

REGIONAL QUARTERLY REPORT

State Personal Income and More...

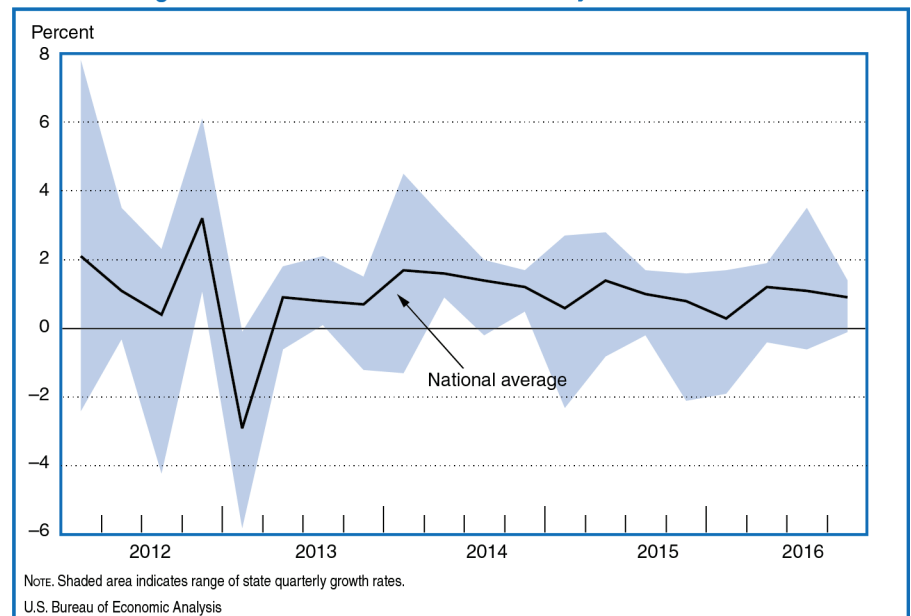
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Fourth quarter of 2016

Personal income growth slowed in 28 states in the fourth quarter of 2016 and fell in Nevada (table A).¹ Personal income growth accelerated in 15 states, including Texas and New York, and resumed growing in Wyoming. Personal income grew at the same pace in the third and fourth quarters in California and in four other states. Growth rates ranged from -0.1 percent in Nevada to 1.4 percent in California and Utah. On average, personal income grew 0.9 percent in the fourth quarter, down from 1.1 percent in the third quarter (chart 1). Price inflation, as measured by the national price index for personal consumption expenditures, was 0.5 percent in the fourth quarter, up slightly from 0.4 percent in the third quarter.

1. State personal income, which is measured in current dollars, is the sum of net earnings by place of residence, property income, and personal current transfer receipts. Quarterly estimates in dollars are expressed at seasonally adjusted annual rates; quarter-to-quarter percent changes are not annualized.

Chart 1. Range of State Personal Income Quarterly Growth Rates



David G. Lenze prepared the report on state personal income.

State Personal Income, Fourth Quarter of 2016

Table A. Growth of Personal Income by State
[Percent change from previous quarter]

	2016	
	III	IV
	United States.....	1.1
Alabama.....	0.7	0.8
Alaska.....	0.3	0.9
Arizona.....	1.8	0.9
Arkansas.....	0.5	0.8
California.....	1.4	1.1
Colorado.....	1.6	0.9
Connecticut.....	0.5	0.9
Delaware.....	1.5	1.0
District of Columbia.....	1.2	1.2
Florida.....	1.6	1.0
Georgia.....	1.3	1.0
Hawaii.....	1.1	1.0
Idaho.....	0.9	0.9
Illinois.....	0.7	0.6
Indiana.....	1.1	0.8
Iowa.....	0.9	0.2
Kansas.....	1.1	0.4
Kentucky.....	1.4	0.4
Louisiana.....	0.5	1.3
Maine.....	0.6	0.8
Maryland.....	1.2	1.1
Massachusetts.....	1.8	0.7
Michigan.....	1.0	1.0
Minnesota.....	1.5	0.9
Mississippi.....	0.7	0.7
Missouri.....	0.8	0.9
Montana.....	0.7	1.0
Nebraska.....	0.6	0.2
Nevada.....	3.5	-0.1
New Hampshire.....	1.9	0.9
New Jersey.....	0.9	0.9
New Mexico.....	0.7	0.8
New York.....	0.5	0.8
North Carolina.....	1.1	0.9
North Dakota.....	0.6	0.4
Ohio.....	0.9	0.8
Oklahoma.....	0.2	0.6
Oregon.....	0.8	1.1
Pennsylvania.....	1.7	1.0
Rhode Island.....	1.2	0.5
South Carolina.....	1.1	0.9
South Dakota.....	1.1	0.5
Tennessee.....	1.5	0.7
Texas.....	0.9	1.0
Utah.....	1.8	1.4
Vermont.....	1.2	0.7
Virginia.....	1.1	0.9
Washington.....	1.0	1.3
West Virginia.....	0.7	0.8
Wisconsin.....	1.3	0.7
Wyoming.....	-0.6	0.6

