



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

January 2012 Summary

U.S. Economy: In January, industrial production was up 3.6 percent from a year ago and capacity utilization increased 1.9 percentage points. January housing starts were up 11.0 percent from a year ago and existing home sales rose 0.7 percent. Retail sales were up 6.3 percent from last January and new durable goods orders increased 8.5 percent. At 75.0, consumer sentiment was up only 0.8 of a point from a year ago but was up 19.2 points from August (2011 trough). Compared to a year ago, the ISM manufacturing index was down 5.8 points and the ISM non-manufacturing index was off 1.5 points. However, both ISM indices have indicated expansion each month over the past two years.

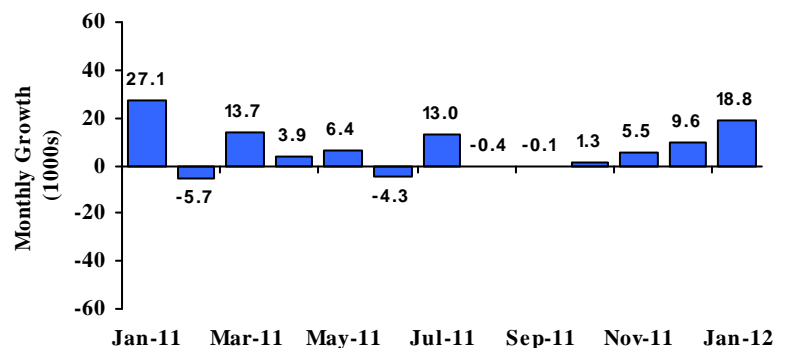
Employment: In January, Michigan employment rose by 18,800 jobs compared to December and was up 1.6 percent from the year-ago level. Nationally, employment increased 1.5 percent from last January. The Michigan unemployment rate fell 0.3 percentage point from December to 9.0 percent and was down 1.9 percentage points from a year ago. At 8.3 percent, the U.S. unemployment rate was down 0.2 percentage point from December and was down 0.8 percentage point from a year ago.

Auto Industry: In January, the light vehicle annual sales rate (14.1 million units) rose 4.7 percent from December and was up 11.8 percent from a year ago. Both Michigan vehicle production and U.S. vehicle production rose sharply from last January (Michigan up 40.6 percent and U.S. up 32.7).

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 2.9 percent. The core U.S. CPI (excluding food and energy) rose 2.3 percent. The overall producer price index (PPI) rose 4.1 percent. At \$100.24 per barrel, oil prices were up \$10.82 from January 2011.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in December compared with year-ago levels. Employment rose in eight of Michigan's 17 areas, and fell in the other nine areas.

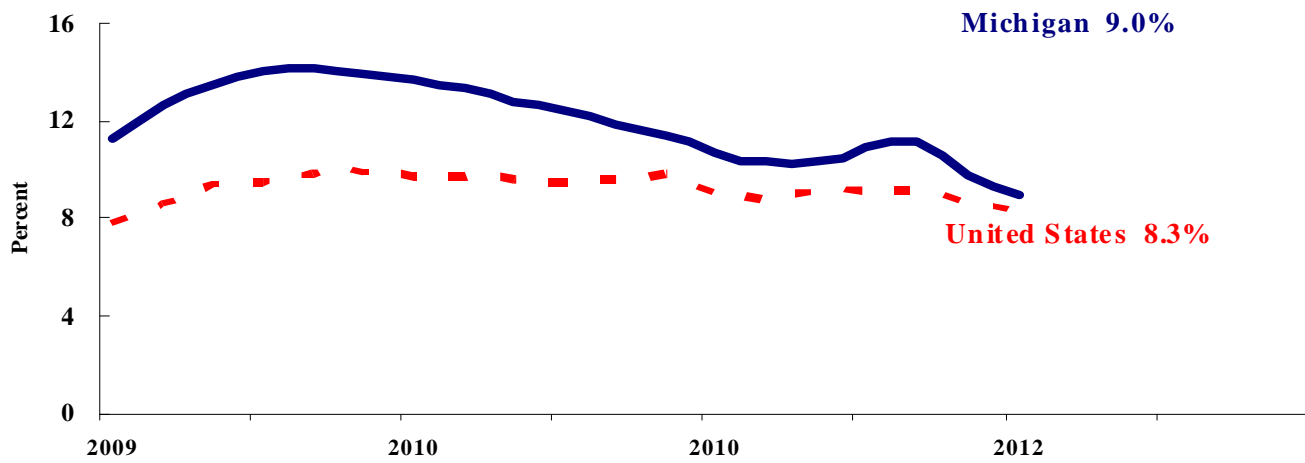
Michigan Employment Steadily Improving in Recent Months^(a)



