



## Executive Summary

The Huntington Area's economy remained relatively stable over the past years despite significant volatility in the West Virginia economy. Improvement in certain industries have consistently outweighed employment losses in a few struggling industries. In this report, we present a detailed discussion of the current state of the Huntington Area economy along with our forecast for the likely path of economic activity over the next five years.

Several key facts behind the Huntington Area's recent economic performance are as follows:

- **The overall employment in the Huntington area has seen moderate improvements since the Great Recession, gaining 1,000 jobs since 2012.** Even with these gains, however, overall employment in the area is around 4 percent lower than its pre-recession peak from nearly a decade ago.
- Putnam County has been the strongest performing county within the region, while Cabell County has seen moderate improvements. Lawrence County has remained steady, while the coal industry's downturn hurt Wayne County's economy in recent years.
- **Manufacturing played a significant role in balancing losses in other industries, particularly due to expansion in the region's auto parts production facilities.**
- Healthcare has added 2,000 jobs over the past 4 years and is a stabilizing force in the region's economy thanks to several large healthcare facilities in the area.
- The Huntington Area has been hurt by the coal industry's downturn, with significant job losses occurring in mining, as well as the area's various support industries such as rail and barge transportation.
- **Unemployment in the region has trended downward from 8.6 percent in late 2010 to 4.8 percent by mid-2017.** The current jobless rate is in line with the statewide average, but is more than 0.5 percentage points higher than the national average.
- **Labor force attrition has accounted for some of the decline in the region's jobless rate, with the area losing approximately 5,000 residents since 2010.**
- **After steady gains in the 2000s, the region has posted consistent population losses since 2012.** In addition to deaths outnumbering births, economic turmoil has fueled an increase in outmigration.
- **Per capita income in the Huntington area is on par with the statewide average, both in terms of its level and growth over the past several years.** Putnam County residents have the highest average income levels in the region.

Our forecast calls for the Huntington Area to post measurable job growth over the forecast horizon. Key aspects of our forecast are as follows:

- **We expect employment in the Huntington area to increase at an average annual rate of 0.5 percent over the next five years,** which is slightly above the statewide figure.
- **Construction is expected to lead the way in terms of job growth during the outlook period, with a forecast gain of over 2 percent per year.** Healthcare, professional services, and leisure and hospitality are also expected to surpass the overall regional growth rate.
- Manufacturing is expected to register moderate job growth, and may exceed expectations if the Huntington Area can channel downstream activity produced by growth in the natural gas industry.
- **Unemployment in the Huntington Area is expected to decline slightly before stabilizing in the upper 4-percent range.** The Huntington Area's unemployment rate will remain slightly below the state level but more than 1 percent higher than the national average.
- **Per capita income in the Huntington Area is expected to grow by 1.8 percent in the next five years.** However, much of this growth can be attributed to increasing dependence on transfer payments.
- **The Huntington Area's population is expected to continue to decline, but at a much slower rate than previous years.** An aging population and high mortality rates related to poor health outcomes are indicative of the region's demographic and socioeconomic challenges.

## Recent Economic Performance

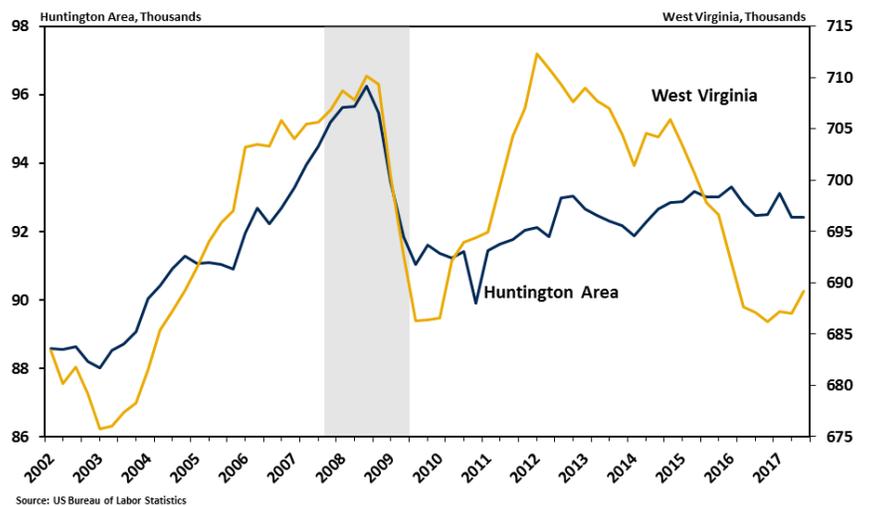
Despite a protracted period of weak economic output growth and significant losses in payrolls at the state level, the Huntington Area’s<sup>1</sup> economy has been a relatively stable performer over the past several years. In fact, while the state as a whole lost nearly 26,000 jobs between early-2012 and mid-2016, the overall level of employment in the Huntington Area held in a relatively steady range and managed to avoid the deep recession that occurred in many other regions of West Virginia. More recently, as the broader state economy has emerged from recession and experienced an upturn in hiring linked to the coal, natural gas and construction industries, the Huntington Area economy continues to see a steady level of payroll employment.<sup>2</sup>

