



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

June 2012 Summary

U.S. Economy: Recent economic news was mixed. In 2012Q2, the economy slowed to a 1.5 percent annual growth rate – down from 2.0 percent last quarter and down from 4.1 percent in 2011Q4. After signaling sector expansion for 34 straight months (reading above 50.0), the ISM manufacturing index dropped to 49.7 in June. The ISM non-manufacturing index remained above 50.0 for the 30th consecutive month. Year-over-year retail sales growth slowed to 3.8 percent in June – its slowest pace in nearly two years. June consumer sentiment fell to its lowest level this year, but was up slightly from a year ago. New durable goods orders were up 8.0 percent from last year. Industrial production was up 4.7 percent from a year ago and capacity utilization increased 2.5 percentage points. Existing home sales increased 4.5 percent from last June – marking the 12th straight month of year-over-year increases. Still more, annualized housing starts rose 23.6 percent to 760,000 units in June – their highest level in 44 months.

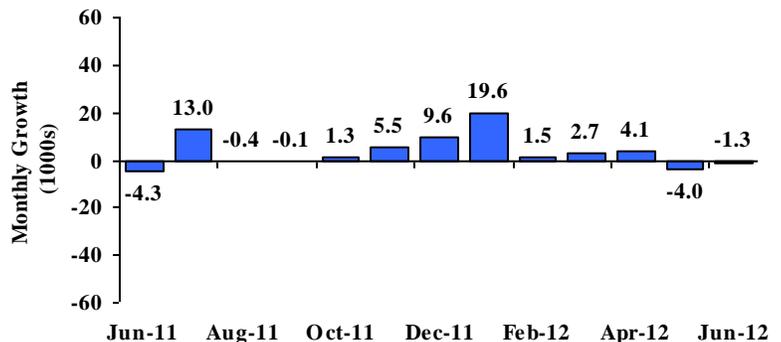
Employment: In June, Michigan employment was up 1.3 percent from its year-ago level -- marking the 25th straight year-over-year increase. Nationally, employment increased 1.4 percent from last June. While increasing 0.1 percentage point from last month to 8.6 percent, the June 2012 Michigan unemployment rate was down 2.0 percentage points from a year ago. At 8.2 percent, the U.S. unemployment rate was down 0.9 percentage point from a year ago.

Auto Industry: At 14.0 million units, the June light vehicle annual sales rate was up substantially from a year ago (22.0 percent). Michigan vehicle production was up 24.9 percent while U.S. production rose 26.7 percent.

Inflation: Compared to a year ago, the overall U.S. consumer price index (CPI) rose 1.7 percent while the Detroit-Ann Arbor-Flint CPI was up 0.4 percent. The overall producer price index (PPI) rose 0.7 percent. At \$82.41 per barrel, oil prices were down \$13.88 from June 2011.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in June compared with year-ago levels. Employment rose in all 17 areas with a median increase of 2.7 percent. All but one Michigan county saw a year-over-year unemployment rate drop.

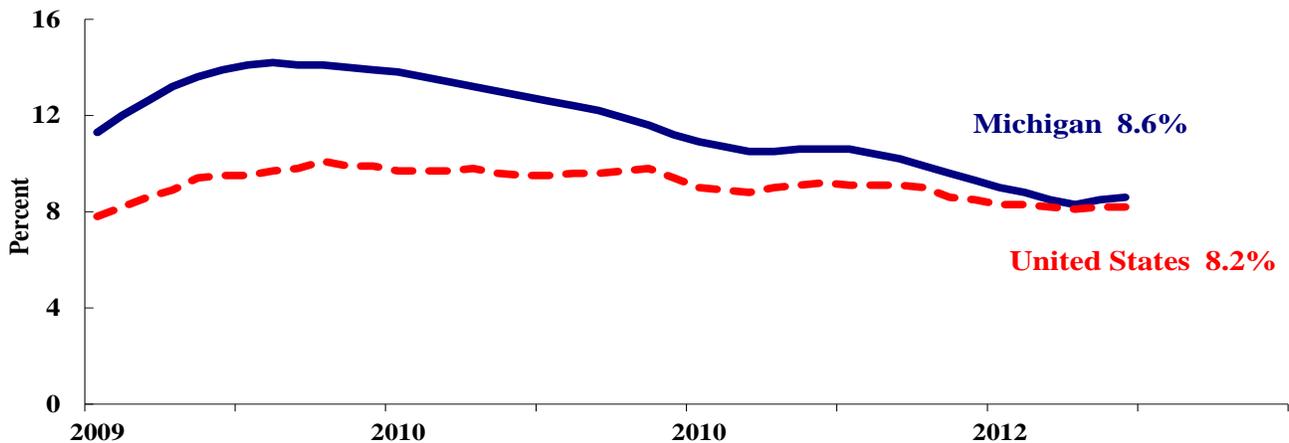
Michigan Employment Declines Slightly in June 2012^(a)



