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West Virginia Economic Outlook: Expansion Watch 2002

Did We Hit Bottom?

At this point it looks like the West Virginia economy hit bottom late in 2001. Based on job data through March of 2002, payroll employment is now 4,100 above its recession low. While this is not a particularly strong rebound, it is a good sign, nonetheless. As Figure 1 shows, the state lost jobs during much of 2001, but the losses stabilized by the end of the year. Note the roughly similar pattern for the nation.

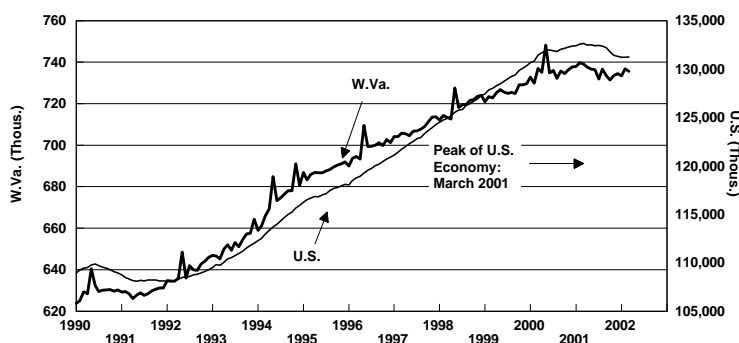
During the six months from September 2001 to March 2002, West Virginia added jobs while the national economy posted net job losses. West Virginia's job growth rebound, as Figure 2 (next page) shows, is attributable to stronger growth (or slower losses) in nearly all major sectors. Coal mining jobs are currently close to their September 2001 level, which is more than can be said for mining

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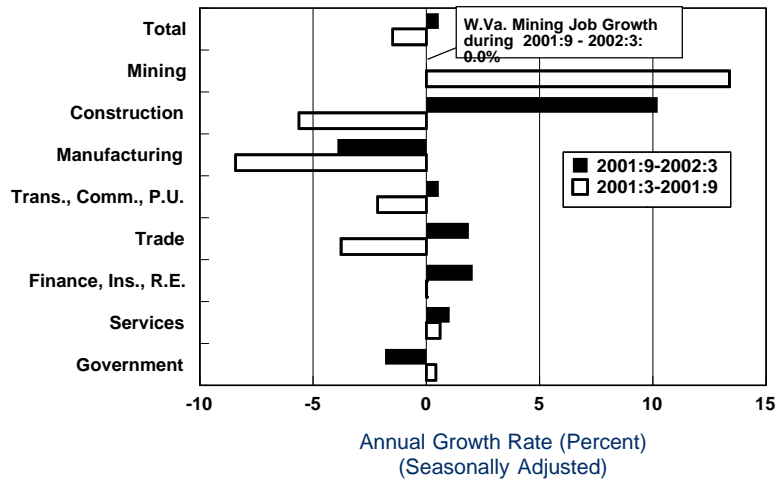
employment nationally, but job growth has softened compared to the previous six months. Warm weather and a soft national economy in late 2001 contributed to slower job growth in coal mining. Finally, while manufacturing jobs have declined in West Virginia during the last six months, national manufacturing jobs declined at a faster

Figure 1
W.Va. and U.S. Total Nonfarm Jobs 1990-2002
(Seasonally adjusted, U.S. Recession Shaded)



NOTE: Large increases in W. Va. employment in even numbered years occur due to temporary hiring for primary elections.

Figure 2
W.Va. Job Growth Improves
 September 2001 to March 2002
 Compared to Previous Six Months



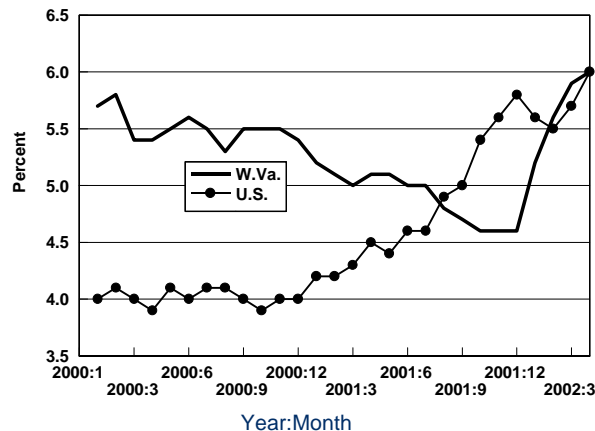
rate, and state manufacturing job losses have slowed recently.

In spite of the hopeful job market news, the state unemployment rate spiked up to 6.0 percent in April 2002 on a seasonally adjusted basis, matching the national rate (see Fig. 3). The rising unemployment rate is not necessarily a bad sign for the state economy. It may reflect unemployed state residents returning to active job search activities, now that job losses have abated. The complicated flows of residents into and out of the labor force

sometimes cause trends in the unemployment rate to lag job growth trends.

Jobs are important, but it's income we really care about. The U.S. Bureau of Economic Analysis (BEA) has released preliminary state per capita personal income estimates for 2001. The results for West Virginia break a six-year pattern of the state falling further behind the nation (see Figure 4 on next page). With the preliminary release, BEA estimates that West Virginia per capita personal income hit \$22,725 in 2001, still well below the national level of

Figure 3
W.Va. Unemployment Rate Spikes Up in Early 2002
 (Seasonally Adjusted)



\$30,271. However, West Virginia per capita personal income grew 4.5 percent last year, a rate that exceeded national growth of 2.7 percent. This implies that West Virginia made a little progress catching up to the national per capita income level. Indeed, the income gap with the nation fell from 26.2 percent below the national average in 2000 to 24.9 percent in 2001.

West Virginia's per capita personal income ranked 49th in the nation (again) in 2001. West Virginia widened its lead over Mississippi in 2001, with the gap between West Virginia and Mississippi rising from 4.0 percent in 2000 to 5.0 percent in 2001.

