



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

April 2015 Summary

U.S. Economy: Estimated real GDP growth in the first quarter of 2015 was revised down from a 0.2 percent annual rate increase to a 0.7 percent annual *decrease*. Similarly, the capacity utilization rate fell 0.7 percentage point between April 2014 and April 2015 and new durable goods orders dropped 2.3 percent from last April. The Institute for Supply Management (ISM) reported that April 2015 marked the 71st consecutive month of growth in the overall U.S. economy. However, the ISM Production Management Index dropped 3.8 points from last April. Industrial production rose modestly (1.9 percent) from last year and retail sales were up only 0.9 percent between April 2014 and April 2015. Housing starts were up 9.2 percent from last April and existing home sales increased 6.1 percent. In addition, the consumer sentiment index rose substantially from last year with an 11.8 percentage point increase from April 2014.

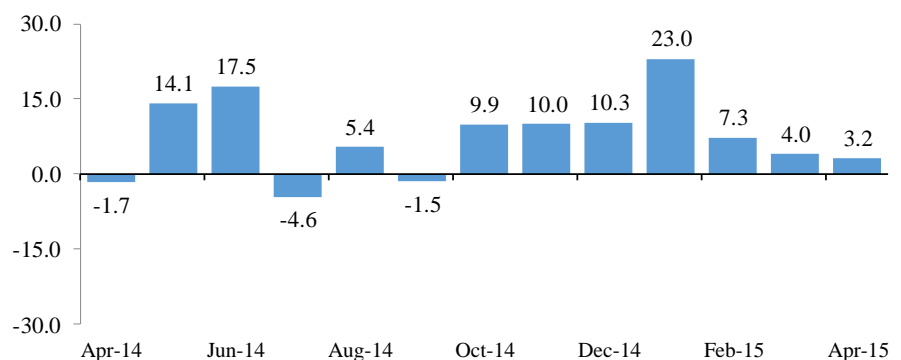
Employment: Between April 2014 and April 2015, Michigan payroll employment gained a net 98,600 jobs. Compared to March 2015, Michigan payroll employment in April was up 3,200 jobs. At 5.4 percent, Michigan's April 2015 unemployment rate represented the State's lowest unemployment rate since August 2001. In April 2015, both Michigan and the United States reported a 5.4 percent unemployment rate – ending a string of 174 months in which Michigan's unemployment rate exceeded the national rate. The April 2015 Michigan unemployment rate was down 0.2 of a percentage point from March and was down 2.1 percentage points from April 2014. The U.S. unemployment rate was down 0.8 percentage points from April 2014. Over the last year, U.S. payroll employment increased 3.0 million jobs (2.2 percent).

Auto Industry: The April 2015 U.S. light vehicle annual sales rate of 16.5 million units was up 3.1 percent from a year ago. Between April 2014 and April 2015, Michigan vehicle production rose 4.2 percent while national vehicle production was up 1.2 percent. Compared to a year ago, Michigan's share of national vehicle production increased 0.6 percentage point to 20.0 percent.

Inflation: In April 2015, the overall U.S. consumer price index (CPI) was down 0.2 percent from April 2014. The core U.S. CPI rose 1.8 percent. The Detroit CPI fell 1.9 percent. The U.S. producer price index decreased 4.4 percent from last year. The price of oil in April was \$54.45 per barrel, which was down \$47.62 per barrel from the year-ago level.

Michigan Metro Areas: Compared to a year-ago, April 2015 unemployment rates fell in all of Michigan's 17 major labor markets and in all but one of the State's 83 counties. Employment rose in all Michigan major labor market areas.

