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West Virginia Economy Hits Bottom In 2010

Excerpt From the West Virginia Economic Outlook 2010

by George W. Hammond, Associate Director, BBER

The West Virginia economy has been sucked into the same vortex that swallowed the U.S. Employment is in free fall, with the state losing 22,600 jobs from the second quarter of 2008 to the same quarter of 2009. That translates into a rate of job loss of 3.0 percent. The severe job losses have been accompanied by a rapidly rising unemployment rate, which has doubled during the past four quarters (from 4.3 percent to 8.8 percent, seasonally adjusted). Further, real personal income growth has also slowed during the first half of 2009, compared to the same period in 2008, but remained positive.

West Virginia is not alone in the downturn. The national economy lost jobs at a faster rate during the past year, at 3.9 percent. The national economy has also recorded a massive increase in the seasonally adjusted unemployment rate, which hit 9.4 percent in the second quarter of 2009. In addition, real income has actually declined nationally during the past four quarters, down 2.4 percent.

Overall, the state has weathered the recession so far a little better than the national economy, although the state has been hit hard. Keep in mind that the state has not seen job losses in the 3.0 percent range since the early 1980s and that after losing almost 23,000 jobs, state employment is back to levels last seen in 2004.

Job losses in West Virginia during the past year have been widely distributed across industries. Indeed, losses were similar for the goods-producing and service-providing sectors.

Within the goods-producing sector, manufacturing posted the largest job losses, with those declines concentrated in the durable manufacturing sector (especially primary metals). This reflects the huge drop in demand caused by the national (and global) downturn. Construction jobs are also down significantly from year-ago levels, which reflects the housing correction in the state (particularly in the state's Eastern Panhandle). Finally, natural resources and mining jobs are also down during the past four quarters, which reflects declining demand for energy and steel that results in less demand for coal and natural gas.

Within the natural resources and mining sector, coal production has fallen precipitously during the past four quarters. Indeed, current estimates put coal production at about 140 million tons in the second quarter of 2009, roughly 13.0 percent below year ago levels. In addition, spot coal

prices for Central and Northern Appalachian coal are down from the \$145/ton range during the summer of 2008 to the \$45/ton range during the summer of 2009. Natural gas prices are also well down from year-ago levels. Weakening demand for coal also hit the value of coal exports, which were down 23.0 percent in the second quarter of 2009, compared to year-ago levels.

In addition to the goods-producing sector job losses, the state has also posted large losses in service-providing employment. The largest losses were in retail trade, which reflects the retrenchment of the consumer both nationally and in the state.

Professional and business services; leisure and hospitality; and financial activities also posted significant job losses during the past year.

Not all service-providing sectors have lost jobs lately. Education and health care and government employment were both above year-ago levels in the second quarter of 2009. Health care job growth during the recession reflects the fact that this sector tends to be less sensitive (but not immune) to national business cycle trends that many other sectors. Government employment growth reflects gains in federal government employment in the state.

The outlook for the state depends on the outlook for the national (and global) economies. The national forecast calls for U.S. real GDP growth to rebound in the second half of 2009, while national employment begins to grow again in 2010.

That sets the stage for West Virginia employment to stabilize during the first half of 2010 and for growth to pick up steam during the second half of the year. However, gains are likely to be slow during the remaining years of the forecast. Indeed, the state does not regain 2008 employment levels until 2013.

As Table 1 shows, the forecast calls for state job growth to average 0.7 percent per year during the 2009-2014 period. That is below average growth during the previous five years and is well below the 1.4 percent growth rate expected for the nation.

Table 1
W.Va. and U.S. Economic Growth

	West Virginia				Average Annual Growth Rates**			
	Actual		Forecast		2003-2008		2009-2014	
	2003	2008	2009	2014	W.Va.	U.S.	W.Va.	U.S.^
Jobs (000s)*	677.2	709.1	688.1	713.9	0.9	1.1	0.7	1.4
Real Per Capita Income (\$2005)	26,332	29,020	29,585	32,021	2.0	1.6	1.6	1.8
Population (000s)	1,802	1,814	1,820	1,835	0.1	0.9	0.2	1.0
Unemployment Rate** (Percent)	6.0	4.3	8.1	7.5	-0.3	-0.0	-0.1	-0.3

*Covered by unemployment insurance for West Virginia. Nonfarm payroll for U.S.

**Growth rate is average annual change.

^U.S. forecast is from IHS Global Insight, September 2009.

Job losses in natural resources and mining contribute to the sluggish overall employment gains. This reflects the slow rebound in coal production from 140 million tons in 2009 to 148 million tons by 2014.

Construction employment rises modestly during the forecast, which reflects the end of the housing correction and continued investment in energy transmission and generation projects.

Manufacturing employment is forecast to stabilize during the next five years, again as world demand recovers. In addition, continued depreciation of the U.S. dollar, which makes U.S. goods and services more competitive internationally, will help drive increased demand for U.S. manufactured goods.

Most job gains during the forecast come in service-providing sectors, particularly professional and business services and health care. Growth in professional and business services reflects the rebounding national economy, while health care gains are connected to the aging of the state's residents.

Also adding significant numbers of jobs during the forecast are trade, transportation, and utilities, leisure and hospitality, and government. While employment in leisure and hospitality continues to grow during the forecast, the rate of growth drops dramatically compared to gains earlier this decade. That reflects increased competitive pressures in the gaming sector, as neighboring states move to take advantage of this source of tax revenue.

