



# MICHIGAN ECONOMIC UPDATE

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

## July 2005 Summary

**U.S. Economy:** In July, U.S. economic indicators pointed to continued growth. The manufacturing ISM index increased substantially for the second straight month; the non-manufacturing index remained above 60. The index of leading economic indicators reported a slight increase from last month following a sizeable increase in June. Similarly, consumer sentiment rose slightly following a large increase in June as did industrial production. Led by surging vehicle sales, retail sales reported their second straight sharp increase. For the first time in 27 years, housing starts remained above a 2.0 million unit annual rate four straight months. Existing home sales remained above a 7.0 million unit rate for the fourth straight month.

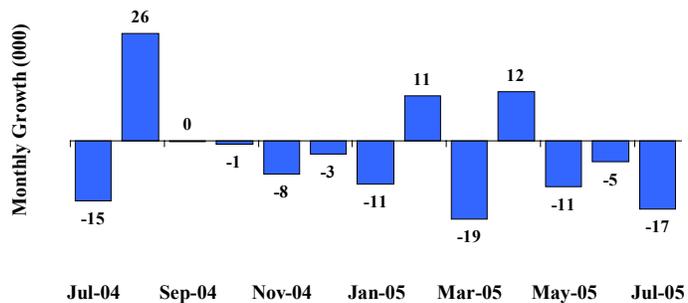
**Employment:** In July, Michigan's wage and salary employment fell by 16,600 jobs led by declines in manufacturing, government and trade, transportation and utilities. Michigan's unemployment rate rose to 7.0 percent, matching the year-to-date average. Nationally, payroll employment rose by 207,000 jobs. The U.S. unemployment rate remained unchanged at 5.0 percent.

**Auto Industry:** July light vehicle sales rose to a 20.7 million unit annual rate, the third highest monthly sales rate on record. Compared to a year ago, the three-month average of state vehicle production rose 3.2 percent compared with a 0.7 percent increase nationally. Light vehicle inventories were down 21.4 percent from a year ago; days supply decreased by 22 days to 41 days.

**Inflation:** In July, the U.S. consumer price index rose 3.2 percent from a year ago. The core CPI, excluding food and energy prices, rose 2.1 percent. U.S. producer prices rose by 4.6 percent. In July, oil prices averaged \$59 a barrel, up 44.3 percent from a year ago.

**Michigan Metro Areas:** From a year ago, the July unemployment rate fell in 15 of Michigan's 17 labor market areas, rose in one and remained unchanged in one. Fifteen of the 17 areas reported employment increases from a year ago, with a median increase of 2.1 percent.

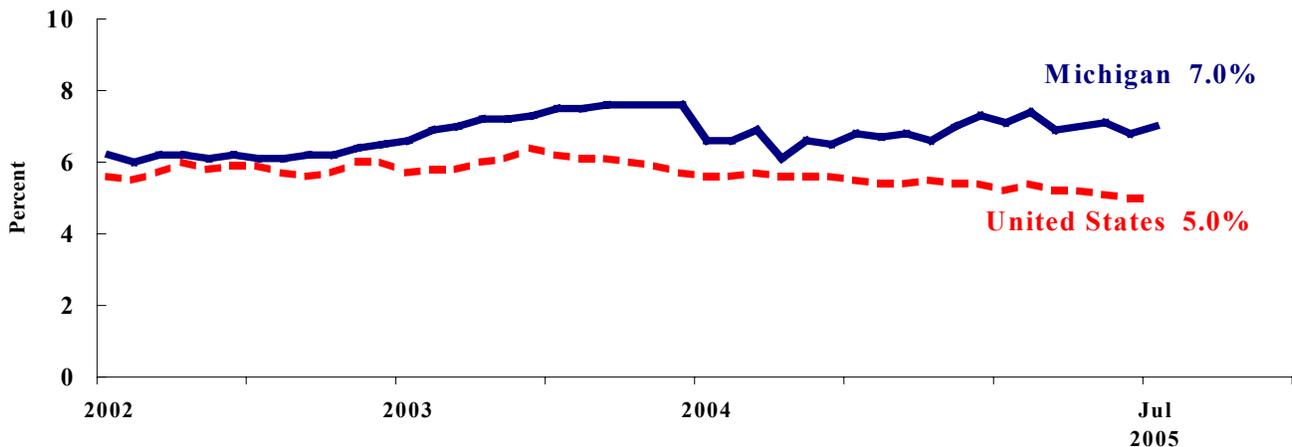
**Michigan Employment Decreases  
In July<sup>(a)</sup>**



