Economic Outlook Task Force Update
GLWA Audit Committee
May 2026

Public Sector Consultants

Executive Summary: 2026 Q1 in Review

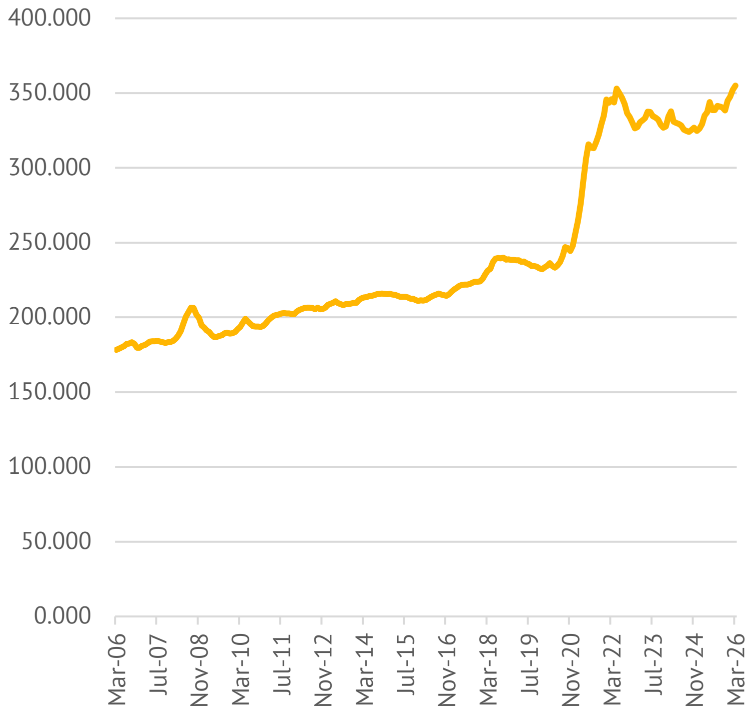
Through Q1 2026, we are particularly paying attention to a softening labor market and a renewed inflation spike driven by energy costs:

- **Economy:** The labor market remained sluggish in Q1 2026, with the economy adding 130,000 jobs in January, losing jobs in February, and rebounding to 178,000 in March; the unemployment rate held at 4.3%.
- **Infrastructure Costs:** Headline inflation jumped to 3.3% in March from 2.4% in January and February, driven by a 21% spike in gasoline prices tied to the war with Iran. GLWA's key materials remain 30-60% more costly than 5 years ago.
- **State of Michigan Budget:** Governor Whitmer released her FY27 executive budget on February 11th, an $88.1B plan with focused investments in roads, literacy, and healthcare access.
- **Risk:** Energy-driven inflation and ongoing tariff pass-through could re-accelerate construction and material costs as Iran conflict pressures persist.

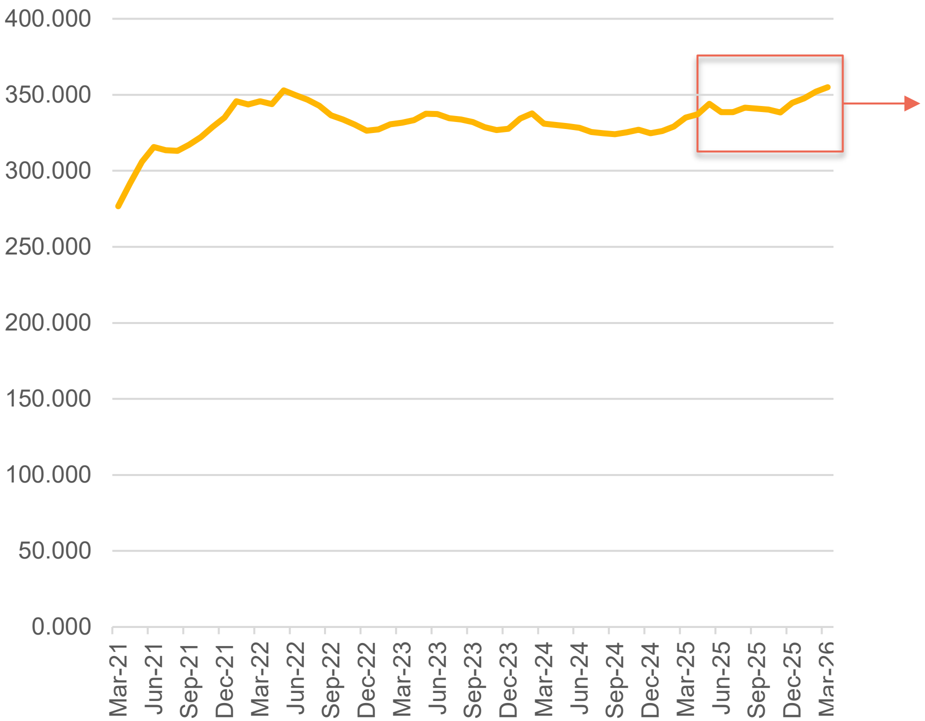
Construction Materials: Producer Price Index

