

MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis

Michigan Department of Treasury

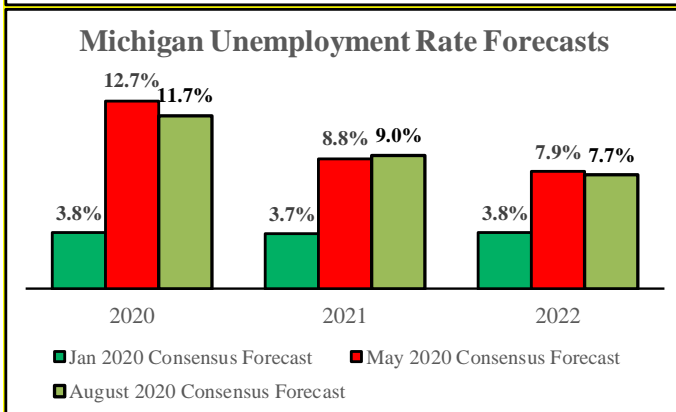
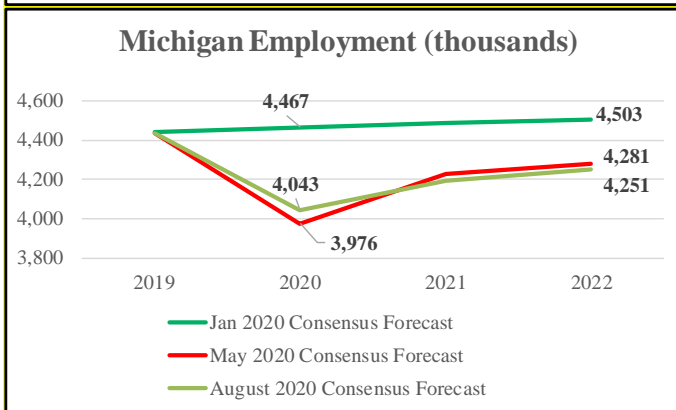
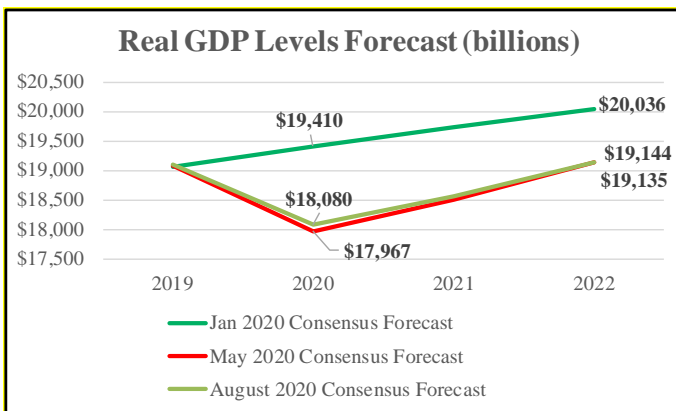
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Summarizing Economic Data for July 2020

(Published 09/03/2020)

Consensus Economic Forecast

On August 24, 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 5.3 percent. Real GDP then grows a projected 2.7 percent in 2021 and 3.1 percent in 2022.
- The U.S. unemployment rate is forecast to jump to 8.9 percent in 2020, before declining to 7.9 percent in 2021 and 6.6 percent in 2022.
- Light vehicle sales are forecast to drop to 13.7 million units in 2020, before rising to 15.0 million units in 2021 and 16.1 million units in 2022.

Michigan Employment

- Michigan wage and salary employment is forecast to plummet 8.8 percent in 2020. The 8.8 percent decline would represent the largest annual Michigan employment decline since 1958 when State employment fell 9.8 percent.
- Michigan employment is forecast to increase 3.8 percent in 2021 and 1.3 percent in 2022. However, projected 2022 Michigan employment remains 4.1 percent lower than actual 2019 Michigan employment.