## Labor Market Statistics

- Michigan's July monthly unemployment rate increased 0.2 percentage points to 7.0 percent from June but the current Michigan jobless rate is 0.1 percentage points below a year ago. The July U.S. unemployment rate remained unchanged at 5.0 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 July, the number of people employed in Michigan was 4,746,000, up 4,000 from last month, while the labor force increased by 15,000. The statewide total number of unemployed increased by 11,000 to 356,000.
- United States household employment totaled 142.1 million persons in July, up 438,000 from June. The labor force rose by 450,000 from last month, which meant that there were 11,000 more unemployed people nationally, compared to June.

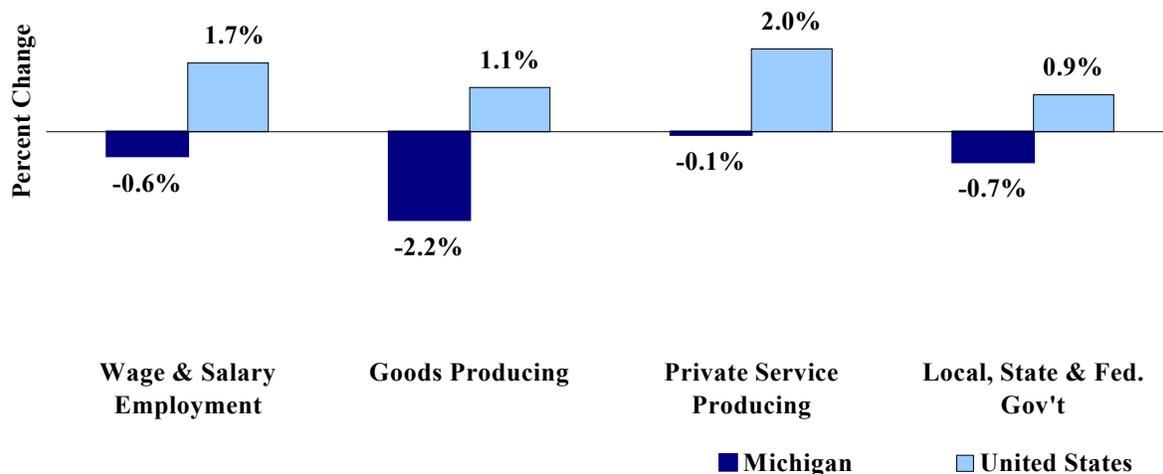
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2004 Average	May 2005	Jun 2005	Jul 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	5,079	5,129	5,087	5,102	15	0.3%	21	0.4%
Employed	4,719	4,766	4,742	4,746	4	0.1%	27	0.6%
Unemployed	360	363	345	356	11	3.2%	-6	-1.7%
Unemployment Rate	7.1%	7.1%	6.8%	7.0%	n.a.	0.2% pts	n.a.	-0.1%
<b>United States</b>								
Labor Force	147,401	149,122	149,123	149,573	450	0.3%	1,717	1.2%
Employed	139,252	141,475	141,638	142,076	438	0.3%	2,416	1.7%
Unemployed	8,149	7,647	7,486	7,497	11	0.1%	-699	-8.5%
Unemployment Rate	5.5%	5.1%	5.0%	5.0%	n.a.	0.0% pts	n.a.	-0.5%

## Employment by Place of Work

- From July 2004 to July 2005, Michigan wage and salary employment declined 26,000 (0.6 percent). State wage and salary employment decreased 17,000 from June. Nationally, July 2005 wage and salary employment rose 2,224,000 (1.7 percent) from a year ago and was up 207,000 from last month.

### Wage and Salary Employment Growth July 2004 to July 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 0.1 percent compared to last year. From a year ago, July national employment in the goods-producing sector rose 1.1 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours rose in Michigan by 0.2 hours compared to last year.

