



MICHIGAN ECONOMIC UPDATE

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

February 2006 Summary

U.S. Economy: February U.S. economic indicators were mixed. The manufacturing and non-manufacturing ISM indices both rose. The index of leading economic indicators fell slightly following four straight months of increases. Consumer sentiment was down both from a month ago and a year ago. Compared to January, industrial production rose while capacity utilization remained above 80 percent for the fourth consecutive month. Retail sales were up 6.7 percent compared to a year ago. Housing starts fell 4.8 percent from February 2005 while existing home sales were off slightly. Durable goods orders were up 8.1 percent compared to a year ago.

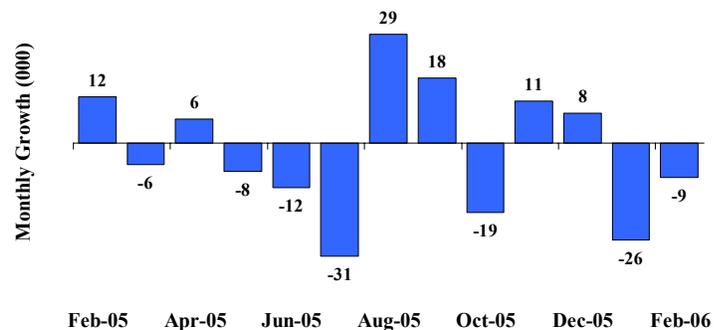
Employment: Michigan's unemployment rate rose 0.4 of a percentage point to 6.6 percent. State payroll employment fell for the second straight month, declining by 9,400 jobs. Nationally, payroll employment rose by 243,000 jobs. The U.S. unemployment rate rose 0.1 percentage points to 4.8 percent.

Auto Industry: February light vehicle sales fell to a 16.5 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 13.8 percent compared with a 4.5 percent decline nationally. Light vehicle inventories were down 8.9 percent; days supply fell by 8 days to 70 days.

Inflation: Compared to a year ago, the U.S. consumer price index rose 3.6 percent. However, excluding food and energy, the core U.S. consumer price index was up only 2.1 percent. The Detroit CPI increased 3.7 percent from a year ago. While overall producer prices rose by 3.7 percent, core producer prices increased by only 1.7 percent.

Michigan Metro Areas: From a year ago, the February unemployment rate fell in 13 of Michigan's 17 labor market areas with a median rate decline of 0.4 of a percentage point. Employment rose in 16 areas with a median increase of 2.2 percent. Unemployment rates ranged between 4.5 percent (Ann Arbor MSA) and 11.3 percent (Northeast Lower Michigan). Sixty-two counties reported an unemployment rate decline.

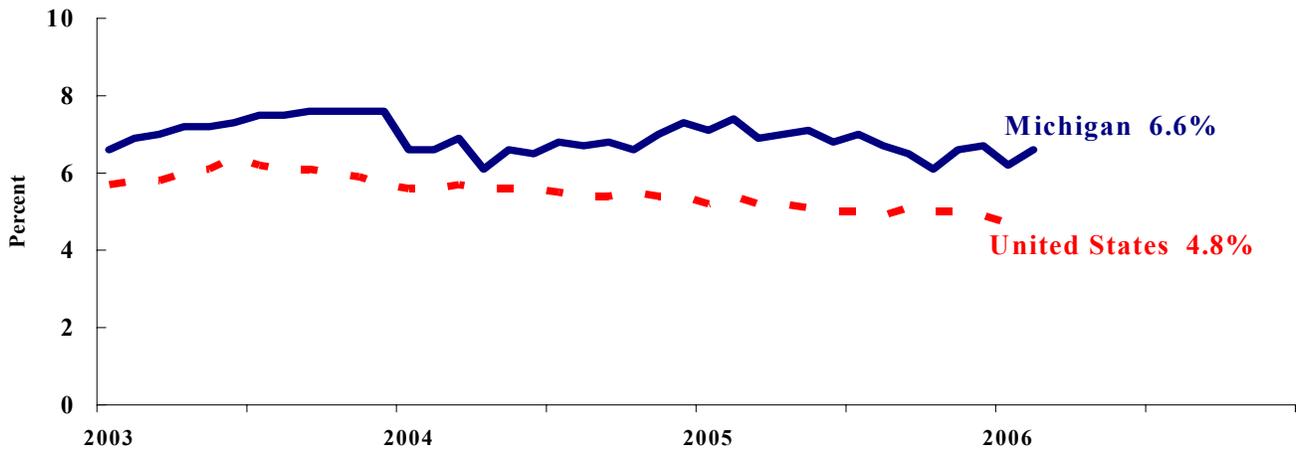
Michigan Employment Declines ^(a)



