



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## July 2012 Summary

**U.S. Economy:** The second quarter economic growth rate was revised up from 1.5 percent to 1.7 percent. The 2012Q2 rate remained the economy's slowest rate since 2011Q3. The ISM manufacturing index remained slightly below 50.0 (the expansion threshold) for the second straight month, while the ISM non-manufacturing index signaled expansion for the 31<sup>st</sup> consecutive month. Year-over-year, retail sales grew 4.1 percent -- the second slowest sales growth in nearly two years. New durable goods orders were up 4.9 percent from last year. Industrial production was up 4.4 percent from a year ago and capacity utilization increased 2.3 percentage points. Existing home sales increased 10.4 percent from last July -- marking the 13<sup>th</sup> straight month of year-over-year increases. Housing starts rose 21.5 percent to an annualized 746,000 units in July -- the 7<sup>th</sup> straight month above 700,000 units -- marking the first such string since late 2008.

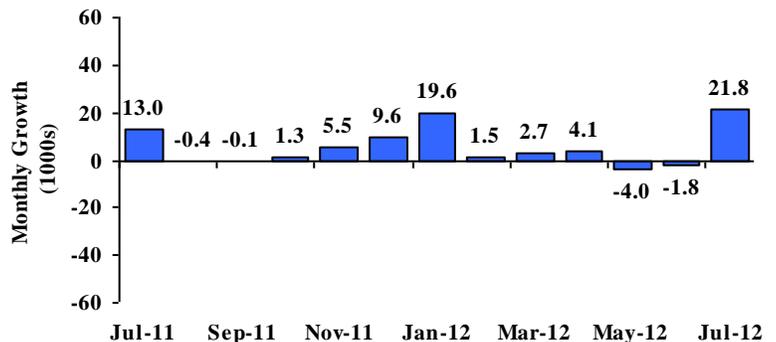
**Employment:** In July, Michigan employment was up 1.5 percent from its year-ago level -- marking the 26<sup>th</sup> straight year-over-year increase. The July 2012 Michigan employment level represented the State's highest employment since December 2008. Nationally, employment increased 1.4 percent from last July. The July Michigan unemployment rate was up 0.4 percentage point from last month to 9.0 percent. However, the July 2012 Michigan rate was down 1.6 points from last July. At 8.3 percent, the U.S. unemployment rate was down 0.8 percentage point from a year ago.

**Auto Industry:** At 14.0 million units, the July light vehicle annual sales rate was up significantly from a year ago (13.6 percent). While down 16.3 percent from last month, Michigan vehicle production was up 48.7 percent from a year ago. U.S. production rose 31.6 percent from last year.

**Inflation:** The overall U.S. consumer price index (CPI) rose 1.4 percent in July compared to a year ago. The overall producer price index (PPI) rose 0.5 percent. At \$87.93 per barrel, oil prices were down \$9.26 from July 2011.

**Michigan Metro Areas:** Unemployment rates fell in all 17 major Michigan labor markets in July compared with year-ago levels. Employment rose in all 17 areas with a median increase of 2.8 percent. All but two Michigan counties saw a year-over-year unemployment rate drop.

**Michigan Employment  
Increases Sharply in July 2012 (a)**



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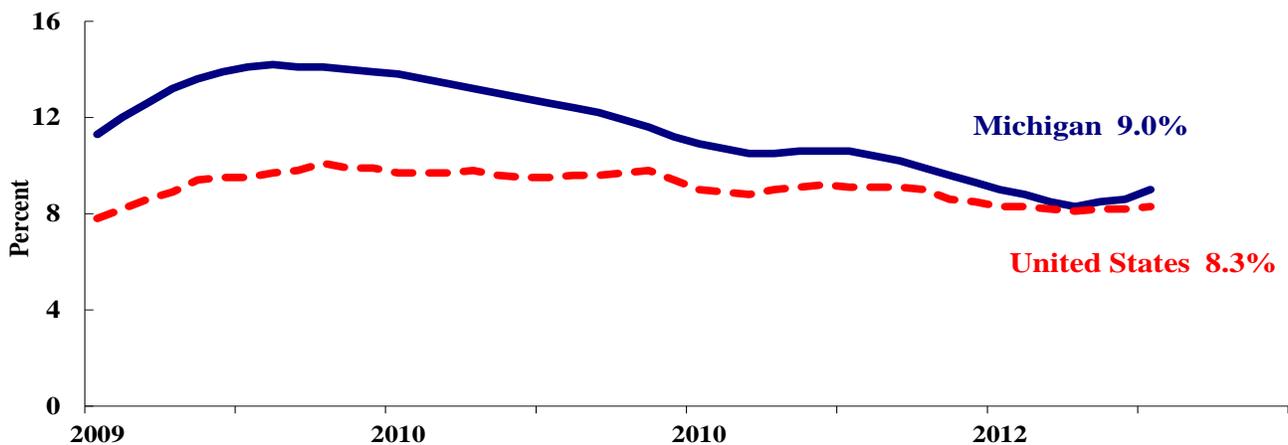
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Executive Secretary

