



MICHIGAN ECONOMIC UPDATE

Economic and Revenue Forecasting Division
Bureau of Tax and Economic Policy
Michigan Department of Treasury
<http://www.michigan.gov/treasury>

March 2005 Summary

U.S. Economy: In March, U.S. economic indicators pointed to continued, but slower, growth. The manufacturing ISM index fell slightly while the non-manufacturing index rose substantially. Both the ISM manufacturing and the non-manufacturing employment index declined. The index of leading economic indicators fell 0.4 percent. Consumer sentiment fell for the third straight month. Industrial production rose. However, manufacturing production fell slightly. Retail sales rose slightly. Housing starts fell sharply but remained at historically high levels. Durable goods orders also fell sharply. In the first quarter, real GDP growth slowed to a 3.1 percent annualized rate, down from 3.8 percent growth in the prior quarter.

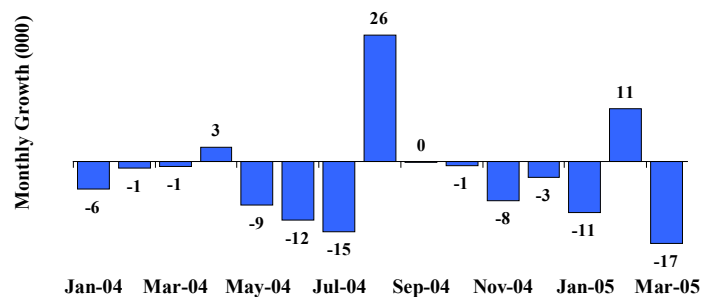
Employment: In March, Michigan's unemployment rate fell 0.5 percentage points to 6.9 percent. Michigan's wage and salary employment decreased by 17,000 jobs led by a decline in transportation equipment and retail trade. Nationally, payroll employment rose by 110,000. The average workweek remained unchanged at 33.7 hours. The U.S. unemployment rate fell 0.2 percentage points to 5.2 percent.

Auto Industry: March light vehicle sales rose to a 16.8 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production fell 5.8 percent compared with a 3.5 percent decline nationally. Light vehicle inventories were down 3.9 percent from a year ago; days supply decreased by 3 days to 69 days.

Inflation: In March, the U.S. consumer price index rose 3.1 percent from a year ago. Producer prices rose by 4.9 percent.

Michigan Metro Areas: From a year ago, the March unemployment rate fell in 16 of Michigan's 17 labor market areas and but rose in the Detroit-Warren-Livonia labor market.

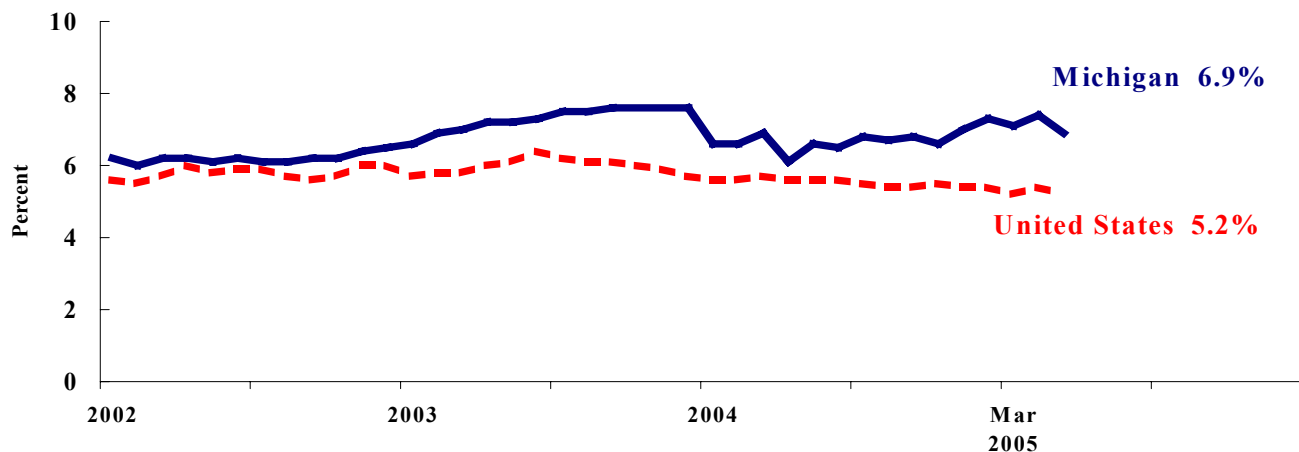
Michigan Employment Declines In March ^(a)



