



# MICHIGAN ECONOMIC UPDATE

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

## March 2007 Summary

**U.S. Economy:** March U.S. economic indicators were mixed. Both the manufacturing and non-manufacturing ISM index fell from last month and from a year ago. The index of leading economic indicators rose after falling in the prior two months. Housing starts were down 24.1 percent from a year ago; existing home sales fell 11.3 percent. Excluding vehicles and gasoline, retail sales rose 4.1 percent compared to a year ago (three-month average) -- their slowest increase in three and a half years. New durable goods orders, excluding defense and aircraft, fell sharply, recording their slowest year-ago change in four years (three-month average).

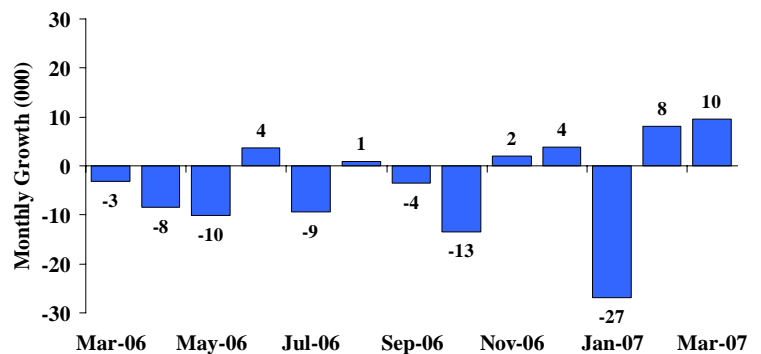
**Employment:** Michigan's payroll employment rose for the second straight month, increasing by 9,600 jobs. The State unemployment rate decreased 0.1 of a percentage point to 6.5 percent -- its lowest level since November 2002. Nationally, employment rose by 180,000 while the U.S. unemployment rate fell to 4.4 percent.

**Auto Industry:** March light vehicle sales fell to a 16.3 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 19.1 percent compared with a 9.2 percent decline nationally. Light vehicle inventories fell 8.5 percent while days supply fell by 4 days.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 2.8 percent. The core CPI (excluding energy and food) increased 2.5 percent. Overall producer prices rose 3.2 percent while core producer prices increased 1.7 percent.

**Michigan Metro Areas:** Compared to a year ago, March 2007 unemployment rates rose in seven major labor market areas and fell in seven areas. The unemployment rate was unchanged in three areas. The median decline was 0.3 of a percentage point; the median increase was 0.2 of a percentage point. Employment fell in 16 labor market areas with a median decline of 1.0 percent. Unemployment rates ranged between 4.7 percent (Ann Arbor MSA) and 12.0 percent (Northeast Lower Michigan).

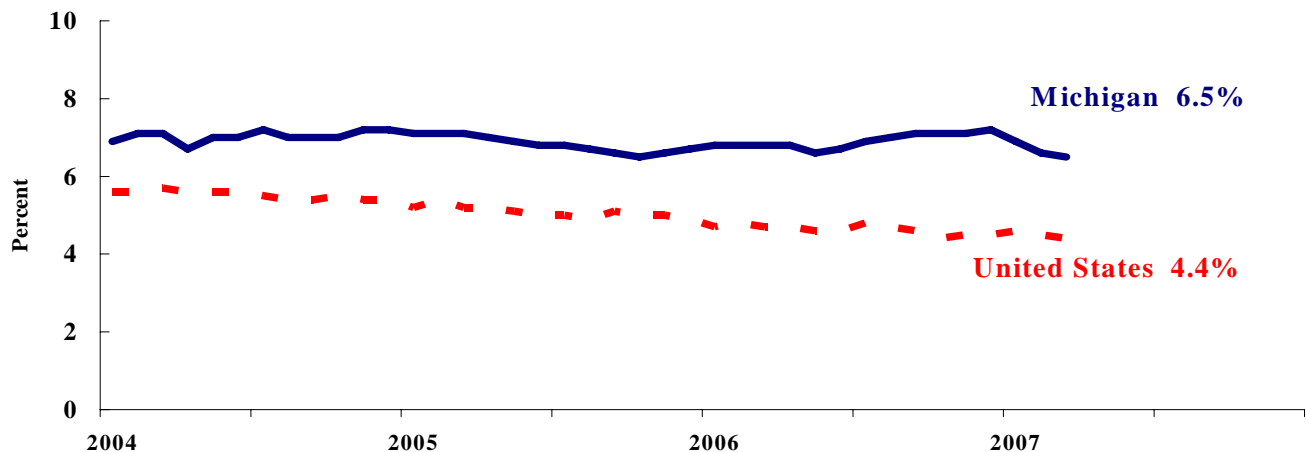
Michigan Employment Rises <sup>(a)</sup>



