



# MICHIGAN ECONOMIC UPDATE

Economic and Revenue Forecasting Division  
Bureau of Tax and Economic Policy  
Michigan Department of Treasury  
<http://www.michigan.gov/treasury>

## September 2006 Summary

**U.S. Economy:** September U.S. economic indicators were mixed. The manufacturing ISM index was down 5.1 points compared to a year ago and the non-manufacturing ISM index was down slightly. The index of leading economic indicators increased slightly, rising for the first time in three months. Consumer sentiment was up considerably from a year ago. Housing starts were down 17.9 percent from a year ago while existing home sales fell 14.2 percent. Excluding vehicles and gasoline, retail sales were up 7.3 percent compared to a year ago (three-month average). New durable goods orders, excluding defense and aircraft, rose 10.2 percent compared to a year ago (three-month average).

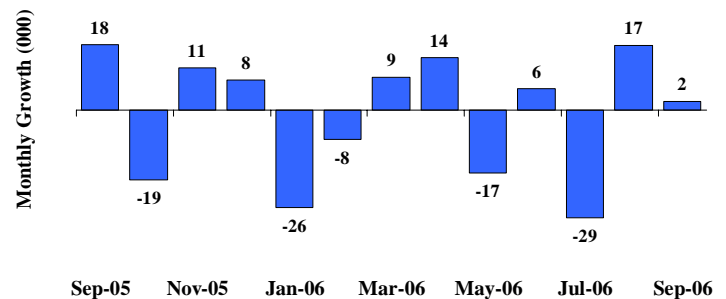
**Employment:** Michigan's unemployment rate remained unchanged at 7.1 percent. State payroll employment rose by 2,200 jobs. Nationally, payroll employment rose by 51,000 jobs. The U.S. unemployment rate fell to 4.6 percent.

**Auto Industry:** September light vehicle sales increased to a 16.6 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 16.7 percent compared with a 12.2 percent decline nationally. Light vehicle inventories rose 7.3 percent while days supply rose by 6 days.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 2.1 percent. Excluding food and energy, the CPI increased 2.9 percent. Overall producer prices climbed 0.9 percent while the core PPI rose 1.2 percent.

**Michigan Metro Areas:** Compared to a year ago, September 2006 unemployment rates rose in all major labor market areas, with a median increase of 0.9 of a percentage point. Employment fell in 11 labor market areas with a median decline of 0.7 percent. Unemployment rates ranged between 4.6 percent (Ann Arbor MSA) and 8.1 percent (Flint MSA).

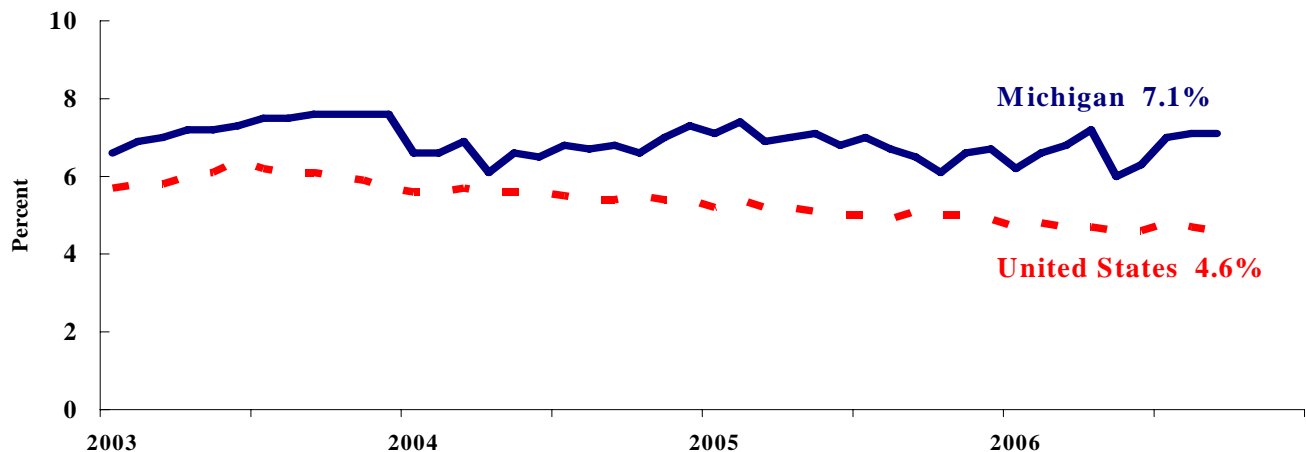
## Michigan Employment Increases In September<sup>(a)</sup>



