



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

April 2014 Summary

U.S. Economy: In April 2014, the Consumer Sentiment Index rose 7.7 points from a year ago to 84.1 points. Durable goods orders were up a sharp 7.1 percent from April 2013. Industrial production grew 3.5 percent from a year ago. The capacity utilization rate posted its 9th straight year-over-year increase. Retail sales rose 4.0 percent between April 2013 and April 2014. The ISM manufacturing index rose 4.9 points from a year ago while the ISM non-manufacturing index rose 1.4 points from last April. Both composite ISM indices continued to signal sector as well as overall economic expansion. April 2014 housing starts were up 26.4 percent from a year ago even as existing home sales fell 6.8 percent. Overall, recent economic data indicate the economy is gaining strength following the decline in real GDP at a 1.0 percent annual rate in the first quarter.

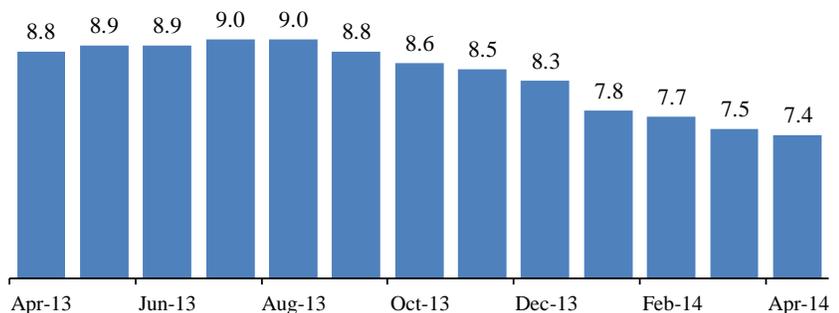
Employment: Between April 2013 and April 2014, Michigan employment gained a net 24,000 jobs. Compared to March 2014, Michigan employment in March was up 1,000 jobs. At 7.4 percent, Michigan's unemployment rate in April 2014 was down 0.1 percentage point from March 2014 and was off 1.4 percentage points from April 2013. The U.S. unemployment rate was down 0.4 percentage point from March 2014 and was off 1.2 percentage points from April 2013. April 2014 national wage and salary employment was up 288,000 jobs from March 2014. Over the last year, U.S. employment increased 2.4 million jobs (1.7 percent).

Auto Industry: The April 2014 U.S. light vehicle annual sales rate of 16.0 million units was down 1.7 percent from last month but up 5.5 percent from a year ago. Between April 2013 and April 2014, Michigan vehicle production fell 11.9 percent while national vehicle production was down 0.2 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 2.6 percentage points to 19.4 percent.

Inflation: In April 2014, both the overall U.S. consumer price index (CPI) and the overall Detroit CPI rose 2.0 percent compared to a year ago. The U.S. core CPI was up 1.8 percent. The U.S. producer price index rose 3.1 percent from last year. At \$102.07 per barrel, the price of oil was up \$10.05 (10.9 percent) from April 2013.

Michigan Metro Areas: Over the last year, April unemployment rates fell in 16 of Michigan's 17 major labor markets, while April employment rose in all 17 Michigan major labor markets. Eighty-one of Michigan's 83 counties saw a year-over-year unemployment rate decrease.

