



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

February 2015 Summary

U.S. Economy: Consumer sentiment fell 2.7 points from January but was up 13.8 points from last February. According to the Institute for Supply Management (ISM) indices, January marked the 26th straight month of manufacturing sector growth, the 61st straight month of non-manufacturing sector growth and the 69th consecutive month of growth in the overall U.S. economy. Industrial production grew 3.5 percent between February 2014 and February 2015. Retail sales were up only 1.7 percent from February 2014. Housing starts were down 3.3 percent from a year ago, while existing home sales rose 4.7 percent from last February. U.S. personal income rose 4.5 percent between 2013Q4 and 2014Q4 – the fastest year-over-year growth in two years.

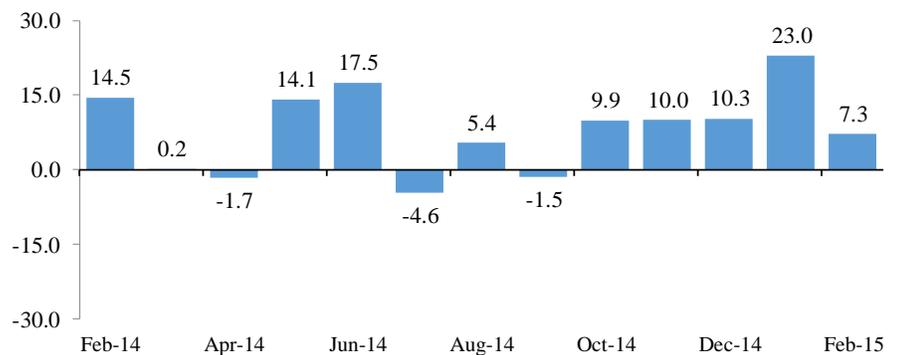
Employment: Between February 2014 and February 2015, Michigan payroll employment gained a net 89,900 jobs. Compared to January 2015, Michigan payroll employment in February was up 7,300 jobs. At 5.9 percent, Michigan's February 2015 unemployment rate represented the State's lowest unemployment rate since September 2001. The February 2015 Michigan unemployment rate was down 0.4 of a percentage point from January and was down 1.9 percentage points from February 2014. At 5.5 percent, the U.S. unemployment rate was down 1.2 percentage points from February 2014. National payroll employment was up 295,000 jobs in February 2015 from January 2015. Over the last year, U.S. employment increased 3.3 million jobs (2.4 percent).

Auto Industry: The February 2015 U.S. light vehicle annual sales rate of 16.2 million units was up 5.4 percent from a year ago. Between February 2014 and February 2015, Michigan vehicle production fell 9.9 percent while national vehicle production was down 13.2 percent. Compared to a year ago, Michigan's share of national vehicle production increased 0.7 percentage point to 20.3 percent.

Inflation: In February 2015, the overall U.S. consumer price index (CPI) was unchanged from February 2014. The Detroit CPI was down 1.8 percent from last February. The U.S. producer price index decreased 3.4 percent from last year. The core U.S. CPI rose 1.7 percent. The price of oil in February fell \$50.24 per barrel from last year to \$50.58 per barrel.

Michigan Metro Areas: Compared to a year-ago, February 2015 unemployment rates fell in all of Michigan's 17 major labor markets and in all the State's 83 counties. Employment rose in all Michigan major labor market areas.

