



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## September 2014 Summary

**U.S. Economy:** While slowing from rapid annualized growth in real gross domestic product of 4.6 percent in 2014Q2, U.S. economic growth in 2014Q3, at 3.5 percent, remained strong. Both consumer sentiment and business executive confidence were up sharply from a year ago with consumer sentiment up 7.1 points from last September and 2014Q3 business executive confidence up 13.0 points from a year ago. According to the Institute for Supply Management (ISM) indices, September marked the 16<sup>th</sup> straight month of manufacturing sector growth, the 56<sup>th</sup> straight month of non-manufacturing sector growth and the 64<sup>th</sup> consecutive month of growth in the overall U.S. economy. Industrial production grew 4.3 percent between September 2013 and September 2014. Retail sales were up 4.3 percent from September 2013. Housing starts were up 17.8 percent from a year ago, but existing home sales dropped 1.7 percent from last September.

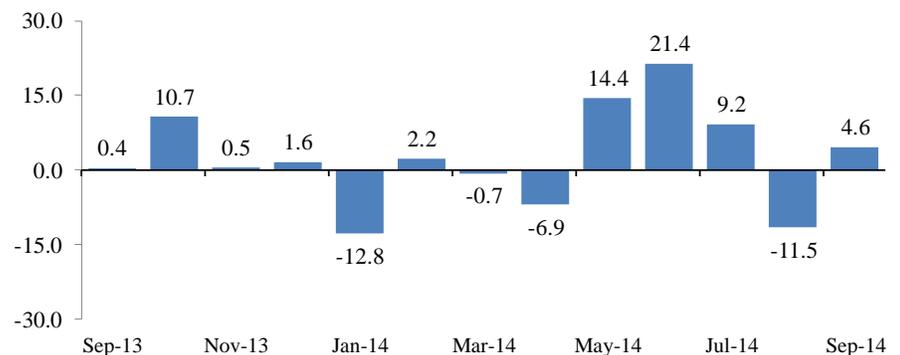
**Employment:** Between September 2013 and September 2014, Michigan employment gained a net 32,700 jobs. Compared to August 2014, Michigan employment in September was up 4,600 jobs. At 7.2 percent, Michigan's unemployment rate in September 2014 was down 0.2 of a percentage point from August 2014 and was down 1.6 percentage points from September 2013. At 5.9 percent, the U.S. unemployment rate was down 0.2 of a percentage point from August 2014 and was down 1.3 percentage points from September 2013. National wage and salary employment was up 248,000 jobs in September 2014 from August 2014. Over the last year, U.S. employment increased 2.6 million jobs (1.9 percent).

**Auto Industry:** The September 2014 U.S. light vehicle annual sales rate of 16.3 million units was up 6.5 percent from a year ago. Between September 2013 and September 2014, Michigan vehicle production fell 19.0 percent while national vehicle production was up 5.4 percent. Compared to a year ago, Michigan's share of national vehicle production decreased 5.2 percentage points to 17.4 percent.

**Inflation:** In September 2014, the overall U.S. consumer price index (CPI) rose 1.7 percent compared to a year ago. The U.S. producer price index rose 2.1 percent from last year. At \$93.21 per barrel, the price of oil was down \$13.08 from September 2013.

**Michigan Metro Areas:** September unemployment rates fell in all of Michigan's 17 major labor markets compared to year-ago levels, while employment rose in 16 of Michigan's labor markets. All of Michigan's 83 counties saw a year-over-year unemployment rate decrease.

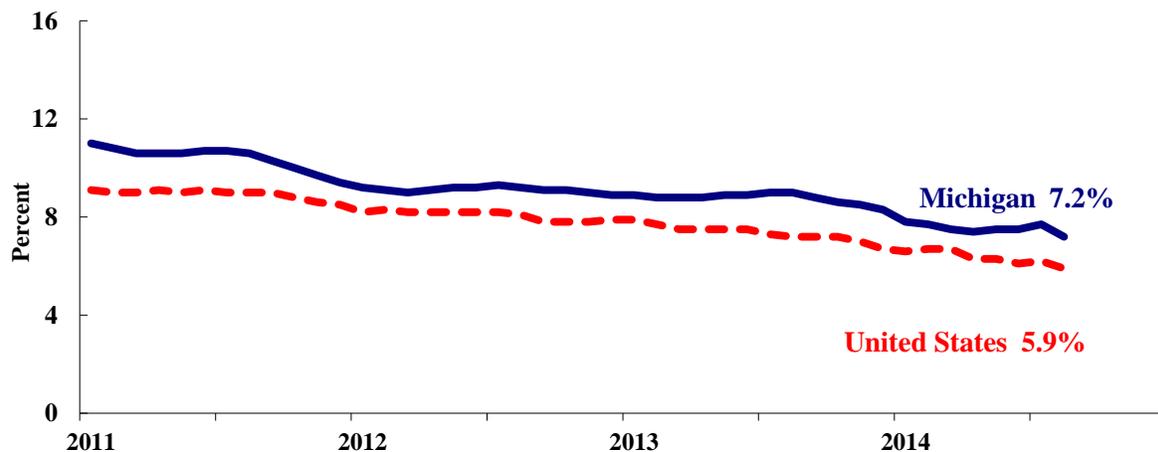
## Michigan Wage and Salary Employment Rises in September (Seasonally Adjusted) <sup>(a)</sup>



## Labor Market Statistics

- Michigan's September unemployment rate decreased 0.2 percentage point from last month to 7.2 percent – the State's lowest monthly unemployment rate since March 2008. The September 2014 unemployment rate was down 1.6 percentage points from a year ago. The September U.S. unemployment rate decreased 0.2 percentage point from August to 5.9 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 September, the number of people employed in Michigan increased 9,000 from last month to 4,391,000, persons while the labor force rose by 3,000 persons. The statewide total number of unemployed declined 6,000 to 342,000.
- United States household employment totaled 146.6 million persons in September. The labor force totaled 156.0 million and there were 9.3 million unemployed in September 2014.

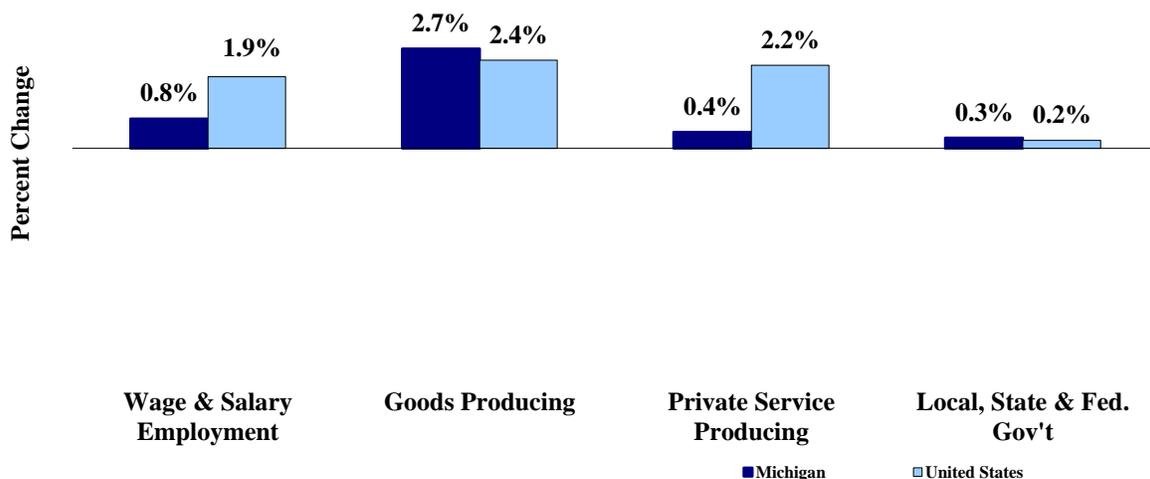
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2013 Average	Jul 2014	Aug 2014	Sep 2014	Change From				
					Prior Month Level	%	Last Year Level	%	
<b>Michigan</b>									
Labor Force	4,657	4,742	4,730	4,733	3	0.1%	27	0.6%	
Employed	4,232	4,378	4,382	4,391	9	0.2%	100	2.3%	
Unemployed	426	364	348	342	-6	-1.7%	-73	-17.6%	
Unemployment Rate	9.1%	7.7%	7.4%	7.2%	n.a.	-0.2% pts	n.a.	-1.6% pts	
<b>United States</b>									
Labor Force	154,975	156,023	155,959	155,862	-97	-0.1%	389	0.3%	
Employed	142,469	146,352	146,368	146,600	232	0.2%	2,330	1.6%	
Unemployed	12,506	9,671	9,591	9,262	-329	-3.4%	-1,941	-17.3%	
Unemployment Rate	8.1%	6.2%	6.1%	5.9%	n.a.	-0.2% pts	n.a.	-1.3% pts	

## Employment by Place of Work

- From September 2013 to September 2014, Michigan wage and salary employment increased 32,700 (0.8 percent). State wage and salary employment increased by 4,600 jobs in September from August. Nationally, September 2014 wage and salary employment rose 2,635,000 (1.9 percent) from a year ago and was up 248,000 from last month.

### Wage and Salary Employment Growth September 2013 to September 2014



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

- In the goods-producing sector, Michigan employment increased 2.7 percent in September from a year ago while employment in the private service-producing sector increased 0.4 percent. From a year ago, September national employment rose 2.3 percent in the goods-producing sector and increased 2.2 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan were unchanged in September compared to last year.

### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

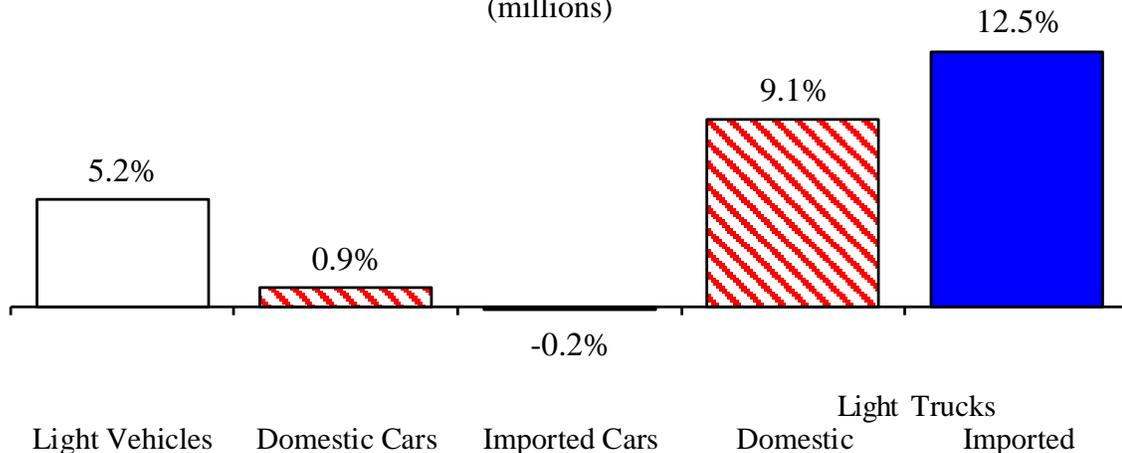
	Michigan				United States			
	2013 Average	Sep 2013	Sep 2014	Percent Change	2013 Average	Sep 2013	Sep 2014	Percent Change
Wage & Salary Employment	4,104.5	4,113.2	4,145.9	0.8%	136,368	136,800	139,435	1.9%
Goods Producing	695.4	698.7	717.4	2.7%	18,700	18,718	19,161	2.4%
Manufacturing	555.1	557.8	569.4	2.1%	12,006	11,993	12,154	1.3%
Private Service Producing	2,809.5	2,815.4	2,827.7	0.4%	95,804	96,218	98,363	2.2%
Trade, Trans. & Utilities	743.8	745.0	757.7	1.7%	25,870	25,973	26,488	2.0%
Services	1,808.4	1,812.2	1,814.7	0.1%	59,368	59,667	61,198	2.6%
Local, State & Fed. Gov't	599.6	599.1	600.8	0.3%	21,864	21,864	21,911	0.2%
Manufacturing Weekly Hours	42.0	43.7	43.7	0.0 hrs	41.8	41.9	42.1	0.2 hrs

## Motor Vehicle Industry Sales

- September 2014 U.S. light vehicle sales were down 6.3 percent from August's 103-month high. However, at 16.3 million units, September 2014 U.S. light vehicle sales were up 6.5 percent from September 2013.
- September 2014 marks the seventh 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 23 months.
- U.S. sales of domestic light vehicles increased 8.9 percent between September 2013 and September 2014, while foreign sales were down 1.7 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 1.8 percentage points to 21.1 percent between September 2013 and September 2014.
- Auto sales decreased 0.8 percent compared to last September, while light truck sales were up 13.6 percent from September 2013. Year-over-year, heavy truck sales rose 17.2 percent.

### Year-to-Date Light Truck Sales Up Substantially From Last Year

(millions)



### Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2013	Jul	Aug	Sep	3 Month	Change from	
	Average	2014	2014	2014	Average	Level	%
Autos	7.6	7.8	8.2	7.5	7.8	(0.1)	-0.8%
Domestics	5.4	5.7	6.1	5.5	5.8	0.2	3.1%
Imports	2.2	2.1	2.1	2.0	2.1	(0.2)	-10.2%
Import Share	28.9%	27.1%	25.6%	26.7%	26.4%	-2.8% pts	
Light Trucks	7.9	8.6	9.2	8.8	8.9	1.1	13.6%
Domestics	6.7	7.3	7.7	7.4	7.5	0.9	13.7%
Imports	1.2	1.4	1.5	1.4	1.4	0.2	13.3%
Import Share	15.7%	15.7%	16.0%	16.3%	16.0%	0.0% pts	
Total Light Vehicles	15.5	16.4	17.4	16.3	16.7	1.0	6.5%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	17.2%
Total Vehicles	15.8	16.8	17.9	16.8	17.2	1.1	6.7%

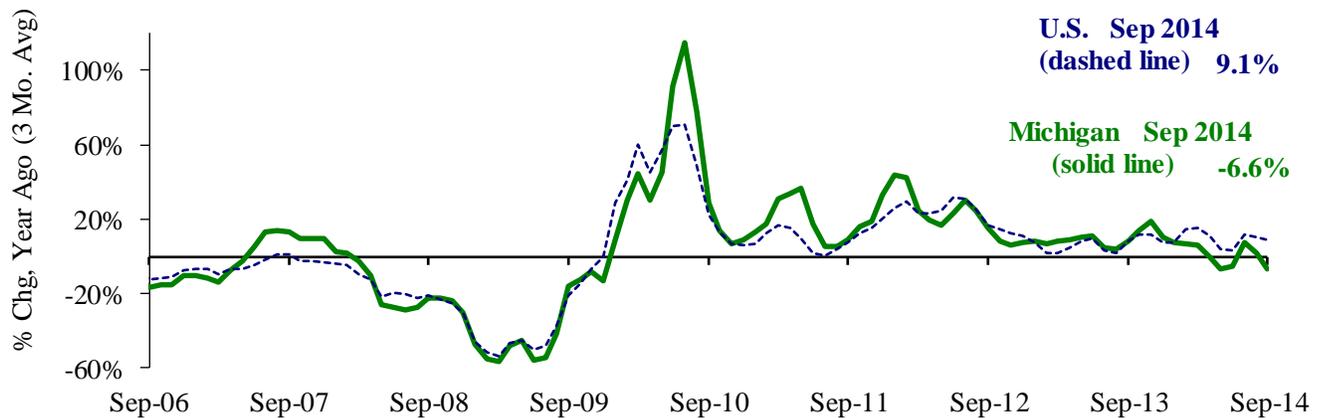
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

	2013	Jul-14	Aug-14	Aug-14	3 Month	Change from	
	Average	Jul-14	Aug-14	Aug-14	Average	Level	%
Inventories	\$167.8	\$184.5	\$188.5	\$187.2	\$186.7	\$19.9	11.9%
Inventory/Sales Ratio	2.06	2.09	2.13	2.07	2.10	-0.02	

## Motor Vehicle Industry Production

- At 177,617 units, September 2014 Michigan motor vehicle production was 19.0 percent lower than September 2013. National production increased 5.4 percent from last September. The September decline in Michigan was the result of changes in production timing. The three-month average of vehicle production (July 2014-September 2014) was down 6.6 percent in Michigan and up 9.1 percent nationally, compared to a year ago.
- In September 2014, Michigan car production was down 21.8 percent from a year ago while State truck production fell 17.0 percent. Nationally, car production decreased 0.9 percent while U.S. truck production increased 9.6 percent.
- Michigan's share of national vehicle production fell 5.2 percentage points to 17.4 percent in September 2014 from the year-ago level. Michigan's share of U.S. car production was down 4.8 percentage points to 18.1 percent. Michigan's share of U.S. truck production fell 5.4 percentage points to 16.9 percent.

### Michigan Motor Vehicle Production's Rate of Growth Slows in September <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2013					Change from Year Ago for the Month	
	Monthly Average	Jul 2014	Aug 2014	Sep 2014	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	374.3	307.7	366.0	384.7	352.8	(3.7)	-0.9%
Trucks	551.0	572.5	623.5	637.0	611.0	55.6	9.6%
Total	925.3	880.2	989.5	1,021.8	963.8	52.0	5.4%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	83.2	62.5	54.0	69.7	62.0	(19.4)	-21.8%
Trucks	123.0	140.6	121.1	108.0	123.2	(22.1)	-17.0%
Total	206.1	203.1	175.1	177.6	185.3	(41.5)	-19.0%
Michigan as % of U.S.	22.3%	23.1%	17.7%	17.4%	19.2%	-5.2% pts	

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

September 2014 local area unemployment rates ranged from a low of 4.5 percent in the Holland-Grand Haven Metropolitan Statistical Area (MSA) to a high of 8.1 percent in the Detroit-Warren-Livonia MSA. The median September 2014 unemployment rate was 6.1 percent, which is down sharply from last September's 8.3 percent median rate.

Compared to a year ago, the September unemployment rate fell in all of Michigan's 17 labor market areas. Northeast Lower Michigan reported the greatest rate decrease of 2.6 percentage points, followed by four labor market areas, each with a 2.4 percentage point decline. The Detroit-Warren-Livonia MSA saw the smallest rate decline (1.0 percentage point), while the Ann Arbor MSA experienced the second smallest rate decline of 1.1 percentage points.

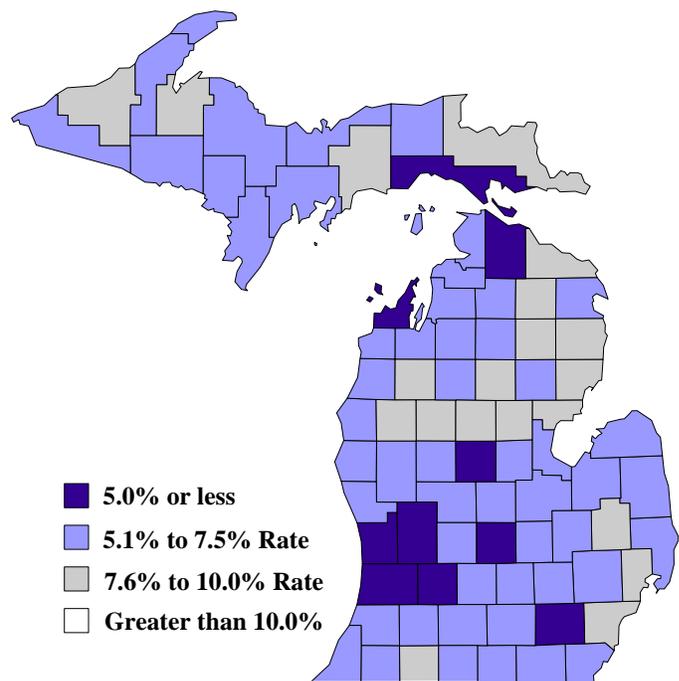
Between September 2013 and September 2014, employment rose in 16 of Michigan's 17 labor market areas. The median employment increase was 3.5 percent. The Holland-Grand Haven MSA reported the largest year-over-year employment increase (6.2 percent), followed by the Grand Rapids-Wyoming MSA with a 5.8 percent increase. The Detroit-Warren-Livonia MSA experienced the only employment decline among Michigan's labor market areas (-0.4 percent). The labor force rose in 16 labor market areas and fell in one area. The Holland-Grand Haven MSA reported the largest percent increase in labor force (4.2 percent), followed by the Grand Rapids-Wyoming MSA (4.0 percent). In the Detroit-Warren-Livonia MSA, the labor force fell 1.5 percent from last September.

