



MICHIGAN ECONOMIC UPDATE

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

September 2005 Summary

U.S. Economy: In September, U.S. economic indicators were mixed. The non-manufacturing ISM index declined sharply while the manufacturing index rose. The index of leading economic indicators fell for the third straight month, declining sharply. Consumer sentiment fell sharply. Industrial production declined substantially. Retail sales rose slightly; excluding vehicles and gasoline, retail sales rose 0.6 percent. For the sixth straight month, housing starts remained above a 2.0 million unit annual rate and existing home sales remained above a 7.0 million pace. Real GDP grew at a solid 3.8 percent annual rate in the third quarter.

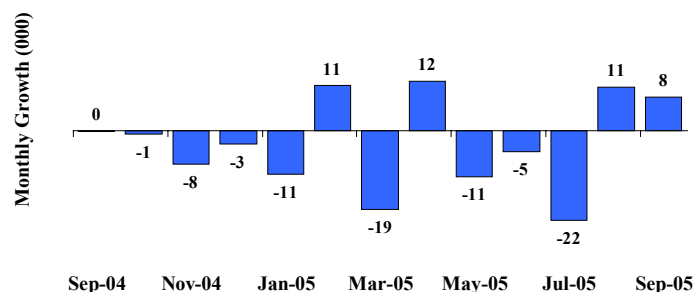
Employment: In September, Michigan's wage and salary employment rose for the second straight month, increasing by 8,100 jobs. Michigan's unemployment rate fell to 6.4 percent, its lowest rate since November 2002. Nationally, payroll employment fell by 35,000 jobs as a result of hurricane Katrina. The U.S. unemployment rate rose to 5.1 percent.

Auto Industry: September light vehicle sales fell to a 16.3 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production declined 3.8 percent compared with a 4.6 percent increase nationally. Light vehicle inventories were down 16.0 percent from a year ago; days supply decreased by 6 days to 57 days.

Inflation: In September the U.S. consumer price index rose sharply, rising 4.7 percent from a year ago fueled by sharp increase in energy prices. However, excluding food and energy, the consumer price index was up only 2.0 percent. U.S. producer prices rose by 6.9 percent compared to a year ago.

Michigan Metro Areas: From a year ago, the September unemployment rate fell in 15 of Michigan's 17 labor market areas, and remained unchanged in two areas. All 17 areas reported employment increases from a year ago, with a median increase of 1.5 percent.

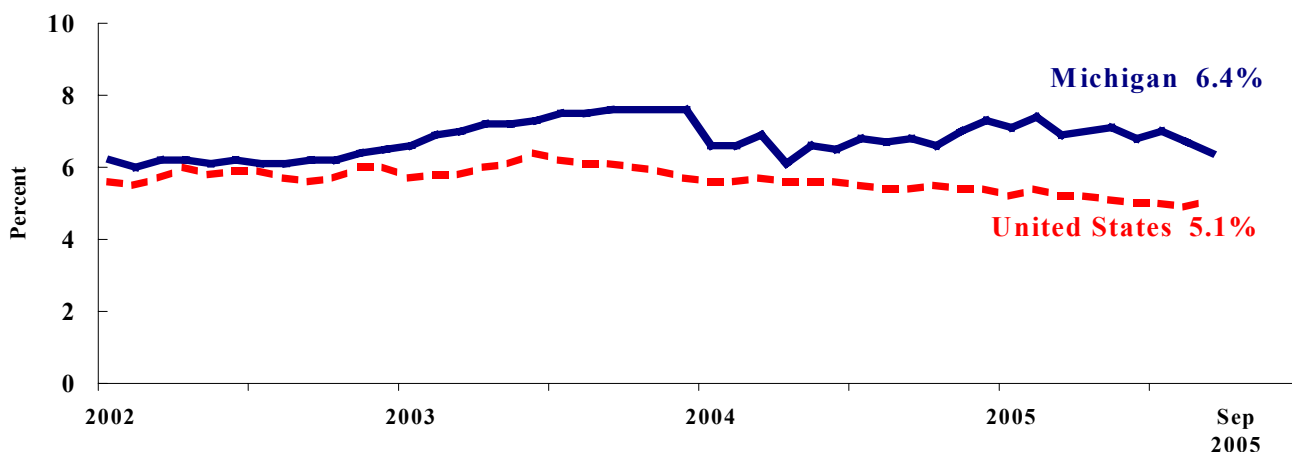
Michigan Employment Increases For Second Straight Month^(a)



