

Michigan Economic Outlook

2027–2028

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RESEARCH SEMINAR IN QUANTITATIVE ECONOMICS

UNIVERSITY OF MICHIGAN

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Gabriel M. Ehrlich, Director

George A. Fulton & Saul H. Hymans
Directors Emeriti

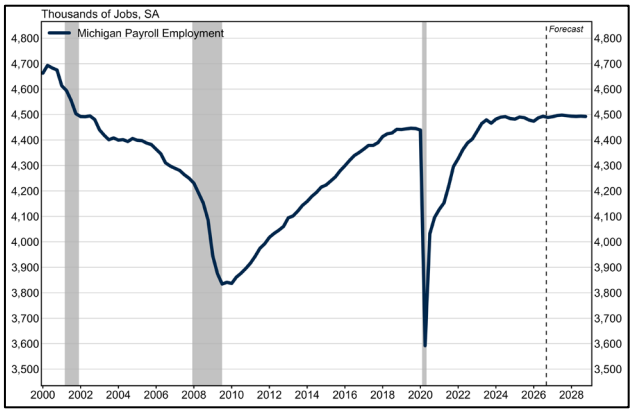
University of Michigan, Ann Arbor
Department of Economics
4330 North Quad, 105 South State Street
Ann Arbor, MI 48109-1285

lsa.umich.edu/econ/rsqe
734-764-2567

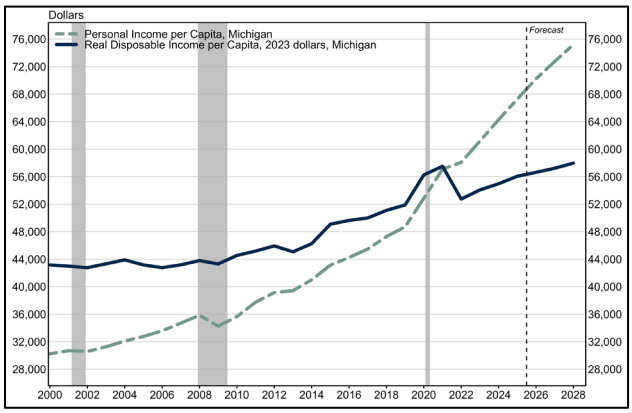
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The Michigan Economic Outlook for 2027–2028: Executive Summary

Michigan Payroll Employment 2000Q1–2028Q4



Michigan Personal Income and Real Disposable Income, 2000–2028



Michigan's estimated labor force participation rate and resident employment count have been cratering recently, but we advise taking those estimates with a large grain of salt. We are unaware of other data that corroborate those steep declines. We recommend focusing on wage and salary employment and the unemployment rate as the best indicators of Michigan's economic health for the time being.

We expect Michigan to add 1,000 payroll jobs this year, with growth accelerating to 9,600 jobs next year before the state loses 2,200 jobs in 2028 as healthcare funding cuts bite. Michigan's unemployment rate hovers in the 4.9–5.0 percent range through the end of 2028.

We estimate that Michigan's cyclical industries will lose 16,100 jobs this year but that losses will slow to an average of 3,300 jobs per year in 2027–2028. Michigan's non-cyclical industries add 17,100 jobs this year and another 13,200 in 2027 before their growth slows to 800 jobs in 2028. Michigan's payroll job count finishes 2028 1.2 percent above its pre-pandemic level.

We project local inflation to accelerate from 1.9 percent in 2025 to 3.7 percent in 2026, reflecting tariff-related pressures and the impact of the Iran war on energy prices. As these pressures gradually ease, inflation should moderate, falling to 2.6 percent in 2027 and 2.0 percent in 2028.

Between 2000 and 2025, Michigan's personal income per capita more than doubled, rising from $30,200 to $67,300. Annual growth averaged 4.9 percent from 2020–2025, and we project growth of 4.4 percent in 2026. With job growth expected to remain muted, we forecast per-capita personal income growth to slow to 3.6 percent in 2027 and 3.4 percent in 2028. By 2028, we expect Michigan's personal income per capita to reach $75,200.

Real disposable income per capita grew by an average of 2.1 percent annually from 2022–2025. We expect growth to slow to 1.0 percent in 2026 as inflation erodes much of the gains in nominal income. Growth holds at that pace in 2027 before picking up to 1.3 percent in 2028 as local inflation cools.

The Michigan Economic Outlook for 2027–2028

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

Introduction

To the extent that observers have focused on the economic data rather than the election campaign this fall, much of the discussion has understandably focused on the precipitous decline in Michigan's estimated labor force and resident employment count.[1] Figure 1 displays two measures of resident employment. The blue line shows the official estimate from the Bureau of Labor Statistics's (BLS's) Local Area Unemployment Statistics (LAUS) database, while the light green line shows our own tabulations from the Current Population Survey (CPS) microdata.[2] In the twelve months ending September 2026, the official estimate of Michigan's resident employment fell by 173,000, while our CPS measure fell by 418,000. These estimated declines are certainly worrisome, but we advise taking them with a large grain of salt.

We are unaware of any economic developments or other economic statistics that would corroborate the estimated declines in Michigan's resident employment count; most other measures of the state's economy indicate that it is holding roughly steady. We summarize some of those measures briefly here:

- Michigan's payroll job count rose by 2,000 over the twelve months ending September 2026. The gap between Michigan's estimated payroll and resident job counts now stands at its lowest level since 1990.
- Michigan's unemployment rate stood at 5.0 percent in September 2026, only one-tenth of a percentage point higher than in September 2025.
- Wage and salary disbursements in Michigan rose 4.3 percent year-over-year through the second quarter of 2026.
- Withholding tax revenue rose 4.6 percent year-over-year through the third quarter of 2026.

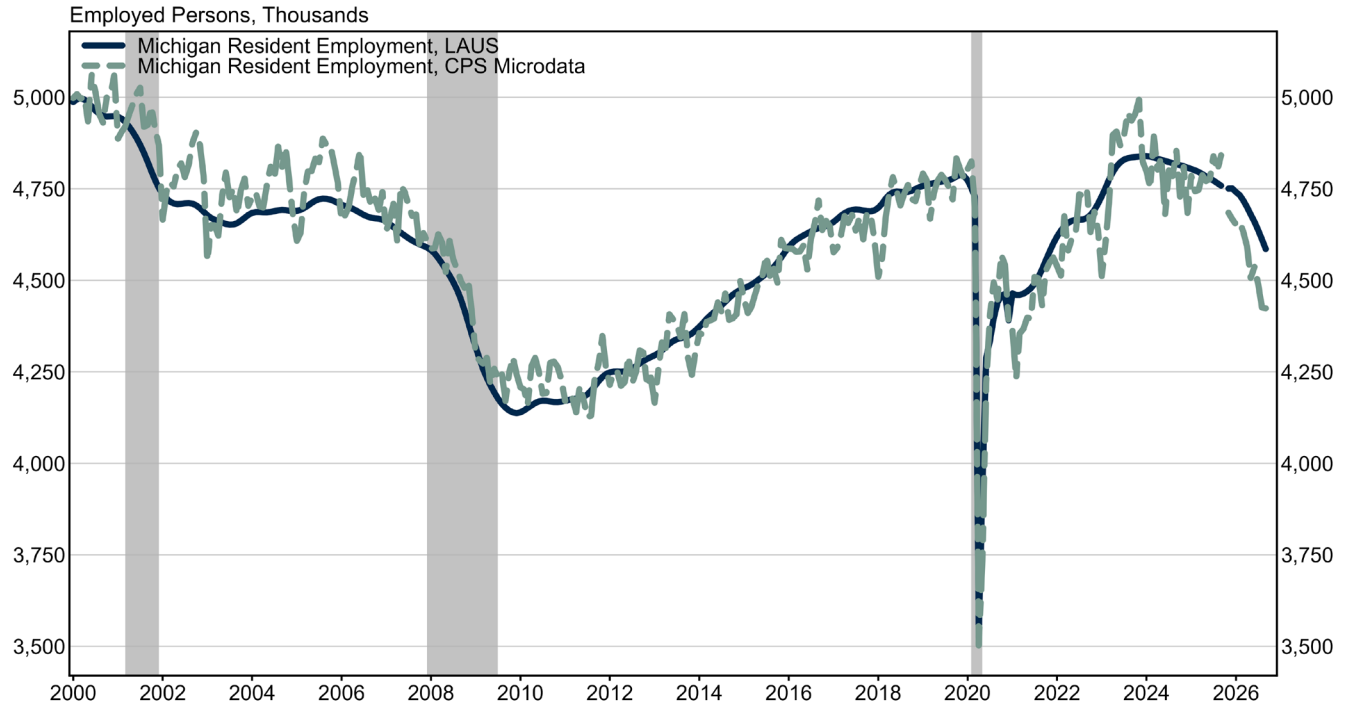
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[1] See, for instance, Jack Brady, "The latest labor data is in. Michigan is in deep trouble," Detroit News, November 1, 2026.

[2] The CPS is the underlying source of U.S. unemployment statistics, and it is also a key input into the LAUS estimate. The BLS uses statistical modeling to smooth through the noise in the CPS employment count to produce the LAUS estimate. Michigan's labor force is the sum of its employed residents and its unemployed residents, so the recent movements in the labor force participation rate have closely reflected movements in the resident employment count.

- The four-week average of initial unemployment claims in Michigan stood at 6,041 for the week ending October 31, 2026. That was 19 percent lower than the four-week average for the week ending November 1, 2025.
- Indeed's index of job openings in Michigan edged up from 101.5 on October 30, 2025, to 102.9 on October 30, 2026.

Figure 1
We Take Michigan's Falling Resident Employment Count with a Grain of Salt



We have previously stated that we usually consider both the resident and payroll employment estimates to provide valuable information about the health of Michigan's labor market. Given the unusual behavior of the resident employment estimates and the lack of corroborating data, however, we currently do not consider those estimates to be providing a reliable signal. We advise our readers to focus on the payroll employment estimates and the unemployment rate rather than the resident employment count or the labor force participation rate for the time being.

Our assessment of the incoming data is that Michigan's economy is roughly at cruising altitude, and we forecast it to remain there over the next two years. We estimate that the state will end up adding 1,000 payroll jobs this year. Growth accelerates to 9,600 payroll jobs next year before the state loses 2,200 jobs in 2028 as budget cuts for healthcare bite in earnest. We project the unemployment rate to

hover in the 4.9–5.0 percent range throughout our forecast. As inflation cools off, we expect Michiganders' purchasing power to improve: the growth rate of real disposable income per capita picks up from 1.0 percent per year in 2026 and 2027 to 1.3 percent in 2028.

Overall, we consider our forecast to be a positive one for Michigan given the speed limit to growth posed by our demographic profile. We take a close look at Michigan's demographic future later in this report, and we also consider some of the key risks to our relatively upbeat outlook. Our view of Michigan's economic prospects has remained roughly consistent over the past year. We believe that the macroeconomic and policy environment has posed multiple challenges to the state economy, including high interest rates, uncertain trade policy, sharply slowing population growth, and most recently, a surge in energy prices. Michigan's success in holding steady in the face of these challenges is a dividend from the painful adjustments the state has made over the course of the millennium. We expect Michigan's newfound economic resilience to remain on display over the next two years.

