Detroit Economic Indicators Report

Q1 2025 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

- The city's unemployment rate rose to roughly 11.0% in Q1 2025, the highest since Q4 2021. This increase coincides with a 5.1% growth in the labor force since Q2 2023, suggesting that more Detroiters are actively seeking work.

- Michigan's unemployment rate reached 5.5% in April 2025, up 1.1 percentage points over the past year, alongside modest labor force growth. The state's labor market continues to face a challenging macroeconomic environment.

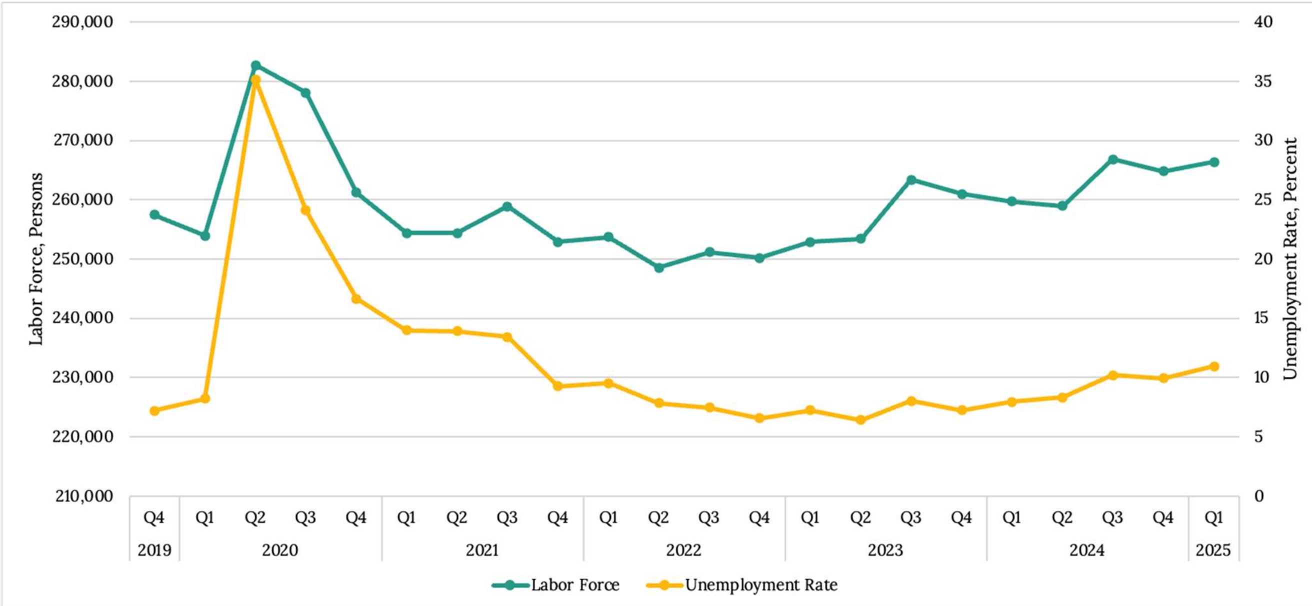
- In Q3 2024, blue-collar jobs in the City fell due to losses in manufacturing, while lower- and higher-education service industries saw gains led by administrative and support services and health services. Most other sectors remained stable.

- Economic uncertainty has risen sharply in recent months, driven by elevated policy and trade uncertainty. Consumer and labor market uncertainty remain high, while business uncertainty has stayed relatively stable.

Detroit Resident Employment

Figure 1 below shows Detroit's unemployment rate alongside the city's labor force. As of Q1 2025, the city's unemployment rate has climbed to 11.0%, the highest level recorded since Q4 2021. The rate has experienced a steady overall rise since Q2 2023 and now stands 2.6 percentage points above the city's 2019 average. While this trend further highlights challenges in household employment, it is important to note that the rise in unemployment has coincided with an expanding labor force. Between Q2 2023 and Q1 2025, Detroit's labor force grew by 12,900 residents—a 5.1% increase. Compared to 2019 levels, the labor force is now 2.9% larger, suggesting that more Detroit residents are actively seeking work.

