



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

June 2008 Summary

U.S. Economy: U.S. economic indicators remained largely negative in June. Consumer sentiment was down sharply from a year ago (-28.9 points) to 56.4, its lowest reading since May 1980. Both the ISM manufacturing and non-manufacturing (business activity) indices were down from a year ago with the non-manufacturing index down sharply (-9.8 points). For the third straight month, industrial production was essentially flat. Housing starts rose slightly from their 17 year low, but remained 26.9 percent below a year ago. Similarly, existing home sales declined by 15.5 percent. Boosted by income tax rebates, retail sales excluding gasoline stations and motor vehicle and parts dealers rose by 3.5 percent compared to a year ago (three-month average). Second quarter real GDP growth similarly accelerated to 1.9 percent growth.

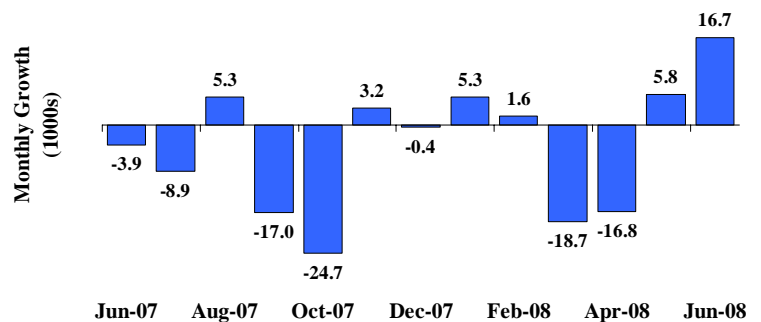
Employment: In June, Michigan's unemployment rate remained at 8.5 percent, its highest monthly rate since October 1992. State payroll employment rose by 17,000 jobs compared to May. The U.S. unemployment rate remained at 5.5 percent while U.S. payroll employment fell by 62,000 jobs, declining for the sixth straight month.

Auto Industry: June light vehicle sales fell to a 13.6 million unit annual rate -- the lowest sales rate in almost 15 years. Compared to a year ago, the three-month average of State vehicle production fell 27.2 percent compared with a 19.5 percent decline nationally.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 5.0 percent; the core CPI (excluding energy and food) increased only 2.4 percent. Overall producer prices rose an astounding 9.2 percent; core producer prices rose 3.0 percent. The monthly oil price set a new record high for the fifth straight month, rising to \$133.93 a barrel -- up more than \$40 a barrel from January.

Michigan Metro Areas: From June 2007, unemployment rates rose in all of Michigan's 17 major labor market areas with a median increase of 1.0 percentage point. Employment fell in 16 labor market areas with a median decline of 2.1 percent. June 2008 unemployment rates ranged between 6.3 percent (Ann Arbor MSA) and 9.7 percent (Detroit-Warren-Livonia MSA and Flint MSA).

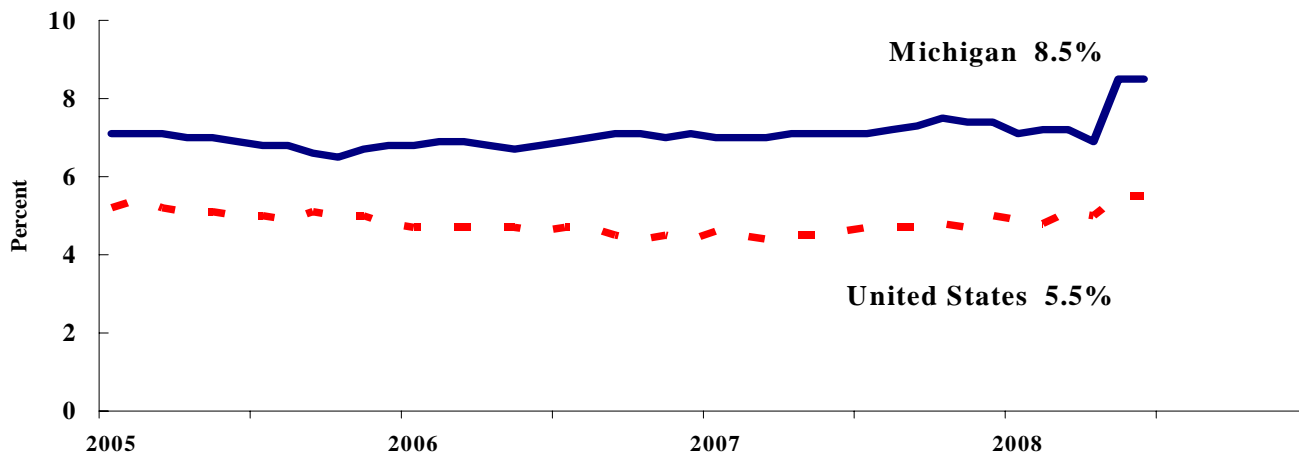
**Michigan Payroll Employment
Increases in June ^(a)**



