



Washtenaw County

Economic Outlook

2025–2027

April 2025



The Washtenaw County Economic Outlook for 2025–2027 Executive Summary

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A lot can happen in a year. The economic landscape has shifted dramatically since our last forecast for Washtenaw County. While we celebrated the likelihood of a "soft landing" last year, we now face significant headwinds at the national, state, and local levels that have moderated our outlook. Both the national and local economies, which showed encouraging resilience through much of 2023 and early 2024, have since displayed signs of strain. Employment growth has slowed, and unemployment rates have begun to trend upward. Combined with substantial policy uncertainty surrounding tariffs and the prospect of reduced federal research and education funding, Washtenaw County will find itself navigating a challenging road over the next two and a half years.

Tariff policy continues to evolve day by day, but our current expectation is for tariffs to remain significantly elevated relative to recent years, both in the automotive sector and on a country-specific basis. While the tariffs announced on April 2 were walked back for many countries on April 9, the remaining tariffs are likely to remain very disruptive in the short run, as supply chains take time to adjust. Washtenaw was once heavily reliant on auto manufacturing, but it is now more insulated from the direct impact of the tariffs in that sector. Even so, the county could still see secondary impacts given the region's broader economic ties to the automotive industry. The country-specific tariffs, on the other

hand, pose an additional risk to local businesses engaged in international trade while also reducing the real purchasing power of county residents.

Meanwhile, the proposed reductions in federal research funding are a potentially greater threat to Washtenaw County due to the importance of the region's higher education sector. With less funding to support research payrolls, we forecast state government employment, where the University of Michigan and Eastern Michigan University are classified, to decline by roughly 2,000 jobs relative to trend over the next two years.¹

With these challenges in mind, we forecast payroll employment in Washtenaw to grow by only 0.2 percent in 2025, followed by 0.4 percent in 2026 and 0.6 percent in 2027, well below the pre-pandemic average of 1.9 percent annually from 2010–2019. By the end of 2027, total employment is expected to be just 0.6 percent above its pre-pandemic level, compared to 2.8 percent statewide. The strongest performing sector is expected to be private health and social services, which gains 1,400 jobs over the forecast period. Other sectors with more modest gains include wholesale trade; transportation and warehousing; arts, entertainment, and recreation; and accommodation and food services. In contrast, the new tariffs and a softening national economy result in a small loss of manufacturing jobs, while retail trade and administrative and support services continue their multi-year downward trends.

We expect more people will continue to seek work, leading to a steadily expanding labor force in the county that exceeds its pre-pandemic level by 6.7 percent in 2027. Washtenaw's jobless rate, which rose from 3.5 percent last May to 4.7 percent in January, is projected to stabilize at about 4.4 percent over the forecast horizon, about one-half of a percentage point below our forecast for the state.

Local inflation, as measured by the Detroit CPI, is expected to remain relatively contained despite tariff-related pressures. We forecast headline inflation to hold steady around 2.5–2.6 percent

¹ Our forecast is based on a rough estimate of likely funding cuts and the funding required per worker—we do not possess any special insight into these cuts from our work at the University of Michigan.

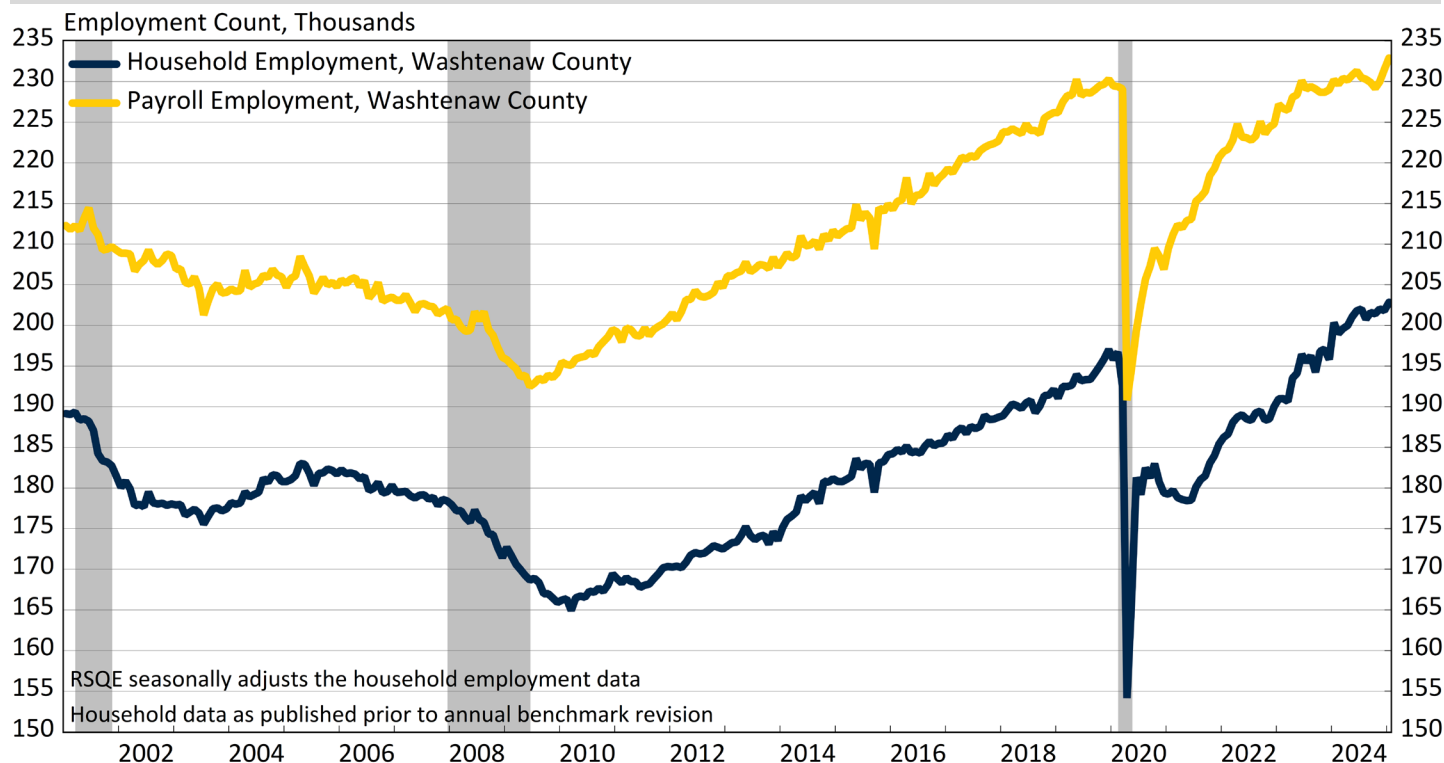
per year from 2025–2027, with core inflation running a touch higher. Nonetheless, the evolving tariffs suggest there is much upside risk to those projections.

After three years of declines, real wage growth in Washtenaw finally turned up in 2024, rising by 1.9 percent. Looking ahead, we forecast three more years of real wage growth, though at a more modest pace of 0.5 percent per year. Historically, the average real wage in Washtenaw County has run substantially higher than for the state, with an average difference of \$5,700 from 2010–2019. Recently, however, faster wage growth statewide has led the gap to narrow, largely due to sluggish growth within the county’s higher education attainment service industries, which includes government workers. We expect the gap to further narrow to about \$3,900 over the forecast period as state gains continue to outpace the county’s. By 2027, Washtenaw’s average real wage is projected to exceed its 2019 level by only 2.7 percent, compared to 7.4 percent for Michigan.

This year’s report includes a deeper examination of Washtenaw’s wage gap relative to the national average. The county’s average real wage, once nearly \$10,000 higher than the national average, has since fallen \$1,600 below as of 2023. Washtenaw continues to benefit from a favorable industry mix as well as higher average wages in the government sector, but private sector wages, which once accounted for much of the county’s wage strength, fell sharply below the national average following the pandemic. The difference is especially pronounced in the motor vehicle parts sector and private higher-education attainment industries.

In summary, our outlook for Washtenaw’s economy over the next few years is one of continued job creation, but at a slower pace than in recent years. Although our forecast is more guarded than in the past, it is important to keep in mind that Washtenaw’s economic fundamentals—a highly educated workforce, diverse employment base, and strong institutional anchors—provide important buffers against economic volatility. We believe Washtenaw’s economy is positioned to withstand the current economic challenges better than many other regions. Nevertheless, our forecast represents a notable downshift from last year’s robust outlook, reflecting the rapidly evolving economic landscape.

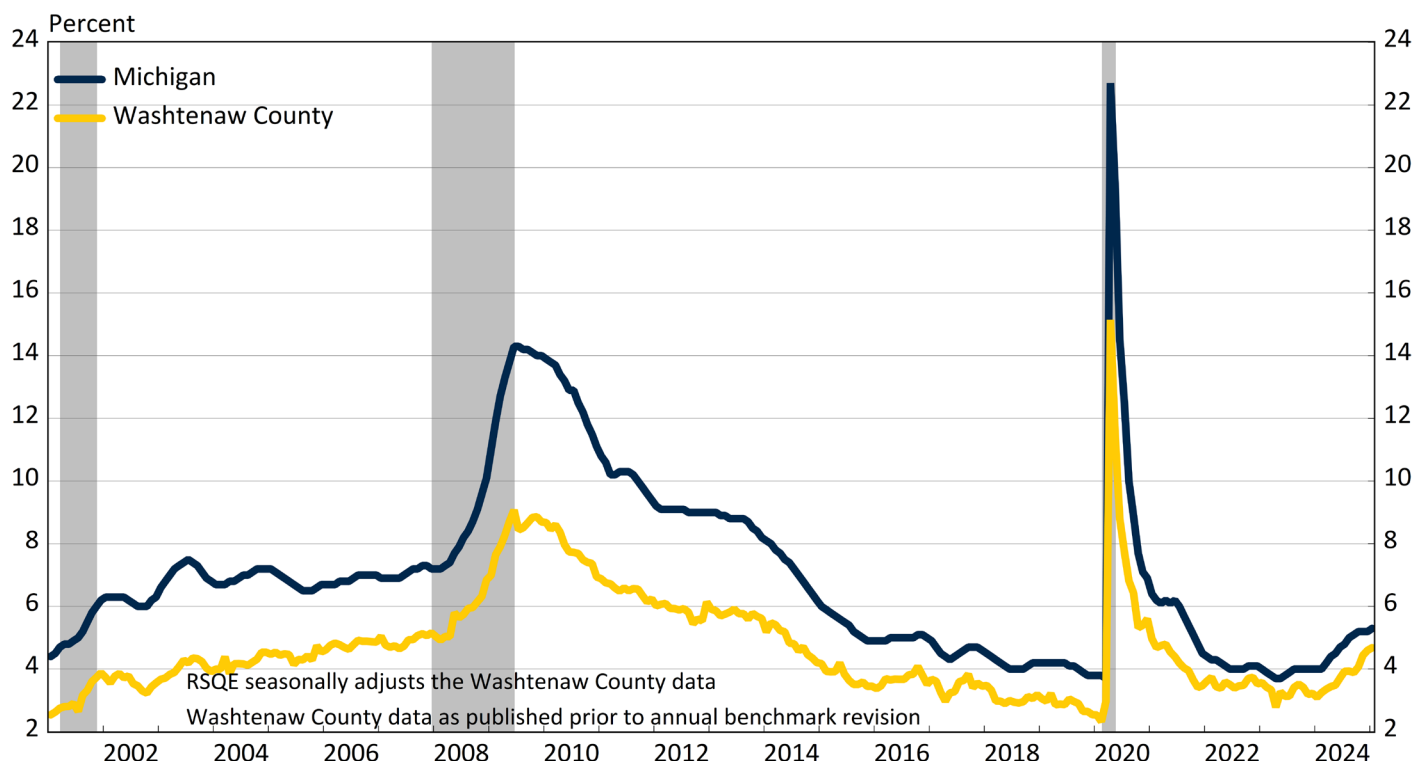
Figure 1
Monthly Employment in Washtenaw County



