

MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

January 2017 Summary

U.S. Economy: In 2016Q4, real U.S. GDP growth slowed to 1.9 percent. New durable goods orders fell 0.6 percent from last January. January 2017 industrial production was unchanged from a year-ago. The capacity utilization rate fell 0.4 of a point from January 2016. However, housing starts were up 10.5 percent from last January and existing home sales were up 3.8 percent. Further, retail sales increased 5.6 percent from last January. The Institute for Supply Management (ISM) reported the current expansion has now lasted 92 months. The ISM Production Management Index (PMI) rose 7.8 points from last January. At 56.0, the January 2017 PMI signaled an expanding manufacturing sector for the 10th month out of the last 11 months. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 85th straight month. Consumer sentiment was up 6.5 points from January 2016 and was up 0.3 of a point from a month ago.

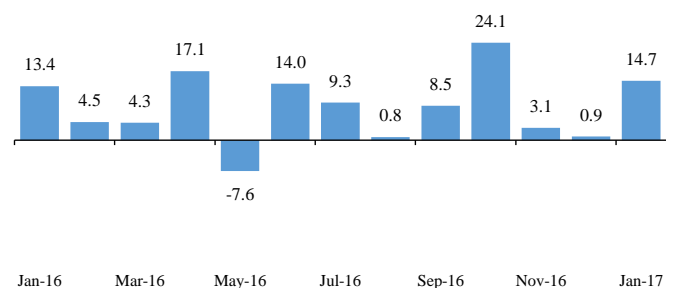
Employment: In January 2017, the Michigan unemployment rate rose 0.1 of a percentage point from December to 5.2 percent. The January 2017 Michigan rate was up 0.2 of a percentage point from January 2016. The U.S. rate was up 0.1 of a percentage point from December at 4.8 percent. Between January 2016 and January 2017, Michigan payroll employment gained a net 93,700 jobs (2.2 percent). Michigan payroll employment in January 2017 rose 14,700 jobs compared to December 2016. U.S. payroll employment was up 2.3 million jobs (1.6 percent) in January 2017 compared to a year ago. National payroll employment was up 238,000 jobs from December to January.

Auto Industry: In January 2017, U.S. light vehicle sales fell 1.6 percent from last January but totaled a strong annualized 17.5 million units. Between January 2016 and January 2017, the three-month average of Michigan vehicle production rose 6.4 percent while the three-month U.S. average was up 7.0 percent. Between January 2016 and January 2017, Michigan's share of U.S. vehicle production rose 1.1 percentage points to 19.4 percent.

Inflation: In January 2017, the overall U.S. consumer price index (CPI) rose 2.5 percent from a year ago. The core US CPI (excluding food and energy) was up 2.3 percent from last January. The U.S. producer price index was up 1.6 percent from last year. At \$52.50, the January 2017 price of oil per barrel was up \$20.82 (65.7 percent) from January 2016.

Michigan Metro Areas: Compared to a year ago, January 2017 unemployment rates rose in 16 of Michigan's 17 major labor markets. Household employment rose in 16 of Michigan's 17 major labor market areas.

