

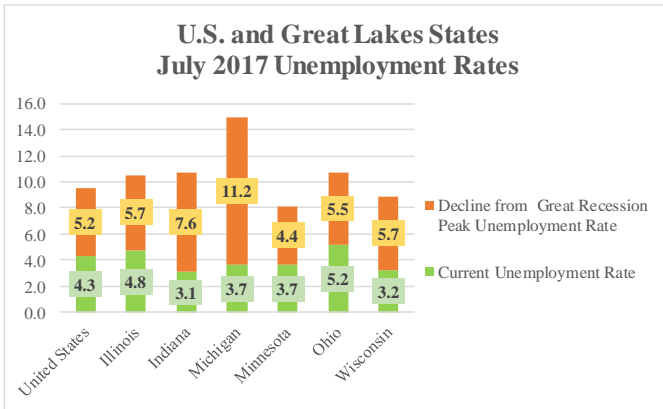
MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

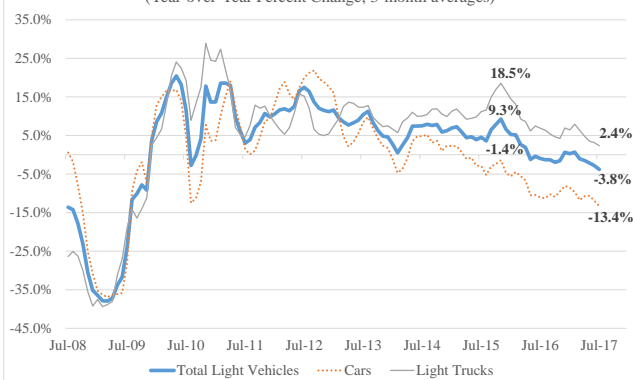
<http://www.michigan.gov/treasury>

July 2017 Summary

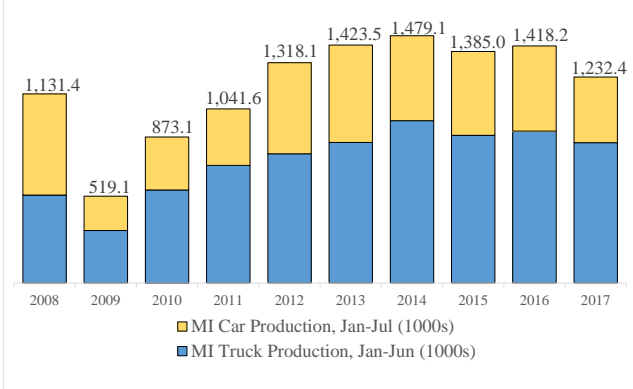
U.S. and Great Lakes States
July 2017 Unemployment Rates



Light Vehicle Sales Trend Downward as
Car Sales Decline; Light Truck Sales Growth Slows



Year-to-Date Michigan Vehicle Production
Down from Recent Years



Michigan Labor Market

- In July 2017, Michigan's unemployment rate fell 0.1 of a percentage point from June. Compared to a year ago, the State's jobless rate was down 1.2 percentage points.
- At 3.7 percent, the July 2017 Michigan unemployment rate represented the State's lowest jobless rate since mid-2000. However, July 2017 State labor force and household employment were both down by more than 6.0 percent compared with mid-2000.
- Year-to-date, Michigan's average wage and salary employment was at a 12-year high.
- In July 2017, Michigan wage and salary employment rose by 7,800 jobs. Over the last year the State's employment rose by a net 62,400 jobs (1.4 percent).

Vehicle Sales

- July 2017 annualized light vehicle sales were up 0.6 percent from last month but down 6.0 percent from last July.
- July 2017 auto sales were down sharply (13.8 percent) from a year ago while light truck sales were down slightly (1.0 percent).
- Year-to-date, light vehicle sales were down 2.5 percent with autos were off 12.1 percent and light truck sales were up 3.9 percent.