Labor Market Statistics

- Michigan's March monthly unemployment rate decreased 0.5 percentage points to 6.9 percent and the current Michigan jobless rate is 0.2 percentage points below a year ago. February's employment rate was revised down 0.1 percentage points to 7.4 percent. The March U.S. unemployment rate decreased 0.2 percentage points to 5.2 percent and was 0.5 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2002 to 2005



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,747,000 in March, up 17,000 from last month, while the labor force decreased by 11,000. Therefore, the statewide total number of unemployed fell by 28,000 to 353,000.
- United States household employment totaled 140.5 million persons in March, up 357,000 from February. The labor force rose by 25,000 from last month, which meant that there were 332,000 less unemployed people nationally, compared to February.

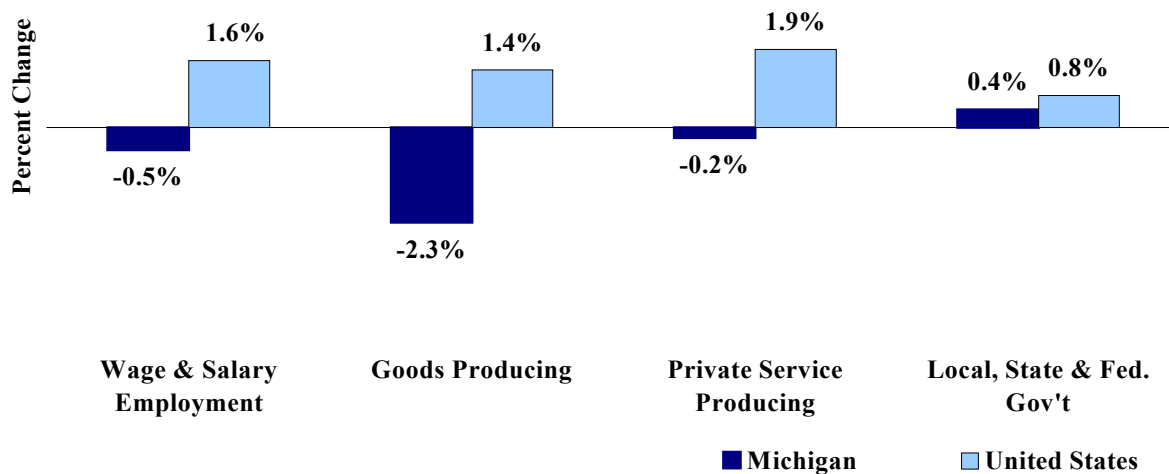
Employment by Place of Residence (in thousands)^(a)

	2004 Average	Jan 2005	Feb 2005	Mar 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,079	5,087	5,111	5,100	-11	-0.2%	26	0.5%
Employed	4,719	4,728	4,730	4,747	17	0.4%	32	0.7%
Unemployed	360	359	381	353	-28	-7.3%	-6	-1.7%
Unemployment Rate	7.1%	7.1%	7.4%	6.9%	n.a.	-0.5% pts	n.a.	-0.2%
United States								
Labor Force	147,401	147,979	148,132	148,157	25	0.0%	1,507	1.0%
Employed	139,252	140,241	140,144	140,501	357	0.3%	2,203	1.6%
Unemployed	8,149	7,737	7,988	7,656	-332	-4.2%	-696	-8.3%
Unemployment Rate	5.5%	5.2%	5.4%	5.2%	n.a.	-0.2% pts	n.a.	-0.5%

Employment by Place of Work

- From March 2004 to March 2005, Michigan wage and salary employment declined 24,000 (0.5 percent). State wage and salary employment decreased 17,000 from February. Nationally, March 2005 wage and salary employment rose 2,140,000 (1.6 percent) from a year ago and was up 110,000 from last month.

Wage and Salary Employment Growth March 2004 to March 2005



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan employment fell 2.3 percent from a year ago and private service-producing sector employment decreased 0.2 percent compared to last year. From a year ago, March national employment in the goods-producing sector rose 1.4 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours fell sharply in Michigan by 2.4 hours compared to last year.

