

Economic Outlook Task Force Update

GLWA Audit Committee

February 2026

Public Sector Consultants

Executive Summary: 2025 Q4 in Review

Entering 2026, we are particularly paying attention to rising construction and labor costs driven by wage and material inflation:

- **Economy:** Fewer jobs were gained in the labor market in 2024 and 2025 than previously estimated, with just 181,000 jobs added in 2025. This marks one of the lowest years outside of recessions.
- **Infrastructure Costs:** Inflation decreased year over year from 2.9% in 2024 to 2.7% in 2025, though remains elevated compared to the past few decades. GLWA's key materials are only moderately more expensive than in 2024, but 30-60% more costly than 5 years ago.
- **State of Michigan Budget:** The Whitmer Administration released its proposed budget on February 11th, 2026 with more money for roads, literacy, and healthcare.
- **Risk:** Large investments in data centers crowding out construction companies from public infrastructure projects

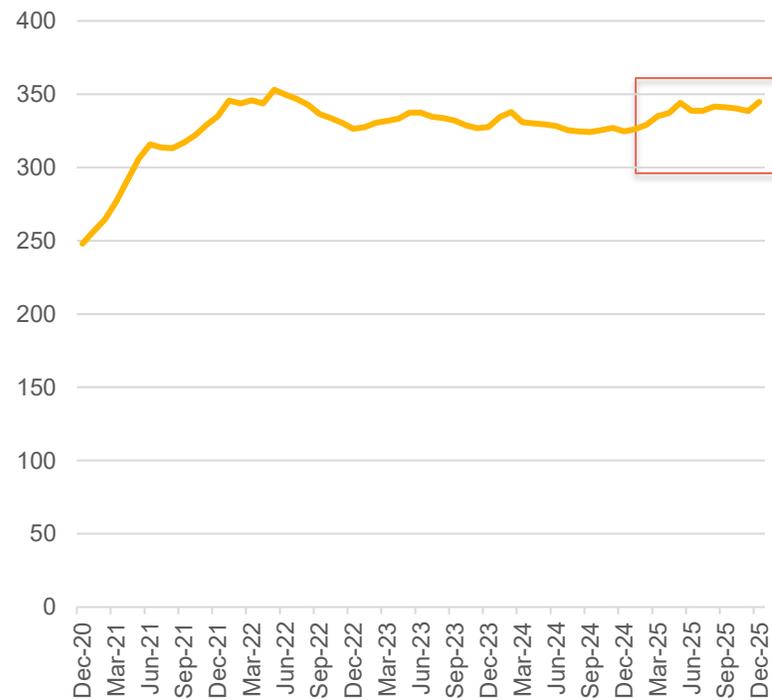
Construction Materials: Producer Price Index

Construction Materials prices appear to have stabilized in comparison to the sharp increase in 2020; 2025 has experienced modest increases and ended the year at its highest point in over 3 years.