- 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 and government establishments physically located in the county. The blue line depicts household employment, which is the count of employed Washtenaw County residents, whether they work inside or outside the county.
- We have seasonally adjusted the resident employment series ourselves, but the BLS provides a seasonally adjusted payroll employment series.
- Payroll employment in the county came booming back after the COVID-19 pandemic, surpassing its 2019 average in June 2023.
- After that initial recovery, job growth slowed, with the county adding only 1,200 jobs (0.5 percent) between June 2023 and June 2024.
- Employment then began to decline in the second half of 2024 before rebounding in November and December. Payroll employment in Washtenaw added 1,400 jobs in January, which pushed the job count 1.8 percent above its 2019 level.
- Employment among Washtenaw County residents experienced a slightly stronger recovery from the pandemic and recovered to its 2019 level in May 2023.
- Unlike payroll employment, resident employment growth remained robust after the initial recovery, with the county adding 5,400 employed residents (2.7 percent) between June 2023 and June 2024.
- Resident employment then came to a standstill during the second half of 2024, as monthly gains and losses largely balanced each other out.
- The county began the new year on solid footing, adding 1,000 employed residents in January 2025, pushing resident employment 4.7 percent above its 2019 level.
- Although Washtenaw County's economic resilience has been impressive, these measures show where the county has been, rather than where it is headed. Unfortunately, we believe that the path of federal economic policy poses significant challenges for the county economy in the coming years.

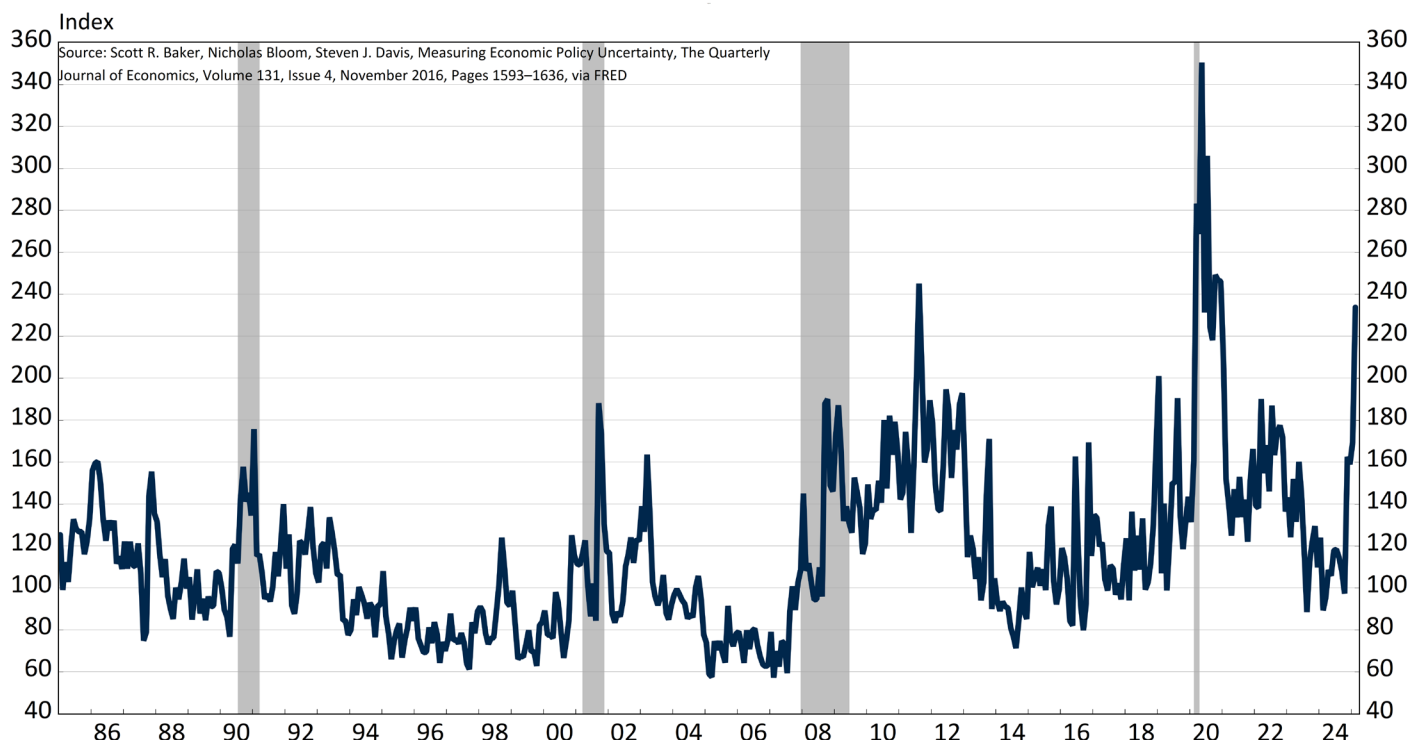
Figure 2

Monthly Unemployment Rate, Michigan and Washtenaw County



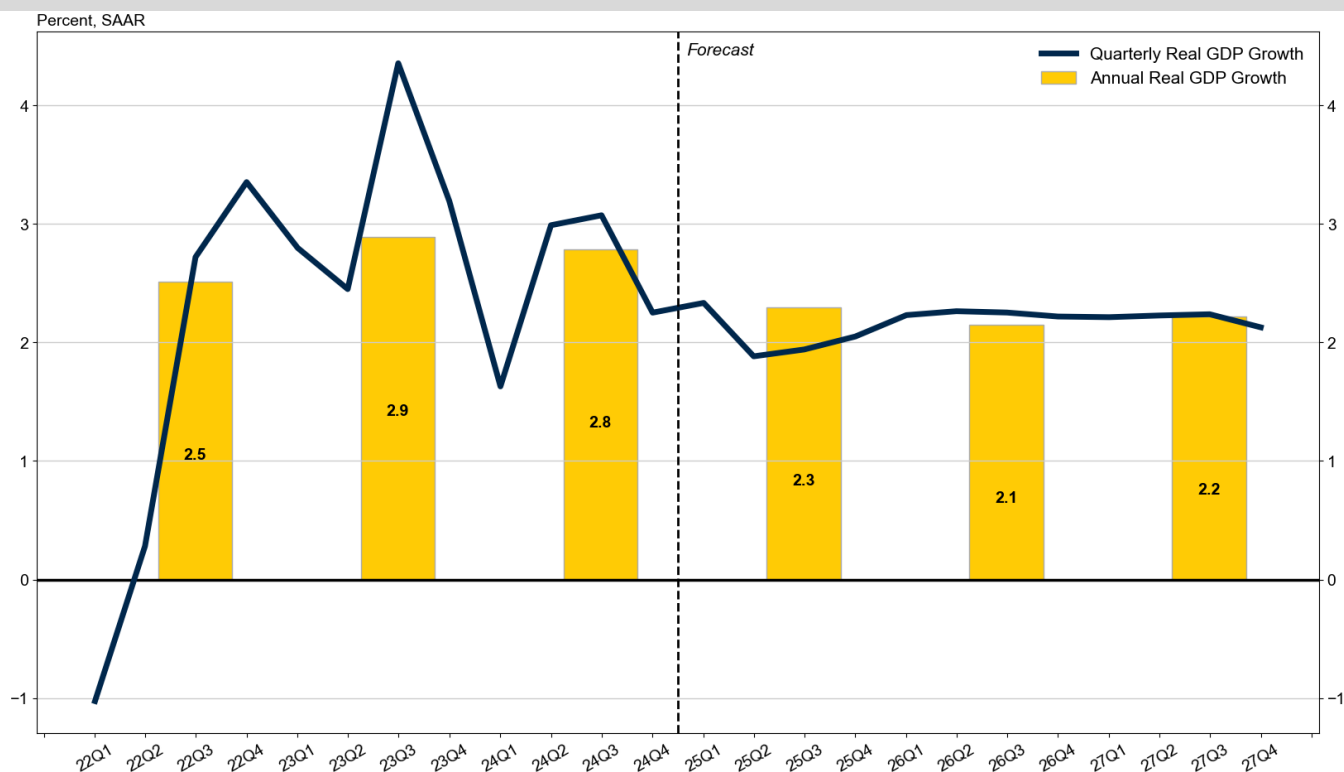
- Figure 2 shows unemployment rates for Michigan and Washtenaw County. Both series are seasonally adjusted; we have seasonally adjusted the Washtenaw unemployment rate series ourselves.
- When the pandemic struck, unemployment skyrocketed due to business closures and reduced activity. Michigan's unemployment rate increased from 3.8 percent in the beginning of the year to 22.7 percent in April 2020. Washtenaw County, on the other hand, has disproportionately more jobs than the state that can be done remotely. As a result, the local jobless rate increased from 2.5 percent in January 2020 to only 15.1 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 County's unemployment rate hovered around 3.1–3.6 percent from December 2022 to May 2024, except for when it briefly reached a low point of 2.8 percent in April 2023.
- Washtenaw County saw a notable increase in joblessness during the second half of 2024, with the rate rising from 3.5 percent in May to 4.6 percent in December. The county's unemployment rate ticked up to 4.7 percent in January 2025.
- This increase is not unique to Washtenaw County. It is happening all over the state. Michigan's unemployment rate rose from 4.0 percent in January 2024 to 5.3 percent in January 2025.
- Additionally, every county in Michigan began 2025 with a higher unemployment rate than at the beginning of 2024. From January 2024 to January 2025, the median increase in Michigan county unemployment rates was 1.7 percentage points, with Washtenaw County experiencing a 1.4 percentage point increase.
- Washtenaw County's unemployment rate in January 2025 was one-tenth of a percent higher than its average level during the 2000s. Although we take some comfort in the observation that the unemployment rate is near its 25-year average, we note that period witnessed the Great Recession and the COVID-19 pandemic, which both led to sharp spikes in the unemployment rate.

