

MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS

- The advance estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 2.5% in the second quarter of 2006, compared with 5.6% during the first quarter. 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. Numerous components of these sectors, particularly consumption of durable goods, investment in equipment and software, residential investment, and Federal spending (for both defense and nondefense items), all declined relative to the level in the first quarter.
- **Housing starts** were 11.0% below the year-ago level in June and more than 18.3% below the peak reported in January 2006. Declines were most significant in the northeast and the south, where starts were nearly 13% below the level in June 2005. However, starts were also down 9.6% in the midwest and 7.3% in the west.
- **Retail sales** were 5.7% above the year-ago level in June. However, the June level was down 0.1% from the May level. High fuel prices maintained growth in retail sales at gasoline stations, where sales rose 1.1% from May, and sales at furniture stores were up 1.3%. However, these increases, and other small increases in most other sectors, were more than offset by a 1.4% decline in motor vehicle/parts sales, a 1.0% decline in sales of building materials, a 0.7% decline in electronics/appliance sales, and a 0.3% decline in department store sales.
- **Debt** owed by domestic nonfinancial sectors rose 11.0% in the first quarter, the fastest quarterly rise since the fourth quarter of 1986. Household debt rose 11.6%, largely driven by increases in mortgage debt, which rose by 13.6% -- the 17th consecutive quarter of double-digit growth in mortgage debt. However, business debt also rose 10.4%, the most rapid increase since the second quarter of 2000.



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- Michigan's **unemployment rate** increased to 6.3% in June, from 6.0% in May because the labor force grew more rapidly than employment, which rose by 10,000 jobs. Compared with one year ago, when the unemployment rate was 6.7%, employment was up by 43,000 jobs while the number of unemployed individuals was down by 21,000.
 - **Revenue from Michigan's major taxes** totaled \$1,622.3 million in June, up 3.9% from June 2005. June's growth largely offset weakness in May's revenue and year-to-date revenue finished up only 0.7%. Slow growth in sales tax revenue and income tax withholding largely account for the overall weakness in revenue.
 - Michigan **wage and salary employment** rose by 5,000 jobs in June but was 8,000 jobs below the level in June 2005. Most sectors experienced employment declines in June, compared with the May level, and the increase was completely attributable to growth in the three sectors that have shown chronic weakness for years: transportation equipment manufacturing, government, and professional/business services, which posted a combined increase of 15,000 jobs.



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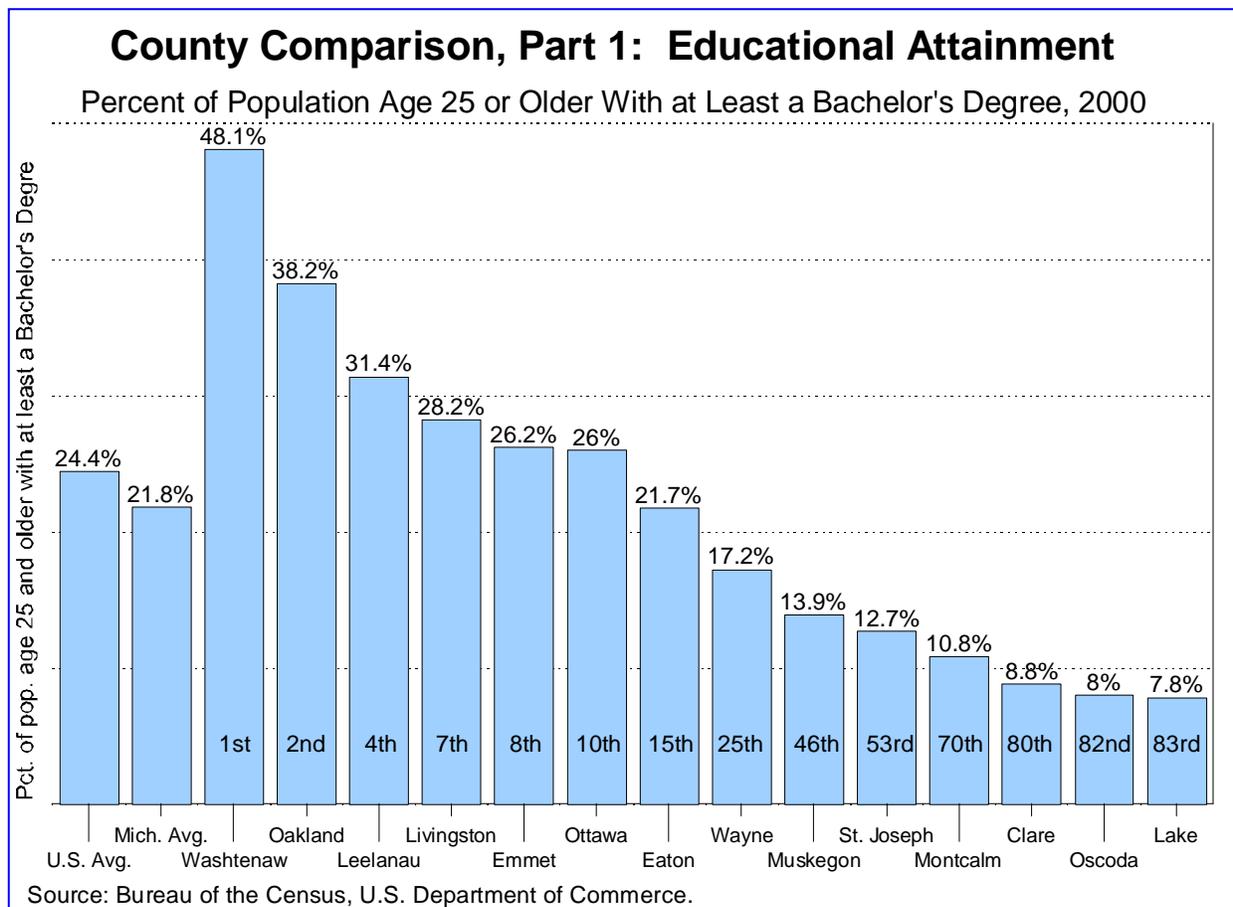
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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	June 2006	May 2006	June 2005	Change from May		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	151,321	150,991	149,243	330	0.2%	2,078	1.4%
Employment	144,363	143,976	141,750	387	0.3	2,613	1.8
Unemployment	6,957	7,015	7,493	(58)	(0.8)	(536)	(7.2)
Unemployment Rate	4.6%	4.6%	5.0%	---	---	---	---

