



Washtenaw County Economic Outlook

2026–2028

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The Washtenaw County Economic Outlook for 2026–2028 Executive Summary

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Since our last forecast, Washtenaw County’s economy has held up better than we had feared given the federal funding cuts for University-based research. The county’s long-run strengths—its highly educated workforce, major institutional anchors, and concentration in knowledge-based industries—continue to provide important buffers against a wide range of risks to both the local and national economies. Even so, recent data remains difficult to interpret. Our outlook for 2026–2028 is for continued growth at a measured pace, but we do not expect Washtenaw to return to the pre-pandemic employment trend line.

Our forecast is anchored in a national outlook of moderate economic growth, inflation that will resume easing later this year, and a slow shift toward lower interest rates. That generally positive assessment of the U.S economic outlook was completed prior to the start of the war in Iran, which added to an already lengthy list of risks, featuring trade and monetary policy uncertainties.

Payroll employment in Washtenaw County is forecast to rise moderately over the next three years. Following last year’s estimated growth of 0.6 percent, we project payroll jobs to grow by 0.2 percent in 2026, before nudging up to 0.5 percent in 2027 and 0.4 percent in 2028. We expect payroll employment in Washtenaw County to recover to its pre-pandemic level by the end of this year and to exceed that level by 0.9 percent at the end of 2028.

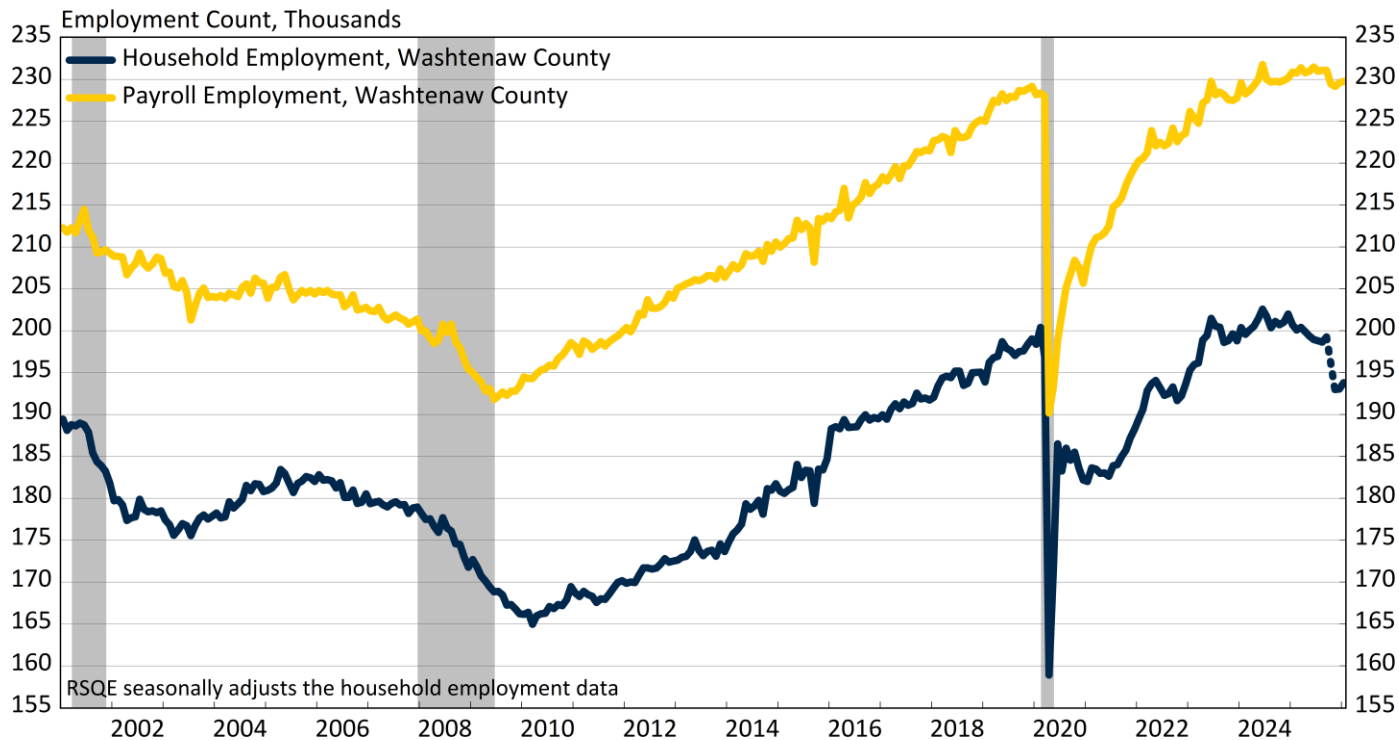
Together, private higher-education services industries and government made up roughly 70 percent of Washtenaw County's GDP in 2024, a stark contrast to Michigan overall, where they accounted for just 50.6 percent. Similarly, we expect the bulk of the county's job gains through 2028 to come from government, which includes the University of Michigan and Michigan Medicine, and private health and social services. Although each of these industries are likely to continue to face a tough federal funding landscape over the next few years, we ultimately expect that Michigan's aging population will continue to provide support to these sectors.

Washtenaw County's unemployment rate is forecast to edge down from 4.5 percent in the final quarter of 2025 to 4.3 percent by the end of 2026. We expect resident employment growth to outpace labor force growth in 2027 and 2028, maintaining downward pressure on the county's unemployment rate. By the end of 2028, we expect the unemployment rate in Washtenaw to register 4.1 percent, roughly 1 percentage point lower than the statewide jobless rate.

Real wages in Washtenaw remain a relative bright spot, supported by the county's high-wage industry mix. After declining for three consecutive years, real wages returned to positive growth in 2024, and we estimate that trend continued in 2025. We forecast real wages to rise by roughly 0.7 percent per year through 2028. That growth takes Washtenaw's average real wage to \$76,600 (in 2024 dollars) in 2028—\$5,800, or 8.2, percent above the statewide average. The county's longer-term wage picture, however, is more nuanced. Since 2019, Washtenaw's cost-of-living-adjusted wage growth has lagged the nation's considerably. As a result, the county's historical wage advantage has reversed, shifting from being roughly 6 percent above the national average in the early 2000s to 2.6 percent lower in 2024.

Ultimately, we expect modest job gains, gradual improvement in unemployment, and continued real wage growth over the next three years for Washtenaw County. Though meaningful risks remain, we believe that Washtenaw's economy is well-positioned to handle the bumpy road ahead.

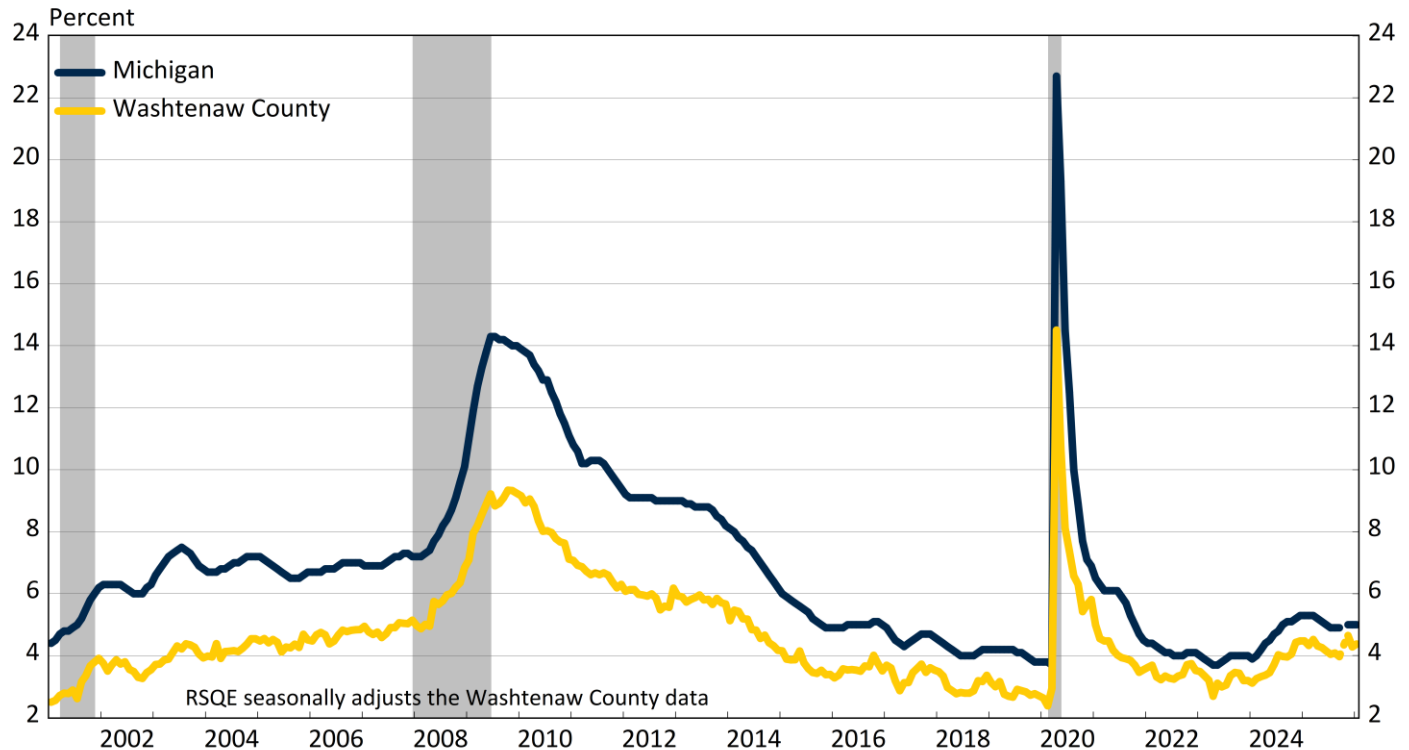
Figure 1
Monthly Employment in Washtenaw County



- Figure 1 shows two different measures of employment in Washtenaw County. The yellow line displays payroll employment, which is the number of jobs at business, non-profit, and government establishments physically located in the county. The blue line depicts household employment, which is the count of employed Washtenaw County residents, wherever they work.
- The county estimates shown here incorporate revisions released on April 9, 2026, including updates to 2025 data. This report was written prior to the second set of revisions expected in late April 2026 and covering 2021–2024. Additionally, due to last fall’s federal government shutdown, household data for October 2025 was not collected and is therefore missing.
- Household and payroll employment in the county both came booming back after the COVID-19 pandemic, surpassing their 2019 averages in April and June 2023, respectively.
- Job growth slowed broadly after the initial recovery. Payroll employment in the county increased by 1.1 percent (2,400 jobs) from the end of 2023 to the end of 2024, while household employment increased by 1.6 percent (3,200 residents) during that time.
- Payroll employment in Washtenaw County was largely unchanged for most of 2025 before declining by 1,600 jobs in October. Since then, there has been little sign of recovery, with payroll employment holding roughly flat through January.
- Washtenaw County’s household employment trend in 2025 is more complicated to interpret. From January to September 2025, household employment declined by 0.7 percent (1,500 residents). Following the resumption of data collection after the federal shutdown, it fell another 3.1 percent (6,300 residents) between September and November 2025, or 17.5 percent on an annualized basis.
- Household employment in Washtenaw remained near its November 2025 level in December, with only a slight uptick in January 2026.
- We suspect this pattern may not accurately reflect current conditions. To test this, we estimated household employment in Washtenaw County using the Current Population Survey (CPS) microdata, which underlies the national household employment estimates and heavily informs the state estimates. Although the sample for Washtenaw County is quite small, employment in the CPS microdata appears relatively stable from January 2025 to January 2026. One reason these figures do not align is that the BLS uses the so-called “handbook method,” rather than only CPS microdata, to produce county-level household employment estimates.

