



MICHIGAN ECONOMIC UPDATE

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

May 2005 Summary

U.S. Economy: In May, U.S. economic indicators were mixed. The manufacturing and non-manufacturing ISM indices both recorded sizeable declines for the second straight month. The index of leading economic indicators reported a large decline for the second time in the last three months. Consumer sentiment fell for the fifth straight month. Both industrial production and capacity utilization rose in May. Retail sales fell after posting strong gains in April. Housing starts remained strong. Durable goods orders rose sharply, increasing 5.5 percent.

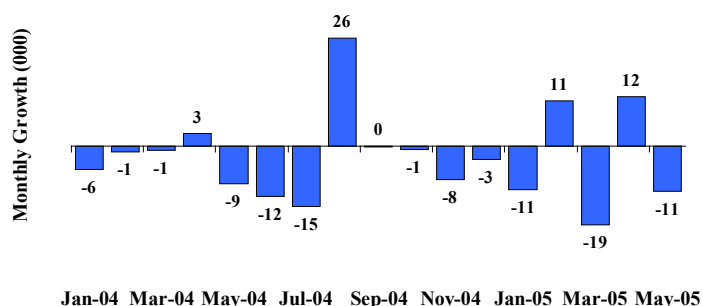
Employment: In May, Michigan's wage and salary employment declined by 11,000 jobs led by declines in government and leisure and hospitality. Michigan's unemployment rate rose 0.1 of a percentage point to 7.1 percent. The state's average workweek fell by 0.3 of an hour. Nationally, payroll employment rose by 78,000 jobs. The average U.S. workweek was unchanged. The U.S. unemployment rate fell 0.1 of a percentage point to 5.1 percent.

Auto Industry: May light vehicle sales fell to a 16.6 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production fell 6.7 percent compared with a 4.2 percent decline nationally. Light vehicle inventories were down 7.4 percent from a year ago; days supply decreased by 5 days to 61 days.

Inflation: In May, the U.S. consumer price index rose 2.8 percent from a year ago. The core CPI, excluding food and energy prices, rose 2.2 percent. U.S. producer prices rose by 3.5 percent. In May, oil prices averaged nearly \$50 a barrel. First quarter unit labor costs were up 4.1 percent from a year ago.

Michigan Metro Areas: From a year ago, the May unemployment rate fell in 13 of Michigan's 17 labor market areas, rose in three and remained unchanged in one area. Sixteen of the 17 areas reported employment increases from a year ago; the Detroit-Warren-Livonia MSA reported a 0.5 percent employment decrease.

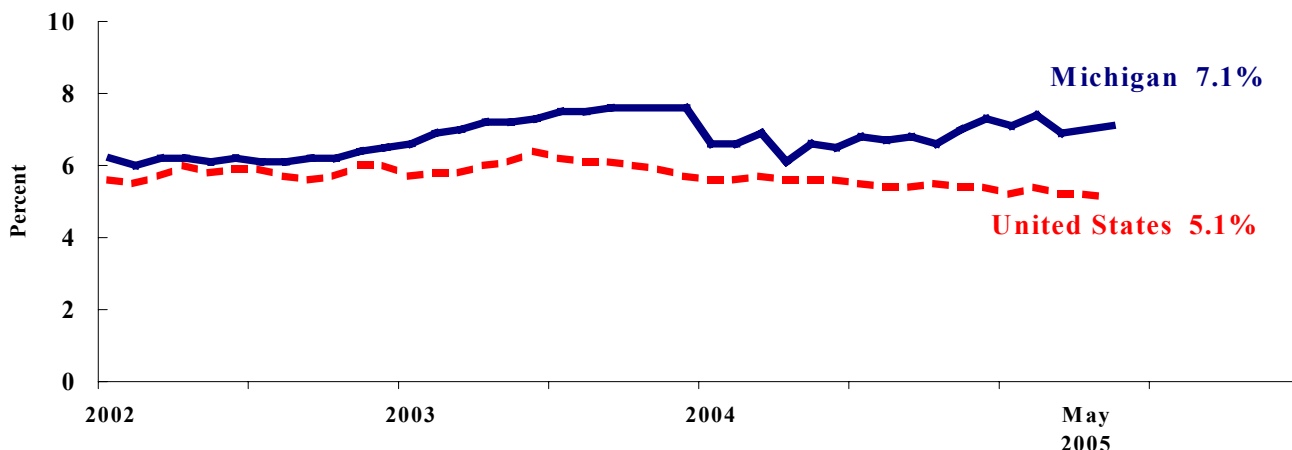
Michigan Employment Declines In May^(a)