## Labor Market Statistics

- Michigan's March monthly unemployment rate decreased 0.1 percentage points to 6.5 percent from last month and the current Michigan jobless rate is 0.3 percentage points below a year ago. The March U.S. unemployment rate decreased 0.1 percentage points to 4.4 percent and was 0.3 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 March, the number of people employed in Michigan was 4,745,000, up 9,000 from last month, while the labor force increased by 2,000. The statewide total number of unemployed decreased by 7,000 to 328,000.
- United States household employment totaled 146.3 million persons in March, up 335,000 from February. The labor force rose by 195,000 from last month, which meant that there were 141,000 less unemployed people nationally, compared to February.

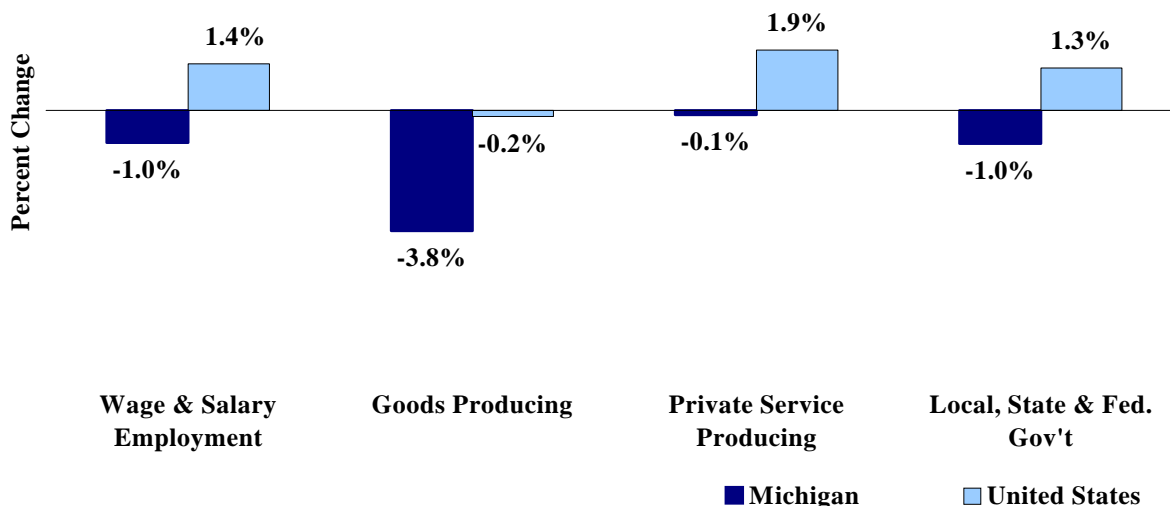
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2006 Average	Jan 2007	Feb 2007	Mar 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,081	5,084	5,071	5,073	2	0.0%	-10	-0.2%
Employed	4,730	4,733	4,736	4,745	9	0.2%	8	0.2%
Unemployed	351	351	335	328	-7	-2.1%	-18	-5.2%
Unemployment Rate	6.9%	6.9%	6.6%	6.5%	n.a.	-0.1% pts	n.a.	-0.3%
<b>United States</b>								
Labor Force	151,428	152,974	152,784	152,979	195	0.1%	2,327	1.5%
Employed	144,427	145,957	145,919	146,254	335	0.2%	2,613	1.8%
Unemployed	7,001	7,017	6,865	6,724	-141	-2.1%	-287	-4.1%
Unemployment Rate	4.6%	4.6%	4.5%	4.4%	n.a.	-0.1% pts	n.a.	-0.3%

## Employment by Place of Work

- From March 2006 to March 2007, Michigan wage and salary employment decreased 44,000 (1.0 percent). State wage and salary employment increased 10,000 from February. Nationally, March 2007 wage and salary employment rose 1,963,000 (1.4 percent) from a year ago and was up 180,000 from last month.

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



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

- In the goods-producing sector, Michigan employment fell 3.8 percent from a year ago while private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, March national employment in the goods-producing sector fell 0.2 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.7 hours in Michigan compared to last year.