Figure 2

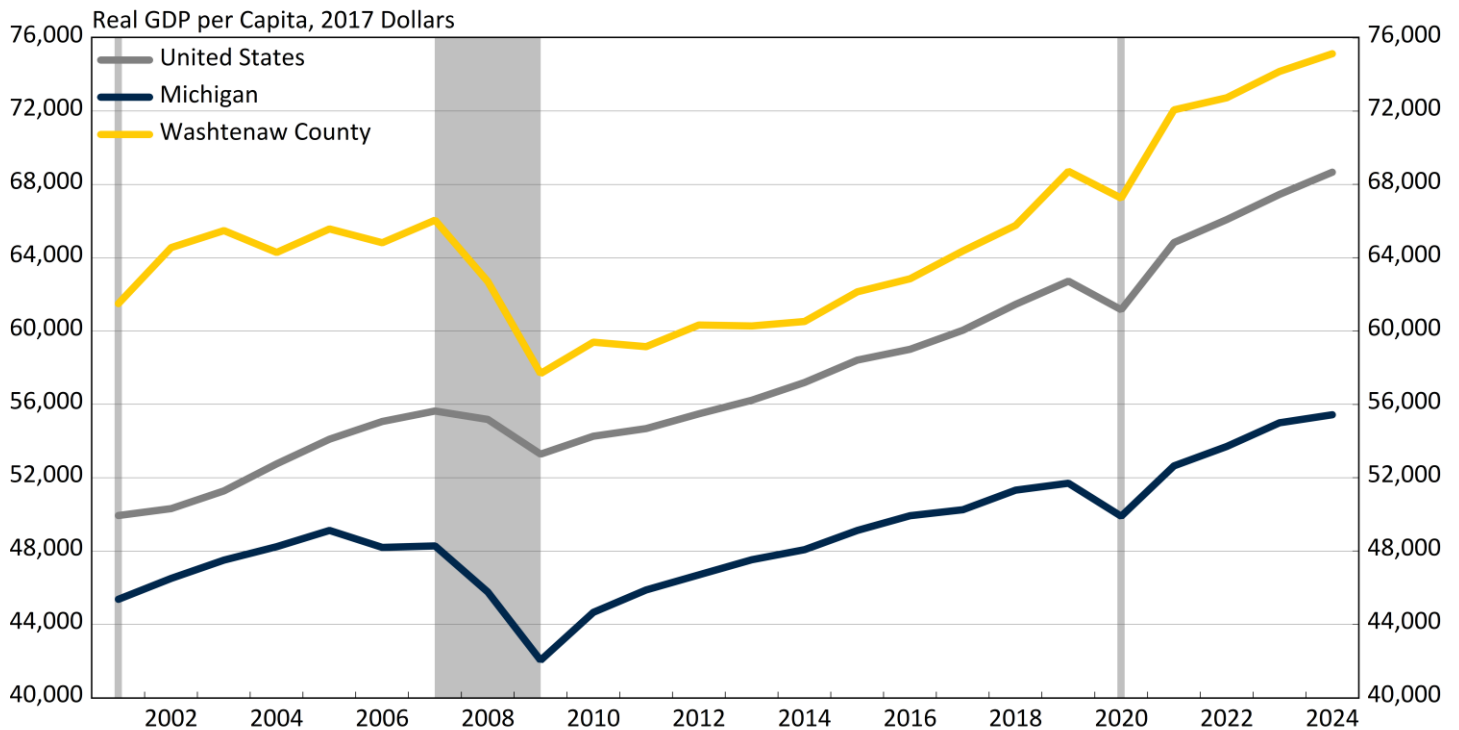
Monthly Unemployment Rate, Michigan and Washtenaw County



- Figure 2 shows unemployment rates for Michigan and Washtenaw County. Both series are seasonally adjusted; we have seasonally adjusted the Washtenaw unemployment rate series ourselves. The county data in this figure was also released on April 9, 2026 and only includes the annual revision for 2025. Again, due to the federal government shutdown, data for October 2025 was not collected and is therefore missing.
- Michigan's unemployment rate increased from 3.8 percent in the beginning of the year to 22.7 percent in April 2020 as the COVID-19 pandemic forced businesses to close. Washtenaw County has a higher share of jobs that can be done remotely than Michigan overall. As a result, the local jobless rate increased from 2.6 percent in January 2020 to only 14.5 percent in April.
- The unemployment rates in Michigan and Washtenaw County dropped quickly after the onset of the pandemic, reaching 4.5 percent statewide and 3.5 percent locally by the end of 2021.
- Progress slowed from there as Michigan and Washtenaw County approached their pre-pandemic unemployment rates. Washtenaw's jobless rate hovered around 3.0–3.7 percent during 2022 and 2023, except for when it briefly reached a low point of 2.7 percent in April 2023.
- Michigan and Washtenaw County saw a notable increase in joblessness in 2024, with Michigan's rate rising from 3.9 percent in January to 5.3 percent in December, and Washtenaw's increasing from 3.1 percent to 4.5 percent during that time.
- Both Michigan's and Washtenaw's jobless rates declined during the first nine months of 2025, falling to 4.9 percent and 4.0 percent in September, respectively.
- Unfortunately, the decline of Michigan's and Washtenaw's unemployment rates during that period was due to a shrinking labor force rather than an increase in employment. Both the state and the county had more residents participating in the labor market at the end of 2024 than in September 2025.
- Washtenaw County's unemployment data following last fall's federal shutdown remains difficult to interpret for the reasons noted below Figure 1. That said, the unemployment rate shows only a modest uptick to 4.3 percent in December 2025 and 4.4 percent in January 2026. The state's unemployment rate remained relatively stable after the shutdown, registering 5.0 percent from November 2025 through January 2026.

Figure 3

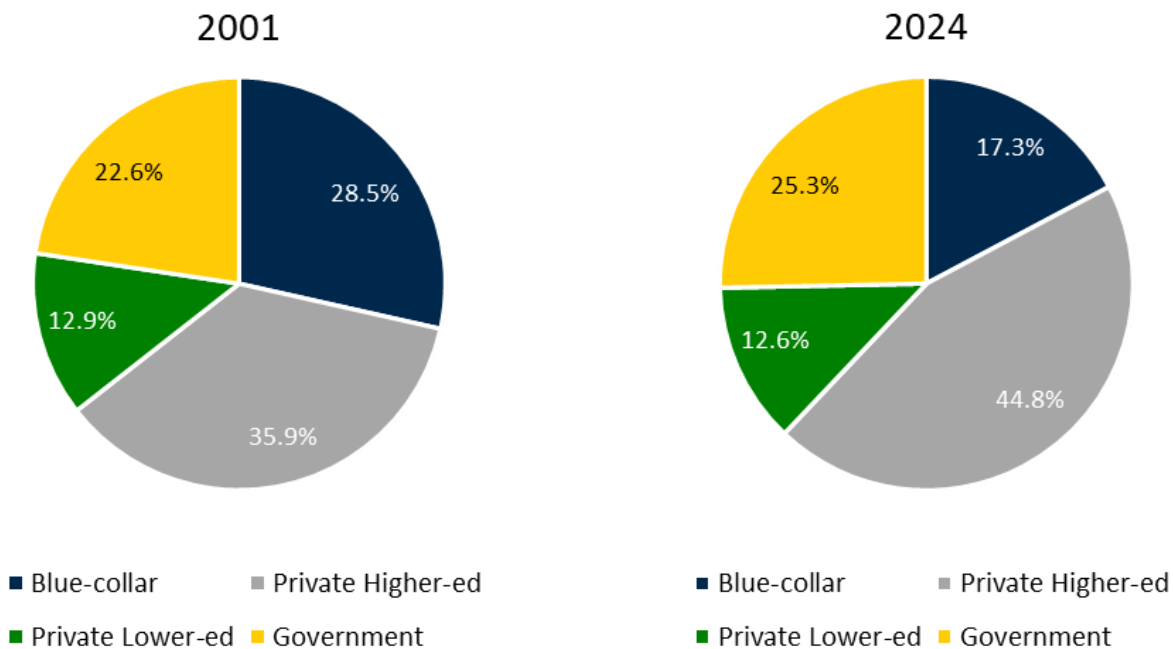
Real GDP Per Capita in the United States, Michigan, and Washtenaw County



- Figure 3 shows real GDP per capita for the United States, Michigan, and Washtenaw County. The Bureau of Economic Analysis (BEA) measures state and county GDP using an income approach, which defines GDP as the sum of employee compensation, taxes on production and imports less subsidies, and gross operating surplus. This total is then divided by the region's population to calculate GDP per capita.
- This analysis uses the 2024 vintage of the U.S. Census Bureau midyear population estimates, as it was the most recent vintage available when the county GDP statistics were calculated.
- Compensation of employees is the largest component of state and county GDP. As a result, Washtenaw County's real GDP per capita has averaged roughly one-third higher than Michigan's since 2001. This gap largely reflects the county's higher wage levels relative to the state.
- Washtenaw County's real GDP per capita is also high relative to other counties within the state. Historically, it has ranked among the top four counties in Michigan. In 2024, it placed third, behind Oakland County and Midland County.
- From 2010 to 2019, growth of real GDP per capita was broadly consistent across the United States, Michigan, and Washtenaw County, with each averaging 1.6 percent annual growth.
- However, this alignment began to diverge in the post-pandemic period, as growth in Michigan and Washtenaw began to lag the nation.
- From 2021–2024, average growth of real GDP per capita held at 1.9 percent per year in the United States, compared with 1.7 percent in Michigan and 1.4 percent in Washtenaw County.
- Following a steep decline from the Great Recession and muted growth in the post-pandemic period, Washtenaw County's real GDP per capita slid from 28.3 percent above the national level in 2002 to only 9.4 percent higher in 2024. While we believe that Washtenaw County's economic fundamentals remain strong, the recent trend of lagging behind both national and statewide growth is worth monitoring.

