

# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## April 2017 Summary

**U.S. Economy:** Major economic indicators point to a continued – although modest -- expansion of the national economy. Estimated growth in 2017Q1 was revised up from a 0.7 percent annual rate to a 1.2 percent annual rate. The Institute for Supply Management (ISM) reported the current expansion has now lasted 95 months. The ISM Production Management Index (PMI) rose 4.1 points from last April. At 54.8, the April 2017 PMI signaled an expanding manufacturing sector for the 13<sup>th</sup> month out of the last 14 months. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 88<sup>th</sup> straight month. Consumer sentiment was up 8.0 points from April 2016. Retail sales increased 4.5 percent from last April. April 2017 industrial production rose 2.2 percent from a year-ago – the fourth monthly increase in the past five months that follows 20 straight months of y-o-y declines. The capacity utilization rate rose 1.1 points from April 2016. However, housing starts were up a slight 0.7 percent from last April and existing home sales were up only 1.6 percent. Further, new durable goods orders rose just 0.9 percent from last April.

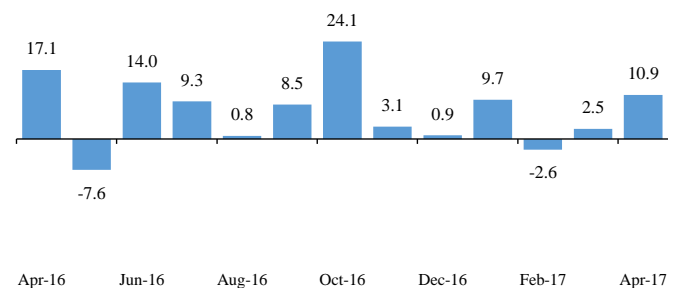
**Employment:** In April 2017, the Michigan unemployment rate fell 0.3 of a percentage point from March to 4.7 percent. The April 2017 Michigan rate was down 0.2 of a percentage point from April 2016. At 4.4 percent, the April 2017 U.S. unemployment rate was down 0.6 of a percentage point from last April. Between April 2016 and April 2017, Michigan payroll employment gained a net 73,600 jobs (1.7 percent). Michigan payroll employment in April 2017 rose 10,900 jobs compared to March 2017. U.S. payroll employment was up 2.2 million jobs (1.6 percent) in April 2017 compared to a year ago. National payroll employment was up 211,000 jobs from March to April.

**Auto Industry:** In April 2017, U.S. light vehicle sales fell 3.1 percent from last April and totaled annualized sales of 16.8 million units. Between April 2016 and April 2017, the three-month average of Michigan vehicle production fell 9.8 percent while the three-month U.S. average was down 6.1 percent. Between April 2016 and April 2017, Michigan's share of U.S. vehicle production fell 1.0 percentage point to 18.6 percent.

**Inflation:** In April 2017, the overall U.S. consumer price index (CPI) rose 2.2 percent from a year ago. Similarly, the Detroit CPI was up 2.3 percent from last April. The U.S. producer price index was up 2.5 percent from last year. At \$51.06, the April 2017 price of oil per barrel was up \$10.31 (25.3 percent) from April 2016

**Michigan Metro Areas:** Compared to a year ago, April 2017 unemployment rates fell in all of Michigan's 17 major labor markets. Household employment rose in 14 Michigan major labor markets, fell in two areas and was unchanged in one area.

