by 0.4 percentage points to 8.9 percent from last month and the current Michigan jobless rate is 1.7 percentage points above a year ago. The August U.S. unemployment rate increased 0.4 percentage points to 6.1 percent and was 1.4 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 August, the number of people employed in Michigan was 4,504,000, down 36,000 from last month, while the labor force decreased by 16,000. The statewide total number of unemployed increased by 20,000 to 439,000.
- United States household employment totaled 145.5 million persons in August, down 342,000 from July. The labor force grew by 250,000 from last month, which meant that there were 592,000 more unemployed people nationally, compared to July.

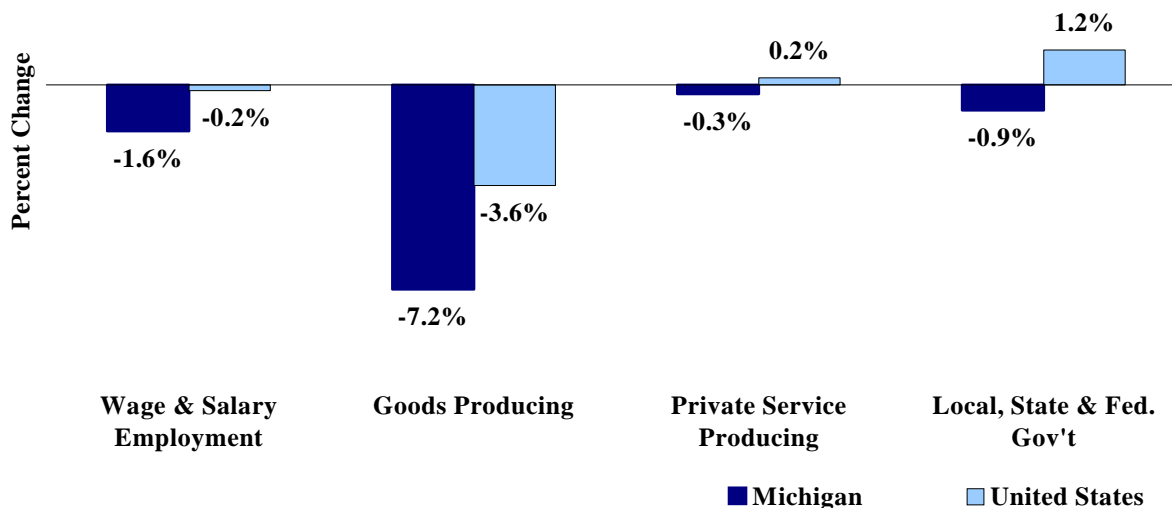
Employment by Place of Residence (in thousands)^(a)

	2007 Average	June 2008	July 2008	Aug 2008	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,020	4,990	4,959	4,943	-16	-0.3%	-73	-1.5%
Employed	4,660	4,567	4,540	4,504	-36	-0.8%	-150	-3.2%
Unemployed	360	423	419	439	20	4.8%	77	21.1%
Unemployment Rate	7.2%	8.5%	8.5%	8.9%	n.a.	0.4% pts	n.a.	1.7%
United States								
Labor Force	153,124	154,390	154,603	154,853	250	0.2%	3,155	2.1%
Employed	146,047	145,891	145,819	145,477	-342	-0.2%	898	0.6%
Unemployed	7,078	8,499	8,784	9,376	592	6.7%	2,257	31.7%
Unemployment Rate	4.6%	5.5%	5.7%	6.1%	n.a.	0.4% pts	n.a.	1.4%

Employment by Place of Work

- From August 2007 to August 2008, Michigan wage and salary employment decreased 70,000 (1.6 percent). State wage and salary employment decreased 20,000 from July. Nationally, August 2008 wage and salary employment fell 283,000 (0.2 percent) from a year ago and was down 84,000 from last month.

Wage and Salary Employment Growth August 2007 to August 2008



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

- In the goods-producing sector, Michigan employment fell 7.2 percent from a year ago while private service-producing sector employment decreased 0.3 percent compared to last year. From a year ago, August national employment in the goods-producing sector fell 3.6 percent but increased 0.2 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 1.0 hours in Michigan compared to last year.

