

District Economic

BY ROBERT LACY

Fifth District economic growth was modest in the first quarter of 2003 as consumers and businesses adopted a “wait and see” posture toward spending in light of political and military developments in Iraq. Employment levels were little changed from a year ago, although unemployment rates did inch lower. With the Iraq war over, Fifth District businesses expect economic conditions to improve, but few anticipate a quick turnaround.

Did You Know. . .

Most people who work in the District of Columbia don't live there. They reside in Maryland or across the Potomac River in Virginia instead. According to the 2000 Census, 279,000 people who worked in D.C. claimed residence in Maryland, and another 191,000 claimed residence in Virginia. Two Maryland counties — Prince George's and Montgomery — were home to one out of three D.C. workers.

Economic growth in the Federal Reserve's Fifth District was modest in the first quarter of 2003. Consumers tightened purse strings amidst a host of worries: war in Iraq, threats of domestic terrorism, and continued job layoffs in manufacturing. Many businesses hunkered down as well, opting to delay capital spending and new hiring in the face of considerable economic uncertainty.

Subpar Economic Growth

District retail and services businesses we survey reported sluggish business conditions in most sectors during the first quarter of 2003. Activity was particularly weak in February, partly as a result of unusually severe ice and snow storms in the region. But the economic uncertainty stemming from political and military developments in Iraq and the threat of domestic terrorism also dampened growth throughout the quarter.

District retailers tell us their revenues continued to slip and that employment edged down in recent months, and their comments are borne out by the data. According to the Bureau of Labor Statistics, retail employment in Fifth District states in March was below the level of four years earlier. And because of the uncertainty associated with the conflict in Iraq, the retail outlook was also cloudy. A men's clothing retailer in Charleston, W.Va., captured the sentiment of a number of Fifth District retailers in April, reporting “We're stuck in the mud until we get the war over. ...”

The path of manufacturing was less direct. District manufacturers appeared to be rebounding early in the first quarter of 2003 — both shipments and new orders surged in January. But shipments flattened in February and March, and new orders began to tumble. Manufacturing employment also fell — once again. Five percent of manufacturing jobs in the Carolinas were lost in the last year alone.

Mixed Signals in Labor Markets

The average unemployment rate in Fifth District states was 5.1 percent in the first quarter of 2003, well below the national rate of 5.8 percent. What's more, the regional rate has drifted down since peaking at 5.5 percent in the first half of 2002, indicating some strengthening in the regional economy.

But the Labor Department reports that payroll employment in the region was off 0.2 percent in the first quarter compared to a year ago, suggesting weaker economic conditions. Employment in government and some services industries — health care and education, for example — expanded over the year. These gains, however, were more than offset by declines in the goods producing sector, particularly in manufacturing.

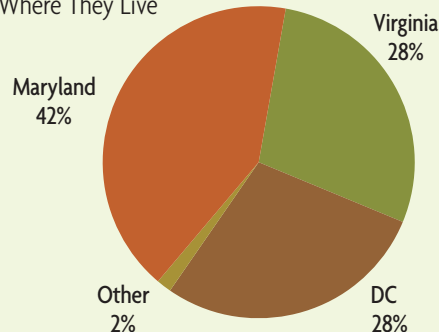
Such contrasting views of labor market conditions can be reconciled in part by recognizing that some workers may have become discouraged about job prospects and left the labor force. While the ranks of the unemployed have declined in the Fifth District over the last year, one would like to see more job growth before concluding that labor market conditions have turned around.

Waiting for a Lift

The fall of Baghdad and the end of widespread conflict in Iraq in April brought renewed hope that economic growth would pick up again. Fifth District manufacturers remain cautious, however, reiterating that the manufacturing sector was struggling before the war in Iraq and was unlikely to rebound quickly with the end of the conflict. As of May 2003, we were still awaiting evidence of acceleration in growth.

Workers in Washington, D.C.

