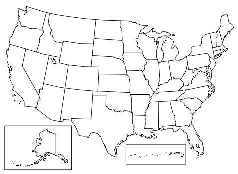
MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS



United States

- The preliminary estimate for **inflation-adjusted Gross Domestic Product** showed growth of 4.0% in the third quarter of 2002, compared with 1.3% growth during the second quarter. The increase in growth during the third quarter was attributable to increased personal consumption expenditures and government spending and an improvement in net exports, particularly slower growth in imports.

- **Motor vehicle sales** fell 5.4% between September and October, and October sales were 26.8% below the year-ago level. October's decline was somewhat expected because in October 2001, auto sales posted their highest annual rate ever, at 21.5 million units, in response to the introduction of 0% financing offers and other sales incentives.

- **Housing starts** fell 11.4% between September and October, but October starts were 4.7% above the year-ago level. The monthly declines occurred in all regions of the country other than the West region. Declines were more significant in starts of multifamily housing, although in the West starts of single-family units fell while starts of multiunit housing increased by approximately 26.5%. Compared with one year ago, all regions other than the West experienced declines in housing starts. The increase in October housing starts over the year-ago level was thus attributable entirely to the 34.7% increase in starts in the West, which more than offset the declines in other regions.

- The **unemployment rate** increased from 5.6% in September to 5.7% in October and was above the 5.4% year-ago rate. Compared with September, the number of people in the labor force and the number employed fell in October and the unemployment rate rose because employment fell more rapidly than did the size of the labor force. Compared with a year ago, employment was 299,000 jobs higher while 544,000 more people were unemployed.

Michigan

- **Michigan's unemployment rate** declined from 5.8% in September to 5.6% in October, despite employment falling by another 6,000 jobs. The unemployment rate fell because 16,000 persons left the labor force between September and October. Compared with one year ago, Michigan employment in October was down 45,000 jobs while 59,000 fewer people were in the labor force.

- **Michigan personal income** increased by 1.6% in the second quarter, compared with the national average increase of 1.25%, partially offsetting below-average growth experienced over the previous four quarters. The increase was attributable to increased overtime payments in the motor vehicles sector and to increases in transfer payments, particularly unemployment benefits, which rose at the second fastest rate in the nation during the second quarter.

- The **Detroit Consumer Price Index** fell at an annual rate of 1.6% between August and October, although the October index was still 3.2% above the year-ago level. The decline in the Detroit CPI was attributable to declines in apparel, education, housing, recreation and services prices, which more than offset increases in energy, motor fuel, medical care, food, durable goods, and nondurable goods prices.