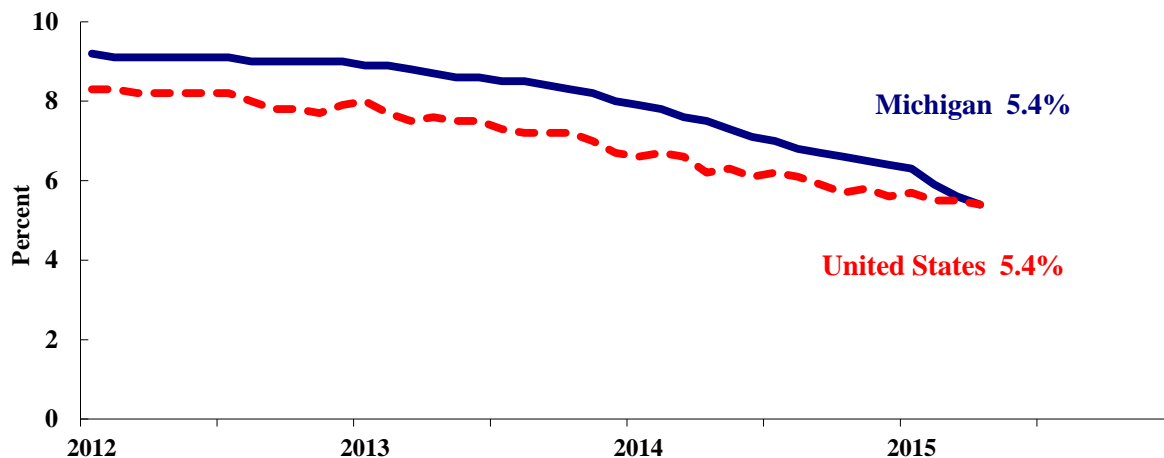
Michigan Payroll Employment Rises for 7th Straight Month
(Seasonally Adjusted) ^(a)



Labor Market Statistics

- Michigan's April unemployment rate decreased 0.2 percentage point from last month to 5.4 percent – the State's lowest monthly unemployment rate since August 2001. The April 2015 Michigan unemployment rate was down 2.1 percentage points from a year ago. The April U.S. unemployment rate decreased 0.1 percentage point from March to 5.4 percent and was down 0.8 percentage point from a year ago. Thus, in April 2015, the Michigan unemployment matched the U.S. unemployment rate for the first time since September 2000. Monthly unemployment rates fluctuate in part due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates April 2012 to April 2015



Source: Michigan Dept. of Technology, Management & Budget and Bureau of Labor Statistics, U.S. Dept. of Labor

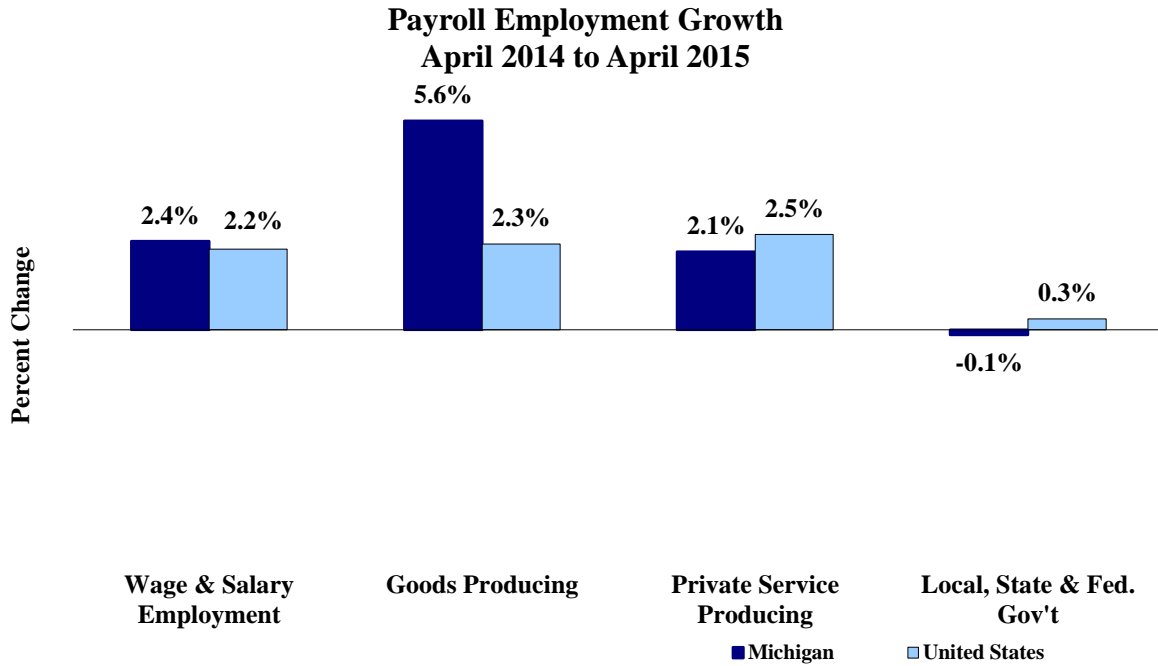
- In April, the total number of people employed in Michigan increased 3,000 from last month to 4,483,000 persons, while the labor force fell by 6,000 persons. The statewide total number of unemployed declined 9,000 to 257,000.
- United States employment totaled 148.5 million persons in April. The labor force totaled 157.1 million and there were 8.5 million unemployed in April 2015.

