



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

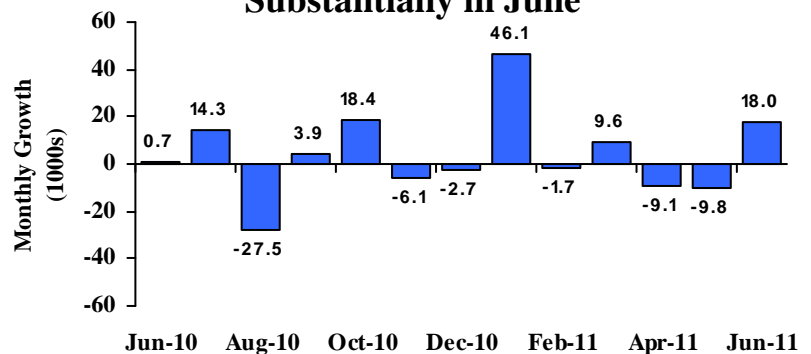
June 2011 Summary

U.S. Economy: Following 0.4 percent annual growth in the first quarter, real gross domestic product increased at a 1.3 percent rate in the second quarter. Consumer sentiment fell 2.8 points from May and was down 4.5 points from a year ago. Business executive confidence dropped sharply in the second quarter – falling 12.0 points from 2011Q1 and losing 7.0 points from a year ago. Compared to a year ago, the ISM manufacturing index was unchanged and the ISM non-manufacturing index was essentially unchanged. Industrial production was up 3.4 percent from a year ago; capacity utilization increased 2.2 percentage points. June housing starts were up 16.7 percent from a year ago; existing home sales dropped 8.8 percent.

Employment: Michigan employment rose by 18,000 jobs from last month. The increase moved State employment just shy (900 jobs) of the March 2011 level (Michigan's highest employment in two years). Compared to a year ago, Michigan employment rose 1.4 percent; nationally employment increased 0.8 percent. The Michigan unemployment rate rose 0.2 percentage point from May to 10.5 percent, but was still down 2.1 percentage points from June 2010. In June, U.S. employment grew for the ninth straight month, but only by a net 18,000 jobs. At 9.2 percent, the U.S. unemployment rate rose by 0.1 percentage point from May, but was down 0.3 percentage point from a year ago.

Auto Industry: In June, the light vehicle annual sales rate (11.4 million units) fell 3.0 percent from May, but was up 2.4 percent from a year ago. June inventories were down 0.2 percent from a year ago and days supply was down two days. June Michigan vehicle production fell 3.7 percent compared to a year ago; nationally, production decreased 2.0 percent.

Michigan Employment Rises Substantially in June (a)



Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 3.6 percent. The core U.S. CPI (excluding food and energy) rose 1.6 percent. The Detroit CPI rose 4.2 percent from a year ago. The overall producer price index rose sharply (7.0 percent) but the core producer price index increased only 2.4 percent. At \$96.29 per barrel, oil prices were up \$20.94 a barrel (27.8 percent) from June 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in June compared with year-ago levels. All areas saw at least a 1.3 percentage point rate decline. Employment rose in 12 of Michigan's 17 areas with a median increase of 1.7 percent.

