



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

August 2014 Summary

U.S. Economy: The already strong initial 2014Q2 estimate of annualized growth in real gross domestic product of 4.0 percent was revised higher to 4.6 percent. New durable goods orders rose 8.9 percent from August 2013. According to the Institute for Supply Management (ISM) indices, August marked the 15th straight month of manufacturing sector growth, the 55th straight month of non-manufacturing sector growth and the 63rd consecutive month of growth in the overall U.S. economy. The August 2014 summary ISM non-manufacturing index (NMI) represented the index's highest reading since the NMI's inception in 2008. Industrial production grew 4.1 percent between August 2013 and August 2014. Retail sales were up 5.0 percent from August 2013. Housing starts were up 8.0 percent from a year ago, but existing home sales dropped 5.3 percent from last August.

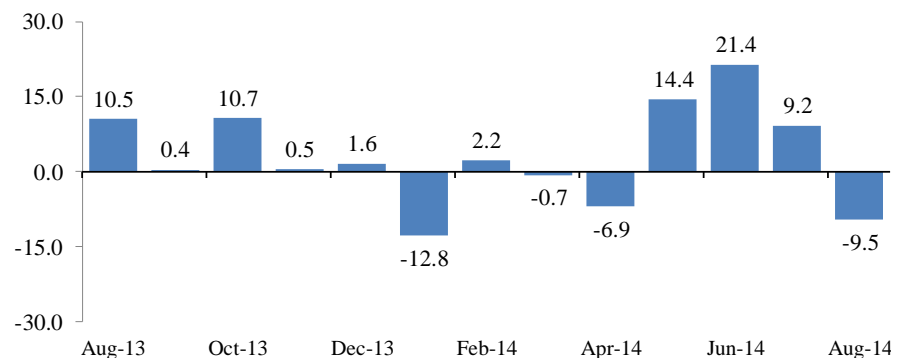
Employment: Between August 2013 and August 2014, Michigan employment gained a net 30,500 jobs. Compared to July 2014, Michigan employment in August was down 9,500 jobs. At 7.4 percent, Michigan's unemployment rate in August 2014 was down 0.3 of a percentage point from July 2014 and was down 1.6 percentage points from August 2013. At 6.1 percent, the U.S. unemployment rate was down 0.1 of a percentage point from July 2014 and was down 1.1 percentage points from August 2013. National wage and salary employment was up 142,000 jobs in August 2014 from July 2014. Over the last year, U.S. employment increased 2.5 million jobs (1.8 percent).

Auto Industry: The August 2014 U.S. light vehicle annual sales rate of 17.4 million units was up 9.9 percent from a year ago. Between August 2013 and August 2014, Michigan vehicle production fell 22.4 percent while national vehicle production was down 1.7 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 4.7 percentage points to 17.7 percent.

Inflation: In August 2014, the overall U.S. consumer price index (CPI) rose 1.7 percent compared to a year ago. The Detroit CPI was up 1.0 percent from a year ago. The U.S. producer price index rose 2.2 percent from last year. At \$96.54 per barrel, the price of oil was down \$10.03 from August 2013.

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

Michigan Wage and Salary Employment Declines After Three Straight Increases
(Seasonally Adjusted) ^(a)



