



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

May 2016 Summary

U.S. Economy: New durable goods orders rose 3.2 percent from last May. Consumer sentiment was up 1.1 percentage points from May 2015 and rose 5.7 points from a month ago. Retail sales increased 2.5 percent from last May. The Institute for Supply Management (ISM) reported the current expansion has now lasted 84 months, but the ISM Production Management Index (PMI) dropped 3.8 points from last May. However, at 51.3, the May 2016 PMI did signal an expanding manufacturing sector for the third straight month. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 76th straight month, but was down 3.6 points from last May. In May 2016, industrial production declined 1.4 percent from the year-ago level. This marked the ninth straight month industrial production fell below the year-ago level and the first time it has declined for nine consecutive months since December 2009. The capacity utilization rate fell 1.7 points from May 2015. The May 2015-May 2016 decline in the utilization rate marked the 15th consecutive y-o-y rate drop. Housing starts were up 9.5 percent from last May and existing home sales increased 4.5 percent.

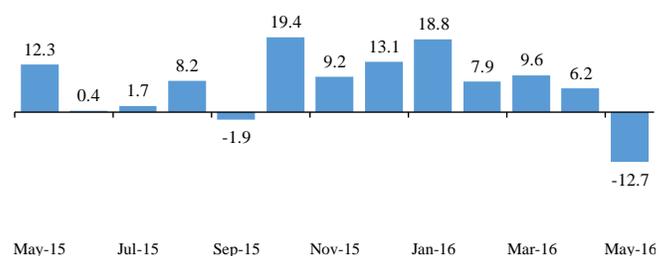
Employment: In May 2016, the Michigan unemployment rate fell 0.1 of a percentage point from April to 4.7 percent and was down 0.8 of a percentage point from May 2015. The U.S. rate fell 0.3 of a percentage point from April to 4.7 percent as well. Between May 2015 and May 2016, Michigan payroll employment gained a net 79,900 jobs (1.9 percent). Michigan payroll employment in May 2016 was down 12,700 jobs compared to April 2016 – the first monthly decline since last September. U.S. payroll employment was up 2.4 million jobs (1.7 percent) in May 2016 compared to a year ago. National payroll employment was up by only 38,000 jobs from April – well below the average monthly increase of 219,000 jobs over the past year.

Auto Industry: In May 2016, U.S. light vehicle sales fell 1.5 percent from last May to an annualized 17.4 million units. Between May 2015 and May 2016, the three-month average of Michigan vehicle production fell 0.3 percent while the three-month U.S. average was down 0.4 percent. Between May 2015 and May 2016, Michigan's share of U.S. vehicle production rose 1.0 percentage point to 21.1 percent.

Inflation: In May 2016, the overall U.S. consumer price index (CPI) rose 1.0 percent from a year ago. The core U.S. CPI (excluding food and energy) was up 2.2 percent from last May. The U.S. producer price index was down 0.1 percent from last year. Despite sizeable recent monthly oil price increases, the May 2016 price of oil per barrel was down \$12.44 from May 2015.

Michigan Metro Areas: Compared to a year ago, May 2016 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 14 of Michigan's 17 major labor market areas.

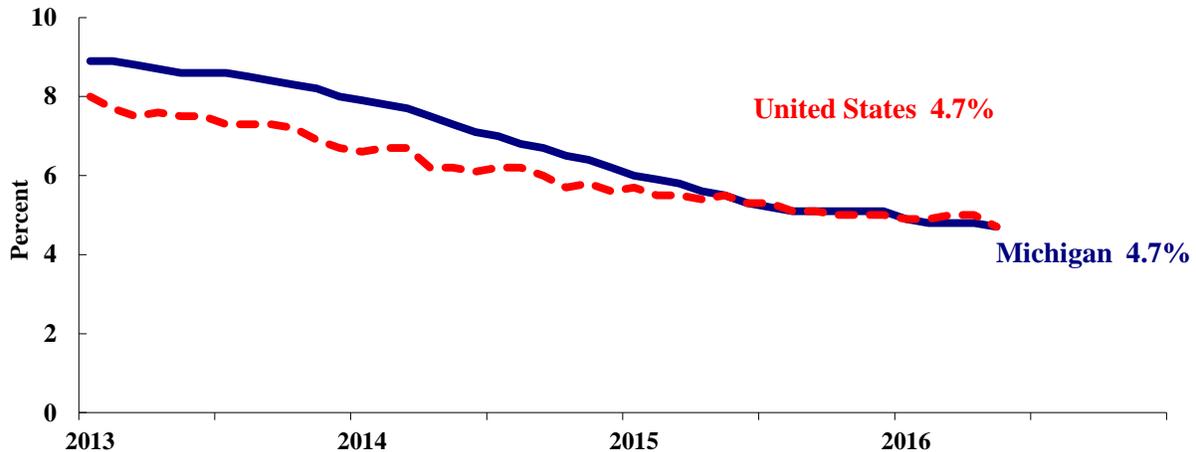
Michigan Payroll Employment
Posts First Decline Since September
(change from previous month, thousands of jobs) ^(a)



