



REGIONAL QUARTERLY REPORT

State Personal Income and More . . .

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Third quarter of 2015

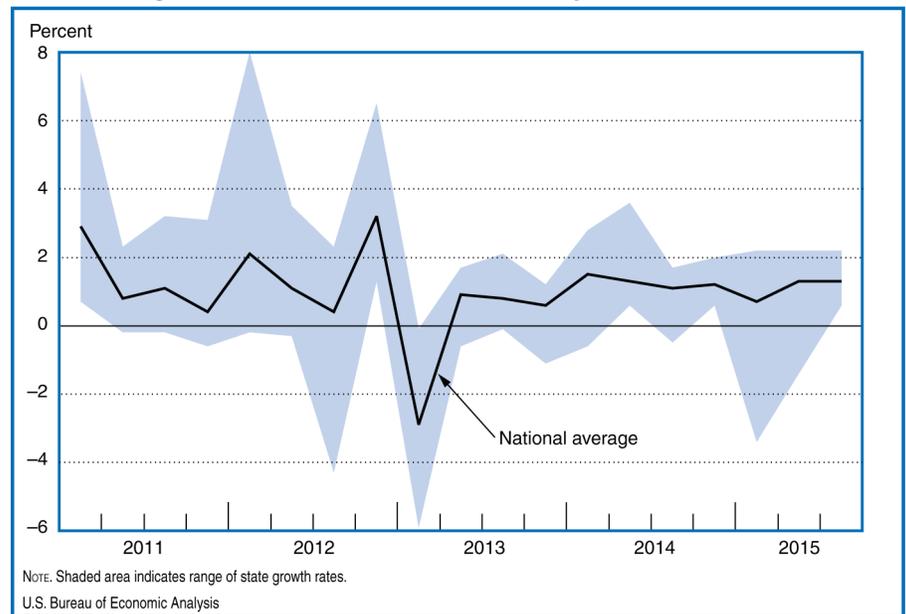
State personal income growth accelerated in Texas and 20 smaller states but slowed in 22 states, including California, Florida, and New York in the third quarter of 2015.¹ On average, state personal income growth continued in the third quarter at the same 1.3 percent pace of the second quarter (chart 1). Inflation, as measured by the national price index for personal consumption expenditures, slowed to 0.3 percent in the third quarter from 0.5 percent in the second quarter.

Personal income growth rates in the third quarter ranged from 0.6 percent in Alaska to 2.2 percent in Nebraska and South Dakota (table A). The growth rates of these three states, as well as Iowa's 2.1 percent growth rate, differed significantly from the national average.² In each

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.

2. Their growth rates were at least two standard deviations above or below the national average.

Chart 1. Range of State Personal Income Quarterly Growth Rates



David G. Lenze prepared this report.

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case, the contribution of net earnings made the difference.³ Nationally, net earnings contributed 0.9 percentage point to personal income growth. In Nebraska and South Dakota, net earnings contributed 1.9 percentage points, and in Iowa, it contributed 1.7 points to personal income growth. In contrast, net earnings contributed only 0.4 percentage point to personal income growth in Alaska.

3. Net earnings by place of residence is earnings by place of work (the sum of wages and salaries, supplements to wages and salaries, and proprietors' income) less contributions for government social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis.

Table A. Contribution to Percent Change in Personal Income by Component, by State

