



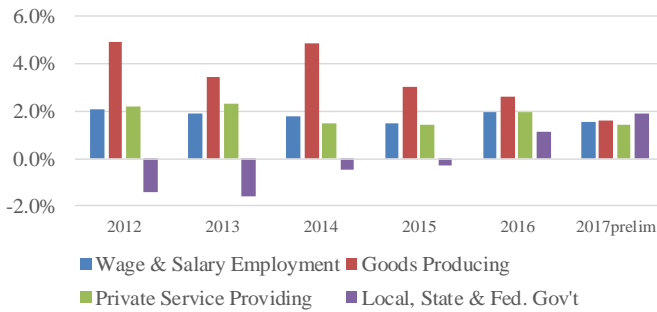
MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

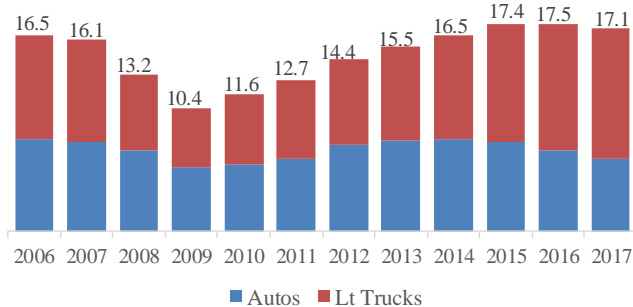
<http://www.michigan.gov/treasury>

December 2017 Summary

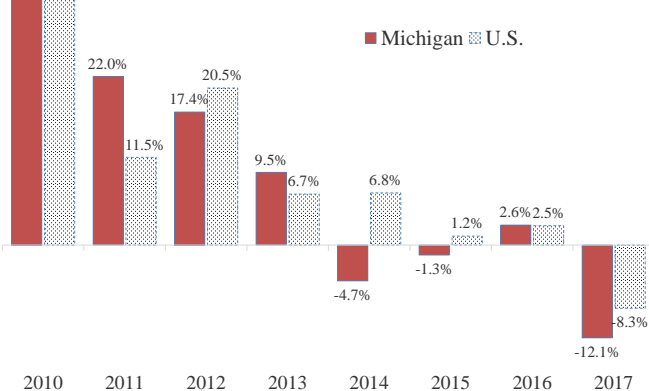
**Michigan Payroll Employment
(Annual Percent Change)**



Annual Light Vehicle Sales (millions)



**U.S. and Michigan Vehicle Production
Down in Calendar Year 2017**



Michigan Labor Market

- In December 2017, Michigan's unemployment rate rose for the fifth straight month. However, Michigan's December 2017 rate was 0.4 of a percentage point lower than last December.
- December 2017 State labor force was up a 0.5 percent from a year ago. Household employment rose 0.9 percent compared to December 2016.
- In calendar year (CY) 2017, Michigan's wage and salary employment rose to a 13-year high and was up 1.5 percent from last year.
- In December 2017, Michigan wage and salary employment was up 1.3 percent from last December.

Vehicle Sales

- December 2017 annualized light vehicle sales rose 2.1 percent from November but were down 1.6 percent from last December. However, light vehicle sales remained at historic high levels.
- Light vehicles are divided into cars and light trucks (which include SUVs). December 2017 auto sales were down 14.7 percent from a year ago while light truck sales were up 6.4 percent.
- CY 2017 light vehicle sales were down 1.9 percent from last year's record high sales with autos off 11.5 percent but light truck sales up 4.4 percent.