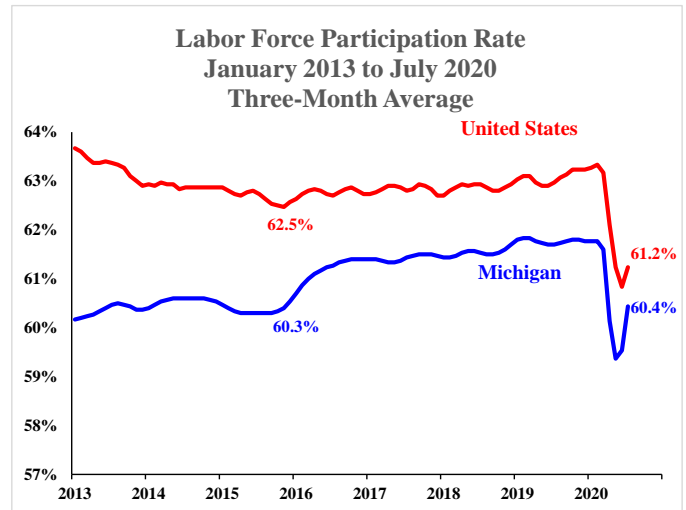
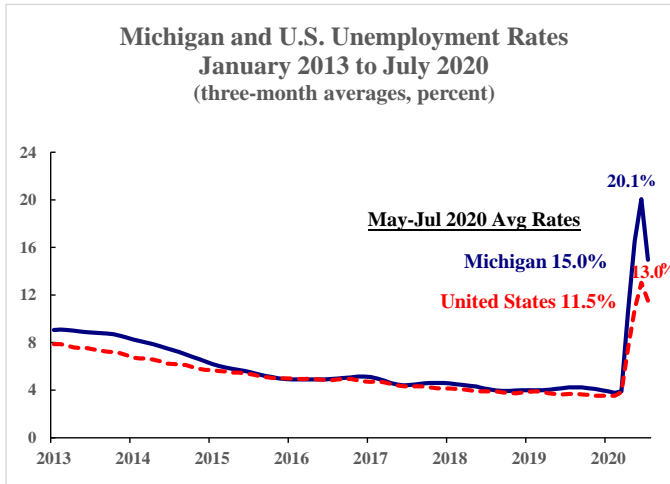
Michigan Unemployment Rate

- Michigan's average annual unemployment rate is forecast to soar to 11.7 percent in 2020.
- Michigan's unemployment rate is then projected to decline to 9.0 percent in 2021 and 7.7 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.

July 2020 Summary

Unemployment Rates Down But Still Historically High Page 2

- After falling from 21.3 percent to 14.9 percent in June, the Michigan unemployment rate fell again in July, dropping to 8.7 percent. The July rate drop is the result of monthly declines in both the number of unemployed and the size of the State's labor force. The May-July 2020 average of the Michigan unemployment rate (15.0 percent) is up 11.4 percentage points from February and is 10.8 percentage points higher than the May-July 2019 average rate.
- The average number of people employed in Michigan between May, June and July was 652,200 lower than in February. Compared to the three-month average of people employed between May-July 2019, the current average is down 608,100 people. The May-June 2020 three-month average of people unemployed is 542,700 people higher than the number of unemployed in February.
- The U.S. unemployment rate declined to 11.1 percent in June and fell to 10.2 percent in July. July's national jobless rate is 4.5 percentage points lower than April's peak rate (14.7 percent), but 6.7 percentage points higher than February's rate and 6.5 percentage points higher than last July.



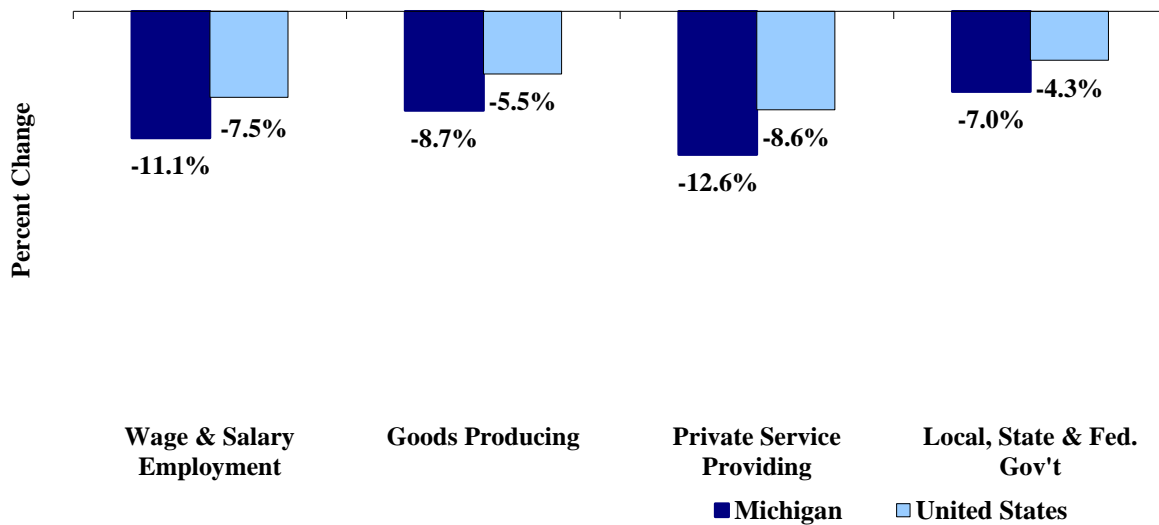
Employment by Place of Residence (in thousands)^(a)