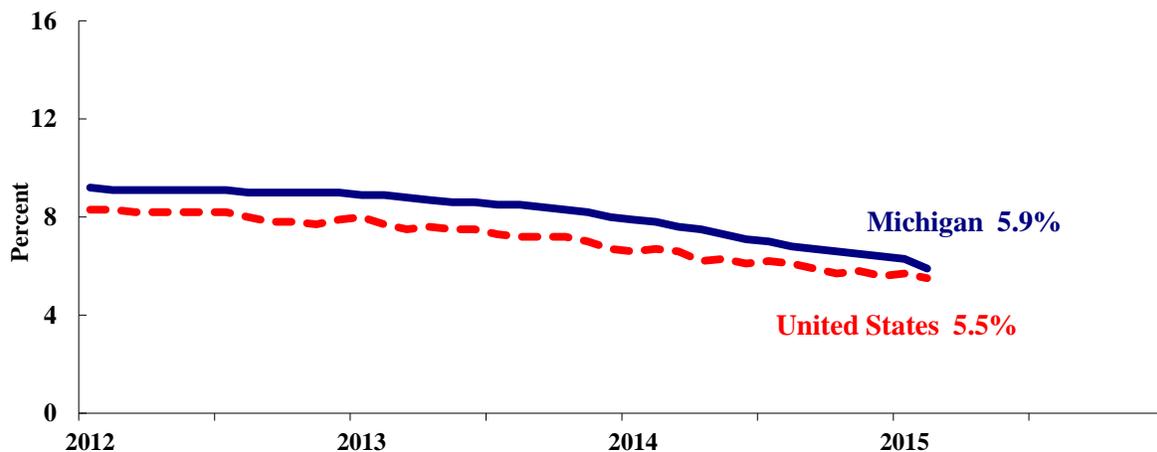
**Michigan Payroll Employment
Rises for Fifth Straight Month
(Seasonally Adjusted) ^(a)**



Labor Market Statistics

- Michigan's February unemployment rate decreased 0.4 percentage point from last month to 5.9 percent – the State's lowest monthly unemployment rate since September 2001. The February 2015 Michigan unemployment rate was down 1.9 percentage points from a year ago. The February U.S. unemployment rate decreased 0.2 percentage point from January to 5.5 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 February 2012 to February 2015



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

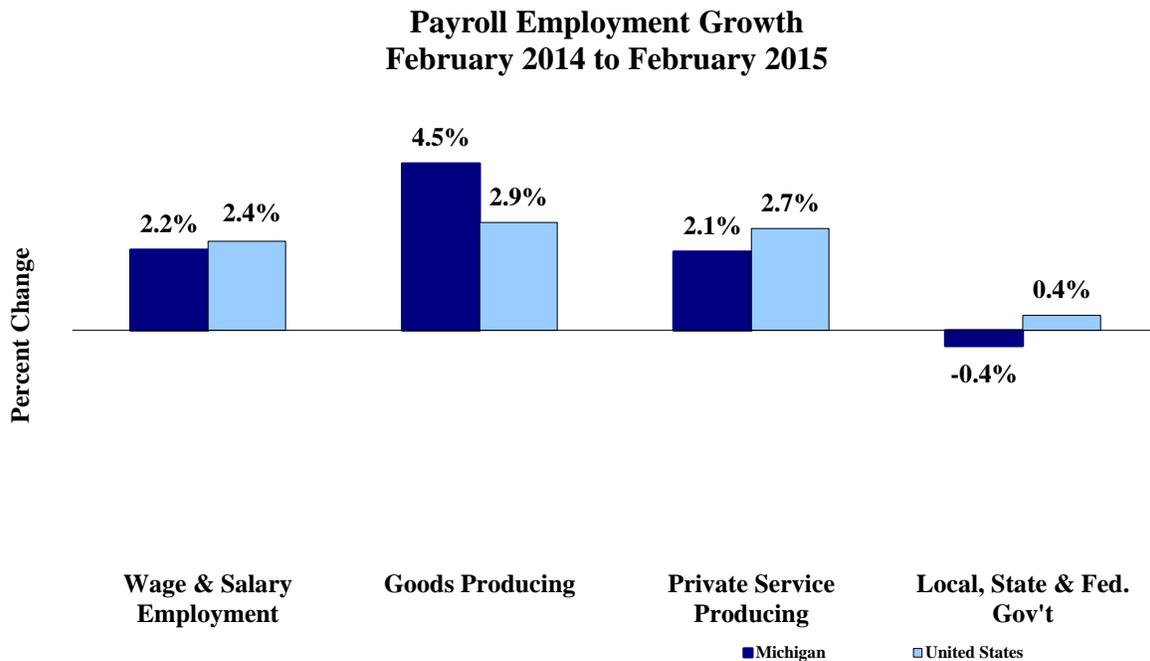
- In February, the total number of people employed in Michigan increased 12,000 from last month to 4,477,000 persons, while the labor force fell by 5,000 persons. The statewide total number of unemployed declined 17,000 to 281,000.
- United States employment totaled 148.3 million persons in February. The labor force totaled 157.0 million and there were 8.7 million unemployed in February 2015.