Michigan	June 2006	May 2006	June 2005	Change from May		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,115	5,092	5,093	23	0.4%	22	0.4%
Employment	4,794	4,784	4,751	10	0.2	43	0.9
Unemployment	321	308	342	13	4.3	(21)	(6.2)
Unemployment Rate	6.3%	6.0%	6.7%	---	---	---	---

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



MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	June 2006*	May 2006	June 2005	<u>Change from May</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,372	4,368	4,380	5	0%	(8)	(0)%
Goods Producing Industries	860	859	878	2	0	(18)	(2)
Natural Resources & Mining	8	9	9	(0)	(2)	(0)	(1)
Construction	191	192	191	(1)	(0)	1	0
Manufacturing	661	658	679	3	0	(18)	(3)
Transportation Equipment	230	225	236	6	3	(6)	(2)
Service Producing Industries	3,512	3,509	3,502	3	0	10	0
Trade, Transportation & Utilities	794	796	805	(3)	(0)	(12)	(1)
Information	67	67	68	(0)	(0)	(1)	(2)
Financial Activities	219	220	218	(1)	(0)	1	1
Professional & Business Services	599	597	588	2	0	11	2
Education & Health Services	575	575	565	(1)	(0)	10	2
Leisure & Hospitality Services	409	409	405	(0)	(0)	3	1
Other Services	178	179	179	(1)	(1)	(2)	(1)
Government	673	666	674	7	1	(1)	(0)

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

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	May 2006	Year Ago	Percent Change	June 2006	Year Ago	Percent Change
Construction	40.2	38.8	3.6%	\$870.73	\$853.60	2.0%
Manufacturing	43.5	41.6	4.6	960.05	894.82	7.3
Durable Goods	44.4	42.4	4.7	1,058.50	975.62	8.5
Motor Vehicle Manufacturing	43.4	43.9	(1.1)	1,328.04	1,360.46	(2.4)
Motor Vehicle Parts Manufacturing	44.2	43.9	0.7	1,257.05	1,218.66	3.2
Nondurable Goods	40.6	38.7	4.9	629.71	597.53	5.4
Wholesale Trade	39.6	36.5	8.5	721.51	687.66	4.9
Retail Trade	29.4	30.0	(2.0)	368.68	352.20	4.7
Grocery Stores	27.4	26.6	3.0	238.93	229.82	4.0
General Merchandise Stores	29.0	30.1	(3.7)	303.92	310.93	(2.3)
Information	34.5	37.0	(6.8)	701.39	675.62	3.8
Financial Activities	34.1	33.3	2.4	598.46	579.75	3.2
Professional & Business Services	35.6	34.6	2.9	647.21	601.35	7.6
Health Care & Social Assistance	34.5	34.1	1.2	565.46	542.19	4.3
Leisure & Hospitality	23.5	23.4	0.4	195.76	189.31	3.4
Automobile Repair & Maintenance	36.9	34.5	7.0	547.97	516.47	6.1
Personal & Laundry Services	25.6	26.9	(4.8)	311.04	304.78	2.1

