



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

January 2014 Summary

U.S. Economy: Between 2013Q3 and 2013Q4, real U.S. Gross Domestic Product rose at a 2.4 percent annual rate. In January 2014, the Consumer Sentiment Index increased 7.4 points from a year ago to 81.2 points. January 2014 housing starts were up 1.2 percent from a year ago. In January 2014, the ISM manufacturing index fell 1.8 points from last January while the ISM non-manufacturing index decreased 1.2 points from a year ago. Retail sales increased 1.9 percent from last year. In January 2014, industrial production grew 2.9 percent from a year earlier. Capacity utilization was up 0.8 percentage point from last January. New durable goods orders were up 4.6 percent from a year ago.

Employment: Between January 2013 and January 2014, Michigan employment gained a net 37,200 jobs (0.9 percent). Compared to December 2013, Michigan employment in December was down 7,500 jobs. At 7.8 percent, Michigan's unemployment rate in January was down 0.5 percentage point from December 2013 and was down 1.1 percentage points from January 2013. January 2014 national wage and salary employment was up 113,000 jobs from December 2013. Over the last year, U.S. employment increased 2.2 million jobs (1.7 percent).

Auto Industry: The January 2014 U.S. light vehicle annual sales rate (15.3 million units) was down 0.2 percent from last month but was up 0.6 percent from a year ago. Between January 2013 and January 2014, Michigan vehicle production rose 8.3 percent while national vehicle production was up 10.5 percent from last January. Compared to a year ago, Michigan's share of national vehicle production decreased 0.4 percentage point to 21.4 percent.

Inflation: In January, the overall U.S. consumer price index (CPI) rose 1.6 percent compared to a year ago. The core U.S. CPI (excluding food and energy) increased 1.6 percent. The producer price index rose 1.5 percent from last year. At \$94.62, the price of oil was down very slightly (14 cents) from January 2013.

Michigan Metro Areas: Over the last year, unemployment rates fell and employment increased in all of Michigan's 17 major labor markets. All of Michigan's 83 counties saw a year-over-year unemployment rate decrease.

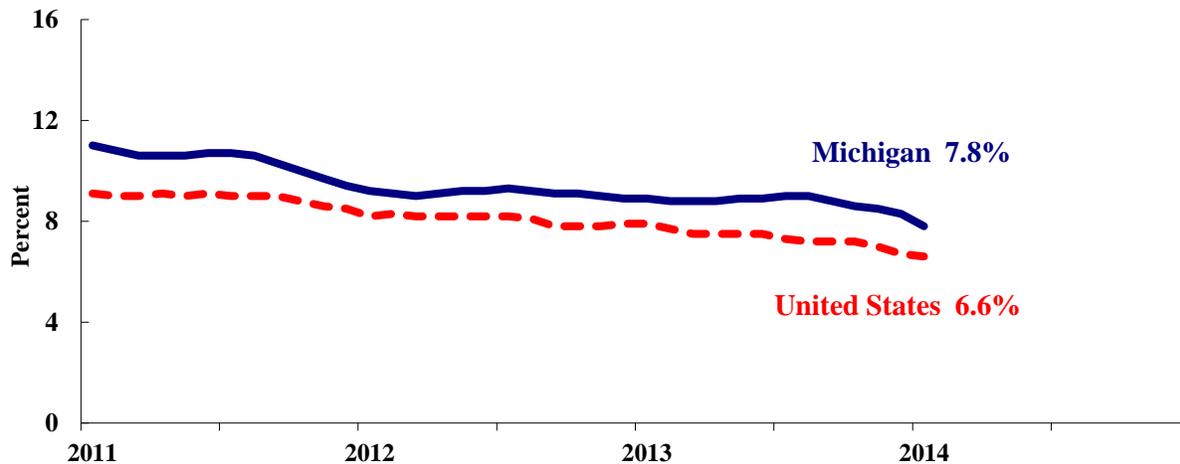
Michigan Employment Declines in January 2014
(Change from Prior Month, Thousands of Jobs) ^(a)



Labor Market Statistics

- Michigan's January unemployment rate decreased 0.5 of a percentage point from last month to 7.8 percent and was down 1.1 percentage points from a year ago. The January U.S. unemployment rate decreased 0.1 of a percentage point from December to 6.6 percent and was down 1.3 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 January, the number of people employed in Michigan increased 32,000 from last month to 4,331,000, while the labor force increased 11,000. The statewide total number of unemployed fell 20,000 to 367,000.
- United States household employment totaled 145.2 million persons in January. The labor force totaled 155.5 million and there were 10.2 million unemployed in January 2014.

