



REGIONAL QUARTERLY REPORT

State Personal Income and More . . .

First quarter of 2011

State personal income growth accelerated to 1.8 percent (on average) in the first quarter of 2011 from 0.8 percent in the fourth quarter of 2010 (chart 1).¹

The first-quarter growth was the highest since the first quarter of 2007, when state personal income growth also averaged 1.8 percent. Personal income increased in all states, with growth ranging from 0.7 percent in Iowa to 6.9 percent in North Dakota. Inflation, as measured by the national price index for personal consumption expenditures, increased to 1.0 percent in the first quarter from 0.4 percent in the fourth quarter of 2010, the highest rate since the financial crisis in the third quarter of 2008.

A temporary 2 percentage point reduction in the personal contribution rate for social security accounted for most of the acceleration in first-quarter personal income growth in most states.² The reduction in the contribution rate for social security is one of the provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

In this report...

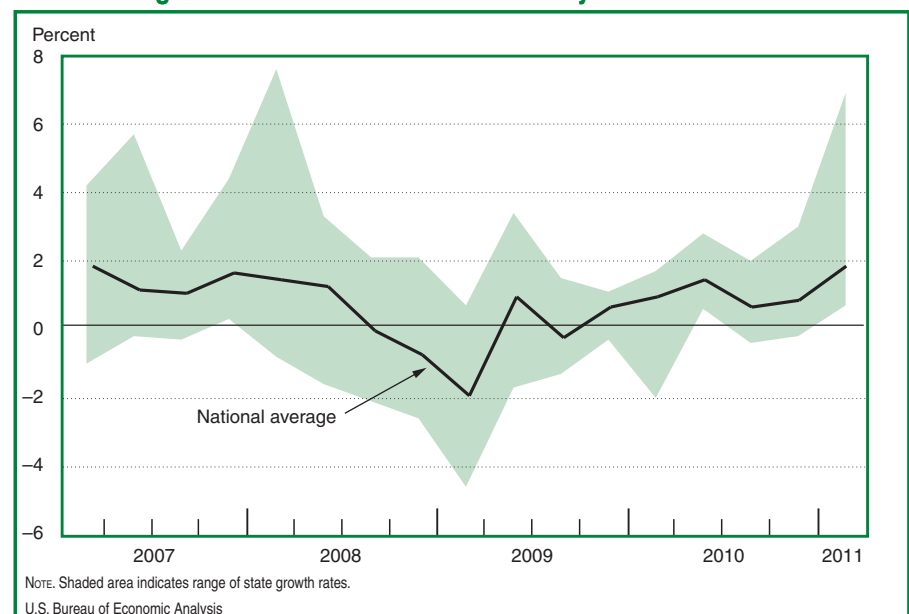
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For information about BEA regional statistics, go to www.bea.gov.

1. Personal income is the sum of net earnings by place of residence, property income, and personal current transfer receipts.

2. For all states and the District of Columbia, employee and self-employed contributions for government social insurance fell \$101 billion in aggregate in the first quarter of 2011. These contributions are a subtraction in the calculation of personal income.

Chart 1. Range of State Personal Income Quarterly Growth Rates



State Personal Income

The wide range in state personal income growth rates was due to markedly different farm conditions across states. Farm income in some states, such as North Dakota, benefited from surging global wheat demand (which raised prices in the United States 18 percent in the first quarter), while farm income in other states, such as Iowa, plummeted because of rising livestock expenses and falling production.

In contrast, nonfarm personal income growth rates were more tightly clustered, ranging from 1.3 percent in Minnesota to 2.8 percent in North Dakota.

Earnings by industry

Mining and durable-goods manufacturing were the best performing industries in the first quarter. For the United States, mining earnings grew 5.5 percent and durable-goods earnings grew 2.8 percent (table A). Earnings in all other industries combined grew only 0.8 percent, which lagged the 1.0 percent national rate of inflation.

Table A. Growth of U.S. Earnings by Industry.

