

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The preliminary estimate for **inflation-adjusted Gross Domestic Product (GDP)** showed growth of 3.3% in the second quarter of 2004, compared with 4.5% growth in the first quarter. The slower growth rate in the second quarter reflected a decline in the growth of personal consumption expenditures from 4.1% in the first quarter to 1.6% in the second quarter and a sharp deceleration in the rate of inventory accumulation. Despite the positive contribution to growth from improvements in private investment during the second quarter, the increases were insufficient to offset increased imports and the slower growth in consumption.
- **Housing starts** rose 0.6% between July and August, an annual rate of 7.5%, and were 9.0% below the level in August 2003. The August level was the highest level of starts since March 2004, despite higher interest rates. The West was the only region of the country to report declining housing starts.
- The U.S. **unemployment rate** fell from 5.5% in July to 5.4% in August. However, the change was a reflection more of a 152,000-individual decline in the labor force, than of increases in employment, which rose only by 21,000 jobs. Compared with one year ago, employment was up 1.4%, while the number of individuals in the labor force was 0.7% higher.
- **Motor vehicle sales** declined 3.7% between July and August and were 6.9% below the level one year ago. Only the heavy truck sector reported sales above year-ago levels, with a 32.2% increase. Automobile sales were 8.6% below year-ago levels, while light truck sales were down 6.8%. No vehicle sectors exhibited increased sales between July and August.



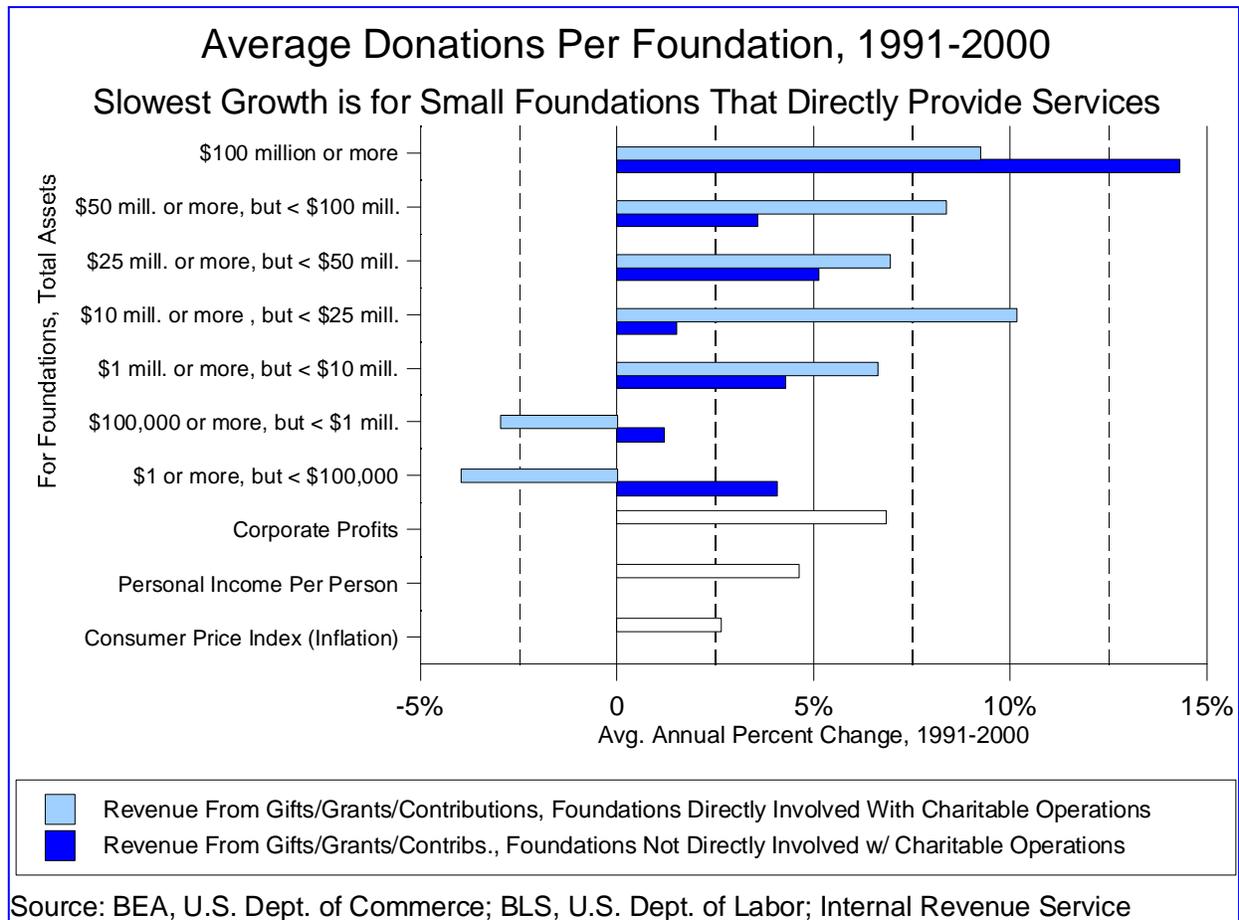
- Compared with August 2003, **average weekly earnings** in Michigan rose in almost all major sectors. Grocery stores and the financial activities sector were the only sectors exhibiting year-over-year declines in average weekly earnings. At the other extreme, average weekly earnings were 24.0% higher in the information sector, 15.1% higher in the wholesale trade sector, and 13.1% higher in the motor vehicle parts manufacturing sector.
- **Michigan's payroll employment** rose by 7,000 jobs between July and August, but was still 45,000 jobs below the level one year ago. Consistent with recent months, the largest year-over-year declines were reported in manufacturing, down 18,000 jobs, and government, down 15,000 jobs. However, on a monthly basis, manufacturing employment increased by 20,000 jobs in August while government employment declined another 5,000 jobs.
- August **unemployment rates** in Michigan's major urban areas were generally lower than one year ago, except in the Lansing-East Lansing area. Flint continued to exhibit the highest unemployment, at 8.3%, while Ann Arbor continued to report the lowest rate, at 3.6%. Statewide, the unemployment rate mirrored the changes in the national average, with individuals leaving the labor force at a rate faster than the increase in the number of jobs.

