



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

February 2016 Summary

U.S. Economy: Estimated growth in real gross domestic product in 2015Q4 was revised upward slightly from its prior 1.0 percent annualized growth estimate to 1.4 percent. The Institute for Supply Management (ISM) reported the current expansion has now lasted 81 months; however, the ISM Production Management Index (PMI) dropped 5.6 points from last February. Further, at 49.5, the February 2016 PMI signaled a contracting manufacturing sector for the fifth straight month. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 73rd straight month, but was down 3.1 points from last February. In February 2016, industrial production declined 1.0 percent from the year-ago level. This marked the fourth straight month industrial production fell below the year-ago level and the first time it has declined for four consecutive months since December 2009. The capacity utilization rate fell 1.8 points from February 2015. The February 2015-February 2016 decline in the utilization rate marked the 10th consecutive y-o-y rate drop. New durable goods orders rose 1.8 percent from last February. Consumer sentiment fell 1.9 percentage points from February 2015. Retail sales rose 3.1 percent from last February. Housing starts were up 30.9 percent from last February but existing home sales increased only 2.2 percent.

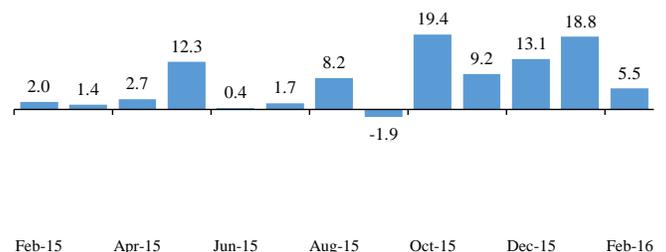
Employment: In February 2016, the Michigan unemployment rate fell 0.1 of a percentage point from December to 4.8 percent and was down 1.1 percentage points from February 2015. The State rate has remained within 0.1 of a percentage point of the national rate for ten straight months. The U.S. rate was 4.9 percent in February, which was unchanged from last month and 0.6 of a point below a year ago. Between February 2015 and February 2016, Michigan payroll employment gained a net 90,800 jobs (2.2 percent). Michigan payroll employment in February 2016 was up 5,500 jobs compared to January 2016. U.S. payroll employment was up 2.7 million jobs (1.9 percent) in February 2016 compared to a year ago.

Auto Industry: In February 2016, U.S. light vehicle sales rose 6.8 percent from last February to an annualized 17.4 million units. Between February 2015 and February 2016, the three-month average of Michigan vehicle production fell 4.0 percent while the three-month U.S. average was up 7.3 percent. Between February 2015 and February 2016, Michigan's share of U.S. vehicle production rose 1.0 percentage point to 19.2 percent

Inflation: In February 2016, the overall U.S. consumer price index (CPI) rose 1.0 percent from a year ago, while the Detroit CPI increased 0.9 percent. The U.S. producer price index was unchanged from last year. The price of oil per barrel fell \$20.26 from last January to \$30.32 – its lowest price since September 2003.

Michigan Metro Areas: Compared to a year ago, February 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.

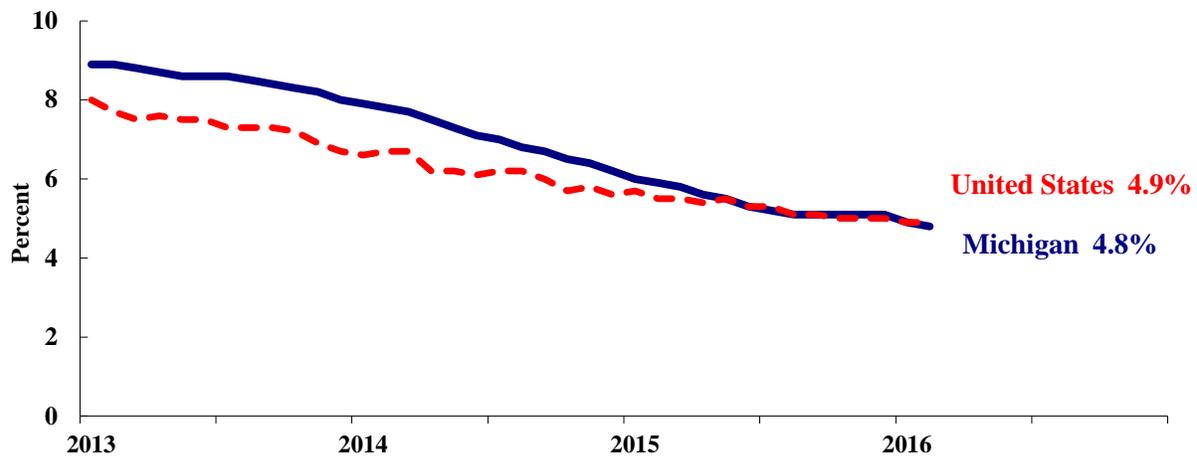
Michigan Payroll Employment Posts Recent Substantial Gains
(change from previous month) ^(a)