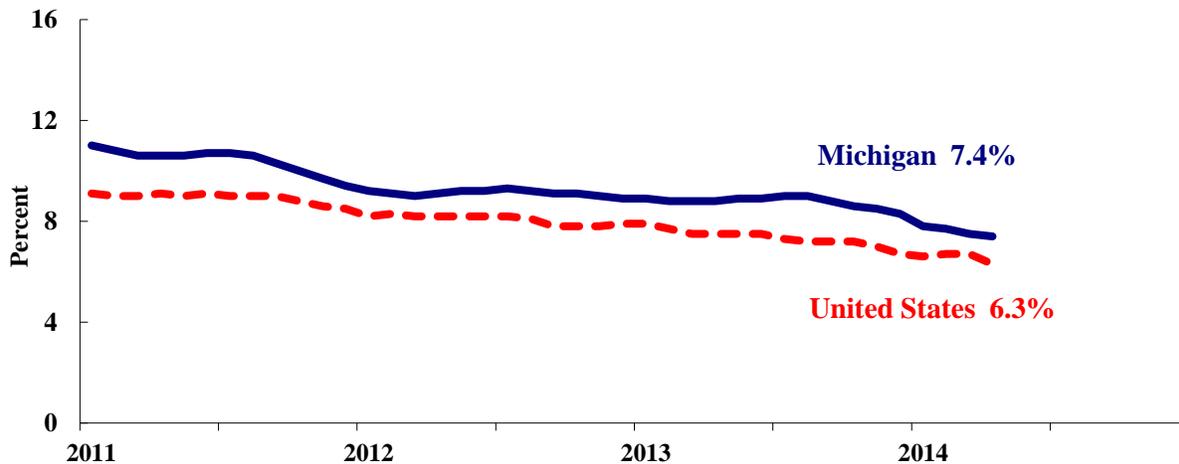
Michigan Unemployment Rate
Down 1.4 Percentage Points From Last Year
(Seasonally Adjusted) ^(a)



Labor Market Statistics

- Michigan's April unemployment rate decreased 0.1 of a percentage point from last month to 7.4 percent and was down 1.4 percentage points from a year ago. The April U.S. unemployment rate decreased 0.4 of a percentage point to 6.3 percent and was down 1.2 percentage points 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 2011 to 2014



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

- In April, the number of people employed in Michigan increased 14,000 from last month to 4,389,000, while the labor force increased 11,000. The statewide total number of unemployed fell 3,000 to 352,000.
- United States household employment totaled 145.7 million persons in April. The labor force totaled 155.4 million and there were 9.8 million unemployed in April 2014.

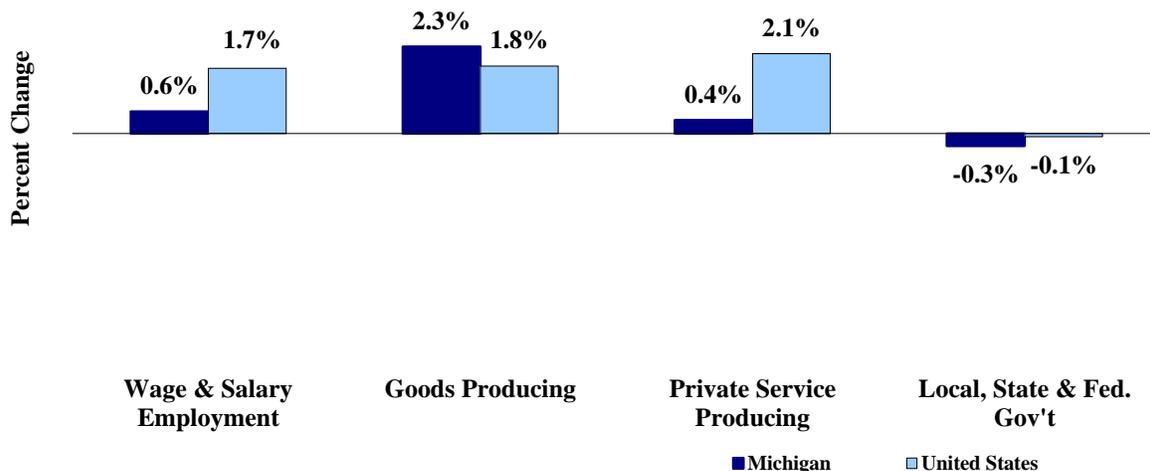
Employment by Place of Residence (in thousands)^(a)