**Michigan Payroll Employment  
Up Substantially in April**  
(change from previous month, thousands of jobs) <sup>(a)</sup>



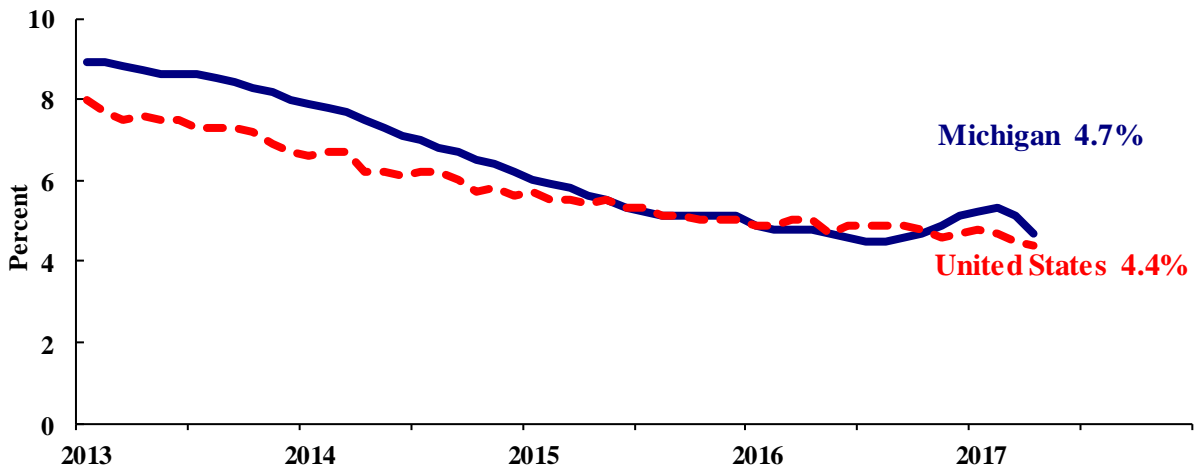
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- In April 2017, the Michigan unemployment rate decreased 0.3 of a percentage point to 4.7 percent. The national unemployment rate decreased 0.1 of a percentage point from March to April to 4.4 percent.
- In April 2017, Michigan’s unemployment rate was down 0.2 of a percentage point from a year ago. The April U.S. unemployment rate decreased 0.6 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  
April 2013 to April 2017**



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

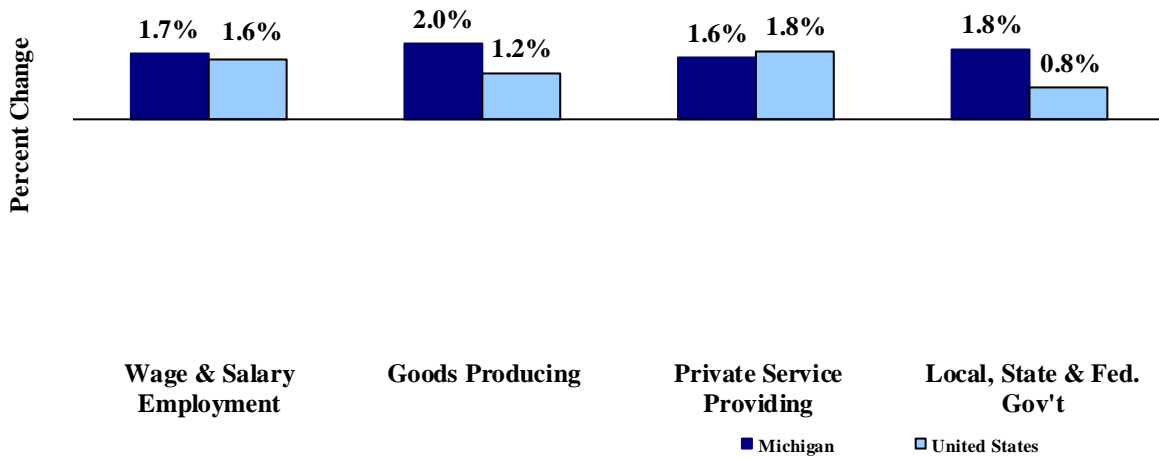
- In April, the total number of people employed in Michigan increased 18,000 to 4,684,000 persons while the labor force rose by 2,000. The statewide total number of unemployed workers fell by 16,000 to 231,000.
- United States employment totaled 153.2 million persons in April 2017. The labor force totaled 160.2 million and there were 7.1 million unemployed in April.

