

The Comerica U.S. and Regional Economic Outlook

The Transitional Economy: Crosscurrents and Volatility

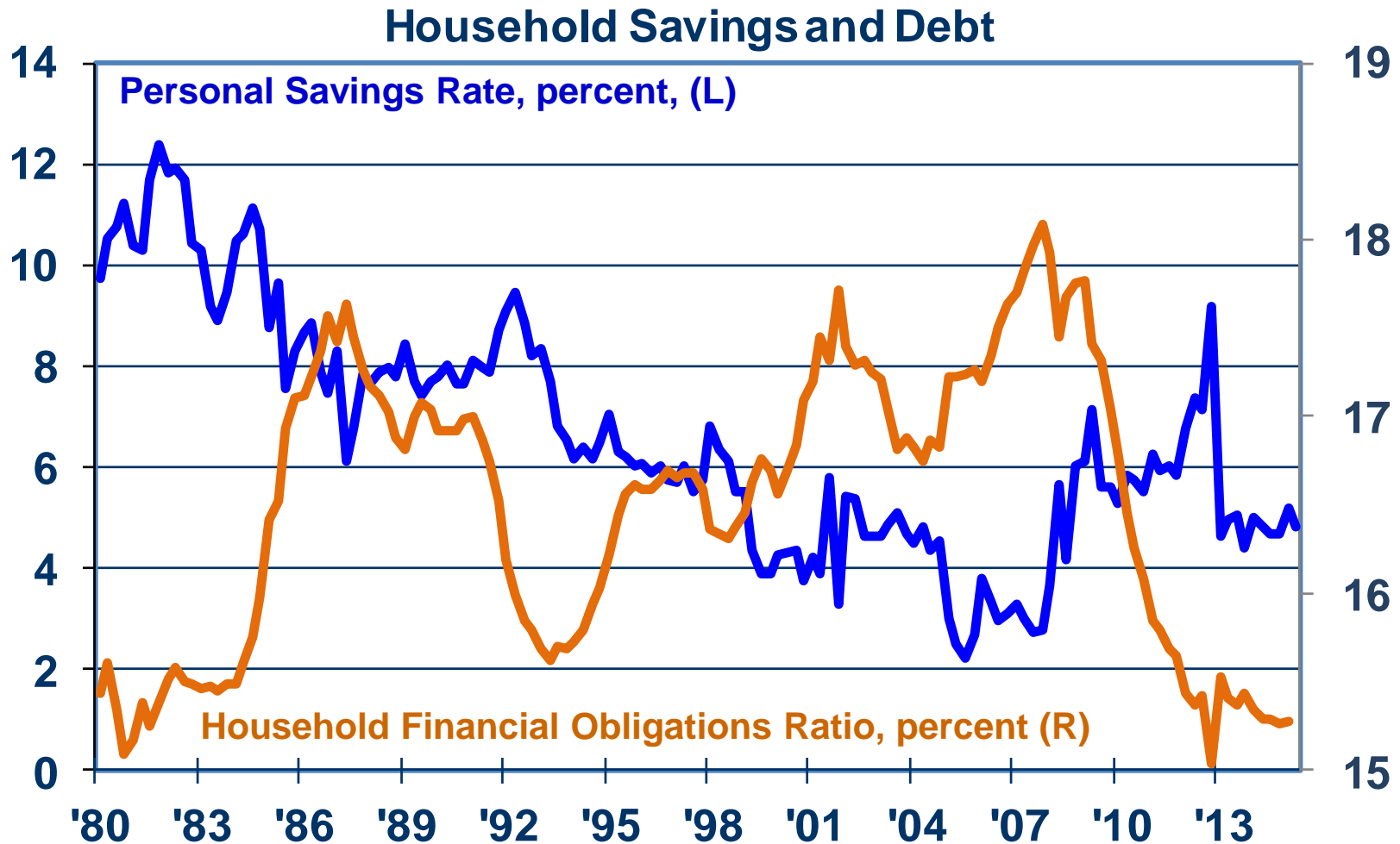
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Chief Economist, Comerica Bank
August 2015*

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The Complex Adaptive Economy: Ongoing Rapid Evolution

	<u>Post Recession 2010-13</u>	<u>Transitional 2014-2016</u>	<u>Late Cycle 2017 - ??</u>
Fed Policy:	QE and ZIRP	Lift-Off	Towards Normalization
Energy:	The Shale Gale	Saudi Shift	U.S. Swing Producer
Manufacturing:	Rebound	Headwinds	Productivity Push
Financial:	Regulation	Recognition	Rollback
Housing:	Depression, MF	Rebalancing	Single-family
Consumer:	Deleveraging/Saving	Releveraging/Saving	Releveraging/Desaving
Demographic:	Baby Boomers Hit the Wall	Rise of the Millennials	Millennial Families
Labor:	Re-absorption	Tightening	Wage Pressure
Inflation:	Weak Demand	Low energy prices	Increasing
Global:	China Cooling	Firmer Europe	Asian Reset

Consumers Are In a Different Place

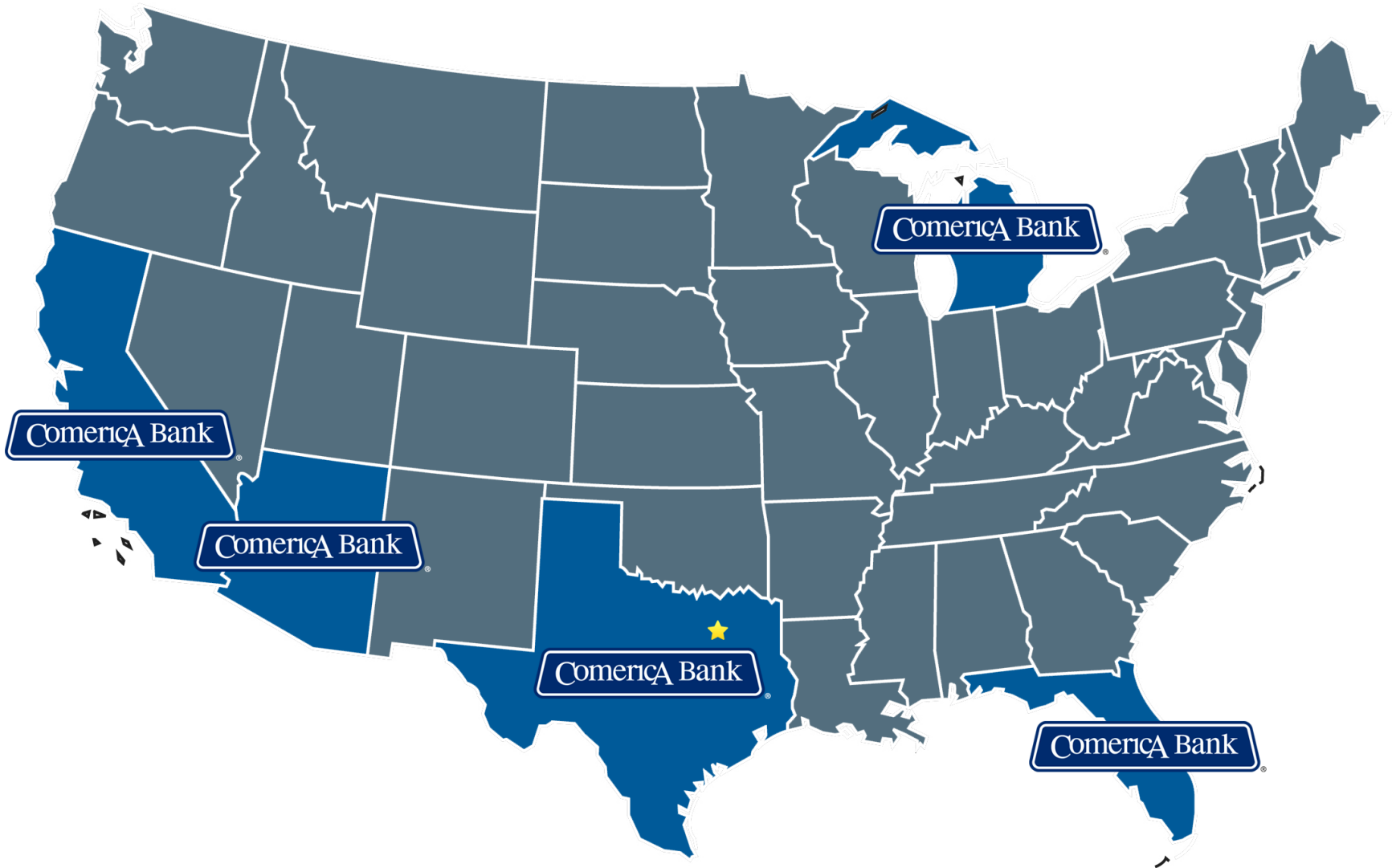


Source: Bureau of Economic Analysis, Federal Reserve

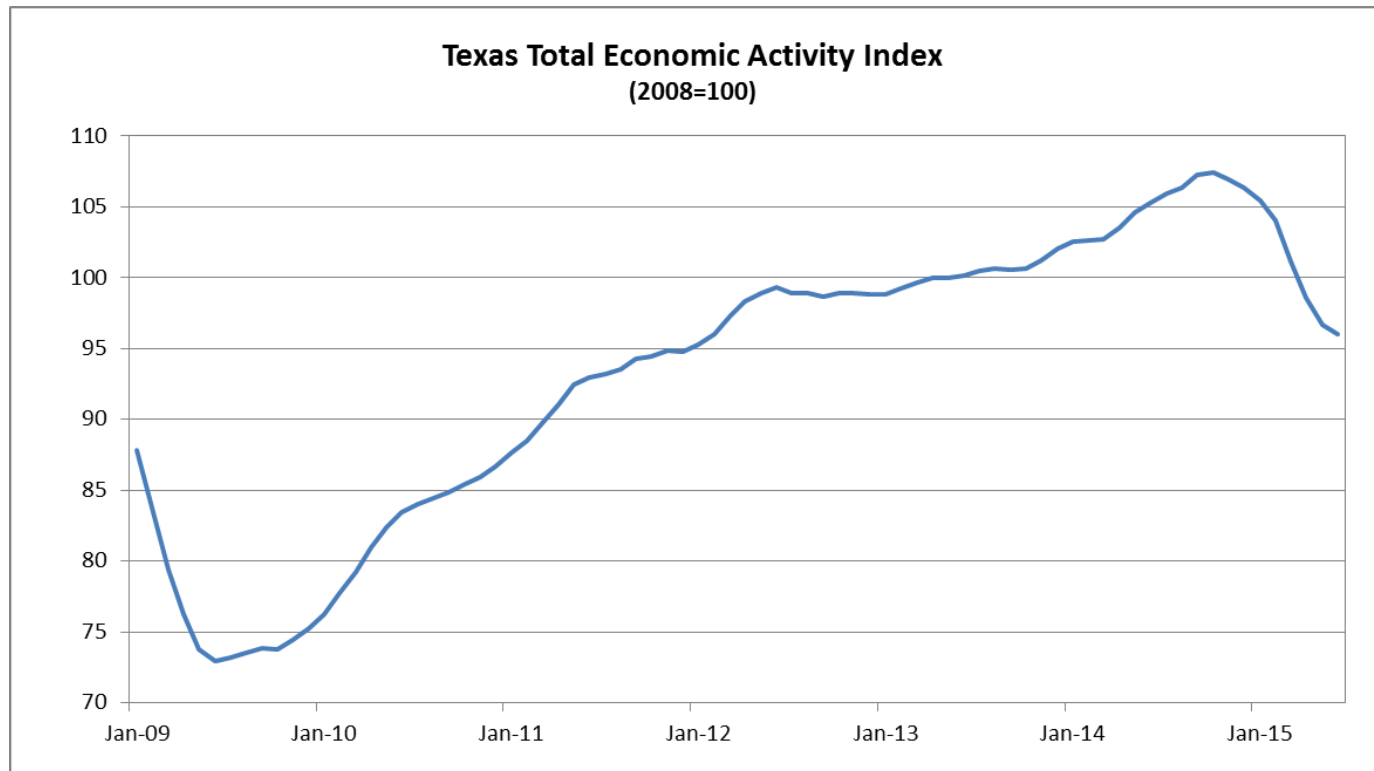
Fed Policy: Countdown to Interest Rate Lift-off

