



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

March 2016 Summary

U.S. Economy: The annualized growth rate of inflation-adjusted gross domestic product (real GDP) from the prior quarter slowed for the third straight quarter in 2016Q1, slowing to just 0.5 percent. The Institute for Supply Management (ISM) reported the current expansion has now lasted 82 months, but the ISM Production Management Index (PMI) dropped 3.3 points from last March. However, at 51.8, the March 2016 PMI did signal an expanding manufacturing sector for the first time in six months. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 74th straight month, but was down 2.0 points from last March. In March 2016, industrial production declined 2.0 percent from the year-ago level. This marked the seventh straight month industrial production fell below the year-ago level and the first time it has declined for seven consecutive months since December 2009. The capacity utilization rate fell 2.5 points from March 2015. The March 2015-March 2016 decline in the utilization rate marked the 13th consecutive y-o-y rate drop. New durable goods orders fell 2.5 percent from last March. Consumer sentiment fell 2.6 percentage points from March 2015. Retail sales rose 1.7 percent from last March. Housing starts were up 14.2 percent from last March but existing home sales increased only 1.5 percent.

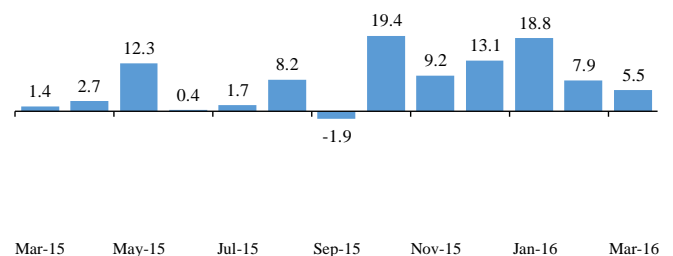
Employment: In March 2016, the Michigan unemployment rate remained unchanged from February at 4.8 percent and was down 1.0 percentage point from March 2015. The U.S. rate rose 0.1 of a percentage point from February to 5.0 percent in March. As a result, March 2016 marked the second straight month that Michigan's unemployment rate was lower than the U.S. rate. Between March 2015 and March 2016, Michigan payroll employment gained a net 97,300 jobs (2.3 percent). Michigan payroll employment in March 2016 was up 5,500 jobs compared to February 2016. U.S. payroll employment was up 2.8 million jobs (2.0 percent) in March 2016 compared to a year ago.

Auto Industry: In March 2016, U.S. light vehicle sales fell 3.5 percent from last March to an annualized 16.5 million units. Between March 2015 and March 2016, the three-month average of Michigan vehicle production fell 5.1 percent while the three-month U.S. average was up 2.2 percent. Between March 2015 and March 2016, Michigan's share of U.S. vehicle production fell 1.5 percentage points to 18.7 percent

Inflation: In March 2016, the overall U.S. consumer price index (CPI) rose 0.9 percent from a year ago. The core CPI (excluding food and energy) was up 2.2 percent from last March. The U.S. producer price index was down 0.1 percent from last year. The price of oil per barrel fell \$10.27 from last March to \$37.55.

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

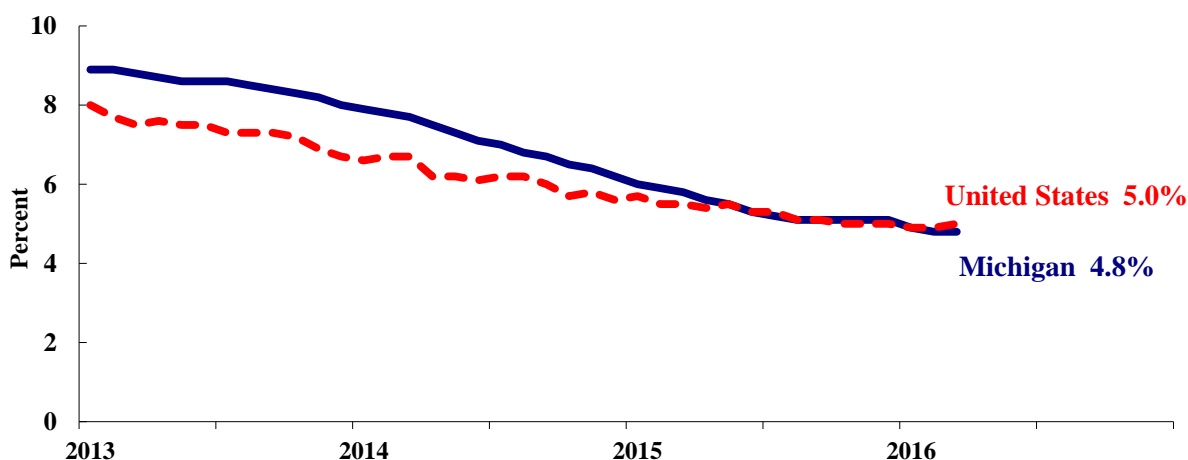
Michigan Payroll Employment
Posts Sixth Straight Monthly Increase
(change from previous month, thousands of jobs) ^(a)



