

# MORGANTOWN METROPOLITAN STATISTICAL AREA ECONOMIC OUTLOOK 2014



Morgantown Metropolitan Statistical Area  
Economic Outlook 2014 is published by:  
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## EXECUTIVE SUMMARY

After showing incredible stability during the recent recession, the Morgantown metropolitan area's economy continues to post steady employment growth and boasts an unemployment rate that is among the lowest of any region in the state. Income per capita has grown at a pace that exceeds the national rate over the past four years. And the Morgantown area continues to grow in population—a trend that has gone on consistently for more than a decade.

### Several key facts behind the recent economic performance of the Morgantown MSA are as follows:

- **Employment growth in the Morgantown MSA has been remarkably steady through the recent recession and recovery.** The MSA suffered virtually no net job loss during the recession, and overall, nearly 5,000 new jobs have been added over the past five years, representing an annual employment growth rate of 1.7 percent over the period.
  - **The recent economic growth has been relatively broad in scope as virtually every major sector has shown growth in the region.** Health services, government and manufacturing have added the largest number of jobs among the area's major sectors in recent years.
  - **Morgantown's unemployment rate has fallen substantially over the past year and is at its lowest level since mid-2009.** Standing in the low-four-percent-range, the rate is far below the national and overall West Virginia averages. Overall, Morgantown's unemployment rate is 25th lowest among all 381 metro areas in the nation. This improvement in unemployment is driven entirely by job creation, rather than by labor force attrition.
  - **Per capita personal income has grown at a healthy pace recently,** averaging 2.5 percent per year since 2008. This rate of growth is on par with the state as a whole, but is more than double the national rate over the same period (1.1 percent per year).
  - **The Morgantown MSA's population has grown in recent years,** expanding by almost 20,000 residents since 2002. The area's population has increased via a natural increase (births minus deaths) and also because of in-migration. The area's population is far younger and posts a higher level of educational attainment than the state as a whole.
- Our forecast calls for continued healthy growth in the Morgantown MSA over the next five years. Key facts related to our Morgantown MSA forecast are as follows:**
- **We expect employment to grow by 1.9 percent per year in the Morgantown MSA over the next five years.** This rate will allow Morgantown to continue to be one of the strongest-growing areas of the state going forward, as this rate is nearly double the expected annual rate of job growth statewide.
  - **The construction sector is expected to produce the fastest rate of job growth in the coming years,** led to a major extent by projects tied to West Virginia University, with a forecast of 3.4 percent rate of annual job growth. Natural resources and mining, professional and business services, education and health services, and leisure and hospitality are also expected to expand at above average rates in coming years. All major sectors are expected to add jobs over the next five years.
  - **Unemployment is expected to continue to fall over the next five years, and will likely remain below the state and national rates indefinitely.** This comes on top of a projected increase in the labor force in the region.
  - **Per capita personal income is expected to increase at an annual average rate of 1.9 percent over the next five years.** However, this rate of growth lags expectations for the nation (2.7 percent) and for West Virginia as a whole (2.3 percent).
  - **Population in the Morgantown MSA is expected to grow at a rate of 1.3 percent annually in coming years.** While this does represent a slight deceleration from the rate of population growth in the region over the past two decades, it stands in sharp contrast to the slight population decline that is expected in the state overall.

# MORGANTOWN MSA RECENT ECONOMIC PERFORMANCE

The Morgantown, WV metropolitan area's<sup>1</sup> economy emerged from the Great Recession relatively unscathed and has continued to expand at a solid pace. Even with two brief episodes of mild job losses during the national economic downturn, total employment in the Morgantown MSA increased at an average annualized rate of 1.7 percent between the first quarters of 2008 and 2013—or a total of more than 5,000 new jobs over this period. In fact, Morgantown's economy has essentially avoided the last two U.S. recessions, as local employment figures have shown a consistent upward trend since the late 1990s.<sup>2</sup>

West Virginia University is the largest driver of Morgantown's economy and its growth over the past several years helped the metro area to sidestep the sharp declines in employment experienced nationally and in the rest of the state. Preliminary figures for the fall of 2013 do indicate a slight decline in enrollment compared to last year; nonetheless, the university has witnessed a fairly significant upward trend in enrollment at the state's flagship educational institution in recent years, with more than 2,000 students being added since 2006.