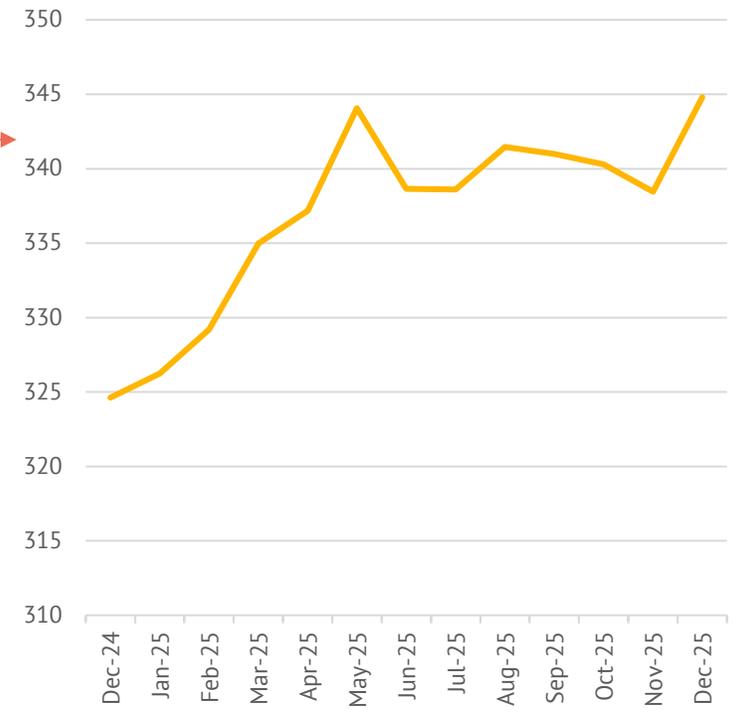
20 YR



5 YR

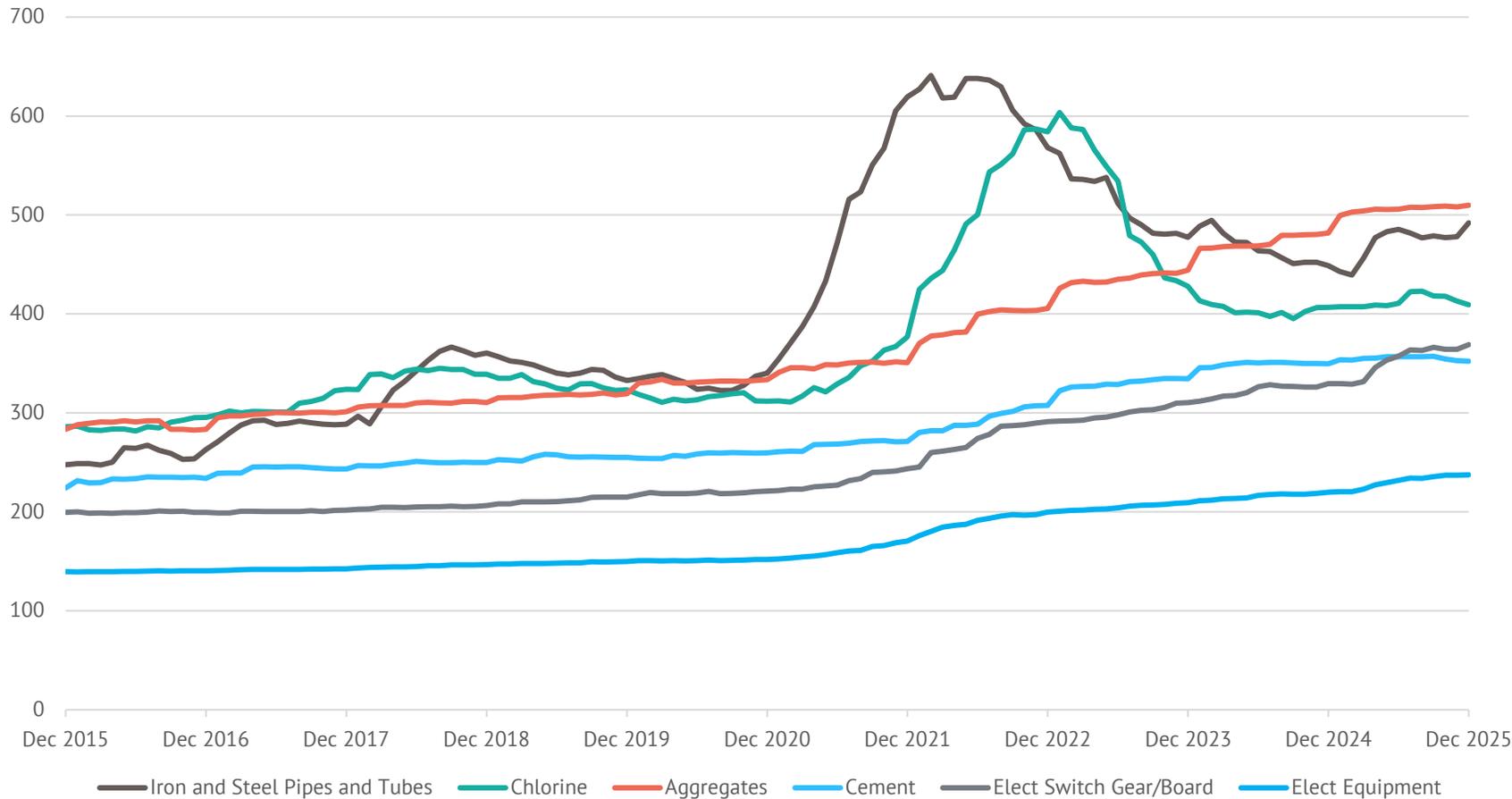


1 YR*



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.



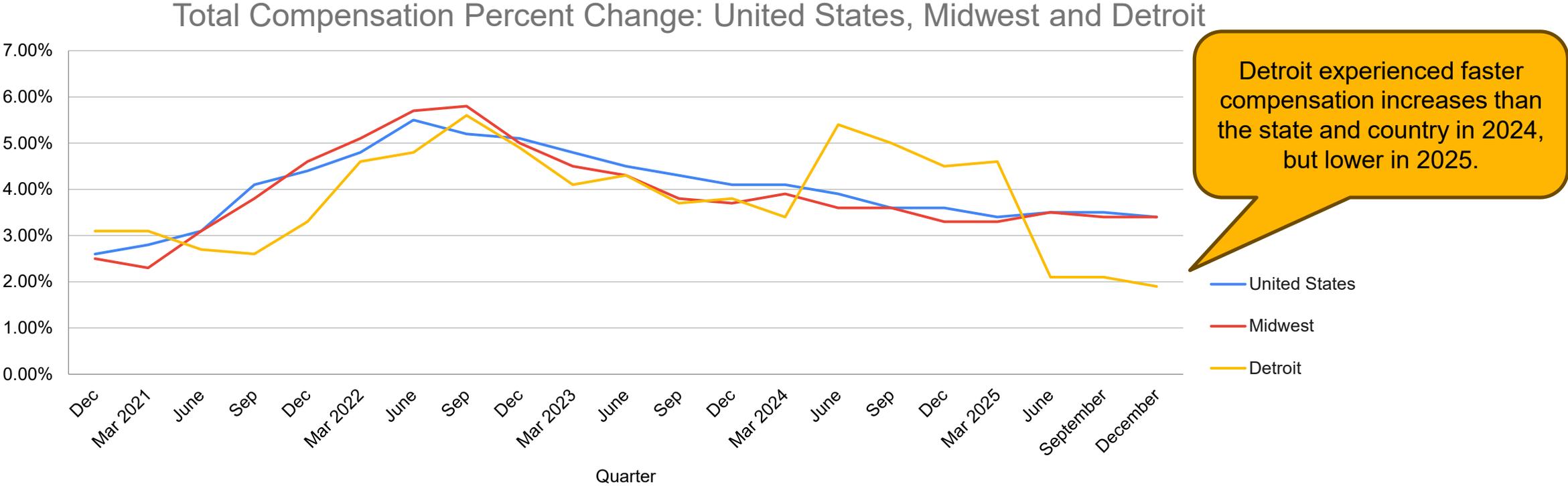
Percent Change	10YR	5YR	1YR
Iron and Steel Pipes and Tubes	99%	45%	10%
Chlorine	43%	31%	1%
Aggregates	80%	53%	6%
Cement	57%	36%	1%
Electrical Switch Gear/Board	85%	67%	12%
Elect Equipment	70%	56%	8%



Source: Bureau of Labor Statistics, Producer Price Index, updated February 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.



