

GOOD news

The **Michigan unemployment rate** dropped from 5.7 percent in May to 5.4 percent in June, a 20-year low, putting the second-quarter average at 5.6 percent, down from 7.3 percent in the first quarter. Total employment, however, declined by 19,000 between May and June—mainly due to the school summer recess—as the number of individuals in the labor force decreased by 33,000, and the number of unemployed workers decreased by 14,000. Total employment has grown by 73,000 jobs thus far in 1993.

◆ **U.S. vehicle sales** increased 7.6 percent over 1993 levels. At 14.8 million units, the June annualized sales rate was up slightly from May but below the 15–15.5 million unit pace that analysts have been predicting for 1994. The Big Three auto makers again lost market share as car sales dipped below year-earlier levels at GM and Chrysler. Through continued use of aggressive leasing packages, Japanese auto makers gained market share despite pricing disadvantages caused by a strong yen.

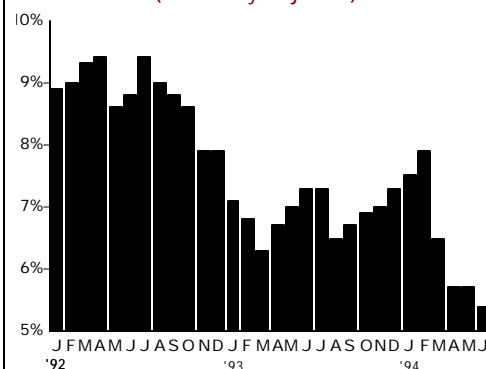
◆ The **U.S. unemployment rate** was unchanged from May's 6 percent figure. Employers reported adding 379,000 jobs in June, a 47-percent increase over the average monthly increase for the first five months of 1994. The large employment increase—exaggerated somewhat by a longer survey period—included 186,000 service sector jobs and 34,000 manufacturing jobs. In June employers finally appeared to be hiring new workers and cutting back on overtime.

◆ May **sales of existing homes** increased 13 percent over year-ago levels. The north-east region led the nation with a 24-percent increase, while the Midwest posted a 6-percent gain. Despite the highest mortgage interest rates in two years, the annualized sales rate remained at 4.1 million units for a third consecutive month.

BAD news

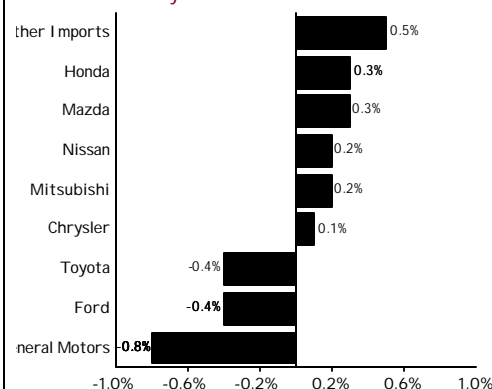
The **U.S. trade deficit** widened in April to \$8.4 billion from \$6.87 billion in March. A \$13.30-billion merchandise trade deficit was offset somewhat by a \$4.91-billion surplus in services. Trade with Canada, the United States' largest trading partner, reached record levels in April. The merchandise deficit with Japan totaled \$5.48 billion.

Michigan Monthly Unemployment Rates
(seasonally adjusted)



SOURCE: Wall Street Journal.

Percentage Change in U.S. Vehicle Market Share,
January–June 1993 and 1994



SOURCE: Bureau of Labor Statistics.

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MONTHLY FOCUS

A NEW TYPE OF SALES TAX GROWS IN POPULARITY

A recent report by *State Tax Notes* revisits an issue that lawmakers nationwide have been struggling with for years—taxing services.¹ In 1990 the Federation of Tax Administrators (FTA) conducted a survey of all U.S. states to determine what types of services were being taxed. The 1994 report presents the results of a 1992 update to that survey.

The sales-tax-on-services debate developed because of a major change in the nation's economy. When states first began to levy sales taxes in the 1930s, services were a small portion of the economy, and most sales tax revenues came from merchandise purchases. Today, services are the largest, fastest growing segment of the consumer market. This means that sales tax

revenues have not kept up with growing budgetary needs over the years, and the sales tax has become a “slow growth” tax.

