



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

August 2015 Summary

U.S. Economy: The estimated annual rate of growth rate for real GDP in the second quarter of 2015 was revised up to 3.9 percent – up slightly from the “second” estimate of 3.7 percent and up substantially from the initial estimate of 2.3 percent. The capacity utilization rate fell 0.6 percentage point between August 2014 and August 2015. New durable goods orders dropped 0.3 percent from August 2014, but were up 1.9 percent from a month ago. The Institute for Supply Management (ISM) reported the current expansion has now lasted 75 months; however, the ISM Production Management Index dropped 7.0 points from last August. Industrial production rose 0.9 percent from last year and retail sales were up 2.2 percent between August 2014 and August 2015. Housing starts were up 16.6 percent from last August and existing home sales increased 6.2 percent. In addition, the consumer sentiment index was up a sharp 9.4 percentage points from August 2014.

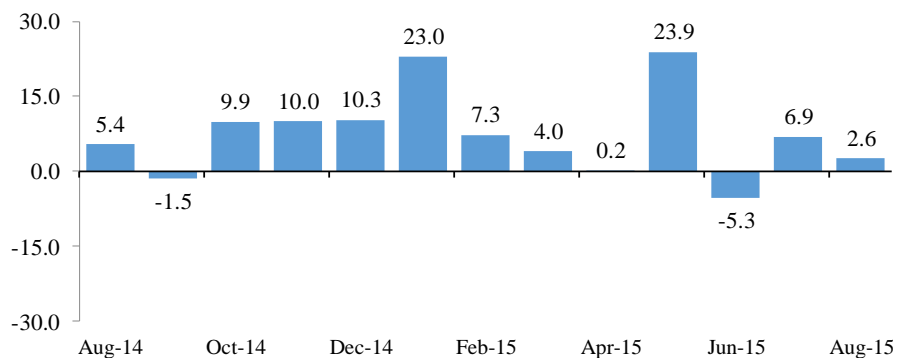
Employment: Between August 2014 and August 2015, Michigan payroll employment gained a net 91,300 jobs (2.2 percent). Michigan payroll employment in August was up 2,600 jobs compared to July 2015. In August 2015, the Michigan unemployment rate fell 0.2 percentage point to 5.1 percent. The national unemployment rate also fell 0.2 percentage point to 5.1 percent. As a result, the Michigan unemployment rate matched the U.S. rate for the fourth month in the past five months. The August 2015 Michigan unemployment rate was down 1.7 percentage points from August 2014. The U.S. unemployment rate was down 1.0 percentage point from August 2014. Over the last year, U.S. payroll employment increased 2.9 million jobs (2.1 percent).

Auto Industry: In August 2015, the U.S. light vehicle annual sales rate rose 2.9 percent from last August to 17.7 million units – the highest annual sales rate since July 2005. Between August 2014 and August 2015, Michigan vehicle production rose 9.5 percent while national vehicle production was up 4.4 percent. Compared to a year ago, Michigan’s share of national vehicle production increased 0.9 percentage point to 18.5 percent.

Inflation: In August 2015, the overall U.S. consumer price index (CPI) was up 0.2 percent from August 2014. The core U.S. CPI rose 1.8 percent. The Detroit CPI fell 0.9 percent from last August. The U.S. producer price index decreased 0.8 percent from last year. The price of oil fell 55.6 percent from last year to \$42.87.

Michigan Metro Areas: Compared to a year ago, August 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 all 17 Michigan major labor market areas.

Michigan Payroll Employment Rises in August Marking 10th Monthly Increase over Past Year (Seasonally Adjusted) ^(a)



