



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

## August 2012 Summary

**U.S. Economy:** August data were mixed. The second quarter economic growth rate was revised down from 1.73 percent to 1.25 percent – the slowest rate since 2011Q1. The ISM manufacturing index remained slightly below 50.0 (the expansion threshold) for the third straight month, while the ISM non-manufacturing index signaled expansion for the 32<sup>nd</sup> consecutive month. The University of Michigan Consumer Sentiment Index was up 18.5 points from last August. New durable goods orders plummeted 13.2 percent from July, with declining aircraft orders accounting for two-thirds of the overall orders drop. Industrial production was up 2.8 percent from last August – the slowest percent increase since early 2010. Existing home sales increased 9.3 percent to a 4.82 million unit sales rate – the fastest sales pace since mid-2010. Housing starts rose 29.1 percent to an annualized 750,000 units in August -- the 8<sup>th</sup> straight month above 700,000 units.

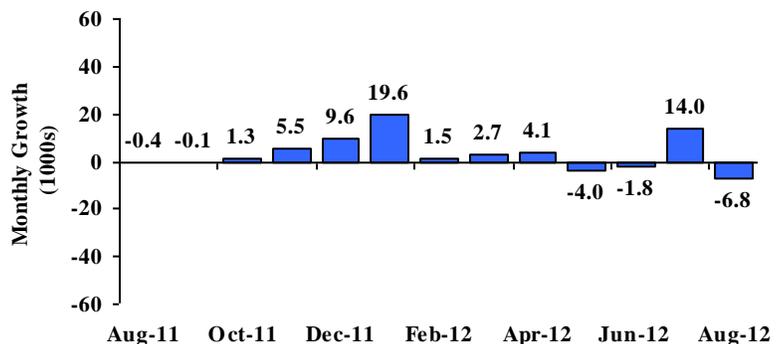
**Employment:** August Michigan employment was up 45,600 (1.2 percent) in August compared to a year ago. While comprising only 13 percent of Michigan’s overall employment level, the manufacturing sector accounted for more than one-third of the State’s overall year-over-year level increase. Nationally, employment increased by 1.8 million jobs (1.4 percent) with the manufacturing sector accounting for 11.0 percent of the overall U.S. employment level increase. Michigan’s unemployment rate rose above 9.0 percent for the first month this year. However, the State’s August 2012 unemployment rate (9.4 percent) was 1.0 percentage point lower than a year earlier. At 8.1 percent, the U.S. unemployment rate was down 1.0 percentage point from a year ago.

**Auto Industry:** At 14.5 million units, the August 2012 U.S. light vehicle annual sales rate rose to its highest level in three years. Michigan vehicle production was up 10.8 percent in August from a year ago; U.S. production rose 20.3 percent.

**Inflation:** In August, the overall U.S. consumer price index (CPI) rose 1.7 percent compared to a year ago and the Detroit CPI was up 1.5 percent. At \$94.16 per barrel, oil prices were up \$7.83 from August 2011.

**Michigan Metro Areas:** Unemployment rates fell in all 17 major Michigan labor markets in August compared with year-ago levels. Employment rose in 15 areas with a median increase of 2.5 percent. All but one Michigan county saw a year-over-year unemployment rate drop.