Figure 4

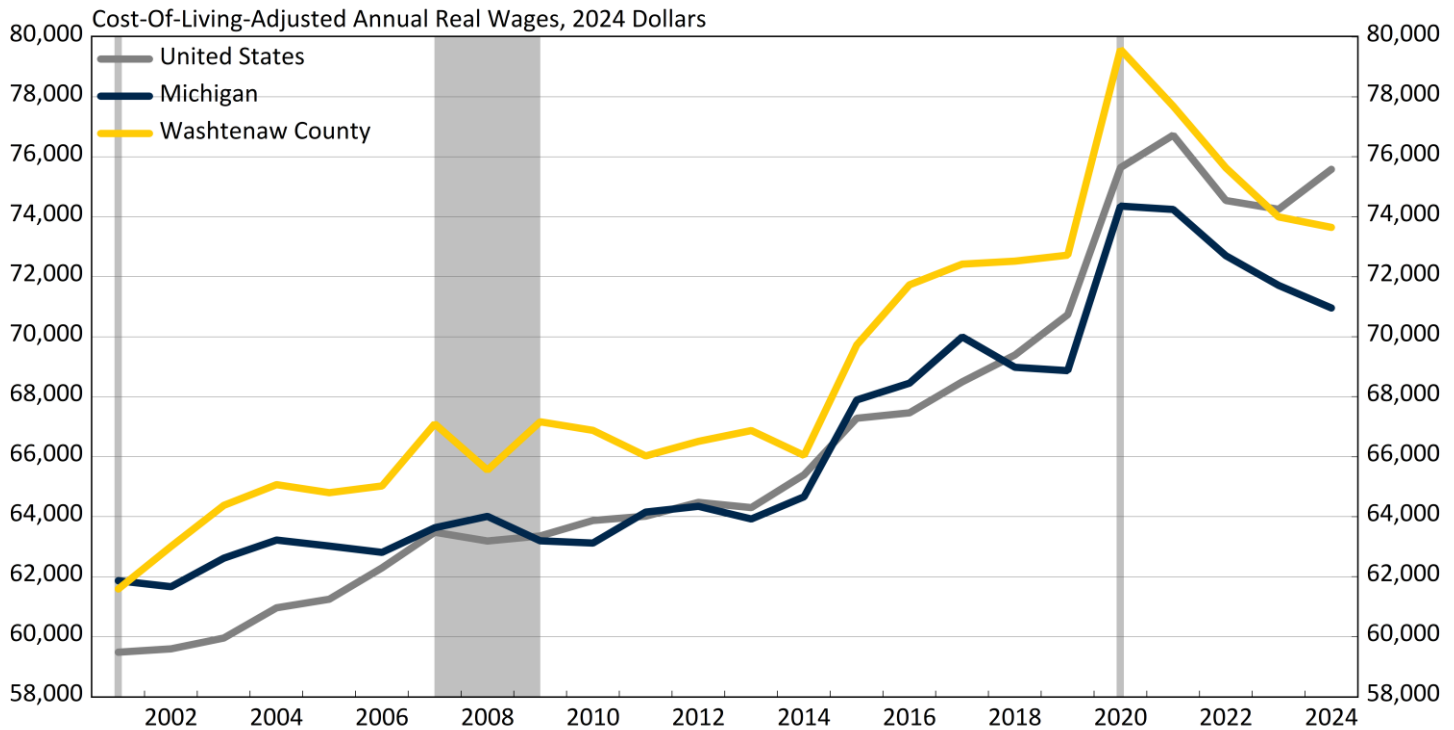
Washtenaw County's Nominal GDP by Major Industry Group



- Figure 4 shows Washtenaw County's GDP composition by major industry group. Blue-collar industries include mining; construction; manufacturing; and wholesale trade, transportation and warehousing, and utilities. Private higher-education service industries include information; finance; professional, scientific, and technical services; management of companies and enterprises; and private education and health services. Lower-education service industries include retail trade; leisure and hospitality; administrative and support and waste management services; and other services.
- Blue-collar industries' contribution to Washtenaw County's GDP fell sharply from 28.5 percent in 2001 to 17.3 percent in 2024. Large declines in manufacturing outweighed gains in other blue-collar sectors. Contributions from mining and natural resources also decreased during that time, but they were too small to significantly affect the overall trend.
- The private higher-education service industries' share of Washtenaw County's GDP grew significantly during the 2000s, rising from 35.9 percent in 2001 to 44.8 percent in 2024. This growth reflected strong gains in information and private education and health services, along with more modest increases in financial activities.
- Lower-education service industries maintained a steady share of GDP (roughly 13 percent) in 2001 and 2024. This stability reflects the county's strong demand for leisure and hospitality, as well as the other services sector, even as retail trade has failed to keep up with the rise of e-commerce.
- Government's share of Washtenaw County's GDP rose from 22.6 percent in 2001 to 25.3 percent in 2024, highlighting the significance of public institutions such as the University of Michigan and Eastern Michigan University.
- Together, private higher-education service industries and government made up roughly 70 percent of Washtenaw County's GDP in 2024, substantially more than in Michigan overall, where these sectors accounted for just 50.6 percent.
- Ultimately, Washtenaw County's economic resilience is driven by its knowledge-based economy across both the public and private sectors. We believe that profile positions the county for continued growth in the years ahead, but we worry that the tougher funding landscape for research and healthcare will produce a tougher external environment than Washtenaw has typically enjoyed.

