



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

July 2015 Summary

U.S. Economy: The estimated annual rate of growth rate in the second quarter was revised up significantly from its 2.3 percent initial estimate to its 3.7 percent “second” estimate. The capacity utilization rate fell 0.3 percentage point between July 2014 and July 2015. New durable goods orders dropped 19.6 percent from July 2014, but were up 2.0 percent from a month ago. The Institute for Supply Management (ISM) reported the current expansion has now lasted 74 months; however, the ISM Production Management Index dropped 3.7 points from last July. Industrial production rose 1.3 percent from last year and retail sales were up 2.4 percent between July 2014 and July 2015. Housing starts were up 10.1 percent from last July and existing home sales increased 10.3 percent. In addition, the consumer sentiment index is up a sharp 11.3 percentage points from July 2014.

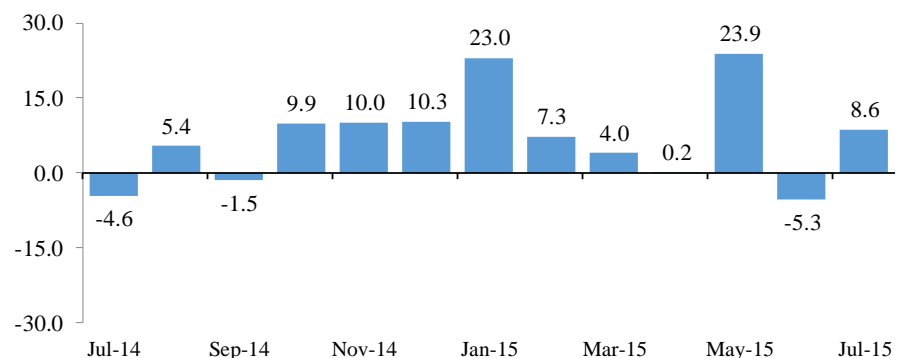
Employment: Between July 2014 and July 2015, Michigan payroll employment gained a net 95,800 jobs (2.3 percent). Michigan payroll employment in July was up 8,600 jobs compared to June 2015. In July 2015, the Michigan unemployment rate fell 0.2 percentage point to 5.3 percent. The national unemployment rate was unchanged from June 2015 at 5.3 percent. As a result, the Michigan unemployment rate matched the U.S. rate for the second month in the past three months. The July 2015 Michigan unemployment rate was down 1.7 percentage points from July 2014. The U.S. unemployment rate was down 0.9 percentage point from July 2014. Over the last year, U.S. payroll employment increased 2.9 million jobs (2.1 percent).

Auto Industry: The July 2015 U.S. light vehicle annual sales rate of 17.5 million units was up 6.2 percent from a year ago. Between July 2014 and July 2015, Michigan vehicle production fell 15.2 percent while national vehicle production was up 6.8 percent. Compared to a year ago, Michigan’s share of national vehicle production decreased 4.8 percentage points to 18.3 percent.

Inflation: In July 2015, the overall U.S. consumer price index (CPI) was up 0.2 percent from July 2014. The core U.S. CPI rose 1.8 percent. The U.S. producer price index decreased 0.8 percent from last year. The price of oil in July 2015 was \$50.90 per barrel, which was down \$52.69 per barrel (50.9 percent) from the year-ago level.

Michigan Metro Areas: Compared to a year ago, July 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.

