



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## July 2007 Summary

**U.S. Economy:** July U.S. economic indicators were mixed. The ISM manufacturing index was down slightly from a year ago while the non-manufacturing ISM index was essentially flat. The index of leading economic indicators rose 0.4 percent; the six-month annualized growth rate, often used as a rule of thumb for recession, rose 0.3 percent. Housing starts were down 20.9 percent from a year ago; existing home sales fell 9.0 percent. Excluding vehicles and gasoline, retail sales rose 5.1 percent compared to a year ago (three-month average). The three-month average of new durable goods orders, excluding defense and aircraft, declined 0.9 percent compared to a year ago, marking the sixth straight month of decline. Industrial production grew 1.4 percent from a year ago.

**Employment:** In July, Michigan's payroll employment fell by 19,800 jobs. The State unemployment rate remained unchanged at 7.2 percent. Nationally, employment rose by 92,000 jobs. The U.S. unemployment rate rose 0.1 of a percentage point to 4.6 percent.

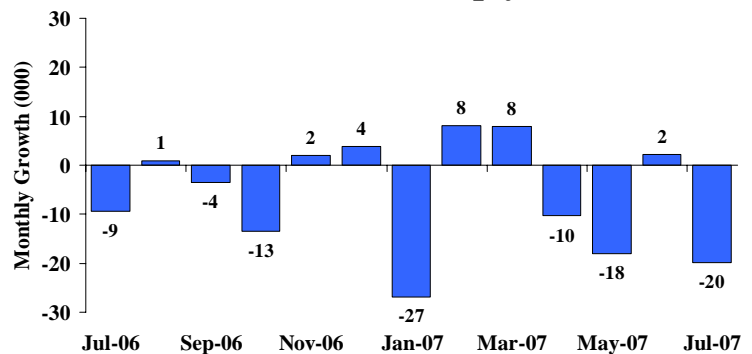
**Auto Industry:** July light vehicle sales fell to a 15.2 million unit annual rate, its lowest rate in almost two years. Compared to a year ago, the three-month average of State vehicle production rose 13.3 percent compared with a 1.8 percent decline nationally. Light vehicle inventories fell 4.9 percent from a year ago; days supply rose by 2 days

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 2.4 percent.

The core CPI (excluding energy and food) increased 2.2 percent. Overall producer prices rose 4.0 percent but core producer prices increased only 2.4 percent.

**Michigan Metro Areas:** Compared to a year ago, July 2007 unemployment rates fell in 10 major labor market areas. Employment fell in 16 labor market areas with a median decline of 2.1 percent. Sixteen areas reported sizeable labor force declines. Unemployment rates ranged between 5.6 percent (Ann Arbor MSA) and 9.8 percent (Flint MSA).

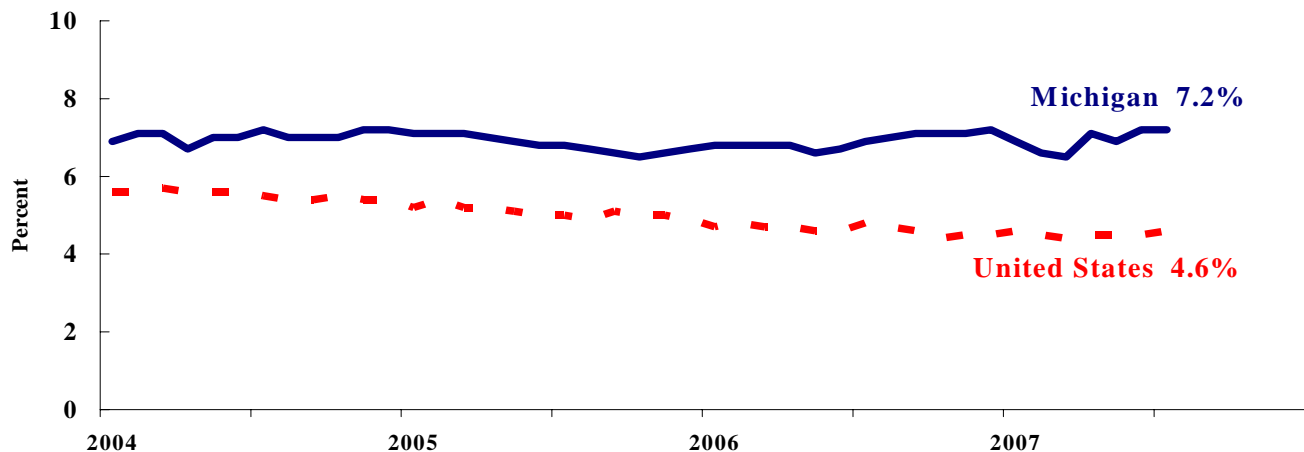
**Michigan Employment Declines Sharply<sup>(a)</sup>**



