



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

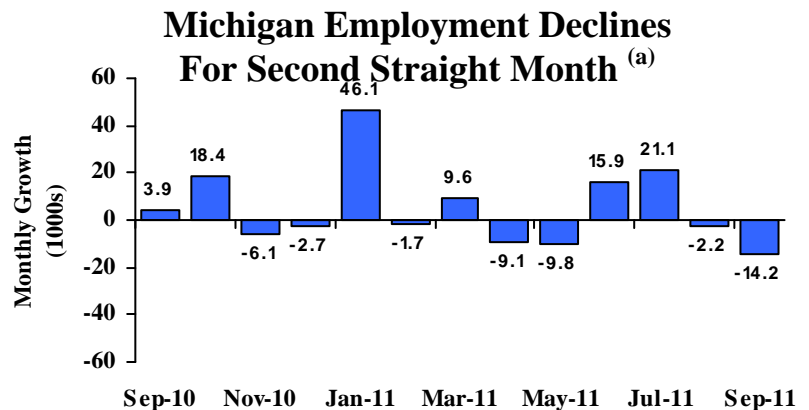
<http://www.michigan.gov/treasury>

September 2011 Summary

U.S. Economy: The economy grew at a 2.5 percent annual rate in the third quarter – up significantly from growth in this year’s first two quarters but still significantly slower than the growth seen in early 2010. Industrial production was up 3.2 percent from a year ago and capacity utilization increased 1.7 percentage points. June housing starts were up 10.2 percent from a year ago and existing home sales rose 11.3 percent. However, confidence remained weak. Consumer sentiment rose 3.7 points from August’s multi-year low but was still down 8.8 points from a year ago. Further, September 2011 sentiment represented its second weakest reading since early 2009. In the third quarter, business confidence dropped sharply from the second quarter (-13 points) to its lowest reading since early 2009. Compared to a year ago, the ISM manufacturing index was down 3.7 points and the ISM non-manufacturing index fell 0.9 point.

Employment: In September, Michigan employment fell by 14,200 jobs; however, compared to a year ago, Michigan employment was up 1.7 percent. Nationally employment increased 1.1 percent. The Michigan unemployment rate fell 0.1 percentage point from August to 11.1 percent. In September, U.S. employment rose by 103,000 jobs – marking the 12th straight monthly increase. At 9.1 percent, the U.S. unemployment rate was unchanged from August but was down 0.5 percentage point from a year ago.

Auto Industry: In September, the light vehicle annual sales rate (13.0 million units) rose 7.9 percent from August and was up 10.8 percent from a year ago. September inventories fell 6.3 percent from a year ago and days supply was down nine days. Compared to a year ago, Michigan vehicle production rose 7.2 percent. Nationally, production increased 8.4 percent.



Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 3.9 percent – a three-year high. The core U.S. CPI (excluding food and energy) rose 2.0 percent. The overall producer price index rose sharply (6.9 percent) but the core producer price index increased only 2.5 percent. At \$85.61 per barrel, oil prices were up \$10.30 a barrel (13.7 percent) from September 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in September compared with year-ago levels. Employment declined in 10 of Michigan’s 17 areas with a median decrease of 1.2 percent.