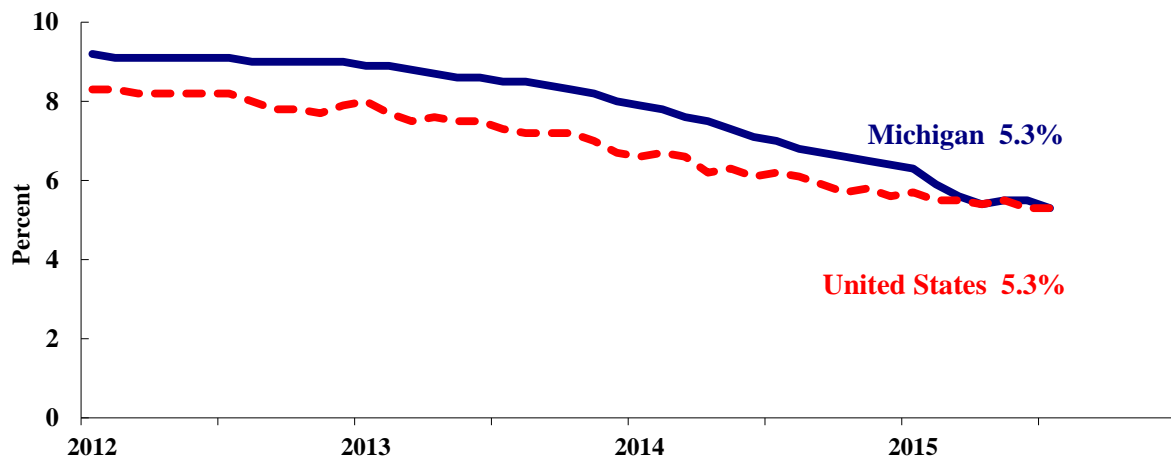
**Michigan Payroll Employment Rises in July
Marking 10th Monthly Increase over Past Year
(Seasonally Adjusted) ^(a)**



Labor Market Statistics

- Michigan's July 2015 unemployment rate fell 0.2 percentage point from last month to 5.3 percent. The U.S. unemployment rate was unchanged at 5.3 percent. As a result, the Michigan unemployment rate matched the national unemployment rate for the second month in the past three months.
- The July 2015 Michigan unemployment rate was down 1.7 percentage points from a year ago. The July U.S. unemployment rate decreased 0.9 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 July 2012 to July 2015



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

- In July, the total number of people employed in Michigan was unchanged from last month at 4,479,000 persons, while the labor force fell by 11,000 persons. The statewide total number of unemployed fell 11,000 to 249,000.
- United States employment totaled 148.8 million persons in July. The labor force totaled 157.1 million and there were 8.3 million unemployed in July 2015.

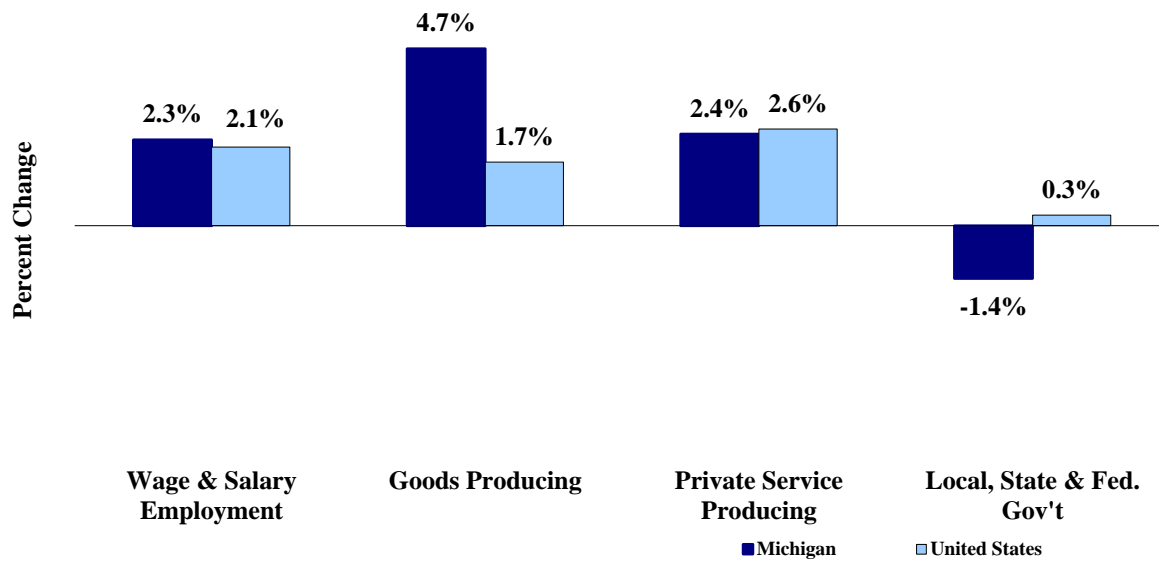
Employment by Place of Residence (in thousands)^(a)

