

House Fiscal Agency: Economic/Revenue Overview

U.S. Economy

** The May employment report was weak. Only 54,000 national nonfarm jobs were added and the unemployment rate ticked up from 9.0% to 9.1%. The private sector added 83,000 jobs – almost all of these were from the service-providing categories specifically from professional and business services and health care and social assistance. Government posted a loss of 29,000 jobs – 28,000 of which were from local governments and schools.

** Light motor vehicle sales fell to a seasonally adjusted annual rate of 11.8 million units in May, which was down from the 13.1 million units in April. Limited vehicle availability and selection due to Japanese related supply constraints were a contributing factor to the reduced sales level. Compared to a year-ago, auto sales fell 3.6% and light trucks and SUVs fell 4.2%. May sales for Ford decreased 0.3%, for GM decreased 1.0%, and for Chrysler increased 8.4% from a year-ago.

** West Texas Intermediate (WTI) price of oil was around \$100 per barrel in May, which was down from the April level of \$110, but \$27 per barrel higher than a year-ago.

** The ISM manufacturing index fell 6.9 points to 53.5 in May – this decline (although still indicating an expansion) was due largely to the motor vehicle related supply constraints. The non-manufacturing (services) index showed an increase in May however it indicates very anemic growth.

** Retail sales rose 0.5% in April from March and 7.6% from a year-ago. Gasoline stations and grocery stores were the main drivers of the increase due largely to higher gasoline and food prices. Also, nonstore retailers posted a large increase due to higher online and mail-order sales. Offsetting some of the gains were sporting goods, books, home furnishings, and electronics and appliances.

Michigan Economy

** Michigan nonfarm employment decreased by 10,000 in April following a similar sized gain in March. Relative to March, slight job losses occurred in professional and business services, trade, transportation and utilities, and in construction. The Michigan unemployment rate declined to 10.2% in April, which was above the 9.0% national rate.

** In 2010, real gross domestic product (GDP) increased 2.6% nationally and by 2.9% in Michigan. In Michigan, half of the growth came from durable-goods manufacturing, while other significant contributors were wholesale and retail trade and nondurable-goods manufacturing. Compared to other states, Michigan posted the 15th highest percentage increase in 2010.

State Revenue

** Based on HFA target estimates and revenue data through May, FY 2010-11 revenue was up between \$100 - \$125 million for the General Fund/General Purpose and was up \$45 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, May
(Millions of Dollars)

<u>Revenue</u>	FY 2010-11 <u>May</u>	Percent Change From Year-Ago <u>May</u>	FY 2010-11 <u>Year-to-Date</u>	Change from Previous Fiscal Year-To-Date		FY 2010-11 May Consensus <u>Growth</u>
				<u>Dollar</u>	<u>Percent</u>	
Annual Income Tax	\$46.8	197.3%	\$613.6	\$136.4	28.6%	\$18.8%
Quarterly Income Tax	10.2	121.4%	318.6	38.1	13.6%	9.7%
Withholding	<u>574.3</u>	8.7%	<u>4,292.5</u>	<u>289.0</u>	7.2%	5.4%
Subtotal	631.3	15.1%	5,224.8	463.6	9.7%	6.7%
Income Tax Refunds	<u>117.7</u>	-11.8%	<u>1,971.5</u>	<u>(180.1)</u>	-8.4%	-6.8%
Net Income Tax	513.6	23.7%	3,253.3	643.7	24.7%	12.5%
Sales Tax	587.0	28.7%	3,807.9	299.0	8.5%	5.2%
Use Tax	<u>98.3</u>	23.6%	<u>665.4</u>	<u>28.3</u>	4.4%	-5.5%
Subtotal	685.3	28.0%	4,473.3	327.2	7.9%	3.4%
Single Business Tax	(6.6)	-183.2%	(5.7)	(45.1)	-114.3%	-100.0%
Michigan Business Tax	194.2	124.3%	1,144.0	31.0	2.8%	10.7%
Insurance Tax	<u>0.5</u>	-40.0%	<u>134.2</u>	<u>(2.0)</u>	-1.4%	3.1%
Subtotal	188.1	97.1%	1,272.6	(16.1)	-1.2%	9.6%
Casino Wagering	9.7	47.0%	67.4	5.7	9.2%	2.6%
Cigarette & Tobacco	74.9	-11.4%	533.9	(32.9)	-5.8%	-4.5%
Lottery Transfer	69.0	-10.5%	446.6	19.6	4.6%	4.6%
Industrial/CommFacility Taxes	4.8	385.9%	20.8	(7.7)	-27.0%	-22.1%
Real Estate Transfer	7.3	-16.0%	63.9	(1.9)	-2.9%	2.8%
State Education Tax	<u>34.1</u>	2.6%	<u>391.0</u>	<u>(5.6)</u>	-1.4%	-4.1%
Subtotal Other	199.9	-5.4%	1,523.5	(22.8)	-1.5%	-2.5%
TOTAL	\$1,586.9	26.2%	\$10,522.7	\$932.0	9.7%	5.5%