



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

July 2016 Summary

U.S. Economy: Real GDP growth in 2016Q2 was revised down slightly to 1.1 percent annual rate. New durable goods orders fell 3.3 percent from last July. Consumer sentiment was down 3.1 percentage points from July 2015 and fell 3.5 points from a month ago. Retail sales increased 2.3 percent from last July. The Institute for Supply Management (ISM) reported the current expansion has now lasted 86 months. The ISM Production Management Index (PMI) rose 0.7 of a point from last July, and, at 52.6, the July 2016 PMI signaled an expanding manufacturing sector for the fifth straight month. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 78th straight month, but was down 4.1 points from last July. In July 2016, industrial production declined 0.5 percent from the year-ago level. This marked the 11th straight month in which industrial production fell below the year-ago level and the first time it has declined for 11 consecutive months since December 2009. The capacity utilization rate fell 1.3 points from July 2015. The July 2015-July 2016 decline in the utilization rate marked the 17th consecutive y-o-y rate drop. Housing starts were up 5.6 percent from last July but existing home sales decreased 1.6 percent.

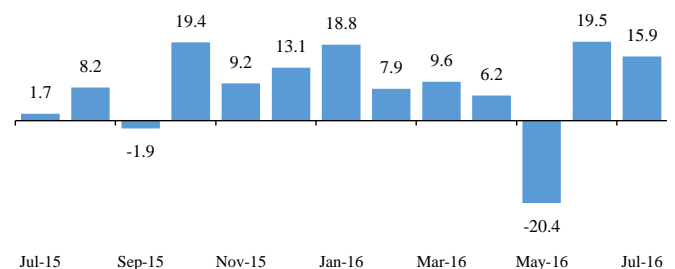
Employment: In July 2016, the Michigan unemployment rate fell 0.1 of a percentage point from June to 4.5 percent – the State’s lowest unemployment rate since January 2001. The July 2016 Michigan rate was down 0.7 of a percentage point from July 2015. The U.S. rate was unchanged from June at 4.9 percent. Between July 2015 and July 2016, Michigan payroll employment gained a net 105,500 jobs (2.5 percent). Michigan payroll employment in July 2016 rose 15,900 jobs compared to June 2016. U.S. payroll employment was up 2.4 million jobs (1.7 percent) in July 2016 compared to a year ago. National payroll employment was up by 255,000 jobs from June to July.

Auto Industry: In July 2016, U.S. light vehicle sales rose 1.9 percent from last July to an annualized 17.8 million units. Between July 2015 and July 2016, the three-month average of Michigan vehicle production rose 10.4 percent while the three-month U.S. average was down 1.3 percent. Between July 2015 and July 2016, Michigan’s share of U.S. vehicle production rose 2.4 percentage points to 20.7 percent.

Inflation: In July 2016, the overall U.S. consumer price index (CPI) rose 0.8 percent from a year ago. The core U.S. CPI (excluding food and energy) was up 2.2 percent from last July. The U.S. producer price index was down 0.2 percent from last year. At \$44.65, the July 2016 price of oil per barrel was down \$6.25 from July 2015.

Michigan Metro Areas: Compared to a year ago, July 2016 unemployment rates fell in all of Michigan’s 17 major labor markets and in 81 of the State’s 83 counties. Household employment rose in 15 of Michigan’s 17 major labor market areas.

