

MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS

- **Housing starts** declined at a significant rate for a third consecutive month in August, reflecting higher interest rates and weakening housing markets. Housing starts in August were 6.0% below the July level, 19.8% below the level one year ago, and at their lowest level since April 2003. Declines from year-ago levels were most severe in the Midwest (down 28.8%), followed by the West (down 28.2%), Northeast (down 24.0%), and South (down 9.9%).
- **Light vehicle sales** fell to 16.0 million units in August, the lowest annual rate since October 2005. August sales were 6.6% below the July level and 4.8% below the level in August 2005. All major categories of light vehicles, regardless of whether they were imported or domestic, or automobile or light truck, declined from the July level. Only sales of imported automobiles were up from the year-ago level. Bucking the trend in the light vehicle market, **sales of heavy vehicles** in August were up 5.9% from the July level and 10.2% above August 2005.
- **Retail sales** rose 0.2% from the July level, due to weak growth in most sectors, but were still 6.6% above the year-ago level. Reflecting lower gasoline prices, retail sales at gasoline stations were down 1.0% from the July level, but were still 11.0% above August 2005.
- Despite a declining value of the dollar, the U.S. **international financial position** continued to deteriorate in the second quarter of 2006. Imports of goods and services exceeded exports by \$193.8 billion, just \$1.0 billion shy of the record set in the fourth quarter of 2005. The balance on income payments exhibited the most rapid deterioration, where the deficit increased 64.9% in the second quarter of 2006. Income payments on assets to foreigners exceeded receipts from other countries by a record \$4.1 billion and were in deficit for a record third consecutive quarter.



- Michigan **personal income** grew at a seasonally adjusted rate of 1.7% in the second quarter of 2006, ranking Michigan's growth rate 20th among the 50 states and on par with the national average. All major components of personal income grew at or above the national rate, and only earnings in the farm and educational services sectors reduced the overall growth rate. Almost one-third of the growth rate in earnings was due to improvements in manufacturing earnings.
- **Michigan wage and salary employment** rose by 18,000 jobs in August from the July level, but was still 17,000 below the level in August 2005. The only sector showing a monthly decline was government, while year-over-year declines were led by manufacturing (down 32,000 jobs), trade/transportation/utilities (down 12,000 jobs), and government (down 2,000 jobs).
- In August, **tax revenue from major State taxes** was 12.8% below receipts in August 2005. Although part of the decline was due to factors related to the timing of payment receipts, revenue was still below expectations. The sharpest declines in revenue occurred in receipts from income tax withholding, the single business tax, the sales tax, and the State education tax.



