

MICHIGAN ECONOMIC INDICATORS

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

ECONOMIC HIGHLIGHTS



United States

- Despite decreases in short-term **interest rates**, long-term rates rose in July. The July 2003 rate on 3-month Treasury bills was 0.9%, the lowest rate since June 1958, while the prime rate remained 4.0%, the lowest rate since April 1959. However, the rate on 3-year Treasury bills increased from 1.51% in June to 1.93% in July, and the rate on 10-year bonds rose from 3.33% to 3.98%. Similarly, Aaa corporate bond rates increased from 4.97% in June to 5.49% in July, while rates on 30-year fixed-rate conventional mortgages rose from 5.23% to 5.63%.
- **Retail sales** increased 1.4% between June and July and were 5.3% above the level in July 2002. Significant year-over-year growth occurred in most sectors, with only the sporting goods sector showing a year-over-year decline in sales. The motor vehicle, furniture, building materials, and food service place sectors were the fastest growing, with year-over-year growth in retail sales of 6.9% or more. Among the major sectors, only nonstore retailers and miscellaneous retail stores reported increases of less than 4.0%.
- Total **motor vehicle sales**, measured by units, were 4.4% below the year-ago level in July. Automobile sales were 11.4% below the July 2002 level, while light truck sales increased 1.6%. For the second month in a row, the fastest growing segment was imported light truck sales, which increased 11.7% above the year-ago level.
- **Housing starts** increased 1.5% between June and July and were 12.4% above the level one year ago. July housing starts marked the highest level since April 1986. Increases in the Northeast, South and Midwest regions more than offset a 14% decline in the West.

