

Michigan Economic Outlook

2026–2027

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RESEARCH SEMINAR IN QUANTITATIVE ECONOMICS
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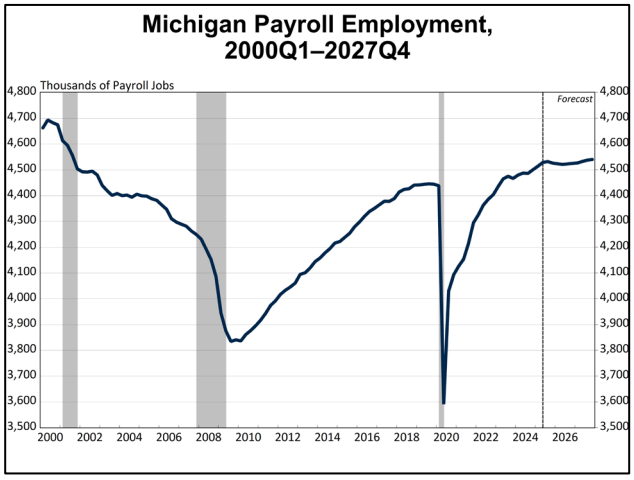
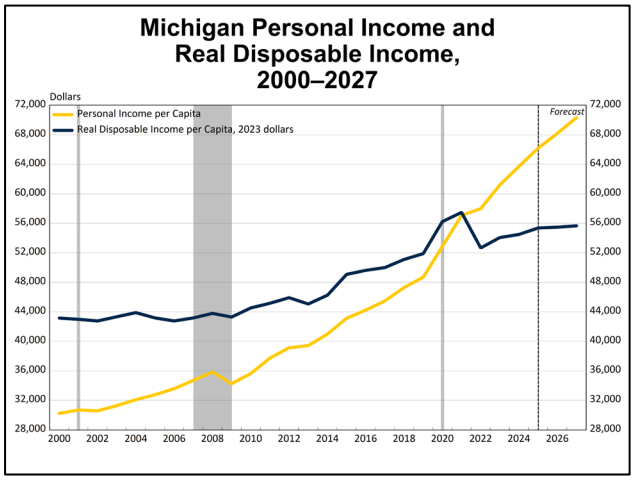
The Michigan Economic Outlook for 2026–2027: Executive Summary





Gauging the health of Michigan's economy was difficult even before the federal government shutdown interfered with key data releases. The two key measures of employment, from the payroll and household surveys, have generally trended in opposite directions this year. Furthermore, preliminary data suggests a large downward revision is in store for Michigan's payroll employment. The shutdown has not clarified matters.

We project Michigan's payroll job count to edge lower in 2026, with 2,000 job losses, before growth of 11,300 jobs returns in 2027. Michigan's manufacturing sector sheds about 3,000 jobs next year before adding 4,500 the following year with a boost from a looser regulatory environment. Job growth in the government sector slows down but remains positive in each of the next two years.

Michigan's unemployment rate edges up from an estimated 5.3 percent in the fourth quarter of this year to 5.6 percent by the second quarter of 2026 before ticking back down to 5.5 percent in 2027.

Personal income per capita grew at a healthy annual pace in the first half of 2025, and we expect it to finish the year with a respectable performance of 3.9 percent growth. That pace slows to 3.0 percent next year and 3.2 percent in 2027 amid tepid employment growth.

We expect Detroit CPI inflation to slow to 2.0 percent this year, its slowest pace since 2020. Local inflation picks back up to the 2.9–3.0 percent range over the next two years as tariffs continue to work their way into consumer prices.

The combination of slower inflation and healthy nominal income growth boosts real disposable income per capita with 1.6 percent growth this year, well above the recent average. Real disposable income growth slows over the next two years as inflation picks up and job growth slows, but federal tax cuts help to offset some of that drag. We project growth of 0.2–0.3 percent per year over the next two years. Our forecast brings Michigan's personal income per capita to $70,300 in 2027, when real disposable income per capita stands 7.3 percent above its 2019 level.

The Michigan Economic Outlook for 2026–2027

Jacob T. Burton, Gabriel M. Ehrlich, Donald R. Grimes, and Michael R. McWilliams
University of Michigan

Introduction

Michigan's economy stands in an ambiguous position as we write this forecast in mid-November 2025. The federal government shutdown that that ended on November 12th means that most official economic statistics do not extend beyond August. Yet even when we were receiving the regularly scheduled statistics, the story was confusing. Interpreting all of the official and unofficial data, we believe the state economy has hit a growth pause this fall, which we expect to persist through most of next year. The better news is that we believe the economic policy mix has recently become more supportive for Michigan, and we expect growth to pick up in 2027.

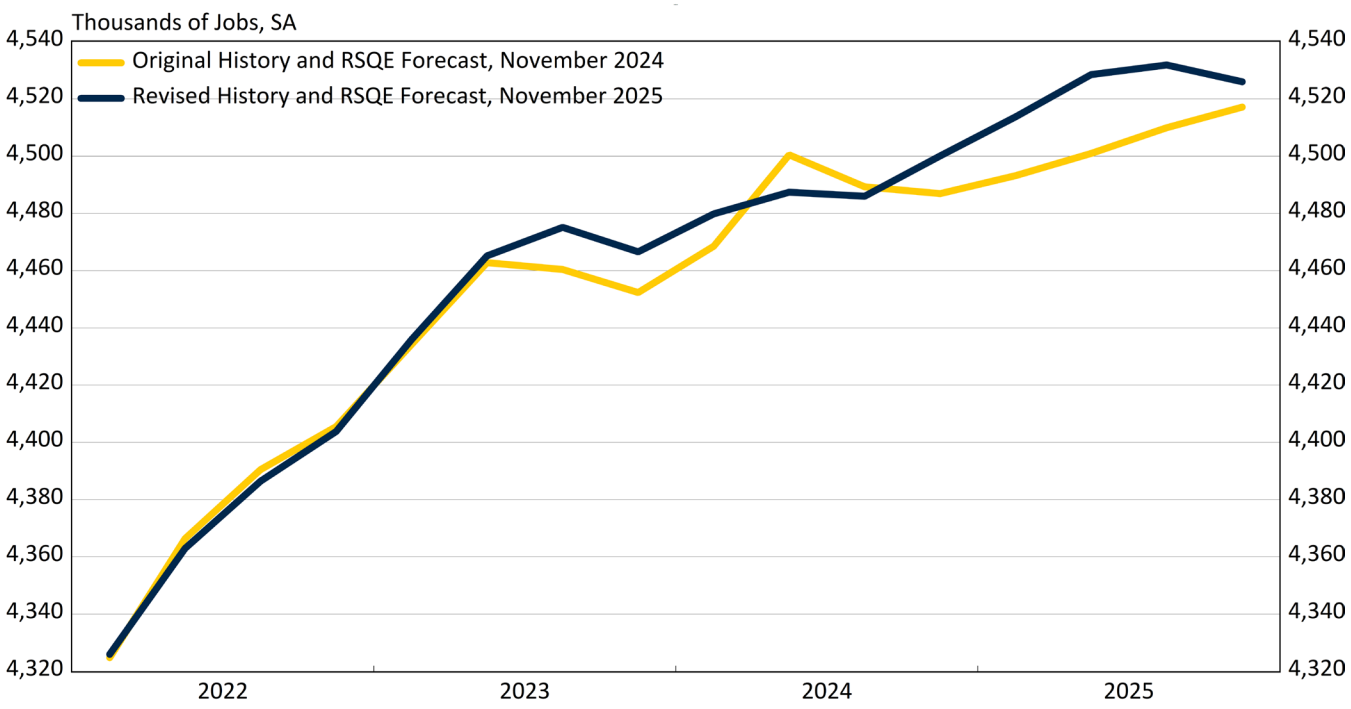
Figure 1 compares the currently published history and our forecast for wage and salary employment in Michigan with our projection from last November. Michigan added 24,100 payroll jobs from the end of 2024 to August 2025, running well ahead of our expectations. Unfortunately, preliminary estimates suggest that much of Michigan's recent job growth may be revised away in the future.[1] Another measure of employment, the so-called "household survey" count of employed state residents, has declined by 18,700 in that time. To top it off, we estimate that the separations of federal employees who accepted the deferred resignation program earlier this year will hit the books of Michigan's government employment count in the fourth quarter of 2025. With respect to the shutdown, we expect most of the federal government workers who were furloughed or subjected to reductions in force during the closure to receive their paychecks retroactively and return to work. Even so, we believe Michigan faces a challenging conclusion to the year.

The auto industry has faced a rapidly evolving policy mix this year. We believe the shift in policy support away from electric vehicles will cost Michigan jobs in the short run, but the effective elimination of Corporate Average Fuel Economy (CAFE) standards ought to boost the Detroit Three's share of the

[1] We discuss the so-called preliminary benchmark, along with our forecast performance from last November, in Appendix A at the end of this report.

auto market over the longer term. Likewise, we have not been shy in sharing our previous estimates that the Trump Administration's tariff policy would end up reducing employment in Michigan's auto sector. Yet recent changes such as the extension of rebates on parts tariffs for domestically assembled vehicles have shifted our estimate of the tariffs' eventual impact on domestic auto production from a small negative to a small positive. Of course, these policy changes come at a cost: the tariffs will raise vehicle prices for consumers, while the elimination of CAFE standards will lead to higher vehicle emissions.[2] Nonetheless, we believe they will eventually provide net support for employment and economic activity in Michigan, which are the focus of this report.

Figure 1
Wage and Salary Employment in Michigan, 2022–25:
Growth Was Stronger Than Forecast to Start 2025



On a calendar year basis, we expect Michigan to add 36,700 payroll jobs this year before slipping to 2,000 job losses next year. Moderate growth of 11,300 jobs returns in 2027 as tax cuts work their way through the economy, interest rates decline modestly, and a more supportive policy mix begins to kick

[2] For an estimate of recent regulatory changes' impact on vehicle emissions, see for instance, Beia Spiller and Joshua Linn, "If/Then: Removing Federal Support for Electric Vehicles—Will It Help or Hurt Society?", *Resources for the Future*, June 11, 2025.

in. We expect Michigan's unemployment rate to climb from 5.2 percent this August to 5.6 percent by the second quarter of 2026 before inching back to 5.5 percent in 2027.

On a more encouraging note, we are projecting Detroit CPI inflation to come in at a 2.0 percent pace for 2025, its slowest since 2020. This year's moderate inflation rate will also boost real income growth. We estimate that Michigan's real disposable income per capita will grow by 1.6 percent this year, well above the 1.0 percent average per year growth rate since 2000. As inflation picks back up to around 3.0 percent per year over the next two years, the annual growth of real disposable income per capita slows to around 0.2–0.3 percent. Later in this report, we take a deep dive into the evolution of Michigan's wage rates and offer some thoughts about how Michigan could boost its wage levels in the future.

Our outlook for Michigan's economy may seem underwhelming, but these sorts of projections are likely to become the norm in the years to come unless there are fundamental changes to demographic trends. We have cautioned for years that Michigan's aging and slowly growing population would eventually put a speed limit on job creation. In our judgment, that long-term future has now arrived.

