

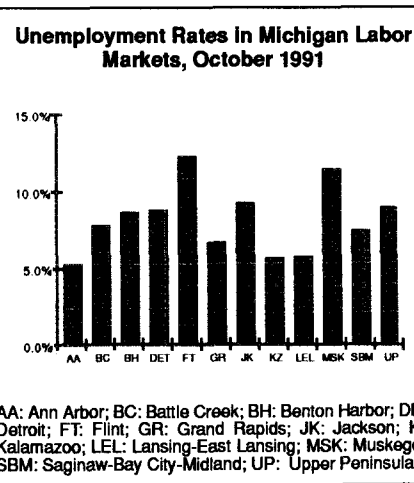
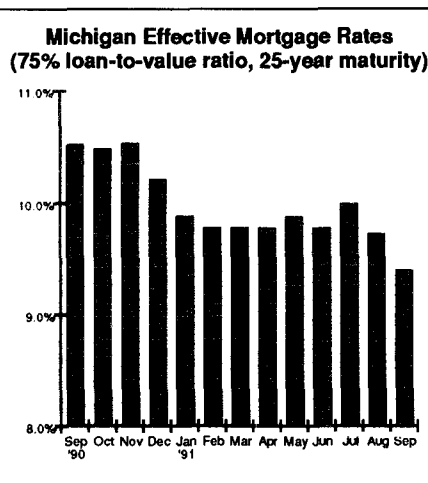
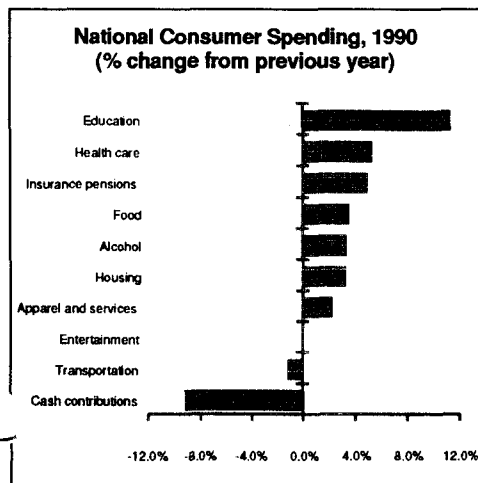


Michigan ECONOMIC BULLETIN

The Good News

- **Producer prices** rose a seasonally adjusted 0.2 percent in November, quashing inflationary fears instigated by the 0.7 percent October gain. The earlier rise is now considered a statistical aberration.
- A 6.1 percent gain in sales of nondurable goods (those that last less than three years) allowed November **retail sales** to rise 0.3 percent to \$153.11 billion, the third consecutive monthly gain in the figure.
- Led by low and declining mortgage rates, **sales of new homes** rose 2.2 percent in October to an annual, seasonally adjusted 513,000 units. This followed September's revised 4.9 percent decline, originally estimated as a 13 percent drop. The Midwest posted the greatest percentage gain (8.1 percent) among regions.
- Building by the public sector was the sole reason for October's gain in **construction spending**, which rose at a seasonally adjusted, annual rate of one percent (to \$411.5 billion), the fourth consecutive monthly increase in the figure—the longest posted since 1986.
- Adjusted for changes in the volatile transportation component, **orders for durable goods** rose a mere 0.1 percent in October. This follows revised declines of 4.2 percent in September and 4.1 percent in August. Including transportation, orders rose 3 percent.
- **Inflation** remains under control: November's CPI rose at an annual, seasonally adjusted rate of only 3 percent.

MICHIGAN ECONOMIC INDICATORS



SOURCES: Federal Home Loan Bank of Indianapolis, Bureau of Labor Statistics, and Michigan Employment Security Commission.

