



MICHIGAN ECONOMIC UPDATE

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

June 2005 Summary

U.S. Economy: In June, U.S. economic indicators pointed to continued growth. The manufacturing and non-manufacturing ISM indices both recorded increases; the non-manufacturing index rose above 60. The index of leading economic indicators reported its largest increase this year. Consumer sentiment rose sharply, as did industrial production. New durable goods orders also increased substantially. Led by surging vehicle sales, retail sales rose sharply in June. Housing starts remained above a 2.0 million unit annual rate for the third straight month. Both existing and new home sales set new records. Real GDP grew 3.4 percent in the second quarter. The Conference Board's index of business confidence fell in the second quarter.

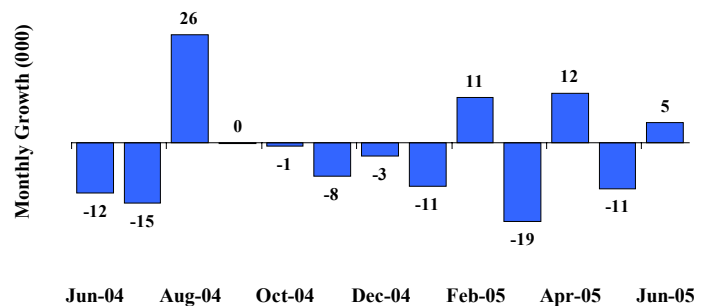
Employment: In June, Michigan's wage and salary employment rose by 5,000 jobs led by increases in professional and business services and education and health services. Michigan's unemployment rate fell to 6.8 percent, its lowest level in over a year. Nationally, payroll employment rose by 146,000 jobs. The U.S. unemployment rate fell 0.1 of a percentage point to 5.0 percent.

Auto Industry: June light vehicle sales rose to a 17.5 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production rose 1.9 percent compared with a 0.5 percent decline nationally. Light vehicle inventories were down 10.8 percent from a year ago; days supply decreased by 14 days to 58 days.

Inflation: In June, the U.S. consumer price index rose 2.5 percent from a year ago. The core CPI, excluding food and energy prices, rose 2.0 percent. The Detroit CPI was up 2.0 percent from a year ago. U.S. producer prices rose by 3.6 percent. In June, oil prices averaged \$56 a barrel.

Michigan Metro Areas: From a year ago, the June unemployment rate fell in 15 of Michigan's 17 labor market areas, rose in one and remained unchanged in one area. Fifteen of the 17 areas reported employment increases from a year ago.

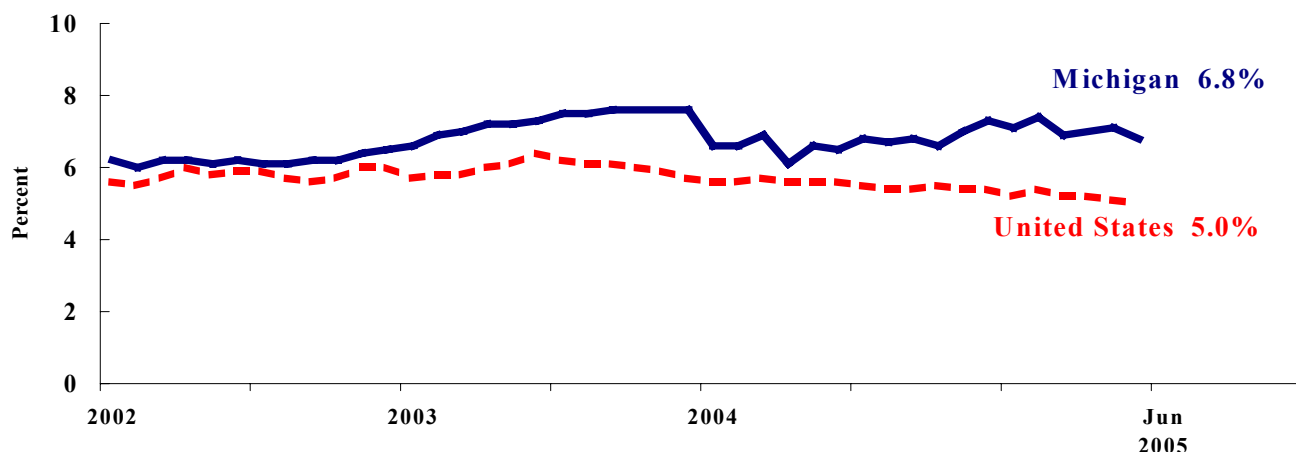
Michigan Employment Increases
In June ^(a)