AUGUST 2006

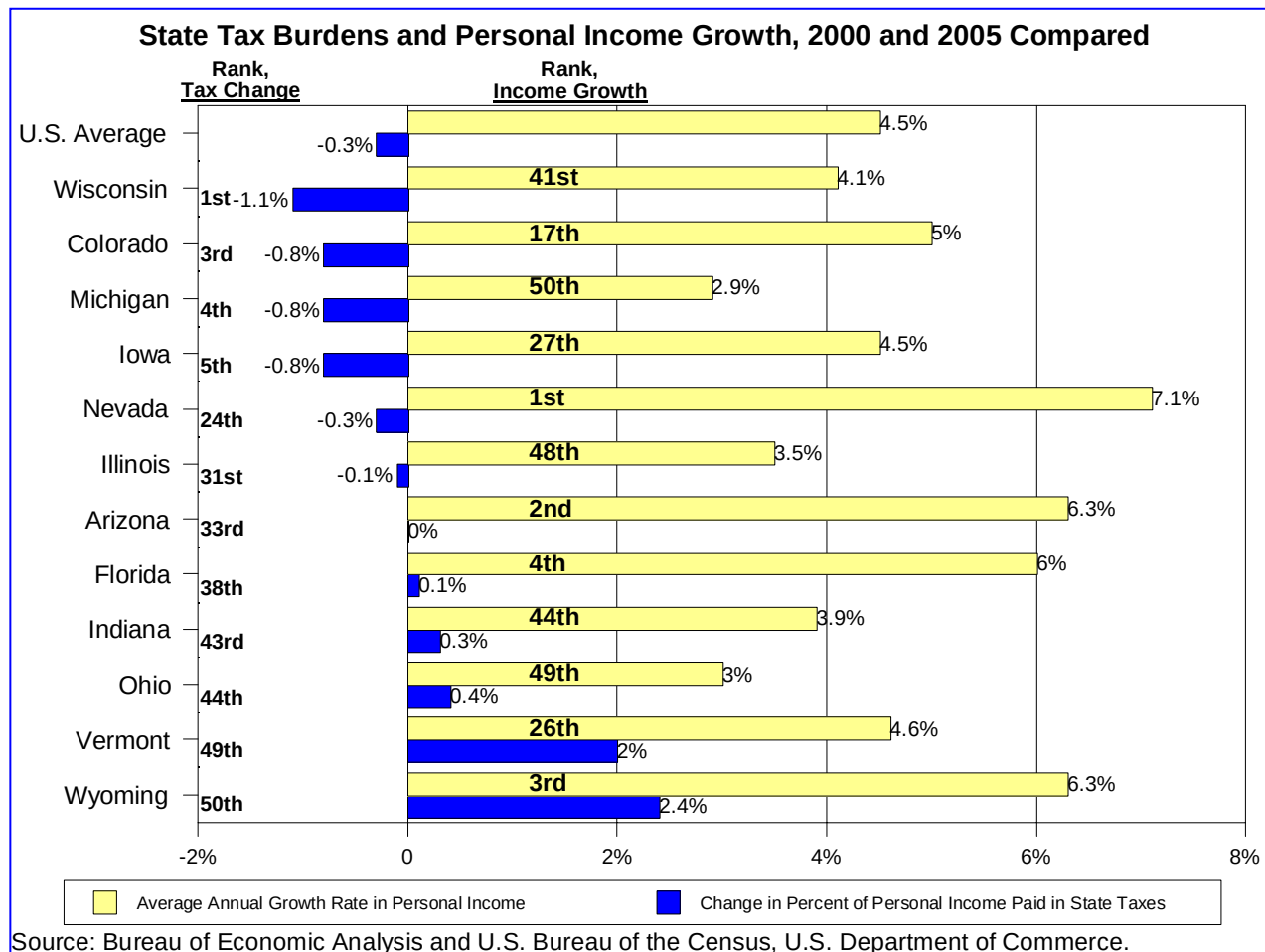
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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Aug. 2006	July 2006	Aug. 2005	<u>Change from July</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	151,698	151,534	149,792	164	0.1%	1,906	1.3%
Employment	144,579	144,329	142,425	250	0.2	2,154	1.5
Unemployment	7,119	7,205	7,367	(86)	(1.2)	(248)	(3.4)
Unemployment Rate	4.7%	4.8%	4.9%	---	---	---	---

Michigan	Aug. 2006	July 2006	Aug. 2005	<u>Change from July</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	5,086	5,095	5,093	(10)	(0.2)%	(7)	(0.1)%
Employment	4,726	4,739	4,753	(13)	(0.3)	(27)	(0.6)
Unemployment	360	356	341	4	1.0	19	5.6
Unemployment Rate	7.1%	7.0%	6.7%	---	---	---	---

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



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

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Aug. 2006*	July 2006	Aug. 2005	<u>Change from July</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,362	4,344	4,379	18	0.4%	(17)	(0.4)%
Goods Producing Industries	845	832	876	13	1.5	(31)	(3.5)
Natural Resources & Mining	9	8	9	0	2.4	0	1.2
Construction	193	192	192	1	0.5	1	0.5
Manufacturing	643	632	675	11	1.8	(32)	(4.7)
Transportation Equipment	215	209	236	6	2.9	(21)	(8.9)
Service Producing Industries	3,517	3,512	3,503	5	0.2	14	0.4
Trade, Transportation & Utilities	793	793	805	0	0.0	(12)	(1.4)
Information	67	67	68	0	0.3	(1)	(1.3)
Financial Activities	220	220	218	(0)	(0.1)	2	0.9
Professional & Business Services	602	599	587	3	0.5	14	2.5
Education & Health Services	575	574	568	2	0.3	8	1.3
Leisure & Hospitality Services	408	404	404	4	1.0	4	1.0
Other Services	179	178	179	0	0.2	0	0.1
Government	674	678	675	(4)	(0.6)	(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>		
	Aug. 2006	Year Ago	Percent Change	Aug. 2006	Year Ago	Percent Change
Construction	40.4	39.4	2.5%	\$ 864.96	\$ 869.95	(0.6)%
Manufacturing	43.3	42.0	3.1	950.00	897.12	5.9
Durable Goods	44.4	42.9	3.5	1,058.50	984.98	7.5
Motor Vehicle Manufacturing	45.4	43.0	5.6	1,413.30	1,348.91	4.8
Motor Vehicle Parts Manufacturing	43.3	43.2	0.2	1,205.91	1,176.77	2.5
Nondurable Goods	39.8	38.8	2.6	604.96	582.78	3.8
Wholesale Trade	39.3	37.8	4.0	750.63	714.80	5.0
Retail Trade	29.5	29.9	(1.3)	354.30	354.02	0.1
Grocery Stores	27.4	27.2	0.7	238.65	233.65	2.1
General Merchandise Stores	29.2	30.3	(3.6)	303.10	313.91	(3.4)
Information	35.7	35.9	(0.6)	702.93	665.23	5.7
Financial Activities	34.9	33.5	4.2	598.54	590.27	1.4
Professional & Business Services	34.9	34.5	1.2	648.44	586.50	10.6
Health Care & Social Assistance	35.3	34.0	3.8	581.04	548.76	5.9
Leisure & Hospitality	24.4	24.2	0.8	201.30	197.47	1.9
Automobile Repair & Maintenance	36.8	36.7	0.3	538.38	536.55	0.3
Personal & Laundry Services	23.3	26.2	(11.1)	274.47	302.87	(9.4)