Labor Market Statistics

- Michigan's September monthly unemployment rate decreased 0.3 percentage points to 6.4 percent from August and the current Michigan jobless rate is 0.7 percentage points below a year ago. The September U.S. unemployment rate increased 0.2 percent to 5.1 percent and was 0.3 percentage points lower compared to a year ago. The effect of Hurricane Katrina on the Gulf Coast was responsible for the higher monthly unemployment rate. 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 September, the number of people employed in Michigan was 4,798,000, up 36,000 from last month, while the labor force increased by 20,000. The statewide total number of unemployed decreased by 17,000 to 328,000.
- United States household employment totaled 142.4 million persons in September, down 17,000 from August. The labor force rose by 252,000 from last month, which meant that there were 270,000 more unemployed people nationally, compared to August.

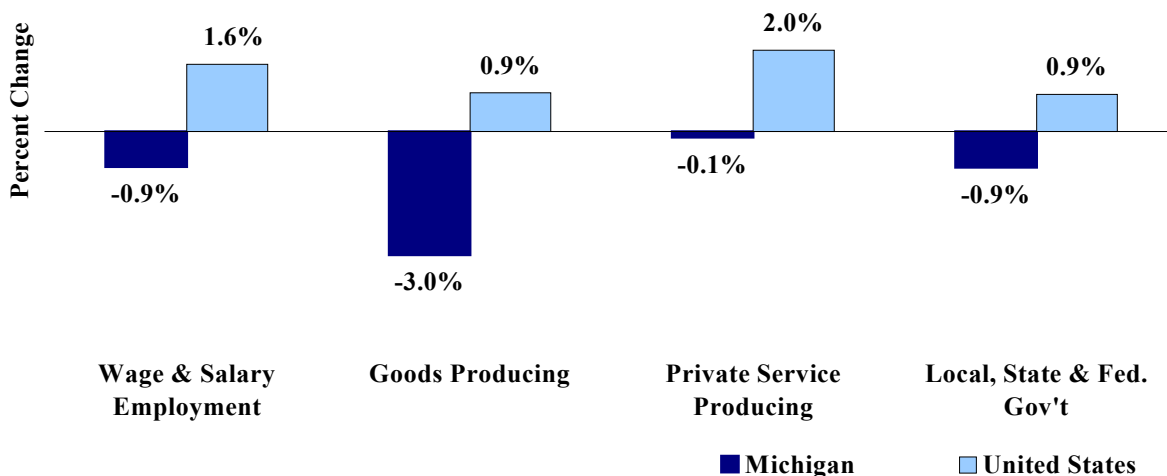
Employment by Place of Residence (in thousands)^(a)

	2004 Average	Jul 2005	Aug 2005	Sep 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,079	5,100	5,106	5,126	20	0.4%	40	0.8%
Employed	4,719	4,743	4,762	4,798	36	0.8%	73	1.5%
Unemployed	360	356	345	328	-17	-4.9%	-33	-9.1%
Unemployment Rate	7.1%	7.0%	6.7%	6.4%	n.a.	-0.3% pts	n.a.	-0.7%
United States								
Labor Force	147,401	149,573	149,841	150,093	252	0.2%	2,610	1.8%
Employed	139,252	142,076	142,449	142,432	-17	0.0%	2,952	2.1%
Unemployed	8,149	7,497	7,391	7,661	270	3.7%	-342	-4.3%
Unemployment Rate	5.5%	5.0%	4.9%	5.1%	n.a.	0.2% pts	n.a.	-0.3%

Employment by Place of Work

- From September 2004 to September 2005, Michigan wage and salary employment declined 38,000 (0.9 percent). State wage and salary employment increased 8,000 from August. Nationally, September 2005 wage and salary employment rose 2,161,000 (1.6 percent) from a year ago but was down 35,000 from last month mainly due to the effects of Hurricane Katrina.

Wage and Salary Employment Growth September 2004 to September 2005



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

- In the goods producing sector, Michigan employment fell 3.0 percent from a year ago and private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, September national employment in the goods-producing sector rose 0.9 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours declined in Michigan by 0.3 hours compared to last year.

