



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

February 2014 Summary

U.S. Economy: In February 2014, the Consumer Sentiment Index increased 4.0 points from a year ago to 81.6 points. In addition, the Conference Board's CEO Confidence Index rose 17.0 points between 2013Q1 and 2014Q1 -- rising to 63.0 (the Index's highest reading since 2011Q1). Industrial production posted modest growth in February from a year ago (3.5 percent). The capacity utilization rate posted its 7th straight year-over-year increase and rose to its highest reading since July 2008. However, poor weather likely curtailed both supply and demand in February. While both the overall ISM manufacturing and non-manufacturing indices remained above 50.0 (signaling continued economic expansion), both indices were down from a year ago. Weather also likely depressed the real estate market with February 2014 housing starts down 5.1 percent from a year ago and existing home sales off 7.1 percent.

Employment: Between February 2013 and February 2014, Michigan employment gained a net 23,900 jobs (0.6 percent). Compared to January 2014, Michigan employment in February was up 4,100 jobs. At 7.7 percent, Michigan's unemployment rate in February was down 0.1 percentage point from January 2014 and was down 1.1 percentage points from February 2013. February 2014 national wage and salary employment was up 175,000 jobs from January 2014. Over the last year, U.S. employment increased 2.2 million jobs (1.6 percent).

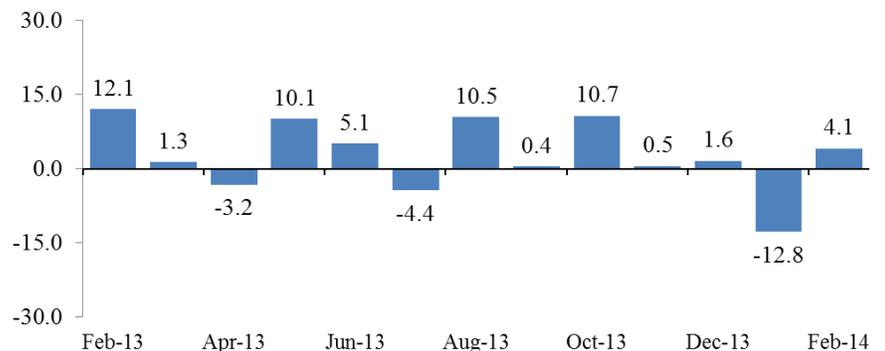
Auto Industry: The February 2014 U.S. light vehicle annual sales rate (15.4 million units) was up 1.0 percent from last month and was up 0.8 percent from a year ago. Between February 2013 and February 2014, Michigan vehicle production rose 12.5 percent while national vehicle production was up 24.6 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 2.1 percentage points to 19.5 percent.

Inflation: In February, the overall U.S. consumer price index (CPI) rose 1.1 percent compared to a year ago, while the Detroit CPI increased 0.7 percent. The producer price index rose 1.3 percent from last year. At \$100.82 per barrel, the price of oil was up \$5.51 (5.8 percent) from February 2013.

Michigan Metro Areas: Over the last year, unemployment rates fell in all 17 of Michigan's major labor markets, while employment rose in 16 Michigan major labor markets. Seventy-nine of Michigan's 83 counties saw a year-over-year unemployment rate decrease.

