



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

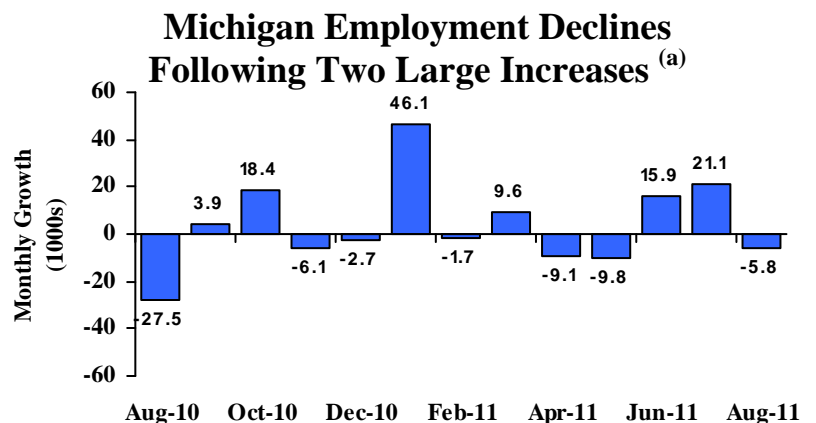
<http://www.michigan.gov/treasury>

August 2011 Summary

U.S. Economy: Consumer sentiment fell sharply (-8.0 points) from July to 55.7 – its lowest level since November 2008. Compared to a year ago, the ISM manufacturing index was down 4.6 points but the ISM non-manufacturing index was up 0.5 point. Industrial production was up 3.4 percent from a year ago; capacity utilization increased 1.9 percentage points. June housing starts were down 5.8 percent from a year ago; existing home sales rose 18.6 percent. Retail sales excluding motor vehicles and gasoline purchases rose 6.0 percent from August 2010. The three-month moving average of core new capital goods orders grew 9.4 percent from a year ago – the first single-digit growth since February 2010.

Employment: In August, Michigan employment fell by 5,800 jobs. However, compared to a year ago, Michigan employment was up 2.0 percent; nationally employment increased 1.0 percent. The Michigan unemployment rate rose 0.3 percentage point from July to 11.2 percent, rising above 11.0 percent for the first time this year. In August, U.S. employment was unchanged from July following ten straight monthly increases. At 9.1 percent, the U.S. unemployment rate was unchanged from July but was down 0.5 percentage point from a year ago.

Auto Industry: In August, the light vehicle annual sales rate (12.1 million units) fell 0.9 percent from July but was up 5.0 percent from a year ago. August inventories were down 3.7 percent from a year ago and days supply was down three days. Compared to a year ago, Michigan vehicle production rose 25.4 percent to its highest level since February 2008. Nationally, production increased 13.1 percent.



Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 3.8 percent. The core U.S. CPI (excluding food and energy) rose 2.0 percent. The Detroit CPI was up 4.1 percent from a year ago. The overall producer price index rose sharply (6.5 percent) but the core producer price index increased only 2.5 percent. At \$86.33 per barrel, oil prices were up \$9.51 a barrel (12.4 percent) from August 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in August compared with year-ago levels. Employment declined in 10 of Michigan's 17 areas with a median decrease of 1.1 percent.