As employment losses gradually turn to employment gains during the next year, the state's unemployment rate will peak and then begin to fall. The forecast calls for the state unemployment rate to peak at 9.5 percent in the second quarter of 2010 and then slowly drop to 7.5 percent by 2014. This roughly mirrors the national pattern, although the national rate is expected to peak at 10.0 percent in the first quarter of 2010.

Employment growth during the forecast contributes to income growth, although real per capita personal income growth is forecast to be slower than the national average. While the state made quite a bit of progress in closing the per capita income gap with the nation so far this decade, the gap is forecast to slowly expand again during the next five years.

Job and income growth contribute to slow population growth during the forecast, with the state forecast to add residents at a 0.2 percent per year rate. That is far below the national rate of about 1.0 percent. In addition, the demographics of the state will soon begin to shift toward the older age groups, as the baby boom generation begins to pass from the 45-64 age group into the 65-and-older age group.

The aging of the state's residents will also contribute to more job openings for younger workers, as the baby boomers begin to retire in large numbers. This suggests that the state will have a better chance to retain young college graduates and generate stronger wage growth in the future.

Risks to the forecast include the possibility that the national economy will slide back into recession in 2010. That would likely put the state back into recession as well.

In addition, there are state specific risks to the forecast. One risk pertains to the natural resources sector and relate to national environmental policies. The U.S. Environmental Protection Agency has already begun to increase reviews of surface mining permits. This additional scrutiny has the potential to reduce surface mining (particularly affecting the southern part of the state) activity, which would reduce overall job and income growth in West Virginia.

In addition, the nation (and Congress) continues to debate restrictions on carbon dioxide emissions (likely through a cap-and-trade style policy intervention). If these restrictions are implemented they will likely result in much lower levels of coal production in West Virginia, with accompanying job and income losses. Further, the impacts of this policy intervention would also adversely affect the manufacturing sector in West Virginia.

The gaming sector of the state economy has generated strong growth during this decade. In part, that was because the State of West Virginia legalized certain forms of gaming before surrounding states. This is now changing and the result is considerable competitive pressure on West Virginia gaming establishments. With all states under tremendous pressure to raise revenues, it is likely that more of our surrounding states will legalize more forms of gaming, thus

increasing competitive pressures on the sector in West Virginia.

Finally, health care remains one of the fastest growing sectors in the state (and the nation). However, this sector faces the prospect of a major restructuring of the public funding of health care. This restructuring has the potential to slow the growth of the sector in the state.

Full details of the forecast available at www.bber.wvu.edu.

Morgantown MSA Outlook

By George W. Hammond, Associate Director
And Peter Shirley, Undergraduate Research Assistant

The Morgantown metropolitan statistical area (MSA) outperformed both the state and the nation during 2009, even though it posted unusually slow job growth. Indeed, according to the preliminary estimates, Morgantown's job growth was just 0.7 percent in 2009, compared to 2.2 percent growth in 2008. However, Morgantown's growth beat the severe job losses for the state (-2.6 percent) and the nation (-4.3 percent). With slower job growth, the metropolitan area also experienced a significant increase in its unemployment rate, which surged from 2.9 percent in 2008 to 5.1 percent in 2009. Again, even though Morgantown's unemployment rose substantially, it remained well below the state rate of 7.9 percent and the national rate of 9.3 percent for the year. The Morgantown MSA includes Monongalia and Preston counties.

Labor market performance in 2009 was very different across the two counties in the MSA. Monongalia County added jobs at a 1.8 percent rate last year, while Preston County lost jobs at a -7.0 percent rate. Further, Monongalia County posted an unemployment rate of just 4.4 percent in 2009, compared to 7.3 percent for Preston County.

Job gains in the Morgantown MSA were concentrated in the service-providing sectors in 2009 (Figure 1), with leisure and hospitality (+450), government (+410, primarily in

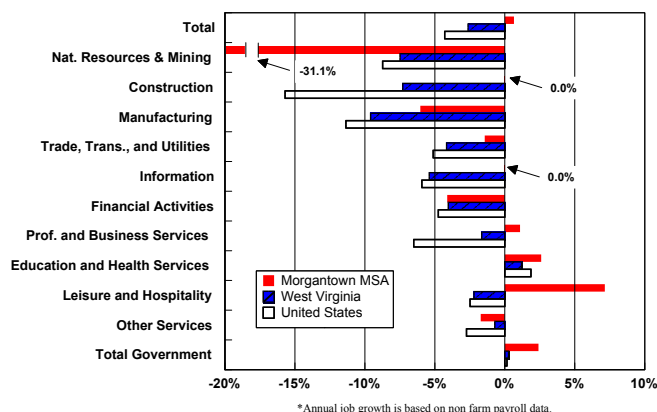
state government), and education and health care (+320), generating the largest job gains. Job losses were concentrated in natural resources and mining and manufacturing (primarily in Preston County).

The outlook calls for the Morgantown MSA to generate stronger job growth in 2010, as the national economy gradually rebounds. Local job growth is forecast to average 1.7 percent per year during the 2009-2014 period, which is far above expected state growth (0.7 percent per year) and just above expected national growth (1.5 percent per year). Job growth in Morgantown is forecast to be strongest in service-providing sectors, like health care; government; professional and business services; leisure and hospitality; and trade, transportation, and utilities.

While the baseline outlook for Morgantown calls for continued growth, there are risks to the forecast. First, the baseline outlook assumes that the national economy grows through 2014. However, if the U.S. falls back into recession, then this will set the stage for slower local growth or even declines in economic activity. In addition, health care is an important component of local economic activity. As U.S. policy makers consider ways to reduce growth in health care spending, these efforts (if successful) may result in slower than expected local health care job growth in the future. Further, as a dynamic and fast growing part of the West Virginia economy, Morgantown needs to continue to assess needs for highway and utility infrastructure.

