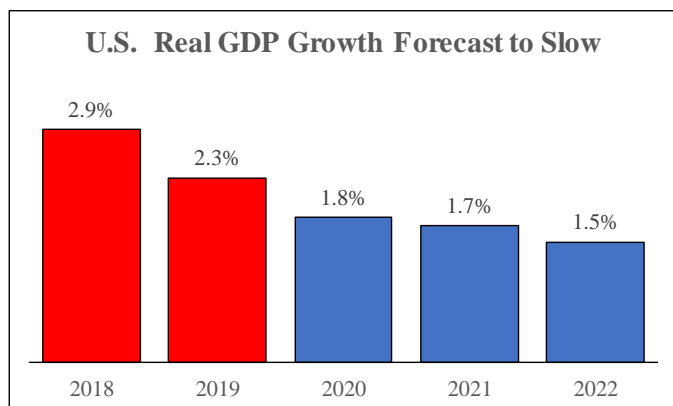


MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury
<http://www.michigan.gov/treasury>
Summarizing Economic Data for December 2019
(Published 02/04/2020)

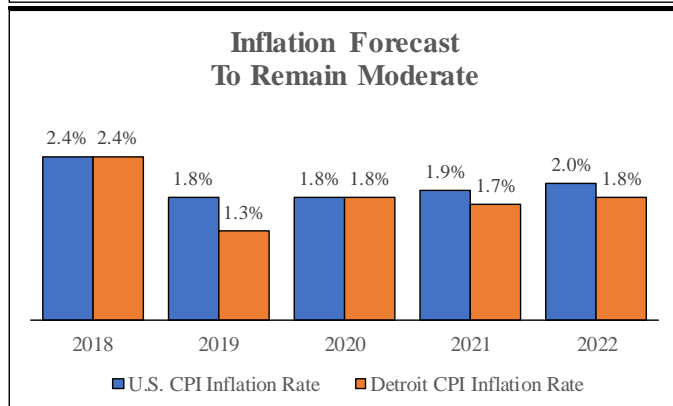
Consensus Economic Forecast

On January 10, 2020, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for calendar year (CY) 2020, 2021 and 2022. Below are highlights of that consensus agreement ⁽ⁿ⁾:



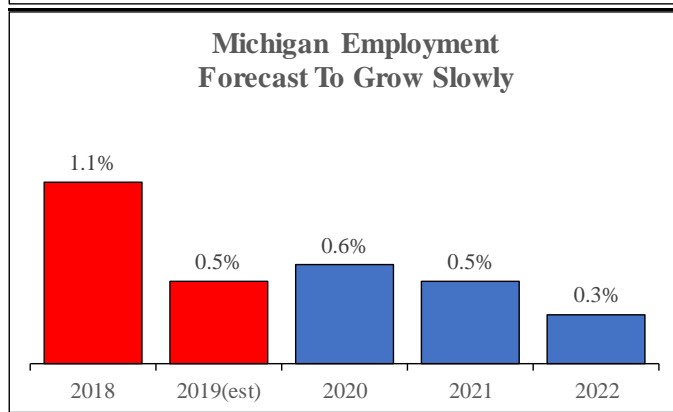
U.S. Economy

- In 2020, real GDP growth is forecast to slow to 1.8 percent, 1.7 percent in 2021 and 1.5 percent in 2022.
- The U.S. unemployment rate is forecast to fall to 3.5 percent in 2020, remain unchanged at 3.5 percent in 2021 and then rise to 3.6 percent in 2022.
- The January 2019 Consensus forecasts light vehicle sales to drop to 16.8 million units in 2020, 16.6 million units in 2021 and 16.4 million units in 2022.



Inflation Rate

- U.S. Consumer Price Index (CPI) inflation rate is forecast to be 1.8 percent in 2020, 1.9 percent in 2021 and 2.0 percent in 2022.
- The Personal Consumption Deflator inflation rate is forecast to accelerate to 1.7 percent in 2020, remain at 1.7 percent in 2021 and accelerate to 1.8 percent in 2022.
- The Detroit CPI inflation rate is expected to accelerate to 1.8 percent in 2020, slow to 1.7 percent in 2021 and then return to 1.8 percent in 2022.



