

Detroit Economic Indicators Report

Q2 2023 Release

This project is part of the City of Detroit University Economic Analysis Partnership between the City of Detroit Economics team, Wayne State University, Michigan State University, and the University of Michigan. The goal of this report is to summarize the most recent Detroit and Michigan employment statistics as well as current topics surrounding the field of Economics. Each quarter's report includes a recent topic of interest (housing, inflation, GDP, etc.). It also includes notice of relevant upcoming data releases.

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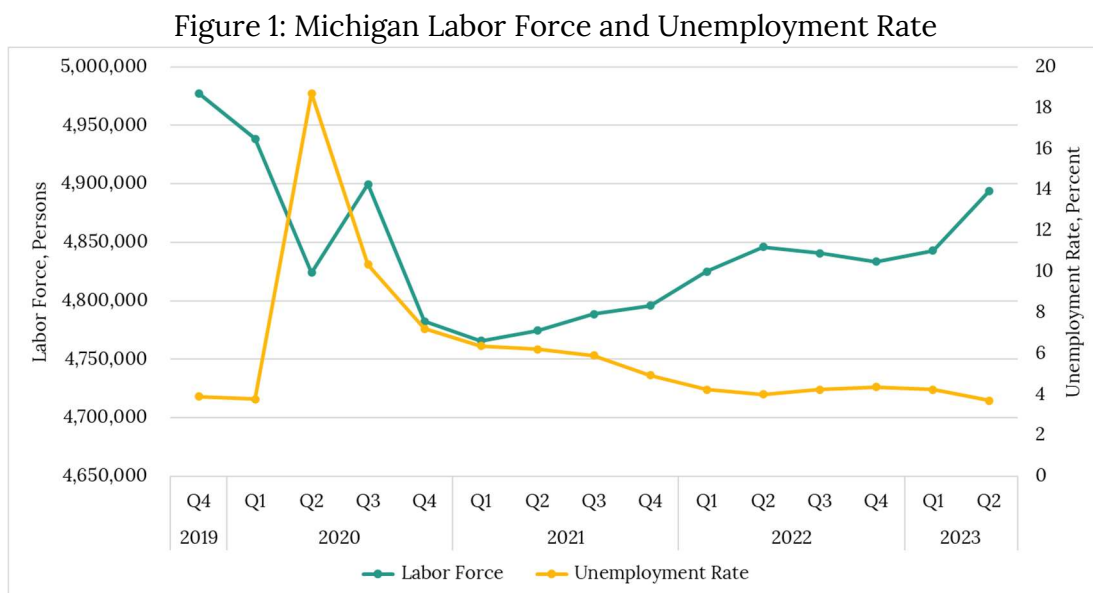


Executive Summary

- Michigan's labor force increased over the second quarter of 2023, while Detroit's labor force declined. Unemployment rates for both geographies remain low.
- The industry with the largest gain in the latest payroll employment data (fourth quarter of 2022) for Detroit came from Educational Services, which jumped 8%, or about 1,600 jobs.
- The poverty rate for full-time workers in Detroit remains nearly three times higher than for Michiganders. Additionally, Detroit has a greater percentage of residents living below the standard federal poverty level (FPL) than Michigan or the United States has living below 200% of the FPL.
- National core inflation has continued to slow through the second quarter of 2023, while local inflation picked up.