Full details of the forecast available at www.bber.wvu.edu.

Figure 1
Morgantown MSA Adds Jobs In 2009
In Contrast To State And Nation
Growth Rate: 2008-2009



WVU Offers Cost-of-Living Comparisons on Website

Planning to move to, say Tuscaloosa, Ala., or perhaps Anchorage, Alaska, and want to know how the cost of living in the Morgantown area matches up? In just a few seconds, you can compare Morgantown to approximately 300 other U.S. municipalities at a new free web site provided by the WVU College of Business and Economics.

The calculator, at www.bber.wvu.edu, is based on a survey of the prices of 60 goods and services. An economist in the college's Bureau of Business and Economic Research (BBER) actually "shops" for a broad list of items (T-bone steaks to hair cuts) three times a year. Her findings are submitted to ACCRA, a national organization, for tabulation and comparison.

United States Personal Income 2009

by Eric Pennington, Graduate Research Assistant

As an article in a previous issue of the West Virginia Business and Economic Review states, not all local economies respond to a national downturn in the same degree. This is especially true of state personal income in 2009. Not all states responded to the average national decline of 1.7 percent in personal income in the same way. While the majority of states did suffer from losses in personal income, a few ended the year with positive changes. The U.S. Bureau of Economic Analysis (BEA), a division of the United States Department of Commerce, provided the state personal income estimates, as well as offering some interpretation of why states may have fared worse.

BEA recently released personal income information for all 50 states and the District of Columbia. Personal income as defined by the BEA, is "the income received by all persons from all sources." This is the estimation of pre-tax income with no inflation. During 2009, the nationwide economy was in a recession. Forty-four states had negative rates of personal income growth, and average personal income across the country fell by 1.7 percent from the previous year. Six states and the District of Columbia had positive rates of personal income growth. The state with the highest personal income growth was West Virginia, while the state with the lowest was Nevada. Table 1 shows the percent change in personal income and per capita income from 2008 to 2009, ranked from the highest to lowest change in state personal income.

Per capita income, or personal income divided by the population, offers a closer look at how individuals were affected by the recession, and to see how much better they fared compared to the state average. Across the country, per capita personal income fell by 2.6 percent, a steeper decline than the average for the states. Some states had growth in per capita and state personal income, such as West Virginia. Others suffered across the board, like Nevada.

BEA surmised that many of the states with negative personal income growth were in that situation due to the dominant sectors of the economy in the state, or the sector that provided the most income to the most people. For example, Nevada, which had the most negative growth in the country and the second most negative personal income growth rate since 1969 suffered due to the collapse of construction and hotel accommodations, mostly in Las Vegas. Losses in the financial industry greatly contributed to New York's negative growth. Conversely, the lack of decline in West Virginia may be due to the large concentration of government and healthcare employment in the state. The housing difficulties during the recession, which decreased the value of houses and rental units across the country, also affected West Virginia. This was offset and dominated by an increase in personal earnings, most likely from the employment previously mentioned.

Table 1: United States Personal Income Changes 2008-2009

	% Change Personal Income	% Change Per Capita Personal Income
West Virginia	2.13	1.8
District of Columbia	1.14	-0.5
Maryland	0.98	0.3
Maine	0.93	1
Virginia	0.66	-0.5
Kentucky	0.44	-0.2
Hawaii	0.43	-0.2
North Dakota	-0.02	-0.9
New Mexico	-0.05	-1.2
Pennsylvania	-0.16	-0.5
Arkansas	-0.21	-1
Delaware	-0.38	-1.4
Vermont	-0.4	-0.5
Mississippi	-0.52	-0.9
Rhode Island	-0.65	-0.6
Louisiana	-0.72	-1.6
Oklahoma	-0.79	-1.9
Oregon	-0.81	-1.9
North Carolina	-0.84	-2.3
Washington	-0.87	-2.3
South Carolina	-0.88	-2.1
Alabama	-1.01	-1.7
Montana	-1.08	-1.8
New Hampshire	-1.16	-1.4
Massachusetts	-1.26	-2
Tennessee	-1.26	-2.1
Ohio	-1.29	-1.4
Missouri	-1.36	-1.9
Alaska	-1.54	-3
Iowa	-1.57	-2
Texas	-1.61	-3.5
Utah	-1.64	-3.7
Georgia	-1.74	-3.1
New Jersey	-1.75	-2.3
Kansas	-1.75	-2.5
Indiana	-1.84	-2.4
Nebraska	-2.01	-2.8
Wisconsin	-2.04	-2.5
Illinois	-2.14	-2.7
Colorado	-2.16	-3.9
California	-2.48	-3.5
Minnesota	-2.6	-3.3
Arizona	-2.67	-4.1
Florida	-2.69	-3.3
Connecticut	-2.86	-3.3
Michigan	-2.97	-2.7
Idaho	-2.98	-4.1
New York	-3.43	-3.8
South Dakota	-3.49	-4.4
Wyoming	-3.93	-5.9
Nevada	-4.78	-5.8

Source: Bureau of Economic Analysis
www.bea.gov.

