

Economic/Revenue Overview

U.S. Economy

** Real Gross Domestic Product increased at an annual rate of 1.9% in the first quarter of 2012 following a 3.0% pace in the fourth quarter of 2011. Personal consumption expenditures, residential and nonresidential investment were the main contributors to the increase, while government subtracted from economic activity and net exports were neutral.

** The June nonfarm employment report showed an 80,000 job gain, following an increase of 77,000 in May. The last four months, which averaged job gains of 92,000 was a significant slowdown from the average employment gain of 252,000 that occurred over the December through February period. In June, private payrolls added 84,000, while government jobs declined by 4,000. Manufacturing, professional and business services, leisure and hospitality, and healthcare contributed to the gain.

** Light motor vehicle sales increased to a seasonally adjusted annual rate of 14.0 million units in June, which was above the 13.7 million units sold in May. Consumers continue to respond to vehicle deals offered by manufacturers, the improved availability of credit, and the need to replace aging vehicles. June sales for Ford increased 7.1%, for GM increased 15.5%, and for Chrysler increased 20.3% from a year-ago.

** The ISM manufacturing index decreased 3.8 points to 49.7 in June and the non-manufacturing (services) index decreased by 1.6 points to 52.1. Readings above 50 indicate expansion, while figures below 50 indicate contraction.

Michigan Economy

** Michigan nonfarm employment decreased by 5,000 in May reversing the slight increase in April. Relative to a year-ago, nonfarm employment was up 1.2% or 47,000 jobs, with the job gains concentrated in manufacturing, professional and business services, and education and health services, while job losses occurred in government and retail trade. The Michigan unemployment rate increased to 8.5% in May which was above the 8.2% national rate.

** The Chicago Fed Midwest Manufacturing Index decreased 1.0% in May relative to the previous month. Relative to a year-ago Midwest manufacturing activity increased 10.5% (22.6% for automotive), while national manufacturing production increased 5.4% (14.5% for automotive).

State Revenue

** Fiscal-year-to-date, revenue was \$236.1 million or 1.9% higher than the level a year-ago. Based on HFA target estimates and revenue data through June, FY 2011-12 General Fund/General Purpose revenue is up \$65 million and School Aid Fund revenue is down about \$20 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, June
(Millions of Dollars)

<u>Revenue</u>	FY 2011-12 <u>June</u>	Percent Change From Year-Ago <u>June</u>	FY 2011-12 <u>Year-to-Date</u>	Change from Previous Fiscal Year-To-Date		FY 2011-12 May Consensus <u>Growth</u>
				<u>Dollar</u>	<u>Percent</u>	
Annual Income Tax	\$13.0	9.9%	\$617.4	(\$8.0)	-1.3%	-2.3%
Quarterly Income Tax	158.7	16.9%	501.5	47.1	10.4%	7.4%
Withholding	623.0	15.7%	5,142.2	311.3	6.4%	6.9%
Subtotal	794.7	15.9%	6,261.1	350.4	5.9%	6.1%
Income Tax Refunds	53.4	-3.7%	2,026.5	(0.4)	0.0%	-1.1%
Net Income Tax	741.3	17.6%	4,234.6	350.9	9.0%	8.5%
Sales Tax	576.3	-2.7%	4,548.5	148.5	3.4%	4.7%
Use Tax	109.5	6.8%	765.8	(2.1)	-0.3%	7.4%
Subtotal	685.8	-1.3%	5,314.2	146.4	2.8%	5.1%
Single Business Tax	11.6	-948.2%	(19.1)	(12.1)	171.8%	-765.4%
Corporate Income Tax	82.0	N/A	223.6	223.6	N/A	N/A
Michigan Business Tax	28.2	-84.2%	890.0	(432.1)	-32.7%	-65.7%
Insurance Tax	1.5	-70.1%	153.6	14.6	10.5%	10.6%
Subtotal	123.2	-32.1%	1,248.2	(206.0)	-14.2%	-37.1%
Casino Wagering	9.0	-1.6%	78.6	2.1	2.7%	0.6%
Cigarette & Tobacco	89.7	10.8%	623.4	8.7	1.4%	-0.7%
Lottery Transfer	57.2	22.0%	521.7	28.3	5.7%	3.1%
Industrial/CommFacility Taxes	1.4	-11.5%	19.5	(2.9)	-12.9%	-1.6%
Real Estate Transfer	13.5	43.4%	80.4	7.1	9.7%	1.4%
State Education Tax	30.1	-22.1%	331.2	(98.4)	-22.9%	-2.1%
Subtotal Other	200.8	7.7%	1,654.8	(55.2)	-3.2%	-0.5%
TOTAL	\$1,751.0	3.4%	\$12,451.9	\$236.1	1.9%	0.2%