

# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## May 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 slightly from a 1.2 percent annual rate to a 1.4 percent annual rate. The Institute for Supply Management (ISM) reported the current expansion has now lasted 96 months. The ISM Production Management Index (PMI) rose 3.9 points from last May. At 54.9, the May 2017 PMI signaled an expanding manufacturing sector for the 14<sup>th</sup> month out of the last 15 months. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 89<sup>th</sup> straight month. Consumer sentiment was up 2.4 points from May 2016. Retail sales increased 3.8 percent from last May. May 2017 industrial production rose 2.2 percent from a year-ago – the fourth monthly increase in the past five months that follows 20 straight monthly year-over-year (y-o-y) declines. New durable goods orders rose 2.7 percent from last May. The capacity utilization rate rose 1.0 point from May 2016. However, housing starts were down 2.4 percent from last May and existing home sales were up only 2.7 percent

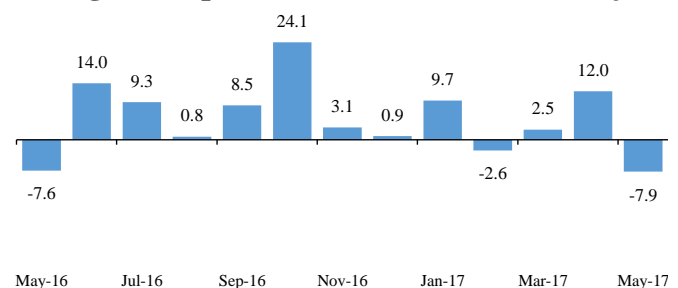
**Employment:** In May 2017, largely driven by a substantial decline in the State’s labor force, the Michigan unemployment rate fell 0.5 of a percentage point from April and was down 0.6 of a percentage point from May 2016. At 4.2 percent, Michigan’s May 2017 unemployment rate was the State’s lowest rate since November 2000. In May 2017, the U.S. unemployment rate was down 0.4 of a point to 4.3 percent. Between May 2016 and May 2017, Michigan payroll employment gained a net 74,400 jobs (1.7 percent). Michigan payroll employment in May 2017 fell 7,900 jobs compared to April 2017. The U.S. payroll employment was up 2.3 million jobs (1.6 percent) in May 2017 compared to a year ago. National payroll employment was up 138,000 jobs from April to May.

**Auto Industry:** In May 2017, U.S. light vehicle sales fell 3.1 percent from last May and totaled annualized sales of 16.6 million units. Between May 2016 and May 2017, the three-month average of Michigan vehicle production fell 12.2 percent while the three-month U.S. average was down 5.9 percent. Between May 2016 and May 2017, Michigan’s share of U.S. vehicle production fell 2.6 percentage points to 18.6 percent.

**Inflation:** In May 2017, the overall U.S. consumer price index (CPI) rose 1.9 percent from a year ago. Similarly, the core CPI was up 1.7 percent from last May. The U.S. producer price index was up 2.4 percent from last year. At \$48.48 the May 2017 price of oil per barrel was up \$1.77 (3.8 percent) from May 2016.

**Michigan Metro Areas:** Compared to a year ago, May 2017 unemployment rates fell in all of Michigan’s 17 major labor markets. Household employment rose in 8 Michigan major labor markets, fell in 8 areas and was unchanged in one area.