## Labor Market Statistics

- Michigan's September monthly unemployment rate remained unchanged at 7.1 percent from last month and the current Michigan jobless rate is 0.6 percentage points above a year ago. The September U.S. unemployment rate decreased 0.1 percentage points to 4.6 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 September, the number of people employed in Michigan was 4,748,000, up 22,000 from last month, while the labor force increased by 26,000. The statewide total number of unemployed increased by 4,000 to 364,000.
- United States household employment totaled 144.9 million persons in September, up 271,000 from August. The labor force rose by 101,000 from last month, which meant that there were 170,000 less unemployed people nationally, compared to August.

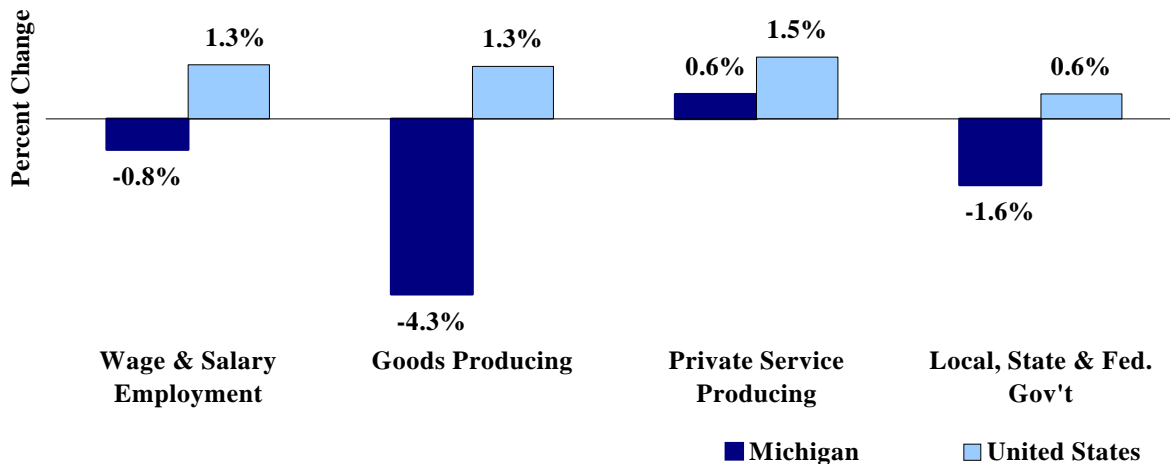
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2005 Average	Jul 2006	Aug 2006	Sep 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,097	5,095	5,086	5,112	26	0.5%	16	0.3%
Employed	4,754	4,739	4,726	4,748	22	0.5%	-17	-0.4%
Unemployed	344	356	360	364	4	1.1%	32	9.6%
Unemployment Rate	6.7%	7.0%	7.1%	7.1%	n.a.	0.0% pts	n.a.	0.6%
<b>United States</b>								
Labor Force	149,320	151,534	151,698	151,799	101	0.1%	1,706	1.1%
Employed	141,730	144,329	144,579	144,850	271	0.2%	2,418	1.7%
Unemployed	7,591	7,205	7,119	6,949	-170	-2.4%	-712	-9.3%
Unemployment Rate	5.1%	4.8%	4.7%	4.6%	n.a.	-0.1% pts	n.a.	-0.5%

## Employment by Place of Work

- From September 2005 to September 2006, Michigan wage and salary employment decreased 33,000 (0.8 percent). State wage and salary employment increased 2,000 from August. Nationally, September 2006 wage and salary employment rose 1,773,000 (1.3 percent) from a year ago and was up 51,000 from last month.

### Wage and Salary Employment Growth September 2005 to September 2006



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

- In the goods-producing sector, Michigan employment fell 4.3 percent from a year ago while private service-producing sector employment increased 0.6 percent compared to last year. From a year ago, September national employment in the goods-producing sector rose 1.3 percent and increased 1.5 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.8 hours in Michigan compared to last year.

