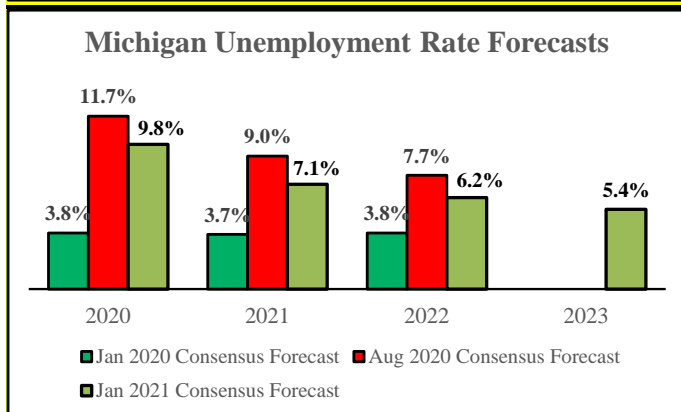
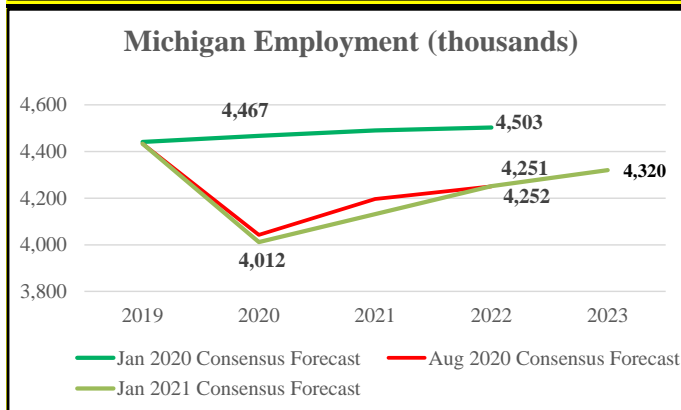
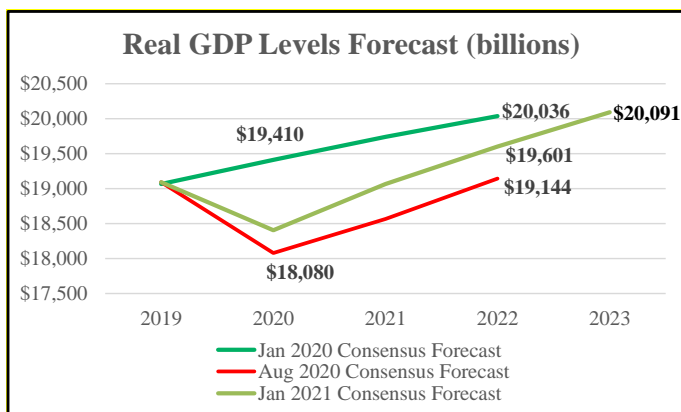


MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury
<https://www.michigan.gov/treasury>
Summarizing Economic Data for December 2020
(Includes Data Released through January 31, 2021)

Consensus Economic Forecast

On January 15, 2021, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a revised consensus economic forecast for calendar year (CY) 2021, 2022 and 2023. Below are highlights of that consensus agreement, which, in the graphs below, is compared with the August 2020 Consensus Economic Forecast and the pre-pandemic January 2020 forecast ⁽ⁿ⁾:



U.S. Economy

- After falling an estimated 3.6 percent in 2020, real GDP growth is forecast to rise 3.6 percent. Real GDP then grows a projected 2.8 percent in 2022 and 2.5 percent in 2023.
- After jumping to an estimated 8.1 percent in 2020, the U.S. unemployment rate is forecast to fall to 6.4 percent in 2021, 5.8 percent in 2022 and 5.3 percent in 2023.
- After dropping to 14.5 million units in 2020, light vehicle sales are forecast to rise to 16.0 million in 2021, 16.2 million in 2022 and 16.3 million in 2023.

