



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

September 2015 Summary

U.S. Economy: Real GDP growth slowed sharply from an estimated annual rate of 3.9 percent in the second quarter (Q2) of 2015 to an estimated 1.5 percent in the third quarter. In 2015Q3, the Conference Board Business Executive's Confidence index fell 12.0 points from a year ago. The Institute for Supply Management (ISM) reported the current expansion has now lasted 76 months; however, the ISM Production Management Index dropped 5.9 points from last September. Both industrial production and capacity utilization reported their weakest year-over-year performance since January 2010 with industrial production rising only 0.4 percent from September 2014 and the capacity utilization index falling 0.9 percentage point. New durable goods orders dropped 3.0 percent from last September. Consumer sentiment rose 2.6 percentage points from September 2014. Retail sales rose 2.4 percent from last September. Housing starts were up 17.5 percent from last September and existing home sales increased 8.8 percent.

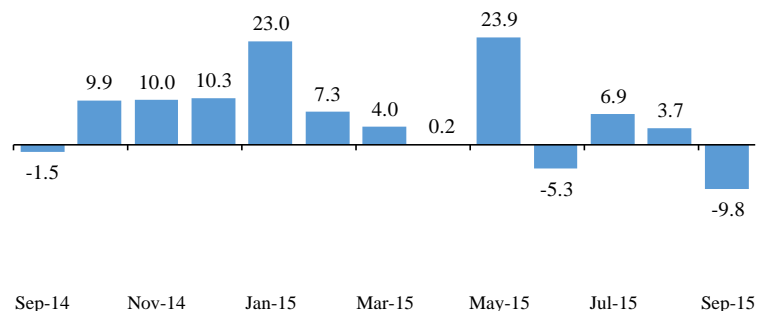
Employment: In September 2015, the Michigan unemployment rate fell 0.1 percentage point to 5.0 percent – the State's lowest unemployment rate since June 2001. The national unemployment rate remained unchanged at 5.1 percent in September. As a result, September 2015 marked the first month the Michigan unemployment rate was below the U.S. rate since August 2000. The September 2015 Michigan unemployment rate was down 1.7 percentage points from September 2014. The U.S. unemployment rate was down 0.8 percentage point from September 2014. Between September 2014 and September 2015, Michigan payroll employment gained a net 84,100 jobs (2.0 percent). Michigan payroll employment in September was down 9,800 jobs compared to August 2015. Over the last year, U.S. payroll employment increased 2.8 million jobs (2.0 percent).

Auto Industry: In September 2015, the U.S. light vehicle annual sales rate rose 10.0 percent from last September to 18.1 million units – the highest annual sales rate since July 2005. Between September 2014 and September 2015, Michigan vehicle production rose 17.6 percent while national vehicle production was up 2.6 percent. Compared to a year ago, Michigan's share of national vehicle production increased 2.5 percentage points to 19.9 percent.

Inflation: In September 2015, the overall U.S. consumer price index (CPI) was essentially unchanged from a year ago. The core U.S. CPI rose 1.9 percent. The U.S. producer price index fell 1.1 percent from last year. The price of oil fell 51.2 percent from last year to \$45.48 per barrel.

Michigan Metro Areas: Compared to a year ago, September 2015 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 all 17 Michigan major labor market areas.

Michigan Payroll Employment Falls in September
(Seasonally Adjusted) ^(a)



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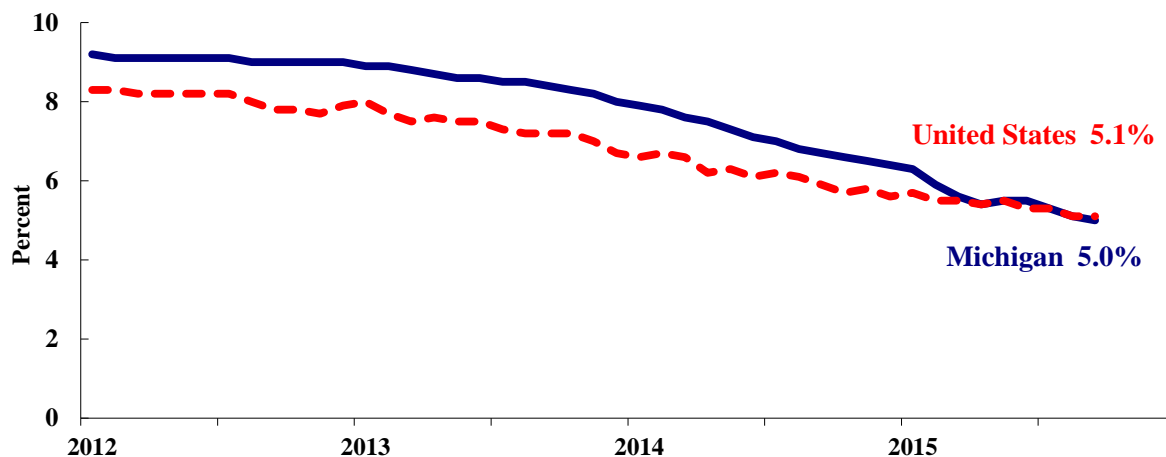
Andrew Lockwood
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Mary Pasch
Executive Secretary