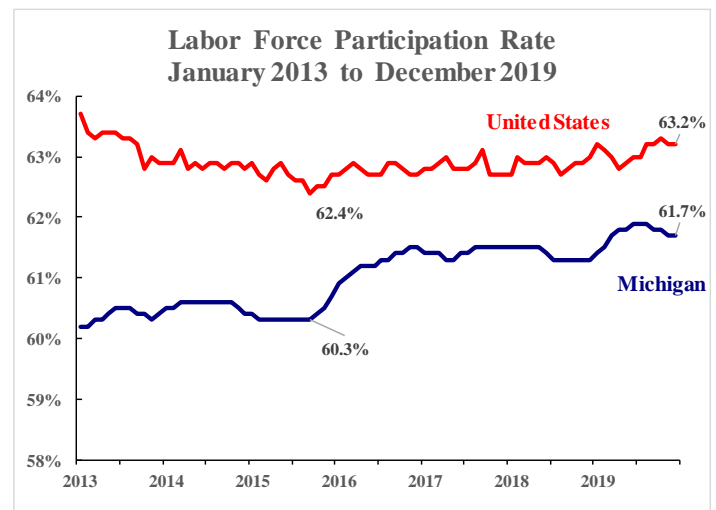
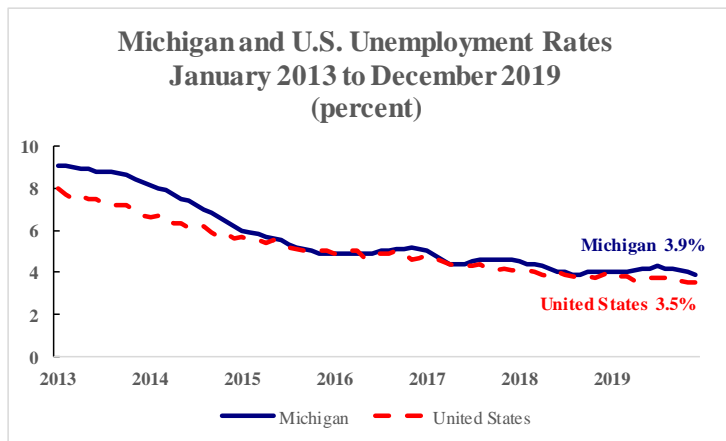
Michigan Economy

- Michigan wage and salary employment is forecast to grow slowly over the forecast horizon -- rising 0.6 percent in 2020, 0.5 percent in 2021 and 0.3 percent in 2022.
- Michigan's unemployment rate is forecast to drop to 3.8 percent in 2020 and 3.7 percent in 2021 before returning to 3.8 percent in 2022.
- Michigan personal income growth is forecast to slow to 3.7 percent in 2020, 3.5 percent in 2021 and 3.4 percent in 2022.

December 2019 Summary

Household Unemployment and Employment

- In December 2019, the Michigan unemployment rate fell 0.1 of a percentage point to 3.9 percent. In December 2019, the national unemployment rate was unchanged at 3.5 percent.
- Compared to a year ago, Michigan’s unemployment rate was down 0.1 of a percentage point. Over the past year, Michigan household employment rose by 58,000 persons. Since last December, the State’s labor force participation rate (the share of the working-age population who are either working or looking for work) rose 0.4 of a percentage point. With the higher participation rate, Michigan’s labor force rose by 53,000 persons. Thus, the number of Michigan’s unemployed decreased by 5,000 and the State’s unemployment rate fell 0.1 of a percentage point.
- The December 2019 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.
- In December, the total number of people employed in Michigan rose 6,000 persons to 4,765,000 persons. The State labor force was unchanged. The statewide total number of unemployed workers fell 6,000 persons.
- United States employment totaled 158.8 million persons in December 2019. The labor force totaled 164.6 million and there were 5.8 million unemployed in December.