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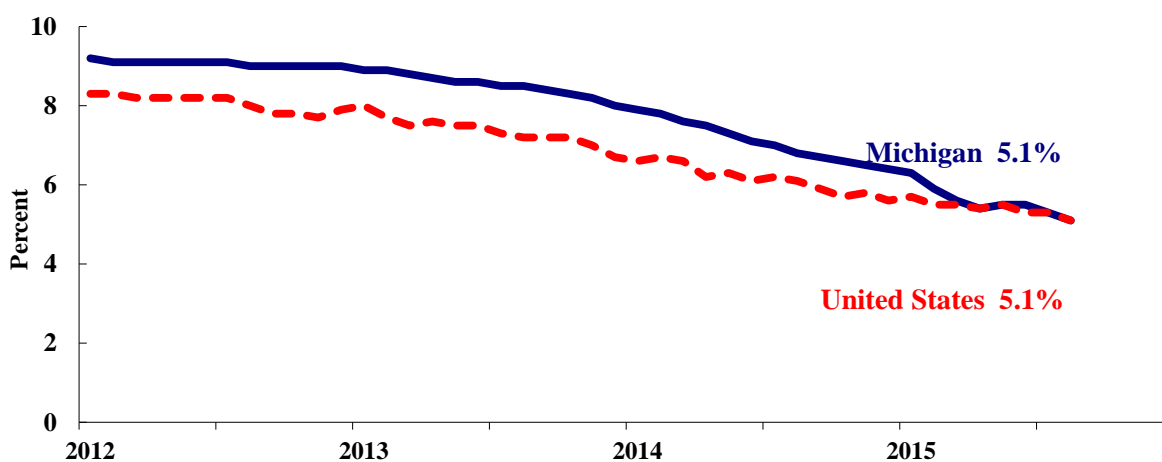
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Labor Market Statistics

- In August 2015, the Michigan unemployment rate fell 0.2 percentage point from last month to 5.1 percent – the State’s lowest jobless rate since June 2001. The national unemployment rate also fell 0.2 percentage point from July to 5.1 percent. The Michigan unemployment rate has matched the national unemployment rate in four of the past five months. Prior to April 2015, the Michigan unemployment rate last equaled or was below the national rate was in September 2000.
- The August 2015 Michigan unemployment rate was down 1.7 percentage points from a year ago. The August U.S. unemployment rate decreased 1.0 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 August 2012 to August 2015



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

- In August, the total number of people employed in Michigan rose by 8,000 to 4,487,000 persons while the labor force rose by 1,000. The statewide total number of unemployed fell 7,000 to 242,000.
- United States employment totaled 149.0 million persons in August. The labor force totaled 157.1 million and there were 8.0 million unemployed in August 2015.

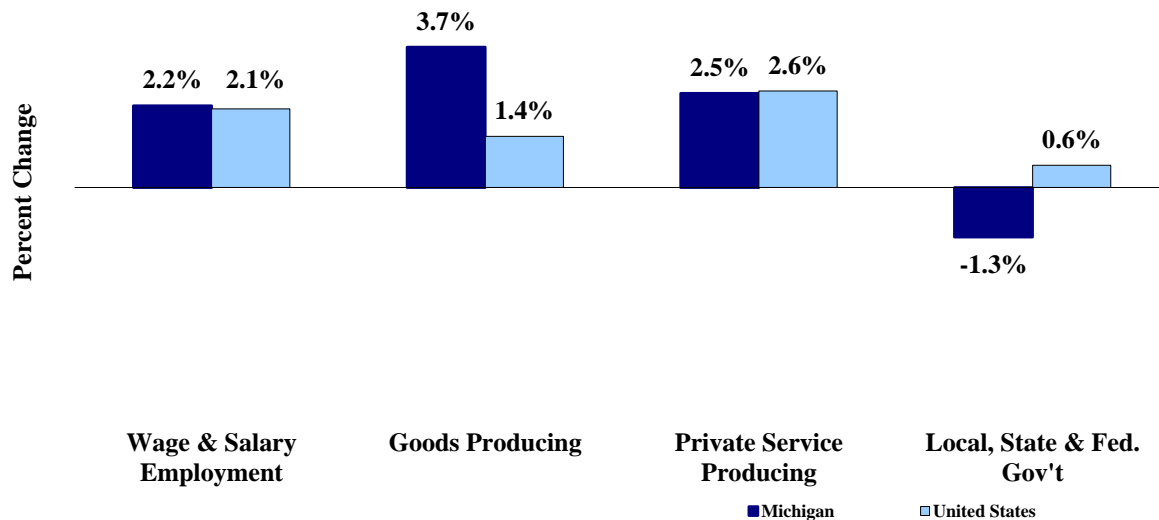
Employment by Place of Residence (in thousands)^(a)