Labor Market Statistics

- In September 2015, the Michigan unemployment rate fell 0.1 percentage point from last month to 5.0 percent – the State’s lowest jobless rate since June 2001. The national unemployment rate remained unchanged at 5.1 percent from August. As a result, September 2015 marked the first month in which Michigan’s unemployment rate was below the U.S. rate since August 2000.
- The September 2015 Michigan unemployment rate was down 1.7 percentage points from a year ago. The September U.S. unemployment rate decreased 0.8 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 September 2012 to September 2015



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

- In September, the total number of people employed in Michigan rose by 10,000 to 4,497,000 persons while the labor force rose by 3,000. The statewide total number of unemployed fell 7,000 to 235,000.
- United States employment totaled 148.8 million persons in September. The labor force totaled 156.7 million and there were 7.9 million unemployed in September 2015.

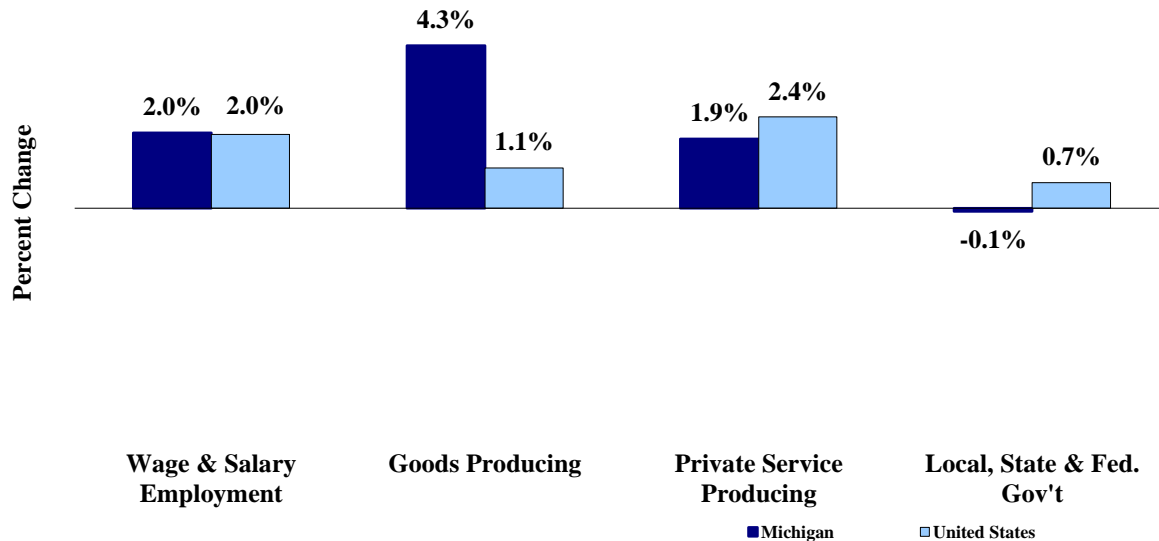
Employment by Place of Residence (in thousands)^(a)

