



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

December 2011 Summary

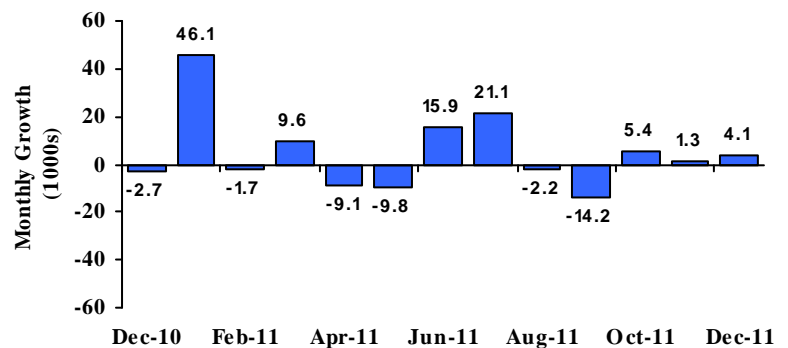
U.S. Economy: U.S. economic growth accelerated to a 2.75 percent annual rate – marking the fastest real GDP growth since 2010Q2. In November, industrial production was up 2.9 percent from a year ago and capacity utilization increased 1.4 percentage points. November housing starts were up 24.9 percent from a year ago and existing home sales rose 3.6 percent. Retail sales were up 6.5 percent from last December and new durable goods orders increased 16.9 percent. At 69.9, consumer sentiment was down 4.6 points from a year ago but was up 14.1 points from August (2011 trough). Compared to a year ago, the ISM manufacturing index and the ISM non-manufacturing index were each down 4.2 points, but each was showing expansion.

Employment: In December, Michigan employment rose by 4,100 jobs compared to November and was up 1.7 percent from the year-ago level. Nationally, employment increased 1.3 percent from last December. The Michigan unemployment rate fell 0.5 percentage point from November to 9.3 percent. In December, U.S. employment rose by 200,000 jobs – marking the 15th straight monthly increase. At 8.5 percent, the U.S. unemployment rate was down 0.2 percentage point from November and was down 0.9 percentage point from a year ago.

Auto Industry: In December, the light vehicle annual sales rate (13.5 million units) fell 0.8 percent from November but was up 8.4 percent from a year ago. While Michigan vehicle production rose 53.8 percent, while production nationally increased 22.8 percent.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 3.0 percent. The core U.S. CPI (excluding food and energy) rose 2.2 percent. The overall producer price index (PPI) rose 4.8 percent; the core PPI was up 3.0 percent. At \$98.57 per barrel, oil prices were up \$9.53 from December 2010.

Michigan Employment Increases Slightly in December ^(a)



Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in December compared with year-ago levels. Employment rose in seven of Michigan's 17 areas, fell in nine areas and was unchanged in one area.

