

# EASTERN PANHANDLE ECONOMIC OUTLOOK

2014



West Virginia Eastern Panhandle Region  
Economic Outlook 2014 is published by:  
Bureau of Business & Economic Research  
West Virginia University  
College of Business and Economics  
P.O. Box 6527, Morgantown, WV 26506-6527  
(304) 293-7831 | [bebureau@mail.wvu.edu](mailto:bebureau@mail.wvu.edu)  
[be.wvu.edu/bber](http://be.wvu.edu/bber)

---

**Jose V. "Zito" Sartarelli, Ph.D.**  
Milan Puskar Dean

**John Deskins, Ph.D.**  
Director, BBER

**Brian Lego**  
Research Assistant Professor, BBER

## EXECUTIVE SUMMARY

The economy of West Virginia's Eastern Panhandle (EPH) region has rebounded from the recent recession at a strong pace. The region has posted healthy job growth, now having added significantly more jobs than it lost during the recent recession. The unemployment rate in the EPH is the second lowest of any region in the state. Income per capita has grown at a pace that is greater than the national rate over the past four years. The EPH continues to grow in population—a trend that has gone on uninterrupted for several decades.

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

- **Employment in the EPH has grown rapidly over the past three years.** Overall nearly 4,300 jobs have been added over the past three years, representing a 10 percent increase since 2010. This compares to a loss of 3,500 jobs during the recent recession.
- **The economic recovery has been relatively broad in scope as all but two of the region's major sectors have shown growth.** Trade, transportation, and utilities have shown the strongest growth, driven heavily by the opening of the Macy's fulfillment center in Berkeley County in 2012, which added more than 900 jobs. Leisure and hospitality has also shown strong employment growth.
- **Construction in the EPH has started to recover,** after experiencing tremendous losses during the recent recession.
- **The EPH's unemployment rate is at its lowest level since the end of 2008,** and the rate is noticeably below the national average and below the overall West Virginia average. 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 percent per year since 2008. This is nearly double the national rate over the same period of 1.1 percent annually.
- **The EPH has posted by far the largest population increases of any region in the state in recent years.** Over the past 20 years, population in the EPH has risen by 58 percent, whereas the remainder of the state has lost population by a small margin. The population in the EPH is also younger and more highly educated on average than the overall state population.

### Our forecast calls for continued healthy growth in the EPH region over the next five years. Key facts related to our EPH forecast are as follows:

- **We expect employment to grow at an annual rate of 1.8 percent per year in the EPH over the next five years.** While this rate is down from what has been enjoyed over the past few years, it is higher than forecast employment for the nation (1.6 percent) and for West Virginia overall (1.0 percent).
- **The construction sector is expected to produce the fastest rate of job growth in the coming years,** with a forecast of 9 percent rate of annual job growth. Professional and business services, information, leisure and hospitality, manufacturing, and other services are also expected to expand at above average rates. 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 1.8 percent over the next five years.** However, this rate of growth lags expectations for the nation (2.7 percent) and West Virginia as a whole (2.3 percent).
- **Population in the EPH is expected to grow at a rate of 1.7 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.

## EASTERN PANHANDLE RECENT ECONOMIC PERFORMANCE

West Virginia's Eastern Panhandle<sup>1</sup> experienced a relatively sharp economic downturn as a result of the Great Recession. Between the fourth quarter of 2007 and first quarter of 2010, local employment in the three-county region saw a cumulative decline of more than 7 percent, or approximately 3,500 jobs. While the Eastern Panhandle's recession was quite severe, the region's

1. For the purposes of this report, the Eastern Panhandle Region is comprised of three counties: Berkeley, Jefferson and Morgan counties.

labor market has rebounded at an even stronger pace over the past few years. Indeed, since reaching a cyclical trough during the first quarter of 2010, area businesses have increased employment levels by nearly 10 percent—or nearly 4,300 jobs—in the past three years.<sup>2</sup>

Job growth during the recovery has been spread across all but two of the region's major sectors, but trade, transportation and utilities and leisure and hospitality have been the leading sources of employment gains over the past three years. Local retailers have benefited from a stronger labor market as falling unemployment and rising incomes have bolstered consumer spending activity, but the biggest boost to the trade, transportation and utilities sector in recent years is the new Macy's fulfillment center in Berkeley County, which opened its doors in mid-2012. This facility employs more than 900 regular workers and is expected to hire hundreds of additional workers during peak retailing seasons to meet demand.