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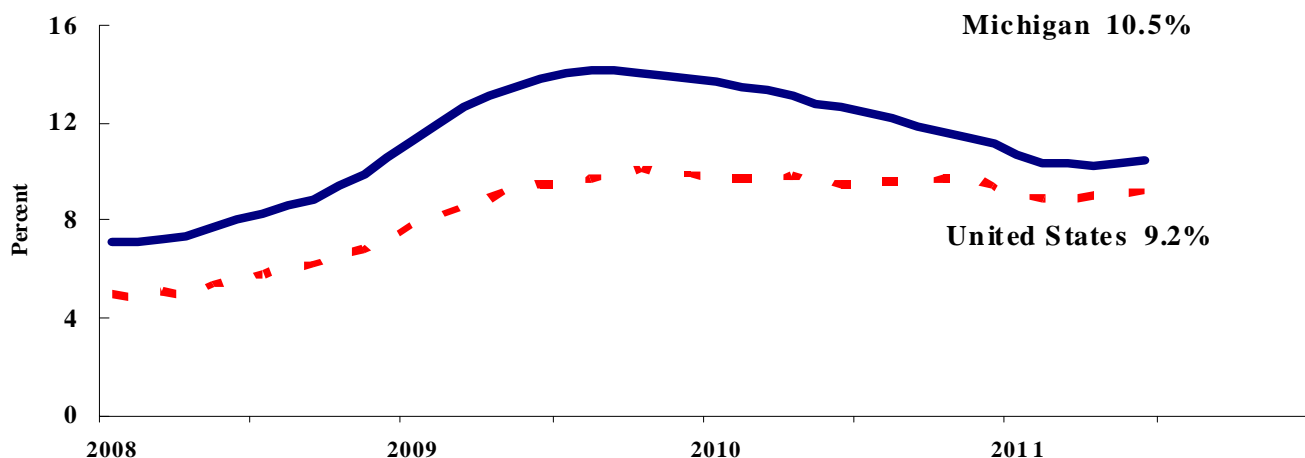
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Labor Market Statistics

- Michigan's June unemployment rate increased 0.2 percentage point from last month to 10.5 percent, and the current Michigan jobless rate is down 2.1 percentage points from a year ago. The June U.S. unemployment rate increased 0.1 percentage point from May to 9.2 percent and was down 0.3 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 June, the number of people employed in Michigan was 4,222,000, down 26,000 from last month, while the labor force decreased by 18,000. The statewide total number of unemployed increased by 8,000 to 496,000.
- United States household employment totaled 139.3 million persons in June, down 445,000 from May. The labor force fell by 272,000 from last month, which meant there were 173,000 more unemployed people nationally, compared to May.

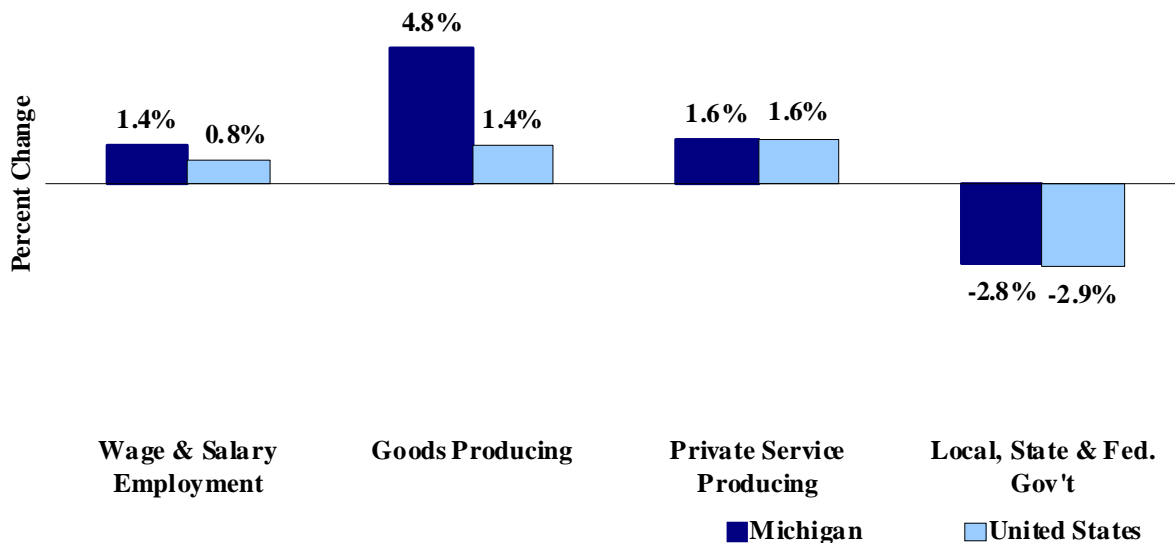
Employment by Place of Residence (in thousands)^(a)