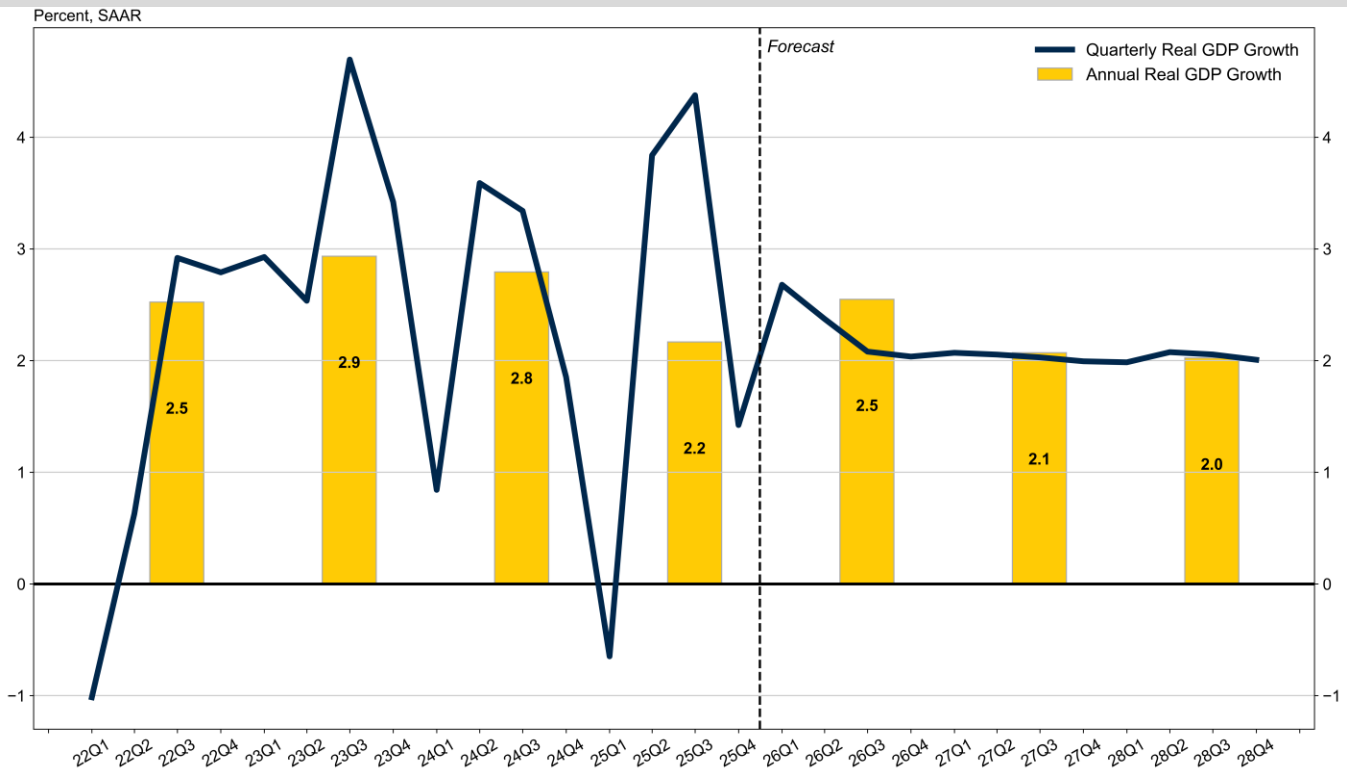
Figure 5

Adjusted Real Wages in the United States, Michigan, and Washtenaw County



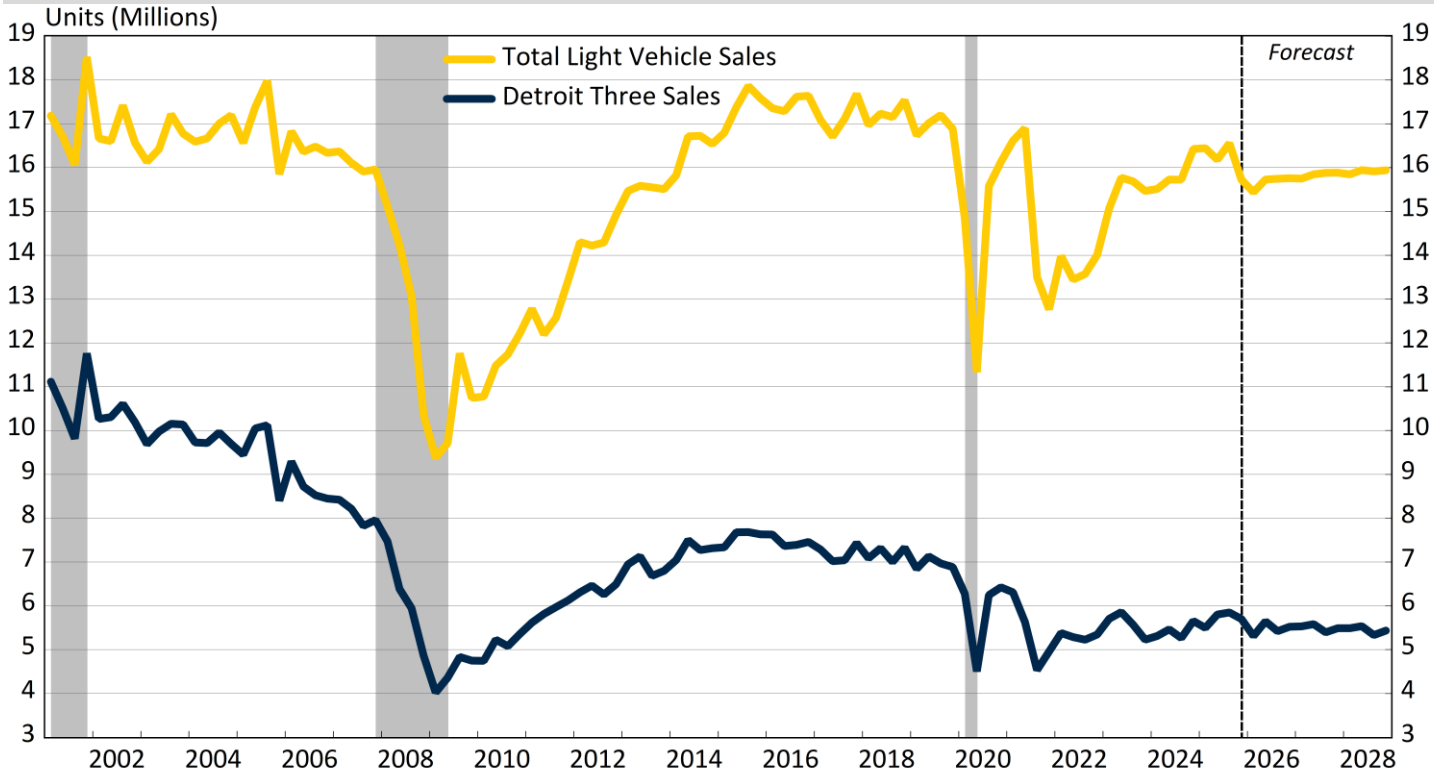
- Given the importance of wages in calculating state and county GDP, we decided to take a deeper dive into recent wage trends. Figure 5 shows annual wages in the United States, Michigan, and Washtenaw County expressed in 2024 dollars. We adjusted wages for inflation using the Personal Consumption Expenditures (PCE) price index and further adjusted Michigan and Washtenaw County data to account for differences in the cost of living. We used the BEA's Price Parity Indices (PPI) to adjust for the cost of living back to 2008. For the years before 2008, we adjusted the PPI to reflect differences between the national and regional Consumer Price Indices.
- In 2024, Michigan's cost of living was 3.8 percent below the U.S. average, while in Washtenaw it was roughly 1.0 percent above the national average.
- Between 2001–19, adjusted wages grew roughly on par nationwide and in Washtenaw, increasing by an average of 1.0 percent and 0.9 percent per year, respectively.
- Adjusted wages rose sharply in 2020, driven by the disproportionate loss of lower-paying jobs during the COVID-19 pandemic. Over the next few years, adjusted wages declined as workers returned to lower-paying jobs, and elevated inflation in 2022 and 2023 eroded real wages.
- An important difference emerged in 2024: adjusted wages in the US returned to growth, while wages in Michigan and Washtenaw continued to decline. It is worth noting that cost-of-living adjustments can be noisy, however. Washtenaw's cost-of-living adjustment rose rapidly in 2023 and 2024. If we were instead to adjust only for national inflation, annual real wage growth in Washtenaw would have been 2.2 percent in 2024.
- In 2024, adjusted wages in Washtenaw were \$73,650—2.6 percent below the national level—a sharp decline from the roughly 6 percent advantage the county held in the early 2000s.
- Adjusted wage growth in Washtenaw has switched from running roughly on par with the US average during the first two decades of the 2000s to running noticeably behind it now. From 2019 to 2024, adjusted wages in the US increased a cumulative 6.9 percent, while wages in Michigan and Washtenaw only increased by 3.0 percent and 1.3 percent, respectively.
- Despite the recent slowdown, Washtenaw County's concentration in higher education, research, and professional services provides a strong foundation for future wage growth as inflation pressures ease and labor market conditions normalize.

Figure 6
U.S. Real GDP Growth



- Our forecast for Washtenaw County’s economy is based on our national outlook completed just prior to the attack on Iran. It effectively assumes a prompt de-escalation, with West Texas Intermediate (WTI) oil prices returning to \$60 per barrel by mid-2026 after a transitory spike. Figure 6 shows our forecast of quarterly real GDP growth in blue and calendar year averages in maize bars.
- Real GDP growth slowed to an initially reported annualized pace of 1.4 percent in 2025Q4, due in part to the record-long federal shutdown shaving a full percentage point off growth. Since the preparation of our national forecast though, real GDP growth for 2025Q4 has been revised down to an annualized rate of 0.5 percent.
- We project a growth rebound to 2.7 percent in 2026Q1 as the shutdown drag reverses. Calendar year growth is forecast at 2.6 percent for 2026 and at 2.0–2.1 percent for 2027–28 as tax relief and monetary easing filter through the economy.
- A prolonged conflict with Iran, with enduring disruptions to trade through the Strait of Hormuz, is the major downside risk to our national outlook, with knock-on risks for Washtenaw County.
- Trade uncertainty spiked after the Supreme Court ruled against broad executive tariff authority. The Administration responded with a temporary 10 percent global tariff under Section 122; we assume the average effective rate stabilizes near 9 percent.
- While the USMCA is likely to remain in place, the upcoming July review could introduce stricter rules of origin. A shift to annual USMCA reviews would make it harder for manufacturers to plan long-term investments.
- The Federal Reserve is expected to keep interest rates steady through mid-2026. This "wait-and-see" approach reflects continued above-trend inflation and the upcoming leadership transition after Chair Powell’s term expires in May.
- We project two 25-basis-point cuts in late 2026, bringing the federal funds rate to a range of 3.0–3.25 percent by the end of the year. Mortgage rates should decline to roughly 5.8 percent by year-end, supporting a gradual recovery in the housing sector.
- Fiscal policy remains on "autopilot" with no major legislation expected ahead of the 2026 midterm elections or after. The federal deficit hovers just under 6.0 percent of GDP.
- In addition to the war in Iran, major risks to the outlook include trade policy uncertainty, the direction of monetary policy under new Fed leadership, and the potential for the 2026 elections to alter the fiscal trajectory for 2027–28.

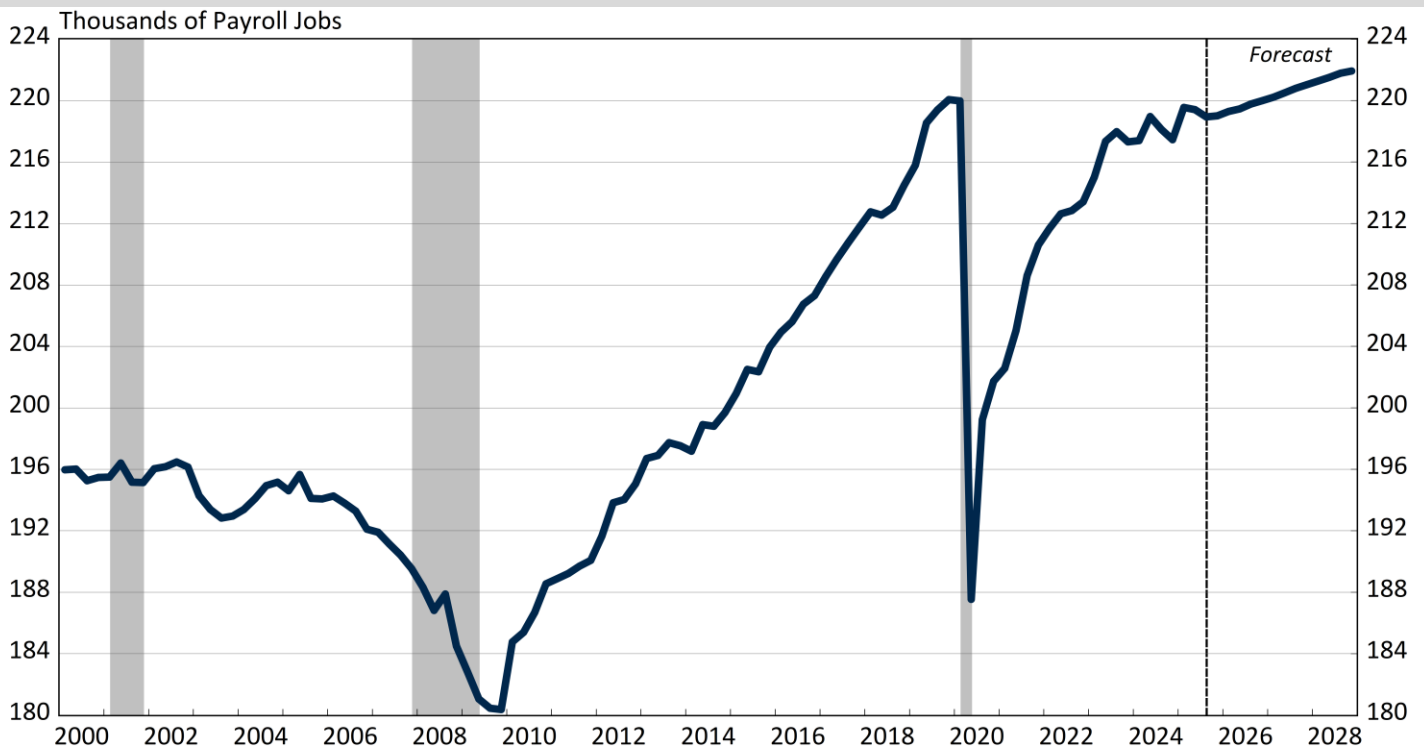
Figure 7
U.S. and Detroit Three Light Vehicle Sales



