

THE NEW RIVER GORGE AREA ECONOMIC OUTLOOK 2023-2027



New River Gorge Area Economic Outlook

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Executive Summary

The New River Gorge Area's economy has faced significant turmoil over the last decade as ongoing structural changes affecting several key industries have proven difficult to overcome. The COVID-19 recession only added to the region's long-term volatility, but conditions in the four-county area have improved measurably over the past two years or so. In this report, we present a discussion of the New River Gorge Area's recent economic performance and a forecast of the region's economy over the next five years.

Several key facts behind the New River Gorge Area's recent economic performance are as follows:

- **After sustaining a job loss of nearly 7,000 between 2012 and 2016, the New River Gorge Area did see a respite from losses and managed to record modest job gains between 2017 and 2019.**
- **The region's economic recovery from the COVID-19 recession has lagged state and national averages, with total employment in the area rebounding to just below 98 percent of pre-pandemic levels.**
- Nicholas and Fayette counties have struggled the most from an economic perspective over the last decade, but Raleigh County has endured the slowest recovery from the COVID-19 recession.
- **Long-term job losses for the region have been heavily concentrated in goods-producing industries.** Coal output has fallen off by more than half since 2008, with much of the industry's demand shifting to export markets.
- **Service sectors, most notably trade, transportation, and utilities, have also endured large employment declines.**
- **Unemployment surged to just over 18 percent during April 2020 but has fallen sharply since then, reaching an historic low of 3.9 percent in mid-2022.**
- **The region has suffered major labor force attrition over the past decade or so and has workforce participation rates that are well below state and national averages across key age groups.**
- **Regional population losses deepened in recent years as the number of deaths outnumbered births by a**

widening margin and economic turmoil fueled an increase in outmigration.

- **Per capita personal income has increased 35 percent between 2011 and 2021 but growth has been quite volatile over this period.** Raleigh County residents have the highest average income levels in the region.

Our forecast calls for the New River Gorge Area to rebound at a below-average pace and is not expected to recover fully from the COVID-19 recession during the outlook period. Two of the region's counties will lag the broader regional performance by a wide margin. Key aspects of our forecast are as follows:

- **We expect regional employment to increase at an average annual rate of more than 0.2 percent over the next five years.** Job growth in the region will be at its strongest from late-2022 through 2023.
- **Sectors that were affected most by the pandemic, namely leisure and hospitality, other services, and healthcare, will see the fastest rate of growth over the next few years.**
- Professional and business services, and the public sector are other sectors that will contribute the most to regional job growth over the next five years. Construction should see major contributions from federal infrastructure spending.
- **The region's coal industry is expected to see continued growth for the next year or so, but energy markets will be wrought with uncertainty due to Russia's invasion of Ukraine.**
- **Unemployment is expected to rise by more than a percentage point within the next year reflecting easing shortages in the regional labor supply and a cooldown in economic growth.**
- **Per capita personal income is expected to rise at an annual average rate of 1.8 percent over the next five years, led by increases in federal transfer payments.**
- **Population losses are expected to continue in the area during the outlook period, though some opportunities to limit these declines (or record growth) have emerged.**

Recent Economic Performance

The New River Gorge Area’s¹ economy continues to recover from the COVID-19 recession. After losing approximately 7,000 jobs between February and April 2020, the four-county area has generally experienced a steady rate of employment growth following the surge in hiring that occurred in the early economic reopening phases during mid-2020. Despite these improvements, however, the region’s rate of recovery has lagged both the overall statewide and national average over the past two years, as total payrolls sit at just below 98 percent (~1,000 jobs) of their pre-pandemic level as of the third quarter of 2022.

In addition to seeing a slower rate of recovery from the COVID-19 recession, the New River Gorge economy endured significant struggles even before the pandemic. Outside of a brief episode of moderate job growth fueled by an export-driven rebound in coal production and natural gas pipeline construction, the four-county area suffered sustained job losses throughout much of the decade prior to the pandemic. Overall, between 2012 and 2019, the New River Gorge economy lost more than 6,000 jobs, with roughly half of those losses directly or indirectly related to the shrinking footprint of the region’s coal industry.²

PERFORMANCE BY COUNTY Among the New River Gorge’s four counties, Raleigh County serves as the region’s economic epicenter. Specifically, the county contains the area’s largest principal city (Beckley) and accounts for nearly two-thirds of all jobs found in the region. Fayette and Nicholas counties account for most of the area’s remaining economic activity, while Summers County is the region’s smallest and most rural, containing roughly two thousand jobs.

In the years just prior to the pandemic, Raleigh County accounted for most of the region’s employment gains, and the majority of those were linked to the energy sector. Indeed, a strong uptick in export demand boosted the area’s met and

steam coal production, plus construction activity on the Mountain Valley Pipeline added more than a thousand jobs over the course of 2018 and 2019. During the initial onset of the pandemic in early-2020, Raleigh County experienced similar rates of jobs loss as to what occurred at the state and national levels and during the initial stages of reopening enjoyed a healthy rate of growth on par with broader averages. Since early-2021, however, Raleigh County has lagged broader statewide and national job growth and the current level of employment sits at less than 97 percent of its pre-pandemic level.