Labor Market Statistics

- Michigan's February monthly unemployment rate increased 0.4 percentage points to 6.6 percent from January and the current Michigan jobless rate is 0.4 percentage points below a year ago. The February U.S. unemployment rate increased 0.1 percentage points to 4.8 percent and was 0.6 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2003 to 2006



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- In February, the number of people employed in Michigan was 4,776,000, down 11,000 from last month, while the labor force increased by 9,000. The statewide total number of unemployed increased by 20,000 to 338,000.
- United States household employment totaled 143.3 million persons in February, up 183,000 from January. The labor force rose by 335,000 from last month, which meant that there were 153,000 more unemployed people nationally, compared to January.

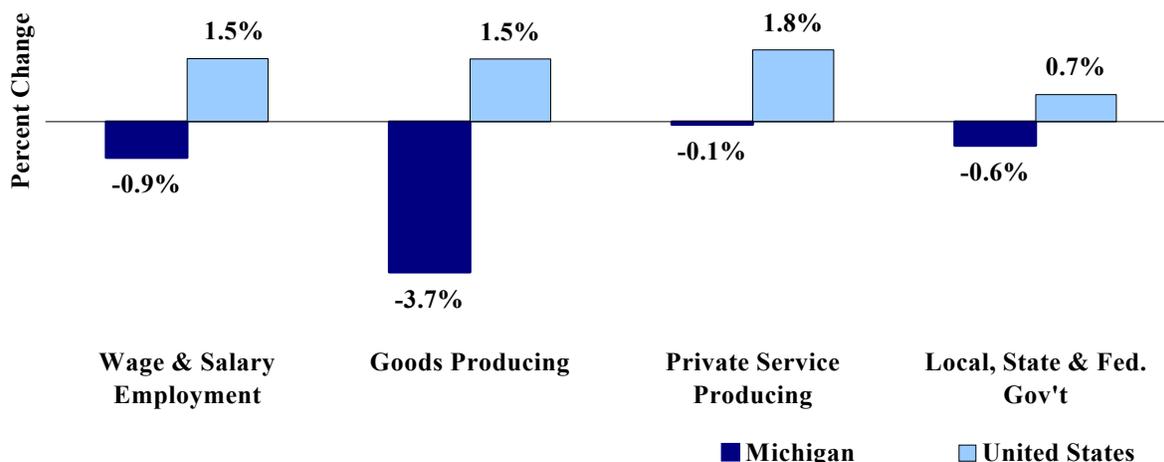
Employment by Place of Residence (in thousands)^(a)

	2005 Average	Dec 2005	Jan 2006	Feb 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,097	5,106	5,105	5,114	9	0.2%	18	0.4%
Employed	4,754	4,764	4,787	4,776	-11	-0.2%	35	0.7%
Unemployed	344	342	318	338	20	6.3%	-17	-4.8%
Unemployment Rate	6.7%	6.7%	6.2%	6.6%	n.a.	0.4% pts	n.a.	-0.4%
United States								
Labor Force	149,320	150,153	150,114	150,449	335	0.2%	2,317	1.6%
Employed	141,730	142,779	143,074	143,257	183	0.1%	3,113	2.2%
Unemployed	7,591	7,375	7,040	7,193	153	2.2%	-795	-10.0%
Unemployment Rate	5.1%	4.9%	4.7%	4.8%	n.a.	0.1% pts	n.a.	-0.6%

Employment by Place of Work

- From February 2005 to February 2006, Michigan wage and salary employment declined 39,000 (0.9 percent). State wage and salary employment decreased 9,000 from January. Nationally, February 2006 wage and salary employment rose 2,053,000 (1.5 percent) from a year ago and was up 243,000 from last month.

Wage and Salary Employment Growth February 2005 to February 2006



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

- In the goods-producing sector, Michigan employment fell 3.7 percent from a year ago while private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, February national employment in the goods-producing sector rose 1.5 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours remained unchanged in Michigan compared to last year.