	2010 Average	Apr 2011	May 2011	Jun 2011	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,790	4,741	4,736	4,718	-18	-0.4%	-79	-1.6%
Employed	4,193	4,257	4,248	4,222	-26	-0.6%	31	0.7%
Unemployed	597	484	488	496	8	1.6%	-110	-18.1%
Unemployment Rate	12.5%	10.2%	10.3%	10.5%	n.a.	0.2% pts	n.a.	-2.1%
United States								
Labor Force	153,889	153,421	153,693	153,421	-272	-0.2%	-263	-0.2%
Employed	139,064	139,674	139,779	139,334	-445	-0.3%	242	0.2%
Unemployed	14,825	13,747	13,914	14,087	173	1.2%	-506	-3.5%
Unemployment Rate	9.6%	9.0%	9.1%	9.2%	n.a.	0.1% pts	n.a.	-0.3%

Employment by Place of Work

- From June 2010 to June 2011, Michigan wage and salary employment increased 53,000 (1.4 percent). State wage and salary employment increased 18,000 from May. Nationally, June 2011 wage and salary employment rose 1,036,000 (0.8 percent) from a year ago and was up 18,000 from last month.

Wage and Salary Employment Growth June 2010 to June 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 1.6 percent compared to last year. From a year ago, June national employment in the goods-producing sector rose 1.4 percent and increased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.1 hour in June compared to last year.

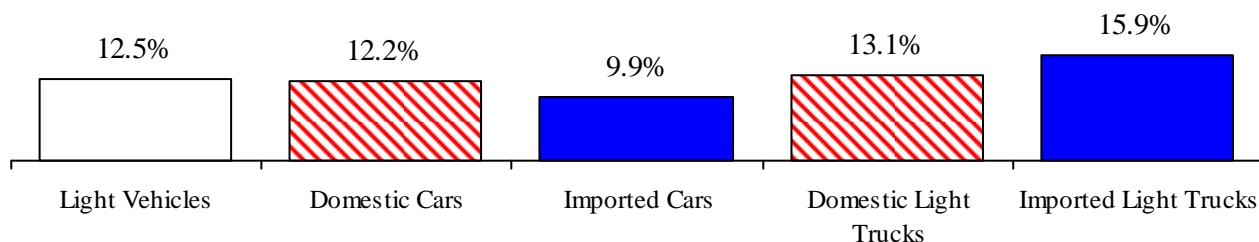
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	June 2010	June 2011	Percent Change	2010 Average	June 2010	June 2011	Percent Change
Wage & Salary Employment	3,861	3,868	3,921	1.4%	129,818	129,981	131,017	0.8%
Goods Producing	603	606	635	4.8%	17,755	17,763	18,006	1.4%
Manufacturing	474	480	497	3.5%	11,524	11,548	11,707	1.4%
Private Service Producing	2,623	2,624	2,665	1.6%	89,582	89,495	90,947	1.6%
Trade, Trans. & Utilities	709	711	713	0.3%	24,605	24,587	24,900	1.3%
Services	1,672	1,672	1,712	2.4%	54,636	54,579	55,750	2.1%
Local, State & Fed. Gov't	636	640	622	-2.8%	22,482	22,723	22,064	-2.9%
Manufacturing Weekly Hours	40.9	43.8	43.7	-0.1 hrs	40.2	40.1	40.3	0.2 hrs