	2014 Average	May 2015	Jun 2015	Jul 2015	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,750	4,750	4,740	4,728	-11	-0.2%	-18	-0.4%
Employed	4,402	4,487	4,479	4,479	0	0.0%	63	1.4%
Unemployed	348	264	261	249	-11	-4.4%	-81	-24.5%
Unemployment Rate	7.3%	5.5%	5.5%	5.3%	n.a.	-0.2% pts	n.a.	-1.7% pts
United States								
Labor Force	155,922	157,469	157,037	157,106	69	0.0%	1,058	0.7%
Employed	146,305	148,795	148,739	148,840	101	0.1%	2,439	1.7%
Unemployed	9,617	8,674	8,299	8,266	-33	-0.4%	-1,382	-14.3%
Unemployment Rate	6.2%	5.5%	5.3%	5.3%	n.a.	0.0% pts	n.a.	-0.9% pts

Employment by Place of Work (Payroll)

- From July 2014 to July 2015, Michigan payroll employment increased 95,800 (2.3 percent). State payroll employment increased by 8,600 jobs in July from June. Nationally, July 2015 payroll employment rose 2,915,000 (2.1 percent) from a year ago and was up 215,000 from last month.

Payroll Employment Growth July 2014 to July 2015



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

- In the goods-producing sector, Michigan payroll employment increased 4.7 percent in July from a year ago while employment in the private service-producing sector increased 2.4 percent. From a year ago, July national payroll employment rose 1.7 percent in the goods-producing sector and increased 2.6 percent in the private service-producing sector. Government employment was down 1.4 percent from a year ago in Michigan. Nationwide, government employment was up 0.3 percent.
- Manufacturing weekly hours in Michigan decreased by 0.2 hour in July compared to last year.

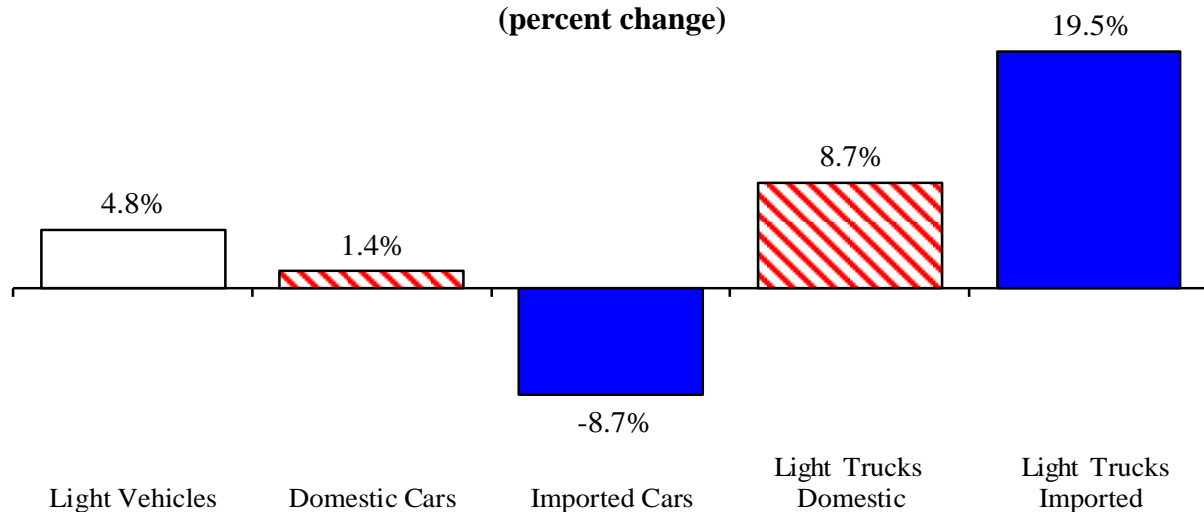
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2014 Average	July 2014	July 2015	Percent Change	2014 Average	July 2014	July 2015	Percent Change
Wage & Salary Employment	4,179.7	4,183.5	4,279.3	2.3%	139,042	139,156	142,071	2.1%
Goods Producing	725.6	727.0	761.3	4.7%	19,223	19,243	19,569	1.7%
Manufacturing	575.9	576.3	598.3	3.8%	12,188	12,191	12,350	1.3%
Private Service Producing	2,858.8	2,859.8	2,929.7	2.4%	97,957	98,052	100,579	2.6%
Trade, Trans. & Utilities	757.3	756.2	763.3	0.9%	26,384	26,413	26,977	2.1%
Services	1,839.7	1,841.3	1,899.9	3.2%	60,854	60,915	62,669	2.9%
Local, State & Fed. Gov't	595.4	596.7	588.3	-1.4%	21,863	21,861	21,923	0.3%
Manufacturing Weekly Hours	43.9	44.4	44.2	-0.2 hrs	42.0	41.8	41.8	0.0 hrs