Labor Market Statistics

- Michigan’s May monthly unemployment rate increased 0.1 percentage points to 7.1 percent from April and the current Michigan jobless rate is also 0.1 percentage points above a year ago. The May U.S. unemployment rate decreased 0.1 percentage points to 5.1 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

- In May, the number of people employed in Michigan was 4,766,000, down 15,000 from last month, while the labor force decreased by 12,000. The statewide total number of unemployed rose by 1,000 to 363,000.
- United States household employment totaled 141.5 million persons in May, up 376,000 from April. The labor force rose by 360,000 from last month, which meant that there were 16,000 less unemployed people nationally, compared to April.

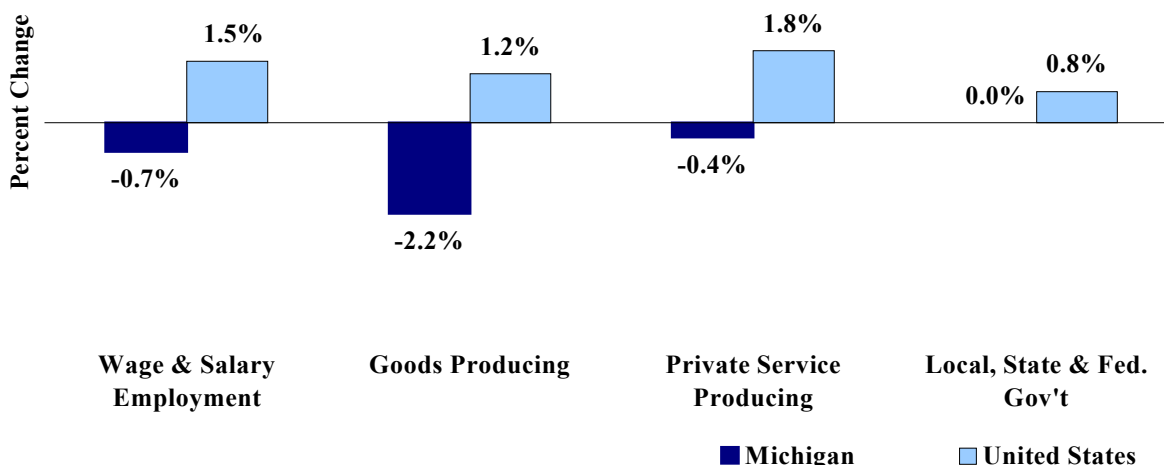
Employment by Place of Residence (in thousands)^(a)

	2004 Average	Mar 2005	Apr 2005	May 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,079	5,099	5,142	5,130	-12	-0.2%	52	1.0%
Employed	4,719	4,746	4,781	4,766	-15	-0.3%	42	0.9%
Unemployed	360	354	362	363	1	0.3%	10	2.8%
Unemployment Rate	7.1%	6.9%	7.0%	7.1%	n.a.	0.1% pts	n.a.	0.1%
United States								
Labor Force	147,401	148,157	148,762	149,122	360	0.2%	2,148	1.5%
Employed	139,252	140,501	141,099	141,475	376	0.3%	2,703	1.9%
Unemployed	8,149	7,656	7,663	7,647	-16	-0.2%	-556	-6.8%
Unemployment Rate	5.5%	5.2%	5.2%	5.1%	n.a.	-0.1% pts	n.a.	-0.5%

Employment by Place of Work

- From May 2004 to May 2005, Michigan wage and salary employment declined 31,000 (0.7 percent). State wage and salary employment decreased 11,000 from April. Nationally, May 2005 wage and salary employment rose 1,974,000 (1.5 percent) from a year ago and was up 78,000 from last month.

Wage and Salary Employment Growth May 2004 to May 2005



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

- In the goods producing sector, Michigan employment fell 2.2 percent from a year ago and private service-producing sector employment decreased 0.4 percent compared to last year. From a year ago, May national employment in the goods-producing sector rose 1.2 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 1.4 hours compared to last year.

