



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

September 2012 Summary

U.S. Economy: Between 2012Q2 and 2012Q3, economic growth accelerated from 1.25 percent to 2.01 percent. The ISM manufacturing index rose above 50.0 (the expansion threshold) in September following three months below 50.0. The ISM non-manufacturing index signaled expansion for the 33rd consecutive month. The University of Michigan Consumer Sentiment Index was up 18.8 points from last September. New durable goods orders were up 2.5 percent from September 2011. While slightly faster than in August, September 2012 year-over-year industrial production growth (2.8 percent) still represented the fourth slowest y-o-y increase since the Great Recession. Similarly, capacity utilization was up 1.0 percentage point from last September -- the third smallest post Great Recession y-o-y point change. Existing home sales increased 11.0 percent to a 4.75 million unit sales rate. Housing starts rose 34.8 percent to an annualized 872,000 units in September – the 9th straight month above 700,000 units and the highest annualized pace since mid-2008.

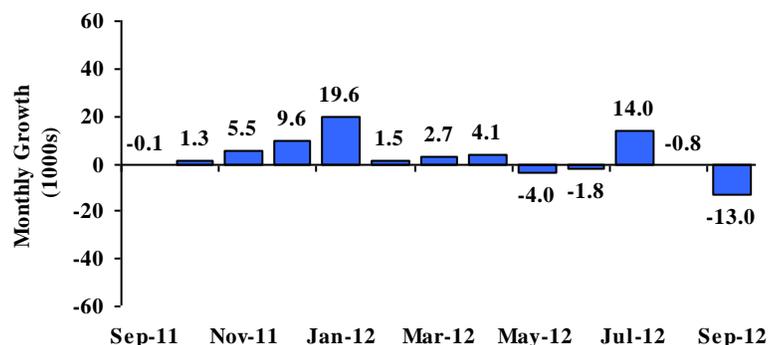
Employment: Michigan wage and salary employment was down 13,000 jobs (0.3 percent) compared to a month ago. Compared to last September, Michigan employment was up 1.0 percent. Nationally, wage and salary employment rose by 114,000 jobs between August and September. Between September 2011 and September 2012, U.S. employment increased 1.4 percent. Michigan's unemployment rate fell 0.1 percentage point in September from August to 9.3 percent. The State's September 2012 unemployment rate was 0.9 percentage point lower than a year earlier. At 7.8 percent, the U.S. unemployment rate was down 1.2 percentage points from a year ago.

Auto Industry: At 14.9 million units, the September 2012 U.S. light vehicle annual sales rate rose to its highest level in four and a half years. Michigan vehicle production was little changed (up 0.1 percent) in September from a year ago; U.S. production rose 3.7 percent.

Inflation: In September, the overall U.S. consumer price index (CPI) rose 2.0 percent compared to a year ago. At \$94.72 per barrel, oil prices were up \$9.11 from September 2011.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in September compared with year-ago levels. Employment rose in all 17 areas with a median increase of 2.1 percent. All Michigan counties saw a year-over-year unemployment rate drop.

