

MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS



- The final estimate for **inflation-adjusted Gross Domestic Product (GDP)** showed growth of 4.0% in the third quarter of 2004, compared with 3.3% growth in the second quarter. The faster growth rate in the third quarter reflected a substantial improvement in the growth of personal consumption expenditures and an improvement in net exports (exports less imports), particularly due to slower growth in imports. These improvements more than offset decreases in inventory accumulation and much slower growth in residential investment. Government spending added the least to the economy, contributing only 0.1 percentage point to the growth rate, since the third quarter of 2003. In comparison, the government sector added nearly 0.5 percentage point to economic growth in the first and second quarters of 2004.
- After October's substantial increases, **housing starts** fell 13.1% between October and November, and were 13.8% below the level in November 2003. The November 2004 level was the lowest level of starts since May 2003. While significant monthly swings in housing starts are not unusual and trends often take months to appear, most forecasts have expected starts to fall as interest rates continue rising. However, mortgage rates have remained stable since August 2004, with the average rate on 30-year fixed-rate mortgages at 5.73% in November, virtually unchanged from 5.72% in October and below the 5.93% in November 2003.
- **U.S. automobile production** remained flat in November, but was 9.1% below the level in November 2003. So far in 2004, the months of November, October, and June exhibited the lowest automobile production levels in more than 11 years.
- The U.S. **consumer price index** rose at an annual rate of 1.9% between October and November, after rising at a 7.9% annual rate in October, and was 3.8% above the level one year ago. While October's increases largely reflected rising energy prices, November's increases reflected consistent gains across most sectors.



- The Michigan **unemployment rate** rose to 7.0% in November, from 6.6% in October. Both the number employed and the number of people in the labor force fell in November, indicating that the unemployment rate would have been even higher had individuals not left the labor force. November's employment decline marked the first drop since July; however, employment in November was still 38,000 jobs above the level one year ago.
- **Michigan motor vehicle production** fell 2.8% between October and November, and was 3.7% below the level one year ago. Automobile production was down 24.5% from November 2003, while light truck production was up 20.0%.
- **Michigan personal income** grew 0.3% between the second and third quarters of 2004, which ranked Michigan 48th among the 50 states. Only North Dakota and South Dakota exhibited slower growth, while in Utah personal income grew 1.8%, the fastest among the states.



NOVEMBER 2004

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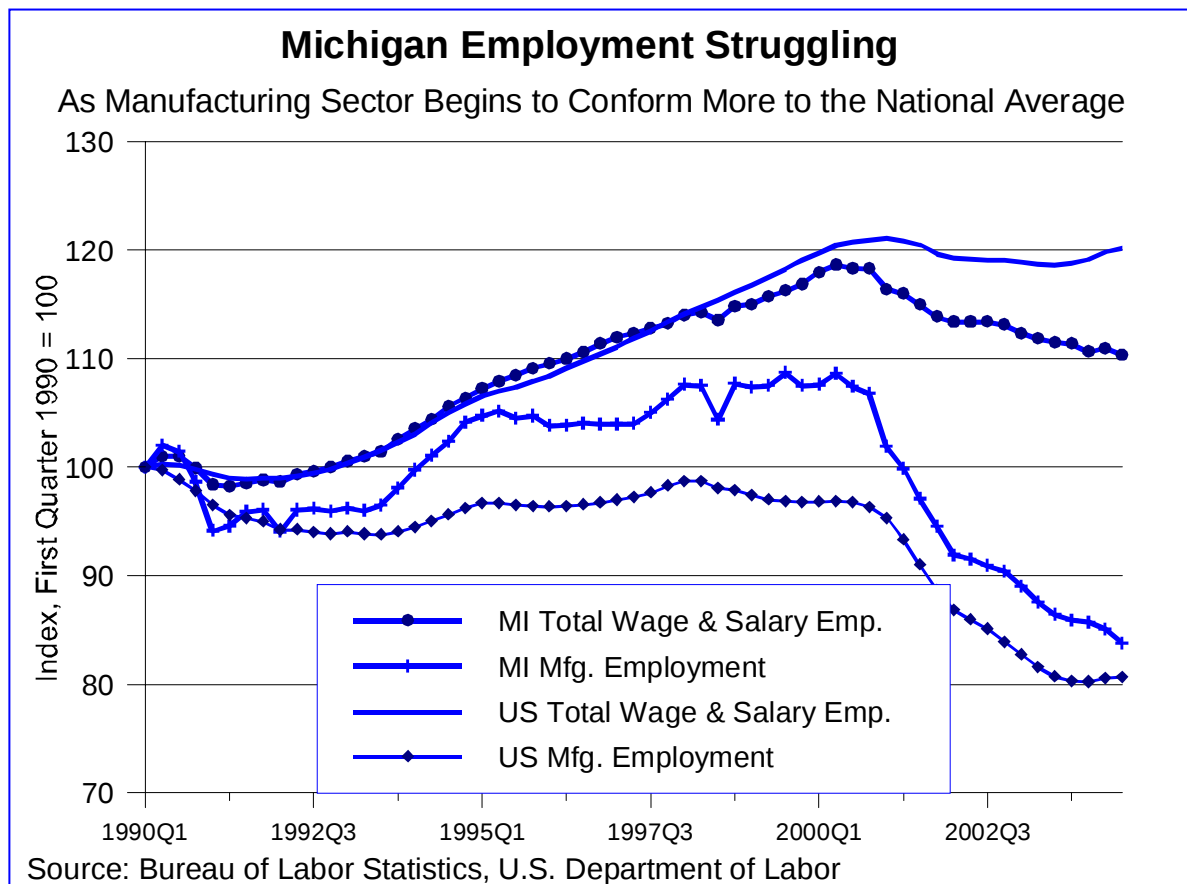
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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Nov. 2004	Oct. 2004	Nov. 2003	<u>Change from Sept.</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	148,289	147,850	147,187	439	0.3%	1,102	0.7%
Employment	140,261	139,778	138,533	483	0.3	1,728	1.2
Unemployment	8,027	8,072	8,653	(45)	(0.6)	(626)	(7.2)
Unemployment Rate	5.4%	5.5%	5.9%	---	---	---	---