Figure 1: Detroit Labor Force and Unemployment Rate



Source: Michigan Labor Market Information, not seasonally adjusted

Michigan's labor market has experienced only minor changes over the past year. From April 2023 to April 2024, the state's labor force grew by 1.0 percent, and the unemployment rate rose by 1.1 percentage points, reaching 5.5 percent in April 2025. This marks a 1.4 percentage point increase compared to the state's 2019 average. Michigan's labor market, including Detroit, has struggled under a challenging macroeconomic environment marked by elevated interest rates and, more recently, increased federal policy uncertainty.

Detroit Payroll Employment Data – Q3 2024

Figure 2 splits the City's payroll employment into three groups: blue-collar industries, lower-education services industries, and higher-education services industries.[1] The Michigan Center for Data and Analytics produces this data as part of an agreement with RSQE. This data comes from the same underlying source as the Quarterly Census of Employment and Wages (QCEW), which has a substantial lag in its release even at the county level. The data presented is specifically for the City of Detroit and is compiled after the county-level data is released.

Employment in blue-collar industries lost approximately 700 jobs in Q3 2024, with nearly all of the losses occurring in the manufacturing sector. However, some softening in employment is typical during this period, as auto manufacturers traditionally shut down plants for retooling in

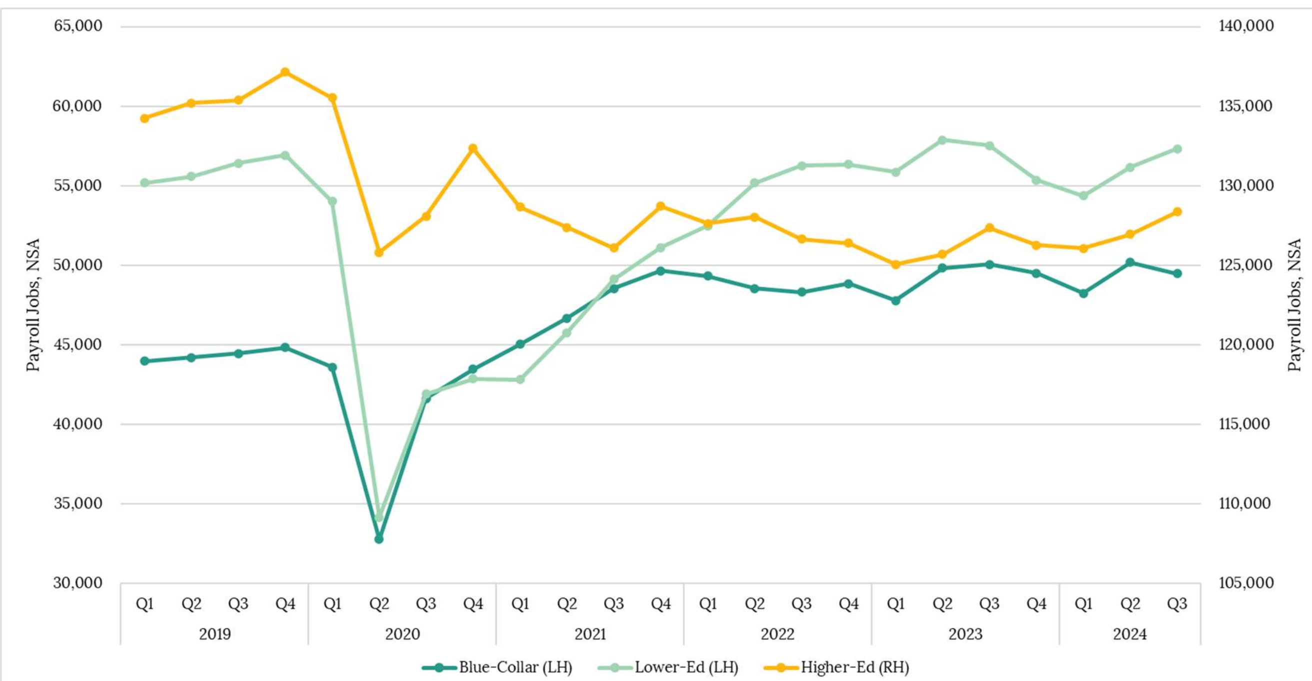
[1] The blue-collar industries comprise natural resources and mining; construction; manufacturing; and wholesale trade, transportation, and utilities. The higher-education services industries (which generally require employees to hold a bachelor's degree or higher educational level) comprise information; finance; professional, scientific, and technical services; management of companies and enterprises; private education and health services; and government. The lower-education services industries (which typically do not require a college education) comprise retail trade; leisure and hospitality; administrative and support services and waste management; and other services.

