

District Economic

BY ROBERT LACY

Apprehension about terrorism and political developments regarding Iraq cast a pall over the Fifth District economy in the last three months of 2002. Many businesses continued to place investment plans on hold in light of the uncertainty of potential military conflict. Consumers were out in force during the holiday season, but sales were disappointing for most retailers.

Did You Know...

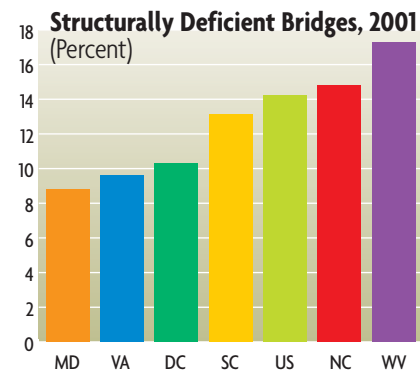
Fourteen percent of the highway bridges in the country are considered structurally deficient. The Federal Highway Administration considers a bridge structurally deficient if it has been restricted to light vehicle traffic, requires immediate rehabilitation to remain open, or is closed. Among Fifth District states, Maryland has the lowest percentage of deficient bridges, while West Virginia has the highest.

Economic growth in the Fifth District slowed substantially in the fourth quarter of 2002. Retailers tell us that holiday season sales were lackluster — if not for upbeat postholiday sales, December would have been dismal for many District retailers. Manufacturers had some good news: new orders trended higher during the quarter. But they said that shipments were generally flat and noted that employment continued to decline.

Economic Anxiety

Participants in our monthly survey of retailers and services businesses reported that revenues declined in the fourth quarter of 2002. Retail revenues were particularly weak — shopper traffic in District stores was generally light, and merchants tell us that shoppers shied away from big-ticket purchases. Retailers continued to trim payrolls. In fact, retail employment in the Fifth District is at its lowest level in three years. Services sector jobs also declined, albeit at a slower pace than in retail.

District manufacturers managed to keep their heads above water in the fourth quarter, despite sagging consumer demand and heated competition from foreign producers. New orders picked up in the fall and shipments leveled off after slipping in late summer. But manufacturing employment continued to fall — 19,000 jobs were lost during the fourth quarter — and some manufacturers believed the sector remained in recession. “Things are very flat right now; some new glimmers of work coming... but this recession has been long,” according to a plastics manufacturer in North Carolina.



Government Sector Buoyant

Bucking the trend in total employment, government employment in Fifth District states was 1.5 percent higher in the fourth quarter compared to a year ago. It's a huge sector, accounting for 19 percent of total nonfarm employment in the Fifth District, swelled by the large number of federal employees in and around Washington, D.C.

It's also a diverse sector, and trends in local, state, and federal government employment have diverged. Local government employment growth has been fairly steady at around 2 to 3 percent over the last three years. State employment, meanwhile, has declined as states have wrestled with revenue shortfalls. Federal government employment, which fell throughout 2001, showed modest growth by the end of 2002.

Unemployment Rates Steady

The unemployment rate in the Fifth District stood at 5.1 percent in the fourth quarter of 2002. This rate was little changed from the third quarter of 2002 and was 0.2 percentage points below the level of a year ago.

The Fifth District's current unemployment rate is almost a full percentage point below the U.S. rate of 5.9 percent. Unemployment rates in Maryland and Virginia, at around 4 percent, are among the lowest in the country.

The unemployment rates in West Virginia and D.C. are now just above the national rate. But both of these jurisdictions have seen their unemployment rate converge to the national rate, after remaining well above the national average in the late 1990s.

Personal Income Growth Picks Up

Third-quarter personal income in the Fifth District was 3.7 percent higher than a year ago. This rate was faster than in the first half of 2002, but slower than the exceptional growth recorded in the late 1990s. Personal income growth in Maryland and the District of Columbia exceeded 4 percent in the third quarter.