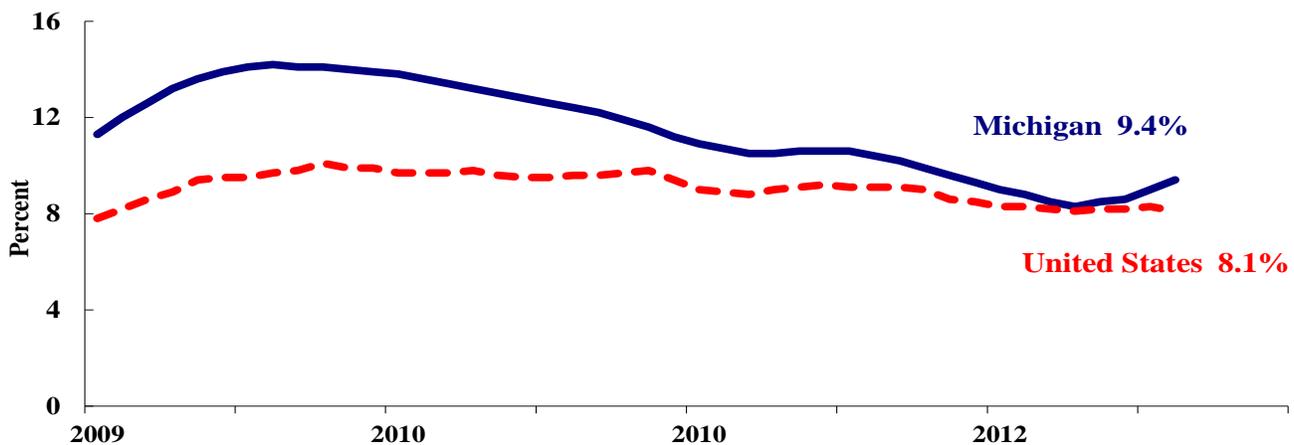
**Michigan Employment Declines in August 2012<sup>(a)</sup>**



## Labor Market Statistics

- Michigan's August unemployment rate increased 0.4 of a percentage point from last month to 9.4 percent, but was down 1.0 percentage point from a year ago. The August U.S. unemployment rate decreased 0.2 of a percentage point from July to 8.1 percent and was down 1.0 percentage point from a year ago. Monthly unemployment rates fluctuate in part due to statistical sampling errors and data revisions.

### Michigan and U.S. Monthly Unemployment Rates 2009 to 2012



Source: Michigan Dept. of Technology, Management & Budget and Bureau of Labor Statistics, U.S. Dept. of Labor

- In August, the number of people employed in Michigan was 4,221,000, down 18,000 from last month, while the labor force decreased by 3,000. The statewide total number of unemployed increased by 16,000 to 437,000.
- United States household employment totaled 142.1 million persons in August. The labor force totaled 154.6 million and there were 12.5 million unemployed in August 2012.

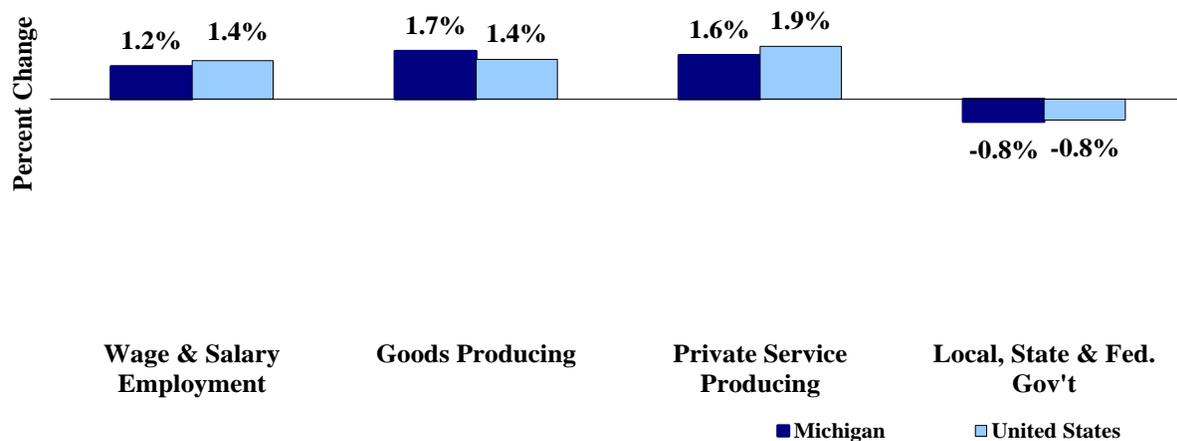
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2011 Average	Jun 2012	Jul 2012	Aug 2012	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,658	4,663	4,661	4,658	-3	-0.1%	5	0.1%
Employed	4,178	4,261	4,239	4,221	-18	-0.4%	54	1.3%
Unemployed	480	402	421	437	16	3.8%	-49	-10.1%
Unemployment Rate	10.3%	8.6%	9.0%	9.4%	n.a.	0.4% pts	n.a.	-1.0%
<b>United States</b>								
Labor Force	153,617	155,163	155,013	154,645	-368	-0.2%	971	0.6%
Employed	139,869	142,415	142,220	142,101	-119	-0.1%	2,347	1.7%
Unemployed	13,747	12,749	12,794	12,544	-250	-2.0%	-1,376	-9.9%
Unemployment Rate	8.9%	8.2%	8.3%	8.1%	n.a.	-0.2% pts	n.a.	-1.0%

