



MICHIGAN ECONOMIC UPDATE

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

May 2006 Summary

U.S. Economy: May U.S. economic indicators were mixed. Excluding vehicles and gasoline, retail sales were up 7.5 percent compared to a year ago. New durable goods orders, excluding defense and aircraft, rose sharply (10.9 percent) compared to a year ago. Both the manufacturing and the non-manufacturing ISM index fell from last month but increased from a year ago. The index of leading economic indicators fell in May after being essentially flat in April. Consumer sentiment declined both from a year ago and April. The housing sector continued to show signs of moderating with both housing starts and existing home sales down from May 2005. First quarter real GDP growth was revised up from 5.3 percent to 5.6 percent.

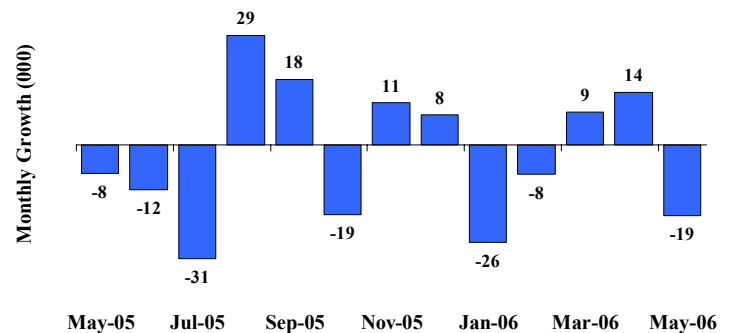
Employment: Michigan's unemployment rate fell to 6.0 percent as the State's labor force declined. State payroll employment fell by 19,200 jobs. Nationally, payroll employment rose by 75,000 jobs. The U.S. unemployment rate fell to 4.6 percent.

Auto Industry: May light vehicle sales fell to a 16.0 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 4.5 percent compared with a 0.1 percent increase nationally. Light vehicle inventories fell 1.0 percent while days supply rose 2 days at 63 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 4.2 percent. Excluding food and energy, the core U.S. CPI was up 2.4 percent. While overall producer prices climbed 4.5 percent, core producer prices increased by only 1.5 percent.

Michigan Metro Areas: Compared to a year ago, May 2006 unemployment rates declined in all 17 major labor market areas, with a median decline of 0.8 of a percentage point. Employment rose in 15 labor market areas with a median increase of 1.4 percent. Unemployment rates ranged between 4.0 percent (Ann Arbor MSA) and 7.3 percent (Flint MSA).

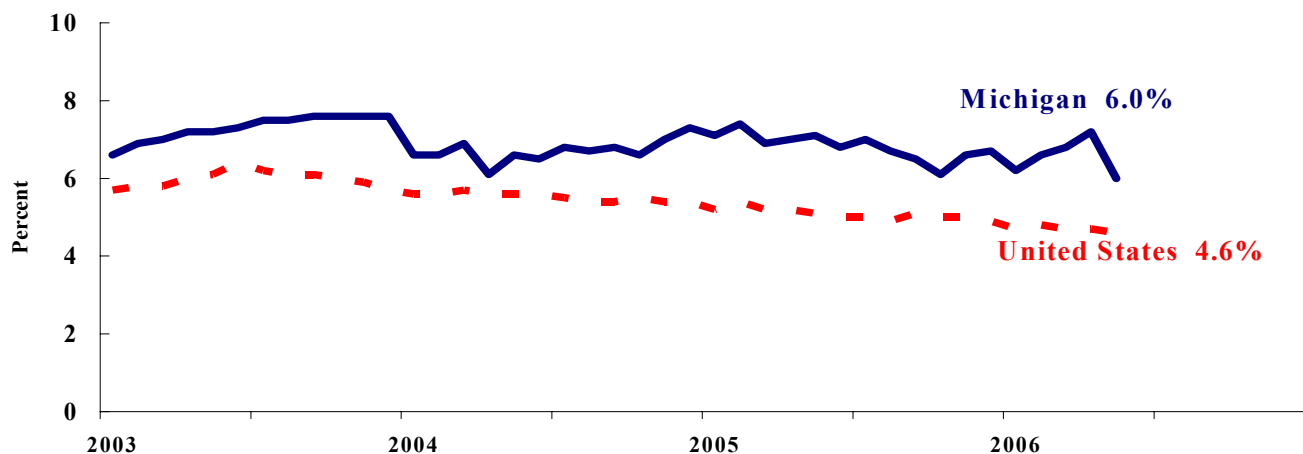
Michigan Employment Declines In May^(a)



Labor Market Statistics

- Michigan’s May monthly unemployment rate decreased 1.2 percentage points to 6.0 percent from April and the current Michigan jobless rate is 0.8 percentage points below a year ago. The May U.S. unemployment rate decreased 0.1 percentage points to 4.6 percent and was 0.5 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 May, the number of people employed in Michigan was 4,784,000, down 4,000 from last month, while the labor force decreased significantly by 66,000. The statewide total number of unemployed decreased by 61,000 to 308,000.
- United States household employment totaled 144.0 million persons in May, up 288,000 from April. The labor force rose by 180,000 from last month, which meant that there were 108,000 less unemployed people nationally, compared to April.