Construction Materials prices ticked up sharply in Q1 2026, with March 2026 representing the highest level on record and a potential reversal from the modest cooling seen in 2024-25.

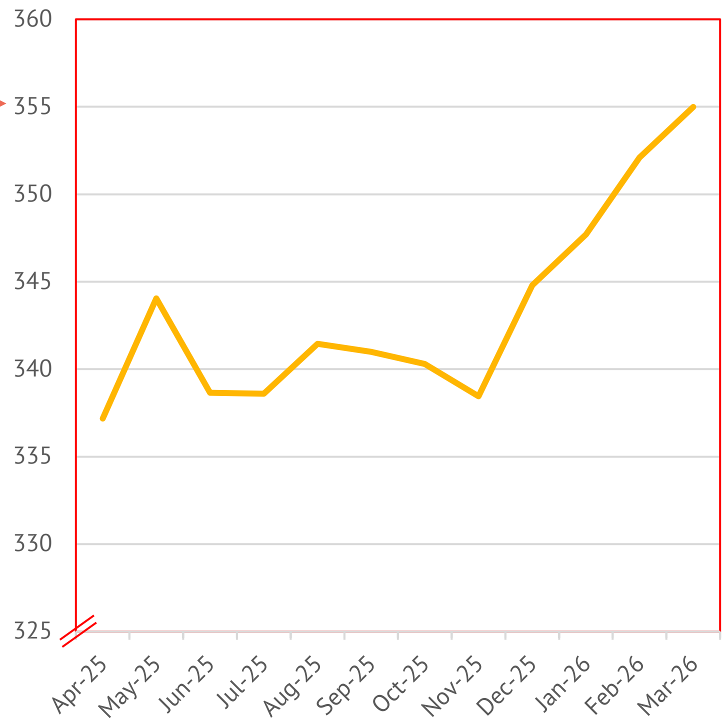
20 YR



5 YR



1 YR*

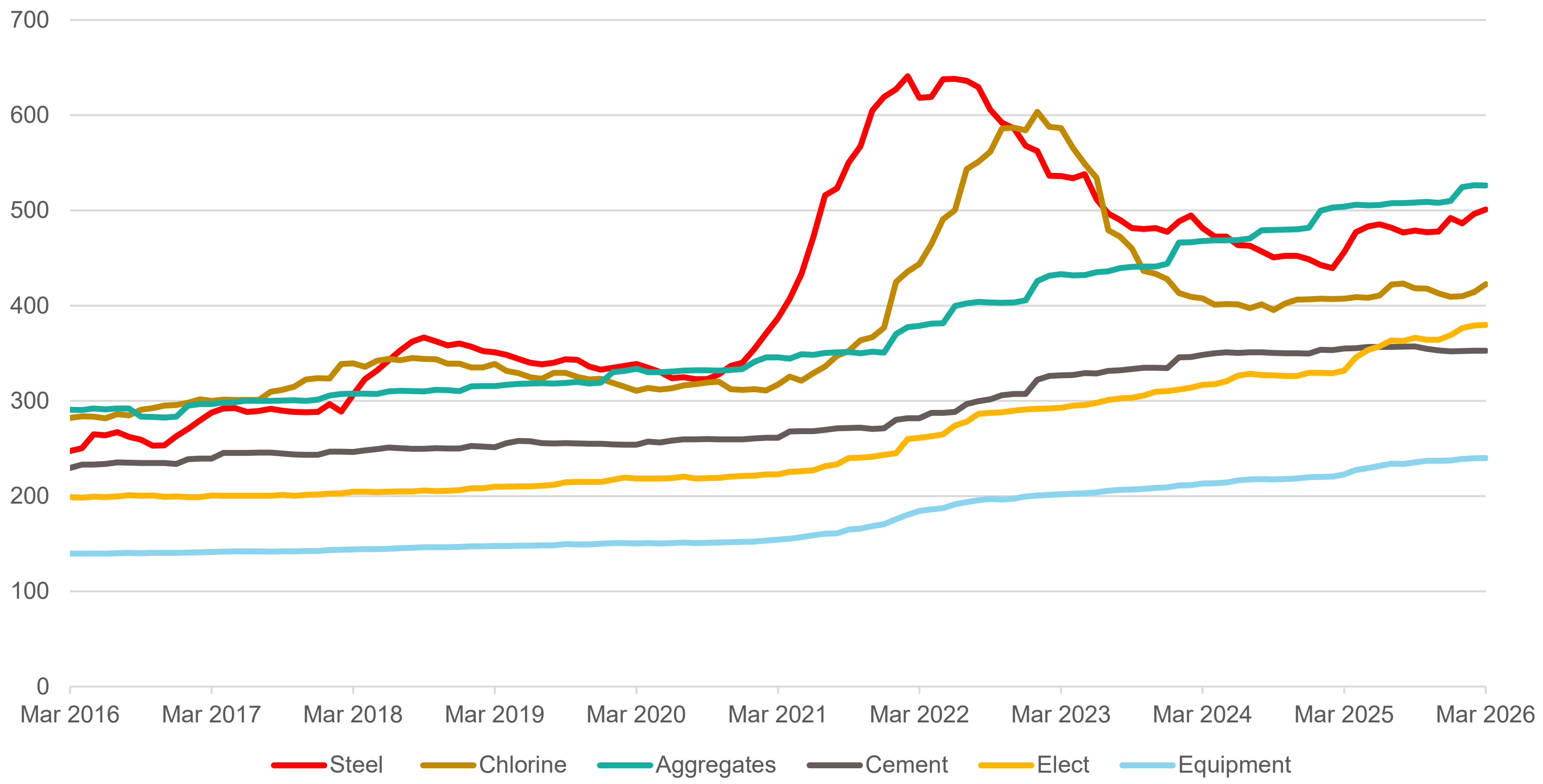


Source: Bureau of Labor Statistics, Producer Price Index, updated April 10, 2026

*Note the different vertical axis for 1YR

Priority Materials: Producer Prices

Prices for priority materials are increasing faster than broader inflation which is hovering around 3%, with the exception of chlorine and cement. Rising transportation costs may place upward pressure on material prices.