Where They Live



Developments

Nonfarm Employment

First Quarter 2003

	Employment (Thousands)	% Change (Year Ago)
DC	666	0.7
MD	2,471	-0.2
NC	3,830	-0.5
SC	1,803	0.2
VA	3,482	-0.3
WV	734	-0.1
5th District	12,986	-0.2
US	130,596	-0.1

Unemployment Rate

Percent

	1st Qtr. 2003	1st Qtr. 2002
DC	6.4	6.5
MD	4.3	4.5
NC	6.0	6.9
SC	6.1	6.0
VA	4.1	4.3
WV	5.7	5.7
5th District	5.1	5.5
US	5.8	5.6

Personal Income

Fourth Quarter 2002

	Income (\$ billions)	% Change (Year Ago)
DC	24.3	4.4
MD	201.4	5.4
NC	233.1	4.1
SC	105.6	4.4
VA	243.9	4.5
WV	43.2	3.8
5th District	851.6	4.5
US	9,035.0	3.9

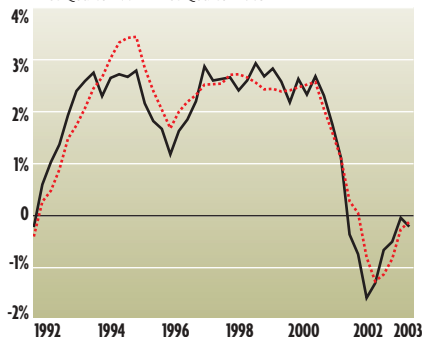
— Fifth District

- - - - - United States

Nonfarm Employment

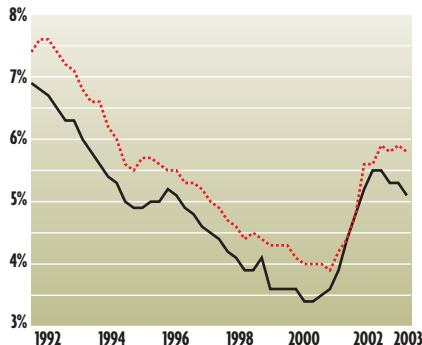
Change From Prior Year

First Quarter 1992 - First Quarter 2003



Unemployment Rate

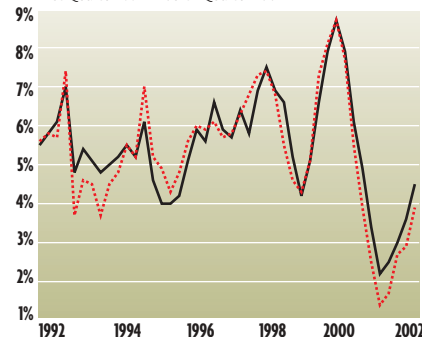
First Quarter 1992 - First Quarter 2003



Personal Income

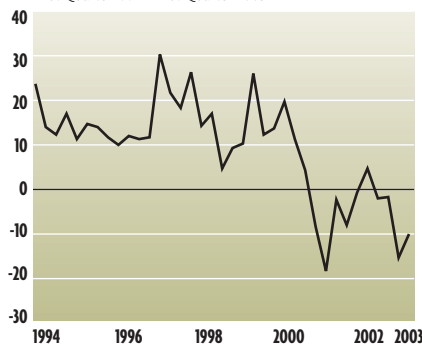
Change From Prior Year

First Quarter 1992 - Fourth Quarter 2002



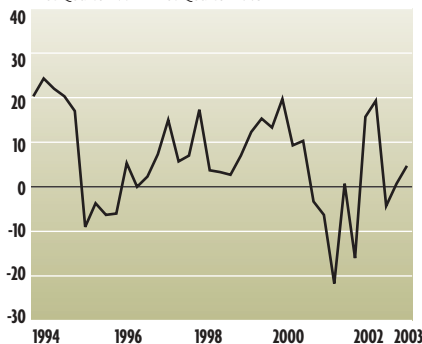
FRB—Richmond Services Revenues Index

First Quarter 1994 - First Quarter 2003



FRB—Richmond Manufacturing Shipments Index

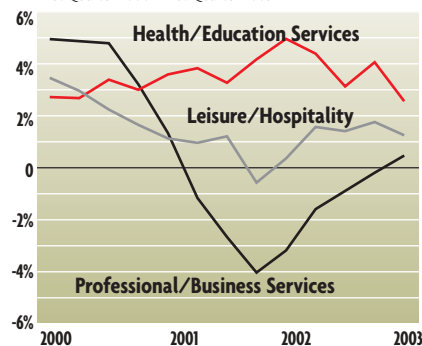
First Quarter 1994 - First Quarter 2003



Fifth District Employment

Selected Industries—Change From Prior Year

First Quarter 2000—First Quarter 2003



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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BY ANDREA HOLLAND

Structural changes within the U.S. economy in recent decades made the existing economic classification system increasingly obsolete and necessitated the development of a new system. In response, the Standard Industrial Classification (SIC) system — in place since 1941 — was replaced by the new North American Industry Classification System (NAICS). Payroll data for the District of Columbia were converted to NAICS in March 2003, with the release of the January 2003 Current Employment Survey (CES).

