



# MICHIGAN ECONOMIC UPDATE

Economic and Revenue Forecasting Division  
Bureau of Tax and Economic Policy  
Michigan Department of Treasury

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

## July 2006 Summary

**U.S. Economy:** July U.S. economic indicators were mixed. The manufacturing ISM index was up from a month ago but down compared to a year ago. The non-manufacturing ISM index was down significantly both from last month and a year ago. The six-month growth rate for the index of leading economic indicators fell to a 1.4 annual rate decline. Consumer sentiment was roughly unchanged from June but was down sharply from a year ago. The housing sector continued to show signs of slowing. Housing starts were down sharply from July 2005 as were existing home sales. Excluding vehicles and gasoline, retail sales were up 7.8 percent compared to a year ago. New durable goods orders, excluding defense and aircraft, rose 9.5 percent compared to a year ago (three-month average).

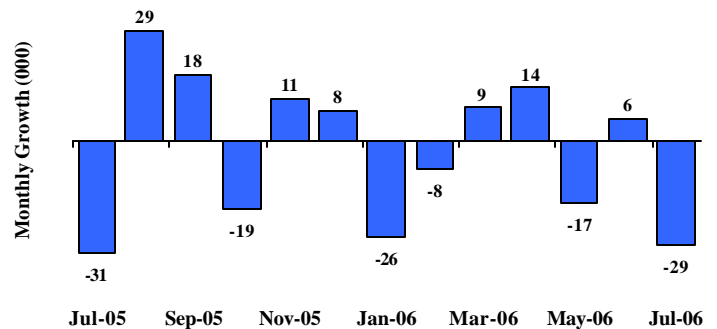
**Employment:** Michigan's unemployment rate increased to 7.0 percent. State payroll employment fell by 28,600 jobs. Nationally, payroll employment rose by 113,000 jobs. The U.S. unemployment rate rose to 4.8 percent.

**Auto Industry:** July light vehicle sales increased to a 17.1 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 5.6 percent compared with a 0.7 percent increase nationally. Light vehicle inventories rose 14.5 percent while days supply rose 14 days.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 4.1 percent. Excluding food and energy, the CPI increased 2.7 percent. Overall producer prices climbed 4.2 percent but the core PPI rose just 1.3 percent.

**Michigan Metro Areas:** Compared to a year ago, July 2006 unemployment rates rose in 15 major labor market areas, with a median increase of 0.3 of a percentage point. Employment rose in 11 labor market areas with a median increase of 1.0 percent. Unemployment rates ranged between 5.0 percent (Ann Arbor MSA) and 10.0 percent (Flint MSA).

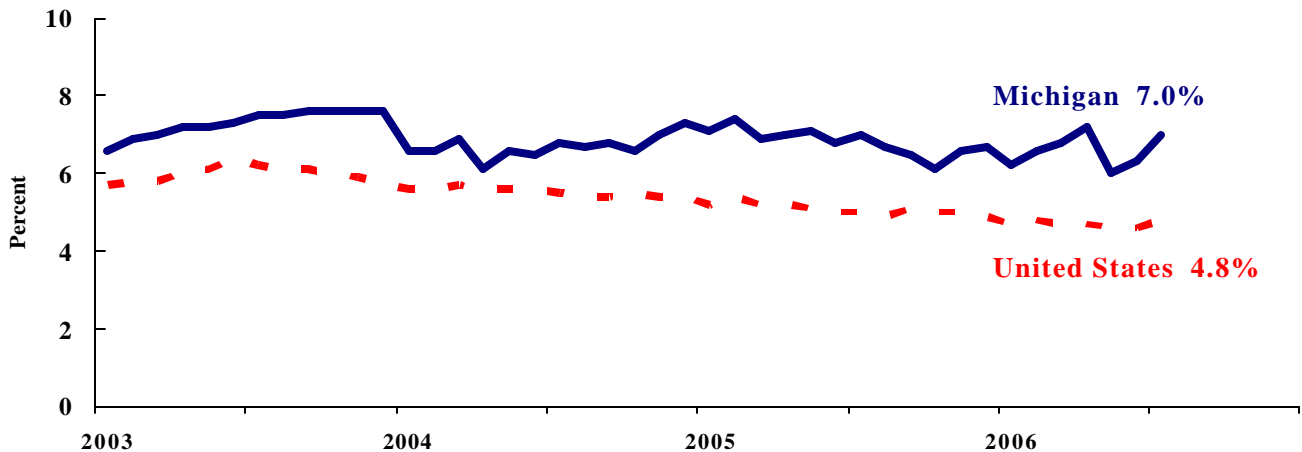
Michigan Employment Declines  
In July<sup>(a)</sup>