The Forecast of the State Economy

Detroit Three Light Vehicle Sales

Michigan's economy is highly sensitive to international trade policy due to the critical role of the local auto industry. Our November U.S. forecast report discusses the current tariff and trade landscape and how it may change over the forecast. Overall, the broad tariff burden remains similar to our August forecast, but unresolved trade tensions with Canada and Mexico continue to create uncertainty. We expect the threatened 50-percent tariffs on Canadian cars, trucks, and auto parts to serve primarily as a bargaining tool rather than to take effect durably. Meanwhile, negotiations with Mexico remain stalled over steel and aluminum tariffs, auto tariffs, and Chinese investment. While our view is that Michigan's auto industry can continue to function in the absence of further escalation, the threatened Canadian auto tariffs and stalled negotiations with Mexico represent the largest downside risk to the local auto industry.

Figure 2
Light Vehicle Sales Coasting in Neutral

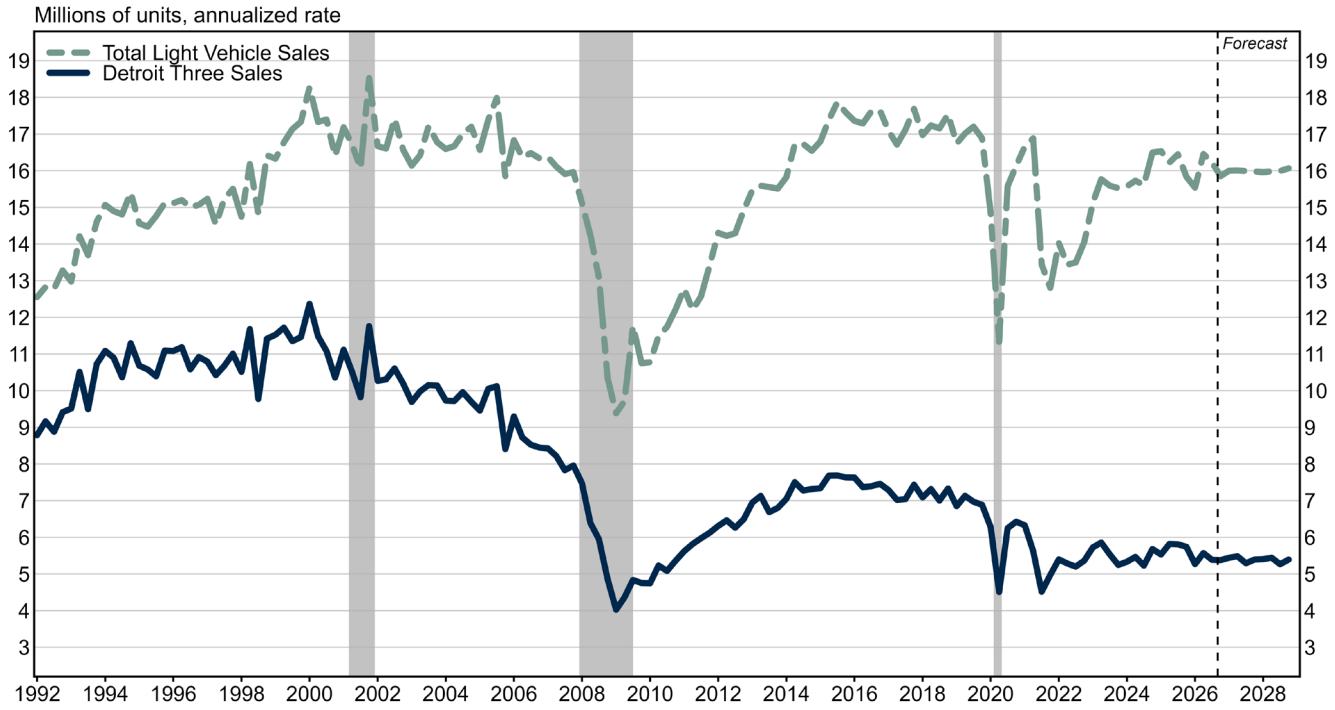


Figure 2 shows our quarterly forecast for total U.S. and Detroit Three light vehicle sales at an annualized pace. Despite the significant increase in oil prices, light vehicle sales averaged a pace of 16.5 million units in the second quarter of 2026 and 16.2 million units in the third quarter. Sales fell to 15.5 million units in October, however, amid higher vehicle prices and monthly payments weighing on consumers. Sales are expected to pick up to an average pace of 15.9 million units in the final quarter of 2026, with dealer incentives providing some support. Looking ahead, we expect light vehicle sales to hover around 16.0 million units per year through the end of our forecast as financing costs gradually ease and replacement demand provides a floor for the market.

The Detroit Three's share of U.S. light-vehicle sales averaged 33.8 percent in October, down 2.7 percentage points from one year earlier. Although this represents a notable year-over-year decline, it largely reflects a return to the market-share levels observed in early 2025, before the second Trump Administration's implementation of new tariffs. Looking ahead, we project the Detroit Three's annual market share to tick down slightly and hover around 33.6–33.8 percent over the forecast. Translating our

forecast into unit sales, we expect Detroit Three sales to average 5.4 million units annually from 2026 through 2028, slightly below the 5.6-million-unit annual average recorded from 2023 through 2025.

Payroll Employment

Figure 3 shows the historical data and our forecast of Michigan's quarterly payroll job count. We estimate that Michigan will add 1,000 jobs this year after losing 2,300 in 2025. Growth picks up to 9,600 job gains next year before giving way to 2,200 job losses in 2028. Our forecast takes Michigan's payroll job count to 1.2 percent above its pre-pandemic level by the end of 2028, but it remains 4.3 percent below its all-time peak from the second quarter of 2000.

Figure 3
Michigan Payroll Employment Reaches Cruising Altitude

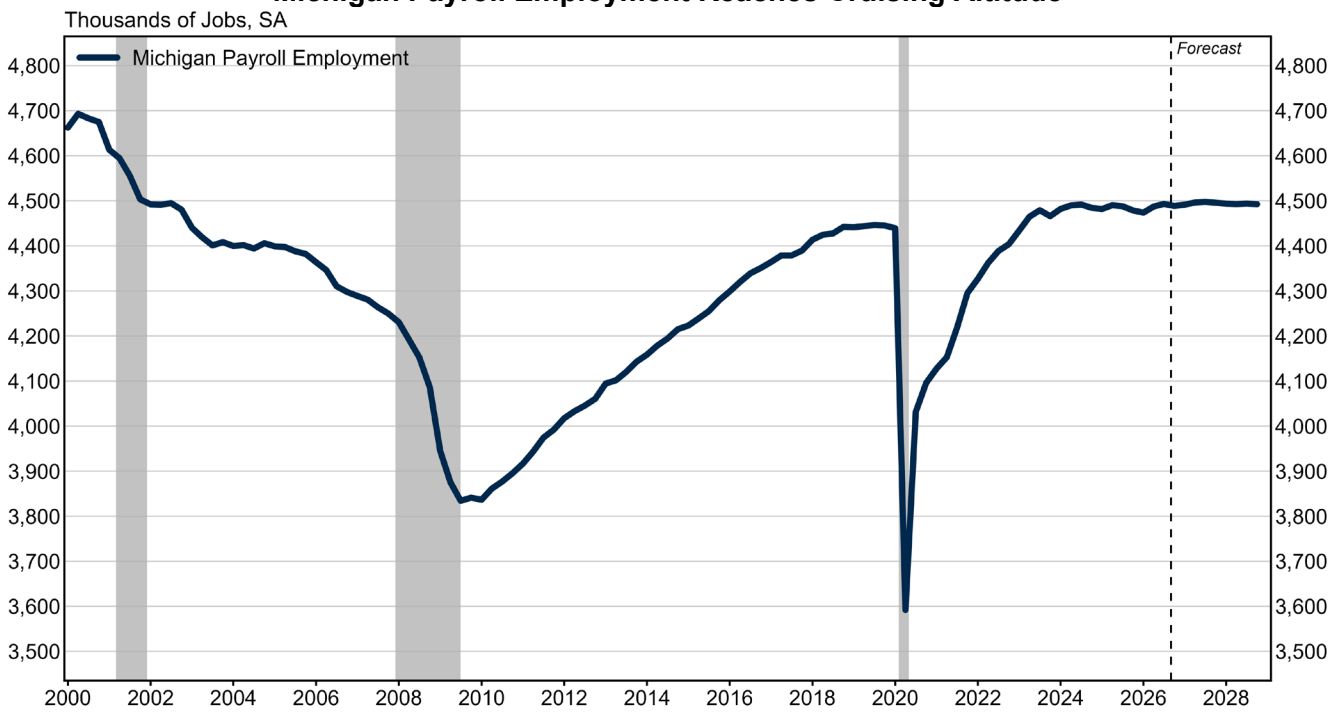


Table 1 displays our forecast for Michigan's annual job growth by industry, while Figure 4 divides our industries into two groups: "Cyclical Industries" and "Non-cyclical Industries."[3] We have named the

[3] 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 percent of nonfarm payroll employment in Michigan in 2025.

groups this way because the non-cyclical industries typically display much less volatile employment patterns than the cyclical industries, with the exception of the COVID-19 pandemic and recovery period. We estimate that Michigan's cyclical industries will lose 16,100 jobs this year but that losses will slow to an average of 3,300 jobs per year in 2027–2028. Michigan's non-cyclical industries add 17,100 jobs this year and another 13,200 in 2027 before their growth slows to only 800 jobs in 2028.