## Labor Market Statistics

- Michigan's July monthly unemployment rate remained unchanged at 7.2 percent from last month while the current Michigan jobless rate is 0.3 percentage points above a year ago. The July U.S. unemployment rate increased 0.1 percentage points to 4.6 percent and was 0.2 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 July, the number of people employed in Michigan was 4,660,000, down 23,000 from last month, while the labor force decreased by 26,000. The statewide total number of unemployed decreased by 3,000 to 360,000.
- United States household employment totaled 146.1 million persons in July, down 30,000 from June. The labor force rose by 159,000 from last month, which meant that there were 188,000 more unemployed people nationally, compared to June.

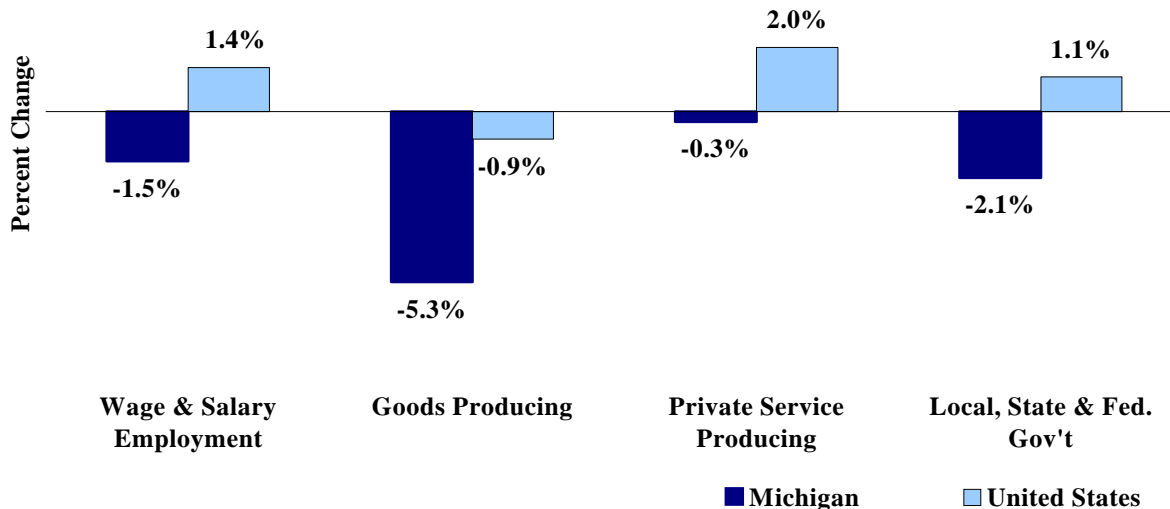
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2006 Average	May 2007	Jun 2007	Jul 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,081	5,054	5,046	5,020	-26	-0.5%	-59	-1.2%
Employed	4,730	4,706	4,683	4,660	-23	-0.5%	-68	-1.4%
Unemployed	351	348	363	360	-3	-0.8%	10	2.8%
Unemployment Rate	6.9%	6.9%	7.2%	7.2%	n.a.	0.0% pts	n.a.	0.3%
<b>United States</b>								
Labor Force	151,428	152,762	153,072	153,231	159	0.1%	1,697	1.1%
Employed	144,427	145,943	146,140	146,110	-30	0.0%	1,781	1.2%
Unemployed	7,001	6,819	6,933	7,121	188	2.7%	-84	-1.2%
Unemployment Rate	4.6%	4.5%	4.5%	4.6%	n.a.	0.1% pts	n.a.	-0.2%