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



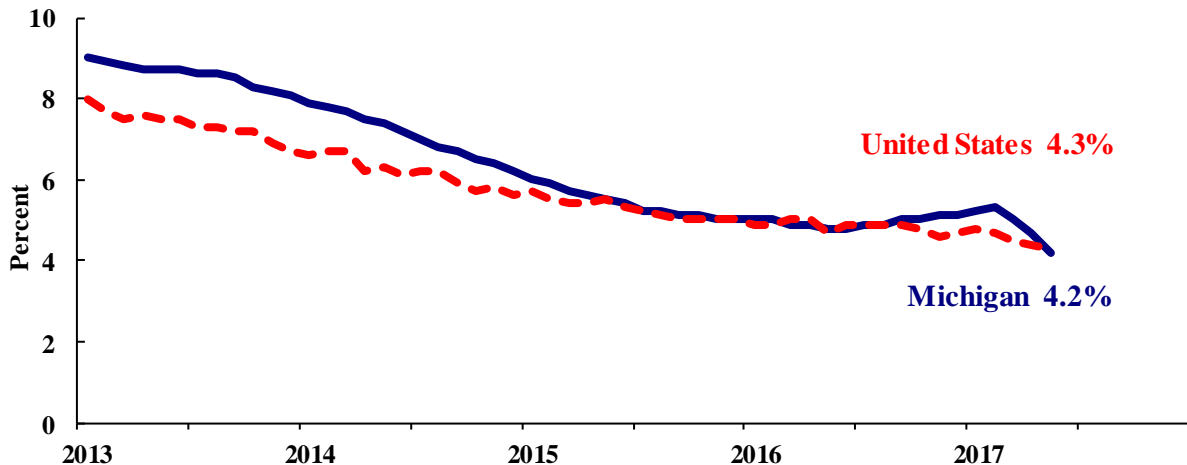
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- In May 2017, the Michigan unemployment rate decreased 0.5 of a percentage point to 4.2 percent. The national unemployment rate decreased 0.1 of a percentage point from April to May to 4.3 percent.
- In May 2017, Michigan’s unemployment rate was down 0.4 of a percentage point from a year ago. The May U.S. unemployment rate decreased 0.4 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  
May 2013 to May 2017**



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

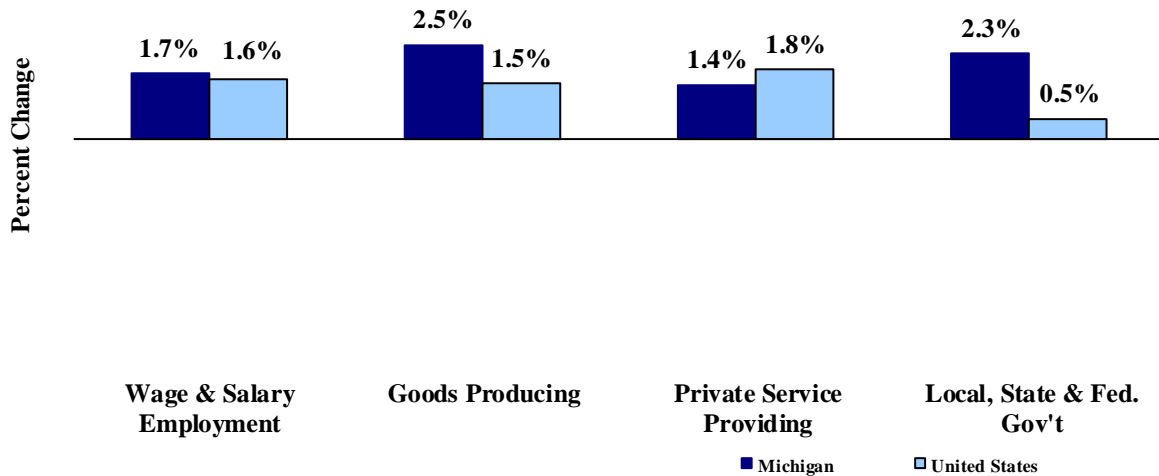
- In May, the total number of people employed in Michigan increased 3,000 to 4,687,000 persons while the labor force fell by 21,000. The statewide total number of unemployed workers fell by 24,000 to 207,000.
- United States employment totaled 152.9 million persons in May 2017. The labor force totaled 159.8 million and there were 6.9 million unemployed in May.

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

	<u>2016</u> <u>Average</u>	<u>Mar</u> <u>2017</u>	<u>Apr</u> <u>2017</u>	<u>May</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>
<b>Michigan</b>									
Labor Force	4,837	4,914	4,916	4,895	-21	-0.4%	84	1.8%	4,908
Employed	4,599	4,666	4,684	4,687	3	0.1%	109	2.4%	4,679
Unemployed	238	248	231	207	-24	-10.6%	-25	-10.9%	229
Unemployment Rate	4.9%	5.0%	4.7%	4.2%	n.a.	-0.5% pts	n.a.	-0.6% pts	4.6%
<b>United States</b>									
Labor Force	159,187	160,201	160,213	159,784	-429	-0.3%	1,274	0.8%	160,066
Employed	151,436	153,000	153,156	152,923	-233	-0.2%	1,865	1.2%	153,026
Unemployed	7,751	7,202	7,056	6,861	-195	-2.8%	-590	-7.9%	7,040
Unemployment Rate	4.9%	4.5%	4.4%	4.3%	n.a.	-0.1% pts	n.a.	-0.4% pts	4.4%

- From May 2016 to May 2017, Michigan payroll employment increased 74,400 jobs (1.7 percent). State payroll employment fell by 7,900 jobs in May from April. Nationally, May 2017 payroll employment rose 2,266,000 (1.6 percent) from a year ago and was up 138,000 from April.