Michigan Employment Rises in February 2014

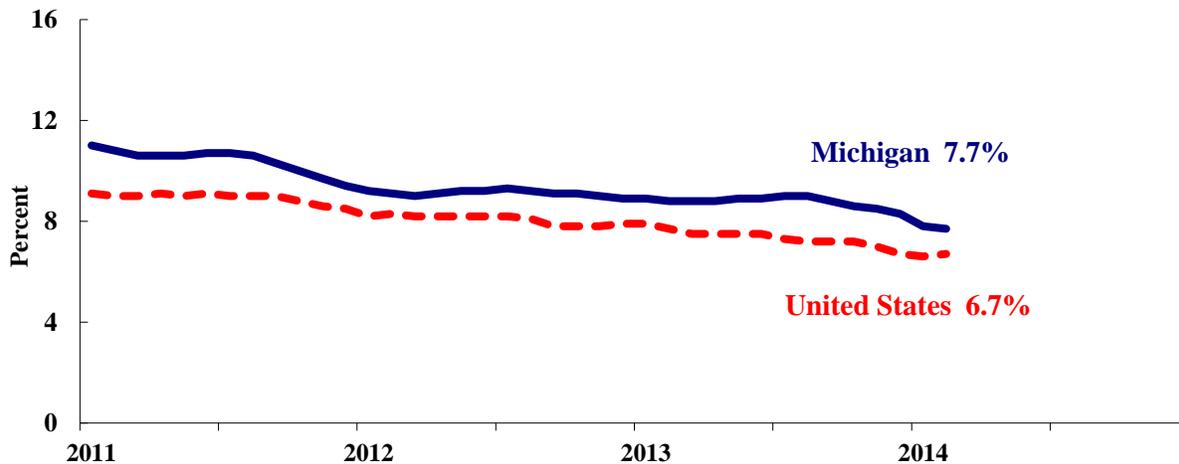
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan's February unemployment rate decreased 0.1 of a percentage point from last month to 7.7 percent and was down 1.1 percentage points from a year ago. The February U.S. unemployment rate increased 0.1 of a percentage point from January to 6.7 percent and was down 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 2011 to 2014



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

- In February, the number of people employed in Michigan increased 26,000 from last month to 4,356,000, while the labor force increased 21,000. The statewide total number of unemployed fell 4,000 to 363,000.
- United States household employment totaled 145.3 million persons in February. The labor force totaled 155.7 million and there were 10.5 million unemployed in February 2014.

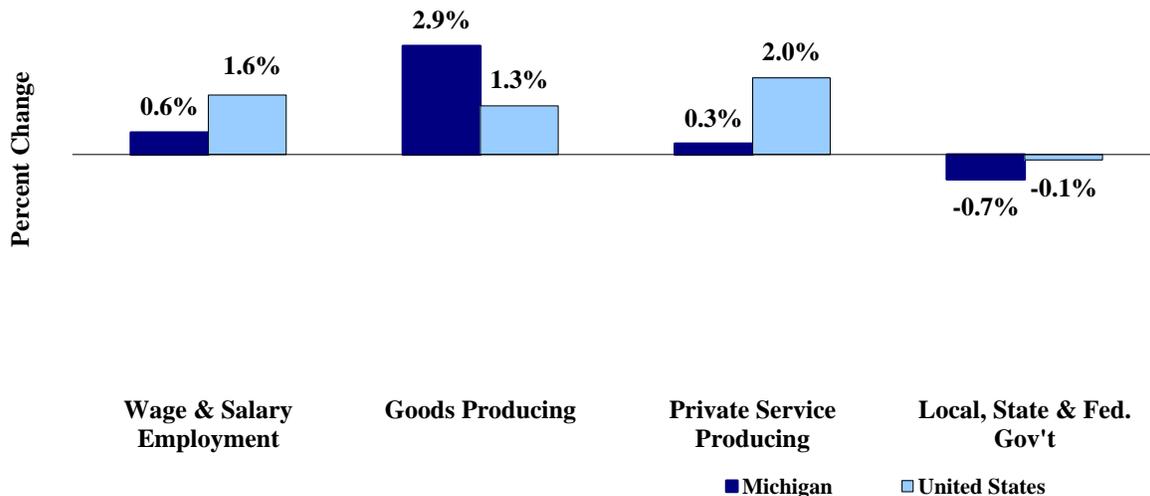
Employment by Place of Residence (in thousands)^(a)

