

# KEY ECONOMIC INDICATORS

# UPDATE



P.O. Box 30014, Lansing, MI 48909-7514  
Phone: 517-373-8080 FAX: 517-373-5874  
Internet: [www.house.state.mi.us/hfa](http://www.house.state.mi.us/hfa)  
Mitchell E. Bean, Director; Rebecca Ross, Senior Economist

*Economic Data Pertaining to  
the U.S. and Michigan Economies  
for Members of the Michigan Legislature*

BI-MONTHLY PUBLICATION  
January/February 2001  
Volume 7, No. 1

## In The News . . .

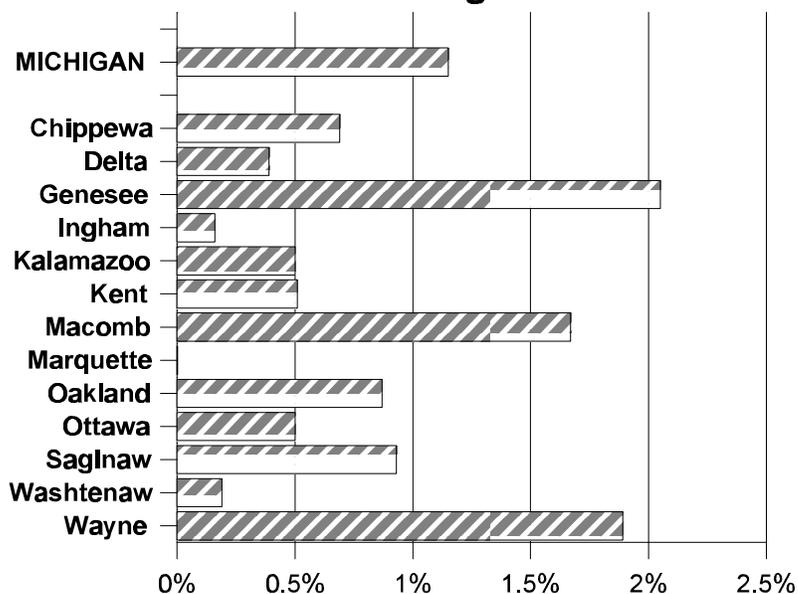
After spending all of 2000 below 4%, Michigan's unemployment rate climbed to 4.5% in January 2001. Compared to January 2000, total employment in Michigan is almost exactly the same in January 2001. Thus, the entire increase in the unemployment rate can be directly attributed to the fact that there were 62,000 more unemployed workers in January 2001 than in January 2000.

The figure on this page shows the difference in seasonally unadjusted unemployment rates between January 2000 and January 2001 for Michigan and several counties in Michigan. The counties shown represent the ten largest labor market areas in the lower peninsula and the three largest labor market areas in the upper peninsula. All told, these 13 counties comprise almost two-thirds of Michigan's civilian labor force.

With the exception of Marquette county (which declined very slightly), the unemployment rate for each county in the figure has increased over the past year, and three counties (Genesee, Macomb, and Wayne) have experienced unemployment rate increases well in excess of the increase for the state as a whole. Because Genesee, Macomb, and Wayne counties are among the state's five largest labor market areas, much of the state's unemployment increase is concentrated here.

Although unemployment in Michigan is clearly higher than one year ago, a significant amount of the impact is condensed into three counties that comprise about one-third of Michigan's labor force and one-half of its total unemployment. Thus, although clearly affected by a slowing economy, much of the remainder of the state has experienced relatively moderate unemployment increases.

