



Michigan Economic Update

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Summer is a special time in our pleasant peninsula. Many Michiganders pack the kids into the station wagon and head off to explore areas outside of their home towns.

This article will address what Michiganders might observe on their travels. Specifically, it will cover how Michigan's economy is faring 10 years after the financial crisis. To get a sense of the health of the state we will cover the labor market, the auto industry, and home prices.

Fortunately, this article comes after two important conferences which addressed the outlook for Michigan.

1. In mid-May, the state government's House Fiscal Agency hosted the Consensus Revenue Estimating Conference. The unimaginative name belies the excellent information and forecasts provided by economists and auto industry experts. These forecasts help Michigan's lawmakers establish the state budget, and provide useful information to investment managers like Greenleaf Trust.
2. At the end of May, the Detroit Branch of the Chicago Federal Reserve Bank hosted the Automotive Outlook Symposium. Economists from Ford and various industry research groups provided near-term outlooks for auto sales, production, and labor negotiations.

As this article will detail, progress has been great over the past 10 years, but the outlook may be more challenging in the future. Let's start with a review of the labor market.

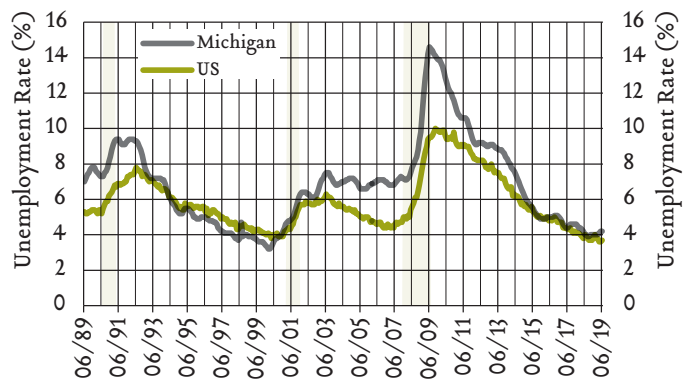
Michigan's Labor Market

Almost exactly 10 years ago, Michigan was struggling through its highest levels of unemployment in a generation. The unemployment rate peaked at 14.6% in June, 2009 and has fallen to a current level of 4.2%.

Michigan has spent much of the past two decades above the national level of unemployment rates. That remains the case today. National unemployment is 3.7%, down 0.3% since last

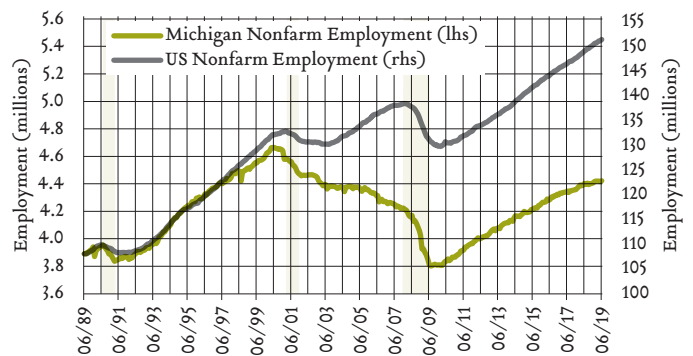
summer, while Michigan's unemployment rate has risen 0.2% to its current level of 4.2%.

Michigan Unemployment Rate



Even the strong recovery since the financial crisis has failed to bring total employment back to its prior peak. In mid-2000, the state had nearly 4.7 million employees on business payrolls. Today, there are roughly 4.4 million.

Michigan Job Growth Lags US



Today, travelers heading to the east side of the state will find counties with worse-than-average trends in unemployment rates. Among the 20 largest counties, only Muskegon and Jackson have lower unemployment rates than a year ago.

County	May 2019	May 2018	12-month net change	Population
Wayne County*	5.1	4.3	0.8	1,753,893
Oakland County*	3.5	2.7	0.8	1,259,201
Macomb County*	4.2	3.3	0.9	874,759
Kent County	2.7	2.6	0.1	653,786
Genesee County*	5.6	4.3	1.3	406,892
Washtenaw County*	2.9	2.8	0.1	370,963
Ingham County	3.2	3.2	0	292,735
Ottawa County	2.6	2.5	0.1	290,494
Kalamazoo County	3.1	3.1	0	264,870
Livingston County*	3.3	2.6	0.7	191,224
Saginaw County*	4.6	4.2	0.4	190,800
Muskegon County	3.9	4.1	-0.2	173,588
St. Clair County*	4.6	3.7	0.9	159,337
Jackson County	3.4	3.5	-0.1	158,823
Berrien County	3.8	3.8	0	154,141
Monroe County*	4	3.7	0.3	150,439
Calhoun County	3.8	3.7	0.1	134,487
Allegan County	2.8	2.8	0	117,327
Eaton County	3	3	0	109,826
Bay County*	4.3	4.3	0	103,923

*Denotes counties east of Ingham

This is due, in part, to slower hiring and to layoffs among auto manufacturers. We monitor layoff notifications to the state and noted the following impacting more than 200 jobs in a particular county over the last year.

