



Economic Bulletin

GOOD news

The Conference Board announced that **consumer confidence** rebounded in November, after plunging seven points in October. November's index rose five points to 128.3, offsetting most of the points lost in October, the month the U.S. stock market plummeted 500 points. It seems the market's plunge was soon forgotten—the portion of the index that measures consumers' feelings about the current economy, the present situation index, rose to 158.9, its highest level since 1969.

◆ The National Association of Realtors announced that October's **sales of existing homes** reached their highest level in at least 29 years. A strong economy and falling mortgage rates contributed to October's 2.1 percent increase in home resales, leading to a seasonally adjusted annual rate of 4.4 million homes. Prospective home buyers should take heart that despite the strength of the national used-home market, October's median home price fell to \$124,000 from \$125,800 in September.

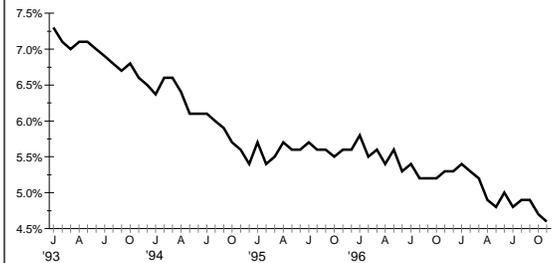
◆ The Bureau of Labor Statistics announced that the **U.S. unemployment rate** fell from 4.7 percent in October to 4.6 percent in November, the lowest rate since 1973. The rate's drop reflected the surprising addition of 404,000 new jobs to the economy; government forecasters had expected only 200,000. Analysts wonder how long this rosy employment picture can last without triggering inflation—a record 67.1 percent of American adults are now in the labor force, leaving little reserve labor with which to avoid inflation-provoking wage hikes.

◆ The Michigan Employment Security Agency announced that the **state unemployment rate** fell to 3.9 percent in October from 4.0 percent in September and 4.8 percent in October 1996. Job gains were made in manufacturing, services, retail and wholesale trade, and construction, while job losses occurred in government. The size of the workforce increased during the month, with 29,000 new workers entering the state's job market.

BAD news

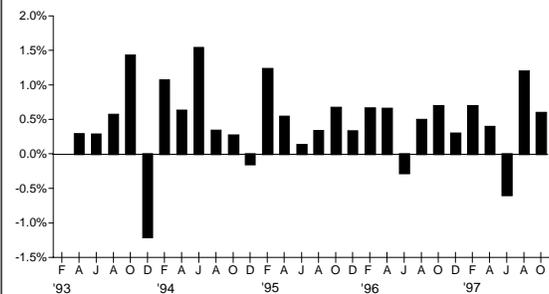
Motor vehicle sales totaled 1.1 million units in November, a 0.4 percent decline from November 1996. Car sales slipped 4.1 percent in November, while sales of light trucks rose 3.7 percent. Despite lackluster sales, the Big Three recorded a 0.8 percent increase in sales, and their market share inched up to 72.3 percent from 71.4 percent in November 1996. Not sharing in the good fortune were Japanese automakers, who suffered a 7.2 percent sales loss and slipped to 22.4 percent of the market from 24 percent in 1996.

U.S. Civilian Unemployment Rate, Seasonally Adjusted



SOURCE: Bureau of Labor Statistics.

Detroit-Ann Arbor CPI, Percentage Change from Two-Month-Ago Period



SOURCE: Bureau of Labor Statistics.

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MONTHLY FOCUS

CONSUMER BUYING HABITS

The Bureau of Labor Statistics (BLS) recently released a report providing data about Americans' buying habits.¹ The report summarizes data from the 1995 Consumer Expenditure Survey conducted by the Bureau of the Census, which collects detailed data about consumer spending patterns.

The exhibit shows the percentage of household expenditures on various type of items by

age group. It shows, for example, that food purchases accounted for 14.6 percent of money spent in 1995 by consumers under the age of 25.

The data reveal Americans' spending priorities. Housing costs accounted for the highest proportion (32.4 percent) of consumer purchases among all spending categories. Transportation costs (including auto purchases and maintenance) accounted for the second-highest percentage of spending (18.6 percent). Interestingly, transportation costs were a larger share of consumers' budgets than was food, Americans' third priority (14.0 percent).