## Labor Market Statistics

- Michigan's July unemployment rate increased 0.4 of a percentage point from last month to 9.0 percent, but the current Michigan jobless rate is down 1.6 percentage points from a year ago. The July U.S. unemployment rate increased 0.1 of a percentage point from June to 8.3 percent and was down 0.8 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 July, the number of people employed in Michigan was 4,240,000, down 21,000 from last month, while the labor force decreased by 1,000. The statewide total number of unemployed increased by 19,000 to 421,000.
- United States household employment totaled 142.2 million persons in July. The labor force totaled 155.0 million and there were 12.8 million unemployed in July 2012.

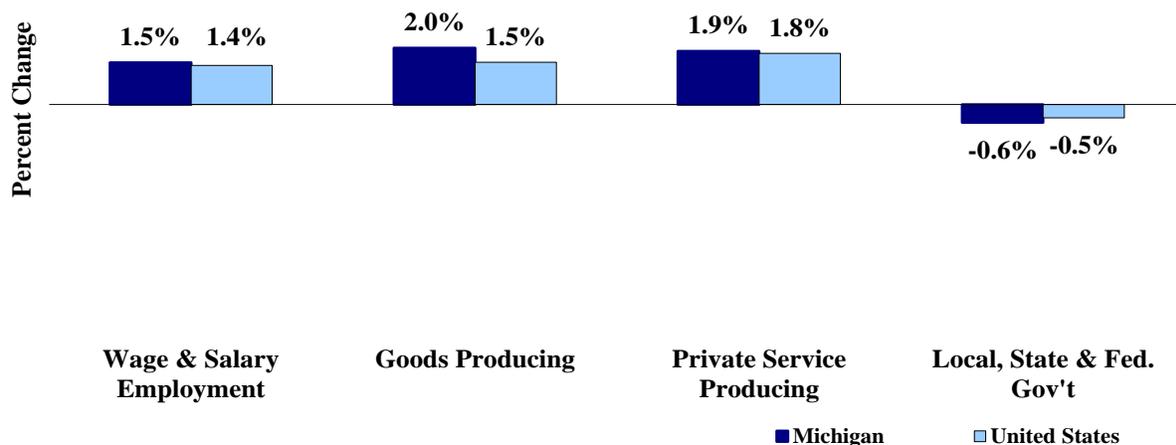
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

|                      | 2011<br>Average | May<br>2012 | Jun<br>2012 | Jul<br>2012 | Change From |          |           |        |
|----------------------|-----------------|-------------|-------------|-------------|-------------|----------|-----------|--------|
|                      |                 |             |             |             | Prior Month |          | Last Year |        |
|                      |                 |             |             |             | Level       | %        | Level     | %      |
| <b>Michigan</b>      |                 |             |             |             |             |          |           |        |
| Labor Force          | 4,658           | 4,664       | 4,663       | 4,662       | -1          | 0.0%     | 4         | 0.1%   |
| Employed             | 4,178           | 4,269       | 4,261       | 4,240       | -21         | -0.5%    | 76        | 1.8%   |
| Unemployed           | 480             | 395         | 402         | 421         | 19          | 4.7%     | -72       | -14.6% |
| Unemployment Rate    | 10.3%           | 8.5%        | 8.6%        | 9.0%        | n.a.        | 0.4% pts | n.a.      | -1.6%  |
| <b>United States</b> |                 |             |             |             |             |          |           |        |
| Labor Force          | 153,617         | 155,007     | 155,163     | 155,013     | -150        | -0.1%    | 1,655     | 1.1%   |
| Employed             | 139,869         | 142,287     | 142,415     | 142,220     | -195        | -0.1%    | 2,770     | 2.0%   |
| Unemployed           | 13,747          | 12,720      | 12,749      | 12,794      | 45          | 0.4%     | -1,114    | -8.0%  |
| Unemployment Rate    | 8.9%            | 8.2%        | 8.2%        | 8.3%        | n.a.        | 0.1% pts | n.a.      | -0.8%  |