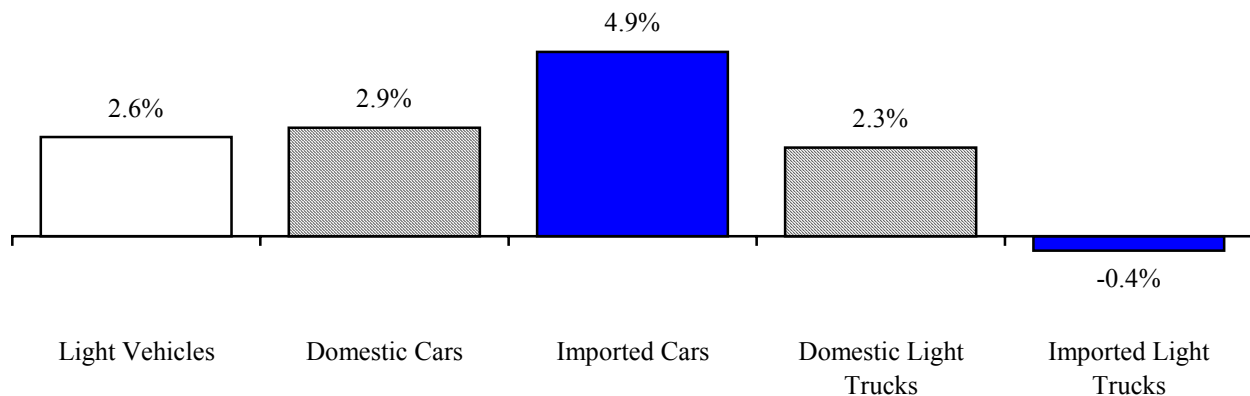
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2004 Average	Sep 2004	Sep 2005	Percent Change	2004 Average	Sep 2004	Sep 2005	Percent Change
Wage & Salary Employment	4,391	4,399	4,361	-0.9%	131,481	131,880	134,041	1.6%
Goods Producing	894	895	868	-3.0%	21,885	21,947	22,155	0.9%
Manufacturing	696	696	673	-3.3%	14,329	14,352	14,234	-0.8%
Private Service Producing	2,815	2,820	2,816	-0.1%	87,978	88,256	90,012	2.0%
Trade, Trans. & Utilities	810	810	800	-1.2%	25,511	25,555	25,850	1.2%
Services	1,719	1,725	1,733	0.5%	51,278	51,491	52,754	2.5%
Local, State & Fed. Gov't	682	685	679	-0.9%	21,619	21,677	21,874	0.9%
Manufacturing Weekly Hours	42.4	42.1	41.8	-0.3 hrs	40.8	40.8	40.5	-0.3 hrs

Motor Vehicle Industry Sales

- At a 16.3 million unit annual rate, September 2005 light vehicle sales were down 2.4 percent from August and down 6.2 percent from a year ago
- Compared to a year ago, domestic sales were down 7.6 percent while foreign sales were flat. Auto sales rose 7.8 percent while light truck sales fell 16.5 percent. Light vehicle inventories fell 16.0 percent while days supply declined by 6 days to 57 days.
- Year to date, domestic light truck sales increased 2.3 percent while imported light truck sales fell 0.4 percent. Imported car sales were up 4.9 percent while domestic car sales were up 2.9 percent. Overall, light vehicle sales are up 2.6 percent through September.

