



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

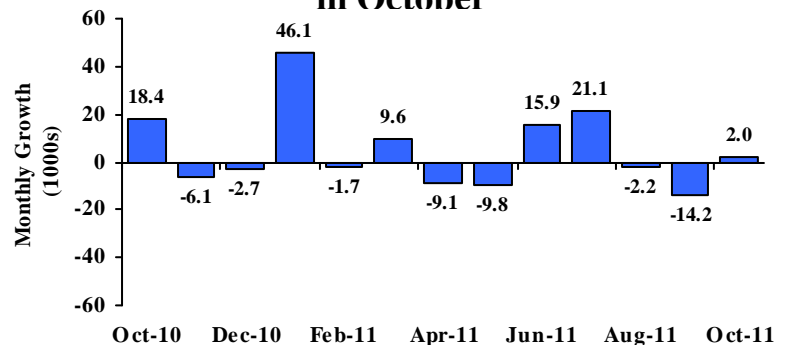
## October 2011 Summary

**U.S. Economy:** Third quarter U.S. economic growth was revised down 0.5 percentage point to a 2.0 percent annual rate, but remained above growth seen over the first half of 2011. In October, industrial production was up 3.9 percent from a year ago and capacity utilization increased 2.1 percentage points. June housing starts were up 16.5 percent from a year ago and existing home sales rose 13.5 percent. Retail sales were up 7.2 percent from last October and new durable goods orders increased 7.5 percent. However, confidence remained weak. At 60.9, consumer sentiment was down 6.8 points from a year ago and off 16.6 points from February's 2011 high. Compared to a year ago, the ISM manufacturing index was down 6.1 points and the ISM non-manufacturing index fell 1.7 points.

**Employment:** In September, Michigan employment rose by 2,000 jobs. Compared to a year ago, Michigan employment was up 1.3 percent. Nationally employment increased 1.2 percent. The Michigan unemployment rate fell 0.5 percentage point from September to 10.6 percent. In October, U.S. employment rose by 80,000 jobs – marking the 13<sup>th</sup> straight monthly increase. At 9.0 percent, the U.S. unemployment rate was down 0.1 percentage point from September and was down 0.7 percentage point from a year ago.

**Auto Industry:** In October, the light vehicle annual sales rate (13.2 million units) rose 1.3 percent from September and was up 8.9 percent from a year ago. October inventories fell 4.5 percent from a year ago and days supply was down 10 days. Compared to a year ago, Michigan vehicle production rose 15.2 percent. Nationally, production increased 16.8 percent.

### Michigan Employment Increases Slightly in October<sup>(a)</sup>



**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) was up 3.5 percent – the 7<sup>th</sup> straight increase over 3.0 percent. The core U.S. CPI (excluding food and energy) rose 2.1 percent. The overall producer price index rose sharply (5.9 percent) but the core producer price index increased only 2.8 percent. At \$86.41 per barrel, oil prices were up \$4.51 from October 2010.

**Michigan Metro Areas:** Unemployment rates fell in all 17 major Michigan labor markets in October compared with year-ago levels. Employment declined in 8 of Michigan's 17 areas with a median decrease of 1.0 percent; employment was up in 8 areas with a median increase of 0.8 percent.

