

MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS



- **Housing starts** fell substantially during October, dropping 14.6% from the September level and 27.4% below October 2005. Housing starts were strongest in the Northeast, where starts were up 31.0% from September and down 2.9% from October 2005. Other regions posted declines both on a monthly basis and from year-ago levels, with the worst performance in the South, where starts were down 26.4% from September and 31.5% from year-ago levels.
- **Retail sales** fell at an annual rate of 0.1% between September and October, but were 4.6% above the October 2005 level. Lower sales at gasoline stations led among sectors with declines, falling 6.2% from the September level and 11.9% from the level one year ago. Compared with October 2005, only gasoline stations and department stores (down 2.0%) reported declines in sales. However, compared with September 2006, October retail sales were down in all major sectors other than food/beverage stores (up 1.1%), health/personal care stores (up 1.2%), and miscellaneous retails stores (up 3.1%).
- The **U.S. current-account deficit** -- the combined balances on trade in goods and services, income, and net unilateral transfers -- increased to a record \$225.6 billion in the third quarter, up 3.9% from the second quarter. However, the third quarter deficit equaled 1.7% of Gross Domestic Product (GDP), down slightly from the record 1.8% posted in the fourth quarter of 2005. The deficit on the trade in goods accounted for 96.9% of the current-account deficit.
- **U.S. corporate profits** increased \$61.5 billion in the third quarter of 2006, rising 3.9% from the second quarter. The third quarter record of \$1.7 trillion in corporate profits represented 12.4% of GDP, the highest level since the fourth quarter of 1950. Corporate profits in the motor vehicle manufacturing sector were negative, posting a \$16.6 billion loss in the third quarter of 2006, the 25th consecutive quarter of losses.



- **Michigan motor vehicle production** rose 7.2% in October from the September level, but was down 8.6% from October 2005. Light truck production was 15.2% below year-ago levels, while automobile production was down 2.4%.
- Michigan **wage and salary employment** declined by 18,000 in October from the September level, after posting moderate increases in August and September, and was 27,000 jobs below October 2005. The biggest declines between September and October were in the manufacturing and leisure/hospitality services sectors (each down 6,000 jobs). Only the professional/business services sector posted an increase, gaining a mere 900 jobs.
- Michigan's inflation-adjusted **Gross Domestic Product by State** (formerly known as Gross State Product) increased 0.2% between 2004 and 2005, ranking 48th among the 50 states. Over the 1997-2004 period, Michigan's inflation-adjusted GDP rose an average of 1.1% per year, also ranking 48th among the states. The contraction in the durable goods manufacturing sector subtracted 0.54 percentage point from the growth rate between 2004 and 2005.