	2013 Average	Dec 2013	Jan 2014	Feb 2014	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,657	4,687	4,698	4,719	21	0.4%	16	0.3%
Employed	4,232	4,299	4,330	4,356	26	0.6%	69	1.6%
Unemployed	426	387	367	363	-4	-1.1%	-52	-12.6%
Unemployment Rate	9.1%	8.3%	7.8%	7.7%	n.a.	-0.1% pts	n.a.	-1.1% pts
United States								
Labor Force	154,975	154,937	155,460	155,724	264	0.2%	239	0.2%
Employed	142,469	144,586	145,224	145,266	42	0.0%	2,054	1.4%
Unemployed	12,506	10,351	10,236	10,459	223	2.2%	-1,814	-14.8%
Unemployment Rate	8.1%	6.7%	6.6%	6.7%	n.a.	0.1% pts	n.a.	-1.0% pts

Employment by Place of Work

- From February 2013 to February 2014, Michigan wage and salary employment increased 24,000 (0.6 percent). State wage and salary employment increased 4,000 in February from January. Nationally, February 2014 wage and salary employment rose 2,158,000 (1.6 percent) from a year ago and was up 175,000 from last month.

Wage and Salary Employment Growth February 2013 to February 2014



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

- In the goods-producing sector, Michigan employment increased 2.9 percent in February from a year ago while employment in the private service-producing sector increased 0.3 percent. From a year ago, February national employment rose 1.3 percent in the goods-producing sector and increased 2.0 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 1.0 hour in February compared to last year.

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

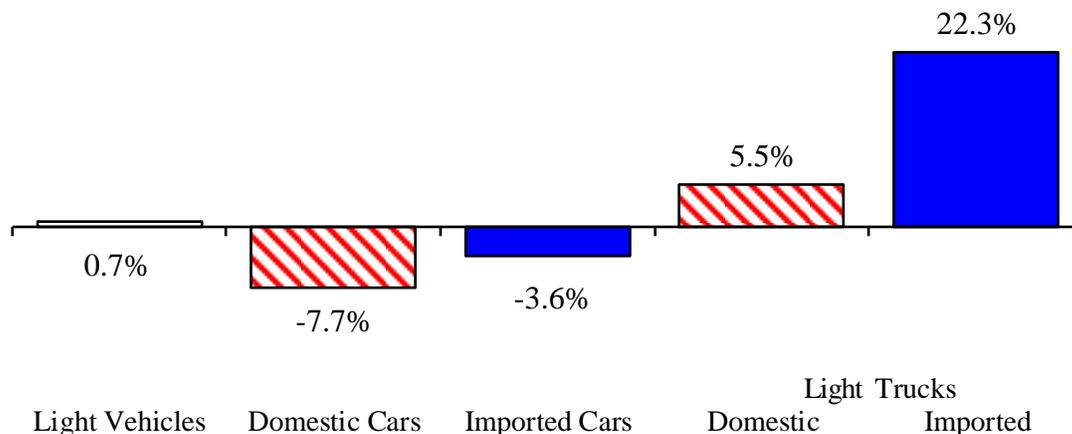
	Michigan				United States			
	2013 Average	Feb 2013	Feb 2014	Percent Change	2013 Average	Feb 2013	Feb 2014	Percent Change
Wage & Salary Employment	4,105	4,093	4,117	0.6%	136,368	135,541	137,699	1.6%
Goods Producing	695	691	711	2.9%	18,700	18,651	18,894	1.3%
Manufacturing	555	549	566	3.1%	12,006	12,004	12,065	0.5%
Private Service Producing	2,810	2,800	2,808	0.3%	95,804	95,007	96,954	2.0%
Trade, Trans. & Utilities	744	741	747	0.8%	25,870	25,691	26,177	1.9%
Services	1,808	1,804	1,806	0.1%	59,368	58,777	60,219	2.5%
Local, State & Fed. Gov't	600	601	597	-0.7%	21,864	21,883	21,851	-0.1%
Manufacturing Weekly Hours	42.0	44.1	43.1	-1.0 hrs	40.8	40.9	40.7	-0.2 hrs