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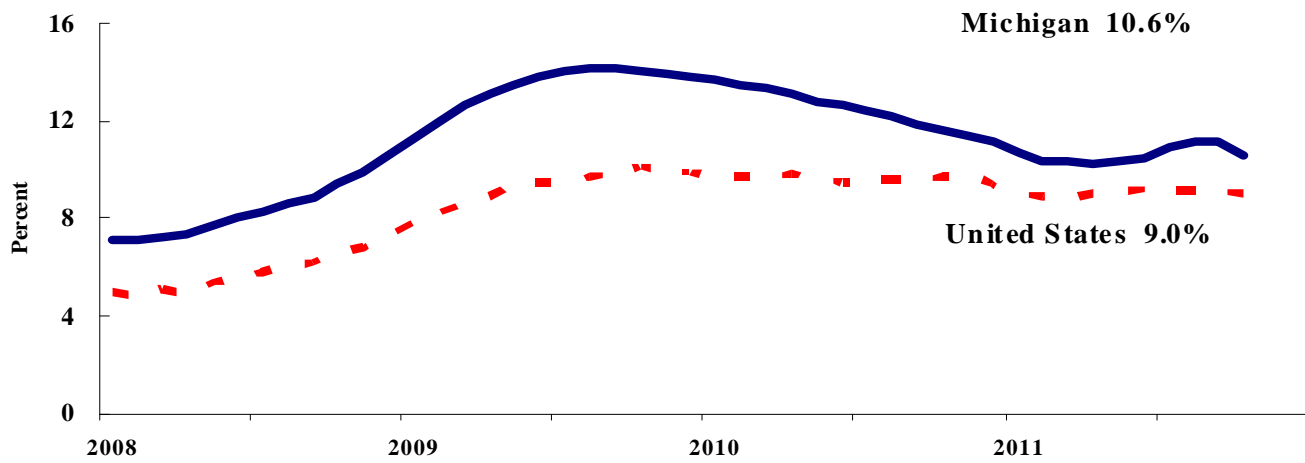
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## Labor Market Statistics

- Michigan's October unemployment rate decreased 0.5 percentage points from last month to 10.6 percent, and the current Michigan jobless rate is down 1.0 percentage point from a year ago. The October U.S. unemployment rate decreased 0.1 percentage point from September to 9.0 percent and was down 0.7 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 2008 to 2011



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

- In October, the number of people employed in Michigan was 4,179,000, up 8,000 from last month, while the labor force decreased by 17,000. The statewide total number of unemployed decreased by 24,000 to 496,000.
- United States household employment totaled 140.3 million persons in October, up 277,000 from August. The labor force rose by 181,000 from last month, which meant there were 95,000 less unemployed people nationally, compared to September.

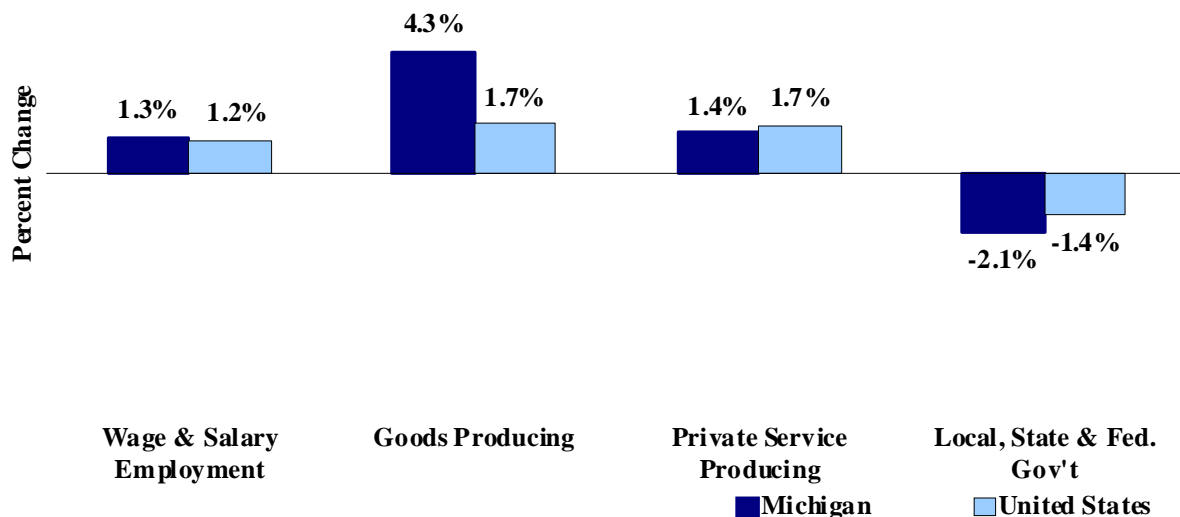
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2010 Average	Aug 2011	Sep 2011	Oct 2011	Change From		Change From		
					Prior Month Level	%	Last Year Level	%	
<b>Michigan</b>									
Labor Force	4,790	4,694	4,692	4,675	-17	-0.4%	-87	-1.8%	
Employed	4,193	4,168	4,171	4,179	8	0.2%	-29	-0.7%	
Unemployed	597	526	520	496	-24	-4.6%	-58	-10.5%	
Unemployment Rate	12.5%	11.2%	11.1%	10.6%	n. a.	-0.5% pts	n. a.	-1.0%	
<b>United States</b>									
Labor Force	153,889	153,594	154,017	154,198	181	0.1%	238	0.2%	
Employed	139,064	139,627	140,025	140,302	277	0.2%	1,218	0.9%	
Unemployed	14,825	13,967	13,992	13,897	-95	-0.7%	-979	-6.6%	
Unemployment Rate	9.6%	9.1%	9.1%	9.0%	n. a.	-0.1% pts	n. a.	-0.7%	