BBER Launches Demographic Website

The Bureau of Business and Economic Research (BBER) launched its demographics website at <http://www.be.wvu.edu/demographics/index.htm> in December 2009. The website is dedicated to providing a one-stop access to demographics and demographic-related data concerning West Virginia and its regions. The website compiles data as well as reports on various topics including:

- Preparing for the upcoming Census 2010
- Population Aging
- Demographic Profiles
- Employment and Earnings
- Housing
- Migration
- The American Community Survey
- Commute to Work
- Education
- Health Insurance
- Income and Poverty
- Population Estimate & Projection

On the topic of population aging, for instance, the website shows data on the socio-economic characteristics of the state's older population, reports about the consequences of the nation's aging population, as well as links to research institutions specializing in population aging. On the Census 2010 the website provides information about the Census questionnaire, how the upcoming Census differs from previous censuses, and guidance on determining which place of residence you should count yourself into on April 1, 2010.

The website is updated on a regular basis. The latest update includes the annual population estimates by state, released in December 2009 and reported in the accompanying table.

For questions about the website or general questions about West Virginia demographic data, please contact Dr. Christiadi, BBER demographer, at Christiadi@mail.wvu.edu or 304-293-1801.

Monongalia County Population Growth Overtakes Berkeley and Jefferson Counties

WV County Population Continues to Struggle

by Christiadi

Between July 1, 2008 and July 1, 2009, West Virginia population grew at a sluggish rate of 0.3 percent, somewhat faster than the previous year's growth of 0.2 percent but well below the nation's rate of 0.9 percent. The 2009 growth confirms the state's continued struggle to grow since at least 2000. In nine years since July 1, 2000, the state population increased by only 0.71 percent, which translates into an average growth of 0.08 percent per year. Since 2000, there have been more West Virginia counties (about 60 percent) losing population than gaining. Nine counties have continued losing population every year since 2000. Fourteen counties have lost population annually since 2005.

On the other hand, during the same period Monongalia County population grew by 1.7 percent in 2009. This was the strongest in the state, outpacing the usually fastest growing Berkeley and Jefferson Counties. The three remained the only counties in the state growing more than 1.0 percent.

Migration has always been the primary driver of population growth in these counties. Migration into Berkeley and Jefferson counties has slowed considerably due to the recession occurring in the D.C., Maryland, and Virginia economies. On the other hand, migration into Monongalia County remained strong in 2009, driven by a decent job growth of 1.4 percent and continued strong student enrollment into West Virginia University.

Gaining nearly 1,000 people from migration, Kanawha County population finally grew at a modest rate of 0.4 percent in 2009. This broke the trend of losing population it had had since at least 2000. However, this gain is not yet a strong enough evidence of the start of population growth turn-around in this County. A part of this gain was driven by the fall in people leaving the County, which tends to slow a great deal during recession as economic opportunities shrink elsewhere.

Total Population and the Components of Change for W.Va Counties: July 1, 2008 - July 1, 2009

Geographic Area	Total Population		2008-2009 Growth	Pop. Change July 1, 2008 to July 1, 2009		
	1-Jul-09	1-Jul-08		Total	Natural Growth ¹	Net Migration ²
Barbour County	15,758	15,612	0.9%	146	-7	152
Berkeley County	103,854	102,336	1.5%	1,518	571	926
Boone County	24,709	24,780	-0.3%	-71	-12	-86
Braxton County	14,434	14,551	-0.8%	-117	-33	-91
Brooke County	23,509	23,541	-0.1%	-32	-94	61
Cabell County	95,214	94,506	0.7%	708	-52	790
Calhoun County	7,118	7,225	-1.5%	-107	-17	-97
Clay County	10,022	10,043	-0.2%	-21	7	-26
Doddridge County	7,202	7,212	-0.1%	-10	-17	10
Fayette County	46,123	46,284	-0.3%	-161	-2	-175
Gilmer County	6,824	6,881	-0.8%	-57	-11	-49
Grant County	11,833	11,921	-0.7%	-88	-16	-71
Greenbrier County	34,527	34,705	-0.5%	-178	-69	-110
Hampshire County	22,695	22,662	0.1%	33	12	24
Hancock County	29,729	29,899	-0.6%	-170	-97	-87
Hardy County	13,611	13,513	0.7%	98	8	84
Harrison County	68,911	68,598	0.5%	313	32	283
Jackson County	28,067	28,172	-0.4%	-105	-15	-115
Jefferson County	52,750	51,935	1.6%	815	224	574
Kanawha County	191,663	190,908	0.4%	755	-136	952
Lewis County	17,391	17,293	0.6%	98	-20	113
Lincoln County	22,147	22,159	-0.1%	-12	19	-36
Logan County	35,498	35,454	0.1%	44	-61	115
McDowell County	22,398	22,602	-0.9%	-204	-74	-137
Marion County	56,706	56,538	0.3%	168	-71	250
Marshall County	32,556	32,844	-0.9%	-288	-76	-236
Mason County	25,568	25,611	-0.2%	-43	-15	-31
Mercer County	61,921	61,630	0.5%	291	-115	428
Mineral County	27,204	27,114	0.3%	90	11	86
Mingo County	26,387	26,344	0.2%	43	9	24
Monongalia County	90,080	88,601	1.7%	1,479	350	1,126
Monroe County	13,715	13,762	-0.3%	-47	-21	-21
Morgan County	16,385	16,492	-0.6%	-107	-67	-44
Nicholas County	26,213	26,017	0.8%	196	-10	213
Ohio County	44,015	44,079	-0.1%	-64	-109	52
Pendleton County	7,390	7,486	-1.3%	-96	-12	-85
Pleasants County	7,364	7,441	-1.0%	-77	-41	-38
Pocahontas County	8,418	8,508	-1.1%	-90	-35	-57
Preston County	30,247	30,330	-0.3%	-83	-41	-37
Putnam County	55,673	55,441	0.4%	232	169	69
Raleigh County	79,187	78,730	0.6%	457	-32	502
Randolph County	28,390	28,402	0.0%	-12	-27	9
Ritchie County	10,208	10,265	-0.6%	-57	-3	-59
Roane County	14,870	14,956	-0.6%	-86	6	-113
Summers County	13,081	13,025	0.4%	56	-53	99
Taylor County	16,328	16,289	0.2%	39	-24	59
Tucker County	6,812	6,840	-0.4%	-28	-28	2
Tyler County	8,680	8,869	-2.1%	-189	-37	-161
Upshur County	23,806	23,605	0.9%	201	11	196
Wayne County	41,119	41,361	-0.6%	-242	-53	-204
Webster County	9,444	9,486	-0.4%	-42	-25	-13
Wetzel County	16,226	16,321	-0.6%	-95	-10	-97
Wirt County	5,605	5,661	-1.0%	-56	-11	-49
Wood County	86,888	86,619	0.3%	269	-10	281
Wyoming County	23,304	23,414	-0.5%	-110	-37	-87
West Virginia	1,819,777	1,814,873	0.3%	4,904	-267	5,068