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

	2016 Average	Feb 2017	Mar 2017	Apr 2017	Change From				Three Month Average
					Prior Month Level	%	Last Year Level	%	
<b>Michigan</b>									
Labor Force	4,837	4,908	4,914	4,915	2	0.0%	107	2.2%	4,912
Employed	4,599	4,649	4,666	4,684	18	0.4%	109	2.4%	4,666
Unemployed	238	259	248	231	-16	-6.6%	-2	-0.9%	246
Unemployment Rate	4.9%	5.3%	5.0%	4.7%	n.a.	-0.3% pts	n.a.	-0.2% pts	5.0%
<b>United States</b>									
Labor Force	159,187	160,056	160,201	160,213	12	0.0%	1,275	0.8%	160,157
Employed	151,436	152,528	153,000	153,156	156	0.1%	2,128	1.4%	152,895
Unemployed	7,751	7,528	7,202	7,056	-146	-2.0%	-854	-10.8%	7,262
Unemployment Rate	4.9%	4.7%	4.5%	4.4%	n.a.	-0.1% pts	n.a.	-0.6% pts	4.5%

- From April 2016 to April 2017, Michigan payroll employment increased 73,600 jobs (1.7 percent). State payroll employment rose by 10,900 jobs in April from March. Nationally, April 2017 payroll employment rose 2,237,000 (1.6 percent) from a year ago and was up 211,000 from March.

**Payroll Employment Growth  
April 2016 to April 2017**



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

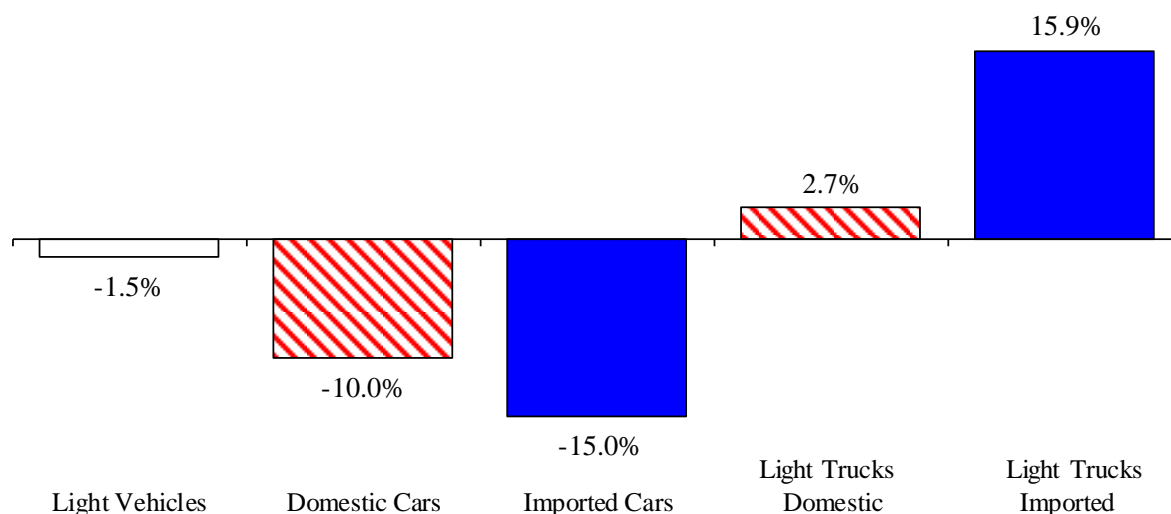
- In the goods-producing sector, Michigan payroll employment increased 2.0 percent in April from a year ago while employment in the private service-providing sector increased 1.6 percent. From a year ago, April national payroll employment rose 1.2 percent in the goods-producing sector and increased 1.8 percent in the private service-providing sector. Government employment was up 1.8 percent from a year ago in Michigan. Nationwide, government employment was up 0.8 percent.
- Manufacturing weekly hours in Michigan were up 0.8 of an hour compared to last year.