## Employment by Place of Work

- From October 2010 to October 2011, Michigan wage and salary employment increased 49,000 (1.3 percent). State wage and salary employment increased 2,000 from September. Nationally, October 2011 wage and salary employment rose 1,501,000 (1.2 percent) from a year ago and was up 80,000 from last month.

### Wage and Salary Employment Growth October 2010 to October 2011



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

- In the goods-producing sector, Michigan employment increased 4.3 percent from a year ago while private service-producing sector employment increased 1.4 percent compared to last year. From a year ago, October national employment in the goods-producing sector rose 1.7 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 1.1 hours in October compared to last year.

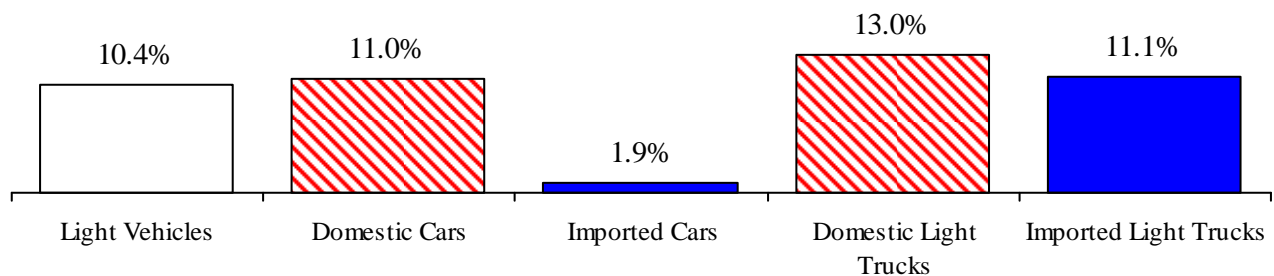
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2010 Average	Oct 2010	Oct 2011	Percent Change	2010 Average	Oct 2010	Oct 2011	Percent Change
Wage & Salary Employment	3,861	3,877	3,926	1.3%	129,818	130,015	131,516	1.2%
Goods Producing	603	608	634	4.3%	17,755	17,785	18,094	1.7%
Manufacturing	474	479	500	4.4%	11,524	11,539	11,759	1.9%
Private Service Producing	2,623	2,641	2,678	1.4%	89,582	89,928	91,443	1.7%
Trade, Trans. & Utilities	709	712	712	0.0%	24,605	24,670	25,003	1.3%
Services	1,672	1,687	1,722	2.1%	54,636	54,944	56,173	2.2%
Local, State & Fed. Gov't	636	627	614	-2.1%	22,482	22,302	21,979	-1.4%
Manufacturing Weekly Hours	40.9	44.2	43.1	-1.1 hrs	40.2	40.4	40.5	0.1 hrs

