



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

April 2013 Summary

U.S. Economy: Economic growth accelerated from a 0.4 percent annual growth rate in 2012Q4 to a 2.4 annual growth rate in 2013Q1. In April 2013, the ISM manufacturing index fell 3.4 points from last April while the ISM non-manufacturing index dropped 0.6 point from a year ago. In April 2013, the Consumer Sentiment Index was unchanged from a year ago. Retail sales increased 3.7 percent from last year. New durable goods orders were up 2.4 percent from April 2012. In April 2013, industrial production grew 1.9 percent from a year earlier. Capacity utilization was unchanged from last April. Existing home sales rose 9.7 percent from a year ago. Housing starts were up 13.1 percent from last year.

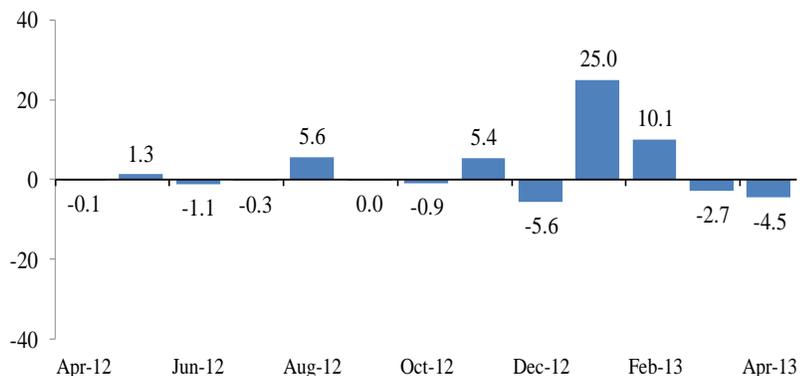
Employment: In April 2013, Michigan wage and salary employment was up 32,300 jobs (0.8 percent) from a year ago. Nationally, wage and salary employment rose 1.6 percent between April 2012 and April 2013. At 8.4 percent, Michigan's unemployment rate was down 0.1 percentage point from March. The State's April 2013 unemployment rate was 0.7 percentage point lower than a year earlier. The April 2013 U.S. unemployment rate (7.5 percent) was down 0.6 percentage point from a year ago.

Auto Industry: In April 2013, the U.S. light vehicle annual sales rate (14.9 million units) was up 5.6 percent from a year ago. Michigan vehicle production rose 16.5 percent compared to last April's production; U.S. vehicle production was up 17.0 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 0.1 percentage point from 22.1 percent to 22.0 percent.

Inflation: In April, the overall U.S. consumer price index (CPI) rose 1.1 percent compared to a year ago. The core CPI (excluding food and energy) increased 1.7 percent. The Detroit CPI was up 1.3 percent from last April. The producer price index (PPI) rose 0.6 percent from last year. At \$92.07 per barrel, oil prices were down \$0.98 from a month ago, and were down \$11.26 from a year ago.

Michigan Metro Areas: In April, unemployment rates fell in 11 of Michigan's 17 major labor markets, rose in four areas and were unchanged in two areas. Employment rose in 13 areas, fell in two areas and was unchanged in two areas. Forty of Michigan's 83 counties saw a year-over-year unemployment rate decrease while 37 areas recorded a rate increase and six areas saw no change.

