



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

May 2013 Summary

U.S. Economy: In May 2013, the Consumer Sentiment Index rose 5.2 points from a year ago to the index's highest reading since July 2007. Compared to a year ago, existing home sales rose 12.9 percent to their highest level since November 2009 when the homebuyer credit boosted sales. Housing starts were up 28.6 percent from last year. New durable goods orders were up 7.6 percent from May 2012 -- the fastest year-over-year increase since last June. While BEA lowered estimated 2013Q1 real GDP growth from 2.4 percent to 1.8 percent, 2013Q1 growth was still stronger than 2012Q4 growth (0.4 percent). In May 2013, the ISM manufacturing index fell 3.5 points from last May while the ISM non-manufacturing index dropped 0.4 point from a year ago. Retail sales increased 4.3 percent from last year. In May 2013, industrial production grew 1.6 percent from a year earlier. Capacity utilization was down 0.2 point from last May.

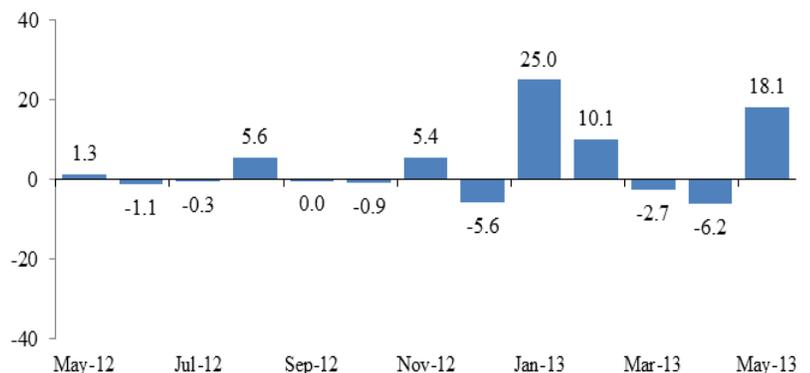
Employment: In May 2013, Michigan wage and salary employment was up 47,400 jobs (1.2 percent) from a year ago. Nationally, wage and salary employment rose 1.6 percent between May 2012 and May 2013. At 8.4 percent, Michigan's unemployment rate was unchanged from April and was 0.8 percentage point lower than May 2012. The May 2013 U.S. unemployment rate (7.6 percent) was down 0.6 percentage point from a year ago.

Auto Industry: In May 2013, the U.S. light vehicle annual sales rate of 15.2 million units was up 9.6 percent from a year ago. Michigan vehicle production rose 6.8 percent compared to last May's production; U.S. vehicle production was up 8.2 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 0.29 percentage point from 22.74 percent to 22.45 percent.

Inflation: In May, the overall U.S. consumer price index (CPI) rose 1.4 percent compared to a year ago. The core CPI (excluding food and energy) increased 1.7 percent. The producer price index (PPI) rose 1.7 percent from last year. At \$94.80 per barrel, oil prices were up \$2.73 from a month ago, but essentially unchanged from a year ago (\$0.10).

Michigan Metro Areas: In May, unemployment rates rose in nine of Michigan's 17 major labor markets, fell in five areas and were unchanged in three areas. Employment rose in 15 areas, fell in one area and was unchanged in one area. Fifty-one of Michigan's 83 counties saw a year-over-year unemployment rate decrease while 26 areas recorded a rate increase and six areas saw no change.

