## State Economic Outlook Michigan



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February 14, 2017

## Michigan to Benefit from Automaker Investment

The Michigan economy is much more than just autos and other durable goods manufacturing, but the auto sector still drives the state economy. Recent announcements of new investments in the state by automakers is good news for Michigan, but risks to the state economy from following the auto cycle are inherent. Auto sales surged at the end of 2016, hitting an 18.4 million unit pace in December and propelling total 2016 sales into the record books. Most automakers expect U.S. sales to ease this year. Even with tapering sales in 2017, the auto industry will remain an incubator of new economic activity as driverless and other new technologies are developed. Also, potentially impacting the auto industry is the Trump Administration's desire to renegotiate the North America Free Trade Agreement. Michigan, perhaps more than any other state, is exposed to a restructured NAFTA in both directions, north to Canada, and south to Mexico. Negotiations with Canada and Mexico are expected to begin this spring. Given the integration of Mexican manufacturers with the U.S. auto industry, it would be extremely disruptive and extremely inefficient to attempt to quickly dismantle existing supply chains. We look for marginal changes to NAFTA that would seek to rebalance production costs between countries and thus reduce incentives for production relocation. If that is achieved, Michigan will benefit from a more stable manufacturing sector. The reality for manufacturers is the constant push to do more with less, particularly less labor. So even with stability in output, labor demand will gradually ease as automation pushes productivity gains.

Michigan Economic Outlook											
	3Q'16a	4Q'16a	1Q'17f	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2Q'18f	2016a	2017f	2018f
State GDP											
Real GDP (Chained 2009 Millions \$)	431634	434538	437402	439849	442015	443767	445558	447276	429535	440759	448036
Percent Change Annualized	4.2	2.7	2.7	2.3	2.0	1.6	1.6	1.6	2.1	2.6	1.7
Labor and Demographics											
Payroll Jobs (Thousands)	4336	4365	4388	4409	4428	4442	4452	4462	4335	4417	4466
Percent Change Annualized	1.1	2.7	2.2	1.9	1.8	1.3	0.9	0.9	2.1	1.9	1.1
Unemployment Rate (Percent)	4.5	4.9	4.6	4.3	4.0	3.9	3.8	3.8	4.7	4.2	3.8
Population (Thousands)	9933	9934	9937	9939	9942	9944	9946	9947	9930	9940	9948
Percent Change Annualized	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net Migration (Thousands)	-2.3	-2.0	-2.0	-1.9	-1.5	-1.7	-1.5	-1.5	-3.3	-7.1	-6.1
Personal Income											
Total Personal Income (Nom., Millions \$)	443438	448788	454741	460535	466019	471377	476466	481661	440888	463168	484386
Percent Change Annualized	4.9	4.9	5.4	5.2	4.8	4.7	4.4	4.4	3.8	5.1	4.6
Housing											
Housing Starts (Total, Ann. Rate)	19279	20591	19525	19639	19764	19889	19958	20005	20867	19704	20020
Percent Change Annualized	-49.1	30.1	-19.1	2.3	2.6	2.5	1.4	0.9	25.9	-5.6	1.6
SF Housing Starts (# of Units, Ann Rate)	15119	16290	15306	15394	15499	15611	15677	15723	15999	15452	15738
MF Housing Starts (# of Units, Ann Rate)	4161	4301	4220	4245	4266	4278	4281	4282	4868	4252	4282
Existing Home Sales (Ths. of Units, Ann Rate)	169	168	172	175	177	179	181	183	175	176	184
House Prices, FHFA (1991 Q1=100, SA)	200	203	207	210	214	217	220	223	199	212	224
Year/Year Percent Change	6.9	6.1	6.3	6.8	7.0	6.9	6.5	6.2	6.4	6.7	5.8
Bankruptcies											
Total Business (12 Months Ending)	592	564	552	562	546	534	523	514	610	549	512
Total Personal (12 Months Ending)	30775	30064	29813	29639	29472	29384	29393	29401	31047	29577	29416
a = actual f = forecast											

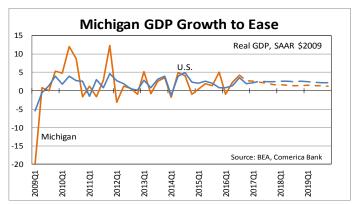
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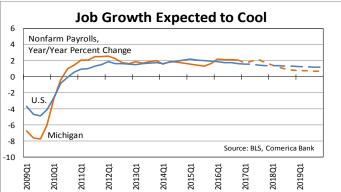
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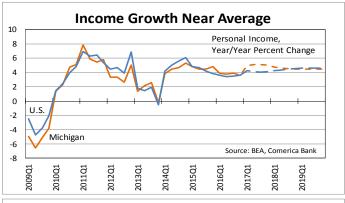
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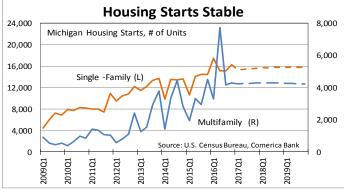
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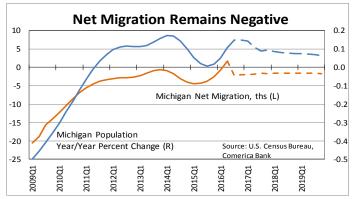


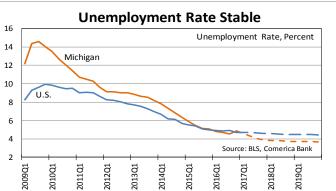


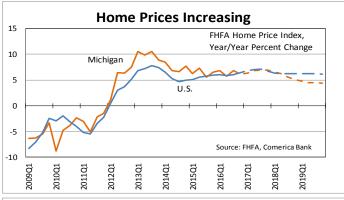


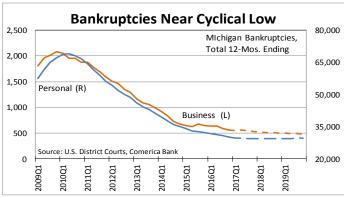












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