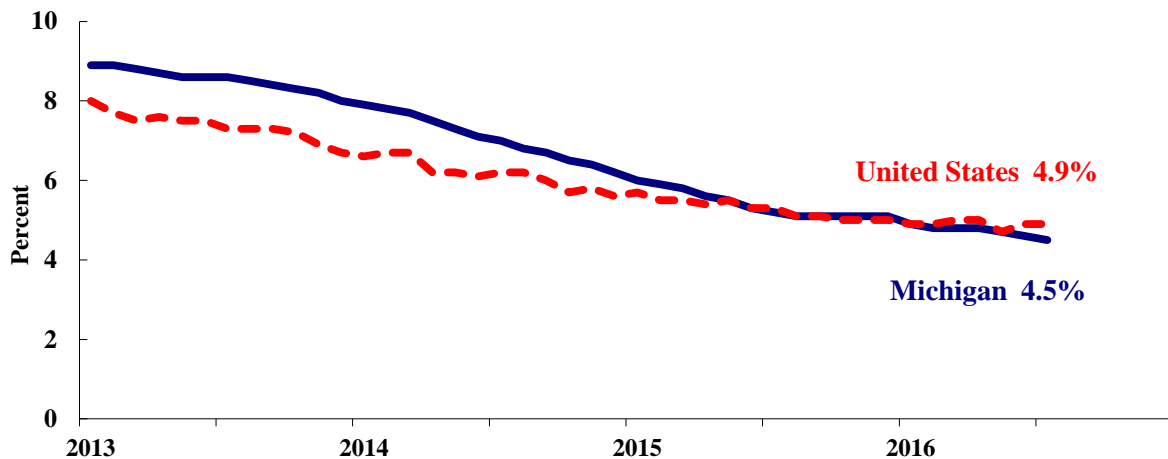
**Michigan Payroll Employment
Up Substantially in July**
(change from previous month, thousands of jobs) ^(a)



Labor Market Statistics

- In July 2016, the Michigan unemployment rate decreased 0.1 of a percentage point to 4.5 percent. Michigan's unemployment rate is the lowest since January 2001. The national unemployment rate remained unchanged from June to July at 4.9 percent. This is the first time since June 2000 where the Michigan unemployment rate has been 0.4 of a percentage point below the national average.
- In July 2016, Michigan's unemployment rate was down 0.7 of a percentage point from a year ago. The July U.S. unemployment rate decreased 0.4 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 July 2016



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

- In July, the total number of people employed in Michigan decreased 20,000 to 4,596,000 persons while the labor force fell 28,000. The statewide total number of unemployed workers fell 8,000 to 214,000.
- United States employment totaled 151.5 million persons in July. The labor force totaled 159.2 million and there were 7.8 million unemployed in July 2016.

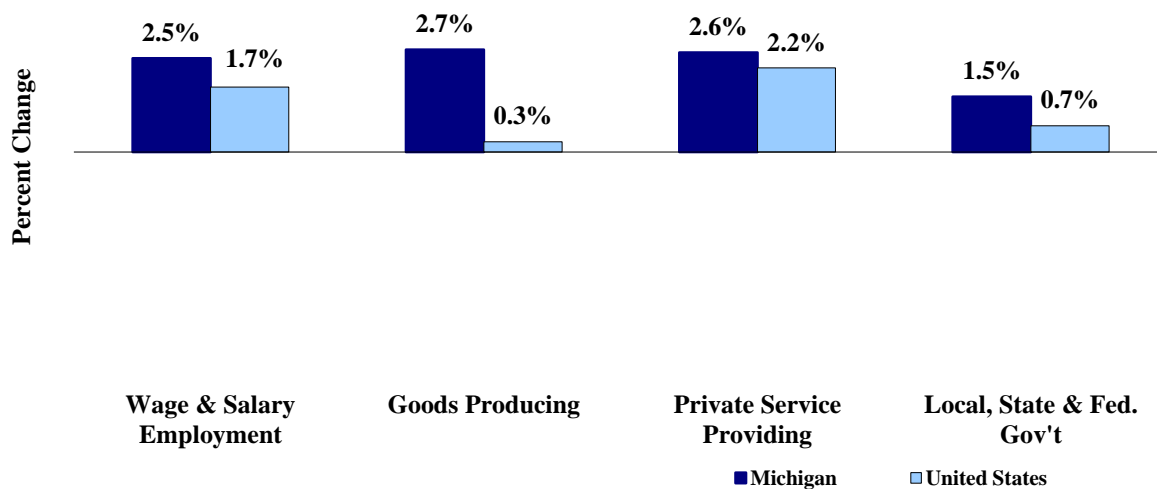
Employment by Place of Residence (in thousands)^(a)

