



Economics Group

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State Personal Income Gains: Who Is Hot And Who Is Not

State personal income grew 5.1 percent in 2011, after rising 3.7 percent in 2010. Gains were strongest in states with large energy sectors, vibrant tech sectors and farm economies that were not impacted by drought.

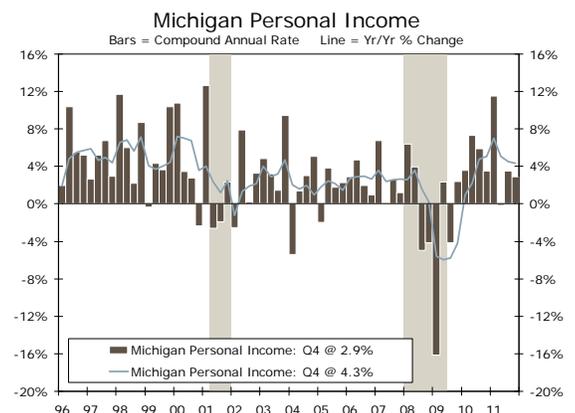
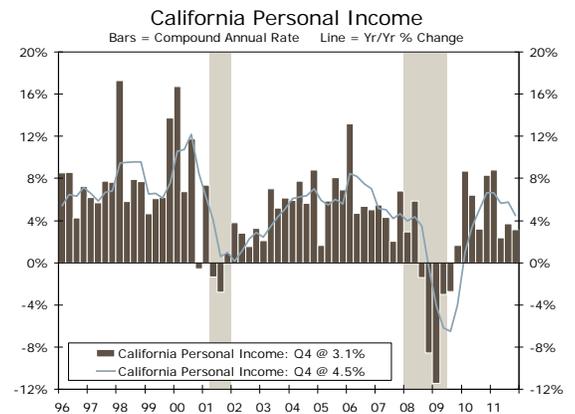
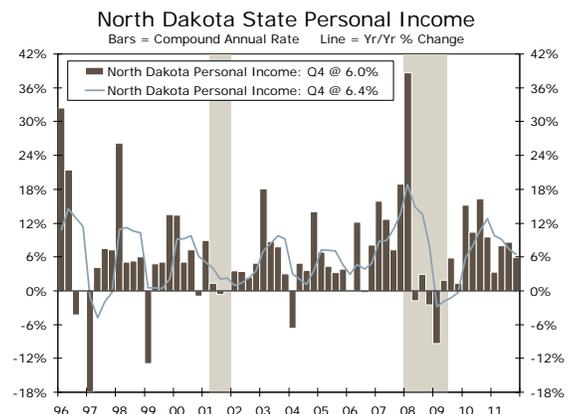
Energy Producing States Chalk Up Big Income Gains

Overall state personal income grew 5.1 percent in 2011, which was well ahead of the 3.7 percent gain posted in 2010. Improvement was evident across the nation, but the range was relatively wide, with gains ranging from a 3.4 percent rise in Maine to an 8.1 percent gain in North Dakota. A quick review of the state personal income data reveals a number of notable trends. Income gains were strongest in states where energy exploration and agriculture are booming. The five fastest-growing states in 2011 were North Dakota (+8.1 percent), Iowa (+6.8 percent), Texas (+6.6 percent), Oklahoma (+6.2 percent) and South Dakota (+6.2 percent).

Gains in energy, mining and agriculture were also behind much of the growth in the next five fastest-growing states, most notably in Nebraska (+5.9 percent), Wyoming (+5.9 percent), Colorado (+5.7 percent) and Utah (+5.5 percent). California (+5.6 percent) actually ranked ninth, but saw most of its income gains come from growth in the state's booming high tech and entertainment industries. Social networking, gaming and content development for mobile phones and tablet PCs are providing a huge boost to California, driving gains in the information, professional services, entertainment and durable goods manufacturing sectors. The spillover from the social networking and mobile Internet boom is apparent across a number of other states, most notably Washington, Texas and New York.

The resurgence in the nation's manufacturing sector is also evident. While personal income in the Midwest rose roughly in line with the national average, a much larger proportion of that growth came from that region's factory sector, primarily at producers of big-ticket goods. Personal income rose 5.2 percent in Michigan during 2011, with durable goods manufacturing making the largest contribution to total earnings. Michigan continues to benefit from the revival of its key automotive sector. Rebounding activity in the durable goods sector also boosted earnings in Wisconsin and Indiana.

The weakest gains in personal income tended to be in states where income from transfer payments or state and local government employment accounts for a relatively large proportion of earnings. Transfer payments contributed just 0.4 percentage points to personal income growth nationwide, and earnings from state and local governments fell slightly nationwide in 2011. Declines in state and local government earnings subtracted 0.4 percentage points from growth in Nevada and sliced 0.3 percentage points of earnings growth in Louisiana, Michigan and Delaware. Per capita income, or income per person, rose 4.3 percent nationwide in 2011. North Dakota and Iowa also led in this measure, but the strongest regional gains were in the Great Lakes, where incomes rose in line with the nation and population gains were the slowest of any region.



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

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