Earnings

Earnings by place of work, which consists of employee compensation and proprietors' income, grew 0.9 percent in the fourth quarter, compared with 1.3 percent growth in the third quarter.

Farm earnings fell 11.9 percent in the fourth quarter. Proprietors' income accounted for the entire decline in farm earnings. Meanwhile, the compensation of farm employees continued to grow in the fourth quarter at the same 0.6 percent pace of the third quarter (table B).

Nonfarm earnings grew 1.0 percent in the fourth quarter, down from 1.4 percent growth in the third quarter. Compensation more than accounted for the slowdown in nonfarm earnings; the compensation

Table B. Earnings, Compensation, and Proprietors' Income, Farm and Nonfarm, United States

	Percent change		Dollar change (millions of dollars)	
	2016		2016	
	III	IV	III	IV
Earnings, all industries.....	1.3	0.9	152,285	108,300
Compensation.....	1.4	0.9	140,106	93,711
Proprietors' income.....	0.9	1.0	12,179	14,589
Farm earnings.....	-2.6	-11.9	-2,010	-9,079
Compensation.....	0.6	0.6	193	197
Proprietors' income.....	-4.6	-20.3	-2,204	-9,276
Nonfarm earnings.....	1.4	1.0	154,296	117,379
Compensation.....	1.4	0.9	139,913	93,514
Proprietors' income.....	1.0	1.7	14,383	23,865

component grew 0.9 percent in the fourth quarter, down from 1.4 percent in the third quarter. Nonfarm proprietors' income growth, in contrast, accelerated to 1.7 percent in the fourth quarter from 1.0 percent in the third quarter.

Nonfarm earnings grew in 21 of the 23 industries for which BEA prepares quarterly estimates (table C). Military earnings fell 0.3 percent, and earnings in the management of companies and enterprises industry fell 0.2 percent.

Management of companies and enterprises earnings fell 14.3 percent in Nevada, 6.5 percent in Kentucky, and

Table C. Earnings by Industry, United States

	Percent change		Dollar change (millions of dollars)	
	2016		2016	
	III	IV	III	IV
All industries.....	1.3	0.9	152,285	108,300
Private.....	1.4	1.0	133,408	99,437
Farm.....	-2.6	-11.9	-2,010	-9,079
Nonfarm.....	1.4	1.1	135,418	108,516
Forestry, fishing, and related activities.....	2.0	3.5	733	1,276
Mining, quarrying, and oil and gas extraction.....	-2.0	0.2	-2,864	248
Utilities.....	1.4	1.3	1,211	1,219
Construction.....	1.3	2.2	8,556	14,784
Durable goods manufacturing.....	1.2	0.5	8,332	3,793
Nondurable goods manufacturing.....	1.1	1.3	4,240	5,040
Wholesale trade.....	1.1	1.1	5,978	6,223
Retail trade.....	0.3	0.8	2,197	5,603
Transportation and warehousing.....	2.2	1.4	8,962	5,793
Information.....	1.3	1.0	5,119	3,882
Finance and insurance.....	2.3	0.1	17,933	845
Real estate and rental and leasing.....	0.9	2.1	2,287	5,576
Professional, scientific, and technical services.....	1.9	1.2	22,572	14,369
Management of companies and enterprises.....	1.2	-0.2	3,832	-650
Administrative and support and waste management and remediation services.....	1.8	2.1	8,415	9,940
Educational services.....	1.5	1.5	2,867	2,973
Health care and social assistance.....	1.4	1.2	18,227	15,684
Arts, entertainment, and recreation.....	2.6	1.3	3,517	1,751
Accommodation and food services.....	1.7	1.1	6,587	4,478
Other services (except public administration).....	1.6	1.3	6,717	5,690
Government.....	1.0	0.5	18,877	8,863
Federal, civilian.....	1.2	0.9	3,823	3,068
Military.....	0.4	-0.3	598	-442
State and local.....	1.0	0.4	14,457	6,237

State Personal Income, Fourth Quarter of 2016

4.4 percent in Massachusetts in the fourth quarter (table D). In the rest of the United States, management earnings grew 0.2 percent. The declines in Nevada, Kentucky, and Massachusetts partly reverse large percentage increases in the second or third quarters due to the exercise of stock options, bonuses, and other lump-sum payments.