late June and July to prepare for the next model year. Michigan also experienced a notable decline in transportation equipment manufacturing jobs in July 2024, followed by a nearly complete recovery in August. The remainder of the blue-collar industries remained relatively stable in Q3 2024, with little net change in employment.

Employment in lower-education services industries rose by 1,200 jobs in the third quarter of 2024. Administrative and support services reversed its streak of job losses, adding 790 jobs during the quarter. Meanwhile, employment in leisure and hospitality edged up, as gains in accommodation and food services outweighed losses in arts, entertainment, and recreation. Retail trade employment remained relatively stable, while other services posted solid job gains in Q3 2024.

Employment in higher-education services industries increased by 1,400 jobs in Q3 2024. Employment in health services led the way with 2,200 job gains, bringing employment in the sector to 2.9% above its level from a year earlier. In contrast, education services shed 1,000 jobs—a typical seasonal decline as the academic year came to an end. Public administration and professional and technical services posted modest gains, while employment in the remaining higher-education services industries held steady.

Figure 2: Detroit Payroll Employment by Industry Group



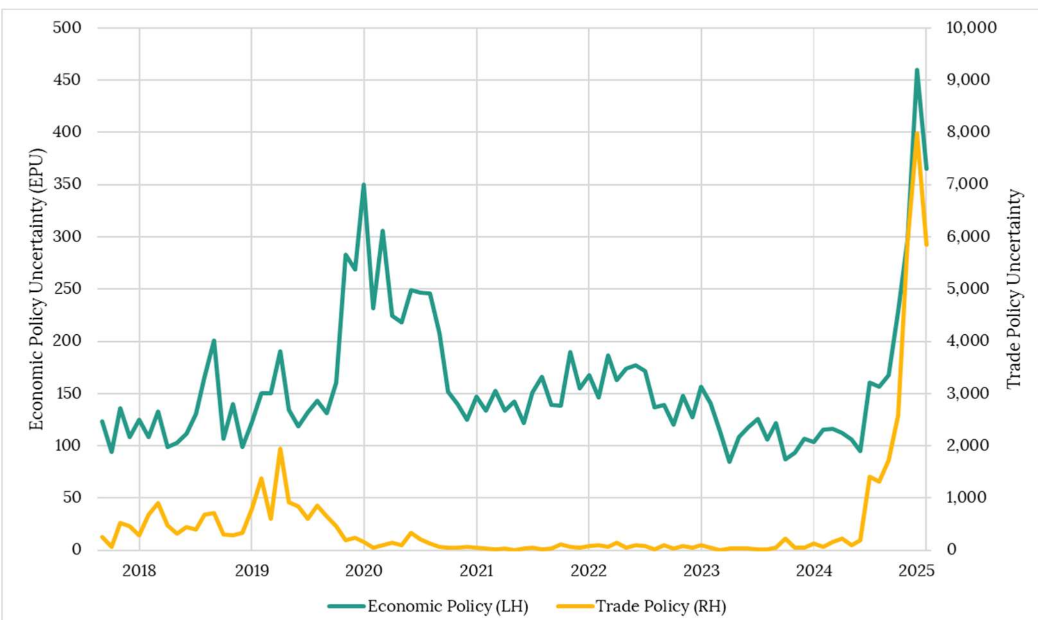
Source: Michigan Center for Data and Analytics