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Senior Economist

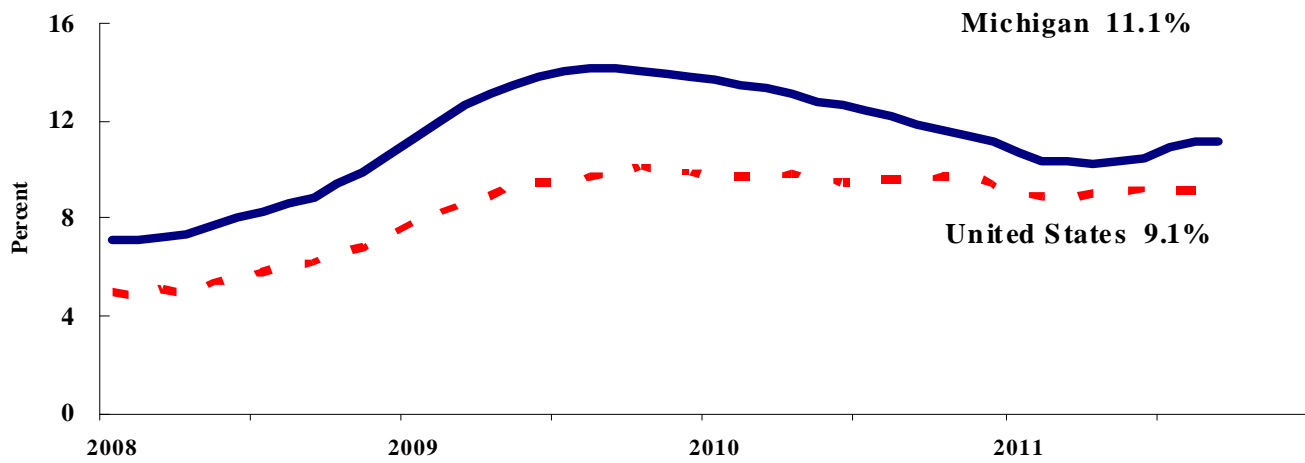
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Labor Market Statistics

- Michigan's September unemployment rate decreased 0.1 percentage point from last month to 11.1 percent, and the current Michigan jobless rate is down 0.8 percentage point from a year ago. The September U.S. unemployment rate remained unchanged from August 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 September, the number of people employed in Michigan was 4,172,000, up 4,000 from last month, while the labor force decreased by 2,000. The statewide total number of unemployed decreased by 6,000 to 520,000.
- United States household employment totaled 140.0 million persons in September, up 398,000 from August. The labor force rose by 423,000 from last month, which meant there were 25,000 more unemployed people nationally, compared to August.

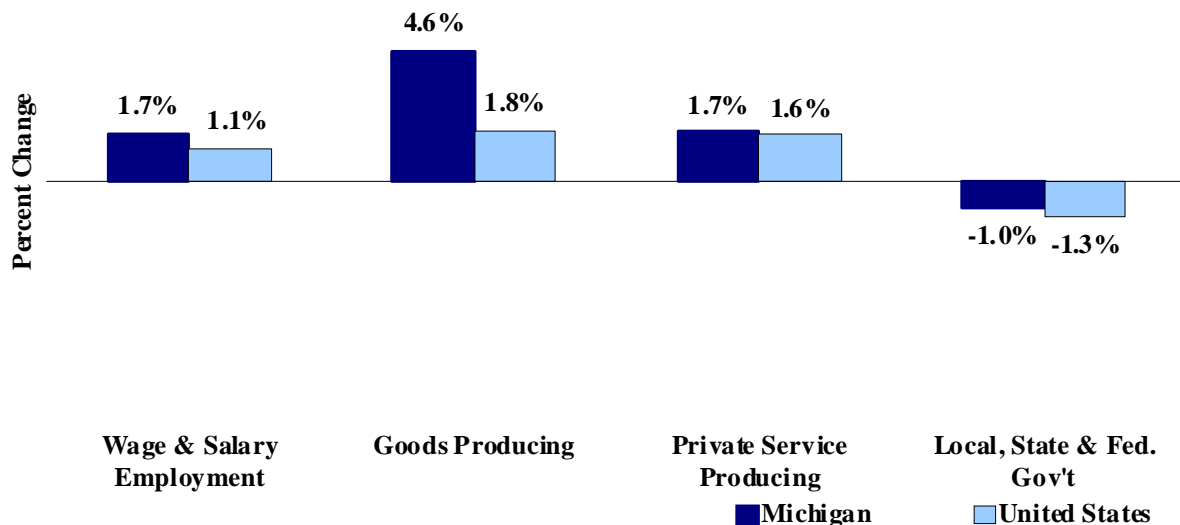
Employment by Place of Residence (in thousands)^(a)

