



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

September 2008 Summary

U.S. Economy: The U.S. economy has fallen into recession. Real gross domestic product fell at a 0.3 percent rate in the third quarter. Down 31.1 percent from a year ago, housing starts fell to their second lowest level on record. Industrial production declined sharply and capacity utilization fell to its lowest rate in nearly five years. The ISM manufacturing index was down sharply from a year ago. Compared with August, core durable goods orders declined 1.1 percent. Falling for the second straight month, core retail sales fell 0.7 percent. (three-month moving averages). Even while rising for the month as a whole, consumer sentiment declined substantially in the latter half of September in the wake of recent financial crises. Despite rising in September, the index of leading economic indicators is down 3.7 percentage points from its January 2006 cyclical peak -- exceeding the 3.6 percentage point peak-to-trough decline in the 2001 recession.

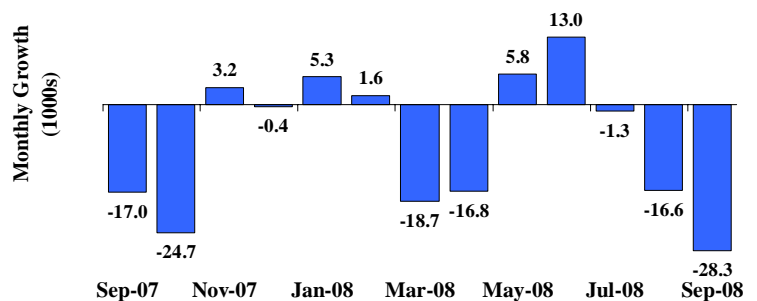
Employment: In September, Michigan's unemployment rate fell to 8.7 percent. State payroll employment fell by 28,300 jobs compared to August. The U.S. unemployment rate remained at 6.1 percent while U.S. payroll employment fell by 159,000 jobs, declining for the ninth straight month.

Auto Industry: Light vehicle sales fell 22.7 percent from a year ago to their lowest level in over 16 years. Compared to a year ago, the three-month average of State vehicle production fell 22.1 percent compared with a 20.9 percent decline nationally.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 4.9 percent; the core CPI increased 2.5 percent. Overall producer prices rose 8.7 percent; core producer prices increased 4.0 percent. Oil prices fell \$12.71 a barrel to \$103.90 from a month ago.

Michigan Metro Areas: From September 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 4.4 percent

Michigan Payroll Employment Falls Sharply for Second Straight Month^(a)



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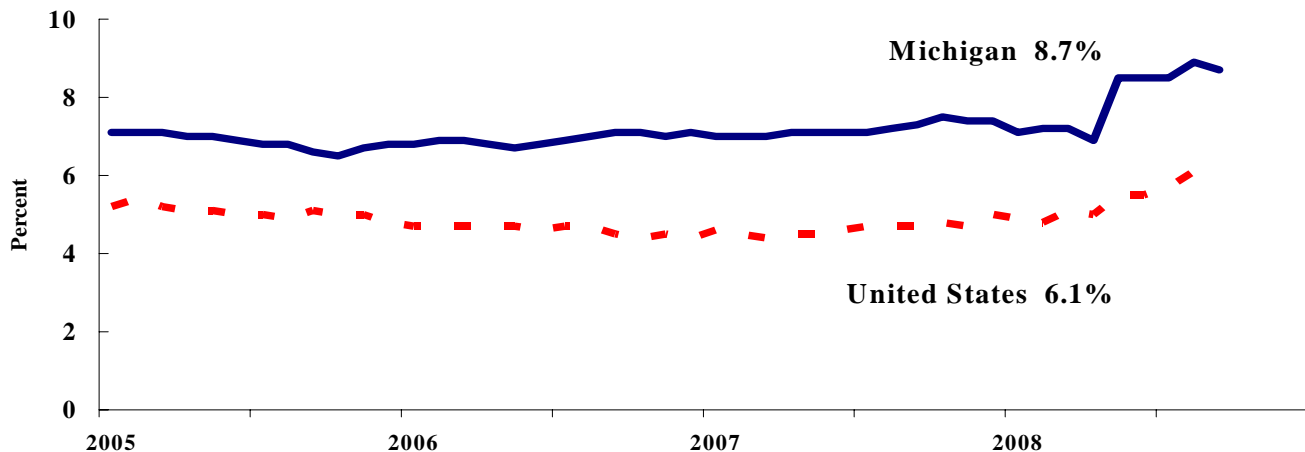
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Labor Market Statistics