The Bad News

- The U.S. **unemployment rate** remained unchanged in November at 6.8 percent despite a nearly 241,000 decline in **employment**, the largest monthly drop since early this year.
- **Michigan wage and salary employment** declined 1.8 percent in October from the year-ago level. The weakest sectors continued to be construction and manufacturing. (Detailed information on Michigan employment will be available in next month's *Regional Economic Forecast*.)
- For the third consecutive month, the **index of leading economic indicators**—designed to foretell the state of the economy in the next six to eight months—rose a mere 0.1 percent in October. The largest negative contributor to the index was consumer expectations; orders for plant and equipment was the largest positive factor.
- After adjusting for inflation and seasonal variation, after-tax **personal income** inched up a meager 0.1 percent in October. This resulted in a 0.4 percent fall in October's **consumer spending** figure, the largest decline in six months.

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Gross Domestic Product

The National Income and Product Accounts

The national income and product accounts (NIPAs) are the statistics used to measure macroeconomic variables such as output and income. In addition to being the nation's balance sheet, they also provide a theoretical basis for relating one economic measure to another, thereby allowing us to gauge the performance of the national economy. The NIPA accounts include, on the output side of the balance sheet, measures of gross national product (GNP) including investment, government spending, consumption, exports, and imports. On the opposite side of the ledger are the income accounts including national income and its component parts, such as personal income, disposable income, and savings.

Revisions to the Accounts

This month the U.S. Commerce Department's Bureau of Economic Analysis (BEA) NIPA reports reflected a number of changes to the NIPA accounts. These revisions differ from frequently cited statistical modifications based on updated information; the revisions in the new reports include statistical transformations and changes in account definition and classification.

■ **Statistical Changes** Statistical changes reflect new methods of measurement, expanded information sources, and the availability of new and/or revised data, such as current census information. One alteration includes a change in the base period for the calculation of output adjusted for inflation (constant dollar output) and of the associated price indexes. Formerly, these had been based on a 1982 base period, or benchmark year; the new base year will be 1987. The main statistical change,

however, revolves around the manner in which real production is measured. The accounts had relied primarily on measuring real output based on changes in the price of goods; the new accounts also will include adjustments for changes in quantity, that is, changes in the composition of output. One index will weight production based on output in both the current and preceding year; the second will adjust for changes in output since the benchmark year.

► *Changes in Definition and Classification*

Changes in definition and classification generally are made to reflect economic evolution, including the changing nature of government programs, the effects of the "global economy" on the U.S. economy, and definitional changes in business expenses and incomes and how they affect production. One such change—what most observers consider the major revision to the accounts—is the replacement of GNP as the primary measure of the nation's production of goods and services with GDP, or gross domestic product. GDP revises the production side of the ledger by excluding from net exports any returns to factor inputs (the profits on the means of production, usually interest) earned abroad on goods owned by U.S. citizens.

GDP is considered by many economists to be a better measure of national output than GNP, because it more appropriately reflects *national* productive capacity, rather than the earnings capacity of the nation.

[This article is based on information contained in Robert P. Parker, "A Preview of the Comprehensive Revision of the National Income and Product Accounts: New and Redesigned Tables," *Survey of Current Business*, vol. 71, September 1991, pp. 23–31. For additional information see also (both in the *Survey of Current Business*): "Gross Domestic Product as a Measure of U.S. Production," vol. 71, August 1991, p. 8; and Allan H. Young and Helen Stone Tice, "An Introduction to National Economic Accounting," vol. 65, March 1985, pp. 69–70.]

Economic Forecast

Gross Domestic Product

Gross domestic product (GDP) rose at a seasonally adjusted, annual rate of 1.7 percent in the third quarter of 1991 to \$4.681 billion. (For a description of the new indicator, refer to the "Monthly Focus" in this month's *Bulletin*.) The gain had originally been reported as a 2.3 percent rate of increase. Primary reasons for the downward correction in the third quarter were a worse-than-predicted trade estimate and a lower-than-estimated rise in consumer spending. The third-quarter gain follows revised annual rates of decline of 1.5 and 3 percent in the first two quarters of the year, respectively.