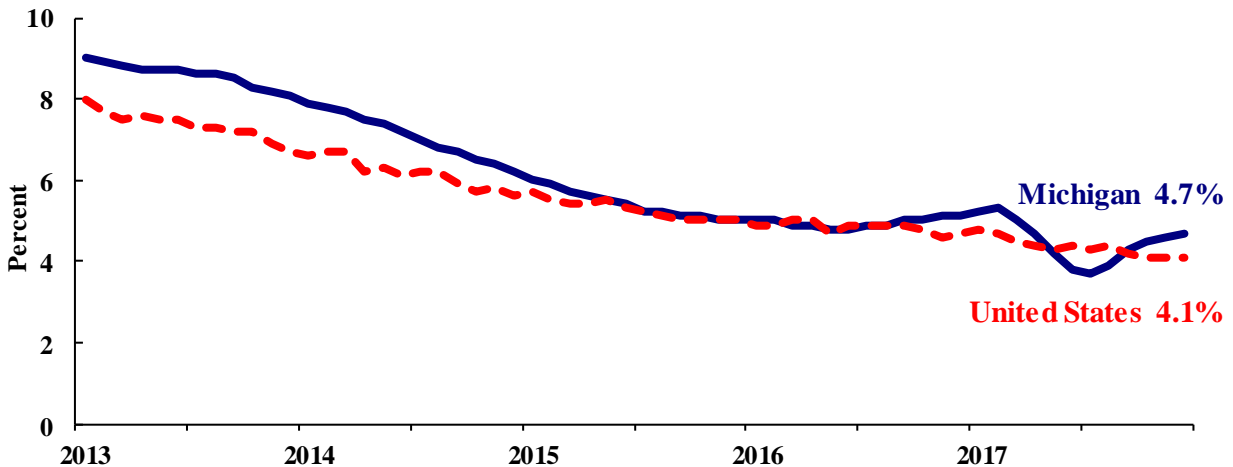
Vehicle Production

- December 2017 Michigan vehicle production was down 14.6 percent from a year ago, compared with a 13.9 percent decline nationally.
- In CY 2017, Michigan auto production was down by 211,200 units (25.0 percent) while State truck production was off by 78,400 units (5.1 percent). Overall, 2017 Michigan vehicle production was down by 289,600 units (12.1 percent) from 2016.
- In 2017, Michigan's share of national vehicle production was down by 0.8 of a percentage point compared to last year to 18.6 percent.

Household Unemployment and Employment

- In December 2017, the Michigan unemployment rate increased 0.1 of a percentage point to 4.7 percent. The national unemployment rate remained unchanged at 4.1 percent.
- In December 2017, Michigan’s unemployment rate was down 0.4 of a percentage point from a year ago. The December 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 December 2013 to December 2017



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

- In December, the total number of people employed in Michigan increased 5,000 to 4,656,000 persons while the labor force rose by 13,000. The statewide total number of unemployed workers rose by 8,000 to 231,000.
- United States employment totaled 154.0 million persons in December 2017. The labor force totaled 160.6 million and there were 6.6 million unemployed in December.

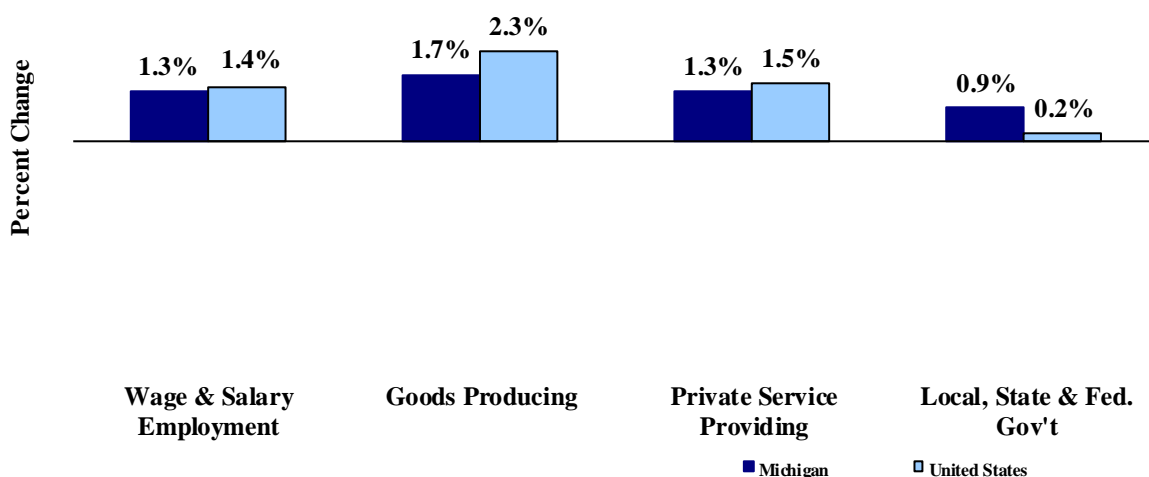
Employment by Place of Residence (in thousands)^(a)

