



MICHIGAN ECONOMIC UPDATE

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Michigan Department of Treasury
<http://www.michigan.gov/treasury>

March 2006 Summary

U.S. Economy: March U.S. economic indicators were strong. Excluding vehicles and gasoline, retail sales were up a solid 8.7 percent compared to a year ago. Non defense durable goods orders, even excluding aircraft, rose sharply compared to a year ago. The manufacturing ISM index fell while the non-manufacturing index rose slightly. The index of leading economic indicators was essentially flat after declining in February. Consumer sentiment was up from last month, but down from a year ago. Similarly, CEO confidence was up from the 2005 Q4 but down from 2005 Q1. Housing starts fell from February but were up compared to a year ago. Real GDP grew at a 4.8 percent rate in the first quarter, its fastest pace in two and a half years.

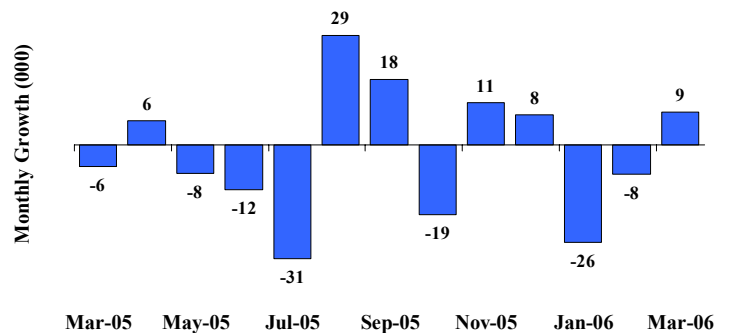
Employment: State payroll employment rose by 8,800 jobs. Michigan's unemployment rate was up from February but down from a year ago. Nationally, payroll employment rose by 211,000 jobs. The U.S. unemployment rate was down from both a month ago and year ago.

Auto Industry: March light vehicle sales remained essentially unchanged at a 16.5 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 6.8 percent compared with a 0.3 percent increase nationally. Light vehicle inventories were down 3.2 percent; days supply was unchanged at 69 days.

Inflation: Compared to a year ago, the U.S. consumer price index rose 3.4 percent. However, excluding food and energy, the core U.S. consumer price index was up only 2.1 percent. Similarly, while overall producer prices rose by 3.5 percent, core producer prices increased by only 1.7 percent.

Michigan Metro Areas: Compared to a year ago, March 2006 unemployment rates were little changed in most labor market areas with 15 areas seeing an unemployment rate change between 0.2 of a percentage point decline and a 0.2 of a percentage point increase. Unemployment rates ranged between 4.7 percent (Ann Arbor MSA) and 11.7 percent (Northeast Lower Michigan).

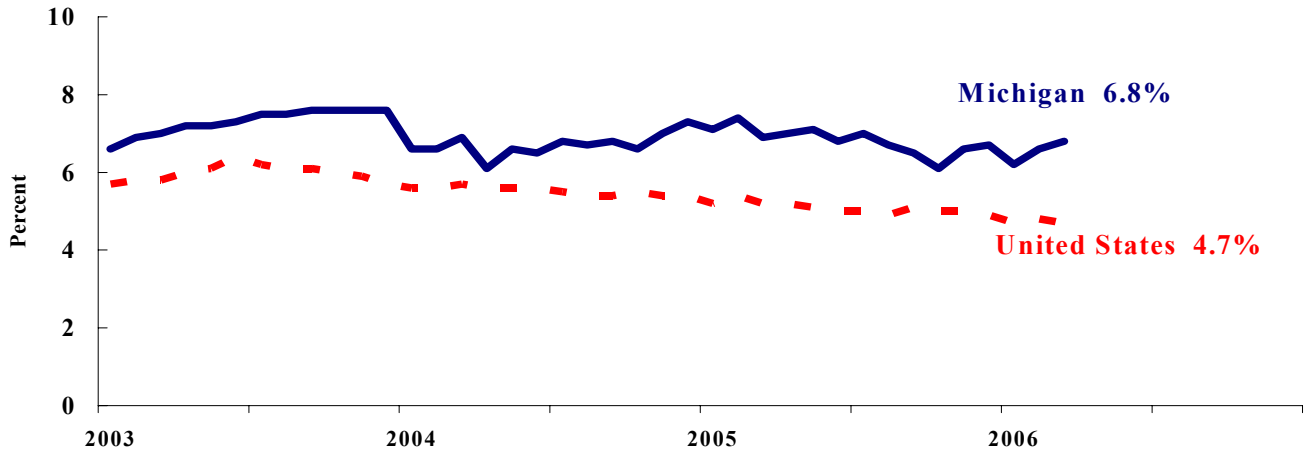
Michigan Employment Increases ^(a)