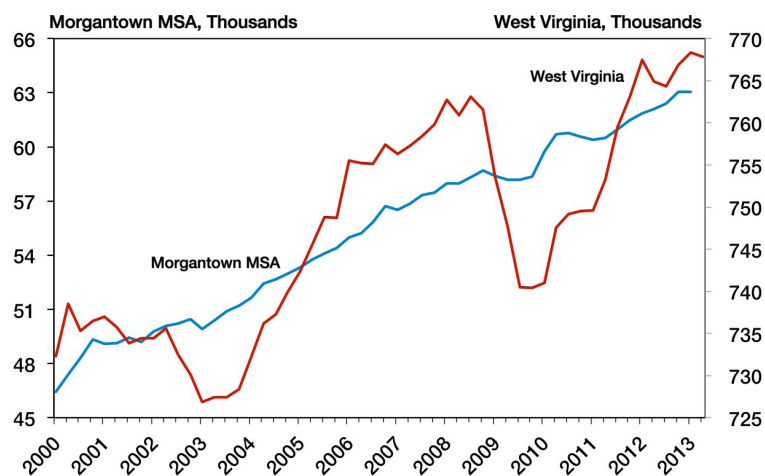
In addition to the roughly 29,500 students on the WVU campus in Morgantown, the university also employs more than 6,700 faculty and staff. Monongalia and Preston Counties also contain several federal installations, such as the Department of Energy's National Energy Technology Laboratory, NIOSH and US Bureau of Prisons. All told, federal, state and local government employment account for 1 in 4 jobs in the Morgantown metro area. While budgetary pressures have generally placed downward pressure on public sector employment at the federal, state and local levels in most areas during the past several years, Morgantown's public sector has managed to navigate this difficult period smoothly as total government payrolls have actually increased by roughly 1,000 workers since the beginning of 2008.

Accounting for approximately 1 in 5 of the metro area's total employment base, healthcare also plays a vital role in Morgantown's economy. Hospitals alone employ more than 8,000 people locally thanks to the location of Ruby Memorial and the Mon General Hospital System. WVU Hospitals at Ruby Memorial is in the midst of a series of expansions, including the construction of

a 114-bed tower, new family and child development center and an animal research facility. Mon General has invested approximately \$130 million in additions and renovations over the past several years, including a recent expansion of the birthing center. Thanks to these ongoing expansion activities and a generally rising demand for healthcare services in the region, healthcare providers have increased payrolls by largest magnitude of any sector in the metro area, adding nearly 1,600 jobs in the past five years.

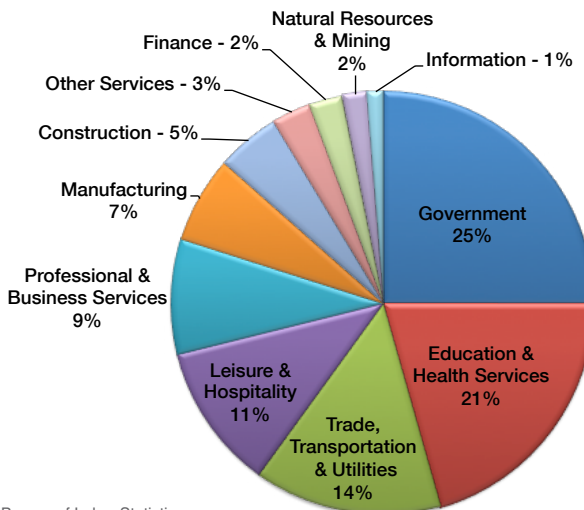
Morgantown's construction sector has also managed to add workers at a fairly steady pace over a period of time in which most areas were struggling heavily. Single-family homebuilding in Monongalia and Preston counties has remained relatively stable at a level roughly

**FIGURE 1: Total Employment**



Sources: US Bureau of Labor Statistics, Workforce WV

**FIGURE 2: Morgantown MSA Employment by Sector (2012)**



Source: US Bureau of Labor Statistics

1. For the purposes of this report, the Morgantown, WV metropolitan statistical area is comprised of Monongalia and Preston counties.

