

# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## February 2017 Summary

**U.S. Economy:** The economy continues to grow (although modestly) and most key economic indicators were positive in February. The 2016Q4 real U.S. GDP growth estimate was raised slightly to 2.1 percent – still substantially slower than 2016Q3 growth of 3.5 percent. New durable goods orders rose 5.0 percent from last February. February 2017 industrial production rose 0.3 percent from a year-ago. The capacity utilization rate fell 0.2 of a point from February 2016. Housing starts were up 6.2 percent from last February and existing home sales were up 5.4 percent. Further, retail sales increased 5.7 percent from last February. The Institute for Supply Management (ISM) reported the current expansion has now lasted 93 months. The ISM Production Management Index (PMI) rose 8.0 points from last February. At 57.7, the February 2017 PMI signaled an expanding manufacturing sector for the 11<sup>th</sup> month out of the last 12 months. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 86<sup>th</sup> straight month. Consumer sentiment was up 4.6 points from February 2016 but was down 2.2 points from a month ago.

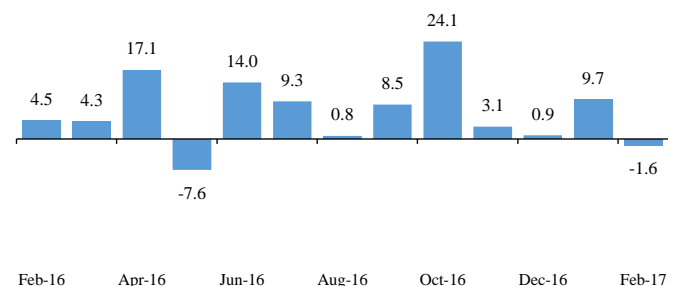
**Employment:** In February 2017, the Michigan unemployment rate rose 0.1 of a percentage point from January to 5.3 percent. The February 2017 Michigan rate was up 0.3 of a percentage point from February 2016. The U.S. rate was down 0.1 of a percentage point from January at 4.7 percent. Between February 2016 and February 2017, Michigan payroll employment gained a net 82,600 jobs (1.9 percent). Michigan payroll employment in February 2017 fell 1,600 jobs compared to January 2017. U.S. payroll employment was up 2.4 million jobs (1.6 percent) in February 2017 compared to a year ago. National payroll employment was up 235,000 jobs from January to February.

**Auto Industry:** In February 2017, U.S. light vehicle sales fell 0.7 percent from last February but totaled a strong annualized 17.5 million units. Between February 2016 and February 2017, the three-month average of Michigan vehicle production rose 1.4 percent while the three-month U.S. average was up 2.4 percent. Between February 2016 and February 2017, Michigan's share of U.S. vehicle production fell 0.9 of a percentage point to 18.3 percent.

**Inflation:** In February 2017, the overall U.S. consumer price index (CPI) rose 2.7 percent from a year ago. The Detroit CPI was up 3.0 percent from last January. The U.S. producer price index was up 2.2 percent from last year. At \$53.47, the February 2017 price of oil per barrel was up \$23.15 (76.4 percent) from February 2016, when the monthly price of oil had fallen to its lowest level in over 12 years.

**Michigan Metro Areas:** Compared to a year ago, February 2017 unemployment rates rose in all of Michigan's 17 major labor markets. Household employment rose in 10 of Michigan's 17 major labor market areas and fell in seven areas.