Michigan Employment

- Michigan wage and salary employment is estimated to have plummeted 9.5 percent in 2020 -- the largest annual Michigan employment decline since 1958 when State employment fell 9.8 percent.
- Michigan employment is forecast to increase 3.0 percent in 2021, 2.9 percent in 2022 and 1.6 percent in 2023. However, projected 2023 Michigan employment would be 2.5 percent lower than actual 2019 Michigan employment.

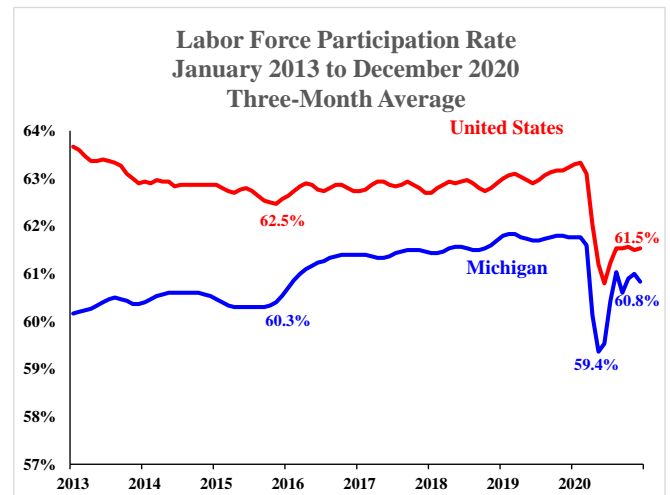
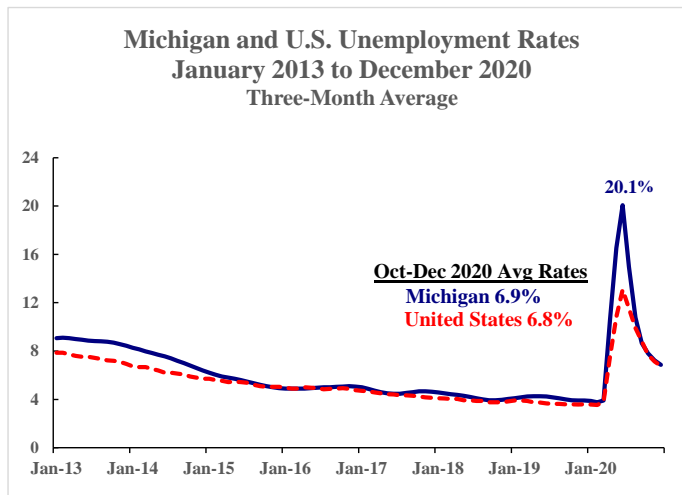
Michigan Unemployment Rate

- After soaring to an estimated 9.8 percent in 2020, Michigan's average annual unemployment rate is forecast fall over the forecast horizon.
- Michigan's unemployment rate is projected to decline to 7.1 percent in 2021, 6.2 percent in 2022 and 5.4 percent in 2023.
- In sharp contrast, the January 2020 Consensus had forecast that Michigan's unemployment rate would remain below 4.0 percent at least through 2022.

December 2020 Summary

Unemployment Rates Trend Down But Remain High

- The monthly Michigan unemployment rate estimate rose to 7.5 percent in December. The three-month average of the Michigan unemployment rate trended downward from 7.2 percent to 6.9 percent in December, but remains 3.0 percentage points higher than a year ago.
- The average number of people employed in Michigan between October, November and December was 224,400 lower than in February. Compared to the three-month average of people employed between October-December 2019, the current average is down 205,200 people. The October-December 2020 three-month average of people unemployed is 153,600 people higher than the number of unemployed in February.
- The U.S. unemployment rate remained unchanged at 6.7 percent in December. December's national jobless rate is 8.0 percentage points lower than April's peak rate (14.7 percent), but 3.1 percentage points higher than the year-ago rate (3.6 percent).