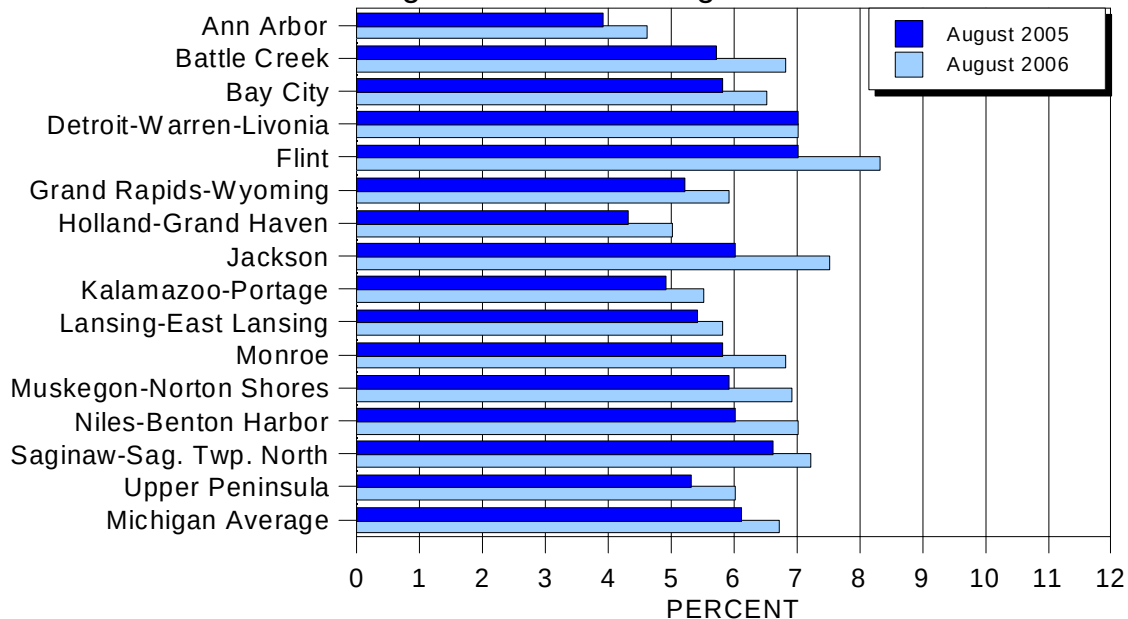
Source: Bureau of Labor Statistics, U.S. Department of Labor

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

	Aug. 2006*	July 2006	June 2006	Aug. 2005
Metropolitan Statistical Areas				
Ann Arbor	4.6%	5.0%	4.4%	3.9%
Battle Creek	6.8	7.9	6.4	5.7
Bay City	6.5	7.6	6.5	5.8
Detroit-Warren-Livonia	7.0	8.1	6.9	7.0
Flint	8.3	10.0	7.7	7.0
Grand Rapids-Wyoming	5.9	6.8	5.7	5.2
Holland-Grand Haven	5.0	5.7	5.0	4.3
Jackson	7.5	8.0	6.7	6.0
Kalamazoo-Portage	5.5	6.4	5.5	4.9
Lansing-East Lansing	5.8	6.9	5.7	5.4
Monroe	6.8	8.5	5.9	5.8
Muskegon-Norton Shores	6.9	7.8	6.5	5.9
Niles-Benton Harbor	7.0	7.9	6.8	6.0
Saginaw-Saginaw Twp North	7.2	8.7	7.2	6.6
Multi-County Areas				
Northeast Lower Michigan	7.2	8.2	7.0	5.9
Northwest Lower Michigan	5.8	6.4	5.7	5.0
Upper Peninsula	6.0	6.3	6.0	5.3
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.7	7.7	6.5	6.1
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