Labor Market Statistics

- Michigan’s March monthly unemployment rate increased 0.2 percentage points to 6.8 percent from February and the current Michigan jobless rate is 0.2 percentage points below a year ago. The March U.S. unemployment rate decreased 0.1 percentage points to 4.7 percent and was 0.5 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 March, the number of people employed in Michigan was 4,782,000, up 6,000 from last month, while the labor force increased by 17,000. The statewide total number of unemployed increased by 11,000 to 349,000.
- United States household employment totaled 143.6 million persons in March, up 384,000 from February. The labor force rose by 203,000 from last month, which meant that there were 182,000 fewer unemployed people nationally, compared to February.

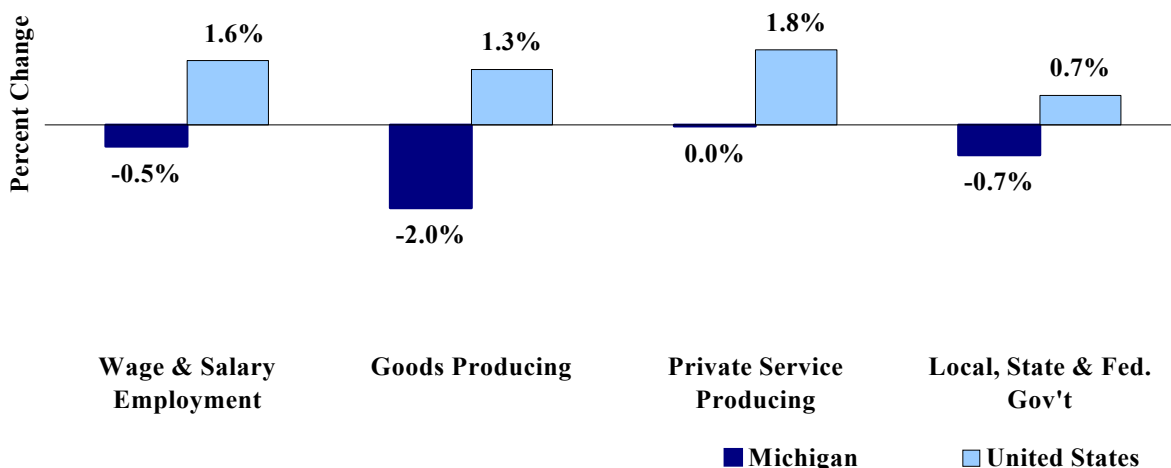
Employment by Place of Residence (in thousands)^(a)

	2005 Average	Jan 2006	Feb 2006	Mar 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,097	5,105	5,114	5,131	17	0.3%	30	0.6%
Employed	4,754	4,787	4,776	4,782	6	0.1%	36	0.8%
Unemployed	344	318	338	349	11	3.3%	-6	-1.7%
Unemployment Rate	6.7%	6.2%	6.6%	6.8%	n.a.	0.2% pts	n.a.	-0.2%
United States								
Labor Force	149,320	150,114	150,449	150,652	203	0.1%	2,495	1.7%
Employed	141,730	143,074	143,257	143,641	384	0.3%	3,140	2.2%
Unemployed	7,591	7,040	7,193	7,011	-182	-2.5%	-645	-8.4%
Unemployment Rate	5.1%	4.7%	4.8%	4.7%	n.a.	-0.1% pts	n.a.	-0.5%

Employment by Place of Work

- From March 2005 to March 2006, Michigan wage and salary employment declined 23,000 (0.5 percent). State wage and salary employment increased 9,000 from February. Nationally, March 2006 wage and salary employment rose 2,090,000 (1.6 percent) from a year ago and was up 211,000 from last month.

Wage and Salary Employment Growth March 2005 to March 2006



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

- In the goods-producing sector, Michigan employment fell 2.0 percent from a year ago while private service-producing sector employment remained unchanged compared to last year. From a year ago, March national employment in the goods-producing sector rose 1.3 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.9 hours in Michigan compared to last year.

