



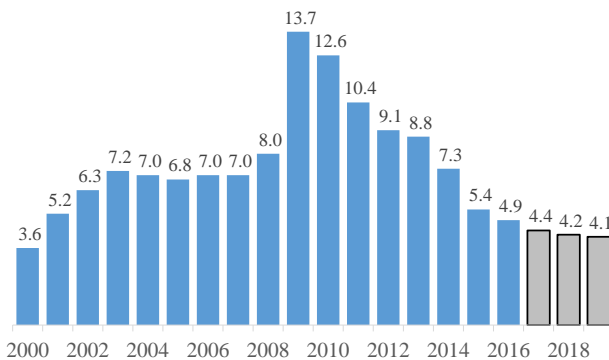
# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

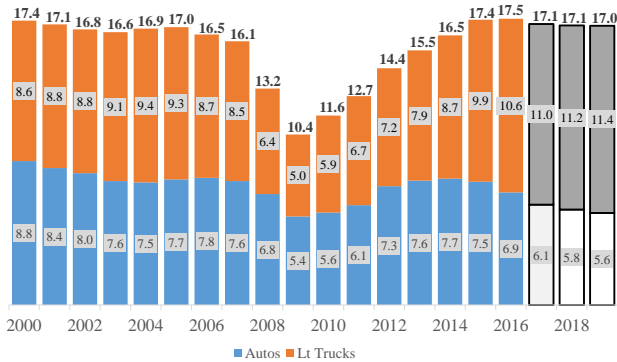
<http://www.michigan.gov/treasury>

## October 2017 Summary

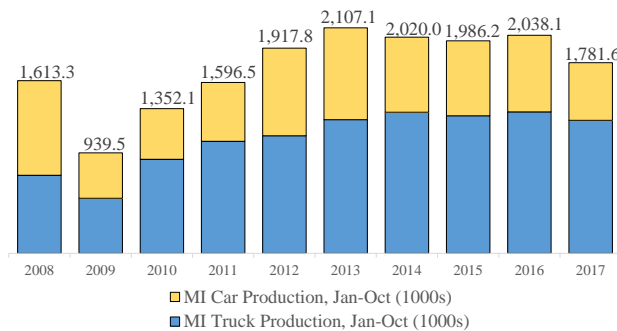
University of Michigan Nov 2017 Forecast  
Slight Michigan Unemployment Rate Declines



University of Michigan Light Vehicle Sales Forecast  
Down from 2016 Record But Remain Strong



Year-to-Date Michigan Vehicle Production  
Down from Recent Years



### Michigan Labor Market

- In October 2017, Michigan's unemployment rate rose from the prior month for the third straight month. However, Michigan's October 2017 rate was 0.5 of a percentage point lower than last October.
- October 2017 State labor force was up a slight 0.2 percent from a year ago. Household employment rose 0.7 percent compared to October 2016.
- Year-to-date through October, Michigan's average wage and salary employment remained at a 12-year high and was up 1.6 percent from last year.
- In October 2017, Michigan wage and salary employment was up 1.0 percent – the slowest monthly year-ago growth since August 2000.

### Vehicle Sales

- October 2017 annualized light vehicle sales fell 2.6 percent from September but were up 1.1 percent from last October. Post-hurricane replacement demand boosted the October 2017 annualized sales rate to 18.0 million-- the 11<sup>th</sup> highest monthly rate on record.
- Light vehicles are divided into cars and light trucks (which include SUVs). October 2017 auto sales were down 7.7 percent from a year ago while light truck sales were up 6.5 percent.
- Year-to-date, light vehicle sales were down 1.8 percent with autos off 11.1 percent but light truck sales up 4.3 percent.

