



MICHIGAN ECONOMIC UPDATE

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Michigan Department of Treasury

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

January 2006 Summary

U.S. Economy: January U.S. economic indicators were mixed. The non-manufacturing ISM index fell significantly while the manufacturing index fell slightly. The index of leading economic indicators rose substantially. Consumer sentiment was essentially flat as was industrial production. Boosted by unseasonably warm weather, retail sales and housing starts rose sharply. Depressed by a sharp decline in aircraft orders, overall new durable goods orders fell sharply. Fourth quarter real GDP growth was revised up from 1.1 percent to 1.6 percent annual rate, still its slowest growth rate in three years.

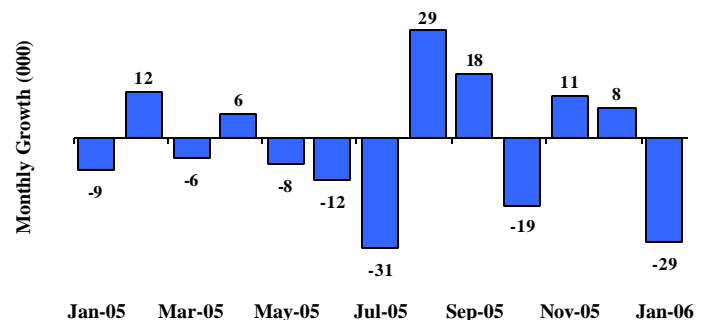
Employment: Michigan's unemployment rate declined substantially in January, falling from 6.7 percent to 6.2 percent. At the same time, payroll employment fell sharply, declining by 29,000 jobs. Nationally, payroll employment rose by 193,000 jobs. The U.S. unemployment rate fell 0.2 percentage points to 4.7 percent.

Auto Industry: January light vehicle sales rose to a 17.6 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 12.1 percent compared with a 2.5 percent decline nationally. Light vehicle inventories were down 7.9 percent from a year ago; days supply fell by 13 days to 75 days.

Inflation: Compared to a year ago, the U.S. consumer price index rose 4.0 percent. However, excluding food and energy, the core U.S. consumer price index was up only 2.1 percent. While overall producer prices rose by 5.7 percent, core producer prices increased by only 1.5 percent.

Michigan Metro Areas: From a year ago, the January unemployment rate fell in all of Michigan's 17 labor market areas with a median rate decline of 1.1 percentage point. Employment rose in 16 areas as well with a median increase of 2.8 percent. Unemployment rates ranged between 4.2 percent (Ann Arbor MSA) and 10.2 percent (Northeast Lower Michigan).

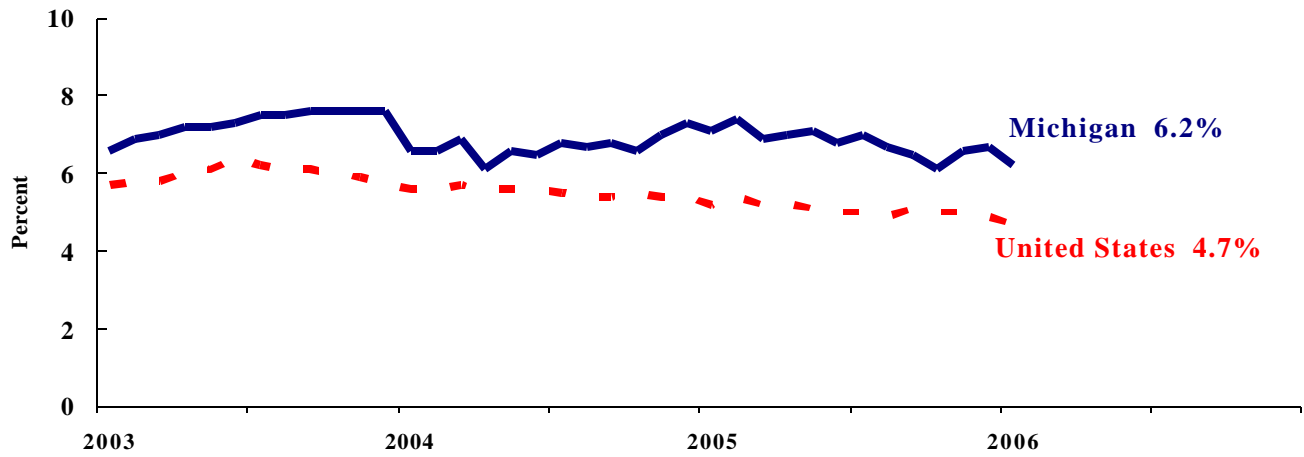
Michigan Employment Declines ^(a)