Labor Market Statistics

- Michigan's June monthly unemployment rate decreased 0.3 percentage points to 6.8 percent from May and the current Michigan jobless rate is 0.2 percentage points below a year ago. The June U.S. unemployment rate decreased 0.1 percentage points to 5.0 percent and was 0.6 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 June, the number of people employed in Michigan was 4,746,000, down 20,000 from last month, while the labor force decreased by 38,000. The statewide total number of unemployed fell by 18,000 to 345,000.
- United States household employment totaled 141.6 million persons in June, up 163,000 from May. The labor force rose by 1,000 from last month, which meant that there were 161,000 less unemployed people nationally, compared to May.

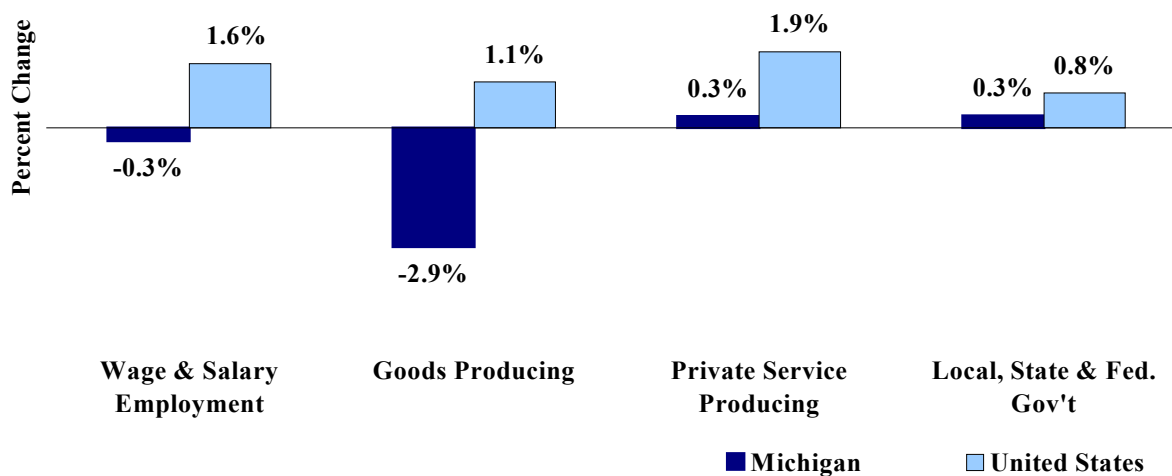
Employment by Place of Residence (in thousands)^(a)

	2004 Average	Apr 2005	May 2005	Jun 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,079	5,142	5,129	5,091	-38	-0.7%	16	0.3%
Employed	4,719	4,781	4,766	4,746	-20	-0.4%	27	0.6%
Unemployed	360	362	363	345	-18	-5.0%	-11	-3.1%
Unemployment Rate	7.1%	7.0%	7.1%	6.8%	n.a.	-0.3% pts	n.a.	-0.2%
United States								
Labor Force	147,401	148,762	149,122	149,123	1	0.0%	1,844	1.3%
Employed	139,252	141,099	141,475	141,638	163	0.1%	2,607	1.9%
Unemployed	8,149	7,663	7,647	7,486	-161	-2.1%	-762	-9.2%
Unemployment Rate	5.5%	5.2%	5.1%	5.0%	n.a.	-0.1% pts	n.a.	-0.6%

Employment by Place of Work

- From June 2004 to June 2005, Michigan wage and salary employment declined 14,000 (0.3 percent). State wage and salary employment increased 5,000 from May. Nationally, June 2005 wage and salary employment rose 2,058,000 (1.6 percent) from a year ago and was up 146,000 from last month.

Wage and Salary Employment Growth June 2004 to June 2005



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

- In the goods producing sector, Michigan employment fell 2.9 percent from a year ago but private service-producing sector employment increased 0.3 percent compared to last year. From a year ago, June national employment in the goods-producing sector rose 1.1 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 0.6 hours compared to last year.