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

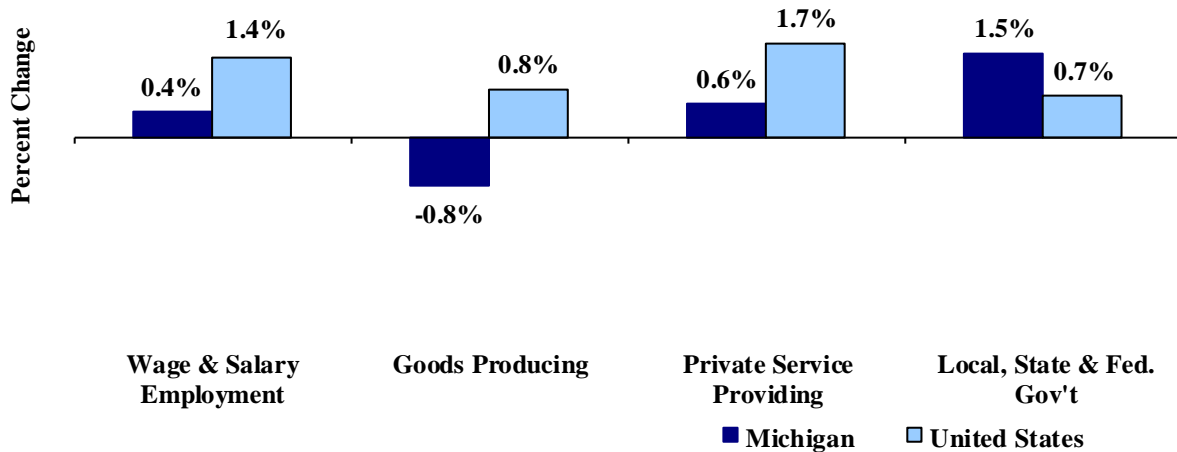
Employment by Place of Residence (in thousands)^(a)

	Annual 2018	Oct 2019	Nov 2019	Dec 2019	Chg Fr Mo Ago Level	Chg Fr Mo Ago %	Chg Fr Yr Ago Level	Chg Fr Yr Ago %	Three Month Average
Michigan									
Labor Force	4,902	4,957	4,956	4,956	0	0.0%	53	1.1%	4,956
Employed	4,699	4,755	4,759	4,765	6	0.1%	58	1.2%	4,760
Unemployed	203	202	197	191	-6	-3.0%	-5	-2.7%	197
Unemployment Rate	4.1%	4.1%	4.0%	3.9%	n.a.	-0.1% pts	n.a.	-0.1% pts	4.0%
United States									
Labor Force	162,075	164,401	164,347	164,556	209	0.1%	1,445	0.9%	164,435
Employed	155,761	158,544	158,536	158,803	267	0.2%	1,978	1.3%	158,628
Unemployed	6,314	5,857	5,811	5,753	-58	-1.0%	-533	-8.5%	5,807
Unemployment Rate	3.9%	3.6%	3.5%	3.5%	n.a.	0.0% pts	n.a.	-0.4% pts	3.5%

Employment by Place of Work (Payroll)

- From December 2018 to December 2019, Michigan payroll employment increased by 19,500 jobs (0.4 percent). State payroll employment rose by 4,500 jobs in December. Nationally, December 2019 payroll employment rose 2,108,000 (1.4 percent) from a year ago. National employment rose 145,000 jobs in December.

Payroll Employment Growth December 2018 to December 2019



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

- In the goods-producing sector, Michigan payroll employment decreased 0.8 percent in December from a year ago; employment in the private service-providing sector rose 0.6 percent. From a year ago, December national payroll employment rose 0.8 percent in the goods-producing sector and increased 1.7 percent in the private service-providing sector.
- At 43.5 hours, manufacturing weekly hours in Michigan were up 1.3 hours from last year.