- Fed brackets lift-off...September-December 2015
- Labor market metrics are showing “some” improvement, August data
- Fiscal drag easing
- GDP growth for 2015H2 expected to be moderate
- Increasing chatter from FOMC through mid-September
- Interest rate lift-off, perhaps September, October and December possible
- Low oil prices, rising dollar and global equities complicate inflation outlook
- Shallow trajectory, interest rates may not fully normalize before next recession
- Fischer’s “crawl”

Comerica: 5 Key States, 31% of U.S. GDP



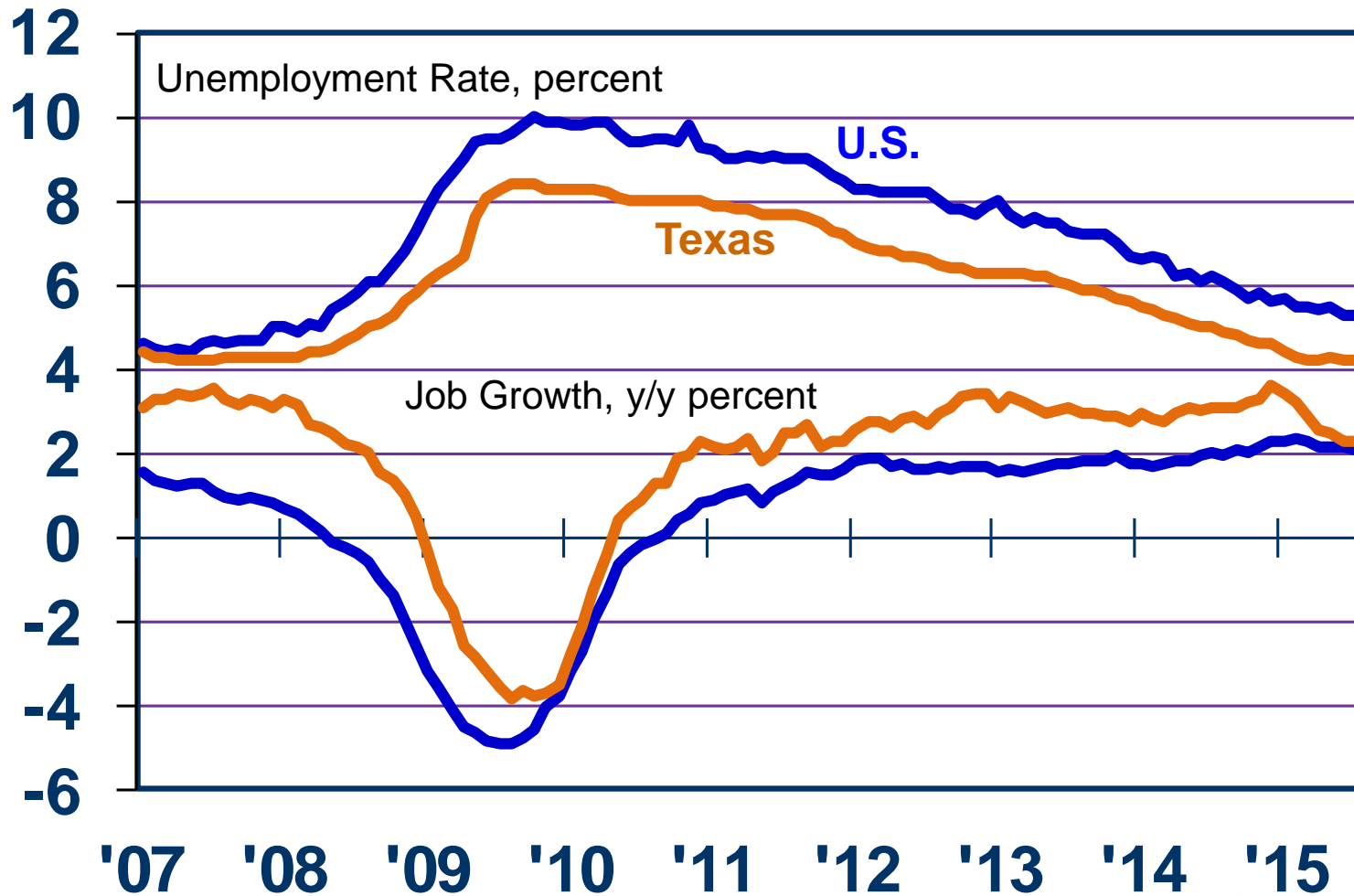
Comerica Bank's Texas Economic Activity Index Sees Smallest Decline of 2015 in June



The Texas Economic Activity Index consists of eight variables: nonfarm payrolls, exports, hotel occupancy rates, continuing claims for unemployment insurance, housing starts, sales tax revenues, home prices, and the Baker Hughes rotary rig count.

