REGIONAL QUARTERLY REPORT

State Personal Income and More . . .

Statistics, first quarter of 2009

Personal income declined in 37 states in the first quarter of 2009.[1] In six states, personal income fell by more than 1.0 percent. These states include North Dakota, Missouri, and Iowa, where sharply lower farm commodity prices reduced farm income. The fastest growing states, Hawaii (0.8 percent) and Virginia (0.3 percent), benefitted from strong earnings growth in the federal civilian and military sectors, which was accounted for by first-quarter pay raises as well as some initial hiring for the 2010 census. The federal sector also made substantial contributions to personal income growth in Alaska, Maryland, and the District of Columbia.

In all states, private sector earnings, the largest component of personal income, declined. Finance, durable-goods manufacturing, and construction were particularly weak.

For more on earnings and personal income growth, see page 109.

Nationally, current-dollar personal income continued to decline, falling 0.5 percent in the first quarter after falling 0.4 percent in the fourth quarter of 2008. Meanwhile, inflation, as measured by the national price index for personal consumption expenditures, fell 0.3 percent after falling 1.2 percent.

Job losses, lower interest rates, and smaller corporate dividend payments all helped to push national personal income down in the first quarter. The decline was moderated by a 4.7 percent rise in transfer receipts, mainly reflecting cost-of-living adjustments to social insurance benefits and more unemployment compensation.

For a look at personal income less transfer receipts, see page 108.

In this report . . .

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

Comprehensive revisions of regional statistics

In September 2009, the Bureau of Economic Analysis (BEA) will begin releasing its comprehensive revisions of regional statistics. The purpose is to incorporate new and revised source data and to introduce recent changes in definitions and methodologies used in the national income and product accounts (NIPAs). For more, see page 110.

1. Personal income is the sum of net earnings by place of residence, property income, and personal current transfer receipts. Net earnings is the sum of wage and salary disbursements, supplements to wages and salaries, and proprietors' income less contributions for government social insurance plus an adjustment to put place of work data on a place-of-residence basis.

Quarterly State Personal Income

An alternative look at personal income

In the first quarter of 2009, the severity of the decline in personal income was reduced to a large extent by unusually large increases in transfer receipts in most states. At the same time, the change in the price index for personal consumption expenditures was dominated by falling prices of energy and food.

Given these developments, a comparison of personal income less transfer receipts and the core personal consumption expenditures price index, which excludes food and energy prices, provides a logical perspective on conditions in labor and financial markets (table A).

Personal income less transfers declined in every state except Alaska and Hawaii in the first quarter of 2009. Meanwhile, rising core price inflation exacerbated the consequences of the lost income. The first-quarter decline in personal income less transfer receipts for the United States, 1.5 percent, was more than double the fourth-quarter decline of 0.7 percent. The core price inflation rate in the first quarter, 0.4 percent, was also double the fourth quarter rate.

The first-quarter decline in personal income less transfer receipts was split almost equally between net earnings (which fell $75 billion when summed over all states) and property income (which fell $77 billion). Alaska and Hawaii were two of only five states where net earnings rose in the first quarter ($207 and $398 million, respectively) and the only states where it rose enough to offset the declines in property income (which fell $130 and $317 million, respectively). Maryland, Virginia, and Louisiana were the other states where net earnings rose; earnings also rose in the District of Columbia.

Transfers receipts

The 4.7 percent rise in U.S. personal current transfer receipts in the first quarter of 2009 largely resulted from cost-of-living adjustments to social insurance benefits and higher unemployment compensation. For example, social security benefits were boosted 5.8 percent in the first quarter (based on the gain in consumer prices from the third quarter of 2007 to the third quarter of 2008). Increases in state unemployment insurance benefits varied widely across states reflecting relative job losses. Benefits rose more than 50 percent in several states—including Florida, Georgia, Arizona—but less than 15 percent in Hawaii, which had the highest personal income growth in the first quarter.

