

Mid-Year Review 2005

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BUREAU OF BUSINESS AND ECONOMIC RESEARCH COLLEGE OF BUSINESS AND ECONOMICS WEST VIRGINIA UNIVERSITY www.bber.wvu.edu



Executive Summary

- The state jobs recession is finally dead. After losing 8,300 seasonally-adjusted jobs from the first quarter of 2001 to the fourth quarter of 2003, the state has subsequently added 12,400 jobs by the first quarter of 2005. In other words, the state is once again breaking new ground in employment.
- The state's employment gains since the fourth quarter of 2003 translate into an annualized growth rate of 1.4 percent, which is just below the national rate of 1.6 percent.
- West Virginia's seasonally adjusted unemployment rate stabilized at 5.0 percent in the first quarter of 2005, after falling steadily from a high of 6.2 percent in the second quarter of 2003. The national unemployment rate hit 5.3 percent in the first quarter of 2005.
- The mining sector has added 3,000 jobs since the fourth quarter of 2003, as high energy prices translate into additional production activity in the state. Spot market prices for selected grades of Northern and Central Appalachian coals remain about double their 2002 levels (both over \$55 per ton).
- Job losses in manufacturing have slowed, as wood products, fabricated metals, and other durables generated net job gains. However, chemicals and primary metals continued to lose employment.
- Construction employment has risen by 3,400 since the last quarter of 2003, as surging residential and infrastructure building drive demand for additional workers. Residential construction in the state is responding to low mortgage interest rates. Thirty-year fixed mortgage rates hit 5.84 percent in 2004, well below their 2000 level of 8.06 percent.
- West Virginia single family home prices surged by 6.9 percent in 2004, but that increase was well below the national average of 10.8 percent.
- West Virginia's real GSP rose by 2.7 percent in 2004, up from its 1.1 percent growth rate in 2003. However, the state lagged national growth, which hit 4.2 percent.
- The outlook calls for the state to add 5,600 jobs per year during the next five years, which translates into an average annual growth rate of 0.7 percent. This is far better than the 0.3 percent per year rate of the 1999-2004 period, but is below the expected national job growth rate of 1.1 percent. Tables 1 and 2 (below) summarize the state outlook.
- Most of the net job growth is forecast to come in health care; leisure and hospitality; and
 professional and business services. Mining jobs are forecast to grow, as energy prices remain high.
 Manufacturing employment losses continue, with chemicals accounting for the bulk of the
 expected job loss. Wood products, fabricated metals, transportation equipment, other durables, and
 plastics add jobs.
- State per capita personal income growth (after adjustment for inflation) averages 2.3 percent per year during the forecast. This is below the growth rate expected for the nation (2.6 percent), which implies that the state's income gap with the nation will rise from 20.9 percent in 2005 to 21.8 percent by 2009.
- Continued job and income growth sets the stage for the state's population to stabilize in the neighborhood of 1.8 million residents. The forecast calls for the state to continue to post population losses in the younger age groups (birth-17 and 18-44), while adding residents in the 45-64 and 65-and-older age groups.

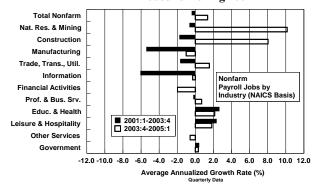
Highlights of the West Virginia Forecast

West Virginia Payroll Employment



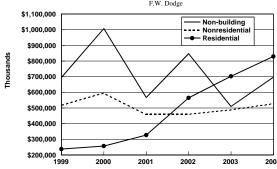
- The state jobs recession ended in 2003, with the state dropping 8,300 seasonally-adjusted jobs from the first quarter of 2001 to the fourth quarter of 2003.
- From the fourth quarter of 2003 to the first quarter of 2005, the state added 12,400 jobs, which translates into an average annual growth rate of 1.4 percent.
- West Virginia's job growth since the beginning of 2004 has been just below the national growth rate of 1.6 percent.
- West Virginia's seasonally adjusted unemployment rate was 5.0 percent in the first quarter of 2005, well below its average of 6.1 percent in 2003.