Developments

Nonfarm Employment Fourth Quarter 2002

	Employment (Thousands)	% Change (Year Ago)
DC	650	0.1
MD	2,473	0.1
NC	3,881	-0.1
SC	1,832	-0.1
VA	3,497	-0.2
WV	727	-0.9
5th District	13,060	-0.1
US	130,806	-0.2

Unemployment Rate Percent

	4th Qtr. 2002	4th Qtr. 2001
DC	6.3	6.6
MD	4.0	4.4
NC	6.2	6.4
SC	6.0	6.0
VA	3.9	4.4
WV	6.0	4.6
5th District	5.1	5.3
US	5.9	5.6

Personal Income Third Quarter 2002

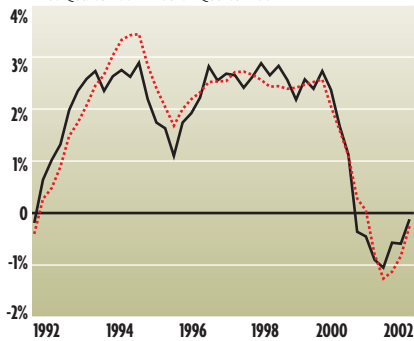
	Income (\$ billions)	% Change (Year Ago)
DC	24.0	4.4
MD	198.1	4.3
NC	233.2	3.6
SC	105.1	3.5
VA	241.4	3.5
WV	42.8	3.3
5th District	844.6	3.7
US	8,984.2	3.3

— Fifth District

- - - - - United States

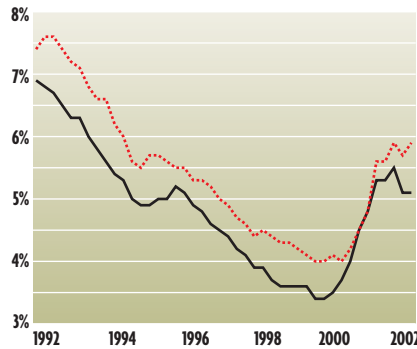
Nonfarm Employment Change From Prior Year

First Quarter 1992 - Fourth Quarter 2002



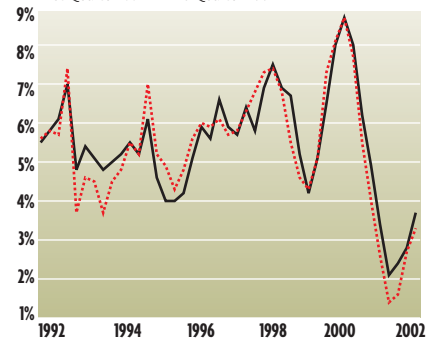
Unemployment Rate

First Quarter 1992 - Fourth Quarter 2002



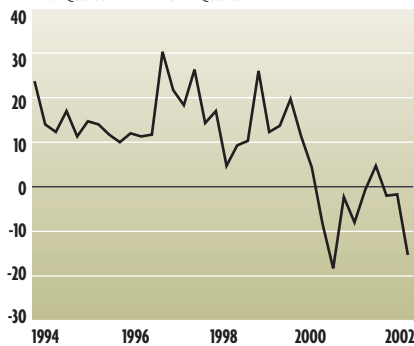
Personal Income Change From Prior Year

First Quarter 1992 - Third Quarter 2002



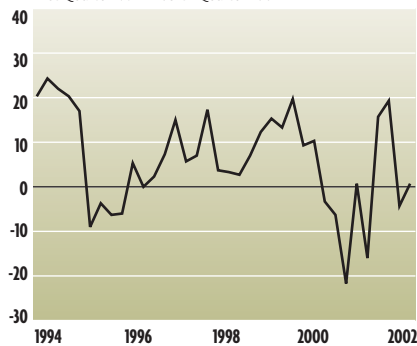
FRB—Richmond Services Revenues Index

First Quarter 1994 - Fourth Quarter 2002



FRB—Richmond Manufacturing Shipments Index

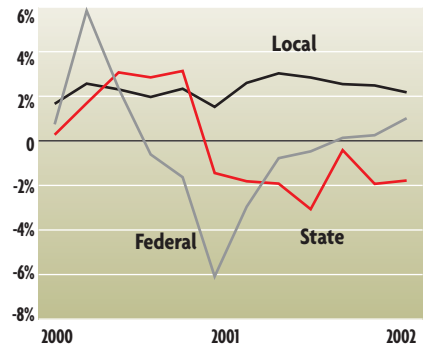
First Quarter 1994 - Fourth Quarter 2002



Fifth District Government Employment

Change From Prior Year

First Quarter 2000 - Fourth Quarter 2002



NOTES:

- 1) All data series are seasonally adjusted.
- 2) FRB-Richmond survey indexes are diffusion indexes. Positive numbers represent expansion, negative numbers contraction.
- 3) State nonfarm employment estimates are based on surveys of establishments. These employment figures differ from those used to calculate state unemployment rates.

