



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## May 2008 Summary

**U.S. Economy:** U.S. economic indicators remained largely negative in May. Consumer sentiment was down sharply from a year ago (-28.5 points) to 59.8, its lowest reading since June 1980. Both the ISM manufacturing and non-manufacturing (business activity) indices were down from a year ago. For the second straight month, industrial production was essentially flat compared to a year ago. Housing starts fell to their lowest monthly level in 17 years, declining by nearly one-third from a year ago. Similarly, existing home sales declined by 15.9 percent. Excluding vehicles and gasoline, retail sales rose by 3.1 percent compared to a year ago (three-month average). Real (inflation-adjusted) GDP grew at just a 1.0 percent rate in the first quarter, after growing at only a 0.6 percent annual rate in the fourth quarter of 2007.

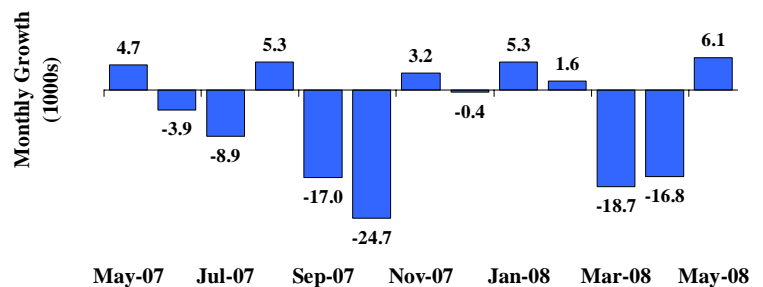
**Employment:** In May, Michigan's unemployment rate rose to 8.5 percent, its highest monthly rate since October 1992. State payroll employment rose by 6,000 jobs compared to April. The national unemployment rate rose to 5.5 percent while U.S. payroll employment fell by 49,000 jobs, declining for the fifth straight month.

**Auto Industry:** May light vehicle sales remained below a 14.5 million unit annual rate for the second straight month. Compared to a year ago, the three-month average of State vehicle production fell 25.8 percent compared with a 21.8 percent decline nationally.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 4.2 percent; the core CPI (excluding energy and food) increased only 2.3 percent. Overall producer prices rose 7.2 percent; core producer prices rose 3.0 percent. In May, the monthly oil price set a new record high for the fourth straight month, rising to \$125.39 a barrel.

**Michigan Metro Areas:** From May 2007, unemployment rates rose in all of Michigan's 17 major labor market areas with a median increase of 1.3 percentage points. Employment fell in 16 labor market areas with a median decline of 1.9 percent. May 2008 unemployment rates ranged between 6.0 percent (Ann Arbor MSA) and 11.1 percent (Flint MSA).

