



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

July 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 slightly higher to 4.2 percent. New durable goods orders rose 33.8 percent from July 2013. Excluding the large jump in civilian aircraft and aircraft parts orders, new durable goods orders were still up 7.9 percent from last July. According to the Institute for Supply Management (ISM) indices, July marked the 14th straight month of manufacturing sector growth, the 54th straight month of non-manufacturing sector growth and the 62nd consecutive month of growth in the overall U.S. economy. Industrial production grew 5.0 percent between July 2013 and July 2014. Rising 1.7 points from last July, the capacity utilization rate posted its 54th year-over-year increase in the past 55 months. Retail sales were up 3.7 percent from July 2013. Housing starts were up 21.7 percent from a year ago, but existing home sales dropped 4.3 percent from last July. The Consumer Sentiment Index fell 3.3 points from a year ago.

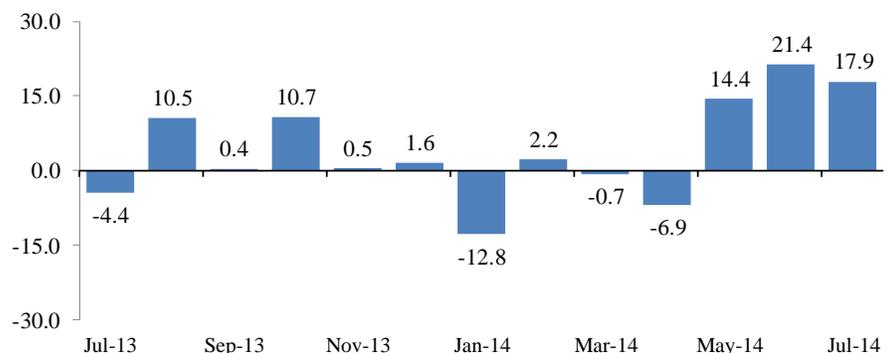
Employment: Between July 2013 and July 2014, Michigan employment gained a net 59,200 jobs. Compared to June 2014, Michigan employment in July was up 17,900 jobs. At 7.7 percent, Michigan's unemployment rate in July 2014 was up 0.2 of a percentage point from June 2014 but was down 1.3 percentage points from July 2013. At 6.2 percent, the U.S. unemployment rate was up 0.1 of a percentage point from June 2014 but was down 1.1 percentage points from July 2013. July 2014 national wage and salary employment was up 209,000 jobs from June 2014. Over the last year, U.S. employment increased 2.6 million jobs (1.9 percent).

Auto Industry: The July 2014 U.S. light vehicle annual sales rate of 16.4 million units was up 4.5 percent from a year ago. Between July 2013 and July 2014, Michigan vehicle production rose 35.2 percent while national vehicle production was up 30.7 percent. Compared to a year ago, Michigan's share of national vehicle production increased 0.8 percentage point to 23.1 percent.

Inflation: In July 2014, the overall U.S. consumer price index (CPI) rose 2.0 percent compared to a year ago. The U.S. core CPI was up 1.9 percent. The U.S. producer price index rose 2.9 percent from last year. At \$103.59 per barrel, the price of oil was down \$1.08 from July 2013.

