



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## October 2015 Summary

**U.S. Economy:** Estimated annualized third quarter real GDP growth was revised upward from 1.5 percent to 2.1 percent, but remained substantially slower than the 3.9 percent annualized second quarter real GDP growth. The Institute for Supply Management (ISM) reported the current expansion has now lasted 77 months; however, the ISM Production Management Index dropped 7.8 points from last October. Industrial production and the capacity utilization rate experienced their weakest year-over-year performances since December 2009 with industrial production up only 0.3 percent and the capacity utilization rate down 0.9 percentage point. New durable goods orders rose a slight 0.5 percent from last October. Consumer sentiment rose 3.1 percentage points from October 2014. Retail sales rose 1.7 percent from last October. Housing starts were down 1.8 percent from last October and existing home sales increased 3.9 percent.

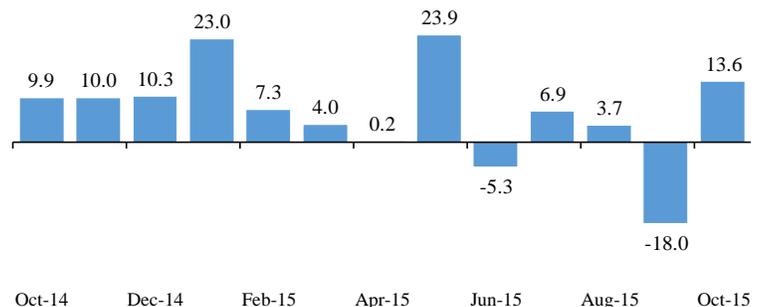
**Employment:** In October 2015, the Michigan unemployment rate remained unchanged at 5.0 percent – the State’s lowest unemployment rate since June 2001 and it matched the current national unemployment rate. The U.S. rate was down 0.1 percentage point from last month and 0.7 point below a year ago. The October 2015 Michigan unemployment rate was down 1.6 percentage points from October 2014. Between October 2014 and October 2015, Michigan payroll employment gained a net 79,600 jobs (1.9 percent). Michigan payroll employment in October was up 13,600 jobs compared to September 2015. Over the last year, U.S. payroll employment increased 2.8 million jobs (2.0 percent).

**Auto Industry:** In October 2015, the U.S. light vehicle annual sales rate rose 10.1 percent from last October to 18.1 million units – the highest annual sales rate since July 2005. Between October 2014 and October 2015, Michigan vehicle production rose 6.6 percent while national vehicle production was down 2.9 percent. Compared to a year ago, Michigan’s share of national vehicle production increased 1.7 percentage points to 18.7 percent.

**Inflation:** In October 2015, the overall U.S. consumer price index (CPI) rose 0.2 percent from a year ago, while the Detroit CPI fell 0.7 percent. The core U.S. CPI rose 1.9 percent. The U.S. producer price index fell 1.6 percent from last year. The price of oil per barrel fell \$38.20 (45.2 percent) from last year to \$46.22.

**Michigan Metro Areas:** Compared to a year ago, October 2015 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 16 Michigan major labor market areas.

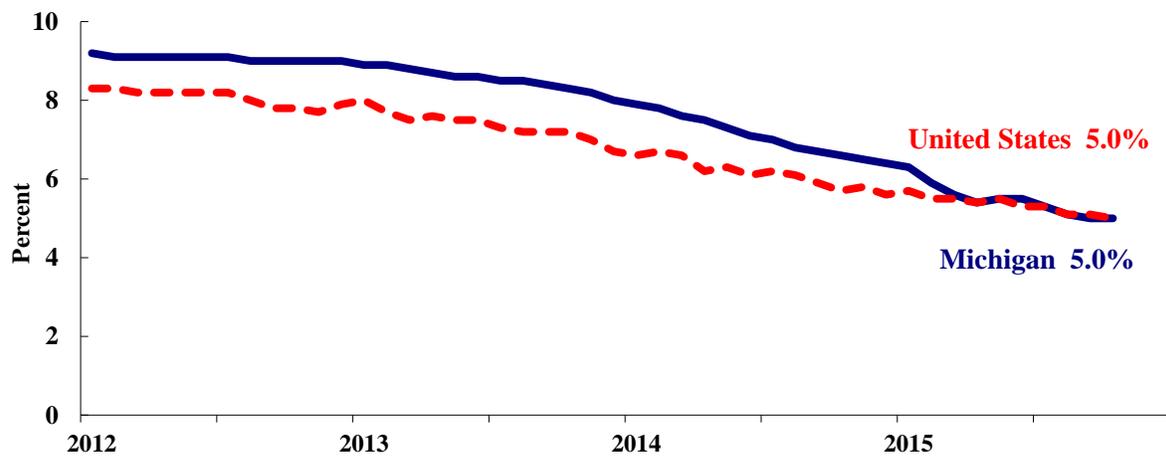
**Michigan Payroll Employment Rises in October**  
(Seasonally Adjusted) <sup>(a)</sup>



