



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## June 2014 Summary

**U.S. Economy:** Real (inflation adjusted) gross domestic product (GDP) grew at a very strong 4.0 percent annual rate in the second quarter. The Business Executives' Confidence Index for the second quarter was down one point from the first quarter, but was up very sharply (16 points) from a year ago. According to Institute for Supply Management (ISM) indices, June marked the 13<sup>th</sup> straight month of manufacturing sector growth, the 53<sup>rd</sup> straight month of non-manufacturing sector growth and the 61<sup>st</sup> consecutive month of growth in the overall U.S. economy. Industrial production grew 4.3 percent between June 2013 and June 2014. Rising 1.3 points from last June, the capacity utilization rate posted its 11<sup>th</sup> straight year-over-year increase. Retail sales were up 4.3 percent from June 2013. Housing starts were up 7.5 percent from a year ago, but existing home sales dropped 2.3 percent from last June. The Consumer Sentiment Index fell 1.6 points from a year ago. Durable goods orders dropped 1.6 percent from June 2013.

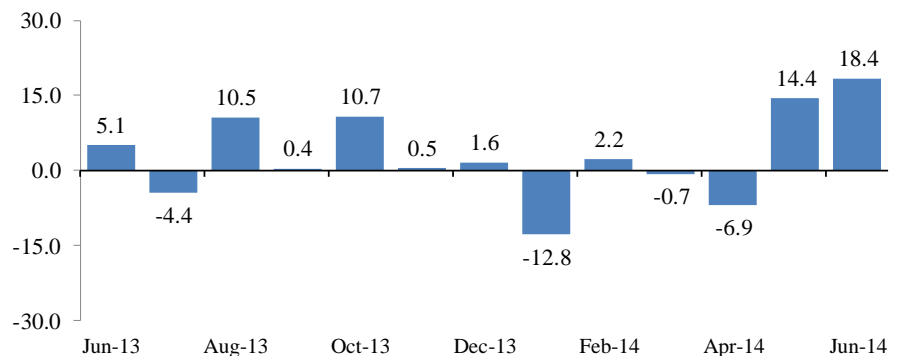
**Employment:** Between June 2013 and June 2014, Michigan employment gained a net 33,900 jobs. Compared to May 2014, Michigan employment in June was up 18,400 jobs. At 7.5 percent, Michigan's unemployment rate in June 2014 was unchanged from May 2014 but was down 1.4 percentage points from June 2013. The U.S. unemployment rate was down 0.2 of a percentage point from May 2014 and was off 1.4 percentage points from June 2013. June 2014 national wage and salary employment was up 288,000 jobs from May 2014. Over the last year, U.S. employment increased 2.5 million jobs (1.8 percent).

**Auto Industry:** The June 2014 U.S. light vehicle annual sales rate of 16.9 million units was up 6.9 percent from a year ago. The June 2014 sales rate represents the highest rate since July 2006. Between June 2013 and June 2014, Michigan vehicle production rose 2.7 percent while national vehicle production was up 8.7 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 1.3 percentage points to 21.5 percent.

**Inflation:** In June 2014, the overall U.S. consumer price index (CPI) rose 2.1 percent compared to a year ago. The U.S. core CPI was up 1.9 percent. The Detroit CPI increased 1.3 percent. The U.S. producer price index rose 2.7 percent from last year. At \$105.79 per barrel, the price of oil was up \$10.02 from June 2013.

