

West Virginia Business & Economic

REVIEW

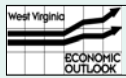
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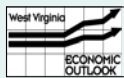
A Brief Guide to the West Virginia Economy: 2004

by George Hammond, Director of the West Virginia Economic Outlook Project;
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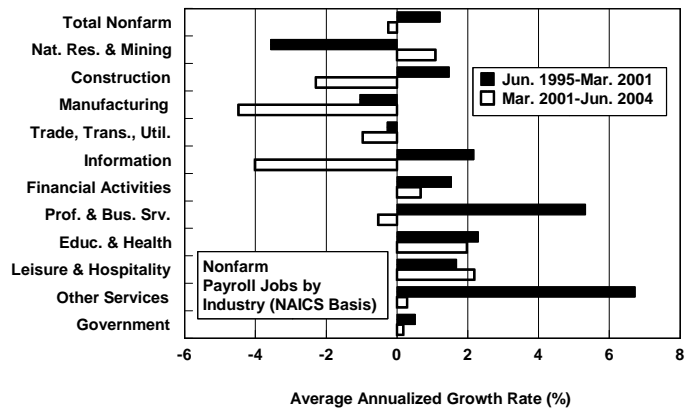
Jobs and the Labor Market



What's UP?

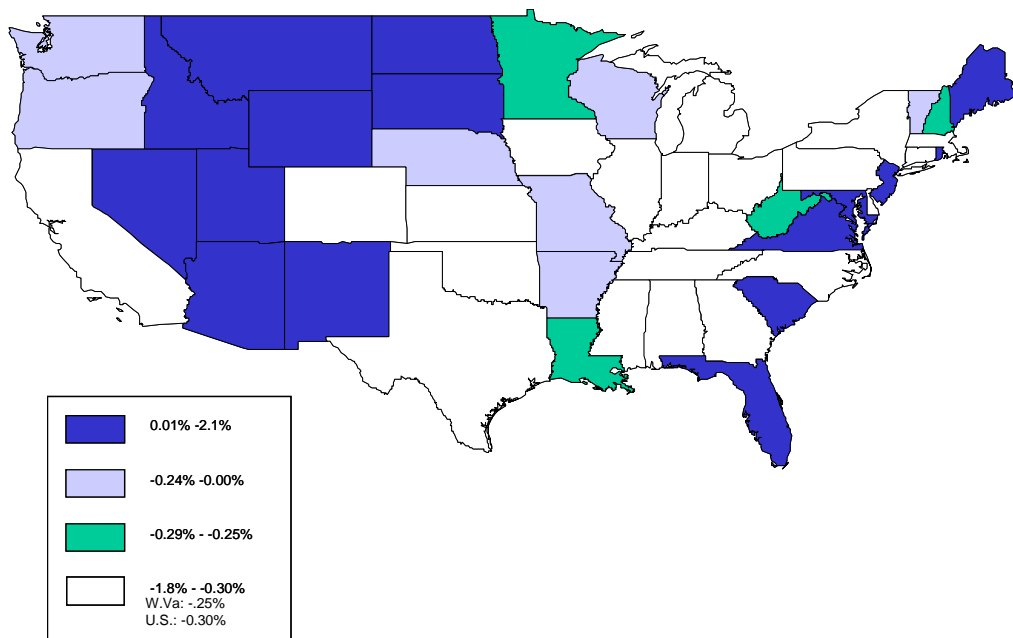
West Virginia coal mining jobs. This was driven by a huge surge in hiring during the February to June of 2004 period, when coal mining added 2,000 jobs. As Figure 1 shows, other sectors adding jobs during the period were leisure and hospitality; education and health care; financial activities; other services; and government.

Figure 1
West Virginia Job Growth Before and After
National Recession



In addition, many other states are having a worse time. **Figure 2** below compares nonfarm job growth rates across states from March 2001 to June 2004. West Virginia fell near the middle, ranking 27th in the nation. During the period, the state's annualized rate of job loss was -0.25 percent per year. However, West Virginia did better than the nation, with the U.S. recording a -0.30 percent rate of job loss. Many states in the Rocky Mountain West have sustained job gains since the recession began, but many formerly fast growing states in the South and West have recorded job losses. Job gains in Maryland and Virginia have been sustained in part by increased federal spending on defense and Homeland Security (particularly in the Washington MSA) since September 11, 2001.

Figure 2
Nonfarm Job Growth by State—March 2001 to June 2004
Annual Rates



What's DOWN?