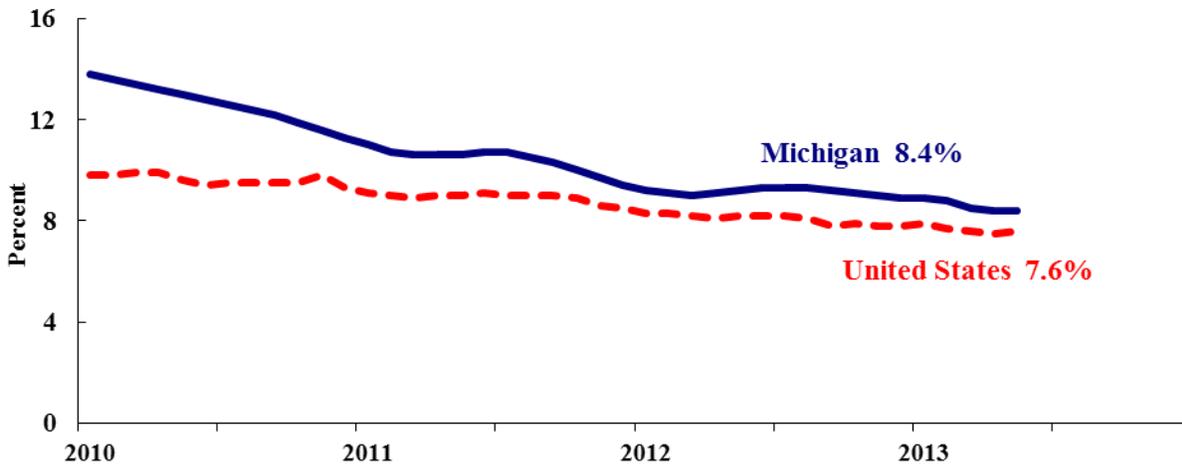
Michigan Employment Rises in May 2013
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan’s May unemployment rate remained unchanged from last month at 8.4 percent, and was down 0.8 of a percentage point from a year ago. The May U.S. unemployment rate rose 0.1 of a percentage point from April 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 May, the number of people employed in Michigan was 4,303,000, up 24,000 from last month, while the labor force increased 28,000. The statewide total number of unemployed rose 4,000 to 395,000.
- United States household employment totaled 143.9 million persons in May. The labor force totaled 155.7 million and there were 11.8 million unemployed in May 2013.

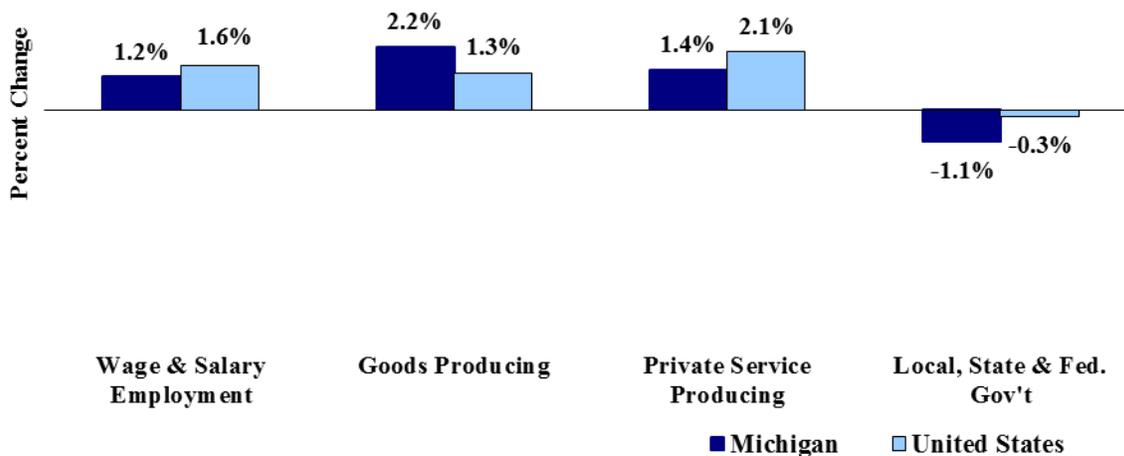
Employment by Place of Residence (in thousands)^(a)

