Volume 6 • Number 2 Spring 2000 West Virginia University College of Business and Economics

Are West Virginia Banks Disappearing?

Deregulation of the national banking industry has had major impacts on West Virginia's banking sector. During the last decade, the number of banks (as measured by number of main offices) has decreased. However, at the same time, the number of banking locations has risen because the number of bank branches has increased dramatically. Thus, the number of branches held by each bank has increased. At the same time that West Virginia's banks were growing in size, the state's banks were also increasing their profitability. By the end of the decade, West Virginia's banks were more profitable than banks were nationally.

The strength and stability of West Virginia's banking industry is an important issue to many of the state's residents. The performance of the state's banking industry not only influences customers' investment returns, but also affects many jobs in the state. In 1998, depository institutions employed over 11,600 workers, which is 1.7 percent of the state's work force. West Virginia's banking employees accounted for over $275 million in total wages, which is 1.6 percent of the state's total wages. In 1997, depository institutions accounted for almost $1.2 billion of gross state product in West Virginia, which was 3 percent of the total gross state product.[1]

Industry Consolidation: 1988-1998

West Virginia's banking industry was consolidated greatly during the period of deregulation. In 1988, the state's banking sector was largely comprised of many smaller local banks. By 1998, the state's local banks were disappearing, while multi-state banks were becoming commonplace. On average, the state lost 10 main offices per year, while gaining 20 branches per year. The main

continued on page 2

Definition of Terms

Bank- A financial intermediary that is classified as a chartered banking institution. Each bank maintains one main office and can control many branches. The number of banks is equal to the number of main offices.

Main Office- The original location of a chartered bank. Serves to organize, collect, and report the bank's financial statistics.

Branch- Office opened by and/or reporting to the originally chartered bank.

Total Offices- Total summation of banks (main offices) and branches.

Return on Average Assets (Net Income/Total Assets)- Measure of profitability. The higher the return on average assets the more profitable the bank is.

Return on Average Equity (Net Income/Stockholder's Equity)- Measure of profitability. The higher the return on average equity the more profitable the bank is.

Loan Loss Reserves as a Percent of Total Loans- Measure of risk. Higher allowances for loan losses indicate that the bank has made more risky loans. The allowances safeguard the bank from loan losses in that they are reserves set aside for that purpose.

Average Equity to Average Assets- Measure of risk. Indication of a bank's capitalization rate. A higher capitalization rate is seen as less risky, in that it shelters the bank from temporary loan losses.

CONTENTS

continued from page 1

offices that survived the period of deregulation were accounting for more branches. In 1988 each main office maintained an average of almost one and a half branches, which increased to almost six branches per main office by 1998. As each main office accounted for more branches, its size as a banking institution grew.

In order to simplify matters, the structural analysis in this section will only include commercial banks that report to the FDIC. This excludes credit unions, savings and loan institutions, and other types of banking institutions. However, since commercial banks comprise much of the nation's banking industry, they will probably reflect the structural changes brought on by deregulation.

Table 1

Main Offices Held by West Virginia, the Region, and the Nation

	Nation	Region	West Virginia
1998	8,756	999	89
1997	9,124	1,052	100
1996	9,510	1,106	113
1995	9,921	1,127	118
1994	10,431	1,169	122
1993	10,944	1,240	148
1992	11,449	1,293	164
1991	11,909	1,335	169
1990	12,329	1,382	180
1989	12,697	1,403	188
1988	13,119	1,406	199
88-98 Difference	-4,363	-407	-110

Source: FDIC on-line commercial bank search (www2.fdic.gov/hsob).
Notes: Main Office refers to an originally charted banking location.
Region: West Virginia, Ohio, Kentucky, Virginia, Pennsylvania, and Maryland

Comparisons of West Virginia's banking industry to that of the region and the nation reveal that the state's consolidation was not an isolated occurrence.[2] Focusing on the numbers of main offices, branches, and total offices, comparisons reveal that both the region and the nation experienced steady decreases in bank main offices and continual increases in branching ventures. Relaxed banking regulations preceeded these nationwide structural changes which led to the consolidation of the national banking industry.

The increased occurrences of mergers and acquisitions have caused the number of main offices to steadily drop over the past decade. As seen in Table 1, the number of main offices in the nation has decreased by 4,363 between 1988 and 1998. Similarly, the region lost 407

Regulation Changes and Major Events Affecting the Banking Industry

Deregulation measures were undertaken to strengthen the national banking industry after the Savings and Loan Crisis of the 1980s, which produced dramatic numbers of bank failures and billions of dollars in defaulted loans. Regulations had to be relaxed in order for the banking industry to pull itself out of the crisis.

In the 1980s and 1990s, many states were beginning to permit limited branch banking, which slowly evolved into statewide branching for most states. West Virginia allowed statewide branching in 1991; three years before Congress passed measures leading to interstate branching.

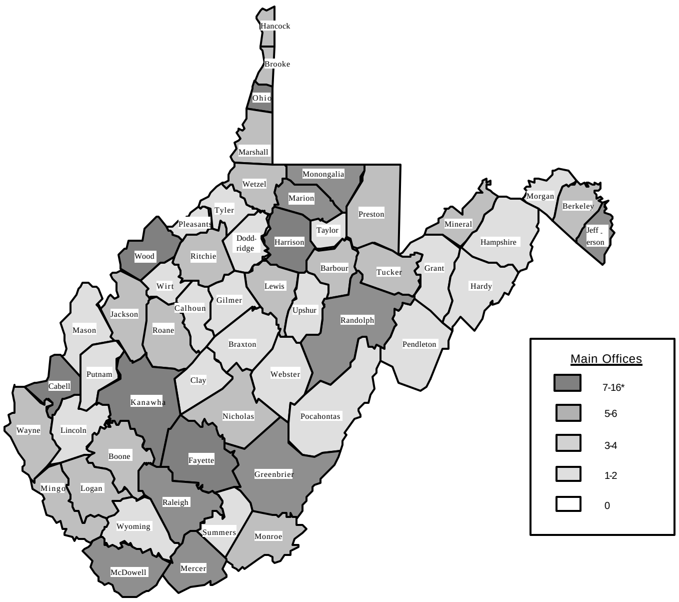
In 1994 Congress passed the Riegle-Neal Interstate Banking and Branching Efficiency Act repealing the part of the McFadden Act which prohibited interstate banking. Riegle-Neal instituted full nationwide interstate branching, which made small regional banking institutions more susceptible to larger multi-state institutions. The age of the large national bank was born.

As the nation's banks were growing in size and strength, more pressure was put on deregulation. Much emphasis was put on lobbying regulators to allow banks to offer more financial services that were illegal under the Glass-Steagall Act. Glass-Steagall prohibited banks from engaging in "risky" activities, including owning brokerage firms and engaging in certain investment banking activities. The major blow to Glass-Steagall came in 1998 when Travelers Group, a financial services giant, announced it was merging with Citicorp, one of the nation's largest banks. Congress was faced with the choice of repealing Glass-Steagall or challenging the announced merger.

In 1999, the Glass-Steagall Act was replaced by the Financial Services Modernization Act, which allowed for banks to participate in all financial services. The bill also allowed financially related institutions to merge their services, making the Travelers-Citicorp merger legal. This new freedom will inevitably lead to fewer banks and will produce even larger nationwide banks.