Contributing positively to third-quarter expansion were rising business inventories, spending, and residential investment; net exports, government spending, and nonresidential investment all declined. The increase in inventories—which followed two consecutive quarterly declines—could have been unintentional, as the rise in consumer spending was less than businesses has originally expected. Businesses recouped some of their second-quarter losses: After declining 3.7 percent in the second quarter, corporate profits jumped by 3.9 percent in the third quarter.

OUTLOOK Abysmal automobile sales and a soft retail market should prevent fourth-quarter production from rising by more than about one percent, and we do not expect the first quarter of 1992 to be much better; our predicted rate of increase is only 1.2 percent. The fourth-quarter figure could be aided by a decline in inventories (which contributes positively to GDP) and by falling interest rates; the latter likely will not stimulate spending, however, until mid-1992. In addition, the continued decline in the value of the dollar could rekindle exports by the second quarter of 1992. We expect the economy to remain soft until at least the second quarter (especially in autos and investment) and therefore predict 1992 real GDP growth of only 1.8 percent.

Employment and Income

U.S. employment growth was very sluggish in the third quarter, as nonfarm employment increased by only 82,000 jobs, 1.5 percent below the year-ago level. This was a significant improvement, however, from the second-quarter job decline of 330,000. Employment in construction, manufacturing, and retail trade were flat and government employment fell 36,000 (0.8 percent annual rate). The only strength was in services, where employment jumped 167,000, a 2.4 percent annual rate of increase.

October employment was unchanged from September, with gains in services balancing losses in manufacturing, construction, and retail trade employment. The labor market weakened substantially in November, however, with nonfarm employment declining by 240,000 due mainly to large losses in retail trade (110,000) and construction (95,000).

The U.S. civilian unemployment rate averaged 6.8 percent in the third quarter, unchanged from the second. The rate was 6.8 percent in both October and November.

Michigan employment also continued weak in the third quarter, declining 2.4 percent from the year-ago level to 3,864,000 jobs (see Exhibit 1). The weakest areas were construction (down 8.6 percent) and manufacturing (down 5.6 percent). Trade and government employment also were weak, falling 2.4 percent and 1.4 percent, respectively. Services employment increased an anemic 0.6 percent, due largely to a 3.3 percent increase in health service jobs.

The state unemployment rate averaged 8.8 percent in the third quarter, up from 7.3 percent in the third quarter of 1990. In November the unemployment rate was 9.7 percent adjusted for seasonal variations.

U.S. personal income rose at a seasonally adjusted annual rate of 4 percent in the second quarter and 3.2

EXHIBIT 1

Michigan Wage and Salary Employment, Second Quarter 1991

Sector	Number Employed (thousands)	% Change from Year- ago Quarter
Mining	9.5	6.4%
Services	954.9	0.6
Health	316.7	3.3
Business	174.0	-2.3
Finance, Insurance, and Real Estate	194.4	0.6
Government	583.1	-1.4
State	151.1	-2.5
Transportation, Com- munication, and Public Utilities	157.6	-1.7
Trade	931.6	-2.4
Manufacturing	894.5	-5.6
Motor Vehicles	266.5	-4.8
Construction	138.7	-8.6
TOTAL	3,864.0	-2.4%

SOURCE: Michigan Employment Security Commission.

percent in the third quarter. Personal income in the third quarter was 3.1 percent above the year-ago quarter.

Michigan personal income increased at an annual rate (seasonally adjusted) of 6 percent in the second quarter (latest data available) from the previous quarter but was only 1.8 percent above the year-ago quarter (see Exhibit 2). The quarter-to-quarter gain is likely overstated and will be lower after revisions are made. The increase from the year-ago quarter is a better indication of the strength of the economy. (First-quarter personal income declined a revised 4.8 percent [annual rate] from the previous quarter.)