August 2005 and August 2006

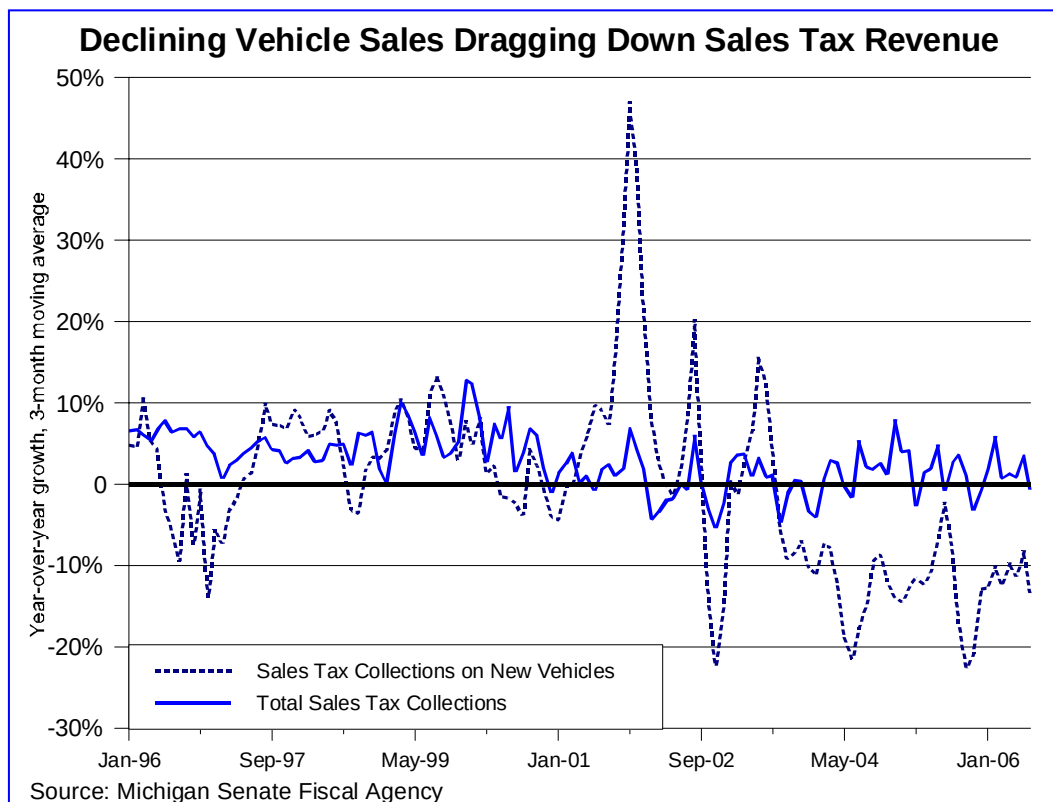


Source: Michigan Department of Labor and Economic Growth

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

	Aug. 2006	July 2006	June 2006	May 2006	Year Ago Aug.	Percent Change From:	
						Aug./July	Aug. 2006/ Aug. 2005
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,700	8,222	7,720	7,809	7,756	(6.3)%	(0.7)%
Domestics	5,304	5,562	5,304	5,362	5,564	(4.6)	(4.7)
Imports	2,396	2,660	2,416	2,447	2,192	(9.9)	9.3
Import Share	31.1%	32.4%	31.3%	31.3%	28.3%	---	---
Light Trucks	8,315	8,920	8,401	8,288	9,062	(6.8)	(8.2)
Domestics	7,130	7,598	7,158	6,997	7,850	(6.2)	(9.2)
Imports	1,185	1,322	1,243	1,291	1,212	(10.4)	(2.2)
Import Share	14.3%	14.8%	14.8%	15.6%	13.4%	---	---
Subtotal: Light Vehicle Sales	16,015	17,142	16,121	16,097	16,818	(6.6)	(4.8)
Heavy Trucks	542	512	537	533	492	5.9	10.2
Total Vehicle Sales	16,557	17,654	16,658	16,630	17,310	(6.2)	(4.4)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,296	4,066	4,102	4,337	4,289	(100.0)	(100.0)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,132	887	985	1,192	1,253	27.6	(9.7)
Trucks	1,323	903	1,463	1,331	1,159	46.6	14.2
Total	2,455	1,790	2,448	2,522	2,412	37.2	1.8
Michigan Production as % of U.S.	19.8%	14.2%	19.7%	20.4%	18.8%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,223	1,234	1,410	1,444	1,162	(0.9)	5.3
Days Supply	44	41	49	48	42	7.3	4.8
Total Truck	2,018	2,076	2,431	2,339	1,794	(2.8)	12.5
Days Supply	74	70	84	80	61	5.7	21.3