## Labor Market Statistics

- Michigan's July monthly unemployment rate increased 0.7 percentage points to 7.0 percent from June and the current Michigan jobless rate is 0.3 percentage points above a year ago. The July U.S. unemployment rate increased 0.2 percentage points to 4.8 percent and was 0.2 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 July, the number of people employed in Michigan was 4,739,000, down 55,000 from last month, while the labor force decreased by 20,000. The statewide total number of unemployed increased by 35,000 to 356,000.
- United States household employment totaled 144.3 million persons in July, down 34,000 from June. The labor force rose by 213,000 from last month, which meant that there were 248,000 more unemployed people nationally, compared to June.

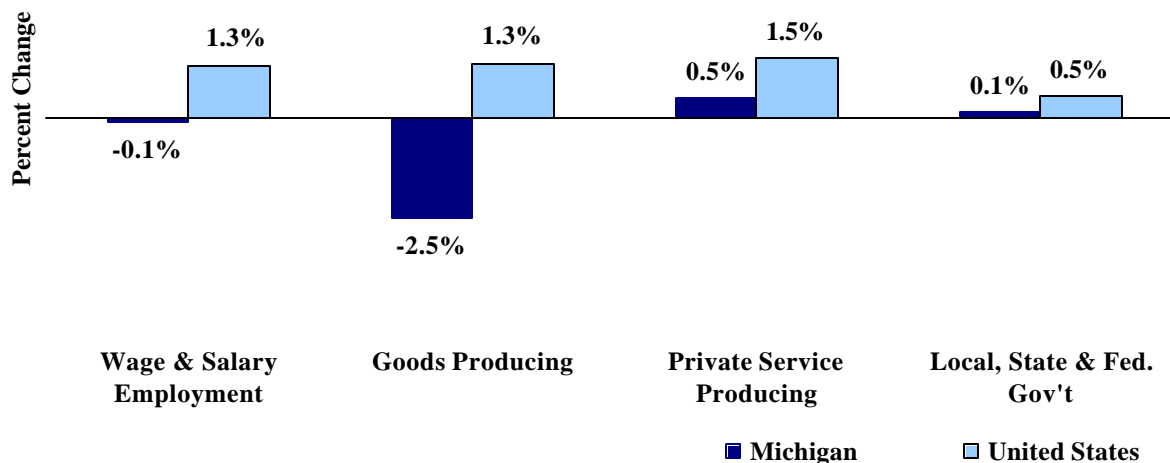
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2005 Average	May 2006	Jun 2006	Jul 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,097	5,092	5,115	5,095	-20	-0.4%	5	0.1%
Employed	4,754	4,784	4,794	4,739	-55	-1.1%	-11	-0.2%
Unemployed	344	308	321	356	35	10.9%	16	4.7%
Unemployment Rate	6.7%	6.0%	6.3%	7.0%	n.a.	0.7% pts	n.a.	0.3%
<b>United States</b>								
Labor Force	149,320	150,991	151,321	151,534	213	0.1%	1,961	1.3%
Employed	141,730	143,976	144,363	144,329	-34	0.0%	2,253	1.6%
Unemployed	7,591	7,015	6,957	7,205	248	3.6%	-292	-3.9%
Unemployment Rate	5.1%	4.6%	4.6%	4.8%	n.a.	0.2% pts	n.a.	-0.2%

## Employment by Place of Work

- From July 2005 to July 2006, Michigan wage and salary employment declined 4,000 (0.1 percent). State wage and salary employment decreased 29,000 from June. Nationally, July 2006 wage and salary employment rose 1,737,000 (1.3 percent) from a year ago and was up 113,000 from last month.

### Wage and Salary Employment Growth July 2005 to July 2006



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

- In the goods-producing sector, Michigan employment fell 2.5 percent from a year ago while private service-producing sector employment increased 0.5 percent compared to last year. From a year ago, July national employment in the goods-producing sector rose 1.3 percent and increased 1.5 percent in the private service-producing sector.
- Manufacturing weekly hours increased 1.3 hours in Michigan compared to last year.

