



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

August 2007 Summary

U.S. Economy: August U.S. economic indicators were mostly negative. The ISM manufacturing and non-manufacturing indices were down slightly from a year ago. The index of leading economic indicators fell sharply in August (-0.6 percent); the six-month annualized growth rate, often used as a rule of thumb for recession, rose 1.0 percent. Housing starts were down 19.1 percent from a year ago. Existing home sales fell 12.8 percent to their lowest level in five years. Excluding vehicles and gasoline, retail sales rose 5.1 percent compared to a year ago (three-month average). The three-month average of new durable goods orders, excluding defense and aircraft, declined 1.5 percent compared to a year ago, marking the seventh straight month of decline -- the longest such streak since 2003. Consumer sentiment fell 7.0 points from last month. Industrial production grew 1.7 percent from a year ago.

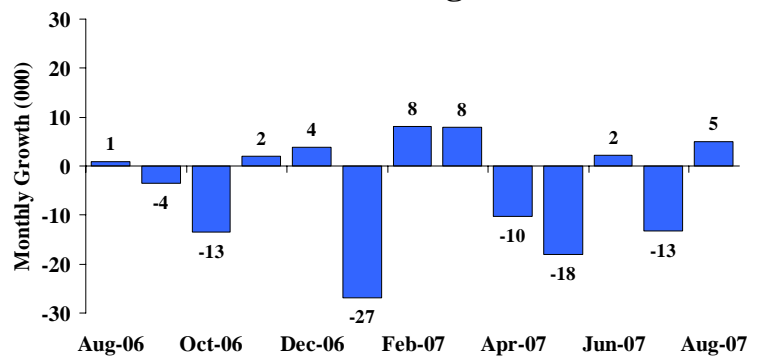
Employment: In August, Michigan's payroll employment rose by 5,000 jobs. The State unemployment rate rose to 7.4 percent. Nationally, employment fell by 4,000 jobs. The U.S. unemployment rate remained unchanged at 4.6 percent.

Auto Industry: August light vehicle sales rose to a 16.2 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production rose 14.2 percent compared with a 0.8 percent rise nationally. Light vehicle inventories fell 3.3 percent from a year ago; days supply declined by 2 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 2.0 percent. The core CPI (excluding energy and food) increased 2.1 percent. Overall producer prices rose 2.2 percent. The Detroit CPI increased only 0.5 percent from August 2006.

Michigan Metro Areas: Compared to a year ago, August 2007 unemployment rates rose in nine major labor market areas. Employment fell in 16 labor market areas with a median decline of 1.7 percent. All areas reported year-over-year labor force declines with a median decline of 1.4 percent. August 2007 unemployment rates ranged between 5.0 percent (Ann Arbor MSA) and 8.0 percent (Flint MSA).

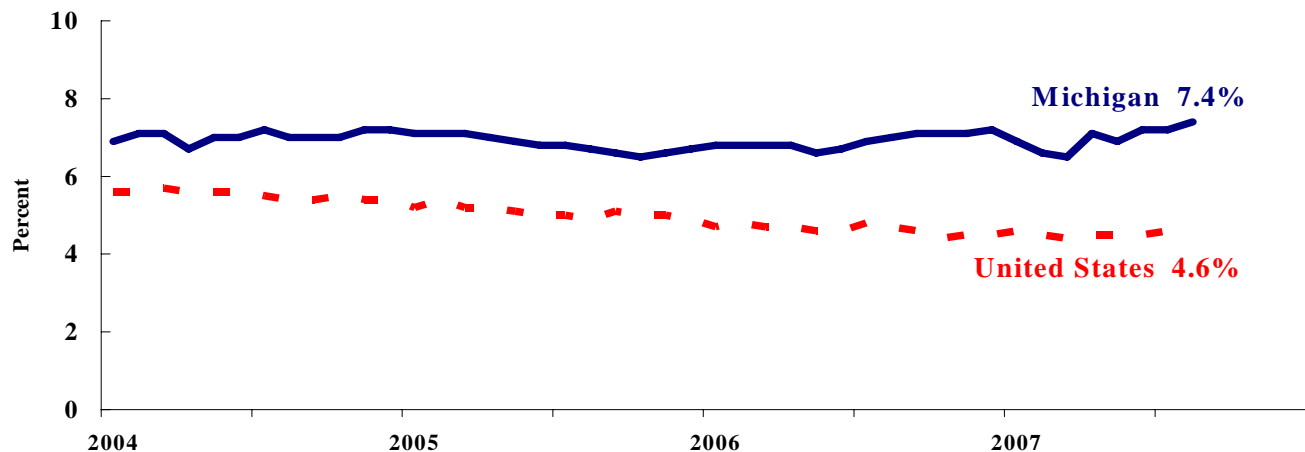
**Michigan Employment
Rises in August ^(a)**



