

MICHIGAN ECONOMIC INDICATORS

A monthly newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



United States

- The final estimate for **inflation-adjusted Gross Domestic Product** showed growth of 6.1% in the first quarter of 2002, compared with 1.7% in the fourth quarter of 2001 and a third-quarter decline of 1.3%. GDP growth in the first quarter reflected strong growth in government spending and a significant reduction in the rate of inventory depletion that more than offset declines in net exports. The improvement in inventories and strong residential investment caused inflation-adjusted investment to grow 24.1%, despite a 22.8% decline in nonresidential structures—the first investment increase since the second quarter of 2000.
- **Employment**, adjusted for seasonal changes, increased by 441,000 jobs in May but was still 818,000 jobs below the level one year ago. The only major economic sectors with employment above year-ago levels were services; finance, insurance & real estate; and state and local government. Compared with May 2001, employment was down 6.1% (1,094,000 jobs) in manufacturing; 4.7% (335,000 jobs) in transportation, communications, and public utilities; and 1.2% (355,000 jobs) in wholesale and retail trade.
- **Housing starts** increased to an annual rate of 1.73 million in May, compared with an annual rate of 1.55 million in April, and were 8.0% above the level one year ago. Compared with May 2001, housing starts were lower in the Midwest and the West, but were higher in the Northeast and the South.
- **Motor vehicle sales** averaged an annual rate of 16.0 million units in May, down 6.9% from the 17.6 million units rate posted in April. Compared with one year ago, total sales were down 5.3%, despite 1.7% and 3.5% increases in sales of imported automobiles and light trucks, respectively.



Michigan

- **Michigan's unemployment rate** increased to 6.2% in May, the fourth consecutive month the unemployment rate has risen and the 17th consecutive month the Michigan unemployment rate has been above the national average. The number of people employed fell by 10,000 between April and May, and May employment was also 57,000 jobs below a year ago.
- Despite the increase in the unemployment rate and declining employment, **average weekly earnings** were higher in May in almost all sectors. While weekly earnings were lower for depository institutions, business services, construction, wholesale trade and nondurable manufacturing, only the construction sector posted a decline of more than 1.7% from the year-ago level. Weekly earnings in the motor vehicle manufacturing, department stores, and general merchandise stores sectors were up more than 9.0% compared with one year ago.
- **Tax revenue** from Michigan's 12 major taxes totaled \$1,523.6 million in May and was 2.7% below revenues in May 2001. Including May's receipts, fiscal year-to-date revenues were 3.8% below last year's total. Revenues from the income tax withheld from workers' paychecks posted the best month since December 2001, with collections down only 0.4% from the year-ago level, suggesting the increase in earnings almost offset the loss of jobs in the Michigan economy.



MAY 2002

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U.S. & MICHIGAN LABOR MARKET NEWS