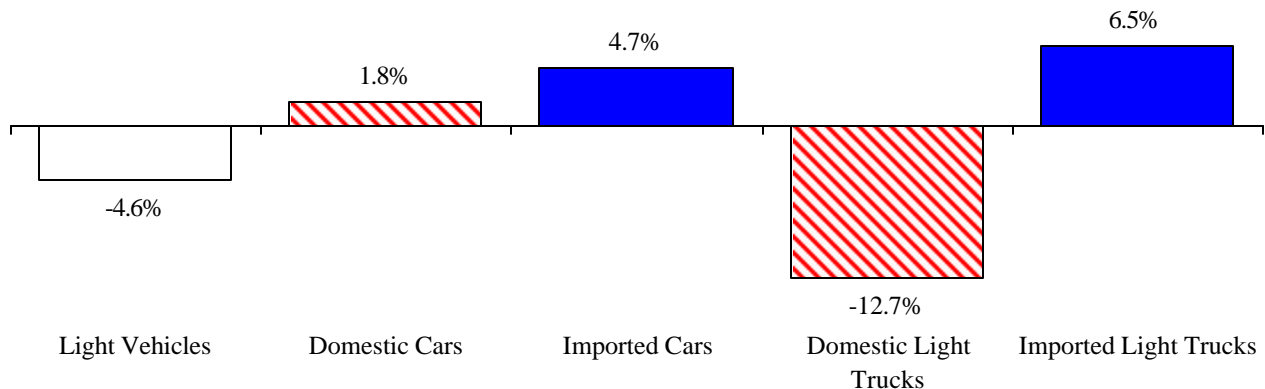
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2005 Average	Jul 2005	Jul 2006	Percent Change	2005 Average	Jul 2005	Jul 2006	Percent Change
Wage & Salary Employment	4,384	4,349	4,345	-0.1%	133,463	133,617	135,354	1.3%
Goods Producing	879	856	835	-2.5%	22,133	22,131	22,428	1.3%
Manufacturing	679	656	635	-3.2%	14,232	14,224	14,241	0.1%
Private Service Producing	2,832	2,822	2,836	0.5%	89,527	89,664	90,987	1.5%
Trade, Trans. & Utilities	804	806	794	-1.5%	25,909	25,976	26,062	0.3%
Services	1,742	1,730	1,755	1.4%	52,412	52,491	53,558	2.0%
Local, State & Fed. Gov't	674	673	674	0.1%	21,803	21,822	21,939	0.5%
Manufacturing Weekly Hours	41.7	41.8	43.1	1.3 hrs	40.7	40.5	41.5	1.0 hrs

## Motor Vehicle Industry Sales

- At a 17.1 million unit annual rate, July 2006 light vehicle sales were up 6.3 percent compared to last month but down 17.2 percent from last July's torrid 20.7 million unit pace.
- Compared to July 2005, domestic sales were down 22.8 percent while foreign sales were up 9.4 percent. Auto sales rose 1.5 percent while light truck sales were down 29.2 percent.
- Year-to-date, light vehicle sales were down 4.6 percent. Domestic car sales rose 1.8 percent, while foreign car sales increased 4.7 percent. Domestic light truck sales fell 12.7 percent; foreign light truck sales were up 6.5 percent. Vehicle inventories increased 14.5 percent while days supply was up 14 days at 63 days. Day supply of light trucks increased by 27 days to 69 days.

