



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## November 2013 Summary

**U.S. Economy:** Between 2013Q2 and 2013Q3, real U.S. Gross Domestic Product rose at a 4.1 percent annual rate with inventory investment accounting for 1.7 percentage points of the increase. In November 2013, the Consumer Sentiment Index was down 7.6 points from a year ago to 75.1 points. Rising 29.6 percent from a year ago, November 2013 housing starts set a 69-month record high. In November 2013, the ISM manufacturing index rose 7.4 points from last November while the ISM non-manufacturing index decreased 0.9 point from a year ago. Retail sales increased 4.7 percent from last year. In November 2013, industrial production grew 3.2 percent from a year earlier. Capacity utilization was up 1.1 points from last November. New durable goods orders reported strong growth (10.9 percent) from November 2012.

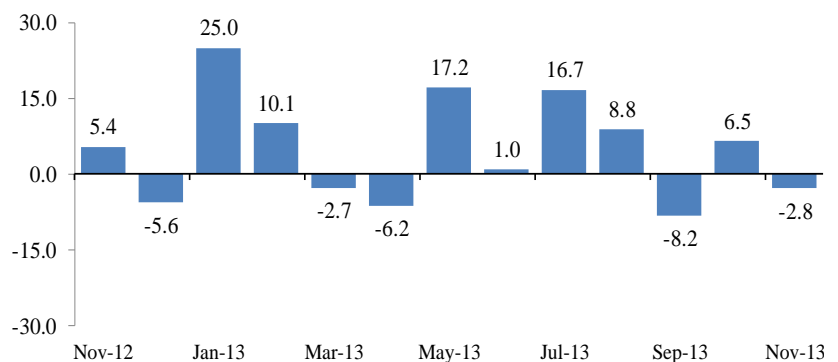
**Employment:** Between November 2012 and November 2013, Michigan employment rose by 59,800 jobs (1.5 percent). Compared to October 2013, Michigan employment in November was down 2,800 jobs. At 8.8 percent, Michigan's unemployment rate in November was down 0.2 percentage point both from October 2013 and from November 2012. U.S. wage and salary employment was up 203,000 jobs from October. Over the last year, national employment increased 2.3 million jobs (1.7 percent).

**Auto Industry:** In November 2013, the U.S. light vehicle annual sales rate rose 7.7 percent from last month and was up 6.9 percent from a year ago. At a 16.3 million unit annual rate, the November 2013 light vehicle sales rate represented the highest vehicle sales rate since February 2007. Between November 2012 and November 2013, Michigan vehicle production rose 16.3 percent compared to a year ago while national vehicle production was up 4.1 percent from last November. Compared to a year ago, Michigan's share of national vehicle production increased 2.4 percentage points to 22.9 percent.

**Inflation:** In November, the overall U.S. consumer price index (CPI) rose 1.2 percent compared to a year ago. The core U.S. CPI (excluding food and energy) increased 1.7 percent. The producer price index rose 0.7 percent from last year. At \$93.86, the price of oil was up \$7.33 per barrel from November 2012.

**Michigan Metro Areas:** Over the last year, unemployment rates rose in 16 of Michigan's 17 major labor markets and fell in one area. Employment rose in 12 areas and fell in five areas. Seventy-six of Michigan's 83 counties saw a year-over-year unemployment rate increase while seven counties recorded a rate decrease.

