



MICHIGAN ECONOMIC UPDATE

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

February 2007 Summary

U.S. Economy: February U.S. economic indicators signaled a slowdown. The manufacturing ISM index rebounded above 50.0 but was down 3.8 percentage points from a year ago. The non-manufacturing ISM index fell both from January 2007 and a year ago. The index of leading economic indicators fell for the second straight month. Housing starts rose compared to January 2007 but were still down considerably compared to a year ago (-29.4 percent). Existing home sales fell 3.7 percent compared with February 2006. Excluding vehicles and gasoline, retail sales rose 4.6 percent compared to a year ago (three-month average). New durable goods orders, excluding defense and aircraft, rose just 2.0 percent compared to a year ago (three-month average) -- their slowest growth in almost three years.

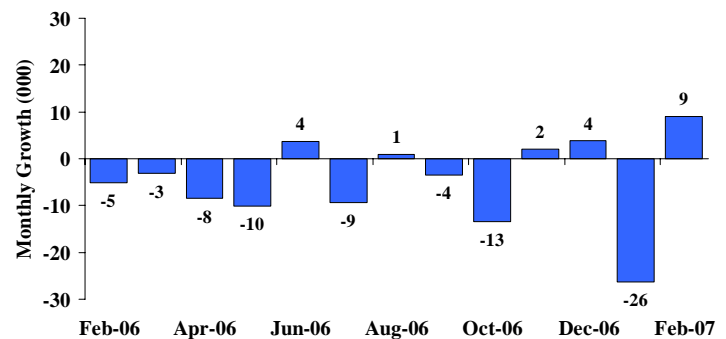
Employment: Michigan's payroll employment rose by 9,000 jobs. The State unemployment rate decreased 0.3 of a percentage point to 6.6 percent. Nationally, payroll employment increased by 97,000. The U.S. unemployment rate decreased to 4.5 percent.

Auto Industry: February light vehicle sales fell to a 16.6 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 14.4 percent compared with a 6.7 percent decline nationally. Light vehicle inventories fell 4.3 percent while days supply fell by 3 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 2.4 percent; the Detroit CPI increased 1.7 percent. Overall producer prices rose 2.5 percent.

Michigan Metro Areas: Compared to a year ago, February 2007 unemployment rates rose in 11 of the 17 major Michigan labor market areas, with a median increase of 0.2 of a percentage point. Employment fell in 13 labor market areas with a median decline of 1.0 percent. Unemployment rates ranged between 4.7 percent (Ann Arbor MSA) and 12.3 percent (Northeast Lower Michigan).

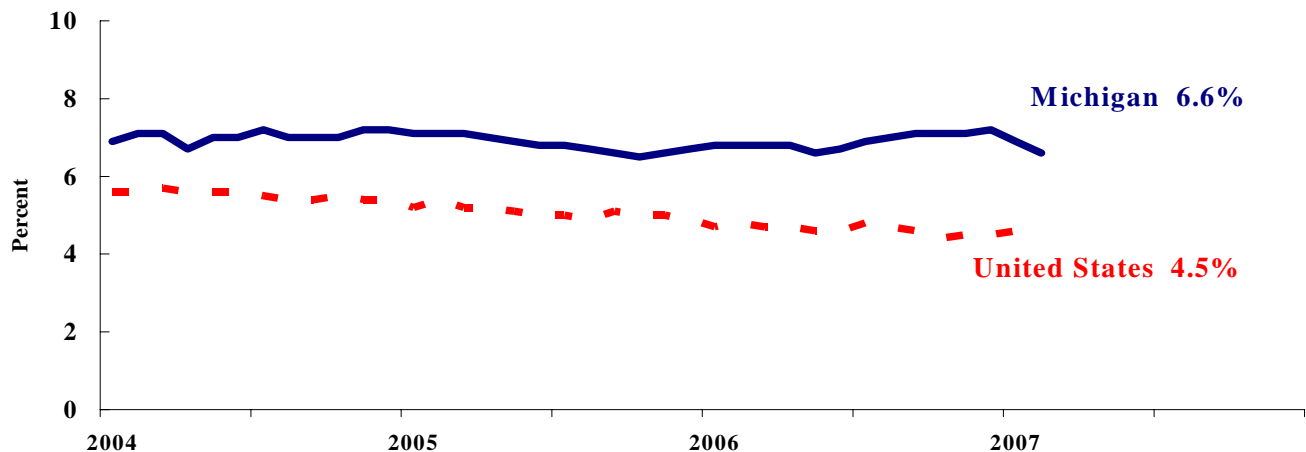
Michigan Employment
Rises^(a)



Labor Market Statistics

- Michigan's February monthly unemployment rate decreased 0.3 percentage points to 6.6 percent from last month and the current Michigan jobless rate is 0.2 percentage points below a year ago. The February U.S. unemployment rate decreased 0.1 percentage points to 4.5 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 February, the number of people employed in Michigan was 4,736,000, up 3,000 from last month, while the labor force decreased by 13,000. The statewide total number of unemployed decreased by 16,000 to 335,000.
- United States household employment totaled 145.9 million persons in February, down 38,000 from January. The labor force fell by 190,000 from last month, which meant that there were 152,000 less unemployed people nationally, compared to January.