## Labor Market Statistics

- In October 2015, the Michigan unemployment rate remained unchanged from last month at 5.0 percent – the State’s lowest jobless rate since June 2001. The national unemployment rate fell 0.1 percentage point to 5.0 percent in October from September. As a result, October 2015 marked the sixth month in past seven months in which Michigan’s unemployment rate equaled or was below the U.S. rate.
- The October 2015 Michigan unemployment rate was down 1.6 percentage points from a year ago. The October U.S. unemployment rate decreased 0.7 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 October 2012 to October 2015



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

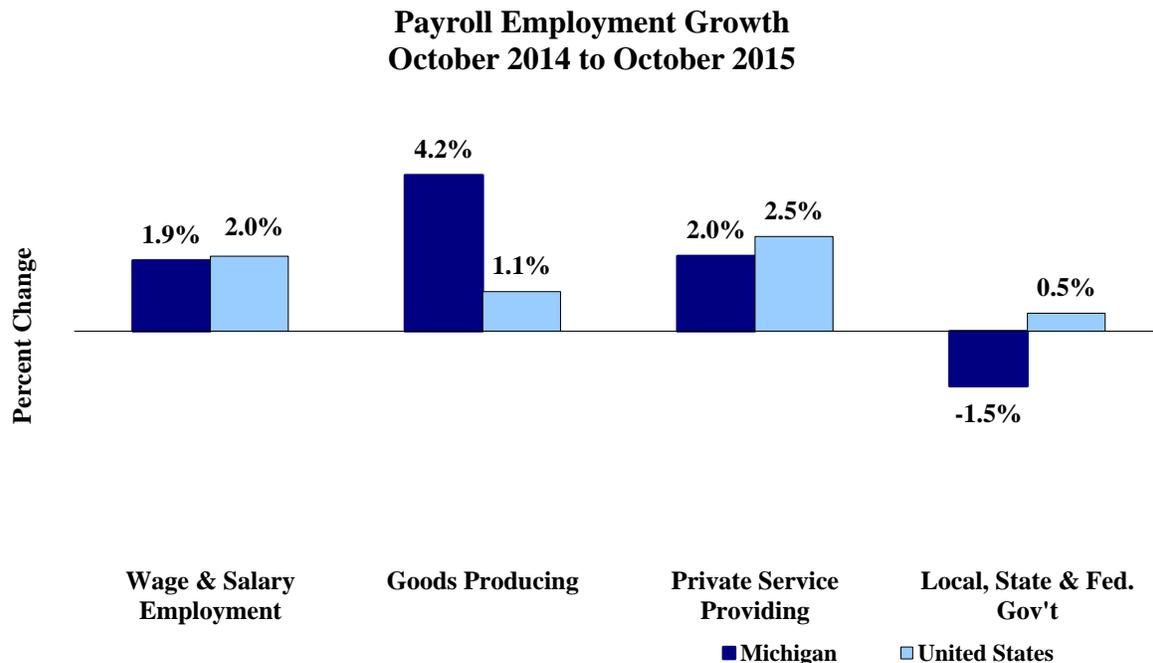
- In October, the total number of people employed in Michigan rose by 9,000 to 4,505,000 persons while the labor force rose by 13,000. The statewide total number of unemployed rose 3,000 to 238,000.
- United States employment totaled 149.1 million persons in October. The labor force totaled 157.0 million and there were 7.9 million unemployed in October 2015.

### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2014 Average	Aug 2015	Sep 2015	Oct 2015	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	4,750	4,729	4,730	4,743	13	0.3%	-5	-0.1%	
Employed	4,402	4,487	4,496	4,505	9	0.2%	71	1.6%	
Unemployed	348	242	235	238	3	1.3%	-76	-24.1%	
Unemployment Rate	7.3%	5.1%	5.0%	5.0%	n.a.	0.0% pts	n.a.	-1.6% pts	
<b>United States</b>									
Labor Force	155,922	157,065	156,715	157,028	313	0.2%	785	0.5%	
Employed	146,305	149,036	148,800	149,120	320	0.2%	1,860	1.3%	
Unemployed	9,617	8,029	7,915	7,908	-7	-0.1%	-1,075	-12.0%	
Unemployment Rate	6.2%	5.1%	5.1%	5.0%	n.a.	-0.1% pts	n.a.	-0.7% pts	

## Employment by Place of Work (Payroll)

- From October 2014 to October 2015, Michigan payroll employment increased 79,600 (1.9 percent). State payroll employment rose by 13,600 jobs in October from September. Nationally, October 2015 payroll employment rose 2,814,000 (2.0 percent) from a year ago and was up 271,000 from last month.



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

- In the goods-producing sector, Michigan payroll employment increased 4.2 percent in October from a year ago while employment in the private service-providing sector increased 2.0 percent. From a year ago, October national payroll employment rose 1.1 percent in the goods-producing sector and increased 2.5 percent in the private service-providing sector. Government employment was down 1.5 percent from a year ago in Michigan. Nationwide, government employment was up 0.5 percent.
- Manufacturing weekly hours in Michigan were up 0.8 hour in October compared to last year.

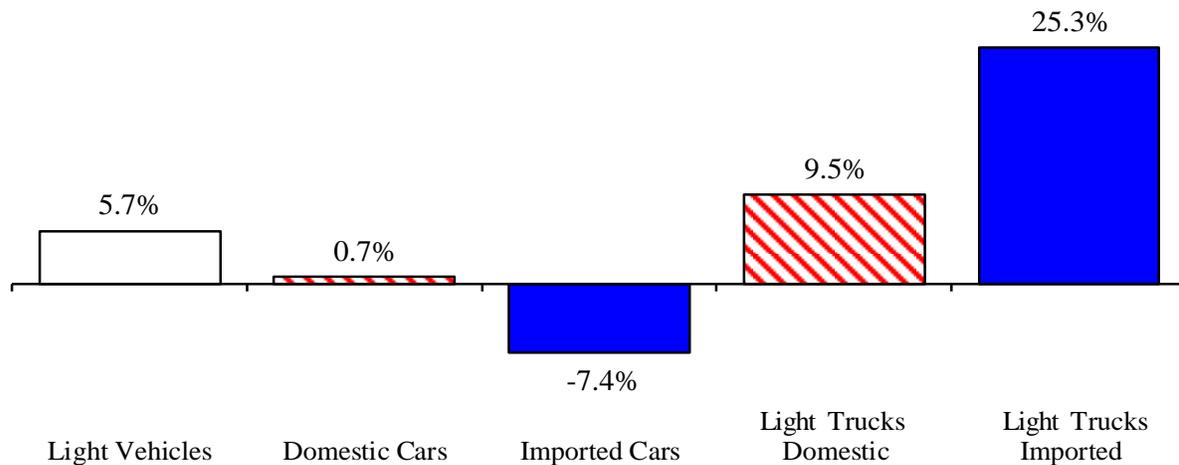
### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2014 Average	Oct 2014	Oct 2015	Percent Change	2014 Average	Oct 2014	Oct 2015	Percent Change
Wage & Salary Employment	4,179.7	4,197.3	4,276.9	1.9%	139,042	139,840	142,654	2.0%
Goods Producing	725.6	729.3	759.8	4.2%	19,223	19,349	19,554	1.1%
Manufacturing	575.9	579.6	602.0	3.9%	12,188	12,237	12,317	0.7%
Private Service Providing	2,858.8	2,871.1	2,929.0	2.0%	97,957	98,608	101,112	2.5%
Trade, Trans. & Utilities	757.3	762.4	765.3	0.4%	26,384	26,517	27,042	2.0%
Services	1,839.7	1,847.2	1,897.4	2.7%	60,854	61,323	63,109	2.9%
Local, State & Fed. Gov't	595.4	596.9	588.1	-1.5%	21,863	21,883	21,988	0.5%
Manufacturing Weekly Hours	43.9	43.7	44.5	0.8 hrs	42.0	42.1	41.8	-0.3 hrs