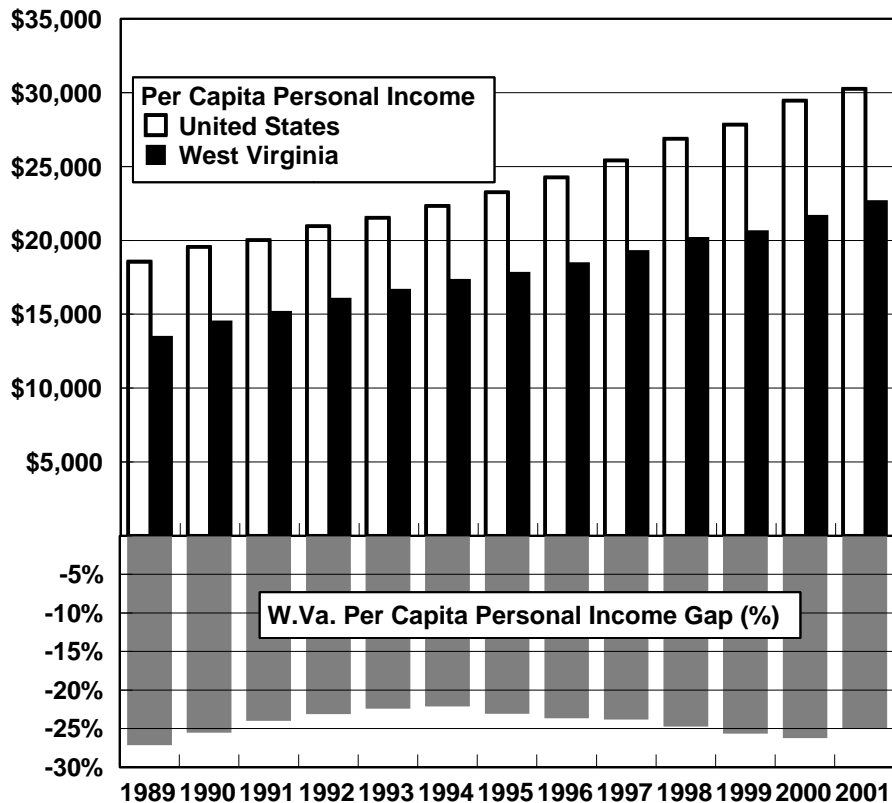
Keep in mind that personal income is a broad measure of income. It includes earnings from work (wages and fringe benefits), asset income (dividends, interest, and rent), and transfer income (like social security, Medicare, and Medicaid). Last year, West Virginia's growth in earnings from work exceeded the national rate (and the growth rate posted by Mississippi). State growth in asset income and transfer payments fell short of the U.S. growth rate.

West Virginia's improvement (relative to the nation) in 2001 is largely attributable to growth in worker earnings in mining (with the resurgence in coal mining), construction, manufacturing, and services, as gains in each of these sectors outpaced the national average.

Overall, the state continues to roughly track the national business cycle and by some measures is doing better than the nation. Both the state and national economies seem to be nearing a trough, which implies growth ahead. However, risks to state and national growth remain an issue. In West Virginia these risks focus on weakening performance in the coal mining sector and continued competitive pressure in steel and chemicals.

George W. Hammond, Ph.D.
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Figure 4
W.Va. Per Capita Personal Income Gap Stabilized in 2001



West Virginia Lottery: Challenges Ahead

Lotteries are a controversial source of state revenue. While the voluntary nature of the lottery makes it a relatively painless way to finance state programs, its drawbacks have been extensively noted. First, some think the lottery is an immoral way of raising revenues. Others point out that low and middle-income families tend to participate in the lottery more than high-income families, so the money is raised from those who can least afford it (Clotfelter and Cook 1989). It should be noted that although lotteries do provide net revenues to the states, on average they only make up 1.2 percent of total state revenues and 2.8 percent of total state tax revenues (U.S. Census Bureau, 1999 State Government Finances). In addition, these net revenues are highly volatile, making the support for programs financed by lottery receipts considerably unstable.

Despite these concerns, state lotteries have been implemented with the approval of their citizens. As of April 2002, 38 states and the District of Columbia operate lottery programs,¹ and La Fleur found an average approval rate of 64 percent in statewide referenda (see La Fleur 2001).

The net proceeds from lottery sales go mainly to specific state programs. These programs most often are education programs, economic development projects, senior citizen programs, tourism projects, infrastructure projects for cities and towns, and gambling rehabilitation programs. While five states and the District of Columbia distribute the entire net proceeds to the general fund of their state budgets, six states distribute to specific government programs as well as to the general fund. Twenty-one states distribute net lottery proceeds partially or fully to education programs and only three states distribute partially or fully to senior citizen programs. West Virginia distributes its net lottery proceeds to education, tourism, and senior citizen programs.

West Virginia Lottery Games

West Virginia Lottery was enacted on January 9, 1986, following a statewide referendum in which 67 percent of the total votes were cast in favor of enactment. Since then the West Virginia Lottery has introduced three major types of games: instant games, on-line games, and video lottery games.

Instant games have been a constant component of West Virginia's lottery structure since it started in 1986. These games require the lottery players to manually uncover the designated "scratch-off" section of the ticket to find out their results. A portfolio of about ten instant

games changes every three to four months as certain games expire and others remain in stock. Overall odds of winning a prize are anywhere from 1:3 to 1:4.5. The instant gratification of this game makes it very popular. Table 1 shows that instant games are the second largest lottery revenue source, with a 12.5 percent share in total lottery sales in 2001.

