

# MICHIGAN ECONOMIC INDICATORS

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

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## ECONOMIC HIGHLIGHTS

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- The **U.S. Consumer Price Index** declined at an annualized rate of 5.7% from August to September, entirely due to declines in energy prices. Despite the drop, the CPI remained 2.1% above the level in September 2005. Apparel exhibited the largest increase between August and September, rising at an annual rate of 7.4%, while housing and medical care exhibited the largest year-over-year increases, rising 4.1% and 4.2%, respectively, from September 2005.
- The preliminary estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 2.2% in the third quarter of 2006, compared with 5.6% during the first quarter and 2.6% in the second quarter. The slowdown in the growth rate reflected weaker growth in residential investment and a worsening in net foreign trade. These factors combined to lower the growth rate by 1.4 percentage points.
- **Housing starts** increased for the first time in four months during September, rising 5.9% from the August level. However, September starts were still 17.9% below the level one year ago. The increase was primarily attributable to increased construction in the South, which more than offset declines in the Northeast and West.
- Growth in U.S. **wage and salary employment** slowed in September, rising by only 51,000 jobs, compared with an average of approximately 166,000 per month since January 2004 and a gain of 230,000 jobs in August. The weakest sectors over the last few years exhibited declines in employment, with manufacturing employment falling by 19,000 jobs, retail trade losing 12,000 jobs, and government reporting a loss of 8,000 jobs. As also has been the case over the last few years, the strongest performance occurred in education and health services, where employment rose by 15,000 jobs.



- **Michigan wage and salary employment** remained mostly flat in September, rising only 2,000 jobs from the August level, and was 33,000 below the level in September 2005. For most sectors, the changes from the August level were negligible, although government employment was down by 6,000 jobs and leisure/hospitality was up 6,000 jobs. Compared with one year ago, manufacturing, trade, and government continued to be the weakest sectors.
- Michigan's **unemployment rate** remained at 7.1% in September, as both employment and unemployment increased from the August level. However, the unemployment rate was above the 6.5% level reported for September 2005, with 17,000 fewer people employed and 32,000 more people unemployed.
- Despite September's weak employment picture, **average weekly earnings** in Michigan mostly showed meaningful gains over year-ago levels. Earnings were lower in the personal/laundry services (-3.6%) and construction (-2.2%) sectors, and at general merchandise stores (-1.0%). However, most other sectors reported gains ranging from 3.9% to 10.1%, with the strongest growth in professional/business services (+10.1%) and wholesale trade (+9.3%).