2. Sources for historical information are noted in each figure.

half of what was observed in the mid-2000s, but several multifamily and townhome developments have buoyed new residential construction activity.

In addition to the projects at Ruby Memorial and Mon General, the sector has directly benefited from WVU undertaking a number of large-scale expansion and renovation plans for buildings and infrastructure across the various campuses. Several major projects are currently underway, including the College of Physical Activity and Sport Sciences/student health and wellness building, a new advanced engineering research facility, a new building for the College of Agricultural Sciences and additions/renovations to the Law School. The university also has two large-scale housing projects, University Place and College Park, under construction. Since opening in 2004, the US Federal Penitentiary in

Preston County has undergone a series of expansions and recently saw the addition of a medium-security facility that will hold approximately 1,000 inmates.

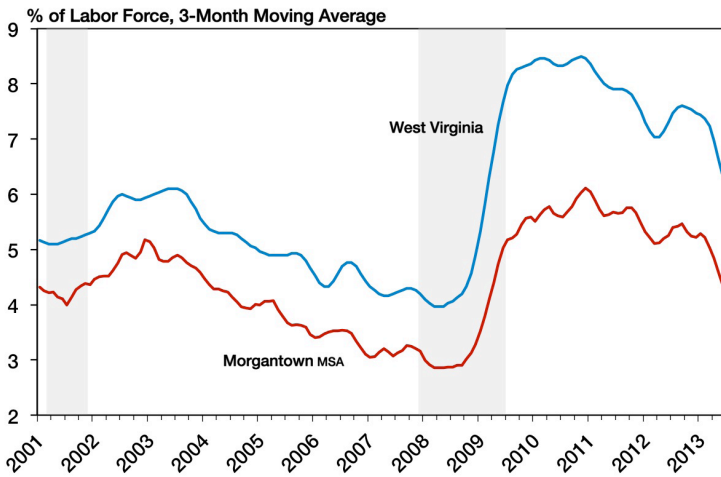
Consumer-oriented industries in Morgantown have enjoyed strong job growth during the past few years. While the broadly-defined trade, transportation and utilities sector has seen payroll levels remain stable overall, retailers have managed to add jobs. The metro area's leisure and hospitality sector has expanded as well, with approximately 800 new jobs created on net since the beginning of 2010. Steady growth in employment and personal income has certainly been a boost to spending at stores, restaurants, hotels and other consumer-dependent businesses; however, the opening of University Towne Center and Suncrest Towne Center have had the largest impact and both of these sites are still growing and adding new stores and other venues.

Manufacturing activity has rebounded at a strong pace locally after slipping during the national economic downturn, as the sector's payrolls have increased to a level just below the pre-recession peak. Morgantown's professional and business services sector has enjoyed a solid run in recent years as well, with more than 1,000 new jobs created on net in the past five years. In addition to the positive spillover benefits caused by the university's research and other activities, the metro has also experienced strong job growth at front- and back-office business support services, including temp agencies, legal services and management consulting.

Morgantown's natural resources and mining sector has expanded steadily over the past three years. In addition to the impact of the new Consol mining operation in western Monongalia County (which was forced to shut down temporarily during the first and second quarters of this year), the sector has benefited from the skyrocketing increases in natural gas extracted from the Marcellus Shale formation. Monongalia and Preston counties rank relatively low in terms of gas production, but drillers and field support firms can operate locally due to the proximity of major production fields in northern West Virginia and western Pennsylvania.