Motor Vehicle Industry Sales

- July 2015 U.S. light vehicle sales were up 3.0 percent from June. At 17.5 million units, the July 2015 U.S. light vehicle annualized sales rate was up 6.2 percent from July 2014.
- July 2015 marks the 17th straight month that the light vehicle annualized sales rate has exceeded 16.0 million units and the third out of the last five months with a sales rate over 17.0 million units.
- U.S. sales of domestic light vehicles increased 7.2 percent between July 2014 and July 2015, while foreign sales were up 2.3 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 0.8 percentage point to 20.3 percent between July 2014 and July 2015.
- Auto sales decreased 1.8 percent compared to last July, while light truck sales were up 13.3 percent from July 2014. Year-over-year, heavy truck sales rose 18.6 percent to an annual rate of 496,000 units (the highest heavy truck annual sales rate since December 2006).

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2014	May	Jun	Jul	3 Month	Change from	
	Average	2015	2015	2015	Average	Level	%
Autos	7.7	7.8	7.4	7.6	7.6	(0.1)	-1.8%
Domestics	5.6	5.8	5.5	5.8	5.7	0.1	2.1%
Imports	2.1	2.0	2.0	1.8	1.9	(0.3)	-12.3%
Import Share	27.2%	25.9%	26.6%	24.2%	25.5%	-2.9% pts	
Light Trucks	8.7	9.8	9.5	9.8	9.7	1.2	13.3%
Domestics	7.4	8.1	7.8	8.1	8.0	0.8	11.1%
Imports	1.4	1.7	1.8	1.7	1.7	0.3	24.7%
Import Share	15.5%	17.5%	18.6%	17.3%	17.8%	1.6% pts	
Total Light Vehicles	16.4	17.6	17.0	17.5	17.3	1.0	6.2%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	18.6%
Total Vehicles	16.8	18.1	17.4	18.0	17.8	1.1	6.5%

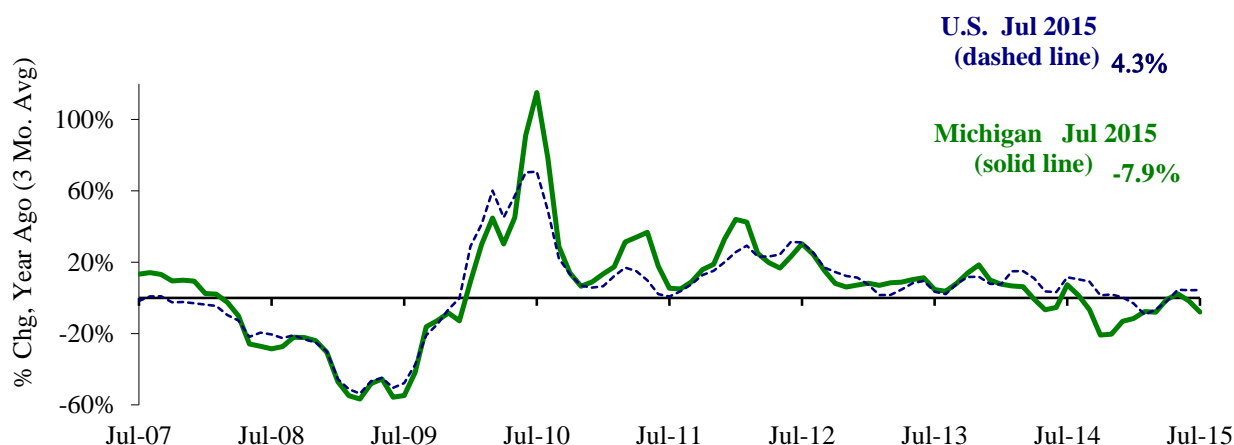
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2014	Apr-15	May-15	Jun-15	3 Month	Change from	
	Average	Apr-15	May-15	Jun-15	Average	Level	%
Inventories	\$182.9	\$180.2	\$188.1	\$188.1	\$185.4	\$10.6	5.9%
Inventory/Sales Ratio	2.09	2.09	2.06	2.03	2.06	0.00	