Labor Market Statistics

- In May 2016, the Michigan unemployment rate decreased 0.1 of a percentage point to 4.7 percent. The national unemployment rate decreased 0.3 of a percentage point from April to May to 4.7 percent.
- In May 2016, Michigan’s unemployment rate was down 0.8 of a percentage point from a year ago. The May U.S. unemployment rate decreased 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
January 2013 to May 2016**



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

- In May, the total number of people employed in Michigan remained unchanged at 4,642,000 persons while the labor force fell 6,000. The statewide total number of unemployed workers fell 6,000 to 233,000.
- United States employment totaled 151.0 million persons in May. The labor force totaled 158.5 million and there were 7.4 million unemployed in May 2016.

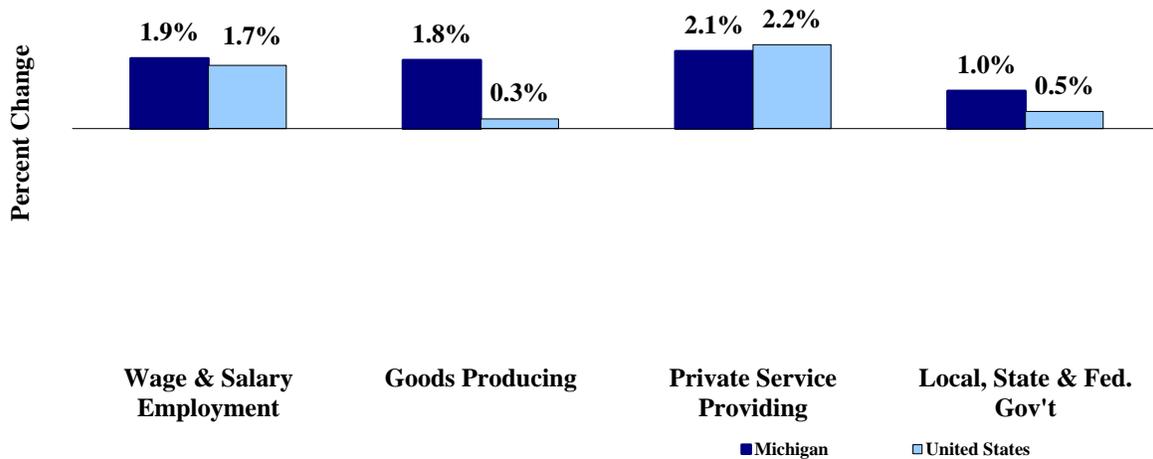
Employment by Place of Residence (in thousands)^(a)

