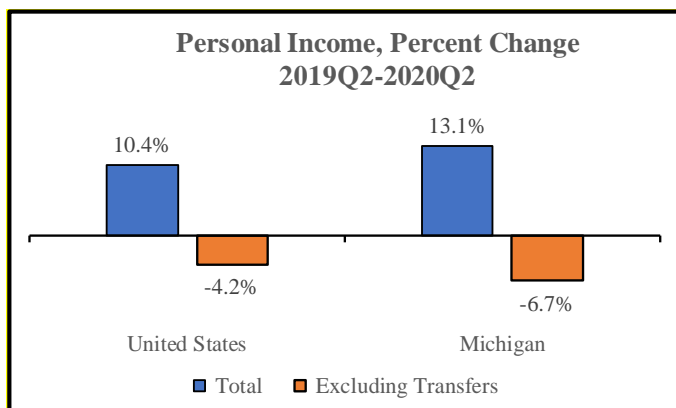


MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury
<http://www.michigan.gov/treasury>
Summarizing Economic Data for August 2020
(Published 09/30/2020)

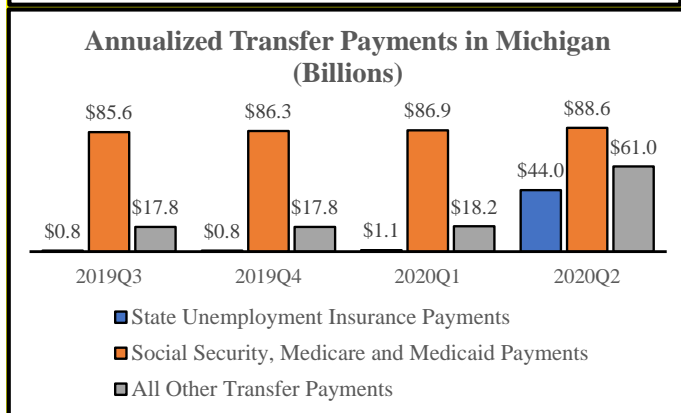
State Personal Income Data Release

On September 24, 2020, the Bureau of Economic Analysis released 2020Q2 state personal income data. Below are some highlights of that release ^(c):



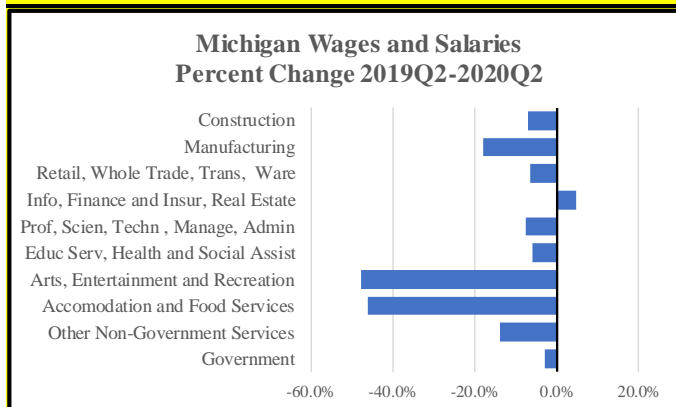
Total Personal Income

- Compared to a year ago, 2020Q2 total Michigan personal income was up 13.1 percent and 2020Q2 total U.S. personal income was up 10.4 percent.
- Between 2019Q2 and 2020Q2, annualized Michigan personal income rose from \$489.9 billion to \$554.3 billion -- a \$64.4 billion increase.
- Nationally, annualized U.S. personal income increased from \$18,470.5 billion to \$20,386.8 billion – a \$1,916.3 billion increase.
- However, total personal income excluding transfer payments *fell* 6.7 percent in Michigan and *dropped* 4.2 percent nationally



Michigan Transfer Payments

- Annualized state unemployment insurance payments in Michigan ballooned from \$0.8 billion to \$44.0 billion over the year – a \$43.2 billion increase.
- Combined Social Security, Medicaid, and Medicare payments in Michigan rose \$3.7 billion. However, other transfer payments jumped from \$17.8 billion to \$61.0 billion – a \$43.3 billion increase.
- Overall, the increase in transfer payments accounted for 140.1 percent of the overall increase in total Michigan personal income. (Nationally, the increase in transfer payments accounted for 134.0 percent.)