Labor Market Statistics

- Michigan's June unemployment rate increased 0.1 of a percentage point from last month to 8.6 percent, but the current Michigan jobless rate is down 2.0 percentage points from a year ago. The June U.S. unemployment rate remained unchanged from May at 8.2 percent and was down 0.9 of a 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 June, the number of people employed in Michigan was 4,261,000, down 8,000 from last month, while the labor force remained unchanged. The statewide total number of unemployed increased by 7,000 to 402,000.
- United States household employment totaled 142.4 million persons in June. The labor force totaled 155.2 million and there were 12.7 million unemployed in June 2012.

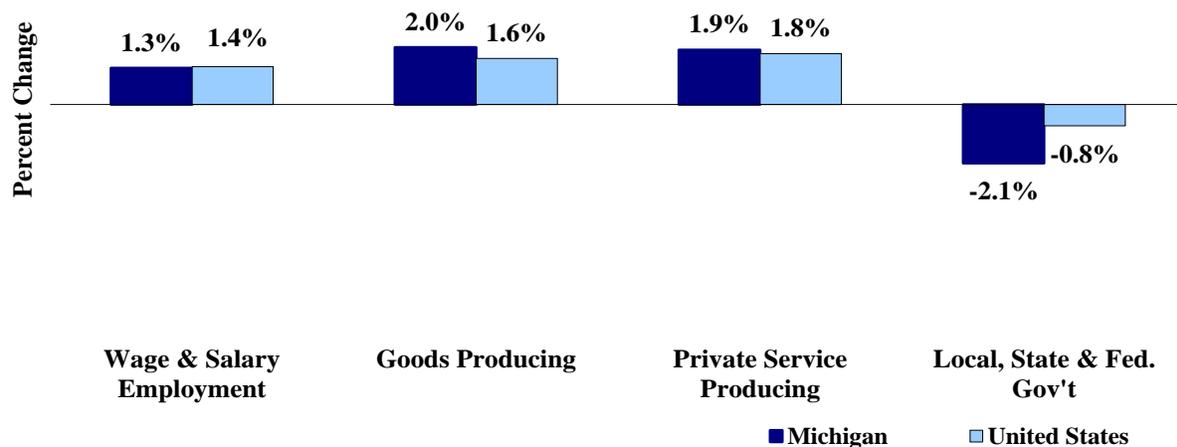
Employment by Place of Residence (in thousands)^(a)

	2011 Average	Apr 2012	May 2012	Jun 2012	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,658	4,659	4,664	4,664	0	0.0%	2	0.0%
Employed	4,178	4,270	4,269	4,261	-8	-0.2%	94	2.3%
Unemployed	480	389	395	402	7	1.8%	-93	-18.8%
Unemployment Rate	10.3%	8.3%	8.5%	8.6%	n.a.	0.1% pts	n.a.	-2.0%
United States								
Labor Force	153,617	154,365	155,007	155,163	156	0.1%	1,754	1.1%
Employed	139,869	141,865	142,287	142,415	128	0.1%	3,030	2.2%
Unemployed	13,747	12,500	12,720	12,749	29	0.2%	-1,275	-9.1%
Unemployment Rate	8.9%	8.1%	8.2%	8.2%	n.a.	0.0% pts	n.a.	-0.9%

Employment by Place of Work

- From June 2011 to June 2012, Michigan wage and salary employment increased 52,000 (1.3 percent). State wage and salary employment decreased 1,000 from May. Nationally, June 2012 wage and salary employment rose 1,777,000 (1.4 percent) from a year ago and was up 80,000 from last month.

Wage and Salary Employment Growth June 2011 to June 2012



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

- In the goods-producing sector, Michigan employment increased 2.0 percent from a year ago while private service-producing sector employment increased 1.9 percent compared to last year. From a year ago, June national employment in the goods-producing sector rose 1.6 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 1.1 hours in June compared to last year.

