

MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS

- The revised estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 4.3% in the third quarter of 2005, compared with the advance estimate of 3.8% and growth of 3.3% during the second quarter. The upward revisions primarily reflected that growth in both residential and nonresidential investment was higher than estimated in the preliminary figures. The third quarter's stronger growth reflected more rapid growth in consumption, particularly for services and motor vehicles.
 - The GDP release also revised second-quarter estimates of personal income. The **personal saving rate** is now estimated to have declined from 2.3% in the fourth quarter of 2004 to 0.5% in the first quarter of 2005. It then declined to -0.2% in the second quarter and -1.5% in the third quarter. The second and third quarters' negative saving rates are the only negative observations in the data series, which dates from 1947, and are down from averages in the 5.0% range during the mid-1990s and double-digit rates during the early 1980s.
 - **Motor vehicle sales** slowed for the third month in a row, with October sales 9.8% below the September level and 12.6% below October 2004. As in prior months, lower sales reflected weakness in the light truck market, particularly domestically produced light trucks, where sales fell 14.2% between September and October and were 23.1% below year-ago levels.
 - **Short-term interest rates** continued rising in October as inflation concerns remained and the economy experienced the effects of the Federal Reserve Board's increases in the target Federal funds rate. The interest rate on 90-day Treasury Bills rose from 3.47% in September to 3.70% in October, and was substantially higher than the 1.75% rate in October 2004.
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- Michigan **motor vehicle production** fell 15.7% in October, compared with the September level, and was 15.0% below the level one year ago. Light truck production fell more substantially than did automobile production, reflecting the significant decline in light truck sales nationally. Michigan light truck production in October was 24.5% below the October 2004 level, compared with only a 3.2% decline in automobile production.
 - In October, Michigan's **unemployment rate** fell to 6.1%, from 6.5% in September. However, while September's decline reflected both job growth and falling unemployment, October's unemployment rate fell because the number of people in the labor force fell more rapidly than did the number employed. While employment declined by 2,000 jobs between September and October, it was still 62,000 jobs above the level one year ago.
 - **Michigan wage and salary employment** fell by 14,000 jobs in October from the September level and was 50,000 jobs below the year-ago level. The job decline occurred in most sectors. Only the construction, financial activities, and professional/business services sectors showed increases, with gains totaling only 4,000 jobs. Government employment led the declines, with a drop of 8,000 jobs, while transportation equipment manufacturing fell by 4,000 jobs.



