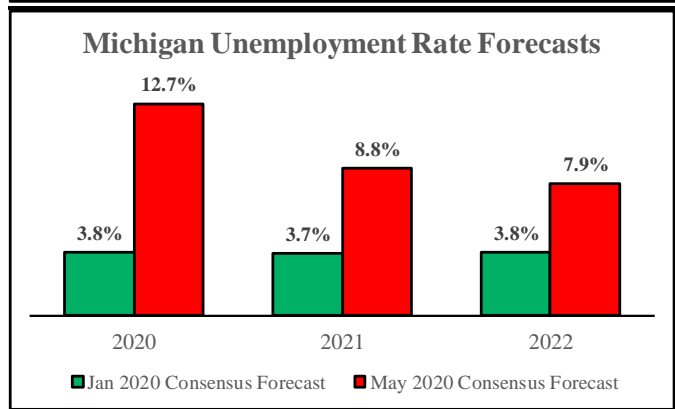
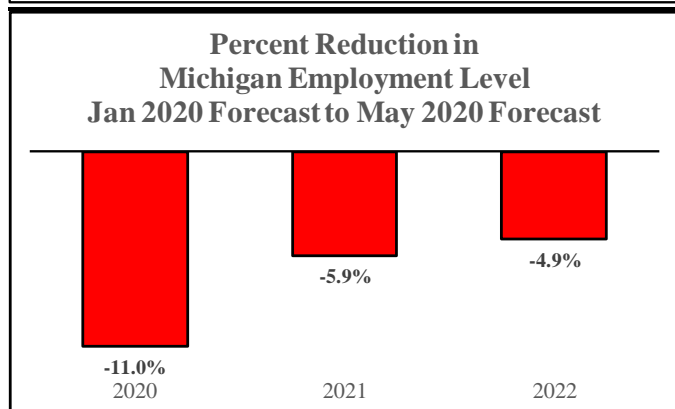
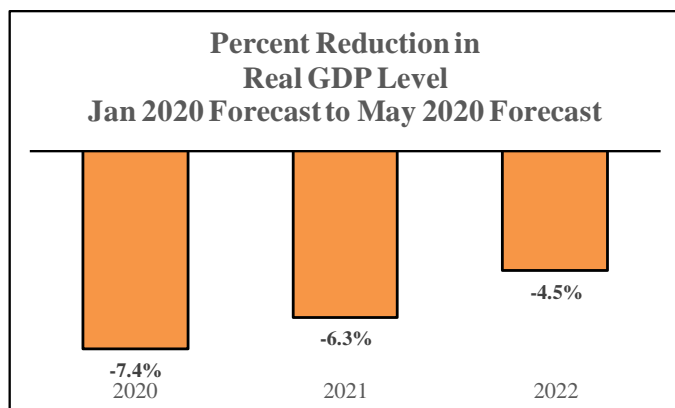


MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury
<http://www.michigan.gov/treasury>
Summarizing Economic Data for April 2020
(Published 06/03/2020)

Consensus Economic Forecast

On May 15, 2020, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a revised consensus economic forecast for calendar year (CY) 2020, 2021 and 2022, reflecting the drastic impact of COVID-19. Below are highlights of that consensus agreement ⁽ⁿ⁾:



U.S. Economy

- In 2020, real GDP growth is forecast to drop 5.8 percent. Real GDP then grows a projected 3.0 percent in 2021 and 3.8 percent in 2022.
- The U.S. unemployment rate is forecast to jump to 9.0 percent in 2020, before declining to 7.1 percent in 2021 and 6.0 percent in 2022.
- Light vehicle sales are forecast to drop to 12.9 million units in 2020, before rising to 15.2 million units in 2021 and 16.2 million units in 2022.

Michigan Employment

- Michigan wage and salary employment is forecast to plummet 10.3 percent in 2020. The 10.3 percent decline would represent the largest annual Michigan employment decline since at least 1957.
- Michigan employment is forecast to increase 6.3 percent in 2021 and 1.3 percent in 2022. However, projected 2022 Michigan employment remains 3.4 percent lower than actual 2019 Michigan employment.