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

	Michigan				United States			
	2016 Average	April 2016	April 2017	Percent Change	2016 Average	Apr 2016	Apr 2017	Percent Change
Wage & Salary Employment	4,325.6	4,315.8	4,389.4	1.7%	144,306	143,826	146,063	1.6%
Goods Producing	762.9	764.7	779.8	2.0%	19,736	19,743	19,977	1.2%
Manufacturing	600.2	601.7	608.5	1.1%	12,348	12,356	12,396	0.3%
Private Service Providing	2,962.0	2,954.7	3,002.2	1.6%	102,346	101,922	103,746	1.8%
Trade, Trans. & Utilities	781.6	782.1	780.9	-0.2%	27,233	27,177	27,390	0.8%
Services	1,910.1	1,903.7	1,946.4	2.2%	64,057	63,715	65,199	2.3%
Local, State & Fed. Gov't	600.7	596.4	607.4	1.8%	22,223	22,161	22,340	0.8%
Manufacturing Weekly Hours	42.9	45.6	46.4	0.8 hrs	41.9	41.8	41.8	0.0 hrs

- April 2017 U.S. light vehicle sales were up 1.8 percent from March 2017 but were down 3.1 percent from April 2016. April 2017 marked the 38<sup>th</sup> straight month that the light vehicle annualized sales rate exceeded 16.0 million units. However, at 16.8 million units, April 2017 marked the second straight month that annualized sales were below 17.0 million units.
- U.S. sales of domestic light vehicles decreased 2.9 percent between April 2016 and April 2017. Foreign sales were down 3.6 percent over the same period. As a result, the foreign share of U.S. light vehicle sales fell 0.1 of a percentage point to 22.0 percent in April 2017.
- Auto sales decreased 9.6 percent compared to last April, while light truck sales were up 1.2 percent from April 2016. As a result, April 2017 marked the 13<sup>th</sup> straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last 13 months, the light truck sales share exceeded 60.0 percent only once (July 2005). Year-over-year, heavy truck sales declined 5.5 percent in April 2017 -- marking the 13<sup>th</sup> straight year-over-year decline in heavy truck sales.