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

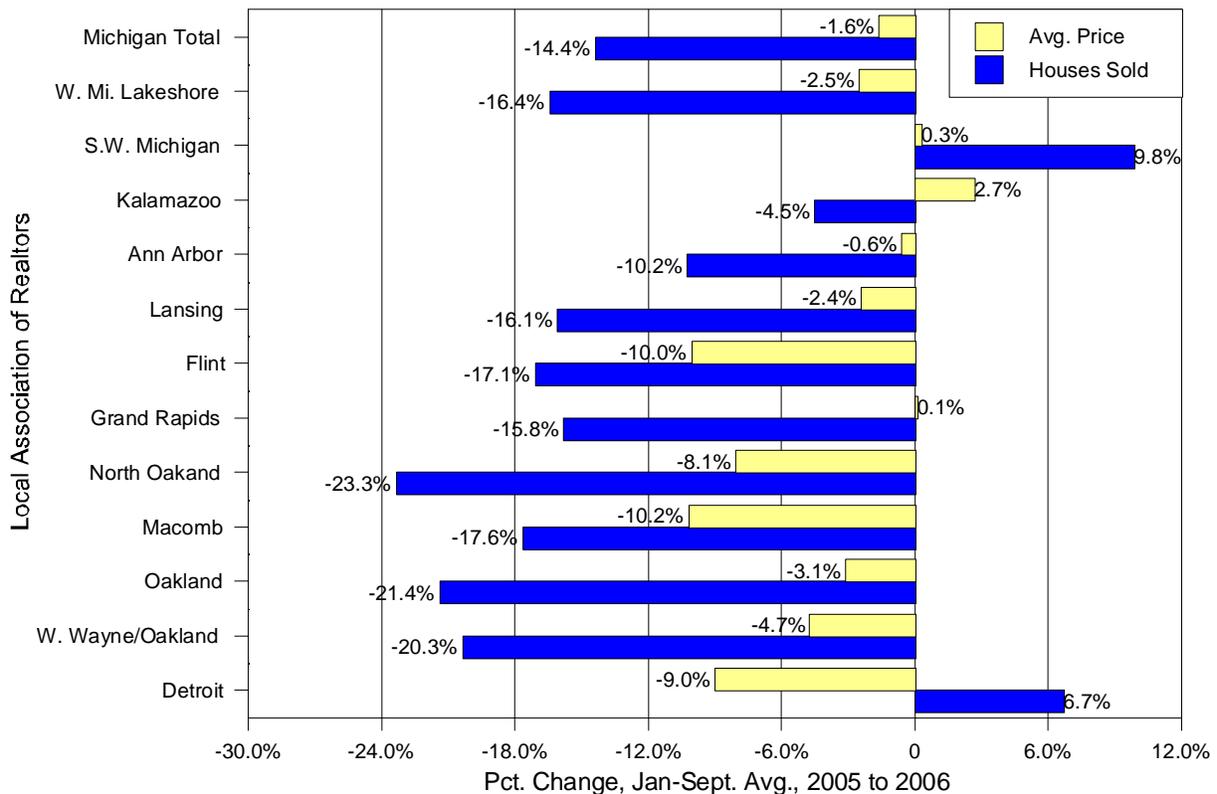
U.S.	Sept. 2006	Aug. 2006	Sept. 2005	Change from Aug.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	151,799	151,698	150,083	101	0.1%	1,716	1.1%
Employment	144,850	144,579	142,435	271	0.2	2,415	1.7
Unemployment	6,949	7,119	7,648	(170)	(2.4)	(699)	(9.1)
Unemployment Rate	4.6%	4.7%	5.1%	---	---	---	---

Michigan	Sept. 2006	Aug. 2006	Sept. 2005	Change from Aug.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,112	5,086	5,096	26	0.5%	16	0.3%
Employment	4,748	4,726	4,765	22	0.5	(17)	(0.3)
Unemployment	364	360	332	4	1.1	32	9.7
Unemployment Rate	7.1%	7.1%	6.5%	---	---	---	---

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

**Most Major Michigan Housing Markets Weaker in 2006**



Source: Michigan Association of Realtors

<b>MICHIGAN WAGE AND SALARY EMPLOYMENT</b> (Seasonally adjusted, thousands)							
	Sept. 2006*	Aug. 2006	Sept. 2005	<u>Change from Aug.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
<b>Total Nonagricultural Jobs</b>	4,363	4,361	4,396	2	0.1%	(33)	(0.7)%
<b>Goods Producing Industries</b>	846	846	883	(0)	(0.0)	(38)	(4.3)
Natural Resources & Mining	9	8	9	0	2.4	0	1.2
Construction	193	193	193	0	0.2	1	0.3
Manufacturing	644	644	682	(1)	(0.1)	(38)	(5.6)
Transportation Equipment	216	215	243	0	0.2	(27)	(11.2)
<b>Service Producing Industries</b>	3,518	3,516	3,513	2	0.1	5	0.1
Trade, Transportation & Utilities	789	792	802	(2)	(0.3)	(13)	(1.7)
Information	67	67	67	(0)	(0.1)	(0)	(0.3)
Financial Activities	220	220	219	1	0.4	2	0.8
Professional & Business Services	603	603	585	(0)	(0.0)	18	3.0
Education & Health Services	580	576	572	4	0.7	8	1.4
Leisure & Hospitality Services	414	408	411	6	1.4	3	0.6
Other Services	179	179	179	0	0.0	0	0.0
Government	667	672	678	(6)	(0.8)	(11)	(1.7)