The reported strength in the second quarter was in transfer payments (10.8 percent annual rate), manufacturing (13.2 percent), and services (9 percent) wages and salaries. Total wages and salaries increased at an annual rate of 7.1 percent but were only 4.1 percent above the year-ago quarter. Growth in personal income was held back by a 4.4 percent (annual rate) drop in income from dividends, interest, and rent; the decline was due mainly to falling interest rates.

OUTLOOK In our last forecast we indicated that the national economic recession was over. That is now less clear. One key indicator is initial unemployment claims, which were declining in late summer but are once again on the rise. In late November claims rose by 57,000 to 471,000, close to the March peak. Employment increased in the third quarter after three consecutive quarterly declines, but the large November drop indicates this may be a temporary blip in a downward trend. At best, the economy is still bumping along the bottom: not likely to sink much further but also not likely to improve much for several months. With fourth-quarter employment growth expected to be flat, U.S. nonagricultural employment will end up down about one percent from the 1990 level. The U.S. unemployment rate will average about 6.8 percent, up from 5.4 percent in 1990. In 1992 sluggish economic growth will hold employment growth to one to 1.5 percent,

and the unemployment rate will remain near the 1991 level, with the rate peaking at a little over 7 percent early in the year and declining to about 6.5 percent by year-end.

We expect even slower economic growth in Michigan, due mainly to weakness in the manufacturing sector. As result, our forecast is for a 0.5 to one percent increase in wage and salary employment compared with a 2 percent decline in 1991. The unemployment rate will average about 9 percent in 1992 (compared with 9.3 percent in 1991), falling below 8.5 percent by the last quarter of 1992.

Michigan personal income is expected to increase at an annual rate of about 2 percent in the second half of the year, and 1.7 percent for all of 1991, compared with 4.7 percent in 1990. This will be the smallest increase since 1982 and the second smallest since 1960. Wages and salaries are expected to increase only 0.1 percent in 1991. With the economy expected to improve in the second half of 1992, we are forecasting a 4 to 5 percent gain in personal income in 1992. Income growth will be moderately constrained by lower interest rates, which will reduce interest income. We expect wage and salary income to grow slightly faster than total personal income.

Prices

The U.S. consumer price index (CPI) increased at an annual rate of only 1.2 percent in October, 2.9 percent above the year-ago level. The moderation in prices has been broad based: Energy prices were 8.6 percent below the year-ago level (due in part to a 17.3 percent decline in motor fuel prices); the transportation category was down 1.4 percent; and housing, food, and apparel costs were all up by less than 3.5 percent from a year ago. The medical and other goods and services categories were both up about 8 percent. Producer prices, which generally foreshadow changes in consumer prices, have been flat during most of

EXHIBIT 2

Michigan Personal Income, Selected Components, 1989, 1990, 1991 II (millions of dollars)

Quarter	Total Personal Income	Wages and Salaries	Manufacturing Wages	Service Wages	Transfer Payments	Dividends, Interest, and Rent
1989 I	160,248	97,206	34,911	18,711	24,051	25,400
II	162,216	97,750	34,543	19,350	24,330	26,551
III	164,283	99,019	34,591	19,667	24,793	27,076
IV	166,330	99,902	34,333	20,248	25,330	27,462
1990 I	167,022	98,098	32,501	20,662	26,369	27,523
II	170,796	102,407	34,579	21,066	26,519	27,729
III	172,804	103,798	35,101	21,630	26,890	28,010
IV	173,392	103,236	34,475	21,601	27,680	28,120
1991 I	171,283	100,360	31,480	21,868	29,009	27,867
II*	173,846	102,145	32,516	22,359	29,803	27,569

*Preliminary.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, October 1991 release.

1991. October producer prices were at the same level as in October 1990, up 2 percent (excluding energy).

Michigan consumer prices (as measured by the Detroit-Ann Arbor CPI, which is released every two months) increased at an annual rate of 6.6 percent in October (from August), due to sharp jumps in prices for apparel and other goods and services (see Exhibit 3). This was a temporary aberration, however, as October prices were only 2.1 percent above the year-ago level and are likely to increase only modestly in the next several months. Excluding energy costs—which were down 11.9 percent from one year ago—consumer prices are up about 3.6 percent, which is close to the underlying rate of inflation.