The expansion of gaming venues in Pennsylvania and Maryland has likely hurt the Hollywood Casino at Charles Town Races to some degree, but the venue remains the largest gaming attraction in the state. Thanks to the addition of table games at Charles Town Races, gross revenues have risen more than 24 percent cumulatively in the last three years. Other segments of the leisure and hospitality sector in the Eastern Panhandle appear to have benefited from an improved regional and national backdrop for consumer and business travel and tourism spending.

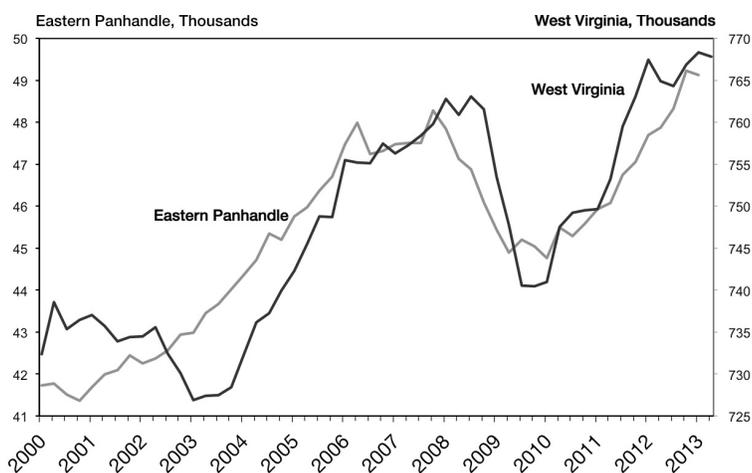
Due to its location, the Eastern Panhandle's economy is heavily influenced by the broader Washington, DC and Hagerstown, MD metropolitan areas. In addition to the large number of residents who commute into Northern Virginia, Suburban Maryland and downtown DC to work at federal agencies, defense contractors and other private companies, Berkeley and Jefferson counties also contain federal agencies (such as Treasury, Veterans Affairs and others) that employ more than 4,000 workers. Overall, the public sector is by far the largest source of employment in the Eastern Panhandle as federal, state and local government combined to account for approximately 27 percent of jobs in the region during 2012.

Public sector employment has increased only slightly in the Eastern Panhandle over the past several years. State government payrolls in the region have increased moderately; however, the downturn in housing market construction activity and residential real estate values after the housing bubble collapse did hurt local governments in the area. In addition, the general debate over the U.S. federal budget, and more recently sequestration, has kept employment levels at local federal agency installations stagnant during the past few years.

Following a nearly 60 percent drop in employment levels between the first quarters of 2006 and 2011, the Eastern Panhandle's construction sector has started to recover. Since bottoming out two years ago, the sector has added nearly 300 jobs thanks to an upturn in new single-family home construction and large-scale nonresidential construction projects such as Spring Mills High School and the Macy's fulfillment center.<sup>3</sup>

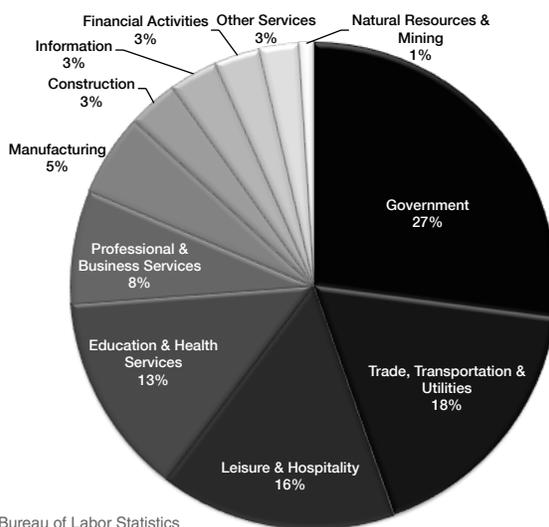
Professional and business services firms have rebounded after cutting more than 1,000 jobs locally over the course of the economic downturn. The Panhandle's proximity to Northern Virginia and Suburban Maryland have enabled it to capture a range of business support