The state job level remains 5,900 below its March 2001 level (as of June 2004 and using seasonally-adjusted data). Manufacturing has been hammered during the period, losing 10,200 jobs. Most manufacturing sectors are down compared to March 2001, but the chemicals, steel, and glass sectors have been hit the hardest. In addition, the state has experienced a dramatic turn in professional and business services, which has seen very strong job growth during the last five years turn to job losses since March 2001. Professional and business services includes call centers, which are sensitive to overall business conditions and which have been subject to increasing international competition since 2001.



What's NEXT?

According to the latest long-term forecast, West Virginia jobs are expected to rebound during the last half of 2004, as they are nationally. However, it's expected to take until 2006 for the state to regain its 2000 peak level. Job growth in the state is also expected to lag well behind the national rate, with state jobs rising by 0.6 percent per year, compared to 1.2 percent nationally.

Look for coal mining jobs to continue growing in the near future. Coal production has also rebounded recently, according to weekly coal production estimates from the Energy Information Administration. Sustained world economic growth is raising demand for energy (and other production inputs) and coal prices have surged this year, with spot prices for Northern and Central Appalachian coal currently double year-ago levels.

Did You KNOW?

We can indicate the job stability in a region based on the turnover rate, which reflects both job separations and job accessions. West Virginia's 9.8 percent turnover rate in 2002 was lower than those of Pennsylvania (10.6 percent), Maryland (11.9 percent), and Virginia (12.5 percent). This suggests that job stability in West Virginia is better than in those other states.

Employment Mix

What's UP?

In 2003, the state's employment mix was more heavily weighted toward mining; education and health services; and government sectors than the U.S. Contrary to the decreasing trends in goods producing sectors, the state's natural resource and mining sector has been able to maintain its employment share of 3.0 percent between 2000 and 2003, as **Figure 3** shows. During the same period, education and health services increased its employment share by more than 1.0 percentage points, from 13.6 percent to 14.9 percent. In addition, leisure and hospitality sector has also increased its employment share by 0.7 percentage point.

Figure 3
West Virginia Employment Shares
2000 and 2003





What's DOWN

The state, on the other hand, has less concentration than the nation in some important services sectors, including financial activities and professional and business services. Manufacturing and trade, transportation, and utilities, have posted declines in their employment share by at least one percent between 2000 and 2003.



What's NEXT?

The share of jobs in manufacturing is likely to continue falling, but at a slower rate, as stronger U.S. and world demand and a gradually weakening U.S. dollar help to slow, but not stop, job losses in steel and chemicals. Mining jobs are likely to retain their share of employment in the next few years.



Did You KNOW?

More than half of the workers in mining (53.6 percent) were age 45 years and over in 2002, the second largest share after the educational service sector (57.0 percent). This suggests we will see additional hiring in the mining sector, not only to meet increasing production, but also to replace retirees.

Labor Force



What's UP?

The state's unemployment rate drifted up from 5.5 percent in 2000 to 6.1 percent in 2003. During the same period the nation's unemployment rate rose from 4.0 percent to 6.0 percent.



What's DOWN?

In 2003, West Virginia remained the state with the lowest share of residents with bachelor's degree or higher in the nation, with 17.0 percent. In fact, West Virginia fell further behind the nation's share, which has risen from 20.3 percent in 1990 to 26.5 percent in 2003.

According to the last data from Census 2000, West Virginia's male labor force participation rate fell from 64.6 percent in 1990 to 61.9 percent in 2000. For the nation, the male labor force participation rate fell from 74.4 percent to 70.7 percent during the same period. In contrast, the state female labor force participation rate rose from 42.6 percent in 1990 to 47.6 percent in 2000. The national female labor force participation rate also rose, from 56.8 percent to 57.5 percent during the period.



What's NEXT?

Look for the state's educational attainment rates to continue to rise, but remain well below the national average.



Did You KNOW?

While West Virginia has the lowest share of residents with bachelor's degree or higher in the nation, Monongalia County has a higher share than the nation. However, 19 counties in the state have shares of less than 10 percent. They include McDowell and Lincoln counties, whose shares were less than 6 percent in 2000.

Population



What's UP?

After six years of losses, West Virginia's total population has stabilized since 2001. Based on the Census Bureau's last estimates, the state's population has increased by 0.5 percent between 2001 and 2003. All of the population gain came from the positive net internal and international migration, which has also rebounded since 2001. More specifically, the large in-migration from neighboring states to the Eastern Panhandle counties overcame the losses of residents that occurred in many other counties in the state.