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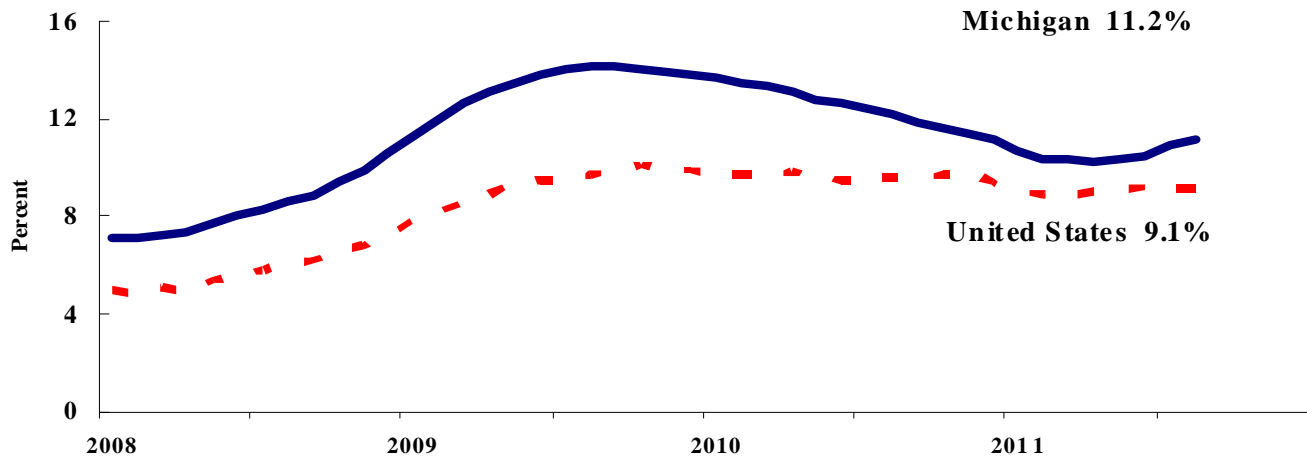
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Labor Market Statistics

- Michigan's August unemployment rate increased 0.3 percentage points from last month to 11.2 percent, and the current Michigan jobless rate is down 1.0 percentage point from a year ago. The August U.S. unemployment rate remained unchanged from July at 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

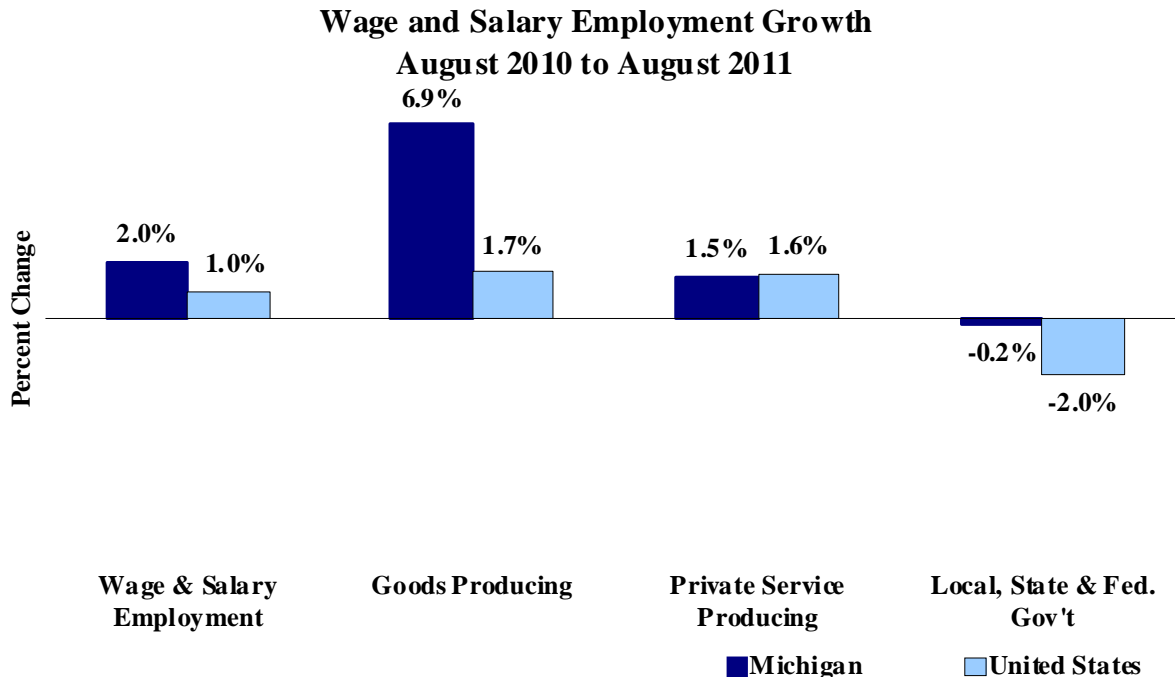
- In August, the number of people employed in Michigan was 4,168,000, down 21,000 from last month, while the labor force decreased by 7,000. The statewide total number of unemployed increased by 15,000 to 526,000.
- United States household employment totaled 139.6 million persons in August, up 331,000 from July. The labor force rose by 366,000 from last month, which meant there were 36,000 less unemployed people nationally, compared to July.