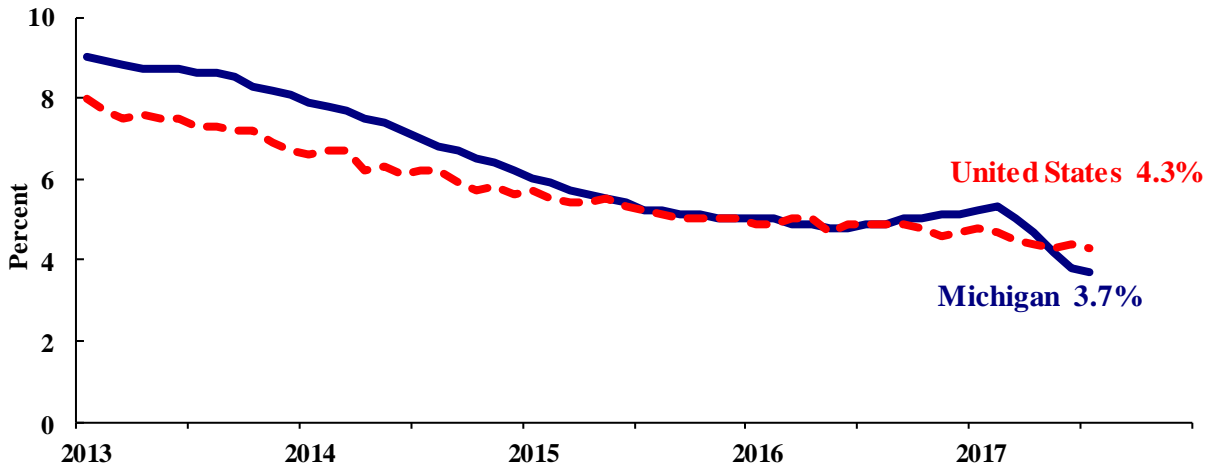
Vehicle Production

- July 2017 Michigan vehicle production was down 25.5 percent compared with a 20.3 percent decline nationally.
- Year-to-date, Michigan truck production was down by 116,700 units (22.9 percent) while State auto production was off by 69,100 units (7.6 percent).
- Through July, Michigan's share of national vehicle production was down by 1.3 percentage points to 18.7 percent.

Household Unemployment and Employment

- In July 2017, the Michigan unemployment rate decreased 0.1 of a percentage point to 3.7 percent. The national unemployment rate decreased 0.1 of a percentage point from June to July to 4.3 percent.
- In July 2017, Michigan’s unemployment rate was down 1.2 percentage points from a year ago. The July U.S. unemployment rate decreased 0.6 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
July 2013 to July 2017**



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

- In July, the total number of people employed in Michigan decreased 18,000 to 4,660,000 persons while the labor force fell by 25,000. The statewide total number of unemployed workers fell by 7,000 to 180,000.
- United States employment totaled 153.5 million persons in July 2017. The labor force totaled 160.5 million and there were 7.0 million unemployed in July.

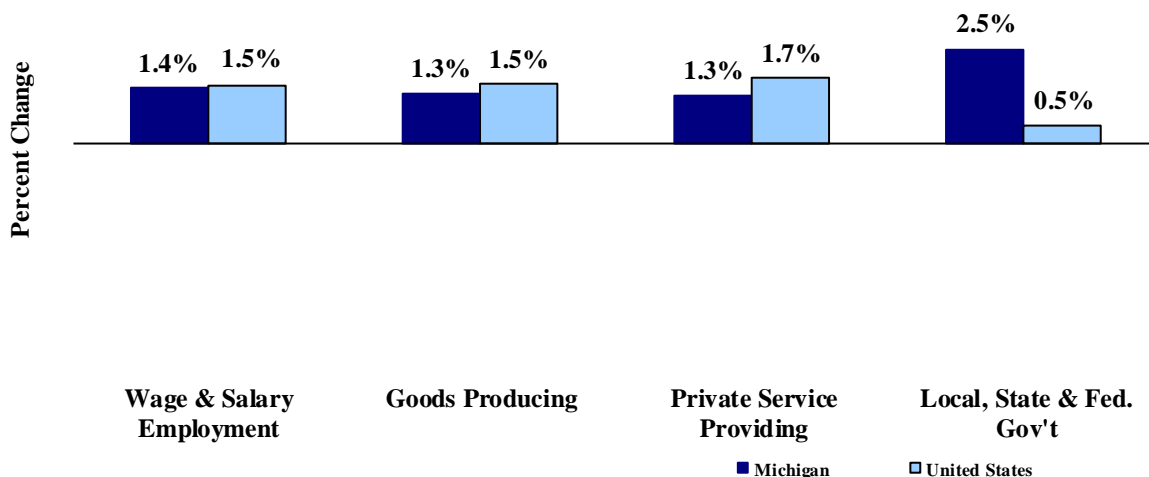
Employment by Place of Residence (in thousands)^(a)