Michigan	Oct. 2004	Sept. 2004	Oct. 2003	<u>Change from Sept.</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	5,076	5,086	5,068	(10)	(0.2)%	8	0.2%
Employment	4,722	4,748	4,684	(25)	(0.5)	38	0.8
Unemployment	354	338	384	15	4.6	(30)	(7.9)
Unemployment Rate	7.0%	6.6%	7.6%	---	---	---	---

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



MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Nov. 2004	Oct. 2004	Nov. 2003	<u>Change from Oct.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,365	4,377	4,404	(12)	(0)%	(39)	(1)%
Goods Producing Industries	900	904	916	(4)	(0)	(17)	(2)
Natural Resources & Mining	7	7	8	0	0	(1)	(6)
Construction	193	191	191	3	1	3	1
Manufacturing	699	706	718	(7)	(1)	(19)	(3)
Transportation Equipment	258	265	279	(7)	(3)	(21)	(8)
Service Producing Industries	3,465	3,473	3,487	(8)	(0)	(22)	(1)
Trade, Transportation & Utilities	792	792	813	0	0	(21)	(3)
Information	66	66	70	0	0	(4)	(6)
Financial Activities	215	215	219	0	0	(4)	(2)
Professional & Business Services	589	597	583	(8)	(1)	6	1
Education & Health Services	554	551	553	3	1	1	0
Leisure & Hospitality Services	396	400	398	(4)	(1)	(2)	(1)
Other Services	177	177	171	(1)	(0)	6	3
Government	677	676	680	2	0	(3)	(0)
Source: Bureau of Labor Statistics, U.S. Department of Labor Preliminary							