Labor Market Statistics

- In February 2016, the Michigan unemployment rate fell 0.1 of a percentage point from last month to 4.8 percent. The national unemployment rate remained unchanged at 4.9 percent from January to February. As a result, February 2016 marked only the second month since August 2000 that Michigan's rate was below the U.S. rate. In addition, February 2016 marked the tenth straight month in which the U.S. and Michigan unemployment rates were within 0.1 of a percentage point of one another.
- The February 2016 Michigan unemployment rate was down 1.1 percentage points from a year ago. The February U.S. unemployment rate decreased 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 January 2013 to February 2016



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

- In February, the total number of people employed in Michigan rose 36,000 to 4,597,000 persons while the labor force rose 32,000. The statewide total number of unemployed fell 4,000 to 233,000.
- United States employment totaled 151.1 million persons in February. The labor force totaled 158.9 million and there were 7.8 million unemployed in February 2016.

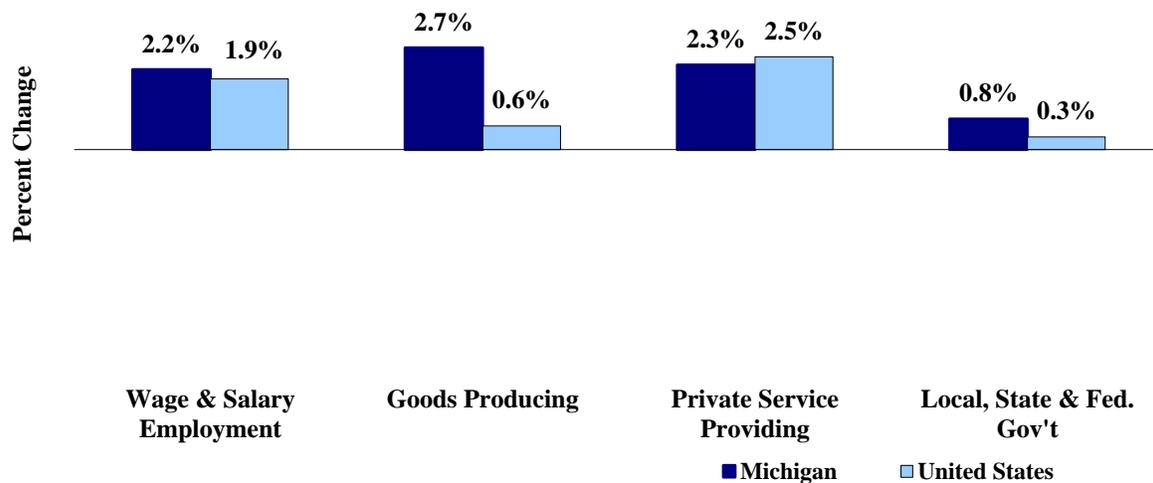
Employment by Place of Residence (in thousands)^(a)