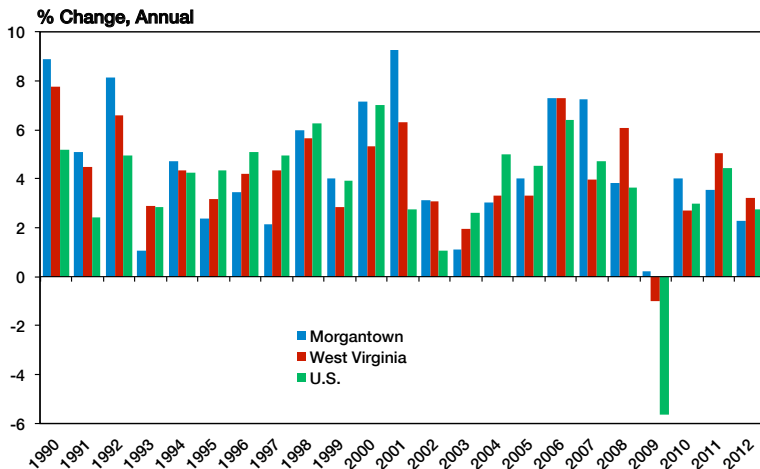
After registering one of the nation's lowest unemployment rates at just below 3 percent during 2008, the Morgantown metro area's jobless rate did rise over the course of the Great Recession. Indeed, the local unemployment reached 6.1 percent by the close of 2010. Since that point, however, the jobless rate in Morgantown has declined substantially - falling to 4.3 percent as of the second quarter of 2013. This rate places Morgantown among the 25 lowest of all 381 metro areas in the nation in terms of unemployment, nearly two full percentage points lower than the

**FIGURE 3: Unemployment Rate**



Source: US Bureau of Labor Statistics  
\*Shaded regions indicate recessions

**FIGURE 4: Per Capita Personal Income Growth**



Source: US Bureau of Economic Analysis

statewide figure and more than three percentage points less than the U.S. average (7.6 percent).

Labor force attrition has been a major contributor to declining unemployment rates in many areas, including many parts of West Virginia, but Morgantown's jobless rate has fallen due to its fundamentally strong labor market. The number of local residents counted as being in the labor force has increased by more than 4,000 since the beginning of 2009 while the number of residents holding a job has risen more than 3,800 over the same time period.

Per capita personal income for the Morgantown MSA was estimated at approximately \$36,000, without adjusting for inflation, during calendar year 2012, which marked a 2.3 percent rate of growth over the previous year. In addition, the two-county region enjoyed gains of nominal per capita income levels throughout the economic downturn, averaging 2.5 percent growth per year since 2008. This rate of income growth is on par with the rest of the state, but is more than double the rate of growth observed nationally (1.1 percent per year).

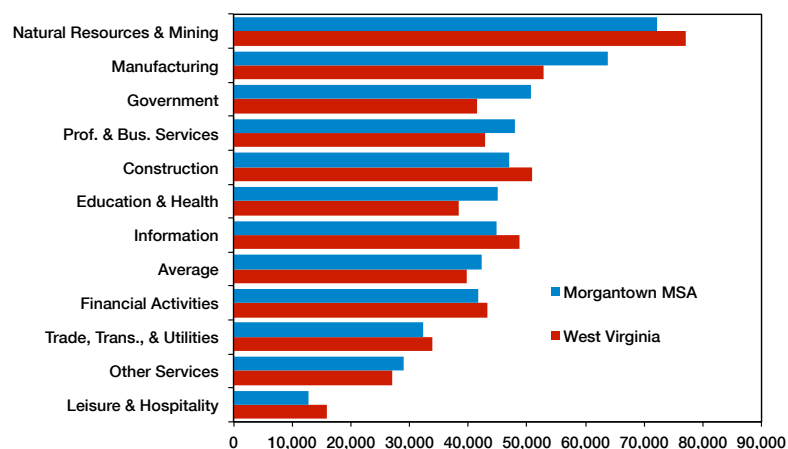
Monongalia County residents have the highest per capita income of the two counties that make up the metro area at approximately \$38,500. The county's industrial mix, namely the presence of thousands of WVU faculty and staff plus other workers in highly-paid public and private sector industries, puts income levels around \$3,500 above the statewide average and ranks it among the top six of West Virginia's 55 counties. Preston County per capita income levels are measurably lower at an estimated level of nearly \$29,000 in 2012, falling short of the statewide average by approximately \$6,000. Nonetheless, both counties have seen per capita personal income levels increase rapidly, rising at almost identical rates of around 3.7 percent over the past decade.