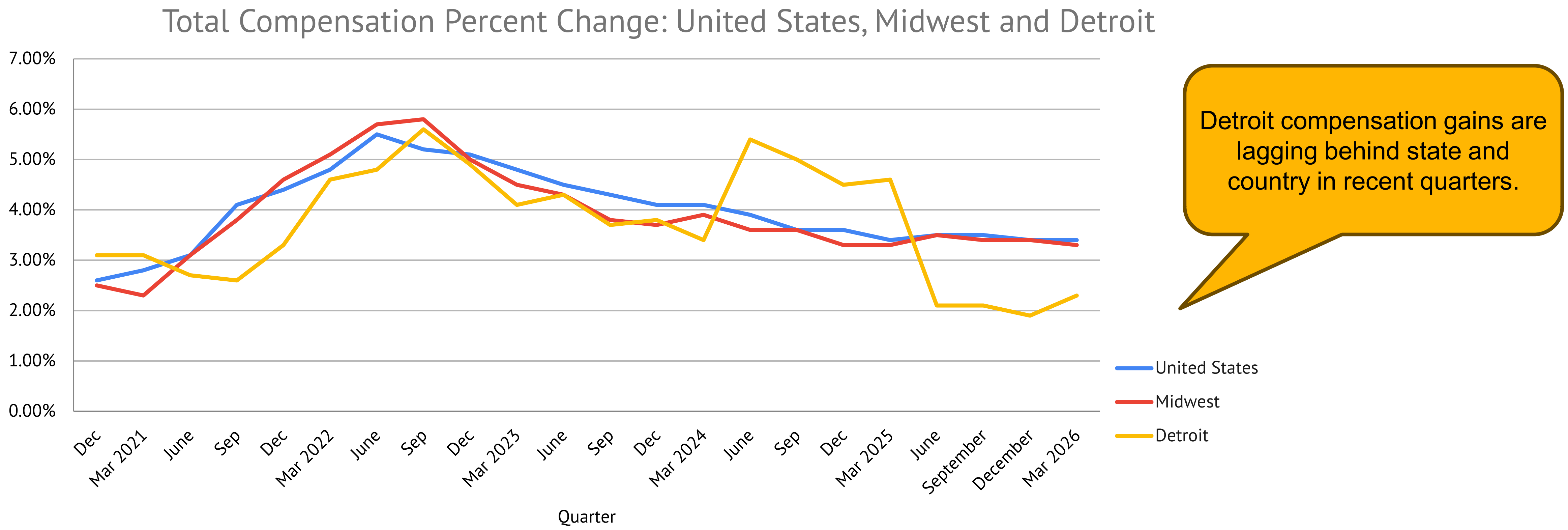


Percent Change	10YR	5YR	1YR
Iron and Steel Pipes and Tubes	99%	45%	10%
Chlorine	43%	31%	1%
Aggregates	80%	53%	6%
Cement	57%	36%	1%
Electrical Switch Gear/Board	85%	67%	12%
Elect Equipment	70%	56%	8%

PSC Source: Bureau of Labor Statistics, Producer Price Index, updated April 10, 2026

Wages: Total Compensation

The Employment Cost Index (ECI) measures change in labor cost to