



MICHIGAN ECONOMIC UPDATE

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

November 2006 Summary

U.S. Economy: November U.S. economic indicators were mixed. The manufacturing ISM index fell below 50.0 for the first time since April 2003. The non-manufacturing ISM index remained above 50.0 but was essentially flat compared to a year ago. The index of leading economic indicators was roughly unchanged for the second straight month. Consumer sentiment was up 10.5 points from a year ago. Housing starts were down 25.5 percent from a year ago while existing home sales fell 10.7 percent. Excluding vehicles and gasoline, retail sales were up 6.2 percent compared to a year ago (three-month average). New durable goods orders, excluding defense and aircraft, rose 9.0 percent compared to a year ago (three-month average).

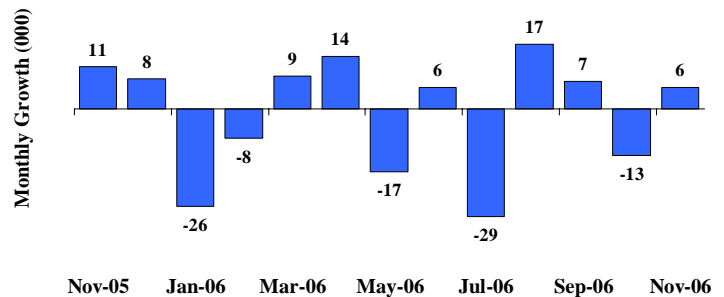
Employment: Michigan's unemployment rate remained at 6.9 percent. State payroll employment rose by 5,700 jobs. Nationally, payroll employment increased by 132,000 jobs. The U.S. unemployment rate rose to 4.5 percent.

Auto Industry: November light vehicle sales were little changed at a 16.0 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 15.6 percent compared with an 11.0 percent decline nationally. Light vehicle inventories fell 3.5 percent while days supply declined by 5 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 2.0 percent. Excluding food and energy, the CPI increased 2.6 percent. Overall producer prices declined 0.9 percent while the core PPI rose 1.8 percent.

Michigan Metro Areas: Compared to a year ago, November 2006 unemployment rates rose in 14 major labor market areas, with a median increase of 0.6 of a percentage point. Employment fell in all 17 labor market areas with a median decline of 1.2 percent. Unemployment rates ranged between 4.2 percent (Ann Arbor MSA) and 8.6 percent (Northeast Lower Michigan).

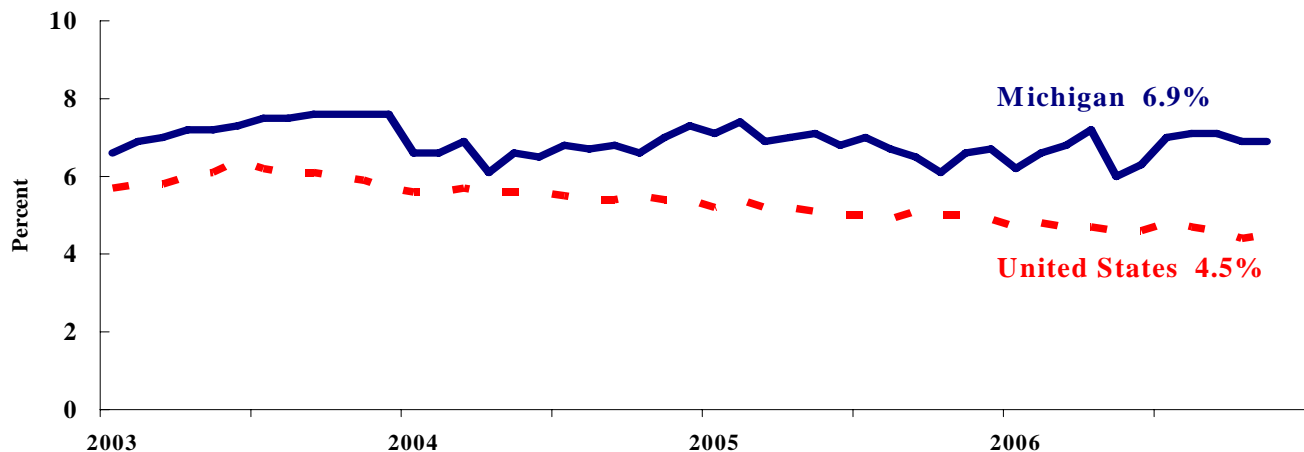
Michigan Employment Rises Third Month out of Last Four^(a)



Labor Market Statistics

- Michigan's November monthly unemployment rate remained unchanged at 6.9 percent from last month and the current Michigan jobless rate is 0.4 percentage points above a year ago. The November U.S. unemployment rate increased 0.1 percentage points to 4.5 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 November, the number of people employed in Michigan was 4,731,000, down 28,000 from last month, while the labor force decreased by 30,000. The statewide total number of unemployed decreased by 1,000 to 350,000.
- United States household employment totaled 145.6 million persons in November, up 277,000 from October. The labor force rose by 383,000 from last month, which meant that there were 106,000 more unemployed people nationally, compared to October.

