



MICHIGAN ECONOMIC UPDATE

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

April 2007 Summary

U.S. Economy: April U.S. economic indicators were predominately negative. Both the manufacturing and non-manufacturing ISM index rose from last month but both declined from a year ago. The index of leading economic indicators fell for the third out of the last four months. Housing starts were down 16.1 percent from a year ago; existing home sales fell 10.7 percent. Excluding vehicles and gasoline, retail sales rose 4.2 percent compared to a year ago (three-month average). New durable goods orders, excluding defense and aircraft, fell 2.0 percent, marking the third straight month of decline. April industrial production growth was the slowest in three years. Economic growth in the first quarter was revised down to a 0.6 percent annual rate -- its slowest growth in four years.

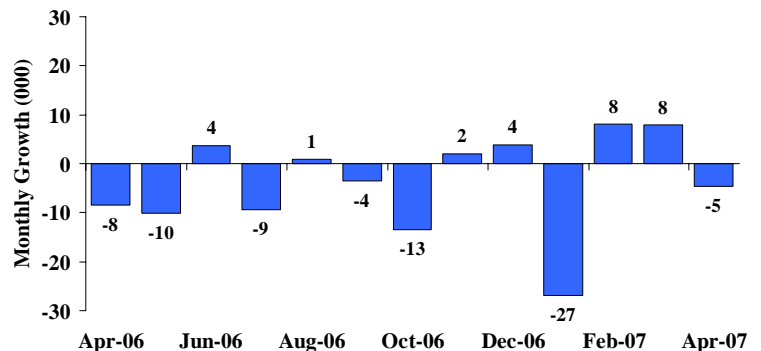
Employment: In April, Michigan's payroll employment fell by 4,600 jobs. The State unemployment rate rose 0.6 of a percentage point to 7.1 percent. Nationally, employment rose by 88,000 jobs. The U.S. unemployment rate rose to 4.5 percent.

Auto Industry: April light vehicle sales fell slightly to a 16.2 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 15.7 percent compared with a 6.8 percent decline nationally. Light vehicle inventories fell 7.6 percent while days supply fell by 5 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 2.6 percent; the Detroit CPI rose 1.6 percent. The core CPI (excluding energy and food) increased 2.3 percent. Overall producer prices rose 3.2 percent while core producer prices increased 1.5 percent.

Michigan Metro Areas: Compared to a year ago, April 2007 unemployment rates rose in 13 major labor market areas. The median increase was 0.4 of a percentage point. Employment fell in all 17 labor market areas with a median decline of 1.5 percent. Unemployment rates ranged between 4.5 percent (Ann Arbor MSA) and 10.5 percent (Northeast Lower Michigan).

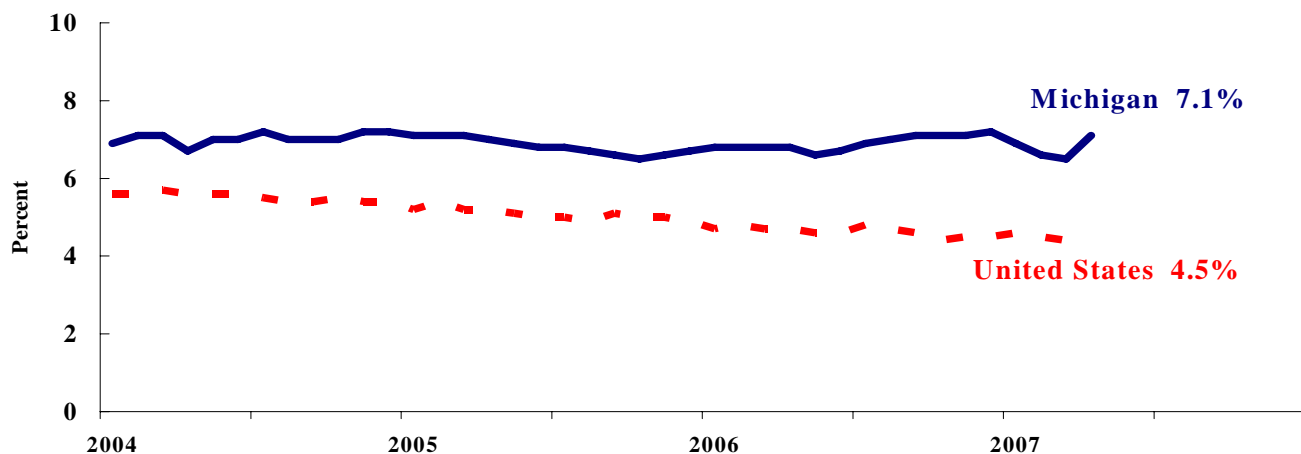
Michigan Employment Declines^(a)