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

**Michigan Wage and Salary Employment  
Largest Two-Month Increase Since April 2000  
(Seasonally Adjusted) <sup>(a)</sup>**



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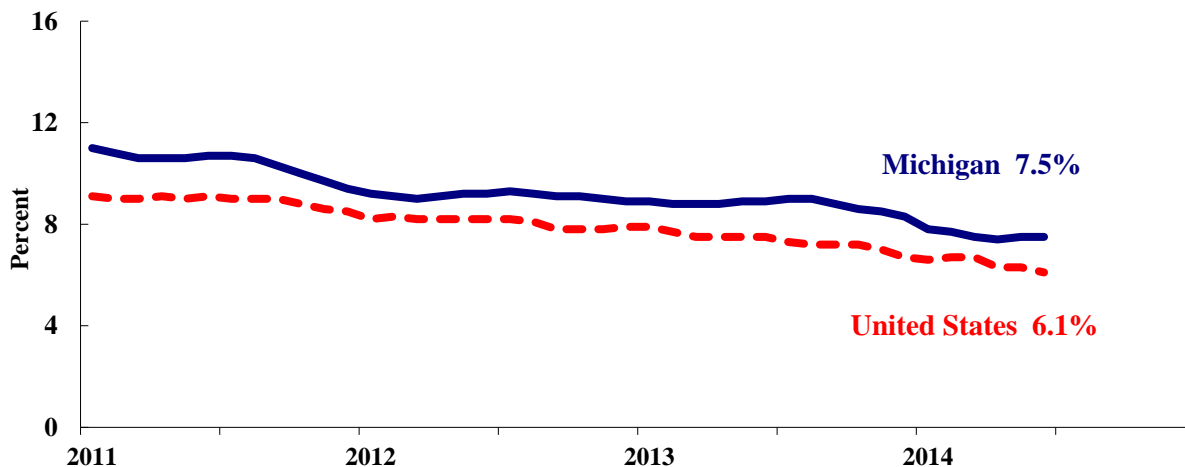
Andrew Lockwood  
Senior Economist

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## Labor Market Statistics

- Michigan's June unemployment rate remained unchanged from last month at 7.5 percent and was down 1.4 percentage points from a year ago. The June U.S. unemployment rate decreased 0.2 percentage point to 6.1 percent and was down 1.4 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 June, the number of people employed in Michigan decreased 3,000 from last month to 4,386,000, while the labor force increased 1,000. The statewide total number of unemployed rose 3,000 to 357,000.
- United States household employment totaled 146.2 million persons in June. The labor force totaled 155.7 million and there were 9.5 million unemployed in June 2014.

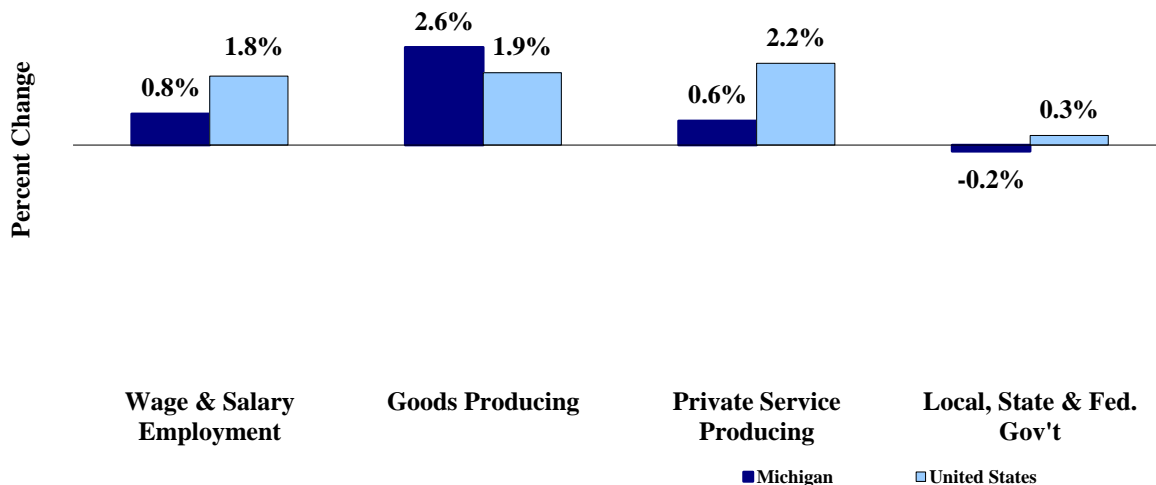
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2013 Average	Apr 2014	May 2014	Jun 2014	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	4,657	4,740	4,743	4,744	1	0.0%	25	0.5%	
Employed	4,232	4,388	4,389	4,386	-3	-0.1%	89	2.1%	
Unemployed	426	352	354	357	3	0.8%	-65	-15.4%	
Unemployment Rate	9.1%	7.4%	7.5%	7.5%	n.a.	0.0% pts	n.a.	-1.4% pts	
<b>United States</b>									
Labor Force	154,975	155,421	155,613	155,694	81	0.1%	209	0.1%	
Employed	142,469	145,669	145,814	146,221	407	0.3%	3,009	2.1%	
Unemployed	12,506	9,753	9,799	9,474	-325	-3.3%	-2,799	-22.8%	
Unemployment Rate	8.1%	6.3%	6.3%	6.1%	n.a.	-0.2% pts	n.a.	-1.4% pts	

