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INSIGHT

Regional Economic Performance Since the Pandemic

June 4, 2024

The current economic expansion has been characterized by above-average employment growth, historically low unemployment, and economic growth comparable to the previous two expansions (but slower than earlier expansions). (For more information, see CRS Report R48054, *State of the U.S. Economy: Policy Issues in the 118th Congress*.) This Insight looks at whether those trends hold across U.S. states by examining four different economic metrics. Although several states have done poorly on one metric (and in a few cases, more than one), no state has done poorly on all four. Conversely, one state (Utah) outperformed the national average by at least one standard deviation on all four measures. Thus, no one metric well represents overall economic performance. In particular, states with high (employment or economic) growth rates over a relatively short period of time do not necessarily have low levels of unemployment or high income levels, which partly reflect longer-term phenomena.

Unemployment Rate

In March 2024, the national unemployment rate (3.8%) was the same as it was before the pandemic in February 2020. Across states, the unemployment rate varied from a high of 5.3% (California) to a low of 2.0% (North Dakota). Only California, Nevada, and the District of Columbia had unemployment above 5%. That spread is narrower than before the pandemic, when the highest state unemployment rate was 5.8% and the lowest was 2.1%—indicating that labor demand has been relatively strong across states. Even the highest state unemployment rate is low by historical standards—the national average was 6% from 2000 to 2020.

Nationally, the unemployment rate has risen 0.4 percentage points since January 2023, and most states have also seen an increase since then. Six states have gone from low to above-average unemployment during this expansion (see **Figure 1**).

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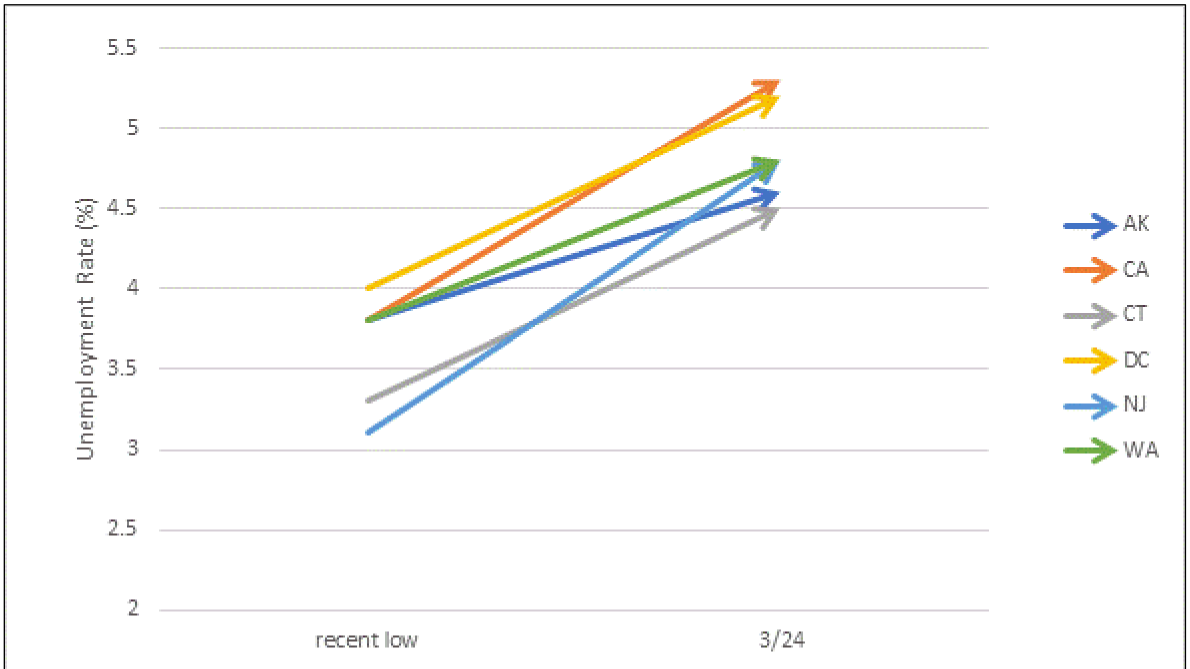
Figure 1. States with High and Increasing Unemployment