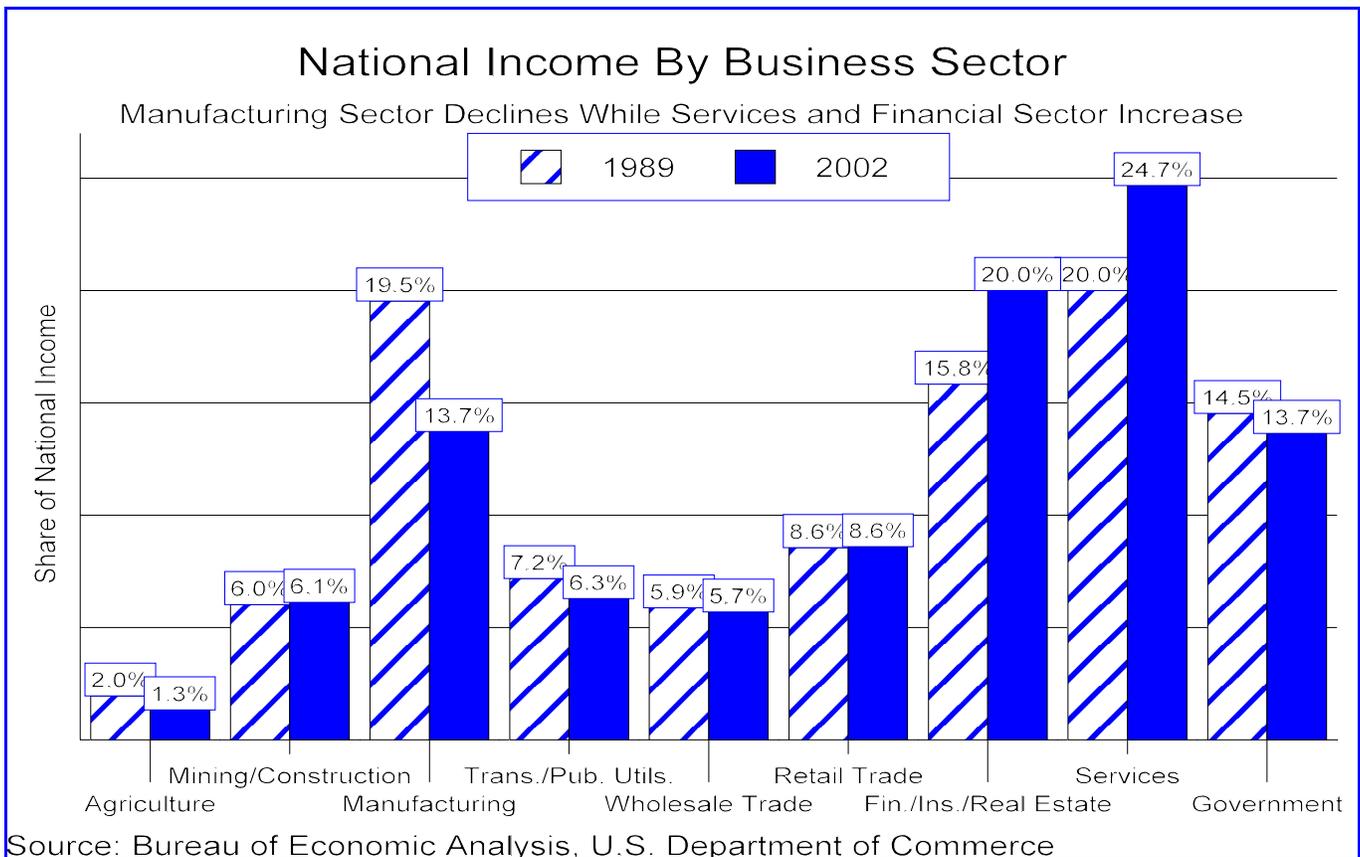


Michigan

- **Tax revenue** from Michigan's major taxes totaled \$1,559.7 million in July, 9.3% below revenues in July 2002. Revenues were down nearly twice as much as forecasted, with all but two major taxes showing declines of 6.7% or more compared with year-ago levels. Net income tax collections, which comprised approximately 31% of July revenues, were 8.8% below the July 2002 level. The decline in revenues generally reflected rising unemployment and stagnant job creation, although lower sales tax collections also reflected calendar issues that affected when payments were processed.
- **Michigan's unemployment rate** increased to 7.4% in July, up from 7.2% in June, 6.8% in May, and 6.2% in July 2002. July's unemployment rate was the highest rate since January 1993 and reflected a decline in employment of 8,000 jobs in July. Compared with July 2002, 73,000 more people were employed and 68,000 more people were unemployed.
- Nearly three-fourths of the job loss in **wage and salary employment** in July reflected lower government employment. Reduced manufacturing employment accounted for essentially all of the remaining job loss. Compared with July 2002, wage and salary employment was down 53,000 jobs, with approximately 80% of those job losses occurring in the manufacturing, professional and business services, and government sectors.

U.S. & MICHIGAN LABOR MARKET NEWS (Seasonally Adjusted, Thousands)							
U.S.	July 2003	June 2003	July 2002	Change From June		Change From Year Ago	
				Number	Percent	Number	Percent
Labor Force	146,540	147,096	144,786	(556)	(0.4)%	1,754	1.2%
Employment	137,478	137,738	136,343	(260)	(0.2)	1,135	0.8
Unemployment	9,062	9,358	8,443	(296)	(3.2)	619	7.3
Unemployment Rate	6.2%	6.4%	5.8%	—	—	—	—
Michigan	July 2003	June 2002	July 2002	Change From June		Change From Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,130	5,130	4,988	(0)	(0.0)%	142	2.8%
Employment	4,753	4,760	4,679	(8)	(0.2)	73	1.6
Unemployment	378	370	309	8	2.1	68	22.2
Unemployment Rate	7.4%	7.2%	6.2%	—	—	—	—

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



**MICHIGAN WAGE AND SALARY EMPLOYMENT
(Seasonally Adjusted, Thousands)**

	July 2003*	June 2003	July 2002	Change from June		Change from Yr Ago	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,423	4,449	4,476	(26)	(1)%	(53)	(1)%
Goods Producing Industries	945	954	956	(9)	(1)	(11)	(1)
Natural Resources & Mining	8	8	9	1	8	(1)	(9)
Construction	201	203	201	(1)	(1)	0	0
Manufacturing	735	743	746	(8)	(1)	(11)	(1)
Transportation Equipment	287	287	286	(1)	(0)	1	0
Service Producing Industries	3,478	3,495	3,520	(17)	(0)	(42)	(1)
Trade, Transportation & Utilities	831	834	837	(2)	(0)	(6)	(1)
Information	74	75	76	(0)	(1)	(2)	(2)
Financial Activities	223	222	216	1	0	7	3
Professional & Business Services	583	578	599	5	1	(16)	(3)
Education & Health Services	537	541	537	(4)	(1)	0	0
Leisure & Hospitality Services	397	393	404	5	1	(7)	(2)
Other Services	178	180	181	(2)	(1)	(3)	(2)
Government	655	674	670	(19)	(3)	(15)	(2)

