



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

January 2016 Summary

U.S. Economy: Estimated growth in real gross domestic product in 2015Q4 was revised upward slightly from the initial 0.7 percent annualized growth estimate to 1.0 percent. However, an upward revision in inventories more than accounted for the entire 0.3 point upward revision. The Institute for Supply Management (ISM) reported the current expansion has now lasted 80 months; however, the ISM Production Management Index (PMI) dropped 6.9 points from last January. Further, at 48.2, the January 2016 PMI signaled a contracting manufacturing sector for the fourth straight month. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 72nd straight month, but was down 3.0 points from last January. In January 2016, industrial production declined 0.7 percent from the year-ago level. This marked the third straight month industrial production fell below the year-ago level and the first time it has declined for three consecutive months since December 2009. The capacity utilization rate fell 1.6 points from January 2015. The January 2015-January 2016 decline in the utilization rate marked the 9th consecutive y-o-y rate drop. New durable goods orders rose 1.8 percent from last January. Consumer sentiment fell 1.6 percentage points from January 2015. Retail sales rose 3.0 percent from last January. Housing starts were up 3.7 percent from last January but existing home sales increased 11.0 percent.

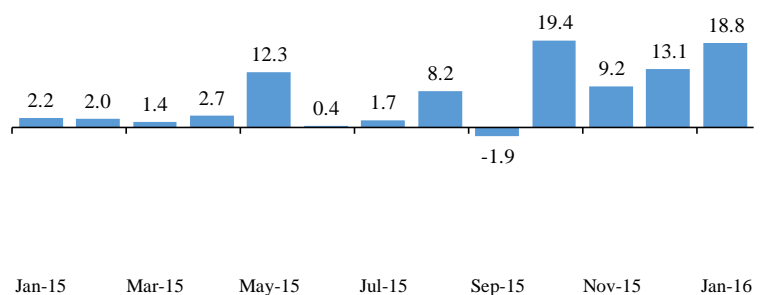
Employment: In January 2016, the Michigan unemployment rate fell 0.2 of a percentage point from December to 4.9 percent and was down 1.1 percentage points from January 2015. The State rate has remained within 0.1 of a percentage point of the national rate for nine straight months. The U.S. rate was 4.9 percent in January, which was down 0.1 of a point from last month and 0.8 of a point below a year ago. Between January 2015 and January 2016, Michigan payroll employment gained a net 87,300 jobs (2.1 percent). Michigan payroll employment in January 2016 was up 18,800 jobs compared to December 2015. U.S. payroll employment was up 2.7 million jobs (1.9 percent) in January 2016 compared to a year ago.

Auto Industry: In January 2016, U.S. light vehicle sales rose 4.9 percent from last January to an annualized 17.5 million units. Between January 2015 and January 2016, the three-month average of Michigan vehicle production fell 1.6 percent while the three-month U.S. average was up 3.9 percent. Between January 2015 and January 2016, Michigan's share of U.S. vehicle production fell 0.9 of a percentage point to 18.2 percent.

Inflation: In January 2016, the overall U.S. consumer price index (CPI) rose 1.4 percent from a year ago, while the core U.S. CPI increased 2.2 percent. The U.S. producer price index fell 0.2 percent from last year. The price of oil per barrel fell \$15.54 from last January to \$31.68 – its lowest price since November 2003.

Michigan Metro Areas: Compared to a year ago, January 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)



