

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 third quarter of 2008 at an annualized growth rate of 0.3%. This advance estimate for the third quarter was down from the 2.8% increase recorded during the second quarter of 2008 and marked the first decline since the third quarter of 2001. The drop in GDP reflected a marked slowdown in personal consumption, which fell at an annualized rate of 3.1% and was the first decline since the second quarter of 1980.
- In September, seasonally-adjusted **light vehicle sales** declined for the eighth time in the last nine months, falling 9.0% from the August level and 22.7% below the level one year ago. Total light-vehicle sales in September were at the lowest level since February 1983, while domestic vehicle sales were at the lowest level since October 1982. Compared with one year ago, light truck sales were down 27.6% while automobile sales were down 17.1%.
- **Oil prices** declined for a third consecutive month, with West Texas Intermediate Crude falling from \$116.61 per barrel in August to \$103.90 in September. While oil prices were 22.4% below the July peak of \$133.93, they were still 30.0% higher than in September 2007.
- **Housing starts** fell for a third consecutive month in September, as starts fell 6.3% from the August level. Starts were 31.1% below the level in September 2007 and down 64.1% from the January 2006 peak. Over the last 50 years, only January 1991 exhibited a lower level of housing starts (at 798,000) than the September reading of 817,000 starts.



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- **Michigan wage and salary employment** decreased 28,000 jobs in September from the August level and was 78,000 jobs below the September 2007 level. Only education/health services and leisure/hospitality services exhibited monthly or year-over-year gains. On a monthly basis, the largest declines in employment occurred in the government sector (18,000 jobs), while compared with a year ago, manufacturing experienced the greatest decline (42,000 jobs).
 - **Average weekly earnings** were lower in most sectors in September, with only retail trade and financial activity sectors showing year-over-year gains. The gains in retail trade reflected a 2.9% increase in earnings at food and beverage stores. Compared with one year ago, September earnings declined 2.0% or more in the construction, transportation equipment manufacturing, wholesale trade, and health care/social assistance sectors; with the motor vehicle parts manufacturing and health care/social assistance sectors exhibiting the largest declines, falling 6.4% and 5.5%, respectively.
 - **Michigan personal income** grew 1.7% in the second quarter of 2008, ranking 23rd among the states and marking a second consecutive quarter of growth very near the national average. The growth primarily reflected above-average gains in dividends, interest, and rent, which rose 0.6% compared with the U.S. average of 0.2%, largely offsetting below-average growth in wage earnings, which rose 0.4% compared with the national average of 0.8%.