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



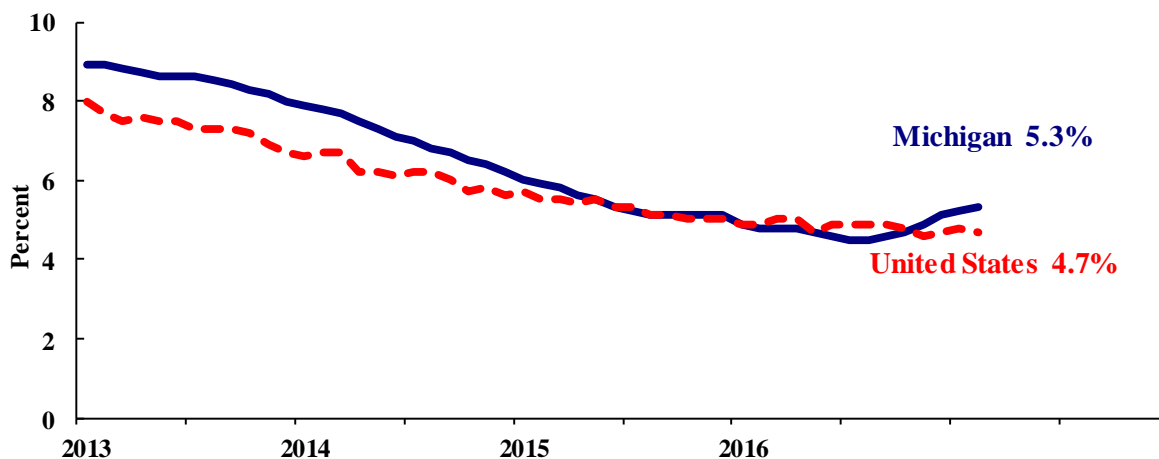
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- In February 2017, the Michigan unemployment rate increased 0.1 of a percentage point to 5.3 percent. The national unemployment rate decreased 0.1 of a percentage point from January to February to 4.7 percent.
- In February 2017, Michigan’s unemployment rate was up 0.3 of a percentage point from a year ago. The February U.S. unemployment rate decreased 0.2 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  
February 2013 to February 2017**



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

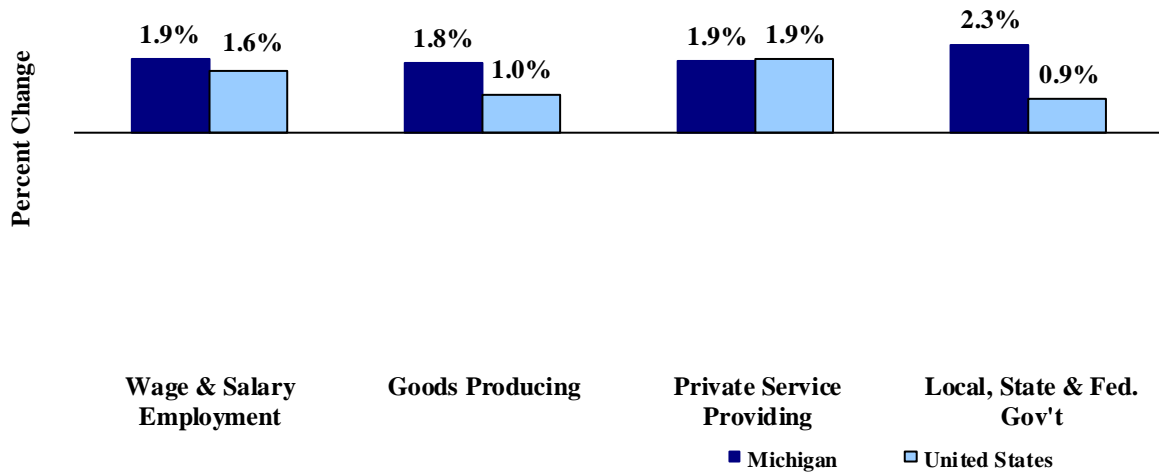
- In February, the total number of people employed in Michigan increased 17,000 to 4,649,000 persons while the labor force rose by 23,000. The statewide total number of unemployed workers rose by 7,000 to 259,000.
- United States employment totaled 152.5 million persons in February 2017. The labor force totaled 160.1 million and there were 7.5 million unemployed in February.

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

	2016 Average	Dec 2017	Jan 2017	Feb 2017	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	4,837	4,862	4,885	4,908	23	0.5%	104	2.2%	
Employed	4,599	4,616	4,632	4,649	17	0.4%	84	1.8%	
Unemployed	238	246	252	259	7	2.8%	21	8.8%	
Unemployment Rate	4.9%	5.1%	5.2%	5.3%	n.a.	0.1% pts	n.a.	0.3% pts	
<b>United States</b>									
Labor Force	159,187	159,640	159,716	160,056	340	0.2%	1,168	0.7%	
Employed	151,436	152,111	152,081	152,528	447	0.3%	1,485	1.0%	
Unemployed	7,751	7,529	7,635	7,528	-107	-1.4%	-317	-4.0%	
Unemployment Rate	4.9%	4.7%	4.8%	4.7%	n.a.	-0.1% pts	n.a.	-0.2% pts	

- From February 2016 to February 2017, Michigan payroll employment increased 82,600 jobs (1.9 percent). State payroll employment fell by 1,600 jobs in February from January. Nationally, February 2017 payroll employment rose 2,350,000 (1.6 percent) from a year ago and was up 235,000 from January.