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

	2014 Average	Feb 2015	Mar 2015	Apr 2015	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,750	4,758	4,747	4,741	-6	-0.1%	-10	-0.2%
Employed	4,402	4,477	4,480	4,483	3	0.1%	88	2.0%
Unemployed	348	281	267	257	-9	-3.6%	-98	-27.5%
Unemployment Rate	7.3%	5.9%	5.6%	5.4%	n.a.	-0.2% pts	n.a.	-2.1% pts
United States								
Labor Force	155,922	157,002	156,906	157,072	166	0.1%	1,652	1.1%
Employed	146,305	148,297	148,331	148,523	192	0.1%	2,799	1.9%
Unemployed	9,617	8,705	8,575	8,549	-26	-0.3%	-1,147	-11.8%
Unemployment Rate	6.2%	5.5%	5.5%	5.4%	n.a.	-0.1% pts	n.a.	-0.8% pts

Employment by Place of Work (Payroll)

- From April 2014 to April 2015, Michigan payroll employment increased 98,600 (2.4 percent). State payroll employment increased 3,200 jobs in April from March. Nationally, April 2015 payroll employment rose 2,982,000 (2.2 percent) from a year ago and was up 223,000 from last month.



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

- In the goods-producing sector, Michigan payroll employment increased 5.6 percent in April from a year ago while employment in the private service-producing sector increased 2.1 percent. From a year ago, April national payroll employment rose 2.3 percent in the goods-producing sector and increased 2.5 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased 0.3 hour in April compared to last year.

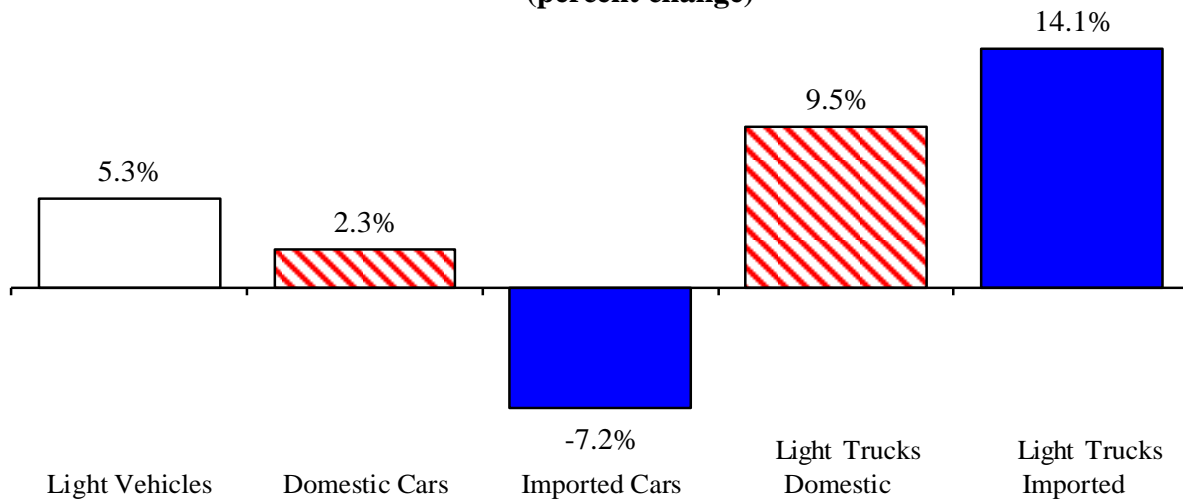
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2014 Average	Apr 2014	Apr 2015	Percent Change	2014 Average	Apr 2014	Apr 2015	Percent Change
Wage & Salary Employment	4,179.7	4,156.5	4,255.1	2.4%	139,042	138,385	141,367	2.2%
Goods Producing	725.6	714.5	754.4	5.6%	19,223	19,131	19,570	2.3%
Manufacturing	575.9	566.9	591.8	4.4%	12,188	12,142	12,322	1.5%
Private Service Producing	2,858.8	2,846.4	2,905.9	2.1%	97,957	97,411	99,890	2.5%
Trade, Trans. & Utilities	757.3	755.5	763.4	1.0%	26,384	26,260	26,815	2.1%
Services	1,839.7	1,830.2	1,878.5	2.6%	60,854	60,481	62,199	2.8%
Local, State & Fed. Gov't	595.4	595.6	594.8	-0.1%	21,863	21,843	21,907	0.3%
Manufacturing Weekly Hours	43.9	43.9	44.2	0.3 hrs	42.0	40.9	40.8	-0.1 hrs

