

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- **Inflation-adjusted Gross Domestic Product (GDP)** declined in the fourth quarter of 2008 at an annualized growth rate of 3.8%, following a 0.5% decline in the third quarter. This advance estimate for the fourth quarter marked the first time since the first quarter of 1991 that real GDP has declined in consecutive quarters and the steepest quarterly contraction since the first quarter of 1982. Among the major components of economic activity, only government spending exhibited an increase, rising at a 1.9% annual rate, and was insufficient to offset declines of 3.5% and 12.3% in consumption and investment, respectively. As a result of the change in imports and exports, the contribution to growth from net trade was approximately zero.
- **Retail sales** fell 2.7% in December from the November level, and were down 10.8% from one year ago. The decline marked the sixth consecutive month of declining sales, tying the record for the longest consecutive monthly decline since the data series began in 1947. The 11.6% drop from June 2008 represented the most significant continuous drop recorded in the data, surpassing the previous record decline of 9.6% set during a three-month contraction in 1950.
- **Oil prices** declined for a sixth consecutive month, with West Texas Intermediate Crude falling from \$57.44 per barrel in November to \$41.02 in December, 55.3% below the year-ago level.
- **Housing starts** fell 15.5% in December from the November level and marked the lowest level of activity in the monthly series, which began in January 1959. November, October, and September starts ranked as the second, third, and fifth worst months in the series, respectively. December starts were 49.5% below the June 2008 level and down 75.8% from the January 2006 peak.



- **Michigan's unemployment rate** increased from 9.6% in November to 10.6% in December, the highest level since December 1984, and up from 7.4% in December 2007. While Michigan's unemployment rate remained the highest in the nation, 10 states experienced a larger year-over-year percentage point increase in the unemployment rate while 35 states had a larger year-over-year percentage increase in the number of unemployed individuals.
- **Average weekly earnings** were lower in December, with only the financial activity sector exhibiting a year-over-year gain. Earnings in the retail trade sector declined slightly despite 5.4% growth in its food/beverage stores component compared with one year ago. Average weekly earnings in the manufacturing sector were down 12.4% compared with December 2007, while earnings fell 5.5% in the health care/social assistance sector.
- **Michigan personal income** grew 0.1% in the third quarter of 2008, marking a third consecutive quarter of income growth very near the national average. Despite remaining essentially unchanged, Michigan's growth rate ranked 23rd among the states and was slightly above the 0.0% growth exhibited in the nation as a whole.



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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