Figure 3
Monthly Economic Policy Uncertainty Index, United States



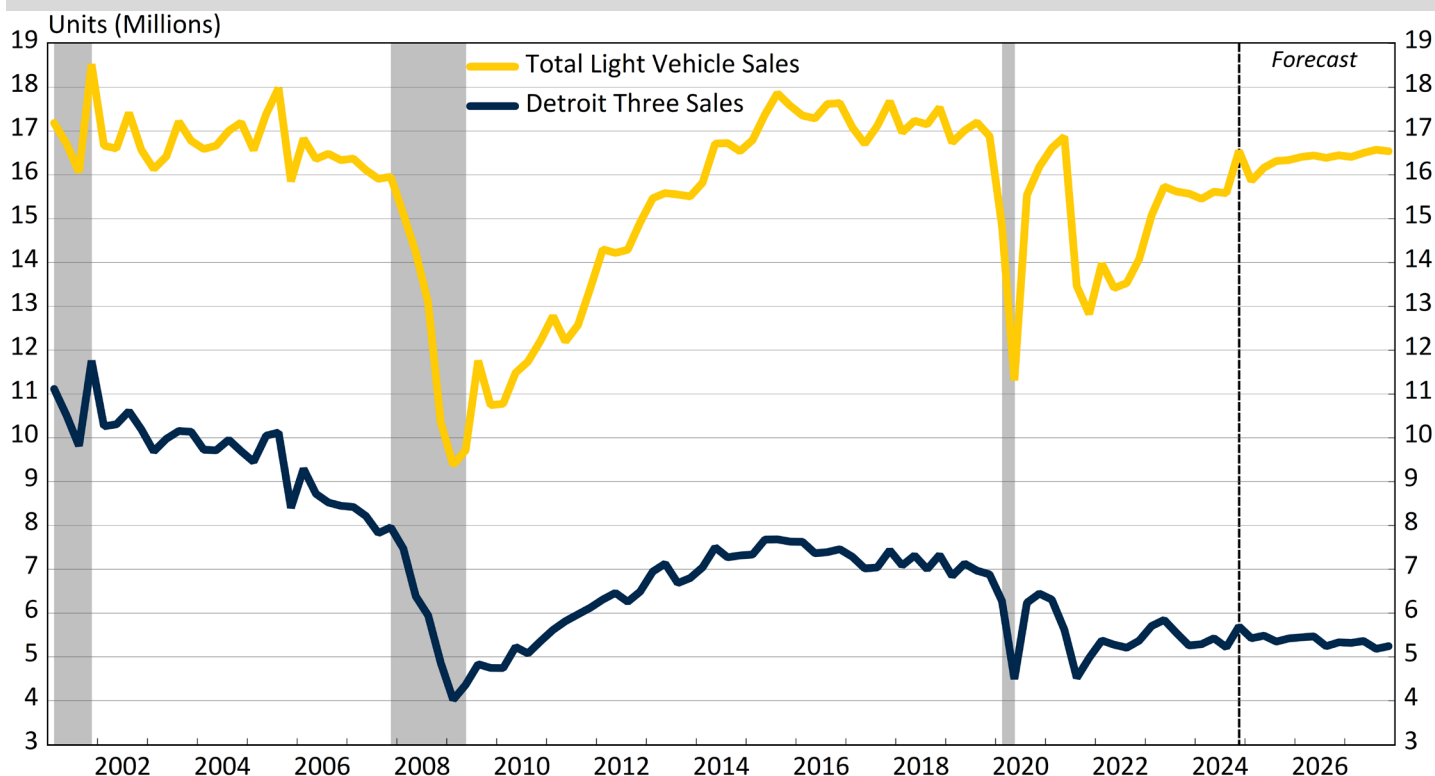
- Figure 3 displays an index of economic policy uncertainty for the U.S. economy as constructed in Scott Baker, Steven Davis, and Nick Bloom, "Measuring economic policy uncertainty," *The Quarterly Journal of Economics*, 2016, pp. 1593–1636. The monthly value of the index stood at 234 in February, the most recent data when we wrote this report. That was its third-highest level on record. Although this measure does not enter directly into our forecast for the Washtenaw County economy, it depicts the uncertainty surrounding the path of critical economic policies going forward.
- The forecast in this report is based on our February outlooks for the U.S. and Michigan economies. Given the fast-changing federal landscape, our assumptions will inevitably differ from the ultimate policy outcomes. Here, we discuss two of the most pertinent uncertainties for our outlook.
- First are import tariffs, which are especially relevant to Michigan's economy given the importance of the auto industry. We assumed that tariffs on automotive parts and vehicles would not be imposed in a persistent, broad-based manner. We also assumed that sustained blanket tariffs across a wide range of our trade partners would not be imposed. We discuss the potential effects of such tariffs along with our outlook for light vehicle sales on page 8.
- Our forecast assumed that the tariffs on China would grow a bit further from their March levels, although we had expected them to be imposed more slowly than has actually happened. We also assumed the tariffs on steel and aluminum imports would persist, costing Michigan's economy approximately 2,300 jobs by next year.
- The second major uncertainty for Washtenaw County concerns federal research and education funding. Some research funding has already been cancelled or frozen, and there is the potential for more severe cuts.
- We have tentatively estimated that reductions in federal research funding will reduce employment in Washtenaw County's state government sector, where the University of Michigan and Eastern Michigan University are classified, by a bit more than 2,000 jobs over the next two years. That calculation is based on a rough estimate of likely funding cuts and the funding required per worker—we do not possess any special insight into these cuts from our work at the University of Michigan.
- Those employment reductions are relative to a counterfactual trend of rising local employment in state government. In terms of actual employment levels, we are projecting a slight decline in Washtenaw's state government sector this year before modest growth resumes in 2026–27.

Figure 4
U.S. Real GDP Growth



- Washtenaw County's economic future is closely tied to the overall health of the national economy. Figure 4 shows our February 2025 forecast for quarterly U.S. real GDP. As the figure illustrates, we are projecting moderate growth to continue over the next few years despite the uncertainty surrounding economic policy.
- One reason for our relatively optimistic projection for the national economy is that it entered 2025 in a solid position. Economic activity remained surprisingly strong through 2024 as inflation eased, giving the Federal Reserve space to pivot toward a more accommodative monetary policy.
- We project the Federal Reserve to continue cutting interest rates over the next two years, although at a slower pace than in fall 2024. We also expect longer-term interest rates to decline modestly, supporting economic growth over the forecast period.
- Another important component of economic policy that we projected was large personal and corporate tax cuts beginning in 2026. We expect those tax cuts to amount to approximately \$200 billion per year in 2026–27, outweighing the revenue collected by the tariffs we projected and thus providing a substantial short-term stimulus.
- We had penciled real GDP to grow at a 2.3 percent pace in the first quarter of 2025. We saw growth then slowing down to around a 2 percent pace for the rest of the year. We suspect that some recent economic activity has resulted from a front-running of potential tariffs, pulling activity forward from later in the year.
- Real GDP growth accelerates slightly to around 2.2 percent throughout 2026 and 2027 as the stimulative effect of tax cuts kicks in. In terms of annual averages, real GDP growth hovers in a relatively steady range of 2.1–2.3 percent per year over the next three years.
- The high-frequency “hard” data released since we produced our forecast has held up, but survey-based measures and financial indicators are flashing warning signs. We acknowledge that the economic uncertainty confronting the business community, non-profit organizations, and government leaders is a headwind to growth.
- We believe that the downside risks to the economic outlook have expanded since we produced our forecast. We continue to believe there is a path for the economy to avoid recession this year, but we acknowledge that a recession is now a distinct possibility. The ultimate outcome will depend on whether there is any moderation on the tariffs, the extent of foreign retaliation, and the Fed's reaction.

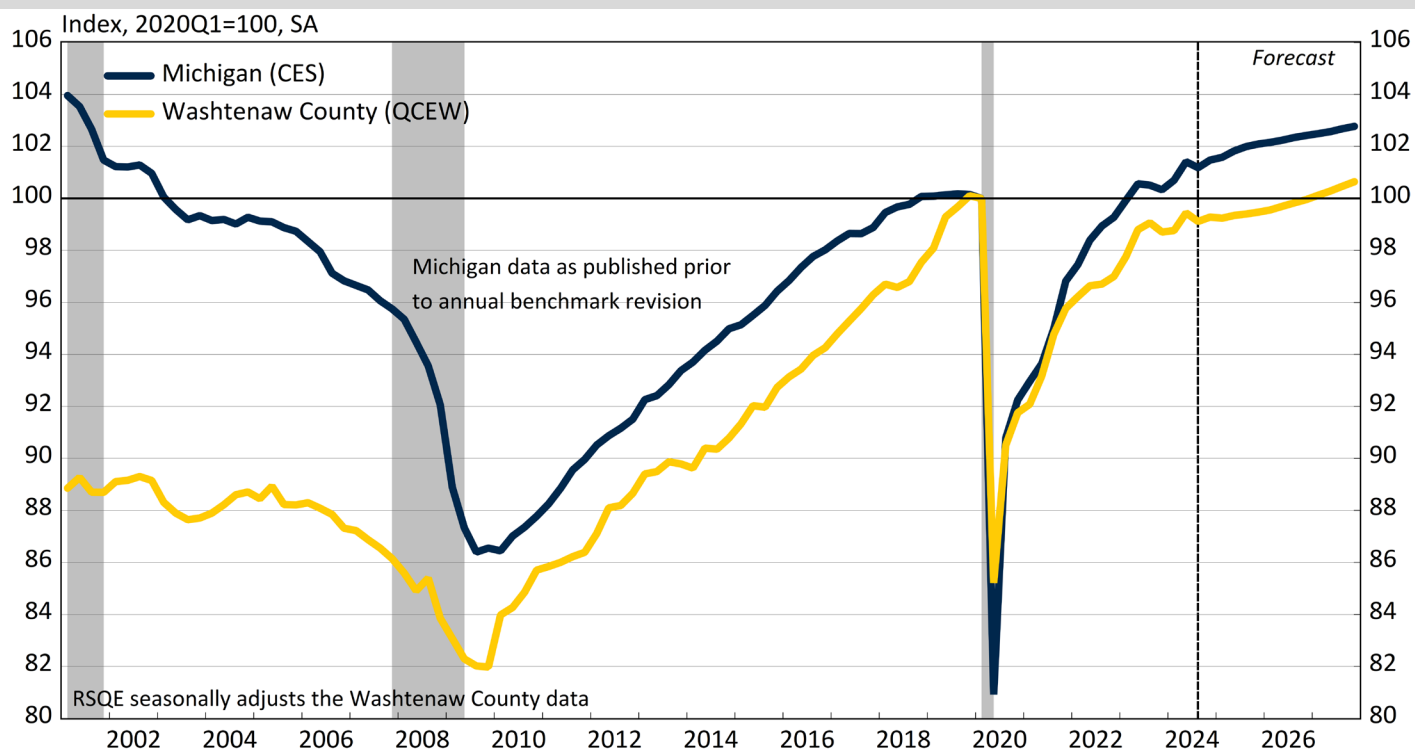
Figure 5
U.S. and Detroit Three Light Vehicle Sales



