



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

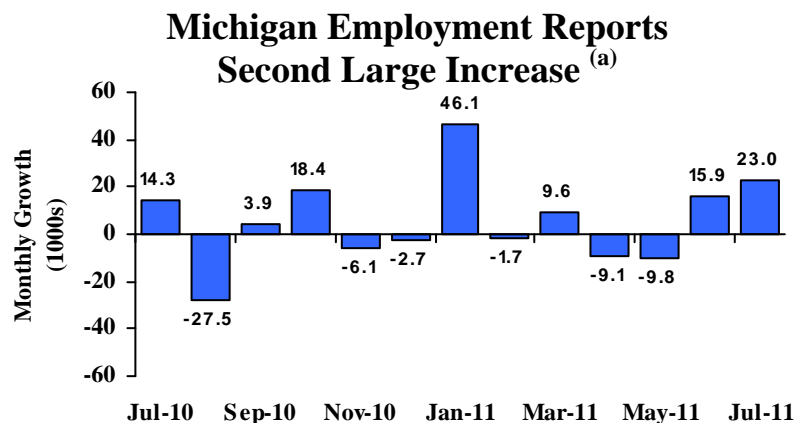
<http://www.michigan.gov/treasury>

July 2011 Summary

U.S. Economy: Estimated 2011Q2 real gross domestic product growth was revised down from 1.3 percent to 1.0 percent. Consumer sentiment fell sharply (-7.8 points) from June to 63.7 – its lowest level since March 2009. Compared to a year ago, the ISM manufacturing index was down 4.2 points and the ISM non-manufacturing index was off 1.0 point. Industrial production was up 3.7 percent from a year ago; capacity utilization increased 2.3 percentage points. June housing starts were up 9.8 percent from a year ago; existing home sales rose 21.0 percent. Retail sales excluding motor vehicles and gasoline purchases rose 6.5 percent from July 2010.

Employment: In July, Michigan employment rose by 23,000 jobs to its highest level since February 2009. Compared to a year ago, Michigan employment rose 1.5 percent; nationally employment increased 1.0 percent. The Michigan unemployment rate rose 0.4 percentage point from June to 10.9 percent, but was still down 1.5 percentage points from July 2010. In July, U.S. employment grew for the tenth straight month, rising a net 117,000 jobs. At 9.1 percent, the U.S. unemployment rate fell by 0.1 percentage point from June and was down 0.4 percentage point from a year ago.

Auto Industry: In July, the light vehicle annual sales rate (12.2 million units) rose 6.0 percent from June and was up 5.8 percent from a year ago. June inventories were down 1.9 percent from a year ago and days supply was down three days. July Michigan vehicle production fell 10.5 percent compared to a year ago; nationally, production decreased 0.9 percent.