**Michigan Payroll Employment  
Increases in May<sup>(a)</sup>**



Jeff Guilfoyle  
Director

Thomas Patchak-Schuster  
Senior Economist

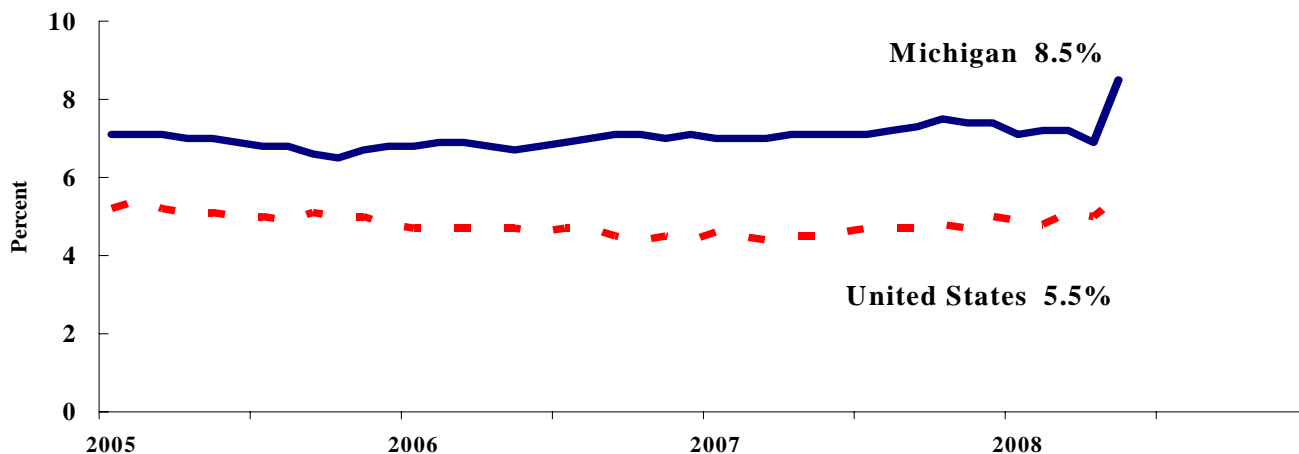
Andrew Lockwood  
Economist

Diane Burton  
Secretary

### Labor Market Statistics

- Michigan’s May monthly unemployment rate increased sharply by 1.6 percentage points to 8.5 percent from last month and the current Michigan jobless rate is 1.4 percentage points above a year ago. The May U.S. unemployment rate increased 0.5 percentage points to 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 May, the number of people employed in Michigan was 4,580,000, down 56,000 from last month, while the labor force increased by 26,000. The statewide total number of unemployed increased by 82,000 to 428,000.
- United States household employment totaled 146.0 million persons in May, down 285,000 from April. The labor force rose by 577,000 from last month, which meant that there were 861,000 more unemployed people nationally, compared to April.

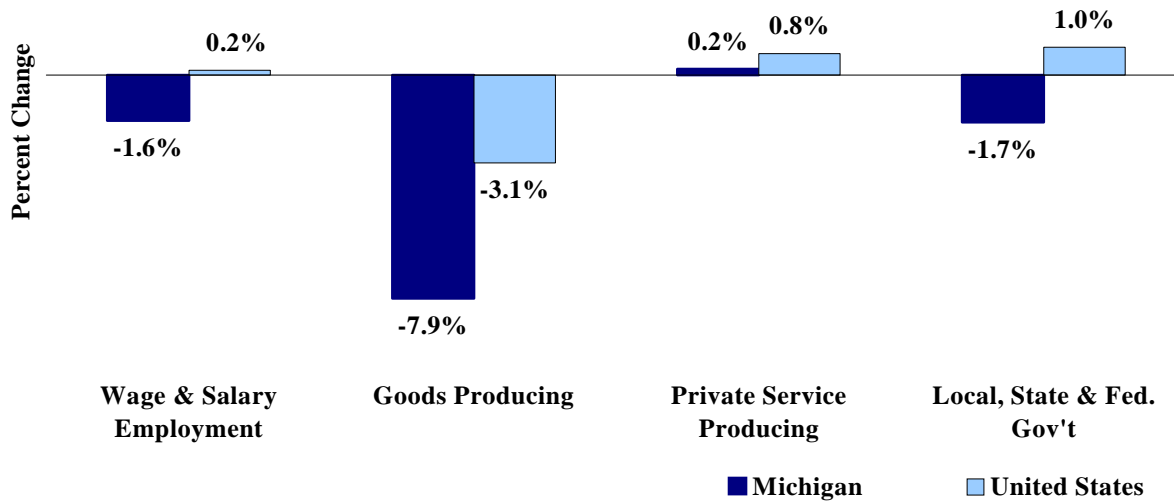
#### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2007 Average	Mar 2008	Apr 2008	May 2008	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	5,020	4,996	4,982	5,008	26	0.5%	-21	-0.4%	
Employed	4,660	4,637	4,636	4,580	-56	-1.2%	-94	-2.0%	
Unemployed	360	360	346	428	82	23.7%	73	20.6%	
Unemployment Rate	7.2%	7.2%	6.9%	8.5%	n.a.	1.6% pts	n.a.	1.4%	
<b>United States</b>									
Labor Force	153,124	153,784	153,957	154,534	577	0.4%	2,836	1.9%	
Employed	146,047	145,969	146,331	146,046	-285	-0.2%	1,467	1.0%	
Unemployed	7,078	7,815	7,626	8,487	861	11.3%	1,368	19.2%	
Unemployment Rate	4.6%	5.1%	5.0%	5.5%	n.a.	0.5% pts	n.a.	0.8%	

