



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## May 2015 Summary

**U.S. Economy:** Estimated real GDP growth in the first quarter of 2015 was revised upward from a 0.7 percent annual rate decrease to a 0.2 percent annual decrease. The capacity utilization rate fell 1.1 percentage points between May 2014 and May 2015 and new durable goods orders dropped 2.5 percent from last May. The Institute for Supply Management (ISM) reported the current expansion has now lasted a full six years (72 months); however, the ISM Production Management Index dropped 2.8 points from last May. Industrial production rose 1.4 percent from last year and retail sales were up 2.7 percent between May 2014 and May 2015. Housing starts were up 5.1 percent from last May and existing home sales increased 9.2 percent. In addition, the consumer sentiment index rose substantially from last year with an 8.8 percentage point increase from May 2014.

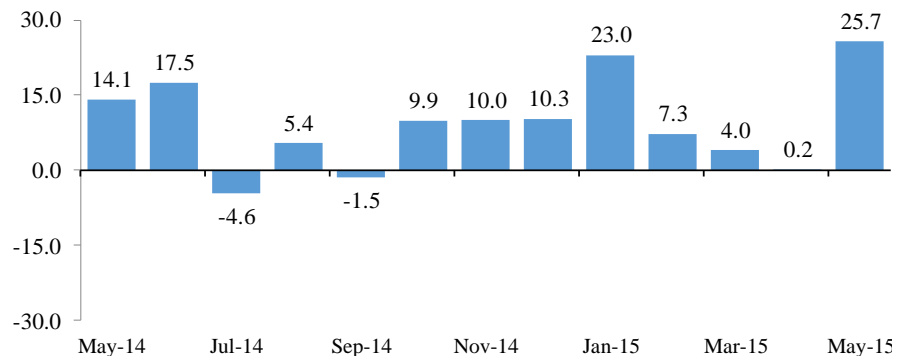
**Employment:** Between May 2014 and May 2015, Michigan payroll employment gained a net 107,200 jobs. Michigan payroll employment in May was up 25,700 jobs compared to April 2015. In May 2015, both Michigan and the United States unemployment rates rose 0.1 percentage point from April 2015 to a 5.5 percent rate – marking the second straight month that Michigan and national unemployment rate matched each other. The May 2015 Michigan unemployment rate was down 1.8 percentage points from May 2014. The U.S. unemployment rate was down 0.8 percentage points from May 2014. Over the last year, U.S. payroll employment increased 3.1 million jobs (2.2 percent).

**Auto Industry:** The May 2015 U.S. light vehicle annual sales rate of 17.7 million units (the highest rate since July 2005) was up 6.3 percent from a year ago. Between May 2014 and May 2015, Michigan vehicle production fell 0.9 percent while national vehicle production was down 1.8 percent. Compared to a year ago, Michigan’s share of national vehicle production increased 0.2 percentage point to 20.8 percent.

**Inflation:** In May 2015, the overall U.S. consumer price index (CPI) was essentially unchanged from May 2014. The core U.S. CPI rose 1.7 percent. The U.S. producer price index decreased 3.0 percent from last year. The price of oil in May was \$59.27 per barrel, which was down \$42.91 per barrel from the year-ago level.

**Michigan Metro Areas:** Compared to a year-ago, May 2015 unemployment rates fell in all of Michigan’s 17 major labor markets and in all but one of the State’s 83 counties. Employment rose in all of Michigan’s major labor market areas.