Labor Market Statistics

- Michigan's April monthly unemployment rate increased 0.6 percentage points to 7.1 percent from last month and the current Michigan jobless rate is 0.3 percentage points above a year ago. The April U.S. unemployment rate increased 0.1 percentage points to 4.5 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 April, the number of people employed in Michigan was 4,692,000, down 53,000 from last month, while the labor force decreased by 24,000. The statewide total number of unemployed increased by 29,000 to 357,000.
- United States household employment totaled 145.8 million persons in April, down 468,000 from March. The labor force fell by 392,000 from last month, which meant that there were 77,000 more unemployed people nationally, compared to March.

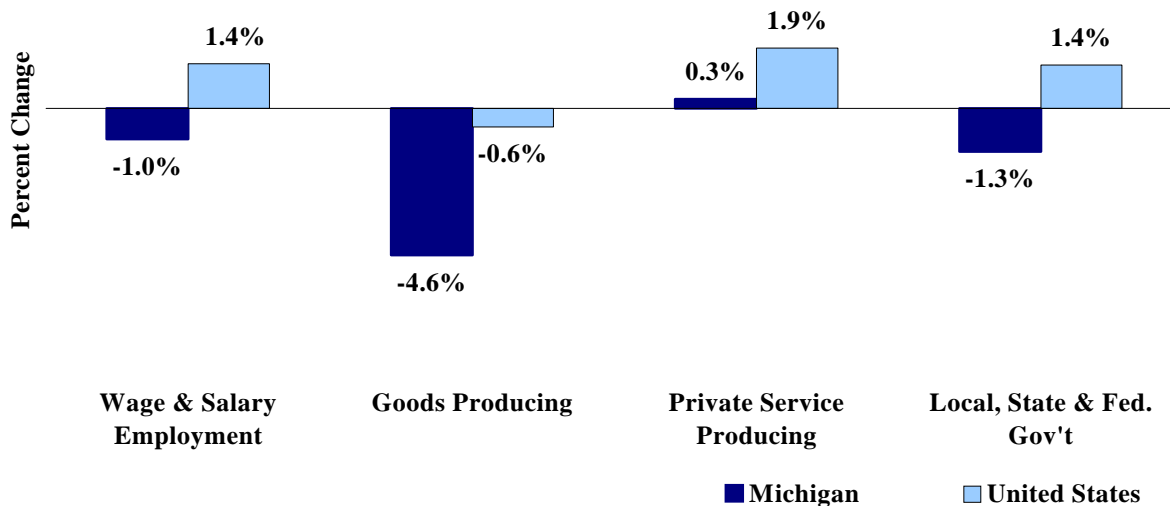
Employment by Place of Residence (in thousands)^(a)

	2006 Average	Feb 2007	Mar 2007	Apr 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,081	5,071	5,073	5,049	-24	-0.5%	-32	-0.6%
Employed	4,730	4,736	4,745	4,692	-53	-1.1%	-45	-1.0%
Unemployed	351	335	328	357	29	8.8%	13	3.9%
Unemployment Rate	6.9%	6.6%	6.5%	7.1%	n.a.	0.6% pts	n.a.	0.3%
United States								
Labor Force	151,428	152,784	152,979	152,587	-392	-0.3%	1,776	1.2%
Employed	144,427	145,919	146,254	145,786	-468	-0.3%	2,098	1.5%
Unemployed	7,001	6,865	6,724	6,801	77	1.1%	-322	-4.5%
Unemployment Rate	4.6%	4.5%	4.4%	4.5%	n.a.	0.1% pts	n.a.	-0.2%

Employment by Place of Work

- From April 2006 to April 2007, Michigan wage and salary employment decreased 42,000 (1.0 percent). State wage and salary employment decreased 5,000 from March. Nationally, April 2007 wage and salary employment rose 1,881,000 (1.4 percent) from a year ago and was up 88,000 from last month.

Wage and Salary Employment Growth April 2006 to April 2007



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

- In the goods-producing sector, Michigan employment fell 4.6 percent from a year ago while private service-producing sector employment increased 0.3 percent compared to last year. From a year ago, April national employment in the goods-producing sector fell 0.6 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours increased 1.8 hours in Michigan compared to last year.

