



MICHIGAN ECONOMIC UPDATE

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

June 2007 Summary

U.S. Economy: June U.S. economic indicators were mixed. Both the manufacturing and non-manufacturing ISM index posted gains from last year. The index of leading economic indicators fell 0.3 percent; the six-month annualized growth rate, often used as a rule of thumb for recession, fell to -1.3% from 0.4%, its first negative reading in seven months. Housing starts were down 19.4 percent from a year ago; existing home sales fell 11.4 percent. Excluding vehicles and gasoline, retail sales rose 4.4 percent compared to a year ago (three-month average). New durable goods orders, excluding defense and aircraft, fell 0.5 percent, marking the fifth straight month of decline. Industrial production grew 1.6 percent from a year ago. The U.S. economy grew at a 3.4 percent annual rate in the second quarter, however real GDP was revised down for earlier quarters.

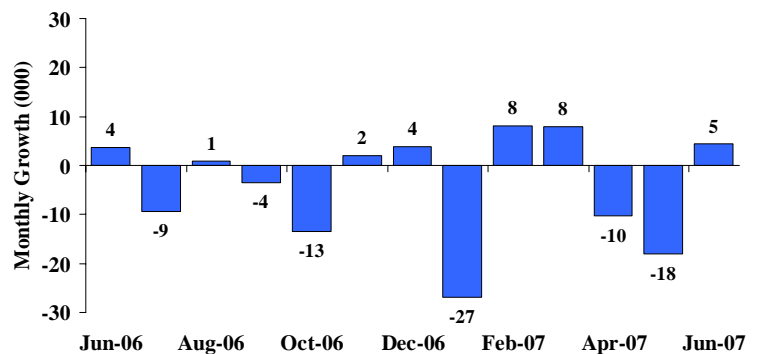
Employment: In June, Michigan's payroll employment rose by 4,500 jobs. The State unemployment rate rose 0.3 of a percentage point to 7.2 percent. Nationally, employment rose by 132,000 jobs. The U.S. unemployment rate remained flat at 4.5 percent.

Auto Industry: June light vehicle sales fell to a 15.5 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production rose 5.5 percent compared with a 4.6 percent decline nationally. Light vehicle inventories fell 11.8 percent while days supply fell by 4 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 2.7 percent. The core CPI (excluding energy and food) increased 2.2 percent. Overall producer prices rose 3.3 percent but core producer prices increased only 1.8 percent.

Michigan Metro Areas: Compared to a year ago, June 2007 unemployment rates rose in 15 major labor market areas. The median increase was 0.3 of a percentage point. Employment fell in 16 labor market areas with a median decline of 1.8 percent. Unemployment rates ranged between 5.2 percent (Ann Arbor MSA) and 8.4 percent (Northeast Lower Michigan).

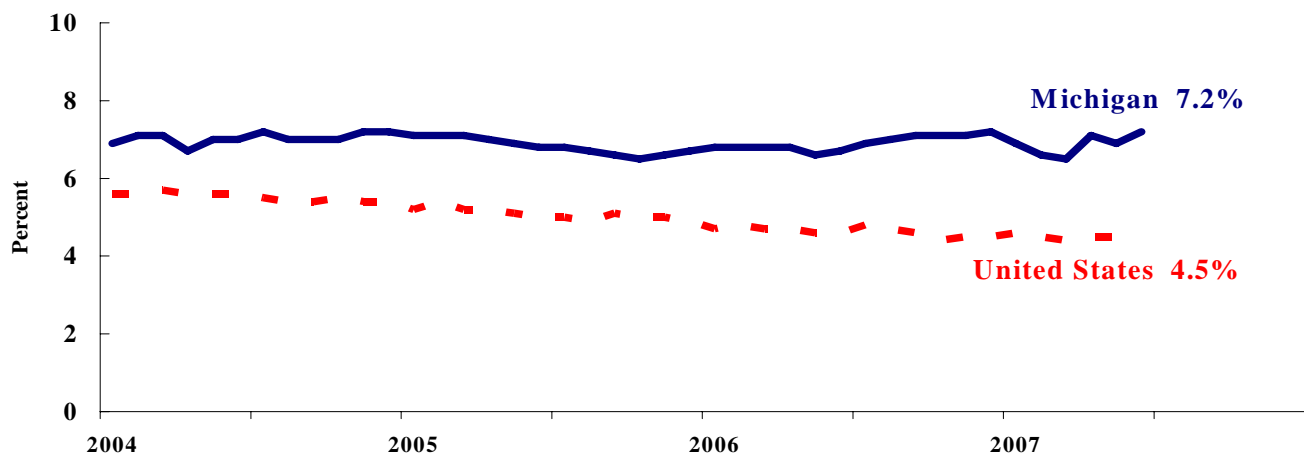
Michigan Employment
 Increases^(a)