**Payroll Employment Growth  
February 2016 to February 2017**



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

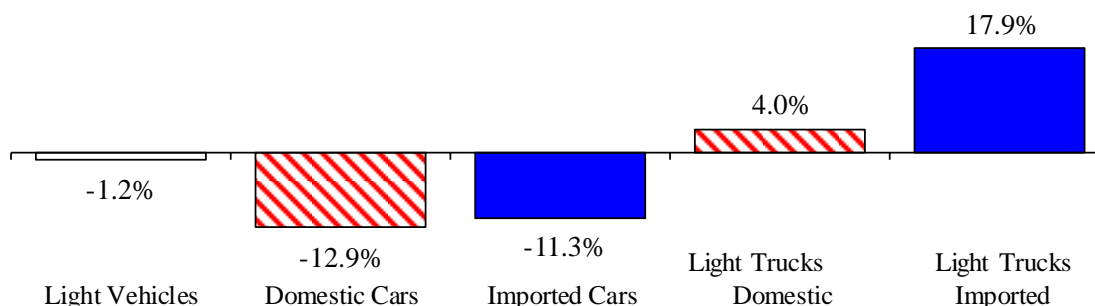
- In the goods-producing sector, Michigan payroll employment increased 1.8 percent in February from a year ago while employment in the private service-providing sector increased 1.9 percent. From a year ago, February national payroll employment rose 1.0 percent in the goods-producing sector and increased 1.9 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 0.9 percent.
- Manufacturing weekly hours in Michigan were up 0.2 of an hour compared to last year.

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

	Michigan				United States			
	2016 Average	Feb 2016	Feb 2017	Percent Change	2016 Average	Feb 2016	Feb 2017	Percent Change
Wage & Salary Employment	4,325.6	4,294.4	4,377.0	1.9%	144,306	143,448	145,798	1.6%
Goods Producing	762.9	757.5	771.3	1.8%	19,736	19,747	19,943	1.0%
Manufacturing	600.2	597.2	599.6	0.4%	12,348	12,375	12,382	0.1%
Private Service Providing	2,962.0	2,941.4	2,996.3	1.9%	102,346	101,571	103,531	1.9%
Trade, Trans. & Utilities	781.6	779.2	778.3	-0.1%	27,233	27,123	27,401	1.0%
Services	1,910.1	1,894.3	1,943.4	2.6%	64,057	63,462	64,968	2.4%
Local, State & Fed. Gov't	600.7	595.5	609.4	2.3%	22,223	22,130	22,324	0.9%
Manufacturing Weekly Hours	42.9	42.8	43.0	0.2 hrs	41.9	41.8	42.0	0.2 hrs

- February 2017 U.S. light vehicle sales were down 0.1 percent from January 2017 and were down 0.7 percent from February 2016. However, at 17.5 million units, February 2017 marked the 36<sup>th</sup> straight month that the light vehicle annualized sales rate exceeded 16.0 million units and the 20<sup>th</sup> month out of the most recent 24 months that the sales rate exceeded 17.0 million units.
- U.S. sales of domestic light vehicles decreased 1.7 percent between February 2016 and February 2017. Foreign sales were up 2.8 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 0.8 of a percentage point to 21.9 percent in February 2017.
- Auto sales decreased 12.4 percent compared to last February, while light truck sales were up 7.3 percent from February 2016. As a result, February 2017 marked the 11<sup>th</sup> straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last 11 months, the light truck sales share exceeded 60.0 percent only once (July 2005). Year-over-year, heavy truck sales declined 10.7 percent in February 2017 -- marking the 11<sup>th</sup> straight year-over-year decline in heavy truck sales.