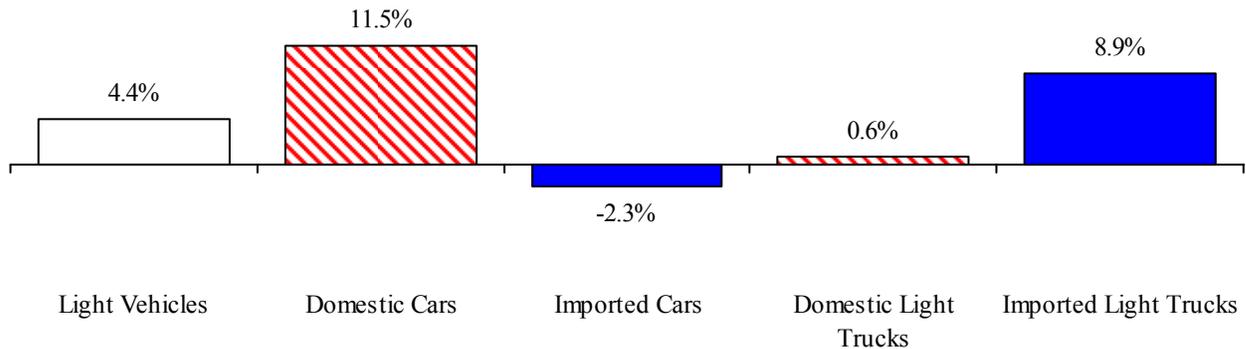
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2005 Average	Feb 2005	Feb 2006	Percent Change	2005 Average	Feb 2005	Feb 2006	Percent Change
Wage & Salary Employment	4,384	4,400	4,361	-0.9%	133,463	132,736	134,789	1.5%
Goods Producing	879	890	857	-3.7%	22,133	22,052	22,392	1.5%
Manufacturing	679	690	658	-4.6%	14,232	14,276	14,228	-0.3%
Private Service Producing	2,832	2,833	2,831	-0.1%	89,527	88,943	90,512	1.8%
Trade, Trans. & Utilities	804	807	795	-1.5%	25,909	25,787	26,043	1.0%
Services	1,742	1,739	1,749	0.6%	52,412	51,996	53,129	2.2%
Local, State & Fed. Gov't	674	677	673	-0.6%	21,803	21,741	21,885	0.7%
Manufacturing Weekly Hours	41.7	41.6	41.6	0.0 hrs	40.7	40.6	41.0	0.4 hrs

Motor Vehicle Industry Sales

- At a 16.5 million unit annual rate, February 2006 light vehicle sales were down 5.9 percent from last month but up 1.1 percent from February 2005.
- Compared to February 2005, domestic sales were up 1.6 percent while foreign sales were down 1.2 percent. Auto sales were essentially flat while light truck sales increased 2.0 percent.
- Year-to-date, light vehicle sales were up 4.4 percent. Domestic car sales rose 11.5 percent, while foreign car sales fell 2.3 percent. Domestic light truck sales rose 0.6 percent; foreign light truck sales were up 8.9 percent. Vehicle inventories fell 8.9 percent while days supply declined by 8 days to 70 days.