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

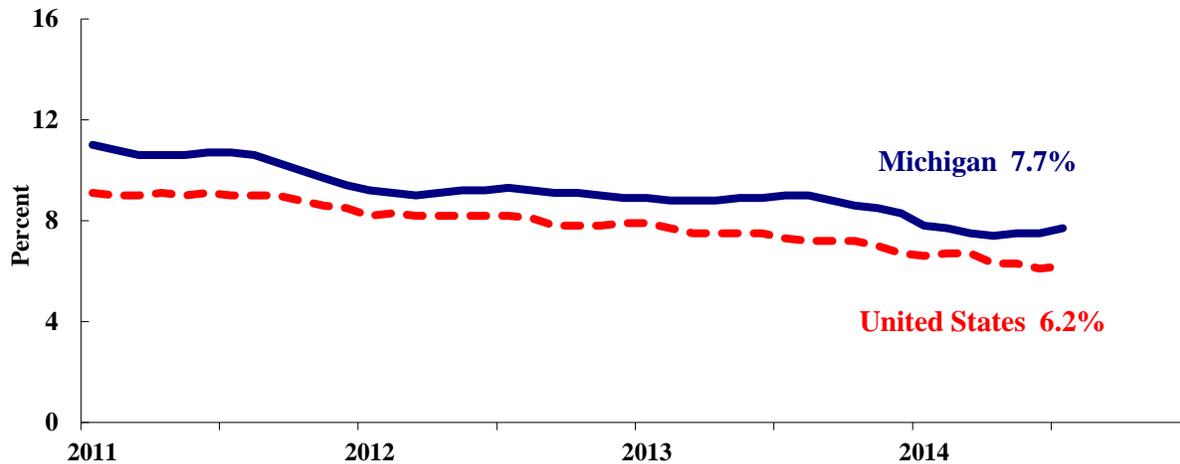
Michigan Wage and Salary Employment
Largest Three-Month Increase since October 1998
(Seasonally Adjusted) ^(a)



Labor Market Statistics

- Michigan's July unemployment rate increased 0.2 percentage point from last month to 7.7 percent but was down 1.3 percentage points from a year ago. The July U.S. unemployment rate increased 0.1 percentage point to 6.2 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 July, the number of people employed in Michigan decreased 7,000 from last month to 4,380,000, while the labor force remained unchanged. The statewide total number of unemployed rose 7,000 to 364,000.
- United States household employment totaled 146.4 million persons in July. The labor force totaled 156.0 million and there were 9.7 million unemployed in July 2014.

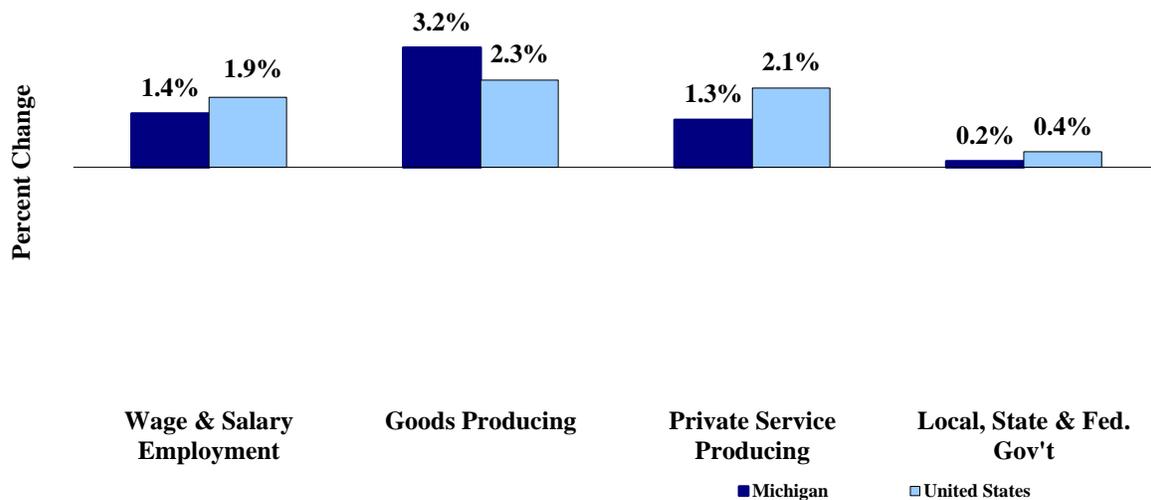
Employment by Place of Residence (in thousands)^(a)