	2015 Average	May 2016	Jun 2016	Jul 2016	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,751	4,868	4,838	4,810	-28	-0.6%	73	1.5%	
Employed	4,493	4,641	4,616	4,596	-20	-0.4%	106	2.4%	
Unemployed	258	227	222	214	-8	-3.6%	-33	-13.4%	
Unemployment Rate	5.4%	4.7%	4.6%	4.5%	n.a.	-0.1% pts	n.a.	-0.7% pts	
United States									
Labor Force	157,130	158,466	158,880	159,287	407	0.3%	2,172	1.4%	
Employed	148,834	151,030	151,097	151,517	420	0.3%	2,651	1.8%	
Unemployed	8,296	7,436	7,783	7,770	-13	-0.2%	-479	-5.8%	
Unemployment Rate	5.3%	4.7%	4.9%	4.9%	n.a.	0.0% pts	n.a.	-0.4% pts	

Employment by Place of Work (Payroll)

- From July 2015 to July 2016, Michigan payroll employment increased 105,500 jobs (2.5 percent). State payroll employment rose by 15,500 jobs in July from June. Nationally, July 2016 payroll employment rose 2,447,000 (1.7 percent) from a year ago and was up 255,000 from June.

Payroll Employment Growth July 2015 to July 2016



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

- In the goods-producing sector, Michigan payroll employment increased 2.7 percent in July from a year ago while employment in the private service-providing sector increased 2.6 percent. From a year ago, July 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 1.5 percent from a year ago in Michigan. Nationwide, government employment was up 0.7 percent.
- Manufacturing weekly hours in Michigan were down 1.0 hour in July compared to last year.

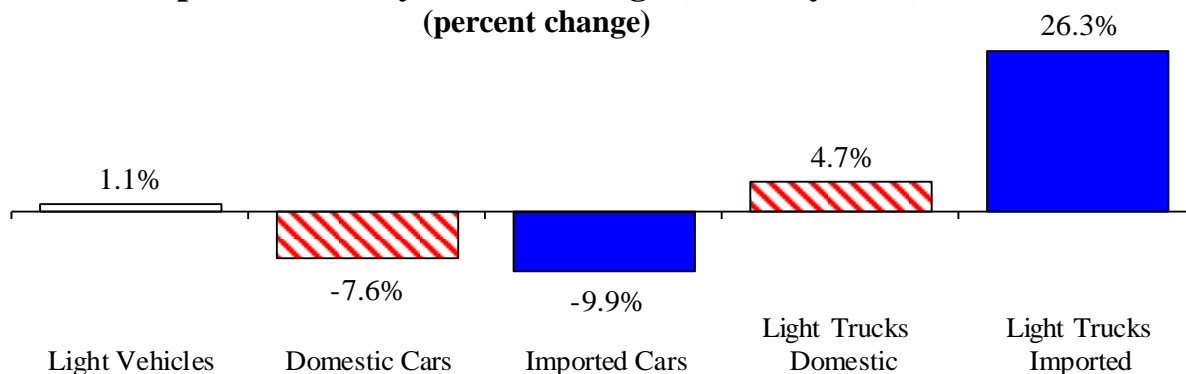
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2015 Average	July 2015	July 2016	Percent Change	2015 Average	July 2015	July 2016	Percent Change
Wage & Salary Employment	4,243.7	4,240.6	4,346.1	2.5%	141,865	142,001	144,448	1.7%
Goods Producing	742.9	740.3	760.4	2.7%	19,584	19,585	19,639	0.3%
Manufacturing	587.3	586.2	604.2	3.1%	12,318	12,336	12,305	-0.3%
Private Service Providing	2,906.5	2,907.5	2,984.2	2.6%	100,275	100,394	102,633	2.2%
Trade, Trans. & Utilities	770.7	771.1	771.9	0.1%	26,920	26,963	27,343	1.4%
Services	1,872.0	1,872.5	1,936.2	3.4%	62,480	62,538	64,208	2.7%
Local, State & Fed. Gov't	594.3	592.8	601.5	1.5%	22,007	22,022	22,176	0.7%
Manufacturing Weekly Hours	44.2	44.2	43.2	-1.0 hrs	41.8	40.8	40.7	-0.1 hrs

