



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## April 2012 Summary

**U.S. Economy:** In April, industrial production was up 5.2 percent from a year ago and capacity utilization increased 3.1 percentage points. April housing starts were up 29.9 percent from a year ago and existing home sales rose 10.0 percent. Retail sales were up 6.4 percent from last April and new durable goods orders increased 6.9 percent. At 76.4, consumer sentiment was up 6.6 points from a year ago. In addition April 2012 sentiment represents the index's third highest reading since the end of 2007 (just before the Great Recession). Compared to a year ago, the ISM manufacturing index was down 4.9 points and the ISM non-manufacturing index was off 0.9 points. However, the manufacturing index has indicated expansion (index over 50) in each of the past 33 months and the non-manufacturing index has shown growth in each of the past 28 months.

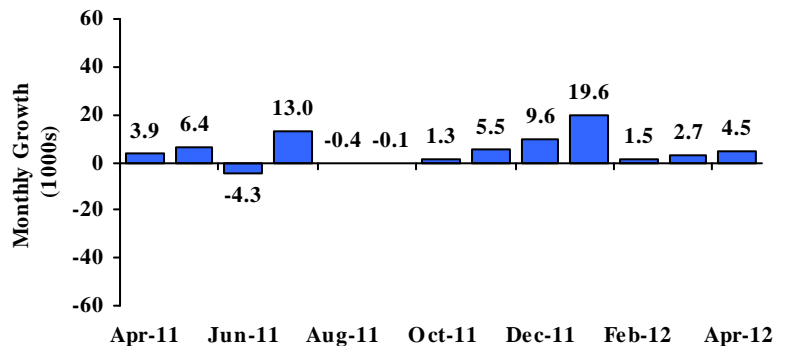
**Employment:** In April, Michigan employment was up 1.5 percent from the year-ago level. Michigan's April employment level was the State's highest since December 2008. Nationally, employment increased 1.4 percent from last March. The Michigan unemployment rate dropped 2.2 percentage points from a year ago to 8.3 percent – Michigan's lowest unemployment rate since July 2008. At 8.1 percent, the U.S. unemployment rate was down 0.9 percentage point from a year ago.

**Auto Industry:** While the light vehicle annual sales rate was up only 0.4 percent higher than last month, the April 2012 rate represented the second highest rate in over four years. Michigan vehicle production was up 21.0 percent while U.S. production rose 32.4 percent.

**Inflation:** Compared to a year ago, both the overall and the core (excluding food and energy) U.S. consumer price index (CPI) were up 2.3 percent. The overall producer price index (PPI) rose 1.9 percent while the core PPI increased 2.7 percent. At \$103.33 per barrel, oil prices were down \$6.71 from April 2011.

**Michigan Metro Areas:** Unemployment rates fell in all 17 major Michigan labor markets in April compared with year-ago levels. Employment rose in all 17 areas with a median increase of 2.3 percent. All of Michigan's 83 counties saw a year-over-year unemployment rate drop.

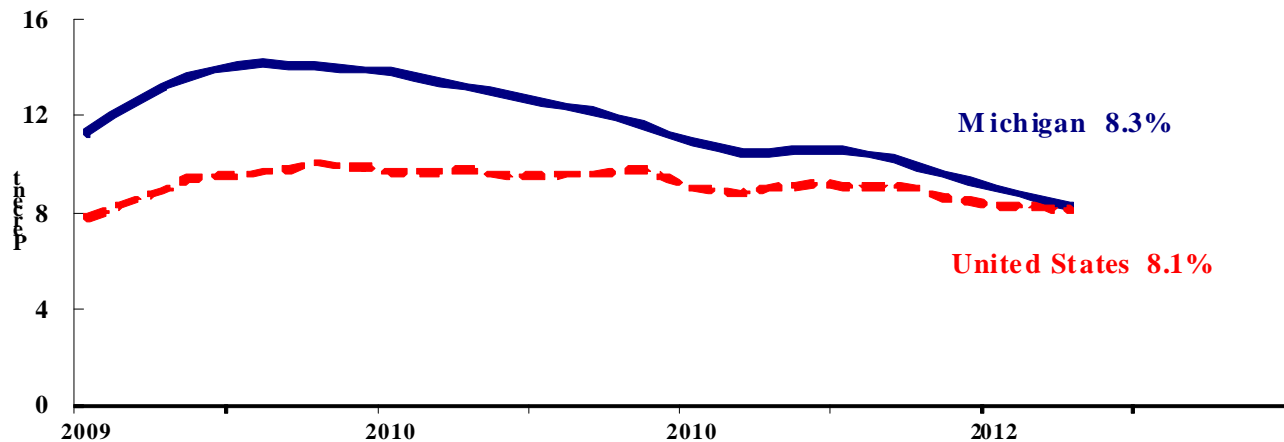
**Michigan Employment**  
Slight Increases in Past Three Months <sup>(a)</sup>