**PERFORMANCE BY COUNTY** Though the Huntington Area remained fairly stable in recent years, the region’s four counties have experienced some notable differences in growth. For example, Cabell County generally serves as the region’s economic and population center due to the City of Huntington, but also due to the area’s concentration of several major healthcare facilities and Marshall University. In addition, several other private employers operate their regional headquarters or major facilities within the county. Unsurprisingly, Cabell County’s performance over the past several years largely reflected that of the overall region, with losses in some goods-producing industries offsetting gains occurring within local service-providing sectors.

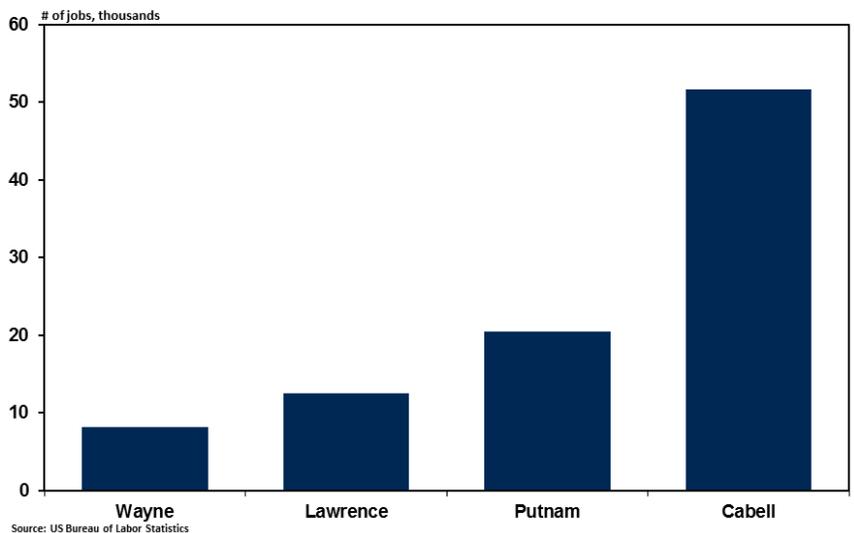
Putnam County has ranked as the four-county area’s most dynamic performer over the past several years, thanks in large part to the overall impacts created by additional capacity expansion at the Toyota Manufacturing facility in Buffalo. Similar to Cabell County, Lawrence County, Ohio, has seen total payrolls remain steady for the most part during the past

several years, with positive growth from service-providing sectors offsetting weaknesses which can be linked to local industries affected by the dramatic fallout in Central Appalachian coal production—namely river barge and rail transportation. The steep downturn in coal production has affected Wayne County’s economy the most of any within the region given the closure (and subsequent sale) of Alpha Natural Resources’ Rockspring Development mine and prep plant in 2015. Overall, the county has lost 10

**Figure 1: Total Employment**



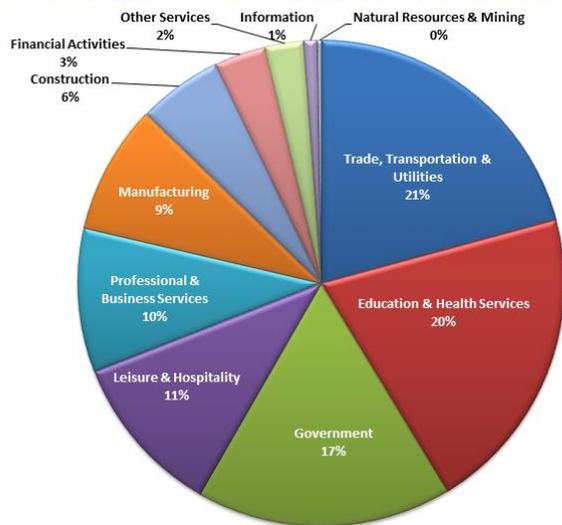
**Figure 2: Total Employment by County (2016)**



<sup>1</sup> For the purposes of this report, The Huntington Area is comprised of four counties: Cabell, Putnam, and Wayne counties in West Virginia and Lawrence County in Ohio.