The 1992 FTA survey showed that sweeping changes in taxation of services were rare between 1990 and 1992, but many states are cautiously inching their way toward service taxation one service at a time. Most of the expansion has been into business services such as advertising and photocopying services, and personal services, such as laundry and barber services.

The exhibit shows that some states are using service taxation more broadly than others. On average, the eleven largest industrial states tax 43 types of services, most of which are taxed at the same rate as merchandise. Michigan taxes fewer services than average for a large, industrial state.

It taxes 26 services, 10 of which are utilities, as well as some personal services (including shoe repair, funerals, and tuxedo rental) and business services (including photocopying and printing).

CONCLUSION

Michigan lawmakers may need to take a second look at sales taxes on services now that the state relies on revenues from sales taxes for the bulk of its school funding. Concerns have already been voiced by the education community that reliance on the current sales tax will cause revenue shortfalls down the road. While Michigan taxpayers may not be eager to see the sales tax expanded, it may be a relatively painless way to ensure that revenues keep pace with needs and more drastic tax increases are not necessary in the future.

Number of Services Taxes by the Eleven Largest Industrial States, by Category, 1992

State	Services							Total
	Utilities	Personal	Business	Computer	Admin./Amus.	Fab., Repair, & Installation	Other	
Texas	12	11	14	6	11	11	14	79
New York	9	5	15	4	7	16	18	74
Florida	7	4	8	3	13	16	14	65
Pennsylvania	8	6	17	6	1	15	8	61
New Jersey	6	2	6	0	6	14	11	45
Ohio	8	5	8	2	1	12	6	42
North Carolina	10	4	4	1	8	1	1	29
Michigan	10	4	6	1	1	2	2	26
Massachusetts	9	1	4	0	1	2	3	20
California	4	2	3	1	1	3	5	19
Illinois	12	0	1	1	0	1	1	16
Eleven-state average	9	4	8	2	5	8	8	43
Number of services in each category	16	20	34	6	14	27	47	164

Source: *State Policy Reports*.

¹Federation of Tax Administrators, “State Taxation of Services: An Update” vol. 6, no. 26, *State Tax Notes* (Washington, D.C.: Tax Analysts, June 1994).

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NEWS FROM THE STATE CAPITOL

GOVERNOR SIGNS TAX BILLS; MEDICAL CARE SAVINGS ACCOUNTS SIGNED

Governor Signs Tax Bills

Governor Engler has signed the following tax-related bills discussed in previous editions of the *Michigan Economic Bulletin*:

- HBs 4284–4286. These bills make state and local property tax millage available to tax increment financing authorities (TIFAs) and downtown development authorities (DDAs) to pay their debts. These institutions, which promote local economic development, were formerly allowed to share in school property tax revenues to pay for development activities. However, the taxing authority of TIFAs and DDAs was rescinded during the recent property tax reforms, leaving them without a way to pay their debt obligations. Without these bills, the legislature likely would have had to appropriate money from the general fund to enable TIFAs and DDAs to meet their bond obligations.

- HBs 5050 and 5614 and SB 1145. These bills cut the Single Business Tax (SBT), the largest business tax in Michigan, from 2.35 percent to 2.3 percent and the alternative profits tax from 3 percent to 2 percent, and raise the filing threshold. The higher

threshold, intended to help small businesses, means that a business need not pay the SBT unless it has at least \$250,000 in gross receipts.

- HBs 4801 and 5278. These bills give Michigan private sector retirees a tax break by raising substantially the exemption on their pensions. (Public sector pensions are already exempt.) Starting in October 1994 the first \$30,000 in pension income for a single filer (\$60,000 for joint filers) is exempt from income tax. Also taxpayers who are at least 65 years old will now be able to deduct \$1,000 of dividend and interest income.

Medical Care Savings Accounts Signed

The governor has signed the Medical Care Savings Accounts Act [HB 4878 (H-6) and SB 926 (H-3)] to permit Michigan residents to establish a trust fund to pay for their own medical costs. Those taking advantage of the

program will receive a tax credit for the amount deposited in the account. A maximum of \$3,000, to be adjusted annually for inflation, may be deposited. Michigan residents would be able to pay into the Medical Care Savings Accounts (MCSAs) much as they do with regular savings accounts and withdraw the money when needed to pay for health care.