Labor Market Statistics

- Michigan's June monthly unemployment rate increased 0.3 percentage points to 7.2 percent from last month while the current Michigan jobless rate is 0.5 percentage points above a year ago. The June U.S. unemployment rate remained unchanged at 4.5 percent and was 0.1 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 2004 to 2007



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

- In June, the number of people employed in Michigan was 4,683,000, down 23,000 from last month, while the labor force decreased by 8,000. The statewide total number of unemployed increased by 15,000 to 363,000.
- United States household employment totaled 146.1 million persons in June, up 197,000 from May. The labor force rose by 310,000 from last month, which meant that there were 114,000 more unemployed people nationally, compared to May.

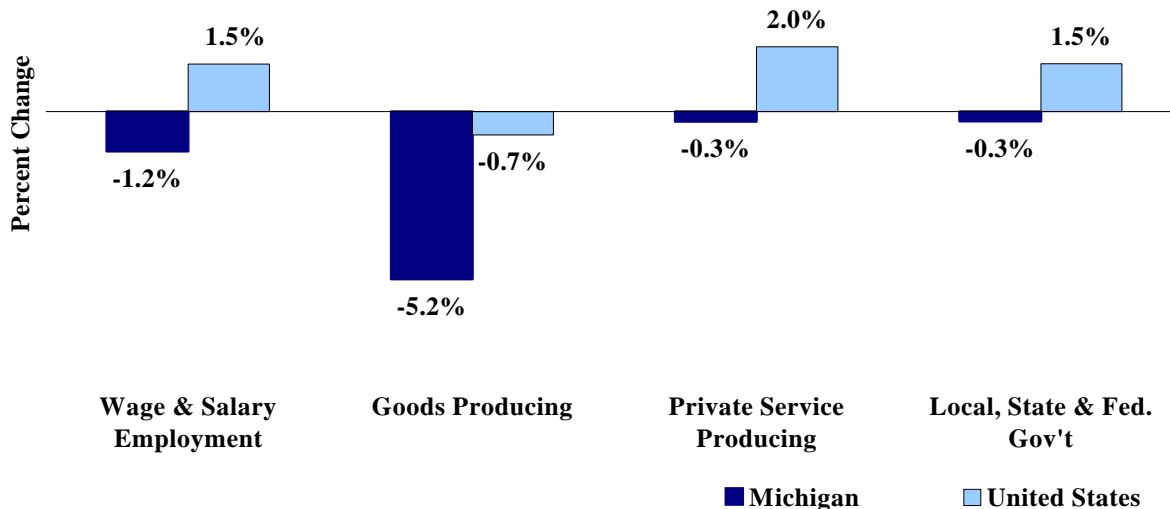
Employment by Place of Residence (in thousands)^(a)

	2006 Average	Apr 2007	May 2007	Jun 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,081	5,049	5,054	5,046	-8	-0.2%	-31	-0.6%
Employed	4,730	4,692	4,706	4,683	-23	-0.5%	-52	-1.1%
Unemployed	351	357	348	363	15	4.3%	21	6.1%
Unemployment Rate	6.9%	7.1%	6.9%	7.2%	n.a.	0.3% pts	n.a.	0.5%
United States								
Labor Force	151,428	152,587	152,762	153,072	310	0.2%	1,751	1.2%
Employed	144,427	145,786	145,943	146,140	197	0.1%	1,777	1.2%
Unemployed	7,001	6,801	6,819	6,933	114	1.7%	-24	-0.3%
Unemployment Rate	4.6%	4.5%	4.5%	4.5%	n.a.	0.0% pts	n.a.	-0.1%

