



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

August 2013 Summary

U.S. Economy: In August 2013, the Consumer Sentiment Index was up 7.8 points from a year ago. Existing home sales rose 13.2 percent in August compared to a year ago while housing starts increased 19.0 percent. The third-round estimate of the 2013Q2 real GDP growth rate was essentially the same as the second-round estimate of 2.5 percent. In August 2013, the ISM manufacturing index rose 5.0 points from last August while the ISM non-manufacturing index increased 4.3 points from a year ago. Retail sales increased 4.7 percent from last year. In August 2013, industrial production grew 2.7 percent from a year earlier. Capacity utilization was up 0.7 of a point from last August. New durable goods orders were up sharply (13.5 percent) from August 2012.

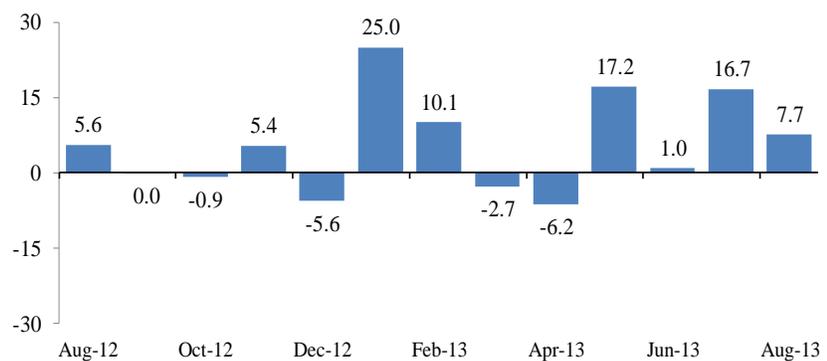
Employment: In August 2013, Michigan wage and salary employment was up 67,700 jobs (1.68 percent) from a year ago. Nationally, wage and salary employment rose 1.65 percent between August 2012 and August 2013. At 9.0 percent, Michigan's unemployment rate was up 0.2 percentage point from July, but was 0.3 percentage point lower than August 2012. The August 2013 U.S. unemployment rate (7.3 percent) was down 0.1 percentage point from the prior month, and was 0.8 percentage point lower than a year ago.

Auto Industry: In August 2013, the U.S. light vehicle annual sales rate rose 1.8 percent from last month. Further, at 16.0 million units, the August 2013 sales rate was 11.1 percent higher than a year earlier and was the highest sales rate since November 2007. Michigan vehicle production rose 4.2 percent compared to last August's production and U.S. vehicle production was up 4.4 percent. Compared to a year ago, Michigan's share of national vehicle production decreased very slightly from 22.47 percent to 22.41 percent.

Inflation: In August, the overall U.S. consumer price index (CPI) rose 1.5 percent compared to a year ago. The Detroit-Ann Arbor-Flint CPI increased 1.3 percent. The core U.S. CPI (excluding food and energy) increased 1.8 percent. The producer price index rose 1.4 percent from last year.

Michigan Metro Areas: In August, unemployment rates rose in eight of Michigan's 17 major labor markets, fell in six areas and were unchanged in three areas. Employment rose in 13 areas, fell in three areas and was unchanged in one area. Forty-eight of Michigan's 83 counties saw a year-over-year unemployment rate increase while 31 counties recorded a rate decrease and four counties saw no change.