	2010 Average	Jul 2011	Aug 2011	Sep 2011	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,790	4,700	4,694	4,692	-2	0.0%	-78	-1.6%
Employed	4,193	4,189	4,168	4,172	4	0.1%	-30	-0.7%
Unemployed	597	511	526	520	-6	-1.1%	-48	-8.4%
Unemployment Rate	12.5%	10.9%	11.2%	11.1%	n. a.	-0.1% pts	n. a.	-0.8%
United States								
Labor Force	153,889	153,228	153,594	154,017	423	0.3%	-107	-0.1%
Employed	139,064	139,296	139,627	140,025	398	0.3%	647	0.5%
Unemployed	14,825	13,931	13,967	13,992	25	0.2%	-754	-5.1%
Unemployment Rate	9.6%	9.1%	9.1%	9.1%	n. a.	0.0% pts	n. a.	-0.5%

Employment by Place of Work

- From September 2010 to September 2011, Michigan wage and salary employment increased 65,000 (1.7 percent). State wage and salary employment decreased 14,000 from August. Nationally, September 2011 wage and salary employment rose 1,490,000 (1.1 percent) from a year ago and was up 103,000 from last month.

Wage and Salary Employment Growth September 2010 to September 2011



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

- In the goods-producing sector, Michigan employment increased 4.6 percent from a year ago while private service-producing sector employment increased 1.7 percent compared to last year. From a year ago, September national employment in the goods-producing sector rose 1.8 percent and increased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.2 hours in September compared to last year.

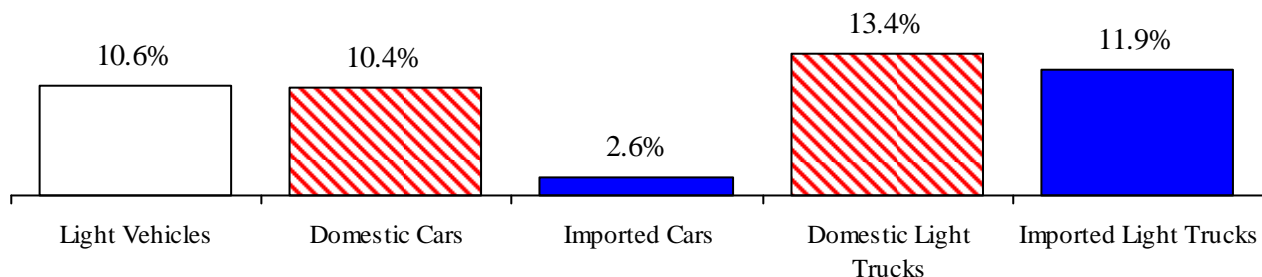
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2010 Average	Sep 2010	Sep 2011	Percent Change	2010 Average	Sep 2010	Sep 2011	Percent Change
Wage & Salary Employment	3,861	3,859	3,924	1.7%	129,818	129,844	131,334	1.1%
Goods Producing	603	607	635	4.6%	17,755	17,784	18,097	1.8%
Manufacturing	474	479	497	3.8%	11,524	11,545	11,741	1.7%
Private Service Producing	2,623	2,628	2,673	1.7%	89,582	89,786	91,252	1.6%
Trade, Trans. & Utilities	709	708	714	0.8%	24,605	24,627	24,952	1.3%
Services	1,672	1,677	1,717	2.4%	54,636	54,842	56,037	2.2%
Local, State & Fed. Gov't	636	624	618	-1.0%	22,482	22,274	21,985	-1.3%
Manufacturing Weekly Hours	40.9	44.2	44.0	-0.2 hrs	40.2	40.3	40.2	-0.1 hrs

Motor Vehicle Industry Sales

- At a 13.0 million unit rate, September 2011 light vehicle sales rose 7.9 percent from August 2011. September 2011 light vehicle sales were up 10.8 percent from a year ago.
- Compared to August 2011, September 2011 domestic sales increased 6.8 percent while foreign sales rose 11.6 percent. Domestic sales rose 15.1 percent compared to a year ago while foreign sales decreased 2.2 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 2.9 percentage points from a year ago to 22.0 percent.
- Auto sales rose 5.9 percent in September 2011 compared to August and increased 3.0 percent compared to a year ago. Light truck sales increased 9.6 percent from August and rose 18.4 percent from September 2010. Heavy truck sales were up 40.7 percent from last year to a 318,000 unit annual rate.
- In September 2011, light vehicle inventories rose 3.3 percent from August and were down 6.3 percent from a year ago. Days supply was unchanged from August but off nine days from a year ago.

