

Economic/Revenue Overview

U.S. Economy

** U.S. economic growth or GDP posted a 2.0% increase in the third quarter; it was the strongest gain in over a year. Nonresidential business fixed investment was up 14.8% – both structures and equipment and software contributed to this strong gain. Personal consumption increased 2.3% despite a decline of 2.1% in real disposable income and negative views on the economy. Government spending and investment was neutral to overall GDP, while net trade was a small contributor.

** The November nonfarm employment report showed a 120,000 job gain, while the job gains for September and October were revised up a combined 72,000. In November, private payrolls added 140,000, while government jobs declined by 20,000 (primarily at the state and local level). The national economy needs to add about 150,000 jobs per month to keep pace with population increases.

** In November, the Reuters/University of Michigan's consumer sentiment index increased 3.2 points to 64.1. The index has increased for three consecutive months, but remains at recessionary levels. Concerns over Europe, declining wealth, employment, and income weigh heavily on consumer confidence – which dropped more than 35% over the summer.

** Light motor vehicle sales increased to a seasonally adjusted annual rate of 13.6 million units in November, which was up from the 13.2 million units in October and the highest level since the Cash-for-Clunkers incentive program in August 2009. November sales for Ford increased 13.3%, for GM increased 7.0%, and for Chrysler increased 44.5% from a year-ago.

** The ISM manufacturing index increased 1.9 points to 52.7 in November, while the non-manufacturing (services) index slightly declined to 52.0. Both of these are in a moderately weak expansion mode; readings above 50 indicate expansion, while figures below 50 indicate contraction.

Michigan Economy

** Michigan nonfarm employment increased by 2,000 in October following a 14,200 job loss in September. Relative to a year-ago, nonfarm employment was up 1.3% or 49,000 jobs, with the job gains were concentrated in manufacturing, professional and business services, and education and health services. The Michigan unemployment rate decreased to 10.6% in October which was above the 9.0% national rate.

** The Chicago Fed Midwest Manufacturing Index increased 0.7% in October relative to the previous month, which was due predominately to automotive production. Relative to a year-ago Midwest manufacturing activity increased 7.3% (11.0% for automotive), while national manufacturing production increased 4.5% (9.0% for automotive).

State Revenue

** November revenue was \$47.5 million or 3.0% higher than the level a year-ago. The six month average change of total major revenue increased 4.5% – this increase was due predominately to gains in the Michigan business tax (MBT).

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

<u>Revenue</u>	<u>FY 2011-12 November</u>	<u>Percent Change From Year-Ago November</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	\$10.3	10.6%	\$10.3	\$1.0	10.5%	3.0%
Quarterly Income Tax	7.9	45.3%	7.9	2.5	45.3%	3.8%
Withholding	555.5	-6.7%	555.5	(40.0)	-6.7%	0.5%
Subtotal	573.6	-6.0%	573.6	(36.6)	-6.0%	0.9%
Income Tax Refunds	<u>13.7</u>	-37.4%	<u>13.7</u>	<u>(8.2)</u>	-37.4%	2.7%
Net Income Tax	559.8	-4.8%	559.8	(28.4)	-4.8%	0.3%
Sales Tax	568.5	-0.2%	568.5	(1.2)	-0.2%	2.3%
Use Tax	<u>92.5</u>	-6.6%	<u>92.5</u>	<u>(6.5)</u>	-6.6%	10.5%
Subtotal	661.0	-1.2%	661.0	(7.7)	-1.2%	3.5%
Single Business Tax	(14.6)	-36.9%	(14.6)	8.5	-36.9%	N/A
Michigan Business Tax	83.7	-244.9%	83.7	141.5	-244.9%	4.8%
Insurance Tax	<u>1.0</u>	1,087.5%	<u>1.0</u>	<u>0.9</u>	1,087.5%	4.5%
Subtotal	70.0	-186.6%	70.0	150.9	-186.6%	4.8%
Casino Wagering	9.3	3.2%	9.3	0.3	3.2%	4.8%
Cigarette & Tobacco	78.4	-0.1%	78.4	(0.1)	-0.1%	-2.1%
Lottery Transfer	61.6	-8.1%	61.6	(5.4)	-8.1%	0.8%
Industrial/CommFacility Taxes	2.4	-27.0%	2.4	(0.9)	-27.0%	2.1%
Real Estate Transfer	10.2	0.7%	10.2	0.1	0.7%	10.4%
State Education Tax	<u>176.7</u>	-25.7%	<u>176.7</u>	<u>(61.3)</u>	-25.7%	-1.2%
Subtotal Other	338.6	-16.6%	338.6	(67.3)	-16.6%	-0.5%
TOTAL	\$1,629.5	3.0%	\$1,629.5	\$47.5	3.0%	1.9%