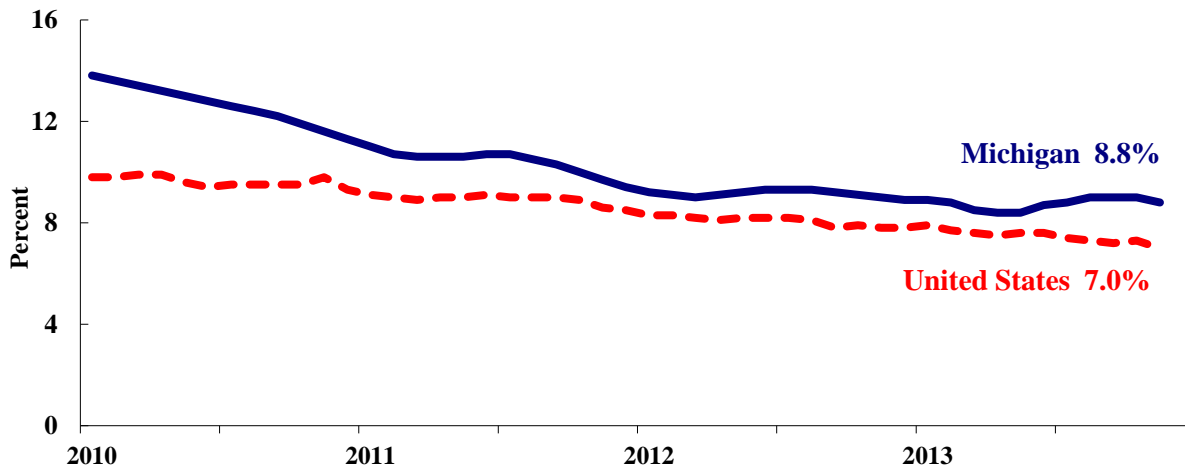
**Michigan Employment Declines in November 2013**  
(Change from Prior Month, Thousands of Jobs) <sup>(a)</sup>



## Labor Market Statistics

- Michigan's November unemployment rate decreased 0.2 of a percentage point from last month to 8.8 percent and was also down 0.2 of a percentage point from a year ago. The November U.S. unemployment rate decreased 0.3 of a percentage point from October to 7.0 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 2010 to 2013



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

- In November, the number of people employed in Michigan decreased 7,000 from last month to 4,294,000, while the labor force also decreased 17,000. The statewide total number of unemployed fell 10,000 to 413,000.
- United States household employment totaled 144.4 million persons in November. The labor force totaled 155.3 million and there were 10.9 million unemployed in November 2013.

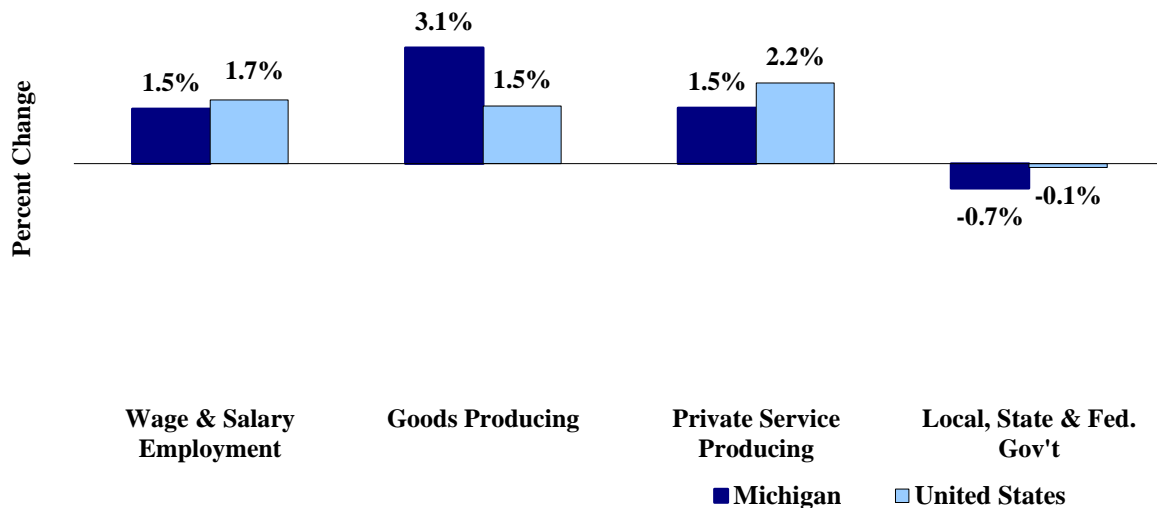
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2012 Average	Sep 2013	Oct 2013	Nov 2013	Change From			
					Prior Month Level	%	Last Year Level	%
<b>Michigan</b>								
Labor Force	4,657	4,736	4,724	4,707	-17	-0.4%	64	1.4%
Employed	4,232	4,312	4,301	4,294	-7	-0.2%	69	1.6%
Unemployed	426	425	423	413	-10	-2.4%	-4	-1.1%
Unemployment Rate	9.1%	9.0%	9.0%	8.8%	n.a.	-0.2% pts	n.a.	-0.2% pts
<b>United States</b>								
Labor Force	154,975	155,559	154,839	155,294	455	0.3%	-25	0.0%
Employed	142,469	144,303	143,568	144,386	818	0.6%	1,109	0.8%
Unemployed	12,506	11,255	11,272	10,907	-365	-3.2%	-1,135	-9.4%
Unemployment Rate	8.1%	7.2%	7.3%	7.0%	n.a.	-0.3% pts	n.a.	-0.8% pts