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

	2025	Δ'25–'26^F	Δ'26–'27^F	Δ'27–'28^F	Δ'25–'28^F
Total Jobs	**4484.7**	**1.0**	**9.6**	**-2.2**	**8.5**
Total Government	627.1	12.5	6.0	1.8	20.3
Total Private	3857.6	-11.5	3.7	-4.0	-11.8
Natural resources and mining	7.0	0.3	0.1	-0.1	0.3
Construction	201.2	-1.8	1.3	0.5	0.0
Manufacturing	586.0	-3.8	1.0	0.0	-2.7
Transportation equipment manufacturing	174.3	-1.1	0.9	-0.1	-0.3
Other manufacturing	411.7	-2.7	0.2	0.2	-2.4
Trade, transportation, and utilities	805.6	-6.6	-1.6	-3.3	-11.5
Retail trade	452.7	0.5	-0.2	-3.2	-2.9
Transportation, Warehousing, and Utilities	178.0	-3.5	-1.9	-0.6	-6.0
Wholesale trade	174.8	-3.6	0.4	0.5	-2.6
Information	54.8	-1.7	-0.4	-0.5	-2.5
Financial activities	240.3	1.2	-0.5	1.3	2.0
Professional and business services	625.1	-5.2	-3.7	-1.5	-10.5
Professional, scientific & technical services	307.8	-2.5	-0.6	-0.2	-3.4
Management of companies & enterprises	64.4	-1.7	-0.1	-0.1	-1.9
Admin & support & waste mgmt.	252.9	-1.1	-3.0	-1.2	-5.3
Private education and health services	732.9	6.1	3.0	-4.1	5.0
Leisure and hospitality	429.3	-0.3	5.5	2.8	8.0
Other services	175.4	0.2	-1.0	0.9	0.1
Addendum: Percent Change in Total Jobs		**0.0**	**0.2**	**0.0**	**0.2**

RSQE: November 2026

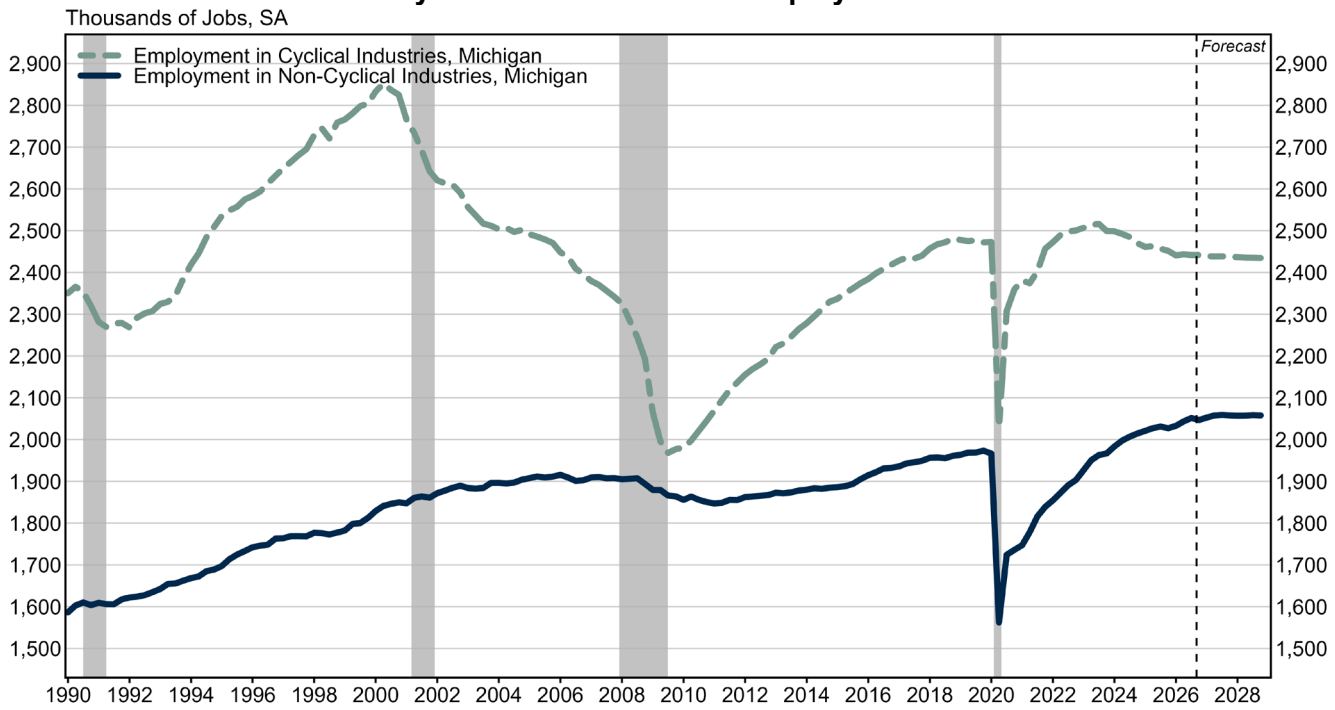
^{F} Denotes forecast years

Michigan's **construction** industry lost a total of 4,700 jobs in the fourth quarter of 2025 and the first quarter of 2026 in the face of high mortgage rates, weak homebuyer demand, and builder pessimism, even as the AI buildout supported demand in commercial construction. Employment in construction has stabilized since the beginning of the year, and the industry has recovered 1,600 of those job losses

through the third quarter. We are projecting 1,800 job losses this year on a calendar year basis, before growth returns with 1,300 job gains in 2027 and another 500 in 2028. Despite this modest forecast, the level of employment in Michigan's construction industry remains healthy: we project employment in 2026 to average 64 percent higher than the level in 2010 and 15 percent higher than in 2019.

Michigan's **manufacturing** sector has faced a rough stretch recently, losing a total of over 30,000 jobs in 2024 and 2025. High interest rates, shifting tariffs, uncertainty about North American trading arrangements, and a run-up in gas and diesel prices have also posed challenges. Still, employment in manufacturing has stabilized over the course of 2026. We project a loss of 3,800 jobs this year on a calendar year basis, followed by 1,000 job gains next year and flat employment in 2028. We are modestly encouraged by the recent talk of a potential trade deal with Canada.[4]

Figure 4
Non-Cyclical Industries Drive Employment Gains



Michigan's **professional and business services** supersector generally follows the manufacturing sector's employment patterns, and it has also been losing jobs recently. Professional and business

[4] See, for instance, Reuters, "Trump floats 'concept' of US-Canada deal that includes pipeline," *USA Today*, November 2, 2026.

services shed a cumulative 28,000 jobs in 2024 and 2025, and we estimate that they will lose another 5,200 jobs this year. Unfortunately, we do not expect Michigan's professional and business services industries to stabilize alongside the state's manufacturing sector. We are projecting 3,700 job losses next year and another 1,500 in 2028. Administrative and support and waste management and remediation services drive most of those losses.

Michigan's **trade, transportation, and utilities** supersector has been losing jobs steadily since 2024. We are projecting these industries to lose 6,600 jobs this year after losing a total of 7,500 in 2024 and 2025. We forecast losses to slow to an average pace of 2,500 jobs per year in 2027 and 2028. Employment in the retail trade sector has bucked its downward trend so far in 2026, and we are projecting the industry to gain 500 jobs this year before losses resume over the next two years. Wholesale trade adds an average of 500 jobs per year in 2027–2028, while transportation, warehousing, and utilities lose an average of 1,200 jobs per year.

Michigan's **financial services** sector is on track to add 1,200 jobs this year, shrugging off high interest rates and a slow housing sector. Except for the pandemic year of 2020, Michigan's financial services sector has gained jobs every year since 2011. Unfortunately, given losses in the most recent data, we expect that streak to end next year, with 500 job losses in 2027. Finance then adds 1,300 jobs in 2028 as interest rates subside modestly.

Michigan's **non-cyclical industries** have been sustaining the state's job market recently. They added 25,900 jobs last year, and we estimate that they will add 17,100 this year. Solid growth of 13,200 jobs continues next year before the non-cyclical industries slow sharply in 2028, with only 800 job gains, as budget cuts in the healthcare sector weigh on health services employment.

We forecast Michigan's **private education and health services** sector to add 6,100 jobs this year and 3,000 more in 2027. The sector then reverses course in 2028, losing 4,100 jobs as funding cuts contained in the One Big Beautiful Bill Act of 2025 take a toll on growth. Our forecast envisions the cuts to end up being less severe than currently scheduled given the legislative bargaining we expect over the

next two years. Nonetheless, our forecast calls for Michigan's private education and health services sector to transition from a reliable engine of job growth to a source of job losses in 2028.

We expect Michigan's **leisure and hospitality** industry to lose 300 jobs this year, a disappointing performance that we attribute partly to a shrinking pool of available workers and partly to the sector's return to nearly its pre-pandemic size. We are projecting a return to growth at an average pace of 4,100 jobs per year over the next two years, as several other sectors in the state economy slow. Our forecast takes Michigan's leisure and hospitality sector to 1.9 percent above its pre-pandemic employment level by the end of 2028.

As of this summer, we judged that the **other private services** sector had settled into a stable growth path, but that sanguine assessment has been shaken by job losses over the past few months. We now project the other services sector to eke out only 200 job gains in 2026 before losing 1,000 jobs next year. The sector then recovers 900 of those losses in 2028.

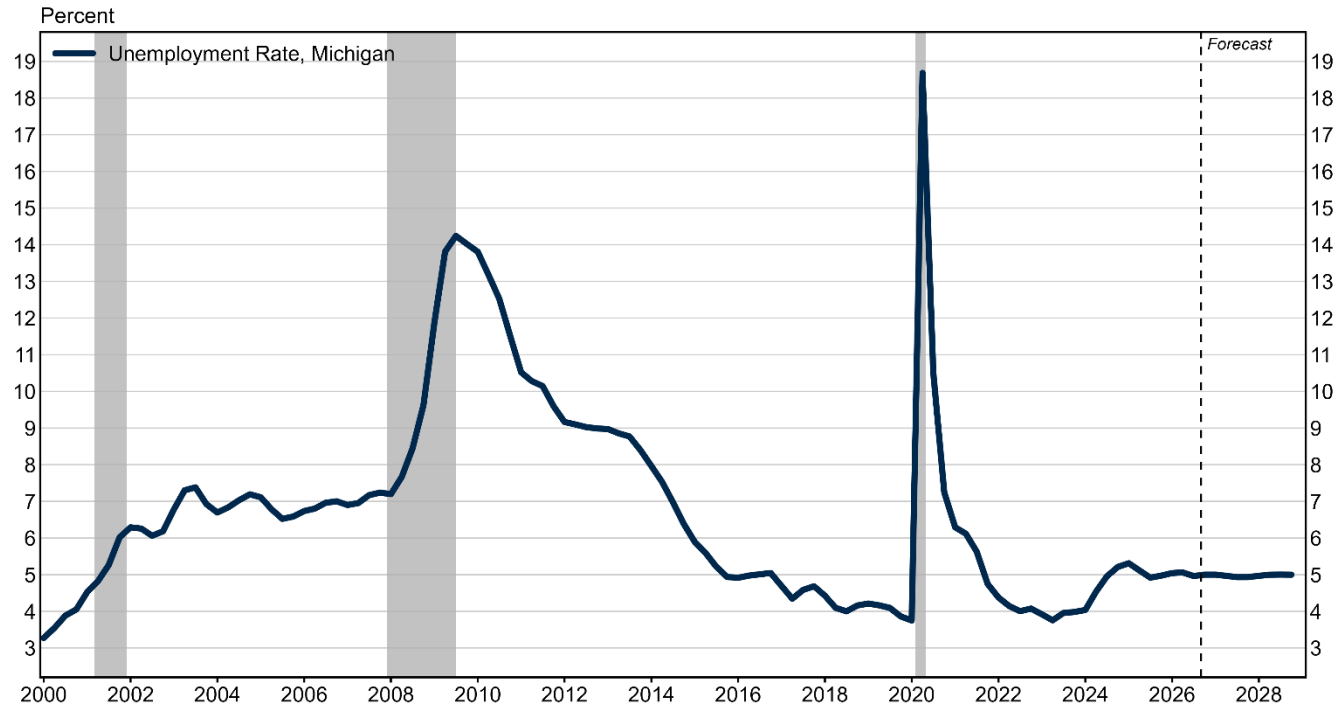
We have been surprised by the pace of job growth in Michigan's **government** sector this year. We expect government to add 12,500 jobs, an acceleration from last year's pace of 7,900 job additions. Still, we are skeptical that this pace of growth can persist much longer. We forecast growth to slow to 6,000 jobs in 2027 and 1,800 in 2028. Even that slower pace of growth is a bit faster than the pace we are projecting for the private sector over the next two years. Although government's share of Michigan employment edges up slightly in our forecast, it remains below its average level since 2000.

