

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS

- The **U.S. consumer price index (CPI)** increased at an annual growth rate of 1.5% in July, from the June level, but was 4.5% above the level in July 2005. While the July 2006 increase was twice the rate experienced in June, the increase was consistent with increases experienced during the first five months of the year. For the first seven months of 2006, the index has risen at an average annual rate of 4.8%. Energy prices continue to drive much of the increases in the CPI, which would be even higher if not for slow growth or even declining prices in the apparel and education/communication sectors, as well as in the "other goods and services" category.



- **Light vehicle sales** were 17.2% below the year-ago level in July, primarily as a result of weak sales of domestic light trucks. Domestic light truck sales were down 32.6% from the July 2005 level, compared with a 1.0% decline for imported light trucks. Domestic automobile sales were down 4.0% from July 2005, compared with a 15.4% increase in sales of imported automobiles.
- **Corporate profits** in the second quarter of 2006 were up 20.5% from the year-ago level. The growth in profits was the most rapid increase in two years and was driven by strong growth in the financial sector, where profits were up 27.8% from the second quarter of 2005—the strongest growth in nearly four years.
- The revised estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 2.9% in the second quarter of 2006, compared with 5.6% during the first quarter of 2006. The slowdown in the growth rate reflected weaker growth in all major sectors of the economy: consumption spending, investment, government expenditures, and net foreign trade. While most subsectors experienced declines, durable goods consumption and equipment and software investment accounted for almost all of the slowdown in overall growth.



- Michigan **wage and salary employment** fell by 29,000 jobs in July, posting a new trough for employment during the slowdown that started in June 2000. The manufacturing sector, where employment fell by 24,000 jobs, also posted a new trough. The decline in manufacturing employment was almost entirely accounted for by the loss of 20,000 jobs in transportation equipment manufacturing.
- **Average weekly earnings** were strong in virtually all major sectors in July, despite the weak employment report. Earnings were up the most in the professional/business services sector, at 10.9% above July 2005, while the only declines were reported in motor vehicle manufacturing and general merchandise stores, where wages were down 0.6% and 0.4%, respectively, from the year-ago level.
- Weak U.S. sales of domestic vehicles were reflected in Michigan **motor vehicle production**, as July light truck production was down 30.4% from July 2005 and automobile production was down 3.7%. Overall Michigan motor vehicle production in July was 26.9% below the June level and 19.3% below the July 2005 level.