- Michigan's September monthly unemployment rate decreased by 0.2 percentage points to 8.7 percent from last month and the current Michigan jobless rate is 1.4 percentage points above a year ago. The September U.S. unemployment rate remained unchanged at 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 September, the number of people employed in Michigan was 4,495,000, down 9,000 from last month, while the labor force decreased by 19,000. The statewide total number of unemployed decreased by 10,000 to 429,000.
- United States household employment totaled 145.3 million persons in September, down 222,000 from August. The labor force fell by 121,000 from last month, which meant that there were 101,000 more unemployed people nationally, compared to August.

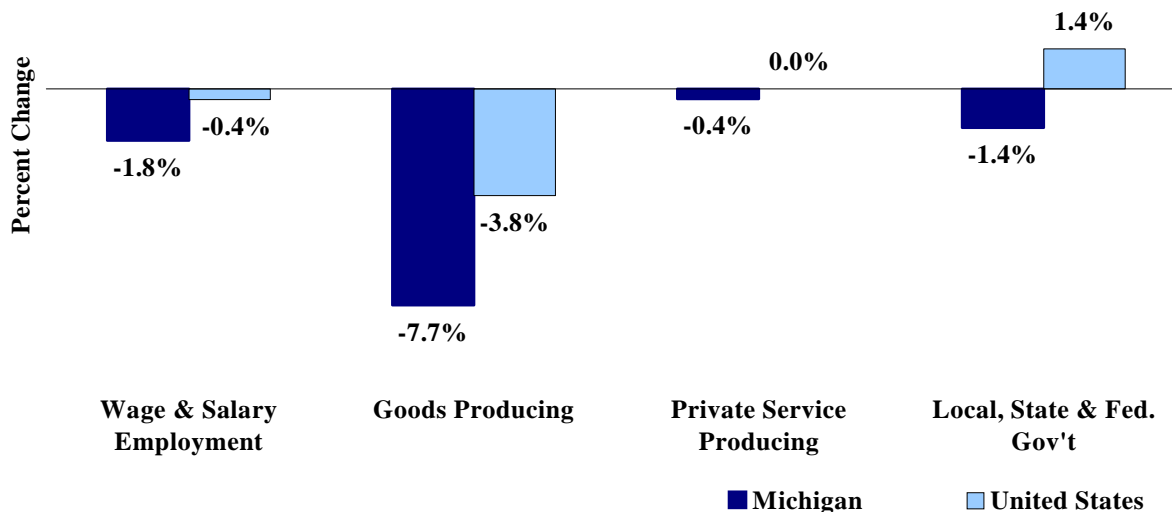
Employment by Place of Residence (in thousands)^(a)

	2007 Average	July 2008	Aug 2008	Sep 2008	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,020	4,959	4,943	4,924	-19	-0.4%	-85	-1.7%
Employed	4,660	4,540	4,504	4,495	-9	-0.2%	-149	-3.2%
Unemployed	360	419	439	429	-10	-2.3%	63	17.3%
Unemployment Rate	7.2%	8.5%	8.9%	8.7%	n.a.	-0.2% pts	n.a.	1.4%
United States								
Labor Force	153,124	154,603	154,853	154,732	-121	-0.1%	3,034	2.0%
Employed	146,047	145,819	145,477	145,255	-222	-0.2%	676	0.5%
Unemployed	7,078	8,784	9,376	9,477	101	1.1%	2,358	33.1%
Unemployment Rate	4.6%	5.7%	6.1%	6.1%	n.a.	0.0% pts	n.a.	1.4%

Employment by Place of Work

- From September 2007 to September 2008, Michigan wage and salary employment decreased 78,000 (1.8 percent). State wage and salary employment decreased 28,000 from August. Nationally, September 2008 wage and salary employment fell 519,000 (0.4 percent) from a year ago and was down 159,000 from last month.

