

Per capita income picks up in western district states

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After spending years toward the bottom of state per capita personal income rankings, Montana and the Dakotas are climbing the income ladder, thanks to strong economies.

In 1990, North Dakota and South Dakota ranked 39th and 38th, respectively; by 2008, they ranked 20th and 26th. Montana's ranking went from 47th in 1995 to 38th in 2008. At the same time, Minnesota's state ranking rose during the 1990s, but has held steady since 2000. Wisconsin's per capita income ranking dropped from 23rd in 1990 to 27th in 2008 (see chart).

While the economic downturn has affected Montana and the Dakotas, these states have weathered the recession relatively well compared with the nation. Minnesota and Wisconsin largely followed national trends during the economic downturn.

The superior performance in Montana and the Dakotas appears to be attributable to their heavier dependence on natural-resource-based industries in comparison with other states. Agriculture, mining, oil drilling and forest products have seen strong, if volatile,

growth during this decade. Income from these sectors represented 13 percent of total state personal income in North Dakota, 6 percent in South Dakota and 4 percent in Montana in 2008, while representing only 2 percent nationally. As income from these sectors began to expand, so did per capita income.

Agricultural conditions were relatively robust during the past few years, which had an outsized effect on income in these three states. Adjusted for inflation, average national net farm income during the most recent five years (2004–2008) was \$73.8 billion, much higher than the average of \$54.6 billion for the previous 25 years (1979–2003). Meanwhile, oil production exploded in the Williston Basin, a vast area that straddles North Dakota and Montana. The number of drilling rigs in North Dakota increased from six in July 2000 to 13 in July 2008; Montana saw a jump from 14 rigs to 69. Oil prices soared from \$30 to over \$100 per barrel during the same period, which increased revenue dramatically.

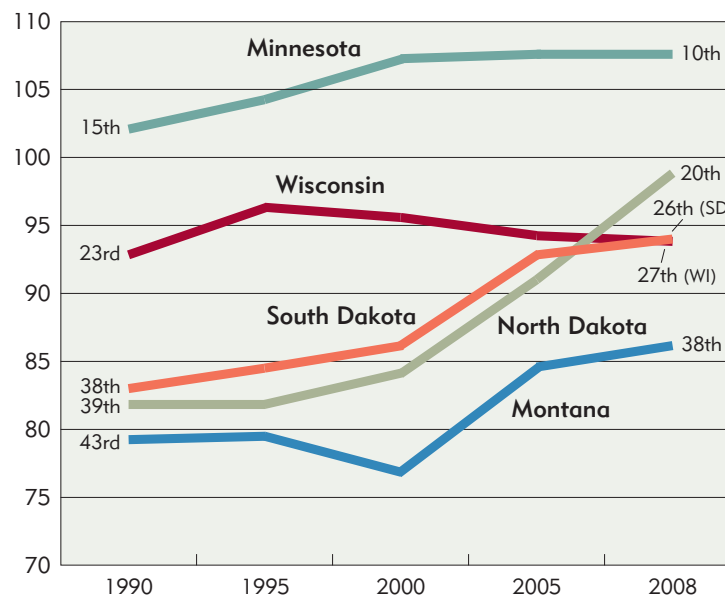
Mining production also picked up as metal prices increased. Broad measures of metal prices about tripled between July 2003 and July 2006 and remained at high levels until the middle of 2008. While forest products industries showed strong growth during the first half of this decade, the sector has been a drag

on natural resources since 2007, but not enough to counterbalance the success in other areas.

While per capita income has climbed out of the basement in Montana and the Dakotas, this is not the first time these states have claimed relatively high levels of per capita income. Back in 1950 when farm income was strong, Montana and North Dakota ranked 12th and

Income on the rise in Montana and the Dakotas

Per capita personal income as a percent of U.S. per capita personal income and state rank in 1990 and 2008



Source: Bureau of Economic Analysis

28th, respectively. If overall strength in agriculture, mining, oil drilling and forest products holds up during the post-recession recovery, these states' per capita income rankings could remain relatively higher. Yet most investors and workers in these industries know that history does have a way of repeating itself. **f**

District Voices *What effect has the expiration of the federal C.A.R.S., or cash for clunkers, program had on your operations?*

We're a pre-owned (vehicle) dealership. ... We actually sold, I believe, in the last two or three months while cash for clunkers was going on, more cars than we would have sold without it. But as far as after the fact now that it's done, the faucet is shut off. ... [T]hose people who were in the market or who may not have been in the market for maybe six or eight months ahead of time, that drew everybody out and about and the people who were going to buy cars in the next six months or a year just decided to do it then. So I don't know what that's going to entail for the next six months.
Casey Sol, Manager
Drive One Today—Eau Claire, Wis.

[A]t this point, we're pretty well established in the community. A lot of people know that Newgate uses (old) cars for training young adults who want to get into mechanics or auto body and provides (donated) cars to low-income single moms. ... [S]o we didn't have

the impact (on donated cars) because of our size that I know cash for clunkers had on smaller nonprofits. ... I'm sure that we lost cars that didn't get donated because they were crushed instead.

Ron Severson, Executive Director
Newgate Education Center—
Minneapolis, Minn.

Well, according to the dealerships ... September started off pretty slow for new cars. I don't know exactly how it's going to end, but according to everything I heard while I was out in the dealerships, new car sales were pretty light beginning of September. ... August, of course, was excellent.

Teri Everson, Director of Field Services
South Dakota Automobile Dealers
Association—Sioux Falls, S.D.

[T]raditionally, we'll stock anywhere from 80 to 100 cars, and our inventory has been

depleted to just a fraction of that. And to go out and replace the used cars right now, what it has done is driven the used car prices up so far that they're very close to a new car price. I think the fallout that we're seeing right now is just adjusting to the market conditions. We still have the same amount of people coming through the door. I don't think we sold ahead or anything like that. But fulfilling their needs with inventory is probably our biggest issue right now.

Terry Packer, Sales Manager
Halbinsel Volkswagen-Mazda-Suzuki-Isuzu—
Escanaba, Mich.

Our sales are back to ... the April-May type sales we were having. June and July in the Dakotas are the best months to sell, so those numbers ... were up. August numbers obviously were up, but our September sales numbers and early in October are much like our last spring sales numbers. [W]e're actually ...

very close to the numbers we want to hit, which is equivalent to last year, which was a tremendous sales year for us.

Justin Theel, Owner/General Manager
Cedric Theel Toyota Scion—Bismarck, N.D.

I think that car sales have slowed down. But I have no figures to back it up other than I know inventory is low. You can drive by any car lot and it's pretty bare. ... I think those that were going to purchase at this time probably did it. If they had the type of trade that could be done, they probably did it during the cash for clunkers.

Marilyn Olsen, Executive Vice President
Montana Automobile Dealers Association—
Helena, Mont.