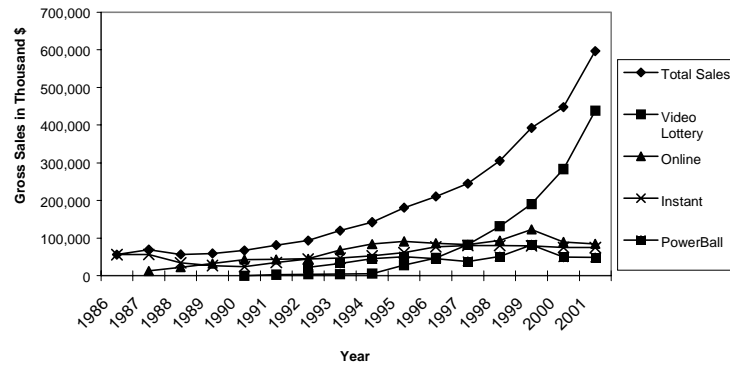
On-line games were added to West Virginia's lottery mix a year after the lottery began. These games require a lottery player to either manually mark their number selections on a play slip or have the lottery's computer automatically pick the numbers for the ticket. In addition, the majority of on-line games usually are available for several years of "lottery play." Several on-line games, such as multi-state games, offer the attractive feature of multimillion-dollar jackpots. In PowerBall, a multi-state game, each jackpot starts at \$10 million and continually rolls over until a winning ticket is purchased. These enormous jackpots create a stir of excitement in West Virginia and surrounding states even though the chance of an individual cashing in on one of these large jackpots is less than one in a million. Lottery games that offer larger returns at lower odds have recently become more popular. PowerBall has been a positive addition to West Virginia's lottery structure ever since it started in 1992. It has actually produced more revenue than all the other on-line lottery games combined in the past ten years. This is depicted in Table 1 where PowerBall is shown as the third largest single game in the lottery composition with a share of 8.1 percent of total lottery sales in 2001. On-line games that comprise Daily 3, Daily 4, Cash 4 Life, PowerBall, RollDown, Cash 25, and FastKeno together account for

Table 1
Composition of W.Va. State Lottery Sales

Game	Percent of Total
Video Lottery	73.40
Instants	12.46
Power Ball	8.10
KENO	2.21
Daily 3	1.70
Cash 25	1.09
Daily 4	0.79
RollDown	0.21
Cash 4 Life	0.03

Source: 2001 West Virginia Lottery Comprehensive Annual Financial Report.

Figure 1
Trends in W.Va. Lottery Sales by Game



Source: West Virginia Lottery and authors' calculations.

14.1 percent of total lottery sales in 2001. This actually makes these games the second largest lottery revenue source when they are taken together.

Video lottery is the latest addition to the lottery structure in West Virginia. In fact, West Virginia is one of only five states in the U.S. that offer video lottery machines. (Other video lottery states are Delaware, Oregon, Rhode Island, and South Dakota.) The 1994 Racetrack Video Lottery Act led to the installment of 1,200 video lottery terminals in three racetracks in West Virginia in September 1994. This was followed by a fourth racetrack that started video lottery in September 1997. There are currently about 7,000 video lottery terminals in the state. As shown in Table 1, video lottery is the largest source of lottery revenue, accounting for 73.4 percent of total lottery sales in 2001.

Trends in W. Va. Lottery Sales

The West Virginia Lottery program has expanded quite remarkably during its 16-year history. Figure 1 shows that the total lottery sales have continued to grow at an increasing rate since the beginning of the lottery program. The average annual growth in total lottery sales between 1986 and 2001 is a remarkable 17.1 percent.

However, when we look at the individual components of the lottery structure, the upward trend is less obvious for some of the games. While on-line sales have grown at an average annual rate of 14.5 percent, instant game sales have grown at a rate of only 1.9 percent. On-line sales surpassed instant sales in 1989 and have remained higher ever since.

As we see in Figure 1, PowerBall has been a major contributor to on-line sales ever since it started in 1992. PowerBall sales have increased at an average annual rate of 9.1 percent between 1992 and 2001. However, PowerBall sales declined quite dramatically after 1999, contributing to an equally dramatic decline in on-line sales.

Video lottery sales have remained quite limited between 1990 and 1994. However, after the 1994 Racetrack Video Lottery Act, video lottery sales swiftly climbed. Video lottery sales exceeded instant sales in 1997 and remained higher than both instant and on-line sales in 1998 and onwards. Average annual growth in video lottery sales between 1990 and 2001 amounted to an extraordinary 124.9 percent.

Trends in Net Lottery Revenues

Figure 2 shows that net lottery revenues² are only a fraction of total lottery sales shown in Figure 1. In 2001, total net lottery revenues were around 31 percent of total lottery sales. The trend in total net lottery revenues, however, is quite similar to trend in total lottery sales. The average annual growth in total net lottery revenues between 1986 and 2001 is 15.8 percent. Similarly, the average annual growth in net video lottery revenues to the state is 122.1 percent.

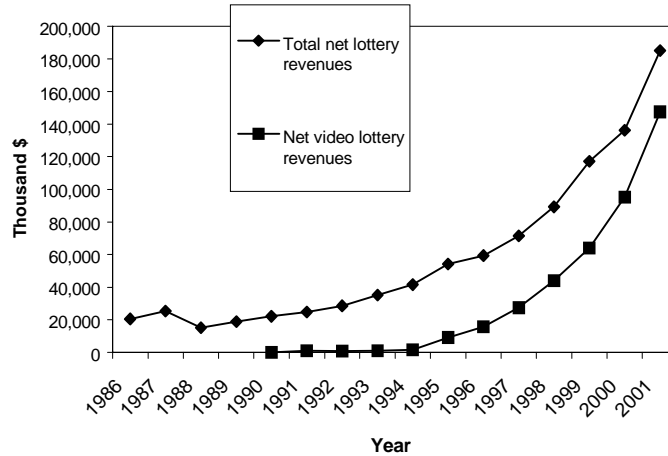
Profile of West Virginia Lottery Players

According to the 2001 West Virginia Lottery Tracking Study, 51 percent of the sample of lottery players was aged 45 and over, with the highest concentration at the 45-54 age group (22 percent of total players). Among the

¹South Carolina is the latest addition to the lottery states. South Carolina Education Lottery started on January 7, 2002.

²Net lottery revenues are total lottery sales less prizes, retailer commissions, and administrative costs.

Figure 2
Trends in Net Lottery Revenues



Source: West Virginia Lottery and authors' calculations.

sample of lottery players, the largest education group was “high school graduate” (38 percent of total players), followed by “some college or technical school” (21 percent) and “college graduate” (15 percent). Furthermore, the largest occupation group was “professional or technical” (25 percent), followed by “retired” (19 percent), and “unemployed or houseperson” (15 percent). Finally, the largest income group was “greater than or equal to \$30,000 but less than \$40,000” (18 percent of total players). This group was followed by “greater than or equal to \$10,000 but less than \$20,000” (16 percent), and “greater than or equal to \$20,000 but less than \$30,000” (15 percent).

