



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## July 2013 Summary

**U.S. Economy:** In July 2013, the Consumer Sentiment Index was up 12.8 points from a year ago. Compared to a year ago, existing home sales rose 17.2 percent while housing starts increased 20.9 percent. The 2013Q2 real GDP growth rate was revised upward from 1.7 percent to 2.5 percent. In July 2013, the ISM manufacturing index rose 4.9 points from last July while the ISM non-manufacturing index increased 3.1 points from a year ago. Retail sales increased 5.4 percent from last year. In July 2013, industrial production grew 1.4 percent from a year earlier. Capacity utilization was down 0.3 of a point from last July. New durable goods orders were little changed (-0.3 percent) from July 2012.

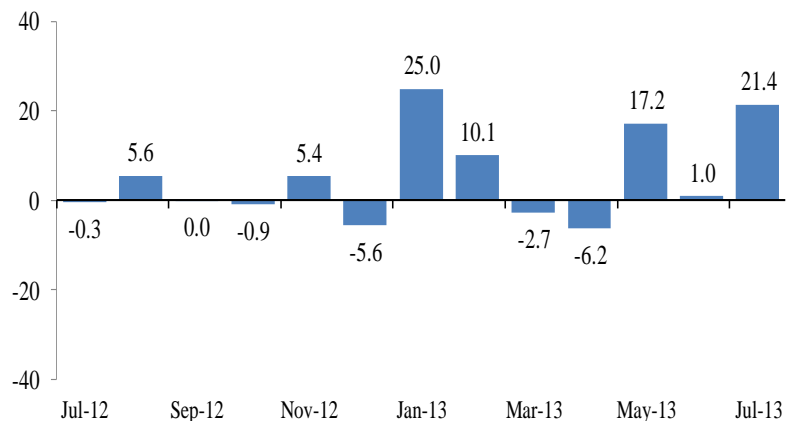
**Employment:** In July 2013, Michigan wage and salary employment was up 70,300 jobs (1.75 percent) from a year ago. Nationally, wage and salary employment rose 1.70 percent between July 2012 and July 2013. At 8.8 percent, Michigan's unemployment rate was up 0.1 percentage point from June, but was 0.5 percentage point lower than July 2012. The July 2013 U.S. unemployment rate (7.4 percent) was down 0.2 percentage point from the prior month, and was down 0.8 percentage point from a year ago.

**Auto Industry:** In July 2013, the U.S. light vehicle annual sales rate fell 0.6 percent from last month. However, at 15.7 million units, the July 2013 sales rate was 11.1 percent higher than a year earlier. Michigan vehicle production fell 5.7 percent compared to last July's production; U.S. vehicle production was down 3.0 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 0.65 percentage point from 22.97 percent to 22.32 percent.

**Inflation:** In July, the overall U.S. consumer price index (CPI) rose 2.0 percent compared to a year ago. The core CPI (excluding food and energy) increased 1.7 percent. The producer price index rose 2.1 percent from last year. At \$104.61 per barrel, July 2013 oil prices were up \$8.81 from last month and \$16.68 higher than a year ago.

**Michigan Metro Areas:** In July, unemployment rates rose in nine of Michigan's 17 major labor markets, fell in seven areas and were unchanged in one area. Employment rose in 14 areas and fell in three areas. Forty-nine of Michigan's 83 counties saw a year-over-year unemployment rate increase while 28 counties recorded a rate decrease and six counties saw no change.

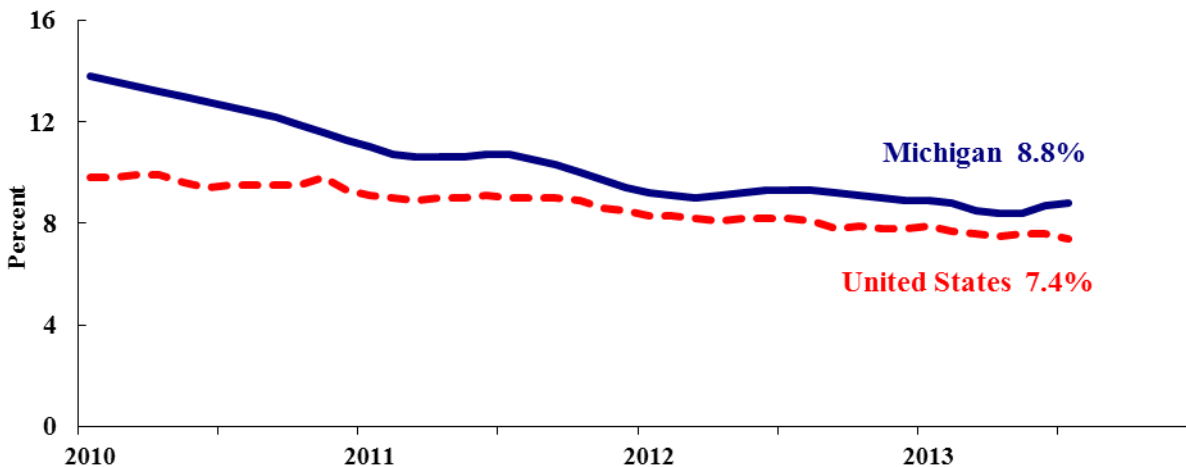
**Michigan Employment Rises Significantly in July 2013**  
(Change from Prior Month, Thousands of Jobs) <sup>(a)</sup>