W.Va. Mining and Construction Jobs Rebound During 2004



- Mining added 3,000 jobs since the fourth quarter of 2003, as the energy sector has ramped up production in response to high prices.
- Spot coal prices for selected grades of Northern and Central Appalachian coals remain about double their 2002 levels.
- Job losses in manufacturing have moderated, with wood products, fabricated metals, and other durables contributing net job gains.
- Chemicals (-1,000) and primary metals (-900) continued to post large job losses.
- Health care and leisure and hospitality have added 3,900 jobs since the end of 2003.

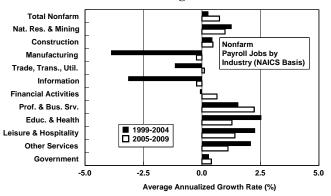
West Virginia Value of Construction Starts by Type F.W. Dodge



F.W. Dodge data was acquired with funding support from Bruceton Banks, as part of the Morgantown MSA Economic Monitor Project.

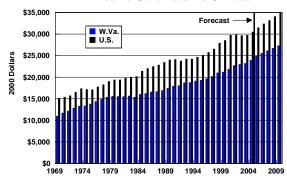
- Construction employment is up 3,400 jobs since the fourth quarter of 2003.
- The value of construction contracts, measured by F.W. Dodge, rose from \$1.699 billion in 2003 to \$2.053 billion in 2004.
- The increase in construction contracts in 2004 was driven by strong increases in residential building and non-building (infrastructure) activity.
- Residential activity accounted for the majority of activity in 2004, with 39 percent of the value concentrated in Berkeley and Jefferson counties.
- Strong residential activity reflects low mortgage interest rates. Thirty-year mortgage rates hit 5.84 percent in 2004, well below their 2000 level of 8.06 percent.
- West Virginia single family home prices surged by 6.9 percent in 2004, but that increase was well below the national average of 10.8 percent.

W.Va. Job Growth Improves During the Forecast



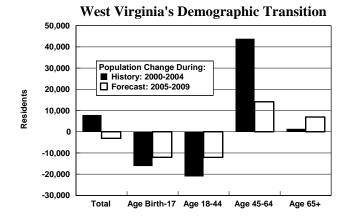
- The state economy is forecast to continue to expand during the next five years, assuming the national economy avoids recession.
- The forecast calls for job growth to average 0.7
 percent per year, which translates into 5,600 net
 new jobs per year.
- State job growth during the forecast is expected to fall short of the national rate (1.1 percent), but to exceed average growth during the 1999-2004 period.
- Most of the net job growth is forecast to come in health care; leisure and hospitality; and professional and business services.
- Mining jobs continue to grow during the forecast as energy prices remain high.
- Manufacturing job losses slow, with the chemicals sector forecast to continue to lose jobs.

West Virginia Per Capita Personal Income Continues To Climb...



...But Remains Well Below the Nation

- Rebounding job gains set the stage for continued per capita personal income growth, although the forecast calls for state growth to lag behind the national average.
- The percentage income gap between the state and the nation is forecast to stabilize in the vicinity of 22 percent.
- That's significantly below income gaps posted during the 1990s, when it averaged 23.8 percent.



- With solid job gains and steady income growth, the forecast calls for the state's population to stabilize near 1.8 million.
- Population stability, however, is associated with demographic aging of the state's population.
- The state is forecast to continue losing residents in the younger age groups (birth-17 and 18-44 age groups) and to gain residents in the older age groups (45-64 and 65+ age groups).
- West Virginia remains the only state in the nation to record more deaths than births each year.

