

MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS

- The **U.S. Consumer Price Index (CPI)** rose 0.5% in August from the July level, marking the second consecutive month the inflation measure grew at a 6.4% annual rate. The CPI was 3.6% above the level in August 2004. Higher prices for petroleum-based energy continued to account for a significant portion of the increases, although increases seemed to be spreading among sectors. The apparel component posted the first increase since March, and was up 1.0% from July (which equates to an annual rate of 23.3%, although monthly spikes of this magnitude in this component are not unusual). Medical care prices took a rare monthly pause, rising 0.03% from July, the smallest monthly increase since November 1975.
- The **current account balance**, which measures the flow of international transactions between the U.S. and the rest of the world, improved minimally in the second quarter but remained at record levels. A deficit in the current account indicates the U.S. is sending more to other countries than it is receiving from them. Since the last quarter of 2004, the current account deficit has exceeded 6.0% of gross domestic product, up from 4.3% when the dollar's value peaked in the first quarter of 2002. Even though the dollar has fallen in value by more than 22.5% since its peak (making imports and foreign investment more expensive), the deficit has grown from an annual rate of \$440 billion per year to \$783 billion.
- **Motor vehicle sales** showed signs of cooling as inventories have been depleted, discounting offers have expired, and consumers have been showing signs of fatigue on the latest incentives. Sales fell 18.7% in August from the July level, with declines in the light truck market reaching 28.8%. Total sales were still 0.7% above year-ago levels and at a healthy 17.2 million unit annual rate.
- Despite a 2.3% decline in August, compared with July, **retail sales** remained 8.0% above year-ago levels. As during the previous four months, sales at gasoline stations led the year-over-year increase, growing 29.3% from August 2004. Slower sales of motor vehicles and parts were entirely responsible for the monthly decline.



- Higher gasoline prices helped drive the **Detroit Consumer Price Index** up at an annual rate of 8.5% from June to August, and the August index was 2.9% above the year-ago level. As of August, the Detroit CPI was 3.7% above the 2004 average.
- **Average weekly earnings** were near or below year-ago levels in most Michigan business sectors. Earnings were 2.2% below the level in August 2004 in the manufacturing sector. Only the retail sector and the financial sector exhibited noticeable increases, rising 2.3% and 5.5% from August 2004, respectively.
- Michigan's **unemployment rate** fell from 7.0% in July to 6.7% in August as total employment grew by 18,000 jobs. Employment was 42,000 jobs, or 0.9%, above the year-ago level. August's decline in the unemployment rate marked only the second month since April 2004 where the unemployment rate declined in a month that also experienced employment growth.