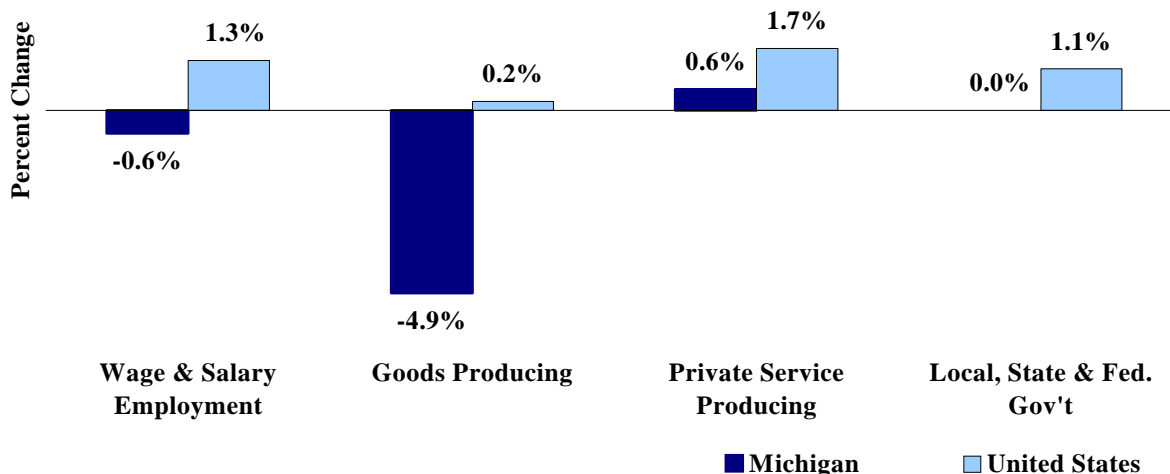
Employment by Place of Residence (in thousands)^(a)

	2005 Average	Sep 2006	Oct 2006	Nov 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,097	5,112	5,110	5,080	-30	-0.6%	-22	-0.4%
Employed	4,754	4,748	4,759	4,731	-28	-0.6%	-37	-0.8%
Unemployed	344	364	351	350	-1	-0.3%	16	4.8%
Unemployment Rate	6.7%	7.1%	6.9%	6.9%	n.a.	0.0% pts	n.a.	0.4%
United States								
Labor Force	149,320	151,799	151,998	152,381	383	0.3%	2,198	1.5%
Employed	141,730	144,850	145,287	145,564	277	0.2%	2,953	2.1%
Unemployed	7,591	6,949	6,711	6,817	106	1.6%	-755	-10.0%
Unemployment Rate	5.1%	4.6%	4.4%	4.5%	n.a.	0.1% pts	n.a.	-0.5%

Employment by Place of Work

- From November 2005 to November 2006, Michigan wage and salary employment decreased 27,000 (0.6 percent). State wage and salary employment increased 6,000 from October. Nationally, November 2006 wage and salary employment rose 1,787,000 (1.3 percent) from a year ago and was up 132,000 from last month.

Wage and Salary Employment Growth November 2005 to November 2006



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

- In the goods-producing sector, Michigan employment fell 4.9 percent from a year ago while private service-producing sector employment increased 0.6 percent compared to last year. From a year ago, November national employment in the goods-producing sector rose 0.2 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours decreased 0.2 hours in Michigan compared to last year.

