

# KEY ECONOMIC INDICATORS

# UPDATE



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

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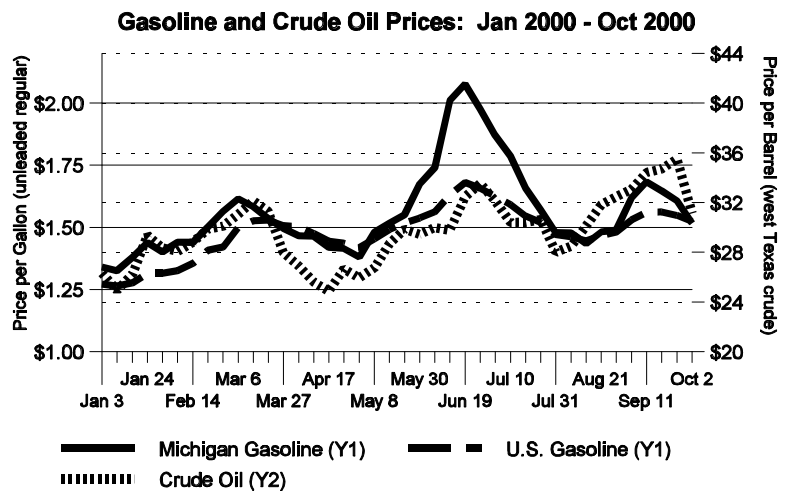
## In The News . . .

After a brief decline in August, gasoline prices spiked once again before Labor Day, and have remained high (relative to recent years) for the past several weeks. As of October 2, the statewide average for unleaded gasoline was \$1.55 per gallon, compared to a nationwide price of \$1.52 per gallon. The chart compares weekly prices for unleaded gasoline in Michigan and the United States with crude oil prices.<sup>1</sup>

Throughout the first five months of 2000, gasoline prices and crude oil prices paralleled each other fairly closely. However, beginning in late May both Michigan and U.S. gasoline prices shot upward. As of mid-June, Michigan gasoline prices had increased by almost 55%, whereas U.S. prices had risen by 32%. Although crude oil prices also rose during this period, the percentage increase was not nearly as pronounced as the jump in gasoline prices.

By late July, gasoline and crude oil prices had declined substantially. However, by mid-August, prices increased again and only recently have begun to moderate.

Through July, crude oil imports into the U.S. averaged almost 8.8 million barrels per day. In addition, the U.S. imported approximately 351,000 barrels of gasoline per day during this same period.



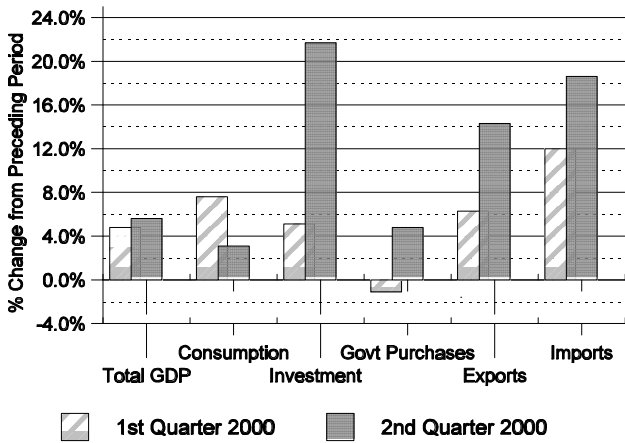
**Average Daily U.S. Crude Oil Imports from Major Countries (Jan 2000 - Jul 2000)**

	<u>Saudi Arabia</u>	<u>Canada</u>	<u>Mexico</u>	<u>Venezuela</u>	<u>Total OPEC</u>	<u>Persian Gulf</u>	<u>Total Imports</u>
OPEC Member	Yes	No	No	Yes			
Average Daily Crude Oil Imports (1,000s Barrels)	1,442	1,292	1,277	1,156	4,281	2,245	8,752
Percent of Total Imports	16.5%	14.8%	14.6%	13.2%	48.9	25.7%	
Percent of U.S. Total Average Daily Crude Oil	9.3%	8.3%	8.2%	7.4%	27.5	14.4%	56.2%

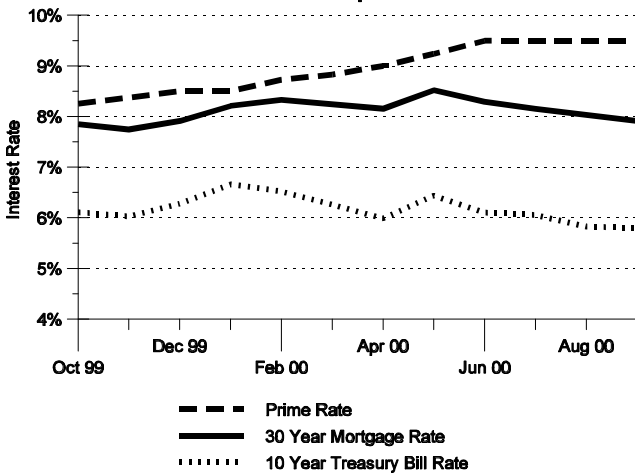
<sup>1</sup> Michigan data from AAA Michigan; U.S. gasoline and crude oil prices from the Energy Information Administration.