### Employment by Place of Work

- From May 2007 to May 2008, Michigan wage and salary employment decreased 69,000 (1.6 percent). State wage and salary employment increased 6,000 from April. Nationally, May 2008 wage and salary employment rose 236,000 (0.2 percent) from a year ago but was down 49,000 from last month.

#### Wage and Salary Employment Growth May 2007 to May 2008



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

- In the goods-producing sector, Michigan employment fell 7.9 percent from a year ago while private service-producing sector employment increased 0.2 percent compared to last year. From a year ago, May national employment in the goods-producing sector fell 3.1 percent but increased 0.8 percent in the private service-producing sector.
- Manufacturing weekly hours decreased by 1.9 hours in Michigan compared to last year.

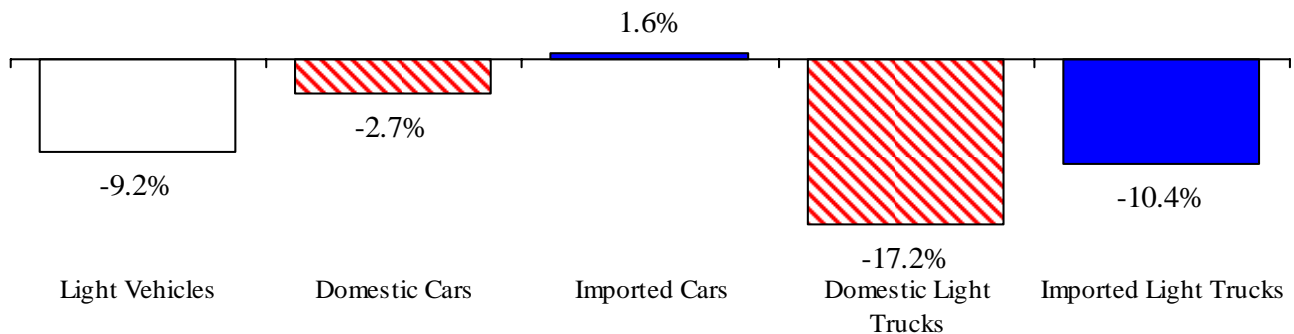
#### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2007 Average	May 2007	May 2008	Percent Change	2007 Average	May 2007	May 2008	Percent Change
Wage & Salary Employment	4,262	4,274	4,205	-1.6%	137,623	137,518	137,754	0.2%
Goods Producing	791	797	734	-7.9%	22,221	22,272	21,580	-3.1%
Manufacturing	617	622	575	-7.6%	13,884	13,910	13,569	-2.5%
Private Service Producing	2,814	2,818	2,824	0.2%	93,199	93,060	93,768	0.8%
Trade, Trans. & Utilities	788	788	784	-0.5%	26,608	26,593	26,465	-0.5%
Services	1,750	1,752	1,768	0.9%	55,254	55,108	56,068	1.7%
Local, State & Fed. Gov't	657	659	648	-1.7%	22,203	22,186	22,406	1.0%
Manufacturing Weekly Hours	42.5	42.6	40.7	-1.9 hrs	41.2	41.1	41.0	-0.1 hrs