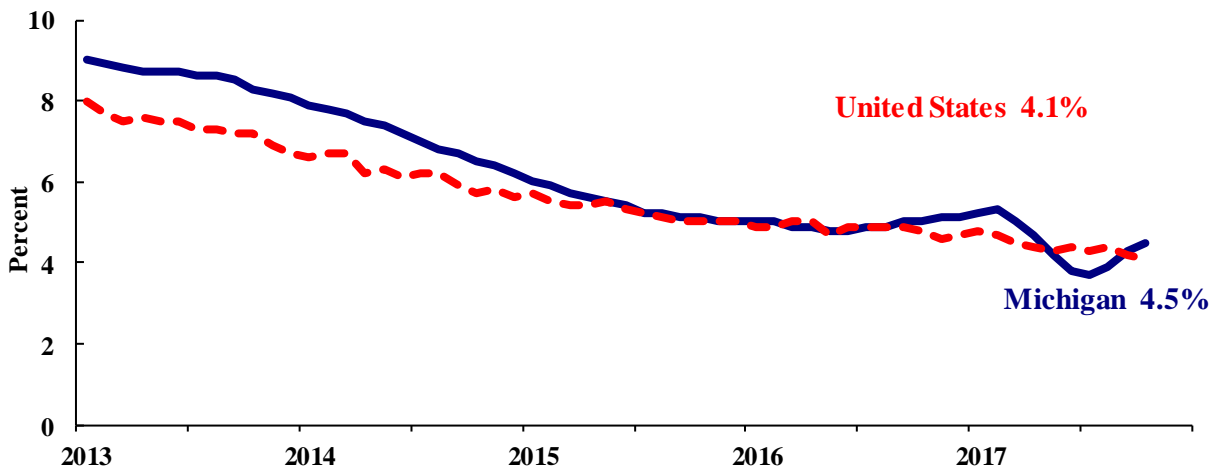
### Vehicle Production

- October 2017 Michigan vehicle production was down 3.9 percent from a year ago, compared with a 4.6 percent decline nationally.
- Year-to-date, Michigan auto production was down by 177,700 units (24.8 percent) while State truck production was off by 78,900 units (6.0 percent). Overall year-to-date Michigan vehicle production was down by 256,600 units (12.6 percent) from 2016.
- Through October, Michigan's share of national vehicle production was down by 1.0 percentage point to 18.6 percent compared to last year.

# Household Unemployment and Employment

- In October 2017, the Michigan unemployment rate increased 0.2 of a percentage point to 4.5 percent. The national unemployment rate decreased 0.1 of a percentage point from September to October to 4.1 percent.
- In October 2017, Michigan’s unemployment rate was down 0.5 of a percentage point from a year ago. The October U.S. unemployment rate decreased 0.7 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 October 2013 to October 2017



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

- In October, the total number of people employed in Michigan decreased 1,000 to 4,641,000 persons while the labor force rose by 8,000. The statewide total number of unemployed workers rose by 9,000 to 218,000.
- United States employment totaled 153.9 million persons in October 2017. The labor force totaled 160.4 million and there were 6.5 million unemployed in October.

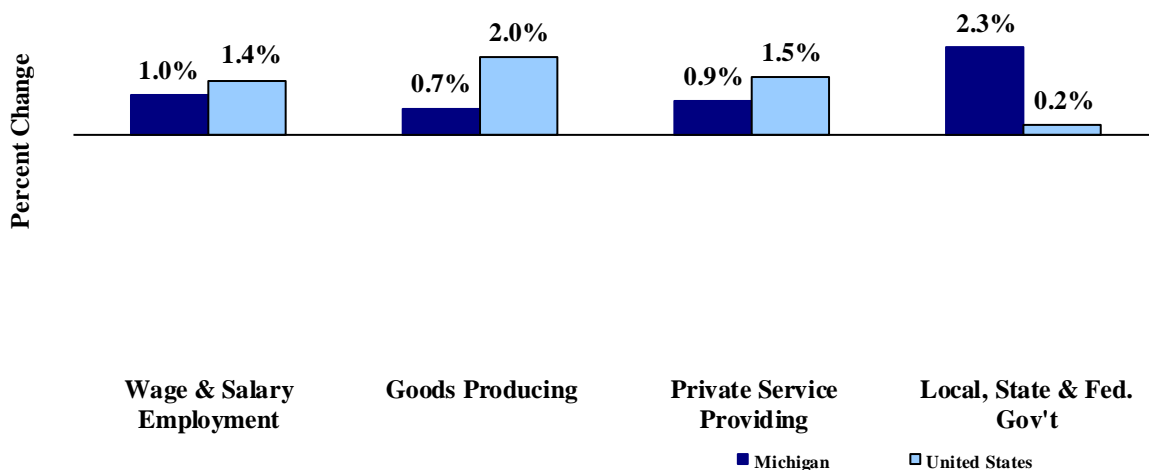
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	<u>2016</u> <u>Average</u>	<u>Aug</u> <u>2017</u>	<u>Sep</u> <u>2017</u>	<u>Oct</u> <u>2017</u>	<u>Chg Fr</u> <u>Mo Ago</u> <u>Level</u>	<u>Chg Fr</u> <u>Mo Ago</u> <u>%</u>	<u>Chg Fr</u> <u>Yr Ago</u> <u>Level</u>	<u>Chg Fr</u> <u>Yr Ago</u> <u>%</u>	<u>Three</u> <u>Month</u> <u>Average</u>
<b>Michigan</b>									
Labor Force	4,837	4,833	4,851	4,859	8	0.2%	7	0.2%	4,848
Employed	4,599	4,643	4,643	4,641	-1	0.0%	33	0.7%	4,642
Unemployed	238	190	209	218	9	4.4%	-26	-10.6%	205
Unemployment Rate	4.9%	3.9%	4.3%	4.5%	n.a.	0.2% pts	n.a.	-0.5% pts	4.2%
<b>United States</b>									
Labor Force	159,187	160,571	161,146	160,381	-765	-0.5%	738	0.5%	160,699
Employed	151,436	153,439	154,345	153,861	-484	-0.3%	1,959	1.3%	153,882
Unemployed	7,751	7,132	6,801	6,520	-281	-4.1%	-1,220	-15.8%	6,818
Unemployment Rate	4.9%	4.4%	4.2%	4.1%	n.a.	-0.1% pts	n.a.	-0.7% pts	4.2%