The exhibit also may be used to identify spending patterns among different age groups. For example, consumers under the age of 25, those typically in their college years, allocated a higher proportion of their spending on education, rent, vehicle purchases, entertainment, eating out, and alcohol and tobacco than consumers in any other age group. Seniors, on the other hand, spent more on food, housing, utilities, health care, and cash contributions than any other age group.

¹Bureau of Labor Statistics, *Consumer Expenditures in 1995*, U.S. Department of Labor (Washington, D.C: GPO), June 1997, Report No. 911.

Percentage Distribution of Expenditures by Age Group, 1995 Percentage of Total Spending

Type of Expenditure	All Consumers	Under Age 25	Age 25-54	Age 55-64	Age 65+
Food	14.0%	14.6%	13.7%	13.9%	15.2%
Food at home	8.7	7.6	8.4	8.7	10.6
Food away from home	5.3	7.0	5.3	5.2	4.6
Housing	32.4	32.1	32.3	31.6	34.1
Owned dwellings	11.6	2.6	12.1	11.6	10.8
Rented dwellings	5.5	16.2	5.9	3.0	4.2
Utilities, fuels, and public services	6.8	6.3	6.3	7.5	8.9
Apparel and services	5.3	6.6	5.5	5.6	3.9
Transportation costs	18.6	21.8	19.4	17.6	15.2
Vehicle purchases	8.2	10.3	9.0	6.5	5.2
Health care	5.4	2.5	4.0	5.9	11.9
Entertainment	5.0	5.9	5.2	4.8	4.2
Personal care products and services	1.2	1.3	1.2	1.2	1.5
Education	1.5	3.6	1.5	1.1	0.7
Miscellaneous	2.9	2.3	2.7	3.5	3.4
Alcohol and tobacco	1.7	2.8	1.7	1.7	1.4
Cash contributions	2.9	0.6	2.4	3.2	4.9
Insurance and pensions	9.2	5.9	10.4	9.9	3.6
Life and other personal insurance	1.2	0.4	1.1	1.7	1.1
Pensions and Social Security	8.0	5.5	9.3	8.2	2.5
TOTAL PERCENTAGE	100.0%	100.0%	100.0%	100.0%	100.0%
TOTAL SPENDING	\$32,262	\$18,424	\$42,180	\$32,625	\$22,248

SOURCE: Calculations by Public Sector Consultants based on data from the U.S. Bureau of Labor Statistics.

NEWS FROM THE STATE CAPITOL

CIGARETTE STAMPING PROGRAM PASSES LEGISLATURE

The legislature has passed a bill (HB 4215) that requires cigarette distributors to affix a tax stamp on cigarettes packs and other tobacco products.

Lawmakers, cigarette wholesalers, and other interested parties have long debated the best way to structure such a program. Cigarette wholesalers claimed that it was unfair for the state to expect them to bear the estimated \$4 million to \$5 million cost of implementing the program, particularly given the millions of individual packs that would need to be stamped.

The stamp's supporters disagreed, saying that wholesalers, who already receive one percent

of tobacco tax revenue to cover the administrative cost of collecting tobacco taxes, realized a "windfall" when the tobacco tax was tripled in 1994; they contend that this additional revenue should be more than enough to cover the cost of stamping cigarette packs. HB 4215 offered a compromise by raising the collection fee to 1.25 percent of tobacco tax collections. The governor is expected to sign the bill into law.

POST-LABOR DAY START MEETS MIXED FATE

Lawmakers have been debating legislation intended to boost the Michigan tourism industry by requiring schools to remain closed until after Labor Day. On December 10, the last day of session before winter break, the House defeated such a bill and the Senate passed one in modified form.

Supporters of a later school start assert that pre-Labor Day school starts have cut into the tourist trade in many parts of the state and that surveys show that a

majority of state residents favor a later start.

Opponents of the legislation, including many members of the education community, contend that a later start would force the school year later into the summer months, particularly since the state is mandating longer school years. They also argue that requiring a post-Labor Day start violates schools' local control.

House lawmakers defeated by a two-to-one margin HB 5080, which would have required districts to postpone the start of school until after Labor Day. Their counterparts in the Senate took the opposite tack and passed SB 300 on a 20-15 vote. SB 300 would allow schools to start before Labor Day but would require them to close on the Friday before the holiday, giving residents a four-day weekend. The Friday school closing would begin in the 1998-99 school year and end in the 2000-01 year, unless lawmakers decide to extend it. SB 300 faces an uncertain fate in the House.

