



REGIONAL QUARTERLY REPORT

State Personal Income and More . . .

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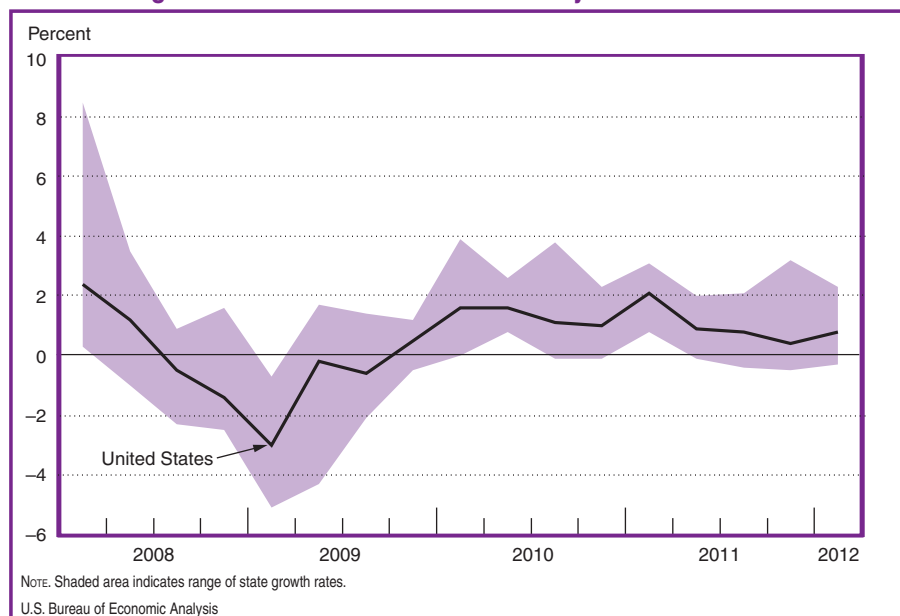
For information about BEA regional statistics, go to www.bea.gov.

First quarter of 2012

State personal income growth accelerated to 0.8 percent (on average) in the first quarter of 2012 from 0.4 percent in the fourth quarter of 2011 (chart 1).¹ Personal income rose in 47 of the 50 states, fell in Kansas and Mississippi, and was unchanged in Oklahoma. The percent change across states ranged from 2.3 percent in North Dakota to -0.3 percent in Mississippi. Inflation, as measured by the national price index for personal consumption expenditures, increased to 0.6 percent in the first quarter of 2012 from 0.3 percent in the fourth quarter of 2011.

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

Chart 1. Range of State Personal Income Quarterly Growth Rates



David G. Lenze prepared this report.

State Personal Income

Earnings by industry

Overall, earnings grew 0.8 percent in the first quarter of 2012 after growing 0.5 percent in the fourth quarter (table A). Earnings increased in 16 of the 24 industries for which BEA prepares quarterly estimates, with the largest percentage increases in the accommodations industry (which grew 2.5 percent, up from 1.2 percent in the previous quarter) and in the construction industry (which grew 2.1 percent, up from 1.0 percent in the previous quarter) (chart 2). The largest contributions to earnings growth were in health care (which increased \$17.3 billion in the first quarter of 2012, up from \$6.8 billion in the fourth quarter) and professional services (which increased \$16.5 billion in the first quarter of 2012, up from

\$7.1 billion in the fourth quarter).

First-quarter earnings declined in eight industries. The largest percentage decline, 6.4 percent, and the largest dollar decline, \$10.4 billion, was in the real estate industry (real estate earnings fell 0.2 percent or \$0.4 billion in the fourth quarter). Earnings have also declined for two consecutive quarters in the information industry and for three consecutive quarters in the utilities industry (chart 3).

The decline in real estate earnings occurred in all states; the decline in information earnings occurred in all states except Washington and North Dakota; and the decline in utilities earnings occurred in 43 states.