Employment by Place of Work

- From June 2006 to June 2007, Michigan wage and salary employment decreased 54,000 (1.2 percent). State wage and salary employment increased 5,000 from May. Nationally, June 2007 wage and salary employment rose 2,008,000 (1.5 percent) from a year ago and was up 132,000 from last month.

Wage and Salary Employment Growth June 2006 to June 2007



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

- In the goods-producing sector, Michigan employment fell 5.2 percent from a year ago while private service-producing sector employment decreased 0.3 percent compared to last year. From a year ago, June national employment in the goods-producing sector fell 0.7 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours decreased 0.8 hours in Michigan compared to last year.

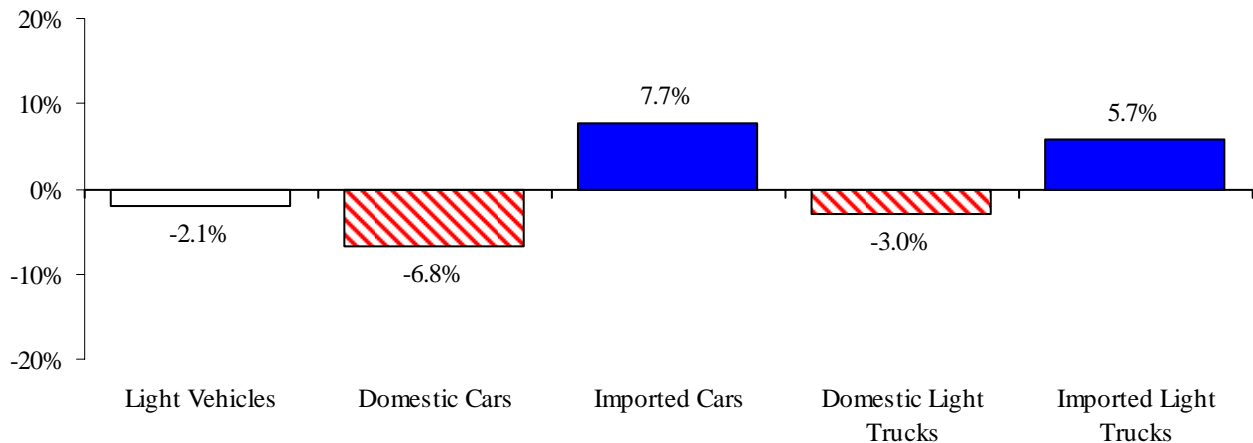
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2006 Average	Jun 2006	Jun 2007	Percent Change	2006 Average	Jun 2006	Jun 2007	Percent Change
Wage & Salary Employment	4,341	4,345	4,291	-1.2%	136,174	136,030	138,038	1.5%
Goods Producing	837	843	799	-5.2%	22,570	22,613	22,448	-0.7%
Manufacturing	648	655	628	-4.1%	14,197	14,238	14,047	-1.3%
Private Service Producing	2,835	2,836	2,827	-0.3%	91,615	91,449	93,294	2.0%
Trade, Trans. & Utilities	795	797	784	-1.6%	26,231	26,197	26,452	1.0%
Services	1,757	1,755	1,764	0.5%	53,965	53,856	55,276	2.6%
Local, State & Fed. Gov't	670	668	666	-0.3%	21,990	21,968	22,296	1.5%
Manufacturing Weekly Hours	42.2	43.3	42.5	-0.8 hrs	41.1	41.2	41.3	0.1 hrs

