Michigan is now entering its ninth year of economic recovery, having created an average of 70,500 net job additions per year from the previous recession’s low point in the summer quarter of 2009 to summer 2017. The annual growth rate over this period of 1.7 percent outpaced the nation’s 1.5 percent. Last year’s performance was even more impressive, with the addition of 96,800 jobs.

Since then, the Michigan economy has pumped its brakes, with job growth posting an annual rate of 0.9 percent in the first three quarters of 2017.

We see job growth notching up to an annual rate of 1.2 percent in the fourth quarter of 2017 before returning to 0.9 percent growth during the first half of 2018. Growth drifts up from there by a tenth of a percentage point every six months, ending up at 1.2 percent in the second half of 2019. This tempo translates into gains of 41,900 jobs during 2017, 40,900 in 2018, and 52,200 in 2019.

Top job producers over the forecast period are: professional and business services; leisure and hospitality; trade, transportation, and utilities; construction; and health services. The outlook extends the recovery period to over ten years—among the longest continuous stretches of job growth in Michigan since the Great Depression.

Local inflation—measured by the Detroit CPI—rose by 1.6 percent in 2016 following a decline in 2015. We see a further increase to 1.9 percent in 2017, spurred by a rebound in energy prices and an increase in Michigan’s gasoline and diesel fuel taxes. As energy prices stabilize in 2018, local inflation retreats to 1.5 percent, then picks up to 1.8 percent in 2019 with increasing U.S. inflation and pressure from a tightening local labor market.

Personal income growth accelerates over the forecast period, bumping up from 2.8 percent in 2016 to 3.1 percent in 2017 and jumping to 4.4 percent in 2018 and 4.8 percent in 2019. Growth picks up over the forecast in most major categories of nonwage income, including proprietors’ income, property income, and transfer payments, as well as in wage and salary income in 2018 and 2019.

Growth in real disposable income came in at a disappointing 1.3 percent in 2016, and it ticks down further to 1.1 percent in 2017 with the increase in local inflation and a larger increase in federal taxes. It accelerates to 2.8 percent in 2018 with the stronger nominal income growth and the softening of inflation. It then bumps up to 3.1 percent in 2019 with the continued strengthening in income growth and a smaller increase in federal taxes.

“The Michigan Model”