Farming. A drought-induced 49 percent fall in farm earnings offset the growth of all other components of personal income and made Kansas one of only two states with personal income that fell in the first quarter of 2012. The drought, which started in mid-2011 and was still severe in the first quarter of 2012, reduced farm earnings 36 percent in Oklahoma and 19 percent in Texas.

Mining. Nationally, mining earnings fell 0.4 percent in the first quarter of 2012 after growing 5.4 percent in the fourth quarter of 2011. For most states, the mining industry generally contributes only a minor amount to personal income growth. For several states, however, mining is a relatively large share of the nonfarm sector, and in six of these states—Wyoming, Oklahoma, Alaska, North Dakota, Texas, and Louisiana—oil and gas extraction is particularly important. Mining earnings fell in three of these states (Wyoming, Louisiana, and Oklahoma) in the first quarter of 2012 and barely grew in Texas. In contrast, mining earnings grew 5.9 percent in North Dakota and 1.1 percent in Alaska.

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

	Dollar change (millions of dollars)		Percent change	
	2011:IV	2012:I	2011:IV	2012:I
All industries.....	44,939	76,878	0.5	0.8
Private sector.....	43,845	71,737	0.6	0.9
Farm.....	-3,267	-2,962	-3.6	-3.4
Forestry, fishing, and related activities.....	214	-633	0.9	-2.7
Mining.....	5,726	-469	5.4	-0.4
Utilities.....	-925	-853	-1.2	-1.1
Construction.....	4,965	10,478	1.0	2.1
Durable-goods manufacturing.....	-1,018	8,374	-0.2	1.4
Nondurable-goods manufacturing.....	-2,805	1,621	-0.8	0.5
Wholesale trade.....	7,406	3,492	1.5	0.7
Retail trade.....	4,651	7,773	0.8	1.3
Transportation and warehousing.....	-953	2,305	-0.3	0.7
Information.....	-2,663	-6,047	-0.9	-2.0
Finance and insurance.....	9,308	9,750	1.4	1.4
Real estate and rental and leasing.....	-357	-10,412	-0.2	-6.4
Professional, scientific, and technical services.....	7,129	16,507	0.7	1.7
Management of companies and enterprises.....	2,585	2,707	1.1	1.1
Administrative and waste management services.....	3,687	3,867	1.0	1.0
Educational services.....	13	540	0.0	0.3
Health care and social assistance.....	6,796	17,309	0.6	1.6
Arts, entertainment, and recreation.....	342	1,846	0.3	1.7
Accommodation and food services.....	3,462	7,600	1.2	2.5
Other services, except public administration.....	-451	-1,056	-0.1	-0.3
Government sector.....	1,094	5,141	0.1	0.3
Federal government, civilian.....	703	-208	0.2	-0.1
Military.....	-545	1,360	-0.3	0.8
State and local government.....	936	3,989	0.1	0.4

