



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

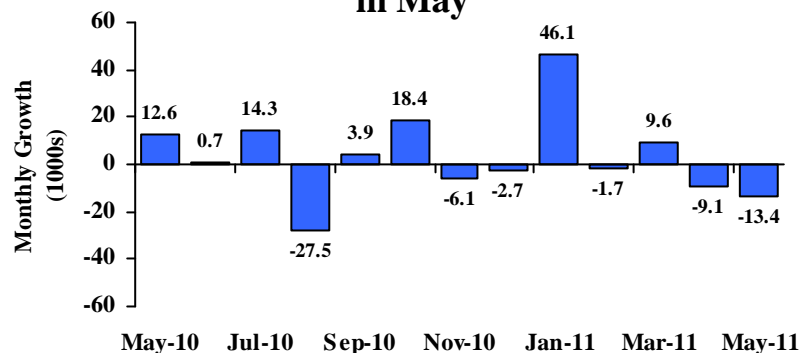
May 2011 Summary

U.S. Economy: In May, the ISM manufacturing index fell sharply (-6.9 points from April) to 53.5 – its lowest level since September 2009. The ISM non-manufacturing composite index rose 1.8 points from April. Consumer sentiment rose 4.5 points from April, but was up only 0.7 points from May 2010. Compared to a year ago, industrial production was up 3.4 percent and capacity utilization gained 2.4 percentage points. Overall retail sales were up 7.7 percent from last year. Non-defense new durable goods orders rose 11.3 percent from a year ago. May housing starts fell 3.4 percent from last year while existing home sales dropped 15.3 percent from May 2010.

Employment: Michigan employment fell by 13,400 jobs from last month. Compared to a year ago, Michigan employment rose 0.9 percent; nationally employment increased 0.7 percent. At 10.3 percent, the Michigan unemployment rate reported its first month-over-month rate gain (0.1 percentage point) since August 2009, but was still down 2.5 percentage points from May 2010. In May, U.S. employment grew for the eighth straight month, but only by a net 54,000 jobs. At 9.1 percent, the U.S. unemployment rate rose by 0.1 percentage point from April, but was down 0.5 percentage point from a year ago.

Auto Industry: In May, the light vehicle annual sales rate (11.8 million units) fell 10.5 percent from April, but was up slightly (1.1 percent) from a year ago. May inventories were up 4.5 percent from a year ago but days supply was unchanged. May Michigan vehicle production rose 30.3 percent compared to a year ago; nationally, production rose 5.1 percent.

Michigan Employment Falls in May^(a)



Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 3.6 percent -- its largest year-over-year increase since October 2008. The core U.S. CPI (excluding food and energy) rose 1.5 percent. The overall producer price index rose sharply (7.3 percent) but the core producer price index increased only 2.1 percent. At \$101.33 per barrel, oil prices were up \$27.49 a barrel (37.2 percent) from May 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in May compared with year-ago levels. All areas saw at least a 1.7 percentage point rate decline. Employment rose in 15 of Michigan's 17 areas with a median increase of 2.0 percent.

