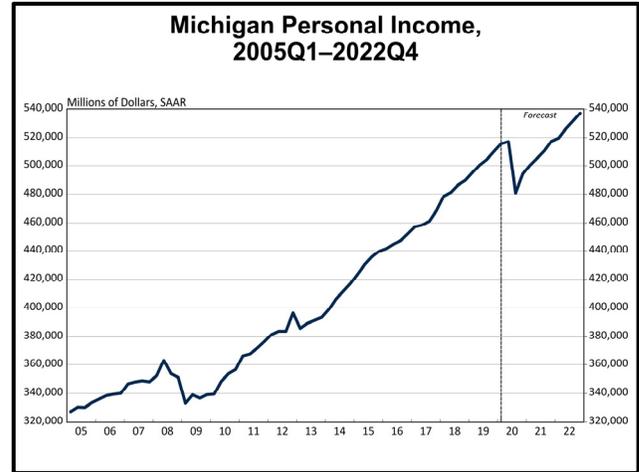
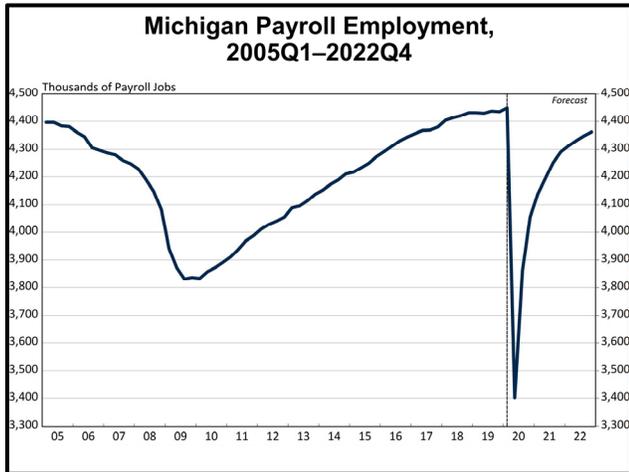


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Some highlights from the most recent RSQE Michigan forecast, released on May 21, 2020:



The COVID-19 pandemic has produced a sharp contraction in Michigan’s level of economic activity, with the state’s unemployment rate rising from 4.3 percent in March to a whopping 22.7 percent in April. The state’s payroll job count declined by more than one million jobs from March to April, and we expect the quarterly decline to be a bit larger.

Our forecast assumes that COVID-19 cases will continue declining this spring, allowing Michigan’s economy to continue reopening. We also assume that any second wave of the pandemic will not necessitate the same broad shutdown of the state’s economy that the first wave entailed. Finally, we assume that the federal government will provide substantial aid to state and local governments later this year.

Even with those optimistic assumptions, Michigan’s economy is in for a very difficult time. We expect the state to regain about 60 percent of the second quarter’s job losses in the second half of this year. Job gains continue at a slower rate from there, and the state regains about ninety percent of the jobs lost this quarter by the end of 2022.

We expect the state’s unemployment rate to average 22.1 percent this quarter, close to its April value. The unemployment rate declines to 11.3 percent by the end of this year, 8.1 percent by the end of next year, and 6.8 percent by the end of 2022.

Two provisions in the CARES Act help to cushion the blow of job loss on household incomes in the short term. First, we expect Michigan households to receive more than \$8 billion in Economic Impact Payments, almost all in the second quarter. Second, the expansion in unemployment insurance eligibility and benefits will make up for a large proportion of lost earnings. Our calculations indicate that personal incomes in the state should approximately hold flat in the second quarter, despite historic job losses.

Personal incomes tumble by roughly 7 percent in the third quarter, as the boost from expanded unemployment insurance benefits and economic impact payments fades. Personal income recovers to its pre-crisis level by the end of 2021 and continues to grow in 2022, ending our forecast 4.1 percent above the pre-crisis level.