

# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

## March 2017 Summary

**U.S. Economy:** The economy continues to grow (although modestly) and most key economic indicators were positive in March. Consumption growth -- slowed by warmer weather and delayed tax refunds -- and seasonal adjustment measurement difficulties depressed first quarter real GDP growth to a 0.7 percent annual rate. However, the Institute for Supply Management (ISM) reported the current expansion has now lasted 94 months. The ISM Production Management Index (PMI) rose 5.5 points from last March. At 57.2, the March 2017 PMI signaled an expanding manufacturing sector for the 12<sup>th</sup> month out of the last 13 months. The ISM non-manufacturing index (NMI) signaled service sector expansion for the 87<sup>th</sup> straight month. Consumer sentiment was up 5.9 points from March 2016. New durable goods orders rose 4.5 percent from last March. March 2017 industrial production rose 1.5 percent from a year-ago – the third monthly increase in the past four months that follows 18 months of y-o-y declines. The capacity utilization rate rose 0.7 of a point from March 2016. Housing starts were up a strong 9.2 percent from last March and existing home sales were up 5.9 percent. Further, retail sales increased 5.2 percent from last March.

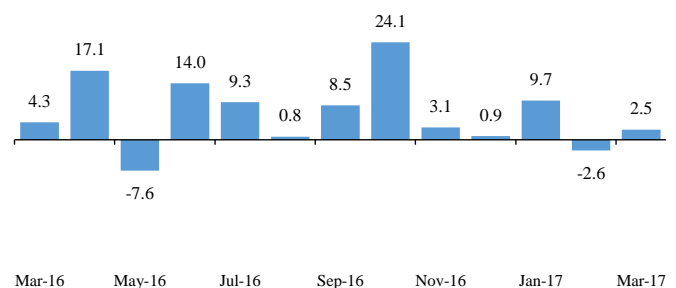
**Employment:** In March 2017, the Michigan unemployment rate fell 0.2 of a percentage point from February to 5.1 percent. The March 2017 Michigan rate was up 0.2 of a percentage point from March 2016. The U.S. rate was down 0.2 of a percentage point from February at 4.5 percent. Between March 2016 and March 2017, Michigan payroll employment gained a net 79,800 jobs (1.9 percent). Michigan payroll employment in March 2017 rose 2,500 jobs compared to February 2017. U.S. payroll employment was up 2.2 million jobs (1.5 percent) in March 2017 compared to a year ago. National payroll employment was up 98,000 jobs from February to March.

**Auto Industry:** In March 2017, U.S. light vehicle sales fell 0.3 percent from last March and totaled annualized sales of 16.5 million units. Between March 2016 and March 2017, the three-month average of Michigan vehicle production rose 0.6 percent while the three-month U.S. average was up 1.1 percent. Between March 2016 and March 2017, Michigan's share of U.S. vehicle production fell 0.4 of a percentage point to 18.3 percent.

**Inflation:** In March 2017, the overall U.S. consumer price index (CPI) rose 2.4 percent from a year ago. Excluding food and energy, prices were up 2.0 percent from last March. The U.S. producer price index was up 2.3 percent from last year. At \$49.33, the March 2017 price of oil per barrel was up \$11.78 (31.4 percent) from March 2016

**Michigan Metro Areas:** Compared to a year ago, March 2017 unemployment rates fell in all of Michigan's 17 major labor markets. Household employment rose in 11 Michigan major labor markets, fell in five areas and was unchanged in one area.