Motor Vehicle Industry Sales

- At an 11.4 million unit rate, June 2011 light vehicle sales fell for the second straight month – falling 3.0 percent from May 2011. June 2011 light vehicle sales were up 2.4 percent from a year ago. The June 2011 sales rate was the lowest rate since last June.
- Compared to May 2011, June 2011 domestic sales decreased 3.0 percent while foreign sales declined 3.1 percent. Domestic sales rose 4.2 percent compared to a year ago while foreign sales decreased 3.6 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 1.3 percentage points from a year ago to 21.6 percent.
- Auto sales fell 3.7 percent in June 2011 compared to May and increased only 0.7 percent compared to a year ago. Light truck sales decreased 2.3 percent from May but rose 4.0 percent from June 2010. Heavy truck sales were up 42.2 percent to a 300,000 unit annual rate.
- In June 2011, light vehicle inventories rose 0.2 percent from May and were down 0.2 percent from a year ago. Days supply was up 5 days from May but down 2 days from a year ago.

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



Motor Vehicle Sales Statistics

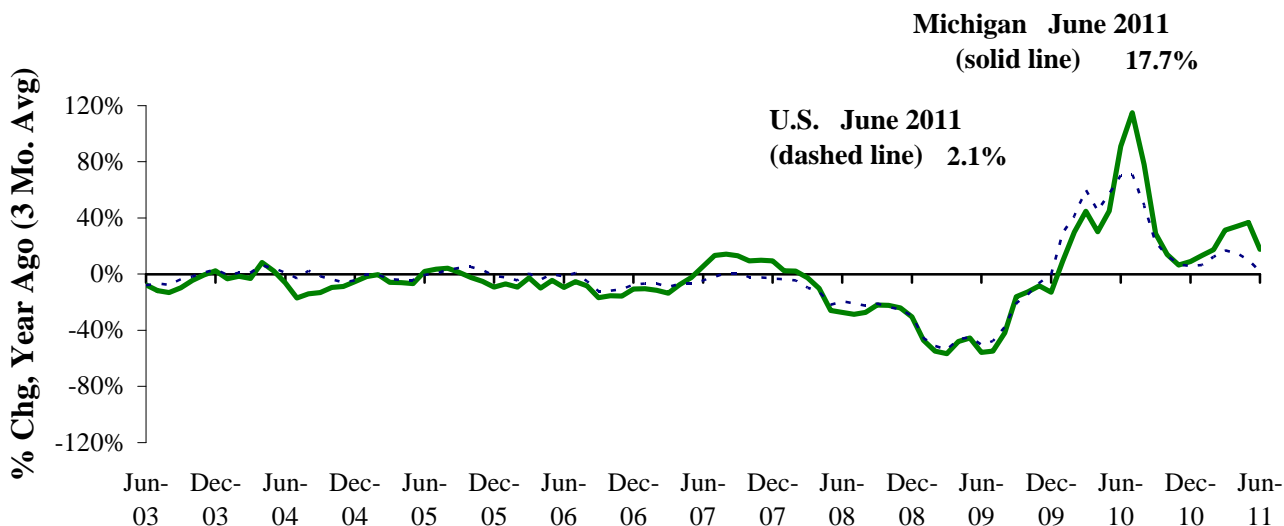
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Apr 2011	May 2011	Jun 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	6.8	5.7	5.5	6.0	0.0	0.7%
Domestics	3.9	4.8	4.1	3.9	4.3	0.2	4.5%
Imports	1.8	2.0	1.7	1.6	1.8	(0.1)	-7.7%
Import Share	32.3%	29.4%	29.3%	28.6%	29.1%	-2.6%	pts
Light Trucks	5.8	6.3	6.0	5.9	6.1	0.2	4.0%
Domestics	4.9	5.4	5.2	5.0	5.2	0.2	3.9%
Imports	0.9	0.9	0.9	0.9	0.9	0.0	4.5%
Import Share	15.4%	14.8%	14.3%	15.0%	14.7%	0.1%	pts
Total Light Vehicles	11.6	13.1	11.8	11.4	12.1	0.3	2.4%
Heavy Trucks	0.2	0.3	0.3	0.3	0.3	0.1	42.2%
Total Vehicles	11.8	13.4	12.1	11.7	12.4	0.4	3.1%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.076	0.942	0.844	0.830	0.872	-0.231	
Days Supply	59	42	38	42	41	-12	days
Total Truck	1.110	1.364	1.316	1.334	1.338	0.227	
Days Supply	58	66	60	65	64	8	days