<sup>2</sup> Sources for historical information are noted in each figure.

**Figure 3: Huntington Area Employment Distribution by Sector**



Source: US Bureau of Labor Statistics; 2016 data.

percent of its employment since 2013, with the coal industry accounting for the wide majority of those losses.

**MANUFACTURING** Despite a decline in market share over the years, the Huntington Area still has a large manufacturing industry, particularly plastics, metal, and automotive manufacturing. Over the past decade, the sector has seen a moderate loss in jobs, but has actually recorded some gains since 2012. Recent job growth can be explained in large part by capacity expansion projects by the area’s auto parts manufacturing industry, namely Toyota and Allevarid Sogefi USA. In 2013 Toyota invested \$45 million and has since bolstered payrolls at their Buffalo plant to around 1,200. Also in 2013, Allevarid Sogefi USA, announced a \$20 million investment to expand productive capacity and double the plant’s workforce. In total, roughly 250 jobs added to their Wayne County plant as the facility begins sourcing parts for General Motors.

**COAL MINING** Many regions in West Virginia tend to be dominant in one particular type of energy production. The Huntington Area is no different as the area contains reserves of mostly low- and medium-sulfur coal used by coal-fired power plants. The region has seen a dramatic slump in output, with 2017 production totaling just 16 thousand short tons, versus 2.3 million as recently as 2014. Recent regulatory changes have hurt the area’s coal industry, along with a dramatic shift toward natural gas and other fuel sources to generate electricity. For example, the implementation of the EPA’s Mercury & Air Toxics Rule (MATS) rule caused many utilities to close

inefficient small- and medium-sized coal-fired generating units or source fewer and fewer tons of the area’s higher-cost coal reserves and shift toward natural gas or coal from other regions in the US. From a longer-term perspective, however, automation and slow electricity demand growth have also contributed to decline in coal output in a significant manner. Wayne County has accounted for the bulk of job losses due to the fall-off in coal production, with the number of miners in the county dropping from nearly 900 in 2012 down to just over 100 in 2017, following the closure of the Rockspring Development Camp Creek Mine nearly three years ago.

**CONSTRUCTION** The region’s construction sector has seen relatively sluggish conditions for much of the last decade. Residential construction activity has improved in recent years, with much of it occurring within Putnam County, though at a much lower level compared to the years prior to the US housing market bust. The Huntington Area’s nonresidential and nonbuilding construction segments have seen more limited activity over the past several years with only a handful of major projects related to Toyota and others accounting for a sizable share of activity since the late 2000s. The 2017 passage of the Roads to Prosperity Amendment, which authorized increased spending for highway infrastructure improvements, will bolster activity going forward, but most of the projects slated for the area will not reach their peak levels of activity for some time.

**SERVICE-PROVIDING SECTORS** Trade, transportation, and utilities is the largest industrial sector in the Huntington Area, but the sector has endured some volatility over the past decade due to offsetting gains and losses for some of its underlying industries. For example, given that a sizable share of the region’s transportation industry is linked directly to moving coal shipments by barge, rail, and heavy trucks, the coal industry’s steep downturn in recent years has generated significant downward pressure on the four-county area’s transportation and warehousing companies. In fact, the sector shed nearly 1,000 jobs in the past decade, or roughly one-third of its base over that time period. The utilities sector, which pays wages well above regional averages for most industries, has also been a source of volatility over the past several years. While the John E. Amos power plant is not at risk for closure, weak electricity demand growth and competition from other

fuel sources, especially natural gas, have reduced the plant’s capacity utilization rates in recent years.

In terms of sectors affected by consumer spending, the region’s retail and leisure and hospitality sectors have seen different patterns of growth in recent years. While the retail trade sector has generally been stable, this stands in significant contrast to the state as a whole, which has seen a sizable drop in retail payrolls just in the span of just the last year or so. By comparison, the leisure and hospitality sector has enjoyed relatively consistent job gains.

The education and health sector is the Huntington Area’s second most prominent source of employment, and is responsible for over 20 percent of jobs in the area in 2017. This sector played a key stabilizing force by counterbalancing the losses that have occurred in transportation, coal and a few other sectors. Among the Huntington Area’s largest employers are the St. Mary’s Medical Center, Cabell Huntington Hospital, and the Charleston Area Medical Center, which serve as not only a vital source of high- and low-skill jobs, but an important medium for healthcare technology and pharmaceutical innovation.