	2013 Average	May 2014	Jun 2014	Jul 2014	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,657	4,743	4,744	4,744	0	0.0%	26	0.6%	
Employed	4,232	4,389	4,387	4,380	-7	-0.2%	87	2.0%	
Unemployed	426	354	357	364	7	2.0%	-60	-14.2%	
Unemployment Rate	9.1%	7.5%	7.5%	7.7%	n.a.	0.2% pts	n.a.	-1.3% pts	
United States									
Labor Force	154,975	155,613	155,694	156,023	329	0.2%	538	0.3%	
Employed	142,469	145,814	146,221	146,352	131	0.1%	3,140	2.2%	
Unemployed	12,506	9,799	9,474	9,671	197	2.1%	-2,602	-21.2%	
Unemployment Rate	8.1%	6.3%	6.1%	6.2%	n.a.	0.1% pts	n.a.	-1.1% pts	

Employment by Place of Work

- From July 2013 to July 2014, Michigan wage and salary employment increased 59,200 (1.4 percent). State wage and salary employment increased by 17,900 jobs in July from June. Nationally, July 2014 wage and salary employment rose 2,570,000 (1.9 percent) from a year ago and was up 209,000 from last month.

Wage and Salary Employment Growth July 2013 to July 2014



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

- In the goods-producing sector, Michigan employment increased 3.2 percent in July from a year ago while employment in the private service-producing sector increased 1.3 percent. From a year ago, July national employment rose 2.3 percent in the goods-producing sector and increased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased by 1.1 hours in July compared to last year.

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

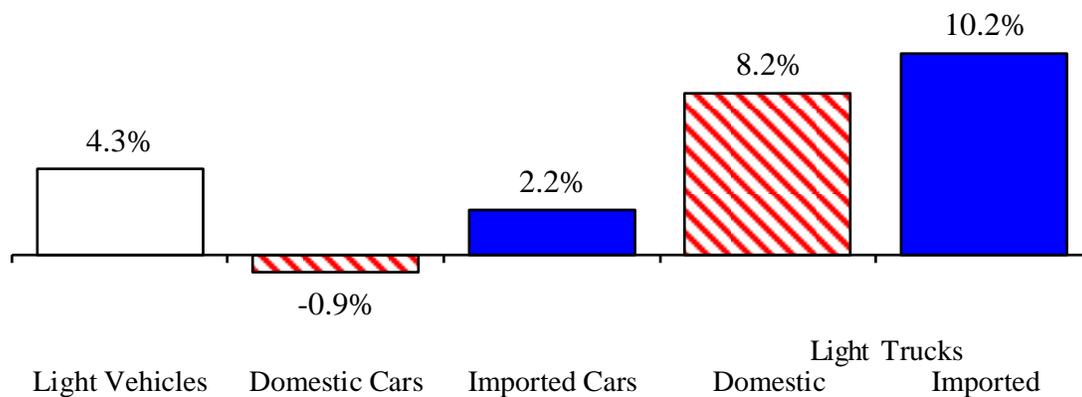
	Michigan				United States			
	2013 Average	July 2013	July 2014	Percent Change	2013 Average	July 2013	July 2014	Percent Change
Wage & Salary Employment	4,104.5	4,102.3	4,161.5	1.4%	136,368	136,434	139,004	1.9%
Goods Producing	695.4	694.3	716.6	3.2%	18,700	18,679	19,117	2.3%
Manufacturing	555.1	554.1	571.5	3.1%	12,006	11,982	12,160	1.5%
Private Service Producing	2,809.5	2,809.4	2,845.3	1.3%	95,804	95,924	97,965	2.1%
Trade, Trans. & Utilities	743.8	744.9	760.5	2.1%	25,870	25,862	26,438	2.2%
Services	1,808.4	1,805.7	1,828.7	1.3%	59,368	59,464	60,910	2.4%
Local, State & Fed. Gov't	599.6	598.6	599.6	0.2%	21,864	21,831	21,922	0.4%
Manufacturing Weekly Hours	42.0	43.3	44.4	1.1 hrs	40.8	40.7	40.9	0.2 hrs