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



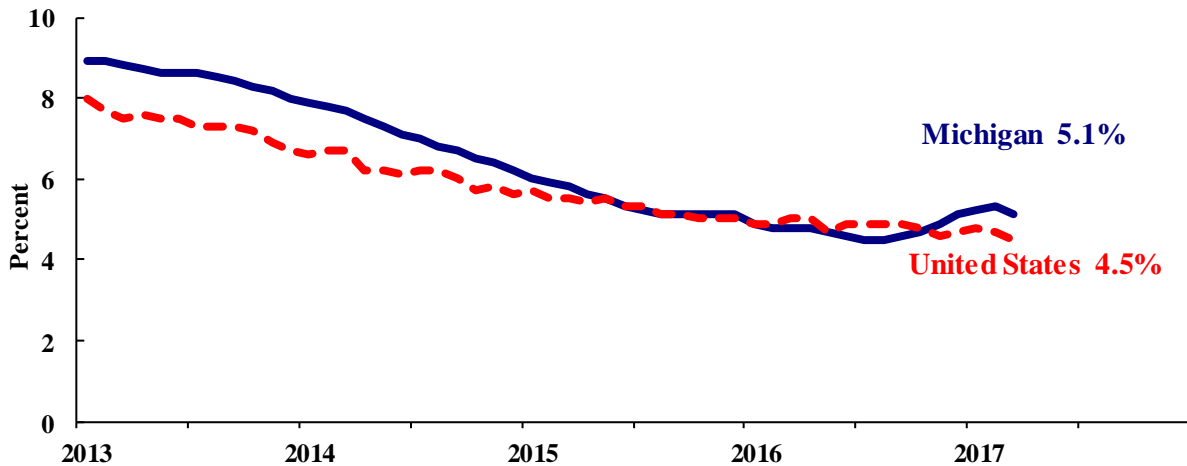
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- In March 2017, the Michigan unemployment rate decreased 0.2 of a percentage point to 5.1 percent. The national unemployment rate decreased 0.2 of a percentage point from February to March to 4.5 percent.
- In March 2017, Michigan’s unemployment rate was up 0.2 of a percentage point from a year ago. The March U.S. unemployment rate decreased 0.5 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  
March 2013 to March 2017**



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

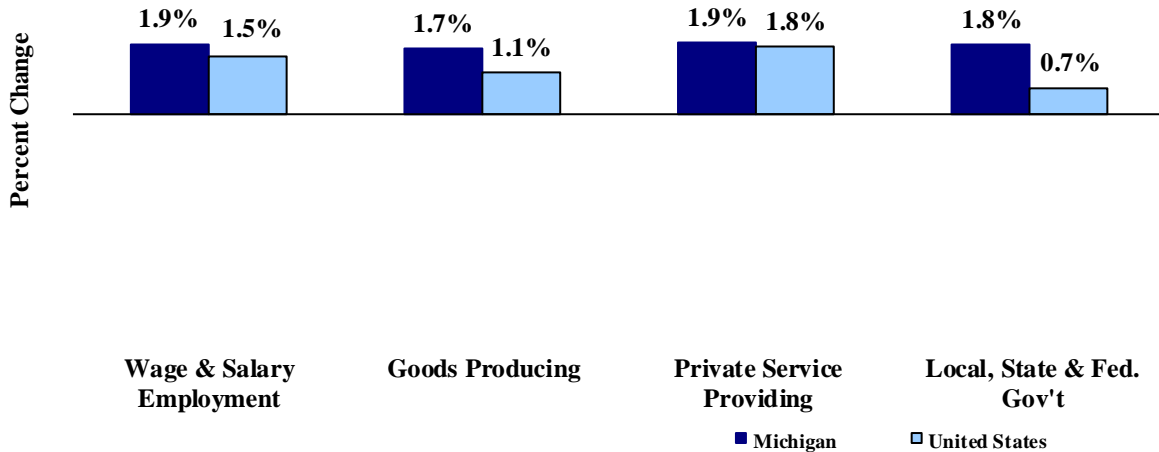
- In March, the total number of people employed in Michigan increased 17,000 to 4,666,000 persons while the labor force rose by 6,000. The statewide total number of unemployed workers fell by 11,000 to 248,000.
- United States employment totaled 153.0 million persons in March 2017. The labor force totaled 160.2 million and there were 7.2 million unemployed in March.

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

	2016 Average	Jan 2017	Feb 2017	Mar 2017	Change From				Three Month Average
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	4,837	4,885	4,908	4,914	6	0.1%	107	2.2%	4,902
Employed	4,599	4,632	4,649	4,666	17	0.4%	95	2.1%	4,649
Unemployed	238	252	259	248	-11	-4.2%	12	5.1%	253
Unemployment Rate	4.9%	5.2%	5.3%	5.1%	n.a.	-0.2% pts	n.a.	0.2% pts	5.2%
<b>United States</b>									
Labor Force	159,187	159,716	160,056	160,201	145	0.1%	923	0.6%	159,991
Employed	151,436	152,081	152,528	153,000	472	0.3%	1,699	1.1%	152,536
Unemployed	7,751	7,635	7,528	7,202	-326	-4.3%	-775	-9.7%	7,455
Unemployment Rate	4.9%	4.8%	4.7%	4.5%	n.a.	-0.2% pts	n.a.	-0.5% pts	4.7%

- From March 2016 to March 2017, Michigan payroll employment increased 79,800 jobs (1.9 percent). State payroll employment rose by 2,500 jobs in March from February. Nationally, March 2017 payroll employment rose 2,185,000 (1.5 percent) from a year ago and was up 98,000 from February.