Morgantown's population has increased at a fairly rapid pace over the past 20 years, adding nearly 25,000 residents since 1992. Moreover, the majority of this growth has occurred over the space of the last decade as the population expanded by almost 20,000 residents since 2002. Both counties have gained residents during the last 10 years, but Monongalia County has experienced a faster rate of population growth at 1.8 percent per year since 2002—compared to a 1.2 percent per year increase in Preston County. In fact, Monongalia County became only the third county in West Virginia to contain a resident population that exceeds 100,000.

The Morgantown MSA's underlying demographic trends and makeup look quite different in comparison to those of nearly all of the state's 53 other counties. Indeed, both Monongalia and Preston counties have gained

residents via natural increase (births minus deaths) and positive net migration over the past decade. Morgantown is also very young compared to state and national norms. While Preston County does contain a large share of elderly residents, the presence of more than 29,000 college students puts the metro area's overall median age (32.3) more than a full 9 years below the statewide reading. Unsurprisingly, the metro area also contains a more highly educated population, with nearly 30 percent of residents holding at least a bachelor's degree.

**FIGURE 5: Average Annual Salary by Major Sector (2012)**



Sources: Workforce WV, WVU BBER Econometric Model

**FIGURE 6: Summary Population Profiles**

|   | Mgtn MSA | West Virginia | United States |
|---|----------|---------------|---------------|
| Total Population (2012)   | 134,164  | 1,855,413     | 313,914,040   |
| % Population Under 18 (2012)  | 16.9%    | 20.7%         | 23.5%         |
| % Population 65 Years + (2012)  | 11.9%    | 16.8%         | 13.7%         |
| Population with Less than High School Diploma (2011, % of pop. 25 yrs. +)   | 11.9%    | 15.8%         | 14.1%         |
| Population with High School Diploma, No College (2011, % of pop. 25 yrs. +) | 36.2%    | 41.6%         | 28.4%         |
| Population with Some College, No Degree (2011, % of pop. 25 yrs. +)         | 22.4%    | 24.1%         | 29.0%         |
| Population with Bachelor's Degree or Higher (2011, % of pop. 25 yrs. +)     | 29.4%    | 18.5%         | 28.5%         |
| Median Age (2012)   | 32.3     | 41.7          | 37.4          |
| Median Household Income (2011)  | \$41,992 | \$38,482      | \$50,502      |
| Mean Household Income (2011)  | \$58,075 | \$53,269      | \$69,821      |
| Average Household Size (2011)   | 2.75     | 2.46          | 2.64          |

Source: US Census Bureau



# MORGANTOWN MSA OUTLOOK

Expectations for the US economy during the forecast horizon will have a significant impact on the Eastern Panhandle's performance going forward.<sup>3</sup> Our forecast calls for the economic recovery to continue over the next five years. Projected economic growth at the state and national level during the outlook period bodes well for Morgantown and should allow the local economy to enjoy above-average growth through the end of 2018. We anticipate total employment will increase at a rate of 1.9 percent per year. While this represents a slower rate of job growth compared to the past 10 years, it will allow Morgantown to remain one of the fastest-growing areas in the state going forward. Job growth is expected to outperform gains of 1.0 and 1.6 percent per year for the state and nation, respectively, over the next five years.