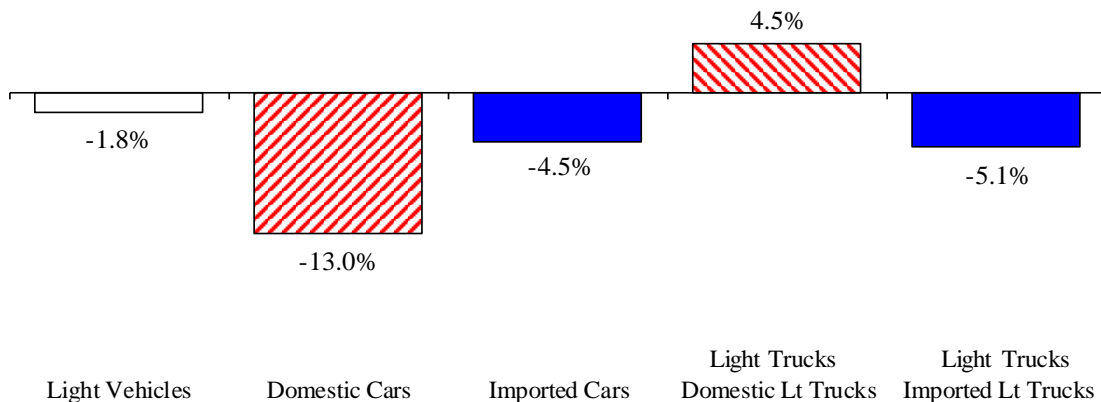
Wage and Salary (Payroll) Employment (in thousands)^(b)

	MI				US			
	2018 Annual	MI Dec 2018	MI Dec 2019	Percent Change	2018 Annual	US Dec 2018	US Dec 2019	Percent Change
Wage & Salary Employment	4,418.6	4,432.2	4,451.7	0.4%	149,074	150,275	152,383	1.4%
Goods Producing	806.2	815.9	809.0	-0.8%	20,710	20,961	21,137	0.8%
Manufacturing	629.8	634.2	628.9	-0.8%	12,689	12,809	12,855	0.4%
Private Service Providing	3,006.0	3,010.8	3,028.3	0.6%	105,916	106,829	108,600	1.7%
Trade, Trans. & Utilities	791.4	794.4	797.7	0.4%	27,659	27,788	27,913	0.4%
Services	1,939.8	1,940.5	1,946.9	0.3%	66,859	67,599	69,111	2.2%
Local, State & Fed. Gov't	606.5	605.5	614.4	1.5%	22,449	22,485	22,646	0.7%
Manufacturing Weekly Hours	43.4	42.2	43.5	1.3 hrs	42.2	42.0	41.4	-0.6 hrs

Motor Vehicle Sales

- December 2019 U.S. light vehicle sales fell 2.3 percent from November 2019 and were down 3.9 percent from December 2018. In December 2019, the annualized sales rate equaled 16.7 million units.
- U.S. sales of domestic light vehicles fell 3.3 percent from last December while foreign sales dropped 5.9 percent. As a result, the foreign share of U.S. light vehicle sales decreased 0.5 of a percentage point to 22.1 percent in December 2019.
- Auto sales decreased 12.3 percent compared to last December, while light truck sales were down 0.3 percent from December 2018. As a result, December 2019 marked the 11th straight month in which the light truck share of total sales exceeded 70.0 percent. Year-over-year (y-o-y), heavy truck sales fell 2.4 percent from last December.