Labor Market Statistics

- Michigan's January monthly unemployment rate decreased 0.5 percentage points to 6.2 percent from December and the current Michigan jobless rate is 0.8 percentage points below a year ago. The January U.S. unemployment rate decreased 0.2 percentage points to 4.7 percent and was 0.5 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 January, the number of people employed in Michigan was 4,787,000, up 23,000 from last month, while the labor force decreased by 1,000. The statewide total number of unemployed decreased by 24,000 to 318,000.
- United States household employment totaled 143.1 million persons in January, up 295,000 from December. The labor force fell by 39,000 from last month, which meant that there were 335,000 fewer unemployed people nationally, compared to December.

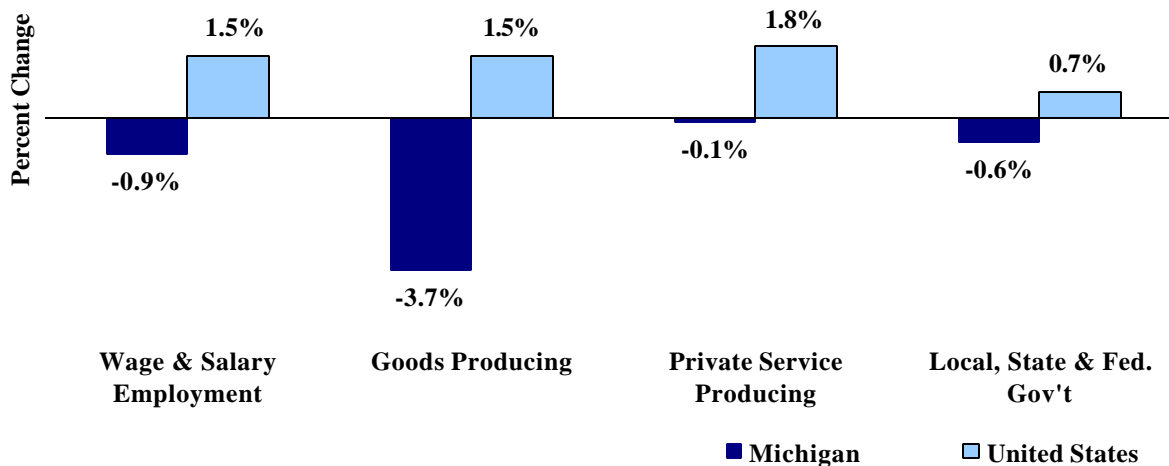
Employment by Place of Residence (in thousands)^(a)

	2005 Average	Nov 2005	Dec 2005	Jan 2006	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,097	5,102	5,106	5,105	-1	0.0%	16	0.3%
Employed	4,754	4,768	4,764	4,787	23	0.5%	55	1.2%
Unemployed	344	334	342	318	-24	-7.0%	-39	-10.9%
Unemployment Rate	6.7%	6.5%	6.7%	6.2%	n.a.	-0.5% pts	n.a.	-0.8%
United States								
Labor Force	149,320	150,183	150,153	150,114	-39	0.0%	2,135	1.4%
Employed	141,730	142,611	142,779	143,074	295	0.2%	2,833	2.0%
Unemployed	7,591	7,572	7,375	7,040	-335	-4.5%	-697	-9.0%
Unemployment Rate	5.1%	5.0%	4.9%	4.7%	n.a.	-0.2% pts	n.a.	-0.5%

Employment by Place of Work

- From January 2005 to January 2006, Michigan wage and salary employment declined 20,000 (0.4 percent). State wage and salary employment decreased 29,000 from December. Nationally, January 2005 wage and salary employment rose 2,093,000 (1.6 percent) from a year ago and was up 193,000 from last month.

Wage and Salary Employment Growth February 2005 to February 2006



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

- In the goods-producing sector, Michigan employment fell 1.9 percent from a year ago while private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, January national employment in the goods-producing sector rose 1.6 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 0.5 hours compared to last year.