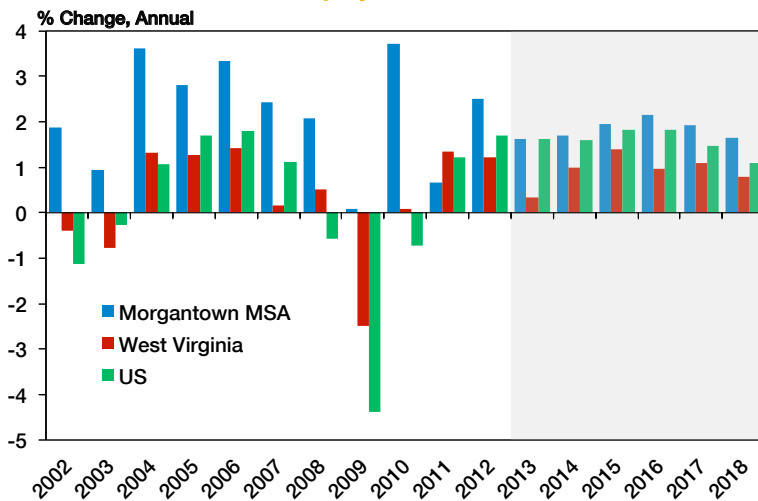
Among the Morgantown MSA's major sectors, our forecast calls for construction to post the largest percentage increase in employment, expanding at a rate of 3.4 percent per year between 2013 and 2018. Growth in construction employment will come from a number of sources, but ongoing and planned projects affiliated with West Virginia University will account for a wide majority of new construction jobs created during the outlook period. Examples of planned future major projects include: the University Park housing and commercial development; Evansdale Crossing; a WVU Healthcare Outpatient Center; an innovation center/classroom building on the downtown campus; as well as a 3,500-seat baseball stadium shared between a minor league team and WVU baseball. The latter project will also include construction of a new traffic interchange on I-79 in the Star City area.

Although appreciably smaller in size, the metro area's natural resources and mining sector is also expected to register strong job growth during the five-year forecast window. The re-starting of operations at Consol's No. 2 mine in western Monongalia County should provide a near-term boost, and a proposed new deep mine at Mason-Dixon could provide significant upside potential for the outlook—if it comes to fruition. However, the bulk of new jobs created in the natural resources and mining sector will stem largely from oil and gas drilling firms tied to production in the Marcellus Shale gas fields across northern West Virginia and western Pennsylvania.

The professional and business services sector will continue to grow at a healthy pace during the outlook period. The presence of WVU and a host of federal and private research facilities will continue to facilitate technology transfer and innovation in the area that should provide for spillover effects that ultimately foster additional job growth. In addition, a firming national economic recovery should boost demand for legal, management consulting, IT and other business support functions.

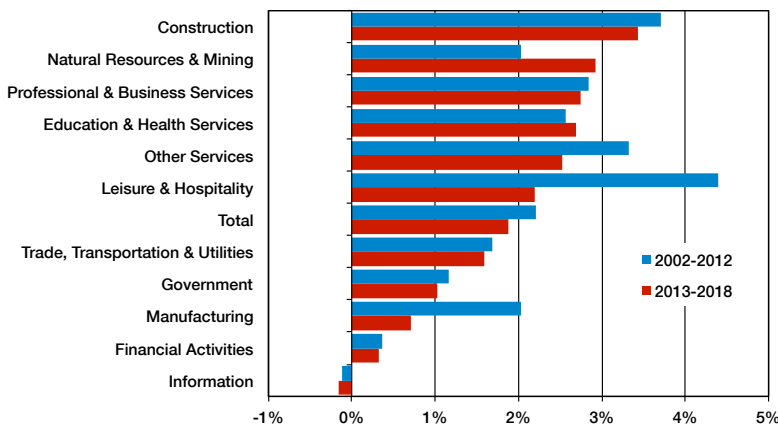
Payrolls are expected to increase at a rate of 2.7 percent per year through 2018 for the education and health services sector. With Ruby Memorial Hospital and the Mon General Health System, Morgantown will continue to serve as a center for healthcare services in northern West Virginia. More workers are expected to be needed going forward due to the prevailing demographic trend of an aging state population. Also, the expanded availability of health insurance under the Affordable Care Act is also expected to bolster demand for healthcare. In addition to the major expansion activity associated with WVU Hospitals, Preston Memorial Hospital is also slated to have an entirely new \$27 million facility built within the next two years.

**FIGURE 7: Employment Growth Forecast**



Sources: Bureau of Labor Statistics; Workforce WV; WVU BBER Econometric Model; IHS Global Insight  
 \*Note: Morgantown MSA and WV use covered employment; Shaded region represents the forecast period

**FIGURE 8: Morgantown MSA Employment Growth Forecast by Sector**



Source: Workforce WV, WVU BBER Econometric Model

3. All forecast estimates presented herein are derived from the West Virginia University Bureau of Business & Economic Research Econometric Model unless otherwise noted.