Year-to-Date Vehicle Sales Increased Compared to a Year Ago



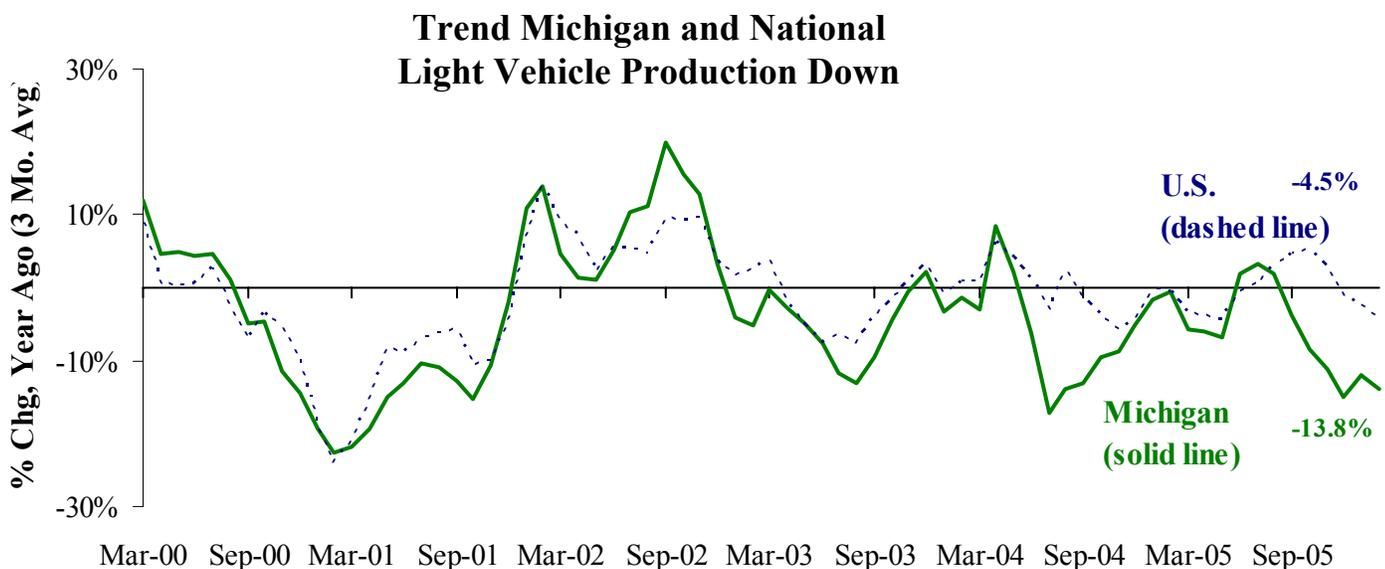
Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2005 Average	Dec 2005	Jan 2006	Feb 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	7.7	8.6	7.4	7.9	(0.0)	-0.1%
Domestics	5.5	5.5	6.5	5.4	5.8	0.1	2.5%
Imports	2.2	2.1	2.1	2.0	2.1	(0.1)	-6.5%
Import Share	28.7%	27.6%	24.4%	27.0%	26.3%	-1.8% pts	
Light Trucks	9.2	9.5	9.0	9.1	9.2	0.2	2.0%
Domestics	8.0	8.3	7.7	7.8	7.9	0.1	1.0%
Imports	1.2	1.2	1.3	1.3	1.3	0.1	7.9%
Import Share	13.2%	12.9%	14.6%	14.8%	14.0%	0.8% pts	
Total Light Vehicles	16.9	17.1	17.6	16.5	17.1	0.2	1.1%
Heavy Trucks	0.5	0.5	0.5	0.5	0.5	(0.1)	10.7%
Total Vehicles	17.4	17.7	18.1	17.1	17.6	0.2	1.3%
U.S. Light Vehicle Inventories ^(d)		Dec-05	Jan-06	Feb-06	3 Month	Change	
Total Car	1.284	1.271	1.288	1.368	1.309	-0.161	
Days Supply	52	55	55	58	56	-6 days	
Total Truck	2.274	2.254	2.295	2.326	2.291	-0.198	
Days Supply	78	71	95	81	82	-8 days	

Motor Vehicle Industry Production

- At 193,668 units, February 2006 Michigan light vehicle production fell 18.0 percent from a year ago, compared with a 6.8 percent decrease nationally. As a result, Michigan's share of national production fell 2.7 percentage points to 19.8 percent.
- Compared with a year ago, state car production fell 7.5 percent while state truck production declined 27.6 percent. Nationally, car production was flat while truck production fell 10.6 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 13.8 percent from a year ago, compared to a 4.5 percent decline nationally.



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Dec 2005	Jan 2006	Feb 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	359.1	306.5	370.2	376.4	351.0	(0.0)	0.0%
Trucks	639.7	521.3	571.9	603.2	565.5	(71.7)	-10.6%
Total	998.8	827.8	942.2	979.6	916.5	(71.7)	-6.8%
Michigan Production ^(f)							
Autos	98.9	86.2	106.4	104.0	98.9	(8.5)	-7.5%
Trucks	105.2	89.4	81.3	89.6	86.8	(34.2)	-27.6%
Total	204.1	175.6	187.7	193.7	185.7	(42.6)	-18.0%
Michigan as % of U.S.	20.4%	21.2%	19.9%	19.8%	20.3%	-2.7% pts	

February 2006 Unemployment Rates Fell in Thirteen Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, February 2006 unemployment rates fell in 13 major labor market areas. The median unemployment rate decline was 0.4 of a percentage point.

Compared to a year ago, the Detroit-Warren-Livonia MSA reported a 1.0 percentage point decline, the largest decline among the state's 17 major labor market areas. Four areas reported the second largest decline (-0.6 of a percentage point): Bay City MSA, Grand Rapids-Wyoming MSA, Muskegon-Norton Shores MSA and Saginaw-Saginaw Township MSA. The Niles-Benton Harbor MSA reported the third largest decline (0.5 of a percentage point). In all, six areas reported declines of 0.5 percentage points or larger.

From February 2005 to February 2006, employment increased in 16 major labor market areas with 15 of the 16 areas reporting an increase exceeding 1.0 percent. The median employment increase was 2.2 percent. Nine areas reported employment increases greater than 2.0 percent.