Motor Vehicle Industry Production

- At 152,393 units, June 2011 Michigan motor vehicle production fell 3.7 percent from last June. National production decreased 2.0 percent from June 2010. Compared to May 2011, Michigan production fell 11.5 percent while national production was up 2.1 percent.
- Michigan car production was down 18.5 percent in June 2011 from a year ago while State truck production increased 5.8 percent. Nationally, car production fell 9.4 percent while truck production increased 2.5 percent.
- From a year ago, Michigan’s share of national production rose 0.4 percentage points to 21.6 percent.

Michigan and U.S. Motor Vehicle Production Increases Slow Substantially ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2010					Change from Year Ago	
	Monthly Average	Apr 2011	May 2011	Jun 2011	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	241.7	228.6	246.3	247.7	240.9	(25.7)	-9.4%
Trucks	404.0	424.5	446.4	459.3	443.4	11.1	2.5%
Total	645.7	653.1	692.7	707.0	684.2	(14.6)	-2.0%
Michigan Production ^(f)							
Autos	44.6	58.2	66.8	50.5	58.5	(11.5)	-18.5%
Trucks	86.8	99.5	105.5	101.8	102.3	5.6	5.8%
Total	131.4	157.7	172.3	152.4	160.8	(5.9)	-3.7%
Michigan as % of U.S.	20.4%	24.1%	24.9%	21.6%	23.5%	-0.4% pts	

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

June 2011 local area unemployment rates ranged between 7.7 percent (Ann Arbor MSA) and 12.5 percent (Detroit-Warren-Livonia MSA). The median June 2011 unemployment rate was 10.1 percent.

Compared to a year ago, the June unemployment rate fell in all 17 major Michigan labor market areas with the rate falling by at least 1.3 percentage points in each area. The median unemployment rate decline was 1.9 percentage points. The Muskegon-Norton Shores MSA saw the largest rate decline (-2.6 percentage points) followed by the Holland-Grand Haven MSA (-2.3 percentage points) and the Jackson MSA (-2.2 percentage points).

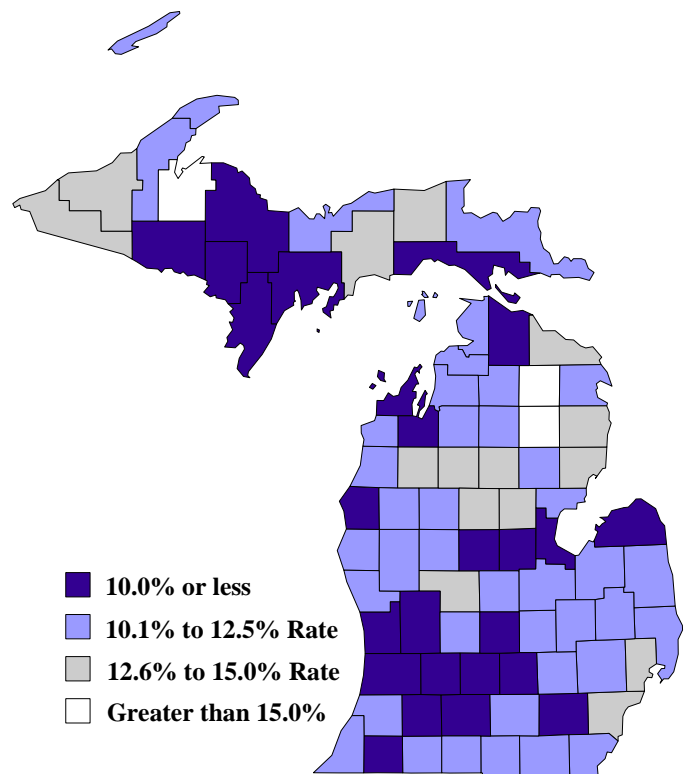
Between June 2010 and June 2011, 12 labor market areas saw an employment increase. The median employment increase was 1.7 percent. The Bay City MSA experienced the largest employment increase (3.8 percent), followed by the Kalamazoo-Portage MSA (3.5 percent) and the Saginaw-Saginaw Township MSA (3.4 percent). Compared to a year ago, the labor force fell in 12 areas with the Flint MSA experiencing the largest decline (-3.3 percent), followed by Detroit-Warren-Livonia MSA (-2.8 percent). The Bay City MSA experienced the greatest increase (1.7 percent). The median labor force change was a 0.9 percent drop.