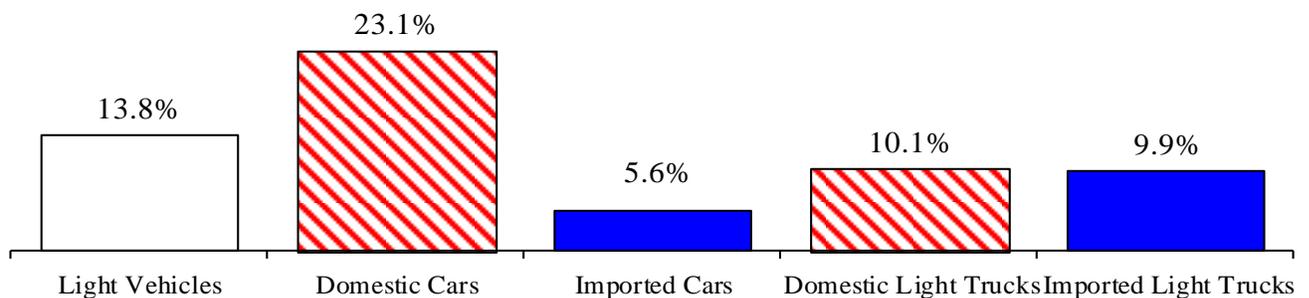
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2011 Average	June 2011	June 2012	Percent Change	2011 Average	June 2011	June 2012	Percent Change
Wage & Salary Employment	3,936	3,932	3,983	1.3%	131,359	131,311	133,088	1.4%
Goods Producing	638	637	650	2.0%	18,021	18,019	18,314	1.6%
Manufacturing	506	505	524	3.8%	11,733	11,738	11,962	1.9%
Private Service Producing	2,679	2,676	2,728	1.9%	91,234	91,180	92,831	1.8%
Trade, Trans. & Utilities	720	722	720	-0.3%	25,019	25,027	25,314	1.1%
Services	1,713	1,709	1,755	2.7%	55,877	55,804	57,152	2.4%
Local, State & Fed. Gov't	619	619	606	-2.1%	22,104	22,112	21,943	-0.8%
Manufacturing Weekly Hours	41.4	44.0	42.9	-1.1 hrs	40.5	40.4	40.7	0.3 hrs

Motor Vehicle Industry Sales

- June 2012 light vehicle sales totaled 14.0 million units, at a seasonally adjusted annual rate, which was up only 2.3 percent from May 2012, but up 22.0 percent from a year ago. At 333,000 units, heavy truck sales rose 8.5 percent from June 2011. Year-to-date, light vehicle sales are up 13.8 percent from last year.
- Compared to May 2012, June 2012 domestic sales increased 2.9 percent while foreign sales rose 0.2 percent. Domestic sales rose 24.4 percent compared to a year ago while foreign sales increased 13.8 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 1.5 percentage points from a year ago to 21.3 percent.
- Auto sales increased 23.3 percent compared to a year ago, while light truck sales were up 20.7 percent from June 2011.

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2011 Average	Apr 2012	May 2012	Jun 2012	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.2	7.4	6.8	6.9	7.0	1.3	23.3%
Domestics	4.3	5.2	4.9	5.0	5.0	1.2	29.8%
Imports	1.8	2.2	1.9	1.9	2.0	0.2	9.0%
Import Share	29.9%	29.5%	27.9%	27.5%	28.3%	-3.6%	pts
Light Trucks	6.5	7.0	6.9	7.1	7.0	1.2	20.7%
Domestics	5.6	5.9	5.8	6.0	5.9	1.0	20.2%
Imports	1.0	1.1	1.1	1.1	1.1	0.2	23.3%
Import Share	15.0%	15.5%	15.7%	15.4%	15.5%	0.3%	pts
Total Light Vehicles	12.7	14.4	13.7	14.0	14.0	2.5	22.0%
Heavy Trucks	0.3	0.3	0.4	0.3	0.4	0.0	8.5%
Total Vehicles	13.0	14.7	14.1	14.4	14.4	2.6	21.6%