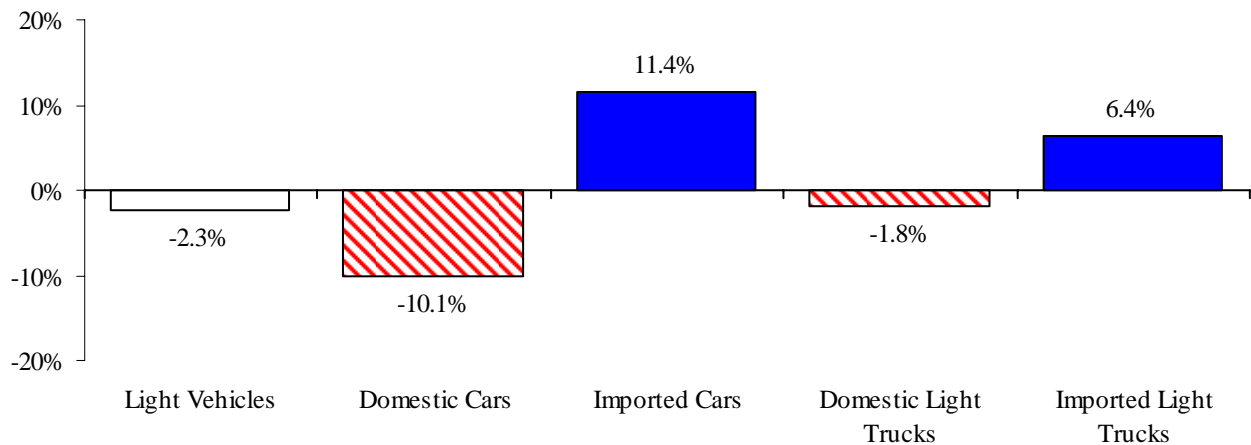
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2006 Average	Apr 2006	Apr 2007	Percent Change	2006 Average	Apr 2006	Apr 2007	Percent Change
Wage & Salary Employment	4,341	4,352	4,310	-1.0%	136,174	135,803	137,684	1.4%
Goods Producing	837	852	813	-4.6%	22,570	22,604	22,473	-0.6%
Manufacturing	648	661	635	-3.9%	14,197	14,227	14,076	-1.1%
Private Service Producing	2,835	2,830	2,838	0.3%	91,615	91,277	92,992	1.9%
Trade, Trans. & Utilities	795	797	785	-1.5%	26,231	26,207	26,420	0.8%
Services	1,757	1,750	1,773	1.3%	53,965	53,674	55,053	2.6%
Local, State & Fed. Gov't	670	669	660	-1.3%	21,990	21,922	22,219	1.4%
Manufacturing Weekly Hours	42.2	41.1	42.9	1.8 hrs	41.1	41.2	41.1	-0.1 hrs

Motor Vehicle Industry Sales

- At 16.2 million units, April 2007 light vehicle sales were down 0.5 percent compared to March and declined 2.7 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were up 1.2 percent and foreign light vehicle sales fell 5.8 percent.
- Compared to a year ago, April 2007 domestic sales were down 3.1 percent while foreign sales declined 1.4 percent. As a result, the foreign share of U.S. vehicle sales increased by 0.3 percentage points to 22.8 percent. Overall auto sales fell 7.7 percent; light truck sales rose 1.9 percent.
- Year to date domestic auto sales declined 10.1 from a year ago while foreign car sales rose sharply (11.4 percent). Foreign light truck sales increased 6.4 percent. At the same time, domestic light truck sales fell 1.8 percent. April vehicle inventories declined 7.6 percent from a year ago.