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

	2014 Average	Dec 2015	Jan 2014	Feb 2015	Change From				
					Prior Month Level	%	Last Year Level	%	
Michigan									
Labor Force	4,750	4,748	4,763	4,758	-5	-0.1%	8	0.2%	
Employed	4,402	4,442	4,464	4,477	12	0.3%	95	2.2%	
Unemployed	348	306	299	281	-17	-5.7%	-88	-23.8%	
Unemployment Rate	7.3%	6.4%	6.3%	5.9%	n.a.	-0.4% pts	n.a.	-1.9% pts	
United States									
Labor Force	155,922	156,129	157,180	157,002	-178	-0.1%	1,314	0.8%	
Employed	146,305	147,442	148,201	148,297	96	0.1%	2,996	2.1%	
Unemployed	9,617	8,688	8,979	8,705	-274	-3.1%	-1,682	-16.2%	
Unemployment Rate	6.2%	5.6%	5.7%	5.5%	n.a.	-0.2% pts	n.a.	-1.2% pts	

Employment by Place of Work (Payroll)

- From February 2014 to February 2015, Michigan payroll employment increased 89,900 (2.2 percent). State payroll employment increased by 7,300 jobs in February from January. Nationally, February 2015 payroll employment rose 3,296,000 (2.4 percent) from a year ago and was up 295,000 from last month.



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

- In the goods-producing sector, Michigan payroll employment increased 4.5 percent in February from a year ago while employment in the private service-producing sector increased 2.1 percent. From a year ago, February national payroll employment rose 2.9 percent in the goods-producing sector and increased 2.7 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased by 0.4 hour in February compared to last year.

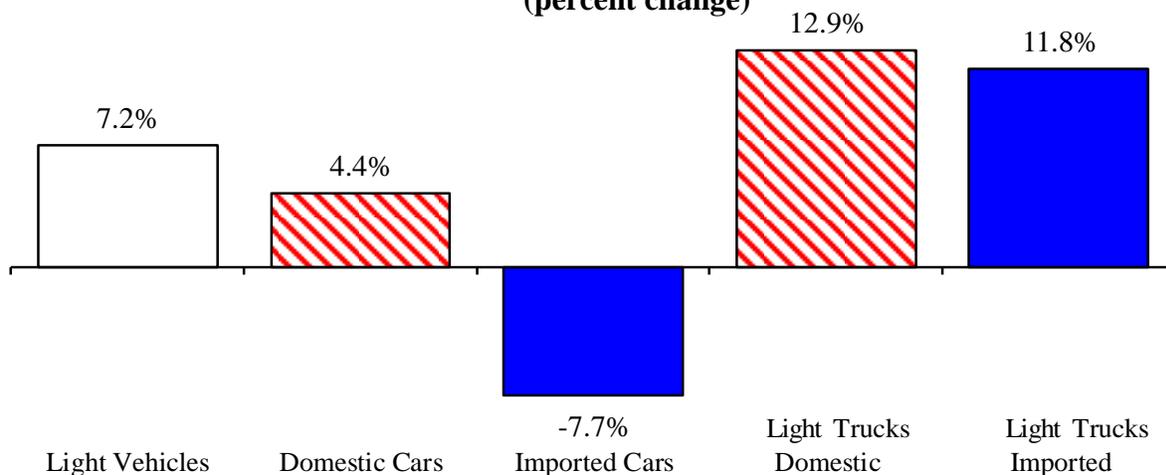
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2014 Average	Feb 2014	Feb 2015	Percent Change	2014 Average	Feb 2014	Feb 2015	Percent Change
Wage & Salary Employment	4,179.7	4,158.0	4,247.9	2.2%	139,042	137,830	141,126	2.4%
Goods Producing	725.6	720.4	752.7	4.5%	19,223	19,031	19,582	2.9%
Manufacturing	575.9	572.9	593.1	3.5%	12,188	12,122	12,330	1.7%
Private Service Producing	2,858.8	2,841.8	2,901.9	2.1%	97,957	96,975	99,633	2.7%
Trade, Trans. & Utilities	757.3	754.1	763.4	1.2%	26,384	26,141	26,775	2.4%
Services	1,839.7	1,827.1	1,876.4	2.7%	60,854	60,183	61,998	3.0%
Local, State & Fed. Gov't	595.4	595.8	593.3	-0.4%	21,863	21,824	21,911	0.4%
Manufacturing Weekly Hours	42.1	44.2	43.8	-0.4 hrs	41.0	41.6	42.0	0.4 hrs