Figure 1: Total Employment

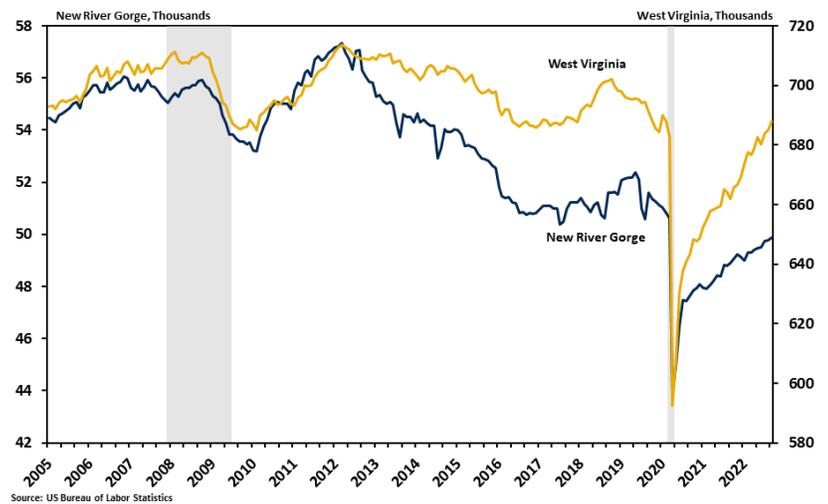
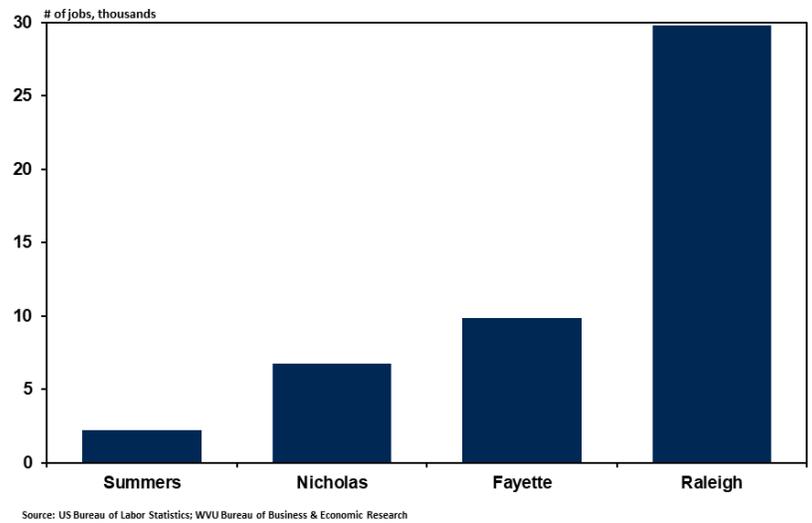


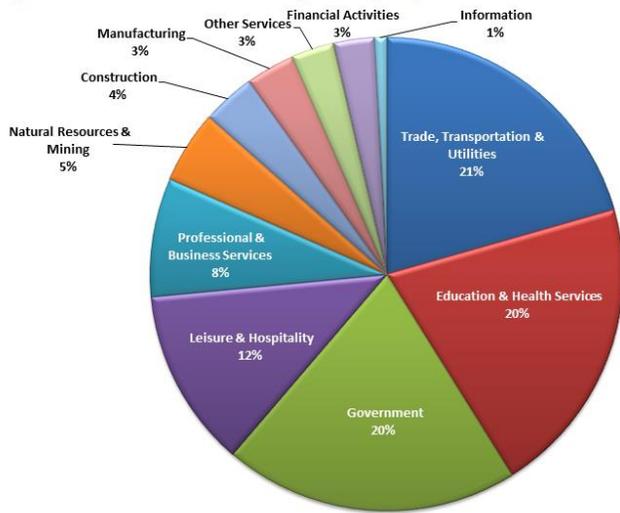
Figure 2: Total Employment by County (2021)



¹ For the purposes of this report, The New River Gorge Area is comprised of four counties: Fayette, Nicholas, Raleigh, and Summers counties.

² Sources for historical information are noted in each figure.

Figure 3: New River Gorge Employment Distribution by Sector



Source: US Bureau of Labor Statistics; 2021 data.

Although the causes for the county’s lackluster recovery are not known, the area’s industrial mix, particularly an above-average dependence on in-person consumer service-based sectors, high rates of job openings and a significant public health impact from COVID-19 hospitalizations and deaths, are likely contributors. On a positive note, the area’s coal industry has seen a rebound in production and employment over the past several quarters. Russia’s invasion of Ukraine has created a major negative supply shock in global energy markets, including coal. Although the increase in production is not on par with previous export-led boosts in output that occurred in the early- and late-2010s, mined tonnage and payrolls have returned to pre-pandemic levels.

Fayette and Nicholas counties have endured sustained periods of economic stagnation over the last couple of decades, due in large part to the structural declines in local coal and manufacturing activity. In the years just prior to the pandemic, these two counties did see overall economic activity stabilize thanks to a jump in coal production and natural gas pipeline construction offsetting losses elsewhere. Both counties experienced similar magnitudes of job losses during the COVID-19 recession and have also recovered to roughly the same level of pre-pandemic activity, with payrolls rebounding to approximately 98 percent of their early-2020 levels. Surges in COVID-19 infections and hospitalizations have had noticeable impacts on local labor markets and have only further exacerbated low workforce participation rates that existed even prior to the pandemic.

While Summers County is the most rural portion of the New River Gorge Area, it has arguably seen the most stability over the past decade or so. In addition, while the COVID-19 recession did lead to local job losses in early-2020, local payrolls reached pre-pandemic levels all the way back in mid-2021 and gains have continued into the second half of 2022 – leaving employment at nearly 110 percent of its pre-pandemic tally. In fact, Summers is the only county in the region to notch a net gain in employment over the past decade or so.

TRAVEL & TOURISM Thanks to a wealth of available natural scenic attractions and outdoor-focused activities in the New River Gorge Area, such as whitewater rafting on the New and Gauley rivers, camping, hiking trails, biking, zip-line tours, not to mention the Summit-Bechtel Family National Scout Reserve, travel and tourism clearly plays a major role in the region’s economy. The Scout Reserve hosted the last two National Scout Jamborees in 2013 and 2017, along with the World Scout Jamboree in 2019. These events bring in tens of thousands of scouts and their family members, along with sponsors and support personnel for more than a week into the New River Gorge Area, yielding significant economic impacts.

Of course, the COVID-19 pandemic created a serious disruption to the region’s travel and tourism sector, forcing the cancelation of the 2021 National Scout Jamboree as well as Bridge Day in 2020 and 2021. In some respects, the pandemic does continue to have lingering impacts on the region’s travel and tourism businesses, as many continue to struggle with high rates of job openings. Furthermore, high gas prices and broader inflationary pressures have had palpable impacts on discretionary household spending over the past year or so and has likely forced some potential visitors to the area to select other destinations closer to home.

