



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

March 2013 Summary

U.S. Economy: Economic growth accelerated from a 0.4 percent annual growth rate in 2012Q4 to a 2.5 annual growth rate in 2013Q1. In March 2013, the ISM manufacturing index fell 2.0 points from last March while the ISM non-manufacturing index dropped 0.6 point from a year ago. In March 2013, the Consumer Sentiment Index rose 2.4 percentage points from a year ago. Retail sales increased 2.8 percent from last year. New durable goods orders were up 0.3 percent from March 2012. In March 2013, industrial production grew 3.5 percent from a year earlier. Capacity utilization was up 1.2 percentage points from last March. Existing home sales rose substantially (10.3 percent) from a year ago. Housing starts were up very sharply from last year (46.7 percent).

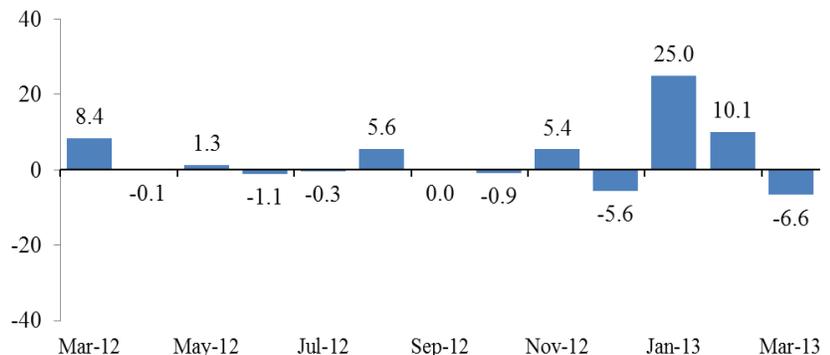
Employment: In March 2013, Michigan wage and salary employment was up 33,000 jobs (0.8 percent) from a year ago. Nationally, wage and salary employment rose 1.4 percent between March 2012 and March 2013. At 8.5 percent, Michigan's unemployment rate was down 0.3 percentage point from February. The State's March 2013 unemployment rate was 0.5 percentage point lower than a year earlier. The March 2013 U.S. unemployment rate (7.6 percent) was down 0.6 percentage point from a year ago.

Auto Industry: In March 2013, the U.S. light vehicle annual sales rate (15.2 million units) was up 7.9 percent from a year ago. Michigan vehicle production rose 7.9 percent compared to last March's production; U.S. vehicle production was up 0.3 percent. Compared to a year ago, Michigan's share of national vehicle production increased 1.6 percentage points from 21.4 percent to 23.0 percent.

Inflation: In March, the overall U.S. consumer price index (CPI) rose 1.5 percent compared to a year ago. The core U.S. CPI (excluding food and energy) increased 1.9 percent from a year ago. The producer price index (PPI) rose 1.1 percent from last year. At \$93.05 per barrel, oil prices were down \$2.27 from a month ago, and were down \$13.14 from a year ago.