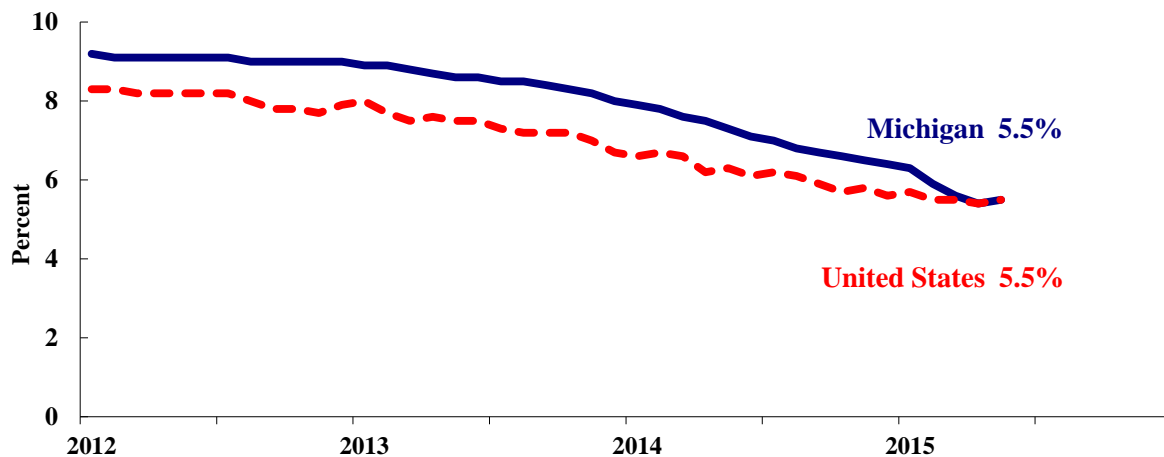
**Michigan Payroll Employment Rises Sharply  
Marking 8<sup>th</sup> Straight Monthly Increase  
(Seasonally Adjusted) <sup>(a)</sup>**



### Labor Market Statistics

- Michigan’s May unemployment rate increased 0.1 percentage point from last month to 5.5 percent. The May 2015 Michigan unemployment rate was down 1.8 percentage points from a year ago. The May U.S. unemployment rate increased 0.1 percentage point from April to 5.5 percent and was down 0.8 percentage point from a year ago. Thus, in May 2015, the Michigan unemployment matched the U.S. unemployment rate for the second consecutive month. Monthly unemployment rates fluctuate in part due to statistical sampling errors and data revisions.

**Michigan and U.S. Monthly Unemployment Rates  
May 2012 to May 2015**



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

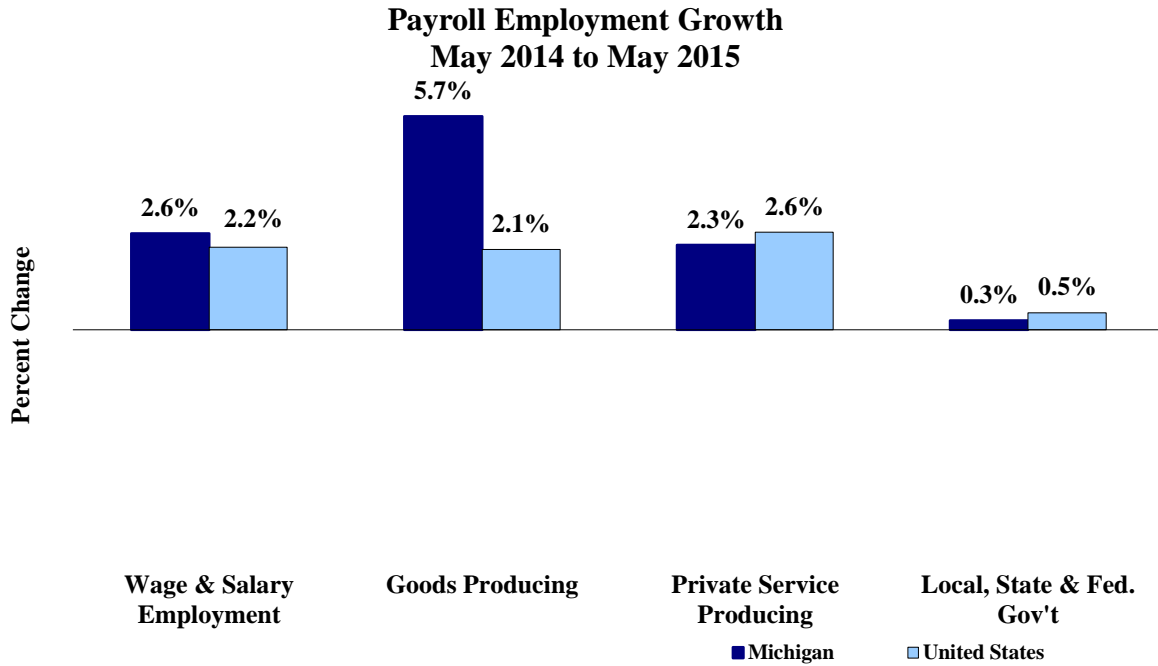
- In May, the total number of people employed in Michigan increased 4,000 from last month to 4,487,000 persons, while the labor force rose by 10,000 persons. The statewide total number of unemployed rose 7,000 to 264,000.
- United States employment totaled 148.8 million persons in May. The labor force totaled 157.5 million and there were 8.7 million unemployed in May 2015.

