



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## December 2012 Summary

**U.S. Economy:** The U.S. economy shrank slightly (-0.14 percent annual rate) in 2012Q4 -- marking the first quarterly contraction since 2009Q2. In December 2012, the ISM manufacturing index decreased 2.7 percentage points from December 2011, while the ISM non-manufacturing index was up 3.0 percentage points. In December, the Consumer Sentiment Index fell sharply (9.8 percentage points) from last month's 62-month high but was up 3.0 points from a year ago. New durable goods orders were down slightly from December 2011. In December 2012, year-over-year industrial production grew 2.9 percent. Capacity utilization was up 1.0 percentage point from last December. While down 2.0 percent from November's three-year high, existing home sales rose 12.8 percent from a year ago. In December 2012, housing starts rose 36.9 percent from December 2011 to an annualized 954,000 units -- the highest reading since June 2008.

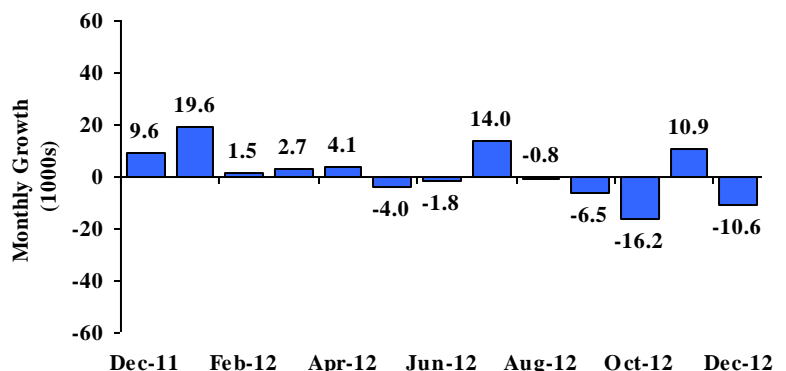
**Employment:** In December 2012, Michigan wage and salary employment was down 10,600 jobs (0.3 percent) compared to a month ago, and up 0.3 percent from a year ago. Nationally, wage and salary employment rose by 155,000 jobs between November and December. Between December 2011 and December 2012, U.S. employment increased 1.4 percent. At 8.9 percent, Michigan's unemployment rate was unchanged from November. The State's December 2012 unemployment rate was 0.4 percentage point lower than a year earlier. The December 2012 U.S. unemployment rate (7.8 percent) was down 0.7 percentage point from a year ago.

**Auto Industry:** In December 2012, the U.S. light vehicle annual sales rate (15.3 million units) was up 13.0 percent from a year ago. Michigan vehicle production rose 3.0 percent compared to last December's production; U.S. vehicle production was down 0.4 percent.

**Inflation:** In December, the overall U.S. consumer price index (CPI) rose 1.7 percent compared to a year ago while the Detroit CPI was up 1.4 percent. At \$87.86 per barrel, oil prices were down \$10.70 from December 2011.

**Michigan Metro Areas:** Unemployment rates fell in 16 of Michigan's 17 major labor markets in December compared with each labor market's year-ago rate. Employment rose in 11 areas, fell in five areas and was unchanged in one area. Seventy-one of Michigan's 83 counties saw a year-over-year unemployment rate drop.