	<u>2016</u> <u>Average</u>	<u>Oct</u> <u>2017</u>	<u>Nov</u> <u>2017</u>	<u>Dec</u> <u>2017</u>	<u>Chg Fr</u> <u>Mo Ago</u> <u>Level</u>	<u>Chg Fr</u> <u>Mo Ago</u> <u>%</u>	<u>Chg Fr</u> <u>Yr Ago</u> <u>Level</u>	<u>Chg Fr</u> <u>Yr Ago</u> <u>%</u>	<u>Three</u> <u>Month</u> <u>Average</u>
Michigan									
Labor Force	4,837	4,858	4,875	4,887	13	0.3%	25	0.5%	4,874
Employed	4,599	4,640	4,651	4,656	5	0.1%	40	0.9%	4,649
Unemployed	238	218	224	231	8	3.4%	-15	-6.1%	224
Unemployment Rate	4.9%	4.5%	4.6%	4.7%	n.a.	0.1% pts	n.a.	-0.4% pts	4.6%
United States									
Labor Force	159,187	160,371	160,533	160,597	64	0.0%	861	0.5%	160,500
Employed	151,436	153,846	153,917	154,021	104	0.1%	1,788	1.2%	153,928
Unemployed	7,751	6,524	6,616	6,576	-40	-0.6%	-926	-12.3%	6,572
Unemployment Rate	4.9%	4.1%	4.1%	4.1%	n.a.	0.0% pts	n.a.	-0.6% pts	4.1%

Employment by Place of Work (Payroll)

- From December 2016 to December 2017, Michigan payroll employment increased 57,100 jobs (1.3 percent). State payroll employment rose by 10,100 jobs in December from November. Nationally, December 2017 payroll employment rose 2,055,000 (1.4 percent) from a year ago. National employment rose modestly (148,000 jobs) in December.

Payroll Employment Growth December 2016 to December 2017



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

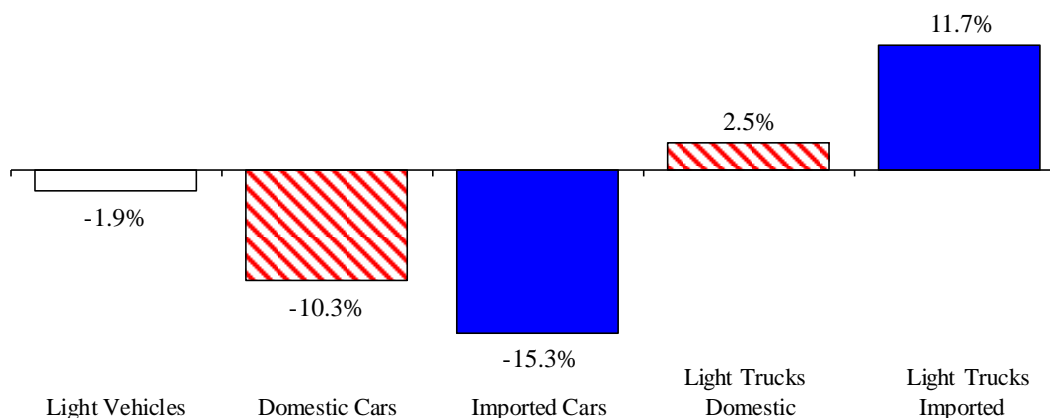
- In the goods-producing sector, Michigan payroll employment increased 1.7 percent in December from a year ago; employment in the private service-providing sector rose 1.3 percent. From a year ago, December national payroll employment rose 2.3 percent in the goods-producing sector and increased 1.5 percent in the private service-providing sector.
- At 44.0 hours, manufacturing weekly hours in Michigan were up 1.5 hours compared to last year.

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

	MI				US			
	2016 Average	MI Dec 2016	MI Dec 2017	Percent Change	2016 Average	US Dec 2016	US Dec 2017	Percent Change
Wage & Salary Employment	4,325.6	4,368.9	4,426.0	1.3%	144,306	145,325	147,380	1.4%
Goods Producing	762.9	766.2	779.5	1.7%	19,736	19,794	20,259	2.3%
Manufacturing	600.2	601.8	607.1	0.9%	12,348	12,343	12,539	1.6%
Private Service Providing	2,962.0	2,992.8	3,031.4	1.3%	102,346	103,232	104,780	1.5%
Trade, Trans. & Utilities	781.6	782.4	783.3	0.1%	27,233	27,374	27,448	0.3%
Services	1,910.1	1,936.3	1,970.8	1.8%	64,057	64,732	66,112	2.1%
Local, State & Fed. Gov't	600.7	609.9	615.1	0.9%	22,223	22,299	22,341	0.2%
Manufacturing Weekly Hours	42.9	42.5	44.0	1.5 hrs	41.9	41.9	41.9	0.0 hrs