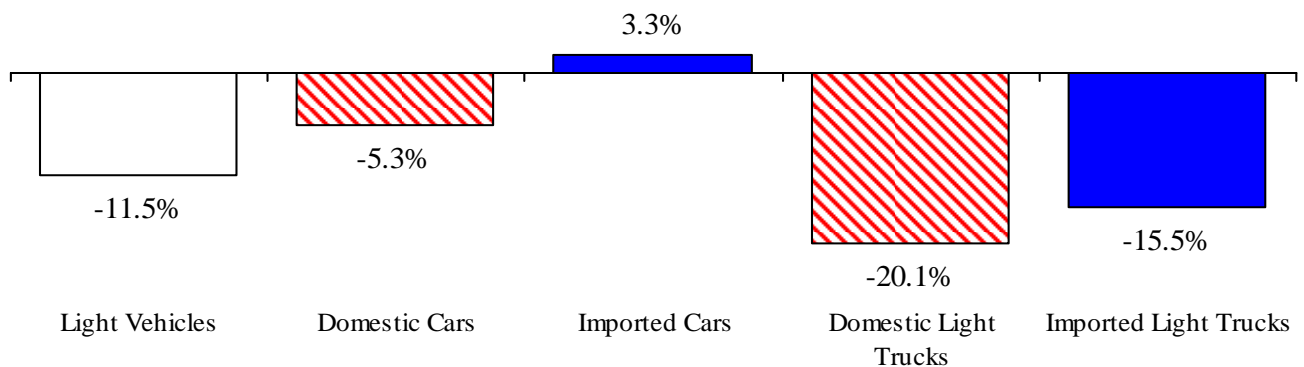
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2007 Average	Aug 2007	Aug 2008	Percent Change	2007 Average	Aug 2007	Aug 2008	Percent Change
Wage & Salary Employment	4,262	4,267	4,197	-1.6%	137,623	137,756	137,473	-0.2%
Goods Producing	791	788	731	-7.2%	22,221	22,176	21,386	-3.6%
Manufacturing	617	615	575	-6.5%	13,884	13,844	13,428	-3.0%
Private Service Producing	2,814	2,815	2,806	-0.3%	93,199	93,368	93,601	0.2%
Trade, Trans. & Utilities	788	787	780	-0.9%	26,608	26,640	26,357	-1.1%
Services	1,750	1,751	1,756	0.3%	55,254	55,392	56,052	1.2%
Local, State & Fed. Gov't	657	666	660	-0.9%	22,203	22,212	22,486	1.2%
Manufacturing Weekly Hours	42.5	42.6	41.6	-1.0 hrs	41.2	41.3	40.9	-0.4 hrs

Motor Vehicle Industry Sales

- At a 13.7 million unit annual rate, August 2008 light vehicle sales were up 9.4 percent compared to June but fell 15.7 percent compared to a year ago. Domestic sales were down 17.8 percent while foreign sales fell 8.1 percent. Light truck sales were down by more than one-fifth (-21.4 percent), while autos declined by 8.9 percent.
- Year-to-date domestic sales were down 13.9 percent while foreign sales declined 3.6 percent. As a result, the foreign share of U.S. vehicle sales increased by 2.1 percentage points to 25.4 percent. Overall year-to-date auto sales were down 2.6 percent; light truck sales have declined sharply (-19.4 percent). Heavy truck sales are down 20.4 percent through August.
- Due to a lower sales rate, August 2008 days supply of light vehicles rose by 4 days from a year ago to 60 days even while inventories declined by 10.3 percent.

