



MICHIGAN ECONOMIC UPDATE

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

May 2007 Summary

U.S. Economy: May U.S. economic indicators were mixed. Both the manufacturing and non-manufacturing ISM index rose slightly from last year. The index of leading economic indicators rose 0.3 percent after having declined in the three of the prior four months. Housing starts were down 24.2 percent from a year ago; existing home sales fell 10.3 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 0.2 percent, marking the fourth straight month of decline. Industrial production growth was flat in May. Economic growth in the first quarter was revised up very slightly to a 0.7 percent annual rate -- still its slowest growth in four years.

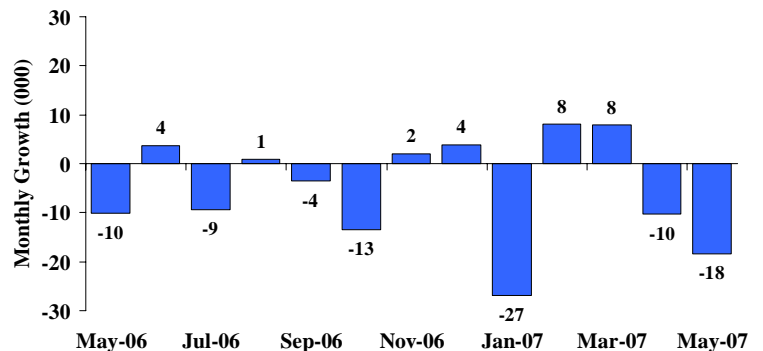
Employment: In May, Michigan's payroll employment fell sharply (18,400 jobs). The State unemployment rate fell 0.2 of a percentage point to 6.9 percent. Nationally, employment rose by 157,000 jobs. The U.S. unemployment rate remained flat at 4.5 percent.

Auto Industry: May light vehicle sales fell slightly to a 16.1 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 2.5 percent compared with a 6.5 percent decline nationally. Light vehicle inventories fell 11.1 percent while days supply fell by 7 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 4.1 percent but core producer prices increased only 1.6 percent.

Michigan Metro Areas: Compared to a year ago, May 2007 unemployment rates rose in 12 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 0.8 percent. Unemployment rates ranged between 4.5 percent (Ann Arbor MSA) and 8.4 percent (Northeast Lower Michigan).

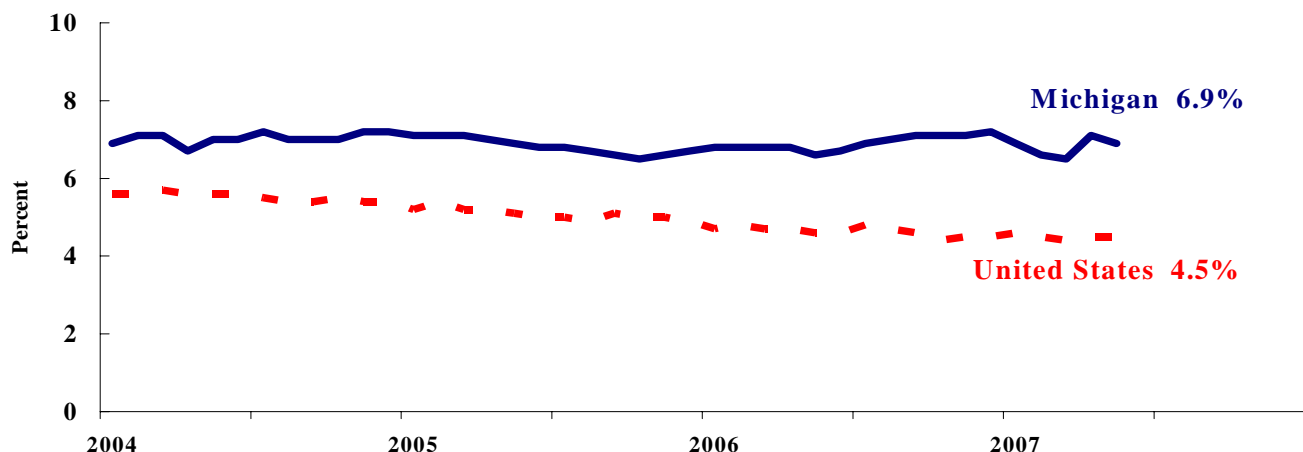
Michigan Employment Declines for Second Straight Month^(a)



Labor Market Statistics

- Michigan’s May monthly unemployment rate decreased 0.2 percentage points to 6.9 percent from last month while the current Michigan jobless rate is 0.3 percentage points above a year ago. The May 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 May, the number of people employed in Michigan was 4,706,000, up 14,000 from last month, while the labor force increased by 5,000. The statewide total number of unemployed decreased by 9,000 to 348,000.
- United States household employment totaled 145.9 million persons in May, up 157,000 from April. The labor force rose by 175,000 from last month, which meant that there were 18,000 more unemployed people nationally, compared to April.