Jay Wortley
Director

Thomas Patchak-Schuster
Senior Economist

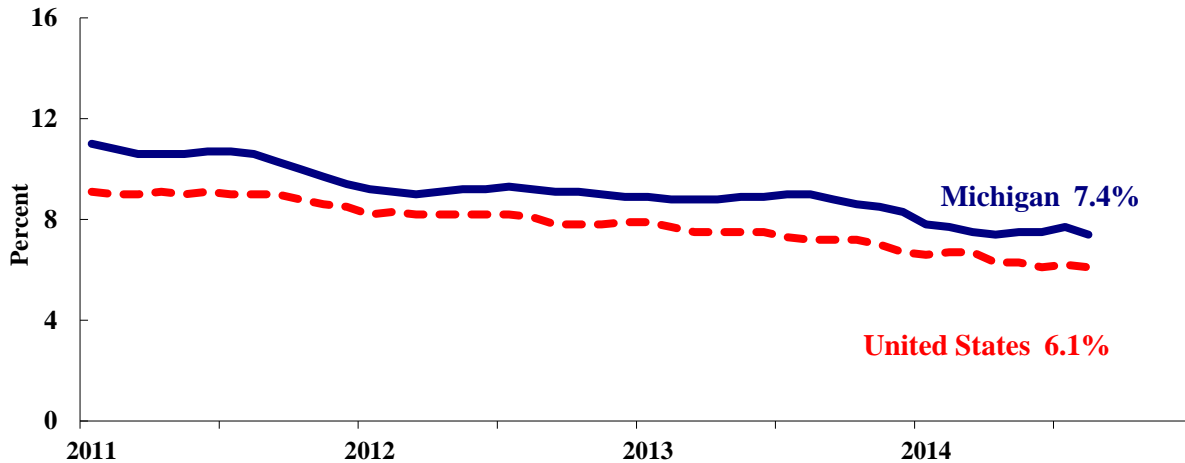
Andrew Lockwood
Senior Economist

Mary Pasch
Executive Secretary

Labor Market Statistics

- Michigan's August unemployment rate decreased 0.3 percentage point from last month to 7.4 percent and was down 1.6 percentage points from a year ago. The August U.S. unemployment rate decreased 0.1 percentage point from July to 6.1 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 2011 to 2014



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

- In August, the number of people employed in Michigan increased 4,000 from last month to 4,382,000, persons while the labor force fell by 11,000 persons. The statewide total number of unemployed declined 16,000 to 348,000.
- United States household employment totaled 146.4 million persons in August. The labor force totaled 156.0 million and there were 9.6 million unemployed in August 2014.

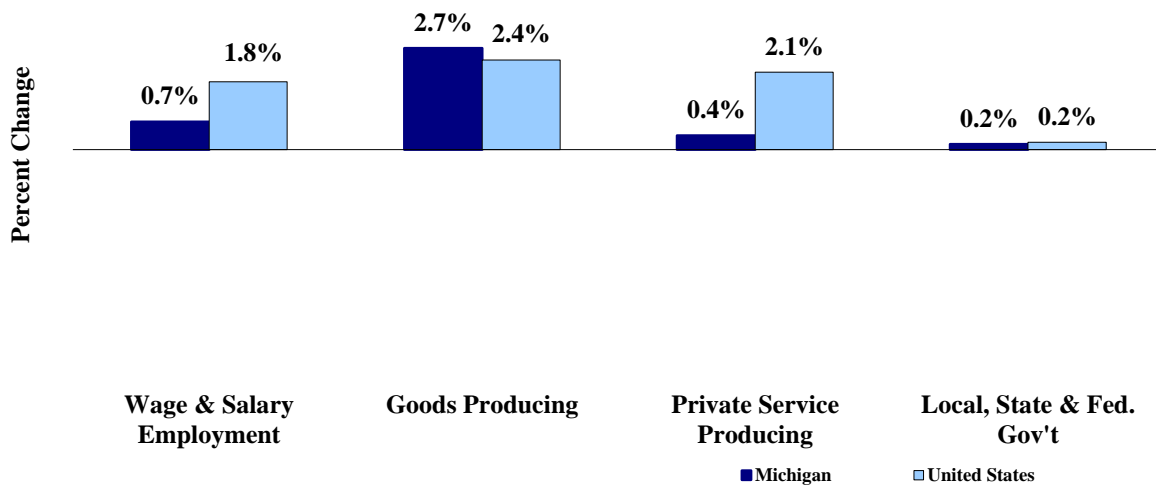
Employment by Place of Residence (in thousands)^(a)

	2013 Average	Jun 2014	Jul 2014	Aug 2014	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,657	4,744	4,742	4,731	-11	-0.2%	18	0.4%
Employed	4,232	4,387	4,378	4,382	4	0.1%	91	2.1%
Unemployed	426	357	364	348	-16	-4.4%	-74	-17.5%
Unemployment Rate	9.1%	7.5%	7.7%	7.4%	n.a.	-0.3% pts	n.a.	-1.6% pts
United States								
Labor Force	154,975	155,694	156,023	155,959	-64	0.0%	474	0.3%
Employed	142,469	146,221	146,352	146,368	16	0.0%	3,156	2.2%
Unemployed	12,506	9,474	9,671	9,591	-80	-0.8%	-2,682	-21.9%
Unemployment Rate	8.1%	6.1%	6.2%	6.1%	n.a.	-0.1% pts	n.a.	-1.1% pts