	<u>Annual</u> <u>2019</u>	<u>May</u> <u>2020</u>	<u>Jun</u> <u>2020</u>	<u>Jul</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	4,763	4,943	4,816	-127	-2.6%	-118	-2.4%	4,841
Employed	4,699	3,750	4,205	4,398	193	4.6%	-333	-7.1%	4,118
Unemployed	203	1,013	738	418	-320	-43.4%	215	106.3%	723
Unemployment Rate	4.1%	21.3%	14.9%	8.7%	n.a.	-6.2% pts	n.a.	4.6% pts	15.0%
United States									
Labor Force	162,075	158,227	159,932	159,870	-62	0.0%	-3,503	-2.1%	159,343
Employed	155,761	137,242	142,182	143,532	1,350	0.9%	-13,814	-8.8%	140,985
Unemployed	6,314	20,985	17,750	16,338	-1,412	-8.0%	10,311	171.1%	18,358
Unemployment Rate	3.9%	13.3%	11.1%	10.2%	n.a.	-0.9% pts	n.a.	6.5% pts	11.5%

Employment by Place of Work (Payroll)

- Michigan regained a net 103,200 jobs in July and a cumulative 540,300 jobs over the past three months after losing a record 1.0 million jobs in April from the ongoing pandemic. However, Michigan payroll employment in July 2020 was 491,400 jobs (-11.1 percent) below its July 2019 level. Nationally, July 2020 payroll employment was down 11.4 million (-7.5 percent) from a year ago. The national economy has regained a cumulative 9.3 million jobs over the last three months after losing a record 20.8 million jobs in April.

Payroll Employment Growth



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

- In the goods-producing sector, Michigan payroll employment dropped 8.7 percent in July from a year ago; employment in the private service-providing sector declined 12.6 percent. From a year ago, July national payroll employment fell 5.5 percent in the goods-producing sector and decreased 8.6 percent in the private service-providing sector.
- At 40.8 hours, manufacturing weekly hours in Michigan were down 1.5 hours from last year.

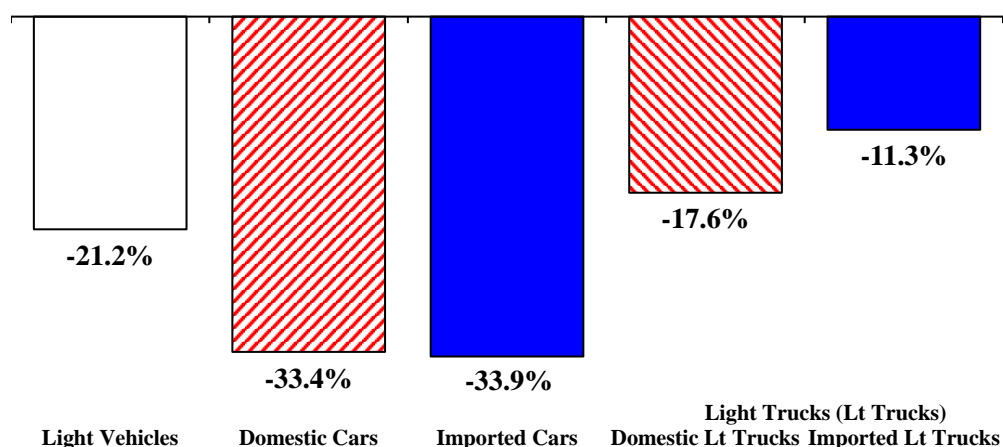
Wage and Salary (Payroll) Employment (in thousands)^(b)