Unemployment and Labor Force Participation Rates

Figure 5 displays the historical data and our forecast for Michigan's quarterly unemployment rate. The state's unemployment rate has remained surprisingly stable since May 2025, hovering around 4.9–5.1 percent and registering 5.0 percent in the latest data for September. As noted in the introduction, however, the unemployment rate's stability has coincided with a notable decline in the labor force participation rate, which has fallen by nearly 3 percentage points from May 2025 to September 2026. We are skeptical of the extent to which this decline reflects underlying labor market conditions, particularly in the period since the federal government shutdown in 2025.

We expect Michigan's labor market to maintain its recent pace over the next couple of years, with the unemployment rate remaining near 5.0 percent throughout the forecast as the decline in the state's labor force moderates. Michigan's unemployment rate is projected to hold slightly above the national rate, averaging 0.9 percentage point higher over the next two years. This gap would be slightly narrower than the historical average of 1.1 percentage points since 2000 but considerably wider than the 0.3-percentage-point gap recorded in the years immediately preceding the pandemic (2018–19).

Figure 5
Michigan's Unemployment Rate Hovers Near 5.0 Percent



We project that Michigan's labor force participation rate will continue declining over the remainder of the forecast, as baby boomers continue to retire and current immigration policies restrain labor force growth. By the end of 2028, the state's participation rate is expected to edge down to 57.8 percent, well below the historic low of 59.1 percent in the first half of 2021.

While we remain somewhat skeptical of the headline labor force participation rate, our simple estimate of Michigan's traditional working-age labor force participation rate—the state's labor force di-

vided by the state's population aged 16–64—continues to show some resilience. We forecast this alternative measure of participation to decline modestly to 78.9 percent by the end of our forecast, just one-half of a percentage point shy of its 2019 annual average.

Local Inflation

National progress toward price stability has been disappointing, with personal consumption expenditures (PCE) inflation, the Federal Reserve's preferred measure, running 3.6 percent year over year in September. While much of this increase reflects a sharp rise in energy prices, core PCE inflation, which excludes food and energy prices, also remained elevated at 3.1 percent. The pass-through of tariffs, the ongoing war in Iran, and AI-related price pressures continue to complicate the path toward the Federal Reserve's 2-percent inflation target.

The Detroit area, however, has seen inflation moderate since the onset of the Iran war. Local headline inflation, measured by the Consumer Price Index for the Detroit metro area, eased from 4.1 percent year over year in April to 3.7 percent in August 2026. Local core inflation has provided a more encouraging sign, reflecting some relief to local consumers as it slowed from 3.0 percent to 1.6 percent over the same period.

Looking ahead, two major sources of uncertainty cloud our inflation outlook, both of which are discussed in greater detail at the end of this report. First, the war in Iran remains a significant wildcard, particularly for energy prices and their broader spillover effects. The duration of the conflict and the timing of a return to normal shipping activity through the Strait of Hormuz are both difficult to predict, making the outlook for energy prices especially uncertain. Second, while the broader contours of U.S. trade policy appear to be taking shape, ongoing trade tensions with Canada and Mexico suggest that considerable uncertainty remains. We ultimately expect these disputes to be resolved, but the stop-and-start nature of the Administration's trade actions raises the risk of further disruptions and more frequent price adjustments.

Figure 6
Local Inflation Seesaws with Energy Prices

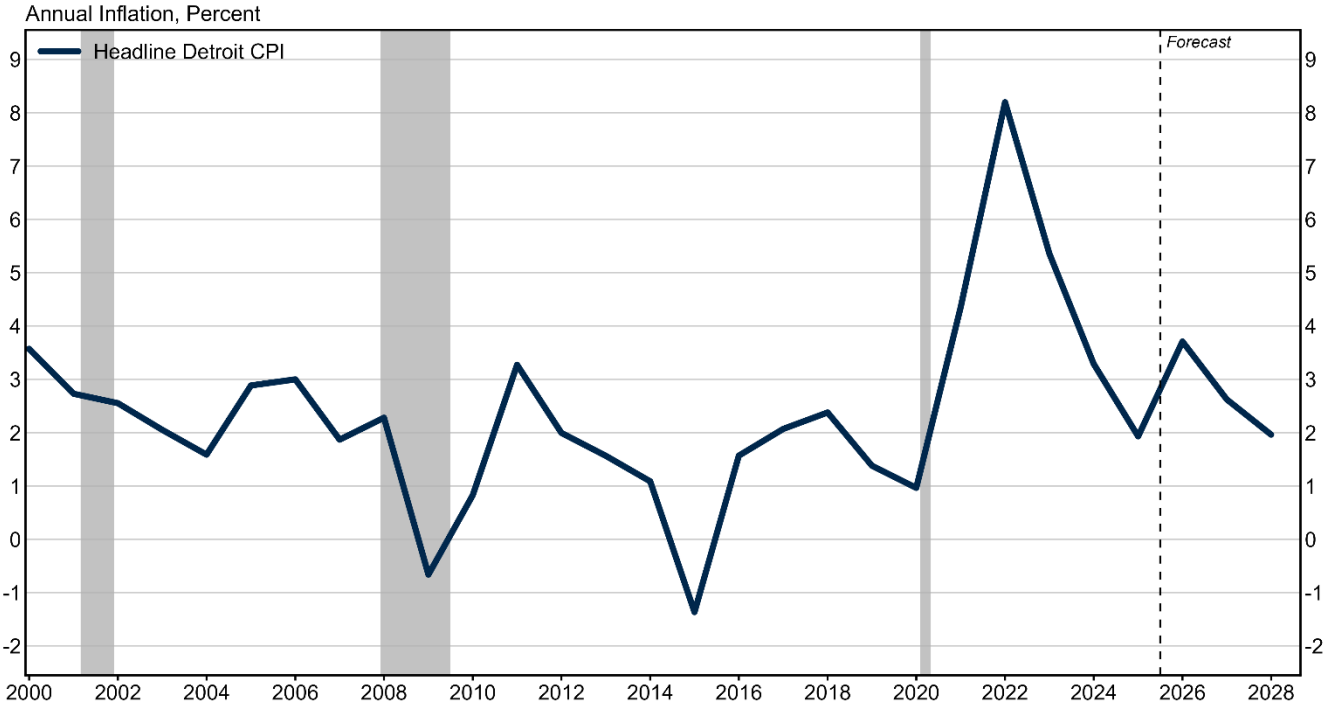


Figure 6 shows the history and our forecast for annual local inflation, which smooths out some of the volatility in the local data. We expect headline inflation to accelerate from 1.9 percent in 2025 to 3.7 percent in 2026, reflecting tariff-related pressures and the impact of the Iran war on energy prices. As these pressures gradually ease, inflation should moderate, falling to 1.8 percent year over year by the end of 2027. We then expect inflation to edge up to 2.1 percent by the end of 2028 as the disinflationary effects of lower energy prices fade. On a calendar year basis, we forecast headline inflation to average 2.6 percent in 2027 and 2.0 percent in 2028.

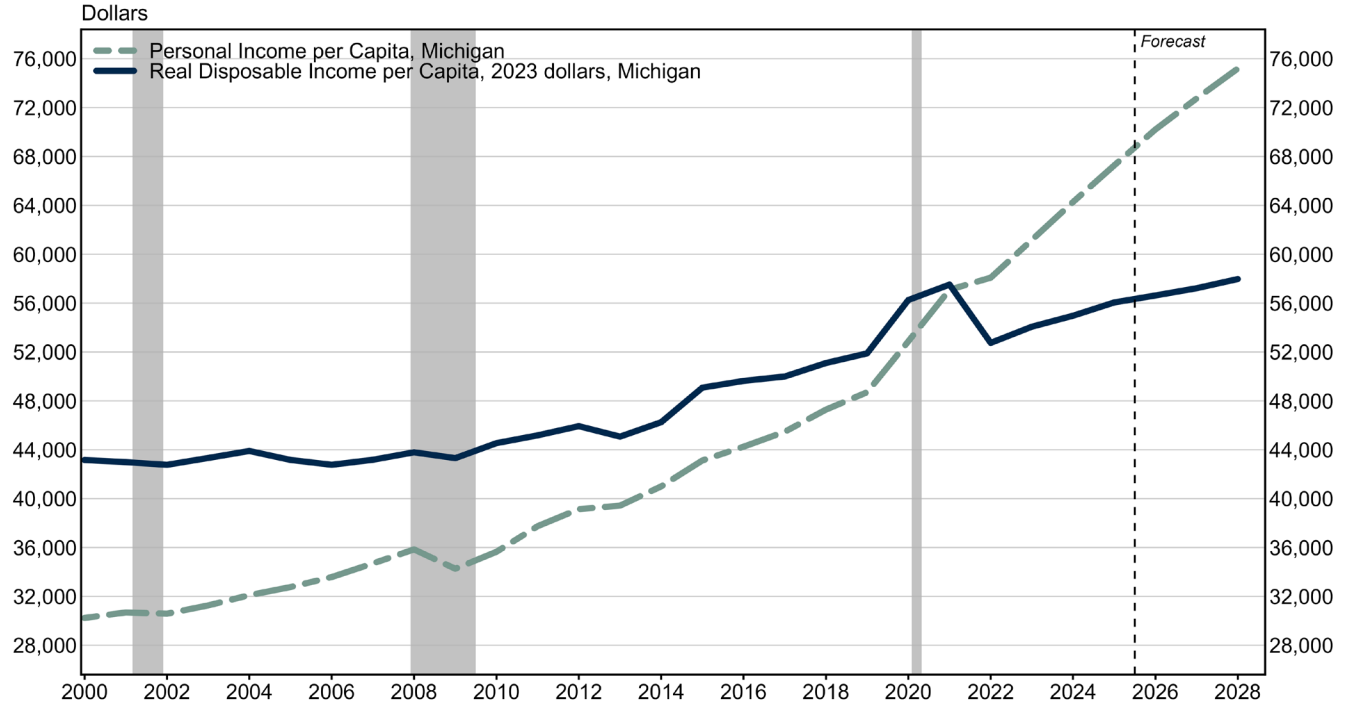
Personal Incomes

Figure 7 shows our forecast for Michigan personal income per capita, measured in nominal dollars, and real disposable income per capita, measured in 2023 dollars. Between 2000 and 2025, Michigan's personal income per capita more than doubled, rising from $30,200 to $67,300. Growth was slowest during the 2000–2010 decade, averaging just 1.7 percent per year. From 2010–2020, average annual growth picked up to 4.0 percent before accelerating further to an average of 4.9 percent from 2020–2025. We estimate that per-capita income growth in Michigan remained strong through the first half of 2026,

the most recent income data available, averaging 4.9 percent at an annual rate. We expect growth to slow substantially during the second half of the year, as economic momentum softens, bringing overall growth for the year to 4.4 percent.

