



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

March 2014 Summary

U.S. Economy: In March 2014, the Consumer Sentiment Index increased 1.4 points from a year ago to 80.0 points. Durable goods orders were up a sharp 9.1 percent from March 2013. Industrial production grew 3.8 percent from a year ago. The capacity utilization rate posted its 8th straight year-over-year increase and rose to its highest reading since June 2008. Retail sales rose 3.8 percent between March 2013 and March 2014. The ISM manufacturing index rose 2.2 points from a year ago while the ISM non-manufacturing index fell 1.4 points from last March. However, both composite ISM indices continued to signal sector as well as overall economic expansion. March 2014 housing starts were down 5.9 percent from a year ago and existing home sales were off 7.5 percent.

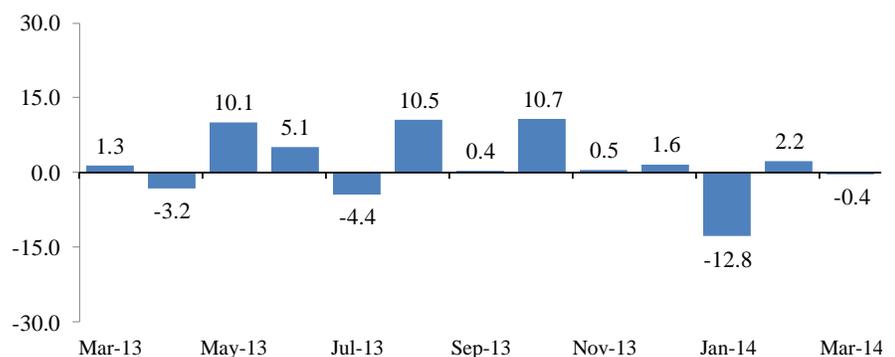
Employment: Between March 2013 and March 2014, Michigan employment gained a net 20,300 jobs (0.5 percent). Compared to February 2014, Michigan employment in March was down 400 jobs. At 7.5 percent, Michigan's unemployment rate in March 2014 was down 0.2 percentage point from February 2014 and was down 1.3 percentage points from March 2013. March 2014 national wage and salary employment was up 192,000 jobs from February 2014, marking the 42nd consecutive monthly national employment increase. Over the last year, U.S. employment increased 2.2 million jobs (1.7 percent).

Auto Industry: The March 2014 U.S. light vehicle annual sales rate of 16.3 million units was up 6.9 percent both from last month and from a year ago. Between March 2013 and March 2014, Michigan vehicle production fell 10.2 percent while national vehicle production was up 10.1 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 4.2 percentage points to 18.8 percent.

Inflation: In March 2014, the overall U.S. consumer price index (CPI) rose 1.5 percent compared to a year ago, while the core CPI was up 1.7 percent. The producer price index rose 1.7 percent from last year. At \$100.80 per barrel, the price of oil was up \$7.86 (8.5 percent) from March 2013.