	Percent change		Dollar change (millions of dollars)	
	2010:IV	2011:I	2010:IV	2011:I
Farm	7.4	1.0	6,123	916
Forestry, fishing, and related activities	-3.0	2.5	-814	652
Mining	4.7	5.5	6,126	7,534
Utilities	0.9	2.0	715	1,599
Construction	-1.8	0.0	-8,100	0
Durable-goods manufacturing	0.8	2.8	4,916	16,943
Nondurable-goods manufacturing	0.7	0.5	2,527	1,787
Wholesale trade	1.0	1.2	4,822	5,867
Retail trade	-0.5	0.3	-2,939	1,888
Transportation and warehousing	0.2	1.7	532	5,174
Information	0.2	0.0	707	-98
Finance and insurance	1.4	1.0	8,486	6,532
Real estate and rental and leasing	6.7	-1.9	9,744	-2,934
Professional, scientific, and technical services	1.4	1.5	12,514	14,365
Management of companies and enterprises	4.4	0.9	9,521	2,000
Administrative and waste services	0.8	1.3	2,725	4,608
Educational services	-0.1	0.6	-120	884
Health care and social assistance	0.1	0.9	1,281	9,012
Arts, entertainment, and recreation	-1.5	2.1	-1,551	2,098
Accommodation and food services	-0.2	1.2	-596	3,374
Other services, except public administration	0.1	0.2	235	655
Federal government, civilian	0.2	0.4	732	1,238
Military	-0.1	1.6	-157	2,863
State and local government	0.0	0.1	143	1,462
Total earnings	0.6	1.0	57,572	88,418

Mining. The mining industry, which includes oil and gas extraction, contributed more than any other non-farm industry to earnings growth in six of the seven fastest growing states—North Dakota, Wyoming, Texas, Montana, Oklahoma, and Alaska. In most of these states, the industry contributed between 0.5 and 1.0 percentage point to first-quarter earnings growth. Mining was also the largest contributor to earnings growth in Louisiana and West Virginia. Even with this recent strong growth, U.S. mining earnings remain 3.9 percent below their peak in the third quarter of 2008.

Durable-goods manufacturing. The rebound in durable-goods earnings corresponds to a recovery in the durable-goods component of gross domestic product (chart 2). The output of durable goods produced by labor and property located in the United States amounted to \$2.18 trillion in the first quarter, surpassing the previous peak of \$2.13 trillion in the fourth quarter of 2007.³

Durable-goods earnings increased 7.5 percent in Washington and 3.5 percent in Massachusetts in the first quarter, the only states where durable-goods earnings have fully recovered from their decline during the recession. Bonuses paid to workers were an important part of the strong earnings growth in Washington in the first quarter.

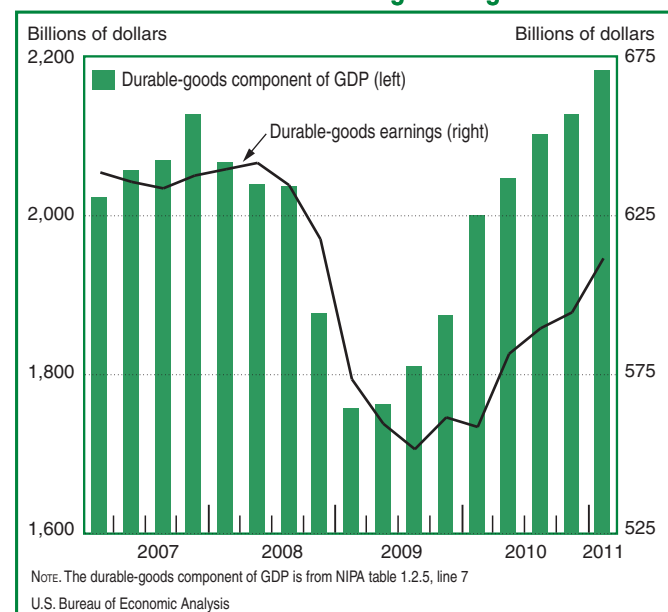
Durable-goods earnings also grew strongly in Michigan, Indiana, and Ohio, as U.S. motor vehicle output increased 14 percent in the first quarter.⁴ Earnings grew 4.2 percent in Michigan, 3.6 percent in Indiana, and 3.4 percent in Ohio. Almost half of U.S. motor vehicle production is concentrated in these states, and a large portion of durable-goods earnings in these states arises from the motor vehicle industry.⁵