Dash (-) represents zero or rounds to zero.

1 = Natural growth is computed as births - deaths; 2 = Net migration includes both international and domestic migration.

All geographic boundaries for the 2009 population estimates series are defined as of January 1, 2009

Source: Population Estimate, US Census Bureau, Population Division, Released March 2010

Estimates of the Components of Resident Population Change by States, July 1, 2008 to July 1, 2009

Geographic Area	Total Population		Natural Increase	Vital Events		Net Migration		
	July 1, 2009	'08-'09 Chg		Births	Deaths	Total	International	Domestic
United States	307,006,550	2,631,704	1,776,800	4,262,897	2,486,097	854,905	854,905	-
Alabama	4,708,708	31,244	15,108	62,265	47,157	16,363	5,319	11,044
Alaska	698,473	10,348	8,167	11,307	3,140	2,001	1,022	979
Arizona	6,595,778	96,401	54,299	103,956	49,657	42,108	26,997	15,111
Arkansas	2,889,450	21,686	12,536	40,539	28,003	8,960	3,662	5,298
California	36,961,664	381,293	317,179	558,912	241,733	66,802	165,600	-98,798
Colorado	5,024,748	89,535	40,858	72,537	31,679	48,669	13,078	35,591
Connecticut	3,518,288	15,356	12,170	40,899	28,729	3,498	11,322	-7,824
Delaware	885,122	8,911	4,271	11,980	7,709	4,596	2,016	2,580
District of Columbia	599,657	9,583	2,980	8,214	5,234	6,550	2,096	4,454
Florida	18,537,969	114,091	58,169	233,310	175,141	56,202	87,381	-31,179
Georgia	9,829,211	131,373	76,618	147,567	70,949	53,950	27,346	26,604
Hawaii	1,295,178	7,697	9,301	19,093	9,792	-1,265	4,033	-5,298
Idaho	1,545,801	18,295	14,256	25,162	10,906	3,734	2,179	1,555
Illinois	12,910,409	67,455	79,802	182,783	102,981	-12,410	35,839	-48,249
Indiana	6,423,113	34,804	32,591	88,704	56,113	2,389	9,194	-6,805
Iowa	3,007,856	13,869	12,869	40,374	27,505	1,054	3,189	-2,135
Kansas	2,818,747	21,372	17,467	41,400	23,933	3,761	5,003	-1,242
Kentucky	4,314,113	26,182	15,194	56,447	41,253	10,866	4,598	6,268
Louisiana	4,492,076	40,563	21,964	63,742	41,778	18,123	3,476	14,647
Maine	1,318,301	-1,390	789	13,683	12,894	-2,109	828	-2,937
Maryland	5,699,478	40,823	32,765	76,984	44,219	8,402	19,565	-11,163
Massachusetts	6,593,587	49,992	22,487	76,968	54,481	28,132	24,518	3,614
Michigan	9,969,727	-32,759	38,734	125,668	86,934	-71,893	15,446	-87,339
Minnesota	5,266,214	35,647	34,515	72,771	38,256	1,253	10,066	-8,813
Mississippi	2,951,996	11,784	15,191	44,125	28,934	-3,590	1,939	-5,529
Missouri	5,987,580	31,245	25,416	80,865	55,449	6,009	6,133	-124
Montana	974,989	6,954	4,080	12,675	8,595	2,754	344	2,410
Nebraska	1,796,619	14,670	12,540	27,505	14,965	2,113	3,069	-956
Nevada	2,643,085	27,313	20,404	40,200	19,796	7,168	10,969	-3,801
New Hampshire	1,324,575	2,703	3,587	14,036	10,449	-815	1,787	-2,602
New Jersey	8,707,739	44,341	38,795	110,471	71,676	5,670	37,360	-31,690
New Mexico	2,009,671	22,908	14,544	30,106	15,562	8,194	4,828	3,366
New York	19,541,453	73,664	95,016	249,132	154,116	-23,079	75,099	-98,178
North Carolina	9,380,884	133,750	53,057	131,363	78,306	80,319	21,211	59,108
North Dakota	646,844	5,423	3,420	9,052	5,632	1,896	521	1,375
Ohio	11,542,645	14,573	40,241	148,930	108,689	-24,443	11,835	-36,278
Oklahoma	3,687,050	43,025	19,447	54,262	34,815	23,685	5,340	18,345
Oregon	3,825,657	42,666	17,442	49,056	31,614	24,772	8,599	16,173
Pennsylvania	12,604,767	38,399	19,712	146,748	127,036	19,826	18,480	1,346
Rhode Island	1,053,209	-293	2,846	12,363	9,517	-3,076	3,096	-6,172
South Carolina	4,561,242	57,962	18,446	60,473	42,027	38,745	7,265	31,480
South Dakota	812,383	7,851	5,261	12,174	6,913	2,307	688	1,619
Tennessee	6,296,254	55,798	25,862	85,502	59,640	30,079	9,474	20,605
Texas	24,782,302	478,012	245,537	409,295	163,758	231,539	88,116	143,423
Utah	2,784,572	57,229	42,558	57,126	14,568	14,580	5,957	8,623
Vermont	621,760	711	1,201	6,407	5,206	-554	421	-975
Virginia	7,882,590	87,166	47,534	107,039	59,505	39,166	20,928	18,238
Washington	6,664,195	98,122	39,835	87,579	47,744	58,157	19,956	38,201
West Virginia	1,819,777	4,904	-267	20,397	20,664	5,068	558	4,510
Wisconsin	5,654,774	27,164	26,291	72,799	46,508	1,126	6,798	-5,672
Wyoming	544,270	11,289	3,715	7,952	4,237	7,553	361	7,192
Puerto Rico	3,967,288	12,735	16,611	45,598	28,987	-3,876	-3,876	-

