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Michigan's Economy to Grow Roughly in Line with the U.S. Economy in 2025

Michigan's economy is anticipated to grow by 1.7% in 2025, slightly slower than last year but still keeping pace with the national economy. Tariff volatility and high interest rates continue to weigh on the Great Lake State's economy, as do spillovers from national and global headwinds. On the back of trade uncertainties and supply chain disruptions, the auto sector has slowed year-to-date, but production is expected to rise in the coming quarters as auto producers rebuild low dealer inventories.

Payroll employment is expected to grow around 1.0% in 2025. Michigan's unemployment rate, which rose rapidly from early 2024 through mid-2025, is forecast to peak in the second half of 2025 and gradually decline through 2026, though remaining somewhat higher than the national unemployment rate. The elevated unemployment rate and slower growth of labor incomes are expected to weigh on total personal income, which is projected to rise at a moderate pace of 4.2%—still comfortably outpacing inflation. Tax cuts like the larger deduction for seniors legislated in the One Big Beautiful Bill Act (OBBBA) will boost disposable incomes next year and support consumer spending in 2026.

While expensive by historical comparison, Michigan's housing remains among the most affordable in the nation. Housing construction and sales rebounded in 2024 after precipitous declines in the prior year. After a surge in single-family construction in the second quarter of 2025, 17,500 single-family units are forecast to be added to Michigan's housing supply this year. Multifamily construction is anticipated to rebound robustly in 2025 after steep declines in the prior two years, and add around 5,000 multifamily units to supply. As housing demand and housing supply come into better balance, house price increases are forecast to moderate to a low-to-mid-single-digit pace in the rest of 2025 and 2026.

<i>Michigan Economic Outlook</i>											
	1Q'25a	2Q'25f	3Q'25f	4Q'25f	1Q'26f	2Q'26f	3Q'26f	4Q'26f	2024a	2025f	2026f
State Output											
Real GDP (Chained 2017 Billions \$)	572	575	576	578	581	584	587	591	566	575	586
Percent Change Annualized	0.2	2.0	1.1	1.4	1.7	2.0	2.3	2.6	2.1	1.7	1.8
Labor and Demographics											
Payroll Jobs (Millions)	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6	4.5	4.5	4.6
Percent Change Annualized	1.2	1.3	1.0	0.5	0.8	1.1	1.3	1.4	0.6	1.0	1.0
Unemployment Rate (Percent)	5.4	5.4	5.4	5.3	5.2	5.1	4.9	4.8	4.7	5.4	5.0
Population (Millions)	10.2	10.1	10.1	10.1	10.1	10.1	10.2	10.2	10.1	10.1	10.2
Percent Change Annualized	0.0	-0.8	-0.4	0.2	0.2	0.2	0.2	0.2	0.5	0.0	0.1
Personal Income											
Total Personal Income (Nominal Billions \$)	661	666	671	676	682	692	702	713	641	669	697
Percent Change Annualized	7.4	3.3	3.2	2.6	3.6	5.9	6.1	6.4	4.5	4.2	4.3
Housing											
Housing Starts (Thousands, Annual Rate)	19.0	23.4	23.5	23.6	22.1	23.6	25.8	26.4	20.2	22.4	24.5
Percent Change Annualized	-55.8	131.0	1.2	2.0	-24.0	31.8	42.4	10.0	3.5	10.6	9.3
Single-Family Housing Starts (1,000s Units, Annual Rate)	14.1	18.6	18.7	18.7	17.0	18.3	20.1	20.6	15.9	17.5	19.0
Multi-Family Housing Starts (1,000s Units, Annual Rate)	4.9	4.8	4.8	4.9	5.1	5.3	5.7	5.8	4.4	4.9	5.5
House Price Index, FHFA (1991 Q1=100, SA)	382	378	381	387	388	395	403	410	366	382	399
Year/Year Percent Change	7.0	3.4	2.8	3.8	1.8	4.6	5.7	6.0	6.9	4.2	4.5

a = actual f = forecast

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