



MICHIGAN ECONOMIC UPDATE

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

April 2005 Summary

U.S. Economy: In April, U.S. economic indicators were mixed. While still signaling growth, the manufacturing ISM index fell for the fifth straight month to its lowest level since July 2003. The ISM non-manufacturing index fell but remained at strong levels. The index of leading indicators fell for the fourth straight month. Consumer sentiment also fell for the fourth straight month to its lowest level in two years. Industrial production fell slightly after rising slightly in March. Retail sales posted strong monthly and year ago increases. Housing starts rebounded above a 2.0 million unit rate. Existing home sales rose to a new record. Durable goods orders also rose 1.9 percent led by strong aircraft orders. First quarter real GDP growth was revised upward to 3.5 percent, but was still down from 3.8 percent in the prior quarter.

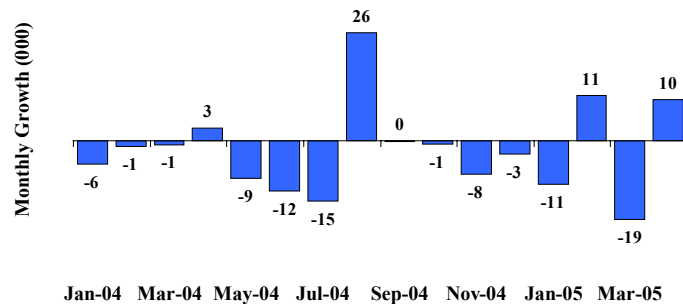
Employment: In April, Michigan's wage and salary employment rose by 10,000 jobs led by a 7,000 jobs increase in leisure and hospitality. With increases in the labor force outpacing employment increases, Michigan's unemployment rate rose 0.1 of a percentage point to 7.0 percent. Nationally, payroll employment rose by 274,000 jobs. The average workweek rose 0.2 hours by 33.9 hours. The U.S. unemployment rate remained unchanged at 5.2 percent.

Auto Industry: April light vehicle sales rose to a 17.4 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production fell 6.1 percent compared with a 3.9 percent decline nationally. Light vehicle inventories were down 7.3 percent from a year ago; days supply decreased by 7 days to 71 days.

Inflation: In April, the U.S. consumer price index rose 3.5 percent from a year ago; the Detroit CPI rose 2.8 percent. U.S. producer prices rose by 4.8 percent.

Michigan Metro Areas: From a year ago, the April unemployment rate fell in 11 of Michigan's 17 labor market areas, rose in five and remained unchanged in one area. The Detroit-Warren-Livonia labor market reported a 1.1 percentage point increase (the largest year ago increase).

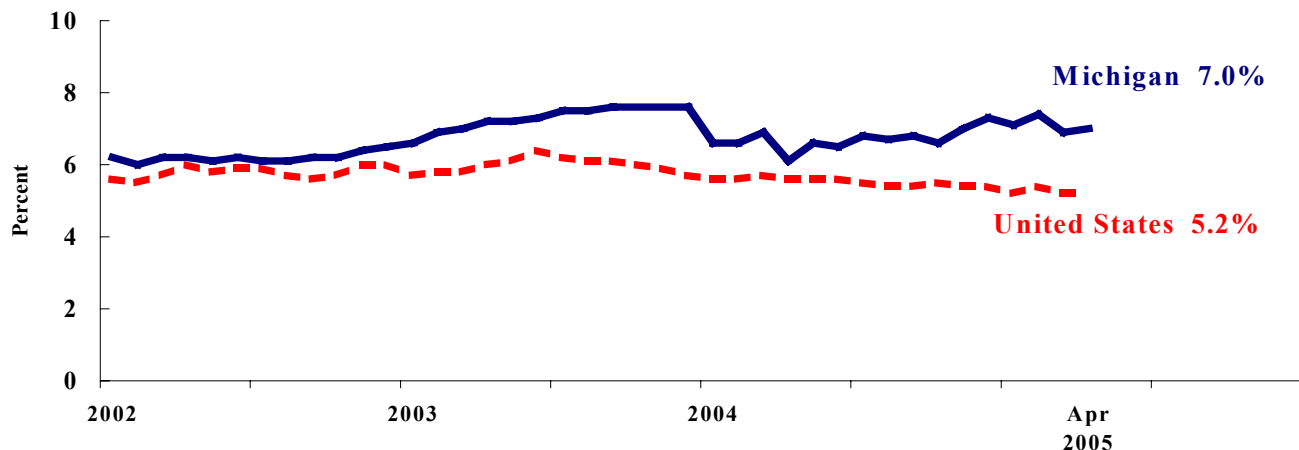
**Michigan Employment Rises
 In April (a)**



