According to the advance estimate for 2001:IIIQ, real GDP fell at an annualized rate of 0.4%, the first economic contraction since 1993. This figure suggests the economy may have slipped into a recession for the first time since 1991. The fall in output was somewhat less than the consensus Blue Chip forecast of -0.6%. An even larger decline in real output is forecast for 2001:IVQ, but the economy is expected to pick up again in 2002.

Business investment and exports were the largest drags on the U.S. economy. However, the positive effect of consumption was smaller in the third quarter than in the second. According to Commerce Department figures (not annual rates), real consumer spending fell 1.3% in September following a 0.3% rise in August; likewise, real personal disposable income fell 0.6% in September compared with a 1.9% rise in August. The September data undoubtedly reflect the aftermath of the terrorist attacks.

State per capita personal income varies considerably across the U.S. In the richest state, Connecticut, income averaged $40,870 in 2000—almost double that of the poorest state, Mississippi, where average income was $20,856. Only 17 states have per capita incomes above the U.S. average of $29,451. Among the Fourth District states, only Pennsylvania exceeds the U.S. average; West Virginia has the second-lowest per capita personal income in the nation.
Per capita disposable personal income (personal income adjusted for tax and other payments) shows a similar trend. Connecticut, at $32,820 remains the richest state, while Mississippi, at $18,612, is still the poorest. In terms of disposable personal income, then, people in Connecticut earn, on average, 75% more than people in Mississippi. Once again, Pennsylvania is the only Fourth District state that exceeds the U.S. average of $24,891.

Whichever income measure is used, state per capita income varies more at the top and bottom of the distribution, whereas states in the middle tend to have similar incomes. In other words, the plot of per capita incomes is fairly flat in the middle and steeper at the ends.

To gauge income mobility among states, we divided them into quintiles, based on their income rankings in 1960. Next, we asked which quintile these states occupied in 2000. Six states that were in the top quintile in 1960 remained there in 2000; the other four had fallen to the second quintile. Likewise, five states in the bottom quintile in 1960 were still there in 2000; four had advanced to the fourth quintile, while one had reached the third quintile. States in the middle quintiles exhibit somewhat greater mobility; for example, two states that were in the middle quintile in 1960 had reached the top quintile in 2000, while two had fallen to the bottom quintile.