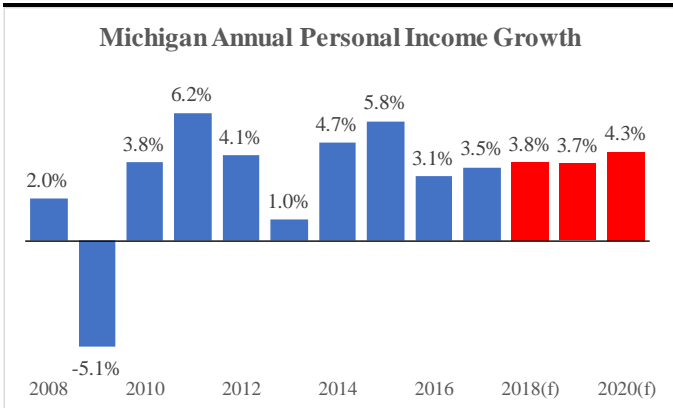
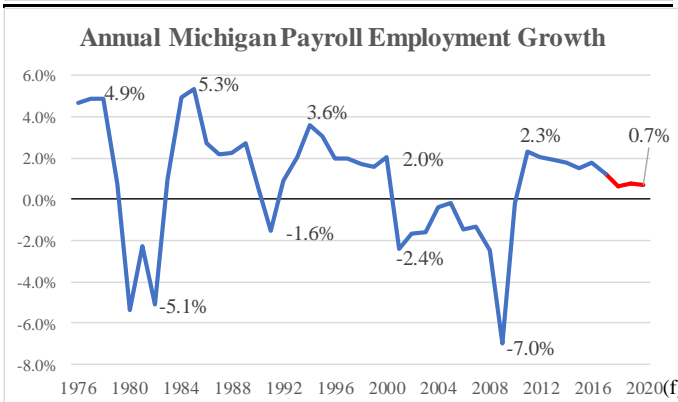
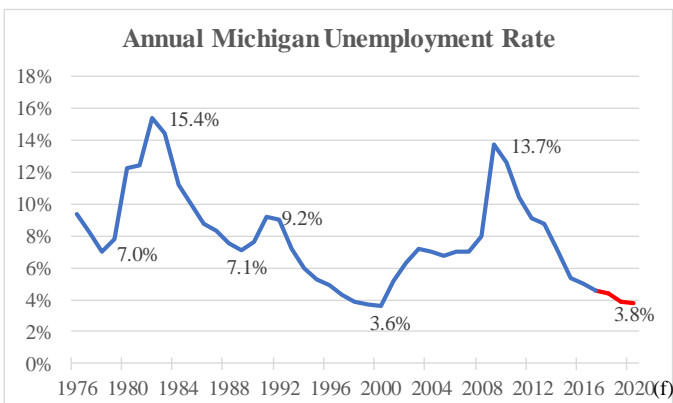


# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

On November 16, 2018 at its annual conference, the University of Michigan, Research Seminar in Quantitative Economics (RSQE) released its Michigan economic forecast. Below are highlights of the forecast.



## Michigan Household Employment

- At its annual conference, RSQE forecasted that Michigan household employment will increase 0.7 percent in 2018, 0.8 percent in 2019 and 0.7 percent in 2020.
- After falling to a forecasted 4.4 percent in 2018, Michigan's unemployment rate is forecast to fall to 3.9 percent in 2019 and 3.8 percent in 2020 .
- The State's forecasted 2020 unemployment rate would be Michigan's lowest jobless rate since 2000 and the State's third lowest annual unemployment rate in the last 40 years.

## Michigan Wage and Salary Employment

- In 2018, overall Michigan wage and salary employment is forecast to rise 1.3 percent in 2018, 0.8 percent in 2019 and 0.9 percent in 2020.
- 2020 would mark the 11<sup>th</sup> straight Michigan annual jobs increase – surpassing the State's previous longest annual jobs gain streak since the World War II era (nine years).
- By 2020Q4, the forecast projects that the State economy will have regained 683,180 jobs (80.0 percent) of the jobs Michigan lost between 2000Q2 and 2009Q4.

