



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

December 2014 Summary

U.S. Economy: After increasing at a 5.0 percent annual rate in 2014Q3, the U.S. economy slowed to a 2.6 percent annual rate in 2014Q4. Consumer sentiment was up sharply from a year ago with sentiment up 11.1 points from last December. According to the Institute for Supply Management (ISM) indices, December marked the 19th straight month of manufacturing sector growth, the 59th straight month of non-manufacturing sector growth and the 67th consecutive month of growth in the overall U.S. economy. Industrial production grew 4.9 percent between December 2013 and December 2014. Retail sales were up 3.3 percent from December 2013. Housing starts were up 5.3 percent from a year ago, while existing home sales rose 3.5 percent from last December.

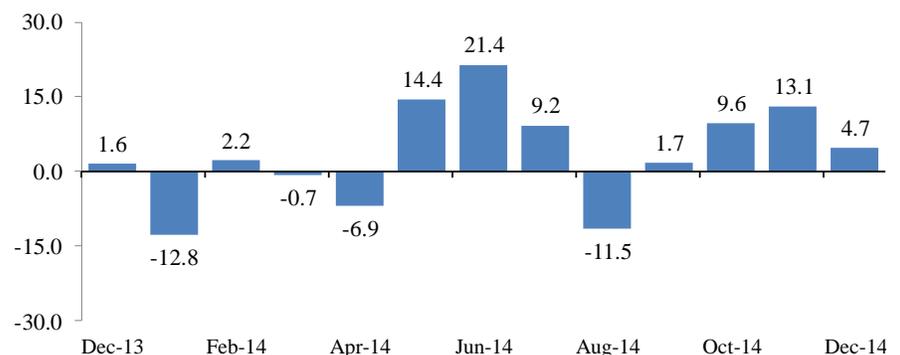
Employment: Between December 2013 and December 2014, Michigan employment gained a net 44,400 jobs. Compared to November 2014, Michigan employment in December was up 4,700 jobs. At 6.3 percent, Michigan's unemployment rate in December 2014 was down 0.4 of a percentage point from November 2014 and was down 2.0 percentage points from December 2013. At 5.6 percent, the U.S. unemployment rate was down 1.1 percentage points from December 2013. National wage and salary employment was up 252,000 jobs in December 2014 from November 2014. Over the last year, U.S. employment increased 2.95 million jobs (2.1 percent).

Auto Industry: The December 2014 U.S. light vehicle annual sales rate of 16.8 million units was up 8.8 percent from a year ago. Between December 2013 and December 2014, Michigan vehicle production rose 9.1 percent while national vehicle production was up 0.5 percent. Compared to a year ago, Michigan's share of national vehicle production increased 1.8 percentage points to 23.4 percent.

Inflation: In December 2014, the overall U.S. consumer price index (CPI) rose 0.8 percent compared to a year ago, while the Detroit CPI fell 0.1 percent. The U.S. producer price index decreased 0.5 percent from last year. The price of oil fell \$38.34 per barrel to \$59.29 per barrel, oil's lowest price since May 2009.

Michigan Metro Areas: December unemployment rates fell in all of Michigan's 17 major labor markets compared to year-ago levels. Employment rose in 16 major labor market areas. All of Michigan's 83 counties saw a year-over-year unemployment rate decrease.