- Figure 5 shows our quarterly forecast for total U.S. and Detroit Three light vehicle sales. Light vehicle sales totaled 15.8 million units last year, their best showing since 2019. The sales pace accelerated to 17.8 million in March 2025, likely supported by attempts to purchase vehicles prior to the expected imposition of tariffs.
- In February, we had projected total light vehicle sales to average 16.2 million units this year, a bit slower than their pace late last year. We then projected sales to climb to 16.4 million units next year and 16.5 million in 2027.
- The Detroit Three's share of U.S. light vehicle sales registered 34.2 percent in 2024, down from 36.1 percent in 2023. We project that the Detroit Three's market share will continue its decade-long contraction, dropping to 32.0 percent by 2027.
- We forecast the Detroit Three's unit sales to total 5.4 million units in each of 2025 and 2026, edging down to 5.3 million in 2027. That pace would be 24 percent below the 2019 pace of 7 million units.
- As we noted on page 6, our February forecast assumed that tariffs on automotive parts and vehicles would not be imposed in a persistent, broad-based manner. As of the writing of this report, tariffs of 25 percent have been levied on automobiles and automotive parts.
- Canadian and Mexican parts imports that are eligible for trade preference under the U.S.-Canada-Mexico (USMCA) agreement are currently exempt from those tariffs. A process is underway to exempt the U.S. content in vehicles imported from Canada and Mexico that are eligible for USMCA preferences.
- We believe that negotiations are still ongoing over automotive tariffs and broad country-specific tariffs. We would not be surprised if they are subject to substantial further change.
- If they persist, we expect the tariffs to be very disruptive in the short run, as automotive supply chains take time to adjust.
- The automotive tariffs are likely to have a complicated effect on Michigan's economy in the longer term, because they introduce three separate forces: first, they offer protection to domestically produced vehicles; second, they raise the costs of domestic production; and third, they are likely to incur retaliatory tariffs from our trade partners.
- In our judgment, scenarios featuring realistic retaliation from our trade partners tend to result in a net loss of production in the domestic auto industry, even after supply chains have adjusted.

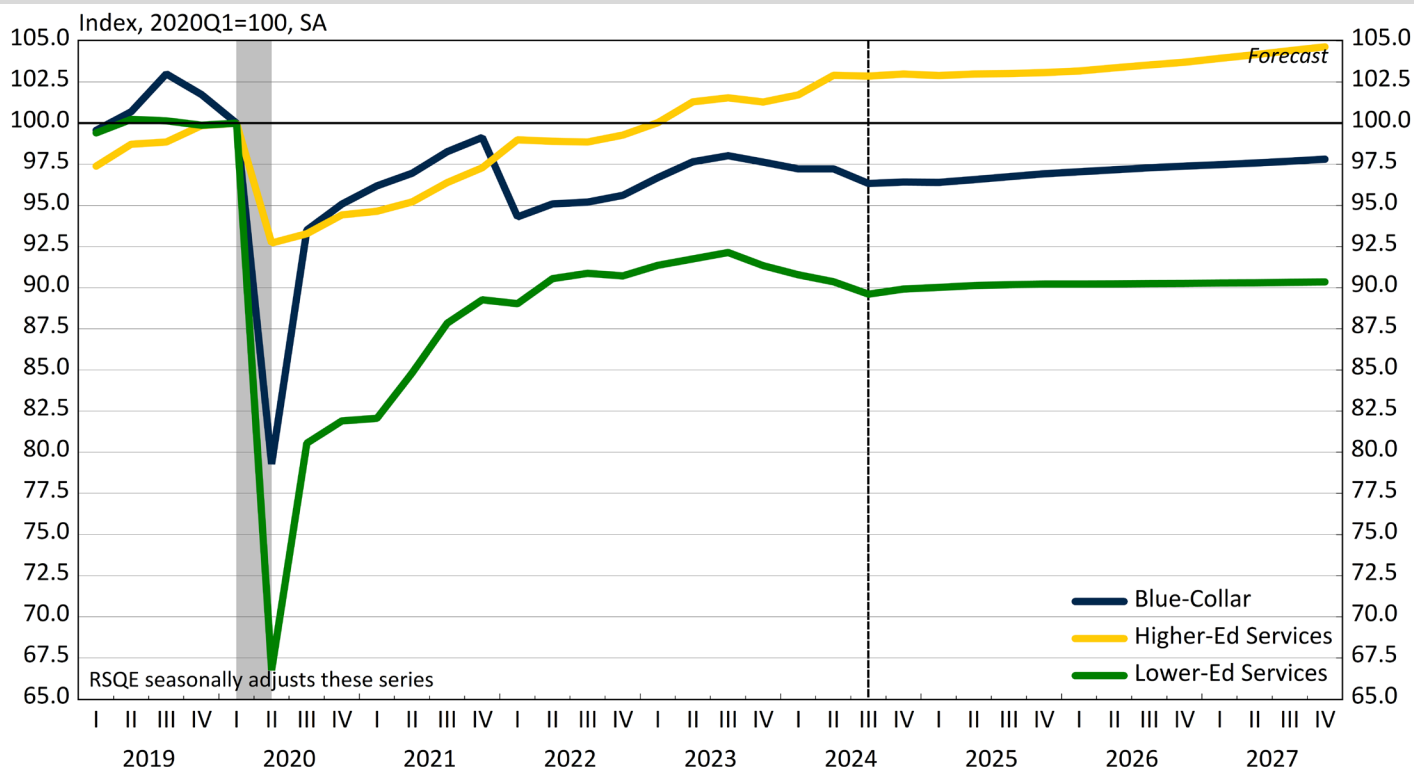
Figure 6

Quarterly Payroll Employment Indices, Michigan and Washtenaw County



- Figure 6 displays our forecast for Michigan's and Washtenaw County's payroll employment levels, with values indexed to 100 in 2020q1, just before the COVID-19 recession. Comparing the two series requires care because they use different underlying source data.
- Washtenaw County'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, which is the basis for our statewide forecast.
- Washtenaw County has yet to fully recover in the QCEW data shown in the figure above. We anticipate a complete recovery by the first quarter of 2027, as federal policies constrain growth in the government sector, which accounts for roughly two out of every five jobs in the county.
- We forecast Washtenaw's payroll job growth to slow from 2.0 percent in 2023 and 0.6 percent in 2024 to only 0.2 percent in 2025. Growth takes a breather primarily because of the reduction in federal support for research, which will weigh on employment in Washtenaw County's universities. Employees of Eastern Michigan University and the University of Michigan are counted as state government employees in the QCEW data.
- The research-related funding cuts will have significant impacts not only on the University of Michigan but on other universities nationwide. Last year, we projected Washtenaw's government sector would add 1,600 jobs in 2025; however, we now expect a loss of 200 jobs amid these unforeseen changes. Moreover, the effects will likely extend beyond the institutions themselves.
- We expect employment in Washtenaw County's private sector to fare slightly better, but non-profits will also feel the pinch of federal spending cuts. So will businesses and contractors that provide services to the higher-education sector.
- Overall, we forecast that Washtenaw County's payroll job growth will remain sluggish beyond this year, registering 0.4 percent and 0.6 percent in 2026 and 2027, respectively. That pace would be roughly one-third the annual average during 2010–2019.
- By the end of 2027, we expect employment in Washtenaw County to exceed its pre-pandemic level by only 0.6 percent, reflecting a much slower recovery compared to Michigan overall. The state is projected to stand 2.8 percent above its pre-pandemic employment level by the end of 2027.

Figure 7
Job Indices in Washtenaw County by Industry Group



- Figure 7 categorizes each of Washtenaw's industries into three groups. The graph displays our forecast for each group's total employment level, with values indexed to 100 in 2020q1, just before the COVID-19 Recession.
- The **blue-collar** industries comprise mining; construction; manufacturing; and wholesale trade, transportation and warehousing, and utilities. An update to the industry definitions in 2022 affected the employment count in these industries. We believe that the dip in blue-collar employment in 2022q1 reflects this change rather than a true loss of jobs in Washtenaw County.
- Blue-collar employment grew slowly through the remainder of 2022 and most of 2023 before shifting to job losses from 2023q4–2024q3. We expect employment in Washtenaw's blue-collar industries to grow very modestly over the next few years. Even with that growth, blue-collar employment is projected to remain 2.2 percent below its pre-pandemic level by the end of 2027.
- The **higher-educational** services industries comprise information; finance; professional, scientific, and technical services; management of companies and enterprises; private education and health services; and government (which includes public education). These are industries that tend to employ highly educated workers.
- The pandemic led to relatively few job losses in Washtenaw's higher-education services industries. So far, this industry group has been the only one to recover to its pre-pandemic employment level, which it did in 2023q1.
- We expect minimal growth in higher-ed services industries during 2025 as federal spending cuts weigh on government employment and non-profit organizations. This industry group then averages 0.2 percent growth per quarter in 2026–27, taking its employment to 4.6 percent above the pre-pandemic level by the end of our forecast.
- The **lower-education** services industries comprise retail trade; leisure and hospitality; administrative and support and waste management; and other services. These industries typically have lower education requirements, and they suffered the worst of the pandemic's impact.
- Their employment rebound from the pandemic so far has been muted, and it reversed course in 2023q4–2024q3. We expect employment in these industries to hold roughly flat moving forward, with only 210 jobs added from the end of 2024 through the end of 2027. That leaves these industries roughly 10 percent below their pre-pandemic levels by the end of our forecast, with a substantially weaker overall recovery than the other industry groups.