| | 2016 Average | May 2017 | Jun 2017 | Jul 2017 | Chg Fr Mo Ago Level | Chg Fr Mo Ago % | Yr Ago Level | Yr Ago % | Three Month Average |
|----------------------|-------------------------|---------------------|---------------------|---------------------|------------------------------------|--------------------------------|-------------------------|---------------------|------------------------------------|
| Michigan | | | | | | | | | |
| Labor Force | 4,837 | 4,894 | 4,865 | 4,841 | -25 | -0.5% | 17 | 0.4% | 4,867 |
| Employed | 4,599 | 4,687 | 4,678 | 4,660 | -18 | -0.4% | 72 | 1.6% | 4,675 |
| Unemployed | 238 | 207 | 187 | 180 | -7 | -3.6% | -54 | -23.2% | 191 |
| Unemployment Rate | 4.9% | 4.7% | 3.8% | 3.7% | n.a. | -0.1% pts | n.a. | -1.2% pts | 4.1% |
| United States | | | | | | | | | |
| Labor Force | 159,187 | 159,784 | 160,145 | 160,494 | 349 | 0.2% | 1,199 | 0.8% | 160,141 |
| Employed | 151,436 | 152,923 | 153,168 | 153,513 | 345 | 0.2% | 1,967 | 1.3% | 153,201 |
| Unemployed | 7,751 | 6,861 | 6,977 | 6,981 | 4 | 0.1% | -768 | -9.9% | 6,940 |
| Unemployment Rate | 4.9% | 4.3% | 4.4% | 4.3% | n.a. | -0.1% pts | n.a. | -0.6% pts | 4.3% |

Employment by Place of Work (Payroll)

- From July 2016 to July 2017, Michigan payroll employment increased 62,400 jobs (1.4 percent). State payroll employment rose by 7,800 jobs in July from June. Nationally, July 2017 payroll employment rose 2,158,000 (1.5 percent) from a year ago and was up 209,000 from June.

Payroll Employment Growth July 2016 to July 2017



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

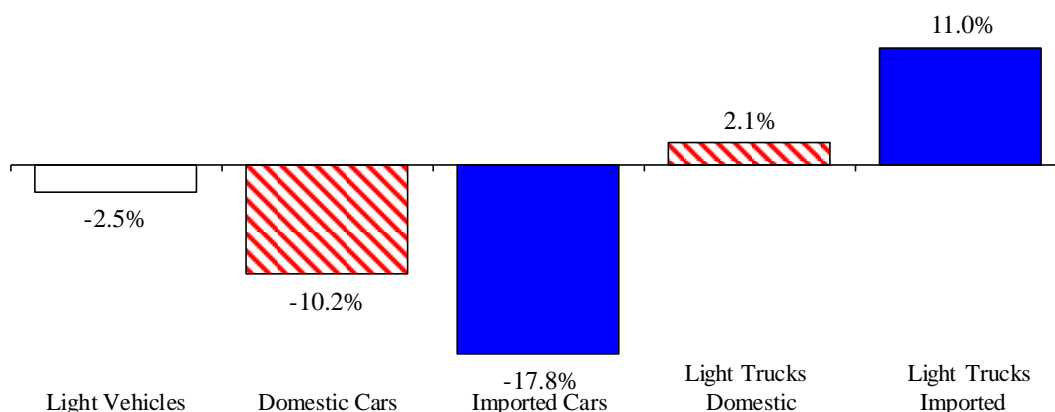
- In the goods-producing sector, Michigan payroll employment increased 1.3 percent in July from a year ago; employment in the private service-providing sector also increased 1.3 percent. From a year ago, July national payroll employment rose 1.5 percent in the goods-producing sector and increased 1.7 percent in the private service-providing sector. Government employment was up 2.5 percent from a year ago in Michigan. Nationwide, government employment was up 0.5 percent.
- At 43.3 hours, manufacturing weekly hours in Michigan were up 0.3 of an hour compared to last year.