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



Motor Vehicle Sales Statistics

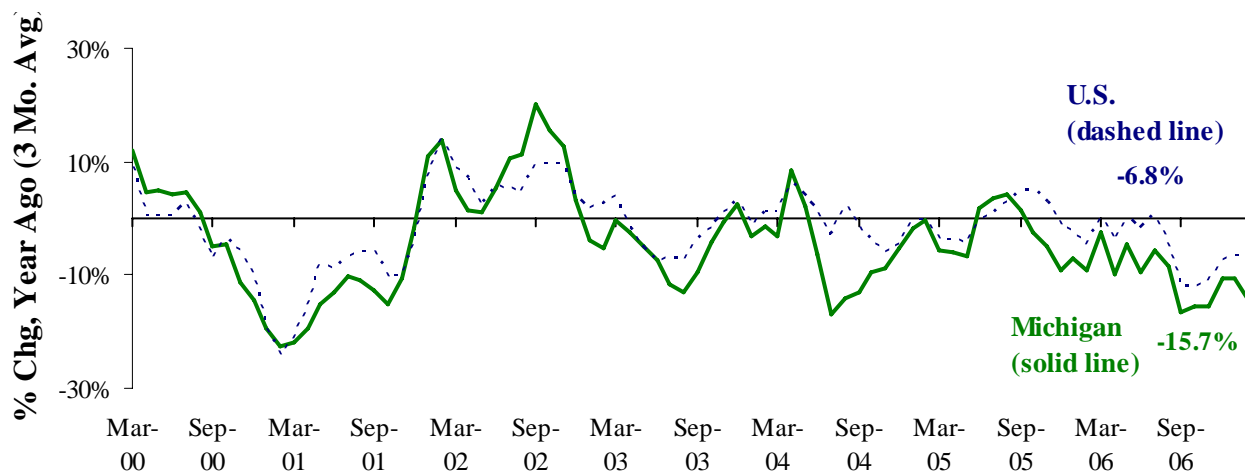
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2006 Average	Feb 2007	Mar 2007	Apr 2007	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.8	7.4	7.6	7.3	7.4	(0.6)	-7.7%
Domestics	5.4	5.1	5.1	5.0	5.1	(0.6)	-10.3%
Imports	2.3	2.4	2.5	2.3	2.4	(0.0)	-1.4%
Import Share	30.0%	32.1%	32.6%	31.4%	32.1%	2.0% pts	
Light Trucks	8.7	9.1	8.7	8.9	8.9	0.2	1.9%
Domestics	7.4	7.7	7.2	7.5	7.5	0.2	2.5%
Imports	1.3	1.4	1.5	1.4	1.4	(0.0)	-1.3%
Import Share	15.5%	15.5%	16.7%	15.7%	16.0%	-0.5% pts	
Total Light Vehicles	16.5	16.6	16.3	16.2	16.3	(0.4)	-2.7%
Heavy Trucks	0.5	0.5	0.4	0.4	0.4	(0.1)	-27.0%
Total Vehicles	17.0	17.0	16.7	16.6	16.8	(0.6)	-3.5%
U.S. Light Vehicle Inventories^(d)		Feb-07	Mar-07	Apr-07	3 Month	Change	
Total Car	1.323	1.549	1.538	1.503	1.530	0.101	
Days Supply	53	66	60	58	61	7 days	
Total Truck	2.224	1.986	2.012	1.990	1.996	-0.388	
Days Supply	79	69	69	68	69	-17 days	

Motor Vehicle Industry Production

- At 186,358 units, April 2007 Michigan light vehicle production fell 2.6 percent from a year ago, compared with a 21.3 percent decline nationally. As a result, Michigan’s share of national production rose 3.9 percentage points to 20.2 percent.
- Compared with a year ago, state car production declined 8.5 percent while state truck production increased 2.8 percent. Nationally, car production was down 28.9 percent while truck production declined 16.5 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 15.7 percent from a year ago, compared to a 6.8 percent decline nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 <u>Average</u>	Feb <u>2007</u>	Mar <u>2007</u>	Apr <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	331.3	357.0	319.3	335.9	(130.0)	-28.9%
Trucks	584.1	584.5	668.5	604.5	619.2	(119.5)	-16.5%
Total	948.4	915.8	1,025.5	923.8	955.0	(249.4)	-21.3%
Michigan Production ^(f)							
Autos	93.0	86.1	83.8	83.8	84.6	(7.8)	-8.5%
Trucks	96.6	85.5	104.2	102.5	97.4	2.8	2.8%
Total	189.6	171.6	188.0	186.4	182.0	(5.1)	-2.6%
Michigan as % of U.S.	20.0%	18.7%	18.3%	20.2%	19.1%	3.9% pts	

April 2007 Unemployment Rates Rose in Thirteen Major Labor Market Areas (Not Seasonally Adjusted)

From April 2006 to April 2007, unemployment rates rose in 13 major labor market areas, declined in three areas and remained unchanged in one area. The median unemployment rate increase was 0.4 of a percentage point.