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

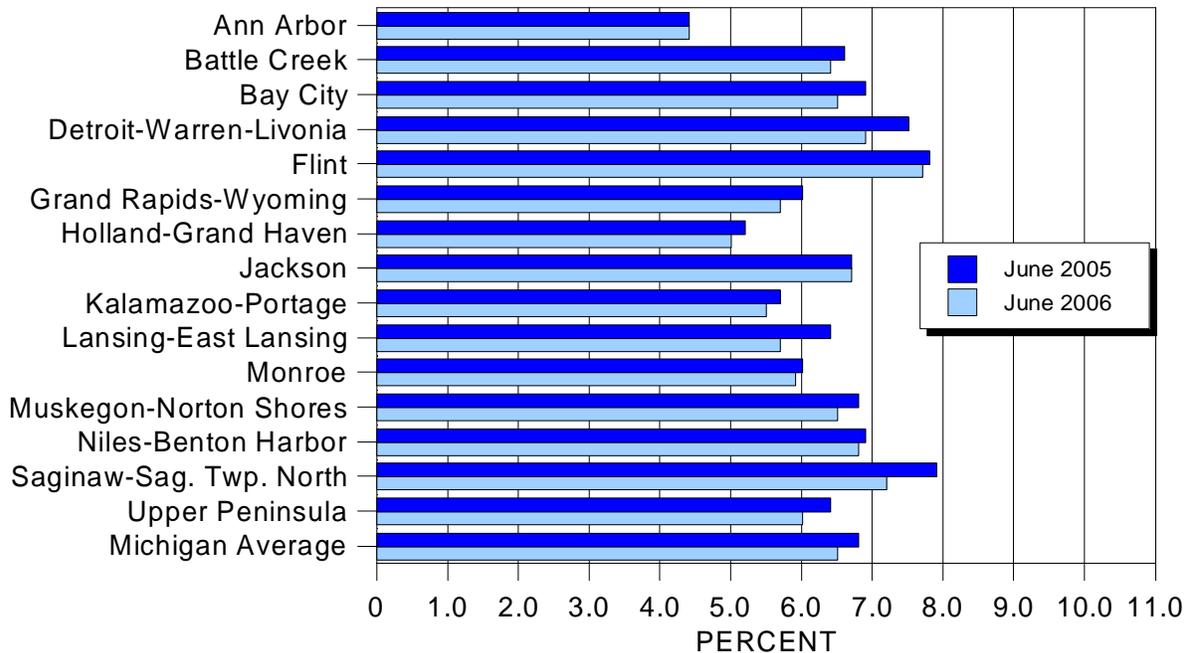
**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	June 2006*	May 2006	April 2006	June 2005
Metropolitan Statistical Areas				
Ann Arbor	4.4%	4.0%	4.2%	4.4%
Battle Creek	6.4	6.0	6.7	6.6
Bay City	6.5	6.3	7.4	6.9
Detroit-Warren-Livonia	6.9	5.8	6.9	7.5
Flint	7.7	7.3	8.2	7.8
Grand Rapids-Wyoming	5.7	5.2	5.8	6.0
Holland-Grand Haven	5.0	4.5	5.0	5.2
Jackson	6.7	6.1	6.8	6.7
Kalamazoo-Portage	5.5	4.9	5.3	5.7
Lansing-East Lansing	5.7	5.3	5.9	6.4
Monroe	5.9	5.4	5.9	6.0
Muskegon-Norton Shores	6.5	6.0	6.7	6.8
Niles-Benton Harbor	6.8	6.2	6.8	6.9
Saginaw-Saginaw Twp North	7.2	6.8	7.7	7.9
Multi-County Areas				
Northeast Lower Michigan	7.0	7.2	9.9	6.9
Northwest Lower Michigan	5.7	5.9	7.7	5.9
Upper Peninsula	6.0	6.3	8.4	6.4
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.5	5.8	6.8	6.8