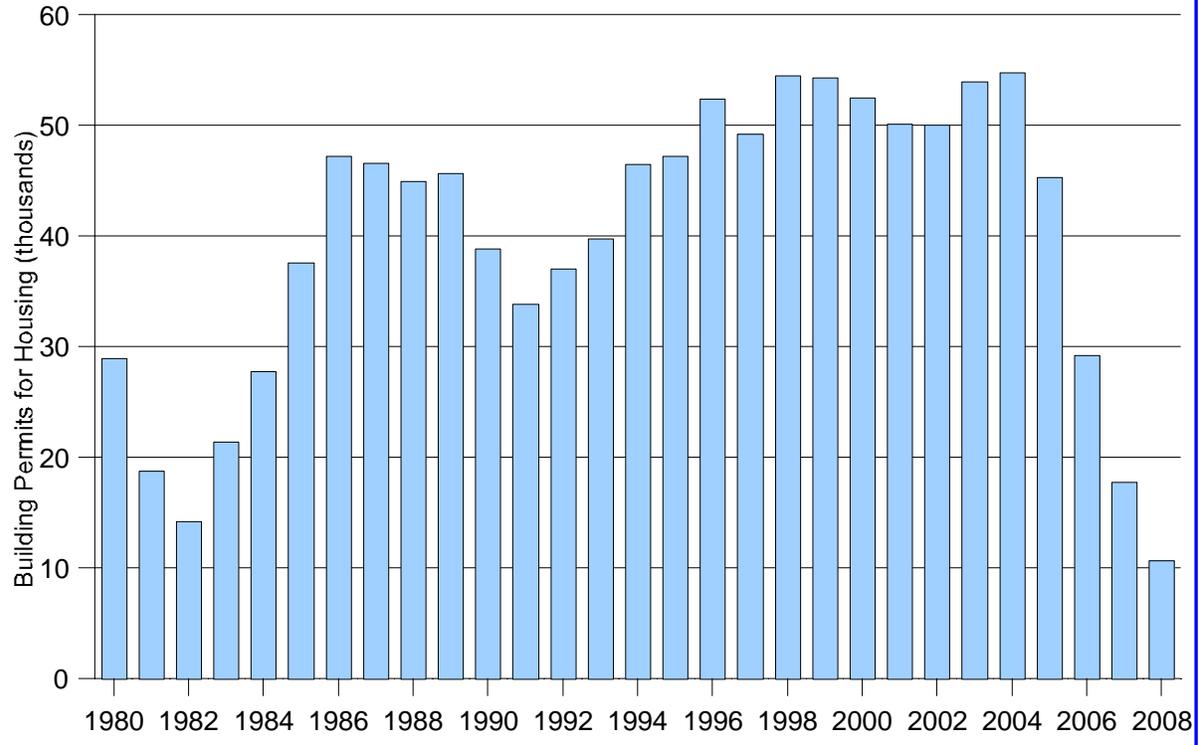
U.S.	Dec. 2008	Nov. 2008	Dec. 2007	Change from Nov.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	154,447	154,620	153,836	(173)	(0.1)%	611	0.4%
Employment	143,338	144,144	146,294	(806)	(0.6)	(2,956)	(2.0)
Unemployment	11,109	10,476	7,542	633	6.0	3,567	47.3
Unemployment Rate	7.2%	6.8%	4.9%	---	---	---	---

Michigan	Dec. 2008	Nov. 2008	Dec. 2007	Change from Nov.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	4,894	4,915	4,989	(21)	(0.4)%	(94)	(1.9)%
Employment	4,375	4,443	4,617	(68)	(1.5)	(242)	(5.2)
Unemployment	519	472	372	47	10.0	148	39.7
Unemployment Rate	10.6%	9.6%	7.4%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Michigan Housing Construction Collapses

Barely 10,000 New Privately Owned Housing Units Authorized in 2008



Source: Bureau of the Census, U.S. Department of Commerce

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Dec. 2008*	Nov. 2008	Dec. 2007	<u>Change from Nov.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Wage & Salary Jobs	4,055	4,114	4,228	(59)	(1.4)%	(173)	(4.1)%
Goods Producing Industries	696	714	770	(19)	(2.6)	(74)	(9.6)
Natural Resources & Mining	7	7	7	0	0.0	(0)	(2.7)
Construction	136	142	161	(6)	(4.3)	(25)	(15.6)
Manufacturing	552	565	601	(12)	(2.2)	(49)	(8.1)
Transportation Equipment	162	166	194	(4)	(2.5)	(32)	(16.5)
Service Producing Industries	3,359	3,399	3,458	(41)	(1.2)	(99)	(2.9)
Trade, Transportation & Utilities	754	763	784	(10)	(1.2)	(30)	(3.8)
Information	61	62	65	(1)	(1.0)	(4)	(6.1)
Financial Activities	201	203	209	(2)	(1.0)	(8)	(3.9)
Professional & Business Services	537	553	569	(15)	(2.8)	(32)	(5.6)
Education & Health Services	606	611	600	(4)	(0.7)	6	1.0
Leisure & Hospitality Services	395	397	403	(1)	(0.3)	(8)	(1.9)
Other Services	168	173	177	(6)	(3.2)	(9)	(5.1)
Government	636	638	651	(2)	(0.3)	(15)	(2.3)