| | 2015 Average | Mar 2016 | Apr 2016 | May 2016 | Change From | | | |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|
| | | | | | Prior Month | | Last Year | |
| | | | | | Level | % | Level | % |
| Michigan | | | | | | | | |
| Labor Force | 4,751 | 4,857 | 4,875 | 4,869 | -6 | -0.1% | 133 | 2.8% |
| Employed | 4,493 | 4,625 | 4,642 | 4,642 | 0 | 0.0% | 165 | 3.7% |
| Unemployed | 258 | 232 | 233 | 227 | -6 | -2.6% | -32 | -12.4% |
| Unemployment Rate | 5.4% | 4.8% | 4.8% | 4.7% | n.a. | -0.1% pts | n.a. | -0.8% pts |
| United States | | | | | | | | |
| Labor Force | 157,130 | 159,286 | 158,924 | 158,466 | -458 | -0.3% | 1,099 | 0.7% |
| Employed | 148,834 | 151,320 | 151,004 | 151,030 | 26 | 0.0% | 2,282 | 1.5% |
| Unemployed | 8,296 | 7,966 | 7,920 | 7,436 | -484 | -6.1% | -1,183 | -13.7% |
| Unemployment Rate | 5.3% | 5.0% | 5.0% | 4.7% | n.a. | -0.3% pts | n.a. | -0.8% pts |

Employment by Place of Work (Payroll)

- From May 2015 to May 2016, Michigan payroll employment increased 79,900 jobs (1.9 percent). State payroll employment declined by 12,700 jobs in May from April. Nationally, May 2016 payroll employment rose 2,398,000 (1.7 percent) from a year ago and was up 38,000 from April.

Payroll Employment Growth May 2015 to May 2016



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

- In the goods-producing sector, Michigan payroll employment increased 1.8 percent in May from a year ago while employment in the private service-providing sector increased 2.1 percent. From a year ago, May national payroll employment rose 0.3 percent in the goods-producing sector and increased 2.2 percent in the private service-providing sector. Government employment was up 1.0 percent from a year ago in Michigan. Nationwide, government employment was up 0.5 percent.
- Manufacturing weekly hours in Michigan were down 2.3 hours in May compared to last year.

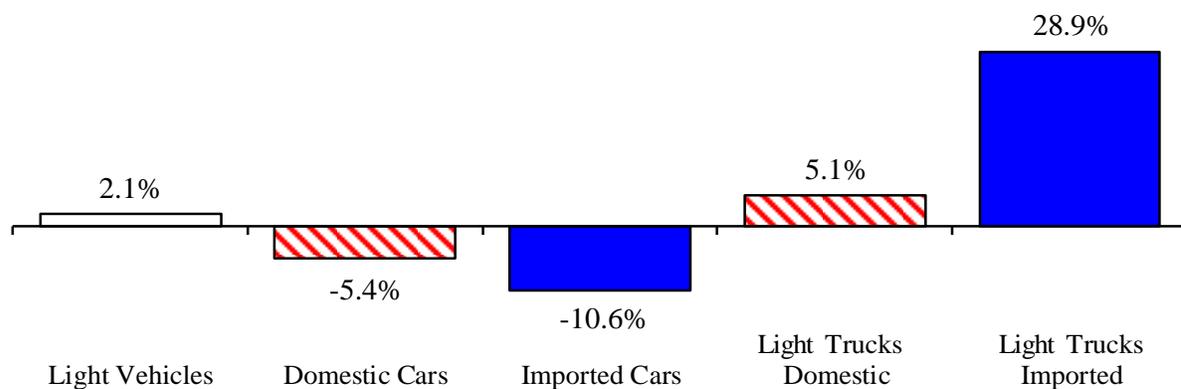
Wage and Salary (Payroll) Employment (in thousands)^(b)

| | Michigan | | | | United States | | | |
|----------------------------|-----------------|-------------|-------------|-------------------|-----------------|-------------|-------------|-------------------|
| | 2015 Average | May 2015 | May 2016 | Percent Change | 2015 Average | May 2015 | May 2016 | Percent Change |
| Wage & Salary Employment | 4,243.7 | 4,238.5 | 4,318.4 | 1.9% | 141,865 | 141,496 | 143,894 | 1.7% |
| Goods Producing | 742.9 | 740.5 | 754.1 | 1.8% | 19,584 | 19,574 | 19,625 | 0.3% |
| Manufacturing | 587.3 | 584.5 | 596.0 | 2.0% | 12,318 | 12,324 | 12,285 | -0.3% |
| Private Service Providing | 2,906.5 | 2,904.0 | 2,964.3 | 2.1% | 100,275 | 99,934 | 102,180 | 2.2% |
| Trade, Trans. & Utilities | 770.7 | 771.5 | 775.5 | 0.5% | 26,920 | 26,861 | 27,286 | 1.6% |
| Services | 1,872.0 | 1,869.2 | 1,916.4 | 2.5% | 62,480 | 62,228 | 63,888 | 2.7% |
| Local, State & Fed. Gov't | 594.3 | 594.0 | 600.0 | 1.0% | 22,007 | 21,988 | 22,089 | 0.5% |
| Manufacturing Weekly Hours | 44.2 | 44.7 | 42.4 | -2.3 hrs | 41.8 | 40.7 | 40.8 | 0.1 hrs |