Table D. Management Earnings, Select States

	Percent change		Dollar change (millions of dollars)		Contribution to percent change in earnings (percentage points)	
	2016		2016		2016	
	III	IV	III	IV	III	IV
United States.....	1.2	-0.2	3,832	-650	0.0	0.0
Kentucky.....	21.0	-6.5	492	-184	0.4	-0.1
Massachusetts.....	8.7	-4.4	864	-472	0.3	-0.1
Nevada.....	1.5	-14.3	62	-590	0.1	-0.6
Rest of the United States.....	0.8	0.2	2,414	595	0.0	0.0

Earnings in Nevada’s arts, entertainment, and recreation industry fell 31.5 percent in the fourth quarter, following a 112.8 percent increase in the third quarter that reflected a lump-sum payment. The lump-sum payments in the management and the arts industries contributed to Nevada’s personal income growth, which was the fastest of all states in the third quarter and slowest of all states in the fourth quarter.

Mining earnings rose 0.2 percent in the fourth quarter, the first increase for the United States since the third quarter of 2014. It grew in all five of the major mining states, with the largest increase in West Virginia (3.1 percent) (table E).

Table E. Mining, Quarrying, and Oil and Gas Extraction Earnings, Select States

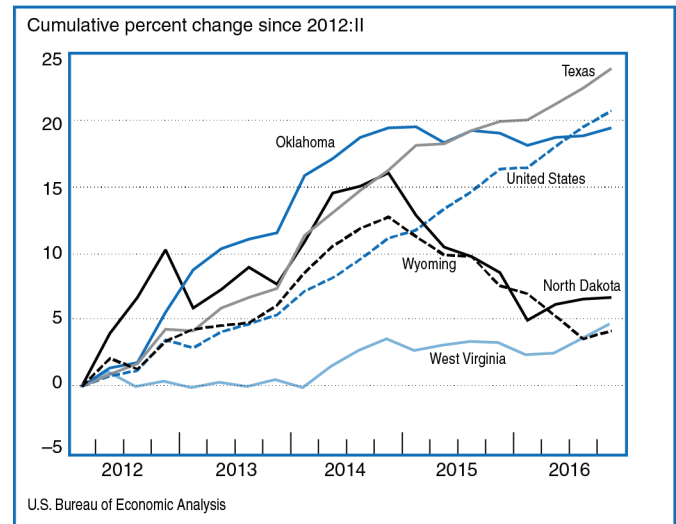
	Percent change		Dollar change (millions of dollars)		Contribution to percent change in earnings (percentage points)	
	2016		2016		2016	
	III	IV	III	IV	III	IV
United States.....	-2.0	0.2	-2,864	248	0.0	0.0
North Dakota.....	-2.7	1.6	-58	34	-0.2	0.1
Oklahoma.....	-3.1	0.1	-370	13	-0.3	0.0
Texas.....	-1.9	0.2	-1,364	162	-0.1	0.0
West Virginia.....	1.7	3.1	36	66	0.1	0.2
Wyoming.....	-4.1	0.3	-104	8	-0.5	0.0
Rest of the United States.....	-1.9	-0.1	-1,005	-35	0.0	0.0

Forestry earnings grew the fastest (3.5 percent) of all industries in the fourth quarter, followed by construction earnings (2.2 percent), but health care contributed the most (\$15.7 billion) to the overall earnings increase, followed by construction (\$14.8 billion).

Earnings growth accelerated in Texas and New York in the fourth quarter. In Texas, the acceleration was largely accounted for by mining earnings, which grew 0.2 percent in the fourth quarter after falling 1.9 percent in the third quarter. In New York, the acceleration was largely accounted for by health care, which increased 1.4 percent in the fourth quarter after no growth in the third quarter, and by information, which fell 0.6 percent in the fourth quarter after falling 3.8 percent in the third quarter.

Aggregate earnings for all industries grew 0.6 percent in Wyoming in the fourth quarter, the first quarter of earnings growth in the state in 2 years. From its peak in the fourth quarter of 2014 to its trough in the third quarter of 2016, Wyoming’s earnings fell 8.1 percent. The declines were largest in mining (30 percent), construction (14 percent), farming (76 percent), transportation (14 percent) and wholesale trade (21 percent). Earnings declined even more in North Dakota (9.6 percent) after oil prices collapsed at the end of 2014, and the decline was concentrated in a shorter period, from the fourth quarter of 2014 to the first quarter of 2016 (chart 2).