SENATE FISCAL AGENCY
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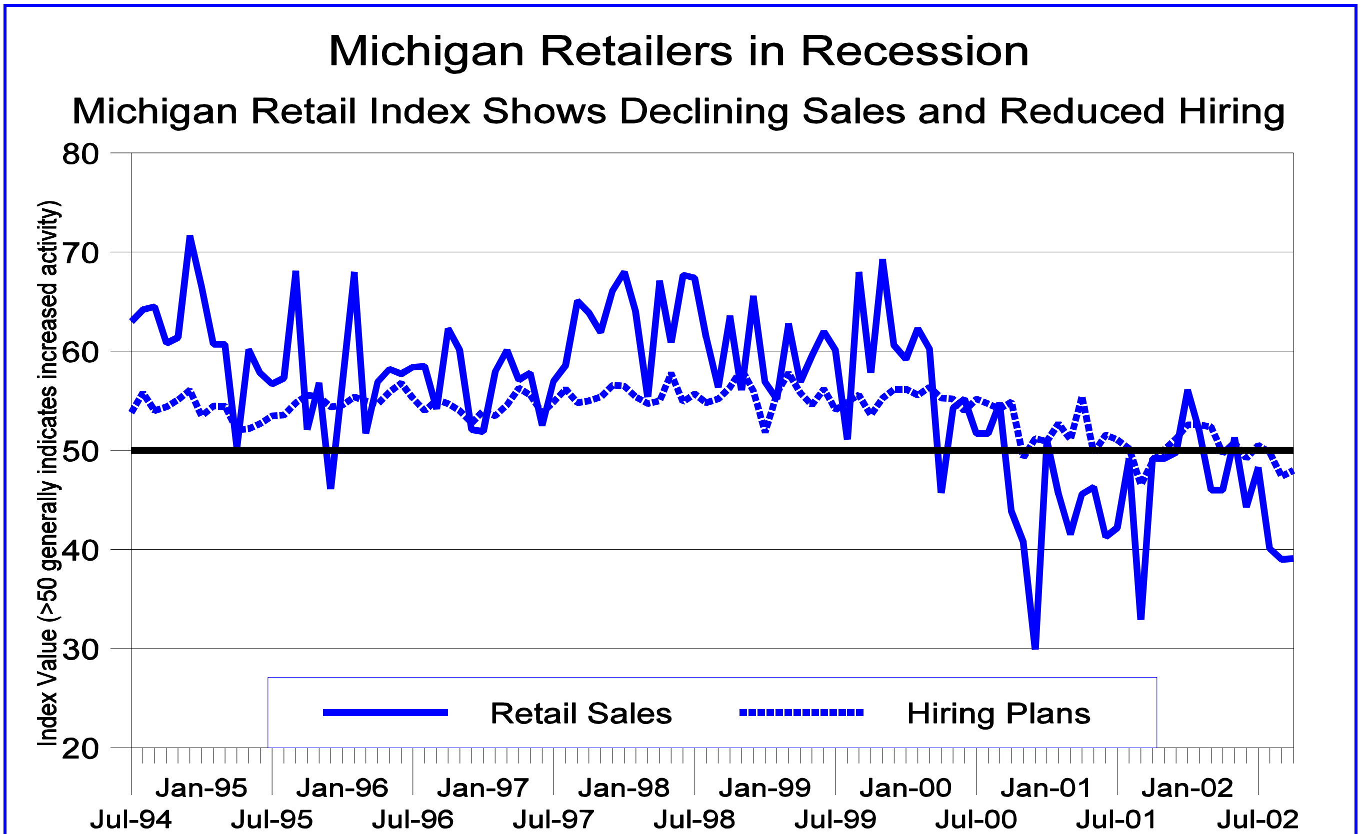
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally Adjusted, Thousands)

U.S.	Oct. 2002	Sept. 2002	Oct. 2001	Change From Sept. Number	Change From Sept. Percent	Change From Year Ago Number	Change From Year Ago Percent
Labor Force	143,123	143,277	142,280	(154)	(0.1)%	843	0.6%
Employment	134,914	135,185	134,615	(271)	(0.2)	299	0.2
Unemployment	8,209	8,092	7,665	117	1.4	544	7.1
Unemployment Rate	5.7%	5.6%	5.4%	---	---	---	---
Michigan	**Oct. 2002**	**Sept. 2002**	**Oct. 2001**	**Change From Sept. Number**	**Change From Sept. Percent**	**Change From Year Ago Number**	**Change From Year Ago Percent**
Labor Force	5,125	5,141	5,184	(16)	(0.3)%	(59)	(1.1)%
Employment	4,837	4,842	4,881	(6)	(0.1)	(45)	(0.9)
Unemployment	289	299	303	(10)	(3.4)	(14)	(4.6)
Unemployment Rate	5.6%	5.8%	5.8%	---	---	---	---

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



Source: Federal Reserve Bank of Chicago and Michigan Retailers Association

MICHIGAN WAGE AND SALARY EMPLOYMENT
(Seasonally Adjusted, Thousands)