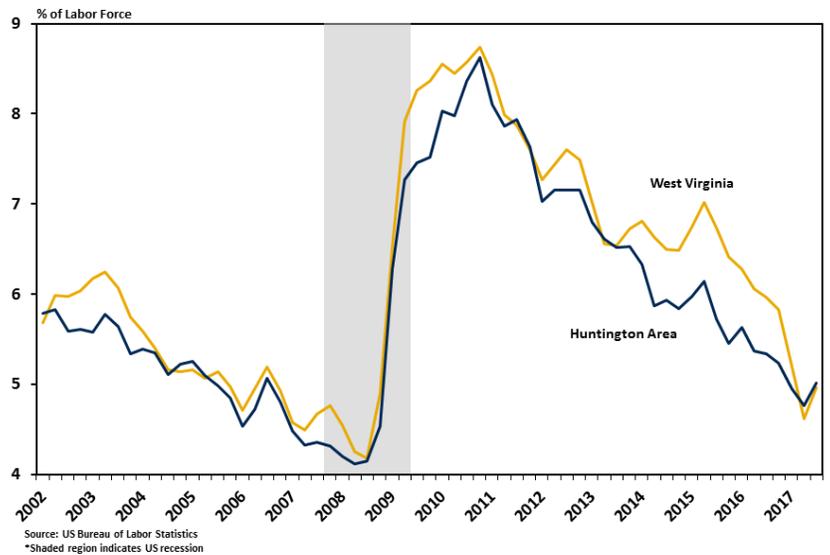
**UNEMPLOYMENT** The Huntington Area’s unemployment rate generally falls in lockstep with the statewide average. Indeed, the region’s overall jobless rate trended downward from its cyclical peak of 8.6 percent in late-2010 down to 4.8 percent in mid-2017. The rate has risen moderately over the past few quarters, actually reflecting an improvement in economic conditions as people return to the workforce—again reflecting the same trend that has been observed for the state overall. At the county level in the Huntington area, the unemployment rate falls between the mid-4 percent range for Cabell and Putnam counties and the upper-5 percent range for Lawrence and Wayne counties.

**LABOR FORCE** Since 2010, the Huntington Area’s labor force has shrunk by approximately 5,000 people. This reflects a loss in the region’s total population, as well as an aging demographic and out-migration due to relative economic weakness. Although Cabell and Lawrence counties have

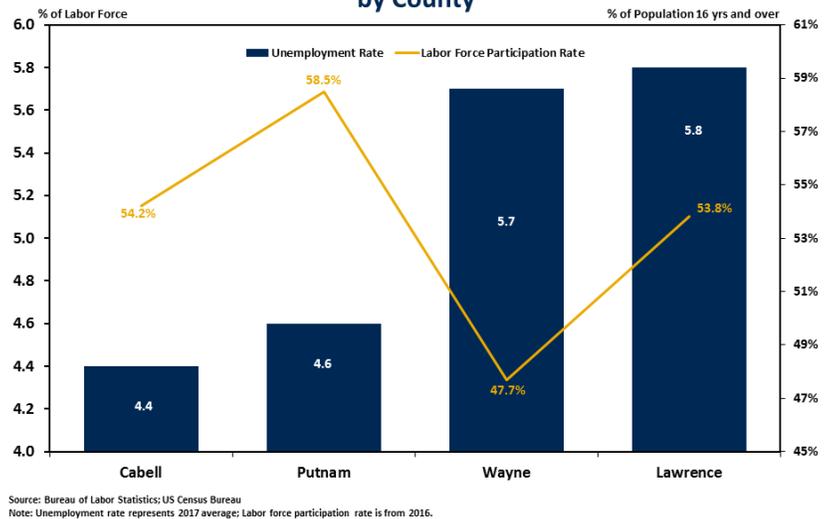
accounted for the largest share of labor force attrition, neither Putnam nor Wayne County has seen gains in the size of their respective work force over the same time period. Labor force participation in the Huntington area is slightly above the state average, with individual county rates varying from around 48 percent in Wayne County to a high of nearly 59 percent in Putnam County. However, Putnam County lags the national average by more than 4 percentage points.

**INCOME** Per capita income (not adjusted for inflation) in the Huntington area in 2017 was estimated to be \$38,000 and has increased by 2.2 percent annually since 2013,

