



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

October 2013 Summary

U.S. Economy: Between 2013Q2 and 2013Q3, real U.S. Gross Domestic Product rose at a 3.6 percent annual rate -- the fastest growth rate since 2012Q1. In October 2013, the Consumer Sentiment Index was down 9.4 points from a year ago to 73.2 – the index’s lowest reading this calendar year. Existing home sales rose 6.0 percent in October compared to a year ago. In October 2013, the ISM manufacturing index rose 4.7 points from last October while the ISM non-manufacturing index increased 0.8 point from a year ago. Retail sales increased 3.9 percent from last year. In October 2013, industrial production grew 3.2 percent from a year earlier. Capacity utilization was up 1.1 points from last October. New durable goods orders reported strong growth (5.8 percent) from October 2012.

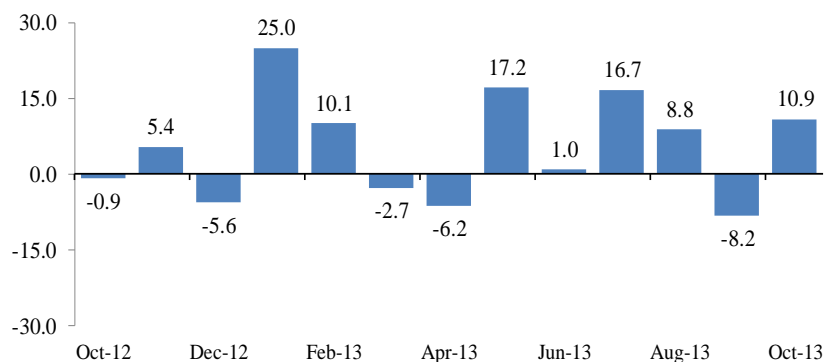
Employment: Between October 2012 and October 2013, Michigan employment rose by 72,400 jobs (1.8 percent). Compared to September 2013, Michigan employment is up 10,900 jobs. At 9.0 percent, Michigan’s unemployment rate is unchanged over the last two months and is down very slightly (0.1 percentage point) from last year. U.S. wage and salary employment was up 204,000 from September. Over the last year, national employment increased by 2.3 million jobs (1.7 percent).

Auto Industry: In October 2013, the U.S. light vehicle annual sales rate fell 0.3 percent from last month but was up 5.8 percent from a year ago. October marked the 12th straight month that the light vehicle annual sales rate exceeded 15.0 million units and the 21st consecutive month in which the sales rate was above 14.0 million units. Both Michigan and national vehicle production rose appreciably compared to a year ago with Michigan production up 14.3 percent and U.S. production rising 11.0 percent. Compared to a year ago, Michigan’s share of national vehicle production increased 0.6 percentage point to 21.8 percent.

Inflation: In October, the overall U.S. consumer price index (CPI) rose 1.0 percent compared to a year ago. The core U.S. CPI (excluding food and energy) increased 1.7 percent. The producer price index rose 0.3 percent from last year. The Detroit CPI increased 0.7 percent from last October. At \$100.54, the price of oil was up \$11.05 per barrel from October 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 fell in nine areas, rose in six areas and was unchanged in two areas. Seventy-six of Michigan’s 83 counties saw a year-over-year unemployment rate increase while seven counties recorded a rate decrease.