## Motor Vehicle Industry Sales

- October 2015 U.S. light vehicle sales were up slightly (0.3 percent) from September but were up 10.1 percent from October 2014. At 18.1 million units, the U.S. light vehicle annualized sales rate rose to its highest level since July 2005. October 2015 marks the 20<sup>th</sup> straight month that the light vehicle annualized sales rate has exceeded 16.0 million units and the fourth straight month with a sales rate over 17.0 million units.
- U.S. sales of domestic light vehicles increased 7.6 percent between October 2014 and October 2015, while foreign sales were up 19.8 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 1.8 percentage points to 22.0 percent between October 2014 and October 2015.
- Auto sales increased 0.5 percent compared to last October, while light truck sales were up 18.6 percent from October 2014. Year-over-year, heavy truck sales rose 13.5 percent to an annual rate of 483,000 units.

### Year-to-Date (Jan-Oct 2015) Light Truck Sales Up Sharply From A Year Ago (Jan-Oct 2014) (percent change)



### Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2014	Aug	Sep	Oct	3 Month	Change from	
	Average	2015	2015	2015	Average	Level	%
Autos	7.7	7.5	7.7	7.8	7.7	0.0	0.5%
Domestics	5.6	5.6	5.7	5.8	5.7	0.1	1.2%
Imports	2.1	1.9	1.9	1.9	1.9	(0.0)	-1.7%
Import Share	27.2%	25.9%	25.1%	24.9%	25.3%	-0.6% pts	
Light Trucks	8.7	10.2	10.4	10.4	10.3	1.6	18.6%
Domestics	7.4	8.2	8.6	8.3	8.4	0.9	12.6%
Imports	1.4	2.0	1.8	2.0	1.9	0.7	51.1%
Import Share	15.5%	19.4%	17.2%	19.8%	18.8%	4.3% pts	
Total Light Vehicles	16.4	17.7	18.1	18.1	18.0	1.7	10.1%
Heavy Trucks	0.4	0.5	0.4	0.5	0.5	0.1	13.5%
Total Vehicles	16.8	18.2	18.5	18.6	18.4	1.7	10.2%

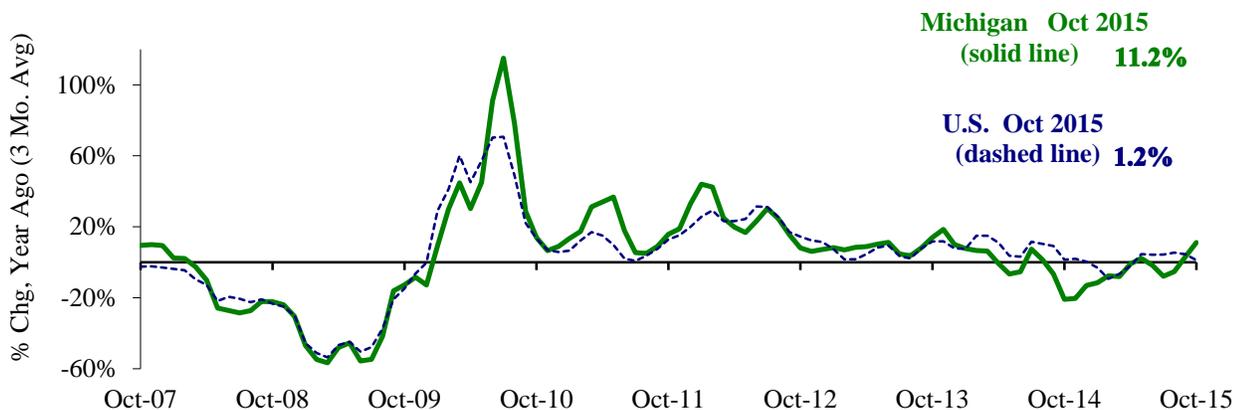
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