U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Aug. 2004	July 2004	Aug. 2003	Change from July		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	147,704	147,856	146,622	(152)	(0.1)%	1,082	0.7%
Employment	139,681	139,660	137,693	21	0.0	1,988	1.4
Unemployment	8,022	8,196	8,929	(174)	(2.1)	(907)	(10.2)
Unemployment Rate	5.4%	5.5%	6.1%	---	---	---	---

Michigan	Aug. 2004	July 2004	Aug. 2003	Change from July		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,041	5,047	5,037	(6)	(0.1)%	3	0.1%
Employment	4,705	4,703	4,659	2	0.0	46	1.0
Unemployment	336	344	378	(8)	(2.4)	(43)	(11.2)
Unemployment Rate	6.7%	6.8%	7.5%	---	---	---	---

Source: U.S. Department of Labor, Bureau of Labor Statistics



MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Aug. 2004	July 2004	Aug. 2003	<u>Change from July</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,357	4,350	4,402	7	0%	(45)	(1)%
Goods Producing Industries	903	888	922	16	2	(19)	(2)
Natural Resources & Mining	8	8	8	(0)	(1)	(0)	(3)
Construction	190	195	191	(5)	(2)	(1)	(1)
Manufacturing	706	685	723	20	3	(18)	(2)
Transportation Equipment	267	248	280	19	8	(14)	(5)
Service Producing Industries	3,454	3,462	3,479	(8)	(0)	(26)	(1)
Trade, Transportation & Utilities	798	807	815	(9)	(1)	(18)	(2)
Information	67	68	70	(1)	(2)	(3)	(5)
Financial Activities	214	214	220	0	0	(6)	(3)
Professional & Business Services	592	587	587	5	1	5	1
Education & Health Services	548	544	542	3	1	5	1
Leisure & Hospitality Services	408	407	403	1	0	5	1
Other Services	173	175	172	(2)	(1)	2	1
Government	655	659	670	(5)	(1)	(15)	(2)