Motor Vehicle Industry Production

- At 172,245 units, July 2015 Michigan motor vehicle production was down 15.2 percent from July 2014. National production increased 6.8 percent from last July. The three-month average of vehicle production (May 2015-July 2015) was down 7.9 percent in Michigan and up 4.3 percent nationally, compared to a year ago.
- In July 2015, Michigan car production was down 18.7 percent from a year ago while State truck production fell 13.6 percent. Nationally, car production increased 6.7 percent while U.S. truck production increased 6.9 percent.
- Michigan's share of national vehicle production fell 4.8 percentage points to 18.3 percent in July 2015 from the year-ago level. Michigan's share of U.S. car production was down 4.8 percentage points to 15.5 percent. Michigan's share of U.S. truck production fell 4.7 percentage points to 19.9 percent.

Michigan Motor Vehicle Production's Growth Rate Down in July^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2014					Change from Year Ago for the Month	
	Monthly Average	May 2015	Jun 2015	Jul 2015	3 Month Average	Level	%
U.S. Production^(e)							
Autos	369.1	388.1	384.4	328.5	367.0	20.7	6.7%
Trucks	619.3	654.7	676.0	612.0	647.6	39.5	6.9%
Total	988.4	1,042.8	1,060.4	940.5	1,014.5	60.2	6.8%
Michigan Production^(f)							
Autos	69.9	81.0	68.0	50.8	66.6	(11.7)	-18.7%
Trucks	126.5	128.9	132.6	121.5	127.6	(19.2)	-13.6%
Total	196.5	209.9	200.6	172.2	194.2	(30.9)	-15.2%
Michigan as % of U.S.	19.9%	20.1%	18.9%	18.3%	19.1%	-4.8%	pts

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

July 2015 local area unemployment rates ranged from a low of 4.2 percent in the Grand Rapids-Wyoming MSA to a high of 7.0 percent in the Detroit-Warren-Livonia MSA. The July 2015 median unemployment rate was 5.7 percent, which is down substantially from last July’s 7.8 percent median rate.

Compared to a year ago, the July unemployment rate fell in all of Michigan’s 17 labor market areas. The Detroit-Warren-Livonia MSA reported the largest rate decrease of 2.9 percentage points, followed by the Northeast Lower Michigan region with a reported rate decline of 2.8 percentage points. The Ann Arbor MSA saw the smallest rate decline (1.8 percentage points), followed by the Holland-Grand Haven MSA (1.9 percentage points).

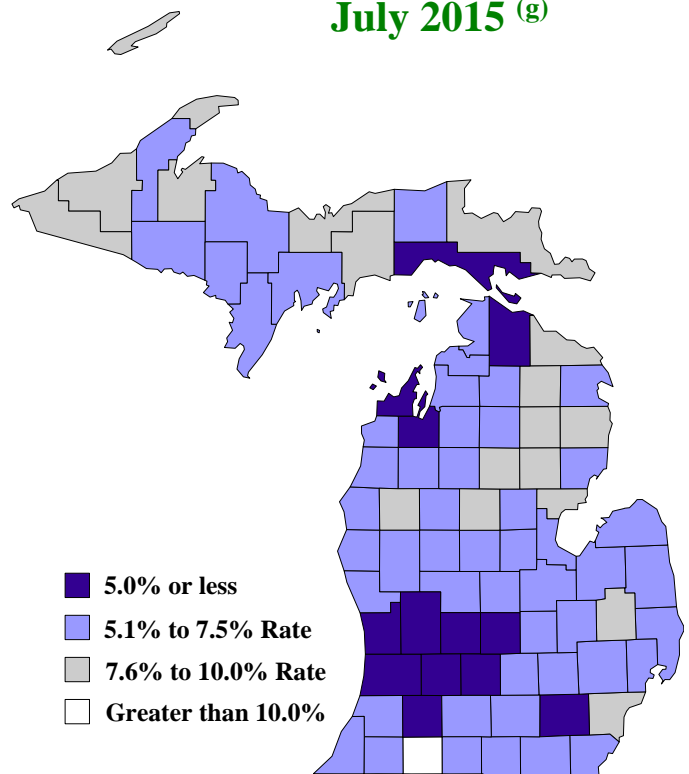
Between July 2014 and July 2015, household employment rose in all of Michigan’s 17 labor market areas. The median employment increase was 2.1 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase at 5.1 percent, followed by the Battle Creek MSA with a 4.0 percent increase. The Bay City MSA and the Upper Peninsula each reported the smallest year-over-year employment increase (0.8 percent). The labor force fell in 13 labor market areas and rose in four areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (2.8 percent), followed by the Battle Creek MSA (1.9 percent). The Detroit-Warren-Livonia MSA saw the largest labor force decline (1.6 percent), followed by the Bay City MSA (1.5 percent).

