



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

May 2014 Summary

U.S. Economy: In May 2014, the Consumer Sentiment Index fell 2.6 points from a year ago to 81.9 points. Durable goods orders were up 2.9 percent from May 2013. Industrial production grew 4.3 percent from a year ago. The capacity utilization rate posted its 10th straight year-over-year increase. Retail sales rose 4.3 percent between May 2013 and May 2014. The ISM manufacturing index rose 5.4 points from a year ago while the ISM non-manufacturing index rose 2.3 points from last May. Both composite ISM indices continued to signal sector as well as overall economic expansion. May 2014 housing starts were up 9.4 percent from a year ago even as existing home sales fell 5.0 percent. Overall, recent economic data indicate the economy is gaining strength following the decline in real GDP at a 2.9 percent annual rate in the first quarter.

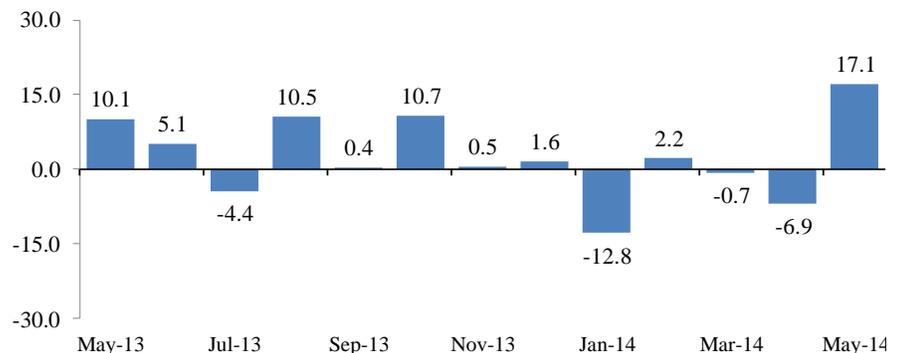
Employment: Between May 2013 and May 2014, Michigan employment gained a net 23,300 jobs. Compared to April 2014, Michigan employment in May was up 17,100 jobs. At 7.5 percent, Michigan's unemployment rate in May 2014 was up 0.1 percentage point from April 2014 but was down 1.4 percentage points from May 2013. The U.S. unemployment rate was down unchanged from April 2014 and was off 1.2 percentage points from May 2013. May 2014 national wage and salary employment was up 217,000 jobs from April 2014. Over the last year, U.S. employment increased 2.4 million jobs (1.7 percent).

Auto Industry: The May 2014 U.S. light vehicle annual sales rate of 16.7 million units was up 8.3 percent from a year ago. The May 2014 sales rate represents the highest rate since February 2007. Between May 2013 and May 2014, Michigan vehicle production fell 6.9 percent while national vehicle production was up 1.4 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 1.8 percentage points to 20.6 percent.

Inflation: In May 2014, the overall U.S. consumer price index (CPI) rose 2.1 percent compared to a year ago. The U.S. core CPI was up 2.0 percent. The U.S. producer price index rose 2.4 percent from last year. At \$102.18 per barrel, the price of oil was up \$7.67 (8.1 percent) from May 2013.

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

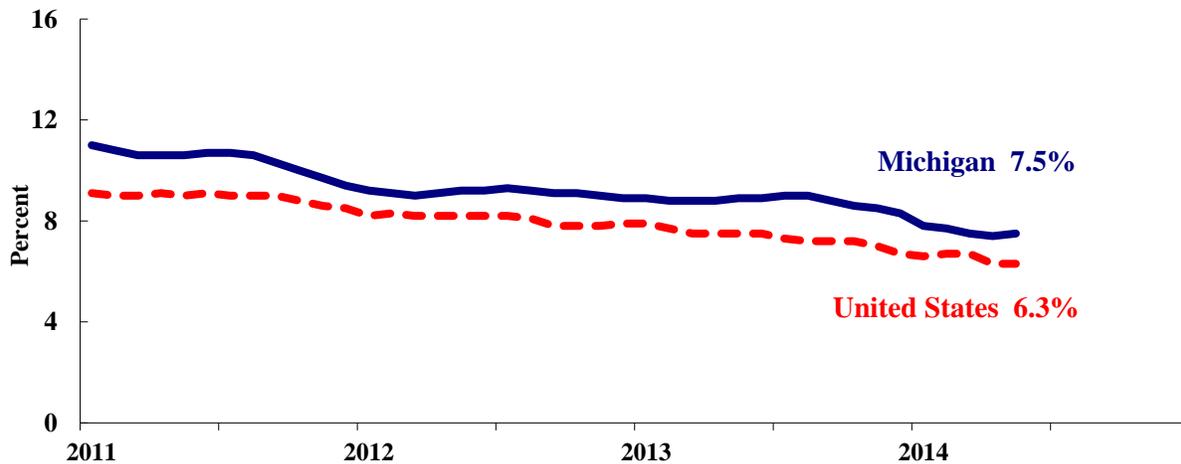
Michigan Wage and Salary Employment Increases Sharply in May
(Seasonally Adjusted)^(a)