Figure A

Main Offices by West Virginia Counties, 1988



Source: FDIC Report on Condition and Income, 1998.

Note: *All counties have 7 or 8 main offices, but Kanawha county has 16.

main offices, of which West Virginia accounted for 110. As an approximation, every time the region lost four main offices one of them was located in West Virginia. The state lost, on average, ten main offices per year, the highest rate of main offices lost in the region.

Figure A illustrates that in 1988 every county in West Virginia had at least one main office. Five counties had seven or more main offices, with Kanawha County holding 16. By 1998 the picture was quite different. As seen in Figure B, twelve counties no longer possessed any main offices. Only one county had over four main offices—Cabell County had five. Kanawha County had lost 12 main offices, an average loss of over one main office per year. West Virginia's main offices became vulnerable to interstate banking ventures during the period of deregulation.

In contrast to the steady decline in main offices, branching ventures have increased throughout the decade. As seen in Table 2, West Virginia, the region, and the nation all reported vast increases in the number of branches in each year from 1988 to 1998. The nation increased branching by 15,358 new branches, while the region gained 2,062. West Virginia only accounted for roughly 10 percent of the new branches in the region, creating 217, which was an average of 20 per year. This was the second lowest contribution to new branches in the region, above only Maryland, which accounted for around one percent of the branches created.

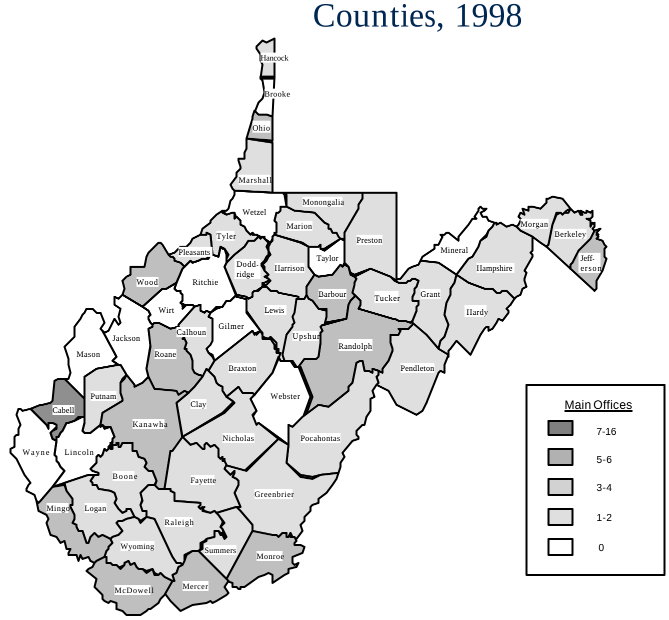
In the 1988-1998 period, West Virginia created more branches than it lost in main offices, which caused the state's total offices to increase (See Table 3). The state experienced a 22 percent increase in total offices from 1988 to 1998. At the same time the nation's total offices increased by 19 percent, and the region's total offices grew by 15 percent. Like West Virginia, the nation and the region also experienced a steady growth in total offices, which can be attributed to the fact that main offices were not necessarily "lost." Many main offices were merely converted to branches by merging or acquiring banking institutions, which helped to inflate the number of branches being created and increase the consolidation of the banking industry.

The inflated number of branches helped to lessen the vulnerability of banking employees to layoffs that often follow periods of consolidation. From 1988 to 1998, the average employment in West Virginia's depository institutions decreased by 769 employees, which was only a 0.6 percent decrease in the average employment per year of the past decade.[3] Employment in the state's depository institutions fluctuated over the past decade with no long-term period of growth or decline, and has increased since 1997. Thus, despite such dramatic consolidation, the state's employment in depository institutions was minimally impacted.[4]

continued on page 4

Figure B

Main Offices by West Virginia Counties, 1998



Source: FDIC Report on Condition and Income, 1998.

Table 2

Branches Held by West Virginia, the Region, and the Nation

	Nation	Region	West Virginia
1998	61,394	11,581	503
1997	59,773	11,396	490
1996	57,258	11,222	464
1995	56,028	11,169	448
1994	54,656	11,000	439
1993	52,467	10,575	410
1992	51,544	10,546	381
1991	51,591	10,384	376
1990	50,017	10,071	333
1989	47,650	9,803	314
1988	46,036	9,519	286
88-98 Difference	+15,358	+2,062	+217

Source: FDIC on-line commercial bank search (www2.fdic.gov/hsob).
Notes: Branches refer to offices opened by and/or reporting to the originally charted main office.
Region: West Virginia, Ohio, Kentucky, Virginia, Pennsylvania, and Maryland

Table 3

Total Offices Held by West Virginia, the Region, and the Nation

	Nation	Region	West Virginia
1998	70,150	12,580	592
1997	68,897	12,448	590
1996	66,768	12,328	577
1995	65,949	12,296	566
1994	65,087	12,169	561
1993	63,411	11,815	558
1992	62,993	11,839	545
1991	63,500	11,719	545
1990	62,346	11,453	513
1989	60,347	11,206	502
1988	59,155	10,925	485
88-98 % Change	+19%	+15%	+22%

Source: FDIC on-line commercial bank search (www2.fdic.gov/hsob).
Notes: Total Offices refers to the sum of the main offices and branches.
Region: West Virginia, Ohio, Kentucky, Virginia, Pennsylvania, and Maryland

continued from page 3

Since the number of banks in West Virginia have been decreasing and the number of branches in the state have been increasing, the average banking consumer has fewer banks to choose from, but has more locations at which to bank. Also, with the introduction of automated teller machines and on-line banking sites, these fewer banks are able to service wider areas. With service capabilities still increasing, the banking industry looks to become even more consolidated. The recent introduction of the Financial Services Modernization Act (FSM Act) points to further structural changes in the national banking industry. The FSM Act will produce even larger banks, which will offer any and all financial services, securing the age of the "national bank."

Banking Financial Performance

Financial analysis indicates that the banking industry is performing better now that the average main office is larger. Under consolidation, there is less competition between fewer, larger, main offices, which has served to strengthen the banking industry's profitability over the past decade.

In the face of the state's dramatic structural changes, West Virginia's banking industry strengthened its financial performance. The state's banks increased their profitability measures considerably during the past decade, increasing both their return on average assets and their return on average equity. West Virginia's banks proved to be more profitable than banks nationally by 1998, showing their ability to improve performance in the face of deregulation measures and structural changes.

Referring to Table 4, comparisons of profitability measures show that West Virginia's banks were more profitable than those banks in the region or the nation by 1998. This holds true for both profitability measures, Return on Average Assets (Net Income/Total Assets) and Return on Average Equity (Net Income/Stockholder's Equity). In 1988, West Virginia banks had a significantly higher Return on Average Assets than the nation and the region, while the state's Return on Average Equity was somewhat lower than the national and regional returns.

During the period of structural changes, West Virginia's profitability improved in both categories. West Virginia's banking industry strengthened its Return on Average Assets, which kept the state's profitability higher than that of the nation throughout the past decade. West Virginia's Return on Average Equity also strengthened over the decade, and surpassed the measures of the region and the nation by 1998. Both measures indicate that the state's profitability was superior to that of the nation and the region by the end of the decade.

