Some highlights from RSQE’s most recent Michigan forecast, released on February 25, 2022:

Michigan’s labor market ended 2021 on a strong note, gaining an average of 20,400 payroll jobs per month in the fourth quarter. The state has now recovered more than four-fifths of its initial job losses during the COVID-19 pandemic. We are optimistic that with the decline of the Omicron wave of the pandemic and ongoing, if unsteady, improvements in supply chains, 2022 will see the strong recovery of Michigan’s labor market continue. We now project Michigan’s payroll job count to recover to its pre-pandemic level by the third quarter of 2023.

Michigan’s blue-collar industries are already approaching a full recovery, and we expect them to climb to an employment level 5 percent higher than before the pandemic by the end of 2023. We expect the recovery in Michigan’s higher-education services industries to be delayed by slow progress in the government and healthcare sectors. Higher-Ed services get back to their pre-pandemic employment level in the fourth quarter of 2023. Lower-education services industries are still climbing out of a deep jobs hole. They finish 2023 with employment remaining 3 percent below the pre-pandemic level.

State personal income fell 7.0 percent from the first to the third quarters of 2021 as various federal income support programs phased out. We estimate personal income dipped by an additional 0.5 percent in the fourth quarter. The good news is that we expect personal income to grow briskly during 2022 and 2023. On a fourth-quarter-to-fourth-quarter basis, we are forecasting state personal income to grow 6.3 percent during 2022 and 5.9 percent during 2023, propelled by rapidly rising wages and salaries.

Unfortunately, those rising wages are being offset by rapidly rising prices. Detroit CPI inflation registered 7.0 percent from December 2020 to December 2021. We expect inflation to remain stubbornly high to start this year before beginning to cool off. We project local inflation of 6.1 percent in 2022, the fastest calendar-year rate since 1981. We expect local inflation to cool off to 3.1 percent in 2023, a hair below the national rate of 3.2 percent. The high inflation leads state real disposable income to fall by a whopping 5.6 percent this year. Real disposable income growth returns at a rate of 2.5 percent next year with the slowdown in inflation.