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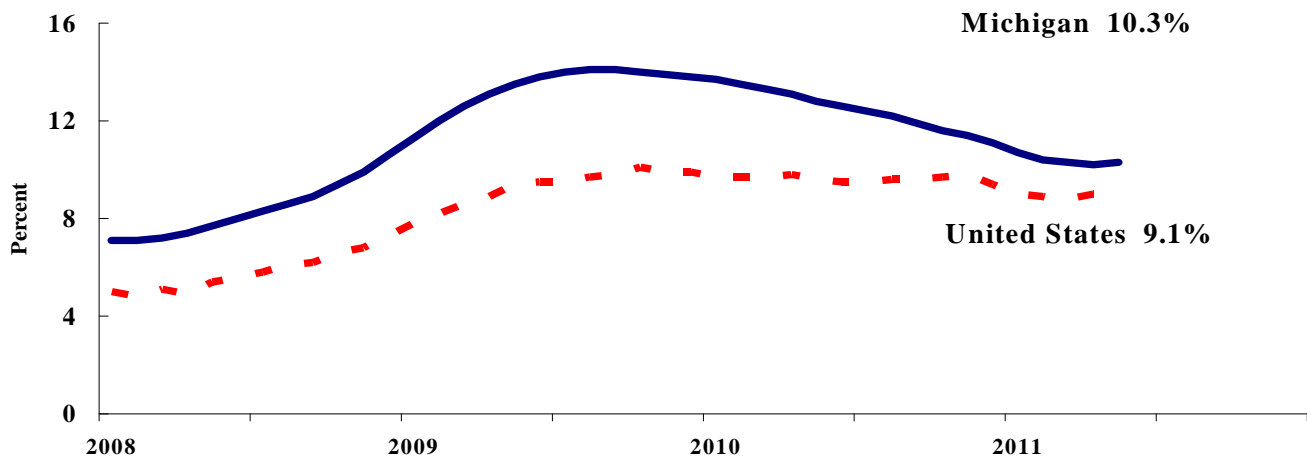
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Labor Market Statistics

- Michigan’s May unemployment rate increased 0.1 percentage point from last month to 10.3 percent, and the current Michigan jobless rate is down 2.5 percentage points from a year ago. The May U.S. unemployment rate increased 0.1 percentage point from April to 9.1 percent and was down 0.5 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 May, the number of people employed in Michigan was 4,248,000, down 9,000 from last month, while the labor force decreased by 6,000. The statewide total number of unemployed increased by 4,000 to 488,000.
- United States household employment totaled 139.8 million persons in May, up 105,000 from April. The labor force rose by 272,000 from last month, which meant there were 167,000 more unemployed people nationally, compared to April.

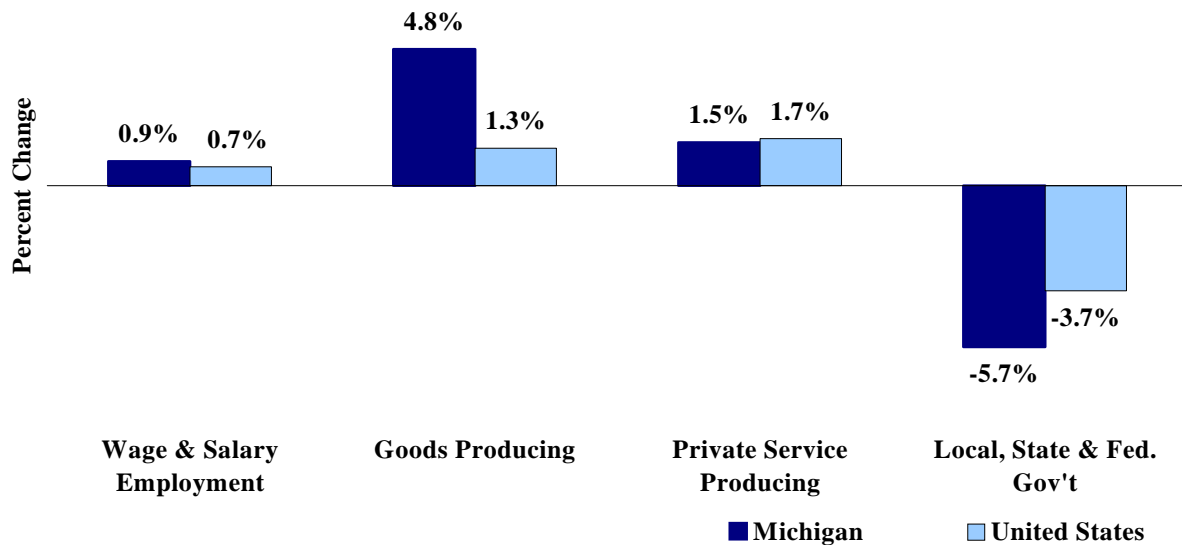
Employment by Place of Residence (in thousands)^(a)

