Michigan Economic Update

Federal Reserve Bank of Chicago
Detroit Branch
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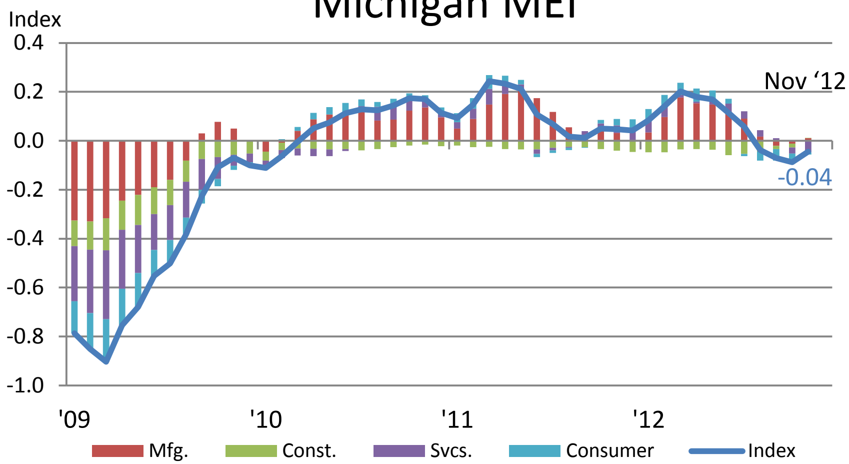
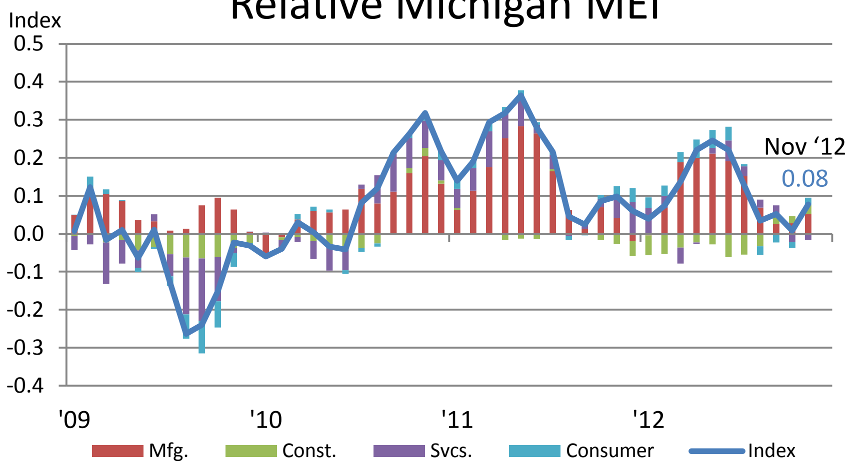
Michigan MEI Index remained below zero in November indicating below average contribution from Michigan to Midwest growth