Chart 2. Earnings, All Industries, Select States



State Personal Income, Fourth Quarter of 2016

Other income

Personal current transfer receipts grew 0.8 percent in both the third and fourth quarters of 2016. In the fourth quarter, Medicaid rose 2.0 percent, and state unemployment insurance benefits fell 4.0 percent, while all other transfer receipts grew 0.5 percent (table F).

Dividends, interest, and rent grew 1.1 percent in the fourth quarter after growing 0.7 percent in the third quarter (table G).

Table F. Growth of Personal Current Transfer Receipts, United States

	Percent change		Dollar change (millions of dollars)	
	2016		2016	
	III	IV	III	IV
Personal current transfer receipts	0.8	0.8	22,930	20,958
Medicaid	2.1	2.0	11,987	11,264
State unemployment insurance	-1.4	-4.0	-416	-1,171
Social Security, Medicare, and other	0.5	0.5	11,359	10,865

Table G. Growth of Dividends, Interest, and Rent, United States

	Percent change		Dollar change (millions of dollars)	
	2016		2016	
	III	IV	III	IV
Dividends, interest, and rent	0.7	1.1	19,826	32,888
Dividends	0.7	0.3	6,961	3,064
Interest	0.6	1.1	7,540	14,413
Rent	0.8	2.2	5,325	15,391

State Personal Income, 2016

Annual Statistics for 2016

State personal income growth averaged 3.6 percent in 2016, compared with the 4.4 percent average annual growth from 2010 to 2015 (the first 5 calendar years since the trough of the last recession).² Inflation was 1.1 percent in 2016, down from the 1.5 percent average annual inflation from 2010 to 2015.

Seven states and the District of Columbia led the nation in personal income growth over the last 6 years. Six of the states are in the west: Utah, Washington, Oregon, California, Arizona, and Colorado; the other state, South Carolina, is in the east. Personal income in these places grew faster than the national average in the first 5 years of the economic expansion (from 2010 to 2015) and continued to grow faster than average last year (from 2015 to 2016).³ (See chart 3, upper right quadrant.)

2. The National Bureau of Economic Research gives the date of the trough as the second quarter of 2009.

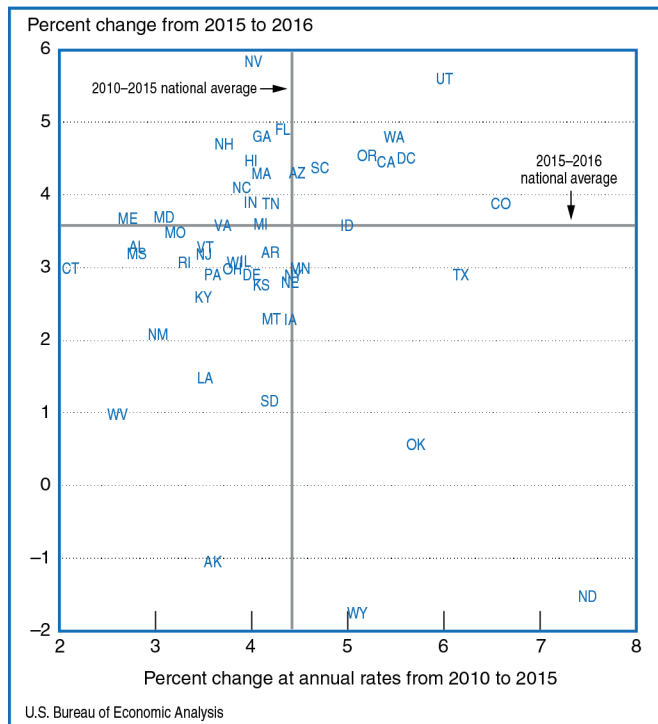
3. Idaho had faster than average growth in 2010–2015 (5.0 percent), but its growth in 2015–2016 matched the national average (3.6 percent).

Eight states grew at least as fast as the nation coming out of the recession, but their growth last year slipped to below average (chart 3, lower right quadrant). This group includes four major mining states—Texas, Oklahoma, North Dakota, and Wyoming—plus New York and Nebraska.