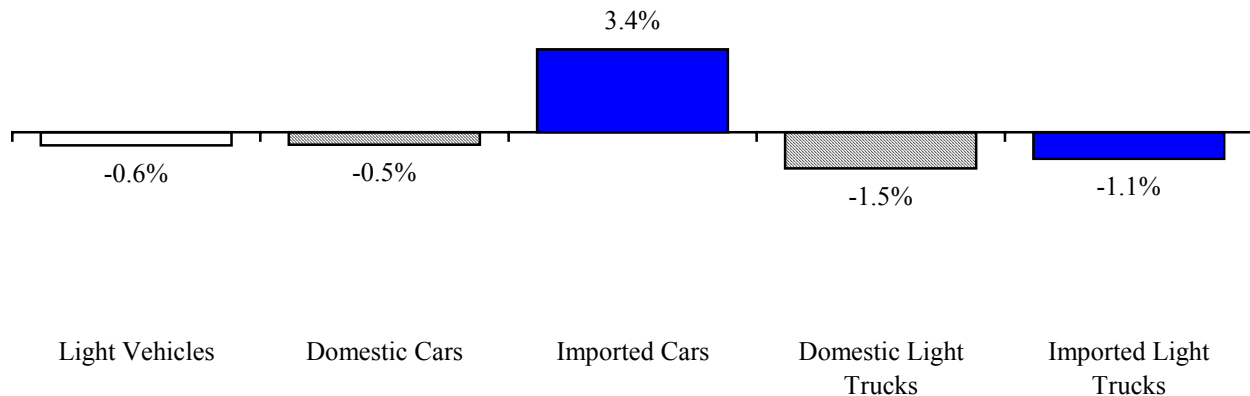
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2004 Average	Mar 2004	Mar 2005	Percent Change	2004 Average	Mar 2004	Mar 2005	Percent Change
Wage & Salary Employment	4,391	4,394	4,370	-0.5%	131,481	130,786	132,926	1.6%
Goods Producing	894	902	881	-2.3%	21,885	21,773	22,080	1.4%
Manufacturing	696	689	683	-0.9%	14,329	14,291	14,314	0.2%
Private Service Producing	2,815	2,811	2,804	-0.2%	87,978	87,431	89,096	1.9%
Trade, Trans. & Utilities	810	810	812	0.2%	25,511	25,441	25,711	1.1%
Services	1,719	1,716	1,707	-0.5%	51,278	50,849	52,094	2.4%
Local, State & Fed. Gov't	682	682	685	0.4%	21,619	21,582	21,750	0.8%
Manufacturing Weekly Hours	42.4	43.0	40.6	-2.4 hrs	40.8	41.4	40.9	-0.5 hrs

Motor Vehicle Industry Sales

- At a 16.8 million unit annual rate, March 2005 light vehicle sales were up 3.4 percent from February and up 0.5 percent from a year ago.
- Compared to a year ago, domestic sales were up 0.6 percent while foreign sales fell 0.1 percent. Auto sales fell 0.1 percent while light truck sales rose 1.0 percent. Light vehicle inventories fell 3.9 percent while days supply declined by 3 days to 69 days.
- Year to date, domestic light truck sales were down 1.5 percent from a year ago, while import light truck sales fell 1.1 percent. Domestic car sales were down 0.5 percent while import car sales rose 3.4 percent.

