

Economic trends for Michigan in 2025

State has been falling behind; better policies could help

By James M. Hohman | January 2025

Michigan's economy continued to grow in 2024, but the growth rate should have elected officials concerned. The state is not performing up to national averages, and Michigan is already behind many of the average levels of prosperity.

Job growth slowed in 2024. The state has been at roughly 4.5 million jobs since April 2024 and ranks 10th-worst among the states in jobs growth over that period. Jobs had been up 4% in 2021 and 2022 and 2% in 2023. It's a sign of stagnancy.

The state's population figures show a similar stagnant trend. State population increased a little in 2024, up 0.6%. That's 34th among the states. A good indicator about whether state business climate and quality of life issues are attractive to people is whether more people move into the state than move to other states. A few more people moved out than moved in, and Michigan lost 7,656 people to other states.

Michigan also finds itself below average in economic production. Inflation-adjusted total state gross domestic product grew 2.2% from the third quarter of

2023 to the third quarter of 2024, the latest available. That's below the 2.7% national average. Michigan already produces less, per person, than the average state.

The poverty rate in the state is 13.5%, the 15th-highest rate in the country. Median household income is \$69,183, 13th from the bottom among the states.

In other words, Michigan is falling behind in a lot of ways. And it's tough to catch up with less than average growth.

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It's not all bad.

Unemployment in the state is at near record lows. The unemployment rate has been at less than 5% for the past three

years. And this is not because more people dropped out of the labor force. In fact, the number of people employed or looking for work increased by 5.2%, more than the 3.7% national average, from November 2021 to November 2024.

Still, the unemployment numbers are trending in the wrong direction in recent months. Employment has decreased since May and the unemployment rate increased from 3.9% to 4.8%.

A longer-term picture can be summarized this way:

Every state did poorly during COVID. Some states bounced back faster than others. Michigan did fully recover all of the jobs it lost during COVID but 11 months after the national average. The state's recovery stagnated in 2024, hasn't caught up to the national average, and looks likely to stay below average growth in 2025.

Lawmakers can do a lot to break out of these trends.

Michigan government regulates the market for electricity, but its regulation has kept energy prices high and power outages frequent. Lawmakers can change the regulatory system to ensure reliable and affordable energy.

Michigan taxpayers spends 25% more on K-12 education than they did a decade ago, adjusted for inflation, but we are getting worse results from the education system. Lawmakers can ensure better results by giving parents more options. And a competitive and effective education system should be attractive to people around the country.

Over the past two years lawmakers spent billions on corporate welfare and pork. The state's economic trends demonstrate that this is an ineffective way to grow the economy. Lawmakers ought to lower costs on everyone instead of handing out special favors to a few. Legislators' profligate spending shows that they can afford to lower taxes.

There are many more policies that would improve labor regulation, clear hurdles in housing policy, and improve quality of life in Michigan.

Michigan's economy has been falling behind. Lawmakers can expect more of the same unless they work to change the state's trends.

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