

THE NEW RIVER GORGE AREA ECONOMIC OUTLOOK 2022-2026



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Executive Summary

The New River Gorge Area has struggled for much of the last decade as secular declines in employment for several of the region's traditional industries have proven difficult to overcome. More recently, the COVID-19 recession has caused significant turmoil for portions of the four-county area's economy, most notably the tourism industry, but conditions have improved measurably over the past 18 months 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:

- **The New River Gorge Area lost nearly 7,000 jobs between 2012 and 2016 but did enjoy a period of moderate job growth between 2017 and 2019.**
 - **Regional employment fell by nearly 13 percent during the COVID-19 recession, or roughly 6,500 jobs; however, area employment levels have nearly returned to pre-pandemic levels.**
 - Nicholas and Fayette counties have struggled the most from an economic perspective over the last decade and have also endured an uneven recovery from the COVID-19 recession.
 - **Long-term job losses for the region have been heavily concentrated in goods-producing industries, particularly the coal industry.** Coal output and tonnage have 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 17.6 percent during April 2020 but has fallen sharply since then and now sits in the mid-4.0-percent range as of September 2021.**
 - **The region has suffered major labor force attrition since 2012 and has workforce participation rates that are well below average 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 40 percent between 2010 and 2020 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 but should recover fully from the COVID-19 recession by late-2022. In addition, two of the region's counties will lag well behind this timeline. Key aspects of our forecast are as follows:
- **We expect employment to increase at an average annual rate of 0.6 percent in the region over the next five years.** Job growth in the region is expected to be at its strongest between 2021 and 2023.
 - **Sectors that were hurt the most by the pandemic, namely leisure and hospitality and other services, will see the fastest rate of growth over the next few years as regional and national leisure travel return to normal patterns.**
 - Manufacturing, professional and business services, the public sector and healthcare are other sectors that will contribute the most to regional job growth over the next five years.
 - **The coal industry should experience improving conditions over the next two years, while state and federal infrastructure investment provides significant upside potential for construction activity going forward.**
 - **Unemployment is expected to decline slightly over the near term but should see some upward pressure as workforce participation rates begin to rise in the post-pandemic period.**
 - **Per capita personal income is expected to rise at an annual average rate of 1.6 percent over the next five years.**
 - **Population losses are expected to continue in the area during the outlook period, but declines will be smaller compared to the past several years.**

Recent Economic Performance

The New River Gorge Area’s¹ economy has struggled over much of the last decade or so. After experiencing a protracted recession that stretched from 2012 to 2016 and resulted in the loss of nearly 7,000 jobs, the region posted a modest recovery over the subsequent three years. Most of this improvement was connected to the energy sector, namely an export-driven rebound in coal production and construction activity on natural gas pipelines. Unfortunately, the four-county area’s recovery lost momentum in mid-2019 as export demand for coal slumped and pipeline construction activity was halted amid legal and regulatory battles. Conditions only deteriorated further in early-2020 as the COVID-19 pandemic caused the region to lose 6,500 jobs in March and April 2020.

The region’s economy did experience a strong rebound during the initial phase of reopening in summer 2020, with roughly three-fourths of jobs lost during the shutdown period having been recovered by late summer. Unfortunately, the four-county area’s recovery faltered over the next few quarters as surging covid cases and hospitalizations weighed heavily on the area’s tourism and hospitality sectors in the fall and winter months. Area Job growth did improve during the second and third quarters of 2021 as pent-up demand, increased vaccinations nationally and the removal of most local public health restrictions have boosted tourism activity and consumer spending. While the Delta variant prompted a large surge in cases and hospitalizations and led to a significant strain on the region’s healthcare sector, payrolls increased enough during the third quarter to lift the region’s level of employment to within 2.5 percent of its pre-pandemic peak.²

PERFORMANCE BY COUNTY Among the New River Gorge’s four counties, Raleigh County serves as the functional epicenter of the region’s economy. Indeed, the county contains the area’s largest principal city (Beckley) and more than 60 percent of all jobs. 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 2 thousand jobs. Each county in the area registered job losses between early-2012 and late-2016 but gains over the past two years have been observed in only Raleigh and Nicholas counties.