### Labor Market Statistics

- Michigan’s April unemployment rate decreased 0.2 of a percentage point from last month to 8.3 percent, and the current Michigan jobless rate is down 2.2 percentage points from a year ago. The April U.S. unemployment rate decreased 0.1 of a percentage point from March to 8.1 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 April, the number of people employed in Michigan was 4,270,000, up 11,000 from last month, while the labor force increased by 3,000. The statewide total number of unemployed decreased by 8,000 to 389,000.
- United States household employment totaled 141.9 million persons in April. The labor force totaled 154.4 million and there were 12.5 million unemployed in April 2012.

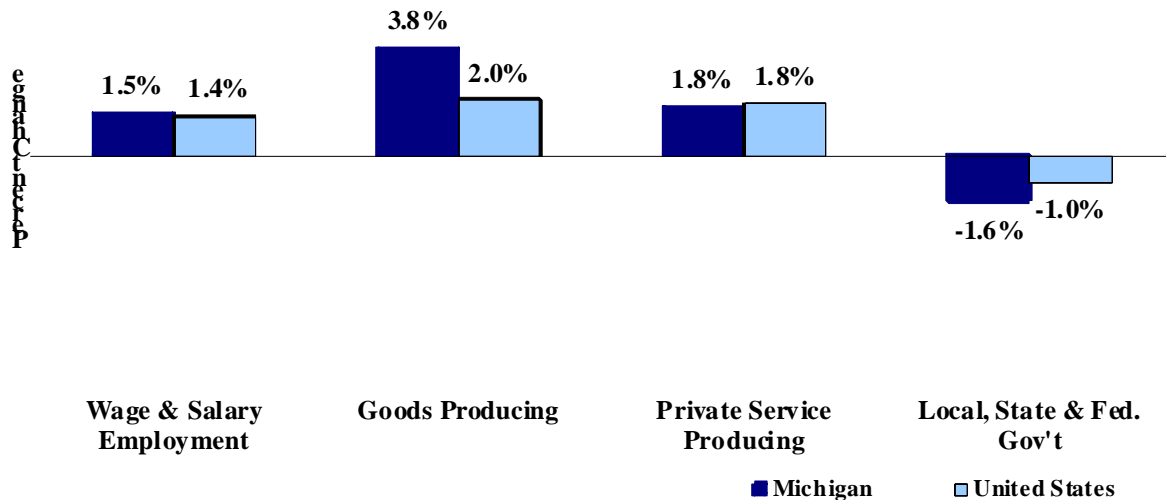
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2011 Average	Feb 2012	Mar 2012	Apr 2012	Change From		Last Year	
					Prior Month Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,658	4,647	4,656	4,659	3	0.1%	-11	-0.2%
Employed	4,178	4,238	4,259	4,270	11	0.3%	91	2.2%
Unemployed	480	409	397	389	-8	-2.0%	-102	-20.8%
Unemployment Rate	10.3%	8.8%	8.5%	8.3%	n.a.	-0.2% pts	n.a.	-2.2%
<b>United States</b>								
Labor Force	153,617	154,871	154,707	154,365	-342	-0.2%	945	0.6%
Employed	139,869	142,065	142,034	141,865	-169	-0.1%	2,237	1.6%
Unemployed	13,747	12,806	12,673	12,500	-173	-1.4%	-1,292	-9.4%
Unemployment Rate	8.9%	8.3%	8.2%	8.1%	n.a.	-0.1% pts	n.a.	-0.9%

### Employment by Place of Work

- From April 2011 to April 2012, Michigan wage and salary employment increased 59,000 (1.5 percent). State wage and salary employment increased 5,000 from March. Nationally, April 2012 wage and salary employment rose 1,816,000 (1.4 percent) from a year ago and was up 115,000 from last month.

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



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

- In the goods-producing sector, Michigan employment increased 3.8 percent from a year ago while private service-producing sector employment increased 1.8 percent compared to last year. From a year ago, April national employment in the goods-producing sector rose 2.0 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased 0.4 hours in April compared to last year.