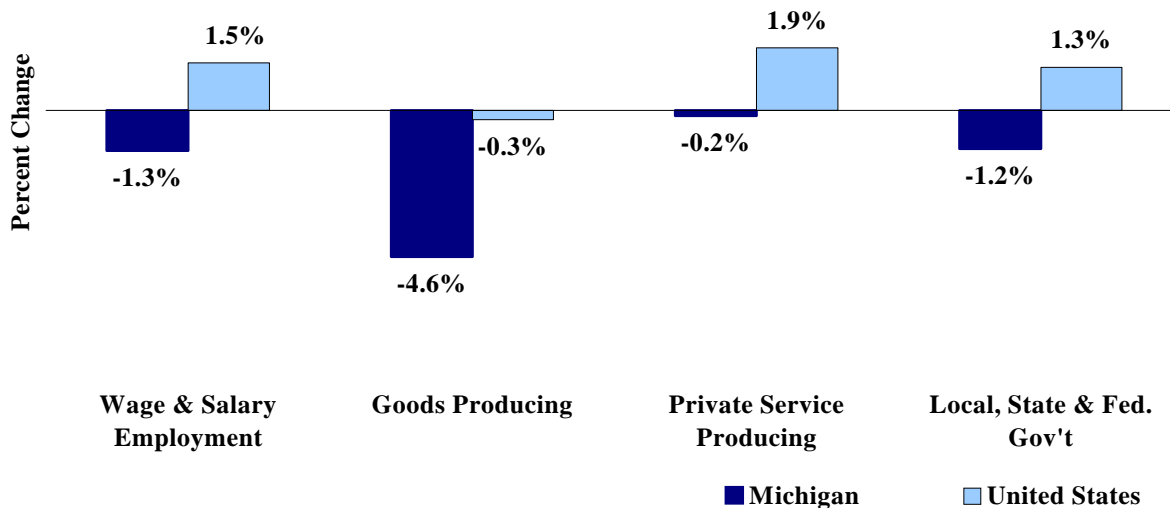
Employment by Place of Residence (in thousands)^(a)

	2006 Average	Dec 2007	Jan 2007	Feb 2007	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,081	5,085	5,084	5,071	-13	-0.3%	-11	-0.2%
Employed	4,730	4,719	4,733	4,736	3	0.1%	0	0.0%
Unemployed	351	366	351	335	-16	-4.6%	-11	-3.3%
Unemployment Rate	6.9%	7.2%	6.9%	6.6%	n.a.	-0.3% pts	n.a.	-0.2%
United States								
Labor Force	151,428	152,775	152,974	152,784	-190	-0.1%	2,335	1.6%
Employed	144,427	145,926	145,957	145,919	-38	0.0%	2,662	1.9%
Unemployed	7,001	6,849	7,017	6,865	-152	-2.2%	-328	-4.6%
Unemployment Rate	4.6%	4.5%	4.6%	4.5%	n.a.	-0.1% pts	n.a.	-0.3%

Employment by Place of Work

- From February 2006 to February 2007, Michigan wage and salary employment decreased 55,000 (1.3 percent). State wage and salary employment increased 9,000 from January. Nationally, February 2007 wage and salary employment rose 2,000,000 (1.5 percent) from a year ago and was up 97,000 from last month.

Wage and Salary Employment Growth February 2006 to February 2007



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

- In the goods-producing sector, Michigan employment fell 4.6 percent from a year ago while private service-producing sector employment decreased 0.2 percent compared to last year. From a year ago, February national employment in the goods-producing sector fell 0.3 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.5 hours in Michigan compared to last year.