Wage and Salary Employment Growth September 2007 to September 2008



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

- In the goods-producing sector, Michigan employment fell 7.7 percent from a year ago while private service-producing sector employment decreased 0.4 percent compared to last year. From a year ago, September national employment in the goods-producing sector fell 3.8 percent but remained unchanged in the private service-producing sector.
- Manufacturing weekly hours decreased by 0.9 hours in Michigan compared to last year.

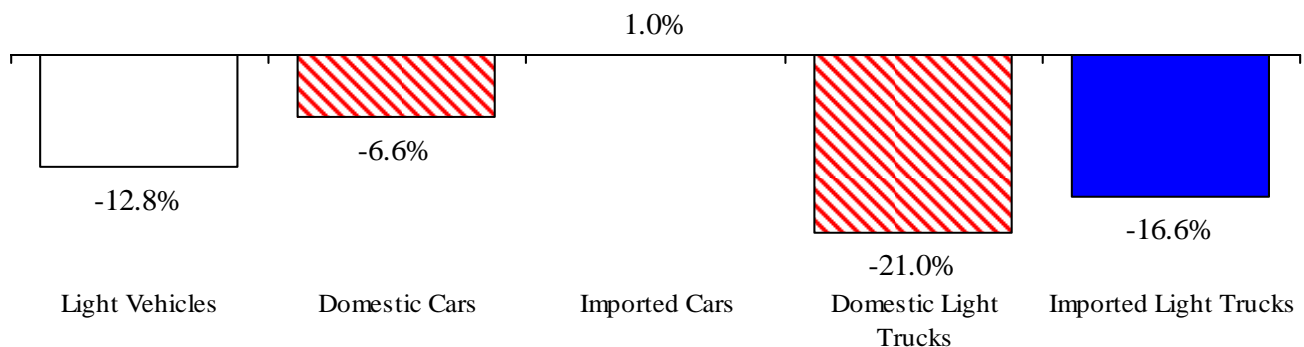
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2007 Average	Sep 2007	Sep 2008	Percent Change	2007 Average	Sep 2007	Sep 2008	Percent Change
Wage & Salary Employment	4,262	4,250	4,172	-1.8%	137,623	137,837	137,318	-0.4%
Goods Producing	791	784	724	-7.7%	22,221	22,138	21,303	-3.8%
Manufacturing	617	611	568	-7.0%	13,884	13,822	13,380	-3.2%
Private Service Producing	2,814	2,812	2,802	-0.4%	93,199	93,472	93,473	0.0%
Trade, Trans. & Utilities	788	786	778	-1.0%	26,608	26,649	26,298	-1.3%
Services	1,750	1,750	1,756	0.3%	55,254	55,498	56,011	0.9%
Local, State & Fed. Gov't	657	654	645	-1.4%	22,203	22,227	22,542	1.4%
Manufacturing Weekly Hours	42.5	42.4	41.5	-0.9 hrs	41.2	41.4	40.7	-0.7 hrs

Motor Vehicle Industry Sales

- At a 12.5 million unit annual rate, September 2008 light vehicle sales were down 9.0 percent compared to August and fell 22.7 percent compared to a year ago. September's sales rate was the lowest monthly rate in over 16 years. Domestic sales were down 23.3 percent while foreign sales fell 20.9 percent. Light truck sales were down by more than one-fourth (-27.6 percent), while autos declined by 17.1 percent.
- Year-to-date domestic sales were down 14.9 percent while foreign sales declined 5.6 percent. As a result, the foreign share of U.S. vehicle sales increased by 1.9 percentage points to 25.2 percent. Overall year-to-date auto sales were down 4.3 percent; light truck sales have declined sharply (-20.2 percent). Heavy truck sales are down 20.9 percent through September.
- Due to a lower sales rate, September 2008 days supply of light vehicles rose by 13 days from a year ago to 72 days even while inventories declined by 6.2 percent.