## Employment by Place of Work

- From July 2011 to July 2012, Michigan wage and salary employment increased 60,000 (1.5 percent). State wage and salary employment increased 22,000 from June. Nationally, July 2012 wage and salary employment rose 1,838,000 (1.4 percent) from a year ago and was up 163,000 from last month.

### Wage and Salary Employment Growth July 2011 to July 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, July national employment in the goods-producing sector rose 1.5 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased 0.2 hours in July compared to last year.

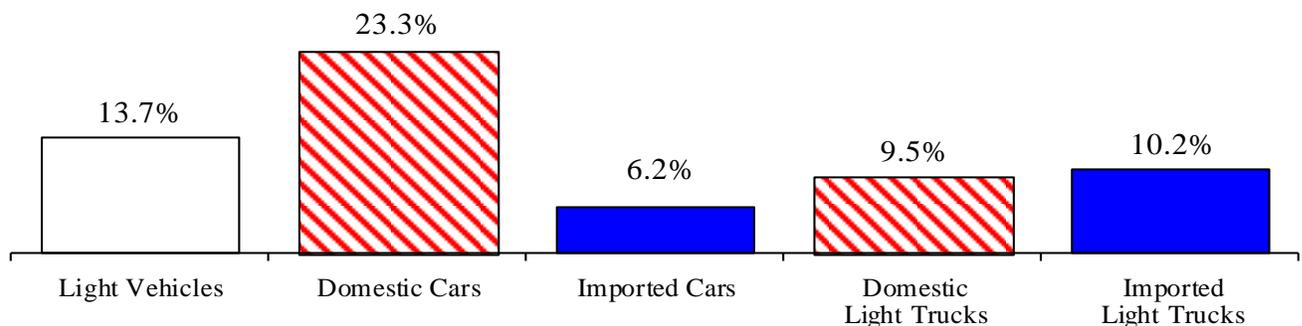
### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

|                            | Michigan        |              |              |                   | United States   |              |              |                   |
|----------------------------|-----------------|--------------|--------------|-------------------|-----------------|--------------|--------------|-------------------|
|                            | 2011<br>Average | July<br>2011 | July<br>2012 | Percent<br>Change | 2011<br>Average | July<br>2011 | July<br>2012 | Percent<br>Change |
| Wage & Salary Employment   | 3,936           | 3,945        | 4,004        | 1.5%              | 131,359         | 131,407      | 133,245      | 1.4%              |
| Goods Producing            | 638             | 645          | 658          | 2.0%              | 18,021          | 18,071       | 18,344       | 1.5%              |
| Manufacturing              | 506             | 512          | 532          | 3.9%              | 11,733          | 11,768       | 11,990       | 1.9%              |
| Private Service Producing  | 2,679           | 2,678        | 2,729        | 1.9%              | 91,234          | 91,303       | 92,973       | 1.8%              |
| Trade, Trans. & Utilities  | 720             | 722          | 722          | 0.0%              | 25,019          | 25,052       | 25,334       | 1.1%              |
| Services                   | 1,713           | 1,710        | 1,752        | 2.5%              | 55,877          | 55,910       | 57,255       | 2.4%              |
| Local, State & Fed. Gov't  | 619             | 621          | 617          | -0.6%             | 22,104          | 22,033       | 21,928       | -0.5%             |
| Manufacturing Weekly Hours | 41.4            | 43.8         | 44.0         | 0.2 hrs           | 40.5            | 40.4         | 40.7         | 0.3 hrs           |