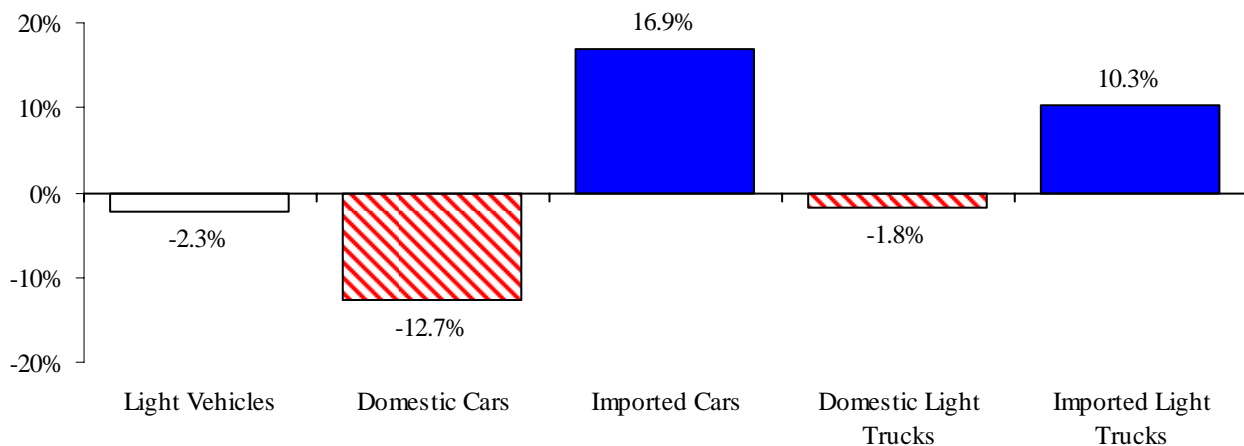
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2006 Average	Feb 2006	Feb 2007	Percent Change	2006 Average	Feb 2006	Feb 2007	Percent Change
Wage & Salary Employment	4,341	4,363	4,308	-1.3%	136,174	135,410	137,410	1.5%
Goods Producing	837	855	816	-4.6%	22,570	22,541	22,475	-0.3%
Manufacturing	648	662	634	-4.2%	14,197	14,212	14,115	-0.7%
Private Service Producing	2,835	2,838	2,833	-0.2%	91,615	90,994	92,767	1.9%
Trade, Trans. & Utilities	795	798	786	-1.5%	26,231	26,187	26,384	0.8%
Services	1,757	1,756	1,765	0.5%	53,965	53,451	54,846	2.6%
Local, State & Fed. Gov't	670	669	661	-1.2%	21,990	21,875	22,168	1.3%
Manufacturing Weekly Hours	42.2	41.6	42.1	0.5 hrs	41.1	41.0	40.8	-0.2 hrs

Motor Vehicle Industry Sales

- At 16.6 million units, February 2007 light vehicle sales were down very slightly compared to January and were flat percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were up slightly and foreign light vehicle sales were down 4.0 percent.
- Compared to a year ago, February 2007 domestic sales were down 3.2 percent while foreign sales rose 12.5 percent. As a result, the foreign share of U.S. vehicle sales increased substantially, rising by 2.6 percentage points to 22.9 percent. Overall auto sales fell slightly while light truck sales rose slightly.
- Year-to-date, domestic auto sales declined 12.7 from a year ago while foreign car sales rose sharply (16.9 percent). Foreign light truck sales increased 10.3 percent. At the same time, domestic light truck sales fell 1.8 percent. Light vehicle inventories fell 4.3 percent while days supply fell by 3 days.