Labor Market Statistics

- In March 2016, the Michigan unemployment rate remained unchanged at 4.8 percent. The national unemployment rate rose 0.1 of a percentage point from February to March to 5.0 percent. As a result, March 2016 marked the second straight month that Michigan’s rate was below the U.S. rate. In addition, March 2016 marked first month in which the Michigan unemployment rate was 0.2 of a percentage point (or more) below the U.S. unemployment rate since August 2000.
- In March 2016, Michigan’s unemployment rate was down 1.0 percentage point from a year ago. The March U.S. unemployment rate decreased 0.5 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 March 2016**



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

- In March, the total number of people employed in Michigan rose 27,000 to 4,624,000 persons while the labor force rose 26,000. The statewide total number of unemployed workers fell 1,000 to 232,000.
- United States employment totaled 151.3 million persons in March. The labor force totaled 159.3 million and there were 8.0 million unemployed in March 2016.

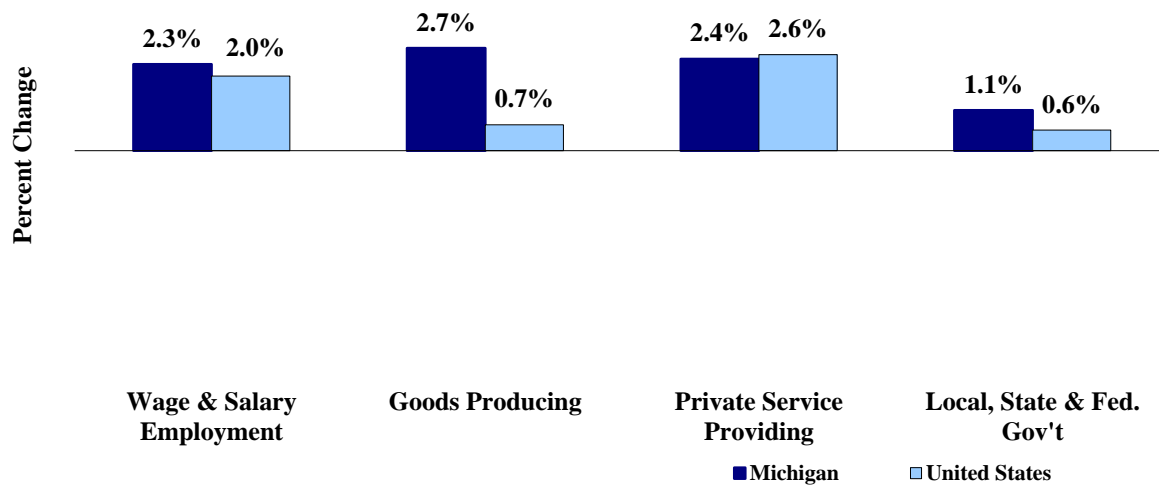
Employment by Place of Residence (in thousands)^(a)

