

MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

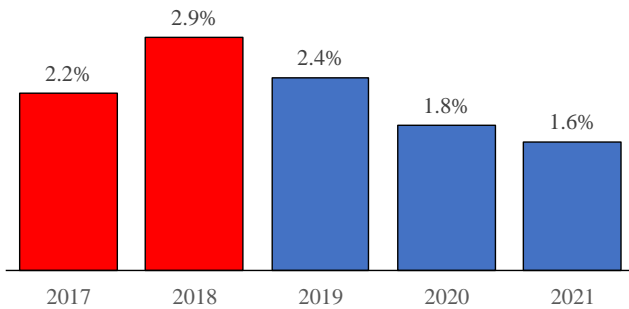
<http://www.michigan.gov/treasury>

Summarizing Economic Data for April 2019

Special Report

On May 17, 2019, the Administration, House Fiscal Agency and Senate Fiscal Agency met and agreed to a consensus economic forecast for calendar year (CY) 2019, 2020 and 2021. Below are highlights of that consensus agreement:

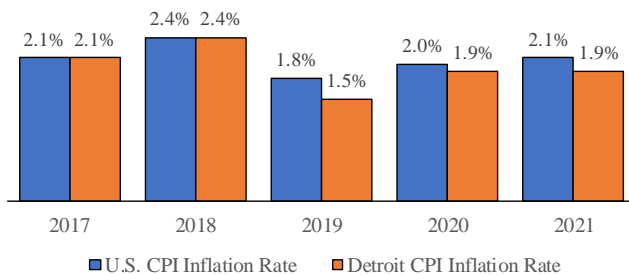
U.S. Real GDP Growth Forecast to Slow



U.S. Economy

- Real GDP is forecast to slow to 2.4 percent in 2019. Real GDP growth is expected to slow to 1.8 percent in 2020 and to 1.6 percent in 2021.
- The U.S. unemployment rate is forecast to fall to 3.7 percent in 2019 and to 3.6 percent in 2020. In 2021, the national unemployment rate is expected to rise to 3.7 percent.
- The May 2019 Consensus forecasts light vehicle sales to drop to 16.8 million units in 2019, 16.6 million units in 2020 and 16.5 million units in 2021.

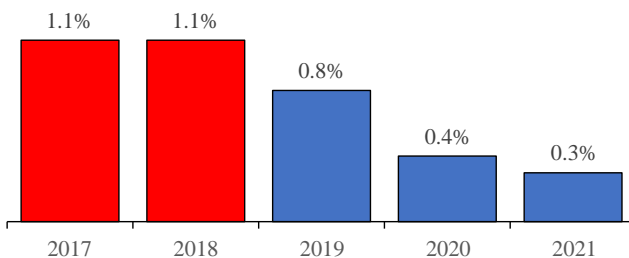
Inflation Forecast To Remain Moderate



Inflation Rate

- The U.S. Consumer Price Index (CPI) inflation rate is forecast to slow to 1.8 percent in 2019 and then accelerate slightly to 2.0 percent in 2020 and to 2.1 percent in 2021.
- The Personal Consumption Deflator inflation rate is forecast to slow to 1.6 percent in 2019 and then accelerate slightly to 1.9 percent in both 2020 and 2021.
- The Detroit CPI inflation rate is expected to slow substantially from 2.4 percent in 2018 to 1.5 percent in 2019, before rising in 2020 to 1.9 percent, where it is expected to remain in 2021.