Labor Market Statistics

- Michigan's January unemployment rate decreased 0.3 of a percentage point from last month to 9.0 percent, and the current Michigan jobless rate is down 1.9 percentage points from a year ago. The January U.S. unemployment rate decreased 0.2 percentage point from December to 8.3 percent and was down 0.8 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 2009 to 2012



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

- In January, the number of people employed in Michigan was 4,215,000, up 16,000 from last month, while the labor force increased by 2,000. The statewide total number of unemployed decreased by 14,000 to 417,000.
- United States household employment totaled 141.6 million persons in January. The labor force totaled 154.4 million and there were 12.8 million unemployed in January 2012.

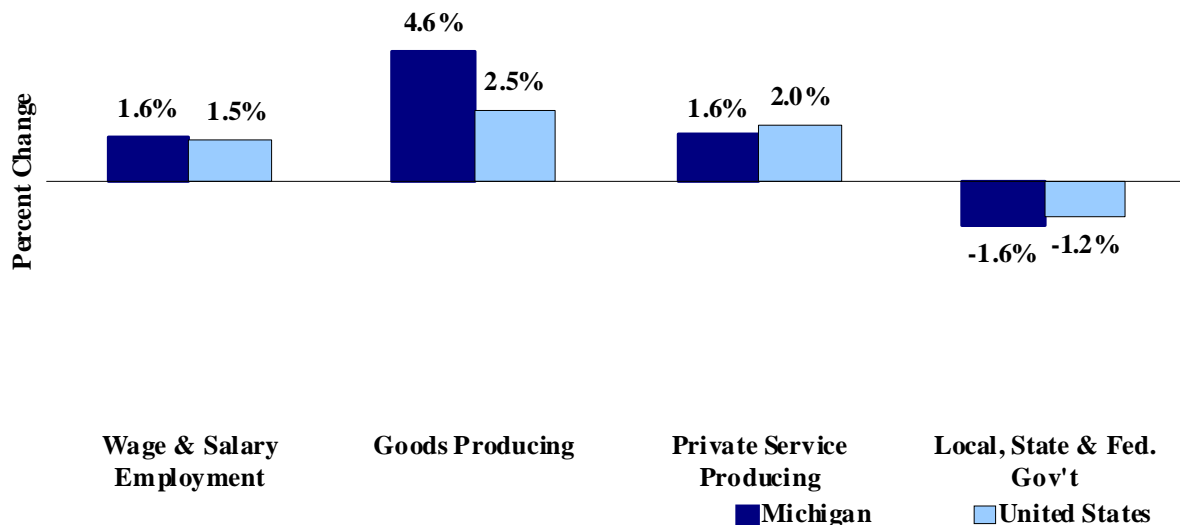
Employment by Place of Residence (in thousands)^(a)