Employment by Place of Work

- From August 2013 to August 2014, Michigan wage and salary employment increased 30,500 (0.7 percent). State wage and salary employment decreased by 9,500 jobs in August from July. Nationally, August 2014 wage and salary employment rose 2,482,000 (1.8 percent) from a year ago and was up 142,000 from last month.

Wage and Salary Employment Growth August 2013 to August 2014



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

- In the goods-producing sector, Michigan employment increased 2.7 percent in August from a year ago while employment in the private service-producing sector increased 0.4 percent. From a year ago, August national employment rose 2.4 percent in the goods-producing sector and increased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased by 0.1 hour in August compared to last year.

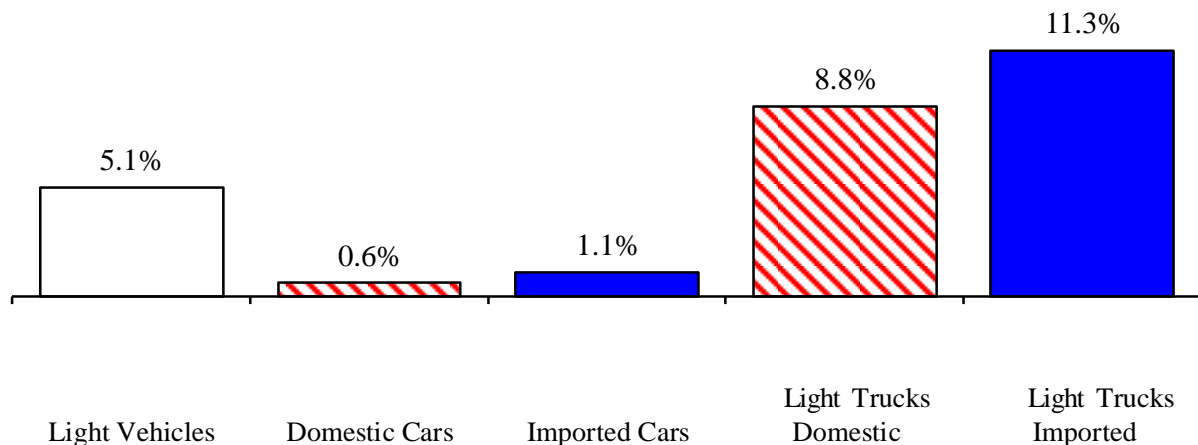
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2013 Average	Aug 2013	Aug 2014	Percent Change	2013 Average	Aug 2013	Aug 2014	Percent Change
Wage & Salary Employment	4,104.5	4,112.8	4,143.3	0.7%	136,368	136,636	139,118	1.8%
Goods Producing	695.4	697.9	716.8	2.7%	18,700	18,696	19,144	2.4%
Manufacturing	555.1	556.9	571.8	2.7%	12,006	11,990	12,158	1.4%
Private Service Producing	2,809.5	2,817.0	2,827.7	0.4%	95,804	96,087	98,077	2.1%
Trade, Trans. & Utilities	743.8	746.4	756.4	1.3%	25,870	25,911	26,440	2.0%
Services	1,808.4	1,812.0	1,815.7	0.2%	59,368	59,610	61,007	2.3%
Local, State & Fed. Gov't	599.6	597.9	598.8	0.2%	21,864	21,853	21,897	0.2%
Manufacturing Weekly Hours	42.0	43.6	43.5	-0.1 hrs	40.8	41.9	42.0	0.1 hrs

Motor Vehicle Industry Sales

- In August 2014, U.S. light vehicle sales rose to a 17.4 million units seasonally adjusted annual rate – a 103-month high. August 2014 light vehicle sales were up 9.9 percent from last August.
- August 2014 marks the sixth straight month that the light vehicle sales rate has equaled or exceeded 16.0 million units after rounding. The light vehicle sales rate has exceeded 15.0 million units in each of the past 22 months.
- U.S. sales of domestic light vehicles increased 12.2 percent between August 2013 and August 2014, while foreign sales were up 2.0 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 1.6 percentage points to 20.5 percent between August 2013 and August 2014.
- Auto sales increased 6.1 percent compared to last August, while light truck sales were up 13.6 percent from August 2013. Year-over-year, heavy truck sales rose 28.2 percent.