**FIGURE 1: Total Employment**



Sources: US Bureau of Labor Statistics, Workforce WV

**FIGURE 2: Eastern Panhandle Employment by Sector (2012)**



Source: US Bureau of Labor Statistics

2. Sources for historical information are noted in each figure.  
 3. Construction data comes from McGraw-Hill Construction.

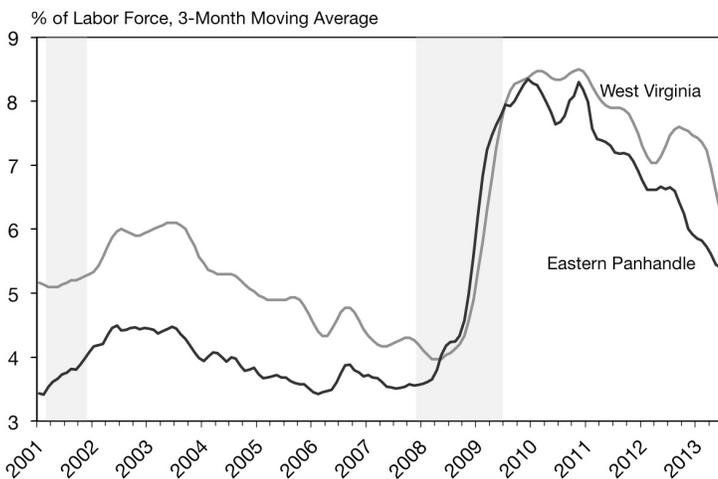
activities for regional employers over the years, including such functions as IT, legal, accounting and temp services. The pace of hiring activity has slowed within the education and health services sector during the past year, but overall the region's private education and healthcare providers have added more than 300 positions per year since 2010, reflecting broader national trend in growth for this sector.

While some regions in West Virginia have seen their economies bolstered by skyrocketing natural gas production, the natural resources and mining sector in the Eastern Panhandle has registered a slight decline in employment since the beginning of 2010. Compared to the rest of the state, this sector has a relatively small

footprint in the area and most of the activity is tied to businesses servicing the large number of cattle and horse farming operations in the area.

After remaining below 4 percent between 2004 and much of 2008, the Eastern Panhandle's unemployment rate spiked during the recession, reaching a high of approximately 8.3 percent by the fourth quarter of 2009. Since then, the jobless rate in the Eastern Panhandle has declined substantially - down to 5.4 percent as of the second quarter of 2013. This puts the region's unemployment rate at its lowest point since late 2008, remaining appreciably lower than the comparable figures for the state (low-6 percent range) and nation (low-7 percent range).

**FIGURE 3: Unemployment Rate**

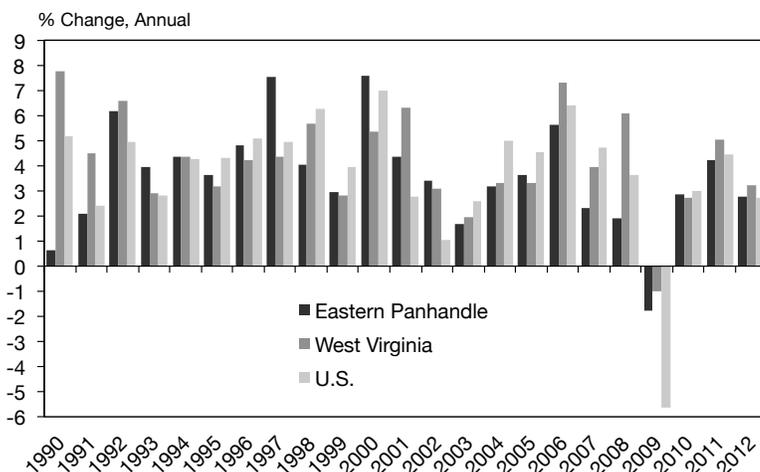


Source: US Bureau of Labor Statistics  
\*Shaded regions indicate recessions

While labor force attrition has been a major contributor to declining unemployment rates in many areas, the Eastern Panhandle's jobless rate has fallen due to fundamental improvements in the local and commuting destination labor markets in Virginia, Maryland and the District of Columbia. Indeed, the number of residents in the labor force has increased by more than 2,000 since the beginning of 2009 while the number of residents holding a job has jumped by approximately 4,200 over the same time period.