Table 4

Selected Financial Variables for West Virginia, the Region and the Nation

(in Percent)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
					Return on Average Assets						
U.S	1.11	1.16	1.12	1.11	1.10	1.12	0.86	0.46	0.39	0.43	0.78
Region	1.34	1.37	1.28	1.19	1.17	1.23	1.03	0.67	0.44	0.86	0.85
W.V.	1.51	1.29	1.43	1.36	1.35	1.31	1.14	0.98	1.01	1.00	1.01
					Return on Average Equity						
U.S	13.21	13.96	13.68	13.65	14.05	14.25	11.93	7.02	6.06	6.88	12.04
Region	15.35	16.08	15.38	13.99	14.20	14.92	13.40	9.46	6.47	12.72	12.90
W.V.	15.66	13.29	14.08	13.66	13.95	13.90	12.54	11.03	11.36	11.24	11.60
					Loan Loss Reserves as Percent of Total Loans						
U.S	0.65	0.63	0.56	0.47	0.46	0.76	1.22	1.62	1.53	1.48	0.86
Region	0.55	0.52	0.41	0.28	0.26	0.59	1.13	1.66	1.77	0.86	0.73
W.V.	0.49	0.54	0.34	0.32	0.27	0.35	0.61	0.64	0.64	0.67	0.59
					Average Equity to Average Assets						
U.S	8.67	8.56	8.42	8.26	7.95	8.13	7.57	6.77	6.44	6.34	6.40
Region	8.80	8.63	8.38	8.56	8.33	8.39	7.81	7.22	6.78	6.79	6.60
W.V.	9.60	9.67	10.11	10.06	9.66	9.48	9.19	9.01	8.97	8.92	8.87

Source: FDIC Report on Condition and Income, 1988-1998.

The region also experienced increases in profitability measures from 1988 to 1998. The gains in profitability helped to make the region's profitability higher than that of the nation by the end of the decade, even though the nation's banks did experience minor gains in profitability measures.

West Virginia, the region, and the nation all experienced increased profitability measures over the past decade. However, increased profitability may be an indication that a trade-off has occurred between high returns and risk. To examine this issue, two measures of risk have been analyzed—Loan Loss Reserves as a Percent of Total Loans and Average Equity to Average Assets (See Table 4).

The first measure indicates how many risky loans a main office has undertaken in order to receive higher interest payments. Since the riskier loans have a greater chance of defaulting, more allowances for loan losses are needed. Throughout the past decade, West Virginia's banks have generally made fewer allowances for loan losses, showing the state's aversion to risky loans. Following a downward trend, the state's Loan loss Reserves as a Percent of Total Loans remained superior to that of the nation. Loan Losses also decreased significantly for the region and the nation, which indicates that the increased profitability was not inflated by increased risky loans.

The second measure, Average Equity to Average Assets, also supports the nationwide movement away from risky ventures. Comparisons to the nation and the region reveal that West Virginia's banking industry has maintained a higher, less risky capitalization rate throughout the decade. Higher capitalization shelters banking institutions from temporary losses, which strengthens the state's aversion to risky loans. The state, the region, and the nation all experienced significant increases in their Average Equity to Average Assets risk measures, which again indicates that the profit-risk trade-off did not occur.

Deregulation of the national banking industry is far from over. The recent introduction of the Financial Services Modernization Act should produce even larger financial institutions. Many banking representatives are predicting that the FSM Act will not only benefit banks, but will also benefit customers. The new era of banking will provide one-stop shopping for all financial needs.

continued on page 6

continued from page 5

The larger banks are expected to provide lower rates on loans and mortgages and higher yields on investments.

The future of the banking industry critically depends on how well it integrates the financial services market. If the transition is earmarked by problems, then the industry's performance will surely suffer. Likewise, West Virginia's banks will have to adapt to the new financial environment in order to produce high performance measures in future years.

West Virginia is already facing its first test of the new financial era. One Valley Bancorp, the state's largest banking institution as measured by instate deposits, announced it would merge with financial giant BB&T, which already controls many other banks, thrifts, insurance agencies, and finance companies. The merger will create the 18th largest financial institution in the nation. If One Valley's merger process goes smoothly, other banks in West Virginia will be involved in merger and expansion opportunities, which will ultimately increase consolidation measures in the sate. Given the state's past performance under consolidation, the future for West Virginia's banking industry looks good.

Steven Kreft
Graduate Research Assistant

[1] Employment and wage data came from the 1998 "Employment and Wages," published by the West Virginia Bureau of Employment Programs. Gross state product came from the Bureau of Economic Analysis at (www.bea.doc.gov/).

[2] The regional banking industry is comprised of six states: West Virginia, Ohio, Kentucky, Virginia, Pennsylvania, and Maryland.

[3] Employment data came from the 1998 "Employment and Wages," published by the West Virginia Bureau of Employment Programs.

[4] Depository Institution data reflects West Virginia's entire banking industry, so the employment figures will not necessarily match up with the employment of banks presented from our other data sources. The Call Reports only include FDIC insured banks, and the online search only includes insured commercial banks.

Cautions About the FDIC Call Report Data

Our comparisons of profitability and risk relied on financial variables extracted from the FDIC Report of Condition and Income (Call Reports). The data set has been affected by the introduction of interstate branching laws, in that branches report their financial statistics through their respective main office. Branches physically located in West Virginia may report to main offices in Ohio and are included in the financial statistics of Ohio. Also, main offices based in West Virginia may have branches in other states that are included in the financial picture of West Virginia. This clearly will distort the true representation of each state's banking industry.

To see these problems more clearly, consider the banking situation in West Virginia in 1999: There were 538 branches physically located in West Virginia, of which the state's main offices accounted for 432. During the same year, West Virginia's main offices held 49 out-of-state branches. The remaining 106 in-state branches were held by various out-of-state main offices. The major contributor, accounting for 40 of the branches, was The Huntington National Bank based in Ohio. In summary, the financial statistics for West Virginia would include 49 out-of-state branches and would fail to include 106 in-state branches for 1999.[1]

These problems are not easily resolved due to the fact that there are no separate reporting measures for branches. However, the FDIC Call Reports still allow comparisons of financial variables of main offices domiciled in each state, which gives adequate insight on the performance of the banking industry.

[1] FDIC Financial Institutions and Branch Office Data (www2.fdic.gov/structur/search/)

Notes from the West Virginia Economic Outlook 2000

The Short Scoop...

What's happening?

The state is still expanding and improving, but growth has slowed lately.

What's the forecast?

The forecast for West Virginia calls for continued expansion, if the national economy avoids recession, but for growth to fall short of national gains.

What does it mean?

The forecast calls for the state to fall further behind the nation during the 2000-2004 period.

Once more unto the breach, dear friends,

(Shakespeare's Henry V)

At the end of the last decade of this century, the West Virginia economy has settled into a groove. Economic growth continues, as it has nearly every year this decade, and the state economy now generates more jobs and income for more residents, with lower unemployment, than it did when the 1990s began. Obviously, economic performance in West Virginia during the 1990s will far outpace the disastrous results of the 1980.

While the state has rebounded during the 1990s compared to the 1980s, West Virginia has barely kept up with national growth. As Table 1 shows, average annual job and per capita personal income growth have fallen just short of national results. The state has outpaced the region in job growth, but in not per capita personal income growth. The state has lagged regional and national growth in population and nominal gross state product.

