



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

June 2016 Summary

U.S. Economy: Economic indicators were mixed in June. In 2016Q2, real GDP grew at a scant 1.2 percent annual rate. New durable goods orders fell 6.4 percent from last June. Consumer sentiment was down 2.6 percentage points from June 2015 and fell 1.2 points from a month ago. Retail sales increased 2.7 percent from last June. The Institute for Supply Management (ISM) reported the current expansion has now lasted 85 months. The ISM Production Management Index (PMI) rose 0.1 point from last June, and, at 53.2, the June 2016 PMI signaled an expanding manufacturing sector for the fourth straight month. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 77th straight month, and was up 0.3 point from last June. In June 2016, industrial production declined 0.7 percent from the year-ago level. This marked the 10th straight month industrial production fell below the year-ago level and the first time it has declined for ten consecutive months since December 2009. The capacity utilization rate fell 1.0 point from June 2015. The June 2015-June 2016 decline in the utilization rate marked the 16th consecutive y-o-y rate drop. Housing starts were down 2.0 percent from last June but existing home sales increased 3.0 percent.

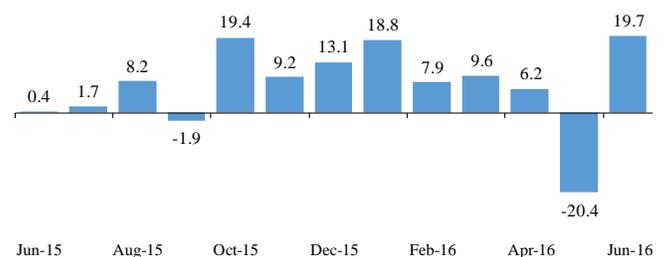
Employment: In June 2016, the Michigan unemployment rate fell 0.1 of a percentage point from May to 4.6 percent and was down 0.7 of a percentage point from June 2015. The U.S. rate rose 0.2 of a percentage point from May to 4.9 percent. Between June 2015 and June 2016, Michigan payroll employment gained a net 91,500 jobs (2.2 percent). Michigan payroll employment in June 2016 rose 19,700 jobs compared to May 2016 – following a 20,400 jobs decline from April to May. U.S. payroll employment was up 2.5 million jobs (1.7 percent) in June 2016 compared to a year ago. National payroll employment was up by 287,000 jobs from May to June– following a very weak 11,000 jobs increase from April to May.

Auto Industry: In June 2016, U.S. light vehicle sales fell 2.0 percent from last June to an annualized 16.6 million units. Between June 2015 and June 2016, the three-month average of Michigan vehicle production rose substantially (11.6 percent) while the three-month U.S. average was up 2.8 percent. Between June 2015 and June 2016, Michigan’s share of U.S. vehicle production rose 3.3 percentage points to 22.2 percent.

Inflation: In June 2016, the overall U.S. consumer price index (CPI) rose 1.0 percent from a year ago. The core U.S. CPI (excluding food and energy) was up 2.3 percent from last June. The U.S. producer price index was up 0.3 percent from last year. The Detroit CPI was up 2.3 percent from a year ago. At \$48.76, the June 2016 price of oil per barrel was down \$11.06 from June 2015.

Michigan Metro Areas: Compared to a year ago, June 2016 unemployment rates fell in all of Michigan’s 17 major labor markets and in 82 of the State’s 83 counties. Household employment rose in 14 of Michigan’s 17 major labor market areas.