Per capita personal income in the Eastern Panhandle was estimated at nearly \$34,600, without adjusting for inflation, during calendar year 2012, marking a 2.8 percent rate of growth over 2011. Since 2008, the region has seen nominal per capita income levels increase at a rate of 2 percent per year, surpassing the 1.1 percent rate of growth observed nationally yet lagging the 2.5 percent average annual gain for West Virginia registered over this time period.

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



Source: US Bureau of Economic Analysis

Of the three counties that comprise the Eastern Panhandle region, residents in Jefferson County have the highest per capita income at roughly \$39,200, putting it almost \$5,000 above the statewide average and ranking it among the top five of West Virginia's 55 counties in this metric. Per capita income levels in Berkeley and Morgan counties were lower at \$32,600 and \$32,700, respectively. Incomes tend to be somewhat higher in Jefferson County since a larger share of workers commute into the Washington, DC metro area where wages and salaries tend to be higher. By a small margin, Berkeley County did manage to post the strongest rate of income growth over the past four years, as the level of per capita income has risen 2.1 percent per year since 2008, compared to average annual growth of 2 and 1.4 percent for Jefferson and Morgan, respectively.

The Eastern Panhandle has consistently ranked as West Virginia's fastest-growing region in terms

of population growth over the past 20 years. In fact, between 1992 and 2012, the three counties of Berkeley, Jefferson and Morgan combined for a 58 percent increase in the number of residents while the balance of the state saw a slight decline in population over this time period. The Eastern Panhandle has added residents largely as a result of people who work in the Washington, DC area moving into the area to take advantage of its lower cost of living.

Population growth did slow appreciably in the region during the past several years due to a drop in migration inflows that resulted from the recession and housing market downturn. After growing at an average annual rate of 2.6 percent over the course of the 1990s and 2000s, the Eastern Panhandle population has increased at a much slower pace of 1.1 percent between 2008 and 2012. Morgan County actually experienced a decline in population during 2010 and 2011—the first outright loss in residents for the county since 1986. Berkeley County has continued to lead the region in the rate of population growth during this slowdown, with the number of residents increasing at a rate of 1.3 percent per year since 2008.

West Virginia's overall population has a significantly larger share of residents over the age of 65 and a median age that is more than four years higher than the rest of the nation. As a result, most of the state's 55 counties tend to see deaths outnumber births, which will ultimately weigh on overall population growth. The Eastern Panhandle region, by contrast, gains residents via natural increase (births minus deaths) due to an above-average share of young households and a smaller share of elderly residents. For the region

as a whole, the median age is more than two years below the state figure, but still remains higher than the national figure.

The Eastern Panhandle's population also tends to have higher levels of educational attainment compared to the rest of the state. Nearly 22 percent of the region's 25 years and older population held at least a bachelor's degree, compared to 18.5 percent for the state and 28.5 percent nationally. Jefferson County contained the highest share of college graduates in the region, as 28.7 percent of the county's residents aged 25 years and older had received a bachelor's or graduate degree.

## EASTERN PANHANDLE REGION OUTLOOK

Expectations for the US economy during the forecast horizon will have a significant impact on the Eastern Panhandle's performance going forward.<sup>4</sup> Our forecast calls for the economic recovery to continue over the next five years. Projected economic growth at the national level during the outlook period bodes well for the Eastern Panhandle's economy and should allow the region to enjoy above-average growth through the end of 2018. We anticipate total employment will increase at a rate of 1.8 percent per year. This represents a slower rate of growth that was averaged during the past few years as the three-county region emerged from recession, but this will put the Eastern Panhandle's performance ahead of job growth statewide and nationally, where growth is project to be 1.0 and 1.6 percent annually, respectively.