**Payroll Employment Growth  
May 2016 to May 2017**



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

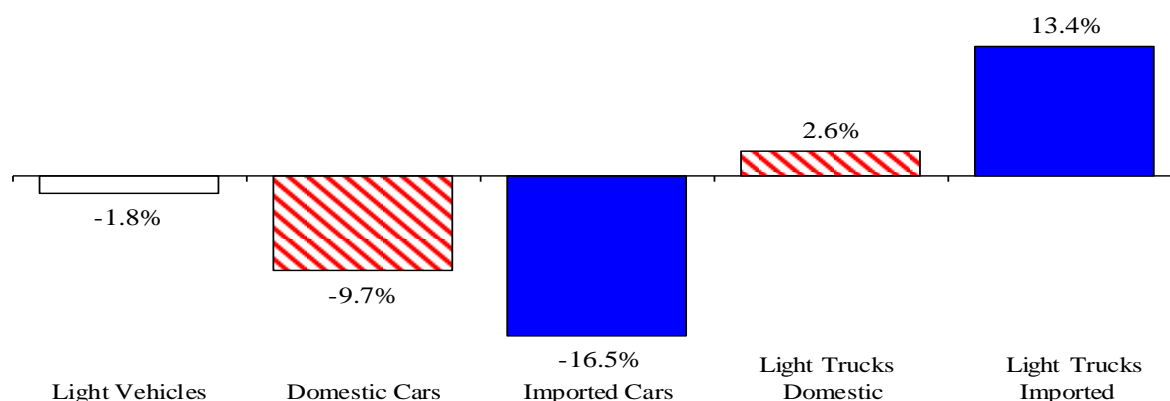
- In the goods-producing sector, Michigan payroll employment increased 2.5 percent in May from a year ago while employment in the private service-providing sector increased 1.4 percent. From a year ago, May national payroll employment rose 1.4 percent in the goods-producing sector and increased 1.8 percent in the private service-providing sector. Government employment was up 2.3 percent from a year ago in Michigan. Nationwide, government employment was up 0.5 percent.
- Manufacturing weekly hours in Michigan were up 0.5 of an hour compared to last year.

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

	MI				US			
	2016 Average	MI May 2016	MI May 2017	Percent Change	2016 Average	US May 2016	US May 2017	Percent Change
Wage & Salary Employment	4,325.6	4,308.2	4,382.6	1.7%	144,306	143,869	146,135	1.6%
Goods Producing	762.9	760.7	779.6	2.5%	19,736	19,699	19,985	1.5%
Manufacturing	600.2	598.5	608.3	1.6%	12,348	12,335	12,398	0.5%
Private Service Providing	2,962.0	2,955.0	2,997.1	1.4%	102,346	101,983	103,846	1.8%
Trade, Trans. & Utilities	781.6	782.1	777.8	-0.5%	27,233	27,187	27,346	0.6%
Services	1,910.1	1,903.4	1,943.9	2.1%	64,057	63,794	65,349	2.4%
Local, State & Fed. Gov't	600.7	592.5	605.9	2.3%	22,223	22,187	22,304	0.5%
Manufacturing Weekly Hours	42.9	43.1	43.6	0.5 hrs	41.9	40.7	40.7	0.0 hrs

- May 2017 U.S. light vehicle sales were down 1.4 percent from April 2017 and were down 3.1 percent from May 2016. May 2017 marked the 39<sup>th</sup> straight month that the light vehicle annualized sales rate exceeded 16.0 million units. However, at 16.6 million units, May 2017 marked the third straight month that annualized sales were below 17.0 million units.
- U.S. sales of domestic light vehicles decreased 1.9 percent between May 2016 and May 2017. Foreign sales were down 7.0 percent over the same period. As a result, the foreign share of U.S. light vehicle sales fell 0.9 of a percentage point to 22.6 percent in May 2017.
- Auto sales decreased 12.3 percent compared to last May, while light truck sales were up 2.9 percent from May 2016. As a result, May 2017 marked the 14<sup>th</sup> straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last 14 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 May 2017 -- marking the 14<sup>th</sup> straight year-over-year decline in heavy truck sales.

