Some highlights from the most recent RSQE Michigan forecast, released on April 4, 2011:

Revised data indicate that Michigan’s economy bottomed out from its nearly decade-long employment decline in the summer of 2009. Job growth has been sustained through 2010, the first gains spanning a year since 2000. We estimate that 2011 began with robust job growth of 3.8 percent at annual rate, reflecting in part a bounce in manufacturing following the traumatic situation of the recent past.

The pace of job growth backs off to a much more modest 0.8 percent in the second quarter. From there, the pace of job creation moves up gradually but steadily, to 1.1 percent at yearend 2011 and a healthy 1.9 percent a year later—job gains of 64,600 during 2011 and 61,500 during 2012.

Michigan recorded a stronger recovery in jobs than the nation from the state’s low point in 2009q3 until now. Going forward, the positions flip, with state job growth lagging that of the nation through 2012, albeit with the gap narrowing in ’12. On the Japan crisis, sensitivity analysis on our baseline forecast suggests that a disruption for one quarter of 10 percent or less in U.S. vehicle output would not derail Michigan’s recovery, but it would slow the pace of progress in the short run.

Local inflation returned in 2010, albeit to only a modest rate of 0.8 percent, associated with the improving state economy and the edging up of oil prices. Continued improvement in the economy and the recent run-up in food and oil prices spur an acceleration in inflation to 2.3 percent in 2011. A moderation in oil prices is the primary contributor to the slowdown in inflation for 2012.

Personal income growth turned positive again in 2010, registering a rate of 2.8 percent. Income growth surges to 5.1 percent in 2011, echoing the much stronger labor market anticipated then, and contributions from income related to property (dividends, interest, rent) and proprietors. Income growth returns to the 3 percent range in 2012.

Growth of real disposable income rises from around zero in 2009 to about 2 percent in both 2010 and 2011. Underlying the growth for 2011 is the sharp rise in nominal income growth for that year, countered in part by higher inflation and a more rapid increase in federal personal taxes. The reverse pattern is in play in 2012: slower income growth, dominating the combined effects of less inflation and a smaller increase in taxes, results in weaker 0.8 percent growth then.

"The Michigan Model"