

## **Economic/Revenue Overview**

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

\*\* The March nonfarm employment report showed a 120,000 job gain, which was a significant slowdown from the average employment gain of 246,000 in each of the previous three months. In March, private payrolls added 121,000, while government jobs declined by 1,000. Manufacturing, business services, healthcare, and leisure and hospitality contributed to the gain.

\*\* Existing home sales increased 0.9% in February, to a seasonally adjusted annual rate of 4.59 million units and were 8.8% above the year-ago level. Median existing home sale prices remain around a 10 year low while the inventory levels have declined to a 6.4 month supply.

\*\* Light motor vehicle sales increased to a seasonally adjusted annual rate of 14.3 million units in March, which was below the 15.0 million units sold in February. Consumers are responding to vehicle deals offered by manufacturers, the improved availability of credit, and the need to replace aging vehicles. March sales for Ford increased 5.0%, for GM increased 12.0%, and for Chrysler increased 34.2% from a year-ago.

\*\* The ISM manufacturing index increased 1.0 point to 53.4 in March and the non-manufacturing (services) index declined by 1.3 points to 56.0. Both of these are in an expansionary mode; readings above 50 indicate expansion, while figures below 50 indicate contraction.

\*\* Credit card usage fell for the second month in a row, as households were paying down on credit card debt faster than they were adding to it. However, non-revolving (auto loans, student loans, and mortgages) credit increased by 6.1% from a year-ago. Student loan balances are larger than auto loans and second behind mortgage debt.

### **Michigan Economy**

\*\* Michigan nonfarm employment increased by 1,000 in February following a 19,000 increase in January. Relative to a year-ago, nonfarm employment was up 1.8% or 69,000 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 8.8% in February which was above the 8.3% national rate.

\*\* The Chicago Fed Midwest Manufacturing Index increased 1.0% in February relative to the previous month, which was due predominately to auto production. Relative to a year-ago Midwest manufacturing activity increased 10.1% (18.7% for automotive), while national manufacturing production increased 5.4% (12.9% for automotive).

### **State Revenue**

\*\* Fiscal-year-to-date, revenue was \$172.4 million or 2.4% higher than the level a year-ago. Based on HFA target estimates and revenue data through March, FY 2011-12 General Fund/General Purpose revenue is up \$15 million and the School Aid Fund is up \$30 million. Target estimates are based on the January 2012 consensus estimates and historical monthly patterns.

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

| <u>Revenue</u>                | FY 2011-12<br><u>March</u> | Percent Change<br>From Year-Ago<br><u>March</u> | FY 2011-12<br><u>Year-to-Date</u> | Change from Previous<br>Fiscal Year-To-Date |                | FY 2011-12<br>Jan. Consensus<br><u>Growth</u> |
|-------------------------------|----------------------------|---|-----------------------------------|---|----------------|---|
|                               |                            |   |                                   | <u>Dollar</u>                               | <u>Percent</u> |   |
| Annual Income Tax             | \$55.6                     | -9.0%   | \$109.5                           | \$2.9                                       | 2.7%           | 1.9%  |
| Quarterly Income Tax          | 8.3                        | 4.8%  | 233.9                             | 13.7  | 6.2%           | 7.4%  |
| Withholding                   | <u>686.1</u>               | 7.2%  | <u>3,248.4</u>                    | <u>117.7</u>                                | 3.8%           | 6.5%  |
| <b>Subtotal</b>               | <b>750.1</b>               | <b>5.8%</b>                                     | <b>3,591.8</b>                    | <b>134.4</b>                                | <b>3.9%</b>    | <b>6.2%</b>                                   |
| Income Tax Refunds            | <u>616.0</u>               | -8.5%   | <u>1,373.3</u>                    | <u>31.3</u>                                 | 2.3%           | -4.0%   |
| <b>Net Income Tax</b>         | <b>134.1</b>               | <b>277.7%</b>                                   | <b>2,218.6</b>                    | <b>103.2</b>                                | <b>4.9%</b>    | <b>9.6%</b>                                   |
| Sales Tax                     | 537.0                      | -5.6%   | 2,812.8                           | 88.7  | 3.3%           | 2.6%  |
| Use Tax                       | <u>89.8</u>                | -3.3%   | <u>450.9</u>                      | <u>(28.8)</u>                               | -6.0%          | 8.9%  |
| <b>Subtotal</b>               | <b>626.8</b>               | <b>-5.3%</b>                                    | <b>3,263.7</b>                    | <b>59.8</b>                                 | <b>1.9%</b>    | <b>3.5%</b>                                   |
| Corporate Income Tax          | 17.1                       | N/A   | 21.0                              | N/A   | N/A            | N/A   |
| Michigan Business Tax         | 63.3                       | -47.3%  | 664.6                             | 84.2  | 14.5%          | -69.4%  |
| Insurance Tax                 | <u>10.9</u>                | -5.6%   | <u>90.3</u>                       | <u>9.3</u>                                  | 11.4%          | 4.0%  |
| <b>Subtotal</b>               | <b>91.3</b>                | <b>-36.3%</b>                                   | <b>775.9</b>                      | <b>93.5</b>                                 | <b>13.7%</b>   | <b>-40.3%</b>                                 |
| Casino Wagering               | 11.0                       | 1.9%  | 50.0                              | 2.5   | 5.3%           | -0.3%   |
| Cigarette & Tobacco           | 71.9                       | 3.1%  | 378.4                             | 1.4   | 0.4%           | -2.7%   |
| Lottery Transfer              | 61.9                       | 15.5%   | 304.9                             | (6.4)                                       | -2.1%          | -1.0%   |
| Industrial/CommFacility Taxes | 3.9                        | -8.2%   | 12.5                              | (1.0)                                       | -7.6%          | 3.0%  |
| Real Estate Transfer          | 9.6                        | -12.8%  | 45.5                              | (1.9)                                       | -4.0%          | 7.9%  |
| State Education Tax           | <u>16.7</u>                | -1.0%   | <u>253.3</u>                      | <u>(78.7)</u>                               | -23.7%         | -1.4%   |
| <b>Subtotal Other</b>         | <b>175.0</b>               | <b>5.3%</b>                                     | <b>1,044.6</b>                    | <b>(84.1)</b>                               | <b>-7.5%</b>   | <b>-1.3%</b>                                  |
| <b>TOTAL</b>                  | <b>\$1,027.2</b>           | <b>4.7%</b>                                     | <b>\$7,302.7</b>                  | <b>\$172.4</b>                              | <b>2.4%</b>    | <b>-0.5%</b>                                  |