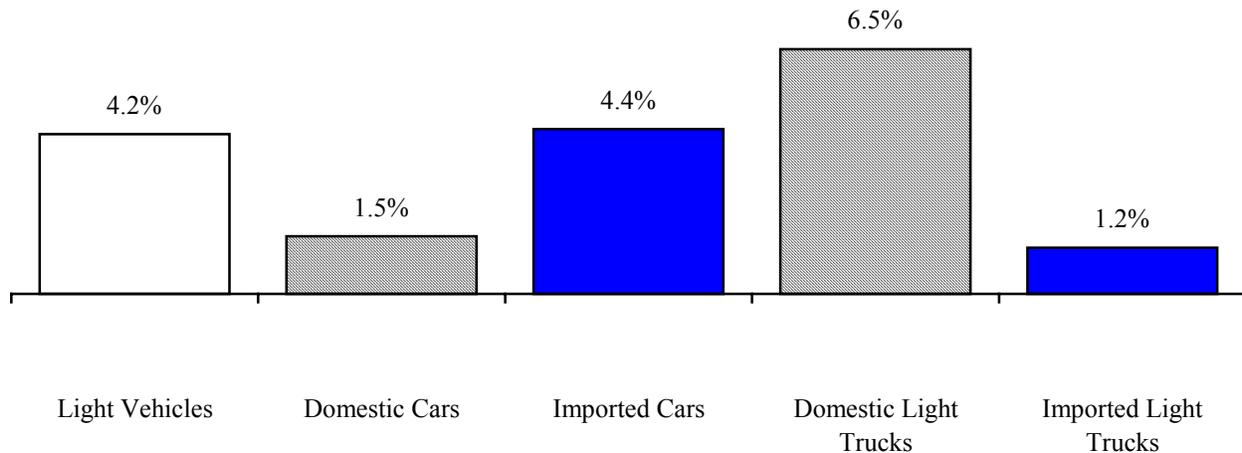
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2004 Average	Jul 2004	Jul 2005	Percent Change	2004 Average	Jul 2004	Jul 2005	Percent Change
Wage & Salary Employment	4,391	4,373	4,347	-0.6%	131,481	131,562	133,786	1.7%
Goods Producing	894	876	857	-2.2%	21,885	21,902	22,140	1.1%
Manufacturing	696	676	661	-2.2%	14,329	14,341	14,276	-0.5%
Private Service Producing	2,815	2,824	2,822	-0.1%	87,978	88,074	89,864	2.0%
Trade, Trans. & Utilities	810	812	808	-0.5%	25,511	25,536	25,916	1.5%
Services	1,719	1,725	1,730	0.3%	51,278	51,351	52,571	2.4%
Local, State & Fed. Gov't	682	675	670	-0.7%	21,619	21,586	21,782	0.9%
Manufacturing Weekly Hours	42.4	42.1	42.3	0.2 hrs	40.8	40.8	40.4	-0.4 hrs

## Motor Vehicle Industry Sales

- At a 20.7 million unit annual rate, July 2005 light vehicle sales were up 16.0 percent from June and up 20.9 percent from a year ago. Employee pricing for everyone promotions were responsible for the steep increase in sales. July's 20.7 million unit sales rate was the third highest on record.
- Compared to a year ago, domestic sales were up 23.6 percent while foreign sales increased 9.9 percent. Auto sales rose 7.9 percent while light truck sales rose 31.0 percent. Light vehicle inventories fell 21.4 percent while days supply declined by 22 days to 41 days.
- Year to date, domestic light truck sales increased 6.5 percent while imported light truck sales were up 1.2 percent. Imported car sales were up 4.4 percent while domestic car sales were up 1.5 percent. Overall, light vehicle sales are up 4.2 percentage through July.