Motor Vehicle Industry Sales

- May 2016 U.S. light vehicle sales were up 0.2 percent from April and were down 1.5 percent from May 2015. At 17.4 million units, May 2016 marks the 27th straight month that the light vehicle annualized sales rate exceeded 16.0 million units and the 10th out of the most recent 11 months that the sales rate exceeded 17.0 million units.
- U.S. sales of domestic light vehicles decreased 4.2 percent between May 2015 and May 2016. Foreign sales were up 8.9 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 2.2 percentage points to 23.3 percent in May 2016.
- Auto sales decreased 11.6 percent compared to last May, while light truck sales were up 6.6 percent from May 2015. Heavy truck sales fell 5.4 percent to an annual rate of 435,000 units.

Year-to-Date Light Truck Sales (Jan-May 2016) Up Substantially from Year Ago (Jan-May 2015) (percent change)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

| Motor Vehicle Sales ^(c) | 2015 | Mar | Apr | May | 3 Month | Change from | |
|------------------------------------|-------|-------|-------|-------|---------|-------------|--------|
| | Total | 2016 | 2016 | 2016 | Average | Level | % |
| Autos | 7.5 | 6.7 | 6.8 | 6.9 | 6.8 | (0.9) | -11.6% |
| Domestics | 5.6 | 5.1 | 5.0 | 5.1 | 5.1 | (0.7) | -12.0% |
| Imports | 1.9 | 1.7 | 1.8 | 1.8 | 1.8 | (0.2) | -10.6% |
| Import Share | 25.4% | 24.6% | 26.6% | 25.9% | 25.7% | 0.3% pts | |
| Light Trucks | 9.9 | 9.8 | 10.5 | 10.5 | 10.2 | 0.6 | 6.6% |
| Domestics | 8.1 | 7.9 | 8.5 | 8.2 | 8.2 | 0.1 | 1.3% |
| Imports | 1.8 | 1.8 | 2.0 | 2.3 | 2.0 | 0.5 | 31.7% |
| Import Share | 18.1% | 18.7% | 19.2% | 21.6% | 19.9% | 4.1% pts | |
| Total Light Vehicles | 17.4 | 16.5 | 17.3 | 17.4 | 17.1 | (0.3) | -1.5% |
| Heavy Trucks | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | (0.0) | -5.4% |
| Total Vehicles | 17.8 | 16.9 | 17.7 | 17.8 | 17.5 | (0.3) | -1.6% |

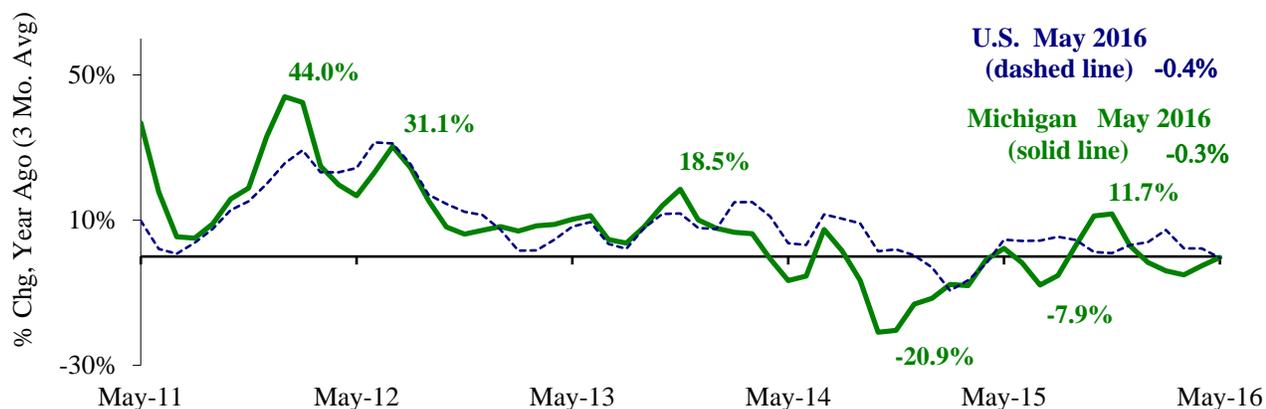
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