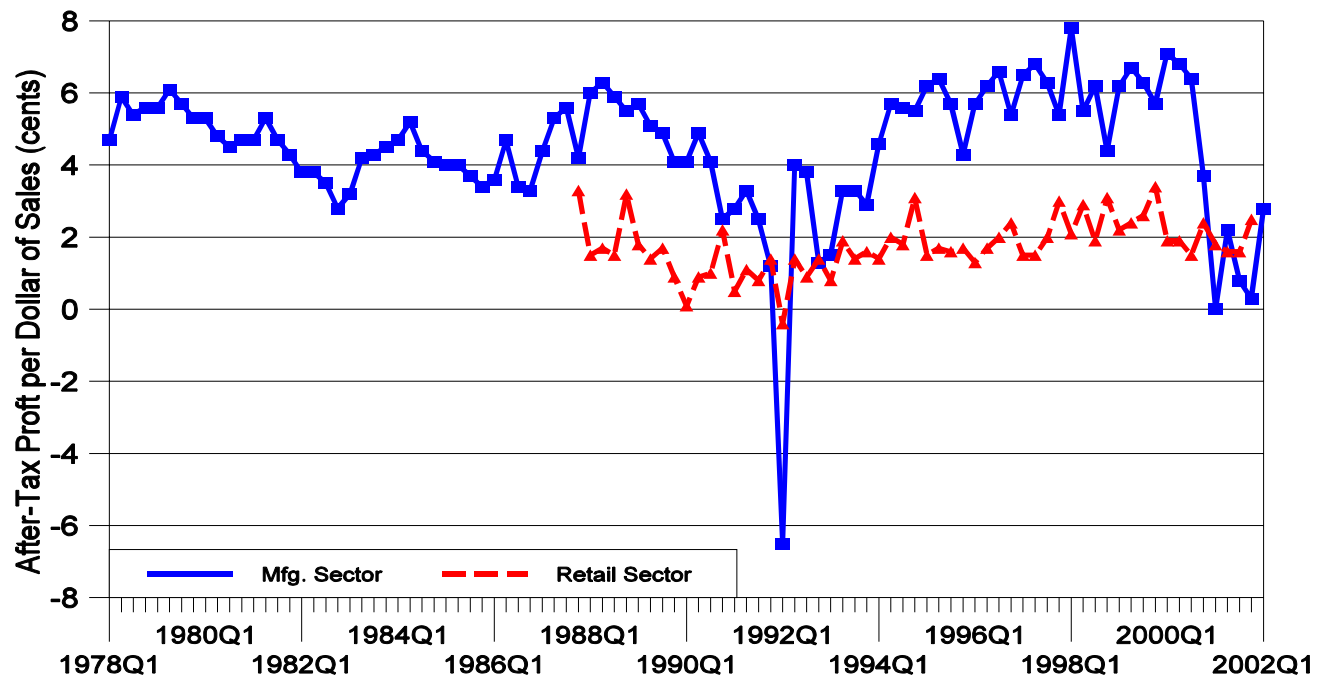
(Seasonally Adjusted, Thousands)

U.S.	May 2002	Apr. 2001	May 2001	<u>Change From Apr.</u>		<u>Change From Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	142,769	142,570	141,445	199	0.1%	1,324	0.9%
Employment	134,417	133,976	135,235	441	0.3	(818)	(0.6)
Unemployment	8,351	8,594	6,210	(243)	(2.8)	2,141	34.5
Unemployment Rate	5.8%	6.0%	4.4%	---	---	---	---
Michigan	May 2002	Apr. 2001	May 2001	<u>Change From Mar.</u>		<u>Change From Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	5,165	5,169	5,164	(4)	(0.1)%	1	0.0%
Employment	4,846	4,856	4,903	(10)	(0.2)	(57)	(1.2)
Unemployment	319	313	261	6	1.9	58	22.2
Unemployment Rate	6.2%	6.1%	5.1%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Corporate Profits Struggling

Profit per Dollar of Sales in Mfg. Sector Below Level During 1979-82 Recession



Source: U.S. Census Bureau, U.S. Department of Commerce

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally Adjusted, Thousands)							
	May 2002*	Apr. 2002	May 2001	Change from Apr.		Change from Yr Ago	
				Number	Percent	Number	Percent
Wage and Salary Employment	4,543	4,554	4,592	(11)	(0)%	(49)	(1)%
Goods-Producing Industries	1,119	1,121	1,139	(2)	(0)	(20)	(2)
Mining	7	7	8	0	0	(1)	(13)
Construction	198	200	202	(2)	(1)	(4)	(2)
Manufacturing	913	914	929	(1)	(0)	(16)	(2)
Durable Goods	693	692	707	1	0	(14)	(2)
Motor Vehicles & Equipment	268	271	274	N/A	N/A	N/A	N/A
Nondurable Goods	221	221	222	0	0	(1)	(0)
Service-Producing Industries	3,425	3,434	3,453	(9)	(0)	(28)	(1)
Trans., Comm. & Utilities	180	180	181	0	0	(1)	(1)
Wholesale Trade	218	219	220	(1)	(0)	(2)	(1)
Retail Trade	840	842	855	(2)	(0)	(15)	(2)
Finance, Insurance & Real Estate	211	210	209	1	0	2	1
Services	1,286	1,287	1,300	(1)	(0)	(14)	(1)
Government	690	696	687	(6)	(1)	3	0