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



Motor Vehicle Sales Statistics

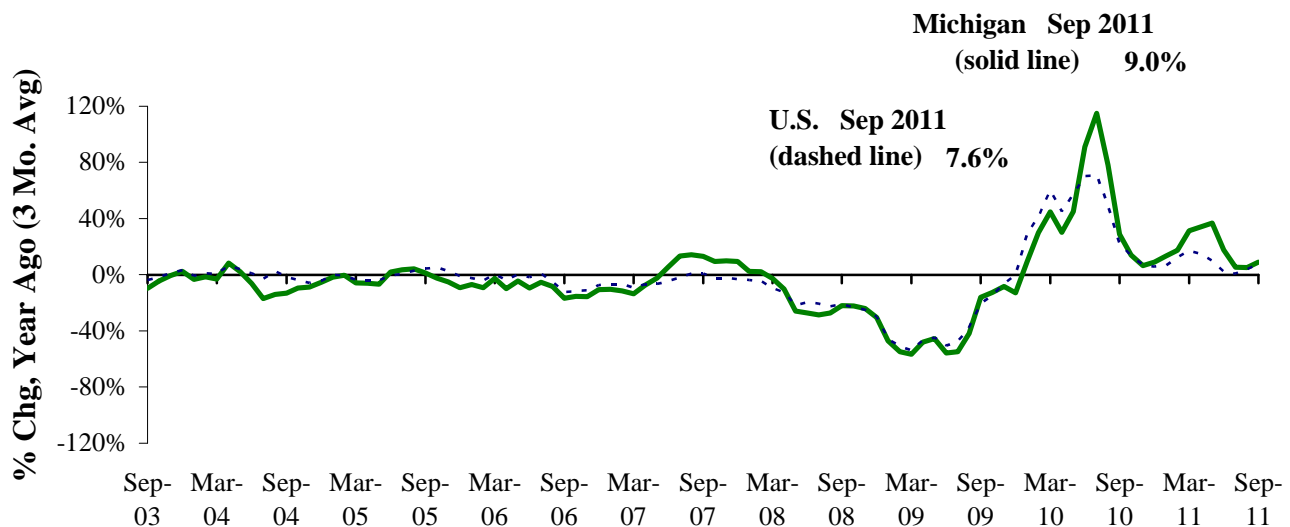
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2010 Average	Jul 2011	Aug 2011	Sep 2011	3 Month Average	Change from Year Ago	
						Level	%
Autos	5.7	5.7	5.7	6.0	5.8	0.2	3.0%
Domestics	3.9	4.0	4.1	4.2	4.1	0.4	9.3%
Imports	1.8	1.7	1.6	1.8	1.7	(0.2)	-9.2%
Import Share	32.3%	29.0%	28.5%	30.0%	29.2%	-4.0%	pts
Light Trucks	5.8	6.5	6.4	7.0	6.7	1.1	18.4%
Domestics	4.9	5.6	5.5	6.0	5.7	1.0	19.5%
Imports	0.9	0.9	1.0	1.1	1.0	0.1	12.3%
Import Share	15.4%	14.2%	14.8%	15.1%	14.7%	-0.8%	pts
Total Light Vehicles	11.6	12.2	12.1	13.0	12.4	1.3	10.8%
Heavy Trucks	0.2	0.3	0.3	0.3	0.3	0.1	40.7%
Total Vehicles	11.8	12.5	12.4	13.4	12.8	1.4	11.3%
U.S. Light Vehicle Inventories^(d)							
Total Car	1.077	0.752	0.770	0.826	0.783	-0.216	
Days Supply	59	39	40	43	41	-13 days	
Total Truck	1.110	1.218	1.234	1.246	1.232	0.076	
Days Supply	58	56	56	54	55	-5 days	