	2013 Average	Feb 2014	Mar 2014	Apr 2014	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,657	4,719	4,730	4,741	11	0.2%	27	0.6%	
Employed	4,232	4,356	4,375	4,389	14	0.3%	90	2.1%	
Unemployed	426	363	355	352	-3	-0.8%	-63	-15.2%	
Unemployment Rate	9.1%	7.7%	7.5%	7.4%	n.a.	-0.1% pts	n.a.	-1.4% pts	
United States									
Labor Force	154,975	155,724	156,227	155,421	-806	-0.5%	-64	0.0%	
Employed	142,469	145,266	145,742	145,669	-73	-0.1%	2,457	1.7%	
Unemployed	12,506	10,459	10,486	9,753	-733	-7.0%	-2,520	-20.5%	
Unemployment Rate	8.1%	6.7%	6.7%	6.3%	n.a.	-0.4% pts	n.a.	-1.2% pts	

Employment by Place of Work

- From April 2013 to April 2014, Michigan wage and salary employment increased 24,000 (0.6 percent). State wage and salary employment increased by 1,000 jobs in April from March. Nationally, April 2014 wage and salary employment rose 2,367,000 (1.7 percent) from a year ago and was up 288,000 from last month.

Wage and Salary Employment Growth April 2013 to April 2014



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

- In the goods-producing sector, Michigan employment increased 2.3 percent in April from a year ago while employment in the private service-producing sector increased 0.4 percent. From a year ago, April national employment rose 1.8 percent in the goods-producing sector and increased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased by 0.2 hours in April compared to last year.

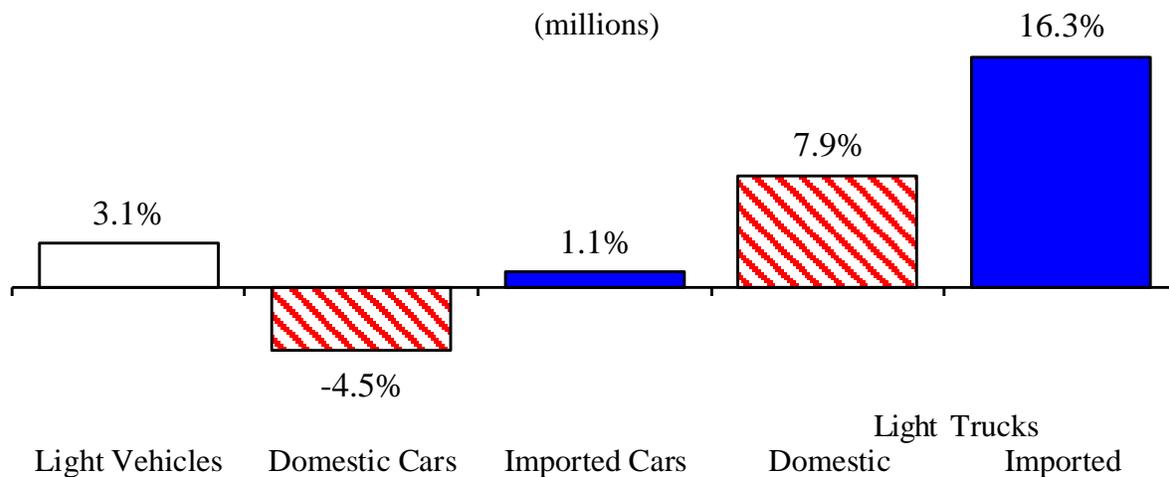
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2013 Average	Apr 2013	Apr 2014	Percent Change	2013 Average	Apr 2013	Apr 2014	Percent Change
Wage & Salary Employment	4,105	4,092	4,116	0.6%	136,368	135,885	138,252	1.7%
Goods Producing	695	690	706	2.3%	18,700	18,669	19,006	1.8%
Manufacturing	555	551	561	1.8%	12,006	12,001	12,100	0.8%
Private Service Producing	2,810	2,802	2,812	0.4%	95,804	95,341	97,377	2.1%
Trade, Trans. & Utilities	744	741	749	1.1%	25,870	25,718	26,274	2.2%
Services	1,808	1,804	1,808	0.2%	59,368	59,072	60,531	2.5%
Local, State & Fed. Gov't	600	600	598	-0.3%	21,864	21,860	21,841	-0.1%
Manufacturing Weekly Hours	42.0	43.8	44.0	0.2 hrs	40.8	40.7	40.8	0.1 hrs