Table 1

Forecast of Jobs in Washtenaw County by Major Industry Division

	2023	Forecast Employment				Average Annual Wage
		2024	2025	2026	2027	2023 \$
Total Jobs (Number of jobs)	216,900	218,148	218,622	219,488	220,853	70,777
(Annual percentage change)	(2.0)	(0.6)	(0.2)	(0.4)	(0.6)	
Blue-Collar	28,304	28,101	28,059	28,223	28,344	82,261
Utilities	397	398	403	410	414	169,780
Wholesale trade	6,331	6,309	6,317	6,384	6,456	91,205
Transportation and warehousing	4,238	4,392	4,443	4,503	4,549	84,628
Transportation equipment (Motor Vehicles & Parts) manufacturing	2,628	2,569	2,479	2,437	2,393	82,069
Other manufacturing	9,446	9,035	9,027	9,070	9,095	77,399
Construction	4,853	4,893	4,863	4,863	4,851	74,664
Natural resources and mining	412	504	528	555	585	38,832
Higher-Ed Services	143,753	146,000	146,534	147,179	148,378	78,965
Management of companies and enterprises	1,787	1,838	1,860	1,894	1,921	138,016
Information	3,916	3,912	3,872	3,846	3,822	132,021
Professional, scientific, and technical services	18,881	17,885	17,804	17,881	17,984	110,851
Finance and insurance	3,601	3,436	3,478	3,494	3,509	100,879
Total Government	83,008	84,422	84,242	84,410	85,124	73,593
Private health and social services	26,637	28,342	29,030	29,395	29,765	64,580
Real estate and rental and leasing	2,531	2,576	2,593	2,604	2,615	62,346
Private education	3,391	3,588	3,656	3,654	3,639	42,575
Lower-Ed Services	44,282	43,569	43,554	43,603	43,639	37,013
Administrative and support and waste management	7,651	7,198	6,966	6,873	6,779	48,925
Other services	4,788	4,865	4,873	4,856	4,837	45,315
Retail trade	15,160	15,054	15,014	14,972	14,933	39,618
Arts, entertainment, and recreation	2,429	2,650	2,772	2,833	2,893	27,734
Accommodation and food services	14,255	13,802	13,929	14,069	14,198	26,637
Unclassified	562	478	475	483	491	58,460
<i>Addendum:</i>						
Total Private	133,892	133,726	134,381	135,078	135,730	69,032

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

- On an annual average basis, employment in Washtenaw County increased by 2.9 percent in 2022 and 2.0 percent in 2023. We estimate that growth slowed to just 0.6 percent in 2024.
- We forecast job growth in the county to decelerate even further this year, registering only 0.2 percent, as reductions in federal support for research result in 300 job losses in state government—a sharp contrast to the sector's average annual gain of 1,400 jobs from 2010 to 2019.
- Looking forward, we expect payroll job growth in Washtenaw County to remain modest after this year, rising by 0.4 percent in 2026 and 0.6 percent in 2027. State government employment is projected to return to growth in 2026, followed by a 1.1 percent increase in 2027.
- Private sector job gains are also moderate, averaging only 670 jobs per year (0.5 percent) throughout the forecast period.
- That tepid growth would take Washtenaw's total payroll jobs count in 2027 to only 1.1 percent higher than in 2019.

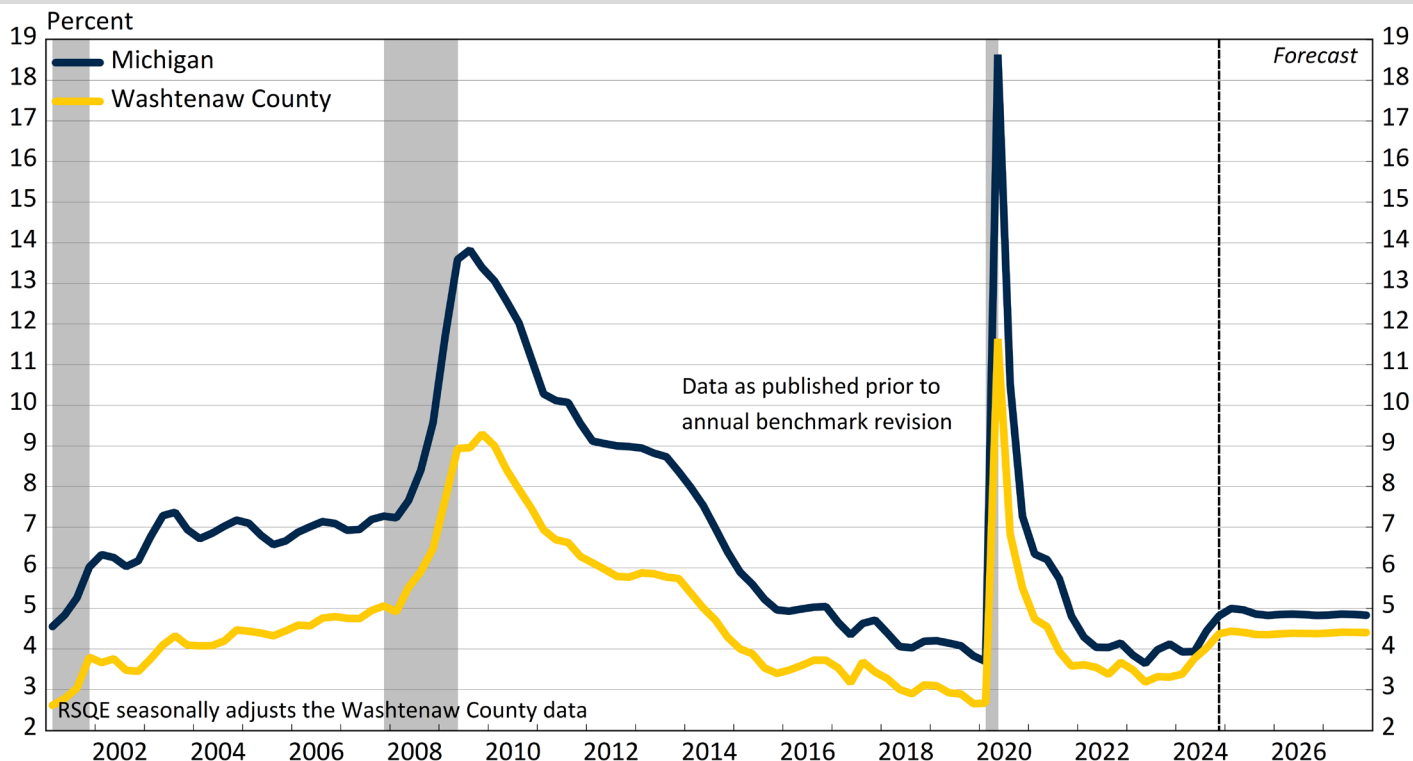
Table 1 Continued

Forecast of Jobs in Washtenaw County by Major Industry Division

- Table 1 categorizes Washtenaw's major private sector industries into the three previously described industry groups. Within each category, industries are ranked in descending order based on their 2023 average annual wages. Appendix B displays a full list of the roughly 80 industries that we forecast, organized by industry code. All data in this section are annual averages.
- Within the blue-collar industries category, wholesale trade and transportation and warehousing are projected to drive job growth over the next three years. Employment in wholesale trade is expected to increase by 150 jobs from 2025 to 2027, while transportation and warehousing is forecast to add 160 jobs over the same period.
- We estimate that non-automotive manufacturing lost 400 jobs in 2024. However, we expect it to stabilize and add 60 jobs over the forecast period.
- The local motor vehicle manufacturing industry once employed over 15,000 people, but its job count is expected to average just 2,600 in 2024. We forecast this industry to shed another 180 jobs over the next three years, leaving this former local powerhouse with only 2,400 employees in 2027.
- We estimate that the construction industry added 40 jobs in 2024 despite high mortgage rates. However, we expect those gains to be reversed in the short term, with the industry losing 40 jobs over the next three years. Even so, construction employment in 2027 would remain 3.8 percent higher than in 2019.
- Within the higher-education attainment services group, private health and social services are projected to add 1,400 jobs over the forecast period, accounting for nearly 60 percent of the job gains in this category.
- We expect employment in management of companies to see a modest increase over the next three years, adding 80 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 5.3 percent (1,000 jobs) in 2024, with half of those losses concentrated in computer systems design. We do not expect much of a recovery, and growth in this sector is expected to remain sluggish. Overall, this industry is projected to lose another 80 jobs in 2025 before adding an average of 90 jobs per year in 2026 and 2027.
- Employment in financial activities ekes out 110 job gains over the next three years, as the sector struggles to recoup the 400 jobs it lost in 2023 and 2024 due to high interest rates.
- Employment in lower-education attainment service industries is expected to remain flat, as job gains in leisure and hospitality offset losses in administrative and support and waste management services.
- Retail trade employment in Washtenaw County declined by 110 jobs in 2024, and we expect it to shrink by another 40 jobs per year throughout the forecast. By 2027, retail trade employment stands 860 jobs (5.4 percent) below its 2019 level.
- We estimate that the accommodations and food services industry lost 450 jobs in 2024, but we expect it to recoup 400 of those losses during the forecast. That growth would leave this industry 8.9 percent shy of its 2019 level by 2027.
- Employment in arts and recreation experienced a 36.5 percent decline in 2020. We expect solid job growth in this sector to continue over the next three years, bringing employment to 15.2 percent above its 2019 level by 2027.
- We estimate that administrative and support services lost 450 jobs in 2024, marking its sixth consecutive year of job losses. We forecast that this industry will lose another 420 jobs over our forecast, bringing its job count roughly 27 percent below its 2019 level by 2027.
- Finally, we expect employment in other services to tread water over the next three years, losing 30 jobs during our forecast.
- Overall, we expect the largest job gains over the forecast period to come from private health and social services and government. However, net job additions in government occur only in 2027, as losses in 2025 offset gains in 2026. Conversely, the biggest job losses are projected in motor vehicle manufacturing and administrative and support services.