Employment – Michigan and Detroit

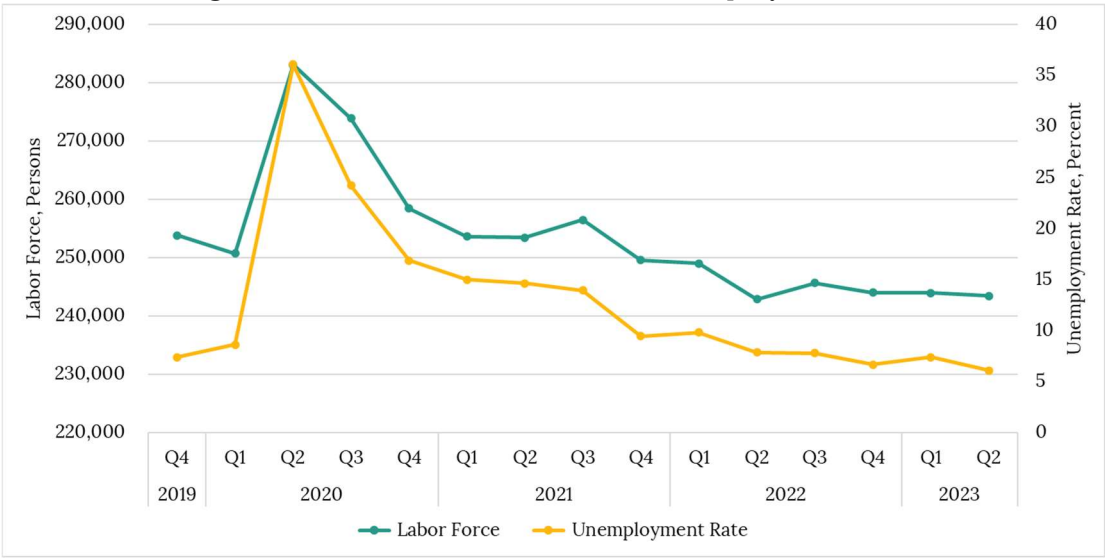
Figure 1 (below) shows that Michigan's unemployment rate averaged 3.7% in the second quarter of 2023, one-tenth of a percentage point below the rate in the first quarter of 2020. Alongside this achievement, Michigan's labor force in the second quarter of 2023 recorded only 1% (about 44,000) fewer residents than its pre-pandemic level, signaling a strong recovery in the state's labor force. The state has made tremendous progress recovering from the severe downturn caused by the COVID-19 pandemic, but there is still a little more work to do before celebrations can begin.



Source: Michigan Labor Market Information, seasonally adjusted

Figure 2 (below) shows that Detroit’s unemployment rate fell to an all-time low of 4.2% in April 2023 (since data collection began in 1990).¹ Unfortunately, this record low mainly came from a decline in the city’s labor force rather than an increase in employment. As more residents re-entered the labor force in search of work throughout May and June, the unemployment rate settled at the higher 6.1% for the second quarter of 2023. Even so, the city’s unemployment rate remains much lower than the 2019 average of 8.6%. Detroit’s labor force continued to improve in August 2023. The city’s labor force now has 6,400 more residents than in the first quarter of 2020, the first real sign that Detroit’s labor force might be expanding since before the pandemic. Next quarter’s report will include data through September 2023.

Figure 2: Detroit Labor Force and Unemployment Rate



Source: Michigan Labor Market Information, not seasonally adjusted

¹ The Bureau of Labor Statistics does not publish seasonally adjusted data for Detroit’s labor force or unemployment rate. The numbers for the city of Detroit in this section are not seasonally adjusted.

Detroit Payroll Employment Data – Q4 2022

Table 1 below shows that employment in Detroit’s two largest industries, Health Care and Social Assistance and Manufacturing, remained relatively unchanged during the final quarter of 2022. Detroit’s third-largest industry, Educational Services, increased 6% during 2022, placing it roughly 2,000 jobs below the city’s manufacturing job count. Employment in the Finance and Insurance industry declined by 6% in the fourth quarter of 2022, as monetary tightening softened demand for new mortgage and refinance originations. From its peak in the first quarter of 2021 to the fourth quarter of 2022, employment in the Finance and Insurance industry has decreased by roughly 30% as a result of that tightening.

