

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 annualized growth rate of 3.4% in the second quarter of 2007, up from 0.6% during the first quarter. Substantially slower growth in personal consumption expenditures was more than offset by other sectors of the economy, particularly business investment in structures, Federal defense spending, and international trade. Consumption spending slowed so severely that despite accounting for 72.0% of economic activity, it contributed only 0.9 percentage point to the growth rate during the second quarter, compared with 2.6 percentage points in the first quarter.
- Seasonally-adjusted **light vehicle sales** declined for a seventh consecutive month, with the June 2007 level down 3.5% from May and 3.6% from June 2006. Only imported light truck sales improved, rising 3.9% from the May level and 8.5% from the year-ago level. Sales of heavy trucks were also down, falling 2.0% from the May level and 37.1% from the year-ago level.
- The **value of the dollar** continued to slide against other major currencies, reflecting a fifth consecutive month of declines and dropping at a 7.2% annual rate in June from the May level. Compared with the value one year ago, the dollar was down 3.2% in June.
- **Retail sales** fell 1.0% in June from the May level, with weak or declining growth in most sectors. Sales at gasoline stations fell 1.1%, reflecting lower fuel prices. However, sales of motor vehicles/parts, furniture, electronics/appliances, apparel, and building materials fell even more rapidly, reaching declines of 3.0% in some sectors. Despite the declines from May, retail sales were up 3.5% compared with June 2006.



- **Michigan wage and salary employment** remained essentially flat in June, rising 5,000 jobs from the May level, but remaining 54,000 jobs below the June 2006 level. In a break from the dominant pattern exhibited since the 2001 recession, on a monthly basis both manufacturing and government exhibited small increases of 4,000 and 6,000 jobs, respectively, while education/health services employment remained unchanged. However, compared with June 2006 employment, manufacturing was down 27,000 jobs while government was down 2,000 jobs. Most other sectors also showed year-over-year declines.
- Continuing the phenomenon exhibited for the last several months, despite the weakness in employment, those still employed reported strong gains in **average weekly earnings** in June compared with year-ago levels. Earnings were more than 3.4% above June 2006 levels in most nonmanufacturing sectors, with financial activities (up 7.4%) and health care/social assistance (up 7.8%) exhibiting the largest gains.
- **Average sales prices for Michigan residential housing** during the first five months of 2007 were 7.8% below the first five months of 2006. Most markets exhibited declines, with some as large as 32.0%. Only the Alpena/Alcona/Presque Isle and Upper Peninsula markets showed meaningful gains.



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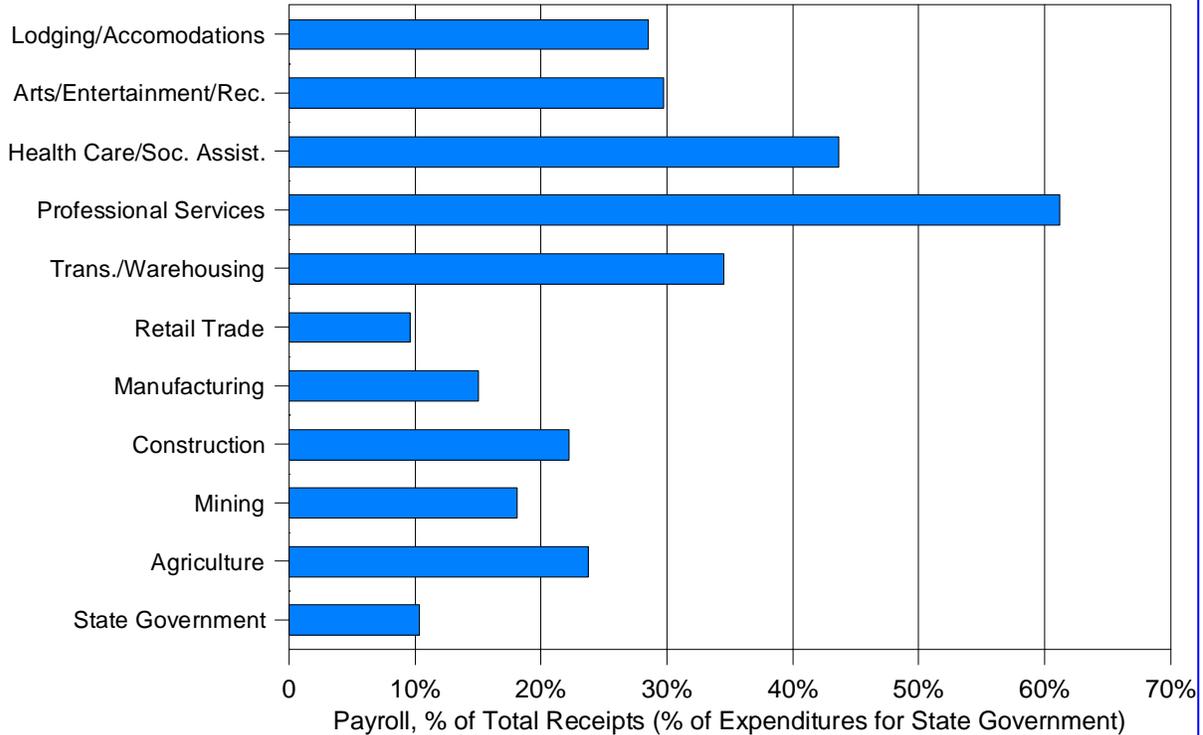
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	June 2007	May 2007	June 2006	Change from May		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	153,072	152,762	151,370	310	0.2%	1,702	1.1%
Employment	146,140	145,943	144,386	197	0.1	1,754	1.2
Unemployment	6,932	6,819	6,984	113	1.7	(52)	(0.7)
Unemployment Rate	4.5%	4.5%	4.6%	---	---	---	---