How we evaluate the 1990s depends crucially on what we compare it to. There is no question that the state is in better shape than it was during the 1980s. But beating the 1980s is not a very stiff test. A better gauge is provided by the national and regional economies, and in this comparison the state is nearly, but not quite, keeping up. In addition, most of the strength in state economic growth was concentrated in the first four years of the decade. Since 1994, economic growth in West Virginia has fallen short of national gains.

Why the slowdown since 1994? Job growth has slowed markedly in construction, trade, services, and government during the last three years, in stark contrast to rapid gains early in the decade. Job growth in transportation, communications, and public utilities during the 1990-1994 period turned to job losses during 1995-1998, primarily due to restructuring in public utilities.

However, mining job losses actually slowed during the 1995-1998 period, while the manufacturing sector turned job losses during the first four years of the decade into rough stability during the last three years. Finally, job growth in finance, insurance, and real estate has accelerated lately.

The preliminary evidence for 1999 so far indicates slowing job growth, even compared to the 1995-1998 period. Coal mining layoffs have accelerated during the first eight months of the year, with the industry down roughly 2,300 jobs compared to the same period in 1998. Environmental concerns, a warm winter, stiff competition from coal produced in the western U.S., and slow growth in important international markets are all factors affecting performance in this industry.

Construction has also lost jobs during the first eight months of the year, but this was exaggerated by unusual strength last winter. Manufacturing job growth has been strong during the last few months, as job growth

continued on page 8

Table 1

Summary Indicators
W.Va., the Region and the U.S.

	W.Va.	Region	U.S.
Average Annualized Growth Rates, in Percent			
Total Nonfarm Jobs (1990-1998)	1.7	1.3	1.8
Per Capita Personal Income (1990-1998)	4.0	4.1	4.1
Population (1990-1998)	0.1	0.5	1.0
Gross State Product (1990-1997)	4.5	4.9	5.3
Level in 1998			
Unemployment Rate (percent)	6.6	4.3	4.5
Per Capita Personal Income	19,373	26,083	26,482

Region: Kentucky, Maryland, Ohio, Pennsylvania, Virginia, and West Virginia.

continued from page 7

in primary and fabricated metals has rebounded, along with continued gains in auto parts. Nondurable manufacturing job growth has surged lately with strong gains in printing and publishing and other nondurables. The large service-producing sectors, like trade, services, and government, have continued to add jobs during the year, but at a somewhat slower pace.

With state job growth lagging behind the national rate during the 1995-1998 period, and with job losses coming in relatively high-paying industries, growth in earnings from work in West Virginia has been below the national rate. This, combined with slower-than-national growth in income from dividends, interest, and rent and transfer income, has contributed to an increased gap in per capita personal income between the state and the nation.

With job and income growth lagging behind the nation, West Virginia has experienced small amounts of net out-migration each year since 1995. Combined with miniscule natural increase (births minus deaths), this component of population change has produced four consecutive years of population losses. However, current estimates suggest that West Virginia has more residents now than it did in 1990.

The outlook for the state economy calls for continued growth, assuming that the national economy avoids recession during the next few years, but for growth to fall short of that expected for the nation. West Virginia job growth is forecast to slow from rates experienced during the first eight years of the decade, with coal mining job losses forecast to accelerate. Manufacturing job losses decelerate during the forecast, with improved performance in the durable manufacturing sector (particularly transportation equipment). The nondurable-manufacturing sector is forecast to continue to register job losses, particularly in chemical and apparel products. The service-producing sector is forecast to generate most of the net job growth during the next five years, with the strongest gains coming in trade; finance, insurance, and real estate; and services.

An important risk to the forecast is the possibility of a national recession. If the national economy falls into recession, the state is likely to be dragged down as well. However, the West Virginia economy is now better balanced than it has been in the past, and thus the state is more likely to experience business cycle downturns on a par with the nation (as opposed to much worse than the nation). However, the state is still more vulnerable than the nation to problems in the coal mining and utilities sectors. The coal mining industry faces environmental concerns and competition from coal producers in the western U.S., and the utilities sector faces its own environmental pressures as well as changes due to deregulation.

I see you stand like greyhounds in the slips,
Straining upon the start.
(Henry V)

Nonfarm job growth in West Virginia during the 1990-1998 period was stronger than the regional average, but below the comparable national rate. As Table 2 shows, state job growth has exceeded the average rates posted by Maryland, Ohio, and Pennsylvania, and equaled the rate of job growth in Virginia. Indeed, of our surrounding states, only Kentucky has registered faster average annual job growth so far this decade.

West Virginia has achieved this by recording faster growth than the region in service-producing sectors, like wholesale and retail trade; finance, insurance, and real estate; services, and government. In the goods-producing sector, only the construction industry has performed better in the state than in the region, or nationally. West Virginia has suffered a faster rate of job loss in manufacturing and mining than has the region on average (or the nation) and, in addition, the state has recorded slower job growth in transportation, communications, and public utilities than have the region and the nation.

Table 2 also summarizes unemployment rate performance for the state, our surrounding states, the region, and the nation. At 6.6 percent in 1998, West Virginia's unemployment rate remained well above the national (4.5 percent) and regional (4.3 percent) averages. There was more slack in the state's labor market in 1998 than was present in the regional or national labor markets.

He that outlives this day, and comes safe home,
Will stand a' tiptoe when the day is named
(Henry V)

Table 3 shows the composition of gross state product (GSP) by industry for West Virginia, our surrounding states, the region, and the nation. It is immediately clear that even in 1997, West Virginia was far more reliant on the mining sector than was any other state in the region, including Kentucky. Surprisingly, manufacturing made up a smaller share of West Virginia's GSP than it did for any of our surrounding states, except Maryland

Table 2

Nonfarm Job Growth and Unemployment Rates by State
Average Annual Growth Rates 1990-1998
(in Percent)

	Ky.	Md.	Oh.	Pa.	Va.	**W.Va.**	Region	U.S.
Total	2.2	0.9	1.4	0.8	1.7	**1.7**	1.3	1.8
Mining	-5.2	-4.6	-3.5	-3.3	-4.4	**-5.1**	-4.4	-2.3
Construction	2.9	-1.2	1.9	-0.4	0.5	**3.0**	0.6	2.0
Manufacturing	1.4	-1.8	-0.2	-0.9	-0.6	**-0.7**	-0.5	-0.2
Trans., Comm., & P.U.	3.0	0.8	1.2	0.9	1.8	**0.4**	1.3	1.7
Trade	2.2	0.2	1.5	0.5	1.4	**1.5**	1.1	1.5
Fin., Ins., & R.E.	1.7	0.1	2.0	0.7	1.6	**1.7**	1.2	1.2
Services	3.8	3.0	3.0	2.6	4.3	**4.6**	3.2	3.8
Government	1.6	0.5	0.7	0.0	0.5	**1.2**	0.5	1.0
Unemployment Rate: 1998	4.6	4.6	4.3	4.6	2.9	**6.6**	4.3	4.5

Source: Bureau of Labor Statistics
Region: Kentucky, Maryland, Ohio, Pennsylvania, Virginia, and West Virginia

and Virginia. The transportation, communications, and public utilities industry was more important in the state than in the region (or the nation) primarily because of the importance of the natural gas transmission and electric power generation industries. The services sector, which was the second largest sector in the state in 1997, accounted for a smaller share of West Virginia's GSP than it did for the region or the nation.