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

	2010 Average	Jun 2011	Jul 2011	Aug 2011	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,790	4,718	4,700	4,693	-7	-0.1%	-85	-1.8%
Employed	4,193	4,222	4,189	4,168	-21	-0.5%	-29	-0.7%
Unemployed	597	496	511	526	15	2.9%	-55	-9.5%
Unemployment Rate	12.5%	10.5%	10.9%	11.2%	n.a.	0.3% pts	n.a.	-1.0%
United States								
Labor Force	153,889	153,421	153,228	153,594	366	0.2%	-523	-0.3%
Employed	139,064	139,334	139,296	139,627	331	0.2%	360	0.3%
Unemployed	14,825	14,087	13,931	13,967	36	0.3%	-882	-5.9%
Unemployment Rate	9.6%	9.2%	9.1%	9.1%	n.a.	0.0% pts	n.a.	-0.5%

Employment by Place of Work

- From August 2010 to August 2011, Michigan wage and salary employment increased 80,000 (2.0 percent). State wage and salary employment decreased 6,000 from July. Nationally, August 2011 wage and salary employment rose 1,259,000 (1.0 percent) from a year ago and was unchanged from last month.



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

- In the goods-producing sector, Michigan employment increased 6.9 percent from a year ago while private service-producing sector employment increased 1.5 percent compared to last year. From a year ago, August national employment in the goods-producing sector rose 1.7 percent and increased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.4 hours in August compared to last year.

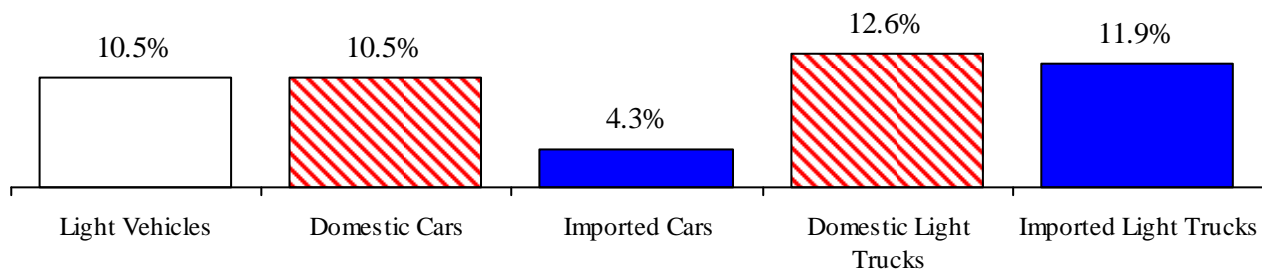
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	Aug 2010	Aug 2011	Percent Change	2010 Average	Aug 2010	Aug 2011	Percent Change
Wage & Salary Employment	3,861	3,855	3,934	2.0%	129,818	129,873	131,132	1.0%
Goods Producing	603	598	639	6.9%	17,755	17,790	18,084	1.7%
Manufacturing	474	470	498	6.0%	11,524	11,551	11,757	1.8%
Private Service Producing	2,623	2,627	2,667	1.5%	89,582	89,671	91,086	1.6%
Trade, Trans. & Utilities	709	710	713	0.4%	24,605	24,601	24,938	1.4%
Services	1,672	1,674	1,712	2.3%	54,636	54,743	55,912	2.1%
Local, State & Fed. Gov't	636	631	630	-0.2%	22,482	22,412	21,962	-2.0%
Manufacturing Weekly Hours	40.9	44.3	43.9	-0.4 hrs	40.2	40.2	40.3	0.1 hrs