## Labor Market Statistics

- Michigan's July unemployment rate increased 0.1 of a percentage point from last month to 8.8 percent, but was down 0.5 of a percentage point from a year ago. The July U.S. unemployment decreased 0.2 of a percentage point from June to 7.4 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 2010 to 2013



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 remained unchanged from last month at 4,310,000, while the labor force increased 9,000. The statewide total number of unemployed rose 10,000 to 418,000.
- United States household employment totaled 144.3 million persons in July. The labor force totaled 155.8 million and there were 11.5 million unemployed in July 2013.

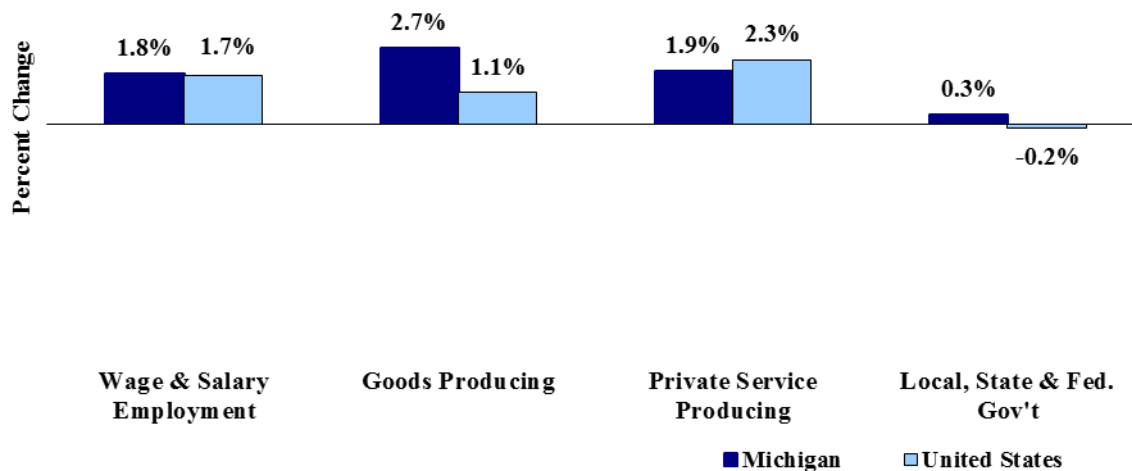
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2012 Average	May 2013	Jun 2013	Jul 2013	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,657	4,698	4,719	4,728	9	0.2%	71	1.5%
Employed	4,232	4,302	4,310	4,310	0	0.0%	87	2.1%
Unemployed	426	395	408	418	10	2.5%	-16	-3.6%
Unemployment Rate	9.1%	8.4%	8.7%	8.8%	n.a.	0.1% pts	n.a.	-0.5% pts
<b>United States</b>								
Labor Force	154,975	155,658	155,835	155,798	-37	0.0%	803	0.5%
Employed	142,469	143,898	144,058	144,285	227	0.2%	2,035	1.4%
Unemployed	12,506	11,760	11,777	11,514	-263	-2.2%	-1,231	-9.7%
Unemployment Rate	8.1%	7.6%	7.6%	7.4%	n.a.	-0.2% pts	n.a.	-0.8% pts

## Employment by Place of Work

- From July 2012 to July 2013, Michigan wage and salary employment increased 70,300 (1.8 percent). State wage and salary employment increased 21,000 from June. Nationally, July 2013 wage and salary employment rose 2,276,000 (1.7 percent) from a year ago and was up 162,000 from last month.