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

	2014 Average	Mar 2015	Apr 2015	May 2015	Change From			
					Prior Month Level	%	Last Year Level	%
<b>Michigan</b>								
Labor Force	4,750	4,747	4,740	4,750	10	0.2%	2	0.0%
Employed	4,402	4,480	4,483	4,487	4	0.1%	85	1.9%
Unemployed	348	267	257	264	7	2.7%	-83	-23.8%
Unemployment Rate	7.3%	5.6%	5.4%	5.5%	n.a.	0.1% pts	n.a.	-1.8% pts
<b>United States</b>								
Labor Force	155,922	156,906	157,072	157,469	397	0.3%	1,840	1.2%
Employed	146,305	148,331	148,523	148,795	272	0.2%	2,927	2.0%
Unemployed	9,617	8,575	8,549	8,674	125	1.5%	-1,087	-11.1%
Unemployment Rate	6.2%	5.5%	5.4%	5.5%	n.a.	0.1% pts	n.a.	-0.8% pts

### Employment by Place of Work (Payroll)

- From May 2014 to May 2015, Michigan payroll employment increased 107,200 (2.6 percent). State payroll employment increased by 25,700 jobs in May from April. Nationally, May 2015 payroll employment rose 3,058,000 (2.2 percent) from a year ago and was up 280,000 from last month.



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

- In the goods-producing sector, Michigan payroll employment increased 5.7 percent in May from a year ago while employment in the private service-producing sector increased 2.3 percent. From a year ago, May national payroll employment rose 2.1 percent in the goods-producing sector and increased 2.6 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan increased by 0.5 hour in May compared to last year.

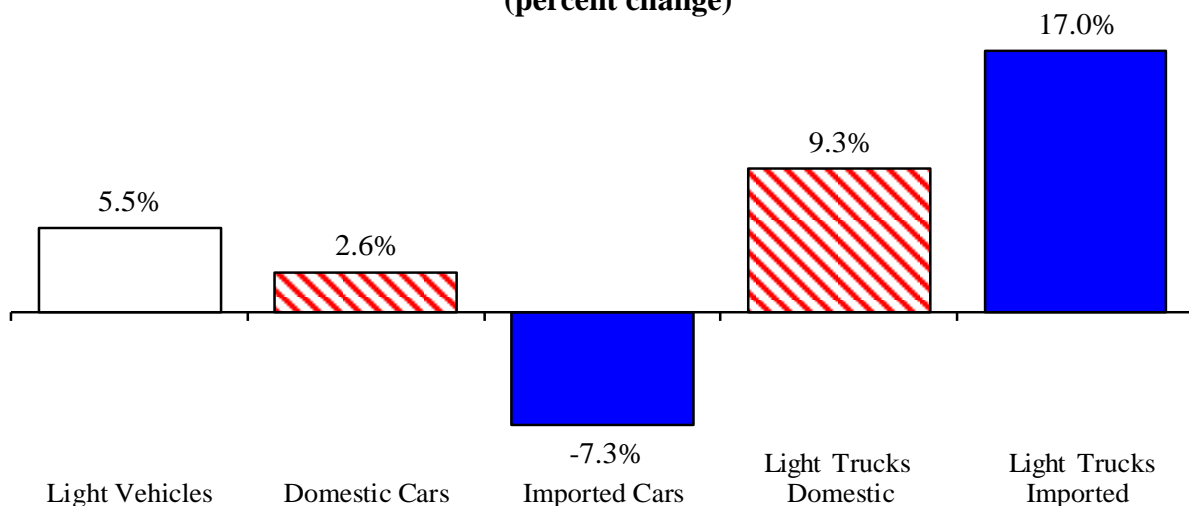
#### Wage and Salary (Payroll) Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2014 Average	May 2014	May 2015	Percent Change	2014 Average	May 2014	May 2015	Percent Change
Wage & Salary Employment	4,179.7	4,170.6	4,277.8	2.6%	139,042	138,621	141,679	2.2%
Goods Producing	725.6	720.6	761.7	5.7%	19,223	19,156	19,567	2.1%
Manufacturing	575.9	571.9	597.7	4.5%	12,188	12,154	12,335	1.5%
Private Service Producing	2,858.8	2,855.3	2,919.9	2.3%	97,957	97,624	100,171	2.6%
Trade, Trans. & Utilities	757.3	757.1	765.9	1.2%	26,384	26,297	26,860	2.1%
Services	1,839.7	1,836.5	1,888.2	2.8%	60,854	60,653	62,417	2.9%
Local, State & Fed. Gov't	595.4	594.7	596.2	0.3%	21,863	21,841	21,941	0.5%
Manufacturing Weekly Hours	43.9	44.5	45.0	0.5 hrs	42.0	42.2	41.8	-0.4 hrs