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

* Preliminary

**MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS
(Not Adjusted For Seasonal Variations)**

Industry	Average Weekly Hours			Average Weekly Earnings		
	July 2002	Year Ago	Percent Change	July 2003	Year Ago	Percent Change
Natural Resources, Mining & Construction	38.7	42.0	(7.9)%	852.95	921.90	(7.5)%
Manufacturing	40.1	40.1	0.0	826.06	782.35	5.6
Durable Goods	40.6	40.4	0.5	891.98	842.34	5.9
Motor Vehicle Manufacturing	41.2	41.5	(0.7)	1,193.98	1,175.28	1.6
Motor Vehicle Parts Manufacturing	40.7	39.3	3.6	1,022.79	939.27	8.9
Nondurable Goods	37.9	38.8	(2.3)	550.31	541.65	1.6
Wholesale Trade	36.2	37.6	(3.7)	669.34	692.97	(3.4)
Retail Trade	29.4	30.0	(2.0)	326.93	333.00	(1.8)
General Merchandise Stores	27.4	25.8	6.2	248.79	231.17	7.6
Grocery Stores	28.0	29.8	(6.0)	285.04	295.02	(3.4)
Information	31.9	31.7	0.6	510.08	489.13	4.3
Financial Activities	36.2	36.3	(0.3)	564.72	540.87	4.4
Professional & Business Services	34.0	35.2	(3.4)	565.08	552.64	2.3
Health Care & Social Assistance	33.5	32.8	2.1	549.40	536.28	2.4
Leisure & Hospitality	23.8	24.1	(1.2)	195.87	190.15	3.0
Auto. Repair & Maintenance	35.4	37.7	(6.1)	534.89	574.55	(6.9)
Personal & Laundry Services	27.2	26.4	3.0	375.36	378.31	(0.8)

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

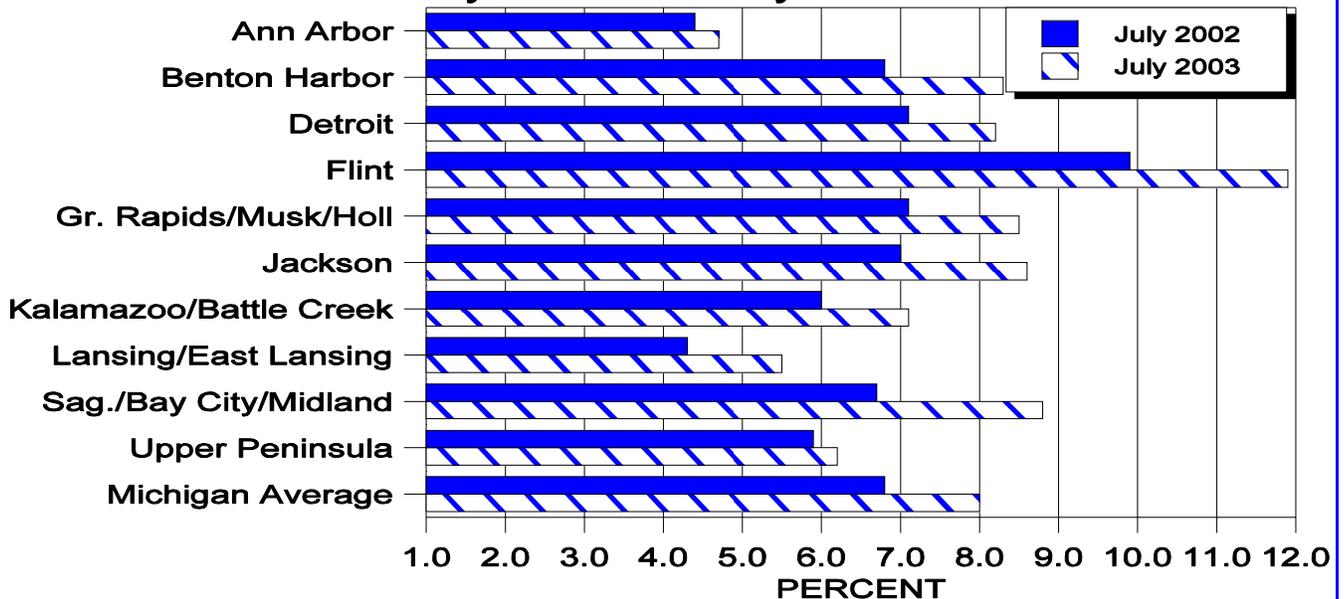
**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	July 2003	June 2003	May 2003	July 2002
Metropolitan Statistical Areas				
Ann Arbor	4.7%	4.1%	3.6%	4.4%
Benton Harbor	8.3	7.4	6.3	6.8
Detroit	8.2	7.6	6.6	7.1
Flint	11.9	9.7	8.8	9.9
Grand Rapids	8.5	8.1	6.9	7.1
Jackson	8.6	8.1	7.1	7.0
Kalamazoo-Battle Creek	7.1	6.5	5.6	6.0
Lansing-East Lansing	5.5	4.8	4.1	4.3
Saginaw-Bay City-Midland	8.8	8.3	7.2	6.7
Multi-County Areas				
Northeast Lower Michigan	8.3	8.7	8.1	7.9
Northwest Lower Michigan	7.2	7.1	6.8	6.0
Upper Peninsula	6.2	7.7	6.9	5.9
Michigan Statewide Average				
--Unadjusted (comparable to figures shown above)	8.0%	7.4%	6.5%	6.8%