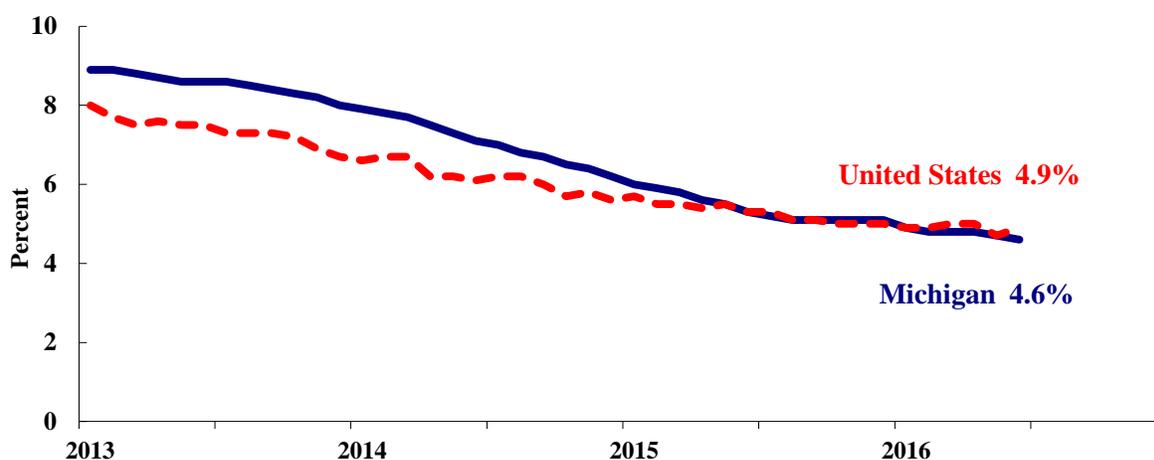
**Michigan Payroll Employment
Rebounds Sharply in June**
(change from previous month, thousands of jobs) ^(a)



Labor Market Statistics

- In June 2016, the Michigan unemployment rate decreased 0.1 of a percentage point to 4.6 percent. Michigan’s unemployment rate is the lowest since February 2001. The national unemployment rate increased 0.2 of a percentage point from May to June to 4.9 percent. This is the first time since August 2000 where the Michigan unemployment rate has been 0.3 of a percentage point below the national average.
- In June 2016, Michigan’s unemployment rate was down 0.7 of a percentage point from a year ago. The June U.S. unemployment rate decreased 0.4 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
January 2013 to June 2016**



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

- In June, the total number of people employed in Michigan decreased 25,000 to 4,616,000 persons while the labor force fell 31,000. The statewide total number of unemployed workers fell 5,000 to 222,000.
- United States employment totaled 151.1 million persons in June. The labor force totaled 158.9 million and there were 7.8 million unemployed in June 2016.

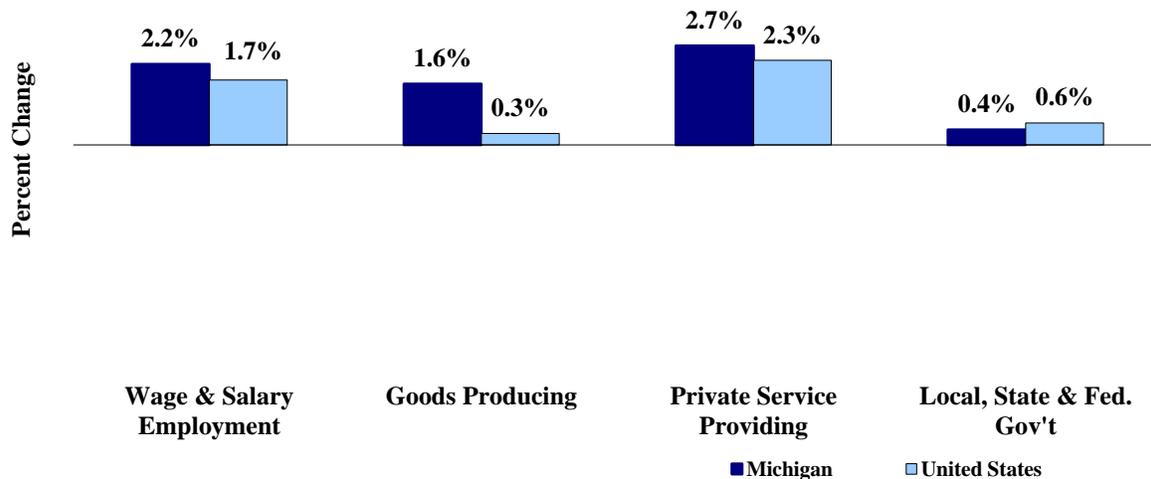
Employment by Place of Residence (in thousands)^(a)