Motor Vehicle Industry Sales

- July 2016 U.S. light vehicle sales were up 6.4 percent from June and were up 1.9 percent from July 2015. At 17.8 million units, July 2016 marks the 29th straight month that the light vehicle annualized sales rate exceeded 16.0 million units and the 14th month out of the most recent 17 months that the sales rate exceeded 17.0 million units.
- U.S. sales of domestic light vehicles decreased 0.2 percent between July 2015 and July 2016. Foreign sales were up 9.9 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 1.6 percentage points to 22.5 percent in July 2016.
- Auto sales decreased 9.2 percent compared to last July, while light truck sales were up 10.4 percent from July 2015. As a result, July 2016 marked the fourth straight month in which the light truck share of total sales share exceeded 60.0 percent. Prior to the last four months, the light truck sales share exceeded 60.0 percent only once (July 2005). July 2016 heavy truck sales were down 13.9 percent from a year ago.

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2015 Total	May 2016	Jun 2016	Jul 2016	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	6.8	6.6	6.9	6.8	(0.7)	-9.2%
Domestics	5.6	5.0	4.9	5.1	5.0	(0.6)	-11.1%
Imports	1.9	1.8	1.7	1.8	1.8	(0.1)	-3.6%
Import Share	25.4%	26.0%	25.9%	26.1%	26.0%	1.5% pts	
Light Trucks	9.9	10.4	10.1	10.9	10.5	1.0	10.4%
Domestics	8.1	8.1	8.0	8.7	8.3	0.6	7.4%
Imports	1.8	2.3	2.1	2.2	2.2	0.4	24.1%
Import Share	18.1%	21.8%	21.2%	20.3%	21.1%	2.2% pts	
Total Light Vehicles	17.4	17.2	16.7	17.8	17.2	0.3	1.9%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	(0.1)	-13.9%
Total Vehicles	17.8	17.6	17.1	18.2	17.6	0.3	1.5%

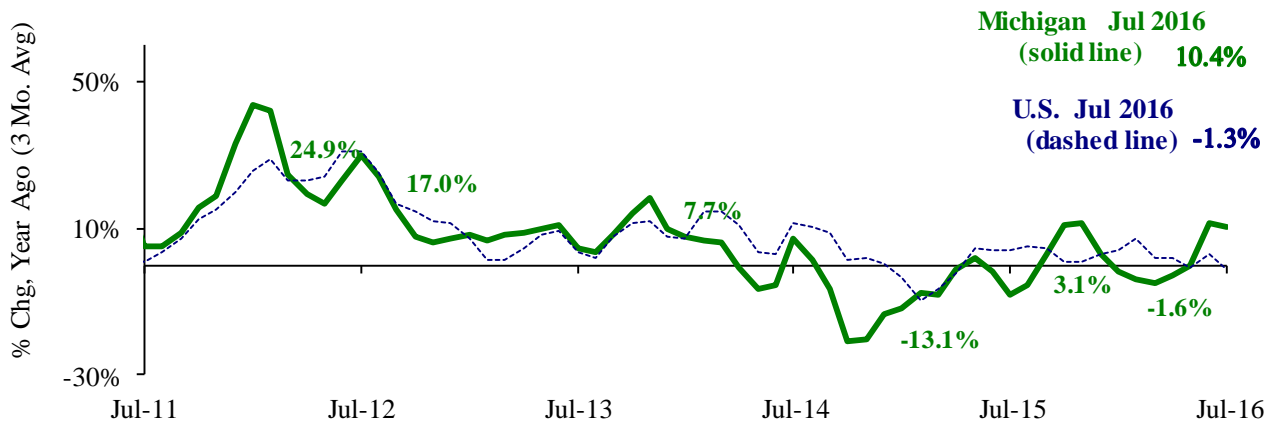
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2015 Average	Apr-16	May-16	Jun-16	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$190.4	\$206.5	\$208.0	\$208.0	\$207.5	\$18.9	10.0%
Inventory/Sales Ratio	2.10	2.24	2.27	2.27	2.26	0.19	

Motor Vehicle Industry Production

- At 164,684 units, July 2016 Michigan motor vehicle production was down 4.4 percent from July 2015. National production decreased 15.5 percent from last July. The three-month average of vehicle production (May 2016-July 2016) was up 10.4 percent in Michigan and down 1.3 percent nationally, compared to a year ago.
- In July 2016, Michigan car production was up 13.2 percent from a year ago while State truck production fell 11.8 percent. Nationally, car production decreased 18.0 percent while U.S. truck production decreased 14.1 percent.
- Michigan’s share of national vehicle production rose 2.4 percentage points to 20.7 percent in July 2016 from the year-ago level. Michigan’s share of U.S. car production was up 5.9 percentage points to 21.3 percent. Michigan’s share of U.S truck production increased 0.6 of a percentage point to 20.4 percent.