What's DOWN?

The state's natural increase (births minus deaths) remains negative and West Virginia is the only state in the nation with more deaths than births. The proportion of West Virginia residents aged 25-34 years old has fallen from 14.6 percent in 1990 to 12.7 percent in 2000.



What's NEXT?

The slow job growth and modest income growth is expected to produce little or no net migration into the state during the next decade. Combined with zero or negative net natural increase, the state's population is expected to post no growth during the next decade. In contrast, the U.S. population is expected to grow steadily at 0.8 percent per year.



Did You KNOW?

According to the American Community Survey from the Census Bureau, there were an estimated 222,594 West Virginians age 21-64 years with a disability in 2003. Of that total, 24.9 percent were employed. Nationally, 37.8 percent of those individuals that reported a disability also reported that they were employed.

Personal Income



What's UP?

West Virginia per capita personal income growth, at 4.1 percent per year, exceeded the national average (1.8 percent) and the national inflation rate (1.8 percent) since 2000. This was due to stronger than national growth in the three major components of personal income: net earnings from work; dividends, interest, and rent; and transfer income.



What's DOWN?

The per capita personal income gap between the state and the nation has fallen from -26.6 percent in 2000 to -21.6 percent in 2003. That's the lowest level for the gap since 1982.



What's NEXT?

The gap is likely to begin rising again in the near future, if the national economy rebounds. West Virginia's per capita personal income gap has fallen primarily because national income growth has come to a standstill. If the national economy picks up speed, the state may have trouble keeping up.



Did you KNOW?

Transfer income increased strongly for both the state and the nation during the last three years, but the state growth rate (8.6 percent per year) outpaced the nation (6.1

percent). This has a disproportionate impact on West Virginia's per capita personal income, because transfers make up 26.7 percent of total state personal income, compared to 14.6 percent for the U.S. (in 2003).

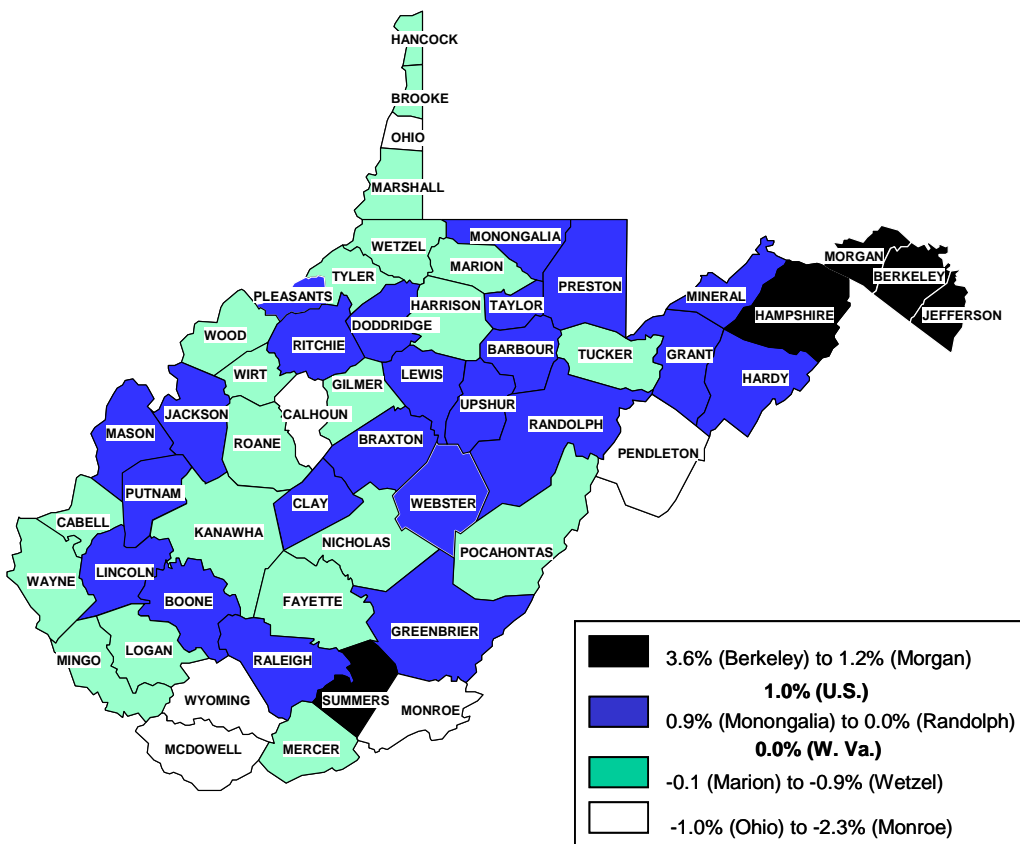
West Virginia's economic performance varies tremendously by county and by region, and that has certainly been true recently. Overall, the strongest economic performance has been turned in by counties in the Eastern Panhandle and Potomac Highlands, as well as counties in the Northcentral part of the state. These regions have benefited from proximity to larger metropolitan areas and favorable industrial mixes. In contrast, the counties in the southern part of the state and the Northern Panhandle posted significant job and population losses during the last three years, as the coal, chemical, and steel sectors of the state economy contended with intense competitive pressures.