**Michigan Employment  
Decreases in December 2012<sup>(a)</sup>**



Jay Wortley  
Director

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Senior Economist

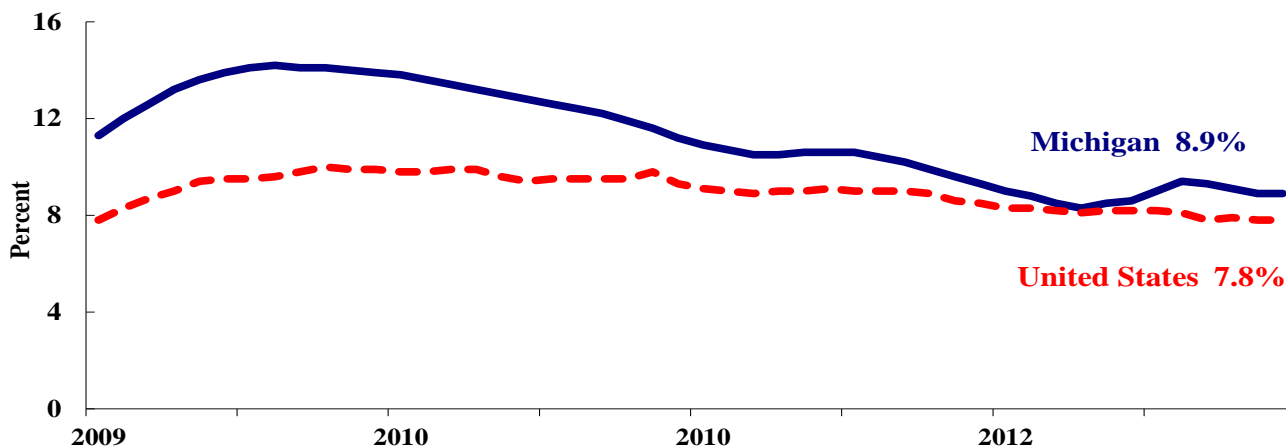
Andrew Lockwood  
Senior Economist

Mary Pasch  
Executive Secretary

### Labor Market Statistics

- Michigan’s December unemployment rate remained unchanged from last month at 8.9 percent, and was down 0.4 of a percentage point from a year ago. The December U.S. unemployment rate remained unchanged from November at 7.8 percent and was down 0.7 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  
2009 to 2012**



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

- In December, the number of people employed in Michigan was 4,227,000, down 11,000 from last month, while the labor force decreased by 10,000. The statewide total number of unemployed increased by 1,000 to 413,000.
- United States household employment totaled 143.3 million persons in December. The labor force totaled 155.5 million and there were 12.2 million unemployed in December 2012.

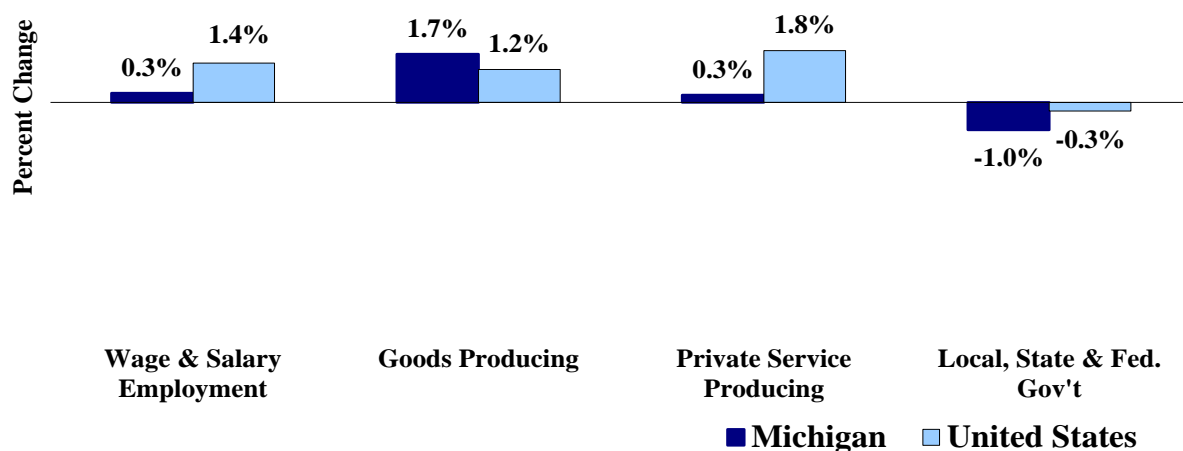
**Employment by Place of Residence (in thousands)<sup>(a)</sup>**