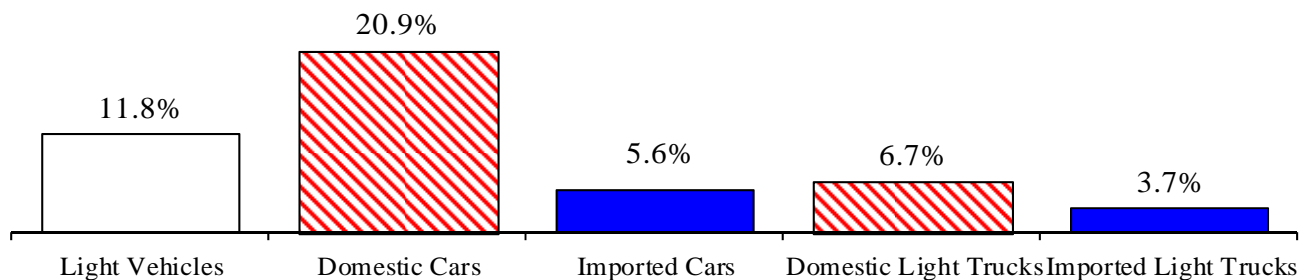
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2011 Average	Apr 2011	Apr 2012	Percent Change	2011 Average	Apr 2011	Apr 2012	Percent Change
Wage & Salary Employment	3,936	3,929	3,989	1.5%	131,359	131,173	132,989	1.4%
Goods Producing	638	631	655	3.8%	18,021	17,981	18,342	2.0%
Manufacturing	506	500	526	5.2%	11,733	11,718	11,947	2.0%
Private Service Producing	2,679	2,676	2,723	1.8%	91,234	91,008	92,678	1.8%
Trade, Trans. & Utilities	720	720	720	0.0%	25,019	24,982	25,252	1.1%
Services	1,713	1,711	1,753	2.5%	55,877	55,676	57,079	2.5%
Local, State & Fed. Gov't	619	621	611	-1.6%	22,104	22,184	21,969	-1.0%
Manufacturing Weekly Hours	41.4	44.1	44.5	0.4 hrs	40.5	40.4	40.8	0.4 hrs

## Motor Vehicle Industry Sales

- April 2012 light vehicle sales rose 0.4 percent from March 2012. However, April 2012 light vehicle sales were up 9.4 percent from a year ago. At a 14.4 million unit annual rate, April 2012 light vehicle sales represented the second highest sales rate in over four years.
- Compared to March 2012, April 2012 domestic sales increased 0.2 percent while foreign sales rose 1.0 percent. Domestic sales rose 10.9 percent compared to a year ago while foreign sales increased 4.9 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 1.0 percentage point from a year ago to 22.7 percent.
- Auto sales increased 10.7 percent compared to a year ago, while light truck sales were up 8.1 percent from April 2011.

### March 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 Average	Feb 2012	Mar 2012	Apr 2012	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.2	8.1	7.6	7.4	7.7	0.7	10.7%
Domestics	4.3	5.8	5.4	5.2	5.5	0.7	14.9%
Imports	1.8	2.4	2.2	2.2	2.2	0.0	1.9%
Import Share	29.9%	29.2%	28.8%	29.5%	29.2%	-2.6% pts	
Light Trucks	6.5	6.9	6.7	7.0	6.9	0.5	8.1%
Domestics	5.6	5.9	5.7	5.9	5.8	0.4	7.5%
Imports	1.0	1.0	1.0	1.1	1.1	0.1	11.5%
Import Share	15.0%	15.1%	15.5%	15.5%	15.4%	0.5% pts	
Total Light Vehicles	12.7	15.0	14.3	14.4	14.6	1.2	9.4%
Heavy Trucks	0.3	0.4	0.3	0.3	0.3	0.1	19.5%
Total Vehicles	13.0	15.4	14.7	14.7	14.9	1.3	9.6%

