



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

March 2012 Summary

U.S. Economy: In 2012Q1, real GDP grew at a 2.2 percent annual pace. In March, industrial production was up 3.8 percent from a year ago and capacity utilization increased 2.1 percentage points. March housing starts were up 10.3 percent from a year ago and existing home sales rose 5.2 percent. Retail sales were up 6.6 percent from last March and new durable goods orders increased 7.3 percent. At 76.2, consumer sentiment was up 8.7 points from a year ago and was 20.6 points higher than the recent August 2011 trough. Compared to a year ago, the ISM manufacturing index was down 6.3 points and the ISM non-manufacturing index was off 0.3 points. However, the manufacturing index has indicated expansion (index over 50) in each of the past 32 months and the non-manufacturing index has shown growth in each of the past 27 months.

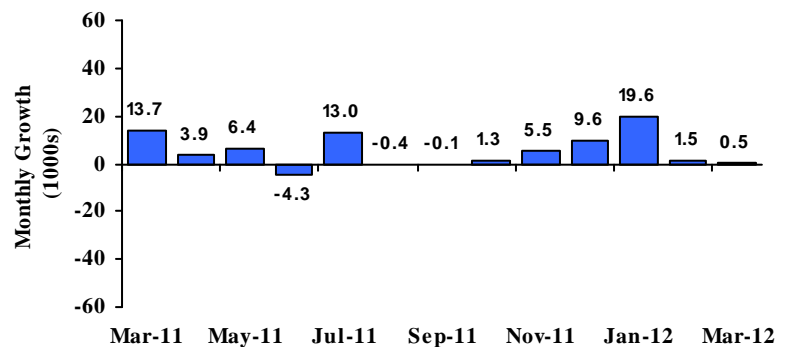
Employment: In March, Michigan employment was up 1.4 percent from the year-ago level. Nationally, employment increased 1.5 percent from last March. The Michigan unemployment rate dropped 2.0 percentage points from a year ago to 8.5 percent – Michigan’s lowest unemployment rate since July 2008. At 8.2 percent, the U.S. unemployment rate was down 0.7 percentage point from a year ago.

Auto Industry: While the light vehicle annual sales rate was down 4.8 percent from last month, the March 2012 rate represented the second highest rate since April 2008. Michigan vehicle production was up 6.9 percent while U.S. production rose 9.6 percent.

Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 2.7 percent. The core U.S. CPI (excluding food and energy) rose 2.3 percent. The overall producer price index (PPI) rose 2.8 percent while the core PPI increased 2.9 percent. At \$106.19 per barrel, oil prices were up \$3.25 from March 2011.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in March compared with year-ago levels. Employment rose in 15 of Michigan’s 17 areas. Eighty-two of Michigan’s 83 counties saw a year-over-year unemployment rate drop; one reported no change.

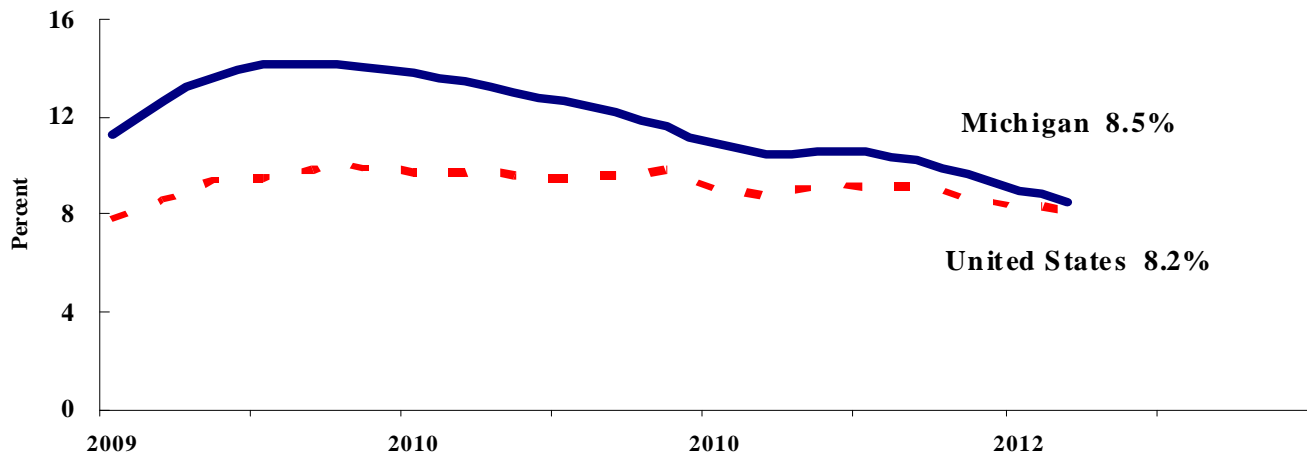
**Michigan Employment Seen
Little Change in Past Two Months ^(a)**