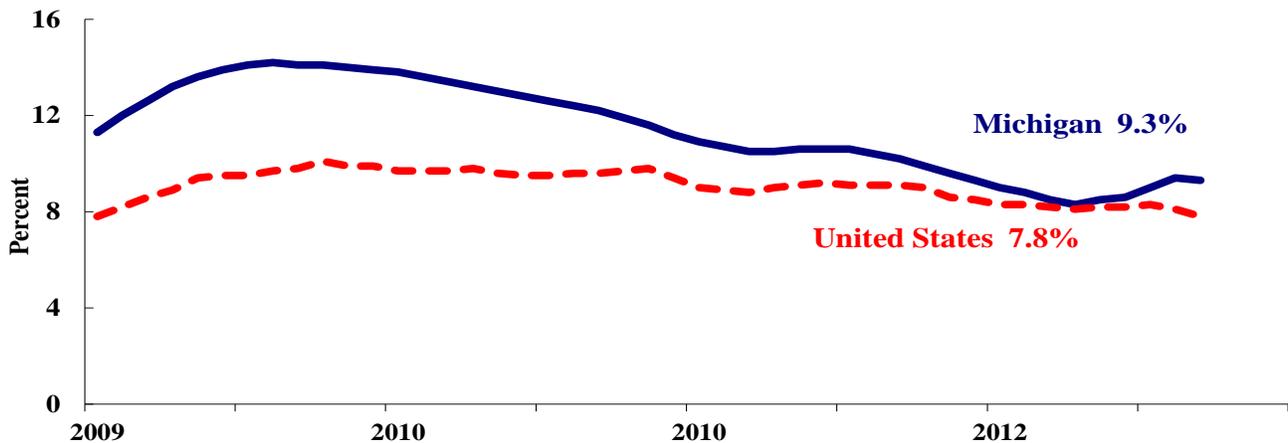
Michigan Employment Declines in September 2012^(a)



Labor Market Statistics

- Michigan's September unemployment rate decreased 0.1 of a percentage point from last month to 9.3 percent, and was down 0.9 of a percentage point from a year ago. The September U.S. unemployment rate decreased 0.3 of a percentage point from August to 7.8 percent and was down 1.2 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 2009 to 2012



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 4,233,000, up 11,000 from last month, while the labor force increased by 7,000. The statewide total number of unemployed decreased by 5,000 to 432,000.
- United States household employment totaled 143.0 million persons in September. The labor force totaled 155.1 million and there were 12.1 million unemployed in September 2012.

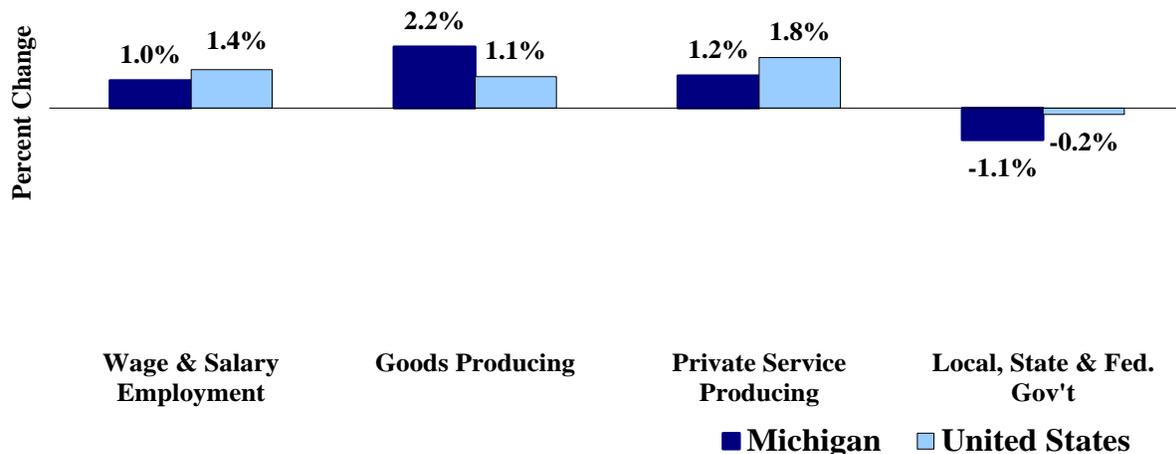
Employment by Place of Residence (in thousands)^(a)

	2011 Average	Jul 2012	Aug 2012	Sep 2012	Change From			
					Prior Month Level	%	Last Year Level	%
Michigan								
Labor Force	4,658	4,661	4,659	4,666	7	0.2%	18	0.4%
Employed	4,178	4,239	4,222	4,233	11	0.3%	58	1.4%
Unemployed	480	421	437	432	-5	-1.1%	-41	-8.7%
Unemployment Rate	10.3%	9.0%	9.4%	9.3%	n.a.	-0.1% pts	n.a.	-0.9%
United States								
Labor Force	153,617	155,013	154,645	155,063	418	0.3%	1,059	0.7%
Employed	139,869	142,220	142,101	142,974	873	0.6%	2,867	2.0%
Unemployed	13,747	12,794	12,544	12,088	-456	-3.6%	-1,809	-13.0%
Unemployment Rate	8.9%	8.3%	8.1%	7.8%	n.a.	-0.3% pts	n.a.	-1.2%

