



MICHIGAN ECONOMIC UPDATE

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

October 2006 Summary

U.S. Economy: October U.S. economic indicators were mixed. The manufacturing ISM index was down 6.9 points compared to a year ago and the non-manufacturing ISM index was down 2.1 points. The index of leading economic indicators rose for the second straight month. Consumer sentiment was up 19.4 points from a year ago. Housing starts were down 27.4 percent from a year ago while existing home sales fell 11.5 percent. Excluding vehicles and gasoline, retail sales were up 6.3 percent compared to a year ago (three-month average). New durable goods orders, excluding defense and aircraft, rose 9.3 percent compared to a year ago (three-month average).

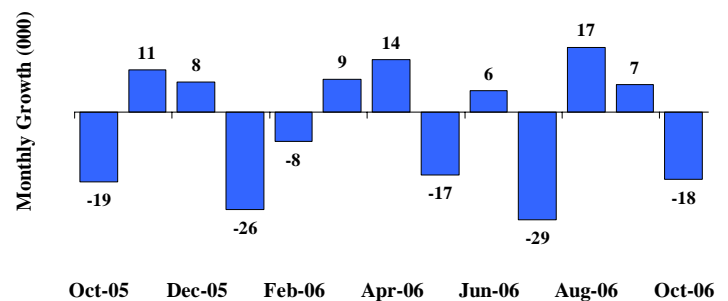
Employment: Michigan's unemployment rate fell to 6.9 percent. State payroll employment fell by 18,300 jobs. Nationally, payroll employment increased by 92,000 jobs. The U.S. unemployment rate fell to 4.4 percent.

Auto Industry: October light vehicle sales fell to a 16.1 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 15.4 percent compared with an 11.8 percent decline nationally. Light vehicle inventories fell 0.4 percent while days supply declined by 7 days.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) rose 1.3 percent. Excluding food and energy, the CPI increased 2.7 percent. Overall producer prices declined 1.6 percent while the core PPI rose 0.6 percent. The Detroit CPI increased 0.8 percent.

Michigan Metro Areas: Compared to a year ago, October 2006 unemployment rates rose in all major labor market areas, with a median increase of 0.8 of a percentage point. Employment fell in 15 labor market areas with a median decline of 1.0 percent. Unemployment rates ranged between 4.1 percent (Ann Arbor MSA) and 7.3 percent (Flint MSA).

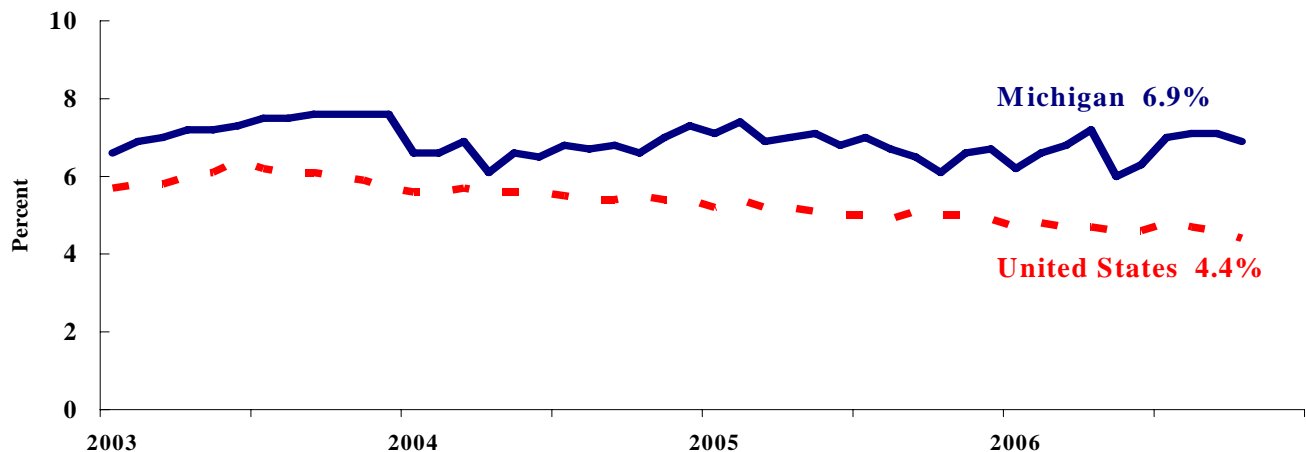
Michigan Employment Declines In October^(a)