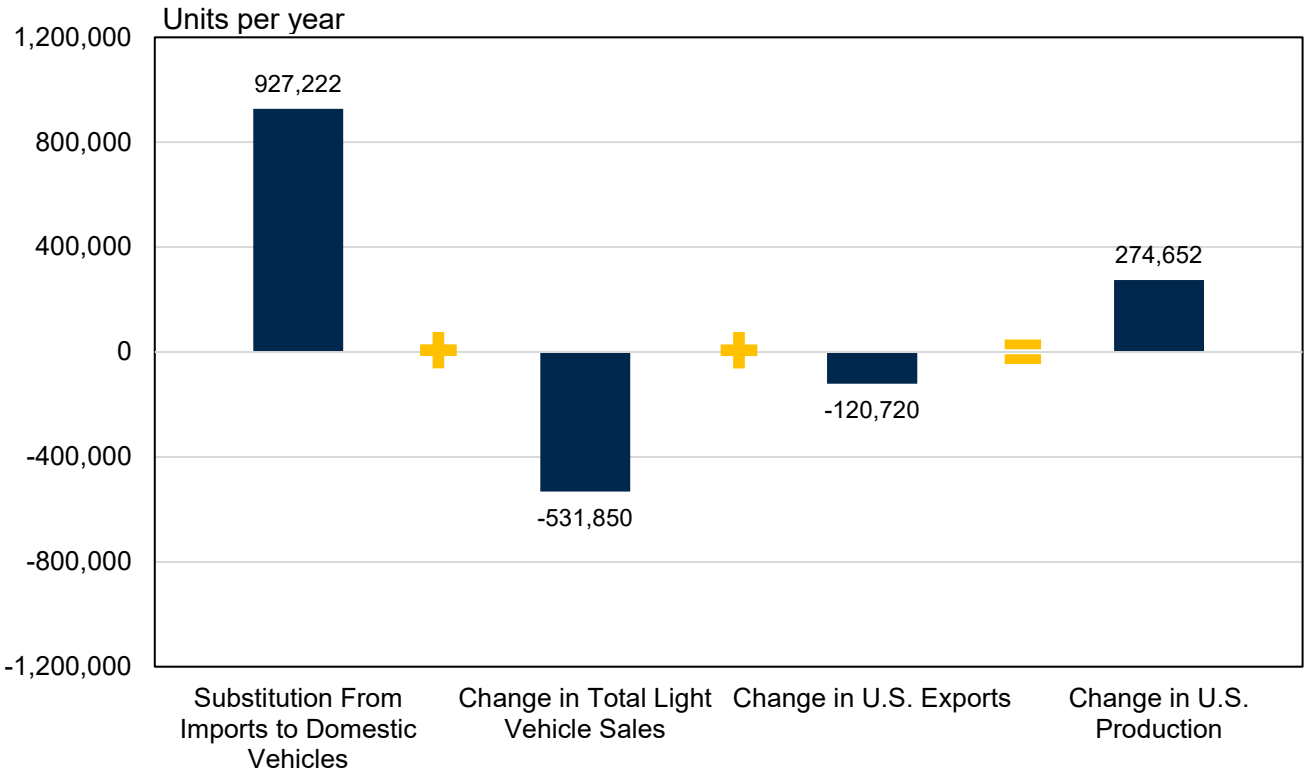
The Forecast of the State Economy

The Impact of Tariffs on the Domestic Auto Industry

Michigan's economy is very sensitive to international trade policy due to the critical role of the local auto industry. Our November U.S. forecast report explains the current state of tariffs and how they may change over the forecast.[3] Here, we summarize our estimates of how the tariffs could affect the national auto industry and Michigan's economy. These estimates are highly uncertain both because tariff policy remains fluid and because it is inherently difficult to quantify the effects of such a major policy shift. Our May 2025 Michigan forecast report explained our methodology in greater depth; this section focuses on the estimated medium-run impacts of tariffs on the auto industry rather than revisiting those details.

[3] The analysis in both our November U.S. forecast and this forecast for Michigan was based on the tariff and trade situation as announced through late October.

Figure 2
Medium-Term Effects of the 2025 Tariffs on National Domestic Auto Production



In our forecast for the Michigan economy released in September, we estimated that the tariff landscape would reduce U.S. light vehicle production by 3.1 percent in the medium run. Due to developments since then, we now estimate that the current state of trade and tariff policy will instead increase U.S. light vehicle production by 2.7 percent in that time. One of the most significant changes since our previous forecast was the extension of the rebate for tariffs on imported auto parts used in the domestic assembly of light vehicles. Automakers can now continue to claim rebates of up to 3.75 percent of the Manufacturer's Suggested Retail Price (MSRP) through 2030, offsetting a significant portion of the tariffs imposed on parts that go into domestically assembled vehicles. This rebate policy was originally set to decrease next year and expire in mid-2027. As such, we believe the extension provides domestic automakers with ample time to further adjust their supply chains while helping to reduce the cost of production in the meantime.

Retaliatory tariffs have also remained lower to date than we had previously projected. We now estimate the average effective retaliatory tariff rate on U.S. light vehicle exports to be 3.1 percent, as

USMCA preferences keep rates low with Canada and Mexico, and trade agreements with the EU and China limit retaliation. Overall, we estimate that tariffs on imported vehicles will average 11.7 percent, leading to an average price increase of about 6.6 percent across both domestic and imported vehicles. Based on 2024 prices, this would raise the average cost of a vehicle (domestic or imported) by roughly $3,100, assuming profit margins remain unchanged. However, the cost of domestic production rises by only 2.0 percent, as tariff rebates help keep domestic assembly competitive.

Figure 2 shows the key results of our analysis. The tariffs are expected to provide a strong protective effect, with consumers shifting nearly 930,000 light vehicle purchases per year from imported to domestically made vehicles. However, this gain is partially offset by declines in total U.S. light vehicle sales (roughly 530,000 units per year) and in exports (nearly 121,000 units per year). Altogether, we estimate that tariffs will increase U.S. light vehicle production by 275,000 units (or 2.7 percent) per year after the supply chain has adjusted to the new trade environment. We reiterate that there is significant uncertainty around this estimate.

Detroit Three Light Vehicle Sales

Figure 3 shows our quarterly forecast for total U.S. and Detroit Three light vehicle sales. Sales declined from 16.3 million units in September 2025 to 15.3 million units in October, as tax credits for electric vehicles (EV) expired.[4] We expect sales to pick up the pace moving forward, registering 15.6 million units in the final quarter of the year. Despite October's decline, we expect light truck sales to remain close to their pre-tariff sales pace, bolstered by the end of financial penalties for missing Corporate Average Fuel Economy (CAFE) standards. We forecast light vehicle sales to tick up to 15.8 million units by mid-2026 before stalling out at that sales pace through the end of 2027.

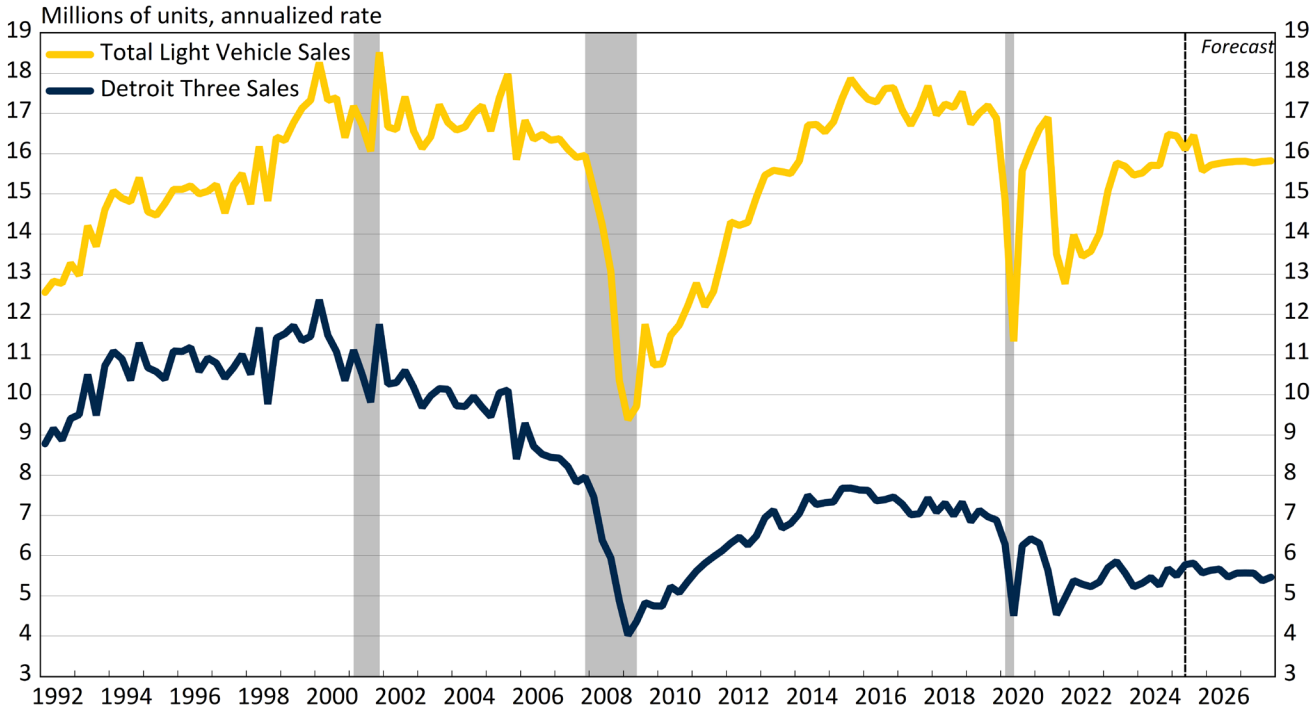
The auto manufacturing landscape has undergone several major changes this year, including the end of EV tax credits and the removal of CAFE penalties. While we view this new environment as generally positive for the Detroit Three, its overall impact is mixed. Each company invested differently in EV production, so the loss of EV credits will affect them unevenly. The removal of CAFE penalties, however,

[4] We forecast light vehicle sales using data from the Bureau of Economic Analysis (BEA). However, due to the recent federal government shutdown, the September 2025 and October data is sourced from Omdia, which is the key source for the BEA's data.

plays to their collective strengths. In 2024, roughly 85 percent of the Detroit Three's sales were light trucks powered by internal combustion engines. We expect the end of these penalties to increase their share of the light vehicle market by about 1.8 percentage points, allowing them to concentrate on a higher-margin vehicle mix.

Additionally, the new tariff environment may offer further support to the Detroit Three's market share, but the overall impact is also mixed. A key complication is that our measure of the Detroit Three's market share includes many vehicles produced outside the United States.

Figure 3
Light Vehicle Sales Idle at Trend



The Detroit Three's share of U.S. light vehicle sales declined from 36.1 percent in 2023 to 34.2 percent in 2024. The Detroit Three's share of the market has declined in 21 out of the last 25 years, but we expect this long-term downward trend to reverse in 2025 and 2026 as the new policy mix takes effect. The Detroit Three's market share is projected to rise to 35.1 percent in 2025 and 35.4 percent in 2026, before easing to 34.8 percent in 2027. In unit terms, sales are expected to increase modestly from 5.4 million vehicles in 2024 to 5.7 million in 2025 before slipping to 5.5 million in 2027.

Payroll Employment

Figure 4 shows the historical data and our forecast of Michigan's quarterly payroll job count. Michigan added 27,600 jobs in 2024, and we are projecting that pace to accelerate to 36,700 this year based on the numbers to date. Unfortunately, we expect Michigan's payroll job count to edge lower next year, with 2,000 job losses on a calendar year average basis. Growth of 11,300 jobs returns in 2027 as a more favorable, and hopefully more stable, auto policy mix kicks in. Our forecast takes Michigan's payroll job count to 2.3 percent above its pre-pandemic level by the end of 2027, yet it remains 3.3 percent below its all-time peak from the second quarter of 2000.