# Employment by Place of Work (Payroll)

- From October 2016 to October 2017, Michigan payroll employment increased 45,000 jobs (1.0 percent). State payroll employment rose by 3,000 jobs in October from September. Nationally, October 2017 payroll employment rose 2,004,000 (1.4 percent) from a year ago. Helped by the bounce back from the effects of severe weather, national employment rose substantially (261,000 jobs) in October following September's depressed 18,000 jobs increase.

## Payroll Employment Growth October 2016 to October 2017



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

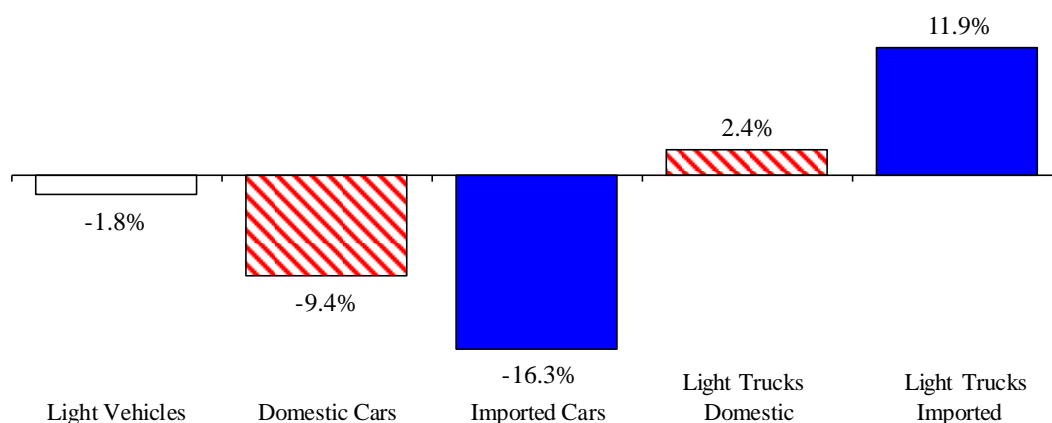
- In the goods-producing sector, Michigan payroll employment increased 0.7 percent in October from a year ago; employment in the private service-providing sector rose 0.9 percent. From a year ago, October national payroll employment rose 2.0 percent in the goods-producing sector and increased 1.5 percent in the private service-providing sector. Government employment was up 2.3 percent from a year ago in Michigan. Nationwide, government employment rose 0.2 percent.
- At 43.5 hours, manufacturing weekly hours in Michigan were up 0.6 of an hour compared to last year.

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

	MI				US			
	2016 Average	MI Oct 2016	MI Oct 2017	Percent Change	2016 Average	US Oct 2016	US Oct 2017	Percent Change
Wage & Salary Employment	4,325.6	4,364.9	4,410.0	1.0%	144,306	145,006	147,010	1.4%
Goods Producing	762.9	767.7	772.9	0.7%	19,736	19,727	20,128	2.0%
Manufacturing	600.2	602.2	603.7	0.2%	12,348	12,325	12,481	1.3%
Private Service Providing	2,962.0	2,988.9	3,014.9	0.9%	102,346	102,971	104,521	1.5%
Trade, Trans. & Utilities	781.6	784.7	782.7	-0.3%	27,233	27,331	27,434	0.4%
Services	1,910.1	1,932.1	1,954.6	1.2%	64,057	64,530	65,888	2.1%
Local, State & Fed. Gov't	600.7	608.3	622.2	2.3%	22,223	22,308	22,361	0.2%
Manufacturing Weekly Hours	42.9	42.9	43.5	0.6 hrs	41.9	42.0	42.0	0.0 hrs