Personal income growth tends to track the trajectory of wages and salaries in the state, which account for nearly half of Michigan's total personal income. With job growth expected to remain muted, we forecast per-capita personal income growth to moderate to 3.6 percent in 2027 and 3.4 percent in 2028, roughly in line with our forecast for average annual wage growth. By 2028, we expect Michigan's personal income per capita to reach $75,200, more than 50 percent above its 2019 level.

Figure 7
Michigan Real Disposable Income Surpasses Stimulus-Fueled Peak



Our forecast for real disposable income per capita in Michigan combines our projections for nominal personal income, taxes, and local inflation. Measured in 2023 dollars, real disposable income per capita has grown much more slowly than its nominal counterpart, reflecting in part the economic challenges Michigan faced during the early 2000s. In 2009, real disposable income per capita stood essentially even with its level from 2000. Growth improved during the following decade, averaging 1.7 percent per year from 2010–2019. Low inflation and federal assistance initially boosted real disposable income

sharply during the pandemic, but those gains were erased in 2022 as inflation surged and federal assistance wound down. As inflation eased, real disposable income per capita resumed its upward trajectory, growing by an average of 2.1 percent annually from 2022–2025. We expect growth to slow to 1.0 percent in 2026, however, as energy-driven inflation erodes much of the gain in nominal income.

Looking ahead, we project real disposable income growth to remain subdued as local inflation recedes at the same time as nominal income growth slows. On an annual basis, we forecast growth of real disposable income per capita to hold steady at 1.0 percent in 2027, before nudging up to 1.3 percent in 2028. Overall, Michigan's real disposable income per capita is projected to stand 11.7 percent above its 2019 level by 2028 and 0.8 percent above its stimulus-fueled peak in 2021.

The State Revenue Outlook

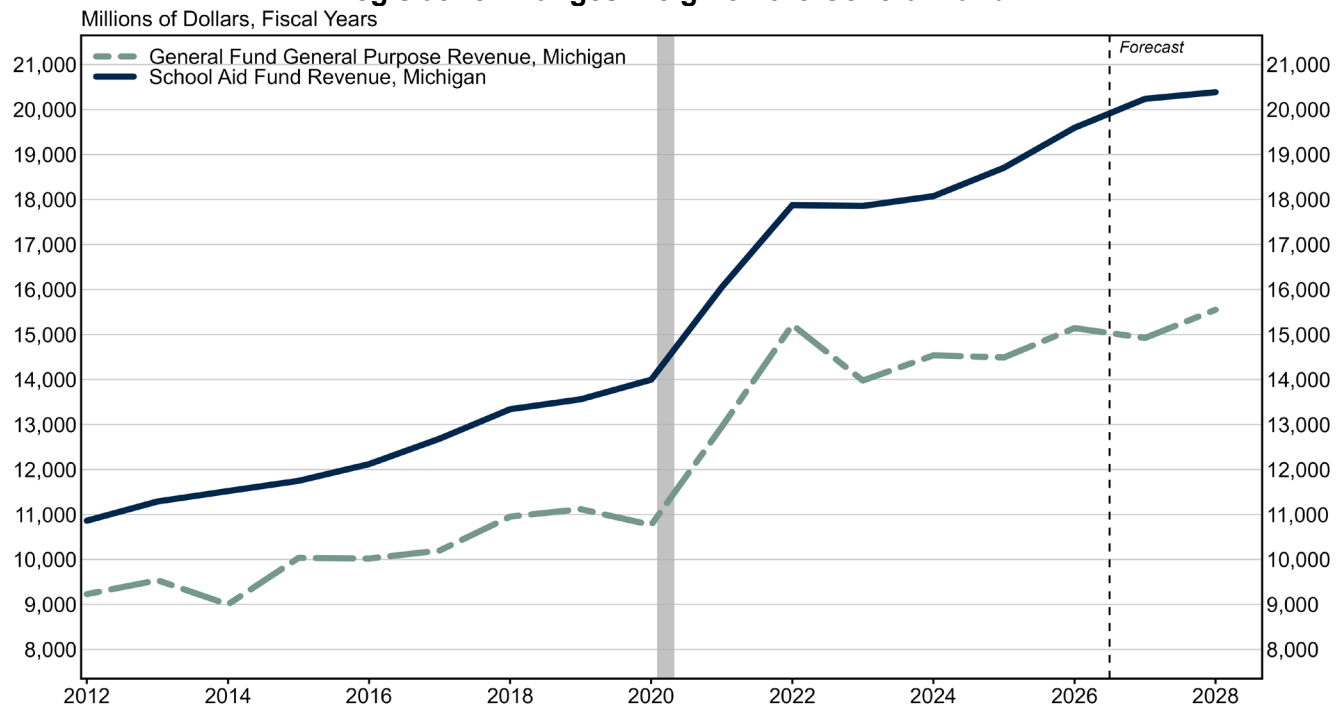
The State of Michigan's fiscal year officially ended on September 30. While final account settlements will extend into next year, the monthly data point to a year of solid revenue growth. Preliminary figures show a gain of $1.54 billion, or 4.6 percent, in combined General Fund General Purpose (GFGP) and School Aid Fund (SAF) revenues, with growth spread evenly between the two funds, as shown in Figure 8. Vigorous growth of net personal income tax and use tax revenues, together with healthy corporate income tax collections, more than offset the decline in sales tax revenue.

Looking ahead, revenue growth slows considerably in fiscal 2027 and fiscal 2028. GFGP revenue declines by 1.4 percent in fiscal 2027 before rebounding with growth of 4.2 percent in fiscal 2028. SAF revenue growth, meanwhile, moderates to 3.3 percent in fiscal 2027 before slowing further to 0.7 percent in fiscal 2028. The slowdown reflects easing growth in net personal income tax revenue, declining corporate income tax collections, and little net change in sales and use tax revenues. Altogether, combined GFGP and SAF revenues rise by 1.2 percent in fiscal 2027 and 2.2 percent in fiscal 2028.

In general, two broad forces are shaping the outlook for state tax revenue over the next two years. First, our forecast of muted economic growth, including a subdued labor market and significant policy uncertainty, translates into weaker state tax collections. Second, a suite of legislative changes enacted as part of the state's October 2025 budget package and related bills has substantially reduced projected

tax revenues. The most significant provisions include the elimination of the sales tax on motor fuel purchases, new deductions for qualified tips and overtime, the repeal of the personal income tax earmark for the Michigan Transportation Fund (MTF), and a new corporate income tax earmark for the newly created Neighborhood Roads Fund.[5]

Figure 8
Michigan Tax Revenues:
Legislative Changes Weigh on the General Fund



Taken together, we estimate that the provisions in the state budget package have lowered General Fund revenue by approximately $1.1 billion in fiscal 2026. We project further reductions of $1.5 billion in fiscal 2027 and $1.4 billion in fiscal 2028. The impact on School Aid Fund revenue is considerably smaller, with annual reductions of approximately $20 million to $25 million over the same period. Most of the revenue losses stem from the new earmark for the Neighborhood Roads Fund and the elimination of the sales tax on motor fuels. The latter is particularly sensitive to fuel prices, with higher prices translating into larger revenue losses. Our estimate of the cumulative revenue impact of eliminating the sales tax on

[5] See pages 15–16 of RSQE's report, The Michigan Economic Outlook for 2026–2027: March 2026, for a more comprehensive description of the legislative changes to state tax revenue.

gas and diesel over fiscal 2026–2028 is now $740 million higher than it was a year ago, reflecting the increase in gas and diesel prices since the beginning of the Iran war.

The recent midterm elections introduce another source of uncertainty into the state revenue outlook. Jocelyn Benson was elected Michigan's next governor, while Democrats regained control of the state House and expanded their majority in the state Senate. Unified Democratic control of state government could provide Governor-elect Benson with latitude to pursue her policy priorities. Her emphasis on affordability, including a pledge not to raise taxes on middle-class residents and proposals for targeted tax credits, suggests that tax relief could feature in the new administration's agenda. The potential implications for state revenues remain uncertain, however, as the incoming administration and legislature have yet to establish their priorities. We will adjust our revenue forecast as necessary when new legislation is signed into law. In keeping with our traditional practice, our forecast of Michigan revenues reflects the state's current tax code.

Despite the near-term slowdown, we forecast that total state tax revenue in fiscal 2028 will stand $11.3 billion, or 45.6 percent, above its fiscal 2019 level, well above the pre-pandemic trend. Still, much of that growth has been accompanied by higher inflation. After adjusting for local inflation, cumulative state revenue growth between fiscal 2019 and fiscal 2028 amounts to just 6.0 percent, equivalent to average real growth of only 0.6 percent per year.

We now describe our forecast for state tax revenues in more detail. Table 2 summarizes the recent history, including our preliminary estimates for fiscal 2026, along with projections for fiscal years 2027 and 2028. The first section presents GFGP revenues, while the second provides a breakdown of SAF revenues.

Net Personal Income Tax Revenue

- Net personal income tax revenue grew by 2.9 percent in fiscal 2025, as an increase in refunds partially offset otherwise robust growth. We estimate that revenue growth accelerated to 8.6 percent in fiscal 2026, supported by meaningful contributions from all major components except for annual payments, which remained essentially flat. A decline in refunds following the elimination of the earmark to the Michigan Transportation Fund also contributed to the increase. Against a backdrop of subdued economic growth, we forecast net personal income tax revenue growth to moderate to 2.5 percent in fiscal 2027 before edging up to 2.9 percent in fiscal 2028.

- Changes affecting retirement income, qualified tips, and qualified overtime will reduce the General Fund's distribution of income tax revenue by $153.3 million in fiscal 2026, $178.0 million in fiscal 2027, and $169.6 million in fiscal 2028. These reductions are more than offset by the repeal of the MTF earmark, which increases the General Fund's share by $600 million annually. Consequently, GFGP net personal income tax revenue rose 18.0 percent in fiscal 2026 from the combination of the legislative changes and brisk growth of withholding, quarterly, and flow-through income tax revenues. We forecast growth to slow to 2.2 percent in fiscal 2027 before edging up to 3.1 percent in fiscal 2028.
- The new exemptions on qualified tips and overtime reduce the SAF's distribution from the personal income tax by roughly 0.5 percent in each fiscal year. Despite these reductions, the SAF's distribution, which is calculated before refunds and earmarks, grew by a healthy 5.4 percent in fiscal 2026. We project growth of the SAF's share to cool to 3.4 percent in fiscal 2027 and 2.3 percent in fiscal 2028 as growth of gross income tax revenues slows.