	2015 Average	Dec 2016	Jan 2016	Feb 2016	Change From			
					Prior Month Level	%	Last Year Level	%
Michigan								
Labor Force	4,751	4,771	4,798	4,830	32	0.7%	88	1.9%
Employed	4,493	4,527	4,561	4,597	36	0.8%	134	3.0%
Unemployed	258	243	237	233	-4	-1.7%	-46	-16.5%
Unemployment Rate	5.4%	5.1%	4.9%	4.8%	n.a.	-0.1% pts	n.a.	-1.1% pts
United States								
Labor Force	157,130	157,833	158,335	158,890	555	0.4%	2,012	1.3%
Employed	148,834	149,929	150,544	151,074	530	0.4%	2,843	1.9%
Unemployed	8,296	7,904	7,791	7,815	24	0.3%	-831	-9.6%
Unemployment Rate	5.3%	5.0%	4.9%	4.9%	n.a.	0.0% pts	n.a.	-0.6% pts

Employment by Place of Work (Payroll)

- From February 2015 to February 2016, Michigan payroll employment increased 90,800 (2.2 percent). State payroll employment rose by 5,500 jobs in February from January. Nationally, February 2016 payroll employment rose 2,672,000 (1.9 percent) from a year ago and was up 242,000 from January.

Payroll Employment Growth February 2015 to February 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 February from a year ago while employment in the private service-providing sector increased 2.3 percent. From a year ago, February national payroll employment rose 0.6 percent in the goods-producing sector and increased 2.5 percent in the private service-providing sector. Government employment was up 0.8 percent from a year ago in Michigan. Nationwide, government employment was up 0.3 percent.
- Manufacturing weekly hours in Michigan were down 1.8 hours in February compared to last year.

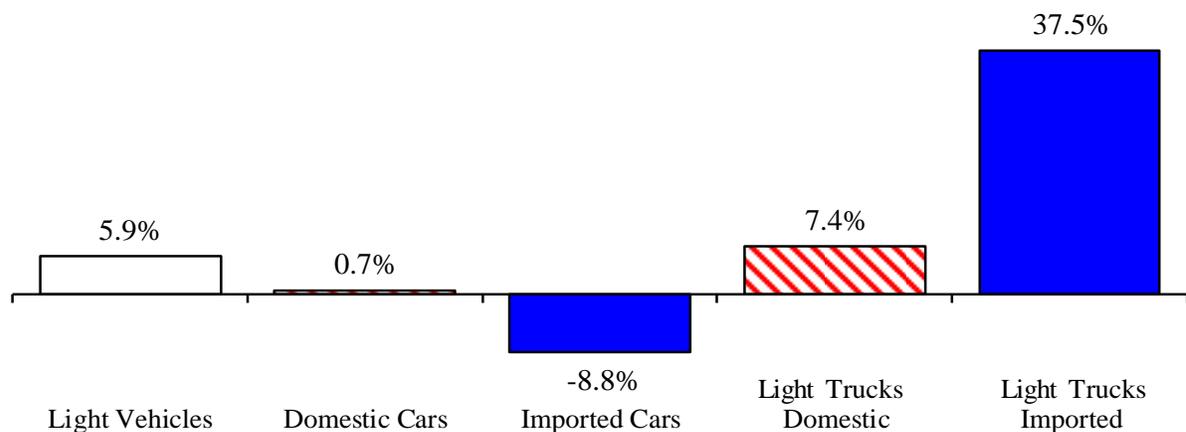
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2015 Average	Feb 2015	Feb 2016	Percent Change	2015 Average	Feb 2015	Feb 2016	Percent Change
Wage & Salary Employment	4,243.7	4,222.1	4,312.9	2.2%	138,958	140,888	143,560	1.9%
Goods Producing	742.9	738.9	759.1	2.7%	19,226	19,568	19,692	0.6%
Manufacturing	587.3	583.2	596.3	2.2%	12,185	12,315	12,327	0.1%
Private Service Providing	2,906.5	2,889.1	2,954.8	2.3%	97,850	99,353	101,826	2.5%
Trade, Trans. & Utilities	770.7	768.2	777.8	1.2%	26,383	26,750	27,220	1.8%
Services	1,872.0	1,859.5	1,907.2	2.6%	60,764	61,795	63,615	2.9%
Local, State & Fed. Gov't	594.3	594.1	599.0	0.8%	21,882	21,967	22,042	0.3%
Manufacturing Weekly Hours	44.2	43.9	42.1	-1.8 hrs	41.8	42.0	41.9	-0.1 hrs

