

MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

June 2017 Summary

U.S. Economy: Major economic indicators point to a continued moderate expansion of the national economy. In 2017Q2, real GDP grew at a 2.6 percent annual rate. The Institute for Supply Management (ISM) reported the current expansion has now lasted 97 months. The ISM Production Management Index (PMI) rose 5.0 points from last June. At 57.8, the June 2017 PMI signaled an expanding manufacturing sector for the 15th month out of the last 16 months. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 90th straight month. Consumer sentiment was up 1.6 points from June 2016. Retail sales increased 2.8 percent from last June. June 2017 industrial production rose 2.0 percent from a year-ago – the sixth monthly increase in the past seven months that follows 20 straight monthly year-over-year (y-o-y) declines. Durable goods orders rose 16.1 percent from last June; even excluding aircraft orders, non-defense capital goods orders were up a solid 5.6 percent. The capacity utilization rate rose 0.7 of a point from June 2016. However, housing starts were up only 2.1 percent from last June and existing home sales were up only 0.7 percent.

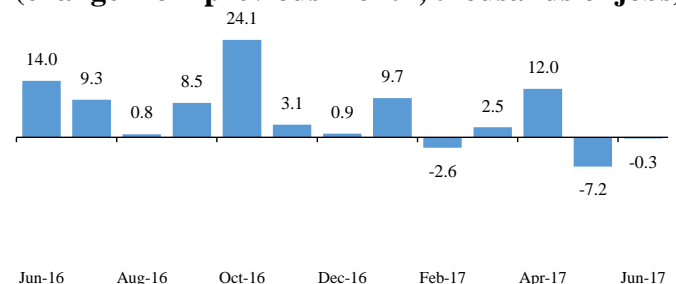
Employment: In June 2017, as a result of a drop in labor force, the Michigan unemployment rate fell 0.4 of a percentage point from May. Compared to a year ago, the Michigan unemployment rate was down 1.0 percentage point from June 2016. At 3.8 percent, Michigan’s June 2017 unemployment rate was the State’s lowest rate since June 2000. Between June 2016 and June 2017, the U.S. unemployment rate was down 0.5 of a point to 4.4 percent. Between June 2016 and June 2017, Michigan payroll employment gained a net 60,800 jobs (1.4 percent). Michigan payroll employment in June 2017 fell 300 jobs compared to May 2017. The U.S. payroll employment was up 2.2 million jobs (1.6 percent) in June 2017 compared to a year ago. National payroll employment was up 222,000 jobs from May.

Auto Industry: In June 2017, U.S. light vehicle sales fell 2.1 percent from last June and totaled annualized sales of 16.4 million units. Between June 2016 and June 2017, the three-month average of Michigan vehicle production fell 21.5 percent while the three-month U.S. average was down 11.3 percent. Between June 2016 and June 2017, Michigan’s share of U.S. vehicle production fell 3.6 percentage points to 18.6 percent.

Inflation: In June 2017, the overall U.S. consumer price index (CPI) rose 1.6 percent from a year ago. The Detroit CPI was up 1.1 percent from last June. The U.S. producer price index was up 2.0 percent from last year. At \$45.18 the June 2017 price of oil per barrel was down \$3.58 (7.3 percent) from June 2016.

Michigan Metro Areas: Compared to a year ago, June 2017 unemployment rates fell in 16 of Michigan’s 17 major labor markets. Household employment rose in 10 Michigan major labor markets, fell in five areas and was unchanged in two area areas.