Motor Vehicle Industry Sales

- April 2015 U.S. light vehicle sales were down 3.5 percent from March. At 16.5 million units, April 2015 U.S. light vehicle sales were up 3.1 percent from April 2014.
- April 2015 marks the 12th straight month that the light vehicle annualized sales rate has exceeded 16.0 million units. The rate has exceeded 15.0 million units in each of the past 30 months.
- U.S. sales of domestic light vehicles increased 3.2 percent between April 2014 and April 2015, while foreign sales were up 2.7 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 0.1 percentage point to 21.7 percent between April 2014 and April 2015.
- Auto sales decreased 2.6 percent compared to last April, while light truck sales were up 7.9 percent from April 2014. Year-over-year, heavy truck sales rose 4.0 percent.

Year-to-Date (April) 2015 Light Truck Sales Up Sharply From A Year Ago (percent change)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2014	Feb	Mar	Apr	3 Month	Change from	
	Average	2015	2015	2015	Average	Level	%
Autos	7.7	7.0	7.5	7.2	7.2	(0.2)	-2.6%
Domestics	5.6	5.1	5.4	5.2	5.3	0.0	0.5%
Imports	2.1	1.9	2.1	1.9	2.0	(0.2)	-10.0%
Import Share	27.2%	26.7%	28.2%	27.1%	27.3%	-2.2% pts	
Light Trucks	8.7	9.1	9.6	9.3	9.3	0.7	7.9%
Domestics	7.4	7.7	8.0	7.7	7.8	0.4	5.1%
Imports	1.4	1.5	1.6	1.6	1.6	0.3	23.4%
Import Share	15.5%	15.9%	16.8%	17.6%	16.8%	2.2% pts	
Total Light Vehicles	16.4	16.2	17.1	16.5	16.6	0.5	3.1%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	0.0	4.0%
Total Vehicles	16.8	16.6	17.5	16.9	17.0	0.5	3.1%

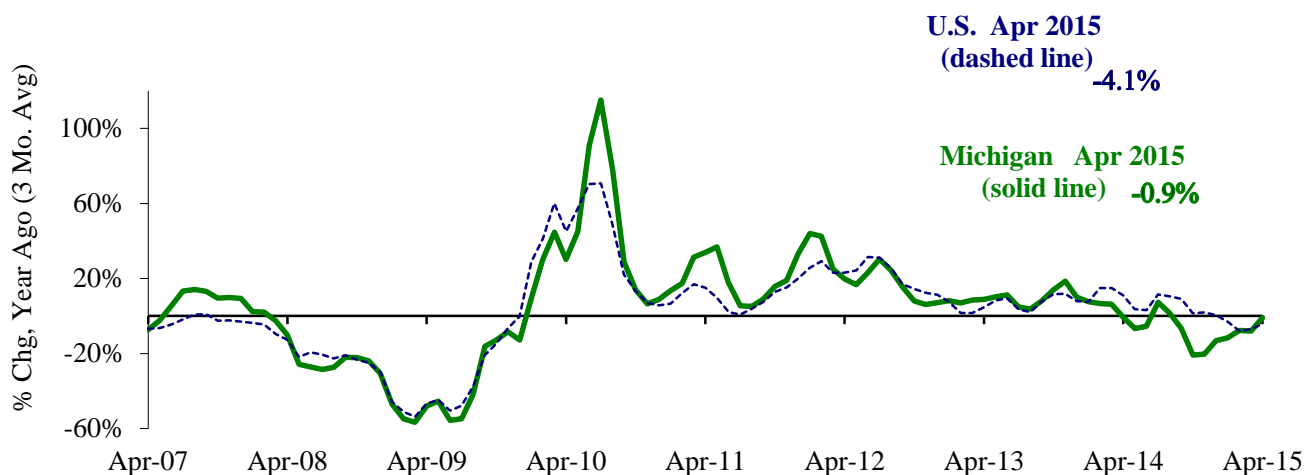
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2014	Jan-15	Feb-15	Mar-15	3 Month	Change from	
	Average	Jan-15	Feb-15	Mar-15	Average	Level	%
Inventories	\$184.2	\$184.3	\$185.0	\$186.1	\$185.1	\$7.3	4.1%
Inventory/Sales Ratio	2.09	2.06	2.11	2.07	2.08	0.02	