Michigan MEI



Relative Michigan MEI

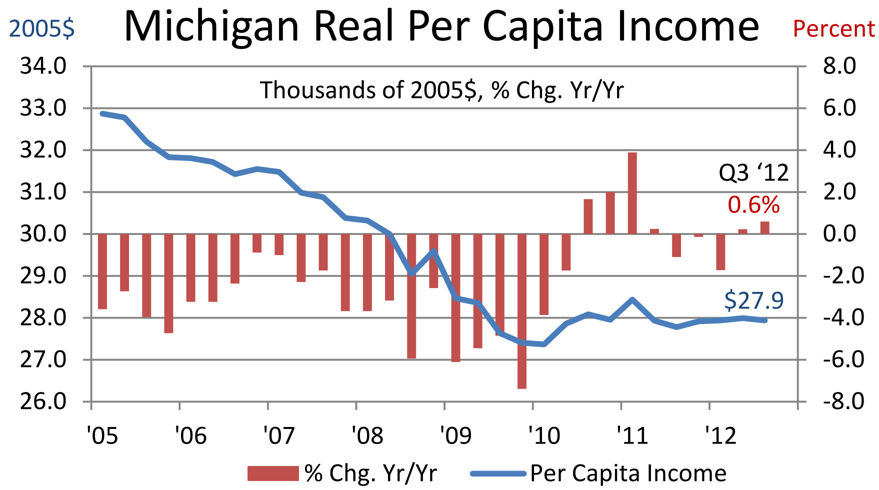


Source: FRB of Chicago

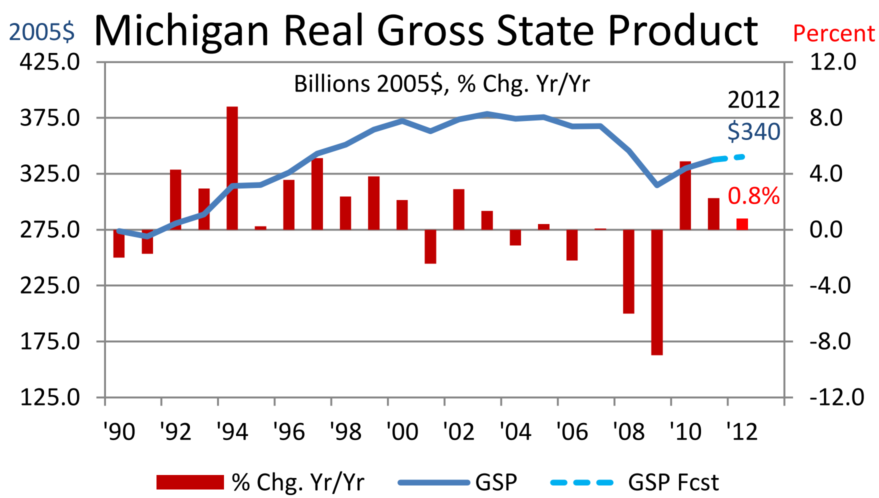
Michigan's economic growth improved slightly in November, according to the Federal Reserve Bank of Chicago's MEI Index for Michigan. The index increased to –0.04 in November from –0.09 in October. Manufacturing's contribution to the index turned positive again following two months of decline. The most favorable change was the positive contribution from the construction sector, marking the first positive contribution to the index from construction since September 2005.

Michigan's contribution to the Seventh District's economic growth improved to 0.08 in November after falling to just 0.01 in October. November's improvement was driven mostly by improvements in contributions from manufacturing, construction, and the consumer sectors. The service sector's contribution to the region remained negative for the second straight month, although it did improve slightly when compared with October.

Michigan's Per Capita Income rose by 0.6 percent in the 3rd Quarter but fell slightly compared to the 2nd Quarter



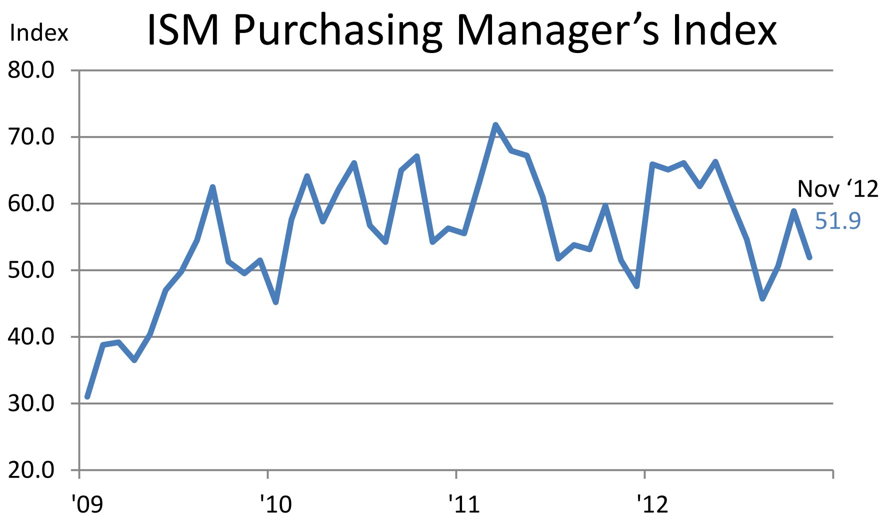
Real per capita income in Michigan registered some significant improvement starting in Q3 2010. This improvement was short lived as incomes started falling once again in Q3 2011, falling for three consecutive quarters. On a positive note, personal incomes increased in Q3 2012, marking two consecutive quarters of growth on a year-over-year basis. However, in real terms, per capita income has not improved significantly in over three years.