Labor Market Statistics

- Michigan’s May unemployment rate increased 0.1 of a percentage point from last month to 7.5 percent and was down 1.4 percentage points from a year ago. The May U.S. unemployment rate remained unchanged at 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 May, the number of people employed in Michigan increased 1,000 from last month to 4,389,000, while the labor force increased 3,000. The statewide total number of unemployed rose 2,000 to 354,000.
- United States household employment totaled 145.8 million persons in May. The labor force totaled 155.6 million and there were 9.8 million unemployed in May 2014.

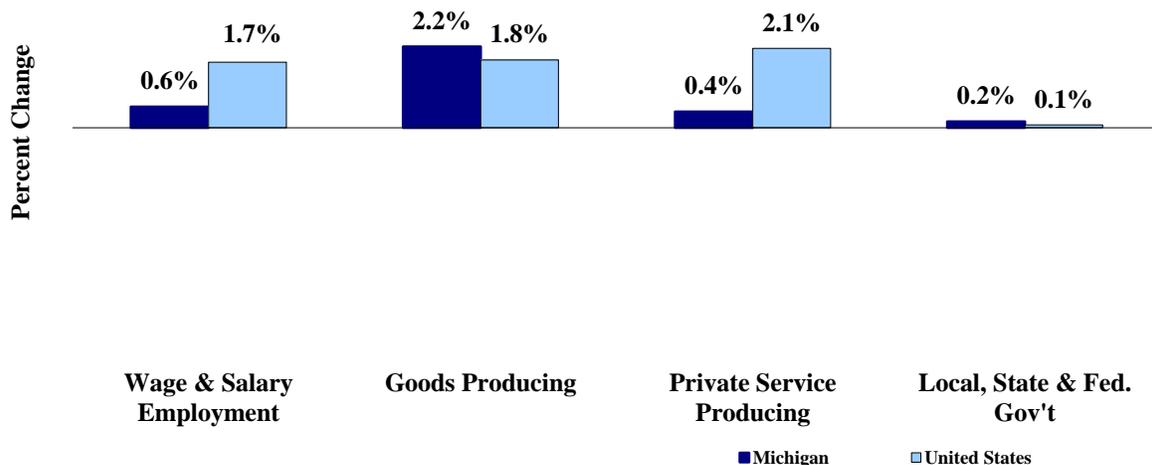
Employment by Place of Residence (in thousands)^(a)

	2013 Average	Mar 2014	Apr 2014	May 2014	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,657	4,730	4,740	4,743	3	0.1%	25	0.5%	
Employed	4,232	4,375	4,388	4,389	1	0.0%	89	2.1%	
Unemployed	426	355	352	354	2	0.6%	-64	-15.3%	
Unemployment Rate	9.1%	7.5%	7.4%	7.5%	n.a.	0.1% pts	n.a.	-1.4% pts	
United States									
Labor Force	154,975	156,227	155,421	155,613	192	0.1%	128	0.1%	
Employed	142,469	145,742	145,669	145,814	145	0.1%	2,602	1.8%	
Unemployed	12,506	10,486	9,753	9,799	46	0.5%	-2,474	-20.2%	
Unemployment Rate	8.1%	6.7%	6.3%	6.3%	n.a.	0.0% pts	n.a.	-1.2% pts	

Employment by Place of Work

- From May 2013 to May 2014, Michigan wage and salary employment increased 23,000 (0.6 percent). State wage and salary employment increased by 17,000 jobs in May from April. Nationally, May 2014 wage and salary employment rose 2,379,000 (1.7 percent) from a year ago and was up 217,000 from last month.

Wage and Salary Employment Growth May 2013 to May 2014



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

- In the goods-producing sector, Michigan employment increased 2.2 percent in May from a year ago while employment in the private service-producing sector increased 0.4 percent. From a year ago, May 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 1.3 hours in May compared to last year.