The state economy is now better balanced than it was in the late 1970s, when the volatile mining and manufacturing industries were the two largest sectors in the state in terms of shares of GSP. However, it is clear that the mining (primarily coal mining) and utilities sectors are still more important for West Virginia than they are for any of our surrounding states, or the nation.

Table 3

Gross State Product Shares - 1997
(Percent of Total Current GSP)

	Ky.	Md.	Oh.	Pa.	Va.	**W.Va.**	Region	U.S.
Ag., For., Fish.	2.7	0.8	1.2	0.9	0.9	**0.7**	1.1	1.6
Mining	2.7	0.1	0.4	0.6	0.5	**8.3**	0.9	1.5
Construction	4.1	5.1	3.9	3.9	4.5	**4.7**	4.2	4.1
Manufacturing	27.3	8.6	26.2	20.0	14.8	**17.5**	19.8	17.0
Trans., Comm., P.U.	8.1	7.4	7.5	8.7	8.5	**12.2**	8.2	8.3
Wholesale trade	6.0	6.3	7.3	6.1	5.6	**5.4**	6.3	6.9
Retail trade	9.0	8.6	9.3	8.8	8.2	**9.0**	8.8	8.8
Fin., Ins., & R.E.	11.6	22.2	15.9	19.0	18.2	**11.5**	17.5	19.4
Services	15.2	23.6	18.0	21.8	20.5	**16.8**	20.1	20.4
Government	13.2	17.2	10.4	10.2	18.2	**14.0**	13.0	11.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bureau of Economic Analysis
Region: Kentucky, Maryland, Ohio, Pennsylvania, Virginia, and West Virginia

continued on page 10

continued from page 9

We few, we happy few

(Henry V)

Current population estimates from the Census Bureau suggest that the state has more residents now than it did in 1990. However, the latest estimates also suggest that the state has recorded small population losses during each of the last four years. Table 4 shows average population growth rates during the 1990-1999 period. West Virginia and Pennsylvania recorded the lowest annual growth rates, while Virginia, Maryland, and Kentucky recorded the fastest growth rates. Nearly all states in the region posted population growth below the national average, with only Virginia growing slightly faster than the nation.

West Virginia recorded the highest median age in the nation in 1998, at 38.6 years (Florida ran a close second in 1998, with a median age of 38.3). The median age is that age which splits the state's population in half, with half the population older than the median age and half the population younger than the median age. As Table 4 shows, the state's median age was well above the national median of 35.2 and well above the median ages of any of our surrounding states (Pennsylvania was the closest with 37.6).

However, as the table also shows, West Virginia did not have the region's highest share of population in the 65-and-older age group (Pennsylvania did) . The same was true for the 85-and-older age group. Indeed, Florida had a much larger share of its population in the 65-and-older age group than did West Virginia in 1998 (18.3 percent).

What's going on? West Virginia's median age is high not because there is a bulge in the age structure in the 65-and-older age group, but because the state has a relatively large share of its population in the 45-64 age group. This, when combined with relatively small population shares in the younger age groups, produces a high median age in the state.

That he which hath no stomach to this fight, Let him depart

(Henry V)

West Virginia's per capita personal income grew by 3.5 percent in 1998, which exceeded the national rate of inflation (1.6 percent). This implies that the state's standard of living rose last year. However, West Virginia's per capita personal income fell 26.8 percent short of the national average in 1998, and ranked 49th in the nation. (See "Much Ado About...Mississippi," page 12)

Table 5 breaks out the major components of personal income for each of our surrounding states, the region, and the nation. As the table shows, net earnings per employed resident in the state are far below the comparable regional and national totals. Indeed, in 1998, West Virginia's net earnings per employed resident was 22 percent below the regional average and 24 percent below the national average. Net earnings reflect earnings from work, including wages and salaries, proprietors' income, and fringe benefits. Thus, the returns from labor market participation in the state are lower than they are for the region or the nation.

The table also shows the employment-to-population ratio, which is far lower in the state than it is in the nation or in any of our surrounding states. West Virginia's employment-to-population ratio is lower for a variety of reasons, including the relatively high share of our popula-

Table 4

Population by State and Age Group

	Population		Share of Population by Age Group: 1998 (percent)								Median Age
	July 1999	Ann. Gr. 90-99	under 5	5-17	18-24	25-44	45-64	65+	16+	85+	1998
Ky.	3,960,825	0.8	6.7	18.4	10.1	29.9	22.3	12.5	77.9	1.4	35.6
Md.	5,171,634	0.8	6.7	18.4	8.4	33.5	21.4	11.5	77.6	1.2	35.6
Oh.	11,256,654	0.4	6.6	18.8	9.4	30.2	21.6	13.4	77.6	1.5	35.8
Pa.	11,994,016	0.1	6.0	17.8	8.5	29.8	22.0	15.9	78.9	1.8	37.6
Va.	6,872,912	1.1	6.6	17.6	9.7	33.1	21.7	11.3	78.5	1.2	35.2
W.Va.	1,806,928	0.1	5.5	16.8	10.1	27.9	24.6	15.2	80.6	1.7	38.6
Region	41,062,969	0.5	6.4	18.1	9.2	30.9	21.9	13.5	78.3	1.5	--
U.S.	272,690,813	1.0	7.0	18.8	9.4	30.8	21.2	12.7	77.1	1.5	35.2

Source: Bureau of the Census

Region: Kentucky, Maryland, Ohio, Pennsylvania, Virginia, and West Virginia tion which has reached retirement age, as well as the lack of formal labor market participation which sometimes occurs in remote rural areas.

The state also registers a relatively low level of income from dividends, interest, and rent per capita, but records a higher-than-average level of transfers per capita. Transfer income includes social security, Medicaid, Medicare, and welfare payments. High levels of transfer income reflect the state's relatively large share of population age 65-and-older, as well as the high levels of poverty found in the state.

Overall, West Virginia's per capita personal income (which is the sum of per capita net earnings from work, per capita income from dividends, interest, and rent, and per capita transfer payments) fell nearly 27 percent short of the national average and nearly 26 percent short of the regional average.

One important cause of the state's low per capita personal income is the low level of net earnings per employed resident. Imagine that the state somehow managed to raise the level of net earnings per employed resident to the national level ($36,655), with no change in the employment-to-population ratio, per capita income from dividends, interest and rent, and per capita transfers. What would the state's per capita personal income have been in 1998? Using the information in Table 5, we can make a rough, back-of-the-envelope estimate: multiply $36,655 by the employment-to-population ratio (divided by 100) and add per capita dividends, interest, and rent and per capita transfers. ($36,655*0.412 + $2,792 + $5,085 = $22,979). Our result suggests that the state's per capita personal income would rise from $19,373 to $22,979 (or the per capita personal income gap would fall to 13 percent).

Now, imagine that the state's employment-to-population ratio rose to the national average, holding net earnings per employed resident, per capita income from dividends, interest and rent, and per capita transfers constant at their 1998 levels. The state's per capita personal income would rise from $19,373 to $21,426 (or the per capita personal income gap would fall to 19 percent).

Finally, if the state recorded the national level of income from dividends, interest, and rent per capita in 1998, holding all else constant, the state's per capita personal income would rise to $20,975 (or the per capita personal income gap would fall to 21 percent).