	2015 Average	Apr 2016	May 2016	Jun 2016	Change From			
					Prior Month Level	%	Last Year Level	%
Michigan								
Labor Force	4,751	4,875	4,868	4,837	-31	-0.6%	101	2.1%
Employed	4,493	4,642	4,641	4,616	-25	-0.5%	133	3.0%
Unemployed	258	233	227	222	-5	-2.2%	-30	-11.9%
Unemployment Rate	5.4%	4.8%	4.7%	4.6%	n.a.	-0.1% pts	n.a.	-0.7% pts
United States								
Labor Force	157,130	158,924	158,466	158,880	414	0.3%	1,896	1.2%
Employed	148,834	151,004	151,030	151,097	67	0.0%	2,375	1.6%
Unemployed	8,296	7,920	7,436	7,783	347	4.7%	-479	-5.8%
Unemployment Rate	5.3%	5.0%	4.7%	4.9%	n.a.	0.2% pts	n.a.	-0.4% pts

Employment by Place of Work (Payroll)

- From June 2015 to June 2016, Michigan payroll employment increased 91,500 jobs (2.2 percent). State payroll employment rose by 19,700 jobs in June from May. Nationally, June 2016 payroll employment rose 2,451,000 (1.7 percent) from a year ago and was up 287,000 from May.

Payroll Employment Growth June 2015 to June 2016



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

- In the goods-producing sector, Michigan payroll employment increased 1.6 percent in June from a year ago while employment in the private service-providing sector increased 2.7 percent. From a year ago, June national payroll employment rose 0.3 percent in the goods-producing sector and increased 2.3 percent in the private service-providing sector. Government employment was up 0.4 percent from a year ago in Michigan. Nationwide, government employment was up 0.6 percent.
- Manufacturing weekly hours in Michigan were down 2.1 hours in June compared to last year.

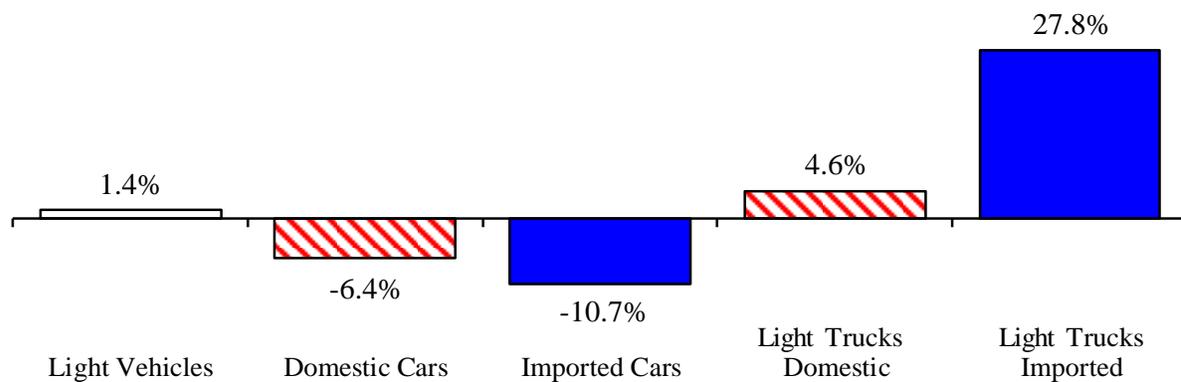
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2015 Average	June 2015	June 2016	Percent Change	2015 Average	June 2015	June 2016	Percent Change
Wage & Salary Employment	4,243.7	4,238.9	4,330.4	2.2%	141,865	141,724	144,175	1.7%
Goods Producing	742.9	741.6	753.7	1.6%	19,584	19,571	19,631	0.3%
Manufacturing	587.3	585.7	596.2	1.8%	12,318	12,325	12,296	-0.2%
Private Service Providing	2,906.5	2,904.8	2,981.8	2.7%	100,275	100,163	102,425	2.3%
Trade, Trans. & Utilities	770.7	772.0	776.2	0.5%	26,920	26,909	27,323	1.5%
Services	1,872.0	1,869.4	1,930.6	3.3%	62,480	62,386	64,035	2.6%
Local, State & Fed. Gov't	594.3	592.5	594.9	0.4%	22,007	21,990	22,119	0.6%
Manufacturing Weekly Hours	44.2	45.0	42.9	-2.1 hrs	41.8	40.6	40.7	0.1 hrs

Motor Vehicle Industry Sales

- June 2016 U.S. light vehicle sales were down 4.5 percent from May and were down 2.0 percent from June 2015. At 16.6 million units, June 2016 marks the 28th straight month that the light vehicle annualized sales rate exceeded 16.0 million units and only the second out of the most recent 12 months that the sales rate was less than 17.0 million units.
- U.S. sales of domestic light vehicles decreased 3.6 percent between June 2015 and June 2016. Foreign sales were up 3.7 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 1.3 percentage points to 23.2 percent in June 2016.
- Auto sales decreased 11.7 percent compared to last June, while light truck sales were up 5.6 percent from June 2015. Heavy truck sales fell 14.4 percent to an annual rate of 407,000 units.