Employment by Place of Work

- From September 2011 to September 2012, Michigan wage and salary employment increased 39,000 (1.0 percent). State wage and salary employment decreased 13,000 from August. Nationally, September 2012 wage and salary employment rose 1,806,000 (1.4 percent) from a year ago and was up 114,000 from last month.

Wage and Salary Employment Growth September 2011 to September 2012



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

- In the goods-producing sector, Michigan employment increased 2.2 percent from a year ago while private service-producing sector employment increased 1.2 percent compared to last year. From a year ago, September national employment in the goods-producing sector rose 1.1 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.5 hours in September compared to last year.

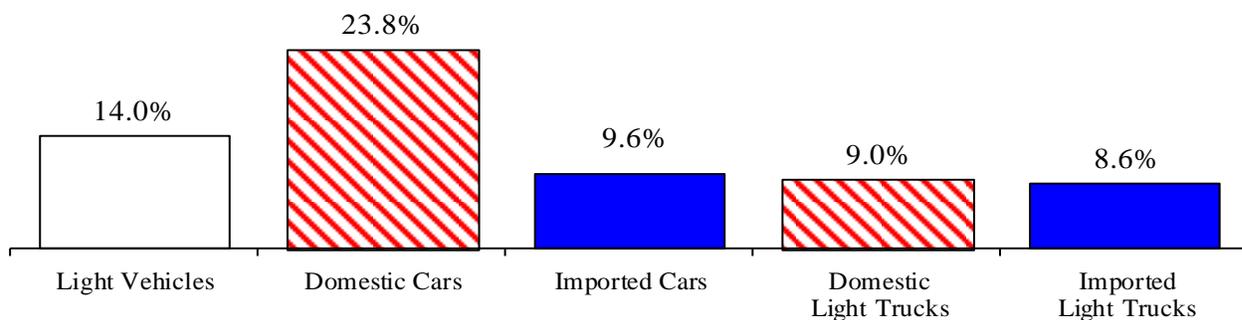
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2011 Average	Sep 2011	Sep 2012	Percent Change	2011 Average	Sep 2011	Sep 2012	Percent Change
Wage & Salary Employment	3,936	3,944	3,983	1.0%	131,359	131,694	133,500	1.4%
Goods Producing	638	639	653	2.2%	18,021	18,100	18,304	1.1%
Manufacturing	506	506	523	3.4%	11,733	11,768	11,942	1.5%
Private Service Producing	2,679	2,688	2,719	1.2%	91,234	91,542	93,195	1.8%
Trade, Trans. & Utilities	720	722	718	-0.6%	25,019	25,075	25,386	1.2%
Services	1,713	1,717	1,748	1.8%	55,877	56,143	57,419	2.3%
Local, State & Fed. Gov't	619	617	610	-1.1%	22,104	22,052	22,001	-0.2%
Manufacturing Weekly Hours	41.4	43.9	43.4	-0.5 hrs	40.5	40.4	40.6	0.2 hrs

Motor Vehicle Industry Sales

- September 2012 U.S. light vehicle sales totaled 14.9 million units, at a seasonally adjusted annual rate, which was up 2.8 percent from August 2012, and up 13.6 percent from a year ago. The September 2012 sales rate represented the highest rate since March 2008. At 376,000 units, heavy truck sales rose 12.2 percent from September 2011 to their highest sales rate in more than five years. Year-to-date, light vehicle sales are up 14.0 percent from last year.
- U.S. sales of domestic light vehicles decreased 0.5 percent in September 2012 compared with August, while foreign sales rose 15.9 percent. Domestic sales rose 13.3 percent compared to a year ago while foreign sales increased 14.8 percent. Consequently, the foreign share of U.S. light vehicle sales increased 0.2 percentage point from a year ago to 22.7 percent.
- Auto sales increased 23.8 percent compared to last September, while light truck sales were up 4.6 percent from September 2011. Through September 2012, year-to-date auto sales are up 19.3 percent and y-t-d light trucks sales are 8.9 percent higher.

