

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 May nonfarm employment report showed a 69,000 job gain, following an increase of 77,000 in April. The last three months, which averaged job gains of 96,000 was a significant slowdown from the average employment gain of 252,000 that occurred over the December through February period. In May, private payrolls added 82,000, while government jobs declined by 13,000. Manufacturing, transportation and warehousing, and healthcare contributed to the gain.

** Light motor vehicle sales decreased to a seasonally adjusted annual rate of 13.7 million units in May, which was below the 14.4 million units sold in April. Consumers continue to respond to vehicle deals offered by manufacturers, the improved availability of credit, and the need to replace aging vehicles. May sales for Ford increased 12.6%, for GM increased 10.9%, and for Chrysler increased 30.1% from a year-ago.

** The ISM manufacturing index decreased 1.3 points to 53.5 in May and the non-manufacturing (services) index increased by 0.2 points to 53.7. Both of these are in an expansionary mode; readings above 50 indicate expansion, while figures below 50 indicate contraction.

Michigan Economy

** Michigan nonfarm employment increased by 5,000 in April following a slight increase in March. Relative to a year-ago, nonfarm employment was up 1.5% or 59,000 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 decreased to 8.3% in April which was above the 8.1% national rate.

** The Chicago Fed Midwest Manufacturing Index increased 2.4% in April relative to the previous month. Relative to a year-ago Midwest manufacturing activity increased 12.0% (28.2% for automotive), while national manufacturing production increased 5.8% (16.4% for automotive).

State Revenue

** Fiscal-year-to-date, revenue was \$178.1 million or 1.7% higher than the level a year-ago. Based on HFA target estimates and revenue data through May, FY 2011-12 General Fund/General Purpose and School Aid Fund revenue are in line with the estimates. Target estimates are based on the May 2012 consensus estimates and historical monthly patterns.

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

<u>Revenue</u>	FY 2011-12 <u>May</u>	Percent Change	FY 2011-12 <u>Year-to-Date</u>	Change from Previous		FY 2011-12 May Consensus <u>Growth</u>
		From Year-Ago <u>May</u>		Fiscal Year-To-Date	Dollar	
Annual Income Tax	\$53.9	15.2%	\$604.4	(\$9.2)	-1.5%	-2.3%
Quarterly Income Tax	10.6	3.9%	342.8	24.2	7.6%	7.4%
Withholding	588.4	2.5%	4,519.2	226.7	5.3%	6.9%
Subtotal	652.9	3.4%	5,466.4	241.6	4.6%	6.1%
Income Tax Refunds	<u>125.8</u>	6.9%	<u>1,973.1</u>	<u>1.6</u>	0.1%	-1.1%
Net Income Tax	527.1	2.6%	3,493.3	240.0	7.4%	8.5%
Sales Tax	568.9	-3.1%	3,972.2	164.3	4.3%	4.7%
Use Tax	<u>97.5</u>	-0.8%	<u>656.3</u>	<u>(9.1)</u>	-1.4%	7.4%
Subtotal	666.4	-2.8%	4,628.5	155.2	3.5%	5.1%
Single Business Tax	(15.4)	131.7%	(30.7)	(25.1)	443.4%	-765.4%
Corporate Income Tax	28.9	N/A	141.6	141.6	N/A	N/A
Michigan Business Tax	47.9	-75.3%	861.9	(282.1)	-24.7%	-65.7%
Insurance Tax	<u>3.2</u>	500.0%	<u>152.2</u>	<u>18.0</u>	13.4%	10.6%
Subtotal	64.7	-65.6%	1,124.9	(147.6)	-11.6%	-37.1%
Casino Wagering	9.6	-1.3%	69.6	2.2	3.3%	0.6%
Cigarette & Tobacco	74.7	-0.4%	533.8	(0.1)	0.0%	-0.7%
Lottery Transfer	59.2	7.7%	464.6	18.0	4.0%	3.1%
Industrial/CommFacility Taxes	4.5	-6.7%	18.1	(2.7)	-13.0%	-1.6%
Real Estate Transfer	11.6	58.1%	66.9	3.0	4.7%	1.4%
State Education Tax	<u>19.7</u>	-42.4%	<u>301.2</u>	<u>(89.9)</u>	-23.0%	-2.1%
Subtotal Other	179.2	-3.6%	1,454.1	(69.5)	-4.6%	-0.5%
TOTAL	\$1,437.4	-8.6%	\$10,700.8	\$178.1	1.7%	0.2%