

Economic/Revenue Overview

U.S. Economy

** Real Gross Domestic Product (GDP) increased at an annual rate of 1.3% in the second quarter of 2012 following a 2.0% pace in the first quarter. Final sales (or GDP less inventories) decelerated from 2.4% to 1.7% – this slowdown was concentrated in consumer and business spending. Residential fixed investment (housing related activities) posted a solid gain, while government subtracted from economic activity.

** The September nonfarm employment report showed an 114,000 job gain, following an upwardly revised increase of 142,000 in August. In September, private payrolls added 104,000 and government added 10,000. The number of long-term unemployed (those jobless for 27 weeks or more) remained close to 5 million and represents about 40% of the unemployed.

** Light motor vehicle sales increased to a seasonally adjusted annual rate of 14.9 million units in September, which was above the 14.5 million units sold in August and the highest level since March 2008. Consumers continue to respond to vehicle deals offered by manufacturers, the improved availability of credit, and the need to replace aging vehicles. September sales for Ford decreased 0.2%, for GM increased 1.5%, and for Chrysler increased 11.7% from a year-ago.

** The S&P Case-Shiller 20-city seasonally adjusted composite index for home prices was up 1.1% in July relative to a year-ago, while the Detroit index was up 6.2%.

** The ISM manufacturing index increased 1.9 points to 51.5 in September and the non-manufacturing (services) index increased by 1.4 points to 55.1. Readings above 50 indicate expansion, while figures below 50 indicate contraction.

Michigan Economy

** Michigan nonfarm employment decreased by 7,000 in August following a 22,000 increase in July. Relative to a year-ago, nonfarm employment was up 1.2% or 46,000 jobs, with the job gains concentrated in manufacturing, professional and business services, and education and health services, while job losses occurred in government, construction and retail trade. The Michigan unemployment rate increased to 9.4% in August which was above the 8.1% national rate.

** The Chicago Fed Midwest Manufacturing Index decreased 1.2% in August relative to the previous month. Relative to a year-ago, Midwest manufacturing activity increased 10.1% (21.7% for automotive), while national manufacturing production increased 4.0% (11.4% for automotive).

State Revenue

** Fiscal-year-to-date, revenue was \$77.8 million or 0.4% higher than the level a year-ago. Based on HFA target estimates and revenue data through August, FY 2011-12 General Fund/General Purpose revenue is up \$30 million and School Aid Fund revenue is up \$5 million from the anticipated level. Target estimates are based on the May 2012 consensus estimates and historical monthly patterns.

Revenue Monthly Review: FY 2011-12, September
(Millions of Dollars)

<u>Revenue</u>	<u>FY 2011-12 September</u>	<u>Percent Change From Year-Ago September</u>	<u>FY 2011-12 Year-to-Date</u>	<u>Change from Previous Fiscal Year-To-Date</u>		<u>FY 2011-12 May Consensus Growth</u>
				<u>Dollar</u>	<u>Percent</u>	
Annual Income Tax	\$14.2	-3.2%	\$659.1	(\$7.9)	-1.2%	-2.3%
Quarterly Income Tax	168.6	14.1%	691.5	71.1	11.5%	7.4%
Withholding	620.2	11.7%	7,043.0	484.1	7.4%	6.9%
Subtotal	803.0	11.9%	8,393.5	547.3	7.0%	6.1%
Income Tax Refunds	25.4	-18.2%	2,129.4	(6.6)	-0.3%	-1.1%
Net Income Tax	777.6	13.2%	6,264.2	553.9	9.7%	8.5%
Sales Tax	563.3	-6.7%	6,366.3	163.6	2.6%	4.7%
Use Tax	82.9	-21.1%	1,068.1	(11.1)	-1.0%	7.4%
Subtotal	646.2	-8.8%	7,434.5	152.5	2.1%	5.1%
Single Business Tax	1.4	-107.2%	(81.8)	(65.8)	410.9%	-765.4%
Corporate Income Tax	90.2	N/A	446.8	446.8	N/A	N/A
Michigan Business Tax	10.0	-94.8%	923.6	(941.4)	-50.5%	-65.7%
Insurance Tax	2.3	-17.0%	228.9	17.4	8.2%	10.6%
Subtotal	103.8	-40.6%	1,517.5	(542.9)	-26.4%	-37.1%
Casino Wagering	7.8	-8.5%	104.9	0.8	0.8%	0.6%
Cigarette & Tobacco	89.8	-1.6%	886.2	1.5	0.2%	-0.7%
Lottery Transfer	68.1	1.8%	711.4	33.4	4.9%	3.1%
Industrial/CommFacility Taxes	6.7	-31.0%	30.4	(7.3)	-19.4%	-1.6%
Real Estate Transfer	17.0	51.6%	126.9	20.5	19.3%	1.4%
State Education Tax	381.8	-9.0%	865.2	(134.7)	-13.5%	-2.1%
Subtotal Other	571.1	-5.9%	2,725.1	(85.7)	-3.0%	-0.5%
TOTAL	\$2,098.7	-3.6%	\$17,941.2	\$77.8	0.4%	0.2%