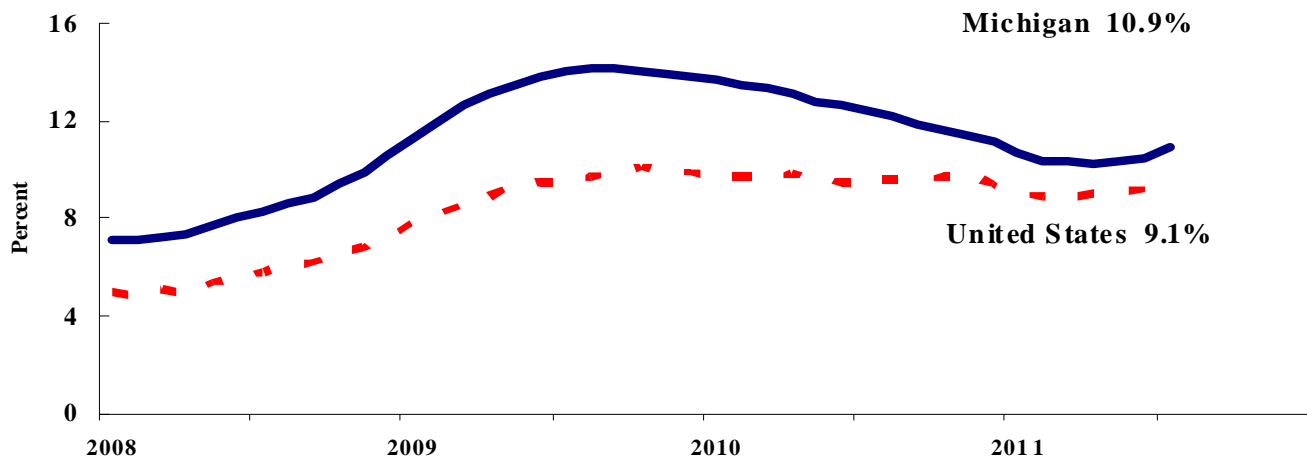
Inflation: Compared to a year ago, the U.S. consumer price index (CPI) was up 3.6 percent. The core U.S. CPI (excluding food and energy) rose 1.8 percent. The overall producer price index rose sharply (7.2 percent) but the core producer price index increased only 2.5 percent. At \$97.19 per barrel, oil prices were up \$20.82 a barrel (27.3 percent) from July 2010.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in June compared with year-ago levels. Employment rose in 11 of Michigan's 17 areas with a median increase of 1.6 percent.

Labor Market Statistics

- Michigan's July unemployment rate increased 0.4 percentage points from last month to 10.9 percent, and the current Michigan jobless rate is down 1.5 percentage points from a year ago. The July U.S. unemployment rate decreased 0.1 percentage point from June to 9.1 percent and was down 0.4 percentage points 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 July, the number of people employed in Michigan was 4,189,000, down 33,000 from last month, while the labor force decreased by 17,000. The statewide total number of unemployed increased by 15,000 to 511,000.
- United States household employment totaled 139.3 million persons in July, down 38,000 from June. The labor force fell by 193,000 from last month, which meant there were 156,000 less unemployed people nationally, compared to June.

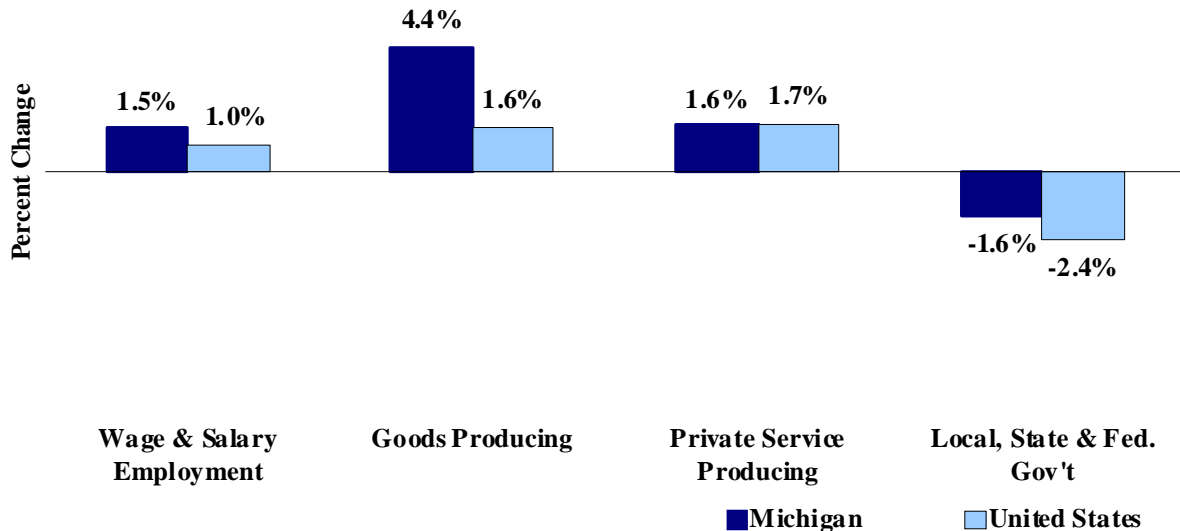
Employment by Place of Residence (in thousands)^(a)

