

Michigan to Benefit from Automaker Investment

The Michigan economy is at a crossroads. The economic recovery fueled by the rebounding auto sector has been a tremendous positive for the state, but that is largely played out. We expect auto sales in 2017 to step down from the record 17.6 million units of 2016, to about 17.2 million units in 2017. Manufacturing job growth in Michigan eased to barely positive as of this March. Looking ahead, we expect manufacturing industries to gradually shed jobs in the state as auto production eases and new technology drives productivity growth. Recently, Ford has announced that they will cut about 10,000 jobs worldwide, as they face pressure to bolster profitability. To date, manufacturing has been supportive of solid overall job growth in the state. This March, Michigan had 1.9 percent more payroll jobs than it did in March 2016, while the U.S. gained 1.5 percent. Despite stronger than average job growth, the state's unemployment rate increased from a low of 4.8 percent in June 2016, to 5.1 percent this March, as the U.S. unemployment rate declined. Even with the rebound in the auto industry, net-migration to Michigan has remained negative since the late 1990s, meaning that more people leave the state every year than move to it. This data may be substantially revised with the 2020 census, but recent estimates show that Michigan lost a net of about 15,000 people in 2015 to other states and countries. Persistent negative net-migration has brought population growth down to a barely positive 0.1 percent estimated for 2017. Declining auto sales and weak population growth will pull job creation in the state back below the U.S. average.

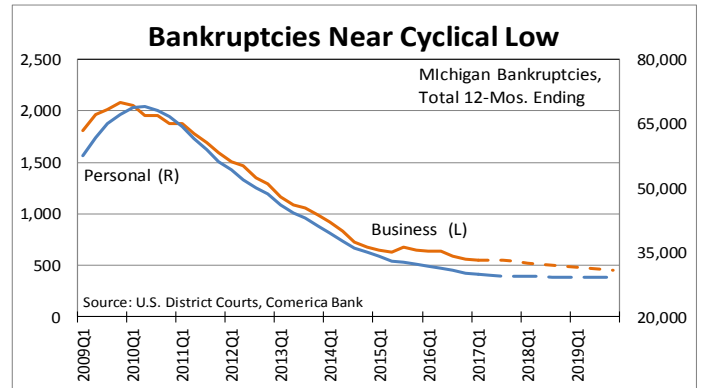
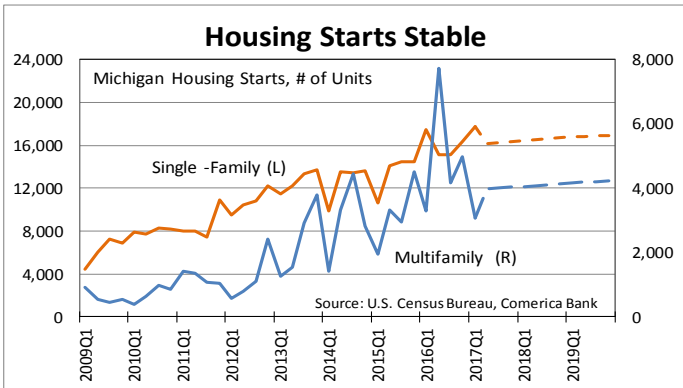
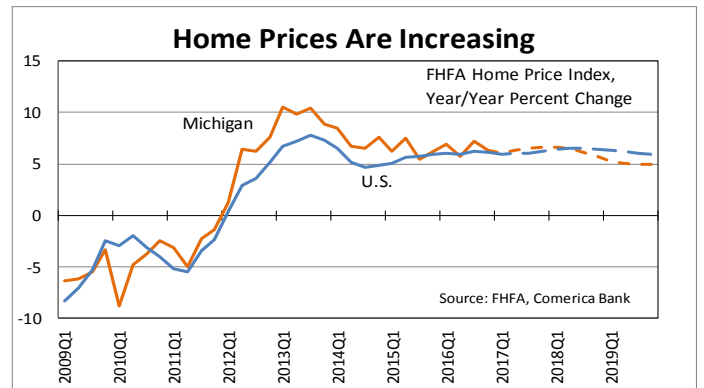
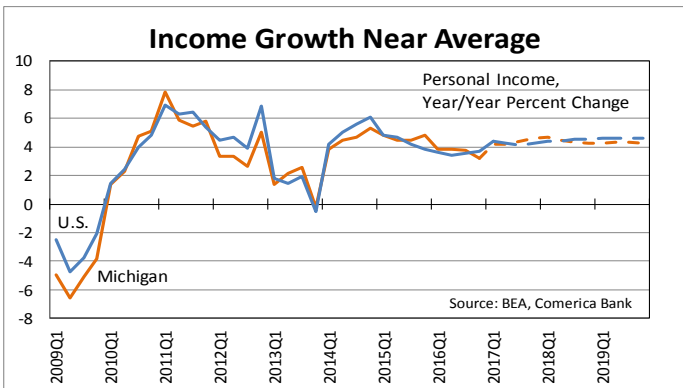
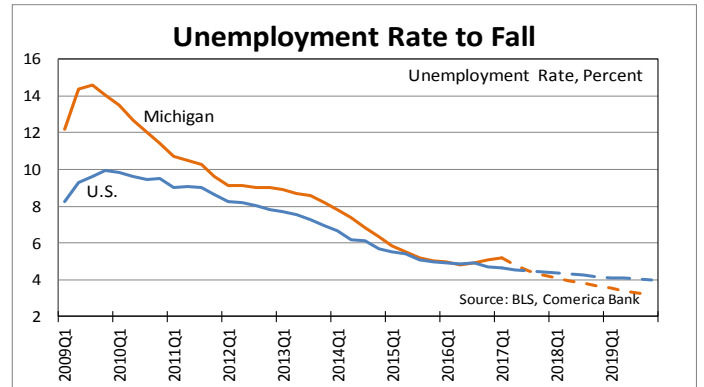
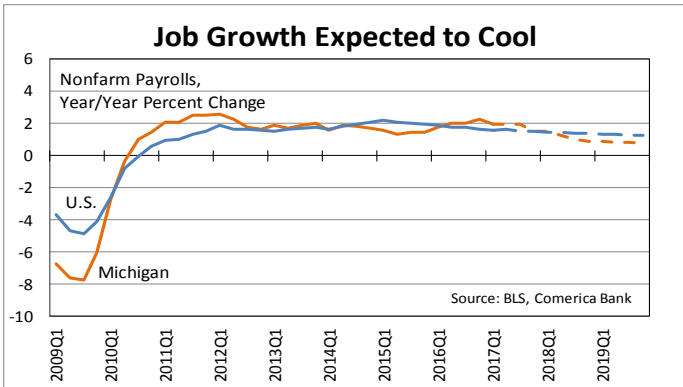
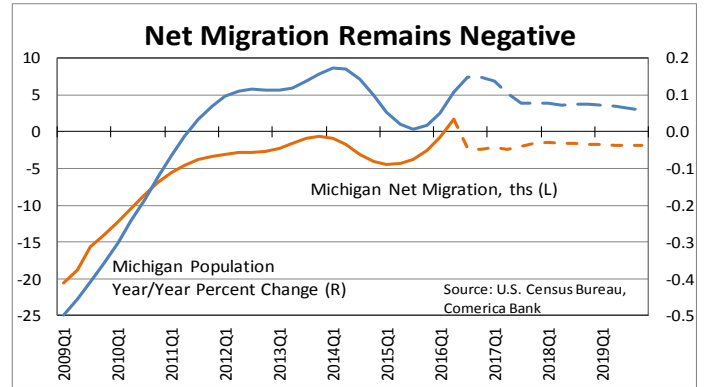
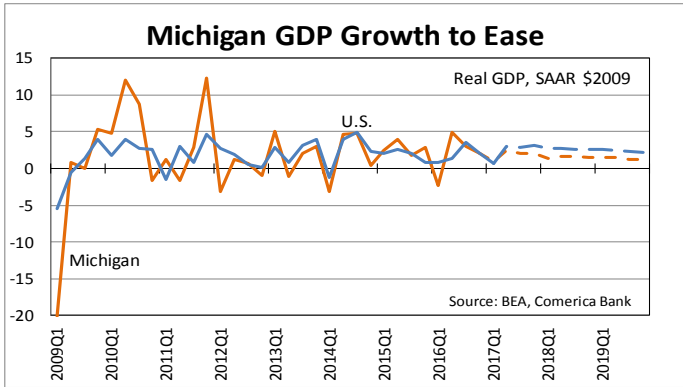
Michigan Economic Outlook