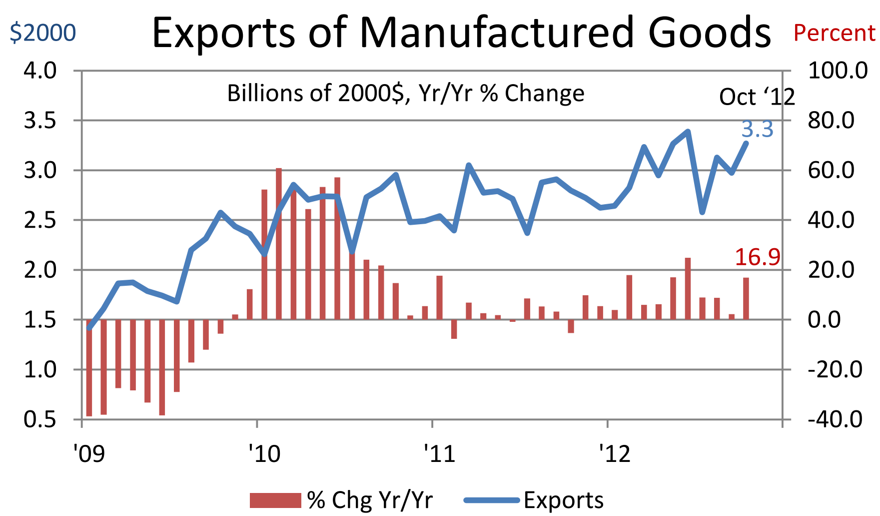
Based on data through the third quarter, Michigan's GSP is estimated to be growing at a 0.8% pace in 2012 relative to 2011. Most of this growth is due to positive contributions from manufacturing. However, the continued growth in real personal income in Q3 2012 should not be overlooked and, if income continues to rise, it should help to stimulate Michigan's economic growth through the end of the year.

Source: Haver Analytics / FRB of Chicago

Michigan's ISM Purchasing Managers Index and Exports of Manufactured Goods provided continued evidence of slowing economic activity



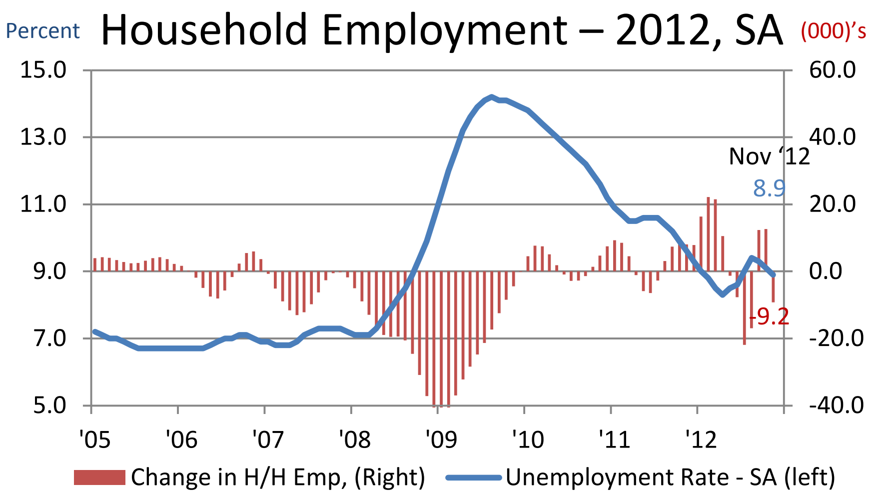
The ISM Purchasing Manager's Index fell in November after regaining some of its earlier losses in October. Although November's reading of 51.9 does signify expansion in manufacturing, it is still well below the levels seen earlier this year when manufacturing was contributing more to Michigan's economic growth.