Michigan	June 2007	May 2007	June 2006	Change from May		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,046	5,054	5,077	(8)	(0.2)%	(31)	(0.6)%
Employment	4,683	4,706	4,735	(24)	(0.5)	(53)	(1.1)
Unemployment	363	348	342	16	4.5	21	6.2
Unemployment Rate	7.2%	6.9%	6.7%	---	---	---	---

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

State Payroll Costs are a Smaller Part of Activity
Those in Most Other Michigan Sectors



Sources: U.S. Census Bureau, Michigan Department of Civil Service and Michigan Department of Treasury

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	June 2007*	May 2007	June 2006	<u>Change from May</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,291	4,286	4,345	5	0.1%	(54)	(1.3)%
Goods Producing Industries	798	798	843	0	0.0	(45)	(5.3)
Natural Resources & Mining	8	8	8	(0)	(1.3)	(0)	(2.5)
Construction	163	166	180	(3)	(2.0)	(17)	(9.7)
Manufacturing	628	624	655	4	0.6	(27)	(4.1)
Transportation Equipment	202	199	223	3	1.5	(21)	(9.4)
Service Producing Industries	3,493	3,488	3,502	4	0.1	(10)	(0.3)
Trade, Transportation & Utilities	784	783	797	1	0.1	(13)	(1.6)
Information	66	66	67	(0)	(0.2)	(0)	(0.6)
Financial Activities	213	213	217	(0)	(0.0)	(4)	(1.7)
Professional & Business Services	583	584	586	(1)	(0.2)	(3)	(0.6)
Education & Health Services	593	593	584	0	0.1	9	1.6
Leisure & Hospitality Services	411	412	407	(1)	(0.3)	4	0.9
Other Services	177	178	178	(0)	(0.2)	(1)	(0.3)
Government	666	660	668	6	0.9	(2)	(0.3)

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>		
	June 2007	Year Ago	Percent Change	June 2007	Year Ago	Percent Change
Construction	37.4	40.0	(6.5)%	\$814.20	\$868.00	(6.2)%
Manufacturing	42.6	43.4	(1.8)	938.48	959.57	(2.2)
Durable Goods	43.9	44.6	(1.6)	1,047.02	1,062.37	(1.4)
Motor Vehicle Manufacturing	42.1	43.3	(2.8)	1,337.10	1,326.71	0.8
Motor Vehicle Parts Manufacturing	44.0	44.2	(0.5)	1,163.36	1,254.40	(7.3)
Nondurable Goods	38.5	39.4	(2.3)	590.59	610.70	(3.3)
Wholesale Trade	39.3	39.7	(1.0)	761.24	758.67	0.3
Retail Trade	31.2	29.7	5.1	382.82	369.77	3.5
Grocery Stores	27.9	27.4	1.8	251.94	238.93	5.4
General Merchandise Stores	29.3	29.1	0.7	311.17	302.06	3.0
Information	34.4	34.5	(0.3)	725.50	701.39	3.4
Financial Activities	34.3	34.2	0.3	641.07	596.79	7.4
Professional & Business Services	35.0	35.5	(1.4)	674.80	651.43	3.6
Health Care & Social Assistance	36.2	34.7	4.3	616.49	571.86	7.8
Leisure & Hospitality	22.5	23.6	(4.7)	203.40	195.64	4.0
Personal & Laundry Services	26.7	25.6	4.3	294.23	310.78	(5.3)