Employers may also contribute to the account, and account holders may have a portion of their check withheld for deposit into the MCSA. Taxpayers can receive a tax credit of 2.2 percent of the amount in the account or a maximum of \$66 per year (2.2 percent of \$3,000). The money may be withdrawn without penalty only under certain conditions, such as to cover medical expenses or purchase major medical coverage.

PUBLICATIONS OF INTEREST

Congressional Budget Office, *Enhancing U.S. Security Through Foreign Aid* (Washington, D.C.: U.S. Government Printing Office, April 1994).

This report discusses the growing number of international regional conflicts in developing areas and their possible effects on the U.S. budget. These regional conflicts have been increasing in number since the fall of the Soviet Union and the end of the Cold War and present new threats to U.S. security. The CBO report discusses the potential of direct foreign aid to mitigate regional conflicts in developing nations, including aid for the former Soviet Union, U.N. peacekeeping activities, arms control, and economic and social development. It proposes a \$12.6 billion aid package and discusses a reallocation of resources within the foreign policy budget to pay for the new aid.

Brian M. Stecher, *Describing Secondary Curriculum in Mathematics and Science: Current Status and Future Indicators*, study completed by the Rand Corporation with support from the National Science Foundation.

This document measures the status of mathematics and science courses in secondary education. It outlines the graduation requirements in math and science for high school students from various backgrounds (i.e., class, race, gender, private vs. public schools, and school size). The report also examines the availability of math and science courses to students from different backgrounds, the completion rates for these courses by different student groups, and the amount of time students spend on computers in math and science courses. The report concludes by recommending techniques the National Science Foundation can use to improve math and science curricula research and data collection and provides a description of available data sources.

MICHIGAN REVENUE REPORT

June revenue collections were mixed. Personal income tax withholding collections declined 3.5 percent; however, adjusted for the decline in the tax rate from 4.6 to 4.4 percent, collections were up about one percent.

Sales and use tax collections, adjusted for the rate change to 6 percent, were up 8.1 percent, led

by a 21.1-percent increase in motor vehicle collections. The higher tax rate generated about \$147 million in additional revenue.

Single Business Tax collections declined 12.5 percent in June, but collections are relatively small in June. For the last three months, collections increased 12.4 percent above the year-ago level.

Cigarette tax collections increased 51.6 percent in June due to the 50-cent-per-pack tax increase. Adjusted for the change in the rate, collections fell 49.5 percent, following a similar de-

cline in May. These sharp declines are due in large part to advance buying in recent months to beat the tax increase. This should run its course in one or two months, and future declines should be less dramatic.

Lottery sales (preliminary) increased 26.3 percent in June. This sharp increase is due mainly to a \$25 million Lotto jackpot last month. Sales for the first 9 months of FY 1993-94 are up 7.7 percent from the year-ago period. If this increase holds for the remainder of the fiscal year, it will be the best year for lottery sales since FY 1987-88.

MONTHLY TAX COLLECTIONS (dollars in thousands)

TYPE OF REVENUE	Preliminary June 1994	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1993-94 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	\$368,121	-3.5%	\$1,162,611	3.1%	\$3,366,534	7.9%
Quarterly & Annual Payments	100,437	5.3	435,217	9.0	632,157	4.0
Gross Personal Income Tax	468,558	-1.7	1,597,828	4.7	3,998,691	7.2
Less: Refunds	-53,260	11.4	-669,314	22.1	-1,264,724	9.3
Net Personal Income Tax	415,298	-3.2	928,514	-5.1	2,733,967	6.3
Sales & Use Taxes	457,533	59.4	1,150,060	38.9	2,608,040	19.4
Motor Vehicles	77,245	64.8	204,805	51.5	400,017	29.0
Single Business Tax	51,159	-12.5	573,404	12.4	1,354,772	13.7
Cigarette Tax	30,003	51.6	76,964	29.1	190,715	20.5
Public Utility Taxes	399	-28.4	411	-27.6	18,467	-74.9
Oil & Gas Severance	2,578	-27.8	6,992	-33.6	21,222	-20.2
Lottery ^a	42,165	26.3	122,365	19.3	350,695	7.7
Penalties & Interest	335	-6.9	22,446	6.9	67,721	4.7
SUW—Annals & Undistributed ^b	2,251	-165.3	6,830	-442.5	20,214	0.5
Other Taxes ^c	5,862	-69.2	151,480	-12.5	301,094	-13.0
TOTAL TAXES (GF & SAF) ^d	\$1,007,583	18.9%	\$3,267,796	12.5%	\$7,666,907	10.1%
TOTAL LESS NEW ^e	\$860,358	1.5%	\$3,076,033	5.9%	\$7,475,144	7.4%
Motor Fuel Tax ^e	\$61,227	4.2%	\$182,693	2.7%	\$492,046	3.2%