	2010 <u>Average</u>	Mar <u>2011</u>	Apr <u>2011</u>	May <u>2011</u>	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,790	4,745	4,741	4,735	-6	-0.1%	-72	-1.5%
Employed	4,193	4,258	4,257	4,248	-9	-0.2%	59	1.4%
Unemployed	597	487	484	488	4	0.8%	-129	-21.0%
Unemployment Rate	12.5%	10.3%	10.2%	10.3%	n.a.	0.1% pts	n.a.	-2.5%
United States								
Labor Force	153,889	153,406	153,421	153,693	272	0.2%	-544	-0.4%
Employed	139,064	139,864	139,674	139,779	105	0.1%	426	0.3%
Unemployed	14,825	13,542	13,747	13,914	167	1.2%	-970	-6.5%
Unemployment Rate	9.6%	8.8%	9.0%	9.1%	n.a.	0.1% pts	n.a.	-0.5%

Employment by Place of Work

- From May 2010 to May 2011, Michigan wage and salary employment increased 33,000 (0.9 percent). State wage and salary employment decreased 13,000 from April. Nationally, May 2011 wage and salary employment rose 870,000 (0.7 percent) from a year ago and was up 54,000 from last month.

Wage and Salary Employment Growth May 2010 to May 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 1.5 percent compared to last year. From a year ago, May national employment in the goods-producing sector rose 1.3 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased 0.5 hours in May compared to last year.

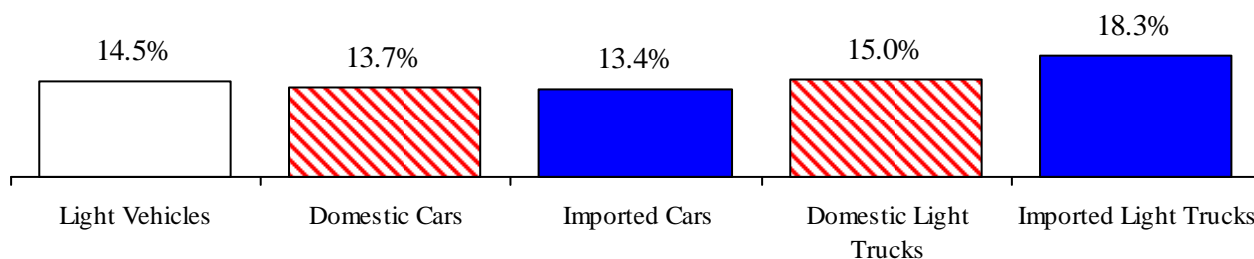
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	May 2010	May 2011	Percent Change	2010 Average	May 2010	May 2011	Percent Change
Wage & Salary Employment	3,861	3,867	3,900	0.9%	129,818	130,173	131,043	0.7%
Goods Producing	603	601	630	4.8%	17,755	17,763	17,997	1.3%
Manufacturing	474	474	495	4.4%	11,524	11,536	11,694	1.4%
Private Service Producing	2,623	2,618	2,658	1.5%	89,582	89,430	90,919	1.7%
Trade, Trans. & Utilities	709	710	713	0.4%	24,605	24,584	24,872	1.2%
Services	1,672	1,667	1,702	2.1%	54,636	54,491	55,754	2.3%
Local, State & Fed. Gov't	636	649	612	-5.7%	22,482	22,980	22,127	-3.7%
Manufacturing Weekly Hours	40.9	43.8	44.3	0.5 hrs	40.2	40.5	40.6	0.1 hrs