employers. The decline in the Detroit and September seems to be driven by a reduction in benefits as wages have held pace at 3.3-3.8%.



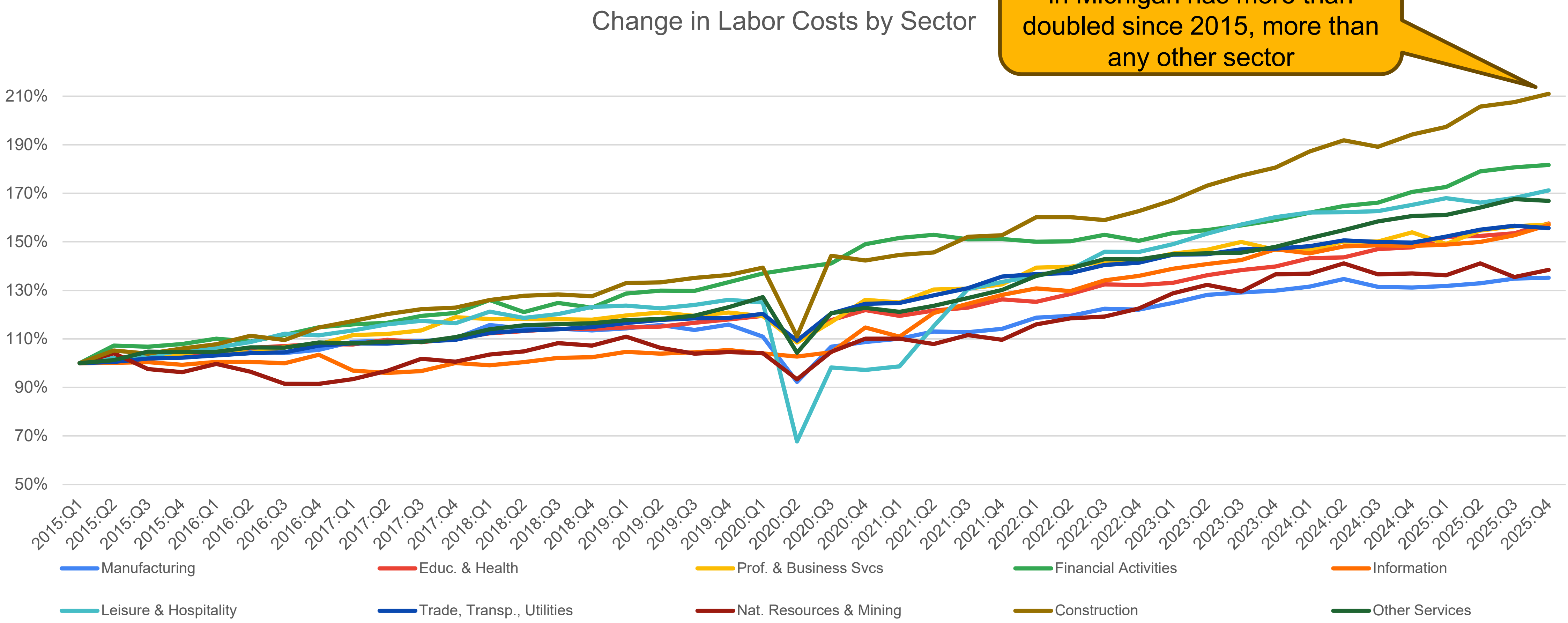
The Employment Cost Index (ECI) uses a fixed “basket” of labor to produce a pure cost change, free from the effects of workers moving between occupations and industries and includes both the cost of wages and salaries and the cost of benefits.