Table 1: Detroit Industry Employment, Q3 to Q4 2022

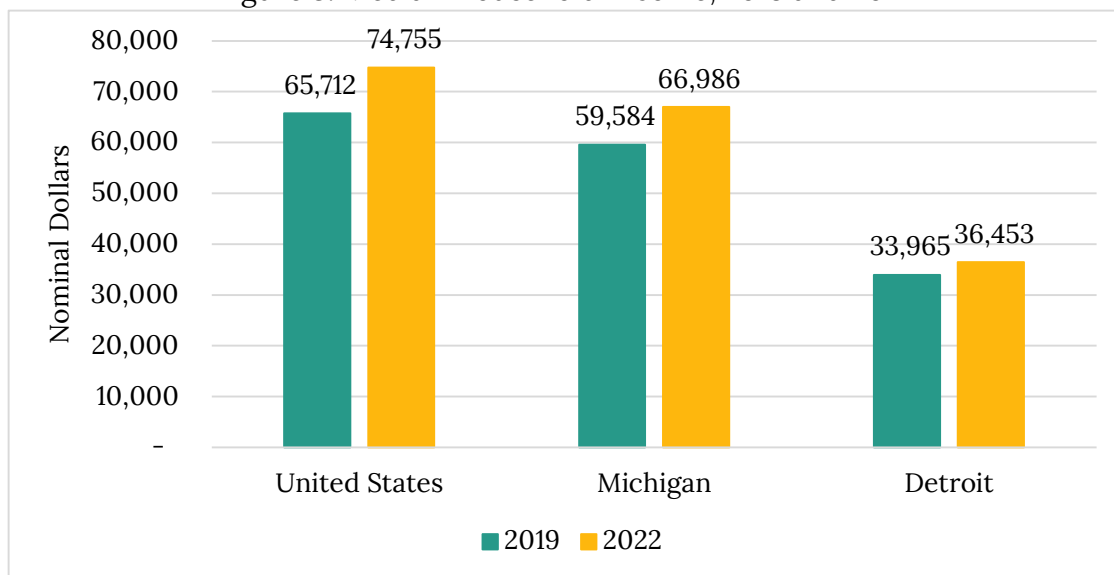
	Q3 2022 AVG	Q4 2022 AVG	Change over the:	
	Employment	Employment	Quarter	Year
11 Agriculture, Forestry, Fishing and Hunting	222	196	- 26 (-12%)	+ 18 (10%)
21 Mining, Quarrying, and Oil and Gas Extraction	506	511	+ 5 (1%)	+ 31 (7%)
22 Utilities	3,722	3,673	- 49 (-1%)	+ 9 (0%)
23 Construction	7,588	7,534	- 54 (-1%)	+ 462 (7%)
31-33 Manufacturing	23,008	23,240	+ 232 (1%)	- 1,471 (-6%)
42 Wholesale Trade	5,112	5,149	+ 38 (1%)	- 86 (-2%)
44-45 Retail Trade	12,812	12,925	+ 113 (1%)	- 316 (-2%)
48-49 Transportation and Warehousing	8,059	8,406	+ 346 (4%)	+ 91 (1%)
51 Information	2,391	2,305	- 85 (-4%)	- 25 (-1%)
52 Finance and Insurance	13,460	12,586	- 873 (-6%)	- 4,228 (-25%)
53 Real Estate and Rental and Leasing	1,961	1,902	- 59 (-3%)	- 118 (-6%)
54 Professional, Scientific, and Technical Services	14,023	14,002	- 22 (0%)	+ 572 (4%)
55 Management of Companies and Enterprises	9,198	9,089	- 109 (-1%)	- 498 (-5%)
56 Administrative and Support and Waste Management and Remediation Services	12,726	12,160	- 566 (-4%)	+ 1,149 (10%)
61 Educational Services	19,768	21,392	+ 1,624 (8%)	+ 1,248 (6%)
62 Health Care and Social Assistance	46,376	45,673	- 703 (-2%)	- 103 (0%)
71 Arts, Entertainment, and Recreation	4,942	5,096	+ 154 (3%)	+ 943 (23%)
72 Accommodation and Food Services	18,149	18,634	+ 485 (3%)	+ 2,360 (15%)
81 Other Services (except Public Administration)	6,894	6,871	- 23 (0%)	+ 435 (7%)
92 Public Administration	19,403	19,374	- 29 (0%)	+ 751 (4%)
99 Nonclassifiable Establishments	459	479	+ 20 (4%)	+ 71 (17%)

Source: Michigan Center for Data Analytics

Detroit's Household Income and Poverty Level

Figure 3 (below) shows nominal median household income in the United States, Michigan, and the city of Detroit in 2019 and 2022. Despite having similar household sizes, the median household income in Detroit is roughly half that of Michigan's. Median household income in Michigan rose from \$60,000 in 2019 to nearly \$67,000 in 2022, a 12.4 percent increase. Unfortunately, Detroit experienced slower growth over this period, as its nominal median household income only ticked up from \$34,000 to \$36,500, a 7.3 percent increase. Local inflation as measured by the Detroit-Warren-Dearborn Consumer Price Index increased by 14% between 2019 and 2022, which more than outpaced income growth in Michigan and Detroit during that time. The income gap between Detroit and Michigan will keep widening if Detroit's income growth continues to fall behind the state's.