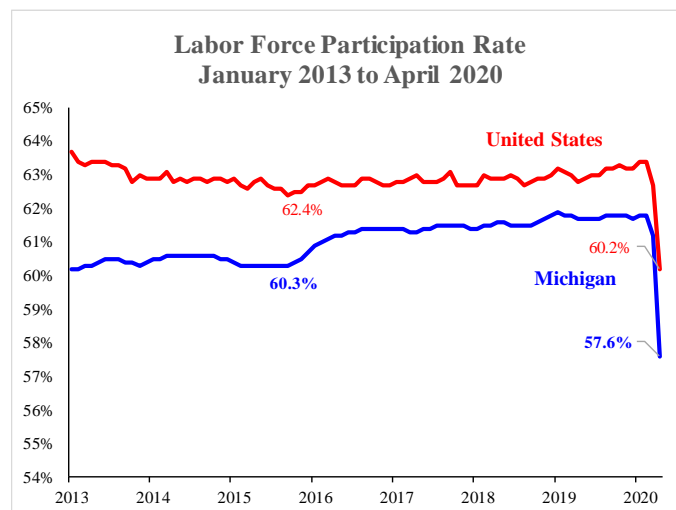
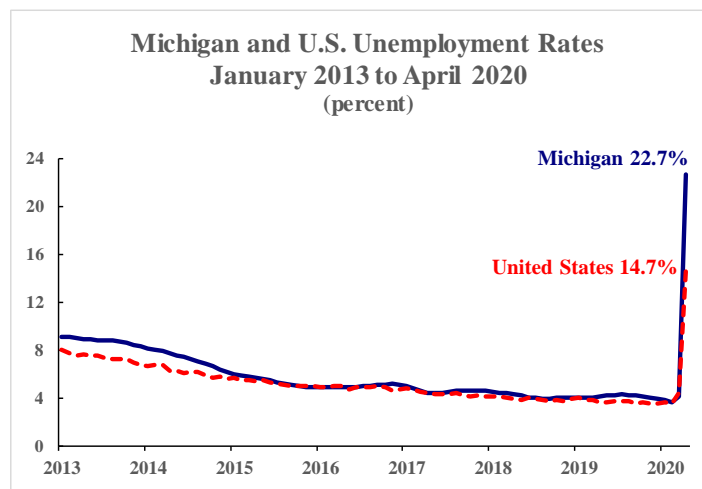
Michigan Unemployment Rate

- Michigan's average annual unemployment rate is forecast to soar to 12.7 percent in 2020.
- Michigan's unemployment rate is then projected to decline to 8.8 percent in 2021 and 7.9 percent in 2022.
- In sharp contrast, the January Consensus had forecast that Michigan's unemployment rate would remain below 4.0 percent in each of the three forecast years.

April 2020 Summary

Unemployment Rates Skyrocket

- As a result of the economic impact of COVID-19 and accompanying economic shutdowns, the Michigan unemployment rate rose 18.4 percentage points to a record high 22.7 percent in April 2020. Compared to a year ago, Michigan's April 2020 unemployment rate was also up 18.4 percentage points. Without the record 291,000 person drop in the State's labor force, the unemployment rate (which does not include those without a job not in the labor force) would have been even still higher.
- Between April 2019 and April 2020, Michigan household employment fell by 1.2 million persons. Compared to last April, the State's labor force participation rate fell to a record low 57.6 percent. The number of Michigan's unemployed increased by 839,000 and the State's unemployment rate rose by 18.4 percentage points.
- In April 2020, the U.S. unemployment rate rose by a record 10.3 percentage points to a record high 14.7 percent. The number of employed persons fell by 22.4 million; the labor force dropped by 6.4 million persons and the number of persons unemployed rose by an astounding 15.9 million.