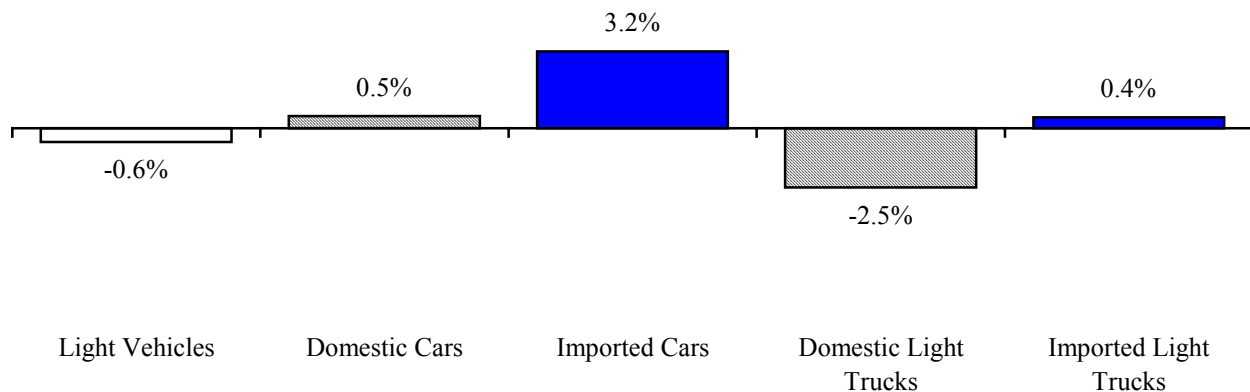
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2004 Average	May 2004	May 2005	Percent Change	2004 Average	May 2004	May 2005	Percent Change
Wage & Salary Employment	4,391	4,400	4,369	-0.7%	131,481	131,373	133,347	1.5%
Goods Producing	894	900	880	-2.2%	21,885	21,888	22,149	1.2%
Manufacturing	696	702	682	-2.8%	14,329	14,347	14,299	-0.3%
Private Service Producing	2,815	2,817	2,807	-0.4%	87,978	87,899	89,449	1.8%
Trade, Trans. & Utilities	810	813	813	0.0%	25,511	25,511	25,824	1.2%
Services	1,719	1,719	1,711	-0.5%	51,278	51,205	52,299	2.1%
Local, State & Fed. Gov't	682	682	682	0.0%	21,619	21,586	21,749	0.8%
Manufacturing Weekly Hours	42.4	42.4	41.0	-1.4 hrs	40.8	41.0	40.4	-0.6 hrs

Motor Vehicle Industry Sales

- At a 16.6 million unit annual rate, May 2005 light vehicle sales were down 4.5 percent from April and down 5.9 percent from a year ago.
- Compared to a year ago, domestic sales were down 6.8 percent while foreign sales declined 2.2 percent. Auto sales fell 4.6 percent while light truck sales declined 7.0 percent. Light vehicle inventories fell 7.4 percent while days supply declined by 5 days to 61 days.
- Year to date, imported car sales were up 3.2 percent while domestic car sales were up 0.5 percent. Domestic light truck sales were down 2.5 percent while imported light truck sales were up 0.4 percent. The foreign share of light vehicle sales has risen 0.6 of a percentage point to 20.4 percent.