Faster Growing Regions

While West Virginia had essentially no population growth from 2000 to 2003, as **Figure 4** shows, the Eastern Panhandle continued to gain population, growing above the national average. Berkeley and Jefferson counties grew annually at 2.8 percent and 2.2 percent, respectively, and together added 13,447 residents. The Potomac Highlands posted annual population gains ranging from 1.2 percent in Hampshire County to 0.1 percent in Mineral County. Also, Monongalia County, in the northern part of the state, experienced population growth of 0.7 percent annually, well above the West Virginia av-

Figure 4
West Virginia County Average Annual Population Growth
2000-2003



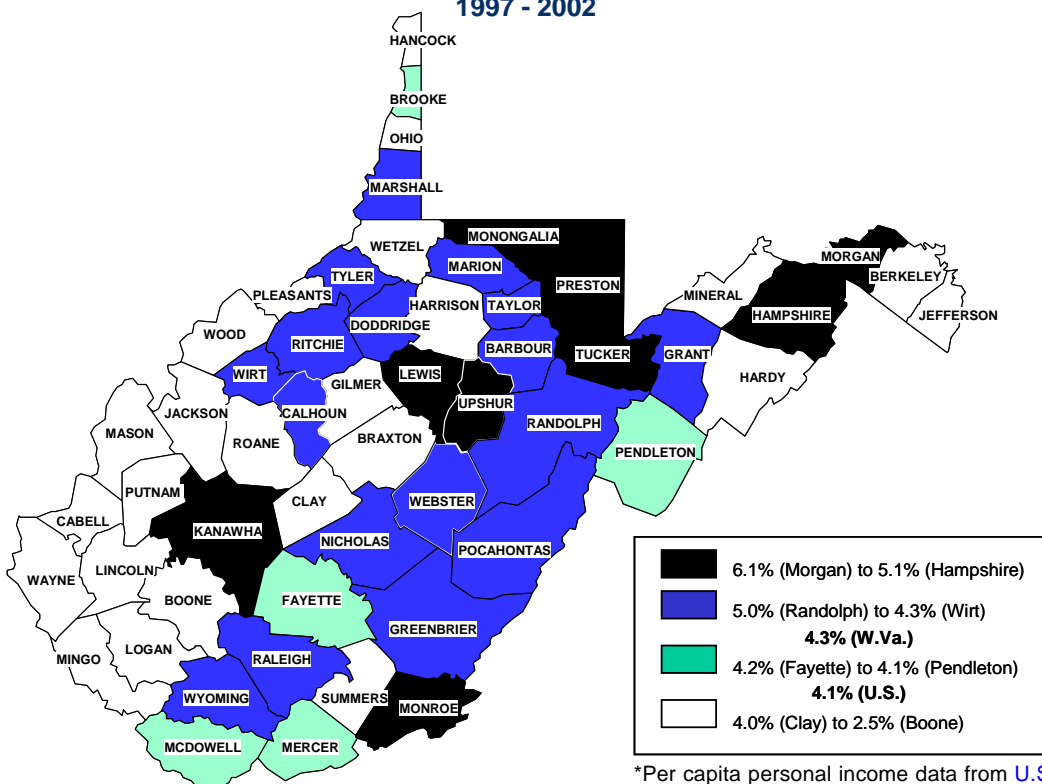
Source: U.S. Census Bureau.

greatest employment loss of -8.7 percent (-800) and also had the greatest loss from the goods producing sector of -26.2 percent. Within the goods producing sector of Grant County, manufacturing and construction were hit the hardest losing -35.2 percent and -25.4 percent of jobs per year, respectively. West Virginia's overall loss from the goods producing sector was -4.5 percent, similar to the national loss of -4.4 percent annually. Some counties losing well below the state and national averages for this sector were Roane, Lewis, Mingo, McDowell, and Gilmer.