September 2012 Year-to-Date Domestic Car Sales Up Sharply from Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2011 Average	Jul 2012	Aug 2012	Sep 2012	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.2	7.1	7.3	7.6	7.3	1.5	23.8%
Domestics	4.3	5.1	5.4	5.3	5.3	1.1	25.2%
Imports	1.8	2.0	2.0	2.3	2.1	0.4	20.8%
Import Share	29.9%	28.6%	26.7%	30.0%	28.4%	-0.8% pts	
Light Trucks	6.5	7.0	7.1	7.3	7.1	0.3	4.6%
Domestics	5.6	5.9	6.2	6.2	6.1	0.3	4.7%
Imports	1.0	1.0	1.0	1.1	1.0	0.0	4.0%
Import Share	15.0%	15.1%	13.5%	15.1%	14.6%	-0.1% pts	
Total Light Vehicles	12.7	14.0	14.5	14.9	14.5	1.8	13.6%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.0	12.2%
Total Vehicles	13.0	14.4	14.8	15.3	14.8	1.8	13.6%

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

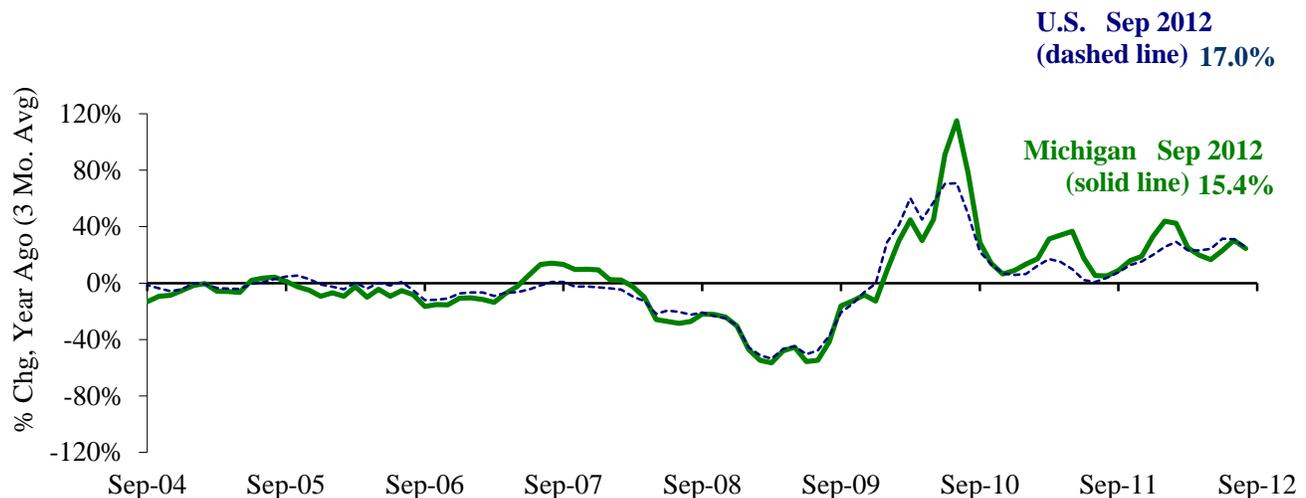
(billions of dollars)

	2011 Average	Jul-12	Aug-12	Sep-12	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$128.6	\$153.0	\$154.9	\$156.3	\$154.7	\$25.85	20.0%
Inventory/Sales Ratio	1.87	2.09	2.08	2.06	2.08	0.15	

Motor Vehicle Industry Production

- At 174,041 units, September 2012 Michigan motor vehicle production was 0.1 percent higher than September 2011. National production increased 3.7 percent from last September. The three-month average of Michigan production (July 2012 –September 2012) was 15.4 percent higher than last year. Nationally, the July-September three month average was up 17.0 percent from last year.
- In September 2012, Michigan car production was up 34.4 percent from a year ago while State truck production decreased 18.7 percent. Nationally, car production rose 26.6 percent while truck production decreased 9.4 percent.
- From a year ago, Michigan's share of national production fell 0.8 percentage point to 21.8 percent.