Motor Vehicle Industry Sales

- At a 12.1 million unit rate, August 2011 light vehicle sales fell 0.9 percent from July 2011. August 2011 light vehicle sales were up 5.0 percent from a year ago.
- Compared to July 2011, August 2011 domestic sales decreased 1.1 percent while foreign sales fell 0.2 percent. Domestic sales rose 10.1 percent compared to a year ago while foreign sales decreased 10.1 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 3.6 percentage points from a year ago to 21.3 percent.
- Auto sales fell 0.2 percent in August 2011 compared to July and decreased 0.3 percent compared to a year ago. Light truck sales decreased 1.5 percent from July and rose 10.2 percent from August 2010. Heavy truck sales were up 24.1 percent from last year to a 273,000 unit annual rate.
- In August 2011, light vehicle inventories rose 1.8 percent from July and were down 3.7 percent from a year ago. Days supply was up one day from July but off three days from a year ago.

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



Motor Vehicle Sales Statistics

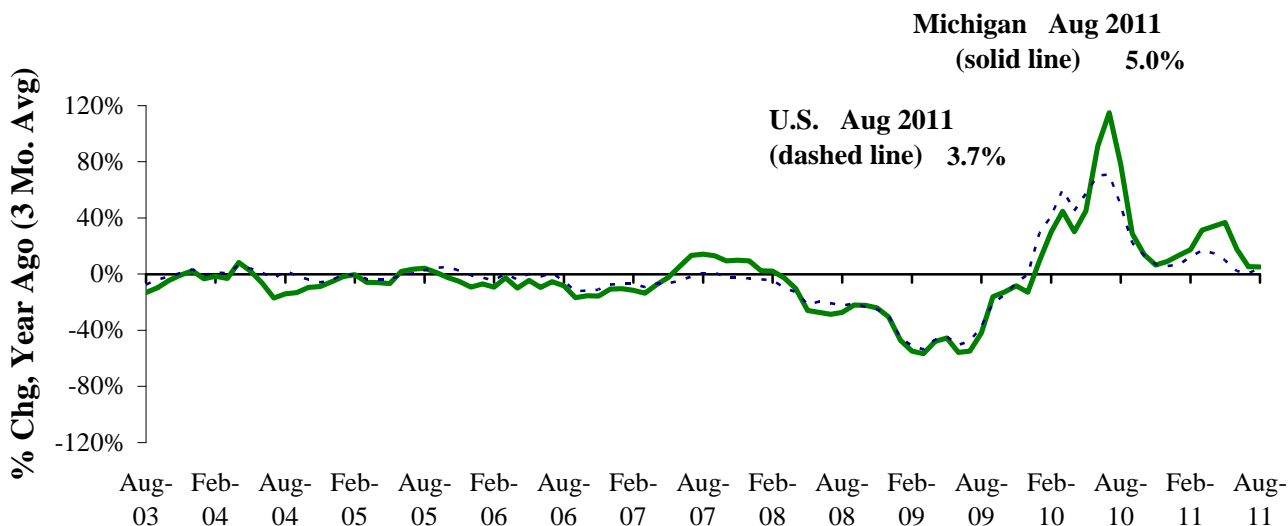
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Jun 2011	Jul 2011	Aug 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	5.6	5.7	5.7	5.7	(0.0)	-0.3%
Domestics	3.9	4.0	4.0	4.1	4.0	0.3	7.5%
Imports	1.8	1.6	1.7	1.6	1.6	(0.3)	-15.6%
Import Share	32.3%	29.1%	29.0%	28.5%	28.9%	-5.2% pts	
Light Trucks	5.8	5.9	6.5	6.4	6.3	0.6	10.2%
Domestics	4.9	5.0	5.6	5.5	5.4	0.6	12.0%
Imports	0.9	0.9	0.9	1.0	0.9	0.0	1.1%
Import Share	15.4%	15.0%	14.2%	14.8%	14.7%	-1.3% pts	
Total Light Vehicles	11.6	11.5	12.2	12.1	11.9	0.6	5.0%
Heavy Trucks	0.2	0.3	0.3	0.3	0.3	0.1	24.1%
Total Vehicles	11.8	11.8	12.5	12.4	12.2	0.6	5.4%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.076	0.830	0.752	0.770	0.784	-0.234	
Days Supply	59	42	39	40	40	-11 days	
Total Truck	1.110	1.336	1.218	1.234	1.262	0.157	
Days Supply	58	65	56	56	59	3 days	