Year-to-Date Light Truck Sales Up Substantially From Last Year (millions)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2013	Jun	Jul	Aug	3 Month	Change from	
	Average	2014	2014	2014	Average	Level	%
Autos	7.6	8.1	7.8	8.2	8.0	0.5	6.1%
Domestics	5.4	5.8	5.7	6.1	5.9	0.6	11.1%
Imports	2.2	2.3	2.1	2.1	2.2	(0.1)	-6.2%
Import Share	28.9%	28.2%	27.1%	25.6%	26.9%	-3.4% pts	
Light Trucks	7.9	8.8	8.6	9.2	8.9	1.1	13.6%
Domestics	6.7	7.4	7.3	7.7	7.5	0.9	13.0%
Imports	1.2	1.4	1.4	1.5	1.4	0.2	16.5%
Import Share	15.7%	15.8%	15.7%	16.0%	15.8%	0.4% pts	
Total Light Vehicles	15.5	16.8	16.4	17.4	16.9	1.6	9.9%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	28.2%
Total Vehicles	15.8	17.2	16.8	17.9	17.3	1.7	10.3%

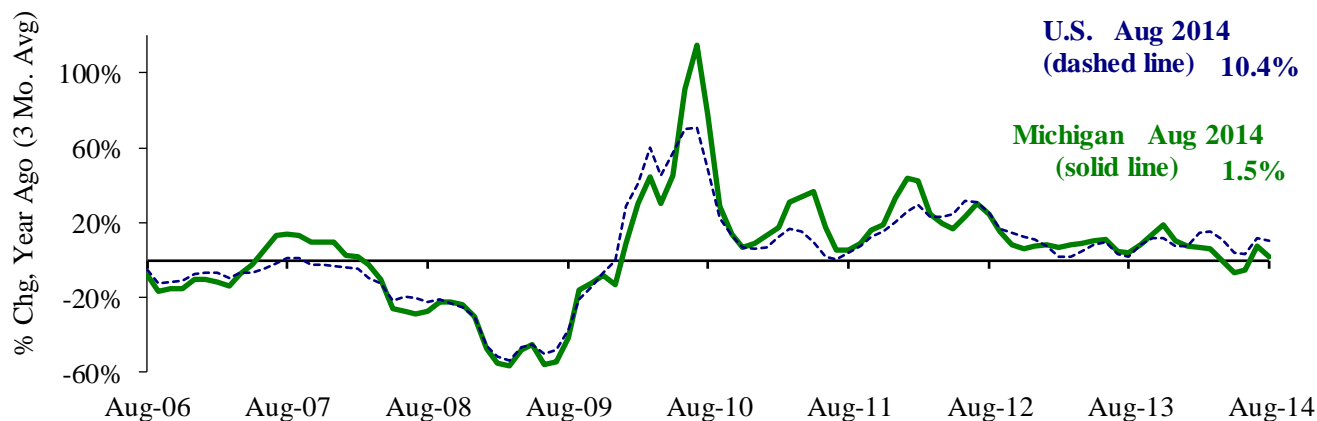
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013	May-14	Jun-14	Jul-14	3 Month	Change from	
	Average	May-14	Jun-14	Jul-14	Average	Level	%
Inventories	\$167.8	\$181.8	\$184.5	\$188.8	\$185.0	\$21.7	13.0%
Inventory/Sales Ratio	2.06	2.06	2.09	2.13	2.09	0.10	