### Motor Vehicle Industry Sales

- May 2015 U.S. light vehicle sales were up 7.6 percent from April. At 17.7 million units (the highest sales rate since July 2005), the May 2015 U.S. light vehicle annualized sales rate was up 6.3 percent from May 2014.
- May 2015 marks the 13<sup>th</sup> straight month that the light vehicle annualized sales rate has exceeded 16.0 million units.
- U.S. sales of domestic light vehicles increased 6.7 percent between May 2014 and May 2015, while foreign sales were up 4.8 percent over the same period. Consequently, the foreign share of U.S. light vehicle sales fell 0.3 percentage point to 21.3 percent between May 2014 and May 2015.
- Auto sales decreased 0.3 percent compared to last May, while light truck sales were up 11.7 percent from May 2014. Year-over-year, heavy truck sales rose 12.5 percent.

### Year-to-Date (May) 2015 Light Truck Sales Up Sharply From A Year Ago (percent change)



### Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2014	Mar	Apr	May	3 Month	Change from	
	Average	2015	2015	2015	Average	Level	%
Autos	7.7	7.5	7.2	7.9	7.5	0.0	0.3%
Domestics	5.6	5.4	5.2	5.8	5.5	0.2	3.8%
Imports	2.1	2.1	2.0	2.1	2.0	(0.2)	-8.5%
Import Share	27.2%	28.2%	27.3%	26.2%	27.2%	-2.5%	pts
Light Trucks	8.7	9.6	9.3	9.8	9.6	1.0	11.7%
Domestics	7.4	8.0	7.6	8.1	7.9	0.7	8.9%
Imports	1.4	1.6	1.7	1.7	1.7	0.4	27.2%
Import Share	15.5%	16.8%	17.8%	17.3%	17.3%	2.1%	pts
Total Light Vehicles	16.4	17.1	16.5	17.7	17.1	1.0	6.3%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	0.0	12.5%
Total Vehicles	16.8	17.5	16.9	18.1	17.5	1.1	6.4%

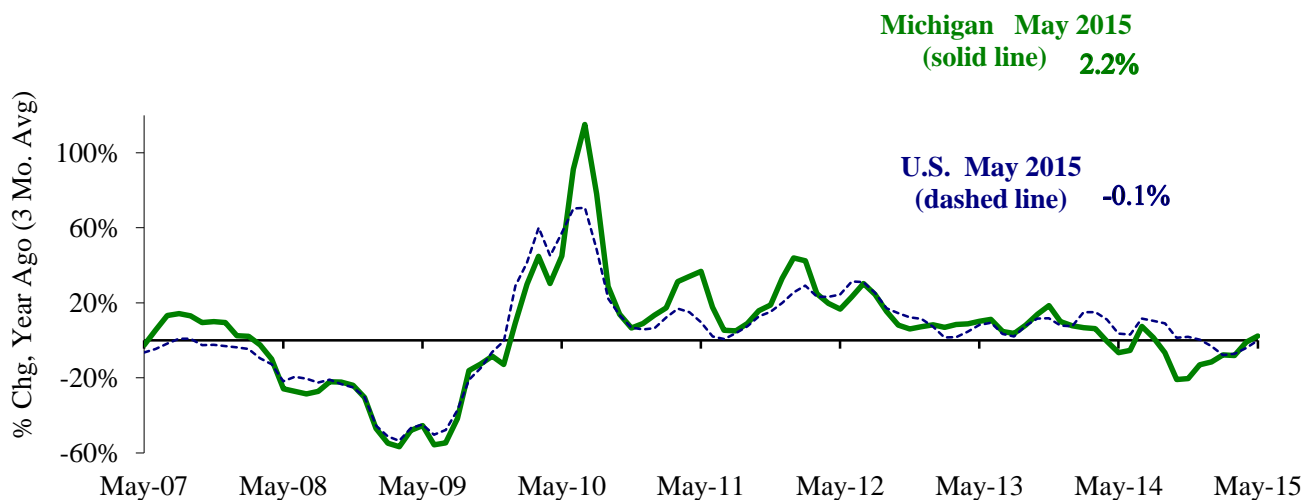
### Retail Inventories, Motor Vehicle and Parts Dealers<sup>(d)</sup> (billions of dollars)