	2012 Average	Mar 2013	Apr 2013	May 2013	Change From			
					Prior Month Level	%	Last Year Level	%
Michigan								
Labor Force	4,657	4,657	4,670	4,698	28	0.6%	33	0.7%
Employed	4,232	4,261	4,279	4,303	24	0.6%	66	1.6%
Unemployed	426	396	391	395	4	1.0%	-33	-7.8%
Unemployment Rate	9.1%	8.5%	8.4%	8.4%	n.a.	0.0% pts	n.a.	-0.8%
United States								
Labor Force	154,975	155,028	155,238	155,658	420	0.3%	660	0.4%
Employed	142,469	143,286	143,579	143,898	319	0.2%	1,596	1.1%
Unemployed	12,506	11,742	11,659	11,760	101	0.9%	-935	-7.4%
Unemployment Rate	8.1%	7.6%	7.5%	7.6%	n.a.	0.1% pts	n.a.	-0.6%

Employment by Place of Work

- From May 2012 to May 2013, Michigan wage and salary employment increased 47,000 (1.2 percent). State wage and salary employment increased 18,000 from April. Nationally, May 2013 wage and salary employment rose 2,115,000 (1.6 percent) from a year ago and was up 175,000 from last month.

Wage and Salary Employment Growth May 2012 to May 2013



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

- In the goods-producing sector, Michigan employment increased 2.5 percent from a year ago while private service-producing sector employment increased 1.4 percent compared to last year. From a year ago, May national employment in the goods-producing sector rose 1.2 percent and increased 2.3 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased 0.6 hours in May compared to last year.

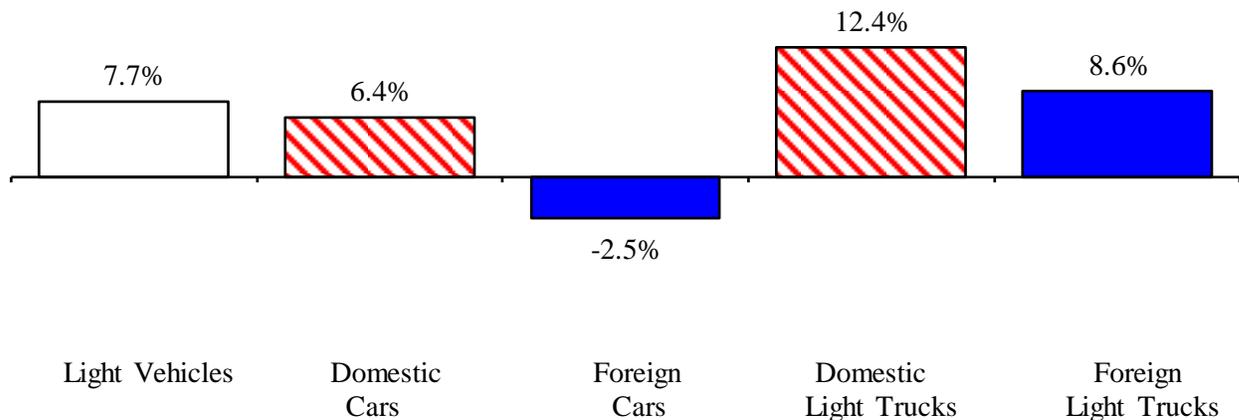
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2012 Average	May 2012	May 2013	Percent Change	2012 Average	May 2012	May 2013	Percent Change
Wage & Salary Employment	4,024	4,026	4,073	1.2%	133,739	133,522	135,637	1.6%
Goods Producing	672	671	686	2.2%	18,410	18,396	18,636	1.3%
Manufacturing	537	535	552	3.2%	11,919	11,926	11,967	0.3%
Private Service Producing	2,742	2,743	2,782	1.4%	93,411	93,220	95,153	2.1%
Trade, Trans. & Utilities	729	729	735	0.8%	25,516	25,463	25,868	1.6%
Services	1,764	1,765	1,798	1.9%	57,432	57,294	58,716	2.5%
Local, State & Fed. Gov't	610	612	605	-1.1%	21,917	21,906	21,848	-0.3%
Manufacturing Weekly Hours	41.3	42.6	43.2	0.6 hrs	40.7	40.6	40.8	0.2 hrs