**Year-to-Date Light Vehicle Sales (Jan-Apr 2017)  
Down Slightly from a Year Ago (Jan-Apr 2016)**



**Motor Vehicle Sales Statistics**

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

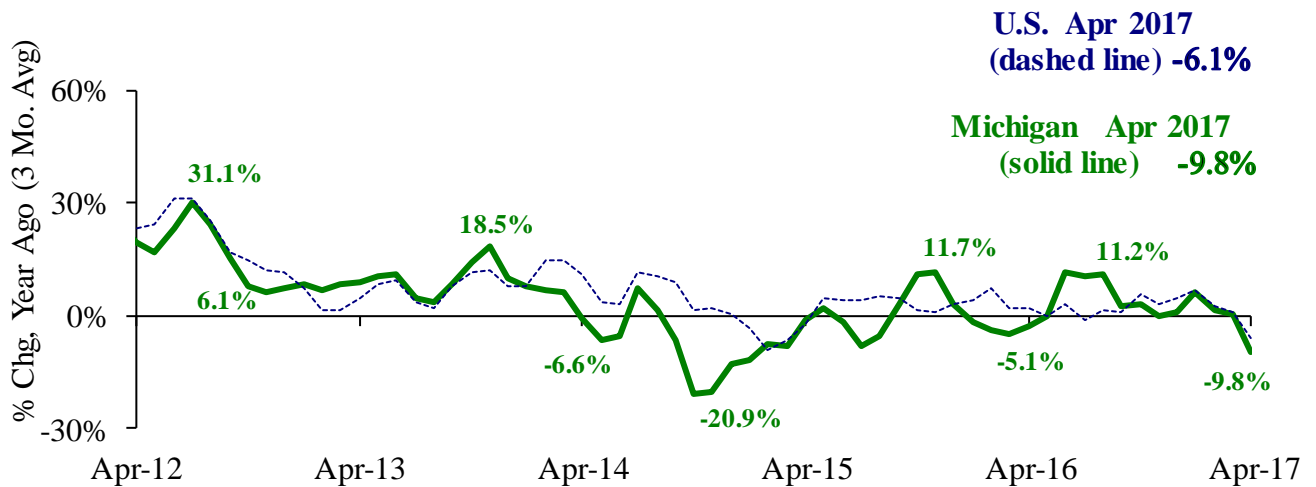
Motor Vehicle Sales <sup>(c)</sup>	2016 Total	Feb 2017	Mar 2017	Apr 2017	3 Month Average	April Change from Year Ago	
						Level	%
Autos	6.9	6.3	6.1	6.2	6.2	(0.7)	-9.6%
Domestics	5.2	4.8	4.7	4.8	4.7	(0.3)	-5.3%
Imports	1.7	1.5	1.4	1.4	1.4	(0.4)	-21.9%
Import Share	24.8%	24.1%	23.2%	22.5%	23.3%	-3.6%	pts
Light Trucks	10.6	11.2	10.4	10.6	10.7	0.1	1.2%
Domestics	8.5	8.9	8.3	8.3	8.5	(0.1)	-1.5%
Imports	2.1	2.3	2.1	2.3	2.3	0.3	12.5%
Import Share	20.1%	20.7%	20.6%	21.6%	21.0%	2.2%	pts
Total Light Vehicles	17.5	17.4	16.5	16.8	16.9	(0.5)	-3.1%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	(0.0)	-5.5%
Total Vehicles	17.9	17.8	16.9	17.2	17.3	(0.6)	-3.1%

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

	2016 Average	Jan-17	Feb-17	Mar-17	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$206.3	\$215.7	\$217.9	\$219.7	\$217.8	\$15.9	7.8%
Inventory/Sales Ratio	2.18	2.19	2.25	2.28	2.24	0.07	

- At 166,809 units, April 2017 Michigan motor vehicle production was down 19.3 percent from April 2016. National production decreased 15.0 percent from last April. The three-month average of vehicle production (February 2017-April 2017) was down 9.8 percent in Michigan and down 6.1 percent nationally, compared to a year ago.
- In April 2017, Michigan car production was down 25.0 percent from a year ago while State truck production dropped 16.2 percent. Nationally, car production decreased 20.4 percent while U.S. truck production was down 12.2 percent.
- Michigan’s share of national vehicle production fell 1.0 percentage point in April 2017 from the year-ago level to 18.6 percent. Michigan’s share of car production fell 1.2 percentage points while the State’s share of truck production was down 0.9 of a percentage point.

**Michigan and National Vehicle Production Trends Downward**



**Motor Vehicle Production Statistics**

(Thousands, unless otherwise specified)

	2016					Change from Year Ago for April	
	Monthly Average	Feb 2017	Mar 2017	Apr 2017	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	346.4	299.7	329.7	284.7	304.7	(73.0)	-20.4%
Trucks	678.9	686.7	781.9	614.5	694.4	(85.2)	-12.2%
Total	1,025.3	986.4	1,111.5	899.2	999.1	(158.2)	-15.0%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	70.3	56.8	62.7	54.5	58.0	(18.2)	-25.0%
Trucks	128.7	124.0	141.0	112.3	125.7	(21.8)	-16.2%
Total	199.0	180.7	203.6	166.8	183.7	(39.9)	-19.3%
Michigan as % of U.S.	19.4%	18.3%	18.3%	18.6%	18.4%	-1.0%	pts

In April 2017, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 2.2 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 6.7 percent in the Northeast Lower Michigan region. The April 2017 median unemployment rate was 3.7 percent, which is down 0.9 of a percentage point from last April’s 4.6 percent median rate.