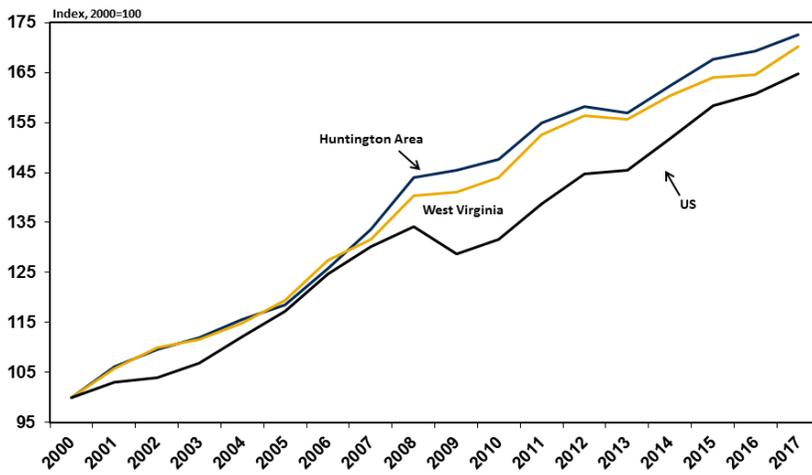
**Figure 4: Unemployment Rate**



**Figure 5: Unemployment and Labor Force Participation by County**

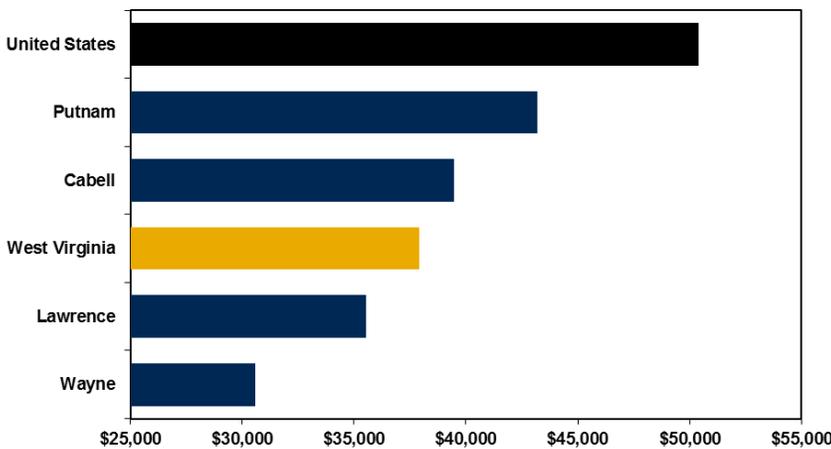


**Figure 6: Per Capita Personal Income**



Source: US Bureau of Economic Analysis  
 \*Note: The 2017 figure for the Huntington Area is an estimate.

**Figure 7: Per Capita Personal Income by Area (2017)**



Source: US Bureau of Economic Analysis  
 Note: 2017 income figures for counties are estimates.

which is in line with overall state figures, but falls short of the corresponding national figures of \$50,400 and 3.2 percent annual growth.

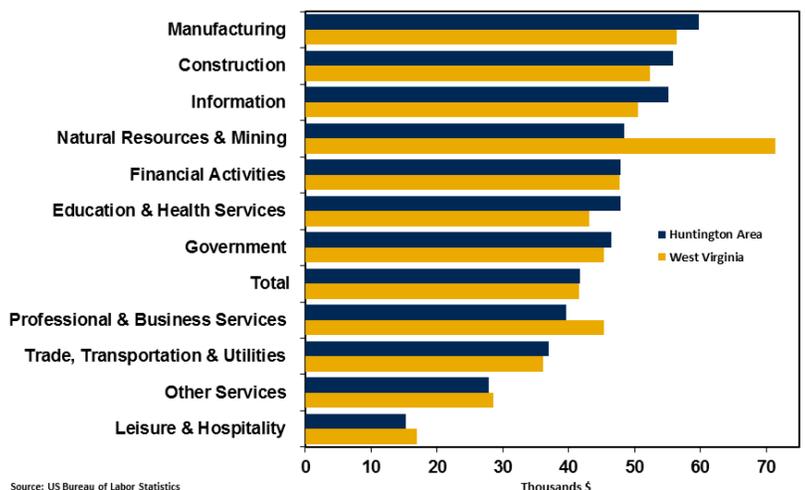
At the county level, per capita income in 2017 varied from \$31,000 in Wayne County to \$43,000 in Putnam County. Per capita income levels tend to be higher in Putnam County due to a higher labor force participation rate and a greater prevalence of dual-income households. Furthermore, the county contains several high-paying employers such as Toyota and the John E. Amos power plant. Cabell also enjoys several high-paying employers such as Marshall University and several large hospitals. Due to a combination of demographic and socioeconomic circumstances,

federal government transfer payments such as Social Security, Medicare, unemployment insurance, etc. account for a relatively large share of total personal income in the region.

**POPULATION** The Huntington area has lost 5,000 residents since 2012, leaving the area with roughly the same population as that of the early-2000s. At the county level, Wayne County suffered the largest percentage decline over the last five years, losing approximately 1,700 residents (4 percent) since 2012. Putnam County gained a small number of residents over this same time period, while Cabell and Lawrence each lost approximately 2,000 residents over the five-year period, or between two and three percent of their respective bases.