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



Motor Vehicle Sales Statistics

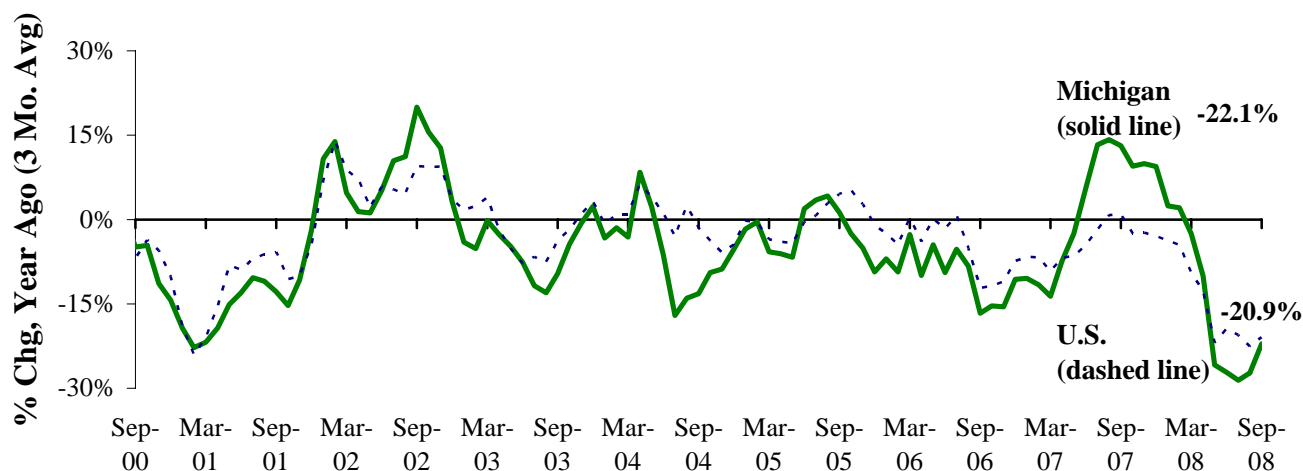
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2007 Average	Jul 2008	Aug 2008	Sep 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	6.9	6.8	6.2	6.6	(1.3)	-17.1%
Domestics	5.2	4.4	4.5	4.3	4.4	(0.9)	-16.7%
Imports	2.4	2.5	2.3	1.9	2.2	(0.4)	-17.9%
Import Share	31.2%	35.8%	33.6%	30.4%	33.4%	-0.3%	pts
Light Trucks	8.5	5.6	6.9	6.3	6.3	(2.4)	-27.6%
Domestics	7.1	4.6	5.9	5.2	5.3	(2.0)	-28.0%
Imports	1.4	1.0	1.0	1.0	1.0	(0.4)	-25.7%
Import Share	16.3%	17.5%	14.4%	16.7%	16.1%	0.4%	pts
Total Light Vehicles	16.1	12.5	13.7	12.5	12.9	(3.7)	-22.7%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.1)	-21.0%
Total Vehicles	16.5	12.8	14.0	12.7	13.2	(3.7)	-22.7%
U.S. Light Vehicle Inventories^(d)		Jul-08	Aug-08	Sep-08	3 Month	Change	
Total Car	1,374	1,113	1,092	1,228	1,144	0.025	
Days Supply	56	46	47	61	51	12 days	
Total Truck	1,957	1,875	1,669	1,649	1,731	-0.215	
Days Supply	71	96	73	82	84	15 days	