| | 2010 Average | May 2011 | Jun 2011 | Jul 2011 | Change From | | | |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-----------|-----------|--------|
| | | | | | Prior Month | | Last Year | |
| | | | | | Level | % | Level | % |
| Michigan | | | | | | | | |
| Labor Force | 4,790 | 4,736 | 4,718 | 4,701 | -17 | -0.4% | -86 | -1.8% |
| Employed | 4,193 | 4,248 | 4,222 | 4,189 | -33 | -0.8% | -4 | -0.1% |
| Unemployed | 597 | 488 | 496 | 511 | 15 | 3.0% | -83 | -13.9% |
| Unemployment Rate | 12.5% | 10.3% | 10.5% | 10.9% | n.a. | 0.4% pts | n.a. | -1.5% |
| United States | | | | | | | | |
| Labor Force | 153,889 | 153,693 | 153,421 | 153,228 | -193 | -0.1% | -400 | -0.3% |
| Employed | 139,064 | 139,779 | 139,334 | 139,296 | -38 | 0.0% | 305 | 0.2% |
| Unemployed | 14,825 | 13,914 | 14,087 | 13,931 | -156 | -1.1% | -706 | -4.8% |
| Unemployment Rate | 9.6% | 9.1% | 9.2% | 9.1% | n.a. | -0.1% pts | n.a. | -0.4% |

Employment by Place of Work

- From July 2010 to July 2011, Michigan wage and salary employment increased 60,000 (1.5 percent). State wage and salary employment increased 23,000 from June. Nationally, July 2011 wage and salary employment rose 1,258,000 (1.0 percent) from a year ago and was up 117,000 from last month.

Wage and Salary Employment Growth July 2010 to July 2011



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

- In the goods-producing sector, Michigan employment increased 4.4 percent from a year ago while private service-producing sector employment increased 1.6 percent compared to last year. From a year ago, July national employment in the goods-producing sector rose 1.6 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 1.0 hours in July compared to last year.

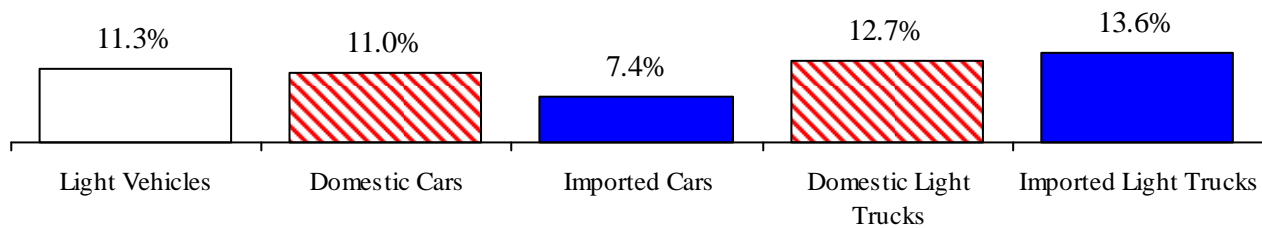
Establishment Employment (in thousands)^(b)