**Michigan Payroll Employment
Up in January**
(change from previous month, thousands of jobs) ^(a)



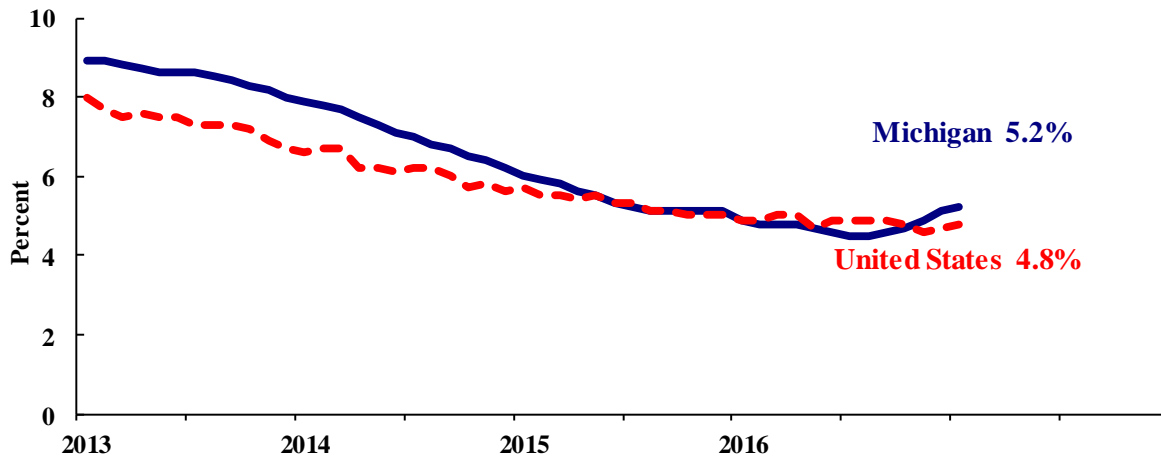
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- In January 2017, the Michigan unemployment rate increased 0.1 of a percentage point to 5.2 percent. The national unemployment rate increased 0.1 of a percentage point from December to January to 4.8 percent.
- In January 2017, Michigan’s unemployment rate was up 0.2 of a percentage point from a year ago. The January U.S. unemployment rate decreased 0.1 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
January 2013 to January 2017**



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

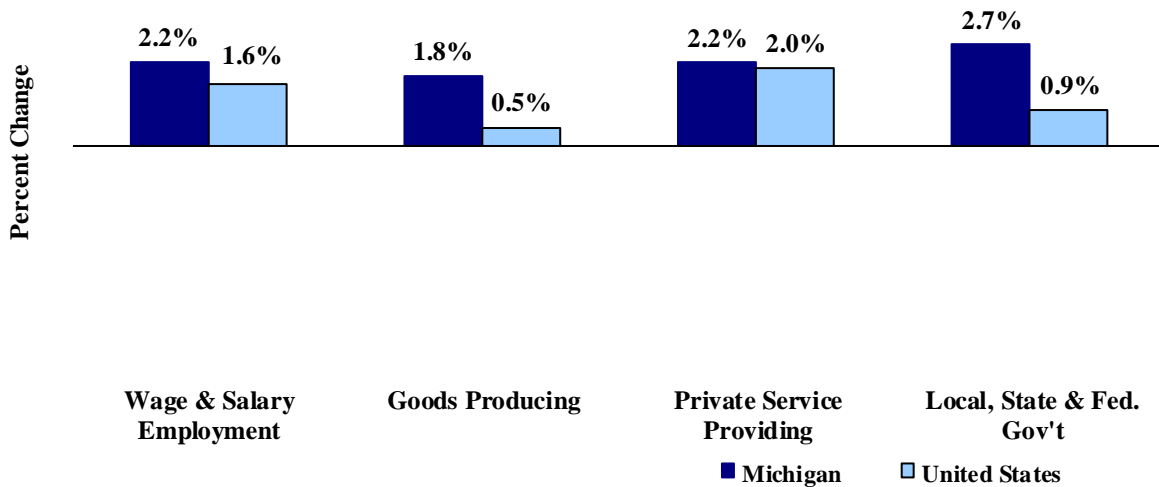
- In January, the total number of people employed in Michigan increased 18,000 to 4,634,000 persons while the labor force rose by 24,000. The statewide total number of unemployed workers rose by 6,000 to 252,000.
- United States employment totaled 152.1 million persons in January 2017. The labor force totaled 159.7 million and there were 7.6 million unemployed in January.

