

Economic Outlook for Michigan the Lansing-East Lansing and Detroit Metropolitan Areas for 2015

Michigan State University's Center for Economic Analysis has updated its annual forecast for Michigan and the Lansing-East Lansing Metropolitan Statistical Area (MSA). The full forecast details can be obtained at <https://www.msu.edu/~mill1707/>. We summarize the findings here.

Michigan Forecast

The Bureau of Labor Statistics (BLS) reported better than expected jobs gains in May, following robust first quarter gains. Since the January economic forecasts, this has led us to bump employment projections to 4,255,000 in 2015; projecting a year-over-year increase of 76,280 jobs over 2014. The BLS employment estimates for the first quarter showed surprisingly robust growth in goods production employment driven by strong gains in the transportation equipment manufacturing sectors. This could be a sign of good things to come, but we remain cautious for the rest of the year. Construction employment also experienced a sharp increase in the first quarter, as construction expenditures recover from prior years' glut. All of this employment growth is going to lead to lower Michigan unemployment, where the annual average rate of unemployment is expected to be 5.2% for 2015.

Stronger than expected employment gains are setting the stage for increases in personal incomes through 2015. If the current trends continue, Michigan personal incomes should see a 5.3% boost come year end. With a stable population this will provide Michigan per-capita personal incomes a boost by 5.2%.

Lansing– East Lansing Forecast

The Lansing-East Lansing Metropolitan Statistical Area (MSA) is made up of Clinton, Eaton and Ingham Counties in Michigan. Based on first-quarter data, the Lansing-East Lansing forecasts were nudged up. Similar to the state, goods producing sectors look to make the largest gains, but service providing sector employment appears to have softened since the January forecasts. Key sectors exhibiting growth include durable goods manufacturing and construction, while professional and business services showing relative weakness through 2015. We have also improved our unemployment rate outlook, though largely attributed to reduced growth projections in the labor market. Combined with growth in employment, 2015 looks to be on target for an average annual unemployment rate of 4.4% .

As our projections of employment growth in the Lansing-East Lansing Metropolitan Area are not as robust as for the state, personal income growth projections for 2015 are modestly lower than for the state. This also places per-capita personal income growth below that of the state, at 3.1%.

Michigan Outlook

| Employment | 2013 | 2014 | 2015 |
|--------------------------|----------|----------|----------|
| Total Nonfarm (000s) | 4,109.56 | 4,179.68 | 4,255.96 |
| | 1.9% | 1.7% | 1.8% |
| Total Private (000s) | 3,510.94 | 3,584.30 | 3,664.85 |
| | 2.5% | 2.1% | 2.2% |
| Goods Producing (000s) | 697.69 | 725.51 | 747.33 |
| | 3.5% | 4.0% | 3.0% |
| Service-Providing (000s) | 3,411.81 | 3,454.13 | 3,508.50 |
| | 1.5% | 1.2% | 1.6% |
| Unemployment (000s) | 421.80 | 346.98 | 245.18 |
| Unemployment Rate (%) | 8.9 | 7.3 | 5.2 |

| Income | 2013 | 2014 | 2015 |
|---------------------------------|-------------|-------------|-------------|
| Personal income (\$000s) | 386,471,200 | 401,900,700 | 423,056,100 |
| | 1.4% | 4.0% | 5.3% |
| Population (persons) | 9,895,622 | 9,909,877 | 9,913,109 |
| | 0.1% | 0.1% | 0.0% |
| Per capita personal income (\$) | 39,055 | 40,556 | 42,676 |
| | 1.2% | 3.8% | 5.2% |

Lansing-East Lansing Metropolitan Area Outlook

| Employment | 2013 | 2014 | 2015 |
|--------------------------|--------|--------|--------|
| Total Nonfarm (000s) | 220.56 | 222.93 | 225.15 |
| | 1.4% | 1.1% | 1.0% |
| Total Private (000s) | 158.48 | 160.54 | 162.80 |
| | 1.8% | 1.3% | 1.4% |
| Goods Producing (000s) | 24.82 | 25.91 | 27.29 |
| | 4.5% | 4.4% | 5.3% |
| Service-Providing (000s) | 195.72 | 197.02 | 197.88 |
| | 1.0% | 0.7% | 0.4% |
| Unemployment (000s) | 17.28 | 13.86 | 10.67 |
| Unemployment Rate (%) | 7.2 | 5.8 | 4.4 |

| Income | 2013 | 2014 | 2015 |
|---------------------------------|------------|------------|------------|
| Personal income (\$000s) | 16,971,930 | 17,697,070 | 18,318,890 |
| | 1.7% | 4.3% | 3.5% |
| Population (persons) | 467,321 | 469,534 | 471,300 |
| | 0.3% | 0.5% | 0.4% |
| Per capita personal income (\$) | 36,317 | 37,691 | 38,869 |
| | 1.4% | 3.8% | 3.1% |

We introduced the Detroit Metropolitan Statistical Area Model with this mid-year update of the Michigan Economic Forecast Model. This model is actually comprised of two models including the Detroit-Livonia-Dearborn Division (Wayne County) and the Warren-Troy-Farmington Hills Division (Lapeer, Livingston, Macomb, Oakland, St. Clair Counties). Projections of both divisions are added together to form the Detroit Metropolitan Statistics Area projections.

Detroit Metropolitan Area Forecast

In 2014, nearly one in every two Michigan jobs were in the Detroit Metropolitan Area. Hence, Detroit employment shares many common trends with the state. However, differences abound. For example, much of the automotive manufacturing activity in the state takes place in the six-county region that make the Detroit Metropolitan Area. Therefore, we anticipate that the Detroit region will see a larger share of the state's motor vehicle employment growth. In effect, we project 2015 motor vehicle manufacturing employment growth of 7.2%. Driven largely by growth in the auto sectors, durable goods employment is projected to reach 3.7% employment gains in 2015, while non-durable goods should see 2.5% gains. Employment growth in the service providing sectors is projected to be relatively weaker than for the state, largely driven by weak trade and transportation projections. However, the professional and business services sectors should anticipate relatively robust growth through 2015.

Detroit Personal income projections largely mirror the state, though the trend toward outmigration is expected to continue through 2015. Together, this posits per-capita personal income gains of about 5.5% for 2015.

Detroit Metropolitan Area Outlook

| Employment | 2013 | 2014 | 2015 |
|--------------------------|----------|----------|----------|
| Total Nonfarm (000s) | 1,866.54 | 1,896.90 | 1,930.45 |
| | 1.9% | 1.6% | 1.8% |
| Total Private (000s) | 1,679.92 | 1,713.00 | 1,749.65 |
| | 2.5% | 2.0% | 2.1% |
| Goods Producing (000s) | 287.06 | 300.82 | 316.10 |
| | 4.3% | 4.8% | 5.1% |
| Service-Providing (000s) | 1,579.47 | 1,596.04 | 1,614.37 |
| | 1.4% | 1.0% | 1.1% |
| unemployment (000s) | 200.86 | 171.25 | 113.68 |
| unemployment rate (%) | 9.9 | 8.5 | 5.8 |

| Income | 2013 | 2014 | 2015 |
|---------------------------------|-------------|-------------|-------------|
| Personal income (\$000s) | 184,198,600 | 191,660,600 | 201,786,900 |
| | 0.9% | 4.1% | 5.3% |
| Population (persons) | 4,294,983 | 4,291,203 | 4,282,167 |
| | 0.1% | -0.1% | -0.2% |
| Per capita personal income (\$) | 42,887 | 44,664 | 47,123 |
| | 0.8% | 4.1% | 5.5% |