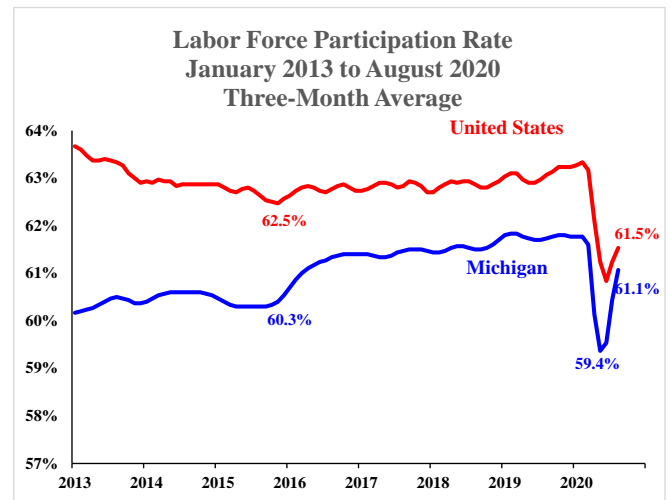
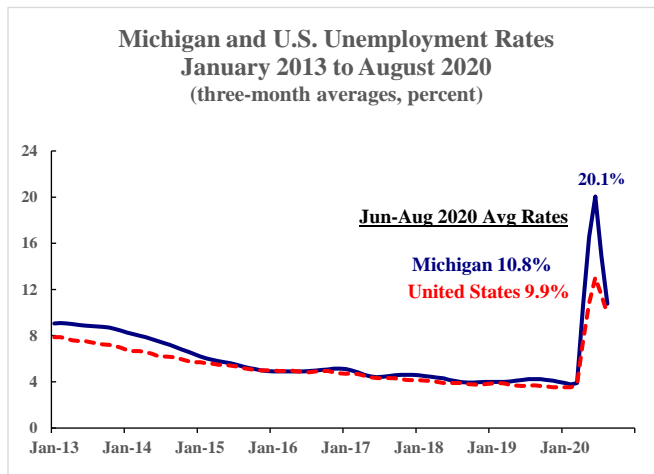
Wages and Salaries

- Between 2019Q2 and 2020Q2, total wages and salaries fell 9.0 percent in Michigan and dropped 4.7 percent nationally.
- Wages fell across most industries both in Michigan and nationally. However, the following major industries saw the largest percentage declines: arts, entertainment and recreation (-47.7 percent in Michigan and -38.9 percent, nationally), accommodation and food services (-46.2 percent and -39.7 percent, respectively).

August 2020 Summary

Unemployment Rates Trend Down But Remain High

- The monthly Michigan unemployment rate estimate remained at 8.7 percent between July and August. As a result, the three-month average of the Michigan unemployment rate trended downward from 15.0 percent to 10.8 percent in August, but remains 6.7 percentage points higher than a year ago.
- The average number of people employed in Michigan between June, July and August was 407,300 lower than in February. Compared to the three-month average of people employed between June-August 2019, the current average is down 369,300 people. The June-August 2020 three-month average of people unemployed is 349,300 people higher than the number of unemployed in February.
- The U.S. unemployment rate declined to 10.2 percent in July and fell to 8.4 percent in August. August's national jobless rate is 6.3 percentage points lower than April's peak rate (14.7 percent), but 4.9 percentage points higher than February's rate and 4.7 percentage points higher than last August.