### Motor Vehicle Industry Sales

- At a 14.3 million unit annual rate, May 2008 light vehicle sales were roughly flat compared to April but down 12.4 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 1.2 percent and foreign light vehicle sales fell 0.6 percent. From April, auto sales were up 7.1 percent while light truck sales were down 9.8 percent. From a year ago, light truck sales were down 24.4 percent while auto sales were essentially flat (-0.2 percent).
- Year-to-date domestic sales were down 11.2 percent while foreign sales declined 2.8 percent. As a result, the foreign share of U.S. vehicle sales increased by 1.7 percentage points to 25.2 percent. Overall year-to-date auto sales were down 1.3 percent; light truck sales declined sharply (-16.1 percent). Heavy truck sales were down very sharply (-24.3 percent).
- May 2008 days supply of trucks rose sharply from a year ago, increasing by 22 days to 88 days while days supply of cars were down 4 days to 41 days.

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



### Motor Vehicle Sales Statistics

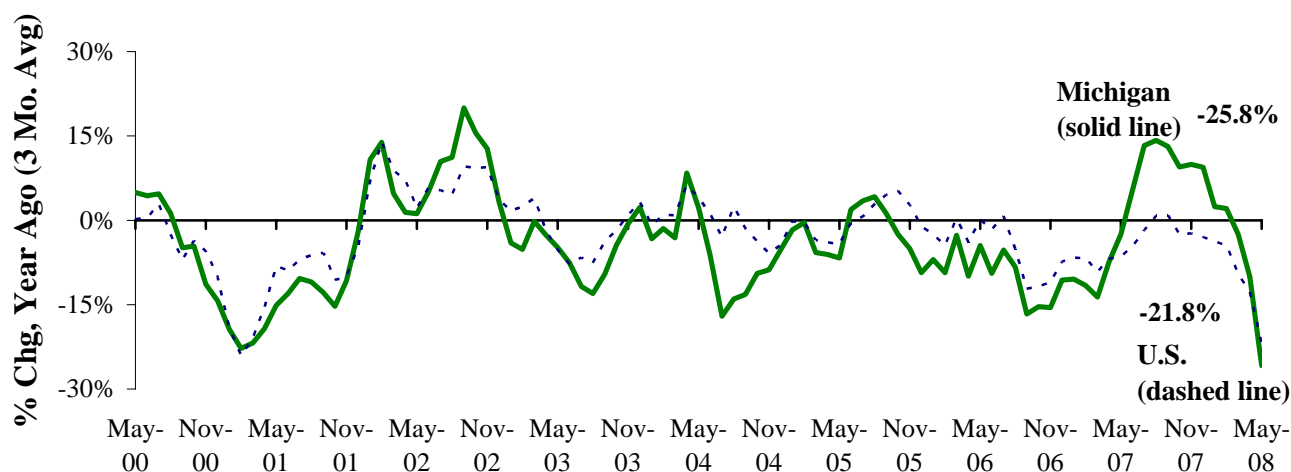
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2007	Mar	Apr	May	3 Month	Change from Year Ago	
	Average	2008	2008	2008	Average	Level	%
Autos	7.6	7.5	7.5	8.0	7.7	(0.0)	-0.2%
Domestics	5.2	4.9	4.9	5.3	5.1	(0.2)	-3.5%
Imports	2.4	2.6	2.6	2.7	2.6	0.2	7.2%
Import Share	31.2%	34.4%	34.7%	33.5%	34.2%	2.3% pts	
Light Trucks	8.5	7.5	6.9	6.2	6.9	(2.0)	-24.4%
Domestics	7.1	6.2	5.7	5.1	5.7	(1.8)	-26.2%
Imports	1.4	1.3	1.2	1.1	1.2	(0.2)	-14.6%
Import Share	16.3%	17.4%	17.9%	18.0%	17.8%	2.1% pts	
Total Light Vehicles	16.1	15.0	14.4	14.3	14.6	(2.0)	-12.4%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.0)	-8.9%
Total Vehicles	16.5	15.4	14.7	14.6	14.9	(2.1)	-12.4%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Mar-08</b>	<b>Apr-08</b>	<b>May-08</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.373	1.369	1.356	1.216	1.314	-0.149	
Days Supply	56	52	53	41	49	-4 days	
Total Truck	1.958	1.941	1.980	1.942	1.954	-0.039	
Days Supply	71	76	88	88	84	22 days	