Motor Vehicle Industry Production

- At 204,040 units, April 2015 Michigan motor vehicle production was 4.2 percent higher than April 2014. National production increased 1.2 percent from last April. The three-month average of vehicle production (February 2015-April 2015) was down 0.9 percent in Michigan and down 4.1 percent nationally, compared to a year ago.
- In April 2015, Michigan car production was up 31.6 percent from a year ago while State truck production fell 6.4 percent. Nationally, car production increased 4.8 percent while U.S. truck production decreased 0.7 percent.
- Michigan’s share of national vehicle production rose 0.6 percentage point to 20.0 percent in April 2015 from the year-ago level. Michigan’s share of U.S. car production was up 3.9 percentage points to 19.4 percent. Michigan’s share of U.S truck production fell 1.2 percentage points to 20.3 percent.

Michigan and U.S. Motor Vehicle Production’s Trend Rate of Growth Down in April ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2014					Change from Year Ago for the Month	
	Monthly Average	Feb 2015	Mar 2015	Apr 2015	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	369.1	366.9	391.2	370.2	376.1	16.9	4.8%
Trucks	619.3	610.4	663.5	651.8	641.9	(4.5)	-0.7%
Total	988.4	977.3	1,054.7	1,022.0	1,018.0	12.4	1.2%
Michigan Production ^(f)							
Autos	69.9	75.7	86.0	71.9	77.8	17.2	31.6%
Trucks	126.5	122.5	138.9	132.2	131.2	(9.0)	-6.4%
Total	196.5	198.1	224.9	204.0	209.0	8.2	4.2%
Michigan as % of U.S.	19.9%	20.3%	21.3%	20.0%	20.5%	0.6% pts	

Local Area Unemployment Rates Decline in All of Michigan’s 17 Local Areas (Not Seasonally Adjusted)

April 2015 local area unemployment rates ranged from a low of 3.2 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 7.6 percent in Northeast Lower Michigan. The median April 2015 unemployment rate was 4.8 percent, which is down substantially from last April’s 6.5 percent median rate.

Compared to a year ago, the April unemployment rate fell in all of Michigan’s 17 labor market areas. Northeast Lower Michigan reported the largest rate decrease of 2.8 percentage points, followed by the Detroit-Warren-Livonia MSA with a reported decline of 2.7 percentage points. The Battle Creek MSA saw the smallest rate decline (1.2 percentage points).

Between April 2014 and April 2015, employment rose in all of Michigan’s 17 labor market areas. The median employment increase was 2.3 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase at 4.3 percent, followed by the Muskegon-Norton Shores MSA with a 4.1 percent increase. The Holland-Grand Haven MSA reported the smallest year-over-year increase (0.9 percent). The labor force rose in nine labor market areas, fell in seven areas and was unchanged in one area. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (2.9 percent), followed by the Muskegon-Norton Shores MSA (2.1 percent). The Detroit-Warren-Livonia MSA saw the largest labor force decline (-1.3 percent), followed by Northeast Lower Michigan (-1.0 percent).