Motor Vehicle Industry Production

- At 173,784 units, September 2011 Michigan motor vehicle production rose 7.2 percent from last September. National production increased 8.4 percent from September 2010. Compared to August 2011, Michigan production fell 11.1 percent while national production decreased 3.8 percent. In the third quarter of 2011 Michigan production was up 9.0 percent from last year while national production rose 7.6 percent..
- Michigan car production was up 12.9 percent in September 2011 from a year ago while State truck production increased 4.3 percent. Nationally, car production rose 9.9 percent while truck production increased 7.6 percent.
- From a year ago, Michigan's share of national production fell 0.3 percentage point to 22.6 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 for the Month	
	Monthly Average	Jul 2011	Aug 2011	Sep 2011	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	241.7	177.3	292.2	280.8	250.1	25.4	9.9%
Trucks	404.0	350.0	508.8	489.6	449.5	34.4	7.6%
Total	645.7	527.3	801.0	770.5	699.6	59.8	8.4%
Michigan Production ^(f)							
Autos	44.6	31.7	76.1	61.8	56.5	7.0	12.9%
Trucks	86.8	75.5	119.4	112.0	102.3	4.6	4.3%
Total	131.4	107.2	195.5	173.8	158.8	11.7	7.2%
Michigan as % of U.S.	20.4%	20.3%	24.4%	22.6%	22.7%	-0.3% pts	

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

September 2011 local area unemployment rates ranged between 6.6 percent (Ann Arbor MSA) and 11.7 percent (Detroit-Warren-Livonia MSA). The median September 2011 unemployment rate was 9.1 percent.

Compared to a year ago, the September unemployment rate fell in all 17 major Michigan labor market areas. The Detroit-Warren-Livonia MSA saw the smallest decline (-0.9 percentage point). The Muskegon-Norton Shores MSA saw the largest rate decline (-2.3 percentage points) followed by the Flint MSA and Holland-Grand Haven MSA (-2.2 percentage points).

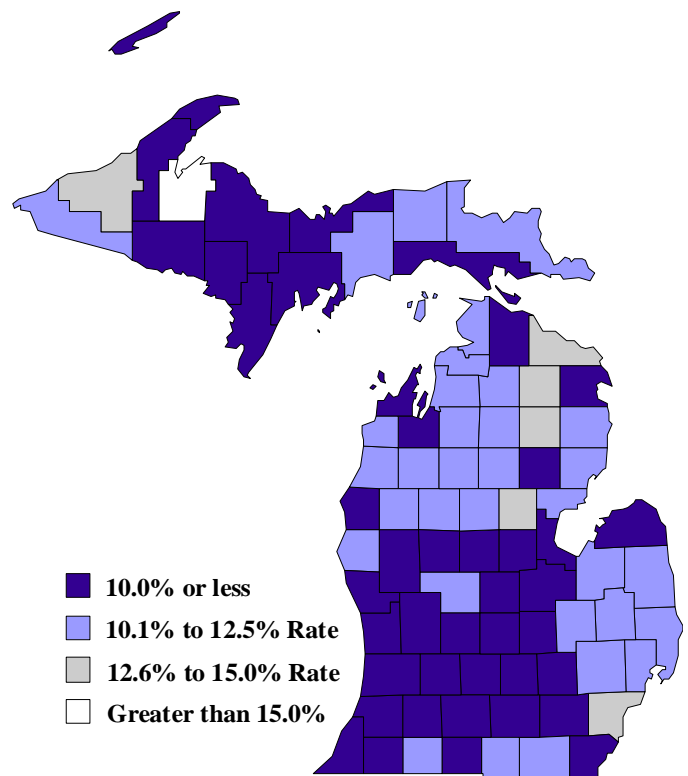
Between September 2010 and September 2011, 10 labor market areas saw an employment decrease. The median employment decrease was 1.2 percent. Northeast Lower Michigan experienced the largest employment decrease (-3.0 percent), followed by Northwest Lower Michigan (-2.1 percent). The Holland-Grand Haven MSA saw the largest employment increase (2.2 percent). Compared to a year ago, the labor force fell in all 17 areas with Northeast Lower Michigan experiencing the largest decline (-4.5 percent), followed by the Flint MSA (-3.9 percent). The median labor force change was a 2.3 percent drop.