The production-based NAICS data present a fresh view of the District of Columbia's work force. Jobs are classified as either goods-producing or service-providing. In early 2003, 97.8 percent of all jobs in the District of Columbia were grouped under service-providing and only 2.2 percent were classified as goods-producing.

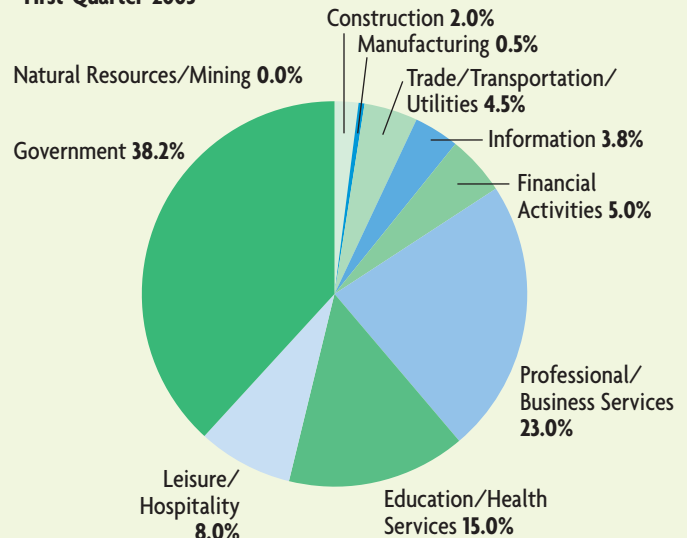
With its large share of service jobs, the District of Columbia ranks first in its percentage of professional and business services and information jobs in the Fifth District. And as the nation's capital, it also has the largest portion of government jobs. On the flip side, the District of Columbia hosts the Fifth District's smallest percentage of manufacturing, construction, and natural resources and mining jobs.

Although aggregate payroll numbers remain roughly unchanged under NAICS, a number of the District of Columbia's former goods-producing jobs have been reclassified as service-providing. For example, the portion of manufacturing jobs shrank from 1.7 percent to 0.5 percent because printing and publishing jobs were moved from manufacturing (goods-producing) to the new information (service-providing) sector.

Because national job weakness has been centered in manufacturing, the District of Columbia's sparse dependence on goods-producing jobs enabled it to weather the current recession better than other Fifth District states. In fact, since the recession began in the first quarter of 2001, the aggregate employment level has steadily increased. Most recently, first-quarter payrolls in the District of Columbia were 1.8 percent higher than in late 2002, and the unemployment rate dropped off 0.1 percentage points.