Year to Date Light Vehicle Sales Down Slightly From Year Ago



Motor Vehicle Sales Statistics

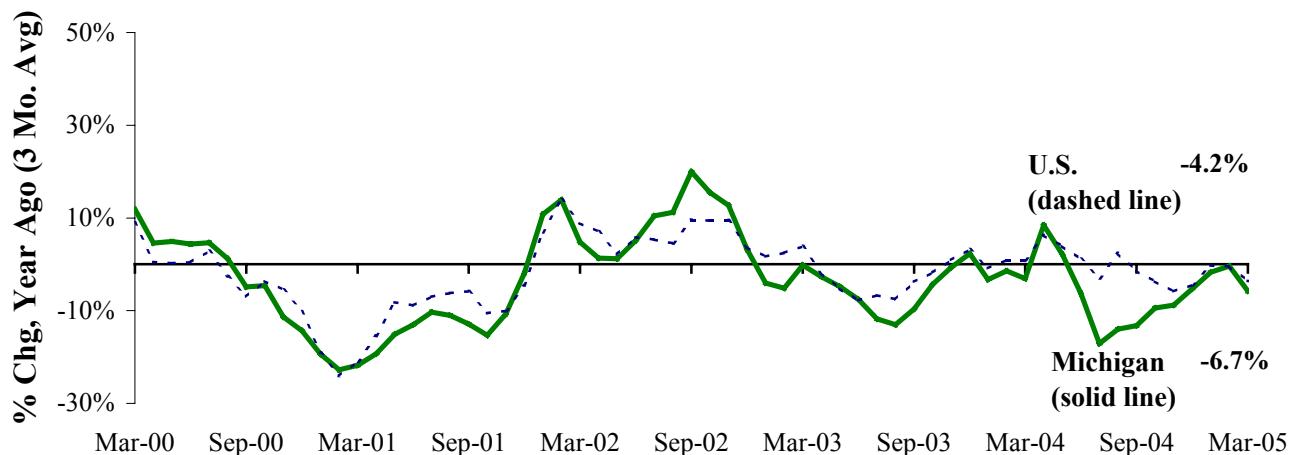
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2004 Average	Mar 2005	Apr 2005	May 2005	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	7.7	8.2	7.6	7.8	(0.4)	-4.6%
Domestics	5.3	5.5	5.8	5.3	5.6	(0.3)	-5.7%
Imports	2.2	2.2	2.3	2.2	2.2	(0.0)	-1.9%
Import Share	28.7%	28.3%	28.7%	29.4%	28.8%	0.8% pts	
Light Trucks	9.3	9.1	9.2	9.1	9.1	(0.7)	-7.0%
Domestics	8.1	7.9	8.0	7.8	7.9	(0.6)	-7.6%
Imports	1.2	1.2	1.3	1.2	1.2	(0.0)	-2.7%
Import Share	13.3%	13.2%	13.7%	13.5%	13.5%	0.6% pts	
Total Light Vehicles	16.8	16.8	17.4	16.6	16.9	(1.0)	-5.9%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	15.9%
Total Vehicles	17.3	17.3	17.9	17.1	17.4	(1.0)	-5.4%
U.S. Light Vehicle Inventories^(d)		Mar-05	Apr-05	May-05	3 Month	Change	
Total Car	1.502	1.501	1.419	1.328	1.416	-0.224	
Days Supply	62	56	54	46	52	-8 days	
Total Truck	2.411	2.508	2.538	2.467	2.505	-0.078	
Days Supply	80	79	87	73	80	-2 days	

Motor Vehicle Industry Production

- At 213,984 units, May 2005 Michigan light vehicle production fell 1.4 percent from a year ago, compared with a 0.7 percent increase nationally.
- Compared with a year ago, state car production fell 8.8 percent while state truck production rose 5.9 percent. Nationally, car production increased 3.4 percent while truck production fell 0.7 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 6.7 percent from a year ago, compared to a 4.2 percent decline nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 Average	Mar 2005	Apr 2005	May 2005	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	353.8	389.5	379.4	366.7	378.5	11.9	3.4%
Trucks	647.8	704.7	673.9	662.2	680.3	(4.8)	-0.7%
Total	1,001.5	1,094.2	1,053.4	1,028.8	1,058.8	7.2	0.7%
Michigan Production ^(f)							
Autos	104.8	103.5	121.9	97.6	107.7	(9.4)	-8.8%
Trucks	111.5	130.0	126.9	116.4	124.4	6.5	5.9%
Total	216.4	233.5	248.8	214.0	232.1	(2.9)	-1.4%
Michigan as % of U.S.	21.6%	21.3%	23.6%	20.8%	21.9%	-0.4% pts	

**May 2005 Unemployment Rates
Fell in Thirteen Labor Market Areas**
(Not Seasonally Adjusted)

Compared to a year ago, May 2005 unemployment rates fell in 13 major labor market areas, rose in three areas and was unchanged in one area. The median unemployment rate change was a 0.2 percentage point decline.

Compared to a year ago, the Jackson area reported the largest unemployment rate decline (0.8 percentage points), followed by Grand Rapids-Wyoming (0.7 percentage points) and Muskegon-Norton Shores and Saginaw-Saginaw Township (0.6 percentage points). The unemployment rate increased 0.6 percentage points in the Lansing-East Lansing MSA; the Detroit-Warren-Livonia MSA reported a 0.5 percentage point increase. Sixteen areas reported employment gains; the median increase was 2.4 percent. The Detroit MSA reported the only employment loss (0.5 percent).