### Year to Date Light Vehicle Sales Up From Year Ago



## Motor Vehicle Sales Statistics

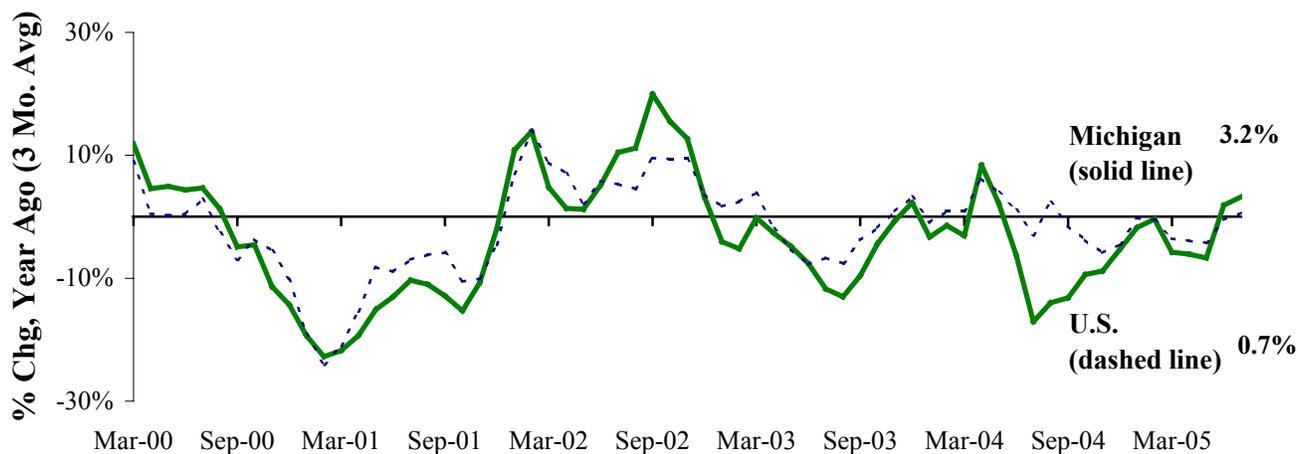
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2004 Average	May 2005	Jun 2005	Jul 2005	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	7.5	7.5	8.1	7.7	0.6	7.9%
Domestics	5.3	5.3	5.2	5.7	5.4	0.3	5.9%
Imports	2.2	2.2	2.2	2.4	2.3	0.3	12.9%
Import Share	28.7%	29.3%	29.7%	29.2%	29.4%	1.3% pts	
Light Trucks	9.3	9.1	10.3	12.6	10.7	3.0	31.0%
Domestics	8.1	7.9	9.1	11.3	9.4	2.9	35.0%
Imports	1.2	1.2	1.3	1.3	1.3	0.1	5.0%
Import Share	13.3%	13.5%	12.2%	10.6%	11.9%	-2.6% pts	
Total Light Vehicles	16.8	16.6	17.8	20.7	18.4	3.6	20.9%
Heavy Trucks	0.4	0.5	0.5	n.a.	0.5	n.a.	n.a.
Total Vehicles	17.3	17.1	18.3	n.a.	17.7	n.a.	n.a.
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Apr-05</b>	<b>May-05</b>	<b>Jun-05</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.502	1.419	1.327	1.331	1.359	-0.207	
Days Supply	62	54	46	49	50	-8 days	
Total Truck	2.411	2.538	2.467	2.380	2.462	-0.242	
Days Supply	80	87	74	64	75	-21 days	

## Motor Vehicle Industry Production

- At 101,676 units, July 2005 Michigan light vehicle production rose 0.7 percent from a year ago, compared with a 0.1 percent decrease nationally. As a result, Michigan's share of national production rose 0.1 percentage points to 16.0 percent. Year-to-date both Michigan and U.S. production are down 1.8 percent compared with a year ago.
- Compared with a year ago, state car production decreased 12.3 percent while state truck production rose 12.0 percent. Nationally, car production declined 1.0 percent while truck production increased 0.5 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 up 3.2 percent from a year ago, compared to a 0.7 percent increase nationally.

### Trend Michigan and National Light Vehicle Production Up from a Year Ago



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 <u>Average</u>	May <u>2005</u>	Jun <u>2005</u>	Jul <u>2005</u>	3 Month <u>Average</u>	Change from Year Ago for the Month	
						<u>Level</u>	<u>%</u>
<b>U.S. Production <sup>(e)</sup></b>							
Autos	353.8	366.7	393.0	234.9	331.5	(2.4)	-1.0%
Trucks	647.8	662.2	673.6	400.5	578.8	1.8	0.5%
Total	1,001.5	1,028.8	1,066.6	635.4	910.3	(0.6)	-0.1%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	104.8	97.6	117.2	41.3	85.4	(5.8)	-12.3%
Trucks	111.5	116.4	114.7	60.4	97.2	6.5	12.0%
Total	216.4	214.0	231.9	101.7	182.5	0.7	0.7%
Michigan as % of U.S.	21.6%	20.8%	21.7%	16.0%	20.1%	0.1% pts	

## July 2005 Unemployment Rates Fell in Fifteen Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, July 2005 unemployment rates fell in 15 major labor market areas. The median unemployment rate decline was a 0.7 percentage points. The unemployment rate rose in one area and was unchanged in one area.

Compared to a year ago, the Saginaw MSA reported a 1.3 percentage point decline, the largest decline among the state's 17 major labor market areas. The Grand Rapids MSA reported the second largest decline (1.2 percentage points), followed by the Jackson MSA (1.1 percentage points). Altogether, eleven labor market areas reported an unemployment rate decline greater than 0.5 percentage points. The Detroit MSA reported the only unemployment rate increase from a year ago (0.2 percentage points). The Monroe MSA unemployment rate was unchanged from a year ago. From July 2004 to July 2005, employment increased in 15 of the state's 17 major labor market areas. The median employment increase was 2.1 percent. Eight areas reported employment increases greater than 2.0 percent. Employment declined in the Bay City and Detroit MSAs.