February 2007 Light Vehicle Down Slightly Year to Date Compared to a Year Ago



Motor Vehicle Sales Statistics

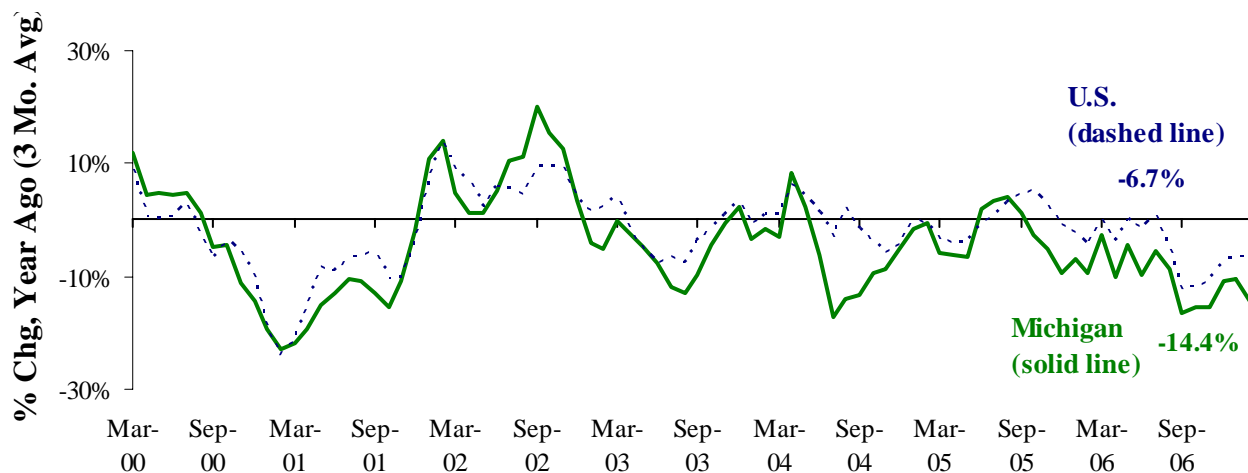
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2006	Dec	Jan	Feb	3 Month	Change from	
	Average	2006	2007	2007	Average	Level	%
Autos	7.8	8.1	7.7	7.4	7.8	(0.0)	-0.6%
Domestics	5.4	5.6	5.2	5.1	5.3	(0.4)	-7.1%
Imports	2.3	2.5	2.5	2.4	2.5	0.3	16.9%
Import Share	30.0%	31.3%	31.9%	32.1%	31.7%	4.8% pts	
Light Trucks	8.7	8.6	9.0	9.1	8.9	0.0	0.5%
Domestics	7.4	7.2	7.5	7.7	7.4	(0.0)	-0.5%
Imports	1.3	1.4	1.5	1.4	1.4	0.1	5.8%
Import Share	15.5%	16.6%	16.7%	15.5%	16.3%	0.8% pts	
Total Light Vehicles	16.5	16.7	16.7	16.6	16.7	(0.0)	0.0%
Heavy Trucks	0.5	0.6	0.5	0.5	0.5	(0.1)	-16.8%
Total Vehicles	17.0	17.3	17.2	17.0	17.2	(0.1)	-0.6%
U.S. Light Vehicle Inventories^(d)		Dec-06	Jan-07	Feb-07	3 Month	Change	
Total Car	1.323	1.459	1.510	1.549	1.506	0.180	
Days Supply	53	59	74	66	66	8 days	
Total Truck	2.224	2.005	1.977	1.988	1.990	-0.339	
Days Supply	79	67	85	69	74	-12 days	

Motor Vehicle Industry Production

- At 171,574 units, February 2007 Michigan light vehicle production fell 15.5 percent from a year ago, compared with a 6.5 percent decline nationally. As a result, Michigan's share of national production declined 2.0 percentage points to 18.7 percent.
- Compared with a year ago, state car production declined 17.3 percent while state truck production fell 13.6 percent. Nationally, car production was down 12.0 percent while truck production declined 3.1 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 14.4 percent from a year ago, compared to a 6.7 percent decline nationally.

Michigan and National Vehicle Production Down ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2006 Average	Dec 2006	Jan 2007	Feb 2007	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	364.3	298.2	345.2	331.3	324.9	(45.1)	-12.0%
Trucks	584.1	484.0	522.9	584.5	530.5	(18.7)	-3.1%
Total	948.4	782.2	868.1	915.8	855.4	(63.8)	-6.5%
Michigan Production ^(f)							
Autos	93.0	76.3	80.6	86.1	81.0	(18.0)	-17.3%
Trucks	96.6	85.7	87.6	85.5	86.2	(13.5)	-13.6%
Total	189.6	161.9	168.2	171.6	167.2	(31.5)	-15.5%
Michigan as % of U.S.	20.0%	20.7%	19.4%	18.7%	19.6%	-2.0%	pts

February 2007 Unemployment Rates Rose in Eleven Major Labor Market Areas (Not Seasonally Adjusted)

From February 2006 to February 2007, unemployment rates rose in 11 major labor market areas, declined in five areas and remained unchanged in one area. 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 13 major labor market areas, rose in three areas and was flat in one area. The median employment decrease was 1.0 percent. Employment declined by more than 1.5 percent in three labor market areas: Flint MSA (2.8 percent), Jackson MSA and Monroe MSA (1.8 percent). The state's largest labor market area (Detroit-Warren-Livonia MSA) reported a year-over-year employment increase of 0.8 percent followed by the Holland-Grand Haven MSA (0.4 percent increase).

The Flint MSA reported the largest unemployment rate increase (0.7 of a percentage point) followed by two labor markets reporting a 0.6 of a percentage point rate increase: Jackson MSA and Northeast Lower Michigan.