Figure 4
Michigan Payroll Employment Pauses Next Year but Grows in 2027

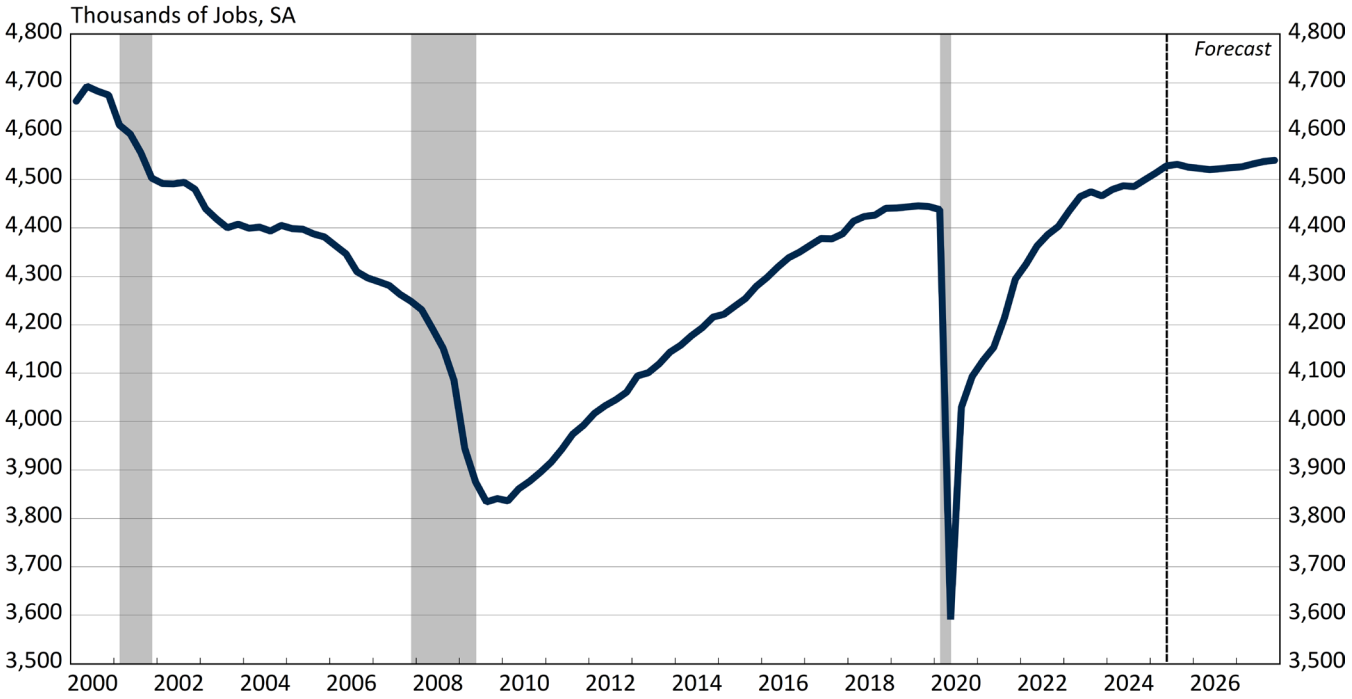
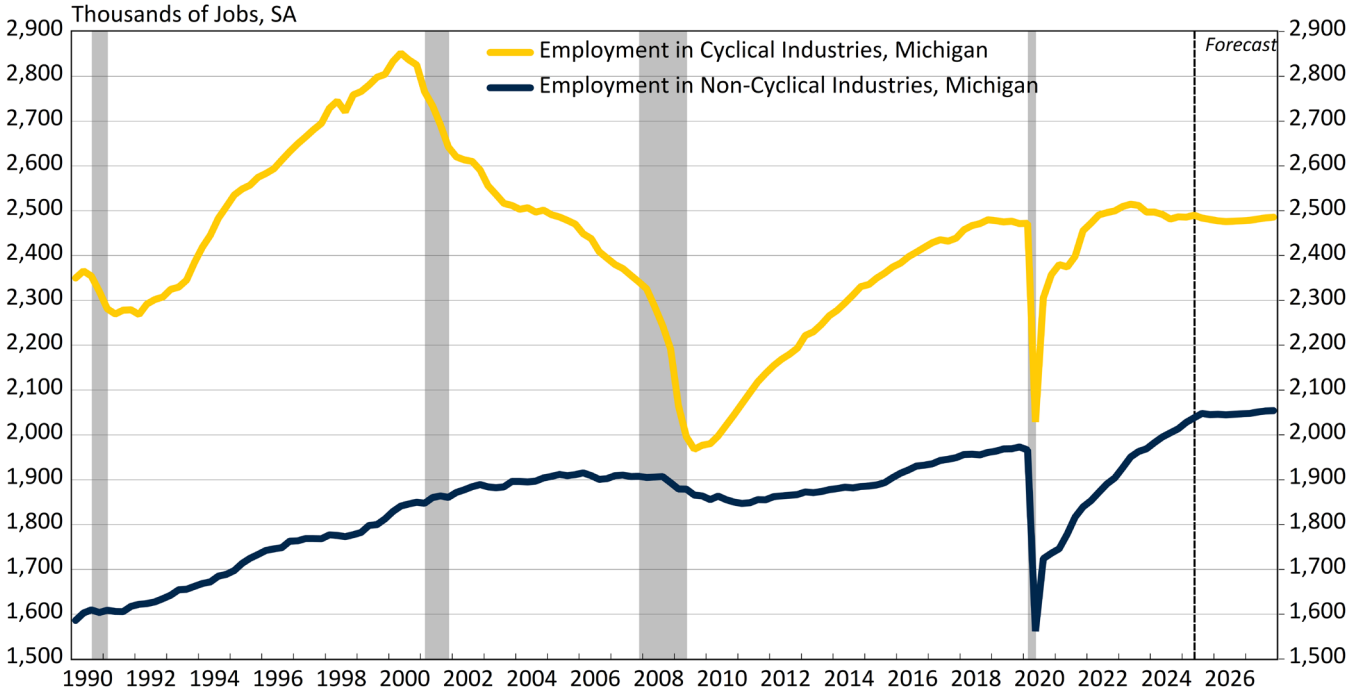


Table 1 below displays our forecast for Michigan's annual job growth by industry, while Figure 5 splits our industries into two groups: "Cyclical Industries" and "Non-cyclical Industries."[5] Historically, the non-cyclical industries have been less sensitive to the business cycle than the cyclical industries, with the exception of COVID-19 and its aftermath. In keeping with this history, we are projecting a slight dip

[5] The cyclical industries comprise manufacturing, construction, trade, transportation, and utilities, professional and business services, and financial activities. The non-cyclical industries comprise all other industries. The cyclical industries accounted for 55.5 percent of nonfarm payroll employment in Michigan in 2024.

in the cyclical industries' employment count through the middle of next year before they return to growth. The non-cyclical industries lose jobs in the fourth quarter of 2025 due to federal government separations and the buyouts that were accepted earlier this year. The non-cyclical industries then display modest growth through most of our forecast.

Figure 5
Employment in Cyclical Industries Dips Slightly Before Rebounding



Michigan's **construction** industry may finally be slowing down after a burst of job growth earlier this year. Based on the data through August, we expect construction's total job count to dip by 2,200 jobs in the second half of 2025. The industry loses 800 jobs in 2026 before posting 1,400 job gains in 2027. High construction costs, driven partly by tariffs on building materials, combine with stubborn mortgage rates, slow population growth, and the potential deportations of undocumented immigrants in the construction workforce to weigh on employment in this sector.

Michigan's **manufacturing** sector lost 12,500 jobs in 2024, and we have penciled in another 9,700 job losses this year based on the data to date. General Motors recently announced 1,200 layoffs at its Factory Zero plant in Detroit-Hamtramck in response to weak demand for EVs and the end of federal

tax credits.[6] As we noted in our discussion of the light vehicle market, though, we believe that the longer-term policy mix has recently become more favorable to the Detroit Three automakers. We project the fourth quarter of 2025 to represent the cyclical bottom for employment in Michigan's transportation equipment manufacturing sector, which ekes out 100 job gains on a calendar year basis in 2026 before adding 3,200 jobs in 2027. Employment in other manufacturing takes longer to find its bottom, with 3,100 job losses next year before a partial recovery of 1,300 jobs takes hold in 2027. Taken together, we expect Michigan's manufacturing sector to lose 3,000 jobs in 2026 before adding 4,500 in 2027.

Table 1
Forecast of Payroll Jobs in Michigan by Major Industry Division
(Thousands of Jobs)

		Forecast Employment Change			
	2024	'24–'25	'25–'26	'26–'27	'24–'27
Total Jobs	**4488.4**	**36.7**	**-2.0**	**11.3**	**45.9**
Total Government	617.9	10.3	5.0	3.6	18.8
Total Private	3870.5	26.4	-7.0	7.7	27.1
Natural resources and mining	7.3	-0.1	-0.3	0.0	-0.5
Construction	196.6	6.5	-0.8	1.4	7.1
Manufacturing	605.4	-9.7	-3.0	4.5	-8.2
Transportation equipment manufacturing	184.8	-5.9	0.1	3.2	-2.6
Other manufacturing	420.7	-3.8	-3.1	1.3	-5.6
Trade, transportation, and utilities	810.6	1.7	-1.2	-2.3	-1.7
Retail trade	453.9	-1.0	-4.0	-4.3	-9.3
Transportation, Warehousing, and Utilities	179.1	2.4	1.7	0.7	4.8
Wholesale trade	177.6	0.4	1.1	1.3	2.8
Information	56.4	0.2	-0.4	-0.4	-0.6
Financial activities	234.6	6.8	2.7	2.0	11.4
Professional and business services	642.1	-9.5	-5.8	-0.1	-15.4
Professional, scientific & technical services	314.4	-2.8	0.3	-0.1	-2.6
Management of companies & enterprises	67.7	-1.5	-0.8	0.0	-2.3
Admin & support & waste mgmt.	260.0	-5.2	-5.3	0.0	-10.5
Private education and health services	715.4	19.9	1.4	-0.7	20.6
Leisure and hospitality	428.6	5.1	0.1	2.8	8.0
Other services	173.5	5.5	0.3	0.5	6.3
Addendum: Percent Change in Total Jobs	**0.6**	**0.8**	**0.0**	**0.2**	**1.0**

RSQE: November 2025

Michigan's **professional and business services** supersector has had a rough time recently. We estimate that professional and business services shed 12,100 jobs over the first three quarters of the

[6] See, e.g., Summer Ballentine, "GM to lay off 3,400 at Detroit plant, other EV sites," *The Detroit News*, October 29, 2025.

year, bringing the total loss to 31,100 jobs over the past three years. Those job losses have been concentrated in administrative and support and waste management services. The relatively good news is that we expect the job losses largely to stop in the second half of next year, but we do not expect much in the way of growth. Professional and business services ends 2027 with 1,000 fewer jobs than in the third quarter of 2025. Because of the losses so far in 2025, though, it loses 5,800 jobs on a calendar year basis next year before holding roughly flat in 2027.

Employment in Michigan's **trade, transportation, and utilities** supersector has moved mostly sideways this year, but we expect that equilibrium to give way to job losses over the next two years. Those losses are concentrated in retail trade, which we expect to continue losing ground to online retail. We expect the 8,300 job losses in retail over the next two years to overwhelm the 2,400 job gains in wholesale trade and 2,400 additions in transportation, warehousing, and utilities. Overall, the supersector loses 3,400 jobs over the next two years.