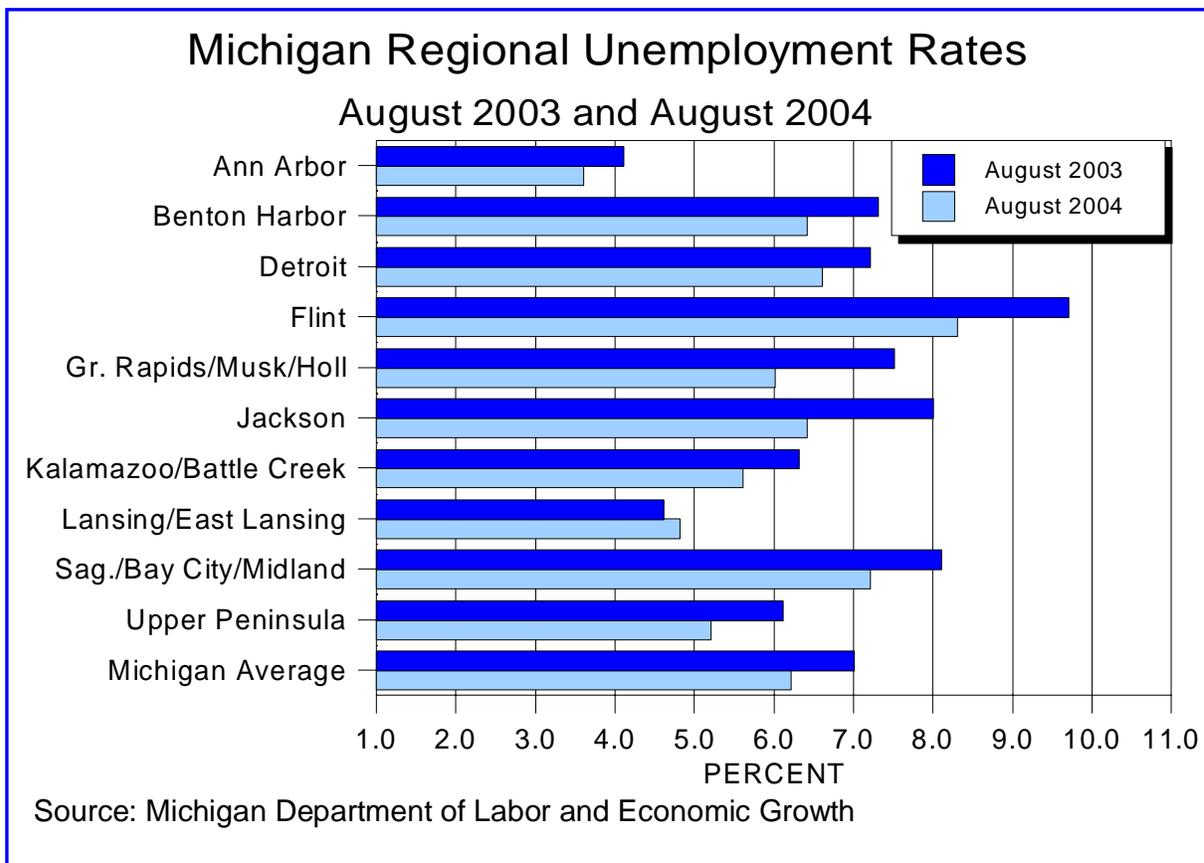
Source: Bureau of Labor Statistics, U.S. Department of Labor Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Aug. 2004	Year Ago	Percent Change	Aug. 2004	Year Ago	Percent Change
Nat. Resources, Mining & Construction	39.5	39.0	1.3%	861.10	833.43	3.3%
Manufacturing	41.8	39.1	6.9	907.06	832.05	9.0
Durable Goods	42.7	39.5	8.1	988.51	902.97	9.5
Motor Vehicle Manufacturing	43.5	37.9	14.8	1,324.58	1,198.02	10.6
Motor Vehicle Parts Manufacturing	44.3	40.3	9.9	1,220.47	1,078.83	13.1
Nondurable Goods	38.1	37.2	2.4	578.36	531.59	8.8
Wholesale Trade	39.0	35.1	11.1	748.02	650.05	15.1
Retail Trade	30.5	29.2	4.5	348.31	320.32	8.7
Grocery Stores	25.9	26.7	(3.0)	228.70	240.03	(4.7)
General Merchandise Stores	30.1	29.2	3.1	305.82	289.08	5.8
Information	37.4	31.7	18.0	626.82	505.62	24.0
Financial Activities	33.6	36.0	(6.7)	511.39	577.08	(11.4)
Prof. & Business Services	35.9	33.9	5.9	606.71	534.26	13.6
Health Care & Social Assistance	34.9	34.2	2.0	567.82	541.39	4.9
Leisure & Hospitality	24.1	23.9	0.8	196.90	193.11	2.0
Auto. Repair & Maintenance	34.7	34.9	(0.6)	564.22	536.06	5.3
Personal & Laundry Services	29.2	28.4	2.8	380.77	370.90	2.7