Source: Michigan Department of Career Development - Employment Service Agency

* Preliminary

**Michigan Regional Unemployment Rates
July 2002 and July 2003**

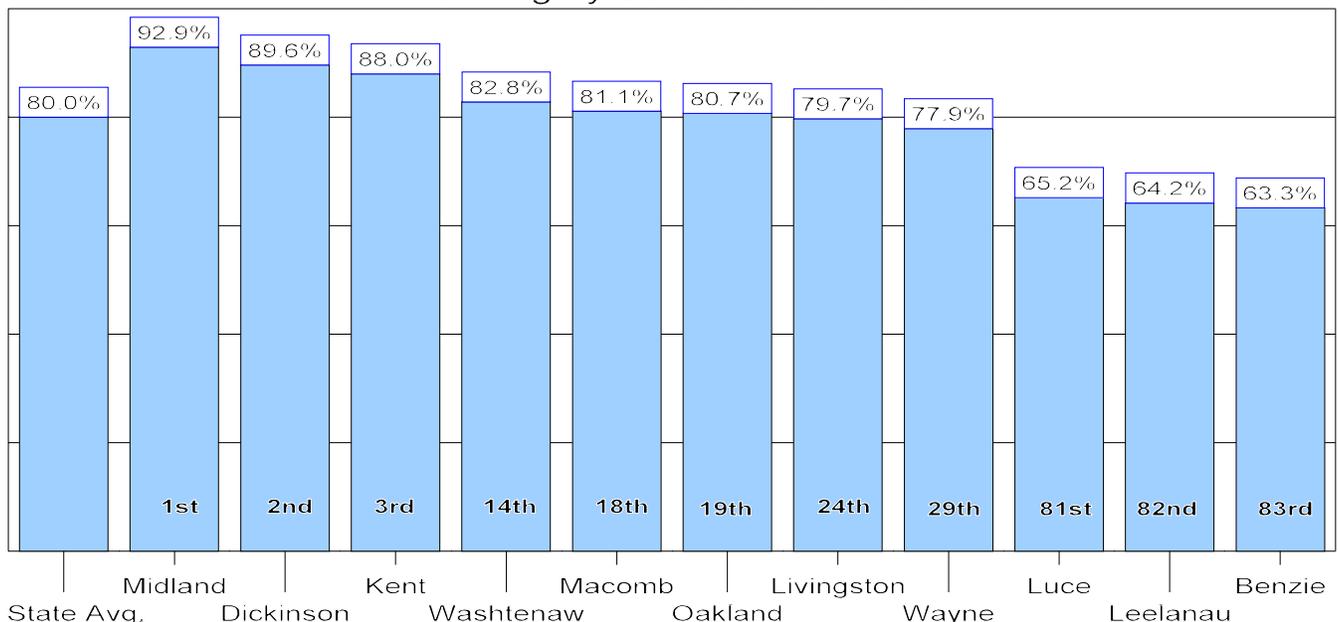


Source: Michigan Department of Career Development - Employment Service Agency

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

	July 2003	June 2003	May 2003	Apr. 2003	Year Ago July	Percent Change From:	
						July/June	July 2003/ July 2002
Motor Vehicle Sales^{1,2)}							
Autos	7,801	7,559	7,262	7,518	8,803	3.2%	(11.4)%
Domestics	5,785	5,521	5,270	5,428	6,521	4.8	(11.3)
Imports	2,016	2,038	1,992	2,090	2,282	(1.1)	(11.7)
Import Share	25.8%	27.0%	27.4%	27.8%	25.9%	---	---
Light Trucks	9,407	8,752	8,743	8,838	9,259	7.5	1.6
Domestics	8,122	7,466	7,541	7,571	8,109	8.8	0.2
Imports	1,285	1,286	1,202	1,267	1,150	(0.1)	11.7
Import Share	13.7%	14.7%	13.7%	14.3%	12.4%	---	---
Heavy Trucks	441	389	390	382	399	13.4	10.5
Total	17,649	16,700	16,395	16,738	18,461	5.7	(4.4)
U.S. Motor Vehicle Production^{1,2)}							
Autos	4,868	4,439	4,192	4,150	5,711	9.7	(14.8)
Michigan Motor Vehicle Production^{2,3)}							
Autos	1,840	1,431	1,592	1,592	2,575	28.6	(28.5)
Trucks	1,408	1,295	1,132	1,095	1,548	8.7	(9.1)
Total	3,248	2,725	2,724	2,687	4,123	19.2	(21.2)
Michigan Production as % of U.S.	19.5%	24.4%	23.6%	21.7%	25.0%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,560	1,719	1,706	1,725	1,442	(9.3)	8.2
Days Supply	58	58	62	68	48	0.0	20.8
Total Truck	1,978	2,239	2,250	2,241	1,563	(11.7)	26.5
Days Supply	63	70	73	79	51	(10.0)	23.5