	2014	Jul-15	Aug-15	Sep-15	3 Month	Change from	
	Average	Jul-15	Aug-15	Sep-15	Average	Level	%
Inventories	\$184.6	\$182.9	\$191.1	\$193.6	\$189.2	\$11.6	6.4%
Inventory/Sales Ratio	2.09	2.07	2.09	2.09	2.08	0.02	

## Motor Vehicle Industry Production

- At 200,635 units, October 2015 Michigan motor vehicle production was up 6.6 percent from October 2014. National production declined 2.9 percent from last October. The three-month average of vehicle production (August 2015-October 2015) was up 11.2 percent in Michigan and up 1.2 percent nationally, compared to a year ago.
- In October 2015, Michigan car production was down 12.0 percent from a year ago while State truck production rose 17.4 percent. Nationally, car production decreased 19.3 percent while U.S. truck production increased 8.3 percent.
- Michigan's share of national vehicle production rose 1.7 percentage points to 18.7 percent in October 2015 from the year-ago level. Michigan's share of U.S. car production was up 1.4 percentage points to 16.7 percent. Michigan's share of U.S. truck production rose 1.5 percentage points to 19.7 percent.

### Michigan Motor Vehicle Production's Growth Rate Up Substantially in October<sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2014					Change from Year Ago for the Month	
	Monthly Average	Aug 2015	Sep 2015	Oct 2015	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	369.1	359.6	358.3	363.5	360.5	(86.8)	-19.3%
Trucks	619.3	673.8	690.2	709.3	691.1	54.4	8.3%
Total	988.4	1,033.5	1,048.4	1,072.8	1,051.6	(32.3)	-2.9%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	69.9	66.2	72.1	60.6	66.3	(8.3)	-12.0%
Trucks	126.5	125.5	136.8	140.0	134.1	20.7	17.4%
Total	196.5	191.7	208.9	200.6	200.4	12.4	6.6%
Michigan as % of U.S.	19.9%	18.5%	19.9%	18.7%	19.1%	1.7% pts	

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

October 2015 local area unemployment rates ranged from a low of 3.1 percent in the Grand Rapids-Wyoming Metropolitan Statistical Area (MSA) to a high of 6.3 percent in the Detroit-Warren-Dearborn MSA. The October 2015 median unemployment rate was 4.4 percent, which is down 0.9 percentage point from last October's 5.3 percent median rate.

Compared to a year ago, the October unemployment rate fell in all of Michigan's 17 labor market areas. The Detroit-Warren-Dearborn MSA reported the largest rate decrease of 1.6 percentage points, followed by the Lansing-East Lansing MSA with a reported rate decline of 1.4 percentage points. Ann Arbor MSA, Midland MSA and Monroe MSA each experienced the smallest rate declines of 0.7 percentage point.

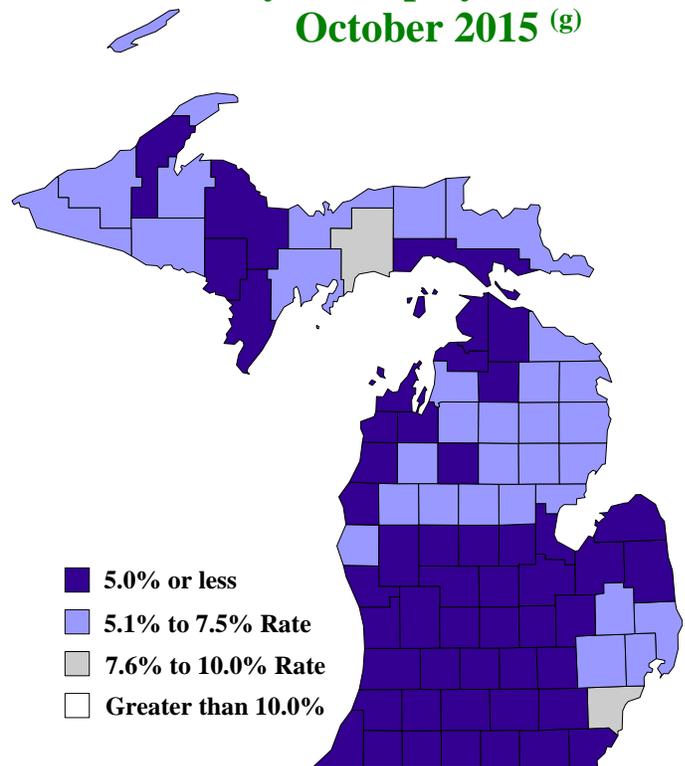
Between October 2014 and October 2015, household employment rose in 16 of Michigan's 17 labor market areas. The median employment increase was 1.1 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase at 3.3 percent, followed by the Niles-Benton Harbor MSA with a 2.6 percent increase. The Upper Peninsula reported a very slight year-over-year employment decrease (0.1 percent). The labor force rose in seven labor market areas, fell in seven areas and was unchanged in three areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (2.3 percent), followed by the Niles-Benton Harbor MSA with a 1.7 percent rise. The Detroit-Warren-Dearborn MSA recorded the largest labor force drop with a 0.9 percent decline, followed by the Upper Peninsula with a 0.8 percent decline.