**Year-to-Date Light Vehicle Sales (Jan-Feb 2017)  
Down from a Year Ago (Jan-Feb 2016)**



**Motor Vehicle Sales Statistics**

(Millions, unless otherwise specified)

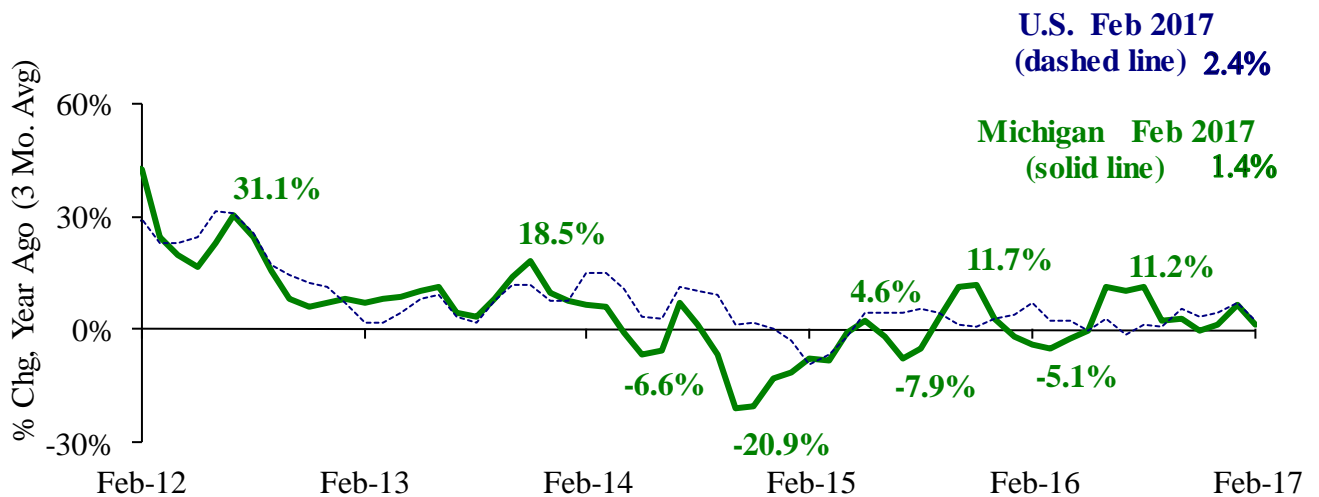
Motor Vehicle Sales <sup>(c)</sup>	2016 <u>Total</u>	Dec <u>2016</u>	Jan <u>2017</u>	Feb <u>2017</u>	3 Month <u>Average</u>	November Change from Year Ago	
						Level	%
Autos	6.9	7.0	6.3	6.3	6.5	(0.9)	-12.4%
Domestics	5.2	5.3	4.7	4.8	4.9	(0.7)	-12.2%
Imports	1.7	1.7	1.6	1.5	1.6	(0.2)	-13.2%
Import Share	24.7%	24.3%	25.0%	24.0%	24.4%	-0.2%	pts
Light Trucks	10.6	11.3	11.2	11.2	11.2	0.8	7.3%
Domestics	8.5	8.9	8.8	8.9	8.9	0.4	5.0%
Imports	2.1	2.4	2.3	2.3	2.3	0.3	16.9%
Import Share	20.0%	21.2%	20.8%	20.7%	20.9%	1.7%	pts
Total Light Vehicles	17.5	18.3	17.5	17.5	17.8	(0.1)	-0.7%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	(0.0)	-10.7%
Total Vehicles	17.9	18.7	17.8	17.9	18.1	(0.2)	-1.0%

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

	2015 <u>Average</u>	Nov-16 <u>Nov-16</u>	Dec-16 <u>Dec-16</u>	Jan-17 <u>Jan-17</u>	3 Month <u>Average</u>	Change from Year Ago	
						Level	%
Inventories	\$208.8	\$214.5	\$213.1	\$218.2	\$215.3	\$18.9	9.5%
Inventory/Sales Ratio	2.23	2.23	2.15	2.23	2.20	0.06	

- At 180,747 units, February 2017 Michigan motor vehicle production was down 11.0 percent from February 2016. National production decreased 6.6 percent from last February. The three-month average of vehicle production (December 2016-February 2017) was up 1.4 percent in Michigan and up 2.4 percent nationally, compared to a year ago.
- In February 2017, Michigan car production was down 17.2 percent from a year ago while State truck production fell 7.8 percent. Nationally, car production decreased 17.4 percent while U.S. truck production was down 1.0 percent.
- Michigan’s share of national vehicle production fell 0.9 of a percentage point in February 2017 from the year-ago level to 18.3 percent. Michigan’s share of car production rose 0.1 of a percentage point while the State’s share of truck production was down 1.3 percentage points.