Motor Vehicle Industry Sales

- April 2014 U.S. light vehicle sales totaled 16.0 million units, at a seasonally adjusted annual rate. The April 2014 rate was down 1.7 percent from last month but up 5.5 percent from the April 2013 rate.
- April 2014 marks the fourth month in the past nine months that the light vehicle sales rate has equaled or exceeded 16.0 million units after rounding. The light vehicle sales rate has exceeded 15.0 million units in each of the past 18 months and has exceeded 14.0 million units in each of the past 27 months.
- U.S. sales of domestic light vehicles increased 4.4 percent between April 2013 and April 2014, while foreign sales were up 9.6 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 20.6 percent in April 2013 to 21.4 percent in April 2014.
- Auto sales increased 0.7 percent compared to last April, while light truck sales were up 9.9 percent from April 2013. Year-over-year, heavy truck sales rose 7.3 percent.

Year-to-Date Light Vehicle Sales Up From Last Year



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2013	Feb	Mar	Apr	3 Month	Change from Year Ago	
	Average	2014	2014	2014	Average	Level	%
Autos	7.6	7.1	7.5	7.3	7.3	0.0	0.7%
Domestics	5.4	5.1	5.4	5.3	5.3	(0.1)	-1.2%
Imports	2.2	2.0	2.1	2.1	2.1	0.1	5.7%
Import Share	28.9%	28.1%	28.2%	28.5%	28.3%	1.3% pts	
Light Trucks	7.9	8.3	8.7	8.7	8.6	0.8	9.9%
Domestics	6.7	6.9	7.4	7.3	7.2	0.6	8.8%
Imports	1.2	1.4	1.3	1.3	1.3	0.2	16.4%
Import Share	15.7%	16.6%	14.8%	15.4%	15.5%	0.9% pts	
Total Light Vehicles	15.5	15.4	16.3	16.0	15.9	0.8	5.5%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.0	7.3%
Total Vehicles	15.8	15.7	16.7	16.4	16.3	0.9	5.5%

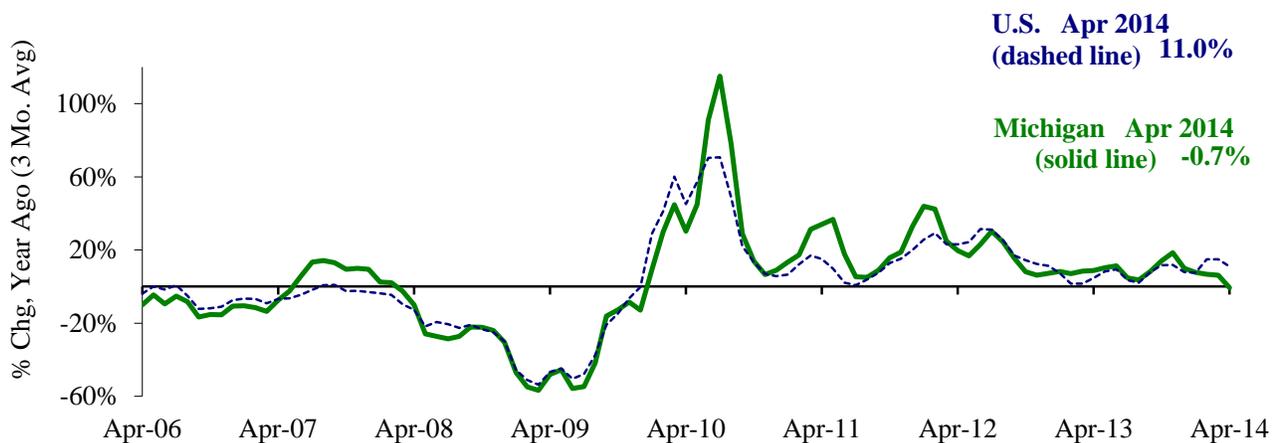
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013	Feb-14	Mar-14	Apr-14	3 Month	Change from Year Ago	
	Average	Feb-14	Mar-14	Apr-14	Average	Level	%
Inventories	\$170.4	\$178.8	\$178.8	\$180.9	\$179.5	\$16.4	10.0%
Inventory/Sales Ratio	2.13	2.14	2.06	2.06	2.09	-0.05	