SOURCES:

- Income: Bureau of Economic Analysis, U.S. Department of Commerce, <http://www.bea.doc.gov>
 Unemployment rate: LAUS Program, Bureau of Labor Statistics, U.S. Department of Labor, <http://stats.bls.gov>
 Employment: CES Survey, Bureau of Labor Statistics, U.S. Department of Labor, <http://stats.bls.gov>

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DISTRICT OF COLUMBIA

BY ANDREA HOLLAND

Over time, personal income and gross state product (GSP) tend to track fairly closely. But data on personal income are available well before information on GSP. Personal income data are released on a quarterly basis (with a two-quarter lag), while GSP data are released on an annual basis (with a two-year lag). Consequently, analysts often rely on personal income to estimate a state's recent economic activity.

Third-quarter real personal income data show that the District of Columbia's economy was strengthening late last year. In fact, the rise in the third quarter capped off 12 consecutive months of income growth in the jurisdiction.

Overall, personal income in the District of Columbia grew by 0.8 percent in the third quarter of 2002. By category, net earnings and transfer payments expanded, while dividends, interest, and rental income contracted.

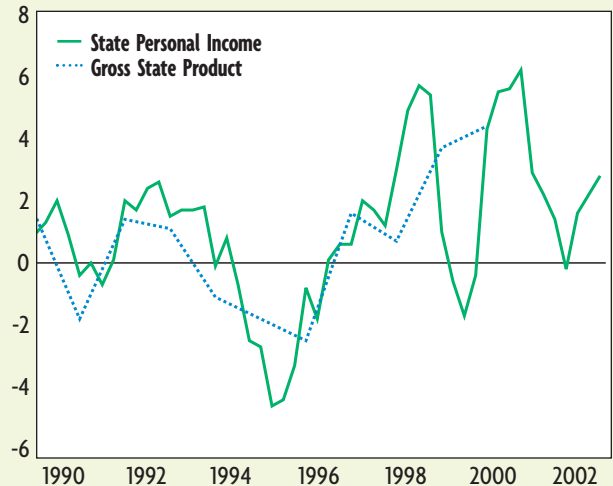
Net earnings, the largest component of personal income, rose 1.1 percent in the third quarter, matching the national rate of growth in the category. Wage and salary earnings were higher in all industry sectors, resulting in the first across-the-board gain since early 1999.

In addition to income growth, other economic indicators also improved. The number of new business bankruptcy filings dropped off, marking the third consecutive period of decline. Also favorable, venture capital investment picked up — though not by much — reversing the negative trend seen in the first two quarters of 2002.

In the real estate sector, performance in the District of Columbia's commercial and residential markets remains relatively sound. Though office vacancy rates have risen, the jurisdiction boasts some of the lowest rates nationally. Likewise, the residential market continued to advance late last year — in the fourth quarter, existing home sales reached their highest level since 1997.

Despite generally positive readings, the D.C. economy still faces possible problems. Fourth-quarter employment data were weak — the jobless rate crept back up to 6.3 percent and payrolls declined 0.4 percent. On the consumer side, the rate of mortgage loans past due ticked up slightly in the third quarter, after holding steady the first half of the year. Similarly, nonbusiness bankruptcy filings edged higher in the third quarter, following a slight decline in the second quarter.

DC Personal Income and GSP Growth
Annual Percent Change, 1990 to 2002



SOURCES:
Venture Capital Investment, PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association
MoneyTree™ Survey
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics
Business and Nonbusiness Bankruptcy Filings, Administrative Office of the U.S. Courts/Haver Analytics
Mortgage Loans Past Due, Mortgage Bankers Association of America/Haver Analytics
Metro Area Office Vacancy Rates, CB Richard Ellis/Haver Analytics

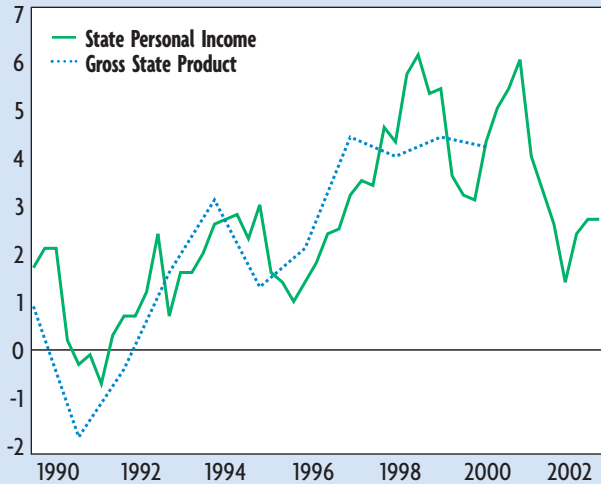
	Percent Change at Annual Rate From		
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Nonfarm Employment	650.3	-0.4	0.1
Manufacturing	11.0	0.0	-1.8
Services	309.0	3.8	1.5
Construction	10.2	8.2	-4.1
Civilian Labor Force	268.3	-3.9	-2.9
Home Sales	15.1	93.7	18.9
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Unemployment Rate	6.3	6.0	6.6
Housing Permits	394	1,045	313

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Services, thousands of jobs, SA; BLS/Haver Analytics
Construction, thousands of jobs, SA; BLS/Haver Analytics
Civilian Labor Force, thousands of persons, SA; BLS/Haver Analytics
Home Sales, thousands of units, SA; National Association of Realtors®/Haver Analytics
Unemployment Rate, percent, SA; BLS/Haver Analytics
Housing Permits, number of permits, not seasonally adjusted; U.S. Census Bureau/Haver Analytics



BY ANDREA HOLLAND

MD Personal Income and GSP Growth Annual Percent Change, 1990 to 2002



SOURCES:
Venture Capital Investment, PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association
MoneyTree™ Survey
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics
Business and Nonbusiness Bankruptcy Filings, Administrative Office of the U.S. Courts/Haver Analytics
Mortgage Loans Past Due, Mortgage Bankers Association of America/Haver Analytics
Metro Area Office Vacancy Rates, CB Richard Ellis/Haver Analytics

	Percent Change at Annual Rate From		
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Nonfarm Employment	2,473.1	4.8	0.1
Manufacturing	170.0	-3.2	-3.5
Services	868.3	4.8	0.7
Construction	169.3	27.6	5.3
Civilian Labor Force	2,902.1	-0.5	1.8
Home Sales	123.5	24.6	6.8
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Unemployment Rate	4.0	4.2	4.4
Housing Permits	6,488	7,289	7,015

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Services, thousands of jobs, SA; BLS/Haver Analytics
Construction, thousands of jobs, SA; BLS/Haver Analytics
Civilian Labor Force, thousands of persons, SA; BLS/Haver Analytics
Home Sales, thousands of units, SA; National Association of Realtors®/Haver Analytics
Unemployment Rate, percent, SA; BLS/Haver Analytics
Housing Permits, number of permits, not seasonally adjusted; U.S. Census Bureau/Haver Analytics

Personal income and employment data are two frequently used measures of state economic activity — due largely to the comprehensive nature of personal income statistics combined with the lack of timely gross state product statistics. Recent figures from both sources suggest that the current economic downturn has been less severe in Maryland than in many other parts of the country.

Maryland is the only Fifth District state where personal income has continued to expand each quarter since the onset of recession. Additionally, on the employment front, payroll levels in Maryland are 0.2 percent higher now than when the recession began. In contrast, national and Fifth District-wide payrolls have contracted by 1.2 and 1 percent, respectively.

The state's personal income growth is noteworthy. Total personal income in Maryland rose by 1.0 percent in the third quarter of 2002, outpacing the national 0.9 percent rate of growth. By category, net earnings and transfer payments expanded, but dividends, interest, and rental income contracted somewhat. By industry, earnings growth was the weakest in manufacturing and trade, and earnings contracted in the transportation and public utilities sector. Subsequently, these were the only industries in Maryland that did not add jobs in the fourth quarter.

Nevertheless, Maryland posted a 4.8 percent employment gain in the fourth quarter of last year — easily exceeding the pace of growth nationally — and the unemployment rate dropped 0.2 percentage points to reach 4 percent.

Besides stronger-than-average income and employment data, other positive indicators were apparent in Maryland late last year. Consumers continued to take advantage of favorable interest rates and sales of existing housing units reached a series high in the fourth quarter. Also solid, the number of nonbusiness bankruptcy filings fell for the second consecutive period in the third quarter.

But conditions were less bright for Maryland businesses. Reflecting continued softness, office vacancy rates and bankruptcy filings inched up a bit in the third and fourth quarters, respectively. But there was some good news for Maryland firms. Venture capital flows into Maryland rose in the third quarter and remained higher over the year — hopefully encouraging greater business investment spending in the future.



NORTH CAROLINA

BY ANDREA HOLLAND

Gross domestic product (GDP) data — the measure of the size of the U.S. economy — are released quarterly with a minimal lag. Unfortunately, GDP's regional counterpart, gross state product (GSP), is not as readily available — data are released only annually with a two-year lag. But as shown in the figure, personal income closely tracks with GSP and, as such, is often used by analysts as a timely measure.

During the recent recession, personal income in North Carolina contracted at a faster rate than the national average — due in part to the state's heavier dependence on the manufacturing sector. In the third quarter of 2002, for example, the manufacturing sector contributed 18.4 percent to total North Carolina wage and salary earnings compared to only 14.1 percent nationwide.

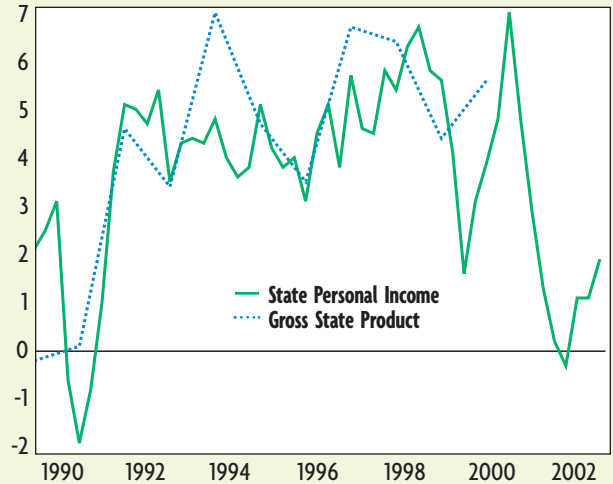
Earnings for North Carolina factory workers began to erode in early 2000 — and have contracted in six of the last eight quarters. But recent data have been more positive for state workers.

Manufacturing wage and salary earnings grew by 1.3 percent in the third quarter of 2002 — the largest quarterly expansion recorded in nearly three years. In addition, after bottoming out in 2001, average weekly hours continued to edge higher in manufacturing. In spite of strong earnings and hours data, however, manufacturing payrolls continued to weaken in late 2002, suggesting that factories could be relying primarily on increasing worker hours to meet demand.

Outside of manufacturing, wage and salary earnings rose in the third quarter in all North Carolina sectors except for construction, resulting in total income growth of 1.2 percent statewide. Also positive, new building permits grew 18.5 percent in the fourth quarter and vacancy rates for office space in the Charlotte area stabilized in the third quarter. Venture capital investment into state firms also rose significantly in the third quarter of the year. And for consumers, fourth-quarter existing home sales capped off a record year.

But the employment situation remained mixed in the state. On the upside, North Carolina's unemployment rate dropped 0.2 percentage points to reach 6.2 percent in the fourth quarter. In contrast, total payrolls declined by 1.1 percent during the same time period — due largely to the 3 percent drop in manufacturing employment. But services sector payrolls continued to expand in the fourth quarter, cementing a year of job growth.

NC Personal Income and GSP Growth Annual Percent Change, 1990 to 2002



SOURCES:
Venture Capital Investment, PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association
MoneyTree™ Survey
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics
Business and Nonbusiness Bankruptcy Filings, Administrative Office of the U.S. Courts/Haver Analytics
Mortgage Loans Past Due, Mortgage Bankers Association of America/Haver Analytics
Metro Area Office Vacancy Rates, CB Richard Ellis/Haver Analytics

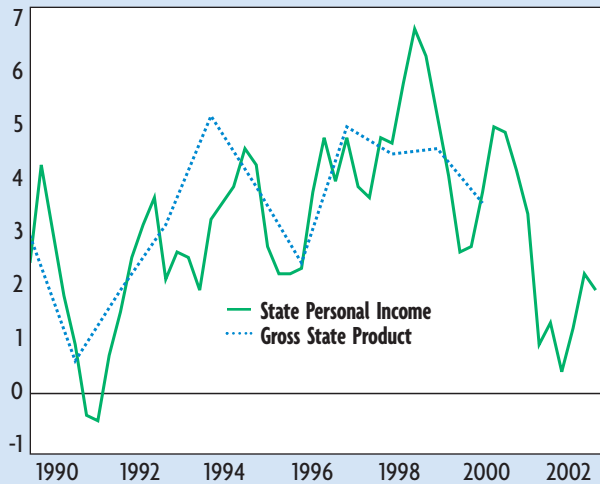
	Percent Change at Annual Rate From		
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Nonfarm Employment	3,881.3	-1.1	-0.1
Manufacturing	696.0	-3.0	-2.5
Services	1,067.6	1.0	2.0
Construction	220.6	-2.4	-2.6
Civilian Labor Force	3,956.8	-1.5	-1.4
Home Sales	236.0	-1.7	5.4
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Unemployment Rate	6.2	6.4	6.4
Housing Permits	20,963	20,092	18,206

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Services, thousands of jobs, SA; BLS/Haver Analytics
Construction, thousands of jobs, SA; BLS/Haver Analytics
Civilian Labor Force, thousands of persons, SA; BLS/Haver Analytics
Home Sales, thousands of units, SA; National Association of Realtors®/Haver Analytics
Unemployment Rate, percent, SA; BLS/Haver Analytics
Housing Permits, number of permits, not seasonally adjusted; U.S. Census Bureau/Haver Analytics



BY ANDREA HOLLAND

SC Personal Income and GSP Growth
Annual Percent Change, 1990 to 2002



SOURCES:
Venture Capital Investment, PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association
MoneyTree™ Survey
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics
Business and Nonbusiness Bankruptcy Filings, Administrative Office of the U.S. Courts/Haver Analytics
Mortgage Loans Past Due, Mortgage Bankers Association of America/Haver Analytics
Metro Area Office Vacancy Rates, CB Richard Ellis/Haver Analytics

The economic downturn hit South Carolina early. Employment and personal income levels in South Carolina began to weaken about two quarters before the national recession began in March 2001.

But the gap between activity in the state and in the nation appears to be shrinking. Personal income in South Carolina expanded by 1 percent in the third quarter of 2002, outpacing the national growth rate of 0.9 percent.

Gross state product (GSP) and personal income tend to track closely in the long run. And because personal income data are released relatively quickly — with about a two-quarter lag — they are used by analysts as a proxy for GSP data, which are available annually with a two-year lag.

The most recent personal income data for South Carolina are encouraging. In the third quarter, income increased for the third consecutive quarter — suggesting growth in the state’s economy. Wage and salary earnings rose 1.3 percent statewide, with income picking up in all industries except mining. The most notable turnaround occurred in the manufacturing sector — earnings were higher in both the second and third quarters, following nearly two years of contraction.

In addition to strong income growth, news was also bright on the job front. South Carolina added 3,100 jobs in the fourth quarter, marking the second quarter of expansion. Payrolls rose in services, transportation and public utilities, government, and finance, insurance, and real estate, but fell in manufacturing, construction, and trade.

On the downside, although fourth-quarter existing home sales soared to record levels, the number of new building permits authorized remained lower over the year. Also, the percentage of mortgage loans with installments past due ticked up slightly in the third quarter and personal bankruptcy filings edged higher.

And in spite of positive employment numbers, South Carolina’s jobless rate kicked up 0.7 percentage points to reach 6 percent in the fourth quarter, due mainly to a seasonal rise in the labor force coupled with weaker-than-average holiday hiring.

	Percent Change at Annual Rate From		
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Nonfarm Employment	1,832.0	0.7	-0.1
Manufacturing	308.1	-8.3	-4.9
Services	473.5	4.8	2.2
Construction	110.7	-3.9	-0.8
Civilian Labor Force	2,021.5	2.8	4.1
Home Sales	122.2	30.2	12.4
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Unemployment Rate	6.0	5.3	6.0
Housing Permits	6,711	7,930	6,920

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Services, thousands of jobs, SA; BLS/Haver Analytics
Construction, thousands of jobs, SA; BLS/Haver Analytics
Civilian Labor Force, thousands of persons, SA; BLS/Haver Analytics
Home Sales, thousands of units, SA; National Association of Realtors®/Haver Analytics
Unemployment Rate, percent, SA; BLS/Haver Analytics
Housing Permits, number of permits, not seasonally adjusted; U.S. Census Bureau/Haver Analytics



VIRGINIA

BY ANDREA HOLLAND

Personal income in Virginia continued to expand in the third quarter of 2002, although at a slower pace than in the second quarter. Despite the deceleration, income growth has shown considerable strength over the last 12 months for which data are available. Expanding by 1 percent in the third quarter, Virginia's growth matched the Fifth District's rate and exceeded the national rate.

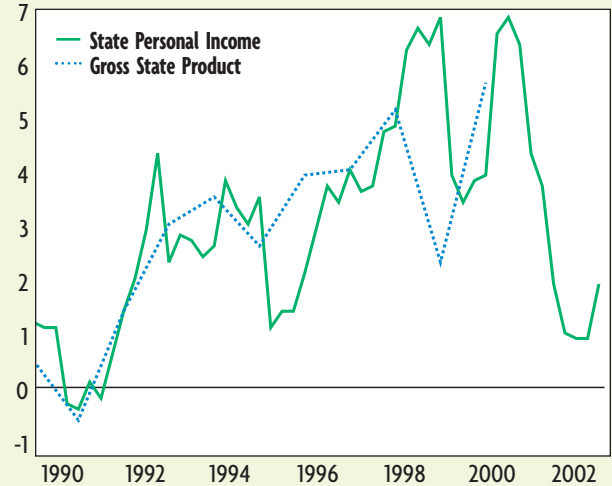
In the third quarter, wage and salary gains were recorded in all of Virginia's sectors. Growth was most robust in government, wholesale trade, manufacturing, and finance, insurance, and real estate. In addition to strong earnings by factory workers, average weekly hours reached an all-time peak at both durable and nondurable goods manufacturers — suggesting that operators may be increasing hours worked, instead of payrolls, to meet demand.

As in most other Fifth District states, Virginia data generally suggest that the consumer sector remains sound. Virginia's jobless rate fell by 0.1 percentage points to 3.9 percent in the fourth quarter, the lowest rate among Fifth District jurisdictions. In addition, consumers in the state have continued to spend throughout the downturn. In the fourth quarter, for example, new home sales reached a series high in Virginia. And in the third quarter, new vehicle registrations and taxable retail sales remained above levels recorded a year ago.

On the flipside, the percentage of mortgage loans with installments past due ticked up slightly in the third quarter of last year, but remained well below Fifth District and national rates. In addition, softness persisted in personal bankruptcy data, though there have been some bright signs recently. Filings have generally trended upward since mid-2000, but some improvement was apparent in the third quarter — the last period for which data are available.

Other Virginia data continue to have an upbeat tone. The number of new business bankruptcy filings dropped off in the third quarter, marking the second consecutive period of decline. Also, nonfarm employment data showed promise — payrolls expanded by 0.2 percent in the fourth quarter. By sector, large job additions in services, government, and finance, insurance, and real estate offset declining payrolls in manufacturing, construction, government, trade, and transportation and public utilities.

VA Personal Income and GSP Growth
Annual Percent Change, 1990 to 2002



SOURCES:
Venture Capital Investment, PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association
MoneyTree™ Survey
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics
Business and Nonbusiness Bankruptcy Filings, Administrative Office of the U.S. Courts/Haver Analytics
Mortgage Loans Past Due, Mortgage Bankers Association of America/Haver Analytics
Metro Area Office Vacancy Rates, CB Richard Ellis/Haver Analytics

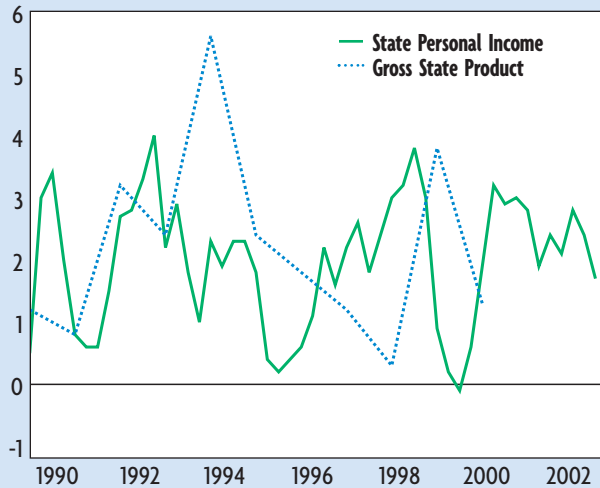
	Percent Change at Annual Rate From		
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Nonfarm Employment	3,497.1	0.2	-0.2
Manufacturing	355.9	-1.1	-1.6
Services	1,162.4	2.2	0.9
Construction	206.6	-0.3	-2.3
Civilian Labor Force	3,782.6	0.5	2.1
Home Sales	161.2	56.6	11.9
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Unemployment Rate	3.9	4.0	4.4
Housing Permits	14,262	15,038	11,664