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SEPTEMBER 2008

Prepared by:
David Zin
Economist

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

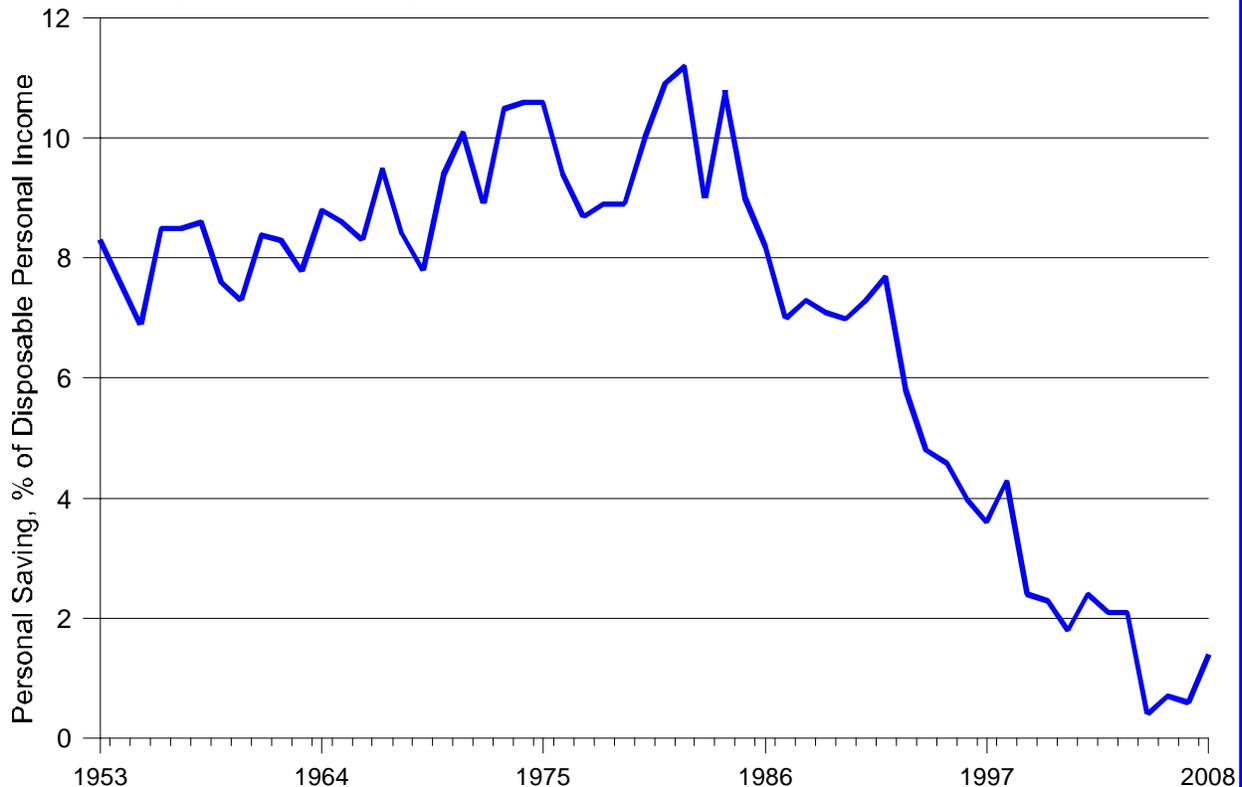
U.S.	Sept. 2008	Aug. 2008	Sept. 2007	Change from August		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	154,732	154,853	153,506	(121)	(0.1)%	1,226	0.8%
Employment	145,255	145,477	146,260	(222)	(0.2)	(1,005)	(0.7)
Unemployment	9,477	9,376	7,246	101	1.1	2,231	30.8
Unemployment Rate	6.1%	6.1%	4.7%	---	---	---	---

Michigan	Sept. 2008	Aug. 2008	Sept. 2007	Change from August		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	4,924	4,943	5,009	(19)	(0.4)%	(85)	(1.7)%
Employment	4,495	4,504	4,644	(10)	(0.2)	(149)	(3.2)
Unemployment	429	439	366	(10)	(2.2)	64	17.4
Unemployment Rate	8.7%	8.9%	7.3%	---	---	---	---

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

Personal Saving, as a Share of Disposable Income

Saving Rate Increasing in 2008 From Record Lows as Economy Worsens



Source: Bureau of Economic Analysis, U.S. Department of Commerce

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Sept. 2008*	Aug. 2008	Sept. 2007	<u>Change from August</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Wage & Salary Jobs	4,172	4,200	4,250	(28)	(0.7)%	(78)	(1.8)%
Goods Producing Industries	724	731	783	(7)	(0.9)	(59)	(7.5)
Natural Resources & Mining	7	7	8	0	0.0	(0)	(2.7)
Construction	149	149	165	(0)	(0.2)	(16)	(9.7)
Manufacturing	568	575	611	(7)	(1.1)	(42)	(6.9)
Transportation Equipment	166	170	203	(4)	(2.1)	(37)	(18.0)
Service Producing Industries	3,447	3,469	3,467	(22)	(0.6)	(19)	(0.6)
Trade, Transportation & Utilities	778	779	786	(2)	(0.2)	(8)	(1.0)
Information	63	64	66	(0)	(0.5)	(2)	(3.6)
Financial Activities	205	207	210	(2)	(0.9)	(5)	(2.3)
Professional & Business Services	565	569	570	(4)	(0.6)	(5)	(0.8)
Education & Health Services	609	607	599	2	0.4	10	1.7
Leisure & Hospitality Services	406	404	404	1	0.3	1	0.3
Other Services	176	176	177	0	0.0	(2)	(0.8)
Government	645	663	654	(18)	(2.7)	(9)	(1.4)