News also remained generally favorable in the District of Columbia's residential real estate markets. New building permit activity was particularly strong in the first quarter — fueled in part by favorable interest rates and strong wage and salary growth.

DC Employment Composition by Sector First Quarter 2003



SOURCES:
Bureau of Labor Statistics/Haver Analytics
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics

	Percent Change at Annual Rate From		
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Nonfarm Employment	666.0	1.8	0.7
Manufacturing	2.8	-13.1	-11.6
Professional/Business Services	139.9	2.5	0.9
Construction	12.0	-36.7	12.8
Civilian Labor Force	304.2	2.8	-0.8
Home Sales	13.7	-39.0	-2.8
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Unemployment Rate	6.4	6.5	6.5
Housing Permits	619	394	54

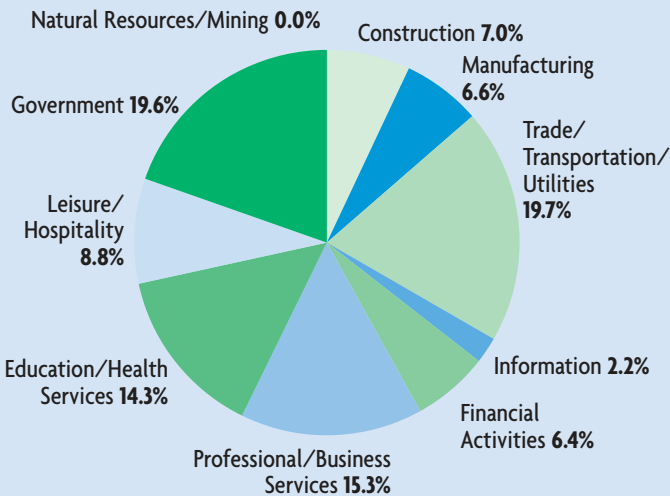
NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Professional/Business Services, thousands of jobs, SA; BLS/Haver Analytics
Construction, thousands of jobs, SA; BLS/Haver 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

Construction totals include natural resources and mining employment.



BY ANDREA HOLLAND

MD Employment Composition by Sector First Quarter 2003



SOURCES:
Bureau of Labor Statistics/Haver Analytics
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics
Metro Area Office Vacancy Rates, CB Richard Ellis/Haver Analytics

	Percent Change at Annual Rate From		
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Nonfarm Employment	2,471.3	-0.1	-0.2
Manufacturing	154.5	0.4	-3.7
Professional/Business Services	360.9	-4.6	-0.3
Construction	165.7	-14.8	4.7
Civilian Labor Force	2,929.1	4.0	1.3
Home Sales	132.3	14.5	4.0
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Unemployment Rate	4.3	4.2	4.5
Housing Permits	5,931	6,488	6,908

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Professional/Business 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

Construction totals include natural resources and mining employment.

After 60 years of use, the Standard Industrial Classification (SIC) system was recently replaced by the new North American Industry Classification System (NAICS). The movement to upgrade the SIC system stemmed largely from increasing difficulty in classifying new industries, a byproduct of the SIC system's somewhat vague demand- and supply-side approach to classification. In contrast, NAICS uses a production-based concept of classification — an establishment is assigned to an industry based on “how” it produces or provides, not “what” it produces or provides.

Maryland employment numbers were converted to NAICS with the release of the January 2003 Current Employment Survey (CES). The updated job numbers show that Maryland is dominated by service-providers — firms in the category accounted for over 87.2 percent of total employment in early 2003. Within Maryland's service-providing domain, trade, transportation, and utilities jobs account for the largest portion of total employment, followed closely by government and professional and business services.

Maryland held the largest percentage of construction jobs in the Fifth District under the SIC classification system, and the state's lead widened with the conversion to NAICS. Construction's share increased partly because highway maintenance workers — grouped in government under SIC — were moved into construction under NAICS. Maryland also ranks first in the Fifth District in its portion of financial activities jobs; this new sector encompasses most of the SIC finance, insurance, and real estate sector and adds a smattering of jobs formerly grouped under the SIC services, transportation, communications, and public utilities sectors.