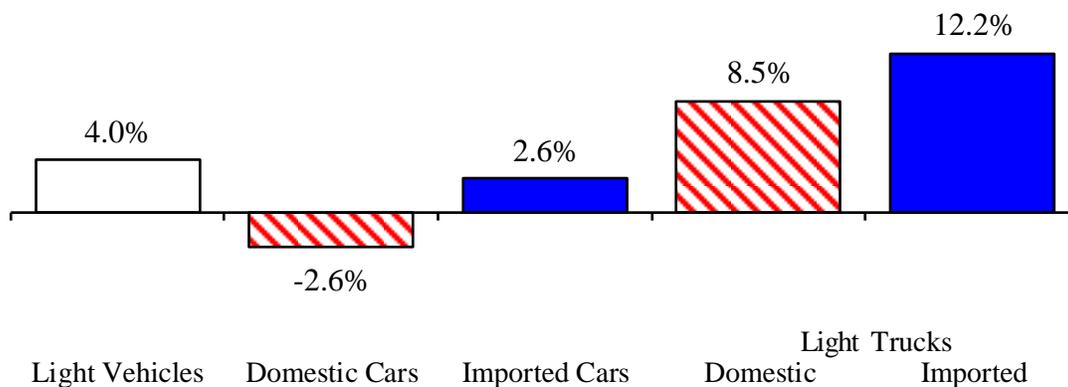
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2013 Average	May 2013	May 2014	Percent Change	2013 Average	May 2013	May 2014	Percent Change
Wage & Salary Employment	4,105	4,102	4,125	0.6%	136,368	136,084	138,463	1.7%
Goods Producing	695	692	707	2.2%	18,700	18,671	19,009	1.8%
Manufacturing	555	552	561	1.6%	12,006	11,994	12,099	0.9%
Private Service Producing	2,810	2,807	2,819	0.4%	95,804	95,561	97,585	2.1%
Trade, Trans. & Utilities	744	742	753	1.5%	25,870	25,760	26,333	2.2%
Services	1,808	1,808	1,813	0.3%	59,368	59,243	60,678	2.4%
Local, State & Fed. Gov't	600	601	602	0.2%	21,864	21,852	21,869	0.1%
Manufacturing Weekly Hours	42.0	43.3	44.6	1.3 hrs	40.8	40.8	41.1	0.3 hrs

Motor Vehicle Industry Sales

- May 2014 U.S. light vehicle sales totaled 16.7 million units, at a seasonally adjusted annual rate. The May 2014 rate was up 4.7 percent from last month and up 8.3 percent from the May 2013 rate.
- May 2014 marks the third straight month 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 19 months and has exceeded 14.0 million units in each of the past 28 months.
- U.S. sales of domestic light vehicles increased 8.2 percent between May 2013 and May 2014, while foreign sales were up 8.7 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales increased from 21.4 percent in May 2013 to 21.5 percent in May 2014.
- Auto sales increased 5.8 percent compared to last May, while light truck sales were up 10.6 percent from May 2013. Year-over-year, heavy truck sales rose 15.4 percent.

Year-to-Date Light Truck Sales Up Substantially From Last Year (millions)



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2013 Average	Mar 2014	Apr 2014	May 2014	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.5	7.3	7.8	7.6	0.4	5.8%
Domestics	5.4	5.4	5.3	5.6	5.4	0.3	4.7%
Imports	2.2	2.1	2.1	2.3	2.2	0.2	8.5%
Import Share	28.9%	28.2%	28.5%	28.9%	28.5%	0.7% pts	
Light Trucks	7.9	8.8	8.6	8.9	8.8	0.8	10.6%
Domestics	6.7	7.4	7.3	7.5	7.4	0.7	10.9%
Imports	1.2	1.4	1.3	1.3	1.3	0.1	8.9%
Import Share	15.7%	15.5%	15.0%	15.0%	15.2%	-0.2% pts	
Total Light Vehicles	15.5	16.3	16.0	16.7	16.3	1.3	8.3%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	15.4%
Total Vehicles	15.8	16.7	16.4	17.1	16.7	1.3	8.4%