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

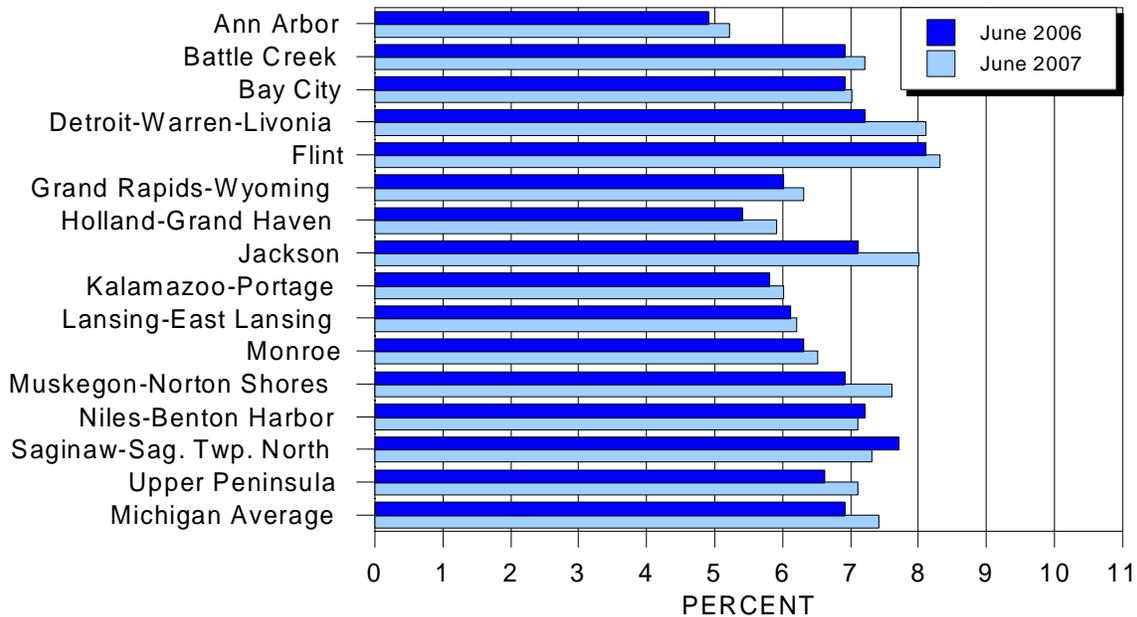
**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	June 2007*	May 2007	April 2007	June 2006
Metropolitan Statistical Areas				
Ann Arbor	5.2%	4.5%	4.5%	4.9%
Battle Creek	7.2	6.5	6.8	6.9
Bay City	7.0	6.5	7.0	6.9
Detroit-Warren-Livonia	8.1	6.9	6.7	7.2
Flint	8.3	7.8	8.1	8.1
Grand Rapids-Wyoming	6.3	5.6	5.8	6.0
Holland-Grand Haven	5.9	5.1	5.3	5.4
Jackson	8.0	7.2	7.5	7.1
Kalamazoo-Portage	6.0	5.3	5.5	5.8
Lansing-East Lansing	6.2	5.4	5.6	6.1
Monroe	6.5	5.6	6.0	6.3
Muskegon-Norton Shores	7.6	6.9	6.9	6.9
Niles-Benton Harbor	7.1	6.4	6.7	7.2
Saginaw-Saginaw Twp North	7.3	6.7	7.1	7.7
Multi-County Areas				
Northeast Lower Michigan	8.4	8.4	10.5	7.6
Northwest Lower Michigan	6.8	7.0	8.4	6.2
Upper Peninsula	7.1	7.2	8.6	6.6
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	7.4	6.6	6.8	6.9