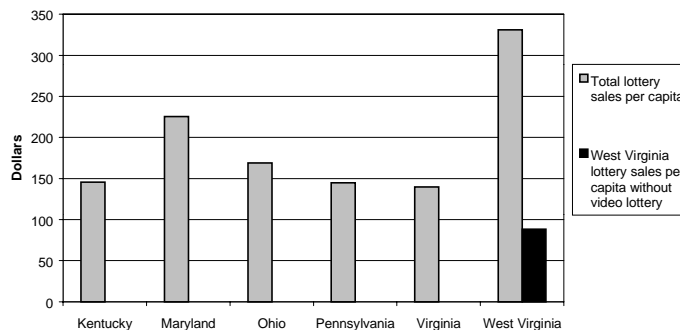
A Regional Comparison

The majority of state lotteries were introduced in either the first wave of enactment, early to mid-1970s, or the second wave, the 1980s. West Virginia was one of

eighteen states that adopted lottery during the second wave of enactment. However, neighboring states such as Maryland, Ohio, and Pennsylvania had each been operating lotteries for over ten years before West Virginia Lottery started. Pennsylvania initiated the trend by adopting lottery on March 7, 1972. Maryland and Ohio soon followed by starting their own state lotteries on May 15, 1973 and August 13, 1974, respectively. Other neighboring states, Virginia and Kentucky, joined the lottery states on September 20, 1988 and April 4, 1989, respectively.

West Virginia and its five bordering states offer many of the same types of games such as 3-digit, 4-digit, instant, and cash lotto. Nevertheless, there are notable differences particularly in on-line games. While West Virginia and Kentucky offer PowerBall, Maryland and Virginia have Big

Figure 3
Total Lottery Sales Per Capita in W. Va. and its Neighboring States (2001)



Source: West Virginia Lottery and authors' calculations.

Game, another multi-state on-line game. In addition, West Virginia recently distinguished itself from other states by introducing “Hot Lotto,” a multi-state game. However, the single most important difference between the lottery structures of West Virginia and its neighboring states is the video lottery. West Virginia is the only state that offers video lottery in this region.

Figure 3 demonstrates the key role played by video lottery sales in West Virginia. West Virginia’s total lottery sales per capita of \$330 is the highest among the neighboring states. Without video lottery sales, this number goes down to \$88, which is the lowest per capita sales in the neighboring region. We also see in Figure 4 that northern neighbors, especially Maryland and Ohio, have higher lottery sales per capita than the southern neighbors (Kentucky and Virginia).

Challenges Ahead

There has been a remarkable growth in total lottery sales and net revenues in West Virginia in the past decade. However, competition between West Virginia Lottery and other lottery programs in the surrounding states poses a major challenge to West Virginia lottery sales. This is already starting to show itself in multi-state on-line games. The strong growth in PowerBall sales in West Virginia since it started in 1992 might have tempted Pennsylvania to adopt it especially after fiscal difficulties it experienced in the latest recession. At the same time, West Virginia’s recent launch of Hot Lotto and Ohio’s plan to join the

Big Game, a competing multi-state game to PowerBall, may intensify the competition in lottery sales in the region. However, the biggest challenge to West Virginia lottery sales would come from the inception of video lottery in the neighboring states in the future. This could seriously undermine West Virginia’s comparative advantage in lottery sales in the region.

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A “Joe Friday” Look at the W. Va. Steel Industry

(Just the Facts, Maam)

The steel industry has been headline news since the recent decision by the Bush administration to impose a 30 percent tariff on steel imports. Events affecting the steel industry are important to West Virginia’s economy, because the primary metals industry (which includes steel production) is a large part of the state economy.

The primary metals industry in West Virginia has cut its labor force by more than half since 1974. After adding 1,400 jobs during the 1960 - 1974 period, employment in primary metals subsequently fell from 26,500 in 1974 to 10,000 in 2001, a 62 percent decrease.

While employment in primary metals has declined dramatically in the last 20 years, the industry remains an important part of the state economy. In 1999, primary metals accounted for 2.1 percent of gross state product (GSP) in West Virginia. The industry accounted for a larger share of GSP in only two other states (Indiana and Ohio), and it claims a far bigger share of West Virginia’s economy than it does for the nation as a whole.

Further, simply computing the primary metals share of the state’s in GSP understates the importance of the industry. Steel and steel-related industries impact more than 11,000 people employed in the steel industry. The steel industry accounts for another 18,000 jobs in other industries in the state through the multiplier effects.

SIC Industry Classification

Tracking changes in the steel industry is difficult because the steel industry does not fit nicely into one industry classification. The steel industry is part of two major groups in the Standard Industrial Classification (SIC): primary metals manufacturing (SIC 33) and fabricated metals manufacturing (SIC 34).

The primary metals industry includes blast furnaces and basic metal products (SIC 331) and iron and steel foundries (SIC 332), which can be categorized as steel. However, it also includes primary and secondary non-ferrous metals (SIC 333 and SIC 334), nonferrous rolling and drawing (SIC 335), nonferrous foundries (SIC 336) and miscellaneous primary metal products (SIC 339). These non-ferrous metals comprise about 38 percent of total SIC 33 industry employment in the state. The rest of the 62 percent can be regarded as steel industry employment. Categorizing SIC 34 industries into steel and non-steel industries is more complicated since the three- and

four-digit classifications for SIC 34 do not generally specify whether the metals and metal products produced are ferrous or non-ferrous.