## Motor Vehicle Industry Sales

- July 2012 U.S. light vehicle sales totaled 14.0 million units, at a seasonally adjusted annual rate, which was down 2.0 percent from June 2012, but up 13.6 percent from a year ago. At 347,000 units, heavy truck sales rose 12.7 percent from July 2011. Year-to-date, light vehicle sales are up 13.7 percent from last year.
- U.S. sales of domestic light vehicles decreased 2.3 percent in July 2012 compared with June, while foreign sales dropped 0.9 percent. Domestic sales rose 13.9 percent compared to a year ago while foreign sales increased 12.6 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 0.2 percentage points from a year ago to 21.6 percent.
- Auto sales increased 20.9 percent compared to last July, while light truck sales were up 7.0 percent from July 2011. Through July 2012, year-to-date light vehicle sales are 13.7 percent higher than through the first seven months of 2011 with y-t-d auto sales up 17.9 percent and y-t-d light trucks sales 9.6 percent higher.

### July 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<br>Average | May<br>2012 | Jun<br>2012 | Jul<br>2012 | 3 Month<br>Average | Change from<br>Year Ago |       |
|------------------------------------|-----------------|-------------|-------------|-------------|--------------------|-------------------------|-------|
|                                    |                 |             |             |             |                    | Level                   | %     |
| Autos                              | 6.2             | 6.9         | 7.2         | 7.1         | 7.1                | 1.2                     | 20.9% |
| Domestics                          | 4.3             | 5.0         | 5.2         | 5.1         | 5.1                | 1.0                     | 24.8% |
| Imports                            | 1.8             | 1.9         | 2.0         | 2.0         | 2.0                | 0.2                     | 11.9% |
| Import Share                       | 29.9%           | 28.0%       | 27.7%       | 28.1%       | 27.9%              | -2.2%                   | pts   |
| Light Trucks                       | 6.5             | 7.0         | 7.1         | 7.0         | 7.0                | 0.5                     | 7.0%  |
| Domestics                          | 5.6             | 5.9         | 6.1         | 5.9         | 6.0                | 0.3                     | 5.9%  |
| Imports                            | 1.0             | 1.1         | 1.1         | 1.0         | 1.1                | 0.1                     | 13.9% |
| Import Share                       | 15.0%           | 15.6%       | 15.1%       | 15.1%       | 15.2%              | 0.9%                    | pts   |
| Total Light Vehicles               | 12.7            | 13.9        | 14.3        | 14.0        | 14.1               | 1.7                     | 13.6% |
| Heavy Trucks                       | 0.3             | 0.4         | 0.3         | 0.3         | 0.4                | 0.0                     | 12.7% |
| Total Vehicles                     | 13.0            | 14.3        | 14.7        | 14.4        | 14.4               | 1.7                     | 13.6% |

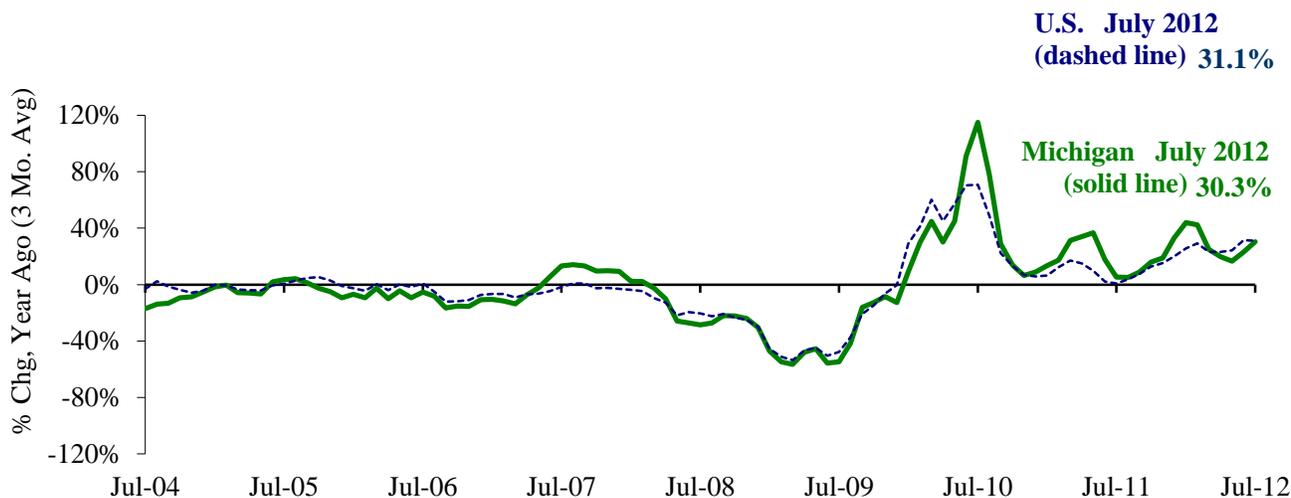
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