## Employment by Place of Work

- From August 2011 to August 2012, Michigan wage and salary employment increased 46,000 (1.2 percent). State wage and salary employment decreased 7,000 from July. Nationally, August 2012 wage and salary employment rose 1,808,000 (1.4 percent) from a year ago and was up 96,000 from last month.

### Wage and Salary Employment Growth August 2011 to August 2012



Source: Bureau of Labor Statistics, Michigan Department of Technology, Management & Budget

- In the goods-producing sector, Michigan employment increased 1.7 percent from a year ago while private service-producing sector employment increased 1.6 percent compared to last year. From a year ago, August national employment in the goods-producing sector rose 1.4 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.7 hours in August compared to last year.

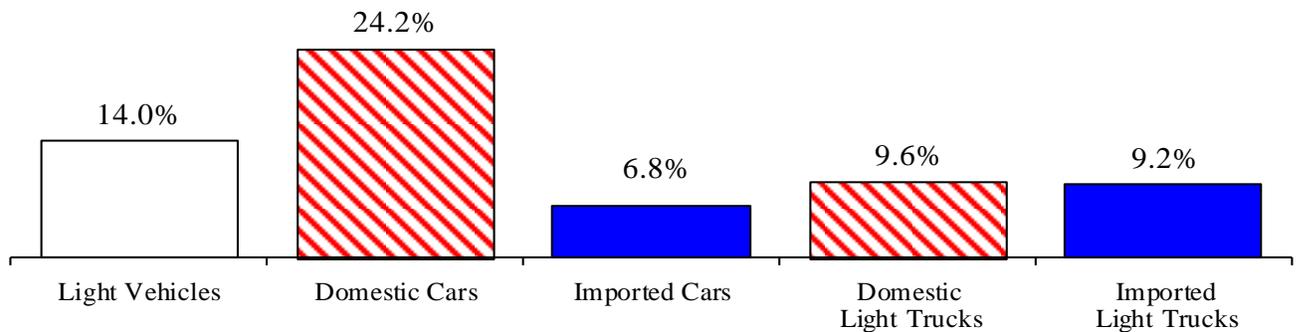
### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2011 Average	Aug 2011	Aug 2012	Percent Change	2011 Average	Aug 2011	Aug 2012	Percent Change
Wage & Salary Employment	3,936	3,944	3,990	1.2%	131,359	131,492	133,300	1.4%
Goods Producing	638	641	652	1.7%	18,021	18,067	18,323	1.4%
Manufacturing	506	508	525	3.3%	11,733	11,771	11,970	1.7%
Private Service Producing	2,679	2,682	2,724	1.6%	91,234	91,359	93,077	1.9%
Trade, Trans. & Utilities	720	722	721	-0.1%	25,019	25,060	25,350	1.2%
Services	1,713	1,714	1,748	2.0%	55,877	56,026	57,345	2.4%
Local, State & Fed. Gov't	619	619	614	-0.8%	22,104	22,066	21,900	-0.8%
Manufacturing Weekly Hours	41.4	43.7	43.0	-0.7 hrs	40.5	40.3	40.7	0.4 hrs