Jay Wortley
Director

Thomas Patchak-Schuster
Senior Economist

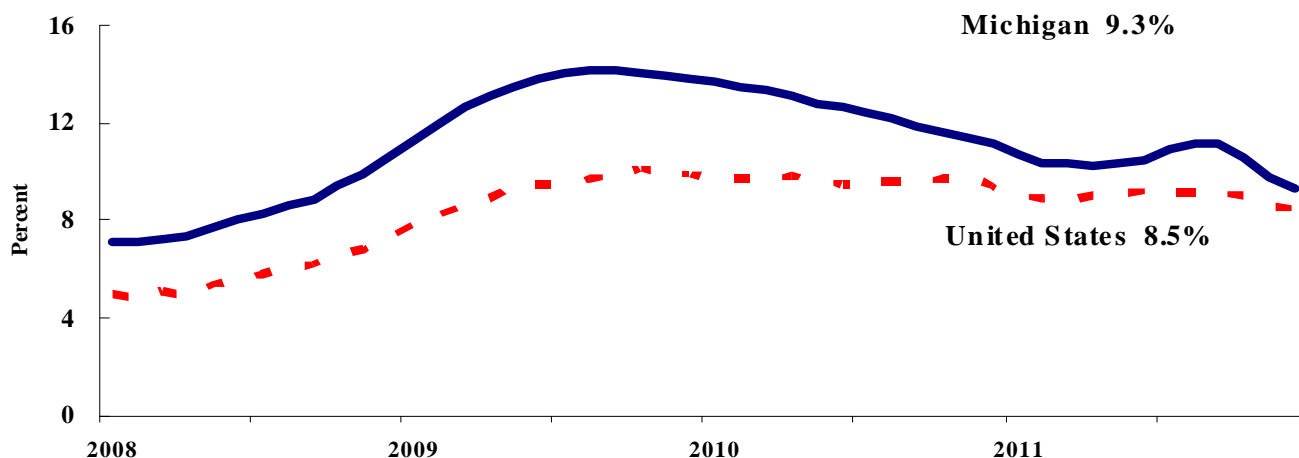
Andrew Lockwood
Senior Economist

Mary Pasch
Executive Secretary

Labor Market Statistics

- Michigan's December unemployment rate decreased 0.5 of a percentage point from last month to 9.3 percent, and the current Michigan jobless rate is down 1.8 percentage points from a year ago. The December U.S. unemployment rate decreased 0.2 percentage point from November to 8.5 percent and was down 0.9 percentage points 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 2008 to 2011



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

- In December, the number of people employed in Michigan was 4,214,000, up 13,000 from last month, while the labor force decreased by 12,000. The statewide total number of unemployed decreased by 25,000 to 431,000.
- United States household employment totaled 140.8 million persons in December, up 176,000 from November. The labor force fell by 50,000 from last month, which meant there were 226,000 less unemployed people nationally, compared to November.

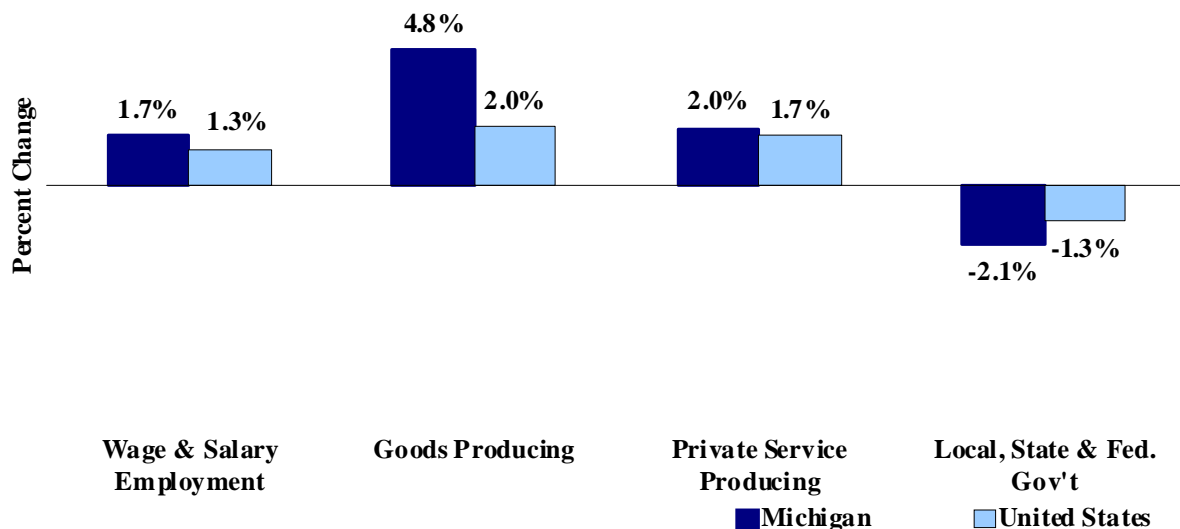
Employment by Place of Residence (in thousands)^(a)