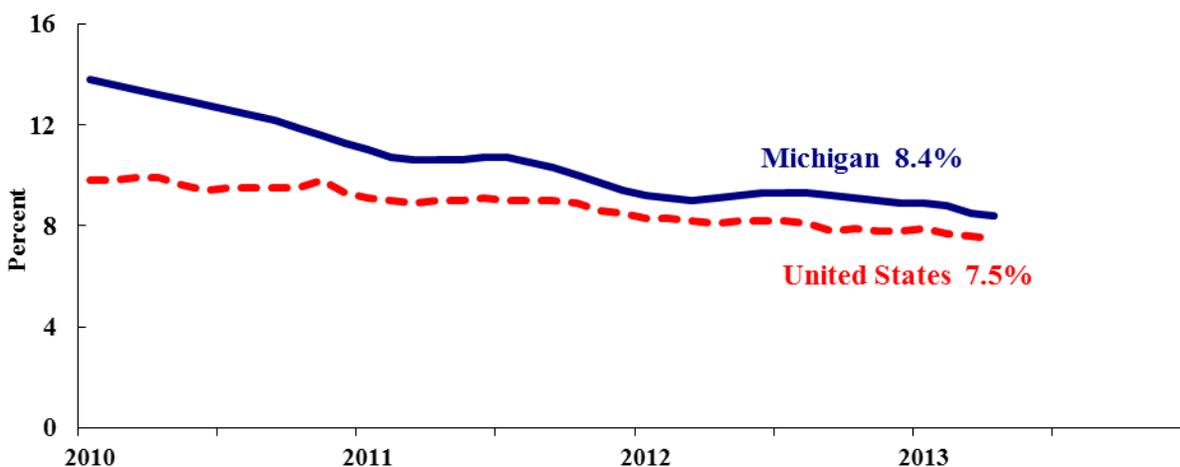
Michigan Employment Decreases in April 2013
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan's April unemployment rate decreased 0.1 percentage point from last month to 8.4 percent, and was down 0.7 of a percentage point from a year ago. The April U.S. unemployment rate decreased 0.1 of a percentage point from March to 7.5 percent and was down 0.6 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 2010 to 2013



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 4,280,000, up 19,000 from last month, while the labor force increased 12,000. The statewide total number of unemployed decreased 5,000 to 391,000.
- United States household employment totaled 143.6 million persons in April. The labor force totaled 155.2 million and there were 11.7 million unemployed in April 2013.

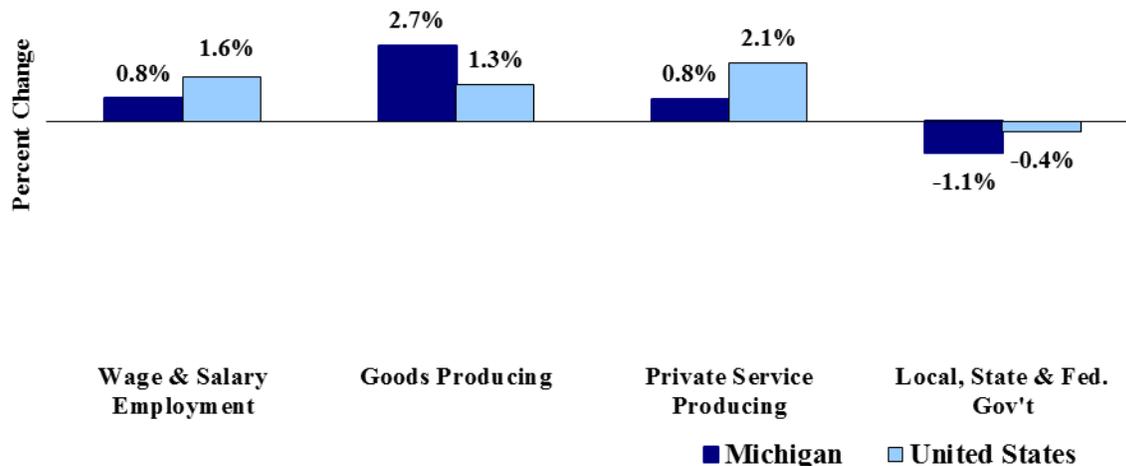
Employment by Place of Residence (in thousands)^(a)

	2012 Average	Feb 2013	Mar 2013	Apr 2013	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,657	4,654	4,657	4,670	13	0.3%	2	0.1%	
Employed	4,232	4,244	4,261	4,280	19	0.4%	36	0.9%	
Unemployed	426	410	396	391	-5	-1.3%	-33	-7.8%	
Unemployment Rate	9.1%	8.8%	8.5%	8.4%	n.a.	-0.1% pts	n.a.	-0.7%	
United States									
Labor Force	154,975	155,524	155,028	155,238	210	0.1%	787	0.5%	
Employed	142,469	143,492	143,286	143,579	293	0.2%	1,645	1.2%	
Unemployed	12,506	12,032	11,742	11,659	-83	-0.7%	-859	-6.9%	
Unemployment Rate	8.1%	7.7%	7.6%	7.5%	n.a.	-0.1% pts	n.a.	-0.6%	