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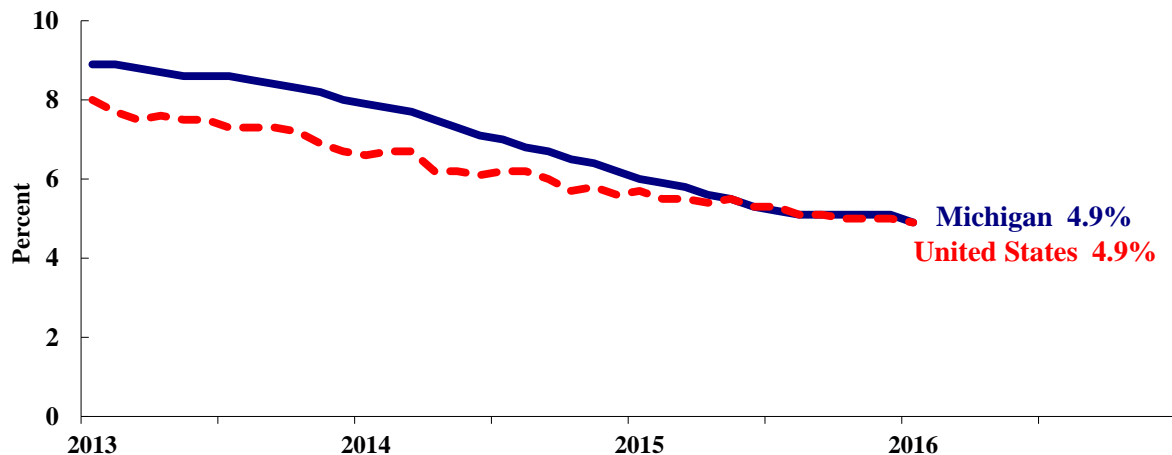
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Labor Market Statistics

- In January 2016, the Michigan unemployment rate fell 0.2 of a percentage point from last month to 4.9 percent. The national unemployment rate fell 0.1 of a percentage point in January from December to 4.9 percent. As a result, January 2016 marked the ninth straight month that the U.S. and Michigan unemployment rates were within 0.1 of a percentage point of one another.
- The January 2016 Michigan unemployment rate was down 1.1 percentage points from a year ago. The January U.S. unemployment rate decreased 0.8 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 January 2016



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

- In January, the total number of people employed in Michigan rose 33,000 to 4,560,000 persons while the labor force rose 27,000. The statewide total number of unemployed fell 6,000 to 237,000.
- United States employment totaled 150.5 million persons in January. The labor force totaled 158.3 million and there were 7.8 million unemployed in January 2016.

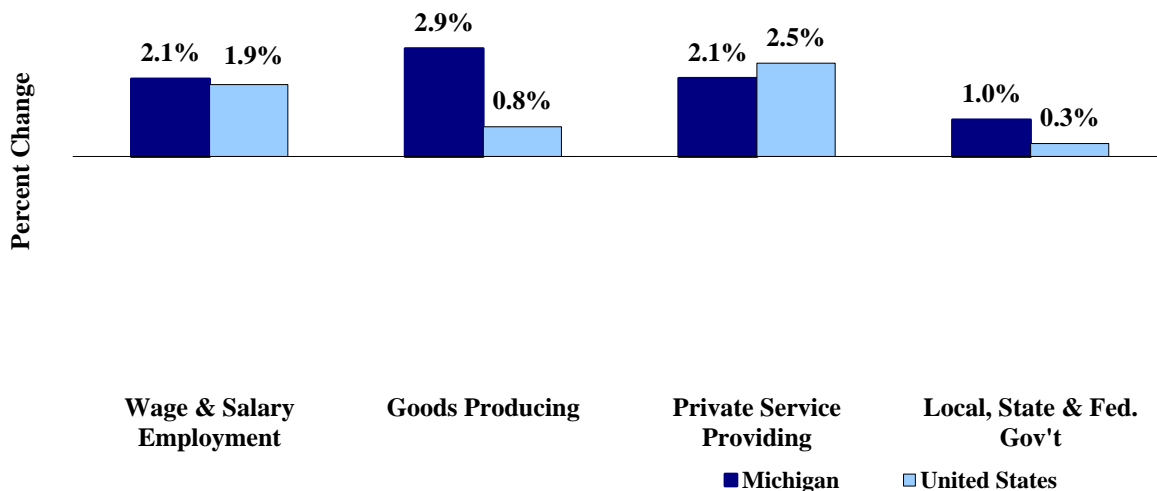
Employment by Place of Residence (in thousands)^(a)

	2014 Average	Nov 2015	Dec 2015	Jan 2016	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
Michigan									
Labor Force	4,750	4,763	4,771	4,798	27	0.6%	53	1.1%	
Employed	4,402	4,521	4,527	4,560	33	0.7%	102	2.3%	
Unemployed	348	242	243	237	-6	-2.5%	-49	-17.1%	
Unemployment Rate	7.3%	5.1%	5.1%	4.9%	n.a.	-0.2% pts	n.a.	-1.1% pts	
United States									
Labor Force	155,922	157,367	157,833	158,335	502	0.3%	1,310	0.8%	
Employed	146,305	149,444	149,929	150,544	615	0.4%	2,440	1.6%	
Unemployed	9,617	7,924	7,904	7,791	-113	-1.4%	-1,129	-12.7%	
Unemployment Rate	6.2%	5.0%	5.0%	4.9%	n.a.	-0.1% pts	n.a.	-0.8% pts	