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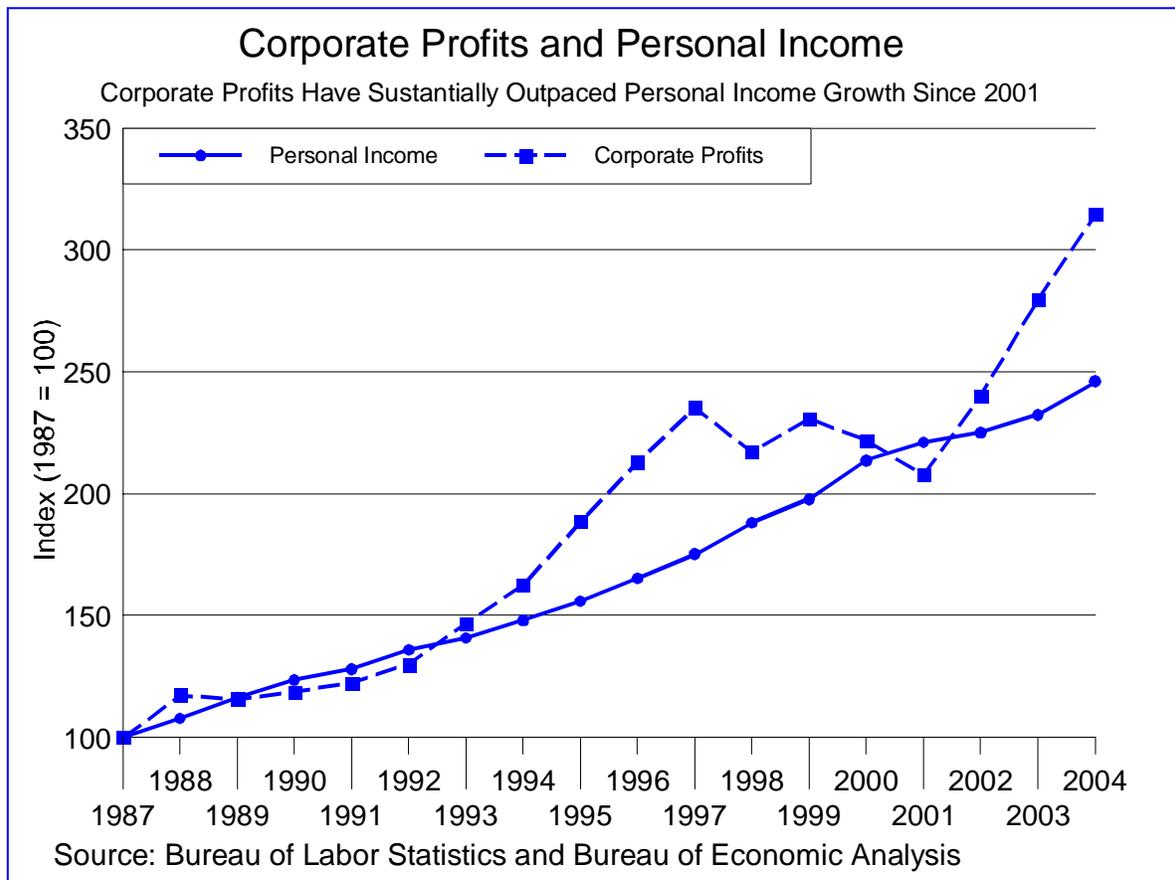
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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Oct. 2005	Sept. 2005	Oct. 2004	Change from Sept.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	150,079	150,093	147,893	(14)	(0.0)%	2,186	1.5%
Employment	142,646	142,432	139,827	214	0.2	2,819	2.0
Unemployment	7,433	7,661	8,066	(228)	(3.0)	(633)	(7.8)
Unemployment Rate	5.0%	5.1%	5.5%	---	---	---	---

Michigan	Oct. 2005	Sept. 2005	Oct. 2004	Change from Sept.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,101	5,127	5,095	(26)	(0.5)%	7	0.1%
Employment	4,792	4,794	4,730	(2)	(0.0)	62	1.3
Unemployment	309	333	364	(24)	(7.1)	(55)	(15.1)
Unemployment Rate	6.1%	6.5%	7.2%	---	---	---	---

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



MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Oct. 2005*	Sept. 2005	Oct. 2004	<u>Change from Sept.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,348	4,363	4,398	(14)	(0)%	(50)	(1)%
Goods Producing Industries	867	868	892	(1)	(0)	(25)	(3)
Natural Resources & Mining	8	8	8	0	1	0	4
Construction	188	187	191	1	0	(3)	(2)
Manufacturing	671	673	693	(2)	(0)	(22)	(3)
Transportation Equipment	238	242	255	(4)	(2)	(17)	(6)
Service Producing Industries	3,481	3,495	3,506	(13)	(0)	(25)	(0)
Trade, Transportation & Utilities	798	801	807	(3)	(0)	(9)	(1)
Information	64	64	67	0	0	(3)	(5)
Financial Activities	220	219	218	1	0	2	0
Professional & Business Services	586	584	589	2	0	(3)	(1)
Education & Health Services	556	560	552	(3)	(1)	4	2
Leisure & Hospitality Services	404	406	405	(2)	(0)	(0)	1
Other Services	181	181	180	(0)	(0)	2	1
Government	671	679	688	(8)	(1)	(17)	(1)