Motor Vehicle Industry Sales

- July 2014 U.S. light vehicle sales dropped 2.7 percent from last month's eight-year high. However, at a 16.4 million units seasonally adjusted annual rate, July 2014 light vehicle sales were up 4.5 percent from last July.
- July 2014 marks the fifth 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 21 months and has exceeded 14.0 million units in each of the past 30 months.
- U.S. sales of domestic light vehicles increased 6.1 percent between July 2013 and July 2014, while foreign sales were down 0.9 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 1.2 percentage points to 21.0 percent between July 2013 and July 2014.
- Auto sales increased 1.2 percent compared to last July, while light truck sales were up 7.7 percent from July 2013. Year-over-year, heavy truck sales rose 17.3 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	May	Jun	Jul	3 Month	Change from	
	Average	2014	2014	2014	Average	Level	%
Autos	7.6	7.9	8.1	7.8	7.9	0.1	1.2%
Domestics	5.4	5.6	5.8	5.7	5.7	0.2	3.1%
Imports	2.2	2.3	2.3	2.1	2.2	(0.1)	-3.8%
Import Share	28.9%	28.7%	28.2%	27.0%	28.0%	-1.4% pts	
Light Trucks	7.9	8.8	8.8	8.6	8.7	0.6	7.7%
Domestics	6.7	7.5	7.4	7.3	7.4	0.6	8.5%
Imports	1.2	1.3	1.4	1.3	1.4	0.1	3.9%
Import Share	15.7%	15.2%	15.8%	15.6%	15.5%	-0.6% pts	
Total Light Vehicles	15.5	16.7	16.8	16.4	16.6	0.7	4.5%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	17.3%
Total Vehicles	15.8	17.1	17.2	16.8	17.0	0.8	4.8%

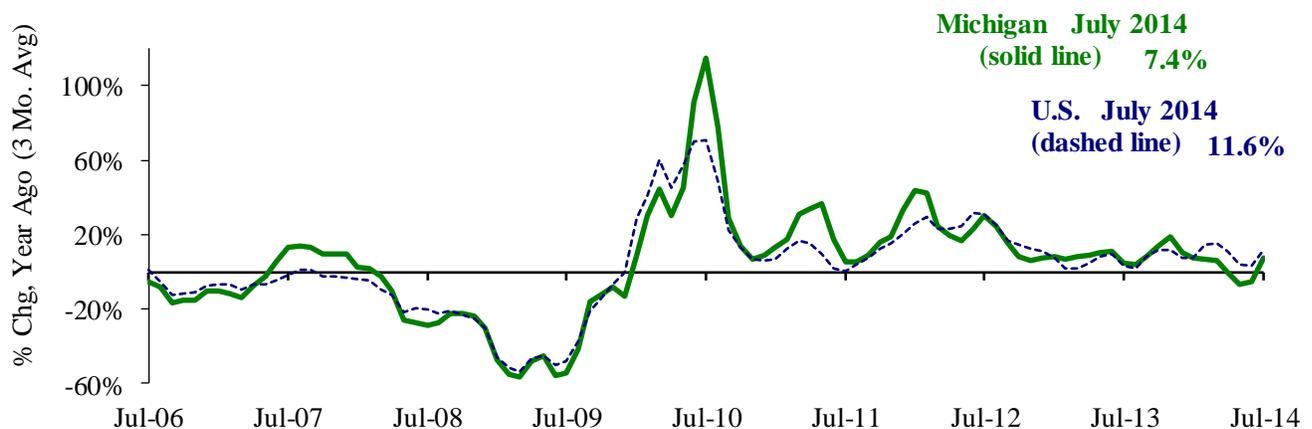
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013	Apr-14	May-14	Jun-14	3 Month	Change from	
	Average	Apr-14	May-14	Jun-14	Average	Level	%
Inventories	\$167.8	\$180.9	\$181.8	\$183.5	\$182.0	\$18.1	10.9%
Inventory/Sales Ratio	2.06	2.07	2.06	2.09	2.07	0.09	

Motor Vehicle Industry Production

- At 203,102 units, July 2014 Michigan motor vehicle production was 35.2 percent higher than July 2013. National production increased 30.7 percent from last July. The three-month average of vehicle production (May 2014-July 2014) was up 7.4 percent in Michigan and up 11.6 percent nationally, compared to a year ago.
- In July 2014, Michigan car production was up 33.9 percent from a year ago while State truck production rose 35.8 percent. Nationally, car production increased 21.2 percent while U.S. truck production increased 36.5 percent.
- Michigan’s share of national vehicle production rose 0.8 percentage point to 23.1 percent in July from the year-ago level. Michigan’s share of U.S. car production was up 1.9 percentage point to 20.3 percent. Michigan’s share of U.S truck production fell 0.1 percentage point to 24.6 percent.

