



MICHIGAN ECONOMIC UPDATE

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

June 2006 Summary

U.S. Economy: June U.S. economic indicators evidenced signs of a slowdown. The manufacturing ISM index was down slightly both from last month and a year ago while the non-manufacturing index fell substantially from a year ago. The index of leading economic indicators was flat in June. Consumer sentiment declined from May and was down sharply from a year ago. The housing sector continued to show signs of slowing with both housing starts and existing home sales down sharply from June 2005. In the second quarter, real GDP grew at a 2.5 percent annual rate, slowing substantially from 5.6 growth in the first quarter with significantly slower second quarter consumption, investment, government spending and export growth. Excluding vehicles and gasoline, retail sales were up 7.0 percent compared to a year ago. New durable goods orders, excluding defense and aircraft, rose 7.3 percent compared to a year ago.

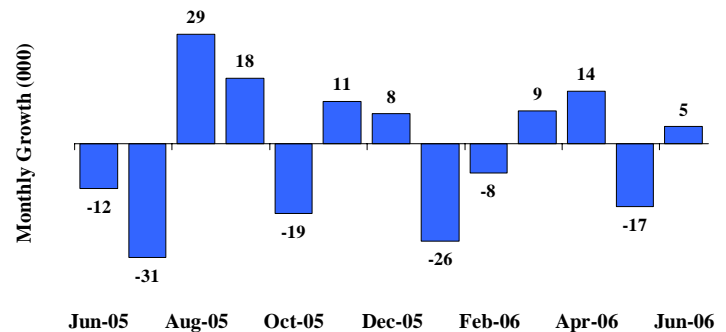
Employment: Michigan's unemployment rate rose to 6.3 percent as the State's labor force grew. State payroll employment increased by 4,500 jobs. Nationally, payroll employment rose by 121,000 jobs. The U.S. unemployment rate remained unchanged at 4.6 percent.

Auto Industry: June light vehicle sales increased to a 16.2 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 9.7 percent compared with a 1.6 percent decline nationally. Light vehicle inventories increased 3.5 percent while days supply rose 9 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 4.3 percent. Overall producer prices climbed 4.9 percent. The Detroit CPI rose 3.8 percent. The second quarter consumption deflator excluding food and energy grew 2.3 percent from a year ago.

Michigan Metro Areas: Compared to a year ago, June 2006 unemployment rates fell in 14 major labor market areas, with a median decline of 0.3 of a percentage point. Employment rose in 16 labor market areas with a median increase of 2.1 percent. Unemployment rates ranged between 4.4 percent (Ann Arbor MSA) and 7.7 percent (Flint MSA).

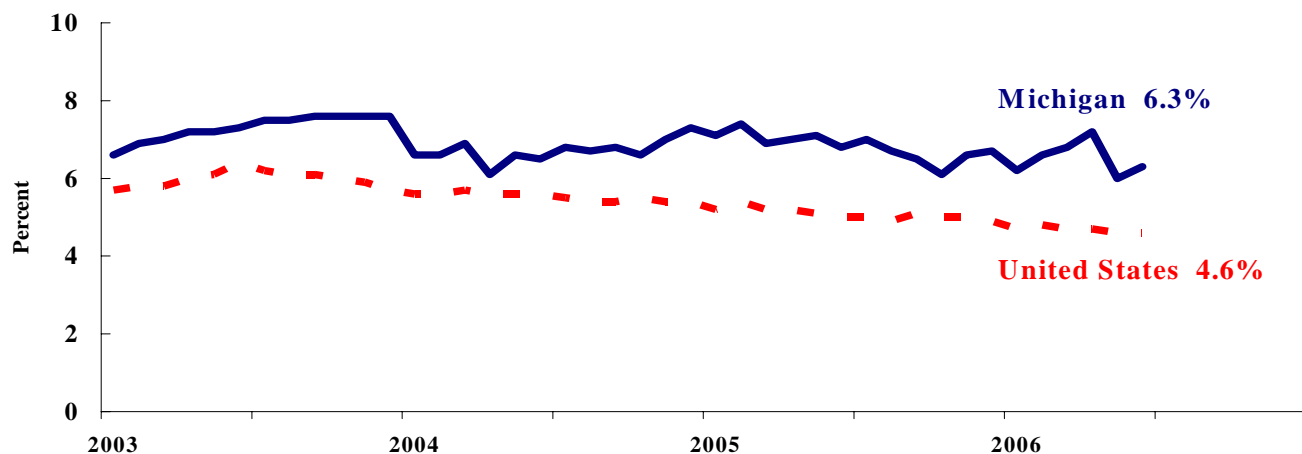
Michigan Employment Rises
In June^(a)