## Employment by Place of Work

- From June 2013 to June 2014, Michigan wage and salary employment increased 34,000 (0.8 percent). State wage and salary employment increased by 18,000 jobs in June from May. Nationally, June 2014 wage and salary employment rose 2,495,000 (1.8 percent) from a year ago and was up 288,000 from last month.

### Wage and Salary Employment Growth June 2013 to June 2014



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

- In the goods-producing sector, Michigan employment increased 2.6 percent in June from a year ago while employment in the private service-producing sector increased 0.6 percent. From a year ago, June national employment rose 1.9 percent in the goods-producing sector and increased 2.2 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased by 1.0 hours in June compared to last year.

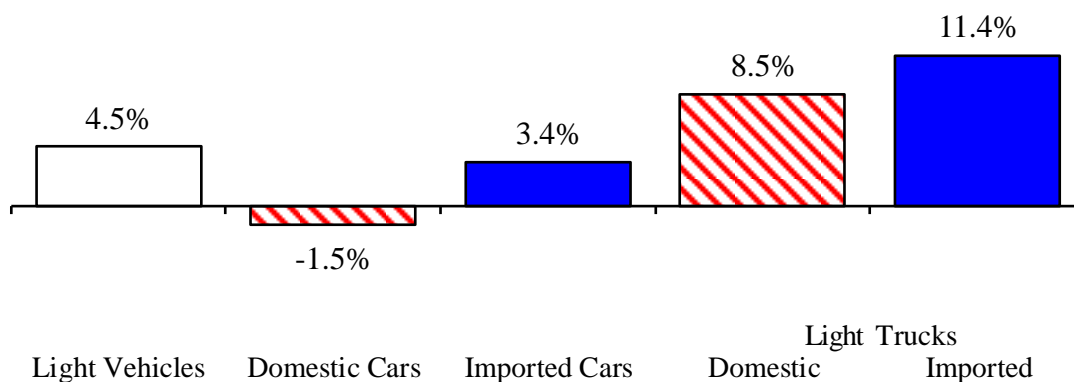
### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2013 Average	June 2013	June 2014	Percent Change	2013 Average	June 2013	June 2014	Percent Change
Wage & Salary Employment	4,105	4,107	4,141	0.8%	136,368	136,285	138,780	1.8%
Goods Producing	695	694	712	2.6%	18,700	18,684	19,043	1.9%
Manufacturing	555	554	568	2.5%	12,006	11,991	12,121	1.1%
Private Service Producing	2,810	2,815	2,833	0.6%	95,804	95,749	97,829	2.2%
Trade, Trans. & Utilities	744	744	758	1.9%	25,870	25,811	26,404	2.3%
Services	1,808	1,812	1,821	0.5%	59,368	59,368	60,824	2.5%
Local, State & Fed. Gov't	600	597	596	-0.2%	21,864	21,852	21,908	0.3%
Manufacturing Weekly Hours	42.0	43.3	44.3	1.0 hrs	40.8	40.9	41.1	0.2 hrs