### Motor Vehicle Industry Production

- At 147,121 units, May 2008 Michigan motor vehicle production plummeted (-38.0 percent) from a year ago compared with a 28.0 percent drop nationally. Michigan’s share of national production fell 3.2 percentage points to 19.9 percent. A recently settled strike had depressed production.
- Compared with a year ago, Michigan car production was down 9.6 percent while State truck production more than halved (-58.0 percent). Nationally, car production was down 13.8 percent and truck production decreased steeply (-35.2 percent).
- The three-month moving average of Michigan vehicle production was down 25.8 percent from a year ago; national production fell 21.8 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 <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2007 <u>Average</u>	Mar <u>2008</u>	Apr <u>2008</u>	May <u>2008</u>	3 Month <u>Average</u>	Change from Year Ago for the Month	
						<u>Level</u>	<u>%</u>
<b>U.S. Production <sup>(e)</sup></b>							
Autos	325.2	318.8	332.8	298.6	316.7	(47.8)	-13.8%
Trucks	582.8	453.9	481.3	439.0	458.1	(238.9)	-35.2%
Total	908.0	772.8	814.1	737.6	774.8	(286.7)	-28.0%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	84.1	90.2	83.2	88.6	87.3	(9.4)	-9.6%
Trucks	110.2	81.9	78.6	58.5	73.0	(80.7)	-58.0%
Total	194.3	172.1	161.8	147.1	160.4	(90.1)	-38.0%
Michigan as % of U.S.	21.4%	22.3%	19.9%	19.9%	20.7%	-3.2% pts	

## May 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 1.3 percentage points. Three areas saw rate increases exceeding 2.0 percentage points: Saginaw-Saginaw Township MSA (2.3 percentage points), Monroe MSA (3.1 percentage points) and Flint MSA (3.4 percentage points).

Between May 2007 and May 2008, employment fell in 16 major labor market areas. The median employment decrease was 1.9 percent. Eight areas saw employment declines exceeding 2.0 percent. Four areas saw declines greater than 3.0 percent: Monroe MSA (-3.1 percent), Battle Creek MSA (-3.8 percent), Saginaw-Saginaw Township MSA (-4.0 percent) and Flint (-6.0 percent). Nine areas saw a labor force decline with a median reduction of 0.6 percent. Two areas saw more than a 2.0 percent labor force reduction: Flint MSA (-2.4 percent) and Battle Creek MSA (-2.8 percent).

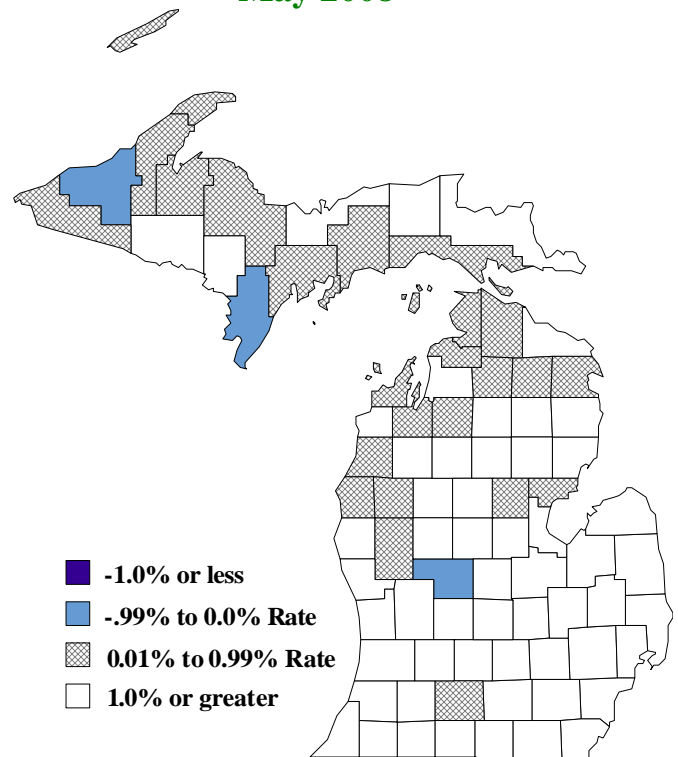
Compared to April 2008, 16 major labor market areas saw non-seasonally adjusted unemployment rate increases with a median rate increase of 1.7 percentage points. One area saw a slight rate decline. May 2008 unemployment rates ranged between 6.0 percent (Ann Arbor MSA) to 11.1 percent (Flint MSA).