Figure 3: Median Household Income, 2019 and 2022



Source: American Community Survey, Table 1903

Table 2 (below) shows poverty rates by working status and educational attainment for the United States, Michigan, and the city of Detroit.² In 2022, Detroit had a poverty rate of 33.8%, approximately 2.5 times higher than Michigan's poverty rate of 13.4%. Individuals who work part-time are at a heightened risk of living below the federal poverty level (FPL) which is especially prevalent in the city of Detroit. Among part-time working residents in Detroit, the poverty rate is at 36%, in contrast to the much lower rate of 6.7% for full-time working residents. Nevertheless, even among full-time workers, Detroit's poverty rate (6.7%) remains nearly three times higher than that of full-time workers in Michigan (2.3%).

² The federal poverty level (FPL) in 2022 is \$13,590 for an individual, \$18,310 for a 2-person household, and \$27,750 for a 4-person household. See the following guidelines [here](#) for more information about the FPL.

Table 2: Poverty Status by Selected Characteristics, 2022

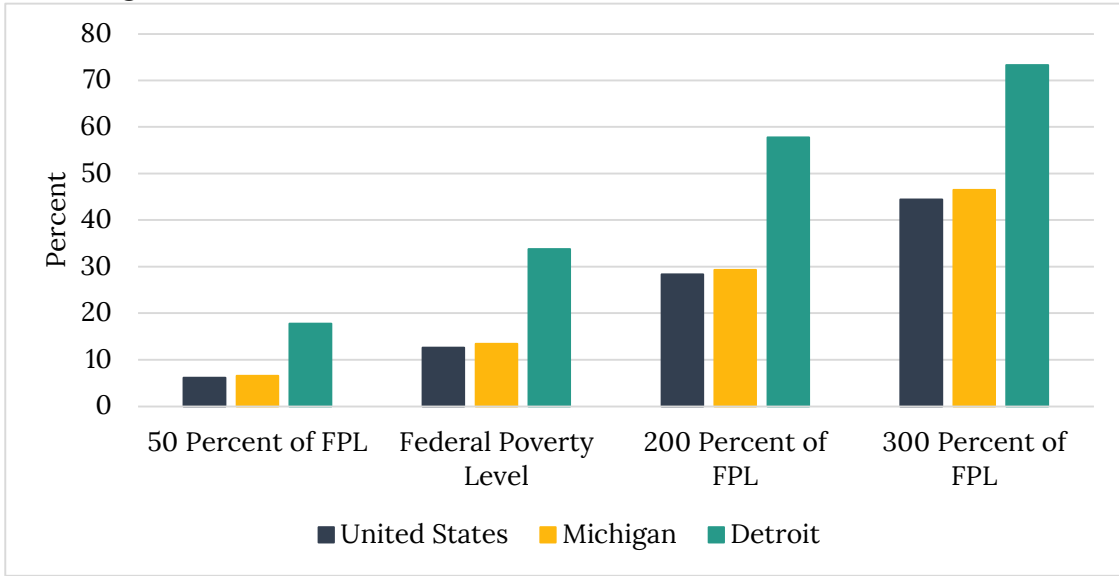
	United States	Michigan	Detroit
Poverty Rate (%)	12.6	13.4	33.8
Poverty Rate by Working Status			
Population 16 years and over	11.6	12.2	29.1
Worked full-time, year-round in the past 12 months	2.4	2.3	6.7
Worked part-time or part-year in the past 12 months	15.6	16.8	36.0
Did not work	21.7	21.0	41.5
Poverty Rate by Educational Attainment			
Population 25 years and over	10.7	11.1	28.4
Less than high school graduate	24.5	27.1	45.9
High school graduate (includes equivalency)	14.4	15.1	31.2
Some college, associate's degree	10.0	10.9	25.2
Bachelor's degree or higher	4.5	4.0	10.6

Source: American Community Survey 2022, Table S1701

A consistent pattern emerges when examining poverty rates relative to educational attainment. The poverty rate in Detroit decreases from 31.2% for high school graduate to 10.6% for those holding a bachelor's degree or higher. Nevertheless, the poverty rate for individuals with a bachelor's degree or more remains 2.7 times higher in Detroit than that of Michiganders within the same educational category.

