



# MICHIGAN ECONOMIC UPDATE

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Michigan Department of Treasury  
<http://www.michigan.gov/treasury>

## January 2007 Summary

**U.S. Economy:** January U.S. economic indicators were mixed. The manufacturing ISM index fell below 50.0 and was down 6.0 percentage points from a year ago. The non-manufacturing ISM index remained well above 50.0 and was flat compared to January 2006. The index of leading economic indicators was essentially flat after rising substantially in December 2006. Housing starts plummeted, falling 37.8 percent from a year ago; existing home sales fell 4.3 percent. Excluding vehicles and gasoline, retail sales rose 5.1 percent compared to a year ago (three-month average) -- their slowest growth in three and half years. New durable goods orders, excluding defense and aircraft, rose 4.7 percent compared to a year ago (three-month average) -- their slowest growth in two years.

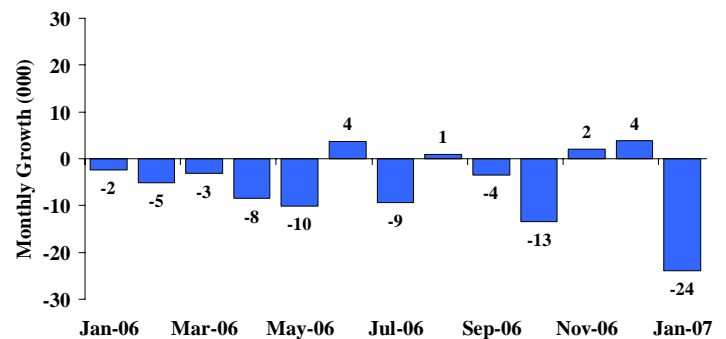
**Employment:** Michigan's payroll employment fell by 23,900 jobs. The State unemployment rate decreased 0.3 of a percentage point to 6.9 percent. Nationally, payroll employment increased by 110,000. The U.S. unemployment rate rose to 4.6 percent.

**Auto Industry:** January light vehicle sales remained at a 16.7 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 10.5 percent compared with a 6.6 percent decline nationally. Light vehicle inventories fell 2.6 percent while days supply rose by 5 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 2.7 percent. Overall producer prices rose 0.2 percent while the core PPI increased 1.8 percent.

**Michigan Metro Areas:** Compared to a year ago, January 2007 unemployment rates rose in 16 of the 17 major Michigan labor market areas, with a median increase of 0.4 of a percentage point. Employment fell in 13 labor market areas with a median decline of 1.0 percent. Unemployment rates ranged between 4.8 percent (Ann Arbor MSA) and 11.7 percent (Northeast Lower Michigan).

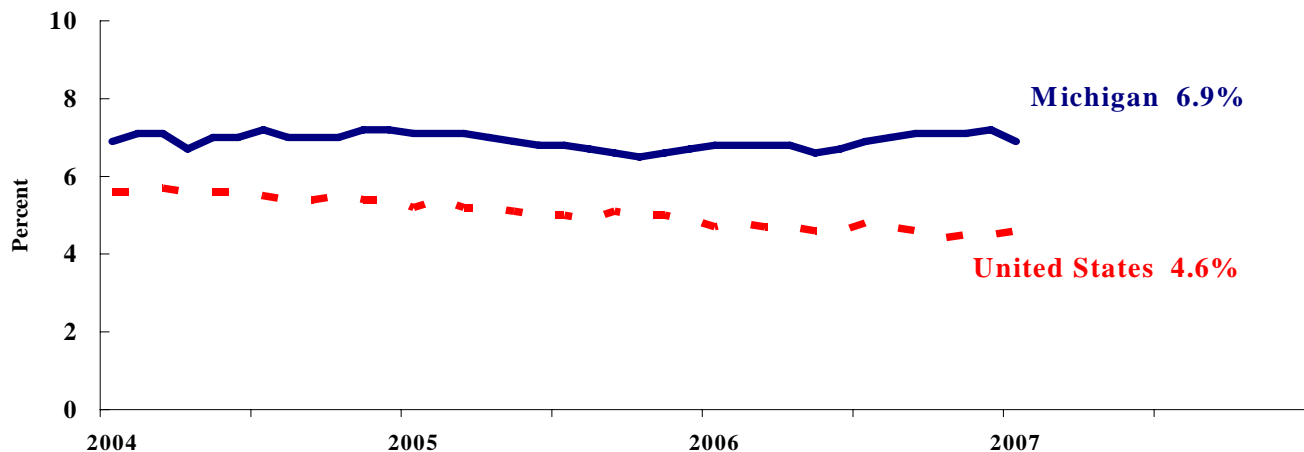
Michigan Employment Falls Sharply<sup>(a)</sup>