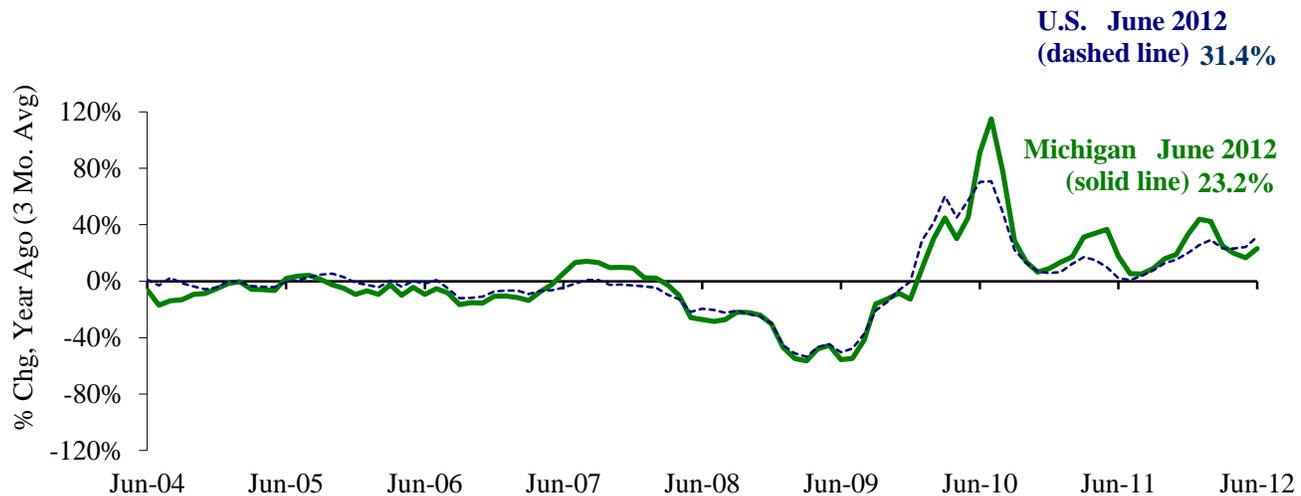
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2011 Average	Mar-12	Apr-12	May-12	3 Month Average		
Inventories	\$128.6	\$139.6	\$142.7	\$145.4	\$142.6	\$18.54	14.6%
Inventory/Sales Ratio	1.87	1.91	1.96	1.98	1.95	0.08	

Motor Vehicle Industry Production

- At 190,335 units, June 2012 Michigan motor vehicle production rose sharply (24.9 percent) from June 2011. National production increased slightly faster (26.7 percent) from last June. Compared to May 2012, Michigan production fell 10.7 percent while national production dropped 4.3 percent.
- In June 2012, Michigan car production was up 56.5 percent from a year ago while State truck production increased 9.2 percent. Nationally, car production rose 48.8 percent while truck production increased 14.8 percent.
- From a year ago, Michigan's share of national production fell 0.3 percentage points to 21.2 percent.

Michigan and U.S. Motor Vehicle Production Up Significantly ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2011 Monthly Average	Apr 2012	May 2012	Jun 2012	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	241.7	357.9	393.6	368.5	373.3	120.8	48.8%
Trucks	404.0	506.9	543.1	527.4	525.8	68.2	14.8%
Total	645.7	864.7	936.7	896.0	899.1	189.0	26.7%
Michigan Production ^(f)							
Autos	44.6	82.0	94.8	79.1	85.3	28.6	56.5%
Trucks	86.8	108.8	118.2	111.2	112.7	9.4	9.2%
Total	131.4	190.8	213.0	190.3	198.1	37.9	24.9%
Michigan as % of U.S.	20.4%	22.1%	22.7%	21.2%	22.0%	-0.3% pts	

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

June 2012 local area unemployment rates ranged between 6.2 percent (Ann Arbor MSA) and 10.3 percent (Northeast Lower Michigan). The median June 2012 unemployment rate was 8.8 percent – this contrasts with a 10.2 percent median rate last June.

Compared to a year ago, the June unemployment rate fell in all 17 major Michigan labor market areas. The Upper Peninsula and the Niles-Benton Harbor labor market areas saw the smallest decline (-1.1 percentage points). The Detroit-Warren-Livonia MSA saw the largest rate decline (-2.2 percentage points) followed by the Monroe MSA (-1.9 percent). The median rate decline was -1.5 percentage points.

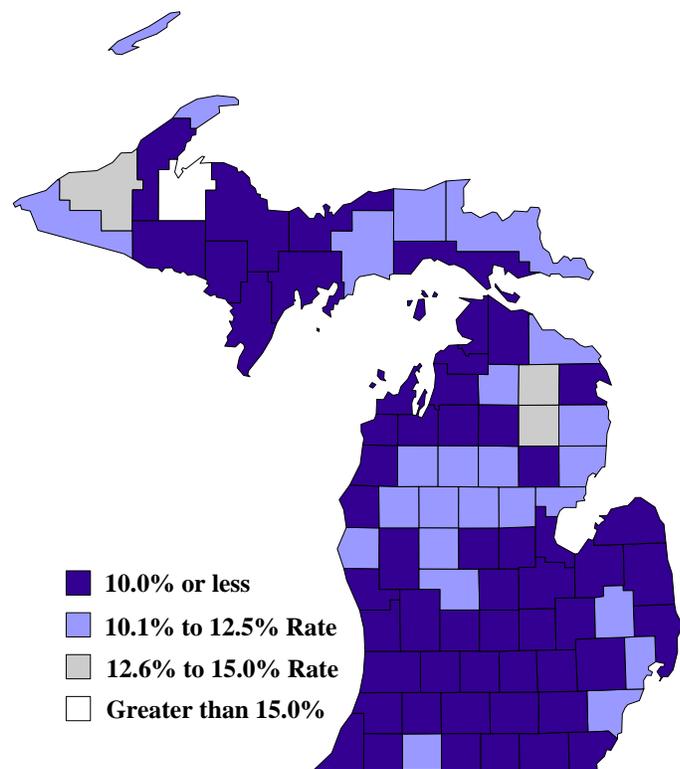
Between June 2011 and June 2012, all 17 labor market areas saw an employment increase. The median employment increase was 2.7 percent with increases ranging between 0.4 percent (Niles-Benton Harbor MSA) and 6.0 percent (Holland-Grand Haven MSA). Compared to a year ago, the labor force fell in four of the State's 17 areas while 13 areas saw a labor force increase. The Holland-Grand Haven MSA experienced the largest labor force increase (4.0 percent), followed by the Ann Arbor MSA (3.4 percent). The Detroit-Warren-Livonia MSA saw the greatest labor force decline (-1.4 percent).