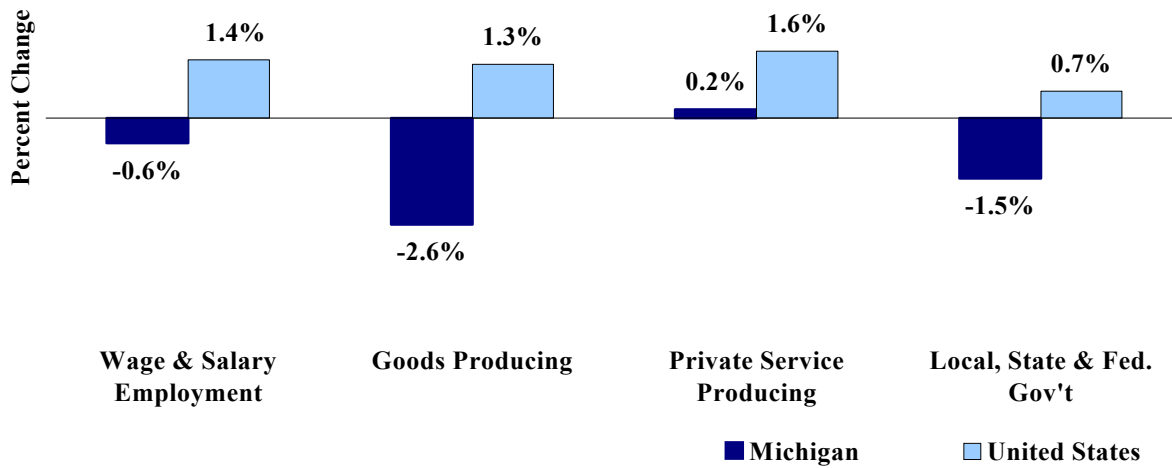
Employment by Place of Residence (in thousands)^(a)

	2005 Average	Mar 2006	Apr 2006	May 2006	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	5,097	5,131	5,158	5,092	-66	-1.3%	-12	-0.2%	
Employed	4,754	4,782	4,788	4,784	-4	-0.1%	29	0.6%	
Unemployed	344	349	369	308	-61	-16.5%	-41	-11.7%	
Unemployment Rate	6.7%	6.8%	7.2%	6.0%	n.a.	-1.2% pts	n.a.	-0.8%	
United States									
Labor Force	149,320	150,652	150,811	150,991	180	0.1%	1,869	1.3%	
Employed	141,730	143,641	143,688	143,976	288	0.2%	2,501	1.8%	
Unemployed	7,591	7,011	7,123	7,015	-108	-1.5%	-632	-8.3%	
Unemployment Rate	5.1%	4.7%	4.7%	4.6%	n.a.	-0.1% pts	n.a.	-0.5%	

Employment by Place of Work

- From May 2005 to May 2006, Michigan wage and salary employment declined 27,000 (0.6 percent). State wage and salary employment decreased 19,000 from April. Nationally, May 2006 wage and salary employment rose 1,896,000 (1.4 percent) from a year ago and was up 75,000 from last month.

Wage and Salary Employment Growth May 2005 to May 2006



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

- In the goods-producing sector, Michigan employment fell 2.6 percent from a year ago while private service-producing sector employment increased 0.2 percent compared to last year. From a year ago, May national employment in the goods-producing sector rose 1.3 percent and increased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours increased 1.5 hours in Michigan compared to last year.