| | 2014 Average | Jul 2015 | Aug 2015 | Sep 2015 | Change From | | | |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|
| | | | | | Prior Month | | Last Year | |
| | | | | | Level | % | Level | % |
| Michigan | | | | | | | | |
| Labor Force | 4,750 | 4,728 | 4,729 | 4,732 | 3 | 0.1% | -16 | -0.3% |
| Employed | 4,402 | 4,479 | 4,487 | 4,497 | 10 | 0.2% | 68 | 1.5% |
| Unemployed | 348 | 249 | 242 | 235 | -7 | -2.9% | -84 | -26.3% |
| Unemployment Rate | 7.3% | 5.3% | 5.1% | 5.0% | n.a. | -0.1% pts | n.a. | -1.7% pts |
| United States | | | | | | | | |
| Labor Force | 155,922 | 157,106 | 157,065 | 156,715 | -350 | -0.2% | 870 | 0.6% |
| Employed | 146,305 | 148,840 | 149,036 | 148,800 | -236 | -0.2% | 2,193 | 1.5% |
| Unemployed | 9,617 | 8,266 | 8,029 | 7,915 | -114 | -1.4% | -1,322 | -14.3% |
| Unemployment Rate | 6.2% | 5.3% | 5.1% | 5.1% | n.a. | 0.0% pts | n.a. | -0.8% pts |

Employment by Place of Work (Payroll)

- From September 2014 to September 2015, Michigan payroll employment increased 84,100 (2.0 percent). State payroll employment decreased by 9,800 jobs in September from August. Nationally, September 2015 payroll employment rose 2,752,000 (2.0 percent) from a year ago and was up 142,000 from last month.

Payroll Employment Growth September 2014 to September 2015



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

- In the goods-producing sector, Michigan payroll employment increased 4.3 percent in September from a year ago while employment in the private service-producing sector increased 1.9 percent. From a year ago, September national payroll employment rose 1.1 percent in the goods-producing sector and increased 2.4 percent in the private service-producing sector. Government employment was down 0.1 percent from a year ago in Michigan. Nationwide, government employment was up 0.7 percent.
- Manufacturing weekly hours in Michigan were unchanged in September compared to last year.

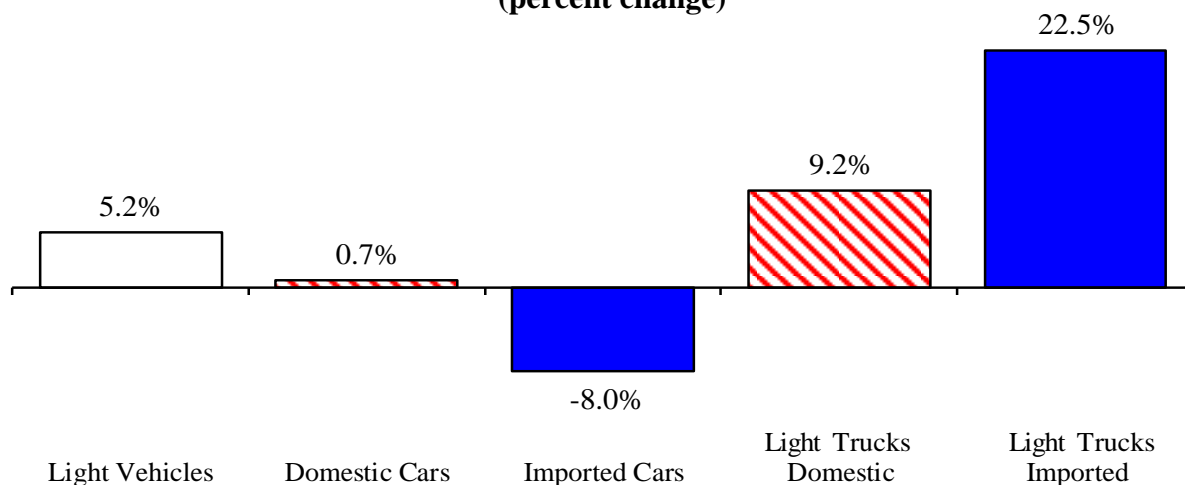
Wage and Salary (Payroll) Employment (in thousands)^(b)