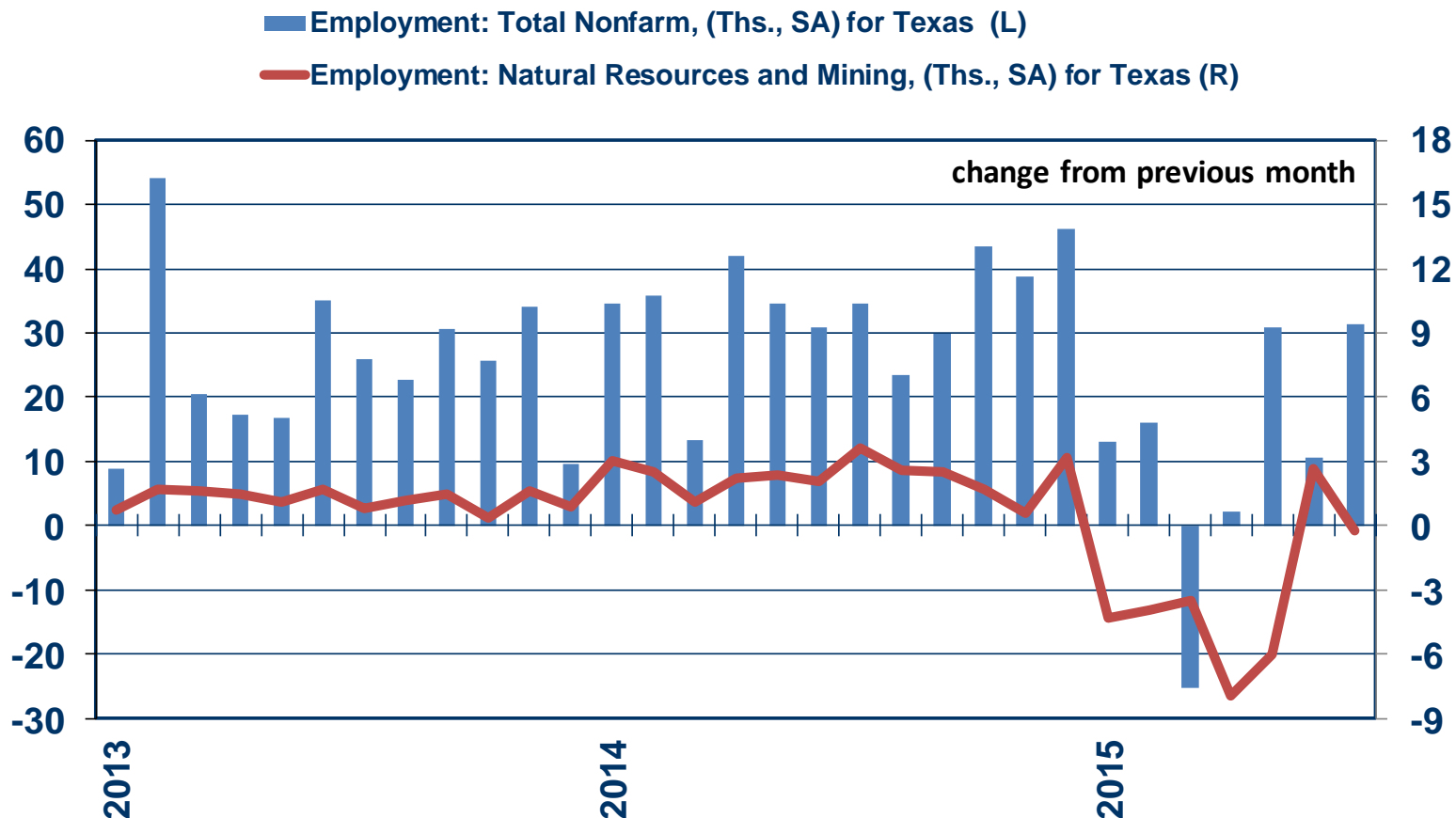


Job Growth in Texas is Cooling, but Still Positive



Sources: BLS

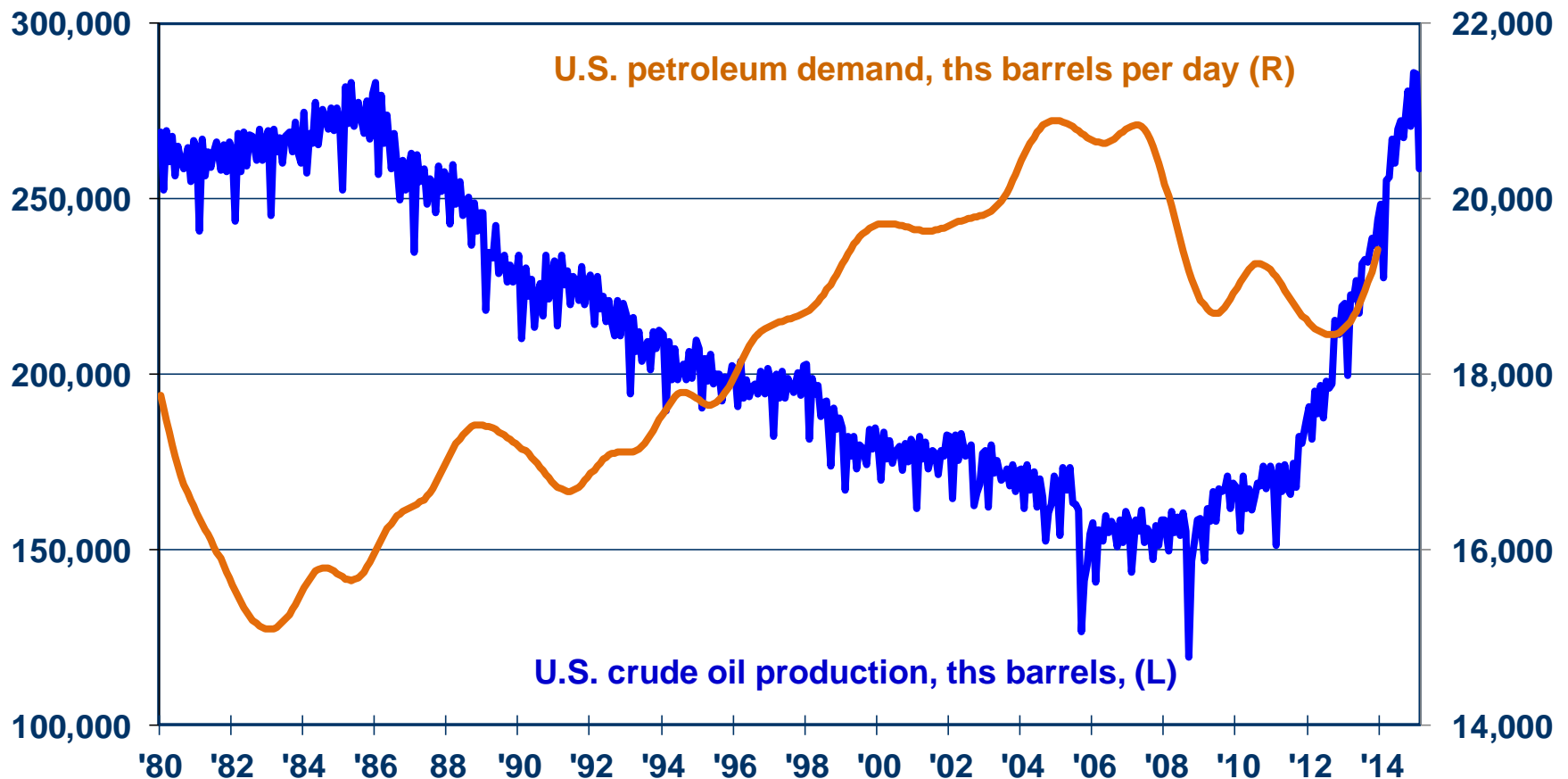
Texas Employment Resilient Through July



Sources: BLS

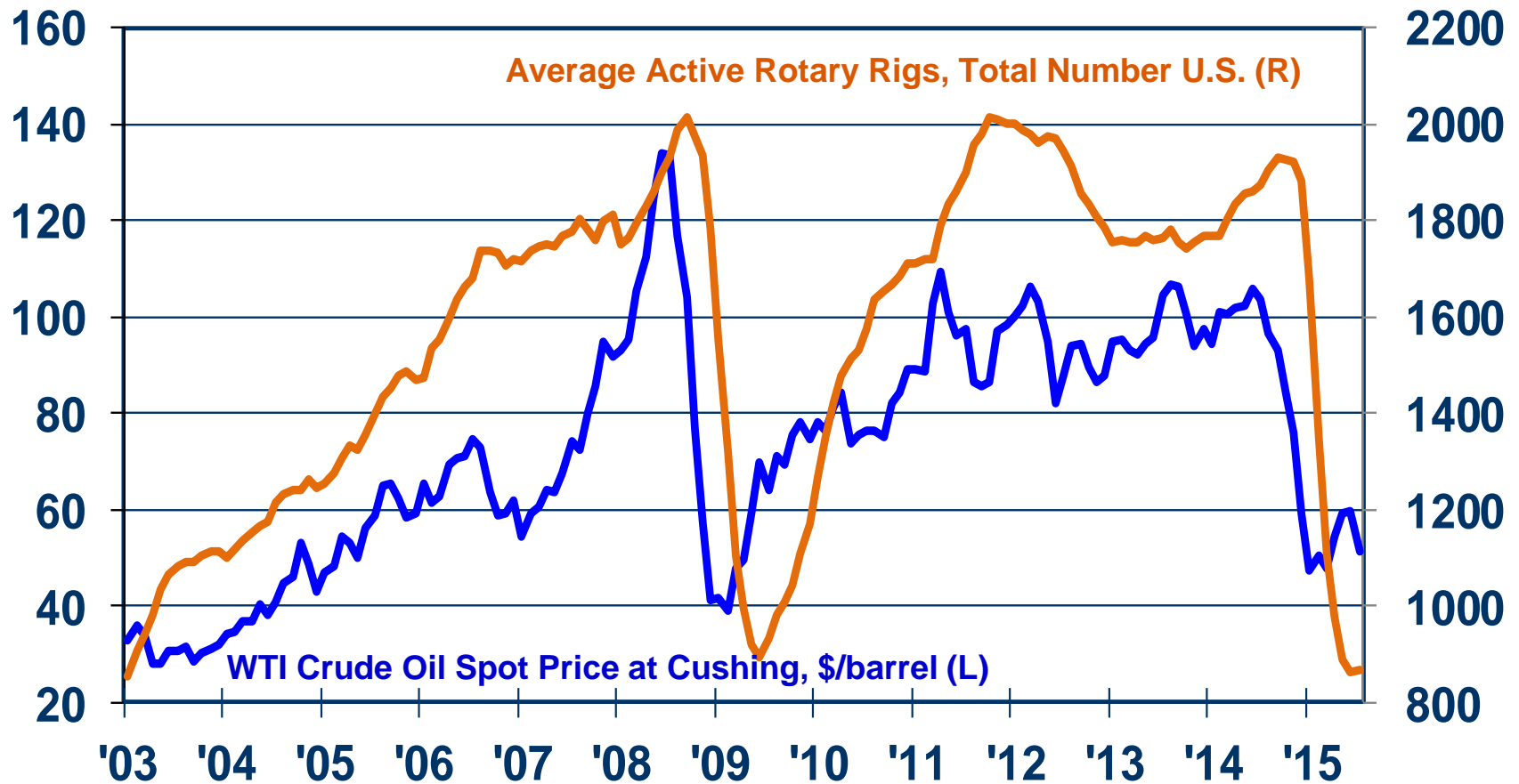
U.S. Oil Production and Consumption, Monthly Data