## Motor Vehicle Industry Sales

- At a 13.2 million unit rate, October 2011 light vehicle sales rose 1.3 percent from September 2011. October 2011 light vehicle sales were up 8.9 percent from a year ago.
- Compared to September 2011, October 2011 domestic sales increased 1.1 percent while foreign sales rose 2.1 percent. Domestic sales rose 12.3 percent compared to a year ago while foreign sales decreased 1.4 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 2.3 percentage points from a year ago to 22.2 percent.
- Auto sales rose 6.1 percent in October 2011 compared to September and increased 9.3 percent compared to a year ago. Light truck sales decreased 2.8 percent from September but rose 8.5 percent from October 2010. For the second consecutive straight month, the heavy truck sales stood at a 345,000 annual rate – up 57.5 percent from last year and representing the highest sales rate since June 2007.
- In October 2011, light vehicle inventories rose 9.3 percent from September but were down 4.5 percent from a year ago. Days supply was up nine days from September but off 10 days from a year ago.

### Year-to-Date Light Vehicle Sales Up Significantly from Year Ago



### Motor Vehicle Sales Statistics

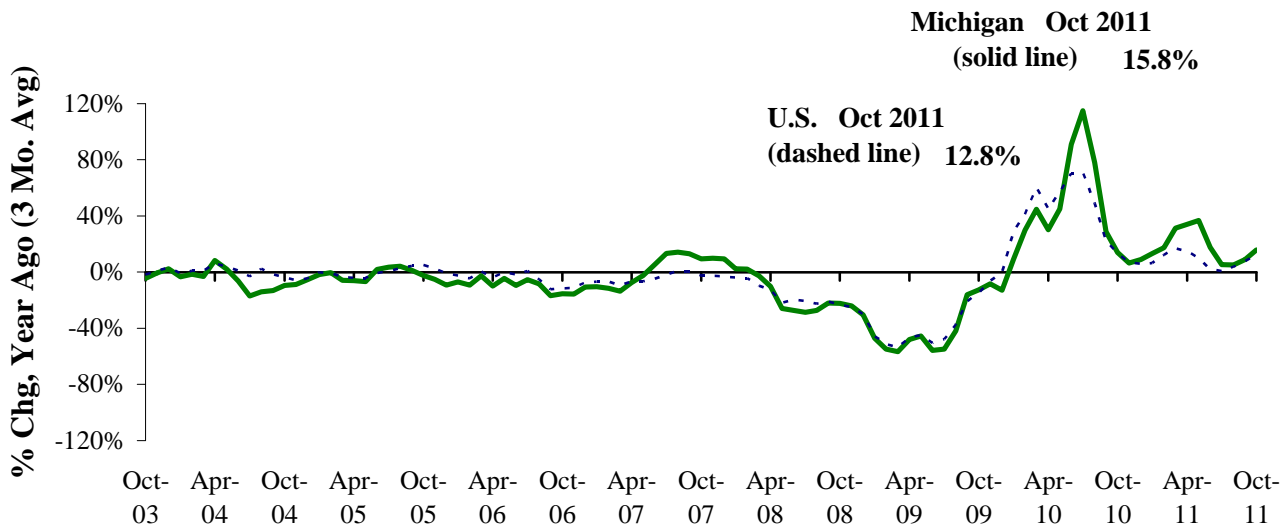
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2010 Average	Aug 2011	Sep 2011	Oct 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	5.7	6.0	6.4	6.0	0.5	9.3%
Domestics	3.9	4.1	4.2	4.4	4.2	0.6	16.4%
Imports	1.8	1.6	1.8	1.9	1.8	(0.1)	-4.1%
Import Share	32.3%	28.5%	30.0%	30.3%	29.6%	-4.2%	pts
Light Trucks	5.8	6.4	7.0	6.8	6.8	0.5	8.5%
Domestics	4.9	5.5	6.0	5.8	5.8	0.5	9.3%
Imports	0.9	1.0	1.1	1.0	1.0	0.0	4.2%
Import Share	15.4%	14.8%	15.1%	14.6%	14.9%	-0.6%	pts
Total Light Vehicles	11.6	12.1	13.1	13.2	12.8	1.1	8.9%
Heavy Trucks	0.2	0.3	0.3	0.3	0.3	0.1	57.5%
Total Vehicles	11.8	12.4	13.4	13.6	13.1	1.2	9.8%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>							
Total Car	1.077	0.770	0.825	0.948	0.848	-0.174	
Days Supply	59	40	43	53	45	-16 days	
Total Truck	1.110	1.234	1.246	1.316	1.265	0.069	
Days Supply	58	56	54	62	57	-4 days	