Labor Market Statistics

- Michigan's April monthly unemployment rate increased 0.1 percentage points to 7.0 percent and the current Michigan jobless rate is 0.3 percentage points above a year ago. The April U.S. unemployment rate remained unchanged at 5.2 percent and was 0.4 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 4,780,000 in April, up 34,000 from last month, while the labor force increased by 42,000. Therefore, the statewide total number of unemployed rose by 7,000 to 361,000.
- United States household employment totaled 141.1 million persons in April, up 598,000 from March. The labor force rose by 605,000 from last month, which meant that there were 7,000 more unemployed people nationally, compared to March.

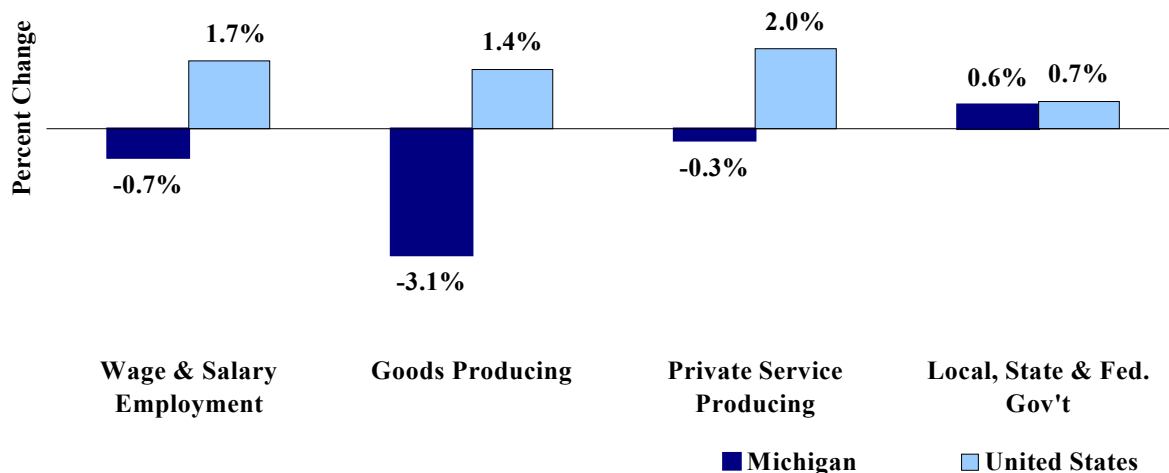
Employment by Place of Residence (in thousands)^(a)

	2004 Average	Feb 2005	Mar 2005	Apr 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,079	5,111	5,099	5,141	42	0.8%	79	1.6%
Employed	4,719	4,730	4,746	4,780	34	0.7%	55	1.2%
Unemployed	360	381	354	361	7	2.0%	24	7.1%
Unemployment Rate	7.1%	7.4%	6.9%	7.0%	n.a.	0.1% pts	n.a.	0.3%
United States								
Labor Force	147,401	148,132	148,157	148,762	605	0.4%	2,021	1.4%
Employed	139,252	140,144	140,501	141,099	598	0.4%	2,523	1.8%
Unemployed	8,149	7,988	7,656	7,663	7	0.1%	-501	-6.1%
Unemployment Rate	5.5%	5.4%	5.2%	5.2%	n.a.	0.0% pts	n.a.	-0.4%

Employment by Place of Work

- From April 2004 to April 2005, Michigan wage and salary employment declined 31,000 (0.7 percent). State wage and salary employment increased 10,000 from March. Nationally, April 2005 wage and salary employment rose 2,170,000 (1.7 percent) from a year ago and was up 274,000 from last month.

Wage and Salary Employment Growth April 2004 to April 2005



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

- In the goods producing sector, Michigan employment fell 3.1 percent from a year ago and private service-producing sector employment decreased 0.3 percent compared to last year. From a year ago, April national employment in the goods-producing sector rose 1.4 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 0.9 hours compared to last year.