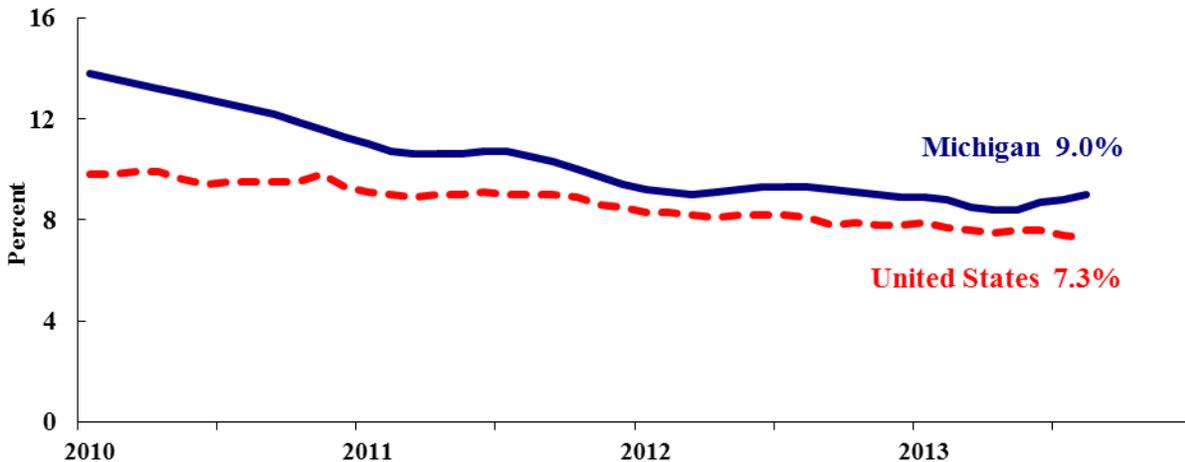
Michigan Employment Rises in August 2013
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan's August unemployment rate increased 0.2 of a percentage point from last month to 9.0 percent, but was down 0.3 of a percentage point from a year ago. The August U.S. unemployment rate decreased 0.1 of a percentage point from July to 7.3 percent and was down 0.8 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 2010 to 2013



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 decreased 8,000 from last month to 4,302,000, while the labor force decreased 1,000. The statewide total number of unemployed rose 7,000 to 425,000.
- United States household employment totaled 144.2 million persons in August. The labor force totaled 155.5 million and there were 11.3 million unemployed in August 2013.

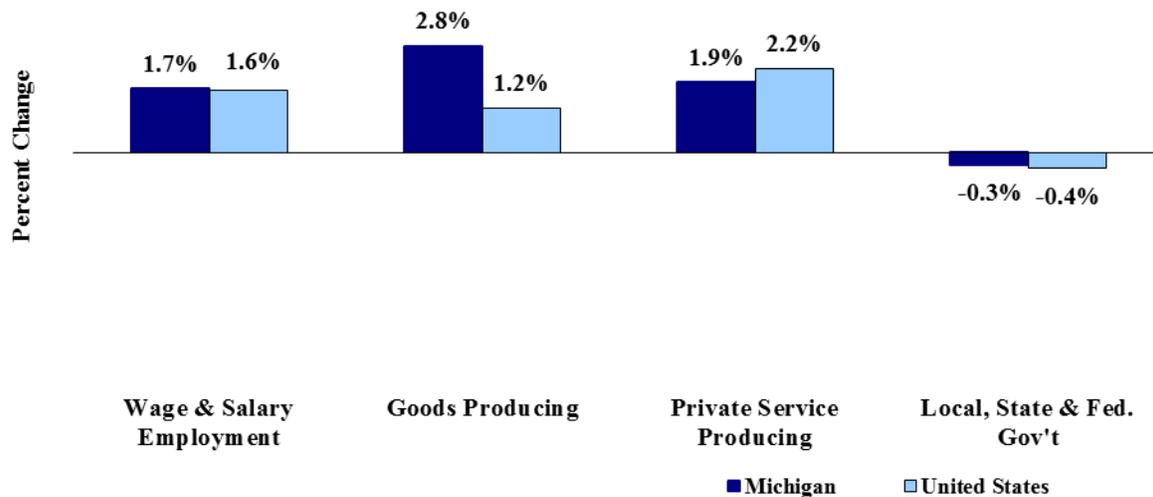
Employment by Place of Residence (in thousands)^(a)