**Payroll Employment Growth  
March 2016 to March 2017**



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

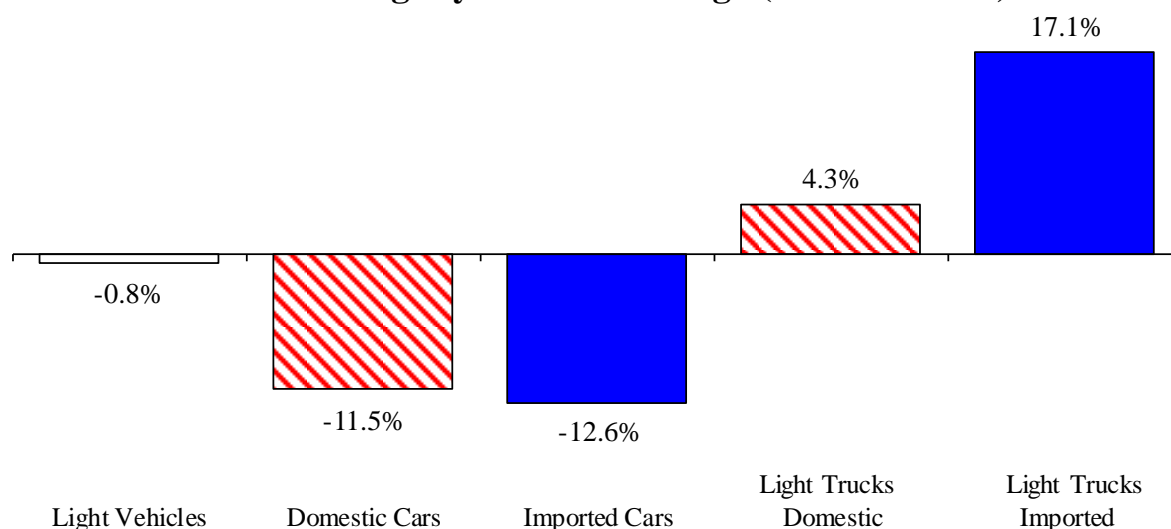
- In the goods-producing sector, Michigan payroll employment increased 1.7 percent in March from a year ago while employment in the private service-providing sector increased 1.9 percent. From a year ago, March national payroll employment rose 1.1 percent in the goods-producing sector and increased 1.8 percent in the private service-providing sector. Government employment was up 1.8 percent from a year ago in Michigan. Nationwide, government employment was up 0.7 percent.
- Manufacturing weekly hours in Michigan were up 0.5 of an hour compared to last year.

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

	Michigan				United States			
	2016 Average	Mar 2016	Mar 2017	Percent Change	2016 Average	Mar 2016	Mar 2017	Percent Change
Wage & Salary Employment	4,325.6	4,298.7	4,378.5	1.9%	144,306	143,673	145,858	1.5%
Goods Producing	762.9	758.8	772.0	1.7%	19,736	19,752	19,969	1.1%
Manufacturing	600.2	597.6	600.9	0.6%	12,348	12,355	12,392	0.3%
Private Service Providing	2,962.0	2,942.2	2,997.8	1.9%	102,346	101,755	103,571	1.8%
Trade, Trans. & Utilities	781.6	779.8	783.5	0.5%	27,233	27,167	27,359	0.7%
Services	1,910.1	1,894.1	1,938.2	2.3%	64,057	63,578	65,056	2.3%
Local, State & Fed. Gov't	600.7	597.7	608.7	1.8%	22,223	22,166	22,318	0.7%
Manufacturing Weekly Hours	42.9	43.0	43.5	0.5 hrs	41.9	41.7	41.8	0.1 hrs