Motor Vehicle Industry Sales

- February 2014 U.S. light vehicle sales totaled 15.4 million units, at a seasonally adjusted annual rate. The February 2014 rate was up 1.0 percent from last month and was up 0.8 percent compared to the February 2013 rate. The light vehicle sales rate has exceeded 15.0 million units in each of the past 16 months and has exceeded 14.0 million units in each of the past 25 months. Year-to-date, 2014 light vehicle sales are up 0.7 percent.
- U.S. sales of domestic light vehicles decreased 0.4 percent between February 2013 and February 2014, while foreign sales were up 5.0 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 21.4 percent in February 2013 to 22.3 percent in February 2014.
- Auto sales decreased 6.5 percent compared to last February, while light truck sales were up 1.4 percent from February 2013. Year-over-year, heavy truck sales rose 7.9 percent.

Year-to-Date Light Vehicle Sales Up Slightly From Last Year

(millions)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2013 Average	Dec 2013	Jan 2014	Feb 2014	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.5	7.1	7.1	7.2	(0.5)	-6.5%
Domestics	5.4	5.2	5.0	5.1	5.1	(0.4)	-6.8%
Imports	2.2	2.3	2.0	2.0	2.1	(0.1)	-5.8%
Import Share	28.9%	31.0%	28.8%	28.1%	29.3%	0.2% pts	
Light Trucks	7.2	7.8	8.2	8.3	8.1	0.6	7.9%
Domestics	6.1	6.5	6.9	6.9	6.8	0.3	4.9%
Imports	1.1	1.3	1.3	1.4	1.3	0.3	25.2%
Import Share	14.7%	16.5%	15.8%	17.3%	16.5%	2.4% pts	
Total Light Vehicles	14.8	15.3	15.3	15.4	15.3	0.1	0.8%
Heavy Trucks	0.3	0.4	0.4	0.3	0.4	0.0	4.2%
Total Vehicles	15.1	15.7	15.6	15.8	15.7	0.1	0.8%

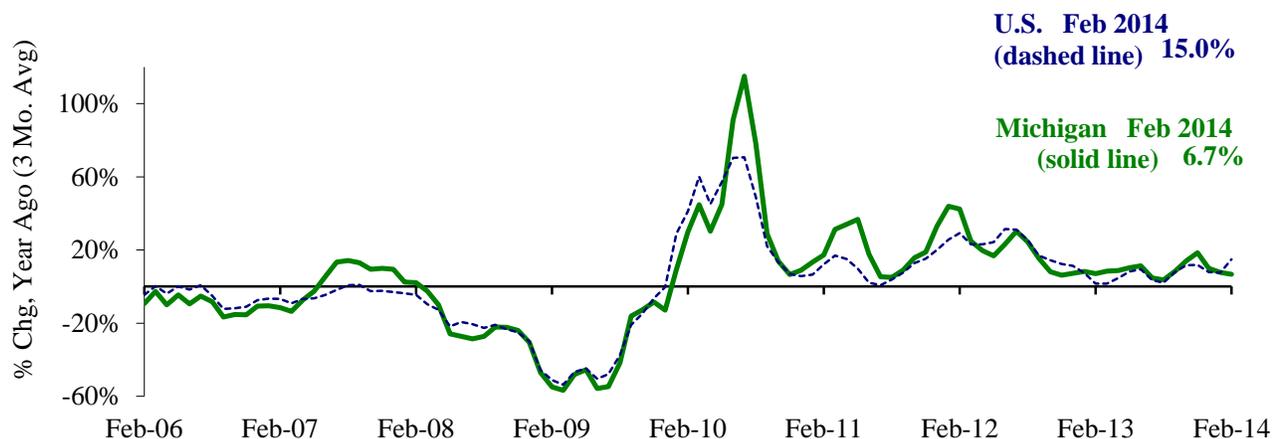
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013 Average	Nov-13	Dec-13	Jan-14	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$170.3	\$181.0	\$182.8	\$182.5	\$182.1	\$18.7	11.4%
Inventory/Sales Ratio	2.13	2.15	2.19	2.17	2.17	0.09	