**Michigan and National Vehicle Production  
Trend Growth Slows**



**Motor Vehicle Production Statistics**

(Thousands, unless otherwise specified)

	2016 Monthly <u>Average</u>	Dec <u>2016</u>	Jan <u>2017</u>	Feb <u>2017</u>	3 Month <u>Average</u>	Change from Year Ago for January	
						<u>Level</u>	<u>%</u>
<b>U.S. Production <sup>(e)</sup></b>							
Autos	346.4	288.7	310.5	299.7	299.6	(63.3)	-17.4%
Trucks	678.9	609.5	656.0	686.7	650.7	(7.0)	-1.0%
Total	1,025.3	898.2	966.5	986.4	950.4	(70.3)	-6.6%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	70.3	55.4	64.9	56.8	59.0	(11.8)	-17.2%
Trucks	128.7	109.5	122.2	124.0	118.6	(10.5)	-7.8%
Total	199.0	164.9	187.1	180.7	177.6	(22.3)	-11.0%
Michigan as % of U.S.	19.4%	18.4%	19.4%	18.3%	18.7%	-0.9%	pts

In February 2017, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 3.5 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 11.1 percent in the Northeast Lower Michigan region. The February 2017 median unemployment rate was 5.8 percent, which is up 0.6 of a percentage point from last February’s 5.2 percent median rate.

Compared to a year ago, the February 2017 unemployment rate rose in all of Michigan’s 17 labor market areas. The median rate increase was 0.6 of a percentage point. The Northeast Lower Michigan region reported the largest rate increase of 1.4 percentage points, followed by the Upper Peninsula region that reported a 1.0 percentage point increase.

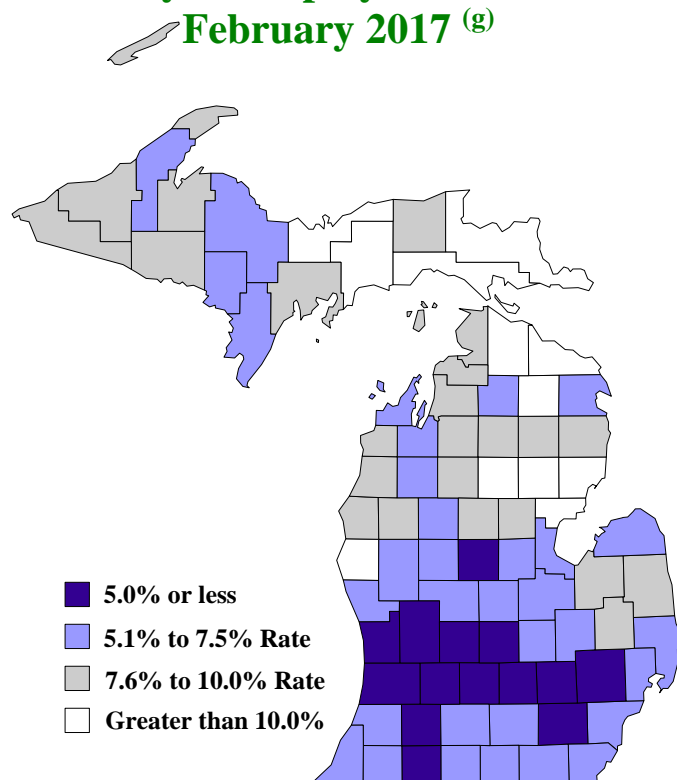
Between February 2016 and February 2017, household employment rose in 10 of Michigan’s 17 labor market areas and decreased in seven areas. The median employment increase was 1.4 percent. The Grand Rapids MSA reported the largest year-over-year employment increase at 2.0 percent, followed by the Kalamazoo-Portage MSA with a 1.9 percent increase. The Saginaw MSA reported the largest employment decrease of 1.1 percent, followed by the Midland MSA with a 1.0 percent decline. The labor force rose in 15 of the 17 Michigan labor market areas. The Northeast Lower Michigan area reported the largest percent increase in labor force at 2.6 percent, followed by the Detroit-Warren-Dearborn MSA at 2.5 percent. The two area labor force declines were slight with the Saginaw MSA recording a 0.3 percent decline and the Midland MSA reporting a 0.2 percent decrease.