- March 2017 U.S. light vehicle sales were down 5.5 percent from February 2017 and were down 0.3 percent from March 2016. March 2017 marked the 37<sup>th</sup> straight month that the light vehicle annualized sales rate exceeded 16.0 million units. However, at 16.5 million units, March 2017 marked the first month that annualized sales were below 17.0 million units since August 2016.
- U.S. sales of domestic light vehicles decreased 0.6 percent between March 2016 and March 2017. Foreign sales were up 0.8 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 21.5 percent in March 2017.
- Auto sales decreased 10.4 percent compared to last March, while light truck sales were up 6.7 percent from March 2016. As a result, March 2017 marked the 12<sup>th</sup> straight month in which the light truck share of total sales exceeded 60.0 percent. Prior to the last 12 months, the light truck sales share exceeded 60.0 percent only once (July 2005). Year-over-year, heavy truck sales declined 19.0 percent in March 2017 -- marking the 12<sup>th</sup> straight year-over-year decline in heavy truck sales.

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



**Motor Vehicle Sales Statistics**

(Millions, unless otherwise specified)

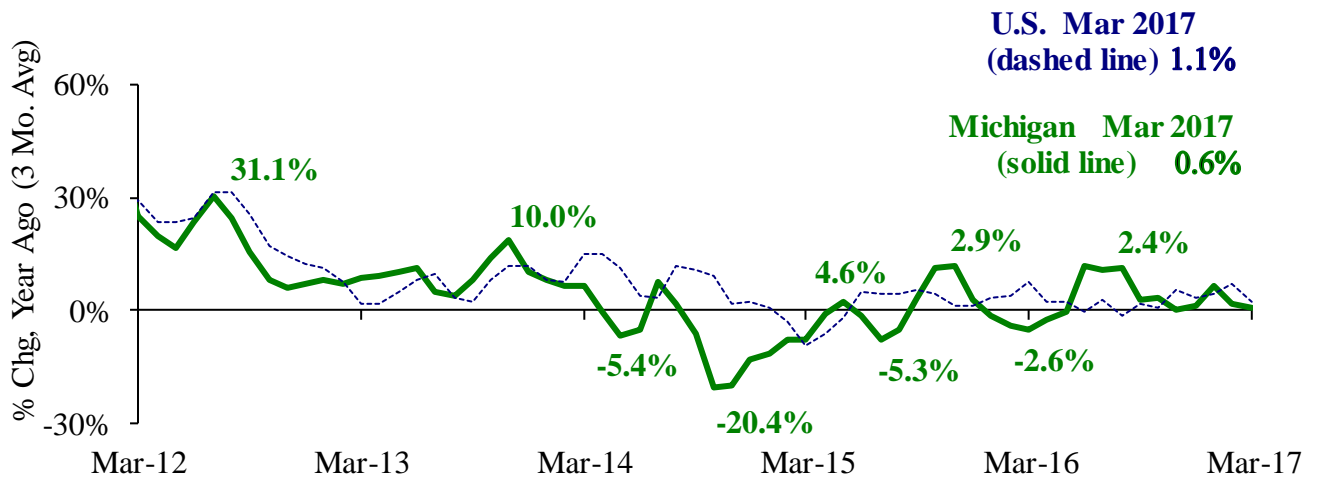
Motor Vehicle Sales <sup>(c)</sup>	2016 Total	Jan 2017	Feb 2017	Mar 2017	3 Month Average	March Change from Year Ago	
						Level	%
Autos	6.9	6.3	6.3	6.1	6.2	(0.7)	-10.4%
Domestics	5.2	4.8	4.8	4.7	4.7	(0.4)	-8.6%
Imports	1.7	1.6	1.5	1.4	1.5	(0.3)	-15.6%
Import Share	24.8%	24.9%	24.0%	23.3%	24.1%	-1.4%	pts
Light Trucks	10.6	11.2	11.2	10.4	10.9	0.7	6.7%
Domestics	8.5	8.8	8.9	8.3	8.7	0.4	4.6%
Imports	2.1	2.3	2.3	2.1	2.3	0.3	15.6%
Import Share	20.1%	20.8%	20.6%	20.5%	20.6%	1.6%	pts
Total Light Vehicles	17.5	17.5	17.5	16.5	17.2	(0.1)	-0.3%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	(0.1)	-19.0%
Total Vehicles	17.9	17.9	17.9	16.9	17.5	(0.1)	-0.8%

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

	2016 Average	Dec-16	Jan-17	Feb-17	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$208.8	\$213.1	\$215.7	\$217.9	\$215.6	\$16.1	8.0%
Inventory/Sales Ratio	2.23	2.15	2.19	2.24	2.19	0.06	