Employment in **financial services** has been a bright spot this year, with an estimated 6,000 job gains over the first three quarters. We estimate that Michigan's finance sector currently stands at its all-time employment high, and we expect growth to continue over the next two years as interest rates inch down gradually. We are projecting 2,700 job gains next year and another 2,000 in 2027.

Turning to the non-cyclical industries, **private education and health services** has been a stalwart driver of Michigan's job growth over the past few years. We expect that run to stall out over the next two years, as the sector adds 1,400 jobs in 2026 before losing 700 in 2027. Although Michigan's aging population should help to support employment in the health sector, upcoming cuts to Medicaid funding and the expiration of enhanced premium tax credits for health insurance purchased through the Affordable Care Act marketplaces are both likely to pose challenges to ongoing growth.[7]

We estimate that employment in Michigan's **leisure and hospitality** industry dipped by 2,900 jobs in the third quarter of 2025, disrupting what had been a steady growth trend of nearly two years. We expect growth to resume going forward, but at a moderate pace. On a calendar year basis, the sector

[7] See, for instance, "Expiring ACA Premium Tax Credits Could Lead to Nearly 340,000 Jobs Lost Across the U.S. in 2026," *The Commonwealth Fund*, October 16, 2025.

holds flat next year before adding 2,800 jobs in 2027. Leisure and hospitality remains below its pre-pandemic share of Michigan's employment throughout our forecast period.

The **other private services** sector got off to a strong start to 2025, but growth has slowed as we have moved through the year. We are projecting other services to add 5,500 jobs this year, followed by an average of 400 jobs per year in 2026–27. Nonetheless, based on the industry-level data available since 1990, employment in other services stands near its all-time high throughout the forecast period.

We estimate that employment in Michigan's **government** sector stood higher in the third quarter of 2025 than at any time since 2010. We are projecting government employment to dip by 2,700 jobs in the fourth quarter amid the official separations of federal employees who accepted the deferred resignation program. It is important to note, though, that government employment in Michigan has been growing at a steady clip recently, despite the end of pandemic-era federal support for state and local governments. We do not expect the federal funding cuts for Medicaid and other social assistance programs to be felt acutely during our forecast, but they do loom beyond the horizon. We therefore expect government employment to return to growth in 2026, although at a substantially slower rate than recently. We project the government sector to add 5,000 jobs next year and 3,600 in 2027.

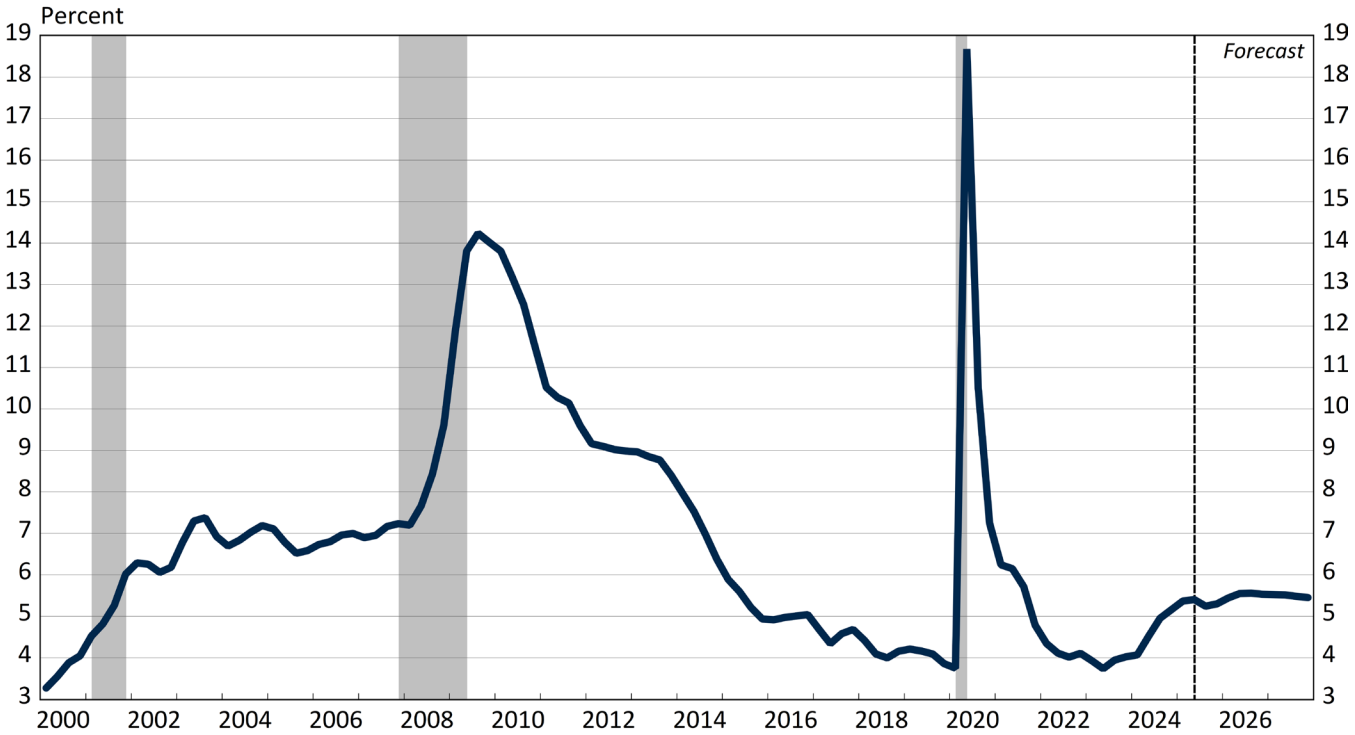
Unemployment and Labor Force Participation Rates

Figure 6 displays the historical data and our forecast for Michigan's quarterly unemployment rate. The state's unemployment rate rose to 5.5 percent in March and April 2025 before declining to 5.2 percent in August, the latest month with available data at the writing of this report due to the federal government shutdown. Despite the downtick in the unemployment rate, both the labor force participation rate and household employment have been declining in recent months. Since March, Michigan's labor force participation rate has fallen by 0.6 percentage points, and household employment has decreased by 0.5 percent. As a result, the unemployment rate has fallen not because more Michiganders are finding work, but because fewer are participating in the labor market.

We expect Michigan's labor market to start heading in the right direction by the end of the forecast as the federal policy mix begins to bolster the manufacturing sector. The state's unemployment rate is projected to tick up to 5.6 percent in mid-2026, as Michigan's labor force returns to growth. We anticipate

the Federal Reserve will complete its rate-cutting cycle by mid-2026, which should allow moderately lower interest rates to filter through the economy. By the end of 2027, the unemployment rate is expected to ease to 5.5 percent.

Figure 6
Michigan's Unemployment Rate Ticks Up Slightly

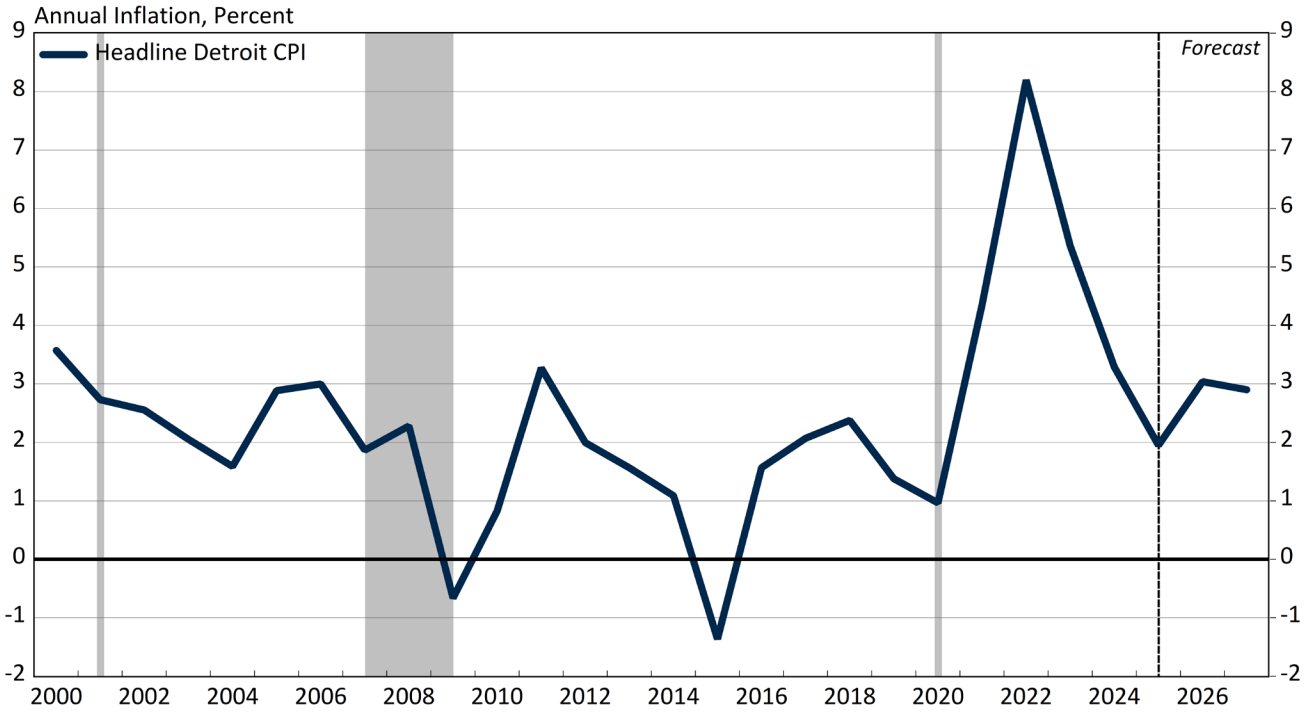


Michigan's labor force participation rate edged down from 62.0 percent in the first quarter of 2025 to 61.9 percent in the second quarter. We estimate it declined further to 61.5 percent in the third quarter, and we expect it to hold steady in the final quarter of the year. We forecast the state's participation rate to rise slightly to 61.7 percent by the second quarter of 2026 before easing back to 61.5 percent in 2027. Despite several tailwinds for Michigan's labor market, such as federal tax cuts, lower interest rates, and federal policies that support the domestic auto industry, the state will continue to face challenges in finding enough workers. Ultimately, an aging population and reduced immigration will continue to restrict Michigan's labor force growth, constraining the state's ability to fully capitalize on these tailwinds.

Local Inflation

Figure 7 shows the history and our forecast of headline (all-item) Detroit CPI inflation on an annual basis. Measures of both local and national headline inflation have slowed significantly over the past three years in tandem with the Fed's policy of monetary tightening. Local headline inflation fell from its COVID-era peak of 8.2 percent in 2022 to 5.4 percent in 2023 and 3.3 percent in 2024, and it has continued to moderate in 2025. We expect headline inflation to ease to 2.0 percent locally this year, with the national rate nudging down to 2.7 percent.

Figure 7
Local Inflation Heats Back Up Under Tariff Pressure



One of the most important differences between national and local inflation in recent years has been the trajectory of the shelter component. Shelter prices rose sharply both locally and nationally beginning in 2022, but local prices decelerated more quickly despite also following a more erratic path. A notable decline in local shelter prices late last year followed by the return of modest shelter inflation in 2025 has been a major factor in the continued cooling of local headline inflation. As of September, local shelter prices were 1.7 percent above their year-ago levels, compared to 3.6 percent nationally.