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

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



Jay Wortley
Director

Thomas Patchak-Schuster
Senior Economist

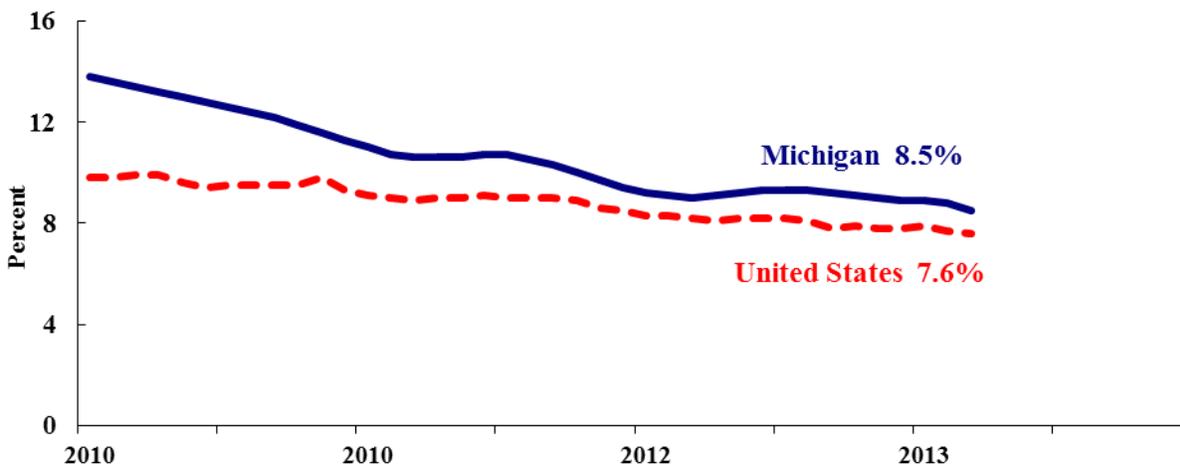
Andrew Lockwood
Senior Economist

Mindy Parshall
Analyst

Labor Market Statistics

- Michigan's March unemployment rate decreased 0.3 percentage point from last month to 8.5 percent, and was down 0.5 of a percentage point from a year ago. The March U.S. unemployment rate decreased 0.1 of a percentage point from January to 7.6 percent and was down 0.6 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 March, the number of people employed in Michigan was 4,261,000, up 17,000 from last month, while the labor force increased 3,000. The statewide total number of unemployed decreased 14,000 to 396,000.
- United States household employment totaled 143.3 million persons in March. The labor force totaled 155.0 million and there were 11.7 million unemployed in March 2013.

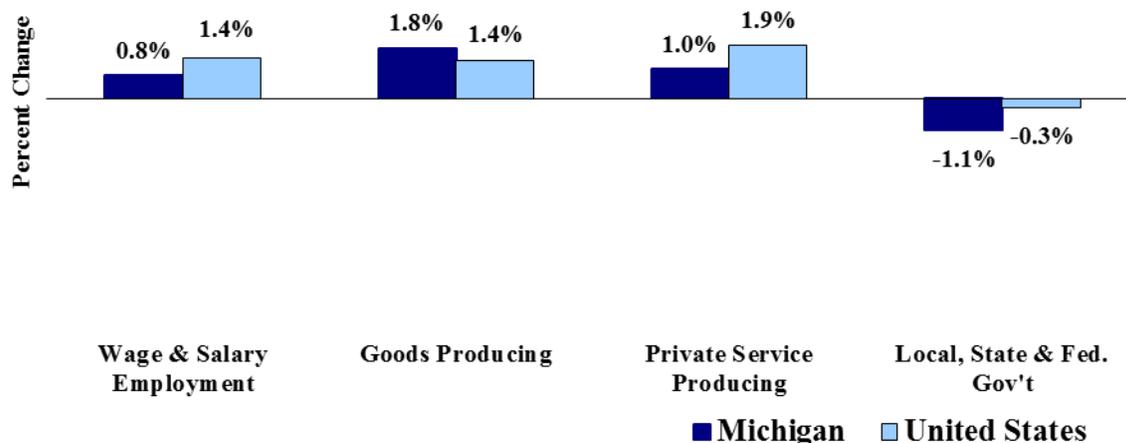
Employment by Place of Residence (in thousands)^(a)

	2012 Average	Jan 2013	Feb 2013	Mar 2013	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,657	4,644	4,654	4,657	3	0.1%	-11	-0.2%
Employed	4,232	4,230	4,244	4,261	17	0.4%	14	0.3%
Unemployed	426	414	410	396	-14	-3.4%	-26	-6.1%
Unemployment Rate	9.1%	8.9%	8.8%	8.5%	n.a.	-0.3% pts	n.a.	-0.5%
United States								
Labor Force	154,975	155,654	155,524	155,028	-496	-0.3%	321	0.2%
Employed	142,469	143,322	143,492	143,286	-206	-0.1%	1,266	0.9%
Unemployed	12,506	12,332	12,032	11,742	-290	-2.4%	-944	-7.4%
Unemployment Rate	8.1%	7.9%	7.7%	7.6%	n.a.	-0.1% pts	n.a.	-0.6%

Employment by Place of Work

- From March 2012 to March 2013, Michigan wage and salary employment increased 33,000 (0.8 percent). State wage and salary employment decreased 7,000 from February. Nationally, March 2013 wage and salary employment rose 1,910,000 (1.4 percent) from a year ago and was up 88,000 from last month.