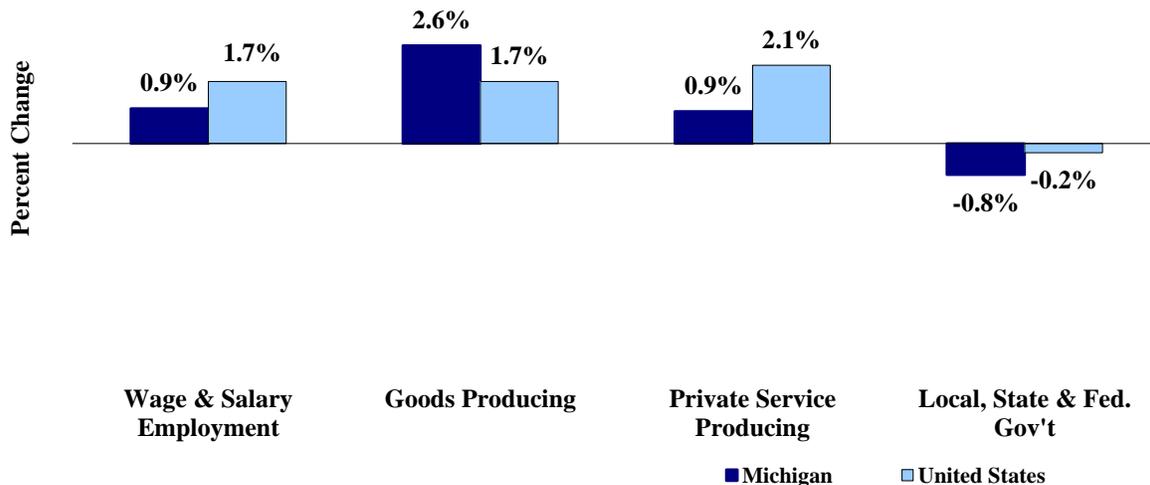
Employment by Place of Residence (in thousands)^(a)

	2012 Average	Nov 2013	Dec 2013	Jan 2014	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,657	4,692	4,687	4,698	11	0.2%	2	0.1%
Employed	4,232	4,296	4,299	4,331	32	0.7%	52	1.2%
Unemployed	426	397	387	367	-20	-5.3%	-50	-11.9%
Unemployment Rate	9.1%	8.5%	8.3%	7.8%	n.a.	-0.5% pts	n.a.	-1.1% pts
United States								
Labor Force	154,975	155,284	154,937	155,460	523	0.3%	-25	0.0%
Employed	142,469	144,443	144,586	145,224	638	0.4%	2,012	1.4%
Unemployed	12,506	10,841	10,351	10,236	-115	-1.1%	-2,037	-16.6%
Unemployment Rate	8.1%	7.0%	6.7%	6.6%	n.a.	-0.1% pts	n.a.	-1.3% pts

Employment by Place of Work

- From January 2013 to January 2014, Michigan wage and salary employment increased 37,000 (0.9 percent). State wage and salary employment decreased 8,000 in January from December. Nationally, January 2013 wage and salary employment rose 2,238,000 (1.7 percent) from a year ago and was up 113,000 from last month.

Wage and Salary Employment Growth January 2013 to January 2014



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

- In the goods-producing sector, Michigan employment increased 2.6 percent in January from a year ago while employment in the private service-producing sector increased 0.9 percent. From a year ago, January national employment rose 1.7 percent in the goods-producing sector and increased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 1.2 hours in January compared to last year.