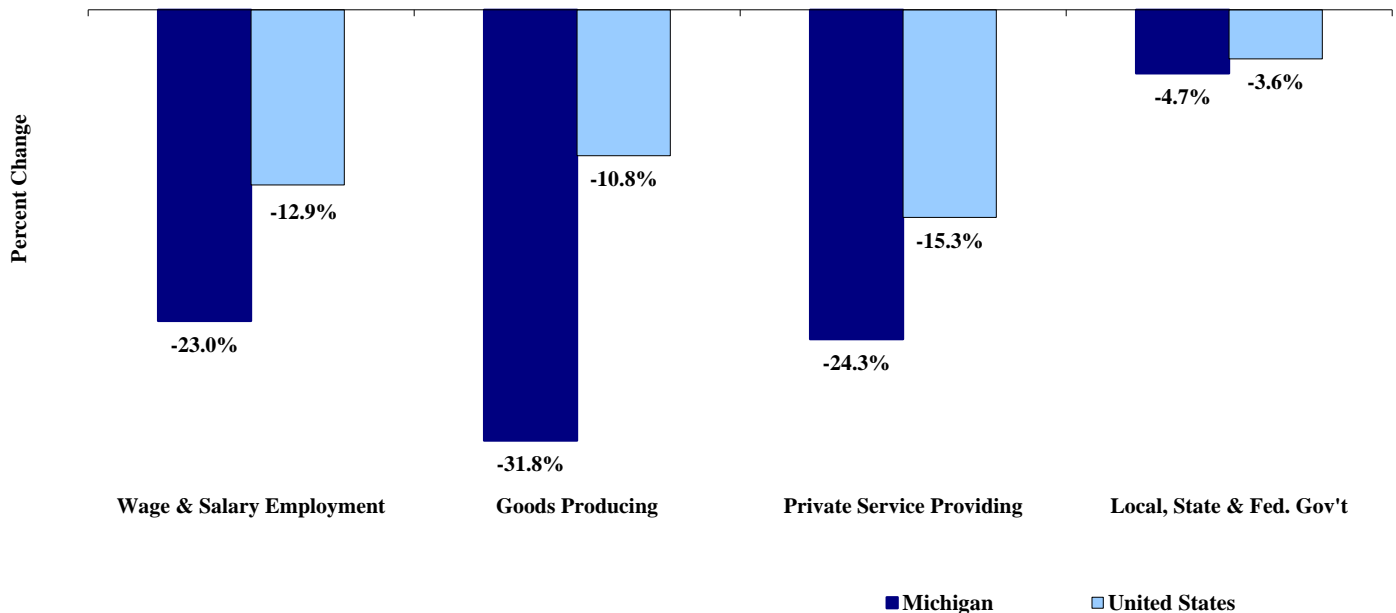
Employment by Place of Residence (in thousands)^(a)

	<u>Annual</u> <u>2019</u>	<u>Feb</u> <u>2019</u>	<u>Mar</u> <u>2019</u>	<u>Apr</u> <u>2020</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>
Michigan									
Labor Force	4,902	4,950	4,903	4,612	-291	-5.9%	-320	-6.5%	4,822
Employed	4,699	4,770	4,694	3,564	-1,130	-24.1%	-1,157	-24.5%	4,343
Unemployed	203	180	209	1,048	839	401.4%	837	396.7%	479
Unemployment Rate	4.1%	3.6%	4.3%	22.7%	n.a.	18.4% pts	n.a.	18.4% pts	10.2%
United States									
Labor Force	162,075	164,546	162,913	156,481	-6,432	-3.9%	-6,065	-3.7%	161,313
Employed	155,761	158,759	155,772	133,403	-22,369	-14.4%	-23,293	-14.9%	149,311
Unemployed	6,314	5,787	7,140	23,078	15,938	223.2%	17,228	294.5%	12,002
Unemployment Rate	3.9%	3.5%	4.4%	14.7%	n.a.	10.3% pts	n.a.	11.1% pts	7.5%

Employment by Place of Work (Payroll)

- Resulting from the economic impact of COVID-19 and accompanying economic shutdowns, Michigan payroll employment plummeted by 1.1 million jobs (-23.0 percent) from April 2019 to April 2020. In April 2020 alone, the state economy lost 1.0 million jobs. Nationally, April 2020 payroll employment also fell sharply (-19.5 million, -12.9 percent) from a year ago. The national economy lost 20.5 million jobs in April 2020.