3. U.S. durable-goods gross domestic product is reported in NIPA table 1.2.5, line 7.

4. U.S. motor vehicle output is reported in NIPA table 1.2.5, line 15.

5. Based on 2009 data, earnings in the motor vehicles, bodies and trailers, and parts manufacturing industry were 44 percent of durable-goods manufacturing earnings in Michigan, 28 percent in Indiana, and 21 percent in Ohio.

Chart 2. U.S. Durable-Goods Component of GDP and Durable-Goods Manufacturing Earnings



State Personal Income

Even with this recent strong growth, U.S. durable-goods manufacturing earnings remain 4.7 percent below their peak in the second quarter of 2008.

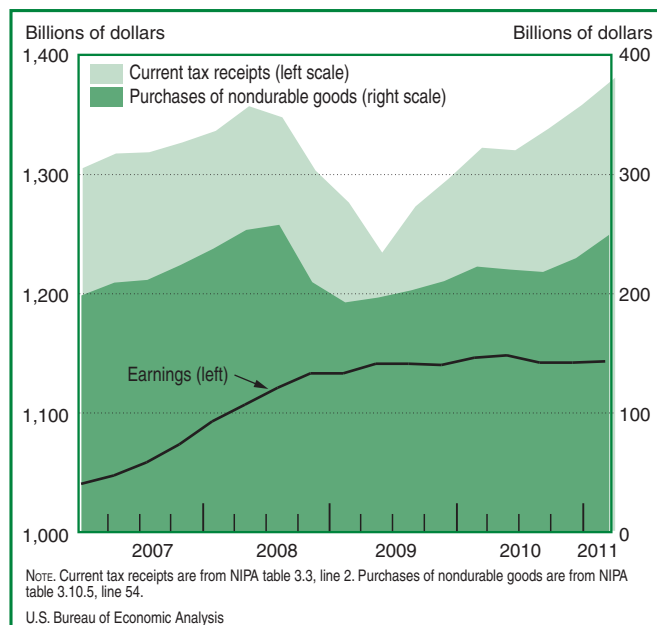
State and local government. Overall, the earnings of state and local government workers were little changed in the first quarter. The \$1.5 billion increase represented a rise of only 0.1 percent. However, the overall data obscure substantial variation across states. Earnings fell as much as 1.0 percent in West Virginia and rose as much as 0.7 percent in North Dakota in the first quarter.

The slow growth of earnings in the first quarter in many states was a lingering consequence of the abrupt deterioration of government budgets in 2008. State and local governments responded to the 9.0 percent drop in current tax receipts from the second quarter of 2008 to the second quarter of 2009 primarily with a sharp, contemporaneous 22 percent cutback in their purchases of nondurable goods (chart 3).⁶ Over the same period, earnings and other components of state and local government consumption expenditures continued to grow but at a slower rate; earnings grew only 3.1 percent from the second quarter of 2008 to the second quarter of 2009 after having grown 5.7 percent over the previous four quarters.⁷

6. Current tax receipts are from NIPA table 3.3, line 2 and purchases of nondurable goods are from NIPA table 3.10.5, line 54.