OUTLOOK The outlook for inflation has improved since our last forecast. In our September quarterly forecast we projected a 4-percent increase in both U.S. and Michigan prices for 1991. It now appears that the Michigan CPI will increase about 3.6 percent, and the U.S. CPI will increase 4.2 percent but only 3.3 percent from December to December. The 1990 inflation rate was 5.4 percent for the United States and 5.2 percent for Michigan.

With the economy expected to remain sluggish in 1992, inflation should continue to be moderate. We are forecasting a 3.5 to 4 percent increase for the United States and a 3 to 3.5 percent increase for Michigan.

Monetary and Fiscal Policy

The Federal Reserve (Fed) has been cutting interest rates—some to levels not witnessed since the late 1960s and early 1970s—and there has been increasing pressure to continue that policy to stimulate the economy. The discount rate currently stands at 4 percent, nearly even with the bellwether federal funds rate. Even long-term rates—seen in part as indicators of future economic growth and inflation—have begun to inch downward. One question now

being asked is whether monetary policy can be used to stimulate the economy, and if so, to what extent the efforts will be successful in pulling the economy out of recession. The Fed has been allowing interest rates to fall—most notably since early July—to make credit more accessible to banks, which would in turn extend that credit to businesses and consumers. In response, although the prime rate has fallen to 7.5 percent, both businesses and consumers appear wary of borrowing in light of negative expectations about the economy's future. In addition, the Fed may have moved too cautiously early on: Although short-term rates have been falling, until late October money supply growth had been slow or negative. Since October, however, growth of the money supply has been stronger, indicating that the Fed has decided seriously to attempt expansionary monetary policy to stimulate the economy.

In Washington, the song sung by nearly everyone these days is not a Christmas carol but rather "Tax Cut Fever." By early November at least twelve tax cut proposals had been introduced in Congress, including a capital gains tax cut, deductions for first-time home buyers, IRA deductions, reduced Social Security levies, and decreased marginal income tax rates. Since that time the White House has indicated that it may offer its own plan in January.

OUTLOOK We expect the Fed to continue working to reduce interest rates, with the trough occurring late in the first quarter of 1992. This is subject, however, to actions taken by Congress and/or the administration to cut taxes. While some of the tax cut plans offer reduced defense spending or tax shifting to upper income individuals as methods to pay for any tax reduction, many do not indicate how they would offset the resulting reduction in revenues. Without a method to pay for it, any cut could cause more harm than good. Any recent action that has increased the deficit (which the administration has estimated will top the \$350 billion mark in FY 1992) has caused an adverse reaction in the financial markets, resulting in higher interest rates and thwarting the Fed's recent

EXHIBIT 3

Detroit-Ann Arbor Consumer Price Index, October 1991

Component	Index	Percentage Change from August 1991 (annual rate)	Percentage Change from December 1990 (annual rate)	Percent Change from October 1990
Medical care	174.4	4.8%	7.1%	6.4%
Other goods and services	168.3	33.0	10.9	5.5
Apparel	137.0	24.0	7.4	4.3
Food and beverage	132.6	4.8	4.4	3.8
Housing	129.8	1.2	-1.3	0.9
Entertainment	129.6	-21.0	-1.8	0.0
Transportation	129.1	1.2	-1.3	-1.0
Motor Fuel	94.0	-36.0	-20.1	-22.4
All items	134.6	6.6	3.1	2.1
Energy	101.9	-15.6	-9.0	-11.9
All items less energy	139.4	8.4	4.3	3.6

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

efforts. In addition, the effect of a tax cut would probably not be felt until mid-1992, by which time the economy is predicted to expand. With the onset of the election campaign, however, some form of tax relief seems likely. If taxes are cut, the possibility of inflationary pressures could cause the Fed to halt its efforts to cut rates.