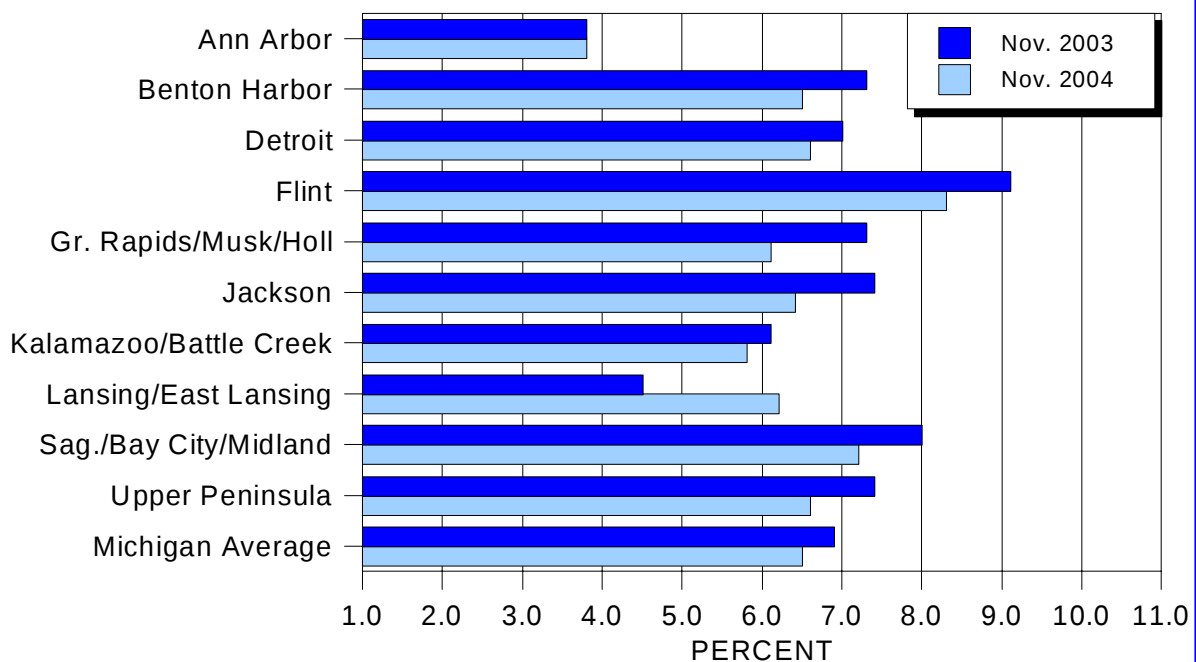
MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Nov. 2004	Year Ago	Percent Change	Nov. 2004	Year Ago	Percent Change
Nat. Resources, Mining & Construction	38.7	37.7	2.7%	848.69	827.89	2.5%
Manufacturing	42.7	43.1	(0.9)	928.73	939.15	(1.1)
Durable Goods	43.5	44.1	(1.4)	1,010.51	1,026.21	(1.5)
Motor Vehicle Manufacturing	43.5	42.4	2.6	1,368.95	1,320.76	3.6
Motor Vehicle Parts Manufacturing	44.8	47.3	(5.3)	1,244.10	1,292.24	(3.7)
Nondurable Goods	39.2	38.7	1.3	597.80	565.02	5.8
Wholesale Trade	38.2	37.3	2.4	713.58	689.30	3.5
Retail Trade	29.4	28.9	1.7	336.63	321.66	4.7
Grocery Stores	24.8	25.0	(0.8)	216.75	224.00	(3.2)
General Merchandise Stores	28.8	28.2	2.1	296.93	281.44	5.5
Information	36.6	32.9	11.2	640.13	543.18	17.8
Financial Activities	32.8	35.2	(6.8)	521.52	556.86	(6.3)
Prof. & Business Services	34.8	34.8	0.0	587.77	567.59	3.6
Health Care & Social Assistance	35.0	34.5	1.4	536.55	535.79	0.1
Leisure & Hospitality	22.5	22.4	0.4	182.25	183.01	(0.4)
Auto. Repair & Maintenance	33.7	35.1	(4.0)	528.08	564.41	(6.4)
Personal & Laundry Services	27.2	26.8	1.5	339.46	329.91	2.9
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)**

	Nov. 2004	Oct. 2004	Sept. 2004	Nov. 2003
Metropolitan Statistical Areas				
Ann Arbor	3.8%	3.5%	3.8%	3.8%
Benton Harbor	6.5	6.1	6.2	7.3
Detroit	6.6	6.3	6.7	7.0
Flint	8.3	7.9	8.3	9.1
Grand Rapids	6.1	5.8	6.0	7.3
Jackson	6.4	6.0	6.2	7.4
Kalamazoo-Battle Creek	5.8	5.4	5.6	6.1
Lansing-East Lansing	6.2	5.9	4.9	4.5
Saginaw-Bay City-Midland	7.2	6.9	7.3	8.0
Multi-County Areas				
Northeast Lower Michigan	8.8	6.4	6.1	10.1
Northwest Lower Michigan	7.1	5.6	5.6	7.9
Upper Peninsula	6.6	4.9	4.9	7.4
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.5	6.0	6.2	6.9
Source: Michigan Department of Labor and Economic Growth				*Preliminary.