Labor Market Statistics

- Michigan's June 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 June U.S. unemployment rate also remained unchanged at 5.5 percent and was 0.8 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 June, the number of people employed in Michigan was 4,568,000, down 11,000 from last month, while the labor force decreased by 15,000. The statewide total number of unemployed decreased by 5,000 to 423,000.
- United States household employment totaled 145.9 million persons in June, down 155,000 from May. The labor force fell by 144,000 from last month, which meant that there were 12,000 more unemployed people nationally, compared to May.

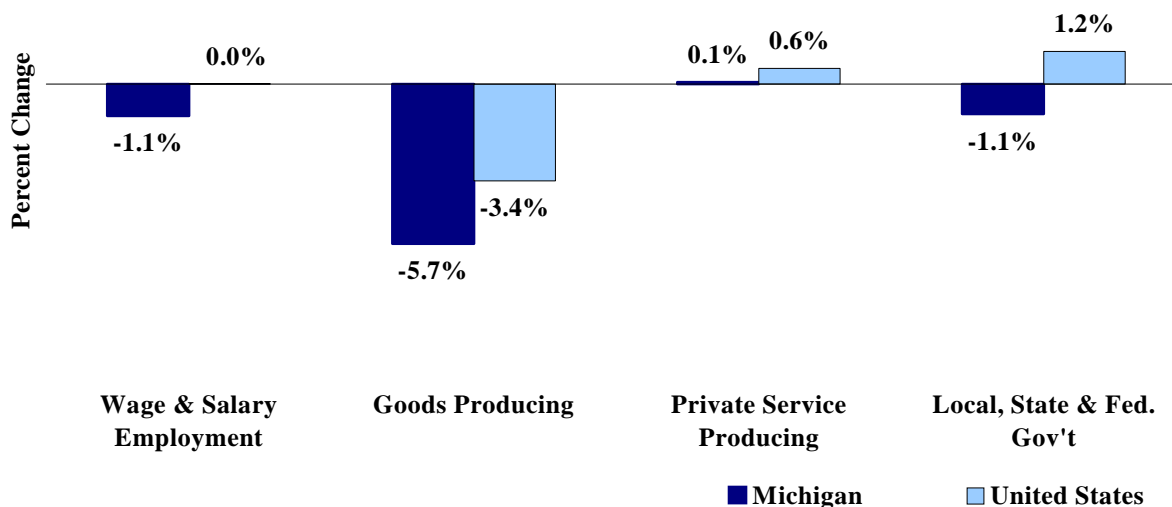
Employment by Place of Residence (in thousands)^(a)

	2007 Average	Apr 2008	May 2008	Jun 2008	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,020	4,982	5,007	4,992	-15	-0.3%	-32	-0.6%
Employed	4,660	4,636	4,579	4,568	-11	-0.2%	-99	-2.1%
Unemployed	360	346	428	423	-5	-1.2%	66	18.6%
Unemployment Rate	7.2%	6.9%	8.5%	8.5%	n.a.	0.0% pts	n.a.	1.4%
United States								
Labor Force	153,124	153,957	154,534	154,390	-144	-0.1%	2,692	1.8%
Employed	146,047	146,331	146,046	145,891	-155	-0.1%	1,312	0.9%
Unemployed	7,078	7,626	8,487	8,499	12	0.1%	1,380	19.4%
Unemployment Rate	4.6%	5.0%	5.5%	5.5%	n.a.	0.0% pts	n.a.	0.8%

Employment by Place of Work

- From June 2007 to June 2008, Michigan wage and salary employment decreased 49,000 (1.1 percent). State wage and salary employment increased 17,000 from May. Nationally, June 2008 wage and salary employment rose 15,000 (0.0 percent) from a year ago but was down 62,000 from last month.

Wage and Salary Employment Growth June 2007 to June 2008



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

- In the goods-producing sector, Michigan employment fell 5.7 percent from a year ago while private service-producing sector employment increased 0.1 percent compared to last year. From a year ago, June national employment in the goods-producing sector fell 3.4 percent but increased 0.6 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 0.7 hours in Michigan compared to last year.