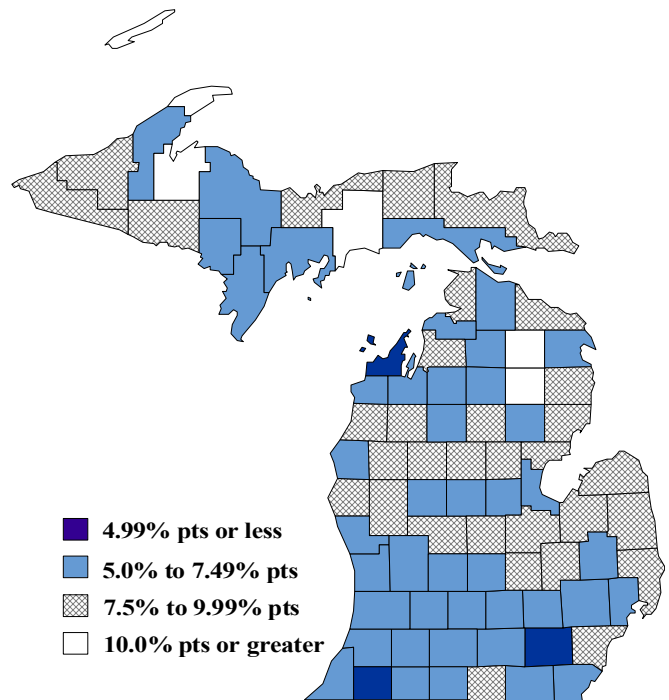
May 2005 unemployment rates ranged between 4.7 percent (Ann Arbor) and 8.2 percent (Flint and Saginaw-Saginaw Township). Compared to April unemployment rates, most areas reported higher non-seasonally adjusted unemployment rates. Increases ranged between 0.1 percentage points and 1.1 percentage points.

Compared to May 2004, unemployment rates declined in 51 counties, increased in 25 counties and remained the same in seven counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2004 Rate</u>	<u>Apr 2005 Rate</u>	<u>May 2005 Rate</u>
Michigan	6.8%	6.7%	6.9%
Ann Arbor	4.6%	4.1%	4.7%
Battle Creek	7.1%	6.2%	6.9%
Bay City	7.6%	7.1%	7.4%
Detroit-Warren-Livonia	6.7%	7.1%	7.2%
Flint	8.3%	7.6%	8.2%
Grand Rapids-Wyoming	7.0%	5.7%	6.3%
Holland-Grand Haven	5.6%	4.8%	5.4%
Jackson	7.8%	6.2%	7.0%
Kalamazoo-Portage	6.2%	5.2%	6.0%
Lansing-East Lansing	5.7%	5.2%	6.3%
Monroe	6.3%	5.8%	6.3%
Muskegon-Norton Shores	8.0%	6.7%	7.4%
Niles-Benton Harbor	7.8%	6.5%	7.4%
Saginaw-Saginaw Township	8.8%	7.7%	8.2%
Upper Peninsula	7.3%	7.8%	7.1%
Northeast Lower Mich	8.3%	9.2%	7.9%

**Unemployment Rates
May 2005**



Source: Michigan Department of Labor and Economic Growth

U.S. Economic Conditions

	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	94.1	92.6	87.7	86.9	-3.3 points
ISM Manufacturing Index ⁽ⁱ⁾	55.3	55.2	53.3	51.4	-11.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.8	63.1	61.7	58.5	-4.8 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>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	191.8	193.3	194.6	194.4	2.8%
Detroit CPI	187.8	NA	189.8	NA	2.8%
U.S. Producer Price Index	152.2	153.5	154.4	154.1	3.5%
INTEREST RATES					
90 Day T-Bill ^(l)	2.53%	2.75%	2.79%	2.86%	1.82% points
Aaa Corporate Bonds ^(m)	5.20%	5.40%	5.33%	5.15%	-0.89% points
INDUSTRIAL PRODUCTION ^(m)	118.3	118.5	118.2	118.6	2.7%
CAPACITY UTILIZATION ^(m)	79.4%	79.4%	79.1%	79.4%	1.2% points
RETAIL SALES ⁽ⁿ⁾	\$339.0	\$340.1	\$345.3	\$343.6	6.4%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.228	1.833	2.005	2.009	1.8%
Existing Home Sales ^(p)	6.820	6.870	7.180	7.130	3.5%
DURABLE GOODS ORDERS ^(q)	\$199.8	\$196.8	\$199.7	\$210.7	10.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	<u>2005.1</u>	<u>% Change From Year Ago</u>
Michigan	\$320.5	\$324.3	\$329.9	\$331.3	4.9%
U.S.	\$9,593.5	\$9,701.2	\$10,021.8	\$10,090.9	6.8%
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	\$11,096.2	3.8%

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.