



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

December 2013 Summary

U.S. Economy: Between 2013Q3 and 2013Q4, real U.S. Gross Domestic Product rose at a 3.2 percent annual rate. In December 2013, the Consumer Sentiment Index increased 9.6 points from a year ago to 82.5 points. December 2013 housing starts were up 1.6 percent from a year ago. In December 2013, the ISM manufacturing index rose 6.8 points from last December while the ISM non-manufacturing index decreased 2.7 points from a year ago. Retail sales increased 4.1 percent from last year. In December 2013, industrial production grew 3.7 percent from a year earlier. Capacity utilization was up 1.4 percentage points from last December. New durable goods orders were up very slightly (0.1 percent) from a year ago.

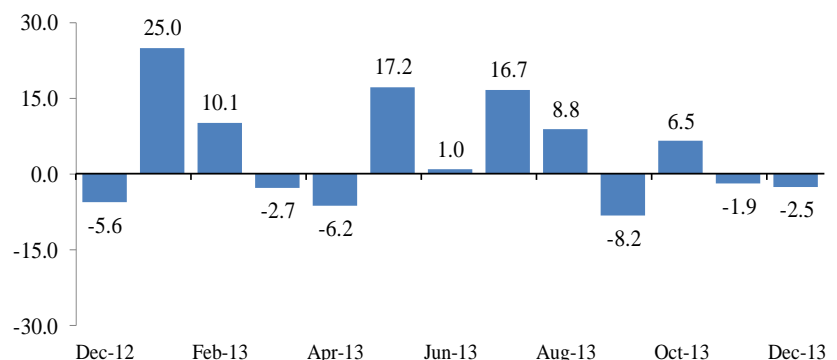
Employment: Between December 2012 and December 2013, Michigan employment gained a net 63,800 jobs (1.6 percent). Compared to November 2013, Michigan employment in December was down 2,500 jobs. At 8.4 percent, Michigan's unemployment rate in December was down 0.4 percentage point from November 2013 and was down 0.5 percentage point from December 2012. December 2013 national wage and salary employment was up 74,000 jobs from November 2013 -- the smallest monthly increase since January 2011. Over the last year, U.S. employment increased 2.2 million jobs (1.6 percent).

Auto Industry: In December 2013, the U.S. light vehicle annual sales rate fell 6.2 percent from last month and was up 0.8 percent from a year ago. Between December 2012 and December 2013, Michigan vehicle production fell 2.2 percent while national vehicle production was up 8.1 percent from last December. Compared to a year ago, Michigan's share of national vehicle production decreased 2.3 percentage points to 21.5 percent.

Inflation: In December, the overall U.S. consumer price index (CPI) rose 1.5 percent compared to a year ago, while the Detroit CPI increased 0.8 percent. The core U.S. CPI (excluding food and energy) increased 1.7 percent. The producer price index rose 1.2 percent from last year. At \$97.63, the price of oil was up \$9.77 per barrel from December 2012.

Michigan Metro Areas: Over the last year, unemployment rates fell in 13 of Michigan's 17 major labor markets, rose in two areas and was unchanged in two areas. Employment rose in 12 areas and fell in five areas. Fifty-four of Michigan's 83 counties saw a year-over-year unemployment rate decrease; 21 counties recorded a rate increase and eight saw no change.