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

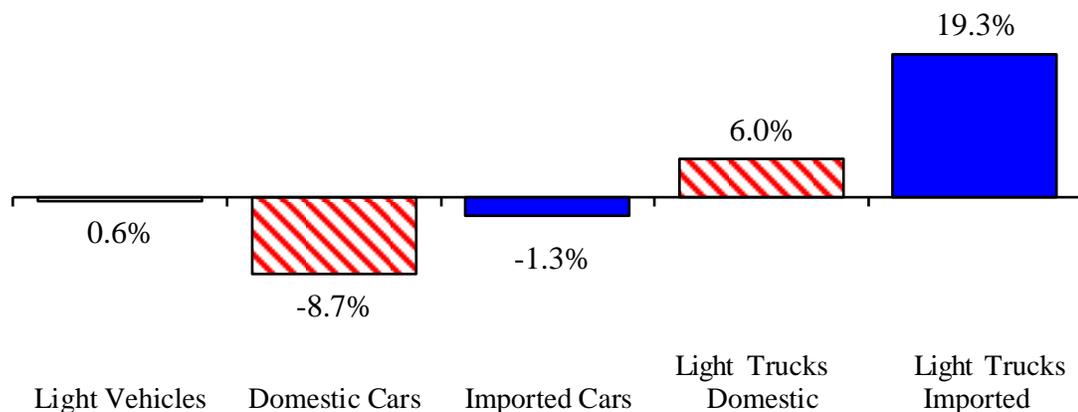
	Michigan				United States			
	2013 Average	Jan 2013	Jan 2014	Percent Change	2013 Average	Jan 2013	Jan 2014	Percent Change
Wage & Salary Employment	4,105	4,081	4,119	0.9%	136,368	135,261	137,499	1.7%
Goods Producing	695	688	706	2.6%	18,700	18,579	18,887	1.7%
Manufacturing	555	547	564	3.1%	12,006	11,982	12,075	0.8%
Private Service Producing	2,810	2,792	2,816	0.9%	95,804	94,816	96,799	2.1%
Trade, Trans. & Utilities	744	738	746	1.1%	25,870	25,691	26,182	1.9%
Services	1,808	1,799	1,814	0.8%	59,368	58,617	60,038	2.4%
Local, State & Fed. Gov't	600	602	597	-0.8%	21,864	21,866	21,813	-0.2%
Manufacturing Weekly Hours	42.0	44.1	42.9	-1.2 hrs	40.8	40.6	40.7	0.1 hrs

Motor Vehicle Industry Sales

- January 2014 U.S. light vehicle sales totaled 15.3 million units, at a seasonally adjusted annual rate. The January 2014 rate was down 0.2 percent from last month but was up 0.6 percent compared to the January 2013 rate. The light vehicle sales rate has exceeded 15.0 million units in each of the past 15 months and has exceeded 14.0 million units in each of the past 24 months. Directly prior to this 2-year streak, the light vehicle sales rate had totaled fewer than 14.0 million units in 29 straight months (September 2009-January 2012)
- U.S. sales of domestic light vehicles decreased 0.8 percent between January 2013 and January 2014, while foreign sales were up 5.8 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 20.7 percent in January 2013 to 21.8 percent in January 2014.
- Auto sales decreased 6.7 percent compared to last January, while light truck sales were up 7.9 percent from January 2013. Year-over-year, heavy truck sales rose 14.3 percent.

January Light Vehicle Sales Down Slightly From Last Year

(millions)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2013 Average	Nov 2013	Dec 2013	Jan 2014	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.9	7.5	7.1	7.5	(0.5)	-6.7%
Domestics	5.4	5.6	5.2	5.0	5.3	(0.5)	-8.7%
Imports	2.2	2.3	2.3	2.0	2.2	(0.0)	-1.3%
Import Share	28.9%	29.3%	31.0%	28.8%	29.7%	1.6% pts	
Light Trucks	7.2	8.4	7.8	8.2	8.1	0.6	7.9%
Domestics	6.1	7.1	6.5	6.9	6.8	0.4	6.0%
Imports	1.1	1.3	1.3	1.3	1.3	0.2	19.3%
Import Share	14.7%	15.9%	16.5%	15.8%	16.1%	1.5% pts	
Total Light Vehicles	14.8	16.3	15.3	15.3	15.6	0.1	0.6%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.0	14.3%
Total Vehicles	15.1	16.7	15.7	15.6	16.0	0.1	0.9%