Between May 2007 and May 2008, the unemployment rate rose in 80 Michigan counties, fell in two counties and remained unchanged in one county. The median county unemployment rate change was a 1.1 percentage point increase. Non-seasonally adjusted county unemployment rates ranged between 5.5 percent (Leelanau) and 13.9 percent (Baraga).

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

<u>Local Area</u>	<u>May 2007 Rate</u>	<u>Apr 2008 Rate</u>	<u>May 2008 Rate</u>
Michigan	6.7%	6.6%	8.3%
Ann Arbor	4.5%	4.2%	6.0%
Battle Creek	6.6%	5.9%	7.5%
Bay City	6.4%	6.6%	8.0%
Detroit-Warren-Livonia	7.1%	6.9%	8.9%
Flint	7.7%	9.3%	11.1%
Grand Rapids-Wyoming	5.7%	5.3%	6.8%
Holland-Grand Haven	5.2%	5.2%	6.8%
Jackson	7.3%	6.5%	8.3%
Kalamazoo-Portage	5.2%	4.9%	6.4%
Lansing-East Lansing	5.4%	5.1%	7.1%
Monroe	5.7%	6.4%	8.8%
Muskegon-Norton Shores	7.0%	6.5%	8.3%
Niles-Benton Harbor	6.4%	5.9%	7.5%
Saginaw-Saginaw Township	6.8%	7.3%	9.1%
Upper Peninsula	7.2%	7.6%	7.9%
Northeast Lower Mich	8.6%	9.8%	9.6%
Northwest Lower Mich.	7.1%	7.8%	8.1%

### Unemployment Rate Change May 2008<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	70.8	69.5	62.6	59.8	-28.5 points
ISM Manufacturing Index <sup>(i)</sup>	48.3	48.6	48.6	49.6	-3.2 points
ISM Non Manufacturing Index <sup>(i)</sup>	50.8	52.2	50.9	53.6	-4.8 points
	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	
Business Executives' Confidence <sup>(j)</sup>	45.0	44.0	39.0	38.0	-15.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	211.7	213.5	214.8	216.6	4.2%
Detroit CPI	202.4	NA	205.3	NA	2.4%
U.S. Producer Price Index	172.2	175.4	176.7	179.6	7.2%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	2.21%	1.38%	1.32%	1.71%	-3.06% points
Aaa Corporate Bonds <sup>(m)</sup>	5.53%	5.51%	5.55%	5.57%	0.10% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	111.8	111.9	111.1	110.9	-0.1%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	80.3%	80.3%	79.6%	79.4%	-1.5% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$378.1	\$380.0	\$381.6	\$385.4	2.5%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.107	0.988	1.008	0.975	-32.1%
Existing Home Sales <sup>(p)</sup>	5.030	4.940	4.890	4.990	-15.9%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$216.1	\$215.6	\$213.6	\$213.6	-1.5%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<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	\$11,703.6	1.0%

**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.