	MI				US			
	2019 <u>Annual</u>	MI July <u>2019</u>	MI July <u>2020</u>	Percent <u>Change</u>	2019 <u>Annual</u>	US July <u>2019</u>	US July <u>2020</u>	Percent <u>Change</u>
Wage & Salary Employment	4,432.6	4,432.8	3,941.4	-11.1%	148,908	150,953	139,582	-7.5%
Goods Producing	808.0	807.2	737.2	-8.7%	20,704	21,085	19,928	-5.5%
Manufacturing	627.2	626.2	559.7	-10.6%	12,688	12,845	12,112	-5.7%
Private Service Providing	3,011.4	3,011.3	2,633.0	-12.6%	105,750	107,281	98,034	-8.6%
Trade, Trans. & Utilities	795.9	796.0	744.0	-6.5%	27,607	27,692	26,123	-5.7%
Services	1,935.8	1,935.8	1,620.4	-16.3%	66,714	67,974	60,718	-10.7%
Local, State & Fed. Gov't	613.3	614.3	571.2	-7.0%	22,455	22,587	21,620	-4.3%
Manufacturing Weekly Hours	43.3	42.3	40.8	-1.5 hrs	42.2	41.5	40.6	-0.9 hrs

Motor Vehicle Sales Continue Recovery in July

- After dropping to a near 50-year low in April 2020 because of COVID-19, U.S. light vehicle sales partially recovered each month from May through July. However, in July 2020, light vehicle sales were 14.4 percent below year-ago sales. In July 2020, the annualized sales rate equaled 14.5 million units.
- U.S. sales of domestic light vehicles declined 15.2 percent from last July while foreign sales dropped 11.9 percent. Compared to last July, the foreign share of U.S. light vehicle sales increased 0.7 of a percentage point to 22.9 percent in July 2020.
- Auto sales decreased 24.7 percent compared to last July, while light truck sales were down 10.6 percent from July 2019. Year-over-year (y-o-y), heavy truck sales dropped 29.0 percent from last July.
- Year-to-date light vehicle sales through first seven months of the year were down 21.2 percent.

Year-to-Date Light Vehicle Sales Down Sharply from Last Year



Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

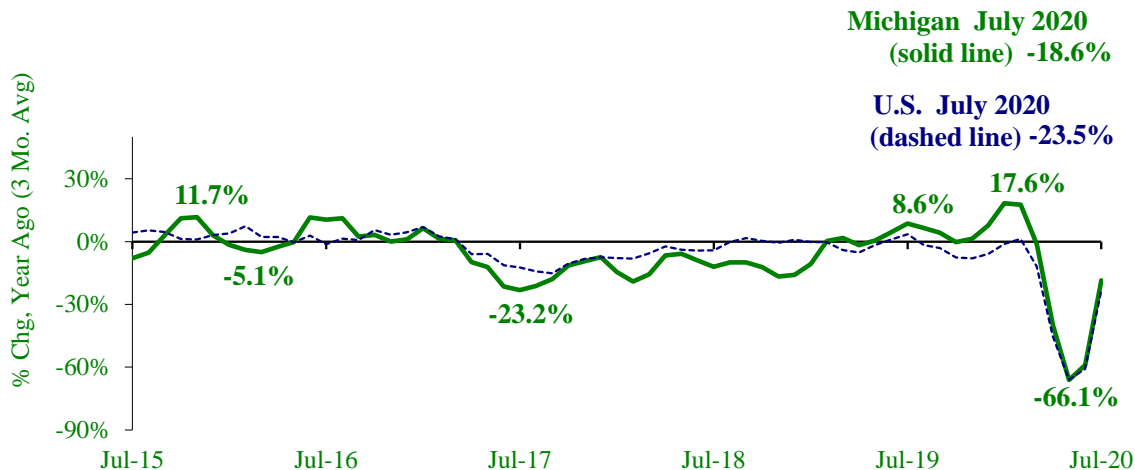
Motor Vehicle Sales ^(c)	2019	May	Jun	Jul	3 Month	Jul	Jul
	<u>Total</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>Average</u>	<u>Level</u>	<u>Chg fr Yr Ago %</u>
Autos	4.7	2.7	3.0	3.5	3.1	(1.1)	-24.7%
Domestics	3.5	1.9	2.2	2.7	2.3	(0.7)	-21.4%
Imports	1.2	0.8	0.8	0.8	0.8	(0.4)	-34.1%
Import Share	24.8%	28.8%	27.2%	23.1%	26.1%	-3.3%	pts
Light Trucks	12.2	9.5	10.1	11.0	10.2	(1.3)	-10.6%
Domestics	9.6	7.1	7.4	8.5	7.7	(1.3)	-13.0%
Imports	2.6	2.4	2.7	2.5	2.5	(0.0)	-1.1%
Import Share	21.4%	25.0%	26.6%	22.8%	24.8%	2.2%	pts
Total Light Vehicles	17.0	12.2	13.1	14.5	13.3	(2.5)	-14.4%
Heavy Trucks	0.5	0.3	0.3	0.4	0.3	(0.2)	-29.0%
Total Vehicles	17.5	12.5	13.4	14.9	13.6	(2.6)	-14.9%

