

## **Economic/Revenue Overview**

### **U.S. Economy**

\*\* Real Gross Domestic Product (GDP) increased at an annual rate of 1.7% 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 2.0% – this slowdown was concentrated in consumer and business spending. Residential fixed investment (housing related activities) posted a solid gain, while net trade and government subtracted from economic activity.

\*\* The August nonfarm employment report showed a 96,000 job gain, following a downwardly revised increase of 141,000 in July. In August, private payrolls added 103,000, while government jobs declined by 7,000. The number of long-term unemployed (those jobless for 27 weeks or more) remained close to 5.0 million and represents about 40% of the unemployed.

\*\* Light motor vehicle sales increased to a seasonally adjusted annual rate of 14.5 million units in August, which was above the 14.0 million units sold in July and the highest level in three years. Consumers continue to respond to vehicle deals offered by manufacturers, the improved availability of credit, and the need to replace aging vehicles. August sales for Ford increased 12.6%, for GM increased 10.1%, and for Chrysler increased 14.1% from a year-ago.

\*\* The S&P Case-Shiller 20-city seasonally adjusted composite index for home prices was up 0.5% in June – the fifth consecutive monthly increase. The Detroit index was up 2.5% from a year-ago.

\*\* The ISM manufacturing index decreased 0.2 points to 49.6 in August and the non-manufacturing (services) index increased by 1.1 points to 53.7 – the highest level since March. Readings above 50 indicate expansion, while figures below 50 indicate contraction.

### **Michigan Economy**

\*\* Michigan nonfarm employment increased by 22,000 in July following a minimal decrease in June. Relative to a year-ago, nonfarm employment was up 1.5% or 60,000 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 9.0% in July which was above the 8.3% national rate.

\*\* The Chicago Fed Midwest Manufacturing Index increased 1.8% in July relative to the previous month. Relative to a year-ago, Midwest manufacturing activity increased 12.5% (30.0% for automotive), while national manufacturing production increased 5.2% (15.7% for automotive).

### **State Revenue**

\*\* Fiscal-year-to-date, revenue was \$155.9 million or 1.0% 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 \$25 million and School Aid Fund revenue is up \$30 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, August**  
**(Millions of Dollars)**

<u>Revenue</u>	<u>FY 2011-12 August</u>	<u>Percent Change From Year-Ago August</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	\$16.5	5.6%	\$644.9	(\$7.4)	-1.1%	-2.3%
Quarterly Income Tax	11.3	16.5%	522.9	50.2	10.6%	7.4%
Withholding	618.9	3.4%	6,422.8	419.3	7.0%	6.9%
<b>Subtotal</b>	<b>646.7</b>	<b>3.7%</b>	<b>7,590.6</b>	<b>462.0</b>	<b>6.5%</b>	<b>6.1%</b>
Income Tax Refunds	34.2	-10.4%	2,104.0	(0.9)	0.0%	-1.1%
<b>Net Income Tax</b>	<b>612.5</b>	<b>4.6%</b>	<b>5,486.6</b>	<b>463.0</b>	<b>9.2%</b>	<b>8.5%</b>
Sales Tax	634.1	0.1%	5,803.0	203.8	3.6%	4.7%
Use Tax	112.3	-0.3%	985.3	11.1	1.1%	7.4%
<b>Subtotal</b>	<b>746.4</b>	<b>0.1%</b>	<b>6,788.2</b>	<b>214.9</b>	<b>3.3%</b>	<b>5.1%</b>
Single Business Tax	(63.2)	574.9%	(83.2)	(86.0)	-3,071.4%	-765.4%
Corporate Income Tax	29.4	N/A	356.6	356.6	N/A	N/A
Michigan Business Tax	(12.4)	-119.5%	913.6	(760.6)	-45.4%	-65.7%
Insurance Tax	3.8	-27.8%	226.6	17.9	8.6%	10.6%
<b>Subtotal</b>	<b>(42.4)</b>	<b>-171.4%</b>	<b>1,413.6</b>	<b>(472.1)</b>	<b>-25.0%</b>	<b>-37.1%</b>
Casino Wagering	9.5	1.6%	97.1	1.6	1.6%	0.6%
Cigarette & Tobacco	87.5	-1.7%	796.5	3.0	0.4%	-0.7%
Lottery Transfer	54.8	7.7%	643.3	32.2	5.3%	3.1%
Industrial/CommFacility Taxes	2.9	-29.0%	23.8	(4.3)	-15.4%	-1.6%
Real Estate Transfer	15.8	18.3%	110.0	14.8	15.5%	1.4%
State Education Tax	135.7	6.7%	483.4	(97.1)	-16.7%	-2.1%
<b>Subtotal Other</b>	<b>306.2</b>	<b>4.2%</b>	<b>2,154.1</b>	<b>(49.9)</b>	<b>-2.3%</b>	<b>-0.5%</b>
<b>TOTAL</b>	<b>\$1,622.7</b>	<b>-3.7%</b>	<b>\$15,842.5</b>	<b>\$155.9</b>	<b>1.0%</b>	<b>0.2%</b>