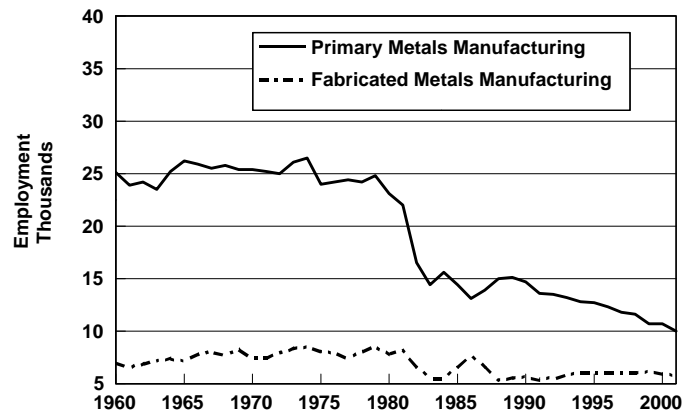
It is clear that categories for both primary and fabricated metal products contain industries that process other metals besides steel, but they cannot be separated out due to disclosure restrictions. Therefore the statistics presented in the remainder of this article focus on the primary metals sector, recognizing that steel accounts for much, but not all, activity in this industry.

Employment

Primary metals jobs in West Virginia have declined drastically since 1960, when employment was just over 25,000 and primary metals jobs accounted for 20 percent of all manufacturing jobs in the state. Data for 2001 indicate that there are 10,000 primary metals jobs in the state, which account for 13 percent of manufacturing jobs. While the share of state manufacturing jobs concentrated in primary metals has declined during the last 40 years, the industry remains a more important manufacturing employer in the state than it is nationally. In 2001, the Bureau of Labor Statistics (BLS) counted 650,700 primary metals jobs nationwide, accounting for 3.7 percent of national manufacturing employment.

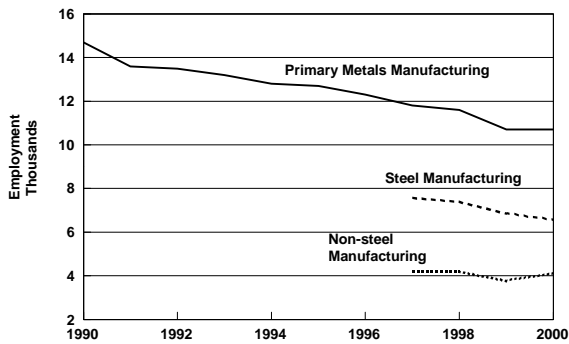
Figure 1 (previous page) shows that employment in the primary metals sector was fairly steady during the 1960s

Figure 1
Primary and Fabricated Metals Manufacturing Employment Trends in W. Va. during 1960–2001



Source: BLS

Figure 2
Steel Jobs Have Declined Since 1997



Source: BLS

and 1970s, but that the sector posted dismal employment results during the 1980s (as the national and world economies suffered through the worst recession since the Great Depression), and has been gradually losing jobs ever since. As Figure 1 also shows, the fabricated metals industry in the state has not seen job losses on the same scale during the last 40 years.

The two major components of primary metals manufacturing that primarily comprise steel and steel products manufacturing are SIC 331 and SIC 332. If we confine our analysis to the 1997 to 2000 period, we can decompose primary metals employment into two components:

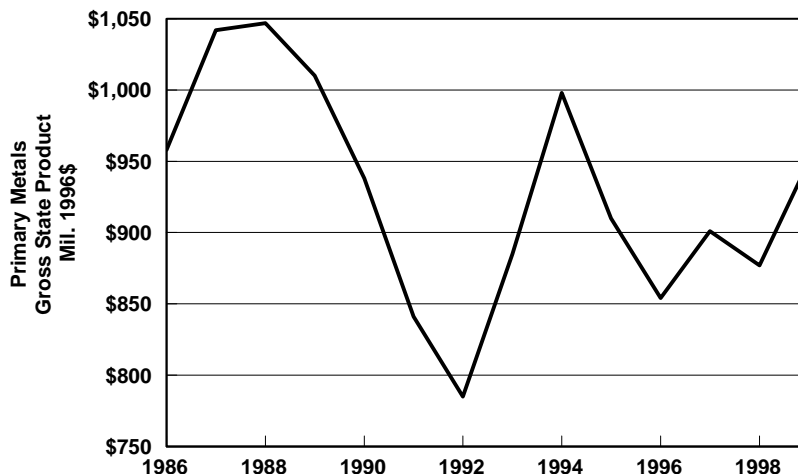
steel manufacturing (SICs 331 and 332) and non-steel manufacturing (the remaining SICs). As Figure 2 shows, steel manufacturing jobs (within primary metals) have fallen at a much faster rate since 1997 than have non-steel manufacturing jobs. Indeed, steel jobs during the three-year period fell by 13 percent, while non-steel jobs remained roughly stable.

While steel and steel-related industries (includes primary metals and fabricated metals) are estimated to account for over 11,000 jobs, the economic impact on jobs in the state is much greater. Each job in the steel industry generates roughly 1.6 jobs in other industries in the state. This means that the steel industry in West Virginia accounts for over 29,000 total jobs in the state.

Annual Wages

The average annual wage rate for primary metals in West Virginia for 2000 was \$48,659, which exceeded the average annual wage for all jobs in the state (\$26,890) by 81 percent and exceeded the average annual wage for all manufacturing jobs (\$37,499) by 30 percent. Further, annual wages in primary metals manufacturing in the state exceeded the national average of \$45,124. Since 1990, the average annual wage in this sector in West Virginia has risen by 26 percent, from \$38,562. That rate of increase fell short of the national growth rate of 37 percent during the decade, but just kept pace with the national rate of inflation (26 percent as measured by the personal consumption expenditures deflator).

Figure 3
Real GDP in Primary Metals Has Fluctuated Wildly



Source: BEA

Output

Gross state product is a measure of the value of goods and services produced by labor and property located in a state. These data are available by industry and, when adjusted for inflation, give us an indication of production trends by sector for the state. Gross state product in primary metals has fluctuated wildly since 1986, as Figure 3 (previous page) shows, but has not given much indication of trend growth during the period.

While primary metals production in the state has grown little since the mid-1980s, the industry remains an important part of the state economy. If we look at the share of primary metals production in total gross state product, West Virginia ranked 3rd among all the states (see Table 1), with 2.1 percent. Note that this accounts only for the direct impact of the primary metals sector and ignores multiplier effects.