Prior to the pandemic, Raleigh County accounted for most of the region’s employment gains between 2017 and 2019, with most of that growth tied to the energy sector –

Figure 1: Total Employment

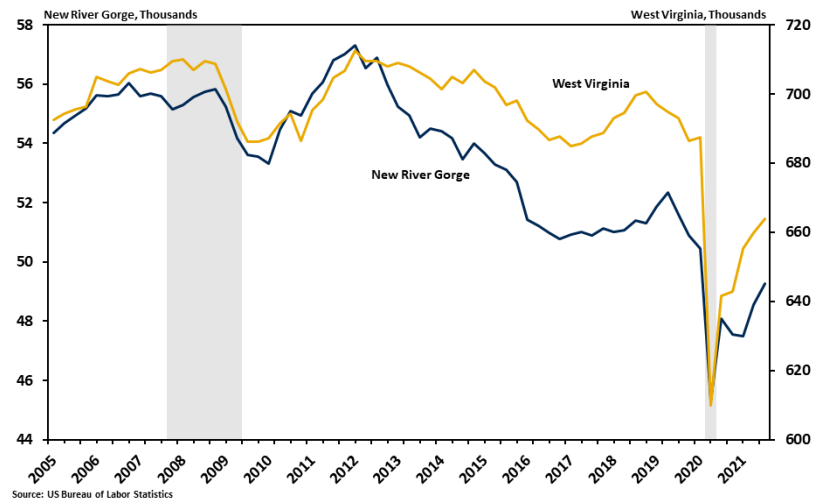
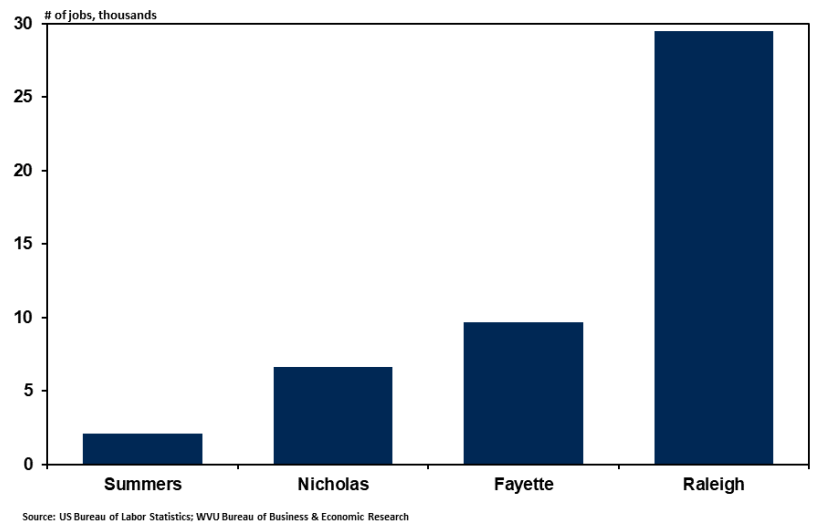


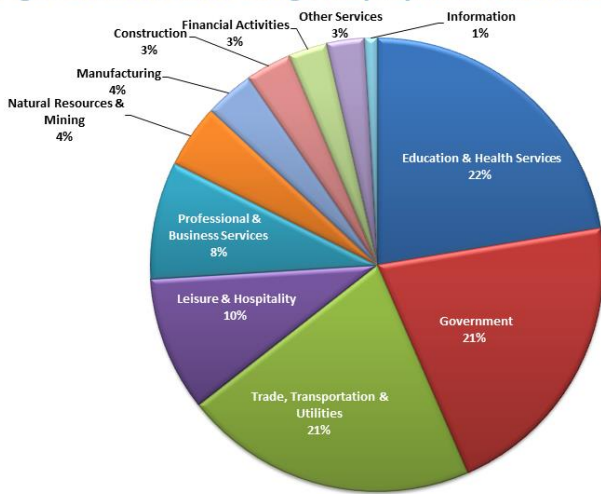
Figure 2: Total Employment by County (2020)



