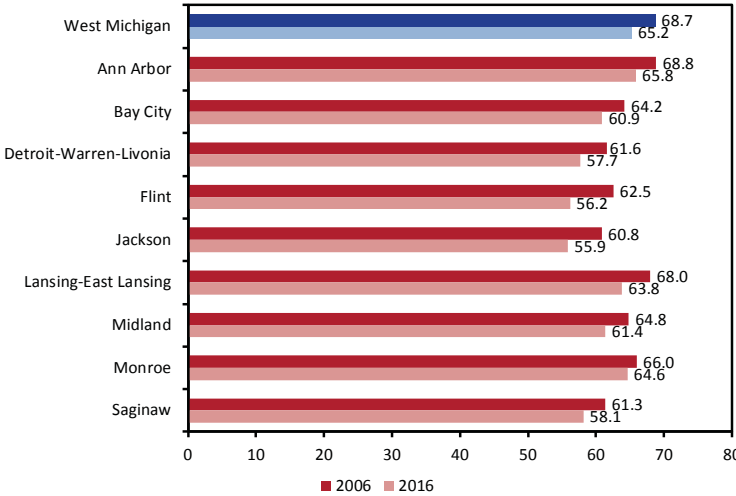


STATE OF MICHIGAN ECONOMY

The Michigan economy continues to grow in 2017 at a faster pace than the economies of the nation and the other four Great Lakes states. The latest Gross State Product figures (third quarter of 2016) show that Michigan grew at a 4.2 annualized rate, surpassing the national rate of 3.5 percent during that quarter and the Great Lakes states' rate of 3.6 percent. Since then, all indications are that this growth is not letting up in 2017: employment in the first quarter rose at an annualized rate of 2.0 percent—slightly higher than the state's average annual growth rate since the expansion began nearly a decade ago.

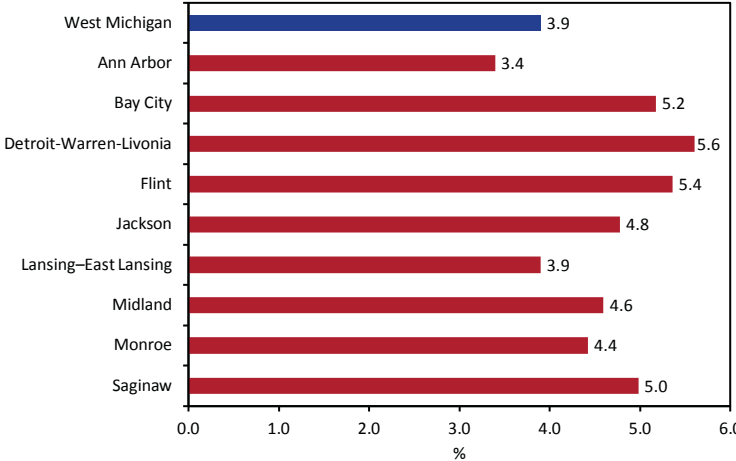
Labor Force Participation in Michigan Metropolitan Areas



Across the state, labor force participation is down from 2006. Since the Great Recession, many workers have left the labor force entirely. While the labor force participation rate in 2016 in west Michigan is below the rate for 2006, it remains among the highest in the state.

Manufacturing has been a major driver of this growth, as auto and truck production continue to hit record levels. Some are worried that the auto sector may have reached a ceiling, as inventories are beginning to mount and car companies are offering larger incentives to entice consumers to drive more cars off the lots. Yet University of Michigan forecasters see continued job growth in the state for the next two years: 41,600 jobs in 2017 and another 50,000 jobs in 2018. The state's labor force participation rate of 60.6 percent, down from a

Unemployment Rate in Michigan Metropolitan Areas (Q4 2016, seasonally adjusted)



Metropolitan areas in Michigan are either at or near full employment, with unemployment rates either less than or just above 5 percent. Low unemployment rates, along with low labor force participation, suggest that employers across the state may have to pull workers back into the labor force to fill demand.

Michigan Statistics (seasonally adjusted)

Measure	2016 Q4	2016 Q3	% change, Q3 to Q4	2015 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	4,355,000	4,332,530	0.5	4,276,790	1.8
Goods-producing	761,000	757,400	0.5	749,230	1.6
Natural resources and mining	7,100	7,100	0.0	7,400	-4.1
Construction	155,300	150,030	3.5	149,700	3.7
Manufacturing	598,600	600,270	-0.3	592,130	1.1
Durable goods	452,170	453,270	-0.2	446,900	1.2
Nondurable goods	146,430	147,000	-0.4	145,230	0.8
Private service-providing	2,989,530	2,977,060	0.4	2,929,830	2.0
Trade, transportation, and utilities	773,130	774,030	-0.1	772,030	0.1
Transportation and utilities	134,630	133,130	1.1	134,670	0.0
Wholesale trade	168,630	169,330	-0.4	172,030	-2.0
Retail trade	469,870	471,570	-0.4	465,330	1.0
Information	58,430	59,000	-1.0	56,870	2.7
Financial activities	216,500	216,800	-0.1	210,030	3.1
Professional and business services	670,070	666,070	0.6	645,100	3.9
Educational and health services	669,400	667,500	0.3	656,830	1.9
Leisure and hospitality	432,200	422,630	2.3	419,170	3.1
Other services	169,800	171,030	-0.7	169,800	0.0
Government	604,470	598,070	1.1	597,730	1.1
Unemployment					
Number unemployed	245,100	237,680	3.1	240,840	1.8
Unemployment rate (%)	5.1	4.9		5.0	
State indexes (1996=100)					
Local components					
UI initial claims	8,743	9,527	-8.2	8,892	-1.7
New dwelling units ^a	25,233	17,069	47.8	12,915	95.4

NOTE: Employment numbers for durable, nondurable goods, transportation and utilities, wholesale trade, and retail trade are seasonally adjusted by the W.E. Upjohn Institute. Other numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total due to rounding. ^aSeasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from DODGE Data & Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

prerecession rate of 64.7, suggests considerable slack in the market. Increasing the labor force participation rate by just 1 percent would add more than 43,000 workers to the state, matching the estimated increase for 2017. There are large pockets of labor market slack in the state, as unemployment rates and labor force participation rates vary across metropolitan areas. Our analysis of web-based job postings from Burning Glass Technologies indicates that there are roughly 750,000 openings in the state and an unemployment rate of 5.0 percent.

An encouraging sign for Michigan's manufacturing sector, and the economy in general, is the investment in research and development (R&D). In a recently released survey by the National Science Foundation, Michigan ranked third in the country in 2014, behind California and Massachusetts, in the amount invested by businesses in R&D. Evidence points to the auto industry as responsible for a sizable portion of this investment.

Other sectors of the Michigan economy are also doing well. Employment in the private service-providing sector grew by 2.0 percent, adding nearly 60,000 jobs in 2016, and the trend appears to be continuing. Professional and business services, financial activities, and leisure and hospitality all topped 2.0 percent. Initial unemployment insurance claims in the state are down, and new dwelling units nearly doubled from 2015 to 2016.