- October 2017 U.S. light vehicle sales fell 2.6 percent from September 2017 but were up slightly (1.1 percent) from October 2016. October 2017 marked the 44<sup>th</sup> straight month that the light vehicle annualized sales rate equaled or exceeded 16.0 million units. In October 2017, the annualized sales rate equaled 18.0 million units – the third highest annualized rate since August 2005.
- U.S. sales of domestic light vehicles increased 0.5 percent between October 2016 and October 2017. Foreign sales were up 3.2 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 0.5 of a percentage point to 22.1 percent in October 2017.
- Auto sales decreased 7.7 percent compared to last October, while light truck sales were up 6.5 percent from October 2016. As a result, October 2017 marked the 19<sup>th</sup> straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last 19 months, the light truck sales share exceeded 60.0 percent only once (July 2005). Year-over-year, heavy truck sales rose 12.9 percent in October 2017 -- marking the fifth consecutive month in which heavy truck sales were up from a year ago following 14 straight months of year-over-year declines.

## Year-to-Date Light Vehicle Sales (Jan-Oct 2017) Down Slightly From Year-Ago (Jan-Oct 2016)



## Motor Vehicle Sales Statistics

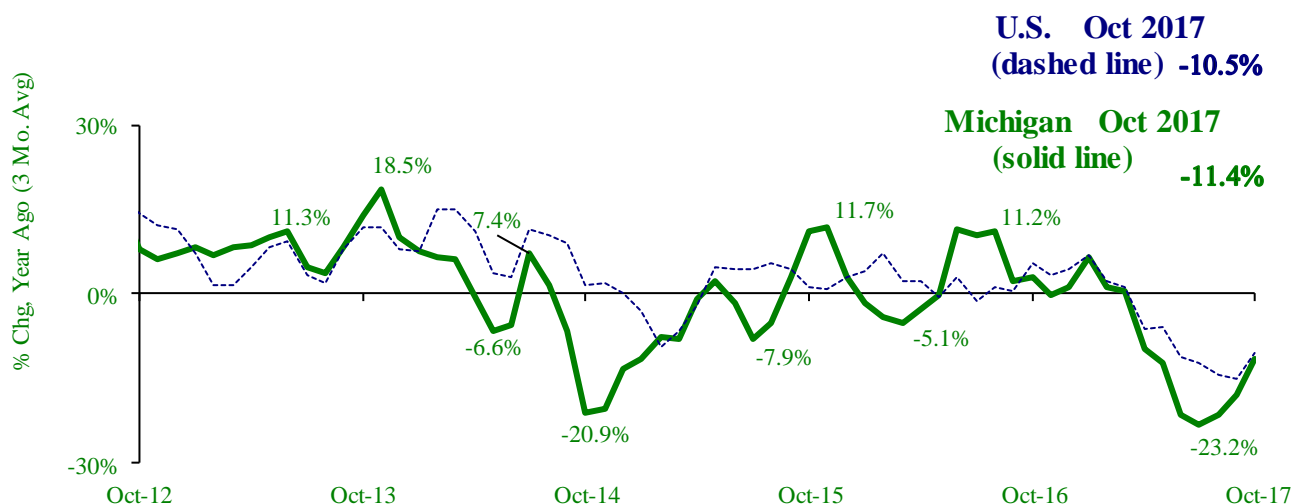
(Millions, Seasonally Adjusted Rates, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2016	Aug	Sep	Oct	3 Month	Sep	Sep
	Total	2017	2017	2017	Average	Chg fr Yr Ago Level	Chg fr Yr Ago %
Autos	6.9	5.7	6.5	6.2	6.2	(0.5)	-7.7%
Domestics	5.2	4.4	5.0	4.8	4.7	(0.3)	-6.2%
Imports	1.7	1.4	1.5	1.5	1.4	(0.2)	-12.2%
Import Share	24.8%	23.8%	23.3%	23.3%	23.4%	-1.2% pts	
Light Trucks	10.6	10.3	11.9	11.8	11.3	0.7	6.5%
Domestics	8.5	8.0	9.3	9.2	8.9	0.4	4.4%
Imports	2.1	2.2	2.6	2.5	2.5	0.3	14.9%
Import Share	20.1%	21.7%	22.0%	21.5%	21.7%	1.6% pts	
Total Light Vehicles	17.5	16.0	18.5	18.0	17.5	0.2	1.1%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	0.0	12.9%
Total Vehicles	17.9	16.4	18.9	18.4	17.9	0.2	1.3%