Nonetheless, the sector’s development has enabled the four-county area to carve out a niche as an adventure tourism destination and has also softened the blow, to a degree, caused by the secular declines in regional coal and manufacturing activity. In addition, the designation of the New River Gorge as a National Park & Reserve in 2020 has bolstered the region’s profile and should continue to do so as economic volatility associated with the pandemic fades.

SERVICE-PROVIDING SECTORS Trade, transportation and utilities ranks as one of the region's largest sources of employment in the New River Gorge Area's private sector. Unfortunately, this super-sector has experienced a consistent trend of job losses over the years. Some of the recent losses have been entirely unavoidable as the COVID-19 pandemic has caused a significant disruption to the retail sector. These disruptions have extended beyond the initial loss of in-person spending activity as public health restrictions were removed more than a year ago. Currently, the sector has had to cope with persistently high rates of job openings that have been endemic across a range of service sectors. Also, retailers are facing significant wage pressures both from within the sector and from other sectors as competition for scarce labor has remained strong.

At the same time, the pandemic merely accelerated trends that were already occurring within the sector. Indeed, Amazon and other internet-based direct-purchase and ship portals had supplanted shopping at brick-and-mortar retailers for a growing share of the US population. When combined with the New River Gorge Area's population losses and generally weak economic performance over the past couple of decades, the region has seen retail payrolls plunge more than 15 percent during the past decade or so.

Wholesale trade and transportation and warehousing firms have also been hurt by the woes in regional retail activity. However, these sectors have also felt the negative downstream effects of the steep decline in coal output and production/sale of machinery and equipment supplied to mines across the four-county area (and the overall southern half of West Virginia). Supply chain bottlenecks, labor supply shortages and ongoing labor unrest with rail unions have been notable problems for the region's transportation and logistics businesses and have hindered a broader improvement in hiring activity over the past couple of years.

Accounting for one in five jobs in the region, the education and healthcare services sector plays a major role in the New River Gorge Area's economy. The sector has suffered through some episodes of job losses over the past decade but has otherwise been one of the region's few sources of stability. The COVID-19 pandemic has caused significant strain on the area's healthcare providers, much as it has on hospitals, nursing homes and other facilities throughout the state for the past two-and-a-half years. The sector has

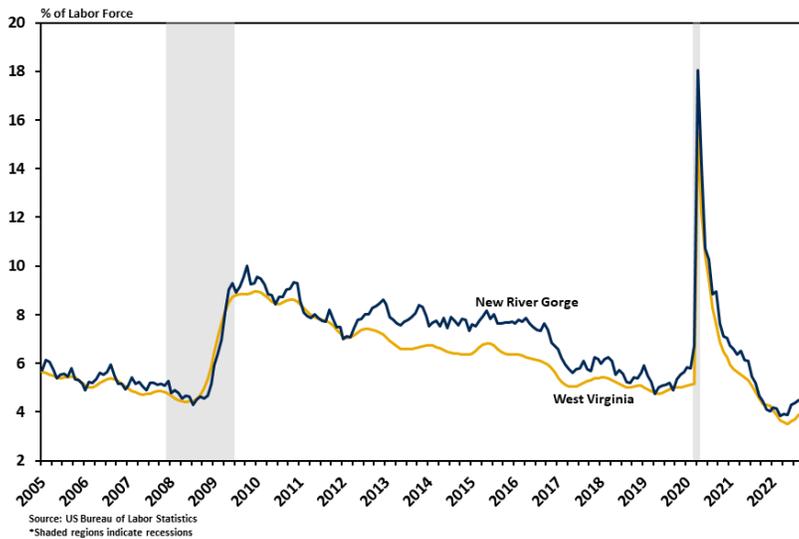
also taken one of the hardest hits in terms of labor supply across the US, as successive surges in COVID-19 cases and hospitalizations, both pre- and post-vaccine availability, have caused significant strain and fatigue for the healthcare workforce.

COAL MINING Although the New River Gorge Area is typically synonymous with scenic vistas, whitewater rafting and other types of adventure tourism, coal mining and other resource-based industries such as timbering have deep historical ties to the region's economic base. As of 2021, natural resources and mining accounted for 5 percent of the region's jobs; however, given the coal industry's high levels of capital intensity and wages paid to coal miners, the overall sector's share of output in the region is more than three times larger than its share of employment.

The New River Gorge Area's coal industry has faced many of the same issues endemic to other parts of the Central Appalachian Coal Basin, namely high extraction costs and declining domestic demand. The region still contains a great deal of low- and medium sulfur coal for electricity generation as well as premium grade coal to produce metallurgical coke for steelmaking. However, production costs rank as one of the highest among all major coal basins globally due to decades of heavy mining activity that have left reserves buried at greater depths or available in seams that are thinner or more sparsely located. Periods of high global coal prices do boost local production, but the growing importance of export demand from India and other emerging economies has left regional coal output even more susceptible to year-to-year volatility since global economic and geopolitical forces are far less predictable than domestic electricity consumption.

Since reaching more than 20.2 million short tons in 2008, the New River Gorge Area's coal output has trended significantly lower. The modern historical low point for the industry's output occurred during the 2015/2016 collapse in global coal demand, where production fell below 8 million short tons. Stronger global demand boosted regional coal output to more than 10 million tons in 2018 and 2019, before the COVID-19 recession caused coal demand to plunge rapidly in 2020, leaving coal tonnage from local mines at roughly 8.3 million. With the underlying improvement in global demand, combined with the global supply shock caused by Russia's invasion of Ukraine, local coal output has continued to recover from

Figure 4: Unemployment Rate



Unemployment rates vary within the region, ranging from a low of 3.9 percent in Raleigh County up to a high of 5.2 percent in Fayette County (as of the third quarter of 2022).