Motor Vehicle Sales and Production

Motor vehicle sales turned in another dismal performance in the third quarter, declining 7.4 percent below the year-ago quarter. Car sales were off 9.4 percent, while truck sales declined only 3.5 percent. Sales for the Big Three automakers fell 9.8 percent, but sales of Japanese models increased 1.3 percent.

For the first nine months of the year motor vehicle sales declined 12.5 percent, with car sales down 12.8 percent and truck sales down 11.5 percent. Big Three sales fell 14.4 percent, while sales of Japanese models declined only 4.8 percent. As a result, the Japanese increased their share from 23.8 percent in 1990 to 25.8 percent in 1991 (for passenger cars the Japanese share rose from 27.7 to 30.2 percent). The only American make that recorded an increase was Buick (1.9 percent); its share rose from 5.7 percent of passenger car sales in 1990 to 6.6 percent in 1991. Ford, Chevrolet, and Pontiac suffered the largest declines in market share.

Motor vehicle sales did not improve in October, declining 10.1 percent below the October 1990 level. In October Big Three sales fell 12.9 percent, while Japanese sales declined only 0.1 percent. November sales showed some improvement, declining only 6.6 percent, and Big Three sales fell only 3.8 percent. December sales, however, again fell sharply.

U.S. car production was down 12.6 percent for the first eleven months of 1991 and will total about 5.3 million units for all of 1991. Except for a brief upturn in 1988, car production has declined every year since 1985 and is about 34 percent below the 1985 level. Truck production de-

clined 11.1 percent in the first eleven months of the year and will total about 3.35 million units for 1991, only 4 percent below the 1985 level.

OUTLOOK Our 1991 sales forecast has been too optimistic, as the second half improvement did not materialize as expected. Our May 1991 forecast was for sales of 13.2 million vehicles. In our September forecast this was reduced to 12.9 million vehicles. It now appears that vehicle sales will be only 12.4 million units, 12.6 percent below 1990 and nearly 25 percent below the 1986 level (see Exhibit 4). Passenger car sales will total an estimated 8.245 million units, with imported and transplant sales providing nearly 40 percent of the total, up from 34.2 percent in 1990. Truck sales are estimated at 4.140 million units, down 15 percent from 1990.

The outlook for 1992 is for a small improvement in sales. Automobile sales depend in large part on five factors: (1) real disposable income, (2) consumer confidence, (3) overall strength of the economy, (4) interest rates and financing terms, and (5) age of the stock of automobiles. Currently, only the last two factors are favorable, but there should be modest improvement in the first three factors in 1992. U.S. real disposable income increased only 0.8 percent in 1990 and declined an estimated 0.5 percent in 1991, after increasing at an annual rate of 3.5 percent from 1983 to 1989. Because of lower inflation and a modest economic recovery, real disposable income is expected to increase about one to 1.5 percent in 1992. Consumer confidence, which has bottomed out near early 1980 levels, should begin to improve in the spring. An additional factor that should stimulate sales is the introduction of a number of attractive new models, which will generate more showroom traffic and, it is hoped, more sales.

Our forecast is for motor vehicle sales to increase 5.4 percent to 13.05 million units, with 8.65 million passenger cars and 4.4 million trucks. Sales of transplants will continue to increase faster than total sales, and the Japanese share of passenger car sales (transplants and imports) will continue to climb, exceeding 36 percent in 1992.

EXHIBIT 4

Car and Truck Sales, 1986-90 (actual), 1991, and 1992 (estimated)

Year	Car Sales			Truck Sales	Total Motor Vehicle Sales
	Domestic Big Three	Transplant	Imported		
1986	7,845,621	369,041	3,248,579	4,881,791	16,345,032
1987	6,537,378	543,804	3,144,054	4,969,459	15,193,775
1988	6,909,960	616,374	3,068,738	5,212,763	15,807,835
1989	6,236,255	778,596	2,698,274	5,091,107	14,804,232
1990	5,792,148	1,060,585	2,452,999	4,868,364	14,164,096
1991 (est.)	4,975,000	1,130,000	2,140,000	4,140,000	12,385,000
1992 (est.)	5,180,000	1,220,000	2,250,000	4,400,000	13,050,000

SOURCE: *Automotive News*; estimates by Public Sector Consultants, Inc.