**Michigan Payroll Employment
Down Slightly in June**
(change from previous month, thousands of jobs) ^(a)



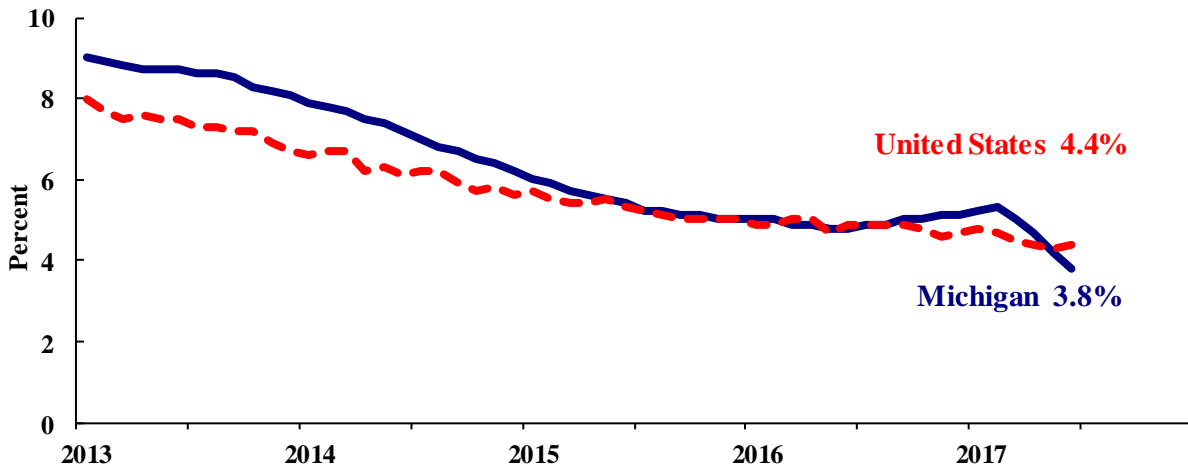
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- In June 2017, the Michigan unemployment rate decreased 0.4 of a percentage point to 3.8 percent. The national unemployment rate increased 0.1 of a percentage point from May to June to 4.4 percent.
- In June 2017, Michigan’s unemployment rate was down 1.0 percentage point from a year ago. The June U.S. unemployment rate decreased 0.5 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
June 2013 to June 2017**



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

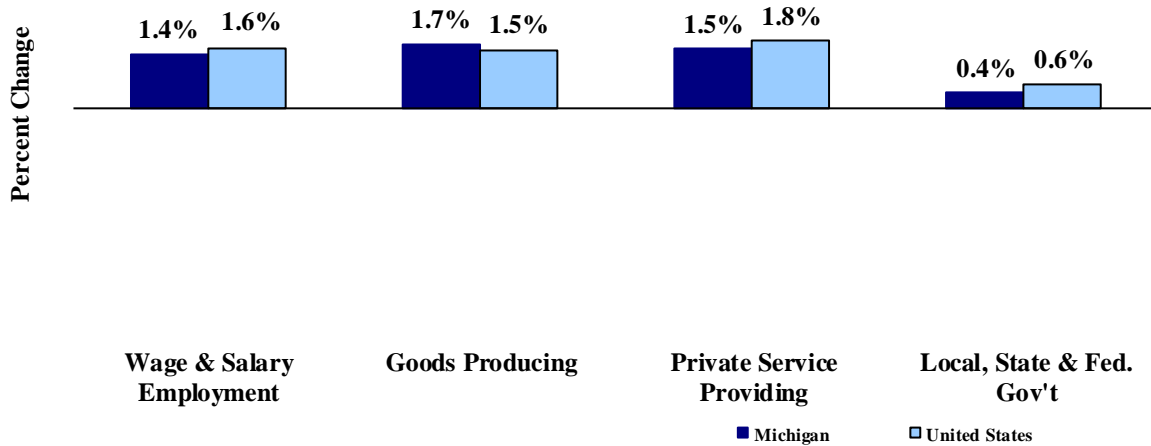
- In June, the total number of people employed in Michigan decreased 9,000 to 4,678,000 persons while the labor force fell by 29,000. The statewide total number of unemployed workers fell by 20,000 to 187,000.
- United States employment totaled 153.2 million persons in June 2017. The labor force totaled 160.1 million and there were 7.0 million unemployed in June.

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

	<u>2016</u> <u>Average</u>	<u>Apr</u> <u>2017</u>	<u>May</u> <u>2017</u>	<u>Jun</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>Yr Ago</u> <u>Level</u>	<u>Yr Ago</u> <u>%</u>	<u>Three</u> <u>Month</u> <u>Average</u>
Michigan									
Labor Force	4,837	4,916	4,894	4,865	-29	-0.6%	49	1.0%	4,892
Employed	4,599	4,684	4,687	4,678	-9	-0.2%	95	2.1%	4,683
Unemployed	238	231	207	187	-20	-9.7%	-46	-19.6%	208
Unemployment Rate	4.9%	4.7%	4.2%	3.8%	n.a.	-0.4% pts	n.a.	-1.0% pts	4.2%
United States									
Labor Force	159,187	160,213	159,784	160,145	361	0.2%	1,256	0.8%	160,047
Employed	151,436	153,156	152,923	153,168	245	0.2%	2,078	1.4%	153,082
Unemployed	7,751	7,056	6,861	6,977	116	1.7%	-822	-10.5%	6,965
Unemployment Rate	4.9%	4.4%	4.3%	4.4%	n.a.	0.1% pts	n.a.	-0.5% pts	4.4%

- From June 2016 to June 2017, Michigan payroll employment increased 60,800 jobs (1.4 percent). State payroll employment fell by 300 jobs in June from May. Nationally, June 2017 payroll employment rose 2,238,000 (1.6 percent) from a year ago and was up 222,000 from May.

