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## State Lags Behind in Gross Domestic Product Ranking

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**West Virginia isn't growing as quickly as other states, in part because of a continual decline in manufacturing and a recent down shift in mining.**

Story by Beth Gorczyca Ryan  
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More West Virginians than ever may be working, but the actual productivity of the state is barely growing.

This week, the federal Bureau of Economic Analysis released the Gross Domestic Product growth in each state from 2005 to 2006. While the nation's Gross National Product grew by 3.4 percent, the GDP in West Virginia grew by 0.6 percent. The only state that showed a smaller gross domestic product was Michigan, which actually saw its GDP decline by 0.5 percent.

"Point-six percent isn't terribly good, but at least we are growing," said Kent Sowards, an economist with Marshall University's Center for Business and Economic Research. "But it is disheartening that we lag so far behind the rest of the nation."

Gross Domestic Product is a way to measure economic activity in the nation, or in individual states. It is an inflation-adjusted measurement tool based on the national prices of goods and services produced within a particular state.

In real numbers, the Mountain State's GDP grew from \$42.6 billion in 2003 to \$43.9 billion in 2004. By 2005, real GDP in West Virginia was \$44.7 billion and then climbed to \$45 billion in 2006.

West Virginia isn't growing as quickly as other states, in part because of a continual decline in manufacturing and a recent down shift in mining. The BEA report analyzed several key industries or employers in each state to determine how much each employment sector contributed to overall production in the state. To make that determination, the BEA considered wages paid to employees, capital and production costs.

"In real numbers, we declined by 22 percent from 2005 to 2006 in mining," Sowards said. "We're starting to see the effect of prices coming back down. I wouldn't call it a bust, but now we are seeing mining normalize."

And that 22 percent drop in real numbers almost offset increases in other areas, including real estate, health services and information jobs.

"But all of those gains get wiped out when factoring in mining and manufacturing. Those are higher wage jobs, and we're lagging behind," Sowards said.

According to the BEA report, mining's contributions to the change in real GDP in West Virginia dropped 1.83 percent, while durable and non-durable goods manufacturing declined by a combined .35 percent. Real estate increased by .81 percent, while health care services increased by .33 percent. Retail and information increased by .31 percent and .17 percent respectively.

Per-capita GDP in West Virginia from 2003 to 2006 grew from \$23,573 to \$24,748. That growth left the Mountain State at 49th place each of the four years. In fact, when comparing the newest GDP numbers with numbers released in previous years, the only year when the state's GDP was close to the national average was 2003-04. That year, per-capita GDP increased by \$721. Between 2004 and 2005, the increase in GDP dropped to \$368 per person, and by 2005 to 2006, the per-capita GDP increased by only \$86, significantly behind the national rate.

Only Mississippi had a lower per-capita GDP than West Virginia -- \$24,062 in 2006.

Sowards said the large jump in 2003-04 was directly related to a massive ramping up in the mining industry.

"We saw growth (then) of 3 percent. We had a good increase because of mining. But that's not the case now," he said.

Other states with significant mining operations also saw a decline in mining as a percentage of GDP in 2005-06, including Wyoming, which is the only state to produce more coal than West Virginia. But in that western state, the losses in mining were replaced by an increase in construction and other industries.

"Wyoming had a 1 percent increase in construction," Sowards said. "West Virginia had a 2.9 percent increase. It is that mining number that is the dagger for us right now."

So why should people care about Gross Domestic Product? West Virginia Chamber of Commerce President Steve Roberts said the answer is simple: It's an index of how the state is doing economically.

"It helps us to recognize we are not producing as much as others are," he said. "It's like looking at the gas gauge and seeing that you are running on empty."

Roberts said the fact that West Virginia is next to last in GDP rankings should sound alarms in everyone's head and spur folks even more to want to make lasting, effective changes to West Virginia and its business climate.

"These numbers from the BEA tell us that unless we make changes, our future is not going to be as pleasant as our present is," he said.

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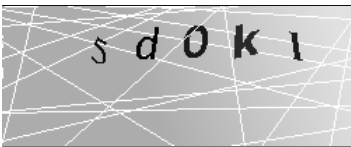
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