Michigan’s economic recovery has seemed unstoppable lately, with 28 straight quarters of payroll job growth through the first quarter of this year. The 96,800 job additions during 2016 came close to matching 2011 for the highest annual total during the recovery. Michigan’s employment growth rate of 2.3 percent in 2016 well exceeded the national rate of 1.6 percent.

We see job growth moderating over the next two years. Employment growth slowed to a 1.0 percent annual rate in the first quarter of 2017, and we are anticipating a 0.8 percent pace for the full year. Growth rebounds slightly to run at 1 percent during 2018. That path translates into gains of 33,700 jobs during 2017 and 42,200 in 2018. Those are smaller job additions than we’ve seen recently, consistent with a tighter local labor market and a slowdown in Detroit Three vehicle sales.

The top job producers over the next two years are: professional and business services; construction; private education and health services; and leisure and hospitality. Manufacturing employment declines modestly over the forecast, reflecting the slowdown in the light vehicle sector. Government employment, which grew by a surprising 14,600 jobs in 2016 after declining for thirteen consecutive years, grows modestly over the next two years.

After falling by 1.4 percent in 2015, local prices, as measured by the Detroit CPI, rebounded to rise 1.6 percent in 2016. We anticipate a further increase to 2.1 percent in 2017, owing to a rebound in energy prices and the increase in Michigan’s gasoline and diesel fuel taxes that took effect at the beginning of the year. Local inflation dips back to 1.8 percent in 2018 as energy prices stabilize.

Personal income growth slowed from 4.6 percent in 2015 to 3.6 percent in 2016, as wages and other labor income decelerated. Personal income growth stays at roughly the same level in 2017 as in 2016, before rising to 4.6 percent in 2018. That acceleration is driven by a pickup in the growth of wages, other labor income, property income, and transfer payments.

Real disposable income rose 5.5 percent in 2015, as solid nominal income growth was buoyed by the decline in local prices. Growth decelerated to 2.2 percent in 2016, with the sharp rebound in inflation and slower nominal income growth. It slows further, to 1.3 percent, in 2017, as inflation ticks up and federal personal taxes take a larger bite out of incomes. Real income growth rises to 3.1 percent in 2018, with a modest decline in inflation, faster nominal income growth, and slower growth in federal personal taxes.

“The Michigan Model”