



# MICHIGAN ECONOMIC UPDATE

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Bureau of Tax and Economic Policy  
Michigan Department of Treasury

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

## August 2006 Summary

**U.S. Economy:** August U.S. economic indicators were mixed. The manufacturing ISM index was up one point compared to a year ago. However, the non-manufacturing ISM index was down significantly from a year ago. The index of leading economic indicators fell for the fifth time in the last seven months. Consumer sentiment was down sharply from a year ago. Housing starts were down 19.8 percent from a year ago while existing home sales fell 12.6 percent. Months of existing home inventories rose to 7.5 months, its highest level in more than 13 years. 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 8.5 percent compared to a year ago (three-month average).

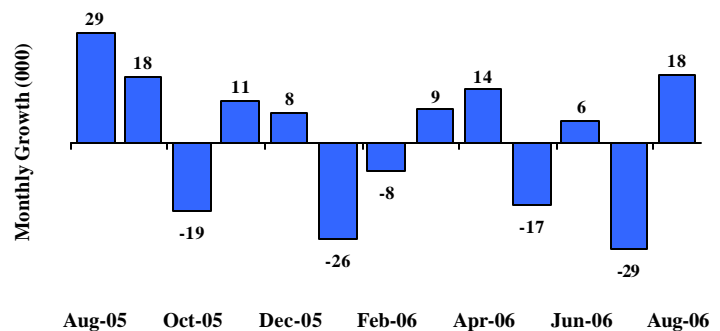
**Employment:** Michigan's unemployment rate increased to 7.1 percent. State payroll employment rose by 17,900 jobs. Nationally, payroll employment rose by 128,000 jobs. The U.S. unemployment rate fell to 4.7 percent.

**Auto Industry:** August light vehicle sales decreased to a 16.0 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 8.6 percent compared with a 5.1 percent decline nationally. Light vehicle inventories rose 11.3 percent while days supply rose by 8 days.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 3.8 percent. Excluding food and energy, the CPI increased 2.8 percent. Overall producer prices climbed 3.7 percent but the core PPI rose just 0.9 percent.

**Michigan Metro Areas:** Compared to a year ago, August 2006 unemployment rates rose in 16 major labor market areas, with a median increase of 0.8 of a percentage point. Employment fell in 12 labor market areas with a median decline of 0.8 percent. Unemployment rates ranged between 4.6 percent (Ann Arbor MSA) and 8.3 percent (Flint MSA).

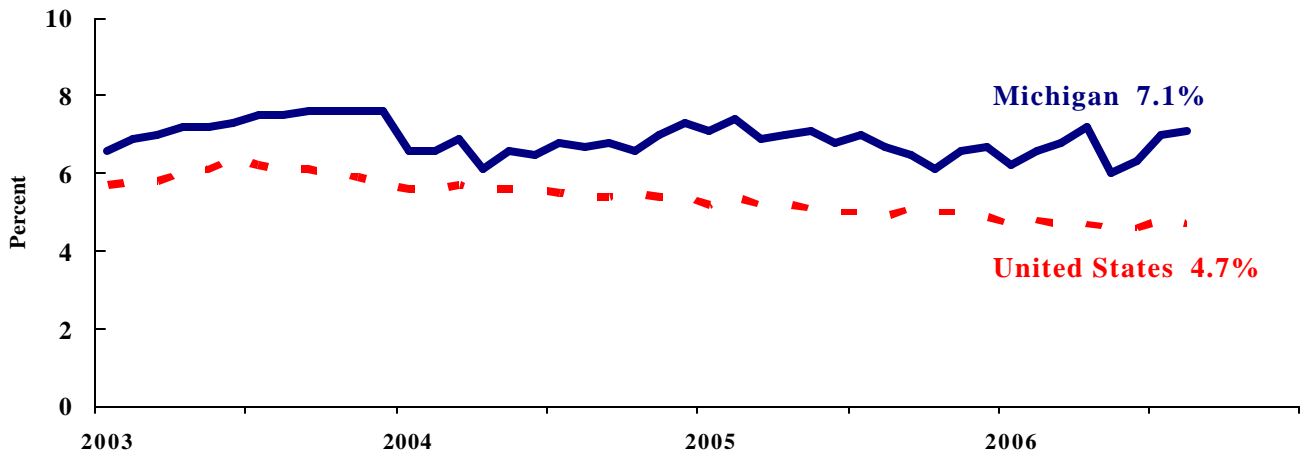
## Michigan Employment Increases In August<sup>(a)</sup>