Between February 2016 and February 2017, the unemployment rate rose in 82 of Michigan’s 83 counties and fell in one county. The median February 2017 rate increase was 0.7 of a percentage point. Cheboygan County reported the largest unemployment rate increase at 3.4 percentage points, followed by Mackinac County with a 3.0 percentage points increase. In February 2017, the unemployment rate was below 5.0 percent in 14 of Michigan’s 83 counties compared with 21 counties with rates below 5.0 percent in February 2016.

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

<u>Local Area</u>	<u>Feb-16</u>	<u>Jan-17</u>	<u>Feb-17</u>
Michigan	5.1%	5.7%	5.7%
Ann Arbor	3.1%	3.4%	3.5%
Battle Creek	4.8%	5.1%	5.3%
Bay City	5.8%	6.3%	6.7%
Detroit-Warren-Dearborn	5.2%	6.2%	5.9%
Flint	5.8%	6.2%	6.4%
Grand Rapids-Wyoming	3.5%	3.7%	3.7%
Jackson	4.9%	5.4%	5.4%
Kalamazoo-Portage	4.4%	4.8%	4.8%
Lansing-East Lansing	3.9%	4.3%	4.3%
Midland	5.0%	5.4%	5.6%
Monroe	4.6%	4.9%	5.5%
Muskegon	5.4%	5.8%	5.9%
Niles-Benton Harbor	5.2%	5.7%	5.8%
Saginaw	5.6%	6.0%	6.4%
Upper Peninsula	7.5%	8.0%	8.5%
Northeast Lower Mich	9.7%	10.2%	11.1%
Northwest Lower Mich.	6.9%	7.0%	7.5%

**County Unemployment Rates  
February 2017 <sup>(g)</sup>**



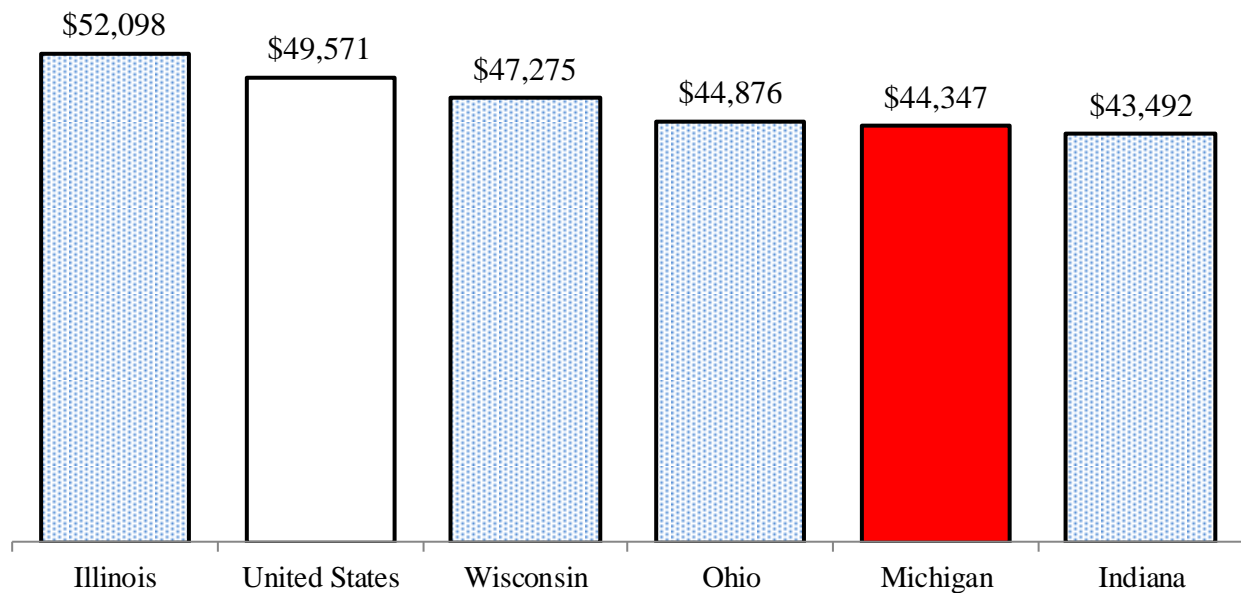
**Note:** Local unemployment data are **not** adjusted to remove the effects of seasonal or other regular patterns. Thus, the local unemployment data may not be compared with the seasonally adjusted unemployment data reported on page 2. Further, changes from one month to the next should be interpreted with great caution.