	Prelim. 2012 Average	Oct 2012	Nov 2012	Dec 2012	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
<b>Michigan</b>								
Labor Force	4,656	4,674	4,650	4,640	-10	-0.2%	10	0.2%
Employed	4,242	4,247	4,238	4,227	-11	-0.3%	28	0.7%
Unemployed	415	427	412	413	1	0.2%	-18	-4.2%
Unemployment Rate	8.9%	9.1%	8.9%	8.9%	n.a.	0.0% pts	n.a.	-0.4%
<b>United States</b>								
Labor Force	154,975	155,576	155,319	155,511	192	0.1%	1,566	1.0%
Employed	142,469	143,328	143,277	143,305	28	0.0%	2,409	1.7%
Unemployed	12,506	12,248	12,042	12,206	164	1.4%	-843	-6.5%
Unemployment Rate	8.1%	7.9%	7.8%	7.8%	n.a.	0.0% pts	n.a.	-0.7%

## Employment by Place of Work

- From December 2011 to December 2012, Michigan wage and salary employment increased 13,000 (0.3 percent). State wage and salary employment decreased 11,000 from November. Nationally, December 2012 wage and salary employment rose 1,835,000 (1.4 percent) from a year ago and was up 155,000 from last month.

### Wage and Salary Employment Growth December 2011 to December 2012



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

- In the goods-producing sector, Michigan employment increased 1.7 percent from a year ago while private service-producing sector employment increased 0.3 percent compared to last year. From a year ago, December national employment in the goods-producing sector rose 1.2 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.2 hours in December compared to last year.

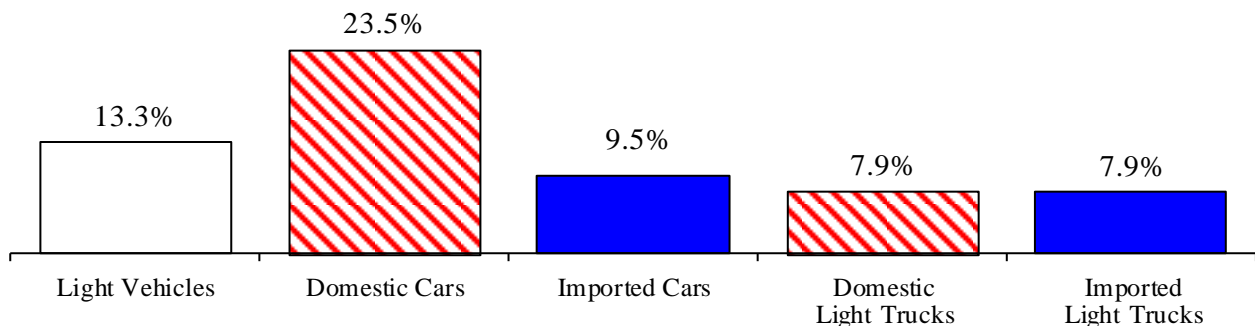
### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2011 Average	Dec 2011	Dec 2012	Percent Change	2011 Average	Dec 2011	Dec 2012	Percent Change
Wage & Salary Employment	3,936	3,960	3,973	0.3%	131,359	132,186	134,021	1.4%
Goods Producing	638	641	652	1.7%	18,021	18,176	18,389	1.2%
Manufacturing	506	511	528	3.3%	11,733	11,808	11,988	1.5%
Private Service Producing	2,679	2,707	2,714	0.3%	91,234	92,017	93,707	1.8%
Trade, Trans. & Utilities	720	726	722	-0.6%	25,019	25,181	25,532	1.4%
Services	1,713	1,731	1,742	0.6%	55,877	56,495	57,774	2.3%
Local, State & Fed. Gov't	619	613	607	-1.0%	22,104	21,993	21,925	-0.3%
Manufacturing Weekly Hours	41.4	43.9	43.7	-0.2 hrs	40.5	40.7	40.7	0.0 hrs