Retail Inventories, Motor Vehicle and Parts Dealers (billions of dollars) <sup>(d)</sup>						Chg fr	Chg fr
	2016	Jul-17	Aug-17	Sep-17	3 Month	Year Ago	Year Ago
	Average	Jul-17	Aug-17	Sep-17	Average	Level	%
Inventories	\$206.3	\$222.7	\$225.0	\$219.6	\$222.4	\$8.5	4.0%
Inventory/Sales Ratio	2.18	2.26	2.33	2.17	2.25	-0.03	

- At 190,179 units, October 2017 Michigan motor vehicle production was down 3.9 percent from October 2016. National production decreased 4.6 percent from last October. The three-month average of vehicle production (August 2017-October 2017) was down 11.4 percent in Michigan and down 10.5 percent nationally, compared to a year ago.
- In October 2017, Michigan car production was down 21.3 percent from a year ago while State truck production rose 4.8 percent. Nationally, car production decreased 19.6 percent while U.S. truck production was up 2.8 percent.
- Michigan's share of national vehicle production rose 0.1 of a percentage point in October 2017 from its year-ago level to 18.5 percent. Michigan's share of car production fell 0.4 of a percentage point while the State's share of truck production was up 0.4 of a percentage point.

## Michigan and National Vehicle Production Trend Percent Declines Still Substantial But Slowing



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2016 Monthly Average	Jul 2017	Sep 2017	Oct 2017	3 Month Average	Aug Level Chg fr Yr Ago	Aug % Chg fr Yr Ago
<b>U.S. Production <sup>(e)</sup></b>							
Autos	346.4	303.8	250.4	285.7	280.0	(69.6)	-19.6%
Trucks	678.9	717.9	677.2	745.0	713.4	20.1	2.8%
Total	1,025.3	1,021.7	927.6	1,030.7	993.4	(49.6)	-4.6%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	70.3	50.0	43.7	51.8	48.5	(14.0)	-21.3%
Trucks	128.7	138.9	126.4	138.4	134.5	6.4	4.8%
Total	199.0	188.9	170.1	190.2	183.1	(7.6)	-3.9%
Michigan as % of U.S.	19.4%	18.5%	18.3%	18.5%	18.4%	0.1% pts	

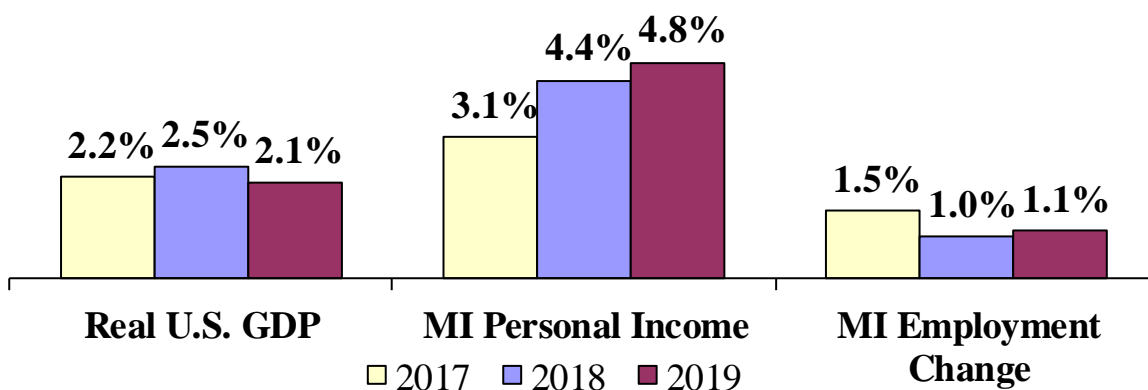
# University of Michigan Economic Forecast

## Continued National and Michigan Economic Growth

On November 16 and 17, 2017, the University of Michigan’s Research Seminar in Quantitative Economics (RSQE), released its forecast for the U.S. and Michigan economies for 2018 and 2019. The University’s forecast projects continued modest national and Michigan economic growth. Forecast highlights include:

- After growing an estimated 2.2 percent in 2017, real (inflation adjusted) GDP is forecast to rise 2.5 percent in 2018 and grow 2.1 percent in 2019. Real consumption growth is expected to decelerate from 2.7 percent in 2017 to 2.5 percent in both 2018 and 2019. Real investment growth is forecast to rise 5.1 percent in 2018 and to increase 3.9 percent in 2019. Real government purchases are projected to rise 0.3 percent in 2018 and to increase 0.7 percent in 2019. Net exports are expected to decline in both 2018 and 2019.
- U.S. wage and salary employment is expected to increase over the forecast horizon with 1.5 percent growth in 2017, 1.4 percent growth in 2018 and 1.2 percent growth in 2019. As a result, the U.S. unemployment rate is projected to fall over the next two years from 4.4 percent in 2017 to 4.1 percent in 2019.
- After rising to a record 17.46 million units in 2016, light vehicle sales are estimated to fall to 17.14 million units in 2017 and then forecast to drop to 17.05 million units in 2018 and 17.03 million units in 2019.
- Michigan wage and salary employment rose an estimated 1.5 percent in 2017. Michigan employment is forecast to increase 1.0 percent in 2018 and to rise 1.1 percent in 2019.
- The Michigan unemployment rate fell an estimated 0.52 of a percentage point to 4.42 percent in 2017 and is forecast to change slightly over the forecast, dropping to 4.22 percent in 2018 and 4.12 percent in 2019.
- Michigan personal income increased an estimated 3.1 percent in 2017. Michigan’s income growth is forecast to accelerate to 4.4 percent in 2018 and 4.8 percent in 2019.

### U.S. GDP and Michigan Personal Income Growth Michigan Employment Increases



# U.S. Economic Conditions

	<u>Jul-17</u>	<u>Aug-17</u>	<u>Sep-17</u>	<u>Oct-17</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	93.4	96.8	95.1	100.7	13.5 points
ISM Manufacturing Index <sup>(i)</sup>	56.3	58.8	60.8	58.7	6.7 points
ISM Non Manufacturing Index <sup>(i)</sup>	53.9	55.3	59.8	60.1	5.5 points
	<b><u>2016.4</u></b>	<b><u>2017.1</u></b>	<b><u>2017.2</u></b>	<b><u>2017.3</u></b>	
Business Executives' Confidence <sup>(j)</sup>	65.0	68.0	61.0	59.0	9.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100 (CPI)</b>	<b><u>Jul-17</u></b>	<b><u>Aug-17</u></b>	<b><u>Sep-17</u></b>	<b><u>Oct-17</u></b>	<b><u>Change from Year Ago</u></b>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	244.8	245.5	246.8	246.7	2.0%
Detroit CPI	NA	226.8	NA	228.8	2.0%
U.S. Producer Price Index	112.9	113.1	113.5	114.1	2.8%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	1.07%	1.01%	1.03%	1.07%	0.74% points
10 Year Treasury Securities <sup>(l)</sup>	2.32%	2.21%	2.20%	2.36%	0.60% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>	105.2	104.7	105.2	106.1	2.9%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>	76.5%	76.1%	76.4%	77.0%	1.3% points
<b>RETAIL SALES <sup>(d)</sup></b>	\$476.8	\$476.5	\$485.4	\$486.6	4.6%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<b><u>Jul-17</u></b>	<b><u>Aug-17</u></b>	<b><u>Sep-17</u></b>	<b><u>Oct-17</u></b>	<b><u>% Change From Year Ago</u></b>
Housing Starts <sup>(d)</sup>	1.185	1.172	1.135	1.290	-2.9%
Existing Home Sales <sup>(m)</sup>	5.440	5.350	5.370	5.480	-0.9%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>	\$229.0	\$233.7	\$238.8	\$236.0	1.0%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<b><u>2016.3</u></b>	<b><u>2016.4</u></b>	<b><u>2017.1</u></b>	<b><u>2017.2</u></b>	<b><u>% Change From Year Ago</u></b>
Michigan	\$441.9	\$443.0	\$448.2	\$451.8	3.0%
U.S.	\$16,011.2	\$16,007.4	\$16,236.2	\$16,353.2	2.9%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<b><u>2016.4</u></b>	<b><u>2017.1</u></b>	<b><u>2017.2</u></b>	<b><u>2017.3</u></b>	<b><u>Annualized % Chg From Last Qtr</u></b>
	\$16,851.4	\$16,903.2	\$17,031.1	\$17,169.0	3.3%

- (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.