Source: U.S. Census Bureau, released December 2009 at <http://www.census.gov/popest/states/NST-comp-chg.html>.

The West Virginia Coal Economy 2008

Prepared By:
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Since the discovery of coal in Boone County in 1742, West Virginia has substantially benefited from the growth and development of the coal mining and affiliated industries. This report provides an unbiased evaluation of the role coal plays in the state's economy by examining the historical and 2008 employment, wages, production, and tax payments of the industry. The study uses federal and state statistical agency data along with widely accepted research methodologies to estimate the direct, indirect and total economic impact of coal.

For purposes of this study the coal mining industry is defined by the North American Industry Classification System (NAICS) as all establishments whose primary activity involves one or more of the following: mining bituminous coal, anthracite, and lignite by underground mining, auger mining, strip mining, Culm bank mining and other surface mining; developing coal mine sites; and preparing coal.

Historically...

- wages per employee for the West Virginia coal mining industry has had an average annual increase of 3.9 percent.
- West Virginia's coal industry has employed the most individuals of all coal producing states.
- West Virginia's coal companies have paid significant amount of taxes to the state and local governments; enough that the loss of just property tax revenue from coal companies would be fatal to local governments.
- West Virginia's share of the value of total U.S. coal exports has risen from 16 percent in 2005 to 28 percent.

In 2008, the West Virginia coal industry was directly responsible for...

- production of approximately 158 million short tons of coal.
- employment of 20,454 individuals.
- payment of \$ 1.5 billion in wages.
- payment of \$676.2 million in taxes to the state in the form of property, severance, worker's compensation, corporate net income, special reclamation, sales and use, coal resource transportation road fund, and personal income taxes.

Direct, indirect, and induced economic impacts of the coal industry were measured in this study using the IMPLAN® input-output modeling system. Expenditures by the industry such as operating expenses for payroll, fringe benefits, rent, utilities, maintenance, construction, supplies, etc. represent the direct economic impacts of the industry. Indirect economic impacts are the economic activities (e.g. sales, wages, etc.) that result from purchases from

suppliers of the industry. The induced economic impact of the industry represents the expenditures by households of the income they received associated with the direct and indirect impacts. The economic multipliers associated with the indirect and induced economic impacts are a clear indication of the strong economic linkage between the industry and the rest of the West Virginia economy. The sum of the direct, indirect, and induced economic impacts is the total economic impact of the industry.

Key findings of the total economic impact of the coal industry in 2008 are the following:

- Total number of jobs created was 46,000.
- Total business volume generated was \$19.8 billion.
- Total employee compensation was \$2.8 billion.
- Total value added was \$5.9 billion.

Once West Virginia coal has been mined, several industries create economic impacts using that coal and these additional economic impacts were also quantified for 2008. The additional analysis include the economic impact of taxes paid to the state and local government, the economic impact associated with the transportation of West Virginia coal, and the economic impact of the use of West Virginia coal in the generation of electric power within the state.

Key findings of these additional total economic impacts in 2008 are the following:

- Total number of jobs created was over 17,000.
- Total business volume generated was \$5.5 billion.
- Total employee compensation was \$840 million.
- Total value added was \$1.7 billion.

When one adds these two sets of total economic impacts, one finds that coal has the following total economic impact:

- Total number of jobs created was over 63,000.
- Total business volume generated was \$25.53 billion.
- Total employee compensation was nearly \$3.6 billion.
- Total value added was \$7.6 billion

Besides the economic impacts of the coal operators, the coal industry also practices corporate responsibility by continuing to improve and develop local communities in which they operate through educational activities, local sports support, support of local service departments, foundations and charitable organization, and sponsorship of associations, clubs, councils, festivals and fairs.

The coal mining industry is subject to numerous regulations as a result of national and state public policy. While the size and growth of the coal mining industry in West Virginia depends heavily on the strength of the national and global economies, both current and proposed public policies also have the potential to dramatically affect the future of the coal mining industry in the state (and the associated economic contributions the industry makes to the state).

A major threat to the coal industry comes from the potential limitations on surface mining permits currently imposed by EPA. A major concern over new public policy rests with the regulations relating to greenhouse gas emissions, including cap and trade legislation currently working its way through Congress, possible regulation of greenhouse gas emissions by the EPA, and the regulations associated with sequestration of carbon emissions.