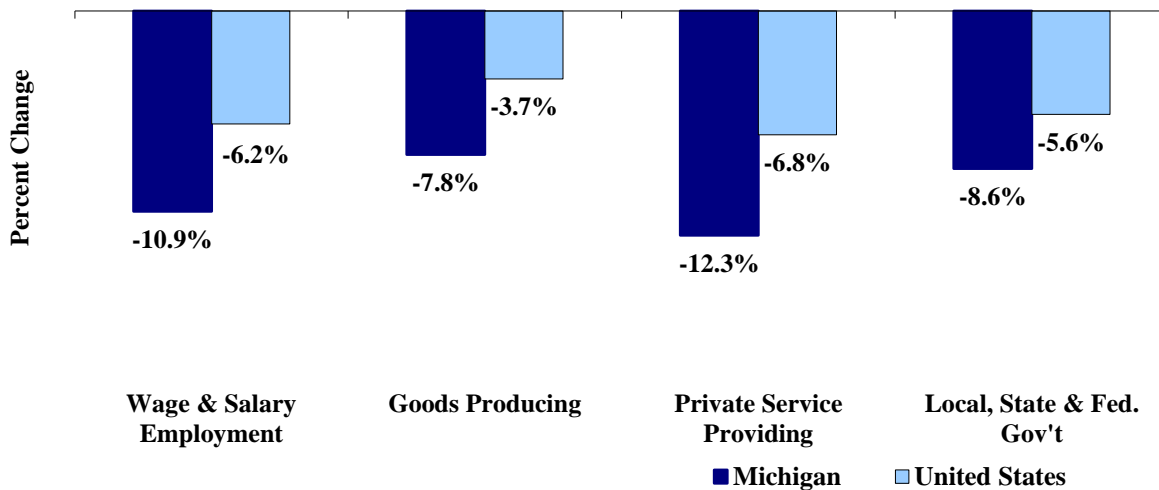
Employment by Place of Residence (in thousands)^(a)

	<u>Annual</u> <u>2019</u>	<u>Oct</u> <u>2020</u>	<u>Nov</u> <u>2020</u>	<u>Dec</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	4,893	4,943	4,802	-141	-2.9%	-139	-2.8%	4,879
Employed	4,699	4,595	4,598	4,444	-154	-3.3%	-307	-6.4%	4,546
Unemployed	203	299	345	359	14	4.1%	168	88.0%	334
Unemployment Rate	4.1%	6.1%	7.0%	7.5%	n.a.	0.5% pts	n.a.	3.6% pts	6.9%
United States									
Labor Force	162,075	160,867	160,467	160,567	100	0.1%	-3,989	-2.4%	160,634
Employed	155,761	149,806	149,732	149,830	98	0.1%	-8,973	-5.7%	149,789
Unemployed	6,314	11,061	10,735	10,736	1	0.0%	4,983	86.6%	10,844
Unemployment Rate	3.9%	6.9%	6.7%	6.7%	n.a.	0.0% pts	n.a.	3.2% pts	6.8%

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

- Michigan lost a net 64,400 jobs in December but has gained, on net, a cumulative 561,400 jobs over the past eight months after losing a record 1.0 million jobs in April from the ongoing pandemic. However, Michigan payroll employment in December 2020 was 486,800 jobs (-10.9 percent) below its December 2019 level. Nationally, December 2020 payroll employment was down 9.4 million (-6.2 percent) from a year ago. The national economy has regained a cumulative 12.3 million jobs over the last eight months after losing a record 20.8 million jobs in April.

Payroll Employment Growth December 2019 to December 2020



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

- In the goods-producing sector, Michigan payroll employment dropped 7.8 percent in December from a year ago; employment in the private service-providing sector declined 12.3 percent. From a year ago, December national payroll employment fell 3.7 percent in the goods-producing sector and decreased 6.8 percent in the private service-providing sector. Government employment dropped 8.6 percent in Michigan and fell 5.6 percent nationally.
- At 40.3 hours, average manufacturing weekly hours in Michigan were down 2.9 hours from last year.