Michigan Employment Growth Forecast to Slow

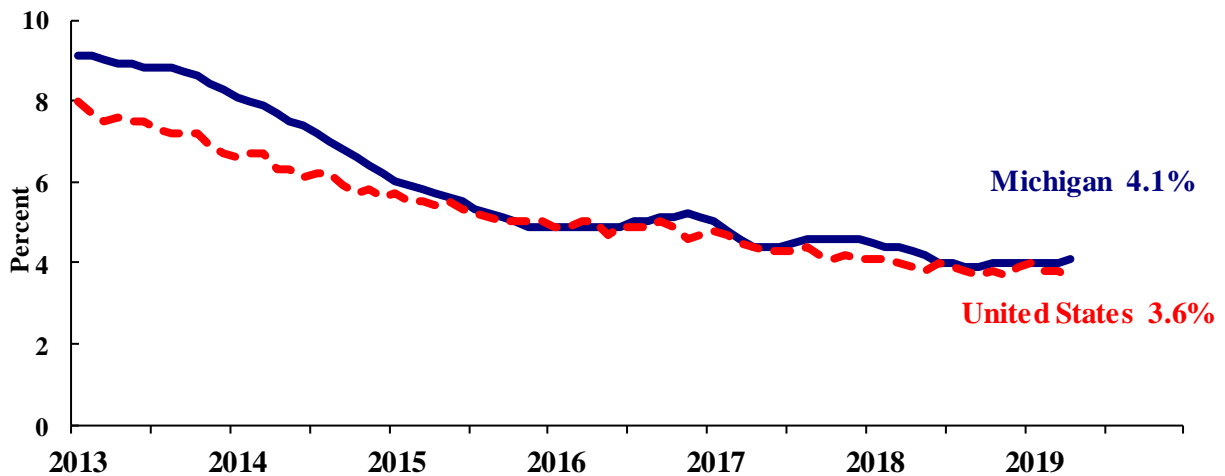


Michigan Economy

- Michigan wage and salary employment is forecast to rise 0.8 percent in 2019, increase 0.4 percent in 2020 and rise 0.3 percent in 2021.
- Michigan's unemployment rate is forecast to decline to 4.0 percent in 2019 and then rise to 4.1 percent in 2020 and to 4.2 percent in 2021.
- Michigan personal income growth is forecast to change little over the forecast horizon with 3.6 percent growth in 2019 and in 2020 and 3.7 percent growth in 2021.

- In April 2019, the Michigan unemployment rate rose 0.1 of a percentage point to 4.1 percent. In April 2019, the national unemployment rate fell 0.2 of a percentage point to 3.6 percent.
- In April 2019, Michigan’s unemployment rate was down 0.2 of a percentage point from a year ago. The April 2019 U.S. unemployment rate decreased 0.3 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 April 2013 to April 2019



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

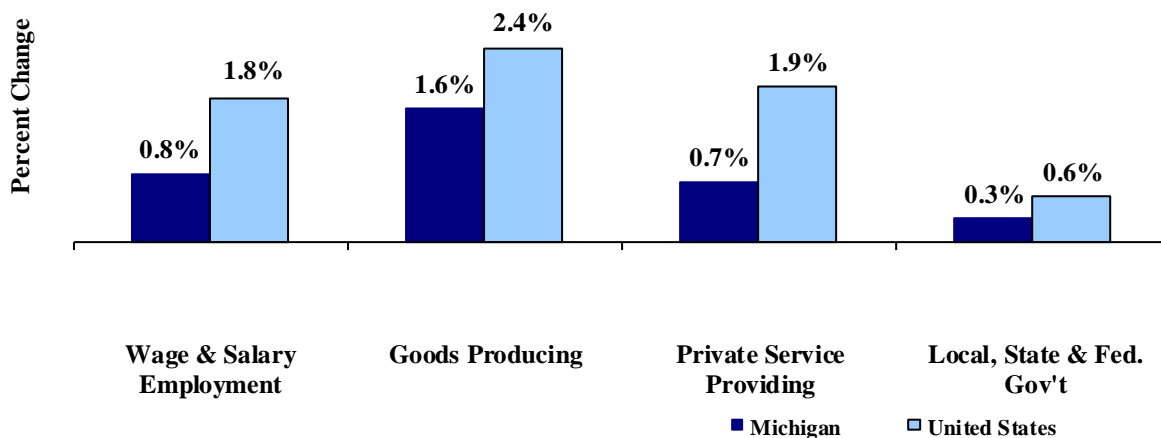
- In April, the total number of people employed in Michigan rose 7,000 persons to 4,746,000 persons. The labor force was up 11,000 persons. The statewide total number of unemployed workers rose 4,000 persons.
- United States employment totaled 156.6 million persons in April 2019. The labor force totaled 162.5 million and there were 5.8 million unemployed in April.