# The U.S. Economy . . .

**Real GDP Performance  
First and Second Quarter 2000**



**Selected Interest Rates  
October 1999 - September 2000**



## Economic Indicators

The composite index of leading economic indicators, which is used to predict the future path of the economy, declined 0.1% in August. Over the past six months, the index has dropped 0.3%, with three 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, increased by 0.2% in August, and by 1.5% over the past six months. The indexes suggest continued, albeit slower, economic growth.

## 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 5.6% during the second quarter of 2000, surpassing the 4.8% rate posted in the first quarter.<sup>2</sup>

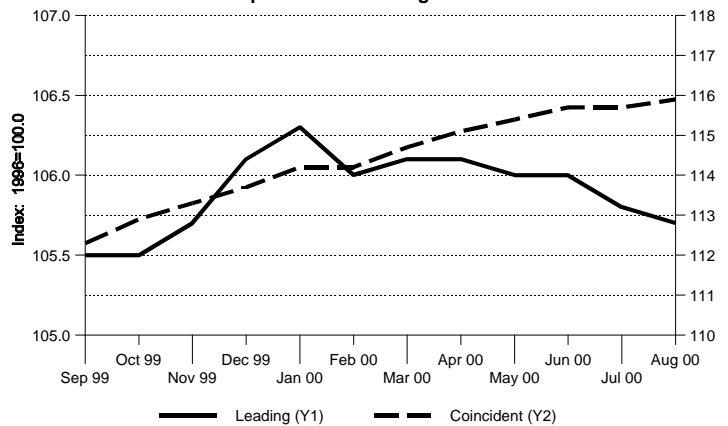
Personal consumption expenditures, which account for almost two-thirds of GDP, grew at a 3.1% rate during the second quarter, a sharp slow-down from the 7.6% rate in the first quarter. However, the most significant contributor to the continued GDP growth was a 21.7% increase in gross private domestic investment.

## Key Interest Rates

Interest rates are based on Federal Reserve policy, duration (short-, medium-, or long-term), and perceived risk. Medium- and long-term interest rates, as measured by the 10-year Treasury Bill rate and 30-year conventional mortgage rate, dipped slightly in August from the July rates. Short-term rates, as measured by the prime rate, remained flat in September at 9.5%.

## Leading and Coincident

**Leading and Coincident Economic Indicators  
September 1999 - August 2000**



<sup>2</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.

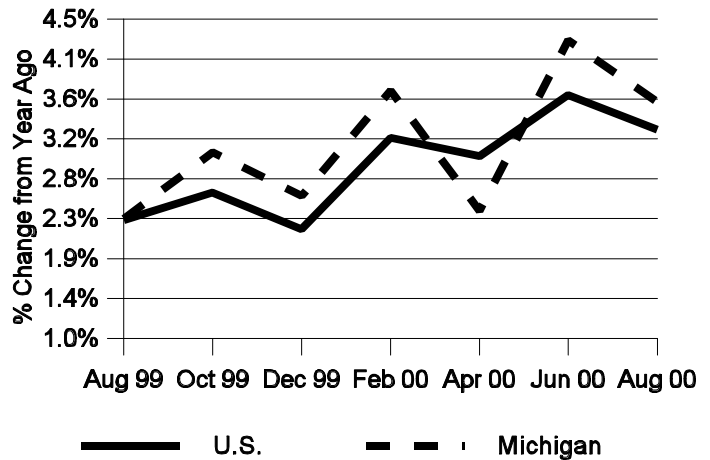
# U.S. and Michigan Comparisons . . .

## 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 August, the CPI posted a 3.2% increase from a year ago while the D-CPI advanced at a 3.6% pace.<sup>3</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.