	2011 Average	Nov 2011	Dec 2011	Jan 2012	Change From		Last Year	
					Prior Month Level	%	Level	%
Michigan								
Labor Force	4,658	4,636	4,630	4,632	2	0.0%	-46	-1.0%
Employed	4,178	4,192	4,199	4,215	16	0.4%	47	1.1%
Unemployed	480	444	431	417	-14	-3.2%	-94	-18.4%
Unemployment Rate	10.3%	9.6%	9.3%	9.0%	n.a.	-0.3% pts	n.a.	-1.9%
United States								
Labor Force	153,617	153,937	153,887	154,395	508	0.3%	1,145	0.7%
Employed	139,869	140,614	140,790	141,637	847	0.6%	2,307	1.7%
Unemployed	13,747	13,323	13,097	12,758	-339	-2.6%	-1,161	-8.3%
Unemployment Rate	8.9%	8.7%	8.5%	8.3%	n.a.	-0.2% pts	n.a.	-0.8%

Employment by Place of Work

- From January 2011 to January 2012, Michigan wage and salary employment increased 62,000 (1.6 percent). State wage and salary employment increased 19,000 from December. Nationally, January 2012 wage and salary employment rose 1,953,000 (1.5 percent) from a year ago and was up 243,000 from last month.

Wage and Salary Employment Growth January 2011 to January 2012



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

- In the goods-producing sector, Michigan employment increased 4.6 percent from a year ago while private service-producing sector employment increased 1.6 percent compared to last year. From a year ago, January national employment in the goods-producing sector rose 2.5 percent and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.9 hours in January compared to last year.

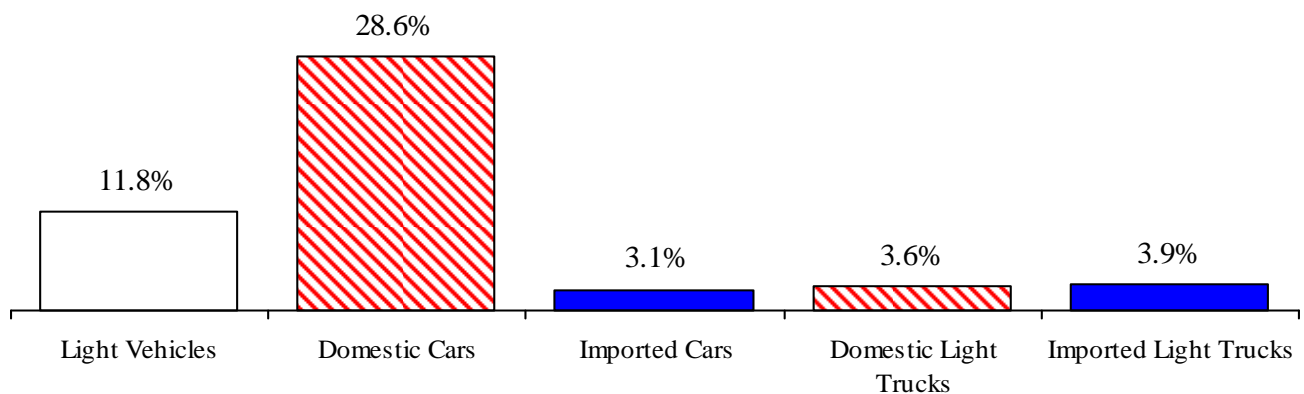
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2011 Average	Jan 2011	Jan 2012	Percent Change	2011 Average	Jan 2011	Jan 2012	Percent Change
Wage & Salary Employment	3,936	3,918	3,979	1.6%	131,359	130,456	132,409	1.5%
Goods Producing	638	628	657	4.6%	18,021	17,821	18,266	2.5%
Manufacturing	506	495	527	6.5%	11,733	11,627	11,862	2.0%
Private Service Producing	2,679	2,665	2,708	1.6%	91,234	90,386	92,170	2.0%
Trade, Trans. & Utilities	720	717	725	1.1%	25,019	24,821	25,220	1.6%
Services	1,713	1,702	1,734	1.9%	55,877	55,221	56,628	2.5%
Local, State & Fed. Gov't	619	625	615	-1.6%	22,104	22,249	21,973	-1.2%
Manufacturing Weekly Hours	41.4	44.4	43.5	-0.9 hrs	40.5	40.4	40.9	0.5 hrs