	4Q'16a	1Q'17a	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2Q'18f	3Q'18f	2016a	2017f	2018f
State GDP											
Real GDP (Chained 2009 Millions \$)	435144	436132	438770	441075	443296	444875	446755	448514	430608	439818	447581
Percent Change Annualized	2.1	0.9	2.4	2.1	2.0	1.4	1.7	1.6	1.8	2.1	1.8
Labor and Demographics											
Payroll Jobs (Thousands)	4367	4378	4399	4420	4435	4445	4455	4465	4328	4408	4460
Percent Change Annualized	3.0	1.0	2.0	1.9	1.3	1.0	0.9	0.9	2.0	1.8	1.2
Unemployment Rate (Percent)	5.1	5.2	4.8	4.5	4.3	4.1	4.0	3.8	5.0	4.7	3.9
Population (Thousands)	9934	9936	9939	9941	9942	9944	9946	9948	9930	9940	9947
Percent Change Annualized	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net Migration (Thousands)	-2.4	-2.1	-2.4	-2.0	-1.6	-1.4	-1.5	-1.6	-3.8	-8.1	-6.2
Personal Income											
Total Personal Income (Nom., Millions \$)	446999	451128	456767	462304	467470	472330	477219	482266	440292	459417	479797
Percent Change Annualized	3.9	3.7	5.1	4.9	4.5	4.2	4.2	4.3	3.6	4.3	4.4
Housing											
Housing Starts (Total, Ann. Rate)	21356	20818	20123	20287	20404	20509	20638	20739	21059	20408	20685
Percent Change Annualized	50.6	-9.7	-12.7	3.3	2.3	2.1	2.5	2.0	27.1	-3.1	1.4
SF Housing Starts (# of Units, Ann Rate)	16373	17759	16154	16289	16377	16458	16559	16640	16020	16645	16594
MF Housing Starts (# of Units, Ann Rate)	4984	3060	3969	3998	4027	4051	4079	4100	5039	3763	4091
Existing Home Sales (Ths. of Units, Ann Rate)	151	171	173	175	176	177	178	179	172	174	179
House Prices, FHFA (1991 Q1=100, SA)	203	206	209	213	216	220	223	226	198	211	224
Year/Year Percent Change	6.3	6.1	6.4	6.5	6.7	6.7	6.5	6.1	6.6	6.4	6.2
Bankruptcies											
Total Business (12 Months Ending)	564	554	555	553	540	525	512	502	610	550	508
Total Personal (12 Months Ending)	30064	29849	29727	29553	29459	29429	29391	29348	31047	29647	29371

a = actual f = forecast

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