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

	2019	Apr-20	May-20	Jun-20	3 Month	Chg fr	Chg fr
	<u>Average</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Average</u>	<u>Year Ago Level</u>	<u>Year Ago %</u>
Inventories	\$236.3	\$219.7	\$186.6	\$174.0	\$193.4	-\$61.6	-26.2%
Inventory/Sales Ratio	2.29	3.21	1.84	1.57	2.21	-0.73	

- In April, motor vehicle production had come to a standstill because of the ongoing pandemic. However, motor vehicle production, which partially restarted in May and picked up significantly in June, rose further in July with 174,138 vehicles produced in Michigan and 845,801 vehicles produced nationally. Compared to last July, Michigan motor vehicle production was up 37.6 percent and national production was up 17.4 percent.
- In July 2020, Michigan car production was up 68.0 percent from last year while Michigan truck production was up 34.6 percent. Nationally, car production was up 0.3 percent and truck production was up 22.5 percent compared to last July.
- Even with strengthening production in June and July, poor production levels in May depressed the three-month average production. In Michigan, the three-month average was down 18.6 percent from a year ago; nationally, three-month average production was down 23.5 percent.

Michigan Three-Month Average Vehicle Production Down Significantly from Last Year



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2019				3 Month Average	Jul Level Chg fr Yr Ago	Jul % Chg fr Yr Ago
	Monthly Average	May 2020	Jun 2020	Jul 2020			
U.S. Production ^(e)							
Autos	214.8	69.9	152.4	164.8	129.0	0.5	0.3%
Trucks	677.1	237.7	623.5	681.0	514.0	125.0	22.5%
Total	891.9	307.6	775.8	845.8	643.1	125.5	17.4%
Michigan Production ^(f)							
Autos	20.2	3.7	13.4	19.1	12.1	7.7	68.0%
Trucks	139.3	51.0	142.1	155.1	116.0	39.9	34.6%
Total	159.5	54.7	155.5	174.1	128.1	47.6	37.6%
Michigan as % of U.S.	17.9%	17.8%	20.0%	20.6%	19.9%	3.0% pts	

U.S. Economic Conditions

	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	71.8	72.3	78.1	72.5	-25.9 points
ISM Manufacturing Index ⁽ⁱ⁾	41.5	43.1	52.6	54.2	2.9 points
ISM Non Manufacturing Index ⁽ⁱ⁾	41.8	45.4	57.1	58.1	3.3 points
	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	
Business Executives' Confidence ⁽ⁱ⁾	34.0	43.0	34.0	44.0	2.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	256.4	256.4	257.8	259.1	1.0%
Detroit CPI	232.1	NA	236.1	NA	0.5%
U.S. Producer Price Index	117.1	117.6	117.5	118.2	-0.4%
INTEREST RATES					
90 Day T-Bill ^(l)	0.14%	0.13%	0.16%	0.13%	-1.97% points
10 Year Treasury Securities ^(l)	0.66%	0.67%	0.73%	0.62%	-1.44% points
INDUSTRIAL PRODUCTION ^(l)	91.2	92.0	97.2	100.2	-8.2%
CAPACITY UTILIZATION ^(l)	64.2%	64.8%	68.5%	70.6%	-6.9% points
RETAIL SALES ^(d)	\$412.8	\$488.2	\$529.4	\$536.0	2.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.934	1.038	1.220	1.496	23.4%
Existing Home Sales ^(m)	4.330	3.910	4.700	5.860	8.7%
DURABLE GOODS ORDERS ^(d)	\$167.5	\$192.6	\$207.5	\$230.7	-5.0%
PERSONAL INCOME ^(c)					
(Billions, Seasonally Adj & Annualized)	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>% Change From Year Ago</u>
Michigan	\$500.5	\$504.4	\$508.9	\$508.5	2.7%
U.S.	\$18,550.2	\$18,677.2	\$18,844.9	\$18,953.1	3.3%
GROSS DOMESTIC PRODUCT ^(c)					
(Billions of Chained 2012 Dollars, Seasonally Adj & Annualized)	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$19,141.7	\$19,254.0	\$19,010.8	\$17,282.2	-31.7%

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) August 24, 2020 Consensus Revenue Estimating Conference Final Agreement.