



MICHIGAN ECONOMIC UPDATE

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<http://www.michigan.gov/treasury>

November 2005 Summary

U.S. Economy: November U.S. economic indicators were generally positive. Both the manufacturing and non-manufacturing ISM index fell – though only slightly. The index of leading economic indicators rose for the second straight month. Consumer sentiment rose substantially. Industrial production rose for the second straight month while retail sales increased for the third straight month. Compared to a year ago, sales are up 6.3 percent. Housing starts rose and, for the eighth straight month, remained above a 2.0 million unit annual rate. Existing home sales fell for the second straight month. Overall durable goods orders rose sharply but, excluding defense and aircraft orders, orders fell.

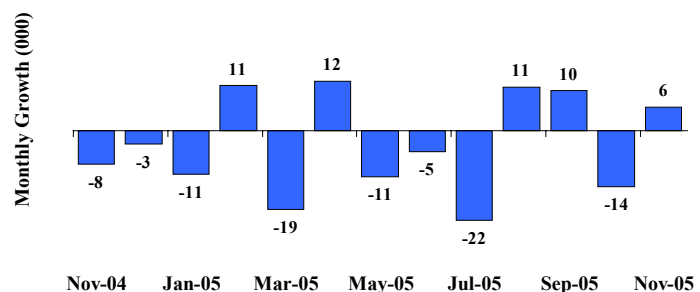
Employment: In November, Michigan's wage and salary employment rose for the third time in the last four months, increasing by 5,800 jobs. At 6.6 percent, November's state unemployment rate was 0.8 percentage points below a year ago. Nationally, payroll employment rose by 215,000 jobs. The U.S. unemployment rate remained unchanged at 5.0 percent.

Auto Industry: November light vehicle sales rose to a 15.7 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production declined 11.1 percent compared with a 2.7 percent increase nationally. Light vehicle inventories were down 8.5 percent from a year ago; days supply fell by one day to 78.

Inflation: Compared to a year ago, the U.S. consumer price index rose 3.5 percent. However, excluding food and energy, the core U.S. consumer price index was up only 2.1 percent. Similarly, while overall producer prices rose by 4.4 percent, core producer prices increased by only 1.7 percent.

Michigan Metro Areas: From a year ago, the November unemployment rate fell in all of Michigan's 17 labor market areas with a median rate decline of 1.1 percent. Employment rose in all areas as well with a median increase of 2.0 percent. Unemployment rates ranged between 3.8 percent (Ann Arbor MSA) and 7.4 percent (Northeast Lower Michigan).

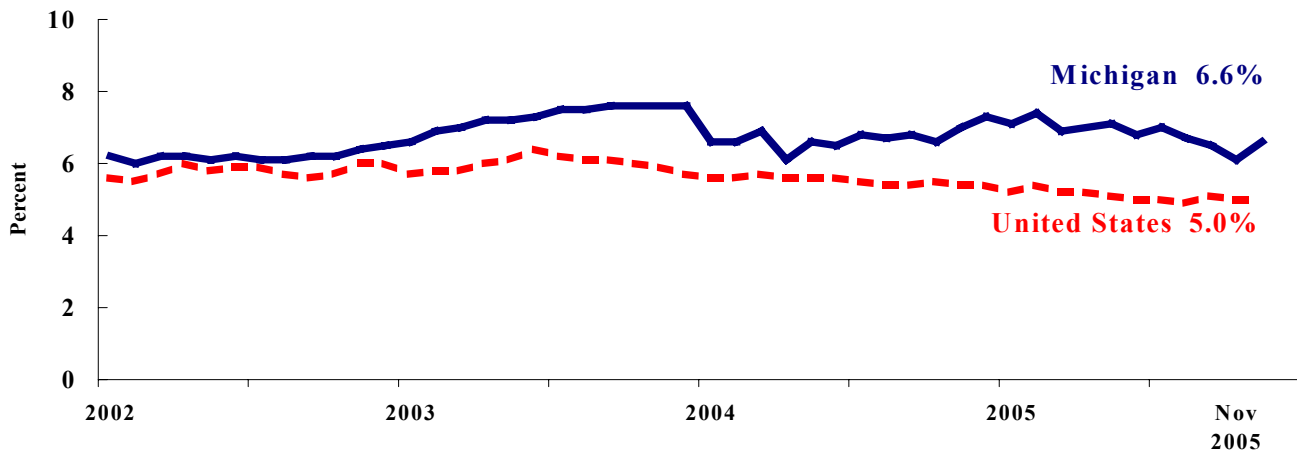
Michigan Employment Increases ^(a)