Motor Vehicle Industry Sales

- February 2016 U.S. light vehicle sales were down very slightly (0.1 percent) from January and were up 6.8 percent from February 2015. At 17.4 million units, February 2016 marks the 24th straight month that the light vehicle annualized sales rate exceeded 16.0 million units and the eighth straight month with an annualized sales rate over 17.0 million units.
- U.S. sales of domestic light vehicles increased 6.0 percent between February 2015 and February 2016, while foreign sales were up 10.0 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 0.6 of a percentage point to 21.1 percent between February 2015 and February 2016.
- Auto sales decreased 0.2 percent compared to last February, while light truck sales were up 12.3 percent from February 2015. Heavy truck sales rose 1.5 percent to an annual rate of 440,000 units.

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



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2015	Dec	Jan	Feb	3 Month	Change from	
	<u>Total</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>Average</u>	<u>Level</u>	<u>%</u>
Autos	7.5	7.1	7.2	7.2	7.2	(0.0)	-0.2%
Domestics	5.6	5.4	5.5	5.4	5.4	0.1	2.6%
Imports	1.9	1.7	1.7	1.7	1.7	(0.2)	-8.3%
Import Share	25.4%	23.9%	24.2%	24.3%	24.1%	-2.1% pts	
Light Trucks	9.9	10.1	10.2	10.3	10.2	1.1	12.3%
Domestics	8.1	8.0	8.3	8.3	8.2	0.6	8.3%
Imports	1.8	2.0	1.9	1.9	2.0	0.5	34.0%
Import Share	18.1%	20.1%	18.8%	18.9%	19.3%	3.1% pts	
Total Light Vehicles	17.4	17.2	17.5	17.4	17.4	1.1	6.8%
Heavy Trucks	0.4	0.4	0.5	0.4	0.4	0.0	1.5%
Total Vehicles	17.8	17.6	17.9	17.9	17.8	1.1	6.7%

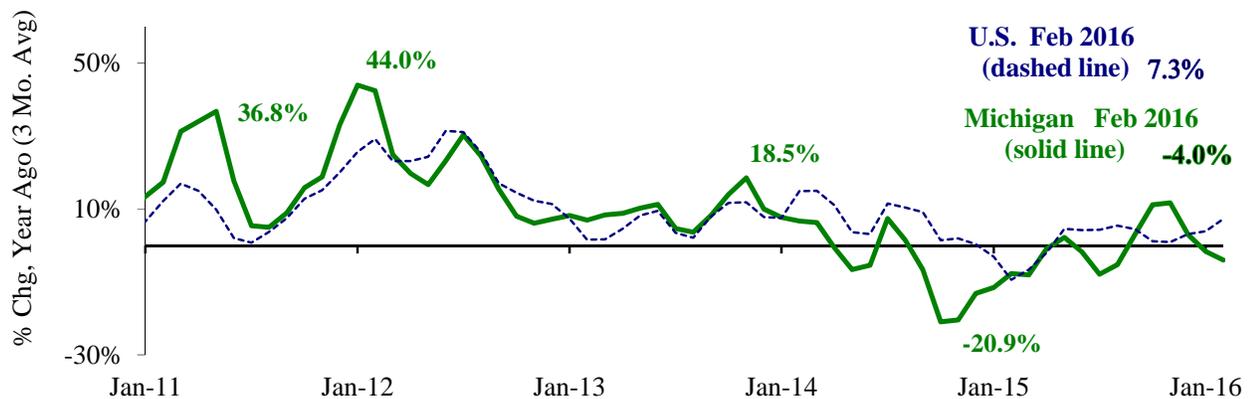
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2015	Nov-15	Dec-15	Jan-16	3 Month	Change from	
	<u>Average</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Average</u>	<u>Level</u>	<u>%</u>
Inventories	\$191.6	\$196.5	\$198.1	\$199.3	\$198.0	\$14.9	8.1%
Inventory/Sales Ratio	2.08	2.08	2.09	2.11	2.09	0.05	