## Employment by Place of Work

- From July 2006 to July 2007, Michigan wage and salary employment decreased 67,000 (1.5 percent). State wage and salary employment decreased 20,000 from June. Nationally, July 2007 wage and salary employment rose 1,870,000 (1.4 percent) from a year ago and was up 92,000 from last month.

### Wage and Salary Employment Growth July 2006 to July 2007



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

- In the goods-producing sector, Michigan employment fell 5.3 percent from a year ago while private service-producing sector employment decreased 0.3 percent compared to last year. From a year ago, July national employment in the goods-producing sector fell 0.9 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours decreased 0.1 hours in Michigan compared to last year.

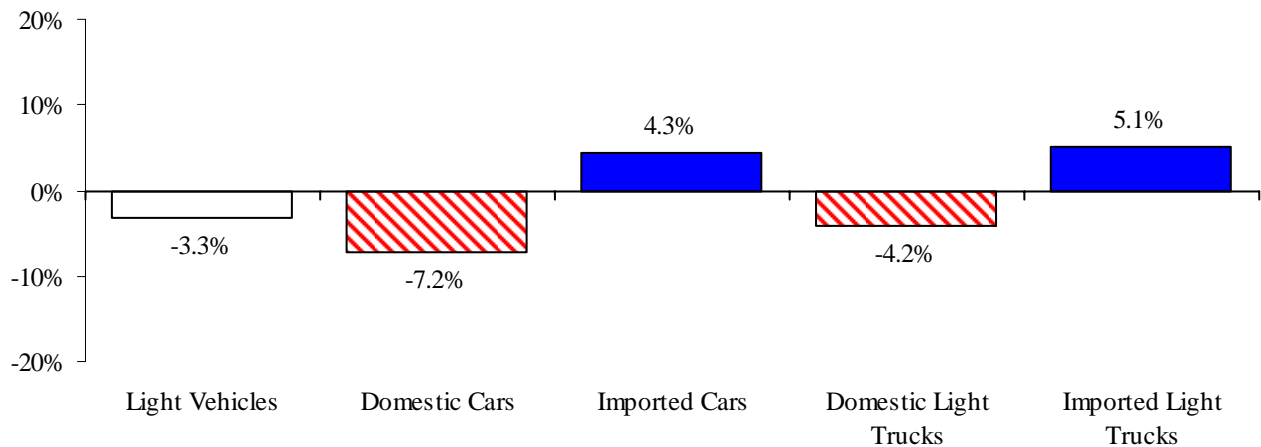
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2006 Average	July 2006	July 2007	Percent Change	2006 Average	July 2006	July 2007	Percent Change
Wage & Salary Employment	4,341	4,336	4,269	-1.5%	136,174	136,252	138,122	1.4%
Goods Producing	837	829	785	-5.3%	22,570	22,622	22,427	-0.9%
Manufacturing	648	642	615	-4.2%	14,197	14,229	14,054	-1.2%
Private Service Producing	2,835	2,829	2,820	-0.3%	91,615	91,640	93,468	2.0%
Trade, Trans. & Utilities	795	794	781	-1.6%	26,231	26,226	26,488	1.0%
Services	1,757	1,752	1,760	0.5%	53,965	54,003	55,400	2.6%
Local, State & Fed. Gov't	670	679	665	-2.1%	21,990	21,990	22,227	1.1%
Manufacturing Weekly Hours	42.2	43.2	43.1	-0.1 hrs	41.1	41.5	41.3	-0.2 hrs