Motor Vehicle Industry Sales

- January 2012 light vehicle sales rose 4.7 percent from December 2011. January 2012 light vehicle sales were up 11.8 percent from a year ago. At a 14.1 million unit annual rate, light vehicle sales increased to their highest rate since August 2009.
- Compared to December 2011, January 2012 domestic sales increased 5.2 percent while foreign sales rose 2.8 percent. Domestic sales rose 14.3 percent compared to a year ago while foreign sales increased 3.4 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 1.8 percentage points from a year ago to 21.8 percent.
- Auto sales increased 20.4 percent compared to a year ago, while light truck sales were up 3.7 percent from January 2011.

January 2012 Domestic Car Sales Up Sharply from Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2011 Average	Nov 2011	Dec 2011	Jan 2012	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.2	6.6	6.5	7.4	6.8	1.2	20.4%
Domestics	4.3	4.7	4.5	5.3	4.8	1.2	28.6%
Imports	1.8	2.0	2.0	2.0	2.0	0.1	3.1%
Import Share	29.9%	29.5%	30.5%	27.6%	29.1%	-4.6%	pts
Light Trucks	6.5	7.0	7.0	6.8	6.9	0.2	3.7%
Domestics	5.6	6.0	6.0	5.7	5.9	0.2	3.6%
Imports	1.0	1.0	1.0	1.0	1.0	0.0	3.9%
Import Share	15.0%	14.2%	14.5%	15.4%	14.7%	0.0%	pts
Total Light Vehicles	12.7	13.6	13.5	14.1	13.7	1.5	11.8%
Heavy Trucks	0.3	0.3	0.3	0.3	0.3	0.1	32.4%
Total Vehicles	13.0	13.9	13.8	14.5	14.1	1.6	12.2%

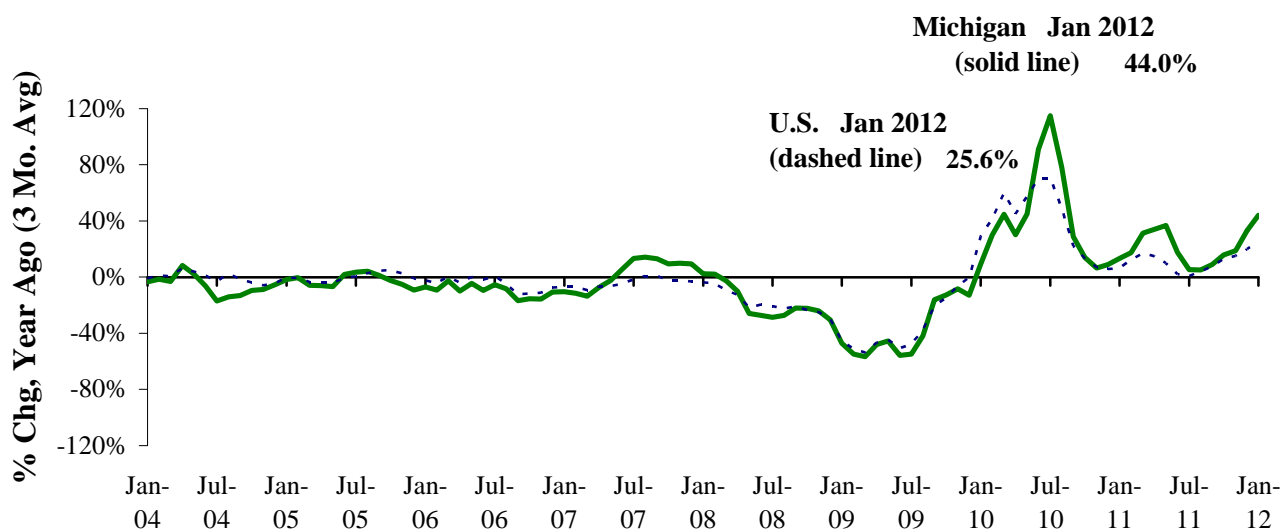
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2011 Average	Nov-11	Dec-11	Jan-12	3 Month Average		
Inventories	131.0	133.2	134.0	137.5	134.9	8.64	6.7%
Inventory/Sales Ratio	1.92	1.89	1.88	1.93	1.90	0.02	