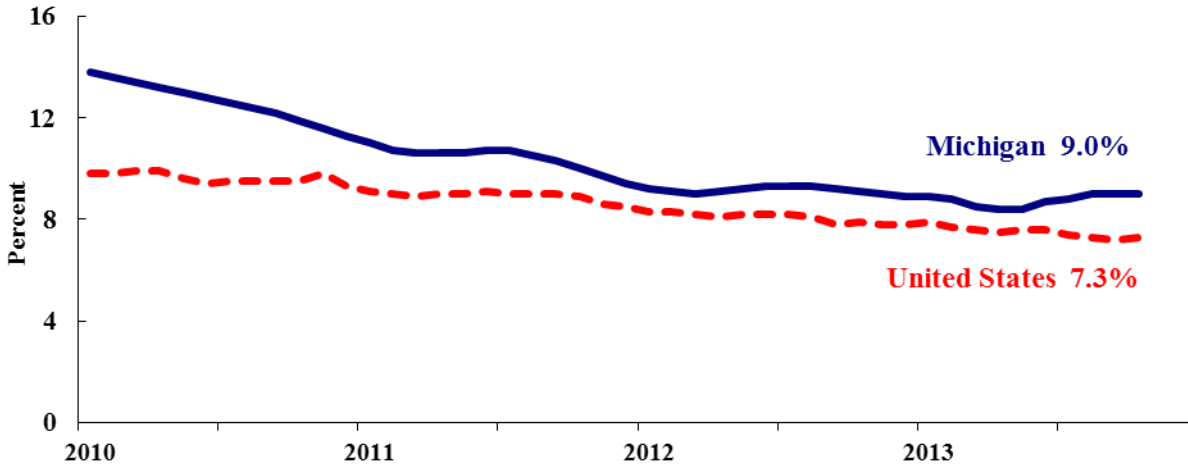
Michigan Employment Grows in October 2013
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan’s October unemployment rate remained unchanged from last month at 9.0 percent, but was down 0.1 of a percentage point from a year ago. The October U.S. unemployment increased 0.1 of a percentage point from September to 7.3 percent and was down 0.6 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 October, the number of people employed in Michigan decreased 11,000 from last month to 4,301,000, while the labor force also decreased 11,000. The statewide total number of unemployed fell 2,000 to 423,000.
- United States household employment totaled 143.6 million persons in October. The labor force totaled 154.8 million and there were 11.3 million unemployed in October 2013.

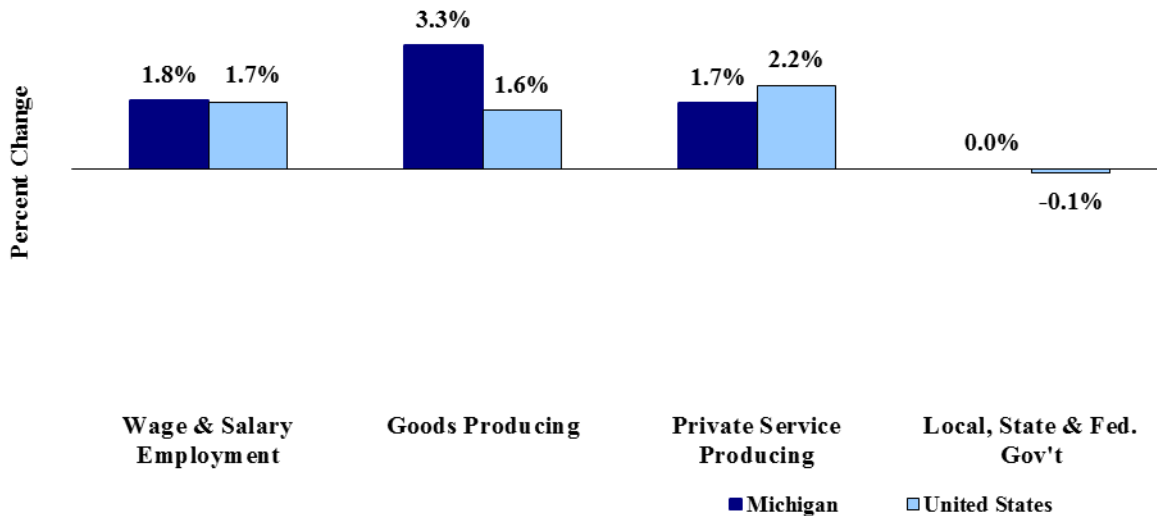
Employment by Place of Residence (in thousands)^(a)