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

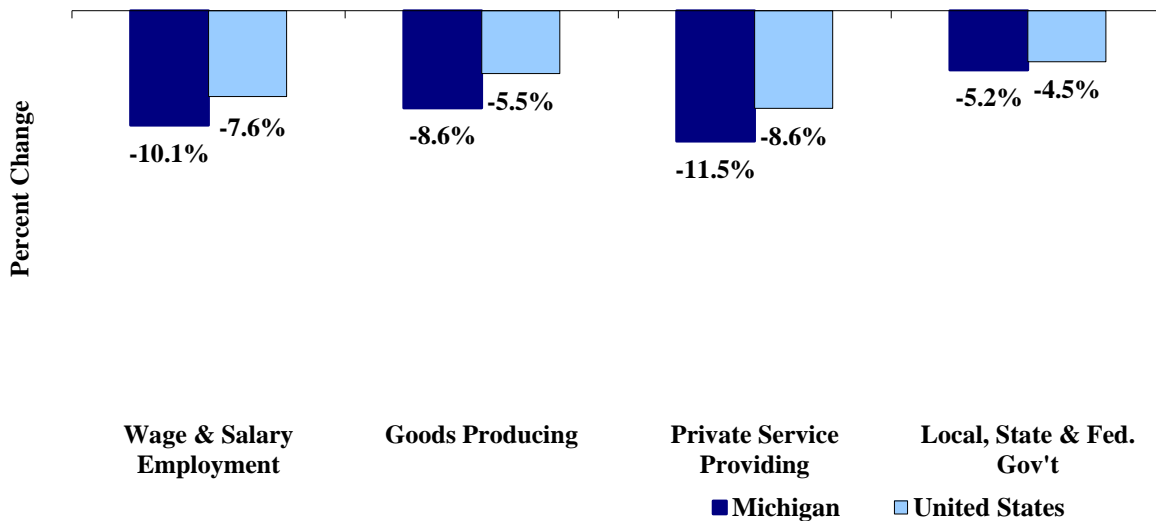
	<u>Annual</u> <u>2019</u>	<u>Jun</u> <u>2020</u>	<u>Jul</u> <u>2020</u>	<u>Aug</u> <u>2020</u>	<u>Chg Fr</u> <u>Mo Ago</u> <u>Level</u>	<u>Chg Fr</u> <u>Mo Ago</u> <u>%</u>	<u>Chg Fr</u> <u>Yr Ago</u> <u>Level</u>	<u>Chg Fr</u> <u>Yr Ago</u> <u>%</u>	<u>Three</u> <u>Month</u> <u>Average</u>
Michigan									
Labor Force	4,902	4,943	4,817	4,916	99	2.1%	-21	-0.4%	4,892
Employed	4,699	4,205	4,395	4,488	93	2.1%	-252	-5.3%	4,363
Unemployed	203	738	421	428	7	1.7%	231	116.4%	529
Unemployment Rate	4.1%	14.9%	8.7%	8.7%	n.a.	0.0% pts	n.a.	4.7% pts	10.8%
United States									
Labor Force	162,075	159,932	159,870	160,838	968	0.6%	-3,056	-1.9%	160,213
Employed	155,761	142,182	143,532	147,288	3,756	2.6%	-10,607	-6.7%	144,334
Unemployed	6,314	17,750	16,338	13,550	-2,788	-17.1%	7,551	125.9%	15,879
Unemployment Rate	3.9%	11.1%	10.2%	8.4%	n.a.	-1.8% pts	n.a.	4.7% pts	9.9%

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

Employment by Place of Work (Payroll)

- Michigan regained a net 54,500 jobs in August and a cumulative 593,100 jobs over the past four months after losing a record 1.0 million jobs in April from the ongoing pandemic. However, Michigan payroll employment in August 2020 was 448,200 jobs (-10.1 percent) below its August 2019 level. Nationally, August 2020 payroll employment was down 10.2 million (-6.8 percent) from a year ago. The national economy has regained a cumulative 10.6 million jobs over the last four months after losing a record 20.8 million jobs in April.