Labor Market Statistics

- Michigan's October monthly unemployment rate decreased 0.2 percentage points to 6.9 percent from last month and the current Michigan jobless rate is 0.5 percentage points above a year ago. The October U.S. unemployment rate decreased 0.2 percentage points to 4.4 percent and was 0.6 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 October, the number of people employed in Michigan was 4,759,000, up 11,000 from last month, while the labor force decreased by 2,000. The statewide total number of unemployed decreased by 13,000 to 351,000.
- United States household employment totaled 145.3 million persons in October, up 437,000 from September. The labor force rose by 199,000 from last month, which meant that there were 238,000 less unemployed people nationally, compared to September.

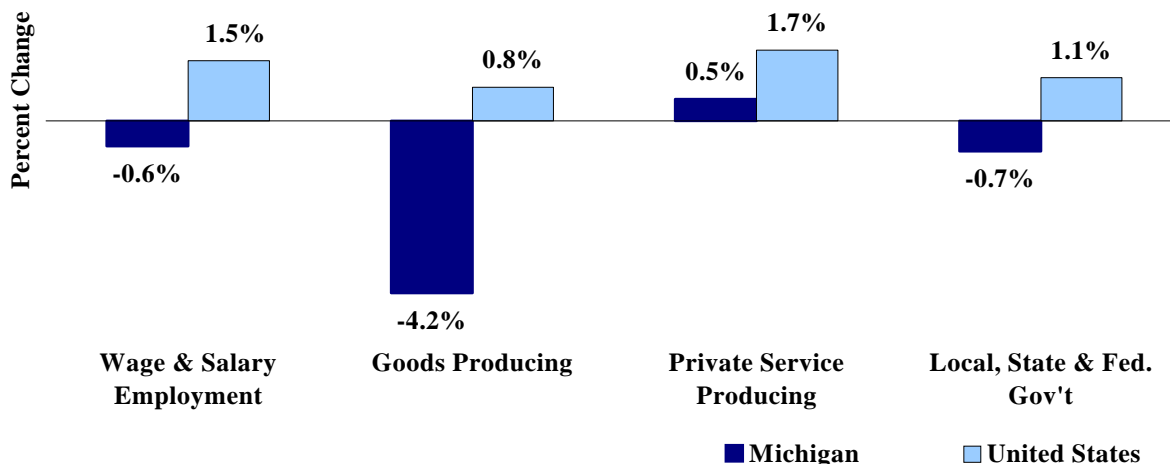
Employment by Place of Residence (in thousands)^(a)

	2005 Average	Aug 2006	Sep 2006	Oct 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,097	5,086	5,112	5,110	-2	0.0%	17	0.3%
Employed	4,754	4,726	4,748	4,759	11	0.2%	-8	-0.2%
Unemployed	344	360	364	351	-13	-3.6%	25	7.7%
Unemployment Rate	6.7%	7.1%	7.1%	6.9%	n.a.	-0.2% pts	n.a.	0.5%
United States								
Labor Force	149,320	151,698	151,799	151,998	199	0.1%	1,955	1.3%
Employed	141,730	144,579	144,850	145,287	437	0.3%	2,662	1.9%
Unemployed	7,591	7,119	6,949	6,711	-238	-3.4%	-707	-9.5%
Unemployment Rate	5.1%	4.7%	4.6%	4.4%	n.a.	-0.2% pts	n.a.	-0.6%

Employment by Place of Work

- From October 2005 to October 2006, Michigan wage and salary employment decreased 27,000 (0.6 percent). State wage and salary employment decreased 18,000 from September. Nationally, October 2006 wage and salary employment rose 1,967,000 (1.5 percent) from a year ago and was up 92,000 from last month.

Wage and Salary Employment Growth October 2005 to October 2006



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

- In the goods-producing sector, Michigan employment fell 4.2 percent from a year ago while private service-producing sector employment increased 0.8 percent compared to last year. From a year ago, October national employment in the goods-producing sector rose 0.8 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours increased 0.1 hours in Michigan compared to last year.