Source: Michigan Department of Career Development - Employment Service Agency * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS (Not Adjusted For Seasonal Variations)						
Industry	Average Weekly Hours			Average Weekly Earnings		
	May 2002	Year Ago	Percent Change	May 2002	Year Ago	Percent Change
Mining	47.4	46.8	1.3%	\$807.70	\$785.30	2.9%
Construction	38.0	39.4	(3.6)	835.62	872.32	(4.2)
Manufacturing	42.6	41.8	1.9	855.41	821.79	4.1
Durable Goods	43.2	42.0	2.9	925.34	879.06	5.3
Motor Vehicles & Equipment	45.8	43.5	5.3	1,254.00	1,148.40	9.2
Nondurable Goods	40.6	40.9	(0.7)	625.24	626.18	(0.2)
Wholesale Trade	38.1	38.5	(1.0)	640.08	651.42	(1.7)
Selected Retail Trade:						
General Merchandise Stores	29.7	27.7	7.2	310.66	285.03	9.0
Department Stores	29.3	27.2	7.7	305.31	277.98	9.8
Food Stores	27.0	26.8	0.7	248.40	247.10	0.5
Auto Dealers & Service Stations	34.1	34.0	0.3	453.19	427.38	6.0
Selected Services:						
Depository Institutions	35.0	35.2	(0.6)	403.90	409.02	(1.3)
Business Services	33.6	33.7	(0.3)	535.58	536.50	(0.2)
Health Services	32.3	31.4	2.9	531.98	502.71	5.8
Engineering & Management	37.6	38.3	(1.8)	769.67	751.06	2.5