- December 2017 U.S. light vehicle sales rose 2.1 percent from November 2017 but were down 1.6 percent from December 2016. December 2017 marked the 46th straight month that the light vehicle annualized sales rate equaled or exceeded 16.0 million units. In December 2017, the annualized sales rate equaled 17.8 million units. In 2017, calendar year light vehicle sales dropped 1.9 percent from 2016. However, at 17.1 million units, CY 2017 sales remained strong.
- U.S. sales of domestic light vehicles decreased 2.0 percent between December 2016 and December 2017. Foreign sales were down 0.3 percent over the same period. As a result, the foreign share of U.S. light vehicle sales rose 0.3 of a percentage point to 22.8 percent in December 2017. For CY 2017 as a whole, the foreign light vehicle sales accounted for 22.4 percent of total U.S. light vehicle sales.
- Auto sales decreased 11.0 percent compared to last December, while light truck sales were up 4.4 percent from December 2016. As a result, December 2017 marked the 21st straight month in which the light truck share of total sales exceeded 60.0 percent. In CY 2017, light truck sales comprised 64.5 percent of overall light vehicle sales. Year-over-year, heavy truck sales rose 17.9 percent in December 2017 -- marking the seventh consecutive month in which heavy truck sales were up from a year ago.

CY 2017 Light Vehicle Sales Down Slightly from 2016



Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

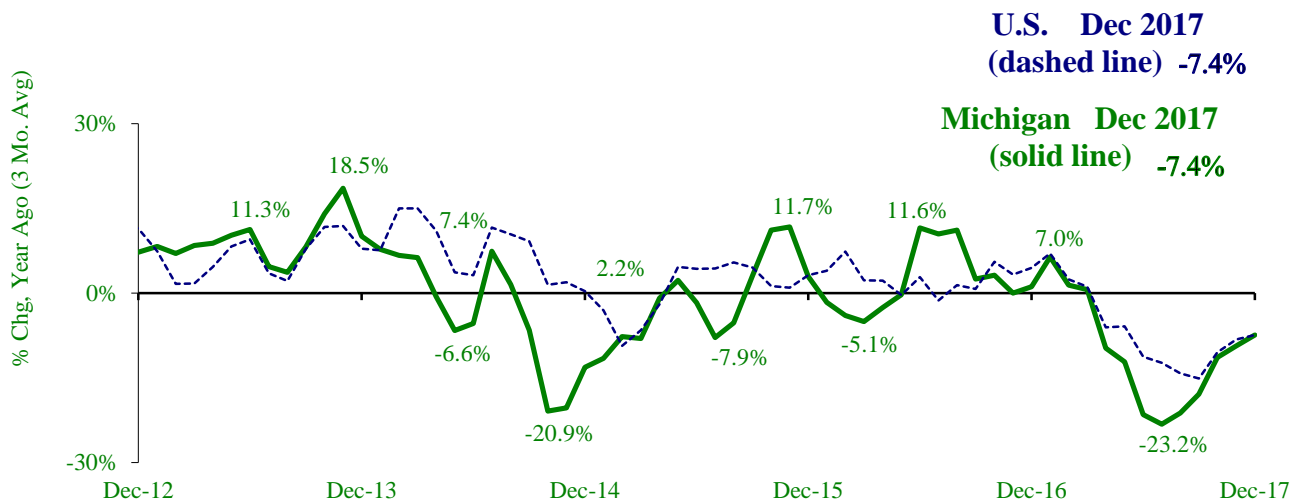
Motor Vehicle Sales ^(c)	2016	Oct	Nov	Dec	3 Month	Dec	Dec
	Total	2017	2017	2017	Average	Chg fr Yr Ago Level	Chg fr Yr Ago %
Autos	6.9	6.3	6.1	5.8	6.1	(1.0)	-14.7%
Domestics	5.2	4.8	4.6	4.4	4.6	(0.8)	-15.3%
Imports	1.7	1.5	1.4	1.4	1.4	(0.2)	-13.1%
Import Share	24.8%	23.3%	23.7%	24.6%	23.9%	0.5% pts	
Light Trucks	10.6	11.7	11.3	11.9	11.7	0.7	6.4%
Domestics	8.5	9.2	8.8	9.3	9.1	0.5	5.9%
Imports	2.1	2.5	2.5	2.6	2.6	0.2	8.5%
Import Share	20.1%	21.7%	22.5%	21.9%	22.0%	0.4% pts	
Total Light Vehicles	17.5	18.0	17.4	17.8	17.7	(0.3)	-1.6%
Heavy Trucks	0.4	0.4	0.5	0.4	0.4	0.1	17.9%
Total Vehicles	17.9	18.4	17.9	18.2	18.2	(0.2)	-1.2%