Labor Market Statistics

- Michigan's August monthly unemployment rate increased 0.2 percentage points to 7.4 percent from last month while the current Michigan jobless rate is 0.4 percentage points above a year ago. The August U.S. unemployment rate remained unchanged at 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 August, the number of people employed in Michigan was 4,632,000, down 28,000 from last month, while the labor force decreased by 16,000. The statewide total number of unemployed increased by 12,000 to 372,000.
- United States household employment totaled 145.8 million persons in August, down 316,000 from July. The labor force fell by 340,000 from last month, which meant that there were 24,000 less unemployed people nationally, compared to July.

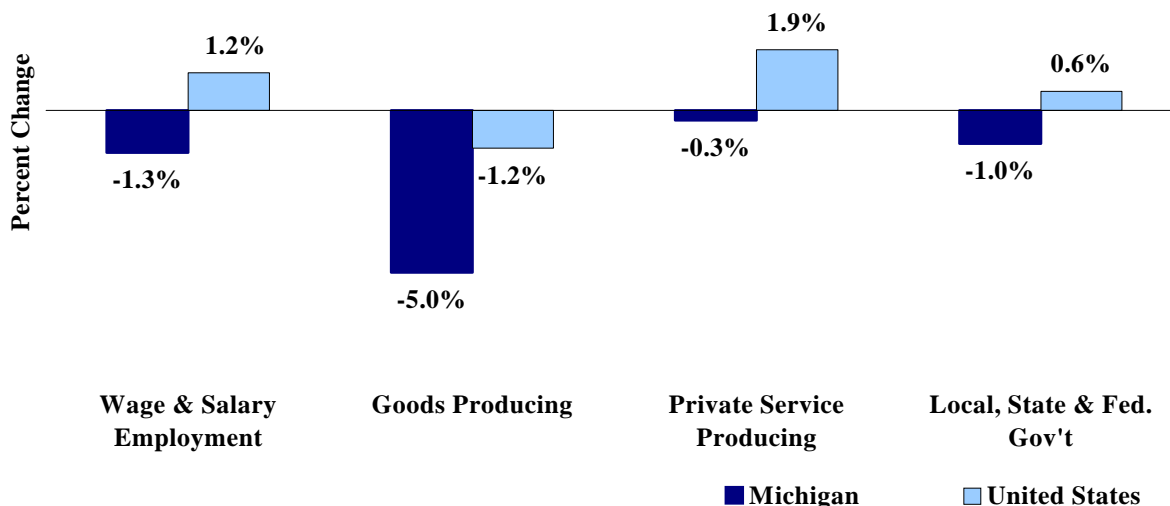
Employment by Place of Residence (in thousands)^(a)

	2006 Average	Jun 2007	Jul 2007	Aug 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,081	5,046	5,020	5,004	-16	-0.3%	-81	-1.6%
Employed	4,730	4,683	4,660	4,632	-28	-0.6%	-96	-2.0%
Unemployed	351	363	360	372	12	3.3%	14	4.0%
Unemployment Rate	6.9%	7.2%	7.2%	7.4%	n.a.	0.2% pts	n.a.	0.4%
United States								
Labor Force	151,428	153,072	153,231	152,891	-340	-0.2%	1,193	0.8%
Employed	144,427	146,140	146,110	145,794	-316	-0.2%	1,215	0.8%
Unemployed	7,001	6,933	7,121	7,097	-24	-0.3%	-22	-0.3%
Unemployment Rate	4.6%	4.5%	4.6%	4.6%	n.a.	0.0% pts	n.a.	-0.1%

Employment by Place of Work

- From August 2006 to August 2007, Michigan wage and salary employment decreased 56,000 (1.3 percent). State wage and salary employment increased 5,000 from July. Nationally, August 2007 wage and salary employment rose 1,599,000 (1.2 percent) from a year ago but was down 4,000 from last month.