Labor Market Statistics

- Michigan's November monthly unemployment rate increased 0.5 percentage points to 6.6 percent from October and the current Michigan jobless rate is 0.8 percentage points below a year ago. The November U.S. unemployment rate remained unchanged at 5.0 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

- In November, the number of people employed in Michigan was 4,798,000, up 6,000 from last month, while the labor force increased by 34,000. The statewide total number of unemployed increased by 28,000 to 337,000.
- United States household employment totaled 142.6 million persons in November, down 52,000 from October. The labor force rose by 97,000 from last month, which meant that there were 149,000 more unemployed people nationally, compared to October.

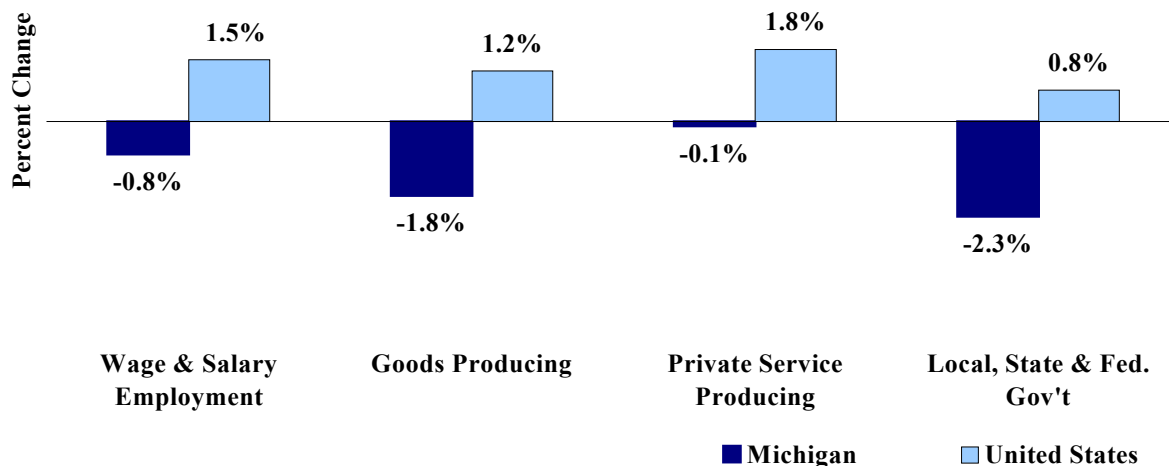
Employment by Place of Residence (in thousands)^(a)

	2004 Average	Sep 2005	Oct 2005	Nov 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,079	5,127	5,101	5,135	34	0.7%	37	0.7%
Employed	4,719	4,794	4,792	4,798	6	0.1%	77	1.6%
Unemployed	360	333	309	337	28	9.1%	-40	-10.6%
Unemployment Rate	7.1%	6.5%	6.1%	6.6%	n.a.	0.5% pts	n.a.	-0.8%
United States								
Labor Force	147,401	150,093	150,079	150,176	97	0.1%	1,863	1.3%
Employed	139,252	142,432	142,646	142,594	-52	0.0%	2,301	1.6%
Unemployed	8,149	7,661	7,433	7,582	149	2.0%	-438	-5.5%
Unemployment Rate	5.5%	5.1%	5.0%	5.0%	n.a.	0.0% pts	n.a.	-0.4%

Employment by Place of Work

- From November 2004 to November 2005, Michigan wage and salary employment declined 35,000 (0.8 percent). State wage and salary employment increased 6,000 from October. Nationally, November 2005 wage and salary employment rose 1,995,000 (1.5 percent) from a year ago and was up 215,000 from last month.

Wage and Salary Employment Growth November 2004 to November 2005



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

- In the goods-producing sector, Michigan employment fell 1.8 percent from a year ago and private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, November 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 1.0 hours compared to last year.