Compared to a year ago, employment fell in all 17 major labor market areas. The median employment decrease was 1.5 percent. Employment declined by more than 2.0 percent in six labor market areas. Monroe MSA (-4.0 percent) saw the largest year-over-year decline followed by Flint MSA (-2.8 percent) and Muskegon-Norton Shores MSA (-2.4 percent). The state's largest labor market area (Detroit-Warren-Livonia MSA) reported the smallest employment decrease of 0.4 percent.

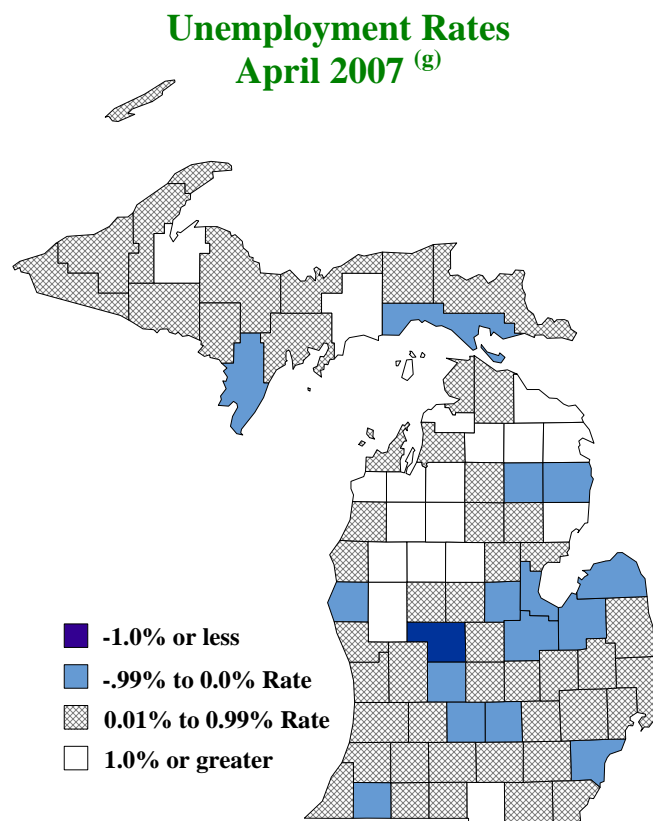
Compared to a year ago, the Jackson MSA recorded the largest unemployment rate increase (0.9 of a percentage point) followed by Northeast Lower Michigan and Northwest Lower Michigan (0.8 of a percentage point). The Saginaw-Saginaw Township MSA reported the largest unemployment rate decline (0.4 of a percentage point).

Compared to March 2007, unemployment rates fell in all 17 major labor market areas. The median rate decline was 0.5 of a percentage point. April 2007 unemployment rates ranged between 4.5 percent (Ann Arbor MSA) and 10.5 percent (Northeast Lower Michigan).

Compared to April 2006, the unemployment rate rose in 67 counties, fell in 14 counties and remained unchanged in two counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2006 Rate</u>	<u>Mar 2007 Rate</u>	<u>Apr 2007 Rate</u>
Michigan	6.6%	7.2%	6.8%
Ann Arbor	4.2%	4.7%	4.5%
Battle Creek	6.6%	7.2%	6.8%
Bay City	7.2%	7.5%	7.0%
Detroit-Warren-Livonia	6.7%	6.9%	6.7%
Flint	7.9%	8.8%	8.1%
Grand Rapids-Wyoming	5.5%	6.3%	5.8%
Holland-Grand Haven	4.9%	5.8%	5.3%
Jackson	6.6%	8.0%	7.5%
Kalamazoo-Portage	5.1%	5.9%	5.5%
Lansing-East Lansing	5.7%	5.9%	5.6%
Monroe	5.5%	6.7%	6.0%
Muskegon-Norton Shores	6.5%	7.3%	6.9%
Niles-Benton Harbor	6.6%	7.2%	6.7%
Saginaw-Saginaw Township	7.5%	7.7%	7.1%
Upper Peninsula	8.2%	8.9%	8.6%
Northeast Lower Mich	9.7%	12.0%	10.5%
Northwest Lower Mich.	7.6%	9.2%	8.4%