	Oct. 2002*	Sept. 2002	Oct. 2001	Change from Sept. Number	Change from Sept. Percent	Change from Yr Ago Number	Change from Yr Ago Percent
Wage and Salary Employment	4,533	4,541	4,567	(8)	(0)	(35)	(1)
Goods-Producing Industries	1,111	1,114	1,121	(3)	(0)	(10)	(1)
Mining	8	8	8	0	0	0	0
Construction	199	199	200	(0)	(0)	(2)	(1)
Manufacturing	904	908	913	(3)	(0)	(9)	(1)
Durable Goods	684	687	693	(3)	(0)	(9)	(1)
Motor Vehicles & Equipment	268	269	257	(1)	(0)	11	4
Nondurable Goods	221	221	220	(0)	(0)	0	0
Service-Producing Industries	3,422	3,426	3,446	(5)	(0)	(24)	(1)
Trans., Comm. & Utilities	178	178	181	0	0	(2)	(1)
Wholesale Trade	216	216	220	0	0	(4)	(2)
Retail Trade	827	832	849	(5)	(1)	(23)	(3)
Finance, Insurance & Real Estate	213	212	211	1	0	2	1
Services	1,294	1,293	1,295	1	0	(1)	(0)
Government	694	695	691	(1)	(0)	4	1

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: Oct. 2002	Average Weekly Hours: Year Ago	Average Weekly Hours: Percent Change	Average Weekly Earnings: Oct. 2002	Average Weekly Earnings: Year Ago	Average Weekly Earnings: Percent Change
Mining	46.8	46.4	0.9%	$789.05	$805.97	(2.1)%
Construction	40.1	38.0	5.5	881.00	839.42	5.0
Manufacturing	42.6	41.5	2.7	879.69	821.70	7.1
Durable Goods	43.6	41.9	4.1	963.12	884.09	8.9
Motor Vehicles & Equipment	46.3	43.6	6.2	1,333.90	1,175.46	13.5
Nondurable Goods	39.6	40.2	(1.5)	611.03	617.47	(1.0)
Wholesale Trade	38.6	37.8	2.1	668.55	632.99	5.6
Selected Retail Trade:						
General Merchandise Stores	28.9	27.5	5.1	294.78	282.43	4.4
Department Stores	28.6	27.0	5.9	292.01	277.02	5.4
Food Stores	25.9	26.9	(3.7)	237.76	248.56	(4.3)
Auto Dealers & Service Stations	34.5	34.2	0.9	458.85	433.66	5.8
Selected Services:						
Depository Institutions	34.8	35.0	(0.6)	420.38	412.65	1.9
Business Services	34.1	33.6	1.5	541.17	548.02	(1.2)
Health Services	32.4	31.5	2.9	548.86	516.92	6.2
Engineering & Management	37.6	38.1	(1.3)	789.60	754.00	4.7

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

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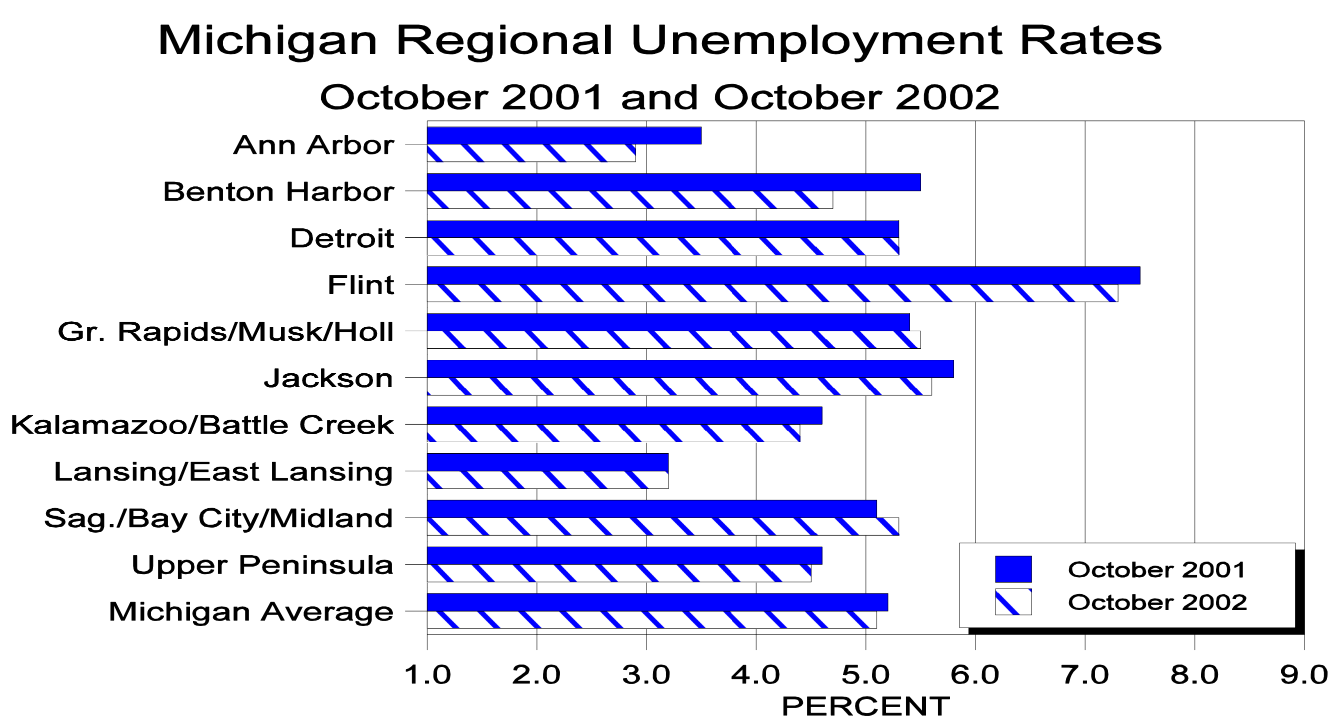
MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)