## Unemployment Rate Increases in Michigan and Selected Michigan Counties

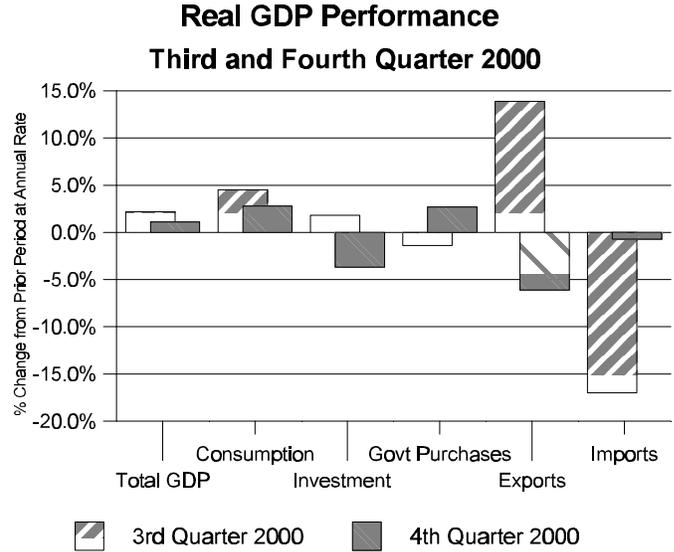


# The U.S. Economy . . .

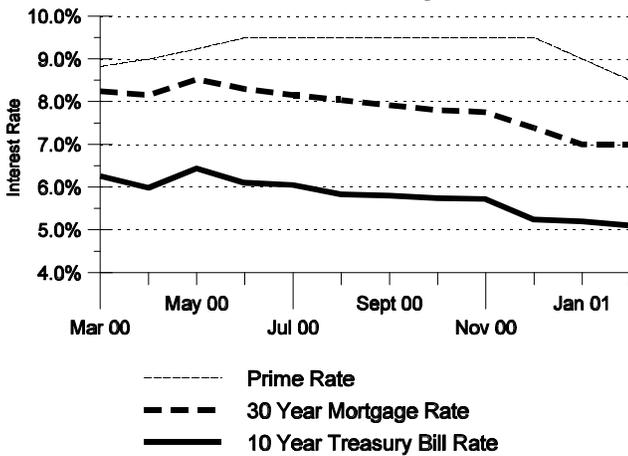
## Gross Domestic Product

Gross domestic product (GDP) is the standard measure of the performance of the national economy. It has four main components: personal consumption expenditures, gross private domestic investment, government consumption expenditures and gross investment, and net exports (exports less imports) of goods and services. Real GDP grew at a seasonally adjusted annual rate of 1.1% during the final quarter of 2000, down significantly from the 2.2% rate posted in the third quarter.<sup>1</sup>

Personal consumption expenditures, which account for almost two-thirds of GDP, grew at a 2.8% rate during the fourth quarter, reflecting a sharp drop from the 4.5% third quarter rate. In addition, gross private domestic investment, which grew at a 1.8% rate during the third quarter, declined 3.7% in the fourth quarter.



## Selected Interest Rates March 2000 - February 2001



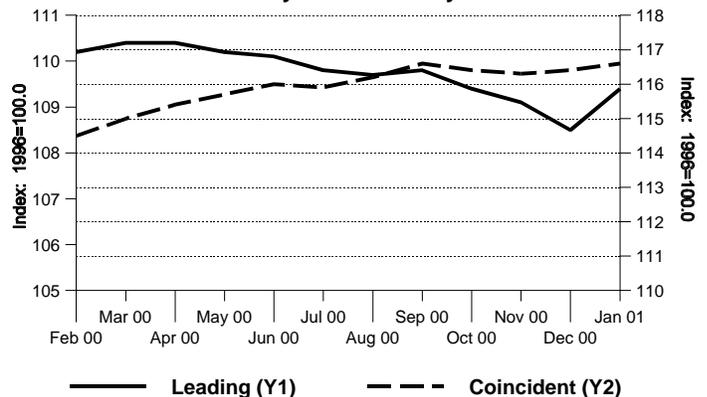
## Key Interest Rates

Interest rates are based on Federal Reserve policy, duration (short-, medium-, or long-term), and perceived risk. Medium- and short-term interest rates, as measured by the 10-year Treasury Bill rate and the prime rate, have dropped steadily in response to the Fed's rate cuts. Long-term rates, as measured by the 30-year conventional mortgage rate, dipped initially but have remained flat for the past two months.

## Leading and Coincident Economic Indicators

The composite index of leading economic indicators, which is used to predict the future path of the economy, jumped 0.8% in January. Over the past six months, the index has dropped 0.5%, with only four of the ten components showing net increases. In contrast, the index of coincident economic indicators, which is used as a gauge of current economic conditions, rose by just 0.2% in January, although it has stayed relatively flat over the past six months. Despite January's increases, the indexes

## Leading and Coincident Economic Indicators February 2000 - January 2001



<sup>1</sup> Data on macroeconomic variables from the *Survey of Current Business*, U.S. Department of Commerce, Bureau of Economic Analysis. Interest rate data from the Federal Reserve Board. Data on the leading and coincident indexes from *Business Cycle Indicators*, The Conference Board.

suggest slower economic growth over the coming months.