	2012 Average	Aug 2013	Sep 2013	Oct 2013	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,657	4,727	4,736	4,725	-11	-0.2%	79	1.7%	
Employed	4,232	4,302	4,312	4,301	-11	-0.3%	77	1.8%	
Unemployed	426	425	425	423	-2	-0.5%	1	0.3%	
Unemployment Rate	9.1%	9.0%	9.0%	9.0%	n.a.	0.0% pts	n.a.	-0.1% pts	
United States									
Labor Force	154,975	155,486	155,559	154,839	-720	-0.5%	-737	-0.5%	
Employed	142,469	144,170	144,303	143,568	-735	-0.5%	240	0.2%	
Unemployed	12,506	11,316	11,255	11,272	17	0.2%	-976	-8.0%	
Unemployment Rate	8.1%	7.3%	7.2%	7.3%	n.a.	0.1% pts	n.a.	-0.6% pts	

Employment by Place of Work

- From October 2012 to October 2013, Michigan wage and salary employment increased 72,000 (1.8 percent). State wage and salary employment increased 11,000 from September. Nationally, October 2013 wage and salary employment rose 2,329,000 (1.7 percent) from a year ago and was up 204,000 from last month.

Wage and Salary Employment Growth October 2012 to October 2013



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

- In the goods-producing sector, Michigan employment increased 3.3 percent from a year ago while private service-producing sector employment increased 1.7 percent. From a year ago, October national employment rose 1.6 percent in the goods-producing sector and increased 2.2 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 0.3 hour in October compared to last year.

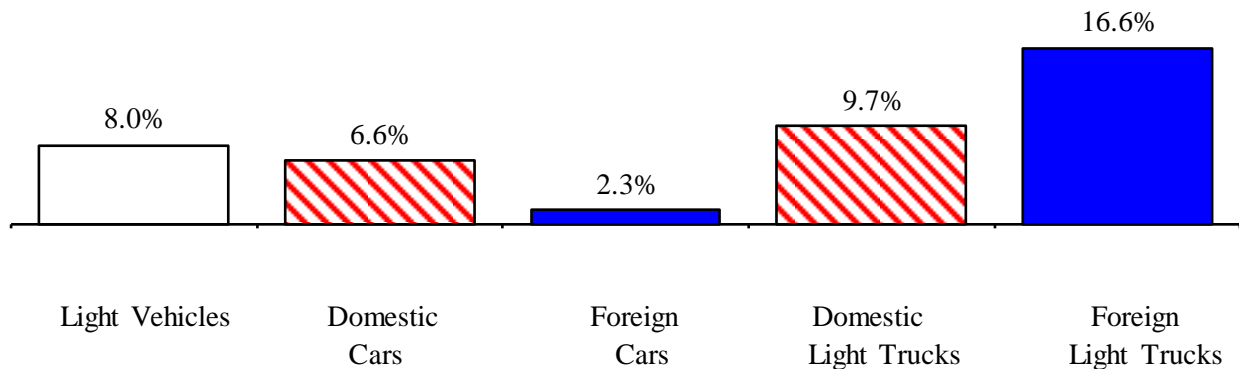
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2012 Average	Oct 2012	Oct 2013	Percent Change	2012 Average	Oct 2012	Oct 2013	Percent Change
Wage & Salary Employment	4,024	4,029	4,102	1.8%	133,739	134,225	136,554	1.7%
Goods Producing	672	674	696	3.3%	18,410	18,421	18,707	1.6%
Manufacturing	537	541	559	3.3%	11,919	11,931	11,986	0.5%
Private Service Producing	2,742	2,748	2,796	1.7%	93,411	93,916	95,985	2.2%
Trade, Trans. & Utilities	729	728	745	2.3%	25,516	25,623	26,130	2.0%
Services	1,764	1,770	1,802	1.8%	57,432	57,805	59,257	2.5%
Local, State & Fed. Gov't	610	609	609	0.0%	21,917	21,888	21,862	-0.1%
Manufacturing Weekly Hours	41.3	43.9	43.6	-0.3 hrs	40.7	40.5	40.9	0.4 hrs

Motor Vehicle Industry Sales

- October 2013 U.S. light vehicle sales totaled 15.2 million units, at a seasonally adjusted annual rate. The October 2013 rate was down 0.3 percent from last month, but was 5.8 percent higher than the October 2012 rate. The light vehicle sales rate has exceeded 15.0 million units in each of the past 12 months and has exceeded 14.0 million units in each of the past 21 months. Year-to-date, 2013 light vehicle sales are up 8.0 percent
- U.S. sales of domestic light vehicles increased 4.4 percent between October 2012 and October 2013, while foreign sales were up 10.6 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 21.6 percent in October 2012 to 22.6 percent in October 2013.
- Auto sales increased 2.7 percent compared to last October, while light truck sales were up 8.9 percent from October 2012. Year-over-year, heavy truck sales rose 5.4 percent.