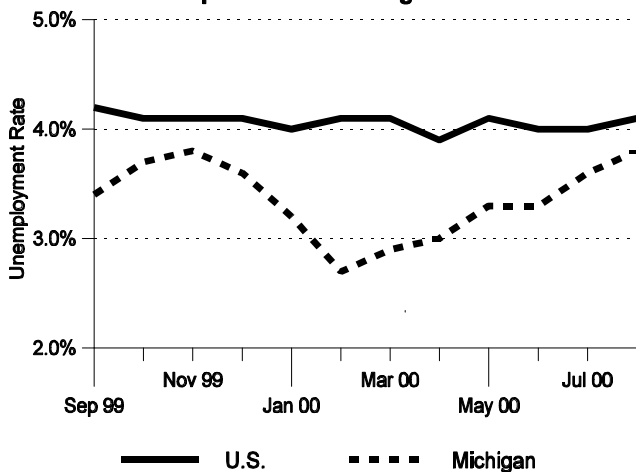
**U.S. and Michigan Consumer Price Index  
August 1999 - August 2000**



## 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	August 2000	137.8	-2.6%	3.2%
Total Compensation Index	2nd Quarter, 2000	148.2	4.4%	4.5%
Wage and Salary Index	2nd Quarter, 2000	145.4	4.2%	4.1%
Labor Productivity Index	2nd Quarter, 2000	118.0	5.7%	5.2%

**U.S. and Michigan Unemployment Rates  
September 1999 - August 2000**



## Unemployment

Since March 1995, the unemployment rate in Michigan has remained below the U.S. level, although the gap has been narrowing somewhat since February of this year. Michigan's unemployment rate rose from 3.6% in July to 3.8% in August. The unemployment rate for the U.S. increased slightly from 4.0% in July to 4.1% in August.

## Employment

In August, total U.S. employment stood at just under 135 million workers, which represents a 1.0% increase relative to August 1999. In contrast, total employment in Michigan fell 0.7% between August 2000 and August 1999, and stands slightly above 4.9 million workers.

<sup>3</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 August is less than one percent higher than a year ago. The two largest industries, trade and services, experienced very modest increases in weekly earnings. Mining, construction, and services posted the largest percentage gains, while manufacturing and the finance-related industries posted the lowest percentage declines.

## Michigan Labor Market Data

Industry Classification	Wage and Salary Employment (in Thousands)		Average Weekly Earnings (in Dollars)	
	August 2000	Percent Change from Prior Year	August 2000	Percent Change from Prior Year
Mining and Construction	218.5	1.9%	\$891.12	5.0%
Manufacturing	974.8	-1.0%	\$818.84	1.6%
Durable Goods	739.0	-0.7%	\$884.80	1.4%
Nondurable Goods	235.8	-1.7%	\$608.39	3.2%
Transportation and Public Utilities	179.3	0.8%	\$700.79	-3.9%
Wholesale and Retail Trade	1,085.5	1.3%	\$439.18	0.1%
Finance, Insurance, and Real Estate	207.6	-1.4%	\$501.35	2.8%
Services	1,275.0	1.5%	\$474.41	0.3%
Total Government	606.4	1.4%	N/A	N/A
<b>TOTAL WAGE AND SALARY EMPLOYMENT</b>	<b>4,547.1</b>	<b>0.7%</b>	<b>N/A</b>	<b>N/A</b>

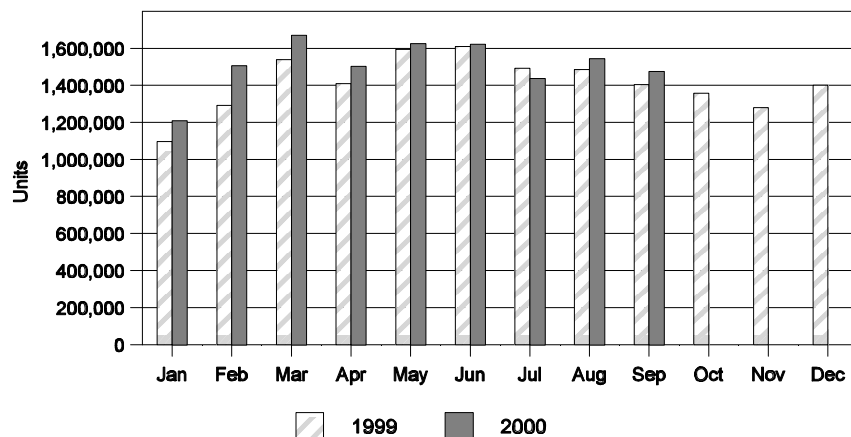
### U.S. Motor Vehicle Sales

U.S. sales of cars and light trucks through September measured just over 13.6 million units, which represents a 5.2% increase from the pace of 12.9 million units for the same period last year. In September, U.S. sales of light vehicles were 5.1% above the year-ago level. Monthly sales of cars and light trucks in 2000 have exceeded the totals posted in 1999 for each month but July, and are expected to surpass 17.0 million for the year.

### Michigan Motor Vehicle Production

Total light vehicle production in Michigan jumped by 3.6% in August, to 282,000 units, relative to a year ago. Compared with a year ago, auto production increased 18.5%, but light truck production fell by 14.8%. Overall, year-to-date light vehicle production stands at 2.15 million units, which is about 5.4% ahead of last year's pace.<sup>4</sup>

**U.S. Sales of Cars and Light Trucks**  
Monthly Data for 1999 and 2000



<sup>4</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.