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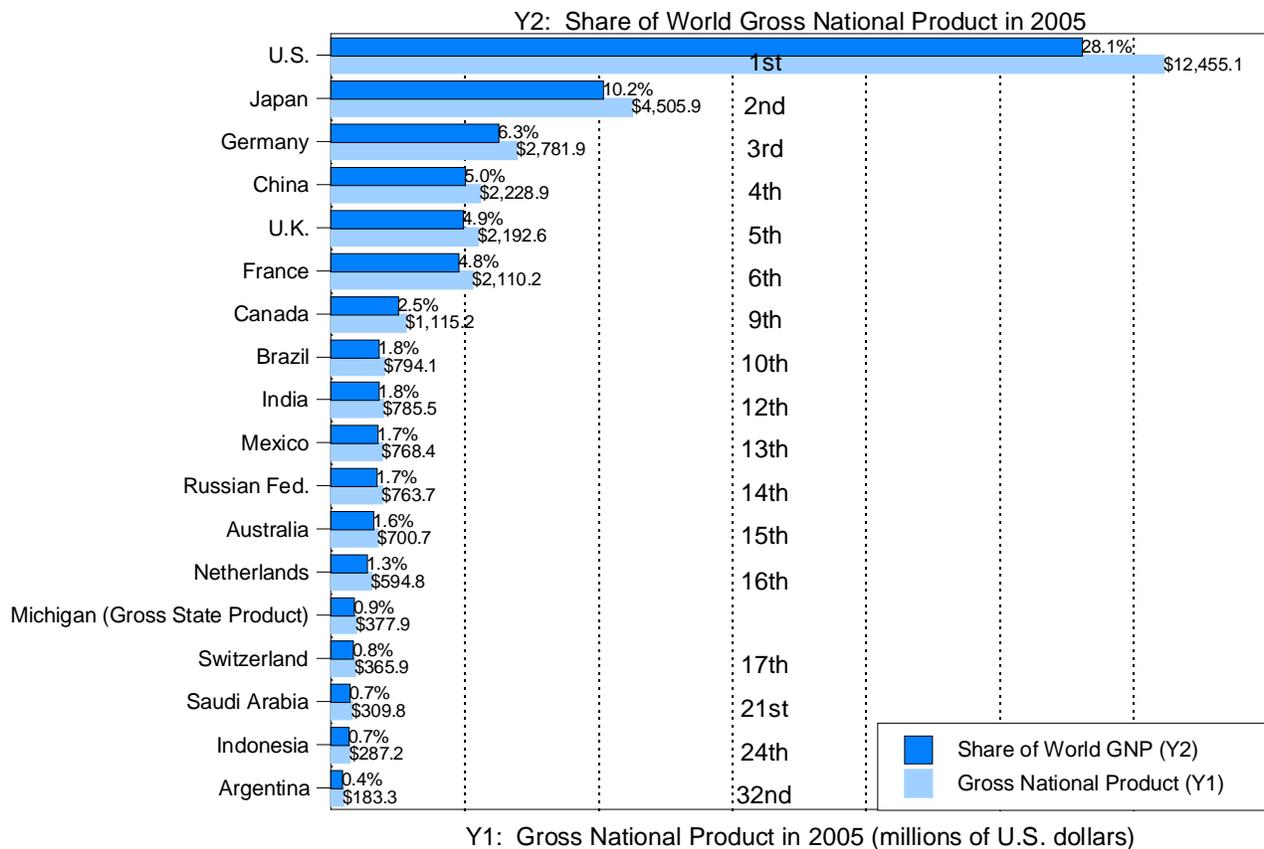
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	July 2006	June 2006	July 2005	Change from June		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	151,534	151,321	149,605	213	0.1%	1,929	1.3%
Employment	144,329	144,363	142,111	(34)	(0.0)	2,218	1.6
Unemployment	7,205	6,957	7,494	248	3.6	(289)	(3.9)
Unemployment Rate	4.8%	4.6%	5.0%	---	---	---	---

Michigan	July 2006	June 2006	July 2005	Change from June		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,095	5,115	5,090	(19)	(0.4)%	5	0.1%
Employment	4,739	4,794	4,750	(55)	(1.1)	(11)	(0.2)
Unemployment	356	321	340	36	11.1	16	4.7
Unemployment Rate	7.0%	6.3%	6.7%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

The Size of the U.S. and Michigan Economies Compared with Other Nations



Source: Bureau of Economic Analysis, U.S. Department of Commerce and The World Bank.

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	July 2006*	June 2006	July 2005	Change from June		Change from Yr Ago	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,345	4,373	4,349	(29)	(0.7)%	(5)	(0.1)%
Goods Producing Industries	836	859	856	(24)	(2.7)	(20)	(2.3)
Natural Resources & Mining	8	8	9	0	0.0	(0)	(2.3)
Construction	192	192	191	0	0.1	1	0.5
Manufacturing	635	659	656	(24)	(3.6)	(20)	(3.1)
Transportation Equipment	210	230	225	(20)	(8.9)	(15)	(6.7)
Service Producing Industries	3,509	3,514	3,494	(5)	(0.1)	15	0.4
Trade, Transportation & Utilities	794	794	806	0	0.0	(12)	(1.5)
Information	67	67	68	(0)	(0.2)	(1)	(1.6)
Financial Activities	220	220	218	(0)	(0.1)	2	0.7
Professional & Business Services	599	601	584	(2)	(0.3)	15	2.6
Education & Health Services	575	575	568	0	0.0	7	1.2
Leisure & Hospitality Services	403	409	400	(5)	(1.3)	4	0.9
Other Services	178	178	178	1	0.3	0	0.2
Government	674	672	673	2	0.2	1	0.1