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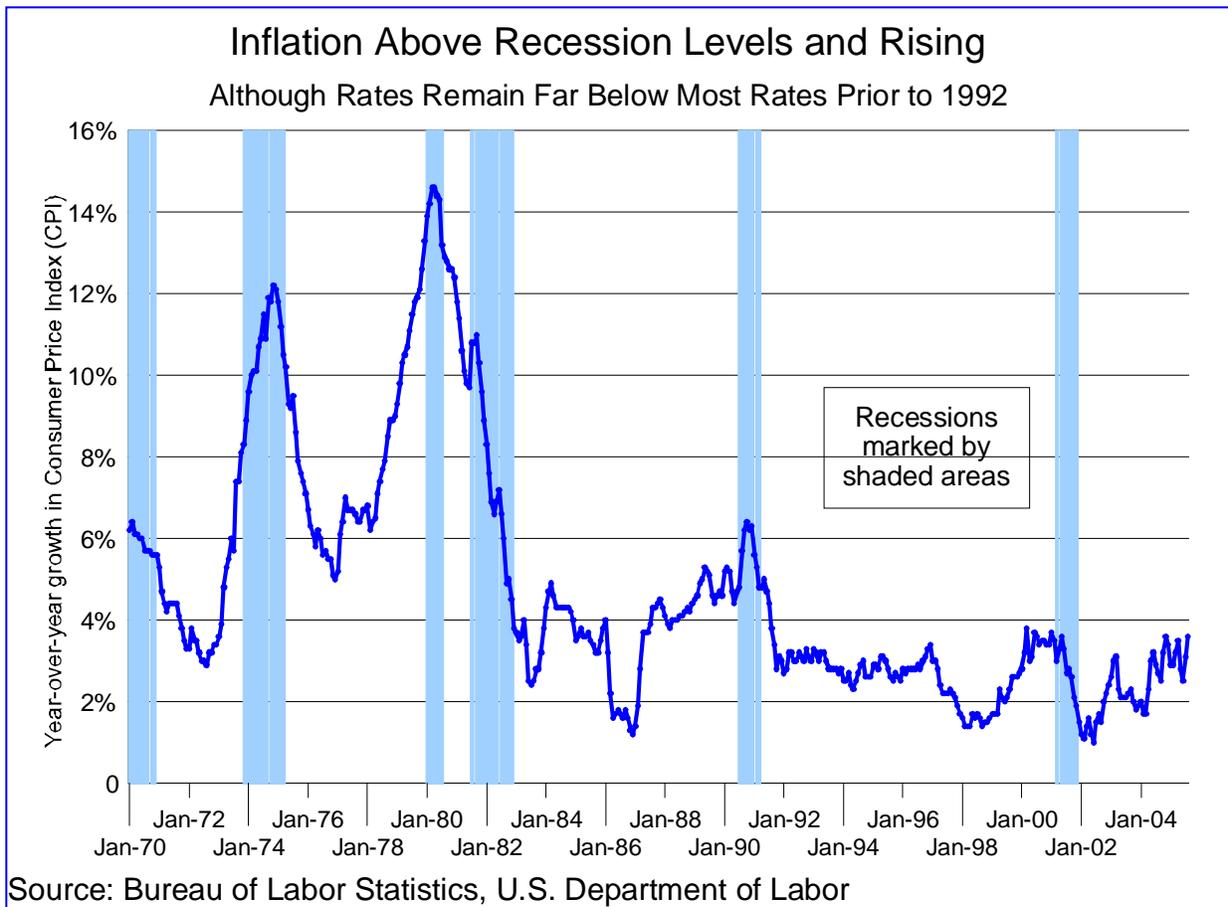
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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Aug. 2005	July 2005	Aug. 2004	Change from July		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	149,841	149,573	147,676	268	0.2%	2,165	1.5%
Employment	142,449	142,076	139,658	373	0.3	2,791	2.0
Unemployment	7,391	7,497	8,018	(106)	(1.4)	(627)	(7.8)
Unemployment Rate	4.9%	5.0%	5.4%	---	---	---	---

Michigan	July 2005	July 2005	July 2004	Change from July		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,105	5,100	5,079	6	0.1	27	0.5
Employment	4,761	4,743	4,719	18	0.4	42	0.9
Unemployment	344	356	359	(12)	(3.4)	(15)	(4.1)
Unemployment Rate	6.7%	7.0%	7.1%	---	---	---	---

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



MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Aug. 2005*	July 2005	Aug. 2004	<u>Change from July</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,351	4,342	4,399	8	0%	(49)	(1)%
Goods Producing Industries	860	855	895	5	1	(35)	(4)
Natural Resources & Mining	8	8	8	0	2	0	4
Construction	187	187	190	(0)	(0)	(4)	(2)
Manufacturing	665	660	697	5	1	(32)	(5)
Transportation Equipment	232	230	258	3	1	(26)	(10)
Service Producing Industries	3,490	3,487	3,504	4	0	(14)	(0)
Trade, Transportation & Utilities	808	808	811	(0)	(0)	(3)	(0)
Information	65	65	68	(0)	(0)	(3)	(5)
Financial Activities	219	219	218	0	0	1	1
Professional & Business Services	582	582	589	(1)	(0)	(8)	(1)
Education & Health Services	558	560	554	(2)	(0)	4	1
Leisure & Hospitality Services	406	404	405	2	0	1	0
Other Services	180	180	179	0	0	1	1
Government	674	669	681	5	1	(7)	(1)