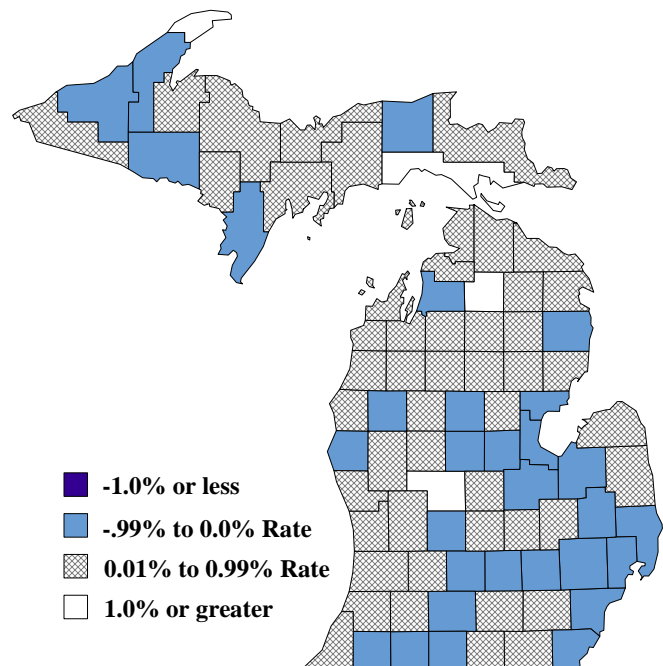
Compared to January 2007, unemployment rates rose in nine major labor market areas. The median rate increase was 0.2 of a percentage point. February 2007 unemployment rates ranged between 4.7 percent (Ann Arbor MSA) and 12.3 percent (Northeast Lower Michigan).

Compared to February 2006, the unemployment rate rose in 53 counties, declined in 26 counties and remained unchanged in four counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Feb 2006 Rate</u>	<u>Jan 2007 Rate</u>	<u>Feb 2007 Rate</u>
Michigan	7.4%	7.7%	7.2%
Ann Arbor	4.6%	4.8%	4.7%
Battle Creek	7.3%	7.3%	7.3%
Bay City	7.9%	7.7%	7.8%
Detroit-Warren-Livonia	7.3%	8.0%	6.7%
Flint	8.7%	8.9%	9.4%
Grand Rapids-Wyoming	6.3%	6.4%	6.4%
Holland-Grand Haven	5.8%	5.9%	6.0%
Jackson	7.4%	7.8%	8.0%
Kalamazoo-Portage	6.0%	6.1%	6.1%
Lansing-East Lansing	6.3%	6.5%	6.0%
Monroe	6.7%	7.5%	6.6%
Muskegon-Norton Shores	7.3%	7.3%	7.5%
Niles-Benton Harbor	7.6%	7.8%	7.7%
Saginaw-Saginaw Township	8.4%	7.7%	7.9%
Upper Peninsula	8.8%	8.6%	9.0%
Northeast Lower Mich	11.7%	11.7%	12.3%
Northwest Lower Mich.	8.9%	8.9%	9.3%

Unemployment Rate Change From a Year Ago February 2007^(g)



U.S. Economic Conditions

	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	92.1	91.7	96.9	91.3	4.6 points
ISM Manufacturing Index ⁽ⁱ⁾	49.9	51.4	49.3	52.3	-3.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	58.3	56.7	59.0	54.3	-6.2 points
	<u>2006.1</u>	<u>2006.2</u>	<u>2006.3</u>	<u>2006.4</u>	
Business Executives' Confidence ^(j)	57.0	50.0	44.0	50.0	-6.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	201.5	201.8	202.4	203.5	2.4%
Detroit CPI	NA	196.4	NA	198.1	1.7%
U.S. Producer Price Index	159.8	160.5	160.2	162.0	2.5%
INTEREST RATES					
90 Day T-Bill ^(l)	4.95%	4.85%	4.96%	5.02%	0.61% points
Aaa Corporate Bonds ^(m)	5.33%	5.32%	5.40%	5.39%	0.04% points
INDUSTRIAL PRODUCTION ^(m)					
	111.5	112.2	111.8	112.7	3.0%
CAPACITY UTILIZATION ^(m)					
	81.3%	81.6%	81.1%	81.6%	0.5% points
RETAIL SALES ⁽ⁿ⁾					
	\$363.2	\$367.3	\$367.2	\$369.1	3.5%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.565	1.633	1.399	1.506	-29.4%
Existing Home Sales ^(p)	6.250	6.270	6.440	6.680	-3.7%
DURABLE GOODS ORDERS ^(q)					
	\$215.1	\$222.5	\$202.9	\$207.8	0.3%
PERSONAL INCOME ^(c)					
(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%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<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	\$11,513.0	2.5%

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.