Wage and Salary Employment Growth March 2012 to March 2013



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

- In the goods-producing sector, Michigan employment increased 1.8 percent from a year ago while private service-producing sector employment increased 1.0 percent compared to last year. From a year ago, March national employment in the goods-producing sector rose 1.4 percent and increased 1.9 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased 1.3 hours in March compared to last year.

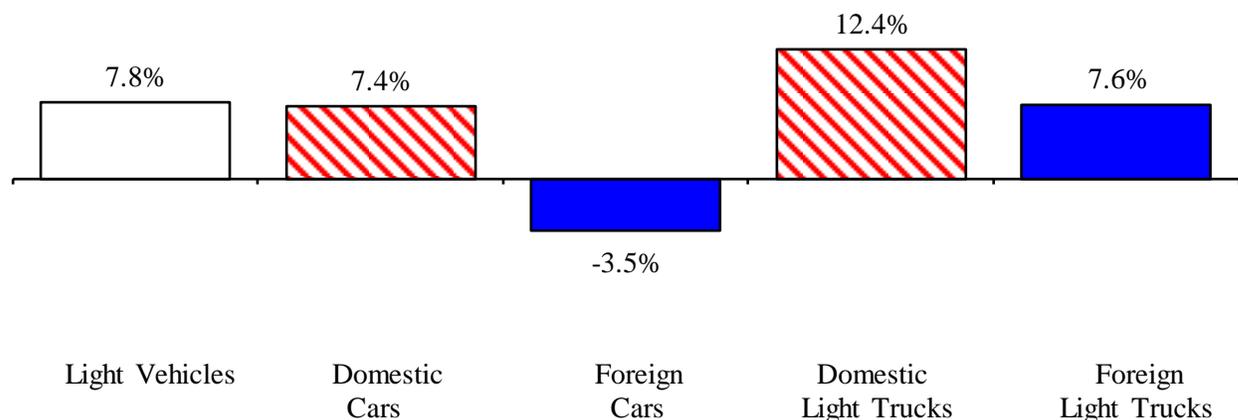
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2012 Average	Mar 2012	Mar 2013	Percent Change	2012 Average	Mar 2012	Mar 2013	Percent Change
Wage & Salary Employment	4,024	4,025	4,057	0.8%	133,739	133,285	135,195	1.4%
Goods Producing	672	671	683	1.8%	18,410	18,402	18,652	1.4%
Manufacturing	537	533	549	3.0%	11,919	11,910	11,981	0.6%
Private Service Producing	2,742	2,742	2,770	1.0%	93,411	92,942	94,678	1.9%
Trade, Trans. & Utilities	729	730	735	0.7%	25,516	25,381	25,775	1.6%
Services	1,764	1,764	1,785	1.2%	57,432	57,119	58,355	2.2%
Local, State & Fed. Gov't	610	612	605	-1.1%	21,917	21,941	21,865	-0.3%
Manufacturing Weekly Hours	41.3	43.1	44.4	1.3 hrs	40.7	40.7	40.8	0.1 hrs

Motor Vehicle Industry Sales

- March 2013 U.S. light vehicle sales totaled 15.2 million units, at a seasonally adjusted annual rate, which was down 0.8 percent from February 2013, but up 7.9 percent from a year ago. The light vehicle sales rate has exceeded 15.0 million units in each of the past five months.
- U.S. sales of domestic light vehicles increased 10.2 percent between March 2012 and March 2013, while foreign sales rose 0.3 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales decreased 1.6 percentage points from March 2012 to 21.1 percent.
- Auto sales increased 1.6 percent compared to last March, while light truck sales were up 14.8 percent from March 2012. Year-over-year, heavy truck sales fell 15.8 percent.