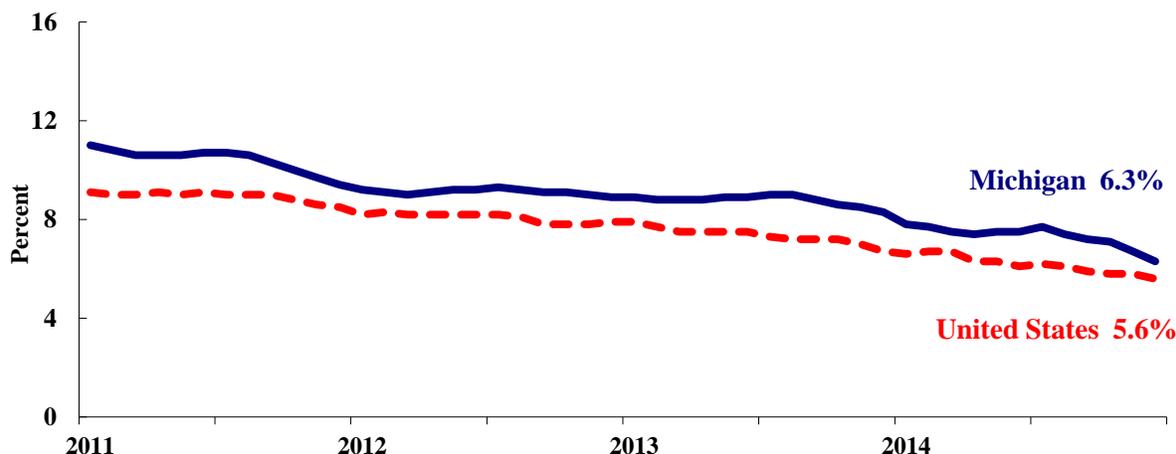
**Michigan Wage and Salary Employment
Rises in December
(Seasonally Adjusted) ^(a)**



Labor Market Statistics

- Michigan's December unemployment rate decreased 0.4 percentage point from last month to 6.3 percent – the State's lowest monthly unemployment rate since November 2002. The December 2014 unemployment rate was down 2.0 percentage points from a year ago. The December U.S. unemployment rate decreased 0.2 percentage point from November to 5.6 percent and was down 1.1 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 January 2011 to December 2014



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

- In December, the number of people employed in Michigan increased 21,000 from last month to 4,437,000 persons, while the labor force fell by 2,000 persons. The statewide total number of unemployed declined 21,000 to 298,000.
- United States household employment totaled 147.4 million persons in December. The labor force totaled 156.1 million and there were 8.7 million unemployed in December 2014.

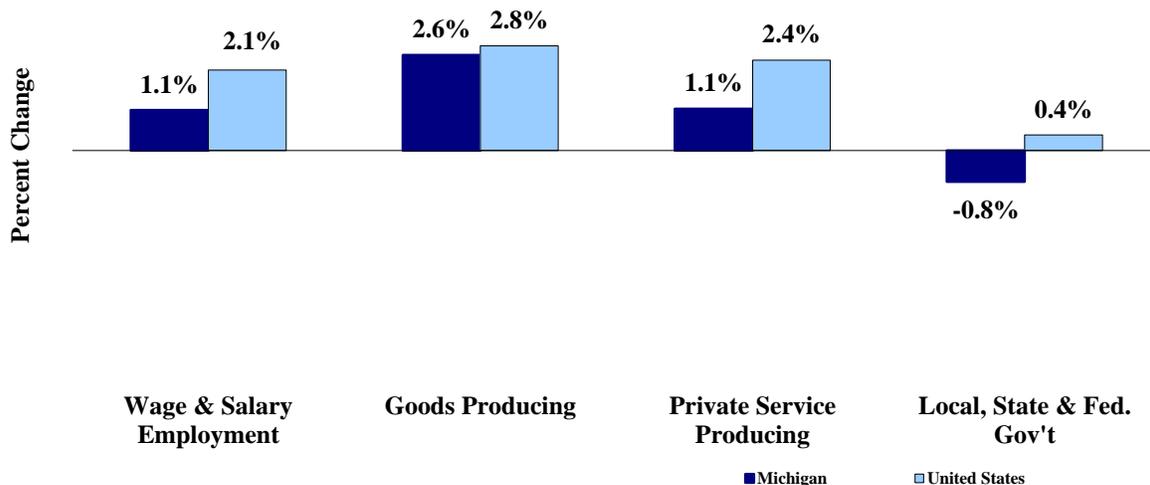
Employment by Place of Residence (in thousands)^(a)