	2015 Average	Jan 2016	Feb 2016	Mar 2016	Change From			
					Prior Month Level	%	Last Year Level	%
Michigan								
Labor Force	4,751	4,798	4,830	4,856	26	0.5%	117	2.5%
Employed	4,493	4,561	4,597	4,624	27	0.6%	157	3.5%
Unemployed	258	237	233	232	-1	-0.4%	-41	-15.0%
Unemployment Rate	5.4%	4.9%	4.8%	4.8%	n.a.	0.0% pts	n.a.	-1.0% pts
United States								
Labor Force	157,130	158,335	158,890	159,286	396	0.2%	2,396	1.5%
Employed	148,834	150,544	151,074	151,320	246	0.2%	2,987	2.0%
Unemployed	8,296	7,791	7,815	7,966	151	1.9%	-591	-6.9%
Unemployment Rate	5.3%	4.9%	4.9%	5.0%	n.a.	0.1% pts	n.a.	-0.5% pts

Employment by Place of Work (Payroll)

- From March 2015 to March 2016, Michigan payroll employment increased 97,300 jobs (2.3 percent). State payroll employment rose by 5,500 jobs in March from February. Nationally, March 2016 payroll employment rose 2,802,000 (2.0 percent) from a year ago and was up 215,000 from February.

Payroll Employment Growth March 2015 to March 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 March from a year ago while employment in the private service-providing sector increased 2.4 percent. From a year ago, March national payroll employment rose 0.7 percent in the goods-producing sector and increased 2.6 percent in the private service-providing sector. Government employment was up 1.1 percent from a year ago in Michigan. Nationwide, government employment was up 0.6 percent.
- Manufacturing weekly hours in Michigan were down 1.2 hours in March compared to last year.

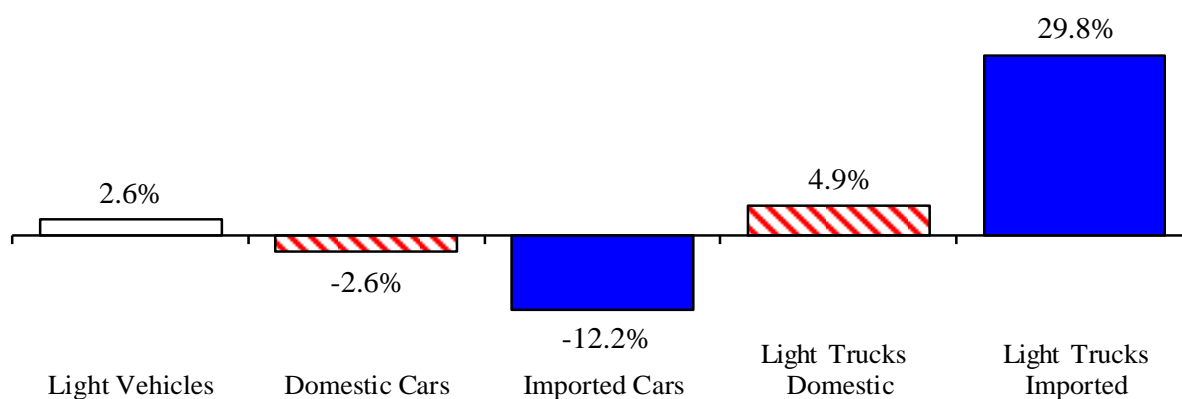
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2015 Average	Mar 2015	Mar 2016	Percent Change	2015 Average	Mar 2015	Mar 2016	Percent Change
Wage & Salary Employment	4,243.7	4,223.5	4,320.8	2.3%	141,865	140,972	143,774	2.0%
Goods Producing	742.9	738.2	758.4	2.7%	19,584	19,548	19,683	0.7%
Manufacturing	587.3	582.2	595.4	2.3%	12,318	12,318	12,291	-0.2%
Private Service Providing	2,906.5	2,891.0	2,961.7	2.4%	100,275	99,463	102,009	2.6%
Trade, Trans. & Utilities	770.7	769.2	779.4	1.3%	26,920	26,788	27,287	1.9%
Services	1,872.0	1,860.2	1,912.5	2.8%	62,480	61,858	63,721	3.0%
Local, State & Fed. Gov't	594.3	594.3	600.7	1.1%	22,007	21,961	22,082	0.6%
Manufacturing Weekly Hours	44.2	44.0	42.8	-1.2 hrs	41.8	41.8	41.7	-0.1 hrs