Year-to-date 2013 Domestic Light Vehicle Sales Up Substantially from Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2012	Jan	Feb	Mar	3 Month	Change from Year Ago	
	Average	2013	2013	2013	Average	Level	%
Autos	7.4	7.8	7.7	7.4	7.7	0.1	1.6%
Domestics	5.2	5.7	5.5	5.4	5.5	0.2	4.4%
Imports	2.1	2.1	2.2	2.0	2.1	(0.1)	-5.1%
Import Share	28.9%	27.1%	28.3%	27.6%	27.7%	-1.9% pts	
Light Trucks	7.1	7.4	7.6	7.8	7.6	1.0	14.8%
Domestics	6.0	6.4	6.4	6.6	6.5	0.9	15.4%
Imports	1.1	1.1	1.2	1.2	1.1	0.1	11.3%
Import Share	15.0%	14.5%	15.2%	15.0%	14.9%	-0.5% pts	
Total Light Vehicles	14.4	15.2	15.3	15.2	15.3	1.1	7.9%
Heavy Trucks	0.3	0.3	0.3	0.3	0.3	(0.1)	-15.8%
Total Vehicles	14.8	15.5	15.7	15.5	15.6	1.1	7.4%

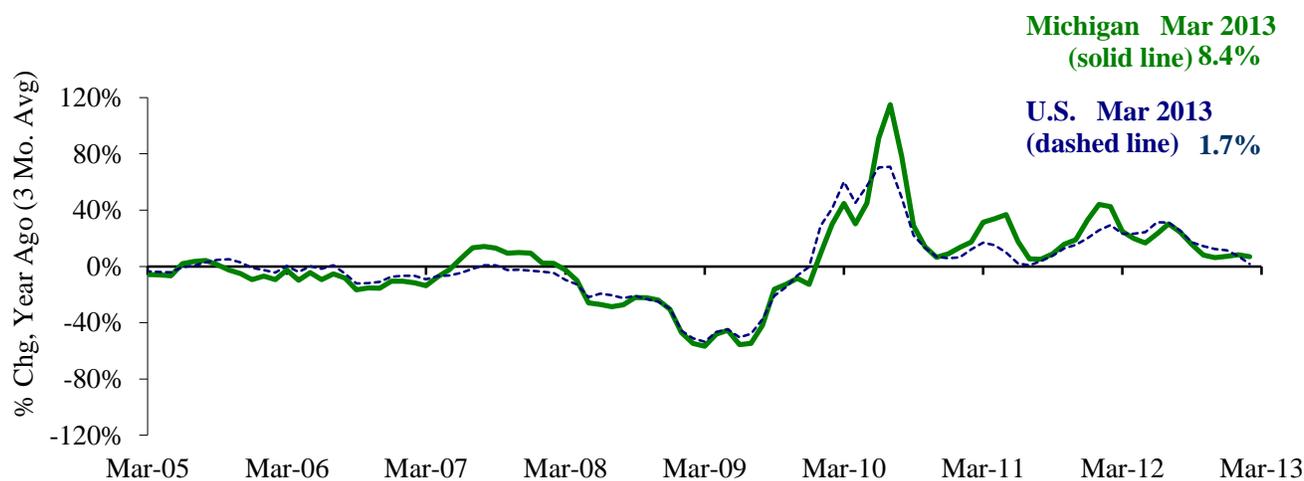
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2012	Jan-13	Feb-13	Mar-13	3 Month		
	Average				Average		
Inventories	\$149.3	\$162.9	\$162.7	\$162.2	\$162.6	\$22.60	16.2%
Inventory/Sales Ratio	2.01	2.11	2.08	2.08	2.09	0.17	