Quantifying Sentiment and Uncertainty

Sentiment and uncertainty have been prominent headlines lately. The Partnership reviewed multiple sources measuring economic uncertainty in the US and globally. This report focuses on key areas including economic and trade policy, consumer sentiment, business uncertainty, and the labor market outlook. Other uncertainty metrics are available, such as the employee confidence index from Glassdoor.[2] In the four charts below, the vertical lines represent May of each year.

Figure 3 below presents the U.S. Economic Policy Uncertainty (EPU) Index which quantifies uncertainty by tracking the frequency of news articles containing keywords related to economic policy and uncertainty. The figure also includes the Trade Policy Uncertainty (TPU) Index, which is constructed using a similar methodology but focuses specifically on uncertainty surrounding trade policies, including tariffs, trade negotiations, and import/export regulations.[3] In recent months, the index has skyrocketed and has remained nearly three times higher than its 2019 average. This heightened uncertainty is largely driven by erratic tariff announcements, abrupt regulatory shifts, and threats of government restructuring. Some businesses are either reaffirming their commitment to produce in the U.S. to avoid tariffs or delaying investments until more information becomes available. At the same time, some consumers are accelerating major purchases, such as vehicles, while some are cutting back on non-durable goods spending.

Figure 3: Economic Policy Uncertainty Index (not seasonally adjusted)

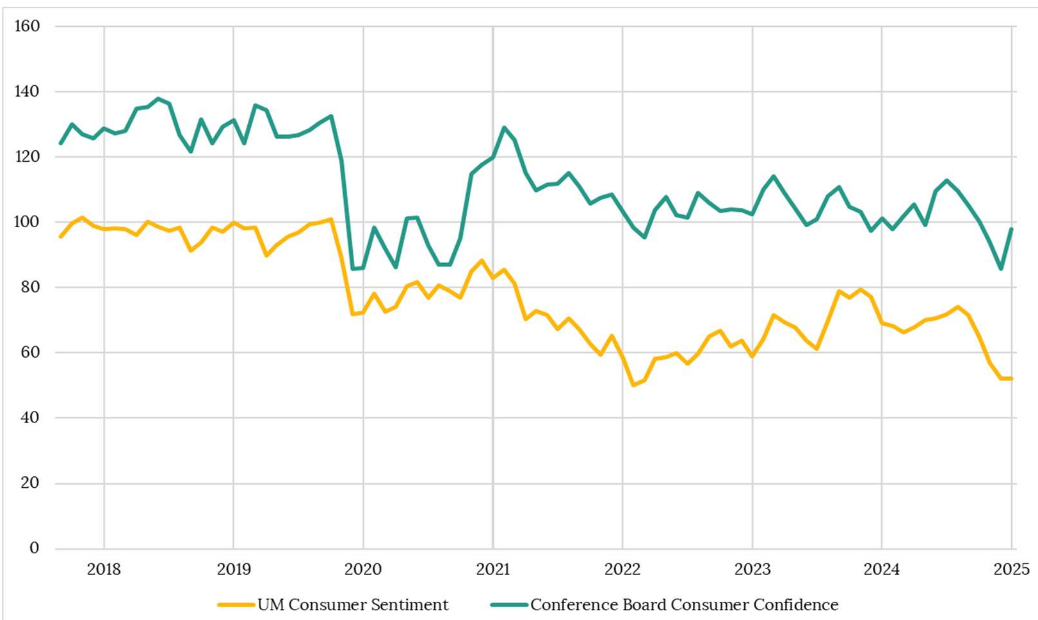


Source: Scott R. Baker, Nicholas Bloom, Steven J. Davis, Measuring Economic Policy Uncertainty, The Quarterly Journal of Economics, Volume 131, Issue 4, November 2016, Pages 1593–1636

[2] See here for more information on the employee confidence index from Glassdoor.
[3] See here for more information on the methodology used to compile the Economic Policy Uncertainty Index.

Consumer sentiment and confidence is showing a slightly different trend, shown below in Figure 4. According to The Conference Board's Consumer Confidence Index, U.S. consumer confidence experienced a significant rebound of 12.3 points in May, marking the first increase after five consecutive months of decline. This uptick was largely driven by improved consumer expectations regarding future income, business conditions, and employment prospects. The University of Michigan's Survey of Consumers followed a similar but more muted pattern, as consumer sentiment held steady in May, halting a four-month streak of sharp declines. The steadying sentiment likely reflects the temporary pause on some of the tariffs targeting China as a result of the Geneva trade agreement.

Figure 4: Consumer Sentiment Index and Consumer Confidence Index

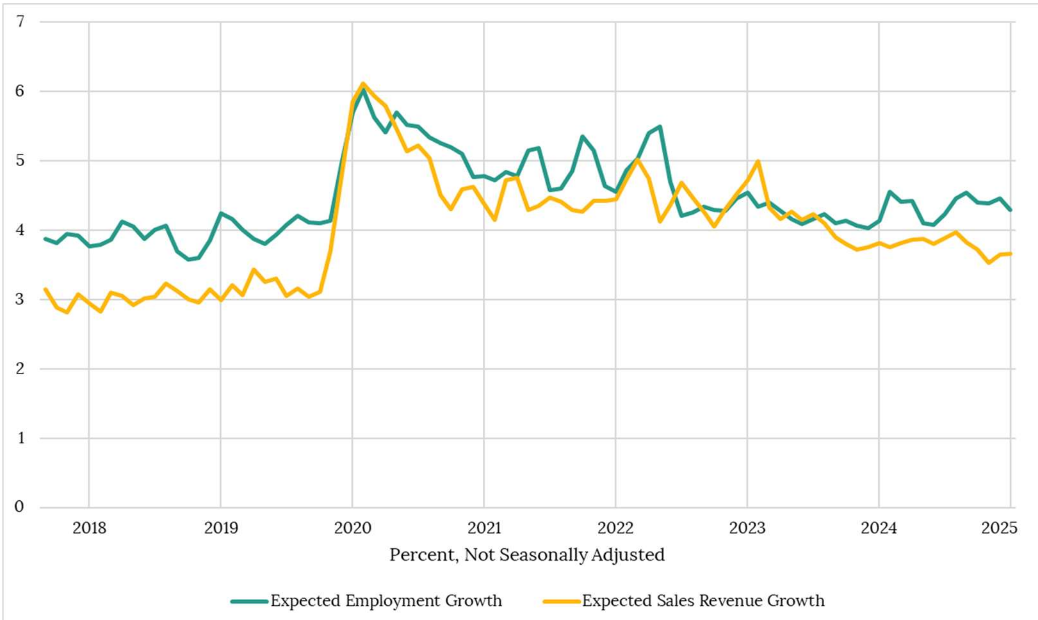


Source: University of Michigan and The Conference Board

The Federal Reserve Bank of Atlanta's Survey of Business Uncertainty (SBU) shows that U.S. firms are facing elevated levels of uncertainty, particularly regarding future sales growth.[4] Figure 5 shows two indices: one that reflects firms' uncertainty about the growth of their own sales revenue over the next 12 months and one that reflects firms' uncertainty about the growth of their own employment levels over the next 12 months. Expectations for sales revenue growth have declined in recent months, and firms remain more uncertain about future revenue than they were before the pandemic. Forty-five percent of firms report scaling back investment, and 40 percent report decreased hiring due to policy-related uncertainty, with tariffs identified as the leading source of concern. While expected employment growth has also declined recently, uncertainty around employment growth has returned to roughly pre-pandemic levels.