Figure 4 (below) shows the percentage of individuals with income below various federal poverty thresholds for the United States, Michigan, and Detroit. The poverty thresholds presented are defined as multiples of the FPL, ranging from 50% to 300% of the FPL. The city of Detroit has a higher percentage of individuals with income below each threshold compared to both Michigan and the United States. Furthermore, Detroit has a larger percentage of residents living below half the FPL than either Michigan or the United States have living below the standard FPL. Unfortunately, this pattern persists across all subsequent thresholds, extending to 300% of the FPL, highlighting the substantial economic disparity experienced by residents of Detroit.

Figure 4: Share of Individuals with Income Below Various Thresholds

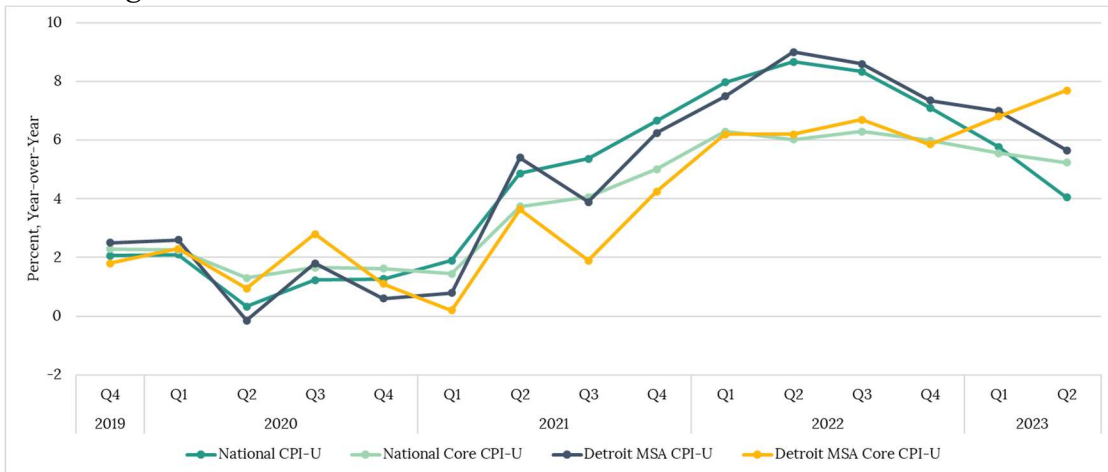


Source: American Community Survey, Table 1701

Key Inflation Indicators

Figure 5 (below) displays national and local inflation as measured by the Consumer Price Index (CPI) for all items and core inflation (which excludes food and energy). During 2022, national and local core inflation both hovered around 6% year-over-year. However, there is a noticeable divergence in core inflation between national and local data in 2023. Local core inflation rose in both the first and second quarters of 2023 while national core inflation has continued to slow on a year-over-year basis. On the other hand, headline Detroit CPI has exhibited a similar pattern to national inflation. In the second quarter of 2023, national inflation fell to 4.1% year-over-year while local inflation declined to 5.7%.

Figure 5: National and Detroit MSA CPI Inflation, All Items and Core



Source: Bureau of Labor Statistics

Q3 2023 Events and Data Releases

- A UAW strike began on September 15, but so far, the effect on Detroit seems to be minimal.
- In the most recent Federal Open Market Committee meeting, the committee decided to hold the federal funds rate steady at 5.25-5.5%.
- The October 2023 Consumer Price Index for the Detroit-Warren-Dearborn area is scheduled to be released on November 14, 2023.
- The advance estimate for national CPI for the third quarter of 2023 is scheduled to be released on October 26. Annualized increases of 2% have been reported so far for the first two quarters of 2023.