In some ways, overall trade uncertainty has eased since the flurry of tariff announcements in the spring and summer, but critical open questions remain. We assume that even if the Supreme Court invalidates many of President Trump's tariffs, the Administration will pursue other legal justifications, largely preserving the current portfolio of tariff rates.

With ongoing tariff pressure and a normalized but still moderate pace of shelter inflation, we expect year-over-year local headline inflation to reach 2.6 percent by the end of 2025 and continue edging higher through 2026 before cooling slightly in 2027. On a calendar year basis, we forecast local headline inflation to register 3.0 percent in 2026 and 2.9 percent in 2027. While we expect tariffs to add materially to inflation over the next few years, we do not expect current price pressures to prevent the Federal Reserve from continuing to cut interest rates, as downside risks to the economy are likely to weigh more heavily in policy decisions.

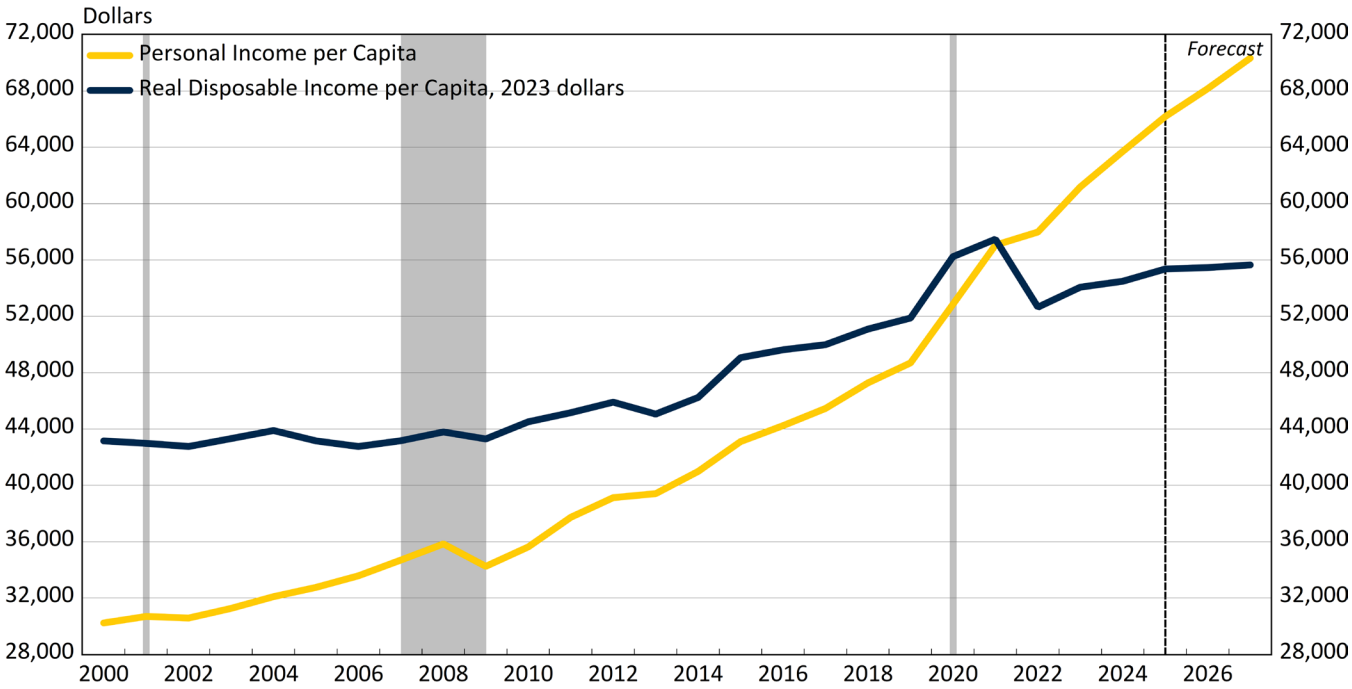
Personal Incomes

Figure 8 shows our forecast for Michigan personal income per capita, measured in nominal dollars, and real disposable income per capita, measured in 2023 dollars. Personal income per capita in Michigan has more than doubled since 2000, growing from $30,200 in 2000 to $63,700 in 2024. The decade from 2000–2010 saw the slowest growth with an average of 1.7 percent per year. From 2010–2019, average annual growth picked up to 3.5 percent before accelerating further to an average of 5.5 percent from 2019–2024. Personal income growth in Michigan remained strong through the first two quarters of 2025, the most recent data available, averaging an annual pace of 4.8 percent. We project growth to be substantially slower for the remainder of 2025 throughout the forecast period as economic momentum softens. On an annual basis, we forecast growth of 3.9 percent in 2025, 3.0 percent in 2026, and 3.2 percent in 2027. Our forecast brings Michigan's personal income per capita to $70,300 in 2027.

Our forecast for real disposable income per capita in Michigan combines our forecast of nominal personal income with our projections for taxes and local inflation. Measured in 2023 dollars, real disposable income per capita has grown much more slowly than its nominal counterpart, underscoring the difficulty the state experienced during the early 2000s. In 2009, real disposable income per capita stood essentially even with its level from 2000. From 2010–2019, we began to see improvement, with growth

averaging 1.7 percent per year. Low inflation early in the pandemic period combined with federal assistance led initially to sharply rising real disposable incomes, but the gains were erased in 2022 as those supporting factors reversed. As inflation eased in 2023 and 2024, real disposable income regained some ground, averaging growth of 1.7 percent per year, but it remained well below the stimulus-fueled levels of 2020 and 2021.

Figure 8
Michigan Real Disposable Income Flattens Out



Growth of real personal income per capita in Michigan held up well through the first two quarters of 2025. Cooling inflation and robust nominal income growth combined for an average annual pace of 1.9 percent. We expect growth to stall in the second half of the year, however, as nominal growth slows and inflation begins to pick up. Those dynamics are expected to persist over the forecast period, although federal tax cuts help to offset some of the drag. Still, we project a more subdued path of real personal income growth than in recent years. On an annual basis, we forecast growth of 1.6 percent in 2025, 0.2 percent in 2026, and 0.3 percent in 2027. Although still short of the highs from 2020 and 2021, Michigan's real disposable income per capita in 2027 is projected to stand 7.3 percent above its 2019 level.

Special Section—The Rise and Fall of Michigan's Wage Premium

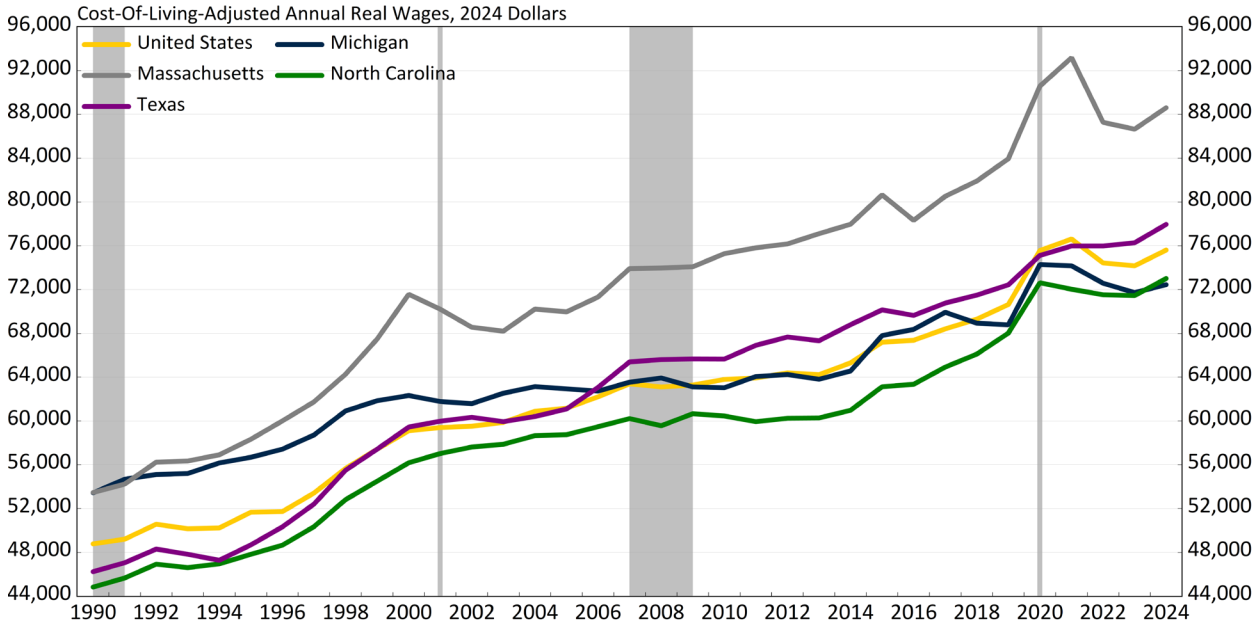
Over the past three decades, Michigan's real wages have deteriorated sharply compared with the United States and several benchmark states. In 1990, Michigan ranked among the nation's most affluent states, with cost-of-living adjusted wages 9.5 percent higher than the U.S. average, the sixth highest in the country.[8] This advantage reflected the strength of Michigan's industrial base, especially the well-paid blue-collar sector. The situation had reversed by 2024, when Michigan's adjusted wage had fallen to 4.2 percent below the national average, despite the state's relatively low cost of living. Without adjusting for the cost of living, Michigan's average wage stood 9.7 percent below the national average in 2024.

Figure 9 shows cost-of-living-adjusted real wages for Michigan, the United States, and three states—Massachusetts, Texas, and North Carolina—that have consistently outpaced Michigan in real wage growth since 1990. In 1990, Michigan's adjusted wage (in 2024 dollars) was nearly identical to Massachusetts's. Wages in Texas and North Carolina, by contrast, trailed Michigan's by $7,189 (15.5 percent) and $8,598 (16.1 percent), respectively. Michigan also led all other Great Lakes states at that time. However, Michigan has steadily lost ground since then. By 2024, Michigan's adjusted wage was $16,166 (18.2 percent) below Massachusetts's, $5,513 (7.6 percent) below Texas's, and $566 (0.8 percent) below North Carolina's.

The primary driver of Michigan's initial advantage in the 1990s was its wage premium in blue-collar industries. In 1990, blue-collar jobs made up 32.9 percent of Michigan's employment, compared with 31.1 percent nationwide and only 27.9 percent in Massachusetts. Even more importantly, Michigan's workers in these industries earned a significant premium: $69,335 (in 2024 dollars), or roughly $11,500 more than the national average. As shown in Figure 10, this blue-collar wage advantage accounted for more than 80 percent of Michigan's overall wage advantage relative to the nation.

[8] The employment and wage data in this section come from the Bureau of Labor Statistics' (BLS) Quarterly Census of Employment and Wages. Average wages are converted to 2024 dollars using the Bureau of Economic Analysis (BEA) Personal Consumption Expenditure Index. For the years 2008 to 2023, we use the BEA Price Parity Indices (PPI) to measure differences in the cost of living. For years before 2008, and for 2024, we adjust the PPI to reflect year to year differences between the national and regional or metro area (if available) BLS Consumer Price Indices.