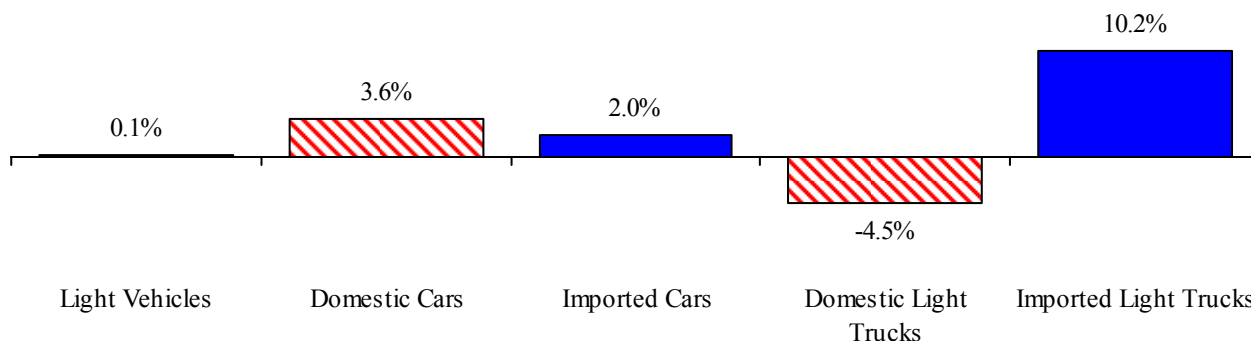
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2005 Average	May 2005	May 2006	Percent Change	2005 Average	May 2005	May 2006	Percent Change
Wage & Salary Employment	4,384	4,392	4,365	-0.6%	133,463	133,210	135,106	1.4%
Goods Producing	879	882	859	-2.6%	22,133	22,126	22,416	1.3%
Manufacturing	679	682	658	-3.5%	14,232	14,251	14,230	-0.1%
Private Service Producing	2,832	2,836	2,842	0.2%	89,527	89,311	90,774	1.6%
Trade, Trans. & Utilities	804	807	797	-1.2%	25,909	25,897	26,047	0.6%
Services	1,742	1,743	1,758	0.9%	52,412	52,248	53,350	2.1%
Local, State & Fed. Gov't	674	675	665	-1.5%	21,803	21,773	21,916	0.7%
Manufacturing Weekly Hours	41.7	41.3	42.8	1.5 hrs	40.7	40.4	41.1	0.7 hrs

Motor Vehicle Industry Sales

- At a 16.0 million unit annual rate, May 2006 light vehicle sales were down 3.9 percent compared to last month and down 3.6 percent from May 2005.
- Compared to May 2005, domestic sales were down 7.0 percent while foreign sales were up 9.5 percent. Auto sales rose 3.5 percent while light truck sales were down 9.5 percent.
- Year-to-date, light vehicle sales were up 0.1 percent. Domestic car sales rose 3.6 percent, while foreign car sales increased 2.0 percent. Domestic light truck sales fell 4.5 percent; foreign light truck sales were up 10.2 percent. Vehicle inventories fell 1.0 percent while days supply was up 2 days at 63 days.

Year-to-Date Vehicle Essentially Flat Compared to a Year Ago ^(c)



Motor Vehicle Sales Statistics

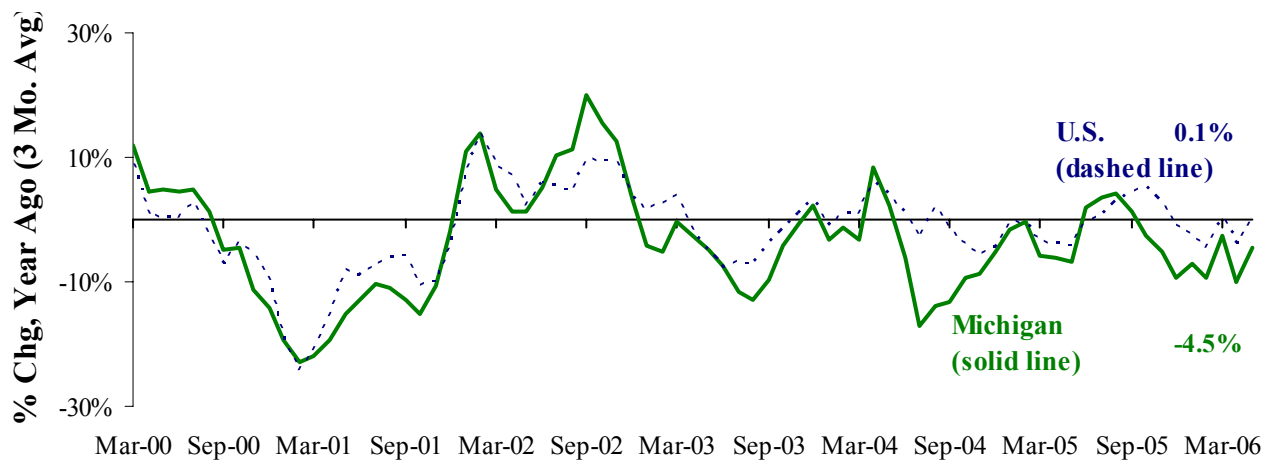
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2005	Mar	Apr	May	3 Month	Change from	
	Average	2006	2006	2006	Average	Level	%
Autos	7.7	7.4	8.0	7.8	7.7	0.3	3.5%
Domestics	5.5	5.3	5.6	5.3	5.4	0.0	0.2%
Imports	2.2	2.1	2.4	2.5	2.3	0.3	11.5%
Import Share	28.7%	28.9%	29.9%	31.6%	30.1%	2.3% pts	
Light Trucks	9.2	9.1	8.7	8.3	8.7	(0.9)	-9.5%
Domestics	8.0	7.7	7.2	7.0	7.3	(0.9)	-11.9%
Imports	1.2	1.4	1.4	1.3	1.4	0.1	5.9%
Import Share	13.2%	15.1%	16.7%	15.7%	15.8%	2.3% pts	
Total Light Vehicles	16.9	16.5	16.7	16.0	16.4	(0.6)	-3.6%
Heavy Trucks	0.5	0.6	0.5	0.5	0.5	(0.1)	17.4%
Total Vehicles	17.4	17.1	17.2	16.6	17.0	(0.5)	-3.1%
U.S. Light Vehicle Inventories^(d)		Mar-06	Apr-06	May-06	3 Month	Change	
Total Car	1.284	1.461	1.402	1.365	1.409	0.037	
Days Supply	52	57	51	47	52	1 day	
Total Truck	2.274	2.420	2.378	2.391	2.396	-0.076	
Days Supply	78	78	85	79	81	5 days	