## Employment by Place of Work

- From November 2012 to November 2013, Michigan wage and salary employment increased 59,800 (1.5 percent). State wage and salary employment decreased 2,800 from October. Nationally, November 2013 wage and salary employment rose 2,293,000 (1.7 percent) from a year ago and was up 203,000 from last month.

### Wage and Salary Employment Growth November 2012 to November 2013



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

- In the goods-producing sector, Michigan employment increased 3.1 percent from a year ago while private service-producing sector employment increased 1.5 percent. From a year ago, November national employment rose 1.5 percent in the goods-producing sector and increased 2.2 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.7 hour in November compared to last year.

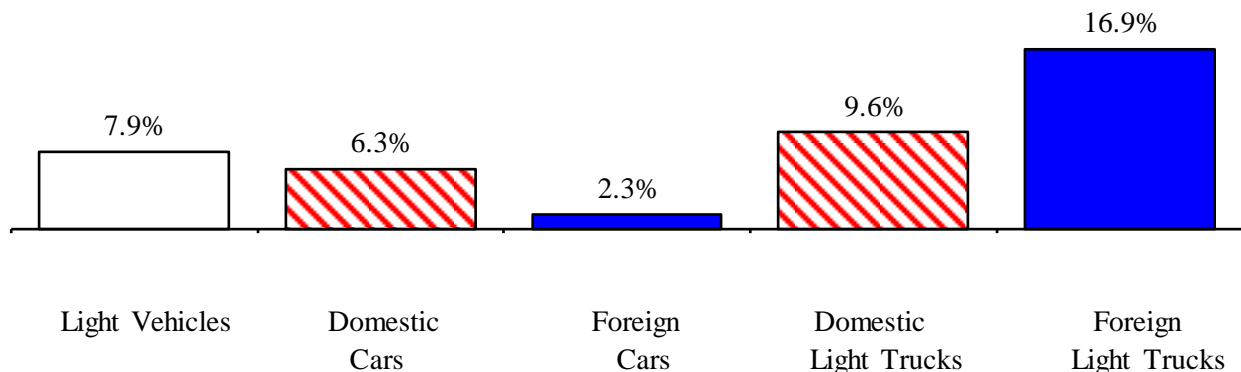
### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2012 Average	Nov 2012	Nov 2013	Percent Change	2012 Average	Nov 2012	Nov 2013	Percent Change
Wage & Salary Employment	4,024	4,035	4,094	1.5%	133,739	134,472	136,765	1.7%
Goods Producing	672	678	699	3.1%	18,410	18,464	18,749	1.5%
Manufacturing	537	544	563	3.5%	11,919	11,938	12,014	0.6%
Private Service Producing	2,742	2,749	2,790	1.5%	93,411	94,129	96,159	2.2%
Trade, Trans. & Utilities	729	732	744	1.6%	25,516	25,720	26,202	1.9%
Services	1,764	1,767	1,830	3.6%	57,432	57,902	59,368	2.5%
Local, State & Fed. Gov't	610	608	604	-0.7%	21,917	21,879	21,857	-0.1%
Manufacturing Weekly Hours	41.3	43.9	43.2	-0.7 hrs	40.7	40.7	41.0	0.3 hrs