| | Michigan | | | | United States | | | |
|----------------------------|-----------------|-------------|-------------|-------------------|-----------------|-------------|-------------|-------------------|
| | 2014 Average | Sep 2014 | Sep 2015 | Percent Change | 2014 Average | Sep 2014 | Sep 2015 | Percent Change |
| Wage & Salary Employment | 4,179.7 | 4,187.4 | 4,271.5 | 2.0% | 139,042 | 139,619 | 142,371 | 2.0% |
| Goods Producing | 725.6 | 728.3 | 759.9 | 4.3% | 19,223 | 19,315 | 19,523 | 1.1% |
| Manufacturing | 575.9 | 575.9 | 602.7 | 4.7% | 12,188 | 12,214 | 12,318 | 0.9% |
| Private Service Producing | 2,858.8 | 2,864.3 | 2,917.3 | 1.9% | 97,957 | 98,424 | 100,819 | 2.4% |
| Trade, Trans. & Utilities | 757.3 | 759.7 | 766.4 | 0.9% | 26,384 | 26,467 | 27,003 | 2.0% |
| Services | 1,839.7 | 1,842.1 | 1,886.2 | 2.4% | 60,854 | 61,193 | 62,861 | 2.7% |
| Local, State & Fed. Gov't | 595.4 | 594.8 | 594.3 | -0.1% | 21,863 | 21,880 | 22,029 | 0.7% |
| Manufacturing Weekly Hours | 43.9 | 43.8 | 43.8 | 0.0 hrs | 42.0 | 42.1 | 41.6 | -0.5 hrs |

Motor Vehicle Industry Sales

- September 2015 U.S. light vehicle sales were up 1.9 percent from August and up 10.0 percent from September 2014. At 18.1 million units, the U.S. light vehicle annualized sales rate rose to its highest level since July 2005. August 2015 marks the 19th straight month that the light vehicle annualized sales rate has exceeded 16.0 million units and the fourth month out of the last five with a sales rate over 17.0 million units.
- U.S. sales of domestic light vehicles increased 10.6 percent between September 2014 and September 2015, while foreign sales were up 7.9 percent over the same period. As a result, the foreign share of U.S. light vehicle sales fell 0.4 percentage point to 20.5 percent between September 2014 and September 2015.
- Auto sales increased 1.2 percent compared to last September, while light truck sales were up 17.5 percent from September 2014. Year-over-year, heavy truck sales rose 3.7 percent to an annual rate of 450,000 units.

Year-to-Date (Jan-Sep 2015) Light Truck Sales Up Sharply From A Year Ago (Jan-Sep 2014) (percent change)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

| Motor Vehicle Sales ^(c) | 2014 | Jul | Aug | Sep | 3 Month | Change from Year Ago | |
|------------------------------------|---------|-------|-------|-------|---------|----------------------|-------|
| | Average | 2015 | 2015 | 2015 | Average | Level | % |
| Autos | 7.7 | 7.6 | 7.5 | 7.7 | 7.6 | 0.1 | 1.2% |
| Domestics | 5.6 | 5.8 | 5.6 | 5.7 | 5.7 | 0.2 | 3.1% |
| Imports | 2.1 | 1.8 | 1.9 | 1.9 | 1.9 | (0.1) | -4.0% |
| Import Share | 27.2% | 24.2% | 25.9% | 25.1% | 25.0% | -1.4% pts | |
| Light Trucks | 8.7 | 9.9 | 10.2 | 10.4 | 10.2 | 1.6 | 17.5% |
| Domestics | 7.4 | 8.1 | 8.2 | 8.6 | 8.3 | 1.2 | 16.2% |
| Imports | 1.4 | 1.8 | 2.0 | 1.8 | 1.8 | 0.4 | 24.5% |
| Import Share | 15.5% | 18.0% | 19.4% | 17.2% | 18.2% | 1.0% pts | |
| Total Light Vehicles | 16.4 | 17.5 | 17.7 | 18.1 | 17.8 | 1.6 | 10.0% |
| Heavy Trucks | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 | 3.7% |
| Total Vehicles | 16.8 | 17.9 | 18.2 | 18.5 | 18.2 | 1.7 | 9.9% |