Year to Date Light Vehicle Sales Up From Year Ago



Motor Vehicle Sales Statistics

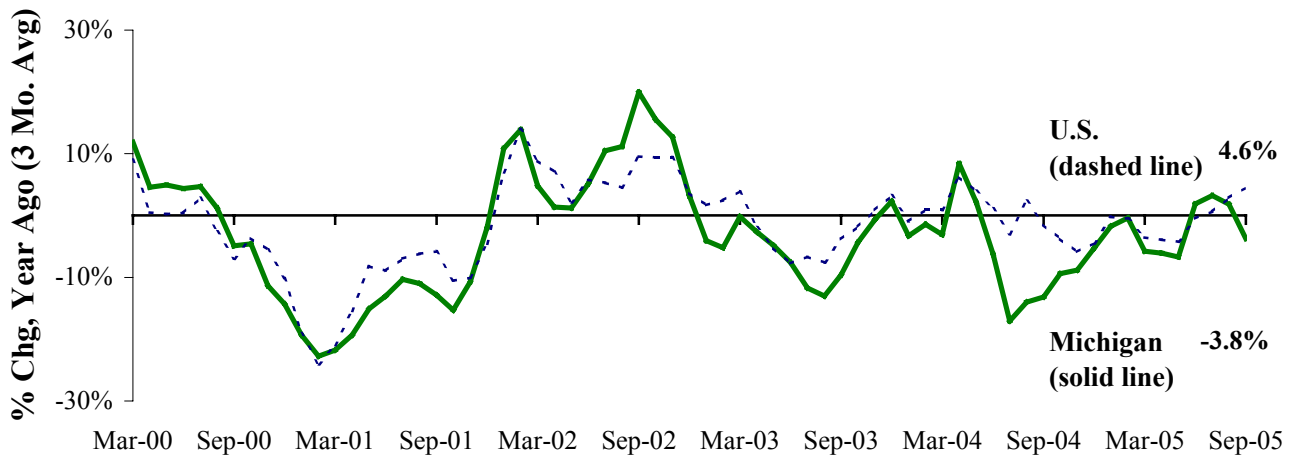
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2004 Average	Jun 2005	Jul 2005	Aug 2005	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	7.5	8.1	7.8	7.8	0.5	6.8%
Domestics	5.3	5.2	5.7	5.6	5.5	0.4	7.0%
Imports	2.2	2.2	2.4	2.2	2.3	0.1	6.4%
Import Share	28.7%	29.7%	29.2%	28.2%	29.0%	-0.1% pts	
Light Trucks	9.3	10.3	12.6	9.0	10.6	(0.4)	-4.5%
Domestics	8.1	9.1	11.3	7.8	9.4	(0.4)	-5.1%
Imports	1.2	1.3	1.3	1.2	1.3	(0.0)	-0.2%
Import Share	13.3%	12.2%	10.6%	13.4%	11.9%	0.6% pts	
Total Light Vehicles	16.8	17.8	20.7	16.8	18.4	0.1	0.4%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	11.7%
Total Vehicles	17.3	18.3	21.2	17.2	18.9	0.1	0.7%
U.S. Light Vehicle Inventories^(d)		Jun-05	Jul-05	Aug-05	3 Month	Change	
Total Car	1.502	1.331	1.074	1.051	1.152	-0.487	
Days Supply	62	49	39	39	42	-18 days	
Total Truck	2.411	2.380	1.781	1.813	1.992	-0.810	
Days Supply	80	64	42	60	55	-25 days	

Motor Vehicle Industry Production

- At 219,679 units, September 2005 Michigan light vehicle production fell 4.7 percent from a year ago, compared with a 5.4 percent increase nationally. As a result, Michigan's share of national production fell 2.1 percentage points to 19.8 percent. Year-to-date Michigan production is down 2.5 percent compared with a year ago and U.S. production is flat.
- Compared with a year ago, state car production fell 7.1 percent while state truck production declined 2.4 percent. Nationally, car production increased 0.3 percent while truck production rose 8.3 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 3.8 percent from a year ago, compared to a 4.6 percent increase nationally.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 Average	Jul 2005	Aug 2005	Sep 2005	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	353.8	234.9	405.1	382.7	340.9	1.0	0.3%
Trucks	647.8	400.5	733.7	726.0	620.1	55.7	8.3%
Total	1,001.5	635.4	1,138.8	1,108.8	961.0	56.7	5.4%
Michigan Production ^(f)							
Autos	104.8	41.3	108.2	104.8	84.7	(8.1)	-7.1%
Trucks	111.5	60.4	94.1	114.9	89.8	(2.8)	-2.4%
Total	216.4	101.7	202.2	219.7	174.5	(10.9)	-4.7%
Michigan as % of U.S.	21.6%	16.0%	17.8%	19.8%	18.2%	-2.1% pts	

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

Compared to a year ago, September 2005 unemployment rates fell in 15 major labor market areas. The median unemployment rate decline was a 0.7 percentage points. The unemployment rate remained unchanged in two areas.

Compared to a year ago, the Saginaw MSA reported a 1.0 percentage point decline, the largest decline among the state's 17 major labor market areas. The Bay City MSA, Detroit MSA and the Muskegon MSA each reported a 0.9 percentage point decline, followed by the Grand Rapids MSA and Niles MSA (0.8 percentage points). Altogether, ten labor market areas reported an unemployment rate decline greater than 0.5 percentage points. The Lansing MSA and the Monroe MSA reported no change from a year ago. From September 2004 to September 2005, employment increased in all 17 major labor market areas. The median employment increase was 1.5 percent. Thirteen areas reported employment increases greater than 1.0 percent.