National Outlook

- Table 3 summarizes the June 2005 national forecast by Global Insight, a global economic forecasting and consulting firm. The U.S. outlook calls for real GDP growth to fall to 3.5 percent in 2005 from 4.4 percent in 2004, as the economy slows to its long-term growth rate of 3.0 percent by 2009.
- Global Insight believes the Federal Reserve Board will remain undeterred by recent slowdown in growth. Federal Reserve rate hikes are expected to bring the federal funds rate to 4.0 percent by 2006, which will drive other long-term rates, such as the 30-year fixed mortgage rate, higher throughout the forecast. Despite recent drops, mortgage rates are forecast to increase steadily from a 5.95 percent in 2005 to 7.42 percent in 2009.
- The foreign exchange value of the U.S. dollar fell by -19.4 percent from 2002 to 2004. The forecast calls for the continued depreciation of the dollar against major trading partners by an additional 7.8 percent by 2009. As the U.S. dollar depreciates, foreign goods and services tend to become more expensive in the U.S., while U.S. produced goods and services tend to become cheaper abroad.
- Oil prices are expected to climb over \$50/barrel (West Texas Intermediate), and are expected to remain close to that level in 2006. Thereafter, the forecast calls for prices to trend down to \$43.87 in 2009
- Global Insight expects Congress to respond to political pressure by stemming fiscal stimulus in order to gradually reduce the federal budget deficit to 2.0 percent of GDP by 2009 from 3.8 percent in 2004.
- Consumer spending slows but remains a key driver of the economy, fueled by strong income and employment growth. Nominal personal income is expected to grow at 6.5 percent this year and remain above 5.0 percent through 2009.
- Manufacturing growth has slowed due to high oil prices, an early-year slowdown in capital
 spending, a stronger dollar, and poor growth in overseas markets. Industrial production growth is
 expected to dip over 2005 and 2006 to 2.4 percent before rebounding over the latter half of the
 forecast.

Risks to the Outlook

- One risk to the state forecast is the risk of significantly slower national growth. This might arise from accelerating inflationary pressures, if oil prices spike higher, if Congress pursues a looser fiscal policy, and if strong productivity growth fails to materialize. Also a continued weakening of the dollar could further contribute to inflation. Accelerating inflation would force the Federal Reserve to ratchet up interest rates, pulling the rug out from under business investment and construction activity. This, in turn would significantly slow national economic growth.
- Slower national growth would contribute to slower state growth, since many of our major industries sell goods and services outside of the state. This would impact the energy sector as well as major goods producing sectors and professional and business services.
- In addition, significantly higher interest rates would slow growth in residential and non-residential construction activity in the state, just they would nationally.
- The energy sector continues to face competitive pressures from domestic and foreign producers, as well as regulatory risks related to long-term clean air and water concerns.
- The chemicals sector is subject to intense international competitive pressures, coupled with strong increases in input prices (oil and gas). Large plant closures and layoffs remain a risk in chemicals, as well as the steel sector.
- Gaming activity has contributed to strong growth in the leisure and hospitality sector recently. As
 our neighboring states move to legalize and expand activity in this sector, competitive pressures
 will come to bear on establishments located in West Virginia. This has the potential to slow job
 gains.

West Virginia Employment, Labor Force, and Unemployment Rate Forecasts (Thousands)