| | 2015 | Feb-16 | Mar-16 | Apr-16 | 3 Month | Change from | |
|-----------------------|---------|---------|---------|---------|---------|-------------|-------|
| | Average | Feb-16 | Mar-16 | Apr-16 | Average | Level | % |
| Inventories | \$190.4 | \$201.8 | \$206.5 | \$206.8 | \$205.0 | \$19.9 | 10.6% |
| Inventory/Sales Ratio | 2.10 | 2.18 | 2.30 | 2.24 | 2.24 | 0.16 | |

Motor Vehicle Industry Production

- At 229,171 units, May 2016 Michigan motor vehicle production was up 9.2 percent from May 2015. National production increased 4.0 percent from last May. The three-month average of vehicle production (March 2016-May 2016) was down 0.3 percent in Michigan and down 0.4 percent nationally, compared to a year ago.
- In May 2016, Michigan car production was up 2.9 percent from a year ago while State truck production rose 13.1 percent. Nationally, car production decreased 5.7 percent while U.S. truck production increased 9.8 percent.
- Michigan’s share of national vehicle production rose 1.0 percentage point to 21.1 percent in May 2016 from the year-ago level. Michigan’s share of U.S. car production was up 1.9 percentage points to 22.8 percent. Michigan’s share of U.S truck production increased 0.6 of a percentage point to 20.3 percent.

Michigan and U.S. Motor Vehicle Production Down Slightly in May ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

| | 2015 | | | | | Change from Year Ago for the Month | |
|---|-----------------|----------|----------|----------|-----------------|------------------------------------|-------|
| | Monthly Average | Mar 2016 | Apr 2016 | May 2016 | 3 Month Average | Level | % |
| U.S. Production ^(e) | | | | | | | |
| Autos | 355.8 | 358.8 | 357.6 | 366.0 | 360.8 | (22.1) | -5.7% |
| Trucks | 644.1 | 717.3 | 699.8 | 718.5 | 711.9 | 63.9 | 9.8% |
| Total | 1,000.0 | 1,076.1 | 1,057.4 | 1,084.5 | 1,072.7 | 41.8 | 4.0% |
| Michigan Production ^(f) | | | | | | | |
| Autos | 68.3 | 63.2 | 72.7 | 83.4 | 73.1 | 2.4 | 2.9% |
| Trucks | 125.6 | 138.0 | 134.1 | 145.8 | 139.3 | 16.9 | 13.1% |
| Total | 193.9 | 201.1 | 206.7 | 229.2 | 212.4 | 19.3 | 9.2% |
| Michigan as % of U.S. | 19.4% | 18.7% | 19.6% | 21.1% | 19.8% | 1.0% pts | |

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

In May 2016, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 3.2 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 6.0 percent in the Northeast Lower Michigan region. The May 2016 median unemployment rate was 4.6 percent, which is down 1.0 percentage point from last May’s 5.6 percent median rate.

Compared to a year ago, the May 2016 unemployment rate fell in all of Michigan’s 17 labor market areas. The median rate decline was 1.3 percentage points. The Detroit-Warren-Dearborn MSA reported the largest rate decrease of 1.8 percentage points, followed by the Northeast Lower Peninsula region with a 1.6 percentage points rate decline. The Lansing-East Lansing MSA recorded the smallest rate decline of 0.3 of a percentage point.