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

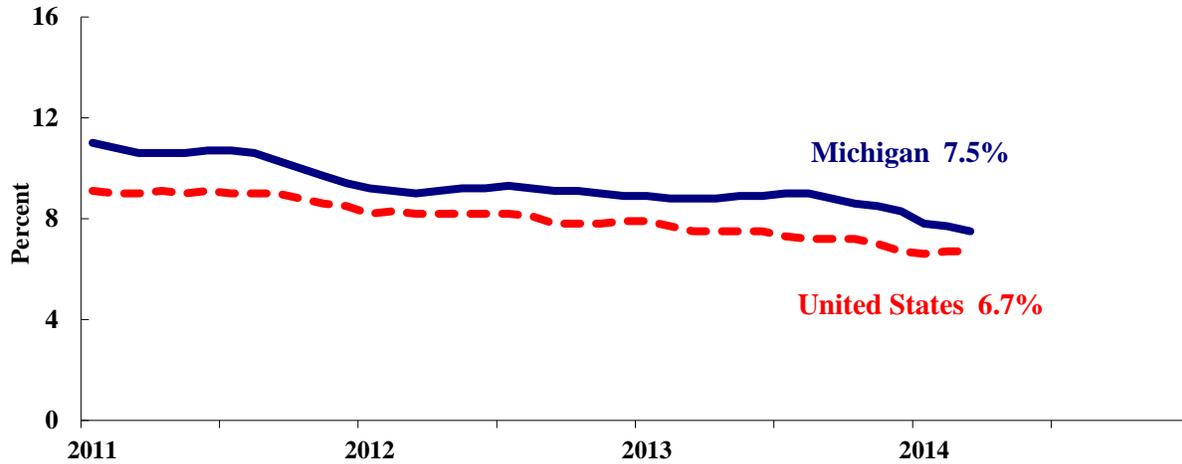
Michigan Employment Falls Slightly in March 2014
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan’s March unemployment rate decreased 0.2 of a percentage point from last month to 7.5 percent and was down 1.3 percentage points from a year ago. The March U.S. unemployment rate remained unchanged in March at 6.7 percent and was down 0.8 of a 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 March, the number of people employed in Michigan increased 19,000 from last month to 4,375,000, while the labor force increased 11,000. The statewide total number of unemployed fell 8,000 to 355,000.
- United States household employment totaled 145.7 million persons in March. The labor force totaled 156.2 million and there were 10.5 million unemployed in March 2014.

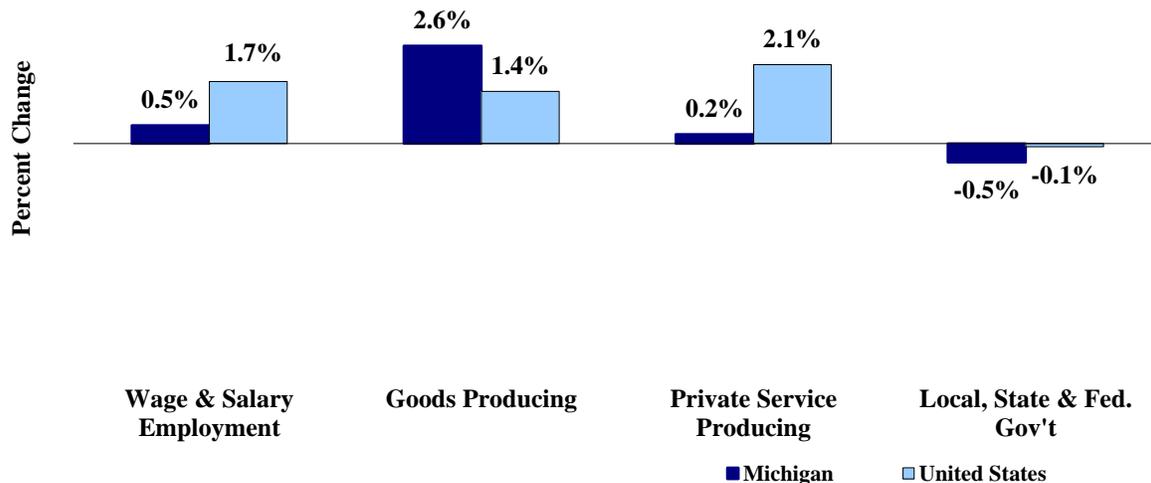
Employment by Place of Residence (in thousands)^(a)

	2013 Average	Jan 2014	Feb 2014	Mar 2014	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,657	4,698	4,719	4,730	11	0.2%	21	0.4%
Employed	4,232	4,330	4,356	4,375	19	0.4%	80	1.9%
Unemployed	426	367	363	355	-8	-2.2%	-60	-14.4%
Unemployment Rate	9.1%	7.8%	7.7%	7.5%	n.a.	-0.2% pts	n.a.	-1.3% pts
United States								
Labor Force	154,975	155,460	155,724	156,227	503	0.3%	742	0.5%
Employed	142,469	145,224	145,266	145,742	476	0.3%	2,530	1.8%
Unemployed	12,506	10,236	10,459	10,486	27	0.3%	-1,787	-14.6%
Unemployment Rate	8.1%	6.6%	6.7%	6.7%	n.a.	0.0% pts	n.a.	-0.8% pts

Employment by Place of Work

- From March 2013 to March 2014, Michigan wage and salary employment increased 20,000 (0.5 percent). State wage and salary employment remained unchanged in March from February. Nationally, March 2014 wage and salary employment rose 2,246,000 (1.7 percent) from a year ago and was up 192,000 from last month.