	Percentage points							
	Personal income	Net earnings	Dividends, interest, and rent	Personal current transfer receipts	Personal income	Net earnings	Dividends, interest, and rent	Personal current transfer receipts
	2015:II				2015:III			
United States.....	1.3	0.8	0.3	0.2	1.3	0.9	0.2	0.2
Alabama.....	0.5	0.1	0.3	0.2	1.2	0.9	0.2	0.1
Alaska.....	0.6	0.4	0.3	-0.1	0.6	0.4	0.2	0.0
Arizona.....	1.3	0.7	0.4	0.3	1.4	1.0	0.3	0.2
Arkansas.....	1.4	0.9	0.3	0.1	1.3	1.0	0.2	0.2
California.....	2.2	1.5	0.4	0.3	1.4	1.0	0.3	0.1
Colorado.....	1.3	0.8	0.3	0.2	1.1	0.7	0.2	0.2
Connecticut.....	1.5	1.0	0.4	0.1	1.3	0.9	0.2	0.1
Delaware.....	1.4	0.9	0.3	0.2	1.4	1.0	0.2	0.3
District of Columbia.....	1.2	0.9	0.5	-0.2	1.3	0.8	0.3	0.2
Florida.....	1.4	0.7	0.4	0.2	1.2	0.8	0.3	0.1
Georgia.....	1.1	0.7	0.2	0.2	1.3	1.0	0.2	0.1
Hawaii.....	1.3	0.9	0.4	0.0	1.3	0.9	0.2	0.2
Idaho.....	0.9	0.4	0.4	0.2	1.8	1.4	0.3	0.2
Illinois.....	0.8	0.2	0.4	0.2	1.1	0.9	0.2	0.0
Indiana.....	1.6	1.2	0.2	0.1	1.3	1.1	0.2	0.0
Iowa.....	0.8	0.4	0.3	0.1	2.1	1.7	0.2	0.3
Kansas.....	1.1	0.7	0.3	0.1	1.7	1.3	0.2	0.1
Kentucky.....	1.3	1.0	0.2	0.1	1.3	0.9	0.2	0.3
Louisiana.....	0.4	-0.2	0.3	0.4	1.1	0.7	0.2	0.2
Maine.....	1.9	1.4	0.3	0.2	1.3	1.0	0.2	0.2
Maryland.....	1.4	1.1	0.3	-0.1	1.1	0.9	0.2	0.0
Massachusetts.....	1.4	1.1	0.3	0.0	1.2	0.8	0.2	0.1
Michigan.....	1.2	0.7	0.3	0.3	1.4	1.0	0.2	0.2
Minnesota.....	0.1	-0.1	0.2	-0.1	1.4	1.1	0.2	0.2
Mississippi.....	1.1	0.6	0.2	0.2	1.2	0.9	0.1	0.2
Missouri.....	1.3	0.8	0.3	0.1	1.4	1.0	0.2	0.2
Montana.....	1.0	0.4	0.4	0.2	1.4	1.0	0.2	0.1
Nebraska.....	1.3	0.9	0.3	0.1	2.2	1.9	0.2	0.1
Nevada.....	2.0	1.3	0.5	0.2	1.2	0.7	0.3	0.2
New Hampshire.....	2.0	1.3	0.4	0.3	1.2	0.9	0.2	0.1
New Jersey.....	1.5	1.1	0.3	0.0	1.2	0.8	0.2	0.1
New Mexico.....	1.0	0.4	0.3	0.3	0.9	0.6	0.2	0.1
New York.....	2.0	1.4	0.3	0.3	1.4	0.9	0.2	0.3
North Carolina.....	1.6	1.1	0.3	0.2	1.5	1.0	0.2	0.3
North Dakota.....	-1.4	-2.0	0.3	0.3	0.9	0.4	0.2	0.2
Ohio.....	1.2	0.8	0.3	0.2	1.3	0.9	0.2	0.2
Oklahoma.....	-0.5	-0.8	0.2	0.1	1.0	0.7	0.2	0.2
Oregon.....	1.3	0.6	0.3	0.3	1.5	1.0	0.2	0.2
Pennsylvania.....	0.7	0.3	0.3	0.0	1.3	0.9	0.2	0.2
Rhode Island.....	1.6	1.1	0.3	0.1	1.2	0.8	0.2	0.2
South Carolina.....	1.5	0.9	0.3	0.3	1.2	0.9	0.2	0.1
South Dakota.....	1.4	0.9	0.3	0.1	2.2	1.9	0.2	0.1
Tennessee.....	1.8	1.6	0.2	0.0	0.9	0.6	0.1	0.2
Texas.....	0.2	-0.3	0.3	0.2	1.1	0.8	0.2	0.2
Utah.....	1.7	1.1	0.4	0.1	1.5	1.1	0.2	0.1
Vermont.....	1.0	0.4	0.3	0.2	1.3	0.9	0.2	0.2
Virginia.....	1.7	1.2	0.3	0.2	1.1	0.8	0.2	0.1
Washington.....	2.1	1.7	0.5	0.0	1.3	0.8	0.3	0.2
West Virginia.....	0.9	0.5	0.2	0.2	0.7	0.3	0.2	0.2
Wisconsin.....	1.0	0.6	0.3	0.2	1.5	1.2	0.2	0.1
Wyoming.....	-0.3	-1.0	0.5	0.2	1.1	0.6	0.3	0.1

NOTE: Net earnings is earnings by place of work less contributions for government social insurance plus the adjustment for residence.

In addition, net earnings was primarily responsible for the acceleration in the personal income growth in Texas and the slowdown in personal income growth in California and New York. In contrast, property income and transfer receipts were responsible for the slowdown in Florida's personal income growth.

Earnings by state and industry

Overall, earnings increased 1.4 percent in the third quarter of 2015 after increasing 1.2 percent in the second quarter (table B).

Earnings grew in every state in the third quarter of 2015, including the six states (Louisiana, Minnesota, North Dakota, Oklahoma, Texas, and Wyoming) where earnings fell in the second quarter. In the third quarter, Minnesota's earnings growth (1.6 percent) exceeded the national average, but the earnings growth rates in the five mining states were below the average.

