

Michigan Economic Activity Index

	<u>Value</u>	<u>% Change</u>
August 2018	118.1	-0.3
July 2018	118.4	-0.4

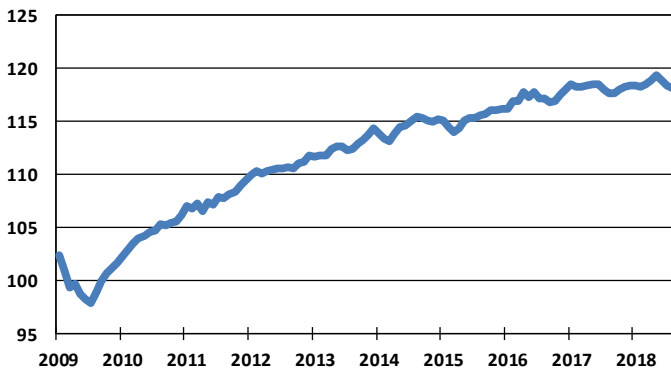
**All data has been adjusted for seasonality and changes in price.*

Comerica Bank's Michigan Index Drops

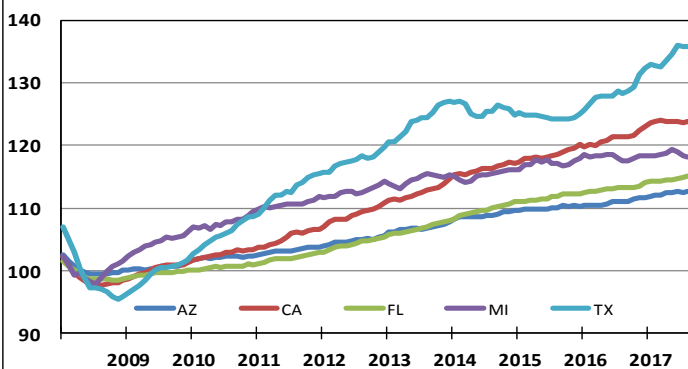
Comerica Bank's Michigan Economic Activity Index fell again in August to a level of 118.1. August's reading is 20 points, or 21 percent, above the index cyclical low of 97.9. The index averaged 118.2 points for all of 2017, one point above the index average for 2016. July's index reading was 118.4.

Comerica Bank's Michigan Economic Activity Index fell for the third consecutive month in August. This is the first three-month drop for the Michigan Index since early 2015. The August index value of 118.1 is little changed since the end of 2016, telling us that the Michigan economy has lost momentum over the last two years, coincident with the levelling of U.S. auto sales that began in late 2015. In 2018 it looks like the trend in auto sales is down even though they bounced back in September, to a 17.4 million unit rate. A key missing piece for the Michigan economy is momentum in the housing sector. Residential construction activity remains subdued. House prices have advanced in this business cycle, but appear to have stalled out this summer. Only three out of nine index components were positive in August. They were nonfarm employment, auto production and state sales tax revenues. The six declining components were unemployment insurance claims (inverted), housing starts, house prices, industrial electricity sales, total state trade and hotel occupancy. Consumer conditions in the U.S. are good with strong labor markets and high consumer confidence. However, Michigan's auto sector has some headwinds in the form of higher materials and labor costs and higher interest rates. The resolution of the U.S.-Mexico-Canada Trade Agreement removes some uncertainty for many Michigan businesses. The pact remains to be ratified by each country.

Michigan Index Historical Values



5 State Index Historical Values



Media Contact:

Robert Dye
(214) 462-6839
radye@comerica.com

Data Contact:

Daniel Sanabria
(214) 462-6789
fdsanabria@comerica.com

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Michigan Economic Activity Index



Indicator	Aug-17	Apr-18	May-18	Jun-18	Jul-18	Aug-18
Nonfarm Payroll Employment (Thousands)	4,373	4,417	4,420	4,422	4,427	4,432
<i>Percent Change</i>		0.1%	0.1%	0.0%	0.1%	0.1%
Continuing UI Claims (Weekly Average)	61,313	55,070	53,153	52,319	53,102	53,323
<i>Percent Change</i>		-3.8%	-3.5%	-1.6%	1.5%	0.4%
Housing Starts (Annualized Rate)	21,448	20,290	22,085	20,013	19,704	17,328
<i>Percent Change</i>		-4.3%	8.9%	-9.4%	-1.5%	-12.1%
House Price Index (Jan 2000=100)	108.7	113.2	113.4	113.3	113.0	112.9
<i>Percent Change</i>		0.8%	0.2%	-0.1%	-0.3%	-0.1%
Industrial Electricity Sales (Millions, KwHr)	2,501	2,490	2,496	2,477	2,492	2,483
<i>Percent Change</i>		-1.1%	0.2%	-0.8%	0.6%	-0.3%
Auto Assemblies (Millions of Units, Annualized Rate)	10.3	11.4	11.0	10.7	10.3	10.6
<i>Percent Change</i>		2.4%	-3.5%	-2.8%	-3.8%	3.4%
Total Trade (Millions, 2012 USD, Annualized Rate)	186,052	193,548	193,088	189,676	188,460	188,256
<i>Percent Change</i>		0.4%	-0.2%	-1.8%	-0.6%	-0.1%
Hotel Occupancy Index (2009=100)	129.5	132.0	134.0	134.6	133.2	132.3
<i>Percent Change</i>		1.0%	1.5%	0.4%	-1.0%	-0.7%
Sales Tax Revenue (Millions, 2012 USD)	611.2	611.7	615.8	628.2	622.4	633.6
<i>Percent Change</i>		1.4%	0.7%	2.0%	-0.9%	1.8%
<u>Total Index</u>	117.6	118.8	119.3	118.9	118.4	118.1
<i>Percent Change</i>		0.3%	0.4%	-0.3%	-0.4%	-0.3%

(Seasonally Adjusted, 3-Month Moving Average)

Explanatory Note:

The Michigan Economic Activity Index consists of nine variables, as follows: nonfarm payroll employment, continuing claims for unemployment insurance, housing starts, house price index, industrial electricity sales, auto assemblies, total trade, hotel occupancy and sales tax revenue. All data are seasonally adjusted. Nominal values have been converted to constant dollar values. Index levels are expressed in terms of three-month moving averages.

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