



# MICHIGAN ECONOMIC UPDATE

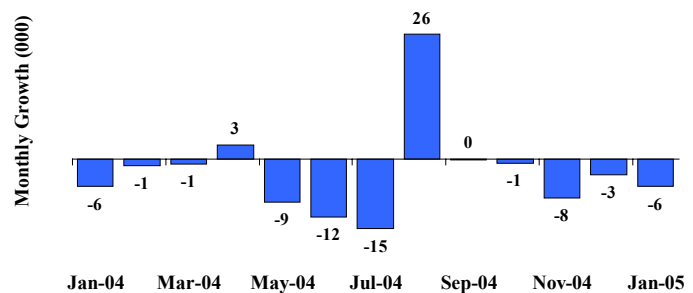
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## January 2005 Summary

**U.S. Economy:** In January, U.S. economic indicators pointed to moderating growth. Both the ISM manufacturing index and the non-manufacturing index declined but continued to signal growth. The index of leading economic indicators declined 0.3 percent. Consumer sentiment fell following two straight monthly increases. Industrial production was essentially flat. Retail sales rose slightly.

**Employment:** In 2004, Michigan payroll employment declined 0.4 percent, the fourth straight annual decline. State manufacturing employment fell 2.9 percent, also marking its fifth straight decline. However, both declines were considerably less severe than in the three prior years. For 2004, Michigan's unemployment rate was revised upward to 7.1 percent, unchanged from last year's revised rate. Nationally, payroll employment rose for the first time in four years, rising 1.1 percent. The 2004 U.S. unemployment rate averaged 5.5 percent, down from 6.0 percent in 2003. In January, Michigan's monthly unemployment rate fell from 7.5 percent to 7.1 percent. In January, state employment declined for the fifth straight month, declining by 5,800 jobs.

### Michigan Employment Falls For Fifth Straight Month<sup>(a)</sup>



**Auto Industry:** January light vehicle sales fell to a 16.2 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production fell 1.7 percent compared with essentially flat production nationally. Light vehicle inventories were up 0.2 percent from a year ago; days supply declined by 2 days to 88 days

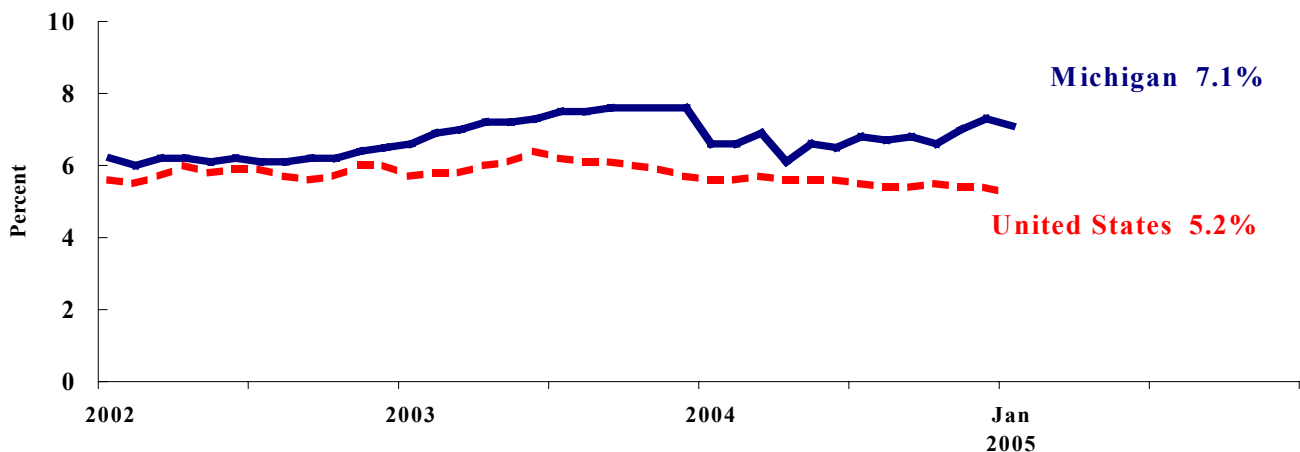
**Inflation:** In January, the U.S. consumer price index rose 3.0 percent from a year ago. Producer prices rose by 4.2 percent.

**Michigan Metro Areas:** From a year ago, the January unemployment rate rose in nine of Michigan's newly defined labor market areas and fell in the other eight.