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



Motor Vehicle Sales Statistics

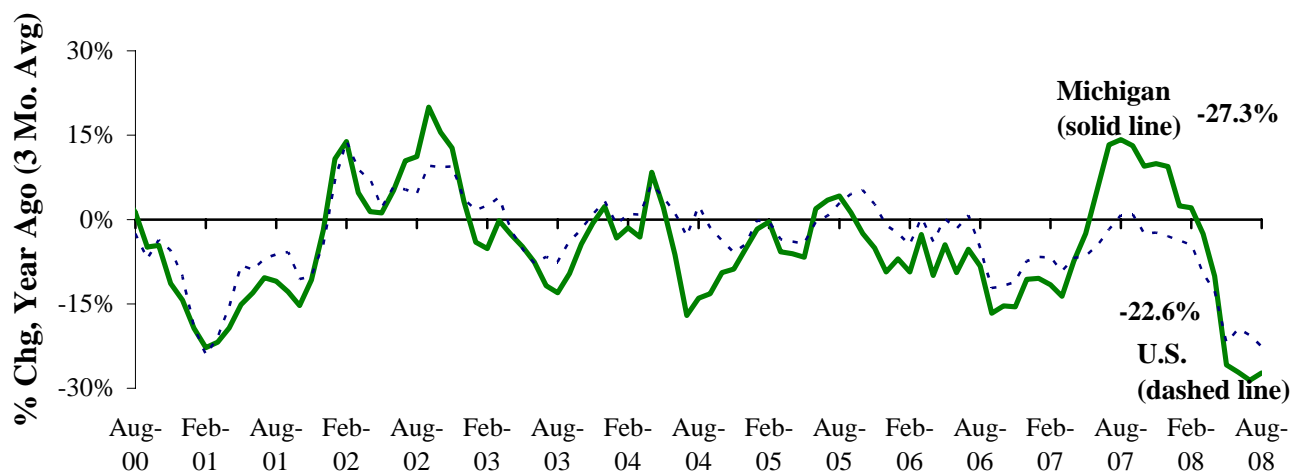
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2007 Average	Jun 2008	Jul 2008	Aug 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.5	6.9	6.8	7.1	(0.7)	-8.9%
Domestics	5.2	4.9	4.4	4.5	4.6	(0.7)	-13.1%
Imports	2.4	2.7	2.5	2.3	2.5	0.0	0.7%
Import Share	31.2%	35.3%	35.8%	33.6%	34.9%	3.2%	pts
Light Trucks	8.5	6.1	5.6	6.9	6.2	(1.9)	-21.4%
Domestics	7.1	5.1	4.6	5.9	5.2	(1.6)	-21.0%
Imports	1.4	1.0	1.0	1.0	1.0	(0.3)	-23.4%
Import Share	16.3%	16.9%	17.5%	14.4%	16.2%	-0.4%	pts
Total Light Vehicles	16.1	13.6	12.5	13.7	13.3	(2.5)	-15.7%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.0)	-12.7%
Total Vehicles	16.5	13.9	12.8	14.0	13.6	(2.6)	-15.6%
U.S. Light Vehicle Inventories^(d)		Jun-08	Jul-08	Aug-08	3 Month	Change	
Total Car	1,374	1,170	1,113	1,092	1,125	-0.105	
Days Supply	56	42	46	47	45	0 days	
Total Truck	1,957	1,996	1,875	1,666	1,846	-0.212	
Days Supply	71	92	96	73	87	9 days	

Motor Vehicle Industry Production

- At 144,258 units, August 2008 Michigan motor vehicle production declined 35.2 percent from a year ago compared with a 33.1 percent drop nationally. Michigan’s share of national production fell 0.7 of a percentage point to 20.8 percent.
- Compared with a year ago, Michigan car production was down 3.5 percent while State truck production was down by more than half (-59.8 percent). Nationally, car production was down 4.5 percent and truck production decreased by nearly half (-48.5 percent).
- The three-month moving average of Michigan vehicle production was down 27.3 percent from a year ago; national production fell 22.6 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 Average	Jun 2008	Jul 2008	Aug 2008	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	325.2	331.3	277.6	347.2	318.7	(16.5)	-4.5%
Trucks	582.8	497.1	303.9	347.8	382.9	(328.0)	-48.5%
Total	908.0	828.4	581.5	695.0	701.6	(344.5)	-33.1%
Michigan Production ^(f)							
Autos	84.1	92.1	61.7	93.8	82.5	(3.4)	-3.5%
Trucks	110.2	82.6	37.0	50.5	56.7	(75.0)	-59.8%
Total	194.3	174.7	98.7	144.3	139.2	(78.4)	-35.2%
Michigan as % of U.S.	21.4%	21.1%	17.0%	20.8%	19.8%	-0.7% pts	

August 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 1.8 percentage points. Three areas saw rate increases exceeding 2.0 percentage points: Monroe MSA (3.5 percentage points), Flint MSA (2.6 percentage points) and Niles-Benton Harbor MSA (2.1 percentage points).

Between August 2007 and August 2008, employment fell in all 17 major labor market areas with declines exceeding 2.0 percent in 16 areas and a median employment decline of 3.6 percent. Five areas saw declines greater than 4.0 percent: Flint MSA (-6.4 percent), Saginaw-Saginaw Township MSA (-4.6 percent), Monroe (-4.3 percent), Niles-Benton Harbor MSA (-4.2 percent) and Battle Creek MSA (-4.1 percent). Sixteen areas saw a labor force decline with a median reduction of 1.9 percent. Four areas saw more than a 2.0 percent labor force reduction: Flint MSA (-3.6 percent), Saginaw-Saginaw Township MSA (-2.8 percent), Battle Creek MSA (-2.6 percent) and Lansing-East Lansing (-2.3 percent).