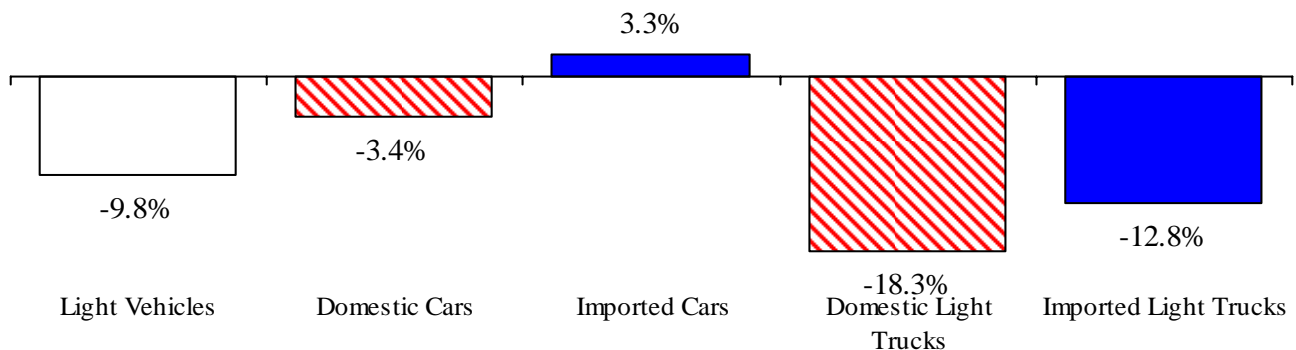
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2007 Average	June 2007	June 2008	Percent Change	2007 Average	June 2007	June 2008	Percent Change
Wage & Salary Employment	4,262	4,270	4,222	-1.1%	137,623	137,625	137,640	0.0%
Goods Producing	791	795	750	-5.7%	22,221	22,267	21,505	-3.4%
Manufacturing	617	621	592	-4.7%	13,884	13,890	13,537	-2.5%
Private Service Producing	2,814	2,817	2,819	0.1%	93,199	93,156	93,676	0.6%
Trade, Trans. & Utilities	788	788	785	-0.4%	26,608	26,600	26,449	-0.6%
Services	1,750	1,751	1,763	0.7%	55,254	55,206	56,011	1.5%
Local, State & Fed. Gov't	657	659	652	-1.1%	22,203	22,202	22,459	1.2%
Manufacturing Weekly Hours	42.5	42.6	41.9	-0.7 hrs	41.2	41.4	40.8	-0.6 hrs

Motor Vehicle Industry Sales

- At a 13.6 million unit annual rate, June 2008 light vehicle sales were down 4.7 percent compared to May and down 13.1 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 5.4 percent and foreign light vehicle sales fell 2.8 percent. From May, auto sales were down 5.6 percent while light truck sales were down 3.6 percent. From a year ago, light truck sales were down 24.6 percent while auto sales were down slightly (-1.0 percent). May 2008 light vehicle sales were their lowest in almost 15 years.
- Year-to-date domestic sales were down 12.1 percent while foreign sales declined 2.6 percent. As a result, the foreign share of U.S. vehicle sales increased by 1.9 percentage points to 25.5 percent. Overall year-to-date auto sales were down 1.3 percent; light truck sales declined sharply (-17.4 percent). Heavy truck sales were down very sharply (-22.5 percent).
- June 2008 days supply of trucks rose sharply from a year ago, increasing by 16 days to 92 days while days supply of cars were down 8 days to 42 days.