| | Michigan | | | | United States | | | |
|----------------------------|--------------|-----------|-----------|----------------|---------------|-----------|-----------|----------------|
| | 2010 Average | July 2010 | July 2011 | Percent Change | 2010 Average | July 2010 | July 2011 | Percent Change |
| Wage & Salary Employment | 3,861 | 3,882 | 3,942 | 1.5% | 129,818 | 129,932 | 131,190 | 1.0% |
| Goods Producing | 603 | 613 | 640 | 4.4% | 17,755 | 17,791 | 18,077 | 1.6% |
| Manufacturing | 474 | 486 | 502 | 3.3% | 11,524 | 11,580 | 11,745 | 1.4% |
| Private Service Producing | 2,623 | 2,627 | 2,670 | 1.6% | 89,582 | 89,560 | 91,079 | 1.7% |
| Trade, Trans. & Utilities | 709 | 712 | 716 | 0.6% | 24,605 | 24,609 | 24,951 | 1.4% |
| Services | 1,672 | 1,674 | 1,713 | 2.3% | 54,636 | 54,627 | 55,842 | 2.2% |
| Local, State & Fed. Gov't | 636 | 642 | 632 | -1.6% | 22,482 | 22,581 | 22,034 | -2.4% |
| Manufacturing Weekly Hours | 40.9 | 44.5 | 43.5 | -1.0 hrs | 40.2 | | | 0.0 hrs |

Motor Vehicle Industry Sales

- At a 12.2 million unit rate, July 2011 light vehicle sales rose 6.0 percent from June 2011. July 2011 light vehicle sales were up 5.8 percent from a year ago.
- Compared to June 2011, July 2011 domestic sales increased 7.0 percent while foreign sales rose 2.1 percent. Domestic sales rose 9.1 percent compared to a year ago while foreign sales decreased 5.1 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 2.4 percentage points from a year ago to 21.1 percent.
- Auto sales rose 1.5 percent in July 2011 compared to June and increased only 0.5 percent compared to a year ago. Light truck sales increased 10.2 percent from June and rose 10.8 percent from July 2010. Heavy truck sales were up 56.2 percent from last year to a 364,000 unit annual rate – their highest rate since April 2007.
- In July 2011, light vehicle inventories fell 9.0 percent from June and were down 1.9 percent from a year ago. Days supply was down 5 days from June and off 3 days from a year ago.

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



Motor Vehicle Sales Statistics

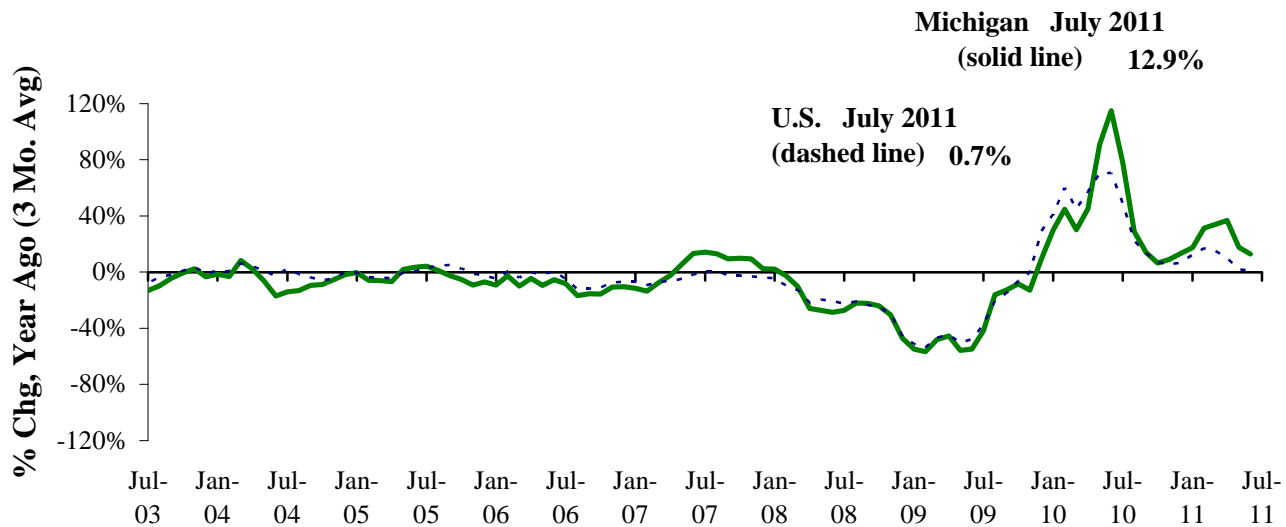
(Millions, unless otherwise specified)