**FIGURE 5: Summary Population Profiles**

	<b>Eastern Panhandle</b>	<b>West Virginia</b>	<b>United States</b>
Total Population (2012)	179,073	1,855,413	313,914,040
% Population Under 18 (2012)	23.6%	20.7%	23.5%
% Population 65 Years + (2012)	10.1%	16.8%	13.7%
Population with Less than High School Diploma (2011, % of pop. 25 yrs. +)	14.8%	15.8%	14.1%
Population with High School Diploma, No College (2011, % of pop. 25 yrs. +)	38.0%	41.6%	28.4%
Population with Some College, No Degree (2011, % of pop. 25 yrs. +)	25.6%	24.1%	29.0%
Population with Bachelor's Degree or Higher (2011, % of pop. 25 yrs.+)	21.7%	18.5%	28.5%
Median Age (2012)	39.4	41.7	37.4
Median Household Income (2011)	\$54,550	\$38,482	\$50,502
Mean Household Income (2011)	\$68,279	\$53,269	\$69,821
Average Household Size (2011)	2.63	2.46	2.64

Source: US Census Bureau

<sup>4</sup> All forecast estimates presented herein are derived from the West Virginia University Bureau of Business & Economic Research Econometric Model unless otherwise noted.

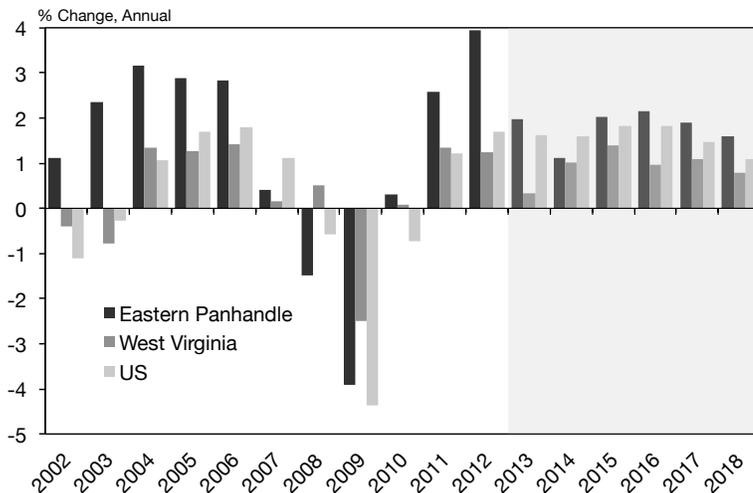
Among the Eastern Panhandle's major sectors, our forecast calls for construction to register the strongest pace of job growth, expanding at a rate of roughly 9 percent per year between 2013 and 2018. We anticipate the nascent recovery in single-family housing construction that is currently underway in the region to pick up steam over the course of the forecast horizon.

First, the underlying demographic factors driving local housing demand, namely large net in-flows of migrants and an above-average share of households with a high propensity to buy new homes remain positive. Second, the supply of distressed housing (i.e. foreclosures and short sales) in the Eastern Panhandle, as well as in neighboring markets in Maryland and Virginia, has declined significantly. The Eastern Panhandle's construction sector will likely receive a boost from nonresidential construction activity as an expanding population with comparatively high disposable income

levels fosters growth in retail and other commercial development projects in the region.