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.
- GFGP consumption tax revenue nudged up by 0.7 percent in fiscal 2025, as an increase in sales tax revenue offset declines in the other components. We estimate that growth accelerated to 6.0 percent in fiscal 2026, driven by a sharp increase in use tax revenue.
- Even so, we estimate that gross sales and use tax revenue declined by 1.5 percent in fiscal 2026 due to the elimination of the sales tax on motor fuels. The impact of that change carries into fiscal 2027, when we project gross sales and use tax revenue to remain flat, before increasing by 0.5 percent in fiscal 2028. Without the legislative change, we estimate that gross sales and use tax revenue would have grown by 5.9 percent in fiscal 2026 and would increase by another 3.0 percent in fiscal 2027.
- After accounting for the General Fund's share of gross sales and use tax revenue as well as excise taxes on cigarettes and alcohol, we forecast GFGP consumption tax revenue to show little change in fiscal 2027 before rising by 1.9 percent in fiscal 2028.

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. Some 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 non-earmarked business tax revenue accrues to the General Fund.
- Business tax revenue fell by 8.9 percent in fiscal 2025 due to declines in all of the major categories as well as a rise in MBT refunds. That loss would have been even worse if it were not for the repeal of the $500 million distribution from the CIT to the SOAR fund, which was replaced with a smaller $250 million distribution to the Healthy Michigan Fund.
- Based on the preliminary data, we estimate that business tax revenue grew by 3.2 percent in fiscal 2026, reflecting moderate gains across the major components.

- GFGP business tax revenue is expected to decline by 3.3 percent in fiscal 2027 before rebounding by 8.8 percent in fiscal 2028. The decline in 2027 primarily stems from the expansion of the new transportation earmarks from the CIT. Under the legislation, $688 million of CIT revenue in fiscal 2026, $776 million in fiscal 2027, and $864 million in fiscal 2028 will be directed to the Neighborhood Roads Fund. The projected rebound in fiscal 2028 is supported by an expected decline in MBT refunds.

Total General Fund Revenue

- Total GFGP revenue ticked down by 0.3 percent in fiscal 2025, as modest increases in personal income and consumption tax revenues were more than offset by declines in business tax and nontax revenues.
- Most of the recent legislative changes began to take effect in fiscal 2026. The largest impacts came from the CIT earmark for the Neighborhood Roads Fund and the General Fund transfer to the School Aid Fund to replace lost sales tax revenue from motor fuel purchases. Taken together, we estimate the full suite of legislative changes reduced GFGP revenue by $1.1 billion in fiscal 2026. We project further reductions of $1.5 billion in fiscal 2027 and $1.4 billion in fiscal 2028.
- We estimate that total GFGP revenue grew by 4.5 percent in fiscal 2026, as a substantial increase in personal income tax revenue and healthy growth in consumption and business tax revenues more than offset the new transfer to the SAF. Growth turns negative in fiscal 2027, with GFGP revenue declining by 1.4 percent. Moderating personal income tax revenue combines with flat consumption tax revenue and declines in business tax and non-tax revenue, as well as a larger transfer to the SAF. GFGP revenue rebounds by 4.2 percent in fiscal 2028, supported by growth across all major revenue categories and a smaller transfer to the SAF.
- By fiscal 2028, we forecast total GFGP revenue to stand $4.4 billion, or 39.9 percent, above its fiscal 2019 level. After adjusting for local inflation, however, the cumulative gain shrinks to only 1.8 percent. Still, much of the weakness relative to 2019 reflects legislative changes; absent those changes, revenue would rise a projected 11.1 percent in real terms from 2019 to 2028, equivalent to average annual growth of 1.2 percent.

Total School Aid Fund Revenue

- About 40 percent of total SAF revenue comes from sales and use tax collections, while 20 percent derives from the personal income tax and another 15 percent from the state education property tax. Other taxes, including the real estate transfer tax, liquor tax, casino tax, and tobacco tax, as well as lottery transfers, make smaller contributions.
- Total SAF revenue grew by 3.5 percent in fiscal 2025. A small rebound in sales tax revenue coincided with healthy growth in income tax and state education property tax revenues and smaller gains from the casino tax and real estate transfer tax.
- We estimate that total SAF revenue grew by an additional 4.7 percent in fiscal 2026, supported by continued gains from income tax revenue, strong growth in use tax revenue, and brisk growth in casino tax revenue. Although sales tax revenue declined, the new transfer from the GFGP more than offset the drop in revenue.

- Looking ahead, we expect continued growth in state education property tax and casino tax revenues, while income tax revenue growth moderates. Distributions from sales and use tax revenues, meanwhile, remain relatively flat over the forecast period.
- The transfer from the General Fund continues to compensate the School Aid Fund for revenue lost from the elimination of the sales tax on motor fuels. Other legislative provisions, however, reduce SAF revenue by $20.5 million in fiscal 2026, $23.2 million in fiscal 2027, and $21.2 million in fiscal 2028, leaving the General Fund to bear most of the overall revenue impact.
- Overall, we project total SAF revenue growth to moderate to 3.3 percent in fiscal 2027 before slowing further to 0.7 percent in fiscal 2028. By the end of the forecast, total SAF revenue is projected to stand roughly $6.8 billion, or 50.3 percent, above its fiscal 2019 level. After adjusting for local inflation, however, cumulative growth amounts to just 9.4 percent, equivalent to average annual real growth of 1.0 percent between fiscal 2019 and fiscal 2028.

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

	2025	2026[P]	2027[F]	2028[F]
General Fund General Purpose				
Personal income tax	8,447	9,967	10,187	10,502
(% change)	(1.3)	(18.0)	(2.2)	(3.1)
Consumption taxes	3,041	3,225	3,217	3,277
(% change)	(0.7)	(6.0)	(-0.2)	(1.9)
Sales	1,654	1,625	1,620	1,662
Use	1,150	1,374	1,361	1,381
Other consumption	238	227	237	233
Business taxes	1,619	1,670	1,614	1,757
(% change)	(-8.9)	(3.2)	(-3.3)	(8.8)
MBT/SBT/Corporate income	1,073	1,112	1,018	1,142
Other business	546	558	596	614
Other GFGP taxes	252	274	280	285
GFGP tax revenue	13,359	15,135	15,298	15,820
(% change)	(0.1)	(13.3)	(1.1)	(3.4)
Nontax revenue	1,132	736	667	608
GFGP revenue[1]	14,491	15,142	14,924	15,551
(% change)	(-0.3)	(4.5)	(-1.4)	(4.2)
School Aid Fund				
SAF taxes	17,544	17,743	18,094	18,411
(% change)	(4.3)	(1.1)	(2.0)	(1.8)
Lottery transfer	1,164	1,122	1,103	1,098
(% change)	(-6.8)	(-3.6)	(-1.8)	(-0.4)
Earmarked state SAF revenue[1]	18,707	19,595	20,238	20,387
(% change)	(3.5)	(4.7)	(3.3)	(0.7)
Addendum				
Combined GFGP and SAF revenue	33,199	34,737	35,161	35,937
(% change)	(1.8)	(4.6)	(1.2)	(2.2)
Gross sales and use taxes	13,518	13,314	13,322	13,394
(% change)	(1.3)	(-1.5)	(0.1)	(0.5)

[1] *GFGP revenue and earmarked SAF revenue totals account for RSQE's estimated transfers from the General Fund to the SAF of $729 million in FY2026, $1.041 billion in FY2027, and $878 million in FY2028 under provisions in HB 4180 of 2025.*
[P] *Preliminary*
[F] *Denotes forecast years*

The Long-Run Outlook for Michigan

Roughly every five years, RSQE partners with the Michigan Department of Transportation (MDOT) to prepare a long-run demographic and economic forecast for Michigan and its counties.[6] MDOT and the state's Metropolitan Planning Organizations and State Regional Planning Organizations use the forecasts to help inform long-run planning decisions. We completed our most recent forecast this summer, with projections through 2055 for population, employment, the labor force participation rate, personal income, households, and Gross Domestic Product for each county and for the state overall. We hope it provides a useful guide to the long-term trends and prospects for the state and its counties. In this section, we summarize some of the key elements of our long-run forecast, focusing on the statewide trajectories of population, employment, and personal income.

Michigan Population

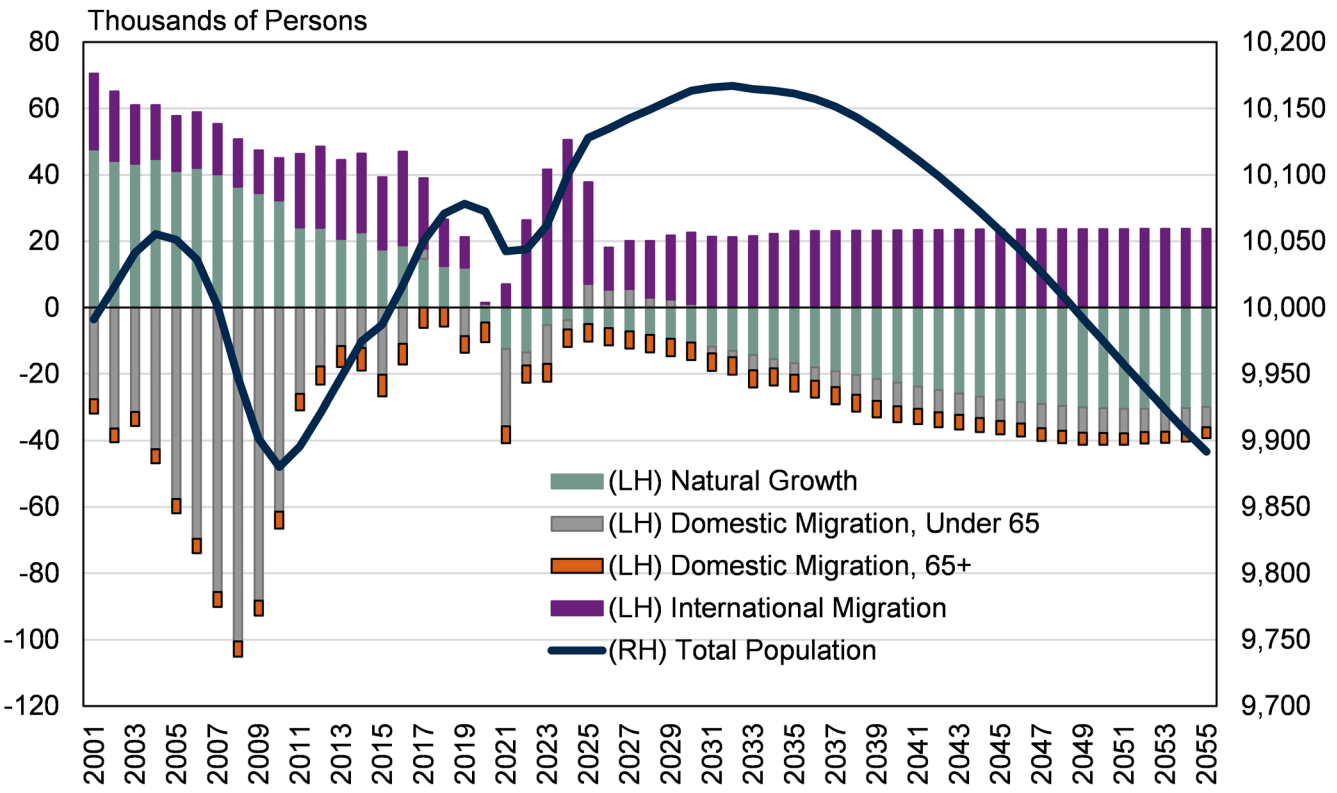
Figure 9 shows the history and our forecast of the state's total population trajectory (line) along with its associated components of change (bars) from 2001 to 2055.[7] Michigan's population declined at an average rate of 0.3 percent per year between 2004 and 2010. The population resumed growing in 2011 and reached 10.078 million in 2019, before several years of declines as the pandemic reduced births, increased deaths, and dramatically cut international migration. The population began increasing again in 2023 as immigration surged and domestic outmigration eased. In the latest reading from the Census Bureau, the state's population reached an all-time high of 10.128 million people in 2025.