Wage and Salary Employment Growth March 2013 to March 2014



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

- In the goods-producing sector, Michigan employment increased 2.6 percent in March from a year ago while employment in the private service-producing sector increased 0.2 percent. From a year ago, March national employment rose 1.4 percent in the goods-producing sector and increased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan remained unchanged in March compared to last year.

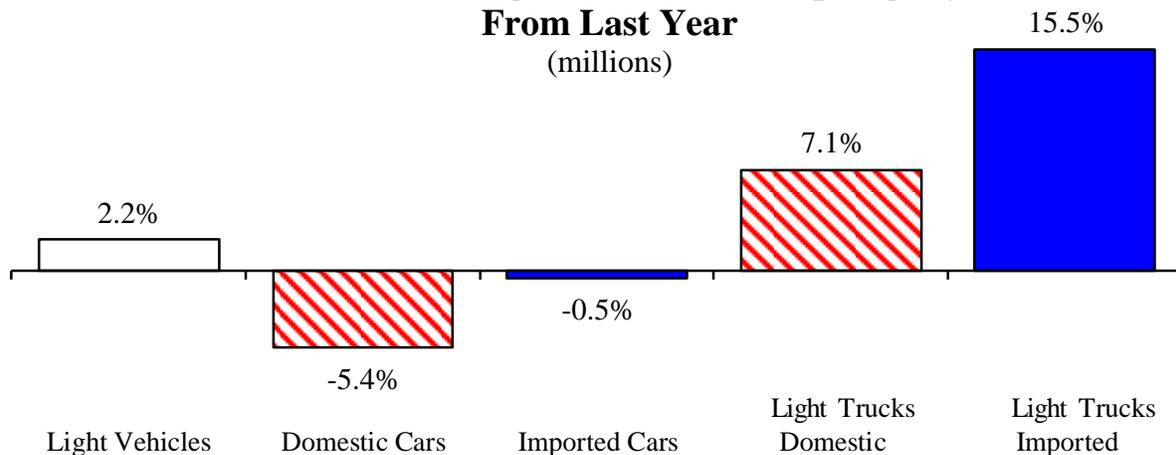
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2013 Average	Mar 2013	Mar 2014	Percent Change	2013 Average	Mar 2013	Mar 2014	Percent Change
Wage & Salary Employment	4,105	4,095	4,115	0.5%	136,368	135,682	137,928	1.7%
Goods Producing	695	691	709	2.6%	18,700	18,680	18,941	1.4%
Manufacturing	555	552	563	2.0%	12,006	12,007	12,079	0.6%
Private Service Producing	2,810	2,804	2,811	0.2%	95,804	95,142	97,146	2.1%
Trade, Trans. & Utilities	744	741	748	0.9%	25,870	25,683	26,212	2.1%
Services	1,808	1,807	1,808	0.1%	59,368	58,912	60,359	2.5%
Local, State & Fed. Gov't	600	600	597	-0.5%	21,864	21,860	21,841	-0.1%
Manufacturing Weekly Hours	42.0	44.2	44.2	0.0 hrs	40.8	40.8	41.1	0.3 hrs