Compared to a year ago, the April 2017 unemployment rate fell in all of Michigan’s 17 labor market areas. The median rate decrease was 0.9 of a percentage point. The Northeast Lower Michigan region and the Northwest Lower Michigan region each reported the largest rate decrease of 1.4 percentage points, followed by the Upper Peninsula region that reported a 1.3 percentage point decline.

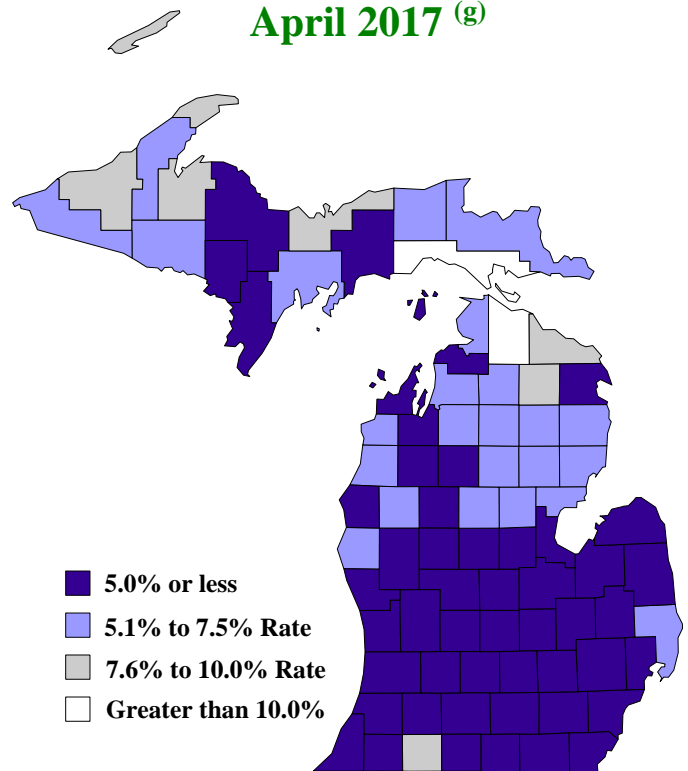
Between April 2016 and April 2017, household employment rose in 14 of Michigan’s 17 labor market areas, decreased in one area and was unchanged in two areas. The median employment increase was 1.1 percent. The Detroit-Warren-Dearborn MSA reported the largest year-over-year employment increase at 3.0 percent, followed by the Grand Rapids-Wyoming MSA with a 2.4 percent increase and the Kalamazoo-Portage MSA with a 2.1 percent increase. The Bay City MSA reported the sole employment decrease of 0.6 percent. The labor force fell in ten Michigan labor market areas and rose in seven areas. The Bay City MSA reported the largest percent decrease in labor force at 1.7 percent, followed by the Upper Peninsula LMA with a 1.1 percent decline. The Detroit-Warren-Dearborn MSA recorded the largest labor force increase at 2.4 percent, followed by the Grand Rapids-Wyoming MSA at 1.5 percent.

Between April 2016 and April 2017, the unemployment rate fell in all 83 of Michigan’s counties. The median April 2017 rate decrease was 1.1 percentage points. Alcona County reported the largest unemployment rate decrease at 2.4 percentage points, followed by Schoolcraft County with a 2.3 percentage point decline. In April 2017, the unemployment rate was below 5.0 percent in 48 of Michigan’s 83 counties compared with 29 counties with rates below 5.0 percent in April 2016.