| Motor Vehicle Sales ^(c) | 2010 Average | May 2011 | Jun 2011 | Jul 2011 | 3 Month Average | Change from Year Ago | |
|-----------------------------------------------------|-----------------|-------------|-------------|-------------|--------------------|-------------------------|-------|
| | | | | | | Level | % |
| Autos | 5.7 | 5.7 | 5.6 | 5.7 | 5.7 | 0.0 | 0.5% |
| Domestics | 3.9 | 4.0 | 4.0 | 4.0 | 4.0 | 0.2 | 5.0% |
| Imports | 1.8 | 1.7 | 1.6 | 1.7 | 1.7 | (0.2) | -8.8% |
| Import Share | 32.3% | 30.4% | 29.1% | 29.0% | 29.5% | -3.0% | pts |
| Light Trucks | 5.8 | 5.9 | 5.9 | 6.5 | 6.1 | 0.6 | 10.8% |
| Domestics | 4.9 | 5.1 | 5.0 | 5.6 | 5.2 | 0.6 | 12.3% |
| Imports | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.0 | 2.3% |
| Import Share | 15.4% | 14.7% | 15.0% | 14.2% | 14.6% | -1.2% | pts |
| Total Light Vehicles | 11.6 | 11.7 | 11.5 | 12.2 | 11.8 | 0.7 | 5.8% |
| Heavy Trucks | 0.2 | 0.3 | 0.3 | 0.4 | 0.3 | 0.1 | 56.2% |
| Total Vehicles | 11.8 | 12.0 | 11.8 | 12.6 | 12.1 | 0.8 | 6.8% |
| U.S. Light Vehicle Inventories^(d) | | | | | | | |
| Total Car | 1.076 | 0.844 | 0.830 | 0.752 | 0.809 | -0.238 | |
| Days Supply | 59 | 38 | 42 | 39 | 40 | -13 days | |
| Total Truck | 1.110 | 1.316 | 1.336 | 1.219 | 1.291 | 0.199 | |
| Days Supply | 58 | 60 | 65 | 57 | 61 | 5 days | |

Motor Vehicle Industry Production

- At 106,616 units, July 2011 Michigan motor vehicle production fell 10.5 percent from last July. National production decreased 0.9 percent from July 2010. Compared to June 2011, Michigan production fell 30.0 percent while national production dropped 25.4 percent.
- Michigan car production was down 19.3 percent in July 2011 from a year ago while State truck production decreased 6.2 percent. Nationally, car production fell 7.2 percent while truck production increased 2.6 percent.
- From a year ago, Michigan's share of national production fell 2.2 percentage points to 20.2 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 | May 2011 | Jun 2011 | Jul 2011 | 3 Month Average | Level | % |
| U.S. Production ^(e) | | | | | | | |
| Autos | 241.7 | 246.3 | 247.7 | 177.3 | 223.8 | (13.7) | -7.2% |
| Trucks | 404.0 | 446.4 | 459.3 | 350.0 | 418.6 | 8.8 | 2.6% |
| Total | 645.7 | 692.7 | 707.0 | 527.3 | 642.3 | (4.9) | -0.9% |
| Michigan Production ^(f) | | | | | | | |
| Autos | 44.6 | 66.8 | 50.5 | 31.1 | 49.5 | (7.4) | -19.3% |
| Trucks | 86.8 | 105.5 | 101.8 | 75.5 | 94.3 | (5.0) | -6.2% |
| Total | 131.4 | 172.3 | 152.4 | 106.6 | 143.8 | (12.5) | -10.5% |
| Michigan as % of U.S. | 20.4% | 24.9% | 21.6% | 20.2% | 22.4% | -2.2% pts | |

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

July 2011 local area unemployment rates ranged between 7.8 percent (Ann Arbor MSA) and 14.1 percent (Detroit-Warren-Livonia MSA). The median July 2011 unemployment rate was 10.4 percent.