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



**Motor Vehicle Sales Statistics**

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

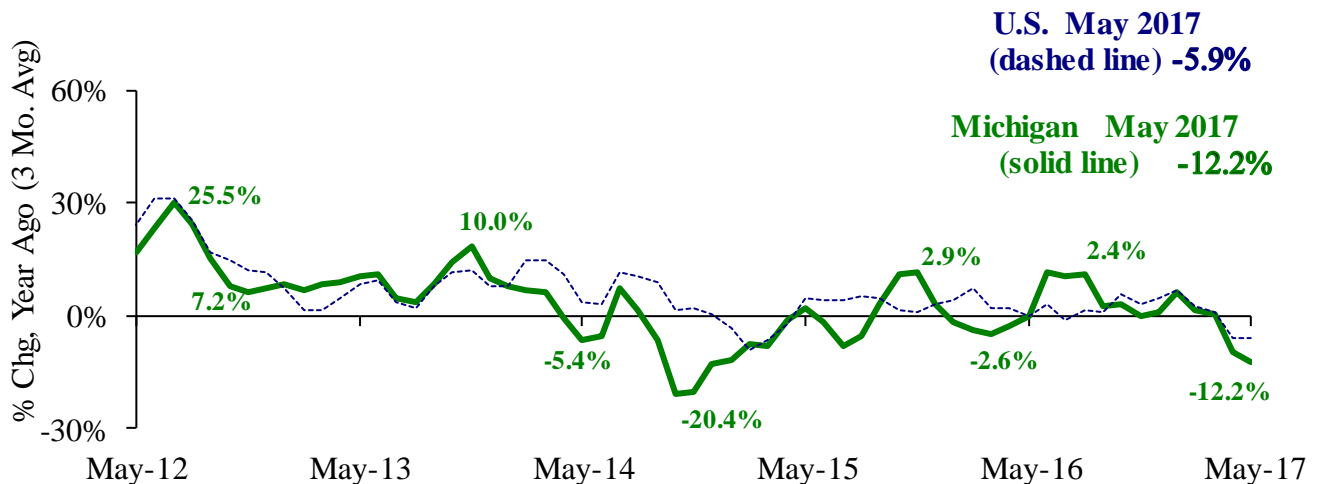
Motor Vehicle Sales <sup>(c)</sup>	2016 Total	Mar 2017	Apr 2017	May 2017	3 Month Average	May Chg fr Yr Ago Level	May Chg fr Yr Ago %
Autos	6.9	6.1	6.2	6.0	6.1	(0.8)	-12.3%
Domestics	5.2	4.7	4.8	4.6	4.7	(0.4)	-8.8%
Imports	1.7	1.4	1.4	1.3	1.4	(0.4)	-22.5%
Import Share	24.8%	23.2%	22.5%	22.6%	22.8%	-3.0% pts	
Light Trucks	10.6	10.4	10.6	10.6	10.6	0.3	2.9%
Domestics	8.5	8.3	8.3	8.2	8.3	0.2	2.4%
Imports	2.1	2.1	2.3	2.4	2.3	0.1	4.8%
Import Share	20.1%	20.6%	21.6%	22.5%	21.6%	0.4% pts	
Total Light Vehicles	17.5	16.5	16.8	16.6	16.6	(0.5)	-3.1%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	(0.0)	-5.5%
Total Vehicles	17.9	16.9	17.2	17.0	17.0	(0.6)	-3.2%

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

	2016 Average	Feb-17	Mar-17	Apr-17	3 Month Average	Chg fr Year Ago Level	Chg fr Year Ago %
Inventories	\$206.3	\$217.9	\$218.7	\$217.9	\$218.2	\$14.0	6.9%
Inventory/Sales Ratio	2.18	2.25	2.27	2.25	2.26	0.06	