Motor Vehicle Industry Production

- At 163,765 units, February 2016 Michigan motor vehicle production was up 2.5 percent from February 2015. National production increased 13.1 percent from last February. The three-month average of vehicle production (December 2015-February 2016) was down 4.0 percent in Michigan and up 7.3 percent nationally, compared to a year ago.
- In February 2016, Michigan car production was down 9.4 percent from a year ago while State truck production rose 9.8 percent. Nationally, car production increased 7.0 percent while U.S. truck production increased 16.6 percent.
- Michigan's share of national vehicle production rose 1.0 percentage point to 19.2 percent in February 2016 from the year-ago level. Michigan's share of U.S. car production was down 0.9 of a percentage point to 18.9 percent. Michigan's share of U.S. truck production increased 2.1 percentage points to 19.4 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2015					Change from Year Ago for the Month	
	Monthly Average	Dec 2015	Jan 2016	Feb 2016	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	355.8	292.3	324.8	363.0	326.7	23.7	7.0%
Trucks	644.1	536.4	573.4	693.7	601.2	98.8	16.6%
Total	1,000.0	828.7	898.2	1,056.7	927.9	122.6	13.1%
Michigan Production ^(f)							
Autos	68.3	59.5	64.4	68.6	64.2	(7.1)	-9.4%
Trucks	125.6	99.1	99.4	134.5	111.0	12.0	9.8%
Total	193.9	158.6	163.8	203.1	175.2	5.0	2.5%
Michigan as % of U.S.	19.4%	19.1%	18.2%	19.2%	18.9%	-2.0 pts	

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

In February 2016, the unemployment rates in Michigan's 17 labor market areas ranged from a low of 2.9 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 9.4 percent in the Northeast Lower Michigan region. The February 2016 median unemployment rate was 5.0 percent, which is down 1.0 percentage point from last February's 6.0 percent median rate.

Compared to a year ago, the February 2016 unemployment rate fell in all of Michigan's 17 labor market areas. The median rate decline was 1.1 percentage points. The Northeast Lower Michigan region reported the largest rate decrease of 1.5 percentage points, followed by the Muskegon MSA and the Northwest Lower Michigan region with reported rate declines of 1.4 percentage points. The Ann Arbor MSA recorded the smallest rate decline of 0.7 of a percentage point.

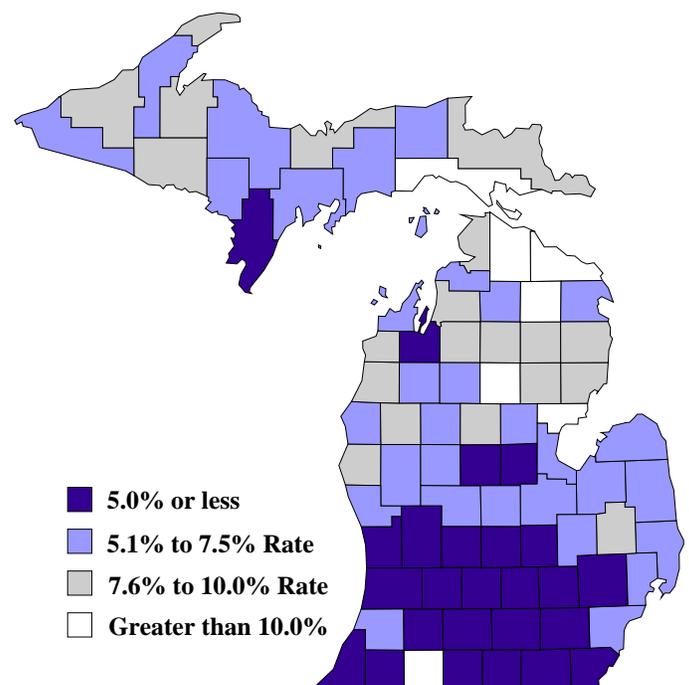
Between February 2015 and February 2016, household employment rose in all of Michigan's 17 labor market areas. The median employment increase was 3.2 percent. The Monroe MSA reported the largest year-over-year employment increase at 4.6 percent, followed by the Ann Arbor MSA with a 4.2 percent increase. The Jackson MSA reported the smallest year-over-year employment increase at 0.9 percent. The labor force rose in 15 labor market areas, was unchanged in one area and fell in one area. The Ann Arbor MSA and Monroe MSA reported the largest percent increase in labor force at 3.4 percent. The labor force in the Upper Peninsula LMA was unchanged and the labor force in Jackson fell 0.4 percent.