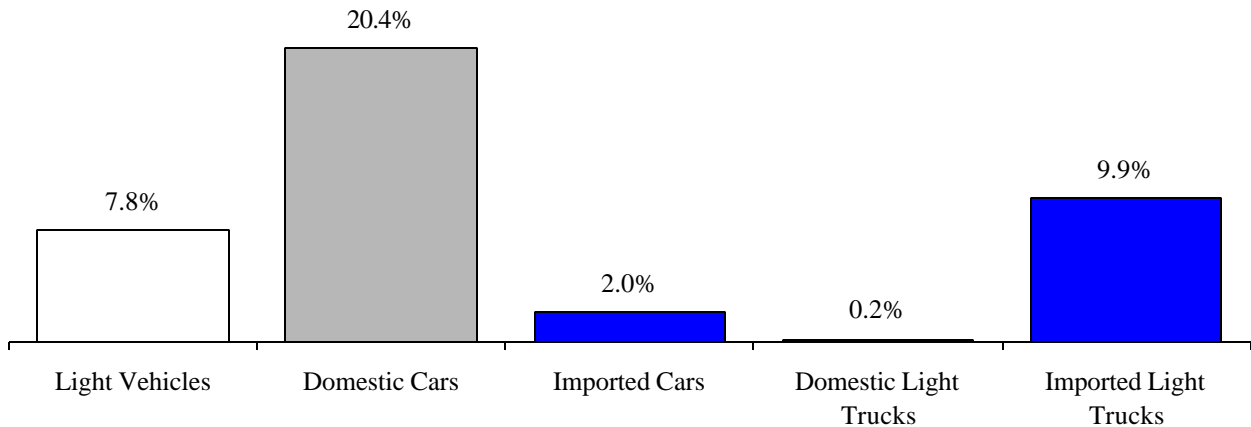
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2005 Average	Jan 2005	Jan 2006	Percent Change	2005 Average	Jan 2005	Jan 2006	Percent Change
Wage & Salary Employment	4,384	4,387	4,368	-0.4%	133,463	132,471	134,564	1.6%
Goods Producing	879	885	868	-1.9%	22,133	21,988	22,331	1.6%
Manufacturing	679	685	671	-2.0%	14,232	14,268	14,220	-0.3%
Private Service Producing	2,832	2,827	2,825	-0.1%	89,527	88,768	90,359	1.8%
Trade, Trans. & Utilities	804	806	795	-1.4%	25,909	25,724	26,037	1.2%
Services	1,742	1,734	1,745	0.6%	52,412	51,885	53,013	2.2%
Local, State & Fed. Gov't	674	676	675	-0.1%	21,803	21,715	21,874	0.7%
Manufacturing Weekly Hours	41.7	41.8	41.3	-0.5 hrs	40.7	40.7	40.8	0.1 hrs

Motor Vehicle Industry Sales

- At a 17.6 million unit annual rate, January 2006 light vehicle sales were up 2.5 percent from last month and up 7.8 percent from January 2005.
- Compared to January 2005, domestic sales were up 8.5 percent while foreign sales were up 5.0 percent. Auto sales rose 15.3 percent while light truck sales increased 1.5 percent.
- Domestic car sales rose sharply compared to a year ago, rising 20.4 percent, while foreign car sales rose 2.0 percent. Domestic light truck sales were nearly flat; foreign light truck sales were up 9.9 percent. Vehicle inventories fell 7.9 percent while days supply declined by 13 days to 75 days.