Michigan Motor Vehicle Production’s Rate of Growth Slightly Faster ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013 Monthly Average	May 2014	Jun 2014	Jul 2014	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	374.3	360.4	366.1	307.7	344.7	53.8	21.2%
Trucks	551.0	667.9	642.2	572.5	627.5	153.2	36.5%
Total	925.3	1,028.3	1,008.3	880.2	972.3	207.0	30.7%
Michigan Production ^(f)							
Autos	83.2	68.8	82.0	62.5	71.1	15.8	33.9%
Trucks	123.0	143.0	135.6	140.6	139.8	37.0	35.8%
Total	206.1	211.9	217.7	203.1	210.9	52.8	35.2%
Michigan as % of U.S.	22.3%	20.6%	21.6%	23.1%	21.7%	0.8% pts	

Local Area Unemployment Rates Fell in All of Michigan's 17 Local Areas

(Not Seasonally Adjusted)

July 2014 local area unemployment rates ranged between 6.3 percent in the Ann Arbor metropolitan statistical area (MSA) and 9.8 percent in the Detroit-Warren-Livonia MSA. The median July 2014 unemployment rate was 8.1 percent, which is down sharply from last July's 9.9 percent median rate.

Compared to a year ago, the July unemployment rate fell in all of Michigan's 17 labor market areas. Four areas each reported the greatest rate decrease of 2.0 percentage points: Flint MSA, Muskegon-Norton Shores MSA, Niles-Benton Harbor MSA and Northeast Lower Michigan.

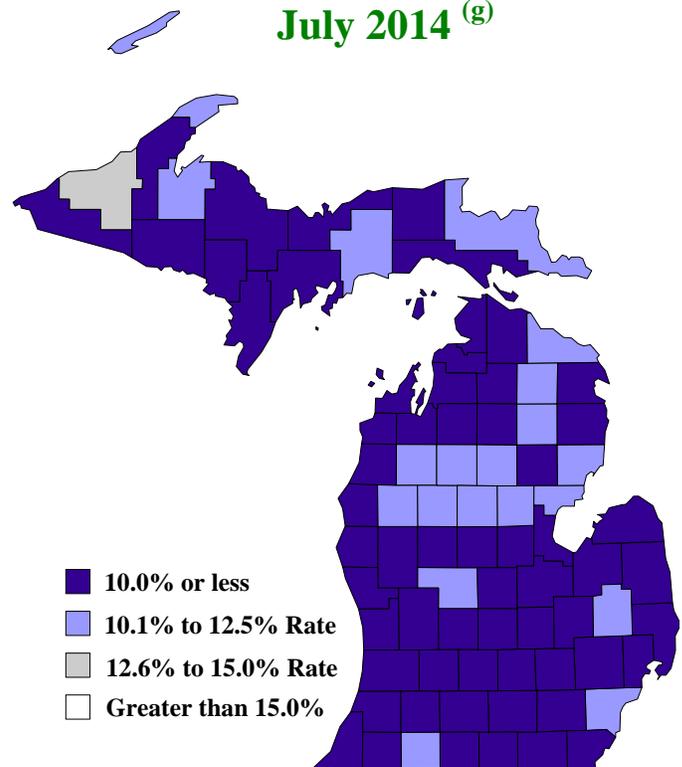
Between July 2013 and July 2014, employment rose in all 17 Michigan labor market areas. The median employment increase was 2.9 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase (6.0 percent), followed by the Holland-Grand Haven MSA with a 5.3 percent increase. The Detroit-Warren-Livonia MSA saw the smallest employment increase (0.4 percent). The labor force rose in 13 labor market areas and fell in four areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (4.3 percent), followed by the Holland-Grand Haven MSA (3.6 percent). The labor force fell from last July in the Detroit-Warren-Livonia MSA (-0.5 percent), the Flint MSA (-0.3 percent), Northeast Lower Michigan (-0.3 percent) and the Jackson MSA (-0.1 percent).