## Motor Vehicle Industry Sales

- June 2014 U.S. light vehicle sales rose to an eight-year high of 16.9 million units, at a seasonally adjusted annual rate. The June 2014 rate was up 1.3 percent from last month and up 6.9 percent from the June 2013 rate.
- June 2014 marks the fourth 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 20 months and has exceeded 14.0 million units in each of the past 29 months.
- U.S. sales of domestic light vehicles increased 6.9 percent between June 2013 and June 2014, while foreign sales were up 7.1 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales was essentially unchanged at 21.7 percent between June 2013 and June 2014.
- Auto sales increased 5.4 percent compared to last June, while light truck sales were up 8.4 percent from June 2013. Year-over-year, heavy truck sales rose 2.4 percent.

### Year-to-Date Light Truck Sales Up Substantially From Last Year (millions)



## Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2013 Average	Apr 2014	May 2014	Jun 2014	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.3	7.8	8.1	7.7	0.4	5.4%
Domestics	5.4	5.2	5.6	5.8	5.5	0.3	4.8%
Imports	2.2	2.1	2.3	2.3	2.2	0.1	6.7%
Import Share	28.9%	28.6%	28.8%	28.1%	28.5%	0.4%	pts
Light Trucks	7.9	8.6	8.9	8.9	8.8	0.7	8.4%
Domestics	6.7	7.3	7.5	7.4	7.4	0.6	8.5%
Imports	1.2	1.3	1.3	1.4	1.3	0.1	7.7%
Import Share	15.7%	15.0%	15.0%	15.9%	15.3%	-0.1%	pts
Total Light Vehicles	15.5	16.0	16.7	16.9	16.5	1.1	6.9%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.0	2.4%
Total Vehicles	15.8	16.4	17.1	17.3	16.9	1.1	6.8%

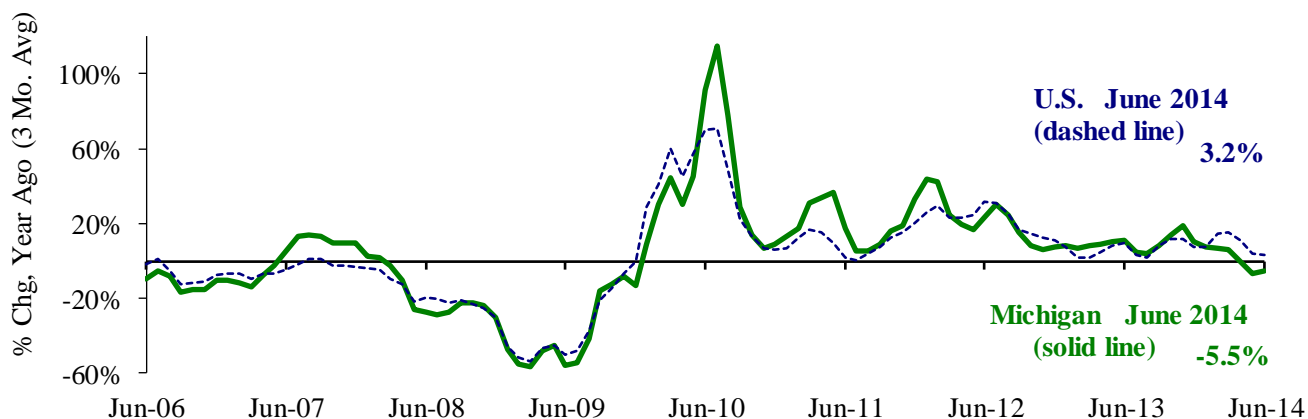
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

	2013 Average	Mar-14	Apr-14	May-14	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$167.8	\$178.8	\$180.9	\$181.9	\$180.5	\$17.5	10.7%
Inventory/Sales Ratio	2.06	2.06	2.07	2.06	2.06	0.02	