|                       | 2011<br>Average | Apr-12  | May-12  | Jun-12  | 3 Month<br>Average | Change from<br>Year Ago |       |
|-----------------------|-----------------|---------|---------|---------|--------------------|-------------------------|-------|
|                       |                 |         |         |         |                    | Level                   | %     |
| Inventories           | \$128.6         | \$142.7 | \$145.7 | \$148.0 | \$145.5            | \$21.31                 | 16.8% |
| Inventory/Sales Ratio | 1.87            | 1.96    | 1.98    | 1.98    | 1.97               | 0.15                    |       |

### Motor Vehicle Industry Production

- At 159,350 units, July 2012 Michigan motor vehicle production rose sharply (48.7 percent) from July 2011. National production increased less rapidly (31.6 percent) from last July. Compared to June 2012, Michigan production fell 16.3 percent while national production dropped 22.6 percent.
- In July 2012, Michigan car production was up 118.9 percent from a year ago while State truck production increased 19.2 percent. Nationally, car production rose 58.6 percent while truck production increased 17.8 percent.
- From a year ago, Michigan’s share of national production rose 2.6 percentage points to 23.0 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 | May 2012 | Jun 2012 | Jul 2012 | 3 Month Average | Level                              | %      |
| <b>U.S. Production <sup>(e)</sup></b>     |                 |          |          |          |                 |                                    |        |
| Autos                                     | 241.7           | 393.6    | 368.5    | 281.3    | 347.8           | 104.0                              | 58.6%  |
| Trucks                                    | 404.0           | 543.1    | 527.4    | 412.5    | 494.3           | 62.5                               | 17.8%  |
| Total                                     | 645.7           | 936.7    | 896.0    | 693.7    | 842.1           | 166.4                              | 31.6%  |
| <b>Michigan Production <sup>(f)</sup></b> |                 |          |          |          |                 |                                    |        |
| Autos                                     | 44.6            | 94.8     | 79.1     | 69.3     | 81.1            | 37.6                               | 118.9% |
| Trucks                                    | 86.8            | 118.2    | 111.2    | 90.1     | 106.5           | 14.5                               | 19.2%  |
| Total                                     | 131.4           | 213.0    | 190.3    | 159.4    | 187.6           | 52.2                               | 48.7%  |
| Michigan as % of U.S.                     | 20.4%           | 22.7%    | 21.2%    | 23.0%    | 22.3%           | 2.6% pts                           |        |

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

July 2012 local area unemployment rates ranged between 6.8 percent (Ann Arbor MSA) and 11.9 percent (Detroit-Warren-Livonia MSA). The median July 2012 unemployment rate was 9.4 percent – this contrasts with a 10.3 percent median rate last July.

Compared to a year ago, the July unemployment rate fell in all 17 major Michigan labor market areas. The Upper Peninsula labor market areas saw the smallest decline (-0.6 percentage point). The Battle Creek MSA, Jackson MSA and Monroe MSA all reported the largest rate decline (-1.6 percentage points). The median rate decline was -1.2 percentage points.