	2010 Average	Oct 2011	Nov 2011	Dec 2011	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,790	4,676	4,658	4,646	-12	-0.3%	-100	-2.1%	
Employed	4,193	4,180	4,201	4,214	13	0.3%	-3	-0.1%	
Unemployed	597	496	456	431	-25	-5.5%	-98	-18.5%	
Unemployment Rate	12.5%	10.6%	9.8%	9.3%	n. a.	-0.5% pts	n. a.	-1.8%	
United States									
Labor Force	153,889	154,057	153,937	153,887	-50	0.0%	274	0.2%	
Employed	139,064	140,297	140,614	140,790	176	0.1%	1,570	1.1%	
Unemployed	14,825	13,759	13,323	13,097	-226	-1.7%	-1,296	-9.0%	
Unemployment Rate	9.6%	8.9%	8.7%	8.5%	n. a.	-0.2% pts	n. a.	-0.9%	

Employment by Place of Work

- From December 2010 to December 2011, Michigan wage and salary employment increased 67,000 (1.7 percent). State wage and salary employment increased 4,000 from November. Nationally, December 2011 wage and salary employment rose 1,640,000 (1.3 percent) from a year ago and was up 200,000 from last month.

Wage and Salary Employment Growth December 2010 to December 2011



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

- In the goods-producing sector, Michigan employment increased 4.8 percent from a year ago while private service-producing sector employment increased 2.0 percent compared to last year. From a year ago, December national employment in the goods-producing sector rose 2.0 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.4 hours in December compared to last year.

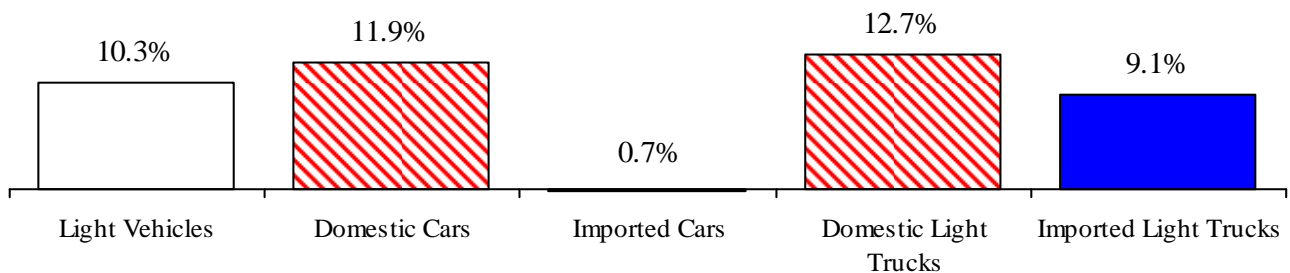
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	Dec 2010	Dec 2011	Percent Change	2010 Average	Dec 2010	Dec 2011	Percent Change
Wage & Salary Employment	3,861	3,868	3,935	1.7%	129,818	130,260	131,900	1.3%
Goods Producing	603	610	639	4.8%	17,755	17,797	18,159	2.0%
Manufacturing	474	478	505	5.6%	11,524	11,565	11,790	1.9%
Private Service Producing	2,623	2,634	2,686	2.0%	89,582	90,211	91,769	1.7%
Trade, Trans. & Utilities	709	707	715	1.1%	24,605	24,746	25,142	1.6%
Services	1,672	1,687	1,728	2.4%	54,636	55,154	56,345	2.2%
Local, State & Fed. Gov't	636	624	611	-2.1%	22,482	22,252	21,972	-1.3%
Manufacturing Weekly Hours	40.9	44.1	43.7	-0.4 hrs	40.2	40.3	40.4	0.1 hrs