Motor Vehicle Industry Sales

- At 15.5 million units, June 2007 light vehicle sales were down 3.5 percent compared to May and declined 3.6 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 4.2 percent and foreign light vehicle sales fell 1.1 percent.
- Compared to a year ago, June 2007 domestic sales were down 5.5 percent while foreign sales increased 2.8 percent. As a result, the foreign share of U.S. vehicle sales increased by 1.5 percentage points to 24.2 percent. Overall auto sales declined 1.0 percent; light truck sales fell 6.0 percent.
- Year to date domestic auto sales declined 6.8 percent from a year ago while foreign car sales rose 7.7 percent. Foreign light truck sales increased 5.7 percent. At the same time, domestic light truck sales fell 3.0 percent. June vehicle inventories fell 11.8 percent from a year ago.

June 2007 Light Vehicle Sales Declined Year to Date, Compared to a Year Ago



Motor Vehicle Sales Statistics

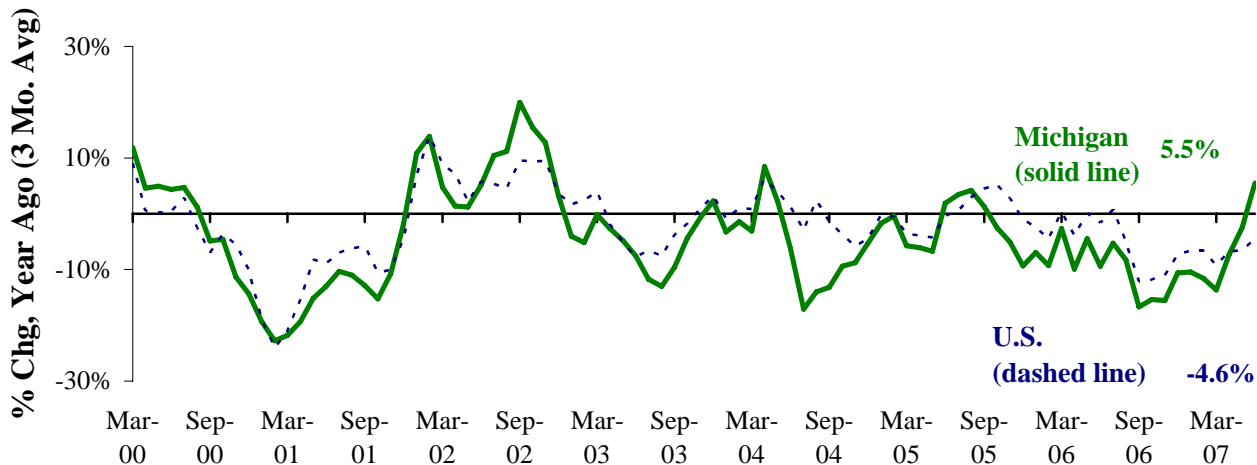
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2006 Average	Apr 2007	May 2007	Jun 2007	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.8	7.3	8.0	7.6	7.6	(0.1)	-1.0%
Domestics	5.4	5.0	5.5	5.2	5.2	(0.1)	-1.4%
Imports	2.3	2.3	2.5	2.4	2.4	(0.0)	-0.2%
Import Share	30.0%	31.4%	31.4%	31.5%	31.5%	0.2% pts	
Light Trucks	8.7	8.9	8.1	7.9	8.3	(0.5)	-6.0%
Domestics	7.4	7.5	6.8	6.5	6.9	(0.6)	-8.5%
Imports	1.3	1.4	1.3	1.3	1.3	0.1	8.5%
Import Share	15.5%	15.7%	16.0%	17.1%	16.2%	2.3% pts	
Total Light Vehicles	16.5	16.2	16.1	15.5	15.9	(0.6)	-3.6%
Heavy Trucks	0.5	0.4	0.3	0.3	0.4	(0.2)	-37.1%
Total Vehicles	17.0	16.6	16.4	15.9	16.3	(0.8)	-4.7%
U.S. Light Vehicle Inventories^(d)		Apr-07	May-07	Jun-07	3 Month	Change	
Total Car	1.323	1.503	1.360	1.332	1.398	-0.027	
Days Supply	53	58	45	50	51	1 day	
Total Truck	2.224	1.990	1.978	2.053	2.007	-0.427	
Days Supply	79	67	66	76	70	-7 days	