Between February 2015 and February 2016, the unemployment rate fell in all of Michigan's 83 counties. The median February 2016 rate decline was 1.2 percentage points. Oscoda County reported the largest unemployment rate decline at 3.0 percentage points, followed by Lake County with a 2.6 percentage points decline. In February 2016, the unemployment rate was below 7.0 percent in 52 of Michigan's 83 counties. In February 2015, 39 Michigan counties had an unemployment rate below 7.0 percent. In February 2016, seven Michigan counties had an unemployment rate above 10.0 percent compared with February 2015 when 17 Michigan counties had an unemployment rate over 10.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Feb 2015 Rate</u>	<u>Jan 2016 Rate</u>	<u>Feb 2016 Rate</u>
Michigan	6.1%	5.1%	5.0%
Ann Arbor	3.6%	2.9%	2.9%
Battle Creek	5.6%	4.4%	4.6%
Bay City	6.9%	5.3%	5.6%
Detroit-Warren-Dearborn	6.4%	5.7%	5.4%
Flint	6.8%	5.5%	5.6%
Grand Rapids-Wyoming	4.2%	3.2%	3.4%
Jackson	6.0%	4.7%	4.9%
Kalamazoo-Portage	5.3%	4.1%	4.2%
Lansing-East Lansing	4.9%	4.1%	3.7%
Midland	5.6%	4.6%	4.7%
Monroe	5.0%	4.2%	4.0%
Muskegon	6.5%	4.8%	5.1%
Niles-Benton Harbor	5.9%	4.8%	5.0%
Saginaw	6.5%	5.2%	5.3%
Upper Peninsula	8.3%	6.7%	7.0%
Northeast Lower Mich	10.9%	8.6%	9.4%
Northwest Lower Mich.	8.0%	6.0%	6.6%

County Unemployment Rates February 2016^(g)