Between October 2014 and October 2015, the unemployment rate fell in 82 of Michigan's 83 counties. The median October 2015 rate decline was 1.0 percentage point. Oscoda County reported the largest unemployment rate decline at 2.2 percentage points, followed by Lake County with a decline of 2.0 percentage points. Schoolcraft County reported a 1.0 percentage point increase in its unemployment rate from last October. In October 2015, the unemployment rate was below 7.0 percent in 79 of Michigan's 83 counties. In October 2014, 66 Michigan counties had an unemployment rate below 7.0 percent.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Oct 2014 Rate</u>	<u>Sep 2015 Rate</u>	<u>Oct 2015 Rate</u>
Michigan	6.3%	4.7%	5.0%
Ann Arbor	4.1%	3.3%	3.4%
Battle Creek	5.1%	4.3%	4.3%
Bay City	5.3%	4.5%	4.4%
Detroit-Warren-Dearborn	7.9%	5.7%	6.3%
Flint	6.1%	5.0%	5.0%
Grand Rapids-Wyoming	4.0%	3.1%	3.1%
Jackson	5.4%	4.4%	4.5%
Kalamazoo-Portage	4.9%	3.9%	3.9%
Lansing-East Lansing	5.0%	3.6%	3.6%
Midland	4.7%	3.9%	4.0%
Monroe	4.8%	3.8%	4.1%
Muskegon	5.9%	4.8%	4.8%
Niles-Benton Harbor	5.2%	4.3%	4.3%
Saginaw	5.7%	4.6%	4.6%
Upper Peninsula	5.8%	5.0%	5.0%
Northeast Lower Mich	6.7%	5.3%	5.7%
Northwest Lower Mich.	5.5%	4.3%	4.5%

### County Unemployment Rates October 2015<sup>(g)</sup>

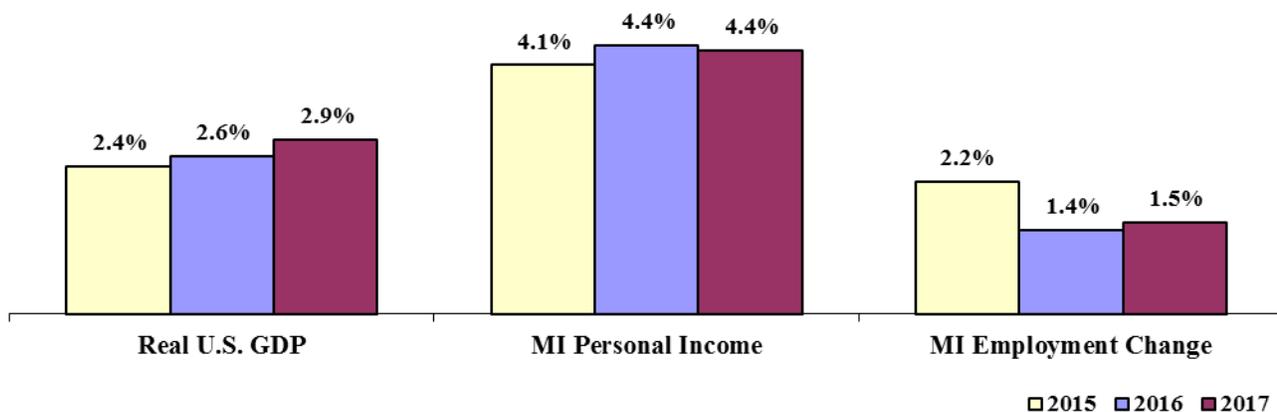


## University of Michigan Economic Forecast Continued U.S. and Michigan Expansions

On November 19 and 20, 2015, the University of Michigan's Research Seminar in Quantitative Economics (RSQE), released its forecast for the U.S. and Michigan economies for 2016 and 2017. Forecast highlights include:

- After growing an estimated 2.4 percent in 2015, real (inflation adjusted) GDP is forecast to rise 2.6 percent in 2016 and grow 2.9 percent in 2017. Real consumption growth is expected to decelerate slightly, from 3.2 percent in 2015 to 3.0 percent in 2017. Real investment growth is forecast to decelerate from 4.5 percent in 2015 to 3.3 percent in 2016 before accelerating to 5.7 percent in 2017. Real government purchases are projected to rise 1.9 percent in 2016 and to increase 1.7 percent in 2017. Net exports are expected to decline in both 2016 and 2017.
- U.S. wage and salary employment is expected to increase over the forecast horizon with 2.1 percent growth in 2015, 1.7 percent growth in 2016 and 1.6 percent growth in 2017. As a result, the U.S. unemployment rate is projected to fall over the next two years from 5.3 percent in 2015 to 4.6 percent in 2017.
- Light vehicle sales are expected to rise to 17.35 million units in 2015 – matching the current record high sales level set in 2000. Light vehicle sales are forecast to rise to new record high levels in both 2016 (17.96 million units) and 2017 (18.14 million units).
- Michigan wage and salary employment rose an estimated 2.2 percent in 2015. Michigan employment is forecast to increase 1.4 percent in 2016 and to rise 1.5 percent in 2017.
- The Michigan unemployment rate fell an estimated 1.7 percentage points to 5.4 percent in 2015 and is forecast to continue declining to 4.9 percent in 2016 and 4.6 percent in 2017, which would be the State's lowest annual unemployment rate since 2000.
- Michigan personal income increased an estimated 4.1 percent in 2015 and is expected to rise 4.4 percent in both 2016 and 2017.

### U.S. GDP and Michigan Personal Income Growth Michigan Employment Increases



## U.S. Economic Conditions

	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	93.1	91.9	87.2	90.0	3.1 points
ISM Manufacturing Index <sup>(i)</sup>	52.7	51.1	50.2	50.1	-7.8 points
ISM Non Manufacturing Index <sup>(i)</sup>	60.3	59.0	56.9	59.1	2.2 points
	<u>2014.4</u>	<u>2015.1</u>	<u>2015.2</u>	<u>2015.3</u>	
Business Executives' Confidence <sup>(j)</sup>	60.0	57.0	58.0	48.0	-12.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100 (CPI)</b>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Change from Year Ago</u>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	238.7	238.3	237.9	237.8	0.2%
Detroit CPI	NA	220.2	NA	220.5	-0.7%
U.S. Producer Price Index	110.7	110.7	109.9	109.6	-1.6%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.03%	0.07%	0.02%	0.02%	0.00% points
Aaa Corporate Bonds <sup>(l)</sup>	4.15%	4.04%	4.07%	3.95%	0.03% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	107.5	107.6	107.4	107.2	0.3%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	78.0%	78.0%	77.7%	77.5%	-0.9% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$447.1	\$447.1	\$447.0	\$447.3	1.7%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	1.152	1.116	1.191	1.060	-1.8%
Existing Home Sales <sup>(m)</sup>	5.580	5.300	5.550	5.360	3.9%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$241.0	\$234.0	\$232.0	\$239.0	0.5%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	<u>2015.2</u>	<u>% Change From Year Ago</u>
Michigan	\$405.2	\$409.9	\$413.3	\$417.2	3.7%
U.S.	\$14,764.3	\$14,945.2	\$15,057.8	\$15,200.4	4.1%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<u>2014.4</u>	<u>2015.1</u>	<u>2015.2</u>	<u>2015.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,151.4	\$16,177.3	\$16,333.6	\$16,417.8	2.1%

**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.