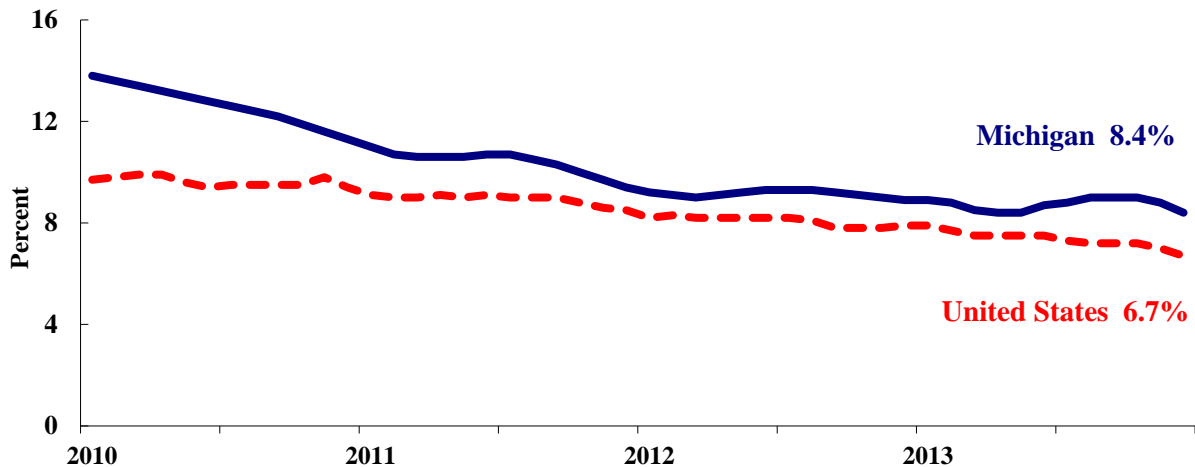
Michigan Employment Declines in December 2013
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan's December unemployment rate decreased 0.4 of a percentage point from last month to 8.4 percent and was also down 0.5 of a percentage point from a year ago. The December U.S. unemployment rate decreased 0.3 of a percentage point from November to 6.7 percent and was down 1.2 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 2010 to 2013



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 7,000 from last month to 4,300,000, while the labor force decreased 13,000. The statewide total number of unemployed fell 19,000 to 394,000.
- United States household employment totaled 144.6 million persons in December. The labor force totaled 154.9 million and there were 10.4 million unemployed in December 2013.

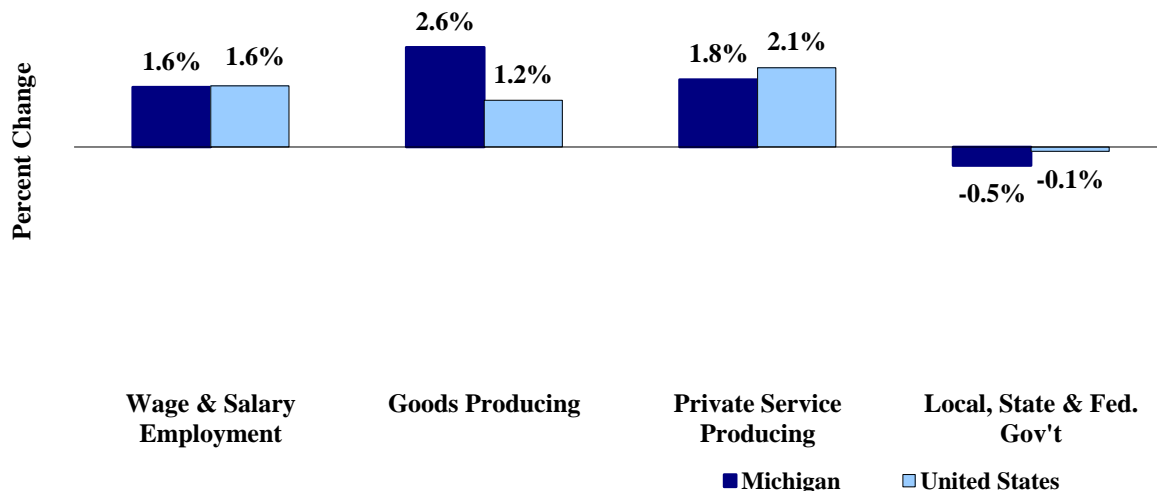
Employment by Place of Residence (in thousands)^(a)

	2012 Average	Oct 2013	Nov 2013	Dec 2013	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,657	4,724	4,707	4,694	-12	-0.3%	54	1.2%
Employed	4,232	4,301	4,293	4,300	7	0.2%	73	1.7%
Unemployed	426	423	413	394	-19	-4.6%	-20	-4.8%
Unemployment Rate	9.1%	9.0%	8.8%	8.4%	n.a.	-0.4% pts	n.a.	-0.5% pts
United States								
Labor Force	154,975	154,625	155,284	154,937	-347	-0.2%	-548	-0.4%
Employed	142,469	143,485	144,443	144,586	143	0.1%	1,374	1.0%
Unemployed	12,506	11,140	10,841	10,351	-490	-4.5%	-1,922	-15.7%
Unemployment Rate	8.1%	7.2%	7.0%	6.7%	n.a.	-0.3% pts	n.a.	-1.2% pts