Motor Vehicle Industry Sales

- February 2015 U.S. light vehicle sales were down 2.5 percent from January. At 16.2 million units, February 2015 U.S. light vehicle sales were up 5.4 percent from February 2014.
- February 2015 marks the tenth straight month that the light vehicle annualized sales rate has exceeded 16.0 million units. The rate has exceeded 15.0 million units in each of the past 28 months.
- U.S. sales of domestic light vehicles increased 7.3 percent between February 2014 and February 2015, while foreign sales were down 1.2 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 1.4 percentage points to 20.6 percent between February 2014 and February 2015.
- Auto sales decreased 1.6 percent compared to last February, while light truck sales were up 11.5 percent from February 2014. Year-over-year, heavy truck sales rose 16.4 percent.

February 2015 Light Truck Sales Up Sharply From A Year Ago (percent change)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2014 Average	Dec 2014	Jan 2015	Feb 2015	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.7	7.9	7.3	7.0	7.4	(0.1)	-1.6%
Domestics	5.6	5.8	5.4	5.1	5.5	0.1	1.2%
Imports	2.1	2.1	1.9	1.9	2.0	(0.2)	-8.6%
Import Share	27.2%	26.4%	26.0%	26.7%	26.3%	-2.0% pts	
Light Trucks	8.7	8.9	9.2	9.1	9.1	0.9	11.5%
Domestics	7.4	7.6	7.9	7.7	7.7	0.8	11.7%
Imports	1.4	1.3	1.3	1.5	1.4	0.1	10.3%
Import Share	15.5%	14.4%	14.6%	15.9%	15.0%	-0.2% pts	
Total Light Vehicles	16.4	16.8	16.6	16.2	16.5	0.8	5.4%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	0.1	16.4%
Total Vehicles	16.8	17.2	17.0	16.6	16.9	0.9	5.7%

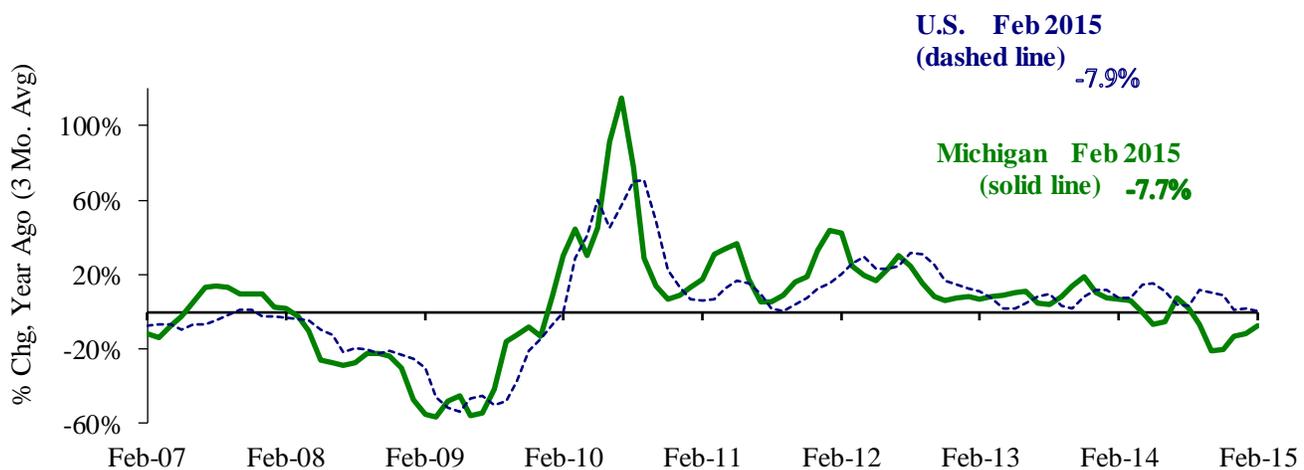
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2014 Average	Nov-14	Dec-14	Jan-15	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$184.1	\$184.6	\$187.1	\$186.8	\$186.2	\$6.7	3.7%
Inventory/Sales Ratio	2.08	2.02	2.06	2.05	2.04	-0.14	