## Motor Vehicle Industry Production

- At 185,564 units, October 2011 Michigan motor vehicle production rose 15.2 percent from last October. National production increased 16.8 percent from October 2010. Compared to September 2011, Michigan production rose 6.8 percent while national production increased 7.9 percent.
- In October 2011, Michigan car production was up 49.9 percent from a year ago while State truck production was essentially unchanged. Nationally, car production rose 30.1 percent while truck production increased 9.8 percent.
- From a year ago, Michigan's share of national production fell 0.3 percentage point to 22.3 percent.

### Michigan and U.S. Motor Vehicle Production Increases Slow Substantially <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2010					Change from Year Ago for the Month	
	Monthly Average	Aug 2011	Sep 2011	Oct 2011	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	241.7	292.2	280.8	322.1	298.4	74.5	30.1%
Trucks	404.0	508.8	489.6	509.3	502.6	45.3	9.8%
Total	645.7	801.0	770.5	831.4	800.9	119.8	16.8%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	44.6	76.1	61.8	73.5	70.5	24.5	49.9%
Trucks	86.8	119.4	112.0	112.0	114.5	0.0	0.0%
Total	131.4	195.5	173.8	185.6	184.9	24.5	15.2%
Michigan as % of U.S.	20.4%	24.4%	22.6%	22.3%	23.1%	-0.3 pts	

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

October 2011 local area unemployment rates ranged between 5.7 percent (Ann Arbor MSA) and 10.8 percent (Detroit-Warren-Livonia MSA). The median October 2011 unemployment rate was 8.1 percent.

Compared to a year ago, the October unemployment rate fell in all 17 major Michigan labor market areas. The Ann Arbor MSA and Detroit-Warren-Livonia MSA saw the smallest decline (-1.4 percentage points). The Muskegon-Norton Shores MSA saw the largest rate decline (-2.6 percentage points) followed by the Flint MSA and Jackson MSA (-2.5 percentage points).

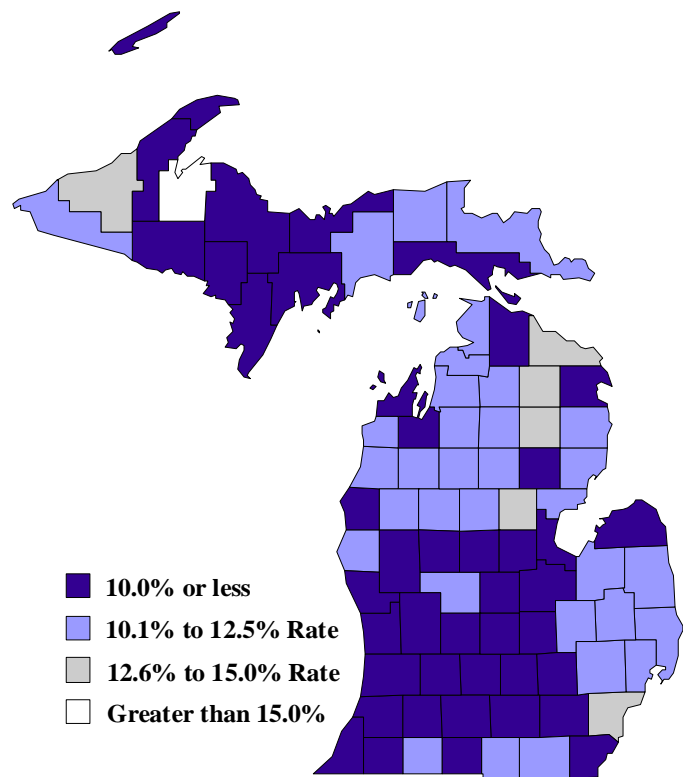
Between October 2010 and October 2011, eight labor market areas saw an employment decrease, eight saw an increase and one area (Ann Arbor MSA) saw no change. The median employment decrease was 1.0 percent. Northeast Lower Michigan experienced the largest employment decrease (-2.7 percent), followed by Northwest Lower Michigan (-1.9 percent). The median employment increase was 0.8 percent. The Saginaw-Saginaw Township MSA saw the largest employment increase (2.0 percent), followed by the Bay City MSA (1.7 percent). Compared to a year ago, the labor force fell in all 17 areas with Northeast Lower Michigan experiencing the largest decline (-4.7 percent), followed by Northwest Lower Michigan (-4.1 percent). The median labor force drop was a 2.3 percent.