	2013 Average	Oct 2014	Nov 2014	Dec 2014	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,657	4,738	4,736	4,734	-2	0.0%	47	1.0%
Employed	4,232	4,403	4,416	4,437	21	0.5%	138	3.2%
Unemployed	426	335	319	298	-21	-6.7%	-89	-23.1%
Unemployment Rate	9.1%	7.1%	6.7%	6.3%	n.a.	-0.4% pts	n.a.	-2.0% pts
United States								
Labor Force	154,975	156,278	156,397	156,129	-268	-0.2%	1,082	0.7%
Employed	142,469	147,283	147,287	147,442	155	0.1%	2,771	1.9%
Unemployed	12,506	8,995	9,110	8,688	-422	-4.6%	-1,688	-16.3%
Unemployment Rate	8.1%	5.8%	5.8%	5.6%	n.a.	-0.2% pts	n.a.	-1.1% pts

Employment by Place of Work

- From December 2013 to December 2014, Michigan wage and salary employment increased 44,400 (1.1 percent). State wage and salary employment increased by 4,700 jobs in December from November. Nationally, December 2014 wage and salary employment rose 2,952,000 (2.1 percent) from a year ago and was up 252,000 from last month.

Wage and Salary Employment Growth December 2013 to December 2014



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

- In the goods-producing sector, Michigan employment increased 2.6 percent in December from a year ago while employment in the private service-producing sector increased 1.1 percent. From a year ago, December national employment rose 2.8 percent in the goods-producing sector and increased 2.4 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased by 0.1 hour in December compared to last year.

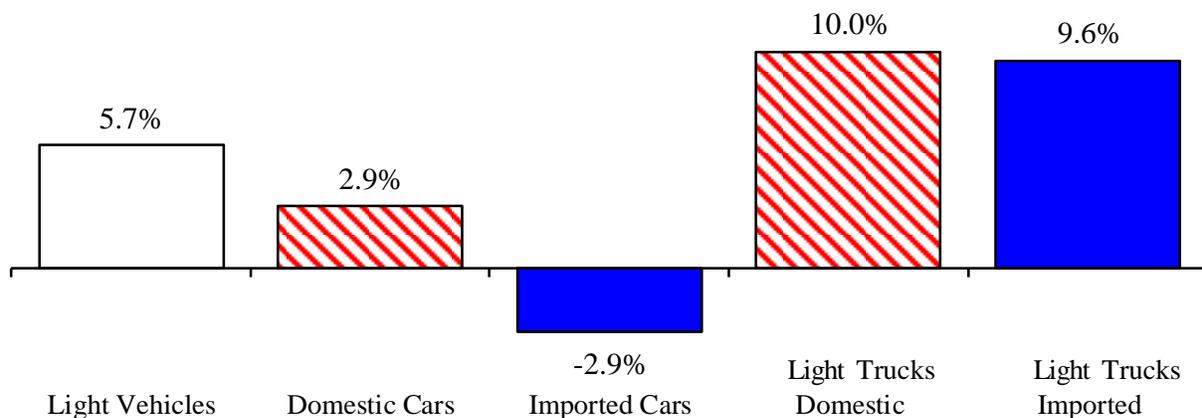
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2013 Average	Dec 2013	Dec 2014	Percent Change	2013 Average	Dec 2013	Dec 2014	Percent Change
Wage & Salary Employment	4,104.5	4,126.0	4,170.4	1.1%	136,368	137,395	140,347	2.1%
Goods Producing	695.4	705.2	723.2	2.6%	18,700	18,811	19,336	2.8%
Manufacturing	555.1	564.7	574.5	1.7%	12,006	12,053	12,239	1.5%
Private Service Producing	2,809.5	2,820.6	2,852.0	1.1%	95,804	96,730	99,066	2.4%
Trade, Trans. & Utilities	743.8	750.7	755.7	0.7%	25,870	26,156	26,663	1.9%
Services	1,808.4	1,812.7	1,840.6	1.5%	59,368	59,999	61,692	2.8%
Local, State & Fed. Gov't	599.6	600.2	595.2	-0.8%	21,864	21,854	21,945	0.4%
Manufacturing Weekly Hours	42.0	44.1	44.2	0.1 hrs	41.8	40.9	41.0	0.1 hrs