Motor Vehicle Industry Production

- At 222,274 units, June 2007 Michigan motor vehicle production rose 2.4 percent from a year ago, compared with a 7.8 percent decline nationally. As a result, Michigan's share of national production rose 2.2 percentage points to 22.1 percent.
- Compared with a year ago, state car production rose 10.9 percent while state truck production fell 3.6 percent. Nationally, car production was down 8.7 percent while truck production fell 7.3 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 of vehicle production was up 5.5 percent from a year ago, compared to a 4.6 percent decline nationally.

Michigan Vehicle Production Up, National Production Down ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 <u>Average</u>	Apr <u>2007</u>	May <u>2007</u>	Jun <u>2007</u>	3 Month <u>Average</u>	Change from Year Ago for the Month	
						<u>Level</u>	<u>%</u>
U.S. Production ^(e)							
Autos	364.3	319.3	346.4	352.6	339.4	(33.4)	-8.7%
Trucks	584.1	604.5	677.9	654.5	645.6	(51.4)	-7.3%
Total	948.4	923.8	1,024.3	1,007.0	985.0	(84.8)	-7.8%
Michigan Production ^(f)							
Autos	93.0	83.8	98.0	99.3	93.7	9.8	10.9%
Trucks	96.6	120.7	139.2	123.0	127.6	(4.6)	-3.6%
Total	189.6	204.6	237.2	222.3	221.4	5.2	2.4%
Michigan as % of U.S.	20.0%	22.1%	23.2%	22.1%	22.5%	2.2% pts	

June 2007 Unemployment Rates Rose in Fifteen Major Labor Market Areas (Not Seasonally Adjusted)

From June 2006 to June 2007, unemployment rates rose in 15 major labor market areas and declined in two areas. The median unemployment rate increase was 0.3 of a percentage point.

Compared to a year ago, employment fell in 16 major labor market areas. The median employment decrease was 1.8 percent. Employment declined by more than 1.0 percent in 13 labor market areas. Five areas saw employment declines exceeding 2.0 percent: Flint MSA (-3.2 percent), Bay City MSA (-3.0 percent), Saginaw-Saginaw Township MSA (-2.7 percent), Jackson (-2.3 percent) and Muskegon-Norton Shores (-2.2 percent). Employment was essential flat (0.1 percent) in the Detroit-Warren-Livonia MSA.

Compared to a year ago, two areas (Detroit-Warrant-Livonia MSA and Jackson MSA recorded the largest unemployment rate increase (0.9 of a percentage point) followed by Northeast Lower Michigan (0.8 percent) and Muskegon-Norton Shores (0.7 of a percentage point). Two areas reported slight rate declines: Saginaw-Saginaw Township (-0.4 of a percentage point) and Niles-Benton Harbor (-0.1 of a percentage point).

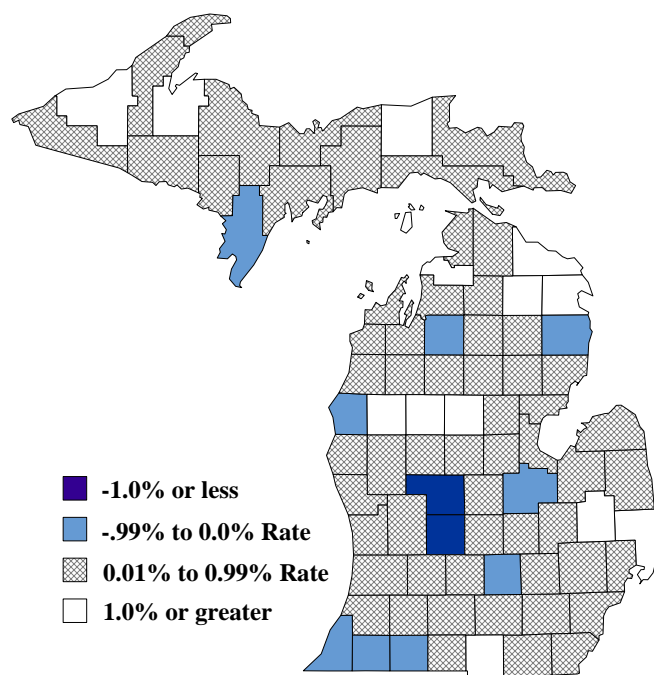
Compared to May 2007, unemployment rates rose in 14 major labor market areas. The median rate increase was 0.7 of a percentage point. June 2007 unemployment rates ranged between 5.2 percent (Ann Arbor MSA) and 8.4 percent (Northeast Lower Michigan).