	Oct. 2002*	Sept. 2002	Aug. 2002	Oct. 2001
Metropolitan Statistical Areas				
Ann Arbor	2.9%	3.2%	3.5%	3.5%
Benton Harbor	4.7	5.1	5.7	5.5
Detroit	5.3	5.6	6.0	5.3
Flint	7.3	7.7	8.6	7.5
Grand Rapids	5.5	5.8	6.2	5.4
Jackson	5.6	5.9	6.1	5.8
Kalamazoo-Battle Creek	4.4	4.6	5.2	4.6
Lansing-East Lansing	3.2	3.4	3.8	3.2
Saginaw-Bay City-Midland	5.3	5.6	6.1	5.1
Multi-County Areas				
Northeast Lower Michigan	5.9	6.0	6.8	6.3
Northwest Lower Michigan	4.7	5.0	5.4	5.1
Upper Peninsula	4.5	4.8	5.6	4.6
Michigan Statewide Average				
--Unadjusted (comparable to figures shown above)	5.1%	5.4%	5.8%	5.2%

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



Source: Michigan Department of Career Development - Employment Service Agency

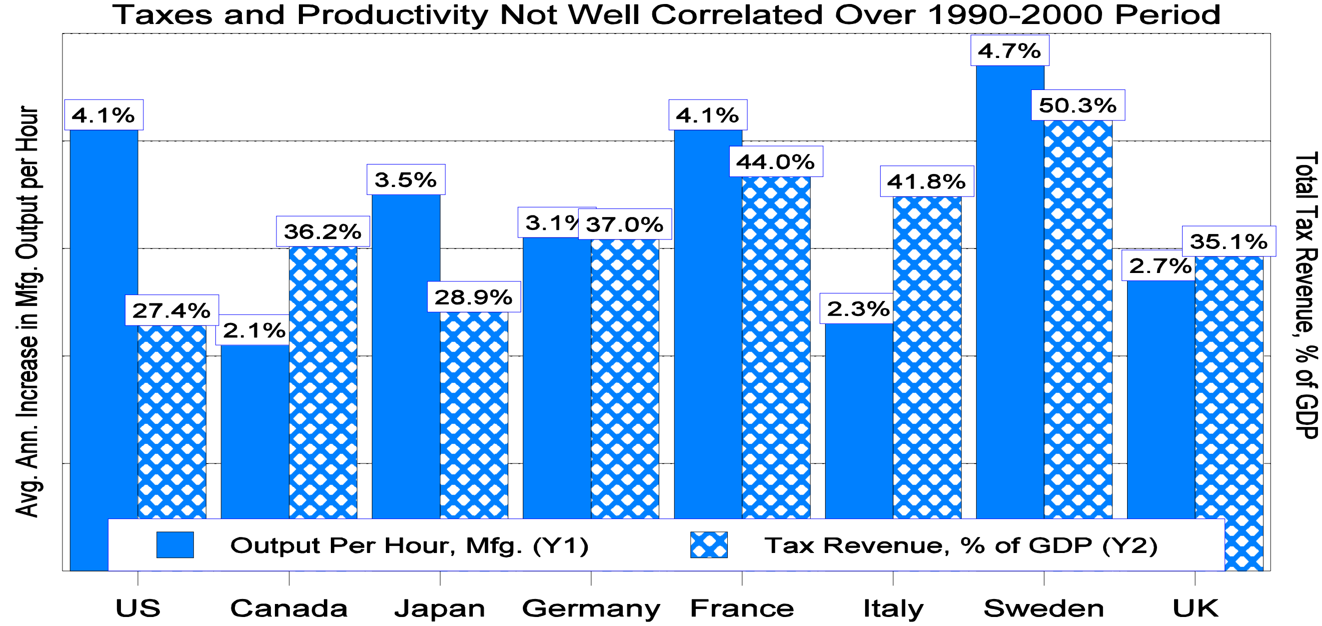
MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)