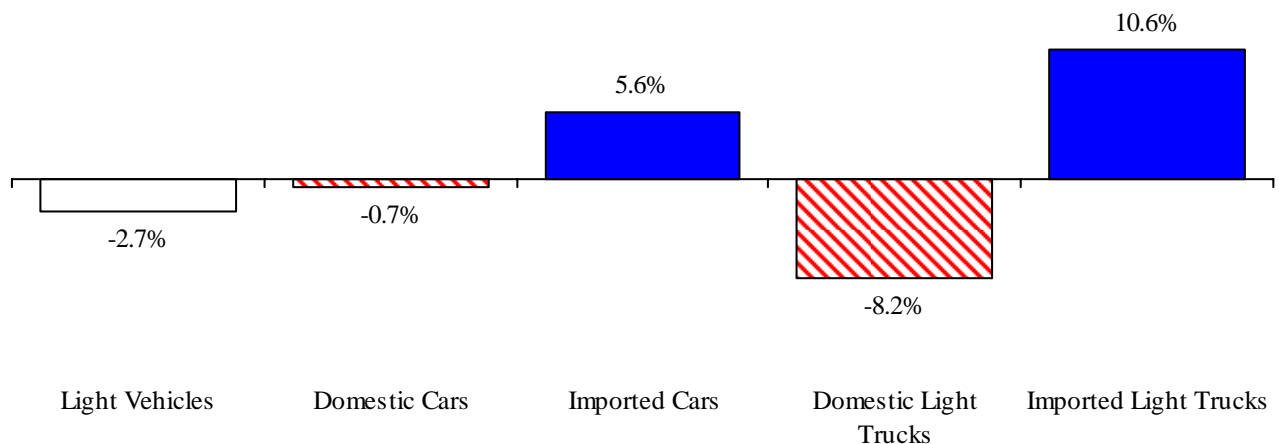
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2005 Average	Nov 2005	Nov 2006	Percent Change	2005 Average	Nov 2005	Nov 2006	Percent Change
Wage & Salary Employment	4,384	4,389	4,362	-0.6%	133,463	134,231	136,018	1.3%
Goods Producing	879	881	838	-4.9%	22,133	22,264	22,317	0.2%
Manufacturing	679	679	788	16.1%	14,232	14,214	14,164	-0.4%
Private Service Producing	2,832	2,835	2,851	0.6%	89,527	90,087	91,579	1.7%
Trade, Trans. & Utilities	804	803	788	-1.9%	25,909	26,006	26,113	0.4%
Services	1,742	1,746	1,776	1.7%	52,412	52,800	54,036	2.3%
Local, State & Fed. Gov't	674	673	673	0.0%	21,803	21,880	22,122	1.1%
Manufacturing Weekly Hours	41.7	41.8	41.6	-0.2 hrs	40.7	40.8	41.1	0.3 hrs

Motor Vehicle Industry Sales

- At a 16.0 million unit annual rate, November 2006 light vehicle sales were down 0.7 percent compared to last month and were essentially unchanged from November 2005.
- Compared to November 2005, domestic sales were down 4.0 percent while foreign sales were up 15.1 percent. Auto sales fell 3.0 percent while light truck sales were up 2.6 percent.
- Year-to-date, light vehicle sales were down 2.7 percent. Domestic car sales were down 0.7 percent, while foreign car sales increased 5.6 percent. Domestic light truck sales fell 8.2 percent; foreign light truck sales were up 10.6 percent. The year-to-date import share of vehicle sales increased 2.1 percentage points from last year to 22.2 percent. November vehicle inventories were down 3.5 percent from a year ago while days supply was down 5 days at 73 days.

Year-to-Date Vehicle Sales Down Compared to a Year Ago ^(c)