Motor Vehicle Industry Production

- At 198,108 units, February 2015 Michigan motor vehicle production was 9.9 percent lower than February 2014. National production decreased 13.2 percent from last February. The three-month average of vehicle production (December 2014-February 2015) was down 7.7 percent in Michigan and down 7.9 percent nationally, compared to a year ago.
- In February 2015, Michigan car production was down 9.4 percent from a year ago while State truck production fell 10.3 percent. Nationally, car production decreased 16.6 percent while U.S. truck production decreased 11.0 percent.
- Michigan's share of national vehicle production rose 0.7 percentage point to 20.3 percent in February 2015 from the year-ago level. Michigan's share of U.S. car production was up 1.6 percentage points to 20.6 percent. Michigan's share of U.S. truck production rose 0.2 percentage point to 20.1 percent.

Michigan Motor Vehicle Production's Trend Rate of Growth Improves in February ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2014					Change from Year Ago for the Month	
	Monthly Average	Dec 2014	Jan 2015	Feb 2015	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	369.1	288.7	346.6	366.9	334.1	(73.2)	-16.6%
Trucks	619.3	455.5	568.9	610.4	544.9	(75.2)	-11.0%
Total	988.4	744.2	915.6	977.3	879.0	(148.4)	-13.2%
Michigan Production ^(f)							
Autos	69.9	70.7	68.5	75.7	71.6	(7.9)	-9.4%
Trucks	126.5	103.2	106.7	122.5	110.8	(14.0)	-10.3%
Total	196.5	173.9	175.2	198.1	182.4	(21.9)	-9.9%
Michigan as % of U.S.	19.9%	23.4%	19.1%	20.3%	20.8%	0.7% pts	

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

February 2015 local area unemployment rates ranged from a low of 3.4 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 10.3 percent in Northeast Lower Michigan. The median February 2015 unemployment rate was 5.6 percent, which is down sharply from last February's 8.6 percent median rate.

Compared to a year ago, the February unemployment rate fell in all of Michigan's 17 labor market areas. Northeast Lower Michigan reported the largest rate decrease of 3.9 percentage points, followed by the Detroit-Warren-Livonia MSA with a reported decline of 3.2 percentage points. The Kalamazoo-Portage MSA saw the smallest rate decline (1.8 percentage points).

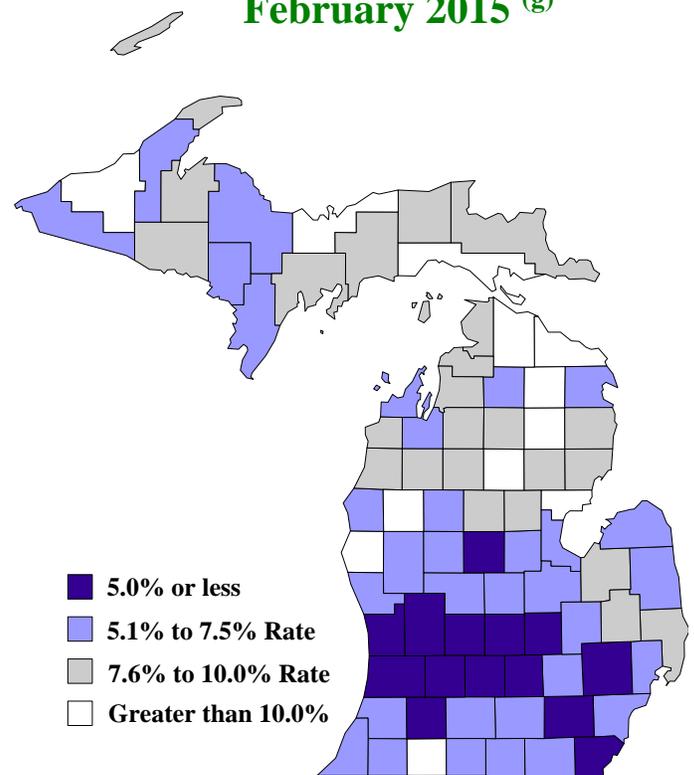
Between February 2014 and February 2015, employment rose in all of Michigan's 17 labor market areas. The median employment increase was 2.7 percent. The Battle Creek MSA reported the largest year-over-year employment increase (4.4 percent), followed by the Grand Rapids-Wyoming MSA with a 4.2 percent increase. The Detroit-Warren-Livonia MSA reported the smallest year-over-year increase (1.3 percent). The labor force fell in 10 labor market areas, rose in six areas and was unchanged in one area. The Grand Rapids-Wyoming MSA and Battle Creek MSA each reported the largest percent increase in labor force (1.9 percent), followed by the Jackson MSA (1.1 percent). Northeast Lower Michigan saw the largest labor force decline (-2.2 percent), followed by the Detroit-Warren-Livonia MSA (-2.1 percent).

