A funny thing happened the morning of Sept. 26, 2007. Overnight, Spokane County’s economy grew 16 percent, thanks to a new measure, called County GDP. The manufacturing sector here expanded even more, by nearly a third. What happened?

Until then, the only measuring stick of local economies had been total personal income. A more complete view, using all components of income, didn’t exist. The omission of important flows like capital investment, profits, and inventory changes produced estimates that undercounted total economic activity. Number crunchers at the federal Bureau of Economic Activity worked for several years to produce a better measure of local economic activity.

The BEA stresses that these are “prototype” estimates. Over the next two years, the results could change as the agency processes internal and external comments. For now, they are the best we have. They deliver some terrific insights that, in principle, aren’t likely to change.

Consider a ranking of the top five industries in Spokane County for 2005, the most recent year available. By personal income, the order was: government, healthcare and social assistance, manufacturing, retail, and finance and insurance. County GDP inserts a dramatic change in the top five: government, real estate, health care and social assistance, retail, and manufacturing.

Comparing Spokane’s GDP with the average of all 363 metropolitan statistical areas from 2001 to 2005 reveals some intriguing contrasts. Spokane sectors that grew faster than their U.S. counterparts were transportation, hospitality, and manufacturing. Relative to the U.S., the three slowest-growing sectors here were government, real estate, and health care and social assistance.

County GDP also permits a deeper understanding of our manufacturing sector. Whether based on perceived effects of globalization or a sense of not keeping up with the competition, conventional wisdom has Spokane’s manufacturers in long-term, perhaps terminal, decline. After all, manufacturing employment in Spokane County slipped by about 12 percent during the first five years of this decade.

Yet, as Eastern Washington University professor Grant Forsyth recently pointed out in his annual economic forecast for Spokane and Kootenai counties, this decline is neither new nor unique. An emphasis on employment obscures a positive trend shown by sector-level personal income, expanding by 6 percent over the 2001 to 2005 period. With the new GDP measure, manufacturing grew by 15 percent versus 12 percent nationally.

Significantly, County GDP shifts our view of local manufacturing dynamics. Consider several rankings for 2005. By personal income, the top five were: computer and electronic products, primary metals, fabricated metal products, machinery, and furniture. Ranked by contribution to GDP, the top five were: primary metals, fabricated metal products, computer and electronic products, machinery, and nonmetallic mineral products.

Ranked by GDP growth rates from 2001 to 2005, local manufacturing industries yield yet another order. This top five consisted of: furniture, plastics, fabricated metal products, electrical equipment and appliances, and machinery. Posting negative rates were computer and electronics, and primary metals.

Now, Spokane County’s economic progress can be measured much better. For the first half of the decade, GDP here grew by 20 percent, higher than the 16 percent increase of personal income here and significantly higher than a 3.6 percent growth in employment. Still, average GDP growth for all MSAs was higher, at 23 percent.

Clearly there is work to do to match U.S. averages. But is Spokane’s manufacturing sector party to any underperformance? Hardly.

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