OCTOBER 2006

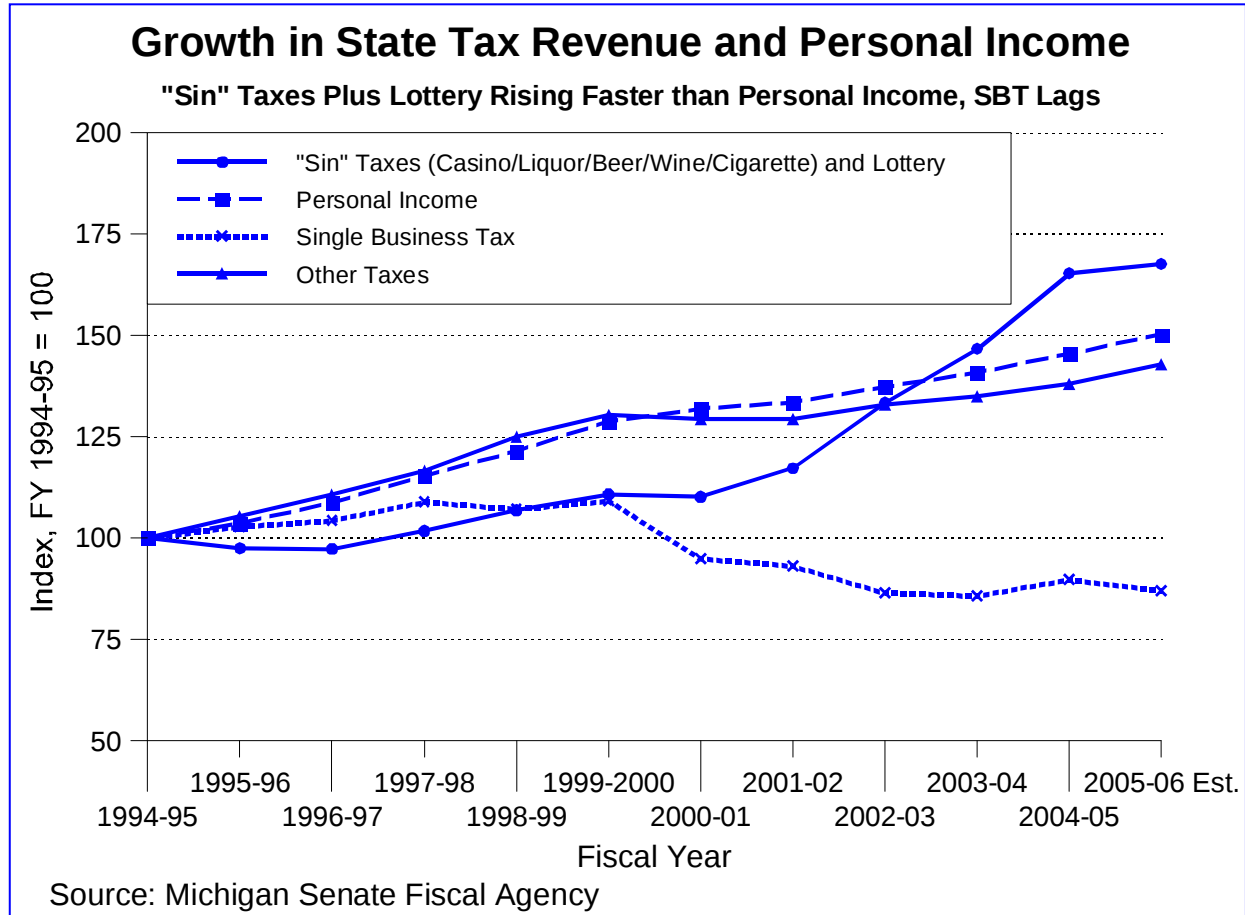
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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Oct. 2006	Sept. 2006	Oct. 2005	<u>Change from Sept.</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	151,998	151,799	150,043	199	0.1%	1,955	1.3%
Employment	145,287	144,850	142,625	437	0.3	2,662	1.9
Unemployment	6,711	6,949	7,418	(238)	(3.4)	(707)	(9.5)
Unemployment Rate	4.4%	4.6%	4.9%	---	---	---	---

Michigan	Oct. 2006	Sept. 2006	Oct. 2005	<u>Change from Sept.</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	5,110	5,112	5,093	(2)	(0.0)%	17	0.3%
Employment	4,759	4,748	4,767	11	0.2	(8)	(0.2)
Unemployment	351	364	326	(12)	(3.4)	25	7.8
Unemployment Rate	6.9%	7.1%	6.4%	---	---	---	---

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



MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Oct. 2006*	Sept. 2006	Oct. 2005	<u>Change from Sept.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,350	4,368	4,377	(18)	(0.4)%	(27)	(0.6)%
Goods Producing Industries	841	848	878	(7)	(0.8)	(37)	(4.2)
Natural Resources & Mining	8	9	9	(0)	(1.2)	(0)	(1.2)
Construction	193	194	192	(1)	(0.6)	0	0.2
Manufacturing	640	646	677	(6)	(0.9)	(37)	(5.5)
Transportation Equipment	213	215	239	(3)	(1.3)	(27)	(11.2)
Service Producing Industries	3,509	3,521	3,500	(12)	(0.3)	10	0.3
Trade, Transportation & Utilities	787	788	800	(1)	(0.2)	(13)	(1.6)
Information	67	67	67	(1)	(0.7)	(0)	(0.6)
Financial Activities	220	220	219	0	0.0	1	0.5
Professional & Business Services	604	603	587	1	0.1	16	2.8
Education & Health Services	576	580	568	(4)	(0.7)	8	1.5
Leisure & Hospitality Services	409	415	406	(6)	(1.4)	3	0.8
Other Services	177	178	178	(1)	(0.7)	(1)	(0.7)
Government	669	669	674	0	0.0	(5)	(0.7)