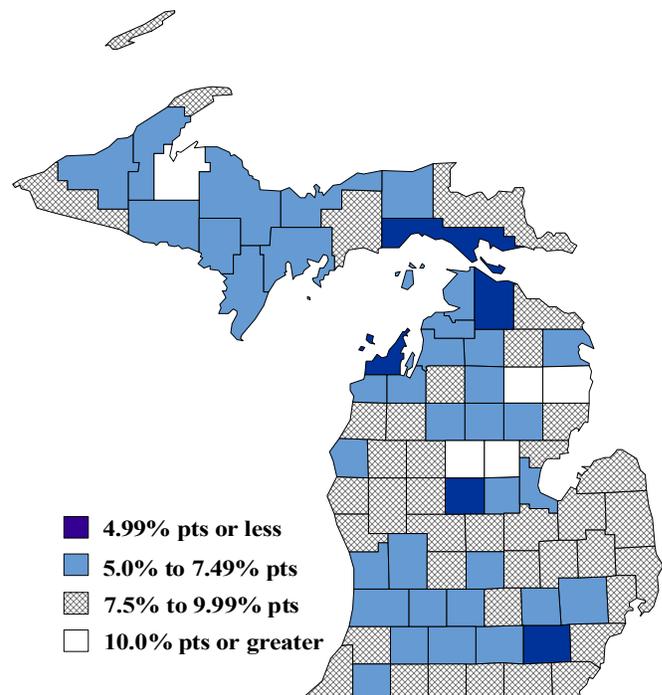
July 2005 unemployment rates ranged between 4.8 percent (Ann Arbor) and 9.5 percent (Flint MSA). Compared to June unemployment rates, 16 areas reported higher non-seasonally adjusted unemployment rates. The median increase was 0.7 percentage points.

Compared to July 2004, unemployment rates declined in 66 counties, increased in 15 counties and remained the same in two counties.

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

<u>Local Area</u>	<u>July 2004 Rate</u>	<u>June 2005 Rate</u>	<u>July 2005 Rate</u>
Michigan	7.9%	6.9%	7.6%
Ann Arbor	5.0%	4.4%	4.8%
Battle Creek	8.0%	6.5%	7.4%
Bay City	8.1%	6.8%	7.3%
Detroit-Warren-Livonia	7.9%	7.7%	8.1%
Flint	10.0%	7.8%	9.5%
Grand Rapids-Wyoming	8.0%	6.2%	6.8%
Holland-Grand Haven	6.4%	5.3%	5.9%
Jackson	8.5%	6.6%	7.4%
Kalamazoo-Portage	7.0%	5.7%	6.3%
Lansing-East Lansing	7.1%	6.3%	7.0%
Monroe	7.7%	5.9%	7.7%
Muskegon-Norton Shores	8.9%	6.9%	8.0%
Niles-Benton Harbor	8.8%	7.0%	7.8%
Saginaw-Saginaw Township	9.9%	7.9%	8.6%
Upper Peninsula	6.8%	6.3%	6.2%
Northeast Lower Mich	8.2%	6.8%	7.4%
Northwest Lower Mich.	6.8%	5.8%	6.2%