Table A. Percent Change From Preceding Quarter in Personal Income Less Transfer Receipts

[Percentage points]

	2008				2009
	I	II	III	IV	I
Alabama	0.68	0.80	0.85	–0.99	–1.09
Alaska	1.52	1.46	1.99	0.72	0.31
Arizona	0.29	–0.08	0.03	–1.36	–2.12
Arkansas	–1.63	1.06	0.61	–0.68	–1.18
California	–0.40	0.87	0.61	–1.80	–1.68
Colorado	0.63	0.48	1.34	–1.35	–1.39
Connecticut	0.01	0.28	0.96	–1.34	–1.99
Delaware	0.48	0.23	0.75	–0.60	–1.73
District of Columbia	1.76	0.25	1.17	1.05	–0.03
Florida	–0.05	0.03	0.12	–1.87	–2.12
Georgia	0.80	0.23	0.44	–0.91	–1.38
Hawaii	1.05	0.51	0.18	–0.82	0.18
Idaho	–0.83	0.20	0.31	–1.38	–1.93
Illinois	0.21	0.66	0.96	–1.15	–1.71
Indiana	1.03	0.07	0.22	–0.48	–1.77
Iowa	2.18	0.82	1.27	–1.32	–2.22
Kansas	1.39	1.07	0.79	–0.26	–1.46
Kentucky	0.65	1.01	0.03	0.00	–1.10
Louisiana	–0.52	0.79	1.17	0.94	–1.39
Maine	1.26	0.59	0.92	–0.40	–0.87
Maryland	0.73	0.65	0.74	0.00	–0.35
Massachusetts	0.56	0.61	0.25	–0.07	–1.50
Michigan	0.65	0.15	–0.01	–0.28	–2.18
Minnesota	1.78	–0.08	1.65	–1.10	–1.80
Mississippi	0.43	1.13	0.07	–0.65	–0.88
Missouri	0.75	0.91	0.52	2.85	–3.02
Montana	0.45	0.50	1.06	–0.73	–1.50
Nebraska	0.60	1.24	0.95	–1.92	–1.11
Nevada	–0.78	–0.85	0.61	–2.40	–1.88
New Hampshire	1.06	0.27	0.28	–0.36	–1.15
New Jersey	1.41	–0.83	0.83	–0.76	–1.30
New Mexico	1.63	0.70	1.24	–0.07	–1.08
New York	1.27	–0.87	1.71	–0.91	–1.48
North Carolina	0.31	0.75	0.81	–1.12	–1.04
North Dakota	3.89	2.25	2.68	–2.30	–3.71
Ohio	0.63	0.48	0.12	–0.39	–1.67
Oklahoma	1.10	1.82	1.57	–0.74	–1.10
Oregon	0.09	0.80	0.25	–1.17	–1.71
Pennsylvania	0.62	0.96	0.52	–0.37	–1.18
Rhode Island	1.48	–0.41	–0.09	0.91	–1.76
South Carolina	0.43	0.54	0.73	–1.22	–1.15
South Dakota	2.22	0.32	1.11	–1.83	–1.20
Tennessee	0.20	0.08	0.77	–1.16	–1.02
Texas	1.59	0.90	0.24	1.08	–1.37
Utah	0.06	0.80	0.78	–1.17	–1.12
Vermont	1.06	0.09	1.05	–0.02	–1.32
Virginia	0.93	0.60	0.97	–0.25	–0.31
Washington	0.10	0.39	1.93	–1.63	–1.27
West Virginia	1.13	1.29	2.19	1.01	–0.94
Wisconsin	0.46	0.67	0.68	–0.38	–1.65
Wyoming	2.41	0.67	1.98	–0.83	–2.35
United States	**0.58**	**0.43**	**0.72**	**–0.74**	**–1.49**
Addenda:					
U.S. personal consumption expenditures price index	0.89	1.05	1.23	–1.24	–0.25
Excluding food and energy	0.56	0.54	0.60	0.23	0.38

Quarterly State Personal Income

Industry earnings

Finance, durable goods manufacturing, and construction were the major contributors to the earnings decline nationally (table B). Declines in these industries were offset somewhat by gains in the health care and government industries. First-quarter estimates of earnings growth in government primarily reflected pay raises, which averaged 3.9 percent for federal civilian and military employees in 2009, rather than job gains. The federal civilian and military sector contributed substantially to personal income growth in Alaska, Hawaii, Maryland, Virginia, and the District of Columbia.