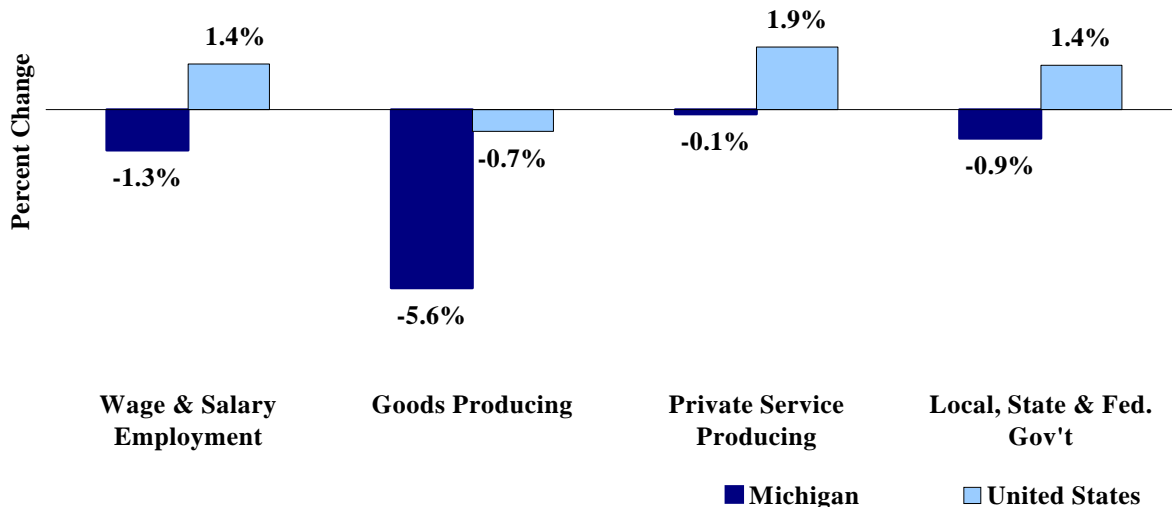
Employment by Place of Residence (in thousands)^(a)

	2006 Average	Mar 2007	Apr 2007	May 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,081	5,073	5,049	5,054	5	0.1%	-16	-0.3%
Employed	4,730	4,745	4,692	4,706	14	0.3%	-28	-0.6%
Unemployed	351	328	357	348	-9	-2.5%	12	3.5%
Unemployment Rate	6.9%	6.5%	7.1%	6.9%	n.a.	-0.2% pts	n.a.	0.3%
United States								
Labor Force	151,428	152,979	152,587	152,762	175	0.1%	1,771	1.2%
Employed	144,427	146,254	145,786	145,943	157	0.1%	1,967	1.4%
Unemployed	7,001	6,724	6,801	6,819	18	0.3%	-196	-2.8%
Unemployment Rate	4.6%	4.4%	4.5%	4.5%	n.a.	0.0% pts	n.a.	-0.1%

Employment by Place of Work

- From May 2006 to May 2007, Michigan wage and salary employment decreased 56,000 (1.3 percent). State wage and salary employment decreased 18,000 from April. Nationally, May 2007 wage and salary employment rose 1,925,000 (1.4 percent) from a year ago and was up 157,000 from last month.

Wage and Salary Employment Growth May 2006 to May 2007



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

- In the goods-producing sector, Michigan employment fell 5.6 percent from a year ago while private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, May national employment in the goods-producing sector fell 0.7 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours decreased 0.3 hours in Michigan compared to last year.