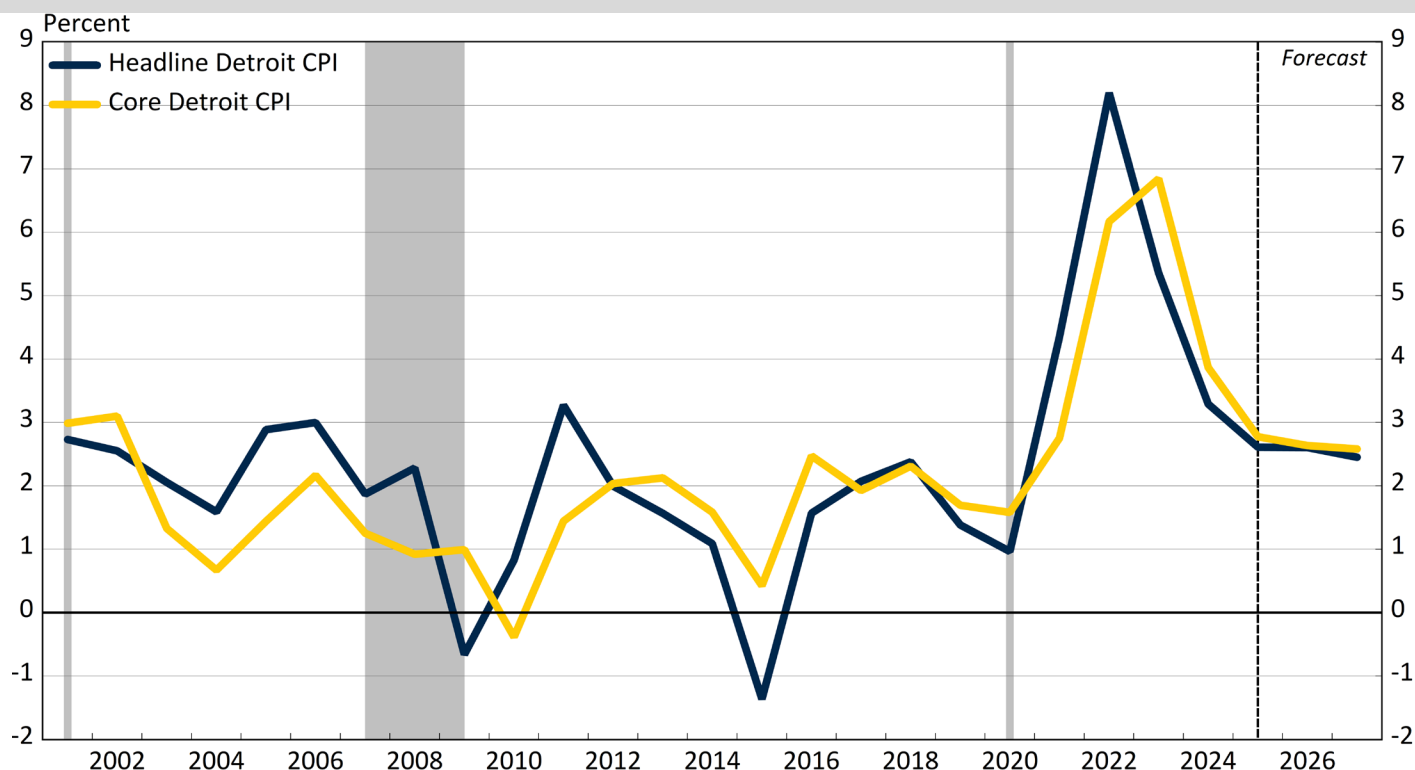
Figure 8

Quarterly Unemployment Rate, Michigan and Washtenaw County



- Figure 8 shows history and our forecast for the quarterly unemployment rates in Michigan and Washtenaw County. Our forecast for Michigan was completed before the annual benchmark revision, so the data in Figure 2 differs slightly from the data in Figure 8.
- 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 1.1 percentage points from 2017 to 2019.
- The county's jobless rate rose from 3.3 percent in the final quarter of 2023 to 4.4 percent in the final quarter of 2024, narrowing the gap with Michigan's rate to just four-tenths of a percentage point.
- We expect Michigan's unemployment rate to decline slightly over the forecast, reaching 4.8 percent by the end of 2027. We acknowledge that our forecast is likely to prove to be too optimistic if the recently announced tariffs, some of which have been paused, persist at their current levels.
- We are likewise forecasting that Washtenaw's unemployment rate will remain steady at 4.4 percent through the end of 2027, as reduced federal support for research weighs on employment at Washtenaw County's universities.
- The county is less exposed to the auto-related tariffs than it would have been in the past, as its economy is far less reliant on the auto industry than it used to be. The country-specific tariffs, on the other hand, pose an additional risk to local businesses and residents.
- Overall, we forecast that Washtenaw's unemployment rate will stay close to the state's, averaging just half a percentage point lower than Michigan's throughout the forecast period—much closer than the historical average.
- Alongside the recent increase in the unemployment rate, Washtenaw's labor force grew to 3.1 percent above its 2019 level in 2024. Our forecast of modest growth in resident employment and a stable unemployment rate, allows the labor force to expand steadily. By 2027, we expect the labor force to exceed its 2019 level by 6.7 percent.

Figure 9
Detroit CPI Inflation Rate



- Figure 9 shows the history since 2001 and our forecast of annual headline (all-items, in blue) and core (excluding food and energy, in yellow) Detroit CPI inflation. We measure local inflation by the growth rate of the Detroit Consumer Price Index (CPI), as county-level consumer price data are not available.

- Local headline inflation slowed to 3.3 percent last year, which was welcome relief from the pace of 5.4 percent in 2023 and 8.2 percent in 2022. Local core inflation ran slightly hotter than the headline measure last year, at 3.9 percent.

- We project local headline inflation to decelerate to 2.6 percent this year and hold at that rate next year before edging down to 2.5 percent in 2027.

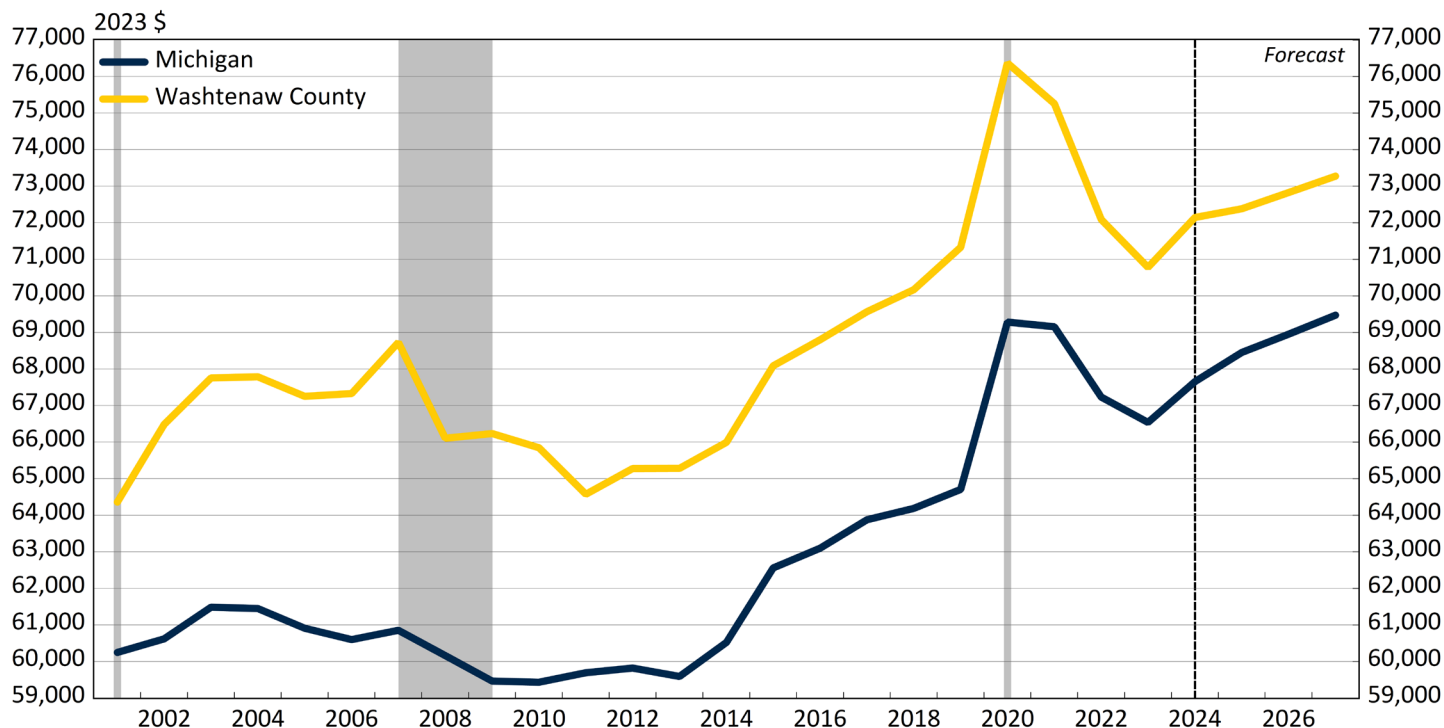
- We projected local core inflation to hold a bit higher than the headline measure, running 2.8 percent this year and 2.6 percent per year in 2026 and 2027.

- The scope of tariffs that have recently been implemented or announced, including those that are currently paused, has substantially exceeded our February projections. A snap analysis from The Budget Lab at Yale, [Where We Stand: The Fiscal, Economic, and Distributional Effects of All U.S. Tariffs Enacted in 2025 Through April 2](#) (April 2, 2025), estimates that the tariffs announced this

year through April 2nd could put upward pressure of 2.3 percent on the price level. We judge there to be substantial uncertainty around such estimates, and it is difficult to project how that price pressure would translate into inflation across the years of our forecast.

- We again emphasize that the ultimate scope of the tariffs remains fluid, particularly as it relates to the country-specific tariffs that are currently paused. Our sense is that, in practice, many sectors, companies, and countries will obtain exemptions from the tariffs even if the stated rates are maintained.
- Finally, we reiterate our judgment from our February forecast that we do not expect the price pressures from tariffs to lead the Federal Reserve to raise interest rates. We expect the downside risks to real economic activity to outweigh the upside risks of higher inflation in the Fed's decision-making, as seen during the 2018–19 trade war with China.

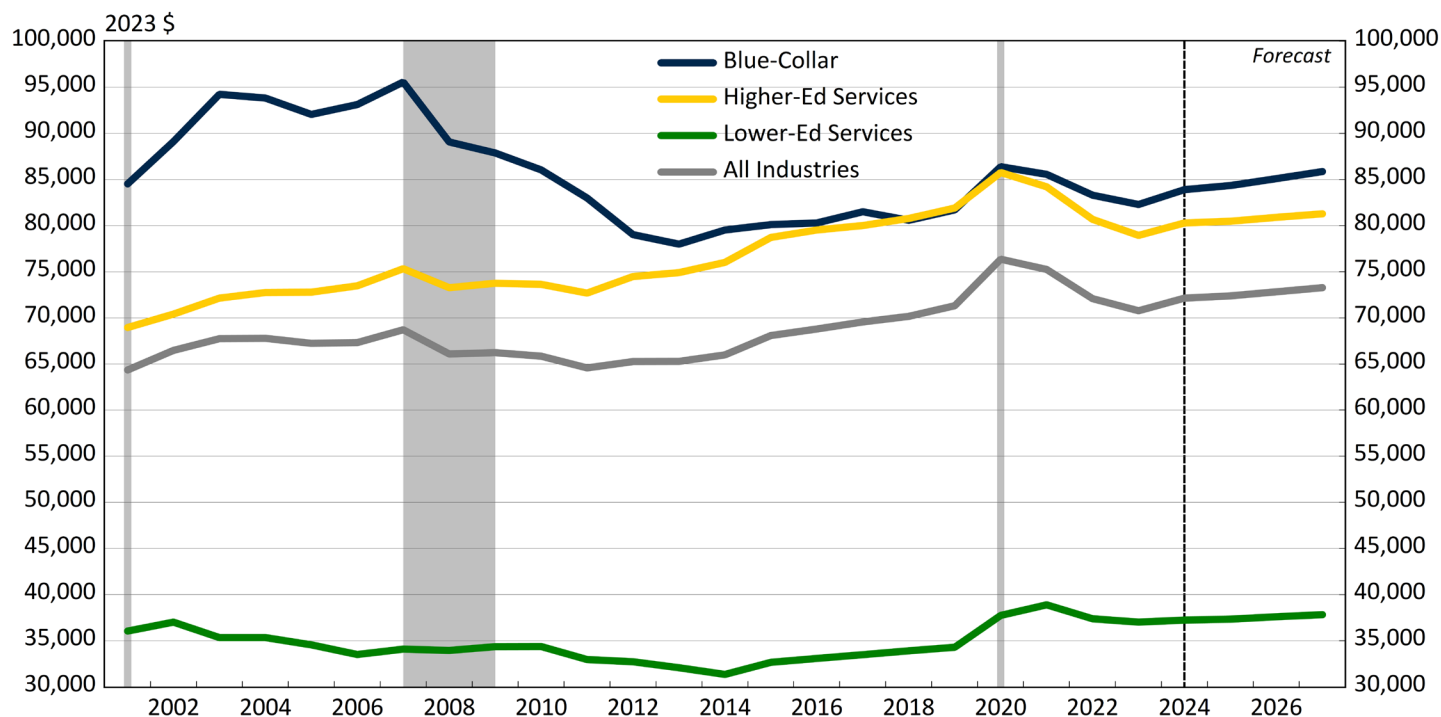
Figure 10
Average Annual Real Wage, Michigan and Washtenaw County