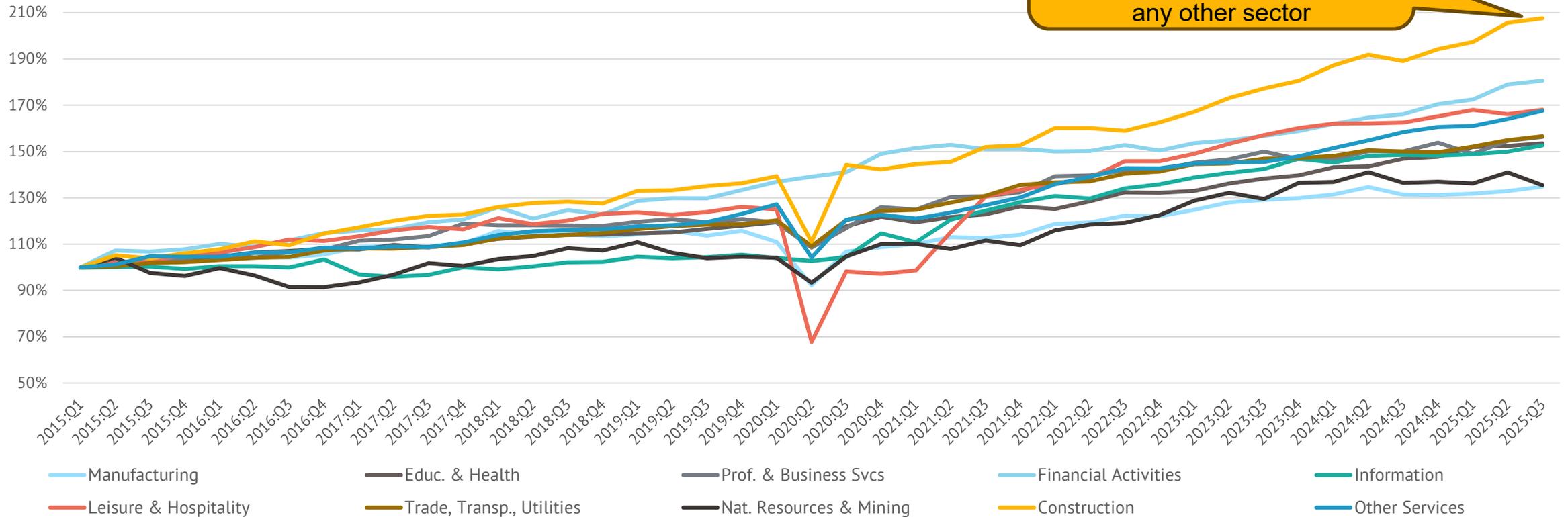
Source: Employment Cost Index, Bureau of Labor Statistics (BLS); updated February 10, 2026

Growth in Compensation by Sector

Note: This data has not been updated due to the federal government shutdown. While all sectors have increased through a combination of higher labor costs and more jobs, Construction has increased the fastest.