Motor Vehicle Industry Sales

- May 2013 U.S. light vehicle sales totaled 15.2 million units, at a seasonally adjusted annual rate, which was up 2.5 percent from April 2013 and up 9.6 percent from a year ago. The light vehicle sales rate has exceeded 15.0 million units in six of the past seven months and has exceeded 14.0 million units in each of the past 12 months.
- U.S. sales of domestic light vehicles increased 10.1 percent between May 2012 and May 2013, while foreign sales were up 7.8 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales decreased 0.4 percentage point from May 2012 to 21.6 percent in May 2013.
- Auto sales increased 6.6 percent compared to last May, while light truck sales were up 12.5 percent from May 2012. Year-over-year, heavy truck sales rose 0.3 percent.

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2012	Mar	Apr	May	3 Month	Change from	
	Average	2013	2013	2013	Average	Level	%
Autos	7.4	7.4	7.1	7.3	7.3	0.5	6.6%
Domestics	5.2	5.4	5.1	5.3	5.3	0.4	7.3%
Imports	2.1	2.1	2.0	2.1	2.0	0.1	4.9%
Import Share	28.9%	27.6%	27.9%	27.9%	27.8%	-0.5% pts	
Light Trucks	7.1	7.8	7.7	7.9	7.8	0.9	12.5%
Domestics	6.0	6.6	6.6	6.7	6.6	0.7	12.4%
Imports	1.1	1.2	1.1	1.2	1.2	0.1	13.1%
Import Share	15.0%	15.0%	14.7%	15.6%	15.1%	0.1% pts	
Total Light Vehicles	14.4	15.2	14.9	15.2	15.1	1.3	9.6%
Heavy Trucks	0.3	0.3	0.4	0.4	0.3	0.0	0.3%
Total Vehicles	14.8	15.5	15.2	15.6	15.4	1.3	9.3%

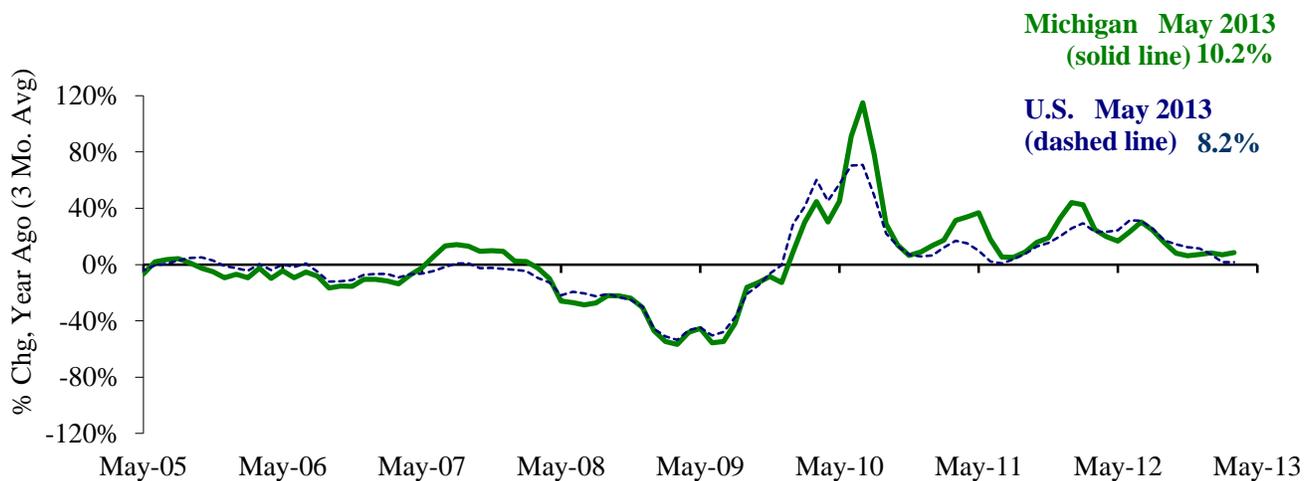
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2012	Feb-13	Mar-13	Apr-13	3 Month		
	Average				Average		
Inventories	\$149.3	\$142.7	\$163.7	\$163.1	\$156.5	\$21.2	14.9%
Inventory/Sales Ratio	2.01	2.11	2.11	2.11	2.11	0.15	