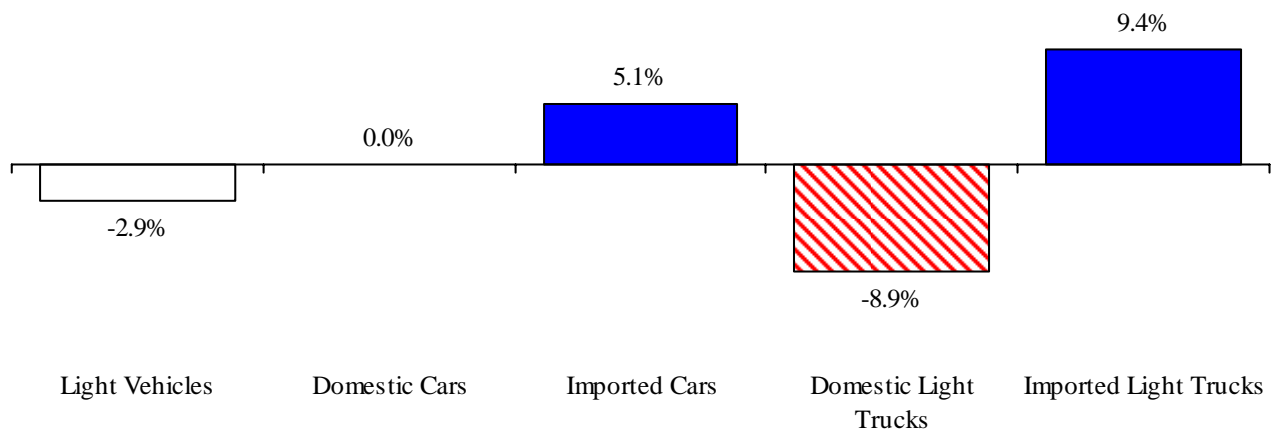
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2005 Average	Oct 2005	Oct 2006	Percent Change	2005 Average	Oct 2005	Oct 2006	Percent Change
Wage & Salary Employment	4,384	4,377	4,350	-0.6%	133,463	133,877	135,844	1.5%
Goods Producing	879	878	841	-4.2%	22,133	22,179	22,361	0.8%
Manufacturing	679	677	640	-5.5%	14,232	14,196	14,181	-0.1%
Private Service Producing	2,832	2,825	2,840	0.5%	89,527	89,846	91,401	1.7%
Trade, Trans. & Utilities	804	800	787	-1.6%	25,909	25,945	26,062	0.5%
Services	1,742	1,739	1,766	1.6%	52,412	52,642	53,917	2.4%
Local, State & Fed. Gov't	674	674	669	-0.7%	21,803	21,852	22,082	1.1%
Manufacturing Weekly Hours	41.7	42.1	42.2	0.1 hrs	40.7	41.0	41.2	0.2 hrs

Motor Vehicle Industry Sales

- At a 16.1 million unit annual rate, October 2006 light vehicle sales were down 2.8 percent compared to last month but up 8.9 percent from October 2005.
- Compared to October 2005, domestic sales were up 7.3 percent while foreign sales were up 14.5 percent. Auto sales rose 0.2 percent while light truck sales were up 17.2 percent.
- Year-to-date, light vehicle sales were down 2.9 percent. Domestic car sales were flat, while foreign car sales increased 5.1 percent. Domestic light truck sales fell 8.9 percent; foreign light truck sales were up 9.4 percent. The year-to-date import share of vehicle sales increased 2.0 percentage points from last year. October vehicle inventories were little changed from a year ago while days supply was down 7 days at 70 days.