**Payroll Employment Growth
April 2019 to April 2020**



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

- In the goods-producing sector, Michigan payroll employment dropped 31.8 percent in April from a year ago; employment in the private service-providing sector declined 24.3 percent. From a year ago, April national payroll employment fell 10.8 percent in the goods-producing sector and decreased 15.3 percent in the private service-providing sector.
- At 38.5 hours, manufacturing weekly hours in Michigan were down sharply (-3.9 hours) from last year.

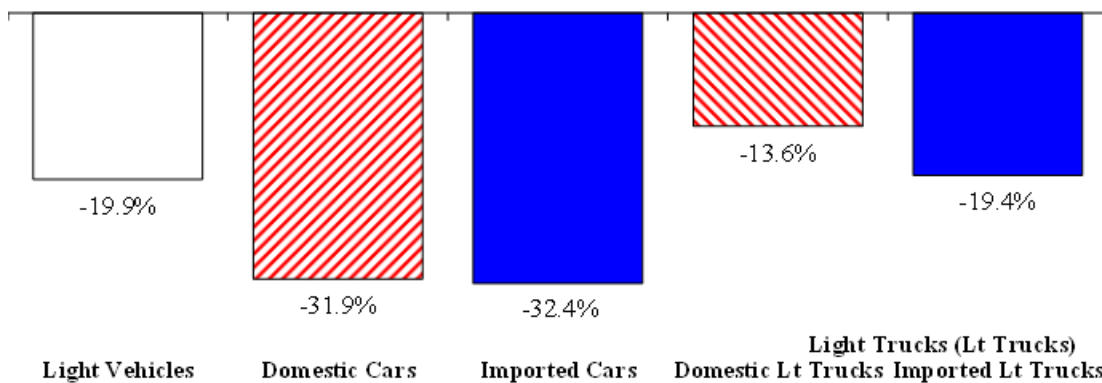
Wage and Salary (Payroll) Employment (in thousands)^(b)

	MI				US			
	<u>2019 Annual</u>	<u>MI Apr 2019</u>	<u>MI Apr 2020</u>	<u>Percent Change</u>	<u>2019 Annual</u>	<u>US Apr 2019</u>	<u>US Apr 2020</u>	<u>Percent Change</u>
Wage & Salary Employment	4,432.6	4,430.9	3,413.8	-23.0%	148,908	150,492	131,045	-12.9%
Goods Producing	808.0	808.4	551.6	-31.8%	20,704	21,039	18,776	-10.8%
Manufacturing	627.2	629.9	444.6	-29.4%	12,688	12,829	11,488	-10.5%
Private Service Providing	3,011.4	3,010.9	2,279.3	-24.3%	105,750	106,900	90,532	-15.3%
Trade, Trans. & Utilities	795.9	794.2	645.4	-18.7%	27,607	27,671	24,719	-10.7%
Services	1,935.8	1,938.3	1,367.3	-29.5%	66,714	67,663	54,597	-19.3%
Local, State & Fed. Gov't	613.3	611.6	582.9	-4.7%	22,455	22,553	21,737	-3.6%
Manufacturing Weekly Hours	43.3	42.4	38.5	-3.9 hrs	42.2	41.6	38.7	-2.9 hrs

Motor Vehicle Sales Plummet in April

- Under the weight of the economic impact of COVID-19 and accompanying economic shutdowns, April 2020 U.S. light vehicle sales dropped 24.5 percent from March 2020 and were only about half (52.1 percent) April 2019 sales. In April 2020, the annualized sales rate equaled 8.6 million units.
- U.S. sales of domestic light vehicles declined 47.5 percent from last April while foreign sales dropped 49.5 percent. The foreign share of U.S. light vehicle sales decreased 0.7 of a percentage point to 21.3 percent in April 2020.
- Auto sales decreased 59.3 percent compared to last April, while light truck sales were down 43.3 percent from April 2019. Year-over-year (y-o-y), heavy truck sales dropped 54.2 percent from last April.