- Figure 10 shows the average annual real wages for all wage and salary workers in Washtenaw County and in Michigan from 2001 to 2027, adjusted for inflation to be expressed in 2023 dollars.
- Historically, the average real wage in Washtenaw County has consistently run substantially higher than the statewide average, although recently the gap has narrowed.
- Both Washtenaw County and Michigan saw large jumps in average real wages during 2020. Real wages grew by 7.1 percent in both the state and county. Those were the largest single-year increases in real wages on record.
- The jump in average wages in 2020 was 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.
- In 2021, real wages fell by 1.4 percent in Washtenaw County and by 0.2 percent in the state. In 2022, real wages fell by an additional 4.2 percent in Washtenaw and 2.8 percent statewide, as nominal wage gains failed to keep pace with soaring inflation. And, in 2023 real wages once again declined by 1.8 percent in Washtenaw and 1.0 percent in Michigan.
- By 2023, three years of declining real wages left real wages 0.8 percent below 2019 levels in Washtenaw, but real wages remained 2.8 percent above 2019 levels in Michigan.
- We estimate that real wage growth in the state returned to the positive side of the ledger in 2024 growing by 1.9 percent in Washtenaw and 1.7 percent in Michigan.
- We forecast that over the next three years, the average real wage will grow by 0.5 percent per year in Washtenaw County and 0.9 percent per year in Michigan further narrowing the county's advantage.
- Despite the declines between 2020 and 2023, real wages are forecast to average \$73,300 in Washtenaw and \$69,500 in Michigan by 2027. Thus, Washtenaw County's average real wage in 2027 will stand 2.7 percent above 2019 levels, while average real wages statewide will be 7.4 percent higher. Washtenaw's wage advantage will have narrowed to only 5.5 percent.
- The relatively weak recent real wage growth in Washtenaw was due to declines in the real wages of high education attainment service industries, including government workers. Paychecks in these industries have not kept up with inflation following the pandemic and continue to lag real wage growth in much of the private sector.

Figure 11

Average Annual Real Wage in Washtenaw County by Selected Industry Group

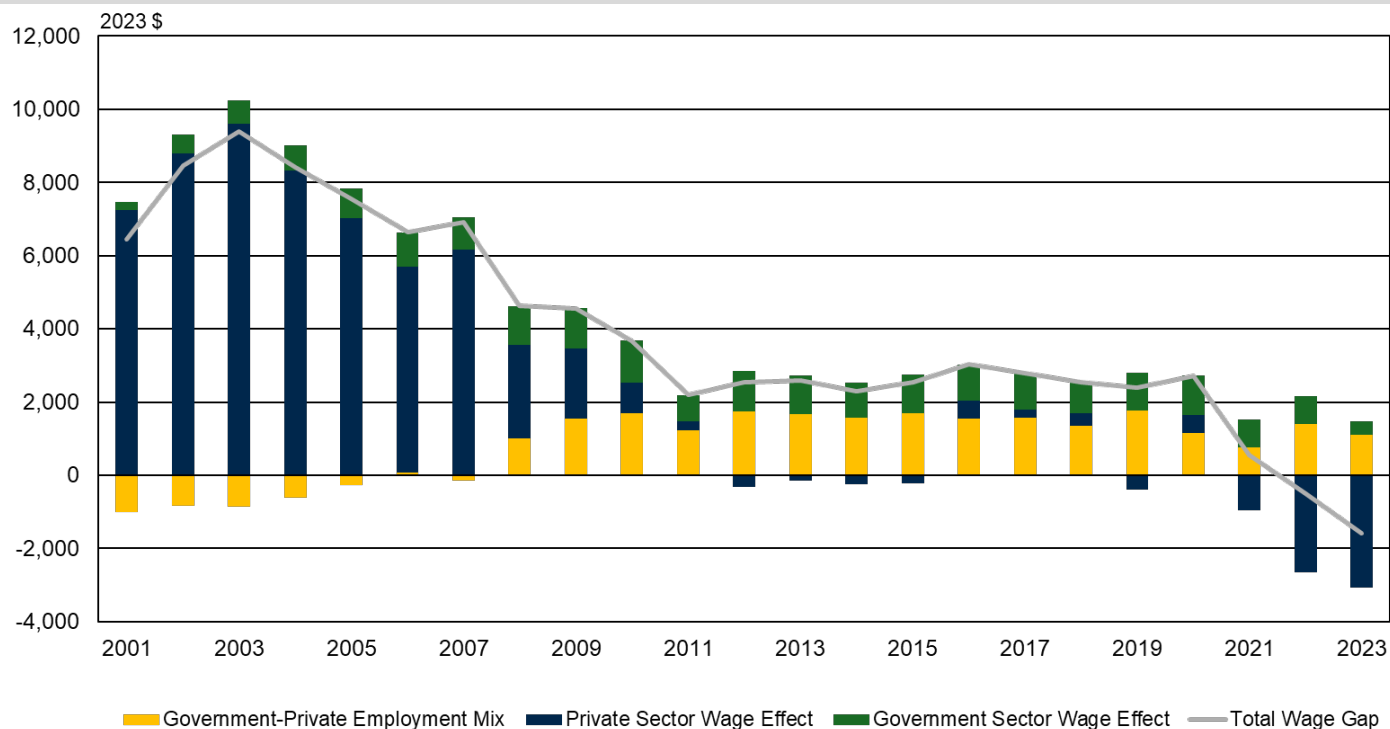


- Figure 11 shows the average annual real wage in Washtenaw County for the same three industry categories as in Figure 7: traditional blue-collar industries, higher-education service industries, and lower-education service industries.
- Average wages in the blue-collar and higher-education services industries are about twice as high as wages in the lower-education services industries.
- The 2020 pandemic recession caused a spike in average wages 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.
- The relatively large increase in wages in the lower-education services industries reflects the fact that the lowest-paid industries within this group (arts and recreation and accommodations and food services) lost the greatest share of jobs in 2020.
- The average real wage declined in 2021 in the blue-collar industries and higher-education services industries, but it increased by 3.0 percent in the lower-education services industries even as inflation picked up.
- Inflation substantially exceeded wage growth in 2022, leading the average real wage to fall 2.6 percent in the blue-collar industries, 4.2 percent in the higher-education services industries, and 3.9 percent in the lower-education services industries.
- Real wages declined again in 2023 even as inflation subsided. Real wages in blue-collar and lower-education services industries fell by 1.2 percent and 1.0 percent, respectively, while wages in higher-education services industries declined by about twice as much, 2.1 percent.
- We estimate that, as inflation slowed, real wage growth turned positive in 2024, by 2.0 percent in blue-collar industries, 1.7 percent in higher-education services, and 0.6 percent in lower-education services.
- Over the next three years, the average real wage is forecast to grow moderately, by 0.8 percent per year in the blue-collar industries, 0.5 percent per year in the lower-education services industries, and 0.4 percent per year in the higher-education services industries.

By 2027, real wages are expected to exceed their 2019 levels in the blue-collar industries (5.1 percent) and lower-education services industries (10.3 percent) but to fall short of 2019 levels by 0.8 percent in the higher-education services industries.

Figure 12

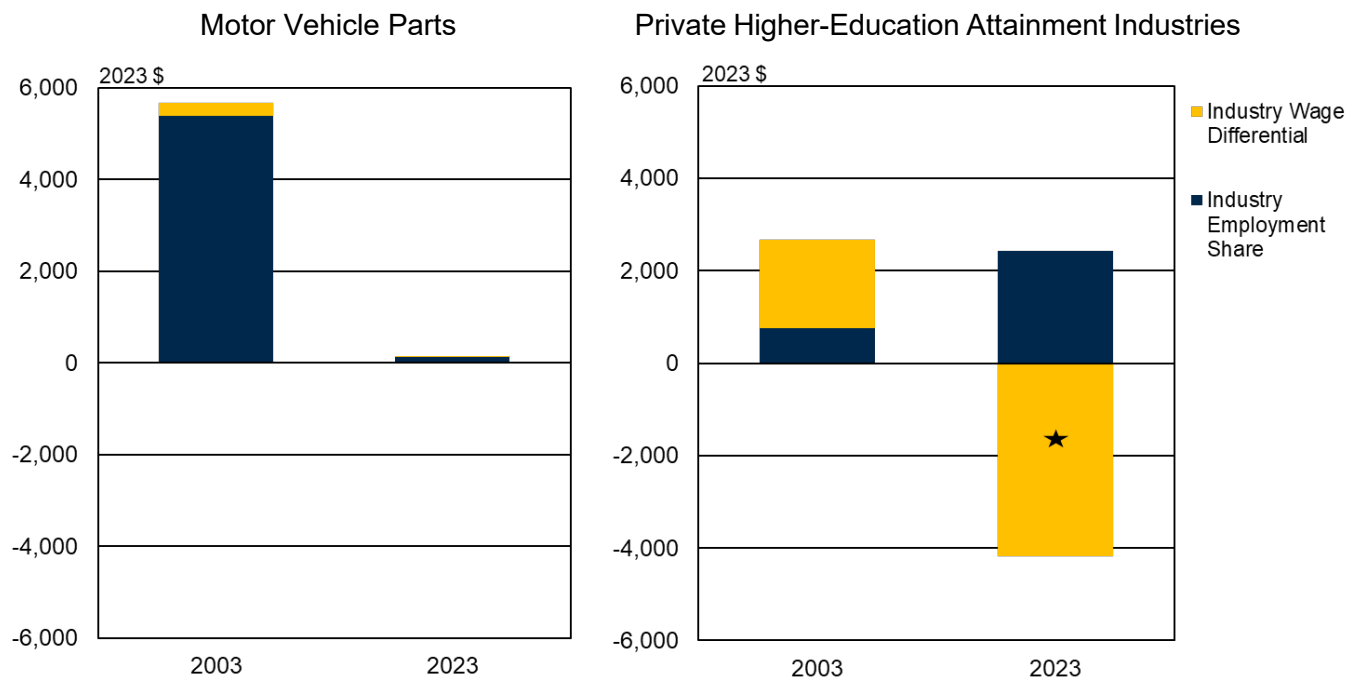
Real Annual Wage Differential Between Washtenaw County and the United States



- Figure 12 illustrates the difference between the average real wage in Washtenaw County and the United States (grey line) and breaks down this difference by sector: the average wage in the government sector (green bars), the average wage in the private sector (blue bars), and the impact of the employment distribution between these sectors (yellow bars).
- In 2001, the average real wage (in 2023 dollars) in Washtenaw County exceeded the U.S. average by \$6,449, or 11.1 percent. This advantage grew in the early 2000s, peaking at \$9,384, or 16.1 percent, in 2003.
- Washtenaw's wage advantage then declined until 2011, after which it stabilized between \$2,000 and \$3,000 for the next ten years.
- Washtenaw's wage advantage began declining again in 2021, and by 2023, the county's average real wage was \$1,583 (2.1 percent) below the national average.
- As shown by the yellow bars, the relatively high share of government jobs in Washtenaw reduced the county's wage advantage before 2008, but then switched. By 2023, the government-private sector employment mix contributed \$1,095 to the county's overall average wage.
- The average wage in Washtenaw County's government sector has historically been about 10 percent higher than the national average, consistently contributing positively to the county's wage differential (green bars).
- By 2023, this gap had narrowed significantly, with government wages in Washtenaw just 3.8 percent above the national average. As a result, they contributed only \$389 to the county's overall wage gap.
- Despite falling behind the national average, Washtenaw County still benefits from a strong employment industry mix—including a higher-than-average government wage—which helps narrow its wage gap with the U.S. overall.
- Washtenaw County's transition from being a high-wage area in the early 2000s to having below-average wages in recent years is due to changes in private sector wages (blue bars).
- Private sector wages, which once accounted for much of Washtenaw County's wage strength, fell below the national average following the pandemic.
- We examine the changes in Washtenaw's private-sector wage differential further on the next page.