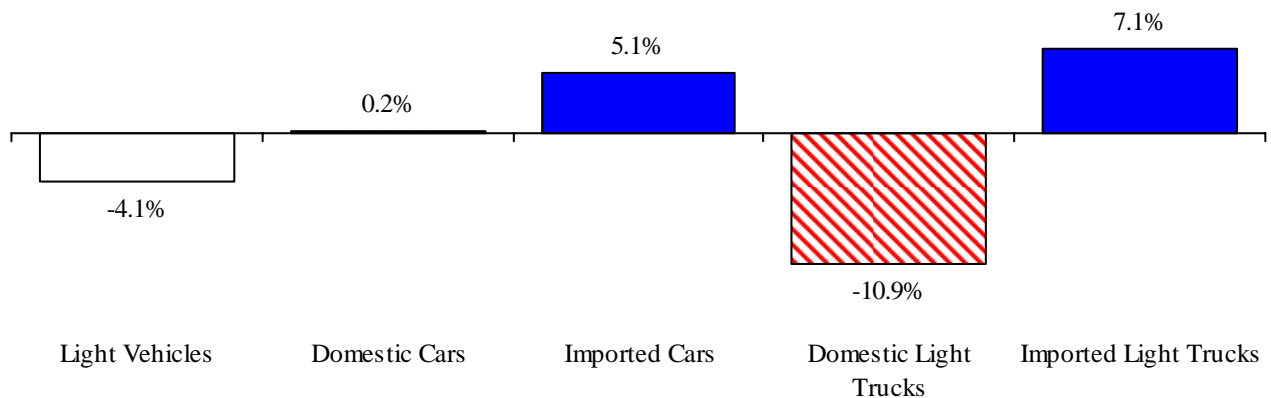
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2005 Average	Sep 2005	Sep 2006	Percent Change	2005 Average	Sep 2005	Sep 2006	Percent Change
Wage & Salary Employment	4,384	4,396	4,363	-0.8%	133,463	133,840	135,613	1.3%
Goods Producing	879	884	846	-4.3%	22,133	22,143	22,427	1.3%
Manufacturing	679	682	644	-5.6%	14,232	14,187	14,210	0.2%
Private Service Producing	2,832	2,835	2,852	0.6%	89,527	89,842	91,198	1.5%
Trade, Trans. & Utilities	804	802	789	-1.6%	25,909	25,944	26,060	0.4%
Services	1,742	1,747	1,776	1.7%	52,412	52,655	53,733	2.0%
Local, State & Fed. Gov't	674	678	667	-1.6%	21,803	21,855	21,988	0.6%
Manufacturing Weekly Hours	41.7	41.9	42.7	0.8 hrs	40.7	40.7	41.1	0.4 hrs

## Motor Vehicle Industry Sales

- At a 16.6 million unit annual rate, September 2006 light vehicle sales were up 3.5 percent compared to last month and up 0.7 percent from last September.
- Compared to September 2005, domestic sales were down 1.6 percent while foreign sales were up 9.5 percent. Auto sales fell 3.5 percent while light truck sales were up 4.6 percent.
- Year-to-date, light vehicle sales were down 4.1 percent. Domestic car sales rose 0.2 percent, while foreign car sales increased 5.1 percent. Domestic light truck sales fell 10.9 percent; foreign light truck sales were up 7.1 percent. Vehicle inventories increased 7.3 percent while days supply was up 6 days at 58 days.

