News Release: GDP by State

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ECONOMIC SLOWDOWN WIDESPREAD AMONG STATES IN 2008

Advance 2008 and Revised 2005–2007 GDP–by–State Statistics

New statistics released today by the U.S. Bureau of Economic Analysis show that economic growth slowed in most states and regions of the U.S. in 2008 as economic growth overall slowed. Real GDP growth slowed in 38 states, with downturns in construction, manufacturing, and finance and insurance restraining growth in many states.[1] Growth in real U.S. GDP by state slowed from 2.0 percent in 2007 to 0.7 percent in 2008.[2]

Percent Change in Real GDP by State, 2007-2008

Rocky Mountain 2.2
Plains 2.0
Great Lakes -0.4
New England 1.0
Mideast 1.3
Southeast 0.0
Southwest 1.7
Far West 0.6
WA 2.0
OR 1.6
CA 0.4
NV -0.6
ID 0.0
MT 1.8
WY 4.4
UT 1.4
CO 2.9
AZ -0.6
NM 2.0
ND 7.3
SD 3.5
NE 1.3
KS 2.2
OK 2.7
TX 2.0
MN 2.0
IA 2.1
MO 1.3
AR 0.7
LA 0.3
WI 0.7
MI -1.5
IL 0.3
IN -0.6
OH -0.7
KY -0.1
TN 0.5
MS 1.7
AL 0.7
GA -0.6
FL -1.6
SC 0.6
NC 0.1
VA 1.3
WV 2.5
PA 1.1
NY 1.6
NJ 0.6
DE -1.6
MD 1.3
DC 3.0
ME 1.4
NH 1.8
VT 1.7
MA 1.9
CT -0.4
RI -0.9
HI 0.7
AK -2.0
U.S. = 0.7
Highest quintile
Fourth quintile
Third quintile
Second quintile
Lowest quintile

U.S. Bureau of Economic Analysis

Real economic growth slowed in all eight BEA regions. The Southwest region experienced the largest deceleration, with real GDP growth slowing from 3.6 percent in 2007 to 1.7 percent in 2008. A decline in nondurable goods manufacturing slowed growth in the Southwest. The Southeast region slowed from little growth in 2007 to no growth in 2008. Real GDP in the Great Lakes region, which was the slowest growing region in 2007, contracted in 2008. Declines in construction, manufacturing, and finance and insurance caused the slowdown in the Southeast and the contraction in the Great Lakes.

Twelve states experienced declines in real GDP in 2008. Alaska had the largest decline in real GDP (–2.0 percent), caused mainly by a decline in petroleum extraction. In Delaware, the contraction was due to a significant decline in finance and insurance. Michigan, Ohio, and Indiana contracted with declines in durable goods manufacturing. In Rhode Island, Georgia, and Connecticut, the contraction was mainly due to declines in manufacturing and construction, with other industries such as finance and insurance also contributing to the decline.

Several states that benefited from a strong housing market earlier this decade were adversely affected by its recent weakness. Arizona, Florida, and Nevada experienced faster real growth than average in 2004, 2005, and 2006, but their economies slowed in 2007 and declined in 2008. Contributing to the economic slowdown in these three states were declines in the construction and finance and insurance industries. California's economy, which also previously benefited from a strong housing market, grew slowly in 2008 as declines in construction and finance and insurance were slightly more than offset by growth in information and in professional and technical services.

In contrast, states in the central part of the country tended to grow faster than the nation due to increases in agriculture, forestry, fishing, and hunting and in mining. North Dakota had the fastest economic growth in 2008 (7.3 percent), growing twice as fast as all other states, except Wyoming. The largest contributor to growth in North Dakota was the agriculture, forestry, fishing and hunting industry. In 2008, real GDP growth accelerated in nine states and the District of Columbia. Wyoming had the largest acceleration in real growth, rising from 0.7 percent in 2007 to 4.4 percent in 2008. In Wyoming, the largest contributor to growth in 2008 was mining.

Per capita real GDP by state in 2008. Delaware's per capita real GDP of $56,401 was the highest in the nation, 49 percent above the national average. Mississippi's per capita real GDP of $24,403 was the lowest in the nation, 36 percent below the national average. All of the top and bottom ten states remained in their quintile in 2007 and 2008. Refer to Table 3 for more detail on the results of per capita real GDP by state.

Tables 1–4 [Excel] show these results in more detail; complete detail is available on BEA's Web site at www.bea.gov.

Advance Statistics of GDP by State for 2008 by NAICS Sector

The advance statistics of GDP by state for 2008 are based on a more limited set of source data and an abbreviated estimation methodology compared to the standard set of data and the estimation methodology used to prepare the revised statistics for 2005–2007. The advance GDP–by–state statistics are based primarily on preliminary earnings by industry data from BEA's regional economic accounts, released March 24, 2009, and on advance GDP–by–industry data from BEA's annual industry accounts, released April 28, 2009. Preliminary farm sector cash receipts data from the U.S. Department of Agriculture are incorporated in the agriculture, forestry, fishing, and hunting sector. Preliminary value of production and price data from the U.S. Department of the Interior and the U.S. Department of Energy are incorporated in the mining sector.