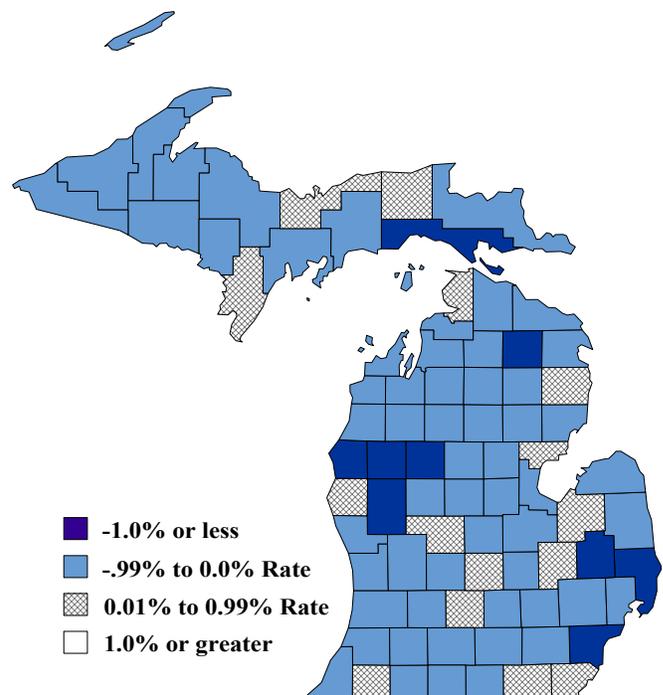
February 2006 unemployment rates ranged between 4.5 percent (Ann Arbor) and 11.3 percent (Northeast Lower Michigan). Compared to January unemployment rates, 16 areas reported higher non-seasonally adjusted unemployment rates. The median increase was 0.7 of a percentage point.

Compared to February 2005, unemployment rates declined in 62 counties. Fifteen counties reported an increase while six reported no change. The median decline was 0.5 of a percentage point.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Feb 2005 Rate</u>	<u>Jan 2006 Rate</u>	<u>Feb 2006 Rate</u>
Michigan	7.8%	7.1%	7.2%
Ann Arbor	4.5%	4.2%	4.5%
Battle Creek	7.2%	6.5%	7.1%
Bay City	8.4%	7.1%	7.8%
Detroit-Warren-Livonia	8.0%	7.6%	7.0%
Flint	8.5%	7.8%	8.7%
Grand Rapids-Wyoming	6.8%	5.6%	6.2%
Holland-Grand Haven	5.9%	5.1%	5.6%
Jackson	7.4%	6.6%	7.2%
Kalamazoo-Portage	6.4%	5.5%	6.0%
Lansing-East Lansing	6.1%	5.8%	6.3%
Monroe	6.5%	6.5%	6.7%
Muskegon-Norton Shores	7.7%	6.4%	7.1%
Niles-Benton Harbor	8.0%	6.7%	7.5%
Saginaw-Saginaw Township	8.9%	7.5%	8.3%
Upper Peninsula	8.9%	7.7%	8.6%
Northeast Lower Mich	11.7%	10.2%	11.3%
Northwest Lower Mich.	8.9%	7.8%	8.6%

Unemployment Rates February 2006



U.S. Economic Conditions

	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	81.6	91.5	91.2	86.7	-7.4 points
ISM Manufacturing Index ⁽ⁱ⁾	57.3	55.6	54.8	56.7	1.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.3	61.0	56.8	60.1	-0.3 points
	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	
Business Executives' Confidence ^(j)	62.0	55.0	50.0	56.0	-5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	197.6	196.8	198.3	198.7	3.6%
Detroit CPI	NA	192.4	NA	194.8	3.7%
U.S. Producer Price Index	158.4	158.8	160.0	157.8	3.7%
INTEREST RATES					
90 Day T-Bill ^(l)	3.90%	3.89%	4.20%	4.41%	1.88% points
Aaa Corporate Bonds ^(m)	5.42%	5.37%	5.29%	5.35%	0.15% points
INDUSTRIAL PRODUCTION ^(m)					
	109.4	110.4	110.2	110.9	3.3%
CAPACITY UTILIZATION ^(m)					
	80.5%	81.2%	80.8%	81.2%	1.2% points
RETAIL SALES ⁽ⁿ⁾					
	\$355.7	\$356.7	\$367.2	\$362.3	6.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.136	1.989	2.303	2.120	-4.8%
Existing Home Sales ^(p)	7.030	6.750	6.570	6.910	-0.3%
DURABLE GOODS ORDERS ^(q)					
	\$225.2	\$230.7	\$210.3	\$215.8	8.1%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>% Change From Year Ago</u>
Michigan	\$329.5	\$329.9	\$334.4	\$336.4	3.6%
U.S.	\$10,015.1	\$10,075.9	\$10,186.6	\$10,260.7	5.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,999.3	\$11,089.2	\$11,202.3	\$11,247.6	1.6%

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.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (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.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.