7. Earnings by place of work is the same as compensation in the government sector since there is no proprietors' income.

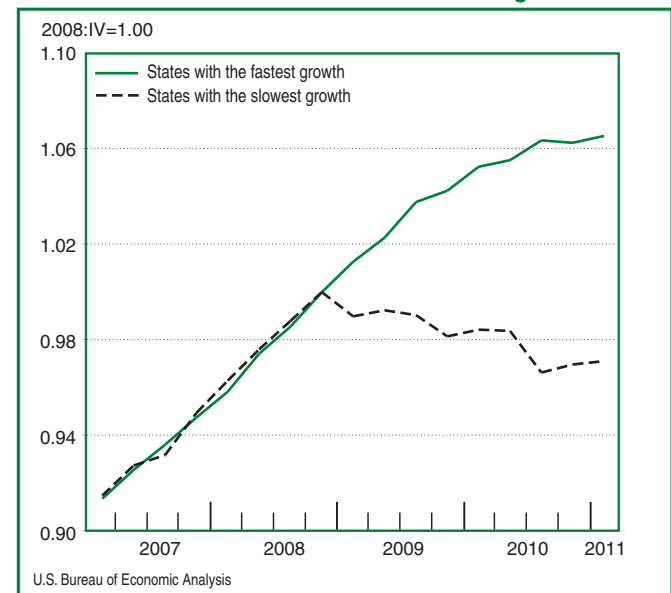
Chart 3. State and Local Government Sector for All States and the District of Columbia



Subsequently, current tax receipts increased in almost every quarter so that by the end of last year, they surpassed the previous peak (in the second quarter of 2008). They continued growing in the first quarter of 2011. The growth of earnings, in contrast, continued to decelerate as many states froze hiring, issued furloughs, and laid off employees. Earnings growth slowed to 0.6 percent from the second quarter of 2009 to the second quarter of 2010 and fell 0.4 percent over the following three quarters (the second quarter of 2010 to the first quarter of 2011).

Since the fourth quarter of 2008, state and local government earnings have evolved over widely diverging paths (chart 4). In the 10 states where the state and local government sector has expanded the most (Texas, Pennsylvania, Arkansas, Nebraska, West Virginia, Alaska, Delaware, Wyoming, North Dakota, and South Dakota), earnings are up 6.5 percent on average. In contrast, in the 10 states where the state and local government sector has shrunk the most (California, New Jersey, Georgia, Massachusetts, Arizona, Missouri, South Carolina, Nevada, Hawaii, and Idaho), earnings have fallen an average 2.9 percent. The divergence between these two groups of states over the last nine quarters is all the more striking when contrasted with the groups' uniform growth from the first quarter of 2007 to the fourth quarter of 2008 (chart 4).

Chart 4. State and Local Government Earnings



State Personal Income

Personal current transfer receipts

In the first quarter of 2011, personal current transfer receipts were little changed. A \$10 billion decline in overall state unemployment insurance benefits offset most of the \$11 billion rise in other government social benefits, such as social security benefits received by retirees. For the second year in a row, retirees did not receive a cost of living adjustment to their social security benefits.

BP oil spill payments to individuals fell almost \$1 billion in the first quarter, mostly affecting transfer receipts in Florida and Louisiana and to a lesser extent transfer receipts in Alabama, Mississippi, and Texas (table B).

The expiration of some elements of the American Recovery and Reinvestment Act (ARRA) of 2009 (in particular, Pell Grants and COBRA payments) reduced transfer receipts \$15 billion for all states and the District of Columbia combined in the first quarter (table B). ARRA payments in the first quarter consisted primarily of some tax credits and food stamp benefits.⁸

Dividends, interest, and rent

Property income—dividends, interest, and rent—rose 2.2 percent in the first quarter, compared with 1.4 percent in the fourth quarter of 2010. The first-quarter growth was the fastest growth since the third quarter of 2007, when property income rose 2.5 percent. Nevertheless, property income is still 4.0 percent below its peak in the third quarter of 2008. All three components increased, with the gain in rent primarily due to a reduction in closing costs associated with mortgage originations (an expense in the calculation of rental income).

Homeowner assistance payments associated with Hurricane Katrina were unchanged in the first quarter, with Louisiana and Mississippi each receiving \$200 million (table B). These payments are recorded in the rental income of persons.