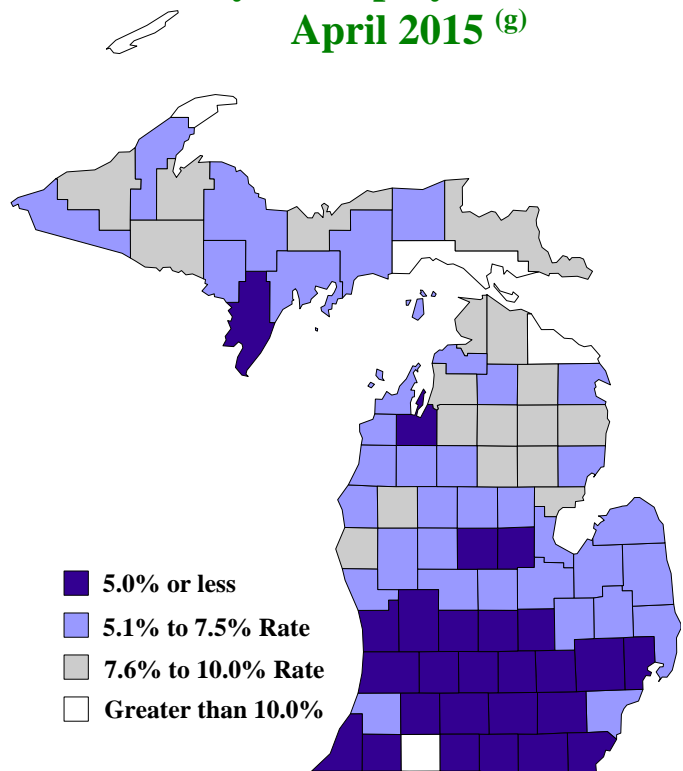
Between April 2014 and April 2015, the unemployment rate fell in 82 of Michigan’s 83 counties. The median April 2015 rate decline was 2.0 percentage points. Montmorency County posted the largest rate decrease at 4.0 percentage points, followed by Presque Isle County at 3.8 percentage points. Schoolcraft County reported a 0.1 percentage point increase in its unemployment rate from last April.

In April 2015, the unemployment rate was below 10.0 percent in 79 of Michigan’s 83 counties. In April 2014, 64 counties had an unemployment rate below 10.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2014 Rate</u>	<u>Mar 2015 Rate</u>	<u>Apr 2015 Rate</u>
Michigan	6.9%	5.7%	4.8%
Ann Arbor	4.5%	3.5%	3.2%
Battle Creek	5.7%	5.2%	4.5%
Bay City	7.0%	6.3%	5.4%
Detroit-Warren-Livonia	7.8%	6.0%	5.1%
Flint	7.3%	6.3%	5.4%
Grand Rapids-Wyoming	4.6%	3.9%	3.3%
Holland-Grand Haven	6.3%	5.5%	4.8%
Jackson	5.7%	4.9%	4.2%
Kalamazoo-Portage	5.7%	4.5%	3.9%
Lansing-East Lansing	5.7%	5.4%	4.4%
Monroe	6.5%	4.7%	4.1%
Muskegon-Norton Shores	7.1%	5.9%	5.1%
Niles-Benton Harbor	6.3%	5.4%	4.6%
Saginaw-Saginaw Township	7.0%	6.1%	5.2%
Upper Peninsula	8.4%	7.8%	6.7%
Northeast Lower Mich	10.4%	10.0%	7.6%
Northwest Lower Mich.	8.2%	7.4%	6.1%

County Unemployment Rates April 2015^(g)



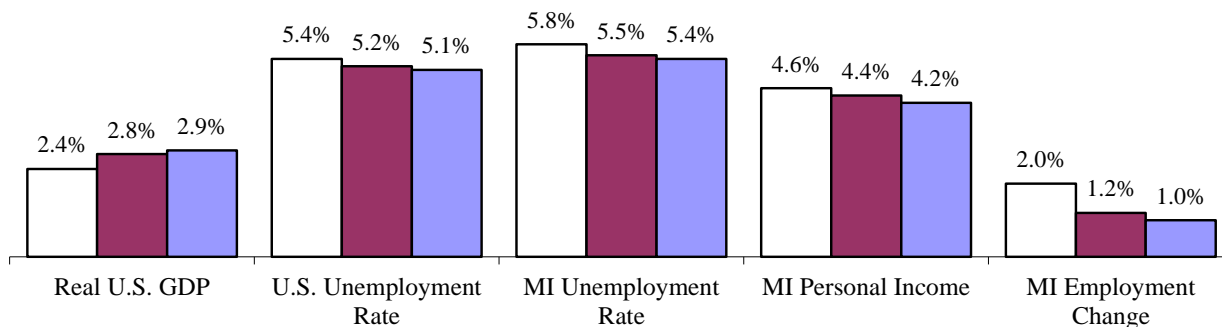
Consensus Economic Forecast Continued Recovery