Source: U.S. Department of Labor, Bureau of Labor Statistics

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

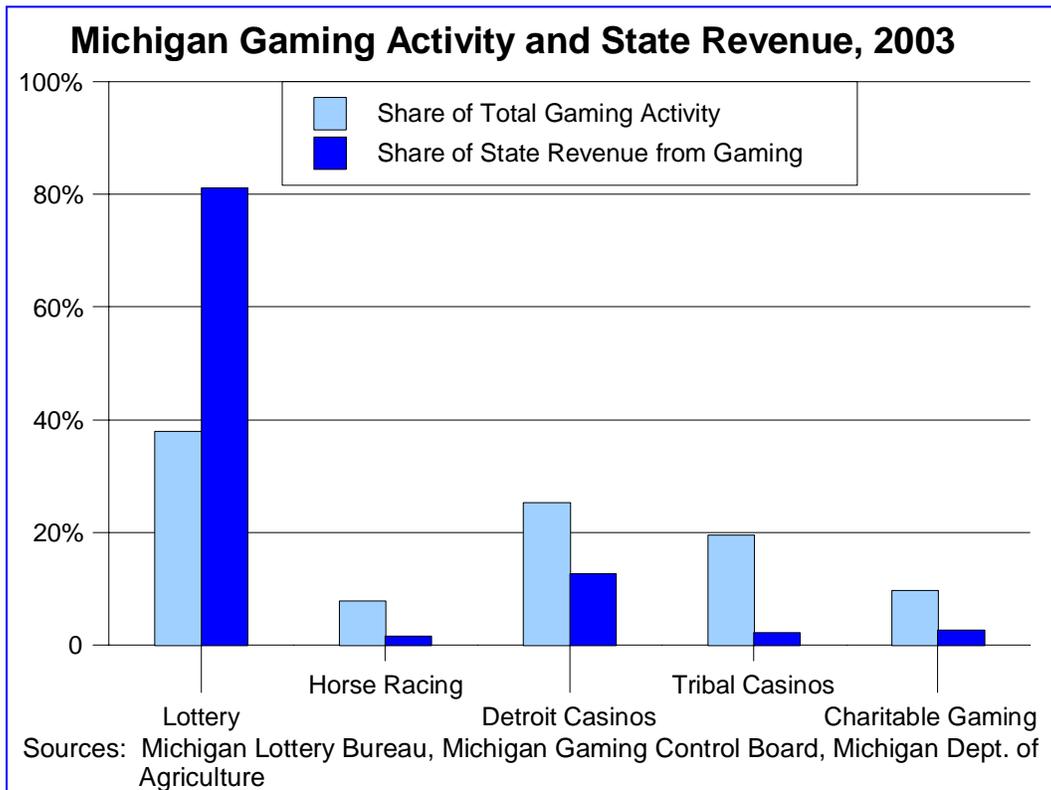
	Aug. 2004	July 2004	June 2004	Aug. 2003
Metropolitan Statistical Areas				
Ann Arbor	3.6%	4.4%	4.0%	4.1%
Benton Harbor	6.4	7.2	6.8	7.3
Detroit	6.6	8.2	7.3	7.2
Flint	8.3	10.2	8.5	9.7
Grand Rapids	6.0	7.0	6.7	7.5
Jackson	6.4	7.2	6.8	8.0
Kalamazoo-Battle Creek	5.6	6.4	6.1	6.3
Lansing-East Lansing	4.8	5.9	5.0	4.6
Saginaw-Bay City-Midland	7.2	8.1	7.9	8.1
Multi-County Areas				
Northeast Lower Michigan	6.3	7.0	7.2	7.6
Northwest Lower Michigan	5.4	6.0	6.3	6.3
Upper Peninsula	5.2	5.4	5.8	6.1
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.2%	7.5%	6.8%	7.0%
Source: Michigan Department of Labor and Economic Growth.				*Preliminary.



MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)

	Aug. 2004	July 2004	June 2004	May 2004	Year Ago Aug.	Percent Change From:	
						Aug./July	Aug. 2004/ Aug. 2003
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,153	7,504	7,052	7,914	7,826	(4.7)%	(8.6)%
Domestics	5,153	5,450	4,934	5,650	5,749	(5.4)	(10.4)
Imports	2,000	2,054	2,118	2,264	2,077	(2.6)	(3.7)
Import Share	28.0%	27.4%	30.0%	28.6%	26.5%	----	----
Light Trucks	9,404	9,694	8,318	9,748	10,088	(3.0)	(6.8)
Domestics	8,214	8,409	7,104	8,492	8,798	(2.3)	(6.6)
Imports	1,190	1,285	1,214	1,256	1,290	(7.4)	(7.8)
Import Share	12.7%	13.3%	14.6%	12.9%	12.8%	----	----
Heavy Trucks	431	440	395	402	326	(2.0)	32.2
Total	16,988	17,638	15,765	18,064	18,240	(3.7)	(6.9)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,408	4,132	3,942	4,102	4,327	6.7	1.9
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,131	1,175	1,110	1,152	1,308	(3.7)	(13.5)
Trucks	1,260	1,217	1,226	1,176	1,222	3.6	3.1
Total	2,392	2,392	2,337	2,328	2,530	0.0	(5.5)
Michigan Production as % of U.S.	19.9%	15.9%	20.1%	21.2%	23.1%	----	----
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,431	1,433	1,623	1,633	1,438	(0.1)	(0.5)
Days Supply	55	55	59	56	51	0.0	7.8
Total Truck	2,261	2,283	2,609	2,515	1,826	(1.0)	23.8
Days Supply	73	72	85	75	56	1.4	30.4

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS							
Variable	Latest Period	Actual Data			Percent Chng From		
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago	
Weekly Leading Index , monthly ¹⁾ (1992=100)	August	130.8	131.0	126.8	(0.2)%	3.2%	
Coincident Index ¹⁾ (1992=100)	August	143.0	142.7	137.9	0.2	3.7	
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	August	2,000	1,988	1,835	0.6	9.0	
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	August	\$302.7	\$303.6	\$289.0	(0.3)	4.7	
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	August	116.6	116.5	110.9	0.1	5.2	
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	August	77.3	77.3	74.5	(0.0)	3.7	
Consumer Price Index ⁴⁾ (1982-84=100)							
U.S. (seasonally adjusted)	August	189.4	189.3	184.5	0.6	2.7	
Detroit (not seasonally adjusted)	August	186.8	185.8	183.6	3.3	1.7	
Interest Rates							
3-month Treasury Bill ³⁾	August	1.48%	1.35%	0.96%	---	---	
Corporate Aaa Bonds ³⁾	August	5.65%	5.82%	5.88%	---	---	
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2004 1 st Qtr.	\$10,784.7	\$10,697.5	\$10,287.4	3.3	4.8	
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Aug. 2004	\$1,720.3	\$1,559.0	\$1,527.1	n/m	12.7	

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