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

<b>MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS</b>						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Sept. 2006	Year Ago	Percent Change	Sept. 2006	Year Ago	Percent Change
Construction	39.0	38.9	0.3%	\$839.67	\$858.91	(2.2)%
Manufacturing	43.4	42.6	1.9	961.31	923.57	4.1
Durable Goods	44.4	43.7	1.6	1,067.38	1,017.77	4.9
Motor Vehicle Manufacturing	44.5	44.8	(0.7)	1,394.63	1,395.07	(0.0)
Motor Vehicle Parts Manufacturing	43.2	42.6	1.4	1,179.79	1,171.07	0.7
Nondurable Goods	40.0	38.5	3.9	615.60	579.43	6.2
Wholesale Trade	40.1	37.7	6.4	780.35	713.66	9.3
Retail Trade	30.2	29.9	1.0	365.42	351.33	4.0
Grocery Stores	26.9	26.4	1.9	236.99	227.83	4.0
General Merchandise Stores	30.2	30.6	(1.3)	315.59	318.85	(1.0)
Information	35.8	35.4	1.1	709.56	672.25	5.6
Financial Activities	34.5	33.7	2.4	611.69	588.07	4.0
Professional & Business Services	35.2	34.0	3.5	662.46	601.46	10.1
Health Care & Social Assistance	35.2	33.9	3.8	585.73	553.25	5.9
Leisure & Hospitality	23.1	23.4	(1.3)	196.35	195.62	0.4
Automobile Repair & Maintenance	35.6	36.0	(1.1)	552.16	531.36	3.9
Personal & Laundry Services	23.2	25.8	(10.1)	285.13	295.67	(3.6)

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

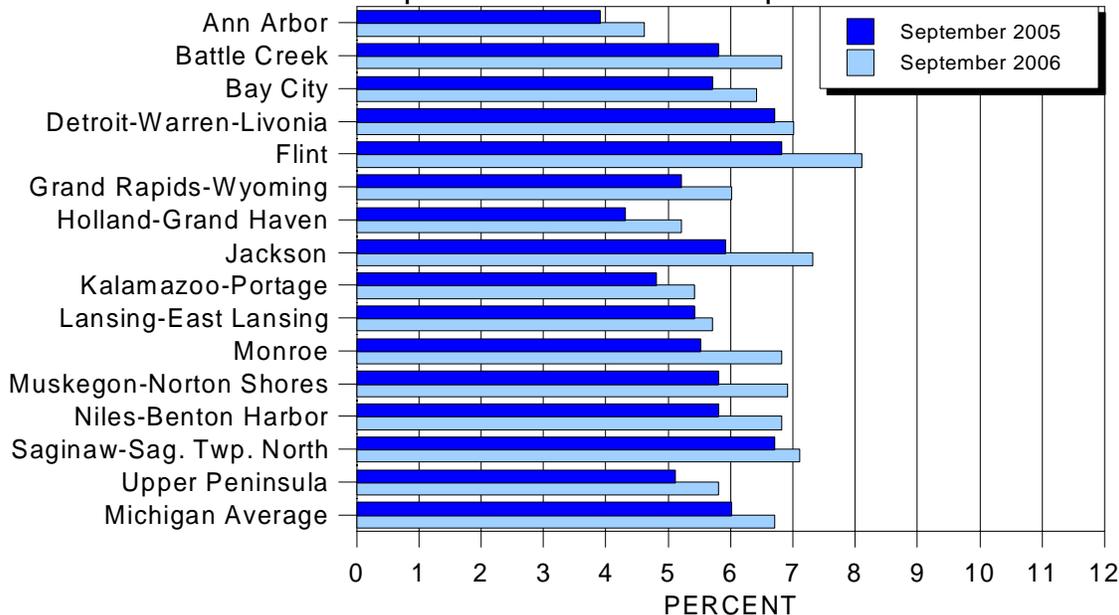
**MICHIGAN UNEMPLOYMENT RATES  
 BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS  
 (Not Adjusted for Seasonal Variations)**