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



Motor Vehicle Sales Statistics

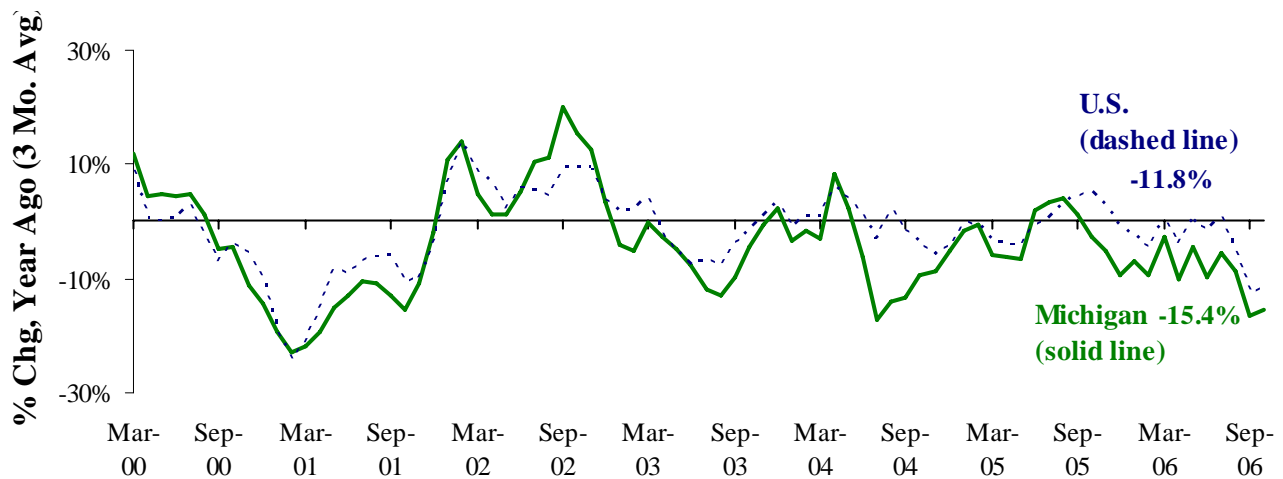
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2005 Average	Aug 2006	Sep 2006	Oct 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	7.7	7.6	7.3	7.6	0.0	0.4%
Domestics	5.5	5.3	5.3	5.1	5.2	(0.1)	-1.5%
Imports	2.2	2.4	2.3	2.2	2.3	0.1	5.1%
Import Share	28.7%	31.1%	30.2%	30.7%	30.7%	1.4% pts	
Light Trucks	9.2	8.3	8.9	8.8	8.7	1.3	17.2%
Domestics	8.0	7.1	7.6	7.3	7.3	0.9	14.4%
Imports	1.2	1.2	1.4	1.5	1.4	0.4	32.0%
Import Share	13.2%	14.3%	15.2%	17.4%	15.6%	2.0% pts	
Total Light Vehicles	16.9	16.0	16.6	16.1	16.2	1.3	8.9%
Heavy Trucks	0.5	0.5	0.6	0.6	0.6	(0.1)	13.1%
Total Vehicles	17.4	16.6	17.1	16.7	16.8	1.4	9.0%
U.S. Light Vehicle Inventories^(d)		Aug-06	Sep-06	Oct-06	3 Month	Change	
Total Car	1.284	1.127	1.175	1.305	1.202	0.174	
Days Supply	52	42	48	60	50	8 days	
Total Truck	2.274	2.059	2.077	2.076	2.071	-0.187	
Days Supply	78	73	76	78	76	-23 days	

Motor Vehicle Industry Production

- At 188,095 units, October 2006 Michigan light vehicle production fell 14.7 percent from a year ago, compared with a 9.6 percent decline nationally. As a result, Michigan’s share of national production declined 1.1 percentage points to 18.9 percent.
- Compared with a year ago, state car production declined 2.5 percent while state truck production fell 25.7 percent. Nationally, car production was up 5.8 percent while truck production declined 17.8 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 15.4 percent from a year ago, compared to an 11.8 percent decline nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Aug 2006	Sep 2006	Oct 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	359.1	405.0	366.5	401.9	391.2	22.1	5.8%
Trucks	639.7	624.5	561.2	591.7	592.5	(128.1)	-17.8%
Total	998.8	1,029.5	927.7	993.6	983.6	(106.0)	-9.6%
Michigan Production ^(f)							
Autos	98.9	97.4	88.9	101.7	96.0	(2.6)	-2.5%
Trucks	105.2	106.8	84.3	86.4	92.5	(29.9)	-25.7%
Total	204.1	204.2	173.2	188.1	188.5	(32.4)	-14.7%
Michigan as % of U.S.	20.4%	19.8%	18.7%	18.9%	19.2%	-1.1 pts	

October 2006 Unemployment Rates Rose in All Major Labor Market Areas (Not Seasonally Adjusted)

From October 2005 to October 2006, unemployment rates rose in all major labor market areas. The median unemployment rate increase was 0.8 of a percentage point.