Motor Vehicle Industry Production

- At 227,589 units, May 2013 Michigan motor vehicle production was 6.8 percent higher than May 2012. National production increased 8.2 percent from last May. Compared to a year ago, the three-month average of vehicle production (March 2013-May 2013) was up 10.2 percent in Michigan and up 8.2 percent nationally.
- In May 2013, Michigan car production was up 0.8 percent from a year ago while State truck production rose 11.7 percent. Nationally, car production increased 4.6 percent while U.S. truck production increased 10.9 percent.
- From a year ago, Michigan’s May share of national vehicle production fell 0.3 percentage point to 22.5 percent. Michigan’s share of U.S. car production decreased 0.9 percentage point while Michigan’s share of U.S truck production rose 0.2 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	Mar 2013	Apr 2013	May 2013	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	364.5	400.4	419.2	411.7	410.4	18.1	4.6%
Trucks	503.0	554.2	592.5	602.0	582.9	59.0	10.9%
Total	867.5	954.6	1,011.7	1,013.7	993.3	77.0	8.2%
Michigan Production ^(f)							
Autos	80.5	93.8	90.8	95.5	93.4	0.7	0.8%
Trucks	107.8	125.7	131.5	132.1	129.8	13.9	11.7%
Total	188.2	219.5	222.3	227.6	223.1	14.6	6.8%
Michigan as % of U.S.	21.7%	23.0%	22.0%	22.5%	22.5%	-0.3% pts	

Local Area Unemployment Rates Rose in Nine Michigan Local Areas

(Not Seasonally Adjusted)

May 2013 local area unemployment rates ranged between 5.9 percent (Ann Arbor MSA) and 10.8 percent (Northeast Lower Michigan). The median May 2013 unemployment rate was 8.7 percent – this compares to an 8.5 percent median rate last May.

Compared to a year ago, the May unemployment rate rose in nine Michigan labor market areas, fell in five State labor market areas and was unchanged in three areas. The Upper Peninsula reported the greatest year-over-year (y-o-y) rate increase (0.6 percentage point), followed by two areas (Bay City MSA and Saginaw-Saginaw Township MSA) with a 0.4 percentage point rate increase. The Detroit-Warren-Livonia MSA reported the largest rate drop (1.1 percentage point), substantially larger than the Grand Rapids-Wyoming MSA and Holland-Grand Haven MSA which reported the second largest rate decrease (0.2 percentage point).

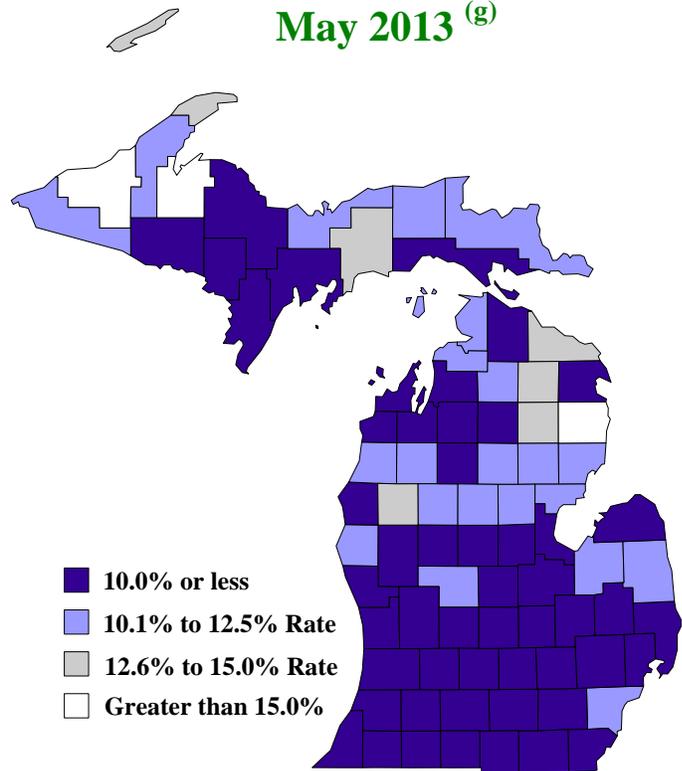
Between May 2012 and May 2013, employment rose in 15 areas, fell in one area and was unchanged in one area. Among the 15 areas reporting an employment increase, increases ranged between 3.8 percent in two MSAs (the Holland-Grand Haven MSA and Muskegon-Norton Shores MSA) and 0.2 percent in the Bay City MSA. The median employment increase was 1.7 percent. Employment in the one area to see a decline (the Saginaw-Saginaw Township North MSA) fell only 0.1 percent. The labor force rose in all but one area compared to last May.