Supplementals and Surcharges

► **Stadium Financing Act** House Bill (HB) 5300 (reported in last month's *Bulletin*) moved swiftly through the legislature. The bill originally would have allowed Wayne County voters discretion to raise excise taxes on hotels, restaurants, and rental cars to finance construction of a new baseball stadium in Detroit. Ability to request such a levy of its voters was extended to Macomb and Kent counties by the House, while the Senate added Oakland, Washtenaw, and Ingham counties to the list. The Senate also expanded the scope for this type of financing to include the construction of convention facilities. Opposition in the Senate included questions on the legislation's constitutionality, protests that the tax would discourage visitors to the counties imposing the levy, and charges that the surcharge is effectively a subsidy for (rich) stadium owners. The bill passed the Senate, however, on a 22-9 vote, and the House concurred with the Senate version. HB 5300 (S-3) now awaits the governor's signature.

● **Phone Surcharge** In late November the Senate passed Senate Bill (SB) 617, which would give county commissions the ability to impose, by resolution, a 4 percent surcharge on phone lines to provide monies for countywide central dispatch emergency (911) systems. In multicounty areas each commission would be required to pass similar resolutions. Surcharges would be collected by telephone companies, which then would pass them on to counties. Currently, 911 services are funded through various combinations of state funds, local property taxes, local general fund (GF) monies, and/or telephone taxes. The FY 1991 state police budget contains \$1.7 million (net of vetoes) for 911 programs, and a pending supplemental bill, SB 213, includes another \$1.9 million for such services. Opposition to the bill focused on concern that low-income households would be unable to afford the additional cost of phone service and on how funds would be distributed in those cases where cities—as opposed to counties—run their own programs. The bill has moved to the House and is pending in the House Taxation Committee.

● **DSS Supplemental** The House Appropriations Committee passed its versions of SBs 213 and 510, the Senate-originated supplemental spending bills. The committee's version of SB 213 contained \$257.5 million total/\$131 million GF in funding for the Department of Social Services (DSS); the full House attached additional funds, bringing the DSS share to \$296.2 million total/\$137.6 million GF, or \$214 million total/\$12.2 million GF above the level of DSS funding contained in the Senate version. SB 510, which contains funding for CountyCare and indigent care programs, awaits the governor's signature.

► **Gas Tax** Representative Thomas Alley recently introduced legislation, HBs 5388 and 5399, that would raise the state's tax on gasoline by \$.05 per gallon, with the resulting estimated \$225-235 million in revenues to be used for personnel and repair of county and local roads and for funds to match federal dollars for improvement of the states highway system. The tie-barred bills have been referred to the House Taxation Committee.

● **Other News** Beginning on January 1, Michigan employers could face a significantly higher tax bite: The rate they are required to remit for federal withholding taxes could double from the current 0.8 percent to 1.6 percent. The state has not repaid loans extended by the federal government for unemployment benefits, thereby necessitating the rate hike. Michigan is the only state so far that has defaulted on such loans.

PUBLICATIONS OF INTEREST

Bureau of Labor Statistics, U.S. Department of Labor, *Consumer Expenditures in 1990* (Washington D.C.: the Department, November 22, 1991).

This report provides information on 1990 household expenditure levels and changes in spending patterns from the previous year. Spending is broken down by type, such as for food, housing, apparel and services, transportation, health care, entertainment, and personal insurance and pensions. Households are categorized by income quintile; age of the head of household; size and composition; number of wage earners; housing tenure (renter versus owner); race; region; and type of area (urban versus rural). Findings and interpretations of the survey will appear in an upcoming edition of the *Michigan Economic Bulletin*.

