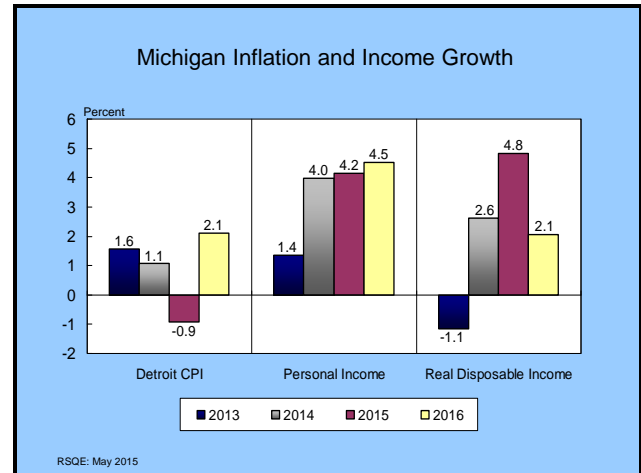
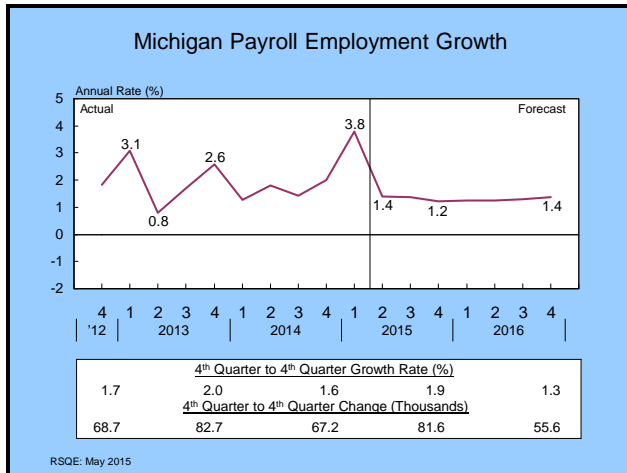


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Some highlights from the most recent RSQE Michigan forecast, released on May 29, 2015:



Michigan is well into its sixth year of economic recovery since the previous recession's low point in the summer of 2009. Payroll job growth mushroomed from 68,700 net job additions during 2012 to 82,700 in 2013, and then fell back to a gain of 67,200 during 2014. Recently released data indicate a surge in job growth in the first quarter of 2015 to a robust annual rate of 3.8 percent.

We see job growth backing off from its sizzling pace in the first quarter of 2015 to come in at a more moderate, but more sustainable, rate of 1.4 percent in the second quarter. Growth slows a tad more by the second half of 2015 and during 2016, settling in to average 1.3 percent for that year and a half. The growth we foresee moving forward translates into gains of 81,600 jobs during 2015 and 55,600 during 2016, an average gain of 68,600 jobs per year, similar to the job additions posted during 2014.

The top job producer over the next two years is professional and business services, contributing 25 percent of the total job gains, a little over half of them in the professional, scientific, and technical subgroup. Construction, manufacturing, and leisure and hospitality services each contribute 14 percent of the additions.

Oil prices dropped sharply at the end of 2014 and the beginning of 2015, and we see them rising during 2015 but remaining much lower than they averaged in 2014. This pattern is a major factor in a decline of 0.9 percent in the local price index for calendar 2015 compared with 2014. Local inflation then rebounds in 2016 to 2.1 percent, a tenth of a percentage point above the U.S. rate, spurred by the continuing partial recovery in crude oil.

Personal income growth accelerates moderately throughout the forecast period, from 4 percent in 2014 to 4.2 percent in 2015 and 4.5 percent in 2016. This pattern is supported in 2015 by an escalation in calendar-year job gains as well as increasing strength in most of the major components of nonwage income. The upswing in 2016 is led by strengthening interest and proprietors' income.

Real disposable income (personal income adjusted for taxes and inflation) surges to increase at a rate of 4.8 percent in 2015, reflecting stronger nominal income growth and the negative rate of inflation. Real disposable income growth retreats in 2016 to 2.1 percent, a consequence of the bounce-back in inflation.