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

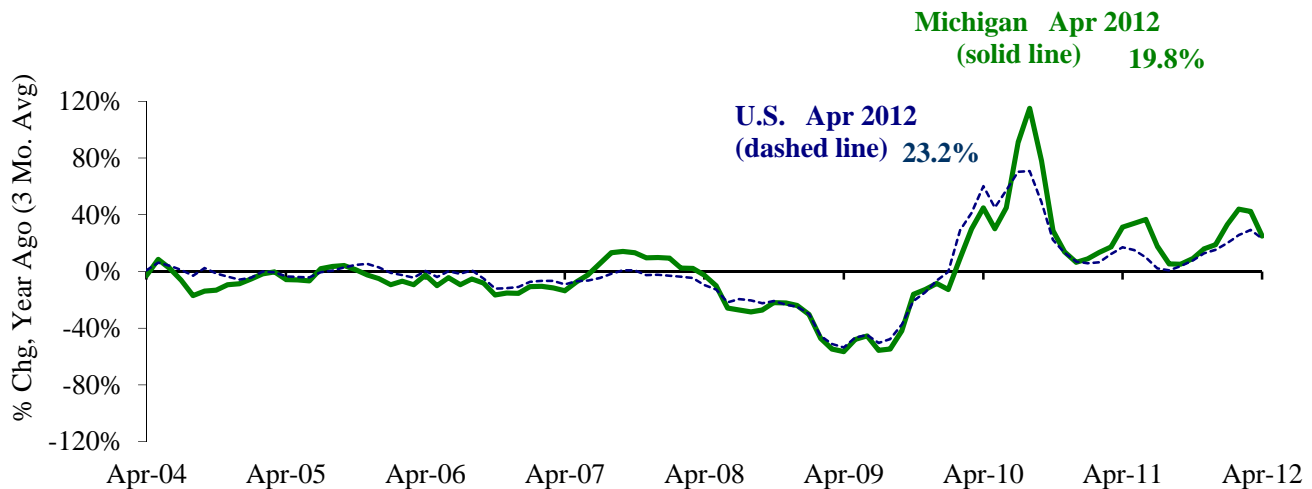
(billions of dollars)

	2011 Average	Jan-12	Feb-12	Mar-12	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$131.0	\$135.7	\$137.6	\$139.3	\$137.5	\$10.28	8.0%
Inventory/Sales Ratio	1.92	1.88	1.88	1.90	1.89	-0.01	

### Motor Vehicle Industry Production

- At 190,810 units, April 2012 Michigan motor vehicle production rose sharply (21.0 percent) from last April. National production increased 32.4 percent from April 2011. Compared to March 2012, Michigan production fell 6.2 percent while national production decreased 9.1 percent.
- In April 2012, Michigan car production was up 40.9 percent from a year ago while State truck production increased 9.4 percent. Nationally, car production rose 56.6 percent while truck production increased 19.4 percent.
- From a year ago, Michigan’s share of national production fell 2.1 percentage points to 22.1 percent.

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



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2011					Change from Year Ago for the Month	
	Monthly Average	Feb 2012	Mar 2012	Apr 2012	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	241.7	386.4	383.1	357.9	375.8	129.3	56.6%
Trucks	404.0	540.0	568.5	506.9	538.5	82.4	19.4%
Total	645.7	926.5	951.6	864.7	914.3	211.7	32.4%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	44.6	77.4	79.8	82.0	79.8	23.8	40.9%
Trucks	86.8	114.1	123.6	108.8	115.5	9.3	9.4%
Total	131.4	191.5	203.4	190.8	195.2	33.1	21.0%
Michigan as % of U.S.	20.4%	20.7%	21.4%	22.1%	21.4%	-2.1% pts	

## Local Area Unemployment Rate Falls In All Seventeen Local Areas (Not Seasonally Adjusted)

April 2012 local area unemployment rates ranged between 5.0 percent (Ann Arbor MSA) and 11.3 percent (Northeast Lower Michigan). The median March 2012 unemployment rate was 8.0 percent.

Compared to a year ago, the April unemployment rate fell in all 17 major Michigan labor market areas. The Ann Arbor MSA saw the smallest decline (-1.1 percentage points). The Detroit-Warren-Livonia MSA saw the largest rate decline (-2.4 percentage points) followed by the Flint MSA and the Northwest Lower Peninsula (-2.2 percent). The median rate decline was -1.8 percentage points.