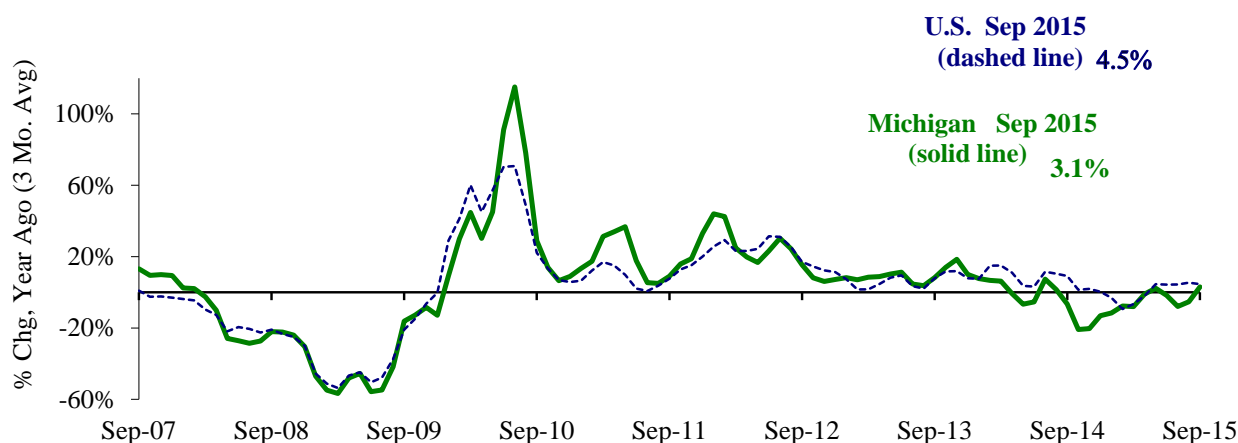
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

| | 2014 | Jun-15 | Jul-15 | Aug-15 | 3 Month | Change from Year Ago | |
|-----------------------|---------|---------|---------|---------|---------|----------------------|------|
| | Average | 2015 | 2015 | 2015 | Average | Level | % |
| Inventories | \$184.0 | \$182.9 | \$191.1 | \$193.6 | \$189.2 | \$11.1 | 6.1% |
| Inventory/Sales Ratio | 2.09 | 2.07 | 2.09 | 2.09 | 2.08 | 0.01 | |

Motor Vehicle Industry Production

- At 208,895 units, September 2015 Michigan motor vehicle production was up 17.6 percent from September 2014. National production increased 2.6 percent from last September. The three-month average of vehicle production (July 2015-September 2015) was up 3.1 percent in Michigan and up 4.5 percent nationally, compared to a year ago.
- In September 2015, Michigan car production was up 3.5 percent from a year ago while State truck production rose 26.7 percent. Nationally, car production decreased 6.9 percent while U.S. truck production increased 8.3 percent.
- Michigan's share of national vehicle production rose 2.5 percentage points to 19.9 percent in September 2015 from the year-ago level. Michigan's share of U.S. car production was up 2.0 percentage points to 20.1 percent. Michigan's share of U.S. truck production rose 2.9 percentage points to 19.8 percent.

Michigan Motor Vehicle Production's Growth Rate Up in September^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

| | 2014 | | | | | Change from Year Ago for the Month | |
|--|-----------------|----------|----------|----------|-----------------|------------------------------------|-------|
| | Monthly Average | Jul 2015 | Aug 2015 | Sep 2015 | 3 Month Average | Level | % |
| U.S. Production^(e) | | | | | | | |
| Autos | 369.1 | 328.5 | 359.6 | 358.3 | 348.8 | (26.5) | -6.9% |
| Trucks | 619.3 | 612.0 | 673.8 | 690.2 | 658.7 | 53.1 | 8.3% |
| Total | 988.4 | 940.5 | 1,033.5 | 1,048.4 | 1,007.5 | 26.7 | 2.6% |
| Michigan Production^(f) | | | | | | | |
| Autos | 69.9 | 50.8 | 66.2 | 72.1 | 63.0 | 2.4 | 3.5% |
| Trucks | 126.5 | 121.5 | 125.5 | 136.8 | 127.9 | 28.9 | 26.7% |
| Total | 196.5 | 172.2 | 191.7 | 208.9 | 190.9 | 31.3 | 17.6% |
| Michigan as % of U.S. | 19.9% | 18.3% | 18.5% | 19.9% | 19.0% | 2.5% pts | |

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

September 2015 local area unemployment rates ranged from a low of 3.1 percent in the Grand Rapids-Wyoming MSA to a high of 5.7 percent in the Detroit-Warren-Livonia MSA. The September 2015 median unemployment rate was 4.3 percent, which is down substantially from last September's 5.9 percent median rate.