## Motor Vehicle Industry Sales

- August 2012 U.S. light vehicle sales totaled 14.5 million units, at a seasonally adjusted annual rate, which was up 3.0 percent from July 2012, and up 16.5 percent from a year ago. The August 2012 sales rate represented a three-year high. At 334,000 units, heavy truck sales rose 1.8 percent from August 2011. Year-to-date, light vehicle sales are up 14.0 percent from last year.
- U.S. sales of domestic light vehicles increased 4.9 percent in August 2012 compared with July, while foreign sales dropped 4.0 percent. Domestic sales rose 18.7 percent compared to a year ago while foreign sales increased 8.4 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 1.5 percentage points from a year ago to 20.2 percent – the smallest foreign percent share since January 2006.
- Auto sales increased 24.8 percent compared to last August, while light truck sales were up 9.0 percent from August 2011. Through August 2012, year-to-date auto sales are up 18.7 percent and y-t-d light trucks sales are 9.5 percent higher.

### August 2012 Year-to-Date Domestic Car Sales Up Sharply from Year Ago



## Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2011	May	Jun	Jul	3 Month	Change from	
	Average	2012	2012	2012	Average	Level	%
Autos	6.2	6.9	7.2	7.1	7.1	1.2	20.9%
Domestics	4.3	5.0	5.2	5.1	5.1	1.0	24.8%
Imports	1.8	1.9	2.0	2.0	2.0	0.2	11.9%
Import Share	29.9%	28.0%	27.7%	28.1%	27.9%	-2.2% pts	
Light Trucks	6.5	7.0	7.1	7.0	7.0	0.5	7.0%
Domestics	5.6	5.9	6.1	5.9	6.0	0.3	5.9%
Imports	1.0	1.1	1.1	1.0	1.1	0.1	13.9%
Import Share	15.0%	15.6%	15.1%	15.1%	15.2%	0.9% pts	
Total Light Vehicles	12.7	13.9	14.3	14.0	14.1	1.7	13.6%
Heavy Trucks	0.3	0.4	0.3	0.3	0.4	0.0	12.7%
Total Vehicles	13.0	14.3	14.7	14.4	14.4	1.7	13.6%

### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup>

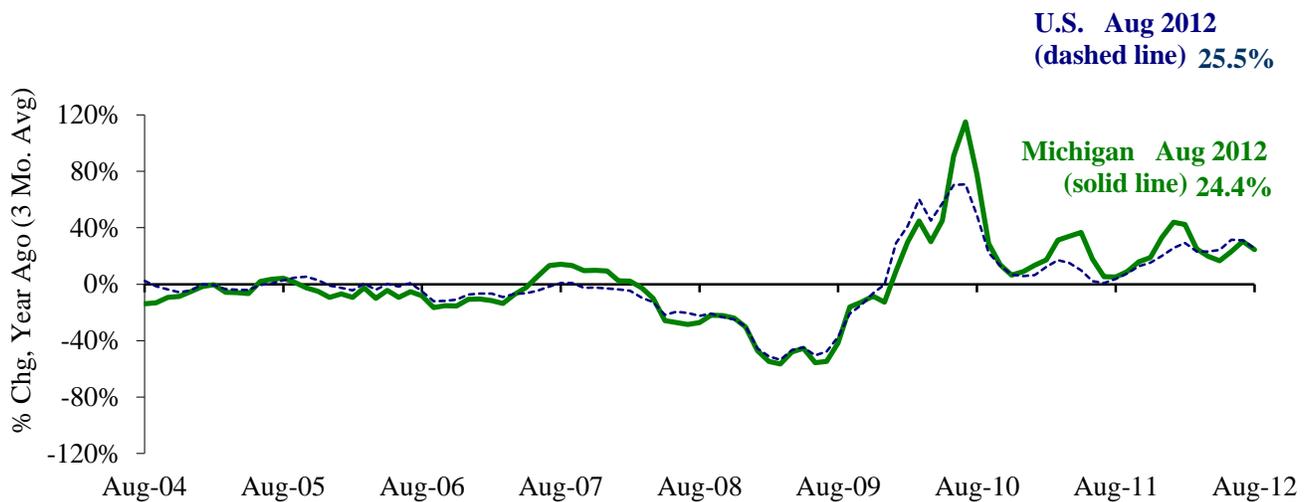
(billions of dollars)