January Vehicle Sales Increased Compared to a Year Ago



Motor Vehicle Sales Statistics

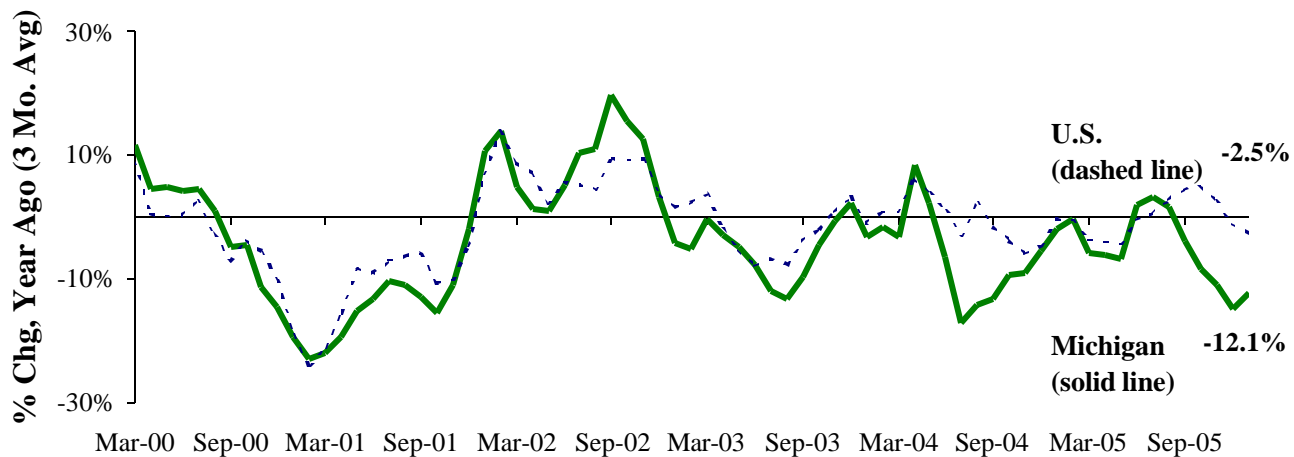
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2005 Average	Nov 2005	Dec 2005	Jan 2006	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	7.6	7.7	8.6	7.9	1.1	15.3%
Domestics	5.5	5.5	5.5	6.5	5.8	1.1	20.4%
Imports	2.2	2.1	2.1	2.1	2.1	0.0	2.0%
Import Share	28.7%	27.1%	27.6%	24.4%	26.3%	-3.2%	pts
Light Trucks	9.2	8.1	9.5	9.0	8.9	0.1	1.5%
Domestics	8.0	7.0	8.3	7.7	7.7	0.0	0.2%
Imports	1.2	1.1	1.2	1.3	1.2	0.1	9.9%
Import Share	13.2%	14.0%	12.9%	14.6%	13.8%	1.1%	pts
Total Light Vehicles	16.9	15.7	17.1	17.6	16.8	1.3	7.8%
Heavy Trucks	0.5	0.5	0.5	0.5	0.5	(0.0)	0.0%
Total Vehicles	17.4	16.2	17.7	18.1	17.3	1.3	7.6%
U.S. Light Vehicle Inventories^(d)		Nov-05	Dec-05	Jan-06	3 Month	Change	
Total Car	1.284	1.244	1.271	1.288	1.268	-0.196	
Days Supply	52	59	55	55	56	-18 days	
Total Truck	2.274	2.364	2.254	2.295	2.304	-0.111	
Days Supply	78	96	71	95	87	-6 days	

Motor Vehicle Industry Production

- At 187,747 units, January 2006 Michigan light vehicle production fell 6.1 percent from a year ago, compared with a 0.1 percent increase nationally. As a result, Michigan's share of national production fell 1.3 percentage points to 19.9 percent.
- Compared with a year ago, state car production rose 11.5 percent while state truck production declined 22.2 percent. Nationally, car production increased 6.9 percent while truck production fell 3.8 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 was down 12.1 percent from a year ago, compared to a 2.5 percent decrease nationally.

Trend Michigan and National Light Vehicle Production Down



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2005 Average	Nov 2005	Dec 2005	Jan 2006	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	359.1	348.7	306.5	370.2	341.8	23.8	6.9%
Trucks	639.7	591.0	521.3	571.9	561.4	(22.5)	-3.8%
Total	998.8	939.7	827.8	942.2	903.2	1.3	0.1%
Michigan Production ^(f)							
Autos	98.9	94.2	86.2	106.4	95.6	11.0	11.5%
Trucks	105.2	84.7	89.4	81.3	85.2	(23.3)	-22.2%
Total	204.1	178.9	175.6	187.7	180.8	(12.3)	-6.1%
Michigan as % of U.S.	20.4%	19.0%	21.2%	19.9%	20.0%	-1.3%	pts

January 2006 Unemployment Rates Fell in All Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, January 2006 unemployment rates fell in all 17 major labor market areas. The median unemployment rate decline was 1.1 percentage points.

Compared to a year ago, the Saginaw-Saginaw Township MSA reported a 1.7 percentage point decline, the largest decline among the state's 17 major labor market areas. The Bay City and Niles-Benton Harbor MSAs reported the second largest decline (1.5 percentage points). The Muskegon-Norton Shores MSA reported the next largest decline of 1.4 percentage points. Eleven areas reported declines of 1.0 percentage point or larger. Fifteen areas reported declines of 0.5 percentage points or larger.