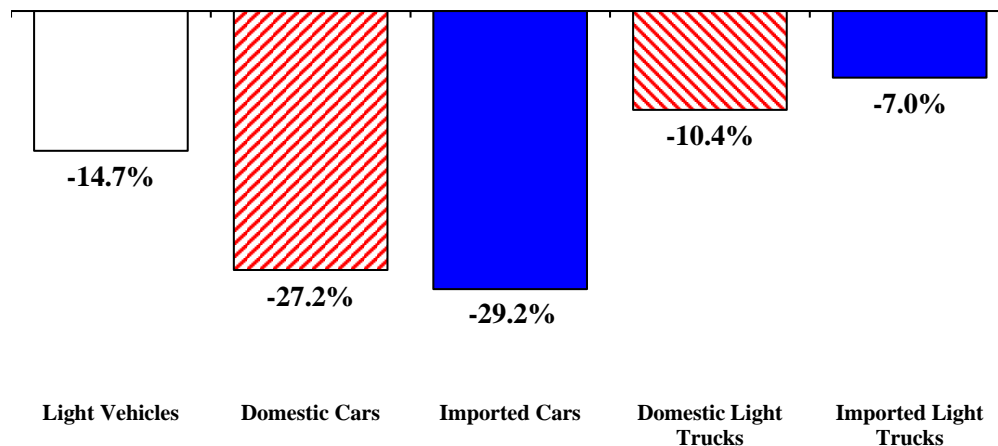
Wage and Salary (Payroll) Employment (in thousands)^(b)

	MI				US			
	2019 <u>Annual</u>	MI Dec <u>2019</u>	MI Dec <u>2020</u>	Percent Change	2019 <u>Annual</u>	US Dec <u>2019</u>	US Dec <u>2020</u>	Percent Change
Wage & Salary Employment	4,432.6	4,449.3	3,962.5	-10.9%	148,908	151,998	142,624	-6.2%
Goods Producing	808.0	813.3	749.5	-7.8%	20,704	21,136	20,352	-3.7%
Manufacturing	627.2	629.1	567.6	-9.8%	12,688	12,866	12,309	-4.3%
Private Service Providing	3,011.4	3,019.8	2,649.8	-12.3%	105,750	108,183	100,871	-6.8%
Trade, Trans. & Utilities	795.9	803.6	773.0	-3.8%	27,607	27,809	27,071	-2.7%
Services	1,935.8	1,934.1	1,604.5	-17.0%	66,714	68,677	62,431	-9.1%
Local, State & Fed. Gov't	613.3	616.2	563.2	-8.6%	22,455	22,679	21,401	-5.6%
Manufacturing Weekly Hours	43.3	43.2	40.3	-2.9 hrs	42.2	41.4	41.3	-0.1 hrs

Motor Vehicle Sales Drop in Calendar Year 2020

- After dropping to a near 50-year low in April 2020 because of COVID-19, U.S. light vehicle sales partially recovered each month between May through October. Light vehicle sales decreased modestly in November but rebounded in December in which the annualized sales rate equaled 16.3 million units.
- In calendar year (CY) 2020, light vehicle sales totaled 14.5 million units with car sales of 3.4 million units and light truck sales of 11.1 million units. Domestic light vehicle sales accounted for 11.2 million of the 14.5 total million units and foreign sales totaled 3.3 million units.
- Compared to CY 2019, 2020 light vehicle sales were down 14.7 percent with car sales dropping 27.7 percent and light truck sales falling 9.7 percent.
- In CY 2020, domestic light vehicle sales fell 14.9 percent while foreign sales declined 13.9 percent. As a result, the foreign share of light vehicle sales rose 0.2 percentage points to 22.6 percent.