INFORMATION OF INTEREST

Bureau of Labor Statistics, *Consumer Expenditure Survey*. <http://stats.bls.gov/csxhome.htm>

This Web page contains tables of results from the national *Consumer Expenditure Survey*. By following the "Standard Bulletin" link from this Web page, researchers can find current and historical consumer expenditure data by age, race, education, occupation, and other variables. By following the "Cross-tabulation" link, users can locate finer breakdowns by age, income, race, etc. For example, users can find detailed expenditures of Midwestern consumers who earned between \$5,000 and \$9,999 in 1995. Under the "Metropolitan Statistical Areas" link, spending data are available for selected statistical areas, such as greater Detroit and Chicago. Summary data are located in the "All Consumer Units" section, and information about the survey itself is found under "Frequently Asked Questions."

Senate Fiscal Agency, *The U.S. and Michigan Motor Vehicle Statistical Report* (Lansing: SFA), November 1997. 517/373-2768.

This 43-page report is the first edition of a report to be produced annually by the Senate Fiscal Agency. It offers both historical and recent data on the motor vehicle industry in Michigan and the United States, such as measures of auto sales, market shares, production, prices, and average age. While primarily a statistical report, the document includes a brief description of some of the major trends in the auto industry in recent decades. The data are accompanied by graphs and charts.

MICHIGAN REVENUE REPORT

November revenue collections increased only 1.3 percent above the year-ago level. However, excluding a large decline in the state education property tax, collections were up 4.1 percent, about in line with expectations.

Personal income tax withholding collections were up a solid 8 percent from last November, the third consecutive solid monthly gain.

Sales tax collections increased 4.1 percent, with motor-vehicle sales tax collections up 5.8 percent. Use tax revenue, which can vary widely from month to month, fell 4.1 percent following a large increase last month.

SBT collections (excluding insurance taxes) were down 1.6 percent in November. October

and November payments combined (the payment is due October 31), were up 2.8 percent from the year-ago level.

After several weak months, Lottery sales were up 11.8 percent in November, the largest increase since June.

Final FY 1996-97 revenue collections are not available, but preliminary data indicate that revenues slightly exceeded the May consensus revenue estimate, whereas it appeared two months ago that revenues would fall short of the estimate.

This month's Economic Bulletin was written by Laurie A. Cummings, Senior Consultant for Economic and Education Policy, and Robert Kleine, Vice President and Senior Economist.

November 1997 Revenue Collections (millions)

Source	November Collections	Percentage Change Year-ago	Percentage Change Year-to-date	November 1996 Actual	1997-98 SFA Revised Estimate (% Change)
Income tax					
Withholding	\$522.5	8.0%	8.0%	\$483.7	5.7%
Quarterly	4.0	14.3	14.3	3.5	6.0
Annual	5.7	32.6	32.6	4.3	-1.5
Subtotal: gross income tax	532.2	8.3	8.7	491.5	5.1
Sales tax	459.5	4.1	4.1	441.4	4.4
Motor vehicles	58.3	5.8	5.8	55.1	—
Other	401.2	3.9	3.9	386.3	—
Use tax	85.7	-4.1	-4.1	89.4	4.5
Subtotal: sales/use/withholding	1,067.7	5.2	5.2	1,014.5	5.0
Tobacco tax	45.7	-3.6	-3.6	47.4	-3.1
SBT	212.6	-1.6	-1.6	216.1	3.6
Insurance	15.7	18.9	18.9	13.2	3.0
Subtotal: SBT+ insurance	228.3	-0.4	-0.4	229.3	3.6
State education property tax	64.8	35.5	-35.5	100.4	4.5
Real estate transfer tax	19.8	16.5	16.5	17.0	1.0
Estate/inheritance tax	4.4	-17.0	-17.0	5.3	3.0
Intangibles tax	0.2	-66.7	-66.7	0.6	17.9
Severance tax	2.6	-10.3	-10.3	2.9	-1.5
TOTAL	\$1,443.2	1.3%	1.3%	\$1,425.2	4.1%
Gross lottery sales (prel.)	\$140.9	11.8%	5.8%	\$126.0	1.0%

SOURCE: Senate Fiscal Agency.

NOTE: November is the first month of the new fiscal year for all revenue sources except the lottery.

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