Employment by Place of Work (Payroll)

- From January 2015 to January 2016, Michigan payroll employment increased 87,300 (2.1 percent). State payroll employment rose by 18,800 jobs in January from December. Nationally, January 2016 payroll employment rose 2,695,000 (1.9 percent) from a year ago and was up 172,000 from December.

Payroll Employment Growth January 2015 to January 2016



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

- In the goods-producing sector, Michigan payroll employment increased 2.9 percent in January from a year ago while employment in the private service-providing sector increased 2.1 percent. From a year ago, January national payroll employment rose 0.8 percent in the goods-producing sector and increased 2.5 percent in the private service-providing sector. Government employment was up 1.0 percent from a year ago in Michigan. Nationwide, government employment was up 0.3 percent.
- Manufacturing weekly hours in Michigan were down 1.7 hours in January compared to last year.

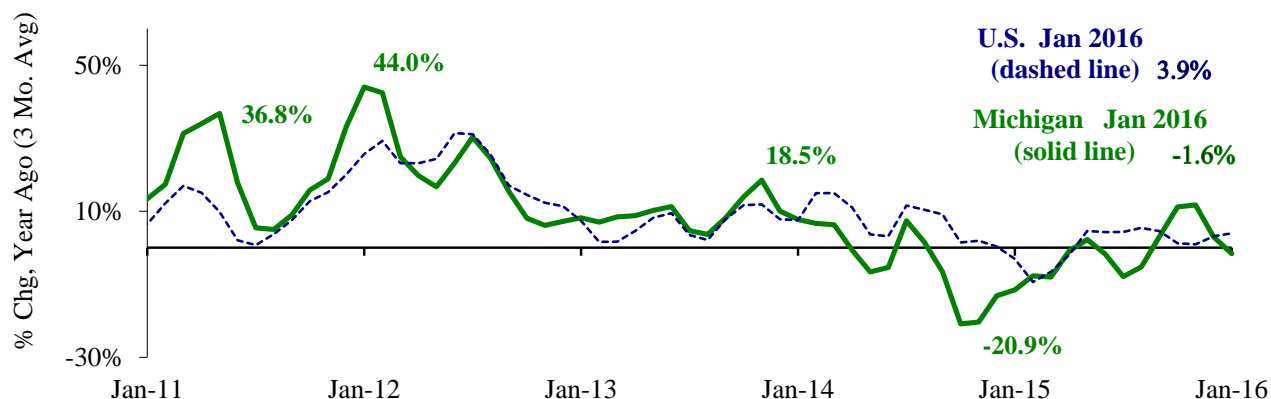
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2015 Average	Jan 2015	Jan 2016	Percent Change	2015 Average	Jan 2015	Jan 2016	Percent Change
Wage & Salary Employment	4,243.7	4,220.1	4,307.4	2.1%	138,958	140,623	143,318	1.9%
Goods Producing	742.9	736.9	758.1	2.9%	19,226	19,552	19,707	0.8%
Manufacturing	587.3	581.7	598.8	2.9%	12,185	12,311	12,343	0.3%
Private Service Providing	2,906.5	2,889.8	2,950.1	2.1%	97,850	99,117	101,581	2.5%
Trade, Trans. & Utilities	770.7	767.7	775.6	1.0%	26,383	26,698	27,167	1.8%
Services	1,872.0	1,860.8	1,904.1	2.3%	60,764	61,624	63,441	2.9%
Local, State & Fed. Gov't	594.3	593.4	599.2	1.0%	21,882	21,954	22,030	0.3%
Manufacturing Weekly Hours	44.2	44.8	43.1	-1.7 hrs	41.8	42.1	41.9	-0.2 hrs