LABOR FORCE Given the significant job losses the region has suffered over the past decade or so, along with some of its underlying demographic trends, the New River Gorge area has experienced major declines in the size of its labor force over time. Indeed, between 2012 and 2019 the four-county area’s workforce has shrunk by 6,000. The decline would have been larger absent modest rebound in labor force growth that occurred between mid-2017 and late-2019. The onset of the COVID-19 recession did lead to the abrupt loss of more than 2,000 residents from the workforce, but

those losses have nearly been reversed as of the third quarter of 2022.

the COVID-19 recession. Through the first three quarters of 2022, area mine production has totaled 7.7 million short tons and is likely to surpass 10 million for the calendar year. Payrolls at area coal mines have also rebounded thanks to stronger demand and the broader impact of the war in Ukraine, surpassing 2,500 during the first three quarters of 2022.

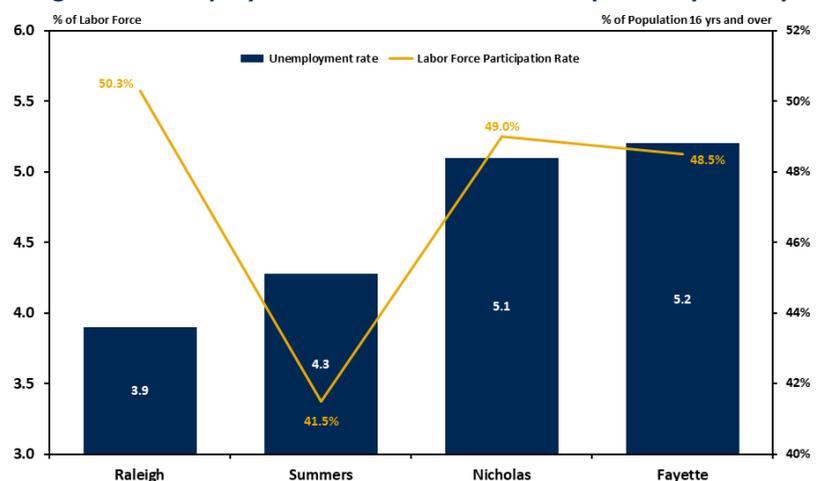
UNEMPLOYMENT Outside of a very brief episode in mid-2019, the New River Gorge Area’s jobless rate has exceeded the overall statewide during the last decade or so—and often by an appreciable margin. The four-county area’s unemployment rate peaked in April 2020 at the height of the COVID-19 recession, hitting 18 percent. As with other areas, however, the jobless rate plunged over the course of the next two years or so as public health restrictions were relaxed and eventually removed and businesses ramped up hiring to meet growing end market demand. In addition, labor markets have tightened to even greater degree as lingering effects from the pandemic and a host of other factors have weighed on underlying growth in the labor force, causing many businesses to see job openings increase to more than double the number of applicants.

The New River Gorge Area’s unemployment rate settled at a new all-time low of 3.8 percent during the second quarter of 2022. The rate has ticked higher over the past several months but at 4.5 percent, the region’s jobless rate is only slightly higher than what was observed in mid-2008.

those losses have nearly been reversed as of the third quarter of 2022.

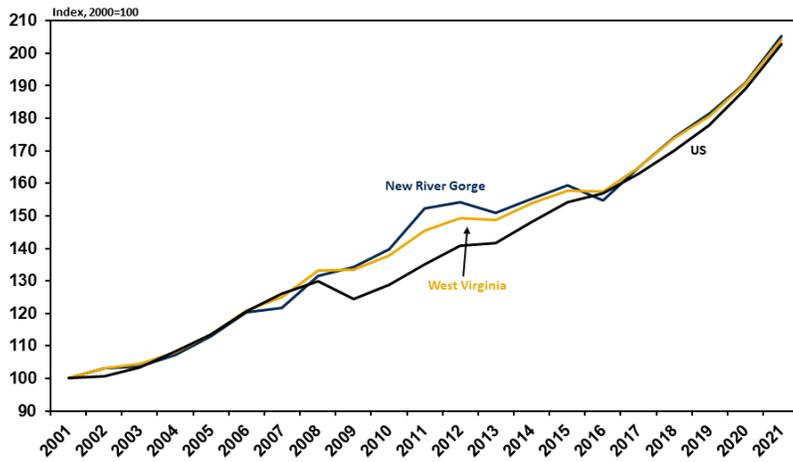
Even with the apparent easing of some of the region’s longer-term issues with labor force attrition, the New River Gorge Area still suffers deeply from a significant deficit in workforce participation. All four counties in the region have labor force participation rates that fall well short of the overall statewide average and Raleigh County is the only one to have even half of its 16 years and older population actively engaged in the workforce. Summers County has the region’s lowest workforce participation rate at nearly 42 percent. Part of this deficit stems from the fact that the four-county area’s population is more likely to be in retirement age, but even when focusing on the prime working age (25-54 yrs), the region is still several

Figure 5: Unemployment and Labor Force Participation by County



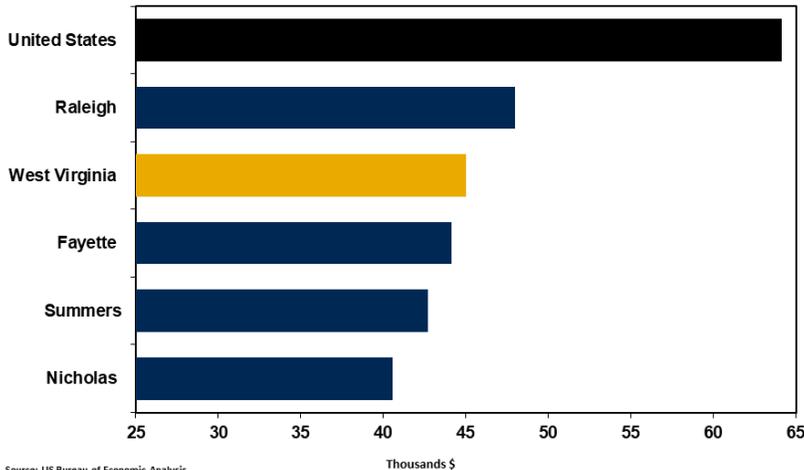
Source: US Bureau of Labor Statistics; US Census Bureau
 Note: Unemployment rate and labor force participation represent 2022q3 averages

Figure 6: Per Capita Personal Income



Source: US Bureau of Economic Analysis
 *Note: The 2021 figure for New River Gorge is an estimate.