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

	2016	Sep-17	Oct-17	Nov-17	3 Month	Chg fr	Chg fr
	Average	Sep-17	Oct-17	Nov-17	Average	Year Ago Level	Year Ago %
Inventories	\$206.5	\$219.6	\$218.1	\$218.2	\$218.6	\$4.7	2.2%
Inventory/Sales Ratio	2.18	2.17	2.12	2.14	2.14	-0.07	

- At 140,791 units, December 2017 Michigan motor vehicle production was down 14.6 percent from December 2016. National production decreased 13.9 percent from last December. The three-month average of vehicle production (October 2017-December 2017) was down 7.4 percent both in Michigan and nationally, compared to a year ago.
- In December 2017, Michigan car production was down 32.8 percent from a year ago while State truck production fell 5.4 percent. Nationally, car production decreased 26.8 percent while U.S. truck production was down 7.9 percent.
- Michigan’s share of national vehicle production fell 0.2 of a percentage point in December 2017 from its year-ago level to 18.2 percent. Michigan’s share of car production fell 1.6 percentage points while the State’s share of truck production was up 0.4 of a percentage point.

Michigan and National Vehicle Production Trend Percent Declines Continue to Slow



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

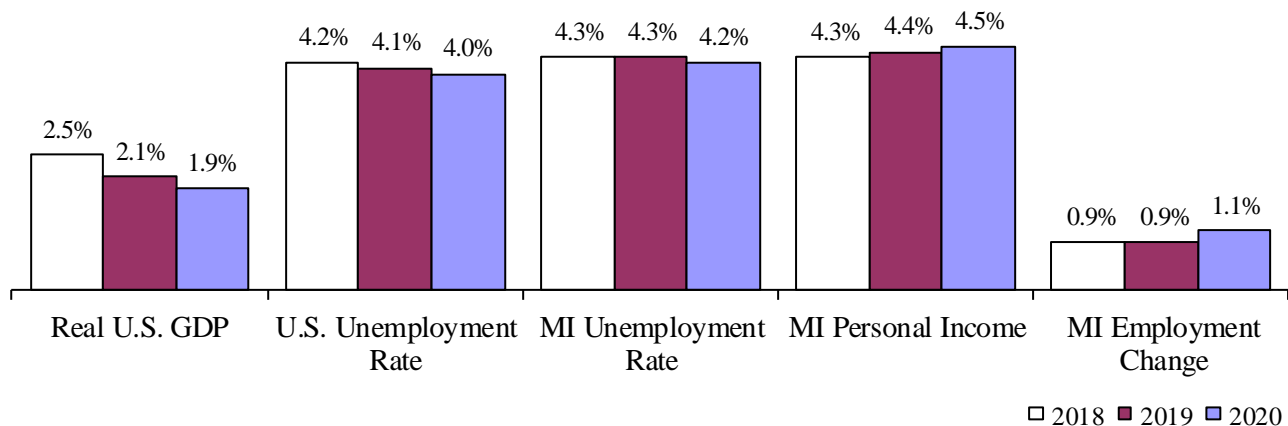
	2016 Monthly Average	Oct 2017	Nov 2017	Dec 2017	3 Month Average	Dec fr Yr Ago	Dec % Chg fr Yr Ago
U.S. Production ^(e)							
Autos	346.4	285.7	271.3	211.3	256.1	(77.4)	-26.8%
Trucks	678.9	745.0	667.2	561.7	658.0	(47.8)	-7.9%
Total	1,025.3	1,030.7	938.4	772.9	914.0	(125.3)	-13.9%
Michigan Production ^(f)							
Autos	70.3	51.8	56.8	37.2	48.6	(18.2)	-32.8%
Trucks	128.7	138.4	119.0	103.5	120.3	(6.0)	-5.4%
Total	199.0	190.2	175.9	140.8	168.9	(24.1)	-14.6%
Michigan as % of U.S.	19.4%	18.5%	18.7%	18.2%	18.5%	-0.2% pts	