Chart 2. U.S. Earnings in Construction and Accommodation and Food Services

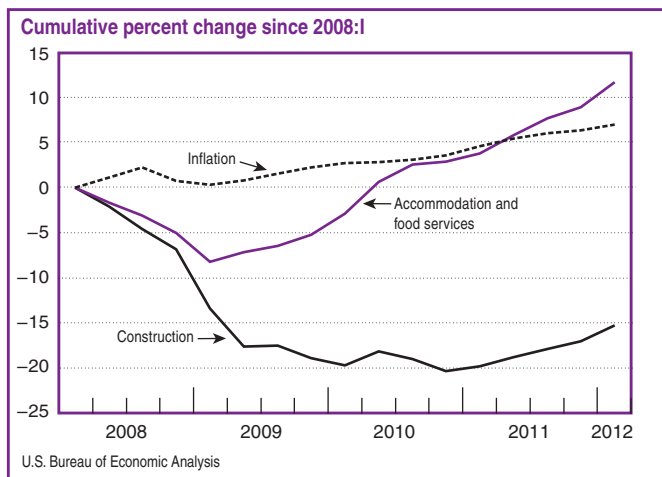
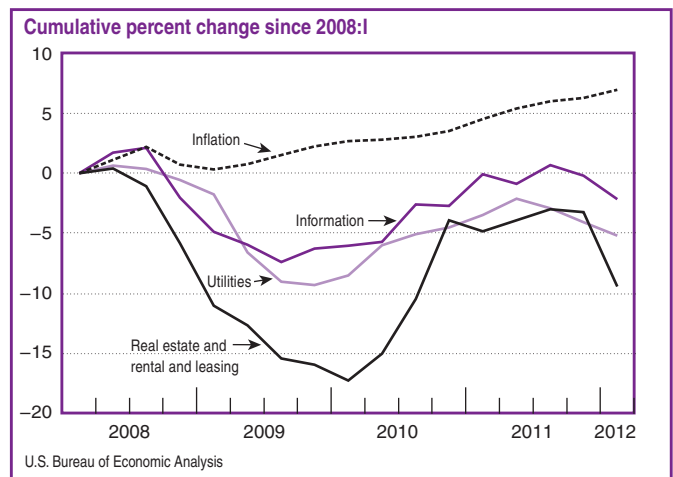


Chart 3. U.S. Earnings in Information, Real Estate, and Utilities



State Personal Income

The weakness in mining earnings in several of the oil and gas states but not others was largely a consequence of changes in the proprietors' income component of earnings, which fell 10 percent nationally in the first quarter of 2012. The decline in proprietors' income reflects the expiration of certain provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 that affected bonus depreciation.² The effect on individual states depended on the share of proprietors' income in their mining earnings. This share ranged from 1 to 2 percent in Alaska and North Dakota to as much as 28 percent in Oklahoma (table B).

Construction. In Texas, Iowa, Utah, Nebraska, West Virginia, and North Dakota, construction earnings grew 4.0 percent or more in the first quarter of 2012, substantially above the national average. Construction earnings have grown continuously but slowly for five consecutive quarters nationally, but for most states over this period, gains in construction earnings in one quarter have been followed by declines in a subsequent quarter.

Accommodations. In Nevada, the 1.4 percent earnings growth in the accommodations industry, the largest industry in the state, accounted for more than half of all

earnings growth in the first quarter of 2012. The increase erased the decline in the fourth quarter of 2011 and brought accommodations earnings in the state to the highest level during the current recovery. Even so, in recent quarters, accommodations earnings have grown much more rapidly in other states, where they are now more than 12 percent higher than in the first quarter of 2008 (chart 4).

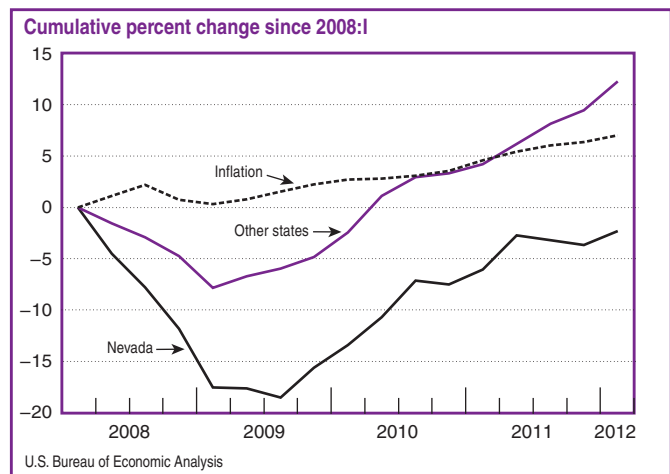
Management of companies. Earnings in the management of companies industry fell 35 percent (\$936 million) in the first quarter of 2012 in Oklahoma, but grew in most other states. This decline was sufficiently large to completely offset growth in all other components of personal income, leaving it unchanged from the fourth quarter of 2011. The earnings decline reflects bonuses paid at the end of 2011. Even with the big decline, first-quarter 2012 earnings in the management of companies industry in Oklahoma is 18 percent higher than in the third quarter of 2011, and Oklahoma's first-quarter 2012 personal income is 1.7 percent higher than its third quarter level. By comparison, U.S. personal income in the first quarter of 2012 is only 1.2 percent higher than its third-quarter 2011 level.