Between July 2014 and July 2015, the unemployment rate fell in 82 of Michigan’s 83 counties. The median July 2015 rate decline was 2.4 percentage points. Oscoda County reported the largest unemployment rate decline (4.4 percentage points), followed by Montmorency County with a 4.1 percentage point rate decline. Schoolcraft County reported a 0.4 percentage point increase in its unemployment rate from last July. In July 2015, the unemployment rate was below 10.0 percent in 82 of Michigan’s 83 counties. In July 2014, 61 counties had an unemployment rate below 10.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jul 2014 Rate</u>	<u>Jun 2015 Rate</u>	<u>Jul 2015 Rate</u>
Michigan	8.7%	5.8%	6.1%
Ann Arbor	6.3%	4.3%	4.5%
Battle Creek	7.7%	5.4%	5.7%
Bay City	8.3%	5.9%	6.0%
Detroit-Warren-Livonia	9.9%	6.6%	7.0%
Flint	9.3%	6.3%	6.8%
Grand Rapids-Wyoming	6.3%	4.2%	4.2%
Holland-Grand Haven	7.9%	5.7%	6.0%
Jackson	7.2%	5.1%	5.2%
Kalamazoo-Portage	7.6%	5.0%	5.1%
Lansing-East Lansing	7.2%	5.2%	5.2%
Monroe	7.7%	4.8%	5.3%
Muskegon-Norton Shores	9.0%	6.1%	6.3%
Niles-Benton Harbor	7.7%	5.5%	5.6%
Saginaw-Saginaw Township	8.8%	6.0%	6.2%
Upper Peninsula	8.8%	6.7%	6.8%
Northeast Lower Mich	9.7%	7.0%	6.9%
Northwest Lower Mich.	7.8%	5.6%	5.4%

County Unemployment Rates July 2015^(g)