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

| | MI | | | | US | | | |
|----------------------------|-----------------|--------------------|--------------------|-------------------|-----------------|--------------------|--------------------|-------------------|
| | 2016 Average | MI July 2016 | MI July 2017 | Percent Change | 2016 Average | US July 2016 | US July 2017 | Percent Change |
| Wage & Salary Employment | 4,325.6 | 4,331.5 | 4,393.9 | 1.4% | 144,306 | 144,457 | 146,615 | 1.5% |
| Goods Producing | 762.9 | 762.5 | 772.4 | 1.3% | 19,736 | 19,731 | 20,036 | 1.5% |
| Manufacturing | 600.2 | 600.7 | 604.4 | 0.6% | 12,348 | 12,359 | 12,425 | 0.5% |
| Private Service Providing | 2,962.0 | 2,967.7 | 3,005.2 | 1.3% | 102,346 | 102,469 | 104,221 | 1.7% |
| Trade, Trans. & Utilities | 781.6 | 783.4 | 784.1 | 0.1% | 27,233 | 27,245 | 27,388 | 0.5% |
| Services | 1,910.1 | 1,913.7 | 1,944.8 | 1.6% | 64,057 | 64,146 | 65,655 | 2.4% |
| Local, State & Fed. Gov't | 600.7 | 601.3 | 616.3 | 2.5% | 22,223 | 22,257 | 22,358 | 0.5% |
| Manufacturing Weekly Hours | 42.9 | 43.0 | 43.3 | 0.3 hrs | 41.9 | 42.0 | 42.0 | 0.0 hrs |

- July 2017 U.S. light vehicle sales were up 0.6 percent from June 2017 but were down 6.0 percent from July 2016. July 2017 marked the 41st straight month that the light vehicle annualized sales rate exceeded 16.0 million units. However, at 16.7 million units, July 2017 marked the fifth straight month that annualized sales were below 17.0 million units, following eight months above 17.0 million units.
- U.S. sales of domestic light vehicles decreased 6.3 percent between July 2016 and July 2017. Foreign sales were down 5.1 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 22.3 percent in July 2017.
- Auto sales decreased 13.8 percent compared to last July, while light truck sales were down 1.0 percent from July 2016. As a result, July 2017 marked the 16th straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last 16 months, the light truck sales share exceeded 60.0 percent only once (July 2005). Year-over-year, heavy truck sales rose 0.2 percent in July 2017 -- marking the second month in which heavy truck sales were up from a year ago following 14 straight months of year-over-year declines.

Year-to-Date Light Vehicle Sales (Jan-Jul 2017) Down From Year-Ago (Jan-Jul 2016)



Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

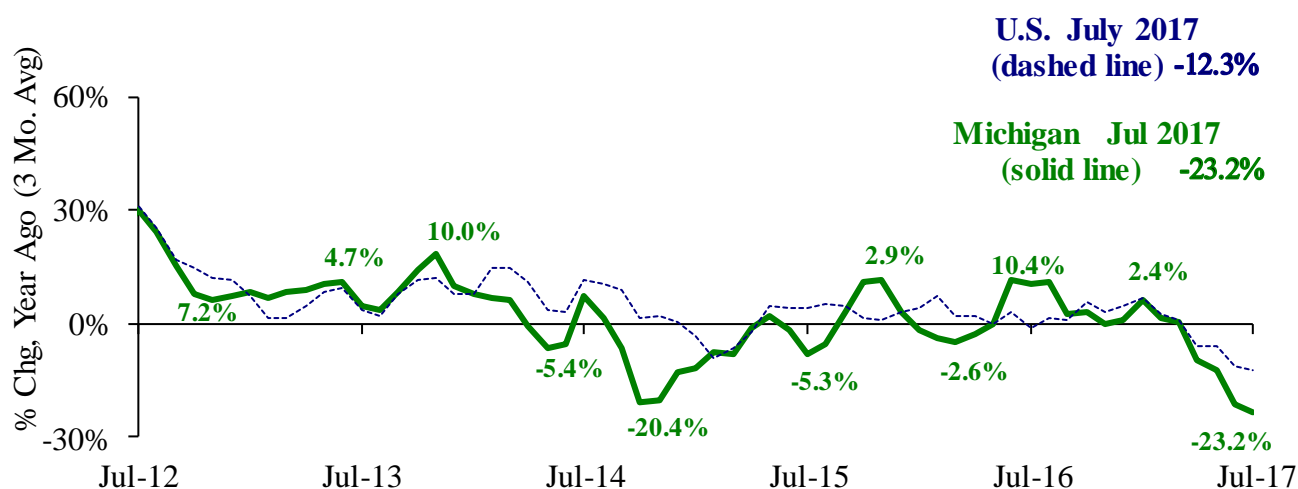
| Motor Vehicle Sales ^(c) | 2016 | May | Jun | Jul | 3 Month | Jul | Jul |
|------------------------------------|-------|-------|-------|-------|---------|---------------------|-----------------|
| | Total | 2017 | 2017 | 2017 | Average | Chg fr Yr Ago Level | Chg fr Yr Ago % |
| Autos | 6.9 | 6.0 | 5.8 | 5.9 | 5.9 | (1.0) | -13.8% |
| Domestics | 5.2 | 4.6 | 4.4 | 4.5 | 4.5 | (0.6) | -12.0% |
| Imports | 1.7 | 1.4 | 1.3 | 1.4 | 1.4 | (0.3) | -19.3% |
| Import Share | 24.8% | 22.8% | 23.0% | 23.4% | 23.1% | -1.6% pts | |
| Light Trucks | 10.6 | 10.7 | 10.8 | 10.7 | 10.8 | (0.1) | -1.0% |
| Domestics | 8.5 | 8.3 | 8.5 | 8.4 | 8.4 | (0.2) | -2.8% |
| Imports | 2.1 | 2.4 | 2.3 | 2.3 | 2.3 | 0.1 | 6.0% |
| Import Share | 20.1% | 22.2% | 21.3% | 21.7% | 21.7% | 1.5% pts | |
| Total Light Vehicles | 17.5 | 16.7 | 16.6 | 16.7 | 16.7 | (1.1) | -6.0% |
| Heavy Trucks | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.0 | 0.2% |
| Total Vehicles | 17.9 | 17.1 | 17.0 | 17.1 | 17.1 | (1.1) | -5.9% |

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

| | 2016 | Apr-17 | May-17 | Jun-17 | 3 Month | Chg fr | Chg fr |
|-----------------------|---------|---------|---------|---------|---------|----------------|------------|
| | Average | Apr-17 | May-17 | Jun-17 | Average | Year Ago Level | Year Ago % |
| Inventories | \$206.3 | \$218.2 | \$220.8 | \$222.4 | \$220.5 | \$15.2 | 7.4% |
| Inventory/Sales Ratio | 2.18 | 2.25 | 2.25 | 2.25 | 2.25 | 0.03 | |

- At 122,758 units, July 2017 Michigan motor vehicle production was down 25.5 percent from July 2016. National production decreased 20.3 percent from last July. The three-month average of vehicle production (May 2017-July 2017) was down 23.2 percent in Michigan and down 12.3 percent nationally, compared to a year ago.
- In July 2017, Michigan car production was down 39.5 percent from a year ago while State truck production dropped 17.9 percent. Nationally, car production decreased 39.9 percent while U.S. truck production was down 10.2 percent.
- Michigan's share of national vehicle production fell 1.3 percentage points in July 2017 from its year-ago level to 19.4 percent. Michigan's share of car production rose 0.2 of a percentage point while the State's share of truck production was down 1.8 percentage points.