Figure 9
Michigan's Adjusted Real Wages Have Deteriorated Relative to the Nation and Comparison States

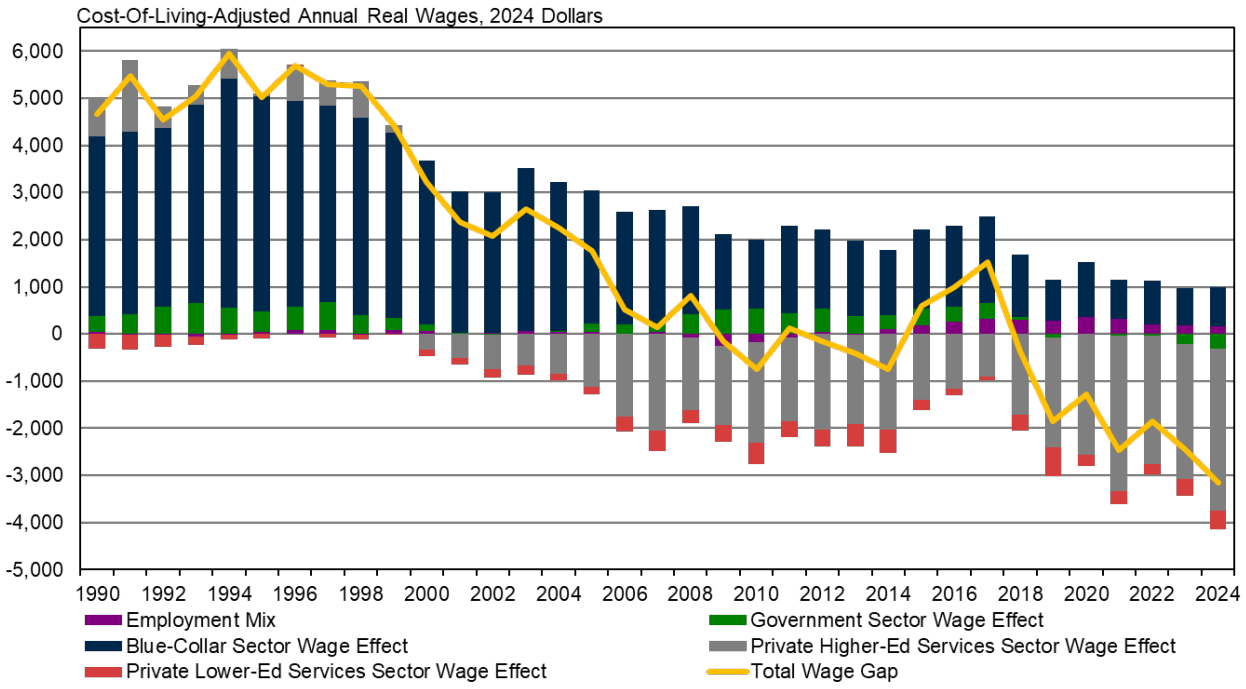


We decompose the difference between the state average wage and the U.S. average wage using a multi-step procedure. The first step is to replace the industrial employment distribution in the calculation of the U.S. average with the local distribution and to compare this newly constructed local average wage to the U.S. average wage. This first step measures the industry composition effect. In a series of succeeding steps, we calculate the contribution to the wage from several industry groups.[9] We do so by replacing the U.S average wage for each individual industry group with the local average wage for that group, constructing a new composite local average wage, and calculating the implied difference. That difference measures the industry grouping's dollar contribution to the gap between local and national average wages. The sum of all of these effects equals the difference between the state average wage and the U.S. average wage.

[9] We group all of Michigan's into four groups: government, blue-collar, private higher-educational attainment services, and private lower-educational attainment services. We define the blue-collar industries as manufacturing, transportation, wholesale trade, utilities, construction, and natural resources and mining. We define private higher-educational attainment services industries as professional, scientific, and technical services, information, finance, education and health services, and corporate management. Finally, we define private lower-educational attainment services industries as retail trade, leisure and hospitality, administrative and support and waste management, and other services.

Although the share of manufacturing and related jobs declined nationally between 1990 and 2024, Michigan initially held onto them better than most states. Over time, however, this strategy became a less effective way to maintain the state's wage advantage. By 2024, blue-collar jobs accounted for 27 percent of Michigan's employment, nearly 6 percentage points less than in 1990. Additionally, the blue-collar wage premium had fallen to just $3,051 above the national blue-collar average, raising the state's overall average by only $824.

Figure 10
Components of the Michigan–U.S. Wage Gap

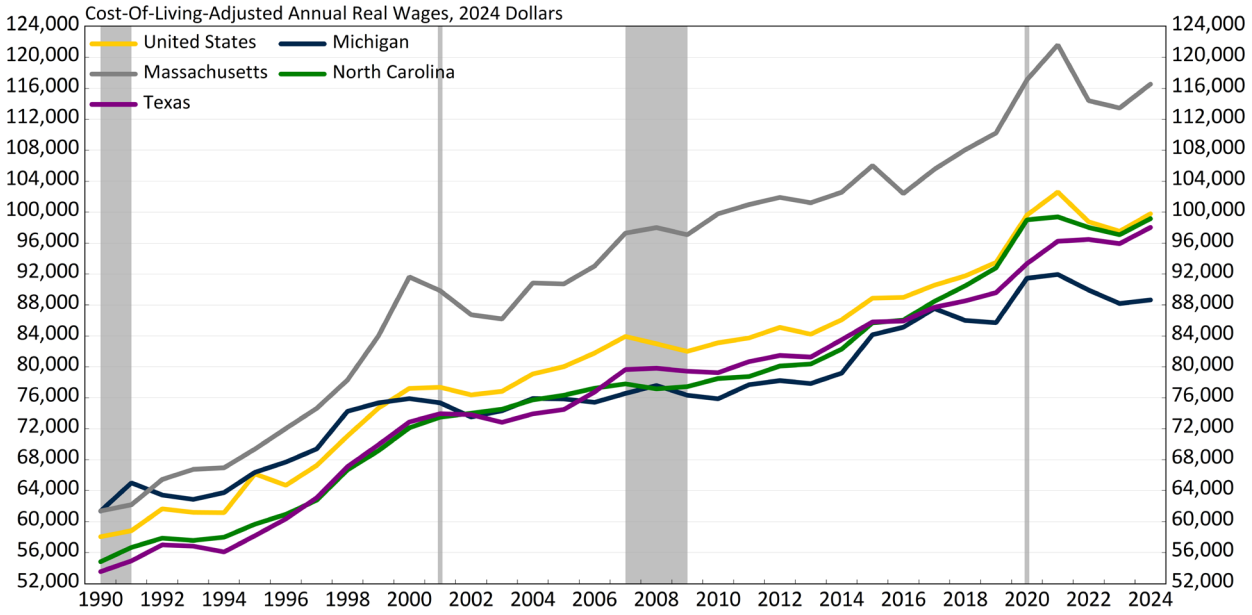


The decisive shift in Michigan's wage profile came from our relatively weak wage growth in private higher-educational attainment services. This group has been the primary engine of wage growth nationally. In the 1990s, these industries paid relatively well in Michigan. Their cost-of-living-adjusted real wages exceeded the U.S. average by more than $3,000 in 1990 and compared favorably with states like North Carolina and Texas. Michigan's relative strength helped cushion the impact of early industrial restructuring.

Figure 11 shows the cost-of-living-adjusted real wages in private higher-educational attainment services industries for the geographies in Figure 1. Despite holding up reasonably well in the 1990s,

Michigan's adjusted wages in these industries began falling behind in the early 2000s. By 2007, Michigan's adjusted wages in these industries were $7,300 below the national average. The gap has continued to widen, to more than $11,000 in 2024, with Michigan's average standing at $88,655 compared to the national average of $99,794. Michigan also fell significantly behind the comparison states in 2024: $27,885 behind Massachusetts, $10,494 behind North Carolina, and $9,377 behind Texas.

Figure 11
Adjusted Real Wages in Private Higher-Education Services Industries
United States and Selected States



This widening gap stems from stagnant wage growth in Michigan's higher-educational attainment jobs. Between 2017 and 2024, Michigan's adjusted wages in these industries rose just 1.3 percent cumulatively ($1,107), while the other three states posted gains of 10 to 12 percent. By 2024, the weak performance of Michigan's private higher-ed industries had become the single largest factor depressing its overall wage levels, accounting for $3,438 of the state's wage gap with the nation.

Michigan's economic history has been rooted in strong blue-collar industries, but the state has faced a difficult transition to a knowledge-based economy. While Michigan's blue-collar sectors have historically paid relatively well, they have been unable to offset the adverse impact from slow wage growth in the private higher-education attainment industries. For Michigan to return to the ranks of the most

prosperous states, it must dramatically increase employment, and especially wages, in the fast-growing high-educational attainment industries.

The State Revenue Outlook

The fiscal year for the State of Michigan officially ended on September 30. While final account settlements will extend into next year, the monthly data suggest a year of tepid revenue growth in fiscal 2025. The preliminary numbers show a gain of $420 million, or 1.3 percent, in combined General Fund General Purpose (GFGP) and School Aid Fund (SAF) revenues. As shown in Figure 12, however, we expect all of that growth to be concentrated in the SAF, with GFGP revenues holding flat from fiscal 2024. Despite reasonable growth in net personal income tax and consumption tax revenue, General Fund gains were offset by a dip in business tax revenue and a large reduction in nontax revenue and fees. Revenue to the School Aid Fund, on the other hand, grew by an estimated 2.3 percent, supported by contributions from the income tax, sales tax, and state education property tax.

Looking ahead, we forecast several more years of modest revenue growth for the state. The weakness, however, is less related to the expected softening in economic momentum and more related to a suite of legislative changes at both the federal and state levels.

The One Big Beautiful Bill Act (OBBBA), signed by President Trump on July 4, made significant changes to the treatment of income, deductions, and exemptions for both personal and business income taxes at the federal level. This led to a period of significant uncertainty over the summer and early fall as analysts sought clarity on the implications for state tax revenue. Thankfully, much of the uncertainty was resolved with the passage of the state's budget package and associated bills in early October, which provided answers to many of the outstanding questions. Although there are many facets to the combined federal and state legislative changes, the following list outlines the most significant aspects for GFGP and SAF revenue.