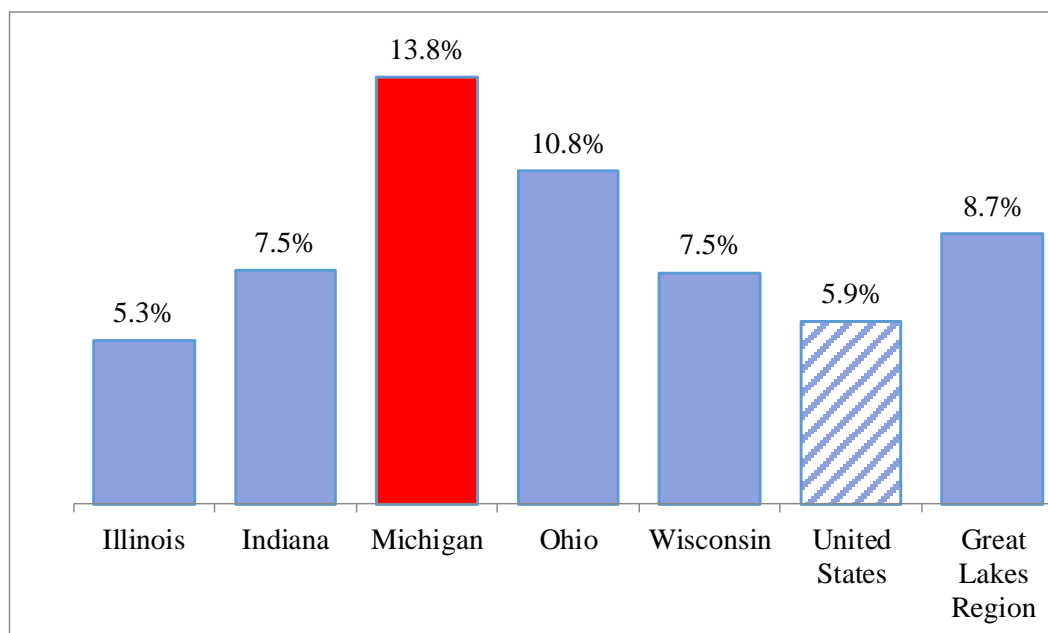


Michigan Real Gross Domestic Product Increases for Fifth Straight Year

On June 10, 2015, the Bureau of Economic Analysis released first-time annual state gross domestic product (GDP) estimates for 2014 along with revised state GDP estimates for 1997-2013. Below are highlights from the release:

- In 2014, total real (inflation adjusted) Michigan GDP rose 1.9 percent – decelerating from 2.8 percent growth in 2013. Michigan’s 2014 real GDP growth rate ranked 20th fastest among U.S. states. Nationally, real GDP rose 2.2 percent in 2014 -- up from a 1.9 percent increase in 2013. Over the past five years, Michigan real GDP has risen 13.9 percent -- ranking 3rd fastest among U.S. states.
- In 2014, Michigan’s manufacturing sector grew 2.3 percent compared with 3.3 percent growth nationally. Over the past five years, Michigan’s manufacturing sector has grown 64.9 percent, compared with 11.4 percent growth nationally.
- Accounting for 21.2 percent of the level of Michigan’s 2013 overall real GDP, the manufacturing sector accounted for 25.4 percent of the State’s overall real GDP growth between 2013 and 2014. Over the past five years, Michigan’s manufacturing sector has accounted for 68.5 percent of the State’s overall real GDP growth. Nationally, the manufacturing sector accounted for 13.7 percent of overall real GDP growth between 2009 and 2014.
- Michigan’s 2014 per capita real GDP (\$42,110) ranked 37th among U.S. states. The State’s 2014 per capita real GDP equaled 85.1 percent of the overall U.S. 2014 per capita real GDP (\$49,469).
- In 2014, Michigan reported the 11th fastest per capita real GDP growth (1.7 percent). Between 2009 and 2014, the State’s per capita real GDP rose 13.8 percent – the third fastest increase among U.S. states.

Michigan 2009-2014 Per Capita Real GDP Growth Fastest Among Great Lakes States



U.S. Economic Conditions

	<u>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	95.9	90.7	96.1	93.1	11.3 points
ISM Manufacturing Index ⁽ⁱ⁾	51.5	52.8	53.5	52.7	-3.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	57.8	55.7	56.0	60.3	2.4 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>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	236.6	237.8	238.6	238.7	0.2%
Detroit CPI	219.0	NA	219.0	NA	-2.4%
U.S. Producer Price Index	109.6	109.9	110.4	110.7	-0.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.02%	0.02%	0.02%	0.03%	0.00% points
Aaa Corporate Bonds ^(l)	3.52%	3.98%	4.19%	4.15%	-0.01% points
INDUSTRIAL PRODUCTION ^(l)					
	107.1	106.8	106.9	107.5	1.3%
CAPACITY UTILIZATION ^(l)					
	78.0%	77.7%	77.7%	78.0%	-0.3% points
RETAIL SALES ^(d)					
	\$438.7	\$443.9	\$443.9	\$446.5	2.4%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.190	1.072	1.204	1.206	10.1%
Existing Home Sales ^(m)	5.090	5.320	5.480	5.590	10.3%
DURABLE GOODS ORDERS ^(p)					
	\$232.6	\$227.3	\$236.5	\$241.1	-19.6%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	<u>% Change From Year Ago</u>
Michigan	\$401.2	\$403.4	\$407.6	\$412.3	4.2%
U.S.	\$14,639.8	\$14,792.8	\$14,960.5	\$15,100.0	4.4%
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	\$16,324.3	3.7%

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.