

Economy to Grow Steadily in 2025

Michigan’s economy is forecast to grow moderately in 2025 at a pace roughly around the same as in 2024. However, these annual averages mask big fluctuations within the year. Michigan’s unemployment rate rose to the highest in nearly three years in the fall of 2024 as motor vehicle and parts manufacturers cut jobs. Comerica projects that real GDP growth slowed in the second half of 2024, but it should stabilize and pick up over the next 12 months. Manufacturing business sentiment has risen since the election, boosted by expectations for higher tariffs that will protect manufacturers from foreign competition. Also, high interest rates and consumer prices, which dragged on the Great Lakes State’s economy in the past few years, will be less of a headwind in 2025.

Payroll growth is anticipated to reaccelerate as 2025 progresses. Michigan’s unemployment rate should come back down in the second half of 2025 and average 4.1% for the year, same as in 2024. Personal income is forecast to grow solidly and outpace inflation, boosting real incomes and consumption.

Residential construction is set to gain further steam in 2025. Michigan continues to have among the most affordable housing in the nation. This, plus rising homebuilder confidence, should deliver another robust year for single-family construction, adding an additional 17,000 units to housing supply. Multifamily growth will likely be slower. Michigan’s rental vacancy rate is elevated, slightly above the national average, and lending standards for multifamily construction loans have tightened since 2022 as the Fed raised rates. Multifamily construction will likely hold steady in 2025. Reflecting continuing tight existing home listings, house prices are forecast to rise solidly again in 2025.

Michigan Economic Outlook											
	1Q'24a	2Q'24a	3Q'24f	4Q'24f	1Q'25f	2Q'25f	3Q'25f	4Q'25f	2023a	2024f	2025f
State Output											
Real GDP (Chained 2017 Billions \$)	559	565	566	567	569	572	576	581	554	564	575
Percent Change Annualized	1.2	4.2	0.7	1.3	1.3	2.2	2.6	3.8	1.9	1.8	1.9
Labor and Demographics											
Payroll Jobs (Millions)	4.5	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.5	4.5	4.5
Percent Change Annualized	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.9	2.2	1.0	0.8
Unemployment Rate (Percent)	3.9	4.0	4.5	4.2	4.2	4.2	4.1	4.1	3.9	4.1	4.1
Population (Millions)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Percent Change Annualized	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.2	0.0	-0.3	-0.3
Personal Income											
Total Personal Income (Nominal Billions \$)	635	645	647	651	665	678	683	689	614	644	679
Percent Change Annualized	9.0	6.1	1.4	2.3	9.4	7.8	3.2	3.1	5.4	5.0	5.4
Housing											
Housing Starts (Thousands, Annual Rate)	19.9	19.2	20.9	20.9	20.9	21.2	21.7	21.8	19.5	20.2	21.4
Percent Change Annualized	-43.5	-13.6	39.5	1.1	-0.6	6.4	10.0	1.6	-6.1	3.7	5.9
Single-Family Housing Starts (1,000s Units, Annual Rate)	16.3	15.0	15.8	16.4	16.5	16.8	17.2	17.4	14.7	15.9	17.0
Multi-Family Housing Starts (1,000s Units, Annual Rate)	3.6	4.2	5.1	4.6	4.4	4.4	4.6	4.5	4.8	4.4	4.4
House Price Index, FHFA (1991 Q1=100, SA)	359	367	374	381	386	395	403	411	344	370	399
Year/Year Percent Change	8.1	7.9	7.1	7.0	7.6	7.8	7.8	7.9	6.7	7.5	7.8

a = actual p=provisional f = forecast

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