Motor Vehicle Industry Production

- At 195,470 units, August 2011 Michigan motor vehicle production rose 25.4 percent from last August. National production increased 13.1 percent from August 2010. Compared to July 2011, Michigan production rose 82.4 percent while national production increased 51.9 percent.
- Michigan car production was up 46.1 percent in August 2011 from a year ago while State truck production increased 15.0 percent. Nationally, car production rose 10.9 percent while truck production increased 14.5 percent.
- From a year ago, Michigan’s share of national production rose 2.4 percentage points to 24.4 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	Jun 2011	Jul 2011	Aug 2011	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	241.7	247.7	177.3	292.2	239.1	28.6	10.9%
Trucks	404.0	459.3	350.0	508.8	439.4	64.4	14.5%
Total	645.7	707.0	527.3	801.0	678.4	93.0	13.1%
Michigan Production ^(f)							
Autos	44.6	50.5	31.7	76.1	52.8	24.0	46.1%
Trucks	86.8	101.8	75.5	119.4	98.9	15.6	15.0%
Total	131.4	152.4	107.2	195.5	151.7	39.6	25.4%
Michigan as % of U.S.	20.4%	21.6%	20.3%	24.4%	22.4%	2.4% pts	

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

August 2011 local area unemployment rates ranged between 7.2 percent (Ann Arbor MSA) and 12.9 percent (Detroit-Warren-Livonia MSA). The median August 2011 unemployment rate was 9.8 percent.

Compared to a year ago, the August unemployment rate fell in all 17 major Michigan labor market areas. The Detroit-Warren-Livonia MSA saw the smallest decline (-0.5 percentage point). All other 16 areas saw at least a 0.9 percentage point drop. The Holland-Grand Haven MSA, Monroe MSA and Muskegon-Norton Shores MSA each saw the largest rate decline (-1.8 percentage points) followed by the Flint MSA (-1.7 percentage points).

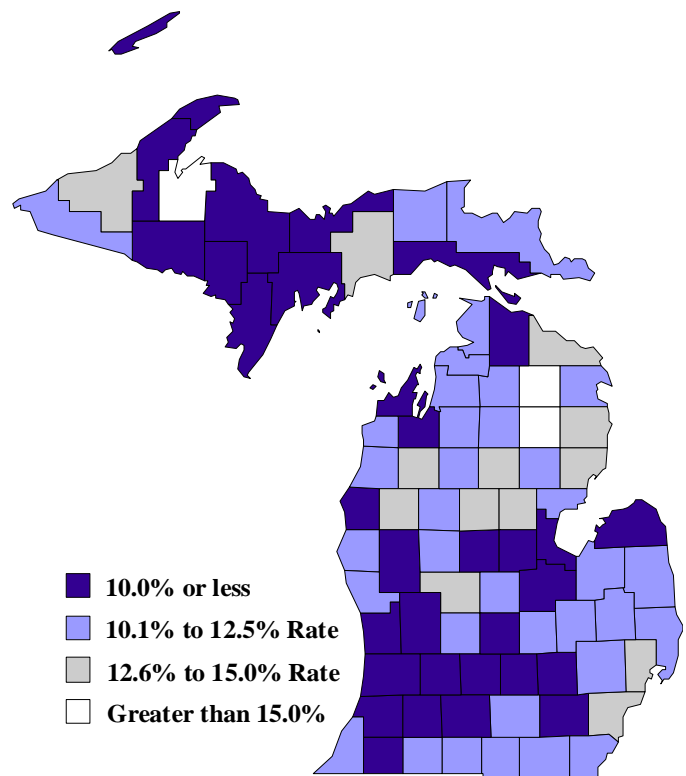
Between August 2010 and August 2011, 10 labor market areas saw an employment decrease. The median employment decrease was 1.1 percent. The Battle Creek MSA experienced the largest employment decrease (-4.1 percent), followed by Northeast Lower Michigan (-2.6 percent) and Northwest Lower Michigan (-2.0 percent). The Bay City MSA and Kalamazoo MSA saw the largest employment increase (1.7 percent). Compared to a year ago, the labor force fell in 15 areas with the Battle Creek MSA experiencing the largest decline (-5.2 percent), followed by Northeast Lower Michigan (-3.6 percent). The median labor force change was a 1.8 percent drop.