- Figure 7 shows our quarterly forecast for total U.S. and Detroit Three light vehicle sales. The annual sales pace declined from 16.6 million units in the third quarter of 2025 to 15.7 million units in the fourth quarter. Sales then dropped to 14.8 million in January before rising back to 15.8 million units in February and 16.3 million units in March, a nice rebound from the harsh winter sales numbers.
- We expect automakers to take a cautious approach to vehicle production amid renewed supply chain and lingering trade uncertainties. As the industry adapts to evolving conditions, we anticipate light vehicle sales will hover near 15.7–15.9 million units from 2026 through 2028.
- We do not expect the Supreme Court’s decision striking down IEEPA tariffs to have an overwhelming effect on the auto industry, both because many auto-related tariffs were imposed via other authorities, and because we expect the Administration to find other mechanisms to keep broad tariff rates near the pre-decision levels.
- We currently estimate that the auto-related tariffs will result in a small increase in national domestic auto production in the medium term, although at an average cost of \$3,100 per vehicle. The protective effect of the tariffs slightly outweighs the countervailing effects of higher production costs and potential retaliation from our trade partners.
- We also estimate that the elimination of the CAFE penalties over our forecast horizon will boost the Detroit Three’s share of the light vehicle market by nearly 2 percentage points relative to the previous downward trend, because the Detroit Three sell a large number of gas-hungry vehicles.
- The Detroit Three’s share of U.S. light vehicle sales increased from 34.2 percent in 2024 to 35.2 percent in 2025. We expect the Detroit Three’s market share to return gradually to 34.2 percent by 2028, as a supportive policy environment slows the pace of decline relative to recent history.
- We forecast the Detroit Three’s unit sales to edge down from 5.7 million vehicles last year to 5.5 million in 2026 and 2027 and 5.4 million in 2028.
- It is difficult to assess how the war in Iran will affect the pace of light vehicle sales. We have conducted simple scenario analyses suggesting that, if the war de-escalates substantially beginning early in the second quarter of 2026, the effect on Detroit Three sales could fall within the normal range of annual variation. We expect the effect on vehicle sales to grow over time, however, the longer that the war persists.

Figure 8

Quarterly Payroll Employment in Washtenaw County



- Figure 8 displays the history and our forecast for Washtenaw County's payroll employment. Washtenaw's payroll employment and wage forecasts are based on the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW) program. This data allows us to forecast more detailed industries than are published in the Current Employment Statistics program.
- Washtenaw County's employment level has yet to fully recover from the pandemic in the QCEW data. The county has continued to gain jobs, albeit on a bumpy path. As of the third quarter of 2025, the most recent data available when this forecast was produced, Washtenaw County had recovered nearly 97 percent of its pandemic job losses.
- Last year, we estimated that Washtenaw's government sector, which includes the University of Michigan, Michigan Medicine, and Eastern Michigan University, would lose 200 jobs in 2025 in part because of federal funding cuts for research. We now estimate that Washtenaw added roughly 340 government jobs in 2025.
- We anticipate a complete recovery in Washtenaw's payroll employment by the end of this year, as the government sector continues to grow despite the federal funding cuts.
- Washtenaw's payroll job growth had already started to slow down as it approached a full recovery, decelerating from 2.0 percent growth in 2023 to 0.5 percent in 2024 and an estimated 0.6 percent in 2025.
- We expect total job growth to decelerate further to 0.2 percent this year as the cumulative strain of high interest rates, federal funding cuts, and tariffs collects its toll.
- Beyond this year, we forecast that Washtenaw County's payroll job growth will pick up slightly but remain moderate, registering 0.5 percent and 0.4 percent in 2027 and 2028, respectively.
- We expect employment in Washtenaw County to exceed its pre-pandemic level by 0.9 percent by the end of 2028. Despite that relatively modest cumulative growth, our forecast calls for Washtenaw County to recover successfully from its second major downturn this millennium.
- For comparison, by the end of 2028, we expect Michigan overall to remain 2.5 percent below its peak employment level achieved in the second quarter of 2000. Washtenaw County's payroll employment will exceed its early 2000s job level by roughly 13 percent by the end of our forecast.

Table 1

Forecast of Jobs in Washtenaw County by Major Industry Division

	Forecast Employment					Average
	2024	2025	2026	2027	2028	Annual Wage 2024 \$
Total Jobs (Number of jobs)	217,988	219,234	219,635	220,646	221,628	74,298
(Annual percentage change)	(0.5)	(0.6)	(0.2)	(0.5)	(0.4)	
Blue-Collar	28,096	27,825	27,668	27,870	28,115	85,941
Utilities	397	395	396	395	394	193,269
Wholesale trade	6,327	6,448	6,368	6,437	6,536	94,442
Transportation equipment (Motor Vehicles & Parts) manufacturing	2,571	2,630	2,617	2,647	2,660	87,356
Transportation and warehousing	4,349	4,345	4,415	4,477	4,548	85,194
Other manufacturing	9,036	8,569	8,492	8,506	8,520	82,308
Construction	4,910	4,958	4,883	4,890	4,916	77,877
Natural resources and mining	507	479	499	518	539	37,812
Higher-Ed Services	145,860	146,834	147,417	148,237	148,966	82,865
Management of companies and enterprises	1,845	1,811	1,807	1,837	1,867	161,179
Information	3,909	3,882	3,828	3,809	3,789	137,029
Professional, scientific, and technical services	17,910	17,659	17,591	17,666	17,749	117,607
Finance and insurance	3,445	3,688	3,668	3,691	3,711	101,896
Total Government	84,302	84,646	85,236	85,691	86,054	77,374
Private health and social services	28,277	29,063	29,286	29,564	29,810	68,948
Real estate and rental and leasing	2,582	2,569	2,554	2,556	2,557	63,964
Private education	3,590	3,515	3,448	3,422	3,429	44,146
Lower-Ed Services	43,555	44,113	44,067	44,050	44,050	38,197
Administrative and support and waste management	7,193	5,633	5,507	5,446	5,386	50,748
Other services	4,903	5,371	5,449	5,478	5,506	47,196
Retail trade	15,024	16,704	16,629	16,557	16,502	40,670
Accommodation and food services	13,793	13,514	13,475	13,511	13,548	27,829
Arts, entertainment, and recreation	2,642	2,892	3,007	3,057	3,107	27,361
Unclassified	478	463	481	489	497	65,594
<i>Addendum:</i>						
Total Private	133,686	134,587	134,399	134,955	135,574	72,358

Note: The annual data in this table are seasonally adjusted quarterly averages and may differ slightly from annual published estimates.

- In the table above, we categorize each of Washtenaw's industries into three groups: blue-collar industries, higher-education services industries, and lower-education services industries. Within each category, the major industries are listed in descending order based on their average annual wage in 2024. Appendix B displays a full list of roughly 80 industries, organized by industry code. All data in this section are annual averages.
- The industry group definitions are the same as in Figure 4, with the exception that in the table, government is included in higher-ed services.
- Overall, we expect payroll job growth in Washtenaw County to remain modest following this year's tepid increase of just 0.2 percent. We forecast payroll employment will rise by 0.5 percent in 2027 and 0.4 percent in 2028, a sharp contrast to the 1.8 percent average annual growth recorded from 2010 to 2019.
- We expect this modest growth to be distributed across both the private and government sectors, with private sector employment rising by an average of 0.4 percent per year in 2027 and 2028, and government employment increasing by 0.5 percent annually.