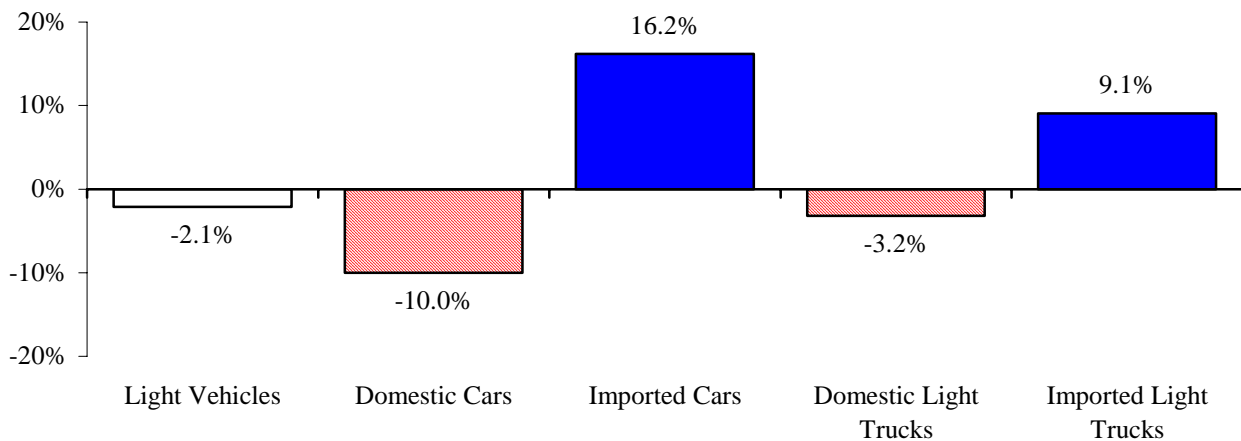
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2006 Average	Mar 2006	Mar 2007	Percent Change	2006 Average	Mar 2006	Mar 2007	Percent Change
Wage & Salary Employment	4,341	4,360	4,316	-1.0%	136,174	135,659	137,622	1.4%
Goods Producing	837	851	819	-3.8%	22,570	22,573	22,530	-0.2%
Manufacturing	648	658	636	-3.3%	14,197	14,212	14,103	-0.8%
Private Service Producing	2,835	2,839	2,835	-0.1%	91,615	91,180	92,896	1.9%
Trade, Trans. & Utilities	795	799	786	-1.6%	26,231	26,225	26,446	0.8%
Services	1,757	1,756	1,766	0.6%	53,965	53,583	54,921	2.5%
Local, State & Fed. Gov't	670	671	664	-1.0%	21,990	21,906	22,196	1.3%
Manufacturing Weekly Hours	42.2	42.0	42.7	0.7 hrs	41.1	41.1	41.1	0.0 hrs

### Motor Vehicle Industry Sales

- At 16.3 million units, March 2007 light vehicle sales were down 1.8 percent compared to February and declined 1.7 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 3.3 percent and foreign light vehicle sales rose 3.2 percent.
- Compared to a year ago, March 2007 domestic sales were down 5.3 percent while foreign sales rose 11.7 percent. As a result, the foreign share of U.S. vehicle sales increased substantially, rising by 2.9 percentage points to 24.1 percent. Overall auto sales rose 1.3 percent; light truck sales fell 4.1 percent.
- Year to date domestic auto sales declined 10.0 from a year ago while foreign car sales rose sharply (16.2 percent). Foreign light truck sales increased substantially, rising 9.1 percent. At the same time, domestic light truck sales fell 3.2 percent. March vehicle inventories fell 8.5 percent from a year ago.

