CT Personal Income Pulls Through in First Quarter

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Connecticut personal income growth at 0.6% trailed national personal income growth of 0.9% and New England income growth of 0.8% in the first quarter of 2010. Personal income of $193.037 billion (current dollars, quarterly annualized rate) was the second consecutive quarterly increase, after increasing 0.3% in the fourth quarter of 2009, according to the Bureau of Economic Analysis (BEA). Comparable and adjacent states like New York (0.9%), New Jersey (0.8%), Massachusetts (0.7%), Maryland (0.8%), Pennsylvania (0.8%) and Rhode Island (0.9%) all experienced slightly faster growth than Connecticut during the first quarter. Connecticut ranked 44th by state, in the lowest quintile, in this quarter's personal income growth.

From the same quarter a year ago, Connecticut total personal income grew 1.6% (see chart), while the United States posted 1.9% growth and New England rose 2.3%. This is an improvement for Connecticut compared to the 2.6% annual decline that was measured in the fourth quarter of 2009. Annual personal income growth rates in the same corresponding states were New York (4.3%), New Jersey (2.1%), Massachusetts (2.3%), Maryland (2.7%), Pennsylvania (2.3%), and Rhode Island (3.2%). The inflation rate was estimated at 2.4% over this same time period.

On the face of it, it appears the American Recovery and Reinvestment Act (ARRA) *transfer receipts* bolstered the first quarter's personal income in the state and the nation as a whole. In fact, the nation added $113.5 billion in personal income to *transfer receipts* from ARRA, resulting in a 0.1 percent stimulus contribution to U.S. personal income growth in the first quarter. Consequently, *transfer receipts* grew $736 million of Connecticut's $1.242 billion personal income, outpacing the two other core components of personal income growth, *net earnings by place of work* (+$597 million), and *dividends, interest, and rent,* which had a decline of $91 million. Moreover, Connecticut personal income *transfer receipts* were funded by ARRA at an annual rate of $1.457 billion. However, this ARRA funding for Connecticut was down from the estimated $1.548 billion of ARRA annual rate funding received in the fourth quarter of 2009. In effect, ARRA funding had a zero contribution to the state's personal income gains in the first quarter, according to BEA. Federal government stimulus effects on the states, and Connecticut in particular, may be running its course.

Wage and salary disbursements (+$460 million) largely supported the *net earnings by place of work* contribution (+$597 million) to the first quarter's personal income growth. This is a validating sign for the start of a discernible employment recovery in the state. Right now, Connecticut nonfarm employment appears to have bottomed out in the fourth quarter of 2009. The health care/social assistance and manufacturing industry sectors provided the largest boost to earnings income from industry. Meanwhile the shrinking construction and real estate sectors continued to partially negate the recovering earnings observed in almost all other major industry sectors. Farming and utilities were exceptions that saw slight declines this quarter. The wildcard *dividends, interest, and rent*, a key component of Connecticut personal income, declined $91 million. While no separate breakout of this property income component is available at the state level, at the national level it was noted that "declines in dividends offset rises in interest and rental income." Connecticut conceivably experienced a similar trend from property income, only magnified because of larger stock market exposure.

Despite the relatively soft growth in Connecticut's personal income in the first quarter of 2010, Connecticut still likely leads all states in overall per capita personal income. For 2009, Connecticut's per capita personal income was $54,397, a decline of 3.3% from 2008. The last two quarters of personal income growth indicate a potentially positive trend for Connecticut in the ensuing quarters of 2010. It is very encouraging that personal income growth in Connecticut materialized even with a diminishing stimulus contribution from the American Recovery and Reinvestment Act. ■