Employment by Place of Work

- From December 2012 to December 2013, Michigan wage and salary employment increased 64,000 (1.6 percent). State wage and salary employment decreased 3,000 in December from November. Nationally, December 2013 wage and salary employment rose 2,186,000 (1.6 percent) from a year ago and was up 74,000 from last month.

Wage and Salary Employment Growth December 2012 to December 2013



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 private service-producing sector employment increased 1.8 percent. From a year ago, December national employment rose 1.5 percent in the goods-producing sector and increased 2.2 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased 0.4 hours in December compared to last year.

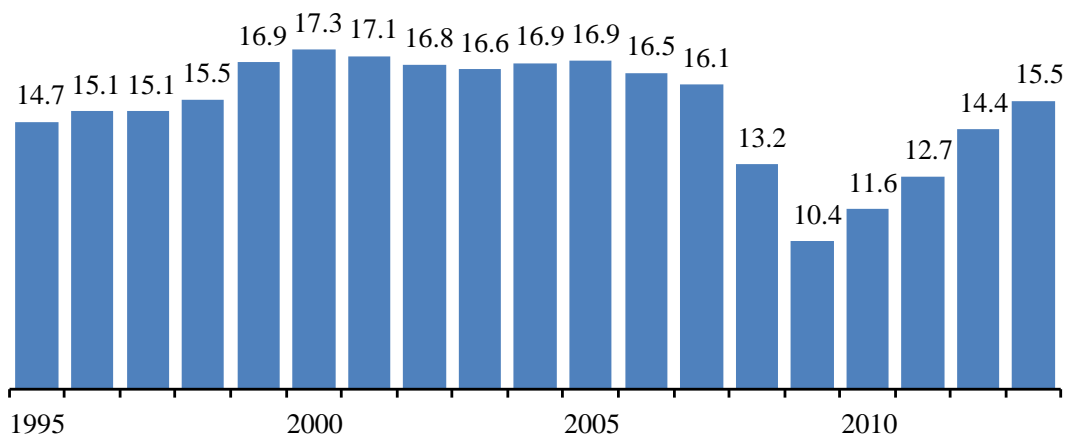
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2012 Average	Dec 2012	Dec 2013	Percent Change	2012 Average	Dec 2012	Dec 2013	Percent Change
Wage & Salary Employment	4,024	4,029	4,093	1.6%	133,739	134,691	136,877	1.6%
Goods Producing	672	680	698	2.6%	18,410	18,522	18,752	1.2%
Manufacturing	537	547	563	2.9%	11,919	11,951	12,028	0.6%
Private Service Producing	2,742	2,743	2,792	1.8%	93,411	94,295	96,276	2.1%
Trade, Trans. & Utilities	729	731	746	2.1%	25,516	25,769	26,286	2.0%
Services	1,764	1,764	1,799	2.0%	57,432	58,019	59,403	2.4%
Local, State & Fed. Gov't	610	607	604	-0.5%	21,917	21,874	21,849	-0.1%
Manufacturing Weekly Hours	41.3	44.0	44.4	0.4 hrs	40.7	40.8	41.0	0.2 hrs

Motor Vehicle Industry Sales

- December 2013 U.S. light vehicle sales totaled 15.3 million units, at a seasonally adjusted annual rate. The December 2013 rate was down 6.2 percent from last month but was 0.8 percent higher than the December 2012 rate. The light vehicle sales rate has exceeded 15.0 million units in each of the past 14 months. Calendar year (CY) 2013 light vehicle sales totaled 15.5 million units – up 7.3 percent from CY 2012 sales. CY 2013 marked the fourth straight CY increase from the prior year and represented the first year since 2007 that sales exceeded 15.0 million units.
- U.S. sales of domestic light vehicles fell 2.1 percent between December 2012 and December 2013, while foreign sales were up 11.2 percent over the same period. CY 2013 domestic light vehicle sales were up 7.2 percent from CY 2012 while foreign light vehicle sales rose 7.5 percent between CY 2012 and CY 2013. At 22.06 percent, CY 2013 foreign light vehicle sales share of U.S. light vehicle sales was down very slightly from CY 2012 (22.11 percent).