Michigan and U.S. Motor Vehicle Production Three Month Average Up from Last Year ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2011 Monthly Average	Jul 2012	Aug 2012	Sep 2012	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	241.7	281.3	419.6	355.4	352.1	74.6	26.6%
Trucks	404.0	412.5	544.0	443.5	466.7	(46.1)	-9.4%
Total	645.7	693.7	963.6	798.9	818.8	28.5	3.7%
Michigan Production ^(f)							
Autos	44.6	69.3	93.9	83.0	82.1	21.3	34.4%
Trucks	86.8	90.1	122.7	91.0	101.2	(21.0)	-18.7%
Total	131.4	159.4	216.5	174.0	183.3	0.3	0.1%
Michigan as % of U.S.	20.4%	23.0%	22.5%	21.8%	22.4%	-0.8% pts	

Local Area Unemployment Rates Fall In All Seventeen Local Areas (Not Seasonally Adjusted)

September 2012 local area unemployment rates ranged between 5.0 percent (Ann Arbor MSA) and 10.0 percent (Detroit-Warren-Livonia MSA). The median September 2012 unemployment rate was 7.3 percent – this contrasts with a 9.0 percent median rate last September.

Compared to a year ago, the September unemployment rate fell in all 17 major Michigan labor market areas. The Detroit-Warren-Livonia MSA labor market area saw the smallest decline (-1.2 percentage points). The Flint MSA and Jackson MSA reported the largest rate decline (-2.0 percentage points). The median rate decline was -1.7 percentage points.

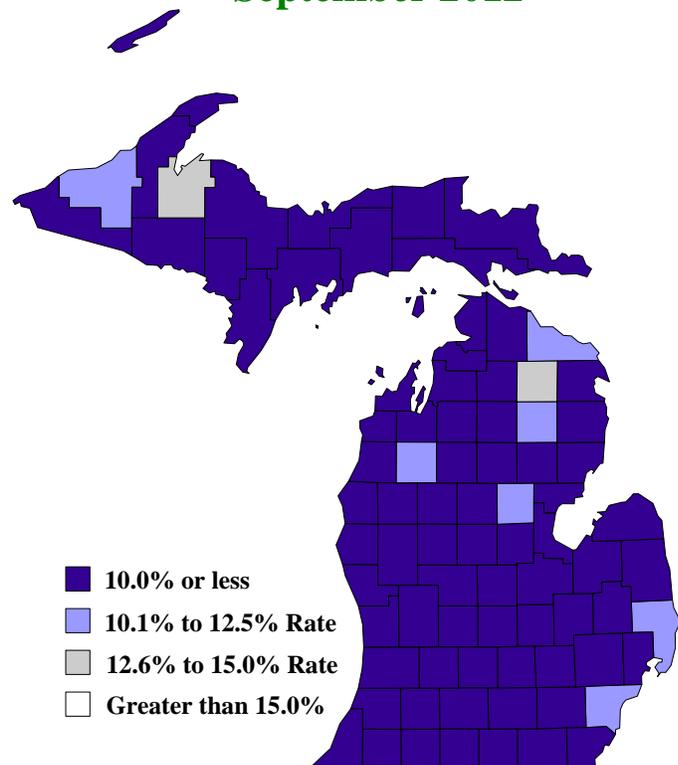
Between September 2011 and September 2012, all 17 labor market areas saw an employment increase. The median employment increase was 2.1 percent. Employment increases ranged between 0.7 percent in Detroit-Warren-Livonia MSA and 5.5 percent in Kalamazoo-Portage MSA. Compared to a year ago, the labor force fell in five of the State's 17 areas while 11 areas saw a labor force increase and one area saw no change. The Kalamazoo-Portage MSA experienced the largest labor force increase (3.3 percent), followed by the Jackson MSA (2.4 percent). The Battle Creek MSA saw the greatest labor force decline (-1.2 percent).