Motor Vehicle Industry Sales

- December 2014 U.S. light vehicle sales were down 1.7 percent from November. At 16.8 million units, December 2014 U.S. light vehicle sales were up 8.8 percent from December 2013. Calendar year (CY) 2014 U.S. light vehicle sales (16.4 million units) were up 5.7 percent from CY 2013 sales.
- December 2014 marks the eighth 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 26 months.
- U.S. sales of domestic light vehicles increased 12.7 percent between December 2013 and December 2014, while foreign sales were down 4.3 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 2.8 percentage points to 20.0 percent between December 2013 and December 2014.
- Auto sales increased 5.0 percent compared to last December, while light truck sales were up 12.4 percent from December 2013. Year-over-year, heavy truck sales rose 11.7 percent.

CY 2014 Light Truck Sales Up Substantially From CY 13 Light Truck Sales (percent change)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2013 Average	Oct 2014	Nov 2014	Dec 2014	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.7	7.9	7.9	7.8	0.4	5.0%
Domestics	5.4	5.8	6.0	5.8	5.9	0.5	10.0%
Imports	2.2	1.9	1.9	2.1	2.0	(0.2)	-6.8%
Import Share	28.9%	25.0%	24.3%	26.4%	25.2%	-3.3% pts	
Light Trucks	7.9	8.6	9.2	8.9	8.9	1.0	12.4%
Domestics	6.7	7.3	7.8	7.6	7.6	1.0	14.8%
Imports	1.2	1.3	1.4	1.3	1.3	(0.0)	-0.1%
Import Share	15.7%	15.4%	14.8%	14.4%	14.8%	-1.8% pts	
Total Light Vehicles	15.5	16.3	17.1	16.8	16.7	1.4	8.8%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.0	11.7%
Total Vehicles	15.8	16.8	17.5	17.2	17.2	1.4	8.9%

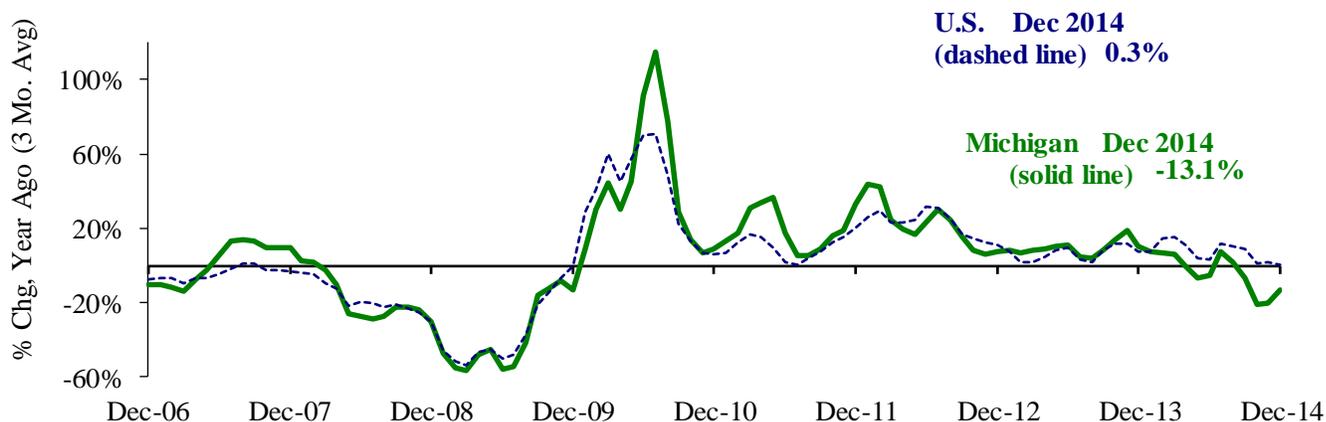
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013 Average	Oct-14	Nov-14	Dec-14	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$167.8	\$186.6	\$184.6	\$187.1	\$186.1	\$7.0	3.9%
Inventory/Sales Ratio	2.06	2.07	2.02	2.06	2.05	-0.10	