	2012 Average	Jun 2013	Jul 2013	Aug 2013	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,657	4,719	4,728	4,727	-1	0.0%	74	1.6%	
Employed	4,232	4,310	4,310	4,302	-8	-0.2%	81	1.9%	
Unemployed	426	408	418	425	7	1.7%	-7	-1.6%	
Unemployment Rate	9.1%	8.7%	8.8%	9.0%	n.a.	0.2% pts	n.a.	-0.3% pts	
United States									
Labor Force	154,975	155,835	155,798	155,486	-312	-0.2%	839	0.5%	
Employed	142,469	144,058	144,285	144,170	-115	-0.1%	2,006	1.4%	
Unemployed	12,506	11,777	11,514	11,316	-198	-1.7%	-1,167	-9.3%	
Unemployment Rate	8.1%	7.6%	7.4%	7.3%	n.a.	-0.1% pts	n.a.	-0.8% pts	

Employment by Place of Work

- From August 2012 to August 2013, Michigan wage and salary employment increased 67,700 (1.7 percent). State wage and salary employment increased 7,700 from July. Nationally, August 2013 wage and salary employment rose 2,206,000 (1.6 percent) from a year ago and was up 169,000 from last month.

Wage and Salary Employment Growth August 2012 to August 2013



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

- In the goods-producing sector, Michigan employment increased 2.8 percent from a year ago while private service-producing sector employment increased 1.9 percent. From a year ago, August national employment rose 1.2 percent in the goods-producing sector and increased 2.2 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.4 hour in August compared to last year.

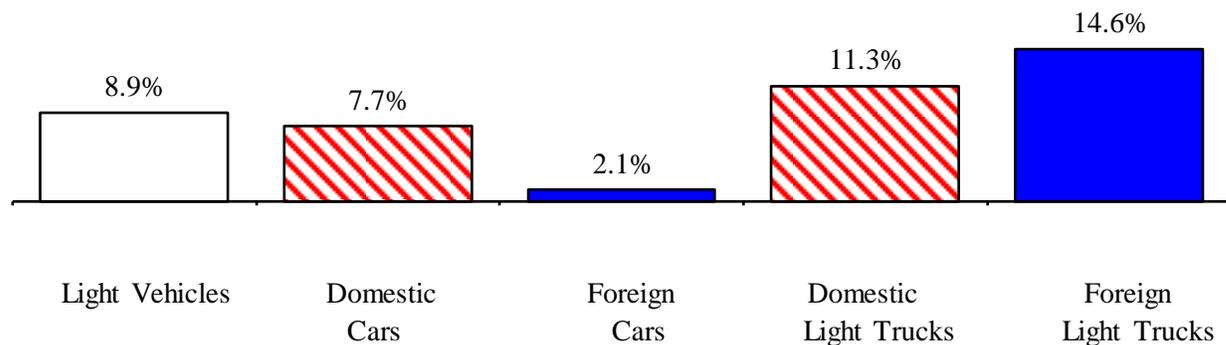
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2012 Average	Aug 2012	Aug 2013	Percent Change	2012 Average	Aug 2012	Aug 2013	Percent Change
Wage & Salary Employment	4,024	4,030	4,098	1.7%	133,739	133,927	136,133	1.6%
Goods Producing	672	674	693	2.8%	18,410	18,422	18,638	1.2%
Manufacturing	537	540	558	3.3%	11,919	11,943	11,963	0.2%
Private Service Producing	2,742	2,748	2,799	1.9%	93,411	93,580	95,664	2.2%
Trade, Trans. & Utilities	729	728	744	2.2%	25,516	25,520	26,037	2.0%
Services	1,764	1,768	1,807	2.2%	57,432	57,583	59,041	2.5%
Local, State & Fed. Gov't	610	608	606	-0.3%	21,917	21,925	21,831	-0.4%
Manufacturing Weekly Hours	41.3	43.4	43.0	-0.4 hrs	40.7	40.5	40.8	0.3 hrs

Motor Vehicle Industry Sales

- August 2013 U.S. light vehicle sales totaled 16.0 million units, at a seasonally adjusted annual rate – the highest annual rate since November 2007. The August 2013 rate was up 1.8 percent from last month, and was 11.1 percent higher than the August 2012 rate. The light vehicle sales rate has exceeded 15.0 million units in each of the past 10 months and has exceeded 14.0 million units in each of the past 19 months. Year-to-date, 2013 light vehicle sales are up 8.9 percent
- U.S. sales of domestic light vehicles increased 9.0 percent between August 2012 and August 2013, while foreign sales were up 19.1 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 20.8 percent in August 2012 to 22.3 percent in August 2013.
- Auto sales increased 9.3 percent compared to last August, while light truck sales were up 12.8 percent from August 2012. Year-over-year, heavy truck sales rose 1.7 percent.