Conclusion

The primary metals sector (which includes steel production) in West Virginia has posted job losses and little

or no output growth during the 1990s. Strong competitive pressures from domestic and international steel producers have combined to restrict growth in the industry in the state. Even so, the sector remains an important component of the state economy, accounting for over 11,000 direct jobs and over 18,000 indirect and induced (multiplier effect) jobs.

Samia Islam and Emily Johnstone with contributions from George Hammond and Randy Childs

Table 1
Share of Primary Metals Production in Total Gross State Product in 1999

Rank	State	GSP (\$ Million)	Primary Metals Production (\$Million)	Primary Metals (%GSP)
1	Indiana	182,202	6,300	3.5
2	Ohio	361,981	7,945	2.2
3	West Virginia	40,685	859	2.1
4	Alabama	115,071	2,211	1.9
5	Arkansas	64,773	1,057	1.6
6	Kentucky	113,539	1,786	1.6
7	Pennsylvania	382,980	4,914	1.3
8	Michigan	308,310	3,565	1.2
9	Iowa	85,243	891	1.1
10	Tennessee	170,085	1,762	1.0
	U.S.	9,308,983	54,896	0.6

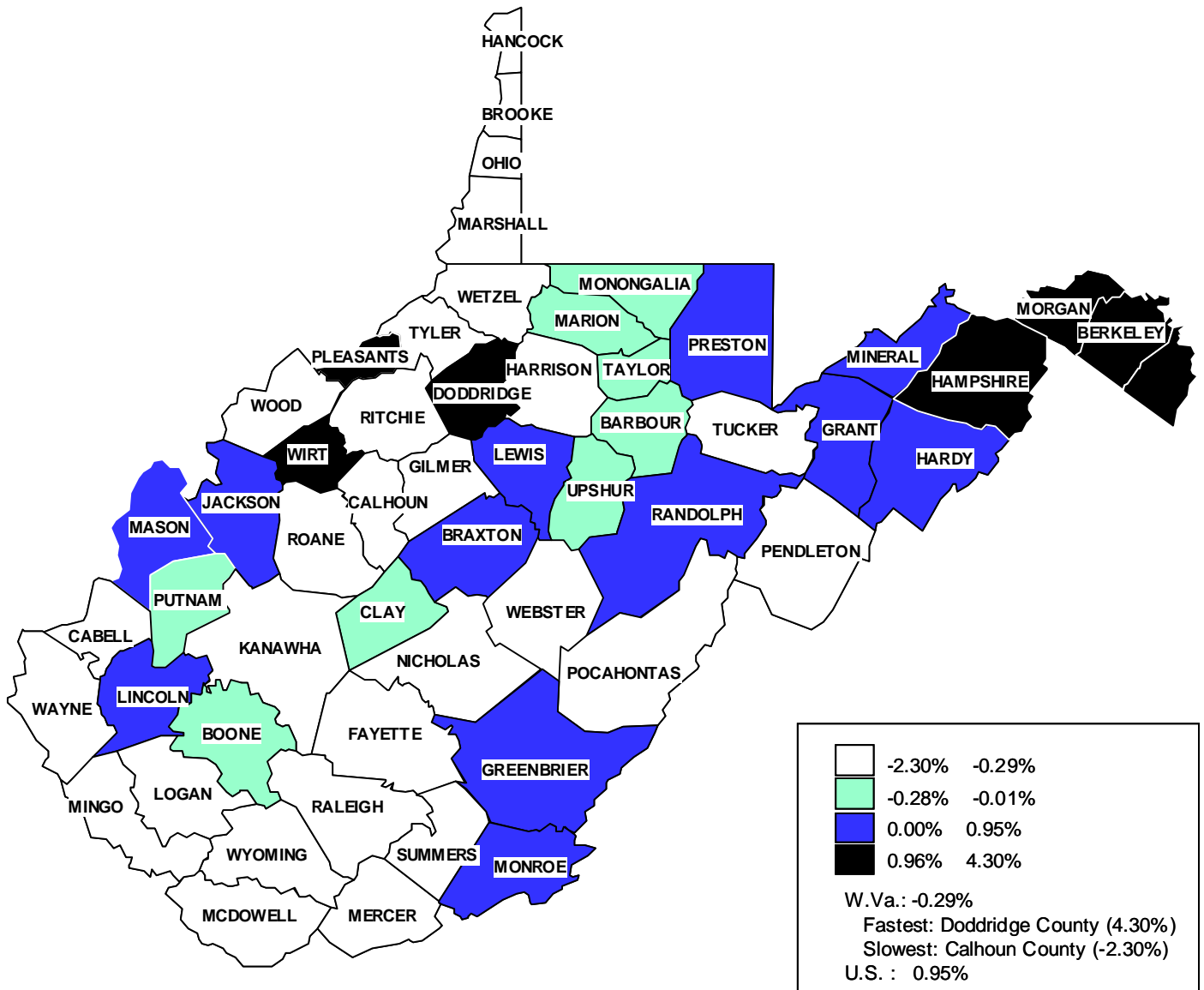
Source: BEA

Demographic Profile of Morgantown, W. Va.:

Selected Data from Census 2000

Subject	Number	Percent
Educational Attainment (Pop. 25 years and over)	12,019	100.0
Less than 9th grade	504	4.2
9th to 12th grade, no diploma	800	6.7
High school graduate (includes equivalency)	2,409	20.0
Some college, no degree	2,209	18.4
Associate degree	352	2.9
Bachelor's degree	2,538	21.1
Graduate or professional degree	3,207	26.7
Percent high school graduate or higher		89.2
Percent bachelor's degree or higher		47.8
Income in 1999 (per household)	11,065	100.0
Less than \$10,000	3,327	30.1
\$10,000 to \$14,999	1,226	11.1
\$15,000 to \$24,999	1,538	13.9
\$25,000 to \$34,999	1,271	11.5
\$35,000 to \$49,999	1,314	11.9
\$50,000 to \$74,999	1,100	9.9
\$75,000 to \$99,999	622	5.6
\$100,000 to \$149,999	423	3.8
\$150,000 to \$199,999	116	1.0
\$200,000 or more	128	1.2
Median household income	\$20,649	
Employment Status (Pop. 16 years and over)	24,556	100.0
In labor force	13,914	56.7
Management, professional, and related	5,244	42.6
Service	2,489	20.2
Sales and office	3,246	26.4
Farming, fishing, and forestry	41	0.3
Construction, extraction, and maintenance	603	4.9
Production, transportation, and material moving	689	5.6
Poverty Status in 1999		
Families	645	15.0
With related children under 18 years	423	23.1
With related children under 5 years	178	26.3
Families w/ female householder, no husband present	222	30.4
With related children under 18 years	194	52.3
With related children under 5 years	61	59.8
Individuals	8,795	38.4
18 years and over	8,115	40.5
65 years and over	231	8.3