The latest data point to continued weakness in Maryland's overall job numbers. The leisure and hospitality sector was especially hard hit, due, in part, to adverse weather conditions early in the year. In line with the slight contraction in payrolls, Maryland's unemployment rate inched up 0.1 percentage point to reach 4.3 percent in early 2003.

But on a more positive note, total personal income grew at a 5.7 percent annual rate in the fourth quarter, easily outpacing the national and Fifth District growth rates. Likewise, new home sales peaked at 132,300, up 4 percent over the year, and metropolitan area office vacancy rates declined for the first time since early 2002.



NORTH CAROLINA

BY ANDREA HOLLAND

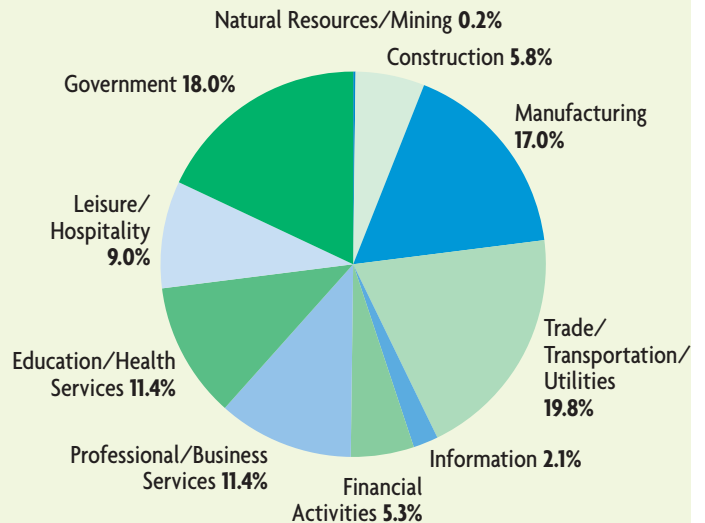
The Standard Industrial Classification (SIC) system was developed at a time when manufacturing dominated the U.S. economy. Since then, changes in the economy have diminished the role of manufacturing but boosted the significance of other industries. To reflect these changes, the SIC system was replaced by the North American Industry Classification System (NAICS) in the late 1990s. Shortly afterward, the Bureau of Labor Statistics (BLS) began the multiyear task of integrating the new system across their statistical programs. North Carolina payroll employment data were converted to NAICS in March 2003, with the release of the January 2003 data.

The proportion of North Carolina service-providers rose under NAICS while the share of goods-producers lost ground. The majority of jobs transferred into the service-providing domain came from the manufacturing sector — construction and natural resources and mining payrolls remained relatively unchanged.

In contrast to SIC, NAICS uses a production-based concept of industry classification. As a result, a number of manufacturing jobs not directly linked to production were extracted and redefined as service-providing “auxiliary establishments.” Auxiliary establishments provide management or support services to other organizations within the same company. While the SIC system grouped auxiliary establishments in the same industry as the parent company, NAICS classifies them according to the services they provide. For example, accounting divisions at North Carolina furniture manufacturers are no longer classified under manufacturing. Instead, they now reside under financial activities, a service-providing sector.

With the shift to NAICS, manufacturers now employ less than a fifth of North Carolina’s work force, and payroll numbers in the sector continue to dwindle. Factory payrolls declined 5.1 percent in early 2003, marking the twentieth consecutive quarter of contraction. But aggregate payrolls edged only slightly lower and the unemployment rate dropped sharply — jobs added in trade, transportation, and utilities, professional and business services, leisure and hospitality, and education and health services helped offset large losses in the goods-producing industries.