Year to Date Light Vehicle Sales Down Slightly From Year Ago



Motor Vehicle Sales Statistics

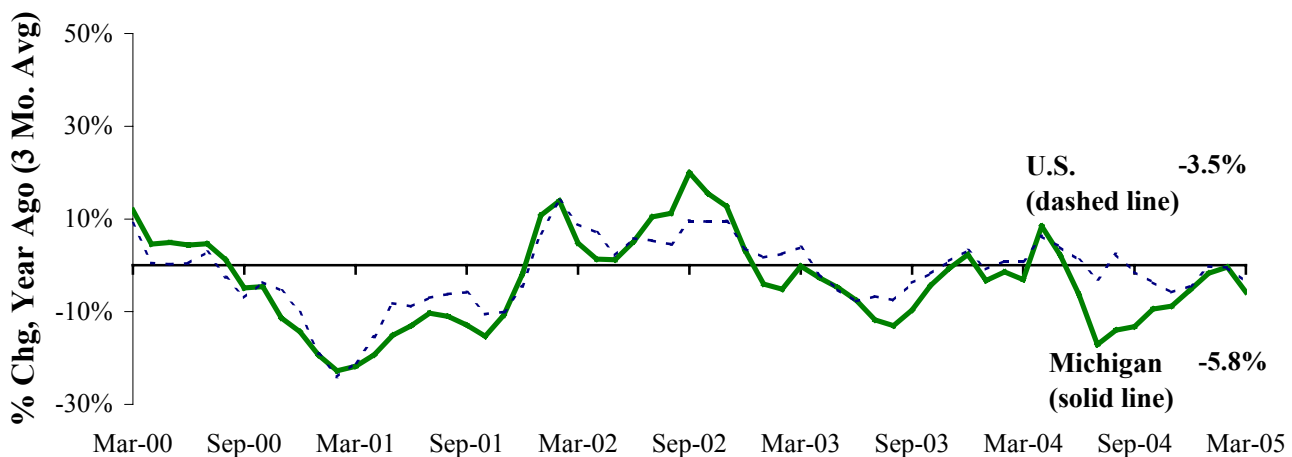
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2004 Average	Jan 2005	Feb 2005	Mar 2005	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	7.4	7.4	7.7	7.5	(0.0)	-0.1%
Domestics	5.3	5.4	5.3	5.5	5.4	(0.1)	-0.9%
Imports	2.2	2.0	2.1	2.2	2.1	0.0	2.0%
Import Share	28.7%	27.3%	28.7%	28.3%	28.1%	0.6% pts	
Light Trucks	9.3	8.8	8.9	9.1	8.9	0.1	1.0%
Domestics	8.1	7.6	7.6	7.9	7.7	0.1	1.7%
Imports	1.2	1.2	1.2	1.2	1.2	(0.0)	-3.8%
Import Share	13.3%	13.5%	14.0%	13.2%	13.6%	-0.6% pts	
Total Light Vehicles	16.8	16.2	16.3	16.8	16.4	0.1	0.5%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	15.6%
Total Vehicles	17.3	16.7	16.8	17.3	16.9	0.1	0.8%
U.S. Light Vehicle Inventories^(d)		Jan-05	Feb-05	Mar-05	3 Month	Change	
Total Car	1.502	1.484	1.530	1.501	1.505	-0.151	
Days Supply	62	73	64	56	64	-6 days	
Total Truck	2.411	2.406	2.523	2.508	2.479	-0.013	
Days Supply	80	101	89	79	90	-2 days	

Motor Vehicle Industry Production

- At 233,489 units, March 2005 Michigan light vehicle production fell 15.7 percent from a year ago, compared with a 9.4 percent decline nationally.
- Compared with a year ago, state car production fell 24.2 percent while state truck production decreased 7.3 percent. Nationally, car production declined 8.4 percent while truck production fell 10.0 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 5.8 percent from a year ago, compared to a 3.5 percent decline nationally.

Trend National and Michigan Light Vehicle Production Down from a Year Ago



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 <u>Average</u>	Jan <u>2005</u>	Feb <u>2005</u>	Mar <u>2005</u>	3 Month <u>Average</u>	Change from Year Ago for the Month	
						<u>Level</u>	<u>%</u>
U.S. Production ^(e)							
Autos	353.8	346.4	376.4	389.5	370.8	(35.8)	-8.4%
Trucks	647.8	594.5	675.0	704.7	658.0	(78.2)	-10.0%
Total	1,001.5	940.9	1,051.3	1,094.2	1,028.8	(114.0)	-9.4%
Michigan Production ^(f)							
Autos	104.8	95.4	112.5	103.5	103.8	(33.1)	-24.2%
Trucks	111.5	104.6	123.8	130.0	119.5	(10.2)	-7.3%
Total	216.4	200.0	236.3	233.5	223.3	(43.4)	-15.7%
Michigan as % of U.S.	21.6%	21.3%	22.5%	21.3%	21.7%	-1.6% pts	

**March 2005 Unemployment Rates
Fell in Sixteen Labor Market Areas
(Not Seasonally Adjusted)**

Compared to a year ago, March 2005 unemployment rates fell in 16 major labor market areas and rose in one area. The median unemployment rate decline was 0.9 percentage points.

Compared to a year ago, the Muskegon-Norton Shores area reported the largest unemployment rate decline (1.9 percentage points), followed by Northeast Lower Michigan (1.8 percentage points). The Grand Rapids-Wyoming and Jackson MSAs recorded the third largest decline (1.6 percentage points). The unemployment rate increased in the Detroit-Warren-Livonia MSA (0.6 percentage points).