	2014 Average	Jun 2015	Jul 2015	Aug 2015	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,750	4,740	4,728	4,729	1	0.0%	-18	-0.4%
Employed	4,402	4,479	4,479	4,487	8	0.2%	64	1.4%
Unemployed	348	261	249	242	-7	-2.9%	-82	-25.2%
Unemployment Rate	7.3%	5.5%	5.3%	5.1%	n.a.	-0.2% pts	n.a.	-1.7% pts
United States								
Labor Force	155,922	157,037	157,106	157,065	-41	0.0%	1,047	0.7%
Employed	146,305	148,739	148,840	149,036	196	0.1%	2,585	1.8%
Unemployed	9,617	8,299	8,266	8,029	-237	-2.9%	-1,539	-16.1%
Unemployment Rate	6.2%	5.3%	5.3%	5.1%	n.a.	-0.2% pts	n.a.	-1.0% pts

Employment by Place of Work (Payroll)

- From August 2014 to August 2015, Michigan payroll employment increased 91,300 (2.2 percent). State payroll employment increased by 2,600 jobs in August from July. Nationally, August 2015 payroll employment rose 2,919,000 (2.1 percent) from a year ago and was up 173,000 from last month.

Payroll Employment Growth August 2014 to August 2015



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

- In the goods-producing sector, Michigan payroll employment increased 3.7 percent in August from a year ago while employment in the private service-producing sector increased 2.5 percent. From a year ago, August national payroll employment rose 1.4 percent in the goods-producing sector and increased 2.6 percent in the private service-producing sector. Government employment was down 1.3 percent from a year ago in Michigan. Nationwide, government employment was up 0.6 percent.
- Manufacturing weekly hours in Michigan increased by 0.3 hour in August compared to last year.

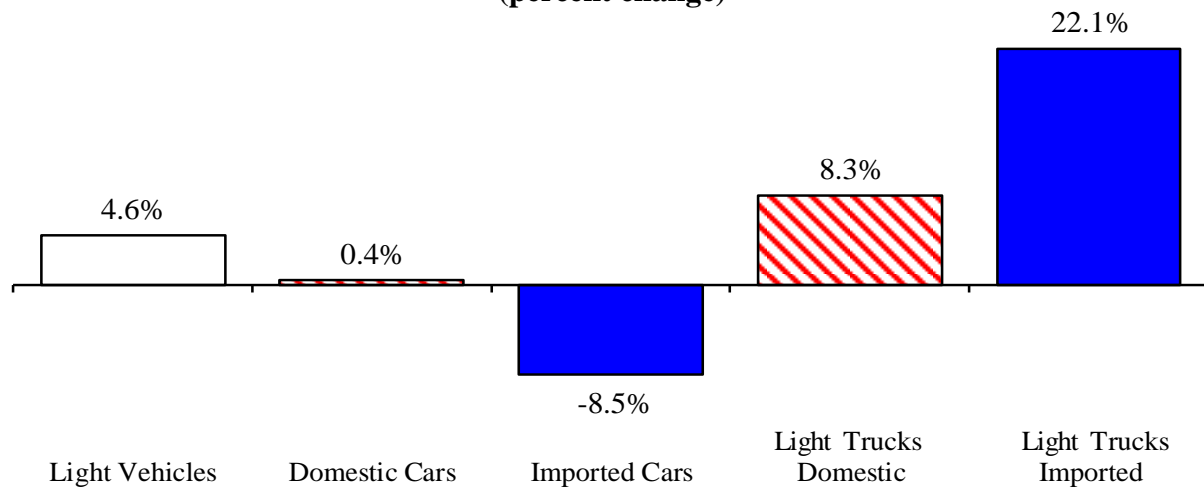
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2014 Average	Aug 2014	Aug 2015	Percent Change	2014 Average	Aug 2014	Aug 2015	Percent Change
Wage & Salary Employment	4,179.7	4,188.9	4,280.2	2.2%	139,042	139,369	142,288	2.1%
Goods Producing	725.6	729.4	756.7	3.7%	19,223	19,277	19,540	1.4%
Manufacturing	575.9	577.6	598.1	3.5%	12,188	12,205	12,329	1.0%
Private Service Producing	2,858.8	2,861.8	2,933.7	2.5%	97,957	98,227	100,753	2.6%
Trade, Trans. & Utilities	757.3	758.4	768.2	1.3%	26,384	26,427	26,999	2.2%
Services	1,839.7	1,841.2	1,896.9	3.0%	60,854	61,050	62,802	2.9%
Local, State & Fed. Gov't	595.4	597.7	589.8	-1.3%	21,863	21,865	21,995	0.6%
Manufacturing Weekly Hours	43.9	43.7	44.0	0.3 hrs	42.0	42.0	41.8	-0.2 hrs