Change in Michigan Compensation by Sector

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

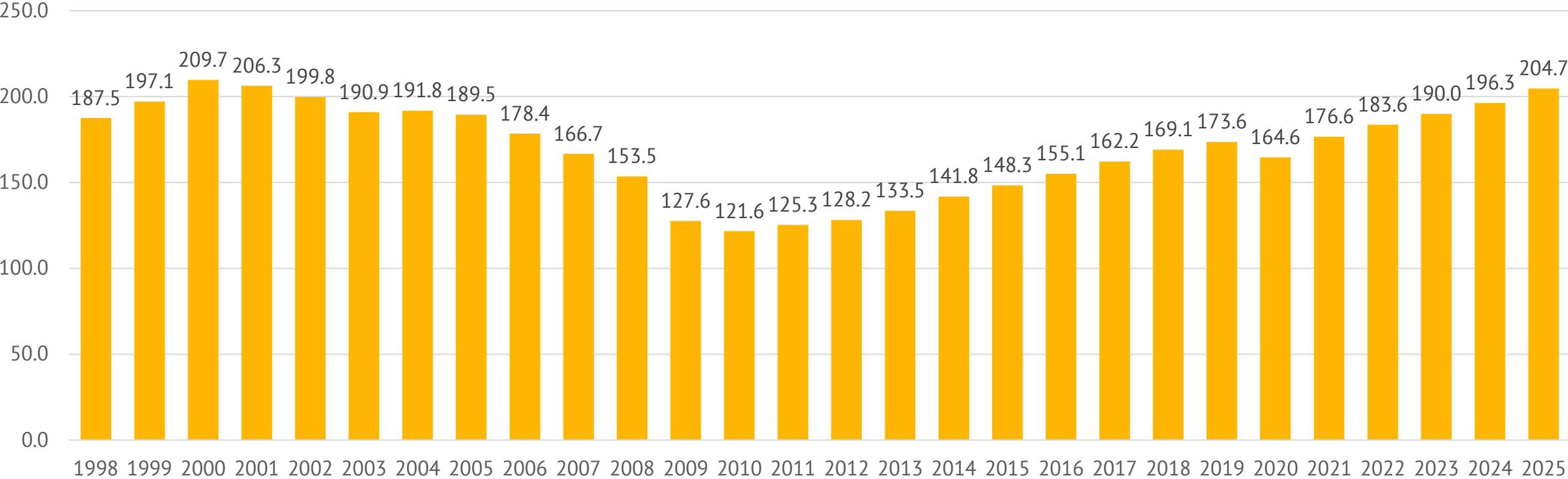


Source: Compensation of employees by NAICS industry, Bureau of Labor Statistics (BLS); updated February 10, 2026

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.

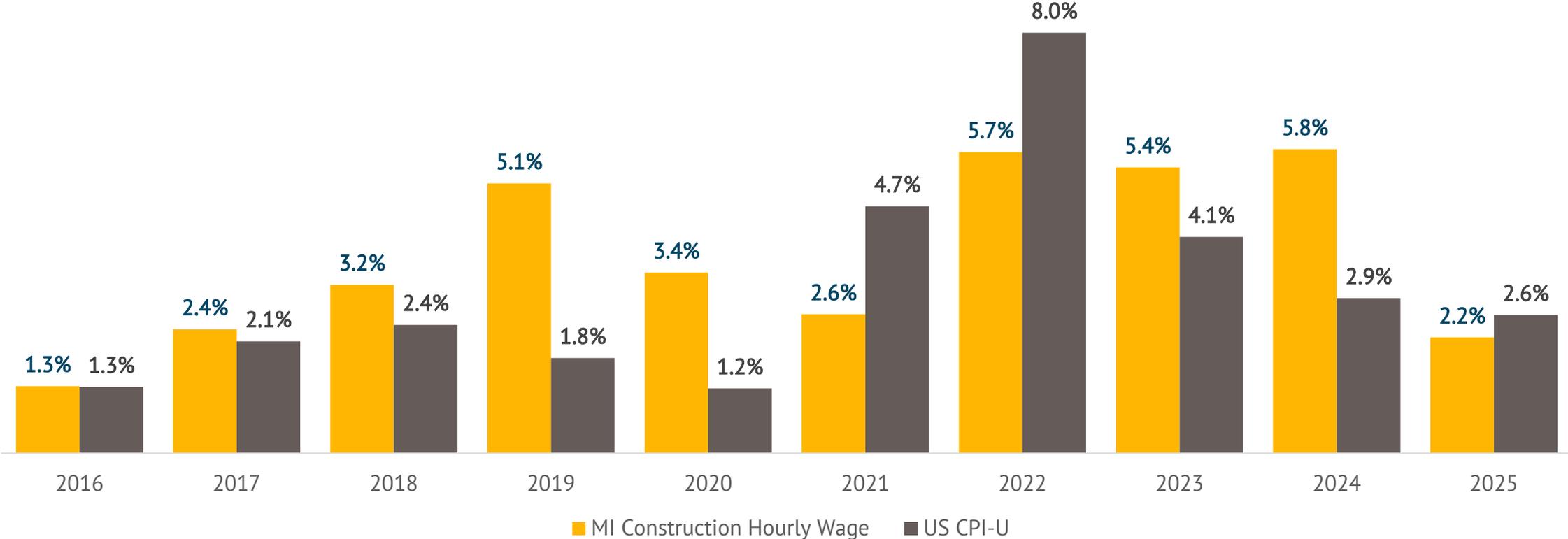
Michigan Construction Employment – Annual Data (thousands of jobs)



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%.