## Motor Vehicle Industry Sales

- November 2013 U.S. light vehicle sales totaled 16.3 million units, at a seasonally adjusted annual rate. The November 2013 rate was up 7.7 percent from last month and was 6.9 percent higher than the November 2012 rate. The light vehicle sales rate has exceeded 15.0 million units in each of the past 13 months and has exceeded 14.0 million units in each of the past 22 months. Year-to-date, 2013 light vehicle sales are up 7.9 percent
- U.S. sales of domestic light vehicles increased 5.9 percent between November 2012 and November 2013, while foreign sales were up 10.5 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 21.9 percent in November 2012 to 22.6 percent in November 2013.
- Auto sales increased 3.4 percent compared to last November, while light truck sales were up 10.3 percent from November 2012. Year-over-year, heavy truck sales rose 10.4 percent.

### Year-to-date 2013 Light Vehicle Sales Up Significantly from Year Ago



## Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2012	Sep	Oct	Nov	3 Month	Change from	
	Average	2013	2013	2013	Average	Level	%
Autos	7.2	7.5	7.4	7.9	7.6	0.3	3.4%
Domestics	5.1	5.2	5.3	5.6	5.4	0.1	2.5%
Imports	2.1	2.3	2.1	2.3	2.3	0.1	5.7%
Import Share	29.3%	30.4%	28.6%	29.7%	29.5%	0.6% pts	
Light Trucks	7.2	7.7	7.7	8.4	7.9	0.8	10.3%
Domestics	6.1	6.4	6.4	7.0	6.6	0.6	8.6%
Imports	1.1	1.3	1.3	1.3	1.3	0.2	19.9%
Import Share	14.7%	16.6%	16.9%	16.0%	16.5%	1.3% pts	
Total Light Vehicles	14.4	15.2	15.1	16.3	15.6	1.0	6.9%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.0	10.4%
Total Vehicles	14.8	15.6	15.5	16.7	15.9	1.1	6.9%

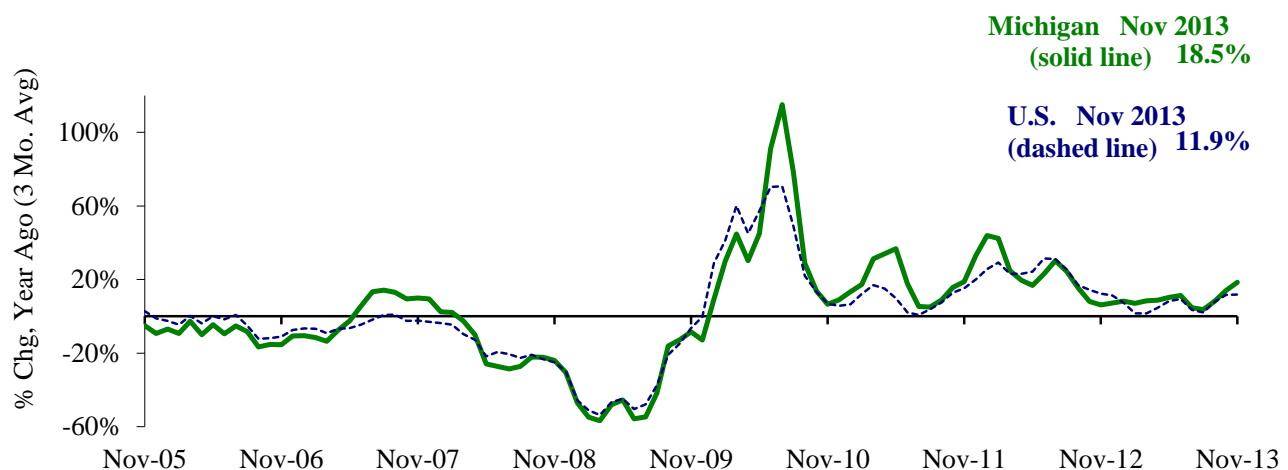
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