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

	2016 Average	Nov 2016	Dec 2016	Jan 2017	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,837	4,858	4,862	4,886	24	0.5%	89	1.9%
Employed	4,599	4,613	4,616	4,634	18	0.4%	77	1.7%
Unemployed	238	245	246	252	6	2.4%	12	5.0%
Unemployment Rate	4.9%	5.1%	5.1%	5.2%	n.a.	0.1% pts	n.a.	0.2% pts
United States								
Labor Force	159,187	159,456	159,640	159,716	76	0.0%	1,354	0.9%
Employed	151,436	152,048	152,111	152,081	-30	0.0%	1,548	1.0%
Unemployed	7,751	7,409	7,529	7,635	106	1.4%	-194	-2.5%
Unemployment Rate	4.9%	4.6%	4.7%	4.8%	n.a.	0.1% pts	n.a.	-0.1% pts

- From January 2016 to January 2017, Michigan payroll employment increased 93,700 jobs (2.2 percent). State payroll employment rose by 14,700 jobs in January from December. Nationally, January 2017 payroll employment rose 2,352,000 (1.6 percent) from a year ago and was up 238,000 from December.

**Payroll Employment Growth
January 2016 to January 2017**



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

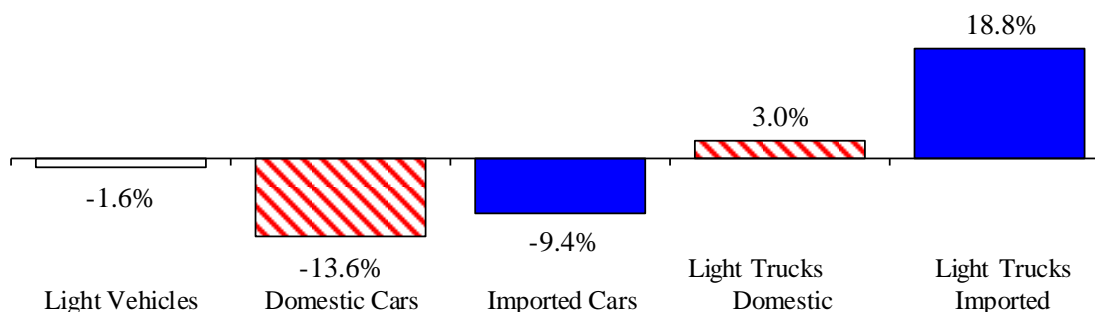
- In the goods-producing sector, Michigan payroll employment increased 1.8 percent in January from a year ago while employment in the private service-providing sector increased 2.2 percent. From a year ago, January national payroll employment rose 0.5 percent in the goods-producing sector and increased 2.0 percent in the private service-providing sector. Government employment was up 2.7 percent from a year ago in Michigan. Nationwide, government employment was up 0.9 percent.
- Manufacturing weekly hours in Michigan were down 0.5 of an hour compared to last year.

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

	Michigan				United States			
	2016 Average	Jan 2016	Jan 2017	Percent Change	2016 Average	Jan 2016	Jan 2017	Percent Change
Wage & Salary Employment	4,325.6	4,289.9	4,383.6	2.2%	144,306	143,211	145,563	1.6%
Goods Producing	762.9	758.1	772.0	1.8%	19,736	19,754	19,848	0.5%
Manufacturing	600.2	598.4	603.6	0.9%	12,348	12,387	12,354	-0.3%
Private Service Providing	2,962.0	2,936.9	3,000.9	2.2%	102,346	101,343	103,399	2.0%
Trade, Trans. & Utilities	781.6	778.0	781.6	0.5%	27,233	27,072	27,409	1.2%
Services	1,910.1	1,891.7	1,943.1	2.7%	64,057	63,301	64,835	2.4%
Local, State & Fed. Gov't	600.7	594.9	610.7	2.7%	22,223	22,114	22,316	0.9%
Manufacturing Weekly Hours	42.9	43.5	43.0	-0.5 hrs	41.9	41.9	41.9	0.0 hrs

- January 2017 U.S. light vehicle sales were down 4.6 percent from December 2016 and were down 1.6 percent from January 2016. However, at 17.5 million units, January 2017 marked the 35th straight month that the light vehicle annualized sales rate exceeded 16.0 million units and the 19th month out of the most recent 23 months that the sales rate exceeded 17.0 million units.
- U.S. sales of domestic light vehicles decreased 3.4 percent between January 2016 and January 2017. Foreign sales were up 5.5 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 1.5 percentage points to 22.3 percent in January 2017.
- Auto sales decreased 12.6 percent compared to last January, while light truck sales were up 6.0 percent from January 2016. As a result, January 2017 marked the 10th straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last ten months, the light truck sales share exceeded 60.0 percent only once (July 2005). Year-over-year, heavy truck sales declined 20.7 percent in January 2017.