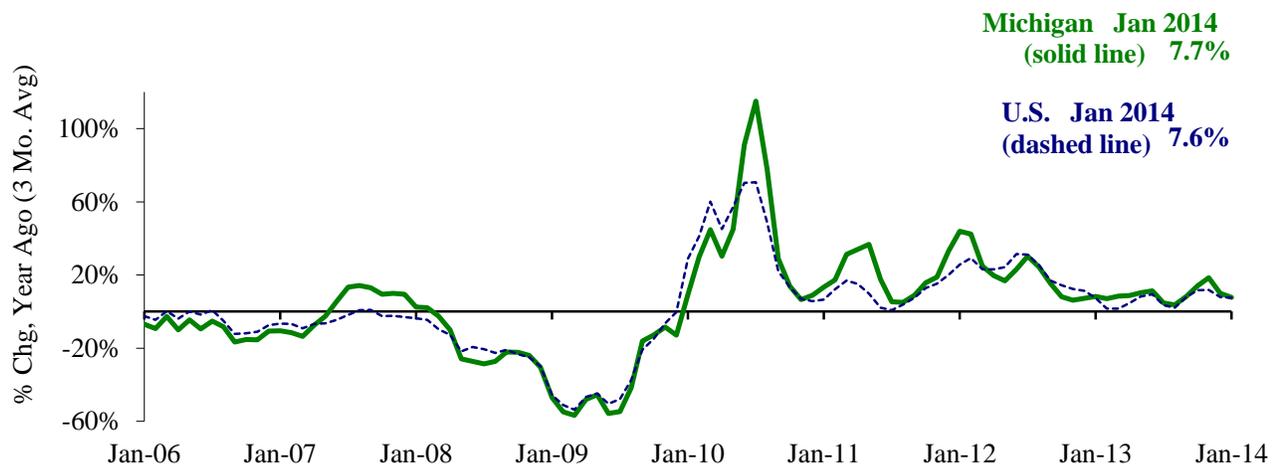
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013 Average	Nov-13	Dec-13	Jan-14	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$170.3	\$181.0	\$182.8	\$182.5	\$182.1	\$18.7	11.4%
Inventory/Sales Ratio	2.13	2.15	2.19	2.17	2.17	0.09	

Motor Vehicle Industry Production

- At 213,423 units, January 2014 Michigan motor vehicle production was 8.3 percent higher than January 2013. National production increased 10.5 percent from last January. The three-month average of vehicle production (November 2013-January 2014) was up 7.7 percent in Michigan and rose 7.6 percent nationally, compared to a year ago.
- In January 2014, Michigan car production was up 1.4 percent from a year ago while State truck production rose 13.4 percent. Nationally, car production increased 2.2 percent while U.S. truck production increased 16.7 percent.
- From a year ago, Michigan's January share of national vehicle production fell 0.4 percentage points to 21.4 percent. Michigan's share of U.S. car production was down 0.2 points to 21.8 percent. Michigan's share of U.S. truck production fell 0.6 percentage points to 21.2 percent.

Michigan and U.S. Motor Vehicle Production Increases from Year-Ago Slow ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013					Change from Year Ago for the Month	
	Monthly Average	Nov 2013	Dec 2013	Jan 2014	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	374.3	357.6	280.8	394.5	344.3	8.6	2.2%
Trucks	551.0	547.0	459.6	602.1	536.2	86.2	16.7%
Total	925.3	904.6	740.3	996.6	880.5	94.7	10.5%
Michigan Production ^(f)							
Autos	83.2	82.0	58.2	85.9	75.4	1.2	1.4%
Trucks	123.0	125.2	101.2	127.6	118.0	15.1	13.4%
Total	206.1	207.2	159.4	213.4	193.3	16.3	8.3%
Michigan as % of U.S.	22.3%	22.9%	21.5%	21.4%	22.0%	-0.4% pts	

Local Area Unemployment Rates Fell in All 17 Michigan Local Areas (Not Seasonally Adjusted)

January 2014 local area unemployment rates ranged between 5.0 percent in the Ann Arbor metropolitan statistical area (MSA) and 13.2 percent in Northeast Lower Michigan. The median January 2014 unemployment rate was 8.0 percent, which is down from last January's 9.7 percent median rate.

Compared to a year ago, the January unemployment rate fell in all 17 Michigan labor market areas. The Detroit-Warren-Livonia MSA reported the greatest year-over-year (y-o-y) rate decrease of 2.4 percentage points, followed by the Lansing-East Lansing MSA with a 2.1 percentage point rate drop and the Niles-Benton Harbor MSA with a 2.0 percentage point decline. The median unemployment rate decline was 1.4 percentage points