Motor Vehicle Industry Sales

- At an 11.8 million unit rate, May 2011 light vehicle sales fell sharply (-10.5 percent) from April 2011. May 2011 light vehicle sales were up 1.1 percent from a year ago. The May 2011 sales rate was the lowest rate since September 2010.
- Compared to April 2011, May 2011 domestic sales decreased 9.7 percent while foreign sales declined 13.4 percent. Domestic sales rose 0.8 percent compared to a year ago while foreign sales increased 2.4 percent. Consequently, the foreign share of U.S. light vehicle sales increased 0.3 percentage points from a year ago to 21.6 percent.
- Auto sales fell 15.7 percent in May 2011 compared to April and increased only 1.8 percent compared to a year ago. Light truck sales decreased 4.8 percent from April and rose just 0.5 percent from May 2010. Heavy truck sales were up 33.5 percent to a 283,000 annual rate – the highest rate since July 2008.
- In May 2011, light vehicle inventories fell 6.3 percent from April but were up 4.5 percent from a year ago. Days supply was down 5 days from April but unchanged from a year ago.

Despite May Sales Decline 2011 Year-to-Date Light Vehicle Sales Still Up Substantially from Year Ago



Motor Vehicle Sales Statistics

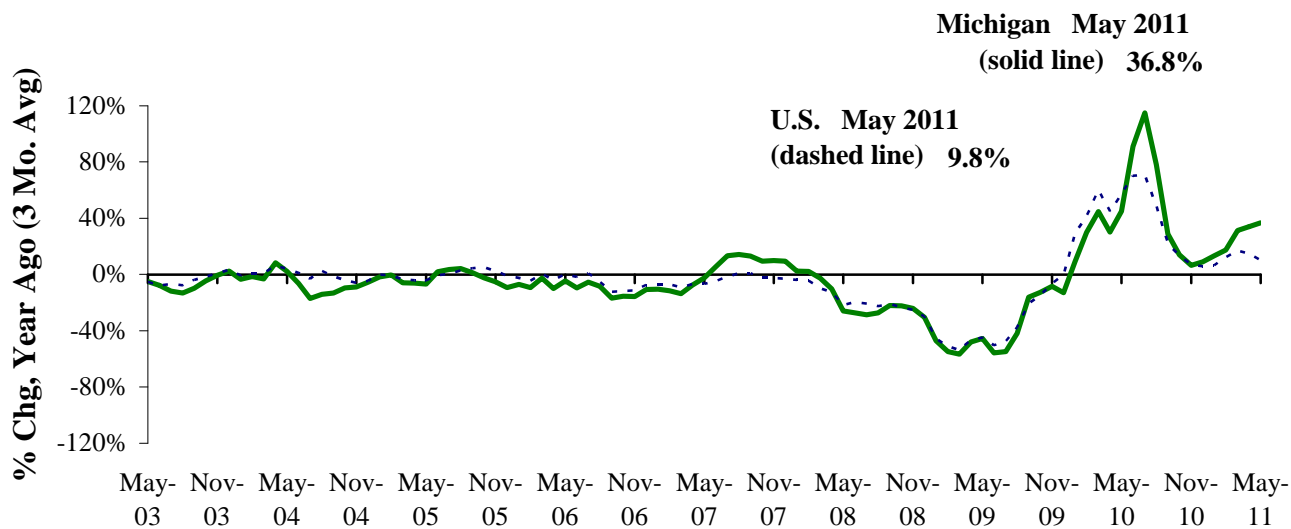
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Mar 2011	Apr 2011	May 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	7.0	6.8	5.7	6.5	0.1	1.8%
Domestics	3.9	4.9	4.8	4.1	4.6	0.1	1.7%
Imports	1.8	2.1	2.0	1.7	1.9	0.0	1.9%
Import Share	32.3%	30.1%	29.4%	29.3%	29.6%	0.0%	pts
Light Trucks	5.8	6.1	6.3	6.0	6.1	0.0	0.5%
Domestics	4.9	5.1	5.4	5.2	5.2	0.0	0.0%
Imports	0.9	1.0	0.9	0.9	0.9	0.0	3.5%
Import Share	15.4%	16.8%	14.8%	14.3%	15.3%	0.4%	pts
Total Light Vehicles	11.6	13.1	13.1	11.8	12.7	0.1	1.1%
Heavy Trucks	0.2	0.3	0.3	0.3	0.3	0.1	33.5%
Total Vehicles	11.8	13.3	13.4	12.0	12.9	0.2	1.7%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.075	1.136	1.066	0.942	1.048	-0.092	
Days Supply	59	56	45	42	48	-6 days	
Total Truck	1.110	1.328	1.425	1.364	1.372	0.330	
Days Supply	58	63	64	66	64	17 days	