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>		
	Oct. 2006	Year Ago	Percent Change	Oct. 2006	Year Ago	Percent Change
Construction	38.9	39.3	(1.0)%	837.13	877.18	(4.6)%
Manufacturing	42.7	42.6	0.2	941.11	918.03	2.5
Durable Goods	43.7	43.8	(0.2)	1,044.43	1,015.28	2.9
Motor Vehicle Manufacturing	43.1	44.9	(4.0)	1,319.72	1,398.64	(5.6)
Motor Vehicle Parts Manufacturing	42.5	42.9	(0.9)	1,145.38	1,193.91	(4.1)
Nondurable Goods	39.5	38.4	2.9	613.04	576.38	6.4
Wholesale Trade	39.9	38.3	4.2	768.47	733.45	4.8
Retail Trade	29.3	29.2	0.3	361.56	345.73	4.6
Grocery Stores	26.6	25.9	2.7	240.20	227.40	5.6
General Merchandise Stores	28.4	29.5	(3.7)	301.04	307.98	(2.3)
Information	36.2	35.8	1.1	744.27	703.47	5.8
Financial Activities	35.0	34.2	2.3	626.15	606.02	3.3
Professional & Business Services	34.7	34.5	0.6	667.63	619.28	7.8
Health Care & Social Assistance	36.1	33.5	7.8	599.26	551.41	8.7
Leisure & Hospitality	22.6	23.0	(1.7)	192.33	191.36	0.5
Automobile Repair & Maintenance	36.0	34.4	4.7	551.52	533.20	3.4
Personal & Laundry Services	24.1	25.5	(5.5)	297.64	287.13	3.7

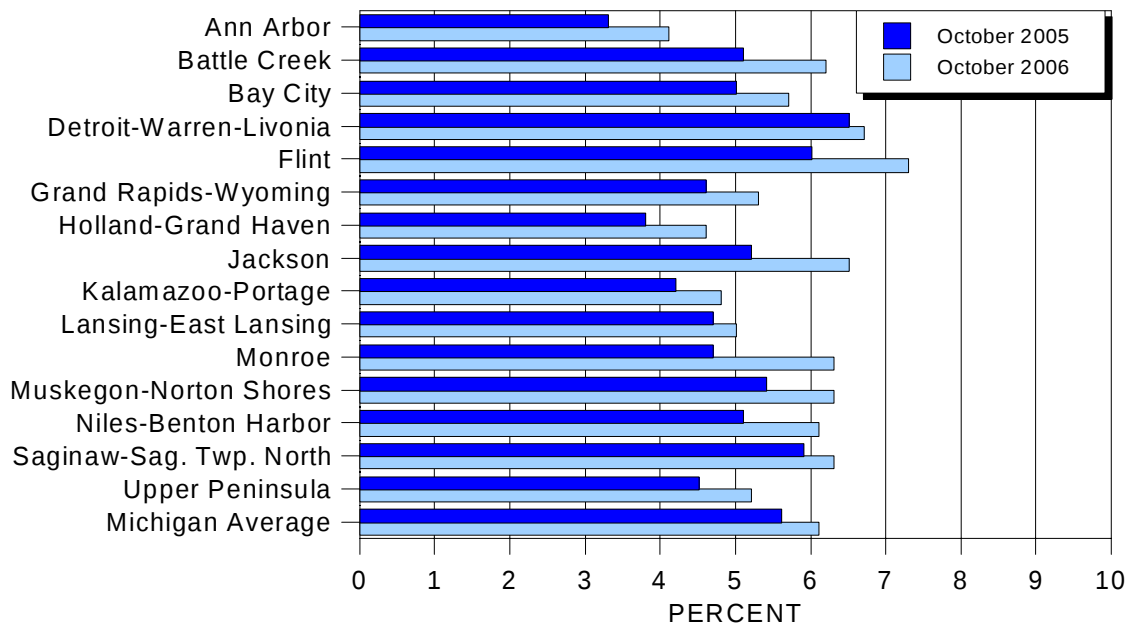
Source: Bureau of Labor Statistics, U.S. Department of Labor

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

	Oct. 2006*	Sept. 2006	Aug. 2006	Oct. 2005
Metropolitan Statistical Areas				
Ann Arbor	4.1%	4.6%	4.6%	3.3%
Battle Creek	6.2	6.8	6.8	5.1
Bay City	5.7	6.4	6.5	5.0
Detroit-Warren-Livonia	6.7	7.0	7.0	6.5
Flint	7.3	8.1	8.3	6.0
Grand Rapids-Wyoming	5.3	6.0	5.9	4.6
Holland-Grand Haven	4.6	5.2	5.0	3.8
Jackson	6.5	7.3	7.5	5.2
Kalamazoo-Portage	4.8	5.4	5.5	4.2
Lansing-East Lansing	5.0	5.7	5.8	4.7
Monroe	6.3	6.8	6.8	4.7
Muskegon-Norton Shores	6.3	6.9	6.9	5.4
Niles-Benton Harbor	6.1	6.8	7.0	5.1
Saginaw-Saginaw Twp North	6.3	7.1	7.2	5.9
Multi-County Areas				
Northeast Lower Michigan	6.7	7.1	7.2	5.4
Northwest Lower Michigan	5.6	6.1	5.8	4.7
Upper Peninsula	5.2	5.8	6.0	4.5
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.1	6.7	6.7	5.6
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