Labor Market Statistics

- Michigan's June monthly unemployment rate increased 0.3 percentage points to 6.3 percent from May and the current Michigan jobless rate is 0.4 percentage points below a year ago. The June U.S. unemployment rate remained unchanged at 4.6 percent and was 0.4 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 June, the number of people employed in Michigan was 4,794,000, up 10,000 from last month, while the labor force increased by 23,000. The statewide total number of unemployed increased by 13,000 to 321,000.
- United States household employment totaled 144.4 million persons in June, up 387,000 from May. The labor force rose by 330,000 from last month, which meant that there were 58,000 less unemployed people nationally, compared to May.

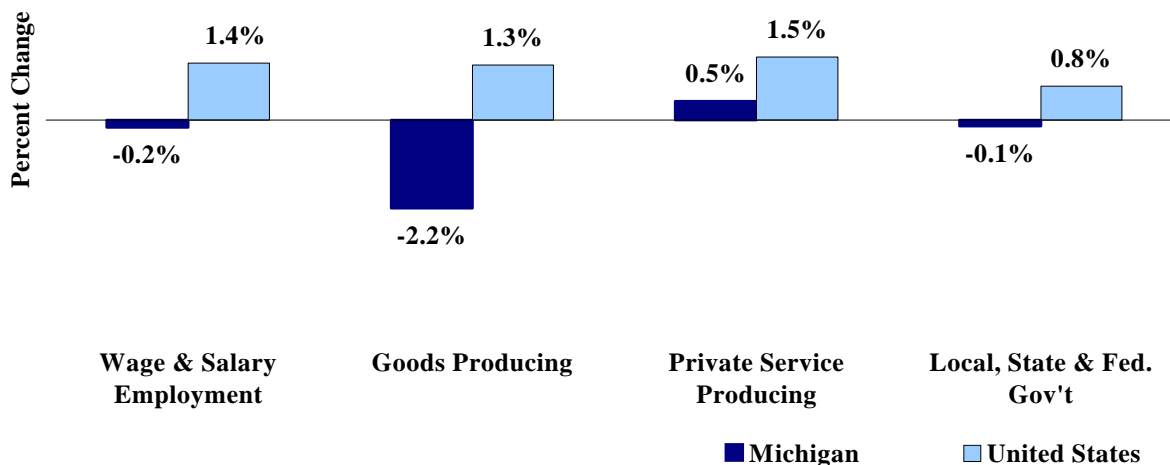
Employment by Place of Residence (in thousands)^(a)

	2005 Average	Apr 2006	May 2006	Jun 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,097	5,158	5,092	5,115	23	0.5%	22	0.4%
Employed	4,754	4,788	4,784	4,794	10	0.2%	43	0.9%
Unemployed	344	369	308	321	13	4.2%	-21	-6.1%
Unemployment Rate	6.7%	7.2%	6.0%	6.3%	n.a.	0.3% pts	n.a.	-0.4%
United States								
Labor Force	149,320	150,811	150,991	151,321	330	0.2%	2,198	1.5%
Employed	141,730	143,688	143,976	144,363	387	0.3%	2,725	1.9%
Unemployed	7,591	7,123	7,015	6,957	-58	-0.8%	-529	-7.1%
Unemployment Rate	5.1%	4.7%	4.6%	4.6%	n.a.	0.0% pts	n.a.	-0.4%

Employment by Place of Work

- From June 2005 to June 2006, Michigan wage and salary employment declined 8,000 (0.2 percent). State wage and salary employment increased 5,000 from May. Nationally, June 2006 wage and salary employment rose 1,854,000 (1.4 percent) from a year ago and was up 121,000 from last month.

Wage and Salary Employment Growth June 2005 to June 2006



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

- In the goods-producing sector, Michigan employment fell 2.2 percent from a year ago while private service-producing sector employment increased 0.5 percent compared to last year. From a year ago, June 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 1.9 hours in Michigan compared to last year.