Farm earnings grew in every state except North Dakota in the third quarter. The increase exceeded 25

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

	Percent change		Dollar change (millions of dollars)		Size (millions of dollars)	
	2015		2015		2015	
	II	III	II	III	II	III
All industries.....	1.2	1.4	134,849	150,133	10,968,808	11,118,941
Private sector.....	1.4	1.5	123,877	138,175	9,156,147	9,294,323
Farm.....	-4.5	17.5	-3,702	13,859	78,987	92,845
Nonfarm.....	1.4	1.4	127,579	124,317	9,077,161	9,201,477
Forestry, fishing, and related activities.....	1.6	5.7	578	2,086	36,490	38,575
Mining.....	-5.5	-1.9	-10,148	-3,309	175,538	172,229
Utilities.....	0.7	1.9	605	1,642	86,654	88,296
Construction.....	2.6	1.6	16,264	9,963	634,167	644,130
Durable-goods manufacturing.....	1.1	0.8	7,185	5,658	669,076	674,734
Nondurable-goods manufacturing.....	1.2	1.7	4,557	6,480	374,900	381,380
Wholesale trade.....	1.1	0.6	6,050	3,460	556,295	559,755
Retail trade.....	2.3	1.9	14,827	12,336	652,546	664,882
Transportation and warehousing.....	0.4	1.1	1,662	4,077	379,031	383,107
Information.....	2.0	1.3	7,509	4,710	374,013	378,723
Finance and insurance.....	1.6	1.5	12,069	11,898	772,781	784,679
Real estate and rental and leasing.....	1.7	0.8	4,061	2,089	247,475	249,564
Professional, scientific, and technical services.....	1.8	1.7	19,718	18,808	1,107,692	1,126,500
Management of companies and enterprises.....	1.6	1.5	4,591	4,340	291,080	295,420
Administrative and waste management services.....	1.5	1.5	6,490	6,748	452,568	459,316
Educational services.....	1.0	1.0	1,915	1,859	187,307	189,166
Health care and social assistance.....	1.4	1.6	17,007	18,870	1,191,437	1,210,307
Arts, entertainment, and recreation.....	1.9	2.7	2,287	3,383	124,956	128,339
Accommodation and food services.....	2.0	1.5	7,236	5,398	361,933	367,330
Other services, except public administration.....	0.8	1.0	3,117	3,821	401,223	405,044
Government sector.....	0.6	0.7	10,972	11,957	1,812,661	1,824,618
Federal government, civilian.....	1.4	0.8	4,452	2,608	316,787	319,395
Military.....	-0.4	0.3	-484	369	130,552	130,921
State and local government.....	0.5	0.7	7,004	8,981	1,365,322	1,374,303

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percent in six of the seven states in the Plains Region (Iowa, Kansas, Minnesota, Missouri, Nebraska, and South Dakota). Third-quarter farm earnings reflected lower production expenses, including lower fuel and livestock costs.

Although nonfarm earnings grew at the same pace in the second and third quarters nationally, its growth slowed or accelerated substantially in several states. Among the states with slower growth were New York, where nonfarm earnings growth slowed from 2.3 percent to 1.3 percent, and California, where growth slowed from 2.3 percent to 1.4 percent.

The slowdown in New York was primarily in finance, which grew 1.2 percent in the third quarter, down from 4.4 percent in the second quarter. In California, the slowdown was primarily in manufacturing, which grew 0.2 percent in the third quarter, down from 5.7 percent in the second quarter.⁴

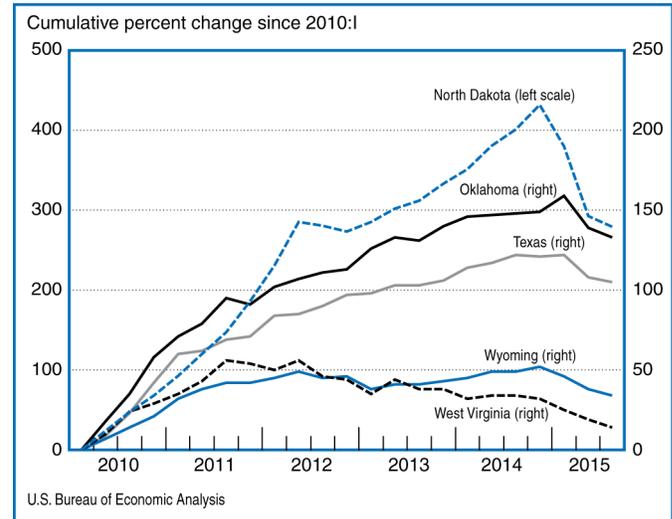
In contrast, nonfarm earnings grew 1.3 percent in Minnesota in the third quarter after falling -0.1 percent in the second. The earnings recovery in Minnesota was primarily in health care and finance. Health care earnings grew 1.6 percent in the third quarter after falling 2.2 percent in the second quarter, and finance earnings grew 1.8 percent following a 3.1 percent decrease in the second quarter.