West Virginia County Population Growth 2000-2001



Source: U.S. Census Bureau

West Virginia Population Estimates by County

July 1, 2000 to July 1, 2001

W. Va. County	July 1, 2001	July 1, 2000	Growth Rate	Growth Rate Rank
Barbour	15,514	15,549	-0.2	24
Berkeley	79,202	76,423	3.6	2
Boone	25,427	25,494	-0.3	26
Braxton	14,747	14,711	0.2	13
Brooke	25,117	25,349	-0.9	40
Cabell	95,682	96,664	-1.0	41
Calhoun	7,392	7,566	-2.3	55
Clay	10,324	10,335	-0.1	21
Doddridge	7,745	7,426	4.3	1
Fayette	47,089	47,515	-0.9	39
Gilmer	7,120	7,168	-0.7	35
Grant	11,340	11,277	0.6	10
Greenbrier	34,479	34,439	0.1	15
Hampshire	20,798	20,319	2.4	4
Hancock	32,258	32,612	-1.1	43
Hardy	12,740	12,697	0.3	12
Harrison	67,989	68,557	-0.8	37
Jackson	28,099	28,035	0.2	14
Jefferson	43,545	42,435	2.6	3
Kanawha	197,338	199,688	-1.2	47
Lewis	16,897	16,893	0.0	19
Lincoln	22,316	22,129	0.8	8
Logan	36,897	37,559	-1.8	53
Marion	56,373	56,514	-0.2	25
Marshall	35,171	35,395	-0.6	33
Mason	26,175	25,974	0.8	9
McDowell	26,568	27,143	-2.1	54
Mercer	62,355	62,908	-0.9	38
Mineral	27,059	27,051	0.0	18
Mingo	27,714	28,040	-1.2	44
Monongalia	81,820	81,878	-0.1	20
Monroe	14,610	14,604	0.0	17
Morgan	15,275	15,015	1.7	5
Nicholas	26,420	26,553	-0.5	29
Ohio	46,750	47,321	-1.2	48
Pendleton	8,070	8,171	-1.2	50
Pleasants	7,589	7,510	1.1	7
Pocahontas	8,996	9,106	-1.2	49
Preston	29,443	29,308	0.5	11
Putnam	51,680	51,741	-0.1	22
Raleigh	78,548	79,066	-0.7	34
Randolph	28,231	28,219	0.0	16
Ritchie	10,291	10,329	-0.4	27
Roane	15,364	15,470	-0.7	36
Summers	12,796	12,929	-1.0	42
Taylor	16,017	16,099	-0.5	30
Tucker	7,214	7,299	-1.2	45
Tyler	9,460	9,583	-1.3	51
Upshur	23,374	23,406	-0.1	23
Wayne	42,665	42,894	-0.5	32
Webster	9,642	9,693	-0.5	31
Wetzel	17,395	17,663	-1.5	52
Wirt	5,935	5,873	1.1	6
Wood	87,541	87,885	-0.4	28
Wyoming	25,320	25,619	-1.2	46
U.S.	284,796,887	282,124,631	0.9	—
W.Va.	1,801,916	1,807,099	-0.3	—

Source: U.S. Census Bureau

Letter to Review Readers from BBER Director Tom Witt

Dear Readers,

The Bureau of Business and Economic Research (BBER) has been publishing the *West Virginia Business and Economic Review* since 1987. In recent years we've published the Review four times a year with as many as 20 pages per issue. We are proud to say that our mailing list has grown—now nearly 3,000 individuals and organizations receive the *Review* free of charge. The Bureau has been and is committed to offering useful and timely information at no cost to you.

We've been fortunate that some underwriting support has been provided from West Virginia businesses interested in the dissemination of BBER's research; however, projected increases in costs have forced us to find new ways to publish and distribute the *Review* without sacrificing its quality. We think we've found a good solution.

Later this summer we'll convert the WVBER to a four-page publication to be distributed six times a year. The publication will contain brief descriptions of economic studies and forecasts along with the timely statistical tables which you find useful as a reference. The publication will offer links to the BBER website

(www.bber.wvu.edu) where the longer version of the studies and forecasts can be found. This will allow BBER research studies to be more inclusive and comprehensive than they are when constrained to the current WVBER printed format. In addition, the increased frequency of distribution will make it possible for you to get even more timely information than before.

To make your access to that information and the web links even faster and more direct, you will now be able to receive the short version of the *Review* via an e-mail option. You can subscribe yourself for the email version when the first new format is published in the fall.

As we move forward with our plans, please be assured that we will continue our focus on objective and timely economic research of interest to West Virginians, and we are very interested in your comments and suggestions. Feel free to email them to our editor, Connie Banta at connie.banta@mail.wvu.edu.