Shale Gale Contributing to Global Oil Glut

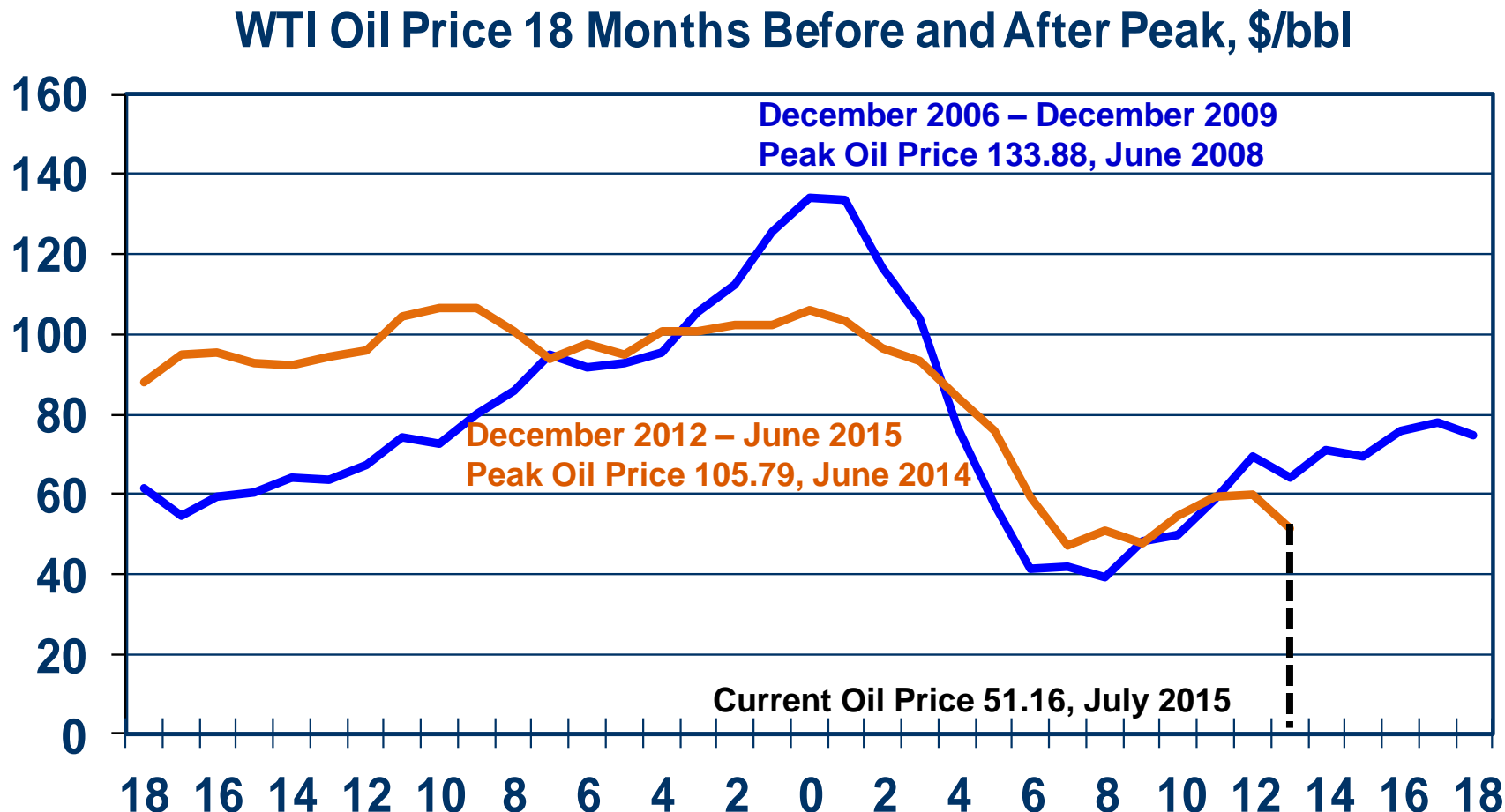


Falling Crudes Prices Suppress Oil Field Activity

WTI Crude Price Through April 2015



WTI Oil Prices, 2 Cycles Overlaid

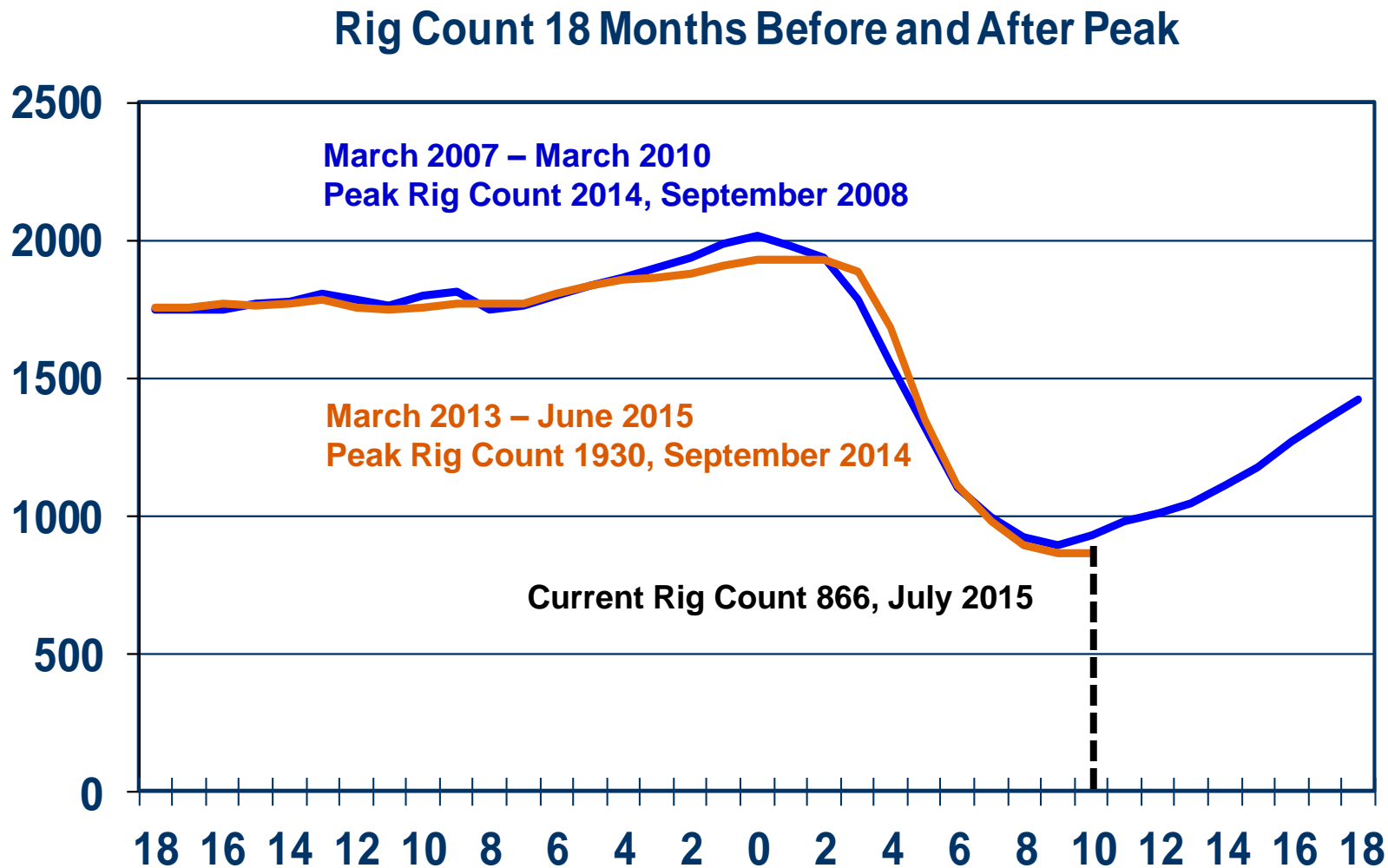


Current Oil Price 51.16, July 2015

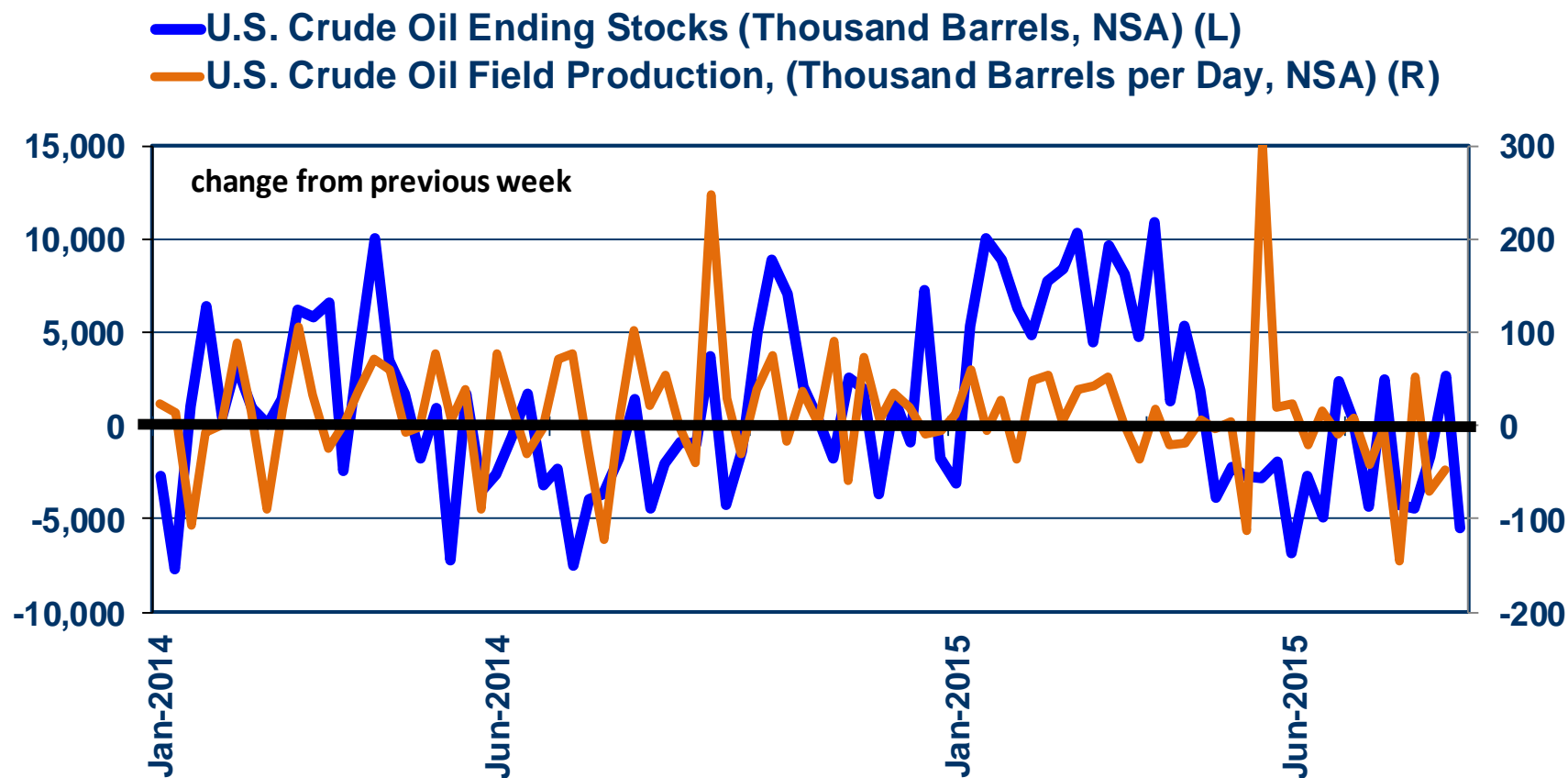
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Source: Energy Information Agency

Total U.S. Rig Count, 2 Cycles Overlaid

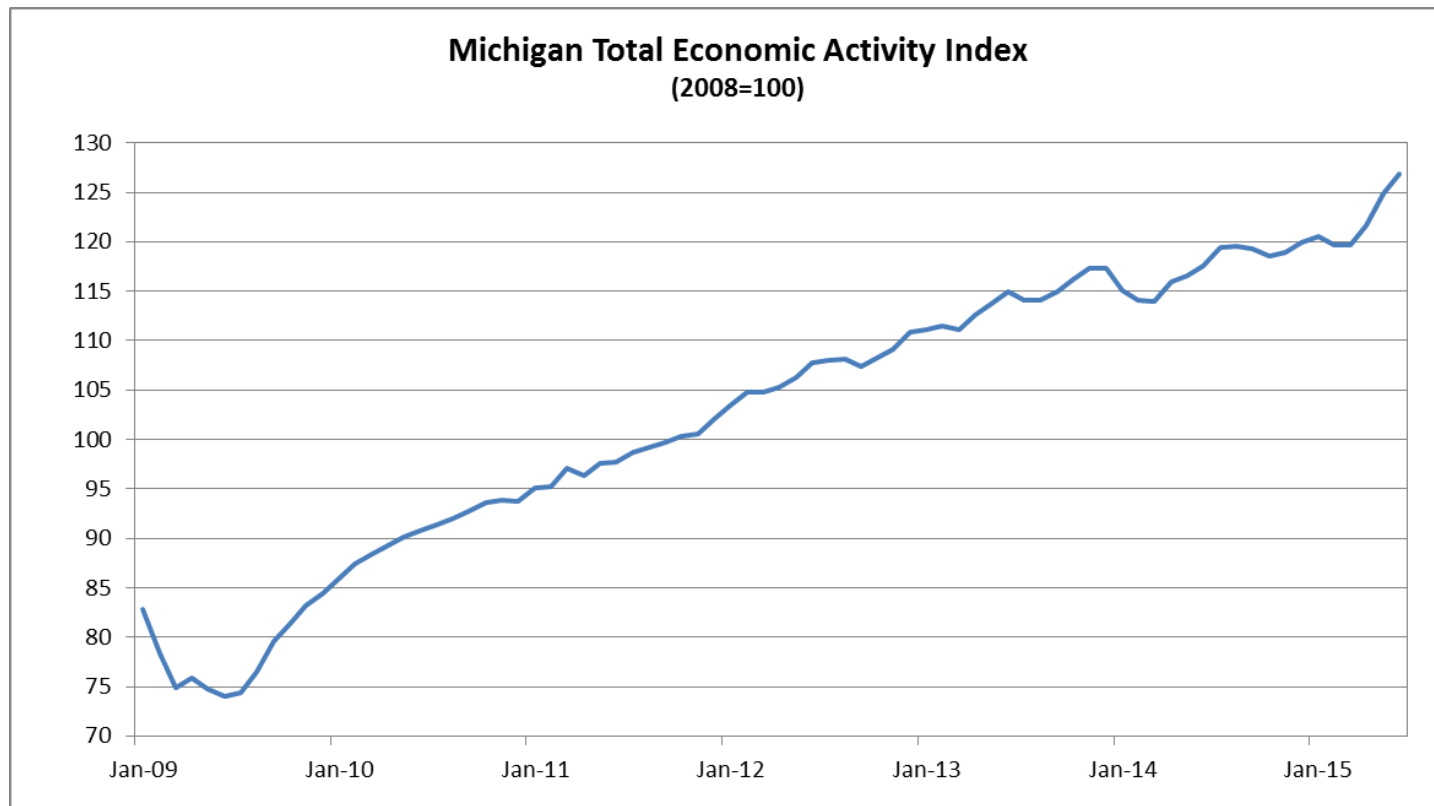


U.S. Crude Oil Inventories and Field Production



Sources: EIA

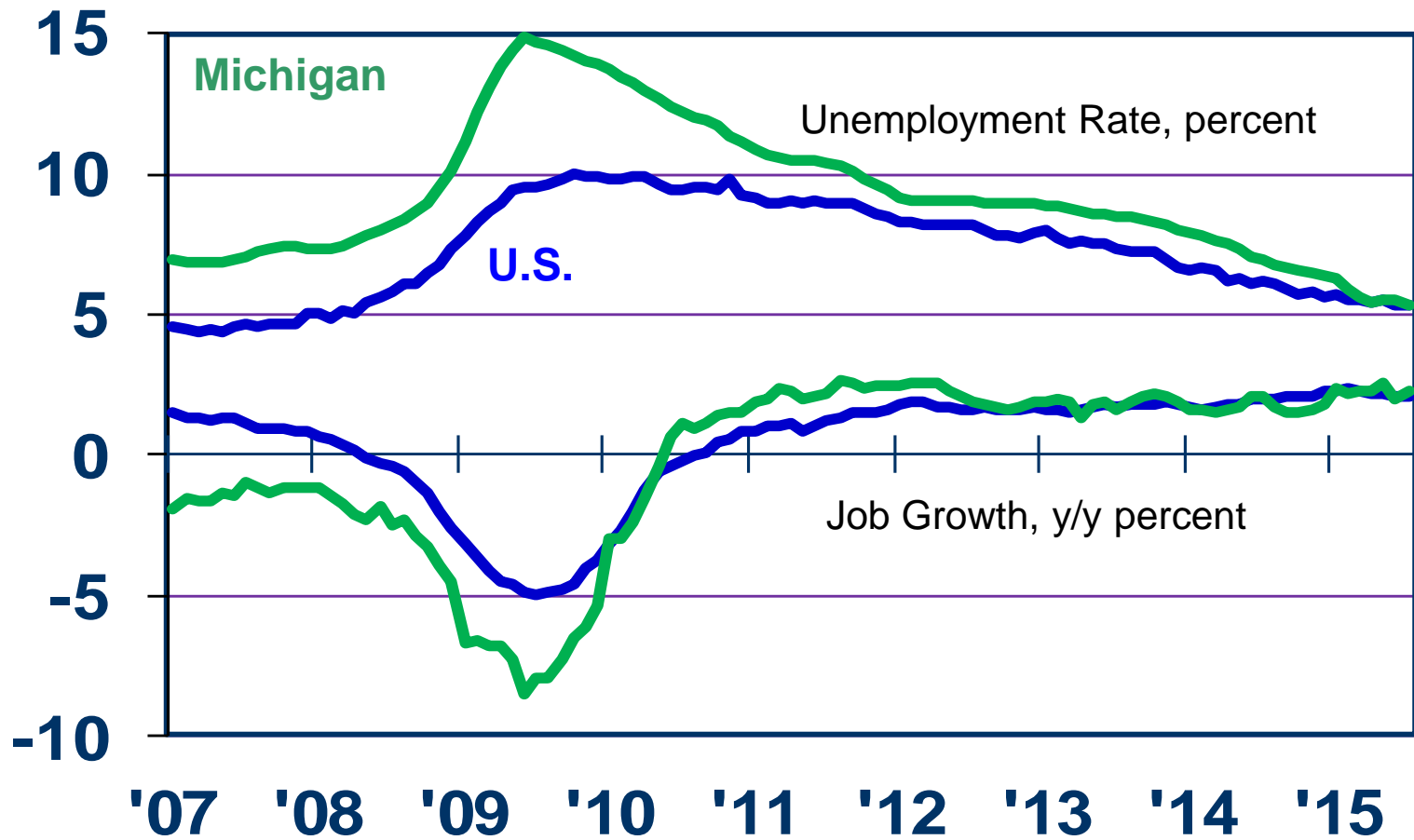
Comerica's Michigan Economic Activity Index Continues Strong Gains through June



The Michigan Economic Activity Index consists of eight variables: nonfarm payrolls, exports, hotel occupancy rates, continuing claims for unemployment insurance, housing starts, sales tax revenues, home prices, and auto production.