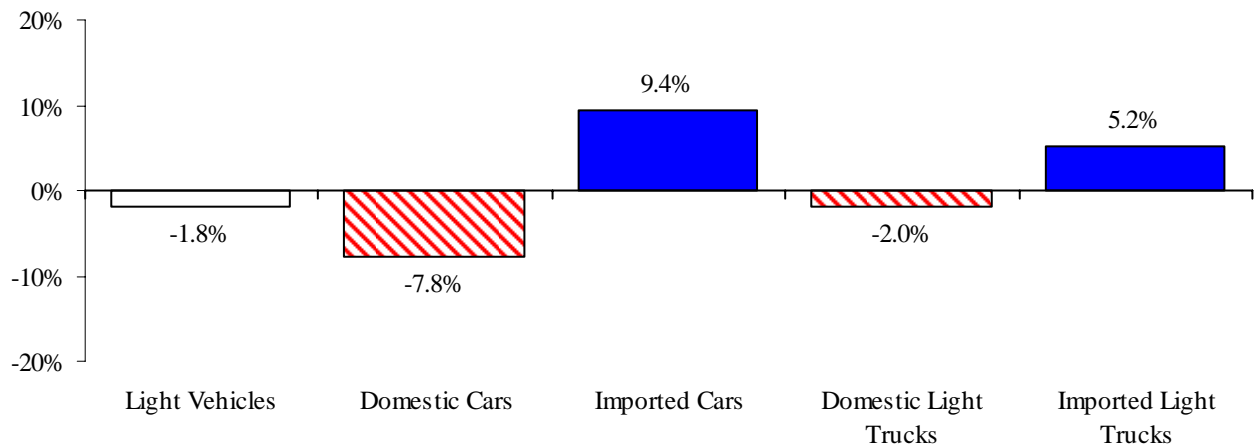
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2006 Average	May 2006	May 2007	Percent Change	2006 Average	May 2006	May 2007	Percent Change
Wage & Salary Employment	4,341	4,341	4,286	-1.3%	136,174	135,906	137,831	1.4%
Goods Producing	837	845	798	-5.6%	22,570	22,593	22,439	-0.7%
Manufacturing	648	656	624	-4.9%	14,197	14,215	14,051	-1.2%
Private Service Producing	2,835	2,831	2,827	-0.1%	91,615	91,375	93,152	1.9%
Trade, Trans. & Utilities	795	796	782	-1.8%	26,231	26,194	26,440	0.9%
Services	1,757	1,751	1,765	0.8%	53,965	53,781	55,172	2.6%
Local, State & Fed. Gov't	670	667	661	-0.9%	21,990	21,938	22,240	1.4%
Manufacturing Weekly Hours	42.2	43.1	42.8	-0.3 hrs	41.1	41.1	41.0	-0.1 hrs

Motor Vehicle Industry Sales

- At 16.1 million units, May 2007 light vehicle sales were down 0.6 percent compared to April and were flat compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 1.6 percent and foreign light vehicle sales rose 2.8 percent.
- Compared to a year ago, May 2007 domestic sales were down 0.5 percent while foreign sales increased 1.7 percent. As a result, the foreign share of U.S. vehicle sales increased by 0.4 percentage points to 23.6 percent. Overall auto sales rose 2.2 percent; light truck sales fell 2.0 percent.
- Year to date domestic auto sales declined 7.8 from a year ago while foreign car sales rose 9.4 percent. Foreign light truck sales increased 5.2 percent. At the same time, domestic light truck sales fell 2.0 percent. May vehicle inventories fell 11.1 percent from a year ago.