Motor Vehicle Industry Sales

- August 2015 U.S. light vehicle sales were up 1.4 percent from July and up 2.9 percent from August 2014. At 17.7 million units, the U.S. light vehicle annualized sales rate rose to a ten-year high.
- August 2015 marks the 18th straight month that the light vehicle annualized sales rate has exceeded 16.0 million units and the third out of the last four months with a sales rate over 17.0 million units.
- U.S. sales of domestic light vehicles increased 1.0 percent between August 2014 and August 2015, while foreign sales were up 10.2 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 1.5 percentage points to 22.1 percent between August 2014 and August 2015.
- Auto sales decreased 6.6 percent compared to last August, while light truck sales were up 11.2 percent from August 2014. Year-over-year, heavy truck sales rose 10.4 percent to an annual rate of 476,000 units.

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2014	Jun	Jul	Aug	3 Month	Change from	
	Average	2015	2015	2015	Average	Level	%
Autos	7.7	7.4	7.6	7.5	7.5	(0.5)	-6.6%
Domestics	5.6	5.5	5.8	5.6	5.6	(0.4)	-6.6%
Imports	2.1	2.0	1.8	1.9	1.9	(0.1)	-6.7%
Import Share	27.2%	26.5%	24.2%	25.8%	25.5%	0.0% pts	
Light Trucks	8.7	9.5	9.9	10.2	9.9	1.0	11.2%
Domestics	7.4	7.8	8.1	8.2	8.0	0.5	6.9%
Imports	1.4	1.8	1.8	2.0	1.8	0.5	34.2%
Import Share	15.5%	18.6%	18.0%	19.4%	18.7%	3.3% pts	
Total Light Vehicles	16.4	17.0	17.5	17.7	17.4	0.5	2.9%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.0	10.4%
Total Vehicles	16.8	17.4	17.9	18.2	17.9	0.5	3.1%

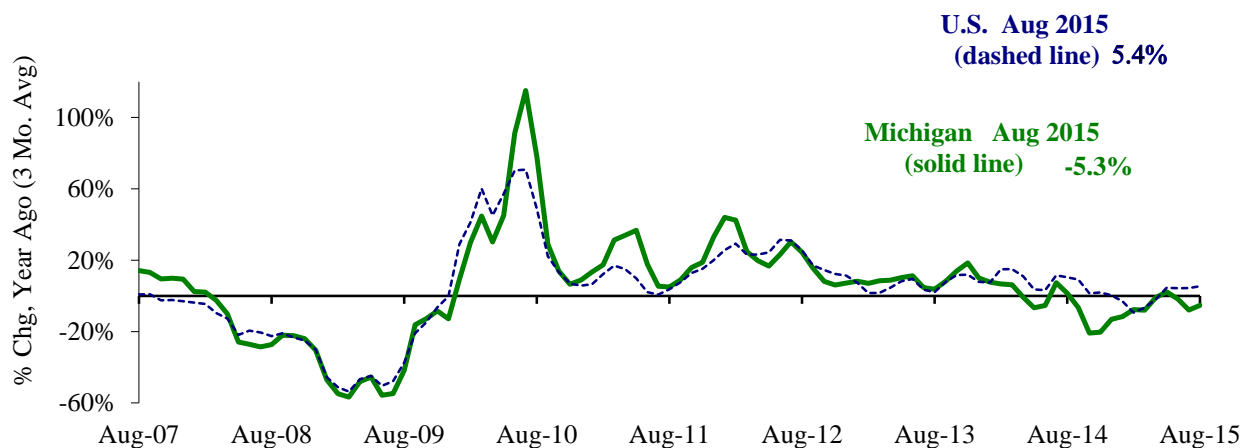
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2014	May-15	Jun-15	Jul-15	3 Month	Change from	
	Average	May-15	Jun-15	Jul-15	Average	Level	%
Inventories	\$183.5	\$184.2	\$188.1	\$191.1	\$187.8	\$9.6	5.2%
Inventory/Sales Ratio	2.09	2.12	2.03	2.09	2.08	-0.03	