The results of our back-of-the-envelope calculations are suggestive, but unfortunately are not definitive. For instance, we have assumed that it is in fact possible to change the employment-to-population ratio while holding net earnings per employed resident constant. This need not necessarily be the case. For instance, if the employment-to-population ratio were to rise because of an increase in employment in jobs with below-average net earnings, then the increase in the employment-to-population ratio could be associated with a decrease in net earnings per employed resident. This, in turn, would mute the impact of an increase in the employment-to-population ratio on per capita personal income. Similar caveats apply to our other experiments (and to any exercise that requires holding everything else constant).

George W. Hammond, Ph.D.
Director, West Virginia Economic Outlook Project

Table 5

Per Capita Personal Income Comparisons 1998

(in Dollars)

	Ky.	Md.	Oh.	Pa.	Va.	**W.Va.**	Region	U.S.
Net Earnings* Per Employed Resident	30,165	40,324	34,859	36,681	38,031	**27,879**	35,956	36,655
Employment to Population Ratio (%)	46.6	51.2	48.5	47.2	49.9	**41.2**	48.2	48.6
Div., Int., Rent Per Capita	3,119	5,024	3,930	4,574	4,622	**2,792**	4,243	4,404
Transfers Per Capita	4,369	4,340	4,402	5,012	3,904	**5,085**	4,518	4,251
Total Per Capita Income	21,551	30,023	25,239	26,889	27,489	**19,373**	26,083	26,482

Source: Bureau of the Economic Analysis

Note: *Net Earnings by place of residence, which is the sum of wages and salaries, propietors' income, and fringe benefits minus personal contributions to social insurance plus adjustment for commuting.

Region: Kentiucky, Maryland, Ohio, Pennsylvania, Virginia, and West Virginia

Much Ado About....Mississippi?

West Virginia ranked 49th out of 50 states in per capita personal income in 1998, ahead of Mississippi and behind New Mexico. Further, both New Mexico (4.1 percent per year) and Mississippi (5.2 percent per year) posted faster growth during the 1990-1998 period than did West Virginia (4.0 percent per year). That means that the state is falling further behind New Mexico. In 1998, per capita personal income in West Virginia was $635 (3.2 percent) less than New Mexico. Slower growth also means that the state is in danger of being overtaken by Mississippi, since West Virginia's per capita personal income exceeded that of Mississippi by only $375 (2.0 percent) in 1998.

That is certainly not good news. We would all like to see the state be number one in per capita personal income. However, it is not the state's rank that is important; it is the gap between the state and the nation that tells us how we are faring. Indeed, would we really care if the state ranked dead last if the difference between the state and the national average were small? The important indication to come from the latest per capita personal income data is that the per capita personal income gap between the state and the nation last year was 26.8 percent. Although that is smaller than it was in 1989 (when it hit 27.6 percent), the gap has widened each year since 1994, as Figure 1 shows.

The widening gap between U.S. and W.Va. per capita personal income in recent years arises from the state's slower-than-national growth in each of the three major components of personal income. The largest component of personal income is net earnings from work, which includes wages and salaries, proprietors' income, and fringe benefits, after deductions for social insurance taxes. Growth in real net earnings from work in the state has accelerated during the 1995-1998 period, but growth has not increased as much as it has for the nation.

Growth in earnings from work in West Virginia has not kept up with the national rate of growth during the 1995-1998 period because of slower overall job growth in the state (compared to the nation), combined with continuing job losses in high-paying industries.

The state has also registered slower growth in income from dividends, interest, and rent than has the nation. However, this income component does not have as much impact on total personal income as net earnings from work, because most income in the state is generated from direct participation in the labor market. In 1998, income from dividends, interest, and rent accounted for roughly 14 percent of total personal income. Earnings from work accounted for roughly 60 percent of total personal income in West Virginia last year.

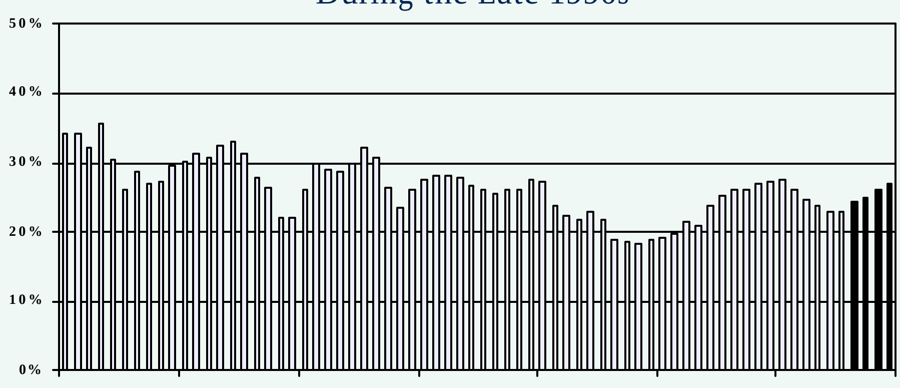
Finally, transfer income, which includes Social Security, Medicare, Medicaid, and Welfare payments, has experienced slower growth both in the state and nationally since 1995. However, growth has been slower in the state than nationally during the 1995-1998 period.

The bottom line is this: West Virginia's per capita personal income gap has widened since 1994 because the state has achieved slower growth in each of the three major components than has the nation. Slower overall job growth, combined with job losses in high-paying industries, and the concentration of job gains in the lower paying service-producing sectors have generated slower gains in earnings from work in the state than nationally.

George W. Hammond, Ph.D.
Director, West Virginia Economic Outlook Project

Figure 1

W.Va./U.S. Per Capita Personal Income Gap Widens During the Late 1990s



1997 Economic Census Data Briefing

The U.S. Census Bureau will release 1997 Economic Census data for 18 NAICS sectors. Thus far, reports covering West Virginia have been released for 15 sectors, and the remaining four will be released over the next two months. This article presents summary data for each of the major NAICS sectors; also, more detailed data will be presented for the Health Care and Social Assistance sector.

Information from the 1997 Economic Census refers to establishments, not companies. While certain businesses have only one establishment, some companies have multiple establishments, i.e. separate physical locations at which business is conducted. In addition, only establishments with paid employees are included. Business establishments classified as sole proprietorships and partnerships without paid employees are not counted. Data presented here include sales/revenues/ receipts, first-quarter and annual payroll, and first-quarter paid employees.

Summary Statistics

According to Table 1, more than 8,000 retail trade establishments generated sales of $14.1 billion in 1997, the highest of any sector in West Virginia. The health care and social assistance sector employed nearly 96,000 workers on a payroll of $2.4 billion in 1997, making it West Virginia's largest employer and highest total paying sector. The accommodation and food services sector was also a very significant player in the West Virginia economy in 1997, with nearly 3,300 establishments employing a total of 51,000 people. Wholesale trade accounted for approximately 24,000 jobs, but, more importantly, generated sales of $10.2 billion in 1997.

Health Care and Social Assistance

The health care and social assistance sector had the largest total annual payroll and was also West Virginia's largest employer in 1997. However, a substantial proportion of employment and total payroll came from firms exempt from the federal income tax. While 77 percent of the health care and social assistance establishments were subject to the federal income tax, they accounted for only 42 percent of the sector's employees and 44 percent of the total payroll.