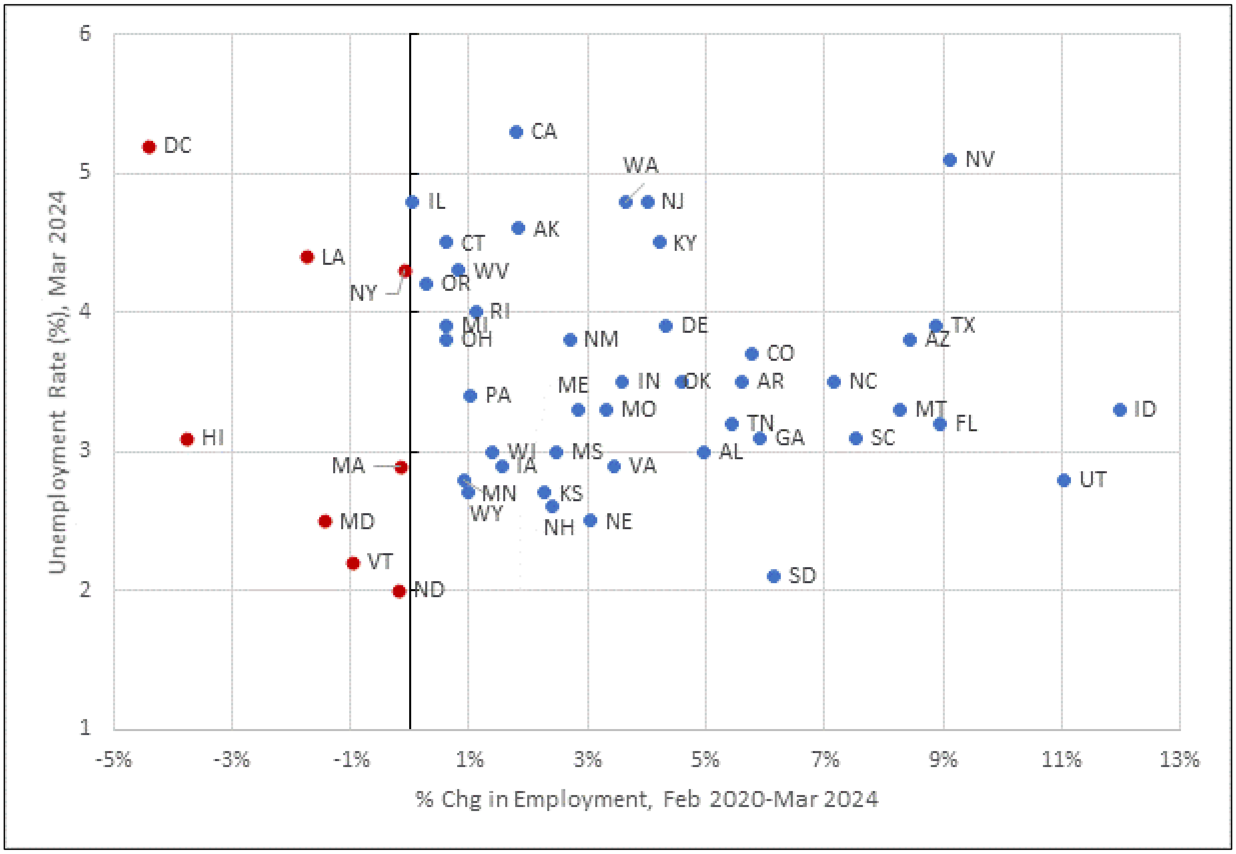
Source: CRS calculations based on Bureau of Labor Statistics (BLS) data.

Notes: Recent low is various months during the current expansion.

Employment Growth

U.S. employment has grown a cumulative 3.8% since the onset of the pandemic (February 2020 to March 2024). Growth was widespread except in seven states and DC, where employment has fallen over that period (the red dots in **Figure 2**). At the state level, employment can fall because workers are losing jobs or because the labor force is shrinking (e.g., workers are moving out of the state). Employment fell in five of those jurisdictions because their labor forces shrank. As shown in **Figure 2**, eight states had cumulative employment growth that exceeded 7.4% (at least one standard deviation above the U.S. average), and 34 states fell within one standard deviation above or below average.

Figure 2. State Unemployment and Employment



Source: CRS calculations based on BLS data.

At the state level, employment growth is not well correlated with (low) unemployment. Three of the jurisdictions with falling employment had an above-average unemployment rate (DC, New York, Louisiana). The other five jurisdictions are not experiencing job growth but do not have a dearth of employment opportunities. Of the 13 states with unemployment below 3%, only one also experienced very rapid employment growth. With unemployment relatively low in all jurisdictions, differences in unemployment rates currently reflect structural issues more than cyclical ones. For example, on average, workers with higher educational attainment have lower unemployment rates, and educational attainment varies by state.