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

	<u>Annual</u> <u>2018</u>	<u>Feb</u> <u>2019</u>	<u>Mar</u> <u>2019</u>	<u>Apr</u> <u>2019</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	4,902	4,926	4,937	4,948	11	0.2%	41	0.8%	4,937
Employed	4,699	4,731	4,739	4,746	7	0.1%	49	1.0%	4,739
Unemployed	203	195	198	202	4	2.0%	-8	-3.5%	198
Unemployment Rate	4.1%	4.0%	4.0%	4.1%	n.a.	0.1% pts	n.a.	-0.2% pts	4.0%
United States									
Labor Force	162,075	163,184	162,960	162,470	-490	-0.3%	919	0.6%	162,871
Employed	155,761	156,949	156,748	156,645	-103	-0.1%	1,429	0.9%	156,781
Unemployed	6,314	6,235	6,211	5,824	-387	-6.2%	-511	-8.1%	6,090
Unemployment Rate	3.9%	3.8%	3.8%	3.6%	n.a.	-0.2% pts	n.a.	-0.3% pts	3.7%

- From April 2018 to April 2019, Michigan payroll employment increased by 37,300 jobs (0.8 percent). State payroll employment rose by 2,100 jobs in April from March. Nationally, April 2019 payroll employment rose 2,600,000 (1.8 percent) from a year ago. National employment rose 263,000 jobs in April.

Payroll Employment Growth April 2018 to April 2019



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

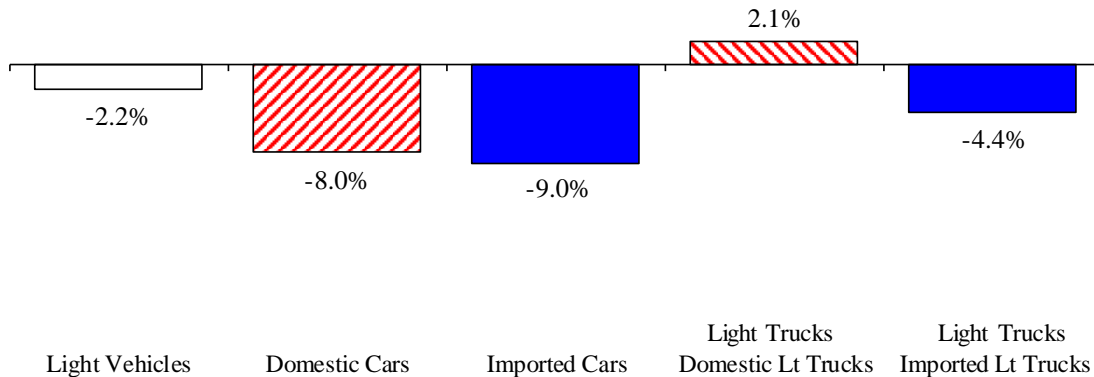
- In the goods-producing sector, Michigan payroll employment increased 1.6 percent in April from a year ago; employment in the private service-providing sector rose 0.7 percent. From a year ago, April national payroll employment rose 2.4 percent in the goods-producing sector and increased 1.9 percent in the private service-providing sector.
- At 42.4 hours, manufacturing weekly hours in Michigan were down 1.7 hours from last year.

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

	MI				US			
	2018 Annual	MI Apr 2018	MI Apr 2019	Percent Change	2018 Annual	US Apr 2018	US Apr 2019	Percent Change
Wage & Salary Employment	4,418.6	4,410.6	4,447.9	0.8%	149,074	148,475	151,095	1.8%
Goods Producing	806.2	802.7	815.8	1.6%	20,710	20,587	21,077	2.4%
Manufacturing	629.8	628.3	634.8	1.0%	12,689	12,634	12,838	1.6%
Private Service Providing	3,006.0	3,001.8	3,024.2	0.7%	105,916	105,467	107,471	1.9%
Trade, Trans. & Utilities	791.4	789.2	796.5	0.9%	27,659	27,589	27,820	0.8%
Services	1,939.8	1,938.4	1,948.1	0.5%	66,859	66,508	68,186	2.5%
Local, State & Fed. Gov't	606.5	606.1	607.9	0.3%	22,449	22,421	22,547	0.6%
Manufacturing Weekly Hours	43.4	44.1	42.4	-1.7 hrs	42.2	42.4	41.7	-0.7 hrs

- April 2019 U.S. light vehicle sales fell 5.8 percent from March 2019 and were down 4.5 percent from April 2018. April 2019 marked the 62nd straight month that the light vehicle annualized sales rate exceeded 16.0 million units. In April 2019, the sales rate equaled 16.4 million units.
- U.S. sales of domestic light vehicles were down 3.4 percent between April 2018 and April 2019. Foreign sales fell 8.1 percent over the same period. As a result, the foreign share of U.S. light vehicle sales fell 0.9 of a percentage point to 22.5 percent in April 2019.
- Auto sales decreased 9.9 percent compared to last April, while light truck sales were down 2.1 percent from April 2018. As a result, April 2019 marked the 19th straight month in which the light truck share of total sales exceeded 65.0 percent. Year-over-year (y-o-y), heavy truck sales rose 13.6 percent in April 2019 -- the 18th double-digit heavy truck y-o-y percent increase in the past 21 months.