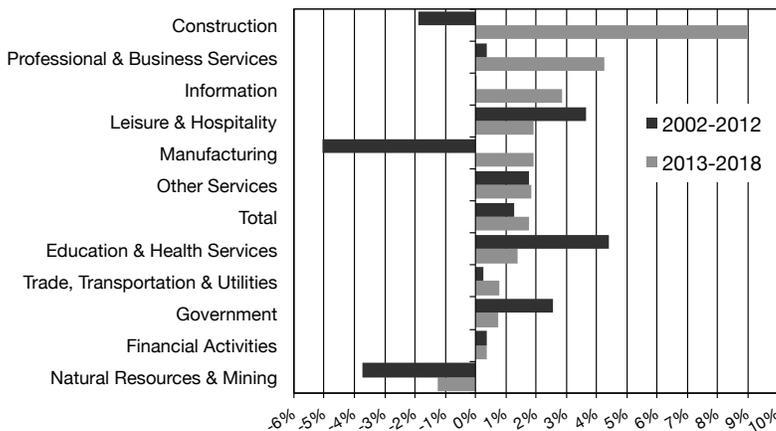
High-paying sectors such as professional and business services and information are expected to see healthy rates of job growth of approximately 3 and 4 percent per year, respectively, through 2018. Jefferson and Berkeley counties have managed to attract auxiliary business support functions such as data centers, IT services, temporary employment agencies, as well as accounting and legal services for private companies and federal agencies operating in the Washington DC area. We expect the surge of growth observed in these types of business operating locally during the 2000s economic expansion will return as the current national economic recovery gains momentum thanks to the availability of an educated, yet lower cost, labor force and cheaper acquisition costs for land and commercial buildings when compared to Northern Virginia and Maryland.

**FIGURE 6: Employment Growth Forecast**



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

**FIGURE 7: Eastern Panhandle Employment Growth Forecast by Sector**



Source: Workforce WV, WVU BBER Econometric Model

Growth in public sector employment within the Eastern Panhandle will likely lag the growth observed over the previous 10 years. The forecast calls for most of the job gains to occur at the state and local levels of government, as high income levels along with anticipated population growth, particularly the number of people under the age of 18, will push demand for schools and other locally-provided social services higher. Federal government jobs in the region are expected to remain under pressure over the duration of the outlook period. 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, which points to limited increases at best in federal government jobs in the Eastern Panhandle and other locales.

We anticipate new job creation in the leisure and hospitality sector during the forecast horizon to be roughly half of what was observed over the previous 10 years. Solid expectations for consumer and business travel spending should benefit the Eastern Panhandle's tourist and business travel destinations, while local population and income growth should bolster demand for dining and entertainment establishments.

One downside risk for the Eastern Panhandle's leisure and hospitality sector is the ongoing expansion of gaming in Maryland. Currently, Rocky Gap Casino & Resort near Cumberland and Maryland Live! Casino in Hanover are closest to the Hollywood Casino Resort in Charles Town. These venues have only been operational for a short time, but they have already provided significant competition for visitors. Hollywood Casino will face even greater competition during the outlook period once the Horseshoe Casino in Baltimore opens its doors in 2014 and the planned casino in Prince George's County is decided upon and ultimately built. The degree to which

these nearby venues attract visitors who would have otherwise gone to Charles Town will likely have a major impact on this sector's outlook.

The Eastern Panhandle's manufacturing sector is expected to see payrolls expand at a rate of nearly 2 percent per year. While portions of the manufacturing base will struggle going forward, local plastics, chemicals and building materials manufacturers will see underlying demand improve in concert with the broader U.S. economic recovery. Private education and health services providers operating within the Eastern Panhandle are projected to increase employment at an average annual rate of 1.4 percent through 2018. Uncertainty surrounding the implementation of the Affordable Care Act in 2014 is expected to weigh on the sector's growth over the near term, but a growing elderly population and the location of several major health care facilities in the region provide enough of an impetus for the sector's expansion during the outlook.

Employment in the region's trade, transportation and utilities sector is projected to increase 0.8 percent per year between 2013 and 2018. Demographic trends, rising income levels and stronger consumer confidence certainly bode well for the Eastern Panhandle's retailers. We also anticipate the Macy's facility to enhance opportunities for the development of additional wholesale trade, transportation and warehousing operations along the I-81 corridor in Berkeley County. Strong job growth will allow the Eastern Panhandle's unemployment rate to fall steadily throughout the 2013-2018 outlook period. After finishing with an annual average of 5.5 percent in 2013, the forecast calls for gradual declines in successive years and ending the forecast horizon at approximately 3.9 percent. As has been the case historically, the Eastern Panhandle's jobless rate is expected to remain well below state and national averages over the next five years.