Figure 7: Per Capita Personal Income by Area (2021)



Source: US Bureau of Economic Analysis.
 *Note: The 2021 figure for counties is a preliminary estimate.

percentage points below the statewide average. Several factors contribute to the four-county area's structurally lower rate of workforce participation. While the skew in the age distribution represents one factor, it does not explain the full participation rate deficit relative to even West Virginia, where workforce participation rates themselves have ranked last in the nation for nearly fifty years. Chronic health issues, such as obesity, diabetes, disabilities, long COVID, and/or poor cardiovascular conditions represent an underlying cause of low participation rates, as people who are struggling with poor health might have difficulty maintaining a job. Similarly, low rates of educational attainment explain the deficit in workforce participation since residents will lack

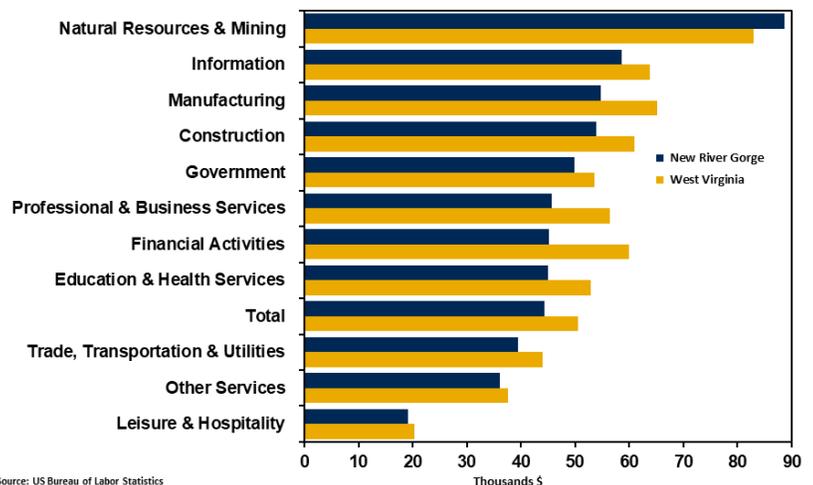
the proper skills and credentials for many jobs that become available. Finally, the region also struggles with a high prevalence of drug use, so many residents who would otherwise be able to participate in the workforce under normal circumstances are on the sidelines due to addiction or themselves must care for family members who are being affected in some capacity by this epidemic.

INCOME Per capita personal income for the New River Gorge Area was estimated at approximately \$45,300 for calendar year 2021. This marked a 7.5 percent increase versus 2020 and leaves overall per capita income for the region 35 percent higher than a decade ago (not adjusting for inflation, as presented in Figure 6). However, income growth has been volatile over the past decade, even when compared to the state, with outright declines in nominal income levels during 2013 and 2016.

Per capita income growth has been particularly strong during the COVID-19 pandemic thanks in large part to federal pandemic relief that was administered in several different periods in 2020 and 2021. More recently, wages and salaries have represented a growing part of overall income thanks to broader gains in hiring activity and rapid growth in wage rates across many sectors.

Per capita income in Raleigh County reached \$48,000 during 2021, ranking it 15th-highest among West Virginia's 55 counties and nearly three

Figure 8: Average Annual Salary by Major Sector (2021)



Source: US Bureau of Labor Statistics

thousand dollars above the statewide average. Preliminary data also show the region's other three counties with income levels below the state average, ranging from \$40,600 in Summers to \$44,100 in Fayette County.

Per capita incomes in Raleigh, Fayette and Nicholas counties are boosted to some extent by the high wages that are paid to coal miners and certain manufacturing industries, but income levels in most of the region are held down by the specific types of income earned by residents. Because of a combination of demographic and socioeconomic circumstances, federal government transfer payments such as Social Security, Medicare, etc. account for more than one third of personal income during normal years for the region and more than 40 percent in Summers County.

POPULATION The New River Gorge Area's resident population totals have been highly volatile since the early 1950s, but the region has seen its resident population figure steadily decline since the mid-1990s and is much smaller in comparison to late-1970s and early-1980s. In fact, the region's resident population total is at its lowest level since the late 1960s. Overall, each of the New River Gorge Area's counties have lost population in recent years, resulting in a net decline of nearly 15,000 residents in the past decade.

DEMOGRAPHIC CHARACTERISTICS The New River Gorge Area's population has been negatively affected by deaths consistently outnumbering births. Part of this is due to the

area's larger-than-normal share of elderly residents, but also higher death rates from a host of issues ranging from heart disease to drug overdoses among younger cohorts living in the region play a major role in pushing the area's mortality figures significantly higher. Finally, the four-county area even lags the statewide average in measures of educational attainment among the adult population, as less than 19 percent of residents aged 25 years and older possess at least a bachelor's degree. The area's four-year degree or higher attainment rate falls short of the national average by nearly 15 percentage points.

Figure 9: Summary Population Profiles

	New River Gorge	West Virginia	United States
Total Population (2021)	149,906	1,782,959	331,893,745
% Population Under 18 (2021)	20.5%	20.1%	22.2%
% Population 65 Years + (2021)	22.5%	20.7%	16.8%
Population with Less than High School Diploma (2020, 25 yrs. +)	12.4%	12.4%	11.5%
Population with High School Diploma, No College (2020, 25 yrs. +)	42.7%	40.0%	26.7%
Population with Some College (2020, 25 yrs. +)	26.2%	26.3%	28.9%
Population with Bachelor's Degree or Higher (2020, 25 yrs.+)	18.7%	21.3%	32.9%
Median Age (2021)	44.2	42.8	38.8
Mean Household Income (2020)	\$56,128	\$65,332	\$91,547
Average Household Size (2020)	2.37	2.40	2.60
Labor Force Participation Rate (2020)*	48.7%	54.7%	61.7%