Michigan and National Vehicle Production Down Sharply from Last Year



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

| | 2016 Monthly Average | May 2017 | Jun 2017 | Jul 2017 | 3 Month Average | Jul Level Chg fr Yr Ago | Jul % Chg fr Yr Ago |
|---|----------------------------|-------------|-------------|-------------|--------------------|-------------------------------|---------------------------|
| U.S. Production ^(e) | | | | | | | |
| Autos | 346.4 | 319.8 | 281.6 | 161.8 | 254.4 | (107.6) | -39.9% |
| Trucks | 678.9 | 696.5 | 701.2 | 471.8 | 623.2 | (53.7) | -10.2% |
| Total | 1,025.3 | 1,016.4 | 982.8 | 633.7 | 877.6 | (161.2) | -20.3% |
| Michigan Production ^(f) | | | | | | | |
| Autos | 70.3 | 65.7 | 53.6 | 34.8 | 51.4 | (22.7) | -39.5% |
| Trucks | 128.7 | 123.1 | 128.9 | 88.0 | 113.3 | (19.2) | -17.9% |
| Total | 199.0 | 188.8 | 182.5 | 122.8 | 164.7 | (41.9) | -25.5% |
| Michigan as % of U.S. | 19.4% | 18.6% | 18.6% | 19.4% | 18.8% | -1.3% pts | |

U.S. Economic Conditions

Page 6

| | <u>Apr-17</u> | <u>May-17</u> | <u>Jun-17</u> | <u>Jul-17</u> | <u>Change from Year Ago</u> |
|---|---------------|---------------|---------------|---------------|---|
| KEY ECONOMIC INDICATORS | | | | | |
| Consumer Sentiment ^(h) | 97.0 | 97.1 | 95.1 | 93.4 | 3.4 points |
| ISM Manufacturing Index ⁽ⁱ⁾ | 54.8 | 54.9 | 57.8 | 56.3 | 4.0 points |
| ISM Non Manufacturing Index ⁽ⁱ⁾ | 57.5 | 56.9 | 57.4 | 53.9 | -1.0 point |
| | <u>2016.3</u> | <u>2016.4</u> | <u>2017.1</u> | <u>2017.2</u> | |
| Business Executives' Confidence ^(j) | 50.0 | 65.0 | 68.0 | 61.0 | 9.0 points |
| INFLATION ^(k) | | | | | |
| 1982-84 = 100 (CPI) | <u>Apr-17</u> | <u>May-17</u> | <u>Jun-17</u> | <u>Jul-17</u> | <u>Change from Year Ago</u> |
| Nov 2009 = 100 (PPI) | | | | | |
| U.S. Consumer Price Index | 244.5 | 244.7 | 245.0 | 244.8 | 1.7% |
| Detroit CPI | 226.5 | NA | 226.5 | NA | 1.1% |
| U.S. Producer Price Index | 112.7 | 112.8 | 113.0 | 112.9 | 1.9% |
| INTEREST RATES | | | | | |
| 90 Day T-Bill ^(l) | 0.80% | 0.89% | 0.98% | 1.07% | 0.77% points |
| 10 Year Treasury Securities ^(l) | 2.30% | 2.30% | 2.19% | 2.32% | 0.82% points |
| INDUSTRIAL PRODUCTION ^(l) | | | | | |
| | 104.9 | 104.9 | 105.3 | 105.3 | 2.0% |
| CAPACITY UTILIZATION ^(l) | | | | | |
| | 76.5% | 76.5% | 76.7% | 76.7% | 0.9% points |
| RETAIL SALES ^(d) | | | | | |
| | \$474.5 | \$474.8 | \$476.0 | \$478.9 | 4.2% |
| HOUSING STARTS and SALES | | | | | |
| (Millions Annual Rate) | <u>Apr-17</u> | <u>May-17</u> | <u>Jun-17</u> | <u>Jul-17</u> | <u>% Change From Year Ago</u> |
| Housing Starts ^(d) | 1.154 | 1.129 | 1.213 | 1.155 | -5.6% |
| Existing Home Sales ^(m) | 5.560 | 5.620 | 5.520 | #N/A | #N/A |
| DURABLE GOODS ORDERS ^(p) | | | | | |
| | \$231.0 | \$230.7 | \$245.6 | #N/A | #N/A |
| PERSONAL INCOME ^(c) | | | | | |
| (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% |
| GROSS DOMESTIC PRODUCT | | | | | |
| (Billions of Chained 2009 Dollars) ^(c) | <u>2016.3</u> | <u>2016.4</u> | <u>2017.1</u> | <u>2017.2</u> | <u>Annualized % Chg From Last Qtr</u> |
| | \$16,778.1 | \$16,851.4 | \$16,903.2 | \$17,010.7 | 2.6% |

- (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.