## Labor Market Statistics

- Michigan's January monthly unemployment rate declined 0.4 percentage points to 7.1 percent. The current Michigan jobless rate is 0.4 percentage points below a year ago. The January U.S. unemployment rate decreased 0.2 percentage points to 5.2 percent and was 0.2 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 4,730,000 in January, up 22,000 from last month, while the labor force decreased by 4,000. Therefore, the statewide total number of unemployed fell by 25,000 to 359,000.
- United States household employment totaled 140.2 million persons in January, up 85,000 from December. The labor force fell by 224,000 from last month, which meant that there were 310,000 less unemployed people nationally, compared to December 2004.

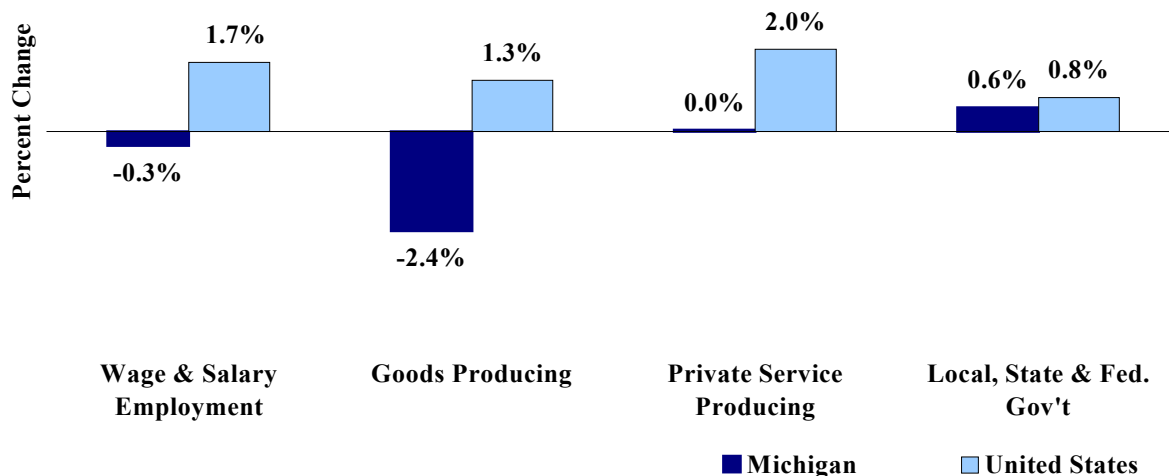
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2004 Average	Nov 2004	Dec 2004	Jan 2005	Change From		Change From	
					Prior Month Level	%	Last Year Level	%
<b>Michigan</b>								
Labor Force	5,079	5,098	5,093	5,089	-4	-0.1%	n.a.	n.a.
Employed	4,719	4,721	4,708	4,730	22	0.5%	n.a.	n.a.
Unemployed	360	377	384	359	-25	-6.5%	n.a.	n.a.
Unemployment Rate	7.1%	7.4%	7.5%	7.1%	n.a.	-0.4% pts	n.a.	0.2%
<b>United States</b>								
Labor Force	147,401	148,313	148,203	147,979	-224	-0.2%	n.a.	n.a.
Employed	139,252	140,293	140,156	140,241	85	0.1%	n.a.	n.a.
Unemployed	8,149	8,020	8,047	7,737	-310	-3.9%	n.a.	n.a.
Unemployment Rate	5.5%	5.4%	5.4%	5.2%	n.a.	-0.2% pts	n.a.	-0.4%

## Employment by Place of Work

- From January 2004 to January 2005, Michigan wage and salary employment declined 15,000 (0.3 percent). State wage and salary employment decreased 6,000 from December. Nationally, January 2005 wage and salary employment rose 2,201,000 (1.7 percent) from a year ago and was up 146,000 from last month.

### Wage and Salary Employment Growth January 2004 to January 2005



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

- In the goods producing sector, Michigan employment fell 2.4 percent from a year ago and private service-producing sector employment remained unchanged compared to last year. From a year ago, January national employment in the goods-producing sector rose 1.3 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 0.6 hours compared to last year.