**Payroll Employment Growth
June 2016 to June 2017**



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

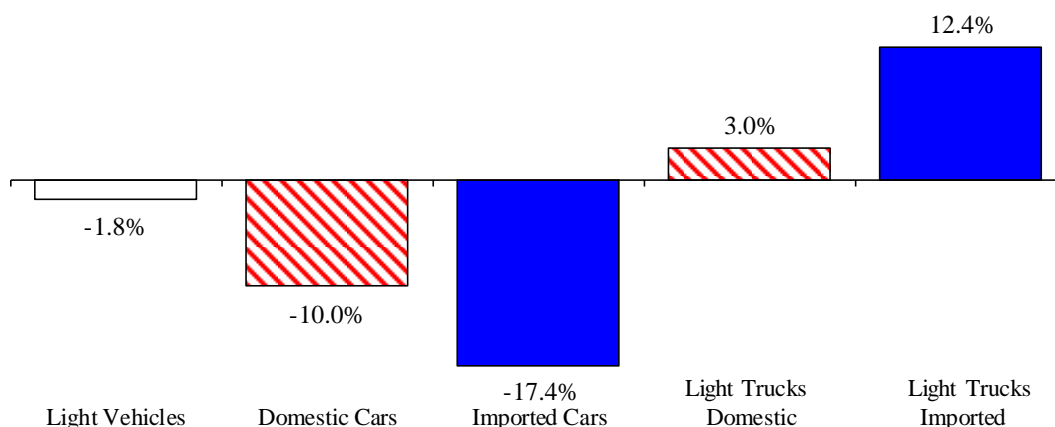
- In the goods-producing sector, Michigan payroll employment increased 1.7 percent in June from a year ago while employment in the private service-providing sector increased 1.5 percent. From a year ago, June national payroll employment rose 1.5 percent in the goods-producing sector and increased 1.8 percent in the private service-providing sector. Government employment was up 0.4 percent from a year ago in Michigan. Nationwide, government employment was up 0.6 percent.
- Manufacturing weekly hours in Michigan were down 0.3 of an hour compared to last year.

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

	MI				US			
	2016 Average	June 2016	June 2017	Percent Change	2016 Average	June 2016	June 2017	Percent Change
Wage & Salary Employment	4,325.6	4,322.2	4,383.0	1.4%	144,306	144,166	146,404	1.6%
Goods Producing	762.9	761.2	773.9	1.7%	19,736	19,705	20,007	1.5%
Manufacturing	600.2	600.0	605.8	1.0%	12,348	12,347	12,396	0.4%
Private Service Providing	2,962.0	2,958.9	3,004.7	1.5%	102,346	102,246	104,044	1.8%
Trade, Trans. & Utilities	781.6	782.9	781.7	-0.2%	27,233	27,209	27,389	0.7%
Services	1,910.1	1,906.0	1,946.2	2.1%	64,057	63,977	65,487	2.4%
Local, State & Fed. Gov't	600.7	602.1	604.4	0.4%	22,223	22,215	22,353	0.6%
Manufacturing Weekly Hours	42.9	43.2	42.9	-0.3 hrs	41.9	40.7	40.8	0.1 hrs

- June 2017 U.S. light vehicle sales were down 1.0 percent from May 2017 and were down 2.1 percent from June 2016. June 2017 marked the 40th straight month that the light vehicle annualized sales rate exceeded 16.0 million units. However, at 16.4 million units, June 2017 marked the fourth straight month that annualized sales were below 17.0 million units.
- U.S. sales of domestic light vehicles decreased 1.2 percent between June 2016 and June 2017. Foreign sales were down 5.4 percent over the same period. As a result, the foreign share of U.S. light vehicle sales fell 0.7 of a percentage point to 22.1 percent in June 2017.
- Auto sales decreased 13.9 percent compared to last June, while light truck sales were up 5.5 percent from June 2016. As a result, May 2017 marked the 15th straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last 15 months, the light truck sales share exceeded 60.0 percent only once (July 2005). Year-over-year, heavy truck sales rose 1.7 percent in June 2017 -- marking the second month in which heavy truck sales were up from a year ago following 13 straight months of year-over-year declines.