Wage and Salary Employment Growth August 2006 to August 2007



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

- In the goods-producing sector, Michigan employment fell 5.0 percent from a year ago while private service-producing sector employment decreased 0.3 percent compared to last year. From a year ago, August national employment in the goods-producing sector fell 1.2 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours decreased 0.5 hours in Michigan compared to last year.

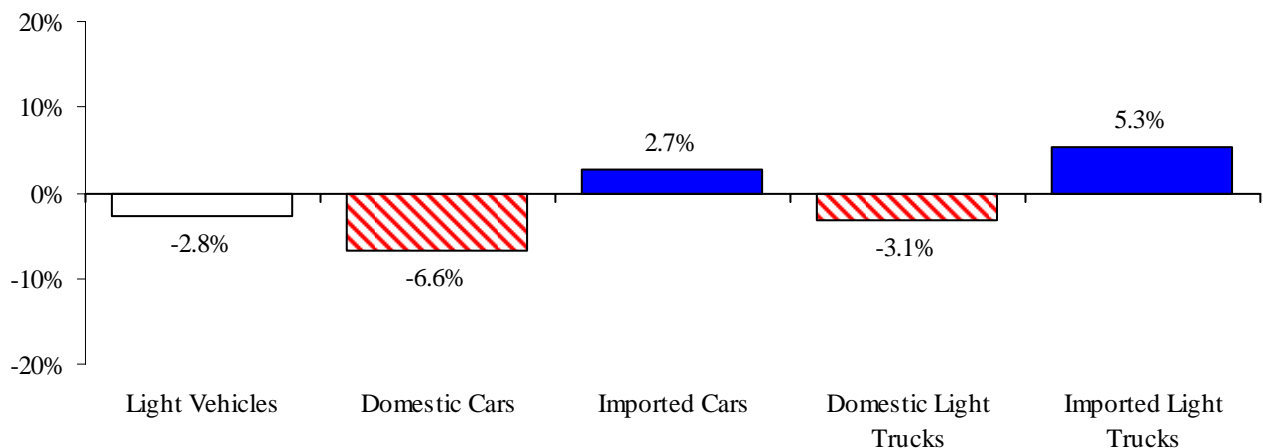
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2006 Average	Aug 2006	Aug 2007	Percent Change	2006 Average	Aug 2006	Aug 2007	Percent Change
Wage & Salary Employment	4,341	4,337	4,280	-1.3%	136,174	136,438	138,037	1.2%
Goods Producing	837	832	790	-5.0%	22,570	22,629	22,362	-1.2%
Manufacturing	648	645	621	-3.7%	14,197	14,218	14,003	-1.5%
Private Service Producing	2,835	2,831	2,822	-0.3%	91,615	91,786	93,521	1.9%
Trade, Trans. & Utilities	795	793	781	-1.5%	26,231	26,227	26,498	1.0%
Services	1,757	1,755	1,763	0.5%	53,965	54,129	55,457	2.5%
Local, State & Fed. Gov't	670	675	668	-1.0%	21,990	22,023	22,154	0.6%
Manufacturing Weekly Hours	42.2	43.0	42.5	-0.5 hrs	41.1	41.3	41.3	0.0 hrs

Motor Vehicle Industry Sales

- At a 16.2 million unit annual rate, August 2007 light vehicle sales were up 6.3 percent compared to July and rose 0.6 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were up 9.4 percent and foreign light vehicle sales fell 3.3 percent.
- Compared to a year ago, August 2007 domestic sales were up 1.6 percent while foreign sales decreased 2.9 percent. As a result, the foreign share of U.S. vehicle sales decreased by 0.8 percentage points to 21.6 percent. Overall auto sales declined 4.5 percent; light truck sales rose 7.4 percent.
- Year to date domestic auto sales declined 6.6 percent from a year ago while foreign car sales rose 2.7 percent. Foreign light truck sales increased 5.3 percent. At the same time, domestic light truck sales fell 3.1 percent. August vehicle inventories fell 3.3 percent from a year ago; days supply declined by 2 days.