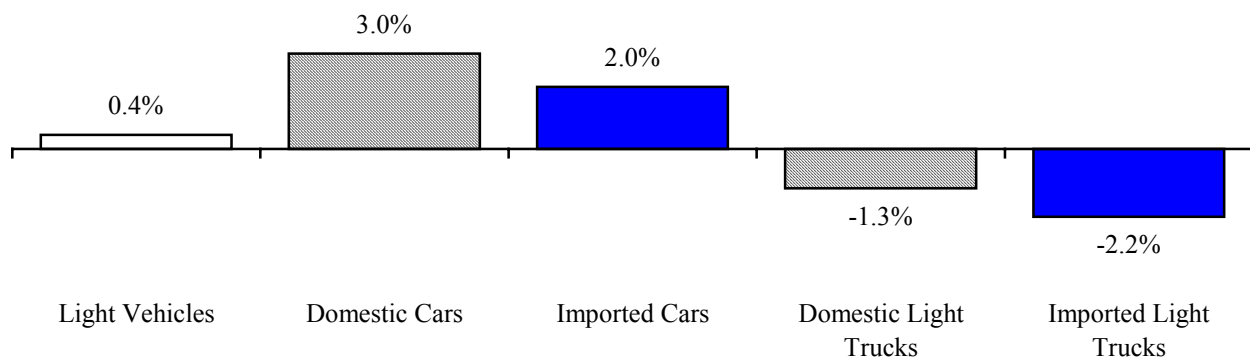
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2004 Average	Nov 2004	Nov 2005	Percent Change	2004 Average	Nov 2004	Nov 2005	Percent Change
Wage & Salary Employment	4,391	4,390	4,355	-0.8%	131,481	132,294	134,289	1.5%
Goods Producing	894	883	867	-1.8%	21,885	21,996	22,268	1.2%
Manufacturing	696	685	671	-2.0%	14,329	14,337	14,270	-0.5%
Private Service Producing	2,815	2,817	2,814	-0.1%	87,978	88,592	90,149	1.8%
Trade, Trans. & Utilities	810	808	800	-1.0%	25,511	25,621	25,909	1.1%
Services	1,719	1,723	1,731	0.5%	51,278	51,731	52,792	2.1%
Local, State & Fed. Gov't	682	689	673	-2.3%	21,619	21,706	21,872	0.8%
Manufacturing Weekly Hours	42.4	42.9	41.9	-1.0 hrs	40.8	40.5	40.8	0.3 hrs

Motor Vehicle Industry Sales

- At a 15.7 million unit annual rate, November 2005 light vehicle sales were up 6.8 percent from October but down 5.5 percent from a year ago.
- Compared to a year ago, domestic sales were down 4.9 percent while foreign sales were down 7.7 percent. Auto sales rose 1.8 percent while light truck sales declined 11.5 percent. Light vehicle inventories fell 8.5 percent while days supply declined by 1 day to 78 days.
- Year to date, domestic light truck sales decreased 1.3 percent while imported light truck sales fell 2.2 percent. Imported car sales were up 2.0 percent while domestic car sales were up 3.0 percent. Overall, light vehicle sales are nearly flat (up 0.4 percent) through November.

Year to Date Light Vehicle Flat From Year Ago



Motor Vehicle Sales Statistics

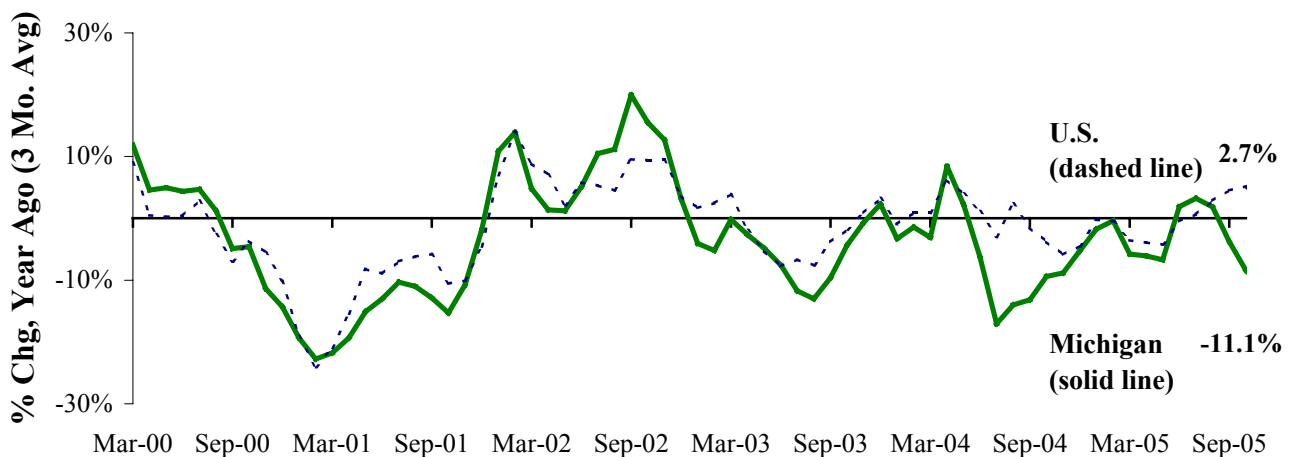
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2004 Average	Sep 2005	Oct 2005	Nov 2005	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	8.0	7.3	7.6	7.6	0.1	1.8%
Domestics	5.3	5.7	5.2	5.5	5.5	0.3	5.9%
Imports	2.2	2.3	2.1	2.1	2.1	(0.2)	-7.6%
Import Share	28.7%	28.2%	29.2%	27.2%	28.2%	-2.8% pts	
Light Trucks	9.3	8.4	7.4	8.1	8.0	(1.1)	-11.5%
Domestics	8.1	7.3	6.2	7.0	6.8	(1.0)	-12.0%
Imports	1.2	1.1	1.1	1.1	1.1	(0.1)	-8.1%
Import Share	13.3%	13.0%	15.4%	14.0%	14.1%	0.5% pts	
Total Light Vehicles	16.8	16.3	14.7	15.7	15.6	(0.9)	-5.5%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	11.8%
Total Vehicles	17.3	16.8	15.2	16.2	16.1	(0.9)	-5.0%
U.S. Light Vehicle Inventories^(d)		Sep-05	Oct-05	Nov-05	3 Month	Change	
Total Car	1.502	1.041	1.131	1.244	1.139	-0.263	
Days Supply	62	40	52	58	50	-12 days	
Total Truck	2.411	1.992	2.263	2.362	2.206	-0.070	
Days Supply	80	73	101	95	90	9 days	