2. Changes in the tax treatment of depreciation affect proprietors' income through the capital consumption adjustment. See the FAQ "Why does the capital consumption adjustment for domestic business decline so much in the first quarters of 2011 and 2012?" available on the BEA Web site. These changes in bonus depreciation also had relatively large effects in the real estate industry where proprietors' income fell 21 percent nationally in the first quarter of 2012.

Table B. Mining Earnings for Select States

	Mining earnings growth		Mining proprietors' income as a percent of mining earnings	Mining earnings as a percent of private nonfarm earnings	
	Percent change			2011:IV	2011
	2012:I	2012:I			
Wyoming.....	-0.8	0.3	10.4	21.0	
Alaska.....	1.1	1.2	1.2	12.1	
Oklahoma.....	-0.8	2.8	28.2	10.5	
North Dakota.....	5.9	6.1	1.5	9.3	
Texas.....	0.1	3.2	23.3	6.7	
Louisiana.....	-0.1	1.5	14.1	5.7	
United States.....	-0.4	1.9	19.6	1.4	

Chart 4. Earnings in Accommodation and Food Services in Nevada and All Other States



State Personal Income

Earnings by state and region

Earnings in all eight BEA regions have been trending up for more than 2 years (chart 5) after falling during the recent recession. The recovery has brought first-quarter 2011 earnings in the Plains region 5.1 percent above their level in the first quarter of 2008, while earnings in the Great Lakes region are 2.2 percent higher.³ At the same time, inflation, as measured by the national price index for personal consumption expenditures, was 7.0 percent. In addition, population has grown between 4.9 percent (in the Southwest region) and 0.5 percent (in the Great Lakes region) from 2008 to 2011.

Among states, the recovery has raised earnings as much as 29 percent above its first-quarter 2008 level in North Dakota, while in Nevada, earnings are still 8.4 percent below its first-quarter 2008 level (chart 6). Alaska is notable for the steadiness of its earnings growth as well as its pace. Alone among the states, its earnings never fell significantly during the recent recession. As of the first quarter of 2011, Alaska's earnings were 17 percent higher than its first-quarter 2008 level.

3. The NBER dates for the recession are from the fourth quarter of 2007 to the second quarter of 2009. However, earnings in seven of the eight BEA regions grew from the fourth quarter of 2007 to the first quarter of 2008 and continued to grow in two regions for another quarter or two.

Personal current transfer receipts

Personal current transfer receipts rose 0.4 percent nationally in the first quarter of 2012 after declining 0.2 percent in the fourth quarter of 2011 and falling 0.5 percent in the third quarter. The first-quarter increase was mostly accounted for by a 3.6 percent cost of living adjustment (COLA) to social security benefits, the first