Between August 2010 and August 2011, the unemployment rate fell in all of Michigan’s 83 counties with a median rate decrease of 1.2 percentage points. Baraga County posted the largest decline (-3.2 percentage points) followed by Lenawee County (-2.3 percentage points). Thirty-one counties saw an August 2011 unemployment rate below 10.0 percent. Three counties reported rates higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>August 2010 Rate</u>	<u>July 2011 Rate</u>	<u>August 2011 Rate</u>
Michigan	12.0%	11.9%	11.0%
Ann Arbor	8.2%	7.8%	7.2%
Battle Creek	10.5%	10.2%	9.4%
Bay City	10.9%	10.0%	9.7%
Detroit-Warren-Livonia	13.4%	14.2%	12.9%
Flint	13.1%	12.4%	11.4%
Grand Rapids-Wyoming	10.0%	9.1%	8.6%
Holland-Grand Haven	10.3%	9.1%	8.5%
Jackson	12.0%	11.0%	10.3%
Kalamazoo-Portage	10.3%	9.5%	8.9%
Lansing-East Lansing	9.5%	9.2%	8.4%
Monroe	12.0%	11.1%	10.2%
Muskegon-Norton Shores	12.5%	11.2%	10.7%
Niles-Benton Harbor	11.4%	10.8%	10.2%
Saginaw-Saginaw Township	11.1%	10.4%	9.8%
Upper Peninsula	10.4%	9.9%	9.5%
Northeast Lower Mich	12.4%	12.2%	11.5%
Northwest Lower Mich.	11.3%	10.5%	10.2%

County Unemployment Rates August 2011^(g)