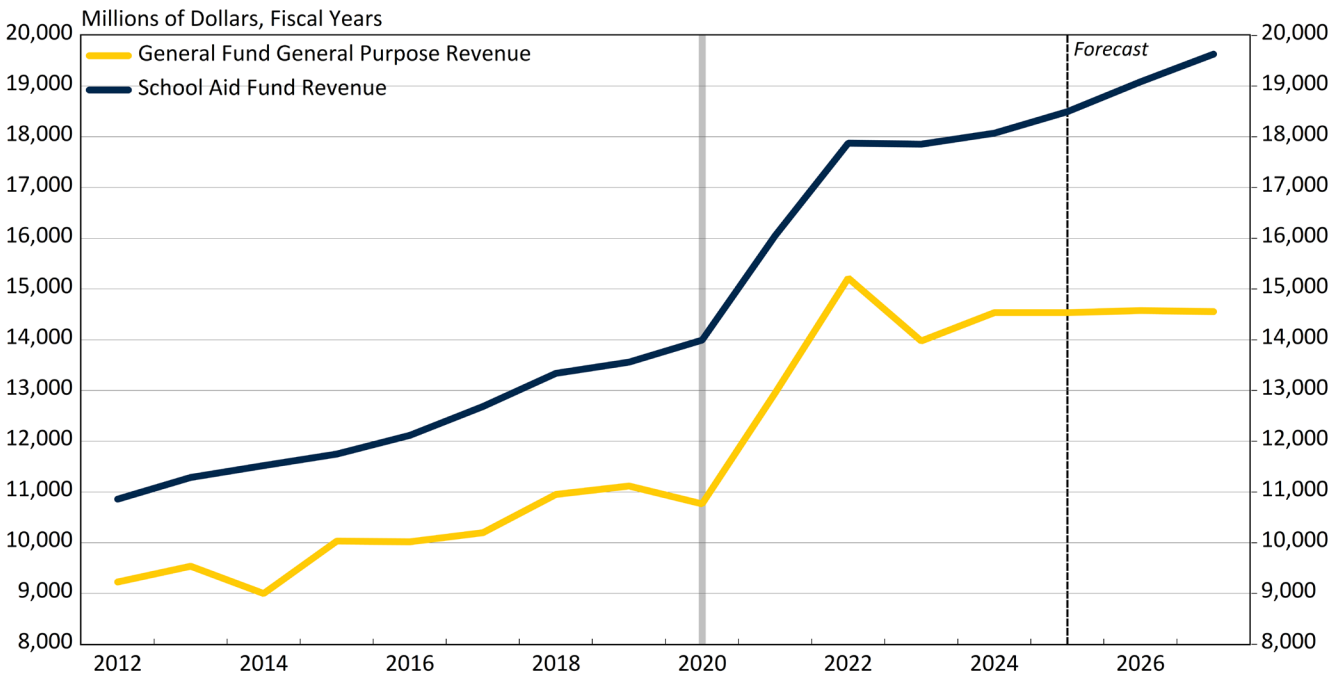
- **Sales Tax on Motor Fuels**. As part of the state's new road funding deal, sales of motor fuel will be exempt from the state's sales and use taxes beginning on January 1, 2026 (House Bills 4180 and 4182). The sales tax is slated to be replaced with a new 20 cent per gallon excise tax, with the proceeds going to the Michigan Transportation Fund (House Bill 4183). The bills also stipulate that the School Aid Fund will be held harmless for lost revenue from the exemptions and will receive

corresponding deposits from the General Fund. As a result, the School Aid Fund is not affected by the change, but the General Fund effectively loses both its and the SAF's portion of sales tax revenue from motor fuel purchases. We estimate a total GFGP impact of $651 million in fiscal 2026 and $814 million in fiscal 2027.

- **Qualified Tips and Overtime Deductions**. For tax years 2026–2028, taxpayers are permitted to deduct qualified tips and overtime from their adjusted gross income, matching the deductions allowed at the federal level (House Bill 4961). This is expected to reduce GFGP revenue by $137.1 million in fiscal 2026 and $155.1 million in fiscal 2027; the SAF is projected to lose $20.5 million and $23.2 million in the two fiscal years, respectively.
- **Tier 3 Retirement Income**. The rules governing the treatment of retirement income for Tier 3 taxpayers (those born after 1952) were modified for fiscal years 2026-2028 to allow the deduction of Social Security income in addition to other permissible deduction options (House Bill 4961). The changes are expected to flow primarily through refunds, thereby insulating the SAF from impacts. The changes are expected to reduce General Fund revenue by $16.2 million in fiscal 2026 and $22.9 million in fiscal 2027.
- **Repeal of the Personal Income Tax Earmark to the Michigan Transportation Fund**. The $600 million earmark from personal income tax revenue to the Michigan Transportation Fund has been repealed for fiscal 2026 and after (House Bill 4961). The General Fund will retain the entire $600 million per year.
- **Distribution of Corporate Income Tax Revenue**. Several changes were made to the distribution of Corporate Income Tax revenue (House Bill 4961). First, the $500 million distribution to the Strategic Outreach and Attraction Reserve Fund was eliminated for FY2025. Second, a new $250 million distribution to the Healthy Michigan Fund was added for FY2025. Third, annual distributions to the newly created Neighborhood Roads Fund were added beginning with $688 million in fiscal 2026, $776 million in fiscal 2027, and rising to $1,040 million in fiscal 2030. These changes will allow the General Fund to retain an additional $250 million in fiscal 2025, before reducing GFGP revenue by $688 million in fiscal 2026 and $776 million in fiscal 2027.
- **Decoupling of Business Income from the OBBBA Provisions**. The OBBBA created new deduction and depreciation rules that would have automatically carried over to the state and were expected to reduce GFGP revenues by $400–$600 million per year. House Bill 4961 effectively decoupled from the federal treatment of business income, reverting to the pre-OBBBA tax base. As a result, no impacts are expected on state tax revenue from the new business income rules.

Altogether, we expect the provisions associated with the state budget package to decrease General Fund revenue by approximately $890 million in fiscal 2026 and $1.17 billion in fiscal 2027. School Aid Fund revenue, on the other hand, decreases by only $20.5 million in fiscal 2026 and $23.2 million in fiscal 2027. Adding the overall economic trends and impacts to our forecast, we project combined GFGP and SAF revenues to grow by just 1.9 percent in fiscal 2026 and 1.6 percent in fiscal 2027, with nearly all of that growth accruing to the School Aid Fund due to the new earmarks.

Figure 12
Michigan Tax Revenues:
Legislative Changes Weigh on the General Fund



Our forecast puts total state tax revenue $9.5 billion, or 39 percent, higher in fiscal 2027 than in fiscal 2019, well above the pre-pandemic trend. Still, much of that growth has occurred in tandem with high inflation. After adjusting for inflation, cumulative state revenue growth between 2019 and 2027 is only 3.4 percent, with average real growth of only 0.4 percent per year.

We now describe our forecast of state revenues in more detail. Table 2 breaks down the recent history, as well as our forecast for fiscal years 2026–27. The upper portion details GFGP revenues, and the lower portion summarizes SAF revenues.

Net Personal Income Tax Revenue

- Following the extraordinary volatility during and after the pandemic, net personal income tax revenue grew by a solid 5.1 percent in fiscal 2024 as the economy continued to expand and the effects of earlier tax law changes stabilized. Improved withholding collections, lower refunds, and a rebound in quarterly payments drove the recovery.
- We expect net personal income tax revenue to match the previous year's growth in fiscal 2025 once the books are closed, rising another 5.1 percent. The monthly data suggests that growth of all components improved, along with a sizeable increase in refunds, despite the economic head-

winds from tariff policy. Withholding is estimated to have grown by 6.0 percent in FY2025 as Michigan's labor market, while facing pressure, continued to add jobs in non-cyclical industries such as private education and health services.

- We forecast net personal income tax growth to moderate to 2.7 percent in fiscal 2026 and 1.8 percent in fiscal 2027 as the full effects of tariff policy weigh on the state economy. All components of the income tax grow at a slower pace in fiscal 2026 while refunds also fall slightly. Withholding growth accelerates in fiscal 2027 but not enough to outweigh continued softening from quarterly and annual payments combined with expanding refunds.
- The new exemptions on qualified tips and overtime reduce the SAF's distribution from the personal income tax by $20.5 million in fiscal 2026 and $23.2 million in fiscal 2027, or about 0.5 percent. Because the contribution to the SAF is calculated before refunds, the SAF's share of personal income tax revenue grows at a healthy 2.8 percent rate in both fiscal 2026 and 2027.
- The General Fund's distribution is reduced by $153.3 million in fiscal 2026 and $178.0 million in fiscal 2027 from the combined changes for retirement income, qualified tips, and qualified overtime. The repeal of the earmark to the MTF, however, increases the General Fund's share by $600 million per year. As a result, GFGP net personal income tax grows by 9.6 percent in fiscal 2026 before settling to 1.3 percent growth in fiscal 2027 as the changes become phased in.

Consumption Tax Revenue

- GFGP consumption tax revenue in Michigan is driven by distributions from the sales and use taxes, with smaller contributions from excise taxes on cigarettes and alcohol.
- Consumption tax revenue allocated to the General Fund fell by 4.8 percent in fiscal 2024 as all components experienced a decline except for the excise tax on liquor. Most of the drop came from the sales and use tax contributions as consumers continued to shift spending back to services.
- The preliminary data for fiscal 2025 suggest growth of 3.5 percent for GFGP consumption tax revenue thanks to a healthy rebound for the sales tax. All of the other components except for the excise tax on liquor currently show declines for the year.
- We expect gross sales and use tax revenue to drop by 3.2 percent in fiscal 2026 before nudging up 0.7 percent in fiscal 2027. The decline in fiscal 2026 is entirely caused by the elimination of the sales tax on motor fuels. In the absence of that change, we would be projecting growth of 2.5 percent in fiscal 2026 and 2.2 percent in 2027.
- Combining the General Fund's share of gross sales and use tax revenue with the excise taxes on cigarettes and alcohol, we forecast GFGP consumption tax revenue to shed 1.0 percent in fiscal 2026 before gaining back 3.1 percent in fiscal 2027.

Business Tax Revenue

- Business tax revenue comes primarily from the state's corporate income tax (CIT), insurance company premiums, and oil and gas severance tax payments. Certain businesses continue to pay taxes and claim credits under the previous Michigan Business Tax (MBT) instead of the CIT. Variability in the timing of when MBT refunds are claimed can lead to swings in the state's overall business tax revenue. All business tax revenue accrues to the General Fund.

- Business tax revenue grew by 6.6 percent in fiscal 2024 due to a bump from insurance company premiums and a reduction in MBT refunds, despite a small drop in CIT payments.
- While everything can change during the bookclosing process, we currently expect CIT revenue to stay flat in fiscal 2025. Still, a large projected increase in MBT refunds leads to an overall drop of 6.8 percent for business tax revenue. That loss would be even worse if it were not for the repeal of the $500 million distribution from the CIT to the SOAR fund.
- Business tax revenue is projected to decline another 5.6 percent in fiscal 2026 before nudging down 0.8 percent in fiscal 2027. Those drops are entirely accounted for (and more) by the new transportation earmarks to the CIT. The new legislation stipulates that $688 million of CIT revenue in fiscal 2026 and $776 million in fiscal 2027 be allocated to the Neighborhood Roads Fund.

Total General Fund Revenue

- Total GFGP revenue grew by 4.0 percent in fiscal 2024 with gains from the personal income tax and business taxes outweighing declines in consumption tax revenue and nontax revenue.
- Based on our reading of the monthly data for the individual components, we expect total GFGP revenue to stay flat in fiscal 2025 as positive contributions from income and consumption taxes are offset by the decline in business tax revenue and a drop in nontax revenue.
- With respect to the legislative changes, the fiscal 2025 books are expected to show a net gain of $250 million to the General Fund as the $500 million CIT earmark to the SOAR Fund was replaced with a $250 million earmark to the Healthy Michigan Fund.
- The legislative changes begin to hit the General Fund harder in fiscal 2026. The largest impacts result from the CIT's earmark to the Neighborhood Road's Fund combined with the distribution from the General Fund to the School Aid Fund for the lost sales tax revenue on motor fuels. All told, we estimate the full suite of changes will reduce GFGP revenue by $890 million in fiscal 2026 and $1.17 billion in fiscal 2027.
- Overall, we forecast total GFGP revenue to eke out a 0.3 percent gain in fiscal 2026, with gains from the personal income tax slightly outweighing losses from the other major categories. GFGP revenue nudges down 0.1 percent in fiscal 2027 as rising personal income tax and consumption tax revenues are not enough to offset the combined decline in nontax revenue, business tax revenue, and the new legislative changes.
- Our forecast puts total GFGP revenue $3.4 billion, or 30.9 percent, higher in fiscal 2027 than in fiscal 2019. Yet after adjusting for inflation, that nominal growth turns into a real decline of 2.3 percent, indicating that General Fund revenue will not keep up with inflation. Still, what looks like weakness in 2027 compared with 2019 is largely the result of the legislative changes. Absent those changes, we would be predicting an inflation-adjusted rise of 5.5 percent relative to 2019 levels, translating to average real growth of 0.7 percent per year.