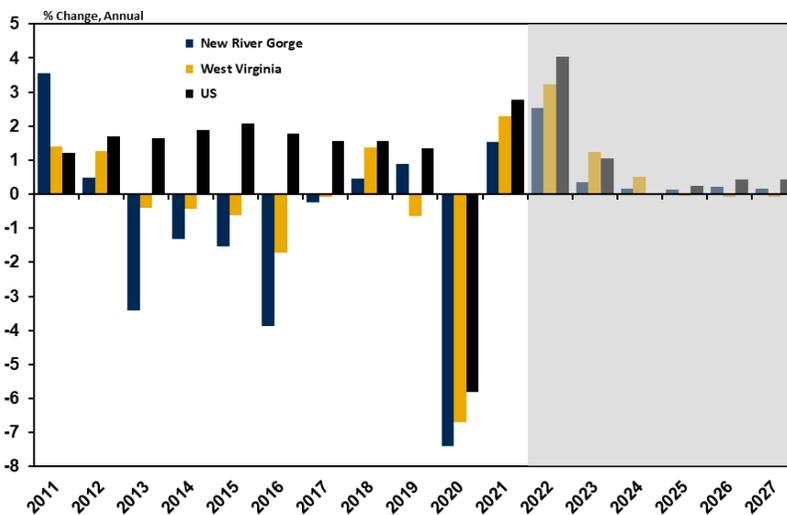
Source: US Census Bureau

*Note: WV and US figures are from 2021.

Economic Outlook

Expectations for the West Virginia and US economy during the 2022-2027 forecast horizon will have a significant impact on New River Gorge Area’s performance going forward. Given the likelihood of future Federal Reserve interest rate hikes to cool inflationary pressures, and the potential of these rate increases to precipitate an economic slowdown or even an outright recession within the next year, the four-county area’s outlook is subject to significant uncertainty. In addition, the ongoing volatility in energy markets caused by Russia’s invasion of Ukraine creates additional risk (both upside and downside) to the region’s near-term economic performance.

Figure 10: Employment Growth Forecast



Source: US Bureau of Labor Statistics; WVU BBER Econometric Model; IHS Markit
 *Note: North Central and WV use covered employment; Shaded region represents the forecast period

With that said, the baseline forecast assumes the New River Gorge Area’s recovery from the COVID-19 recession will continue, but the region will continue to record growth that falls short of the state and national average by a modest margin. Overall, the forecast calls for the four-county area’s employment levels to increase at a rate of 0.2 percent per year compared to 0.3 and 0.4 percent for the state and nation, respectively. As a result, the region will fall just short of reaching the pre-pandemic level of employment during the outlook period.

Despite rising concerns over the potential of a broad US recession within the next year or so, the labor market’s recovery forecast is expected to be the strongest during the first half of the outlook period. Most of this growth will be driven by the region’s service sectors, which will continue to see conditions normalize as the pandemic wanes further and more people enter the workforce.

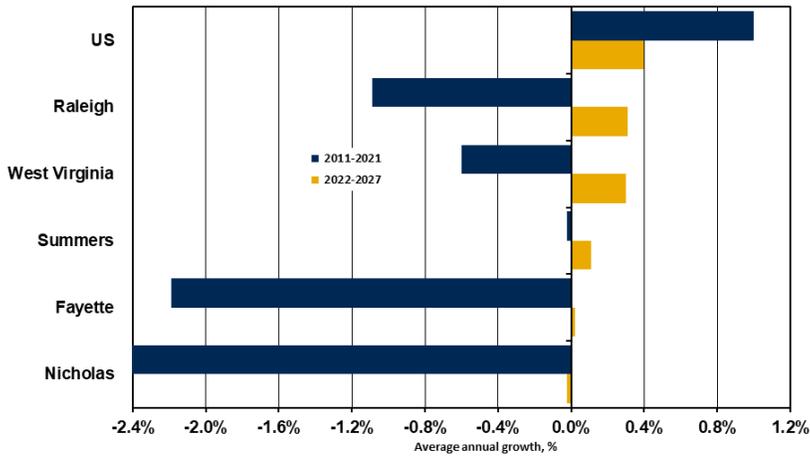
The region’s coal industry is expected to be a significant source of risk to the regional economy going forward and could lead to sizable differences between the forecast and actual rate of job growth. Over the near term, global coal demand is expected to remain strong thanks to growth in the developing world. However, the extent of the impact from Russia’s invasion of Ukraine on global energy markets still isn’t known since Russia shows no signs of ending its operations, which means global energy commodity markets will remain in turmoil for at least the foreseeable future and coal supplies to Europe and other western nations will increasingly need to be provided by Central Appalachian mines, particularly during the 2022/2023 winter heating season.

COUNTY DIFFERENCES Among the region’s four counties, Raleigh County is expected to enjoy the fastest pace of job growth going forward at 0.3 percent per year, edging out the statewide rate of growth by a very slight margin. Barring a significant global economic downturn in the next year or so, global demand for metallurgical coal should continue to buoy regional coal production and provide some modest lift to job growth. This should also lead to downstream employment gains for manufacturers and other suppliers, as well as support businesses such as contract labor companies, engineering, and other technical services companies.

In addition, consumer service-based sectors such as leisure and hospitality and other services will recover rapidly over the next year as restaurants, hotels, gyms, and other venues see activity normalize to pre-pandemic levels. Strong wage growth will likely affect the pace at which employers in these sectors add jobs over the next year or so, but wages will need to be adjusted upward given labor market tightness and a competitive environment for workers. Raleigh County should return to pre-pandemic employment levels by mid- to late-2023.

While Nicholas and Fayette counties are expected to see continued job gains for the next year or so, these two areas are expected to lose momentum as the outlook period progresses. Although their travel and tourism sectors are a key foundation of these local economies, which could ultimately provide some upside potential to growth if

Figure 11: Employment Growth Forecast by Area



Source: US Bureau of Labor Statistics, WVU BBER Econometric Model; IHS Markit

recent efforts to enhance tourism opportunities were to prove successful, the counties lack any major growth drivers that would boost growth during an upturn in the business cycle. As a result, we anticipate Fayette and Nicholas counties will be mostly stable over the five-year forecast horizon and will both fall just short of their respective pre-pandemic levels of employment. Summers County will experience a moderate pace of job growth during the next year or so, but overall growth will remain modest at 0.1 percent per year through 2027.