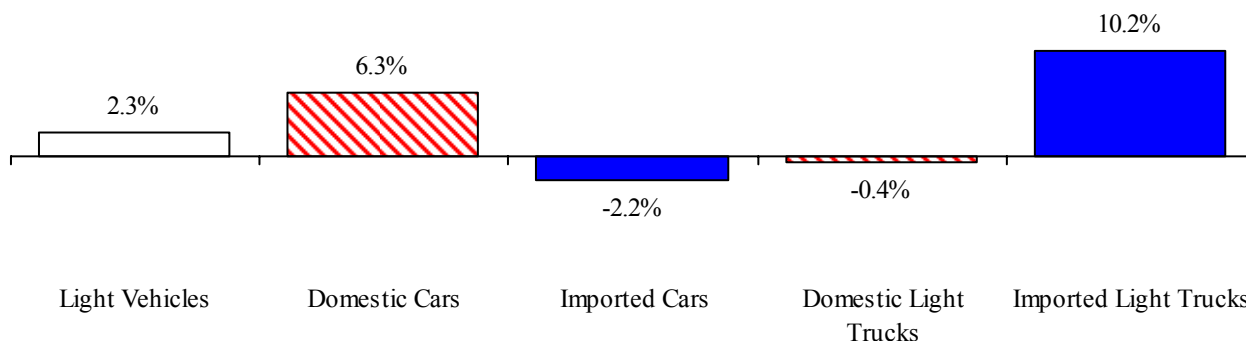
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2005 Average	Mar 2005	Mar 2006	Percent Change	2005 Average	Mar 2005	Mar 2006	Percent Change
Wage & Salary Employment	4,384	4,394	4,371	-0.5%	133,463	132,876	134,966	1.6%
Goods Producing	879	883	865	-2.0%	22,133	22,077	22,375	1.3%
Manufacturing	679	684	665	-2.8%	14,232	14,268	14,212	-0.4%
Private Service Producing	2,832	2,835	2,834	0.0%	89,527	89,052	90,688	1.8%
Trade, Trans. & Utilities	804	807	794	-1.6%	25,909	25,822	26,100	1.1%
Services	1,742	1,741	1,754	0.7%	52,412	52,067	53,231	2.2%
Local, State & Fed. Gov't	674	677	672	-0.7%	21,803	21,747	21,903	0.7%
Manufacturing Weekly Hours	41.7	41.3	42.2	0.9 hrs	40.7	40.4	41.0	0.6 hrs

Motor Vehicle Industry Sales

- At a 16.5 million unit annual rate, March 2006 light vehicle sales were essentially flat compared to last month and down slightly (1.8 percent) from March 2005.
- Compared to March 2005, domestic sales were down 3.1 percent while foreign sales were up 3.3 percent. Auto sales were down 3.4 percent while light truck sales were off slightly (0.4 percent).
- Year-to-date, light vehicle sales were up 2.3 percent. Domestic car sales rose 6.3 percent, while foreign car sales fell 2.2 percent. Domestic light truck sales fell 0.4 percent; foreign light truck sales were up 10.2 percent. Vehicle inventories fell 3.2 percent while days supply was unchanged at 69 days.

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



Motor Vehicle Sales Statistics

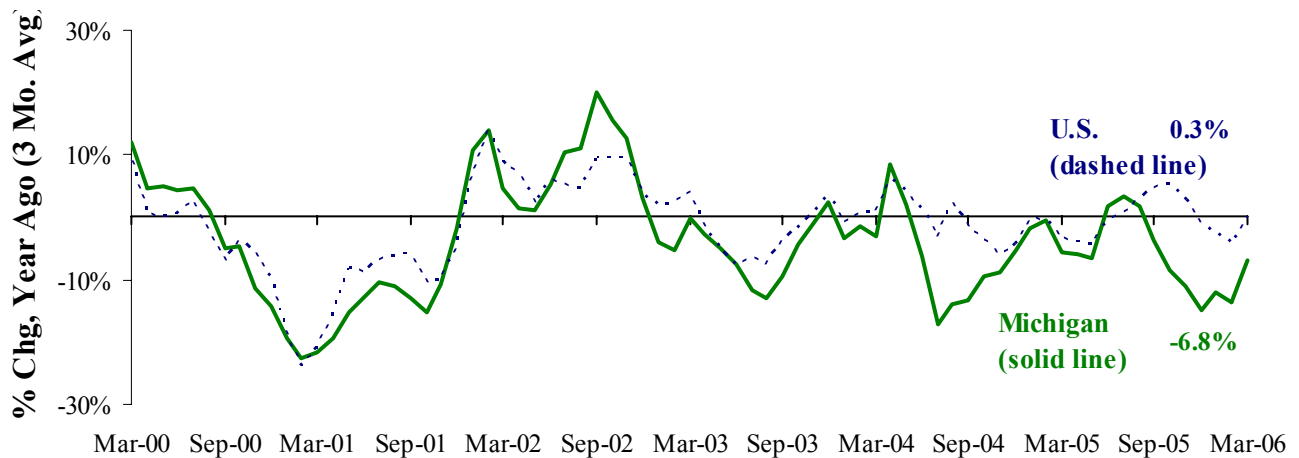
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2005	Jan	Feb	Mar	3 Month	Change from	
	Average	2006	2006	2006	Average	Level	%
Autos	7.7	8.6	7.4	7.4	7.8	(0.3)	-3.4%
Domestics	5.5	6.5	5.4	5.3	5.7	(0.2)	-3.9%
Imports	2.2	2.1	2.0	2.1	2.1	(0.0)	-2.1%
Import Share	28.7%	24.4%	27.0%	28.9%	26.6%	0.4% pts	
Light Trucks	9.2	9.0	9.1	9.1	9.1	(0.0)	-0.4%
Domestics	8.0	7.7	7.8	7.7	7.7	(0.2)	-2.5%
Imports	1.2	1.3	1.3	1.4	1.3	0.2	12.9%
Import Share	13.2%	14.6%	14.8%	15.1%	14.8%	1.8% pts	
Total Light Vehicles	16.9	17.6	16.5	16.5	16.9	(0.3)	-1.8%
Heavy Trucks	0.5	0.5	0.6	0.6	0.5	(0.1)	17.1%
Total Vehicles	17.4	18.1	17.1	17.1	17.4	(0.2)	-1.3%
U.S. Light Vehicle Inventories^(d)		Jan-06	Feb-06	Mar-06	3 Month	Change	
Total Car	1.284	1.288	1.369	1.461	1.373	-0.040	
Days Supply	52	55	58	57	57	1 day	
Total Truck	2.274	2.295	2.327	2.421	2.347	-0.087	
Days Supply	78	95	81	78	85	-1 day	