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



Motor Vehicle Sales Statistics

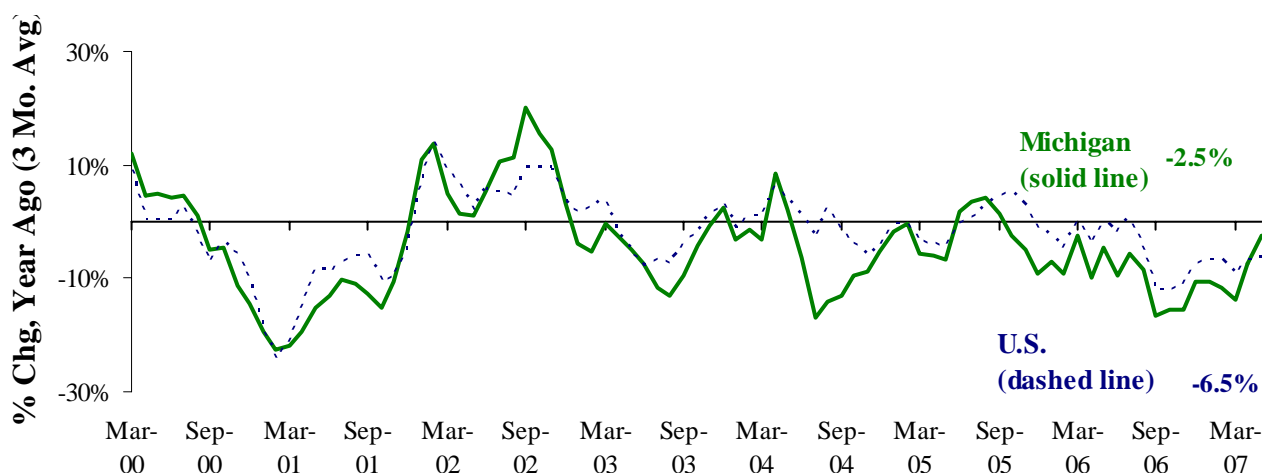
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2006 Average	Mar 2007	Apr 2007	May 2007	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.8	7.6	7.3	8.0	7.6	0.2	2.2%
Domestics	5.4	5.1	5.0	5.5	5.2	0.1	2.1%
Imports	2.3	2.5	2.3	2.5	2.4	0.1	2.3%
Import Share	30.0%	32.6%	31.4%	31.4%	31.8%	0.1% pts	
Light Trucks	8.7	8.7	8.9	8.1	8.6	(0.2)	-2.0%
Domestics	7.4	7.2	7.5	6.8	7.2	(0.2)	-2.5%
Imports	1.3	1.5	1.4	1.3	1.4	0.0	0.5%
Import Share	15.5%	16.7%	15.7%	16.0%	16.1%	0.4% pts	
Total Light Vehicles	16.5	16.3	16.2	16.1	16.2	0.0	0.0%
Heavy Trucks	0.5	0.4	0.4	0.3	0.4	(0.2)	-35.3%
Total Vehicles	17.0	16.7	16.6	16.4	16.6	(0.2)	-1.1%
U.S. Light Vehicle Inventories^(d)		Mar-07	Apr-07	May-07	3 Month	Change	
Total Car	1.323	1.538	1.503	1.360	1.467	-0.003	
Days Supply	53	60	58	45	54	-2 days	
Total Truck	2.224	2.012	1.990	1.976	1.993	-0.414	
Days Supply	79	69	67	66	67	-13 days	

Motor Vehicle Industry Production

- At 237,229 units, May 2007 Michigan motor vehicle production rose 7.3 percent from a year ago, compared with a 5.5 percent decline nationally. As a result, Michigan’s share of national production rose 2.8 percentage points to 23.2 percent.
- Compared with a year ago, state car production declined 7.1 percent while state truck production increased sharply (20.5 percent). Nationally, car production was down 14.7 percent while truck production was flat.
- 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 down 2.5 percent from a year ago, compared to a 6.5 percent decline nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 Average	Mar 2007	Apr 2007	May 2007	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	364.3	357.0	319.3	346.4	340.9	(59.7)	-14.7%
Trucks	584.1	668.5	604.5	677.9	650.3	(0.1)	0.0%
Total	948.4	1,025.5	923.8	1,024.3	991.2	(59.8)	-5.5%
Michigan Production ^(f)							
Autos	93.0	83.8	83.8	98.0	88.5	(7.5)	-7.1%
Trucks	96.6	123.2	120.7	139.2	127.7	23.6	20.5%
Total	189.6	207.0	204.6	237.2	216.2	16.2	7.3%
Michigan as % of U.S.	20.0%	20.2%	22.1%	23.2%	21.8%	2.8% pts	

May 2007 Unemployment Rates Rose in Twelve Major Labor Market Areas (Not Seasonally Adjusted)

From May 2006 to May 2007, unemployment rates rose in 12 major labor market areas and declined in five 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 0.8 percent. Employment declined by more than 1.0 percent in four labor market areas. Flint MSA (-2.3 percent) saw the largest year-over-year decline followed by Jackson MSA (-1.6 percent) and Muskegon-Norton Shores MSA (-1.5 percent). The Niles-Benton Harbor MSA reported the only employment increase from a year ago (1.7 percent).

Compared to a year ago, three areas (Holland-Grand Haven MSA, Northeast Lower Michigan and Northwest Lower Michigan) recorded the largest unemployment rate increase (0.6 of a percentage point) followed by Detroit-Warren-Livonia MSA and Muskegon-Norton Shores (0.5 of a percentage point). The Saginaw-Saginaw Township MSA reported the largest unemployment rate decline (0.6 of a percentage point) followed by the Lansing-East Lansing MSA (0.3 of a percentage point).