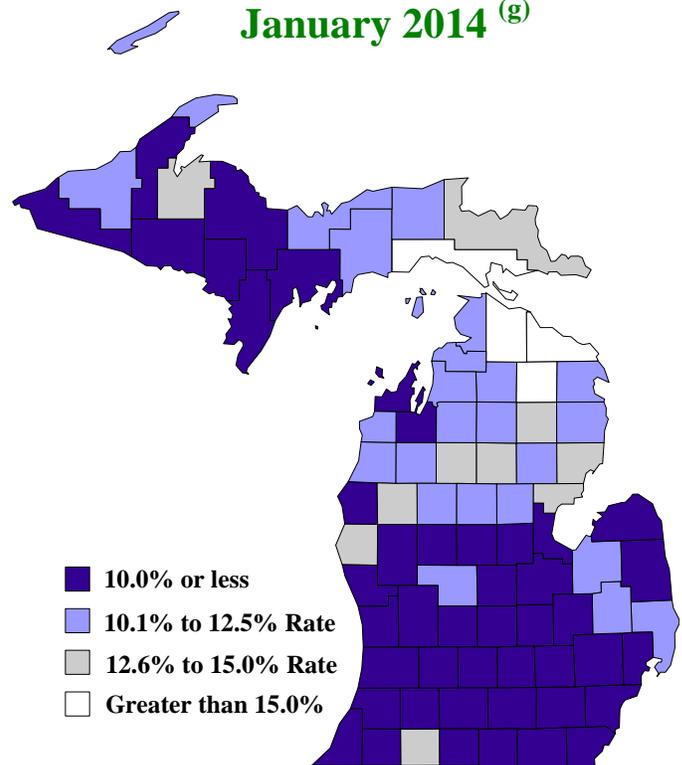
Between January 2013 and January 2014, employment rose in all 17 areas. The median employment increase was 1.7 percent. The Grand Rapids-Wyoming MSA reported the largest employment increase (3.3 percent) while the Detroit-Warren-Livonia MSA saw the second largest employment increase (3.1 percent). The labor force rose in nine labor market areas and fell in eight areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (1.7 percent). The Bay City MSA reported the largest percent decrease in labor force with a 1.4 percent decrease.

Between January 2013 and January 2014, the unemployment rate fell in all 83 Michigan counties. The median January 2014 rate decline was 1.6 percentage points. Keweenaw County posted the largest rate decrease (6.0 percentage points), followed by Ontonagon County (3.2 percentage points). The unemployment rate in 43 counties was below 10.0 percent in January 2014. Last January, 26 counties had an unemployment rate below 10.0 percent. In January 2014, four Michigan counties reported a rate higher than 15.0 percent. Last January, nine Michigan counties had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jan 2013 Rate</u>	<u>Dec 2013 Rate</u>	<u>Jan 2014 Rate</u>
Michigan	9.9%	7.7%	8.1%
Ann Arbor	5.7%	5.2%	5.0%
Battle Creek	8.3%	6.8%	6.7%
Bay City	10.2%	8.2%	9.0%
Detroit-Warren-Livonia	10.9%	8.0%	8.5%
Flint	10.3%	8.8%	9.5%
Grand Rapids-Wyoming	7.2%	5.8%	5.8%
Holland-Grand Haven	7.2%	6.0%	5.8%
Jackson	9.4%	8.0%	8.0%
Kalamazoo-Portage	8.4%	6.9%	6.8%
Lansing-East Lansing	8.2%	6.2%	6.1%
Monroe	9.4%	6.9%	7.9%
Muskegon-Norton Shores	9.7%	8.2%	7.9%
Niles-Benton Harbor	10.1%	8.2%	8.1%
Saginaw-Saginaw Township	9.7%	8.0%	8.5%
Upper Peninsula	10.9%	9.5%	9.7%
Northeast Lower Mich	14.5%	12.3%	13.2%
Northwest Lower Mich.	11.8%	9.8%	10.1%

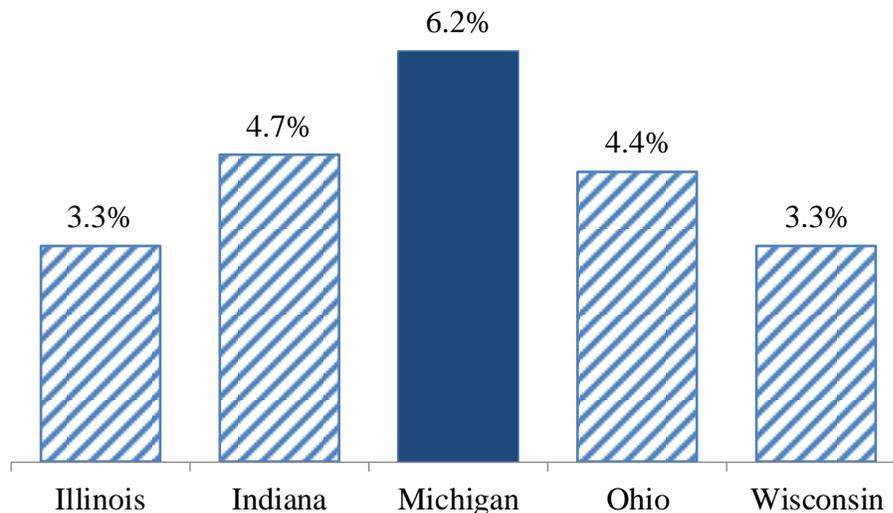
County Unemployment Rates January 2014^(g)



