Some highlights from RSQE’s most recent Michigan forecast, released on November 19, 2021:

After sputtering to a disappointing average pace of 25,000 job gains per quarter in the first half of 2021, employment growth in Michigan sped up to 51,200 jobs in the third quarter. We expect growth to moderate to about 30,000 jobs per quarter from the fourth quarter of this year through the end of 2022. Growth then slows down to an average of 21,500 jobs per quarter in 2023.

Our forecast brings Michigan’s payroll employment count to within 0.6 percent of its pre-pandemic level by the end of 2023. The recovery we are forecasting far outstrips Michigan’s recovery from its prolonged downturn at the beginning of the millennium. For comparison, at the end of 2019, Michigan’s employment level languished more than 5 percent lower than the state’s peak employment level set in the spring of 2000.

We continue to be bullish on Michigan’s blue-collar industries. Soaring house prices should spur strong employment gains in construction, while the Build Back Better proposal contains several boons for the state’s auto industry. On the other hand, we expect progress to be slow for the lower-education service industries.

The recent spikes in the graph of Michigan’s personal income resulted from the rounds of stimulus checks the federal government sent during the pandemic. Expanded unemployment insurance and other government support also protected personal income from the downturn in employment.

We estimate that Michigan personal income has fallen by 11 percent from its recent peak in the first quarter of 2021 through the third quarter of the year. Still, aggregate personal income in the state currently rests almost 5 percent higher than in the fourth quarter of 2019. We project steady growth to resume in 2022 and 2023. State personal income in 2023 is forecast to be 17 percent higher than its 2019 level.

The fly in the ointment of the strong recent income growth has been a sharp uptick in inflation. We expect local inflation to register 4.3 percent this year and 4.6 percent next year before cooling to 2.4 percent in 2023. High inflation and rising tax burdens eat into the nominal income growth we project, leaving real disposable income 3.1 percent higher at the end of 2023 than the end of 2019.

“The Michigan Model”