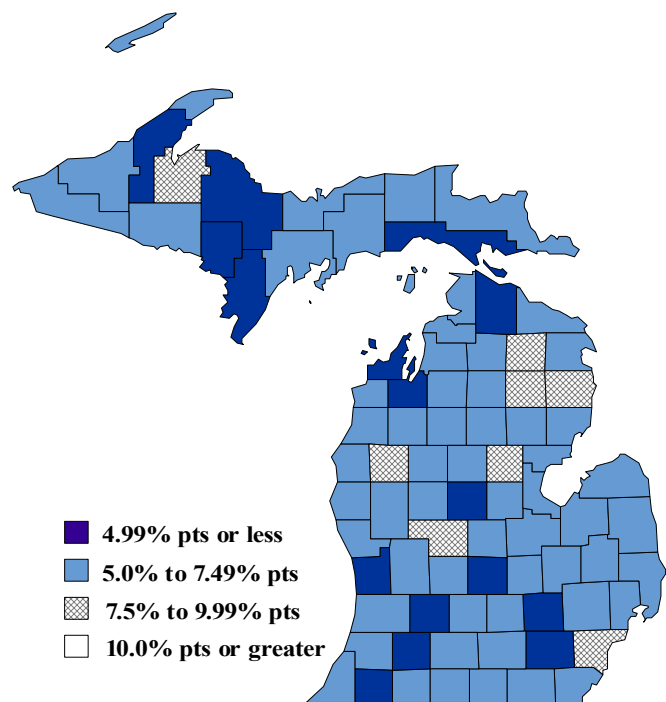
September 2005 unemployment rates ranged between 4.0 percent (Ann Arbor) and 6.9 percent (Flint MSA). Compared to August unemployment rates, fourteen areas reported lower non-seasonally adjusted unemployment rates. The median decrease was 0.2 percentage points.

Compared to September 2004, unemployment rates declined in 71 counties, increased in nine counties and remained the same in three counties.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Sep 2004 Rate</u>	<u>Aug 2005 Rate</u>	<u>Sep 2005 Rate</u>
Michigan	6.6%	6.3%	5.9%
Ann Arbor	4.2%	4.1%	4.0%
Battle Creek	6.1%	5.9%	5.9%
Bay City	6.7%	6.0%	5.8%
Detroit-Warren-Livonia	7.2%	7.0%	6.3%
Flint	7.4%	7.3%	6.9%
Grand Rapids-Wyoming	6.2%	5.5%	5.4%
Holland-Grand Haven	4.9%	4.5%	4.5%
Jackson	6.6%	6.2%	6.0%
Kalamazoo-Portage	5.6%	5.0%	4.9%
Lansing-East Lansing	5.4%	5.5%	5.4%
Monroe	5.6%	6.0%	5.6%
Muskegon-Norton Shores	6.9%	6.2%	6.0%
Niles-Benton Harbor	6.9%	6.4%	6.1%
Saginaw-Saginaw Township	7.8%	6.9%	6.8%
Upper Peninsula	5.5%	5.4%	5.1%
Northeast Lower Mich	6.5%	6.0%	5.8%
Northwest Lower Mich.	5.7%	5.1%	5.1%

Unemployment Rates September 2005



Source: Michigan Department of Labor and Economic Growth

U.S. Economic Conditions

	<u>Jun-05</u>	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	96.0	96.5	89.1	76.9	-17.3 points
ISM Manufacturing Index ⁽ⁱ⁾	53.8	56.6	53.6	59.4	0.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	62.2	60.5	65.0	53.3	-5.4 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>Jun-05</u>	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	194.5	195.4	196.4	198.8	4.7%
Detroit CPI	189.6	NA	192.2	NA	2.9%
U.S. Producer Price Index	154.0	155.4	156.1	158.9	6.9%
INTEREST RATES					
90 Day T-Bill ^(l)	2.99%	3.22%	3.45%	3.47%	1.82% points
Aaa Corporate Bonds ^(m)	4.96%	5.06%	5.09%	5.13%	-0.33% points
INDUSTRIAL PRODUCTION ^(m)					
	119.4	119.4	119.6	118.0	2.0%
CAPACITY UTILIZATION ^(m)					
	79.8%	79.7%	79.8%	78.6%	0.6% points
RETAIL SALES ⁽ⁿ⁾					
	\$351.3	\$357.3	\$350.6	\$351.5	6.5%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jun-05</u>	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.065	2.062	2.038	2.108	10.3%
Existing Home Sales ^(p)	7.350	7.150	7.280	7.280	7.2%
DURABLE GOODS ORDERS ^(q)					
	\$215.3	\$203.7	\$211.5	\$207.0	6.0%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2004.3</u>	<u>2004.4</u>	<u>2005.1</u>	<u>2005.2</u>	<u>% Change From Year Ago</u>
Michigan	\$324.6	\$329.5	\$329.3	\$333.8	3.6%
U.S.	\$9,719.7	\$10,015.1	\$10,071.1	\$10,226.0	6.5%
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	\$11,193.2	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.