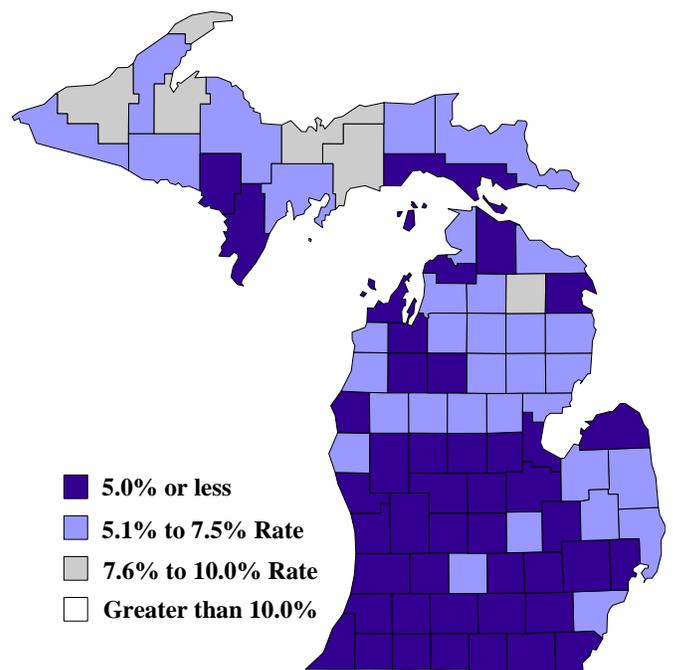
Between May 2015 and May 2016, household employment rose in 14 of Michigan’s 17 labor market areas, remained unchanged in two areas and declined in one area. The median employment increase was 1.3 percent. The Ann Arbor MSA reported the largest year-over-year employment increase at 4.7 percent, followed by the Detroit-Warren-Dearborn MSA with a 4.2 percent increase. The Jackson MSA reported a year-over-year employment decrease of 0.6 percent. The labor force rose in eight labor market areas, fell in eight areas and was unchanged in one area. The Ann Arbor MSA reported the largest percent increase in labor force at 3.6 percent, followed by the Detroit-Warren-Dearborn MSA with a 2.2 percent increase. The Jackson MSA recorded the largest percent decline in labor force at 1.7 percent, followed by the Upper Peninsula area with a 1.3 percent drop.

Between May 2015 and May 2016, the unemployment rate fell in 82 of Michigan’s 83 counties. The median May 2016 rate decline was 1.5 percentage points. Schoolcraft County reported the largest unemployment rate decline at 3.8 percentage points, followed by Baraga County with a 2.9 percentage points decline. In May 2016, the unemployment rate was below 7.0 percent in 75 of Michigan’s 83 counties. In May 2015, 52 Michigan counties had an unemployment rate below 7.0 percent. In May 2016, no Michigan county had an unemployment rate above 10.0 percent.

Local Area Unemployment Rates^(g)

| <u>Local Area</u> | <u>May 2015 Rate</u> | <u>Apr 2016 Rate</u> | <u>May 2016 Rate</u> |
|-------------------------|----------------------|----------------------|----------------------|
| Michigan | 5.9% | 4.3% | 4.5% |
| Ann Arbor | 4.2% | 2.7% | 3.2% |
| Battle Creek | 5.5% | 4.1% | 4.2% |
| Bay City | 6.2% | 4.9% | 4.7% |
| Detroit-Warren-Dearborn | 6.7% | 4.5% | 4.9% |
| Flint | 6.4% | 4.9% | 5.0% |
| Grand Rapids-Wyoming | 4.2% | 2.9% | 3.2% |
| Jackson | 5.6% | 4.4% | 4.5% |
| Kalamazoo-Portage | 5.2% | 3.7% | 3.9% |
| Lansing-East Lansing | 4.9% | 3.3% | 4.6% |
| Midland | 5.2% | 4.0% | 4.0% |
| Monroe | 4.9% | 3.6% | 3.7% |
| Muskegon | 6.2% | 4.6% | 4.7% |
| Niles-Benton Harbor | 5.6% | 4.1% | 4.3% |
| Saginaw | 6.2% | 4.6% | 4.7% |
| Upper Peninsula | 7.1% | 6.5% | 5.6% |
| Northeast Lower Mich | 7.4% | 7.4% | 6.0% |
| Northwest Lower Mich. | 6.2% | 5.5% | 4.6% |