	Sept. 2006*	Aug. 2006	July 2006	Sept. 2005
<b>Metropolitan Statistical Areas</b>				
Ann Arbor	4.6%	4.6%	5.0%	3.9%
Battle Creek	6.8	6.8	7.9	5.8
Bay City	6.4	6.5	7.6	5.7
Detroit-Warren-Livonia	7.0	7.0	8.1	6.7
Flint	8.1	8.3	10.0	6.8
Grand Rapids-Wyoming	6.0	5.9	6.8	5.2
Holland-Grand Haven	5.2	5.0	5.7	4.3
Jackson	7.3	7.5	8.0	5.9
Kalamazoo-Portage	5.4	5.5	6.4	4.8
Lansing-East Lansing	5.7	5.8	6.9	5.4
Monroe	6.8	6.8	8.5	5.5
Muskegon-Norton Shores	6.9	6.9	7.8	5.8
Niles-Benton Harbor	6.8	7.0	7.9	5.8
Saginaw-Saginaw Twp North	7.1	7.2	8.7	6.7
<b>Multi-County Areas</b>				
Northeast Lower Michigan	7.1	7.2	8.2	5.8
Northwest Lower Michigan	6.1	5.8	6.4	5.1
Upper Peninsula	5.8	6.0	6.3	5.1
<b>Michigan Statewide Average</b>				
-- Unadjusted (comparable to figures shown above)	6.7	6.7	7.7	6.0