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2012	Aug	Sep	Oct	3 Month	Change from	
	Average	2013	2013	2013	Average	Level	%
Autos	7.2	7.8	7.5	7.4	7.6	0.2	2.7%
Domestics	5.1	5.5	5.2	5.3	5.4	0.2	3.7%
Imports	2.1	2.3	2.3	2.1	2.2	0.0	0.1%
Import Share	29.3%	29.7%	30.4%	28.5%	29.5%	-0.7% pts	
Light Trucks	7.2	8.2	7.7	7.7	7.9	0.6	8.9%
Domestics	6.1	6.9	6.4	6.4	6.6	0.3	5.0%
Imports	1.1	1.3	1.3	1.3	1.3	0.3	33.3%
Import Share	14.7%	15.4%	16.6%	16.9%	16.3%	3.1% pts	
Total Light Vehicles	14.4	16.0	15.2	15.2	15.5	0.8	5.8%
Heavy Trucks	0.3	0.3	0.4	0.3	0.3	0.0	5.4%
Total Vehicles	14.8	16.4	15.6	15.5	15.8	0.8	5.7%

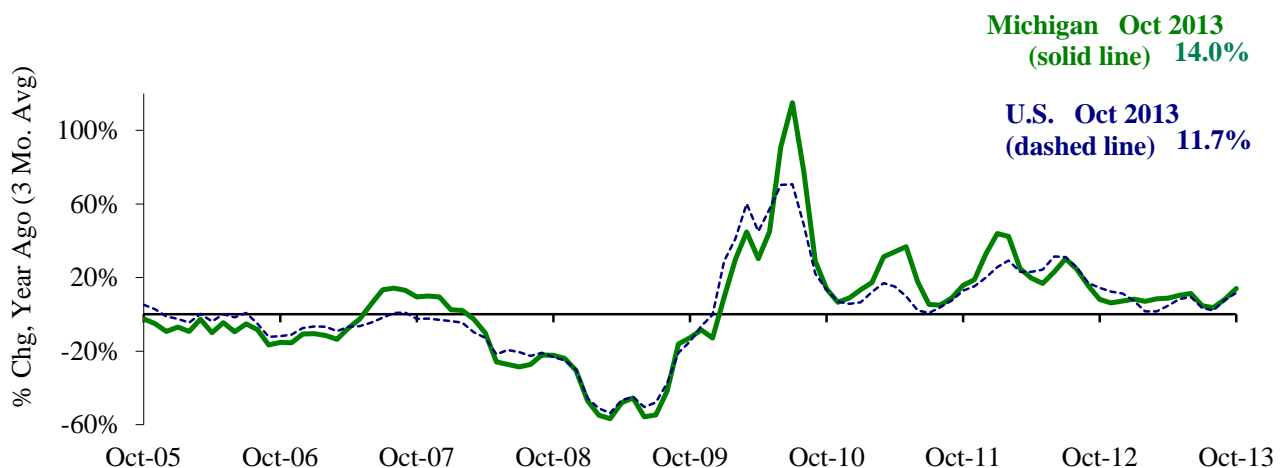
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2012	Jul-13	Aug-13	Sep-13	3 Month		
	Average				Average		
Inventories	\$150.8	\$168.9	\$169.7	\$173.0	\$170.6	\$15.0	9.5%
Inventory/Sales Ratio	2.05	2.09	2.08	2.14	2.10	0.05	