Source: Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Dec. 2008	Year Ago	Percent Change	Dec. 2008	Year Ago	Percent Change
Construction	34.5	35.4	(2.5)%	\$758.66	\$784.11	(3.2)%
Manufacturing	40.2	43.6	(7.8)	871.94	995.39	(12.4)
Durable Goods	41.3	45.8	(9.8)	968.90	1,123.93	(13.8)
Transportation Equipment Mfg.	40.5	45.2	(10.4)	1,137.65	1,285.94	(11.5)
Motor Vehicle Parts Mfg.	41.1	44.3	(7.2)	1,036.13	1,126.99	(8.1)
Nondurable Goods	36.7	36.6	0.3	564.08	582.31	(3.1)
Wholesale Trade	37.7	39.1	(3.6)	723.09	760.10	(4.9)
Retail Trade	30.2	31.6	(4.4)	380.52	381.73	(0.3)
Food & Beverage Stores	26.3	28.0	(6.1)	311.39	295.40	5.4
Information	32.8	34.2	(4.1)	728.16	734.27	(0.8)
Financial Activities	34.9	35.3	(1.1)	688.93	674.23	2.2
Professional & Business Services	33.3	34.5	(3.5)	668.33	684.83	(2.4)
Health Care & Social Assistance	33.7	35.9	(6.1)	593.46	628.25	(5.5)
Leisure & Hospitality	22.1	22.4	(1.3)	202.66	210.11	(3.5)
Accommodation & Food Services	22.3	22.4	(0.4)	199.59	204.29	(2.3)

Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

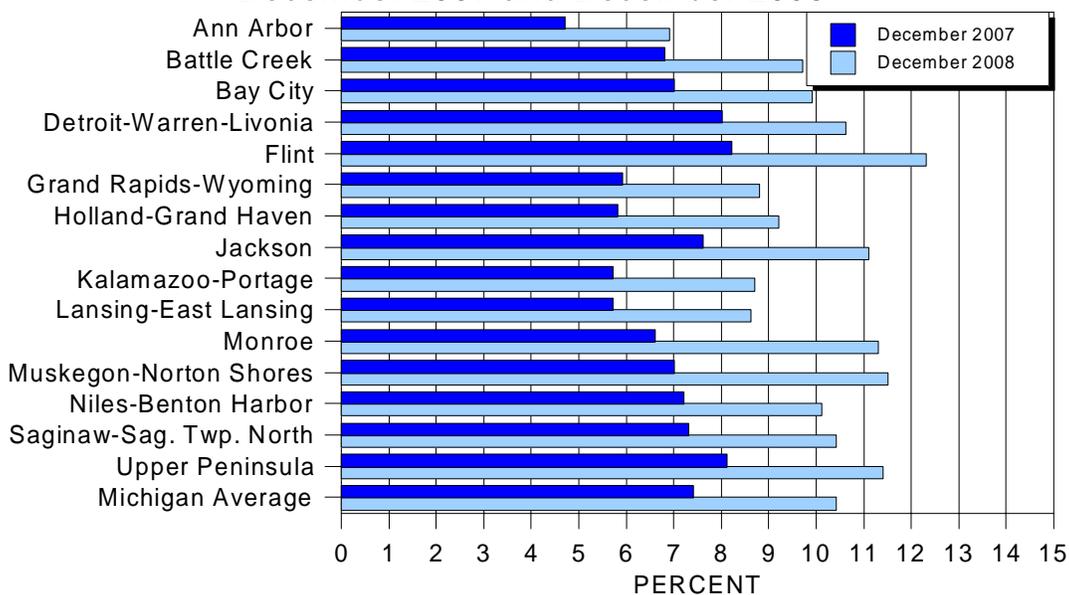
	Dec. 2008	Nov. 2008	Oct. 2008	Dec. 2007
Metropolitan Statistical Areas				
Ann Arbor	6.9%	6.0%	6.1%	4.7%
Battle Creek	9.7	8.4	8.2	6.8
Bay City	9.9	8.4	7.8	7.0
Detroit-Warren-Livonia	10.6	9.5	8.8	8.0
Flint	12.3	11.6	10.9	8.2
Grand Rapids-Wyoming	8.8	7.7	7.5	5.9
Holland-Grand Haven	9.2	7.7	7.5	5.8
Jackson	11.1	9.6	9.4	7.6
Kalamazoo-Portage	8.7	7.3	7.1	5.7
Lansing-East Lansing	8.6	7.4	7.2	5.7
Monroe	11.3	9.6	9.1	6.6
Muskegon-Norton Shores	11.5	10.0	9.8	7.0
Niles-Benton Harbor	10.1	8.8	8.4	7.2
Saginaw-Saginaw Twp North	10.4	9.1	8.9	7.3
Multi-County Areas				
Northeast Lower Michigan	15.0	12.2	10.3	11.1
Northwest Lower Michigan	12.2	10.4	9.2	8.5
Upper Peninsula	11.4	9.4	7.8	8.1
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	10.4	9.1	8.6	7.4