Motor Vehicle Industry Production

- At 161,678 units, September 2008 Michigan motor vehicle production declined 3.3 percent from a year ago compared with an 11.9 percent drop nationally. Michigan's share of national production rose 1.9 percentage points to 21.8 percent.
- Compared with a year ago, Michigan car production was up 47.1 percent while State truck production was down by more than a third (-35.4 percent). Nationally, car production was up 20.0 percent and truck production decreased by 28.8 percent.
- The three-month moving average of Michigan vehicle production was down 22.1 percent from a year ago; national production fell 20.9 percent. Year-to-date, Michigan has comprised 20.7 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>	Jul <u>2008</u>	Aug <u>2008</u>	Sep <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	277.6	347.2	350.3	325.1	58.5	20.0%
Trucks	582.8	303.9	347.8	392.9	348.2	(159.1)	-28.8%
Total	908.0	581.5	695.0	743.2	673.2	(100.6)	-11.9%
Michigan Production ^(f)							
Autos	84.1	61.7	93.8	95.6	83.7	30.6	47.1%
Trucks	110.2	37.0	50.5	66.1	51.2	(36.2)	-35.4%
Total	194.3	98.7	144.3	161.7	134.9	(5.6)	-3.3%
Michigan as % of U.S.	21.4%	17.0%	20.8%	21.8%	20.0%	1.9% pts	

September 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. Four areas saw rate increases exceeding 2.0 percentage points: Monroe MSA (3.4 percentage points), Flint MSA (2.8 percentage points), Muskegon-Norton Shores MSA (2.1 percentage points) and Niles-Benton Harbor MSA (2.1 percentage points).

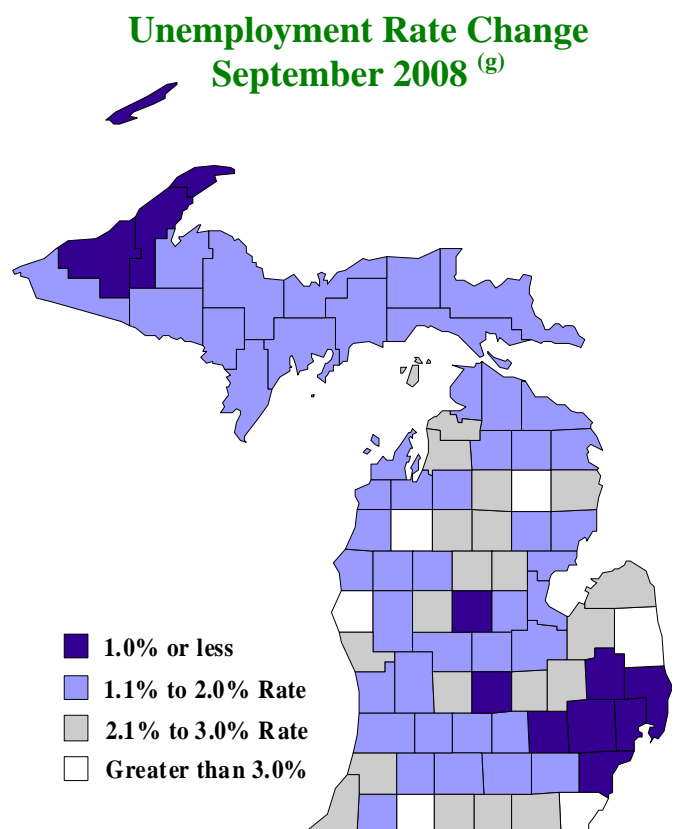
Between September 2007 and September 2008, employment fell in all 17 major labor market areas with declines exceeding 2.0 percent in 16 areas and a median employment decline of 4.4 percent. Ten areas saw declines greater than 4.0 percent. Three areas experienced declines exceeding 5.0 percent: Flint MSA (-7.7 percent), Saginaw-Saginaw Township MSA (-5.7 percent) and Monroe (-5.3 percent). All 17 areas saw a labor force decline with a median reduction of 2.3 percent. Four areas saw more than a 3.0 percent labor force reduction: Flint MSA (-4.9 percent), Saginaw-Saginaw Township MSA (-3.6 percent), East Lansing-Lansing MSA (-3.4 percent) and Ann Arbor (-3.3 percent).