## Michigan Personal Income

- Michigan personal income is forecast to rise 3.8 percent in 2018, 3.7 percent in 2019 and 4.3 percent in 2020.
- 2020 would mark the 11<sup>th</sup> straight annual increase in Michigan's personal income.
- Real (inflation-adjusted) disposable (after tax) income is forecast to increase 1.6 percent in 2018, 1.7 percent in 2019 and 2.3 percent in 2020.

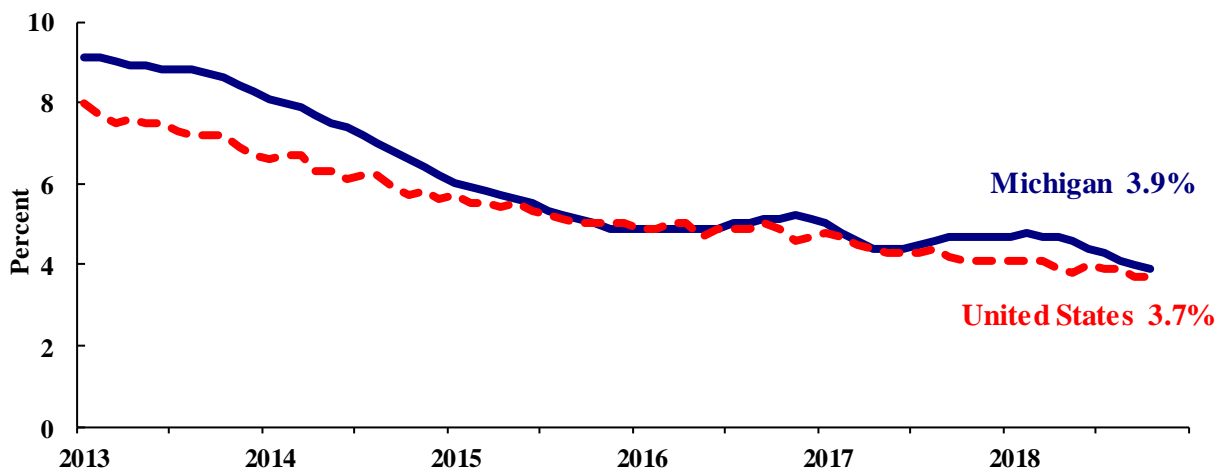
# October 2018

## Household Unemployment and Employment

Page 2

- In October 2018, the Michigan unemployment rate fell 0.1 of a percentage point from last month to 3.9 percent – the lowest monthly Michigan unemployment rate since August 2000. In October 2018, the national unemployment rate was unchanged at 3.7 percent – the lowest monthly U.S. unemployment rate since December 1969.
- In October 2018, Michigan’s unemployment rate was down 0.8 of a percentage point from a year ago. The October 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  
October 2013 to October 2018**



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

- In October, the total number of people employed in Michigan increased 2,000 to 4,700,000 persons while the labor force was unchanged. The statewide total number of unemployed workers fell by 2,000 to 191,000.
- United States employment totaled 156.6 million persons in October 2018. The labor force totaled 162.6 million and there were 6.1 million unemployed in October.