Full details of this impact available at www.bber.wvu.edu

Table 1: Economic Impact Coal Summary 2008

	Employment (Jobs)			Business Volume (millions 2008\$)		
	Direct	Indirect and Induced	Total	Direct	Indirect and Induced	Total
Industry Impact						
Coal Mining	20,500	23,500	43,800	\$7,450.0	\$12,300.0	\$19,780.0
Additional Impacts						
Taxes Paid by Coal Mining Industry	5,800	1,700	7,500	\$518.8	\$814.8	\$1,333.6
Rail Transportation of Coal	2,700	4,200	6,900	\$1,000.8	\$1,608.8	\$2,609.6
Water Transportation of Coal	600	1,400	2,000	\$312.1	\$456.7	\$768.8
Electricity Generation with Coal	520	730	1,250	\$279.3	\$394.7	\$674.0
Total	30,120	31,530	61,450	\$9,561.0	\$15,575.0	\$25,166.0

Note: Columns may not sum to totals due to rounding.

About the Bureau of Business and Economic Research

The BBER mission is to provide the West Virginia community of business and public-sector decision makers with economic forecasts, applied research, and information on economic, demographic and business trends in the state and its regional economies. BBER provides business and economic development expertise, services, publications, and training to leaders throughout the state. BBER economists are widely quoted for their insightful research in state and regional news media.

Research capabilities

The BBER's areas of research expertise include economic development and impact studies, economic forecasting, industry studies, energy and environmental policy, benchmarking, labor market, public finance, international, and tourism. BBER has a staff of five Ph.D. economists and one masters level economist, augmented by four Ph.D. graduate and three undergraduate research assistants.

Publications

The BBER makes its work easily available to the public in a variety of media. This website offers a list available studies, forecasts, county data profiles, and newsletters. BBER also publishes:

West Virginia Business and Economic Review
Morgantown MSA Economic Monitor
Harrison County Economic Monitor
County Data Profiles for each of West Virginia's 55 counties

Economic Outlook Conferences and Briefings

The BBER's West Virginia Economic Outlook program conducts ongoing analyses of important regional economic indicators in order to forecast upcoming trends in the economies of the state and the state's regions. The BBER conducts an annual state economic outlook conference in November and regional outlook conferences at various times during the year. At these conferences, BBER and national economists, along with industry and economic development professionals, provide information for sound policy decisions. Specialized briefings are also provided to the West Virginia legislature as well as industry and civic organization around the state.

Subscription Update

In preparation for transitioning to an all electronic version, please provide updated contact information (**Name, Address, email**) to: BEBureau@mail.wvu.edu or bber.wvu.edu (Update Information)