Source: Michigan Department of Labor and Economic Growth

*Preliminary

Michigan Regional Unemployment Rates

December 2007 and December 2008



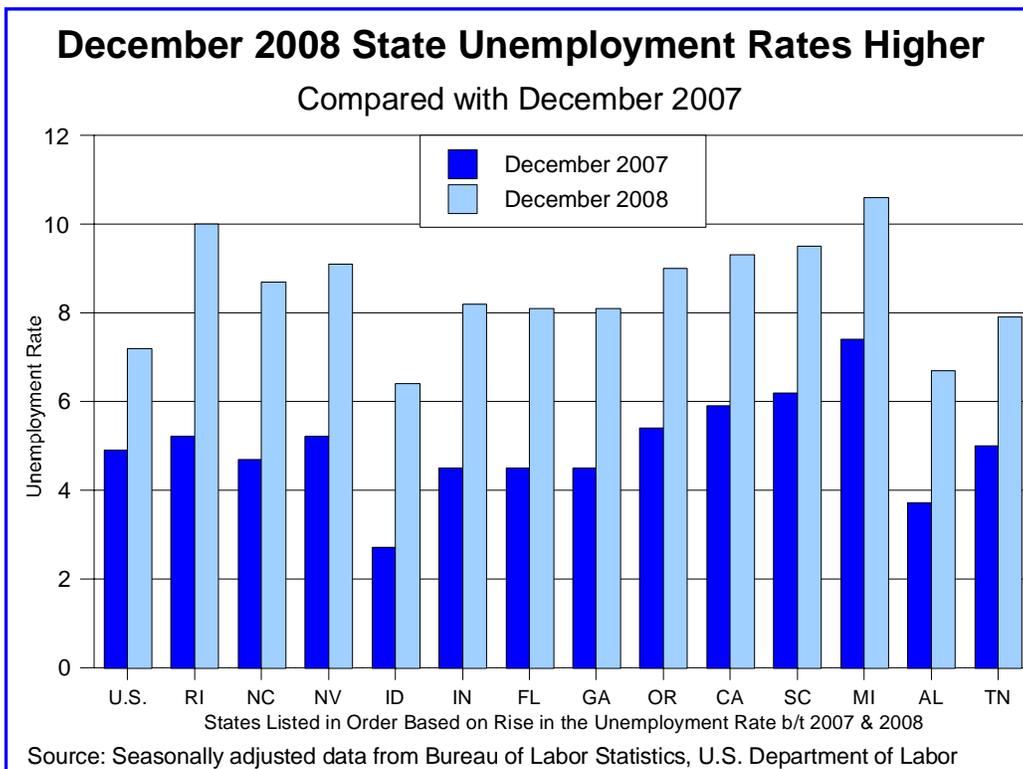
Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