Northern counties with unemployment rates above the national average of 6.0 percent were Preston, Tucker, Grant, and Mineral as shown in **Figure 6**. In the Northern Panhandle, Hancock and Brooke counties had unemployment rates at or above the West Virginia rate of 6.1 percent. In the southern counties, unemployment rates were consistently above the national average, ranging as high as 11.0 percent in Mingo County and 13.1 percent in McDowell County. Calhoun had the highest unemployment rate of any county at 16.2 percent for 2003.

In the south, with the exception of Wyoming and Raleigh, all counties had annual per capita personal income growth rates below the state's average of 4.3 percent from 1997 to 2002, as shown in **Figure 7**. Mercer and McDowell counties were below the West Virginia average, but tied the U.S. average of 4.1 percent annual growth. Boone County had the lowest level of annual growth from 1997 to 2002 with 2.5 percent. The rest of the counties in the Eastern Panhandle and Potomac Highlands were below the West Virginia and United States averages for annual growth rates. In the Northern Panhandle, Hancock and Ohio fell below the average annual growth for the state. The middle counties had some of the lowest levels of per capita personal income with Clay County ranking last at \$15,202. From 1997 to 2002, these counties' annual growth rates were mixed, with some counties ranking above the average and some below. Overall, the state's level of per capita personal income of \$23,794 was still below the U.S. average (\$30,906) by \$7,112.

Figure 7
West Virginia County Average Annual Per Capita Personal Income* Growth
1997 - 2002



*Per capita personal income data from U.S. Bureau of Economic Analysis (BEA).