With April Drop, Year-to-Date Light Vehicle Sales Down Sharply from Last Year



Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

Motor Vehicle Sales ^(c)	2019	Feb	Mar	Apr	3 Month	Apr	Apr
	Total	2020	2020	2020	Average	Chg fr Yr Ago Level	Chg fr Yr Ago %
Autos	4.7	4.2	2.9	1.9	3.0	(2.8)	-59.3%
Domestics	3.5	3.2	2.2	1.5	2.3	(2.1)	-58.1%
Imports	1.2	1.0	0.6	0.4	0.7	(0.7)	-62.9%
Import Share	24.8%	24.1%	21.6%	22.4%	23.0%	-2.2% pts	
Light Trucks	12.2	12.5	8.5	6.6	9.2	(5.1)	-43.3%
Domestics	9.6	9.8	6.8	5.2	7.3	(4.0)	-43.4%
Imports	2.6	2.7	1.7	1.4	1.9	(1.0)	-43.0%
Import Share	21.4%	21.4%	20.0%	21.0%	20.9%	0.1% pts	
Total Light Vehicles	17.0	16.8	11.4	8.6	12.2	(7.9)	-47.9%
Heavy Trucks	0.5	0.5	0.4	0.3	0.4	(0.3)	-54.2%
Total Vehicles	17.5	17.2	11.7	8.8	12.6	(8.2)	-48.1%

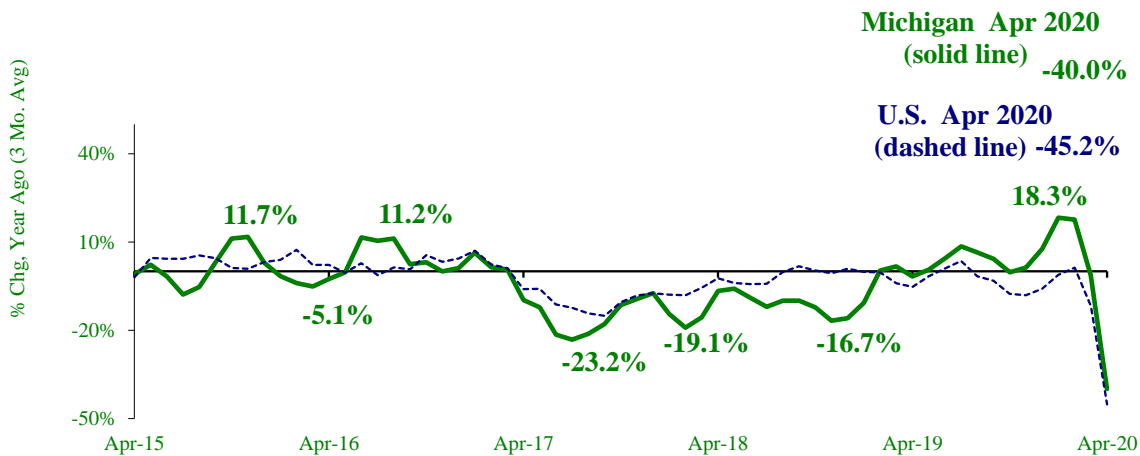
Retail Inventories, Motor Vehicle and Parts Dealers (billions of dollars) ^(d)

	2019	Jan-20	Feb-20	Mar-20	3 Month	Chg fr	Chg fr
	Average	Jan-20	Feb-20	Mar-20	Average	Year Ago Level	Year Ago %
Inventories	\$243.1	\$230.8	\$228.9	\$240.0	\$233.3	-\$0.6	-0.2%
Inventory/Sales Ratio	2.33	2.18	2.18	3.07	2.48	0.75	

Motor Vehicle Production Comes to Standstill in April Page 5

- In April 2020, as a result of the COVID-19 and accompanying economic shutdowns, motor vehicle production came to a standstill with essentially no vehicles produced in Michigan and only about 1,100 vehicles produced nationally. In contrast, last April, Michigan vehicle production totaled 166,353 and national production equaled 907,872.
- In April 2020, both Michigan car production and truck production were essentially zero – compared with last April when Michigan produced 23,223 cars and 143,130 trucks. Nationally, only 701 cars and 417 trucks were produced this April – compared with last April’s U.S. car production of 222,031 and last April’s national truck production of 685,841.
- April’s standstill drove down the three-month average of vehicle production sharply with Michigan’s three-month average production down 40.0 percent from last year and U.S. three-month average production off 45.2 percent from last year.