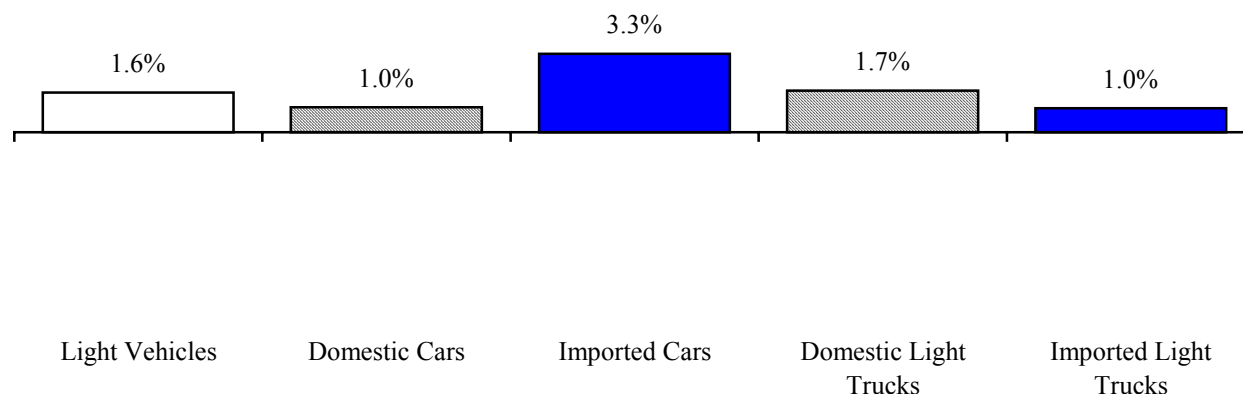
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2004 Average	Jun 2004	Jun 2005	Percent Change	2004 Average	Jun 2004	Jun 2005	Percent Change
Wage & Salary Employment	4,391	4,388	4,374	-0.3%	131,481	131,479	133,537	1.6%
Goods Producing	894	895	869	-2.9%	21,885	21,890	22,134	1.1%
Manufacturing	696	696	671	-3.6%	14,329	14,344	14,270	-0.5%
Private Service Producing	2,815	2,814	2,822	0.3%	87,978	88,018	89,649	1.9%
Trade, Trans. & Utilities	810	811	815	0.5%	25,511	25,536	25,834	1.2%
Services	1,719	1,717	1,724	0.4%	51,278	51,280	52,461	2.3%
Local, State & Fed. Gov't	682	680	682	0.3%	21,619	21,571	21,754	0.8%
Manufacturing Weekly Hours	42.4	42.3	41.7	-0.6 hrs	40.8	40.7	40.4	-0.3 hrs

Motor Vehicle Industry Sales

- At a 17.5 million unit annual rate, June 2005 light vehicle sales were up 5.3 percent from May and up 13.8 percent from a year ago.
- Compared to a year ago, domestic sales were up 16.6 percent while foreign sales increased 3.7 percent. Auto sales rose 3.9 percent while light truck sales rose 22.2 percent. Light vehicle inventories fell 10.8 percent while days supply declined by 14 days to 58 days.
- Year to date, imported car sales were up 3.3 percent while domestic car sales were up 1.0 percent. Domestic light truck sales were increased 1.7 percent while imported light truck sales were up 1.0 percent. Overall, light vehicle sales are up 1.6 percentage through the first half of 2005.

Year to Date Light Vehicle Sales Up From Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