## Labor Market Statistics

- Michigan's August monthly unemployment rate increased 0.1 percentage points to 7.1 percent from July and the current Michigan jobless rate is 0.4 percentage points above a year ago. The August U.S. unemployment rate decreased 0.1 percentage points to 4.7 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 2003 to 2006



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- In August, the number of people employed in Michigan was 4,726,000, down 13,000 from last month, while the labor force decreased by 9,000. The statewide total number of unemployed increased by 4,000 to 360,000.
- United States household employment totaled 144.6 million persons in August, up 250,000 from July. The labor force rose by 164,000 from last month, which meant that there were 86,000 less unemployed people nationally, compared to July.

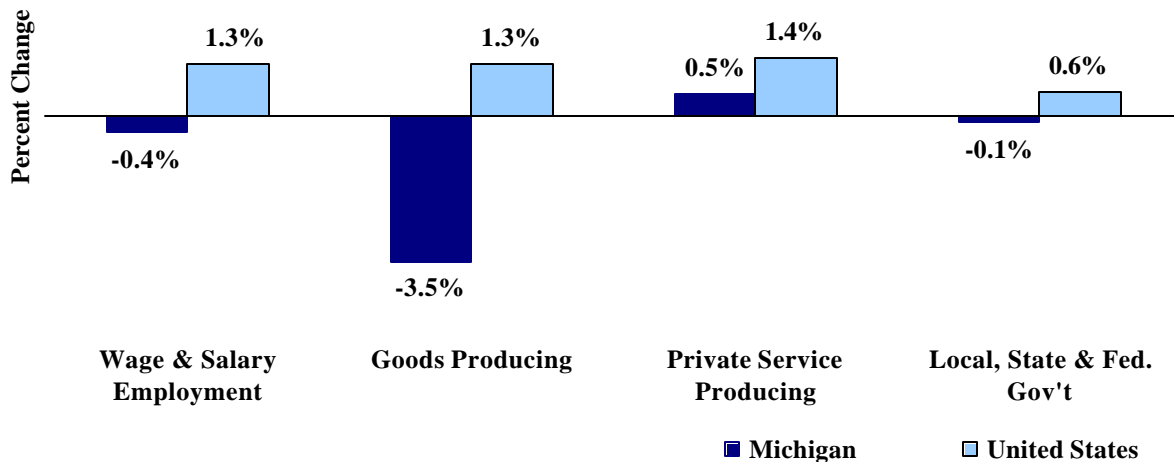
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2005 Average	Jun 2006	Jul 2006	Aug 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,097	5,115	5,095	5,086	-9	-0.2%	-7	-0.1%
Employed	4,754	4,794	4,739	4,726	-13	-0.3%	-27	-0.6%
Unemployed	344	321	356	360	4	1.1%	19	5.6%
Unemployment Rate	6.7%	6.3%	7.0%	7.1%	n.a.	0.1% pts	n.a.	0.4%
<b>United States</b>								
Labor Force	149,320	151,321	151,534	151,698	164	0.1%	1,857	1.2%
Employed	141,730	144,363	144,329	144,579	250	0.2%	2,130	1.5%
Unemployed	7,591	6,957	7,205	7,119	-86	-1.2%	-272	-3.7%
Unemployment Rate	5.1%	4.6%	4.8%	4.7%	n.a.	-0.1% pts	n.a.	-0.2%

## Employment by Place of Work

- From August 2005 to August 2006, Michigan wage and salary employment declined 17,000 (0.4 percent). State wage and salary employment increased 18,000 from July. Nationally, August 2006 wage and salary employment rose 1,708,000 (1.3 percent) from a year ago and was up 128,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 3.5 percent from a year ago while private service-producing sector employment increased 0.5 percent compared to last year. From a year ago, August national employment in the goods-producing sector rose 1.3 percent and increased 1.4 percent in the private service-producing sector.
- Manufacturing weekly hours increased 1.3 hours in Michigan compared to last year.