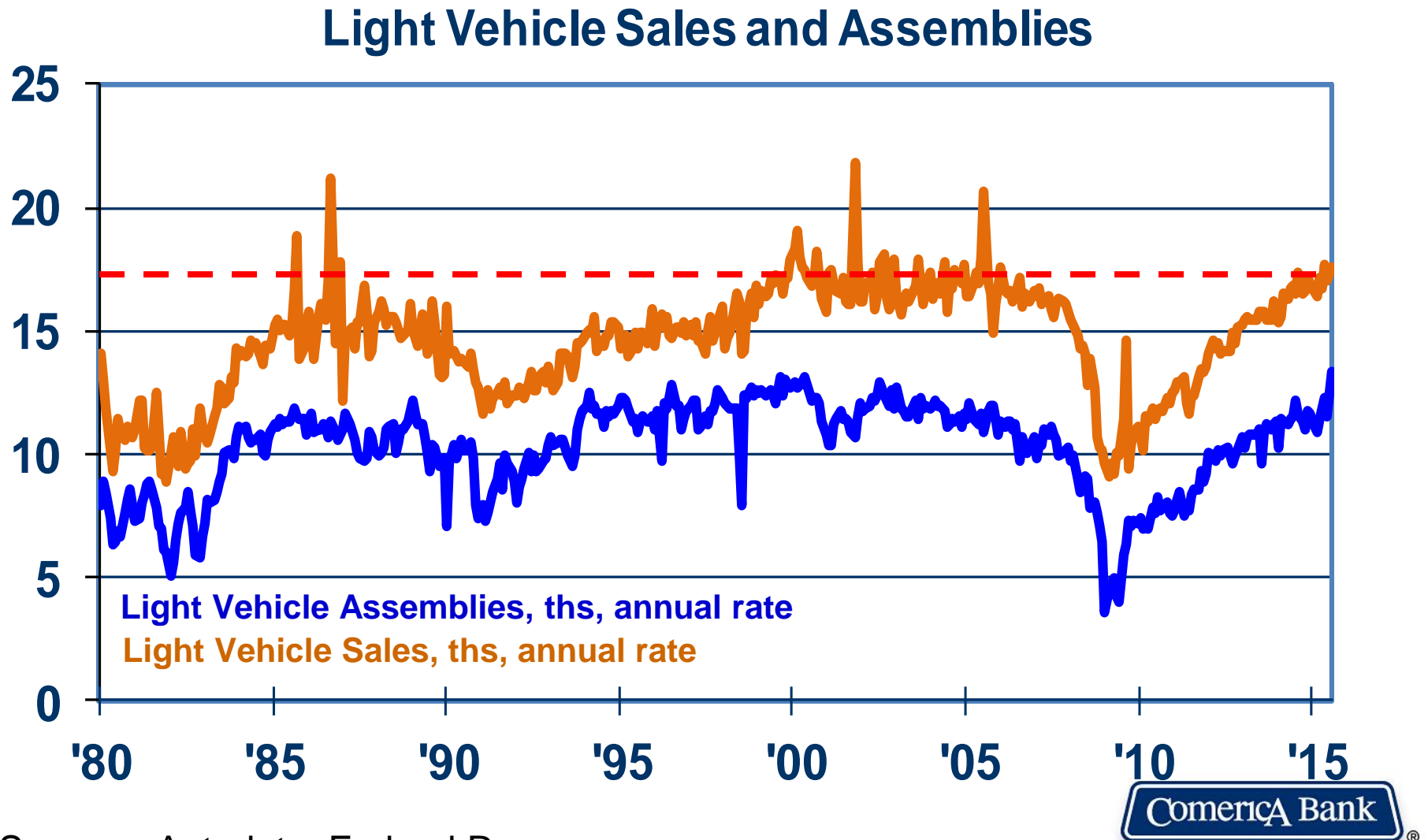


Michigan Is Normal!