Between September 2013 and September 2014, the unemployment rate fell in all of Michigan's 83 counties. The median September 2014 rate decline was 2.1 percentage points. Baraga County posted the largest rate decrease at 5.1 percentage points. The unemployment rate in all 83 counties was below 10.0 percent in September 2014. In September 2013, 63 counties had an unemployment rate below 10.0 percent. In September 2014, 63 counties reported an unemployment rate below 7.5 percent. In September 2013, 25 counties reported an unemployment rate less than 7.5 percent.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Sep 2013 Rate</u>	<u>Aug 2014 Rate</u>	<u>Sep 2014 Rate</u>
Michigan	8.2%	6.7%	6.7%
Ann Arbor	5.8%	4.6%	4.7%
Battle Creek	7.2%	5.5%	5.6%
Bay City	8.3%	6.3%	6.1%
Detroit-Warren-Livonia	9.1%	7.9%	8.1%
Flint	9.4%	7.0%	7.0%
Grand Rapids-Wyoming	6.3%	4.8%	4.7%
Holland-Grand Haven	6.2%	4.6%	4.5%
Jackson	8.3%	6.3%	6.4%
Kalamazoo-Portage	7.0%	5.4%	5.4%
Lansing-East Lansing	6.8%	5.5%	5.2%
Monroe	7.3%	6.3%	5.9%
Muskegon-Norton Shores	8.5%	6.1%	6.1%
Niles-Benton Harbor	8.4%	6.1%	6.0%
Saginaw-Saginaw Township	8.5%	6.5%	6.4%
Upper Peninsula	8.2%	6.6%	6.4%
Northeast Lower Mich	9.8%	7.2%	7.2%
Northwest Lower Mich.	8.5%	5.9%	6.1%