Source: Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	Average Weekly Hours			Average Weekly Earnings		
	July 2006	Year Ago	Percent Change	July 2006	Year Ago	Percent Change
Construction	39.8	39.5	0.8%	\$869.63	\$872.56	(0.3)%
Manufacturing	40.8	39.5	3.3	874.75	816.07	7.2
Durable Goods	41.9	39.9	5.0	970.82	887.38	9.4
Motor Vehicle Manufacturing	42.4	41.6	1.9	1,285.14	1,292.93	(0.6)
Motor Vehicle Parts Manufacturing	39.5	38.2	3.4	1,069.27	1,005.81	6.3
Nondurable Goods	37.6	38.0	(1.1)	585.06	570.38	2.6
Wholesale Trade	39.4	36.7	7.4	750.96	695.10	8.0
Retail Trade	29.8	30.4	(2.0)	368.92	359.02	2.8
Grocery Stores	27.8	27.8	0.0	241.58	235.47	2.6
General Merchandise Stores	29.8	30.4	(2.0)	311.11	312.51	(0.4)
Information	34.3	36.3	(5.5)	709.32	671.19	5.7
Financial Activities	34.3	34.5	(0.6)	606.77	596.51	1.7
Professional & Business Services	35.4	34.6	2.3	669.41	603.77	10.9
Health Care & Social Assistance	35.3	33.8	4.4	585.63	543.17	7.8
Leisure & Hospitality	24.1	24.2	(0.4)	201.48	194.57	3.6
Automobile Repair & Maintenance	37.1	36.9	0.5	556.13	528.78	5.2
Personal & Laundry Services	23.4	25.9	(9.7)	301.63	300.44	0.4