On May 15, 2015, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2015, 2016 and 2017. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.4 percent in 2015. Real GDP is then expected to grow 2.8 percent in 2016 and 2.9 percent in 2017. The May Conference’s projected growth rate for 2015 is down 0.6 percentage point from January 2015 Conference projections and projected growth in 2016 is down 0.3 percentage point from January projections. The May Conference’s projected growth rate for 2017 is up 0.1 percentage point from January.
- The U.S. unemployment rate is forecast to fall over the next three years from the 6.2 percent rate in 2014. The rate is forecast to fall to 5.4 percent for 2015 and then decline to 5.2 percent in 2016 and 5.1 percent in 2017 which is 0.1 percentage point lower than the 2017 rate forecast at the January Conference.
- The May Consensus forecasts light vehicle sales to rise to 16.9 million units in 2015 and to 17.1 million units in 2016. Vehicle sales are expected to remain unchanged at 17.1 million units in 2017. The May 2015 Consensus light vehicle sales projection for 2015 is up 0.1 million units, unchanged for 2016 and down 0.1 million units for 2017.
- The May Consensus projects that Michigan wage and salary employment will rise 2.0 percent in 2015 – 0.7 percentage point faster than the January 2015 forecast. The May Consensus forecasts a 1.2 percent employment increase in 2016 (0.1 percentage point slower than the January forecast) and a 1.0 percent employment increase in 2017 (0.2 percentage point slower from the January Consensus).
- According to the May Consensus, the Michigan unemployment rate will fall to 5.8 percent in 2015, 5.5 percent in 2016 and 5.4 percent in 2017. Compared to the January Consensus forecast, the May Consensus jobless rate forecast is down 1.1 percentage points for 2015, down 1.2 percentage points for 2016 and down 1.1 percentage points for 2017.
- Michigan personal income is projected to rise 4.6 percent in 2015, increase 4.4 percent in 2016 and rise 4.2 percent in 2017. Wages and salaries are expected to increase 4.6 percent in 2015, rise 3.3 percent in 2016 and increase 3.1 percent in 2017.

U.S. Economic Forecast Modest Recovery

Michigan Economic Forecast Growing Labor Market



U.S. Economic Conditions

	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	98.1	95.4	93.0	95.9	11.8 points
ISM Manufacturing Index ⁽ⁱ⁾	53.5	52.9	51.5	51.5	-3.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.7	56.9	56.5	57.8	2.5 points
	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	
Business Executives' Confidence ^(j)	62.0	59.0	60.0	57.0	-3.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	233.7	234.7	236.1	236.6	-0.2%
Detroit CPI	NA	216.5	NA	219.0	-1.9%
U.S. Producer Price Index	191.9	192.1	193.7	193.2	-4.4%
INTEREST RATES					
90 Day T-Bill ^(l)	0.03%	0.02%	0.03%	0.02%	-0.01% points
Aaa Corporate Bonds ^(l)	3.46%	3.61%	3.64%	3.52%	-0.72% points
INDUSTRIAL PRODUCTION ^(l)					
	105.9	105.8	105.5	105.2	1.9%
CAPACITY UTILIZATION ^(l)					
	79.2%	78.9%	78.6%	78.2%	-0.7% points
RETAIL SALES ^(d)					
	\$434.2	\$431.9	\$436.8	\$436.8	0.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.080	0.900	0.944	1.135	9.2%
Existing Home Sales ^(m)	4.820	4.890	5.210	5.040	6.1%
DURABLE GOODS ORDERS ^(p)					
	\$233.4	\$225.3	\$236.7	\$235.5	-2.3%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>% Change From Year Ago</u>
Michigan	\$395.9	\$401.2	\$403.3	\$407.3	4.7%
U.S.	\$14,459.9	\$14,639.8	\$14,792.8	\$14,941.8	4.5%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,010.4	\$16,205.6	\$16,294.7	\$16,264.1	-0.7%

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.