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)

**Taxable Values As A Share of State Equalized Values, 2002
Ranking by Selected Counties**


Source: Michigan State Tax Commission

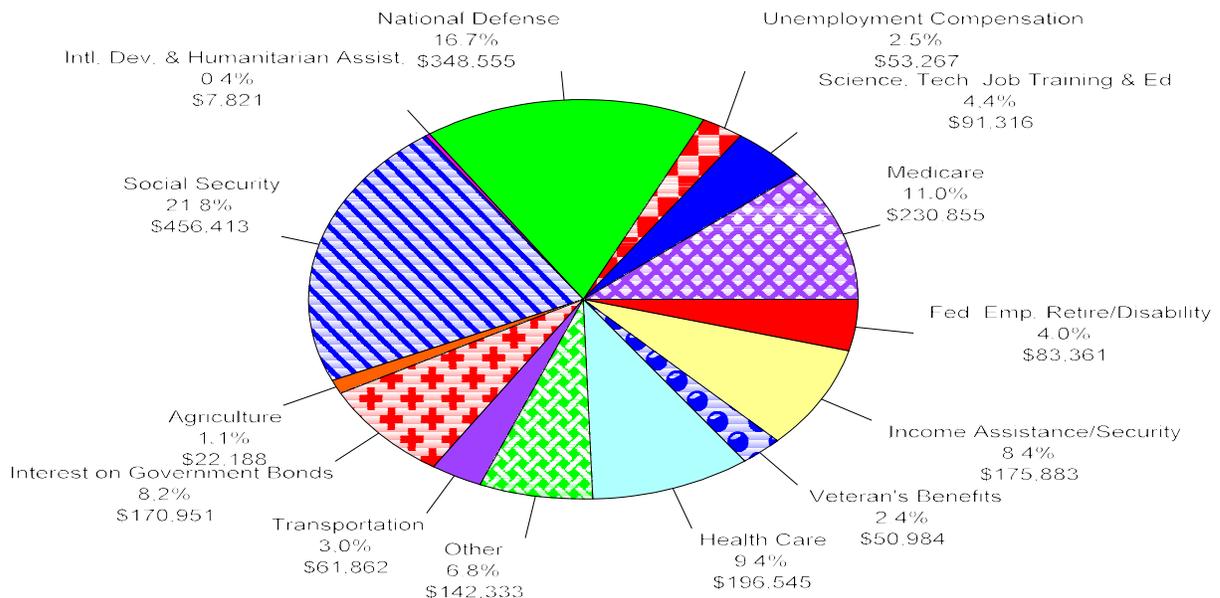
OTHER KEY ECONOMIC INDICATORS

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)	July	126.1	124.0	119.6	1.7%	5.4%
Coincident Index ¹⁾ (1992=100)	July	137.1	136.7	136.5	0.3	0.4
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	July	1,872	1,845	1,666	1.5	12.4
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	July	\$287.2	\$283.1	\$272.6	1.4	5.3
Industrial Production Index ³⁾ (1992=100) (seasonally adjusted)	July	110.0	109.5	111.6	0.5	(1.4)
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	July	74.5	74.2	76.4	0.4	(2.4)
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	July	183.9	183.6	180.1	2.0	2.1
Detroit (not seasonally adjusted)	June	182.8	182.2	179.0	2.0	2.1
Interest Rates						
3-month Treasury Bill ³⁾	July	0.90%	0.95%	1.68%	—	—
Corporate Aaa Bonds ³⁾	July	5.49%	4.97%	6.53%	—	—
Real Gross Domestic Product ⁵⁾ (billions of 1996 \$, SAAR, chain-weighted)	2003 2 nd Qtr.	\$9,625.5	\$9,552.0	\$9,392.4	3.1	2.5
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	July 2003	\$1,559.7	\$1,155.3	\$1,719.6	NM	(9.3)

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.

Federal Outlays, By Function, FY 2002
(in billions of dollars)



Source: Office of Management & Budget, Office of the President