Date	County	City	Number Affected	Description	Industry
2/4/19	Macomb	Warren	1,298	GM Warren Technical Center Layoff	Automotive
4/1/19	Wayne	Detroit	703	FCA Temporary Layoffs, Mack Engine Plant Retooling	Automotive
12/17/18	Wayne	Detroit	696	GM Hamtramck #1 & #2 Closure, Relocation Offered to Some	Automotive
5/24/19	Macomb	Warren	265	GM Warren Transmission Operations	Automotive
6/26/19	Kalamazoo	Portage	247	State Farm Closure	Insurance
11/5/19	Genesee	Flint & Burton	235	Lowe's Store Closures, Relocation Offered	Retail
12/21/19	Eaton	Charlotte	212	Adient Facility Closure	Automotive
11/7/19	Oakland	Southfield	209	Concentrix Layoffs	IT Consulting
1/29/19	Ingham & Oakland	Lansing & Waterford	208	Tribus Services Closure	Utilities

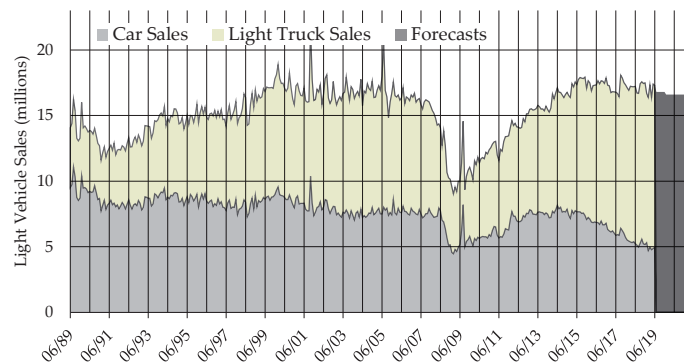
Additionally, in May 2019, Ford announced that it will reduce its global salaried workforce by 10%, roughly, 7,000 jobs, including 500 in the US by the end of August.

Summing up, unless demand for auto jobs increases, Michigan's labor market may face headwinds in coming years. With that in mind, let's look at the outlook for the auto industry.

The Auto Industry

Michigan has benefitted greatly from a rebound in auto sales over the past 10 years. Unfortunately, it appears that sales growth is harder to generate today. In particular, car sales have fallen to an annualized rate of just 3.6 million units as consumers have shifted to purchase more trucks & SUVs. 2018 delivered car & light truck sales of 17.2 million units. Forecasters at the Chicago Fed Conference predicted reductions to 16.8 million in 2019 and 16.6 million units in 2020.

Boost from Increasing Auto Sales Likely Over



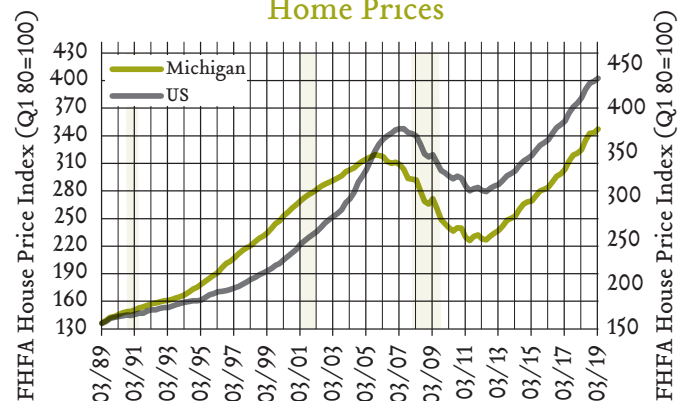
The Consensus Revenue Estimating Conference produced expectations of further reductions to 16.5 million units in 2021. In addition, the Big 3 (Ford, GM, and Fiat Chrysler) market share, which in the 1990s topped 70% of the domestic market, is expected to fall from 41.7% in 2018 to 40.9% in 2021.

So, it seems the boon from auto sales recovering is likely over. Let's turn to take a look at how the housing market has progressed across the state.