Motor Vehicle Industry Production

- At 173,898 units, December 2014 Michigan motor vehicle production was 9.1 percent higher than December 2013. National production increased 0.5 percent from last December. The three-month average of vehicle production (October 2014-December 2014) was down 13.1 percent in Michigan and up 0.3 percent nationally, compared to a year ago. For calendar year 2014 as a whole, Michigan production was down 4.7 percent from 2013 and national production was up 6.8 percent.
- In December 2014, Michigan car production was up 21.3 percent from a year ago while State truck production rose 2.0 percent. Nationally, car production increased 2.8 percent while U.S. truck production decreased 0.9 percent.
- Michigan’s share of national vehicle production rose 1.8 percentage points to 23.4 percent in December 2014 from the year-ago level. Michigan’s share of U.S. car production was up 3.7 percentage points to 24.5 percent. Michigan’s share of U.S truck production rose 0.6 percentage point to 22.7 percent. At 19.9 percent, Michigan’s calendar year 2014 share of national production was down 2.4 percentage points compared with Michigan’s calendar year 2013 share.

Michigan Motor Vehicle Production’s Rate of Growth Improves in December ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013					Change from Year Ago for the Month	
	Monthly Average	Oct 2014	Nov 2014	Dec 2014	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	374.3	450.3	339.9	288.7	359.6	8.0	2.8%
Trucks	551.0	654.8	561.3	455.5	557.2	(4.1)	-0.9%
Total	925.3	1,105.1	901.2	744.2	916.8	3.9	0.5%
Michigan Production ^(f)							
Autos	83.2	68.9	67.9	70.7	69.1	12.4	21.3%
Trucks	123.0	119.3	96.1	103.2	106.2	2.0	2.0%
Total	206.1	188.2	163.9	173.9	175.3	14.5	9.1%
Michigan as % of U.S.	22.3%	17.0%	18.2%	23.4%	19.1%	1.8% pts	

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

December 2014 local area unemployment rates ranged from a low of 3.2 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 8.1 percent in Northeast Lower Michigan. The median December 2014 unemployment rate was 5.2 percent, which is down sharply from last December's 8.0 percent median rate. Preliminary calendar year 2014 local area unemployment rates ranged between 4.8 percent (Ann Arbor MSA) and 9.7 percent (Northeast Lower Michigan). The median CY 2014 local area unemployment rate was 6.9 percent, compared to a median rate of 9.0 percent in 2013.

Compared to a year ago, the December unemployment rate fell in all of Michigan's 17 labor market areas. Northeast Lower Michigan reported the greatest rate decrease of 4.2 percentage points, followed by Northwest Lower Michigan with a reported decline of 3.5 percentage points. The Detroit-Warren-Livonia MSA saw the smallest rate decline (1.3 percentage points).

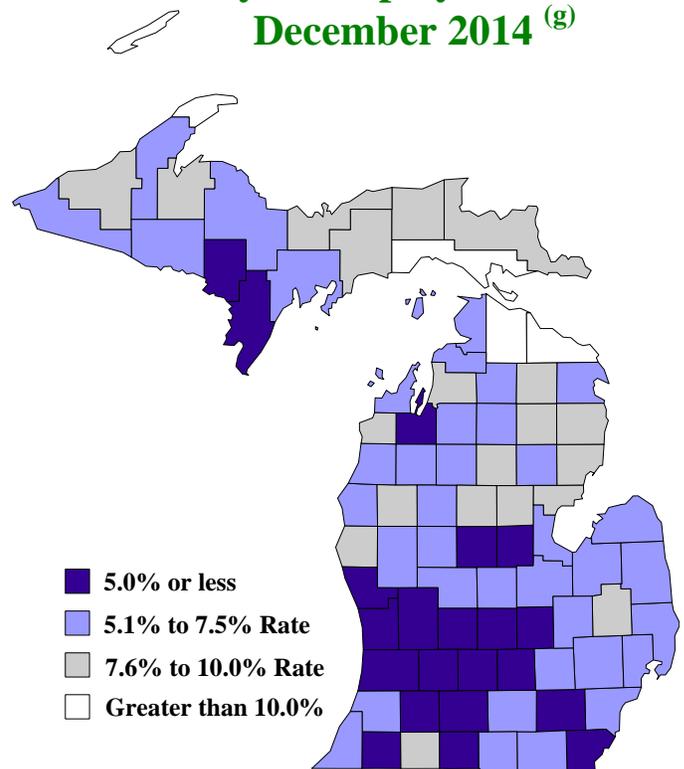
Between December 2013 and December 2014, employment rose in 16 of Michigan's 17 labor market areas. The median employment increase was 5.3 percent. The Holland-Grand Haven MSA reported the largest year-over-year employment increase (8.1 percent), followed by the Grand Rapids-Wyoming MSA with a 7.9 percent increase. The Detroit-Warren-Livonia MSA experienced no year-over-year change in employment. The labor force rose in 16 labor market areas and fell in one area. The Holland-Grand Haven MSA reported the largest percent increase in labor force (5.6 percent), followed by the Grand Rapids-Wyoming MSA (5.4 percent). Labor force fell in the Detroit-Warren-Livonia MSA (-1.4 percent).