	Oct. 2002	Sept. 2002	Aug. 2002	July 2002	Year Ago Oct.	Percent Change From: Oct./Sept.	Percent Change From: Oct. 2002/ Oct. 2001
Motor Vehicle Sales[1,2)]							
Autos	7,300	7,911	8,725	8,803	10,183	(7.7)%	(28.3)%
Domestics	5,328	5,528	6,552	6,521	7,806	(3.6)	(31.7)
Imports	1,972	2,383	2,173	2,282	2,377	(17.2)	(17.0)
Import Share	27.0%	30.1%	24.9%	25.9%	23.3%	----	----
Light Trucks	8,043	8,317	9,858	9,261	10,914	(3.3)	(26.3)
Domestics	7,066	7,291	8,813	8,109	9,736	(3.1)	(27.4)
Imports	977	1,026	1,045	1,152	1,178	(4.8)	(17.1)
Import Share	12.1%	12.3%	10.6%	12.4%	10.8%	----	----
Heavy Trucks	423	441	440	399	451	(4.1)	(6.2)
Total	15,766	16,669	19,023	18,463	21,548	(5.4)	(26.8)
U.S. Motor Vehicle Production[1,2)]							
Autos	4,607	4,932	5,290	5,711	4,354	(6.6)	5.8
Michigan Motor Vehicle Production[2,3)]							
Autos	1,763	1,581	1,704	2,838	1,542	11.6	14.3
Trucks	1,237	1,291	1,187	1,601	999	(4.2)	23.8
Total	3,000	2,872	2,892	4,439	2,541	4.5	18.0
Michigan Production as % of U.S.	23.6%	23.2%	23.5%	24.9%	22.5%	----	----
U.S. Motor Vehicle Inventories[4)]							
Total Car	1,569	1,493	1,411	1,442	1,282	5.1	22.4
Days Supply	68	56	47	48	41	21.4	65.9
Total Truck	1,828	1,663	1,559	1,563	1,621	10.0	12.8
Days Supply	72	51	51	51	49	41.2	46.9

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)