Motor Vehicle Industry Sales

- At a 13.5 million unit rate, December 2011 light vehicle sales fell 0.8 percent from November 2011. December 2011 light vehicle sales were up 8.4 percent from a year ago. Calendar year (CY) 2011 sales were up 10.3 percent from CY 2010.
- Compared to November 2011, December 2011 domestic sales decreased 1.4 percent while foreign sales rose 1.6 percent. Domestic sales rose 11.1 percent compared to a year ago while foreign sales decreased 0.3 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 1.9 percentage points from a year ago to 22.2 percent.
- Auto sales increased 6.8 percent compared to a year ago, while light truck sales were up 9.8 percent from December 2010. Compared to CY 2010 sales, CY 2011 auto sales rose 8.3 percent and light truck sales increased 12.2 percent. CY 2011 heavy truck sales posted a 40.6 percent increase from CY 2010.

Calendar Year 2011 Vehicle Sales Up Significantly from 2010



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Oct 2011	Nov 2011	Dec 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	6.4	6.6	6.5	6.5	0.4	6.8%
Domestics	3.9	4.5	4.7	4.5	4.6	0.4	11.1%
Imports	1.8	1.8	2.0	2.0	1.9	(0.0)	-1.7%
Import Share	32.3%	29.0%	29.5%	30.5%	29.6%	-2.7% pts	
Light Trucks	5.8	6.8	7.0	7.0	7.0	0.6	9.8%
Domestics	4.9	5.8	6.0	6.0	5.9	0.6	11.1%
Imports	0.9	1.0	1.0	1.0	1.0	0.0	2.6%
Import Share	15.4%	14.6%	14.2%	14.5%	14.5%	-1.0% pts	
Total Light Vehicles	11.6	13.2	13.6	13.5	13.4	1.0	8.4%
Heavy Trucks	0.2	0.3	0.3	0.3	0.3	0.1	49.8%
Total Vehicles	11.8	13.6	13.9	13.8	13.8	1.2	9.1%

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

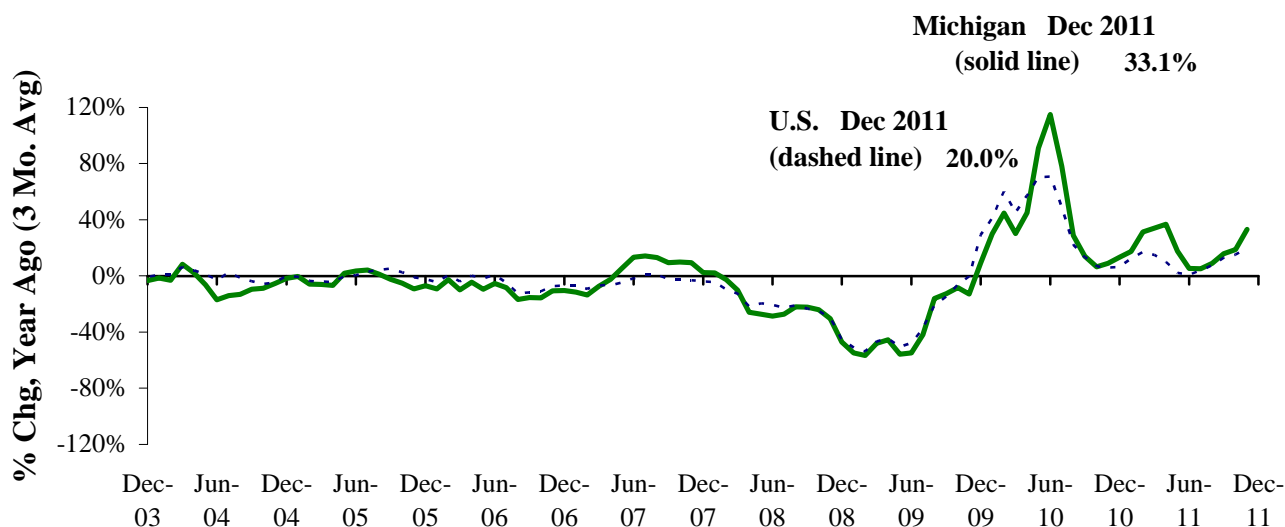
(billions of dollars)