On March 28, 2017, the Bureau of Economic Analysis released initial annual state personal income estimates for 2016. Below are highlights from the release:

- In 2016, nominal Michigan personal income rose 3.6 percent – marking the seventh straight year that the State’s personal income grew. Michigan’s 2016 personal income growth slowed from 4.6 percent in 2015. Nationally, U.S. personal income also rose 3.6 percent in 2016 – slowing from 4.5 percent growth in 2015.
- With the Detroit CPI rising 1.6 percent in 2016, real (inflation adjusted) Michigan personal income rose 2.0 percent in 2016 after rising 6.1 percent in 2015. Nationally, real personal income grew 2.3 percent in 2016 after rising 4.4 percent in 2015.
- Between 2015 and 2016, Michigan income per person grew 3.5 percent – the 10<sup>th</sup> fastest 2015-2016 income per person growth among all states. Nationally, income per person rose 2.9 percent in 2016. Real Michigan income per person increased 1.9 percent in 2016. Nationally, real income per person rose 1.6 percent.
- Among the five Great Lakes states, Michigan income per person (\$44,347) ranked fourth in 2016, ahead of Indiana. Michigan has ranked fourth in the Great Lakes region in nine of the most recent 11 years. In 2009 and 2012, Michigan ranked fifth among Great Lakes states. Michigan’s 2016 income per person placed 30<sup>th</sup> among the 50 states.
- In 2016, Michigan’s per person income as a percent of the national average rose to 89.5 percent, the State’s highest percent of national income since 2005. Compared to ten years ago, 2016 Michigan per person income as a percent of the national average was up 1.3 percentage points.

**Michigan 2016 Income Per Person Ranks  
4<sup>th</sup> Among Great Lakes States**



	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	93.8	98.2	98.5	96.3	4.6 points
ISM Manufacturing Index <sup>(i)</sup>	53.5	54.5	56.0	57.7	8.0 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.2	56.6	56.5	57.6	3.3 points
	<u>2016.1</u>	<u>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	
Business Executives' Confidence <sup>(j)</sup>	47.0	52.0	50.0	65.0	20.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100 (CPI)</b>	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>	<u>Change from Year Ago</u>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	241.4	241.4	242.8	243.6	2.7%
Detroit CPI	NA	223.0	NA	225.0	3.0%
U.S. Producer Price Index	110.8	110.9	111.5	112.0	2.2%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.45%	0.51%	0.51%	0.52%	0.21% points
10 Year Treasury Securities <sup>(l)</sup>	2.14%	2.49%	2.43%	2.42%	0.64% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	104.1	104.8	104.7	104.7	0.3%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	75.2%	75.6%	75.5%	75.4%	-0.2% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$466.0	\$470.6	\$473.6	\$474.0	5.7%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	1.149	1.275	1.251	1.288	6.2%
Existing Home Sales <sup>(m)</sup>	5.600	5.510	5.690	5.480	5.4%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$228.2	\$226.2	\$231.5	\$235.4	5.0%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2016.1</u>	<u>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	<u>% Change From Year Ago</u>
Michigan	\$433.0	\$438.4	\$442.8	\$447.0	3.2%
U.S.	\$15,747.8	\$15,936.3	\$16,117.1	\$16,269.9	3.7%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2009 Dollars) <sup>(c)</sup>	<u>2016.1</u>	<u>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,525.0	\$16,583.1	\$16,727.0	\$16,813.3	2.1%



- (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.