Calendar Year 2019 Light Vehicle Sales Down Slightly from Last Year



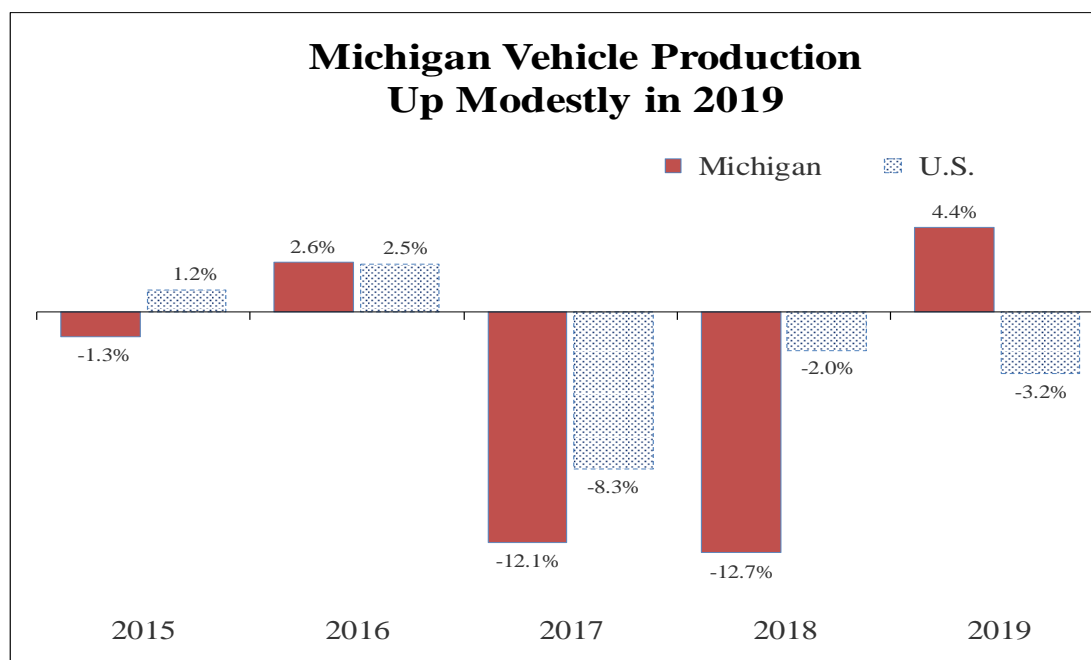
Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

Motor Vehicle Sales ^(c)	2018	Oct	Nov	Dec	3 Month	Dec	Dec
	Total	2019	2019	2019	Average	Chg fr Yr Ago Level	Chg fr Yr Ago %
Autos	5.3	4.3	4.5	4.5	4.5	(0.6)	-12.3%
Domestics	4.1	3.2	3.4	3.5	3.4	(0.5)	-13.1%
Imports	1.2	1.1	1.1	1.0	1.1	(0.1)	-9.5%
Import Share	22.9%	26.4%	24.2%	22.8%	24.4%	0.7% pts	
Light Trucks	11.9	12.2	12.6	12.2	12.3	(0.0)	-0.3%
Domestics	9.2	9.5	9.9	9.5	9.6	0.1	0.9%
Imports	2.8	2.7	2.7	2.7	2.7	(0.1)	-4.4%
Import Share	23.1%	22.2%	21.3%	21.9%	21.8%	-0.9% pts	
Total Light Vehicles	17.2	16.5	17.1	16.7	16.8	(0.7)	-3.9%
Heavy Trucks	0.5	0.5	0.5	0.5	0.5	(0.0)	-2.4%
Total Vehicles	17.7	17.0	17.5	17.2	17.3	(0.7)	-3.9%

Retail Inventories, Motor Vehicle and Parts Dealers (billions of dollars) ^(d)	2018	Sep-19	Oct-19	Nov-19	3 Month	Chg fr	Chg fr
	Average	Sep-19	Oct-19	Nov-19	Average	Year Ago Level	Year Ago %
Inventories	\$229.7	\$246.0	\$244.4	\$239.9	\$243.5	\$2.3	1.0%
Inventory/Sales Ratio	2.29	2.34	2.30	2.22	2.29	-0.11	

- In December, Michigan motor vehicle production fell 3.8 percent from November while national production decreased 8.5 percent. At 148,962 units, December 2019 Michigan motor vehicle production was up 20.6 percent from a year ago. National production was down 0.8 percent from last December.
- In December 2019, Michigan car production was down 9.8 percent from a year ago while State truck production increased 26.9 percent. Nationally, December car production decreased 7.5 percent while U.S. truck production was up 1.5 percent.
- Michigan's share of national vehicle production rose 3.4 percentage points in December 2019 from its year-ago level to 19.0 percent. Michigan's share of car production decreased 0.3 of a percentage point while the State's share of truck production was up 4.4 percentage points.