Labor Market Statistics

- Michigan’s March unemployment rate decreased 0.3 of a percentage point from last month to 8.5 percent, and the current Michigan jobless rate is down 2.0 percentage points from a year ago. The March U.S. unemployment rate decreased 0.1 of a percentage point from February to 8.2 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 March, the number of people employed in Michigan was 4,259,000, up 21,000 from last month, while the labor force increased by 9,000. The statewide total number of unemployed decreased by 12,000 to 397,000.
- United States household employment totaled 142.0 million persons in March. The labor force totaled 154.7 million and there were 12.7 million unemployed in March 2012.

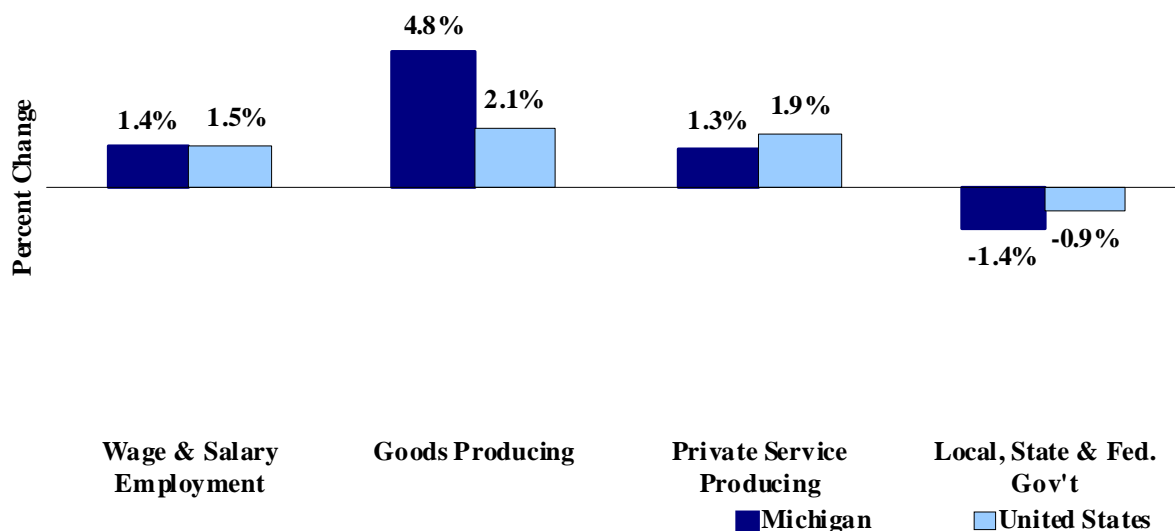
Employment by Place of Residence (in thousands)^(a)

