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The Detroit Economic Outlook for 2019–2024
Executive Summary: August 2020

The impact of the COVID-19 recession will be deep and long-lasting, with payroll employment in the city of Detroit not recovering to its 2019 level until 2023. We expect payroll employment in the city to decline by 11.3 percent this year and employment among Detroit residents to decline by a similar amount. We forecast the city's unemployment rate to rise from 8.8 percent in 2019 to an average of 23.8 percent this year. We anticipate the city's payroll job count will rebound by 9.0 percent in 2021 and 3.1 percent in 2022 before slowing to a more moderate pace, with household employment following a similar pattern. We are forecasting that the city's unemployment rate will fall to 19.7 percent in 2021 and 15.5 percent in 2022, with smaller improvements in 2023 and 2024. One potential consolation is that our outlook for employment in Detroit is slightly more optimistic than our outlook for the state of Michigan, which we do not expect to recover to pre-pandemic employment levels until 2024.

One reason for our expectation of a relatively strong bounce back in the city's economy is that many high-profile, long-term projects remain underway. Those projects include Bedrock's redevelopment plans for the former Hudson's site, Ford's redevelopment plan for Michigan Central Station, Fiat Chrysler Automobiles' conversion of its Mack Avenue Engine Complex and retooling of its Jefferson North Assembly Plant, and construction of the Gordie Howe International Bridge.

Of course, the current economic outlook remains extremely uncertain. We expect the two major drivers of the economic recovery going forward to be the course of the COVID-19 pandemic and the federal policy response.

This forecast uses a new measure of payroll employment in the city of Detroit produced for us by the Michigan Department of Technology, Management, and Budget's Bureau of Labor Market Information and Strategic Initiatives. This new data provides a clearer picture of Detroit's economy than has previously been available, and we are excited to use these numbers to drive a better understanding of Detroit's economy. That said, the new data also illustrates the stark contrast between the economy as experienced by employees who work in the city of Detroit and the economy as experienced by the city's residents, who may work in or outside the city.

We also examine whether the economic growth in Detroit prior to the COVID-19 pandemic generated broadly shared prosperity among Detroit residents. Our assessment is that the results were mixed on that front. On one hand, as of 2018, Detroit continued to lag substantially behind the broader Southeast Michigan region on a measure of membership in the middle class that we constructed. On the other hand, certain portions of the city were experiencing very rapid growth in real household incomes prior to the pandemic. A future goal of this project will be to track how Detroit's economy performs in terms of generating broadly shared prosperity for its residents, with a particular focus on:

- The growth of the middle class in the city;
- Income inequality in the city and the region; and
- The city's preparedness for the future of work.

Our hope is that the University Economic Analysis Partnership will thereby both contribute to a better understanding of where Detroit's economy is headed and serve as a resource for Detroit's policymakers as they help to chart a course for the city's economic growth.

"The Michigan Model"