	2012	Aug-13	Sep-13	Oct-13	3 Month	Change from	
	Average	Aug-13	Sep-13	Oct-13	Average	Level	%
Inventories	\$149.3	\$169.7	\$173.6	\$177.2	\$173.5	\$19.2	12.2%
Inventory/Sales Ratio	2.01	2.08	2.15	2.17	2.13	0.06	

## Motor Vehicle Industry Production

- At 207,516 units, November 2013 Michigan motor vehicle production was 16.3 percent higher than November 2012. National production increased 4.1 percent from last November. The three-month average of vehicle production (September 2013-November 2013) was up 18.5 percent in Michigan and rose 11.9 percent nationally, compared to a year ago.
- In November 2013, Michigan car production was up 3.8 percent from a year ago while State truck production rose 26.2 percent. Nationally, car production decreased 6.6 percent while U.S. truck production increased 12.6 percent.
- From a year ago, Michigan's November share of national vehicle production rose 2.4 percentage points to 22.9 percent. Michigan's share of U.S. car production was up 2.3 points to 22.9 percent. Michigan's share of U.S. truck production rose 2.5 percentage points to 22.9 percent.

### Michigan and U.S. Motor Vehicle Production Increases from Year-Ago Levels Tick Up <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012					Change from Year Ago for the Month	
	Monthly Average	Sep 2013	Oct 2013	Nov 2013	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	364.5	388.4	438.0	357.6	394.7	(25.4)	-6.6%
Trucks	503.0	581.4	658.5	547.0	595.6	61.1	12.6%
Total	867.5	969.8	1,096.5	904.6	990.3	35.7	4.1%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	80.5	89.1	98.1	82.0	89.7	3.0	3.8%
Trucks	107.8	130.1	140.8	125.2	132.0	26.0	26.2%
Total	188.2	219.1	238.9	207.2	221.7	29.0	16.3%
Michigan as % of U.S.	21.7%	22.6%	21.8%	22.9%	22.4%	2.4% pts	

## Local Area Unemployment Rates Rise in 16 Michigan Local Areas

(Not Seasonally Adjusted)

November 2013 local area unemployment rates ranged between 5.3 percent in Ann Arbor metropolitan statistical area (MSA) and 11.7 percent in Northeast Lower Michigan. The median November 2013 unemployment rate was 7.9 percent, which is up from last November's 7.2 percent median rate.

Compared to a year ago, the November unemployment rate rose in 16 Michigan labor market areas and fell in one State labor market area. The Northeast Lower Michigan area reported the greatest year-over-year (y-o-y) rate increase of 1.9 percentage points, followed by the Upper Peninsula with a 1.2 percentage points increase. The Detroit-Warren-Livonia MSA reported the only rate drop (1.4 percentage points).

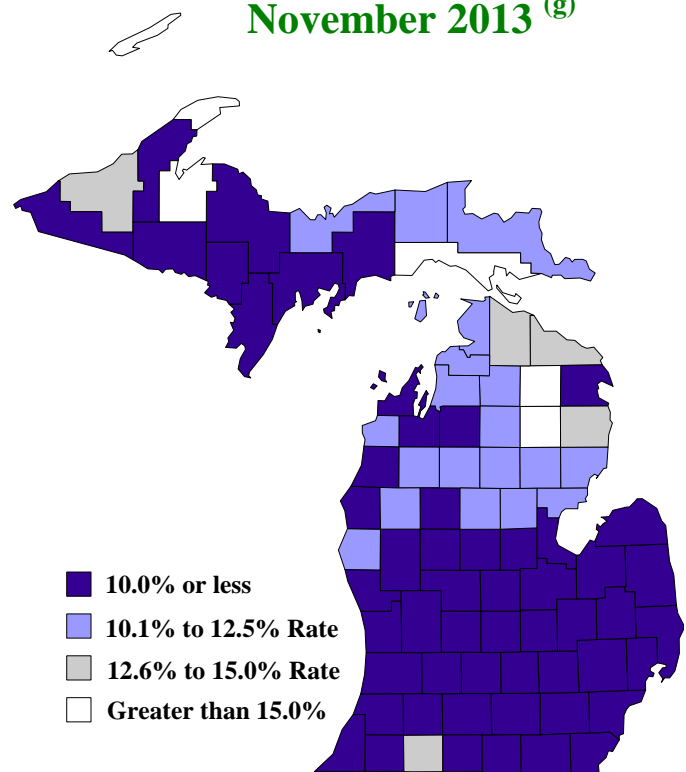
Between November 2012 and November 2013, employment rose in 12 areas and fell in five areas. The median employment increase among the 12 areas that saw job increases was 1.1 percent. The Grand Rapids-Wyoming MSA reported the largest employment increase (3.2 percent) while the Detroit-Warren-Livonia MSA saw the second largest employment increase (2.3 percent). The Northeast Lower Peninsula reported the largest employment decline (0.9 percent) while the Bay City MSA and Niles-Benton Harbor MSA each had the second largest employment decline (0.6 percent). The labor force rose in 16 labor market areas and was unchanged in one area. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (3.3 percent). The Holland-Grand Haven MSA and the Muskegon-Norton Shores MSA each reported the second largest percent increase in labor force with a 2.5 percent increase.