More information on the methodology used to produce the advance 2008 statistics, on the regular (revised) GDP–by–state statistics for 2005–2007, and on revisions to the GDP–by–state statistics will appear in an article in the June 2009 issue of the *Survey of Current Business*, BEA's monthly journal.

Explanatory Notes

Definitions. GDP by state is the state counterpart of the Nation's gross domestic product (GDP), the Bureau's featured and most comprehensive measure of U.S. economic activity. GDP by state is derived as the sum of the GDP originating in all the industries in a state.

The statistics of real GDP by state are prepared in chained (2000) dollars. Real GDP by state is an inflation–adjusted measure of each state's gross product that is based on national prices for the goods and services produced within that state. The statistics of real GDP by state and of quantity indexes with a base year of 2000 were derived by applying national implicit price deflators to the current–dollar GDP–by–state values for the 64 detailed NAICS–based industries for 1997 forward and for the 63 detailed SIC–based industries for 1977–1997.

The chain–type index formula that is used in the national accounts is then used to calculate the values of total real GDP by state and of real GDP by state at more aggregated industry levels. Real GDP by state may reflect a substantial volume of output that is sold to other states and countries. To the extent that a state's output is produced and sold in national markets at relatively uniform prices (or sold locally at national prices), real GDP by state captures the differences across states that reflect the relative differences in the mix of goods and services that the states produce. However, real GDP by state does not capture geographic differences in the prices of goods and services that are produced and sold locally.

BEA is working toward a long–term goal of replacing the national implicit price deflators used to deflate state–level current–dollar GDP by industry with state–specific prices. A paper posted on BEA's Web site, "Estimates of State and Metropolitan Price Levels for Consumption Goods and Services in the United States, 2005," by Bettina H. Aten [PDF] presents estimates of spatial price deflators that may be used for adjusting price level differences across geographic areas. The work is based on micro–level price data from the consumer price index of the U.S. Bureau of Labor Statistics and the American Community Survey of the U.S. Census Bureau. It represents an important first step in deriving producer–type price indexes—which are the basis for the national implicit price deflators used in BEA's GDP–by–state accounts—at the state level. BEA plans to continue research into developing state–level prices and to explore estimating GDP by state on an expenditures basis.

Relation of GDP by state to U.S. Gross Domestic Product (GDP). An industry's GDP by state, or its value added, in practice, is calculated as the sum of incomes earned by labor and capital and the costs incurred in the production of goods and services. That is, it includes the wages and salaries that workers earn, the income earned by individual or joint entrepreneurs as well as by corporations, and business taxes such as sales, property, and Federal excise taxes—that count as a business expense.

GDP is calculated as the sum of what consumers, businesses, and government spend on final goods and services, plus investment and net foreign trade. In theory, incomes earned should equal what is spent, but due to different data sources, income earned, usually referred to as gross domestic income (GDI), does not always equal what is spent (GDP). The difference is referred to as the "statistical discrepancy."

Starting with the 2004 comprehensive revision, BEA's annual industry accounts and its GDP–by–state accounts allocate the statistical discrepancy across all private–sector industries. Therefore, GDP–by–state statistics are now conceptually more similar to the GDP statistics in the national accounts than they had been in the past.

U.S. real GDP by state for the advance year, 2008, may differ from the Annual Industry Accounts' GDP by industry and, hence NIPA (National Income and Product Account) GDP, because of differences in source data used to estimate GDP by state and the expenditures measure of NIPA GDP. For the revised years of 2005–2007, U.S. GDP by state is nearly identical to GDP by industry except for small differences resulting from the GDP–by–state accounts' exclusion of overseas Federal military and civilian activity (because it cannot be attributed to a particular state). The GDP–by–industry statistics are identical to those from the 2008 annual revision of the NIPAs, released in July 2008. However, because of revisions since July 2008, GDP in the NIPAs may differ from U.S. GDP by state.

BEA's national, international, regional, and industry statistics; the *Survey of Current Business*; and BEA news releases are available without charge on BEA's Web site at www.bea.gov. By visiting the site, you can also subscribe to receive free e–mail summaries of BEA releases and announcements.

Footnotes

1. Real GDP by state is an inflation-adjusted measure of each state's production, wherever sold. For a further description, see the "Explanatory Notes" section in this release.

2. U.S. real GDP by state for the advance year differs from the corresponding national income and product account (NIPA) value because of differences in source data and methodologies used to estimate the related statistics, and because of revisions to the NIPA values since the previous annual NIPA revision. In addition, U.S. GDP–by–state values differ from the corresponding NIPA values because the U.S. GDP–by–state values exclude Federal military and civilian activity located overseas, which cannot be attributed to a particular state.