	2014	Feb-15	Mar-15	Apr-15	3 Month	Change from	
	Average	Feb-15	Mar-15	Apr-15	Average	Level	%
Inventories	\$182.2	\$185.0	\$186.3	\$188.6	\$186.6	\$10.5	5.9%
Inventory/Sales Ratio	2.09	2.11	2.06	2.07	2.08	0.00	

### Motor Vehicle Industry Production

- At 209,902 units, May 2015 Michigan motor vehicle production was down 0.9 percent from May 2014. National production decreased 1.8 percent from last May. The three-month average of vehicle production (March 2015-May 2015) was up 2.2 percent in Michigan and down 0.1 percent nationally, compared to a year ago.
- In May 2015, Michigan car production was up 17.7 percent from a year ago while State truck production fell 9.9 percent. Nationally, car production decreased 0.2 percent while U.S. truck production decreased 2.7 percent.
- Michigan’s share of national vehicle production rose 0.2 percentage point to 20.8 percent in May 2015 from the year-ago level. Michigan’s share of U.S. car production was up 3.4 percentage points to 22.5 percent. Michigan’s share of U.S truck production fell 1.6 percentage points to 19.8 percent.

### Michigan Motor Vehicle Production’s Growth Rate Up in May<sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2014					Change from Year Ago	
	Monthly Average	Mar 2015	Apr 2015	May 2015	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	369.1	391.2	370.2	359.6	373.7	(0.8)	-0.2%
Trucks	619.3	663.5	651.8	650.1	655.2	(17.7)	-2.7%
Total	988.4	1,054.7	1,022.0	1,009.8	1,028.8	(18.5)	-1.8%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	69.9	86.0	71.9	81.0	79.6	12.2	17.7%
Trucks	126.5	138.9	132.2	128.9	133.3	(14.2)	-9.9%
Total	196.5	224.9	204.0	209.9	213.0	(2.0)	-0.9%
Michigan as % of U.S.	19.9%	21.3%	20.0%	20.8%	20.7%	0.2% pts	

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

May 2015 local area unemployment rates ranged from a low of 4.2 percent in both the Ann Arbor Metropolitan Statistical Area (MSA) and Grand Rapids-Wyoming MSA to a high of 7.4 percent in Northeast Lower Michigan. The May 2015 median unemployment rate was 5.7 percent, which is down substantially from last May’s 7.0 percent median rate.

Compared to a year ago, the May unemployment rate fell in all of Michigan’s 17 labor market areas. The Detroit-Warren-Livonia MSA and the Northeast Lower Michigan region each reported the largest rate decrease of 2.0 percentage points, followed by the Flint MSA and the Kalamazoo-Portage MSA, each with a reported rate decline of 1.6 percentage points. The Lansing-East Lansing MSA saw the smallest rate decline (1.0 percentage point).

Between May 2014 and May 2015, employment rose in all of Michigan’s 17 labor market areas. The median employment increase was 2.1 percent. The Grand Rapids-Wyoming MSA reported the largest year-over-year employment increase at 4.8 percent, followed by the Muskegon-Norton Shores MSA with a 3.2 percent increase. The Holland-Grand Haven MSA reported the smallest year-over-year increase (1.3 percent). The labor force rose in 13 labor market areas, fell in two areas and was unchanged in two areas. The Grand Rapids-Wyoming MSA reported the largest percent increase in labor force (3.5 percent), followed by the Muskegon-Norton Shores MSA (1.7 percent). The Detroit-Warren-Livonia MSA saw the largest labor force decline (-0.5 percent), followed by the Upper Peninsula (-0.1 percent).