Year-to-date 2013 Light Vehicle Sales Up Significantly from Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2012 Average	Jun 2013	Jul 2013	Aug 2013	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.2	7.7	7.7	7.8	7.7	0.7	9.3%
Domestics	5.1	5.5	5.5	5.5	5.5	0.4	7.2%
Imports	2.1	2.2	2.2	2.3	2.2	0.3	14.8%
Import Share	29.3%	28.1%	28.7%	29.5%	28.8%	1.4% pts	
Light Trucks	7.2	8.2	8.0	8.2	8.1	0.9	12.8%
Domestics	6.1	6.9	6.7	6.9	6.8	0.7	10.4%
Imports	1.1	1.3	1.3	1.3	1.3	0.3	28.1%
Import Share	14.7%	16.1%	16.4%	15.4%	16.0%	1.8% pts	
Total Light Vehicles	14.4	15.8	15.7	16.0	15.9	1.6	11.1%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.0	1.7%
Total Vehicles	14.8	16.2	16.1	16.4	16.2	1.6	10.9%

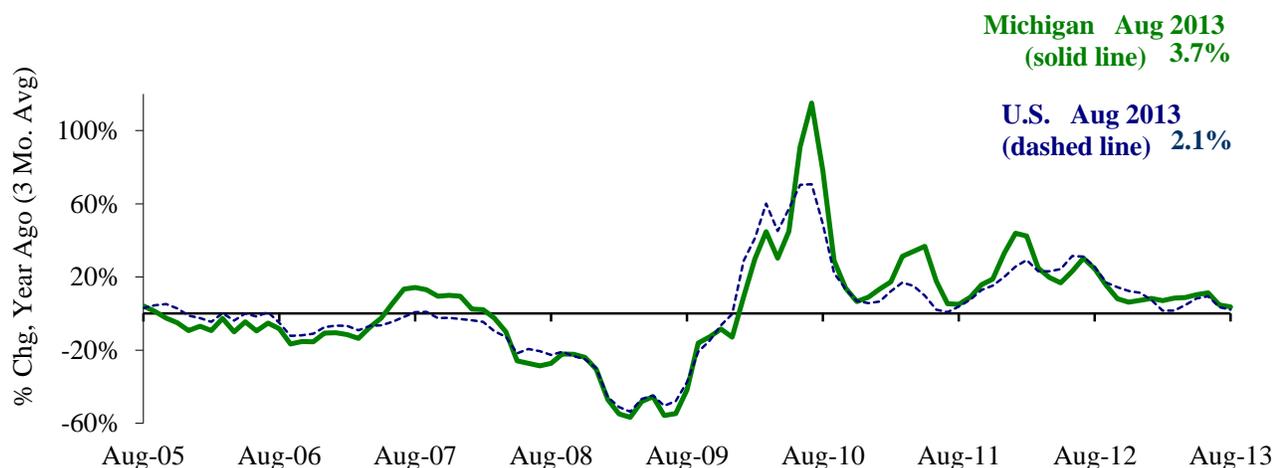
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2012 Average	May-13	Jun-13	Jul-13	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$150.8	\$166.4	\$167.6	\$168.9	\$167.6	\$14.8	9.6%
Inventory/Sales Ratio	2.05	2.10	2.06	2.08	2.08	-0.04	

Motor Vehicle Industry Production

- At 225,550 units, August 2013 Michigan motor vehicle production was 4.2 percent higher than August 2012. National production increased 4.4 percent from last August. The three-month average of vehicle production (June 2013-August 2013) was up 3.7 percent in Michigan and rose 2.1 percent nationally, compared to a year ago.
- In August 2013, Michigan car production was down 6.7 percent from a year ago while State truck production rose 12.5 percent. Nationally, car production decreased 4.2 percent while U.S. truck production increased 11.1 percent.
- From a year ago, Michigan's August share of national vehicle production fell 0.1 percentage point to 22.4 percent. Michigan's share of U.S. car production decreased 0.6 percentage point to 21.8 percent. Michigan's share of U.S. truck production rose 0.3 percentage point to 22.8 percent.