### Wage and Salary Employment Growth July 2012 to July 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 1.9 percent. From a year ago, July national employment rose 1.1 percent in the goods-producing sector and increased 2.3 percent in the private service-producing sector.
- Manufacturing weekly hours in the U.S. and Michigan decreased 0.1 hour in July compared to last year.

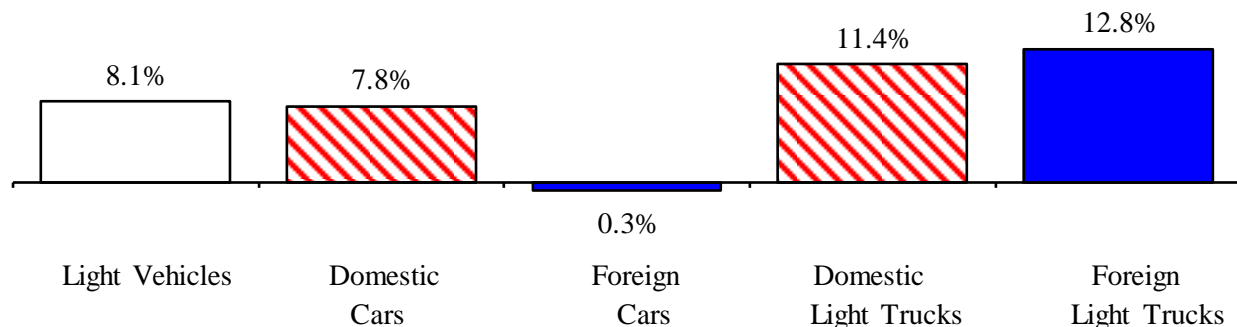
### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2012 Average	July 2012	July 2013	Percent Change	2012 Average	July 2012	July 2013	Percent Change
Wage & Salary Employment	4,024	4,024	4,095	1.8%	133,739	133,762	136,038	1.7%
Goods Producing	672	674	692	2.7%	18,410	18,436	18,643	1.1%
Manufacturing	537	540	559	3.5%	11,919	11,957	11,975	0.2%
Private Service Producing	2,742	2,744	2,795	1.9%	93,411	93,435	95,543	2.3%
Trade, Trans. & Utilities	729	729	742	1.8%	25,516	25,485	25,984	2.0%
Services	1,764	1,764	1,802	2.2%	57,432	57,478	58,951	2.6%
Local, State & Fed. Gov't	610	607	609	0.3%	21,917	21,891	21,852	-0.2%
Manufacturing Weekly Hours	41.3	43.7	43.6	-0.1 hrs	40.7	40.7	40.6	-0.1 hrs

## Motor Vehicle Industry Sales

- July 2013 U.S. light vehicle sales totaled 15.7 million units, at a seasonally adjusted annual rate -- The July 2013 rate was down 0.6 percent from last month's 67-month high, but up 11.1 percent from the July 2012 rate. The light vehicle sales rate has exceeded 15.0 million units in each of the past nine months and has exceeded 14.0 million units in each of the past 18 months.
- U.S. sales of domestic light vehicles increased 10.2 percent between July 2012 and July 2013, while foreign sales were up 14.1 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 21.8 percent in July 2012 to 22.4 percent in July 2013.
- Auto sales increased 10.3 percent compared to last July, while light truck sales were up 11.8 percent from July 2012. Year-over-year, heavy truck sales rose 6.4 percent.

### Year-to-date 2013 Light Truck Sales Up Substantially from Year Ago



## Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2012 Average	May 2013	Jun 2013	Jul 2013	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.2	7.4	7.7	7.7	7.6	0.7	10.3%
Domestics	5.1	5.3	5.5	5.5	5.4	0.6	11.1%
Imports	2.1	2.1	2.2	2.2	2.2	0.2	8.5%
Import Share	29.3%	28.7%	28.1%	28.6%	28.5%	-0.5% pts	
Light Trucks	7.2	8.0	8.2	8.0	8.1	0.8	11.8%
Domestics	6.1	6.8	6.9	6.7	6.8	0.6	9.6%
Imports	1.1	1.2	1.3	1.3	1.3	0.3	24.8%
Import Share	14.7%	15.3%	16.1%	16.4%	15.9%	1.7% pts	
Total Light Vehicles	14.4	15.4	15.8	15.7	15.7	1.6	11.1%
Heavy Trucks	0.3	0.3	0.4	0.4	0.4	0.0	6.4%
Total Vehicles	14.8	15.8	16.2	16.1	16.0	1.6	11.0%