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



Motor Vehicle Sales Statistics

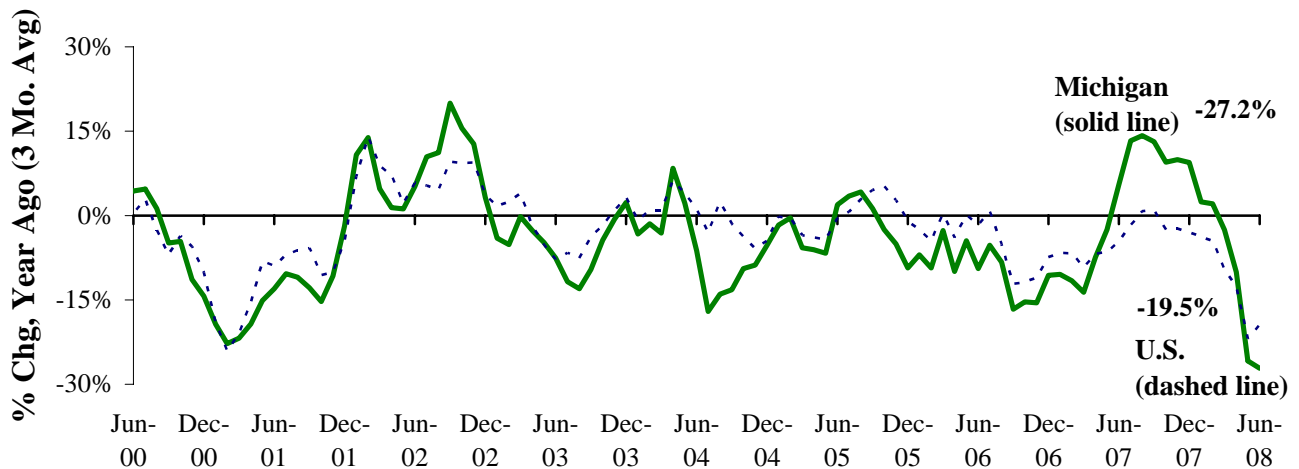
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2007 Average	Apr 2008	May 2008	Jun 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.5	8.0	7.6	7.7	(0.1)	-1.0%
Domestics	5.2	4.9	5.3	4.9	5.0	(0.4)	-6.9%
Imports	2.4	2.6	2.7	2.7	2.7	0.3	11.9%
Import Share	31.2%	34.7%	33.5%	35.4%	34.5%	4.1% pts	
Light Trucks	8.5	6.9	6.2	6.0	6.4	(2.0)	-24.6%
Domestics	7.1	5.7	5.1	5.0	5.3	(1.6)	-24.5%
Imports	1.4	1.2	1.1	1.0	1.1	(0.3)	-25.1%
Import Share	16.3%	17.9%	18.0%	17.1%	17.7%	-0.1% pts	
Total Light Vehicles	16.1	14.4	14.3	13.6	14.1	(2.0)	-13.1%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.0)	-10.3%
Total Vehicles	16.5	14.7	14.6	13.9	14.4	(2.1)	-13.0%
U.S. Light Vehicle Inventories^(d)		Apr-08	May-08	Jun-08	3 Month	Change	
Total Car	1.374	1.356	1.216	1.170	1.247	-0.166	
Days Supply	56	53	41	42	45	-8 days	
Total Truck	1.957	1.980	1.944	1.997	1.973	-0.060	
Days Supply	71	88	88	92	89	16 days	

Motor Vehicle Industry Production

- At 174,693 units, June 2008 Michigan motor vehicle production declined 21.4 percent from a year ago compared with a 17.7 percent drop nationally. Michigan’s share of national production fell 1.0 percentage point to 21.1 percent.
- Compared with a year ago, Michigan car production was down 7.2 percent while State truck production was down by almost one-third (-32.8 percent). Nationally, car production was down 6.0 percent and truck production decreased by nearly one-fourth (-24.0 percent).
- The three-month moving average of Michigan vehicle production was down 27.2 percent from a year ago; national production fell 19.5 percent. Year-to-date, Michigan has comprised 21.0 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>	Apr <u>2008</u>	May <u>2008</u>	Jun <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	332.8	298.6	331.3	320.9	(21.3)	-6.0%
Trucks	582.8	481.3	439.0	497.1	472.5	(157.4)	-24.0%
Total	908.0	814.1	737.6	828.4	793.4	(178.7)	-17.7%
Michigan Production ^(f)							
Autos	84.1	83.2	88.6	92.1	88.0	(7.2)	-7.2%
Trucks	110.2	78.6	58.5	82.6	73.2	(40.4)	-32.8%
Total	194.3	161.8	147.1	174.7	161.2	(47.6)	-21.4%
Michigan as % of U.S.	21.4%	19.9%	19.9%	21.1%	20.3%	-1.0% pts	

June 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 1.0 percentage point. Three areas saw rate increases exceeding 1.5 percentage points: Flint MSA (1.6 percentage points), Detroit-Warren-Livonia MSA (1.7 percentage points) and Monroe MSA (1.8 percentage points).

Between June 2007 and June 2008, employment fell in 16 major labor market areas. The median employment decrease was 2.1 percent. Nine areas saw employment declines exceeding 2.0 percent. Three areas saw declines greater than 3.0 percent: Battle Creek MSA (-3.5 percent), Saginaw-Saginaw Township MSA (-4.0 percent) and Flint MSA (-5.0 percent). Thirteen areas saw a labor force decline with a median reduction of 0.8 percent. Three areas saw more than a 2.0 percent labor force reduction: Battle Creek MSA (-2.7 percent), Saginaw-Saginaw Township MSA (-2.7 percent) and Flint MSA (-3.3 percent).