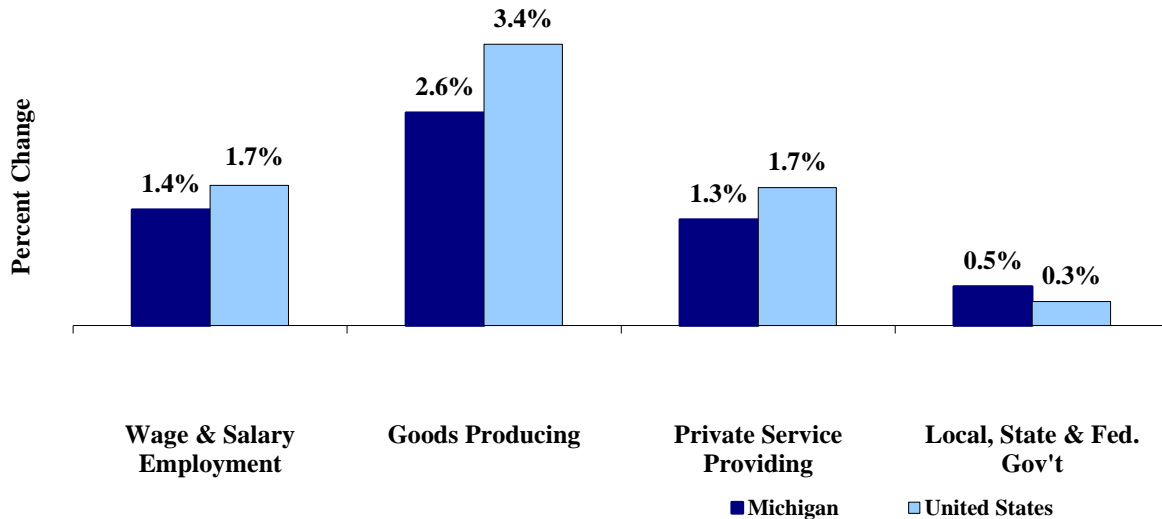
**Employment by Place of Residence (in thousands)<sup>(a)</sup>**

	<b>2017 Average</b>	<b>Aug 2018</b>	<b>Sep 2018</b>	<b>Oct 2018</b>	<b>Chg Fr Mo Ago Level</b>	<b>Chg Fr Mo Ago %</b>	<b>Chg Fr Yr Ago Level</b>	<b>Chg Fr Yr Ago %</b>	<b>Three Month Average</b>
<b>Michigan</b>									
Labor Force	4,884	4,898	4,892	4,892	0	0.0%	-11	-0.2%	4,894
Employed	4,657	4,697	4,698	4,700	2	0.0%	30	0.6%	4,698
Unemployed	227	201	193	191	-2	-1.1%	-41	-17.5%	195
Unemployment Rate	4.6%	4.1%	4.0%	3.9%	n.a.	-0.1% pts	n.a.	-0.8% pts	4.0%
<b>United States</b>									
Labor Force	160,320	161,776	161,926	162,637	711	0.4%	2,266	1.4%	162,113
Employed	153,337	155,542	155,962	156,562	600	0.4%	2,716	1.8%	156,022
Unemployed	6,982	6,234	5,964	6,075	111	1.9%	-449	-6.9%	6,091
Unemployment Rate	4.4%	3.9%	3.7%	3.7%	n.a.	0.0% pts	n.a.	-0.4% pts	3.8%

# Employment by Place of Work (Payroll)

- From October 2017 to October 2018, Michigan payroll employment increased by 61,800 jobs (1.4 percent). State payroll employment rose by 3,500 jobs in October from September. Nationally, October 2018 payroll employment rose 2,500,000 (1.7 percent) from a year ago. National employment rose 250,000 jobs in October.