	2011 <u>Average</u>	Jan <u>2012</u>	Feb <u>2012</u>	Mar <u>2012</u>	Change From		Last Year	
					Prior Month <u>Level</u>	<u>%</u>	<u>Level</u>	<u>%</u>
Michigan								
Labor Force	4,658	4,633	4,647	4,656	9	0.2%	-17	-0.4%
Employed	4,178	4,216	4,238	4,259	21	0.5%	78	1.9%
Unemployed	480	417	409	397	-12	-2.9%	-96	-19.5%
Unemployment Rate	10.3%	9.0%	8.8%	8.5%	n.a.	-0.3% pts	n.a.	-2.0%
United States								
Labor Force	153,617	154,395	154,871	154,707	-164	-0.1%	1,315	0.9%
Employed	139,869	141,637	142,065	142,034	-31	0.0%	2,270	1.6%
Unemployed	13,747	12,758	12,806	12,673	-133	-1.0%	-955	-7.0%
Unemployment Rate	8.9%	8.3%	8.3%	8.2%	n.a.	-0.1% pts	n.a.	-0.7%

Employment by Place of Work

- From March 2011 to March 2012, Michigan wage and salary employment increased 57,000 (1.4 percent). State wage and salary employment increased 1,000 from February. Nationally, March 2012 wage and salary employment rose 1,899,000 (1.5 percent) from a year ago and was up 120,000 from last month.

Wage and Salary Employment Growth March 2011 to March 2012



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 1.3 percent compared to last year. From a year ago, March national employment in the goods-producing sector rose 2.1 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 2.2 hours in March compared to last year.

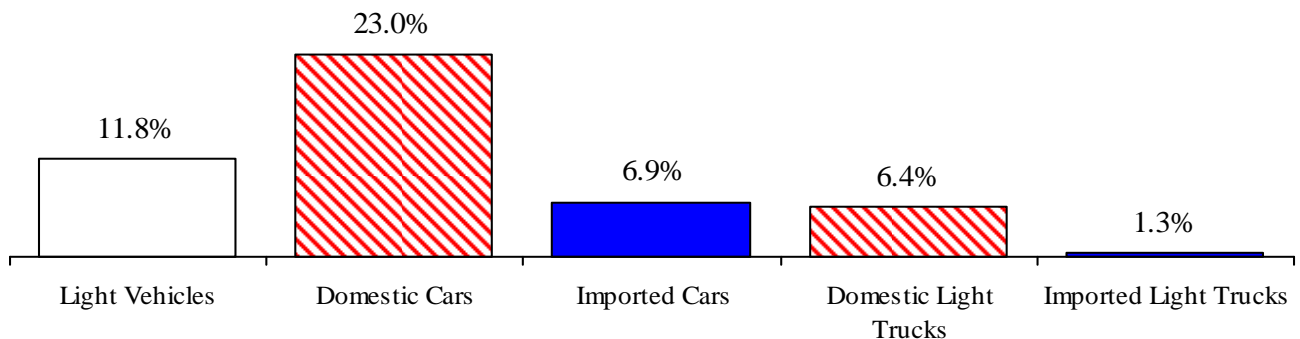
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2011 Average	Mar 2011	Mar 2012	Percent Change	2011 Average	Mar 2011	Mar 2012	Percent Change
Wage & Salary Employment	3,936	3,926	3,982	1.4%	131,359	130,922	132,821	1.5%
Goods Producing	638	630	660	4.8%	18,021	17,942	18,314	2.1%
Manufacturing	506	498	528	6.0%	11,733	11,690	11,928	2.0%
Private Service Producing	2,679	2,675	2,711	1.3%	91,234	90,783	92,510	1.9%
Trade, Trans. & Utilities	720	718	719	0.1%	25,019	24,896	25,206	1.2%
Services	1,713	1,710	1,744	2.0%	55,877	55,532	56,951	2.6%
Local, State & Fed. Gov't	619	621	612	-1.4%	22,104	22,197	21,997	-0.9%
Manufacturing Weekly Hours	41.4	44.9	42.7	-2.2 hrs	40.5	40.5	40.7	0.2 hrs

Motor Vehicle Industry Sales

- March 2012 light vehicle sales fell 4.8 percent from February 2012. However, March 2012 light vehicle sales were up 9.9 percent from a year ago. At a 14.3 million unit annual rate, March 2012 light vehicle sales represented the second highest sales rate in nearly four years.
- Compared to February 2012, March 2012 domestic sales decreased 4.5 percent while foreign sales dropped 5.7 percent. Domestic sales rose 12.9 percent compared to a year ago while foreign sales increased just 0.9 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 2.0 percentage points from a year ago to 22.5 percent.
- Auto sales increased 11.9 percent compared to a year ago, while light truck sales were up 7.7 percent from March 2011.