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>		
	Sept. 2008	Year Ago	Percent Change	Sept. 2008	Year Ago	Percent Change
Construction	36.1	37.2	(3.0)%	793.12	817.28	(3.0)%
Manufacturing	42.5	43.4	(2.1)	940.53	956.97	(1.7)
Durable Goods	44.2	45.2	(2.2)	1,059.47	1,073.50	(1.3)
Transportation Equipment Mfg.	43.6	44.6	(2.2)	1,241.73	1,271.99	(2.4)
Motor Vehicle Parts Mfg.	43.1	44.4	(2.9)	1,106.38	1,181.48	(6.4)
Nondurable Goods	37.3	37.4	(0.3)	571.81	576.71	(0.8)
Wholesale Trade	38.6	39.7	(2.8)	748.45	768.99	(2.7)
Retail Trade	31.6	31.5	0.3	391.52	385.25	1.6
Food & Beverage Stores	27.5	29.0	(5.2)	312.95	304.21	2.9
Information	33.2	34.5	(3.8)	753.64	757.97	(0.6)
Financial Activities	34.5	34.4	0.3	680.34	650.85	4.5
Professional & Business Services	34.1	35.2	(3.1)	675.52	692.03	(2.4)
Health Care & Social Assistance	34.4	36.7	(6.3)	599.25	633.81	(5.5)
Leisure & Hospitality	22.4	22.5	(0.4)	206.75	207.68	(0.4)
Accommodation & Food Services	22.5	22.6	(0.4)	201.60	201.82	(0.1)

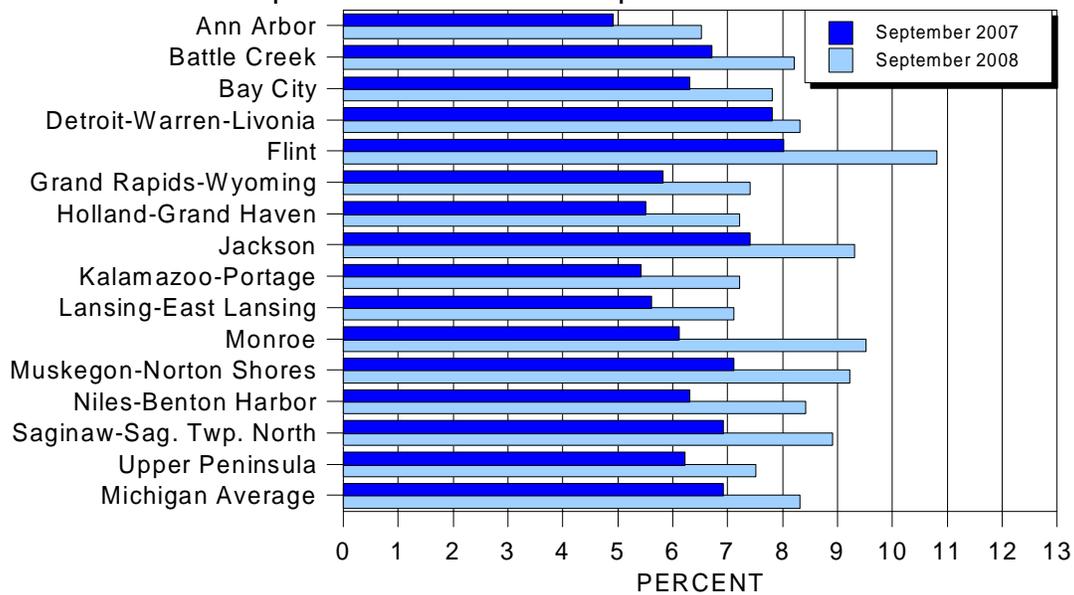
Source: Bureau of Labor Statistics, U.S. Department of Labor