	Nov. 2008	Oct. 2008	Sept. 2008	Aug. 2008	Year Ago Nov.	Percent Change From:	
						Nov./Oct.	Nov. 2008/ Nov. 2007
Motor Vehicle Sales¹⁾ (thousands of units, SAAR)							
Autos	5,200	4,960	5,570	6,207	7,760	4.8%	(33.0)%
Domestics	3,618	3,286	3,763	4,321	5,404	10.1	(33.0)
Imports	1,582	1,674	1,807	1,886	2,356	(5.5)	(32.9)
Import Share	30.4%	33.8%	32.4%	30.4%	30.4%	---	---
Light Trucks	5,066	5,178	4,947	6,252	8,191	(2.2)	(38.2)
Domestics	4,138	4,265	4,044	5,210	6,803	(3.0)	(39.2)
Imports	928	913	903	1,042	1,388	1.6	(33.1)
Import Share	18.3%	17.6%	18.3%	16.7%	16.9%	---	---
Subtotal: Light Vehicle Sales	10,266	10,138	10,517	12,459	15,951	1.3	(35.6)
Heavy Trucks	237	277	268	275	330	(14.4)	(28.2)
Total Vehicle Sales	10,503	10,415	10,785	12,734	16,281	0.8	(35.5)
U.S. Motor Vehicle Production¹⁾ (millions of units, SAAR)							
Autos	NA	3,416	3,835	3,994	4,004	NA	NA
Michigan Motor Vehicle Production²⁾ (thousands of units, SAAR)							
Autos	787	788	979	1,073	925	(0.1)	(14.9)
Trucks	647	710	949	729	1,009	(8.8)	(35.9)
Total	1,434	1,497	1,928	1,802	1,934	(4.2)	(25.9)
Michigan Production as % of U.S.	22.6%	22.3%	22.9%	21.8%	20.8%	---	---
U.S. Motor Vehicle Inventories³⁾							
Total Car	1,734	1,685	1,495	1,186	1,394	2.9	24.4
Days Supply	102	113	91	62	55	(9.7)	85.5
Total Truck	1,489	1,593	1,617	1,512	1,855	(6.5)	(19.7)
Days Supply	85	106	111	83	66	(19.8)	28.8

SAAR = Seasonally Adjusted at Annual Rates.

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 3) Automotive News, Crain Communications, Inc. (ending inventory).



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Index of Consumer Sentiment , monthly ¹⁾ (1992=100)	Dec.	60.1	55.3	75.5	8.7%	(20.4)%
Oil Prices ²⁾ (\$ per barrel, West Texas Intermediate Crude)	Dec.	\$41.02	\$57.44	\$91.73	(28.6)	(55.3)
Housing Starts, U.S. ³⁾ (thousands of units, SAAR)	Dec.	550	651	1,000	(15.5)	(45.0)
Retail Sales, U.S. ³⁾ (billions, seasonally adjusted)	Dec.	\$305.4	\$313.9	\$342.6	(2.7)	(10.8)
Industrial Production Index ⁴⁾ (1997=100, seasonally adjusted)	Dec.	103.6	105.7	112.4	(2.0)	(7.8)
Capacity Utilization ⁴⁾ (% of total capacity, seasonally adjusted)	Dec.	73.6	75.2	81.0	(2.1)	(9.2)
Consumer Price Index ⁵⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Dec.	211.5	213.1	211.7	(8.5)	(0.1)
Detroit (not seasonally adjusted)	Dec.	198.0	205.2	200.2	(19.4)	(1.1)
Interest Rates						
3-month Treasury Bill ⁴⁾	Dec.	0.04%	0.30%	3.08%	---	---
Corporate Aaa Bonds ⁴⁾	Dec.	5.08%	6.15%	5.49%	---	---
Real Gross Domestic Product ⁶⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2008 4th Qtr.	\$11,599.4	\$11,712.4	\$11,620.7	(3.8)	(0.2)
Michigan Tax Collections ⁷⁾ (12 major taxes, millions)	Dec. 2008	\$1,686.4	\$1,618.3	\$1,737.1	NM	(2.9)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Reuters/University of Michigan Surveys of Consumers. 2) Dow Jones & Company/Federal Reserve Bank of St. Louis. 3) U.S. Department of Commerce, Bureau of the Census. 4) Board of Governors of the Federal Reserve System. 5) U.S. Department of Labor, Bureau of Labor Statistics. 6) U.S. Department of Commerce, Bureau of Economic Analysis. 7) Michigan Department of Treasury and the Senate Fiscal Agency.