U.S. Light Vehicle Sales Report Fourth Straight Calendar Year Increase (millions)



Motor Vehicle Sales Statistics (Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2012	Oct	Nov	Dec	3 Month	Change from	
	Average	2013	2013	2013	Average	Level	%
Autos	7.2	7.4	7.9	7.5	7.6	(0.1)	-1.1%
Domestics	5.1	5.3	5.6	5.1	5.3	(0.3)	-5.1%
Imports	2.1	2.1	2.3	2.4	2.3	0.2	9.0%
Import Share	29.3%	28.6%	29.7%	31.4%	29.9%	2.9% pts	
Light Trucks	7.2	7.7	8.4	7.8	8.0	0.2	2.6%
Domestics	6.1	6.4	7.0	6.5	6.7	0.0	0.4%
Imports	1.1	1.3	1.3	1.3	1.3	0.2	15.6%
Import Share	14.7%	16.9%	16.0%	16.6%	16.5%	1.9% pts	
Total Light Vehicles	14.4	15.1	16.3	15.3	15.6	0.1	0.8%
Heavy Trucks	0.3	0.4	0.4	0.3	0.4	0.0	3.6%
Total Vehicles	14.8	15.5	16.7	15.6	15.9	0.1	0.8%

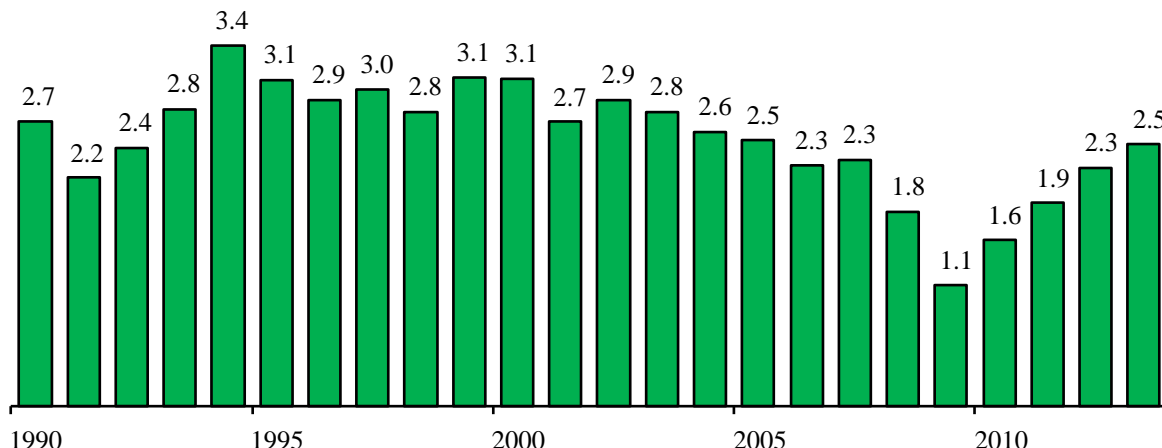
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2012	Oct	Nov	Dec	3 Month	Change from	
	Average	Sep-13	Oct-13	Nov-13	Average	Level	%
Inventories	\$149.3	\$173.6	\$178.7	\$181.2	\$177.8	\$11.4	6.7%
Inventory/Sales Ratio	2.01	2.15	2.19	2.18	2.17	0.10	

Motor Vehicle Industry Production

- At 159,425 units, December 2013 Michigan motor vehicle production was 2.2 percent lower than December 2012. National production increased 8.1 percent from last December. The three-month average of vehicle production (October 2013-December 2013) was up 10.0 percent in Michigan and rose 7.8 percent nationally, compared to a year ago.
- In 2013, Michigan motor vehicle production totaled 2.5 million – up 9.5 percent from 2012. Michigan’s 2013 motor vehicle production represented the State’s highest annual production level since 2005. Nationally, motor vehicle production totaled 11.1 million – up 6.7 percent. At 22.3 percent, Michigan’s share of national production increased 0.6 percentage point between 2012 and 2013.
- Over the last four years, Michigan’s motor vehicle production has more than doubled – rising from 1.1 million units in 2009 to 2.5 million units in 2013. While comprising 19.9 percent of 2009 national motor vehicle production, Michigan accounted for 24.8 percent of the overall national motor vehicle production increase between 2009 and 2013.