Motor Vehicle Industry Production

- At 195,817 units, April 2014 Michigan motor vehicle production was 11.9 percent lower than April 2013. National production decreased 0.2 percent from last April. The three-month average of vehicle production (February 2014-April 2014) was down 0.7 percent in Michigan but up 11.0 percent nationally, compared to a year ago.
- In April 2014, Michigan car production was down 39.8 percent from a year ago while State truck production rose 7.4 percent. Nationally, car production decreased 15.7 percent while U.S. truck production increased 10.8 percent.
- Michigan’s share of national vehicle production fell 2.6 percentage points to 19.4 percent in April from the year-ago level. Michigan’s share of U.S. car production was down 6.2 points to 15.5 percent. Michigan’s share of U.S truck production fell 0.7 percentage points to 21.5 percent.

Michigan Motor Vehicle Production Declining Slightly^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013					Change from Year Ago for the Month	
	Monthly Average	Feb 2014	Mar 2014	Apr 2014	3 Month Average	Level	%
U.S. Production^(e)							
Autos	374.3	440.2	378.0	353.3	390.5	(66.0)	-15.7%
Trucks	551.0	685.6	672.7	656.3	671.5	63.9	10.8%
Total	925.3	1,125.7	1,050.6	1,009.6	1,062.0	(2.1)	-0.2%
Michigan Production^(f)							
Autos	83.2	83.5	70.8	54.6	69.6	(36.1)	-39.8%
Trucks	123.0	136.4	146.5	141.2	141.4	9.7	7.4%
Total	206.1	220.0	217.2	195.8	211.0	(26.4)	-11.9%
Michigan as % of U.S.	22.3%	19.5%	20.7%	19.4%	19.9%	-2.6% pts	

Local Area Unemployment Rates Fell in 16 of Michigan’s 17 Local Areas (Not Seasonally Adjusted)

April 2014 local area unemployment rates ranged between 4.8 percent in the Ann Arbor metropolitan statistical area (MSA) and 11.2 percent in Northeast Lower Michigan. The median April 2014 unemployment rate was 7.2 percent, which is down from last April’s 8.5 percent median rate.

Compared to a year ago, the April unemployment rate fell in 16 Michigan labor market areas. The Muskegon-Norton Shores MSA reported the greatest year-over-year rate decrease of 1.8 percentage points, followed by the Niles-Benton Harbor MSA with a 1.7 percentage point decline. The unemployment rate in the Monroe MSA was unchanged from last April.

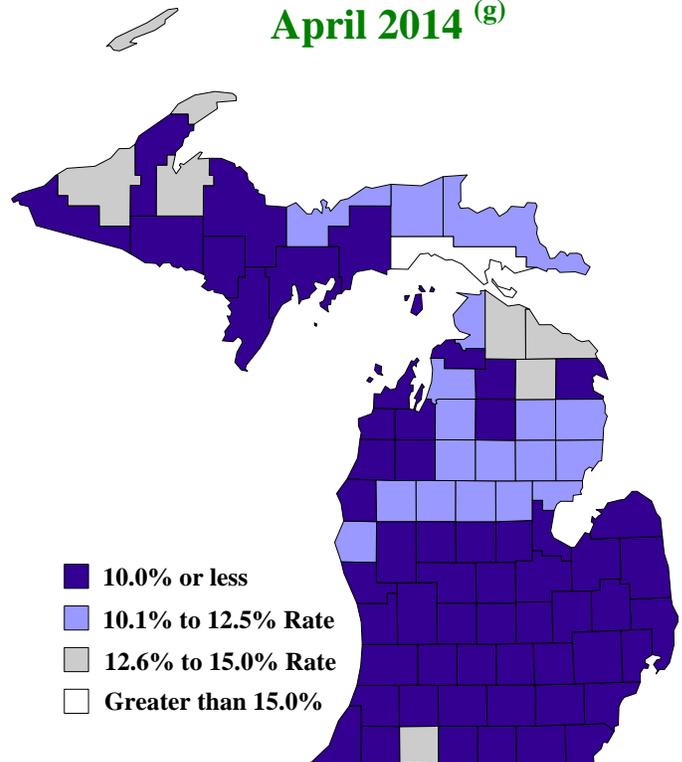
Between April 2013 and April 2014, employment rose in all 17 areas. The median employment increase was 2.8 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase (4.9 percent), followed by the Niles-Benton Harbor MSA with a 4.5 percent increase. The Detroit-Warren-Livonia MSA experienced the smallest employment increase (0.5 percent). The labor force rose in 15 labor market areas and fell in two areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (3.6 percent). The Holland-Grand Haven MSA reported the second largest increase in labor force (3.1 percent). The labor force fell from last April in the Detroit-Warren-Livonia MSA (-0.4 percent) and the Flint MSA (-0.7 percent).