**DEMOGRAPHIC CHARACTERISTICS** Consistent with West Virginia overall, population in the Huntington Area 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 due to higher death rates from a host of issues ranging from heart disease to drug overdoses among younger cohorts living in the region. Finally, the four-county area, though ahead of statewide figures, lags the nation in measures of educational attainment. Even with a large higher education presence in the region, less than 21 percent of residents aged 25 years and older

**Figure 8: Average Annual Salary by Major Sector (2016)**



Source: US Bureau of Labor Statistics

possess at least a bachelor’s degree, nearly 10 percentage points behind the nation as a whole.

**Figure 9: Summary Population Profiles**

	Huntington Area	West Virginia	United States
<b>Total Population (2017)</b>	<b>252,152</b>	<b>1,831,102</b>	<b>323,127,513</b>
<b>% Population Under 18 (2016)</b>	<b>21.3%</b>	<b>20.4%</b>	<b>22.8%</b>
<b>% Population 65 Years + (2016)</b>	<b>18.0%</b>	<b>18.7%</b>	<b>15.2%</b>
<b>Population with Less than High School Diploma (2015, 25 yrs. +)</b>	<b>13.4%</b>	<b>14.0%</b>	<b>12.8%</b>
<b>Population with High School Diploma, No College (2015, 25 yrs. +)</b>	<b>37.2%</b>	<b>40.7%</b>	<b>27.6%</b>
<b>Population with Some College (2015, 25 yrs. +)</b>	<b>28.6%</b>	<b>25.7%</b>	<b>28.9%</b>
<b>Population with Bachelor's Degree or Higher (2015, 25 yrs.+)</b>	<b>20.8%</b>	<b>19.6%</b>	<b>30.6%</b>
<b>Median Age (2016)</b>	<b>40.7</b>	<b>42.2</b>	<b>37.9</b>
<b>Mean Household Income (2016)</b>	<b>\$58,392</b>	<b>\$56,568</b>	<b>\$78,378</b>
<b>Average Household Size (2016)</b>	<b>2.53</b>	<b>2.49</b>	<b>2.73</b>

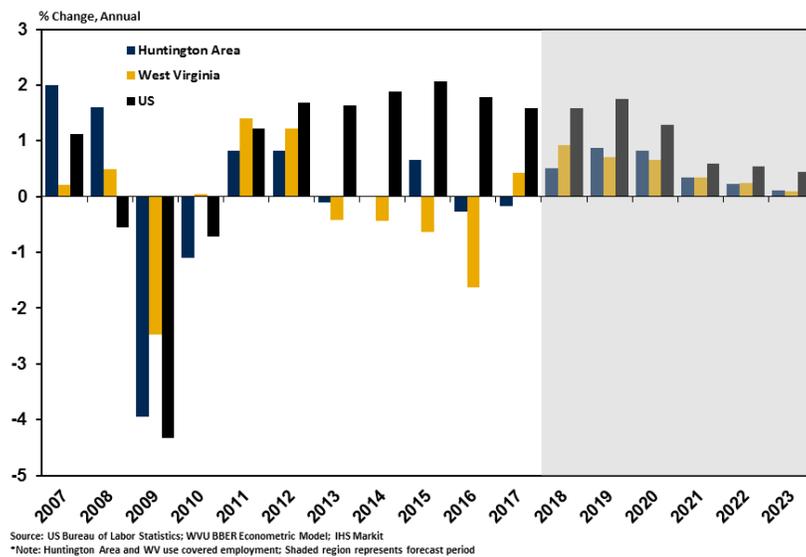
Source: US Census Bureau

## Economic Outlook

Expectations for the West Virginia and US economies during the 2018-2023 forecast horizon will have a significant impact on the performance of the Huntington Area going forward.<sup>3</sup> The forecast calls for the region to post moderate job growth in the coming years.

Overall, we anticipate total employment will increase at an average annual rate of nearly 0.5 percent through 2023. Payrolls are expected to grow at their fastest rate over the first half of the outlook period, increasing at an average annual rate of 0.8 percent through 2020 due in large part to a burst in construction activity as well as stabilization in several industries that have experienced steep job losses in recent years. Growth will slow considerably over the remainder of the forecast horizon, and even with the gains anticipated over the next five years, overall employment in the Huntington Area will not return to its late-2008 peak level of employment.