	2010 Average	Oct-11	Nov-11	Dec-11	3 Month Average	Change from Year Ago	
						Level	%
Inventories	123.4	132.4	133.2	133.4	133.0	4.81	3.7%
Inventory/Sales Ratio	1.99	1.89	1.88	1.84	1.87	-0.11	

Motor Vehicle Industry Production

- At 158,253 units, December 2011 Michigan motor vehicle production rose 53.8 percent from last December. National production increased 22.8 percent from December 2010. Compared to November 2011, Michigan production fell 6.6 percent while national production decreased 9.9 percent.
- In December 2011, Michigan car production was up 158.9 percent from a year ago while State truck production increased 19.8 percent. Nationally, car production rose 39.2 percent while truck production increased 14.1 percent.
- From a year ago, Michigan’s share of national production rose 4.6 percentage points to 23.0 percent.

Michigan and U.S. Motor Vehicle Production Accelerates Slightly ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2010 Monthly Average	Oct 2011	Nov 2011	Dec 2011	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	241.7	322.1	298.9	270.4	297.1	76.2	39.2%
Trucks	404.0	509.3	464.2	417.3	463.6	51.6	14.1%
Total	645.7	831.4	763.1	687.7	760.7	127.8	22.8%
Michigan Production ^(f)							
Autos	44.6	73.5	67.2	65.1	68.6	40.0	158.9%
Trucks	86.8	112.0	102.3	93.1	102.5	15.4	19.8%
Total	131.4	185.6	169.5	158.3	171.1	55.4	53.8%
Michigan as % of U.S.	20.4%	22.3%	22.2%	23.0%	22.5%	4.6% pts	

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

December 2011 local area unemployment rates ranged between 5.5 percent (Ann Arbor MSA) and 12.6 percent (Northeast Lower Michigan). The median December 2011 unemployment rate was 8.6 percent.

Compared to a year ago, the December unemployment rate fell in all 17 major Michigan labor market areas. The Ann Arbor MSA saw the smallest decline (-1.1 percentage points). The Muskegon-Norton Shores MSA saw the largest rate decline (-2.4 percentage points) followed by the Flint MSA and Jackson MSA (-2.3 percent)

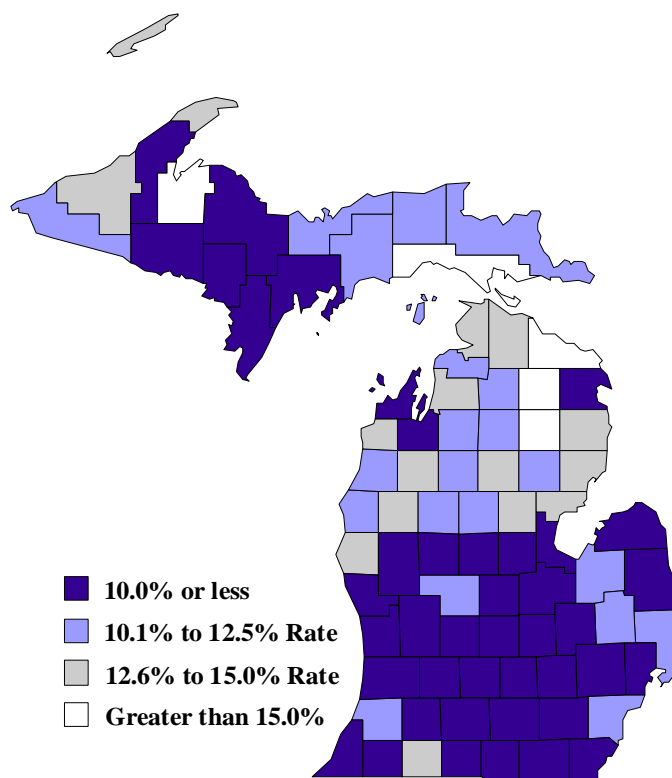
Between December 2010 and December 2011, seven labor market areas saw an employment increase, nine saw a decrease and one area saw no change. The median employment increase was 0.9 percent. The median employment decrease was -0.9 percent. The Bay City MSA saw the largest employment increase (2.5 percent), followed by the Holland MSA (2.3 percent). The Battle Creek MSA experienced the largest decline (-3.5 percent), followed by Northeast Lower Michigan (-2.4 percent). Compared to a year ago, the labor force fell in 16 of the State's 17 areas with the Battle Creek MSA experiencing the largest decline (-5.3 percent), followed by Northeast Lower Michigan (-4.7 percent). The median labor force drop was 2.2 percent.