Motor Vehicle Industry Production

- At 238,918 units, October 2013 Michigan motor vehicle production was 14.3 percent higher than October 2012. National production increased 11.0 percent from last October. The three-month average of vehicle production (August 2013-October 2013) was up 14.0 percent in Michigan and rose 11.7 percent nationally, compared to a year ago.
- In October 2013, Michigan car production was up 1.3 percent from a year ago while State truck production rose 25.5 percent. Nationally, car production increased 1.2 percent while U.S. truck production increased 18.5 percent.
- From a year ago, Michigan's October share of national vehicle production rose 0.6 percentage point to 21.8 percent. Michigan's share of U.S. car production was unchanged at 22.4 percent. Michigan's share of U.S. truck production rose 1.2 percentage points to 21.4 percent.

Michigan and U.S. Motor Vehicle Production Increases from Year-Ago Levels Tick Up ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2012					Change from Year Ago for the Month	
	Monthly Average	Aug 2013	Sep 2013	Oct 2013	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	364.5	402.0	388.4	438.0	409.5	5.3	1.2%
Trucks	503.0	604.3	581.4	658.5	614.7	102.9	18.5%
Total	867.5	1,006.3	969.8	1,096.5	1,024.2	108.2	11.0%
Michigan Production ^(f)							
Autos	80.5	87.5	89.1	98.1	91.6	1.2	1.3%
Trucks	107.8	138.0	130.1	140.8	136.3	28.6	25.5%
Total	188.2	225.6	219.1	238.9	227.9	29.8	14.3%
Michigan as % of U.S.	21.7%	22.4%	22.6%	21.8%	22.2%	0.6% pts	

Local Area Unemployment Rates Rise in Nine Michigan Local Areas (Not Seasonally Adjusted)

October 2013 local area unemployment rates ranged between 6.0 percent in Ann Arbor metropolitan statistical area (MSA) and 10.8 percent in Northeast Lower Michigan. The median October 2013 unemployment rate was 8.6 percent, which is up from last October's 7.0 percent median rate.

Compared to a year ago, the October 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 2.1 percentage points, followed by the Upper Peninsula with a 1.6 percentage points increase. The Detroit-Warren-Livonia MSA reported the only rate drop (1.4 percentage points).

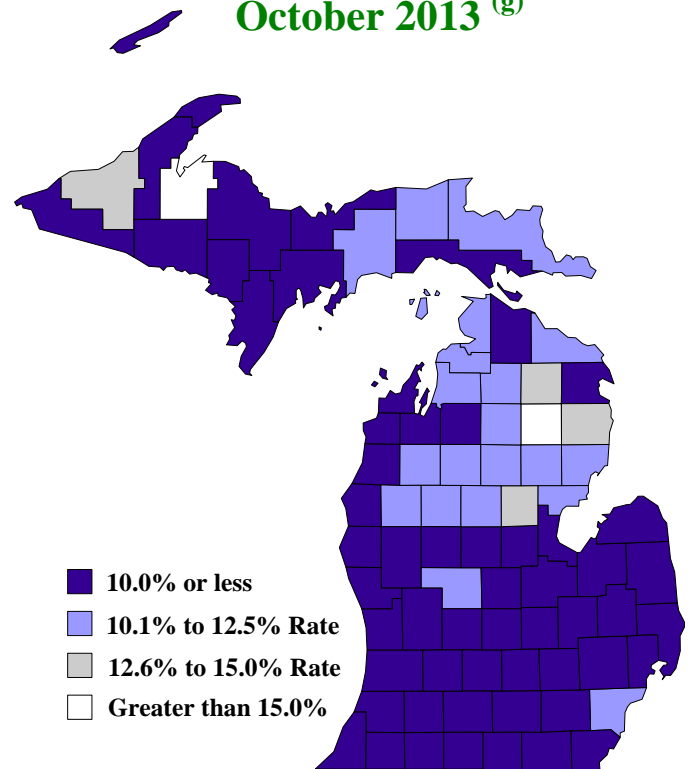
Between October 2012 and October 2013, employment fell in nine areas, rose in six areas and was unchanged in two areas. The median employment decrease among the nine areas that saw job declines was 0.6 percent. The Northeast Lower Peninsula reported the largest employment decline (1.2 percent) while the Niles-Benton Harbor MSA saw the second largest employment decrease (1.1 percent). The Grand Rapids-Wyoming MSA reported the largest employment growth rate (2.8 percent) while the Holland-Grand Haven MSA saw the second largest employment increase (2.1 percent). The labor force rose in all 17 labor market areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (3.4 percent), followed by the Muskegon-Norton Shores MSA with a 2.9 percent increase.