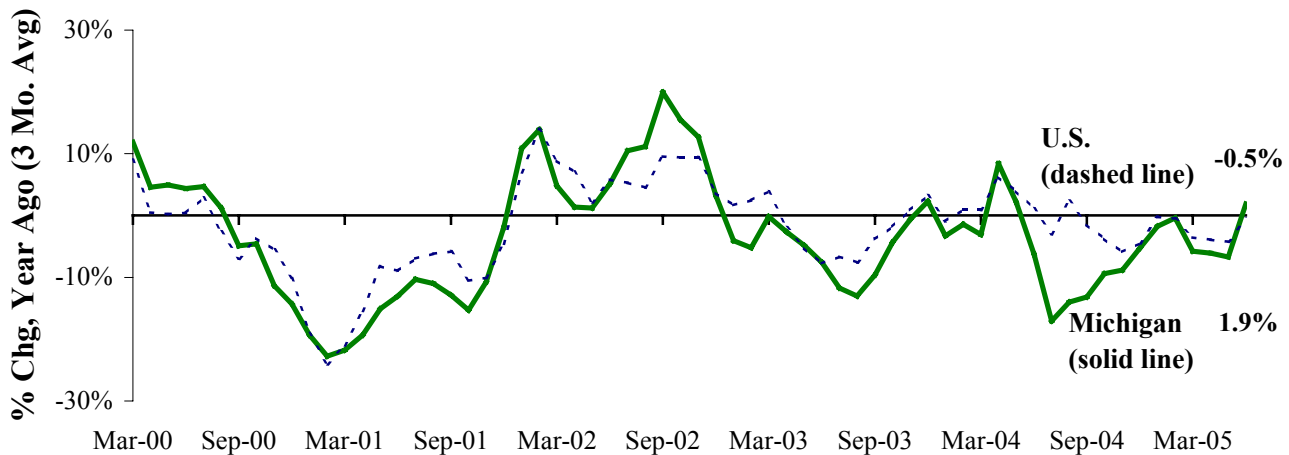
Motor Vehicle Sales ^(c)	2004 Average	Apr 2005	May 2005	Jun 2005	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	8.2	7.6	7.3	7.7	0.3	3.9%
Domestics	5.3	5.8	5.3	5.1	5.4	0.2	4.0%
Imports	2.2	2.3	2.2	2.2	2.3	0.1	3.6%
Import Share	28.7%	28.7%	29.4%	30.0%	29.3%	-0.1% pts	
Light Trucks	9.3	9.2	9.1	10.2	9.5	1.9	22.2%
Domestics	8.1	8.0	7.8	8.9	8.2	1.8	25.4%
Imports	1.2	1.3	1.2	1.3	1.3	0.0	3.8%
Import Share	13.3%	13.7%	13.5%	12.4%	13.2%	-2.2% pts	
Total Light Vehicles	16.8	17.4	16.6	17.5	17.2	2.1	13.8%
Heavy Trucks	0.4	0.5	0.5	n.a.	0.5	n.a.	n.a.
Total Vehicles	17.3	17.9	17.1	n.a.	17.5	n.a.	n.a.
U.S. Light Vehicle Inventories^(d)		Apr-05	May-05	Jun-05	3 Month	Change	
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	2.381	2.462	-0.242	
Days Supply	80	87	74	64	75	-21 days	

As of publication, heavy truck sales figures were not available.

Motor Vehicle Industry Production

- At 231,923 units, June 2005 Michigan light vehicle production rose 9.2 percent from a year ago, compared with a 1.1 percent increase nationally. As a result, Michigan's share of national production rose 1.6 percentage points to 21.7 percent. Year-to-date both Michigan and U.S. production are down 2.0 percent compared with a year ago.
- Compared with a year ago, state car production increased 9.1 percent while state truck production rose 9.2 percent. Nationally, car production increased 5.0 percent while truck production fell 1.1 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 1.9 percent from a year ago, compared to a 0.5 percent decline nationally.

Trend Michigan Light Vehicle Production Up from a Year Ago



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 Average ^(e)	Apr 2005	May 2005	Jun 2005	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production							
Autos	353.8	379.4	366.7	393.0	379.7	18.8	5.0%
Trucks	647.8	673.9	662.2	673.6	669.9	(7.7)	-1.1%
Total	1,001.5	1,053.4	1,028.8	1,066.6	1,049.6	11.1	1.1%
Michigan Production							
Autos	104.8	121.9	97.6	117.2	112.3	9.8	9.1%
Trucks	111.5	126.9	116.4	114.7	119.3	9.7	9.2%
Total	216.4	248.8	214.0	231.9	231.6	19.5	9.2%
Michigan as % of U.S.	21.6%	23.6%	20.8%	21.7%	22.1%	1.6% pts	

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

Compared to a year ago, June 2005 unemployment rates fell in 15 major labor market areas. The median unemployment rate decline was a 1.1 percentage points. The unemployment rate rose in one area and was unchanged in one area.

Compared to a year ago, the Grand Rapids MSA, Jackson MSA, Saginaw MSA and Northeast Lower Peninsula each reported a 1.3 percentage point decline, the largest decline among the state's 17 major labor market areas. The Muskegon MSA reported the second largest decline (1.2 percentage points). Altogether, eight labor market areas reported an unemployment rate decline greater than 1.0 percentage point. The Detroit MSA reported the only unemployment rate increase from a year ago (0.4 percentage points). The Lansing MSA unemployment rate was unchanged from a year ago. From June 2004 to June 2005, employment increased in 15 of the state's 17 major labor market areas. Employment increases ranged between 0.5 percentage points to 3.4 percentage points with a median increase of 1.6 percentage points. Employment declined in the Bay City and Detroit MSAs.