Between February 2014 and February 2015, the unemployment rate fell in all of Michigan's 83 counties. The median February 2015 rate decline was 3.0 percentage points. Alcona County posted the largest rate decrease at 5.2 percentage points, followed by Mackinac County (5.1 percentage points). In February 2015, the unemployment rate was below 10.0 percent in 71 of Michigan's 83 counties. In February 2014, 40 counties had an unemployment rate below 10.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Feb 2014 Rate</u>	<u>Jan 2015 Rate</u>	<u>Feb 2015 Rate</u>
Michigan	8.6%	6.6%	5.8%
Ann Arbor	5.3%	4.0%	3.4%
Battle Creek	7.6%	5.8%	5.2%
Bay City	9.1%	7.0%	6.4%
Detroit-Warren-Livonia	9.5%	7.4%	6.3%
Flint	9.4%	7.1%	6.3%
Grand Rapids-Wyoming	6.0%	4.5%	3.9%
Holland-Grand Haven	8.0%	6.2%	5.6%
Jackson	7.3%	5.6%	5.0%
Kalamazoo-Portage	6.4%	5.4%	4.6%
Lansing-East Lansing	7.5%	5.7%	5.3%
Monroe	7.0%	5.4%	4.7%
Muskegon-Norton Shores	9.0%	6.5%	6.0%
Niles-Benton Harbor	8.6%	6.3%	5.6%
Saginaw-Saginaw Township	8.9%	6.8%	6.0%
Upper Peninsula	10.6%	8.2%	7.7%
Northeast Lower Mich	14.2%	11.0%	10.3%
Northwest Lower Mich.	10.6%	8.0%	7.5%

County Unemployment Rates February 2015^(g)



U.S. Economic Conditions

	<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	88.8	93.6	98.1	95.4	13.8 points
ISM Manufacturing Index ⁽ⁱ⁾	57.6	55.1	53.5	52.9	-1.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	58.8	56.5	56.7	56.9	4.4 points
	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	
Business Executives' Confidence ^(j)	63.0	62.0	59.0	60.0	0.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	236.2	234.8	233.7	234.7	0.0%
Detroit CPI	NA	218.1	NA	216.5	-1.8%
U.S. Producer Price Index	198.1	195.6	191.9	192.1	-3.4%
INTEREST RATES					
90 Day T-Bill ^(l)	0.02%	0.03%	0.03%	0.02%	-0.03% points
Aaa Corporate Bonds ^(l)	3.92%	3.79%	3.46%	3.61%	-0.84% points
INDUSTRIAL PRODUCTION ^(l)	106.3	106.1	105.7	105.8	3.5%
CAPACITY UTILIZATION ^(l)	79.8%	79.4%	79.1%	78.9%	0.3% points
RETAIL SALES ^(d)	\$447.1	\$443.2	\$439.6	\$437.0	1.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.015	1.081	1.081	0.897	-3.3%
Existing Home Sales ^(m)	4.950	5.070	4.820	4.880	4.7%
DURABLE GOODS ORDERS ^(p)	\$238.6	\$229.8	\$234.5	\$231.3	0.6%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>% Change From Year Ago</u>
Michigan	\$395.9	\$401.2	\$403.3	\$407.3	4.7%
U.S.	\$14,459.9	\$14,639.8	\$14,792.8	\$14,941.8	4.5%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,831.7	\$16,010.4	\$16,205.6	\$16,294.7	2.22%

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.