### Motor Vehicle Industry Production

- At 216,783 units, June 2014 Michigan motor vehicle production was 2.7 percent higher than June 2013. National production increased 8.7 percent from last June. The three-month average of vehicle production (April 2014-June 2014) was down 5.5 percent in Michigan but up 3.2 percent nationally, compared to a year ago.
- In June 2014, Michigan car production was down 7.2 percent from a year ago while State truck production rose 9.8 percent. Nationally, car production decreased 3.2 percent while U.S. truck production increased 16.9 percent.
- Michigan’s share of national vehicle production fell 1.3 percentage points to 21.5 percent in June from the year-ago level. Michigan’s share of U.S. car production was down 1.0 percentage point to 22.4 percent. Michigan’s share of U.S truck production fell 1.4 percentage points to 21.0 percent.

### Michigan Motor Vehicle Production’s Rate of Growth Trending Downward <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013					Change from Year Ago for the Month	
	Monthly Average	Apr 2014	May 2014	Jun 2014	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	374.3	353.3	360.4	366.1	359.9	(11.9)	-3.2%
Trucks	551.0	656.3	667.9	642.2	655.5	92.7	16.9%
Total	925.3	1,009.6	1,028.3	1,008.3	1,015.4	80.8	8.7%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	83.2	54.6	68.8	82.0	68.5	(6.4)	-7.2%
Trucks	123.0	141.2	143.0	134.7	139.7	12.0	9.8%
Total	206.1	195.8	211.9	216.8	208.2	5.6	2.7%
Michigan as % of U.S.	22.3%	19.4%	20.6%	21.5%	20.5%	-1.3% pts	

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

(Not Seasonally Adjusted)

June 2014 local area unemployment rates ranged between 5.7 percent in Ann Arbor metropolitan statistical area (MSA) and Grand Rapids-Wyoming MSA and 9.2 percent in the Detroit-Warren-Livonia MSA. The median June 2014 unemployment rate was 7.4 percent, which is down sharply from last June's 9.7 percent median rate.

Compared to a year ago, the June unemployment rate fell in all of Michigan's 17 labor market areas. Northeast Lower Michigan and the Muskegon-Norton Shores MSA each reported the greatest year-over-year rate decrease of 2.3 percentage points, followed by the Niles-Benton Harbor MSA with a 2.2 percentage point decline.

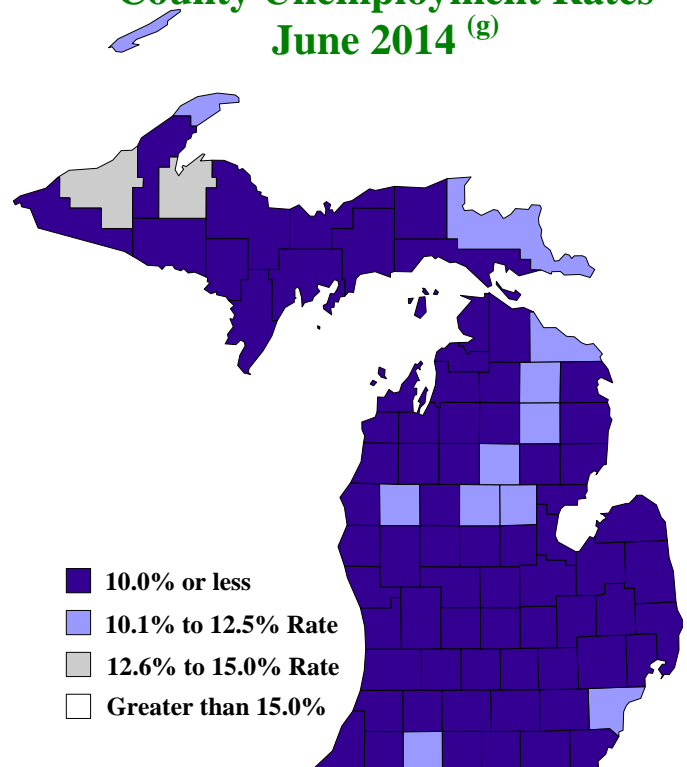
Between June 2013 and June 2014, employment rose in 16 Michigan labor market areas. The median employment increase was 2.7 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase (6.7 percent), followed by the Holland-Grand Haven MSA with a 5.1 percent increase. The Detroit-Warren-Livonia MSA experienced a very slight employment decline (-0.1 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 (4.7 percent), followed by the Holland-Grand Haven MSA (3.1 percent). The labor force fell from last June in the Jackson MSA (-1.8 percent), Detroit-Warren-Livonia MSA (-1.1 percent), the Flint MSA (-0.9 percent) and Northeast Lower Michigan (-0.1 percent).