Year-to-Date Light Truck Sales (Jan-June 2016) Up Substantially from Year Ago (Jan-June 2015) (percent change)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2015 Total	Apr 2016	May 2016	Jun 2016	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	6.8	6.9	6.6	6.8	(0.9)	-11.7%
Domestics	5.6	5.0	5.1	4.9	5.0	(0.6)	-11.3%
Imports	1.9	1.8	1.8	1.7	1.8	(0.3)	-13.1%
Import Share	25.4%	26.8%	26.3%	25.8%	26.3%	-0.4% pts	
Light Trucks	9.9	10.5	10.5	10.1	10.3	0.5	5.6%
Domestics	8.1	8.5	8.2	7.9	8.2	0.1	1.8%
Imports	1.8	2.0	2.3	2.2	2.1	0.4	22.2%
Import Share	18.1%	19.2%	21.6%	21.5%	20.8%	2.9% pts	
Total Light Vehicles	17.4	17.3	17.4	16.6	17.1	(0.3)	-2.0%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	(0.1)	-14.4%
Total Vehicles	17.8	17.7	17.8	17.0	17.5	(0.4)	-2.3%

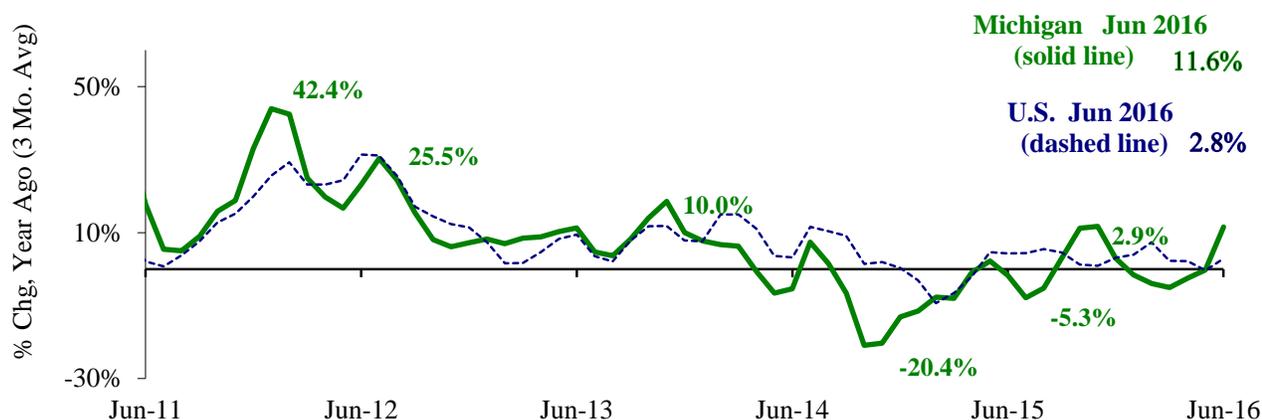
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2015 Average	Feb-16	Mar-16	Apr-16	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$190.4	\$201.8	\$206.5	\$206.8	\$205.0	\$19.9	10.6%
Inventory/Sales Ratio	2.10	2.18	2.30	2.24	2.24	0.16	

Motor Vehicle Industry Production

- At 249,599 units, June 2016 Michigan motor vehicle production was up 24.4 percent from June 2015. National production increased 6.0 percent from last June. The three-month average of vehicle production (April 2016-June 2016) was up 11.6 percent in Michigan and up 2.8 percent nationally, compared to a year ago.
- In June 2016, Michigan car production was up 47.0 percent from a year ago while State truck production rose 12.8 percent. Nationally, car production increased 1.4 percent while U.S. truck production increased 8.7 percent.
- Michigan's share of national vehicle production rose 3.3 percentage points to 22.2 percent in June 2016 from the year-ago level. Michigan's share of U.S. car production was up 8.0 percentage points to 25.7 percent. Michigan's share of U.S. truck production increased 0.8 of a percentage point to 20.4 percent.