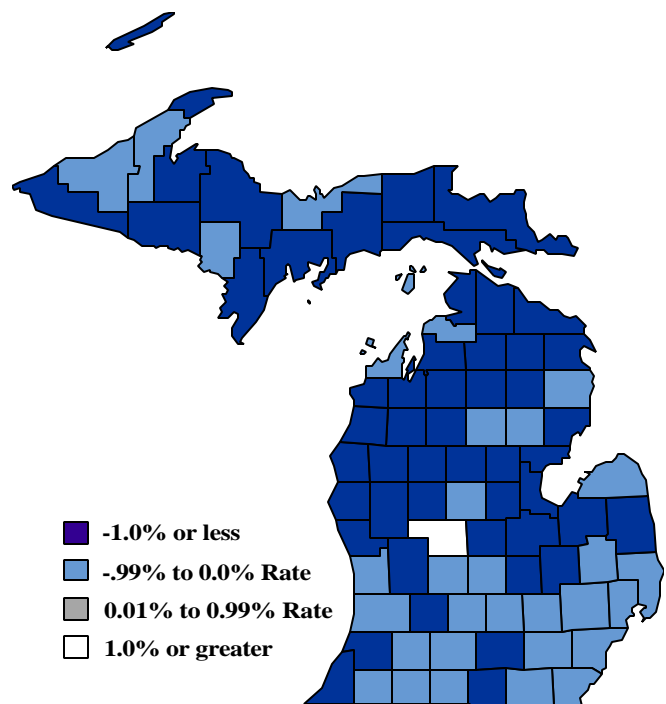
From January 2005 to January 2006, employment increased in 16 major labor market areas with each of the 16 areas reporting an increase exceeding 1.0 percent. The median employment increase was 2.8 percent. Twelve areas reported employment increases greater than 2.0 percent.

January 2006 unemployment rates ranged between 4.2 percent (Ann Arbor) and 10.2 percent (Northeast Lower Michigan). Compared to December unemployment rates, all areas reported higher non-seasonally adjusted unemployment rates. The median increase was 0.6 percentage points.

Compared to January 2005, unemployment rates declined in 81 counties. One county reported an increase while one reported no change. The median decline was 1.1 percentage points.

Local Area Unemployment Rates^(g)

Local Area	Jan 2005 Rate	Dec 2005 Rate	Jan 2006 Rate
Michigan	7.8%	6.3%	7.1%
Ann Arbor	4.7%	3.8%	4.2%
Battle Creek	7.4%	5.9%	6.5%
Bay City	8.6%	6.3%	7.1%
Detroit-Warren-Livonia	8.0%	6.7%	7.6%
Flint	8.8%	6.9%	7.8%
Grand Rapids-Wyoming	6.9%	5.3%	5.6%
Holland-Grand Haven	6.0%	4.7%	5.1%
Jackson	7.7%	6.1%	6.6%
Kalamazoo-Portage	6.6%	5.2%	5.5%
Lansing-East Lansing	6.3%	5.4%	5.8%
Monroe	6.9%	5.2%	6.5%
Muskegon-Norton Shores	7.8%	6.2%	6.4%
Niles-Benton Harbor	8.2%	6.3%	6.7%
Saginaw-Saginaw Township	9.2%	6.8%	7.5%
Upper Peninsula	9.0%	6.9%	7.7%
Northeast Lower Mich	11.5%	8.9%	10.2%
Northwest Lower Mich.	8.9%	6.9%	7.8%



U.S. Economic Conditions

	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	74.2	81.6	91.5	91.2	-4.3 points
ISM Manufacturing Index ⁽ⁱ⁾	58.1	57.3	55.6	54.8	-1.5 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.2	59.3	61.0	56.8	-3.5 points
	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	
Business Executives' Confidence ^(j)	62.0	55.0	50.0	56.0	-5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	199.2	197.6	196.8	198.3	4.0%
Detroit CPI	195.1	NA	192.4	NA	3.8%
U.S. Producer Price Index	161.0	158.4	158.8	160.0	5.7%
INTEREST RATES					
90 Day T-Bill ^(l)	3.70%	3.90%	3.89%	4.20%	1.88% points
Aaa Corporate Bonds ^(m)	5.35%	5.42%	5.37%	5.29%	-0.07% points
INDUSTRIAL PRODUCTION ^(m)	108.4	109.5	110.5	110.3	3.1%
CAPACITY UTILIZATION ^(m)	79.9%	80.6%	81.2%	80.9%	1.1% points
RETAIL SALES ⁽ⁿ⁾	\$352.5	\$355.7	\$356.7	\$367.2	9.4%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.051	2.136	1.988	2.276	4.0%
Existing Home Sales ^(p)	7.050	7.030	6.750	6.560	-5.2%
DURABLE GOODS ORDERS ^(q)	\$213.8	\$225.2	\$230.7	\$207.8	5.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>% Change From Year Ago</u>
Michigan	\$329.5	\$329.9	\$334.4	\$336.4	3.6%
U.S.	\$10,015.1	\$10,075.9	\$10,186.6	\$10,260.7	5.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>2005.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,999.3	\$11,089.2	\$11,202.3	\$11,247.6	1.6%

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.