Motor Vehicle Industry Sales

- March 2014 U.S. light vehicle sales totaled 16.3 million units, at a seasonally adjusted annual rate. The March 2014 rate was up 6.9 percent both from last month and also compared to the March 2013 rate. The March 2014 annual light vehicle sales rate represents the highest rate since February 2007.
- March 2014 marks the third month in the past eight months that the light vehicle sales rate has exceeded 16.0 million units. The light vehicle sales rate has exceeded 15.0 million units in each of the past 17 months and has exceeded 14.0 million units in each of the past 26 months. In 2014Q1, the light vehicle sales rate in 2014Q1 averaged 15.6 million units, which was up 0.3 million units compared to a year ago.
- U.S. sales of domestic light vehicles increased 5.5 percent between March 2013 and March 2014, while foreign sales were up 12.6 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 20.6 percent in March 2013 to 21.7 percent in March 2014.
- Auto sales increased 1.3 percent compared to last March, while light truck sales were up 12.3 percent from March 2013. Year-over-year, heavy truck sales rose 15.2 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	Jan	Feb	Mar	3 Month	Change from	
	Average	2014	2014	2014	Average	Level	%
Autos	7.6	7.1	7.1	7.5	7.2	0.1	1.3%
Domestics	5.4	5.0	5.1	5.4	5.2	(0.0)	-0.5%
Imports	2.2	2.0	2.0	2.1	2.1	0.1	6.0%
Import Share	28.9%	28.8%	28.1%	28.2%	28.3%	1.2% pts	
Light Trucks	7.9	8.1	8.2	8.8	8.3	1.0	12.3%
Domestics	6.7	6.9	6.9	7.4	7.0	0.7	10.3%
Imports	1.2	1.2	1.3	1.4	1.3	0.3	24.2%
Import Share	15.7%	14.6%	15.8%	16.3%	15.6%	1.6% pts	
Total Light Vehicles	15.5	15.2	15.3	16.3	15.6	1.1	6.9%
Heavy Trucks	0.3	0.4	0.4	0.3	0.4	0.0	15.2%
Total Vehicles	15.8	15.5	15.6	16.7	15.9	1.1	7.1%

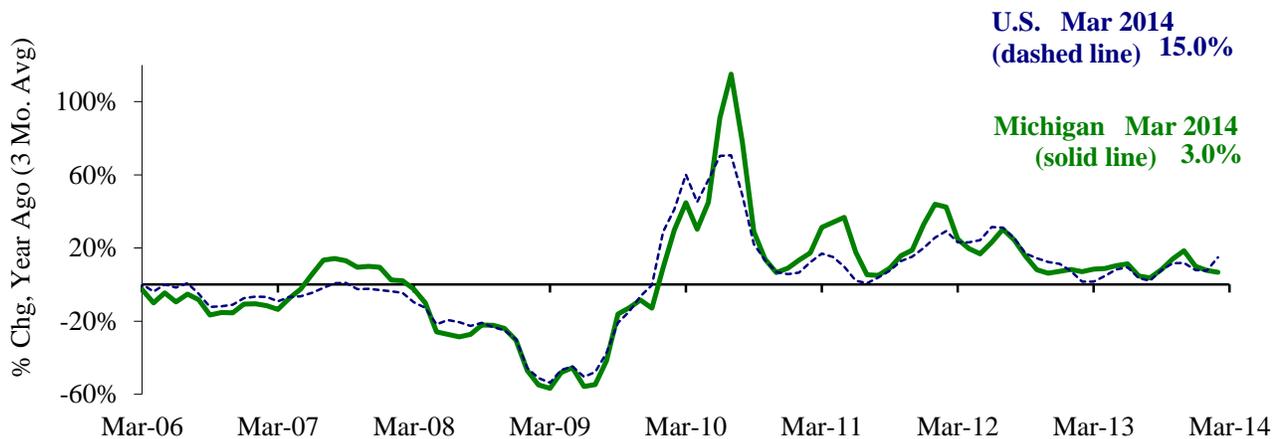
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013	Dec-13	Jan-14	Feb-14	3 Month	Change from	
	Average	Dec-13	Jan-14	Feb-14	Average	Level	%
Inventories	\$170.4	\$182.8	\$182.0	\$181.3	\$182.0	\$17.1	10.4%
Inventory/Sales Ratio	2.13	2.24	2.29	2.22	2.25	0.12	