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[6] The forecast is produced using a combination of the REMI TranSight economic and demographic forecasting model, RSQE's short-run economic and demographic forecasts and forecasting judgment, as well as comments and insights from local MPOs and regional planning organizations. Our full report is available as Burton, Jacob T., Gabriel M. Ehrlich, Donald R. Grimes, Daniil Manaenkov, Michael R. McWilliams, and Yinuo Zhang (2026). "The Economic and Demographic Outlook for Michigan Through 2055," Research Seminar in Quantitative Economics, University of Michigan. Prepared for the Michigan Department of Transportation.

[7] The historical components of change data are estimates from the REMI model, except for the period 2020–2025, which come from the U.S. Census Bureau's Vintage 2025 estimates. One exception is the estimate of domestic migration for the 65+ population, which also comes from the REMI model for 2020–2025. Domestic migration for those under 65 for 2020–2025 is calculated as the difference between the official Census Vintage 2025 total for domestic migration and REMI's estimate of 65+ domestic migration. The total population line uses Census intercensal data for 2001–2019 and Census Vintage 2025 for 2020–2025. Values for 2026–2055 represent our forecast using the REMI model.

Figure 9
Michigan Total Population and Components of Growth



Looking forward, we forecast that Michigan's population will continue to grow in the short term before beginning to decline in the early 2030s. The state population peaks at 10.167 million residents in 2032 and then declines to 9.892 million in 2055. Overall, we project a decline of 2.3 percent for the state's population between 2025 and 2055 compared to growth of 10.0 percent for the nation. Although national population growth remains positive throughout the forecast, its pace of growth moderates in response to many of the same demographic pressures facing Michigan.

The primary reason for the state's slowing population growth and eventual decline in our forecast is falling natural growth (births minus deaths), represented by the light green bars in Figure 9. Natural growth has fallen from above 40,000 per year in the early 2000s to a net decline in recent years as births have decreased and deaths have increased. In Michigan, deaths first exceeded births in 2020, and natural declines have continued through 2025. We expect that trend to continue as the population ages and births continue to decline. Natural growth is also projected to slow nationally, although deaths are not

expected to outnumber births in the United States until 2039. With natural declines persisting in Michigan, any net population growth will have to come from domestic and international migration.

Turning to domestic migration, movements among the population aged 65 and older (orange bars with black outlines) tend to be concentrated among younger members of the cohort. Domestic outmigration for this sub-group in Michigan has increased as more people reach retirement age and move to warmer climates, rising from an average of 4,400 per year in the first decade of the 2000s to 5,700 since 2010. We expect that pace to remain relatively steady through the mid-2030s until the migration of retired Baby Boomers begins to slow. After that, outmigration among those 65 and older eases to roughly 3,300 by 2055.

Migration among the population aged 64 and younger (gray hatched bars) tends to ebb and flow with Michigan's labor market and the relative differences in wage rates between the state and nation. The worst years occurred in the 2000s and through the financial crisis, when the state lost half of its manufacturing jobs. As the economy improved during the 2010s, net outmigration moderated sharply. Although migration among the working-age population is generally negative, Michigan welcomed a net gain of 7,100 persons in 2025. We expect small gains through 2030 amid tight labor markets and high relative wages. From 2031 to 2055, however, the state is expected to start losing working-age domestic migrants again, though at a much slower pace than during most of the 2000s.

Outside of a few years of positive working-age domestic migration, international migration (purple bars) is the only component projected to contribute meaningfully to population growth over the next thirty years in Michigan. In recent history, Michigan’s population would have declined every year since 2018 without international migration. Between 2001 and 2019, the number of immigrants to Michigan averaged 18,700 per year. International immigration to Michigan fell substantially during the pandemic in 2020 and 2021, but it rebounded strongly over the next three years, peaking at over 50,000 in 2024. Immigration then fell to roughly 31,000 in 2025, and it is expected to fall much further, to 12,600 in 2026, due to new immigration policies and restrictions. Michigan attracted an average of about 2.05 percent of the nation’s total immigrants during the 2000s, and we expect that share to hold roughly steady over the next thirty

years. As the flow of international migration to the U.S. picks back up, we expect Michigan to average about 23,100 new international migrants per year from 2030 to 2055.

Michigan Employment

Employment in our long-run forecast is based upon the Bureau of Economic Analysis (BEA) measure, which in addition to wage and salary workers includes all self-employed proprietors who file a business tax return.[8] The BEA measure of employment tends to be larger and grow more quickly than the Bureau of Labor Statistics employment measures we discuss elsewhere in this report. For example, the BEA employment estimate for Michigan in 2025 exceeded the 2000 peak, whereas the BLS employment measures in 2025 remained short of their 2000 peak.

Figure 10 shows the history and forecast for Michigan employment, according to the BEA measure, across four industry categories: blue-collar industries, lower- and higher-educational attainment services industries, and government. In total, Michigan lost 488,000 jobs from 2001 to 2010 before adding 675,000 over the following decade. The COVID-19 pandemic caused employment to fall by 325,000 jobs in 2020, but the state fully recovered those losses by 2022 and reached a record 5.99 million jobs in 2025.

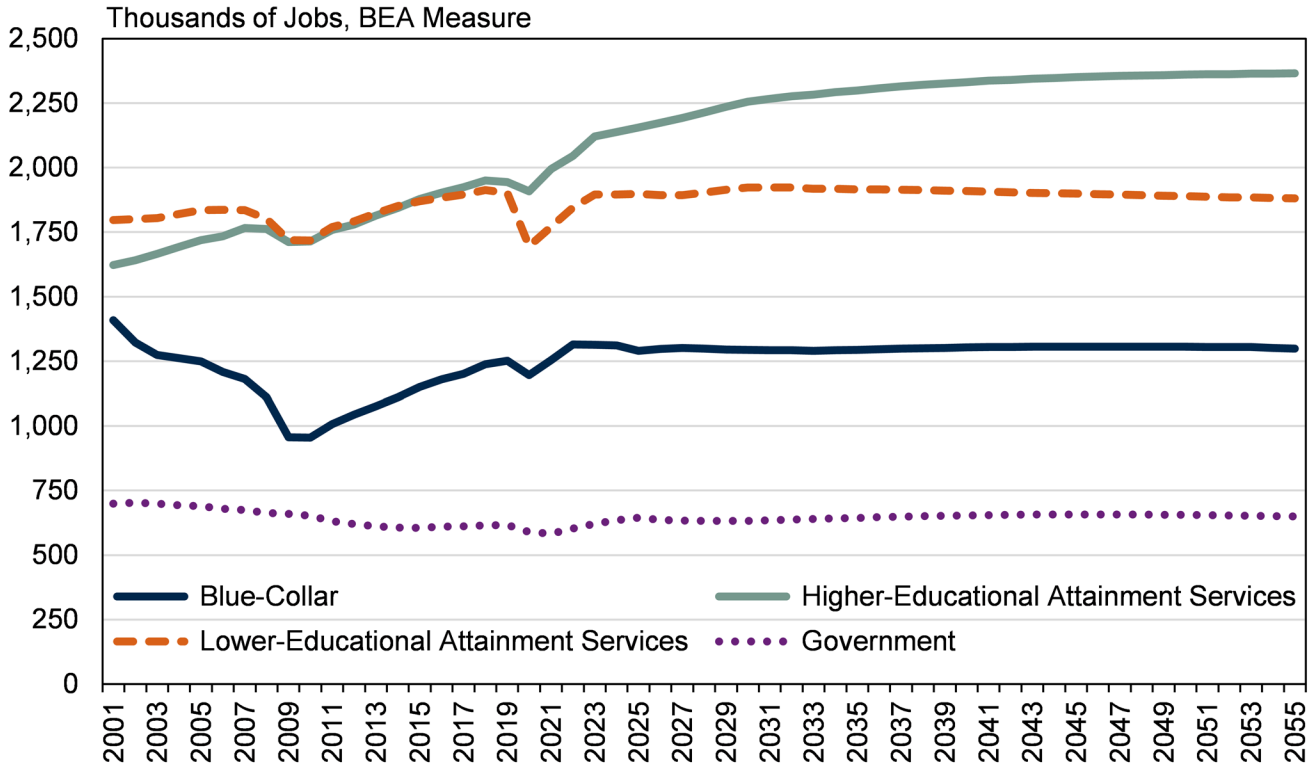
In the long run, slowing and eventually declining population will act as a speed limit for the state's economy, although Figure 10 shows that limit will remain uneven across industries. Overall, Michigan adds 205,000 jobs, or growth of 3.4 percent, from 2025 to 2055. That amounts to an average of 6,800 jobs per year, or an average annual growth rate of 0.1 percent.

Growth over the forecast is concentrated in higher-educational attainment services industries, which comprise private service-sector industries that tend to require a bachelor’s degree or higher. This grouping gains 210,000 jobs (9.7 percent) from 2025 to 2055, averaging 0.3 percent annual growth. These are also some of the fastest-growing industries nationwide, as they contain many of the jobs in

[8] The BEA’s county employment statistics were discontinued in September 2024, and the last year of data available was for 2022. REMI has continued to estimate and recreate the BEA’s employment estimates for use in its models based on BEA’s published methods and sources.

the tech and knowledge economy sectors. The national average annual growth rate of 0.6 percent, however, is double the rate in Michigan.

Figure 10
Employment in Michigan's
Government, Blue-Collar, Higher-Educational Attainment Services,
and Lower-Educational Attainment Services Industries



The three fastest-growing major industries are all in higher-ed services. The private education and healthcare services sector posts the largest projected gain, adding 84,565 jobs, or 0.32 percent per year, partly due to the rapid projected growth of Michigan's older population, which tends to consume high levels of healthcare services. The knowledge economy industries—information, financial activities, professional and technical services, and management of companies—grow more than three times as quickly as total state employment (0.38 percent versus 0.11 percent annually). Nationally, however, these industries grow nearly twice as quickly as in Michigan.

Michigan's other industry groupings follow much flatter paths. Over the next thirty years, blue-collar employment rises by a cumulative 8,300 jobs (0.6 percent), lower-educational attainment services loses 17,700 jobs (-0.9 percent), and government gains 4,700 jobs (0.7 percent). This muted growth

largely reflects Michigan's challenging demographic trends. Stronger-than-expected population growth, however, would likely produce stronger employment growth across the board as well.