Michigan Motor Vehicle Production Trending Upward ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2015					Change from Year Ago for the Month	
	Monthly Average	May 2016	Jun 2016	Jul 2016	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	355.8	366.0	389.6	269.4	341.6	(59.1)	-18.0%
Trucks	644.1	718.5	734.5	525.5	659.5	(86.5)	-14.1%
Total	1,000.0	1,084.5	1,124.1	794.9	1,001.2	(145.6)	-15.5%
Michigan Production ^(f)							
Autos	68.3	83.4	100.0	57.5	80.3	6.7	13.2%
Trucks	125.6	145.8	149.6	107.2	134.2	(14.3)	-11.8%
Total	193.9	229.2	249.6	164.7	214.5	(7.6)	-4.4%
Michigan as % of U.S.	19.4%	21.1%	22.2%	20.7%	21.4%	2.4% pts	

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

In July 2016, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 3.9 percent in the Grand Rapids-Wyoming Metropolitan Statistical Area (MSA) to a high of 6.5 percent in the Northeast Lower Michigan region. The July 2016 median unemployment rate was 5.0 percent, which is down 1.0 percentage point from last July’s 6.0 percent median rate.

Compared to a year ago, the July 2016 unemployment rate fell in all of Michigan’s 17 labor market areas. The median rate decline was 0.9 of a percentage point. The Detroit-Warren-Dearborn MSA reported the largest rate decrease of 1.3 percentage points, followed by the Flint MSA and Saginaw MSA with 1.1 percentage point rate declines. The Ann Arbor MSA and Grand Rapids-Wyoming MSA recorded the smallest percentage declines (0.6 of a percentage point).

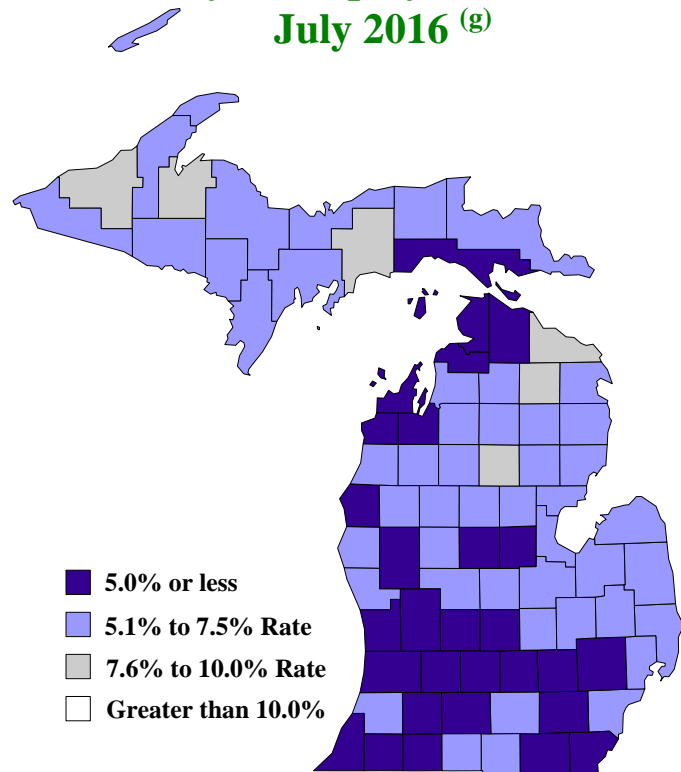
Between July 2015 and July 2016, household employment rose in 15 of Michigan’s 17 labor market areas and declined in two areas. The median employment increase was 1.9 percent. The Detroit-Warren-Dearborn MSA reported the largest year-over-year employment increase at 4.2 percent, followed by the Ann Arbor MSA with a 2.8 percent increase. The Jackson MSA reported the largest year-over-year employment decrease of 1.0 percent. The labor force rose in nine labor market areas, fell in seven areas and was unchanged in one area. The Detroit-Warren-Dearborn MSA reported the largest percent increase in labor force at 2.8 percent, followed by the Ann Arbor MSA at 2.2 percent. The Jackson MSA recorded the largest percent decline in labor force at 2.0 percent.