SOURCE: Data supplied by Michigan Department of Treasury.

^aThe state share of lottery sales is 35 percent (FY 1993). The previous years's figures are adjusted to the current year's profit margin; the percent change reflects the change in ticket sales.

^bThese revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

^cIncludes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.

^dExcluded are beer and wine, liquor, and horse racing taxes.

^eDoes not reflect changes in cigarette and income tax rates.

The motor fuel tax is restricted to the Transportation Fund.

This special insert forecasts changes in Michigan employment for the rest of 1994 and for 1995. The forecast is for employment in the entire state and the seven regions shown in Exhibit 1, which shows the percentage change in employment for the 1993–95 period.

Vehicle sales are almost certain to exceed 15 million units this year and the prospect is for further growth in 1995, to just shy of 16 million cars and trucks. The 1993 figure was 14.2 million. U.S. vehicle production will exceed 12 million units in 1994 and climb again next year. In 1993, 10.9 million cars and trucks were produced in this country. The 1995 figure is difficult to pinpoint because of capacity constraints in several plants that produce hot-selling models.

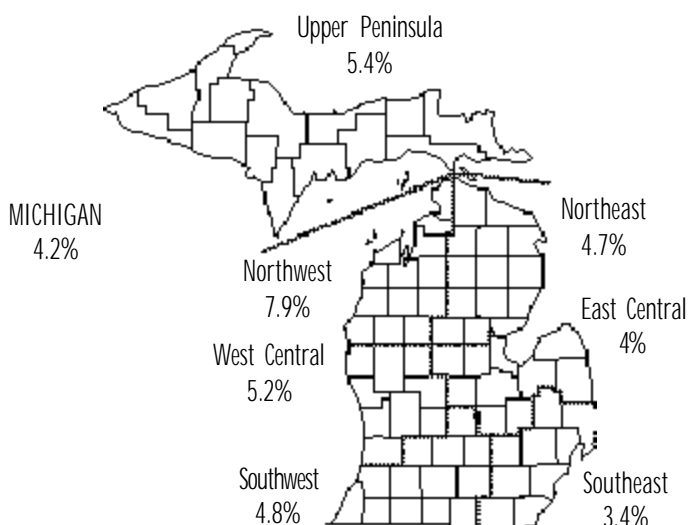
Besides supplying about a quarter of the nation's vehicles, Michigan is the major source of components for cars and trucks produced here and elsewhere in North America. As a consequence, the motor vehicle and equipment manufacturing industry is expected to add about 15,000 jobs during 1994, an increase of about 5.5 percent. Next year's gains are expected to be more modest.

The impetus provided by vehicle manufacturers has had a spinoff effect on metal fabricators, glassmakers, machine tool makers, and other suppliers. Strength here has been more than enough to offset weakness in the manufacture of home appliances and office furniture and fixtures, resulting in an expected gain of about 25,000 jobs in durable goods manufacturing overall in 1994. A gain of 10,000 jobs is expected in 1995.

Nondurable goods manufacturing has been paced by plastics fabricators. Most plastics production in this state is destined for the automotive industry, as are textiles (seatbelts and interior trim) and paint. Other than industries that supply vehicle manufacturers, nondurable goods manufacturing (production of goods expected to last less than three years) has not been expansive. This is particularly true in pharmaceuticals, food processing, and publishing. Overall, nondurable goods manufacturers are expected to add 5,000 jobs this year and 2,000 in 1995.

REGIONAL ECONOMIC FORECAST

EXHIBIT 1
*Percentage Change in Wage & Salary Employment in Michigan Regions,
1993–95*



Special Insert
July 1994

Utilities and communication companies are downsizing these days. Trucking and warehousing employers are hiring. For the transportation, communication, and utilities group the net result is a wash: no growth this year or next. In the wholesaling sector, the prospect is modest growth this year, and none next year.

At the retail level, Michigan new car dealers are having a banner year. Hardware and building materials dealers are doing well. The same holds true for restaurants. Overall, the forecast for the retail sector is 13,000 new jobs this year and 5,000 next, an overall growth rate of 2.4 percent for the two-year period.

In the category that includes finance, insurance, and real estate, growth is minuscule. No growth is expected for 1995.

In services, temporary help agencies are the largest growth category. Amusements and recreation and the health care industries also are adding workers. All in all, the services component is forecast to provide over a third of the job growth in the Michigan economy between 1993 and 1995.

Government employment has changed little this year, and little change is forecast in 1995.

The number of nonfarm, civilian wage-and-salary jobs in this state increased by 1.4 percent during 1993. The pace accelerated considerably during the first five months of 1994 but is expected to diminish during the last half, as a result of higher taxes and interest rates and the general slackening of economic growth in the U.S. economy. Based on data for the first six months of the year, the rate of job growth in 1994 is forecast to be 1.9 percent. It is projected to be 1.1 percent for 1995. The average annual rate of job growth for the 1993-95 biennium is 3 percent.

Total civilian employment, which includes jobholders plus the self-employed and farm workers, rose by 3.2 percent between 1992 and 1993. For 1994 a gain of 2.8 percent is expected, and for 1995, 1.4 percent, or 4.2 percent for the 1993-95 period. The state's unemployment rate, 8.8 percent in 1992 and 7 percent in 1993, is forecast to average 6.2 percent this year and 5.9 percent in 1995.

SOUTHEAST

Notwithstanding the shuttered Willow Run assembly plant near Ypsilanti, the automotive industry in this region has added jobs. Durable goods manufacturers are expected to add nearly 13,000 jobs in 1994 and another 4,000 in 1995. Most such activity in this area is devoted to the automotive sector.

Another barometer of labor demand, the average length of workweek of production workers, also reflects the strength of the demand for durable goods produced here. Average workweeks of 50 hours are not uncommon in area factories.

Nondurable goods manufacturers will add about 2,100 jobs this year and 1,400 next, for an overall gain of 3.9 percent for the two-year period. Here the largest single category is automotive plastics, which also is the fastest growing.

Retailers will add 4,300 jobs this year and another 3,100 next, for a 2-percent gain over the two years. Building materials dealers are posting substantial gains. Car dealers also are doing well.

Employment in services will grow by 13,000 this year and 10,000 next, indicating 3.9 percent growth for 1993-95. Both business services and health care are experiencing diminished growth, while the depressed lodgings industry is recovering. Residential care shows the best growth rate.

Construction is far outpacing the other categories in job growth with an 8.8 percent gain for 1993-95. Homebuilding, new highways, highway repair, the expansion at Detroit Metro airport, and other activity account for this phenomenon.

Wholesaling, government, finance, insurance, real estate, transportation, communication, and utilities are expected to experience job growth of less than one percent during the 1993-95 period.

EXHIBIT 2 Forecast: Southeast		
	1994	1995
Employment (% change)	2.2%	1.2%
Unemployment rate	5.9	5.7
Outlook: Southeast		
Total employment rose to 2,230,000 in 1993 from 2,173,000 in 1992. Based on data from the first four months, the 1994 estimate is 2,280,000. The projected level for 1995 is 2,307,000. Actual and projected unemployment rates are 5.9 percent for 1994 and 5.7 percent for 1995.		

EAST CENTRAL

The fortunes of this region still hinge on the automotive sector, despite numerous plant closings and production shifts to other states. The national resurgence is having a very positive effect on this region.