March 2012 Year-to-Date Domestic Car Sales Up Sharply from Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2011 Average	Jan 2012	Feb 2012	Mar 2012	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.2	7.4	8.1	7.6	7.7	0.8	11.9%
Domestics	4.3	5.3	5.8	5.4	5.5	0.8	17.1%
Imports	1.8	2.1	2.4	2.2	2.2	0.0	0.9%
Import Share	29.9%	28.8%	29.2%	28.8%	28.9%	-3.2%	pts
Light Trucks	6.5	6.8	6.9	6.7	6.8	0.5	7.7%
Domestics	5.6	5.7	5.9	5.7	5.8	0.5	9.1%
Imports	1.0	1.0	1.0	1.0	1.0	0.0	0.9%
Import Share	15.0%	15.4%	15.1%	15.5%	15.3%	-1.1%	pts
Total Light Vehicles	12.7	14.1	15.0	14.3	14.5	1.3	9.9%
Heavy Trucks	0.3	0.3	0.4	0.3	0.3	0.1	21.1%
Total Vehicles	13.0	14.5	15.4	14.6	14.8	1.3	10.1%

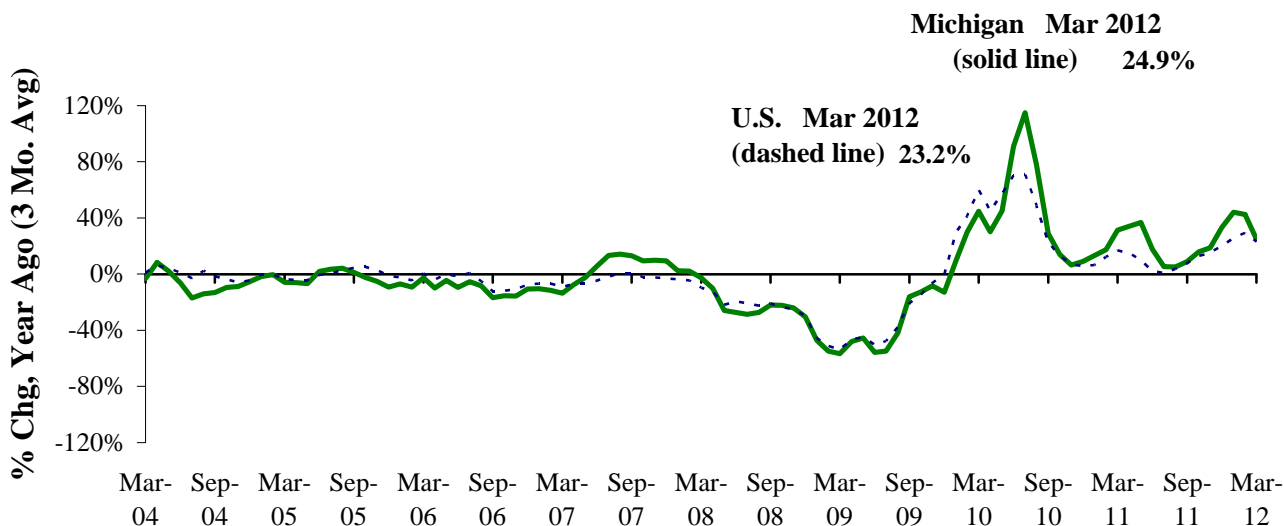
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2011 Average	Dec-11	Jan-12	Feb-12	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$131.0	\$134.0	\$128.6	\$126.9	\$129.8	-\$0.60	-0.5%
Inventory/Sales Ratio	1.92	1.85	1.91	1.86	1.87	-0.02	