County Unemployment Rates May 2016^(g)

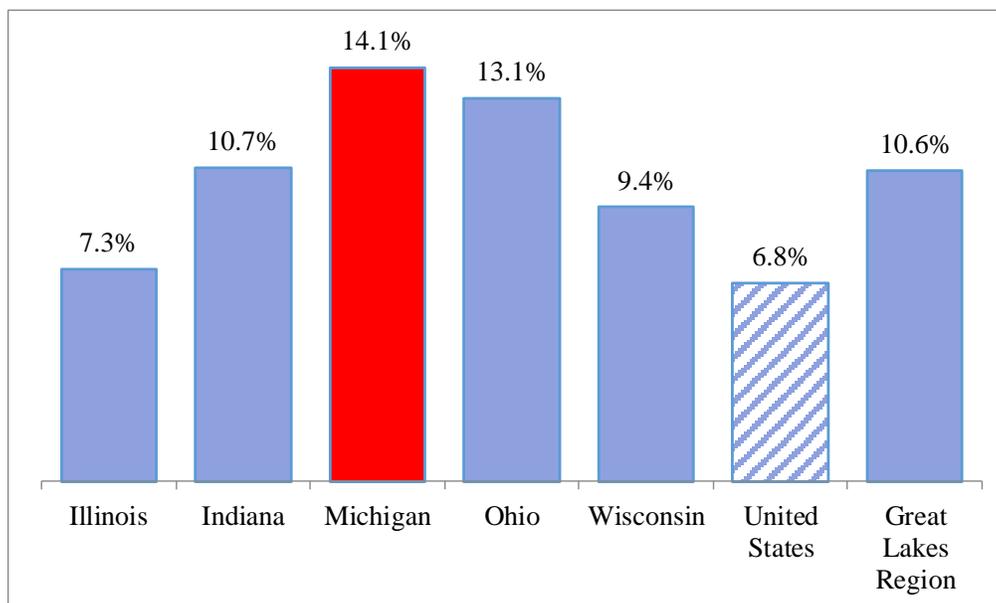


Michigan Real Gross Domestic Product Increases for Sixth Straight Year

On June 14, 2016, the Bureau of Economic Analysis released annual state gross domestic product (GDP) estimates for 2015 along with revised state GDP estimates for 1997-2014. Below are highlights from the release:

- In 2015, total real (inflation adjusted) Michigan GDP rose 1.4 percent – slowing from 1.5 percent growth in 2014. Michigan’s 2015 real GDP growth rate ranked 32nd fastest among U.S. states. Nationally, real GDP rose 2.4 percent in 2015 -- up from a 2.2 percent increase in 2014.
- Michigan real GDP has risen in each of the past six years. Twenty-five other states recorded positive real GDP growth in each of the past six years, while 14 states saw growth in all but one year. Six states saw growth in only four years and four states saw growth in only three years.
- Since 2009, Michigan real GDP has risen 14.4 percent – ranking 10th fastest among U.S. states. Nationally, real GDP grew 11.9 percent between 2009 and 2015. Combined growth in 2010 and 2011 accounted for over half (53.5 percent) of Michigan’s real GDP growth in the past six years. Growth in the two most recent years comprised 22.9 percent of Michigan’s six-year increase. Nationally, combined growth in 2010 and 2011 accounted for 30.2 percent of the six-year rise while combined growth in 2014 and 2015 comprised 41.5 percent of the six-year increase.
- In 2015, Michigan’s manufacturing sector real GDP was essentially unchanged. In 2014, the State’s manufacturing sector declined 0.5 percent. Nationally, manufacturing real GDP grew 1.3 percent in 2015 after rising 1.6 percent in 2014.
- Michigan’s 2015 per capita real GDP (\$42,226) ranked 38th among U.S. states. The State’s 2015 per capita real GDP equaled 84.7 percent of the overall U.S. 2015 per capita real GDP (\$49,844).
- In 2015, Michigan reported the 19th fastest per capita real GDP growth (1.3 percent). Between 2009 and 2015, the State’s per capita real GDP rose 14.1 percent –the second fastest increase among U.S. states. Nationally, per capita real GDP increased 6.8 percent over the past six years.