Between July 2015 and July 2016, the unemployment rate fell in 81 of Michigan’s 83 counties and rose in two counties. The median July 2016 rate decline was 1.0 percentage point. Schoolcraft County reported the largest unemployment rate decline at 3.5 percentage points, followed by Ontonagon County with a 2.1 percentage points decline. In July 2016, the unemployment rate was below 7.0 percent in 68 of Michigan’s 83 counties. In June 2015, 49 Michigan counties had an unemployment rate below 7.0 percent. In July 2016, no Michigan county had an unemployment rate above 9.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jul 2015 Rate</u>	<u>Jun 2016 Rate</u>	<u>Jul 2016 Rate</u>
Michigan	6.4%	4.9%	5.4%
Ann Arbor	4.7%	3.5%	4.1%
Battle Creek	6.0%	4.4%	5.0%
Bay City	6.3%	5.0%	5.5%
Detroit-Warren-Dearborn	7.4%	5.8%	6.1%
Flint	7.1%	5.2%	6.0%
Grand Rapids-Wyoming	4.5%	3.4%	3.9%
Jackson	6.3%	4.7%	5.3%
Kalamazoo-Portage	5.5%	4.1%	4.6%
Lansing-East Lansing	5.4%	4.0%	4.4%
Midland	5.4%	4.3%	4.7%
Monroe	5.4%	3.9%	4.7%
Muskegon	6.6%	4.9%	5.8%
Niles-Benton Harbor	5.7%	4.6%	5.0%
Saginaw	6.5%	4.8%	5.4%
Upper Peninsula	7.2%	5.7%	6.2%
Northeast Lower Mich	7.2%	5.9%	6.5%
Northwest Lower Mich.	5.7%	4.5%	4.7%

County Unemployment Rates July 2016^(g)



U.S. Economic Conditions

	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>	<u>Jul-16</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	89.0	94.7	93.5	90.0	-3.1 points
ISM Manufacturing Index ⁽ⁱ⁾	50.8	51.3	53.2	52.6	0.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.7	52.9	56.5	55.5	-4.1 points
	<u>2015.3</u>	<u>2015.4</u>	<u>2016.1</u>	<u>2016.2</u>	
Business Executives' Confidence ^(j)	48.0	45.0	47.0	52.0	-6.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>	<u>Jul-16</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	239.3	240.2	241.0	240.6	0.8%
Detroit CPI	221.4	NA	224.1	NA	2.3%
U.S. Producer Price Index	109.8	110.1	110.9	110.6	-0.2%
INTEREST RATES					
90 Day T-Bill ^(l)	0.23%	0.27%	0.27%	0.30%	0.27% points
Aaa Corporate Bonds ^(l)	3.62%	3.65%	3.50%	3.28%	-0.87% points
INDUSTRIAL PRODUCTION ^(l)					
	103.9	103.7	104.1	104.9	-0.5%
CAPACITY UTILIZATION ^(l)					
	75.2%	75.1%	75.4%	75.4%	-1.3% points
RETAIL SALES ^(d)					
	\$453.4	\$454.1	\$457.9	\$457.7	2.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>	<u>Jul-16</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.155	1.128	1.186	1.211	5.6%
Existing Home Sales ^(m)	5.430	5.510	5.570	5.390	-1.6%
DURABLE GOODS ORDERS ^(p)					
	\$235.7	\$228.8	\$219.2	\$228.9	-3.3%
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>2015.3</u>	<u>2015.4</u>	<u>2016.1</u>	<u>2016.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,454.9	\$16,490.7	\$16,525.0	\$16,570.2	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.