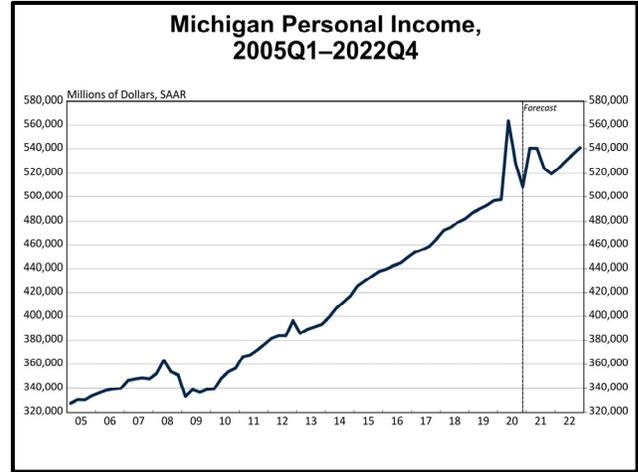
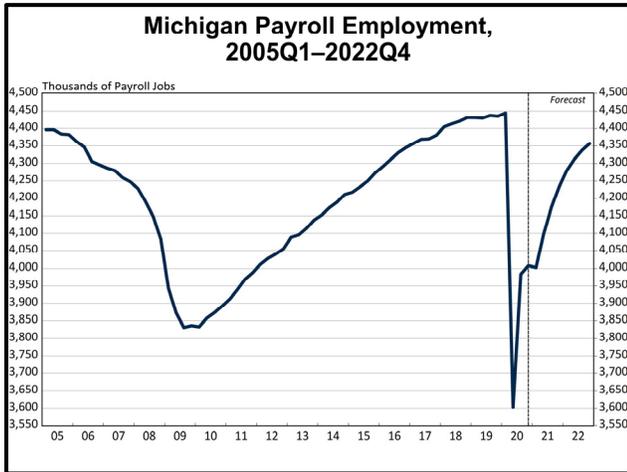


Some highlights from RSQE's most recent Michigan forecast, released on February 26, 2021:



Amid Michigan's second wave of COVID-19, the state's payroll job growth slowed to only 24,000 jobs in the fourth quarter of 2020. That was a far cry from the 380,000 jobs added in the third quarter, and what is worse, we expect the state to lose 5,600 jobs in the first quarter of 2021.

The news should improve rapidly from here, though: we are forecasting 230,000 total job gains in the second through fourth quarters this year. We expect another 124,000 job gains from the end of 2021 to the end of 2022, with positive job growth in every quarter from the second quarter of 2021 to the fourth quarter of 2022. Our forecast leaves the state's payroll job count at the end of 2022 nearly 90,000 jobs, or two percent, lower than its pre-pandemic reading in the first quarter of 2020.

We expect the \$900 billion COVID relief bill passed in December to be followed by another \$1.6 trillion package in mid-March, helping to power the sharp rebound in our forecast. We suspect many people will be surprised by the strength of the economic recovery after the COVID-19 pandemic subsides.

Our outlook for personal income in Michigan is more optimistic than our outlook for employment for two main reasons. First is our expectation of additional federal income support. Second is that the industries we expect to recover more slowly from the COVID recession feature substantially lower wages than the industries we expect to recover more quickly. We forecast the state's wage bill to recover to its pre-pandemic level in the third quarter of this year.

We expect Michigan's personal income to jump by 6.2 percent in the first quarter of 2021 and hold roughly flat in the second quarter. Personal income then dips nearly 4 percent by the fourth quarter as federal support fades, before settling onto a smoother growth path of around 4 percent per year in 2022. Averaging over calendar years, state personal income increases 1.2 percent in 2021 and 0.3 percent in 2022.

Local inflation registered only 1.0 percent last year. A rebound in energy prices in early 2021 pushes local inflation to 2.4 percent this year. As energy prices stabilize, local inflation cools to 1.9 percent in 2022.