

Michigan Growth to Ease as Short-Term and Long-Term Drags Align

A key challenge in describing and forecasting the current Michigan economy is how to make comparisons relative to pre-recession performance. The reason for the difficulty is that Michigan did not “just” have to endure the Great Recession of 2007/08. The recession in Michigan started in the summer of 2002 and lingered through 2009. With the pace of job growth currently levelling off, it appears that Michigan has “recovered” from the Great Recession, but total employment remains about 360,000 jobs shy of the April 2000 peak. With the cooldown in job growth visible in 2016, the state has entered a post-recovery phase. The auto industry has re-structured and national auto sales are cresting in the vicinity of an 18 million unit annual rate. Going forward it looks like both short-term and long-term forces will keep growth in check for Michigan. In the short-term the state’s key auto industry is looking at stable-to-declining sales over the next few years. Also, both Ford and GM are moving small car production out of Michigan. GM has just announced 840 lay-offs at the Lansing Grand River plant in response to the expected cooler trend in sales. Over the long-term, Michigan’s demographics are a fundamental constraint to growth. By 2005, Michigan’s population growth had slowed to zero. Recent estimates show state population for 2015Q2 to be about 134,000 below the peak from 2004Q3. Since 2000, when job growth began sliding, net migration for Michigan has been persistently negative. We expect the negative trend in net migration to continue as retirees move south and job growth eases with a maturing auto industry cycle.

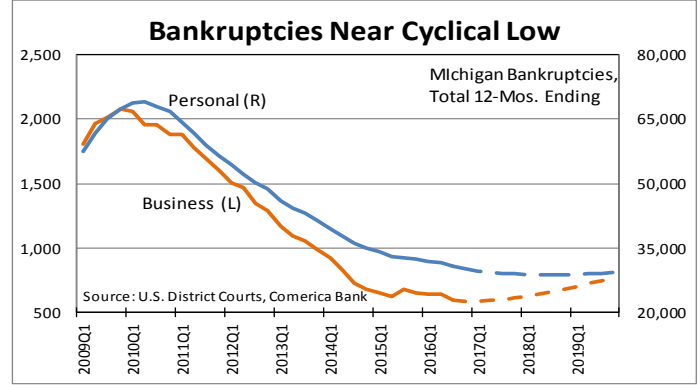
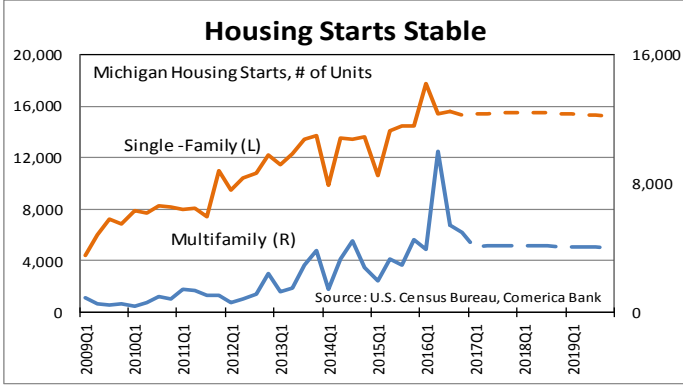
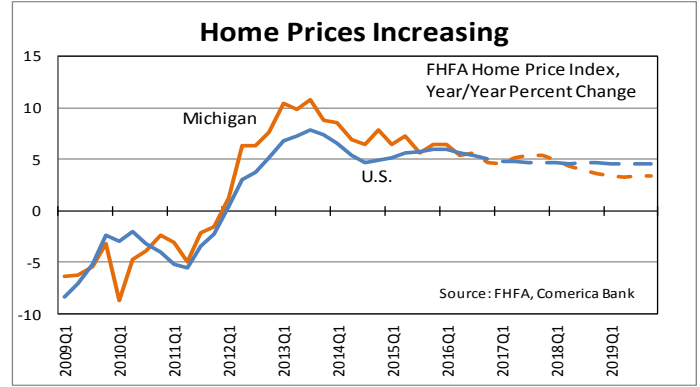
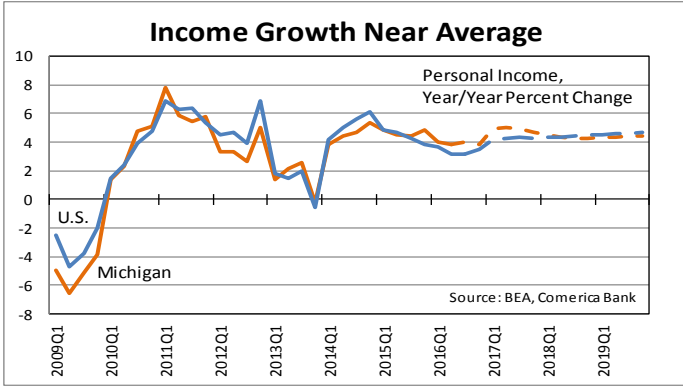
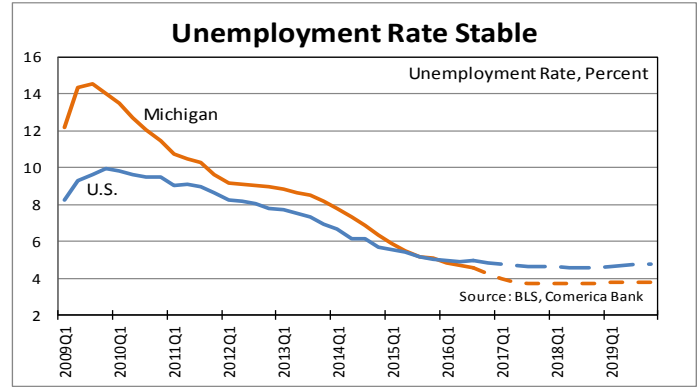
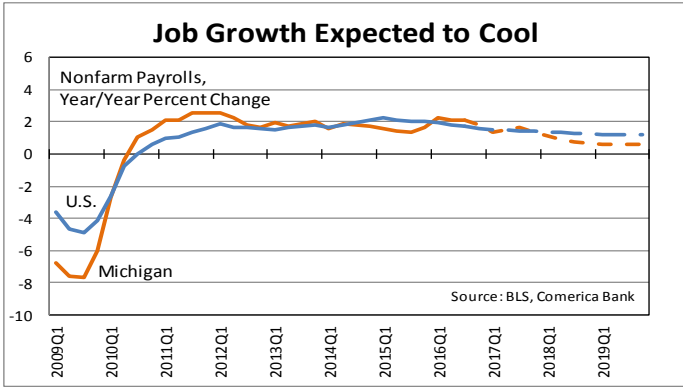
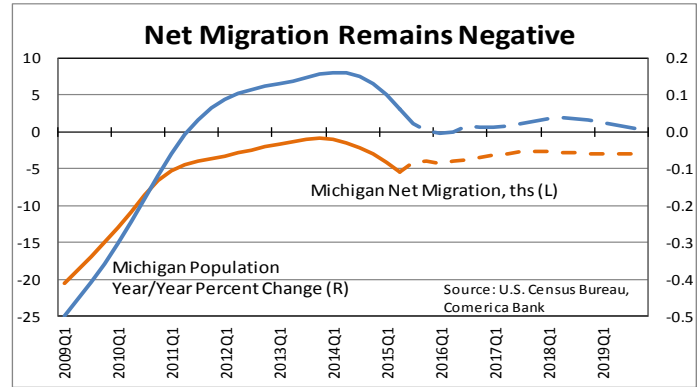
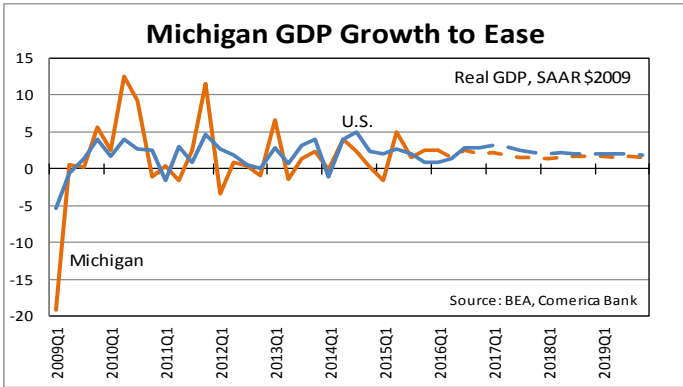
Michigan Economic Outlook