Between November 2012 and November 2013, the unemployment rate rose in 76 Michigan counties and fell in seven counties. The median November 2013 rate change was a 0.8 percentage rate increase. Oscoda County posted the largest rate increase (4.0 percentage points), while St. Clair County experienced the largest decrease (2.3 percentage points). The unemployment rate in 53 counties was below 10.0 percent in November 2013. Last November, 64 counties had an unemployment rate below 10.0 percent. In November 2013, five Michigan counties reported a rate higher than 15.0 percent. Last November, no Michigan county had an unemployment rate over 15.0 percent.

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

<u>Local Area</u>	<u>Nov 2012 Rate</u>	<u>Oct 2013 Rate</u>	<u>Nov 2013 Rate</u>
Michigan	8.0%	8.3%	7.8%
Ann Arbor	4.5%	6.0%	5.3%
Battle Creek	6.0%	7.2%	6.5%
Bay City	7.0%	8.4%	7.9%
Detroit-Warren-Livonia	9.7%	9.0%	8.3%
Flint	8.2%	9.7%	9.0%
Grand Rapids-Wyoming	5.5%	6.3%	5.6%
Holland-Grand Haven	5.5%	6.4%	5.8%
Jackson	7.2%	8.6%	8.0%
Kalamazoo-Portage	6.2%	7.3%	6.7%
Lansing-East Lansing	5.8%	7.1%	6.3%
Monroe	6.6%	7.7%	7.3%
Muskegon-Norton Shores	7.5%	8.7%	7.9%
Niles-Benton Harbor	7.5%	8.6%	8.1%
Saginaw-Saginaw Township	7.2%	8.9%	8.1%
Upper Peninsula	7.8%	8.6%	9.0%
Northeast Lower Mich	9.8%	10.8%	11.7%
Northwest Lower Mich.	8.4%	9.0%	9.2%

### County Unemployment Rates November 2013<sup>(g)</sup>



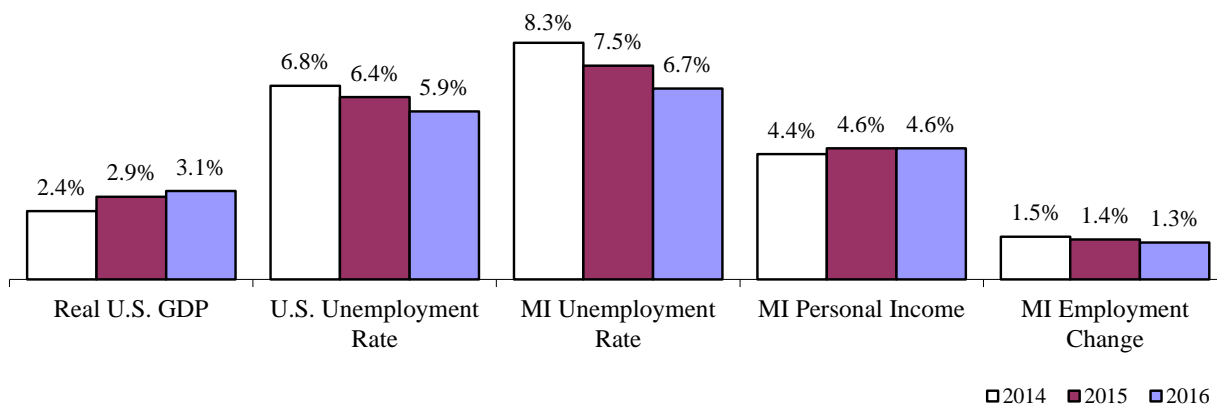
## Consensus Economic Forecast Continued Recovery