**January 2017 Light Vehicle Sales
Down Slightly from January 2016**



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

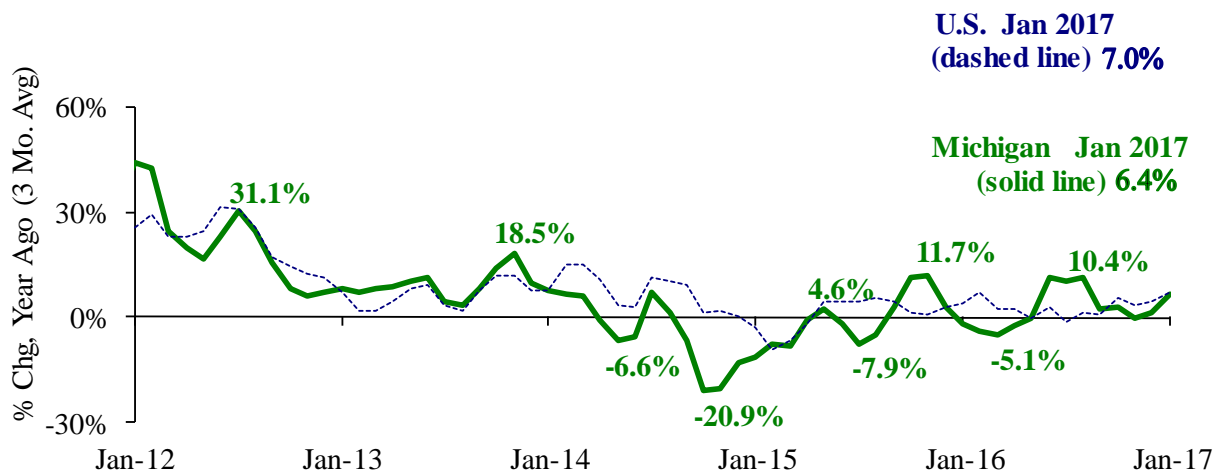
Motor Vehicle Sales ^(c)	2016 Total	Nov 2016	Dec 2016	Jan 2017	3 Month Average	November Change from Year Ago	
						Level	%
Autos	6.9	6.9	7.0	6.3	6.7	(0.9)	-12.6%
Domestics	5.2	5.2	5.3	4.7	5.1	(0.7)	-13.6%
Imports	1.7	1.7	1.7	1.6	1.6	(0.2)	-9.4%
Import Share	24.8%	24.1%	24.3%	25.0%	24.4%	0.9% pts	
Light Trucks	10.6	10.9	11.3	11.2	11.1	0.6	6.0%
Domestics	8.5	8.6	8.9	8.8	8.8	0.3	3.0%
Imports	2.1	2.2	2.4	2.3	2.3	0.4	18.8%
Import Share	20.1%	20.4%	21.2%	20.8%	20.8%	2.2% pts	
Total Light Vehicles	17.5	17.7	18.3	17.5	17.8	(0.3)	-1.6%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	(0.1)	-20.7%
Total Vehicles	17.9	18.1	18.7	17.8	18.2	(0.4)	-2.1%

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

(billions of dollars)	2015 Average	Oct-16	Nov-16	Dec-16	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$190.4	\$211.1	\$214.5	\$213.3	\$213.0	\$15.8	8.0%
Inventory/Sales Ratio	2.10	2.19	2.23	2.15	2.19	0.03	

- At 187,121 units, January 2017 Michigan motor vehicle production was up 14.3 percent from January 2016. National production increased 7.6 percent from last January. The three-month average of vehicle production (November 2016-January 2017) was up 6.4 percent in Michigan and up 7.0 percent nationally, compared to a year ago.
- In January 2017, Michigan car production was up 0.8 percent from a year ago while State truck production rose 23.0 percent. Nationally, car production decreased 4.4 percent while U.S. truck production was up 14.4 percent.
- Michigan’s share of national vehicle production rose 1.1 percentage points in January 2017 from the year-ago level to 19.4 percent. Michigan’s share of car production rose 1.1 percentage points while the State’s share of truck production was up 1.3 percentage points.