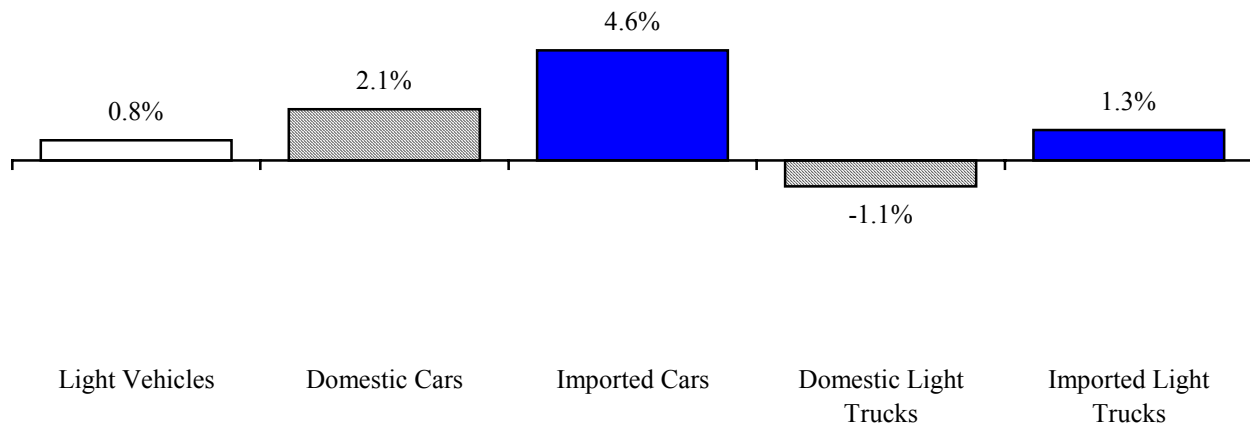
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2004 Average	Apr 2004	Apr 2005	Percent Change	2004 Average	Apr 2004	Apr 2005	Percent Change
Wage & Salary Employment	4,391	4,409	4,378	-0.7%	131,481	131,123	133,293	1.7%
Goods Producing	894	905	877	-3.1%	21,885	21,825	22,140	1.4%
Manufacturing	696	704	678	-3.7%	14,329	14,323	14,308	-0.1%
Private Service Producing	2,815	2,822	2,814	-0.3%	87,978	87,691	89,403	2.0%
Trade, Trans. & Utilities	810	813	814	0.1%	25,511	25,481	25,774	1.1%
Services	1,719	1,723	1,717	-0.3%	51,278	51,047	52,294	2.4%
Local, State & Fed. Gov't	682	683	687	0.6%	21,619	21,607	21,750	0.7%
Manufacturing Weekly Hours	42.4	42.3	41.4	-0.9 hrs	40.8	40.8	40.5	-0.3 hrs

Motor Vehicle Industry Sales

- At a 17.4 million unit annual rate, April 2005 light vehicle sales were up 3.6 percent from March and up 5.0 percent from a year ago.
- Compared to a year ago, domestic sales were up 4.2 percent while foreign sales rose at nearly twice that rate (8.1 percent). Auto sales rose 9.6 percent while light truck sales rose 1.3 percent. Light vehicle inventories fell 7.3 percent while days supply declined by 7 days to 71 days.
- Year to date, imported car sales were up 4.6 percent while domestic car sales were up 2.1 percent. Domestic light truck sales were down 1.1 percent while imported light truck sales were up 1.3 percent.