Motor Vehicle Industry Production

- At 219,499 units, March 2013 Michigan motor vehicle production was 7.9 percent higher than March 2012. National production increased 0.3 percent from last March. Compared to a year ago, the three-month average of vehicle production (January 2012-March 2013) was up 8.4 percent in Michigan and up 1.7 percent nationally.
- In March 2013, Michigan car production was up 17.5 percent from a year ago while State truck production rose 1.7 percent. Nationally, car production increased 4.5 percent while U.S. truck production decreased 2.5 percent.
- From a year ago, Michigan’s March share of national vehicle production rose 1.6 percentage points to 23.0 percent. Michigan’s share of U.S. car production increased 2.6 percentage points while Michigan’s share of U.S truck production rose 0.9 percentage point.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012 Monthly Average	Jan 2013	Feb 2013	Mar 2013	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	364.5	385.9	375.5	400.4	387.3	17.3	4.5%
Trucks	503.0	516.0	527.8	554.2	532.7	(14.3)	-2.5%
Total	867.5	901.9	903.4	954.6	919.9	3.0	0.3%
Michigan Production ^(f)							
Autos	80.5	84.7	83.1	93.8	87.2	14.0	17.5%
Trucks	107.8	112.4	112.5	125.7	116.9	2.1	1.7%
Total	188.2	197.2	195.5	219.5	204.1	16.1	7.9%
Michigan as % of U.S.	21.7%	21.9%	21.6%	23.0%	22.2%	1.6% pts	

Local Area Unemployment Rates Fall In All Michigan Local Areas

(Not Seasonally Adjusted)

March 2013 local area unemployment rates ranged between 5.1 percent (Ann Arbor MSA) and 13.1 percent (Northeast Lower Michigan). The median March 2013 unemployment rate was 8.4 percent – this contrasts with a 9.3 percent median rate last March.

Compared to a year ago, the March unemployment rate fell in all of Michigan’s 17 major Michigan labor market areas. The year-over-year declines ranged between 0.5 percentage point (Detroit-Warren-Livonia MSA) and 1.4 percentage points (Holland-Grand Haven MSA). The median decline was 1.0 percentage point.

Between March 2012 and March 2013, employment rose in 11 areas, fell in five areas and was 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 Muskegon-Norton Shores MSA. The median employment increase was 0.8 percent. The five employment declines ranged between 0.3 percent in the Jackson MSA and 1.7 percent in the Saginaw-Saginaw Township North MSA.

Compared to last March, the labor force fell in 12 labor market areas and rose in five areas. The median labor force change was a 0.6 percent decline. Labor force changes ranged between a 2.5 percent decline in the Saginaw-Saginaw Township North MSA and a 1.2 percent increase in the Muskegon-Norton Shores MSA.

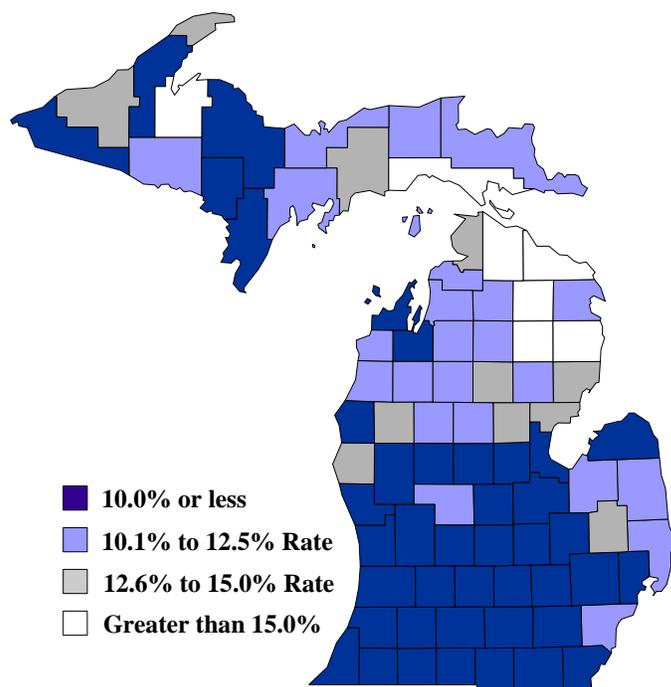
Between March 2012 and March 2013, the unemployment rate fell in 82 Michigan counties and rose in one county. The median March 2013 rate decrease was 1.0 percentage point. Montmorency County posted the largest decrease (2.1 percentage points), followed by three counties with a 1.9 percentage point decline (Alger County, Ionia County and St. Joseph County). Forty-two Michigan counties saw a March 2013 unemployment rate below 10.0 percent. Last March, 31 counties had an unemployment rate below 10.0 percent. In March 2013, seven Michigan counties reported a rate higher than 15.0 percent. Last