	2Q'16a	3Q'16a	4Q'16f	1Q'17f	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2015a	2016f	2017f
State GDP											
Real GDP (Chained 2009 Millions \$)	427424	430091	432231	434524	436455	438027	439684	441096	419045	428896	437172
Percent Change Annualized	1.5	2.5	2.0	2.1	1.8	1.4	1.5	1.3	1.4	2.4	1.9
Labor and Demographics											
Payroll Jobs (Thousands)	4324	4333	4353	4372	4390	4403	4412	4421	4245	4332	4394
Percent Change Annualized	0.8	0.8	1.9	1.7	1.6	1.2	0.8	0.8	1.5	2.0	1.4
Unemployment Rate (Percent)	4.7	4.5	4.2	4.0	3.8	3.7	3.7	3.7	5.4	4.6	3.8
Population (Thousands)	9923	9923	9923	9924	9924	9925	9926	9927	9922	9923	9925
Percent Change Annualized	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Migration (Thousands)	-3.9	-3.9	-3.5	-3.2	-3.0	-2.7	-2.6	-2.7	-17.7	-15.6	-11.5
Personal Income											
Total Personal Income (Nom., Millions \$)	438538	443783	449574	455107	460575	465830	470752	475647	424807	441369	463066
Percent Change Annualized	4.7	4.9	5.3	5.0	4.9	4.6	4.3	4.2	4.6	3.9	4.9
Housing											
Housing Starts (Total, Ann. Rate)	25372	21001	20234	19451	19534	19560	19566	19586	16570	22059	19528
Percent Change Annualized	89.3	-53.1	-13.8	-14.6	1.7	0.5	0.1	0.4	6.2	33.1	-11.5
SF Housing Starts (# of Units, Ann Rate)	15368	15560	15303	15370	15438	15456	15458	15478	13387	15991	15431
MF Housing Starts (# of Units, Ann Rate)	10004	5441	4931	4081	4097	4104	4107	4108	3183	6068	4097
Existing Home Sales (Ths. of Units, Ann Rate)	175	127	183	187	190	193	195	197	180	166	191
House Prices, FHFA (1991 Q1=100, SA)	196	198	200	203	206	209	211	213	187	197	207
Year/Year Percent Change	5.3	5.7	4.6	4.5	5.1	5.4	5.3	4.9	6.4	5.5	5.1
Bankruptcies											
Total Business (12 Months Ending)	643	592	582	584	590	599	608	622	649	614	596
Total Personal (12 Months Ending)	31436	30775	30165	29655	29237	29008	28907	28840	33038	31072	29202

a = actual f = forecast

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