Yours truly,
Tom S. Witt
Director, Bureau of Business and Economic Research

WEST VIRGINIA ECONOMIC OUTLOOK CONFERENCE

Tuesday, November 19, 2002
8:30 a.m. — 12:30 p.m.
Charleston Marriott Hotel

West Virginia and United States Economic Indicators

	01 Q1	01 Q2	01 Q3	01 Q4	02 Q1	1999	2000	2001
United States								
Real GDP (Bil. \$1996 Chain-Wtd.)	9,334.5	9,341.7	9,310.4	9,348.6	9,482.1	8,856.5	9,224.0	9,333.8
% Change	1.3	0.3	-1.3	1.7	5.8	4.1	4.1	1.2
Consumer Price Index (CPI-U) (1982-84=100)*	175.7	177.5	177.8	177.3	177.9	166.6	172.2	177.1
% Change	3.9	4.2	0.5	-1.1	1.4	2.2	3.4	2.8
Total Nonfarm Payroll Employment (Mil.)	132.6	132.5	132.4	131.5	131.2	128.9	131.8	132.2
% Change	0.9	-0.2	-0.4	-2.5	-0.8	2.4	2.2	0.4
Unemployment Rate (%)	4.2	4.5	4.8	5.6	5.6	4.2	4.0	4.8
Initial Claims for Unemployment Ins. (Thous.)	367	404	418	439	405	297	299	407
Industrial Production (1992=100)	143.5	141.3	139.6	137.2	138.0	139.4	145.7	140.4
% Change	-6.1	-5.9	-4.7	-6.7	2.5	3.7	4.5	-3.7
Capacity Utilization Rate	78.9	77.4	76.2	74.7	75.0	81.4	81.8	76.8
Housing Starts (Mil.)	1,627	1,623	1,601	1,579	1,715	1,647	1,575	1,608
Retail Sales (Bil.\$)	3,134	3,178	3,165	3,260	3,229	2,860	3,081	3,184
% Change	4.3	5.7	-1.7	12.6	-3.8	8.6	7.7	3.4
Federal Funds Rate*	5.59	4.33	3.50	2.13	1.73	4.97	6.24	3.89
Ten-Year Treasury Note Rate*	5.05	5.27	4.98	4.77	5.08	5.64	6.03	5.02
West Virginia								
Total Nonfarm Payroll Employment (Thous.)	738.9	736.9	734.1	733.2	735.3	726.0	735.8	735.4
% Change	1.5	-1.1	-1.5	-0.5	1.1	0.9	1.3	-0.1
Mining	21.3	22.2	23.1	23.3	23.2	21.3	20.5	22.4
% Change	11.4	17.3	17.9	2.9	-1.1	-10.1	-3.8	9.3
Construction	34.7	33.7	33.7	33.6	35.1	33.6	33.5	33.8
% Change	16.5	-11.4	0.8	-1.2	18.2	-1.8	-0.3	0.9
Manufacturing	79.6	78.2	76.4	75.5	74.5	81.6	80.9	77.4
% Change	-3.0	-6.7	-9.1	-4.6	-4.9	-1.0	-0.9	-4.3
Trans., Comm. and Public Utilities	37.3	37.1	36.8	36.8	36.9	38.1	37.4	37.0
% Change	-1.8	-1.8	-3.2	-0.4	0.7	-0.8	-1.8	-1.1
Trade	163.4	162.1	160.7	161.4	161.7	163.3	164.2	161.6
% Change	-1.9	-3.1	-3.4	1.7	0.8	0.4	0.6	-1.6
Finance, Ins. and Real Estate	29.4	29.4	29.4	29.7	29.8	29.8	29.5	29.5
% Change	-2.2	0.0	-0.5	4.6	1.4	3.8	-1.0	0.0
Services	232.0	232.5	233.6	232.0	234.1	217.5	226.8	232.7
% Change	4.2	0.9	1.8	-2.7	3.7	4.4	4.3	2.6
Government	141.2	141.6	140.3	140.9	139.9	140.9	143.1	141.0
% Change	0.5	1.1	-3.5	1.7	-2.9	0.1	1.6	-1.5
Unemployment Rate (%)	5.1	5.1	4.8	4.6	5.6	6.6	5.5	4.9
Initial Claims for Unemployment Ins. (Thous.)	1,388	1,602	1,469	1,596	1,688	1,579	1,561	1,513
Average Weekly Hours Coal Mining	45.3	47.3	45.7	45.8	43.7	43.2	45.1	46.0
Average Weekly Hours Manufacturing	40.9	40.8	40.3	40.6	40.7	41.6	41.3	40.6
Average Hourly Earnings Coal Mining (\$)	19.32	19.94	20.94	21.23	20.68	19.34	19.50	20.36
% Change	-3.9	13.5	21.4	5.7	-10.0	-2.0	0.8	4.4
Average Hourly Earnings Manufacturing (\$)	14.78	14.92	15.07	15.15	15.27	14.09	14.61	14.98
% Change	0.7	3.8	4.2	2.2	3.0	2.7	3.7	2.6
Real Personal Income (Mil. 1996\$)	37,113	37,294	37,546	37,587	n/a	35,808	36,532	37,385
% Change	1.5	2.0	2.7	0.4	n/a	0.4	2.0	2.3
Wage and Salary	18,184	18,335	18,442	18,438	n/a	17,662	17,925	18,350
% Change	1.4	3.4	2.4	-0.1	n/a	1.5	1.5	2.4
Other Labor	2,413	2,437	2,465	2,494	n/a	2,363	2,382	2,452
% Change	-0.4	4.0	4.6	4.7	n/a	0.1	0.8	2.9
Proprietors	2,373	2,383	2,414	2,437	n/a	2,303	2,346	2,402
% Change	3.3	1.6	5.4	3.9	n/a	3.3	1.9	2.4
Dividends, Interest, and Rent	6,575	6,520	6,511	6,426	n/a	6,202	6,521	6,508
% Change	-3.5	-3.3	-0.6	-5.1	n/a	-2.3	5.1	-0.2
Transfer Payments	8,572	8,630	8,744	8,797	n/a	8,218	8,345	8,686
% Change	6.8	2.8	5.4	2.5	n/a	-0.8	1.6	4.1
Value of Total Housing Permits (Mil.\$)	432	346	340	418	429	382	329	384
W. Va. Export-Weighted U.S. Dollar (1980=100)*	143.6	148.0	147.8	149.0	151.3	133.2	139.1	147.1
% Change	-1.1	12.9	-0.7	3.3	6.3	1.7	4.4	5.8

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.



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