[4] See here for more information about the Survey of Business Uncertainty.

Figure 5: Business Uncertainty

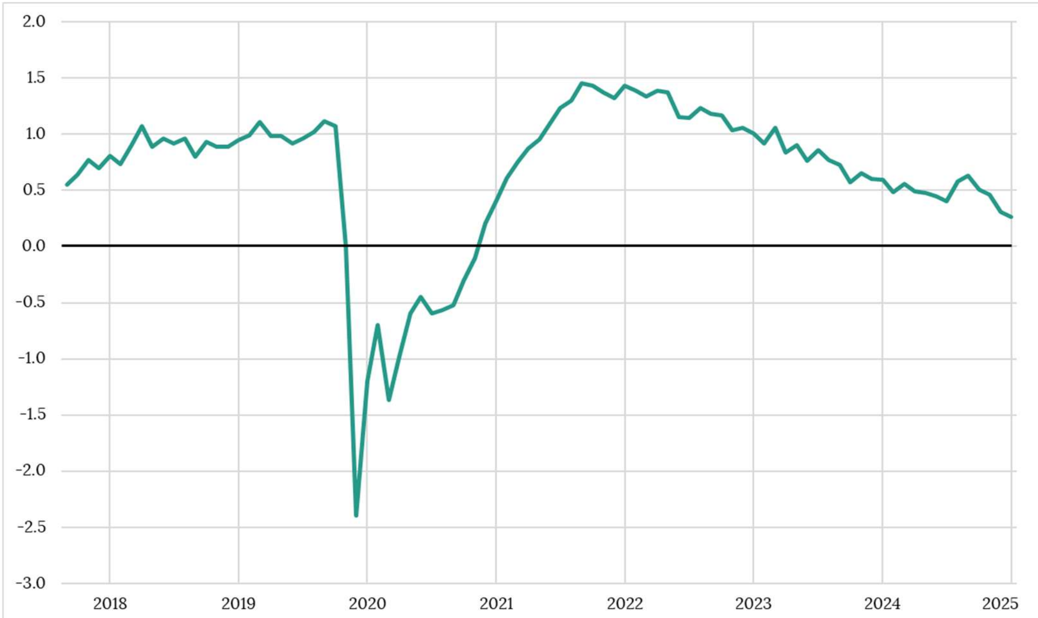


Source: Federal Reserve Bank of Atlanta

The Kansas City Fed produces two monthly measures of labor market conditions based on 24 labor market variables including measures of unemployment, employment vacancies, and various employment and earnings forecasts.[5] The labor market conditions metric attempts to capture the present state of market conditions relative to a long-run average. A positive value reflects improved labor market conditions relative to their long-run average, whereas a negative value indicates below-average conditions. After a slight uptick from November to January, labor market conditions steadily decreased towards their long-run average from a value of 0.63 in January to 0.26 in May. Though this is still above the historical average, the indicator is below pre-pandemic levels.

[5] See here for a full list of variables.

Figure 6: Labor Market Conditions



Source: Kansas City Fed

Overall, business uncertainty has remained relatively stable, in comparison to rising consumer and labor market uncertainty. This resilience may reflect firms' extended planning cycles and more systematic approaches to decision-making, which make them less sensitive to short-term shocks than consumers or workers.

Other Events and Data Releases

- Tariff updates continue to roll in after the release of last quarter's report. On June 10, the Court of Appeals for the Federal Circuit issued a stay of the CIT's rulings enjoining the tariffs pending the appeal. As a result of the stay, the "fentanyl" and reciprocal tariffs remain in effect. The Federal Circuit will hold oral argument in the case on July 31.[6]

- The Federal Open Market Committee met on June 17-18 and held rates steady.

[6] See here for a comprehensive and continuously updating summary of the current tariff landscape.