On January 11, 2018, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for 2018, 2019 and 2020. Below are highlights of that consensus agreement:

- Real GDP is forecast to increase 2.5 percent in 2018. Real GDP is then expected to grow 2.1 percent in 2019 and 1.9 percent in 2020. The January 2018 Conference’s projected growth rate for 2018 is up 0.2 of a percentage point from May 2017 Conference projections. Projected growth in 2019 is unchanged from May 2017 projections. The May 2017 Consensus did not include 2020.
- In 2018, the U.S. unemployment rate is forecast to fall to 4.2 percent and then fall to 4.1 percent in 2019 and decline to 4.0 percent in 2020. Compared with the May 2017 Conference forecast, the January 2018 Consensus forecast of the U.S. unemployment rate is down 0.2 percentage point for 2018 and down 0.3 percentage point for 2019.
- The January 2018 Consensus forecasts light vehicle sales to total 16.9 million units in 2018, 16.8 million units in 2019 and 16.7 million units in 2020. The January 2018 light vehicle forecasts for 2018 and 2019 are unchanged from the May 2017 light vehicle forecasts.
- The January 2018 Consensus projects that Michigan wage and salary employment will rise 0.9 percent in 2018 – unchanged from the May 2017 forecast. The January 2018 forecast of 0.9 percent growth in 2019 is 0.1 of a percentage point slower than the May 2017 forecast of 1.0 percent growth. The January 2018 Consensus projects a 1.1 percent employment increase in 2020.
- According to the January 2018 Consensus, the Michigan unemployment rate will measure 4.3 percent in 2018, 4.3 percent in 2019 and 4.2 percent in 2020. Compared to the May 2017 Consensus forecast, the January 2018 Consensus Michigan jobless rate forecast is down 0.8 percentage point for 2018 and down 0.7 point for 2019.
- Michigan personal income is projected to rise 4.3 percent in 2018, increase 4.4 percent in 2019 and rise 4.5 percent in 2020. Wages and salaries are expected to increase 3.9 percent in 2018, rise 4.1 percent in 2019 and increase 4.4 percent in 2020.

**U.S. Economic Forecast
Modest Growth**

**Michigan Economic Forecast
Growing Labor Market**



U.S. Economic Conditions

	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>	Change from Year Ago
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	95.1	100.7	98.5	95.9	-2.3 points
ISM Manufacturing Index ⁽ⁱ⁾	60.8	58.7	58.2	59.7	5.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.8	60.1	57.4	55.9	-0.7 points
	<u>2017.1</u>	<u>2017.2</u>	<u>2017.3</u>	<u>2017.4</u>	
Business Executives' Confidence ^(j)	68.0	61.0	59.0	63.0	-2.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>	Change from Year Ago
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	246.8	246.7	246.7	246.5	2.1%
Detroit CPI	NA	228.8	NA	229.0	2.7%
U.S. Producer Price Index	113.5	114.1	114.2	113.9	2.6%
INTEREST RATES					
90 Day T-Bill ^(l)	1.03%	1.07%	1.23%	1.32%	0.81% points
10 Year Treasury Securities ^(l)	2.20%	2.36%	2.35%	2.40%	-0.09% points
INDUSTRIAL PRODUCTION ^(l)	104.8	106.6	106.5	107.5	3.6%
CAPACITY UTILIZATION ^(l)	76.1%	77.4%	77.2%	77.9%	1.8% points
RETAIL SALES ^(d)	\$486.2	\$489.5	\$493.6	\$495.4	5.4%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>	% Change From Year Ago
Housing Starts ^(d)	1.159	1.261	1.299	1.192	-6.0%
Existing Home Sales ^(m)	5.370	5.500	5.780	5.570	1.1%
DURABLE GOODS ORDERS ^(p)	\$239.3	\$238.3	\$242.4	\$249.4	11.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2016.4</u>	<u>2017.1</u>	<u>2017.2</u>	<u>2017.3</u>	% Change From Year Ago
Michigan	\$443.0	\$448.3	\$448.2	\$451.3	2.1%
U.S.	\$16,007.4	\$16,229.6	\$16,324.3	\$16,434.3	2.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2009 Dollars) ^(c)	<u>2017.1</u>	<u>2017.2</u>	<u>2017.3</u>	<u>2017.4</u>	Annualized % Chg From Last Qtr
	\$16,903.2	\$17,031.1	\$17,163.9	\$17,272.5	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.