Between July 2013 and July 2014, the unemployment rate fell in all of Michigan's 83 counties. The median July 2014 rate decline was 1.7 percentage points. Baraga County posted the largest rate decrease at 3.8 percentage points, followed by Ionia County with a 3.5 percentage points decline. The unemployment rate in 62 counties was below 10.0 percent in July 2014. In July 2013, 32 counties had an unemployment rate below 10.0 percent. In July 2014, no Michigan county reported a rate higher than 15.0 percent. Last July, one Michigan county had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>July 2013 Rate</u>	<u>June 2014 Rate</u>	<u>July 2014 Rate</u>
Michigan	9.9%	7.9%	8.6%
Ann Arbor	7.5%	5.7%	6.3%
Battle Creek	8.9%	6.7%	7.4%
Bay City	10.0%	7.9%	8.3%
Detroit-Warren-Livonia	10.6%	9.2%	9.8%
Flint	11.3%	8.3%	9.3%
Grand Rapids-Wyoming	8.0%	5.7%	6.4%
Holland-Grand Haven	8.0%	5.8%	6.4%
Jackson	10.0%	7.7%	8.3%
Kalamazoo-Portage	8.6%	6.7%	7.1%
Lansing-East Lansing	8.9%	6.5%	7.6%
Monroe	9.5%	6.8%	8.1%
Muskegon-Norton Shores	10.2%	7.4%	8.2%
Niles-Benton Harbor	9.9%	7.4%	7.9%
Saginaw-Saginaw Township	10.5%	8.1%	8.7%
Upper Peninsula	9.9%	8.3%	8.5%
Northeast Lower Mich	11.4%	9.0%	9.4%
Northwest Lower Mich.	9.6%	7.6%	7.8%

County Unemployment Rates July 2014^(g)



U.S. Economic Conditions

	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	84.1	81.9	82.5	81.8	-3.3 points
ISM Manufacturing Index ⁽ⁱ⁾	54.9	55.4	55.3	57.1	2.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.2	56.3	56.0	58.7	2.8 points
	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	
Business Executives' Confidence ⁽ⁱ⁾	54.0	60.0	63.0	62.0	16.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	237.1	237.9	238.3	238.3	2.0%
Detroit CPI	223.3	NA	224.5	NA	1.3%
U.S. Producer Price Index	202.0	201.6	202.6	202.9	2.9%
INTEREST RATES					
90 Day T-Bill ^(l)	0.03%	0.03%	0.04%	0.03%	-0.01% points
Aaa Corporate Bonds ^(l)	4.24%	4.16%	4.25%	4.16%	-0.18% points
INDUSTRIAL PRODUCTION ^(l)					
	103.2	103.5	103.9	104.4	5.0%
CAPACITY UTILIZATION ^(l)					
	79.0%	79.0%	79.1%	79.2%	1.7% points
RETAIL SALES ^(d)					
	\$436.7	\$438.6	\$439.6	\$439.8	3.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.063	0.984	0.945	1.093	21.7%
Existing Home Sales ^(m)	4.660	4.910	5.030	5.150	-4.3%
DURABLE GOODS ORDERS ^(p)					
	\$240.5	\$238.3	\$244.8	\$300.1	33.8%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>% Change From Year Ago</u>
Michigan	\$387.6	\$388.9	\$391.4	\$393.9	2.1%
U.S.	\$14,031.6	\$14,172.0	\$14,248.2	\$14,360.9	2.2%
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	\$15,994.3	4.17%

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.