Morgantown's consumer-driven sectors, leisure and hospitality and at least the retail portion of trade, transportation and utilities, are projected to see job gains of 2.2 and 1.6 percent per year, respectively, during the outlook period. Additional population and income growth over the next five years will lift consumer spending activity, while the continued build-out of the University Towne Center and Suncrest Towne Center will add new retail, dining and entertainment establishments.

Overall public sector employment is expected to grow at an average annual rate of 1 percent per year between 2013 and 2018. We anticipate most of the growth over the forecast horizon will likely occur in the state and local government segments due to gains in population and the continued expansion of the university's footprint in Morgantown.

Although we do not anticipate any major problems for the region's federal employers, the concerns over the budget deficit and public debt have led to the likelihood of measurably slower growth, and perhaps even outright cuts, in spending for most federal agencies. This creates the likelihood of limited increases at best for federal government jobs in Morgantown, as well as other locales. The forecast calls for the local manufacturing sector to register modest job growth of 0.7 percent per year. Mylan Pharmaceuticals, the largest manufacturer in the region, will likely benefit from rising demand for generic drugs produced at its Chestnut Ridge facility thanks to an aging U.S. population and a push to limit growth in total healthcare spending.

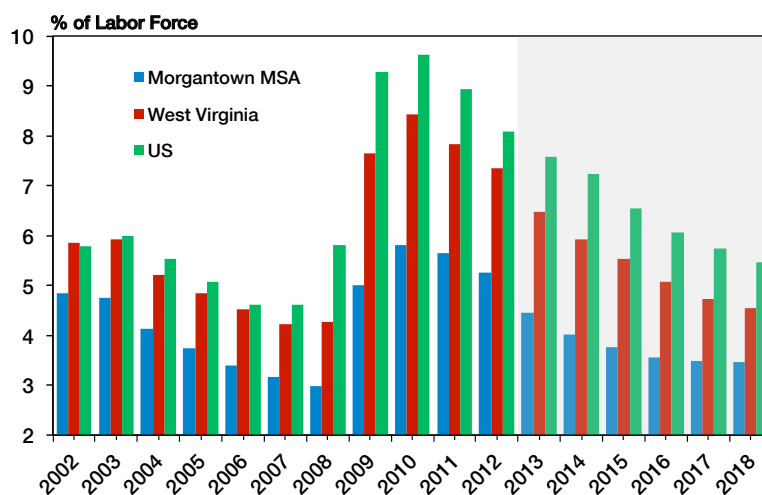
The anticipated strong pace of new job growth will cause the Morgantown MSA's unemployment rate to fall steadily throughout the 2013-2018 outlook period. After an expected calendar year average of 4.5 percent in 2013, our forecast calls for steady, gradual declines in successive years and ending the forecast horizon at just below 3.5 percent. As has been the case historically, the jobless rate for the Morgantown MSA is expected to remain well below the statewide and U.S. average. While some labor force attrition is expected longer term as elderly residents transition into retirement, particularly in Preston County, we anticipate consistent growth in Morgantown's workforce due to positive net migration flows and the availability of students attending and graduating from WVU each year.

Inflation-adjusted per capita income growth in the Morgantown MSA is projected to increase at an average annual rate of 1.9 percent through 2018. This will lag the respective figures of 2.3 and 2.7 percent per year for the state and nation as a whole. Job growth in relatively high-wage sectors will translate into increases in real wages and salaries earned by workers and continued improvements in equity markets should bolster local households' investment

income. Finally, growth in transfer payments will accelerate during the latter half of the outlook period as more people in the metro area enter retirement.