Source: Michigan Department of Labor and Economic Growth *Preliminary

Michigan Regional Unemployment Rates

June 2005 and June 2006

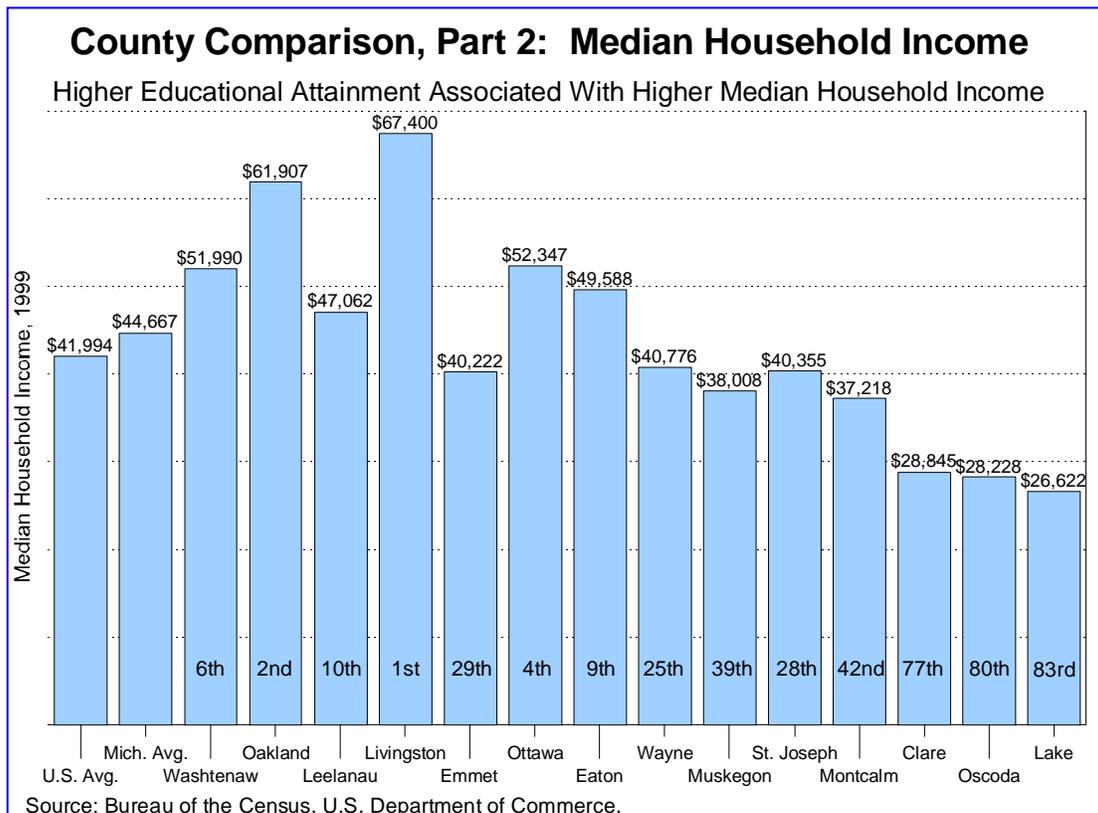


Source: Michigan Department of Labor and Economic Growth

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

	June 2006	May 2006	April 2006	Mar. 2006	Year Ago June	Percent Change From:	
						June/May	June 2006/ June 2005
Motor Vehicle Sales^{1,2)}							
(thousands of units, SAAR)							
Autos	7,694	7,782	8,007	7,420	7,470	(1.1)%	3.0%
Domestics	5,260	5,326	5,615	5,279	5,248	(1.2)	0.2
Imports	2,434	2,456	2,392	2,141	2,222	(0.9)	9.5
Import Share	31.6%	31.6%	29.9%	28.9%	29.7%	---	---
Light Trucks	8,553	8,253	8,680	9,117	10,348	3.6	(17.3)
Domestics	7,228	6,954	7,234	7,744	9,083	3.9	(20.4)
Imports	1,325	1,299	1,446	1,373	1,265	2.0	4.7
Import Share	15.5%	15.7%	16.7%	15.1%	12.2%	---	---
Subtotal: Light Vehicle Sales	16,247	16,035	16,687	16,537	17,818	1.3	(8.8)
Heavy Trucks	539	547	517	555	505	(1.5)	6.7
Total Vehicle Sales	16,786	16,582	17,204	17,092	18,323	1.2	(8.4)
U.S. Motor Vehicle Production^{1,2)}							
(millions of units, SAAR)							
Autos	n/a	4,337	4,555	4,538	4,342	n/a	n/a
Michigan Motor Vehicle Production^{2,3)}							
(thousands of units, SAAR)							
Autos	985	1,192	973	1,370	1,288	(17.3)	(23.5)
Trucks	1,463	1,331	1,142	1,195	1,332	9.9	9.9
Total	2,448	2,522	2,114	2,565	2,620	(2.9)	(6.5)
Michigan Production as % of U.S.	19.7%	20.4%	20.8%	19.8%	21.7%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,410	1,444	1,484	1,553	1,411	(2.4)	(0.1)
Days Supply	49	48	52	58	50	2.1	(2.0)
Total Truck	2,431	2,339	2,317	2,391	2,330	3.9	4.3
Days Supply	84	80	85	80	64	5.0	31.3