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

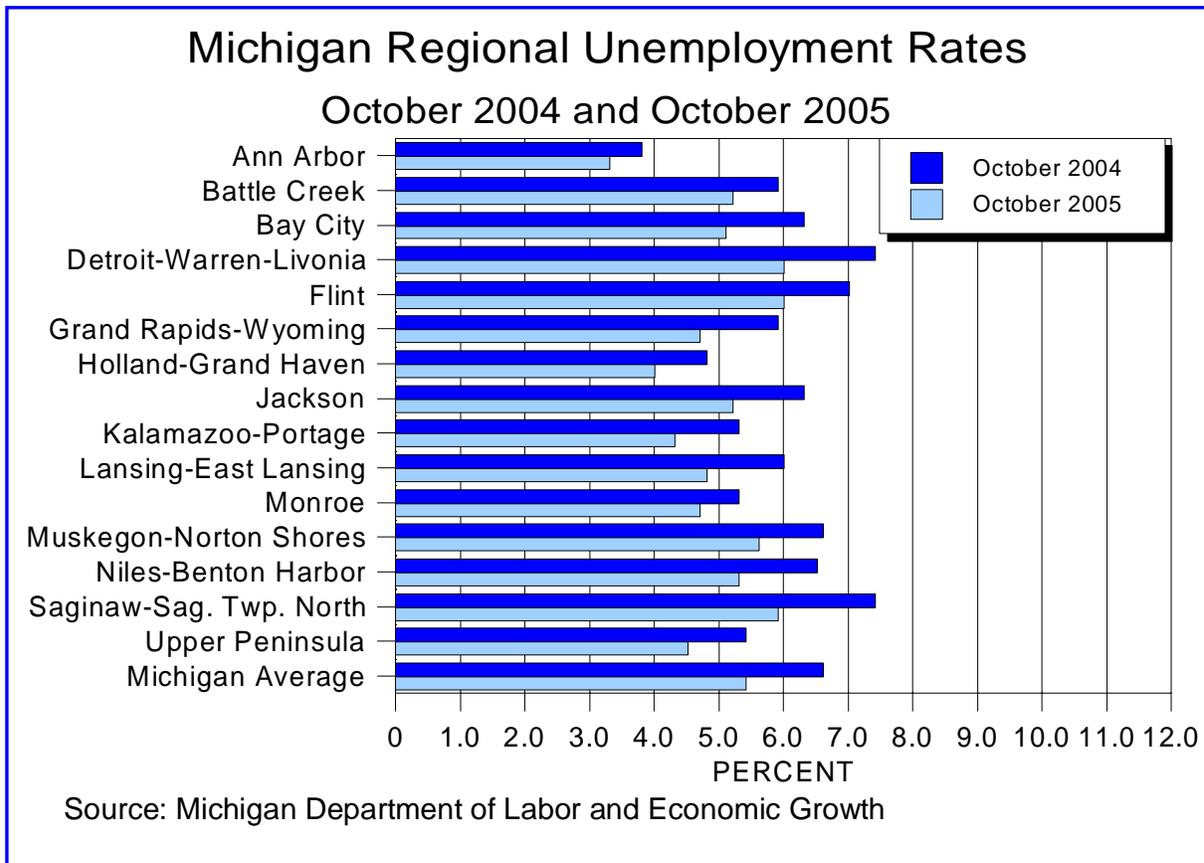
MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Oct. 2005	Year Ago	Percent Change	Oct. 2005	Year Ago	Percent Change
Construction	39.8	38.9	2.3%	\$ 896.69	\$ 858.91	4.4%
Manufacturing	42.6	42.4	0.5	919.31	912.02	0.8
Durable Goods	43.7	43.3	0.9	1,013.84	996.33	1.8
Motor Vehicle Manufacturing	44.8	42.7	4.9	1,414.34	1,333.09	6.1
Motor Vehicle Parts Manufacturing	44.1	45.3	(2.6)	1,231.27	1,246.20	(1.2)
Nondurable Goods	38.7	38.8	(0.3)	576.24	576.96	(0.1)
Wholesale Trade	38.5	36.6	5.2	733.81	695.40	5.5
Retail Trade	29.7	29.6	0.3	358.18	337.44	6.1
Grocery Stores	25.6	24.9	2.8	219.14	218.62	0.2
General Merchandise Stores	29.1	29.2	(0.3)	305.55	301.64	1.3
Information	35.8	36.1	(0.8)	717.43	615.51	16.6
Financial Activities	33.9	33.0	2.7	596.98	525.36	13.6
Prof. & Business Services	34.6	35.2	(1.7)	631.10	611.07	3.3
Health Care & Social Assistance	32.8	35.6	(7.9)	551.04	559.99	(1.6)
Leisure & Hospitality	22.6	23.1	(2.2)	190.52	185.72	2.6
Auto. Repair & Maintenance	34.7	35.0	(0.9)	551.04	558.25	(1.3)
Personal & Laundry Services	25.5	25.3	0.8	287.13	315.74	(9.1)