Compared to a year ago, the September unemployment rate fell in all of Michigan's 17 labor market areas. The Detroit-Warren-Livonia MSA reported the largest rate decrease of 2.5 percentage points, followed by the Northeast Lower Michigan region with a reported rate decline of 1.8 percentage points. Two areas (Lansing MSA and Upper Peninsula region) each saw the smallest rate decline (1.2 percentage points).

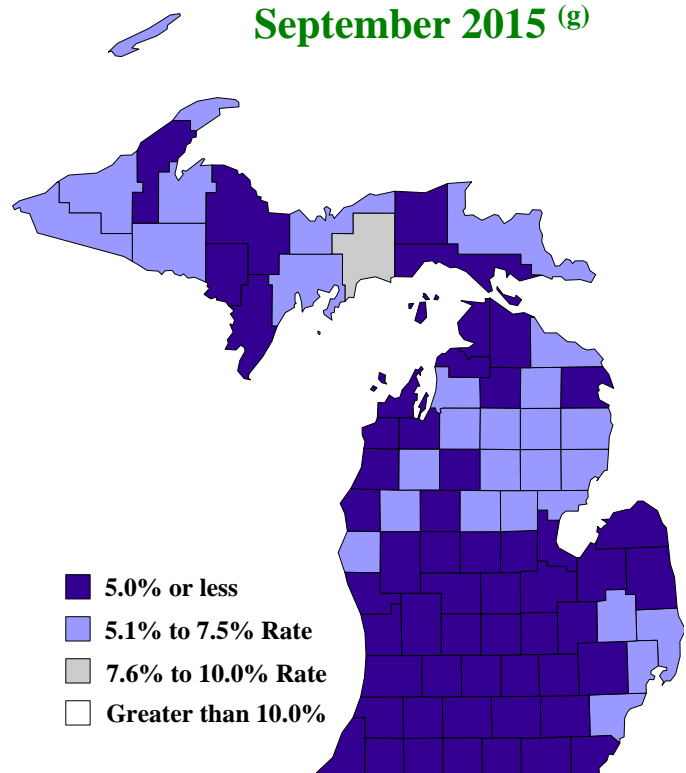
Between September 2014 and September 2015, household employment rose in all of Michigan's 17 labor market areas. The median employment increase was 1.9 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase at 3.8 percent, followed by the Monroe MSA with a 3.0 percent increase. The Upper Peninsula region reported the smallest year-over-year employment increase (0.7 percent). The labor force rose in 10 labor market areas and fell in seven areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (2.5 percent), followed by three MSAs (Jackson, Monroe and Niles-Benton Harbor) that each reported a 1.1 percent rise. The Detroit-Warren-Livonia MSA recorded the largest labor force drop with a 0.9 percent decline.

Between September 2014 and September 2015, the unemployment rate fell in 82 of Michigan's 83 counties. The median September 2015 rate decline was 1.6 percentage points. Montmorency County and Wayne County each reported the largest unemployment rate decline (3.1 percentage points), followed by Oscoda County with a 3.0 percentage point rate decline. Schoolcraft County reported a 0.4 percentage point increase in its unemployment rate from last September. In September 2015, the unemployment rate was below 7.0 percent in 82 of Michigan's 83 counties. In September 2014, 57 Michigan counties had an unemployment rate below 7.0 percent.

Local Area Unemployment Rates^(g)

| <u>Local Area</u> | <u>Sep 2014 Rate</u> | <u>Aug 2015 Rate</u> | <u>Sep 2015 Rate</u> |
|--------------------------|----------------------|----------------------|----------------------|
| Michigan | 6.6% | 5.2% | 4.7% |
| Ann Arbor | 4.6% | 3.5% | 3.3% |
| Battle Creek | 5.6% | 4.6% | 4.2% |
| Bay City | 5.9% | 4.9% | 4.5% |
| Detroit-Warren-Livonia | 8.2% | 6.2% | 5.7% |
| Flint | 6.7% | 5.4% | 5.0% |
| Grand Rapids-Wyoming | 4.4% | 3.4% | 3.1% |
| Holland-Grand Haven | 5.9% | 4.7% | 4.4% |
| Jackson | 5.3% | 4.2% | 3.9% |
| Kalamazoo-Portage | 5.1% | 4.0% | 3.6% |
| Lansing-East Lansing | 5.1% | 4.2% | 3.9% |
| Monroe | 5.4% | 4.1% | 3.8% |
| Muskegon-Norton Shores | 6.4% | 5.2% | 4.8% |
| Niles-Benton Harbor | 5.7% | 4.8% | 4.3% |
| Saginaw-Saginaw Township | 6.3% | 4.9% | 4.6% |
| Upper Peninsula | 6.2% | 5.6% | 5.0% |
| Northeast Lower Mich | 7.1% | 5.7% | 5.3% |
| Northwest Lower Mich. | 5.9% | 4.5% | 4.3% |