Calendar Year 2020 Light Vehicle Sales Down Sharply



Motor Vehicle Sales Statistics

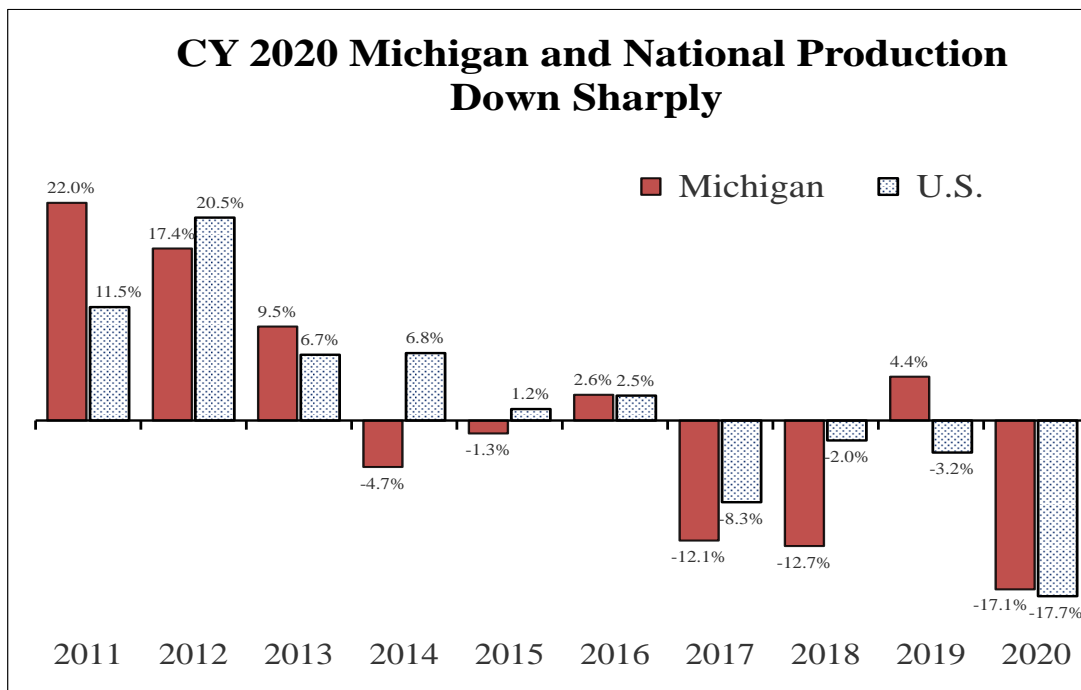
(Millions, Seasonally Adjusted Rates, unless otherwise specified)

Motor Vehicle Sales ^(c)	2020	Oct	Nov	Dec	3 Month	Dec	Dec
	<u>Total</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>Average</u>	<u>Chg fr Yr Ago Level</u>	<u>Chg fr Yr Ago %</u>
Autos	3.4	3.9	3.8	3.7	3.8	(0.8)	-16.8%
Domestics	2.6	3.0	2.9	2.8	2.9	(0.6)	-18.3%
Imports	0.8	0.9	0.9	0.9	0.9	(0.1)	-11.9%
Import Share	24.3%	23.4%	23.1%	25.0%	23.8%	1.4% pts	
Light Trucks	11.1	12.5	11.9	12.5	12.3	0.2	1.7%
Domestics	8.6	9.9	9.2	9.9	9.6	0.2	1.9%
Imports	2.4	2.6	2.7	2.7	2.7	0.0	0.8%
Import Share	22.1%	20.9%	22.7%	21.3%	21.6%	-0.2% pts	
Total Light Vehicles	14.5	16.4	15.6	16.3	16.1	(0.5)	-3.2%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	(0.0)	-4.6%
Total Vehicles	14.9	16.8	16.1	16.7	16.6	(0.6)	-3.3%

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

	2019	Sep-20	Oct-20	Nov-20	3 Month	Chg fr	Chg fr
	<u>Average</u>	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Average</u>	<u>Year Ago Level</u>	<u>Year Ago %</u>
Inventories	\$236.3	\$184.8	\$186.9	\$190.4	\$187.3	-\$42.6	-18.3%
Inventory/Sales Ratio	2.29	1.61	1.63	1.68	1.64	-0.51	