Michigan Employment Grows for Third Straight Year

- In calendar year 2013, Michigan wage and salary employment increased for the third straight year. In CY 2013, Michigan jobs rose by 71,200 (1.8 percent) after increasing by 88,500 jobs (2.3 percent) in 2011 and rising 81,500 jobs (2.1 percent). Between 2010 and 2013, Michigan reported the sixth fastest employment growth among all U.S. states (6.2 percent) and the fastest growth among the five Great Lakes States.
- Overall U.S. wage and salary employment rose 1.7 percent in 2013 after increasing 1.2 percent in 2011 and rising 1.7 percent in 2012.
- Michigan manufacturing employment rose by 17,500 jobs (3.3 percent growth) in 2013, which marked the fourth consecutive annual increase. Consequently, the manufacturing sector accounted for 24.6 percent of Michigan's overall 2013 jobs increase. In contrast, Michigan manufacturing comprised 13.3 percent of the total number of jobs in the State in 2012. Only one major sector in Michigan reported a 2013 employment decline: government, which lost a net 8,900 jobs.
- In 2013, durable goods manufacturing employment accounted for 86.3 percent of the overall manufacturing jobs increase with transportation equipment comprising 61.1 percent of the overall manufacturing increase.
- In 2013, Michigan's unemployment rate fell for the fourth straight year with the rate falling from 13.5 percent in 2009 to 8.8 percent in 2013 – a 4.7 percentage point decline. In addition, in 2013, Michigan's labor force increased for the first year since 2006.
- The U.S. unemployment rate dropped from 8.1 percent in 2011 to 7.4 percent in 2013. While the gap between Michigan's unemployment rate and the national unemployment rate widened in 2013 to 1.4 percentage points, the gap remains considerably narrower than it was in 2009 (4.2 percentage points).

Michigan Reports Fastest 2010-2013 Great Lakes Region Employment Growth



U.S. Economic Conditions

	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	73.2	75.1	82.5	81.2	7.4 points
ISM Manufacturing Index ⁽ⁱ⁾	56.4	57.3	56.5	51.3	-1.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.4	53.9	53.0	54.0	-1.2 points
	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	
Business Executives' Confidence ⁽ⁱ⁾	54.0	62.0	54.0	60.0	14.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	233.5	233.1	233.0	233.9	1.6%
Detroit CPI	219.7	NA	218.2	NA	0.8%
U.S. Producer Price Index	196.9	195.9	196.1	197.7	1.5%
INTEREST RATES					
90 Day T-Bill ^(l)	0.05%	0.07%	0.07%	0.04%	-0.03% points
Aaa Corporate Bonds ^(l)	4.53%	4.63%	4.62%	4.49%	0.69% points
INDUSTRIAL PRODUCTION ^(l)					
	100.4	101.2	101.2	101.0	2.9%
CAPACITY UTILIZATION ^(l)					
	78.4%	78.9%	78.8%	78.5%	0.8% points
RETAIL SALES ^(d)					
	\$429.0	\$430.1	\$428.8	\$426.1	1.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.899	1.101	1.024	0.909	1.2%
Existing Home Sales ^(m)	5.130	4.830	4.870	4.620	-5.1%
DURABLE GOODS ORDERS ^(p)					
	\$233.6	\$240.0	\$227.2	\$225.0	4.6%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>% Change From Year Ago</u>
Michigan	\$385.7	\$384.0	\$387.5	\$391.5	3.9%
U.S.	\$14,055.5	\$13,870.1	\$14,032.6	\$14,180.5	3.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,583.9	\$15,679.7	\$15,839.3	\$15,932.9	2.38%

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.