Motor Vehicle Industry Production

- At 191,675 units, August 2015 Michigan motor vehicle production was up 9.5 percent from August 2014. National production increased 4.4 percent from last August. The three-month average of vehicle production (June 2015-August 2015) was down 5.3 percent in Michigan and up 5.4 percent nationally, compared to a year ago.
- In August 2015, Michigan car production was up 22.7 percent from a year ago while State truck production rose 3.6 percent. Nationally, car production decreased 1.7 percent while U.S. truck production increased 8.1 percent.
- Michigan’s share of national vehicle production rose 0.9 percentage point to 18.5 percent in August 2015 from the year-ago level. Michigan’s share of U.S. car production was up 3.7 percentage points to 18.4 percent. Michigan’s share of U.S truck production fell 0.8 percentage point to 18.6 percent.

Michigan Motor Vehicle Production’s Growth Rate Down in August^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2014					Change from Year Ago for the Month	
	Monthly Average	Jun 2015	Jul 2015	Aug 2015	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	369.1	384.4	328.5	359.6	357.5	(6.4)	-1.7%
Trucks	619.3	676.0	612.0	673.8	653.9	50.4	8.1%
Total	988.4	1,060.4	940.5	1,033.5	1,011.4	44.0	4.4%
Michigan Production ^(f)							
Autos	69.9	68.0	50.8	66.2	61.7	12.3	22.7%
Trucks	126.5	132.6	121.5	125.5	126.5	4.4	3.6%
Total	196.5	200.6	172.2	191.7	188.2	16.6	9.5%
Michigan as % of U.S.	19.9%	18.9%	18.3%	18.5%	18.6%	0.9% pts	

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

August 2015 local area unemployment rates ranged from a low of 3.4 percent in the Grand Rapids-Wyoming MSA to a high of 6.2 percent in the Detroit-Warren-Livonia MSA. The August 2015 median unemployment rate was 4.7 percent, which is down substantially from last August's 6.4 percent median rate.

Compared to a year ago, the August unemployment rate fell in all of Michigan's 17 labor market areas. The Detroit-Warren-Livonia MSA reported the largest rate decrease of 2.7 percentage points, followed by the Monroe MSA region with a reported rate decline of 2.3 percentage points. Three areas (Ann Arbor MSA, Battle Creek MSA and Grand Rapids-Wyoming MSA) each saw the smallest rate decline (1.5 percentage points).

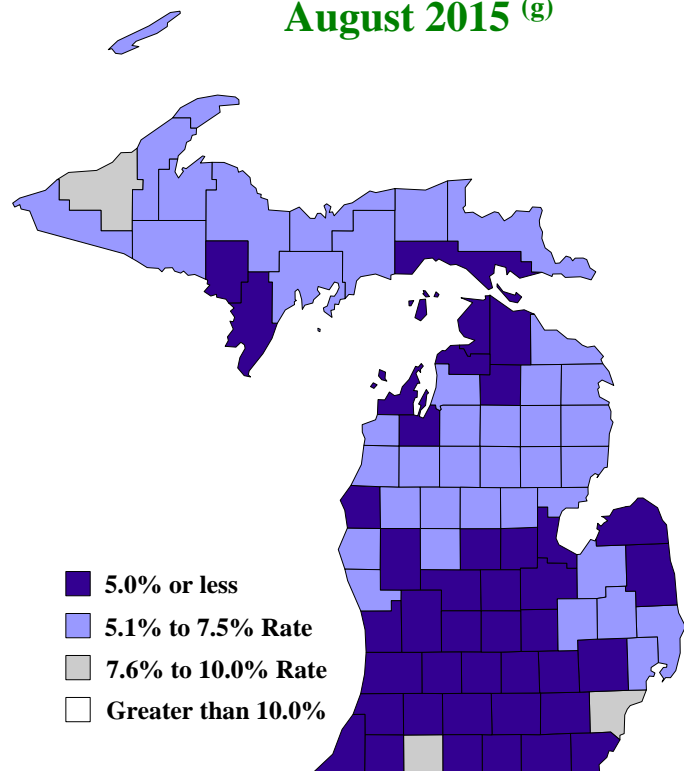
Between August 2014 and August 2015, household employment rose in all of Michigan's 17 labor market areas. The median employment increase was 1.9 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase at 4.8 percent, followed by the Battle Creek MSA with a 3.0 percent increase. The Holland-Grand Haven MSA reported the smallest year-over-year employment increase (0.6 percent). The labor force fell in 10 labor market areas and rose in seven areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (3.1 percent), followed by the Battle Creek MSA (1.4 percent). Three areas saw the largest labor force decline (1.1 percent): Bay City MSA, Detroit-Warren-Livonia MSA and Holland Grand Haven MSA.