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)**

	Oct. 2005*	Sept. 2005	Aug. 2005	Oct. 2004
Metropolitan Statistical Areas				
Ann Arbor	3.3%	4.1%	4.1%	3.8%
Battle Creek	5.2	6.0	5.8	5.9
Bay City	5.1	5.9	6.0	6.3
Detroit-Warren-Livonia	6.0	6.4	7.0	7.4
Flint	6.0	7.0	7.3	7.0
Grand Rapids-Wyoming	4.7	5.4	5.5	5.9
Holland-Grand Haven	4.0	4.6	4.5	4.8
Jackson	5.2	6.0	6.2	6.3
Kalamazoo-Portage	4.3	5.0	5.0	5.3
Lansing-East Lansing	4.8	5.5	5.5	6.0
Monroe	4.7	5.6	6.0	5.3
Muskegon-Norton Shores	5.6	6.1	6.2	6.6
Niles-Benton Harbor	5.3	6.2	6.4	6.5
Saginaw-Saginaw Twp North	5.9	6.9	6.9	7.4
Multi-County Areas				
Northeast Lower Michigan	5.4	5.9	6.0	6.5
Northwest Lower Michigan	4.7	5.2	5.1	5.6
Upper Peninsula	4.5	5.2	5.4	5.4
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	5.4	6.0	6.3	6.6

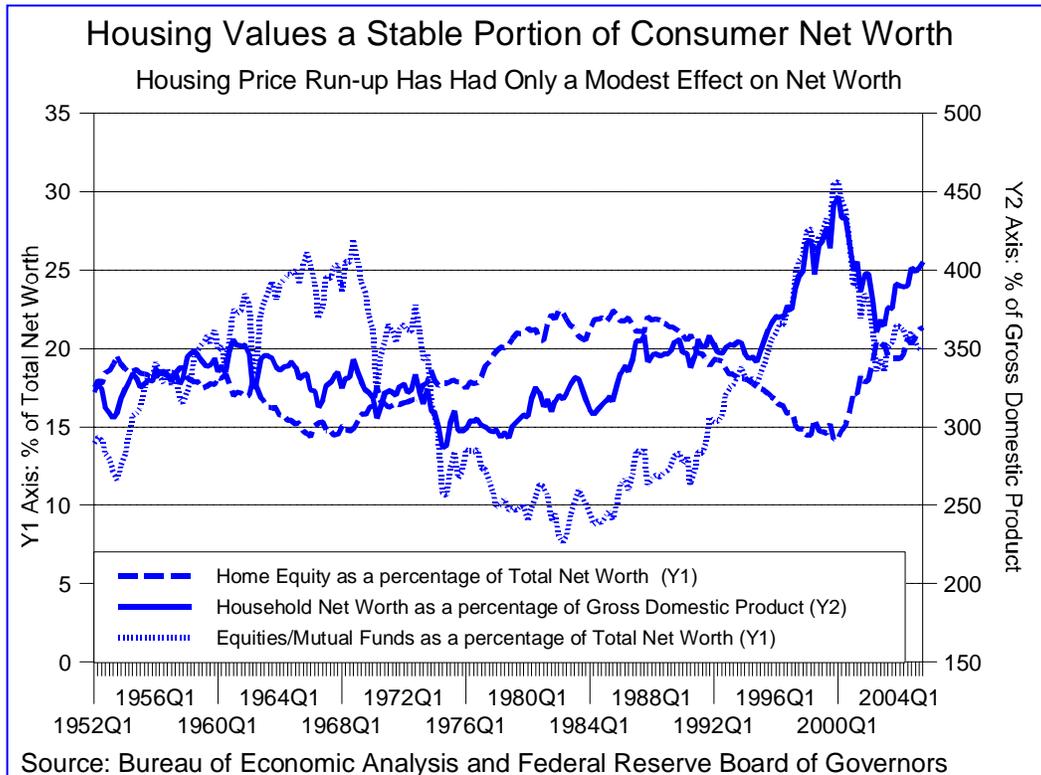
Source: Michigan Department of Labor and Economic Growth *Preliminary