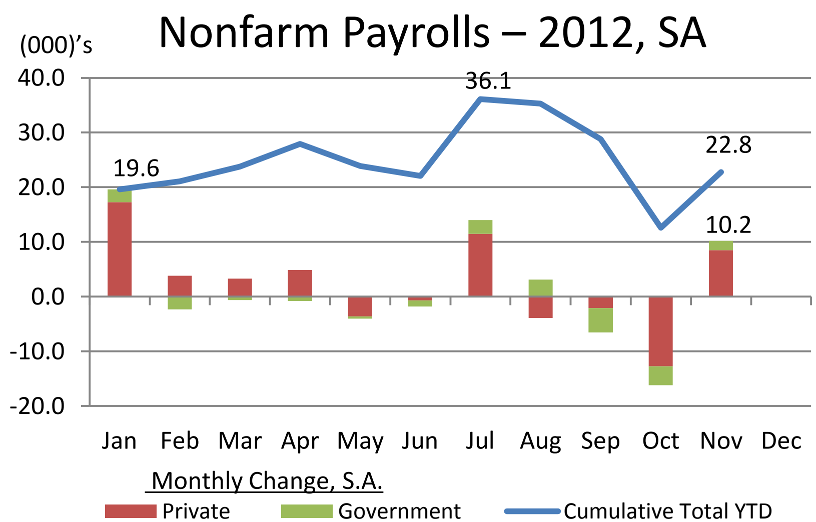


After falling to the lowest level since 1996 in 2009, exports of manufactured goods from Michigan have been experiencing a relatively strong recovery. Exports of manufactured goods were estimated at $3.27 billion in October, up $300 million from September and just slightly below their post-recession peak of $3.39 billion, which was reached in June of this year. However, even with the recent slowdown, exports are still up 16.9% from a year ago.

Source: ISM / Haver Analytics

Michigan's unemployment rate declines to 8.9 percent in November from 9.1 percent in October



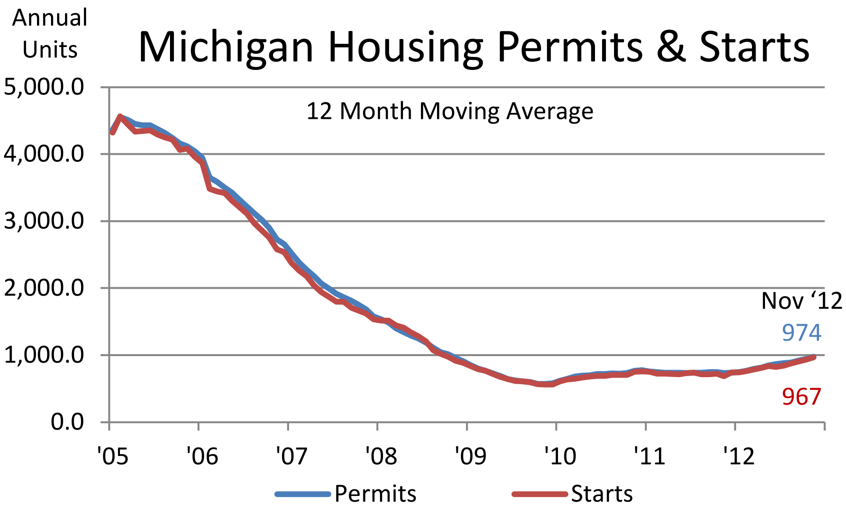


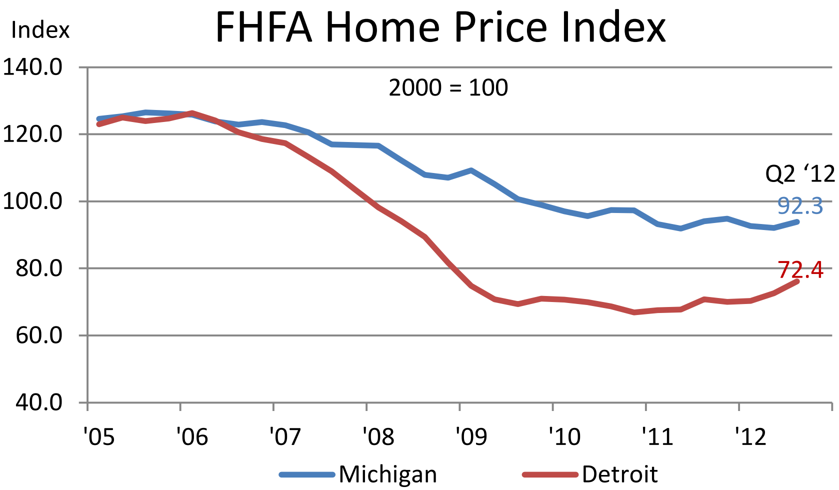
Source: BLS / Haver Analytics

Michigan's unemployment rate fell for the third consecutive month in November to 8.9 percent even though household employment declined by 9,200 jobs. The decline in the unemployment rate reflects a 24,800 reduction of the labor force in November. On a slightly positive note, year-to-date through November household employment and the labor force have increased by 38,532 and 19,206 respectively resulting in a 19,326 decline in the number of unemployed persons.