Michigan's Housing Market

Similar to trends in employment and autos, Michigan's housing market recovered significantly, but has failed to match gains made in the rest of the country. Today, Zillow lists the median home value in Michigan at \$152,600.

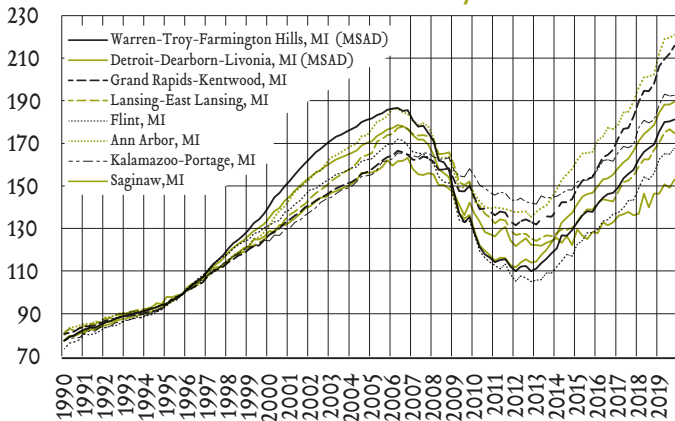
Home Prices



There has been significant variability in home prices across regions in Michigan. With the notable exceptions of Grand Rapids, Ann Arbor, and Kalamazoo, home prices are near, or below their pre-crisis peaks.

Our expectation is that, without meaningful job and wage growth, further home price appreciation is likely to be muted. Zillow’s 1 year forecast shows 3% expected appreciation. That seems like a fair estimate to us.

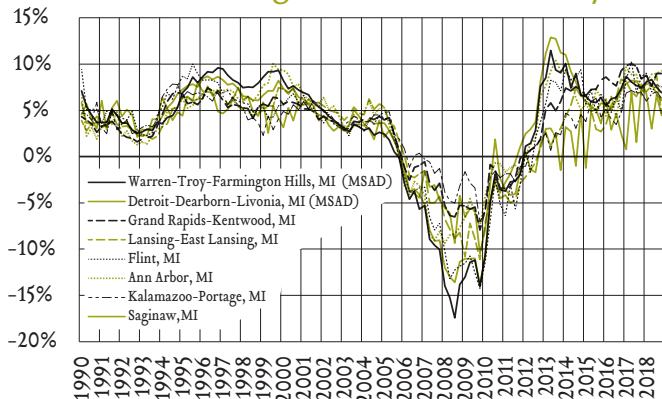
Home Price Indices by MSA



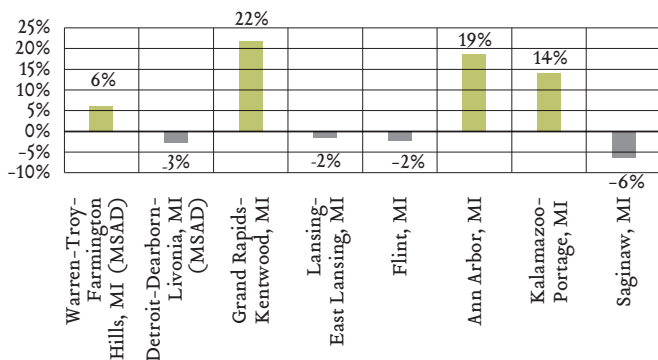
Conclusion

Michigan has recovered appreciably from the financial crisis. Today, unemployment is near all-time lows, auto sales are near record highs, and home prices are at, or near, all-time highs as well. To our summer travelers, the past five years must have looked increasingly sunny. Only now are we beginning to see some clouds on the horizon, though they are still faint. The good news is that no matter the weather in the future, Greenleaf Trust will be here to serve our Michigan communities and help our clients achieve their financial goals. ☑

Annual % Change Home Price Indices by MSA



Current Home Price Indices vs. Pre-Crisis Peaks



Sources:

- Auto Sales: Bureau of Economic Analysis
- Unemployment: Bureau of Labor Statistics Local Area Unemployment Statistics, <https://www.bls.gov/lau/>
- Michigan Consensus Revenue Estimating Conference, <http://www.house.mi.gov/hfa/Consensus.asp>
- Chicago Fed Automotive Outlook Symposium, <https://www.chicagofed.org/events/2019/automotive-outlook-symposium>
- Layoffs: State of Michigan Workforce Development Agency, https://www.michigan.gov/wda/0,5303,7-304-64178_64179---,00.html
- Home Prices: Zillow & Federal Housing Finance Agency Home Price Indexes, <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx>