

# MICHIGAN ECONOMIC INDICATORS

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

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## ECONOMIC HIGHLIGHTS

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### United States

- The advance estimate for **inflation-adjusted Gross Domestic Product (GDP)** showed growth of 1.1% in the second quarter of 2002, compared with a revised 5.0% growth during the first quarter. The revisions generally lowered growth rates back through 1999 and showed negative growth in the first three quarters of 2001—the first time since 1990 that real GDP has declined in consecutive quarters. The slowdown in growth during the second quarter was attributable to slower consumer spending and inventory accumulation and a sharp increase in imports. Despite growing at a slower rate, inventory investment still contributed significantly to growth in the second quarter, adding 1.15 percentage points to the growth rate and preventing the second quarter from showing a contracting economy.
- **Motor vehicle sales** posted gains from May to June in all sectors other than heavy trucks, which were down 10.1% from May and 15.9% below the year-ago level. While June sales of domestically produced automobiles and light trucks were up 0.1% and 6.1%, respectively, from May, sales were down 9.3% and 5.0%, respectively, from the level one year ago.
- **Retail sales** increased 1.1% between May and June, and were 3.0% above the June 2001 level. Compared with one year ago, retail sales exhibited the most growth in electronics and appliance stores, general merchandise stores, and health and personal care stores, which posted growth rates of 9.7%, 8.2%, and 7.8%, respectively. Sales growth was weakest for gasoline stations, grocery stores, and nonstore retailers (which include "infomercials", paper and electronic catalogs, door-to-door solicitation, and vending machines), which showed changes of -5.9%, 0.9%, and 2.1%, respectively, compared with one year ago.
- **Industrial production** increased for the sixth consecutive month in June, the first such string of increases since the first six months of 2000. Industrial production, however, was only 0.2% above the June 2001 level and was more than 3.5% below the average level in 2000.

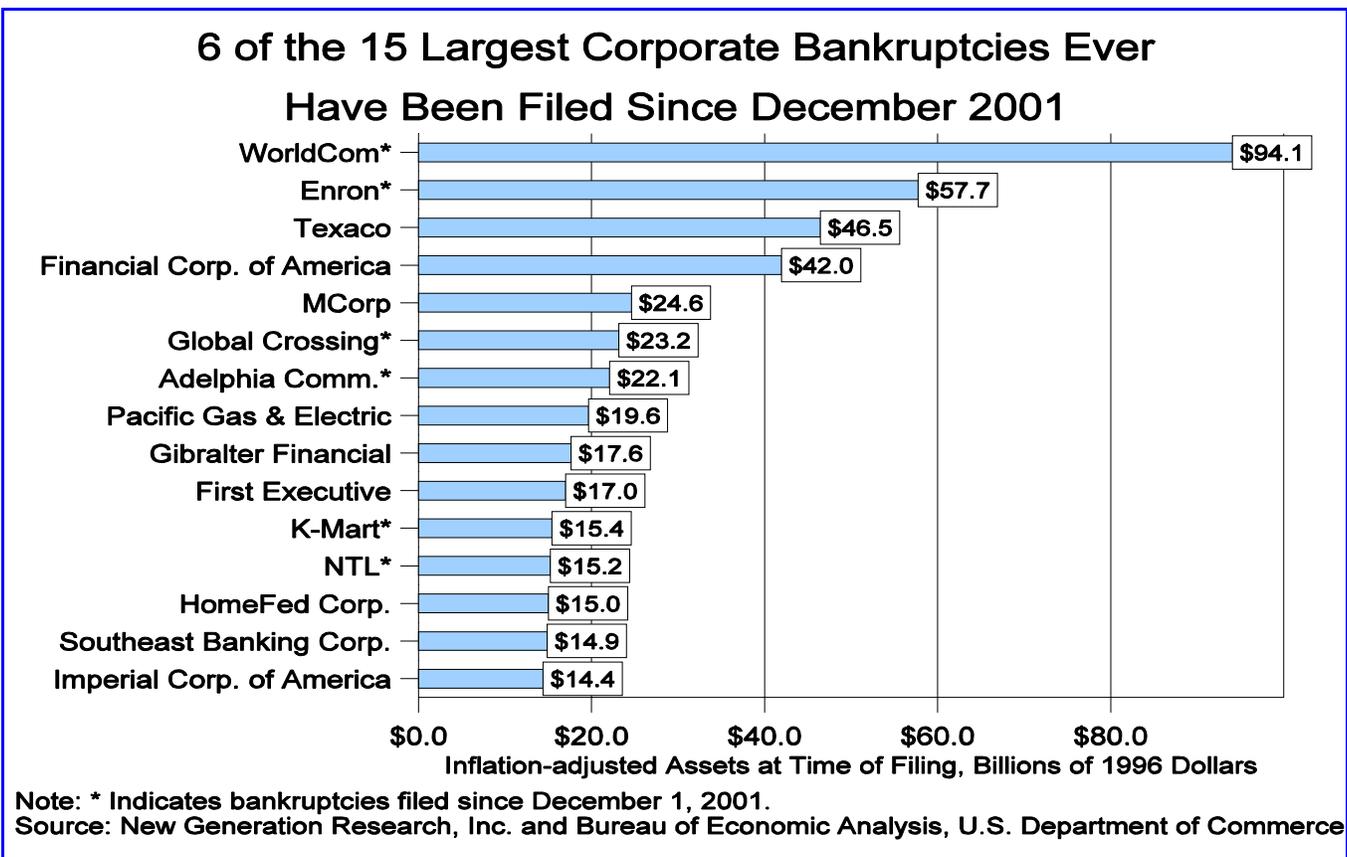


### Michigan

- **Michigan's unemployment rate** increased to 6.5% in June, the fifth consecutive month the unemployment rate has risen and the 18<sup>th</sup> consecutive month the Michigan unemployment rate has been above the national average. The number of people employed fell by 16,000 between May and June. June employment was 59,000 jobs less than one year ago while 71,000 more people were unemployed.
- **Michigan motor vehicle production** declined 8.0% between May and June, but was only 0.6% down from the year-ago level. Compared with June 2001, Michigan light truck production was 0.4% higher while automobile production was 1.4% lower.
- **Average weekly earnings** were higher again in June in almost all sectors. Department stores, general merchandise stores, and the motor vehicle and equipment manufacturing sector exhibited the most growth in June compared with one year ago, with average weekly earnings 11.8%, 10.9%, and 9.3% higher, respectively. Food stores showed the largest decline, with average weekly earnings falling 1.5% compared with June 2001.

| U.S. & MICHIGAN LABOR MARKET NEWS<br>(Seasonally Adjusted, Thousands) |         |         |         |                 |         |                      |         |
|---|---------|---------|---------|-----------------|---------|----------------------|---------|
| U.S.  | June    | May     | June    | Change From May |         | Change From Year Ago |         |
|   | 2002    | 2001    | 2001    | Number          | Percent | Number               | Percent |
| Labor Force   | 142,476 | 142,769 | 141,468 | (293)           | (0.2)   | 1,008                | 0.7     |
| Employment  | 134,053 | 134,417 | 135,003 | (364)           | (0.3)   | (950)                | (0.7)   |
| Unemployment  | 8,424   | 8,351   | 6,465   | 73              | 0.9     | 1,959                | 30.3    |
| Unemployment Rate   | 5.9%    | 5.8%    | 4.6%    | ---             | ---     | ---                  | ---     |
| Michigan  | June    | May     | June    | Change From May |         | Change From Year Ago |         |
|   | 2002    | 2001    | 2001    | Number          | Percent | Number               | Percent |
| Labor Force   | 5,178   | 5,175   | 5,165   | 3               | 0.1     | 13                   | 0.3     |
| Employment  | 4,839   | 4,855   | 4,898   | (16)            | (0.3)   | (59)                 | (1.2)   |
| Unemployment  | 339     | 320     | 268     | 19              | 5.9     | 71                   | 26.5    |
| Unemployment Rate   | 6.5%    | 6.2%    | 5.2%    | ---             | ---     | ---                  | ---     |

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



| <b>MICHIGAN WAGE AND SALARY EMPLOYMENT</b><br>(Seasonally Adjusted, Thousands) |       |       |       |                 |         |                    |         |
|--|-------|-------|-------|-----------------|---------|--------------------|---------|
|  | June  | May   | June  | Change from May |         | Change from Yr Ago |         |
|  | 2002* | 2002  | 2001  | Number          | Percent | Number             | Percent |
| <b>Wage and Salary Employment</b>  | 4,541 | 4,555 | 4,586 | (14)            | (0)%    | (45)               | (1)%    |
| <b>Goods-Producing Industries</b>  | 1,119 | 1,118 | 1,135 | 1               | 0       | (16)               | (1)     |
| Mining   | 8     | 7     | 7     | 1               | 14      | 1                  | 14      |
| Construction   | 200   | 199   | 201   | 1               | 1       | (1)                | (0)     |
| Manufacturing  | 912   | 912   | 927   | 0               | 0       | (15)               | (2)     |
| Durable Goods  | 692   | 692   | 706   | 0               | 0       | (14)               | (2)     |
| Motor Vehicles & Equipment   | 269   | 267   | 276   | 2               | 1       | (7)                | (3)     |
| Nondurable Goods   | 219   | 220   | 221   | (1)             | (0)     | (2)                | (1)     |
| <b>Service-Producing Industries</b>  | 3,422 | 3,437 | 3,451 | (15)            | (0)     | (29)               | (1)     |
| Trans., Comm. & Utilities  | 180   | 180   | 181   | 0               | 0       | (1)                | (1)     |
| Wholesale Trade  | 216   | 218   | 219   | (2)             | (1)     | (3)                | (1)     |
| Retail Trade   | 841   | 841   | 854   | 0               | 0       | (13)               | (2)     |
| Finance, Insurance & Real Estate   | 211   | 211   | 209   | 0               | 0       | 2                  | 1       |
| Services   | 1,290 | 1,292 | 1,300 | (2)             | (0)     | (10)               | (1)     |
| Government   | 684   | 695   | 687   | (11)            | (2)     | (3)                | (0)     |

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

| <b>MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS</b><br>(Not Adjusted For Seasonal Variations) |                      |          |                |                         |          |                |
|---|----------------------|----------|----------------|-------------------------|----------|----------------|
| Industry  | Average Weekly Hours |          |                | Average Weekly Earnings |          |                |
|   | June 2002            | Year Ago | Percent Change | June 2002               | Year Ago | Percent Change |
| Mining  | 46.4                 | 47.2     | (1.7)          | \$798.54                | \$783.52 | 1.9            |
| Construction  | 39.4                 | 40.0     | (1.5)          | 870.74                  | 883.20   | (1.4)          |
| Manufacturing   | 42.5                 | 41.8     | 1.7            | 855.53                  | 825.13   | 3.7            |
| Durable Goods   | 43.0                 | 42.0     | 2.4            | 923.21                  | 883.26   | 4.5            |
| Motor Vehicles & Equipment  | 45.6                 | 43.2     | 5.6            | 1,260.84                | 1,153.44 | 9.3            |
| Nondurable Goods  | 40.7                 | 41.1     | (1.0)          | 630.44                  | 631.30   | (0.1)          |
| Wholesale Trade   | 38.9                 | 38.3     | 1.6            | 659.74                  | 650.33   | 1.4            |
| <b>Selected Retail Trade:</b>   |                      |          |                |                         |          |                |
| General Merchandise Stores  | 30.1                 | 27.4     | 9.9            | 309.13                  | 278.66   | 10.9           |
| Department Stores   | 29.7                 | 26.9     | 10.4           | 303.53                  | 271.42   | 11.8           |
| Food Stores   | 27.6                 | 28.1     | (1.8)          | 251.44                  | 255.15   | (1.5)          |
| Auto Dealers & Service Stations   | 34.6                 | 34.7     | (0.3)          | 452.22                  | 442.08   | 2.3            |
| <b>Selected Services:</b>   |                      |          |                |                         |          |                |
| Depository Institutions   | 35.6                 | 35.6     | 0.0            | 411.54                  | 413.32   | (0.4)          |
| Business Services   | 34.2                 | 34.2     | 0.0            | 544.46                  | 540.02   | 0.8            |
| Health Services   | 32.4                 | 31.7     | 2.2            | 537.19                  | 507.20   | 5.9            |
| Engineering & Management  | 38.9                 | 38.5     | 1.0            | 793.17                  | 742.28   | 6.9            |

**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)**

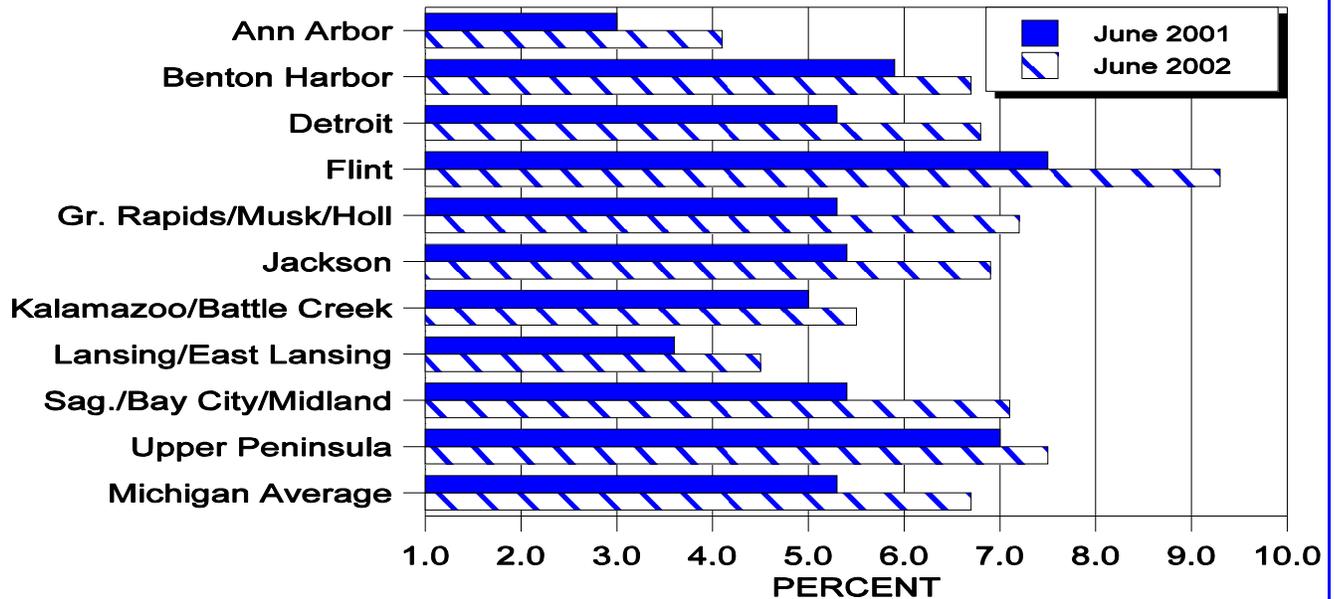
|  | June<br>2002* | May<br>2002 | Apr.<br>2002 | June<br>2001 |
|--|---------------|-------------|--------------|--------------|
| <b>Metropolitan Statistical Areas</b>            |               |             |              |              |
| Ann Arbor  | 4.1%          | 3.5%        | 3.5%         | 3.0%         |
| Benton Harbor                                    | 6.7           | 5.7         | 5.4          | 5.9          |
| Detroit  | 6.8           | 5.9         | 5.7          | 5.3          |
| Flint  | 9.3           | 8.3         | 7.8          | 7.5          |
| Grand Rapids                                     | 7.2           | 6.2         | 5.9          | 5.3          |
| Jackson  | 6.9           | 6.0         | 6.1          | 5.4          |
| Kalamazoo-Battle Creek                           | 5.5           | 4.8         | 4.6          | 5.0          |
| Lansing-East Lansing                             | 4.5           | 3.8         | 3.8          | 3.6          |
| Saginaw-Bay City-Midland                         | 7.1           | 6.3         | 6.5          | 5.4          |
| <b>Multi-County Areas</b>                        |               |             |              |              |
| Northeast Lower Michigan                         | 8.2           | 7.7         | 11.0         | 7.5          |
| Northwest Lower Michigan                         | 6.7           | 6.4         | 8.0          | 5.8          |
| Upper Peninsula                                  | 7.5           | 7.0         | 8.8          | 7.0          |
| <b>Michigan Statewide Average</b>                |               |             |              |              |
| --Unadjusted (comparable to figures shown above) | 6.7           | 5.9         | 5.9          | 5.3          |

Source: Michigan Department of Career Development - Employment Service Agency

\* Preliminary

## Michigan Regional Unemployment Rates

June 2001 and June 2002

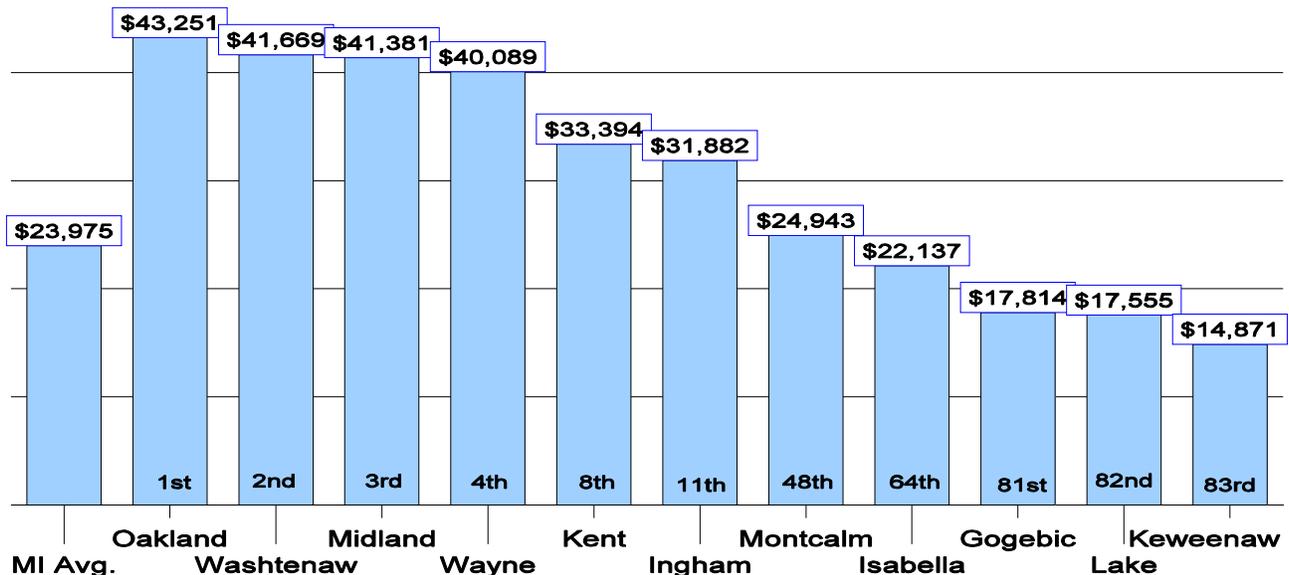


Source: Michigan Department of Career Development - Employment Service Agency

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

|   | June<br>2002  | May<br>2002   | apr.<br>2002  | Mar.<br>2002  | Year<br>Ago May | Percent Change From: |                         |
|---|---------------|---------------|---------------|---------------|-----------------|----------------------|-------------------------|
|   |               |               |               |               |                 | June/May             | June 2002/<br>June 2001 |
| <b>Motor Vehicle Sales<sup>1,2)</sup></b>               |               |               |               |               |                 |                      |                         |
| Autos   | 7,969         | 7,824         | 8,600         | 8,330         | 8,382           | 1.9                  | (4.9)                   |
| Domestics   | 5,742         | 5,735         | 6,294         | 6,044         | 6,328           | 0.1                  | (9.3)                   |
| Imports   | 2,227         | 2,089         | 2,306         | 2,286         | 2,054           | 6.6                  | 8.4                     |
| Import Share  | 27.9%         | 26.7%         | 26.8%         | 27.4%         | 24.5%           | ---                  | ---                     |
| Light Trucks  | 8,308         | 7,750         | 8,610         | 8,399         | 8,579           | 7.2                  | (3.2)                   |
| Domestics   | 7,218         | 6,805         | 7,534         | 7,313         | 7,596           | 6.1                  | (5.0)                   |
| Imports   | 1,090         | 945           | 1,076         | 1,086         | 983             | 15.3                 | 10.9                    |
| Import Share  | 13.1%         | 12.2%         | 12.5%         | 12.9%         | 11.5%           | ---                  | ---                     |
| Heavy Trucks  | 375           | 417           | 408           | 452           | 446             | (10.1)               | (15.9)                  |
| <b>Total</b>  | <b>16,652</b> | <b>15,991</b> | <b>17,618</b> | <b>17,181</b> | <b>17,407</b>   | <b>4.1</b>           | <b>(4.3)</b>            |
| <b>U.S. Motor Vehicle Production<sup>1,2)</sup></b>     |               |               |               |               |                 |                      |                         |
| Autos   | 5,128         | 5,092         | 5,322         | 4,858         | 4,861           | 0.7                  | 5.5                     |
| <b>Michigan Motor Vehicle Production<sup>2,3)</sup></b> |               |               |               |               |                 |                      |                         |
| Autos   | 1,658         | 1,929         | 2,083         | 1,587         | 1,681           | (14.0)               | (1.4)                   |
| Trucks  | 1,118         | 1,089         | 892           | 744           | 1,113           | 2.7                  | 0.4                     |
| <b>Total</b>  | <b>2,776</b>  | <b>3,017</b>  | <b>2,976</b>  | <b>2,331</b>  | <b>2,795</b>    | <b>(8.0)</b>         | <b>(0.6)</b>            |
| Michigan Production as % of U.S.                        | 23.9%         | 23.8%         | 21.6%         | 22.3%         | 24.6%           | ---                  | ---                     |
| <b>U.S. Motor Vehicle Inventories<sup>4)</sup></b>      |               |               |               |               |                 |                      |                         |
| Total Car   | 1,606         | 1,579         | 1,537         | 1,557         | 1,591           | 1.7                  | 0.9                     |
| Days Supply   | 51            | 53            | 54            | 53            | 49              | (3.8)                | 4.1                     |
| Total Truck   | 1,818         | 1,778         | 1,699         | 1,672         | 1,944           | 2.2                  | (6.5)                   |
| Days Supply   | 60            | 63            | 62            | 58            | 64              | (4.8)                | (6.3)                   |

**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)

**Average Payroll Per Employee, 2000**


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

**OTHER KEY ECONOMIC INDICATORS**

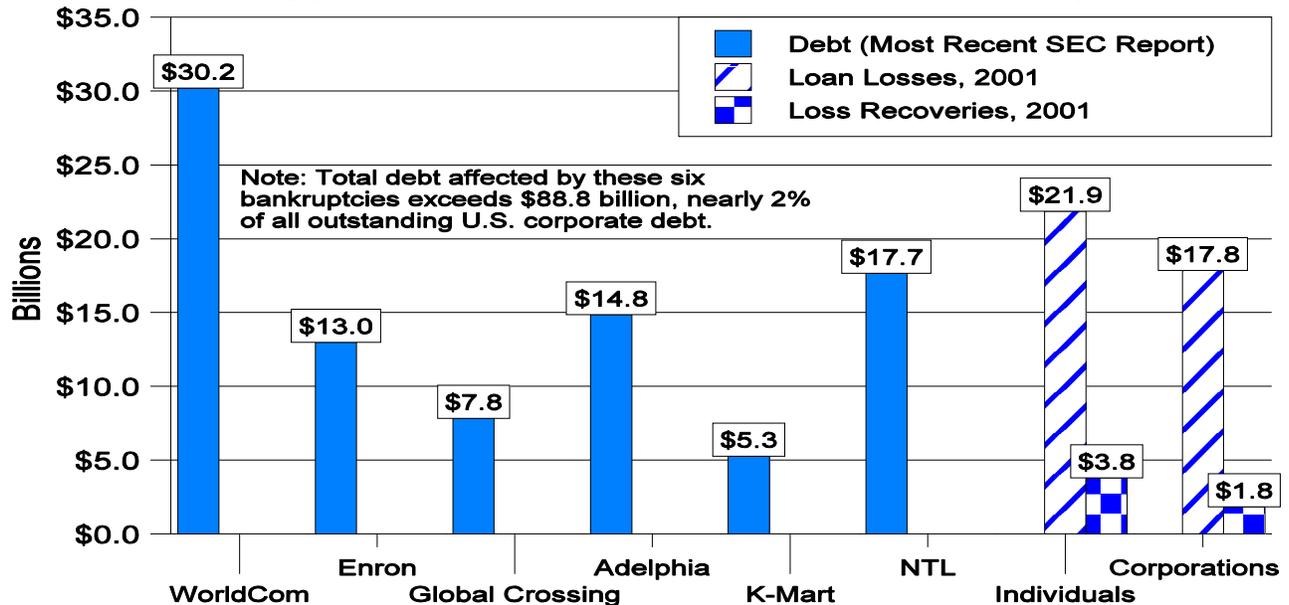
| Variable  | Latest Period    | Actual Data   |                 |           | Percent Change From: |          |
|---|------------------|---------------|-----------------|-----------|----------------------|----------|
|   |                  | Latest Period | Previous Period | Year Ago  | Previous Period      | Year Ago |
| <b>Weekly Leading Index</b> , monthly <sup>1)</sup> (1992 = 100)                                | June             | 122.4         | 122.0           | 120.3     | 0.3%                 | 1.7%     |
| <b>Coincident Index</b> <sup>1)</sup> (1992 = 100)  | June             | 136.5         | 136.0           | 135.7     | 0.4                  | 0.6      |
| <b>Housing Starts, U.S.</b> <sup>2)</sup><br>(thousands of units, SAAR)                         | June             | 1,672         | 1,735           | 1,633     | (3.6)                | 2.4      |
| <b>Retail Sales, U.S.</b> <sup>2)</sup><br>(billions, seasonally adjusted)                      | June             | \$271.3       | \$269.3         | \$268.3   | 1.1                  | 3.0      |
| <b>Industrial Production Index</b> <sup>3)</sup> (1992 = 100)<br>(seasonally adjusted)          | June             | 140.6         | 139.5           | 140.3     | 0.8                  | 0.2      |
| <b>Capacity Utilization</b> <sup>3)</sup><br>(% of total capacity, seasonally adjusted)         | June             | 76.1          | 75.6            | 76.7      | 0.7                  | (0.8)    |
| <b>Consumer Price Index</b> <sup>4)</sup> (1982-84 = 100)<br>U.S. (seasonally adjusted)         | June             | 179.7         | 179.5           | 177.8     | 0.1                  | 1.1      |
| Detroit (not seasonally adjusted)   | June             | 179.0         | 179.0           | 175.8     | 0.0                  | 1.8      |
| <b>Interest Rates</b>   |                  |               |                 |           |                      |          |
| 3-month Treasury Bill <sup>3)</sup>   | June             | 1.71%         | 1.74%           | 3.48%     | ---                  | ---      |
| Corporate Aaa Bonds <sup>3)</sup>   | June             | 6.63%         | 6.75%           | 7.18%     | ---                  | ---      |
| <b>Real Gross Domestic Product</b> <sup>5)</sup><br>(billions of 1996 \$, SAAR, chain-weighted) | 2002<br>2nd Qtr. | \$9,387.9     | \$9,363.2       | \$9,193.1 | 1.1                  | 2.1      |
| <b>Michigan Tax Collections</b> <sup>6)</sup><br>(12 major taxes, millions)                     | June 2002        | \$1,467.1     | \$1,523.6       | \$1,504.7 | NM                   | (2.5)    |

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.

**Debt in Recent Corporate Bankruptcies Dwarfs 2001 Loan Losses**  
**History Also Suggests Little Will Be Recovered From These Corporations**



Source: SEC Reports and Federal Deposit Insurance Corporation