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



Motor Vehicle Sales Statistics

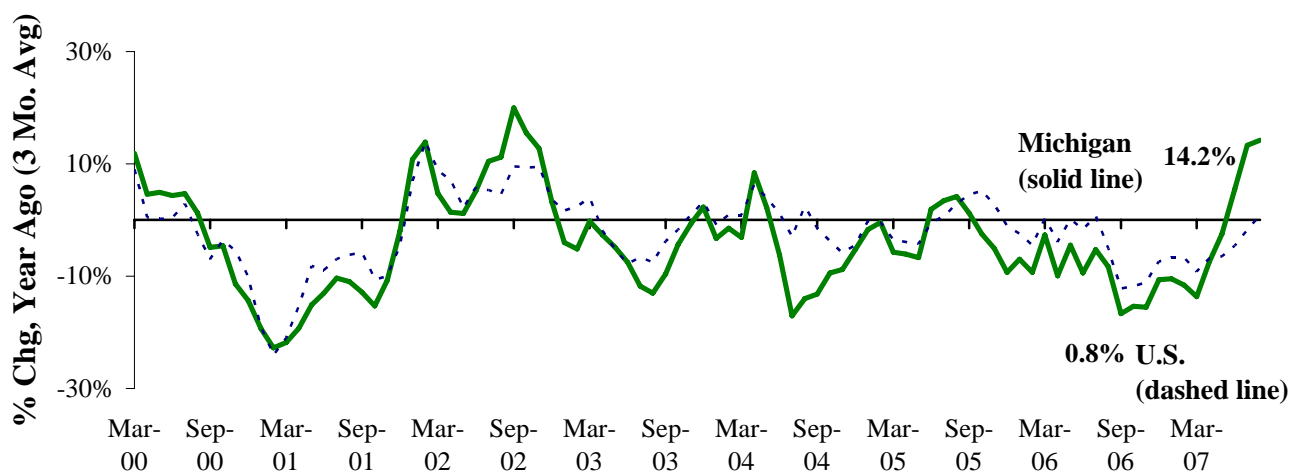
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2006	Jun	Jul	Aug	3 Month	Change from	
	Average	2007	2007	2007	Average	Level	%
Autos	7.8	7.6	7.2	7.4	7.4	(0.3)	-4.5%
Domestics	5.4	5.2	4.9	5.1	5.1	(0.2)	-2.9%
Imports	2.3	2.4	2.3	2.2	2.3	(0.2)	-8.1%
Import Share	30.0%	31.3%	31.8%	30.0%	31.0%	-1.2%	pts
Light Trucks	8.7	8.0	8.0	8.8	8.3	0.4	5.2%
Domestics	7.4	6.6	6.7	7.6	7.0	0.4	4.9%
Imports	1.3	1.4	1.3	1.3	1.3	0.1	7.4%
Import Share	15.5%	17.2%	16.6%	14.6%	16.1%	0.3%	pts
Total Light Vehicles	16.5	15.6	15.2	16.2	15.7	0.1	0.6%
Heavy Trucks	0.5	0.3	0.3	0.3	0.3	(0.2)	-38.9%
Total Vehicles	17.0	16.0	15.6	16.5	16.0	(0.1)	-0.7%
U.S. Light Vehicle Inventories^(d)		Jun-07	Jul-07	Aug-07	3 Month	Change	
Total Car	1.323	1.332	1.220	1.194	1.249	0.066	
Days Supply	53	50	47	47	48	5	days
Total Truck	2.224	2.061	1.891	1.886	1.946	-0.172	
Days Supply	79	76	66	64	69	-9	days