Motor Vehicle Industry Production

- At 242,905 units, March 2006 Michigan light vehicle production rose 4.0 percent from a year ago, compared with a 7.2 percent increase nationally. As a result, Michigan’s share of national production fell 0.6 of a percentage point to 20.7 percent.
- Compared with a year ago, state car production rose 23.2 percent while state truck production declined 11.2 percent. Nationally, car production increased 15.3 percent while truck production rose 2.7 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 6.8 percent from a year ago, compared to a 0.3 percent increase nationally.

Trend Light Vehicle Production Down in Michigan Up Nationally



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Jan 2006	Feb 2006	Mar 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	359.1	370.2	376.4	449.3	398.6	59.7	15.3%
Trucks	639.7	571.9	603.2	723.9	633.0	19.2	2.7%
Total	998.8	942.2	979.6	1,173.2	1,031.7	79.0	7.2%
Michigan Production ^(f)							
Autos	98.9	106.4	104.0	127.5	112.6	24.0	23.2%
Trucks	105.2	81.3	89.6	115.4	95.5	(14.6)	-11.2%
Total	204.1	187.7	193.7	242.9	208.1	9.4	4.0%
Michigan as % of U.S.	20.4%	19.9%	19.8%	20.7%	20.2%	-0.6% pts	

March 2006 Employment Rose in Sixteen Labor Market Areas (Not Seasonally Adjusted)

From March 2005 to March 2006, employment increased in 16 major labor market areas with 13 of the 16 areas reporting an increase exceeding 1.0 percent. The median employment increase was 2.0 percent. Seven areas reported employment increases greater than 2.0 percent. The Detroit-Warren-Livonia MSA reported a 0.4 percent employment decline from a year ago.

Compared to a year ago, March 2006 unemployment rates were little changed in most labor market areas with 15 areas seeing an unemployment rate change between 0.2 of a percentage point decline and a 0.2 of a percentage point increase.

The Saginaw-Saginaw Township MSA saw a 0.5 of a percentage point decline while the Muskegon-Norton Shores MSA recorded a 0.3 of a percentage point decline. Three labor markets recorded a 0.2 of a percentage point decline in their unemployment rates: Bay City MSA, Detroit-Warren-Livonia MSA and Kalamazoo-Portage MSA. Four areas saw a 0.2 of a percentage increase: Jackson MSA, Lansing-East Lansing MSA, Monroe MSA and the Upper Peninsula.