8. Food stamp benefits are provided through the Supplemental Nutritional Assistance Program.

Table B. Special Factors in Personal Income

[Millions of dollars, annual rate]

	2009	2010	2010				2011
			I	II	III	IV	
Homeowner assistance payments (in dividends, interest, and rent).....							
Louisiana	600	500	800	600	400	200	200
Mississippi	400	350	400	400	400	200	200
United States	1,000	850	1,200	1,000	800	400	400
Current transfer receipts of individuals from the BP oil spill							
Alabama	0	99	0	48	75	274	128
Florida	0	215	0	71	111	679	307
Louisiana	0	196	0	74	115	596	224
Mississippi	0	50	0	19	29	153	57
Texas	0	17	0	6	9	54	59
United States	0	578	0	217	340	1,756	775
Net effect of ARRA on personal current transfer receipts¹							
Alabama	977	1,384	1,661	1,333	1,257	1,284	1,060
Alaska	97	109	147	107	90	93	71
Arizona	1,825	1,847	2,294	1,796	1,628	1,669	964
Arkansas	653	769	1,005	700	678	693	565
California	10,055	8,066	12,472	7,018	6,224	6,550	4,577
Colorado	1,038	868	1,344	736	685	706	498
Connecticut	1,028	675	1,257	501	460	482	337
Delaware	185	172	245	154	143	147	120
District of Columbia	175	147	236	111	119	122	101
Florida	4,542	4,814	6,599	4,349	4,057	4,252	3,322
Georgia	2,378	2,759	3,713	2,464	2,402	2,457	2,033
Hawaii	282	254	375	211	210	218	182
Idaho	352	321	451	278	274	280	210
Illinois	3,467	3,001	4,671	2,556	2,334	2,442	1,815
Indiana	1,984	1,534	2,409	1,247	1,226	1,252	911
Iowa	825	674	922	597	579	597	339
Kansas	560	519	768	446	425	436	329
Kentucky	1,105	1,051	1,450	953	892	910	726
Louisiana	687	1,275	1,420	1,263	1,196	1,223	1,058
Maine	262	243	330	222	207	215	171
Maryland	1,022	941	1,373	793	790	809	634
Massachusetts	2,086	1,263	2,395	908	850	899	628
Michigan	3,445	2,722	4,363	2,294	2,050	2,181	1,545
Minnesota	1,206	880	1,486	691	663	679	475
Mississippi	575	1,005	1,172	973	929	947	812
Missouri	1,277	1,306	1,750	1,213	1,114	1,145	908
Montana	177	181	248	162	155	158	126
Nebraska	259	284	366	257	253	258	202
Nevada	920	611	1,121	463	423	438	332
New Hampshire	199	168	260	138	136	138	103
New Jersey	3,158	1,900	3,716	1,377	1,227	1,279	877
New Mexico	394	521	657	495	460	474	391
New York	5,154	4,708	6,906	4,094	3,847	3,984	2,932
North Carolina	2,541	2,458	3,587	2,210	1,979	2,054	1,614
North Dakota	80	89	110	82	82	83	66
Ohio	2,788	2,648	3,888	2,313	2,165	2,226	1,699
Oklahoma	640	818	1,037	755	730	749	621
Oregon	1,294	939	1,517	766	720	752	503
Pennsylvania	3,897	2,793	4,645	2,240	2,106	2,183	1,527
Rhode Island	370	255	414	203	198	205	142
South Carolina	1,166	1,304	1,775	1,198	1,105	1,137	932
South Dakota	89	129	141	125	124	126	104
Tennessee	1,413	1,626	2,115	1,527	1,411	1,450	1,215
Texas	4,116	5,948	7,380	5,562	5,355	5,496	4,640
Utah	410	449	613	402	386	394	279
Vermont	134	105	161	87	85	88	67
Virginia	1,221	1,320	1,698	1,192	1,184	1,205	949
Washington	1,604	1,428	2,094	1,077	1,120	1,421	827
West Virginia	369	393	495	367	350	358	281
Wisconsin	1,363	1,097	1,727	924	848	889	633
Wyoming	83	81	120	70	66	67	50
United States	75,925	70,850	103,100	62,000	58,000	60,300	45,500

ARRA American Recovery and Reinvestment Act of 2009

1. Some ARRA funding, such as for Medicaid, replaced state funding and had no net effect on personal current transfer receipts.

David G. Lenze

Tables 1 and 2 follow.