Between June 2013 and June 2014, the unemployment rate fell in all of Michigan's 83 counties. The median June 2014 rate decline was 1.9 percentage points. Baraga County posted the largest rate decrease at 4.0 percentage points, followed by Wexford County with a 3.7 percentage points decline. The unemployment rate in 69 counties was below 10.0 percent in June 2014. In June 2013, 39 counties had an unemployment rate below 10.0 percent. In June 2014, no Michigan county reported a rate higher than 15.0 percent. Last June, two Michigan counties had an unemployment rate over 15.0 percent.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>June 2013 Rate</u>	<u>May 2014 Rate</u>	<u>June 2014 Rate</u>
Michigan	9.4%	7.3%	7.9%
Ann Arbor	7.0%	5.3%	5.7%
Battle Creek	8.4%	6.3%	6.7%
Bay City	9.7%	7.6%	7.9%
Detroit-Warren-Livonia	10.1%	8.0%	9.2%
Flint	10.3%	8.0%	8.3%
Grand Rapids-Wyoming	7.4%	5.4%	5.7%
Holland-Grand Haven	7.6%	5.3%	5.8%
Jackson	9.7%	7.3%	7.7%
Kalamazoo-Portage	8.3%	6.3%	6.7%
Lansing-East Lansing	8.3%	6.4%	6.5%
Monroe	8.9%	6.8%	6.8%
Muskegon-Norton Shores	9.7%	7.0%	7.4%
Niles-Benton Harbor	9.6%	7.2%	7.4%
Saginaw-Saginaw Township	9.8%	7.6%	8.1%
Upper Peninsula	10.0%	8.5%	8.3%
Northeast Lower Mich	11.3%	9.2%	9.0%
Northwest Lower Mich.	9.7%	7.9%	7.6%