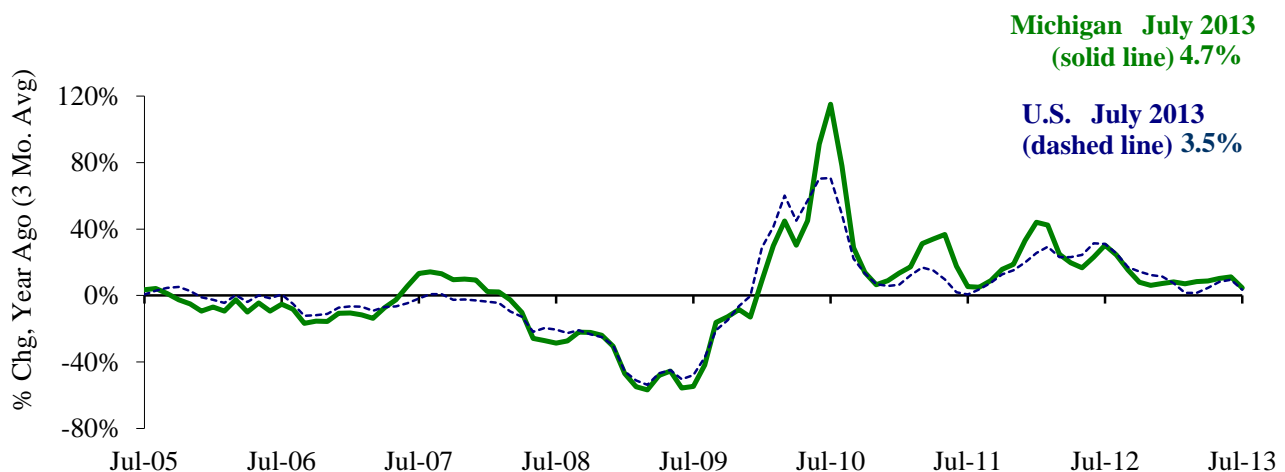
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

	2012 Average	Apr-13	May-13	Jun-13	3 Month Average		
Inventories	\$149.3	\$148.9	\$164.4	\$166.4	\$159.9	\$18.4	12.3%
Inventory/Sales Ratio	2.01	2.11	2.11	2.11	2.11	0.13	

## Motor Vehicle Industry Production

- At 150,262 units, July 2013 Michigan motor vehicle production was 5.7 percent lower than July 2012. National production decreased 3.0 percent from last July. Compared to a year ago, the three-month average of vehicle production (May 2013-July 2013) was up 4.7 percent in Michigan and rose 3.5 percent nationally.
- In July 2013, Michigan car production was down 32.7 percent from a year ago while State truck production rose 15.0 percent. Nationally, car production decreased 9.7 percent while U.S. truck production increased 1.7 percent.
- From a year ago, Michigan's July share of national vehicle production fell 0.7 percentage point to 22.3 percent. Michigan's share of U.S. car production decreased 6.3 percentage points to 18.4 percent. Michigan's share of U.S. truck production rose 2.9 percentage points to 24.7 percent.

### Michigan and U.S. Motor Vehicle Production Increases from Year-Ago Levels Slowing <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012					Change from Year Ago for the Month	
	Monthly Average	May 2013	Jun 2013	Jul 2013	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	364.5	411.7	378.0	253.9	347.9	(27.3)	-9.7%
Trucks	503.0	602.0	549.5	419.3	523.6	6.8	1.7%
Total	867.5	1,013.7	927.5	673.3	871.5	(20.5)	-3.0%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	80.5	95.5	88.4	46.7	76.9	(22.6)	-32.7%
Trucks	107.8	132.1	122.8	103.6	119.5	13.5	15.0%
Total	188.2	227.6	211.2	150.3	196.3	(9.1)	-5.7%
Michigan as % of U.S.	21.7%	22.5%	22.8%	22.3%	22.5%	-0.7% pts	

## Local Area Unemployment Rates Rise in Nine Michigan Local Areas

(Not Seasonally Adjusted)

July 2013 local area unemployment rates ranged between 7.2 percent (Ann Arbor metropolitan statistical area (MSA)) and 11.3 percent (Northeast Lower Michigan). The median July 2013 unemployment rate was 9.7 percent – this compares to a 9.4 percent median rate last July.