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



### Motor Vehicle Sales Statistics

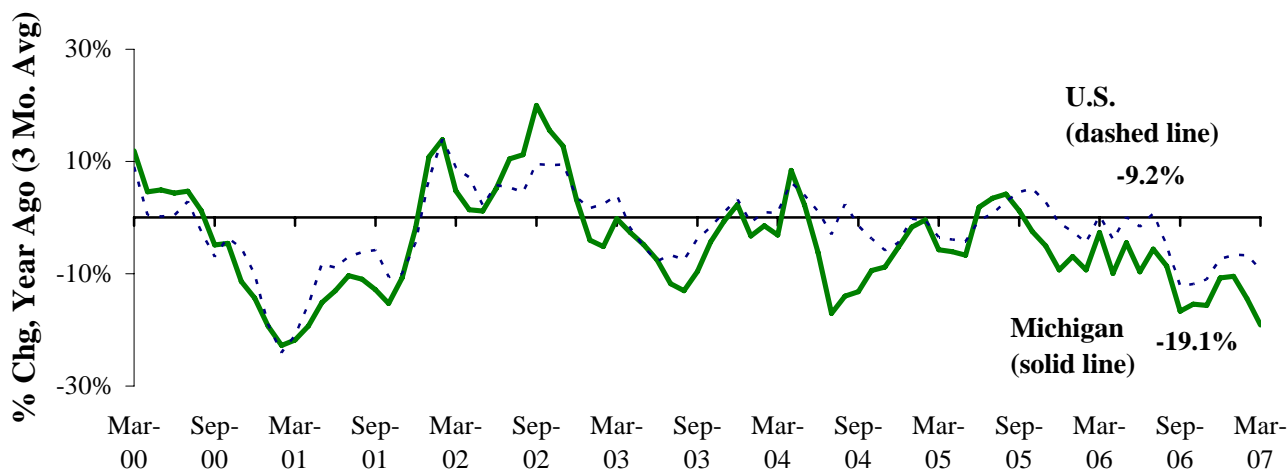
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2006 Average	Jan 2007	Feb 2007	Mar 2007	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.8	7.7	7.4	7.6	7.6	0.1	1.3%
Domestics	5.4	5.2	5.1	5.1	5.1	(0.2)	-4.1%
Imports	2.3	2.5	2.4	2.5	2.4	0.3	14.9%
Import Share	30.0%	31.9%	32.1%	32.6%	32.2%	3.8% pts	
Light Trucks	8.7	9.0	9.1	8.7	8.9	(0.4)	-4.1%
Domestics	7.4	7.5	7.7	7.2	7.5	(0.5)	-6.0%
Imports	1.3	1.5	1.4	1.5	1.5	0.1	6.7%
Import Share	15.5%	16.7%	15.5%	16.7%	16.3%	1.7% pts	
Total Light Vehicles	16.5	16.7	16.6	16.3	16.5	(0.3)	-1.7%
Heavy Trucks	0.5	0.5	0.5	0.4	0.5	(0.1)	-25.6%
Total Vehicles	17.0	17.2	17.0	16.7	17.0	(0.4)	-2.4%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Jan-07</b>	<b>Feb-07</b>	<b>Mar-07</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.323	1.510	1.549	1.538	1.532	0.077	
Days Supply	53	74	66	60	67	3 days	
Total Truck	2.224	1.977	1.986	2.013	1.992	-0.407	
Days Supply	79	85	69	69	74	-9 days	

### Motor Vehicle Industry Production

- At 187,981 units, March 2007 Michigan light vehicle production fell 25.6 percent from a year ago, compared with a 12.6 percent decline nationally. As a result, Michigan’s share of national production declined 3.2 percentage points to 18.3 percent.
- Compared with a year ago, state car production declined 34.3 percent while state truck production fell 16.8 percent. Nationally, car production was down 20.5 percent while truck production declined 7.7 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 19.1 percent from a year ago, compared to a 9.2 percent decline nationally.

**Michigan and National Vehicle Production Down <sup>(e,f)</sup>**



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 <u>Average</u>	Jan <u>2007</u>	Feb <u>2007</u>	Mar <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	345.2	331.3	357.0	344.5	(92.3)	-20.5%
Trucks	584.1	522.9	584.5	668.5	592.0	(55.4)	-7.7%
Total	948.4	868.1	915.8	1,025.5	936.5	(147.7)	-12.6%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	93.0	80.6	86.1	83.8	83.5	(43.7)	-34.3%
Trucks	96.6	87.6	85.5	104.2	92.4	(21.1)	-16.8%
Total	189.6	168.2	171.6	188.0	175.9	(64.8)	-25.6%
Michigan as % of U.S.	20.0%	19.4%	18.7%	18.3%	18.8%	-3.2% pts	

## March 2007 Unemployment Rates Rose in Seven Major Labor Market Areas, Fell in Seven (Not Seasonally Adjusted)

From March 2006 to March 2007, unemployment rates rose in seven major labor market areas, declined in seven areas and remained unchanged in three areas. The median unemployment rate increase was 0.2 of a percentage point; the median unemployment rate decline was 0.3 of a percentage point.

Compared to a year ago, employment fell in 16 major labor market areas and rose in one. The median employment decrease was 1.0 percent. Employment declined by more than 2.0 percent in three labor market areas: Monroe MSA (2.9 percent), Flint MSA (2.3 percent) and Jackson MSA (2.2 percent). The state’s largest labor market area (Detroit-Warren-Livonia MSA) reported an employment increase of 1.3 percent.

The Saginaw-Saginaw Township MSA reported the largest unemployment rate decline from a year ago (0.6 of a percentage point). The Bay City MSA and Detroit-Warren-Livonia MSA reported the second largest unemployment rate decrease (0.5 of a percentage point). The Jackson MSA recorded the largest unemployment rate increase (0.6 of a percentage point) followed by Monroe MSA and Northwest Lower Michigan (0.3 of a percentage point).