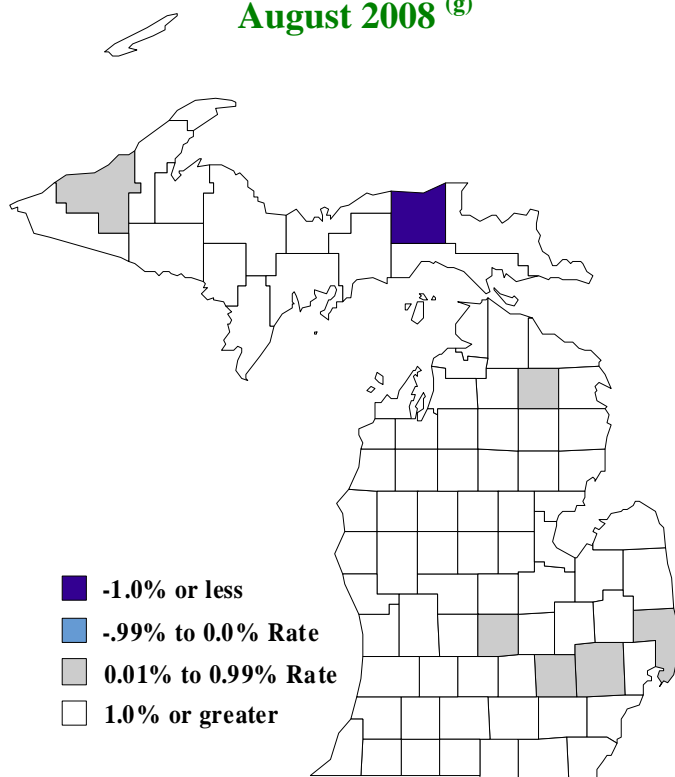
Compared to July 2008, non-seasonally adjusted unemployment rates declined in all 17 areas with a median rate decline of 0.6 of a percentage point. August 2008 unemployment rates ranged between 6.4 percent (Ann Arbor MSA) to 10.5 percent (Flint MSA).

Between August 2007 and August 2008, the unemployment rate rose in 82 Michigan counties and fell in one county. Seventy-four counties saw greater than a 1.0 percentage point increase. The median county unemployment rate change was a 1.6 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 4.5 percent (Mackinac) and 12.5 percent (Baraga).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2007 Rate</u>	<u>Jul 2008 Rate</u>	<u>Aug 2008 Rate</u>
Michigan	6.9%	9.1%	8.5%
Ann Arbor	4.9%	6.9%	6.4%
Battle Creek	6.5%	8.8%	8.0%
Bay City	6.1%	8.5%	7.7%
Detroit-Warren-Livonia	7.8%	9.4%	8.8%
Flint	7.9%	12.3%	10.5%
Grand Rapids-Wyoming	5.8%	8.0%	7.4%
Holland-Grand Haven	5.3%	7.7%	7.2%
Jackson	7.5%	9.7%	9.2%
Kalamazoo-Portage	5.3%	7.8%	7.1%
Lansing-East Lansing	5.6%	7.7%	7.2%
Monroe	6.5%	10.8%	10.0%
Muskegon-Norton Shores	7.1%	9.9%	9.1%
Niles-Benton Harbor	6.1%	9.0%	8.2%
Saginaw-Saginaw Township	6.7%	9.5%	8.5%
Upper Peninsula	6.2%	7.9%	7.6%
Northeast Lower Mich	7.5%	9.9%	9.3%
Northwest Lower Mich.	6.2%	8.3%	8.0%

Unemployment Rate Change August 2008^(g)



U.S. Economic Conditions

	<u>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	59.8	56.4	61.2	63.0	-20.4 points
ISM Manufacturing Index ⁽ⁱ⁾	49.6	50.2	50.0	49.9	-1.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	53.6	49.9	49.6	51.6	-4.7 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>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	216.6	218.8	220.0	219.1	5.4%
Detroit CPI	NA	207.6	NA	209.5	4.9%
U.S. Producer Price Index	179.6	182.5	185.0	182.1	9.6%
INTEREST RATES					
90 Day T-Bill ^(l)	1.71%	1.90%	1.72%	1.79%	-2.55% points
Aaa Corporate Bonds ^(m)	5.57%	5.68%	5.67%	5.64%	-0.15% points
INDUSTRIAL PRODUCTION ^(m)					
	111.3	111.5	111.6	110.3	-1.5%
CAPACITY UTILIZATION ^(m)					
	79.7%	79.7%	79.7%	78.7%	-2.5% points
RETAIL SALES ⁽ⁿ⁾					
	\$383.8	\$384.1	\$382.2	\$381.2	1.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.982	1.089	0.954	0.895	-33.1%
Existing Home Sales ^(p)	4.990	4.850	5.020	4.910	-10.7%
DURABLE GOODS ORDERS ^(q)					
	\$213.7	\$216.7	\$218.4	\$208.5	-4.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>% Change From Year Ago</u>
Michigan	\$347.5	\$347.9	\$350.3	\$356.1	3.5%
U.S.	\$11,699.8	\$11,839.4	\$11,933.1	\$12,146.9	5.2%
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	\$11,727.4	2.8%

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.