	2011	Apr-12	May-12	Jun-12	3 Month		
	Average				Average		
Inventories	\$128.6	\$142.7	\$145.7	\$148.0	\$145.5	\$21.31	16.8%
Inventory/Sales Ratio	1.87	1.96	1.98	1.98	1.97	0.15	

### Motor Vehicle Industry Production

- At 216,536 units, August 2012 Michigan motor vehicle production rose 10.8 percent from August 2011. National production increased 20.3 percent from last August. Compared to July 2012, Michigan production increased 35.9 percent while national production rose 38.9 percent. Year-to-date, Michigan motor vehicle production is up 24.1 percent, while U.S. production is up 26.6 percent.
- In August 2012, Michigan car production was up 23.3 percent from a year ago while State truck production increased 2.8 percent. Nationally, car production rose 43.6 percent while truck production increased 6.9 percent.
- From a year ago, Michigan’s share of national production fell 1.9 percentage points to 22.5 percent.

### Michigan and U.S. Motor Vehicle Production Up Significantly <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2011 Monthly Average	Jun 2012	Jul 2012	Aug 2012	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	241.7	368.5	281.3	419.6	356.5	127.4	43.6%
Trucks	404.0	527.4	412.5	544.0	494.6	35.2	6.9%
Total	645.7	896.0	693.7	963.6	851.1	162.6	20.3%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	44.6	79.1	69.3	93.9	80.8	17.8	23.3%
Trucks	86.8	111.2	90.1	122.7	108.0	3.3	2.8%
Total	131.4	190.3	159.4	216.5	188.7	21.1	10.8%
Michigan as % of U.S.	20.4%	21.2%	23.0%	22.5%	22.2%	-1.9% pts	

## Local Area Unemployment Rates Fall In All Seventeen Local Areas (Not Seasonally Adjusted)

August 2012 local area unemployment rates ranged between 5.9 percent (Ann Arbor MSA) and 10.9 percent (Detroit-Warren-Livonia MSA). The median August 2012 unemployment rate was 8.3 percent – this contrasts with a 9.6 percent median rate last August.

Compared to a year ago, the August unemployment rate fell in all 17 major Michigan labor market areas. The Upper Peninsula labor market area saw the smallest decline (-0.8 percentage point). The Monroe MSA reported the largest rate decline (-1.7 percentage points). The median rate decline was -1.2 percentage points.

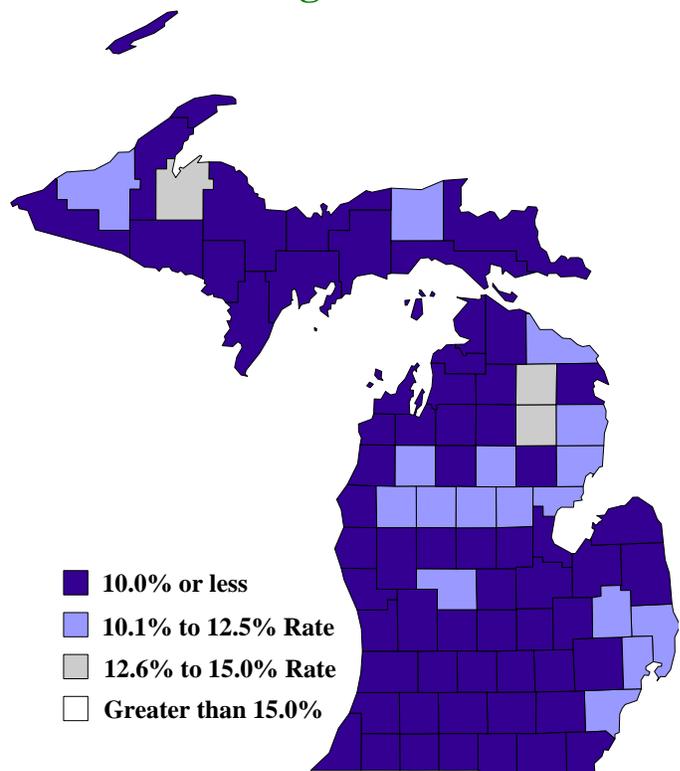
Between August 2011 and August 2012, 15 labor market areas saw an employment increase. The median employment increase was 2.5 percent. Employment changes ranged between a 0.7 percent decline (Muskegon-Norton Shores MSA) and a 4.5 percent increase (Jackson MSA). Compared to a year ago, the labor force fell in four of the State’s 17 areas while 13 areas saw a labor force increase. The Jackson MSA experienced the largest labor force increase (2.8 percent), followed by the Ann Arbor MSA (1.9 percent). The Muskegon-Norton Shores MSA saw the greatest labor force decline (-1.6 percent).