Motor Vehicle Industry Production

- At 222,638 units, August 2007 Michigan motor vehicle production rose 9.0 percent from a year ago, compared with a 1.0 increase nationally. As a result, Michigan's share of national production rose 1.6 percentage points to 21.4 percent.
- Compared with a year ago, state car production was essentially flat percent while state truck production increased 17.4 percent. Nationally, car production was down 10.2 percent while truck production rose 8.2 percent.
- Michigan's three-month average of vehicle production was up 14.2 percent from a year ago; national production increased 0.8 percent. Michigan's strong showing may be attributed to the new Delta GM plant running, and unusually weak July 2006 production paired with an unusually strong July 2007.

Michigan Vehicle Production Up Substantially National Production Up Slightly ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 <u>Average</u>	Jun <u>2007</u>	Jul <u>2007</u>	Aug <u>2007</u>	3 Month <u>Average</u>	Change from Year Ago for the Month	
						<u>Level</u>	<u>%</u>
U.S. Production ^(e)							
Autos	364.3	352.6	243.9	363.7	320.1	(41.3)	-10.2%
Trucks	584.1	654.5	427.4	675.8	585.9	51.3	8.2%
Total	948.4	1,007.0	671.3	1,039.5	905.9	10.0	1.0%
Michigan Production ^(f)							
Autos	93.0	99.3	55.3	97.2	83.9	(0.2)	-0.2%
Trucks	96.6	123.0	74.1	125.4	107.5	18.6	17.4%
Total	189.6	222.3	129.4	222.6	191.4	18.4	9.0%
Michigan as % of U.S.	20.0%	22.1%	19.3%	21.4%	21.1%	1.6% pts	

August 2007 Unemployment Rates Rose in Nine Major Labor Market Areas (Not Seasonally Adjusted)

From August 2006 to August 2007, unemployment rates rose in nine major labor market areas, decreased in six areas and remained unchanged in two areas. The median unemployment rate increase was 0.3 of a percentage point; the median decrease was also 0.3 of a percentage point.

Compared to a year ago, employment fell in 16 major labor market areas. The median employment decrease was 1.7 percent. Employment declined by more than 1.0 percent in 13 labor market areas. Five areas saw employment declines exceeding 2.0 percent. Two experienced declines exceeding 3.0 percent: Bay City MSA (-4.4 percent) and Saginaw-Saginaw Township MSA (-3.4 percent).

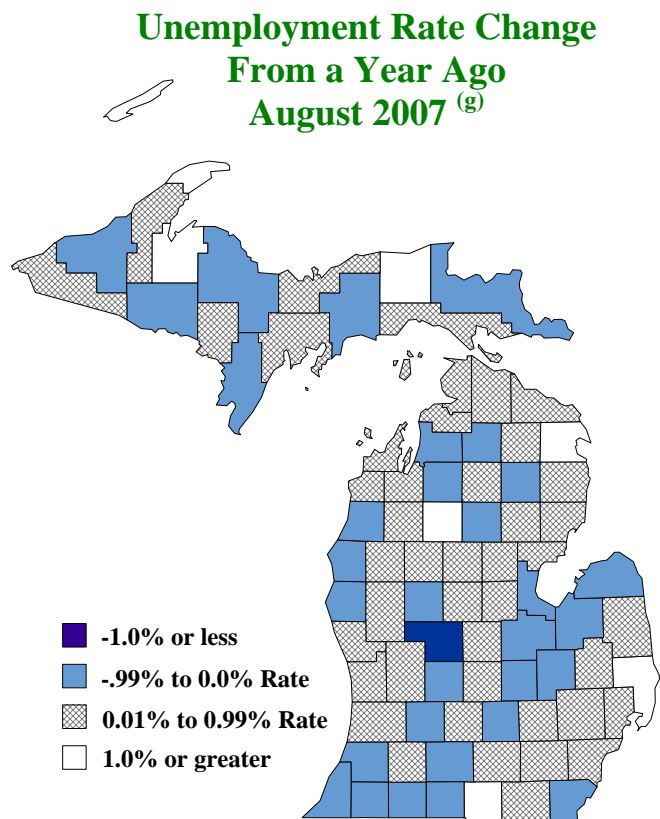
Compared to a year ago, Niles-Benton Harbor MSA had the largest unemployment rate decline (-0.6 of a percentage point). Monroe MSA and Saginaw-Saginaw Township MSA recorded the next largest rate decline (-0.3 of a percentage point). The Detroit-Warren-Livonia MSA saw the largest unemployment rate increase from a year ago (0.5 of a percentage point), followed by Northeast Lower Michigan and Northwest Lower Michigan (each reporting a 0.4 of a percentage point increase). All areas recorded year-over-year labor force declines with a median decline of 1.4 percent.