- At 188,828 units, May 2017 Michigan motor vehicle production was down 17.6 percent from May 2016. National production decreased 6.3 percent from last May. The three-month average of vehicle production (March 2017-May 2017) was down 12.2 percent in Michigan and down 5.9 percent nationally, compared to a year ago.
- In May 2017, Michigan car production was down 21.2 percent from a year ago while State truck production dropped 15.5 percent. Nationally, car production decreased 12.6 percent while U.S. truck production was down 3.1 percent.
- Michigan’s share of national vehicle production fell 2.6 percentage points in May 2017 from its year-ago level to 18.6 percent. Michigan’s share of car production fell 2.2 percentage points while the State’s share of truck production was down 2.6 percentage points.

**Michigan and National Vehicle Production Trends Downward**



**Motor Vehicle Production Statistics**

(Thousands, unless otherwise specified)

	<b>2016 Monthly Average</b>	<b>Mar 2017</b>	<b>Apr 2017</b>	<b>May 2017</b>	<b>3 Month Average</b>	<b>May 2016 Level</b>	<b>% Chg fr Yr Ago</b>
<b>U.S. Production <sup>(e)</sup></b>							
Autos	346.4	329.7	284.7	319.8	311.4	(46.2)	-12.6%
Trucks	678.9	781.9	614.5	696.5	697.6	(22.0)	-3.1%
Total	1,025.3	1,111.5	899.2	1,016.4	1,009.0	(68.2)	-6.3%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	70.3	62.7	54.5	65.7	61.0	(17.7)	-21.2%
Trucks	128.7	141.0	112.3	123.1	125.5	(22.7)	-15.5%
Total	199.0	203.6	166.8	188.8	186.4	(40.3)	-17.6%
Michigan as % of U.S.	19.4%	18.3%	18.6%	18.6%	18.5%	-2.6% pts	

In May 2017, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 2.8 percent in the Ann Arbor Metropolitan Statistical Area (MSA) and Grand Rapids-Wyoming MSA to a high of 5.5 percent in the Northeast Lower Michigan region. The May 2017 median unemployment rate was 3.9 percent, which is down 0.8 of a percentage point from last May’s 4.7 percent median rate.

Compared to a year ago, the May 2017 unemployment rate fell in all of Michigan’s 17 labor market areas. The median rate decrease was 0.5 of a percentage point. The Lansing-East Lansing MSA reported the largest rate decrease of 1.4 percentage points, followed by the Detroit-Warren-Wyoming MSA that reported a 1.1 percentage point decline.

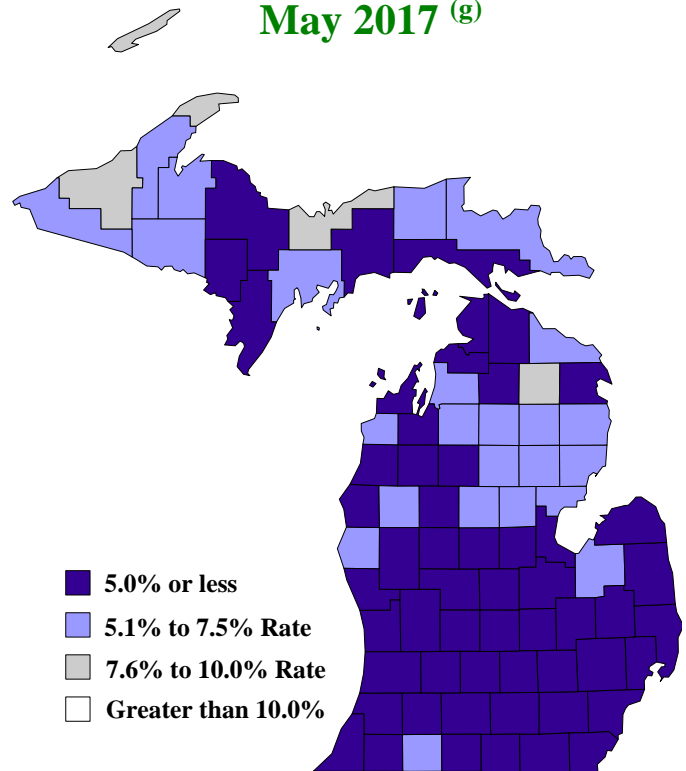
Between May 2016 and May 2017, household employment rose in eight of Michigan’s 17 labor market areas, decreased in eight areas and was unchanged in area. The median employment increase was 1.2 percent. The Detroit-Warren-Dearborn MSA reported the largest year-over-year employment increase at 2.9 percent, followed by the Ann Arbor MSA with a 2.5 percent increase and the Grand Rapids-Wyoming MSA with a 1.5 percent increase. The Bay City MSA reported the largest employment decrease of 1.6 percent followed by the Niles-Benton Harbor MSA with a 0.8 percent employment decline. 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 1.4 percent decline. The Ann Arbor MSA recorded the largest labor force increase at 1.9 percent, followed by the Detroit-Warren-Dearborn MSA at 1.8 percent.