Motor Vehicle Industry Production

- At 163,765 units, January 2016 Michigan motor vehicle production was down 6.5 percent from January 2015. National production decreased 1.9 percent from last January. The three-month average of vehicle production (November 2015-January 2016) was down 1.6 percent in Michigan and up 3.9 percent nationally, compared to a year ago.
- In January 2016, Michigan car production was down 6.0 percent from a year ago while State truck production fell 6.9 percent. Nationally, car production decreased 6.3 percent while U.S. truck production increased 0.8 percent.
- Michigan's share of national vehicle production fell 0.9 of a percentage point to 18.2 percent in January 2016 from the year-ago level. Michigan's share of U.S. car production was up 0.1 of a percentage point to 19.8 percent. Michigan's share of U.S. truck production declined 1.4 percentage points to 17.3 percent.

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



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2015					Change from Year Ago for the Month	
	Monthly Average	Nov 2015	Dec 2015	Jan 2016	3 Month Average	Level	%
U.S. Production ^(e)							
Autos	355.8	315.1	292.3	324.8	310.7	(21.9)	-6.3%
Trucks	644.1	620.1	536.4	573.4	576.6	4.5	0.8%
Total	1,000.0	935.2	828.7	898.2	887.3	(17.4)	-1.9%
Michigan Production ^(f)							
Autos	68.3	59.5	59.5	64.4	61.1	(4.1)	-6.0%
Trucks	125.6	122.8	99.1	99.4	107.1	(7.4)	-6.9%
Total	193.9	182.3	158.6	163.8	168.2	(11.5)	-6.5%
Michigan as % of U.S.	19.4%	19.5%	19.1%	18.2%	19.0%	-0.9% pts	

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

In January 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 8.6 percent in the Northeast Lower Michigan region. The January 2016 median unemployment rate was 4.8 percent, which is down 1.7 percentage points from last January’s 6.5 percent median rate.

Compared to a year ago, the January unemployment rate fell in all of Michigan’s 17 labor market areas. The median rate decline was 1.7 percentage points. The Northeast Lower Michigan region reported the largest rate decrease of 2.7 percentage points, followed by the Northwest Lower Michigan region with a reported rate decline of 2.2 percentage points. The Ann Arbor MSA recorded the smallest rate decline of 1.2 percentage points.

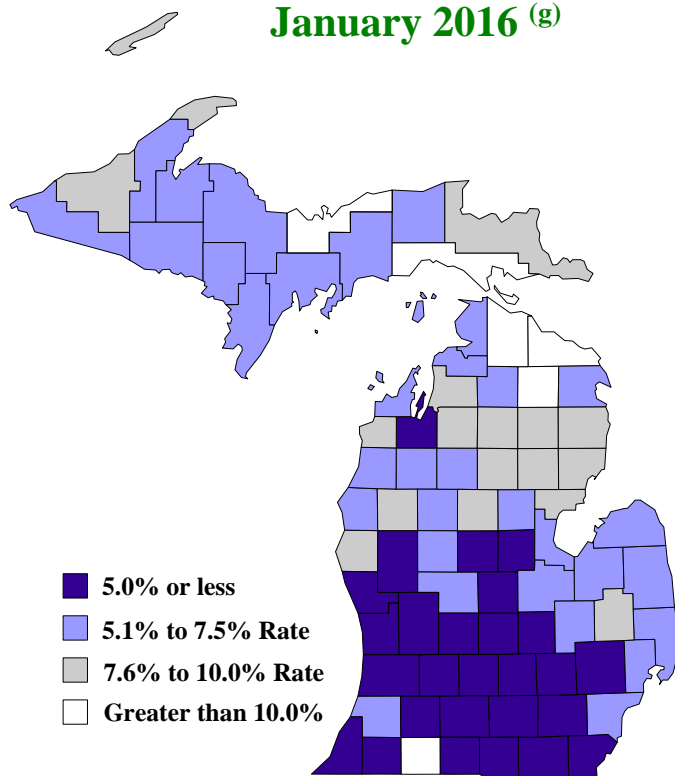
Between January 2015 and January 2016, household employment rose in all of Michigan’s 17 labor market areas. The median employment increase was 2.8 percent. The Ann Arbor MSA reported the largest year-over-year employment increase at 4.8 percent, followed by the Saginaw MSA with a 3.9 percent increase. The Jackson MSA reported the smallest year-over-year employment increase at 0.6 percent. The labor force rose in 14 labor market areas and fell in three areas. The Ann Arbor MSA reported the largest percent increase in labor force at 3.4 percent, followed by the Grand Rapids-Wyoming MSA with a 2.2 percent rise. The Jackson MSA recorded the largest percent decline in its labor force at 1.1 percent, followed by the Upper Peninsula region with a 0.9 percent decline.