		ď	Quarters*				à	Years				Anr	Annual Growth	
Indicator	Actual		Forecas	st		Actual		Ţ	orecast		Ī	W.Va.	W.Va. (%)	N.S. (%)
	2005:1	2005:2	2005:3	2005:4	2006:1	2004	2002	2006	2007	2008	2009	2005-2009**	**6005-2005	2005-2009**
Nonfarm Payroll Employment By Industry	dustry													
Total Jobs	740.7	742.6	744.3	745.8	749.3	736.2	743.3	752.1	757.0	762.0	765.8	5.6	0.7	1.1
Goods Producing	123.9	124.2	123.5	123.4	123.8	121.4	123.7	124.0	124.4	124.7	124.8	0.3	0.2	0.1
Natural Res. & Mining	24.6	24.9	25.4	25.6	25.7	23.8	25.1	25.8	25.9	26.0	26.1	0.3	1.0	-3.6
Mining	23.5	23.8	24.3	24.5	24.6	22.5	24.0	24.7	24.8	24.9	25.0	0.2	1.0	-3.5
Coal Mining	16.2	16.3	16.8	16.9	16.9	15.8	16.5	16.9	16.7	16.6	16.7	0.0	0.2	n/a
Other Mining	7.3	7.4	7.5	7.6	7.7	6.7	7.5	7.8	8.1	8.3	8.3	0.2	2.6	n/a
Natural Resources	1.1	1.2	- -	1.1	1.1	1.2	1.	1.1	1.1	- -	1.2	0.0	1.5	4.3
Construction	36.5	36.5	36.0	35.8	36.1	34.6	36.2	36.2	36.6	36.8	36.9	0.2	0.5	6.0
Manufacturing	62.7	62.8	62.1	62.0	62.0	63.0	62.4	62.0	61.9	61.9	61.8	-0.1	-0.2	-0.1
Durable Mfg.	39.5	39.8	39.1	39.1	39.2	39.2	39.4	39.4	39.8	40.2	40.6	0.3	0.8	0.2
Wood Products	8.5	8.6	8.5	8.5	9.8	8.5	8.5	8.7	8.8	8.9	9.1	0.1	1.6	-2.6
Nonmetallic Minerals	4.1	4.1	4.1	4.1	4.1	4.3	4.1	4.2	4.0	3.7	3.5	-0.1	-3.8	0.2
Primary Metals	7.1	7.2	6.5	6.5	6.5	7.3	6.8	6.4	6.5	8.9	8.9	-0.0	-0.2	-1.0
Fabricated Metals	8.9	6.9	6.9	6.9	6.9	6.5	6.9	6.9	7.0	7.0	7.1	0.1	0.8	2.2
Trans. Equip.	4.7	4.8	4.8	4.8	4.9	4.9	4.8	4.9	5.1	5.3	5.5	0.2	3.3	-0.4
Other Dur.	8.3	8.3	8.3	8.3	8.3	7.8	8.3	8.3	8.4	8.6	8.7	0.1	1.2	0.2
Non-Durable Mfg.	23.2	23.1	23.0	22.9	22.8	23.8	23.0	22.6	22.1	21.7	21.2	-0.5	-2.0	-0.7
Food Products	3.6	3.6	3.6	3.6	3.6	3.8	3.6	3.6	3.5	3.5	3.4	-0.0	-1.2	0.8
Chemicals	10.6	10.5	10.4	10.3	10.2	11.0	10.4	10.1	9.7	6.9	8.9	-0.4	-3.8	-1.3
Plastics & Rubber	4.1	4.2	4.2	4.2	4.3	4.0	4.2	4.3	4.5	4.6	4.8	0.1	3.4	-1.1
Other Non-Dur.	4.9	4.8	4.8	4.7	4.7	2.0	4.8	4.6	4.4	4.3	4.1	-0.2	4.0	4.1-
Service Producing	616.9	618.4	620.8	622.4	625.5	614.8	619.6	628.1	632.6	637.3	641.0	5.3	6.0	1.3
Trade, Trans., & Utilities	138.1	138.3	138.2	138.2	138.4	137.0	138.2	138.4	138.3	138.4	138.7	0.1	0.1	8.0
Wholesale Trade	23.4	23.4	23.4	23.5	23.5	23.1	23.4	23.5	23.4	23.4	23.4	-0.0	0.0	0.2
Retail Trade	89.0	89.1	89.0	89.0	89.3	9.88	89.0	89.4	89.5	9.68	89.9	0.2	0.2	9.0
Utilities	6.1	6.1	0.9	0.9	0.9	6.2	6.1	5.9	5.7	5.5	5.5	-0.1	-2.5	-2.1
Transportation & Warehousing	19.6	19.7	19.7	19.7	19.7	19.1	19.7	19.7	19.7	19.8	20.0	0.1	0.4	2.3
Information	12.0	12.0	11.9	11.9	11.8	11.9	12.0	11.8	11.8	11.8	11.8	-0.0	-0.2	1.3
Financial Activities	29.9	30.2	30.4	30.5	30.6	30.5	30.3	30.7	30.9	30.9	31.0	0.2	9.0	0.1
Profess. & Business Services	58.0	58.2	29.0	265	60.3	58.0	58.7	8.09	61.9	63.3	64.2	4.1	2.2	3.2
Educational & Health Services	112.3	113.1	113.6	113.6	114.3	111.1	113.2	115.1	116.5	117.9	119.1	1.5	1.3	1.1
Educational Services	6.6	10.3	10.2	10.3	10.3	10.1	10.2	10.3	10.4	10.5	10.6	0.1	1.0	-0.5
Health Care & Social Assist.	102.4	102.8	103.4	103.4	104.0	101.0	103.0	104.8	106.1	107.5	108.5	4.1	1.3	1.5
Leisure & Hospitality	68.7	69.2	69.5	70.1	70.7	6.79	69.4	71.1	71.9	72.6	73.4	1.0	4.1	4.1
Other Services	54.7	54.7	55.0	55.2	55.8	55.3	54.9	56.2	57.0	57.2	57.4	9.0	1.	1.2
Government	143.1	142.6	143.2	143.3	143.7	143.1	143.1	144.0	144.4	145.1	145.4	9.0	0.4	8.0
Federal Civilian	21.6	22.5	22.4	22.4	22.4	21.8	22.2	22.4	22.5	22.5	22.5	0.1	0.3	0.2
State & Local	121.5	120.1	120.8	120.9	121.3	121.3	120.8	121.6	121.9	122.5	122.9	0.5	0.4	8.0
				:			:							
	1		1	Resident	ď	Employment,	and Unemployment Rate	oyment Rat				1	1	
Labor Force	792.2	793.1	793.6	793.9	799.5	788.4	793.2	801.9	806.9	811.4	815.2	5.5	0.7	د .
Employed	752.8	754.1	755.1	756.1	761.4	746.5	754.5	763.4	6.79	772.3	775.5	5.3	0.7	4.1
Unemployment Rate(%)	5.0	4.9	4.8	4.8	4.8	5.3	4.9	4.8	4.8	4.8	4.9	-0.0	0.1	-1.5

* Quarterly data are seasonally adjusted. **These columns contain the average yearly change during the 2004-2009 period

West Virginia Population and Income Forecasts

Tricleator Actual Forecast Actual			9	Quarters*					Years	Z.			•	Annual Growth	
1,816 1,816 1,816 1,816 1,815 1,81	Indicator	Actual		Fore	ecast		Actual			Forecast			W.Va.	W.Va. (%)	U.S. (%)
1816 1816 1816 1816 1815		2004:4	2005:1	2005:2	2005:3	2005:4	2004	2005	2006	2007	2008	2009	2005-2009**	2005-2009**	2005-2009**
1,816 1,816 1,816 1,816 1,815 1,81								Popu	lation (Th	ousands)	_				
Secondary Seco	Total Population	1,816	1,816	1,816	1,816	1,815	1,815	1,816	1,815	1,814	_	1,813	-0.8	-0.0	6.0
Section Sect	Age 0-17	383	382	381	381	380	385	381	378	375	372	369	-3.0	-0.8	n/a
Fig. 10 Fig.	Age 18-44	650	648	647	646	645	651	647	642	639	929	634	-3.0	-0.5	n/a
Color Colo	Age 45-64	202	202	208	510	512	501	209	515	519	522	523	3.5	0.7	n/a
Harran H	Age 65 and up	279	279	279	279	279	278	279	280	282	284	286	1.7	9.0	n/a
44,315 44,938 45,237 45,445 45,560 43,555 45,295 46,435 47,519 48,579 49,623 1,081.9 2.3 20,603 20,653 20,746 20,810 20,881 20,773 21,097 21,552 21,611 21,851 269.6 1.3 6,134 6,274 6,274 6,278 6,318 6,058 6,265 6,374 6,433 6,573 77.0 1.2 3,043 3,056 3,441 3,467 3,414 6,046 6,046 6,265 6,374 6,389 6,481 108.7 1.2 11,844 12,041 12,314 12,315 11,722 12,238 13,330 14,269 507.9 20 24,399 24,743 24,914 12,314 12,315 11,722 11,722 12,238 13,513 26,139 44,269 507.9 13,8 11,343 11,344 11,424 11,502 11,203 11,444 11,502 11,728 1,736 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Real Po</td> <td>ersonal Inc</td> <td>some (Mil.</td> <td>lions of 2</td> <td>000 Dollar</td> <td>(S</td> <td></td> <td></td> <td></td>							Real Po	ersonal Inc	some (Mil.	lions of 2	000 Dollar	(S			
20,603 20,666 20,746 20,810 20,881 20,773 21,097 21,352 21,611 21,851 269.6 1.3 6,134 6,224 6,274 6,278 6,374 6,433 6,503 6,573 77.0 1.2 3,043 3,046 3,141 3,482 3,438 6,286 6,374 6,433 6,599 6,481 10.2 6,071 6,060 6,031 6,041 6,055 5,831 6,286 6,379 6,481 10.87 1.8 11,844 12,081 12,241 12,314 12,238 13,230 13,799 14,269 507.9 3.9 24,399 24,744 12,081 12,244 12,314 12,314 12,238 14,469 16,689 6,618 50.79 3.9 4,499 3,799 14,269 507.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9 3.9	Total Real Income	44,315	44,938	45,237	45,445	45,560	43,555	45,295	46,483	47,519	48,579	49,623	1,081.9	2.3	3.5
6,134 6,224 6,244 6,273 6,318 6,058 6,265 6,374 6,433 6,503 6,573 77.0 1.2 3,043 3,095 3,141 3,167 3,151 2,942 3,139 3,173 3,239 3,318 3,391 63.2 2.0 6,071 6,060 6,031 6,041 6,055 5,831 6,047 6,141 6,238 6,359 6,481 108.7 1.8 11,844 12,081 12,241 12,314 12,314 12,315 11,722 12,238 13,30 13,799 14,269 507.9 3.9 24,399 24,743 24,910 25,028 25,096 23,993 24,94 25,614 26,198 26,792 27,373 607.2 2.4 11,343 11,373 11,424 11,461 11,502 11,203 11,440 11,626 11,772 11,918 12,054 153.5 1.3 3,377 3,427 3,438 3,455 3,480 3,337 3,450 3,513 3,547 3,586 3,626 43.9 1.2 1,675 1,704 1,730 1,744 1,736 1,621 1,728 1,749 1,786 1,830 1,871 283.0 4.0 6,521 6,652 6,741 6,782 6,783 6,457 6,739 7,073 7,073 7,349 7,610 7,871 283.0 4.0 Actual Forecast Actual Forecast Actual Forecast 2005: 2	Wage and Salary	20,603	20,656	20,746	20,810	20,881	20,338	20,773	21,097	21,352	21,611	21,851	269.6	1.3	3.5