Between December 2010 and December 2011, the unemployment rate fell in all 83 Michigan counties with a median rate decrease of 1.9 percentage points. Ontonagon County posted the largest decline (-5.0 percentage points) followed by Alcona County (-4.3 percentage points). Forty-one counties saw a December 2011 unemployment rate below 10.0 percent. Five counties reported a rate higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Dec 2010 Rate</u>	<u>Nov 2011 Rate</u>	<u>Dec 2011 Rate</u>
Michigan	10.6%	8.4%	9.0%
Ann Arbor	6.6%	5.1%	5.5%
Battle Creek	9.4%	6.9%	7.7%
Bay City	10.4%	7.4%	8.4%
Detroit-Warren-Livonia	11.1%	9.5%	9.7%
Flint	11.9%	8.7%	9.6%
Grand Rapids-Wyoming	8.9%	6.5%	7.1%
Holland-Grand Haven	9.2%	6.5%	7.1%
Jackson	10.9%	7.8%	8.6%
Kalamazoo-Portage	9.4%	6.9%	7.7%
Lansing-East Lansing	8.3%	6.4%	6.9%
Monroe	10.6%	7.5%	8.4%
Muskegon-Norton Shores	11.4%	8.4%	9.0%
Niles-Benton Harbor	10.9%	8.2%	9.2%
Saginaw-Saginaw Township	10.3%	7.6%	8.6%
Upper Peninsula	11.2%	8.2%	9.6%
Northeast Lower Mich	14.6%	10.6%	12.6%
Northwest Lower Mich.	13.0%	9.5%	11.1%

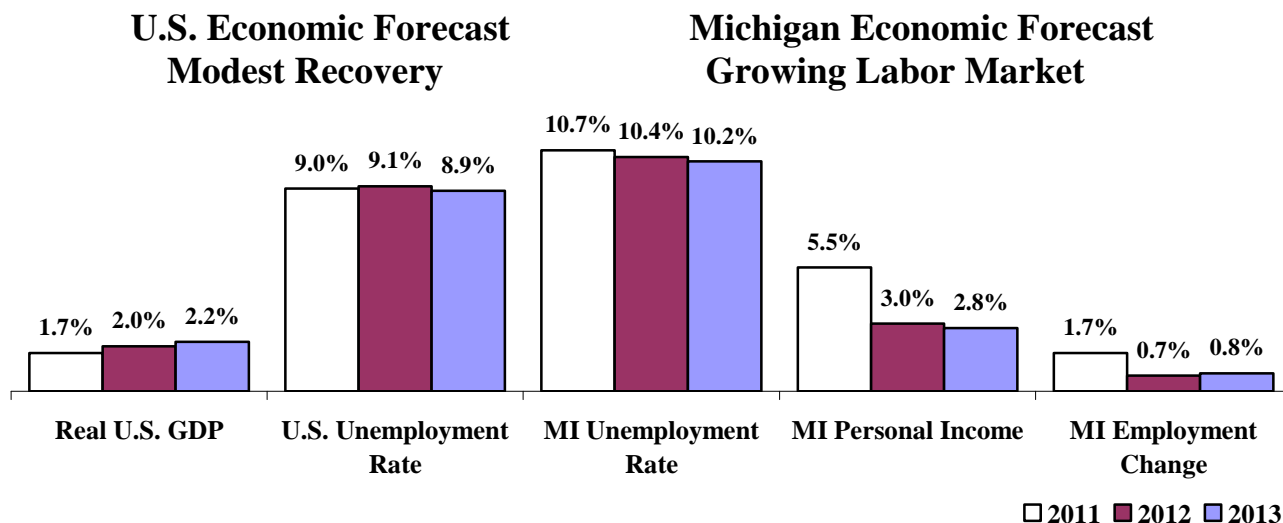
County Unemployment Rates December 2011^(g)