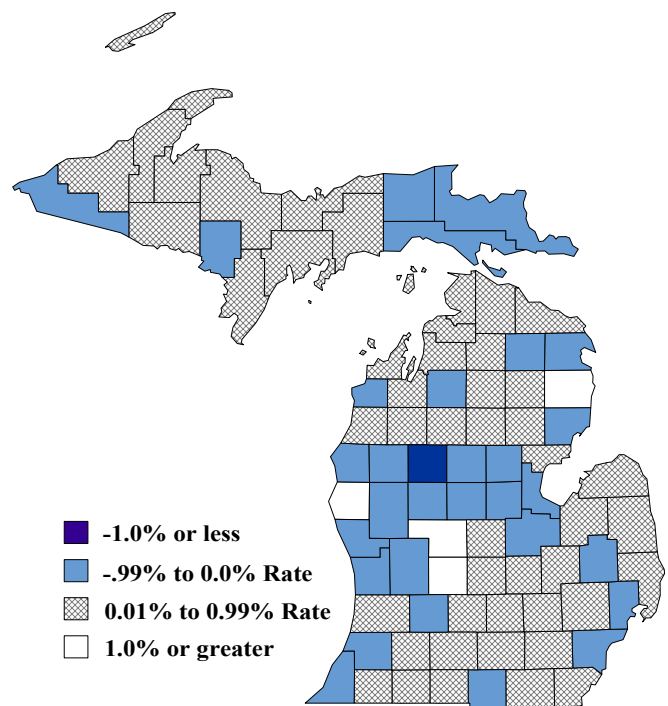
March 2006 unemployment rates ranged between 4.7 percent (Ann Arbor) and 11.7 percent (Northeast Lower Michigan). Compared to February unemployment rates, 12 areas reported higher non-seasonally adjusted unemployment rates. The median increase was 0.2 of a percentage point.

Compared to March 2005, unemployment rates declined in 31 counties. Fifty counties reported an increase while two counties reported no change. The median change was a 0.1 of a percentage point increase.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Mar 2005</u> <u>Rate</u>	<u>Feb 2006</u> <u>Rate</u>	<u>Mar 2006</u> <u>Rate</u>
Michigan	7.6%	7.2%	7.5%
Ann Arbor	4.6%	4.5%	4.7%
Battle Creek	7.1%	7.1%	7.2%
Bay City	8.2%	7.8%	8.0%
Detroit-Warren-Livonia	7.8%	7.0%	7.6%
Flint	8.8%	8.7%	8.9%
Grand Rapids-Wyoming	6.5%	6.2%	6.4%
Holland-Grand Haven	5.7%	5.6%	5.6%
Jackson	7.2%	7.2%	7.4%
Kalamazoo-Portage	6.2%	6.0%	6.0%
Lansing-East Lansing	6.1%	6.3%	6.3%
Monroe	6.4%	6.7%	6.6%
Muskegon-Norton Shores	7.5%	7.1%	7.2%
Niles-Benton Harbor	7.5%	7.5%	7.4%
Saginaw-Saginaw Township	8.9%	8.3%	8.4%
Upper Peninsula	8.8%	8.6%	9.0%
Northeast Lower Mich	11.6%	11.3%	11.7%
Northwest Lower Mich.	8.7%	8.6%	8.8%

Unemployment Rates March 2006



U.S. Economic Conditions

	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	91.5	91.2	86.7	88.9	-3.7 points
ISM Manufacturing Index ⁽ⁱ⁾	55.6	54.8	56.7	55.2	-0.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	61.0	56.8	60.1	60.5	-1.3 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>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	196.8	198.3	198.7	199.8	3.4%
Detroit CPI	192.4	NA	194.8	NA	3.7%
U.S. Producer Price Index	158.8	160.0	157.8	159.0	3.5%
INTEREST RATES					
90 Day T-Bill ^(l)	3.89%	4.20%	4.41%	4.51%	1.76% points
Aaa Corporate Bonds ^(m)	5.37%	5.29%	5.35%	5.53%	0.13% points
INDUSTRIAL PRODUCTION ^(m)					
	110.4	110.0	110.6	111.2	3.6%
CAPACITY UTILIZATION ^(m)					
	81.1%	80.7%	81.0%	81.3%	1.4% points
RETAIL SALES ⁽ⁿ⁾					
	\$351.1	\$361.7	\$358.8	\$361.0	7.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.989	2.307	2.126	1.960	6.9%
Existing Home Sales ^(p)	6.750	6.570	6.900	6.920	-0.7%
DURABLE GOODS ORDERS ^(q)					
	\$230.7	\$210.1	\$217.3	\$230.6	17.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	<u>% Change From Year Ago</u>
Michigan	\$330.1	\$334.1	\$335.9	\$340.6	3.3%
U.S.	\$10,076.4	\$10,187.2	\$10,252.3	\$10,490.7	4.7%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,089.2	\$11,202.3	\$11,248.3	\$11,381.4	4.8%

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.