Motor Vehicle Industry Sales

- March 2016 U.S. light vehicle sales were down 5.5 percent from February and were down 3.5 percent from March 2015. At 16.5 million units, March 2016 marks the 25th straight month that the light vehicle annualized sales rate exceeded 16.0 million units but also the first month with an annualized sales rate under 17.0 million units since June 2015.
- U.S. sales of domestic light vehicles decreased 3.5 percent between March 2015 and March 2016. Foreign sales were also down 3.5 percent over the same period. As a result, the foreign share of U.S. light vehicle sales remained unchanged at 21.2 percent between March 2015 and March 2016.
- Auto sales decreased 11.5 percent compared to last March, while light truck sales were up 2.8 percent from March 2015. Heavy truck sales rose 1.5 percent to an annual rate of 450,000 units.

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2015 Total	Jan 2016	Feb 2016	Mar 2016	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	7.2	7.2	6.7	7.0	(0.9)	-11.5%
Domestics	5.6	5.5	5.4	5.0	5.3	(0.5)	-8.9%
Imports	1.9	1.7	1.7	1.7	1.7	(0.4)	-18.5%
Import Share	25.4%	24.2%	24.3%	24.8%	24.4%	-2.1% pts	
Light Trucks	9.9	10.2	10.3	9.8	10.1	0.3	2.8%
Domestics	8.1	8.3	8.3	7.9	8.2	0.0	0.2%
Imports	1.8	1.9	1.9	1.8	1.9	0.2	15.8%
Import Share	18.1%	18.8%	19.0%	18.8%	18.8%	2.1% pts	
Total Light Vehicles	17.4	17.4	17.4	16.5	17.1	(0.6)	-3.5%
Heavy Trucks	0.4	0.5	0.4	0.5	0.5	0.0	1.5%
Total Vehicles	17.8	17.9	17.9	16.9	17.6	(0.6)	-3.4%

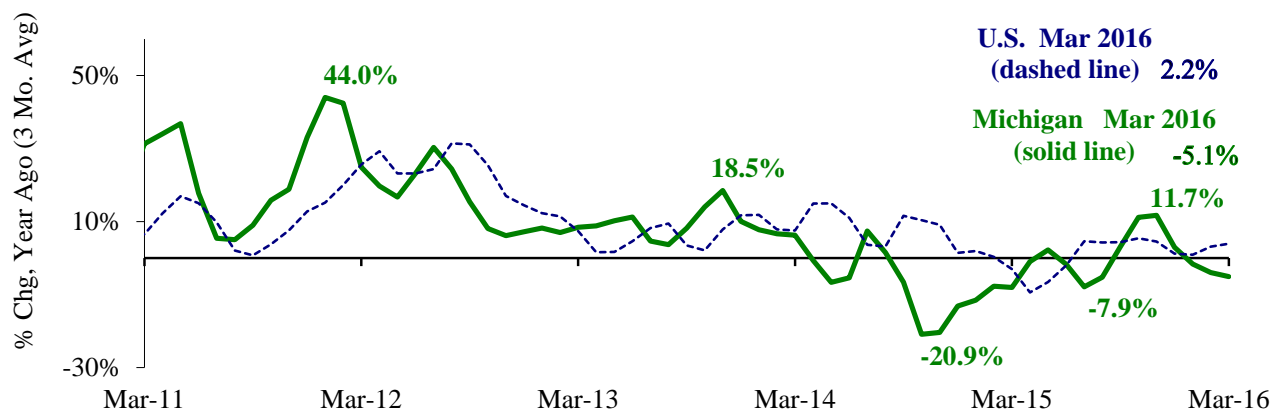
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2015 Average	Dec-15	Jan-16	Feb-16	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$191.6	\$198.1	\$199.6	\$202.2	\$200.0	\$17.2	9.3%
Inventory/Sales Ratio	2.08	2.09	2.12	2.14	2.12	0.05	