On January 10, 2014, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2014, 2015 and 2016. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.4 percent in 2014. Real GDP is then expected to grow 2.9 percent in 2015 and 3.1 percent in 2016. The 2014 projected increase is down 0.3 percentage point from the May 2013 Conference projection. The January 2014 Conference’s growth forecast for 2015 is unchanged from the May 2013 growth forecast.
- The U.S. unemployment rate is forecast to fall over the next three years. The rate is forecast to fall to 6.8 percent for 2014 and then decline to 6.4 percent in 2015 and 5.9 percent in 2016. The national unemployment rate projected for 2015 is unchanged from the May 2013 forecast.
- The January 2014 Consensus expects light vehicle sales to rise to 16.0 million units in 2014, 16.3 million units in 2015 and 16.6 million units in 2016. The 2014 projection is up 0.4 million units from the May 2013 Conference projection and the 2015 forecast is up 0.4 million units.
- The January 2014 Consensus projects that Michigan wage and salary employment will rise 1.5 percent in 2014 – 0.3 percentage point faster than the May 2013 forecast. The January Consensus forecasts a 1.4 percent employment increase in 2015 (0.2 percentage point higher than in May 2013) and a 1.3 percent employment increase in 2016.
- According to the January 2014 Consensus, the Michigan unemployment rate will fall to 8.3 percent in 2014, 7.5 percent in 2015 and 6.7 percent in 2016. The January 2014 Consensus rate forecast for 2015 is down 0.2 percentage point from the May 2013 Consensus.
- Michigan personal income is projected to rise 4.4 percent in 2014, increase 4.6 percent in 2015 and rise 4.6 percent in 2016. Wages and salaries are expected to increase 3.9 percent in 2014, rise 3.8 percent in 2015 and increase 3.7 percent in 2016.

### U.S. Economic Forecast Modest Recovery

### Michigan Economic Forecast Growing Labor Market



## U.S. Economic Conditions

	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	82.1	77.5	73.2	75.1	-7.6 points
ISM Manufacturing Index <sup>(i)</sup>	55.7	56.2	56.4	57.3	7.4 points
ISM Non Manufacturing Index <sup>(i)</sup>	58.6	54.4	55.4	53.9	-0.9 points
	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	
Business Executives' Confidence <sup>(i)</sup>	54.0	62.0	54.0	60.0	14.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	233.9	234.1	233.5	233.1	1.2%
Detroit CPI	220.0	NA	219.7	NA	0.7%
U.S. Producer Price Index	198.1	197.3	196.9	195.9	0.7%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.04%	0.02%	0.05%	0.07%	-0.02% points
Aaa Corporate Bonds <sup>(l)</sup>	4.54%	4.64%	4.53%	4.63%	1.13% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	99.5	100.1	100.2	101.3	3.2%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	78.0%	78.3%	78.2%	79.0%	1.1% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$426.4	\$426.8	\$429.4	\$432.3	4.7%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.883	0.873	0.889	1.091	29.6%
Existing Home Sales <sup>(m)</sup>	5.390	5.290	5.120	4.900	-1.2%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$225.7	\$235.2	\$233.6	\$241.6	10.9%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>% Change From Year Ago</u>
Michigan	\$376.8	\$385.7	\$384.4	\$387.8	3.1%
U.S.	\$13,683.8	\$14,055.5	\$13,872.5	\$14,006.2	2.7%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,539.6	\$15,583.9	\$15,679.7	\$15,839.3	4.13%



**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.