

## **Economic and Revenue Report**

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

\*\* Real Gross Domestic Product (GDP) increased at an annual rate of 2.5% in the second quarter of 2013 following a 1.1% pace in the first quarter. Final sales (or GDP less inventories) accelerated from 0.2% to 1.9% – this advance was concentrated in business investment and non-automotive exports while a slowdown in consumer spending subtracted from economic activity.

\*\* The August nonfarm employment report showed a 169,000 job gain (seasonally adjusted), following an increase of 104,000 in July. In August, private payrolls added 152,000 and government added 17,000. The number of long-term unemployed (those jobless for 27 weeks or more) remained relatively unchanged at 4.3 million and represents about 38% of the unemployed.

\*\* Light motor vehicle sales increased to pre-recession levels in August, at a seasonally adjusted annual rate of 16.1 million units. While much of the increase was driven by foreign nameplates, sales for Ford were up 12.0%, GM increased 14.7%, and Chrysler-Fiat increased 11.5% from a year ago.

\*\* In September, the Reuters/University of Michigan's consumer sentiment index decreased 3.0 points to 82.1 as consumers remain cautious about the overall strength of the economy.

\*\* The ISM manufacturing index increased 0.3 points to 55.7 in August and the non-manufacturing (services) index increased by 2.6 points to 58.6. Readings above 50 indicate expansion, while figures below 50 indicate contraction.

### **Michigan Economy**

\*\* Michigan's seasonally adjusted nonfarm employment increased by 21,000 in July following an increase of 1,000 in June. Relative to a year ago, nonfarm employment was up 1.7%, or 70,300 jobs, with the job gains concentrated in manufacturing and professional and business services, while job losses occurred in construction and information. The Michigan unemployment rate increased from 8.7% in June to 8.8% in July which is well above the 7.4% national rate.

\*\* The Chicago Fed Midwest Manufacturing Index decreased 0.1% in July relative to June. When compared to July 2012, Midwest manufacturing activity increased 1.6% (1.9% for automotive) while national manufacturing production increased 1.5%.

### **State Revenue**

\*\* Fiscal year-to-date revenue through August collections was \$868.4 million, or 5.5%, higher than a year ago. Fiscal year-to-date net income tax revenue was up 24.0%, sales/use tax revenue was up 2.4%, the real estate transfer tax was up 41.5%, and major business taxes were down 51.1%. Based on HFA targets, General Fund revenue through August is up about \$95 million based primarily on lower-than-anticipated Michigan Business Tax refunds. School Aid Fund revenue is up roughly \$125 million due to strong net income and sales tax collections. There is still one month of collections remaining plus annual accruals before FY 2012-13 revenues will be final.

**Revenue Review: FY 2012-13, August**  
(Millions of Dollars)

<u>Major Taxes</u>	<u>FY 2012-13</u>	<u>FY 2012-13</u>	<u>Change from</u>		<u>FY 2012-13 Consensus</u>	
	<u>August</u>	<u>Year-to-Date</u>	<u>FY 2011-12</u>	<u>Dollar</u>	<u>Percent</u>	<u>Revenue Estimates (Full Year)</u>
				<u>Dollar</u>	<u>Percent</u>	<u>Dollar</u> <u>Percent</u>
Withholding	\$621.0	\$6,695.2	\$272.4	4.2%	\$7,861.8	3.4%
Quarterly Income Tax	10.8	658.7	135.8	26.0%	824.8	7.6%
Annual Income Tax	<u>17.8</u>	<u>1,078.7</u>	<u>433.8</u>	67.3%	<u>1,110.2</u>	62.7%
<b>Gross Income Tax</b>	<b>649.6</b>	<b>8,432.6</b>	<b>842.0</b>	<b>11.1%</b>	<b>9,796.8</b>	<b>8.2%</b>
Less: Income Tax Refunds	<u>34.0</u>	<u>1,628.5</u>	<u>-475.4</u>	-22.6%	<u>1,625.3</u>	-23.9%
<b>Net Income Tax</b>	<b>615.6</b>	<b>6,804.1</b>	<b>1,317.5</b>	<b>24.0%</b>	<b>8,171.5</b>	<b>18.1%</b>
Sales Tax	602.0	5,920.2	117.2	2.0%	7,100.7	2.1%
Use Tax	<u>97.8</u>	<u>1,030.0</u>	<u>44.8</u>	4.5%	<u>1,244.5</u>	3.1%
<b>Subtotal: Sales and Use</b>	<b>699.7</b>	<b>6,950.2</b>	<b>162.0</b>	<b>2.4%</b>	<b>8,345.2</b>	<b>2.3%</b>
Net Single Business Tax	-11.3	-43.2	40.0	-48.1%	8.0	-112.1%
Net Michigan Business Tax	-54.0	-163.3	-1,076.9	-117.9%	-490.0	-161.4%
Net Corporate Income Tax	3.8	654.6	339.2	107.5%	920.0	68.2%
Insurance Tax	<u>2.8</u>	<u>223.0</u>	<u>-3.6</u>	-1.6%	<u>297.0</u>	2.3%
<b>Subtotal: Business</b>	<b>-58.7</b>	<b>671.1</b>	<b>-701.3</b>	<b>-51.1%</b>	<b>735.0</b>	<b>-53.2%</b>
Casino Wagering Tax	9.1	93.1	-4.1	-4.2%	109.7	-5.3%
Cigarette & Tobacco Taxes	89.9	789.3	-7.2	-0.9%	950.0	-1.4%
Lottery Transfer	60.0	620.0	-20.0	-3.1%	745.0	-4.3%
Ind/Comm Facility Taxes	2.3	21.8	-2.0	-8.4%	37.9	6.2%
Real Estate Transfer Tax	23.0	155.6	45.7	41.5%	190.5	26.9%
State Education Tax	<u>167.2</u>	<u>561.3</u>	<u>77.9</u>	16.1%	<u>1,792.0</u>	0.1%
<b>Subtotal: Other</b>	<b>351.5</b>	<b>2,241.1</b>	<b>90.3</b>	<b>4.2%</b>	<b>3,825.1</b>	<b>-0.2%</b>
<b>TOTAL</b>	<b>\$1,608.1</b>	<b>\$16,666.4</b>	<b>\$868.4</b>	<b>5.5%</b>	<b>\$21,076.8</b>	<b>2.9%</b>