Gross Domestic Product (GDP) Growth

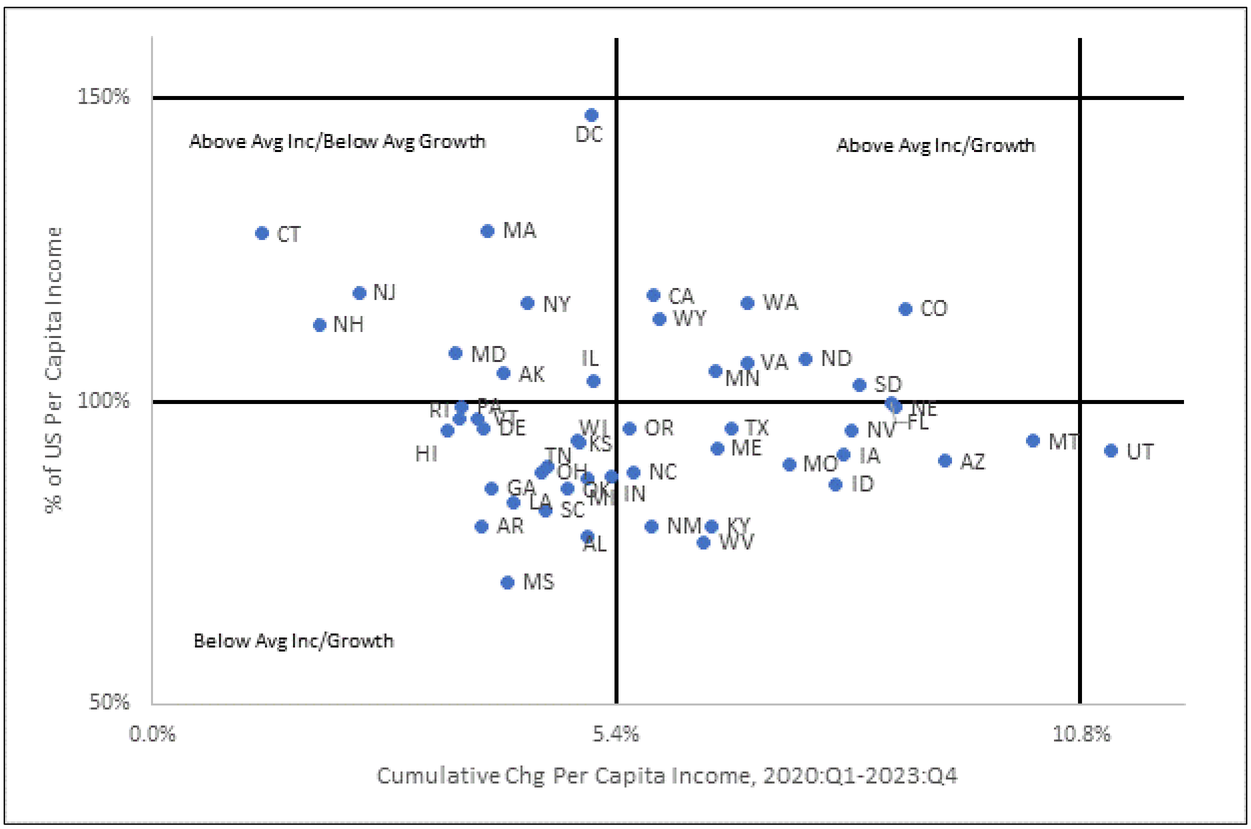
Nationally, GDP (total output) has grown a cumulative 9.7% from the first quarter of 2020 to the fourth quarter of 2023. GDP is higher than before the pandemic in all 50 states and DC, but growth by state varied considerably, from a low of 0.5% (North Dakota) to a high of 19.9% (Florida). By region, growth was slowest in the Mideast and fastest in the Southwest.

Per Capita Income Growth

Per capita income growth, which includes both earned income and government transfers, is useful to adjust for differences in population growth and compare how individuals are faring economically across states. Based on CRS calculations using Bureau of Economic Analysis (BEA) data, inflation-adjusted average per capita income has increased nationally by a cumulative 5.4% from the first quarter of 2020 to the fourth quarter of 2023. That figure varies considerably across jurisdictions, from a low of 1.3% in Connecticut to a high of 11.2% in Utah. However, per capita income growth in 37 jurisdictions was between 3.4% and 7.4%, indicating that the pace of the economic expansion has been relatively even across most jurisdictions. Notably, no state had lower per capita income than before the pandemic.

Why might per capita income growth vary across states? One reason is states with income below the national average can experience "catch-up" growth above the national average that moves them closer to national living standards. Those states—located mainly in the Plains, Southeast, and Southwest—are in the bottom right quadrant of **Figure 3**. Conversely, states with above-average income levels may experience "regression to the mean," as they find it harder to generate growth compared to low-income states. Those states, located mainly in New England and the Mideast, fall into the top left quadrant. For example, Connecticut had the lowest growth and the second-highest income level of any state. States could also move (in either direction) toward the mean because of a correlation between cost of living and income levels. In other words, individuals from states with above-average income have an incentive to move to low-cost (and below-average income) states. When they do so (assuming no change in their income), that raises the average income in that state.

Figure 3. State Per Capita Income



Source: CRS calculations based on BEA data.

Not all states showed catch-up growth or regression to the mean. Over shorter time periods, such as the current expansion, idiosyncratic causes of income growth may dominate. Eight states (all located west of the Mississippi except Virginia) with above-average income grew faster than the U.S. average, and 18 states with below-average income grew more slowly, although all were within two percentage points of average U.S. income growth.

Author Information

Marc Labonte
Specialist in Macroeconomic Policy

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