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2018 Monthly Average	Oct 2019	Nov 2019	Dec 2019	3 Month Average	Dec Level Chg fr Yr Ago	Dec % Chg fr Yr Ago
U.S. Production ^(e)							
Autos	246.2	228.7	199.7	193.1	207.1	(15.6)	-7.5%
Trucks	675.6	708.2	658.6	592.0	652.9	8.9	1.5%
Total	921.8	936.9	858.2	785.1	860.1	(6.7)	-0.8%
Michigan Production ^(f)							
Autos	34.8	11.9	18.4	19.3	16.6	(2.1)	-9.8%
Trucks	117.9	142.8	136.4	129.6	136.3	27.5	26.9%
Total	152.7	154.8	154.9	149.0	152.9	25.4	20.6%
Michigan as % of U.S.	16.6%	16.5%	18.0%	19.0%	17.8%	3.4% pts	

U.S. Economic Conditions

Page 6

	<u>Sep-19</u>	<u>Oct-19</u>	<u>Nov-19</u>	<u>Dec-19</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	93.2	95.5	96.8	99.3	1.0 point
ISM Manufacturing Index ⁽ⁱ⁾	47.8	48.3	48.1	47.2	-7.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	52.6	54.7	53.9	55.0	-3.0 points
	<u>2019.1</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	
Business Executives' Confidence ⁽ⁱ⁾	43.0	43.0	34.0	43.0	1.0 point
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Sep-19</u>	<u>Oct-19</u>	<u>Nov-19</u>	<u>Dec-19</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	256.8	257.3	257.2	257.0	2.3%
Detroit CPI	NA	238.8	NA	237.5	2.5%
U.S. Producer Price Index	118.2	118.9	118.4	118.3	1.3%
INTEREST RATES					
90 Day T-Bill ^(l)	1.89%	1.65%	1.54%	1.54%	-0.83% points
10 Year Treasury Securities ^(l)	1.70%	1.71%	1.81%	1.86%	-0.97% points
INDUSTRIAL PRODUCTION ^(l)					
	109.4	108.9	109.8	109.4	-1.0%
CAPACITY UTILIZATION ^(l)					
	77.4%	76.9%	77.4%	77.0%	-2.4% points
RETAIL SALES ^(d)					
	\$524.7	\$526.4	\$527.8	\$529.6	5.8%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Sep-19</u>	<u>Oct-19</u>	<u>Nov-19</u>	<u>Dec-19</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.266	1.340	1.375	1.608	40.8%
Existing Home Sales ^(m)	5.360	5.440	5.350	5.540	10.8%
DURABLE GOODS ORDERS ^(d)					
	\$247.1	\$247.4	\$239.8	\$245.5	-3.7%
PERSONAL INCOME ^(c)					
(Billions, Seasonally Adj & Annualized)	<u>2018.4</u>	<u>2019.1</u>	<u>2019.2</u>	<u>2019.3</u>	<u>% Change From Year Ago</u>
Michigan	\$489.6	\$495.0	\$500.6	\$504.7	3.7%
U.S.	\$18,077.7	\$18,349.8	\$18,549.3	\$18,723.4	4.5%
GROSS DOMESTIC PRODUCT ^(c)					
(Billions of Chained 2012	<u>2019.1</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>Annualized % Chg From Last Qtr</u>
Dollars, Seasonally Adj & Annualized)	\$18,927.3	\$19,021.9	\$19,121.1	\$19,219.8	2.1%

SOURCES AND NOTES

- (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) Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Bureau of the Census, U.S. Department of Commerce. Seasonally adjusted.
- (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.
- (n) The charts reflect updated historical economic data released since the January 10, 2020 Conference.