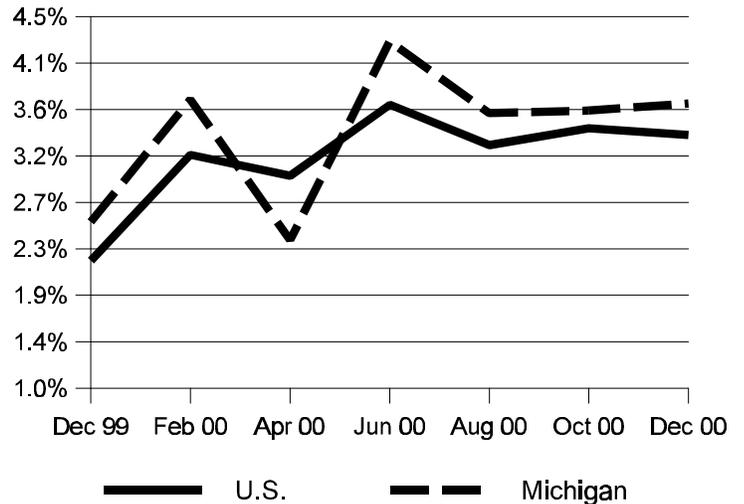
# U.S. and Michigan Comparisons . . .

## Inflation

Inflation measures the change in the general level of prices over time. One frequently used gauge of inflation is the consumer price index (CPI), or for Michigan, the Detroit-Ann Arbor CPI (D-CPI). In December 2000, the CPI posted a 3.4% increase from a year ago while the December 2000 D-CPI advanced at a 3.6% pace.<sup>2</sup>

The inflation rate is influenced by a number of factors. Among the most significant are the producer price index (PPI), the employment cost indexes for total compensation and wages and salaries, and labor productivity.

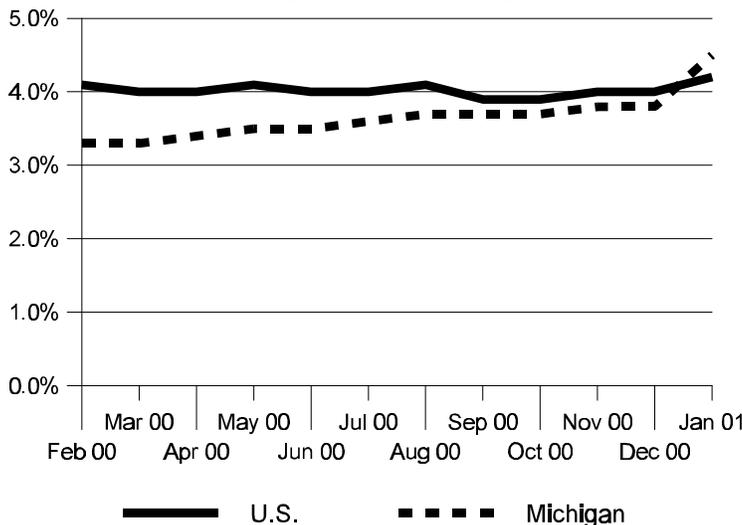
**U.S. and Michigan Consumer Price Index  
December 1999 - December 2000**



### Economic Measures Key to Inflation

<u>Economic Measure</u>	<u>Time Period</u>	<u>Current Period</u>	<u>% Change from Previous Period at Annual Rate</u>	<u>% Change from Year Ago</u>
Producer Price Index	January 2001	141.6	14.6%	4.8%
Total Compensation Index	4th Quarter, 2000	150.8	3.0%	4.4%
Wage and Salary Index	4th Quarter, 2000	147.8	3.0%	3.9%
Labor Productivity Index	4th Quarter, 2000	119.5	2.4%	3.4%

**U.S. and Michigan Unemployment Rates  
February 2000 - January 2001**



## Unemployment

Between March 1995 and December 2000, the unemployment rate in Michigan remained below the U.S. level. That trend ended when Michigan's seasonally adjusted unemployment rate rose from 3.8% in December to 4.5% in January while the U.S. rate rose from 4.0% to 4.2%.