## Motor Vehicle Industry Sales

- At a 15.2 million unit annual rate, July 2007 light vehicle sales were down 2.5 percent compared to June and declined 9.8 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 2.1 percent and foreign light vehicle sales fell 3.9 percent.
- Compared to a year ago, July 2007 domestic sales were down 10.7 percent while foreign sales decreased 6.6 percent. As a result, the foreign share of U.S. vehicle sales increased by 0.8 percentage points to 23.8 percent. Overall auto sales declined 10.4 percent; light truck sales rose 0.7 percent.
- Year to date domestic auto sales declined 7.2 percent from a year ago while foreign car sales rose 4.3 percent. Foreign light truck sales increased 5.1 percent. At the same time, domestic light truck sales fell 4.2 percent. July vehicle inventories fell 4.9 percent from a year ago; days supply rose by 2 days.

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



### Motor Vehicle Sales Statistics

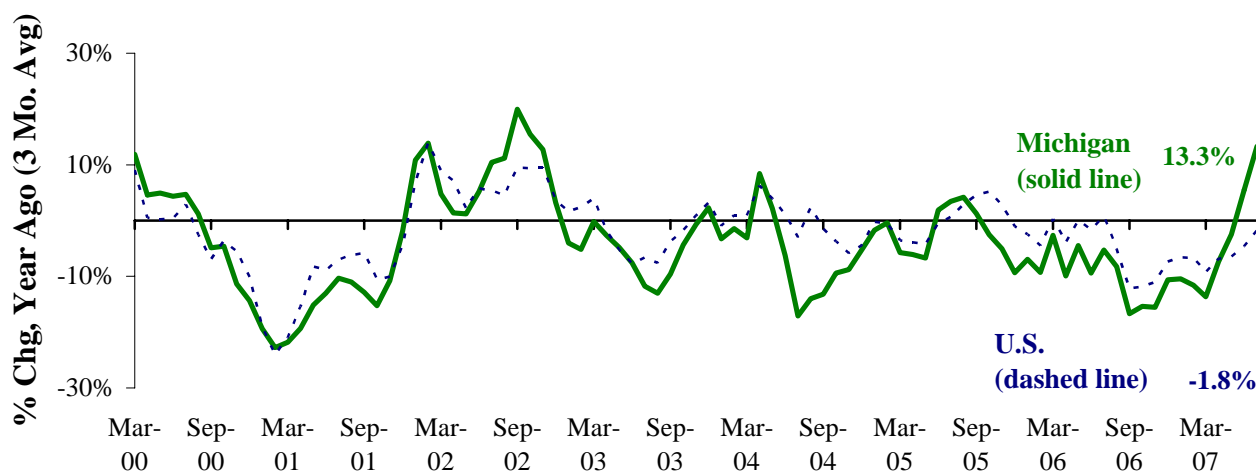
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2006 Average	May 2007	Jun 2007	Jul 2007	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.8	8.0	7.6	7.2	7.6	(0.8)	-10.4%
Domestics	5.4	5.5	5.2	4.9	5.2	(0.6)	-10.4%
Imports	2.3	2.5	2.4	2.3	2.4	(0.3)	-10.3%
Import Share	30.0%	31.2%	31.3%	31.8%	31.4%	0.0%	pts
Light Trucks	8.7	8.2	8.0	8.0	8.1	(0.8)	-9.2%
Domestics	7.4	6.9	6.6	6.7	6.7	(0.8)	-11.0%
Imports	1.3	1.3	1.4	1.3	1.3	0.0	0.7%
Import Share	15.5%	16.0%	17.2%	16.6%	16.6%	1.6%	pts
Total Light Vehicles	16.5	16.3	15.6	15.2	15.7	(1.7)	-9.8%
Heavy Trucks	0.5	0.3	0.3	0.3	0.3	(0.2)	-37.4%
Total Vehicles	17.0	16.6	16.0	15.6	16.1	(1.8)	-10.6%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>May-07</b>	<b>Jun-07</b>	<b>Jul-07</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.323	1.360	1.332	1.220	1.304	0.071	
Days Supply	53	45	50	47	47	7 days	
Total Truck	2.224	1.978	2.061	1.891	1.977	-0.230	
Days Supply	79	66	76	66	69	-3 days	