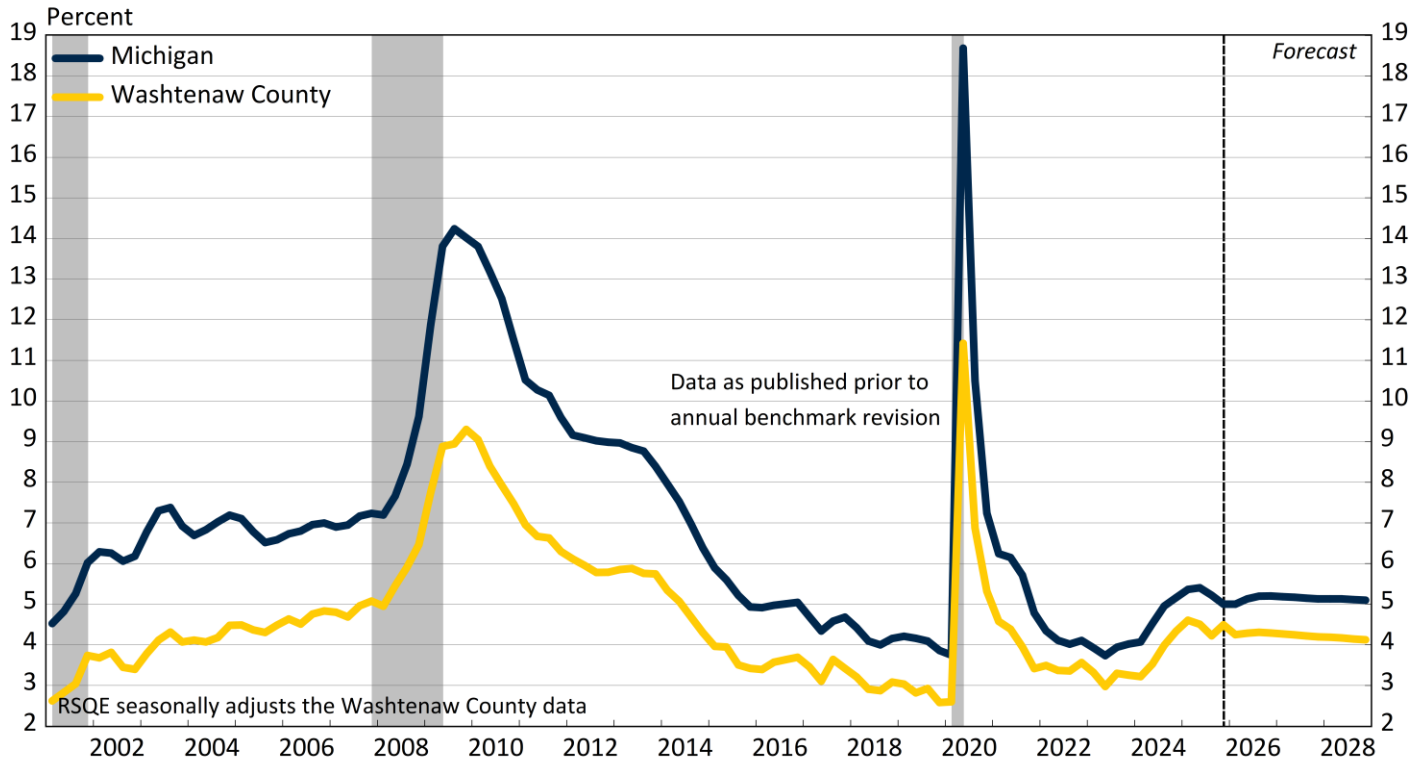
Table 1 Continued

Forecast of Jobs in Washtenaw County by Major Industry Division

- Within the blue-collar industries category, transportation and warehousing and wholesale trade are projected to drive job growth over the next three years. The transportation and warehousing sector is forecast to add 200 jobs from 2026 to 2028, while employment in wholesale trade is expected to increase by 90 jobs over the same period.
- We estimate that non-automotive manufacturing lost 470 jobs in 2025 after losing 410 jobs in 2024. We expect it to shed 80 more jobs in 2026 before stabilizing in 2027 and 2028.
- The local motor vehicle manufacturing industry once employed over 15,000 people, but we estimate its job count averaged just 2,600 in 2025. We forecast this industry to grow slightly over the next three years, as newer federal policies aim to bolster domestic auto-manufacturing.
- We estimate that the construction industry eked out 50 job gains in 2025. We anticipate that employment in construction will remain near its post-pandemic high during the forecast despite giving up last year's gains in 2026, leaving employment in 2028 roughly 5 percent higher than in 2019.
- Within the higher-education attainment services group, the government and private health and social services sectors are expected to be the two largest sources of total job growth over the next few years.
- We expect the government sector, including the University of Michigan and Michigan Medicine, to add 1,400 jobs over the next three years. Private health and social services gains 750 jobs during that time. Altogether, those two industries add roughly 2,200 jobs during the forecast, or 90 percent of total job growth in the county.
- The management of companies industry group, which is one of the highest paying industries in Washtenaw, is expected to see a modest increase over the next three years, adding 60 jobs. In contrast, the information sector is projected to decline, shedding 90 jobs over the forecast period.
- Employment in professional, scientific, and technical services declined unexpectedly by 5.2 percent (1,000 jobs) in 2024, and we estimate that it declined another 1.4 percent (250 jobs) last year. We expect one more year of minor job losses before growth returns in 2027 and 2028. Overall, this industry is projected to stand just 0.6 percent above its 2019 job level in 2028, marking almost a decade with barely any growth.
- We estimate that employment in financial activities rose by 230 jobs in 2025. We expect it to hold steady over the forecast as mortgage rates remain elevated compared to just before the pandemic.
- Employment in lower-education attainment service industries is expected to remain flat, as job gains in leisure and hospitality and other private services offset losses in administrative and support and waste management services.
- Retail trade employment in Washtenaw County skyrocketed by 1,700 jobs in 2025. We must confess that we are a bit puzzled by that growth, as the bulk of the gains occurred in gasoline stations and fuel dealers, which do not typically employ many people. Regardless, we expect retail trade employment to return to its long-run trend, losing 200 jobs over the forecast.
- We estimate that the accommodations and food services industry lost 280 jobs in 2025, but we project it to hold steady throughout the forecast. By 2028, we expect employment in accommodations and food services to remain 13 percent shy of its 2019 level.
- Employment in arts and recreation suffered a 36.5 percent decline in 2020 but completed its recovery in 2024. We expect solid job growth in this sector to continue over the next three years, bringing employment to 23.8 percent above its 2019 level by 2028.
- We estimate that administrative and support services lost 1,600 jobs in 2025, marking its seventh consecutive year of job losses. We forecast this industry to continue that streak and lose an average of 80 jobs per year during the forecast.
- Finally, we estimate that employment in other private services increased by 470 jobs in 2025. We forecast this industry to eke out minor gains over the forecast, taking it to 380 jobs (7.4 percent) above its 2019 employment level by 2028.

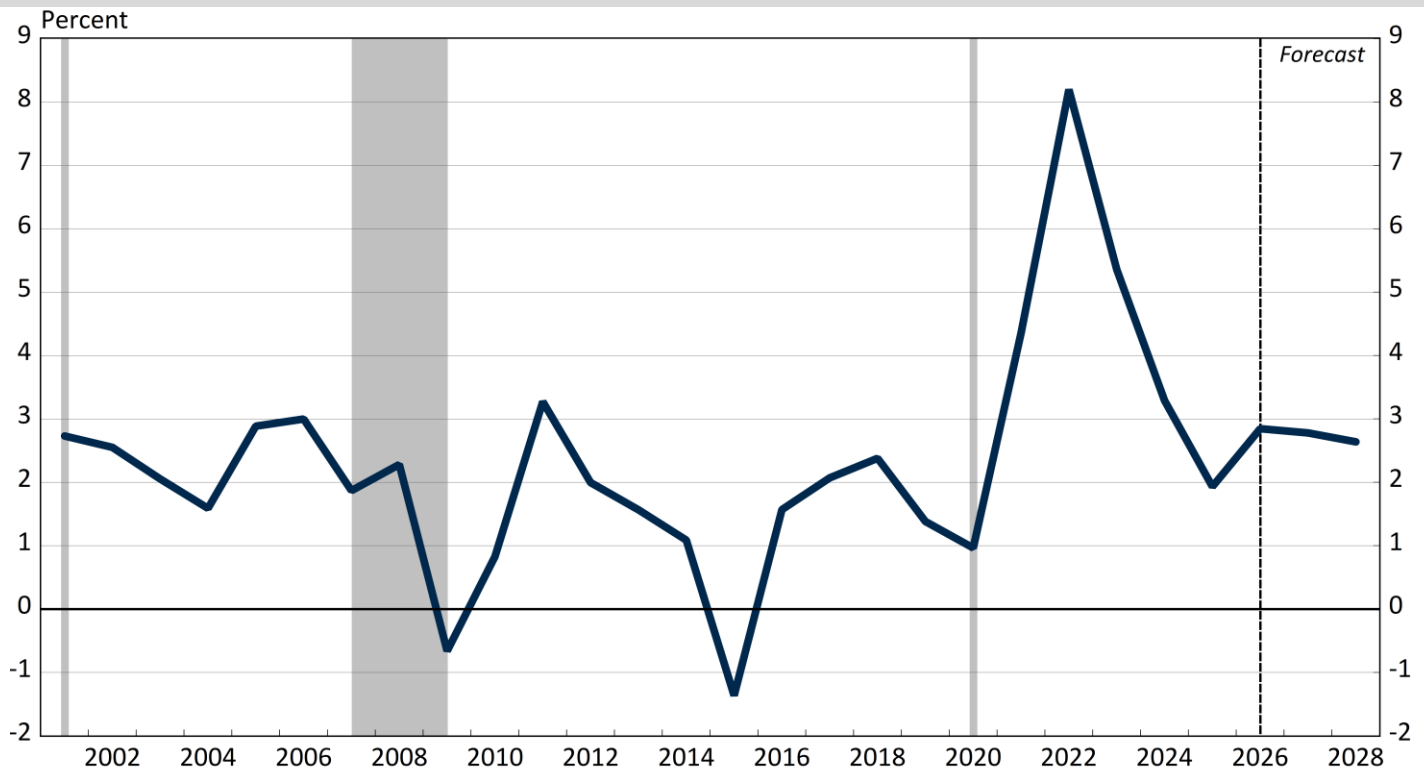
Figure 9

Quarterly Unemployment Rate, Michigan and Washtenaw County



- Figure 9 shows history and our forecast for the quarterly unemployment rates in Michigan and Washtenaw County. Our forecast for Michigan was released in March, and our forecast for Washtenaw was completed before the annual benchmark revision, so the data in Figure 2 differs slightly from the data in Figure 9.
- Washtenaw's unemployment rate has historically trended below Michigan's, averaging 2.2 percentage points lower than the state's during the 2000s. That gap narrowed leading up to the pandemic, averaging 1.2 percentage points from 2017 to 2019.
- The county's jobless rate rose from 3.3 percent in the final quarter of 2023 to 4.3 percent in the final quarter of 2024, just 0.8 percentage points lower than Michigan's unemployment rate.
- Washtenaw County's unemployment rate inched up to 4.5 percent in the final quarter of 2025. In contrast, Michigan's unemployment rate decreased by 0.2 percentage points that quarter, reaching 5.0 percent by the end of 2025. However, data for October was not collected due to the federal government shutdown, making the fourth quarter unemployment rates a bit more noisier than usual.
- We expect Washtenaw's unemployment rate to begin edging down over the forecast, as modest household employment growth outpaces labor force growth, leading to a slight reduction in the number of unemployed individuals.
- Overall, we forecast that Washtenaw's unemployment rate will decline to 4.3 percent by the end of this year, before edging down to 4.1 percent by the end of 2028. Washtenaw's unemployment rate ends our forecast 1.0 percentage point lower than Michigan's.
- On a calendar year basis, we forecast Washtenaw County's labor force to reach 209,300 residents in 2028, or 3.1 percent above its 2019 level. That growth would take Washtenaw's labor force in 2028 to an all-time high dating back to the start of the Bureau of Labor Statistics' Local Area Unemployment Statistics (LAUS) series in 1990.