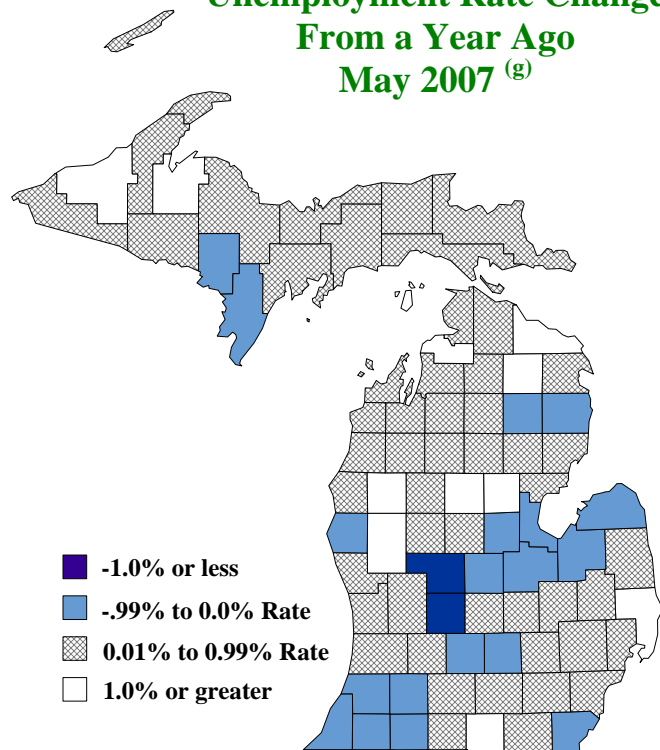
Compared to April 2007, unemployment rates fell in 14 major labor market areas. The median rate decline was 0.3 of a percentage point. May 2007 unemployment rates ranged between 4.5 percent (Ann Arbor MSA) and 8.4 percent (Northeast Lower Michigan).

Compared to May 2006, the unemployment rate rose in 62 counties, fell in 18 counties and remained unchanged in three counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2006 Rate</u>	<u>Apr 2007 Rate</u>	<u>May 2007 Rate</u>
Michigan	6.3%	6.8%	6.6%
Ann Arbor	4.4%	4.5%	4.5%
Battle Creek	6.4%	6.8%	6.5%
Bay City	6.7%	7.0%	6.5%
Detroit-Warren-Livonia	6.4%	6.7%	6.9%
Flint	7.7%	8.1%	7.8%
Grand Rapids-Wyoming	5.5%	5.8%	5.6%
Holland-Grand Haven	4.9%	5.3%	5.1%
Jackson	6.6%	7.5%	7.2%
Kalamazoo-Portage	5.2%	5.5%	5.3%
Lansing-East Lansing	5.7%	5.6%	5.4%
Monroe	5.8%	6.0%	5.6%
Muskegon-Norton Shores	6.4%	6.9%	6.9%
Niles-Benton Harbor	6.6%	6.7%	6.4%
Saginaw-Saginaw Township	7.3%	7.1%	6.7%
Upper Peninsula	6.8%	8.6%	7.2%
Northeast Lower Mich	7.8%	10.5%	8.4%
Northwest Lower Mich.	6.4%	8.4%	7.0%

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



U.S. Economic Conditions

	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	91.3	88.4	87.1	88.3	9.2 points
ISM Manufacturing Index ⁽ⁱ⁾	52.3	50.9	54.7	55.0	0.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.3	52.4	56.0	59.7	0.5 points
	<u>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	
Business Executives' Confidence ^(j)	50.0	44.0	50.0	53.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	203.5	205.4	206.7	207.9	2.7%
Detroit CPI	198.1	NA	200.4	NA	1.6%
U.S. Producer Price Index	162.0	164.2	165.8	167.8	4.1%
INTEREST RATES					
90 Day T-Bill ^(l)	5.02%	4.97%	4.88%	4.77%	0.05% points
Aaa Corporate Bonds ^(m)	5.39%	5.30%	5.47%	5.47%	-0.48% points
INDUSTRIAL PRODUCTION ^(m)					
	112.5	112.2	112.7	112.7	1.6%
CAPACITY UTILIZATION ^(m)					
	81.6%	81.2%	81.5%	81.3%	-0.4% points
RETAIL SALES ⁽ⁿ⁾					
	\$369.3	\$372.9	\$372.6	\$377.9	5.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.487	1.491	1.506	1.474	-24.2%
Existing Home Sales ^(p)	6.680	6.150	6.010	5.990	-10.3%
DURABLE GOODS ORDERS ^(q)					
	\$206.2	\$216.7	\$219.1	\$213.0	0.7%
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>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,388.1	\$11,443.5	\$11,513.0	\$11,532.8	0.7%

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.