Between April 2013 and April 2014, the unemployment rate fell in 81 of Michigan’s 83 counties. The median April 2014 rate decline was 1.3 percentage points. Baraga County posted the largest rate decrease (3.0 percentage points), followed by Oscoda County (2.5 percentage points). The unemployment rate in 57 counties was below 10.0 percent in April 2014. Last April, 43 counties had an unemployment rate below 10.0 percent. In April 2014, one Michigan county reported a rate higher than 15.0 percent. Last April, five Michigan counties had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2013 Rate</u>	<u>Mar 2014 Rate</u>	<u>Apr 2014 Rate</u>
Michigan	8.3%	8.0%	7.3%
Ann Arbor	5.3%	5.2%	4.8%
Battle Creek	7.2%	7.0%	6.0%
Bay City	9.0%	9.1%	7.7%
Detroit-Warren-Livonia	8.7%	8.3%	7.9%
Flint	9.1%	9.0%	7.8%
Grand Rapids-Wyoming	6.3%	6.0%	5.1%
Holland-Grand Haven	6.3%	6.0%	5.0%
Jackson	8.3%	8.2%	7.2%
Kalamazoo-Portage	7.1%	7.0%	6.0%
Lansing-East Lansing	7.3%	6.4%	6.1%
Monroe	7.4%	7.2%	7.4%
Muskegon-Norton Shores	8.7%	7.9%	6.9%
Niles-Benton Harbor	8.5%	8.2%	6.8%
Saginaw-Saginaw Township	8.7%	8.7%	7.5%
Upper Peninsula	10.3%	10.3%	9.1%
Northeast Lower Mich	12.4%	13.5%	11.2%
Northwest Lower Mich.	10.4%	10.3%	9.0%

County Unemployment Rates April 2014^(g)



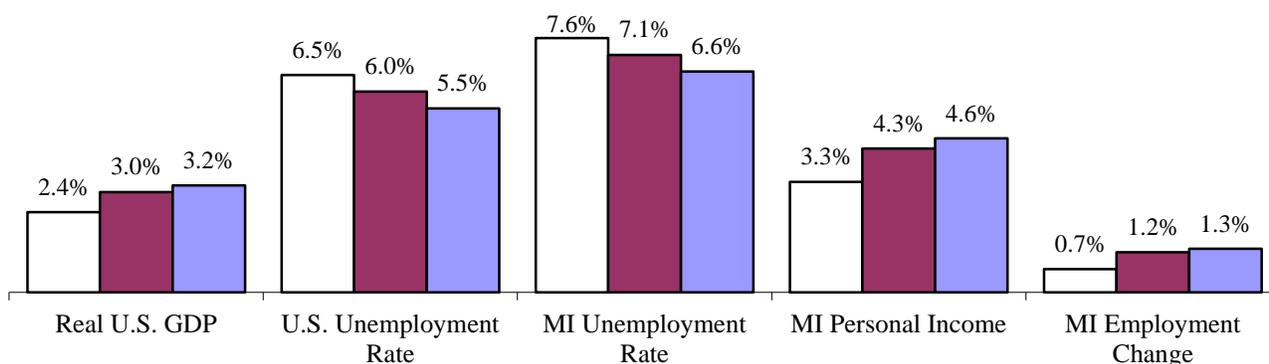
Consensus Economic Forecast Continued Recovery