Local Area Unemployment Rates^(g)

Local Area	Apr 2012 Rate	Mar 2013 Rate	Apr 2013 Rate
Michigan	8.5%	8.8%	8.2%
Ann Arbor	5.4%	5.1%	5.1%
Battle Creek	7.1%	6.8%	6.6%
Bay City	8.3%	8.9%	8.5%
Detroit-Warren-Livonia	9.4%	9.9%	8.9%
Flint	9.0%	9.1%	8.8%
Grand Rapids-Wyoming	6.4%	6.2%	5.9%
Holland-Grand Haven	6.5%	6.2%	5.9%
Jackson	8.1%	8.3%	7.9%
Kalamazoo-Portage	7.2%	7.1%	6.7%
Lansing-East Lansing	6.8%	6.7%	7.0%
Monroe	7.7%	7.7%	7.3%
Muskegon-Norton Shores	8.5%	8.4%	8.1%
Niles-Benton Harbor	8.6%	8.8%	8.2%
Saginaw-Saginaw Township	8.3%	8.5%	8.3%
Upper Peninsula	9.4%	9.9%	9.8%
Northeast Lower Mich	11.7%	13.1%	11.8%
Northwest Lower Mich.	9.9%	10.5%	9.9%

March, nine counties saw an unemployment rate over 15.0 percent.

County Unemployment Rates March 2013^(g)



U.S. Economic Conditions

	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	72.9	73.8	77.6	78.6	2.4 points
ISM Manufacturing Index ⁽ⁱ⁾	50.2	53.1	54.2	51.3	-2.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.7	55.2	56.0	54.4	-0.6 points
	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	
Business Executives' Confidence ^(j)	63.0	47.0	42.0	46.0	-3.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	229.6	230.3	232.2	232.8	1.5%
Detroit CPI	216.6	NA	218.9	NA	1.9%
U.S. Producer Price Index	193.6	194.7	196.2	196.6	1.1%
INTEREST RATES					
90 Day T-Bill ^(l)	0.07%	0.07%	0.10%	0.09%	0.01% points
Aaa Corporate Bonds ^(l)	3.65%	3.80%	3.90%	3.93%	-0.06% points
INDUSTRIAL PRODUCTION ^(l)					
	98.1	98.0	99.1	99.5	3.5%
CAPACITY UTILIZATION ^(l)					
	77.7%	77.6%	78.3%	78.5%	1.2% points
RETAIL SALES ^(d)					
	\$416.1	\$415.8	\$420.1	\$418.3	2.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.982	0.902	0.968	1.036	46.7%
Existing Home Sales ^(m)	4.900	4.940	4.950	4.920	10.3%
DURABLE GOODS ORDERS ^(p)					
	\$228.4	\$219.9	\$229.4	\$216.0	0.3%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>% Change From Year Ago</u>
Michigan	\$366.6	\$368.8	\$370.4	\$376.6	4.0%
U.S.	\$13,224.2	\$13,322.5	\$13,401.3	\$13,659.5	4.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,548.5	\$13,652.5	\$13,665.4	\$13,750.1	2.50%

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.