In many states, one or two private nonfarm industries accounted for the bulk of the decline in earnings: finance in New York, Connecticut, and Rhode Island; durable-goods manufacturing in Michigan and Indiana; construction in Arizona; construction and accommodation in Nevada; mining in Wyoming and Oklahoma; and farming in Iowa and North Dakota.

In Minnesota and Missouri, severance pay and other types of compensation associated with prominent mergers and acquisitions accounted for the substantial boost to fourth-quarter earnings in the transportation, management, and nondurable-goods manufacturing industries and the subsequent first-quarter earnings decline. In Minnesota, transportation earnings rose $1 billion in the fourth quarter of 2008 after falling $5 million, on average, in the previous three quarters. In Missouri, earnings in the management and nondurable manufacturing industries earnings rose $3.9 billion and $2.8 billion, respectively, in the fourth quarter after rising $9 billion and $95 million, on average, in the previous three quarters.

In sharp contrast to the rest of the country, construction earnings increased for the fourth consecutive quarter in Louisiana, supported by the Road Home program, a federal program providing assistance to repair or rebuild housing destroyed by Hurricane Katrina in 2005. Construction earnings were up $190 million in the first quarter in Louisiana and up nearly $1.5 billion (or 17 percent) from a year ago. The housing assistance (counted as part of the rental income of persons) amounted to $1.2 billion in the first quarter of 2009, down from $2.0 billion in the fourth quarter (table C). A similar program in Mississippi continued at the same $0.4 billion level of the previous four quarters.

Table B. Contributions of Earnings by Industry to Percent Change in U.S. Personal Income

[Percentage points, seasonally adjusted]

	2008				2009
	I	II	III	IV	I
Finance and insurance	0.11	–0.15	0.09	–0.01	–0.24
Durable-goods manufacturing	–0.02	0.00	–0.04	–0.10	–0.23
Construction	–0.07	–0.07	–0.04	–0.11	–0.21
Administrative and waste services	0.00	–0.01	0.00	–0.02	–0.10
Nondurable-goods manufacturing	0.02	0.00	0.00	–0.06	–0.06
Mining	0.06	0.05	0.06	0.03	–0.05
Farm	0.05	–0.02	–0.03	–0.04	–0.04
Wholesale trade	0.01	0.02	0.03	–0.06	–0.04
Real estate and rental and leasing	0.02	–0.01	0.00	–0.05	–0.04
Transportation and warehousing	0.02	–0.02	0.00	0.02	–0.02
Information	0.01	0.03	0.03	–0.05	–0.02
Retail trade	–0.02	0.01	–0.02	–0.11	–0.01
Professional and technical services	0.10	0.12	0.08	–0.03	–0.01
Accommodation and food services	0.00	0.01	0.02	–0.02	–0.01
Other services	0.02	0.01	0.02	0.02	–0.01
Forestry, fishing, and related activities	0.00	0.00	0.00	0.00	0.01
Arts, entertainment, and recreation	0.00	0.01	0.01	0.01	0.01
Management of companies and enterprises	0.00	–0.01	0.04	0.00	0.02
Educational services	0.01	0.02	0.02	0.02	0.02
Utilities	0.02	0.00	0.00	0.02	0.03
Military	0.05	0.02	0.03	0.03	0.08
State and local government	0.10	0.12	0.11	0.06	0.08
Health care and social assistance	0.11	0.10	0.11	0.13	0.11
Federal government, civilian	0.06	0.03	0.02	0.03	0.11
Total	**0.65**	**0.25**	**0.53**	**–0.31**	**–0.63**

NOTE. An industry's contribution to percent change in personal income equals the dollar change in that industry's earnings divided by personal income in the previous quarter times 100.