- In April, Michigan motor vehicle production came to a standstill because of the ongoing pandemic. Motor vehicle production partially restarted in May, picked up significantly in June and rose further in July. State vehicle production fluctuated over the remainder of the year.
- Michigan vehicle production fell from 1.9 million units in calendar year (CY) 2019 to 1.6 million units in 2020 (-17.1 percent). In 2020, national production dropped from 10.7 million to 8.8 million (-17.7 percent).
- Michigan truck production which accounts for the vast majority of Michigan’s overall vehicle production, was down 15.2 percent in CY 2020. CY 2020 Michigan car production was down 30.5 percent. Nationally, truck production fell 15.6 percent and car production was down 23.9 percent.
- In CY 2020, trucks accounted for 89.4 percent of vehicle production in Michigan and 77.9 percent of national vehicle production.



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2020 Monthly Average	Oct 2020	Nov 2020	Dec 2020	3 Month Average	Dec Level Chg fr Yr Ago	Dec % Chg fr Yr Ago
U.S. Production ^(e)							
Autos	161.9	214.8	172.8	159.1	182.3	(30.0)	-15.9%
Trucks	571.7	746.2	611.2	604.8	654.1	13.9	2.4%
Total	733.6	961.0	784.0	764.0	836.3	(16.1)	-2.1%
Michigan Production ^(f)							
Autos	14.0	17.7	12.9	9.6	13.4	(9.7)	-50.1%
Trucks	118.2	136.4	117.6	122.6	125.6	(7.0)	-5.4%
Total	132.3	154.1	130.5	132.3	139.0	(16.7)	-11.2%
Michigan as % of U.S.	18.0%	16.0%	16.6%	17.3%	16.6%	-1.8% pts	

U.S. Economic Conditions

Page 6

	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	80.4	81.8	76.9	80.7	-18.6 points
ISM Manufacturing Index ⁽ⁱ⁾	55.7	58.8	57.7	60.5	12.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	57.2	56.2	56.8	57.7	2.8 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	260.3	260.4	260.2	260.5	1.4%
Detroit CPI	NA	239.9	NA	239.1	0.7%
U.S. Producer Price Index	118.8	119.4	119.2	119.3	0.8%
INTEREST RATES					
90 Day T-Bill ^(l)	0.11%	0.10%	0.09%	0.09%	-1.45% points
10 Year Treasury Securities ^(l)	0.68%	0.79%	0.87%	0.93%	-0.93% points
INDUSTRIAL PRODUCTION ^(l)					
	102.6	103.6	104.1	105.7	-3.6%
CAPACITY UTILIZATION ^(l)					
	72.3%	73.0%	73.4%	74.5%	-2.6% points
RETAIL SALES ^(d)					
	\$552.8	\$552.2	\$544.6	\$540.9	2.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.437	1.530	1.578	1.669	5.2%
Existing Home Sales ^(m)	6.570	6.860	6.710	6.760	22.2%
DURABLE GOODS ORDERS ^(d)					
	\$237.8	\$242.1	\$245.2	\$246.4	1.9%
PERSONAL INCOME ^(c)					
(Billions, Seasonally Adj & Annualized)	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>	<u>% Change From Year Ago</u>
Michigan	\$496.8	\$497.6	\$563.6	\$528.5	7.2%
U.S.	\$18,750.9	\$18,940.5	\$20,444.6	\$19,913.4	7.1%
GROSS DOMESTIC PRODUCT ^(c)					
(Billions of Chained 2012 Dollars, Seasonally Adj & Annualized)	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>	<u>2020.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$19,010.8	\$17,302.5	\$18,596.5	\$18,780.3	4.0%

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) January 2021 Consensus Revenue Estimating Conference, August 2020 Consensus Revenue Estimating Conference and January 2020 Consensus Revenue Estimating Conference agreements.