County Unemployment Rates September 2015^(g)



U.S. Economic Conditions

| | <u>Jun-15</u> | <u>Jul-15</u> | <u>Aug-15</u> | <u>Sep-15</u> | <u>Change from Year Ago</u> |
|---|---------------|---------------|---------------|---------------|---|
| KEY ECONOMIC INDICATORS | | | | | |
| Consumer Sentiment ^(h) | 96.1 | 93.1 | 91.9 | 87.2 | 2.6 points |
| ISM Manufacturing Index ⁽ⁱ⁾ | 53.5 | 52.7 | 51.1 | 50.2 | -5.9 points |
| ISM Non Manufacturing Index ⁽ⁱ⁾ | 56.0 | 60.3 | 59.0 | 56.9 | -1.2 points |
| | <u>2014.4</u> | <u>2015.1</u> | <u>2015.2</u> | <u>2015.3</u> | |
| Business Executives' Confidence ^(j) | 60.0 | 57.0 | 58.0 | 48.0 | -12.0 points |
| INFLATION ^(k) | | | | | |
| 1982-84 = 100 (CPI) | <u>Jun-15</u> | <u>Jul-15</u> | <u>Aug-15</u> | <u>Sep-15</u> | <u>Change from Year Ago</u> |
| Nov 2009 = 100 (PPI) | | | | | |
| U.S. Consumer Price Index | 238.6 | 238.7 | 238.3 | 237.9 | 0.0% |
| Detroit CPI | 219.0 | NA | 220.2 | NA | -0.9% |
| U.S. Producer Price Index | 110.4 | 110.7 | 110.7 | 109.9 | -1.1% |
| INTEREST RATES | | | | | |
| 90 Day T-Bill ^(l) | 0.02% | 0.03% | 0.07% | 0.02% | 0.00% points |
| Aaa Corporate Bonds ^(l) | 4.19% | 4.15% | 4.04% | 4.07% | -0.04% points |
| INDUSTRIAL PRODUCTION ^(l) | | | | | |
| | 106.6 | 107.4 | 107.3 | 107.1 | 0.4% |
| CAPACITY UTILIZATION ^(l) | | | | | |
| | 77.5% | 78.0% | 77.8% | 77.5% | -0.9% points |
| RETAIL SALES ^(d) | | | | | |
| | \$443.7 | \$447.1 | \$447.2 | \$447.7 | 2.4% |
| HOUSING STARTS and SALES | | | | | |
| (Millions Annual Rate) | <u>Jun-15</u> | <u>Jul-15</u> | <u>Aug-15</u> | <u>Sep-15</u> | <u>% Change From Year Ago</u> |
| Housing Starts ^(d) | 1.211 | 1.152 | 1.132 | 1.206 | 17.5% |
| Existing Home Sales ^(m) | 5.480 | 5.580 | 5.300 | 5.550 | 8.8% |
| DURABLE GOODS ORDERS ^(p) | | | | | |
| | \$236.6 | \$241.0 | \$233.9 | \$231.1 | -3.0% |
| PERSONAL INCOME ^(c) | | | | | |
| (Billions of Dollars) | <u>2014.3</u> | <u>2014.4</u> | <u>2015.1</u> | <u>2015.2</u> | <u>% Change From Year Ago</u> |
| Michigan | \$405.2 | \$409.9 | \$413.3 | \$417.2 | 3.7% |
| U.S. | \$14,764.3 | \$14,945.2 | \$15,057.8 | \$15,200.4 | 4.1% |
| GROSS DOMESTIC PRODUCT | | | | | |
| (Billions of Chained 2009 Dollars) ^(c) | <u>2014.3</u> | <u>2014.4</u> | <u>2015.1</u> | <u>2015.2</u> | <u>Annualized % Chg From Last Qtr</u> |
| | \$16,068.8 | \$16,151.4 | \$16,177.3 | \$16,333.6 | 3.9% |

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.