Payroll Employment Growth



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

- In the goods-producing sector, Michigan payroll employment dropped 8.6 percent in August from a year ago; employment in the private service-providing sector declined 11.5 percent. From a year ago, August national payroll employment fell 5.5 percent in the goods-producing sector and decreased 8.6 percent in the private service-providing sector.
- At 40.3 hours, manufacturing weekly hours in Michigan were down 2.3 hours from last year.

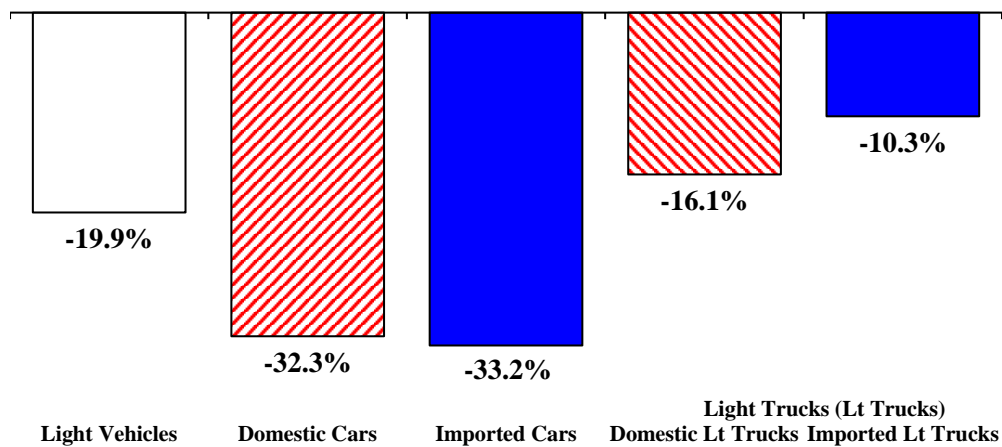
Wage and Salary (Payroll) Employment (in thousands)^(b)

	MI				US			
	2019 <u>Annual</u>	MI Aug <u>2019</u>	MI Aug <u>2020</u>	Percent <u>Change</u>	2019 <u>Annual</u>	US Aug <u>2019</u>	US Aug <u>2020</u>	Percent <u>Change</u>
Wage & Salary Employment	4,432.6	4,442.4	3,994.2	-10.1%	148,908	150,953	139,543	-7.6%
Goods Producing	808.0	809.2	739.8	-8.6%	20,704	21,085	19,920	-5.5%
Manufacturing	627.2	628.1	562.0	-10.5%	12,688	12,845	12,103	-5.8%
Private Service Providing	3,011.4	3,013.7	2,667.2	-11.5%	105,750	107,281	98,053	-8.6%
Trade, Trans. & Utilities	795.9	796.3	756.5	-5.0%	27,607	27,692	26,118	-5.7%
Services	1,935.8	1,937.7	1,640.2	-15.4%	66,714	67,974	60,750	-10.6%
Local, State & Fed. Gov't	613.3	619.5	587.2	-5.2%	22,455	22,587	21,570	-4.5%
Manufacturing Weekly Hours	43.3	42.6	40.3	-2.3 hrs	42.2	41.5	40.7	-0.8 hrs

Motor Vehicle Sales Continue Recovery in August

- After dropping to a near 50-year low in April 2020 because of COVID-19, U.S. light vehicle sales partially recovered each month from May through August. However, in August 2020, light vehicle sales were 11.0 percent below year-ago sales. In August 2020, the annualized sales rate equaled 15.2 million units.
- U.S. sales of domestic light vehicles declined 10.1 percent from last August while foreign sales dropped 13.9 percent. Compared to last August, the foreign share of U.S. light vehicle sales decreased 0.7 of a percentage point to 21.6 percent in August 2020.
- Auto sales decreased 22.2 percent compared to last August, while light truck sales were down 6.9 percent from August 2019. Year-over-year (y-o-y), heavy truck sales dropped 26.0 percent from last August.
- Year-to-date light vehicle sales through first eight months of the year were down 19.9 percent.