Source: U.S. Department of Labor, Bureau of Labor Statistics

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

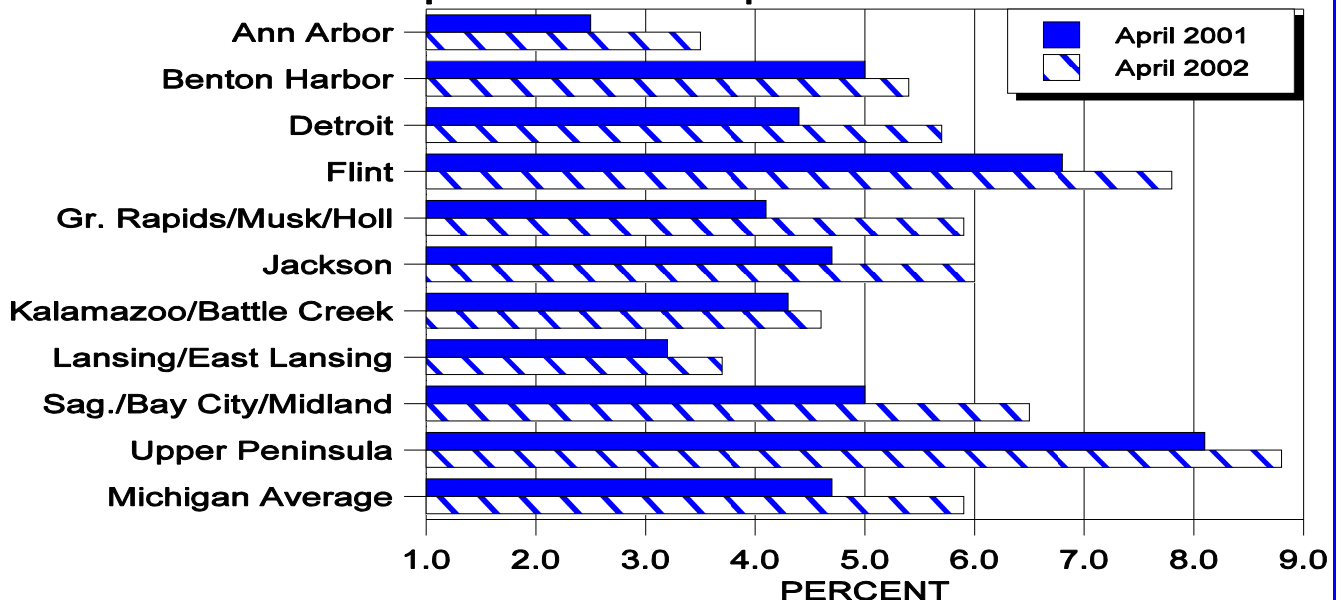
	Apr. 2002*	Mar. 2002	Feb. 2001	Apr. 2001
Metropolitan Statistical Areas				
Ann Arbor	3.5%	3.8%	3.9%	2.5%
Benton Harbor	5.4	6.2	6.4	5.0
Detroit	5.7	6.2	6.0	4.4
Flint	7.8	9.2	8.3	6.8
Grand Rapids	5.9	6.4	6.3	4.1
Jackson	6.0	6.4	6.5	4.7
Kalamazoo-Battle Creek	4.6	5.3	5.3	4.3
Lansing-East Lansing	3.7	4.2	4.1	3.2
Saginaw-Bay City-Midland	6.5	7.2	6.8	5.0
Multi-County Areas				
Northeast Lower Michigan	11.0	13.3	12.9	10.7
Northwest Lower Michigan	8.0	9.1	8.7	7.3
Upper Peninsula	8.8	9.5	9.2	8.1
Michigan Statewide Average				
--Unadjusted (comparable to figures shown above)	5.9	6.6	6.4	4.7

Source: Michigan Department of Career Development - Employment Service Agency

* Preliminary

Michigan Regional Unemployment Rates

April 2001 and April 2002



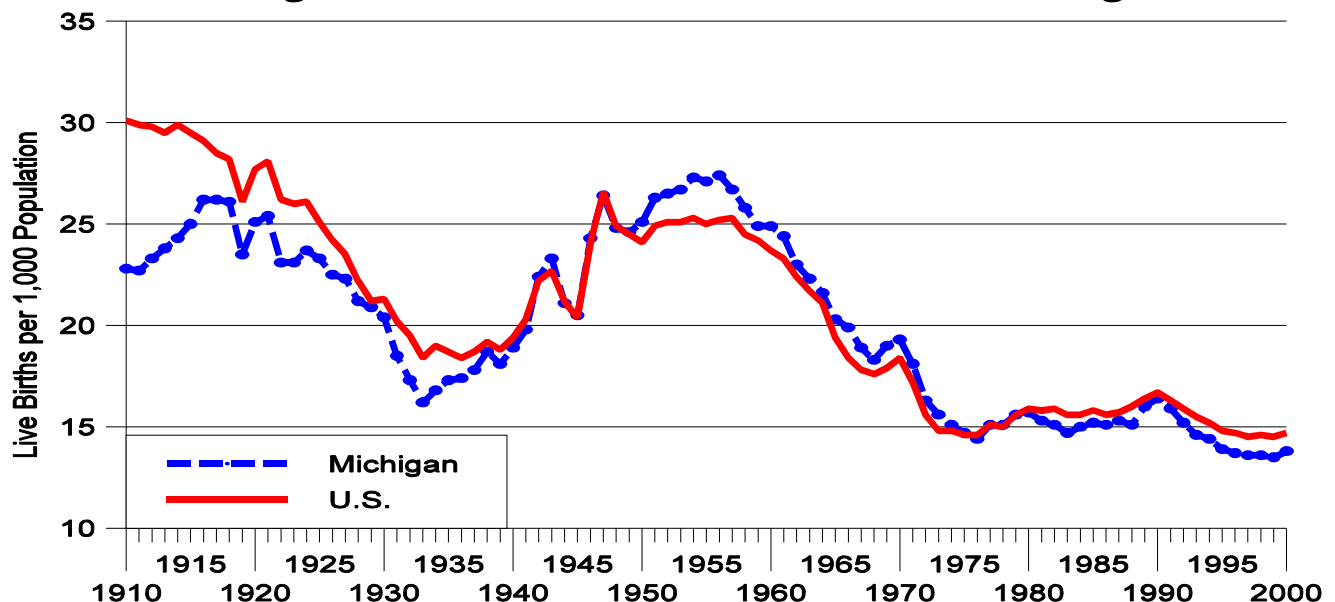
Source: Michigan Department of Career Development - Employment Service Agency