Motor Vehicle Industry Production

- At 175,056 units, August 2014 Michigan motor vehicle production was 22.4 percent lower than August 2013. National production decreased 1.7 percent from last August. The August declines are the result of changes in seasonal production patterns. The three-month average of vehicle production (June 2014-August 2014) was up 1.5 percent in Michigan and up 10.4 percent nationally, compared to a year ago.
- In August 2014, Michigan car production was down 38.4 percent from a year ago while State truck production fell 12.2 percent. Nationally, car production decreased 8.9 percent while U.S. truck production increased 3.2 percent.
- Michigan's share of national vehicle production fell 4.7 percentage points to 17.7 percent in August 2014 from the year-ago level. Michigan's share of U.S. car production was down 7.0 percentage point to 14.7 percent. Michigan's share of U.S. truck production fell 3.4 percentage points to 19.4 percent.

Michigan Motor Vehicle Production's Rate of Growth Slows in August ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013 Monthly Average	Jun 2014	Jul 2014	Aug 2014	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	374.3	366.1	307.7	366.0	346.6	(36.0)	-8.9%
Trucks	551.0	642.2	572.5	623.5	612.7	19.2	3.2%
Total	925.3	1,008.3	880.2	989.5	959.3	(16.8)	-1.7%
Michigan Production ^(f)							
Autos	83.2	82.0	62.5	54.0	66.2	(33.6)	-38.4%
Trucks	123.0	135.6	140.6	121.1	132.5	(16.9)	-12.2%
Total	206.1	217.7	203.1	175.1	198.6	(50.5)	-22.4%
Michigan as % of U.S.	22.3%	21.6%	23.1%	17.7%	20.7%	-4.7% pts	

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

August 2014 local area unemployment rates ranged from a low of 4.6 percent in the Ann Arbor and Holland-Grand Haven Metropolitan Statistical Areas (MSA) to a high of 7.9 percent in the Detroit-Warren-Livonia MSA. The median August 2014 unemployment rate was 6.1 percent, which is down sharply from last August’s 8.8 percent median rate.

Compared to a year ago, the August unemployment rate fell in all of Michigan’s 17 labor market areas. Northeast Lower Michigan reported the greatest rate decrease of 3.0 percentage points, followed by the Flint MSA and the Muskegon-Norton Shores MSA each with 2.9 percentage point declines. The Monroe MSA saw the smallest rate decline (1.6 percentage points), while the Detroit-Warren-Livonia MSA experienced the second smallest rate decline of 1.7 percentage points.

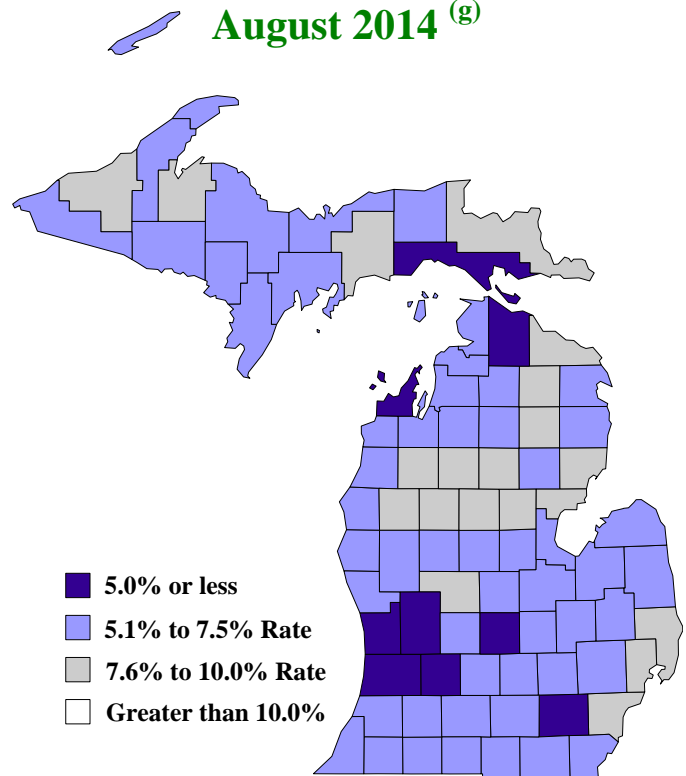
Between August 2013 and August 2014, employment rose in 16 of Michigan’s 17 labor market areas. The median employment increase was 4.1 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase (6.8 percent), followed by the Holland-Grand Haven MSA with a 6.4 percent increase. The Detroit-Warren-Livonia MSA experienced the only employment decline among Michigan’s labor market areas (-0.4 percent). The labor force rose in 13 labor market areas, fell in two areas and was unchanged in two areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (4.5 percent), followed by the Holland-Grand Haven MSA (4.0 percent). In the Detroit-Warren-Livonia MSA, the labor force fell 2.3 percent from last August.