Michigan Motor Vehicle Production Has More Than Doubled Over Past Four Years (millions of units)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012 Monthly Average	Oct 2013	Nov 2013	Dec 2013	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	364.5	438.0	357.6	280.8	358.8	8.9	3.3%
Trucks	503.0	658.5	547.0	459.6	555.0	46.4	11.2%
Total	867.5	1,096.5	904.6	740.3	913.8	55.3	8.1%
Michigan Production ^(f)							
Autos	80.5	98.1	82.0	58.2	79.4	(9.7)	-14.2%
Trucks	107.8	140.8	125.2	101.2	122.4	6.0	6.3%
Total	188.2	238.9	207.2	159.4	201.8	(3.6)	-2.2%
Michigan as % of U.S.	21.7%	21.8%	22.9%	21.5%	22.1%	-2.3% pts	

Local Area Unemployment Rates Fell in 13 Michigan Local Areas

(Not Seasonally Adjusted)

December 2013 local area unemployment rates ranged between 5.2 percent in the Ann Arbor metropolitan statistical area (MSA) and 12.6 percent in Northeast Lower Michigan. The median December 2013 unemployment rate was 8.0 percent, which is down from last December's 8.3 percent median rate.

Compared to a year ago, the December unemployment rate fell in 13 Michigan labor market areas, rose in two state labor market areas and was unchanged in two areas. The Detroit-Warren-Livonia MSA reported the greatest year-over-year (y-o-y) rate decrease of 2.2 percentage points, followed by the Grand Rapids-Wyoming MSA with a 0.7 percentage point rate drop. The Northeast Lower Peninsula saw a 0.7 percentage point year-over-year increase.

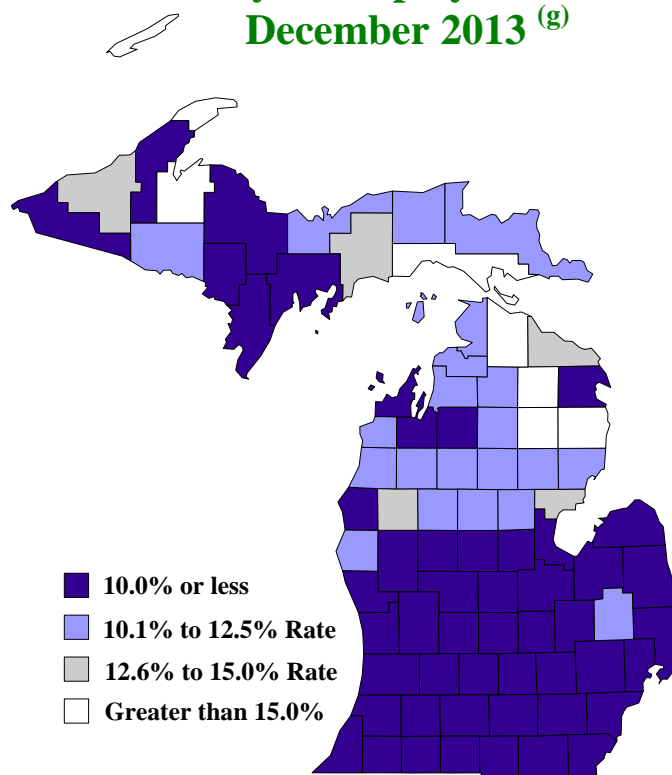
Between December 2012 and December 2013, employment rose in 12 areas and fell in five areas. The median employment increase among the 12 areas that saw job increases was 0.8 percent. The Grand Rapids-Wyoming MSA reported the largest employment increase (4.1 percent) while the Detroit-Warren-Livonia MSA saw the second largest employment increase (4.0 percent). The Bay City MSA reported the largest employment decline (1.3 percent) while the Niles-Benton Harbor MSA had the second largest employment decline (1.1 percent). The labor force rose in eight labor market areas, fell in eight areas and was unchanged in one area. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (3.3 percent). The Niles-Benton Harbor MSA reported the largest percent decrease in labor force with a 1.5 percent decrease.

