Some highlights from the most recent RSQE Michigan forecast, released on May 24, 2019:

Michigan’s pace of 88,000 job gains in 2011 had slowed over time to 49,000 by 2017, but held steady in 2018 with 50,000 new jobs. We see several factors contributing to a renewed slowdown in job growth over our forecast, however: first, a slowing national economy; second, the uncertainty surrounding the international trade situation; third, the slowdown in Detroit Three light vehicle sales, along with the workforce reductions and layoffs at GM and Ford; and fourth, the reduced slack in the state’s labor market.

We forecast Michigan’s economy to add 34,200 jobs in 2019 and 25,900 in 2020. Those totals translate to growth rates of 0.8 percent and 0.6 percent, respectively, down from an average of 1.7 percent per year from 2011–2018. We expect the state’s manufacturing industry to slip into negative growth in 2020 due to scheduled layoffs, despite more encouraging long-term trends. The closely-related professional and business services sector also grows slowly in the forecast.

The unemployment rate averages 3.9 percent for 2019 before nudging up to 4.0 percent in 2020. The labor force participation rate rises to the 61.7–61.8 percent range, its highest level since 2010, as the strong labor market offsets retiring baby boomers.

Local price inflation registered 2.4 percent in 2018, driven by higher energy prices through much of the year. Energy prices took a dive in the fourth quarter of 2018 and remained low in the first quarter of 2019, placing strong downward pressure on inflation. Local inflation registers a mere 1 percent this year before climbing to 1.7 percent in 2020. While the 1 percent local inflation rate we are forecasting for 2019 may seem low, it is well above the 1.4 percent annual decline in local prices seen in 2015.

We see personal income growing by 3.4 percent in 2019, roughly on par with the rate over the past two years. We then expect it to accelerate to 3.9 percent in 2020 due to gains in proprietors’ income and rental income. The growth of wage and salary income rises by half a percentage point from 2018 to 2020, but remains below its average pace over Michigan’s recovery period.

Real disposable income (personal income adjusted for taxes and inflation) held steady from 2017 to 2018 at 1.4 percent. The low rate of inflation in 2019 drives a jump in real disposable income growth to 2.2 percent, the fastest pace since 2015. We forecast real disposable income to moderate slightly to 2.1 percent in 2020 as nominal income growth accelerates but local inflation bounces back.

“The Michigan Model”