### County Unemployment Rates September 2014<sup>(g)</sup>

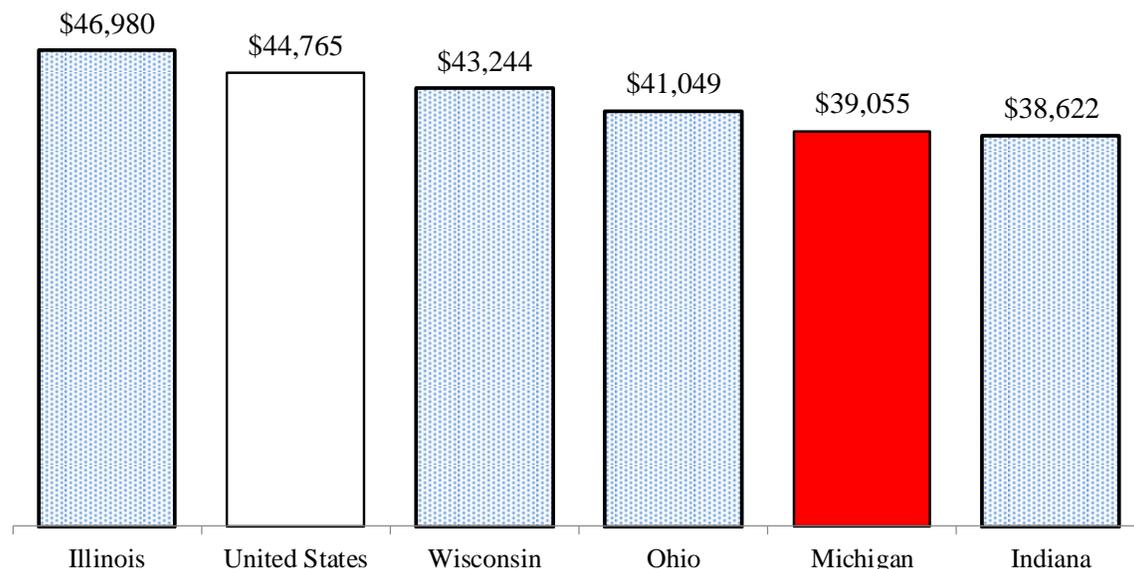


## Michigan Personal Income Grows for the Fourth Straight Year

On September 30, 2014, the Bureau of Economic Analysis released initial annual state personal income estimates for 2013 and revised estimates for 2001-2012. Below are highlights from the release:

- In 2013, nominal Michigan personal income rose 1.4 percent – marking the fourth straight year that the State’s personal income grew. Michigan’s 2013 personal income growth slowed from 3.9 percent in 2012 and 5.9 percent in 2011. Nationally, U.S. personal income rose 2.0 percent in 2013 – down from a 5.2 percent increase in 2012 and a 6.2 percent increase in 2011.
- Real (inflation adjusted) Michigan personal income fell 0.2 percent in 2013 after increasing 1.8 percent in 2012 and rising 2.5 percent in 2011.
- Michigan income per person grew 1.2 percent between 2012 and 2013 – just slightly slower than the 1.3 percent growth nationwide. With the Detroit CPI rising 1.6 percent, real Michigan income per person decreased 0.3 percent in 2013. Nationally, real income per person fell 0.1 percent.
- Among the five Great Lakes states, Michigan income per person (\$39,055) ranked fourth in 2013, ahead of Indiana. Michigan has ranked fourth in the Great Lakes region each year since 2006. Michigan’s 2013 income per person placed 37<sup>th</sup> among the 50 states. Ten years earlier, Michigan had ranked 24<sup>th</sup> in state income per person.
- In 2013, Michigan’s per person income as a percent of the national average fell to 87.2 percent, the State’s 3<sup>rd</sup> lowest percent of national income per person on record. Compared to ten years ago, Michigan per person income as a percent of the national average was down 8.0 percentage points.

### Michigan 2013 Income Per Person Ranks 4<sup>th</sup> Among Great Lakes States



## U.S. Economic Conditions

	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	82.5	81.8	82.5	84.6	7.1 points
ISM Manufacturing Index <sup>(i)</sup>	55.3	57.1	59.0	56.6	0.6 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.0	58.7	59.6	58.6	4.1 points
	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	
Business Executives' Confidence <sup>(j)</sup>	60.0	63.0	62.0	59.0	13.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	238.3	238.3	237.9	238.0	1.7%
Detroit CPI	224.5	NA	222.3	NA	1.0%
U.S. Producer Price Index	202.6	202.9	202.3	201.5	2.1%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.04%	0.03%	0.03%	0.02%	0.00% points
Aaa Corporate Bonds <sup>(l)</sup>	4.25%	4.16%	4.08%	4.11%	-0.53% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	104.0	104.2	104.0	105.1	4.3%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	79.1%	79.1%	78.7%	79.3%	1.0% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$440.3	\$441.5	\$444.1	\$442.7	4.3%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.909	1.098	0.957	1.017	17.8%
Existing Home Sales <sup>(m)</sup>	5.030	5.140	5.050	5.170	-1.7%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$244.8	\$299.9	\$244.9	\$241.6	3.3%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>% Change From Year Ago</u>
Michigan	\$387.8	\$389.2	\$395.4	\$401.4	4.0%
U.S.	\$14,232.3	\$14,293.8	\$14,465.4	\$14,688.6	4.1%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$15,916.2	\$15,831.7	\$16,010.4	\$16,150.6	3.55%

**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.