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



Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

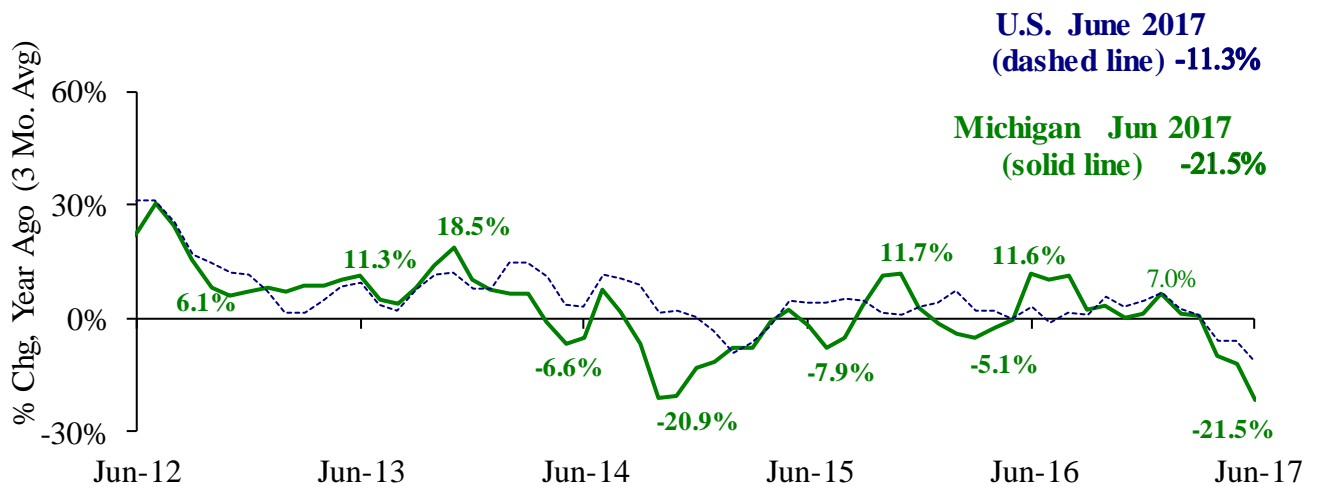
Motor Vehicle Sales ^(c)	2016	Apr	May	Jun	3 Month	Jun	Jun
	Total	2017	2017	2017	Average	Chg fr Yr Ago Level	Chg fr Yr Ago %
Autos	6.9	6.2	6.0	5.7	5.9	(0.9)	-13.9%
Domestics	5.2	4.8	4.6	4.4	4.6	(0.6)	-11.2%
Imports	1.7	1.4	1.4	1.3	1.4	(0.4)	-21.9%
Import Share	24.8%	22.5%	22.7%	23.0%	22.7%	-2.3%	pts
Light Trucks	10.6	10.6	10.6	10.7	10.7	0.6	5.5%
Domestics	8.5	8.3	8.2	8.4	8.3	0.4	5.1%
Imports	2.1	2.3	2.4	2.3	2.3	0.2	7.4%
Import Share	20.1%	21.6%	22.6%	21.6%	21.9%	0.4%	pts
Total Light Vehicles	17.5	16.8	16.6	16.4	16.6	(0.4)	-2.1%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	0.0	1.7%
Total Vehicles	17.9	17.2	17.0	16.8	17.0	(0.4)	-2.0%

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

	2016	Mar-17	Apr-17	May-17	3 Month	Chg fr	Chg fr
	Average	Mar-17	Apr-17	May-17	Average	Year Ago Level	Year Ago %
Inventories	\$206.3	\$218.7	\$218.2	\$220.7	\$219.2	\$15.4	7.5%
Inventory/Sales Ratio	2.18	2.27	2.25	2.26	2.26	0.05	

- At 182,499 units, June 2017 Michigan motor vehicle production was down 26.9 percent from June 2016. National production decreased 12.6 percent from last June. The three-month average of vehicle production (April 2017-June 2017) was down 21.5 percent in Michigan and down 11.3 percent nationally, compared to a year ago.
- In June 2017, Michigan car production was down 46.4 percent from a year ago while State truck production dropped 13.9 percent. Nationally, car production decreased 27.7 percent while U.S. truck production was down 4.5 percent.
- Michigan’s share of national vehicle production fell 3.6 percentage points in June 2017 from its year-ago level to 18.6 percent. Michigan’s share of car production fell 6.7 percentage points while the State’s share of truck production was down 2.0 percentage points.