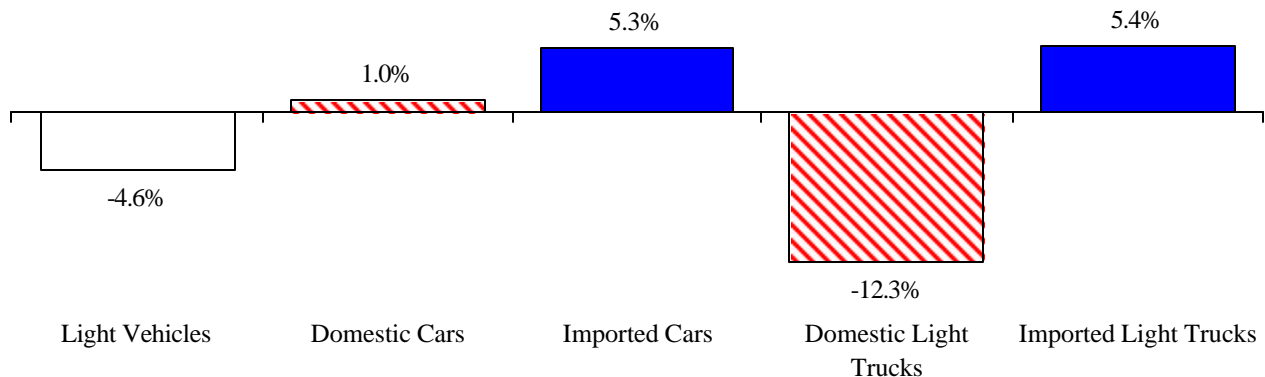
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2005 Average	Aug 2005	Aug 2006	Percent Change	2005 Average	Aug 2005	Aug 2006	Percent Change
Wage & Salary Employment	4,384	4,379	4,362	-0.4%	133,463	133,792	135,500	1.3%
Goods Producing	879	876	845	-3.5%	22,133	22,146	22,432	1.3%
Manufacturing	679	675	643	-4.7%	14,232	14,213	14,225	0.1%
Private Service Producing	2,832	2,829	2,844	0.5%	89,527	89,795	91,085	1.4%
Trade, Trans. & Utilities	804	805	793	-1.5%	25,909	25,985	26,036	0.2%
Services	1,742	1,738	1,764	1.5%	52,412	52,590	53,656	2.0%
Local, State & Fed. Gov't	674	675	674	-0.1%	21,803	21,851	21,983	0.6%
Manufacturing Weekly Hours	41.7	41.8	43.1	1.3 hrs	40.7	40.6	41.3	0.7 hrs

## Motor Vehicle Industry Sales

- At a 16.0 million unit annual rate, August 2006 light vehicle sales were down 6.6 percent compared to last month and down 4.8 percent from last August.
- Compared to August 2005, domestic sales were down 7.3 percent while foreign sales were up 5.2 percent. Auto sales fell 0.7 percent while light truck sales were down 8.2 percent.
- Year-to-date, light vehicle sales were down 4.6 percent. Domestic car sales rose 1.0 percent, while foreign car sales increased 5.3 percent. Domestic light truck sales fell 12.3 percent; foreign light truck sales were up 5.4 percent. Vehicle inventories increased 11.3 percent while days supply was up 8 days at 58 days.