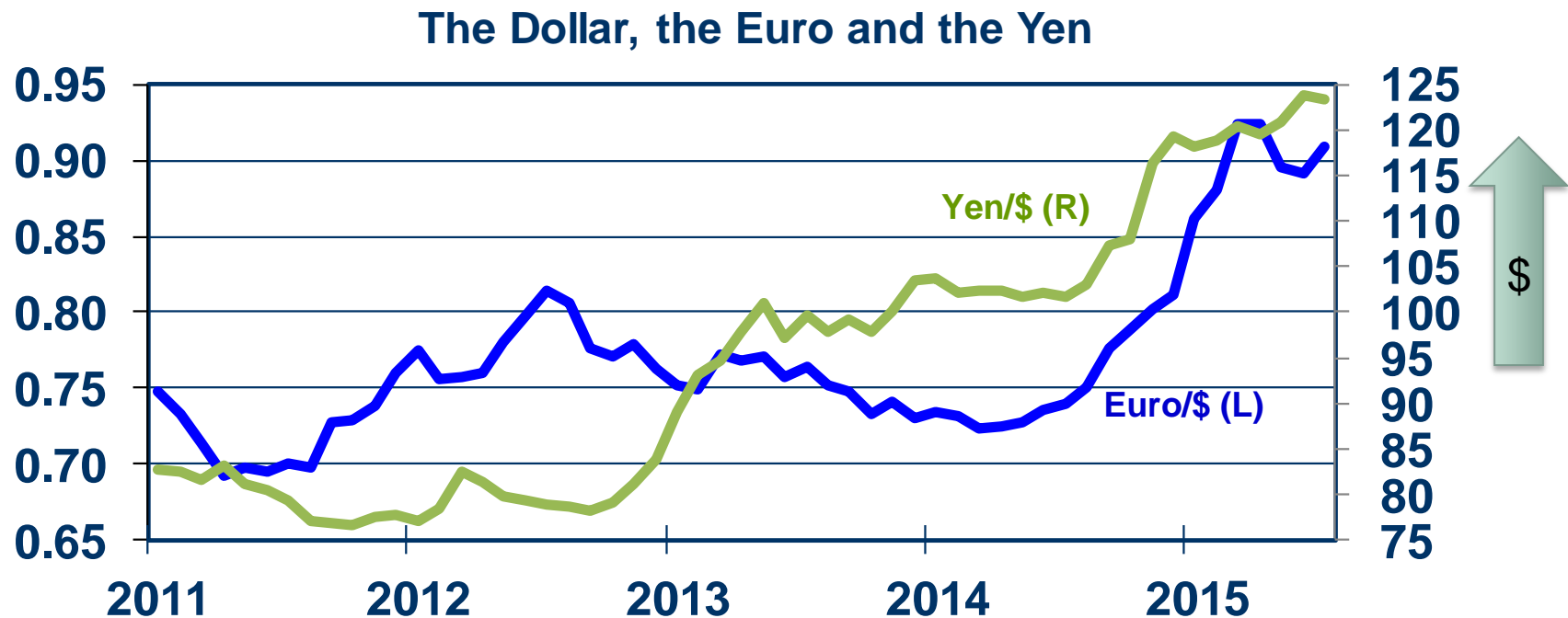
Sources: BLS

Auto and Light Truck Sales Near Cyclical Peak



Sources: Autodata, Federal Reserve

Exchange Rates Volatility Increased by Desynchronized Global Monetary Policy

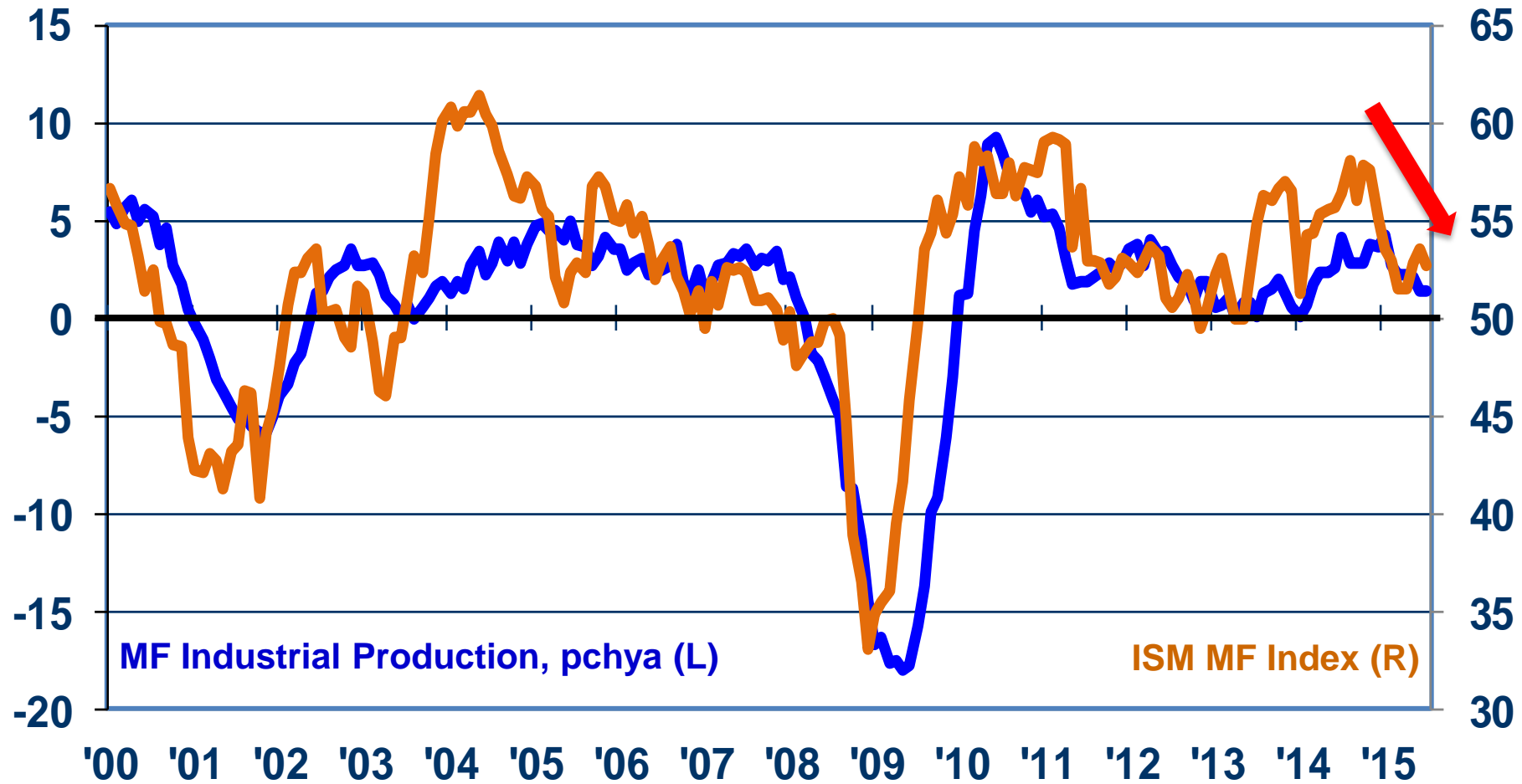


Source: Federal Reserve



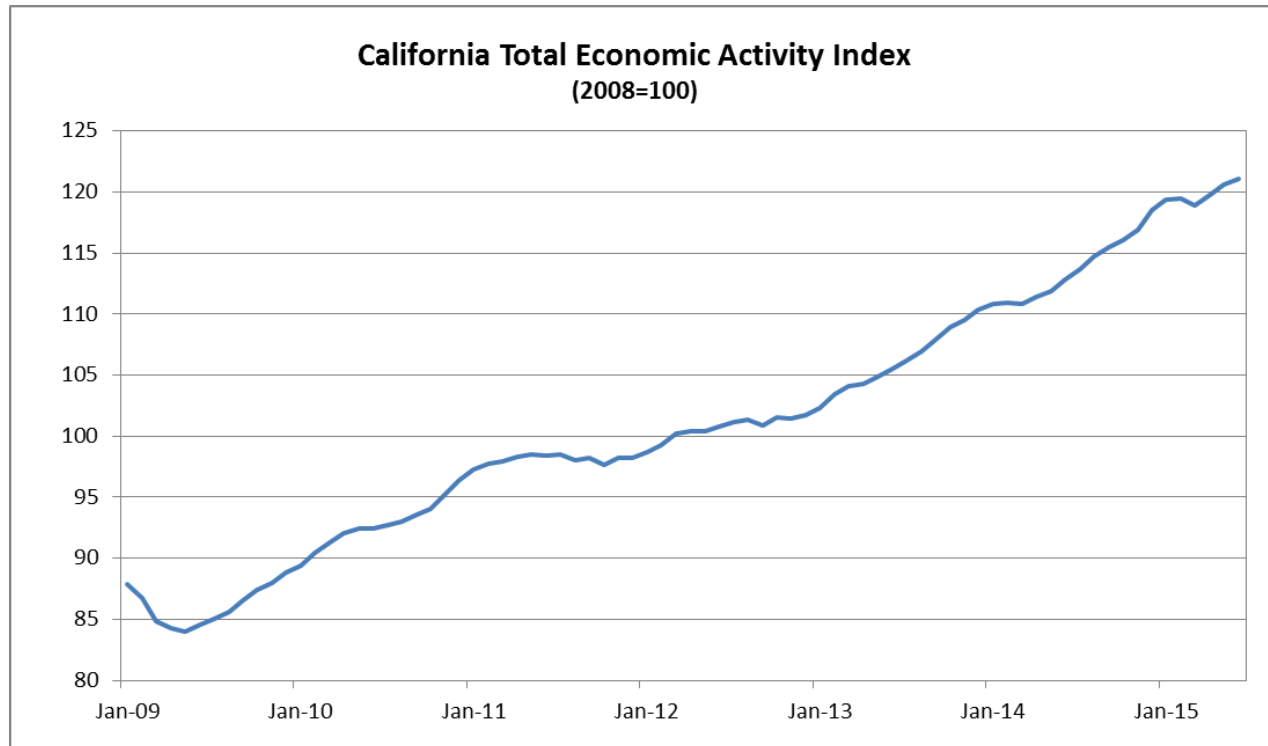
Manufacturing: Feeling Headwinds

Industrial Production and ISM MF Index



Sources: Institute of Supply Management, Federal Reserve

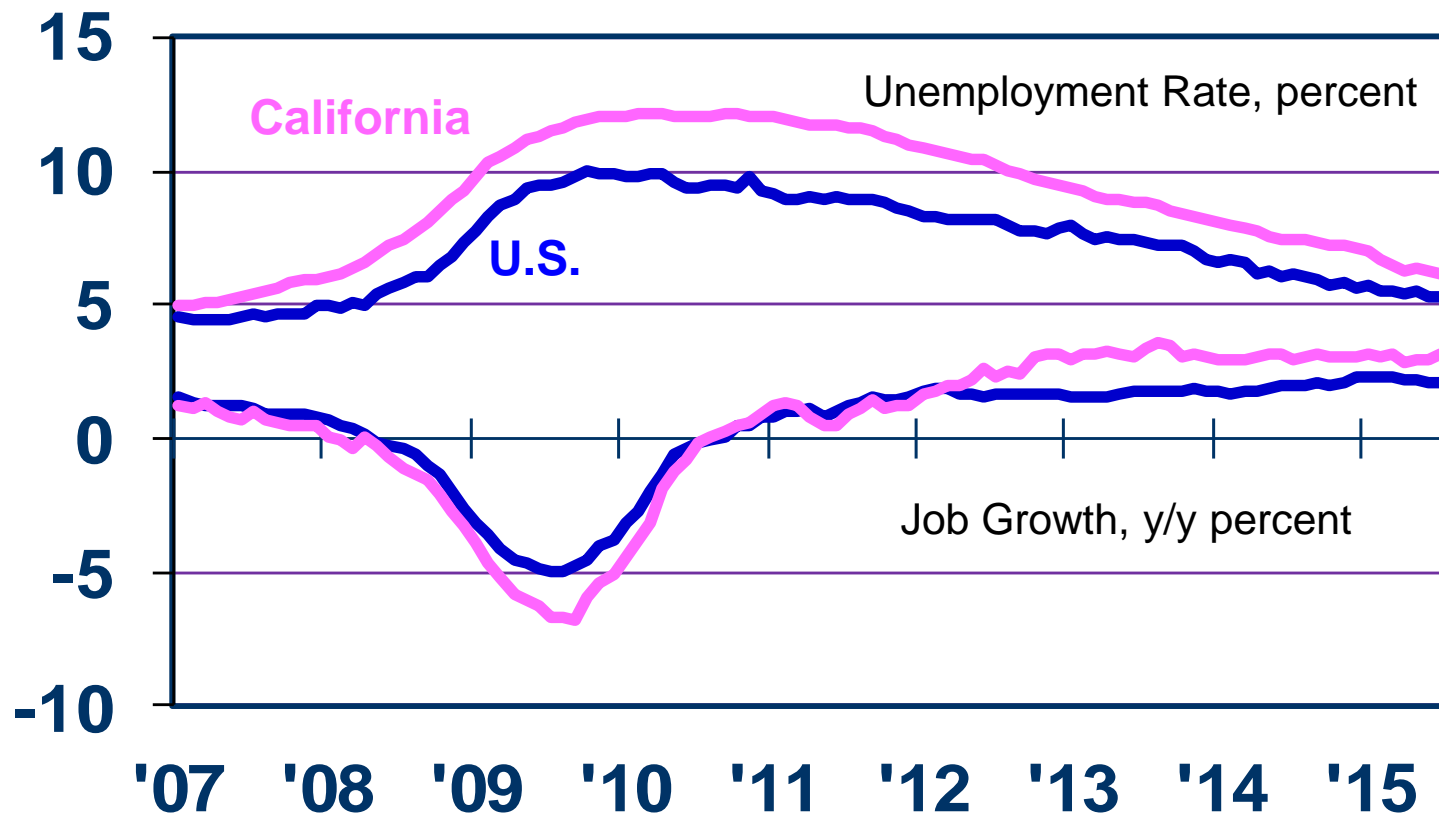
Comerica's California Economic Activity Index Shows Improving Economy



The California Economic Activity Index consists of eight variables: nonfarm payrolls, exports, hotel occupancy rates, continuing claims for unemployment insurance, housing starts, national defense spending, home prices, and the NASDAQ-100-Technology Sector Index (NDXT).