Between January 2015 and January 2016, the unemployment rate fell in all of Michigan’s 83 counties. The median January 2016 rate decline was 1.9 percentage points. Oscoda County reported the largest unemployment rate decline at 4.1 percentage points, followed by Roscommon County with a 3.9 percentage points decline. In January 2016, the unemployment rate was below 7.0 percent in 55 of Michigan’s 83 counties. In January 2015, 28 Michigan counties had an unemployment rate below 7.0 percent. In January 2016, only five Michigan counties had an unemployment rate above 10.0 percent compared with January 2015 when 20 Michigan counties had an unemployment rate over 10.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jan 2015 Rate</u>	<u>Dec 2015 Rate</u>	<u>Jan 2016 Rate</u>
Michigan	6.7%	4.5%	5.1%
Ann Arbor	4.1%	2.5%	2.9%
Battle Creek	6.0%	3.9%	4.4%
Bay City	7.3%	4.4%	5.3%
Detroit-Warren-Dearborn	7.2%	5.4%	5.7%
Flint	7.4%	4.6%	5.5%
Grand Rapids-Wyoming	4.6%	2.8%	3.2%
Jackson	6.3%	4.0%	4.7%
Kalamazoo-Portage	5.8%	3.5%	4.1%
Lansing-East Lansing	5.6%	3.2%	4.1%
Midland	5.9%	3.8%	4.6%
Monroe	5.5%	3.3%	4.2%
Muskegon	6.9%	4.3%	4.8%
Niles-Benton Harbor	6.5%	4.0%	4.8%
Saginaw	7.1%	4.2%	5.2%
Upper Peninsula	8.5%	5.8%	6.7%
Northeast Lower Mich	11.3%	7.1%	8.6%
Northwest Lower Mich.	8.2%	5.0%	6.0%

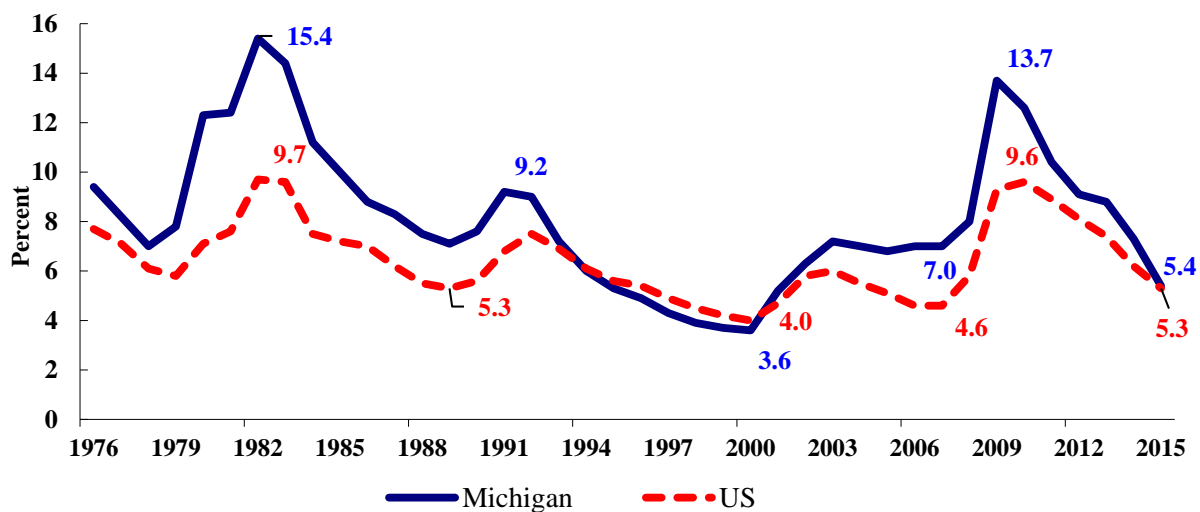
County Unemployment Rates January 2016^(g)