West Virginia and United States Economic Indicators

	03 Q2	03 Q3	03 Q4	04 Q1	04 Q2	2001	2002	2003
United States								
Real GDP (Bil. \$2000 Chain-Wtd.)	10,287.4	10,472.8	10,580.7	10,697.5	10,771.4	9,890.7	10,074.8	10,381.3
% Change	4.1	7.4	4.2	4.5	2.8	0.8	1.9	3.0
Consumer Price Index (CPI-U) (1982-84=100)*	183.4	184.5	184.8	186.4	188.6	177.0	179.9	184.0
% Change	0.6	2.3	0.7	3.6	4.7	2.8	1.6	2.3
Total Nonfarm Payroll Employment (Mil.)	129.9	129.8	130.0	130.4	131.1	131.8	130.3	129.9
% Change	-0.5	-0.2	0.6	1.1	2.3	0.0	-1.1	-0.3
Unemployment Rate (%)	6.1	6.1	5.9	5.6	5.6	4.8	5.8	6.0
Initial Claims for Unemployment Ins. (Thous.)	425	402	373	351	343	406	404	402
Industrial Production (1997=100)	110.0	111.1	112.6	114.4	115.8	111.5	110.9	111.2
% Change	-4.0	3.8	5.6	6.6	4.9	-3.4	-0.6	0.3
Capacity Utilization Rate	72.7	73.2	74.1	75.1	76.0	75.4	73.9	73.4
Housing Starts (Mil.)	1.745	1.883	2.035	1.943	1.923	1.601	1.710	1.853
Retail & Food Service Sales (Bil.\$)	3,711	3,809	3,849	3,939	4,005	3,476	3,564	3,756
% Change	6.5	10.9	4.2	9.7	6.9	3.1	2.5	5.4
Federal Funds Rate*	1.25	1.02	1.00	1.00	1.01	3.89	1.67	1.13
Ten-Year Treasury Note Rate*	3.62	4.23	4.29	4.02	4.60	5.02	4.61	4.02
West Virginia								
Total Nonfarm Payroll Employment (Thous.)**	728.1	726.8	722.2	722.9	727.1	735.2	733.1	726.3
% Change	0.2	-0.7	-2.5	0.4	2.4	-0.1	-0.3	-0.9
Natural Resources and Mining	22.2	21.7	20.8	20.9	22.6	23.5	23.1	21.7
% Change	1.2	-9.3	-16.1	1.9	36.8	9.8	-1.7	-6.1
Construction	32.5	32.5	32.9	33.1	32.9	34.8	33.4	32.5
% Change	-3.6	0.4	4.6	2.9	-2.8	2.4	-4.0	-2.7
Manufacturing	64.9	64.4	63.9	64.4	63.9	72.2	68.7	64.7
% Change	-4.2	-3.0	-2.7	3.0	-2.9	-4.9	-4.8	-5.8
Trade, Transportation, and Utilities	135.6	135.7	135.3	134.4	135.6	140.0	136.9	135.4
% Change	1.0	0.3	-1.3	-2.6	3.7	-3.2	-2.2	-1.1
Information	12.8	12.8	12.6	12.6	12.6	14.0	13.3	12.8
% Change	-2.7	0.5	-7.5	2.7	-2.7	-0.7	-5.0	-3.8
Financial Activities	30.9	31.0	31.1	30.8	31.3	30.6	31.2	31.0
% Change	0.6	0.8	1.3	-3.5	6.4	-1.9	2.0	-0.6
Professional and Business Services	56.2	56.1	56.3	56.8	56.9	57.3	56.7	56.4
% Change	-4.8	-0.7	1.9	3.6	0.7	2.5	-1.0	-0.5
Educational and Health Services	108.4	108.5	107.2	106.9	107.7	103.2	107.2	108.1
% Change	0.2	0.4	-4.8	-0.9	3.0	3.4	3.9	0.8
Leisure and Hospitality	66.1	66.4	66.0	65.9	67.2	62.9	64.4	66.2
% Change	3.5	1.6	-2.2	-0.8	7.9	1.5	2.4	2.8
Other Services***	55.3	55.6	55.4	55.0	55.6	55.2	55.3	55.2
% Change	5.0	1.8	-1.4	-2.7	4.5	2.8	0.2	-0.2
Government	143.2	142.2	140.8	142.0	140.9	141.0	142.8	142.3
% Change	1.2	-2.7	-3.9	3.5	-3.2	-1.5	1.3	-0.4
Unemployment Rate (%)	6.3	6.2	5.7	5.4	5.2	4.8	6.1	6.1
Initial Claims for Unemployment Ins. (Thous.)	1,936	1,662	1,927	1,487	1,628	1,513	1,824	1,832
Av. Wkly. Hours Natural Resources & Mining**	46.0	46.6	47.0	46.3	45.6	45.0	45.7	46.4
Average Weekly Hours Manufacturing**	41.0	41.3	41.7	41.1	40.9	40.7	40.8	41.3
Av. Hrlly. Earnings Natrl Resrces. & Mining (\$)**	18.10	18.19	17.93	18.06	17.90	18.11	18.22	18.08
% Change	0.5	1.9	-5.5	2.9	-3.4	n/a	0.6	-0.8
Average Hourly Earnings Manufacturing (\$)**	16.08	16.05	16.06	16.01	16.34	14.80	15.40	16.05
% Change	1.6	-0.8	0.3	-1.1	8.4	n/a	4.1	4.2
Real Personal Income (Mil. 2000\$)	41,846	41,932	42,330	42,610	n/a	40,729	41,522	41,923
% Change	2.5	0.8	3.8	2.7	n/a	2.9	1.9	1.0
Wage and Salary, Nonfarm Civilian	19,807	19,656	19,724	19,893	n/a	19,698	19,799	19,747
% Change	0.1	-3.0	1.4	3.5	n/a	1.6	0.5	-0.3
Other Labor	5,489	5,477	5,493	5,642	n/a	5,234	5,371	5,481
% Change	1.7	-0.9	1.2	11.3	n/a	1.5	2.6	2.1
Proprietors	2,810	2,866	2,927	2,942	n/a	2,694	2,780	2,831
% Change	13.4	8.2	8.8	2.2	n/a	11.8	3.2	1.8
Dividends, Interest, and Rent	6,290	6,268	6,449	6,443	n/a	6,574	6,518	6,343
% Change	-4.6	-1.4	12.1	-0.4	n/a	-1.5	-0.9	-2.7
Transfer Payments	10,759	10,912	10,954	10,991	n/a	9,797	10,362	10,797
% Change	7.7	5.8	1.5	1.3	n/a	5.4	5.8	4.2
Value of Total Housing Permits (Mil.\$)	533	535	721	735	660	384	439	561
W. Va. Export-Weighted U.S. Dollar (1980=100)*	142.0	141.3	135.3	132.7	136.3	156.4	156.9	141.9
% Change	-17.7	-2.1	-15.8	-7.6	11.5	6.4	0.3	-9.5

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.

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