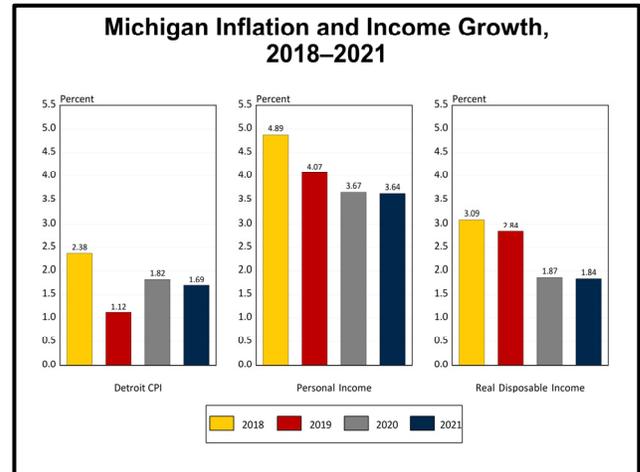
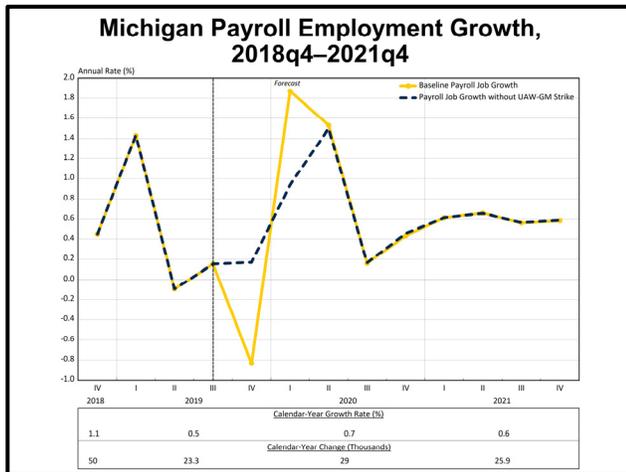


Some highlights from the most recent RSQE Michigan forecast, released on November 22, 2019:



This year has provided a tough test for Michigan’s economy. We believe that after slogging through much of 2019, Michigan will return to moderate, but sustained, expansion in 2020 and 2021. We forecast the state to add 23,300 payroll jobs in 2019, 29,000 in 2020, and 25,900 in 2021, roughly half of the pace seen in 2017–18.

We estimate that the UAW-GM strike reduced Michigan’s payroll job count by 31,500 jobs for the month of October after accounting for spillover effects. We expect almost all of the affected employees to be back on the job by November; the strike’s impact averages out to 11,200 jobs for the fourth quarter of 2019.

Michigan’s unemployment rate averages 4.1 percent this year and declines to 3.9 percent in 2020 and 3.7 percent in 2021, which would be on par with the rate in 1999 and 2000 as the lowest annual average on record since 1976. The labor force participation rate holds on to most of this year’s gains, edging down from 61.8 percent in 2019 to 61.7 percent in 2020–21. Household employment has outpaced payroll employment substantially in Michigan this year, but the two grow more closely in line over the forecast.

Detroit CPI inflation declines to 1.1 percent this year because of lower energy prices. It rebounds to the 1.7–1.8 percent per year range over the next two years as energy prices stabilize.

We expect the growth of state personal income to slow down from 4.9 percent in 2018 to 4.1 percent this year, amid slower job growth and lower interest rates. In 2020 and 2021, state personal income moderates to the 3.6–3.7 percent range on slower growth of transfer income.

This year’s decline in inflation cushions real disposable income from most of the slowdown in nominal growth. Growth declines by nearly a percentage point in 2020, falling to 1.9 percent with a rebound in inflation and the continued slowdown in nominal income growth. As inflation stabilizes in 2021, so does real disposable income growth, which registers 1.8 percent.

We expect Michigan’s real GDP growth to decelerate to just 0.4 percent in 2019 as the state’s labor market cools and the UAW-GM strike takes its toll. That would be Michigan’s slowest annual growth rate since the Great Recession. Growth returns to a moderate trend after 2019, reaching 1.3 percent in 2020 and 0.9 percent in 2021.