Motor Vehicle Industry Production

- At 178,915 units, November 2005 Michigan light vehicle production fell 13.5 percent from a year ago, compared with a 1.3 percent decline nationally. As a result, Michigan's share of national production fell 2.7 percentage points to 19.0 percent. Year-to-date Michigan production is down 4.7 percent compared with a year ago and U.S. production is essentially flat (up 0.2 percent).
- Compared with a year ago, state car production rose 10.4 percent while state truck production declined 30.3 percent. Nationally, car production increased 7.4 percent while truck production fell 5.8 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 11.1 percent from a year ago, compared to a 2.7 percent increase nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 <u>Average</u>	Sep <u>2005</u>	Oct <u>2005</u>	Nov <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	382.7	379.8	348.7	370.4	24.0	7.4%
Trucks	647.8	726.0	719.8	591.0	678.9	(36.6)	-5.8%
Total	1,001.5	1,108.8	1,099.6	939.7	1,049.4	(12.6)	-1.3%
Michigan Production ^(f)							
Autos	104.8	104.8	104.2	94.2	101.1	8.8	10.4%
Trucks	111.5	114.9	102.0	84.7	100.6	(36.8)	-30.3%
Total	216.4	219.7	206.3	178.9	201.6	(27.9)	-13.5%
Michigan as % of U.S.	21.6%	19.8%	18.8%	19.0%	19.2%	-2.7% pts	

November 2005 Unemployment Rates Fell in All Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, November 2005 unemployment rates fell in all 17 major labor market areas. The median unemployment rate decline was 1.1 percentage points.

Compared to a year ago, the Northeast Lower Michigan area reported a 1.5 percentage point decline, the largest decline among the state's 17 major labor market areas. The Grand Rapids-Wyoming MSA and Saginaw-Saginaw Township MSA reported the second largest decline (1.4 percentage points). The Lansing-East Lansing MSA and Niles-Benton Harbor MSA reported the next largest decline of 1.3 percentage points. Eleven areas reported declines of 1.0 percentage point or larger. Sixteen areas reported declines of 0.5 percentage points or larger.

From November 2004 to November 2005, employment increased in all major labor market areas. The median employment increase was 2.0 percent. Eleven areas reported employment increases greater than 1.0 percent.