Source: Employment Cost Index, Bureau of Labor Statistics (BLS); updated April 10, 2026

Growth in Compensation by Sector

While all sectors have increased through a combination of higher labor costs and more jobs, Construction has increased the fastest.

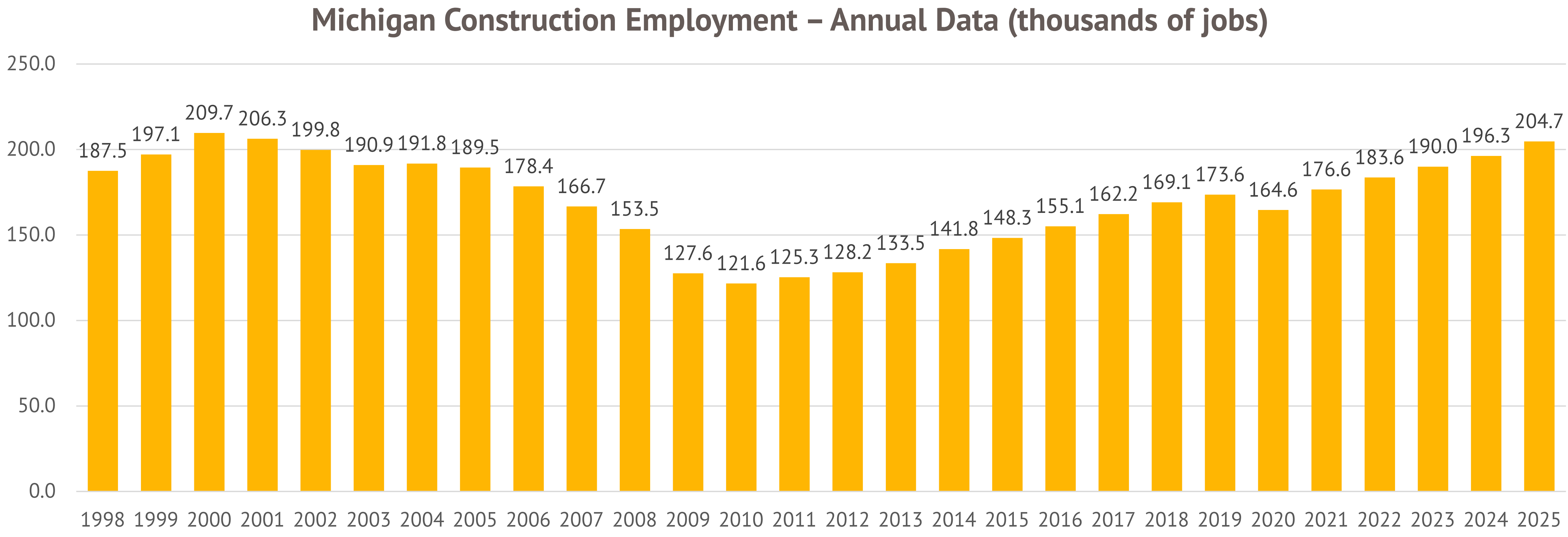
Total Construction compensation in Michigan has more than doubled since 2015, more than any other sector