October 2005 and October 2006

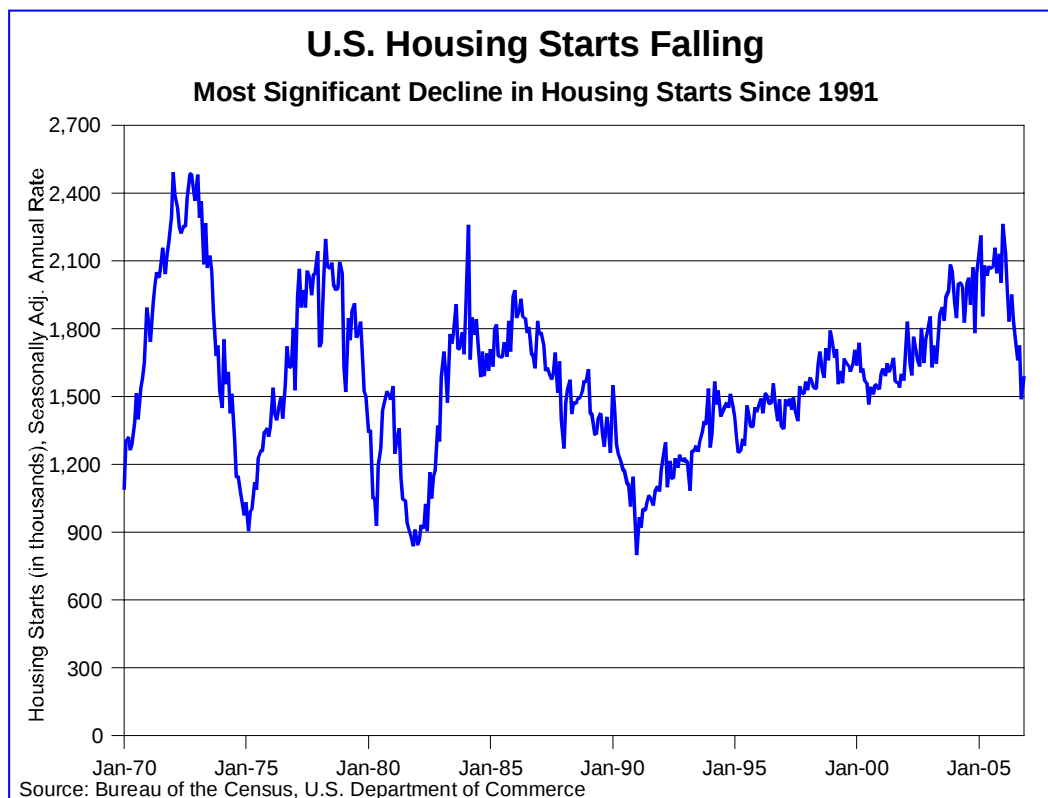


Source: Michigan Department of Labor and Economic Growth

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

	Oct. 2006	Sept. 2006	Aug. 2006	July 2006	Year Ago Oct.	Percent Change From:	
						Oct./Sept.	Oct. 2006/ Oct. 2005
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,333	7,644	7,700	8,222	7,302	(4.1)%	0.4%
Domestics	5,084	5,333	5,304	5,562	5,162	(4.7)	(1.5)
Imports	2,249	2,311	2,396	2,660	2,140	(2.7)	5.1
Import Share	30.7%	30.2%	31.1%	32.4%	29.3%	---	---
Light Trucks	8,775	8,936	8,315	8,920	7,490	(1.8)	17.2
Domestics	7,250	7,582	7,130	7,598	6,335	(4.4)	14.4
Imports	1,525	1,354	1,185	1,322	1,155	12.6	32.0
Import Share	17.4%	15.2%	14.3%	14.8%	15.4%	---	---
Subtotal: Light Vehicle Sales	16,108	16,580	16,015	17,142	14,792	(2.8)	8.9
Heavy Trucks	559	550	542	512	495	1.6	12.9
Total Vehicle Sales	16,667	17,130	16,557	17,654	15,287	(2.7)	9.0
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,444	4,459	4,296	4,066	4,404	(0.3)	0.9
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,114	976	1,132	887	1,142	14.1	(2.4)
Trucks	903	906	1,323	903	1,064	(0.4)	(15.2)
Total	2,016	1,882	2,455	1,790	2,206	7.2	(8.6)
Michigan Production as % of U.S.	18.7%	18.7%	19.8%	14.2%	21.2%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,383	1,263	1,223	1,234	1,233	9.4	12.2
Days Supply	61	49	44	41	54	24.5	13.0
Total Truck	2,019	2,023	2,018	2,076	2,150	(0.2)	(6.1)
Days Supply	78	76	74	70	100	2.6	(22.0)