Motor Vehicle Industry Production

- At 201,142 units, March 2016 Michigan motor vehicle production was down 10.6 percent from March 2015. National production decreased 3.5 percent from last March. The three-month average of vehicle production (January 2016-March 2016) was down 5.1 percent in Michigan and up 2.2 percent nationally, compared to a year ago.
- In March 2016, Michigan car production was down 26.6 percent from a year ago while State truck production fell 0.7 percent. Nationally, car production decreased 10.9 percent while U.S. truck production increased 0.7 percent.
- Michigan’s share of national vehicle production fell 1.5 percentage points to 18.7 percent in March 2016 from the year-ago level. Michigan’s share of U.S. car production was down 3.8 percentage points to 18.7 percent. Michigan’s share of U.S truck production decreased 0.3 of a percentage point to 19.2 percent.

Michigan Motor Vehicle Production Down in March ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2015					Change from Year Ago for the Month	
	Monthly Average	Jan 2016	Feb 2016	Mar 2016	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	355.8	324.8	363.0	358.8	348.9	(43.9)	-10.9%
Trucks	644.1	573.4	693.7	717.3	661.5	5.3	0.7%
Total	1,000.0	898.2	1,056.7	1,076.1	1,010.3	(38.5)	-3.5%
Michigan Production ^(f)							
Autos	68.3	64.4	68.6	63.2	65.4	(22.8)	-26.6%
Trucks	125.6	99.4	134.5	138.0	123.9	(1.0)	-0.7%
Total	193.9	163.8	203.1	201.1	189.3	(23.8)	-10.6%
Michigan as % of U.S.	19.4%	18.2%	19.2%	18.7%	18.7%	-1.5% pts	

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

In March 2016, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 3.0 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 9.4 percent in the Northeast Lower Michigan region. The March 2016 median unemployment rate was 4.9 percent, which is down 0.8 of a percentage point from last March’s 5.7 percent median rate.

Compared to a year ago, the March 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 Flint MSA reported the largest rate decrease of 1.2 percentage points, followed by five labor market areas with a 1.0 percentage point rate decline. The Ann Arbor MSA recorded the smallest rate decline of 0.6 of a percentage point.

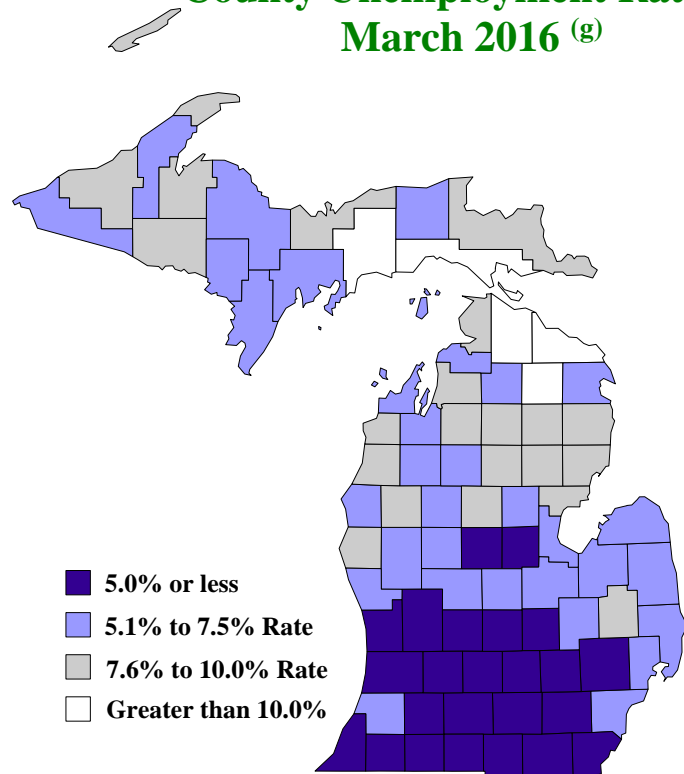
Between March 2015 and March 2016, household employment rose in all of Michigan’s 17 labor market areas. The median employment increase was 2.3 percent. The Ann Arbor MSA reported the largest year-over-year employment increase at 4.8 percent, followed by the Detroit-Warren-Dearborn MSA with a 4.5 percent increase. The Jackson MSA reported the smallest year-over-year employment increase at 0.1 percent. The labor force rose in 15 labor market areas and fell in two areas. The Ann Arbor MSA reported the largest percent increase in labor force at 4.2 percent, followed by the Detroit-Warren-Dearborn MSA with a 3.7 percent increase. The Jackson MSA recorded the largest labor force decline compared to a year ago (0.7 percent), while the Upper Peninsula region recorded a 0.1 percent decline in its labor force from last March.