International Comparison of Productivity and Tax Burdens

Taxes and Productivity Not Well Correlated Over 1990-2000 Period



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

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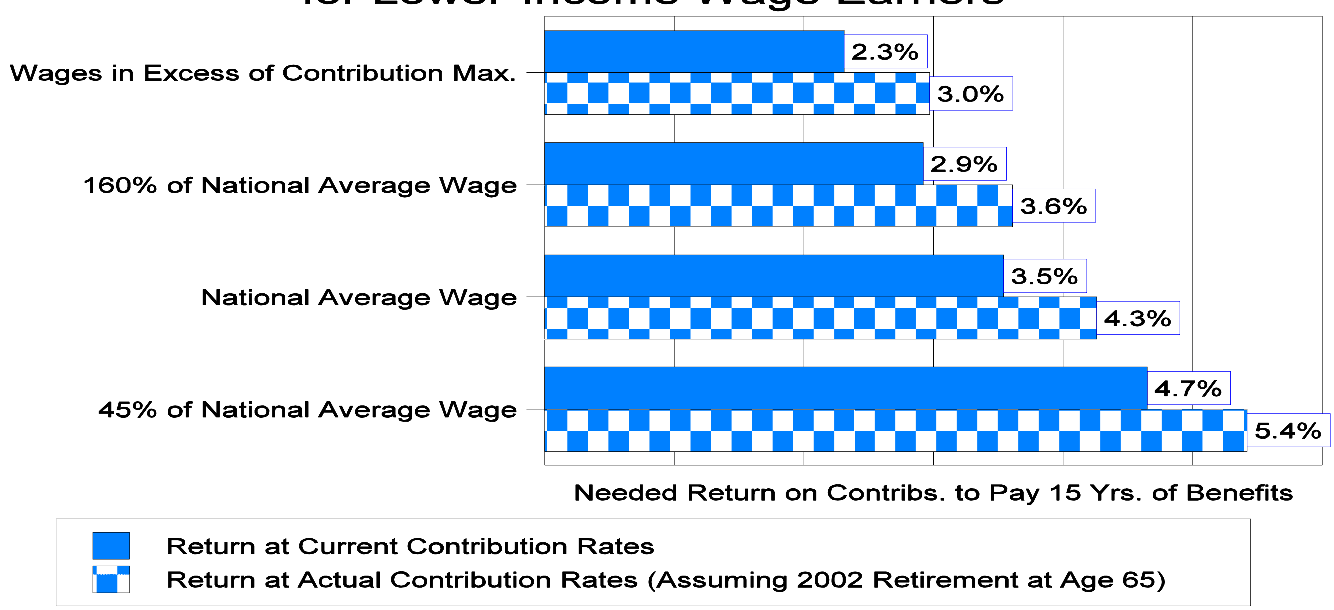
OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data: Latest Period	Actual Data: Previous Period	Actual Data: Year Ago	Percent Change From: Previous Period*	Percent Change From: Year Ago
Weekly Leading Index, monthly[1] (1992=100)	Oct.	117.5	118.5	113.6	(0.8)%	3.4%
Coincident Index[1] (1992=100)	Oct.	136.4	136.4	134.3	0.0	1.6
Housing Starts, U.S.[2] (thousands of units, SAAR)	Oct.	1,603	1,810	1,531	(11.4)	4.7
Retail Sales, U.S.[2] (billions, seasonally adjusted)	Oct.	$273.8	$273.5	$277.2	0.1	(1.2)
Industrial Production Index[3] (1992=100) (seasonally adjusted)	Oct.	139.3	140.4	137.7	(0.8)	1.2
Capacity Utilization[3] (% of total capacity, seasonally adjusted)	Oct.	75.2	75.8	75.0	(0.9)	0.2
Consumer Price Index[4] (1982-84=100)						
U.S. (seasonally adjusted)	Oct.	181.3	180.8	177.6	3.4	2.1
Detroit (not seasonally adjusted)	Oct.	180.4	180.9	174.8	(1.6)	3.2
Interest Rates						
3-month Treasury Bill[3]	Oct.	1.60%	1.60%	2.22%	---	---
Corporate Aaa Bonds[3]	Oct.	6.32%	6.15%	7.03%	---	---
Real Gross Domestic Product[5] (billions of 1996 $, SAAR, chain-weighted)	2002 3rd Qtr.	$9,484.0	$9,392.4	$9,186.4	4.0	3.2
Michigan Tax Collections[6] (12 major taxes, millions)	Oct. 2002	$1,942.2	$1,775.2	$2,015.5	NM	(3.6)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

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.

Social Security Provides a Better "Return" for Lower-Income Wage Earners



Source: Social Security Administration and Michigan Senate Fiscal Agency