Year to Date Light Vehicle Sales Up Slightly From Year Ago



Motor Vehicle Sales Statistics

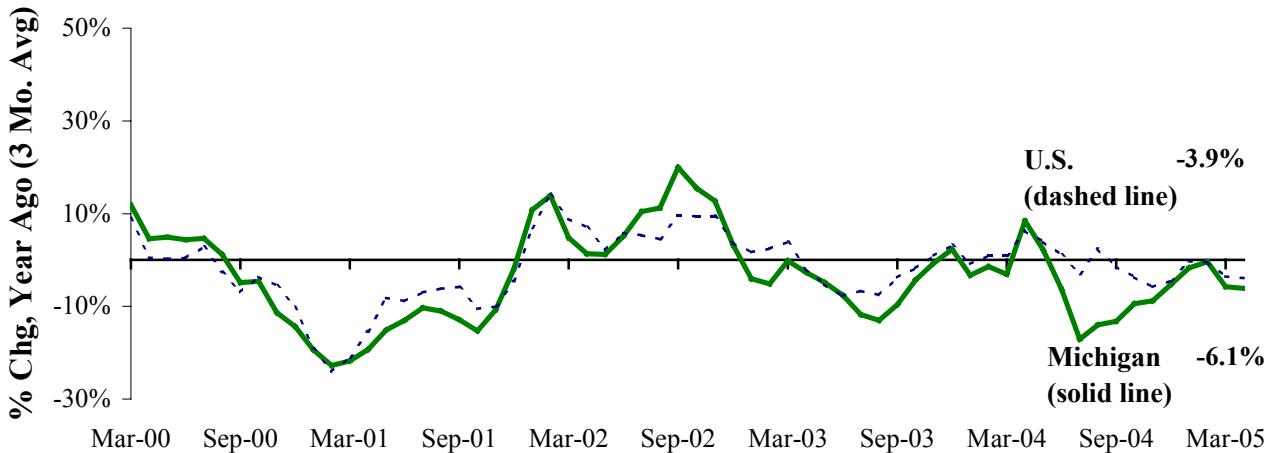
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2004	Feb	Mar	Apr	3 Month	Change from	
	Average	2005	2005	2005	Average	Level	%
Autos	7.5	7.4	7.7	8.2	7.7	0.7	9.6%
Domestics	5.3	5.3	5.5	5.8	5.5	0.5	10.3%
Imports	2.2	2.1	2.2	2.3	2.2	0.2	7.8%
Import Share	28.7%	28.7%	28.3%	28.7%	28.6%	-0.5% pts	
Light Trucks	9.3	8.9	9.1	9.2	9.1	0.1	1.3%
Domestics	8.1	7.6	7.9	8.0	7.8	0.0	0.2%
Imports	1.2	1.2	1.2	1.3	1.2	0.1	8.7%
Import Share	13.3%	14.0%	13.2%	13.7%	13.6%	0.9% pts	
Total Light Vehicles	16.8	16.3	16.8	17.4	16.8	0.8	5.0%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	23.6%
Total Vehicles	17.3	16.8	17.3	17.9	17.3	0.9	5.4%
U.S. Light Vehicle Inventories^(d)		Feb-05	Mar-05	Apr-05	3 Month	Change	
Total Car	1.502	1.530	1.501	1.420	1.484	-0.248	
Days Supply	62	64	56	54	58	-13 days	
Total Truck	2.411	2.523	2.508	2.538	2.523	-0.063	
Days Supply	80	89	79	87	85	0 days	

Motor Vehicle Industry Production

- At 248,780 units, April 2005 Michigan light vehicle production fell 1.5 percent from a year ago, compared with a 3.1 percent decline nationally.
- Compared with a year ago, state car production fell 3.7 percent while state truck production rose 0.7 percent. Nationally, car production declined 3.4 percent while truck production fell 2.9 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 6.1 percent from a year ago, compared to a 3.9 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	Feb 2005	Mar 2005	Apr 2005	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	353.8	376.4	389.5	379.4	381.8	(13.5)	-3.4%
Trucks	647.8	675.0	704.7	673.9	684.5	(20.0)	-2.9%
Total	1,001.5	1,051.3	1,094.2	1,053.4	1,066.3	(33.5)	-3.1%
Michigan Production ^(f)							
Autos	104.8	112.5	103.5	121.9	112.6	(4.7)	-3.7%
Trucks	111.5	123.8	130.0	126.9	126.9	0.9	0.7%
Total	216.4	236.3	233.5	248.8	239.5	(3.8)	-1.5%
Michigan as % of U.S.	21.6%	22.5%	21.3%	23.6%	22.5%	0.4% pts	

April 2005 Unemployment Rates Fell in Eleven Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, April 2005 unemployment rates fell in 11 major labor market areas, rose in five areas and was unchanged in one area. The median unemployment rate change was a 0.3 percentage point decline.

Compared to a year ago, the Grand Rapids-Wyoming and Jackson areas reported the largest unemployment rate decline (0.7 percentage points), followed by Niles-Benton and Saginaw-Saginaw Township (0.6 percentage points). The unemployment rate increased 1.1 percentage points in the Detroit-Warren-Livonia MSA (the largest increase). Sixteen areas reported employment gains; the median increase was 2.9 percent. The Detroit MSA reported the only employment loss (1.5 percent).

