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NEWS RELEASE

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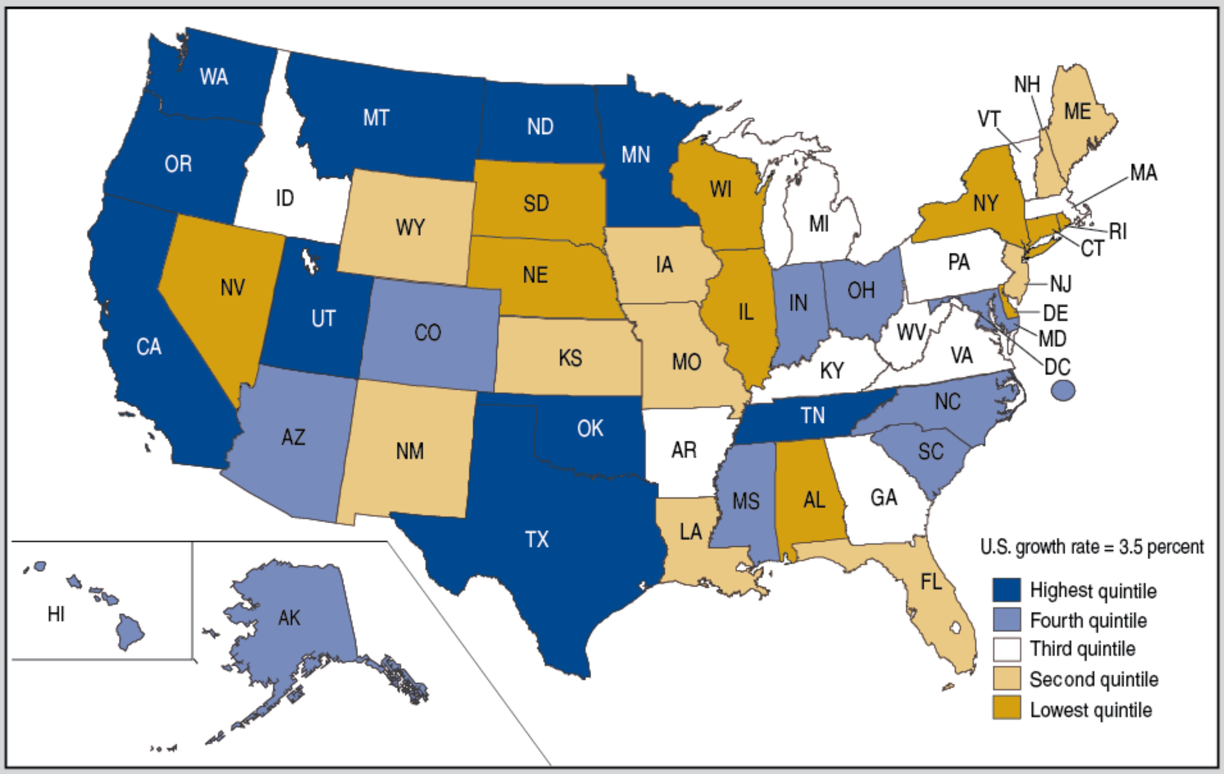
STATE PERSONAL INCOME 2012

Average state personal income growth slowed to 3.5 percent in 2012 from 5.2 percent in 2011, according to estimates released today by the U.S. Bureau of Economic Analysis. State personal income growth ranged from -0.2 percent in South Dakota to 12.4 percent in North Dakota. Inflation, as measured by the national price index for personal consumption expenditures, fell to 1.8 percent in 2012 from 2.4 percent in 2011.

Personal Income: Percent Change, 2011–2012



U.S. Bureau of Economic Analysis

This news release is available on BEA's Web site at www.bea.gov/newsreleases/rels.htm.

South Dakota's small personal income decline was due to the effect of last year's drought on farm income. The drought also had relatively strong adverse effects in Nebraska, Kansas, and Iowa, all of which had below average total personal income growth in 2012. In contrast, nonfarm personal income growth in each of these states was above average.