April 2019 Year-to-Date Light Vehicle Sales Down from Last Year



Motor Vehicle Sales Statistics

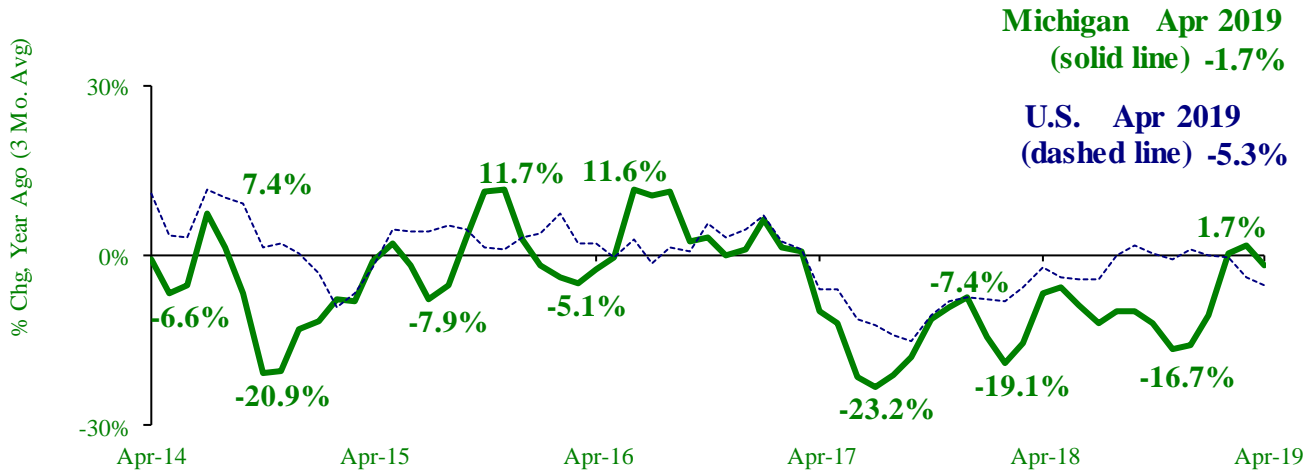
(Millions, Seasonally Adjusted Rates, unless otherwise specified)

Motor Vehicle Sales ^(c)	2018	Feb	Mar	Apr	3 Month	Apr	Apr
	Total	2019	2019	2019	Average	Chg fr Yr Ago Level	Chg fr Yr Ago %
Autos	5.3	4.7	5.0	4.8	4.8	(0.5)	-9.9%
Domestics	4.1	3.6	3.9	3.6	3.7	(0.5)	-12.0%
Imports	1.2	1.1	1.1	1.2	1.1	(0.0)	-3.1%
Import Share	22.9%	23.4%	22.8%	25.0%	23.7%	1.8% pts	
Light Trucks	11.9	11.7	12.4	11.6	11.9	(0.2)	-2.1%
Domestics	9.2	8.9	9.8	9.1	9.3	0.0	0.5%
Imports	2.8	2.7	2.7	2.5	2.6	(0.3)	-10.3%
Import Share	23.1%	23.4%	21.4%	21.5%	22.1%	-2.0% pts	
Total Light Vehicles	17.2	16.4	17.4	16.4	16.8	(0.8)	-4.5%
Heavy Trucks	0.5	0.5	0.5	0.5	0.5	0.1	13.6%
Total Vehicles	17.7	16.9	18.0	16.9	17.3	(0.7)	-4.0%

Retail Inventories, Motor Vehicle and Parts Dealers (billions of dollars) ^(d)	2018	Jan-19	Feb-19	Mar-19	3 Month	Chg fr	Chg fr
	Average	Jan-19	Feb-19	Mar-19	Average	Year Ago Level	Year Ago %
Inventories	\$230.5	\$241.2	\$243.8	\$243.3	\$242.8	\$18.1	8.0%
Inventory/Sales Ratio	2.25	2.31	2.38	2.38	2.36	0.14	