3,043 3,095 3,141 3,167 3,151 2,942 3,139 3,173 3,239 3,318 3,391 63.2 2.0 6,071 6,060 6,031 6,041 6,055 5,831 6,047 6,141 6,238 6,359 6,481 108.7 1.8 11,844 12,081 12,241 12,314 12,315 11,722 12,238 12,835 13,799 14,269 507.9 3.9 24,399 24,743 24,910 25,028 25,096 23,993 24,944 25,614 26,198 26,792 27,373 607.2 2.4 11,343 11,343 11,424 11,461 11,502 11,203 11,440 11,626 11,722 11,918 12,054 12,054 15,35 3,377 3,425 3,480 3,377 3,426 1,728 17,79 17,88 1,749 17,86 1,830 1,871 35,6 6,141 6,178 6,521 6,652 6,741 6,782 6,783 6,457 6,739 7,073 7,849 7,610 7,871 2,830 4.0 Actual Forecast Actual Forecast 2005:3 2005:4 2006:1 2006:1 2006:1 2005:2 2005:3 2005:4 2006:1 2006:1 2006:1 2006:1 2006:2 2006:1 2006:1 2006:1 2006:2 2006:4 2006:1 2006:	Other Labor Income	6,134	6,224	6,244	6,273	6,318	6,058	6,265	6,374	6,433	6,503	6,573	77.0	1.2	1.9
6,071 6,060 6,031 6,041 6,055 5,831 6,047 6,141 6,238 6,389 6,481 108.7 1.8 11,844 12,081 12,241 12,314 12,315 11,722 12,238 12,835 13,30 13,799 14,269 507.9 3.9 24,399 24,743 24,910 25,028 25,096 23,993 24,944 25,614 26,198 26,792 27,373 607.2 2.4 11,343 11,343 11,424 11,461 11,502 11,203 11,440 11,626 11,772 11,918 12,054 153.5 1.2 1,675 1,704 1,730 1,744 1,736 1,621 1,728 1,738 1,749 1,786 1,830 1,871 35.6 2.0 3,342 3,321 3,327 3,335 3,321 3,330 3,384 3,439 3,507 3,575 61.4 1.8 6,521 6,652 6,741 6,782 6,783 6,457 6,739 7,073 7,349 7,610 7,871 283.0 Actual Forecast	Proprietors' Income	3,043	3,095	3,141	3,167	3,151	2,942	3,139	3,173	3,239	3,318	3,391	63.2	2.0	3.4
11,844 12,081 12,241 12,314 12,315 11,722 12,238 12,835 13,330 13,799 14,269 507.9 3.9	Div., Int., Rent	6,071	6,060	6,031	6,041	6,055	5,831	6,047	6,141	6,238	6,359	6,481	108.7	1.8	4.2
Real Per Capita Personal Income (2000 Dollars) 24,399 24,743 24,910 25,028 25,096 23,993 24,944 25,614 26,198 26,792 27,373 607.2 2.4 11,343 11,424 11,620 11,703 11,440 11,626 11,772 11,918 12,054 153.5 1.3 3,377 3,427 3,426 3,547 3,586 3,626 43.9 1.2 1,675 1,704 1,736 1,724 1,749 1,786 1,830 1,871 35.6 2.0 3,342 3,326 3,327 3,326 3,212 3,330 3,384 3,499 3,577 3,575 61.4 6,521 6,522 6,741 6,782 6,739 7,073 7,349 7,610 7,871 283.0 4.0 Actual Forecast Actual Forecast Actual Forecast Actual Forecast Actual Forecast Actual Forecast Actual Forecast	Transfer Income	11,844	12,081	12,241	12,314	12,315	11,722	12,238	12,835	13,330	13,799	14,269	6.705	3.9	1.1
24,399 24,743 24,910 25,026 23,993 24,944 25,614 26,198 26,792 27,373 607.2 2.4 11,343 11,344 11,461 11,502 11,404 11,626 11,772 11,918 12,054 153.5 1.3 3,377 3,427 3,486 3,486 3,337 3,480 3,513 3,547 3,586 3,626 43.9 1.2 1,675 1,704 1,736 1,621 1,728 1,786 1,880 1,871 35.6 2.0 3,342 3,327 3,327 3,327 3,312 3,329 3,384 3,499 3,577 3,575 61.4 1,8 6,521 6,524 6,626 6,741 6,782 6,739 7,073 7,349 7,610 7,871 283.0 4.0 Actual Forecast Actual Forecast Actual Forecast Actual Forecast Actual Forecast Actual Forecast															

