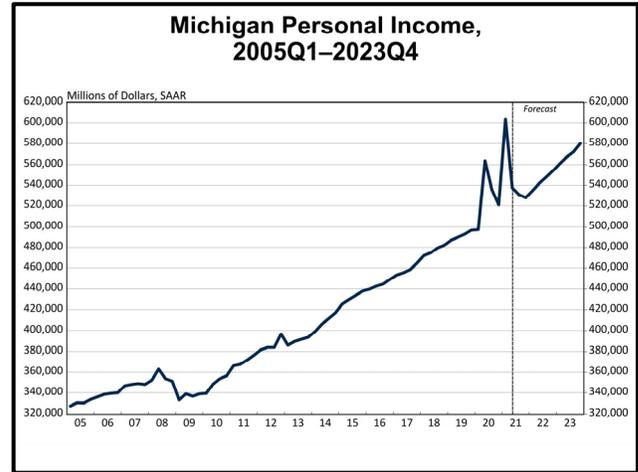
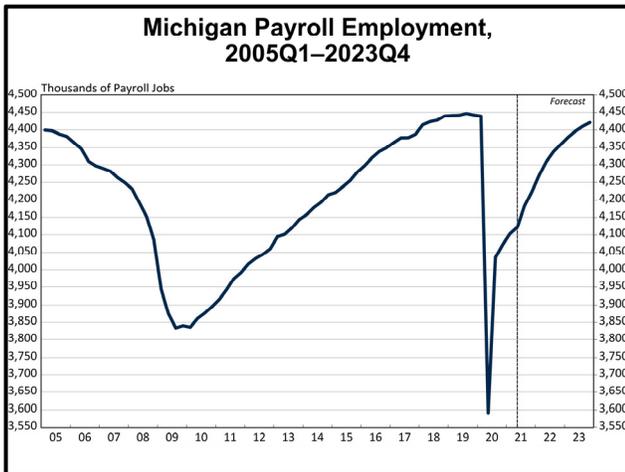


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Some highlights from RSQE's most recent Michigan forecast, released on September 3, 2021:



Michigan's economic recovery shifted into a higher gear in June and July, with 48,500 total job gains following three months in which the state's job count did not grow. Unfortunately, we expect the Delta wave of the COVID-19 pandemic to delay some economic growth into next year. The microchip shortages plaguing the state's auto industry remain a major obstacle to Michigan's economic recovery. A durable resolution to these problems is not in sight.

On the bright side, we expect solid job growth in 2022-23. Michigan recovers 98 percent of the jobs it lost in the second quarter of 2020 by the end of 2023.

It is important in these frustrating times not to lose sight of the fundamental forces that we expect to drive the recovery over the next two years. First, personal incomes have risen over the past two years, sustaining consumer demand. Second, labor demand is sky-high, with June's job opening rate for the Midwest setting an all-time high. Third, macroeconomic policy is much more focused on restoring full employment than following the Great Recession.

Personal income in Michigan rose by 16 percent in the first quarter of the year, but we estimate that it fell by 11 percent in the second quarter, following the pattern of federal stimulus. We expect state personal income to decrease further, but much less sharply, in the second half of the year. Still, we project that state personal income will exceed its pre-pandemic level by over 6 percent at the end of 2021. Looking forward, we forecast Michigan's personal income growth will average 1.2 percent per quarter over the next two years. That would leave the state's personal income 16 percent higher in 2023 than in 2019.

Detroit CPI inflation registered 5.4 percent year-over-year in the second quarter of this year. We expect price pressures to remain elevated in the third quarter before beginning to fade as supply chain disruptions start to dissipate. Local inflation averages 4.0 percent for 2021, the fastest rate since 1990. It then cools off to 3.3 percent next year and 2.3 percent in 2023.

Michigan's real disposable income climbs to 4 percent higher than its 2019 level by 2023.