Durable goods manufacturers are “hiring off the street” these days to replace retired workers and meet the demand for vehicles and components. Employment in this category is expected to rise by 4.4 percent during 1993–95. Among nondurable goods manufacturers the gain is forecast at 1.9 percent.

Among the various nonmanufacturing sectors, services is fastest growing, at 5.5 percent, and adding more than 5,000 jobs between 1993 and 1995. Retailers will add about 2,300 jobs, a 2.6-percent gain. Construction and the transportation-utilities group are declining sectors, while government and finance will do well to hold their own.

NORTHEAST

In percentage terms, this region hosts the three fastest growing counties: Montmorency, Ogemaw, and Cheboygan. It also has Presque Isle, which is at the bottom in the growth ranking this year and is, in fact, losing jobs due to layoffs in mining and the closure of a hospital.

Like other regions in the lower peninsula this region is experiencing a resurgence in its automotive supplier industries. This and gains in other kinds of manufacturing have resulted in a 6.3-percent gain for durable goods and an 8.6-percent gain for nondurable goods employment during 1993–95.

Wurtsmith Air Force Base is closed. A privately owned airplane maintenance facility now occupies some of that space, providing a boost in services employment. Retailers, wholesalers, and the transportation-utilities sector are adding jobs, while the finance and government sectors show no growth.

SOUTHWEST

Despite reductions at General Motors' remote fabrication plant just south of Kalamazoo, this region has benefited most from the improved fortunes of the American automotive industry. Barry, Branch, and Cass counties are among the fast growing in the state.

Prospects this year are for a 4,600-job gain in durable goods manufacturing, and for another 1,500 in 1995, implying a 7.2 percent gain for the two years. The largest employer is the vast GM assembly plant in Lansing. The region also hosts an array of small components factories for the automotive industry.

Nondurable goods manufacturing includes pharmaceuticals (Upjohn in Kalamazoo), and food processing (Kellogg, General Foods, and Ralston Purina in Battle Creek), which are taking their lumps these days. Plastics fabricators for the automotive industry are expansive. For nondurable goods manufacturing as a whole, job gains are modest, implying 2.5 percent job growth for the 1993–95 period.

Retailers in this region will add 2,100 jobs this year and 1,700 next, for a 3.4-percent net gain. About 2,200 jobs will be added in the services category this year, and another 2,900 next. Growth in this category is below the statewide average as well as that for this region in recent years. Construction activity is expected to add 300 jobs this year and 400 next, an overall gain of 3.7 percent. Government employment is projected to decline by 500 or 0.4 percent over the two-year period. The financial sector also is projected for modest decline. For transportation, communication, and utilities expect a modest rise of 0.9 percent.

WEST CENTRAL

The Grand Rapids metropolitan statistical area (MSA), comprised of Allegan, Kent, Muskegon, and Ottawa counties, is among the fastest growing large MSAs in the state.

EXHIBIT 3 Forecast: East Central

	1994	1995
Employment (% change)	2.4%	1.5%
Unemployment rate	7.0	6.5

Outlook: East Central

Total employment rose to 492,700 in 1993 from 478,200 in 1992. Based on data for the first four months, the 1994 estimate is 504,800. The projected level for 1995 is 512,600. Actual and projected unemployment rates are 7 percent for 1994 and 6.5 percent for 1995.

EXHIBIT 4 Forecast: Northeast

	1994	1995
Employment (% change)	3.3%	1.3%
Unemployment rate	13.5	13.0

Outlook: Northeast

Total employment rose to 100,600 in 1993 from 96,600 in 1992. Based on data for the first four months, the 1994 estimate is 103,900. The projected level for 1995 is 105,300. Actual and projected unemployment rates are 13.5 percent for 1994 and 13 percent for 1995.

EXHIBIT 5 Forecast: Southwest

	1994	1995
Employment (% change)	3.0%	1.7%
Unemployment rate	5.4	5.2

Outlook: Southwest

Total employment rose to 693,400 in 1993, or by 3 percent from the 1992 level of 672,900. Based on data for the first four months, the 1994 estimate is 714,400. The projected level for 1995 is 726,600. Actual and projected unemployment rates are 5.4 percent for 1994 and 5.2 percent for 1995.