Between June 2011 and June 2012, the unemployment rate fell in 82 of Michigan's 83 counties. The median June 2012 rate decline was 1.5 percentage points. Baraga County posted the largest decline (-2.8 percentage points) followed by Luce County (-2.6 percentage points). Cheboygan County's rate increased by 0.1 percentage point. Fifty-four Michigan counties saw a June 2012 unemployment rate below 10.0 percent. Last June, 22 counties had an unemployment rate below 10.0 percent. In June 2012, one county (Baraga County) reported a rate higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jun 2011 Rate</u>	<u>May 2012 Rate</u>	<u>Jun 2012 Rate</u>
Michigan	11.0%	8.6%	9.2%
Ann Arbor	7.4%	5.5%	6.2%
Battle Creek	9.5%	7.1%	7.9%
Bay City	10.1%	8.2%	8.7%
Detroit-Warren-Livonia	12.4%	9.9%	10.2%
Flint	11.4%	8.9%	9.6%
Grand Rapids-Wyoming	8.9%	6.6%	7.3%
Holland-Grand Haven	9.0%	6.5%	7.2%
Jackson	10.6%	8.0%	8.8%
Kalamazoo-Portage	9.5%	7.2%	7.9%
Lansing-East Lansing	9.1%	6.8%	7.7%
Monroe	10.3%	7.8%	8.4%
Muskegon-Norton Shores	10.7%	8.5%	9.2%
Niles-Benton Harbor	10.6%	8.6%	9.5%
Saginaw-Saginaw Township	10.2%	8.2%	9.0%
Upper Peninsula	10.2%	8.5%	9.1%
Northeast Lower Mich	11.6%	10.1%	10.3%
Northwest Lower Mich.	10.4%	8.9%	9.2%

County Unemployment Rates June 2012^(g)



U.S. Economic Conditions

	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	76.2	76.4	79.3	73.2	1.7 points
ISM Manufacturing Index ⁽ⁱ⁾	53.4	54.8	53.5	49.7	-6.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.0	53.5	53.7	52.1	-1.2 points
	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	
Business Executives' Confidence ^(j)	42.0	49.0	63.0	47.0	-8.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	229.4	230.1	229.8	229.5	1.7%
Detroit CPI	NA	216.2	NA	214.5	0.4%
U.S. Producer Price Index	194.4	195.0	193.9	192.8	0.7%
INTEREST RATES					
90 Day T-Bill ^(l)	0.08%	0.08%	0.09%	0.09%	0.05% points
Aaa Corporate Bonds ^(l)	3.99%	3.96%	3.80%	3.64%	-1.35% points
INDUSTRIAL PRODUCTION ^(l)					
	96.5	97.2	97.0	97.4	4.7%
CAPACITY UTILIZATION ^(l)					
	78.4%	78.9%	78.7%	78.9%	2.5% points
RETAIL SALES ^(d)					
	\$406.2	\$404.1	\$403.4	\$401.5	3.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.706	0.747	0.711	0.760	23.6%
Existing Home Sales ^(m)	4.470	4.620	4.620	4.370	4.5%
DURABLE GOODS ORDERS ^(p)					
	\$215.3	\$214.7	\$218.2	\$221.6	8.0%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>% Change From Year Ago</u>
Michigan	\$358.7	\$362.3	\$366.2	\$369.4	2.9%
U.S.	\$12,932.7	\$13,033.8	\$13,084.2	\$13,194.0	2.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<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	\$13,558.0	1.54%

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.