Motor Vehicle Industry Production

- At 220,000 units, February 2014 Michigan motor vehicle production was 12.5 percent higher than February 2013. National production increased 24.6 percent from last February. The three-month average of vehicle production (December 2013-February 2014) was up 6.7 percent in Michigan and 15.0 percent nationally, compared to a year ago.
- In February 2014, Michigan car production was up 0.5 percent from a year ago while State truck production rose 21.3 percent. Nationally, car production increased 17.2 percent while U.S. truck production increased 29.9 percent.
- From a year ago, Michigan's February share of national vehicle production fell 2.1 percentage points to 19.5 percent. Michigan's share of U.S. car production was down 3.2 points to 19.0 percent. Michigan's share of U.S. truck production fell 1.4 percentage points to 19.9 percent.

Michigan and U.S. Motor Vehicle Production Rate of Growth Slowing^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013					Change from Year Ago for the Month	
	Monthly Average	Dec 2013	Jan 2014	Feb 2014	3 Month Average	Level	%
U.S. Production^(e)							
Autos	374.3	280.8	394.5	440.2	371.8	64.7	17.2%
Trucks	551.0	459.6	602.1	685.6	582.4	157.7	29.9%
Total	925.3	740.3	996.6	1,125.7	954.2	222.4	24.6%
Michigan Production^(f)							
Autos	83.2	58.2	85.9	83.5	75.9	0.4	0.5%
Trucks	123.0	101.2	127.6	136.4	121.7	24.0	21.3%
Total	206.1	159.4	213.4	220.0	197.6	24.4	12.5%
Michigan as % of U.S.	22.3%	21.5%	21.4%	19.5%	20.7%	-2.1% pts	

Local Area Unemployment Rates Fell in All 17 Michigan Local Areas

(Not Seasonally Adjusted)

February 2014 local area unemployment rates ranged between 5.3 percent in the Ann Arbor metropolitan statistical area (MSA) and 14.1 percent in Northeast Lower Michigan. The median February 2014 unemployment rate was 8.5 percent, which is down from last February's 9.8 percent median rate.

Compared to a year ago, the February unemployment rate fell in all 17 Michigan labor market areas. The Muskegon-Norton Shores MSA reported the greatest year-over-year rate decrease of 1.5 percentage points, followed by the two MSAs (Lansing-East Lansing MSA and Muskegon-Norton Shores MSA) each with a 1.2 percentage point decline. The Ann Arbor MSA experienced the smallest rate decline from last February (0.3 percentage points)

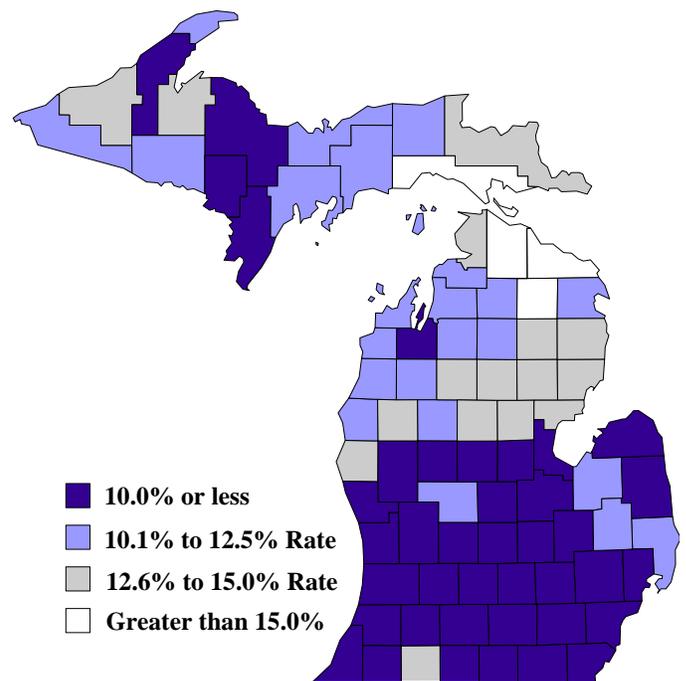
Between February 2013 and February 2014, employment rose in 16 areas. The median employment increase was 1.9 percent. The Holland-Grand Haven MSA and the Monroe MSA each reported the largest year-over-year employment increase (3.5 percentage points). The Flint MSA experienced the only employment decline from last February (0.4 percentage points). The labor force rose in 15 labor market areas and fell in two areas. The Holland-Grand Haven MSA reported the largest percent increase in labor force (2.5 percent). The Grand Rapids-Wyoming MSA and the Monroe MSA each reported the second largest increase in labor force (2.0 percent).