Motor Vehicle Industry Production

- At 197,189 units, March 2014 Michigan motor vehicle production was 10.2 percent lower than March 2013. National production increased 10.1 percent from last March. The three-month average of vehicle production (January 2014-March 2014) was up 3.0 percent in Michigan and up 15.0 percent nationally, compared to a year ago.
- In March 2014, Michigan car production was down 24.5 percent from a year ago while State truck production rose 0.5 percent. Nationally, car production decreased 5.6 percent while U.S. truck production increased 21.4 percent.
- From a year ago, Michigan’s March share of national vehicle production fell 4.2 percentage points to 18.8 percent. Michigan’s share of U.S. car production was down 4.7 points to 18.7 percent. Michigan’s share of U.S truck production fell 3.9 percentage points to 18.8 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013 Monthly Average	Jan 2014	Feb 2014	Mar 2014	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	374.3	394.5	440.2	378.0	404.2	(22.4)	-5.6%
Trucks	551.0	602.1	685.6	672.7	653.5	118.4	21.4%
Total	925.3	996.6	1,125.7	1,050.6	1,057.7	96.0	10.1%
Michigan Production ^(f)							
Autos	83.2	85.9	83.5	70.8	80.1	(23.0)	-24.5%
Trucks	123.0	127.6	136.4	126.4	130.1	0.7	0.5%
Total	206.1	213.4	220.0	197.2	210.2	(22.3)	-10.2%
Michigan as % of U.S.	22.3%	21.4%	19.5%	18.8%	19.9%	-4.2% pts	

Local Area Unemployment Rates Fell in All 17 Michigan Local Areas (Not Seasonally Adjusted)

March 2014 local area unemployment rates ranged between 5.2 percent in the Ann Arbor metropolitan statistical area (MSA) and 13.5 percent in Northeast Lower Michigan. The median March 2014 unemployment rate was 8.2 percent, which is down from last March's 9.4 percent median rate.

Compared to a year ago, the March 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 Detroit-Warren-Livonia MSA with a 1.4 percentage point decline. The Ann Arbor MSA and the Upper Peninsula each experienced the smallest rate decline from last March (0.5 percentage points).

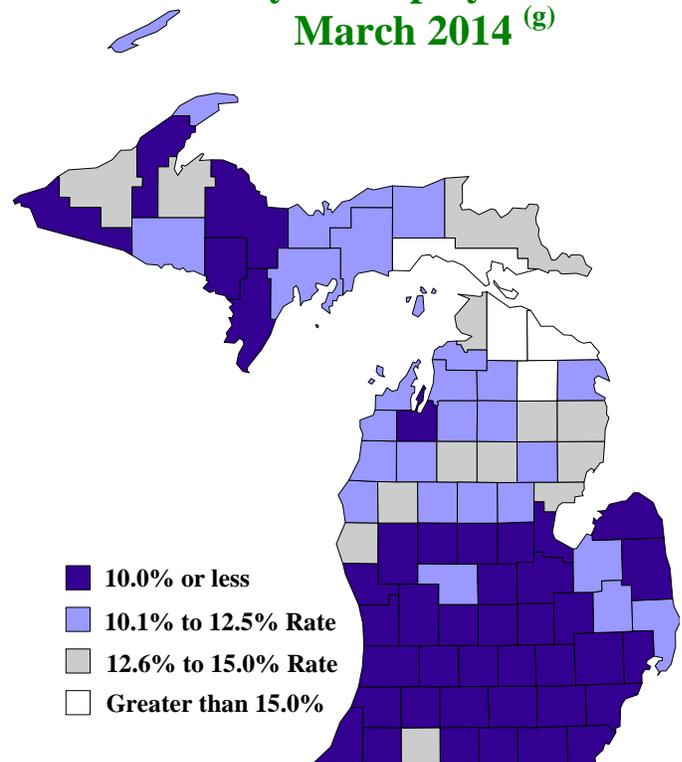
Between March 2013 and March 2014, employment rose in all 17 areas. The median employment increase was 2.5 percent. The Holland-Grand Haven MSA reported the largest year-over-year employment increase (4.0 percent), followed by the Grand Rapids-Wyoming MSA with a 3.8 percent increase. The labor force rose in 14 labor market areas and fell in three areas. The Holland-Grand Haven MSA reported the largest percent increase in labor force (2.9 percent). The Grand Rapids-Wyoming MSA reported the second largest increase in labor force (2.7 percent). The Flint MSA experienced the largest percent decline in its labor force between March 2013 and March 2014 (0.7 percent).