Compared to a year ago, the July unemployment rate fell in all 17 major Michigan labor market areas. The Detroit-Warren-Livonia MSA saw the smallest decline (-0.2 percentage point). All other 16 areas saw at least a 1.6 percentage point drop. The Muskegon-Norton Shores MSA saw the largest rate decline (-2.8 percentage points) followed by the Holland-Grand Haven MSA and the Jackson MSA (-2.6 percentage points).

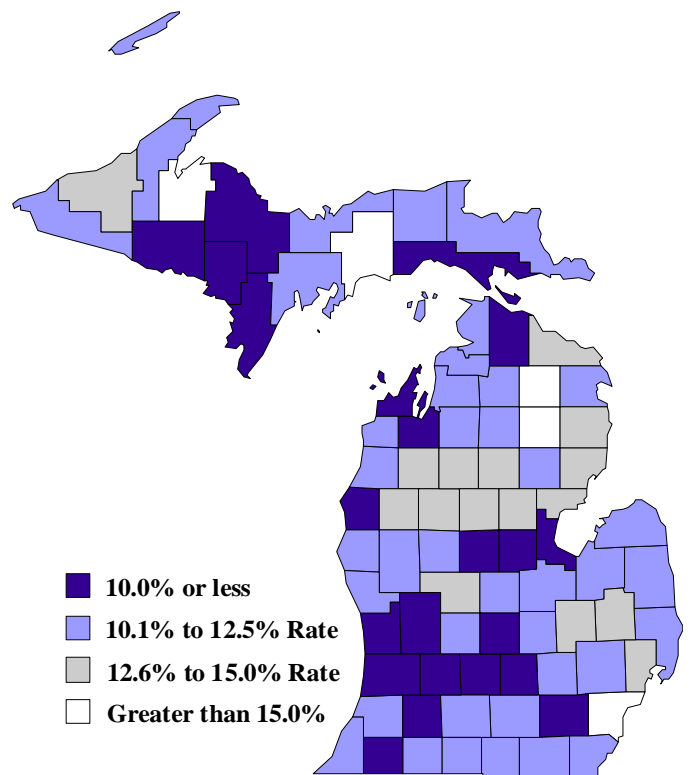
Between July 2010 and July 2011, 11 labor market areas saw an employment increase. The median employment increase was 1.6 percent. The Bay City MSA experienced the largest employment increase (3.6 percent), followed by the Holland-Grand Haven MSA (3.3 percent) and the Kalamazoo-Portage MSA (3.1 percent). The Battle Creek MSA saw the largest employment decline (-3.7 percent) followed by the Flint MSA (-2.4 percent). Compared to a year ago, the labor force fell in 12 areas with the Battle Creek MSA experiencing the largest decline (-5.8 percent), followed by the Flint MSA (-4.8 percent). The median labor force change was a 2.2 percent drop.

Between July 2010 and July 2011, the unemployment rate fell in 79 of Michigan's 83 counties with a median rate decrease of 2.0 percentage points. Baraga County posted the largest decline (-4.8 percentage points) followed by Alcona County (-3.7 percentage points). Twenty counties saw a July 2011 unemployment rate below 10.0 percent. Five counties reported rates higher than 15.0 percent.