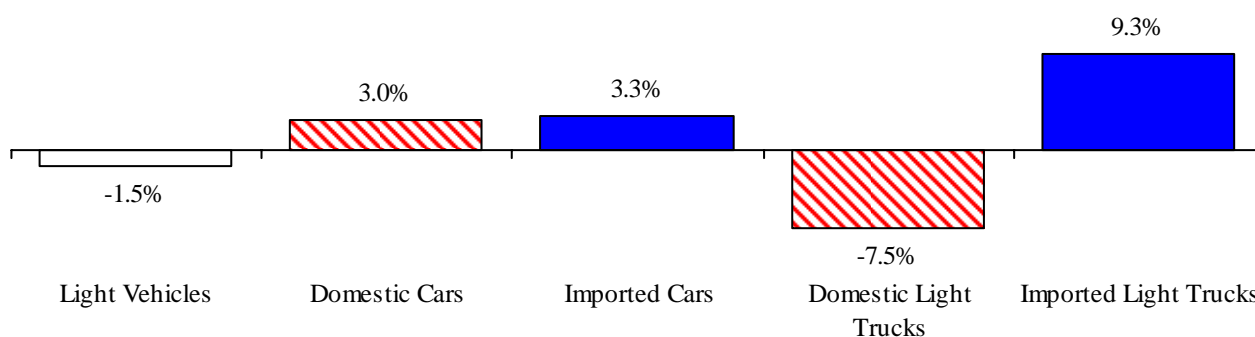
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2005 Average	Jun 2005	Jun 2006	Percent Change	2005 Average	Jun 2005	Jun 2006	Percent Change
Wage & Salary Employment	4,384	4,380	4,372	-0.2%	133,463	133,376	135,230	1.4%
Goods Producing	879	879	860	-2.2%	22,133	22,133	22,431	1.3%
Manufacturing	679	679	661	-2.7%	14,232	14,233	14,251	0.1%
Private Service Producing	2,832	2,828	2,841	0.5%	89,527	89,457	90,832	1.5%
Trade, Trans. & Utilities	804	805	794	-1.4%	25,909	25,908	26,050	0.5%
Services	1,742	1,737	1,761	1.4%	52,412	52,373	53,402	2.0%
Local, State & Fed. Gov't	674	674	673	-0.1%	21,803	21,786	21,967	0.8%
Manufacturing Weekly Hours	41.7	41.5	43.4	1.9 hrs	40.7	40.4	41.3	0.9 hrs

Motor Vehicle Industry Sales

- At a 16.2 million unit annual rate, June 2006 light vehicle sales were up 1.3 percent compared to last month but down 8.8 percent from June 2005.
- Compared to June 2005, domestic sales were down 12.9 percent while foreign sales were up 7.8 percent. Auto sales rose 3.0 percent while light truck sales were down 17.3 percent.
- Year-to-date, light vehicle sales were down 1.5 percent. Domestic car sales rose 3.0 percent, while foreign car sales increased 3.3 percent. Domestic light truck sales fell 7.5 percent; foreign light truck sales were up 9.3 percent. Vehicle inventories increased 3.5 percent while days supply was up 9 days at 63 days. Days supply of trucks rose by 19 days from a year ago.

Year-to-Date Vehicle Down Slightly Compared to a Year Ago ^(c)