Motor Vehicle Industry Production

- At 172,275 units, May 2011 Michigan motor vehicle production rose 30.3 percent from last May. National production rose 5.1 percent from May 2010. Compared to April 2011, Michigan production rose 9.3 percent while national production was up 6.1 percent.
- Michigan car production rose 21.2 percent in May 2011 from a year ago while State truck production increased 36.8 percent. Nationally, car production fell 4.4 percent while truck production increased 11.2 percent.
- From a year ago, Michigan’s share of national production rose 4.8 percentage points to 24.9 percent.

Michigan Motor Vehicle Production Increasing Substantially Faster than Nationally ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2010					Change from Year Ago	
	Monthly Average	Mar 2011	Apr 2011	May 2011	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	241.7	300.3	228.6	246.3	258.4	(11.4)	-4.4%
Trucks	404.0	567.7	424.5	446.4	479.5	44.9	11.2%
Total	645.7	868.0	653.1	692.7	737.9	33.6	5.1%
Michigan Production ^(f)							
Autos	44.6	63.7	58.2	66.8	62.9	11.7	21.2%
Trucks	86.8	126.6	99.5	105.5	110.5	28.4	36.8%
Total	131.4	190.3	157.7	172.3	173.4	40.0	30.3%
Michigan as % of U.S.	20.4%	21.9%	24.1%	24.9%	23.5%	4.8% pts	

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

May 2011 local area unemployment rates ranged between 6.8 percent (Ann Arbor MSA) and 11.7 percent (Northeast Lower Michigan). The median May 2011 unemployment rate was 9.6 percent.

Compared to a year ago, the May unemployment rate fell in all 17 major Michigan labor market areas with the rate falling by at least 1.7 percentage points in each area. The median unemployment rate decline was 2.3 percentage points. The Flint MSA saw the largest rate decline (-3.4 percentage points) followed by the Muskegon-Norton Shores MSA (-3.1 percentage points) and the Holland-Grand Haven MSA (-2.8 percentage points).

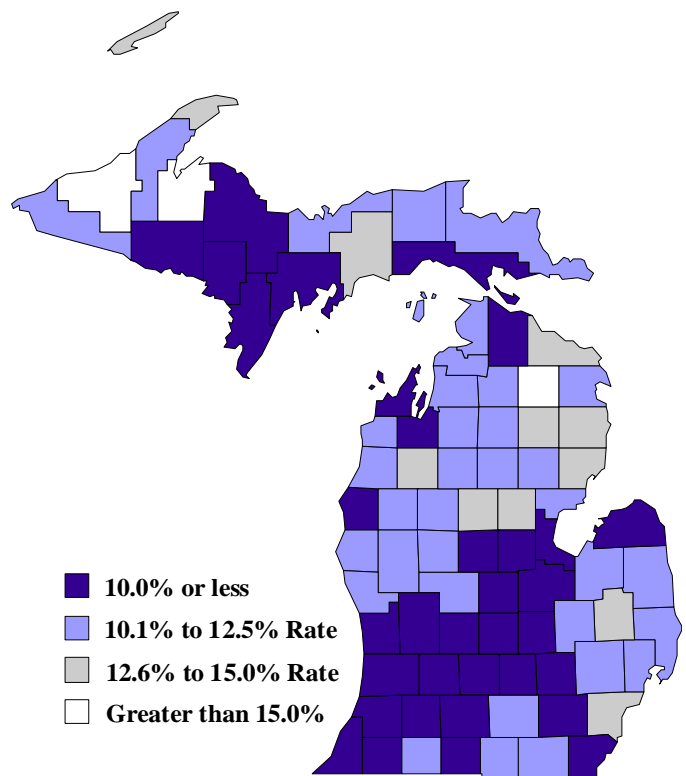
Between May 2010 and May 2011, 15 labor market areas saw an employment increase. The median employment increase was 2.0 percent. The Saginaw-Saginaw Township MSA experienced the largest employment increase (3.1 percent), followed by the Bay City MSA (3.0 percent) and both Kalamazoo-Portage and Niles-Benton Harbor MSA (2.7 percent). Compared to a year ago, the labor force fell in 12 areas with the Flint MSA experiencing the largest decline (-2.9 percent), followed by Northeast Lower Michigan (-2.7 percent). The Bay City MSA experienced the greatest increase (0.4 percent). The median labor force change was a 0.6 percent drop.

