

Detroit Economic Indicators Report

Q1 2026 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.

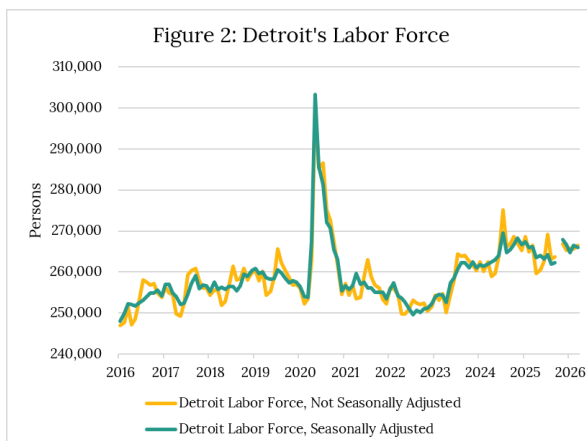
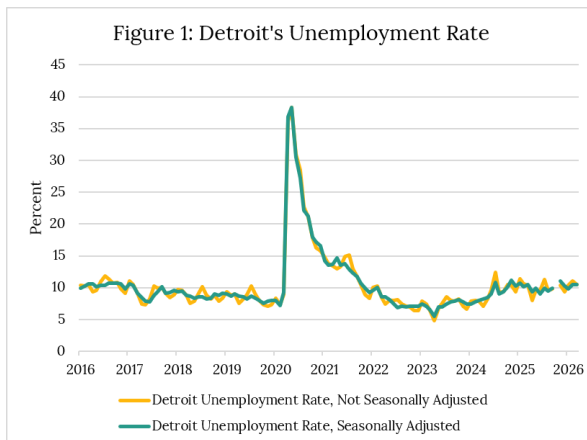
Authors: Erika Mooney (Senior Economist, City of Detroit), Sean Tobin (Deputy Director of Strategic Finance and Analytics, City of Detroit), Dr. Liang Hu (Associate Professor of Economics, Wayne State University), Sarah Klammer (Senior Specialist, Michigan State University), Hasan Alaswad (Ph.D. Candidate, Wayne State University), Izuchukwu Igbunugo (Ph.D. Student, Wayne State University), Research Seminar in Quantitative Economics (RSQE) team from the University of Michigan



Executive Summary

- Detroit's unemployment rate averaged 10.6% in Q1 2026, up from an average of 9.9% in Q4 2025.
- Detroit's blue-collar employment and lower-education attainment services industries recorded modest job gains in Q3 2025, the latest data for payroll employment, supported by growth in construction, transportation and warehousing jobs. Employment in Detroit's higher-education attainment services industries also edged up, driven by private health and social services.
- Consumer sentiment plummeted to an all-time low of 44.8 in May 2026, extending past April's reading of 49.8 and marking the third consecutive monthly decline of the year. Despite consumer sentiment's new lows, stock market returns have been positive. The preliminary June consumer sentiment index value is 48.9, coming in slightly higher than May but lower than April.

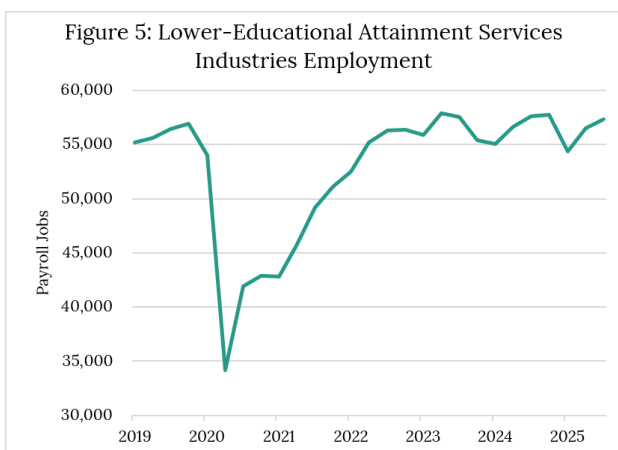
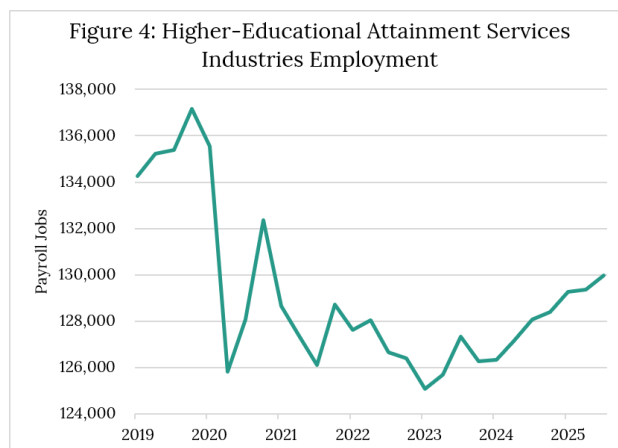
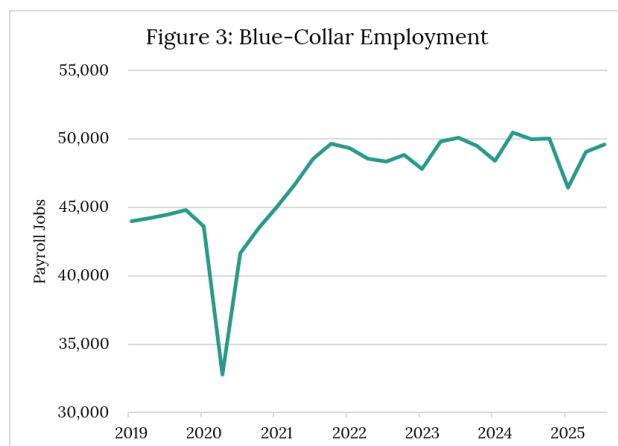
Detroit Resident Employment