Motor Vehicle Sales Statistics

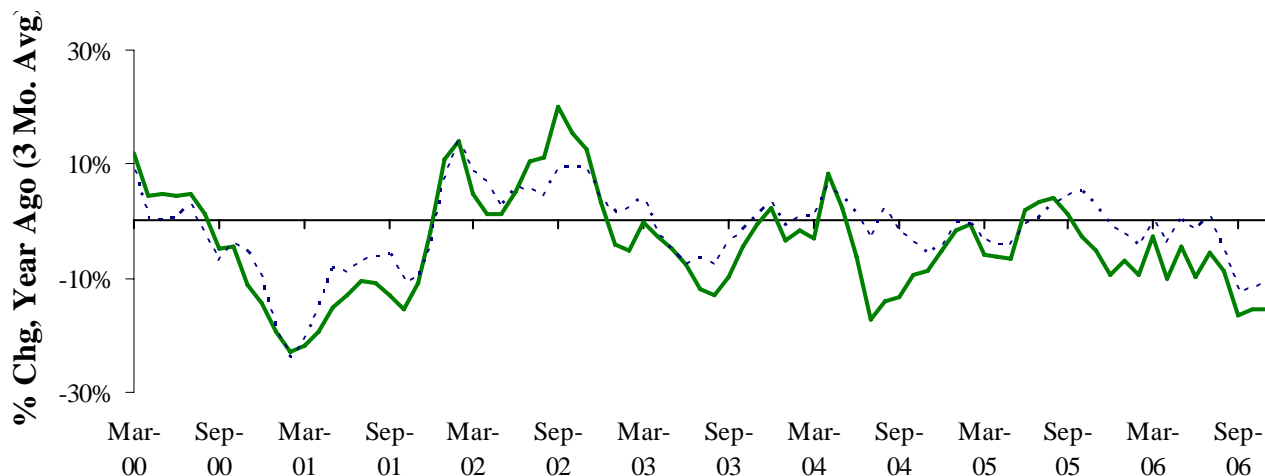
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2005 Average	Sep 2006	Oct 2006	Nov 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	7.6	7.3	7.4	7.5	(0.2)	-3.0%
Domestics	5.5	5.3	5.1	5.1	5.2	(0.5)	-8.3%
Imports	2.2	2.3	2.2	2.3	2.3	0.2	10.9%
Import Share	28.7%	30.2%	30.7%	31.4%	30.8%	3.9% pts	
Light Trucks	9.2	8.9	8.8	8.6	8.8	0.2	2.6%
Domestics	8.0	7.6	7.3	7.2	7.3	(0.0)	-0.7%
Imports	1.2	1.4	1.5	1.4	1.4	0.3	22.6%
Import Share	13.2%	15.2%	17.4%	16.7%	16.4%	2.7% pts	
Total Light Vehicles	16.9	16.6	16.1	16.0	16.2	(0.0)	-0.1%
Heavy Trucks	0.5	0.6	0.6	0.5	0.6	(0.0)	6.1%
Total Vehicles	17.4	17.1	16.7	16.5	16.8	0.0	0.1%
U.S. Light Vehicle Inventories^(d)		Sep-06	Oct-06	Nov-06	3 Month	Change	
Total Car	1.284	1.175	1.305	1.423	1.301	0.179	
Days Supply	52	48	60	66	58	8 days	
Total Truck	2.274	2.077	2.074	2.060	2.070	-0.304	
Days Supply	78	76	78	78	77	-17 days	

Motor Vehicle Industry Production

- At 183,774 units, November 2006 Michigan light vehicle production fell 4.0 percent from a year ago, compared with a 19.9 percent decline nationally. As a result, Michigan's share of national production rose 3.5 percentage points to 20.9 percent.
- Compared with a year ago, state car production declined 6.9 percent while state truck production fell 1.1 percent. Nationally, car production was down 11.4 percent while truck production declined 24.5 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 15.6 percent from a year ago, compared to an 11.0 percent decline nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Sep 2006	Oct 2006	Nov 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	359.1	366.5	401.9	336.6	368.3	(43.2)	-11.4%
Trucks	639.7	561.2	591.7	543.7	565.5	(176.1)	-24.5%
Total	998.8	927.7	993.6	880.3	933.9	(219.3)	-19.9%
Michigan Production ^(f)							
Autos	98.9	88.9	101.7	87.7	92.8	(6.5)	-6.9%
Trucks	105.2	84.3	87.0	96.1	89.1	(1.1)	-1.1%
Total	204.1	173.2	188.7	183.8	181.9	(7.6)	-4.0%
Michigan as % of U.S.	20.4%	18.7%	19.0%	20.9%	19.5%	3.5 pts	

November 2006 Unemployment Rates Rose in Fourteen Major Labor Market Areas (Not Seasonally Adjusted)

From November 2005 to November 2006, unemployment rates rose in 14 of the 17 major labor market areas. The median unemployment rate increase was 0.6 of a percentage point.

Compared to a year ago, employment fell in all 17 major labor market areas. The median employment decrease was 1.2 percent. Employment decreased by more than 1.5 percent in six labor market areas.

The Northeast Lower Michigan area reported the largest unemployment rate increase compared to a year ago (1.0 percentage point). The Jackson MSA recorded the second largest rate increase (0.9 of a percentage point), followed by the Flint MSA and Northwest Lower Michigan area (0.8 of a percentage point).