NC Employment Composition by Sector First Quarter 2003



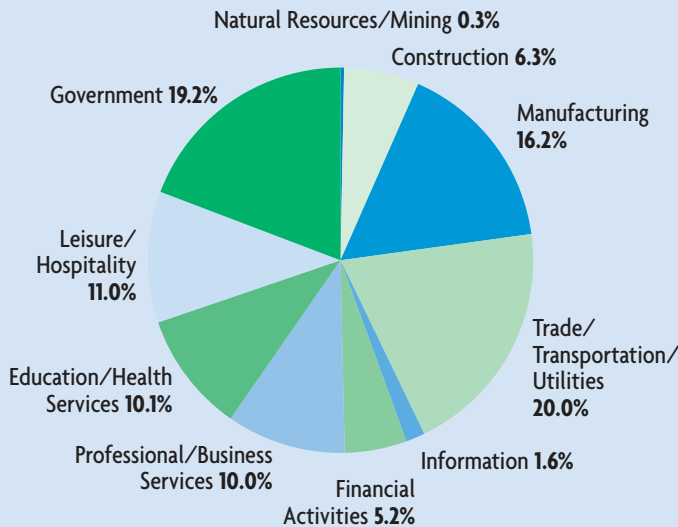
SOURCE:
Bureau of Labor Statistics/Haver Analytics

	Percent Change at Annual Rate From		
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Nonfarm Employment	3,829.8	-0.1	-0.5
Manufacturing	619.0	-5.1	-5.8
Professional/Business Services	417.3	3.2	1.0
Construction	213.0	-7.6	-7.2
Civilian Labor Force	4,157.8	0.2	-0.8
Home Sales	257.1	10.8	3.4
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Unemployment Rate	6.0	6.6	6.9
Housing Permits	17,122	20,963	18,858

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Professional/Business 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 Employment Composition by Sector First Quarter 2003



SOURCES:
Bureau of Labor Statistics/Haver Analytics
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics

The Standard Industrial Classification (SIC) system was implemented in 1941 to help gauge economic activity. It classified industries by either their production process or market group. A drawback to this approach was that if two end products had similar production processes — but were sold in different market groups — they could still end up being classified in different industries. Over the years, the introduction of new technologies exacerbated this problem and reduced the accuracy and usefulness of the SIC system in tracking industry data — employment conditions in particular.

To address these concerns, the SIC system was replaced by the North American Industry Classification System (NAICS) in 1997, and South Carolina payroll data were converted to the new system in March 2003. The updated employment data reveal that South Carolina has the least diversified work force in the Fifth District outside of North Carolina.

Manufacturing jobs account for the bulk of South Carolina's goods-producing domain. Although North Carolina still ranks first in its share of factory employment, South Carolina has narrowed the gap with the conversion to NAICS.

The service-providing domain is also more concentrated by industry in South Carolina than in other Fifth District jurisdictions. The state has the smallest percentage of education and health services and information jobs. In contrast, the state has the largest percentage of leisure and hospitality jobs.

Aggregate payrolls in South Carolina were reduced by over 16,000 in the first quarter of 2003 — the largest drop in over a year. But not all of the economic news was bad for South Carolina. Total personal income grew at a 3.8 percent annual rate in the fourth quarter of 2002, outpacing the growth rate nationally. Likewise, new home sales rose 10.5 percent over the year. And despite the significant drop in payroll numbers, the unemployment rate declined 0.1 percentage points to reach 6.1 percent in early 2003. The disparity between the two indicators of employment conditions stem from the use of two different surveys to gauge employment conditions — one asks establishments, while the other tracks households.