MOTOR VEHICLE SALES AND PRODUCTION STATISTICS (Thousands of Units)

	May 2002	Apr. 2002	Mar. 2002	Feb. 2002	Year Ago May	<u>Percent Change From:</u>	
						May/Apr.	May 2002/ May 2001
Motor Vehicle Sales^{1,2)}							
Autos	7,824	8,600	8,330	7,870	8,395	(6.1)%	(6.8)%
Domestics	5,735	6,294	6,044	5,614	6,341	(5.1)	(9.6)
Imports	2,089	2,306	2,286	2,256	2,054	(8.6)	1.7
Import Share	26.7%	26.8%	27.4%	28.7%	24.5%	---	---
Light Trucks	7,750	8,610	8,399	8,595	8,022	(7.7)	(3.4)
Domestics	6,805	7,534	7,313	7,570	7,108	(6.9)	(4.3)
Imports	945	1,076	1,086	1,025	914	(13.0)	3.4
Import Share	12.2%	12.5%	12.9%	11.9%	11.4%	---	---
Heavy Trucks	417	408	452	458	472	(7.7)	(11.7)
Total	15,991	17,618	17,181	16,923	16,889	(6.9)	(5.3)
U.S. Motor Vehicle Production^{1,2)}							
Autos	5,092	5,322	4,858	5,341	5,129	4.8	(0.7)
Michigan Motor Vehicle Production^{2,3)}							
Autos	1,929	2,083	1,587	1,967	1,785	21.5	8.1
Trucks	1,089	892	744	816	1,033	46.4	5.4
Total	3,017	2,976	2,331	2,783	2,818	29.5	7.1
Michigan Production as % of U.S.	23.8%	21.6%	22.3%	23.7%	22.7%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,579	1,537	1,557	1,549	1,597	1.4	(1.1)
Days Supply	53	54	53	58	50	0.0	6.0
Total Truck	1,778	1,699	1,672	1,662	1,992	6.3	(10.7)
Days Supply	63	62	58	60	67	8.6	(6.0)

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)