Michigan Vehicle Production Trends Upward



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2016 Monthly Average	Nov 2016	Dec 2016	Jan 2017	3 Month Average	Change from Year Ago for January	
						Level	%
U.S. Production ^(e)							
Autos	346.4	336.4	288.7	310.5	311.9	(14.2)	-4.4%
Trucks	678.9	647.7	609.5	656.0	637.7	82.6	14.4%
Total	1,025.3	984.2	898.2	966.5	949.6	68.4	7.6%
Michigan Production ^(f)							
Autos	70.3	72.1	55.4	64.9	64.2	0.5	0.8%
Trucks	128.7	112.6	109.5	122.2	114.8	22.8	23.0%
Total	199.0	184.8	164.9	187.1	178.9	23.4	14.3%
Michigan as % of U.S.	19.4%	18.8%	18.4%	19.4%	18.8%	1.1% pts	

In January 2017, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 3.4 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 10.1 percent in the Northeast Lower Michigan region. The January 2017 median unemployment rate was 5.7 percent, which is up 0.6 of a percentage point from last January’s 5.1 percent median rate.

Compared to a year ago, the January 2017 unemployment rate rose in 16 of Michigan’s 17 labor market areas. The median rate increase was 0.5 of a percentage point. The unemployment rate in Lansing-East Lansing MSA was unchanged from last January. The Northeast Lower Michigan region reported the largest rate increase of 1.1 percentage points, followed by the Detroit-Warren-Dearborn MSA and the Upper Peninsula region that each reported a 0.8 of a percentage point increase.

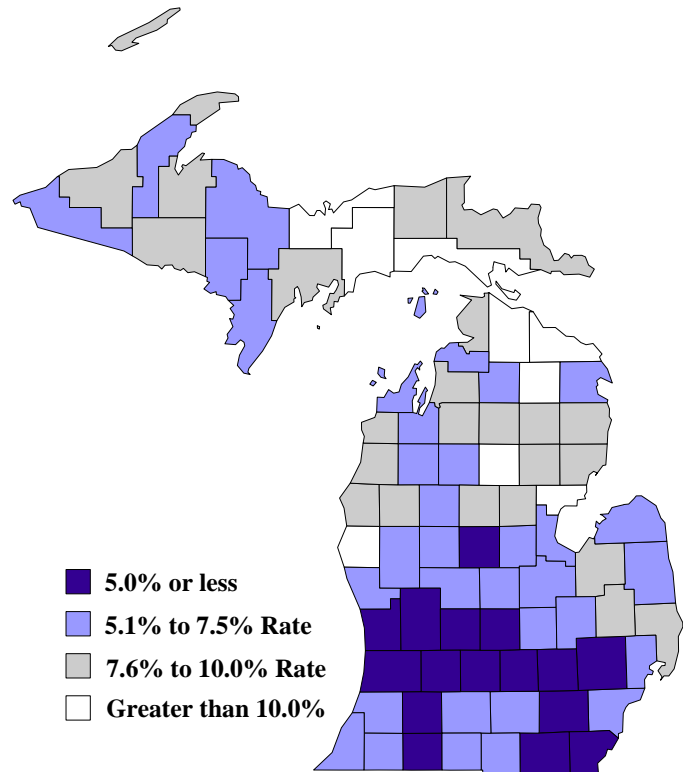
Between January 2016 and January 2017, household employment rose in 16 of Michigan’s 17 labor market areas and decreased in one area. The median employment increase was 1.4 percent. The Kalamazoo-Portage MSA reported the largest year-over-year employment increase at 3.1 percent, followed by the Grand Rapids-Wyoming MSA and Lansing-East Lansing MSA each with a 2.9 percent decrease. The Midland MSA reported the one employment decrease of 0.3 percent. The labor force rose in all 17 Michigan labor market areas. The Kalamazoo-Portage MSA reported the largest percent increase in labor force at 3.6 percent, followed by the Grand Rapids-Wyoming MSA at 3.2 percent.