Source: Compensation of employees by NAICS industry, Bureau of Labor Statistics (BLS); updated February 10, 2026

Construction Employment in Michigan

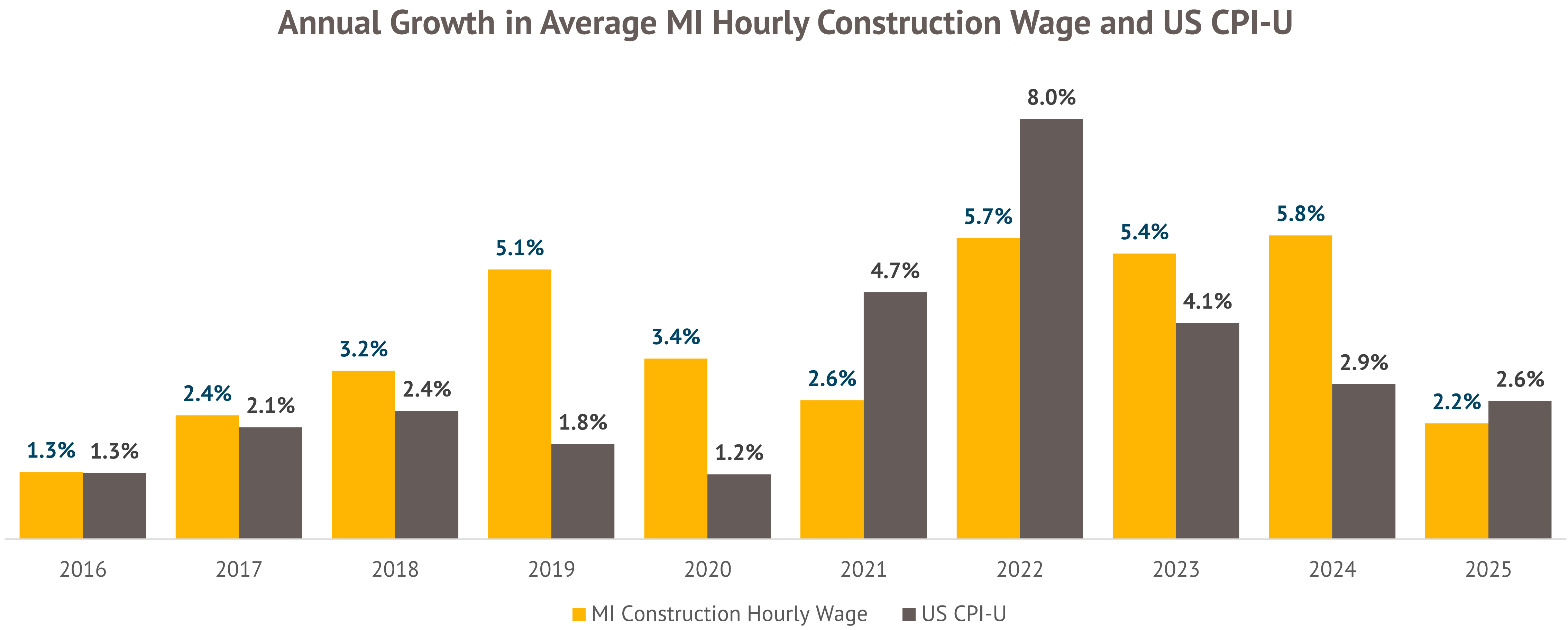
The number of construction jobs in Michigan has steadily recovered since the financial crisis, with 2025 ending at the highest point since 2001 and just shy of the peak in 2000.



Sources: U.S. Bureau of Labor Statistics. “State and Metro Area Employment, Hours & Earnings” and PSC calculations. Data downloaded February 5, 2026.