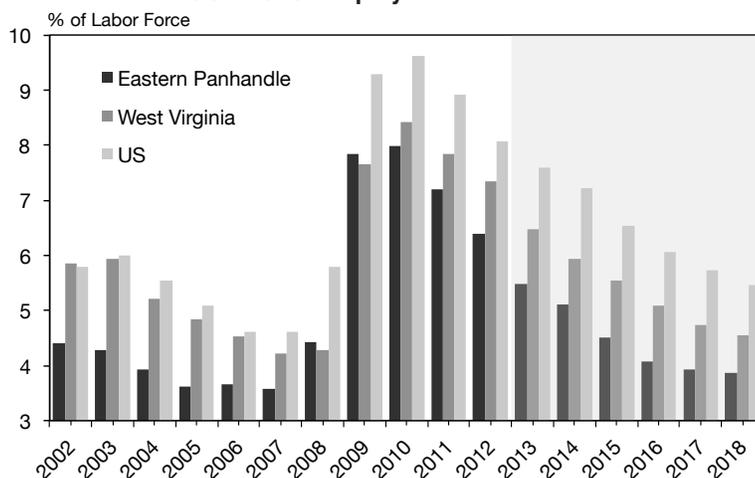
Unlike most of West Virginia, the Eastern Panhandle should continue to see additional labor force growth going forward. In addition to the anticipated consistent flow of migrants into the region, the size of the under-18 population will only add to the local workforce as these individuals reach working age. Morgan County will likely be the exception as we expect to see some increased labor force attrition in the county during the outlook period, owing to its disproportionately large share of residents at or near retirement age.

Inflation-adjusted per capita income growth in the Eastern Panhandle is projected to increase at an average annual rate of 1.8 percent through 2018, lagging state and national averages of 2.3 and 2.7 percent, respectively. Job gains will translate into solid increases in real wages and salaries earned by workers

and continued improvements in equity markets should bolster investment income for local households. Finally, growth in transfer payments will accelerate toward the end of the forecast horizon as more people in the region reach retirement age.

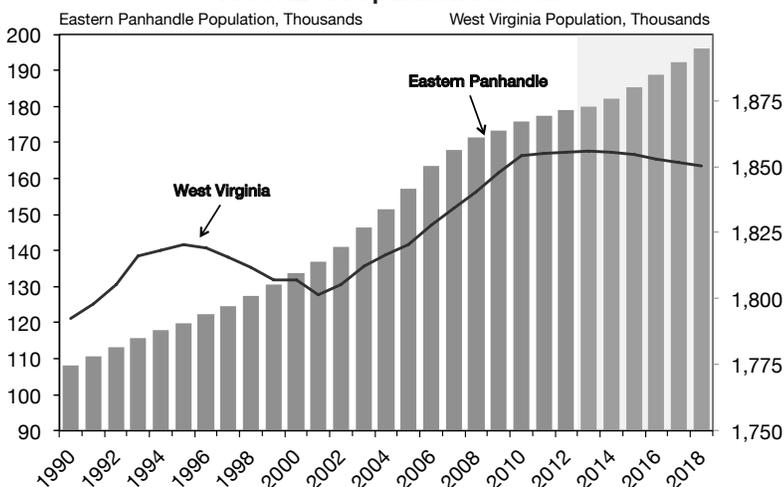
The Eastern Panhandle's population is expected to grow at a pace of approximately 1.7 percent per year during the outlook period. This does represent a relatively slower rate of growth for the region from a long-term perspective; at the same time, however, it will be a decided acceleration in population gains when compared to recent years and completely buck the expected trend of a moderately decline in population for the rest of the state. Net migration flows into the Eastern Panhandle should pick back up going forward as the local economy and job markets in neighboring employment centers in Northern Virginia and Suburban Maryland continue to improve.

**FIGURE 8: Unemployment Rate Forecast**



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

**FIGURE 9: 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: $\left( \frac{X_t}{X_{t-N}} - 1 \right) \times 100$
Average Annual Growth Rate	is calculated for annual data as: $\left[ \left( \frac{X_t}{X_{t-N}} \right)^{1/N} - 1 \right] \times 100$
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 person 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).