Between January 2016 and January 2017, the unemployment rate rose in 76 of Michigan’s 83 counties, fell in three counties and was unchanged in four counties. The median January 2017 rate increase was 0.6 of a percentage point. Cheboygan County reported the largest unemployment rate increase at 2.7 percentage points, followed by Mackinac County with a 2.4 percentage points increase. In January 2017, the unemployment rate was below 5.0 percent in 14 of Michigan’s 83 counties compared with 22 counties with rates below 5.0 percent in January 2016.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jan 2016 Rate</u>	<u>Dec 2016 Rate</u>	<u>Jan 2017 Rate</u>
Michigan	5.1%	4.5%	5.7%
Ann Arbor	3.1%	2.7%	3.4%
Battle Creek	4.7%	4.2%	5.1%
Bay City	5.7%	4.9%	6.3%
Detroit-Warren-Dearborn	5.4%	4.8%	6.2%
Flint	5.9%	5.0%	6.2%
Grand Rapids-Wyoming	3.4%	3.0%	3.7%
Jackson	4.9%	4.2%	5.3%
Kalamazoo-Portage	4.3%	3.9%	4.8%
Lansing-East Lansing	4.3%	3.3%	4.3%
Midland	4.9%	4.2%	5.4%
Monroe	4.4%	3.5%	4.6%
Muskegon	5.2%	4.7%	5.8%
Niles-Benton Harbor	5.1%	4.6%	5.7%
Saginaw	5.5%	4.6%	6.0%
Upper Peninsula	7.1%	6.6%	7.9%
Northeast Lower Mich	9.0%	8.2%	10.1%
Northwest Lower Mich.	6.4%	5.5%	7.0%

**County Unemployment Rates
January 2017^(g)**



	<u>Oct-16</u>	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	87.2	93.8	98.2	98.5	6.5 points
ISM Manufacturing Index ⁽ⁱ⁾	52.0	53.5	54.5	56.0	7.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	54.6	56.2	56.6	56.5	3.0 points
	<u>2016.1</u>	<u>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	
Business Executives' Confidence ^(j)	47.0	52.0	50.0	65.0	20.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Oct-16</u>	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	241.7	241.4	241.4	242.8	2.5%
Detroit CPI	224.3	NA	223.0	NA	2.4%
U.S. Producer Price Index	110.7	110.8	110.9	111.5	1.6%
INTEREST RATES					
90 Day T-Bill ^(l)	0.33%	0.45%	0.51%	0.51%	0.25% points
10 Year Treasury Securities ^(l)	1.76%	2.14%	2.49%	2.43%	0.34% points
INDUSTRIAL PRODUCTION ^(l)					
	104.4	104.2	104.8	104.6	0.0%
CAPACITY UTILIZATION ^(l)					
	75.5%	75.2%	75.6%	75.3%	-0.4% points
RETAIL SALES ^(d)					
	\$465.3	\$466.0	\$470.5	\$472.1	5.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Oct-16</u>	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.320	1.149	1.279	1.246	10.5%
Existing Home Sales ^(m)	5.530	5.600	5.510	5.690	3.8%
DURABLE GOODS ORDERS ^(p)					
	\$239.5	\$228.2	\$226.3	\$230.4	-0.6%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2015.4</u>	<u>2016.1</u>	<u>2016.2</u>	<u>2016.3</u>	<u>% Change From Year Ago</u>
Michigan	\$433.1	\$433.1	\$438.2	\$443.4	3.9%
U.S.	\$15,694.3	\$15,742.4	\$15,931.6	\$16,109.2	3.5%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<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	\$16,804.1	1.9%

- (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.