Between October 2012 and October 2013, the unemployment rate rose in 76 Michigan counties and fell in seven counties. The median October 2013 rate change was a 1.2 percentage rate increase. Oscoda County posted the largest increase (4.6 percentage points), while St. Clair County experienced the largest decrease (1.9 percentage points). The unemployment rate in 57 counties was below 10.0 percent in October 2013. Last October, 70 counties had an unemployment rate below 10.0 percent. In October 2013, two Michigan counties reported a rate higher than 15.0 percent. Last October, no Michigan county had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Oct 2012 Rate</u>	<u>Aug 2013 Rate</u>	<u>Sep 2013 Rate</u>	<u>Oct 2013 Rate</u>	<u>Oct-12 Oct-13 Yr-Yr</u>
Michigan	8.3%	8.7%	8.3%	8.3%	
Ann Arbor	4.9%	6.2%	5.6%	6.0%	1.1%
Battle Creek	6.3%	7.4%	6.9%	7.2%	0.9%
Bay City	7.0%	8.6%	8.1%	8.4%	1.4%
Detroit-Warren-Livonia	10.4%	9.8%	9.4%	9.0%	-1.4%
Flint	8.4%	9.7%	9.2%	9.7%	1.3%
Grand Rapids-Wyoming	5.7%	6.4%	6.0%	6.3%	0.6%
Holland-Grand Haven	5.7%	6.5%	6.0%	6.4%	0.7%
Jackson	7.4%	8.7%	8.1%	8.6%	1.2%
Kalamazoo-Portage	6.4%	7.3%	6.9%	7.3%	0.9%
Lansing-East Lansing	6.2%	7.5%	6.7%	7.1%	0.9%
Monroe	6.7%	7.9%	7.3%	7.7%	1.0%
Muskegon-Norton Shores	7.6%	8.6%	8.2%	8.7%	1.1%
Niles-Benton Harbor	7.6%	8.7%	8.2%	8.6%	1.0%
Saginaw-Saginaw Township	7.4%	8.8%	8.4%	8.8%	1.4%
Upper Peninsula	7.0%	8.6%	8.0%	8.6%	1.6%
Northeast Lower Mich	8.7%	10.0%	9.7%	10.8%	2.1%
Northwest Lower Mich.	7.7%	8.4%	8.3%	9.0%	1.3%

County Unemployment Rates October 2013^(g)