## Motor Vehicle Industry Sales

- December 2012 U.S. light vehicle sales totaled 15.3 million units, at a seasonally adjusted annual rate, which was down 1.0 percent from November 2012, but up 13.0 percent from a year ago. The light vehicle sales rate has exceeded 14.0 million units in 10 of the past 11 months. In calendar year (CY) 2012, light vehicle sales were up 13.3 percent from last year – the largest annual increase in 28 years. Heavy truck sales were 13.3 percent higher compared to 2011.
- U.S. sales of domestic light vehicles increased 14.3 percent between December 2011 and December 2012, while foreign sales rose 8.2 percent over the same period. In CY 2012, domestic sales rose 14.7 percent compared to CY 2011 while foreign sales increased 8.9 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 0.9 percentage point from 2011 to 22.1 percent – its lowest share since CY 2005.
- Auto sales increased 19.7 percent compared to last December, while light truck sales were up 6.7 percent from December 2011. In CY 2012, auto sales were up 19.1 percent and light truck sales were 7.9 percent higher.

### Calendar Year 2012 Light Vehicle Sales Up Substantially from Year Ago



### Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2012 Average	Oct 2012	Nov 2012	Dec 2012	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.4	7.2	8.0	7.8	7.7	1.3	19.7%
Domestics	5.2	5.2	5.7	5.6	5.5	1.1	25.0%
Imports	2.1	2.0	2.3	2.2	2.2	0.2	7.7%
Import Share	28.9%	27.4%	28.9%	27.9%	28.1%	-3.1%	pts
Light Trucks	7.1	7.1	7.5	7.5	7.4	0.5	6.7%
Domestics	6.0	6.2	6.4	6.4	6.3	0.4	6.3%
Imports	1.1	1.0	1.1	1.1	1.1	0.1	9.2%
Import Share	15.0%	13.6%	15.0%	15.0%	14.5%	0.3%	pts
Total Light Vehicles	14.4	14.3	15.5	15.3	15.1	1.8	13.0%
Heavy Trucks	0.3	0.4	0.3	0.3	0.3	0.0	0.3%
Total Vehicles	14.8	14.7	15.8	15.7	15.4	1.8	12.7%

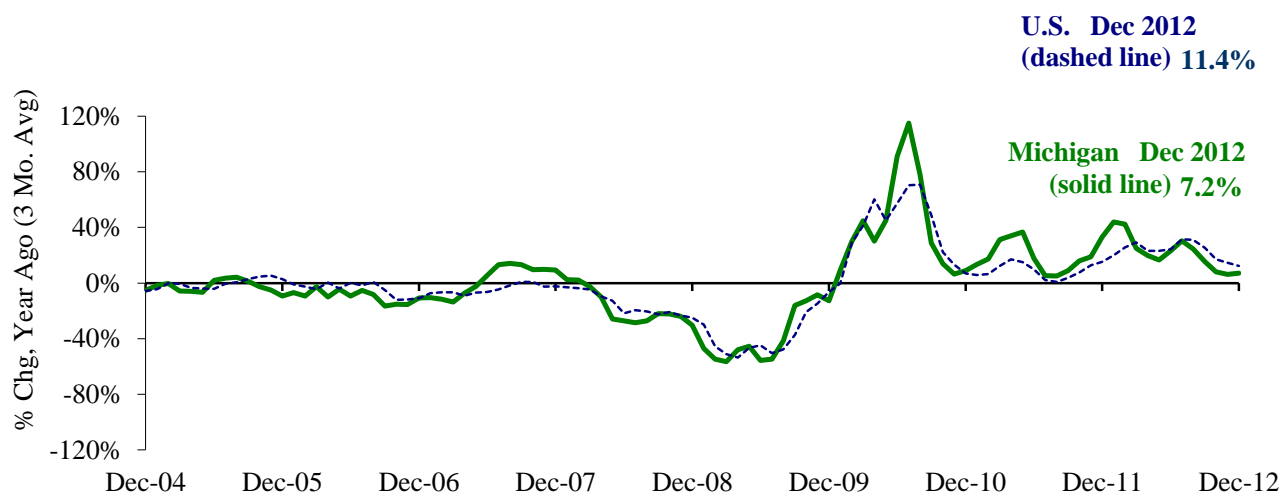
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

