

Economic/Revenue Overview

U.S. Economy

** Over the last year, U.S. economic growth or GDP averaged an anemic 1.9% – with the first quarter of 2011 increasing at 0.4% and the second quarter advancing 1.0%. Personal consumption slowed considerably in the second quarter, increasing only 0.4%. Government, for three successive quarters has continued its contraction, declining 0.9% in the second quarter. The gain in the second quarter came from exports and business investment.

** The August nonfarm employment report showed no job gains; however a Verizon strike subtracted 45,000 jobs from August. Excluding the Verizon effect, the last three months (including August) show average job creation of 50,000, with private-sector jobs up an average 98,000 and government jobs down an average 48,000. The national economy needs to add about 150,000 jobs per month to keep pace with population increases.

** In August, the Reuters/University of Michigan's consumer sentiment index fell 8 points to 55.7 – the lowest level since November 2008. High gasoline prices, the debt ceiling debate, and concerns over employment and income weighed heavily on consumer confidence.

** Light motor vehicle sales decreased slightly to a seasonally adjusted annual rate of 12.1 million units in August, which was down from the 12.2 million units in July. August sales for Ford increased 11.1%, for GM increased 18.0%, and for Chrysler increased 30.6% from a year-ago.

** West Texas Intermediate (WTI) price of oil averaged \$86 per barrel in August, which was down from the July level of \$97 and the April level of \$110, but was still \$19 per barrel higher than a year-ago.

Michigan Economy

** Michigan nonfarm employment increased by 23,000 in July following a 15,900 job gain in June. Relative to a year-ago, gains in July occurred in manufacturing, construction, professional and business services, and education and health services. The Michigan unemployment rate increased to 10.9% in July, which was above the 9.1% national rate.

** The Chicago Fed Midwest Manufacturing Index increased 0.5% in July relative to the previous month, which was due predominately to automotive and steel production. Relative to a year-ago Midwest manufacturing activity increased 6.2%, while national manufacturing production increased 4.2%.

State Revenue

** Based on HFA target estimates and revenue data through August, FY 2010-11 revenue was up \$115 million for the General Fund/General Purpose and was up \$100 million for the School Aid Fund. Target estimates are based on the May 2011 consensus estimates and historical monthly patterns. ***If Michigan's economy slows with the national economy over the next few months, we are likely to see weaker than expected revenue collections in the coming months.***

Revenue Monthly Review: FY 2010-11, August
(Millions of Dollars)

<u>Revenue</u>	<u>FY 2010-11 August</u>	<u>Percent Change From Year-Ago August</u>	<u>FY 2010-11 Year-to-Date</u>	<u>Change from Previous Fiscal Year-To-Date</u>		<u>FY 2010-11 May Consensus Growth</u>
				<u>Dollar</u>	<u>Percent</u>	
Annual Income Tax	\$15.6	5.4%	\$652.3	\$137.7	26.7%	18.8%
Quarterly Income Tax	9.7	27.4%	472.7	60.7	14.7%	9.7%
Withholding	<u>598.4</u>	1.9%	<u>6,003.5</u>	<u>309.6</u>	5.4%	5.4%
Subtotal	623.7	2.3%	7,128.5	508.0	7.7%	6.7%
Income Tax Refunds	<u>38.1</u>	-8.2%	<u>2,104.9</u>	<u>(189.8)</u>	-8.3%	-6.8%
Net Income Tax	585.5	3.1%	5,023.6	697.7	16.1%	12.5%
Sales Tax	633.3	8.0%	5,599.2	389.6	7.5%	5.2%
Use Tax	<u>112.7</u>	-10.1%	<u>974.1</u>	<u>0.4</u>	0.0%	-5.5%
Subtotal	746.0	4.8%	6,573.3	390.1	6.3%	3.4%
Single Business Tax	(9.4)	-67.7%	2.8	(10.8)	-79.3%	-100.0%
Michigan Business Tax	63.5	-7.7%	1,674.2	48.8	3.0%	10.7%
Insurance Tax	<u>5.2</u>	4.8%	<u>208.7</u>	<u>5.2</u>	2.6%	3.1%
Subtotal	59.4	32.5%	1,885.7	43.3	2.3%	9.6%
Casino Wagering	9.3	13.9%	95.6	11.9	14.2%	2.6%
Cigarette & Tobacco	89.0	-0.8%	793.5	(36.3)	-4.4%	-4.5%
Lottery Transfer	63.6	-3.4%	611.1	14.7	2.5%	4.6%
Industrial/CommFacility Taxes	4.1	-17.9%	28.1	(9.2)	-24.7%	-22.1%
Real Estate Transfer	13.3	0.7%	95.2	(6.7)	-6.6%	2.8%
State Education Tax	<u>127.2</u>	8.2%	<u>580.5</u>	<u>7.8</u>	1.4%	-4.1%
Subtotal Other	306.5	2.3%	2,204.0	(17.8)	-0.8%	-2.5%
TOTAL	\$1,697.5	4.5%	\$15,686.7	\$1,113.2	7.6%	5.5%