## Payroll Employment Growth October 2017 to October 2018



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

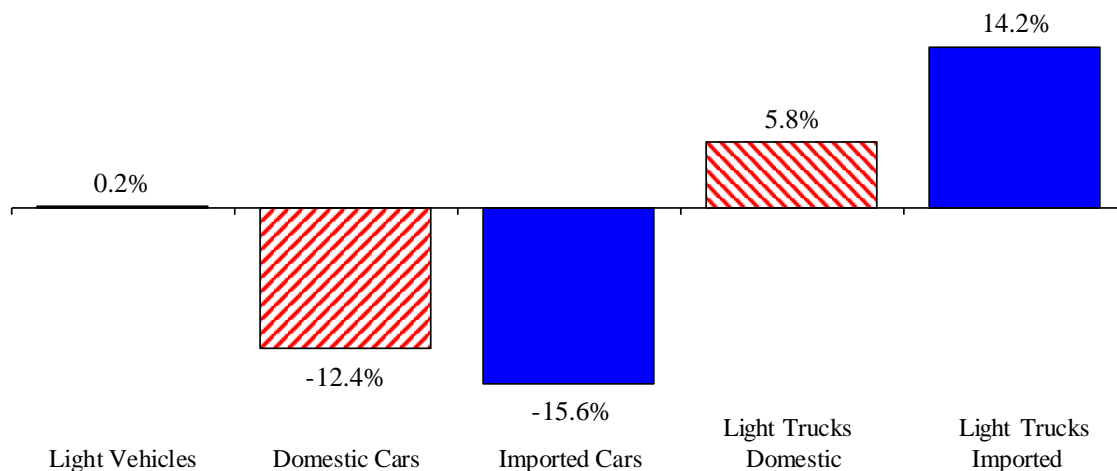
- In the goods-producing sector, Michigan payroll employment increased 2.6 percent in October from a year ago; employment in the private service-providing sector rose 1.3 percent. From a year ago, October national payroll employment rose 3.4 percent in the goods-producing sector and increased 1.7 percent in the private service-providing sector.
- At 42.5 hours, manufacturing weekly hours in Michigan were down 0.9 of an hour from last year.

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

	MI				US			
	2017	MI	MI	Percent	2017	US	US	Percent
	<u>Average</u>	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>Average</u>	<u>2017</u>	<u>2018</u>	<u>Change</u>
Wage & Salary Employment	4,371.3	4,379.7	4,441.5	1.4%	144,352	147,234	149,750	1.7%
Goods Producing	784.6	786.8	807.2	2.6%	19,750	20,168	20,859	3.4%
Manufacturing	614.7	615.2	625.7	1.7%	12,354	12,489	12,785	2.4%
Private Service Providing	2,982.7	2,983.4	3,021.9	1.3%	102,379	104,735	106,494	1.7%
Trade, Trans. & Utilities	788.1	788.7	791.3	0.3%	27,257	27,553	27,865	1.1%
Services	1,920.1	1,919.8	1,954.4	1.8%	64,042	65,904	67,251	2.0%
Local, State & Fed. Gov't	604.0	609.5	612.4	0.5%	22,224	22,331	22,397	0.3%
Manufacturing Weekly Hours	43.1	43.4	42.5	-0.9 hrs	41.9	42.0	42.1	0.1 hrs

- October 2018 U.S. light vehicle sales rose 0.5 percent from September 2018 but were down 2.0 percent from October 2017. October 2018 marked the 56<sup>th</sup> straight month that the light vehicle annualized sales rate exceeded 16.0 million units. In October 2018, the annualized sales rate equaled 17.5 million units.
- U.S. sales of domestic light vehicles decreased 2.2 percent between October 2017 and October 2018. Foreign sales were down 1.4 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 0.2 of a percentage point to 22.5 percent in October 2018.
- Auto sales decreased 11.8 percent compared to last October, while light truck sales were up 3.2 percent from October 2017. As a result, October 2018 marked the 31<sup>st</sup> straight month in which the light truck share of total sales exceeded 60.0 percent. Year-over-year, heavy truck sales rose 18.1 percent in October 2018 -- the 17<sup>th</sup> consecutive month in which heavy truck sales were up.