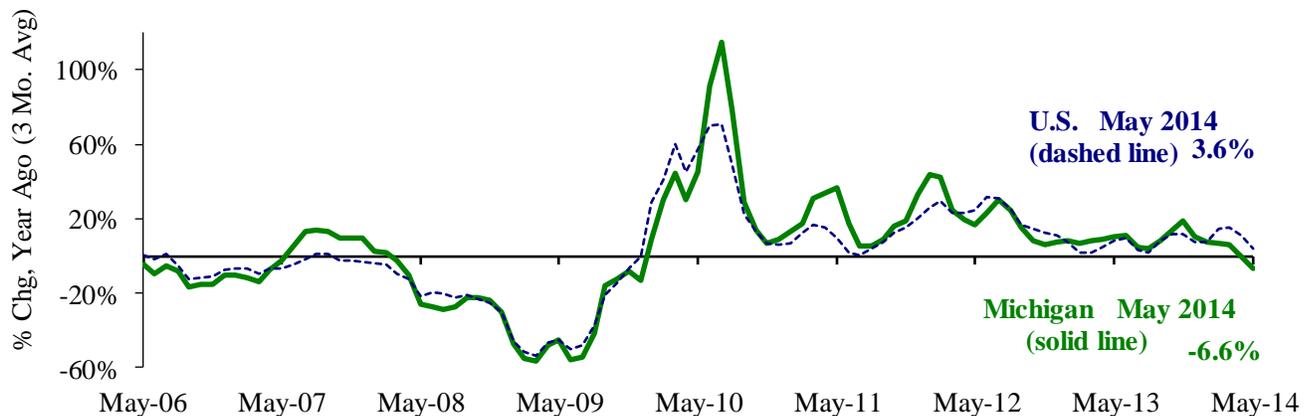
Retail Inventories, Motor Vehicle and Parts Dealers^(d) (billions of dollars)

	2013 Average	Feb-14	Mar-14	Apr-14	3 Month Average	Change from Year Ago	
						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 211,874 units, May 2014 Michigan motor vehicle production was 6.9 percent lower than May 2013. National production increased 1.4 percent from last May. The three-month average of vehicle production (March 2014-May 2014) was down 6.6 percent in Michigan but up 3.6 percent nationally, compared to a year ago.
- In May 2014, Michigan car production was down 27.9 percent from a year ago while State truck production rose 8.3 percent. Nationally, car production decreased 12.5 percent while U.S. truck production increased 10.9 percent.
- Michigan’s share of national vehicle production fell 1.8 percentage points to 20.6 percent in May from the year-ago level. Michigan’s share of U.S. car production was down 4.1 points to 19.1 percent. Michigan’s share of U.S truck production fell 0.5 percentage point to 21.4 percent.

Michigan Motor Vehicle Production Trending Downward ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013 Monthly Average	Mar 2014	Apr 2014	May 2014	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	374.3	378.0	353.3	360.4	363.9	(51.3)	-12.5%
Trucks	551.0	672.7	656.3	667.9	665.6	65.8	10.9%
Total	925.3	1,050.6	1,009.6	1,028.3	1,029.5	14.6	1.4%
Michigan Production ^(f)							
Autos	83.2	70.8	54.6	68.8	64.8	(26.7)	-27.9%
Trucks	123.0	146.5	141.2	143.0	143.6	10.9	8.3%
Total	206.1	217.2	195.8	211.9	208.3	(15.7)	-6.9%
Michigan as % of U.S.	22.3%	20.7%	19.4%	20.6%	20.2%	-1.8% pts	

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

May 2014 local area unemployment rates ranged between 5.3 percent in the Ann Arbor metropolitan statistical area (MSA) and 9.2 percent in Northeast Lower Michigan. The median May 2014 unemployment rate was 7.2 percent, which is down sharply from last May’s 9.0 percent median rate.

Compared to a year ago, the May unemployment rate fell in all of Michigan’s 17 labor market areas. The Muskegon-Norton Shores MSA reported the greatest year-over-year rate decrease of 2.1 percentage points, followed by the Niles-Benton Harbor MSA with a 1.8 percentage point decline.

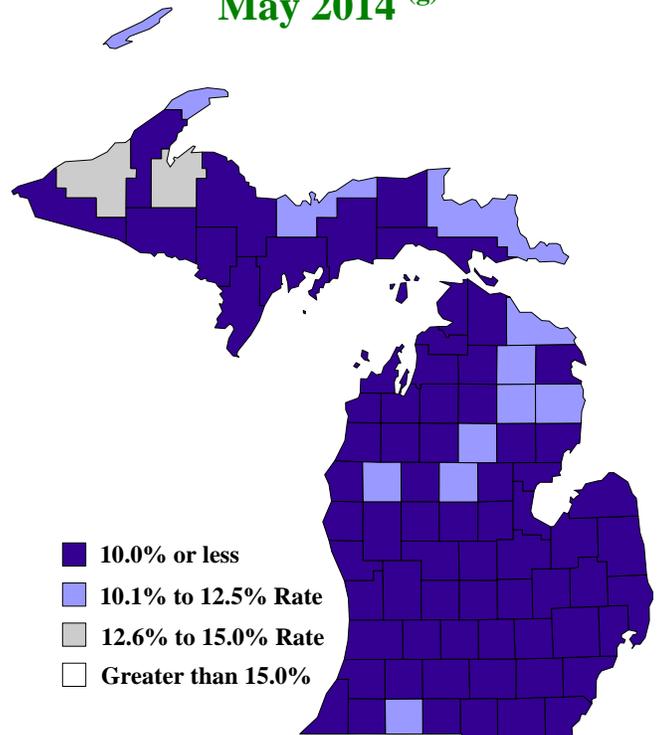
Between May 2013 and May 2014, employment rose in 16 Michigan labor market areas. The median employment increase was 2.8 percent. The Holland-Grand Haven MSA reported the largest year-over-year employment increase (5.1 percent), followed by the Grand Rapids-Wyoming MSA with a 4.9 percent increase. The Detroit-Warren-Livonia MSA experienced a slight employment decline (-0.2 percent). The labor force rose in 14 labor market areas and fell in three areas. The Holland-Grand Haven MSA and the Grand Rapids-Wyoming MSA each reported the largest percent increase in labor force (3.4 percent). The labor force fell from last May in the Detroit-Warren-Livonia MSA (-1.3 percent), the Flint MSA (-1.1 percent) and the Jackson MSA (-0.1 percent).