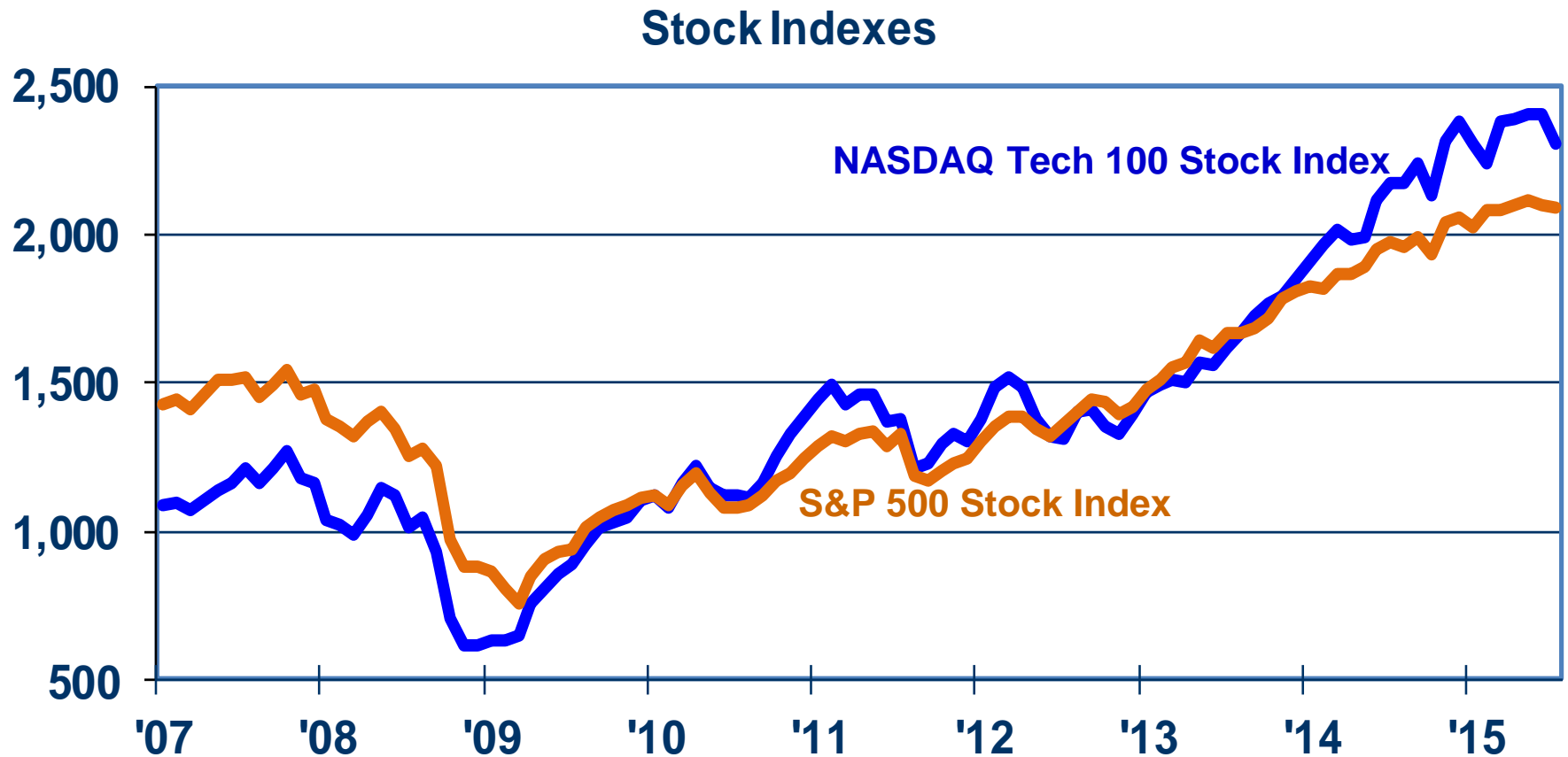


California Outperforms



Sources: BLS

Tech Stocks Show Strong Silicon Valley Economy

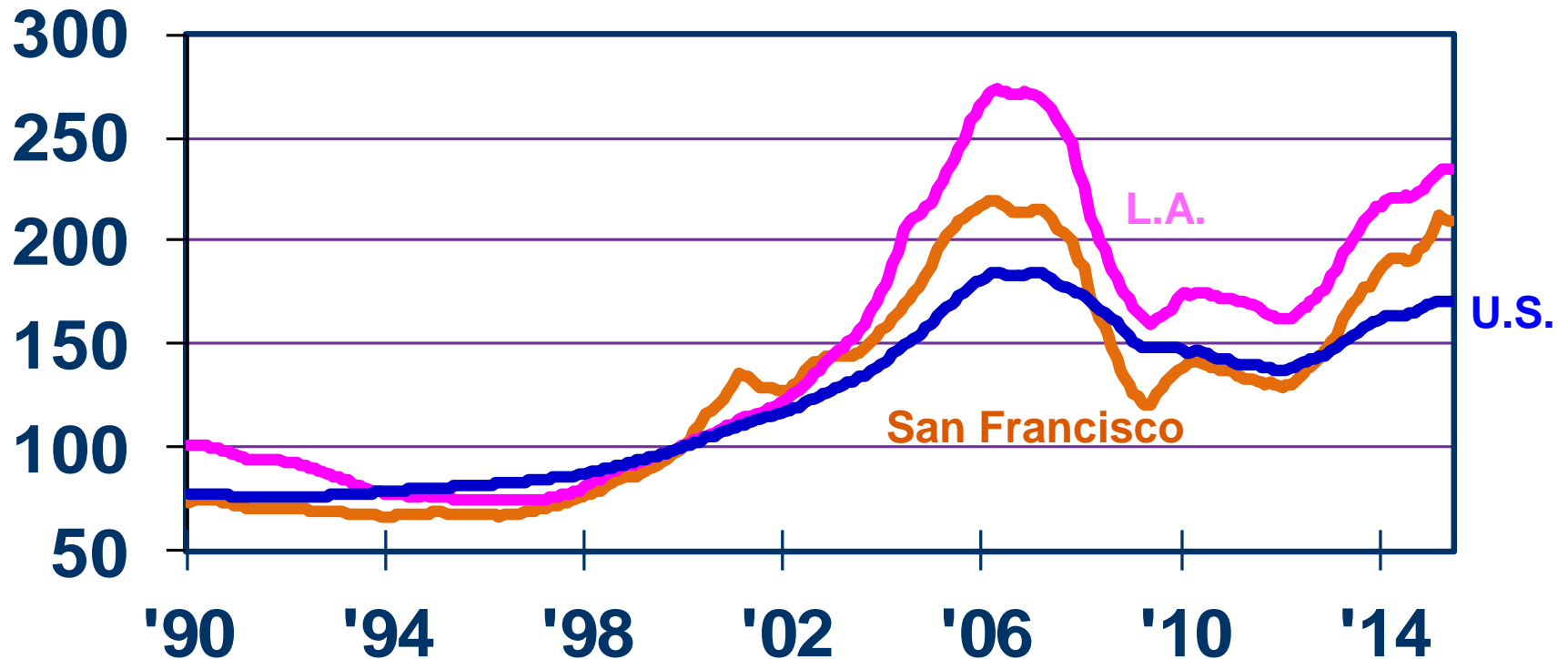


Sources: NASDAQ, S&P



California House Prices Gaining

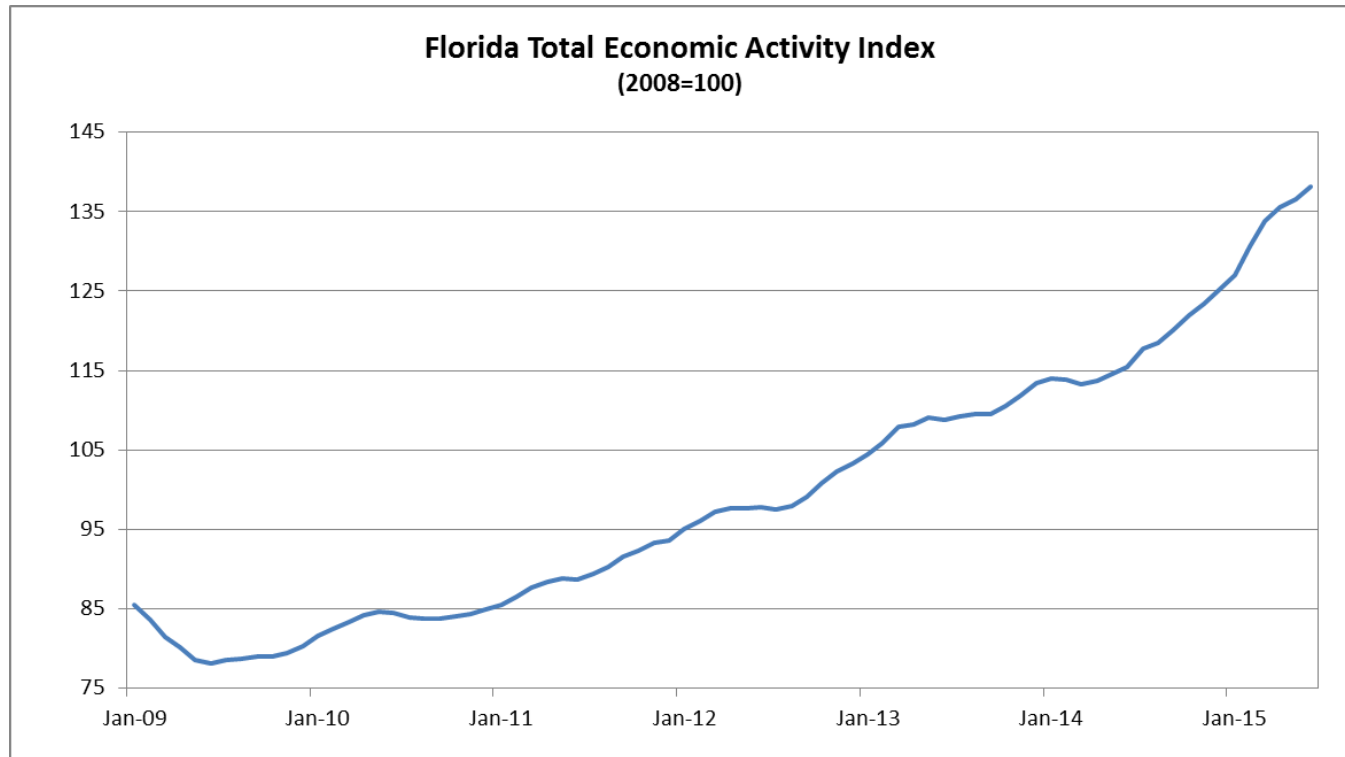
Case-Shiller House Price Indexes



Source: S&P



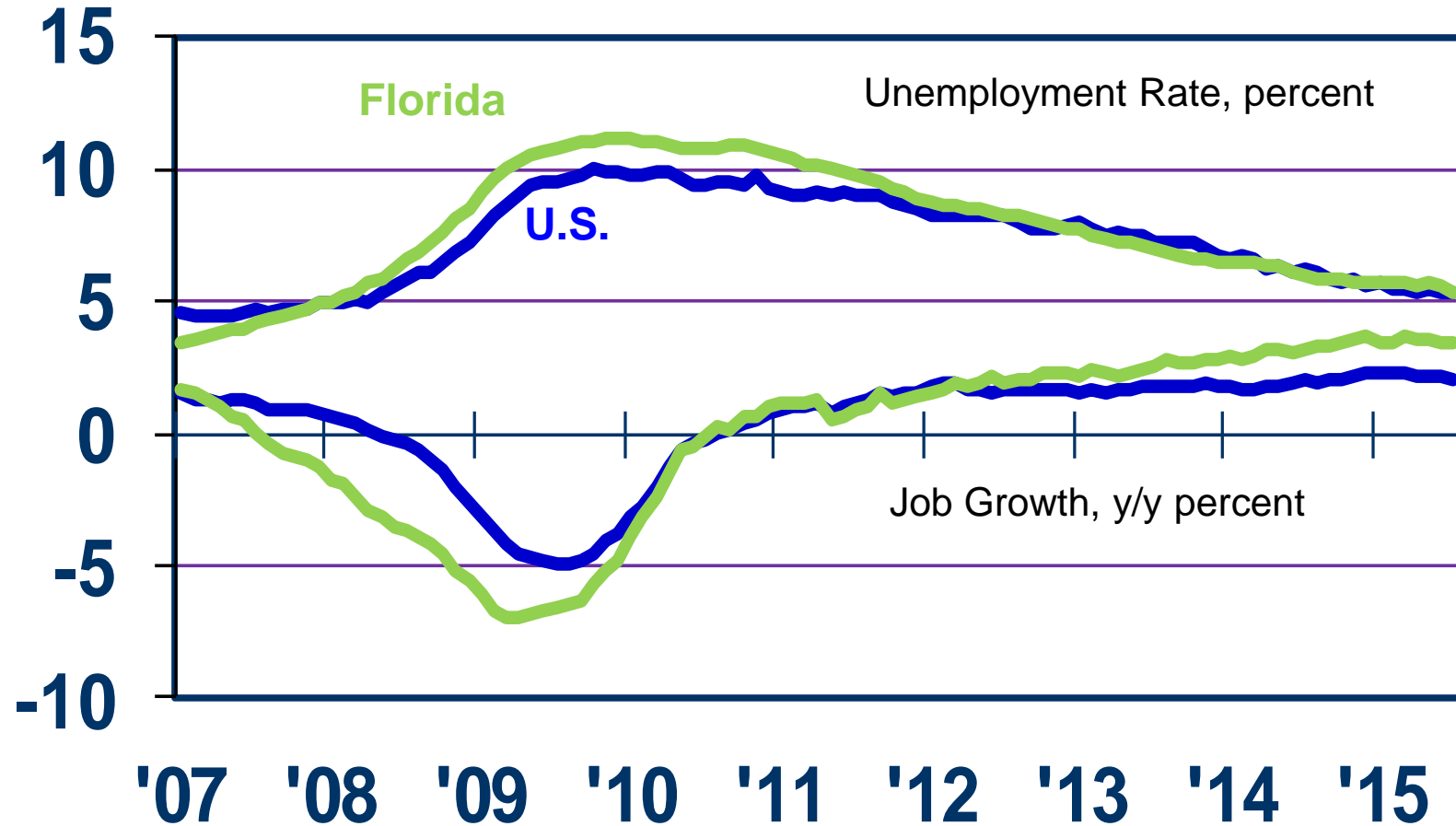
Florida's Economy Continues to Shine



The Florida Economic Activity Index consists of eight variables: nonfarm payrolls, exports, hotel occupancy rates, continuing claims for unemployment insurance, housing starts, sales tax revenues, home prices, and total enplanements.