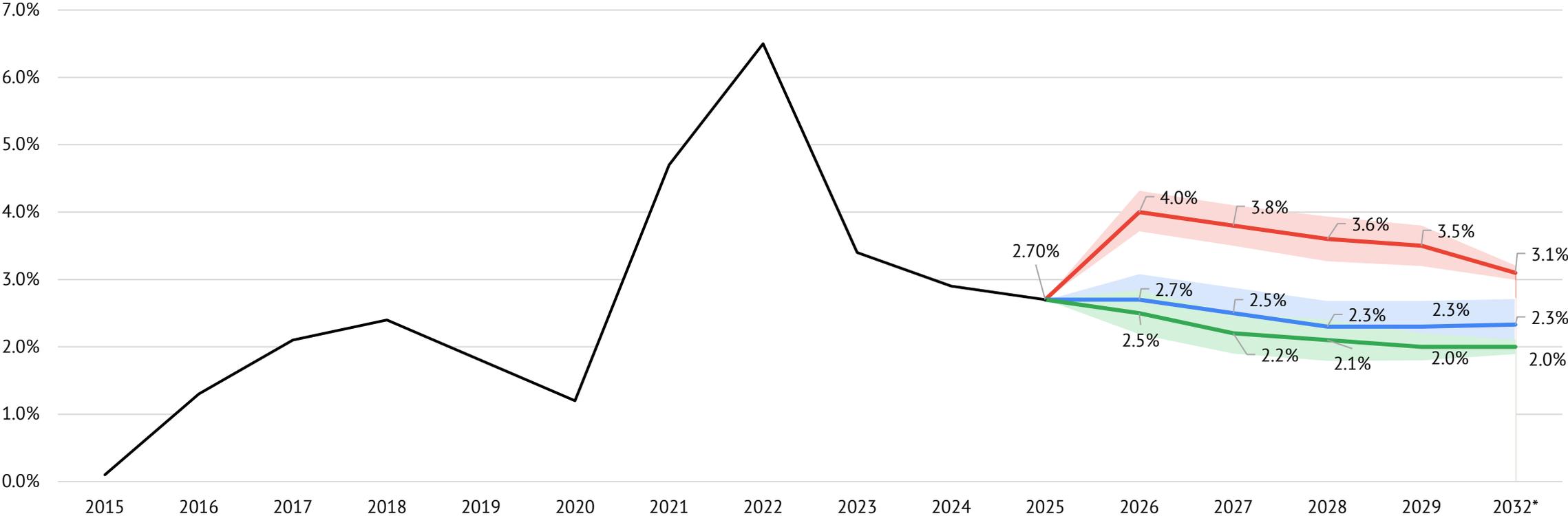
Annual Growth in Average MI Hourly Construction Wage and US CPI-U



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 expect the impact of tariffs to mitigate continued compression on prices, but we have revised our base and high case inflation projection downward by 0.2%.



Looking Ahead to 2026: Key Drivers to Watch

- January jobs numbers were stronger than expected adding 130,000 jobs, although the positive news for the labor market was dampened by downward revisions to 2024 and 2025 jobs numbers
- Continued uncertainty around key economic drivers and the longevity of US Tariff policy hinging on a Supreme Court ruling
- Majority of Federal Reserve Board of Governor members have signaled an interest in pausing on further rate changes as the labor market appears stable and inflation remains elevated
- Expanding investments in Artificial Intelligence may change the labor market through shifting values of certain skillsets, and Data Centers will put pressure on utilities and construction jobs
- State Budget expected to focus infrastructure funding on roads