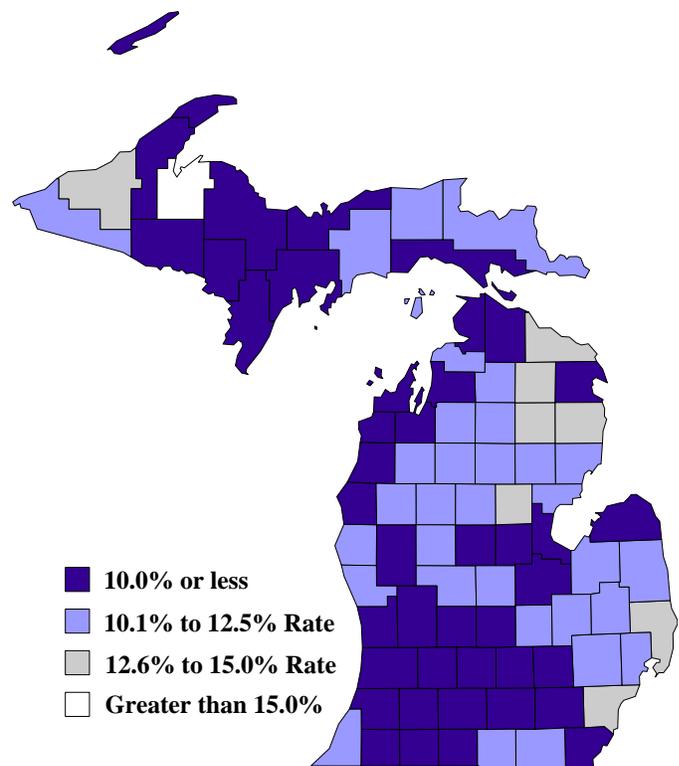
Between July 2011 and July 2012, all 17 labor market areas saw an employment increase. The median employment increase was 2.8 percent with increases ranging between 0.1 percent (Niles-Benton Harbor MSA) and 4.7 percent (Flint MSA and Jackson MSA). Compared to a year ago, the labor force fell in four of the State's 17 areas while 13 areas saw a labor force increase. The Ann Arbor MSA experienced the largest labor force increase (3.0 percent), followed by the Flint MSA and Jackson MSA (2.9 percent). The Detroit-Warren-Livonia MSA saw the greatest labor force decline (-1.0 percent).

Between July 2011 and July 2012, the unemployment rate fell in 81 of Michigan's 83 counties. The median July 2012 rate decline was 1.2 percentage points. Oscoda County and Roscommon County posted the largest decline (-2.7 percentage points). Cheboygan County's and Marquette County's rates remained unchanged. Forty Michigan counties saw a July 2012 unemployment rate below 10.0 percent. Last July, 20 counties had an unemployment rate below 10.0 percent. In July 2012, one county (Baraga County) reported a rate higher than 15.0 percent.

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

| <u>Local Area</u>        | <u>Jul<br/>2011<br/>Rate</u> | <u>Jun<br/>2012<br/>Rate</u> | <u>Jul<br/>2012<br/>Rate</u> |
|--------------------------|------------------------------|------------------------------|------------------------------|
| Michigan                 | 11.5%                        | 9.2%                         | 10.3%                        |
| Ann Arbor                | 7.7%                         | 6.2%                         | 6.8%                         |
| Battle Creek             | 10.2%                        | 7.8%                         | 8.6%                         |
| Bay City                 | 10.3%                        | 8.7%                         | 9.3%                         |
| Detroit-Warren-Livonia   | 13.2%                        | 10.2%                        | 11.9%                        |
| Flint                    | 12.3%                        | 9.6%                         | 10.8%                        |
| Grand Rapids-Wyoming     | 9.2%                         | 7.3%                         | 7.9%                         |
| Holland-Grand Haven      | 9.1%                         | 7.2%                         | 7.9%                         |
| Jackson                  | 11.0%                        | 8.8%                         | 9.4%                         |
| Kalamazoo-Portage        | 9.7%                         | 7.9%                         | 8.4%                         |
| Lansing-East Lansing     | 9.4%                         | 7.7%                         | 8.4%                         |
| Monroe                   | 11.1%                        | 8.4%                         | 9.5%                         |
| Muskegon-Norton Shores   | 11.1%                        | 9.2%                         | 10.1%                        |
| Niles-Benton Harbor      | 10.8%                        | 9.5%                         | 10.1%                        |
| Saginaw-Saginaw Township | 10.5%                        | 9.0%                         | 9.7%                         |
| Upper Peninsula          | 10.1%                        | 9.1%                         | 9.5%                         |
| Northeast Lower Mich     | 12.2%                        | 10.3%                        | 10.8%                        |
| Northwest Lower Mich.    | 10.3%                        | 9.0%                         | 9.3%                         |