Consensus Economic Forecast Continued Recovery

On January 13, 2012, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2012 and 2013. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.0 percent in 2012. Real GDP is then expected to grow 2.2 percent in 2013. The 2012 projected increase is down substantially (-0.9 percentage point) from the May 2011 Conference projection. Similarly, the 2013 growth forecast is 0.9 percentage point lower than in May 2011.
- The U.S. unemployment rate is forecast to change little over the next two years from the estimated 9.0 percent rate in 2011. The rate is forecast to rise 0.1 percentage point in 2012 before declining 0.2 percentage point in 2013.
- Light vehicle sales are expected to rise to 13.7 million units in 2012 and 14.5 million units in 2013. The 2012 projection is down 0.9 million units from the May 2011 Conference projection; the 2013 forecast is down 0.7 million units from the May 2011 forecast.
- The January Consensus projects Michigan wage and salary employment will rise 0.7 percent in 2012. The Consensus forecasts a 0.8 percent employment increase in 2013 – marking Michigan’s third straight annual employment increase.
- According to the January Consensus, the Michigan unemployment rate will fall from 10.7 percent in 2011 to 10.4 percent in 2012. The forecast then sees the State’s unemployment rate falling to 10.2 percent in 2013.
- Michigan personal income is projected to rise 3.0 percent in 2012 and 2.8 percent in 2013. Wages and salaries are expected to increase 3.1 percent in 2012 and then rise 3.5 percent in 2013.



U.S. Economic Conditions

	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	59.5	60.8	63.7	69.9	-4.6 points
ISM Manufacturing Index ⁽ⁱ⁾	52.5	51.8	52.2	53.1	-4.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	52.6	52.6	52.6	53.0	-4.2 points
	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	
Business Executives' Confidence ^(j)	67.0	55.0	42.0	49.0	-13.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	226.9	226.4	226.2	225.7	3.0%
Detroit CPI	NA	212.9	NA	213.5	3.5%
U.S. Producer Price Index	192.5	191.9	192.0	191.3	4.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.01%	0.02%	0.01%	0.01%	-0.13% points
Aaa Corporate Bonds ^(l)	4.09%	3.98%	3.87%	3.93%	-1.09% points
INDUSTRIAL PRODUCTION ^(l)					
	94.6	95.1	94.9	95.3	2.9%
CAPACITY UTILIZATION ^(l)					
	77.7%	78.1%	77.8%	78.1%	1.4% points
RETAIL SALES ^(d)					
	\$396.0	\$398.6	\$400.3	\$400.6	6.5%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.646	0.628	0.685	0.657	24.9%
Existing Home Sales ^(m)	4.190	4.250	4.390	4.610	3.6%
DURABLE GOODS ORDERS ^(p)					
	\$199.5	\$199.6	\$208.0	\$214.3	16.9%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	<u>% Change From Year Ago</u>
Michigan	\$349.2	\$358.3	\$358.1	\$358.7	3.7%
U.S.	\$12,564.0	\$12,825.1	\$12,934.7	\$12,953.4	4.1%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,227.9	\$13,271.8	\$13,331.6	\$13,422.4	2.75%

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.