

Economic and Revenue Report

U.S. Economy

** Real Gross Domestic Product (GDP) increased at an annual rate of 2.6% in the fourth quarter of 2013 following a 4.1% pace in the third quarter. Final sales (or GDP less inventories) accelerated from 2.5% to 2.7% – this advance was concentrated in business investment and exports of goods while a slowdown in residential construction subtracted from economic activity.

** The March nonfarm employment report showed a 192,000 job gain (seasonally adjusted), following an increase of 197,000 in February. In March, government employment remained flat so that the entire increase was attributable to private payrolls. The number of long-term unemployed (those jobless for 27 weeks or more) remained relatively unchanged at 3.7 million and represents about 35.8% of the unemployed.

** Light motor vehicle sales totaled 1.5 million in March 2014, which is a seasonally adjusted annual rate of 16.4 million units. This represents an increase of 5.7% from March 2013. While much of the increase was driven by foreign nameplates, sales for Ford were up 3.0%, GM increased 4.0%, and Chrysler-Fiat increased 13.0% from a year ago.

** The Reuters/University of Michigan's consumer sentiment index dipped 1.6 points to 80.0 in March as expectations of future economic conditions dampened consumers' outlooks.

** The ISM manufacturing index increased 0.5 points to 53.7 in March and the non-manufacturing (services) index increased by 1.5 points to 53.1. Readings above 50 indicate expansion, while figures below 50 indicate contraction.

Michigan Economy

** Michigan's seasonally adjusted nonfarm employment increased by 4,100 in February following a decrease of 12,800 in January. Relative to a year ago, nonfarm employment was up 0.6%, or 23,900 jobs, with the job gains concentrated in the construction and manufacturing sectors while job losses occurred in professional and business services and financial activities. The Michigan unemployment rate declined from 7.8% in January to 7.7% in February, which is still well above the 6.7% national rate.

State Revenue

** Fiscal year-to-date revenue through March collections was \$222.9 million, or 3.0%, higher than a year ago. Fiscal year-to-date net income tax revenue was up 4.8%, sales/use tax revenue was up 2.7%, the real estate transfer tax was up 24.2%, and major business taxes were up 21.4%. Based on HFA targets, General Fund revenue through March is down about \$41 million based primarily on reduced business tax revenue. School Aid Fund revenue is down roughly \$30 million due to weaker-than-anticipated net income and sales tax collections. Projected revenues for all major taxes will be reexamined at next month's Consensus Revenue Estimating Conference.

Revenue Review: FY 2013-14, March
(Millions of Dollars)

<u>Major Taxes</u>	<u>FY 2013-14</u>	<u>FY 2013-14</u>	<u>Change from</u>		<u>FY 2013-14 Consensus</u>	
	<u>March</u>	<u>Year-to-Date</u>	<u>FY 2012-13 Year-to-Date</u>	<u>Dollar</u>	<u>Percent</u>	<u>Revenue Estimates (Full Year)</u>
Withholding	\$722.3	\$3,606.6	\$177.7	5.2%	\$8,294.9	4.2%
Quarterly Income Tax	7.9	318.0	10.3	3.4%	887.9	3.8%
Annual Income Tax	<u>63.1</u>	<u>119.5</u>	<u>-2.0</u>	<u>-1.7%</u>	<u>952.8</u>	<u>-16.9%</u>
Gross Income Tax	793.4	4,044.1	186.0	4.8%	10,135.6	1.7%
Less: Income Tax Refunds	<u>464.1</u>	<u>997.9</u>	<u>45.5</u>	<u>4.8%</u>	<u>1,694.2</u>	<u>0.0%</u>
Net Income Tax	329.3	3,046.2	140.5	4.8%	8,441.4	2.1%
Sales Tax	599.3	2,854.6	23.3	0.8%	7,349.4	2.7%
Use Tax	<u>105.0</u>	<u>535.1</u>	<u>66.9</u>	<u>14.3%</u>	<u>1,379.5</u>	<u>8.6%</u>
Subtotal: Sales and Use	704.3	3,389.7	90.2	2.7%	8,728.9	3.6%
Net Single Business Tax	-1.7	-24.6	-39.7	-263.6%	-10.0	-78.7%
Net Michigan Business Tax	-60.7	-235.2	-250.2	-1,662.1%	-490.0	546.4%
Net Corporate Income Tax	55.8	324.2	313.3	2,886.6%	850.0	8.5%
Insurance Tax	<u>13.8</u>	<u>88.0</u>	<u>3.5</u>	<u>4.1%</u>	<u>358.0</u>	<u>18.8%</u>
Subtotal: Business	7.2	152.4	26.9	21.4%	708.0	-26.4%
Casino Wagering Tax	10.1	44.6	-2.7	-5.6%	114.0	3.0%
Cigarette and Tobacco Taxes	65.4	377.3	-7.4	-1.9%	875.0	-2.0%
Lottery Transfer	65.0	320.0	20.0	6.7%	745.0	1.5%
Ind/Comm Facility Taxes	3.7	9.4	-0.7	-6.8%	35.0	3.2%
Real Estate Transfer Tax	14.9	89.0	17.4	24.2%	217.4	7.5%
State Education Tax	<u>12.3</u>	<u>263.5</u>	<u>-61.3</u>	<u>-18.9%</u>	<u>1,798.0</u>	<u>1.5%</u>
Subtotal: Other	171.3	1,103.7	-34.7	-3.0%	3,784.4	1.0%
TOTAL	\$1,212.1	\$7,691.9	\$222.9	3.0%	\$21,662.7	1.2%

Note: Numbers may not add due to rounding.