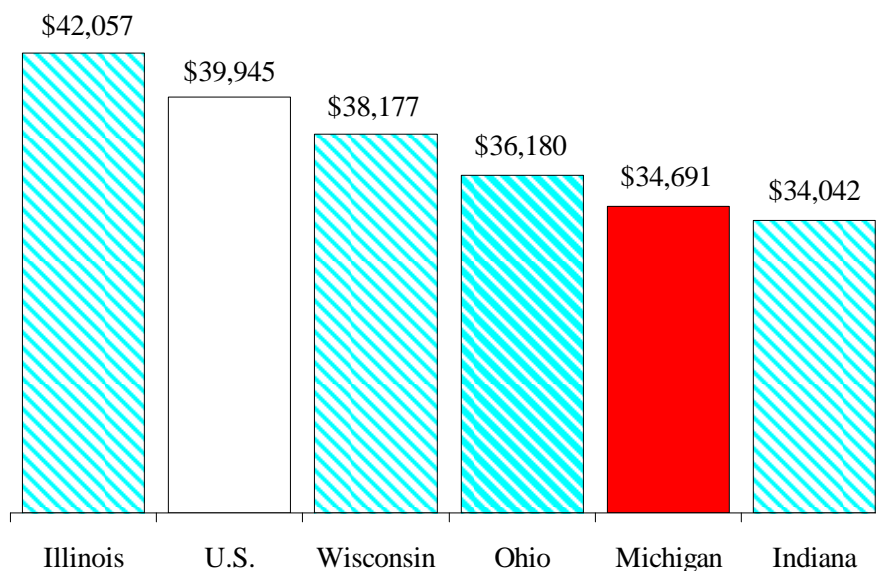


2010 Personal Income Rises Following Steep Declines in 2009

On September 22, 2011, the Bureau of Economic Analysis released revised annual state personal income estimates for 2008 through 2010 and first-time post-2010 Census per person personal income estimates for the years 2001-2009. Below are highlights from the release:

- In 2009, nominal personal income dropped in all U.S. states. Michigan's decline (5.4 percent) represented the 6th largest state decline. State declines ranged from 0.3 percent (West Virginia) to 9.4 percent (Wyoming). All states saw an income decline in 2009, which marked the first time this happened since 1932. Nationally, U.S. personal income declined 4.3 percent between 2008 and 2009.
- In 2010, Michigan nominal income grew 3.3 percent -- the 34th largest increase among U.S. states. Nationally, personal income rose 3.7 percent. All states reported personal income growth in 2010 with increases ranging between 1.7 percent (Maine) and 9.4 percent (North Dakota).
- Real (inflation adjusted) Michigan personal income rose 2.5 percent in 2010 after dropping 4.9 percent in 2009. Nationally, real personal income declined 4.0 percent in 2009 and increased 2.0 percent in 2010.
- Among the five Great Lakes states, Michigan income per person ranked fourth in 2010, ahead of Indiana. Michigan has ranked fourth in the Great Lakes region each year since 2005. Michigan's 2010 income per person (\$34,691) placed 39th among the 50 states. Ten years earlier, Michigan had ranked 18th in state income per person.
- In 2008, Michigan's per person income as a percent of the national average fell to 86.2 percent – the lowest Michigan percent in a data history starting in 1929. While the percent has risen in each of the past two years, Michigan's per person income as a percent of U.S. average was only 86.8 percent in 2010 (the third lowest percent on record).
- In 2010, Michigan net wages and salaries' share of personal income fell to 42.1 percent – its smallest share of personal income since at least 1958. At the same time, transfer receipts' share of personal income rose to 23.7 percent of personal income – its largest share since at least 1958.

Michigan 2010 Income Per Person Ranks 4th Among Great Lakes States



U.S. Economic Conditions

	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	74.3	71.5	63.7	55.7	-13.2 points
ISM Manufacturing Index ⁽ⁱ⁾	53.5	55.3	50.9	50.6	-4.6 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.6	53.3	52.7	53.3	0.5 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>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	226.0	225.7	225.9	226.5	3.8%
Detroit CPI	NA	213.5	NA	213.9	4.1%
U.S. Producer Price Index	192.9	191.6	192.4	191.6	6.5%
INTEREST RATES					
90 Day T-Bill ^(l)	0.04%	0.04%	0.03%	0.05%	-0.10% points
Aaa Corporate Bonds ^(m)	4.96%	4.99%	4.93%	4.37%	-0.12% points
INDUSTRIAL PRODUCTION ^(m)	93.0	93.0	93.9	94.0	3.4%
CAPACITY UTILIZATION ^(m)	76.7%	76.7%	77.3%	77.4%	1.9% points
RETAIL SALES ⁽ⁿ⁾	\$387.5	\$388.3	\$389.3	\$389.5	7.2%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	0.553	0.615	0.601	0.571	-5.8%
Existing Home Sales ^(p)	4.810	4.840	4.670	5.030	18.6%
DURABLE GOODS ORDERS ^(q)	\$196.2	\$194.0	\$202.0	\$201.8	12.3%
PERSONAL INCOME ^(c)					
(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%
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	\$13,271.8	1.33%

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.