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Michigan Economic Snapshot, May 2023

Comerica Michigan Index

	May-23	Apr-23	Mar-23	Feb-23	Jan-23
3-month % change, annual rate	7.9	4.8	1.5	-3.2	-3.2
Year-over-year % change	-0.3	-0.4	0.5	-0.4	0.1

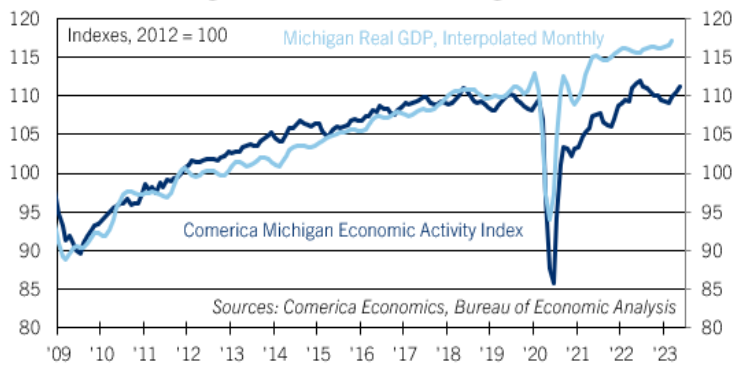
Real GDP (Quarterly)

		Mar-23		Dec-22
Quarterly change, annual rate	--	--	1.7	--
Year-over-year % change	--	--	0.5	--

Unemployment Rate, %

	May-23	Apr-23	Mar-23	Feb-23	Jan-23
Percent	3.7	3.8	4.1	4.3	4.3

Michigan Index and Michigan Real GDP



Michigan Index Rebounded in May

The Comerica Michigan Economic Activity Index jumped 7.9% annualized in the three months through May. The Index was still down 0.3% from a year earlier after declining in the second half of 2022. Six of the index's nine components increased in April, while three fell.

Overall, the Great Lake State's labor market improved in May. Employment rose for the seventh consecutive month by a solid 11,400. While continuing claims for unemployment insurance were higher, the unemployment rate fell to the lowest since early 2020 and matched the national average of 3.7%.

Auto and light truck assemblies rose to 11.3 million annualized units in May and are back to the highest since mid-2020 as the chip shortage fades in the rear-view. Industrial electricity use fell in May but was nonetheless about 2% higher in the first five months of 2023 than the same period last year.

Housing starts rose sharply for the second consecutive month, but are still down a fifth in the first five months of the year from the same period in 2022, as rising unaffordability restrains residential construction. With listings tight, house prices rose sharply for the third consecutive month and have now fully reversed their decline from mid-2022 to early-2023. Seasonally-adjusted hotel occupancy rose on the month and from a year earlier. Real consumer spending is a little weaker in 2023 than last year: Sales tax receipts, adjusted for seasonality and price differences, edged up in May, but were still down about 2% from a year earlier.

Michigan's economy grew by 1.8% in 2022, slightly below the national average of 2.1%. The trend held in the first quarter, with Michigan's real GDP growth of 1.7% a tad below the nation's 2.0%. Michigan's economy will likely slow along with the national economy in late 2023 and into 2024. High interest rates will slow output and sales in credit-intensive sectors, such as housing, manufacturing, and commercial real estate investment. The auto industry is outperforming other sectors of durable consumer goods manufacturing as car dealers restock inventories, but even it is not immune to the negative impacts of high interest rates and inflation on consumer demand; a large number of new EV models brought to market in 2023 and 2024 is increasing pricing competition and could weigh on carmakers' margins.

The Comerica Michigan Economic Activity Index is a monthly composite indicator of state economic activity. The Index provides a wholistic advance view of the state of Michigan's economy, using economic data that are available about one quarter earlier than real GDP is released. The index is comprised of nine components: Nonfarm payroll employment, continuing claims for unemployment insurance, housing starts, house prices, industrial electricity sales, auto and light truck production, foreign trade, hotel occupancy, and sales tax revenue. All data are seasonally adjusted with nominal values converted to constant dollar values as appropriate. To filter out month-to-month volatility in the index components, the index is calculated from the three-month moving averages of its components. Values for a minority of components are projected from the prior month's release due to the timing of data releases. Comerica Bank, a subsidiary of Comerica Incorporated (NYSE: CMA), is a financial services company headquartered in Dallas, Texas, and strategically aligned by three business segments: The Commercial Bank, The Retail Bank and Wealth Management. Comerica, one of the 25 largest U.S. financial holding companies, focuses on building relationships and helping people and businesses be successful. Comerica provides more than 400 banking centers across the country with locations in Arizona, California, Florida, Michigan and Texas. Founded 174 years ago in Detroit, Michigan, Comerica continues to expand into new regions, including its Southeast Market, based in North Carolina, and Mountain West Market in Colorado. Comerica has offices in 17 states and services 14 of the 15 largest U.S. metropolitan areas, as well as Canada and Mexico. Comerica reported total assets of \$90.8 billion at June 30, 2023. Learn more about how Comerica is raising expectations of what a bank can be by visiting www.comerica.com, and follow us on [Facebook](#), [Twitter](#), [Instagram](#) and [LinkedIn](#). The articles and opinions in this publication are for general information only, are subject to change without notice, and are not intended to provide specific investment, legal, accounting, tax or other advice or recommendations. The information and/or views contained herein reflect the thoughts and opinions of the noted authors only, and such information and/or views do not necessarily reflect the thoughts and opinions of Comerica or its management team. This publication is being provided without any warranty whatsoever. Any opinion referenced in this publication may not come to pass. We are not offering or soliciting any transaction based on this information. You should consult your attorney, accountant or tax or financial advisor with regard to your situation before taking any action that may have legal, tax or financial consequences. Although the information in this publication has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its timeliness or accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.