Between December 2013 and December 2014, the unemployment rate fell in all of Michigan's 83 counties. The median December 2014 rate decline was 3.2 percentage points. Baraga County, Montmorency County and Oscoda County each posted the largest rate decrease at 5.9 percentage points. In December 2014, the unemployment rate was below 10.0 percent in 79 of Michigan's 83 counties. In December 2013, 48 counties had an unemployment rate below 10.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Dec 2013 Rate</u>	<u>Nov 2014 Rate</u>	<u>Dec 2014 Rate</u>
Michigan	7.7%	5.7%	5.6%
Ann Arbor	5.2%	3.5%	3.2%
Battle Creek	6.8%	4.6%	4.6%
Bay City	8.2%	5.1%	5.5%
Detroit-Warren-Livonia	8.0%	7.0%	6.7%
Flint	8.8%	5.6%	5.6%
Grand Rapids-Wyoming	5.8%	3.7%	3.6%
Holland-Grand Haven	6.0%	3.7%	3.6%
Jackson	8.0%	5.2%	5.3%
Kalamazoo-Portage	6.9%	4.5%	4.5%
Lansing-East Lansing	6.2%	4.1%	4.1%
Monroe	6.9%	4.5%	4.4%
Muskegon-Norton Shores	8.2%	5.0%	5.0%
Niles-Benton Harbor	8.2%	5.1%	5.2%
Saginaw-Saginaw Township	8.0%	5.2%	5.2%
Upper Peninsula	9.5%	6.1%	6.5%
Northeast Lower Mich	12.3%	7.3%	8.1%
Northwest Lower Mich.	9.8%	5.8%	6.3%

County Unemployment Rates December 2014^(g)



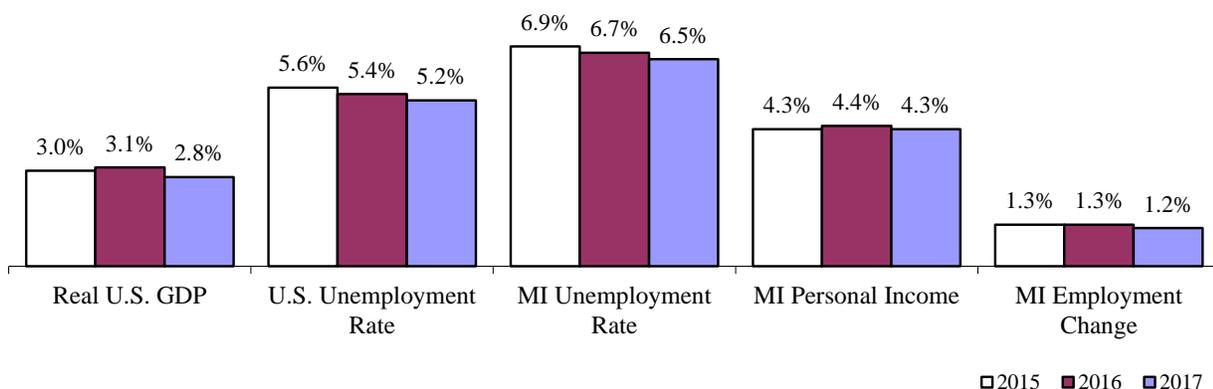
Consensus Economic Forecast Continued Recovery