### Year-to-Date Vehicle Down Compared to a Year Ago <sup>(c)</sup>



## Motor Vehicle Sales Statistics

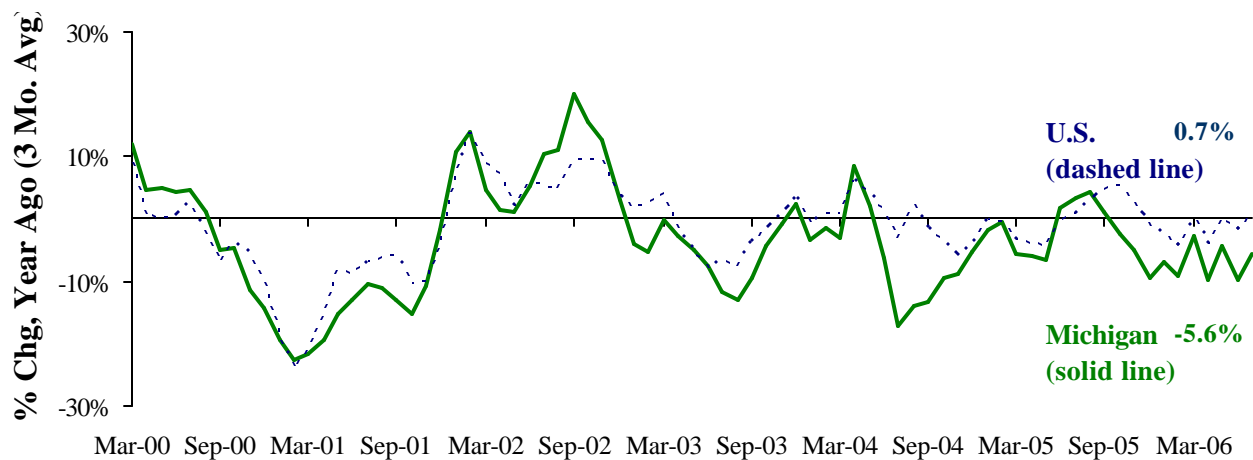
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2005 Average	May 2006	Jun 2006	Jul 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	7.8	7.7	8.2	7.9	0.1	1.5%
Domestics	5.5	5.4	5.3	5.6	5.4	(0.2)	-4.0%
Imports	2.2	2.4	2.4	2.7	2.5	0.4	15.4%
Import Share	28.7%	31.3%	31.3%	32.4%	31.7%	3.9% pts	
Light Trucks	9.2	8.3	8.4	8.9	8.5	(3.7)	-29.2%
Domestics	8.0	7.0	7.2	7.6	7.3	(3.7)	-32.6%
Imports	1.2	1.3	1.2	1.3	1.3	(0.0)	-1.0%
Import Share	13.2%	15.6%	14.8%	14.8%	15.1%	4.2% pts	
Total Light Vehicles	16.9	16.1	16.1	17.1	16.5	(3.6)	-17.2%
Heavy Trucks	0.5	0.5	0.5	0.5	0.5	(0.0)	-0.2%
Total Vehicles	17.4	16.6	16.7	17.7	17.0	(3.6)	-16.8%
<b>U.S. Light Vehicle Inventories <sup>(d)</sup></b>		<b>May-06</b>	<b>Jun-06</b>	<b>Jul-06</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.284	1.363	1.360	1.149	1.291	0.075	
Days Supply	52	47	49	40	45	1 day	
Total Truck	2.274	2.390	2.480	2.122	2.331	0.340	
Days Supply	78	79	83	69	77	27 days	

## Motor Vehicle Industry Production

- At 81,624 units, July 2006 Michigan light vehicle production fell 20.5 percent from a year ago, compared with a 9.5 percent decline nationally. As a result, Michigan's share of national production fell 2.0 percentage points to 14.2 percent.
- Compared with a year ago, state car production declined 3.9 percent while state truck production decreased 31.7 percent. Nationally, car production fell 5.3 percent while truck production declined 12.0 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 5.6 percent from a year ago, compared to a 0.7 percent increase nationally.

### Trend Light Vehicle Production Down in Michigan Up Slightly Nationally <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	May 2006	Jun 2006	Jul 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	359.1	406.1	386.0	222.5	338.2	(12.3)	-5.3%
Trucks	639.7	678.0	705.9	352.6	578.8	(47.9)	-12.0%
Total	998.8	1,084.1	1,091.9	575.1	917.0	(60.3)	-9.5%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	98.9	105.4	89.5	39.7	78.2	(1.6)	-3.9%
Trucks	105.2	115.6	127.5	42.0	95.0	(19.5)	-31.7%
Total	204.1	221.0	217.1	81.6	173.2	(21.1)	-20.5%
Michigan as % of U.S.	20.4%	20.4%	19.9%	14.2%	18.9%	-2.0%	pts

## July 2006 Unemployment Rates Rise in Fifteen Major Labor Market Areas (Not Seasonally Adjusted)

From July 2005 to July 2006, unemployment rates rose in 15 major labor market areas. The median unemployment rate increase was 0.3 of a percentage point. One area reported no change in its unemployment rate while one area reported a decline.

Compared to a year ago, employment rose in 11 major labor market areas. The median employment increase was 1.0 percent. Employment increased by more than 2.0 percent in one labor market area. Employment fell in six major labor market areas.

The Monroe MSA reported the largest unemployment rate increase compared to a year ago (1.0 percentage point). Northeast Lower Michigan recorded the second largest rate increase (0.9 of a percentage point), followed by the Flint and Jackson MSAs (0.7 of a percentage point).