Michigan Birth Rate Below National Average



Source: National Center for Health Statistics

OTHER KEY ECONOMIC INDICATORS

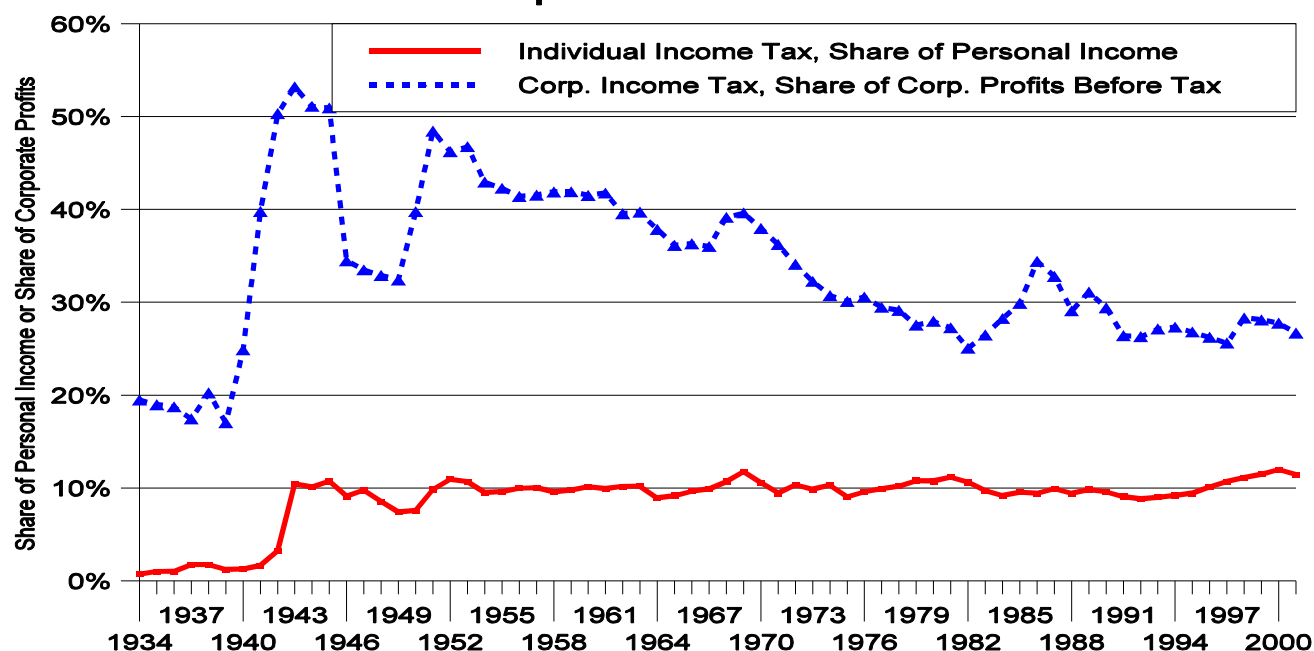
Variable	Latest Period	Actual Data			Percent Change From:	
		Latest Period	Previous Period	Year Ago	Previous Period	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992 = 100)	May	121.9	121.3	120.3	0.5%	1.3%
Coincident Index ¹⁾ (1992 = 100)	May	136.0	135.8	136.2	0.1	(0.1)
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	May	1,733	1,553	1,604	11.6	8.0
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	May	\$269.0	\$271.6	\$263.9	(0.9)	1.9
Industrial Production Index ³⁾ (1992 = 100) (seasonally adjusted)	May	139.3	139.1	141.6	0.2	(1.6)
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	May	75.5	75.5	77.5	0.1	(2.6)
Consumer Price Index ⁴⁾ (1982-84 = 100) U.S. (seasonally adjusted)	May	179.5	179.5	177.4	0.0	1.2
Detroit (not seasonally adjusted)	Apr.	179.0	176.2	174.5	1.6	2.6
Interest Rates						
3-month Treasury Bill ³⁾	May	1.74%	1.72%	3.67%	---	---
Corporate Aaa Bonds ³⁾	May	6.75%	6.76%	7.29%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 1996 \$, SAAR, chain-weighted)	2002 1st Qtr.	\$9,488.6	\$9,348.6	\$9,334.5	6.1	1.7
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	May 2002	\$1,523.6	\$2,162.9	\$1,565.9	NM	(2.7)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census 3) Board of Governors of the Federal Reserve System 4) U.S. Department of Labor, Bureau of Labor Statistics 5) U.S. Department of Commerce, Bureau of Economic Analysis 6) Michigan Department of Treasury and the Senate Fiscal Agency.

Individual and Corporate Federal Income Taxes



Source: Bureau of Economic Analysis, U.S. Department of Commerce.