

Economic/Revenue Overview

U.S. Economy

** Real Gross Domestic Product (GDP) increased at an annual rate of 3.1% in the third quarter of 2012 following a 1.3% pace in the second quarter. Final sales (or GDP less inventories) accelerated from 1.7% to 2.4% – this advance was concentrated in consumer spending, residential fixed investment (housing related activities), and federal government spending, while business investment subtracted from economic activity.

** The December nonfarm employment report showed a 155,000 job gain, following an increase of 161,000 in November. In December, private payrolls added 168,000 and government subtracted 13,000. The number of long-term unemployed (those jobless for 27 weeks or more) remained close to 5 million and represents about 40% of the unemployed.

** Light motor vehicle sales decreased slightly to a seasonally adjusted annual rate of 15.3 million units in December. Consumers continue to respond to vehicle deals offered by manufacturers, the improved availability of credit, and the need to replace aging vehicles. December sales for Ford were up 1.6%, for GM increased 4.9%, and for Chrysler increased 10.4% from a year-ago.

** In December, the Reuters/University of Michigan's consumer sentiment index decreased 9.8 points to 72.9. The implications of the fiscal cliff on the economy and personal finances are a concern to consumers.

** The ISM manufacturing index increased 1.2 points to 50.7 in December and the non-manufacturing (services) index increased by 1.4 points to 56.1. Readings above 50 indicate expansion, while figures below 50 indicate contraction.

Michigan Economy

** Michigan nonfarm employment increased by 10,200 in November following a 16,200 decrease in October. Relative to a year-ago, nonfarm employment was up 0.8% or 32,000 jobs, with the job gains concentrated in manufacturing and professional and business services, while job losses occurred in government, construction and retail trade. The Michigan unemployment rate decreased to 8.9% in November which was above the 7.8% national rate.

** The Chicago Fed Midwest Manufacturing Index increased 1.6% in November relative to the previous month. Relative to a year-ago, Midwest manufacturing activity increased 7.3% (17.9% for automotive), while national manufacturing production increased 3.1% (9.2% for automotive).

State Revenue

** Fiscal-year-to-date revenue, which includes November and December, was \$228.4 million or 6.7% higher than the level a year-ago. Fiscal-year-to-date net income tax revenue was up 12.3%, sales/use tax revenue was up 5.4%, the real estate transfer tax was up 78.6%, and major business taxes were down 33.8%.

Revenue Monthly Review: FY 2012-13, December
(Millions of Dollars)

<u>Revenue</u>	<u>FY 2012-13 December</u>	<u>Percent Change From Year-Ago December</u>	<u>FY 2012-13 Year-to-Date</u>	<u>Change from Previous Fiscal Year-To-Date</u>		<u>FY 2012-13 Jan. Consensus Growth</u>
				<u>Dollar</u>	<u>Percent</u>	
Annual Income Tax	\$8.7	-6.1%	\$19.9	\$0.4	2.3%	23.7%
Quarterly Income Tax	68.8	34.8%	76.4	17.5	29.7%	6.6%
Withholding	<u>708.2</u>	13.3%	<u>1,313.6</u>	<u>133.3</u>	11.3%	0.8%
Subtotal	785.6	14.7%	1,409.9	151.2	12.0%	3.0%
Income Tax Refunds	<u>17.6</u>	3.6%	<u>30.4</u>	<u>(0.4)</u>	-1.1%	-25.7%
Net Income Tax	768.0	14.9%	1,379.5	151.6	12.3%	11.8%
Sales Tax	648.4	8.4%	1,214.9	48.0	4.1%	2.6%
Use Tax	<u>108.1</u>	9.3%	<u>216.3</u>	<u>24.9</u>	13.0%	5.4%
Subtotal	756.5	2.5%	1,431.2	73.0	5.4%	3.0%
Single Business Tax	(1.3)	-113.8%	1.8	7.3	-133.6%	-100.0%
Corporate Income Tax	95.4	N/A	121.2	121.2	N/A	72.7%
Michigan Business Tax	41.0	-76.8%	45.8	(214.6)	-82.4%	-178.1%
Insurance Tax	<u>3.4</u>	-28.1%	<u>3.6</u>	<u>(2.0)</u>	-36.2%	5.8%
Subtotal	138.5	-27.3%	172.4	(88.2)	-33.8%	-59.9%
Casino Wagering	9.6	-4.4%	18.7	(0.6)	-3.2%	-6.5%
Cigarette & Tobacco	79.2	-1.5%	165.7	6.9	4.4%	-2.0%
Lottery Transfer	78.8	11.4%	137.6	5.3	4.0%	-3.6%
Industrial/CommFacility Taxes	2.1	182.2%	3.8	0.7	20.9%	6.2%
Real Estate Transfer	11.6	96.1%	28.8	12.7	78.6%	13.0%
State Education Tax	<u>43.0</u>	41.1%	<u>274.2</u>	<u>67.1</u>	32.4%	0.7%
Subtotal Other	224.2	13.1%	628.8	92.0	17.1%	-0.6%
TOTAL	\$1,887.1	7.6%	\$3,611.9	\$228.4	6.7%	0.5%