Compared to a year ago, the July unemployment rate rose in nine Michigan labor market areas, fell in seven State labor market areas and was unchanged in one area. The Northeast Lower Michigan area and Saginaw-Saginaw Township MSA reported the greatest year-over-year (y-o-y) rate increase (0.5 percentage point), followed by the Bay City MSA (0.4 percentage point). The Detroit-Warren-Livonia MSA reported the largest rate drop (1.8 percentage point), substantially larger than the Grand Rapids-Wyoming MSA which reported the second largest rate decrease (0.4 percentage point).

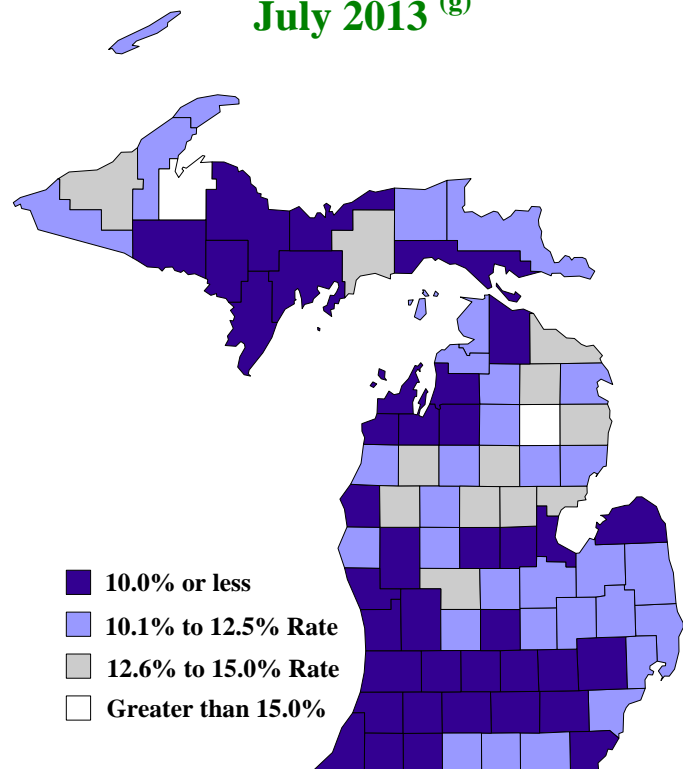
Between July 2012 and July 2013, employment rose in 14 areas and fell in three areas. The Grand Rapids-Wyoming MSA reported the largest employment growth rate (5.1 percent) while the Muskegon-Norton Shores MSA saw the second largest employment increase (4.2 percent). The median employment increase among the 14 areas that saw job growth was 1.3 percent. The Niles-Benton Harbor MSA saw the largest percent decline (-0.4 percent). The labor force rose in 15 labor market areas and fell in two areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (4.6 percent), followed by the Muskegon-Norton Shores with a 4.0 percent increase.

Between July 2012 and July 2013, the unemployment rate rose in 49 Michigan counties, fell in 28 counties and remained unchanged in six counties. The median July 2013 rate change was a 0.2 percentage point increase. Keweenaw County posted the largest increase (4.2 percentage points), while St. Clair County saw the largest decrease (2.7 percentage points). Thirty-eight Michigan counties saw a July 2013 unemployment rate below 10.0 percent. Last July, 39 counties had an unemployment rate below 10.0 percent. In July 2013, two Michigan counties reported a rate higher than 15.0 percent. Last July, two counties also saw an unemployment rate over 15.0 percent.

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

<u>Local Area</u>	<u>July 2012 Rate</u>	<u>June 2013 Rate</u>	<u>July 2013 Rate</u>
Michigan	10.5%	9.4%	9.7%
Ann Arbor	7.1%	6.8%	7.2%
Battle Creek	8.7%	7.9%	8.5%
Bay City	9.3%	9.3%	9.7%
Detroit-Warren-Livonia	12.2%	10.3%	10.4%
Flint	10.9%	10.1%	11.2%
Grand Rapids-Wyoming	7.9%	7.1%	7.5%
Holland-Grand Haven	8.0%	7.2%	7.7%
Jackson	9.8%	9.4%	9.8%
Kalamazoo-Portage	8.6%	8.0%	8.4%
Lansing-East Lansing	8.7%	8.1%	8.9%
Monroe	9.4%	8.8%	9.5%
Muskegon-Norton Shores	9.8%	9.2%	9.7%
Niles-Benton Harbor	10.0%	9.5%	9.8%
Saginaw-Saginaw Township	9.7%	9.5%	10.2%
Upper Peninsula	9.6%	9.6%	9.7%
Northeast Lower Mich	10.8%	11.0%	11.3%
Northwest Lower Mich.	9.2%	9.4%	9.3%

### County Unemployment Rates July 2013<sup>(g)</sup>



## Michigan's Post Great Recession Employment Up Significantly and Unemployment Rate Down Sharply

As of July 2013, the Great Recession had ended four years and one month ago. Below are some labor market highlights since the Great Recession.