Between March 2013 and March 2014, the unemployment rate fell in 79 of Michigan's 83 counties. The median March 2014 rate decline was 1.0 percentage point. Keweenaw County posted the largest rate decrease (3.0 percentage points), followed by Ontonagon County (2.4 percentage points). The unemployment rate in 40 counties was below 10.0 percent in March 2014. Last March, 32 counties had an unemployment rate below 10.0 percent. In March 2014, four Michigan counties reported a rate higher than 15.0 percent. Last March, nine Michigan counties had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Mar 2013 Rate</u>	<u>Feb 2014 Rate</u>	<u>Mar 2014 Rate</u>
Michigan	9.2%	8.5%	8.0%
Ann Arbor	5.7%	5.3%	5.2%
Battle Creek	7.9%	7.4%	7.0%
Bay City	9.9%	9.4%	9.1%
Detroit-Warren-Livonia	9.7%	9.0%	8.3%
Flint	9.8%	9.4%	9.0%
Grand Rapids-Wyoming	6.9%	6.2%	6.0%
Holland-Grand Haven	6.9%	6.2%	6.0%
Jackson	9.1%	8.5%	8.2%
Kalamazoo-Portage	7.8%	7.3%	7.0%
Lansing-East Lansing	7.3%	6.6%	6.4%
Monroe	8.3%	7.6%	7.2%
Muskegon-Norton Shores	9.4%	8.3%	7.9%
Niles-Benton Harbor	9.5%	8.8%	8.3%
Saginaw-Saginaw Township	9.4%	8.9%	8.7%
Upper Peninsula	10.9%	10.6%	10.4%
Northeast Lower Mich	14.3%	14.1%	13.5%
Northwest Lower Mich.	11.5%	10.8%	10.3%

County Unemployment Rates March 2014^(g)



U.S. Economic Conditions

	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	82.5	81.2	81.6	80.0	1.4 points
ISM Manufacturing Index ⁽ⁱ⁾	56.5	51.3	53.2	53.7	2.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	53.0	54.0	51.6	53.1	-1.4 points
	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	
Business Executives' Confidence ⁽ⁱ⁾	62.0	54.0	60.0	63.0	17.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	233.0	233.9	234.8	236.3	1.5%
Detroit CPI	218.2	NA	220.5	NA	0.7%
U.S. Producer Price Index	196.1	197.7	198.8	199.9	1.7%
INTEREST RATES					
90 Day T-Bill ^(l)	0.07%	0.04%	0.05%	0.05%	-0.04% points
Aaa Corporate Bonds ^(l)	4.62%	4.49%	4.45%	4.38%	0.45% points
INDUSTRIAL PRODUCTION ^(l)					
	101.5	101.3	102.5	103.2	3.8%
CAPACITY UTILIZATION ^(l)					
	78.4%	78.1%	78.8%	79.2%	1.2% points
RETAIL SALES ^(d)					
	\$428.8	\$425.9	\$429.0	\$433.9	3.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.024	0.903	0.920	0.946	-5.9%
Existing Home Sales ^(m)	4.870	4.620	4.600	4.590	-7.5%
DURABLE GOODS ORDERS ^(p)					
	\$227.3	\$224.2	\$228.9	\$234.8	9.1%
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	\$15,942.3	2.63%

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.