Michigan Motor Vehicle Production Up Substantially in June ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2015					Change from Year Ago for the Month	
	Monthly Average	Apr 2016	May 2016	Jun 2016	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	355.8	357.6	366.0	389.6	371.1	5.2	1.4%
Trucks	644.1	699.8	718.5	734.5	717.6	58.5	8.7%
Total	1,000.0	1,057.4	1,084.5	1,124.1	1,088.7	63.7	6.0%
Michigan Production ^(f)							
Autos	68.3	72.7	83.4	100.0	85.4	32.0	47.0%
Trucks	125.6	134.1	145.8	149.6	143.1	17.0	12.8%
Total	193.9	206.7	229.2	249.6	228.5	49.0	24.4%
Michigan as % of U.S.	19.4%	19.6%	21.1%	22.2%	21.0%	3.3% pts	

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

In June 2016, the unemployment rates in Michigan's 17 labor market areas ranged from a low of 3.4 percent in the Grand Rapids-Wyoming Metropolitan Statistical Area (MSA) to a high of 5.9 percent in the Northeast Lower Michigan region. The June 2016 median unemployment rate was 4.6 percent, which is down 0.9 of a percentage point from last June's 5.5 percent median rate.

Compared to a year ago, the June 2016 unemployment rate fell in all of Michigan's 17 labor market areas. The median rate decline was 0.8 of a percentage point. The Flint MSA reported the largest rate decrease of 1.1 percentage points, followed by the Muskegon MSA, Saginaw MSA and the Northwest Lower Peninsula region with 1.0 percentage point rate declines. The Ann Arbor MSA, Grand Rapids-Wyoming MSA, Midland MSA and the Niles-Benton Harbor MSA recorded the smallest percentage declines (0.7 of a percentage point).

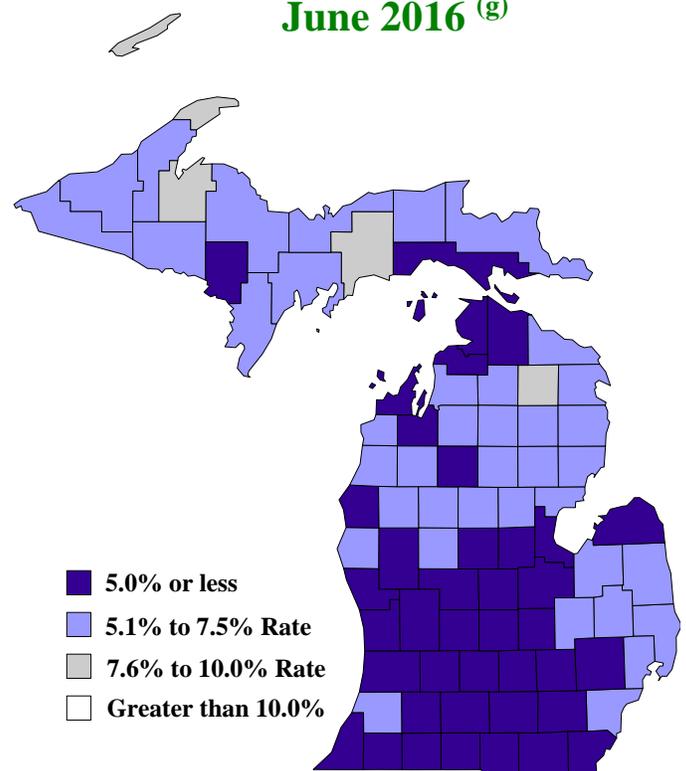
Between June 2015 and June 2016, household employment rose in 14 of Michigan's 17 labor market areas and declined in three areas. The median employment increase was 1.2 percent. The Detroit-Warren-Dearborn MSA reported the largest year-over-year employment increase at 3.5 percent, followed by the Ann Arbor MSA with a 3.3 percent increase. The Jackson MSA reported the largest year-over-year employment decrease of 2.1 percent. The labor force rose in eight labor market areas, fell in eight areas and was unchanged in one area. The Ann Arbor MSA and Detroit-Warren-Dearborn MSA reported the largest percent increases in labor force at 2.5 percent. The Jackson MSA recorded the largest percent decline in labor force at 2.9 percent.