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

	Sept. 2008	Aug. 2008	July 2008	Sept. 2007
Metropolitan Statistical Areas				
Ann Arbor	6.5%	6.4%	6.9%	4.9%
Battle Creek	8.2	8.0	8.8	6.7
Bay City	7.8	7.7	8.5	6.3
Detroit-Warren-Livonia	8.3	8.8	9.4	7.8
Flint	10.8	10.5	12.3	8.0
Grand Rapids-Wyoming	7.4	7.4	8.0	5.8
Holland-Grand Haven	7.2	7.2	7.7	5.5
Jackson	9.3	9.2	9.7	7.4
Kalamazoo-Portage	7.2	7.1	7.8	5.4
Lansing-East Lansing	7.1	7.1	7.7	5.6
Monroe	9.5	10.0	10.8	6.1
Muskegon-Norton Shores	9.2	9.1	9.9	7.1
Niles-Benton Harbor	8.4	8.3	9.0	6.3
Saginaw-Saginaw Twp North	8.9	8.5	9.5	6.9
Multi-County Areas				
Northeast Lower Michigan	9.5	9.2	9.9	7.6
Northwest Lower Michigan	8.4	7.9	8.3	6.4
Upper Peninsula	7.5	7.6	7.9	6.2
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	8.3	8.4	9.1	6.9
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

September 2007 and September 2008



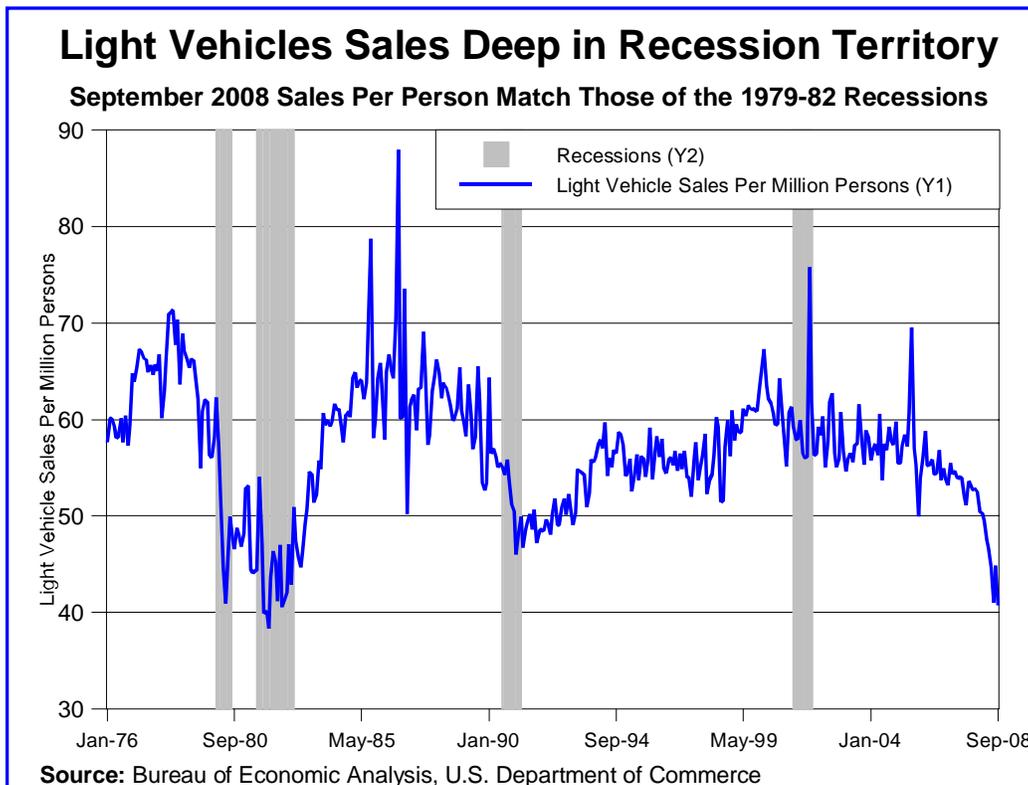
Source: Michigan Department of Labor and Economic Growth