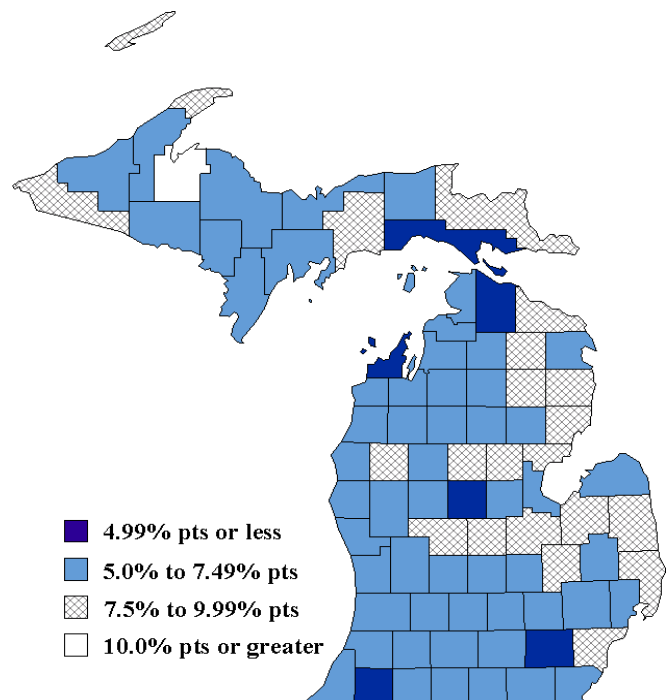
June 2005 unemployment rates ranged between 4.4 percent (Ann Arbor) and 7.9 percent (Saginaw-Saginaw Township). Compared to May unemployment rates, 15 areas reported lower non-seasonally adjusted unemployment rates. Declines ranged between 0.2 percentage points and 1.1 percentage points.

Compared to June 2004, unemployment rates declined in 71 counties, increased in ten counties and remained the same in two counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>June 2004 Rate</u>	<u>May 2005 Rate</u>	<u>June 2005 Rate</u>
Michigan	7.3%	6.9%	6.9%
Ann Arbor	5.0%	4.7%	4.4%
Battle Creek	7.3%	6.9%	6.6%
Bay City	8.0%	7.5%	6.9%
Detroit-Warren-Livonia	7.3%	7.2%	7.7%
Flint	8.5%	8.2%	7.8%
Grand Rapids-Wyoming	7.4%	6.3%	6.1%
Holland-Grand Haven	6.0%	5.4%	5.2%
Jackson	7.9%	7.0%	6.6%
Kalamazoo-Portage	6.7%	6.0%	5.7%
Lansing-East Lansing	6.3%	6.3%	6.3%
Monroe	6.9%	6.3%	6.0%
Muskegon-Norton Shores	8.1%	7.4%	6.9%
Niles-Benton Harbor	8.1%	7.4%	7.0%
Saginaw-Saginaw Township	9.2%	8.2%	7.9%
Upper Peninsula	7.1%	7.1%	6.3%
Northeast Lower Mich	8.1%	7.9%	6.8%
Northwest Lower Mich.	6.9%	6.7%	5.8%

Unemployment Rates June 2005



Source: Michigan Department of Labor and Economic Growth

U.S. Economic Conditions

	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	92.6	87.7	86.9	96.0	0.4 points
ISM Manufacturing Index ⁽ⁱ⁾	55.2	53.3	51.4	53.8	-7.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	63.1	61.7	58.5	62.2	1.1 points
	<u>2004.3</u>	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	
Business Executives' Confidence ⁽ⁱ⁾	63.0	61.0	62.0	55.0	-11.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	193.3	194.6	194.4	194.5	2.5%
Detroit CPI	NA	189.8	NA	189.6	2.0%
U.S. Producer Price Index	153.5	154.4	154.1	154.0	3.6%
INTEREST RATES					
90 Day T-Bill ^(l)	2.75%	2.79%	2.86%	2.99%	1.72% points
Aaa Corporate Bonds ^(m)	5.40%	5.33%	5.15%	4.96%	-1.05% points
INDUSTRIAL PRODUCTION ^(m)	118.6	118.2	118.6	119.7	3.9%
CAPACITY UTILIZATION ^(m)	79.5%	79.2%	79.4%	80.0%	2.1% points
RETAIL SALES ⁽ⁿ⁾	\$340.1	\$346.1	\$345.1	\$350.8	9.6%
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	2.027	2.004	1.5%
Existing Home Sales ^(p)	6.820	6.870	7.180	7.140	3.6%
DURABLE GOODS ORDERS ^(q)	\$199.8	\$196.8	\$199.8	\$212.5	11.7%
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>2004.3</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.