Between August 2014 and August 2015, the unemployment rate fell in 82 of Michigan's 83 counties. The median August 2015 rate decline was 1.9 percentage points. Montmorency County reported the largest unemployment rate decline (3.6 percentage points), followed by Oscoda County with a 3.5 percentage point rate decline. Schoolcraft County reported a 0.3 percentage point increase in its unemployment rate from last August. In August 2015, the unemployment rate was below 7.5 percent in 80 of Michigan's 83 counties. In August 2014, 52 Michigan counties had an unemployment rate below 7.5 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2014 Rate</u>	<u>Jul 2015 Rate</u>	<u>Aug 2015 Rate</u>
Michigan	7.3%	6.1%	5.2%
Ann Arbor	5.0%	4.5%	3.5%
Battle Creek	6.1%	5.7%	4.6%
Bay City	6.7%	6.0%	4.9%
Detroit-Warren-Livonia	8.9%	7.0%	6.2%
Flint	7.5%	6.8%	5.4%
Grand Rapids-Wyoming	4.9%	4.2%	3.4%
Holland-Grand Haven	6.4%	6.0%	4.7%
Jackson	5.9%	5.2%	4.2%
Kalamazoo-Portage	5.9%	5.1%	4.0%
Lansing-East Lansing	5.8%	5.2%	4.2%
Monroe	6.4%	5.3%	4.1%
Muskegon-Norton Shores	7.1%	6.3%	5.2%
Niles-Benton Harbor	6.4%	5.5%	4.8%
Saginaw-Saginaw Township	7.1%	6.2%	5.0%
Upper Peninsula	7.2%	6.8%	5.6%
Northeast Lower Mich	7.9%	6.9%	5.7%
Northwest Lower Mich.	6.3%	5.4%	4.5%

County Unemployment Rates August 2015^(g)