PANDEMIC RECOVERY Job growth in the New River Gorge Area, particularly over the next year or so, will continue to be driven in large part by consumer-oriented services sectors that were hit hardest by public health restrictions and overall consumer wariness at various stages of the COVID-19 pandemic. Indeed, we anticipate sectors such as leisure and hospitality and other services will outpace other major sectors in the region as labor market shortages ease and employers are able to fill vacant positions.

Of course, the region’s wealth of natural amenities and outdoor recreational activities will remain a strength for this sector going forward and enable tourism-related businesses in the area to benefit from the broadening recovery in domestic and international leisure travel. Furthermore, this year’s return of events such as Bridge Day and the National Scout Jamboree in 2023 should boost the region’s travel and tourism industry even further as recent cancellations or delays of mass gathering events have likely created some degree of pent-up demand. Furthermore, the designation of the New River Gorge as a

US National Park and Preserve is expected to raise the region’s visibility from a national perspective and enable firms operating in the adventure tourism industry to enhance their marketability.

One source of upside potential for the region’s travel and tourism sector is the concerted effort to develop higher value-added tourism activities within the region. Although the area’s adventure tourism attractions such as rafting and ziplining do produce more room nights compared to other nature-related activities in the region and elsewhere in the state, development of agrotourism as well as food- and drink-based destination options in the region would attract travelers with a higher propensity to spend and purchase higher margin items.

MINING AND MANUFACTURING The New River Gorge Area’s natural resources and mining sector is expected to lose jobs at an average annual rate of 0.6 percent between 2022 and 2027. Coal production and payroll levels for area mines could approach 2018 levels (or even higher) over the next year or so as global coal prices remain supportive of new output growth and supplies are encumbered by widespread boycotts of Russian coal shipments. Longer term, however, global demand growth for steam coal is expected to slow during the outlook period as countries try to meet international climate treaty obligations flowing from the COP26 Summit and other potential proposals coming from the recent COP27 Summit. Domestically, regional coal production will be pressured further as several power plants that purchase steam coal from area mines are likely to retire or continue see declining utilization rates over the next five years or so in states such as Ohio, Kentucky and North Carolina. Meeting compliance standards for coal ash effluence by 2028 is likely to spawn other power plant retirements.

The New River Gorge Area’s manufacturing sector is expected to remain stable during the outlook period. Fabricated metals and machinery will see a bounce in activity in concert with the recovery of coal production, but longer term will see downward pressure reemerge as upstream demand declines for roof bolts, augurs, circuit breakers and other mining equipment. Wood products demand is expected to take a hit over the next couple of years as the doubling of long-term interest rates has weighed significantly on the housing market’s prospects.

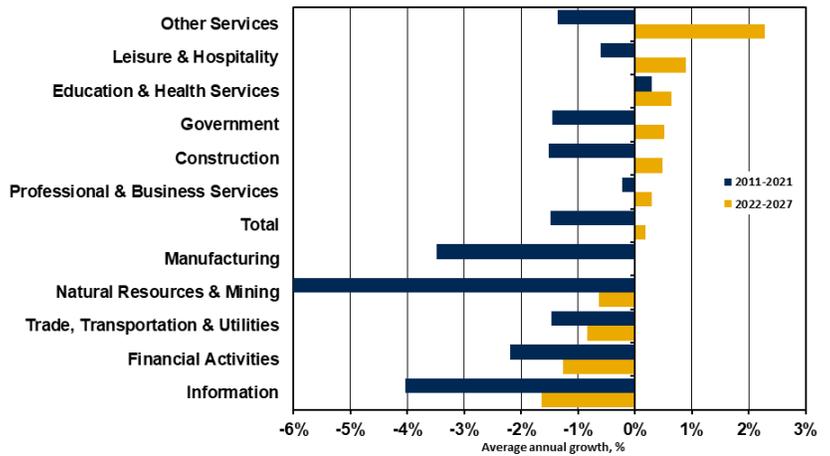
Food and beverage, plastics and carbon-based product manufacturing represent potential areas of opportunities of job growth during the outlook period.

CONSTRUCTION The construction sector is expected to see payrolls increase nearly 0.5 percent. The sector’s growth in the region will be at its strongest during the middle portion of the forecast horizon. Initially, physical infrastructure development flowing from funds related to Roads to Prosperity program will work toward completion and help offset a slowdown in new home construction. Beyond this phase, however, publicly funded infrastructure investment will be a major driver of construction activity. For example, state-backed broadband development is expected to provide enhanced connectivity for many of the state’s areas that have lacked sufficient access. Federal infrastructure spending is expected to provide an even larger boost to baseline public sector investment following the passage of the Infrastructure Investment and Jobs Act in 2021 and the Inflation Reduction Act in 2022. These pieces of legislation are expected to add more than \$1 trillion in spending on an array of infrastructure projects, ranging from renewable/clean tech projects to more traditional forms of highway and transit infrastructure. Although we do not have the actual total planned expenditures for the New River Gorge Area, the overall scope of work covered in these pieces of federal legislation will likely be well into the billions of dollars for the state.

BUSINESS SERVICES Professional and business services is expected to record growth above the regional average, as payrolls are expected to increase 0.3 percent per year during the five-year outlook period. Some of these gains will fall in line with broader national economic trends that affect demand for business support functions. Even with a weaker long-term outlook for regional coal production, the region’s coal industry will provide a boost to professional and technical services functions such as mining engineering over the next couple of years as operators ramp up output and a handful of companies have signaled a willingness to invest in new mine development.