Employment by Place of Work

- From April 2012 to April 2013, Michigan wage and salary employment increased 32,000 (0.8 percent). State wage and salary employment decreased 4,000 from March. Nationally, April 2013 wage and salary employment rose 2,077,000 (1.6 percent) from a year ago and was up 165,000 from last month.

Wage and Salary Employment Growth April 2012 to April 2013



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

- In the goods-producing sector, Michigan employment increased 2.7 percent from a year ago while private service-producing sector employment increased 0.8 percent compared to last year. From a year ago, April national employment in the goods-producing sector rose 1.3 percent and increased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.7 hours in April compared to last year.

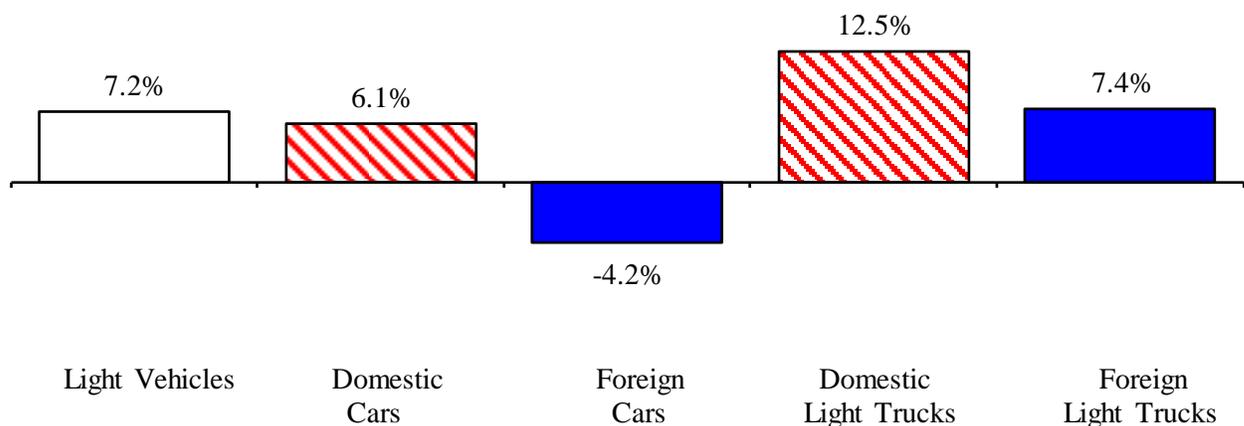
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2012 Average	Apr 2012	Apr 2013	Percent Change	2012 Average	Apr 2012	Apr 2013	Percent Change
Wage & Salary Employment	4,024	4,025	4,057	0.8%	133,739	133,397	135,474	1.6%
Goods Producing	672	669	687	2.7%	18,410	18,408	18,644	1.3%
Manufacturing	537	532	554	4.1%	11,919	11,920	11,990	0.6%
Private Service Producing	2,742	2,744	2,765	0.8%	93,411	93,056	94,986	2.1%
Trade, Trans. & Utilities	729	730	734	0.5%	25,516	25,409	25,837	1.7%
Services	1,764	1,765	1,783	1.0%	57,432	57,650	58,591	1.6%
Local, State & Fed. Gov't	610	612	605	-1.1%	21,917	21,933	21,844	-0.4%
Manufacturing Weekly Hours	41.3	44.4	43.7	-0.7 hrs	40.7	40.8	40.7	-0.1 hrs

Motor Vehicle Industry Sales

- April 2013 U.S. light vehicle sales totaled 14.9 million units, at a seasonally adjusted annual rate, which was down 2.2 percent from March 2013, but up 5.6 percent from a year ago. The light vehicle sales rate has exceeded 14.0 million units in each of the past 11 months.
- U.S. sales of domestic light vehicles increased 7.8 percent between April 2012 and April 2013, while foreign sales fell 2.0 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales decreased 1.6 percentage points from April 2012 to 21.0 percent in April 2013.
- Auto sales decreased 0.4 percent compared to last April, while light truck sales were up 11.7 percent from April 2012. Year-over-year, heavy truck sales fell 2.5 percent.