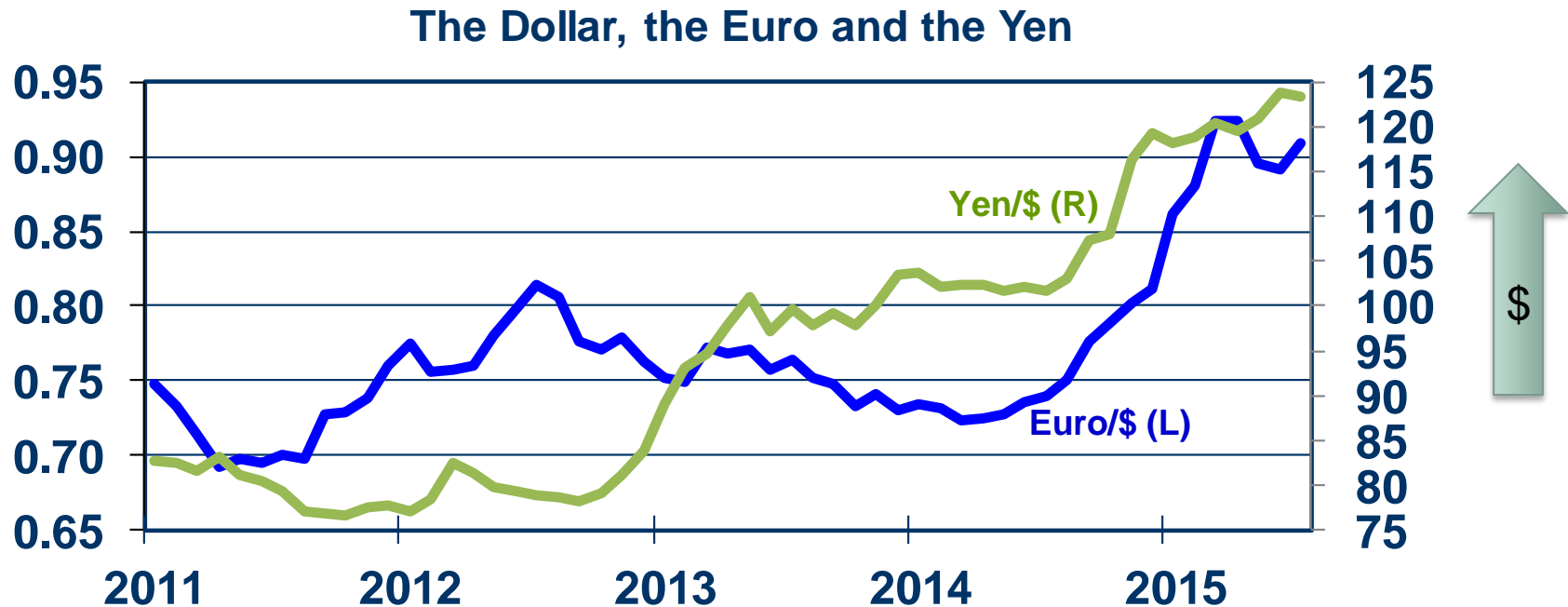


Florida Picking Up Momentum



Sources: BLS

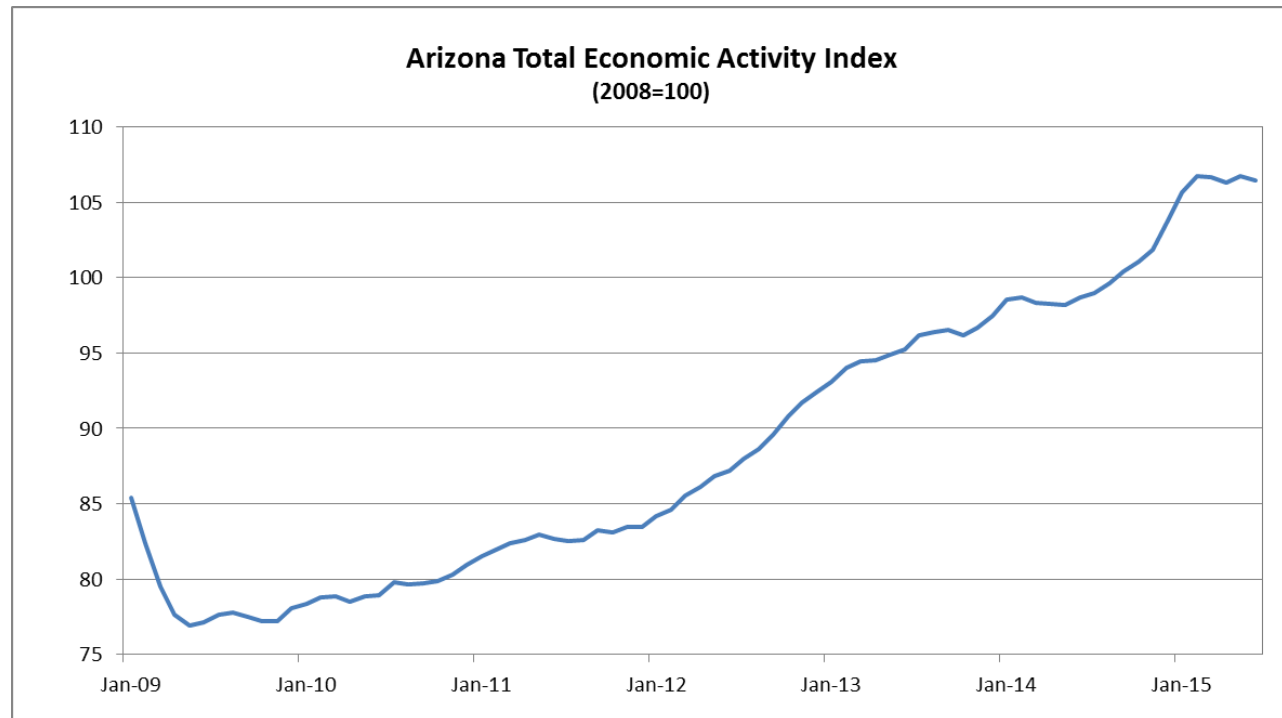
Exchange Rates Volatility Increased by Desynchronized Global Monetary Policy



Source: Federal Reserve



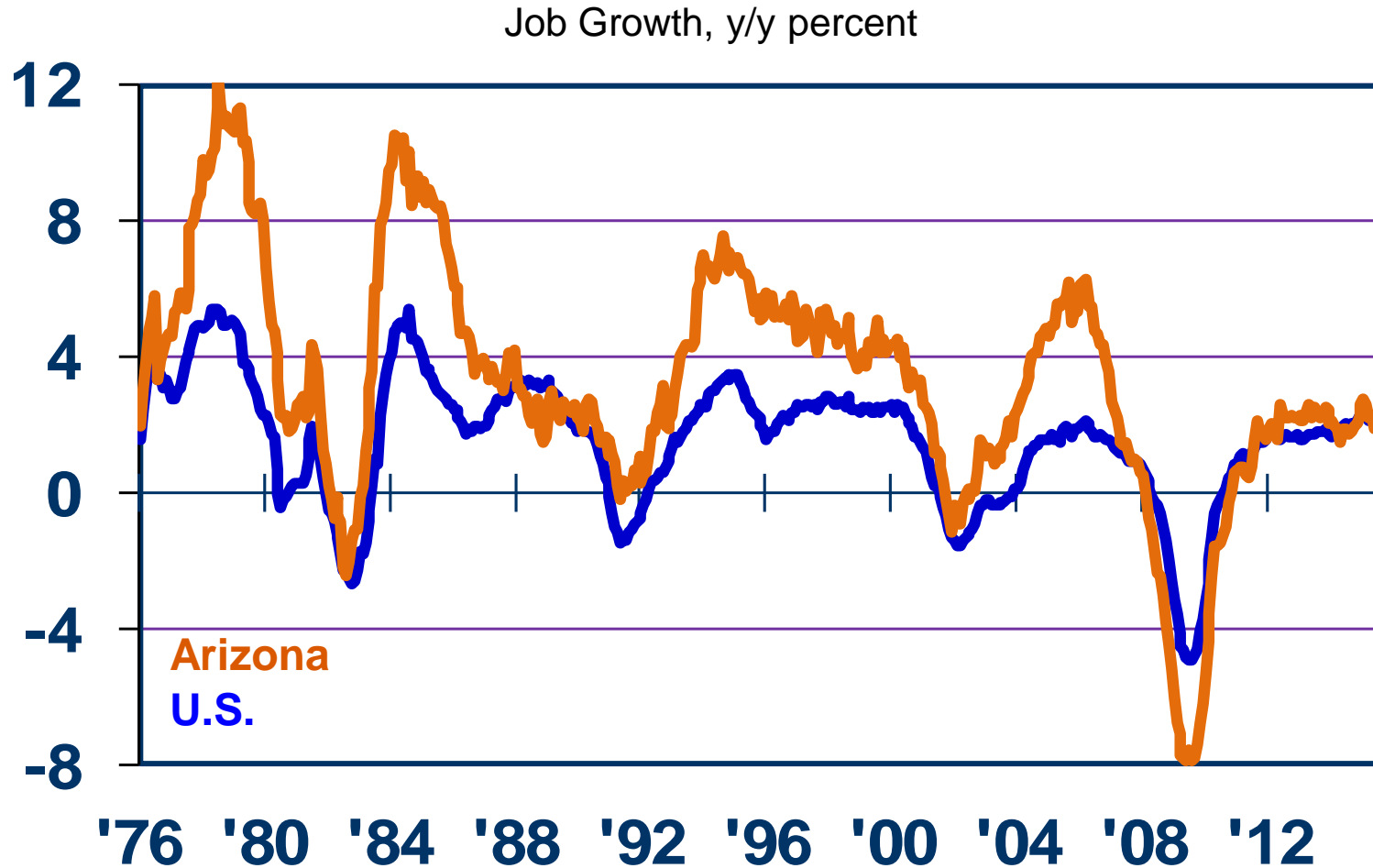
Arizona Is Underperforming



The Arizona Economic Activity Index consists of eight variables: nonfarm payrolls, exports, hotel occupancy rates, continuing claims for unemployment insurance, housing starts, home prices, sales tax revenues, and total enplanements.

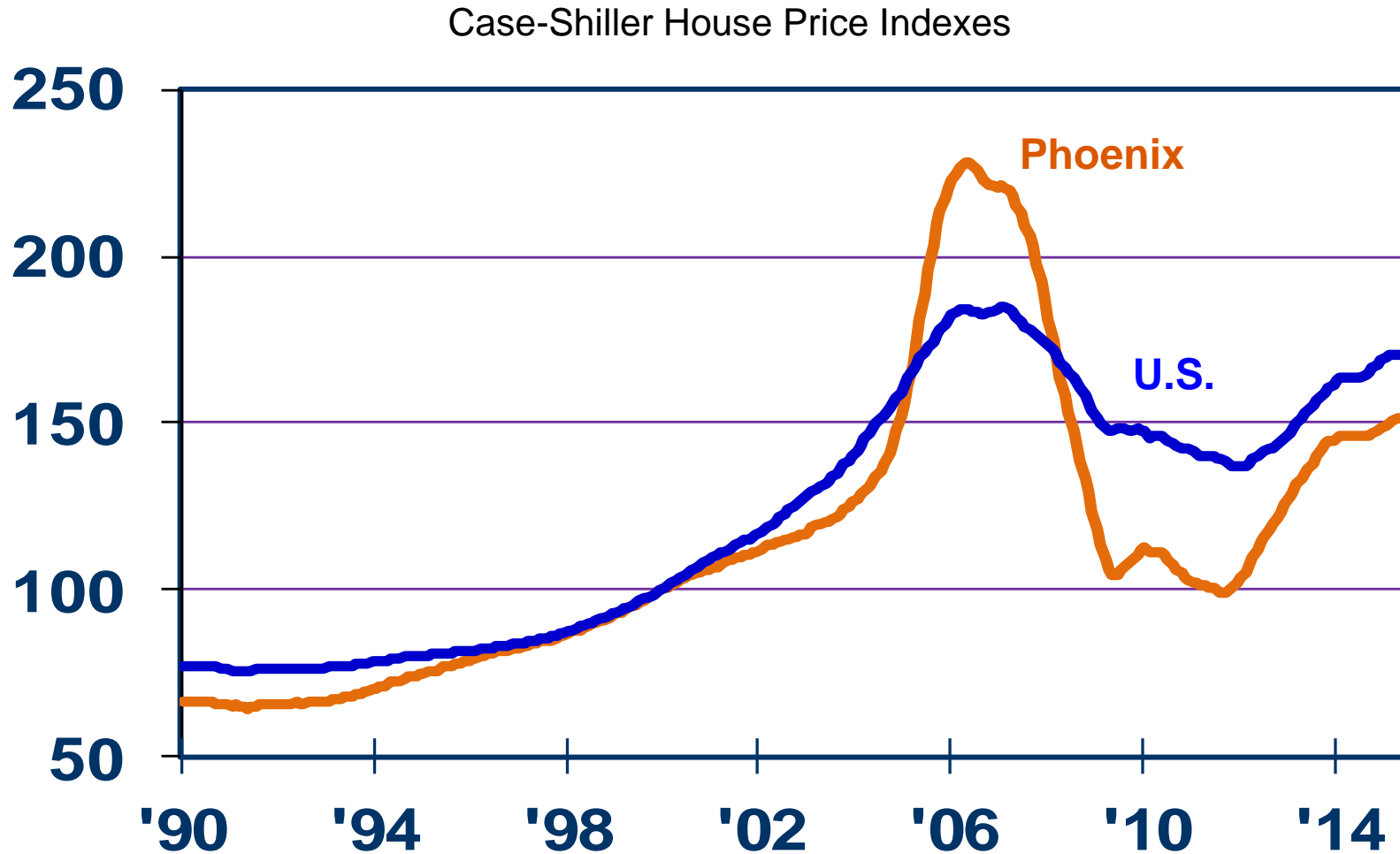


Arizona Very Weak In Current Cycle



Sources: BLS

Phoenix House Prices Still Deep Under Water



Source: S&P



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