

Regional Profiles



Economic Profile - West Virginia

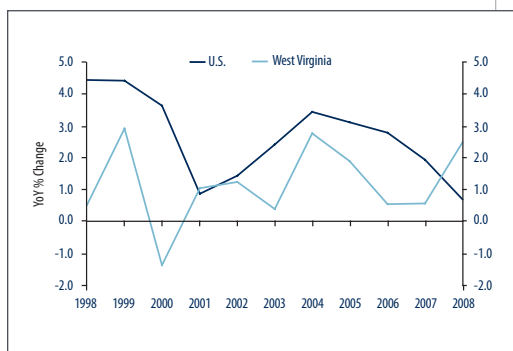
West Virginia's economy continued to grow in 2008 and at a notably faster pace than the nation. Labor markets also improved, largely due to strong gains in the education and health services and leisure and hospitality industries. The state's unemployment rate was unchanged in 2008, but housing markets struggled as building permits and housing starts fell and foreclosures climbed higher.

Economic Contribution

While real output growth in the nation slowed to 0.7 percent in 2008 from 2.0 percent in 2007, growth in West Virginia accelerated to 2.5 percent from 0.6 percent that year. The annual increase was the second largest in the Fifth District (behind the District of Columbia) and seventh largest in the country. At \$61.1 billion, output in West Virginia in 2008 accounted for 4.1 percent of total output in the Fifth District and 0.4 percent of national output.

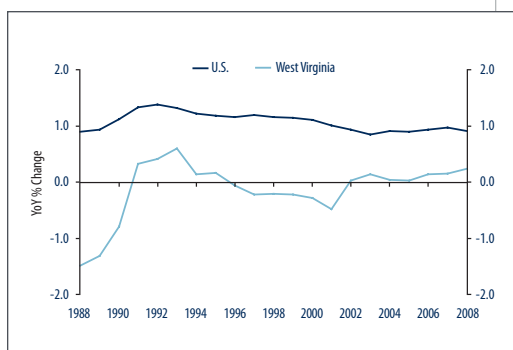
Output growth varied among West Virginia's metro areas in 2006, the most recent year data is available. The Hagerstown-Martinsburg metro area posted the highest increase of 4.1 percent; conversely, output in the Weirton-Steubenville metro area contracted 7.0 percent. With the exception of the Weirton-Steubenville metro area and the Wheeling metro area (where output declined 0.9 percent) all other metro area economies in the state expanded in 2006. The Charleston, Parkersburg, Huntington, Morgantown, Winchester, and Cumberland MSAs all showed growth of 1.1 percent or higher over the year.

Figure 1: Real GDP



SOURCE: Bureau of Economic Analysis/Haver Analytics

Figure 2: Population



SOURCE: U.S. Census Bureau/Haver Analytics

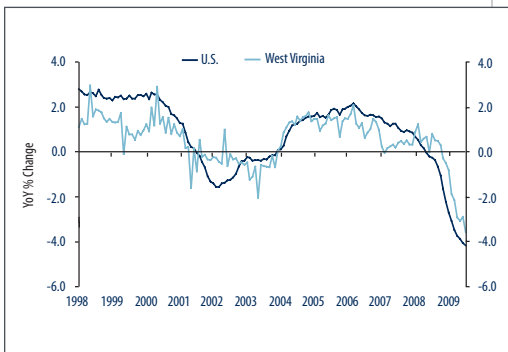
Population

As of 2008, West Virginia was home to 1.8 million people, constituting less than 0.6 percent of the population in the United States. Despite the 0.3 percent expansion in 2008, West Virginia's population declined 2.3 percent between 1988 and 2008. Over the same two decades, the U.S. population expanded 22.6 percent. West Virginia is the only state in the Fifth District whose population declined from 1988 to 2008.

The fastest growing metro area in the state was the Winchester MSA, where the number of residents increased 22.2 percent over the last ten years. Growth in the Hagerstown-Martinsburg MSA was similar (21.0 percent), while the Morgantown MSA showed a more moderate increase of 6.8 percent over the same period. The state's remaining metro areas all posted decreases in population. More recently, the Wheeling MSA's population contracted 0.6 percent in 2008, the largest contraction among all the MSAs in West Virginia. On the other hand, the Winchester MSA showed the strongest growth in population – 1.2 percent – in 2008.

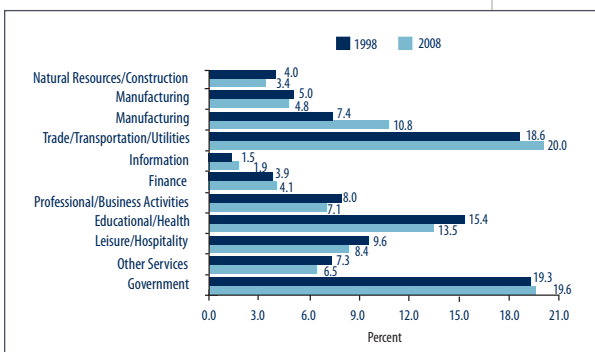
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Figure 3: Payroll Employment



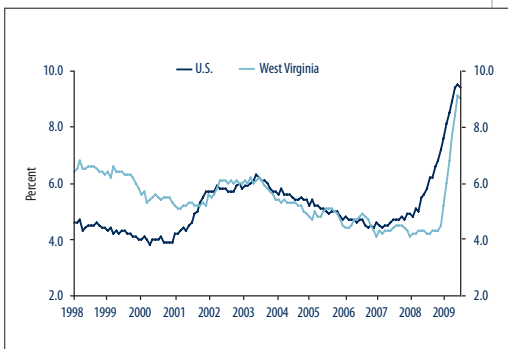
SOURCE: Bureau of Labor Statistics/Haver Analytics

Figure 4: Employment Share by Industry



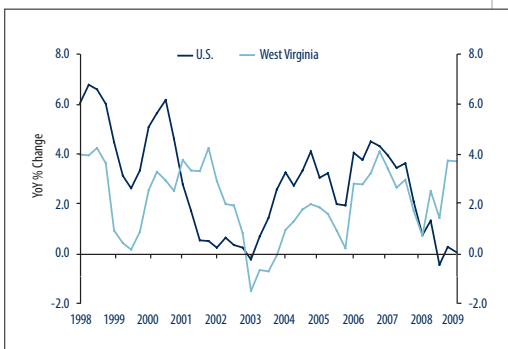
SOURCE: Bureau of Labor Statistics/Haver Analytics

Figure 5: Unemployment Rate



SOURCE: Bureau of Labor Statistics/Haver Analytics

Figure 6: Personal Income



SOURCE: Bureau of Economic Analysis/Haver Analytics

Labor Market Conditions

Nonfarm payroll employment in West Virginia increased 0.4 percent (2,800 jobs) in 2008, roughly on pace with the previous year's expansion of 0.3 percent. The year marked the fifth consecutive year of payroll additions that followed three years (2001-2003) of decline. However, from January 2009 to June 2009, employers in West Virginia cut payrolls by 2.5 percent, or 19,000 jobs.

Payrolls in West Virginia's service sector expanded 0.6 percent in 2008. Since the series began in 1991, the state's service sector has been growing at an average annual rate of 1.5 percent. By 2008, service sector employment comprised 83.5 percent of total employment in the state. As in the nation, employment in the information industry and the financial activities industry contracted the most over notably in the service sector over the last two years. In 2008 alone, job cuts accelerated to 2.3 percent (300 jobs) in information and 0.5 percent (200 jobs) in financial activities. The education and health services and leisure and hospitality industries – the two largest service industries in the state – posted the largest employment gains in 2008, increasing 2.5 percent and 1.6 percent, respectively, from 2007.

In the goods-producing sector, employment pulled back 0.8 percent (1,000 jobs) in 2008 – the sector's second consecutive year of decline. Both the construction and the manufacturing industries experienced payroll reductions over the year, while the natural resources and mining industry added 2,100 jobs. As of June 2009, an additional 9,300 jobs were cut in the goods-producing sector since December 2008.

At the metro level, payroll growth was mixed in 2008. The Morgantown MSA added payrolls at the fastest rate among the state's metro areas for the tenth straight year, increasing 2.9 percent. The Charleston, Cumberland, D.C., Weirton, and Wheeling metro areas also posted gains over the year despite softening in the latter half of 2008 and early 2009. On the other hand, firms in Huntington, Parkersburg, Martinsburg, and Winchester MSAs cut jobs both in 2008 and in the first half of 2009.

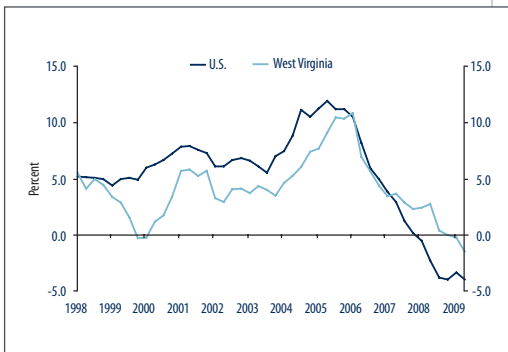
Household Conditions

West Virginia's unemployment rate was unchanged in 2008, remaining at 4.3 percent and registering below the national rate for the second consecutive year. Unemployment rates were higher than the state mark in the Wheeling MSA (5.2 percent), the Parkersburg MSA (5.1 percent), and the Huntington MSA (5.0 percent). At the county level, Monongalia posted the lowest unemployment rate (2.7 percent) in 2008, while Pocahontas reported the highest (7.1 percent). More recently, the unemployment rate in West Virginia more than doubled from its 2008 mark: from December 2008 to June 2009, the unemployment rate rose from 4.5 percent to 9.4 percent as the number of unemployed persons in West Virginia increased by 36,900 persons.

Per capita income in West Virginia increased at a healthy 4.9 percent clip in 2008, outperforming all other Fifth District jurisdictions and the nation's 2.9 percent increase. The state's \$30,831 per capita income, however, was the lowest in the District and only 77.5 percent of the national average. West Virginia's metro areas have generally had greater per capita income than the state as a whole,

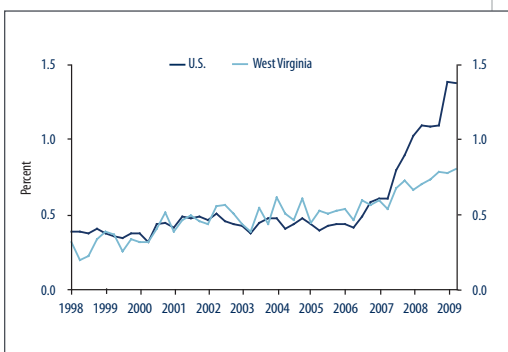
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Figure 7: House Price Index



SOURCE: Federal Housing Finance Agency/HAVER Analytics

Figure 8: Foreclosure Started



SOURCE: Mortgage Bankers Association/HAVER Analytics

with the exception of the Cumberland and Huntington metro areas. In 2008, the Cumberland MSA posted the lowest per capita income (\$28,468) in the state. Meanwhile, the Charleston metro area led the state with a per capita income of \$36,799.

At the county level, Kanawha County – part of the Charleston MSA – posted the highest per capita income (\$39,337) in 2007, the most recent year data is available at the county level. Clay County – also part of the Charleston MSA – posted the lowest per capita income (\$19,133) for the 12th consecutive year.

Total personal income in West Virginia rose at a real rate of 1.8 percent in 2008. The rise marked the second consecutive year in which total personal income in the state increased at a faster clip than in the nation, where income rose 0.5 percent.

Real Estate Conditions

West Virginia's housing market weakened in 2008. Residential building permits fell 32.1 percent over the year, with the largest annual decline on record and the lowest level of permits (2,934 permits) since 1993. However, the state pullback was a bit milder than the national decline of 35.3 percent over the year, which was also a record drop. Similarly, housing starts in West Virginia declined for a third year in a row, although the 30.7 percent drop in the state was slightly less severe than the 32.9 percent national pull back.

Existing home sales in West Virginia fell to 25,700 units in 2008, down 13.2 percent from 2007. The year marked the series' third annual decline after steady increases from 2001 to 2005. The state's fall-off in homes sales was on pace with the nation's, where sales fell 13.7 percent over the year.

West Virginia's house prices, as reported by the Federal Housing Finance Agency, appreciated 1.5 percent in 2008, compared to a 2.5 percent national decline. House prices in West Virginia have appreciated every year since 1985, although prices declined on a year-over-year basis in the first quarter of 2009. At the metro level, house prices increased in 2008 in all of the state's MSAs except the Hagerstown-Martinsburg metro area, which includes parts of Maryland. The Wheeling MSA showed the greatest rise of 4.7 percent over the year.

In 2008, total mortgage delinquencies in West Virginia and the U.S. both rose to record highs (9.4 percent and 8.6 percent, respectively). The state delinquency rate has exceeded the national rate for 23 consecutive years. In the first quarter of 2009, mortgage delinquencies eased 1.3 percentage points to 8.2 percent from the previous quarter, but represented the highest first quarter figure in the series' history. In 2008, the prime mortgage delinquency rate in West Virginia experienced its largest one-year increase in the series' history, rising 0.1 percentage point to 6.3 percent. Similarly, the subprime delinquency rate in West Virginia was its largest increase on record, moving from a rate of 22.2 percent in 2007 to 26.3 percent in 2008.

Foreclosure starts in West Virginia broke the 2007 record as the rate rose to 2.8 percent in 2008. Despite the record high, the figure remained below the record national rate (4.2 percent) for the second year in a row. West Virginia's

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subprime foreclosures rate registered under the national mark of 16.5 percent as it edged up 0.8 percentage point to 9.8 percent in 2008. As in the nation, the state prime foreclosure rate also surpassed its record peak set in 2007 and rose to 1.8 percent in 2008 ■

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