## Labor Market Statistics

- Michigan's January monthly unemployment rate decreased 0.3 percentage points to 6.9 percent from last month and the current Michigan jobless rate is 0.1 percentage points above a year ago. The January U.S. unemployment rate increased 0.1 percentage points to 4.6 percent and was 0.1 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 January, the number of people employed in Michigan was 4,733,000, up 14,000 from last month, while the labor force decreased by 1,000. The statewide total number of unemployed decreased by 15,000 to 351,000.
- United States household employment totaled 146.0 million persons in January, up 31,000 from December. The labor force rose by 199,000 from last month, which meant that there were 168,000 more unemployed people nationally, compared to December.

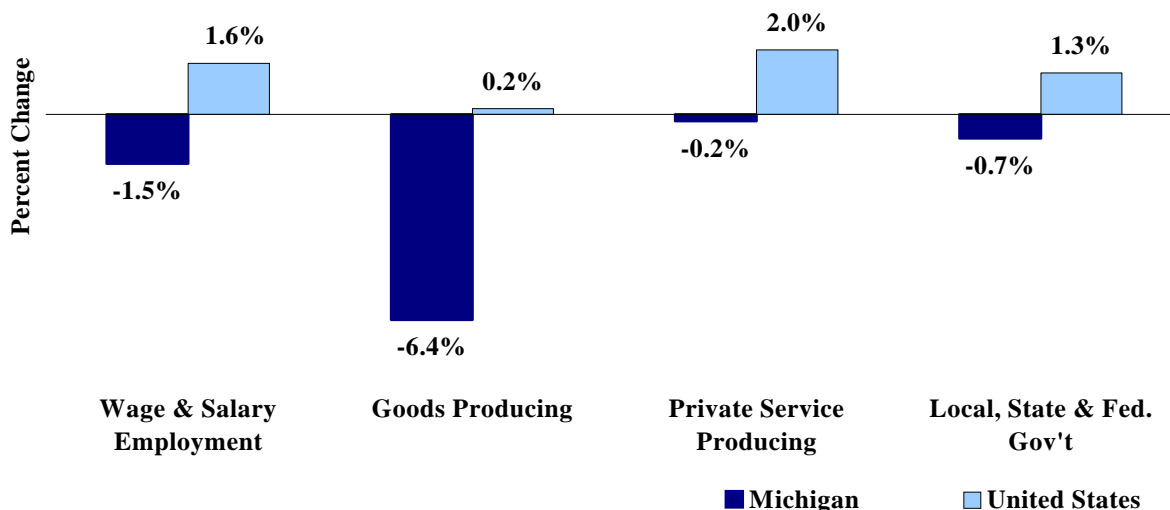
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2006 Average	Nov 2006	Dec 2006	Jan 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,081	5,080	5,085	5,084	-1	0.0%	3	0.1%
Employed	4,730	4,721	4,719	4,733	14	0.3%	-4	-0.1%
Unemployed	351	360	366	351	-15	-4.1%	7	2.1%
Unemployment Rate	6.9%	7.1%	7.2%	6.9%	n.a.	-0.3% pts	n.a.	0.1%
<b>United States</b>								
Labor Force	151,428	152,449	152,775	152,974	199	0.1%	2,860	1.9%
Employed	144,427	145,623	145,926	145,957	31	0.0%	2,883	2.0%
Unemployed	7,001	6,817	6,849	7,017	168	2.5%	-23	-0.3%
Unemployment Rate	4.6%	4.5%	4.5%	4.6%	n.a.	0.1% pts	n.a.	-0.1%

## Employment by Place of Work

- From January 2006 to January 2007, Michigan wage and salary employment decreased 67,000 (1.5 percent). State wage and salary employment decreased 24,000 from December. Nationally, January 2007 wage and salary employment rose 2,148,000 (1.6 percent) from a year ago and was up 110,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 6.4 percent from a year ago while private service-producing sector employment decreased 0.2 percent compared to last year. From a year ago, January national employment in the goods-producing sector rose 0.2 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours decreased 0.2 hours in Michigan compared to last year.