Between September 2010 and September 2011, the unemployment rate fell in 82 of Michigan's 83 counties with a median rate decrease of 1.6 percentage points. Baraga County posted the largest decline (-3.6 percentage points) followed by Alcona County (-3.5 percentage points). Forty-one counties saw a September 2011 unemployment rate below 10.0 percent. One county reported a rate higher than 15.0 percent.

County Unemployment Rates September 2011 ^(g)

Local Area Unemployment Rates ^(g)

<u>Local Area</u>	<u>September 2010 Rate</u>	<u>August 2011 Rate</u>	<u>September 2011 Rate</u>
Michigan	11.4%	11.0%	10.1%
Ann Arbor	7.7%	7.2%	6.6%
Battle Creek	10.3%	9.4%	8.6%
Bay City	10.5%	9.6%	8.8%
Detroit-Warren-Livonia	12.6%	12.9%	11.7%
Flint	12.8%	11.4%	10.6%
Grand Rapids-Wyoming	9.7%	8.6%	7.9%
Holland-Grand Haven	9.9%	8.4%	7.7%
Jackson	11.6%	10.3%	9.5%
Kalamazoo-Portage	10.0%	8.9%	8.3%
Lansing-East Lansing	9.2%	8.4%	7.7%
Monroe	11.3%	10.2%	9.2%
Muskegon-Norton Shores	12.2%	10.6%	9.9%
Niles-Benton Harbor	11.2%	10.2%	9.6%
Saginaw-Saginaw Township	10.8%	9.8%	9.1%
Upper Peninsula	10.1%	9.5%	8.8%
Northeast Lower Mich	12.2%	11.4%	10.7%
Northwest Lower Mich.	11.4%	10.2%	9.9%



U.S. Economic Conditions

	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	71.5	63.7	55.7	59.4	-8.8 points
ISM Manufacturing Index ⁽ⁱ⁾	55.3	50.9	50.6	51.6	-3.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	53.3	52.7	53.3	53.0	-0.9 points
	<u>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	
Business Executives' Confidence ^(j)	62.0	67.0	55.0	42.0	-8.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	225.7	225.9	226.5	226.9	3.9%
Detroit CPI	213.5	NA	213.9	NA	4.1%
U.S. Producer Price Index	191.6	192.4	191.6	192.5	6.9%
INTEREST RATES					
90 Day T-Bill ^(l)	0.04%	0.04%	0.02%	0.01%	-0.14% points
Aaa Corporate Bonds ^(l)	4.99%	4.93%	4.37%	4.09%	-0.44% points
INDUSTRIAL PRODUCTION ^(l)					
	93.0	94.0	94.0	94.2	3.2%
CAPACITY UTILIZATION ^(l)					
	76.6%	77.4%	77.3%	77.4%	1.7% points
RETAIL SALES ^(m)					
	\$388.3	\$389.9	\$391.0	\$395.5	7.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>% Change From Year Ago</u>
Housing Starts ⁽ⁿ⁾	0.615	0.615	0.572	0.658	10.2%
Existing Home Sales ^(o)	4.840	4.670	5.060	4.910	11.3%
DURABLE GOODS ORDERS ^(p)					
	\$194.0	\$202.1	\$201.9	\$200.3	4.9%
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>2010.4</u>	<u>2011.1</u>	<u>2011.2</u>	<u>2011.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,216.1	\$13,227.9	\$13,271.8	\$13,352.8	2.46%

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) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2007 equals 100. Treasury bill rate (secondary market).
- (m) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (n) Bureau of the Census, U.S. Department of Commerce.
- (o) National Association of Realtors.
- (p) Bureau of the Census, U.S. Department of Commerce.