Motor Vehicle Industry Production

- At 221,035 units, May 2006 Michigan light vehicle production rose 3.3 percent from a year ago, compared with a 5.4 percent increase nationally. As a result, Michigan’s share of national production fell 0.4 of a percentage point to 20.4 percent.
- Compared with a year ago, state car production rose 8.0 percent while state truck production declined 0.7 percent. Nationally, car production increased 10.7 percent while truck production rose 2.4 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 4.5 percent from a year ago, compared to a 0.1 percent increase nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Mar 2006	Apr 2006	May 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	359.1	449.3	353.2	406.1	402.8	39.4	10.7%
Trucks	639.7	723.9	568.4	678.0	656.8	15.8	2.4%
Total	998.8	1,173.2	921.6	1,084.1	1,059.6	55.2	5.4%
Michigan Production ^(f)							
Autos	98.9	127.5	91.7	105.4	108.2	7.8	8.0%
Trucks	105.2	125.3	99.8	115.6	113.6	(0.8)	-0.7%
Total	204.1	252.8	191.4	221.0	221.8	7.0	3.3%
Michigan as % of U.S.	20.4%	21.5%	20.8%	20.4%	20.9%	-0.4% pts	

May 2006 Unemployment Rates Decline in All Major Labor Market Areas (Not Seasonally Adjusted)

From May 2005 to May 2006, unemployment rates declined in all 17 major labor market areas. The unemployment rate fell by more than 1.0 percentage point in three labor markets. The median unemployment rate decline was 0.8 of a percentage point.

Compared to a year ago, employment rose in 15 major labor market areas. The median employment increase was 1.4 percent. Employment increased by more than 1.0 percent in ten labor market areas.

The Detroit-Warren-Livonia MSA and Saginaw-Saginaw Township MSA reported the largest unemployment rate decline compared to a year ago (1.2 percentage points). The Muskegon-Norton Shores MSA recorded the second largest rate decline (1.1 percentage points). Four areas reported the next largest unemployment rate decline compared to a year ago (0.9 of a percentage point): Bay City MSA, Grand Rapids-Wyoming MSA, Kalamazoo-Portage MSA, and Lansing-East Lansing MSA.

The Holland-Grand Haven MSA recorded the largest employment increase compared to a year ago (2.3 percent), followed by Northwest Lower Michigan (2.0 percent). The Grand Rapids-Wyoming MSA and Upper Peninsula reported the third largest employment increase (1.9 percent). Employment fell in the Detroit-Warren-Livonia and Jackson MSAs.