Between May 2010 and May 2011, the unemployment rate fell in 82 of Michigan's 83 counties with a median rate decrease of 2.2 percentage points. Baraga County posted the largest decline (-5.2 percentage points) followed by Hillsdale County (-3.8 percentage points). Thirty-one counties saw a May 2011 unemployment rate below 10.0 percent. Three counties reported rates higher than 15.0 percent.

County Unemployment Rates May 2011 ^(g)

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2010 Rate</u>	<u>Apr 2011 Rate</u>	<u>May 2011 Rate</u>
Michigan	12.4%	10.0%	10.3%
Ann Arbor	8.5%	6.2%	6.8%
Battle Creek	11.1%	8.6%	9.2%
Bay City	11.8%	9.7%	9.6%
Detroit-Warren-Livonia	13.4%	11.1%	11.6%
Flint	14.3%	10.8%	10.9%
Grand Rapids-Wyoming	10.6%	8.0%	8.3%
Holland-Grand Haven	11.2%	8.1%	8.4%
Jackson	12.8%	9.7%	10.1%
Kalamazoo-Portage	11.0%	8.3%	8.7%
Lansing-East Lansing	9.9%	7.6%	7.9%
Monroe	12.2%	9.5%	9.6%
Muskegon-Norton Shores	13.5%	10.1%	10.4%
Niles-Benton Harbor	12.5%	9.6%	10.0%
Saginaw-Saginaw Township	12.1%	9.4%	9.6%
Upper Peninsula	11.6%	10.6%	9.9%
Northeast Lower Mich	13.8%	13.2%	11.7%
Northwest Lower Mich.	13.0%	11.9%	10.8%

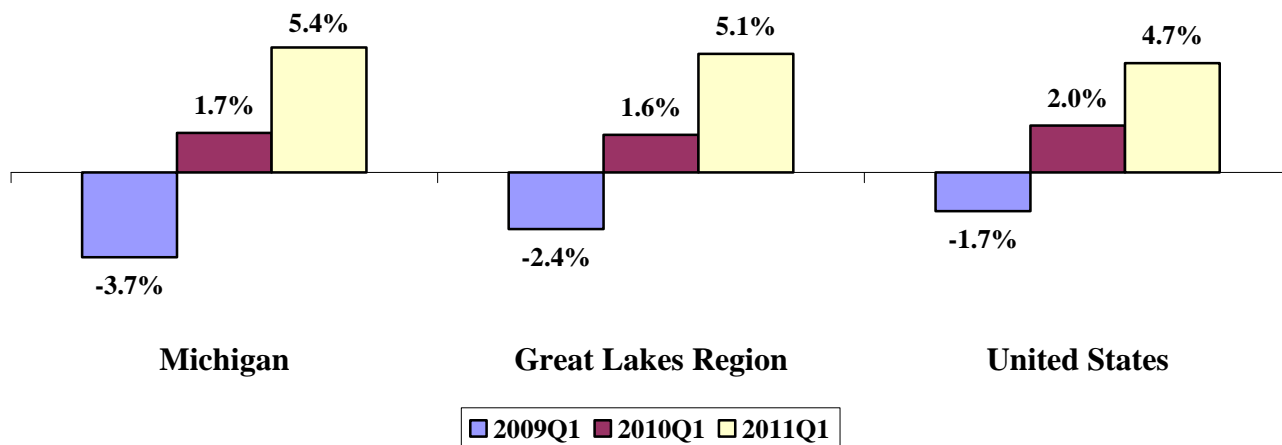


Michigan Personal Income Reports Solid First Quarter Growth

On June 22, 2011, the Bureau of Economic Analysis released its first quarter state personal income estimates for 2011. Release highlights include:

- In 2011Q1, all 50 states reported personal income increases from 2010Q4. Michigan personal income reported the 11th fastest state personal income increase from 2010Q4 (2.02 percent). North Dakota saw the most rapid quarterly growth (6.88 percent) followed by Wyoming (2.65 percent). Iowa experienced the slowest growth (0.71 percent). The nation as a whole saw 1.80 percent personal income growth.
- Michigan has reported personal income growth from the prior quarter for six consecutive quarters (2009Q4 through 2011Q1) – as has the nation as a whole. Over these six quarters, Michigan’s income has risen 6.32 percent compared to 6.21 percent growth nationally.
- Michigan’s 2010Q4-2011Q1 growth was the state’s highest quarterly personal income growth since 2003Q4 (2.29 percent).
- All 50 states saw personal income increases between 2010Q1 and 2011Q1. Michigan reported the 11th fastest year-over-year state personal income growth (5.39 percent). North Dakota experienced the most rapid growth (14.59 percent) followed by South Dakota (7.00 percent). New Jersey reported the smallest increase (2.95 percent). Overall, U.S. personal income grew 4.71 percent.
- In sharp contrast to personal income growth over the past year, Michigan personal income between 2008Q1 and 2009Q1 dropped 3.66 percent – the sixth fastest state personal income decline over this period. Nationally, personal income fell 1.67 percent.
- Michigan real (inflation adjusted) personal income rose 3.5 percent between the first quarters of 2010 and 2011. In comparison, U.S. real personal income increased 2.5 percent over this period.

Personal Income Growth Improves Substantially (Year-over-Year Change)



U.S. Economic Conditions

	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	77.5	67.5	69.8	74.3	0.7 points
ISM Manufacturing Index ⁽ⁱ⁾	61.4	61.2	60.4	53.5	-4.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.7	57.3	52.8	54.6	-0.2 points
	<u>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	
Business Executives' Confidence ^(j)	62.0	50.0	62.0	67.0	5.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	221.3	223.5	224.9	226.0	3.6%
Detroit CPI	206.8	NA	211.7	NA	3.1%
U.S. Producer Price Index	186.9	189.4	191.7	192.9	7.3%
INTEREST RATES					
90 Day T-Bill ^(l)	0.14%	0.11%	0.06%	0.04%	-0.12% points
Aaa Corporate Bonds ^(m)	5.22%	5.13%	5.16%	4.96%	0.00% points
INDUSTRIAL PRODUCTION ^(m)					
	92.4	92.9	92.9	93.0	3.4%
CAPACITY UTILIZATION ^(m)					
	76.5%	76.8%	76.7%	76.7%	2.4% points
RETAIL SALES ⁽ⁿ⁾					
	\$384.0	\$387.0	\$388.0	\$387.1	7.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.518	0.593	0.541	0.560	-3.4%
Existing Home Sales ^(p)	4.920	5.090	5.000	4.810	-15.3%
DURABLE GOODS ORDERS ^(q)					
	\$188.7	\$197.3	\$192.4	\$196.3	9.4%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	<u>% Change From Year Ago</u>
Michigan	\$350.6	\$354.3	\$356.2	\$363.4	5.4%
U.S.	\$12,503.0	\$12,582.1	\$12,686.6	\$12,915.0	4.7%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2010.2</u>	<u>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,194.9	\$13,278.5	\$13,380.7	\$13,444.3	1.91%

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) Economic Indicators, Council of Economic Advisors.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2007 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.