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Services, thousands of jobs, SA; BLS/Haver Analytics
Construction, thousands of jobs, SA; BLS/Haver Analytics
Civilian Labor Force, thousands of persons, SA; BLS/Haver Analytics
Home Sales, thousands of units, SA; National Association of Realtors®/Haver Analytics
Unemployment Rate, percent, SA; BLS/Haver Analytics
Housing Permits, number of permits, not seasonally adjusted; U.S. Census Bureau/Haver Analytics



BY ANDREA HOLLAND

WV Personal Income and GSP Growth Annual Percent Change, 1990 to 2002



SOURCES:
 Venture Capital Investment, PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association
 MoneyTree™ Survey
 Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics
 Business and Nonbusiness Bankruptcy Filings, Administrative Office of the U.S. Courts/Haver Analytics
 Mortgage Loans Past Due, Mortgage Bankers Association of America/Haver Analytics
 Metro Area Office Vacancy Rates, CB Richard Ellis/Haver Analytics

	Percent Change at Annual Rate From		
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Nonfarm Employment	726.5	-0.5	-0.9
Manufacturing	72.2	-6.9	-4.4
Services	234.7	-1.7	1.2
Construction	31.7	-7.6	-5.6
Civilian Labor Force	808.9	-0.2	-2.9
Home Sales	29.1	13.4	3.6
	4th Qtr 2002	3rd Qtr 2002	4th Qtr 2001
Unemployment Rate	6.0	6.1	4.6
Housing Permits	992	1,132	855

NOTES:
 Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
 Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
 Services, thousands of jobs, SA; BLS/Haver Analytics
 Construction, thousands of jobs, SA; BLS/Haver Analytics
 Civilian Labor Force, thousands of persons, SA; BLS/Haver Analytics
 Home Sales, thousands of units, SA; National Association of Realtors®/Haver Analytics
 Unemployment Rate, percent, SA; BLS/Haver Analytics
 Housing Permits, number of permits, not seasonally adjusted; U.S. Census Bureau/Haver Analytics

For more information regarding state summaries, call 804-697-8273 or e-mail Andrea.Holland@rich.frb.org.

Over time, a state's personal income data and its gross state product (GSP) data tend to track fairly closely. But in recent years, West Virginia's personal income growth appears to lead the state's GSP growth. As the figure suggests, personal income growth picked up and declined prior to GSP in the late 1990s. The figure also shows that, unlike in other Fifth District states, income growth is only now beginning to erode in West Virginia. But it is dropping relatively sharply.

Total personal income in West Virginia expanded by only 0.6 percent in the third quarter, the lowest growth rate among Fifth District jurisdictions. In addition, wage and salary earnings growth was anemic across most industry sectors — only government, services, and finance, insurance, and real estate topped the 1 percent mark. In contrast, employee earnings contracted in the mining and construction industries.

News on the job front was also lackluster. West Virginia posted a 0.5 percent loss in nonfarm employment in the fourth quarter. Payrolls rose in the trade, government, mining, and finance, insurance, and real estate sectors, but were shaved in the manufacturing, services, construction, and transportation and public utilities sectors. The loss of services jobs marked the first decline in the series in exactly one year and is of particular concern since the sector accounts for over 32 percent of jobs statewide.

Other indicators point to a weakening of conditions for West Virginia's consumers and businesses. On a year-over-year basis, the rate of personal bankruptcy filings in the state rose considerably in the third quarter, after declining in the second quarter of last year. And the number of business bankruptcy filings edged higher in the third quarter, reaching levels not recorded since 1997. Also, the percentage of mortgages past due edged higher in the third quarter.

But some bright spots continue to exist, mainly in the residential real estate market. Consumers continued to take advantage of favorable interest rates, with fourth-quarter sales of existing housing units finishing the year on a strong note. Also, the number of building permits for single-family and multifamily dwellings remained strong, easily outpacing year-ago levels.