The picture for nonfarm payroll employment which is based on a survey of business tells a slightly different story for November. According to the November jobs report, nonfarm payrolls actually increased by 10,200 jobs. Nonfarm payroll job growth in 2012 started off strong but has shown somewhat mixed results since April. Cumulative nonfarm job growth for 2012 which had reached 36,100 by July, now stands at 22,800 through November.

Michigan's housing market is showing some minor improvement which may be an indication that the housing sector is on the mend



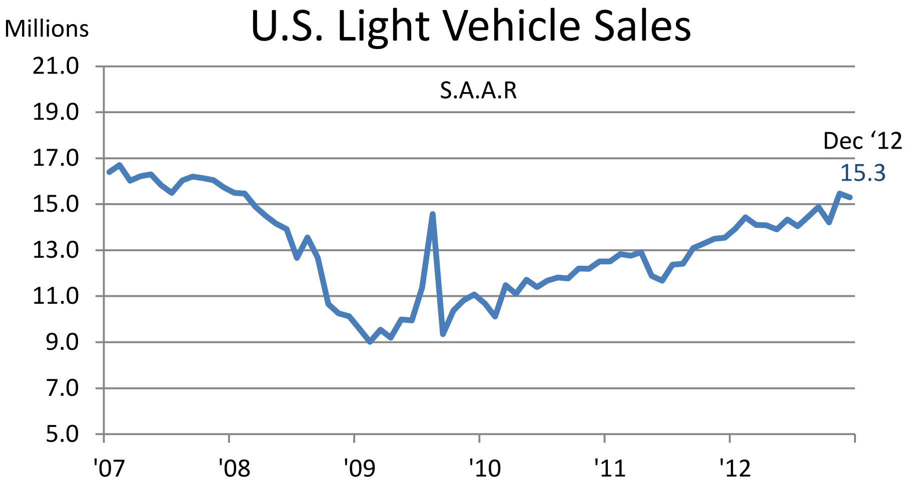


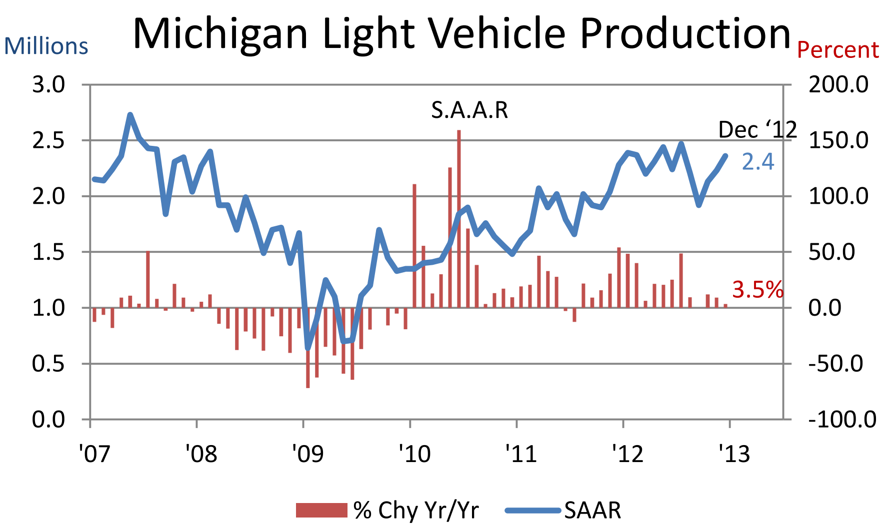
Construction of privately owned homes in Michigan has seen some modest improvement since bottoming in 2009. The 12-month moving average for housing starts in November was estimated to be 967 units, which is a 41% improvement on a year-over-year basis. However, even with that improvement, privately owned housing starts are still only about 21% of what they were at their peak in 2005, when housing starts averaged over 4,560 per month.