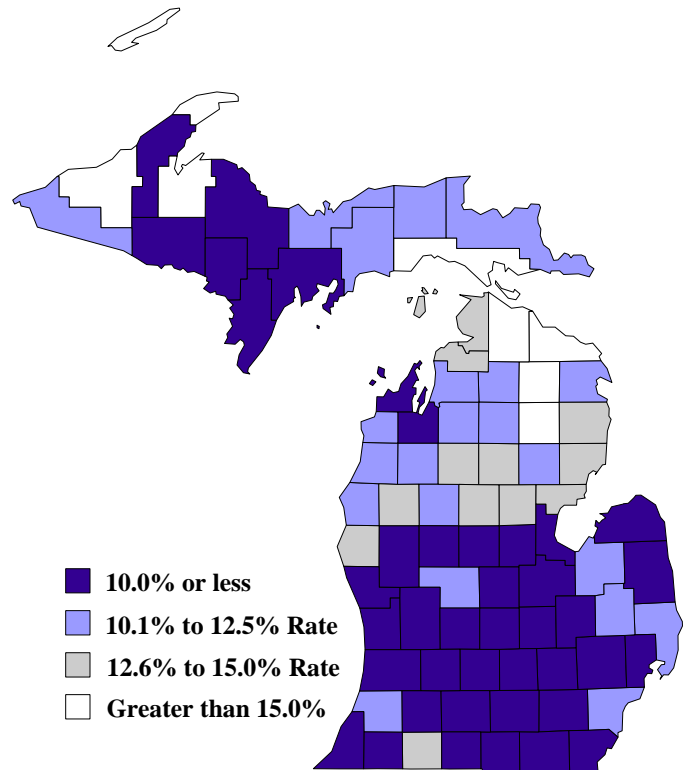
Between April 2011 and April 2012, all 17 labor market areas saw an employment increase. The median employment increase was 2.3 percent with increases ranging between 0.5 percent (Detroit-Warren-Livonia MSA) and 6.3 percent (Holland-Grand Haven MSA). Compared to a year ago, the labor force fell in six of the State's 17 areas while 11 areas saw a labor force increase. The Holland-Grand Haven MSA experienced the largest labor force increase (4.0 percent); the Detroit-Warren-Livonia MSA saw the greatest labor force decline (-2.2 percent).

Between April 2011 and April 2012, the unemployment rate fell in all 83 Michigan counties. The median April 2012 rate decline was 1.9 percentage points. Lapeer County posted the largest decline (-4.0 percentage points) and Cheboygan County saw the smallest change (-0.5 of a percentage point). Fifty-three Michigan counties saw an April 2012 unemployment rate below 10.0 percent. Last April, 29 counties had an unemployment rate below 10.0 percent. In April 2012, three counties reported a rate higher than 15.0 percent.

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

<u>Local Area</u>	<u>Apr 2011 Rate</u>	<u>Mar 2012 Rate</u>	<u>Apr 2012 Rate</u>
Michigan	10.1%	9.0%	8.0%
Ann Arbor	6.1%	5.5%	5.0%
Battle Creek	8.7%	7.5%	6.8%
Bay City	9.8%	9.2%	8.0%
Detroit-Warren-Livonia	11.1%	9.6%	8.7%
Flint	10.8%	9.6%	8.6%
Grand Rapids-Wyoming	8.1%	7.2%	6.3%
Holland-Grand Haven	8.0%	7.1%	6.1%
Jackson	9.7%	8.6%	7.7%
Kalamazoo-Portage	8.5%	7.8%	6.8%
Lansing-East Lansing	7.8%	7.2%	6.4%
Monroe	9.5%	8.4%	7.6%
Muskegon-Norton Shores	10.0%	9.1%	8.3%
Niles-Benton Harbor	10.0%	9.3%	8.2%
Saginaw-Saginaw Township	9.4%	9.1%	8.0%
Upper Peninsula	10.8%	10.3%	9.0%
Northeast Lower Mich	13.2%	13.4%	11.3%
Northwest Lower Mich.	11.9%	11.4%	9.7%