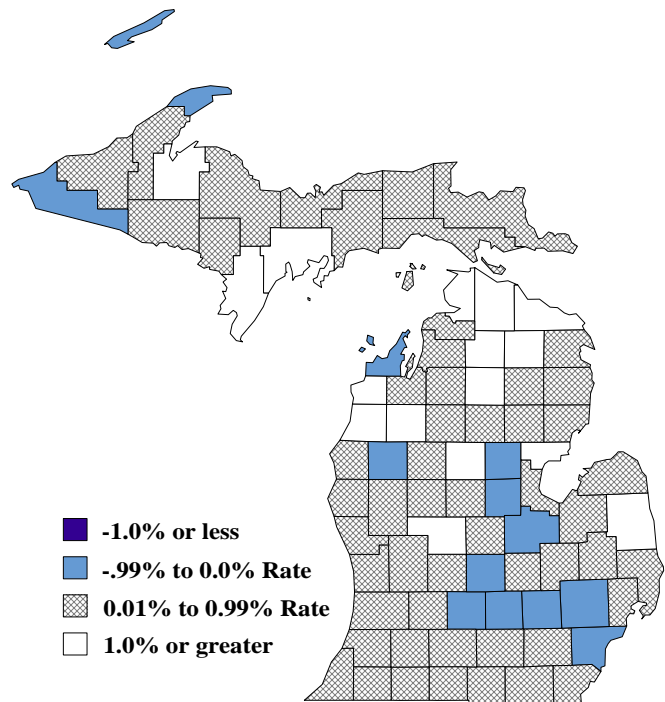
Compared to October 2006, unemployment rates rose in 16 major labor market areas. The median rate increase was 0.4 of a percentage point. November 2006 unemployment rates ranged between 4.2 percent (Ann Arbor MSA) and 8.6 percent (Northeast Lower Michigan).

Compared to November 2005, the unemployment rate rose in 70 counties, fell in 12 counties and was unchanged in one county.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Nov 2005 Rate</u>	<u>Oct 2006 Rate</u>	<u>Nov 2006 Rate</u>
Michigan	6.2%	6.1%	6.5%
Ann Arbor	3.8%	4.1%	4.2%
Battle Creek	5.9%	6.2%	6.3%
Bay City	6.0%	5.7%	6.2%
Detroit-Warren-Livonia	6.9%	6.7%	6.8%
Flint	6.9%	7.3%	7.7%
Grand Rapids-Wyoming	5.2%	5.3%	5.6%
Holland-Grand Haven	4.5%	4.6%	5.0%
Jackson	6.0%	6.5%	6.9%
Kalamazoo-Portage	5.0%	4.8%	5.2%
Lansing-East Lansing	5.4%	5.0%	5.2%
Monroe	5.3%	6.3%	5.9%
Muskegon-Norton Shores	6.2%	6.3%	6.6%
Niles-Benton Harbor	5.9%	6.1%	6.5%
Saginaw-Saginaw Township	6.8%	6.3%	6.7%
Upper Peninsula	6.1%	5.2%	6.7%
Northeast Lower Mich	7.6%	6.7%	8.6%
Northwest Lower Mich.	6.2%	5.6%	7.0%

Year-ago Change in Unemployment Rates November 2006^(g)



U.S. Economic Conditions

	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	82.0	85.4	93.6	92.1	10.5 points
ISM Manufacturing Index ⁽ⁱ⁾	54.5	52.9	51.2	49.5	-7.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	57.0	52.9	57.1	58.9	-0.4 points
	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	
Business Executives' Confidence ^(j)	56.0	57.0	50.0	44.0	-6.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	203.9	202.9	201.8	201.5	2.0%
Detroit CPI	198.6	NA	196.6	NA	0.8%
U.S. Producer Price Index	162.1	160.3	158.4	159.7	0.9%
INTEREST RATES					
90 Day T-Bill ^(l)	4.98%	4.82%	4.89%	4.95%	1.05% points
Aaa Corporate Bonds ^(m)	5.68%	5.51%	5.51%	5.33%	-0.09% points
INDUSTRIAL PRODUCTION ⁽ⁿ⁾					
	112.5	112.1	112.1	112.3	3.8%
CAPACITY UTILIZATION ^(m)					
	82.4%	82.0%	81.8%	81.8%	1.1% points
RETAIL SALES ⁽ⁿ⁾					
	\$367.5	\$365.3	\$365.1	\$368.9	5.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.659	1.724	1.488	1.588	-25.5%
Existing Home Sales ^(p)	6.300	6.210	6.240	6.280	-10.7%
DURABLE GOODS ORDERS ^(q)					
	\$210.6	\$229.0	\$210.5	\$213.8	-0.2%
PERSONAL INCOME ^(c)					
(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%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,163.8	\$11,316.4	\$11,388.1	\$11,443.5	2.0%

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) 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.