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

<u>Local Area</u>	<u>Apr-16</u>	<u>Mar-17</u>	<u>Apr-17</u>
Michigan	4.5%	4.8%	3.7%
Ann Arbor	3.0%	2.8%	2.2%
Battle Creek	4.5%	4.4%	3.6%
Bay City	5.3%	5.5%	4.4%
Detroit-Warren-Dearborn	4.6%	5.0%	4.0%
Flint	5.3%	5.4%	4.3%
Grand Rapids-Wyoming	3.2%	3.1%	2.4%
Jackson	4.6%	4.4%	3.4%
Kalamazoo-Portage	4.0%	3.9%	3.1%
Lansing-East Lansing	3.6%	3.7%	2.9%
Midland	4.4%	4.6%	3.6%
Monroe	4.0%	4.6%	3.7%
Muskegon	5.1%	4.8%	3.9%
Niles-Benton Harbor	4.5%	4.6%	3.6%
Saginaw	5.0%	5.2%	4.1%
Upper Peninsula	7.1%	7.3%	5.8%
Northeast Lower Mich	8.1%	9.3%	6.7%
Northwest Lower Mich.	6.0%	6.4%	4.6%

**County Unemployment Rates  
April 2017 <sup>(g)</sup>**



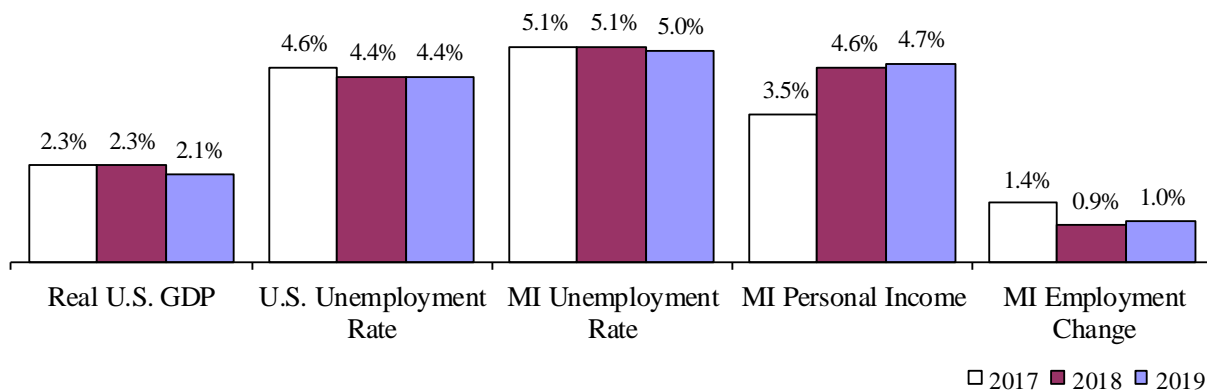
**Note:** State and local unemployment data on this page are **not** adjusted to remove the effects of seasonal or other regular patterns. Thus, the state and local unemployment data may not be compared with the seasonally adjusted unemployment data reported on page 2. Further, changes from one month to the next should be interpreted with great caution.