Michigan 2009-2015 Per Capita Real GDP Growth Fastest Among Great Lakes States



U.S. Economic Conditions

| | <u>Feb-16</u> | <u>Mar-16</u> | <u>Apr-16</u> | <u>May-16</u> | <u>Change from Year Ago</u> |
|---|---------------|---------------|---------------|---------------|---|
| KEY ECONOMIC INDICATORS | | | | | |
| Consumer Sentiment ^(h) | 91.7 | 91.0 | 89.0 | 94.7 | 1.1 points |
| ISM Manufacturing Index ⁽ⁱ⁾ | 49.5 | 51.8 | 50.8 | 51.3 | -3.8 points |
| ISM Non Manufacturing Index ⁽ⁱ⁾ | 53.4 | 54.5 | 55.7 | 52.9 | -3.6 points |
| | <u>2015.2</u> | <u>2015.3</u> | <u>2015.4</u> | <u>2016.1</u> | |
| Business Executives' Confidence ^(j) | 58.0 | 48.0 | 45.0 | 47.0 | -10.0 points |
| INFLATION ^(k) | | | | | |
| 1982-84 = 100 (CPI) | <u>Feb-16</u> | <u>Mar-16</u> | <u>Apr-16</u> | <u>May-16</u> | <u>Change from Year Ago</u> |
| Nov 2009 = 100 (PPI) | | | | | |
| U.S. Consumer Price Index | 237.1 | 238.1 | 239.3 | 240.2 | 1.0% |
| Detroit CPI | 218.4 | NA | 221.4 | NA | 1.1% |
| U.S. Producer Price Index | 109.5 | 109.7 | 109.8 | 110.1 | -0.1% |
| INTEREST RATES | | | | | |
| 90 Day T-Bill ^(l) | 0.31% | 0.29% | 0.23% | 0.27% | 0.25% points |
| Aaa Corporate Bonds ^(l) | 3.96% | 3.82% | 3.62% | 3.65% | -0.33% points |
| INDUSTRIAL PRODUCTION ^(l) | | | | | |
| | 104.4 | 103.4 | 104.0 | 103.6 | -1.4% |
| CAPACITY UTILIZATION ^(l) | | | | | |
| | 75.6% | 74.8% | 75.3% | 74.9% | -1.7% points |
| RETAIL SALES ^(d) | | | | | |
| | \$449.2 | \$447.9 | \$453.6 | \$455.6 | 2.5% |
| HOUSING STARTS and SALES | | | | | |
| (Millions Annual Rate) | <u>Feb-16</u> | <u>Mar-16</u> | <u>Apr-16</u> | <u>May-16</u> | <u>% Change From Year Ago</u> |
| Housing Starts ^(d) | 1.213 | 1.113 | 1.167 | 1.164 | 9.5% |
| Existing Home Sales ^(m) | 5.070 | 5.360 | 5.430 | 5.530 | 4.5% |
| DURABLE GOODS ORDERS ^(p) | | | | | |
| | \$224.1 | \$228.5 | \$236.0 | \$230.7 | 3.2% |
| PERSONAL INCOME ^(c) | | | | | |
| (Billions of Dollars) | <u>2015.2</u> | <u>2015.3</u> | <u>2015.4</u> | <u>2016.1</u> | <u>% Change From Year Ago</u> |
| Michigan | \$418.5 | \$423.6 | \$430.6 | \$436.4 | 5.6% |
| U.S. | \$15,264.6 | \$15,422.4 | \$15,581.7 | \$15,732.5 | 4.4% |
| GROSS DOMESTIC PRODUCT | | | | | |
| (Billions of Chained 2009 Dollars) ^(c) | <u>2015.2</u> | <u>2015.3</u> | <u>2015.4</u> | <u>2016.1</u> | <u>Annualized % Chg From Last Qtr</u> |
| | \$16,333.6 | \$16,414.0 | \$16,470.6 | \$16,514.6 | 1.1% |

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.