Year-to-date 2013 Domestic Light Vehicle Sales Up Substantially from Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2012	Feb	Mar	Apr	3 Month	Change from Year Ago	
	Average	2013	2013	2013	Average	Level	%
Autos	7.4	7.7	7.4	7.1	7.4	(0.0)	-0.4%
Domestics	5.2	5.5	5.4	5.1	5.4	0.1	2.2%
Imports	2.1	2.2	2.1	2.0	2.1	(0.1)	-6.5%
Import Share	28.9%	28.3%	27.6%	27.9%	27.9%	-1.8% pts	
Light Trucks	7.1	7.6	7.8	7.8	7.7	0.8	11.7%
Domestics	6.0	6.4	6.6	6.6	6.6	0.7	12.6%
Imports	1.1	1.2	1.2	1.1	1.2	0.1	6.9%
Import Share	15.0%	15.2%	15.0%	14.7%	14.9%	-0.7% pts	
Total Light Vehicles	14.4	15.3	15.2	14.9	15.1	0.8	5.6%
Heavy Trucks	0.3	0.3	0.3	0.4	0.3	(0.0)	-2.5%
Total Vehicles	14.8	15.7	15.5	15.2	15.5	0.8	5.4%

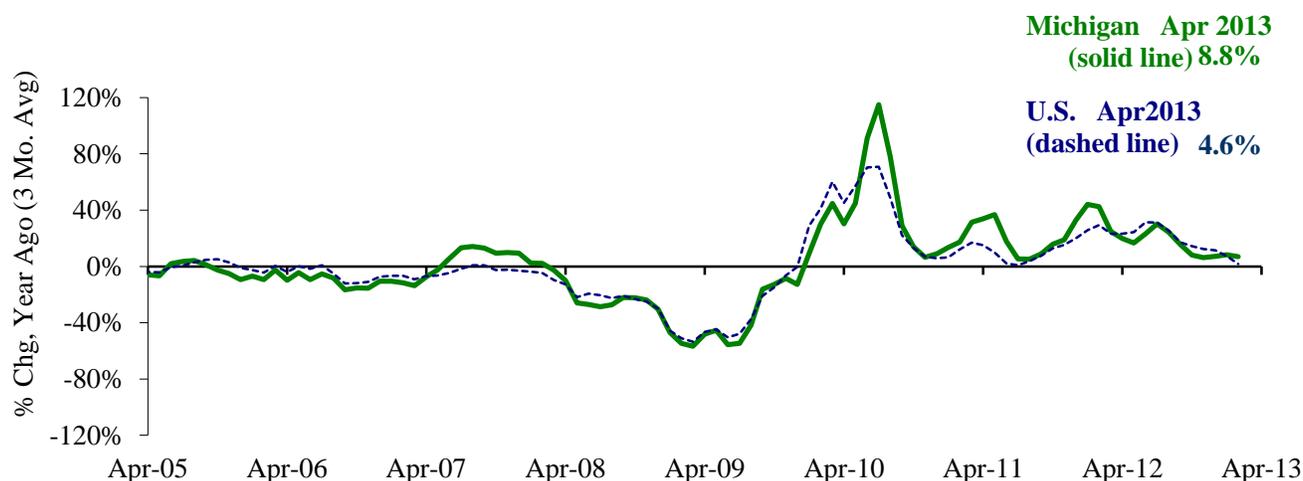
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2012	Jan-13	Feb-13	Mar-13	3 Month		
	Average				Average		
Inventories	\$149.3	\$162.9	\$162.7	\$162.2	\$162.6	\$22.60	16.2%
Inventory/Sales Ratio	2.01	2.11	2.08	2.08	2.09	0.17	