Table C. Homeowner Assistance Payments for Louisiana and Mississippi

[Millions of dollars, annual rate]

	Louisiana	Mississippi
2007: I	1,404	100
II	8,016	2,268
III	6,280	2,092
IV	5,720	1,140
2008: I	3,200	400
II	2,160	400
III	1,560	400
IV	2,040	400
2009: I	1,200	400

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Comprehensive Revisions

In September 2009, the Bureau of Economic Analysis (BEA) will begin releasing its comprehensive revisions of regional statistics. The purpose is to incorporate new and revised source data and to introduce recent changes in definitions and methodologies used in the national income and product accounts (NIPAs). Revised state personal income statistics for 1969–2008 will be released in September 2009. Local area personal income statistics will be released in April 2010. Gross domestic product (GDP) by state statistics will be released in November 2010. And GDP by metropolitan area statistics will be released in February 2011.

Several changes in the upcoming 2009 comprehensive revision of the NIPAs will affect regional statistics. The main NIPA changes include updating the accounting treatment for disasters and improving the methodology used to measure wages and salaries, proprietors' income, and taxes on production and imports.[1]

Disasters. As a result of the new NIPA treatment of disasters, regional measures of proprietors' income and of dividends, interest and rent will change because the related losses in capital stocks will no longer be recorded as part of the consumption of fixed capital, which is used in the calculation of these measures. In addition, personal current transfer receipts will change as insurance payments related to disaster losses will no longer be treated as a current transfer. The net result of the two changes is that the uninsured losses associated with disasters will be removed from the regional measures of personal income. The new treatment of disasters will not change the sum of GDP across U.S. states, but GDP statistics for certain regional areas will change in some years as a result of changes in the allocation of gross operating surplus across geographic areas.

Cafeteria plans. The revised statistics will incorporate new information on employee benefit plans, commonly called "cafeteria plans." Under these plans, employees may use a portion of their salaries on a pretax basis to pay for health insurance and to contribute to "flexible spending arrangements." Data from the Quarterly Census of Employment and Wages, which form the basis for BEA's wage statistics, do not include employee contributions to cafeteria plans whenever the state laws do not count them as wages for unemployment insurance purposes. To correct for the underestimation of wages and salaries attributable to unreported contributions to cafeteria plans, the regional accounts will incorporate estimates of employee contributions for health insurance and to flexible spending accounts for medical and dependent care for the relevant states. The improved measures will affect BEA's measures of both GDP and personal income across geographic regions, beginning with 1986.

Misreporting adjustments. Both for wages and salaries and for nonfarm proprietors' income, the revised statistics will reflect the incorporation of updated misreporting adjustments. These adjustments account for the underreported income on tax returns and for nonreported income for nonfilers. The updates are based on data from the 2001 Internal Revenue Service National Research Program and newly available data from the Census Bureau "exact match" studies. These revised estimates will begin with 1980 data for sole proprietors and partnerships and with 1978 data for wages and salaries. As with the improved methodology for cafeteria plans, these new measures will affect BEA's measures of both GDP and personal income across geographic areas.

Direct NAICS estimation. For taxes on production and imports, statistics on the industry distribution will be estimated directly on a North American Industry Classification System (NAICS) basis rather than converting data to NAICS from the earlier Standard Industrial Classification. Taxes on production and imports include excise taxes and customs duties, state and local sales taxes, property taxes, motor vehicle licenses, severance taxes, special assessments, and other taxes. The new methodology will lead to small revisions in regional GDP measures by industry type, beginning with data for 1997.

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1. For a description of the changes made during the NIPA comprehensive revision, see Eugene P. Seskin and Shelly Smith, "Preview of the 2009 Comprehensive Revision of the NIPAs: Changes in Definitions and Presentation," Survey of Current Business 89 (March 2009): 10–27, and Clinton P. McCully and Steven Payson, "Preview of the 2009 Comprehensive Revision of the NIPAs: Statistical Changes," Survey 89 (May 2009): 6–16.

Tables 1 and 2 follow.