Between May 2016 and May 2017, the unemployment rate fell in 80 Michigan’s counties, rose in two counties and was unchanged in one county. The median May 2017 rate decrease was 0.6 of a percentage point. Eaton County reported the largest unemployment rate decrease at 1.9 percentage points, followed by Schoolcraft County with a 1.6 percentage point decline. In May 2017, the unemployment rate was below 5.0 percent in 55 of Michigan’s 83 counties compared with 37 counties with rates below 5.0 percent in May 2016.

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

<u>Local Area</u>	<u>May-16</u>	<u>Apr-17</u>	<u>May-17</u>
Michigan	4.5%	3.7%	3.7%
Ann Arbor	3.4%	2.2%	2.8%
Battle Creek	4.4%	3.6%	3.9%
Bay City	4.8%	4.4%	4.7%
Detroit-Warren-Dearborn	4.7%	4.0%	3.6%
Flint	5.2%	4.3%	4.6%
Grand Rapids-Wyoming	3.3%	2.4%	2.8%
Jackson	4.5%	3.4%	3.8%
Kalamazoo-Portage	4.0%	3.1%	3.6%
Lansing-East Lansing	4.7%	2.9%	3.3%
Midland	4.2%	3.6%	3.8%
Monroe	4.0%	3.8%	3.9%
Muskegon	4.9%	3.9%	4.4%
Niles-Benton Harbor	4.5%	3.5%	3.9%
Saginaw	4.9%	4.1%	4.4%
Upper Peninsula	5.9%	5.8%	5.2%
Northeast Lower Mich	6.1%	6.7%	5.5%
Northwest Lower Mich.	4.7%	4.6%	4.2%

**County Unemployment Rates  
May 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.

	<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>	<u>May-17</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	96.3	96.9	97.0	97.1	2.4 points
ISM Manufacturing Index <sup>(i)</sup>	57.7	57.2	54.8	54.9	3.9 points
ISM Non Manufacturing Index <sup>(i)</sup>	57.6	55.2	57.5	56.9	3.3 points
	<u>2016.3</u>	<u>2016.4</u>	<u>2017.1</u>	<u>2017.2</u>	
Business Executives' Confidence <sup>(j)</sup>	50.0	65.0	68.0	61.0	9.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100 (CPI)</b>	<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>	<u>May-17</u>	<u>Change from Year Ago</u>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	243.6	243.8	244.5	244.7	1.9%
Detroit CPI	225.0	NA	226.5	NA	2.3%
U.S. Producer Price Index	112.0	112.2	112.7	112.8	2.4%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.52%	0.74%	0.80%	0.89%	0.62% points
10 Year Treasury Securities <sup>(l)</sup>	2.42%	2.48%	2.30%	2.30%	0.49% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>	103.7	103.9	105.0	105.0	2.2%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>	75.9%	75.9%	76.7%	76.6%	1.0% points
<b>RETAIL SALES <sup>(d)</sup></b>	\$472.5	\$473.0	\$475.0	\$473.8	3.8%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>	<u>May-17</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	1.288	1.189	1.156	1.092	-2.4%
Existing Home Sales <sup>(m)</sup>	5.470	5.700	5.560	5.620	2.7%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>	\$227.5	\$232.8	\$230.7	\$228.2	2.7%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	<u>2017.1</u>	<u>% Change From Year Ago</u>
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%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<u>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	<u>2017.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,583.1	\$16,727.0	\$16,813.3	\$16,872.8	1.4%

- (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.