Between August 2013 and August 2014, the unemployment rate fell in all of Michigan’s 83 counties. The median August 2014 rate decline was 2.6 percentage points. Baraga County posted the largest rate decrease at 4.8 percentage points. The unemployment rate in all 83 counties was below 10.0 percent in August 2014. In August 2013, 58 counties had an unemployment rate below 10.0 percent. In August 2014, 63 counties reported an unemployment rate of 7.5 percent or lower. In August 2013, 16 counties reported an unemployment rate less than or equal to 7.5 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2013 Rate</u>	<u>July 2014 Rate</u>	<u>Aug 2014 Rate</u>
Michigan	8.8%	8.6%	6.7%
Ann Arbor	6.4%	6.3%	4.6%
Battle Creek	7.7%	7.4%	5.5%
Bay City	8.9%	8.3%	6.3%
Detroit-Warren-Livonia	9.6%	9.8%	7.9%
Flint	9.9%	9.3%	7.0%
Grand Rapids-Wyoming	6.9%	6.4%	4.8%
Holland-Grand Haven	6.8%	6.4%	4.6%
Jackson	8.9%	8.3%	6.3%
Kalamazoo-Portage	7.6%	7.1%	5.5%
Lansing-East Lansing	7.6%	7.6%	5.5%
Monroe	7.9%	8.1%	6.3%
Muskegon-Norton Shores	9.0%	8.2%	6.1%
Niles-Benton Harbor	8.8%	7.9%	6.1%
Saginaw-Saginaw Township	9.1%	8.7%	6.5%
Upper Peninsula	8.8%	8.6%	6.6%
Northeast Lower Mich	10.2%	9.5%	7.2%
Northwest Lower Mich.	8.7%	7.8%	5.9%

County Unemployment Rates August 2014^(g)



U.S. Economic Conditions

	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	81.9	82.5	81.8	82.5	0.4 points
ISM Manufacturing Index ⁽ⁱ⁾	55.4	55.3	57.1	59.0	2.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.3	56.0	58.7	59.6	1.7 points
	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	
Business Executives' Confidence ^(j)	54.0	60.0	63.0	62.0	16.0 points
INFLATION ^(k)					
1982-84 = 100	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	237.9	238.3	238.3	237.9	1.7%
Detroit CPI	NA	224.5	NA	222.3	1.0%
U.S. Producer Price Index	201.6	202.6	202.9	202.3	2.2%
INTEREST RATES					
90 Day T-Bill ^(l)	0.03%	0.04%	0.03%	0.03%	-0.01% points
Aaa Corporate Bonds ^(l)	4.16%	4.25%	4.16%	4.08%	-0.46% points
INDUSTRIAL PRODUCTION ^(l)					
	103.7	104.0	104.2	104.1	4.1%
CAPACITY UTILIZATION ^(l)					
	79.1%	79.1%	79.1%	78.8%	1.0% points
RETAIL SALES ^(d)					
	\$438.6	\$440.3	\$441.8	\$444.4	5.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.984	0.909	1.117	0.956	8.0%
Existing Home Sales ^(m)	4.910	5.030	5.140	5.050	-5.3%
DURABLE GOODS ORDERS ^(p)					
	\$238.3	\$244.8	\$300.0	\$245.4	8.9%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>% Change From Year Ago</u>
Michigan	\$387.8	\$389.2	\$395.4	\$401.4	2.9%
U.S.	\$14,232.3	\$14,293.8	\$14,465.4	\$14,688.6	2.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,779.9	\$15,916.2	\$15,831.7	\$16,010.4	4.59%

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.