This sector is divided into the following four subsectors: ambulatory health care services, hospitals, nursing and residential health care facilities, and social assistance. According to Table 2, ambulatory health care services was only slightly smaller than the hospitals subsector, with 2,900 establishments that employing almost 28,000 people and generated total revenues/receipts of $2 billion. Most of this subsector's establishments were subject to the federal income tax.

Since the ambulatory health care services subsector consists primarily of highly trained health care professionals, it should not be surprising that it had the highest payroll per employee ($31,300) of the four subsectors. In addition, since most establishments of health practitioners are relatively small, the number of employees per establishment was the smallest of the subsectors. Overall,

Table 1

Summary Statistics by NAICS Sector

Industry	Number of Establishments	Revenues ($1,000)	Payroll ($1,000)	Employment	Employment per Establishment	Revenue per Employee	Payroll per Employee
Utilities	240	3,263,383	353,805	7,767	32.4	$ 420,160	$ 45,552
Wholesale trade	1,956	10,290,356	681,067	23,805	12.2	432,277	28,610
Retail trade	8,082	14,057,933	1,309,316	90,087	11.1	156,048	14,534
Transportation & warehousing	1,439	1,979,257	419,861	14,526	10.1	136,256	28,904
Information	605	1,773,480	305,783	11,862	19.6	149,509	25,778
Real estate and rental & leasing	1,449	665,011	100,792	5,812	4.0	114,420	17,342
Professional, scientific, & technical services	2,561	1,236,618	419,512	16,462	6.4	75,120	25,484
Management of companies & enterprises	161	8,820	199,871	4,227	26.3	2,087	47,284
Administrative and support and waste management & remediation services	1,234	796,429	355,224	21,445	17.4	37,138	16,564
Educational services	150	38,711	13,143	843	5.6	45,921	15,591
Health care & social assistance	4,239	5,825,082	2,407,195	95,738	22.6	60,844	25,144
Arts, entertainment, & recreation	640	324,534	74,825	6,571	10.3	49,389	11,387
Accommodation & foodservices	3,290	1,633,164	462,334	51,529	15.7	31,694	8,972
Other services (except public administration)	3,147	1,171,099	300,963	18,113	5.8	64,655	16,616
Auxiliaries, exc corp, subsidiary, & regional managing offices	94	6,235	199,359	4,873	51.8	1,279	40,911

Source: U.S. Department of Commerce, Bureau of the Census; 1997 Economic Census, West Virginia.

continued on page 14

Table 2

Health Care and Social Assistance Sector: 1997

Industry	Number of Establishments	Revenues ($1,000)	Payroll ($1,000)	Employment	Employment per Establishment	Revenue per Employee	Payroll per Employee
SECTOR TOTAL	4,239	5,825,082	2,407,195	95,738	22.6	$ 60,844	$ 25,144
Ambulatory health care services	2,947	1,997,091	873,228	27,855	9.5	71,696	31,349
Offices of physicians	1,462	1,143,418	545,757	11,245	7.7	101,682	48,533
Offices of dentists	588	200,351	62,076	3,082	5.2	65,007	20,141
Offices of other health practitioners	461	138,848	41,984	1,936	4.2	71,719	21,686
Outpatient care centers	195	238,844	105,886	4,735	24.3	50,442	22,362
Medical & diagnostic laboratories	43	37,055	11,256	310	7.2	119,532	36,310
Home health care services	125	186,381	84,630	5,102	40.8	36,531	16,588
Other ambulatory health care services	73	52,194	21,639	1,445	19.8	36,120	14,975
Hospitals	71	2,961,078	1,154,283	38,597	543.6	76,718	29,906
General medical & surgical hospitals	62	*	*	36,377	586.7	*	*
Psychiatric & substance abuse hospitals	7	*	*	1,548	221.1	*	*
Specialty hospitals	2	*	*	250-499	*	*	*
Nursing & residential care facilities	443	568,062	240,073	17,033	38.4	33,351	14,095
Nursing care facilities	124	383,583	157,978	10,941	88.2	35,059	14,439
Residential mental health & substance abuse facilities	184	97,968	46,964	3,571	19.4	27,434	13,151
Community care facilities for the elderly	90	54,273	18,787	1,508	16.8	35,990	12,458
Other residential care facilities	45	32,238	16,344	1,013	22.5	31,824	16,134
Social assistance	778	298,851	139,611	12,253	15.7	24,390	11,394
Individual & family services	383	187,384	88,462	7,400	19.3	25,322	11,954
Community food & housing/emergency & other relief services	86	18,994	7,644	616	7.2	30,834	12,409
Vocational rehabilitation services	75	42,295	20,208	2,073	27.6	20,403	9,748
Child day care services	234	50,178	23,297	2,164	9.2	23,188	10,766

*Data not reported to protect confidentiality of individual business establishments.

Source: U.S. Department of Commerce, Bureau of the Census; 1997 Economic Census, Health Care and Social Assistance, Geographic Area Series: West Virginia.

continued from page 13

however, the average establishment size was quite varied for each industry group. For example, home health care services and outpatient care centers contain establishments with relatively large average establishment size, but with low revenue and pay per employee, while medical and diagnostic laboratories and dentist offices had small establishment sizes and high revenues per employee.

Hospitals was the largest of the four subsectors in employment, total payroll, and total revenues/receipts. Seventy-three percent of this subsector's establishments were exempt from the federal income tax. The average establishment size in this subsector was 544, more than 23 times larger than the health care and social assistance sector. In fact, general medical and surgical hospitals was the state's single largest industry group in 1997, employing over 36,000 people in only 62 establishments. Payroll per employee was relatively high but somewhat less than the ambulatory services subsector. Although hospitals tend to employ a large number of health care professionals, they also employ many lower-wage workers, such as nursing aides, orderlies, and maintenance staff.

Nursing and residential care facilities represents approximately one-half the employment of the ambulatory services and hospitals subsectors. The average payroll and receipts per employee were much lower than the previous two subsectors. The nursing care facilities industry group accounted for 64 percent of the subsector's total employment and consisted of establishments subject to the federal income tax. Tax-exempt establishments were proportionally higher in the industry groups of residential mental retardation, mental health/substance abuse facilities and other residential care facilities.

The social assistance subsector had the lowest average payroll and receipts per employee in 1997. Approximately 71 percent of its establishments were exempt from the federal income tax. By far the largest industry group in this subsector was individual and family services, followed by child day care services. Vocational rehabilitation and food and housing/emergency and other relief services were the smallest of the industry groups. Community food and housing/emergency and other relief services had the highest average payroll ($12,400) and revenue ($30,800) per employee, while vocational rehabilitation services had the lowest in each category for the social assistance subsector.