Michigan and U.S. Motor Vehicle Production Increases from Year-Ago Levels Slowing ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012					Change from Year Ago for the Month	
	Monthly Average	Jun 2013	Jul 2013	Aug 2013	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	364.5	378.0	253.9	402.0	344.6	(17.6)	-4.2%
Trucks	503.0	549.5	419.3	604.3	524.4	60.3	11.1%
Total	867.5	927.5	673.3	1,006.3	869.0	42.7	4.4%
Michigan Production ^(f)							
Autos	80.5	88.4	46.7	87.5	74.2	(6.3)	-6.7%
Trucks	107.8	122.8	103.6	138.0	121.5	15.3	12.5%
Total	188.2	211.2	150.3	225.6	195.7	9.0	4.2%
Michigan as % of U.S.	21.7%	22.8%	22.3%	22.4%	22.5%	-0.1% pts	

Local Area Unemployment Rates Rise in Nine Michigan Local Areas (Not Seasonally Adjusted)

August 2013 local area unemployment rates ranged between 6.2 percent (Ann Arbor metropolitan statistical area (MSA)) and 10.0 percent (Northeast Lower Michigan). The median August 2013 unemployment rate was 8.5 percent – this compares to an 8.4 percent median rate last August.

Compared to a year ago, the August unemployment rate rose in eight Michigan labor market areas, fell in six State labor market areas and was unchanged in three areas. The Northeast Lower Michigan area reported the greatest year-over-year (y-o-y) rate increase (0.4 percentage point), followed by the Bay City MSA with a 0.3 percentage point increase. The Detroit-Warren-Livonia MSA reported the largest rate drop (1.2 percentage points), significantly larger than the Grand Rapids-Wyoming MSA which reported the second largest rate decrease (0.4 percentage point).

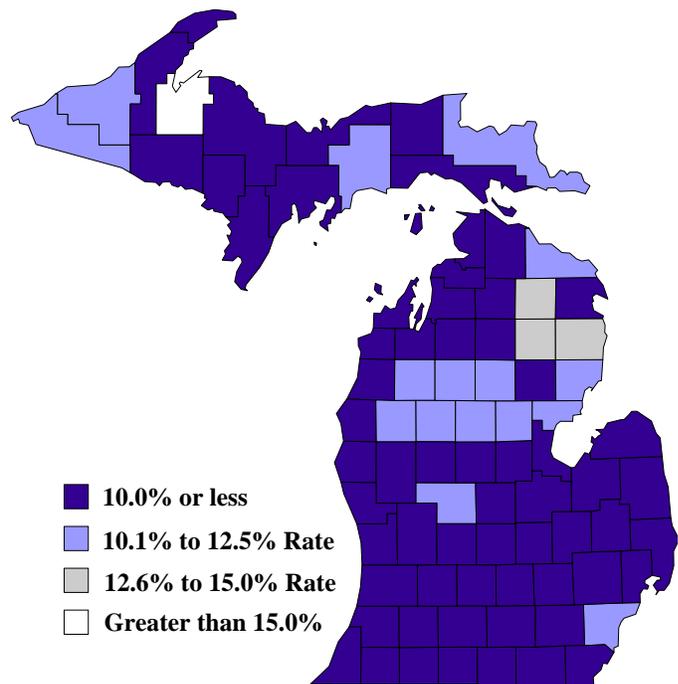
Between August 2012 and August 2013, employment rose in 13 areas, fell in three areas and was unchanged in one area. The Grand Rapids-Wyoming MSA reported the largest employment growth rate (4.2 percent) while the Detroit-Warren-Livonia MSA saw the second largest employment increase (3.1 percent). The median employment increase among the 13 areas that saw job growth was 0.9 percent. The Niles-Benton Harbor MSA saw the largest percent decline (-0.4 percent). The labor force rose in 14 labor market areas, fell in two areas and was unchanged in one area. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (3.8 percent), followed by the Muskegon-Norton Shores MSA with a 2.5 percent increase.