Motor Vehicle Industry Production

- At 222,254 units, April 2013 Michigan motor vehicle production was 16.5 percent higher than April 2012. National production increased 17.0 percent from last April. Compared to a year ago, the three-month average of vehicle production (February 2012-April 2013) was up 8.8 percent in Michigan and up 4.6 percent nationally.
- In April 2013, Michigan car production was up 10.7 percent from a year ago while State truck production rose 20.9 percent. Nationally, car production increased 17.2 percent while U.S. truck production increased 16.9 percent.
- From a year ago, Michigan’s April share of national vehicle production fell 0.1 percentage point to 22.0 percent. Michigan’s share of U.S. car production decreased 1.3 percentage points while Michigan’s share of U.S truck production rose 0.7 percentage point.

Michigan and U.S. Motor Vehicle Production Increases from Year-Ago Levels Slowing ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012					Change from Year Ago for the Month	
	Monthly Average	Feb 2013	Mar 2013	Apr 2013	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	364.5	375.5	400.4	419.2	398.4	61.4	17.2%
Trucks	503.0	527.8	554.2	592.5	558.2	85.6	16.9%
Total	867.5	903.4	954.6	1,011.7	956.6	147.0	17.0%
Michigan Production ^(f)							
Autos	80.5	83.1	93.8	90.8	89.2	8.7	10.7%
Trucks	107.8	112.5	125.7	131.5	123.2	22.7	20.9%
Total	188.2	195.5	219.5	222.3	212.4	31.4	16.5%
Michigan as % of U.S.	21.7%	21.6%	23.0%	22.0%	22.2%	-0.1% pts	

Local Area Unemployment Rates Fall In All Michigan Local Areas

(Not Seasonally Adjusted)

April 2013 local area unemployment rates ranged between 5.1 percent (Ann Arbor MSA) and 11.8 percent (Northeast Lower Michigan). The median April 2013 unemployment rate was 8.1 percent – this compares to an 8.3 percent median rate last April.

Compared to a year ago, the April unemployment rate fell in 11 Michigan labor market areas, rose in four State labor market areas and was unchanged in two areas. The Holland-Grand Haven MSA reported the greatest year-over-year (y-o-y) rate decline (0.6 percentage point), followed by four areas (Battle Creek MSA, Detroit-Warren-Livonia MSA, Grand Rapids-Wyoming MSA, Kalamazoo-Portage MSA) with a 0.5 percentage point rate drop. The Upper Peninsula saw the largest y-o-y rate increase (0.4 percentage point) followed by two areas (Bay City MSA and Lansing-East Lansing MSA) with a 0.2 percentage point rate increase.

Between April 2012 and April 2013, employment rose in 13 areas, fell in two areas and was unchanged in two areas. Among the 13 areas reporting an employment increase, increases ranged between 3.1 percent in the Muskegon-Norton Shores MSA and 0.2 percent in the Jackson MSA and Lansing-East Lansing MSA. The median employment increase was 1.2 percent. The Saginaw-Saginaw Township North MSA reported the largest employment decline (1.0 percent).