- At 166,353 units, April 2019 Michigan motor vehicle production was down 4.7 percent from April 2018. National production was down 4.1 percent from last April. The three-month average of vehicle production (February 2019-April 2019) was down 1.7 percent in Michigan and down 5.3 percent nationally, compared to a year ago.
- In April 2019, Michigan car production was down 57.5 percent from a year ago while State truck production increased 19.4 percent. Nationally, April car production decreased 17.7 percent while U.S. truck production was up 1.3 percent.
- Michigan's share of national vehicle production fell 0.1 of a percentage point in April 2019 from its year-ago level to 18.3 percent. Michigan's share of car production decreased 9.8 percentage points while the State's share of truck production was up 3.2 percentage points.

Michigan Three-Month Average Vehicle Production Down Slightly from Last Year



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2018 Monthly Average	Feb 2019	Mar 2019	Apr 2019	3 Month Average	Apr Level Chg fr Yr Ago	Apr % Chg fr Yr Ago
U.S. Production ^(e)							
Autos	246.2	226.3	228.0	222.0	225.5	(47.6)	-17.7%
Trucks	675.6	679.8	732.6	685.8	699.4	8.5	1.3%
Total	921.8	906.1	960.6	907.9	924.9	(39.1)	-4.1%
Michigan Production ^(f)							
Autos	34.8	25.2	31.2	23.2	26.5	(31.4)	-57.5%
Trucks	117.9	132.3	150.8	143.1	142.1	23.3	19.4%
Total	152.7	157.5	182.0	166.4	168.6	(8.2)	-4.7%
Michigan as % of U.S.	16.6%	17.4%	18.9%	18.3%	18.2%	-0.1% pts	

	<u>Jan-19</u>	<u>Feb-19</u>	<u>Mar-19</u>	<u>Apr-19</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	91.2	93.8	98.4	97.2	-1.6 points
ISM Manufacturing Index ⁽ⁱ⁾	56.6	54.2	55.3	52.8	-5.1 points
ISM Non Manufacturing Index ⁽ⁱ⁾	56.7	59.7	56.1	55.5	-1.7 points
	<u>2018.2</u>	<u>2018.3</u>	<u>2018.4</u>	<u>2019.1</u>	
Business Executives' Confidence ^(j)	63.0	55.0	42.0	43.0	-22.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>Jan-19</u>	<u>Feb-19</u>	<u>Mar-19</u>	<u>Apr-19</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	251.7	252.8	254.2	255.5	2.0%
Detroit CPI	NA	232.5	NA	234.0	1.0%
U.S. Producer Price Index	116.8	117.1	117.9	118.2	2.2%
INTEREST RATES					
90 Day T-Bill ^(l)	2.37%	2.39%	2.40%	2.38%	1.06% points
10 Year Treasury Securities ^(l)	2.71%	2.68%	2.57%	2.53%	0.13% points
INDUSTRIAL PRODUCTION ^(l)					
	110.1	109.6	109.7	109.2	2.5%
CAPACITY UTILIZATION ^(l)					
	79.0%	78.5%	78.5%	77.9%	0.1% points
RETAIL SALES ^(d)					
	\$507.2	\$505.8	\$514.3	\$513.4	3.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jan-19</u>	<u>Feb-19</u>	<u>Mar-19</u>	<u>Apr-19</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.291	1.149	1.168	1.235	1.3%
Existing Home Sales ^(m)	4.930	5.480	5.210	5.190	-6.7%
DURABLE GOODS ORDERS ^(p)					
	\$254.7	\$249.6	\$249.6	\$248.4	1.1%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2018.1</u>	<u>2018.2</u>	<u>2018.3</u>	<u>2018.4</u>	<u>% Change From Year Ago</u>
Michigan	\$470.7	\$471.9	\$477.0	\$483.0	3.8%
U.S.	\$17,313.2	\$17,460.2	\$17,647.5	\$17,870.8	4.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2012 Dollars) ^(c)	<u>2018.2</u>	<u>2018.3</u>	<u>2018.4</u>	<u>2019.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$18,511.6	\$18,665.0	\$18,765.3	\$18,907.5	3.1%

- (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.