Between June 2015 and June 2016, the unemployment rate fell in 82 of Michigan's 83 counties. The median June 2016 rate decline was 1.0 percentage point. Schoolcraft County reported the largest unemployment rate decline at 3.0 percentage points, followed by Baraga County with a 2.6 percentage points decline. In June 2016, the unemployment rate was below 7.0 percent in 76 of Michigan's 83 counties. In June 2015, 61 Michigan counties had an unemployment rate below 7.0 percent. In June 2016, no Michigan county had an unemployment rate above 8.5 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jun 2015 Rate</u>	<u>May 2016 Rate</u>	<u>Jun 2016 Rate</u>
Michigan	5.8%	4.5%	4.9%
Ann Arbor	4.2%	3.2%	3.5%
Battle Creek	5.3%	4.2%	4.4%
Bay City	5.8%	4.7%	5.0%
Detroit-Warren-Dearborn	6.6%	4.9%	5.8%
Flint	6.2%	5.0%	5.1%
Grand Rapids-Wyoming	4.1%	3.2%	3.4%
Jackson	5.5%	4.5%	4.7%
Kalamazoo-Portage	5.0%	3.9%	4.2%
Lansing-East Lansing	4.9%	4.6%	4.0%
Midland	5.0%	4.0%	4.3%
Monroe	4.7%	3.7%	3.9%
Muskegon	6.0%	4.7%	5.0%
Niles-Benton Harbor	5.3%	4.3%	4.6%
Saginaw	5.8%	4.7%	4.8%
Upper Peninsula	6.6%	5.6%	5.7%
Northeast Lower Mich	6.8%	6.0%	5.9%
Northwest Lower Mich.	5.5%	4.6%	4.5%

County Unemployment Rates June 2016^(g)



U.S. Economic Conditions

	<u>Mar-16</u>	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	91.0	89.0	94.7	93.5	-2.6 points
ISM Manufacturing Index ⁽ⁱ⁾	51.8	50.8	51.3	53.2	0.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.5	55.7	52.9	56.5	0.3 points
	<u>2015.3</u>	<u>2015.4</u>	<u>2016.1</u>	<u>2016.2</u>	
Business Executives' Confidence ^(j)	48.0	45.0	47.0	52.0	-6.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Mar-16</u>	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	238.1	239.3	240.2	241.0	1.0%
Detroit CPI	NA	221.4	NA	224.1	2.3%
U.S. Producer Price Index	109.7	109.8	110.1	110.9	0.3%
INTEREST RATES					
90 Day T-Bill ^(l)	0.29%	0.23%	0.27%	0.27%	0.25% points
Aaa Corporate Bonds ^(l)	3.82%	3.62%	3.65%	3.50%	-0.69% points
INDUSTRIAL PRODUCTION ^(l)					
	103.4	103.8	103.5	104.1	-0.7%
CAPACITY UTILIZATION ^(l)					
	74.8%	75.2%	74.9%	75.4%	-1.0% points
RETAIL SALES ^(d)					
	\$447.9	\$453.4	\$454.4	\$457.0	2.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Mar-16</u>	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.113	1.155	1.135	1.189	-2.0%
Existing Home Sales ^(m)	5.360	5.430	5.510	5.570	3.0%
DURABLE GOODS ORDERS ^(p)					
	\$228.5	\$235.7	\$229.0	\$219.8	-6.4%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2015.2</u>	<u>2015.3</u>	<u>2015.4</u>	<u>2016.1</u>	<u>% Change From Year Ago</u>
Michigan	\$418.5	\$423.6	\$430.6	\$436.4	5.6%
U.S.	\$15,264.6	\$15,422.4	\$15,581.7	\$15,732.5	4.4%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2015.3</u>	<u>2015.4</u>	<u>2016.1</u>	<u>2016.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,454.9	\$16,490.7	\$16,525.0	\$16,575.1	1.2%

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.