	2012 Average	Oct-12	Nov-12	Dec-12	3 Month Average		
Inventories	\$149.3	\$158.0	\$158.7	\$159.9	\$158.9	\$27.17	20.5%
Inventory/Sales Ratio	2.01	2.11	2.07	2.06	2.08	0.28	

### Motor Vehicle Industry Production

- At 163,064 units, December 2012 Michigan motor vehicle production was 3.0 percent higher than December 2011. National production decreased 0.4 percent from last December. The three-month average of vehicle production (October 2012-December 2012) was up 7.2 percent in Michigan and up 11.4 percent nationally. Calendar year (CY) 2012 Michigan production was up 17.4 percent, while national CY production increased 20.5 percent.
- In December 2012, Michigan car production was up 4.2 percent from a year ago while State truck production rose 2.2 percent. Between CY 2011 and CY 2012, State car production rose sharply (41.6 percent) while State truck production increased 4.1 percent.
- From a year ago, Michigan's December share of national production rose 0.8 percentage point to 23.8 percent. Between CY 2011 and CY 2012, Michigan's share of national production fell 0.6 percentage point to 21.7 percent.

### Michigan and U.S. Motor Vehicle Production Three Month Average Up from Last Year <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012 Monthly Average	Oct 2012	Nov 2012	Dec 2012	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	364.5	432.7	383.0	271.8	362.5	1.4	0.5%
Trucks	503.0	555.6	485.9	413.2	484.9	(4.1)	-1.0%
Total	867.5	988.3	868.9	685.0	847.4	(2.7)	-0.4%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	80.5	96.9	78.9	67.9	81.2	2.8	4.2%
Trucks	107.8	112.2	99.2	95.1	102.2	2.0	2.2%
Total	188.2	209.1	178.1	163.1	183.4	4.8	3.0%
Michigan as % of U.S.	21.7%	21.2%	20.5%	23.8%	21.6%	0.8% pts	

## Local Area Unemployment Rates Fall In All But One Local Area

(Not Seasonally Adjusted)

December 2012 local area unemployment rates ranged between 5.1 percent (Ann Arbor MSA) and 12.1 percent (Northeast Lower Michigan). The median December 2012 unemployment rate was 8.3 percent – this contrasts with an 8.6 percent median rate last December. According to preliminary data, calendar year (CY) 2012 unemployment rates ranged between 5.4 percent (Ann Arbor MSA) and 11.0 percent (Northeast Lower Michigan).

Compared to a year ago, the December unemployment rate fell in 16 of Michigan's 17 major Michigan labor market areas. The Detroit-Warren-Livonia MSA labor market area reported a 0.5 percentage point increase. Northwest Lower Michigan and the Monroe MSA reported the largest rate decline (-0.8 percentage point). The median rate change was a 0.4 percentage point decline. According to preliminary data, all 17 major Michigan labor market areas saw a CY unemployment rate decline between 2011 and 2012. Calendar year declines ranged between -1.1 percentage points (Ann Arbor MSA and Saginaw-Saginaw Township) and -1.8 points (Monroe MSA).