### Motor Vehicle Industry Production

- At 129,369 units, July 2007 Michigan motor vehicle production rose 58.5 percent from a year ago, compared with a 16.7 increase decline nationally. As a result, Michigan’s share of national production rose 5.1 percentage points to 19.3 percent.
- Compared with a year ago, state car production rose 39.5 percent while state truck production increased 76.4 percent. Nationally, car production was up 9.6 percent while truck production rose 21.2 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 13.3 percent from a year ago, compared to a 1.8 percent decline nationally.

### Michigan Vehicle Production Up Substantially National Production Down <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 Average	May 2007	Jun 2007	Jul 2007	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	364.3	346.4	352.6	243.9	314.3	21.4	9.6%
Trucks	584.1	677.9	654.5	427.4	586.6	74.8	21.2%
Total	948.4	1,024.3	1,007.0	671.3	900.9	96.1	16.7%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	93.0	98.0	99.3	55.3	84.2	15.7	39.5%
Trucks	96.6	139.2	123.0	74.1	112.1	32.1	76.4%
Total	189.6	237.2	222.3	129.4	196.3	47.7	58.5%
Michigan as % of U.S.	20.0%	23.2%	22.1%	19.3%	21.8%	5.1% pts	

## July 2007 Unemployment Rates Fell in Ten Major Labor Market Areas (Not Seasonally Adjusted)

From July 2006 to July 2007, unemployment rates fell in 10 major labor market areas, increased in four areas and remained unchanged in three areas. The median unemployment rate decrease was 0.4 of a percentage point; the median increase was 0.2 of a percentage point.

Compared to a year ago, employment fell in 16 major labor market areas. The median employment decrease was 2.1 percent. Employment declined by more than 1.0 percent in 15 labor market areas. Eight areas saw employment declines exceeding 2.0 percent. Two experienced declines exceeding 3.0 percent: Flint (-3.8 percent) and Bay City (-3.2 percent). Holland-Grand Haven and Saginaw-Saginaw Township saw the next largest employment decline (-2.8 percent).

Compared to a year ago, Saginaw-Saginaw Township MSA recorded the largest unemployment rate decline (-0.9 percent), followed by Niles-Benton Harbor MSA (-0.8 percent). Battle Creek MSA recorded the third largest unemployment rate decline (-0.7 percent). Labor force declined in 16 of the 17 major labor market areas with three areas seeing declines exceeding 3.0 percent: Flint MSA (-4.4 percent) and Bay City MSA and Saginaw MSA (-3.8 percent). These large labor force declines explain the co-existence of lower unemployment rate in most areas along with declining employment in nearly all areas.