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

	Oct. 2005	Sept. 2005	Aug. 2005	July 2005	Year Ago Oct.	Percent Change From:	
						Oct./Sept.	Oct. 2005/ Oct. 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,325	7,990	7,783	8,088	7,519	(8.3)%	(2.6)%
Domestics	5,189	5,734	5,592	5,728	5,149	(9.5)	0.8
Imports	2,136	2,256	2,191	2,360	2,370	(5.3)	(9.9)
Import Share	29.2%	28.2%	28.2%	29.2%	31.5%	---	---
Light Trucks	7,374	8,352	8,968	12,588	9,403	(11.7)	(21.6)
Domestics	6,237	7,267	7,762	11,256	8,112	(14.2)	(23.1)
Imports	1,137	1,085	1,206	1,332	1,291	4.8	(11.9)
Import Share	15.4%	13.0%	13.4%	10.6%	13.7%	---	---
Heavy Trucks	489	501	488	516	458	(2.4)	6.8
Total	15,188	16,843	17,239	21,192	17,380	(9.8)	(12.6)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,400	4,356	4,292	4,273	4,122	1.0	6.8
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,111	1,146	1,166	1,030	1,148	(3.1)	(3.2)
Trucks	1,077	1,449	1,101	1,363	1,426	(25.7)	(24.5)
Total	2,188	2,595	2,267	2,393	2,573	(15.7)	(15.0)
Michigan Production as % of U.S.	18.8%	17.8%	17.8%	16.0%	22.9%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,233	1,146	1,162	1,200	1,524	7.6	(19.1)
Days Supply	54	42	42	42	69	28.6	(21.7)
Total Truck	2,150	1,948	1,794	1,752	2,325	10.4	(7.6)
Days Supply	77	74	61	43	85	4.1	(9.4)

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)	Oct.	134.2	134.1	130.8	0.1%	2.6%
Coincident Index ¹⁾ (1992=100)	Oct.	147.5	146.9	143.7	0.4	2.6
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Oct.	2,014	2,134	2,062	(5.6)	(2.3)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Oct.	\$317.0	\$317.5	\$300.4	(0.2)	5.5
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	Oct.	107.9	106.9	105.8	0.9	1.9
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Oct.	79.5	78.9	79.2	0.8	0.4
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Oct.	198.9	198.5	190.7	2.4	4.3
Detroit (not seasonally adjusted)	Oct.	195.1	192.2	187.6	9.4	4.0
Interest Rates						
3-month Treasury Bill ³⁾	Oct.	3.70%	3.47%	1.75%	---	---
Corporate Aaa Bonds ³⁾	Oct.	5.35%	5.13%	5.47%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2005 3rd Qtr.	\$11,206.1	\$11,089.2	\$10,808.9	4.3	3.7
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Oct. 2005	\$2,591.9	\$2,056.0	\$2,287.6	NM	13.3

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.