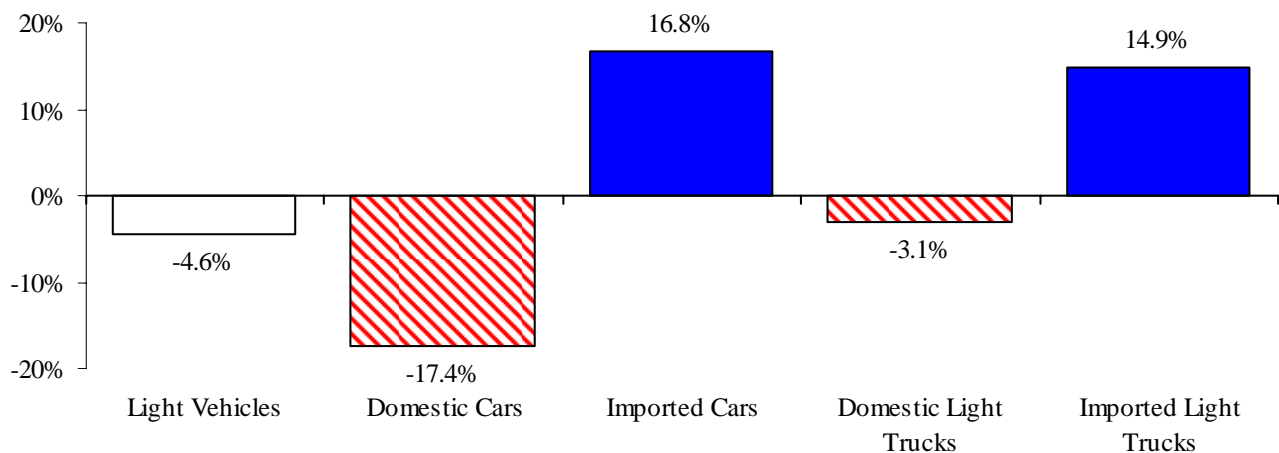
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2006 Average	Jan 2006	Jan 2007	Percent Change	2006 Average	Jan 2006	Jan 2007	Percent Change
Wage & Salary Employment	4,341	4,368	4,301	-1.5%	136,174	135,110	137,258	1.6%
Goods Producing	837	859	804	-6.4%	22,570	22,489	22,529	0.2%
Manufacturing	648	665	623	-6.3%	14,197	14,219	14,109	-0.8%
Private Service Producing	2,835	2,840	2,834	-0.2%	91,615	90,782	92,608	2.0%
Trade, Trans. & Utilities	795	800	787	-1.6%	26,231	26,157	26,351	0.7%
Services	1,757	1,756	1,765	0.5%	53,965	53,302	54,745	2.7%
Local, State & Fed. Gov't	670	670	665	-0.7%	21,990	21,839	22,121	1.3%
Manufacturing Weekly Hours	42.2	40.9	40.7	-0.2 hrs	41.1	40.9	40.8	-0.1 hrs

## Motor Vehicle Industry Sales

- At 16.7 million units, January 2007 light vehicle sales were flat compared to December 2006 but were down 4.6 percent compared to a year ago. Compared to a month ago, both domestic and foreign light vehicle sales were flat.
- Compared to a year ago, January 2007 domestic sales were down 9.6 percent while foreign sales rose 16.1 percent. As a result, the foreign share of U.S. vehicle sales increased steeply, rising by 4.2 percentage points to 23.7 percent. Overall auto sales fell sharply (8.9 percent) while light truck sales declined slightly (0.5 percent).
- January 2007 domestic auto sales declined significantly from a year ago (17.4 percent) while foreign car sales rose 16.8 percent. Foreign light truck sales increased substantially, rising 14.9 percent. At the same time, domestic light truck sales fell 3.1 percent.