Compared to July 2007, all 17 major labor market areas reported a non-seasonally adjusted unemployment rate decline with a median decline of 0.9 of a percentage point. August 2007 unemployment rates ranged between 5.0 percent (Ann Arbor MSA) and 8.0 percent (Flint MSA).

Compared to August 2006, the unemployment rate rose in 51 counties, fell in 25 counties and remained unchanged in seven counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2006 Rate</u>	<u>Jul 2007 Rate</u>	<u>Aug 2007 Rate</u>
Michigan	6.8%	7.9%	7.0%
Ann Arbor	4.7%	5.6%	5.0%
Battle Creek	6.8%	7.6%	6.6%
Bay City	6.4%	7.5%	6.4%
Detroit-Warren-Livonia	7.4%	8.4%	7.9%
Flint	8.1%	9.8%	8.0%
Grand Rapids-Wyoming	5.8%	6.9%	5.9%
Holland-Grand Haven	5.0%	6.1%	5.3%
Jackson	7.5%	8.2%	7.6%
Kalamazoo-Portage	5.4%	6.3%	5.4%
Lansing-East Lansing	5.8%	7.2%	5.7%
Monroe	6.7%	8.2%	6.4%
Muskegon-Norton Shores	6.8%	8.0%	7.1%
Niles-Benton Harbor	6.9%	7.4%	6.3%
Saginaw-Saginaw Township	7.2%	8.1%	6.9%
Upper Peninsula	6.1%	6.9%	6.3%
Northeast Lower Mich	7.2%	8.4%	7.6%
Northwest Lower Mich.	5.9%	6.8%	6.3%



U.S. Economic Conditions

	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	88.3	85.3	90.4	83.4	1.4 points
ISM Manufacturing Index ⁽ⁱ⁾	55.0	56.0	53.8	52.9	-1.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.7	60.7	55.8	55.8	-1.1 points
	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	
Business Executives' Confidence ^(j)	44.0	50.0	53.0	45.0	-5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	207.9	208.4	208.3	207.9	2.0%
Detroit CPI	NA	201.6	NA	199.7	0.5%
U.S. Producer Price Index	167.8	167.1	168.2	165.8	2.2%
INTEREST RATES					
90 Day T-Bill ^(l)	4.77%	4.63%	4.84%	4.34%	-0.64% points
Aaa Corporate Bonds ^(m)	5.47%	5.79%	5.73%	5.79%	0.11% points
INDUSTRIAL PRODUCTION ^(m)					
	113.0	113.6	114.2	114.4	1.7%
CAPACITY UTILIZATION ^(m)					
	81.5%	81.8%	82.2%	82.2%	-0.2% points
RETAIL SALES ⁽ⁿ⁾					
	\$377.7	\$374.7	\$376.6	\$377.6	3.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.440	1.468	1.367	1.331	-19.1%
Existing Home Sales ^(p)	5.980	5.760	5.750	5.500	-12.8%
DURABLE GOODS ORDERS ^(q)					
	\$213.8	\$217.6	\$230.8	\$219.5	4.0%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>% Change From Year Ago</u>
Michigan	\$342.7	\$343.3	\$349.5	\$353.3	3.6%
U.S.	\$11,016.4	\$11,180.6	\$11,458.8	\$11,595.4	6.4%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2006.3</u>	<u>2006.4</u>	<u>2007.1</u>	<u>2007.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,336.7	\$11,395.5	\$11,412.6	\$11,520.1	3.8%

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.