Motor Vehicle Industry Production

- At 169,693 units, January 2012 Michigan motor vehicle production rose 40.6 percent from last January. National production increased 32.7 percent from January 2011. Compared to December 2011, Michigan production rose 7.2 percent while national production increased 21.6 percent.
- In January 2012, Michigan car production was up 132.9 percent from a year ago while State truck production increased 14.0 percent. Nationally, car production rose 61.7 percent while truck production increased 18.2 percent.
- From a year ago, Michigan's share of national production rose 1.1 percentage points to 20.3 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2011					Change from Year Ago for the Month	
	Monthly Average	Nov 2011	Dec 2011	Jan 2012	3 Month Average	Level	%
U.S. Production^(e)							
Autos	241.7	298.9	270.4	340.9	303.4	130.1	61.7%
Trucks	404.0	464.2	417.3	495.5	459.0	76.3	18.2%
Total	645.7	763.1	687.7	836.5	762.4	206.3	32.7%
Michigan Production^(f)							
Autos	44.6	67.2	65.1	62.8	65.0	35.9	132.9%
Trucks	86.8	102.3	93.1	106.9	100.8	13.1	14.0%
Total	131.4	169.5	158.3	169.7	165.8	49.0	40.6%
Michigan as % of U.S.	20.4%	22.2%	23.0%	20.3%	21.7%	1.1% pts	

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

January 2012 local area unemployment rates ranged between 5.6 percent (Ann Arbor MSA) and 13.8 percent (Northeast Lower Michigan). The median January 2012 unemployment rate was 9.3 percent.

Compared to a year ago, the January unemployment rate fell in all 17 major Michigan labor market areas. The Ann Arbor MSA saw the smallest decline (-1.2 percentage points). The Monroe MSA saw the largest rate decline (-2.8 percentage points) followed by the Flint MSA (-2.6 percent) and Jackson MSA (-2.4 percent).

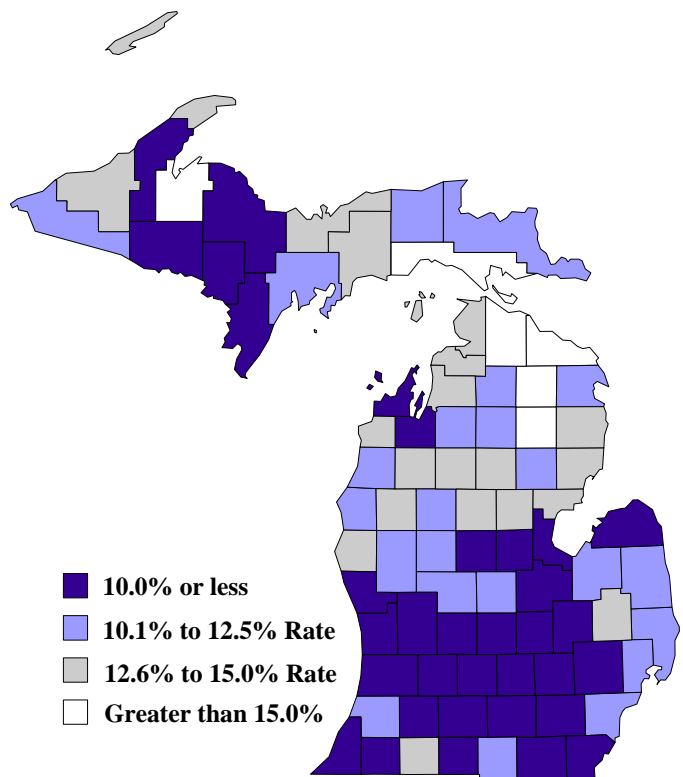
Between January 2011 and January 2012, eight labor market areas saw an employment increase and nine saw a decrease. The median employment increase was 1.6 percent. The median employment decrease was -1.2 percent. The Holland-Grand Haven MSA saw the largest employment increase (4.1 percent), followed by the Detroit-Warren-Livonia MSA (3.3 percent). Northeast Lower Michigan experienced the largest decline (-2.0 percent), followed by the Monroe MSA (-1.8 percent). Compared to a year ago, the labor force fell in 15 of the State's 17 areas with the Monroe MSA experiencing the largest decline (-4.8 percent), followed by Northeast Lower Michigan (-4.4 percent). The median labor force drop was 2.1 percent.