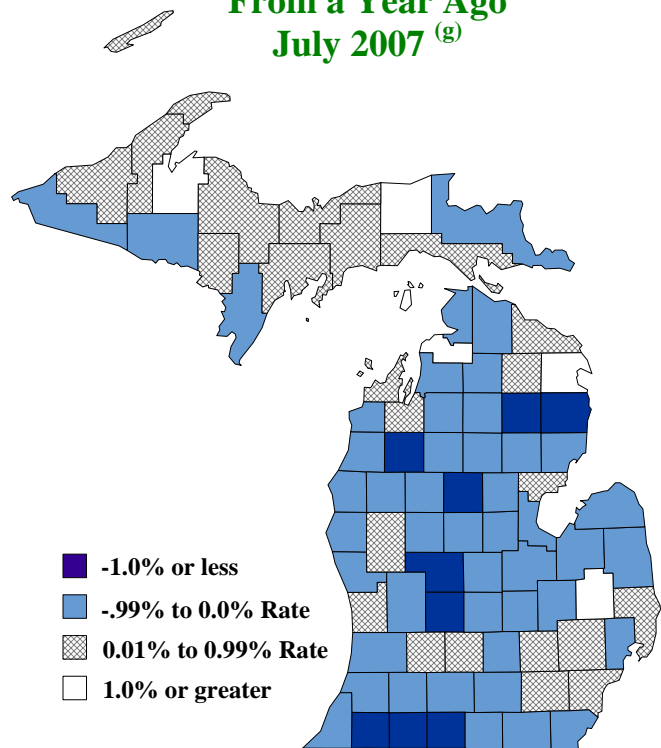
Compared to June 2007, unemployment rates rose in 14 major labor market areas. The median rate increase was 0.4 of a percentage point. July 2007 unemployment rates ranged between 5.6 percent (Ann Arbor MSA) and 9.8 percent (Flint MSA).

Compared to July 2006, the unemployment rate fell in 48 counties, rose in 28 counties and remained unchanged in seven counties.

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

<u>Local Area</u>	<u>Jul 2006 Rate</u>	<u>Jun 2007 Rate</u>	<u>Jul 2007 Rate</u>
Michigan	8.0%	7.4%	7.9%
Ann Arbor	5.5%	5.2%	5.6%
Battle Creek	8.3%	7.2%	7.6%
Bay City	7.8%	7.0%	7.5%
Detroit-Warren-Livonia	8.2%	8.1%	8.4%
Flint	10.3%	8.3%	9.8%
Grand Rapids-Wyoming	7.0%	6.3%	6.9%
Holland-Grand Haven	6.0%	5.9%	6.1%
Jackson	8.3%	8.0%	8.2%
Kalamazoo-Portage	6.6%	6.0%	6.3%
Lansing-East Lansing	7.2%	6.2%	7.2%
Monroe	8.8%	6.5%	8.2%
Muskegon-Norton Shores	8.0%	7.6%	8.0%
Niles-Benton Harbor	8.2%	7.1%	7.4%
Saginaw-Saginaw Township	9.0%	7.3%	8.1%
Upper Peninsula	6.7%	7.1%	6.9%
Northeast Lower Mich	8.6%	8.4%	8.4%
Northwest Lower Mich.	6.8%	6.8%	6.8%

### Unemployment Rate Change From a Year Ago July 2007<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	87.1	88.3	85.3	90.4	5.7 points
ISM Manufacturing Index <sup>(i)</sup>	54.7	55.0	56.0	53.8	-0.6 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.0	59.7	60.7	55.8	0.1 points
	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	
Business Executives' Confidence <sup>(j)</sup>	44.0	50.0	53.0	45.0	-5.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	206.7	207.9	208.4	208.3	2.4%
Detroit CPI	200.4	NA	201.6	NA	2.4%
U.S. Producer Price Index	165.8	167.8	167.1	168.2	4.0%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.88%	4.77%	4.63%	4.84%	-0.12% points
Aaa Corporate Bonds <sup>(m)</sup>	5.47%	5.47%	5.79%	5.73%	-0.12% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	113.1	112.8	113.5	113.9	1.4%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	81.7%	81.4%	81.8%	81.9%	-0.5% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$371.7	\$377.7	\$375.0	\$376.1	3.2%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.485	1.440	1.470	1.381	-20.9%
Existing Home Sales <sup>(p)</sup>	6.010	5.980	5.760	5.750	-9.0%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$219.0	\$213.8	\$217.8	\$230.7	8.1%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<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	\$11,523.8	4.0%

**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.