- Figure 1 shows the seasonally adjusted and not seasonally adjusted unemployment rate for the city of Detroit.¹ Detroit's unemployment rate skyrocketed during the initial onset of the COVID-19 pandemic, reaching 38.3% in May 2020. However, Detroit's unemployment rate came crashing down to an average of 7.2% in 2023, or 1.1 percentage points lower than its 2019 average.
- The city's unemployment rate rose to 9.1% in 2024 and 10.0% in 2025, as the city's economy cooled down alongside Michigan's. In the latest data, Detroit's unemployment rate registered 10.5% in March 2026, averaging 10.6% in Q1 2026 compared with an average of 9.9% in Q4 2025.
- Figure 2 shows Detroit's seasonally adjusted and not seasonally adjusted labor force. Overall, Detroit's labor force has increased since late 2022, except for a temporary decline during 2025. In March 2026, Detroit's labor force was roughly unchanged from a year earlier. On the other hand, Michigan's labor force declined by 1.8% over the same period.

¹ The Bureau of Labor Statistics does not seasonally adjust Detroit's unemployment statistics, so we have adjusted it in the same manner as RSQE's forecast reports for consistency.

Detroit Payroll Employment Data – Q3 2025



- These figures split Detroit's payroll employment into three groups: blue-collar industries, higher-education services industries, and lower-education services industries.² The Michigan Center for Data and Analytics produces this data as part of an agreement with RSQE.

- Figure 3 shows that employment in blue-collar industries increased by roughly 550 jobs in Q3 2025, but it remained below its year-ago employment level. Most of these job gains occurred in construction and transportation and warehousing, while manufacturing employment declined slightly.

- Figure 4 shows that employment in higher-education services industries gained 630 jobs in Q2 2025, taking it to 1.5% above its year-ago level. Employment in private health accounted for the bulk of these gains, as most of the other industries declined or remained stable.

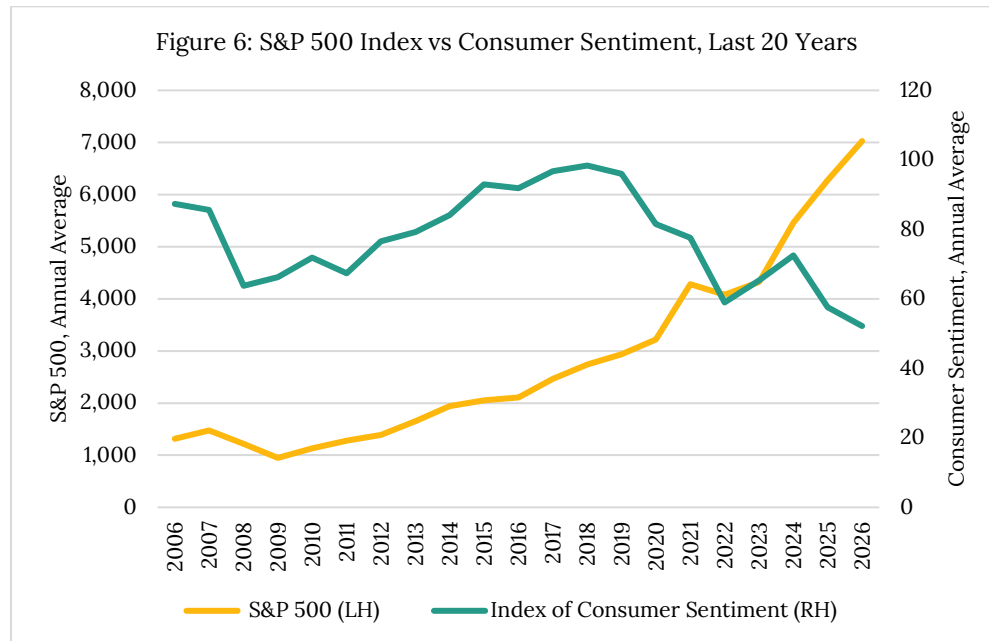
- The professional, scientific, and technical services industry added roughly 210 jobs in Q3 2025, but its employment level remained 1.1% below one year earlier.