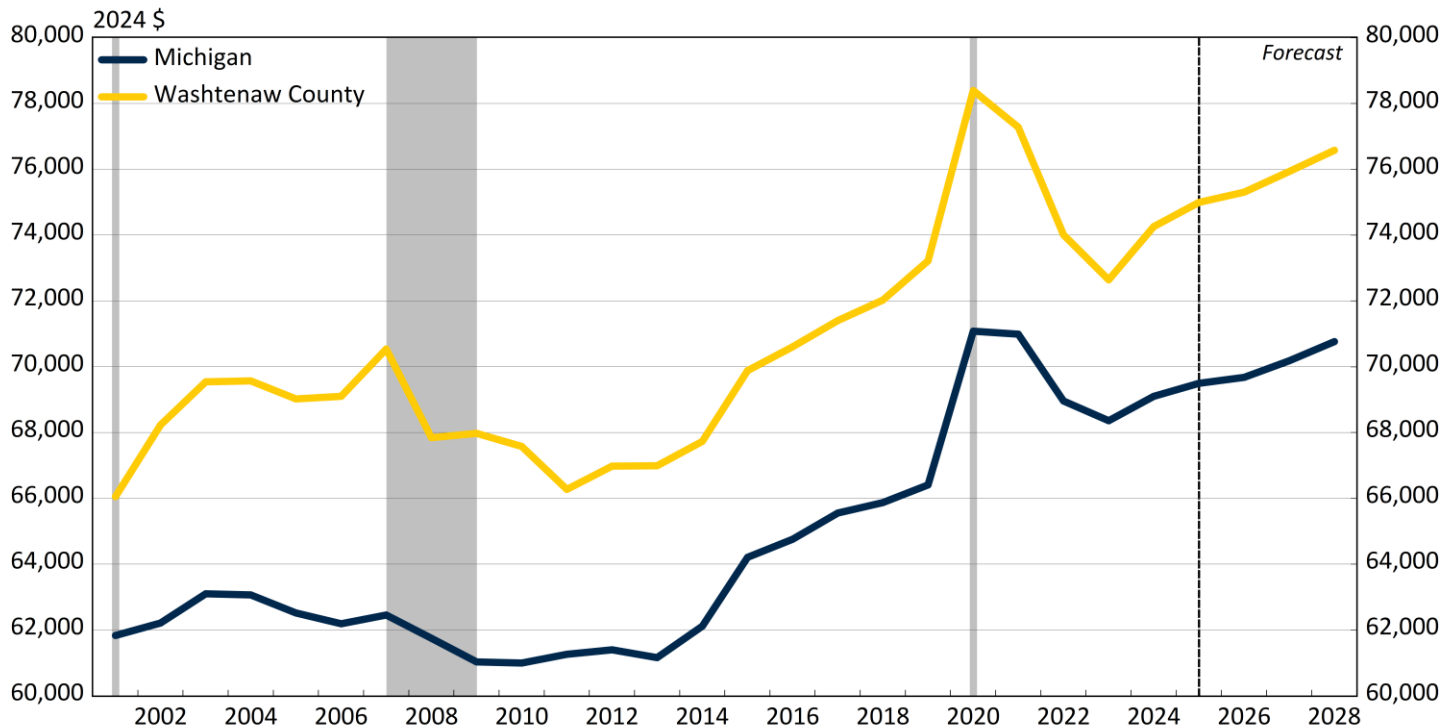
Figure 10
Detroit CPI Inflation Rate



- Figure 10 displays historical data and our current projections for annual headline (all-item) Detroit CPI inflation. This local index is used to track price trends in the absence of county-specific consumer price data.
- Local headline inflation slowed dramatically from a COVID-era peak of 8.2 percent in 2022 to 1.9 percent in 2025. This local deceleration was more pronounced than the national trend because shelter costs, a primary driver of the index, moderated more quickly in the Detroit area than they did in the broader U.S. economy.
- We project local headline inflation to rise back to 2.8 percent on a calendar year basis in both 2026 and 2027, before easing slightly to 2.6 percent in 2028. This trajectory reflects a more normalized pace of shelter inflation, as well as the impact of the trade policies discussed in our national outlook summary.
- Local core inflation (excluding food and energy) is projected to run at 3.1 percent in 2026, 3.0 percent in 2027, and 2.8 percent in 2028, consistently outpacing the headline measure throughout the forecast period. However, this projected gap is contingent on the energy and food price outlooks, which are highly uncertain due to the geopolitical situation in the Middle East.
- As highlighted in the national outlook, trade policy remains a moderate source of upward pressure on prices in the near term. While new tariffs add to the cost of goods, we expect the Federal Reserve to treat them as one-time price-level adjustments, completing its gradual rate-cutting cycle in 2026H2 after a pause in 2026H1.
- Despite the projected moderation by 2028, local inflation is expected to remain more than one percentage point higher than the 1.5 percent average pace seen in the decade following the Great Recession. Local data for early 2026 may be subject to volatility and noise as federal agencies resolve data collection issues caused by the lengthy federal government shutdown late in 2025.
- The hostilities in Iran represent the primary near-term risk for higher inflation. While our national forecast assumed a prompt de-escalation in Iran, the more prolonged conflict that has been playing out as of the writing of this report is disrupting global shipments of oil, liquified natural gas, and several other key commodities. The longer the flow of goods through the Strait of Hormuz remains constrained, the larger the impact on domestic price levels will be. Should the Strait reopen soon and durably, the domestic inflation fallout may be contained to a temporary spike in the price of gasoline.

Figure 11

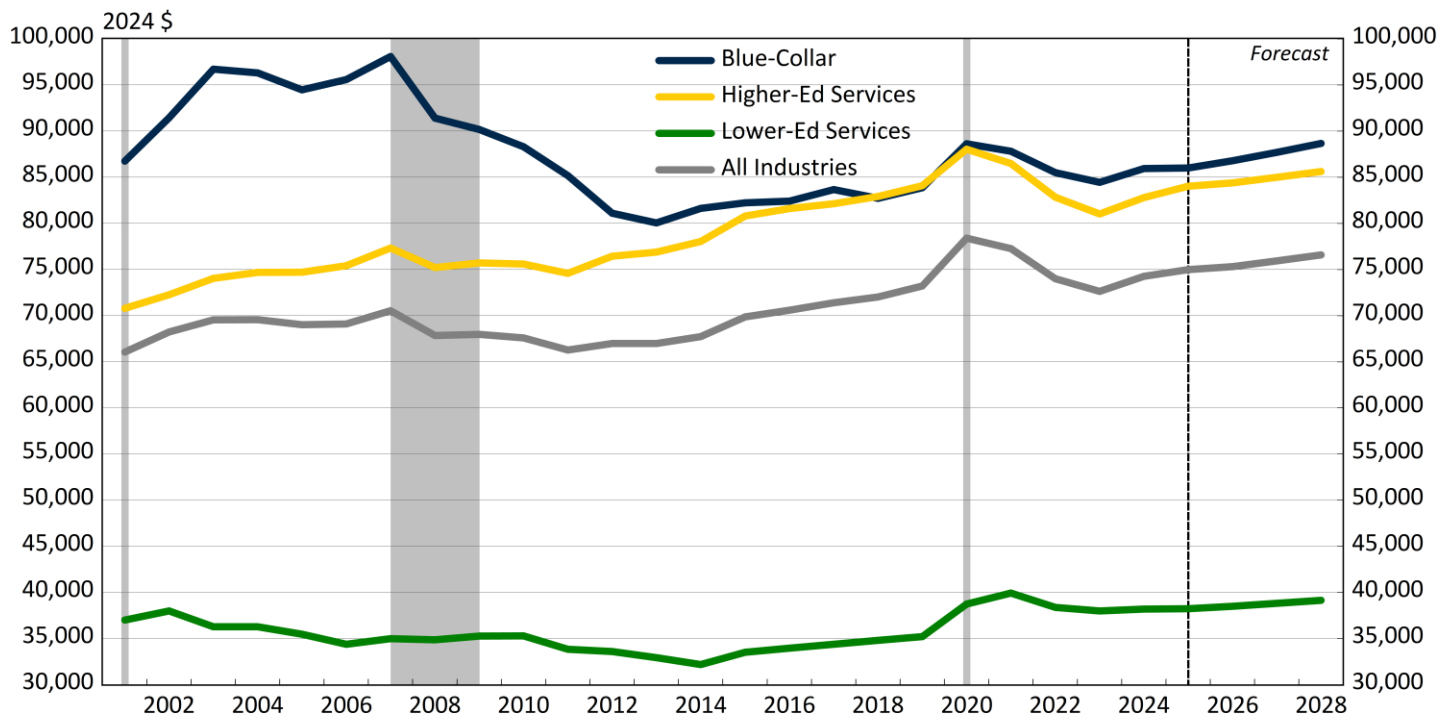
Average Annual Real Wage, Michigan and Washtenaw County



- Figure 11 shows the average annual real wages for all wage and salary workers in Washtenaw County and in Michigan, adjusted for inflation to be expressed in 2024 dollars. In contrast to the wage series presented in Figure 5, the data in Figure 11 does not include adjustments for the local cost of living.
- Average real wages in Washtenaw County have consistently run higher than the statewide average. Washtenaw's wage advantage relative to Michigan stood at 7.5 percent in 2024, despite Washtenaw's large number of part-time employees.
- Real wages grew by an average of 0.5 percent per year from 2001–2024 both statewide and in Washtenaw County, but there have been substantial deviations around that trend. Real wages in Michigan and Washtenaw held approximately flat from 2001 to 2011 before rising 8.4 percent and 10.5 percent, respectively, from then until 2019.
- Real wages jumped by roughly 7.0 percent both statewide and in Washtenaw in 2020. Those were the largest single-year increases in real wages on record, but they were caused by the disproportionate loss of lower-paying jobs relative to higher-paying jobs during the COVID-19 pandemic. Few individual workers experienced wage increases of that magnitude.
- The following three years were a tough period for real wages, as nominal pay did not keep pace with elevated inflation. Real wages fell a cumulative 3.8 percent statewide and 7.3 percent in Washtenaw County from 2020 to 2023.
- Fortunately, real wage growth returned in 2024. Michigan's real wages climbed by 1.1 percent, while Washtenaw's rose by 2.2 percent.
- We estimate that real wage gains continued last year, registering 0.6 percent and 1.0 percent in Michigan and Washtenaw, respectively.
- We project real wage growth to slow further this year as inflation reaccelerates. We expect moderate growth of 0.3 statewide and 0.4 percent locally. Real wage growth then accelerates to an average of 0.8 percent per year in 2027–2028 both statewide and in Washtenaw County.
- Our forecast takes average real wages in Michigan to \$70,800 by 2028, when real wages in Washtenaw County will stand at \$76,600. Considering our three-year forecast period of 2026–2028, growth runs slightly above the long-run average from 2001–2024, despite the pickup in inflation we expect this year.