Earnings grew 0.6 percent in Alaska in the third quarter, the smallest increase of all states. Even so, that was an improvement over its 0.5 percent increase in the second quarter. Earnings declined in four industries in Alaska in the third quarter: mining (-1.7 percent), administrative support (-0.4 percent), state and local government (-0.3 percent), and transportation (-0.2 percent). In the second quarter, earnings fell in state and local government as well as seven other industries.

Nationally, mining earnings fell 1.9 percent, the third consecutive decline. The largest percentage declines were

in West Virginia and North Dakota, where mining earnings fell 3.5 percent (chart 2).

Chart 2. Mining Earnings for North Dakota, Oklahoma, Texas, Wyoming, and West Virginia



Property income

Property income (dividends, interest, and rent) grew 1.2 percent in the third quarter of 2015, the net effect of 1.5 percent gains in interest and rent and a 0.4 percent increase in dividends (table C). In the second quarter, property income grew 1.8 percent. Property income contributed as little as 0.1 percentage point to personal income growth in the third quarter in Mississippi and Tennessee and as much as 0.3 percentage point in seven

Table C. Growth of U.S. Dividends, Interest, and Rent

	Percent change		Dollar change (millions of dollars)	
	2015		2015	
	II	III	II	III
Dividends, interest, and rent	1.8	1.2	49,804	33,026
Dividends	0.2	0.4	1,951	3,758
Interest	2.4	1.5	30,727	19,720
Rent	2.7	1.5	17,126	9,548

4. There was a bonus in the pharmaceutical preparation manufacturing industry in California in the second quarter of 2015.

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states: Arizona, California, Florida, Idaho, Nevada, Washington and Wyoming.

Personal current transfer receipts

Personal current transfer receipts grew 0.9 percent in the third quarter after growing 1.0 percent in the second quarter of 2015. This was the net result of an acceleration in the growth of Medicaid benefits to 2.2 percent from 1.0 percent, a continued decline in state unemployment insurance benefits (0.5 percent in the third quarter, compared with 5.4 percent in the second quarter), and a slowdown in the growth of other transfer receipts to 0.6 percent from 1.1 percent (table D).

Table D. Growth of U.S. Personal Current Transfer Receipts

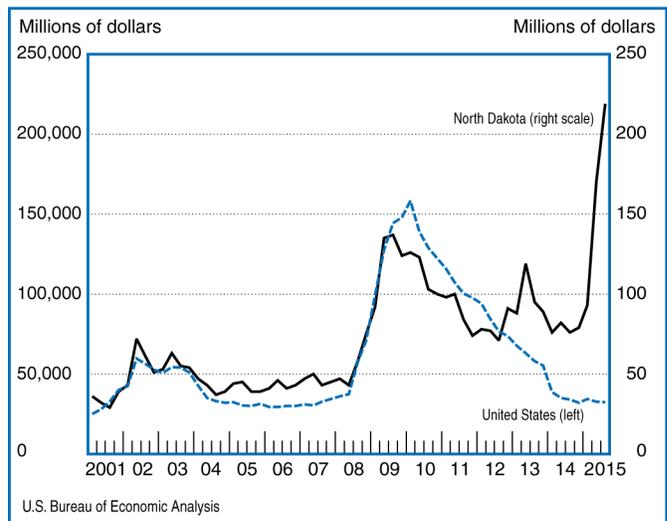
	Percent change		Dollar change (millions of dollars)	
	2015		2015	
	II	III	II	III
Personal current transfer receipts	1.0	0.9	25,533	24,762
Medicaid	1.0	2.2	5,052	11,451
State unemployment insurance	-5.4	-0.5	-1,858	-176
Social Security, Medicare, and other	1.1	0.6	22,339	13,487

New York’s 1.7 percent increase in transfer receipts was the largest of all states in the third quarter and contributed 0.3 percentage point to personal income growth. Most of the increase was in Medicaid receipts, which increased 4.4 percent in the third quarter after growing 3.8 percent in the second quarter.

Transfers receipts increased 0.1 percent in Alaska and Indiana in the third quarter, the smallest increases of all states. Medicaid transfers fell 2.7 percent in Alaska and 2.0 percent in Indiana.

State unemployment insurance (UI) benefits rose 29 percent in North Dakota following an 82 percent increase in the second quarter (chart 3). In the third, quarter state UI benefits were \$219 million in North Dakota, 60 percent higher than their peak after the last recession in the third quarter of 2009.

Chart 3. State Unemployment Insurance Benefits, United States and North Dakota



U.S. Bureau of Economic Analysis