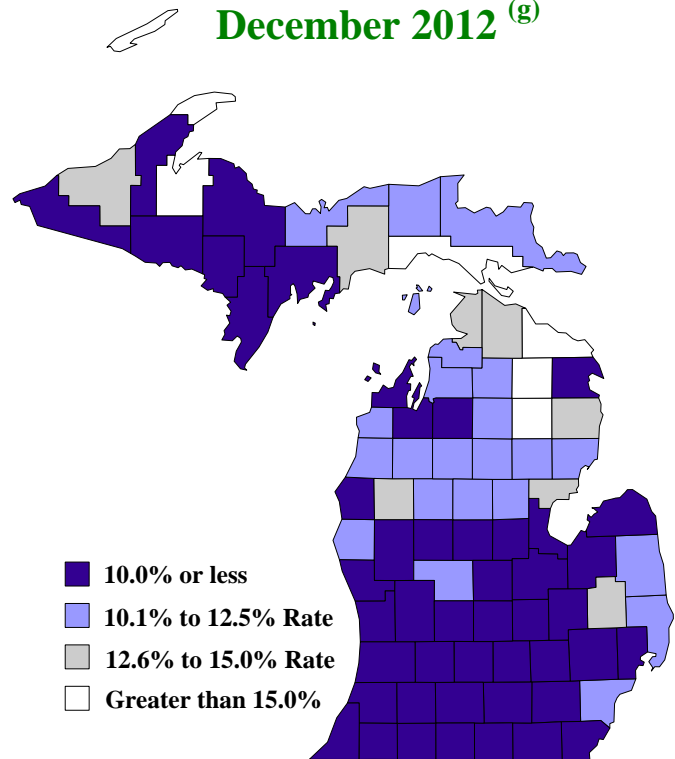
Between December 2011 and December 2012, employment rose in 11 areas, fell in five areas and remained unchanged in one area. Among the 11 areas reporting an employment increase, increases ranged between 0.2 percent in the Upper Peninsula and 2.5 percent in the Holland-Grand Haven MSA. The median employment increase was 1.5 percent. The five employment declines ranged between -0.1 percent in Northeast Lower Michigan and -1.1 percent in the Muskegon-Norton Shores MSA.

Between December 2011 and December 2012, the unemployment rate fell in 71 Michigan counties, rose in eleven counties and was unchanged in one county. The median December 2012 rate decline was 0.5 percentage point. Benzie County posted the largest decline (-2.3 percentage points), followed by Montmorency County (-1.6 percentage points). Forty-seven Michigan counties saw a December 2012 unemployment rate below 10.0 percent. Last December, 42 counties had an unemployment rate below 10.0 percent. In December 2012, six Michigan counties reported a rate higher than 15.0 percent.

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

<u>Local Area</u>	<u>Dec 2011 Rate</u>	<u>Nov 2012 Rate</u>	<u>Dec 2012 Rate</u>
Michigan	9.0%	7.9%	8.9%
Ann Arbor	5.4%	4.3%	5.1%
Battle Creek	7.6%	5.9%	7.1%
Bay City	8.5%	6.8%	8.3%
Detroit-Warren-Livonia	9.7%	9.7%	10.2%
Flint	9.5%	7.8%	9.1%
Grand Rapids-Wyoming	7.2%	5.4%	6.5%
Holland-Grand Haven	7.0%	5.3%	6.3%
Jackson	8.6%	6.8%	8.1%
Kalamazoo-Portage	8.0%	6.0%	7.3%
Lansing-East Lansing	7.0%	5.6%	6.7%
Monroe	8.4%	6.4%	7.6%
Muskegon-Norton Shores	8.8%	7.5%	8.6%
Niles-Benton Harbor	9.3%	7.2%	8.8%
Saginaw-Saginaw Township	8.6%	7.1%	8.4%
Upper Peninsula	9.7%	7.5%	9.4%
Northeast Lower Mich	12.5%	9.6%	12.1%
Northwest Lower Mich.	10.9%	8.2%	10.1%

### County Unemployment Rates December 2012<sup>(g)</sup>



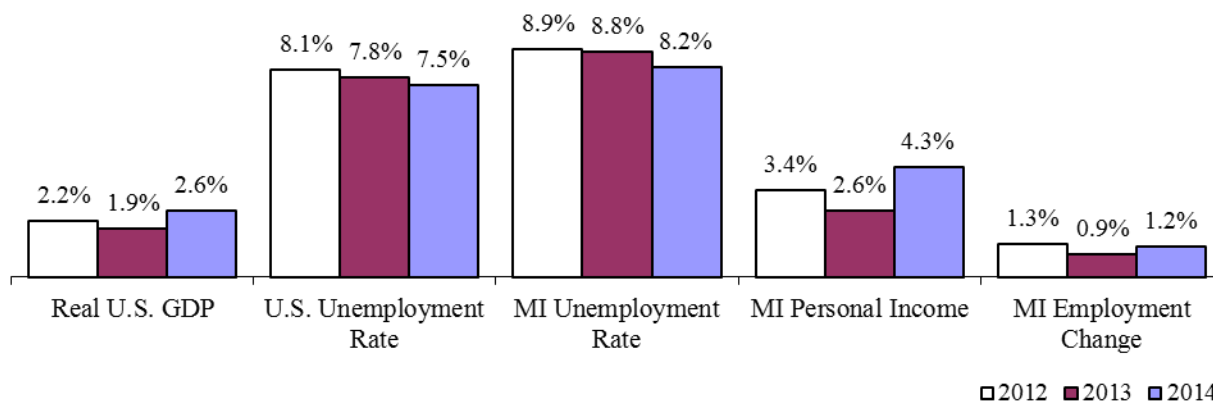
## Consensus Economic Forecast Continued Recovery