**Figure 10: Employment Growth Forecast**



**GOODS-PRODUCING SECTORS** Construction is expected to post the fastest rate of job growth among the region’s major sectors during the outlook period, as the baseline forecast calls for the Huntington Area to see construction payrolls increase by a pace of just over 2 percent per year. Gains are expected to be concentrated over the 2018-2021 time period, with growth slowing measurably in the latter

half of the forecast horizon as many of the projects expected to drive overall growth begin to wind down.

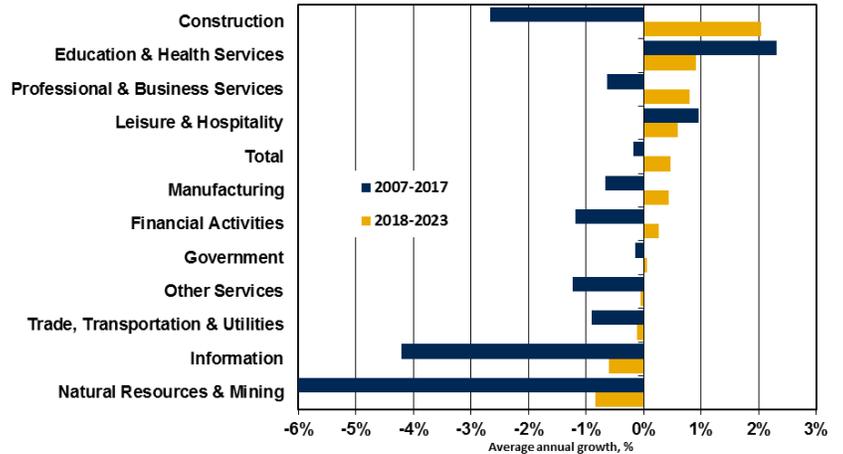
While a portion of the sector’s overall growth will likely be attributed to single-family home construction activity in the region’s areas that are expected to add residents (such as Putnam County), gains will also be linked to expanding infrastructure activity--for not only highways and publicly-funded projects but also due to growth in the Appalachian Basin’s natural gas industry. For example, preliminary work on the Mountaineer XPress Pipeline began earlier this year. This particular pipeline will transport 2.6 bcf of natural gas per day and cover roughly 170 miles, with a portion of the project falling within the Huntington Area. In terms of its local activity, extensive modifications are scheduled on the Ceredo Compressor Station and will include the replacement of two compression units, which should bolster construction payrolls over the next year or so as this work is carried out and the compressor station is connected to the pipeline.

More traditional forms of publicly-funded infrastructure activity will also boost the area’s construction sector, reflecting the passage of the Roads to Prosperity Amendment in 2017. The major rehabilitation projects in the Huntington Area largely revolve around I-64, which will be renovated on a rolling basis over the next couple of years. The largest identified project in the region is the widening of I-64 from US 35 to Nitro, which will include a new bridge across the Kanawha River. Wayne County has one major project targeted, namely constructing a four-lane highway from Prichard Intermodal Facility at an expected cost of \$150 million. The overall price tag is estimated at \$170 million and represents the second single-largest planned project in the entire state of West Virginia. Other major I-64 projects include \$115 million in spending to widen the interstate through Cabell County as well as adding truck pull-out lanes and various intersection enhancements to facilitate traffic flow.

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

While the manufacturing sector will generate a below-average rate of new job growth over the next five years, it will benefit from the Appalachian Basin's expected growth in natural gas production, both from a lower cost of production perspective and the potential growth that will come from the development of downstream opportunities to process natural gas and its by-products to advance plastics and chemicals manufacturing activity throughout the Kanawha and Ohio River valleys. In addition, the continued development of the four-county area and the broader region as a smaller, yet viable, auto parts manufacturing center with companies like Toyota and Alleward at the center provide upside potential as well.

**Figure 11: Huntington Area Employment Growth Forecast by Sector**



**EDUCATION & HEALTH SERVICES** The education and health services sector will remain a vital element of the Huntington Area's economy in years to come, due in large part to the area's status as a regional healthcare center that serves the Tri-State area. At the same time, underlying demographic characteristics and generally poor health outcomes for the four-county region (and the state of West Virginia as a whole) will continue to push healthcare demand higher throughout the outlook period. As a result, education and health services is expected to register nearly 1 percent growth annually, gaining nearly 1,000 jobs over the next 5 years. This growth offers opportunity for the Huntington area by both increasing the number of job opportunities in a relatively high-paying sector, but also increases the sector's reach in providing even more access to healthcare services to the area's residents.