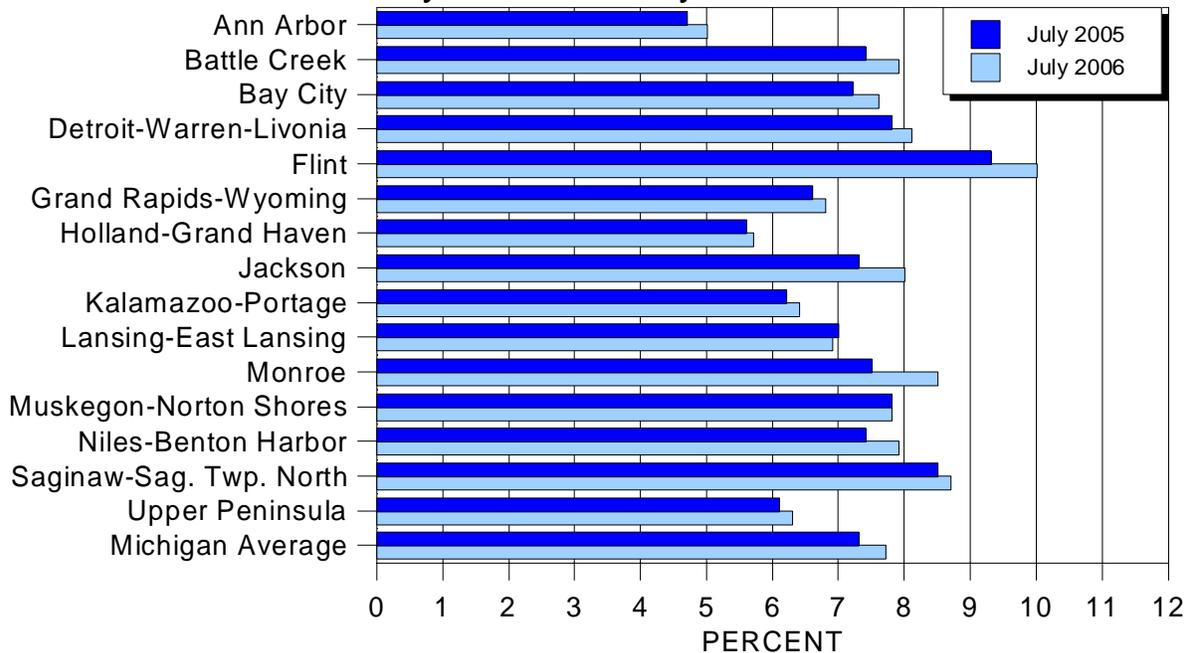
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	July 2006*	June 2006	May 2006	July 2005
Metropolitan Statistical Areas				
Ann Arbor	5.0%	4.4%	4.0%	4.7%
Battle Creek	7.9	6.4	6.0	7.4
Bay City	7.6	6.5	6.3	7.2
Detroit-Warren-Livonia	8.1	6.9	5.8	7.8
Flint	10.0	7.7	7.3	9.3
Grand Rapids-Wyoming	6.8	5.7	5.2	6.6
Holland-Grand Haven	5.7	5.0	4.5	5.6
Jackson	8.0	6.7	6.1	7.3
Kalamazoo-Portage	6.4	5.5	4.9	6.2
Lansing-East Lansing	6.9	5.7	5.3	7.0
Monroe	8.5	5.9	5.4	7.5
Muskegon-Norton Shores	7.8	6.5	6.0	7.8
Niles-Benton Harbor	7.9	6.8	6.2	7.4
Saginaw-Saginaw Twp North	8.7	7.2	6.8	8.5
Multi-County Areas				
Northeast Lower Michigan	8.2	7.0	7.2	7.3
Northwest Lower Michigan	6.4	5.7	5.9	6.1
Upper Peninsula	6.3	6.0	6.3	6.1
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	7.7	6.5	5.8	7.3
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