Between May 2013 and May 2014, the unemployment rate fell in all of Michigan’s 83 counties. The median May 2014 rate decline was 1.5 percentage points. Baraga County and Oscoda County each posted the largest rate decrease (3.3 percentage points), followed by Wexford County (3.2 percentage points) and Montmorency County (3.1 percentage points). The unemployment rate in 69 counties was below 10.0 percent in May 2014. In May 2013, 46 counties had an unemployment rate below 10.0 percent. In May 2014, no Michigan county reported a rate higher than 15.0 percent. Last May, two Michigan counties had an unemployment rate over 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2013 Rate</u>	<u>Apr 2014 Rate</u>	<u>May 2014 Rate</u>
Michigan	8.6%	7.3%	7.3%
Ann Arbor	6.1%	4.8%	5.3%
Battle Creek	7.6%	6.0%	6.3%
Bay City	9.1%	7.7%	7.6%
Detroit-Warren-Livonia	9.0%	7.9%	8.0%
Flint	9.5%	7.8%	8.0%
Grand Rapids-Wyoming	6.8%	5.1%	5.4%
Holland-Grand Haven	6.8%	5.0%	5.3%
Jackson	8.9%	7.2%	7.3%
Kalamazoo-Portage	7.6%	6.0%	6.3%
Lansing-East Lansing	7.6%	6.1%	6.4%
Monroe	8.2%	7.4%	6.8%
Muskegon-Norton Shores	9.1%	6.9%	7.0%
Niles-Benton Harbor	9.0%	6.9%	7.2%
Saginaw-Saginaw Township	9.1%	7.4%	7.6%
Upper Peninsula	9.8%	9.2%	8.4%
Northeast Lower Mich	10.9%	11.2%	9.2%
Northwest Lower Mich.	9.6%	9.0%	7.9%

County Unemployment Rates May 2014^(g)



U.S. Economic Conditions

	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	81.6	80.0	84.1	81.9	-2.6 points
ISM Manufacturing Index ⁽ⁱ⁾	53.2	53.7	54.9	55.4	5.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	51.6	53.1	55.2	56.3	2.3 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>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	234.8	236.3	237.1	237.9	2.1%
Detroit CPI	220.5	NA	223.3	NA	2.0%
U.S. Producer Price Index	198.8	199.9	202.0	201.6	2.4%
INTEREST RATES					
90 Day T-Bill ^(l)	0.05%	0.05%	0.03%	0.03%	-0.01% points
Aaa Corporate Bonds ^(l)	4.45%	4.38%	4.24%	4.16%	0.27% points
INDUSTRIAL PRODUCTION ^(l)					
	102.5	103.3	103.0	103.7	4.3%
CAPACITY UTILIZATION ^(l)					
	78.8%	79.3%	78.9%	79.1%	1.4% points
RETAIL SALES ^(d)					
	\$427.6	\$434.0	\$436.2	\$437.6	4.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.928	0.950	1.071	1.001	9.4%
Existing Home Sales ^(m)	4.600	4.590	4.660	4.890	-5.0%
DURABLE GOODS ORDERS ^(p)					
	\$229.9	\$238.4	\$240.5	\$238.3	2.9%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>% Change From Year Ago</u>
Michigan	\$387.6	\$388.9	\$391.4	\$393.9	2.1%
U.S.	\$14,031.6	\$14,172.0	\$14,248.2	\$14,360.9	2.2%
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	\$15,824.2	-2.93%

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.