Compared to August 2008, non-seasonally adjusted unemployment rates rose in 11 areas, but with a median rate increase of only 0.1 of a percentage point. September 2008 unemployment rates ranged between 6.5 percent (Ann Arbor MSA) to 10.8 percent (Flint MSA).

Between September 2007 and September 2008, the unemployment rate rose in all 83 Michigan counties. Twenty-six counties saw greater than a 2.0 percentage point increase with a median county unemployment rate increase of 1.8 percentage points. Non-seasonally adjusted county unemployment rates ranged between 5.1 percent (Mackinac) and 12.4 percent (Baraga).

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Sep 2007 Rate</u>	<u>Aug 2008 Rate</u>	<u>Sep 2008 Rate</u>
Michigan	6.9%	8.4%	8.3%
Ann Arbor	4.9%	6.4%	6.5%
Battle Creek	6.7%	8.0%	8.2%
Bay City	6.3%	7.7%	7.8%
Detroit-Warren-Livonia	7.8%	8.8%	8.3%
Flint	8.0%	10.5%	10.8%
Grand Rapids-Wyoming	5.8%	7.4%	7.4%
Holland-Grand Haven	5.5%	7.2%	7.2%
Jackson	7.4%	9.2%	9.3%
Kalamazoo-Portage	5.4%	7.1%	7.2%
Lansing-East Lansing	5.6%	7.1%	7.1%
Monroe	6.1%	10.0%	9.5%
Muskegon-Norton Shores	7.1%	9.1%	9.2%
Niles-Benton Harbor	6.3%	8.3%	8.4%
Saginaw-Saginaw Township	6.9%	8.5%	8.9%
Upper Peninsula	6.2%	7.6%	7.5%
Northeast Lower Mich	7.6%	9.2%	9.5%
Northwest Lower Mich.	6.4%	7.9%	8.4%



U.S. Economic Conditions

	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	56.4	61.2	63.0	70.3	-13.1 points
ISM Manufacturing Index ⁽ⁱ⁾	50.2	50.0	49.9	43.5	-7.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	49.9	49.6	51.6	52.1	-3.6 points
	<u>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	
Business Executives' Confidence ^(j)	39.0	38.0	39.0	40.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	218.8	220.0	219.1	218.8	4.9%
Detroit CPI	207.6	NA	209.5	NA	4.9%
U.S. Producer Price Index	182.5	185.0	182.1	182.0	8.7%
INTEREST RATES					
90 Day T-Bill ^(l)	1.90%	1.72%	1.79%	1.46%	-2.55% points
Aaa Corporate Bonds ^(m)	5.68%	5.67%	5.64%	5.65%	-0.09% points
INDUSTRIAL PRODUCTION ^(m)					
	111.5	111.4	110.4	107.3	-4.5%
CAPACITY UTILIZATION ^(m)					
	79.7%	79.6%	78.7%	76.4%	-4.9% points
RETAIL SALES ⁽ⁿ⁾					
	\$384.1	\$381.6	\$379.9	\$375.5	-1.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.089	0.949	0.872	0.817	-31.1%
Existing Home Sales ^(p)	4.850	5.020	4.910	5.180	1.4%
DURABLE GOODS ORDERS ^(q)					
	\$216.7	\$218.2	\$206.2	\$207.8	-3.6%
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>2007.4</u>	<u>2008.1</u>	<u>2008.2</u>	<u>2008.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,620.7	\$11,646.0	\$11,727.4	\$11,720.0	-0.3%

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.