OTHER SECTORS Education and health services is expected to add jobs at a 0.6 percent average annual rate through 2026. The New River Gorge Area’s healthcare sector has

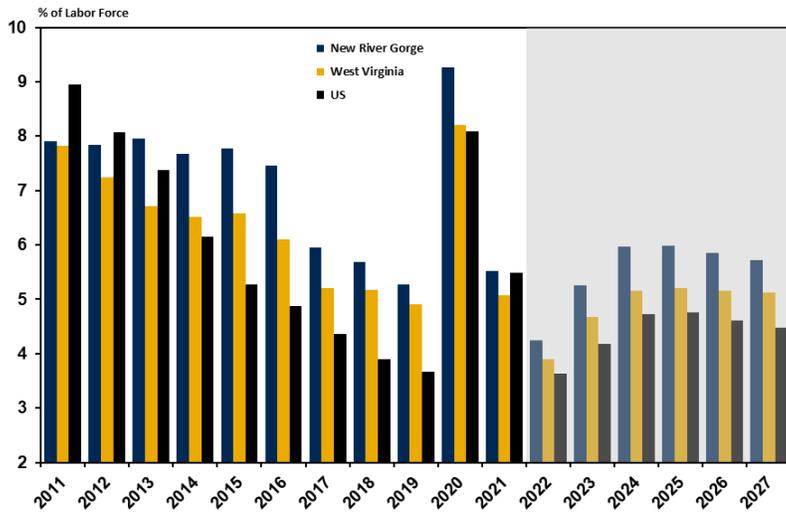
Figure 12: New River Gorge Employment Growth Forecast by Sector



been under significant strain for more than two years as a result of the COVID-19 pandemic. While the federal government provided funding to alleviate the losses associated with the massive shifting of resources that occurred during the pandemic, since COVID-19 patients required intensive levels of treatment, healthcare providers in the region have faced significant stress not only to their finances but also their physical facilities and workforces. It is expected to take a few more quarters of solid hiring activity before the sector fully recovers from the COVID-19 recession. Longer term, healthcare demand in the region is expected to grow consistently – a reflection of the area’s large share of elderly residents and above-average proportion of individuals with disabilities and comorbidities.

The public sector in the New River Gorge Area is expected to grow at a rate double overall employment gains for the region. The region’s governments will likely face some pressure to contain personnel costs given the likelihood of a shrinking tax base and further erosion of severance tax collections from coal, but significant levels of direct federal aid to state and local governments during the pandemic has buoyed state, county and municipal governments to a significant degree and state coffers have seen record surpluses over the past two fiscal years thanks to unexpectedly strong revenue collections. At the same time, local governments across West Virginia do face some uncertainty depending upon the outcome of the Amendment 2 ballot initiative, which could negatively affect revenue streams that fund local government services such as education. Finally, higher education

Figure 13: Unemployment Rate Forecast



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

should buoy the region’s public sector vis-à-vis WVU Tech in Beckley and an increased focus on vocational and technical education as a means of developing the state’s workforce will also bolster staffing at institutions such as New River Community and Technical College.

UNEMPLOYMENT OUTLOOK Large revisions to historical data in the next benchmark revision as well as any unanticipated changes in the New River Gorge Area’s labor force participation rate could cause the forecast for the regional unemployment rate to differ significantly from both its projected level and path. In addition, the path of the US and WV economies over the next year or so will have a significant influence on the trajectory of the unemployment rate. With that said, the forecast calls for the regional unemployment rate to increase from its current level and eventually stabilize closer to its long-run average of six percent by early-2024.

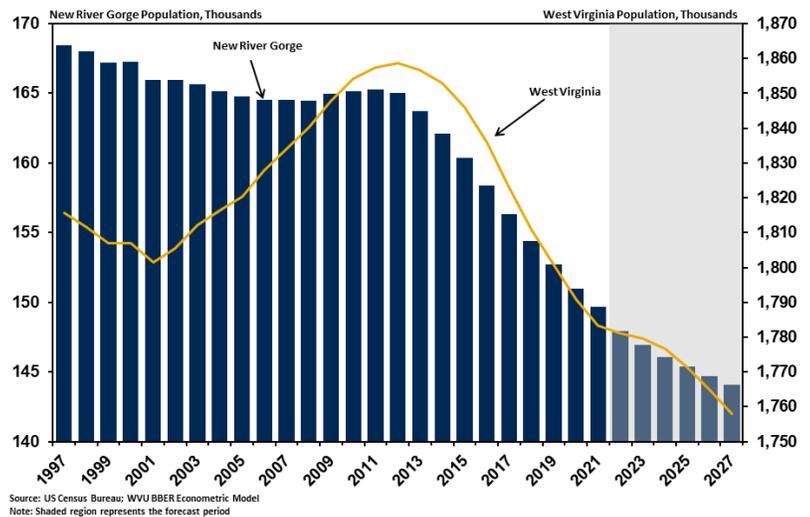
Raleigh County is expected to have the lowest unemployment rate in the region, averaging in the mid-5.0-percent range for most of the outlook period. Summers County’s jobless rate is expected fall within a similar range. Fayette and Nicholas counties will post higher unemployment rates over the forecast horizon, falling roughly within the low- to mid-6.0-percent range.

INCOME Inflation-adjusted per capita income in the New River Gorge Area is projected to increase more than 1.8 percent annually through 2027. While wage and salary growth will buoy income growth during the initial phases

of the outlook, transfer payments will become an increasingly larger share of the income pie within the New River Gorge Area as more residents reach retirement age and begin receiving safety net programs such as Medicare and Social Security.

POPULATION The region’s population is expected to shrink at a rate of more than 0.5 percent annually over the next five years. The entire region will continue to struggle with net out-migration and high mortality rates that arise from poor health outcomes and the ongoing epidemic of drug overdoses. Raleigh County has the greatest potential to see smaller losses (or even potential gains) in population thanks to its status as the region’s economic epicenter; however, other counties in the region have the potential to arrest their declining population if they can capitalize on marketing the area’s low cost of living and scenic amenities to residents from other areas, via programs such as Ascend WV.

Figure 14: Population Forecast



Source: US Census Bureau; WVU BBER Econometric Model
 Note: Shaded region represents the forecast period

Furthermore, improving the region’s human capital outcomes has the potential of changing the New River Gorge Area’s future growth prospects. Raising the overall skill and education levels of the population along with reducing the array of negative health outcomes many residents cope with would provide a significant boost the area’s attractiveness to businesses seeking to locate or expand within the region’s geographic footprint.