- Figure 5 shows that employment in lower-education services industries rose by 860 jobs in Q3 2025, as each industry in this group experienced job growth. Still, like blue-collar employment, lower-education service industries have struggled to grow consistently and continue to hover around the 2023 job level.

- Employment in administrative and support services, however, accounted for the bulk of job growth, adding 520 jobs that quarter. Although employment in the industry remains well below its post-pandemic peak, it has regained nearly 1,000 jobs during mid-2025, marking a welcome improvement.

² 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.

Stock Market Gains vs Consumer Sentiment Drops



The University of Michigan's Index of Consumer Sentiment dipped 5.0 points to 44.8 in May 2026, down from 49.8 in April 2026. This marks the third consecutive monthly decline this year and the index's weakest reading since it was first published in November 1952. Although the consumer sentiment remained dampened through most of 2025, this year started with a slight recovery. That improvement was reversed at the end of Q1 2026, when the index fell to 53.3 in March from 56.6 in February. Elevated gasoline prices appear to be a major concern, as consumers fear they could spill over into other prices and further erode purchasing power. In contrast, the US stock market posted a record-setting rally in May 2026, with the S&P 500 hitting an all-time high of 7,580.

Historically, stock market performance (measured by the S&P 500 in the chart above³) has followed a similar trend to consumer sentiment. When macroeconomic conditions are fairly positive, the stock market returns have been positive and sentiment has grown. However, about halfway through 2025, a slight variation from this trend started and sentiment has remained low while stock market returns continue to be positive. Of course, the two metrics have not been picture-perfect mirrors of each other, but the recent pattern does stand out.

One possible explanation for the divergence between strong stock market performance and low consumer sentiment is that aggregate economic indicators mask substantial disparities across households. The increasingly "K-shaped" nature of the economy means that higher-income households continue to benefit from rising asset values and relatively stable finances, while many lower- and middle-income households face persistent pressures from elevated living costs. Dr. Joanne Hsu, Director of the Survey of Consumers at the University of Michigan, noted that "lower-income consumers and those without college degrees posted particularly strong sentiment declines." For the City of Detroit, where lower-income households and workers without college degrees account for a

³ The S&P 500 is heavily concentrated in mega-cap technology and communication services firms.

relatively large share of the population, weakening consumer sentiment may signal heightened financial stress, with potential implications for retail spending, tax revenues, and household debt repayment.

Recent research from the Federal Reserve Bank of New York provides a related explanation.⁴ The study finds that food insecurity has become increasingly associated with consumer pessimism, suggesting that financial hardship among vulnerable households can weigh on sentiment even when broader economic indicators remain favorable. Rising capital investment in AI and growing concerns about its impact on employment are additional sources of uncertainty. These concerns have emerged as the labor market has cooled, with hiring and quits rates remaining well below their post-pandemic peaks, according to the Job Openings and Labor Turnover Survey (JOLTS).

Other Events and Data Releases

- The FOMC left the federal funds rate unchanged at 3.5% to 3.75%, citing solid economic growth and a stable labor market despite inflation remaining elevated, in part due to higher global energy prices.
- The U.S. Census Bureau's Vintage 2025 population estimates put Detroit's population at 649,095. This marks the city's third consecutive year of population growth, following decades of population decline.

⁴ "Food Insecurity and Consumer Pessimism": <https://libertystreeteconomics.newyorkfed.org/2026/05/food-insecurity-and-consumer-pessimism/>