## Year-to-Date October 2018 Light Vehicle Sales Up Slightly from Year Ago



### Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

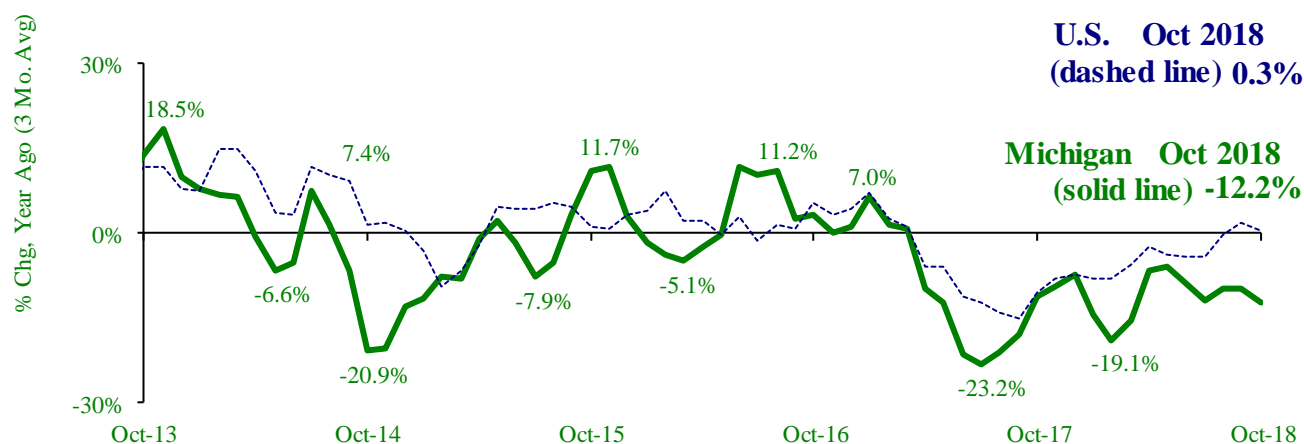
Motor Vehicle Sales <sup>(c)</sup>	2017	Aug	Sep	Oct	3 Month	Oct	Oct
	Total	2018	2018	2018	Average	Chg fr Yr Ago Level	Chg fr Yr Ago %
Autos	6.1	5.0	5.3	5.5	5.3	(0.7)	-11.8%
Domestics	4.6	3.8	4.0	4.3	4.0	(0.5)	-10.1%
Imports	1.5	1.2	1.3	1.2	1.2	(0.3)	-17.0%
Import Share	24.2%	23.1%	24.0%	22.5%	23.2%	-1.4% pts	
Light Trucks	11.1	11.7	12.2	12.0	12.0	0.4	3.2%
Domestics	8.7	9.2	9.4	9.3	9.3	0.2	1.9%
Imports	2.4	2.5	2.8	2.7	2.7	0.2	7.9%
Import Share	21.7%	21.4%	22.8%	22.5%	22.2%	1.0% pts	
Total Light Vehicles	17.1	16.7	17.4	17.5	17.2	(0.4)	-2.0%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	18.1%
Total Vehicles	17.6	17.2	18.0	18.0	17.7	(0.3)	-1.6%

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

	2017	Jul-18	Aug-18	Sep-18	3 Month	Chg fr	Chg fr
	Average	Jul-18	Aug-18	Sep-18	Average	Year Ago Level	Year Ago %
Inventories	\$221.4	\$229.7	\$233.9	\$233.9	\$232.5	\$12.7	5.7%
Inventory/Sales Ratio	2.22	2.24	2.29	2.29	2.27	0.12	

- At 167,625 units, October 2018 Michigan motor vehicle production was down 11.9 percent from October 2017. National production increased 2.7 percent from last October. The three-month average of vehicle production (August 2018-October 2018) was down 12.2 percent in Michigan but up 0.3 percent nationally, compared to a year ago.
- In October 2018, Michigan car production was down 45.8 percent from a year ago while State truck production increased 0.8 percent. As reported by *Automotive News*, Ford Motor Company has idled its Michigan Assembly Plant through late October to retool the plant from auto production to light truck production. The retooling largely explains the sharp drop in Michigan auto production. Nationally, car production decreased 1.1 percent while U.S. truck production was up 4.2 percent.
- Michigan's share of national vehicle production fell 2.6 percentage points in October 2018 from its year-ago level to 15.8 percent. Michigan's share of car production decreased 8.2 percentage points while the State's share of truck production was down 0.6 of a percentage point.