Motor Vehicle Industry Production

- At 203,376 units, March 2012 Michigan motor vehicle production rose 6.9 percent from last March. National production increased 9.6 percent from March 2011. Compared to February 2012, Michigan production rose 6.2 percent while national production increased 2.7 percent.
- In March 2012, Michigan car production was up 25.3 percent from a year ago while State truck production decreased 2.4 percent. Nationally, car production rose 27.6 percent while truck production increased 0.1 percent.
- From a year ago, Michigan’s share of national production fell 0.6 of a percentage point to 21.4 percent.

Michigan Motor Vehicle Production Growth Continues to Outpace Nation ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2011 Monthly Average	Jan 2012	Feb 2012	Mar 2012	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	241.7	340.9	386.4	383.1	370.2	82.8	27.6%
Trucks	404.0	495.5	540.0	568.5	534.7	0.8	0.1%
Total	645.7	836.5	926.5	951.6	904.9	83.6	9.6%
Michigan Production ^(f)							
Autos	44.6	62.8	77.4	79.8	73.4	16.1	25.3%
Trucks	86.8	106.9	114.1	123.6	114.8	(3.0)	-2.4%
Total	131.4	169.7	191.5	203.4	188.2	13.1	6.9%
Michigan as % of U.S.	20.4%	20.3%	20.7%	21.4%	20.8%	-0.6% pts	

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

March 2012 local area unemployment rates ranged between 5.5 percent (Ann Arbor MSA) and 13.4 percent (Northeast Lower Michigan). The median March 2012 unemployment rate was 9.0 percent.

Compared to a year ago, the March unemployment rate fell in all 17 major Michigan labor market areas. The Ann Arbor MSA saw the smallest decline (-1.5 percentage points), followed by the Upper Peninsula (-1.6 percentage points). The Monroe MSA and the Detroit-Warren-Livonia MSA saw the largest rate decline (-2.5 percentage points). The median decline was -2.0 percentage points.

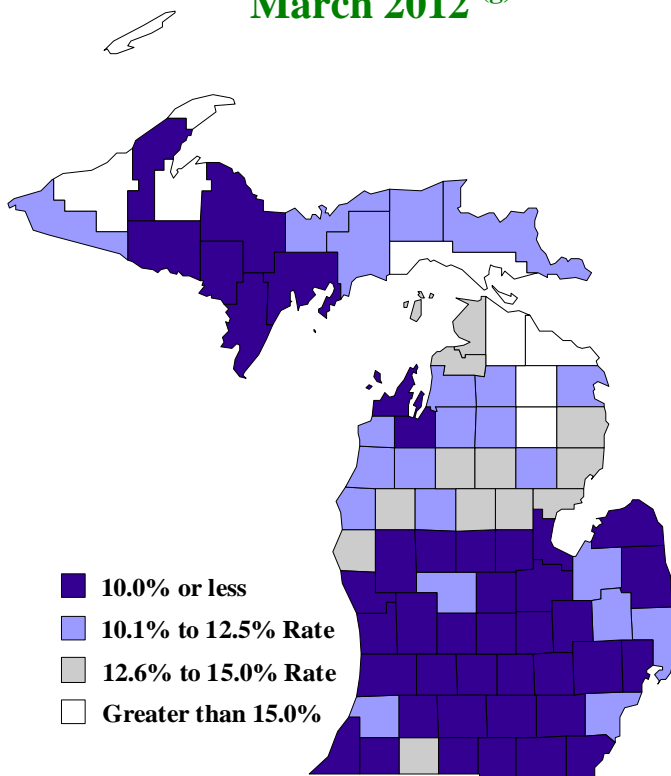
Between March 2011 and March 2012, 15 labor market areas saw an employment increase and two areas experienced a decline. The median employment increase was 2.2 percent with increases ranging between 0.9 percent (Northwest Lower Michigan) and 6.6 percent (Holland-Grand Haven MSA). Compared to a year ago, the labor force fell in eight of the State's 17 areas while seven saw a labor force increase and two, no change. The Holland-Grand Haven MSA experienced the largest labor force increase (3.9 percent); the Monroe MSA saw the greatest labor force decline (-3.2 percent).