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

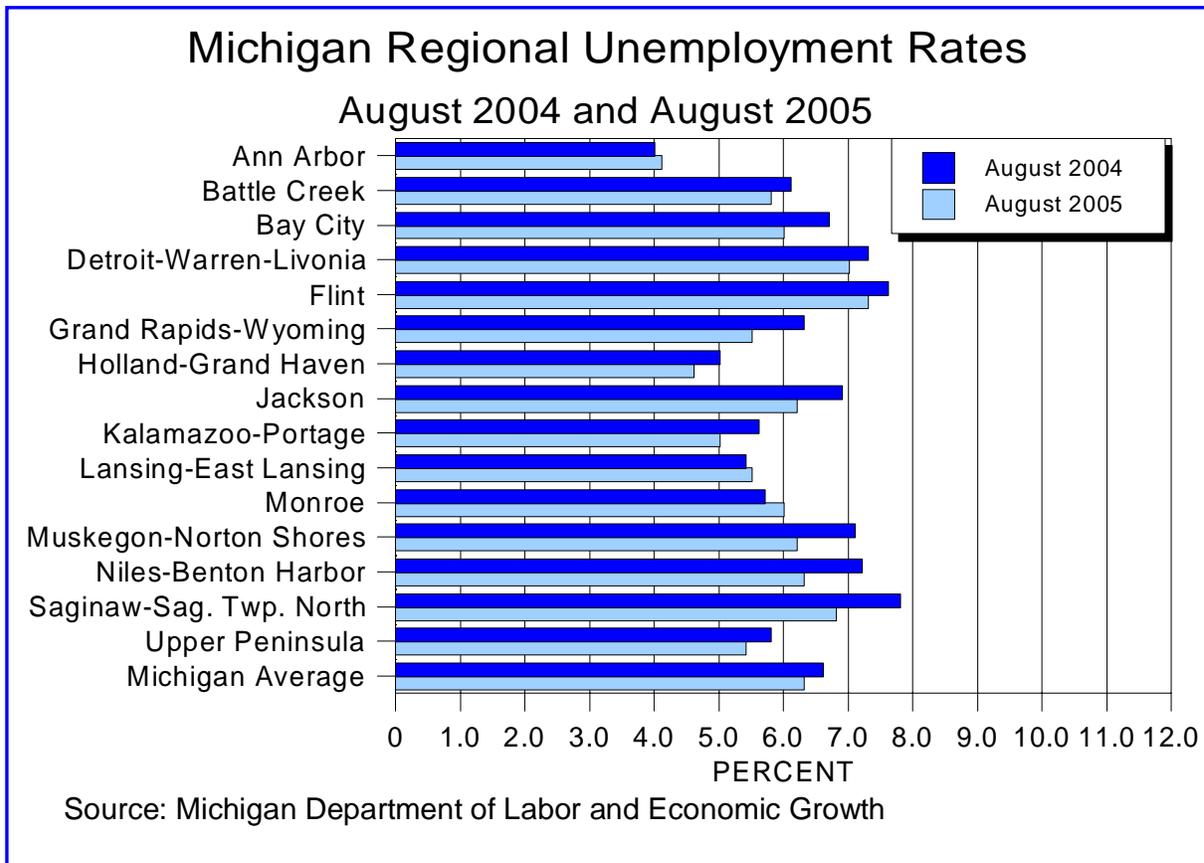
MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Aug. 2005	Year Ago	Percent Change	Aug. 2005	Year Ago	Percent Change
Construction	38.9	39.7	(2.0)%	\$856.58	\$871.02	(1.7)%
Manufacturing	41.5	42.0	(1.2)	883.12	903.00	(2.2)
Durable Goods	42.4	43.1	(1.6)	969.69	989.58	(2.0)
Motor Vehicle Manufacturing	42.7	43.6	(2.1)	1,338.65	1,330.24	0.6
Motor Vehicle Parts Manufacturing	43.3	44.9	(3.6)	1,198.54	1,220.38	(1.8)
Nondurable Goods	38.2	38.0	0.5	567.65	567.34	0.1
Wholesale Trade	37.1	36.1	2.8	703.42	692.40	1.6
Retail Trade	30.2	30.4	(0.7)	353.34	345.34	2.3
Grocery Stores	27.2	26.2	3.8	232.83	229.51	1.4
General Merchandise Stores	30.2	29.9	1.0	310.46	303.19	2.4
Information	36.0	37.7	(4.5)	642.96	638.64	0.7
Financial Activities	34.0	34.0	0.0	584.46	554.20	5.5
Prof. & Business Services	34.5	35.6	(3.1)	598.58	597.72	0.1
Health Care & Social Assistance	34.4	35.1	(2.0)	551.78	558.79	(1.3)
Leisure & Hospitality	24.0	24.0	0.0	195.84	194.16	0.9
Auto. Repair & Maintenance	36.2	35.5	2.0	529.97	538.89	(1.7)
Personal & Laundry Services	26.6	27.2	(2.2)	307.50	361.49	(14.9)