### Unemployment Rates July 2005

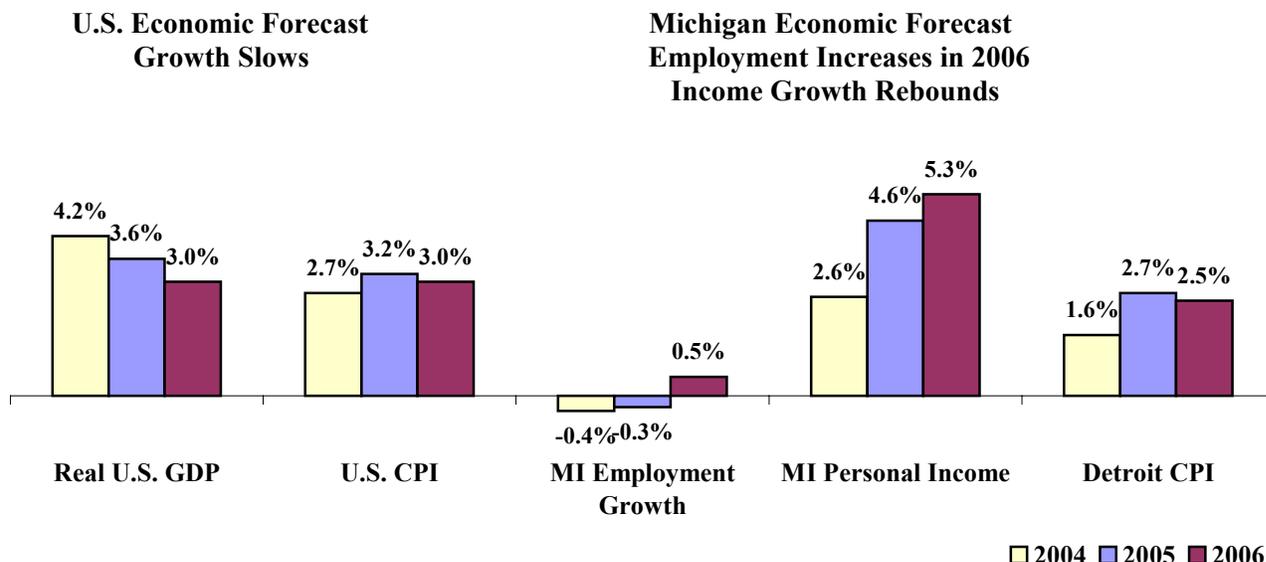


Source: Michigan Department of Labor and Economic Growth

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

At the special Consensus Revenue Estimating Conference held August 17, 2005, the Michigan Department of Treasury, House Fiscal Agency (HFA) and Senate Fiscal Agency (SFA) agreed on economic forecasts for 2005 and 2006. The August 2005 Executive Summary is posted on the Michigan Department of Treasury’s Web site at <http://www.michigan.gov/treasury>.

- After rising 4.2 percent in 2004, real GDP growth is forecast to slow to 3.6 percent and 3.0 percent in 2005 and 2006 respectively.
- The U.S. unemployment rate is forecast to average 5.1 percent in both 2005 and 2006. Inflation is expected to remain at moderate levels, increasing 3.2 percent in 2005 and 3.0 percent in 2006.
- Light vehicle sales are forecast to average 17.0 million units in 2005 and 16.8 million units in 2006.
- Michigan wage and salary employment is projected to decline 0.3 percent in 2005. In 2006, wage and salary employment is forecast to grow 0.5 percent. Michigan’s unemployment rate is projected to average 7.2 percent in 2005 and 7.4 percent in 2006.
- Michigan’s personal income growth is projected to rise to 4.6 percent in 2005 and then increase to 5.3 percent growth in 2006. The Detroit CPI is forecast to rise 2.7 percent in 2005 and 2.5 percent in 2006. Thus real (inflation adjusted) personal income is forecast to increase 2.0 percent in 2005 and then increase 2.7 percent in 2006.



Source: August 17, 2005 Consensus Revenue Estimating Conference

## U.S. Economic Conditions

	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>	<u>Jul-05</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	87.7	86.9	96.0	96.5	-0.2 points
ISM Manufacturing Index <sup>(i)</sup>	53.3	51.4	53.8	56.6	-5.0 points
ISM Non Manufacturing Index <sup>(i)</sup>	61.7	58.5	62.2	60.5	-2.9 points
	<u>2004.3</u>	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	
Business Executives' Confidence <sup>(i)</sup>	63.0	61.0	62.0	55.0	-11.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>	<u>Jul-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	194.6	194.4	194.5	195.4	3.2%
Detroit CPI	189.8	NA	189.6	NA	2.0%
U.S. Producer Price Index	154.4	154.1	154.0	155.4	4.6%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	2.79%	2.86%	2.99%	3.22%	1.87% points
Aaa Corporate Bonds <sup>(m)</sup>	5.33%	5.15%	4.96%	5.06%	-0.76% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>	118.1	118.4	119.4	119.4	3.0%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>	79.0%	79.2%	79.8%	79.7%	1.5% points
<b>RETAIL SALES <sup>(n)</sup></b>	\$346.1	\$344.9	\$350.8	\$357.0	10.3%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>	<u>Jul-05</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	2.027	2.041	2.045	2.042	2.8%
Existing Home Sales <sup>(p)</sup>	7.180	7.140	7.350	7.160	4.7%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>	\$196.8	\$211.3	\$215.3	\$204.7	5.0%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2004.3</u>	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,808.9	\$10,897.1	\$10,999.3	\$11,092.0	3.4%

**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.