Michigan Regional Unemployment Rates

November 2003 and November 2004

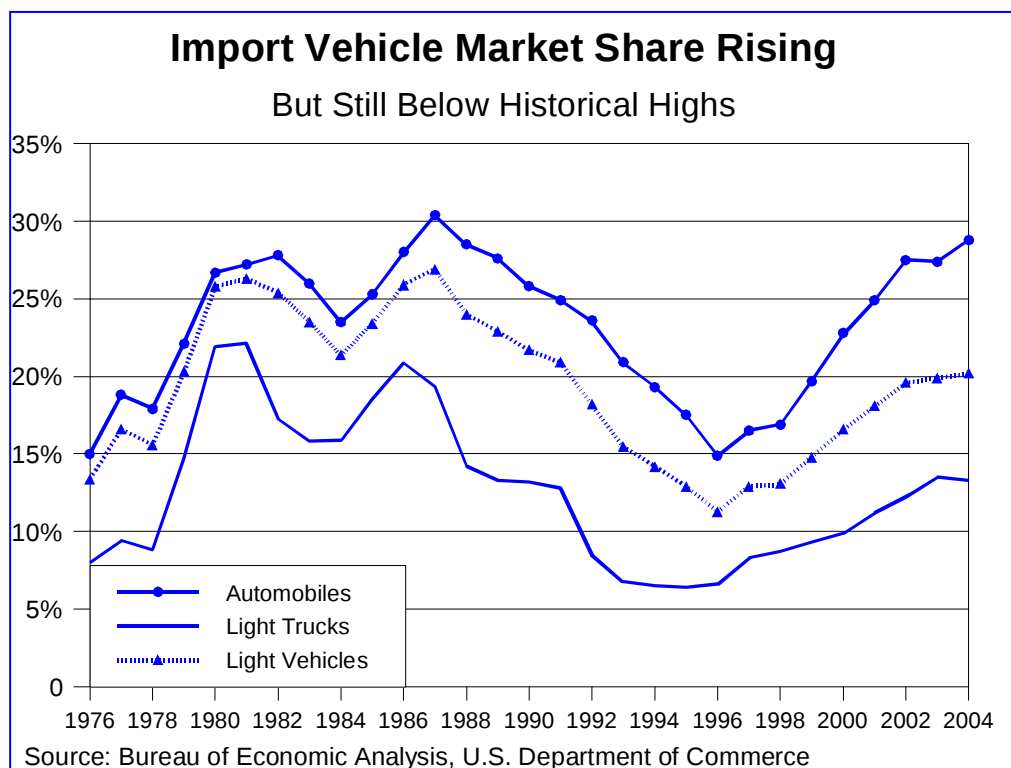


Source: Michigan Department of Labor and Economic Growth

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

	Nov. 2004	Oct. 2004	Sept. 2004	Aug. 2004	Year Ago Oct.	Percent Change From:	
						Nov./Oct.	Nov. 2004/ Nov. 2003
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,401	7,537	7,331	7,153	7,737	(1.8)%	(4.3)%
Domestics	5,177	5,066	5,261	5,153	5,614	2.2	(7.8)
Imports	2,224	2,471	2,070	2,000	2,123	(10.0)	4.8
Import Share	30.0%	32.8%	28.2%	28.0%	27.4%	---	---
Light Trucks	9,007	9,385	10,133	9,404	9,172	(4.0)	(1.8)
Domestics	7,776	8,079	8,912	8,214	7,972	(3.8)	(2.5)
Imports	1,231	1,306	1,221	1,190	1,200	(5.7)	2.6
Import Share	13.7%	13.9%	12.0%	12.7%	13.1%	---	---
Heavy Trucks	460	463	446	431	377	(0.6)	22.0
Total	16,868	17,385	17,910	16,988	17,286	(3.0)	(2.4)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,064	4,062	4,316	4,330	4,472	0.1	(9.1)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,045	1,148	1,234	1,131	1,385	(9.0)	(24.5)
Trucks	1,457	1,426	1,484	1,260	1,214	2.2	20.0
Total	2,502	2,573	2,719	2,392	2,599	(2.8)	(3.7)
Michigan Production as % of U.S.	21.7%	22.9%	21.9%	19.9%	23.1%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,620	1,524	1,449	1,431	1,644	6.3	(1.5)
Days Supply	73	69	58	55	72	5.8	1.4
Total Truck	2,409	2,325	2,233	2,261	2,213	3.6	8.9
Days Supply	87	85	69	73	80	2.4	8.8

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)	Nov.	131.3	130.7	130.1	0.5%	0.9%
Coincident Index ¹⁾ (1992=100)	Nov.	144.2	143.9	139.5	0.2	3.4
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Nov.	1,771	2,039	2,054	(13.1)	(18.3)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Nov.	\$311.1	\$310.8	\$290.2	0.1	7.2
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	Nov.	117.0	116.7	112.7	0.2	3.8
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Nov.	78.7	78.6	76.7	0.1	2.6
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Nov.	191.2	190.9	184.6	1.9	3.6
Detroit (not seasonally adjusted)	Oct.	187.6	186.8	183.3	2.6	2.3
Interest Rates						
3-month Treasury Bill ³⁾	Nov.	2.06%	1.75%	0.94%	---	---
Corporate Aaa Bonds ³⁾	Nov.	5.52%	5.47%	5.65%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	3rd Qtr. 2004	\$10,891.0	\$10,784.7	\$10,472.8	4.0	4.0
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Nov. 2004	\$1,826.9	\$2,324.6	\$1,551.1	NM	17.8

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.