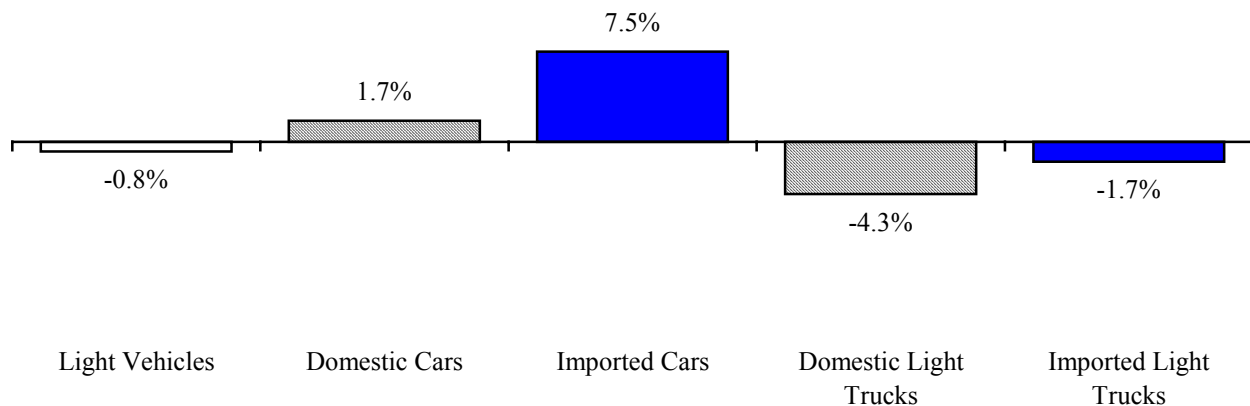
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2004 Average	Jan 2004	Jan 2005	Percent Change	2004 Average	Jan 2004	Jan 2005	Percent Change
Wage & Salary Employment	4,391	4,396	4,381	-0.3%	131,481	130,372	132,573	1.7%
Goods Producing	894	903	881	-2.4%	21,885	21,703	21,975	1.3%
Manufacturing	696	705	682	-3.3%	14,329	14,283	14,305	0.2%
Private Service Producing	2,815	2,810	2,811	0.0%	87,978	87,136	88,887	2.0%
Trade, Trans. & Utilities	810	811	816	0.6%	25,511	25,348	25,682	1.3%
Services	1,719	1,713	1,710	-0.2%	51,278	50,660	51,918	2.5%
Local, State & Fed. Gov't	682	684	688	0.6%	21,619	21,533	21,711	0.8%
Manufacturing Weekly Hours	42.4	42.6	42.0	-0.6 hrs	40.8	41.0	40.7	-0.3 hrs

## Motor Vehicle Industry Sales

- At a 16.2 million unit annual rate, January 2005 light vehicle sales were down 11.8 percent from December and down 0.8 percent from a year ago.
- Compared to a year ago, domestic sales were down 1.9 percent while foreign sales rose 3.9 percent. Auto sales rose 3.2 percent while light truck sales declined 4.0 percent. Light vehicle inventories rose 0.2 percent while days supply fell by 2 days to 88 days.
- Domestic light truck sales were down 4.3 percent from a year ago, while import light truck sales declined 1.7 percent. Domestic car sales were up 1.7 percent while import car sales rose 7.5 percent.