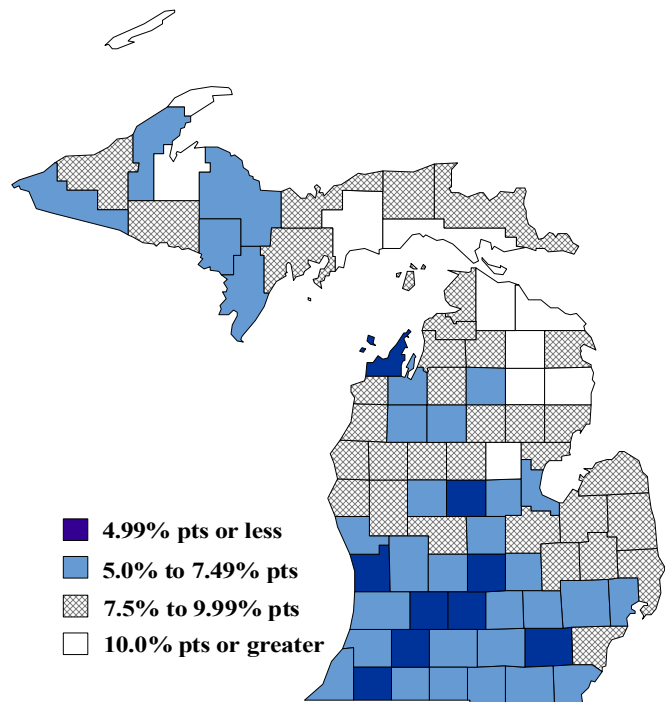
April 2005 unemployment rates ranged between 4.1 percent (Ann Arbor) and 9.2 percent (Northeast Lower Michigan). Compared to March unemployment rates, all areas reported lower non-seasonally adjusted unemployment rates. Declines ranged between 0.5 percentage points and 2.0 percentage points.

Compared to April 2004, unemployment rates declined in 45 counties, increased in 33 counties and remained the same in five counties.

Local Area Unemployment Rates^(g)

Local Area	April 2004 Rate	Mar 2005 Rate	Apr 2005 Rate
Michigan	6.3%	7.6%	6.6%
Ann Arbor	3.7%	4.6%	4.1%
Battle Creek	6.1%	6.6%	5.8%
Bay City	7.1%	8.1%	7.1%
Detroit-Warren-Livonia	6.0%	7.9%	7.1%
Flint	7.5%	8.7%	7.6%
Grand Rapids-Wyoming	6.4%	6.6%	5.7%
Holland-Grand Haven	5.0%	5.7%	4.8%
Jackson	6.7%	7.0%	6.0%
Kalamazoo-Portage	5.5%	6.1%	5.2%
Lansing-East Lansing	5.0%	6.1%	5.2%
Monroe	5.5%	6.3%	5.6%
Muskegon-Norton Shores	7.2%	7.5%	6.7%
Niles-Benton Harbor	7.0%	7.5%	6.4%
Saginaw-Saginaw Township	8.2%	8.7%	7.6%
Upper Peninsula	7.8%	8.5%	7.6%
Northeast Lower Mich	9.6%	11.2%	9.2%
Northwest Lower Mich.	7.5%	8.7%	7.1%