Chart 6. Earnings in Alaska, Nevada, and North Dakota

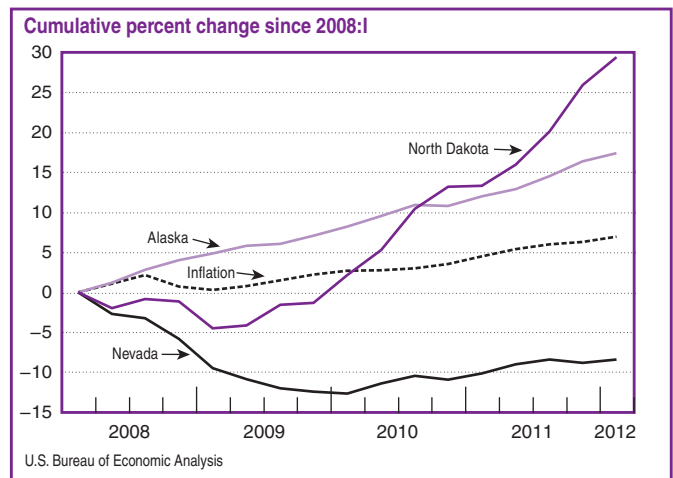
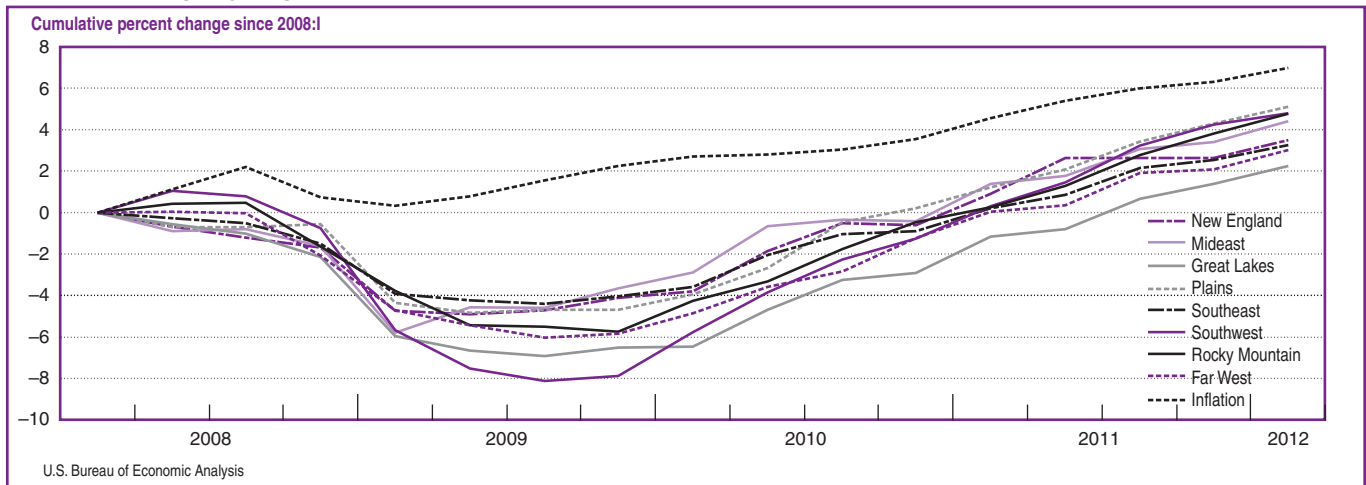


Chart 5. Earnings by Region



State Personal Income

COLA since 2009.⁴ At the same time, benefits provided under the American Recovery and Reinvestment Act (ARRA) of 2009 declined, as did Medicare benefits and unemployment insurance compensation.

Transfers fell in the first quarter of 2012 in Louisiana, Mississippi, and Georgia; were unchanged in Alabama; and grew in the other states. The expiration of certain refundable income tax credits (including the “Making Work Pay” credit, one of the provisions of ARRA) reduced transfer receipts by \$30 billion nationally (table C). The reduction at the state level was in proportion to the number of low-income earners and accounts for the declines in first-quarter transfer receipts in several states in the Southeast region.⁵

Dividends, interest, and rent

Property income increased 1.6 percent nationally in the first quarter (after increasing 0.6 percent in the fourth quarter). Because of the end of federal homeowner assistance payments to rebuild housing damaged and destroyed by Hurricane Katrina and the subsequent flood, rental income of persons declined 5.3 percent in Mississippi and 0.4 percent in Louisiana. The assistance (a component of the rental income of persons) had amounted to \$200 million in each state in the fourth quarter of 2011 (table C).

4. See “Table 2.1. Personal Income and Its Disposition” in the national income and product accounts. BEA estimates only two components of personal current transfer receipts by state on a quarterly basis—state unemployment insurance compensation and ARRA receipts.

5. Lacking state-level source data, the national estimate of ARRA refundable income tax credits was allocated to states in proportion to BEA estimates of the earned income tax credit in 2010.