**Michigan and National Vehicle Production
Down Sharply from Last Year**



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2016 Monthly Average	Apr 2017	May 2017	Jun 2017	3 Month Average	May 2016 Level	% Chg fr Yr Ago
U.S. Production ^(e)							
Autos	346.4	284.7	319.8	281.6	295.4	(108.0)	-27.7%
Trucks	678.9	614.5	696.5	701.2	670.8	(33.3)	-4.5%
Total	1,025.3	899.2	1,016.4	982.8	966.1	(141.3)	-12.6%
Michigan Production ^(f)							
Autos	70.3	54.5	65.7	53.6	58.0	(46.4)	-46.4%
Trucks	128.7	112.3	123.1	128.9	121.4	(20.7)	-13.9%
Total	199.0	166.8	188.8	182.5	179.4	(67.1)	-26.9%
Michigan as % of U.S.	19.4%	18.6%	18.6%	18.6%	18.6%		-3.6% pts

In June 2017, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 3.2 percent in the Grand Rapids-Wyoming Metropolitan Statistical Area (MSA) to a high of 5.6 percent in the Northeast Lower Michigan region. The June 2017 median unemployment rate was 4.4 percent, which is down 0.6 of a percentage point from last June’s 5.0 percent median rate.

Compared to a year ago, the June 2017 unemployment rate fell in 16 of Michigan’s 17 labor market areas and was unchanged in the Monroe MSA. The median rate decrease was 0.6 of a percentage point. The Detroit-Warren-Wyoming MSA reported the largest rate decrease of 2.0 percentage points – substantially larger than the second largest decline of 0.8 of a percentage point recorded by the Upper Peninsula LMA and the Northeast Lower Michigan region.

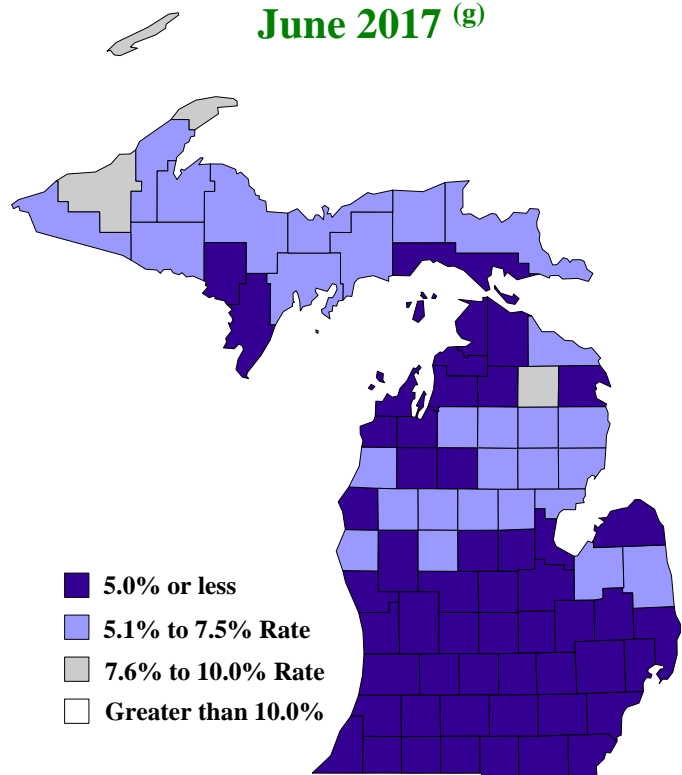
Between June 2016 and June 2017, household employment rose in 10 of Michigan’s 17 labor market areas, decreased in five areas and was unchanged in two areas. The median employment increase was 1.0 percent. The Detroit-Warren-Dearborn MSA reported the largest year-over-year employment increase at 2.7 percent, followed by the Grand Rapids-Wyoming MSA and Lansing-East Lansing MSA, both of which reported a 1.4 percent employment increase. The Bay City MSA reported the largest employment decrease of 0.6 percent followed by the Upper Peninsula LMA with a 0.5 percent employment decline. The labor force fell in nine Michigan labor market areas and rose in eight areas. The Muskegon MSA and Upper Peninsula LMA each reported the largest percent decrease in labor force at 1.3 percent, followed by the Bay City MSA with a 1.1 percent decline. The Lansing-East Lansing MSA recorded the largest labor force increase at 1.3 percent, followed by the Kalamazoo-Portage MSA at 1.1 percent.