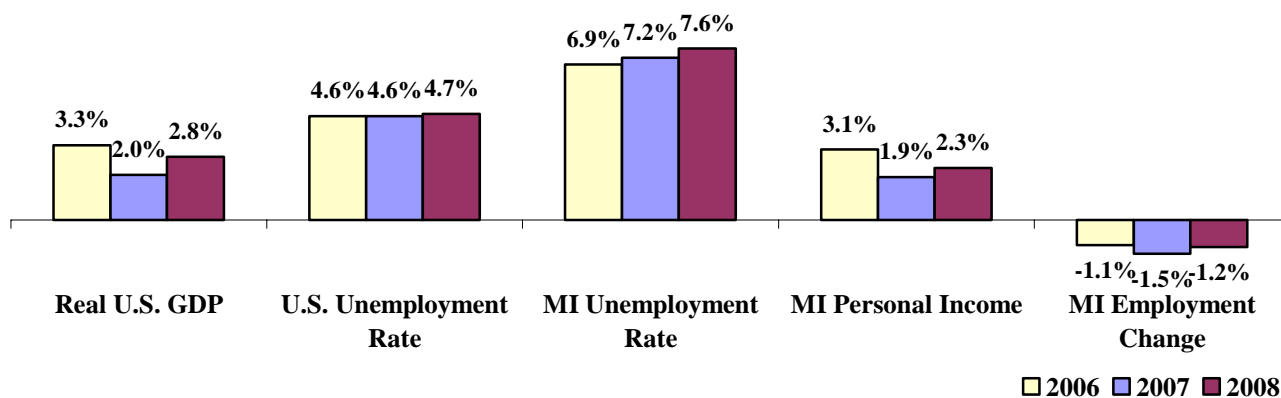
Consensus Economic Forecast Moderating Economic Growth

On May 18, 2007, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2007 and 2008. Below are highlights of that consensus agreement:

- After growing 3.3 percent in 2006, real GDP is forecast to rise 2.0 percent in 2007 and increase 2.8 percent in 2008. The U.S. unemployment rate is projected to remain flat at 4.6 percent in 2007 before rising slightly to 4.7 percent in 2008.
- Light vehicle sales are projected to be relatively flat in 2007 with sales of 16.3 million units and 2008 sales of 16.5 million units in 2008.
- After declining 1.1 percent in 2006, Michigan wage and salary employment is forecast to fall 1.5 percent in 2007 and decline 1.2 percent in 2008.
- Michigan’s unemployment rate is forecast to average 7.2 percent in 2007 and 7.6 percent in 2008.
- After growing 3.1 percent in 2006, Michigan’s personal income is expected to rise 1.9 percent in 2007 and 2.3 percent in 2008. Michigan wages and salaries income is essentially flat in 2007 (-0.1 percent) before rising slightly in 2008 (0.7 percent).
- With Detroit CPI inflation of 2.1 percent in 2007 and 2.0 percent in 2008, real (inflation adjusted) Michigan personal income is forecasted to fall slightly in 2007 (-0.2 percent) and to rise slightly in 2008 (0.3 percent).

**U.S. Economic Forecast
Slower Growth**

**Michigan Economic Forecast
Employment Continues Decline**



U.S. Economic Conditions

	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	96.9	91.3	88.4	87.1	-0.3 points
ISM Manufacturing Index ⁽ⁱ⁾	49.3	52.3	50.9	54.7	-2.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.0	54.3	52.4	56.0	-5.1 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>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	202.4	203.5	205.4	206.7	2.6%
Detroit CPI	NA	198.1	NA	200.4	1.6%
U.S. Producer Price Index	160.2	162.0	164.2	165.8	3.2%
INTEREST RATES					
90 Day T-Bill ^(l)	4.96%	5.02%	4.97%	4.88%	0.29% points
Aaa Corporate Bonds ^(m)	5.40%	5.39%	5.30%	5.47%	-0.37% points
INDUSTRIAL PRODUCTION ^(m)					
	111.7	112.6	112.2	113.0	1.9%
CAPACITY UTILIZATION ^(m)					
	81.1%	81.6%	81.2%	81.6%	-0.3% points
RETAIL SALES ⁽ⁿ⁾					
	\$367.2	\$369.3	\$372.9	\$372.0	3.2%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.403	1.487	1.491	1.528	-16.1%
Existing Home Sales ^(p)	6.440	6.680	6.150	5.990	-10.7%
DURABLE GOODS ORDERS ^(q)					
	\$205.1	\$206.2	\$216.6	\$217.9	2.8%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	<u>% Change From Year Ago</u>
Michigan	\$337.2	\$340.2	\$343.0	\$346.4	3.4%
U.S.	\$10,698.2	\$10,785.5	\$10,916.6	\$11,043.5	5.5%
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	\$11,531.7	0.6%

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) 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.