Source: Michigan Department of Labor and Economic Growth \*Preliminary

**Michigan Regional Unemployment Rates**

**September 2005 and September 2006**

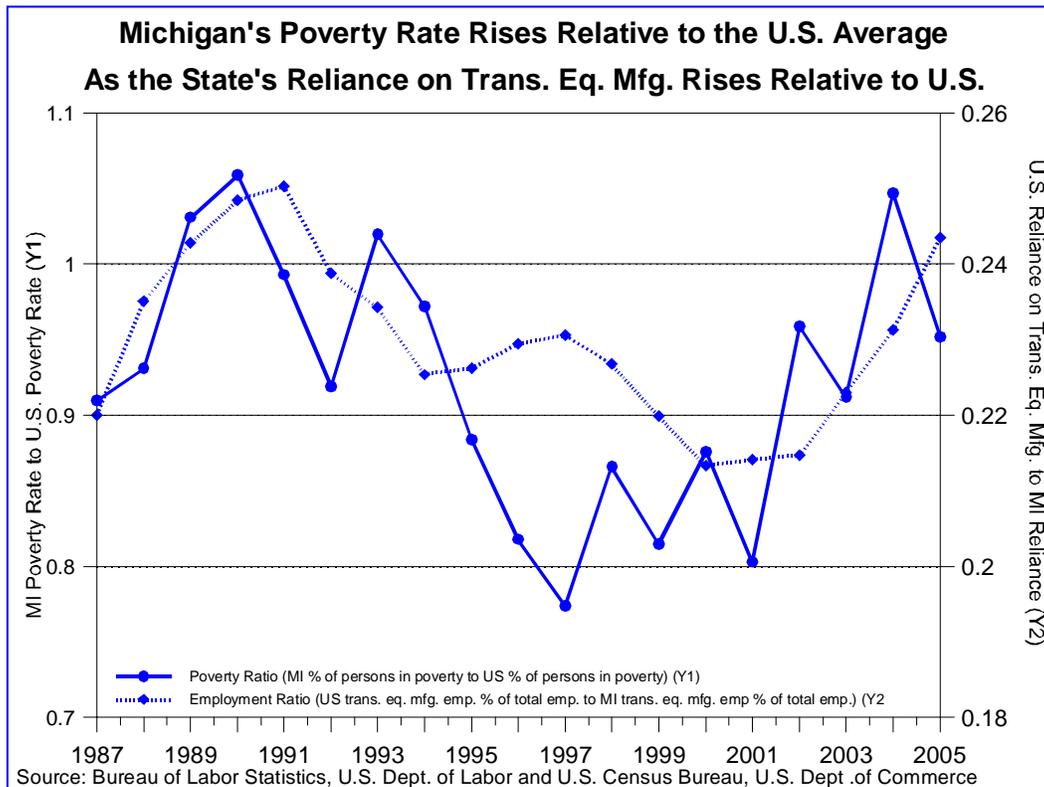


Source: Michigan Department of Labor and Economic Growth

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

	Sept. 2006	Aug. 2006	July 2006	June 2006	Year Ago Sept.	Percent Change From:	
						Sept./Aug	Sept. 2006/Sept. 2005
<b>Motor Vehicle Sales<sup>1,2)</sup></b> (thousands of units, SAAR)							
Autos	7,644	7,700	8,222	7,720	7,922	(0.7)%	(3.5)%
Domestics	5,333	5,304	5,562	5,304	5,690	0.5	(6.3)
Imports	2,311	2,396	2,660	2,416	2,232	(3.5)	3.5
Import Share	30.2%	31.1%	32.4%	31.3%	28.2%	---	---
Light Trucks	8,936	8,315	8,920	8,401	8,547	7.5	4.6
Domestics	7,582	7,130	7,598	7,158	7,433	6.3	2.0
Imports	1,354	1,185	1,322	1,243	1,114	14.3	21.5
Import Share	15.2%	14.3%	14.8%	14.8%	13.0%	---	---
Subtotal: Light Vehicle Sales	16,580	16,015	17,142	16,121	16,469	3.5	0.7
Heavy Trucks	550	542	512	537	502	1.5	9.6
Total Vehicle Sales	17,130	16,557	17,654	16,658	16,971	3.5	0.9
<b>U.S. Motor Vehicle Production<sup>1,2)</sup></b> (millions of units, SAAR)							
Autos	4,459	4,296	4,066	4,102	4,357	3.8	2.3
<b>Michigan Motor Vehicle Production<sup>2,3)</sup></b> (thousands of units, SAAR)							
Autos	976	1,132	887	985	1,156	(13.8)	(15.6)
Trucks	906	1,323	903	1,463	1,244	(31.5)	(27.2)
Total	1,882	2,455	1,790	2,448	2,400	(23.4)	(21.6)
Michigan Production as % of U.S.	18.7%	19.8%	14.2%	19.7%	21.2%	---	---
<b>U.S. Motor Vehicle Inventories<sup>4)</sup></b>							
Total Car	1,263	1,223	1,234	1,410	1,146	3.3	10.3
Days Supply	49	44	41	49	42	11.4	16.7
Total Truck	2,023	2,018	2,076	2,431	1,948	0.3	3.9
Days Supply	76	74	70	84	74	2.7	2.7

**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
<b>Weekly Leading Index</b> , monthly <sup>1)</sup> (1992=100)	Sept.	135.2	134.9	134.6	0.2%	0.4%
<b>Coincident Index</b> <sup>1)</sup> (1992=100)	Sept.	151.5	151.3	146.0	0.1	3.8
<b>Housing Starts, U.S.</b> <sup>2)</sup> (thousands of units, SAAR)	Sept.	1,772	1,674	2,158	5.9	(17.9)
<b>Retail Sales, U.S.</b> <sup>2)</sup> (billions, seasonally adjusted)	Sept.	\$330.0	\$331.9	\$313.5	(0.6)	5.2
<b>Industrial Production Index</b> 3) (1997=100, seasonally adjusted)	Sept.	113.1	113.8	107.2	(0.6)	5.6
<b>Capacity Utilization</b> <sup>3)</sup> (% of total capacity, seasonally adjusted)	Sept.	81.9	82.5	79.1	(0.8)	3.5
<b>Consumer Price Index</b> <sup>4)</sup> (1982-84=100)						
U.S. (seasonally adjusted)	Sept.	202.7	203.7	198.6	(5.7)	2.1
Detroit (not seasonally adjusted)	Sept.	198.6	196.8	192.2	5.6	3.3
<b>Interest Rates</b>						
3-month Treasury Bill <sup>3)</sup>	Sept.	4.82%	4.98%	3.47%	--	--
Corporate Aaa Bonds <sup>3)</sup>	Sept.	5.51%	5.68%	5.13%	--	--
<b>Real Gross Domestic Product</b> <sup>5)</sup> (billions of 2000 \$, SAAR, Chain-Weighted)	2006 3 <sup>rd</sup> Qtr.	\$11,450.5	\$11,388.1	\$11,115.1	2.2	3.0
<b>Michigan Tax Collections</b> <sup>6)</sup> (12 major taxes, millions)	Sept. 2006	\$1,860.5	\$1,556.0	\$2,056.0	NM	(9.5)

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.