Total School Aid Fund Revenue

- Almost one-half of total SAF revenue comes from sales and use tax collections, while one-fifth derives from the personal income tax, and about one-seventh comes from the state education property tax. Other taxes, such as the real estate transfer tax, liquor tax, casino tax, and tobacco tax, as well as lottery transfers, all contribute smaller amounts.

- Total SAF revenue was limited to growth of just 1.2 percent in fiscal 2024 as strong returns from the state education property tax, the real estate transfer tax, the use tax, and casino taxes were partially offset by declines in sales tax revenue and lottery transfers.
- SAF growth accelerated to 2.3 percent in fiscal 2025 with a small rebound in sales tax revenue, combined with contributions from the income tax, casino tax, state education property tax, and real estate transfer tax.
- We expect that revenues related to the housing market will continue to stay strong over the forecast horizon, while disbursements from the income tax will also contribute modestly to growth. The SAF's share of sales tax revenue falters in fiscal 2026, but that is due to the elimination of the sales tax on motor fuels. Absent that change, combined sales and use tax revenue would be providing the largest gains.
- Still, the School Aid Fund is held harmless for the fall in sales tax revenue thanks to the new distribution from the General Fund. In total, the legislative changes reduce SAF revenue by only $20.5 million in fiscal 2026 and $23.2 million in fiscal 2027, as the General Fund bears most of the cost.
- Altogether, we project total SAF revenue to expand by 3.2 percent in fiscal 2026 and 2.8 percent in fiscal 2027.
- Total SAF revenue is forecast to finish fiscal 2027 nearly $6.1 billion, or 44.8 percent, higher than in fiscal 2019. After adjusting for inflation, that growth is reduced to 8.0 percent, translating to average real growth of just 1.0 percent per year from fiscal 2019 to 2027.

Table 2
State Revenues by Fiscal Year
(Millions of dollars, except as noted)

	Actual		RSQE Forecast	
	2024	2025[P]	2026	2027
General Fund General Purpose				
Personal income tax	8,336	8,752	9,597	9,723
(% change)	(7.4)	(5.0)	(9.6)	(1.3)
Consumption taxes	3,020	3,125	3,093	3,189
(% change)	(-4.8)	(3.5)	(-1.0)	(3.1)
Sales	1,583	1,709	1,640	1,687
Use	1,188	1,177	1,215	1,268
Other consumption	249	240	238	235
Business taxes	1,776	1,656	1,563	1,550
(% change)	(6.6)	(-6.8)	(-5.6)	(-0.8)
MBT/SBT/Corporate income	1,217	1,087	977	948
Other business	559	569	585	602
Other GFGP taxes	219	212	217	221
GFGP tax revenue	13,351	13,746	13,917	13,964
(% change)	(4.5)	(3.0)	(1.2)	(0.3)
Nontax revenue	1,186	789	658	593
GFGP revenue[1]	14,536	14,535	14,575	14,557
(% change)	(4.0)	(0.0)	(0.3)	(-0.1)
School Aid Fund				
SAF taxes	16,825	17,341	17,378	17,764
(% change)	(1.9)	(3.1)	(0.2)	(2.2)
Lottery transfer	1,249	1,155	1,155	1,146
(% change)	(-7.6)	(-7.5)	(0.0)	(-0.8)
Earmarked state SAF revenue[1]	18,074	18,496	19,086	19,629
(% change)	(1.2)	(2.3)	(3.2)	(2.8)
Addendum				
Combined GFGP and SAF revenue	32,611	33,030	33,661	34,186
(% change)	(2.4)	(1.3)	(1.9)	(1.6)
Gross sales and use taxes	13,342	13,533	13,107	13,204
(% change)	(-0.3)	(1.4)	(-3.2)	(0.7)

[P] *Preliminary*

[1] *GFGP revenue and earmarked SAF revenue totals account for RSQE's estimated transfers from the General Fund to the SAF of $552 million in FY2026 and $719 million in FY2027 under provisions in HB 4180 of 2025.*

Risks and Concluding Thoughts

We see three main risks to Michigan's economic outlook over the next two years: the future direction of tariffs and international trade policy, the evolving regulatory environment for the auto industry, and the potential for a national recession. We summarize these risks below.

The most beautiful word. The future course of tariffs and international trade policy poses a significant risk to Michigan's economic outlook. Michigan's economy is highly exposed to trade, which makes it particularly sensitive to changes in tariffs. In our September 2025 forecast, we estimated that this year's new tariffs would lead to a 3.1 percent decline in domestic light vehicle production after the supply chain had adjusted. Changes in trade policy since then, particularly the extension of rebates on auto parts tariffs, have eased cost pressures, leading us to update our estimate to a 2.7 percent increase in production. Although we believe the Trump Administration is approaching a more settled trade policy, Michigan's economy has recently been navigating choppy waters, and small trade policy changes could tip the outlook one way or the other.

Back to deregulation. The evolving regulatory environment for the auto industry presents another key risk to Michigan's economic outlook. Recent policy changes, specifically the elimination of federal EV purchase credits and the removal of penalties for failing to meet CAFE standards, have altered the incentives shaping vehicle production. These changes favor internal combustion engine vehicles, which make up the bulk of the Detroit Three's sales and should provide a short-term boost to output and profitability. However, if future policy reinstates emission penalties or restores EV incentives, automakers will likely face higher compliance costs and renewed production volatility.

Not the baseline. A potential national recession remains a major downside risk to Michigan's economic outlook, but it is not our baseline forecast. Michigan's economy is highly cyclical and tends to experience deeper contractions than the national average during downturns. While recent national indicators point to moderate economic momentum, the risk of misjudging the underlying strength of the economy has grown amid the federal government shutdown, which has delayed the release of key economic data. These gaps in information make it more difficult to assess turning points in activity, especially in areas such as consumer spending, business investment, and labor market conditions.

While the risks to our forecast appear relatively balanced at this point, the final shape of federal policy will play an important role in determining how much Michigan's outlook shifts in either direction. Even so, we expect the state to experience a period of subdued growth in the years ahead. Payroll employment is projected to dip slightly next year before posting modest gains in 2027, accompanied by positive but weak growth in real disposable income each year.

Appendix: Review of the Previous Year's Forecast

RSQE has been presenting its forecast of the Michigan economy at the Economic Outlook Conference for over fifty years. Table A.1 presents our track record for each of our previous forecasts for employment and personal income growth.

Last November, we forecast that Michigan's payroll job count would rise by 0.4 percent on a calendar year average basis from 2024 to 2025. We now estimate that employment rose 0.8 percent, producing an absolute forecast error of 0.4 percentage points. That error is well below our historical average absolute forecast error of 1.4 percentage points. Our forecast error for employment translates to an underestimate of 17,700 job gains. We were too optimistic about Michigan's manufacturing and professional and business service industries, despite our projection that those supersectors would shed a combined 2,900 jobs in 2025. We now project 9,700 job losses in Michigan's manufacturing sector and 9,500 in professional and business services, for a total loss of 19,200 jobs. Fortunately, other sectors of the state economy more than offset our optimism in manufacturing and professional and business services. First and foremost was private education and health services, which we now estimate will add 19,900 jobs in 2025 versus the 6,500 we had forecast. Other sectors that have outperformed our expectations as of last November include construction, government, finance, and other services.

There are two caveats to this partially retrospective assessment. First, due to the federal government shutdown, we did not have a jobs report for the month of September. That means our current estimates involve more guesswork than usual. Second, the preliminary benchmark released by the Bureau of Labor Statistics for Michigan's payroll job count indicated a downward revision of 39,700 jobs to the current estimate of Michigan's nonfarm payrolls for March 2025.[10] Although that estimate is preliminary, if it carries through to the final estimate, it would significantly reduce Michigan's payroll job growth for 2025 relative to the discussion in this section.

Turning to personal income, last November we projected state personal income to grow by 3.6 percent this year. We now estimate that personal income grew by 4.2 percent, for an underestimate of

[10] Bureau of Labor Statistics, "Current Employment Statistics Preliminary Benchmark (State and Area) Summary," September 9, 2025.

0.65 percentage points using unrounded numbers. That error was well below our average absolute forecast error of 1.6 percentage points. Our forecast for wage and salary income was quite close; we had forecast 3.7 percent growth, relative to our current estimate of 3.8 percent. Our forecast error was concentrated in transfer income, which we now estimate grew at a brisk 7.4 percent this year, versus the 4.0 percent growth we had forecast.

Overall, we are pleased with how our forecast from last year's Economic Outlook Conference has held up this year.

Appendix Table A.1: Review of RSQE Forecasts of Employment and Income in the State of Michigan

Year	Percent Change in Michigan Wage and Salary Employment		Percent Change in Michigan Personal Income	
	RSQE Forecast[1]	Observed	RSQE Forecast[1]	Observed
1973	4.6	5.4	9.6	11.6
1974	1.5	-0.2	7.4	7.0
1975	-1.3	-4.3	5.8	7.0
1976	3.4	4.7	12.7	11.7
1977	2.1	4.8	11.4	12.5
1978	2.8	4.8	11.2	11.5
1979	-0.6	0.8	8.3	9.6
1980	-2.5	-5.3	6.1	7.0
1981	2.2	-2.3	10.8	7.0
1982	-0.9	-5.1	7.1	3.2
1983	1.0	0.9	7.0	6.3
1984	5.5	4.9	11.3	10.6
1985	2.6	5.3	8.0	8.5
1986	1.3	2.7	4.8	6.5
1987	1.8	2.1	3.8	4.0
1988	0.3	2.2	3.7	6.7
1989	1.8	2.7	6.4	7.7
1990	1.3	0.6	6.0	4.6
1991	-0.4	-1.5	5.0	2.1
1992	0.7	0.8	5.1	6.1
1993	0.3	2.1	4.9	5.3
1994	1.1	3.6	4.7	7.5
1995	2.1	3.1	6.4	5.8
1996	1.6	2.0	4.6	5.3
1997	1.6	1.9	5.1	5.3
1998	1.2	1.6	4.8	6.1
1999	1.4	1.6	3.5	5.2
2000	1.4	2.1	5.2	6.7
2001	0.5	-2.4	4.6	1.7
2002	-0.6	-1.7	2.3	0.1
2003	-0.3	-1.6	3.5	2.1
2004	0.8	-0.4	4.9	2.9
2005	0.8	-0.2	4.7	2.0
2006	-0.2	-1.4	4.9	2.4
2007	-0.7	-1.4	3.3	2.8
2008	-1.7	-2.5	1.6	2.2
2009	-3.0	-7.0	0.7	-5.1
2010	-2.2	-0.2	1.0	3.4
2011	0.2	2.3	2.0	6.2
2012	0.8	2.1	3.0	3.6
2013	0.9	1.9	2.6	1.4
2014	1.7	1.7	4.5	4.3
2015	1.5	1.5	4.6	5.5
2016	1.4	2.0	4.4	2.8
2017	0.9	1.2	3.7	3.5
2018	1.0	1.1	4.4	4.1
2019	0.8	0.4	3.7	3.1
2020	0.7	-9.1	3.7	8.5
2021	3.4	3.9	-1.5	5.6
2022	3.1	3.9	-0.4	0.7
2023	1.2	1.8	4.7	5.4
2024	0.9	0.6	3.5	4.6
2025	0.4	0.8[2]	3.6	4.2[2]

[1] Forecast presented at the Economic Outlook Conference of the preceding year.

[2] Estimated by RSQE as of November 2025.