Twenty-one states grew slower than average in both the first 5 years of the expansion as well as last year (chart 3, lower left quadrant).⁴ This group includes Alaska, where personal income fell 1.0 percent last year, and Connecticut and West Virginia, the states with the slowest personal income growth during the first 5 years of the expansion.⁵

Personal income growth improved in 11 states, growing faster than average last year after having grown slower than average over the previous 5 years (chart 3, upper left quadrant). This group includes Nevada and Florida.

Chart 3. State Personal Income Growth Relative to the National Average, 2010–2015 and 2015–2016



4. Iowa, Michigan, and Virginia would also be in this group, but Iowa matched the national growth rate in 2010–2015 while Michigan and Virginia matched it in 2015–2016.

5. Both net earnings and personal current transfer receipts fell in Alaska in 2016. The decline in transfer receipts reflects smaller payments from the Alaska Permanent Fund.

Acknowledgments

The quarterly and preliminary annual estimates of state personal income were prepared by Daniel R. Corrin, Carrie L. Litkowski, Elizabeth C. McCormack, Jesse E. Park, and Matthew A. von Kerczek, under the supervision of Marcelo Yoon, Chief of the Regional Compensation Branch, and Lisa C. Ninomiya, Chief of the Regional Income Branch.

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Alternative Measures of Household Income

Three of the most widely used measures of household income are BEA's measure of personal income, the Census Bureau's measure of money income, and the Internal Revenue Service's measure of adjusted gross income of individuals.¹

Personal income, in general, is the most comprehensive measure. Personal income is defined as the sum of wages and salaries, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. Because the personal income of an area represents the income that is received by, or on behalf of, all the persons who live in that area and because the estimates of the earnings component of personal income are made on a place-of-work basis, state personal income includes an adjustment for residence. State personal income excludes the earnings of federal civilian and military personnel stationed abroad. Personal income includes the incomes of individuals, of nonprofit institutions that primarily serve individuals, of private noninsured welfare funds, and of private trust funds. The property income earned on life insurance and annuity reserves of life insurance carriers and earned on the assets of noninsured pension plans are also included in personal income.²

Money income consists of income in cash and its equivalents before taxes and does not include the value of noncash benefits. It includes personal contributions for government social insurance, distributions from government employee retirement plans and from private pensions and annuities, and income from regular interpersonal transfers, such as child support, but personal income does not. Unlike personal income, it excludes employer contributions for employee pension and insurance funds, lump-sum payments except those received as part of earnings, certain in-kind personal current trans-

fer receipts—such as Medicaid, Medicare, and Supplemental Nutritional Assistance Program benefits.

Adjusted gross income (AGI) consists of the taxable income prior to exemptions and the standard or itemized deductions that is reported by individuals on their federal income tax returns. It includes, but personal income excludes, personal contributions for social insurance, gains and losses on the sale of assets, and taxable distributions from government employee retirement plans and from private pensions and annuities. AGI excludes, but personal income includes, the income of the recipients of taxable incomes who, legally or illegally, did not file an individual income tax return. In particular, AGI excludes the income of many individuals with low incomes who are exempt from filing tax returns. The adjusted gross income data are based on a sample of all individual income tax returns filed by U.S. citizens and residents for the relevant tax year. Additionally, AGI excludes certain types of income that are not taxed—such as tax-exempt interest and nontaxable transfer payments, including Medicare, Medicaid, and welfare benefit payments—and it includes the taxable portion of social security benefit payments.

Per capita estimates of personal income, money income and AGI are presented in the table. The Census Bureau calculates per capita money income using population as of March of the following year, whereas state per capita personal income is based on population as of July 1 of the same year. The IRS does not produce per capita AGI; the estimates shown are derived by dividing aggregate AGI by total population from the Census Bureau that BEA also uses in the calculation of state per capita personal income.

Alternative Per Capita Income Measures

(Dollars per person)

	Per capita income		
	2014	2015	2016
State personal income ¹	46,464	48,190	49,571
Money income ²	30,176	31,653	n.a.
Adjusted gross income (AGI) ³	30,348	31,702	n.a.

n.a. Not available

1. Bureau of Economic Analysis, available at www.bea.gov.

2. Historical table P-1, available on the Census Bureau's Web site.

3. Internal Revenue Service (IRS), Preliminary Data, Table 1—Individual Income Tax Returns: Selected Income and Tax Items.

1. See also the Census Bureau's *Income, Poverty and Health Insurance Coverage in the United States: 2012 Report* and the Internal Revenue Service's annual *Individual Income Tax Returns*.

2. For more details about the definition and measurement of personal income, see *State Personal Income and Employment: Concepts, Data Sources, and Statistical Methods* on BEA's Web site.