## Michigan Plant Change Over Pushing Michigan Vehicle Production Down



## Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2017				3 Month Average	Oct	Oct
	Monthly Average	Aug 2018	Sep 2018	Oct 2018		Level Chg fr Yr Ago	% Chg fr Yr Ago
<b>U.S. Production <sup>(e)</sup></b>							
Autos	275.9	255.7	233.0	282.5	257.1	(3.2)	-1.1%
Trucks	664.8	770.0	672.8	776.1	739.7	31.1	4.2%
Total	940.7	1,025.7	905.8	1,058.7	996.7	27.9	2.7%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	52.7	30.5	24.3	28.1	27.6	(23.7)	-45.8%
Trucks	122.1	140.1	119.8	139.5	133.1	1.2	0.8%
Total	174.9	170.6	144.1	167.6	160.8	(22.6)	-11.9%
Michigan as % of U.S.	18.6%	16.6%	15.9%	15.8%	16.1%	-2.7% pts	

	<u>Jul-18</u>	<u>Aug-18</u>	<u>Sep-18</u>	<u>Oct-18</u>	<b>Change from Year Ago</b>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	97.9	96.2	100.1	98.6	-2.1 points
ISM Manufacturing Index <sup>(i)</sup>	58.1	61.3	59.8	57.7	-0.8 points
ISM Non Manufacturing Index <sup>(i)</sup>	55.7	58.5	61.6	60.3	0.5 points
	<b><u>2017.4</u></b>	<b><u>2018.1</u></b>	<b><u>2018.2</u></b>	<b><u>2018.3</u></b>	
Business Executives' Confidence <sup>(j)</sup>	63.0	65.0	63.0	55.0	-10.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100 (CPI)</b>	<b><u>Jul-18</u></b>	<b><u>Aug-18</u></b>	<b><u>Sep-18</u></b>	<b><u>Oct-18</u></b>	<b>Change from Year Ago</b>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	252.0	252.1	252.4	252.9	2.5%
Detroit CPI	NA	233.2	NA	233.1	1.9%
U.S. Producer Price Index	116.7	116.4	116.5	117.4	2.9%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	1.96%	2.03%	2.13%	2.25%	1.18% points
10 Year Treasury Securities <sup>(l)</sup>	2.89%	2.89%	3.00%	3.15%	0.79% points
<b>INDUSTRIAL PRODUCTION <sup>(1)</sup></b>					
	107.9	108.8	109.0	109.1	4.1%
<b>CAPACITY UTILIZATION <sup>(1)</sup></b>					
	78.0%	78.5%	78.5%	78.4%	1.6% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$508.2	\$507.9	\$507.6	\$511.5	4.6%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<b><u>Jul-18</u></b>	<b><u>Aug-18</u></b>	<b><u>Sep-18</u></b>	<b><u>Oct-18</u></b>	<b>% Change From Year Ago</b>
Housing Starts <sup>(d)</sup>	1.184	1.280	1.210	1.228	-2.9%
Existing Home Sales <sup>(m)</sup>	5.340	5.330	5.150	5.220	-5.1%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$248.6	\$260.2	\$260.0	\$248.5	6.7%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<b><u>2017.3</u></b>	<b><u>2017.4</u></b>	<b><u>2018.1</u></b>	<b><u>2018.2</u></b>	<b>% Change From Year Ago</b>
Michigan	\$461.1	\$465.2	\$471.5	\$476.3	4.0%
U.S.	\$16,883.8	\$17,090.7	\$17,302.1	\$17,482.0	4.6%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2012 Dollars) <sup>(c)</sup>	<b><u>2017.4</u></b>	<b><u>2018.1</u></b>	<b><u>2018.2</u></b>	<b><u>2018.3</u></b>	<b>Annualized % Chg From Last Qtr</b>
	\$18,223.8	\$18,324.0	\$18,511.6	\$18,671.5	3.5%

- (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.