Motor Vehicle Sales Statistics

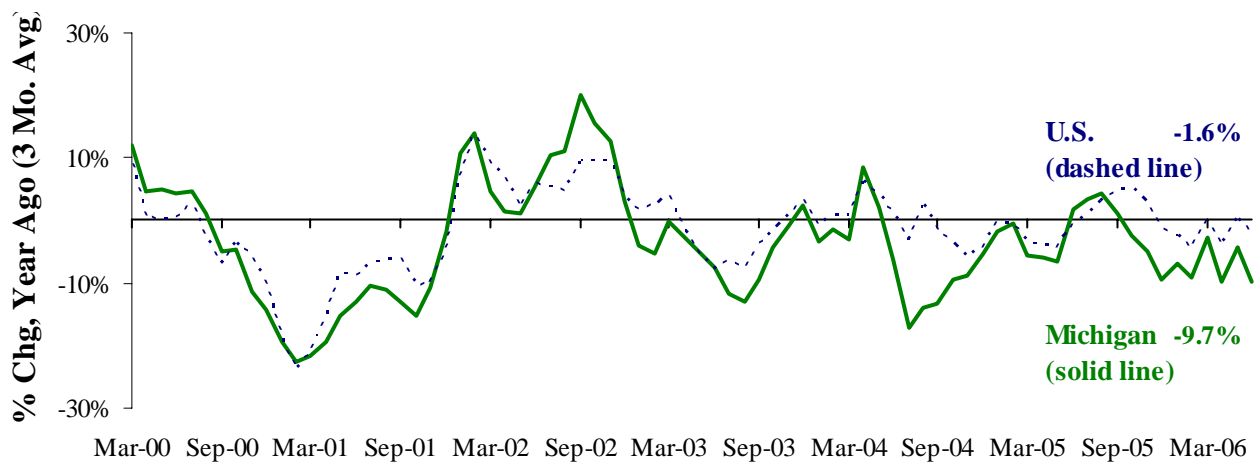
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2005 Average	Apr 2006	May 2006	Jun 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	8.0	7.8	7.7	7.8	0.2	3.0%
Domestics	5.5	5.6	5.3	5.3	5.4	0.0	0.2%
Imports	2.2	2.4	2.5	2.4	2.4	0.2	9.5%
Import Share	28.7%	29.9%	31.6%	31.6%	31.0%	1.9% pts	
Light Trucks	9.2	8.7	8.3	8.6	8.5	(1.8)	-17.3%
Domestics	8.0	7.2	7.0	7.2	7.1	(1.9)	-20.4%
Imports	1.2	1.4	1.3	1.3	1.4	0.1	4.7%
Import Share	13.2%	16.7%	15.7%	15.5%	16.0%	3.3% pts	
Total Light Vehicles	16.9	16.7	16.0	16.2	16.3	(1.6)	-8.8%
Heavy Trucks	0.5	0.5	0.5	0.5	0.5	(0.0)	6.7%
Total Vehicles	17.4	17.2	16.6	16.8	16.9	(1.5)	-8.4%
U.S. Light Vehicle Inventories^(d)		Apr-06	May-06	Jun-06	3 Month	Change	
Total Car	1.284	1.402	1.363	1.360	1.375	0.029	
Days Supply	52	51	47	49	49	0 days	
Total Truck	2.274	2.378	2.390	2.480	2.416	0.100	
Days Supply	78	85	79	83	82	19 days	

Motor Vehicle Industry Production

- At 215,125 units, June 2006 Michigan light vehicle production fell 7.2 percent from a year ago, compared with a 2.4 percent increase nationally. As a result, Michigan's share of national production fell 2.0 percentage points to 19.7 percent.
- Compared with a year ago, state car production declined 23.6 percent while state truck production increased 9.5 percent. Nationally, car production fell 1.8 percent while truck production rose 4.8 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 9.7 percent from a year ago, compared to a 1.6 percent decline nationally.

Trend Light Vehicle Production Down in Michigan and Nationally ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Apr 2006	May 2006	Jun 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	359.1	353.2	406.1	386.0	381.7	(7.0)	-1.8%
Trucks	639.7	568.4	678.0	705.9	650.8	32.2	4.8%
Total	998.8	921.6	1,084.1	1,091.9	1,032.5	25.2	2.4%
Michigan Production ^(f)							
Autos	98.9	91.7	105.4	89.5	95.5	(27.7)	-23.6%
Trucks	105.2	99.8	115.6	125.6	113.6	10.9	9.5%
Total	204.1	191.4	221.0	215.1	209.2	(16.8)	-7.2%
Michigan as % of U.S.	20.4%	20.8%	20.4%	19.7%	20.3%	-2.0%	pts

June 2006 Unemployment Rates Fall in Fourteen Major Labor Market Areas (Not Seasonally Adjusted)

From June 2005 to June 2006, unemployment rates fell in 14 major labor market areas. The median unemployment rate decline was 0.3 of a percentage point. Two areas reported no change in their unemployment rates while one area reported a slight increase.

Compared to a year ago, employment rose in 16 major labor market areas. The median employment increase was 2.1 percent. Employment increased by more than 2.0 percent in nine labor market areas. Three areas (Lansing East Lansing MSA, Holland-Grand Haven MSA and Northwest Lower Michigan) reported employment increases equal to or greater than 3.0 percent. The Detroit-Warren-Livonia reported a slight employment decline from a year ago.

The Lansing-East Lansing MSA and Saginaw-Saginaw Township MSA reported the largest unemployment rate decline compared to a year ago (0.7 of a percentage point). The Detroit-Warren-Livonia MSA recorded the second largest rate decline (0.6 of a percentage point), followed by the Bay City MSA and the Upper Peninsula (0.4 of a percentage point).