Between February 2013 and February 2014, the unemployment rate fell in 79 of Michigan's 83 counties. The median February 2014 rate decline was 0.9 percentage points. Keweenaw County posted the largest rate decrease (4.1 percentage points), followed by Ontonagon County (2.5 percentage points). The unemployment rate in 39 counties was below 10.0 percent in February 2014. Last February, 29 counties had an unemployment rate below 10.0 percent. In February 2014, four Michigan counties reported a rate higher than 15.0 percent. Last February, eight Michigan counties had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Feb 2013 Rate</u>	<u>Jan 2014 Rate</u>	<u>Feb 2014 Rate</u>
Michigan	9.5%	8.1%	8.5%
Ann Arbor	5.6%	5.0%	5.3%
Battle Creek	8.1%	6.8%	7.3%
Bay City	10.2%	9.0%	9.4%
Detroit-Warren-Livonia	10.0%	8.5%	9.0%
Flint	10.2%	9.7%	9.4%
Grand Rapids-Wyoming	7.1%	5.8%	6.2%
Holland-Grand Haven	7.2%	5.7%	6.2%
Jackson	9.3%	8.0%	8.5%
Kalamazoo-Portage	8.1%	6.8%	7.3%
Lansing-East Lansing	7.8%	6.1%	6.6%
Monroe	8.7%	7.9%	7.6%
Muskegon-Norton Shores	9.8%	7.9%	8.3%
Niles-Benton Harbor	10.0%	8.2%	8.8%
Saginaw-Saginaw Township	9.8%	8.5%	8.9%
Upper Peninsula	11.0%	9.7%	10.6%
Northeast Lower Mich	14.8%	13.2%	14.1%
Northwest Lower Mich.	11.7%	10.1%	10.8%

County Unemployment Rates February 2014^(g)



U.S. Economic Conditions

	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	75.1	82.5	81.2	81.6	4.0 points
ISM Manufacturing Index ⁽ⁱ⁾	57.3	56.5	51.3	53.2	-1.0 point
ISM Non Manufacturing Index ⁽ⁱ⁾	53.9	53.0	54.0	51.6	-4.4 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>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	233.1	233.0	233.9	234.8	1.1%
Detroit CPI	NA	218.2	NA	220.5	0.7%
U.S. Producer Price Index	196.0	196.1	197.7	198.8	1.3%
INTEREST RATES					
90 Day T-Bill ^(l)	0.07%	0.07%	0.04%	0.05%	-0.05% points
Aaa Corporate Bonds ^(l)	4.63%	4.62%	4.49%	4.45%	0.55% points
INDUSTRIAL PRODUCTION ^(l)					
	101.4	101.5	101.3	102.5	3.5%
CAPACITY UTILIZATION ^(l)					
	78.5%	78.4%	78.1%	78.8%	1.0% points
RETAIL SALES ^(d)					
	\$430.1	\$428.8	\$425.9	\$429.0	1.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.101	1.024	0.903	0.920	-5.1%
Existing Home Sales ^(m)	4.830	4.870	4.620	4.600	-7.1%
DURABLE GOODS ORDERS ^(p)					
	\$240.0	\$227.3	\$224.4	\$229.4	0.2%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>% Change From Year Ago</u>
Michigan	\$383.7	\$387.6	\$388.9	\$392.0	1.6%
U.S.	\$13,869.2	\$14,031.7	\$14,173.1	\$14,251.1	1.4%
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	\$15,932.9	2.38%

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.