### January 2005 Light Vehicle Sales Down Slightly From Year Ago



### Motor Vehicle Sales Statistics

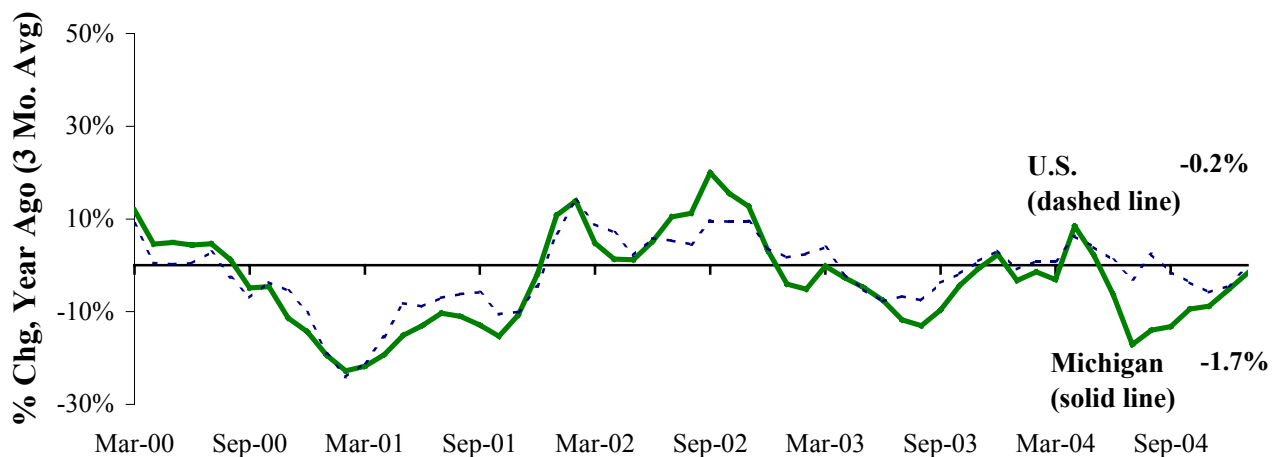
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2004	Nov	Dec	Jan	3 Month	Change from	
	Average	2004	2004	2005	Average	Level	%
Autos	7.5	7.3	8.3	7.4	7.7	0.2	3.2%
Domestics	5.3	5.1	5.9	5.4	5.5	0.1	1.7%
Imports	2.2	2.2	2.3	2.0	2.2	0.1	7.5%
Import Share	28.7%	30.3%	28.3%	27.3%	28.6%	1.1% pts	
Light Trucks	9.3	9.0	10.1	8.8	9.3	(0.4)	-4.0%
Domestics	8.1	7.8	8.7	7.6	8.0	(0.3)	-4.3%
Imports	1.2	1.2	1.4	1.2	1.3	(0.0)	-1.7%
Import Share	13.3%	13.7%	13.5%	13.5%	13.6%	0.3% pts	
Total Light Vehicles	16.8	16.3	18.3	16.2	17.0	(0.1)	-0.8%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	31.4%
Total Vehicles	17.3	16.8	18.8	16.7	17.4	(0.0)	0.0%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Nov-04</b>	<b>Dec-04</b>	<b>Jan-05</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.502	1.507	1.424	1.484	1.472	-0.135	
Days Supply	62	70	59	73	67	-12 days	
Total Truck	2.411	2.432	2.345	2.406	2.394	0.142	
Days Supply	80	86	72	101	86	7 days	

## Motor Vehicle Industry Production

- At 200,023 units, January 2005 Michigan light vehicle production fell 0.9 percent from a year ago, compared with a 1.7 percent decline nationally.
- Compared with a year ago, state car production fell 9.3 percent while state truck production rose 12.5 percent. Nationally, car production rose 3.7 percent while truck production decreased 4.6 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 1.7 percent from a year ago, compared with essentially flat sales nationally.

### Trend Light Vehicle Production Down in Michigan Essentially Flat Nationally



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 Average	Nov 2004	Dec 2004	Jan 2005	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	353.8	324.7	307.3	346.4	326.2	12.5	3.7%
Trucks	647.8	627.6	578.2	594.5	600.1	(28.6)	-4.6%
Total	1,001.5	952.3	885.5	940.9	926.2	(16.1)	-1.7%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	104.8	85.4	96.9	95.4	92.6	(9.7)	-9.3%
Trucks	111.5	121.5	112.9	104.6	113.0	11.6	12.5%
Total	216.4	206.9	209.8	200.0	205.6	1.9	0.9%
Michigan as % of U.S.	21.6%	21.7%	23.7%	21.3%	22.2%	0.6% pts	

## January 2005 Unemployment Rates Rose in Nine Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, January 2005 unemployment rates rose in nine major labor market areas and fell in the other eight labor market areas. (Beginning with the January 2005 release, the Michigan Department of Labor and Economic Growth in conjunction with the Bureau of Labor Statistics has redefined local labor market area designations, dividing the state now into 17 areas.) The median unemployment rate increase was 0.3 percentage points; the median rate decline was 0.4 percentage points.

Compared to a year ago, the Ann Arbor and Detroit-Warren-Livonia areas reported the largest unemployment rate increase (0.6 percentage points). The Lansing-East Lansing MSA and Monroe MSA reported the second largest increase (0.5 percentage points). The Muskegon-Norton Shores MSA recorded the largest rate decline (1.0 percentage point), followed by the Jackson MSA and Niles-Benton Harbor MSA (0.5 percentage points).