Between August 2012 and August 2013, the unemployment rate rose in 48 Michigan counties, fell in 31 counties and remained unchanged in four counties. The median August 2013 rate change was a 0.1 percentage point increase. Alcona County posted the largest increase (1.6 percentage points), while St. Clair County saw the largest decrease (1.8 percentage points). Sixty-one Michigan counties saw an August 2013 unemployment rate below 10.0 percent. Last July, 63 counties had an unemployment rate below 10.0 percent. In August 2013, one Michigan county reported a rate higher than 15.0 percent. Last August, no Michigan county had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2012 Rate</u>	<u>July 2013 Rate</u>	<u>Aug 2013 Rate</u>
Michigan	9.2%	9.7%	8.7%
Ann Arbor	6.0%	7.3%	6.2%
Battle Creek	7.4%	8.5%	7.4%
Bay City	8.3%	9.8%	8.6%
Detroit-Warren-Livonia	11.0%	10.4%	9.8%
Flint	9.5%	11.2%	9.7%
Grand Rapids-Wyoming	6.8%	7.5%	6.4%
Holland-Grand Haven	6.7%	7.7%	6.5%
Jackson	8.6%	9.9%	8.7%
Kalamazoo-Portage	7.5%	8.4%	7.3%
Lansing-East Lansing	7.4%	8.9%	7.5%
Monroe	7.9%	9.6%	7.9%
Muskegon-Norton Shores	8.8%	9.8%	8.5%
Niles-Benton Harbor	8.8%	9.8%	8.7%
Saginaw-Saginaw Township	8.6%	10.2%	8.8%
Upper Peninsula	8.4%	9.7%	8.6%
Northeast Lower Mich	9.6%	11.3%	10.0%
Northwest Lower Mich.	8.4%	9.3%	8.4%

County Unemployment Rates August 2013^(g)



U.S. Economic Conditions

	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	84.5	84.1	85.1	82.1	7.8 points
ISM Manufacturing Index ⁽ⁱ⁾	49.0	50.9	55.4	55.7	5.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	53.7	52.8	56.0	58.6	4.3 points
	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	
Business Executives' Confidence ⁽ⁱ⁾	42.0	46.0	54.0	62.0	15.0 points
INFLATION ^(k)					
1982-84 = 100	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	232.9	233.5	233.6	233.9	1.5%
Detroit CPI	NA	221.6	NA	220.0	1.3%
U.S. Producer Price Index	197.0	197.6	197.3	198.1	1.4%
INTEREST RATES					
90 Day T-Bill ^(l)	0.04%	0.05%	0.04%	0.04%	-0.06% points
Aaa Corporate Bonds ^(l)	3.89%	4.27%	4.34%	4.54%	1.06% points
INDUSTRIAL PRODUCTION ^(l)					
	98.9	99.0	99.0	99.4	2.7%
CAPACITY UTILIZATION ^(l)					
	77.8%	77.8%	77.6%	77.8%	0.7% points
RETAIL SALES ^(d)					
	\$421.0	\$423.8	\$425.7	\$426.6	4.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.919	0.835	0.883	0.891	19.0%
Existing Home Sales ^(m)	5.140	5.060	5.390	5.480	13.2%
DURABLE GOODS ORDERS ^(p)					
	\$235.2	\$235.2	\$244.4	\$224.6	13.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>% Change From Year Ago</u>
Michigan	\$376.8	\$385.7	\$384.4	\$387.8	3.1%
U.S.	\$13,683.8	\$14,055.5	\$13,872.5	\$14,006.2	2.7%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,534.0	\$15,539.6	\$15,583.9	\$15,679.7	2.48%

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.