### January 2007 Light Vehicle Sales Down Compared to a Year Ago



### Motor Vehicle Sales Statistics

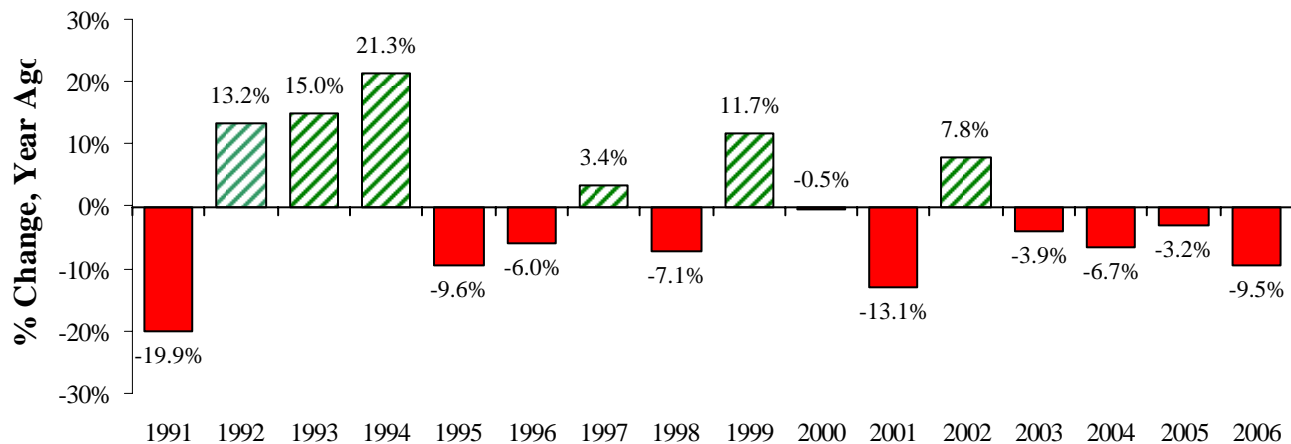
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2006	Nov	Dec	Jan	3 Month	Change from	
	Average	2006	2006	2007	Average	Level	%
Autos	7.8	7.4	8.1	7.7	7.7	(0.8)	-8.9%
Domestics	5.4	5.1	5.6	5.2	5.3	(1.1)	-17.4%
Imports	2.3	2.3	2.5	2.5	2.4	0.4	16.8%
Import Share	30.0%	31.4%	31.3%	31.9%	31.5%	7.0% pts	
Light Trucks	8.7	8.6	8.6	9.0	8.7	(0.0)	-0.5%
Domestics	7.4	7.2	7.2	7.5	7.3	(0.2)	-3.1%
Imports	1.3	1.4	1.4	1.5	1.5	0.2	14.9%
Import Share	15.5%	16.7%	16.6%	16.7%	16.7%	2.2% pts	
Total Light Vehicles	16.5	16.0	16.7	16.7	16.5	(0.8)	-4.6%
Heavy Trucks	0.5	0.5	0.6	0.5	0.6	(0.0)	1.7%
Total Vehicles	17.0	16.5	17.3	17.2	17.0	(0.8)	-4.4%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Nov-06</b>	<b>Dec-06</b>	<b>Jan-07</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.323	1.423	1.459	1.510	1.464	0.223	
Days Supply	53	66	59	74	66	19 days	
Total Truck	2.224	2.059	2.005	1.980	2.015	-0.315	
Days Supply	79	78	67	86	77	-9 days	

## Motor Vehicle Industry Production

- At 168,022 units, January 2007 Michigan light vehicle production fell 14.5 percent from a year ago, compared with a 7.9 percent decline nationally. As a result, Michigan's share of national production declined 1.5 percentage points to 19.4 percent.
- In calendar year (CY) 2006, Michigan vehicle production reported its fourth straight decline, falling 9.5 percent. Since 2002, State vehicle production has declined by 21.4 percent compared with a 7.4 percent decline nationally.
- 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 10.5 percent from a year ago, compared to a 6.6 percent decline nationally.

### CY 2006 Michigan Vehicle Production Sharply Down for Fourth Consecutive Year <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 <u>Average</u>	Nov <u>2006</u>	Dec <u>2006</u>	Jan <u>2007</u>	3 Month <u>Average</u>	Change from Year Ago for the Month	
						<u>Level</u>	<u>%</u>
<b>U.S. Production <sup>(e)</sup></b>							
Autos	364.3	336.6	298.2	345.2	326.7	(25.0)	-6.8%
Trucks	584.1	543.7	484.0	522.9	516.9	(49.0)	-8.6%
Total	948.4	880.3	782.2	868.1	843.5	(74.0)	-7.9%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	93.0	87.7	76.3	80.6	81.5	(25.8)	-24.2%
Trucks	96.6	96.1	85.7	87.4	89.7	(2.7)	-3.0%
Total	189.6	183.8	161.9	168.0	171.2	(28.4)	-14.5%
Michigan as % of U.S.	20.0%	20.9%	20.7%	19.4%	20.3%	-1.5 pts	

## January 2007 Unemployment Rates Rose in Sixteen Major Labor Market Areas (Not Seasonally Adjusted)

From January 2006 to January 2007, unemployment rates rose in 16 major labor market areas and declined in one area. The median unemployment rate increase was 0.4 of a percentage point.

