

## **Economic/Revenue Overview**

### **U.S. Economy**

\*\* The September nonfarm employment report showed a 103,000 job gain. However, adjusting for distortions tied to the Verizon strike and Minnesota state furloughs, employment grew by 58,000 in September, which was down from a gain of 79,000 in August. In September, private payrolls added 137,000 (92,000 without Verizon), while government jobs declined by 34,000 (almost all at the local level). The national economy needs to add about 150,000 jobs per month to keep pace with population increases.

\*\* In September, the Reuters/University of Michigan's consumer sentiment index increased 3.7 points to 59.4, but it remains at recessionary levels. The debt ceiling debate, stock market volatility, and concerns over employment and income weigh heavily on consumer confidence – which has dropped 25% over the summer.

\*\* Light motor vehicle sales increased to a seasonally adjusted annual rate of 13.0 million units in September, which was up from the 12.1 million units in August and the highest level since April 2011. September sales for Ford increased 9.0%, for GM increased 19.7%, and for Chrysler increased 27.2% from a year-ago.

\*\* In August, new home sales fell 2.3% to a level of 295,000 units measured at an annual rate. The trend level of sales is flat and has been stuck at close to 300,000 units for 16 months. Last year, sales fell to a record low of 321,000 and this year sales have averaged 302,000 through August.

\*\* West Texas Intermediate (WTI) price of oil averaged \$86 per barrel in September, which was down from the July level of \$97 and the April level of \$110, but was still \$11 per barrel higher than a year-ago.

### **Michigan Economy**

\*\* Michigan nonfarm employment decreased by 6,000 in August following a 23,000 job gain in July. Relative to a year-ago, gains occurred in manufacturing, construction, professional and business services, and education and health services. The Michigan unemployment rate increased to 11.2% in August which was above the 9.1% national rate.

\*\* The Chicago Fed Midwest Manufacturing Index increased 0.6% in August relative to the previous month, which was due predominately to machinery production, but also to automotive and steel production. Relative to a year-ago Midwest manufacturing activity increased 7.6%, while national manufacturing production increased 4.2%.

### **State Revenue**

\*\* Based on HFA target estimates and revenue data through September, FY 2010-11 revenue was up \$140 million for the General Fund/General Purpose and was up \$145 million for the School Aid Fund. Target estimates are based on the May 2011 consensus estimates and historical monthly patterns.

**Revenue Monthly Review: FY 2010-11, September**  
**(Millions of Dollars)**

<u>Revenue</u>	<u>FY 2010-11 September</u>	<u>Percent Change From Year-Ago September</u>	<u>FY 2010-11 Year-to-Date</u>	<u>Change from Previous Fiscal Year-To-Date</u>		<u>FY 2010-11 May Consensus Growth</u>
				<u>Dollar</u>	<u>Percent</u>	
Annual Income Tax	\$14.7	9.4%	\$667.0	\$138.9	26.3%	18.8%
Quarterly Income Tax	147.7	11.8%	620.4	76.2	14.0%	9.7%
Withholding	555.3	2.6%	6,558.9	323.8	5.2%	5.4%
<b>Subtotal</b>	<b>717.7</b>	<b>4.5%</b>	<b>7,846.2</b>	<b>539.0</b>	<b>7.4%</b>	<b>6.7%</b>
Income Tax Refunds	<u>31.0</u>	24.3%	<u>2,135.9</u>	<u>(183.7)</u>	-7.9%	-6.8%
<b>Net Income Tax</b>	<b>686.7</b>	<b>3.8%</b>	<b>5,710.3</b>	<b>722.7</b>	<b>14.5%</b>	<b>12.5%</b>
Sales Tax	603.5	12.0%	6,202.7	454.5	7.9%	5.2%
Use Tax	<u>105.1</u>	-9.2%	<u>1,079.2</u>	<u>(10.3)</u>	-0.9%	-5.5%
<b>Subtotal</b>	<b>708.6</b>	<b>8.3%</b>	<b>7,281.9</b>	<b>444.2</b>	<b>6.5%</b>	<b>3.4%</b>
Single Business Tax	(18.8)	-271.2%	(16.0)	(40.6)	-165.3%	-100.0%
Michigan Business Tax	190.7	40.9%	1,864.9	104.2	5.9%	10.7%
Insurance Tax	<u>2.8</u>	-164.2%	<u>211.5</u>	<u>12.3</u>	6.2%	3.1%
<b>Subtotal</b>	<b>174.7</b>	<b>22.9%</b>	<b>2,060.4</b>	<b>75.9</b>	<b>3.8%</b>	<b>9.6%</b>
Casino Wagering	8.5	12.7%	104.1	12.8	14.1%	2.6%
Cigarette & Tobacco	91.2	5.9%	884.7	(31.2)	-3.4%	-4.5%
Lottery Transfer	52.9	18.3%	664.0	22.9	3.6%	4.6%
Industrial/CommFacility Taxes	9.7	-0.2%	37.7	(9.2)	-19.7%	-22.1%
Real Estate Transfer	11.2	24.8%	106.4	(4.5)	4.1%	2.8%
State Education Tax	<u>419.4</u>	2.8%	<u>999.9</u>	<u>19.2</u>	2.0%	-4.1%
<b>Subtotal Other</b>	<b>592.9</b>	<b>4.9%</b>	<b>2,796.9</b>	<b>10.1</b>	<b>0.4%</b>	<b>-2.5%</b>
<b>TOTAL</b>	<b>\$2,162.8</b>	<b>6.9%</b>	<b>\$17,849.5</b>	<b>\$1,252.8</b>	<b>7.5%</b>	<b>5.5%</b>