After peaking in 2005–06, home prices fell more rapidly in Detroit than in Michigan as a whole. On average, home prices in Michigan were up slightly in Q3 2012 but have remained essentially unchanged since showing some improvement in 2011. On a positive note, Detroit has seen gradual improvement since bottoming in Q1 2010 but from a much lower base. In Q3 2012, the average transaction price for a home sold in Detroit was down 23.9% from 2000.

Source: U.S. Census / Haver Analytics

U.S. light vehicle sales remained strong in December helping to drive Michigan's light vehicle production for 2012 to its highest level in in five years





Source: Ward's Automotive / FRB Chicago

U.S. light vehicle sales for December 2012 were reported to be 15.3 million units on a seasonally adjusted annual rate (SAAR). Total light vehicle sales for 2012 were reported to be 14.4 million units, the highest annual sales since 2007. This equals an increase of 4.0 million units since sales bottomed in 2009 at 10.4 million units.

Michigan's light vehicle production for December 2012 was reported to be 2.36 million units on a seasonally adjusted annual rate (SAAR). This was an increase of 3.5% compared with December 2011. Total light vehicle production for 2012 was reported at 2.26 million units. This makes 2012 the highest production year since 2007 and 1.12 million units higher than light vehicle production for 2009, when total light vehicle production bottomed at just 1.14 million units.

The Midwest Economic Indicator

The MEI is a weighted average of 129 state and regional indicators measuring growth in nonfarm business activity from four broad sectors of the Midwest economy: 1) manufacturing, 2) construction and mining, 3) services, and 4) consumer spending. It encompasses the entirety of the five states in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin).

The index is constructed to have an average value of zero and a standard deviation of one. Since Midwest economic activity tends toward trend growth rate over time, a positive index reading corresponds to growth in Midwest economic activity above trend, while a negative reading corresponds to growth below trend.

Over long periods, growth in Midwest economic activity has tended to coincide with growth in national economic activity. To highlight periods where differences arise, we construct two separate index values. The MEI captures both national and regional factors driving Midwest growth, and the relative MEI provides a picture of Midwest growth conditions relative to those of the nation.

Michigan MEI Data

Description	Source	Sector
All Employees: Construction, Michigan (SA, Thous)	BLS	Construction
All Employees: Mining & Logging, Michigan (SA, Thous)	BLS	Construction
Permits: New Pvt Housing Units, Michigan (SA, Units)	Census	Construction
Housing Starts: Michigan (SAAR, Thous.Units)	Commerce	Construction
Number Employed, Michigan (SA, Thous)	BLS	Consumer
Unemployment Rate, Michigan (SA, %)	BLS	Consumer
Per Capita Personal Income, Michigan (Chained.2005$)	BEA	Consumer
Unemployment Insurance: Initial Claims Applications: Michigan (SA, Number)	DOL	Consumer
All Employees: Manufacturing, Michigan (SA, Thous)	BLS	Manufacturing
Origin of Movement: Exports of Manufactured Goods, Michigan (Mil. 2000$)	Census	Manufacturing
ISM-Southeast Michigan: New Orders Index (NSA, 50=No Chg)	NAPM-D	Manufacturing
ISM-Southeast Michigan: Production Index (NSA, 50=No Chg)	NAPM-D	Manufacturing
ISM-Southeast Michigan: PMI (NSA, 50=No Chg)	NAPM-D	Manufacturing
ISM-Southeast Michigan: Employment Index (NSA, 50=No Chg)	NAPM-D	Manufacturing
ISM-Southeast Michigan: Vendor Deliveries Index (NSA, 50=No Chg)	NAPM-D	Manufacturing
ISM-Southeast Michigan: Finished Goods Inventory Index (NSA, 50=No Chg)	NAPM-D	Manufacturing
All Empl: Trade/Transportation/Utilities, Michigan (SA, Thous)	BLS	Services
All Employees: Finance, Insurance & Real Estate, Michigan (SA, Thous)	BLS	Services
All Employees: Total Government, Michigan (SA, Thous)	BLS	Services
All Employees: Information, Michigan (SA, Thous)	BLS	Services
All Empl: Professional & Business Svces, Michigan (SA, Thous)	BLS	Services
All Employees: Educational & Health Svcs, Michigan (SA, Thous)	BLS	Services
All Employees: Leisure & Hospitality, Michigan (SA, Thous)	BLS	Services
All Employees: Other Services, Michigan (SA, Thous)	BLS	Services