Between May 2012 and May 2013, the unemployment rate rose in 51 Michigan counties, fell in 26 counties and remained unchanged in six counties. The median May 2013 rate change was a 0.2 percentage point increase. Alcona County posted the largest increase (4.0 percentage points), while St. Joseph County saw the largest decrease (1.9 percentage points). Fifty-one Michigan counties saw a May 2013 unemployment rate below 10.0 percent. Last May, 55 counties had an unemployment rate below 10.0 percent. In May 2013, three Michigan counties reported a rate higher than 15.0 percent. Last May, one county saw an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2012 Rate</u>	<u>Apr 2013 Rate</u>	<u>May 2013 Rate</u>
Michigan	8.9%	8.2%	8.4%
Ann Arbor	5.9%	5.1%	5.9%
Battle Creek	7.4%	6.6%	7.3%
Bay City	8.5%	8.5%	8.9%
Detroit-Warren-Livonia	10.1%	8.9%	9.0%
Flint	9.3%	8.8%	9.4%
Grand Rapids-Wyoming	6.7%	5.9%	6.5%
Holland-Grand Haven	6.8%	5.9%	6.6%
Jackson	8.4%	7.9%	8.7%
Kalamazoo-Portage	7.6%	6.7%	7.4%
Lansing-East Lansing	7.2%	7.0%	7.4%
Monroe	8.0%	7.3%	8.2%
Muskegon-Norton Shores	8.7%	8.1%	8.7%
Niles-Benton Harbor	8.9%	8.2%	8.9%
Saginaw-Saginaw Township	8.5%	8.3%	8.9%
Upper Peninsula	8.9%	9.8%	9.5%
Northeast Lower Mich	10.5%	11.8%	10.8%
Northwest Lower Mich.	9.2%	9.9%	9.3%

County Unemployment Rates May 2013^(g)