### Year-to-Date Vehicle Down Compared to a Year Ago <sup>(c)</sup>



## Motor Vehicle Sales Statistics

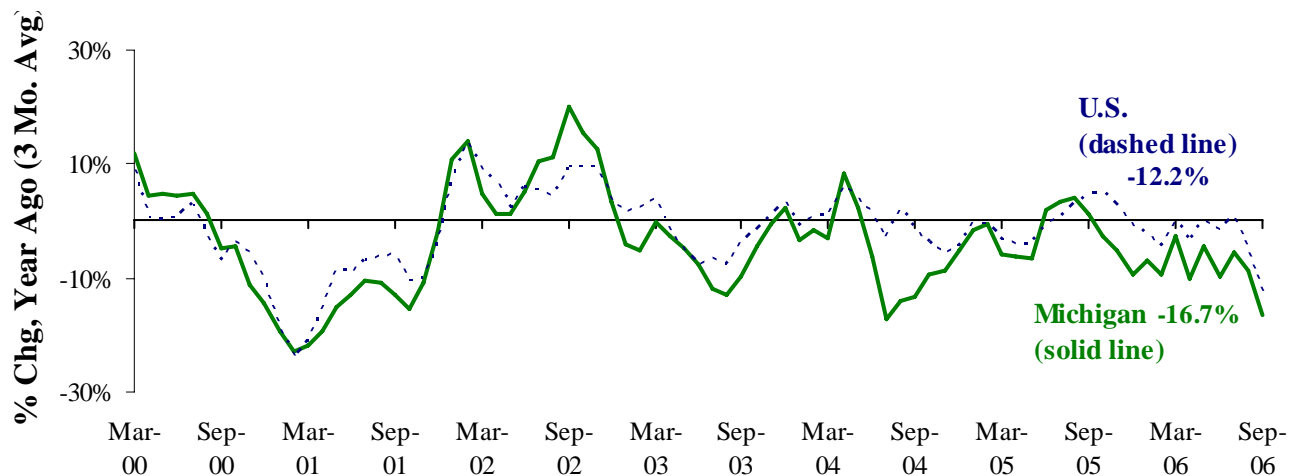
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2005 Average	Jul 2006	Aug 2006	Sep 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	8.2	7.7	7.6	7.9	(0.3)	-3.5%
Domestics	5.5	5.6	5.3	5.3	5.4	(0.4)	-6.3%
Imports	2.2	2.7	2.4	2.3	2.5	0.1	3.5%
Import Share	28.7%	32.4%	31.1%	30.2%	31.3%	2.1% pts	
Light Trucks	9.2	8.9	8.3	8.9	8.7	0.4	4.6%
Domestics	8.0	7.6	7.1	7.6	7.4	0.1	2.0%
Imports	1.2	1.3	1.2	1.4	1.3	0.2	21.5%
Import Share	13.2%	14.8%	14.3%	15.2%	14.8%	2.1% pts	
Total Light Vehicles	16.9	17.1	16.0	16.6	16.6	0.1	0.7%
Heavy Trucks	0.5	0.5	0.5	0.6	0.5	(0.0)	9.6%
Total Vehicles	17.4	17.7	16.6	17.1	17.1	0.2	0.9%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Jul-06</b>	<b>Aug-06</b>	<b>Sep-06</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.284	1.149	1.127	1.174	1.150	0.132	
Days Supply	52	40	42	48	43	8 days	
Total Truck	2.274	2.121	2.059	2.080	2.087	0.088	
Days Supply	78	69	73	76	73	3 days	

## Motor Vehicle Industry Production

- At 173,230 units, September 2006 Michigan light vehicle production fell 26.2 percent from a year ago, compared with a 16.3 percent decline nationally. As a result, Michigan's share of national production declined 2.5 percentage points to 18.7 percent.
- Compared with a year ago, state car production declined 15.1 percent while state truck production fell 35.1 percent. Nationally, car production was down 4.2 percent while truck production declined 22.7 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 of vehicle production was down 16.7 percent from a year ago, compared to a 12.2 percent decline nationally.

### Trend Light Vehicle Production Down in Michigan and Nationally <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Jul 2006	Aug 2006	Sep 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	359.1	222.5	405.0	366.5	331.4	(16.2)	-4.2%
Trucks	639.7	352.6	624.5	561.2	512.8	(164.8)	-22.7%
Total	998.8	575.1	1,029.5	927.7	844.1	(181.1)	-16.3%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	98.9	39.7	97.4	88.9	75.3	(15.8)	-15.1%
Trucks	105.2	42.0	106.8	84.3	77.7	(45.6)	-35.1%
Total	204.1	81.6	204.2	173.2	153.0	(61.4)	-26.2%
Michigan as % of U.S.	20.4%	14.2%	19.8%	18.7%	18.1%	-2.5 pts	

## September 2006 Unemployment Rates Rose in All Major Labor Market Areas (Not Seasonally Adjusted)

From September 2005 to September 2006, unemployment rates rose in all major labor market areas. The median unemployment rate increase was 0.9 of a percentage point.

Compared to a year ago, employment fell in 11 major labor market areas. The median employment decrease was 0.7 percent. Employment decreased by more than 1.0 percent in four labor market areas. Employment rose in five major labor market areas.

The Jackson MSA reported the largest unemployment rate increase compared to a year ago (1.4 percentage points). The Flint MSA, Monroe MSA and Northeast Lower Michigan recorded the second largest rate increase (1.3 percentage points), followed by the Muskegon MSA (1.1 percentage points).