EXHIBIT 6
Forecast: West Central

	1994	1995
Employment (% change)	3.3%	1.9%
Unemployment rate	5.4	5.2

Outlook: West Central

Total employment rose to 577,600 in 1993, or by 4.5 percent from the 1992 level of 552,600. Based on data for the first four months, the 1994 estimate is 596,700. The projected level for 1995 is 607,800. Actual and projected unemployment rates are 5.4 percent for 1994 and 5.2 percent for 1995.

This region also includes Newaygo County, which lost jobs this year, Ionia County, a very slow growth labor market, and Mecosta, Montcalm, and Oceana counties. Grand Rapids, Holland, and Zeeland host several major manufacturers of office furniture and fixtures, an industry that is recuperating from its own modest recession. Recovery in the automotive components sector and in other categories also bode well for the durable goods industries at this stage of the business cycle. Consequently, durable goods manufacturing is expected to gain 4.7 percent overall during the forecast period.

In nondurable goods the automotive-related plastics industry is the growth leader, followed by chemicals. Food processing continues to be depressed. Overall, durable goods manufacturers are expected to add 1,800 jobs during 1993-95, a gain of 3.5 percent.

Retailers will add about 900 jobs this year. Growth has slowed considerably as a result of consolidations among local general merchandise and food stores. Prospects are for improvement after this year's shakeout. For the 1993-95 period a 2.5 percent growth rate is projected.

Business services are growing spectacularly in the Grand Rapids MSA. Primarily, this represents growth at private agencies that provide temporary employees. The services category is expected to grow by 6.2 percent.

Among the construction industries a considerable slowdown has occurred. Nonetheless, job growth of 5 percent can be expected for the two-year period. Together wholesaling; transportation and utilities; finance, insurance, and real estate; and government will add a modest 1,600 jobs during the forecast period.

EXHIBIT 7
Forecast: Northwest

	1994	1995
Employment (% change)	5.0%	2.8%
Unemployment rate	13.9	13.9

Outlook: Northwest

Total employment rose to 144,700 in 1993 from 136,000 in 1992. Based on data for the first four months, the 1994 estimate is 151,900. The projection for 1995 is 156,100. Actual and projected unemployment rates are 13.9 percent for 1994 and 1995.

NORTHWEST

The Grand Traverse (including Benzie, Grand Traverse, Kalkaska, and Leelanau counties) and the Missaukee-Wexford labor markets are two of the faster growing labor markets in the state. Manistee is the only labor market in this region growing at a rate below that for the state as a whole.

The automotive recovery plays a major role in job growth here. Employment in durable goods manufacturing is projected to grow by 5 percent, and in nondurable goods manufacturing by 7.4 percent during 1993-95. Service employment will grow by 7.7 percent and retailing by 6.9 percent, reflecting the influx of newcomers, tourism, business travel, and various business services.

To support such growth, construction, transportation, utilities, wholesaling, finance, insurance, and real estate also are growing. Government jobs also are being added, albeit a slow rate of increase.

EXHIBIT 8
Forecast: Upper Peninsula

	1994	1995
Employment (% change)	4.2%	0.8%
Unemployment rate	13.5	13.0

Outlook: Upper Peninsula

Total employment rose to 135,200 in 1993, from 129,100 in 1992. Based on data for the first four months, the 1994 estimate is 140,900. The projected figure for 1995 is 142,000. Actual and projected unemployment rates are 13.5 percent for 1994 and 13 percent for 1995.

UPPER PENINSULA

A new state prison makes Baraga County the state's fastest growing county. Gambling casinos are responsible for Mackinac and Chippewa counties occupying third and fourth place spots in the statewide growth ranking this year.

This region has benefited little from the nation's automotive resurgence, nor have there been many increases in other kinds of manufacturing activity. Consequently, the gain in durable goods is expected to be about 2 percent, and in nondurable goods, 1.8 percent for 1993-95.

Services (up 6.8 percent) and retailing (up 5.8 percent) are providing the impetus for the UP. Government employment is flat, due to the impending closure of K.I. Sawyer Air Force Base starting in October this year. The military and civilian personnel stationed there will be transferred and will not join the ranks of the local unemployed. The finance and transportation-utilities sectors are expected to experience job declines.