Year-to-Date Light Vehicle Sales Down Sharply from Last Year



Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

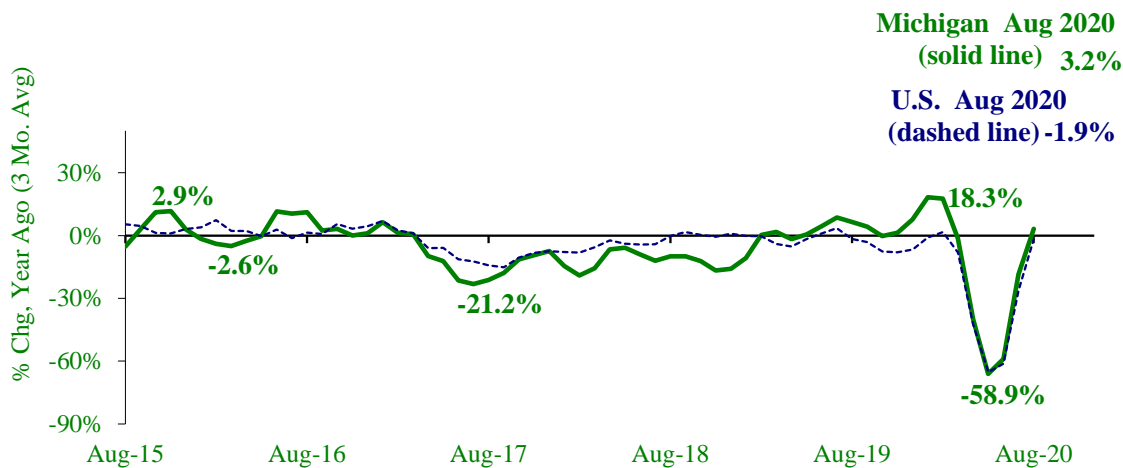
Motor Vehicle Sales ^(c)	2019	Jun	Jul	Aug	3 Month	Aug	Aug
	<u>Total</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>Average</u>	<u>Level</u>	<u>Chg fr Yr Ago %</u>
Autos	4.7	2.9	3.5	3.6	3.3	(1.0)	-22.2%
Domestics	3.5	2.1	2.7	2.7	2.5	(0.7)	-19.3%
Imports	1.2	0.8	0.8	0.8	0.8	(0.4)	-30.7%
Import Share	24.8%	27.9%	23.9%	22.9%	24.7%	-2.8% pts	
Light Trucks	12.2	10.1	11.1	11.6	11.0	(0.9)	-6.9%
Domestics	9.6	7.4	8.5	9.2	8.4	(0.7)	-7.0%
Imports	2.6	2.7	2.6	2.5	2.6	(0.2)	-6.4%
Import Share	21.4%	26.5%	23.2%	21.2%	23.5%	0.1% pts	
Total Light Vehicles	17.0	13.0	14.6	15.2	14.3	(1.9)	-11.0%
Heavy Trucks	0.5	0.3	0.4	0.4	0.4	(0.1)	-26.0%
Total Vehicles	17.5	13.4	15.0	15.6	14.7	(2.0)	-11.4%

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

	2019	May-20	Jun-20	Jul-20	3 Month	Chg fr	Chg fr
	<u>Average</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Average</u>	<u>Year Ago Level</u>	<u>Year Ago %</u>
Inventories	\$236.3	\$186.6	\$174.2	\$178.8	\$179.8	-\$60.2	-25.2%
Inventory/Sales Ratio	2.29	1.84	1.57	1.63	1.68	-0.69	