Michigan Three-Month Average Vehicle Production Plummets from Last Year



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2019 Monthly <u>Average</u>	Feb <u>2020</u>	Mar <u>2020</u>	Apr <u>2020</u>	3 Month <u>Average</u>	Apr Level Chg <u>fr Yr Ago</u>	Apr % Chg <u>fr Yr Ago</u>
U.S. Production ^(e)							
Autos	214.8	218.2	154.0	0.7	124.3	(221.3)	-99.7%
Trucks	677.1	701.0	530.7	0.4	410.7	(685.4)	-99.9%
Total	891.9	919.2	684.6	1.1	535.0	(906.8)	-99.9%
Michigan Production ^(f)							
Autos	20.2	20.9	13.1	-	11.4	(23.2)	-100.0%
Trucks	139.3	157.8	111.7	0.0	89.9	(143.1)	-100.0%
Total	159.5	178.8	124.9	0.0	101.2	(166.4)	-100.0%
Michigan as % of U.S.	17.9%	19.4%	18.2%	0.1%	18.9%	-18.2% pts	

U.S. Economic Conditions

	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	99.8	101.0	89.1	71.8	-25.4 points
ISM Manufacturing Index ⁽ⁱ⁾	50.9	50.1	49.1	41.5	-11.9 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.5	57.3	52.5	41.8	-13.9 points
	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	
Business Executives' Confidence ⁽ⁱ⁾	43.0	34.0	43.0	36.0	-6.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	258.0	258.7	258.1	256.4	0.3%
Detroit CPI	NA	238.6	NA	232.1	-0.8%
U.S. Producer Price Index	119.1	118.6	118.5	117.1	-1.2%
INTEREST RATES					
90 Day T-Bill ^(l)	1.52%	1.52%	0.29%	0.14%	-2.24% points
10 Year Treasury Securities ^(l)	1.76%	1.50%	0.87%	0.66%	-1.87% points
INDUSTRIAL PRODUCTION ^(l)					
	109.1	109.3	104.3	92.6	-15.0%
CAPACITY UTILIZATION ^(l)					
	76.7%	76.7%	73.2%	64.9%	-12.9% points
RETAIL SALES ^(d)					
	\$529.6	\$527.3	\$483.5	\$403.9	-21.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.617	1.567	1.276	0.891	-29.7%
Existing Home Sales ^(m)	5.420	5.760	5.270	4.330	-17.2%
DURABLE GOODS ORDERS ^(d)					
	\$241.4	\$246.2	\$205.3	\$170.0	-29.3%
PERSONAL INCOME ^(c)					
(Billions, Seasonally Adj & Annualized)	<u>2019.1</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>% Change From Year Ago</u>
Michigan	\$495.0	\$500.5	\$504.4	\$510.2	4.2%
U.S.	\$18,351.3	\$18,550.2	\$18,677.2	\$18,817.6	4.1%
GROSS DOMESTIC PRODUCT ^(c)					
(Billions of Chained 2012 Dollars, Seasonally Adj & Annualized)	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$19,021.9	\$19,121.1	\$19,222.0	\$18,974.7	-5.0%

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) Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Bureau of the Census, U.S. Department of Commerce. Seasonally adjusted.
- (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. 2012 equals 100. Treasury bill rate (secondary market).
- (m) National Association of Realtors.
- (n) May 15, 2020 Consensus Revenue Estimating Conference and January 10, 2020 Consensus Revenue Estimating Conference.