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)	Oct.	136.1	135.4	134.7	0.5%	1.0%
Coincident Index ¹⁾ (1992=100)	Oct.	152.3	151.6	146.6	0.5	3.9
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Oct.	1,486	1,740	2,046	(14.6)	(27.4)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Oct.	\$328.6	\$329.0	\$314.3	(0.1)	4.6
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	Oct.	112.3	112.0	107.1	0.2	4.9
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Oct.	82.0	81.9	80.0	0.0	2.4
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Oct.	201.7	202.7	199.1	(5.8)	1.3
Detroit (not seasonally adjusted)	Oct.	196.6	198.6	195.1	(5.9)	0.8
Interest Rates						
3-month Treasury Bill ³⁾	Oct.	4.89%	4.82%	3.70%	---	---
Corporate Aaa Bonds ³⁾	Oct.	5.51%	5.51%	5.35%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2006 3 rd Qtr.	\$11,450.5	\$11,388.1	\$11,115.1	2.2	3.0
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Oct. 2006	\$2,735.5	\$1,871.4	\$2,618.7	NM	4.5

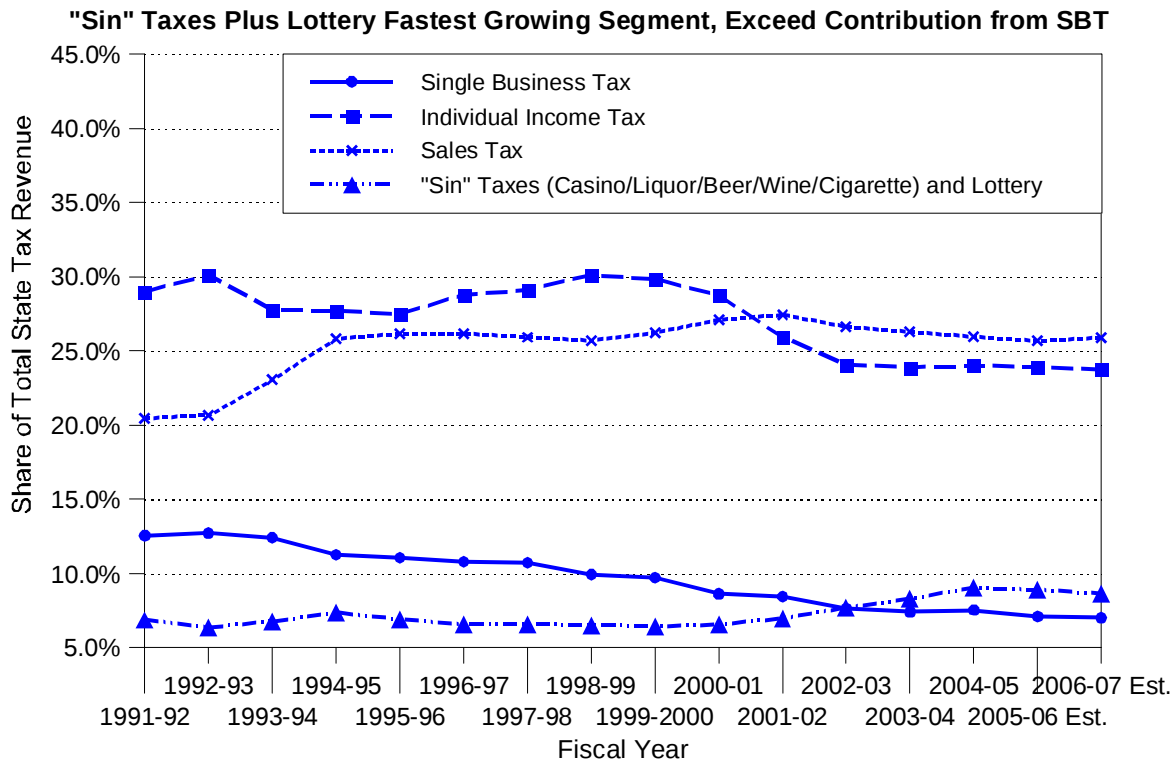
SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

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.

Selected State Tax Revenue Sources



Source: Michigan Senate Fiscal Agency