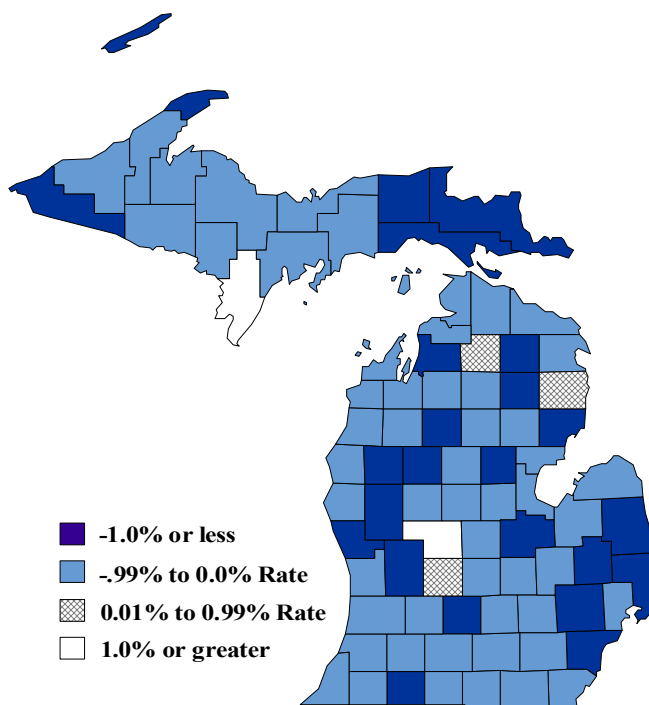
Compared to April 2006, unemployment rates declined in all 17 major labor markets with a median decline of 0.7 of a percentage point. Five areas reported rate declines exceeding 1.0 percentage point. May 2006 unemployment rate ranged between 4.0 percent (Ann Arbor) and 7.3 percent (Flint).

Compared to May 2006, unemployment rates fell in 78 counties and rose in five counties. The median change was a 0.8 of a percentage point decrease.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2005 Rate</u>	<u>Apr 2006 Rate</u>	<u>May 2006 Rate</u>
Michigan	6.7%	6.8%	5.8%
Ann Arbor	4.6%	4.2%	4.0%
Battle Creek	6.8%	6.7%	6.0%
Bay City	7.2%	7.4%	6.3%
Detroit-Warren-Livonia	7.0%	6.9%	5.8%
Flint	8.0%	8.2%	7.3%
Grand Rapids-Wyoming	6.1%	5.8%	5.2%
Holland-Grand Haven	5.2%	5.0%	4.5%
Jackson	6.8%	6.8%	6.1%
Kalamazoo-Portage	5.8%	5.3%	4.9%
Lansing-East Lansing	6.2%	5.9%	5.3%
Monroe	6.1%	5.9%	5.4%
Muskegon-Norton Shores	7.1%	6.7%	6.0%
Niles-Benton Harbor	7.0%	6.8%	6.2%
Saginaw-Saginaw Township	8.0%	7.7%	6.8%
Upper Peninsula	6.9%	8.4%	6.3%
Northeast Lower Mich	7.7%	9.9%	7.2%
Northwest Lower Mich.	6.5%	7.7%	5.9%

Unemployment Rates May 2006^(g)



U.S. Economic Conditions

	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	86.7	88.9	87.4	79.1	-7.8 points
ISM Manufacturing Index ⁽ⁱ⁾	56.7	55.2	57.3	54.4	2.6 points
ISM Non Manufacturing Index ⁽ⁱ⁾	60.1	60.5	63.0	60.1	0.9 points
	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	
Business Executives' Confidence ^(j)	55.0	50.0	56.0	57.0	-5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	198.7	199.8	201.5	202.5	4.2%
Detroit CPI	194.8	NA	197.2	NA	3.9%
U.S. Producer Price Index	157.8	159.0	160.6	161.2	4.5%
INTEREST RATES					
90 Day T-Bill ^(l)	4.41%	4.51%	4.59%	4.72%	1.86% points
Aaa Corporate Bonds ^(m)	5.35%	5.53%	5.84%	5.95%	0.80% points
INDUSTRIAL PRODUCTION ^(m)					
	110.7	111.3	112.2	112.1	4.3%
CAPACITY UTILIZATION ^(m)					
	81.1%	81.4%	81.9%	81.7%	1.9% points
RETAIL SALES ⁽ⁿ⁾					
	\$358.7	\$361.2	\$363.9	\$364.2	7.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.132	1.972	1.863	1.957	-3.8%
Existing Home Sales ^(p)	6.900	6.900	6.750	6.670	-6.6%
DURABLE GOODS ORDERS ^(q)					
	\$207.0	\$219.5	\$209.2	\$208.7	3.3%
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>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,089.2	\$11,202.3	\$11,248.3	\$11,403.6	5.6%

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.