## Employment

In January, total U.S. employment stood at just under 136 million workers, which represents a 0.8% increase relative to January 2000. For Michigan, total employment in January 2001 was just over five million workers, essentially the same as in January 2000.

<sup>2</sup> Both consumer price indexes, the producer price index, both employment cost indexes, and the labor productivity index are calculated by the U.S. Bureau of Labor Statistics. U.S. and Michigan employment and unemployment data is provided by the Michigan Department of Career Development.

# The Michigan Economy . . .

Total wage and salary employment in January rose by only 0.9% relative to one year ago. The two largest industries, trade and services, saw modest employment increases, while the manufacturing sector, especially in durable goods posted employment declines. Average weekly earnings for finance, insurance, real estate, and services increased from a year ago. The largest declines occurred in durable goods and transportation and public utilities.

## Michigan Labor Market Data

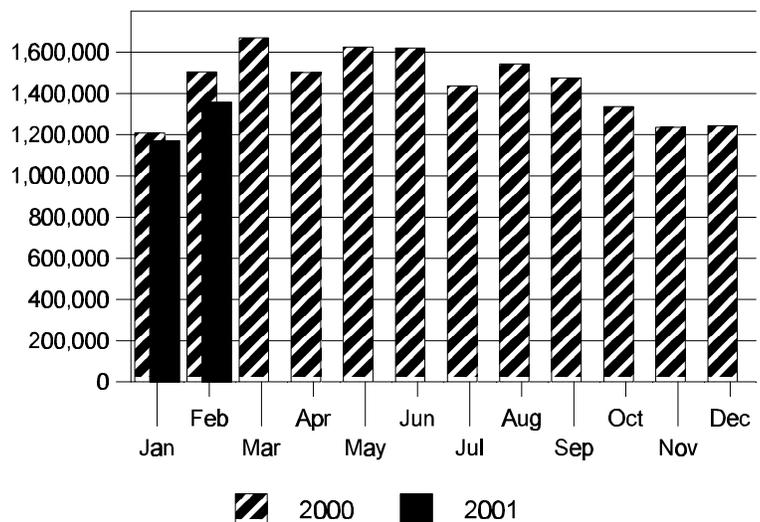
Industry Classification	Wage and Salary Employment (in Thousands)		Average Weekly Earnings (in Dollars)	
	January 2001	Percent Change from Prior Year	January 2001	Percent Change from Prior Year
Mining and Construction	197.5	4.9%	\$830.34	2.2%
Manufacturing	949.4	-2.9%	\$794.47	-6.0%
Durable Goods	719.3	-3.7%	\$846.22	-7.0%
Nondurable Goods	230.1	-0.3%	\$623.22	-0.5%
Transportation and Public Utilities	179.3	1.0%	\$620.67	-7.6%
Wholesale and Retail Trade	1,084.6	1.7%	\$410.30	-1.7%
Finance, Insurance, and Real Estate	203.9	-0.6%	\$534.06	3.5%
Services	1,289.8	1.3%	\$495.59	2.9%
Total Government	696.1	3.5%	N/A	N/A
<b>TOTAL WAGE AND SALARY EMPLOYMENT</b>	<b>4,600.6</b>	<b>0.9%</b>	N/A	N/A

### U.S.

#### Motor Vehicle Sales

U.S. sales of cars and light trucks for the first two months of 2001 measured just over 2.5 million units, which represents a 6.7% decline from the more than 2.7 million units purchased during the same period last year. Sales of light vehicles in February were 9.7% below the year-ago level, which reflects the general slowdown in the overall economy.

**U.S. Sales of Cars and Light Trucks**  
Monthly Data for 2000 and 2001 (Units)



### Michigan

#### Motor Vehicle Production

Michigan light vehicle production in January stood at 211,000 units, which represents a 21.5% decline relative to the almost 267,000 vehicles produced in January 2000. Compared with one year ago, auto production fell by 9.6% while light truck production dipped by 35.9%. Overall, total light vehicle production in 2000 equaled 3.07 million units, which was about 3.2% ahead of 1999.<sup>3</sup>

<sup>3</sup> Michigan employment and wage data from the U.S. Bureau of Labor Statistics. Automotive figures are published in *Automotive News*; calculations by HFA. Michigan auto production data from the Office of Revenue and Tax Analysis, Michigan Department of Treasury.