County Unemployment Rates July 2011 ^(g)

Local Area Unemployment Rates^(g)

| <u>Local Area</u> | <u>July 2010 Rate</u> | <u>June 2011 Rate</u> | <u>July 2011 Rate</u> |
|--------------------------|-------------------------------|-------------------------------|-------------------------------|
| Michigan | 13.2% | 11.0% | 11.9% |
| Ann Arbor | 9.4% | 7.7% | 7.8% |
| Battle Creek | 12.2% | 9.6% | 10.3% |
| Bay City | 12.1% | 9.9% | 10.0% |
| Detroit-Warren-Livonia | 14.3% | 12.5% | 14.1% |
| Flint | 14.6% | 11.5% | 12.5% |
| Grand Rapids-Wyoming | 11.2% | 9.0% | 9.1% |
| Holland-Grand Haven | 11.6% | 9.1% | 9.0% |
| Jackson | 13.6% | 10.6% | 11.0% |
| Kalamazoo-Portage | 11.7% | 9.3% | 9.5% |
| Lansing-East Lansing | 10.8% | 9.0% | 9.2% |
| Monroe | 13.6% | 10.4% | 11.1% |
| Muskegon-Norton Shores | 14.0% | 10.9% | 11.2% |
| Niles-Benton Harbor | 12.9% | 10.6% | 10.8% |
| Saginaw-Saginaw Township | 12.5% | 10.1% | 10.4% |
| Upper Peninsula | 11.6% | 10.1% | 10.0% |
| Northeast Lower Mich | 13.9% | 11.7% | 12.2% |
| Northwest Lower Mich. | 12.4% | 10.6% | 10.5% |



U.S. Economic Conditions

| | <u>Apr-11</u> | <u>May-11</u> | <u>Jun-11</u> | <u>Jul-11</u> | <u>Change from Year Ago</u> |
|---------------------------------------------------|---------------|---------------|---------------|---------------|-------------------------------------------|
| KEY ECONOMIC INDICATORS | | | | | |
| Consumer Sentiment ^(h) | 69.8 | 74.3 | 71.5 | 63.7 | -4.1 points |
| ISM Manufacturing Index ⁽ⁱ⁾ | 60.4 | 53.5 | 55.3 | 50.9 | -4.2 points |
| ISM Non Manufacturing Index ⁽ⁱ⁾ | 52.8 | 54.6 | 53.3 | 52.7 | -1.0 point |
| | <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>Apr-11</u> | <u>May-11</u> | <u>Jun-11</u> | <u>Jul-11</u> | <u>Change from Year Ago</u> |
| U.S. Consumer Price Index | 224.9 | 226.0 | 225.7 | 225.9 | 3.6% |
| Detroit CPI | 211.7 | NA | 213.5 | NA | 4.2% |
| U.S. Producer Price Index | 191.7 | 192.9 | 191.6 | 192.4 | 7.2% |
| INTEREST RATES | | | | | |
| 90 Day T-Bill ^(l) | 0.06% | 0.04% | 0.04% | 0.03% | -0.13% points |
| Aaa Corporate Bonds ^(m) | 5.16% | 4.96% | 4.99% | 4.93% | 0.21% points |
| INDUSTRIAL PRODUCTION ^(m) | 92.8 | 93.0 | 93.3 | 94.2 | 3.7% |
| CAPACITY UTILIZATION ^(m) | 76.6% | 76.7% | 76.9% | 77.5% | 2.3% points |
| RETAIL SALES ⁽ⁿ⁾ | \$387.7 | \$387.5 | \$388.6 | \$390.4 | 8.5% |
| HOUSING STARTS and SALES | | | | | |
| (Millions Annual Rate) | <u>Apr-11</u> | <u>May-11</u> | <u>Jun-11</u> | <u>Jul-11</u> | <u>% Change From Year Ago</u> |
| Housing Starts ^(o) | 0.549 | 0.553 | 0.613 | 0.604 | 9.8% |
| Existing Home Sales ^(p) | 5.000 | 4.810 | 4.840 | 4.670 | 21.0% |
| DURABLE GOODS ORDERS ^(q) | \$192.4 | \$196.2 | \$193.7 | \$201.5 | 9.2% |
| 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 | \$13,260.5 | 0.99% |

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.