Between June 2016 and June 2017, the unemployment rate fell in 79 Michigan’s counties, rose in two counties and was unchanged in two counties. The median June 2017 rate decrease was 0.7 of a percentage point. Saint Clair County reported the largest unemployment rate decrease at 2.5 percentage points, followed by Lapeer County with a 2.4 percentage point decline. In June 2017, the unemployment rate was below 5.0 percent in 46 of Michigan’s 83 counties compared with 26 counties with rates below 5.0 percent in June 2016.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jun-16</u>	<u>May-17</u>	<u>Jun-17</u>
Michigan	5.2%	3.7%	4.0%
Ann Arbor	3.9%	2.9%	3.4%
Battle Creek	4.8%	3.9%	4.4%
Bay City	5.5%	4.6%	4.9%
Detroit-Warren-Dearborn	5.7%	3.6%	3.7%
Flint	5.6%	4.5%	5.0%
Grand Rapids-Wyoming	3.8%	2.8%	3.2%
Jackson	5.0%	3.8%	4.3%
Kalamazoo-Portage	4.6%	3.6%	4.0%
Lansing-East Lansing	4.4%	3.3%	4.3%
Midland	4.7%	3.8%	4.1%
Monroe	4.4%	3.9%	4.4%
Muskegon	5.5%	4.4%	4.8%
Niles-Benton Harbor	5.1%	3.9%	4.4%
Saginaw	5.3%	4.4%	4.7%
Upper Peninsula	6.2%	5.2%	5.4%
Northeast Lower Mich	6.4%	5.4%	5.6%
Northwest Lower Mich.	4.9%	4.2%	4.3%

**County Unemployment Rates
June 2017 ^(g)**



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.

**Change from
Year Ago**

Mar-17 Apr-17 May-17 Jun-17

KEY ECONOMIC INDICATORS

Consumer Sentiment ^(h)	96.9	97.0	97.1	95.1	1.6 points
ISM Manufacturing Index ⁽ⁱ⁾	57.2	54.8	54.9	57.8	5.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	55.2	57.5	56.9	57.4	1.3 points
	<u>2016.3</u>	<u>2016.4</u>	<u>2017.1</u>	<u>2017.2</u>	
Business Executives' Confidence ⁽ⁱ⁾	50.0	65.0	68.0	61.0	9.0 points

INFLATION ^(k)

**Change from
Year Ago**

1982-84 = 100 (CPI)

Mar-17 Apr-17 May-17 Jun-17

Nov 2009 = 100 (PPI)

U.S. Consumer Price Index	243.8	244.5	244.7	245.0	1.6%
Detroit CPI	NA	226.5	NA	226.5	1.1%
U.S. Producer Price Index	112.2	112.7	112.8	113.0	2.0%

INTEREST RATES

90 Day T-Bill ^(l)	0.74%	0.80%	0.89%	0.98%	0.71% points
10 Year Treasury Securities ^(l)	2.48%	2.30%	2.30%	2.19%	0.55% points

INDUSTRIAL PRODUCTION ^(l)

	103.8	104.7	104.8	105.2	2.0%
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CAPACITY UTILIZATION ^(l)

	75.8%	76.4%	76.4%	76.6%	0.7% points
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RETAIL SALES ^(d)

	\$473.0	\$474.5	\$474.2	\$473.5	2.8%
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HOUSING STARTS and SALES

% Change From

(Millions Annual Rate)

Mar-17 Apr-17 May-17 Jun-17

Year Ago

Housing Starts ^(d)	1.189	1.154	1.122	1.215	2.1%
Existing Home Sales ^(m)	5.700	5.560	5.620	5.520	0.7%

DURABLE GOODS ORDERS ^(p)

	\$232.8	\$231.0	\$230.7	\$245.6	16.1%
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PERSONAL INCOME ^(c)

% Change From

(Billions of Dollars)

2016.2 2016.3 2016.4 2017.1

Year Ago

Michigan	\$438.2	\$442.6	\$446.0	\$451.9	4.4%
U.S.	\$15,936.3	\$16,117.1	\$16,170.6	\$16,336.6	3.7%

GROSS DOMESTIC PRODUCT

Annualized % Chg

(Billions of Chained 2009

2016.3 2016.4 2017.1 2017.2

From Last Qtr

Dollars) ^(c)	\$16,778.1	\$16,851.4	\$16,903.2	\$17,010.7	2.6%
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- (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.