Over the next thirty years, the largest losses are expected in the retail trade sector, which is projected to lose 124,060 jobs statewide due to the continued growth of e-commerce. Motor vehicle manufacturing is also expected to see a relatively large loss of jobs, with employment declining by 30,880 jobs between 2025 and 2055, an average decline of 0.71 percent per year. Those losses have the potential to be even larger if EV adoption occurs more quickly than we now anticipate or if the domestic automakers lose market share. Manufacturing outside of the auto sector is also forecast to lose jobs over this period, but at a slower pace than auto manufacturing (-0.08 percent per year). Altogether, the manufacturing sector is projected to lose about 40,800 jobs by 2055, although productivity gains allow real output to grow despite lower employment.

Michigan Personal Income

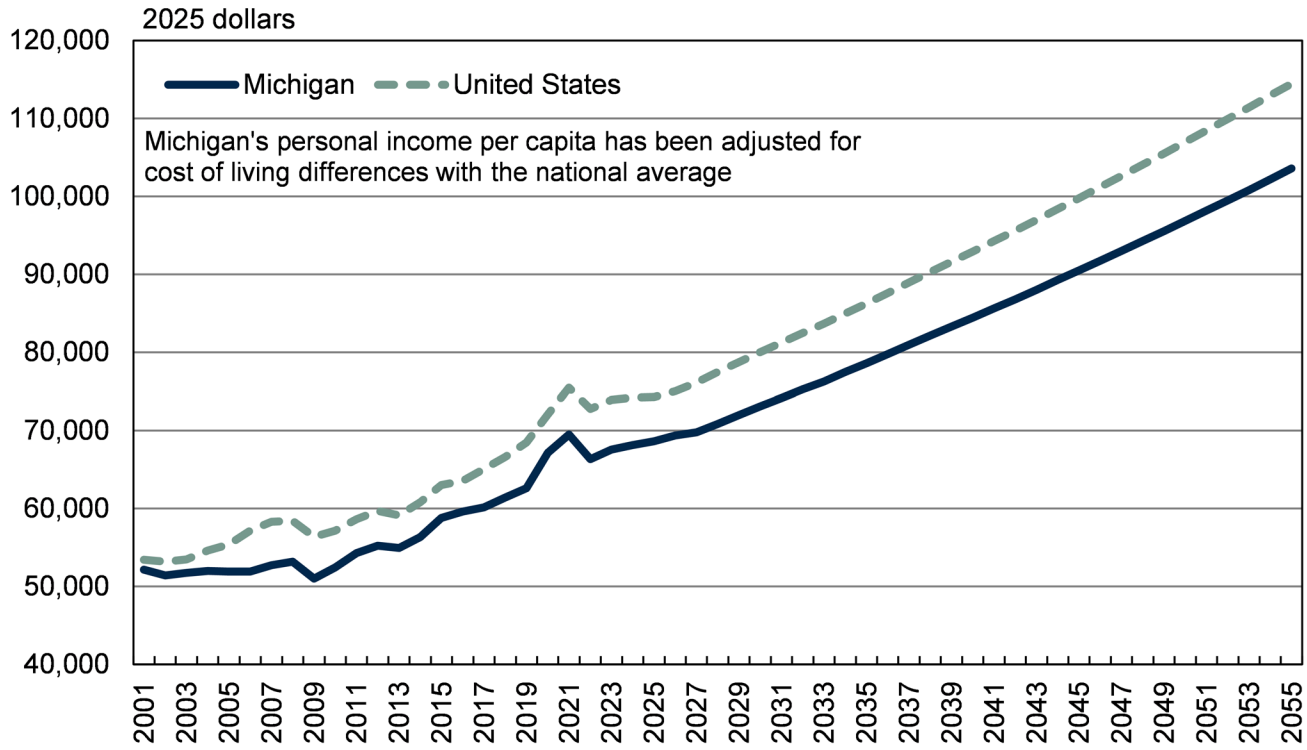
Personal income is another important dimension of Michigan's economic profile. We generally consider inflation-adjusted (real) personal income per capita to be the best single measure of regional economic well-being. The standard of living for a region can rise even with sluggish employment growth if residents' incomes are growing sufficiently. Figure 11 shows real personal income per capita (in 2025 dollars) for Michigan and the United States, where Michigan's data has also been adjusted for its lower cost of living.

From 2001 to 2007, real personal income per capita increased by 9.1 percent nationally but only 1.2 percent in Michigan.[9] As a result, Michigan's gap with the United States widened from 2.4 percent to 9.5 percent over that time. Income declined broadly during the Great Recession before returning to growth in 2010. From 2009 to 2019, annual growth averaged 2.0 percent nationally and 2.1 percent in

[9] The measure is adjusted for inflation using the Personal Consumption Expenditure Deflator for the United States and the local version of this measure for states and counties, which is embodied in the REMI model.

Michigan, narrowing the gap slightly. Still, Michigan's real personal income per capita remained 8.6 percent below the U.S. average in 2019.

Figure 11
Real Personal Income per Capita, United States and Michigan



Real personal income per capita surged both nationally and in Michigan in 2020 and 2021 because of federal stimulus payments and expanded unemployment benefits during the COVID-19 pandemic. It returned to trend in 2022 as assistance programs expired and inflation increased. From 2022 to 2025, we estimate annual growth averaged 1.1 percent in Michigan and 0.7 percent nationally, well below the rates in the preceding decade as inflation eroded nominal income gains.

As inflation recedes, annual growth is projected to average 1.4 percent in Michigan and 1.5 percent nationally from 2025 to 2035. Over the remainder of the forecast, Michigan's growth remains near 1.4 percent per year, while national growth gradually slows to the same rate. Still, Michigan's income gap with the United States widens from 7.6 percent in 2025 to 9.5 percent in 2055, roughly on par with the income gap in 2007. Cumulatively, real personal income per capita grows by 51 percent in Michigan versus 54 percent nationally over that time.

Risks and Concluding Thoughts

We see two main risks to Michigan's economic outlook over the next two years: the future direction of tariffs and international trade policy and the ongoing war in Iran. Additionally, Michigan's tepid population growth poses a major risk to the state's longer-run economic and demographic outlook. We summarize these risks below.

Deal or No Deal. The outlook for Michigan's trade-exposed economy remains clouded by uncertainty surrounding U.S. trade policy. The decision not to extend the USMCA for its full 16-year term, coupled with escalating trade tensions and new tariffs on Canadian imports, has complicated the outlook for North American supply chains. Although we expect the threatened 50-percent tariffs on Canadian autos and parts to fade away during negotiations, the fact remains that so far those negotiations have yielded limited tangible progress. Meanwhile, Mexico has made progress toward a separate trade agreement with the United States, although important differences remain. Given Michigan's reliance on North American auto production, continued trade uncertainty and incremental tariff changes pose risks to production costs, investment decisions, and the auto industry's competitiveness. Nevertheless, our baseline forecast assumes that North American trade will largely remain intact without heavily altering the future course of manufacturing in Michigan.

War and Peace. The war in Iran has the potential to disrupt the global energy market for as long as it persists. An escalation or prolonged conflict could push oil and natural gas prices higher, raising transportation, production, and household energy costs. However, a timelier end to the conflict could bring energy prices down more quickly than anticipated and ease inflation pressures. Ultimately, we view broader geopolitical disruptions as a tail risk. However, volatility in energy prices could slow progress toward the Federal Reserve's inflation target, limiting the scope for interest rate cuts and posing a headwind for Michigan's rate-sensitive economy.

Honey, I Shrunk the Population. Over the long run, we believe the most consequential force shaping Michigan's outlook is demographic change. Slower population growth, an aging population, and an eventual decline in the number of residents will increasingly constrain the state's labor force and the

pace of economic growth. As natural population declines and domestic outmigration persist, any population growth Michigan achieves will depend on its ability to attract international migrants. Rising productivity and incomes should support continued gains in living standards, but the state's aging and ultimately declining population will remain the defining risk to the long-run economic and demographic outlook.

The future direction of Michigan's economy will depend in part on the course of federal policy. Federal decisions will determine the trajectory of current tariffs and play a significant role in shaping the duration of the Iran war. Federal policy will also influence the flow of international migration into the United States, although Michigan's ability to attract and retain new residents will play a significant part in the state's future population growth as well. Against this backdrop, we expect Michigan to experience a period of moderate economic growth next year, followed by a modest decline in employment in 2028. Despite this near-term weakness, we anticipate continued real income growth, with living standards ultimately surpassing their stimulus-fueled peak in 2021.

Appendix: Review of the Previous Year's Forecast[10]

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 fall by 2,000 on a calendar year basis from 2025 to 2026, a forecast that rounded to a 0.0 percent change. We now estimate that employment will rise by 1,000 jobs, a performance that also rounds to a growth rate of 0.0 percent. Using unrounded growth rates, our absolute forecast error comes to 0.1 percentage point, which is well below our historical average absolute forecast error of 1.4 percentage points. Our forecast error for employment

[10] Generative AI tools—including U-M GPT, Google Gemini, and GitHub Copilot—were used for editorial assistance, including proofreading, consistency review, language refinement, summarizing or shortening text, and drafting this acknowledgment. These tools also assisted with developing, debugging, documenting, and testing supporting software. Human authors reviewed and approved all editorial changes and verified that summaries retained the intended meaning and relevant context. AI-assisted code was reviewed and tested by the RSQE team, and report outputs were validated against applicable reference data and methods. AI tools were not treated as authors, and the report authors take responsibility for the final content, software, analyses, and conclusions.

translates to an underestimate of 3,000 job gains. We were too optimistic about Michigan's transportation, warehousing, wholesale trade, and utilities sectors. Although we had previously projected 2,800 job gains this year, we now expect the sectors to lose 7,100 jobs, producing an over-projection of 9,900 jobs. Fortunately, we were too pessimistic about Michigan's government, private education and health services, and retail trade sectors. We now estimate that government will add 12,500 jobs in 2026 versus the 5,000 we had forecast and that private education and health services will add 6,100 jobs versus our forecast of 1,400. We expect retail trade to eke out 500 job gains, which is substantially better than the 4,000 job losses we had projected last November.

Turning to personal income, last November we projected state personal income to grow by 3.2 percent this year. We now estimate that personal income will grow by 4.5 percent, for an underestimate of 1.2 percentage points using unrounded numbers. That error was below our average absolute forecast error of 1.6 percentage points. Our forecast for wage and salary income was too low; we had forecast 3.1 percent growth, relative to our current estimate of 4.4 percent. Our underestimate of wage and salary income accounted for roughly half of our total forecast error for personal income. Underestimates of other labor income, proprietors' income, and transfer income also contributed to our overall forecast error.

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	Forecast Employment (%)[1]	Observed Employment (%)[2]	Forecast Income (%)[1]	Observed Income (%)[3]
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

Year	Forecast Employment (%)[1]	Observed Employment (%)[2]	Forecast Income (%)[1]	Observed Income (%)[3]
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	-0.1	3.6	4.9
2026	0.0	0.0[4]	3.2	4.5[4]

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

[2] Percent change in wage and salary employment in Michigan, calendar year basis

[3] Percent change in personal income in Michigan, calendar year basis

[4] Estimated by RSQE as of November 2026