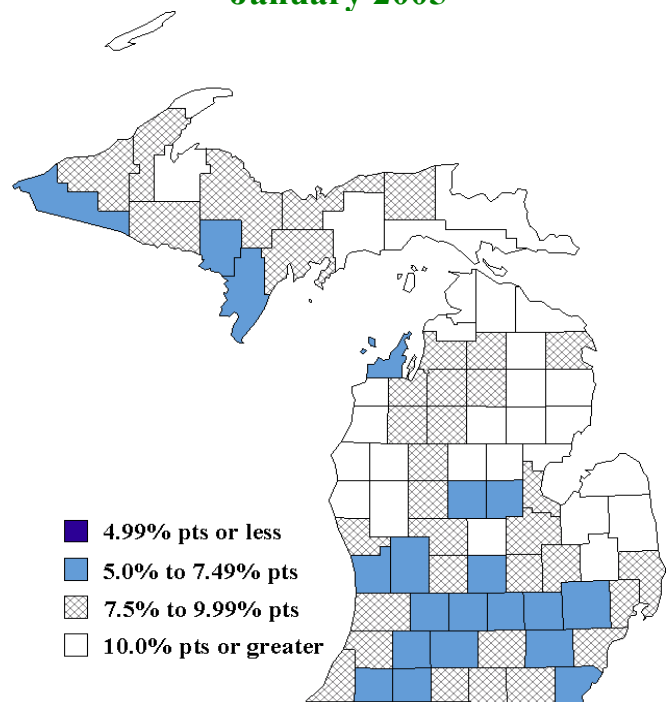
January 2005 unemployment rates ranged between 5.0 percent (Ann Arbor) and 11.8 percent (Northeast Lower Michigan). Compared to December unemployment rates, all areas reported higher non-seasonally adjusted unemployment rates. Increases ranged between 0.4 of a percentage point and 1.6 percentage points.

Compared to January 2004, unemployment rates increased in 51 counties, declined in 31 counties and remained the same in one county.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Jan 2004 Rate</u>	<u>Dec 2004 Rate</u>	<u>Jan 2005 Rate</u>
Michigan	7.7%	7.1%	7.9%
Ann Arbor	4.4%	4.5%	5.0%
Battle Creek	7.3%	6.5%	7.2%
Bay City	8.5%	7.5%	8.8%
Detroit-Warren-Livonia	7.3%	7.0%	7.9%
Flint	9.4%	8.0%	9.1%
Grand Rapids-Wyoming	7.8%	6.8%	7.4%
Holland-Grand Haven	6.4%	5.8%	6.3%
Jackson	8.3%	7.0%	7.8%
Kalamazoo-Portage	6.5%	6.3%	6.7%
Lansing-East Lansing	6.2%	6.0%	6.7%
Monroe	6.7%	6.1%	7.2%
Muskegon-Norton Shores	9.1%	7.5%	8.1%
Niles-Benton Harbor	9.0%	7.8%	8.5%
Saginaw-Saginaw Township	9.5%	8.3%	9.6%
Upper Peninsula	8.9%	8.1%	9.1%
Northeast Lower Mich	12.2%	10.2%	11.8%
Northwest Lower Mich.	9.2%	8.3%	9.3%

### Unemployment Rates January 2005



Source: Michigan Department of Labor and Economic Growth

## U.S. Economic Conditions

	<u>Oct-04</u>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	91.7	92.8	97.1	95.5	2.9 points
ISM Manufacturing Index <sup>(i)</sup>	57.5	57.6	57.3	56.4	-5.7 points
ISM Non Manufacturing Index <sup>(i)</sup>	61.5	61.9	63.9	59.2	0.3 points
	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	
Business Executives' Confidence <sup>(i)</sup>	73.0	70.0	63.0	61.0	-5.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Oct-04</u>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	190.9	191.0	190.3	190.7	3.5%
Detroit CPI	187.6	NA	185.3	NA	2.2%
U.S. Producer Price Index	151.9	151.7	150.4	151.5	4.8%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	1.75%	2.06%	2.20%	2.32%	1.43% points
Aaa Corporate Bonds <sup>(m)</sup>	5.47%	5.52%	5.47%	5.36%	-0.26% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	116.6	116.8	117.6	117.7	4.2%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	78.5%	78.6%	79.1%	79.0%	2.2% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$345.0	\$344.9	\$348.8	\$347.7	7.2%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Oct-04</u>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	2.065	1.805	2.063	2.159	11.6%
Existing Home Sales <sup>(p)</sup>	6.840	6.980	6.810	6.800	13.7%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$195.5	\$199.4	\$202.5	\$199.9	8.4%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>% Change From Year Ago</u>
Michigan	\$322.6	\$318.8	\$325.3	\$326.2	3.3%
U.S.	\$9,317.3	\$9,442.7	\$9,590.9	\$9,670.6	5.2%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,697.5	\$10,784.7	\$10,891.0	\$10,993.3	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.