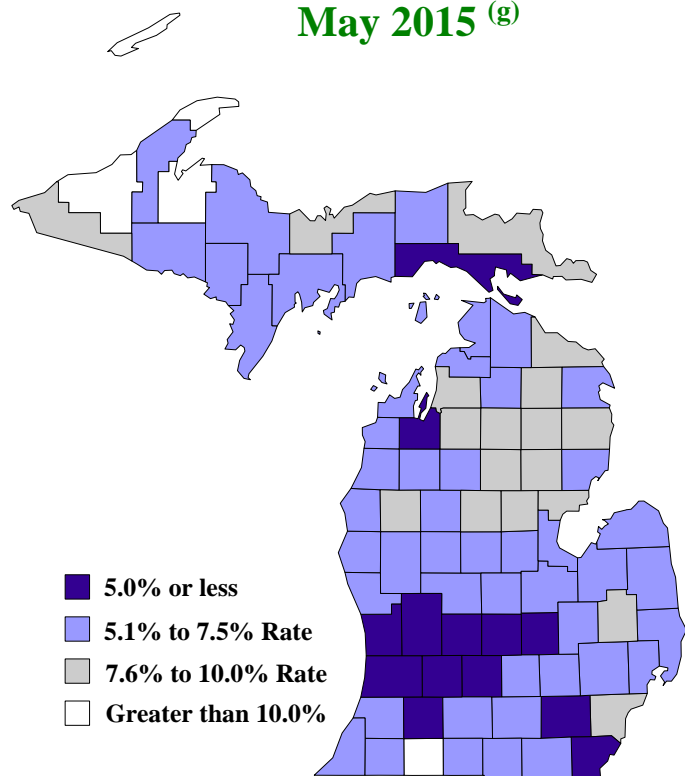
Between May 2014 and May 2015, the unemployment rate fell in 82 of Michigan’s 83 counties. The median May 2015 rate decline was 1.6 percentage points. Montmorency County posted the largest rate decrease at 3.0 percentage points, followed by Ontonagon County at 2.8 percentage points. Schoolcraft County reported a 1.0 percentage point increase in its unemployment rate from last May.

In May 2015, the unemployment rate was below 10.0 percent in 79 of Michigan’s 83 counties. In May 2014, 67 counties had an unemployment rate below 10.0 percent.

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

<u>Local Area</u>	<u>May 2014 Rate</u>	<u>Apr 2015 Rate</u>	<u>May 2015 Rate</u>
Michigan	7.5%	4.8%	5.9%
Ann Arbor	5.3%	3.2%	4.2%
Battle Creek	6.5%	4.5%	5.4%
Bay City	7.4%	5.4%	6.1%
Detroit-Warren-Livonia	8.6%	5.1%	6.6%
Flint	8.0%	5.4%	6.4%
Grand Rapids-Wyoming	5.3%	3.3%	4.2%
Holland-Grand Haven	6.9%	4.8%	5.7%
Jackson	6.4%	4.2%	5.2%
Kalamazoo-Portage	6.4%	3.9%	4.8%
Lansing-East Lansing	6.2%	4.4%	5.2%
Monroe	6.4%	4.1%	4.9%
Muskegon-Norton Shores	7.6%	5.1%	6.1%
Niles-Benton Harbor	7.0%	4.6%	5.6%
Saginaw-Saginaw Township	7.7%	5.2%	6.2%
Upper Peninsula	8.5%	6.7%	7.0%
Northeast Lower Mich	9.4%	7.6%	7.4%
Northwest Lower Mich.	7.7%	6.1%	6.2%