On May 17, 2017, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2017, 2018 and 2019. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.3 percent in 2017. Real GDP is then expected to grow 2.3 percent in 2018 and 2.1 percent in 2019. The May 2017 Conference’s projected growth rate for 2017 is up 0.3 of a percentage point from January 2017 Conference projections and projected growth in 2018 is up 0.4 of a percentage point from January projections. The growth forecast for 2019 is unchanged at 2.1 percent.
- In 2017, the U.S. unemployment rate is forecast to fall to 4.6 percent and then decline to 4.4 percent for both 2018 and 2019. Compared with the January 2017 Conference forecast, the May 2017 Consensus forecast of the U.S. unemployment rate is down 0.1 percentage point for 2017, and down 0.3 point for both 2018 and 2019.
- The May 2017 Consensus forecasts light vehicle sales to total 17.0 million units in 2017, 16.9 million units in 2018 and 16.8 million units in 2019. The May 2017 light vehicle forecast for 2017 is 0.2 million units below the January 2017 forecast of 17.2 million units. The May 2017 forecast is down 0.1 million units from the January 2017 forecast for both 2018 and 2019.
- The May 2017 Consensus projects that Michigan wage and salary employment will rise 1.4 percent in 2017 – 0.3 percentage point faster than the January 2017 forecast of 1.1 percent growth. However, the May 2017 forecast of 0.9 percent growth in 2018 is 0.1 of a percentage point slower than the January 2017 forecast of 1.0 percent growth. The May 2017 Consensus projects a 1.0 percent employment increase in 2019 – matching the January 2017 Consensus projection.
- According to the May 2017 Consensus, the Michigan unemployment rate will measure 5.1 percent in 2017, 5.1 percent in 2018 and 5.0 percent in 2019. Compared to the January 2017 Consensus forecast, the May 2017 Consensus Michigan jobless rate forecast is up 0.5 percentage point for 2017 and up 0.3 point for both 2018 and 2019.
- Michigan personal income is projected to rise 3.5 percent in 2017, increase 4.6 percent in 2018 and rise 4.7 percent in 2019. Wages and salaries are expected to increase 3.3 percent in 2016, rise 4.1 percent in 2018 and increase 4.2 percent in 2019.

**U.S. Economic Forecast  
Modest Growth**

**Michigan Economic Forecast  
Growing Labor Market**



	<u>Jan-17</u>	<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>	<b>Change from <u>Year Ago</u></b>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	98.5	96.3	96.9	97.0	8.0 points
ISM Manufacturing Index <sup>(i)</sup>	56.0	57.7	57.2	54.8	4.1 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.5	57.6	55.2	57.5	1.8 points
	<b><u>2016.2</u></b>	<b><u>2016.3</u></b>	<b><u>2016.4</u></b>	<b><u>2017.1</u></b>	
Business Executives' Confidence <sup>(j)</sup>	52.0	50.0	65.0	68.0	21.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100 (CPI)</b>	<b><u>Jan-17</u></b>	<b><u>Feb-17</u></b>	<b><u>Mar-17</u></b>	<b><u>Apr-17</u></b>	<b>Change from <u>Year Ago</u></b>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	242.8	243.6	243.8	244.5	2.2%
Detroit CPI	NA	225.0	NA	226.5	2.3%
U.S. Producer Price Index	111.5	112.0	112.2	112.7	2.5%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.51%	0.52%	0.74%	0.76%	0.53% points
10 Year Treasury Securities <sup>(l)</sup>	2.43%	2.42%	2.48%	2.18%	0.37% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	103.5	103.7	104.1	105.1	2.2%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	75.8%	75.8%	76.1%	76.7%	1.1% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$473.5	\$472.5	\$473.1	\$474.9	4.5%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<b><u>Jan-17</u></b>	<b><u>Feb-17</u></b>	<b><u>Mar-17</u></b>	<b><u>Apr-17</u></b>	<b>% Change From <u>Year Ago</u></b>
Housing Starts <sup>(d)</sup>	1.236	1.288	1.203	1.172	0.7%
Existing Home Sales <sup>(m)</sup>	5.690	5.470	5.700	5.570	1.6%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$224.4	\$227.5	\$232.7	\$231.2	0.9%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<b><u>2016.1</u></b>	<b><u>2016.2</u></b>	<b><u>2016.3</u></b>	<b><u>2016.4</u></b>	<b>% Change From <u>Year Ago</u></b>
Michigan	\$433.0	\$438.4	\$442.8	\$447.0	3.2%
U.S.	\$15,747.8	\$15,936.3	\$16,117.1	\$16,269.9	3.7%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<b><u>2016.2</u></b>	<b><u>2016.3</u></b>	<b><u>2016.4</u></b>	<b><u>2017.1</u></b>	<b>Annualized % Chg <u>From Last Qtr</u></b>
	\$16,583.1	\$16,727.0	\$16,813.3	\$16,861.6	1.2%



- (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.