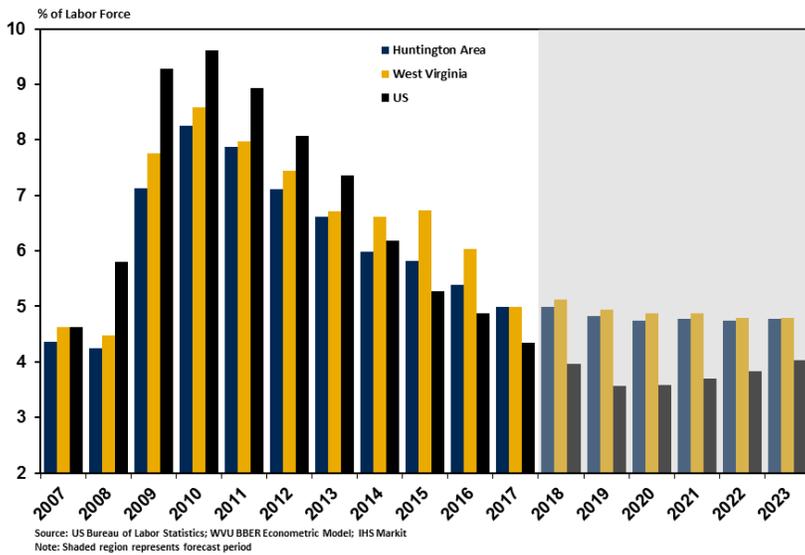
**OTHER SERVICES** Growth in the professional and business service sector is tied closely to the performance of the coal industry, as it provides services such as contracting, legal, and administrative support to the energy sector. With improved growth forecasted for the coming years in natural resources and mining, and the projected stabilization of coal in West Virginia, the professional and business services sector in the Huntington Area is expected to grow aggressively in the first few years of the forecast period, and level off at low positive growth in the latter years. We anticipate over 2 percent annual real wage growth in the professional and business services sector over the next 5 years, with wages reaching their highest level since 2013.

Recent additions to the Huntington Area's growing technology component in the professional and business services sector includes computer systems firms, providing employment for skilled workers, increased resources for existing and potential new businesses, and contributing to the area's appeal as a small business hub. This entrepreneurial atmosphere is essential to diversifying the economy of the Huntington area and West Virginia as a whole.

The leisure and hospitality sector is consistently responsible for over 10 percent of the Huntington Area's total employment, and both employment opportunities and wages paid by the tourism industry are expected to grow modestly over the next five years. West Virginia's natural landscape provides opportunities for the Huntington Area to better capitalize on the outdoor tourism industry, and could attract visitors to contribute to the local economy.

**UNEMPLOYMENT OUTLOOK** Unanticipated changes in labor force participation within the Huntington Area's adult-aged labor force could cause the forecast for the regional unemployment rate to differ significantly from both its projected level and path. With that said, the forecast calls for the regional unemployment rate to fall slightly from its current levels and eventually stabilize in the upper-4 percent range. For the coming year, the jobless rate will likely remain close to the current level, or could rise slightly, as improving labor market conditions invite discouraged workers who had exited the labor force to rejoin in the hopes of finding a job. Overall, the expected path of the Huntington Area's jobless rate puts it

**Figure 12: Unemployment Rate Forecast**



West Virginia’s other economic regions. Specifically, three fundamental demographic issues could hinder the region’s growth potential to some degree during the outlook period and over the longer term: First, workers must be educated and/or trained to meet the needs of the job market. Second, the population must be healthy and drug-free in order to consistently contribute to the economy and finally, a large and growing share of elderly population may limit potential economic growth as these households tend not to be part of the labor force and also generate less entrepreneurial activity on average. Each of these issues are a feature in the Huntington Area’s underlying demographic characteristics and could determine the area’s ultimate potential for economic growth.

largely in line with that of the state but measurably above what is anticipated for the United States as a whole.

While the unemployment rate carries some meaning for the region, it is critical to focus also on labor force participation in West Virginia and the Huntington Area in coming years. Historically, West Virginia’s labor force participation rate has been the lowest in the country, and the problem is present in the Huntington Area as well.

**INCOME** The forecast calls for per capita income in the Huntington area to grow by 1.8 percent annually over the next five years. This falls just between the state and national figures of 1.7 and 1.9 percent, respectively. While this is a positive sign, the Huntington area’s overall growth in income will be led by rapid growth in federal transfer payments compared to earned income sources such as wages, investment and small business income. These sources include Social Security, Medicare and other safety net programs and represent a growing share of the total income earned by residents in the Huntington area. Pensions and earned income from both employers and small businesses are expected to grow between 1.5 to 2.0 percent annually.

**POPULATION** The region’s population is expected to increase slightly during the outlook period. At the same time, however, the region will continue to face many of the same demographic challenges that affect many of

**Figure 13: Population Forecast**