For the fifth time in the last six years North Dakota has had the fastest personal income growth of all states. Since 2006, personal income in North Dakota has grown at a compound annual rate of 9.2 percent, substantially outpacing the 2.9 percent growth rate of all other states. In 2012, mining (including oil and gas extraction) and construction accounted for 43 percent of private nonfarm earnings growth in North Dakota.

Fourth quarter personal income.[1] In the fourth quarter of 2012, average state personal income growth accelerated to 1.9 percent from 0.6 percent in the third quarter, the fastest pace since the first quarter of 2011. Fourth-quarter growth ranged from 1.3 percent in West Virginia to 4.8 percent in South Dakota. The inflation rate was 0.4 percent in the fourth quarter of 2012, the same as in the third quarter.

Special or accelerated dividend payments to persons in anticipation of changes in federal individual income tax rates boosted personal dividend income in the fourth quarter. The gain was largest in Washington D.C. where dividend income rose 26 percent and smallest in South Dakota where it grew 12 percent.

Fourth-quarter earnings in the finance industry were also boosted by accelerated bonus payments or other irregular pay in anticipation of tax rate changes. Finance earnings grew 10.5 percent in New York, 7.9 percent in Connecticut, and 6.4 percent in New Jersey, states where the finance industry is particularly prominent. Finance earnings grew 2.7 percent in the other states.

Fourth-quarter wage and salary disbursements in New York and New Jersey were reduced 0.8 percent and 0.7 percent, respectively, to reflect work interruptions caused by Hurricane Sandy not accounted for in the primary source data used for preliminary state-level wage and salary estimates.

Severe heat and drought adversely affected agricultural production in the summer and fall of 2012. In the fourth quarter, the drought reduced farm inventories by $25 billion. Crop insurance indemnity payments offset $15 billion of the losses. Illinois and Indiana were hardest hit in the fourth quarter with farm income falling 28 percent and 13 percent (respectively).

For additional information, see the *Technical Note on Quarterly State Personal Income for the Fourth Quarter of 2012* at www.bea.gov.

[1] NOTE.—Quarter-to-quarter percent changes are calculated from unrounded data and are not annualized. Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between published estimates.

Revisions. Estimates for 2012:I to 2012:III have been revised. All of the regional statistics underlying this news release along with mapping and charting software are available at http://bea.gov/regional/.

Definitions

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, property income, and personal current transfer receipts. **Property income** is rental income of persons, personal dividend income, and personal interest income. **Net earnings** is earnings by place of work (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 convert earnings by place of work to a place-of-residence basis. Personal income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

Per capita personal income is calculated as the total personal income of the residents of a state divided by the population of the state. In computing per capita personal income, BEA uses the Census Bureau's annual midyear population estimates.

Disposable personal income is personal income less personal current taxes. It is the portion of personal income that is available for spending and saving.

The estimate of personal income in the United States is derived as the sum of the state estimates and the estimate for the District of Columbia; it differs from the estimate of personal income in the national income and product accounts (NIPAs) because of differences in coverage, in the methodologies used to prepare the estimates, and in the timing of the availability of source data.

BEA groups all 50 states and the District of Columbia into eight distinct regions for purposes of data collection and analysis: **New England** (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont); **Mideast** (Delaware, District of Columbia, Maryland, New Jersey, New York, and Pennsylvania); **Great Lakes** (Illinois, Indiana, Michigan, Ohio, and Wisconsin); **Plains** (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota); **Southeast** (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia); **Southwest** (Arizona, New Mexico, Oklahoma, and Texas); **Rocky Mountain** (Colorado, Idaho, Montana, Utah, and Wyoming); and **Far West** (Alaska, California, Hawaii, Nevada, Oregon, and Washington).

State personal income statistics provide a framework for analyzing current economic conditions in each state and can serve as a basis for decision making. For example:

- Federal government agencies use the statistics as a basis for allocating funds and determining matching grants to states. The statistics are also used in forecasting models to project energy and water use.
- State governments use the statistics to project tax revenues and the need for public services.
- Academic regional economists use the statistics for applied research.
- Businesses, trade associations, and labor organizations use the statistics for market research.

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Next state personal income release – June 28, 2013, at 8:30 A.M. for state personal income, first quarter 2013.