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)	June	136.1	136.6	133.1	(0.4)%	2.3%
Coincident Index ¹⁾ (1992=100)	June	150.9	150.6	146.7	0.2	2.9
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	June	1,850	1,953	2,078	(5.3)	(11.0)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	June	\$328.4	\$328.8	\$310.7	(0.1)	5.7
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	June	113.2	112.3	108.3	0.8	4.5
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	June	82.4	81.8	80.3	0.6	2.6
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	June	202.3	201.9	193.9	2.4	4.3
Detroit (not seasonally adjusted)	June	196.8	197.2	189.6	(1.2)	3.8
Interest Rates						
3-month Treasury Bill ³⁾	June	4.79%	4.72%	2.99%	---	---
Corporate Aaa Bonds ³⁾	June	5.89%	5.95%	4.96%	---	---
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)	June 2006	\$1,622.3	\$1,608.6	\$1,562.1	NM	3.9

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

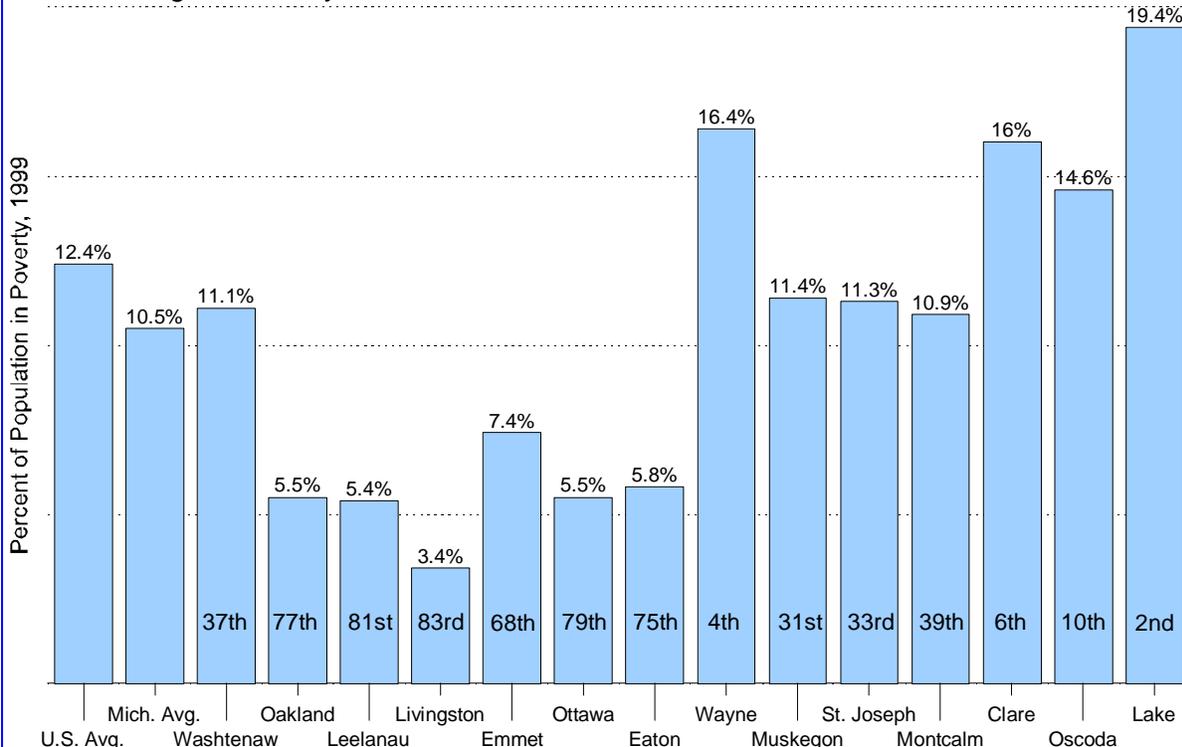
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*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.

County Comparison, Part 3: Share of Population in Poverty

Higher Poverty Rates Associated With Lower Educational Attainment



Source: Bureau of the Census, U.S. Department of Commerce.