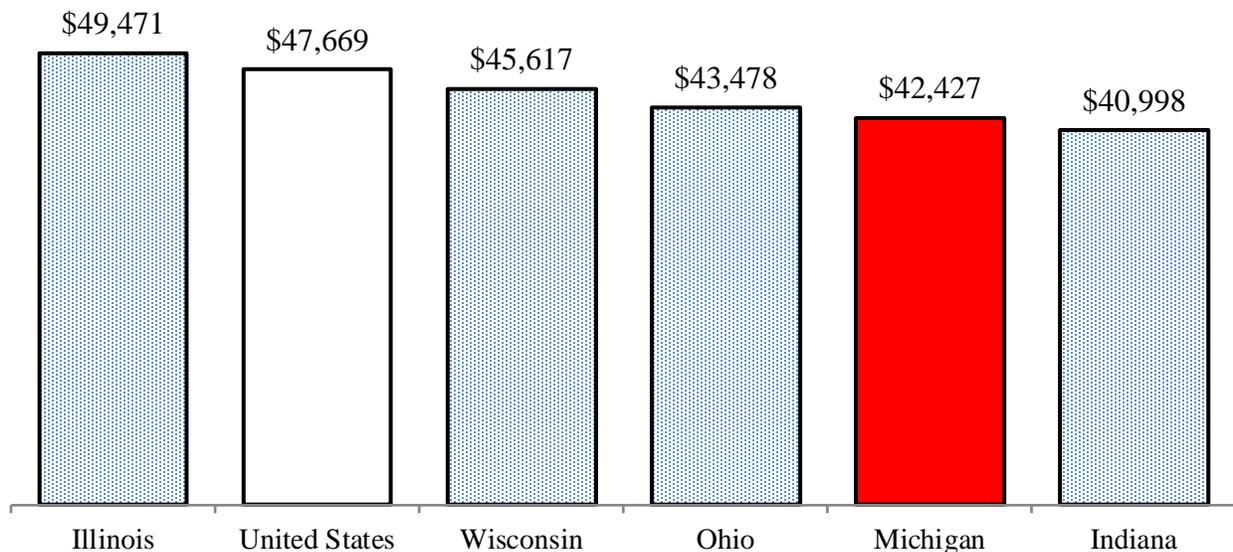


Michigan Personal Income Grows for the Sixth Straight Year

On March 24, 2016, the Bureau of Economic Analysis released initial annual state personal income estimates for 2015. Below are highlights from the release:

- In 2015, nominal Michigan personal income rose 4.3 percent – marking the sixth straight year that the State’s personal income grew. Michigan’s 2015 personal income growth accelerated slightly from 4.1 percent in 2014. Nationally, U.S. personal income rose 4.4 percent in 2015 – matching national personal income growth in 2014.
- With the Detroit CPI falling 1.4 percent in 2015, real (inflation adjusted) Michigan personal income rose 5.8 percent in 2015 after rising 3.0 percent in 2014. Nationally, real personal income grew 4.2 percent in 2015 after rising 2.7 percent in 2013.
- Between 2014 and 2015, Michigan income per person grew 4.1 percent – the fourth fastest 2014-2015 income per person growth among all states. Nationally, income per person rose 3.5 percent growth in 2015. With the Detroit CPI falling 1.4 percent, real Michigan income per person increased 5.6 percent in 2015. Nationally, real income per person rose 3.4 percent.
- Among the five Great Lakes states, Michigan income per person (\$42,427) ranked fourth in 2015, ahead of Indiana. Michigan has ranked fourth in the Great Lakes region each year since 2006. Michigan’s 2015 income per person placed 33rd among the 50 states. Ten years earlier, Michigan had ranked 28th in state income per person.
- In 2015, Michigan’s per person income as a percent of the national average rose slightly to 89.0 percent, the State’s highest percent of national income since 2005. Compared to ten years ago, 2015 Michigan per person income as a percent of the national average was down 2.7 percentage points.

Michigan 2015 Income Per Person Ranks 4th Among Great Lakes States



U.S. Economic Conditions

	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	91.3	92.6	92.0	91.7	-1.9 points
ISM Manufacturing Index ⁽ⁱ⁾	48.4	48.0	48.2	49.5	-5.6 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.6	55.8	53.5	53.4	-3.1 points
	<u>2015.1</u>	<u>2015.2</u>	<u>2015.3</u>	<u>2015.4</u>	
Business Executives' Confidence ^(j)	57.0	58.0	48.0	45.0	-15.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	237.3	236.5	236.9	237.1	1.0%
Detroit CPI	NA	217.8	NA	218.4	0.9%
U.S. Producer Price Index	109.6	109.2	109.5	109.5	0.0%
INTEREST RATES					
90 Day T-Bill ^(l)	0.12%	0.23%	0.26%	0.31%	0.29% points
Aaa Corporate Bonds ^(l)	4.06%	3.97%	4.00%	3.96%	0.35% points
INDUSTRIAL PRODUCTION ^(l)					
	106.5	106.0	106.9	106.3	-1.0%
CAPACITY UTILIZATION ^(l)					
	77.0%	76.5%	77.1%	76.7%	-1.8% points
RETAIL SALES ^(d)					
	\$448.4	\$449.7	\$448.0	\$447.3	3.1%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.176	1.159	1.120	1.178	30.9%
Existing Home Sales ^(m)	4.860	5.450	5.470	5.080	2.2%
DURABLE GOODS ORDERS ^(p)					
	\$237.4	\$226.4	\$235.9	\$229.4	1.8%
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>2015.1</u>	<u>2015.2</u>	<u>2015.3</u>	<u>2015.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,177.3	\$16,333.6	\$16,414.0	\$16,470.6	1.4%

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.