### County Unemployment Rates June 2014<sup>(g)</sup>

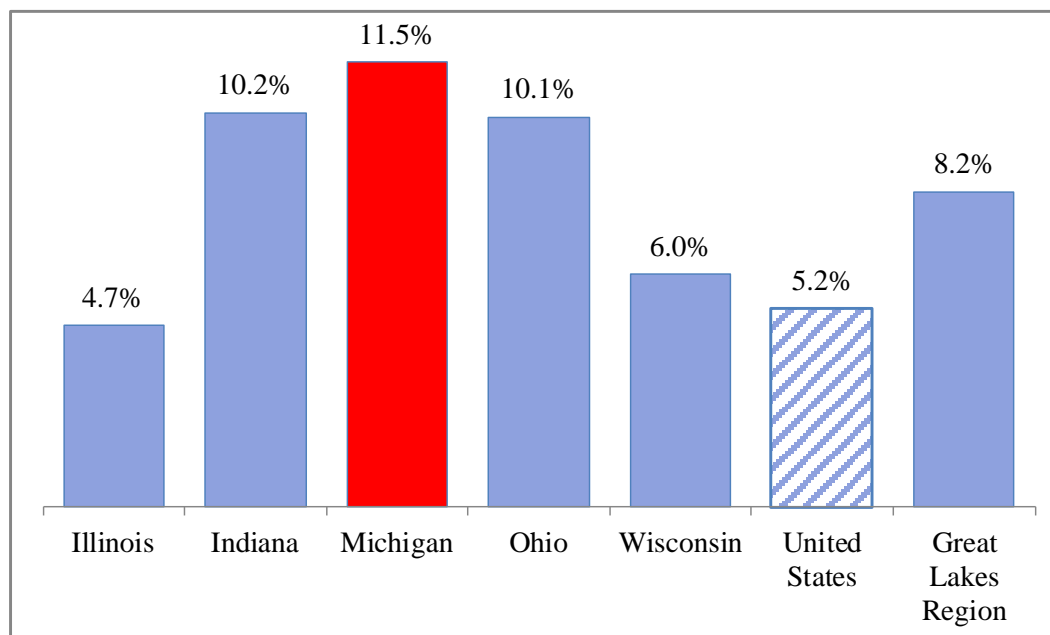


## Michigan Real Gross Domestic Product Increases for Fourth Straight Year

On June 11, 2014, the Bureau of Economic Analysis released first-time annual state gross domestic product (GDP) estimates for 2013 along with revised state GDP estimates for 1997-2012. Below are highlights from the release:

- In 2013, total real (inflation adjusted) Michigan GDP rose 2.0 percent – accelerating from 1.5 percent growth in 2012. Michigan’s 2013 real GDP growth rate ranked 21<sup>st</sup> fastest among U.S. states. Nationally, real GDP rose 1.8 percent in 2013 -- down from a 2.5 percent increase in 2012. Over the past four years, Michigan real GDP has risen 11.4 percent.
- In 2013, Michigan’s manufacturing sector grew 3.9 percent compared with 3.1 percent growth nationally. Over the past four years, Michigan’s manufacturing sector has grown 53.6 percent, compared with 12.9 percent growth nationally.
- While accounting for 19.8 percent of the level of Michigan’s 2012 overall real GDP, the manufacturing sector accounted for 38.7 percent of the State’s overall real GDP growth between 2012 and 2013. Over the past four years, Michigan’s manufacturing sector has accounted for 68.4 percent of the State’s overall real GDP growth.
- Michigan’s 2013 per capita real GDP (\$41,252) ranked 38<sup>th</sup> among U.S. states. The State’s 2013 per capita real GDP equaled 84.0 percent of the overall U.S. 2013 per capita real GDP (\$49,115).
- In 2013, Michigan reported the 15<sup>th</sup> fastest per capita real GDP growth (1.9 percent). Between 2009 and 2013, the State’s per capita real GDP rose 11.5 percent – the third fastest increase among U.S. states.

### Michigan 2009-2013 Per Capita Real GDP Growth Fastest Among Great Lakes States



## U.S. Economic Conditions

	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	80.0	84.1	81.9	82.5	-1.6 points
ISM Manufacturing Index <sup>(i)</sup>	53.7	54.9	55.4	55.3	2.8 points
ISM Non Manufacturing Index <sup>(i)</sup>	53.1	55.2	56.3	56.0	2.6 points
	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	
Business Executives' Confidence <sup>(i)</sup>	54.0	60.0	63.0	62.0	16.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	236.3	237.1	237.9	238.3	2.1%
Detroit CPI	NA	223.3	NA	224.5	1.3%
U.S. Producer Price Index	199.9	202.0	201.6	202.6	2.7%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.05%	0.03%	0.03%	0.04%	-0.01% points
Aaa Corporate Bonds <sup>(l)</sup>	4.38%	4.24%	4.16%	4.25%	-0.02% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	103.2	103.2	103.7	103.9	4.3%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	79.1%	79.0%	79.1%	79.1%	1.3% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$434.0	\$436.7	\$438.8	\$439.9	4.3%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.950	1.063	0.985	0.893	7.5%
Existing Home Sales <sup>(m)</sup>	4.590	4.660	4.910	5.040	-2.3%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$238.4	\$240.5	\$238.2	\$239.9	-1.6%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<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	\$15,985.7	3.95%



**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.