Between March 2015 and March 2016, the unemployment rate fell in all of Michigan’s 83 counties. The median March 2016 rate decline was 0.9 of a percentage point. Oscoda County reported the largest unemployment rate decline at 2.6 percentage points, followed by Lake County with a 2.1 percentage points decline. In March 2016, the unemployment rate was below 7.0 percent in 50 of Michigan’s 83 counties. In March 2015, 38 Michigan counties had an unemployment rate below 7.0 percent. In March 2016, five Michigan counties had an unemployment rate above 10.0 percent compared with March 2015 when 14 Michigan counties had an unemployment rate over 10.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Mar 2015 Rate</u>	<u>Feb 2016 Rate</u>	<u>Mar 2016 Rate</u>
Michigan	5.9%	5.0%	5.1%
Ann Arbor	3.6%	2.9%	3.0%
Battle Creek	5.4%	4.6%	4.6%
Bay City	6.6%	5.6%	5.6%
Detroit-Warren-Dearborn	6.3%	5.4%	5.6%
Flint	6.7%	5.6%	5.5%
Grand Rapids-Wyoming	4.1%	3.4%	3.4%
Jackson	5.7%	4.9%	4.9%
Kalamazoo-Portage	5.1%	4.2%	4.2%
Lansing-East Lansing	4.7%	3.7%	3.8%
Midland	5.6%	4.7%	4.8%
Monroe	4.9%	4.1%	4.0%
Muskegon	6.2%	5.1%	5.2%
Niles-Benton Harbor	5.6%	5.0%	4.8%
Saginaw	6.3%	5.3%	5.3%
Upper Peninsula	8.1%	7.0%	7.2%
Northeast Lower Mich	10.4%	9.3%	9.4%
Northwest Lower Mich.	7.7%	6.6%	6.7%

County Unemployment Rates March 2016^(g)



U.S. Economic Conditions

	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Mar-16</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	92.6	92.0	91.7	91.0	-2.6 points
ISM Manufacturing Index ⁽ⁱ⁾	48.0	48.2	49.5	51.8	-3.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.8	53.5	53.4	54.5	-2.0 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>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Mar-16</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	236.5	236.9	237.1	238.1	0.9%
Detroit CPI	217.8	NA	218.4	NA	0.9%
U.S. Producer Price Index	109.2	109.5	109.5	109.7	-0.1%
INTEREST RATES					
90 Day T-Bill ^(l)	0.23%	0.26%	0.31%	0.29%	0.26% points
Aaa Corporate Bonds ^(l)	3.97%	4.00%	3.96%	3.82%	0.18% points
INDUSTRIAL PRODUCTION ^(l)					
	104.1	104.6	104.0	103.4	-2.0%
CAPACITY UTILIZATION ^(l)					
	75.4%	75.8%	75.3%	74.8%	-2.5% points
RETAIL SALES ^(d)					
	\$449.7	\$448.1	\$448.2	\$446.9	1.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Mar-16</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.159	1.117	1.194	1.089	14.2%
Existing Home Sales ^(m)	5.450	5.470	5.070	5.330	1.5%
DURABLE GOODS ORDERS ^(p)					
	\$226.4	\$236.1	\$228.9	\$230.7	-2.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2015.1</u>	<u>2015.2</u>	<u>2015.3</u>	<u>2015.4</u>	<u>% Change From Year Ago</u>
Michigan	\$413.5	\$418.5	\$423.5	\$428.8	4.6%
U.S.	\$15,064.4	\$15,264.6	\$15,422.4	\$15,544.9	4.0%
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	\$16,492.7	0.5%

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.