Figure 13

Real Annual Wage Differential Between Washtenaw and the U.S. by Key Industries



- To analyze changes in Washtenaw County's relative private sector wages, Figure 13 compares two key industry groups in 2003 and 2023: motor vehicle parts manufacturing and private higher-education attainment industries.
- The private higher-education attainment industries include all private higher-ed services from Table 1 plus three manufacturing sectors: chemicals, computers, and aerospace. We do not forecast the aerospace industry separately because the data is not published for some years, but the value for 2023 was estimated in this exercise.
- In 2003, Washtenaw County's average annual real private sector wage exceeded the national average by \$11,462 (19.8 percent). Roughly one-half (\$5,670) of the difference was due to the employment share and higher wages in motor vehicle parts manufacturing.
- Washtenaw's motor vehicle parts manufacturing sector in 2003 paid an average annual real wage that was \$43,596, or 55.6 percent, above the national average (\$121,948 vs. \$78,352 in 2023 dollars). Additionally, the sector accounted for 9.9 percent of the private sector employment in the county, as opposed to only 0.65 percent nationally.
- Over the following two decades, Washtenaw County suffered a dramatic decline in both auto parts manufacturing jobs and their real wages. By 2023, the sector accounted for just 1.8 percent of

private sector employment. While the industry's average real wage remained above the U.S. average, the premium narrowed to \$7,872 (11.2 percent). Overall, the industry contributed just \$154 to Washtenaw's average private sector wage differential in 2023.

- The right panel shows that in 2003, Washtenaw County's private higher-ed attainment industries—through both their employment share and higher wages—boosted the county's overall average private sector real wage by \$2,663.
- In 2023, Washtenaw had a higher concentration of private higher-ed attainment industry jobs than the nation (46.9 percent vs. 39.5 percent), which boosted the average private sector wage by over \$2,000. However, the county's average wage in those industries was \$10,563 lower than the national average (\$86,442 vs. \$97,005), reducing the average private sector wage by over \$4,000. Combining the employment share and the wage gap, Washtenaw's overall private wage was reduced by \$1,734 in 2023, which is marked by the star in the right panel.
- Washtenaw's wage gap in private higher-ed industries versus the national average raises concerns, but the shortfalls against peer counties are even more alarming. Locally, these key industries pay \$35,970 less than Travis, TX; \$36,239 less than Boulder, CO; \$27,033 less than Durham, NC; and \$8,809 less than Dane, WI.

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

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

Average absolute forecast error 1986–2024: 0.7%

	Forecast 2024	Actual 2024
Unemployment rate	3.2%	3.9%
Consumer inflation rate	2.3%	3.3%

Forecast Date: April 2024

- In last year's report, we had forecast that Washtenaw County would gain 3,800 jobs in 2024, for an increase of 1.8 percent. We now estimate that the county gained 1,250 jobs last year, an increase of only 0.6 percent. Our forecast error for 2024 comes to an over-prediction of 1.2 percentage points.
- That forecast error was above our average absolute error of 0.7 percentage points since 1986.
- Our topline forecast error conceals partially offsetting errors across various industries. Some of our largest errors occurred in professional and technical services, which experienced its steepest decline since the Great Recession; in private health and social services, which exceeded our forecast by 4.1 percentage points; and in state government employment, which slowed far more than we anticipated.
- We originally projected that Washtenaw's unemployment rate would decline from 3.4 percent in 2023 to 3.2 percent in 2024. The unemployment rate actually rose from 3.3 percent in 2023 to 3.9 percent in 2024. This forecast error does not reflect the Bureau of Labor Statistics' latest revision on April 18, which was not available prior to the finalization of this report.
- Last year, we forecast that local prices would increase by only 2.3 percent in 2024. Local prices ended up increasing by 3.3 percent last year, as local inflation proved stickier than we had expected.

Appendix B:

Forecast of Jobs in Washtenaw County by Detailed Industry

	Estimate	Forecast			Average Annual Wage 2023 \$
	2024	2025	2026	2027	
Total Payroll Jobs (Number of jobs)	218,148	218,622	219,488	220,853	70,777
(Annual percentage change)	(0.6)	(0.2)	(0.4)	(0.6)	
Total Government	84,422	84,242	84,410	85,124	73,593
Federal Government	4,724	4,682	4,617	4,525	100,680
State Government	67,427	67,136	67,330	68,077	74,113
Local Government	12,270	12,424	12,462	12,522	60,088
Total Private	133,726	134,381	135,078	135,730	69,032
Private Goods-Producing	17,001	16,896	16,926	16,924	76,416
Natural resources and mining	504	528	555	585	38,832
Construction	4,893	4,863	4,863	4,851	74,664
Manufacturing	11,603	11,505	11,508	11,488	78,415
Printing and related support activities	1,083	1,046	1,023	999	55,679
Chemicals	582	588	595	600	85,217
Plastics and rubber products	652	665	672	677	100,732
Fabricated metals	1,006	997	990	979	70,261
Machinery	988	995	1,006	1,012	82,495
Computer and electronic products	1,424	1,408	1,409	1,406	96,428
Transportation equipment	2,569	2,479	2,437	2,393	82,069
Miscellaneous manufacturing	1,055	1,044	1,039	1,034	81,788
Manufacturing NEC	2,244	2,283	2,337	2,388	66,095
Private Service-Providing	116,725	117,485	118,153	118,805	67,933
Trade, transportation, and utilities	26,171	26,177	26,269	26,353	61,398
Wholesale trade	6,309	6,317	6,384	6,456	91,205
Merchant wholesalers, durable goods	4,032	4,099	4,164	4,231	99,304
Merchant wholesalers, nondurable goods	1,557	1,501	1,492	1,487	77,330
Wholesale electronic markets, agents, brokers	720	717	728	738	80,805
Retail trade	15,054	15,014	14,972	14,933	39,618
Motor vehicle and parts dealers	1,529	1,522	1,497	1,472	75,528
Building material and garden supply dealers	1,306	1,289	1,273	1,257	49,296
Food and beverage retailers	3,053	3,077	3,131	3,186	30,654
General merchandise retailers	3,064	3,021	2,983	2,946	31,780
Health and personal care retailers	1,148	1,167	1,180	1,194	39,939
Retail Trade NEC	4,954	4,938	4,907	4,878	36,104
Transportation and warehousing	4,392	4,443	4,503	4,549	84,628
Utilities	398	403	410	414	169,780
Information	3,912	3,872	3,846	3,822	132,021
Publishing	1,455	1,486	1,503	1,519	121,531
Telecommunications	415	387	369	353	68,938
Computing infrastructure providers	980	975	963	952	122,467
Information NEC	1,063	1,025	1,011	998	178,335
Financial activities	6,012	6,071	6,098	6,124	84,983
Finance and insurance	3,436	3,478	3,494	3,509	100,879
Credit intermediation and related activities	1,575	1,634	1,655	1,672	94,749
Insurance carriers and related activities	834	828	827	826	85,560
Finance and insurance NEC	1,027	1,015	1,011	1,010	122,894
Real estate and rental and leasing	2,576	2,593	2,604	2,615	62,346

Appendix B:

Forecast of Jobs in Washtenaw County by Detailed Industry

	Estimate	Forecast			Average Annual Wage 2023 \$
	2024	2025	2026	2027	
Professional and business services	26,922	26,629	26,648	26,684	95,837
Professional and technical services	17,885	17,804	17,881	17,984	110,851
Legal services	1,010	1,019	1,020	1,022	98,683
Accounting and bookkeeping services	651	660	668	676	81,731
Architectural and engineering services	4,497	4,445	4,444	4,444	133,443
Specialized design services	179	179	179	179	76,676
Computer systems design and related services	2,776	2,788	2,813	2,841	130,228
Management and technical consulting services	1,879	1,862	1,850	1,838	106,312
Scientific research and development services	5,228	5,149	5,147	5,161	101,364
Advertising, PR, and related services	260	255	251	248	98,043
Other professional and technical services	1,406	1,447	1,509	1,575	62,772
Management of companies and enterprises	1,838	1,860	1,894	1,921	138,016
Administrative support and waste management	7,198	6,966	6,873	6,779	48,925
Private education and health services	31,930	32,686	33,050	33,405	62,096
Education services	3,588	3,656	3,654	3,639	42,575
Health care and social assistance	28,342	29,030	29,395	29,765	64,580
Ambulatory health care	13,185	13,405	13,638	13,890	84,693
Offices of physicians	6,611	6,786	7,026	7,285	112,299
Other Ambulatory Health Care Services	6,575	6,619	6,612	6,606	57,096
Hospitals, nursing and residential care facilities, and social assistance	15,157	15,625	15,757	15,875	46,465
Leisure and hospitality	16,452	16,701	16,902	17,091	26,796
Arts, entertainment, and recreation	2,650	2,772	2,833	2,893	27,734
Accommodation and food services	13,802	13,929	14,069	14,198	26,637
Accommodation	1,212	1,245	1,258	1,267	34,266
Food services and drinking places	12,590	12,684	12,811	12,931	25,951
Restaurants and other eating places	10,934	11,007	11,100	11,183	25,287
Full-service restaurants	5,719	5,746	5,775	5,797	28,645
Limited-service restaurants	4,472	4,507	4,569	4,630	22,087
Other Restaurants and Other Drinking Places	743	754	755	755	18,724
Special food services	718	725	736	747	33,702
Drinking places, alcoholic beverages	939	952	975	1,001	27,574
Other services	4,865	4,873	4,856	4,837	45,315
Private unclassified service-providing	478	475	483	491	58,460

Addendum

Unemployment Rate	3.9	4.4	4.4	4.4
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