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

	Sept. 2008	Aug. 2008	July 2008	June 2008	Year Ago Sept.	Percent Change From:	
						Sept./Aug .	Sept. 2008/ Sept. 2007
Motor Vehicle Sales¹⁾ (thousands of units, SAAR)							
Autos	6,210	6,764	6,911	7,536	7,490	(8.2)%	(17.1)%
Domestics	4,321	4,492	4,439	4,876	5,188	(3.8)	(16.7)
Imports	1,889	2,272	2,472	2,660	2,302	(16.9)	(17.9)
Import Share	30.4%	33.6%	35.8%	35.3%	30.7%	---	---
Light Trucks	6,252	6,930	5,600	6,093	8,638	(9.8)	(27.6)
Domestics	5,210	5,931	4,618	5,062	7,236	(12.2)	(28.0)
Imports	1,042	999	982	1,031	1,402	4.3	(25.7)
Import Share	16.7%	14.4%	17.5%	16.9%	16.2%	---	---
Subtotal: Light Vehicle Sales	12,462	13,694	12,511	13,629	16,128	(9.0)	(22.7)
Heavy Trucks	275	277	287	320	333	(0.7)	(17.4)
Total Vehicle Sales	12,737	13,971	12,798	13,949	16,461	(8.8)	(22.6)
U.S. Motor Vehicle Production¹⁾ (millions of units, SAAR)							
Autos	4,020	4,116	4,678	3,744	3,710	(2.3)	8.3
Michigan Motor Vehicle Production²⁾ (thousands of units, SAAR)							
Autos	1,073	1,060	1,591	1,030	729	1.2	47.1
Trucks	729	601	817	972	1,129	21.4	(35.4)
Total	1,802	1,661	2,408	2,002	1,858	8.5	(3.0)
Michigan Production as % of U.S.	21.8%	20.8%	17.0%	21.1%	19.8%	---	---
U.S. Motor Vehicle Inventories³⁾							
Total Car	1,186	1,173	1,156	1,235	1,260	1.1	(5.9)
Days Supply	57	49	47	43	49	16.3	16.3
Total Truck	1,512	1,644	1,846	1,967	1,832	(8.0)	(17.4)
Days Supply	78	74	98	95	67	5.4	16.4

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)	Sept.	70.3	63.0	83.4	11.6%	(15.7)%
Oil Prices ²⁾ (\$ per barrel, West Texas Intermediate Crude)	Sept.	\$103.90	\$116.61	\$79.93	(10.9)	30.0
Housing Starts, U.S. ³⁾ (thousands of units, SAAR)	Sept.	817	872	1,185	(6.3)	(31.1)
Retail Sales, U.S. ³⁾ (billions, seasonally adjusted)	Sept.	\$337.2	\$341.4	\$341.9	(1.2)	(1.4)
Industrial Production Index ⁴⁾ (1997=100, seasonally adjusted)	Sept.	107.3	110.4	112.3	(2.8)	(4.5)
Capacity Utilization ⁴⁾ (% of total capacity, seasonally adjusted)	Sept.	76.4	78.7	81.3	(2.9)	(6.0)
Consumer Price Index ⁵⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Sept.	218.8	218.9	208.5	(0.4)	4.9
Detroit (not seasonally adjusted)	Sept.	209.5	207.6	199.7	5.6	4.9
Interest Rates						
3-month Treasury Bill ⁴⁾	Sept.	1.46%	1.79%	4.01%	---	---
Corporate Aaa Bonds ⁴⁾	Sept.	5.65%	5.64%	5.74%	---	---
Real Gross Domestic Product ⁶⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2008 3 rd Qtr.	\$11,720.0	\$11,727.4	\$11,625.7	(0.3)	0.8
Michigan Tax Collections ⁷⁾ (12 major taxes, millions)	Sept. 2008	\$2,268.2	\$1,591.1	\$2,026.5	NM	11.9

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.