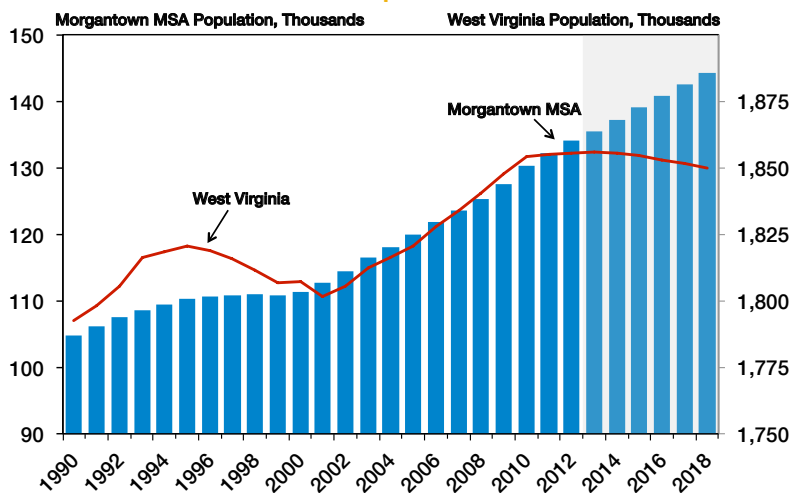
Morgantown's resident population is expected to increase nearly 1.3 percent per year during the outlook period, which represents a moderately slower rate of growth compared to the previous 10 years for the metro area. However, this will be a significant departure from state-wide trends in population growth, as the rest of the state is projected to experience a modest decline in population during the outlook period. Net migration flows into Monongalia and Preston counties should remain decidedly positive going forward thanks to the relative health of the local job market and the presence of WVU and other major employers attracting skilled and educated workers. Finally, we also expect natural increases in population to continue as the age composition of the local population will likely cause births to outnumber deaths.

**FIGURE 9: Unemployment Rate Forecast**



Sources: Bureau of Labor Statistics; WVU BBER Econometric Model; IHS Global Insight  
Note: Shaded region represents the forecast period

**FIGURE 10: Population Forecast**



Source: Bureau of Labor Statistics; WVU BBER Econometric Model; IHS Global Insight  
Note: Shaded region represents the forecast period

## APPENDIX A: GLOSSARY OF TERMS

|                               |  |
|-------------------------------|--|
| Annual Growth Rate            | between consecutive years is calculated as:<br>$\left( \frac{X_t}{X_{t-N}} - 1 \right) \times 100$   |
| Average Annual Growth Rate    | is calculated for annual data as:<br>$\left[ \left( \frac{X_t}{X_{t-N}} \right)^{1/N} - 1 \right] \times 100$  |
| Gross Product                 | is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products; calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Gross product can be calculated for various sized economies. This paper references Gross Product for counties (GCP), MSAs (GMP), states (GSP), and the domestic economy as a whole (GDP). |
| Metropolitan Statistical Area | is distinguished by a densely populated city or urban agglomeration with a population of 50,000 or more according to the US Office of Management and Budget; a county containing that city become the core of the MSA and if an adjacent county has at least 25 percent of its labor force commuting to or from the core area it is including in the MSA.  |
| Personal Income               | is the sum of the incomes of an area's residents; it is calculated as the sum of wages and salaries, proprietor's income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts less contributions for government social insurance.   |
| Per Capita Personal Income    | is the mean personal income within an economic aggregate, such as a country or city. It is calculated by taking a measure of personal income and dividing it by the total population. Per capita personal income is often used as average income, a measure of the wealth of the population of a nation, particularly in comparison to other nations.  |
| Population                    | is the number of persons whose usual place of residence was within the area at the time the census was taken. It is also referred to as resident population. Persons in the military or institutionalized are counted where the military base or institution is located.   |
| Real                          | data has been adjusted for inflation. Using real data eliminates the year-to-year changes in price and gives a clearer picture of the true changes in purchasing power, production, etc.   |
| Real Dollars                  | dollar amounts have been adjusted for inflation. Using real dollars eliminates the year-to-year changes in price and gives a clearer picture of the true changes in purchasing power.  |
| Unemployment Rate             | is the percent of the civilian labor force that is unemployed. The civilian labor force is comprised of non-institutionalized persons 16 years of age or over who are employed or unemployed. A resident is considered to be unemployed for the month if that persona is at least 16 years old and is not currently employed but is available and actively looking for work during the survey week (the week including the 12th of the month).   |