- Michigan vehicle production fell from 174,138 units in July to 159,526 units in August. Compared to last August, State production is down 12.9 percent and U.S. production is down 5.4 percent.
- In April, Michigan motor vehicle production came to a standstill because of the ongoing pandemic. Motor vehicle production partially restarted in May, picked up significantly in June and rose further in July but declined in August.
- In August 2020, Michigan car production was down 18.1 percent from last year while Michigan truck production was down 12.3 percent. Nationally, car production was down 10.5 percent and truck production was down 3.9 percent compared to last August.
- Despite August's monthly decline, the three-month average of Michigan vehicle production continued to trend upward. As a result, the three-month average of Michigan vehicle production in August was up 3.2 percent from a year ago; nationally, three-month average of production was down 1.9 percent.

Three-Month Averages of Vehicle Production Little Changed from Year Ago in August



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2019 Monthly Average	Jun 2020	Jul 2020	Aug 2020	3 Month Average	Aug Level Chg fr Yr Ago	Aug % Chg fr Yr Ago
U.S. Production ^(e)							
Autos	214.8	152.4	164.8	199.8	172.3	(23.3)	-10.5%
Trucks	677.1	623.5	681.0	719.6	674.7	(29.2)	-3.9%
Total	891.9	775.8	845.8	919.3	847.0	(52.6)	-5.4%
Michigan Production ^(f)							
Autos	20.2	13.4	19.1	17.0	16.5	(3.8)	-18.1%
Trucks	139.3	142.1	155.1	142.5	146.5	(19.9)	-12.3%
Total	159.5	155.5	174.1	159.5	163.1	(23.7)	-12.9%
Michigan as % of U.S.	17.9%	20.0%	20.6%	17.4%	19.3%	-1.5% pts	

U.S. Economic Conditions

	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	72.3	78.1	72.5	74.1	-15.7 points
ISM Manufacturing Index ⁽ⁱ⁾	43.1	52.6	54.2	56.0	7.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	45.4	57.1	58.1	56.9	0.9 points
	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	
Business Executives' Confidence ⁽ⁱ⁾	34.0	43.0	34.0	44.0	2.0 points
INFLATION ^(k)					
1982-84 = 100 (CPI)	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Change from Year Ago</u>
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	256.4	257.8	259.1	259.9	1.3%
Detroit CPI	NA	236.1	NA	240.6	1.8%
U.S. Producer Price Index	117.6	117.5	118.2	118.6	-0.2%
INTEREST RATES					
90 Day T-Bill ^(l)	0.13%	0.16%	0.13%	0.10%	-1.85% points
10 Year Treasury Securities ^(l)	0.67%	0.73%	0.62%	0.65%	-0.98% points
INDUSTRIAL PRODUCTION ^(l)	91.9	97.5	101.0	101.4	-7.7%
CAPACITY UTILIZATION ^(l)	64.7%	68.7%	71.1%	71.4%	-6.4% points
RETAIL SALES ^(d)	\$488.2	\$530.0	\$534.6	\$537.5	2.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	1.038	1.265	1.492	1.416	2.8%
Existing Home Sales ^(m)	3.910	4.700	5.860	6.000	10.5%
DURABLE GOODS ORDERS ^(d)	\$192.6	\$207.5	\$231.8	\$232.8	-4.6%
PERSONAL INCOME ^(c)					
(Billions, Seasonally Adj & Annualized)	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>% Change From Year Ago</u>
Michigan	\$492.8	\$496.8	\$497.5	\$554.3	13.1%
U.S.	\$18,590.2	\$18,750.9	\$18,940.5	\$20,386.8	10.4%
GROSS DOMESTIC PRODUCT ^(c)					
(Billions of Chained 2012 Dollars, Seasonally Adj & Annualized)	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$19,141.7	\$19,254.0	\$19,010.8	\$17,302.5	-31.4%

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. 2012 equals 100. Treasury bill rate (secondary market).
- (m) National Association of Realtors.