On January 13, 2013, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2013 and 2014. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 1.9 percent in 2013. Real GDP is then expected to grow 2.6 percent in 2014. The 2013 projected increase is down 0.6 percentage point from the May 2012 Conference projection. Similarly, the 2014 growth forecast is 0.3 percentage point lower than in May 2012.
- The U.S. unemployment rate is forecast to fall over the next two years from the estimated 8.1 percent rate in 2012. The rate is forecast to fall 0.3 percentage point in 2013 before declining another 0.3 percentage point in 2014.
- Light vehicle sales are expected to rise to 15.0 million units in 2013 and 15.4 million units in 2014. The 2013 projection is down 0.1 million units from the May 2012 Conference projection; the 2013 forecast is down 0.2 million units from the May 2012 forecast.
- The January Consensus projects Michigan wage and salary employment will rise 0.9 percent in 2013. The Consensus forecasts a 1.2 percent employment increase in 2014 – marking Michigan’s fourth straight annual employment increase.
- According to the January Consensus, the Michigan unemployment rate will fall from 8.9 percent in 2012 to 8.8 percent in 2013. The forecast then sees the State’s unemployment rate falling to 8.2 percent in 2014.
- Michigan personal income is projected to rise 2.6 percent in 2013 and 4.3 percent in 2014. Wages and salaries are expected to increase 2.8 percent in 2012 and then rise 3.5 percent in 2014.

**U.S. Economic Forecast  
Modest Recovery**

**Michigan Economic Forecast  
Growing Labor Market**





## U.S. Economic Conditions

	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	78.3	82.6	82.7	72.9	3.0 points
ISM Manufacturing Index <sup>(i)</sup>	51.6	51.7	49.9	50.2	-2.7 points
ISM Non Manufacturing Index <sup>(i)</sup>	55.2	54.8	54.8	55.7	3.0 points
	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	
Business Executives' Confidence <sup>(j)</sup>	63.0	47.0	42.0	46.0	-3.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	231.4	231.3	230.2	229.6	1.7%
Detroit CPI	NA	218.1	NA	216.6	1.4%
U.S. Producer Price Index	196.7	196.3	194.5	193.6	1.3%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.11%	0.10%	0.09%	0.07%	0.06% points
Aaa Corporate Bonds <sup>(l)</sup>	3.49%	3.47%	3.50%	3.65%	-0.28% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	97.2	97.0	98.3	98.7	2.9%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	78.4%	78.1%	79.1%	79.3%	1.0% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$412.7	\$412.0	\$414.0	\$416.1	4.8%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.843	0.889	0.851	0.954	36.9%
Existing Home Sales <sup>(m)</sup>	4.690	4.760	5.040	4.940	12.8%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$216.9	\$219.2	\$220.6	\$230.0	-0.2%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>% Change From Year Ago</u>
Michigan	\$362.0	\$366.8	\$368.7	\$370.9	3.5%
U.S.	\$13,018.3	\$13,229.3	\$13,327.8	\$13,397.8	3.2%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2005 Dollars) <sup>(c)</sup>	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,506.4	\$13,548.5	\$13,652.5	\$13,647.6	-0.14%



**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) Bureau of the Census, U.S. Department of Commerce
- (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) National Association of Realtors.