- At 203,629 units, March 2017 Michigan motor vehicle production was up 1.2 percent from March 2016. National production increased 3.3 percent from last March. The three-month average of vehicle production (January 2017-March 2017) was up 0.6 percent in Michigan and up 1.1 percent nationally, compared to a year ago.
- In March 2017, Michigan car production was down 0.8 percent from a year ago while State truck production rose 2.2 percent. Nationally, car production decreased 8.1 percent while U.S. truck production was up 9.0 percent.
- Michigan’s share of national vehicle production fell 0.4 of a percentage point in March 2017 from the year-ago level to 18.3 percent. Michigan’s share of car production rose 1.4 percentage points while the State’s share of truck production was down 1.2 percentage points.

**Michigan and National Vehicle Production  
Trend Growth Continues to Slow**



**Motor Vehicle Production Statistics**

(Thousands, unless otherwise specified)

	2016					Change from Year Ago for January	
	Monthly Average	Jan 2017	Feb 2017	Mar 2017	3 Month Average	Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	346.4	310.5	299.7	329.7	313.3	(29.2)	-8.1%
Trucks	678.9	656.0	686.7	781.9	708.2	64.5	9.0%
Total	1,025.3	966.5	986.4	1,111.5	1,021.5	35.4	3.3%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	70.3	64.9	56.8	62.7	61.5	(0.5)	-0.8%
Trucks	128.7	122.2	124.0	141.0	129.0	3.0	2.2%
Total	199.0	187.1	180.7	203.6	190.5	2.5	1.2%
Michigan as % of U.S.	19.4%	19.4%	18.3%	18.3%	18.6%	-0.4% pts	

In March 2017, the unemployment rates in Michigan’s 17 labor market areas ranged from a low of 2.8 percent in the Ann Arbor Metropolitan Statistical Area (MSA) to a high of 9.4 percent in the Northeast Lower Michigan region. The March 2017 median unemployment rate was 4.6 percent, which is down 0.6 of a percentage point from last March’s 5.2 percent median rate.

Compared to a year ago, the March 2017 unemployment rate fell in all of Michigan’s 17 labor market areas. The median rate decrease was 0.6 of a percentage point. The Muskegon MSA and the Northwest Lower Michigan region each reported the largest rate decrease of 0.8 of a percentage point, followed by the Jackson MSA that reported a 0.7 percentage point increase.

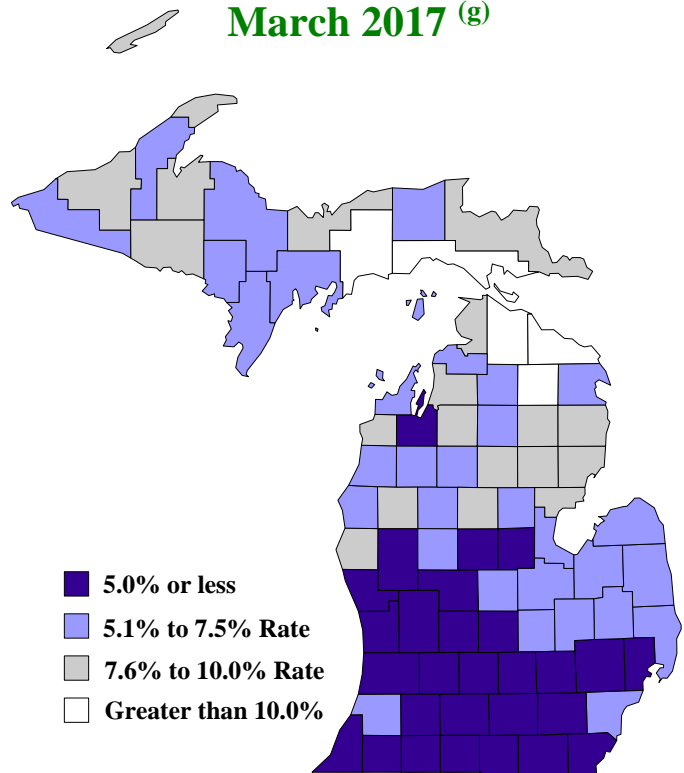
Between March 2016 and March 2017, household employment rose in 11 of Michigan’s 17 labor market areas, decreased in five areas and was unchanged in one area. The median employment increase was 1.1 percent. The Detroit-Warren-Dearborn MSA reported the largest year-over-year employment increase at 2.2 percent, followed by the Grand Rapids-Wyoming MSA with a 2.0 percent increase. The Upper Peninsula LMA reported the largest employment decrease of 0.5 percent, followed by the Saginaw MSA with a 0.4 percent decline. The labor force fell in eight Michigan labor market areas, rose in seven areas and was unchanged in two areas. The Upper Peninsula LMA reported the largest percent decrease in labor force at 1.1 percent, followed by the Midland MSA at 1.0 percent. The Detroit-Warren-Dearborn MSA recorded the largest labor force increase at 1.7 percent, followed by the Grand Rapids-Wyoming MSA at 1.4 percent.