July 2005 and July 2006

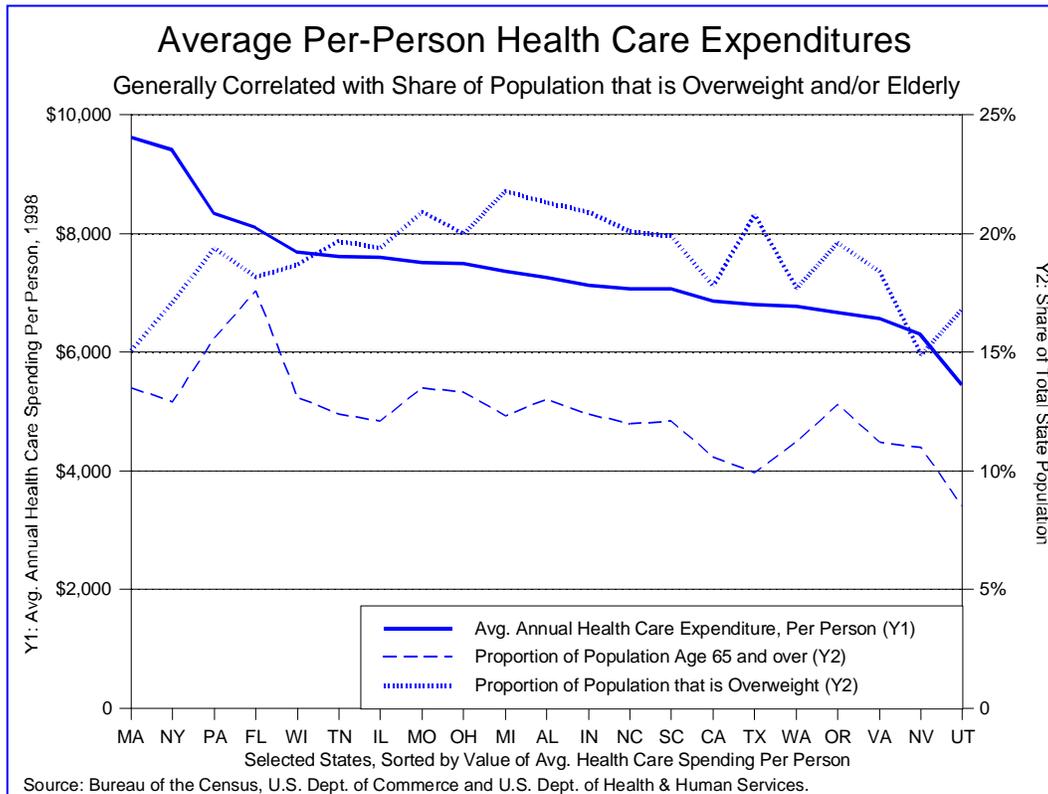


Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

	July 2006	June 2006	May 2006	Apr. 2006	Year Ago July	Percent Change From:	
						July/June	July 2006/ July 2005
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	8,222	7,694	7,782	8,007	8,098	6.9%	1.5%
Domestics	5,562	5,260	5,326	5,615	5,792	5.7	(4.0)
Imports	2,660	2,434	2,456	2,392	2,306	9.3	15.4
Import Share	32.4%	31.6%	31.6%	29.9%	28.5%	---	---
Light Trucks	8,920	8,553	8,253	8,680	12,600	4.3	(29.2)
Domestics	7,598	7,228	6,954	7,234	11,265	5.1	(32.6)
Imports	1,322	1,325	1,299	1,446	1,335	(0.2)	(1.0)
Import Share	14.8%	15.5%	15.7%	16.7%	10.6%	---	---
Subtotal: Light Vehicle Sales	17,142	16,247	16,035	16,687	20,698	5.5	(17.2)
Heavy Trucks	510	539	547	517	511	(5.4)	(0.2)
Total Vehicle Sales	17,652	16,786	16,582	17,204	21,209	5.2	(16.8)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,066	4,102	4,337	4,542	4,280	(0.9)	(5.0)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	887	985	1,192	973	921	(10.0)	(3.7)
Trucks	903	1,463	1,331	1,142	1,298	(38.3)	(30.4)
Total	1,790	2,448	2,522	2,114	2,219	(26.9)	(19.3)
Michigan Production as % of U.S.	14.2%	19.7%	20.4%	20.8%	16.2%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,234	1,410	1,444	1,484	1,200	(12.4)	2.8
Days Supply	41	49	48	52	42	(16.3)	(2.4)
Total Truck	2,076	2,431	2,339	2,317	1,752	(14.6)	18.5
Days Supply	70	84	80	85	43	(16.7)	62.8

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	July	135.6	135.7	134.1	(0.1)%	1.1%
Coincident Index ¹⁾ (1992=100)	July	150.7	150.3	146.4	0.3	2.9
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	July	1,795	1,841	2,070	(2.5)	(13.3)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	July	\$332.4	\$327.6	\$318.1	1.5	4.5
Industrial Production Index 3) (1997=100, seasonally adjusted)	July	113.5	113.1	108.3	0.4	4.9
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	July	82.4	82.3	80.2	0.2	2.9
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	July	203.2	202.3	195.1	5.5	4.2
Detroit (not seasonally adjusted)	June	196.8	197.2	189.6	(1.2)	3.8
Interest Rates						
3-month Treasury Bill ³⁾	July	4.96%	4.79%	3.22%	---	---
Corporate Aaa Bonds ³⁾	July	5.85%	5.89%	5.06%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2006 2nd Qtr.	\$11,385.3	\$11,316.4	\$11,001.8	2.5	3.5
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	July 2006	\$1,719.5	\$1,622.3	\$1,521.9	NM	13.0

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