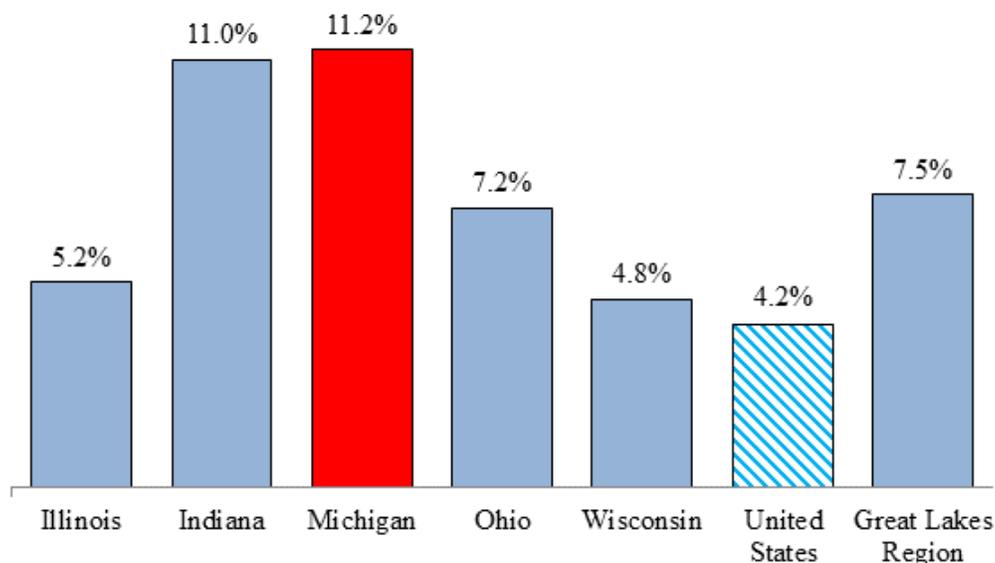


Michigan Real Gross Domestic Product Increases for Third Straight Year

On June 6, 2013, the Bureau of Economic Analysis released first-time annual state gross domestic product (GDP) estimates for 2012 and revised state GDP estimates for 2009-2011. Below are highlights from the release:

- In 2012, total real (inflation adjusted) Michigan GDP rose 2.2 percent – slowing from 4.9 percent growth in 2010 and 3.5 percent growth in 2011. Michigan’s 2012 real GDP growth rate ranked 18th fastest among U.S. states. Nationally, real GDP rose 2.5 percent in 2012 -- up from a 2.4 percent increase in 2010 and a 1.6 percent increase in 2011.
- In 2012, Michigan’s manufacturing sector grew the fastest among the State’s major industries with the sector’s real GDP rising 7.8 percent. Over the past three years, Michigan’s manufacturing sector has grown 60.5 percent.
- While accounting for 17.3 percent of the level of Michigan’s 2011 overall real GDP, the manufacturing sector accounted for 59.9 percent of the State’s overall 2012 real GDP growth. Over the past three years, Michigan’s manufacturing sector has accounted for 69.5 percent of the State’s overall real GDP growth.
- Michigan’s 2012 per capita real GDP (\$35,298) ranked 38th among U.S. states. The State’s 2012 per capita real GDP equaled 82.5 percent of the overall U.S. 2012 per capita real GDP (\$42,784).
- In 2012, Michigan reported the 10th fastest 2012 per capita real GDP growth (2.2 percent). Between 2009 and 2012, the State’s per capita real GDP rose 11.2 percent – the second fastest increase among U.S. states.

Michigan 2009-2012 Per Capita Real GDP Growth Fastest Among Great Lakes States



U.S. Economic Conditions

	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	77.6	78.6	76.4	84.5	5.2 points
ISM Manufacturing Index ⁽ⁱ⁾	54.2	51.3	50.7	49.0	-3.5 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.0	54.4	53.1	53.7	-0.4 points
	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	
Business Executives' Confidence ^(j)	47.0	42.0	46.0	54.0	-9.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	232.2	232.8	232.5	232.9	1.4%
Detroit CPI	218.9	NA	218.9	NA	1.3%
U.S. Producer Price Index	196.2	196.6	196.0	197.0	1.7%
INTEREST RATES					
90 Day T-Bill ^(l)	0.10%	0.09%	0.06%	0.04%	-0.05% points
Aaa Corporate Bonds ^(l)	3.90%	3.93%	3.73%	3.89%	0.09% points
INDUSTRIAL PRODUCTION ^(l)					
	98.9	99.1	98.6	98.7	1.6%
CAPACITY UTILIZATION ^(l)					
	78.1%	78.1%	77.7%	77.6%	-0.2% points
RETAIL SALES ^(d)					
	\$419.5	\$418.2	\$418.8	\$421.1	4.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.969	1.005	0.856	0.914	28.6%
Existing Home Sales ^(m)	4.950	4.940	4.970	5.180	12.9%
DURABLE GOODS ORDERS ^(p)					
	\$228.8	\$215.3	\$223.0	\$231.0	7.6%
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	\$13,725.7	1.78%

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.