Between June 2010 and June 2011, the unemployment rate fell in 82 of Michigan's 83 counties with a median rate decrease of 1.8 percentage points. Alcona County posted the largest decline (-4.1 percentage points) followed by Baraga County (-3.8 percentage points). Twenty-three counties saw a June 2011 unemployment rate below 10.0 percent. Three counties reported rates higher than 15.0 percent.

County Unemployment Rates June 2011 ^(g)

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>June 2010 Rate</u>	<u>May 2011 Rate</u>	<u>June 2011 Rate</u>
Michigan	12.6%	10.3%	11.0%
Ann Arbor	9.0%	6.8%	7.7%
Battle Creek	11.1%	9.2%	9.6%
Bay City	11.7%	9.6%	9.9%
Detroit-Warren-Livonia	13.9%	11.6%	12.5%
Flint	13.7%	10.9%	11.6%
Grand Rapids-Wyoming	10.8%	8.3%	8.9%
Holland-Grand Haven	11.3%	8.4%	9.0%
Jackson	12.9%	10.1%	10.7%
Kalamazoo-Portage	11.2%	8.7%	9.3%
Lansing-East Lansing	10.4%	7.9%	9.0%
Monroe	12.4%	9.6%	10.4%
Muskegon-Norton Shores	13.4%	10.4%	10.8%
Niles-Benton Harbor	12.6%	10.0%	10.6%
Saginaw-Saginaw Township	12.1%	9.7%	10.1%
Upper Peninsula	11.4%	9.9%	10.1%
Northeast Lower Mich	13.5%	11.7%	11.7%
Northwest Lower Mich.	12.3%	10.8%	10.6%