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



## Motor Vehicle Sales Statistics

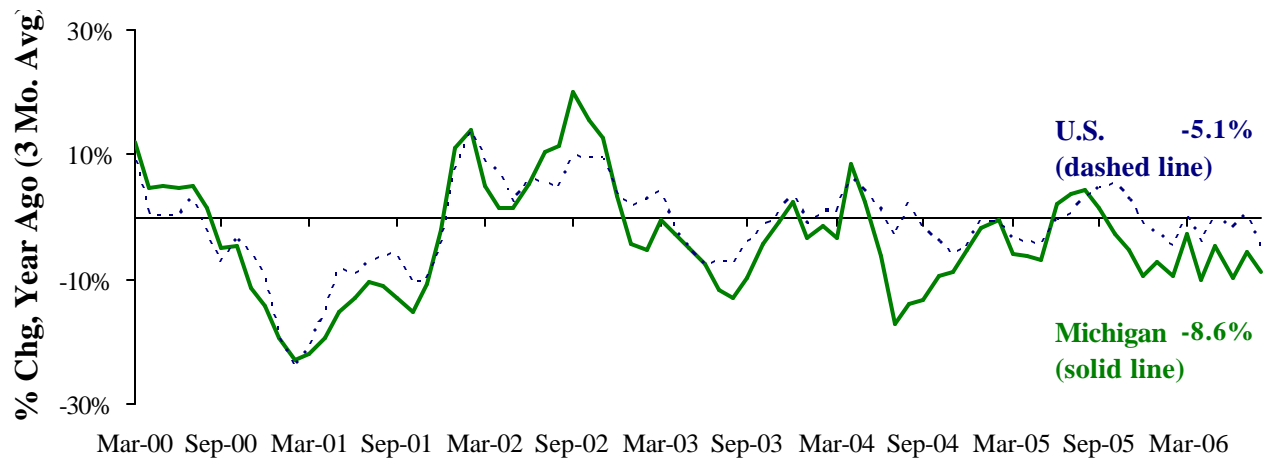
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2005 Average	Jun 2006	Jul 2006	Aug 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	7.7	8.2	7.7	7.9	(0.1)	-0.7%
Domestics	5.5	5.3	5.6	5.3	5.4	(0.3)	-4.7%
Imports	2.2	2.4	2.7	2.4	2.5	0.2	9.3%
Import Share	28.7%	31.3%	32.4%	31.1%	31.6%	2.9% pts	
Light Trucks	9.2	8.4	8.9	8.3	8.5	(0.7)	-8.2%
Domestics	8.0	7.2	7.6	7.1	7.3	(0.7)	-9.2%
Imports	1.2	1.2	1.3	1.2	1.3	(0.0)	-2.2%
Import Share	13.2%	14.8%	14.8%	14.3%	14.6%	0.9% pts	
Total Light Vehicles	16.9	16.1	17.1	16.0	16.4	(0.8)	-4.8%
Heavy Trucks	0.5	0.5	0.5	0.5	0.5	(0.1)	10.2%
Total Vehicles	17.4	16.7	17.7	16.6	17.0	(0.8)	-4.4%
<b>U.S. Light Vehicle Inventories <sup>(d)</sup></b>		<b>Jun-06</b>	<b>Jul-06</b>	<b>Aug-06</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.284	1.360	1.149	1.127	1.212	0.076	
Days Supply	52	49	40	42	44	3 days	
Total Truck	2.274	2.480	2.121	2.060	2.220	0.248	
Days Supply	78	83	69	73	75	13 days	

## Motor Vehicle Industry Production

- At 204,218 units, August 2006 Michigan light vehicle production fell 4.4 percent from a year ago, compared with a 9.6 percent decline nationally. As a result, Michigan's share of national production rose 1.1 percentage points to 19.8 percent.
- Compared with a year ago, state car production declined 10.0 percent while state truck production rose 1.3 percent. Nationally, car production was flat while truck production declined 14.9 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 8.6 percent from a year ago, compared to a 5.1 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	Jun 2006	Jul 2006	Aug 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	359.1	386.0	222.5	405.0	337.9	(0.1)	0.0%
Trucks	639.7	705.9	352.6	624.5	561.0	(109.2)	-14.9%
Total	998.8	1,091.9	575.1	1,029.5	898.8	(109.3)	-9.6%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	98.9	89.5	39.7	97.4	75.5	(10.8)	-10.0%
Trucks	105.2	127.5	42.0	106.8	92.1	1.4	1.3%
Total	204.1	217.1	81.6	204.2	167.6	(9.4)	-4.4%
Michigan as % of U.S.	20.4%	19.9%	14.2%	19.8%	18.6%	1.1% pts	

## August 2006 Unemployment Rates Rise in Sixteen Major Labor Market Areas (Not Seasonally Adjusted)

From August 2005 to August 2006, unemployment rates rose in 16 major labor market areas. The median unemployment rate increase was 0.8 of a percentage point. One area reported no change in its unemployment rate.

Compared to a year ago, employment fell in 12 major labor market areas. The median employment decrease was 0.8 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 (1.5 percentage points). Northeast Lower Michigan and the Flint MSA recorded the second largest rate increase (1.3 percentage points), followed by the Battle Creek MSA (1.1 percentage points).