Construction Wages Compared to Inflation

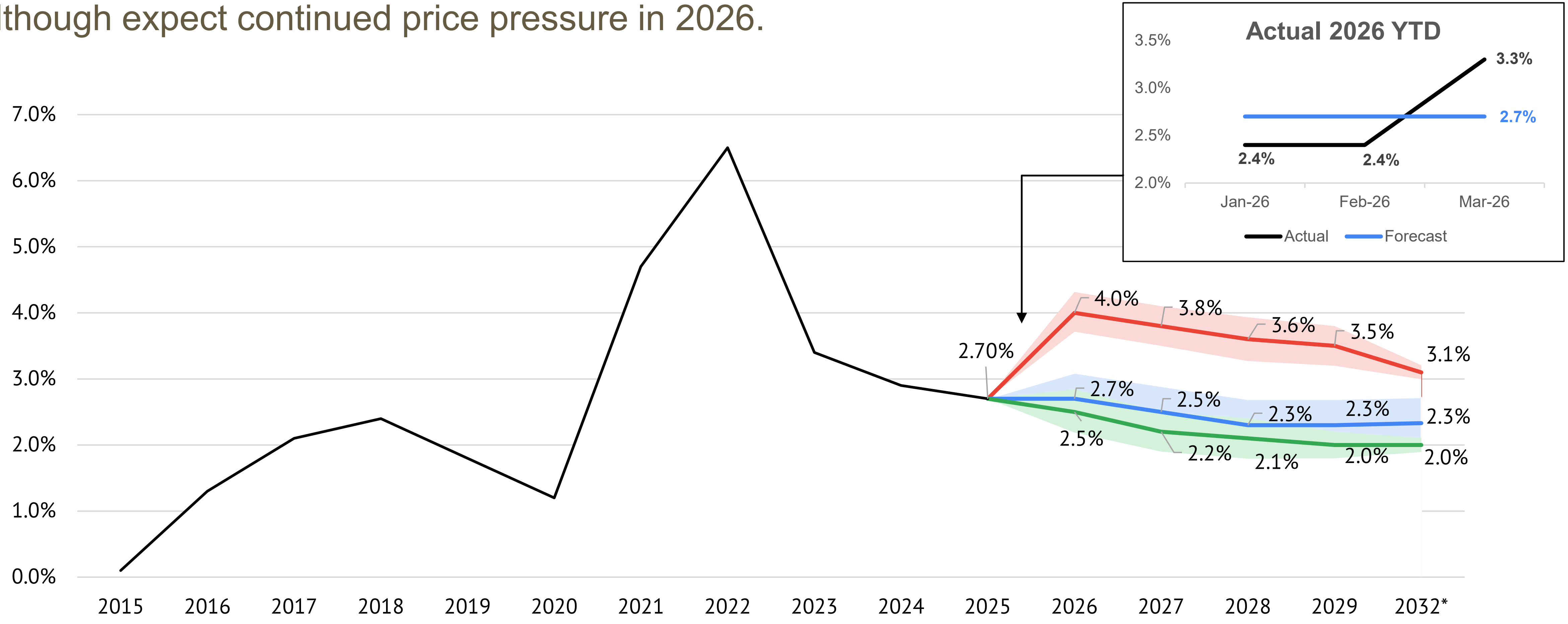
Average hourly construction wages in Michigan have risen 44% in aggregate over the last 10 years, outpacing broader inflation which has risen 36%.



Sources: U.S. Bureau of Labor Statistics. "State and Metro Area Employment, Hours & Earnings" and "Consumer Price Index for All Urban Consumers and PSC calculations. Data downloaded February 6, 2026.

Southeast Michigan Inflation Forecast

2025 inflation ended slightly below our projection of 2.9% at 2.7%, providing some long-anticipated relief to prices. We revised our base and high case inflation projection downward by 0.2% in Q1 although expect continued price pressure in 2026.



Looking Ahead in 2026: Key Drivers to Watch

- Q1 jobs data had some momentum in March however revisions have trended downward when applied, job gains have been geared towards the Health Care sector with other sectors lagging
- Ongoing uncertainty around key economic drivers persists, particularly trade policy, with U.S. tariff direction still tied to pending legal and political developments
- Federal Reserve Board of Governors signaling a continued pause, as labor markets remain stable and inflation progress has been uneven
- Artificial Intelligence investment has been accelerating with growing market share and continue value creation, reshaping demand for high-skill labor, while data center expansion continues to drive pressure on utilities and construction capacity
- Thought State budget priorities are infrastructure-focused, the emphasis is on road funding and core capital improvements, in addition to education funding and backstopping Medicaid due to federal cuts