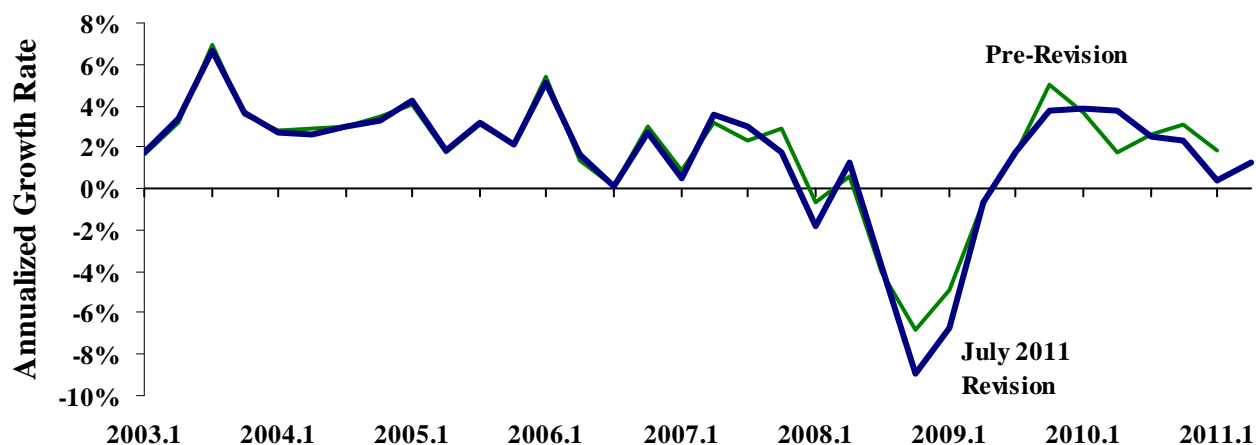


Gross Domestic Product Revision Shows Worse Recession, Weaker Recovery

On July 29, 2011, the Bureau of Economic Analysis released initial gross domestic product (GDP) estimates for 2011Q2 and revised GDP estimates back to 2003Q1. Release highlights include:

- Real GDP annualized quarterly declines at the trough of the recent recession were substantially more severe than previously estimated. The revisions show that real GDP declined at an 8.9 percent annualized rate in 2008Q4 – compared with the previously estimated 6.8 percent rate of decline. Similarly, the revised 2009Q1 rate of decline was 6.7 percent rather than the previous 4.9 percent estimated annualized rate of decline. The 2008Q4 8.9 percent annualized decline was the steepest quarterly decline since 1958Q1 (-10.4 percent annualized rate).
- Over the course of the recession (2007Q4 through 2009Q2), revisions show that real GDP fell 5.1 percent – compared to the previously estimated 4.1 percent drop.
- For the current recovery from 2009Q2 through 2011Q1, revised estimates show real GDP rising 4.6 percent – slightly lower (-0.3 percentage point) than the prior 4.9 percent estimated rise. The 2011Q1 annualized growth rate was revised significantly lower (-1.4 percentage points) to a 0.4 percent growth rate. As a result of the downward revisions, the revised 2011Q1 real GDP level was 1.6 percent lower than the prior estimate.
- As previous estimates showed, the 2009 calendar year (CY) real GDP decline was the sharpest annual drop since 1946, the year following the end of World War II (-10.9 percent). However, the CY 2009 decline was revised downward by 0.9 percentage point to -3.5 percent. CY 2008 growth was revised down 0.3 percentage point while CY 2010 growth was revised slightly higher (0.1 percentage point).
- According to BEA's initial estimate, real GDP in 2011Q2 grew at a 1.3 percent annualized rate. Coupled with 2011Q1's anemic quarterly growth, real GDP rose only 1.6 percent from a year ago.

Revised GDP Data Show Worse Recession Weaker Recovery



U.S. Economic Conditions

	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	67.5	69.8	74.3	71.5	-4.5 points
ISM Manufacturing Index ⁽ⁱ⁾	61.2	60.4	53.5	55.3	0.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	57.3	52.8	54.6	53.3	-0.2 points
	<u>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	
Business Executives' Confidence ^(j)	50.0	62.0	67.0	55.0	-7.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	223.5	224.9	226.0	225.7	3.6%
Detroit CPI	NA	211.7	NA	213.5	4.2%
U.S. Producer Price Index	189.4	191.7	192.9	191.6	7.0%
INTEREST RATES					
90 Day T-Bill ^(l)	0.11%	0.06%	0.04%	0.04%	-0.08% points
Aaa Corporate Bonds ^(m)	5.13%	5.16%	4.96%	4.99%	0.11% points
INDUSTRIAL PRODUCTION ^(m)	93.1	93.0	92.9	93.1	3.4%
CAPACITY UTILIZATION ^(m)	77.0%	76.8%	76.7%	76.7%	2.2% points
RETAIL SALES ⁽ⁿ⁾	\$387.0	\$387.7	\$387.3	\$387.8	8.1%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.593	0.549	0.549	0.629	16.7%
Existing Home Sales ^(p)	5.090	5.000	4.810	4.770	-8.8%
DURABLE GOODS ORDERS ^(q)	\$197.3	\$192.4	\$196.0	\$192.0	7.6%
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>2010.3</u>	<u>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,139.6	\$13,216.1	\$13,227.9	\$13,270.1	1.28%

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.