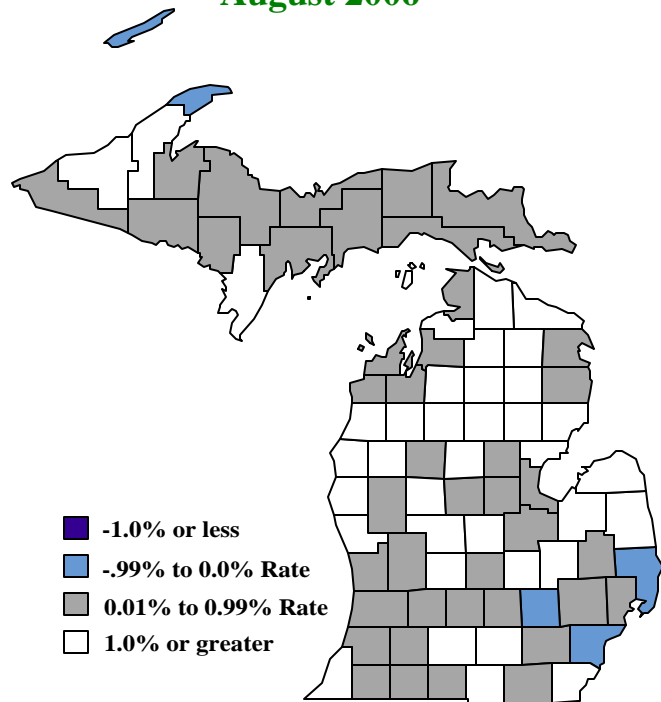
Compared to July 2006, unemployment rates fell in all 17 major labor market areas. The median rate decline was 0.9 of a percentage point. August 2006 unemployment rates ranged between 4.6 percent (Ann Arbor MSA) and 8.3 percent (Flint MSA).

Compared to August 2005, unemployment rates rose in 79 counties, fell in three counties and was unchanged in one county.

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

<u>Local Area</u>	<u>Aug 2005 Rate</u>	<u>Jul 2006 Rate</u>	<u>Aug 2006 Rate</u>
Michigan	6.1%	7.7%	6.7%
Ann Arbor	3.9%	5.0%	4.6%
Battle Creek	5.7%	7.9%	6.8%
Bay City	5.8%	7.6%	6.5%
Detroit-Warren-Livonia	7.0%	8.1%	7.0%
Flint	7.0%	10.0%	8.3%
Grand Rapids-Wyoming	5.2%	6.8%	5.9%
Holland-Grand Haven	4.3%	5.7%	5.0%
Jackson	6.0%	8.0%	7.5%
Kalamazoo-Portage	4.9%	6.4%	5.5%
Lansing-East Lansing	5.4%	6.9%	5.8%
Monroe	5.8%	8.5%	6.8%
Muskegon-Norton Shores	5.9%	7.8%	6.9%
Niles-Benton Harbor	6.0%	7.9%	7.0%
Saginaw-Saginaw Township	6.6%	8.7%	7.2%
Upper Peninsula	5.3%	6.3%	6.0%
Northeast Lower Mich	5.9%	8.2%	7.2%
Northwest Lower Mich.	5.0%	6.4%	5.8%

### Unemployment Rate Change Compared to Year Ago August 2006<sup>(g)</sup>



## U.S. Economic Conditions

	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	79.1	84.9	84.7	82.0	-7.1 points
ISM Manufacturing Index <sup>(i)</sup>	54.4	53.8	54.7	54.5	1.0 point
ISM Non Manufacturing Index <sup>(i)</sup>	60.1	57.0	54.8	55.0	-9.8 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>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	202.5	202.9	203.5	203.9	3.8%
Detroit CPI	NA	196.8	NA	198.6	3.3%
U.S. Producer Price Index	161.2	161.7	162.0	162.1	3.7%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.72%	4.79%	4.96%	4.98%	1.53% points
Aaa Corporate Bonds <sup>(m)</sup>	5.95%	5.89%	5.85%	5.68%	0.59% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	112.2	113.4	113.9	113.7	4.7%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	81.7%	82.5%	82.7%	82.4%	2.2% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$364.3	\$362.4	\$367.4	\$368.2	6.7%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.953	1.833	1.772	1.665	-19.8%
Existing Home Sales <sup>(p)</sup>	6.710	6.600	6.330	6.300	-12.6%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$209.8	\$216.7	\$210.8	\$209.7	3.8%
<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>2005.3</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	\$11,388.1	2.6%

**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.