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



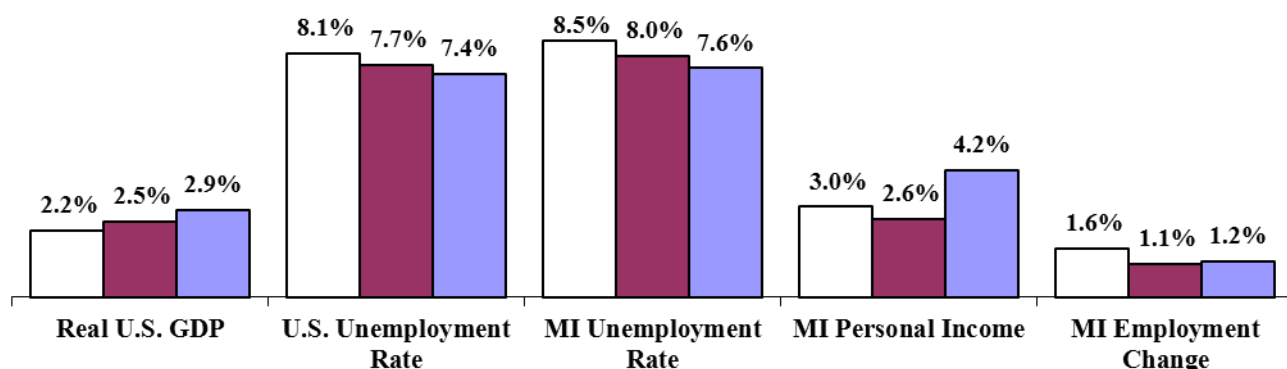
### Consensus Economic Forecast Continued Recovery

On May 16, 2012, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2012, 2013 and 2014. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.2 percent in 2012 and rise 2.5 percent in 2013. Real GDP is then expected to grow 2.9 percent in 2014. Each calendar year growth projection is slightly higher (0.2 to 0.3 percentage point) than forecast in January.
- The U.S. unemployment rate is forecast to fall over the next two years from its 8.9 percent rate in 2011. The national unemployment rate is projected to decline to 8.1 percent in 2012, 7.7 percent in 2013 and 7.4 percent in 2014. The May predicted rates are significantly lower than the January projections with each year’s May forecasted rates at least 1.0 point below January’s forecast.
- Light vehicle sales are expected to rise to 14.4 million units in 2012; 15.1 million units in 2013 and 15.6 million units in 2014. Compared to January’s forecast, each year’s May projection is higher: 0.7 million units in 2012, 0.6 million units in 2013 and 0.5 million units in 2014.
- The May Consensus projects Michigan wage and salary employment will rise 1.6 percent in 2012, increase 1.1 percent in 2013 and grow 1.2 percent in 2014 – which would mark the fourth straight annual employment increase
- According to the May Consensus, the Michigan unemployment rate will fall from 10.3 percent in 2011 to 8.5 percent in 2012, 8.0 percent in 2013 and 7.6 percent in 2014. The State’s 2014 projected unemployment rate is only 0.2 of a percentage point higher than the forecasted 2014 U.S. rate.
- Michigan personal income is projected to rise 3.0 percent in 2012, 2.6 percent in 2013 and 4.2 percent in 2014. Wages and salaries are expected to increase 3.8 percent in 2012 and then rise 3.7 percent in 2013 and grow 3.5 percent in 2014.

**U.S. Economic Forecast  
Modest Recovery**

**Michigan Economic Forecast  
Growing Labor Market**



□ 2012 ■ 2013 ▒ 2014

## U.S. Economic Conditions

	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	75.0	75.3	76.2	76.4	6.6 points
ISM Manufacturing Index <sup>(i)</sup>	54.1	52.4	53.4	54.8	-4.9 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.8	57.3	56.0	53.5	-0.9 points
	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	
Business Executives' Confidence <sup>(j)</sup>	55.0	42.0	49.0	63.0	-4.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	226.7	227.7	229.4	230.1	2.3%
Detroit CPI	NA	214.8	NA	216.2	2.1%
U.S. Producer Price Index	191.9	192.7	194.4	195.0	1.9%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.03%	0.09%	0.08%	0.08%	0.02% points
Aaa Corporate Bonds <sup>(l)</sup>	3.85%	3.85%	3.99%	3.96%	-1.20% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>	96.5	96.9	96.4	97.4	5.2%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>	78.7%	78.9%	78.4%	79.2%	3.1% points
<b>RETAIL SALES <sup>(d)</sup></b>	\$400.6	\$404.7	\$407.4	\$408.0	6.4%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.720	0.718	0.699	0.717	29.9%
Existing Home Sales <sup>(m)</sup>	4.630	4.600	4.470	4.620	10.0%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>	\$219.1	\$223.6	\$215.2	\$215.5	6.9%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>% Change From Year Ago</u>
Michigan	\$358.7	\$358.6	\$361.7	\$364.3	4.3%
U.S.	\$12,823.3	\$12,932.7	\$13,033.8	\$13,137.2	4.6%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2005 Dollars) <sup>(c)</sup>	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,271.8	\$13,331.6	\$13,429.0	\$13,502.4	2.20%



**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.