Several national organizations have issued their annual reports on state budget and tax situations. These include:

- **National Association of State Budget Officers, *State Expenditure Report: 1991 and Fiscal Survey of the States: October 1991* (Washington, D.C.: NASBO)**
- **National Conference of State Legislatures, *State Budget and Tax Actions: 1990* (Washington, D.C.: NCSL)**
- **Office of Economic and Tax Policy, Department of Finance and Revenue, Government of the District of Columbia, *Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison* (Washington, D.C.: the Department).**

For further information, call NASBO at 202/624-5302, NCSL at 202/624-5400, and the D.C. Finance and Revenue Department at 202/727-6027.

Michigan Revenue Report

Revenue collections continued very weak in November (October activity), with all major revenue sources declining from the year-ago month. Overall, total general fund and school aid fund revenue fell 2.9 percent.

November personal income tax collections declined an estimated 1.4 percent, although it is difficult to track them because of the accelerated collection of withholding payments. Until more information is available on the effect of this change, the numbers will be subject to greater than normal error. One outcome of the modification is that the collection and activity month are now nearly the same; that is, November income tax collections largely reflect November activity.

Sales and use tax collections fell 2 percent, continuing the recent pattern of weakness and providing little hope that

Christmas sales will be much improved. Motor vehicle sales fell 5 percent, a better performance than in most recent months.

Single business tax collections declined 6.8 percent in November and are off 11.9 percent over the last three months.

The only positive note is that November lottery sales (preliminary) increased 6.3 percent due to a large lottery jackpot.

Overall, the state revenue outlook is bleak, and it becomes more likely every month that revenue will fall below the budget estimate of a 5.2 percent revenue increase. We are becoming concerned that even our projected 3-percent increase in revenue may be too high.

MONTHLY TAX COLLECTIONS (dollars in thousands)

Type of Revenue	Preliminary November 1991	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1991-92 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	\$358,491	1.0% ^a	\$1,222,032	1.4% ^a	\$358,491	1.5% ^a
Quarterly and Annual Payments	3,038	-42.1	117,614	-4.0	3,038	-42.1
Gross Personal Income Tax	361,529	0.9	1,338,392	0.6	361,529	0.0
Less: Refunds	-16,402	68.5	-57,544	81.2	-16,402	68.5
Net Personal Income Tax	345,127	-2.0	1,280,848	-2.0	345,127	-2.8
Sales and Use Taxes	259,466	-2.0	796,860	-2.5	259,466	-2.0
Motor Vehicles	36,704	-5.0	123,040	-6.3	36,704	-5.0
Single Business Tax	205,306	-6.8	392,519	-11.9	205,306	-6.8
Cigarette Tax	23,614	2.6	66,248	-0.8	23,614	2.6
Public Utility Taxes	7,320	-54.3	7,446	-53.5	7,320	-54.3
Oil and Gas Severance	3,872	-24.1	10,655	-24.1	3,872	-24.1
Lottery ^b	39,628	6.3	112,523	0.0	39,628	-11.0
Penalties and Interest	354	-21.9	16,660	27.6	354	-21.9
SUW—Annals and Undistributed ^c	2,102	-67.4	-7,637	-114.5	2,102	-67.4
Other Taxes ^d	34,562	90.2	97,104	37.2	34,562	90.2
TOTAL TAXES (GF & SAF)^e	\$921,351	-0.8%	\$2,773,226	-1.0%	\$921,351	-1.9%
Motor Fuel Tax ^f	\$55,378	3.3%	\$167,947	3.7%	\$55,378	3.3%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

^aAdjusted to reflect accelerated withholding payments beginning in September.

^bThe state share of lottery sales is 40.1 percent (FY 91). The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

^cThese revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

^dIncludes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.

^eExcluded are beer and wine, liquor, and horse racing taxes, which are not collected by the Department of Treasury.

^fThe motor fuel tax is restricted to the Transportation Fund.

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