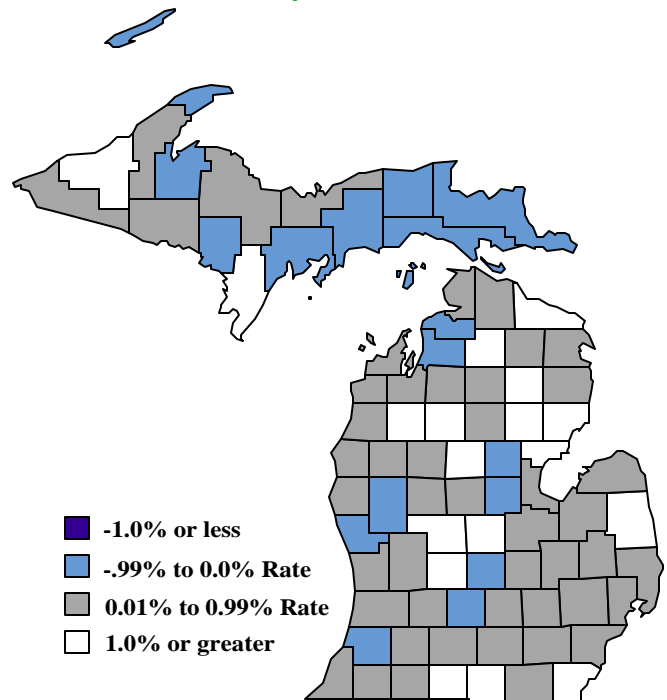
Compared to June 2006, unemployment rates rose in all 17 major labor market areas. The median rate increase was 1.2 percentage points. July 2006 unemployment rates ranged between 5.0 percent (Ann Arbor MSA) and 10.0 percent (Flint MSA).

Compared to July 2005, unemployment rates rose in 66 counties, remained unchanged in six and decreased in 11 counties.

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

<u>Local Area</u>	<u>Jul 2005 Rate</u>	<u>Jun 2006 Rate</u>	<u>Jul 2006 Rate</u>
Michigan	7.3%	6.5%	7.7%
Ann Arbor	4.7%	4.4%	5.0%
Battle Creek	7.4%	6.4%	7.9%
Bay City	7.2%	6.5%	7.6%
Detroit-Warren-Livonia	7.8%	6.9%	8.1%
Flint	9.3%	7.7%	10.0%
Grand Rapids-Wyoming	6.6%	5.7%	6.8%
Holland-Grand Haven	5.6%	5.0%	5.7%
Jackson	7.3%	6.7%	8.0%
Kalamazoo-Portage	6.2%	5.5%	6.4%
Lansing-East Lansing	7.0%	5.7%	6.9%
Monroe	7.5%	5.9%	8.5%
Muskegon-Norton Shores	7.8%	6.5%	7.8%
Niles-Benton Harbor	7.4%	6.8%	7.9%
Saginaw-Saginaw Township	8.5%	7.2%	8.7%
Upper Peninsula	6.1%	6.0%	6.3%
Northeast Lower Mich	7.3%	7.0%	8.2%
Northwest Lower Mich.	6.1%	5.7%	6.4%

### Unemployment Rate Change Compared to Year Ago July 2006<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	87.4	79.1	84.9	84.7	-11.8 points
ISM Manufacturing Index <sup>(i)</sup>	57.3	54.4	53.8	54.7	-1.7 points
ISM Non Manufacturing Index <sup>(i)</sup>	63.0	60.1	57.0	54.8	-5.6 points
	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	
Business Executives' Confidence <sup>(j)</sup>	50.0	56.0	57.0	50.0	-5.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	201.5	202.5	202.9	203.5	4.1%
Detroit CPI	197.2	NA	196.8	NA	3.8%
U.S. Producer Price Index	160.6	161.2	161.7	162.0	4.2%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	4.59%	4.72%	4.79%	4.96%	1.74% points
Aaa Corporate Bonds <sup>(m)</sup>	5.84%	5.95%	5.89%	5.85%	0.79% points
<b>INDUSTRIAL PRODUCTION <sup>(n)</sup></b>					
	112.1	112.2	113.1	113.5	4.9%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	81.8%	81.7%	82.3%	82.4%	2.3% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$363.6	\$364.3	\$362.9	\$367.9	4.8%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.832	1.953	1.841	1.795	-13.3%
Existing Home Sales <sup>(p)</sup>	6.750	6.710	6.600	6.330	-11.2%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$209.2	\$209.8	\$217.3	\$212.0	9.7%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,115.1	\$11,163.8	\$11,316.4	\$11,397.6	2.9%

**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.