### County Unemployment Rates May 2015<sup>(g)</sup>

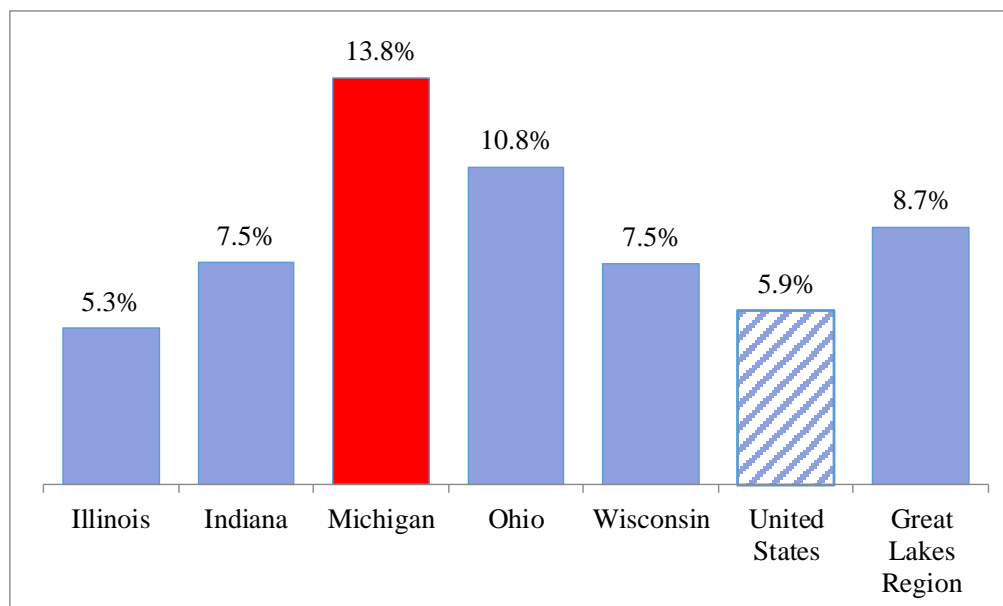


## Michigan Real Gross Domestic Product Increases for Fifth Straight Year

On June 10, 2015, the Bureau of Economic Analysis released annual state gross domestic product (GDP) estimates for 2014 along with revised state GDP estimates for 1997-2012. Below are highlights from the release:

- In 2014, total real (inflation adjusted) Michigan GDP rose 1.9 percent – slowing from 2.8 percent growth in 2013. Michigan’s 2014 real GDP growth rate ranked 20<sup>st</sup> fastest among U.S. states. Nationally, real GDP rose 2.2 percent in 2014 -- up from a 1.9 percent increase in 2013. Over the past five years, Michigan real GDP has risen 13.9 percent – ranking 3<sup>rd</sup> fastest among U.S. states. Nationally, real GDP rose 10.1 percent between 2009 and 2014.
- In 2014, Michigan’s manufacturing sector grew 2.3 percent compared with 3.3 percent growth nationally. Over the past five years, Michigan’s manufacturing sector has grown 64.9 percent, compared with 11.4 percent growth nationally.
- While accounting for 21.2 percent of the level of Michigan’s 2013 overall real GDP, the manufacturing sector accounted for 25.4 percent of the State’s overall real GDP growth between 2013 and 2014. Over the past five years, Michigan’s manufacturing sector has accounted for 68.5 percent of the State’s overall real GDP growth.
- Michigan’s 2014 per capita real GDP (\$42,110) ranked 37<sup>th</sup> among U.S. states. The State’s 2014 per capita real GDP equaled 85.1 percent of the overall U.S. 2014 per capita real GDP (\$49,469).
- In 2014, Michigan reported the 11<sup>th</sup> fastest per capita real GDP growth (1.7 percent). Between 2009 and 2014, the State’s per capita real GDP rose 13.8 percent – the third fastest increase among U.S. states.

### Michigan 2009-2014 Per Capita Real GDP Growth Fastest Among Great Lakes States



## U.S. Economic Conditions

	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	95.4	93.0	95.9	90.7	8.8 points
ISM Manufacturing Index <sup>(i)</sup>	52.9	51.5	51.5	52.8	-2.8 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.9	56.5	57.8	55.7	-0.4 points
	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	
Business Executives' Confidence <sup>(j)</sup>	62.0	59.0	60.0	57.0	-3.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	234.7	236.1	236.6	237.8	0.0%
Detroit CPI	216.5	NA	219.0	NA	-1.9%
U.S. Producer Price Index	192.1	193.7	193.2	195.7	-3.0%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.02%	0.03%	0.02%	0.02%	-0.01% points
Aaa Corporate Bonds <sup>(l)</sup>	3.61%	3.64%	3.52%	3.98%	-0.18% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	105.8	105.8	105.3	105.1	1.4%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	79.0%	78.8%	78.3%	78.1%	-1.1% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$431.9	\$438.6	\$439.6	\$444.9	2.7%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	0.900	0.954	1.165	1.036	5.1%
Existing Home Sales <sup>(m)</sup>	4.890	5.210	5.090	5.350	9.2%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$225.3	\$236.7	\$233.0	\$228.9	-2.5%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	<u>% Change From Year Ago</u>
Michigan	\$401.2	\$403.4	\$407.6	\$412.3	4.2%
U.S.	\$14,639.8	\$14,792.8	\$14,960.5	\$15,100.0	4.4%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<u>2014.2</u>	<u>2014.3</u>	<u>2014.4</u>	<u>2015.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,010.4	\$16,205.6	\$16,294.7	\$16,287.7	-0.2%



**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.