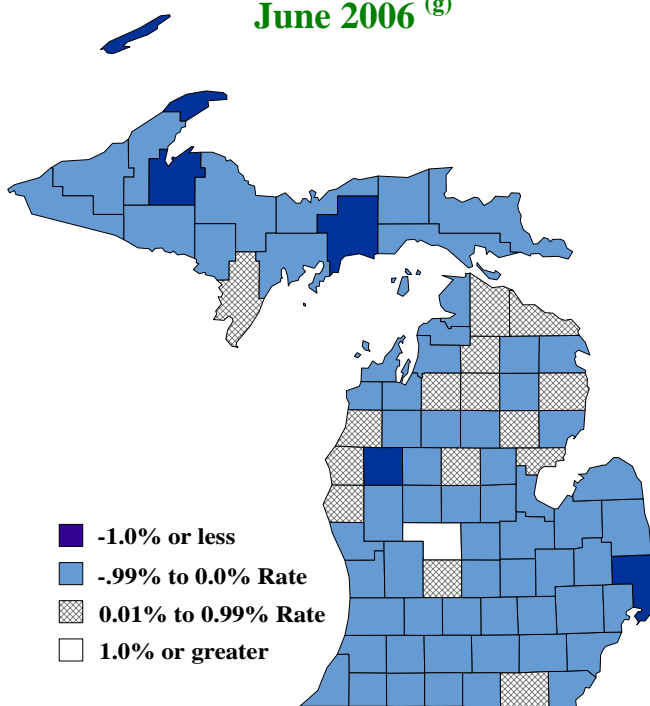
Compared to May 2006, unemployment rates declined in three major labor markets and increased in 14 areas. The median rate increase was 0.5 of a percentage point. June 2006 unemployment rates ranged between 4.4 percent (Ann Arbor MSA) and 7.7 percent (Flint MSA).

Compared to June 2005, unemployment rates fell in 63 counties, remained unchanged in four and increased in 16 counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jun 2005 Rate</u>	<u>May 2006 Rate</u>	<u>Jun 2006 Rate</u>
Michigan	6.8%	5.8%	6.5%
Ann Arbor	4.4%	4.0%	4.4%
Battle Creek	6.6%	6.0%	6.4%
Bay City	6.9%	6.3%	6.5%
Detroit-Warren-Livonia	7.5%	5.8%	6.9%
Flint	7.8%	7.3%	7.7%
Grand Rapids-Wyoming	6.0%	5.2%	5.7%
Holland-Grand Haven	5.2%	4.5%	5.0%
Jackson	6.7%	6.1%	6.7%
Kalamazoo-Portage	5.7%	4.9%	5.5%
Lansing-East Lansing	6.4%	5.3%	5.7%
Monroe	6.0%	5.4%	5.9%
Muskegon-Norton Shores	6.8%	6.0%	6.5%
Niles-Benton Harbor	6.9%	6.2%	6.8%
Saginaw-Saginaw Township	7.9%	6.8%	7.2%
Upper Peninsula	6.4%	6.3%	6.0%
Northeast Lower Mich	6.9%	7.2%	7.0%
Northwest Lower Mich.	5.9%	5.9%	5.7%

Unemployment Rate Change Compared to Year Ago June 2006^(g)



U.S. Economic Conditions

	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	88.9	87.4	79.1	84.9	-11.1 points
ISM Manufacturing Index ⁽ⁱ⁾	55.2	57.3	54.4	53.8	-0.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	60.5	63.0	60.1	57.0	-4.1 points
	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	
Business Executives' Confidence ^(j)	50.0	56.0	57.0	50.0	-5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	199.8	201.5	202.5	202.9	4.3%
Detroit CPI	NA	197.2	NA	196.8	3.8%
U.S. Producer Price Index	159.0	160.6	161.2	161.7	4.9%
INTEREST RATES					
90 Day T-Bill ^(l)	4.51%	4.59%	4.72%	4.79%	1.80% points
Aaa Corporate Bonds ^(m)	5.53%	5.84%	5.95%	5.89%	0.93% points
INDUSTRIAL PRODUCTION ⁽ⁿ⁾	111.2	112.2	112.3	113.2	4.5%
CAPACITY UTILIZATION ^(m)	81.3%	81.9%	81.8%	82.4%	2.1% points
RETAIL SALES ⁽ⁿ⁾	\$361.2	\$363.6	\$364.1	\$363.8	5.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.972	1.832	1.953	1.850	-11.0%
Existing Home Sales ^(p)	6.900	6.750	6.710	6.620	-8.9%
DURABLE GOODS ORDERS ^(q)	\$219.5	\$209.2	\$209.8	\$216.3	5.8%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>% Change From Year Ago</u>
Michigan	\$334.1	\$335.4	\$336.0	\$339.2	2.8%
U.S.	\$10,187.2	\$10,252.3	\$10,444.0	\$10,588.3	5.1%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,115.1	\$11,163.8	\$11,316.4	\$11,385.3	2.5%

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.