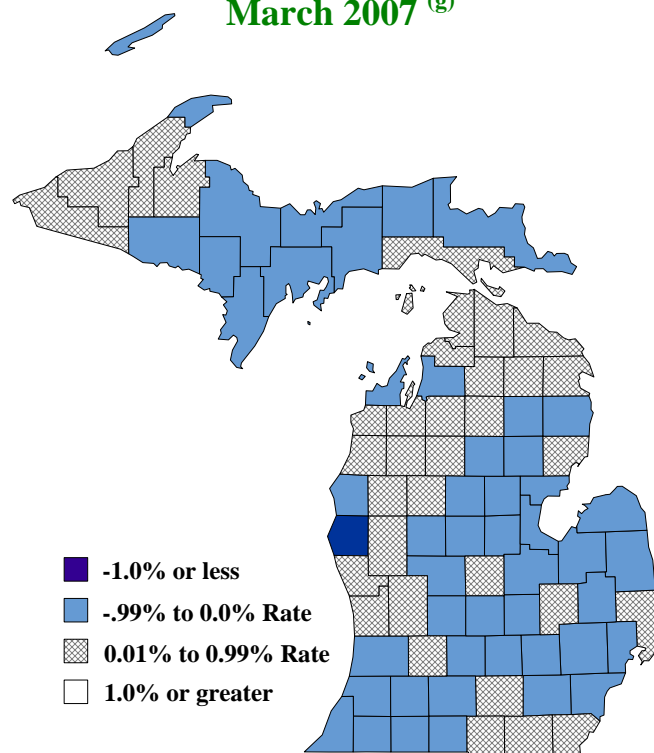
Compared to February 2007, unemployment rates fell in 13 major labor market areas. The median rate decline was 0.2 of a percentage point. March 2007 unemployment rates ranged between 4.7 percent (Ann Arbor MSA) and 12.0 percent (Northeast Lower Michigan).

Compared to March 2006, the unemployment rate fell in 38 counties, rose in 34 counties and remained unchanged in 11 counties.

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

<u>Local Area</u>	<u>Mar 2006 Rate</u>	<u>Feb 2007 Rate</u>	<u>Mar 2007 Rate</u>
Michigan	7.4%	7.2%	7.2%
Ann Arbor	4.8%	4.7%	4.7%
Battle Creek	7.2%	7.3%	7.2%
Bay City	8.0%	7.8%	7.5%
Detroit-Warren-Livonia	7.4%	6.7%	6.9%
Flint	8.7%	9.4%	8.8%
Grand Rapids-Wyoming	6.3%	6.4%	6.3%
Holland-Grand Haven	5.6%	6.0%	5.8%
Jackson	7.4%	8.0%	8.0%
Kalamazoo-Portage	5.9%	6.1%	5.9%
Lansing-East Lansing	6.2%	6.0%	5.9%
Monroe	6.4%	6.6%	6.7%
Muskegon-Norton Shores	7.2%	7.5%	7.3%
Niles-Benton Harbor	7.4%	7.7%	7.2%
Saginaw-Saginaw Township	8.3%	7.9%	7.7%
Upper Peninsula	9.0%	9.0%	8.9%
Northeast Lower Mich	11.8%	12.3%	12.0%
Northwest Lower Mich.	8.9%	9.3%	9.2%

### Unemployment Rates March 2007<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	91.7	96.9	91.3	88.4	-0.5 points
ISM Manufacturing Index <sup>(i)</sup>	51.4	49.3	52.3	50.9	-4.4 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.7	59.0	54.3	52.4	-7.2 points
	<u>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	
Business Executives' Confidence <sup>(j)</sup>	50.0	44.0	50.0	53.0	-4.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	201.8	202.4	203.5	205.4	2.8%
Detroit CPI	196.4	NA	198.1	NA	1.7%
U.S. Producer Price Index	160.5	160.2	162.0	164.2	3.2%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.85%	4.96%	5.02%	4.97%	0.46% points
Aaa Corporate Bonds <sup>(m)</sup>	5.32%	5.40%	5.39%	5.30%	-0.23% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	112.2	111.7	112.6	112.2	2.1%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	81.6%	81.1%	81.6%	81.2%	-0.2% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$367.3	\$367.2	\$369.3	\$372.9	4.2%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.629	1.403	1.487	1.491	-24.1%
Existing Home Sales <sup>(p)</sup>	6.270	6.440	6.680	6.120	-11.3%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$218.4	\$205.1	\$206.2	\$215.1	-2.4%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<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	\$11,549.1	1.3%

**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.