Table C. Special Factors in State Personal Income

[Millions of dollars, annual rate]

			2011				2012
	2010	2011	I	II	III	IV	I
Homeowner assistance payments in dividends, interest, and rent							
Louisiana	500	200	200	200	200	200	0
Mississippi	350	200	200	200	200	200	0
United States	850	400	400	400	400	400	0
Current transfer receipts of individuals from the BP oil spill							
Alabama	99	83	128	92	64	48	16
Florida	215	245	307	254	237	183	44
Louisiana	196	154	224	136	116	140	32
Mississippi	50	57	56	80	52	40	12
Texas	17	32	60	24	20	24	12
United States	578	571	775	586	489	435	116
Net effect of ARRA on personal current transfer receipts¹							
Alabama	1,255	939	944	950	975	889	173
Alaska	111	78	78	79	82	71	22
Arizona	1,692	935	934	939	1,002	863	219
Arkansas	700	507	510	513	526	479	96
California	7,444	4,417	4,343	4,328	4,947	4,051	858
Colorado	824	483	484	485	513	451	98
Connecticut	623	313	312	313	343	284	80
Delaware	160	109	110	110	115	102	24
D.C.	163	89	91	92	92	82	26
Florida	4,533	3,118	3,089	3,089	3,424	2,869	657
Georgia	2,500	1,827	1,834	1,845	1,910	1,718	364
Hawaii	245	176	177	178	187	161	50
Idaho	309	204	206	207	212	192	43
Illinois	2,779	1,672	1,662	1,665	1,833	1,529	393
Indiana	1,381	840	845	851	874	788	179
Iowa	621	321	321	321	345	296	74
Kansas	494	312	313	314	327	294	58
Kentucky	963	663	670	677	685	619	160
Louisiana	1,147	938	943	949	972	886	180
Maine	229	160	161	163	170	146	48
Maryland	864	580	584	588	605	544	124
Massachusetts	1,182	596	592	593	663	535	164
Michigan	2,547	1,466	1,453	1,451	1,648	1,310	404
Minnesota	833	449	451	453	470	422	88
Mississippi	911	708	712	715	733	674	120
Missouri	1,218	834	839	844	875	778	187
Montana	171	117	118	119	121	111	25
Nebraska	261	187	188	189	194	177	34
Nevada	585	325	325	325	345	304	61
New Hampshire	156	97	98	99	99	91	21
New Jersey	1,733	801	795	794	873	743	153
New Mexico	485	358	360	362	376	335	77
New York	4,185	2,689	2,685	2,700	2,911	2,458	694
North Carolina	2,271	1,477	1,471	1,474	1,591	1,372	299
North Dakota	84	61	62	62	62	58	13
Ohio	2,459	1,567	1,573	1,585	1,659	1,451	379
Oklahoma	770	573	577	581	597	537	125
Oregon	845	481	482	485	525	432	147
Pennsylvania	2,523	1,418	1,405	1,410	1,558	1,297	335
Rhode Island	226	130	130	131	139	119	33
South Carolina	1,186	838	837	842	891	781	177
South Dakota	125	96	97	98	99	90	21
Tennessee	1,516	1,113	1,122	1,131	1,163	1,035	268
Texas	5,586	4,324	4,300	4,319	4,620	4,057	795
Utah	447	281	282	284	291	266	52
Vermont	97	61	62	63	64	57	17
Virginia	1,198	860	866	872	887	813	169
Washington	1,337	758	799	751	832	651	201
West Virginia	369	262	264	267	273	243	65
Wisconsin	1,030	596	593	594	651	544	143
Wyoming	78	48	48	48	50	45	7
United States	65,450	42,250	42,200	42,300	45,400	39,100	9,200
Price index for personal consumption expenditures (2005=100)							
United States	111.1	113.8	112.7	113.7	114.3	114.7	115.4

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.

Tables 1 and 2 follow.