Compared to a year ago, employment fell in 13 major labor market areas, rose in two areas and was flat in two areas. The median employment decrease was 1.0 percent. Employment declined by more than 1.5 percent in three labor market areas: Flint MSA (2.2 percent), Monroe MSA (2.0 percent) and Jackson MSA (1.7 percent). The state's largest labor market area (Detroit-Warren-Livonia MSA) reported a year-over-year employment increase of 0.5 percent followed by the Holland-Grand Haven MSA (0.3 percent increase).

Three areas reported the largest unemployment rate increase from a year ago (0.7 of a percentage point): Jackson MSA, Monroe MSA and Northeast Lower Michigan. The Flint MSA reported the second largest unemployment rate increase (0.6 of a percentage point) followed by three labor markets reporting a 0.5 of a percentage point rate increase: Detroit-Warren-Livonia MSA, Niles-Benton Harbor MSA and Northwest Lower Michigan. The Detroit-Warren-Livonia MSA reported an unemployment rate increase despite its employment increase as a result of a still larger increase in its labor force.

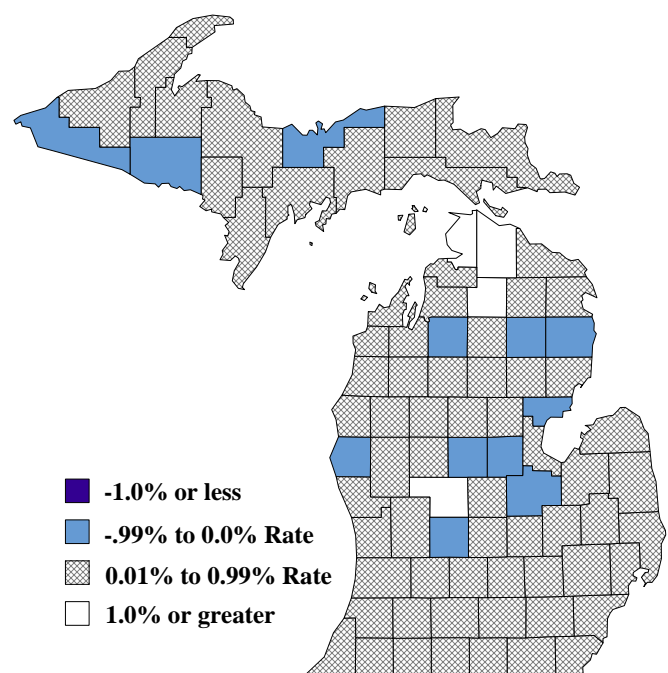
Compared to December 2006, unemployment rates rose in 17 major labor market areas. The median rate increase was 0.8 of a percentage point. January 2007 unemployment rates ranged between 4.8 percent (Ann Arbor MSA) and 11.7 percent (Northeast Lower Michigan).

Compared to January 2006, the unemployment rate rose in 71 counties, declined in 7 counties and remained unchanged in five counties.

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

<u>Local Area</u>	<u>Jan 2006 Rate</u>	<u>Dec 2006 Rate</u>	<u>Jan 2007 Rate</u>
Michigan	7.3%	6.9%	7.7%
Ann Arbor	4.5%	4.4%	4.8%
Battle Creek	7.0%	6.5%	7.3%
Bay City	7.6%	6.8%	7.7%
Detroit-Warren-Livonia	7.5%	7.2%	8.0%
Flint	8.3%	7.7%	8.9%
Grand Rapids-Wyoming	6.0%	5.8%	6.4%
Holland-Grand Haven	5.5%	5.4%	5.9%
Jackson	7.1%	7.3%	7.8%
Kalamazoo-Portage	5.8%	5.6%	6.1%
Lansing-East Lansing	6.2%	5.6%	6.5%
Monroe	6.8%	6.1%	7.5%
Muskegon-Norton Shores	7.0%	6.7%	7.3%
Niles-Benton Harbor	7.3%	7.0%	7.8%
Saginaw-Saginaw Township	8.0%	6.9%	7.7%
Upper Peninsula	8.2%	7.8%	8.6%
Northeast Lower Mich	11.0%	10.2%	11.7%
Northwest Lower Mich.	8.4%	7.9%	8.9%