Between September 2011 and September 2012, the unemployment rate fell in all 83 Michigan counties. The median September 2012 rate decline was 1.7 percentage points. Ontonagon County posted the largest decline (-3.6 percentage points), followed by Schoolcraft County (-3.1 percentage points). Seventy-two Michigan counties saw a September 2012 unemployment rate below 10.0 percent. Last September, 43 counties had an unemployment rate below 10.0 percent. In September 2012, no Michigan county reported a rate higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Sep 2011 Rate</u>	<u>Aug 2012 Rate</u>	<u>Sep 2012 Rate</u>
Michigan	9.8%	9.2%	8.2%
Ann Arbor	6.4%	5.8%	5.0%
Battle Creek	8.4%	7.5%	6.5%
Bay City	8.9%	8.3%	7.3%
Detroit-Warren-Livonia	11.2%	10.9%	10.0%
Flint	10.4%	9.5%	8.4%
Grand Rapids-Wyoming	7.8%	6.9%	6.0%
Holland-Grand Haven	7.6%	6.7%	5.8%
Jackson	9.4%	8.3%	7.4%
Kalamazoo-Portage	8.4%	7.4%	6.5%
Lansing-East Lansing	7.7%	7.2%	6.2%
Monroe	9.0%	8.1%	7.1%
Muskegon-Norton Shores	9.7%	9.1%	8.0%
Niles-Benton Harbor	9.4%	8.9%	7.8%
Saginaw-Saginaw Township	9.1%	8.6%	7.6%
Upper Peninsula	8.8%	8.4%	7.2%
Northeast Lower Mich	10.5%	9.7%	8.7%
Northwest Lower Mich.	9.6%	8.5%	7.8%

County Unemployment Rates September 2012^(g)



U.S. Economic Conditions

	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	73.2	72.3	74.3	78.3	18.8 points
ISM Manufacturing Index ⁽ⁱ⁾	49.7	49.8	49.6	51.5	-1.0 point
ISM Non Manufacturing Index ⁽ⁱ⁾	52.1	52.6	53.7	55.1	2.5 points
	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	
Business Executives' Confidence ^(j)	49.0	63.0	47.0	42.0	0.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	229.5	229.1	230.4	231.4	2.0%
Detroit CPI	214.5	NA	217.1	NA	1.5%
U.S. Producer Price Index	192.8	193.1	195.5	196.7	2.1%
INTEREST RATES					
90 Day T-Bill ^(l)	0.09%	0.10%	0.10%	0.11%	0.10% points
Aaa Corporate Bonds ^(l)	3.64%	3.40%	3.48%	3.49%	-0.60% points
INDUSTRIAL PRODUCTION ^(l)					
	97.4	98.0	96.6	97.0	2.8%
CAPACITY UTILIZATION ^(l)					
	78.8%	79.2%	78.0%	78.3%	1.0% points
RETAIL SALES ^(d)					
	\$400.6	\$403.6	\$408.3	\$412.9	5.4%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.754	0.728	0.758	0.872	34.8%
Existing Home Sales ^(m)	4.370	4.470	4.830	4.750	11.0%
DURABLE GOODS ORDERS ^(p)					
	\$221.4	\$228.6	\$198.6	\$218.2	2.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	<u>% Change From Year Ago</u>
Michigan	\$358.3	\$362.0	\$366.8	\$370.7	4.1%
U.S.	\$12,977.3	\$13,018.3	\$13,236.3	\$13,370.3	3.3%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	<u>2012.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,441.0	\$13,506.4	\$13,548.5	\$13,616.2	2.01%

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.