Between March 2011 and March 2012, the unemployment rate fell in 82 Michigan counties and was unchanged in one county. The median March 2012 rate decline was 2.1 percentage points. Ontonagon County posted the largest decline (-3.8 percentage points) and Keweenaw County saw no unemployment rate change. Thirty-nine Michigan counties saw a March 2012 unemployment rate below 10.0 percent. Last March, only 14 counties had an unemployment rate below 10.0 percent. In March 2012, seven counties reported a rate higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Mar 2011 Rate</u>	<u>Feb 2012 Rate</u>	<u>Mar 2012 Rate</u>
Michigan	11.2%	9.4%	9.0%
Ann Arbor	7.0%	5.4%	5.5%
Battle Creek	9.6%	7.7%	7.5%
Bay City	11.1%	9.3%	9.2%
Detroit-Warren-Livonia	12.1%	10.2%	9.6%
Flint	12.0%	9.8%	9.6%
Grand Rapids-Wyoming	9.2%	7.4%	7.2%
Holland-Grand Haven	9.4%	7.2%	7.1%
Jackson	10.9%	8.8%	8.6%
Kalamazoo-Portage	9.6%	8.0%	7.8%
Lansing-East Lansing	8.9%	7.2%	7.2%
Monroe	10.9%	8.7%	8.4%
Muskegon-Norton Shores	11.2%	9.4%	9.1%
Niles-Benton Harbor	11.3%	9.9%	9.3%
Saginaw-Saginaw Township	10.7%	9.3%	9.0%
Upper Peninsula	11.9%	10.5%	10.3%
Northeast Lower Mich	15.3%	13.9%	13.4%
Northwest Lower Mich.	13.4%	11.8%	11.4%

County Unemployment Rates March 2012^(g)



U.S. Economic Conditions

	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	Change from Year Ago
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	69.9	75.0	75.3	76.2	8.7 points
ISM Manufacturing Index ⁽ⁱ⁾	53.1	54.1	52.4	53.4	-6.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	53.0	56.8	57.3	56.0	-0.3 points
	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	
Business Executives' Confidence ^(j)	55.0	42.0	49.0	63.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	Change from Year Ago
U.S. Consumer Price Index	225.7	226.7	227.7	229.4	2.7%
Detroit CPI	213.5	NA	214.8	NA	3.9%
U.S. Producer Price Index	191.1	191.9	192.7	194.4	2.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.01%	0.03%	0.09%	0.08%	-0.02% points
Aaa Corporate Bonds ^(l)	3.93%	3.85%	3.85%	3.99%	-1.14% points
INDUSTRIAL PRODUCTION ^(l)					
	95.9	96.6	96.6	96.6	3.8%
CAPACITY UTILIZATION ^(l)					
	78.3%	78.7%	78.7%	78.6%	2.1% points
RETAIL SALES ^(d)					
	\$398.0	\$400.6	\$404.7	\$407.4	6.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	% Change From Year Ago
Housing Starts ^(d)	0.681	0.714	0.694	0.654	10.3%
Existing Home Sales ^(m)	4.380	4.630	4.600	4.480	5.2%
DURABLE GOODS ORDERS ^(p)					
	\$215.0	\$207.5	\$207.2	\$211.8	7.3%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	% Change From Year Ago
Michigan	\$358.7	\$358.6	\$361.7	\$364.3	4.3%
U.S.	\$12,823.3	\$12,932.7	\$13,033.8	\$13,137.2	4.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	Annualized % Chg From Last Qtr
	\$13,271.8	\$13,331.6	\$13,429.0	\$13,502.4	2.20%

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.