Between January 2011 and January 2012, 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 (-4.1 percentage points) followed by Alcona County (-3.8 percentage points). Thirty-one counties saw a January 2012 unemployment rate below 10.0 percent. Six counties reported a rate higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jan 2011 Rate</u>	<u>Dec 2011 Rate</u>	<u>Jan 2012 Rate</u>
Michigan	11.6%	9.0%	9.7%
Ann Arbor	6.8%	5.4%	5.6%
Battle Creek	10.0%	7.6%	7.9%
Bay City	11.3%	8.5%	9.3%
Detroit-Warren-Livonia	12.6%	9.7%	10.8%
Flint	12.6%	9.5%	10.0%
Grand Rapids-Wyoming	9.4%	7.2%	7.4%
Holland-Grand Haven	9.7%	7.0%	7.4%
Jackson	11.4%	8.6%	9.0%
Kalamazoo-Portage	10.0%	8.0%	8.2%
Lansing-East Lansing	8.9%	7.0%	7.4%
Monroe	11.8%	8.4%	9.0%
Muskegon-Norton Shores	11.7%	8.8%	9.5%
Niles-Benton Harbor	11.9%	9.3%	10.0%
Saginaw-Saginaw Township	11.0%	8.6%	9.3%
Upper Peninsula	12.1%	9.7%	10.5%
Northeast Lower Mich	15.8%	12.5%	13.8%
Northwest Lower Mich.	13.8%	10.9%	11.8%

County Unemployment Rates January 2012^(g)



U.S. Economic Conditions

	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	60.8	63.7	69.9	75.0	0.8 points
ISM Manufacturing Index ⁽ⁱ⁾	51.8	52.2	53.1	54.1	-5.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	52.6	52.6	53.0	56.8	-1.5 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>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	226.4	226.2	225.7	226.7	2.9%
Detroit CPI	212.9	NA	213.5	NA	3.5%
U.S. Producer Price Index	191.8	192.0	191.3	191.9	4.1%
INTEREST RATES					
90 Day T-Bill ^(l)	0.02%	0.01%	0.01%	0.03%	-0.12% points
Aaa Corporate Bonds ^(l)	3.98%	3.87%	3.93%	3.85%	-1.19% points
INDUSTRIAL PRODUCTION ^(l)					
	94.9	94.9	95.8	96.2	3.6%
CAPACITY UTILIZATION ^(l)					
	77.9%	77.9%	78.5%	78.8%	1.9% points
RETAIL SALES ^(d)					
	\$398.6	\$399.8	\$401.0	\$403.5	6.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.628	0.702	0.681	0.706	11.0%
Existing Home Sales ^(m)	4.320	4.400	4.380	4.570	0.7%
DURABLE GOODS ORDERS ^(p)					
	\$199.6	\$208.0	\$215.0	\$206.9	8.5%
PERSONAL INCOME ^(c)					
(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%
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.