West Virginia and United States Economic Indicators

	08 Q4	09 Q1	09 Q2	09 Q3	09 Q4	2007	2008	2009
United States								
Real GDP (Bil. \$2005 Chain-Wtd.)	13,141.9	12,925.4	12,901.5	12,973.0	13,161.1	13,254.1	13,312.2	12,990.3
% Change	-5.4	-6.4	-0.7	2.2	5.9	2.1	0.4	-2.4
Consumer Price Index (CPI-U) (1982-84=100)*	213.1	212.0	214.3	215.7	216.2	207.3	215.3	214.5
% Change	-10.8	-2.0	4.3	2.7	0.8	2.9	3.8	-0.4
Total Nonfarm Payroll Employment (Mil.)	135.0	132.8	131.1	130.1	129.6	137.6	136.8	130.9
% Change	-4.8	-6.4	-5.1	-3.1	-1.4	1.1	-0.6	-4.3
Unemployment Rate (%)	7.0	8.2	9.3	9.6	10.0	4.6	5.8	9.3
Initial Claims for Unemployment Ins. (Thous.)	512	615	627	560	491	322	419	573
Industrial Production (1997=100)	104.4	99.1	96.4	97.9	99.5	111.3	108.8	98.2
% Change	-13.0	-19.0	-10.4	6.4	6.6	1.5	-2.2	-9.7
Capacity Utilization Rate	74.2	70.4	68.7	70.0	71.4	80.6	77.5	70.1
Housing Starts (Mil.)	0.658	0.528	0.540	0.587	0.559	1.342	0.900	0.553
Retail & Food Service Sales (Bil.\$)	4,142	4,090	4,085	4,148	4,225	4,436	4,400	4,137
% Change	-24.6	-4.9	-0.5	6.4	7.6	3.3	-0.8	-6.0
Federal Funds Rate*	0.51	0.18	0.18	0.16	0.12	5.02	1.93	0.16
Bank Prime Loan Rate*	4.06	3.25	3.25	3.25	3.25	8.05	5.09	3.25
30-Year Conventional Mortgage Rate*	5.87	5.06	5.03	5.16	4.92	6.34	6.04	5.04
West Virginia								
Total Nonfarm Payroll Employment (Thous.)**	759.8	749.5	738.0	737.2	740.2	757.0	758.4	741.2
% Change	-1.8	-5.3	-6.0	-0.4	1.6	0.1	0.2	-2.3
Natural Resources and Mining	31.8	31.5	27.8	27.3	27.1	28.6	30.0	28.4
% Change	5.6	-4.1	-39.3	-6.5	-2.9	2.1	4.8	-5.1
Construction	38.2	36.9	34.9	34.5	36.0	38.8	37.6	35.6
% Change	-10.7	-12.6	-20.3	-4.9	19.5	-1.5	-3.2	-5.3
Manufacturing	55.2	53.3	51.0	49.7	49.8	59.0	57.2	50.9
% Change	-6.0	-13.1	-16.4	-9.8	1.1	-3.3	-3.0	-11.0
Trade, Transportation, and Utilities	140.4	138.7	136.2	135.1	133.6	143.0	141.4	135.9
% Change	-5.0	-4.8	-6.9	-3.2	-4.5	0.8	-1.1	-3.9
Information	11.0	10.6	10.5	10.5	10.4	11.4	11.3	10.5
% Change	-7.0	-12.7	-4.9	1.3	-3.8	-0.9	-1.1	-6.9
Financial Activities	29.5	28.8	28.3	28.3	28.5	29.8	29.5	28.5
% Change	-0.9	-10.0	-6.8	0.9	2.4	-1.0	-1.2	-3.3
Professional and Business Services	60.1	59.0	58.5	59.8	61.0	60.5	61.3	59.6
% Change	-3.0	-7.1	-3.3	9.4	8.0	1.0	1.4	-2.9
Educational and Health Services	117.5	117.2	118.1	118.8	119.3	113.8	116.0	118.3
% Change	1.0	-1.1	3.0	2.4	1.7	0.7	2.0	2.0
Leisure and Hospitality	72.8	71.9	70.9	70.6	70.9	71.3	72.6	71.1
% Change	0.9	-4.9	-5.3	-2.1	1.7	0.4	1.8	-2.1
Other Services***	55.7	55.3	55.2	55.5	55.1	55.7	55.9	55.3
% Change	-0.7	-2.8	-1.2	2.2	-2.6	0.0	0.4	-1.1
Government	147.5	146.2	146.7	147.1	148.5	145.1	145.7	147.1
% Change	0.8	-3.4	1.2	1.2	3.8	0.3	0.4	1.0
Unemployment Rate (%)	5.0	6.4	7.9	8.6	8.9	4.6	4.7	7.9
Initial Claims for Unemployment Ins. (Thous.)	1,811	2,080	2,911	2,317	2,210	1,307	1,455	2,380
Avg Weekly Hrs Nat'l Resources and Mining**	47.4	46.3	46.6	48.0	48.1	46.9	47.0	47.3
Avg Weekly Hrs Manufacturing**	41.5	41.0	40.7	40.4	39.2	41.3	41.3	40.3
Avg Hourly Earnings Nat'l Resources and Mining (\$)**	22.60	22.55	23.40	23.93	24.04	21.25	22.09	23.48
% Change	5.4	-0.8	16.0	9.4	1.8	3.7	4.0	6.3
Average Hourly Earnings Manufacturing (\$)**	19.14	18.89	18.74	18.60	18.50	18.71	19.02	18.68
% Change	2.8	-5.3	-3.0	-3.0	-2.1	4.6	1.7	-1.8
Real Personal Income (Mil. 2000\$)	53,563	53,667	54,226	53,816	n/a	51,709	52,655	n/a
% Change	9.2	0.8	4.2	-3.0	n/a	2.4	1.8	n/a
Wage and Salary	25,331	25,067	24,816	24,670	n/a	23,938	24,568	n/a
% Change	13.4	-4.1	-4.0	-2.3	n/a	1.7	2.6	n/a
Other Labor	7,964	8,154	8,133	8,076	n/a	7,585	7,731	n/a
% Change	13.7	9.9	-1.0	-2.8	n/a	1.3	1.9	n/a
Proprietors	3,621	3,514	3,446	3,465	n/a	3,697	3,629	n/a
% Change	0.3	-11.3	-7.5	2.1	n/a	-7.2	-1.8	n/a
Dividends, Interest, and Rent	6,872	6,684	6,570	6,560	n/a	6,913	6,864	n/a
% Change	1.9	-10.5	-6.7	-0.6	n/a	6.1	-0.7	n/a
Transfer Payments	13,335	13,759	14,699	14,452	n/a	12,736	13,210	n/a
% Change	9.1	13.3	30.3	-6.6	n/a	2.0	3.7	n/a
Non-Building Const. Contracts (\$ mil., NSAAR)	836	649	2,125	2,577	3,040	2,450	1,001	2,098
Non-Residential Const. Contracts (\$ mil., NSAAR)	320	421	667	449	586	915	455	531
Residential Const. Contracts (\$ mil., NSAAR)	237	214	339	429	296	968	512	319
Total Const. Contract (\$mil)	1,393	1,283	3,131	3,456	3,922	4,333	1,968	2,948
% Change	-84.4	-28.0	3,447.6	48.3	66.0	36.4	-54.6	49.8
West Virginia Export-Weighted U.S. Dollar(1980=100)*	127.7	130.2	124.3	118.3	114.3	118.3	115.3	121.8
% Change	63.3	8.1	-16.9	-17.9	-12.9	-5.0	-2.6	5.7

Notes: West Virginia average weekly hours, average hourly earnings, and initial claims for unemployment insurance data are obtained from the West Virginia Bureau of Employment Programs and seasonally adjusted using seasonal factors derived by the Bureau of Business and Economic Research. West Virginia employment and the state unemployment rate are seasonally adjusted by the West Virginia Bureau of Employment Programs. Personal income data are seasonally adjusted by the Bureau of Economic Analysis, U.S. Dept. of Commerce. Components may not sum to totals due to rounding. All percent changes are measured from the previous period and expressed as annual rates. Value of total housing permits data are from the Bureau of the Census, U.S. Dept. of Commerce. * Not Seasonally Adjusted. n/a Not Available. **Data source now based upon the North American Industry Classification System (NAICS). Previously, this data was based upon the Standard Industrial Classification (SIC) Code. ***Consists of the following sub-sectors: Repair and Maintenance, Personal and Laundry Services, and Religious, Grantmaking, Civic, Professional, and Similar Organizations.