Between October 2010 and October 2011, the unemployment rate fell in all 83 Michigan counties with a median rate decrease of 2.0 percentage points. Baraga County posted the largest decline (-3.9 percentage points) followed by Ontonagon County (-2.9 percentage points). Fifty-eight counties saw an October 2011 unemployment rate below 10.0 percent. One county reported a rate higher than 15.0 percent.

## County Unemployment Rates October 2011 <sup>(g)</sup>

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

<u>Local Area</u>	<u>October 2010</u> <u>Rate</u>	<u>September 2011</u> <u>Rate</u>	<u>October 2011</u> <u>Rate</u>
Michigan	10.9%	10.1%	9.2%
Ann Arbor	7.1%	6.6%	5.7%
Battle Creek	9.6%	8.6%	7.5%
Bay City	9.9%	8.8%	7.9%
Detroit-Warren-Livonia	12.2%	11.7%	10.8%
Flint	11.9%	10.6%	9.4%
Grand Rapids-Wyoming	9.1%	7.9%	7.1%
Holland-Grand Haven	9.3%	7.8%	7.0%
Jackson	10.9%	9.5%	8.4%
Kalamazoo-Portage	9.2%	8.3%	7.3%
Lansing-East Lansing	8.4%	7.7%	6.7%
Monroe	10.3%	9.2%	8.1%
Muskegon-Norton Shores	11.6%	10.0%	9.0%
Niles-Benton Harbor	10.5%	9.5%	8.4%
Saginaw-Saginaw Township	10.3%	9.1%	8.1%
Upper Peninsula	9.6%	8.8%	7.9%
Northeast Lower Mich	12.1%	10.7%	10.1%
Northwest Lower Mich.	11.2%	9.9%	9.1%