Between March 2016 and March 2017, the unemployment rate fell in 82 of Michigan’s 83 counties and rose in one county. The median March 2017 rate decrease was 0.7 of a percentage point. Antrim County, Crawford County and Presque Isle County each reported the largest unemployment rate decrease at 1.6 percentage points. In March 2017, the unemployment rate was below 5.0 percent in 25 of Michigan’s 83 counties compared with 17 counties with rates below 5.0 percent in March 2016.

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

<b>Local Area</b>	<b>Mar-16</b>	<b>Feb-17</b>	<b>Mar-17</b>
Michigan	5.3%	5.7%	4.8%
Ann Arbor	3.3%	3.5%	2.8%
Battle Creek	5.0%	5.3%	4.5%
Bay City	6.1%	6.7%	5.5%
Detroit-Warren-Dearborn	5.5%	5.9%	5.1%
Flint	5.9%	6.4%	5.4%
Grand Rapids-Wyoming	3.7%	3.7%	3.1%
Jackson	5.1%	5.4%	4.4%
Kalamazoo-Portage	4.6%	4.8%	4.0%
Lansing-East Lansing	4.1%	4.3%	3.7%
Midland	5.2%	5.6%	4.6%
Monroe	4.7%	5.6%	4.6%
Muskegon	5.7%	5.9%	4.9%
Niles-Benton Harbor	5.2%	5.9%	4.6%
Saginaw	5.8%	6.3%	5.3%
Upper Peninsula	7.9%	8.5%	7.4%
Northeast Lower Mich	10.0%	11.1%	9.4%
Northwest Lower Mich.	7.2%	7.5%	6.4%

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



**Note:** State and local unemployment data on this page 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.

	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>	<u>Mar-17</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	98.2	98.5	96.3	96.9	5.9 points
ISM Manufacturing Index <sup>(i)</sup>	54.5	56.0	57.7	57.2	5.5 points
ISM Non Manufacturing Index <sup>(i)</sup>	56.6	56.5	57.6	55.2	0.3 points
	<u>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	<u>2017.1</u>	
Business Executives' Confidence <sup>(j)</sup>	52.0	50.0	65.0	68.0	21.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100 (CPI)</b>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>	<u>Mar-17</u>	<u>Change from Year Ago</u>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	241.4	242.8	243.6	243.8	2.4%
Detroit CPI	223.0	NA	225.0	NA	3.0%
U.S. Producer Price Index	110.9	111.5	112.0	112.2	2.3%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.51%	0.51%	0.52%	0.74%	0.45% points
10 Year Treasury Securities <sup>(l)</sup>	2.49%	2.43%	2.42%	2.48%	0.59% points
<b>INDUSTRIAL PRODUCTION <sup>(l)</sup></b>					
	103.8	103.5	103.5	104.1	1.5%
<b>CAPACITY UTILIZATION <sup>(l)</sup></b>					
	76.0%	75.7%	75.7%	76.1%	0.7% points
<b>RETAIL SALES <sup>(d)</sup></b>					
	\$470.6	\$473.1	\$471.9	\$470.8	5.2%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>	<u>Mar-17</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(d)</sup>	1.275	1.241	1.303	1.215	9.2%
Existing Home Sales <sup>(m)</sup>	5.510	5.690	5.470	5.710	5.9%
<b>DURABLE GOODS ORDERS <sup>(p)</sup></b>					
	\$226.2	\$231.8	\$237.1	\$238.7	4.5%
<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>2016.2</u>	<u>2016.3</u>	<u>2016.4</u>	<u>2017.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$16,583.1	\$16,727.0	\$16,813.3	\$16,842.4	0.7%

- (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.