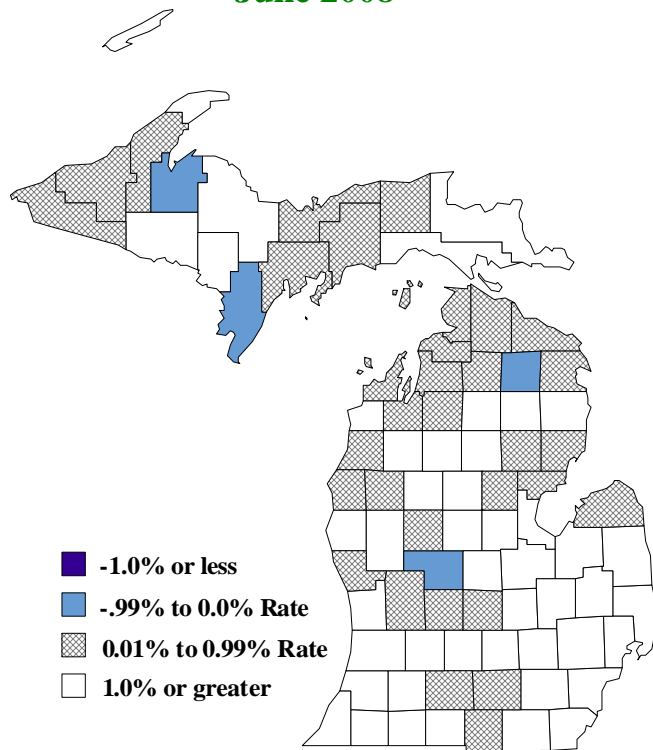
Compared to May 2008, nine major labor market areas saw non-seasonally adjusted unemployment rate increases with a median rate increase of 0.3 percentage points. Six areas saw monthly rate declines with a median decline of 0.5 percentage points. Two areas saw no rate change from May. June 2008 unemployment rates ranged between 6.3 percent (Ann Arbor MSA) to 9.7 percent (Detroit-Warren-Livonia MSA and Flint MSA).

Between June 2007 and June 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 1.0 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 5.0 percent (Mackinac) and 12.4 percent (Baraga).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jun 2007 Rate</u>	<u>May 2008 Rate</u>	<u>Jun 2008 Rate</u>
Michigan	7.3%	8.3%	8.7%
Ann Arbor	5.1%	6.0%	6.3%
Battle Creek	7.1%	7.5%	7.8%
Bay City	6.7%	8.0%	7.8%
Detroit-Warren-Livonia	8.0%	8.9%	9.7%
Flint	8.1%	11.1%	9.7%
Grand Rapids-Wyoming	6.2%	6.8%	7.1%
Holland-Grand Haven	5.8%	6.8%	7.2%
Jackson	8.0%	8.3%	8.6%
Kalamazoo-Portage	5.9%	6.3%	6.9%
Lansing-East Lansing	6.1%	7.2%	7.2%
Monroe	6.5%	8.8%	8.3%
Muskegon-Norton Shores	7.6%	8.3%	8.5%
Niles-Benton Harbor	7.0%	7.5%	8.0%
Saginaw-Saginaw Township	7.1%	9.0%	8.4%
Upper Peninsula	7.1%	7.9%	7.9%
Northeast Lower Mich	8.4%	9.6%	9.2%
Northwest Lower Mich.	6.8%	8.1%	7.6%

Unemployment Rate Change June 2008^(g)



U.S. Economic Conditions

	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	69.5	62.6	59.8	56.4	-28.9 points
ISM Manufacturing Index ⁽ⁱ⁾	48.6	48.6	49.6	50.2	-3.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	52.2	50.9	53.6	49.9	-9.8 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>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	213.5	214.8	216.6	218.8	5.0%
Detroit CPI	NA	205.3	NA	207.6	3.0%
U.S. Producer Price Index	175.4	176.7	179.6	182.5	9.2%
INTEREST RATES					
90 Day T-Bill ^(l)	1.38%	1.32%	1.71%	1.90%	-2.73% points
Aaa Corporate Bonds ^(m)	5.51%	5.55%	5.57%	5.68%	-0.11% points
INDUSTRIAL PRODUCTION ^(m)					
	112.2	111.4	111.2	111.7	0.3%
CAPACITY UTILIZATION ^(m)					
	80.5%	79.9%	79.6%	79.9%	-1.2% points
RETAIL SALES ⁽ⁿ⁾					
	\$380.0	\$380.8	\$383.9	\$384.2	3.2%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.988	1.004	0.977	1.066	-26.9%
Existing Home Sales ^(p)	4.940	4.890	4.990	4.860	-15.5%
DURABLE GOODS ORDERS ^(q)					
	\$215.6	\$213.5	\$213.8	\$215.4	-1.1%
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	\$11,700.6	1.9%

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.