Source: Michigan Department of Labor and Economic Growth *Preliminary

Michigan Regional Unemployment Rates

June 2006 and June 2007



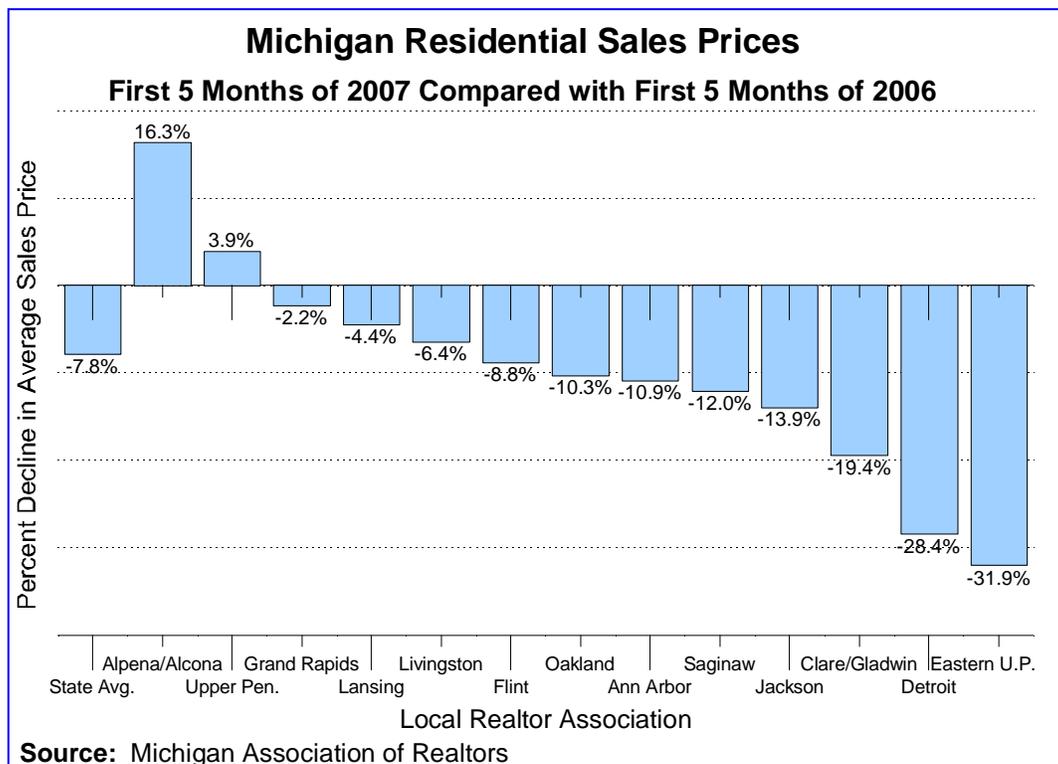
Source: Michigan Department of Labor and Economic Growth

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

	June 2007	May 2007	April 2007	March 2007	Year Ago June	Percent Change From:	
						June/May	June 2007/ June 2006
Motor Vehicle Sales¹⁾ (thousands of units, SAAR)							
Autos	7,643	7,978	7,323	7,577	7,720	(4.2)%	(1.0)%
Domestics	5,232	5,474	5,020	5,104	5,304	(4.4)	(1.4)
Imports	2,411	2,504	2,303	2,473	2,416	(3.7)	(0.2)
Import Share	31.5%	31.4%	31.4%	32.6%	31.3%	---	---
Light Trucks	7,897	8,120	8,866	8,689	8,401	(2.7)	(6.0)
Domestics	6,548	6,822	7,472	7,239	7,158	(4.0)	(8.5)
Imports	1,349	1,298	1,394	1,450	1,243	3.9	8.5
Import Share	17.1%	16.0%	15.7%	16.7%	14.8%	---	---
Subtotal: Light Vehicle Sales	15,540	16,098	16,189	16,266	16,121	(3.5)	(3.6)
Heavy Trucks	338	345	395	412	537	(2.0)	(37.1)
Total Vehicle Sales	15,878	16,443	16,584	16,678	16,658	(3.4)	(4.7)
U.S. Motor Vehicle Production¹⁾ (millions of units, SAAR)							
Autos	4,067	3,746	3,854	3,820	4,190	9.4	(2.9)
Michigan Motor Vehicle Production²⁾ (thousands of units, SAAR)							
Autos	1,110	1,112	905	846	1,001	(0.1)	10.9
Trucks	1,447	1,581	1,354	1,231	1,474	(8.4)	(1.8)
Total	2,558	2,693	2,260	2,077	2,475	(5.0)	3.3
Michigan Production as % of U.S.	18.3%	18.3%	18.3%	18.3%	21.5%	---	---
U.S. Motor Vehicle Inventories³⁾							
Total Car	1,415	1,451	1,590	1,607	1,410	(2.5)	0.4
Days Supply	51	47	59	60	49	8.5	4.1
Total Truck	2,014	1,940	1,944	1,960	2,431	3.8	(17.2)
Days Supply	77	66	67	69	84	16.7	(8.3)

SAAR = Seasonally Adjusted at Annual Rates.

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 3) 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	142.0	141.8	135.6	0.1%	4.7%
Coincident Index ¹⁾ (1992=100)	June	153.5	153.2	150.1	0.2	2.3
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	June	1,467	1,434	1,819	2.3	(19.4)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	June	\$336.7	\$340.1	\$325.2	(1.0)	3.5
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	June	113.4	112.8	111.9	0.5	1.4
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	June	81.7	81.4	82.3	0.4	(0.7)
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	June	207.8	207.4	202.4	2.3	2.7
Detroit (not seasonally adjusted)	June	201.6	200.4	196.8	3.5	2.4
Interest Rates						
3-month Treasury Bill ³⁾	June	4.63%	4.77%	4.79%	--	--
Corporate Aaa Bonds ³⁾	June	5.79%	5.47%	5.89%	--	--
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2007 2nd Qtr.	\$11,507.9	\$11,412.6	\$11,306.7	3.4	1.8
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	June 2007	\$1,595.6	\$1,340.5	\$1,656.3	NM	(3.7)

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.