Between December 2012 and December 2013, the unemployment rate fell in 54 Michigan counties, rose in 21 counties and was unchanged in eight counties. The median December 2013 rate change was a 0.2 percentage rate decrease. Lapeer County posted the largest rate decrease (3.2 percentage points), while Cheboygan County experienced the largest increase (2.8 percentage points). The unemployment rate in 49 counties was below 10.0 percent in December 2013. Last December, 48 counties had an unemployment rate below 10.0 percent. In December 2013, six Michigan counties reported a rate higher than 15.0 percent. Last December, five Michigan counties had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Dec</u> <u>2012</u> <u>Rate</u>	<u>Nov</u> <u>2013</u> <u>Rate</u>	<u>Dec</u> <u>2013</u> <u>Rate</u>
Michigan	8.9%	7.8%	7.7%
Ann Arbor	5.2%	5.3%	5.2%
Battle Creek	7.0%	6.5%	6.6%
Bay City	8.3%	7.9%	8.3%
Detroit-Warren-Livonia	10.2%	8.3%	8.0%
Flint	9.1%	9.0%	8.8%
Grand Rapids-Wyoming	6.3%	5.6%	5.6%
Holland-Grand Haven	6.4%	5.8%	5.9%
Jackson	8.2%	7.9%	8.0%
Kalamazoo-Portage	7.3%	6.7%	6.8%
Lansing-East Lansing	6.8%	6.2%	6.3%
Monroe	7.6%	7.3%	7.1%
Muskegon-Norton Shores	8.3%	7.9%	8.1%
Niles-Benton Harbor	8.8%	8.1%	8.3%
Saginaw-Saginaw Township	8.3%	8.1%	8.1%
Upper Peninsula	9.4%	9.0%	9.5%
Northeast Lower Mich	11.9%	11.6%	12.6%
Northwest Lower Mich.	10.0%	9.2%	9.8%

County Unemployment Rates December 2013^(g)

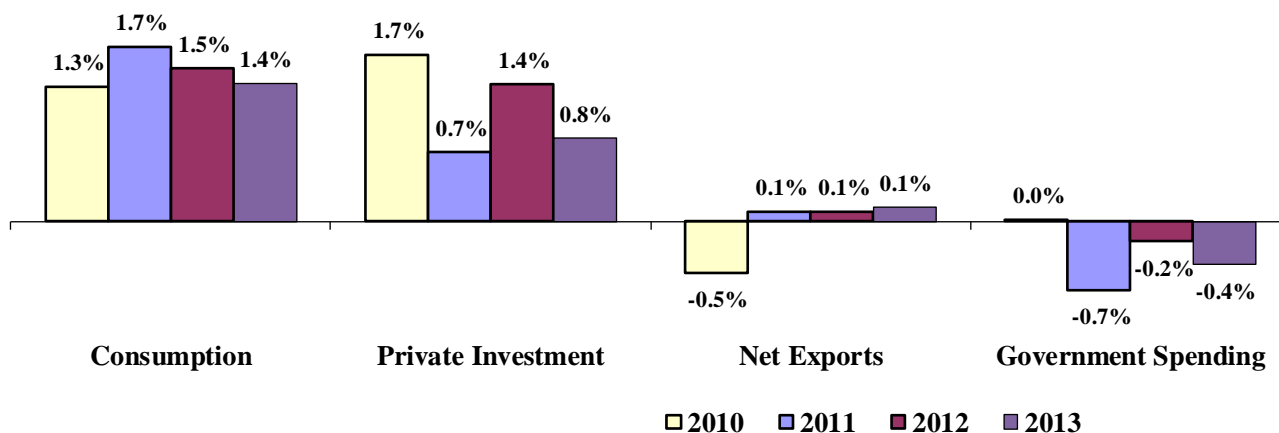


U.S. Economy Reports Fourth Straight Year of Economic Growth

On January 30, 2014, the Bureau of Economic Analysis released the Bureau’s initial estimates for 2013Q4 and calendar year (CY) 2013. Highlights include:

- In CY 2013, real GDP increased 1.9 percent (that is, from the 2012 annual level to the 2013 annual level). CY 2013 marked the fourth straight year of CY real GDP growth. Real GDP grew 2.5 percent in CY 2010, increased 1.8 percent in CY 2011 and rose 2.8 percent in CY 2012.
- Major real GDP components saw the following CY 2013 growth rates: consumption (2.0 percent); gross private investment (5.4 percent); exports (2.8 percent); imports (1.4 percent) and government spending (-2.2 percent).
- Consistent with other measures of inflation, the GDP price index rose a modest 1.4 percent in CY 2013.
- Real GDP grew at a 3.2 percent annual rate in 2013Q4. Last quarter, real GDP grew at a 4.1 percent annual rate. Thus, real GDP grew at a 3.7 percent annual rate over the second half of 2013 – sharply faster than the 1.8 percent annualized growth rate during the first half of 2013. Annualized growth in the second half of 2013 represented the fastest second half growth since the second half of 2003 when real GDP grew at a 5.8 percent annual rate.
- Since the end of the Great Recession (2009Q2), real GDP has grown at a 2.4 percent annual rate. Below are the contributions that each major GDP component has made to growth since 2009Q2:
 - Comprising 68.3 percent of real GDP in 2009Q2, real consumption growth accounted for 64.1 percent of real GDP growth since the Great Recession.
 - At the end of the Great Recession, real private investment equaled 12.7 percent of real GDP, but real private investment accounted for slightly more than half (51.5 percent) of real GDP growth since 2009Q2. Growth in inventories accounted for about 38 percent of the overall growth in real private investment 51.5 percent contribution.
 - Net exports had a negative contribution of 0.6 percent to real GDP net growth since 2009Q2.
 - Real government spending has fallen substantially since the Great Recession with the decline equaling 14.0 percent of the net increase in real GDP since the Recession’s end.

Major Gross Domestic Product Components Percentage Point Contributions to Overall Growth



U.S. Economic Conditions

	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	77.5	73.2	75.1	82.5	9.6 points
ISM Manufacturing Index ⁽ⁱ⁾	56.2	56.4	57.3	57.0	6.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.4	55.4	53.9	53.0	-2.7 points
	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	
Business Executives' Confidence ⁽ⁱ⁾	54.0	62.0	54.0	60.0	14.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	234.1	233.5	233.1	233.0	1.5%
Detroit CPI	NA	219.7	NA	218.2	0.8%
U.S. Producer Price Index	197.3	196.9	195.9	196.1	1.2%
INTEREST RATES					
90 Day T-Bill ^(l)	0.02%	0.05%	0.07%	0.07%	0.00% points
Aaa Corporate Bonds ^(l)	4.64%	4.53%	4.63%	4.62%	0.97% points
INDUSTRIAL PRODUCTION ^(l)					
	100.1	100.4	101.5	101.8	3.7%
CAPACITY UTILIZATION ^(l)					
	78.3%	78.4%	79.1%	79.2%	1.4% points
RETAIL SALES ^(d)					
	\$426.8	\$429.0	\$430.9	\$431.9	4.1%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.873	0.899	1.107	0.999	1.6%
Existing Home Sales ^(m)	5.290	5.120	4.820	4.870	-0.6%
DURABLE GOODS ORDERS ^(p)					
	\$235.2	\$233.6	\$239.6	\$229.3	0.1%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>% Change From Year Ago</u>
Michigan	\$385.7	\$384.0	\$387.5	\$391.5	3.9%
U.S.	\$14,055.5	\$13,870.1	\$14,032.6	\$14,180.5	3.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,583.9	\$15,679.7	\$15,839.3	\$15,965.6	3.23%

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.