Compared to June 2006, the unemployment rate rose in 72 counties, fell in 10 counties and remained unchanged in one county.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jun 2006 Rate</u>	<u>May 2007 Rate</u>	<u>Jun 2007 Rate</u>
Michigan	6.9%	6.6%	7.4%
Ann Arbor	4.9%	4.5%	5.2%
Battle Creek	6.9%	6.5%	7.2%
Bay City	6.9%	6.5%	7.0%
Detroit-Warren-Livonia	7.2%	6.9%	8.1%
Flint	8.1%	7.8%	8.3%
Grand Rapids-Wyoming	6.0%	5.6%	6.3%
Holland-Grand Haven	5.4%	5.1%	5.9%
Jackson	7.1%	7.2%	8.0%
Kalamazoo-Portage	5.8%	5.3%	6.0%
Lansing-East Lansing	6.1%	5.4%	6.2%
Monroe	6.3%	5.6%	6.5%
Muskegon-Norton Shores	6.9%	6.9%	7.6%
Niles-Benton Harbor	7.2%	6.4%	7.1%
Saginaw-Saginaw Township	7.7%	6.7%	7.3%
Upper Peninsula	6.6%	7.2%	7.1%
Northeast Lower Mich	7.6%	8.4%	8.4%
Northwest Lower Mich.	6.2%	7.0%	6.8%

Unemployment Rate Change From a Year Ago June 2007^(g)



U.S. Economic Conditions

	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	88.4	87.1	88.3	85.3	0.4 points
ISM Manufacturing Index ⁽ⁱ⁾	50.9	54.7	55.0	56.0	2.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	52.4	56.0	59.7	60.7	3.8 points
	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	
Business Executives' Confidence ^(j)	44.0	50.0	53.0	45.0	-5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	205.4	206.7	207.9	208.4	2.7%
Detroit CPI	NA	200.4	NA	201.6	2.4%
U.S. Producer Price Index	164.2	165.8	167.8	167.1	3.3%
INTEREST RATES					
90 Day T-Bill ^(l)	4.97%	4.88%	4.77%	4.63%	-0.16% points
Aaa Corporate Bonds ^(m)	5.30%	5.47%	5.47%	5.79%	-0.10% points
INDUSTRIAL PRODUCTION ^(m)					
	112.4	112.9	112.8	113.4	1.4%
CAPACITY UTILIZATION ^(m)					
	81.4%	81.6%	81.4%	81.7%	-0.6% points
RETAIL SALES ⁽ⁿ⁾					
	\$372.9	\$371.7	\$377.3	\$373.9	3.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.491	1.485	1.434	1.467	-19.4%
Existing Home Sales ^(p)	6.150	6.010	5.980	5.750	-11.4%
DURABLE GOODS ORDERS ^(q)					
	\$216.7	\$219.0	\$214.0	\$217.1	-0.6%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>% Change From Year Ago</u>
Michigan	\$339.3	\$340.9	\$342.0	\$347.4	3.2%
U.S.	\$10,784.3	\$10,916.1	\$11,071.3	\$11,315.5	5.8%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,336.7	\$11,395.5	\$11,412.6	\$11,507.9	3.4%

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) Economic Indicators, Council of Economic Advisors.
- (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.