Between August 2011 and August 2012, the unemployment rate fell in 82 of Michigan’s 83 counties. The median August 2012 rate decline was 1.2 percentage points. Baraga County, Benzie County and Ontonagon County each posted the largest decline (-2.7 percentage points). Wexford County’s rate rose slightly (0.1 percentage point). Sixty-three Michigan counties saw an August 2012 unemployment rate below 10.0 percent. Last August, 36 counties had an unemployment rate below 10.0 percent. In August 2012, no Michigan county reported a rate higher than 15.0 percent.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Aug 2011 Rate</u>	<u>Ju1 2012 Rate</u>	<u>Aug 2012 Rate</u>
Michigan	10.3%	10.3%	9.2%
Ann Arbor	6.8%	6.8%	5.9%
Battle Creek	9.0%	8.6%	7.5%
Bay City	9.5%	9.3%	8.3%
Detroit-Warren-Livonia	11.9%	11.9%	10.9%
Flint	10.8%	10.8%	9.5%
Grand Rapids-Wyoming	8.2%	7.9%	6.9%
Holland-Grand Haven	8.1%	7.9%	6.7%
Jackson	9.9%	9.5%	8.3%
Kalamazoo-Portage	8.7%	8.4%	7.4%
Lansing-East Lansing	8.3%	8.4%	7.2%
Monroe	9.8%	9.5%	8.1%
Muskegon-Norton Shores	10.0%	10.1%	9.1%
Niles-Benton Harbor	9.8%	10.2%	8.8%
Saginaw-Saginaw Township	9.6%	9.7%	8.6%
Upper Peninsula	9.2%	9.5%	8.4%
Northeast Lower Mich	10.9%	10.9%	9.7%
Northwest Lower Mich.	9.7%	9.3%	8.5%

### County Unemployment Rates August 2012<sup>(g)</sup>

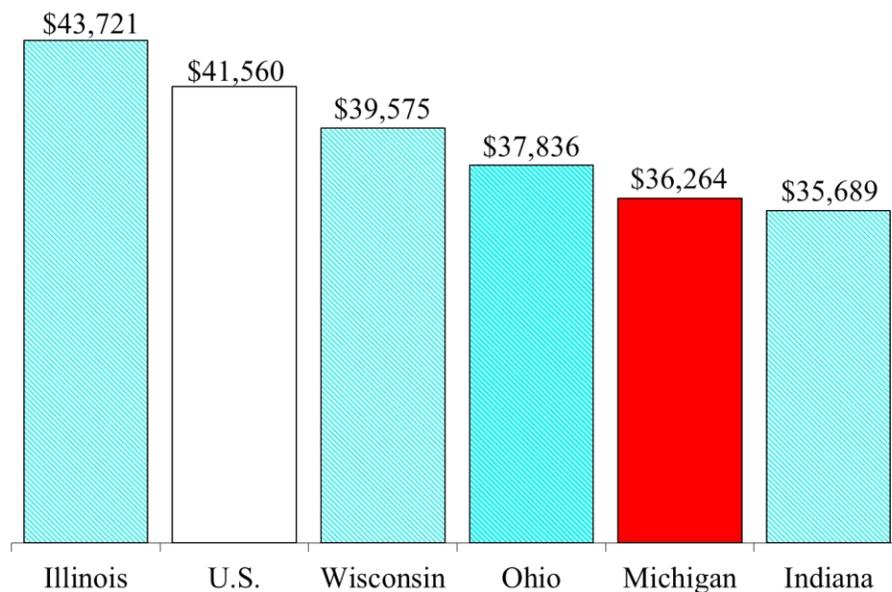


## State Personal Income Accelerates in 2011

On September 25, 2012, the Bureau of Economic Analysis released revised annual state personal income estimates for 2009 through 2011. Below are highlights from the release:

- In 2011, nominal Michigan personal income rose 5.6 percent – up from a 3.1 percent increase in 2010 and a 6.3 percent *decline* in 2009. Michigan’s 2011 increase represented the 14<sup>th</sup> largest state percent increase. Nationally, U.S. personal income rose 5.2 percent in 2011 – up from a 3.8 percent increase in 2010 and a 4.8 percent decline in 2009.
- Real (inflation adjusted) Michigan personal income rose 2.26 percent in 2011 after increasing 2.33 percent in 2010. Nationally, real personal income increased 1.95 percent in 2011 and 2.24 percent in 2010.
- Between 2010 and 2011, Michigan’s population changed only slightly. Consequently, Michigan real income per person growth essentially matched the State’s real income per person unadjusted for population (2.26 percent). Nationally, U.S. real income per person increased 1.21 percent.
- Among the five Great Lakes states, Michigan income per person (\$36,264) ranked fourth in 2011, ahead of Indiana. Michigan has ranked fourth in the Great Lakes region each year since 2005. Michigan’s 2011 income per person placed 36<sup>th</sup> among the 50 states. Ten years earlier, Michigan had ranked 20<sup>th</sup> in state income per person.
- In 2008, Michigan’s per person income as a percent of the national average fell to 86.0 percent – the lowest Michigan percent in a data history starting in 1929. While the percent has risen in each of the past two years, Michigan’s per person income as a percent of the U.S. average was only 87.3 percent in 2011 (the fifth lowest percent on record).

### Michigan 2011 Income Per Person Ranks 4<sup>th</sup> Among Great Lakes States



## U.S. Economic Conditions

	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	79.3	73.2	72.3	74.3	18.5 points
ISM Manufacturing Index <sup>(i)</sup>	53.5	49.7	49.8	49.6	-2.9 points
ISM Non Manufacturing Index <sup>(i)</sup>	53.7	52.1	52.6	53.7	-0.1 points
	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	
Business Executives' Confidence <sup>(j)</sup>	42.0	49.0	63.0	47.0	-8.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	229.8	229.5	229.1	230.4	1.7%
Detroit CPI	NA	214.5	NA	217.1	1.5%
U.S. Producer Price Index	193.9	192.8	193.1	195.5	2.0%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.09%	0.09%	0.10%	0.10%	0.08% points
Aaa Corporate Bonds <sup>(l)</sup>	3.80%	3.64%	3.40%	3.48%	-0.89% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	97.3	97.4	98.0	96.8	2.8%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	78.9%	78.9%	79.2%	78.2%	1.1% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$403.6	\$400.6	\$403.2	\$406.7	4.7%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.706	0.754	0.733	0.750	29.1%
Existing Home Sales <sup>(m)</sup>	4.620	4.370	4.470	4.820	9.3%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$217.9	\$221.4	\$228.6	\$198.5	-6.7%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	<u>% Change From Year Ago</u>
Michigan	\$358.3	\$362.0	\$366.8	\$370.7	4.1%
U.S.	\$12,977.3	\$13,018.3	\$13,236.3	\$13,370.3	3.3%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2005 Dollars) <sup>(c)</sup>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,306.9	\$13,441.0	\$13,506.4	\$13,548.5	1.25%

**SOURCES AND NOTES:**

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Department of Technology, Management and Budget.
- (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) Bureau of the Census, U.S. Department of Commerce
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Technology, Management and Budget.
- (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) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2007 equals 100. Treasury bill rate (secondary market).
- (m) National Association of Realtors.