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

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

	Aug. 2005*	July 2005	June 2005	Aug. 2004
Metropolitan Statistical Areas				
Ann Arbor	4.1%	4.8%	4.4%	4.0%
Battle Creek	5.8	7.4	6.5	6.1
Bay City	6.0	7.4	6.8	6.7
Detroit-Warren-Livonia	7.0	8.1	7.7	7.3
Flint	7.3	9.5	7.8	7.6
Grand Rapids-Wyoming	5.5	6.8	6.2	6.3
Holland-Grand Haven	4.6	5.9	5.3	5.0
Jackson	6.2	7.4	6.6	6.9
Kalamazoo-Portage	5.0	6.3	5.7	5.6
Lansing-East Lansing	5.5	7.0	6.3	5.4
Monroe	6.0	7.7	5.9	5.7
Muskegon-Norton Shores	6.2	8.0	6.9	7.1
Niles-Benton Harbor	6.3	7.8	7.0	7.2
Saginaw-Saginaw Twp North	6.8	8.7	7.9	7.8
Multi-County Areas				
Northeast Lower Michigan	6.0	7.4	6.8	6.7
Northwest Lower Michigan	5.1	6.2	5.8	5.6
Upper Peninsula	5.4	6.2	6.3	5.8
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.3	7.6	6.9	6.6

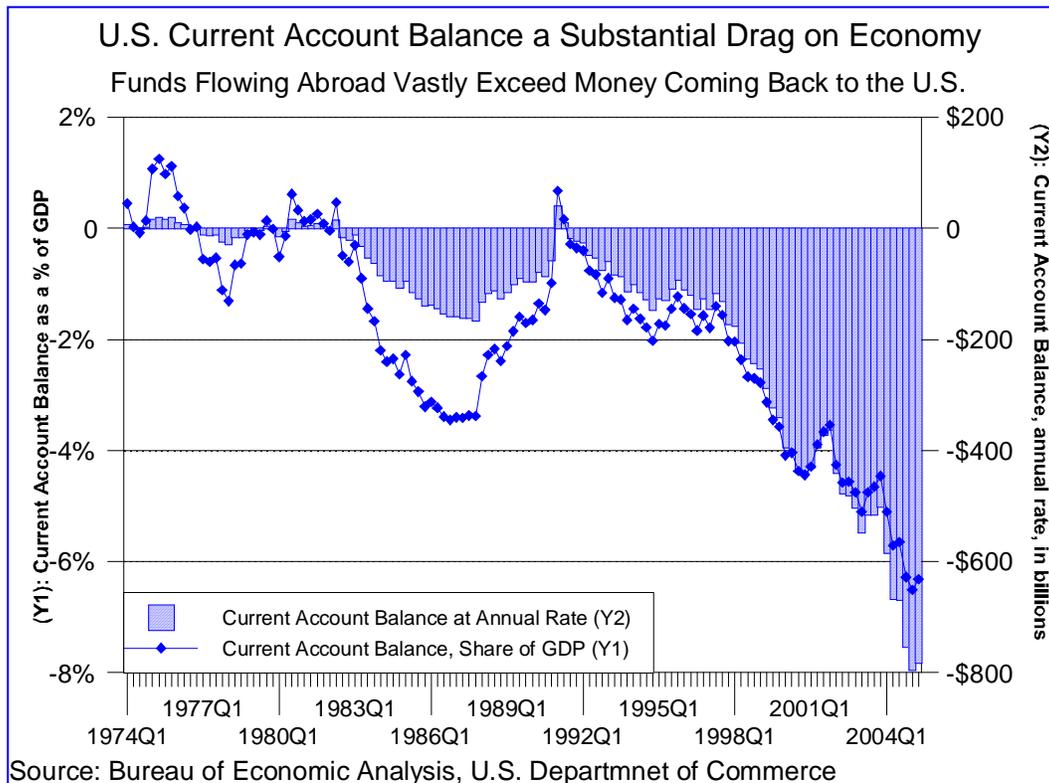
Source: Michigan Department of Labor and Economic Growth *Preliminary