In Calendar Year 2015 Michigan Unemployment Rate Fell, Michigan Employment Rose

- The Michigan unemployment rate fell 1.9 percentage points from 7.3 percent in 2014 to 5.4 percent in 2015 – the State’s lowest unemployment rate since 2001. Michigan’s 1.9 percentage point rate decline represented the largest point drop among the 47 states that recorded an unemployment rate decline in 2015. Consequently, Michigan’s unemployment rate improved from the 46th lowest state rate in 2014 to 29th lowest in 2015 – the State’s best rate ranking since 2000.
- Calendar year 2015 marks the sixth straight annual Michigan unemployment rate decline. Since 2009 when the Michigan unemployment rate rose to its highest level since 1983, the State unemployment rate has fallen 8.3 percentage points.
- Nationally, the unemployment rate fell 0.9 of a percentage point from 6.2 percent in 2014 to 5.3 percent in 2015. As a result, the difference between the Michigan unemployment rate and U.S. unemployment rate in 2015 fell to 0.1 of a percentage point – the smallest gap since 2000 when the Michigan rate was 0.4 of a percentage point lower than the national rate.

**Calendar Year Michigan and U.S. Unemployment Rates
1976-2015**



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

- In calendar year 2015, Michigan payroll employment rose 1.5 percent compared with a 2.1 percent increase nationally. In the goods sector, Michigan employment increased 2.9 percent compared with 1.9 percent growth nationally. In the private service-providing sector, Michigan employment rose 1.5 percent while U.S. employment rose 2.5 percent. Government employment fell 0.2 percent in Michigan in 2015 compared with a 0.6 percent increase nationally.
- Calendar year 2015 marked the fifth straight annual increase in payroll employment in Michigan and nationally. Over the five years, Michigan employment increased by 380,100 jobs (9.8 percent). However, Michigan’s total payroll employment in 2015 remains 432,000 jobs below the State’s peak annual employment level set in 2000. Since 2010, employment has risen 11.5 million jobs nationally (8.8 percent). In CY 2015 national employment rose to a new record high – 9.8 million higher than the CY 2000 U.S. employment level.
- The manufacturing sector accounted for 31.9 percent of Michigan’s employment increase from 2010-2015 compared with 6.9 percent of the five-year national employment rise.

U.S. Economic Conditions

	<u>Oct-15</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	90.0	91.3	92.6	92.0	-1.6 points
ISM Manufacturing Index ⁽ⁱ⁾	49.4	48.4	48.0	48.2	-6.9 points
ISM Non Manufacturing Index ⁽ⁱ⁾	58.3	56.6	55.8	53.5	-3.0 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>Oct-15</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	237.8	237.3	236.5	236.9	1.4%
Detroit CPI	220.5	NA	217.8	NA	-0.1%
U.S. Producer Price Index	109.8	109.6	109.2	109.5	-0.2%
INTEREST RATES					
90 Day T-Bill ^(l)	0.02%	0.12%	0.23%	0.26%	0.23% points
Aaa Corporate Bonds ^(l)	3.95%	4.06%	3.97%	4.00%	0.54% points
INDUSTRIAL PRODUCTION ^(l)					
	107.3	106.5	106.0	106.9	-0.7%
CAPACITY UTILIZATION ^(l)					
	77.6%	77.0%	76.5%	77.1%	-1.6% points
RETAIL SALES ^(d)					
	\$446.9	\$448.4	\$449.7	\$448.0	3.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-15</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.071	1.176	1.159	1.120	3.7%
Existing Home Sales ^(m)	5.290	4.860	5.450	5.470	11.0%
DURABLE GOODS ORDERS ^(p)					
	\$238.6	\$237.4	\$226.4	\$237.5	1.8%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2014.4</u>	<u>2015.1</u>	<u>2015.2</u>	<u>2015.3</u>	<u>% Change From Year Ago</u>
Michigan	\$409.9	\$413.1	\$418.2	\$424.0	4.6%
U.S.	\$14,945.2	\$15,057.0	\$15,254.1	\$15,449.6	4.6%
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	\$16,455.1	1.0%

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.