Compared to a year ago, employment fell in 15 major labor market areas. The median employment decrease was 1.0 percent. Employment decreased by more than 1.5 percent in four labor market areas. Employment rose in one major labor market area and was unchanged in one area.

The Monroe MSA reported the largest unemployment rate increase compared to a year ago (1.6 percentage points). The Flint MSA, Jackson MSA and Northeast Lower Michigan recorded the second largest rate increase (1.3 percentage points), followed by the Battle Creek MSA (1.1 percentage points).

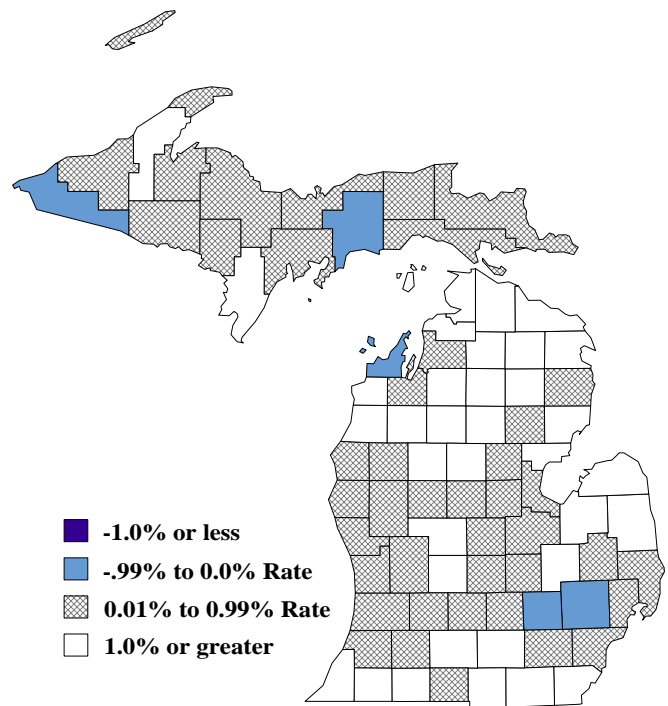
Compared to September 2006, unemployment rates fell in all major labor market areas. The median rate decline was 0.6 of a percentage point. October 2006 unemployment rates ranged between 4.1 percent (Ann Arbor MSA) and 7.3 percent (Flint MSA).

Compared to October 2005, unemployment rates rose in 78 counties, fell in two counties and were unchanged in three counties.

Local Area Unemployment Rates^(g)

Local Area	Oct 2005 Rate	Sep 2006 Rate	Oct 2006 Rate
Michigan	5.6%	6.7%	6.1%
Ann Arbor	3.3%	4.6%	4.1%
Battle Creek	5.1%	6.8%	6.2%
Bay City	5.0%	6.4%	5.7%
Detroit-Warren-Livonia	6.5%	7.0%	6.7%
Flint	6.0%	8.1%	7.3%
Grand Rapids-Wyoming	4.6%	6.0%	5.3%
Holland-Grand Haven	3.8%	5.2%	4.6%
Jackson	5.2%	7.3%	6.5%
Kalamazoo-Portage	4.2%	5.4%	4.8%
Lansing-East Lansing	4.7%	5.7%	5.0%
Monroe	4.7%	6.8%	6.3%
Muskegon-Norton Shores	5.4%	6.9%	6.3%
Niles-Benton Harbor	5.1%	6.8%	6.1%
Saginaw-Saginaw Township	5.9%	7.1%	6.3%
Upper Peninsula	4.5%	5.8%	5.2%
Northeast Lower Mich	5.4%	7.1%	6.7%
Northwest Lower Mich.	4.7%	6.1%	5.6%

Unemployment Rates October 2006^(g)