Unemployment Rates April 2005

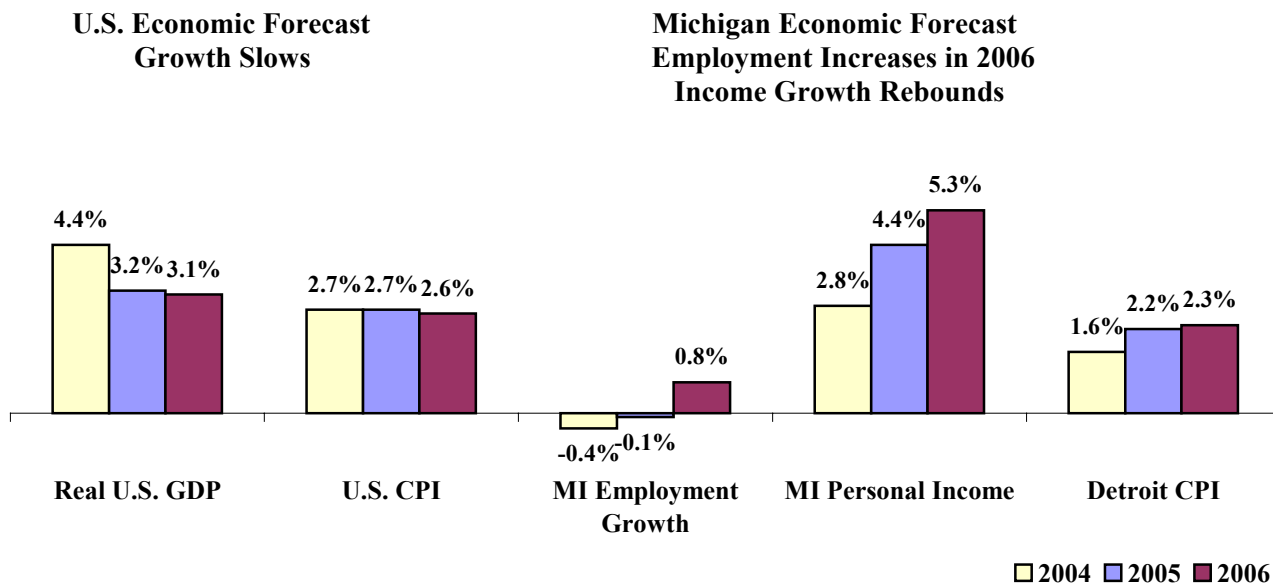


Source: Michigan Department of Labor and Economic Growth

Michigan Consensus Conference Economic Forecast U.S. Growth Slower, Michigan Recovers in 2006

At the Consensus Revenue Estimating Conference held May 19, 2005, the Michigan Department of Treasury, House Fiscal Agency (HFA) and Senate Fiscal Agency (SFA) agreed on economic forecasts for 2005 and 2006. The May 2005 Executive Summary is posted on the Michigan Department of Treasury’s Web site at <http://www.michigan.gov/treasury>.

- After rising 4.4 percent in 2004, real GDP growth is forecast to slow to 3.2 percent and 3.1 percent in 2005 and 2006 respectively.
- The U.S. unemployment rate is forecast to average 5.3 percent in both 2005 and 2006. Inflation is expected to remain at moderate levels, increasing 2.7 percent in 2005 and 2.6 percent in 2006.
- Light vehicle sales are forecast to average 16.7 million units in both 2005 and 2006.
- Michigan wage and salary employment is projected to decline slightly (-0.1 percent) in 2005, which would mark the fifth straight year of decline. In 2006, wage and salary employment is forecast to grow 0.8 percent. Michigan’s unemployment rate is projected to average 7.4 percent in 2005 and 7.2 percent in 2006.
- Michigan’s personal income growth is projected to rise to 4.4 percent in 2005 and then increase to 5.3 percent growth in 2006. The Detroit CPI is forecast to rise 2.2 percent in 2005 and 2.3 percent in 2006. Thus real (inflation adjusted) personal income is forecast to increase 2.4 percent in 2005 and then increase 2.9 percent in 2006.



Source: May 19, 2005 Consensus Revenue Estimating Conference

U.S. Economic Conditions

	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	95.5	94.1	92.6	87.7	-6.5 points
ISM Manufacturing Index ⁽ⁱ⁾	56.4	55.3	55.2	53.3	-9.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.2	59.8	63.1	61.7	-5.2 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>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	190.7	191.8	193.3	194.6	3.5%
Detroit CPI	NA	187.8	NA	189.8	2.8%
U.S. Producer Price Index	151.5	152.2	153.5	154.4	4.8%
INTEREST RATES					
90 Day T-Bill ^(l)	2.32%	2.53%	2.75%	2.79%	1.85% points
Aaa Corporate Bonds ^(m)	5.36%	5.20%	5.40%	5.33%	-0.40% points
INDUSTRIAL PRODUCTION ^(m)	117.8	118.3	118.5	118.3	3.1%
CAPACITY UTILIZATION ^(m)	79.1%	79.4%	79.4%	79.2%	1.4% points
RETAIL SALES ⁽ⁿ⁾	\$336.8	\$339.0	\$340.2	\$344.9	8.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.188	2.228	1.836	2.038	3.6%
Existing Home Sales ^(p)	6.820	6.820	6.870	7.180	5.7%
DURABLE GOODS ORDERS ^(q)	\$200.0	\$199.8	\$196.6	\$200.3	4.3%
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	\$11,088.8	3.5%

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.