	Percent Change at Annual Rate From		
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Nonfarm Employment	1,802.5	-3.6	0.2
Manufacturing	281.7	-10.3	-3.9
Professional/Business Services	174.0	-19.7	-1.6
Construction	109.8	-3.9	-1.1
Civilian Labor Force	2,026.2	9.1	3.6
Home Sales	131.4	11.4	10.5
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Unemployment Rate	6.1	6.2	6.0
Housing Permits	8,439	6,711	8,136

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Professional/Business 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

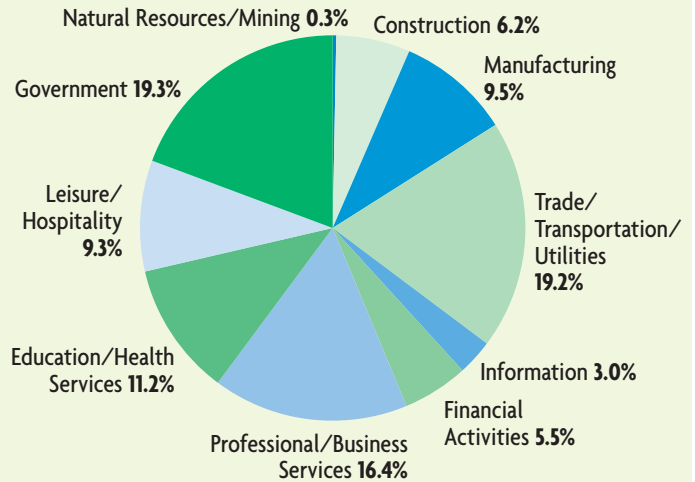
The Standard Industrial Classification (SIC) system, in use for more than 60 years, was gradually phased-out beginning in 1997 and replaced with a new classification scheme. The push for change stemmed from the SIC system's inability to portray significant structural changes to the economy that have occurred over time. Specifically, the system had difficulty in classifying new, service-oriented industries. Replacing SIC is the new North American Industry Classification System (NAICS), which uses a production-based concept of classification — establishments are assigned to an industry based on “how” they produce or provide not “what” they produce or provide.

Virginia payroll numbers were converted to NAICS beginning in March 2003. The updated figures show that Virginia's employment distribution is the most diversified in the Fifth District. Job numbers are relatively balanced across most sectors, and Virginia ranks at neither the top nor bottom in terms of employment share by industry. The largest sectors in Virginia are government and trade, transportation, and utilities. Alternately, the natural resources and mining super-sector employs the smallest proportion of Virginians.

A significant change under NAICS is the creation of the new information sector. Although this category currently accounts for only 3.1 percent of total employment in Virginia, the number of information jobs in the state nearly doubled in the 1990s, before dropping off sharply in 2001. The new sector is a fusion of industries, which under the SIC system were spread across manufacturing, communications, business services, and amusement services. Recent data suggest possible improvement at Virginia's information establishments — payrolls were up 0.5 percent in the first quarter, the first gain in two years.

But other data reveal that overall payroll conditions were not as rosy in the first quarter. Aggregate employment in Virginia fell by 1.8 percent in early 2003 — the largest quarterly decline recorded since late 2001. The unemployment rate also rose 0.2 percentage points in the first quarter of the year. But the fourth-quarter personal income figure was 4.5 percent higher over the year, matching wage and earnings growth for the Fifth District as a whole. Consumers transferred some of these earnings into the housing market — new home sales reached a record level in early 2003 and were 3.7 percent above year-ago levels.

VA Employment Composition by Sector First Quarter 2003



SOURCES:
Bureau of Labor Statistics/Haver Analytics
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics

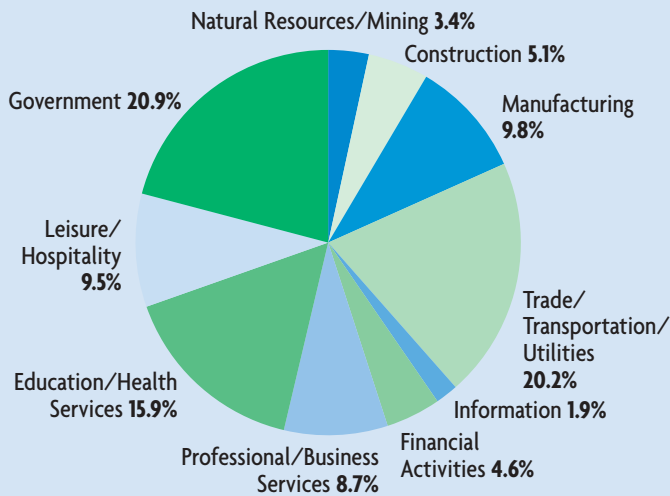
	Percent Change at Annual Rate From		
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Nonfarm Employment	3,482.5	-1.8	-0.3
Manufacturing	313.4	-7.2	-3.3
Professional/Business Services	541.5	-1.7	-1.2
Construction	205.5	-7.8	-4.3
Civilian Labor Force	3,793.0	6.0	1.7
Home Sales	170.2	8.4	3.7
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Unemployment Rate	4.1	3.9	4.3
Housing Permits	13,278	14,262	14,341

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Professional/Business 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 Employment Composition by Sector First Quarter 2003



SOURCES:
Bureau of Labor Statistics/Haver Analytics
Personal Income, U.S. Department of Commerce, Bureau of Economic Analysis/Haver Analytics

	Percent Change at Annual Rate From		
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Nonfarm Employment	733.5	2.6	-0.1
Manufacturing	66.4	-6.9	-4.8
Professional/Business Services	59.0	12.1	4.9
Construction	34.7	22.7	0.2
Civilian Labor Force	806.6	6.4	-0.9
Home Sales	27.8	-19.0	-2.8
	1st Qtr 2003	4th Qtr 2002	1st Qtr 2002
Unemployment Rate	5.7	6.2	5.7
Housing Permits	860	992	894

NOTES:
Nonfarm Employment, thousands of jobs, seasonally adjusted (SA); Bureau of Labor Statistics (BLS)/Haver Analytics
Manufacturing, thousands of jobs, SA; BLS/Haver Analytics
Professional/Business 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.

For over 60 years, the Standard Industrial Classification (SIC) system was the primary tool used to determine the industry category of individual businesses. But changes in the economy over time diminished the SIC system's ability to accurately portray the structure of the U.S. work force — creating the need for a new method of industry classification. Recognizing these deficiencies, the federal government replaced the SIC system with the North American Industry Classification System (NAICS) in 1997. Shortly after, the Bureau of Labor Statistics began the multiyear task of converting their existing statistical programs to NAICS, but it was not until March 2003 that state payroll data were converted to the new system.

The new payroll data show that West Virginia has the smallest share of professional and business services and financial activities jobs in the Fifth District. On the flip side, the state has the largest percentage of trade, transportation, and utilities employees and the second-largest share of leisure and hospitality payrolls. Under NAICS, some of West Virginia's trade-related employees were reclassified into the newly created leisure and hospitality supersector. More specifically, because NAICS uses a production based concept of classification, eating and drinking places (formerly under the SIC retail trade division) were relocated under leisure and hospitality.

West Virginia also ranks first among Fifth District states in its share of education and health services and natural resources and mining employment. Under the NAICS system, the mining and agriculture, forestry, and fishing divisions were absorbed into the natural resources and mining sector — a fusion of industries that profit from extracting resources from the environment. Most recent data show a moderate pickup at these establishments — 467 jobs were added in the first quarter, marking the first quarterly expansion since late 2001.

Other measures suggest positive economic news for the state. After contracting throughout 2002, the aggregate employment level in West Virginia rose 2.6 percent in early 2003 and the jobless rate dropped 0.5 percentage points to 5.7 percent. Total personal income grew at a 3.9 percent annual rate in the fourth quarter, outpacing activity nationally. Downside risks were still evident, though. Real estate conditions remained sluggish in West Virginia in the first quarter of the year; new home sales dropped off and building permit authorizations eased moderately.