**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

	Aug. 2005	July 2005	June 2005	May 2005	Year Ago Aug.	Percent Change From:	
						Aug./July	Aug. 2005/ Aug. 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,783	8,088	7,470	7,519	7,285	(3.8)%	6.8%
Domestics	5,592	5,728	5,248	5,317	5,226	(2.4)	7.0
Imports	2,191	2,360	2,222	2,202	2,059	(7.2)	6.4
Import Share	28.2%	29.2%	29.7%	29.3%	28.3%	---	---
Light Trucks	8,968	12,588	10,348	9,119	9,392	(28.8)	(4.5)
Domestics	7,762	11,256	9,083	7,892	8,183	(31.0)	(5.1)
Imports	1,206	1,332	1,265	1,227	1,209	(9.5)	(0.2)
Import Share	13.4%	10.6%	12.2%	13.5%	12.9%	---	---
Heavy Trucks	488	516	505	466	437	(5.4)	11.7
Total	17,239	21,192	18,323	17,104	17,114	(18.7)	0.7
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,302	4,312	4,374	4,136	4,332	(0.2)	(0.7)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,166	1,030	1,212	1,051	1,131	13.2	3.1
Trucks	1,101	1,363	1,339	1,246	1,260	(19.2)	(12.6)
Total	2,267	2,393	2,551	2,296	2,392	(5.2)	(5.2)
Michigan Production as % of U.S.	17.8%	16.0%	21.7%	20.8%	19.9%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,162	1,200	1,411	1,394	1,431	(3.2)	(18.8)
Days Supply	42	42	50	47	55	0.0	(23.6)
Total Truck	1,794	1,752	2,330	2,437	2,261	2.4	(20.6)
Days Supply	61	43	64	74	73	41.9	(16.4)

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	134.9	133.8	130.7	0.8%	3.2%
Coincident Index ¹⁾ (1992=100)	July	147.4	146.8	142.4	0.4	3.5
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	August	2,009	2,035	2,025	(1.3)	(0.8)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	August	\$316.3	\$323.9	\$292.9	(2.3)	8.0
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	August	119.7	119.5	116.0	0.1	3.1
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	August	79.8	79.8	78.3	0.0	2.0
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	August	196.1	195.1	189.3	6.3	3.6
Detroit (not seasonally adjusted)	August	192.2	189.6	186.8	8.5	2.9
Interest Rates						
3-month Treasury Bill ³⁾	August	3.45%	3.22%	1.48%	---	---
Corporate Aaa Bonds ³⁾	August	5.09%	5.06%	5.65%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2nd Qtr. 2005	\$11,088.6	\$10,999.3	\$10,704.1	3.3	3.6
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Aug. 2005	\$1,784.5	\$1,521.9	\$1,691.6	NM	5.5

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.