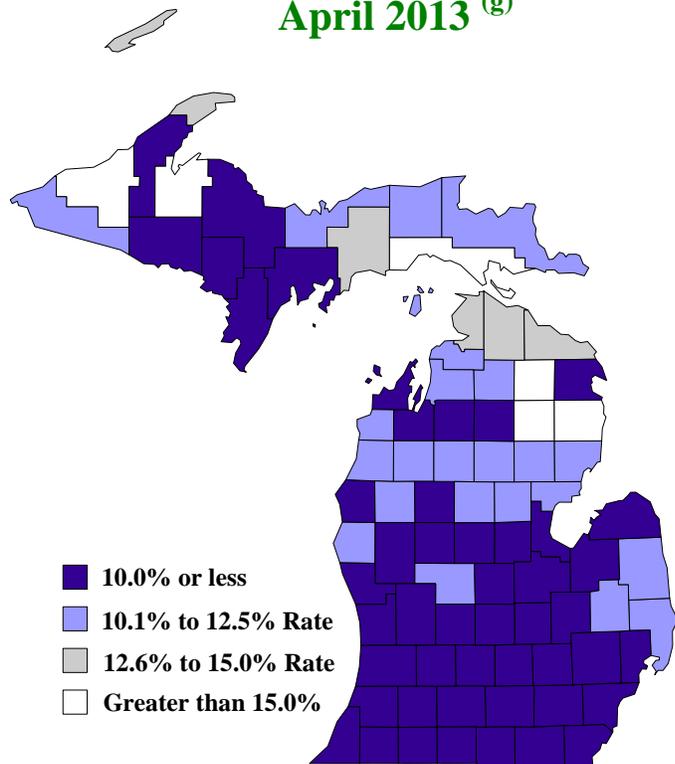
Between April 2012 and April 2013, the unemployment rate fell in 40 Michigan counties, rose in 37 counties and remained unchanged in six counties. The median April 2013 rate decrease was 0.4 percentage point. St. Joseph County posted the largest decrease (1.1 percentage points), followed by Cass County with a 1.0 percentage point decline. Forty-eight Michigan counties saw an April 2013 unemployment rate below 10.0 percent. Last April, 47 counties had an unemployment rate below 10.0 percent. In April 2013, six Michigan counties reported a rate higher than 15.0 percent. Last April, two counties saw an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2012 Rate</u>	<u>Mar 2013 Rate</u>	<u>Apr 2013 Rate</u>
Michigan	8.5%	8.8%	8.2%
Ann Arbor	5.4%	5.1%	5.1%
Battle Creek	7.1%	6.8%	6.6%
Bay City	8.3%	8.9%	8.5%
Detroit-Warren-Livonia	9.4%	9.9%	8.9%
Flint	9.0%	9.1%	8.8%
Grand Rapids-Wyoming	6.4%	6.2%	5.9%
Holland-Grand Haven	6.5%	6.2%	5.9%
Jackson	8.1%	8.3%	7.9%
Kalamazoo-Portage	7.2%	7.1%	6.7%
Lansing-East Lansing	6.8%	6.7%	7.0%
Monroe	7.7%	7.7%	7.3%
Muskegon-Norton Shores	8.5%	8.4%	8.1%
Niles-Benton Harbor	8.6%	8.8%	8.2%
Saginaw-Saginaw Township	8.3%	8.5%	8.3%
Upper Peninsula	9.4%	9.9%	9.8%
Northeast Lower Mich	11.7%	13.1%	11.8%
Northwest Lower Mich.	9.9%	10.5%	9.9%

County Unemployment Rates

April 2013^(g)



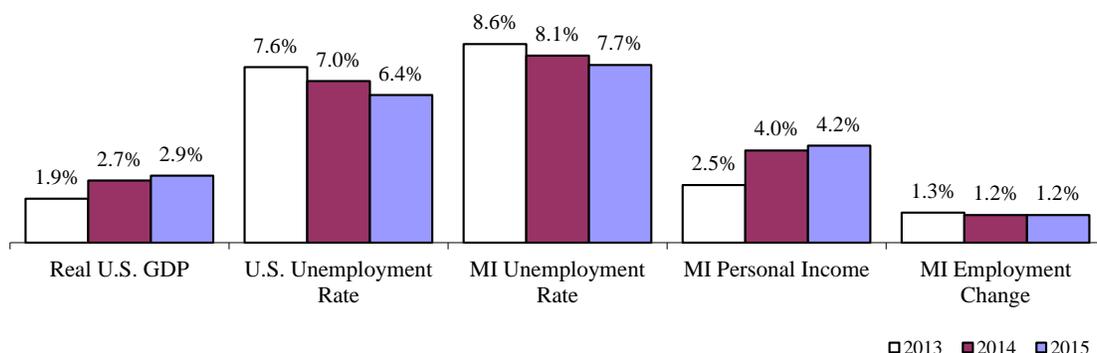
Consensus Economic Forecast Continued Recovery