Figure 12

Average Annual Real Wage in Washtenaw County by Selected Industry Group



- Figure 12 shows the average annual real wage in Washtenaw County for the same three industry categories as in Table 1: traditional blue-collar industries, higher-education service industries, and lower-education service industries.
- Average real wages in the blue-collar and higher-education services industries are over twice as high as wages in the lower-education services industries, although a portion of that discrepancy likely stems from a higher proportion of part-time jobs in the latter group.
- The long-term trends in real wages vary considerably across the three industry groups. From 2001–2024, average real wages declined slightly in Washtenaw County’s blue-collar industries, although the average growth rate rounds to 0.0 percent per year. Real wages rose by an average of just 0.1 percent per year in lower-education services. The only industry group that has shown healthy wage growth since 2001 is higher-education services, with an average rate of 0.7 percent per year.
- The pandemic wage spike in 2020 was observable in all three-industry groups: 5.7 percent in the blue-collar industries, 4.7 percent in the higher-education services industries, and 10.1 percent in the lower-education services industries.
- Elevated inflation eroded real wages in all three groups from 2020 through 2023. Higher-education services suffered the largest decline, at a cumulative 8.0 percent, followed by blue-collar industries with a decline of 4.7 percent and lower-education services with a decline of 1.9 percent.
- We estimate that the pattern has reversed over the past two years, with real wages growing by a cumulative 3.7 percent in higher-education services, 1.8 percent in blue-collar industries, and 0.6 percent in lower-education services.
- We project average wages to track each other more closely across industry groups in our forecast period. Real growth averages 1.0 percent per year from 2026 through 2028 in the blue-collar industries, 0.6 percent per year in higher-education services, and 0.8 percent per year in lower-education services.
- The real wage growth we are projecting over the next three years does not change the fundamental picture Washtenaw County saw from 2001 to 2024, the last year of complete historical data. By the end of our forecast, it will remain the case that the higher-education service industries will have enjoyed significantly faster (more than three times) real wage growth this millennium than the other industry groups.

Appendix A:

Review of the Forecast

Year of Forecast	% Forecast Error for Total Jobs	Year of Forecast	% Forecast Error for Total Jobs	Year of Forecast	% Forecast Error for Total Jobs
1986	- 1.4	2000	0.0	2014	+ 1.1
1987	- 0.8	2001	+ 0.3	2015	+ 0.2
1988	- 1.2	2002	+ 0.3	2016	- 0.3
1989	- 0.6	2003	+ 1.0	2017	- 0.3
1990	+ 0.8	2004	+ 0.2	2018	+ 0.4
1991	+ 1.4	2005	+ 0.4	2019	- 1.8
1992	+ 0.5	2006	+ 0.7	2020	+ 1.0
1993	+ 1.3	2007	0.0	2021	- 0.0
1994	n.a.	2008	+ 0.6	2022	+ 1.2
1995	+ 0.2	2009	+ 1.0	2023	- 0.3
1996	+ 0.3	2010	- 2.3	2024	+ 1.3
1997	+ 0.4	2011	- 0.6	2025	- 0.4
1998	- 0.5	2012	- 0.4		
1999	0.0	2013	- 0.0		

(Positive numbers indicate that the forecast was too high; negative numbers indicate that it was too low.)

Average absolute forecast error 1986–2025: 0.7%

	Forecast 2025	Actual 2025
Unemployment rate	4.4%	4.5%
Consumer inflation rate	2.6%	1.9%

Forecast Date: April 2025

- In last year’s report, we had forecast that Washtenaw County would gain 500 jobs in 2025, for an increase of 0.2 percent. We now estimate that the county gained 1,200 jobs last year, an increase of 0.6 percent. Our forecast error for 2025 comes to an under-prediction of 0.4 percentage points.
- That forecast error was well below our average absolute error of 0.7 percentage points since 1986.
- Our topline forecast error conceals partially offsetting errors across various industries. Last year, we had forecast that the government sector would shed 200 jobs in 2025, primarily because of federal research funding cuts, but we now estimate that Washtenaw’s government sector actually added 300 jobs, an absolute error of 0.6 percentage points.
- Our forecast for Washtenaw’s private sector fared a bit better. We forecast that the private sector would gain 700 jobs this year, but we now estimate that it actually gained 900 jobs in 2025, an absolute error of 0.2 percentage points.
- We originally projected that Washtenaw’s unemployment rate would increase from 3.9 percent in 2024 to 4.4 percent in 2025. The unemployment rate actually rose from the now-reported 3.8 percent in 2024 to 4.5 percent in 2025. This forecast error does not reflect the Bureau of Labor Statistics’ latest revision, which was not available prior to the finalization of this report.
- Last year, we forecast that local prices would increase by 2.6 percent in 2025. In the end, local prices increased by only 1.9 percent last year, as local shelter costs placed downward pressure on inflation.

Appendix B:

Forecast of Jobs in Washtenaw County by Detailed Industry

	Estimate	Forecast			Average Annual
	2025	2026	2027	2028	Wage 2024 \$
Total Payroll Jobs (Number of jobs)	219,234	219,635	220,646	221,628	74,298
(Annual percentage change)	(0.6)	(0.2)	(0.5)	(0.4)	
Total Government	84,646	85,236	85,691	86,054	77,374
Federal Government	4,652	4,574	4,499	4,382	106,980
State Government	67,641	68,167	68,609	69,028	78,258
Local Government	12,353	12,494	12,583	12,643	61,153
Total Private	134,587	134,399	134,955	135,574	72,358
Private Goods-Producing	16,636	16,490	16,561	16,636	80,471
Natural resources and mining	479	499	518	539	37,812
Construction	4,958	4,883	4,890	4,916	77,877
Manufacturing	11,199	11,108	11,152	11,181	83,431
Printing and related support activities	997	951	930	910	56,633
Chemicals	526	503	500	497	93,202
Plastics and rubber products	527	517	524	530	100,823
Fabricated metals	1,045	1,022	1,018	1,013	69,713
Machinery	960	958	966	975	84,325
Computer and electronic products	1,417	1,420	1,418	1,415	100,811
Transportation equipment	2,630	2,617	2,647	2,660	87,356
Miscellaneous manufacturing	903	908	918	927	103,201
Manufacturing NEC	2,194	2,212	2,232	2,252	69,666
Private Service-Providing	117,951	117,909	118,394	118,938	71,174
Trade, transportation, and utilities	27,855	27,808	27,867	27,980	63,444
Wholesale trade	6,448	6,368	6,437	6,536	94,442
Merchant wholesalers, durable goods	4,218	4,173	4,244	4,339	102,058
Merchant wholesalers, nondurable goods	1,537	1,499	1,486	1,481	77,932
Wholesale electronic markets, agents, brokers	693	696	707	716	87,362
Retail trade	16,704	16,629	16,557	16,502	40,670
Motor vehicle and parts dealers	1,685	1,700	1,703	1,708	74,940
Building material and garden supply dealers	1,282	1,265	1,247	1,231	52,393
Food and beverage retailers	3,153	3,193	3,244	3,299	31,827
General merchandise retailers	2,968	2,933	2,890	2,851	33,042
Health and personal care retailers	1,040	1,040	1,044	1,048	40,973
Retail Trade NEC	6,574	6,497	6,428	6,366	37,275
Transportation and warehousing	4,345	4,415	4,477	4,548	85,194
Utilities	395	396	395	394	193,269
Information	3,882	3,828	3,809	3,789	137,029
Publishing	1,539	1,528	1,535	1,542	125,745
Telecommunications	368	351	341	331	74,363
Computing infrastructure providers	872	847	831	814	120,003
Information NEC	1,103	1,101	1,102	1,103	191,743
Financial activities	6,257	6,222	6,247	6,268	85,657
Finance and insurance	3,688	3,668	3,691	3,711	101,896
Credit intermediation and related activities	1,636	1,650	1,668	1,683	92,140
Insurance carriers and related activities	895	911	915	918	87,928
Finance and insurance NEC	1,157	1,107	1,109	1,110	128,172
Real estate and rental and leasing	2,569	2,554	2,556	2,557	63,964

Appendix B:

Forecast of Jobs in Washtenaw County by Detailed Industry

	Estimate	Forecast		Average Annual	
	2025	2026	2027	Wage 2024 \$	
Professional and business services	25,103	24,905	24,950	25,002	102,739
Professional and technical services	17,659	17,591	17,666	17,749	117,607
Legal services	1,000	983	982	981	101,393
Accounting and bookkeeping services	641	656	664	673	83,490
Architectural and engineering services	4,673	4,630	4,641	4,650	147,298
Specialized design services	176	174	175	175	82,678
Computer systems design and related services	3,070	3,135	3,194	3,253	134,592
Management and technical consulting services	1,797	1,713	1,703	1,694	109,297
Scientific research and development services	4,676	4,657	4,668	4,680	108,920
Advertising, PR, and related services	297	330	308	294	95,647
Other professional and technical services	1,329	1,313	1,331	1,349	66,929
Management of companies and enterprises	1,811	1,807	1,837	1,867	161,179
Administrative support and waste management	5,633	5,507	5,446	5,386	50,748
Private education and health services	32,578	32,734	32,986	33,239	66,154
Education services	3,515	3,448	3,422	3,429	44,146
Health care and social assistance	29,063	29,286	29,564	29,810	68,948
Ambulatory health care	13,892	14,195	14,472	14,721	89,416
Offices of physicians	6,920	7,138	7,328	7,500	117,229
Other Ambulatory Health Care Services	6,972	7,057	7,144	7,222	61,317
Hospitals, nursing and residential care facilities, and social assistance	15,171	15,092	15,092	15,089	51,039
Leisure and hospitality	16,406	16,483	16,568	16,656	27,754
Arts, entertainment, and recreation	2,892	3,007	3,057	3,107	27,361
Accommodation and food services	13,514	13,475	13,511	13,548	27,829
Accommodation	1,265	1,304	1,320	1,330	34,907
Food services and drinking places	12,250	12,171	12,191	12,218	27,149
Restaurants and other eating places	10,680	10,624	10,631	10,631	26,588
Full-service restaurants	5,683	5,613	5,592	5,570	29,830
Limited-service restaurants	4,287	4,282	4,301	4,321	23,521
Other Restaurants and Other Drinking Places	711	728	737	740	19,704
Special food services	737	745	756	767	35,606
Drinking places, alcoholic beverages	833	803	804	820	27,302
Other services	5,371	5,449	5,478	5,506	47,196
Private unclassified service-providing	463	481	489	497	65,594

Addendum

Unemployment Rate	4.5	4.3	4.2	4.2
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