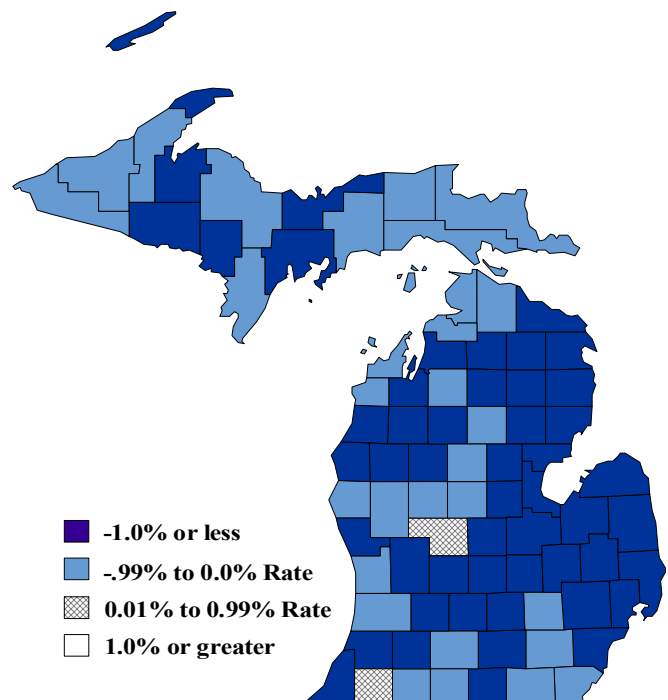
November 2005 unemployment rates ranged between 3.8 percent (Ann Arbor) and 7.4 percent (Northeast Lower Michigan). Compared to October unemployment rates, all areas reported higher non-seasonally adjusted unemployment rates. The median increase was 0.7 percentage points.

Compared to November 2004, unemployment rates declined in 81 counties and increased slightly in two counties. The median decline was 1.2 percentage points.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Nov 2004 Rate</u>	<u>Oct 2005 Rate</u>	<u>Nov 2005 Rate</u>
Michigan	7.0%	5.3%	6.2%
Ann Arbor	4.2%	3.3%	3.8%
Battle Creek	6.6%	5.1%	5.8%
Bay City	7.1%	5.1%	5.9%
Detroit-Warren-Livonia	7.3%	6.0%	6.8%
Flint	7.7%	6.0%	6.8%
Grand Rapids-Wyoming	6.6%	4.7%	5.2%
Holland-Grand Haven	5.3%	4.0%	4.6%
Jackson	7.0%	5.2%	5.9%
Kalamazoo-Portage	5.9%	4.3%	4.9%
Lansing-East Lansing	6.6%	4.7%	5.3%
Monroe	5.8%	4.7%	5.2%
Muskegon-Norton Shores	7.3%	5.6%	6.2%
Niles-Benton Harbor	7.3%	5.3%	6.0%
Saginaw-Saginaw Township	8.1%	5.9%	6.7%
Upper Peninsula	7.2%	4.5%	6.0%
Northeast Lower Mich	8.9%	5.4%	7.4%
Northwest Lower Mich.	7.2%	4.7%	6.1%

Unemployment Rate Change November 2004 to November 2005



Source: Michigan Department of Labor and Economic Growth

U.S. Economic Conditions

	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	89.1	76.9	74.2	81.6	-11.2 points
ISM Manufacturing Index ⁽ⁱ⁾	53.6	59.4	59.1	58.1	0.5 points
ISM Non Manufacturing Index ⁽ⁱ⁾	65.0	53.3	60.0	58.5	-3.4 points
	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	
Business Executives' Confidence ⁽ⁱ⁾	61.0	62.0	55.0	50.0	-16.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	196.4	198.8	199.2	197.6	3.5%
Detroit CPI	192.2	NA	195.1	NA	4.0%
U.S. Producer Price Index	156.1	158.9	161.0	158.4	4.4%
INTEREST RATES					
90 Day T-Bill ^(l)	3.45%	3.47%	3.70%	3.90%	1.84% points
Aaa Corporate Bonds ^(m)	5.09%	5.13%	5.35%	5.42%	-0.05% points
INDUSTRIAL PRODUCTION ^(m)	108.6	106.9	108.2	109.0	2.8%
CAPACITY UTILIZATION ^(m)	80.3%	78.9%	79.8%	80.2%	0.9% points
RETAIL SALES ⁽ⁿ⁾	\$350.7	\$351.8	\$353.0	\$353.9	6.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.081	2.160	2.017	2.123	17.5%
Existing Home Sales ^(p)	7.280	7.290	7.090	6.970	-0.1%
DURABLE GOODS ORDERS ^(q)	\$211.6	\$207.4	\$213.7	\$223.0	12.1%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>% Change From Year Ago</u>
Michigan	\$329.5	\$329.9	\$334.4	\$336.4	3.6%
U.S.	\$10,015.1	\$10,075.9	\$10,186.6	\$10,260.7	5.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	<u>2005.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,897.1	\$10,999.3	\$11,089.2	\$11,202.3	4.1%

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. 2002 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.