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)	Aug.	134.5	135.3	135.3	(0.6)%	(0.6)%
Coincident Index ¹⁾ (1992=100)	Aug.	151.3	151.1	145.6	0.1	3.9
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Aug.	1,665	1,772	2,075	(6.0)	(19.8)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Aug.	\$332.7	\$332.0	\$312.0	0.2	6.6
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	Aug.	113.7	113.9	108.6	(0.1)	4.7
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Aug.	82.4	82.7	80.3	(0.3)	2.7
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Aug.	203.7	203.2	196.2	3.0	3.8
Detroit (not seasonally adjusted)	Aug.	198.6	196.8	192.2	5.6	3.3
Interest Rates						
3-month Treasury Bill ³⁾	Aug.	4.98%	4.96%	3.45%	---	---
Corporate Aaa Bonds ³⁾	Aug.	5.68%	5.85%	5.09%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2006 2nd Qtr.	\$11,397.6	\$11,316.4	\$11,001.8	2.9	3.6
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Aug. 2006	\$1,556.0	\$1,719.5	\$1,784.5	NM	(12.8)

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

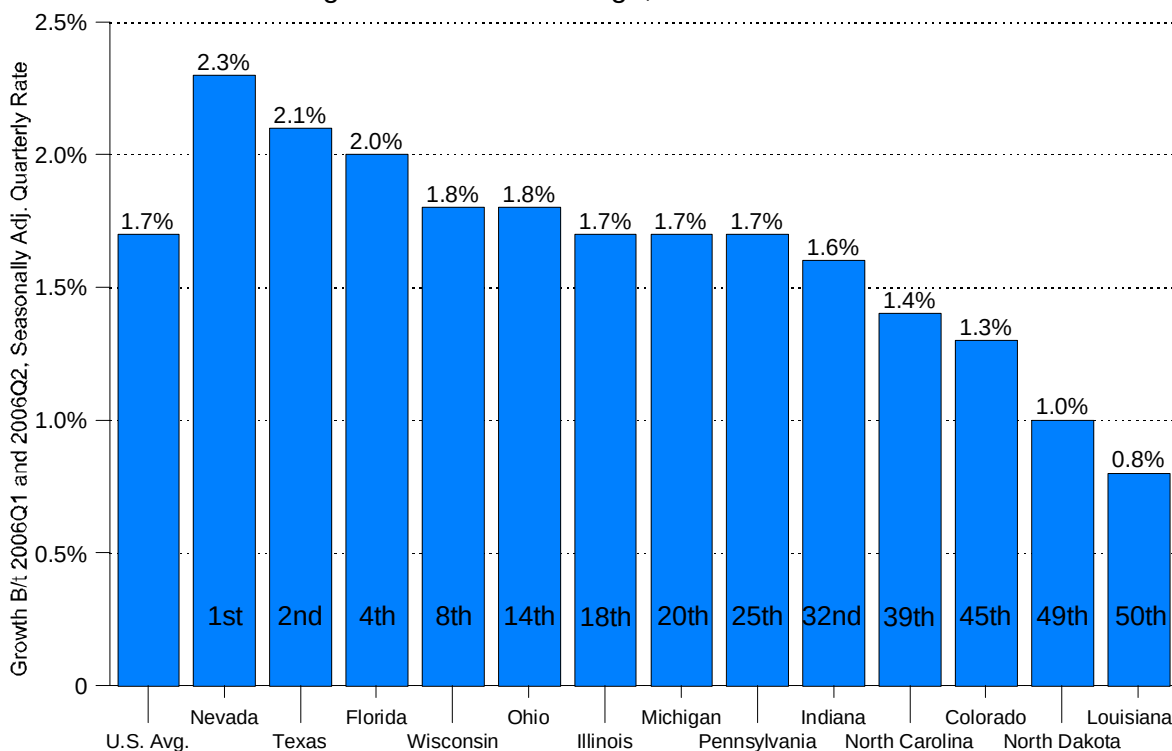
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*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.

Growth in Personal Income During the Second Quarter of 2006

Michigan at National Average, Growth Ranks 20th



Source: Bureau of Economic Analysis, U.S. Department of Commerce.