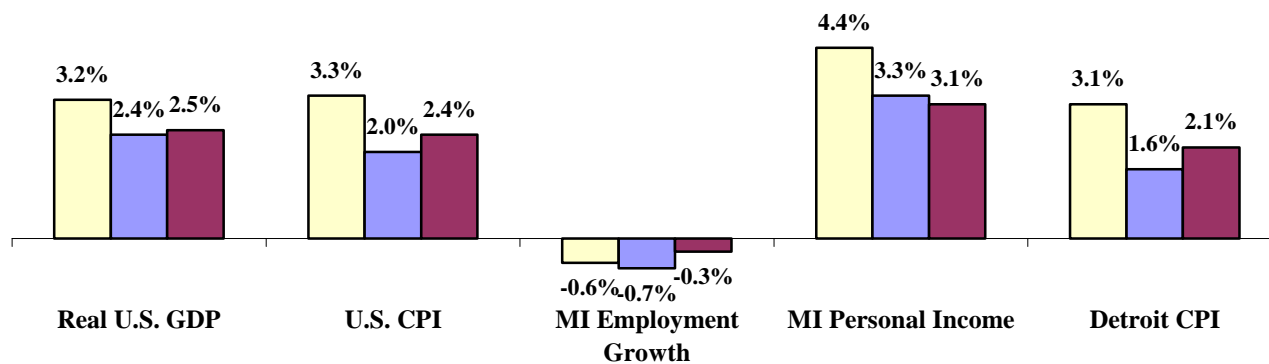
University of Michigan Forecasts Moderating Economic Growth

On November 16 and 17, 2006, the Research Seminar in Quantitative Economics (RSQE), University of Michigan released its forecast for the U.S. and Michigan economies for 2007 and 2008. Forecast highlights include:

- After growing 3.2 percent this year, real GDP is forecast to grow 2.4 percent next year and increase 2.5 percent in 2008. The U.S. unemployment rate is projected to remain flat at 4.6 percent in 2007 before rising slightly to 4.7 percent in 2008. Payroll jobs are expected to grow by 1.5 million jobs in 2007 and 1.2 million in 2008.
- Light vehicle sales are projected to be flat in 2007 at 16.5 million units before falling slightly to 16.4 million units in 2008. Housing starts are projected to decline from 1.8 million units in 2006 to 1.6 million units in both 2007 and 2008.
- After declining 0.6 percent this year, Michigan wage and salary employment is forecast to fall 0.7 percent in 2007 and decline 0.3 percent in 2008. Manufacturing employment, estimated to decline 4.3 percent this year, is projected to fall by 4.9 percent in 2007 and 4.2 percent in 2008.
- Michigan's unemployment rate is forecast to average 7.5 percent in 2007 and 7.7 percent in 2008.
- After growing 4.4 percent this year, Michigan's personal income is expected to rise 3.3 percent in 2007 and 3.1 percent in 2008. Wage and salary income is forecast to grow 2.0 percent in 2007 and 1.8 percent in 2008.

U.S. Economic Forecast Slower Growth

Michigan Economic Forecast Slower Employment Decline in 2008



■ 2006 ■ 2007 ■ 2008

U.S. Economic Conditions

	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	84.7	82.0	85.4	93.6	19.4 points
ISM Manufacturing Index ⁽ⁱ⁾	54.7	54.5	52.9	51.2	-6.9 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.8	57.0	52.9	57.1	-2.1 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>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	203.5	203.9	202.9	201.8	1.3%
Detroit CPI	NA	198.6	NA	196.6	0.8%
U.S. Producer Price Index	162.0	162.1	160.3	158.4	-1.6%
INTEREST RATES					
90 Day T-Bill ^(l)	4.96%	4.98%	4.82%	4.89%	1.19% points
Aaa Corporate Bonds ^(m)	5.85%	5.68%	5.51%	5.51%	0.16% points
INDUSTRIAL PRODUCTION ^(m)					
	113.7	114.0	113.4	113.7	4.9%
CAPACITY UTILIZATION ^(m)					
	82.6%	82.7%	82.1%	82.2%	2.3% points
RETAIL SALES ⁽ⁿ⁾					
	\$367.4	\$367.4	\$364.5	\$363.7	4.5%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.760	1.659	1.740	1.486	-27.4%
Existing Home Sales ^(p)	6.330	6.300	6.210	6.240	-11.5%
DURABLE GOODS ORDERS ^(q)					
	\$210.6	\$210.6	\$229.0	\$210.0	2.3%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2005.3</u>	<u>2005.4</u>	<u>2006.1</u>	<u>2006.2</u>	<u>% Change From Year Ago</u>
Michigan	\$333.0	\$335.3	\$339.5	\$345.4	4.5%
U.S.	\$10,248.5	\$10,469.6	\$10,702.7	\$10,882.8	7.3%
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	\$11,450.5	2.2%

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.