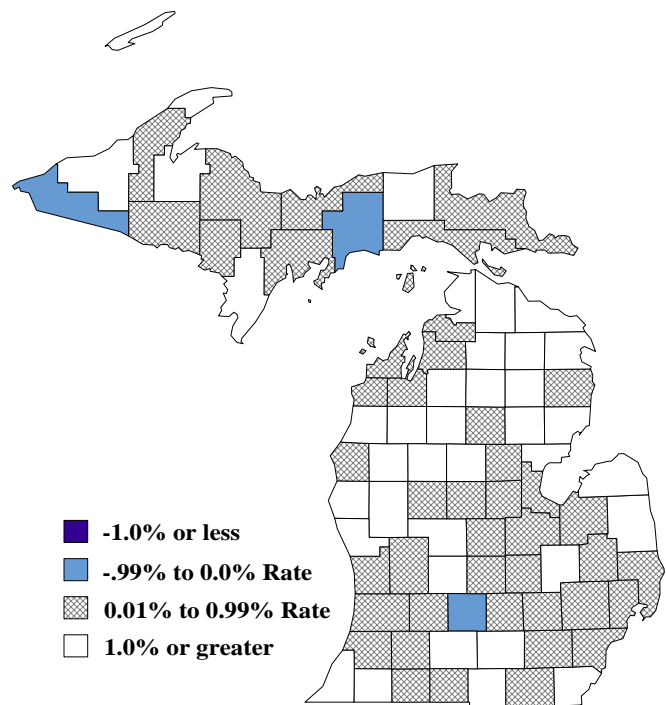
Compared to August 2006, unemployment rates fell slightly in nine major labor market areas. The median rate decline was 0.1 of a percentage point. September 2006 unemployment rates ranged between 4.6 percent (Ann Arbor MSA) and 8.1 percent (Flint MSA).

Compared to September 2005, unemployment rates rose in 80 counties, fell in one county and were unchanged in two counties.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Sep 2005 Rate</u>	<u>Aug 2006 Rate</u>	<u>Sep 2006 Rate</u>
Michigan	6.0%	6.7%	6.7%
Ann Arbor	3.9%	4.6%	4.6%
Battle Creek	5.8%	6.8%	6.8%
Bay City	5.7%	6.5%	6.4%
Detroit-Warren-Livonia	6.7%	7.0%	7.0%
Flint	6.8%	8.3%	8.1%
Grand Rapids-Wyoming	5.2%	5.9%	6.0%
Holland-Grand Haven	4.3%	5.0%	5.2%
Jackson	5.9%	7.5%	7.3%
Kalamazoo-Portage	4.8%	5.5%	5.4%
Lansing-East Lansing	5.4%	5.8%	5.7%
Monroe	5.5%	6.8%	6.8%
Muskegon-Norton Shores	5.8%	6.9%	6.9%
Niles-Benton Harbor	5.8%	7.0%	6.8%
Saginaw-Saginaw Township	6.7%	7.2%	7.1%
Upper Peninsula	5.1%	6.0%	5.8%
Northeast Lower Mich	5.8%	7.2%	7.1%
Northwest Lower Mich.	5.1%	5.8%	6.1%

### Unemployment Rates September 2006<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	84.9	84.7	82.0	85.4	8.5 points
ISM Manufacturing Index <sup>(i)</sup>	53.8	54.7	54.5	52.9	-5.1 points
ISM Non Manufacturing Index <sup>(i)</sup>	57.0	54.8	57.0	52.9	-0.8 points
	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	
Business Executives' Confidence <sup>(j)</sup>	50.0	56.0	57.0	50.0	-5.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	202.9	203.5	203.9	202.9	2.1%
Detroit CPI	196.8	NA	198.6	NA	3.3%
U.S. Producer Price Index	161.7	162.0	162.1	160.3	0.9%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.79%	4.96%	4.98%	4.82%	1.35% points
Aaa Corporate Bonds <sup>(m)</sup>	5.89%	5.85%	5.68%	5.51%	0.38% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	113.4	113.8	113.8	113.1	5.6%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	82.5%	82.6%	82.5%	81.9%	2.8% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$362.4	\$367.4	\$367.7	\$366.2	5.5%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.833	1.760	1.674	1.772	-17.9%
Existing Home Sales <sup>(p)</sup>	6.600	6.330	6.300	6.180	-14.2%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$216.7	\$210.6	\$210.4	\$226.7	14.1%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>% Change From Year Ago</u>
Michigan	\$333.0	\$335.3	\$339.5	\$345.4	4.5%
U.S.	\$10,248.5	\$10,469.6	\$10,702.7	\$10,882.8	7.3%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,163.8	\$11,316.4	\$11,388.1	\$11,432.9	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.