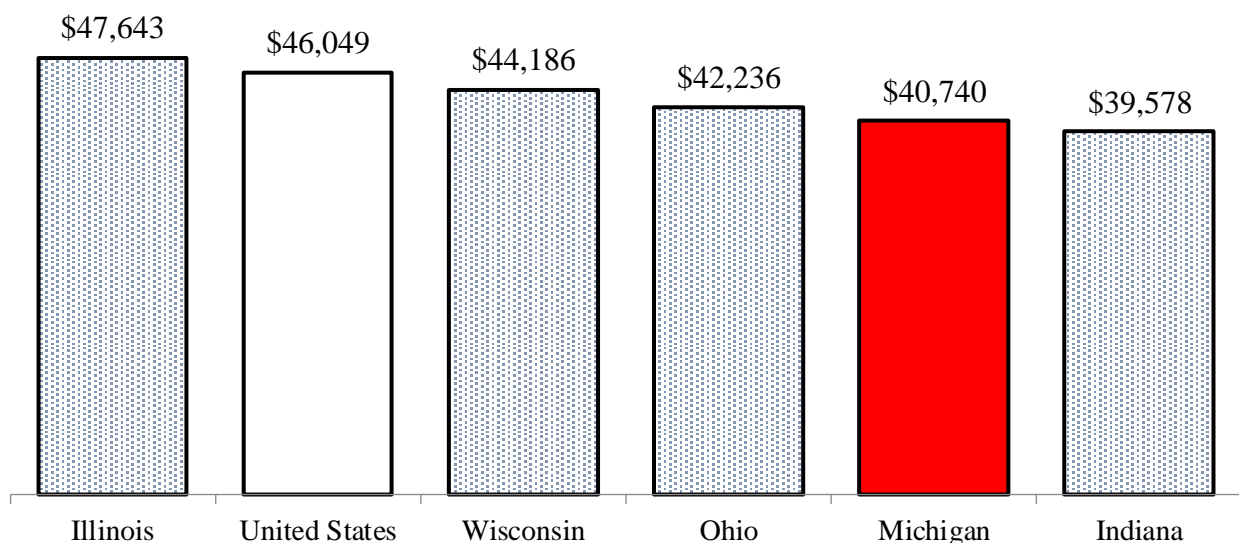


Michigan Personal Income Grows for the Fifth Straight Year

On September 30, 2015, the Bureau of Economic Analysis released revised personal income estimates for 1976-2014. Below are recent highlights from the release:

- In 2014, nominal Michigan personal income rose 4.1 percent – marking the fifth straight year that the State’s personal income grew. Michigan’s 2014 personal income growth accelerated from 1.5 percent in 2013. Nationally, U.S. personal income rose 4.4 percent in 2014 – up from a 1.2 percent increase in 2013.
- Real (inflation adjusted) Michigan personal income rose 3.0 percent in 2014 after remaining essentially unchanged in 2013. Nationally, real personal income grew 2.7 percent in 2014 after falling 0.3 percent in 2013.
- Michigan income per person grew 3.9 percent between 2013 and 2014 –slightly faster than the 3.6 percent growth nationwide. With the Detroit CPI rising 1.0 percent, real Michigan income per person increased 2.9 percent in 2014. Nationally, real income per person rose 2.0 percent.
- Among the five Great Lakes states, Michigan income per person (\$40,740) ranked fourth in 2014, ahead of Indiana. Michigan has ranked fourth in the Great Lakes region each year since 2006. Michigan’s 2014 income per person placed 35th among the 50 states. Ten years earlier, Michigan had ranked 26th in state income per person.
- In 2014, Michigan’s per person income as a percent of the national average rose slightly to 88.5 percent, the State’s highest percent of national income since 2006. However, compared to ten years ago, Michigan per person income as a percent of the national average was down 5.1 percentage points.

Michigan 2014 Income Per Person Ranks 4th Among Great Lakes States



U.S. Economic Conditions

	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	90.7	96.1	93.1	91.9	9.4 points
ISM Manufacturing Index ⁽ⁱ⁾	52.8	53.5	52.7	51.1	-7.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.7	56.0	60.3	59.0	0.4 points
	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	<u>2015.2</u>	
Business Executives' Confidence ^(j)	59.0	60.0	57.0	58.0	-2.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	237.8	238.6	238.7	238.3	0.2%
Detroit CPI	NA	219.0	NA	220.2	-0.9%
U.S. Producer Price Index	109.9	110.4	110.7	110.7	-0.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.02%	0.02%	0.03%	0.07%	0.04% points
Aaa Corporate Bonds ^(l)	3.98%	4.19%	4.15%	4.04%	-0.04% points
INDUSTRIAL PRODUCTION ^(l)					
	106.6	106.6	107.5	107.1	0.9%
CAPACITY UTILIZATION ^(l)					
	77.5%	77.4%	78.0%	77.6%	-0.6% points
RETAIL SALES ^(d)					
	\$443.9	\$443.7	\$446.9	\$447.7	2.2%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.072	1.211	1.161	1.126	16.6%
Existing Home Sales ^(m)	5.320	5.480	5.580	5.310	6.2%
DURABLE GOODS ORDERS ^(p)					
	\$227.3	\$227.3	\$236.6	\$241.2	-0.3%
PERSONAL INCOME ^(c)					
(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%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	<u>2015.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,068.8	\$16,151.4	\$16,177.3	\$16,333.6	3.9%

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.