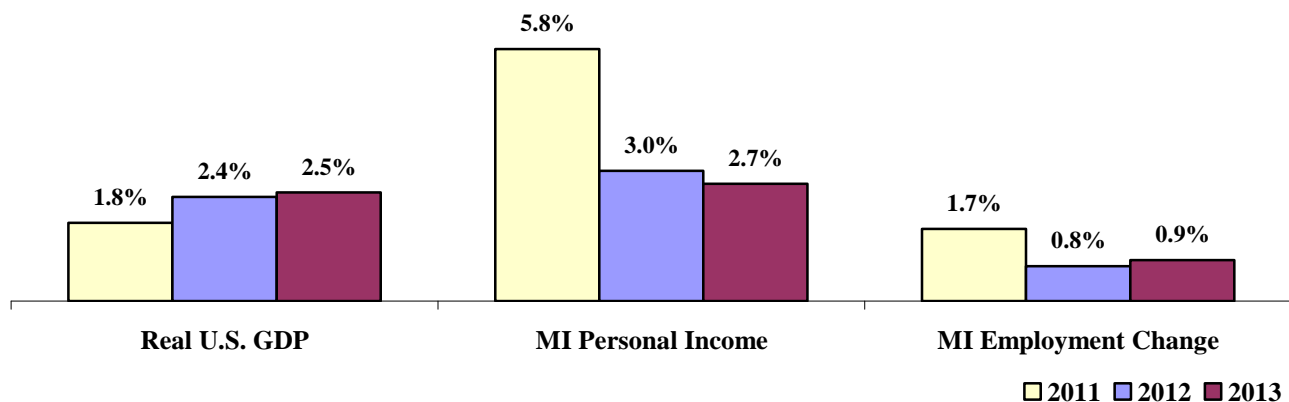


## University of Michigan Economic Forecast Slowly Accelerating Growth

On November 17 and 18, 2011, the Research Seminar in Quantitative Economics (RSQE), University of Michigan released its forecast for the U.S. and Michigan economies for 2012 and 2013. Forecast highlights include:

- Quarterly real GDP growth is projected to be uneven over the next two years and range between a 2.0 percent annual rate and a 2.9 percent rate. Consequently, real GDP is forecast to rise 2.4 percent in CY 2012 and 2.5 percent in CY 2013.
- U.S. wage and salary employment is expected to see modest growth over the forecast horizon. As a result, the U.S. unemployment rate is projected to fall only slightly over the next two years from 9.0 percent in 2011Q4 to 8.5 percent in 2013Q4.
- Light vehicle sales are estimated to have risen from 11.6 million units to 12.7 million units in 2011. Sales are forecast to rise to 13.5 million units in 2012 and to 14.3 million units in 2013.
- Michigan wage and salary employment rose an estimated 1.7 percent in 2011 – the first annual Michigan employment increase in eleven years. Michigan employment is expected to grow in each of the next two years, although at a slower pace: 0.8 percent in 2012 and 0.9 percent in 2013.
- The Michigan unemployment rate dropped substantially in 2011 – falling from 12.5 percent to an estimated 10.7 percent. Michigan's unemployment is forecast to continue to drop – although not as sharply – falling to 10.4 percent in 2012 and to 10.0 percent in 2013.
- After rising an estimated 5.8 percent in 2011, Michigan personal income is forecast to grow 3.0 percent in 2012 and increase 2.7 percent in 2013.

### Modest GDP and Michigan Personal Income Growth Michigan Employment Increases





## U.S. Economic Conditions

	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	63.7	55.7	59.4	60.9	-6.8 points
ISM Manufacturing Index <sup>(i)</sup>	50.9	50.6	51.6	50.8	-6.1 points
ISM Non Manufacturing Index <sup>(i)</sup>	52.7	53.3	53.0	52.9	-1.7 points
	<u>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	
Business Executives' Confidence <sup>(j)</sup>	62.0	67.0	55.0	42.0	-8.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	225.9	226.5	226.9	226.4	3.5%
Detroit CPI	NA	213.9	NA	212.9	3.5%
U.S. Producer Price Index	192.4	191.6	192.5	191.9	5.9%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.04%	0.02%	0.01%	0.02%	-0.11% points
Aaa Corporate Bonds <sup>(l)</sup>	4.93%	4.37%	4.09%	3.98%	-0.70% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	94.1	94.1	94.1	94.7	3.9%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	77.5%	77.4%	77.3%	77.8%	2.1% points
<b>RETAIL SALES <sup>(m)</sup></b>					
	\$389.9	\$391.1	\$395.5	\$397.7	7.2%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(n)</sup>	0.615	0.585	0.630	0.628	16.5%
Existing Home Sales <sup>(o)</sup>	4.670	5.060	4.900	4.970	13.5%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$202.1	\$202.2	\$199.1	\$197.7	7.5%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	<u>% Change From Year Ago</u>
Michigan	\$345.9	\$349.2	\$357.7	\$360.9	6.0%
U.S.	\$12,441.5	\$12,564.0	\$12,828.7	\$12,975.9	5.4%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2005 Dollars) <sup>(c)</sup>	<u>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,216.1	\$13,227.9	\$13,271.8	\$13,337.8	2.00%



**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) Ward's Automotive Reports.
- (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) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (n) Bureau of the Census, U.S. Department of Commerce.
- (o) National Association of Realtors.
- (p) Bureau of the Census, U.S. Department of Commerce.