- Among all U.S. states and the District of Columbia (D.C.), Michigan saw the fifth largest percent increase in its employment between the end of the Great Recession (June 2009) and July 2013: 6.7 percent. North Dakota saw the largest percent increase over this period (21.4 percent), followed by Utah (8.9 percent). Only one state has seen a decline since the end of the Great Recession (New Mexico, -0.3 percent). The median percent change was a 3.5 percent increase.
- Over the past year (July 2012-July 2013), Michigan employment has risen 1.75 percent – the 17th largest percent increase among all U.S. states and the District of Columbia. The median percent change among all states and D.C. was a 1.4 percent increase. All states and D.C. saw a year-over-year (y-o-y) increase with the exception of Alaska.
- Michigan experienced the largest percentage point decline in its unemployment rate between the end of the Great Recession and July 2013: 5.1 percentage points decline. Alabama reported the second largest point decline over this period (3.8 percentage points).
- Over the last year, Michigan's unemployment has fallen by half a percentage point – placing Michigan with the 26<sup>th</sup> largest y-o-y point decline among all states and D.C.
- At 8.8 percent, Michigan's July 2013 unemployment rate ranked 5<sup>th</sup> highest among all states and D.C. The median July 2013 unemployment rate was 7.1 percent.
- As the graph below illustrates, the difference between Michigan's unemployment rate and the median unemployment rate among the fifty states and D.C. has shrunk markedly (4.1 points) over the past four years. In addition, Michigan's unemployment rate deviated less from the U.S. median rate during the Great Recession than during the 1980-82 recession(s).

### Difference Between Michigan Unemployment Rate And Median Rate Has Shrunk Substantially Since Recession



## U.S. Economic Conditions

	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	76.4	84.5	84.1	85.1	12.8 points
ISM Manufacturing Index <sup>(i)</sup>	50.7	49.0	50.9	55.4	4.9 points
ISM Non Manufacturing Index <sup>(i)</sup>	53.1	53.7	52.8	56.0	3.1 points
	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	
Business Executives' Confidence <sup>(j)</sup>	42.0	46.0	54.0	62.0	15.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	232.5	232.9	233.5	233.6	2.0%
Detroit CPI	218.9	NA	221.6	NA	3.3%
U.S. Producer Price Index	196.0	197.0	197.6	197.3	2.1%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.06%	0.04%	0.05%	0.04%	-0.06% points
Aaa Corporate Bonds <sup>(l)</sup>	3.73%	3.89%	4.27%	4.34%	0.94% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	98.7	98.7	98.9	98.9	1.4%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	77.8%	77.7%	77.7%	77.6%	-0.3% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$419.0	\$421.0	\$423.6	\$424.5	5.4%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.852	0.919	0.846	0.896	20.9%
Existing Home Sales <sup>(m)</sup>	4.970	5.140	5.060	5.390	17.2%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$223.0	\$235.2	\$244.4	\$226.6	-0.3%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>% Change From Year Ago</u>
Michigan	\$368.8	\$370.7	\$379.4	\$375.8	2.5%
U.S.	\$13,322.5	\$13,401.3	\$13,760.4	\$13,589.5	2.8%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,534.0	\$15,539.6	\$15,583.9	\$15,681.0	2.52%



**SOURCES AND NOTES:**

- <sup>(a)</sup> Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Department of Technology, Management and Budget.
- <sup>(b)</sup> Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- <sup>(c)</sup> Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- <sup>(d)</sup> Bureau of the Census, U.S. Department of Commerce
- <sup>(e)</sup> Automotive News.
- <sup>(f)</sup> Michigan Department of Treasury.
- <sup>(g)</sup> Michigan Department of Technology, Management and Budget.
- <sup>(h)</sup> University of Michigan Survey of Consumers.
- <sup>(i)</sup> Institute for Supply Management (ISM), formerly NAPM.
- <sup>(j)</sup> The Conference Board.
- <sup>(k)</sup> Bureau of Labor Statistics, U.S. Department of Labor.
- <sup>(l)</sup> Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2007 equals 100. Treasury bill rate (secondary market).
- <sup>(m)</sup> National Association of Realtors.