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



## U.S. Economic Conditions

|   | <u>Apr-12</u> | <u>May-12</u> | <u>Jun-12</u> | <u>Jul-12</u> | <u>Change from<br/>Year Ago</u>           |
|---|---------------|---------------|---------------|---------------|---|
| <b>KEY ECONOMIC INDICATORS</b>                    |               |               |               |               |   |
| Consumer Sentiment <sup>(h)</sup>                 | 76.4          | 79.3          | 73.2          | 72.3          | 8.6 points                                |
| ISM Manufacturing Index <sup>(i)</sup>            | 54.8          | 53.5          | 49.7          | 49.8          | -1.6 points                               |
| ISM Non Manufacturing Index <sup>(i)</sup>        | 53.5          | 53.7          | 52.1          | 52.6          | -0.8 points                               |
|   | <u>2011.3</u> | <u>2011.4</u> | <u>2012.1</u> | <u>2012.2</u> |   |
| Business Executives' Confidence <sup>(j)</sup>    | 42.0          | 49.0          | 63.0          | 47.0          | -8.0 points                               |
| <b>INFLATION <sup>(k)</sup></b>                   |               |               |               |               |   |
| <b>1982-84 = 100</b>                              | <u>Apr-12</u> | <u>May-12</u> | <u>Jun-12</u> | <u>Jul-12</u> | <u>Change from<br/>Year Ago</u>           |
| U.S. Consumer Price Index                         | 230.1         | 229.8         | 229.5         | 229.1         | 1.4%                                      |
| Detroit CPI                                       | 216.2         | NA            | 214.5         | NA            | 0.4%                                      |
| U.S. Producer Price Index                         | 195.0         | 193.9         | 192.8         | 193.1         | 0.5%                                      |
| <b>INTEREST RATES</b>                             |               |               |               |               |   |
| 90 Day T-Bill <sup>(l)</sup>                      | 0.08%         | 0.09%         | 0.09%         | 0.10%         | 0.06% points                              |
| Aaa Corporate Bonds <sup>(l)</sup>                | 3.96%         | 3.80%         | 3.64%         | 3.40%         | -1.53% points                             |
| <b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>       |               |               |               |               |   |
|   | 97.2          | 97.3          | 97.4          | 98.0          | 4.4%                                      |
| <b>CAPACITY UTILIZATION <sup>(l)</sup></b>        |               |               |               |               |   |
|   | 78.9%         | 78.9%         | 78.9%         | 79.3%         | 2.3% points                               |
| <b>RETAIL SALES <sup>(d)</sup></b>                |               |               |               |               |   |
|   | \$404.1       | \$403.6       | \$400.7       | \$403.9       | 4.1%                                      |
| <b>HOUSING STARTS and SALES</b>                   |               |               |               |               |   |
| (Millions Annual Rate)                            | <u>Apr-12</u> | <u>May-12</u> | <u>Jun-12</u> | <u>Jul-12</u> | <u>% Change From<br/>Year Ago</u>         |
| Housing Starts <sup>(d)</sup>                     | 0.747         | 0.706         | 0.754         | 0.746         | 21.5%                                     |
| Existing Home Sales <sup>(m)</sup>                | 4.620         | 4.620         | 4.370         | 4.470         | 10.4%                                     |
| <b>DURABLE GOODS ORDERS <sup>(p)</sup></b>        |               |               |               |               |   |
|   | \$214.7       | \$217.9       | \$221.4       | \$230.7       | 4.9%                                      |
| <b>PERSONAL INCOME <sup>(c)</sup></b>             |               |               |               |               |   |
| (Billions of Dollars)                             | <u>2011.2</u> | <u>2011.3</u> | <u>2011.4</u> | <u>2012.1</u> | <u>% Change From<br/>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%                                      |
| <b>GROSS DOMESTIC PRODUCT</b>                     |               |               |               |               |   |
| (Billions of Chained 2005 Dollars) <sup>(c)</sup> | <u>2011.3</u> | <u>2011.4</u> | <u>2012.1</u> | <u>2012.2</u> | <u>Annualized % Chg<br/>From Last Qtr</u> |
|   | \$13,306.9    | \$13,441.0    | \$13,506.4    | \$13,564.5    | 1.73%                                     |

**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.