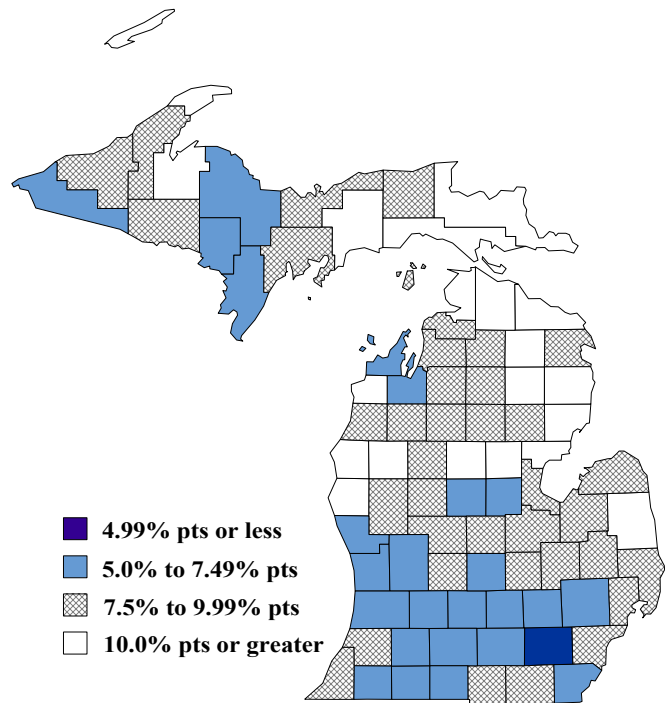
March 2005 unemployment rates ranged between 4.6 percent (Ann Arbor) and 11.2 percent (Northeast Lower Michigan). Compared to February unemployment rates, all areas reported lower non-seasonally adjusted unemployment rates. Declines ranged between 0.1 of a percentage point and 0.8 percentage points.

Compared to March 2004, unemployment rates declined in 75 counties, increased in 7 counties and remained the same in one county.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Mar 2004 Rate</u>	<u>Feb 2005 Rate</u>	<u>Mar 2005 Rate</u>
Michigan	7.9%	8.0%	7.6%
Ann Arbor	4.8%	4.7%	4.6%
Battle Creek	7.5%	7.1%	6.6%
Bay City	8.9%	8.6%	8.0%
Detroit-Warren-Livonia	7.3%	8.2%	7.9%
Flint	9.4%	8.9%	8.7%
Grand Rapids-Wyoming	8.2%	7.3%	6.6%
Holland-Grand Haven	6.6%	6.3%	5.8%
Jackson	8.5%	7.5%	6.9%
Kalamazoo-Portage	6.9%	6.5%	6.1%
Lansing-East Lansing	6.5%	6.4%	6.0%
Monroe	7.0%	6.7%	6.3%
Muskegon-Norton Shores	9.3%	8.0%	7.4%
Niles-Benton Harbor	8.8%	8.3%	7.5%
Saginaw-Saginaw Township	10.0%	9.2%	8.7%
Upper Peninsula	9.6%	9.0%	8.5%
Northeast Lower Mich	13.0%	11.9%	11.2%
Northwest Lower Mich.	9.9%	9.3%	8.7%

**Unemployment Rates
March 2005**



Source: Michigan Department of Labor and Economic Growth

U.S. Economic Conditions

	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	97.1	95.5	94.1	92.6	-3.2 points
ISM Manufacturing Index ⁽ⁱ⁾	57.3	56.4	55.3	55.2	-7.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	63.9	59.2	59.8	63.1	-0.9 points
	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	<u>2005.1</u>	
Business Executives' Confidence ⁽ⁱ⁾	70.0	63.0	61.0	62.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	190.3	190.7	191.8	193.3	3.1%
Detroit CPI	185.3	NA	187.8	NA	2.4%
U.S. Producer Price Index	150.4	151.5	152.2	153.5	4.9%
INTEREST RATES					
90 Day T-Bill ^(l)	2.20%	2.32%	2.53%	2.75%	1.81% points
Aaa Corporate Bonds ^(m)	5.47%	5.36%	5.20%	5.40%	0.07% points
INDUSTRIAL PRODUCTION ^(m)	117.9	117.9	118.2	118.5	3.9%
CAPACITY UTILIZATION ^(m)	79.2%	79.2%	79.3%	79.4%	2.0% points
RETAIL SALES ⁽ⁿ⁾	\$336.6	\$336.8	\$338.4	\$339.3	5.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.056	2.189	2.229	1.837	-8.2%
Existing Home Sales ^(p)	6.810	6.820	6.820	6.890	4.9%
DURABLE GOODS ORDERS ^(q)	\$202.5	\$200.0	\$199.7	\$194.0	-1.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	<u>% Change From Year Ago</u>
Michigan	\$315.9	\$320.9	\$324.5	\$331.3	3.0%
U.S.	\$9,445.3	\$9,593.5	\$9,701.2	\$9,948.8	6.7%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	<u>2005.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,784.7	\$10,891.0	\$10,994.3	\$11,078.2	3.1%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.