On May 15, 2013, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2013, 2014 and 2015. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 1.9 percent in 2013. Real GDP is then expected to grow 2.7 percent in 2014 and 2.9 percent in 2015. The 2013 projected increase is unchanged from the January 2013 Conference projection. The 2014 growth forecast is 0.1 percentage point higher than in January 2013 and the May 2013 growth projection for 2015 is unchanged from the January Conference.
- The U.S. unemployment rate is forecast to fall over the next three years from the 8.1 percent rate in 2012. The rate is forecast to fall to 7.6 percent for 2013 and then decline to 7.0 percent in 2014 and 6.4 percent in 2015. The national unemployment rate projected for 2015 is 0.7 percentage point lower than the 2015 rate forecast at the January Conference.
- The May Consensus expects light vehicle sales to rise to 15.3 million units in 2013, 15.6 million units in 2014 and 15.9 million units in 2015. The 2013 projection is up 0.3 million units from the January 2013 Conference projection; the 2014 forecast is up 0.2 million units from the January 2013 forecast while the 2015 vehicle sales projection is 0.1 million units higher than in January.
- The May Consensus projects that Michigan wage and salary employment will rise 1.3 percent in 2013 – 0.4 percentage point faster than the January 2013 forecast. The May Consensus forecasts a 1.2 percent employment increase in 2014 (unchanged from the January forecast) and a 1.2 percent employment increase in 2015 (down 0.1 percentage point from the January Consensus).
- According to the May Consensus, the Michigan unemployment rate will fall to 8.6 percent in 2013, 8.1 percent in 2014 and 7.7 percent in 2015. The May Consensus rate forecast for 2015 is up 0.1 percentage point from the January Consensus.
- Michigan personal income is projected to rise 2.5 percent in 2013, increase 4.0 percent in 2014 and rise 4.2 percent in 2015. Wages and salaries are expected to increase 3.0 percent in 2013, rise 3.1 percent in 2014 and increase 3.9 percent in 2015.

U.S. Economic Forecast Modest Recovery

Michigan Economic Forecast Growing Labor Market



U.S. Economic Conditions

	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	73.8	77.6	78.6	76.4	0.0 points
ISM Manufacturing Index ⁽ⁱ⁾	53.1	54.2	51.3	50.7	-3.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.2	56.0	54.4	53.1	-0.6 points
	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	
Business Executives' Confidence ^(j)	63.0	47.0	42.0	46.0	-3.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	230.3	232.2	232.8	232.5	1.1%
Detroit CPI	NA	218.9	NA	218.9	1.3%
U.S. Producer Price Index	194.7	196.2	196.6	196.0	0.6%
INTEREST RATES					
90 Day T-Bill ^(l)	0.07%	0.10%	0.09%	0.06%	-0.02% points
Aaa Corporate Bonds ^(l)	3.80%	3.90%	3.93%	3.73%	-0.23% points
INDUSTRIAL PRODUCTION ^(l)					
	98.1	99.0	99.3	98.7	1.9%
CAPACITY UTILIZATION ^(l)					
	77.6%	78.2%	78.3%	77.8%	0.0% points
RETAIL SALES ^(d)					
	\$415.8	\$420.5	\$418.7	\$419.0	3.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.898	0.969	1.021	0.853	13.1%
Existing Home Sales ^(m)	4.940	4.950	4.940	4.970	9.7%
DURABLE GOODS ORDERS ^(p)					
	\$215.1	\$228.8	\$215.4	\$222.6	2.4%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>% Change From Year Ago</u>
Michigan	\$366.6	\$368.8	\$370.4	\$376.6	4.0%
U.S.	\$13,224.2	\$13,322.5	\$13,401.3	\$13,659.5	4.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,548.5	\$13,652.5	\$13,665.4	\$13,746.2	2.39%

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.