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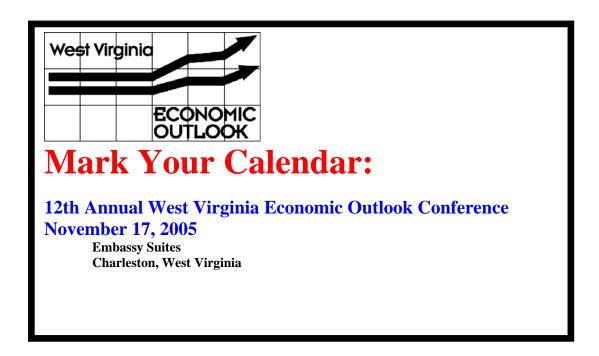
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Coal Production (Mil. Tons)

^{*} Quarterly data are seasonally adjusted. **These columns contain the average yearly change during the 2005-2009 period

Table 3 U.S. Forecast Global Insight June 2005

				Years		
•	Actual		F	orecast		
-	2004	2005	2006	2007	2008	2009
			Annual F	Percent Ch	ange	
Real GDP	4.4	3.5	3.0	3.1	3.3	3.0
Industrial Production	4.1	3.4	2.4	3.6	4.2	3.1
Nonfarm Employment	1.1	1.7	1.5	1.0	1.0	0.8
Nominal Personal Income	5.8	6.5	5.7	5.3	5.9	5.7
Personal Consumption Deflator	2.2	2.3	1.9	1.9	2.2	2.3
Real Export Growth (GDP Basis)	8.6	6.1	6.7	10.3	10.6	8.6
Real Import Growth (GDP Basis)	9.9	7.2	4.5	4.9	5.7	5.0
			Perce	nt		
Unemployment Rate	5.5	5.2	5.1	5.2	5.0	4.9
Federal Funds Rate	1.35	3.18	4.00	4.17	4.52	4.88
30-Year Fixed Mortgage Rate	5.84	5.95	6.39	6.63	6.97	7.42
		Bill	ions of Do	llars (FY)		
Federal Budget Surplus (Unified Basis)	-413	-348	-323	-274	-273	-251
(Offined Dasis)			Key Pri	241		
Trd.Wtd. Value of U.S. Dollar vs Major Trading Partners (2000=1.000)	0.841	0.809	0.757	0.729	0.739	0.746
Oil - West Texas Intermediate (\$ per barrel)	41.47	50.45	48.27	46.25	45.17	43.87



Mid-Year Review 2005

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