Brian Lego
Research Analyst

West Virginia and United States Economic Indicators

	98 Q4	99 Q1	99 Q2	99 Q3	99 Q4	1997	1998	1999
United States								
Real Gross Domestic Product (GDP) (Bil. $1996 Chain-Wtd.)	8,659.2	8,737.9	8,778.6	8,900.6	9,026.9	8,165.1	8,516.3	8,861.0
% Change	5.9	3.7	1.9	5.7	5.8	4.5	4.3	4.0
Consumer Price Index (CPI-U) (1982-84=100)*	164.0	164.6	166.2	167.2	168.3	160.5	163.0	166.6
% Change	1.4	1.6	3.9	2.5	2.5	2.3	1.6	2.2
Total Nonfarm Payroll Employment (Mil.)	126.9	127.6	128.2	128.9	129.6	122.7	125.8	128.6
% Change	2.4	2.5	1.9	2.0	2.2	2.6	2.6	2.2
Unemployment Rate (%)	4.4	4.3	4.3	4.2	4.1	4.9	4.5	4.2
Initial Claims for Unemployment Ins. (Thous.)	309	301	306	291	287	319	314	296
Industrial Production (1992=100)	133.9	134.6	136.1	137.7	139.9	127.0	132.4	137.1
% Change	3.4	2.0	4.6	4.9	6.5	6.2	4.3	3.6
Capacity Utilization Rate	81.0	80.4	80.5	80.7	81.2	83.3	81.8	80.7
Housing Starts (Mil.)	1.701	1.773	1.617	1.657	1.651	1.476	1.623	1.675
Retail Sales (Bil.$)	2,815	2,906	2,956	3,020	3,079	2,618	2,746	2,990
% Change	10.8	13.7	7.0	9.0	8.0	4.7	4.9	8.9
Federal Funds Rate*	4.86	4.73	4.75	5.09	5.31	5.46	5.35	4.97
Thirty-Year Treasury Bond Rate*	5.11	5.37	5.80	6.04	6.25	6.61	5.58	5.87
West Virginia								
Total Nonfarm Payroll Employment (Thous.)	723.2	727.1	722.9	726.5	727.5	707.8	718.5	726.0
% Change	2.2	2.2	-2.3	2.0	0.5	1.3	1.5	1.0
Mining	22.8	22.3	21.0	20.3	20.5	24.6	23.5	21.0
% Change	0.6	-8.5	-20.9	-13.8	4.0	-4.7	-4.5	-10.6
Construction	35.2	35.7	34.2	34.3	34.2	34.9	34.5	34.6
% Change	12.7	5.4	-15.5	1.2	-1.5	1.5	-1.1	0.2
Manufacturing	82.2	81.1	81.7	82.6	82.9	81.6	82.4	82.1
% Change	-0.6	-5.2	3.3	4.5	1.1	-0.4	1.0	-0.4
Trans., Comm. and Public Utilities	39.3	39.5	39.1	39.4	39.2	38.9	38.9	39.3
% Change	2.4	2.1	-3.7	2.8	-1.7	-1.0	0.0	1.1
Trade	164.5	166.4	166.6	165.9	166.1	161.7	163.2	166.3
% Change	2.3	4.8	0.5	-1.7	0.4	0.9	0.9	1.9
Finance, Ins. and Real Estate	28.9	29.6	29.3	29.5	29.3	28.2	28.6	29.4
% Change	4.3	10.0	-4.4	2.3	-2.2	3.3	1.4	2.9
Services	210.4	212.0	210.4	213.8	214.9	198.9	207.0	212.8
% Change	3.4	3.1	-3.0	6.7	2.1	4.1	4.1	2.8
Government	139.9	140.5	140.5	140.7	140.4	139.1	140.5	140.5
% Change	-0.5	1.6	0.0	0.8	-0.8	0.3	1.0	0.0
Unemployment Rate (%)	6.2	6.3	6.7	6.4	6.5	6.9	6.6	6.5
Initial Claims for Unemployment Ins. (Thous.)	1.706	1.724	1.731	1.353	1.506	1.617	1.625	1.579
Average Weekly Hours Coal Mining	45.7	43.5	43.8	43.3	43.2	44.9	44.4	43.4
Average Weekly Hours Manufacturing	41.8	41.0	41.3	41.8	41.6	41.7	41.6	41.4
Average Hourly Earnings Coal Mining ($)	19.56	19.24	19.29	19.48	19.38	19.73	19.73	19.35
% Change	-3.2	-6.4	1.0	4.1	-2.2	-1.8	0.0	-1.9
Average Hourly Earnings Manufacturing ($)	13.94	13.82	13.93	14.19	14.32	13.16	13.70	14.06
% Change	5.7	-3.5	3.2	7.6	3.7	1.5	4.2	2.6
Real Personal Income (Mil. 1996$)	34,412	34,379	34,569	34,999	n/a	33,430	34,186	n/a
% Change	0.9	-0.4	2.2	5.1	n/a	1.4	2.3	n/a
Wage and Salary	17,679	17,500	17,696	18,072	n/a	17,058	17,539	n/a
% Change	0.1	-4.0	4.6	8.8	n/a	1.8	2.8	n/a
Other Labor	4,948	4,949	4,972	5,006	n/a	1,845	1,811	n/a
% Change	1.0	0.1	1.9	2.8	n/a	-3.7	-1.8	n/a
Proprietors	8,998	9,087	9,065	9,077	n/a	2,030	2,113	n/a
% Change	0.7	4.0	-1.0	0.5	n/a	0.9	4.1	n/a
Dividends, Interest, and Rent	1,796	1,762	1,772	1,802	n/a	4,923	4,927	n/a
% Change	-5.3	-7.2	2.2	7.0	n/a	0.3	0.1	n/a
Transfer Payments	2,133	2,156	2,177	2,189	n/a	8,802	8,974	n/a
% Change	4.2	4.3	3.9	2.2	n/a	1.7	2.0	n/a
Value of Total Housing Permits (Mil.$)	382	393	357	352	427	291	327	382
West Virginia Export-Weighted U.S. Dollar (1980=100)*	132.6	134.6	138.0	137.7	136.6	127.2	136.7	136.7
% Change	-16.3	6.1	10.5	-0.9	-3.0	9.3	7.4	0.0

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 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 West Virginia 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.

Bureau of Business and Economic Research
College of Business and Economics
West Virginia University
P.O. Box 6025
Morgantown, WV 26506-6025

Non-profit Org.
U.S. Postage
PAID
Morgantown, WV
Permit No. 34

The *West Virginia Business & Economic Review* is published quarterly by the Bureau of Business and Economic Research, College of Business and Economics, West Virginia University, P.O. Box 6025, Morgantown, WV 26506-6025.
PHONE (304) 293-7534 ■ FAX (304) 293-7061 ■ E-MAIL Lreinke@wvu.edu

Dean	Lee D. Dahringer
Associate Dean for Research and Outreach	Tom S. Witt
Director of Communications	Lynn Price Reinke
Editor	Connie Banta
Publications Staff	Linda Moore Anna Willard
Senior Graphic Designer	Blair Campbell

Partial underwriting support for Bureau programs is provided by the following Business and Economic Partners:

HUNTINGTON BANKS   ONE VALLEY BANK

Join the WVU Economic Development Listserve

- Communicate with others interested in economic development issues
- Learn about the latest data releases from the Census Bureau and the Bureau of Economic analysis, among others
- Receive alerts about the latest data and analysis from the WVU Bureau of Business and Economic Research

To join:

1. Send e-mail with only one sentence: SUBSCRIBE WVBEIS-L Your Name, Affiliation. (No other text.)
2. Send the e-mail to: LISTSERV@WVNVM.WVNET.EDU
3. Do not enter anything in the subject field. The program will ignore this line.
4. You will receive an e-mail within minutes with further information.

For more information: contact Chris Condon, (304) 293-6524, or visit the Listserve web page at **http://wvbeis.be.wvu.edu/public/list.htm**