On May 15, 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 3.0 percent in 2015 and 3.2 percent in 2016. Both the 2015 and 2016 projected growth rates are up 0.1 percentage point from the January 2014 Conference projections.
- The U.S. unemployment rate is forecast to fall over the next three years from the 7.4 percent rate in 2013. The rate is forecast to fall to 6.5 percent for 2014 and then decline to 6.0 percent in 2015 and 5.5 percent in 2016. The national unemployment rate projected for 2016 is 0.4 percentage point lower than the 2016 rate forecast at the January Conference.
- The May 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. May 2014 Consensus light vehicle sales projections for each of the three forecast years (2014, 2015 and 2016) are unchanged from the January Consensus.
- The May Consensus projects that Michigan wage and salary employment will rise 0.7 percent in 2014 – 0.8 percentage point slower than the January 2014 forecast. The May Consensus forecasts a 1.2 percent employment increase in 2015 (0.2 percentage point slower than the January forecast) and a 1.3 percent employment increase in 2016 (unchanged from the January Consensus).
- According to the May Consensus, the Michigan unemployment rate will fall to 7.6 percent in 2014, 7.1 percent in 2015 and 6.6 percent in 2016. Compared to the January Consensus forecast, the May Consensus rate forecast is down 0.7 percentage point for 2014, down 0.4 percentage point for 2015 and down 0.1 percentage point for 2016.
- Michigan personal income is projected to rise 3.3 percent in 2014, increase 4.3 percent in 2015 and rise 4.6 percent in 2016. Wages and salaries are expected to increase 3.2 percent in 2014, rise 3.7 percent in 2015 and increase 3.9 percent in 2016.

U.S. Economic Forecast Modest Recovery

Michigan Economic Forecast Growing Labor Market



U.S. Economic Conditions

	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	81.2	81.6	80.0	84.1	7.7 points
ISM Manufacturing Index ⁽ⁱ⁾	51.3	53.2	53.7	54.9	4.9 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.0	51.6	53.1	55.2	1.4 points
	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	
Business Executives' Confidence ⁽ⁱ⁾	62.0	54.0	60.0	63.0	17.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	233.9	234.8	236.3	237.1	2.0%
Detroit CPI	NA	220.5	NA	223.3	2.0%
U.S. Producer Price Index	197.7	198.8	199.9	202.0	3.1%
INTEREST RATES					
90 Day T-Bill ^(l)	0.04%	0.05%	0.05%	0.03%	-0.03% points
Aaa Corporate Bonds ^(l)	4.49%	4.45%	4.38%	4.24%	0.51% points
INDUSTRIAL PRODUCTION ^(l)					
	101.3	102.4	103.3	102.7	3.5%
CAPACITY UTILIZATION ^(l)					
	78.1%	78.8%	79.3%	78.6%	0.9% points
RETAIL SALES ^(d)					
	\$423.9	\$427.6	\$434.2	\$434.6	4.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.897	0.928	0.947	1.072	26.4%
Existing Home Sales ^(m)	4.620	4.600	4.590	4.650	-6.8%
DURABLE GOODS ORDERS ^(p)					
	\$224.0	\$229.9	\$238.4	\$239.9	7.1%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>% Change From Year Ago</u>
Michigan	\$383.7	\$387.6	\$388.9	\$392.0	1.6%
U.S.	\$13,869.2	\$14,031.7	\$14,173.1	\$14,251.1	1.4%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,679.7	\$15,839.3	\$15,942.3	\$15,902.9	-0.98%

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.