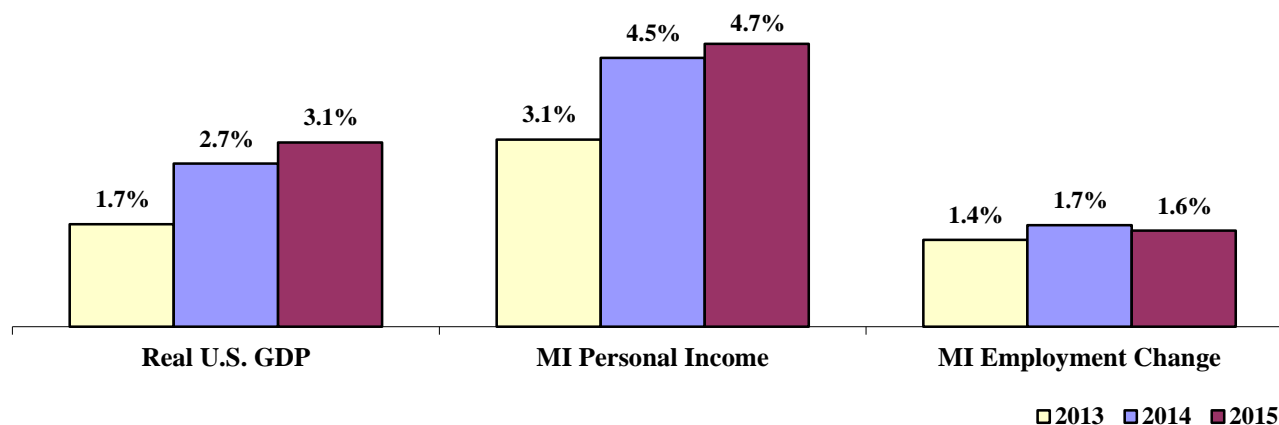


University of Michigan Economic Forecast Slowly Accelerating Growth

On November 21 and 22, 2013, the University of Michigan's Research Seminar in Quantitative Economics (RSQE), released its forecast for the U.S. and Michigan economies for 2014 and 2015. Forecast highlights include:

- After growing an estimated 1.7 percent in CY 2013, real (inflation adjusted) GDP is forecast to rise 2.7 percent in CY 2014 and grow 3.1 percent in CY 2015. Real consumption growth is expected to accelerate over the forecast, increasing from 1.9 percent in 2013 to 2.8 percent in 2015. Real investment – particularly residential investment – is forecast to rise sharply between 2013 and 2015. Real government purchases are projected to decline 0.5 percent in 2014 but rise 0.5 percent in 2015.
- U.S. wage and salary employment is expected to see slightly accelerating growth over the forecast horizon. As a result, the U.S. unemployment rate is projected to fall over the next two years from 7.0 percent in 2013 to 5.8 percent in 2015.
- Light vehicle sales rose from 14.4 million units in 2012 to an estimated 15.5 million units in 2013. Sales are forecast to rise to 16.0 million units in 2014 and to 16.3 million units in 2015.
- Michigan wage and salary employment rose an estimated 1.4 percent in 2013. Michigan's rate of employment growth is forecast to increase to 1.7 percent in 2014 before slowing slightly to 1.6 percent in 2015.
- The Michigan unemployment rate fell modestly in 2013 – falling from 9.1 percent in 2012 to an estimated 8.7 percent in 2013. Michigan's unemployment rate is forecast to decline to 8.2 percent in 2014 before dropping to 7.3 percent in 2015.
- After rising 3.5 percent in 2012, Michigan personal income increased an estimated 3.1 percent in 2013. Income growth is forecast to accelerate to 4.5 percent in 2014 and to 4.7 percent in 2015.

U.S. GDP and Michigan Personal Income Growth Michigan Employment Increases



U.S. Economic Conditions

	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	85.1	82.1	77.5	73.2	-9.4 points
ISM Manufacturing Index ⁽ⁱ⁾	55.4	55.7	56.2	56.4	4.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.0	58.6	54.4	55.4	0.6 points
	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	
Business Executives' Confidence ⁽ⁱ⁾	46.0	54.0	62.0	54.0	12.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	233.6	233.9	234.1	233.5	1.0%
Detroit CPI	NA	220.0	NA	219.7	0.7%
U.S. Producer Price Index	197.3	198.1	197.3	196.9	0.3%
INTEREST RATES					
90 Day T-Bill ^(l)	0.04%	0.04%	0.02%	0.05%	-0.05% points
Aaa Corporate Bonds ^(l)	4.34%	4.54%	4.64%	4.53%	1.06% points
INDUSTRIAL PRODUCTION ^(l)					
	99.0	99.5	100.1	100.0	3.2%
CAPACITY UTILIZATION ^(l)					
	77.7%	77.9%	78.3%	78.1%	1.1% points
RETAIL SALES ^(d)					
	\$425.5	\$426.4	\$426.4	\$428.1	3.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.891	0.883	#N/A	#N/A	#N/A
Existing Home Sales ^(m)	5.390	5.390	5.290	5.120	6.0%
DURABLE GOODS ORDERS ^(p)					
	\$224.6	\$225.7	\$235.2	\$231.4	5.8%
PERSONAL INCOME ^(c)					
(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%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<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	\$15,819.0	3.60%

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.