On January 16, 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 3.0 percent in 2015. Real GDP is then expected to grow 3.1 percent in 2016 and 2.8 percent in 2017. The 2015 projected increase is unchanged from the May 2014 Conference projection. The January 2015 Conference's growth forecast for 2016 is down 0.1 percentage point from the May 2014 growth forecast.
- The U.S. unemployment rate is forecast to fall over the next three years. The rate is forecast to fall to 5.6 percent for 2015 and then decline to 5.4 percent in 2016 and 5.2 percent in 2017. The national unemployment rate projected for 2016 is down 0.1 percentage point from the May 2014 forecast.
- The January 2015 Consensus expects light vehicle sales to rise to 16.8 million units in 2015, 17.1 million units in 2016 and 17.2 million units in 2017. The 2015 projection is up 0.5 million units from the May 2014 Conference projection. The January 2015 Consensus light vehicle sales forecast for 2016 is also up 0.5 million units from the May 2014 Consensus.
- The January 2015 Consensus projects that Michigan wage and salary employment will rise 1.3 percent in 2015 – 0.1 percentage point faster than the May 2014 forecast. The January 2015 Consensus forecasts a 1.3 percent employment increase in 2016 (unchanged from the May 2014 forecast) and a 1.2 percent employment increase in 2017.
- According to the January 2015 Consensus, the Michigan unemployment rate will fall to 6.9 percent in 2014, 6.7 percent in 2016 and 6.5 percent in 2017. The January 2015 Consensus rate forecast for 2016 is up 0.1 percentage point from the May 2014 Consensus.
- Michigan personal income is projected to rise 4.3 percent in 2015, increase 4.4 percent in 2016 and rise 4.3 percent in 2017. Wages and salaries are expected to increase 3.6 percent in 2015, rise 3.4 percent in 2016 and increase 3.6 percent in 2017.

U.S. Economic Forecast Continued Economic Expansion

Michigan Economic Forecast Growing Labor Market



U.S. Economic Conditions

	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	84.6	86.9	88.8	93.6	11.1 points
ISM Manufacturing Index ⁽ⁱ⁾	56.1	57.9	57.6	55.1	-1.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	58.1	56.9	58.8	56.5	3.5 points
	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	
Business Executives' Confidence ^(j)	63.0	62.0	59.0	60.0	14.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	238.0	237.4	236.2	234.8	0.8%
Detroit CPI	NA	222.0	NA	218.1	-0.1%
U.S. Producer Price Index	201.5	200.3	198.1	195.6	-0.5%
INTEREST RATES					
90 Day T-Bill ^(l)	0.02%	0.02%	0.02%	0.03%	-0.04% points
Aaa Corporate Bonds ^(l)	4.11%	3.92%	3.92%	3.79%	-0.83% points
INDUSTRIAL PRODUCTION ^(l)					
	105.3	105.3	106.6	106.5	4.9%
CAPACITY UTILIZATION ^(l)					
	79.5%	79.2%	80.0%	79.7%	1.3% points
RETAIL SALES ^(d)					
	\$443.8	\$445.3	\$447.1	\$443.3	3.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.028	1.092	1.043	1.089	5.3%
Existing Home Sales ^(m)	5.180	5.250	4.920	5.040	3.5%
DURABLE GOODS ORDERS ^(p)					
	\$243.2	\$243.8	\$238.6	\$230.6	0.4%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>% Change From Year Ago</u>
Michigan	\$389.2	\$395.6	\$401.2	\$405.2	4.5%
U.S.	\$14,293.8	\$14,466.7	\$14,647.0	\$14,789.0	3.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,831.7	\$16,010.4	\$16,205.6	\$16,311.6	2.64%

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.