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



## U.S. Economic Conditions

	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	93.6	92.1	91.7	96.9	5.7 points
ISM Manufacturing Index <sup>(i)</sup>	51.5	49.9	51.4	49.3	-6.0 points
ISM Non Manufacturing Index <sup>(i)</sup>	57.4	58.3	56.7	59.0	-0.1 points
	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	
Business Executives' Confidence <sup>(j)</sup>	57.0	50.0	44.0	50.0	-6.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	201.8	201.5	201.8	202.4	2.1%
Detroit CPI	196.6	NA	196.4	NA	2.1%
U.S. Producer Price Index	158.4	159.7	160.5	160.2	0.2%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.89%	4.95%	4.85%	4.96%	0.76% points
Aaa Corporate Bonds <sup>(m)</sup>	5.51%	5.33%	5.32%	5.40%	0.11% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	112.0	111.9	112.5	111.9	2.6%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	81.7%	81.5%	81.8%	81.2%	0.2% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$364.5	\$366.1	\$370.4	\$370.4	2.4%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.478	1.565	1.643	1.408	-37.8%
Existing Home Sales <sup>(p)</sup>	6.270	6.250	6.270	6.460	-4.3%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$210.5	\$215.1	\$221.0	\$203.9	2.1%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	<u>% Change From Year Ago</u>
Michigan	\$335.3	\$337.3	\$340.3	\$345.3	3.7%
U.S.	\$10,469.6	\$10,700.9	\$10,788.2	\$10,938.1	6.7%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,316.4	\$11,388.1	\$11,443.5	\$11,506.5	2.2%

## Calendar Year Economic Conditions

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Change from Year Ago</u>
<b>CONSUMER SENTIMENT</b> <sup>(h)</sup>	95.2	88.6	87.3	94.1	6.8 points
<b>INFLATION</b> <sup>(k)</sup>					
<b>1982-84 = 100</b>					
U.S. Consumer Price Index	184.0	188.9	195.3	201.6	3.2%
Detroit CPI	182.5	185.4	190.8	196.6	3.0%
U.S. Producer Price Index	143.3	148.5	155.7	160.3	3.0%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	1.02%	1.38%	3.16%	4.73%	1.57% points
Aaa Corporate Bonds <sup>(m)</sup>	5.67%	5.63%	5.24%	5.59%	0.35% points
<b>INDUSTRIAL PRODUCTION</b> <sup>(m)</sup>	101.1	103.6	106.9	111.2	4.3 points
<b>CAPACITY UTILIZATION</b> <sup>(m)</sup>	76.1%	78.1%	80.2%	81.8%	1.6% points
<b>RETAIL SALES</b> <sup>(n)</sup>	\$3,615	\$3,850	\$4,116	\$4,365	6.1%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)					
Housing Starts <sup>(o)</sup>	1.848	1.956	2.068	1.802	-12.9%
Existing Home Sales <sup>(p)</sup>	n.a.	6.778	7.076	6.478	-8.5%
<b>DURABLE GOODS ORDERS</b> <sup>(q)</sup>	\$171.6	\$183.4	\$199.2	\$213.1	7.0%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>					
Gross Domestic Product	\$10,301.0	\$10,703.5	\$11,048.6	\$11,422.4	3.3%
Consumption	7,295.3	7,577.1	7,841.2	8,091.1	3.2%
Non Residential Fixed Investment	1,081.8	1,145.8	1,223.8	1,313.0	7.3%
Residential Investment	509.4	559.9	608.0	582.5	-4.2%
Government Spending	1,904.8	1,940.6	1,958.0	1,998.3	2.1%
<b>EMPLOYMENT</b> <sup>(a)</sup>					
Wage and Salary Employment					
United States	129,999	131,435	133,703	136,171	1.8%
Michigan	4,414	4,395	4,390	4,341	-1.1%
Unemployment Rate					
United States	6.0%	5.5%	5.1%	4.6%	-0.5% points
Michigan	7.1%	7.0%	6.8%	6.9%	0.1% point



**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.