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; 2020 data.

specifically rising coal production and construction activity on the Mountain Valley Pipeline. During the initial outset of the COVID-19 pandemic and installation of public health mandates to slow the spread of the virus, Raleigh County employers cut roughly 4,000 jobs (13 percent) over the course of March and April 2020. In the months after shelter-in-place orders were lifted, roughly half of the initial job losses were recovered but saw a steady rate of growth over the next several quarters even as other parts of the state and New River Gorge area were negatively affected by surges in COVID-19 cases and hospitalizations. Growth has picked up over the course of 2021 as other major sectors such as coal mining and manufacturing have shown signs of improvement on top of the rebound in hiring across consumer-service oriented sectors such as other services and leisure and hospitality, and total payrolls are approximately 2 percent below pre-pandemic levels.

Fayette and Nicholas counties, by comparison, struggled to a much larger degree prior to the pandemic and have experienced a weaker rebound from the COVID-19 recession. Both counties experienced large declines in coal mining and manufacturing activity over the past decade or so and given that their economic bases became more dependent on tourism and other hospitality services over time, these counties have taken longer to recover over the course of the pandemic. Even though most public health restrictions have been lifted or relaxed to a significant degree, travel and tourism activity nationally and regionally, has yet to recover to pre-pandemic levels and issues such as the high transmissibility of the Delta variant have caused both travelers and organizers of large events

with mass gatherings such as the Boy Scout Jamboree, Bridge Day and others to exercise caution by either scaling back activities or canceling them altogether. Summers County has experienced a slight downward trend in economic activity since the mid-2000s, but for the most part has seen very limited changes in employment levels over the past 10 years or so. The region’s most rural county experienced a sharp loss in payrolls during the COVID-19 pandemic, but for the most part these losses have been regained as employment is roughly on par with pre-pandemic levels.

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. In particular, the Scout Reserve has hosted the National Scout Jamboree in 2013 and 2017, with each bringing tens of thousands of scouts along with family members, sponsors and support personnel into the region, yielding an estimated economic impact of \$76 million and more than \$1 million in tax revenue. In July 2019, the Summit-Bechtel Reserve hosted the World Scout Jamboree, bringing more than 45,000 Boy Scouts from 150 countries into the New River Gorge Area.

Unfortunately, the COVID-19 pandemic forced organizers to cancel the 2021 National Scout Jamboree that was scheduled for July, as the rapid spread of the Delta Variant in other parts of the country raised concerns about the possibility of outbreaks emerging at the event. Ongoing concerns over the pandemic also forced the cancellation of Bridge Day for the second consecutive year in 2021.

Even though the pandemic has significantly encumbered the area’s tourism and hospitality sector over the past 18 months or so, growth in tourism activity from a long-term perspective has enabled the four-county area to find some manner of stability in the face of a protracted decline in a traditional industry such as coal mining. Furthermore, it has enabled some businesses operating within the region to diversify their portfolios as the area contends with the long-term difficulties seen in the transition from coal extraction, thereby providing these companies the ability to smooth out activity across future business cycles.

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 has caused a significant disruption to the retail sector, both in terms of overall level of consumer foot traffic in physical retail stores as well as issues with labor supply that have persisted due to worker concerns over exposure to the virus in the workplace and strong wage competition for workers with other sectors.

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. Furthermore, this process even extended into groceries and other types of retail once perceived as immune to this trend. When combined with the New River Gorge Area's shrinking base of consumers and volatile economic performance, 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, the steep decline in coal output and production/sale of machinery and equipment supplied to mines across the four-county area, and Central Appalachia in general, has also hurt these sectors. Transportation employment has increased at a healthy pace over the past five years or so, though most of this growth occurred in 2017 and 2018 as railcar and truck shipments of coal rebounded and deliveries of pipe segments for construction of the MVP by flat-bed truck were at a high level. With most of the MVP work completed in the area (and no clear indication when construction will re-start) and coal shipments still at reduced levels compared to the pre-pandemic period, some of these gains have eroded over the past two years.

Accounting for more than 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 financial strain on the area's healthcare

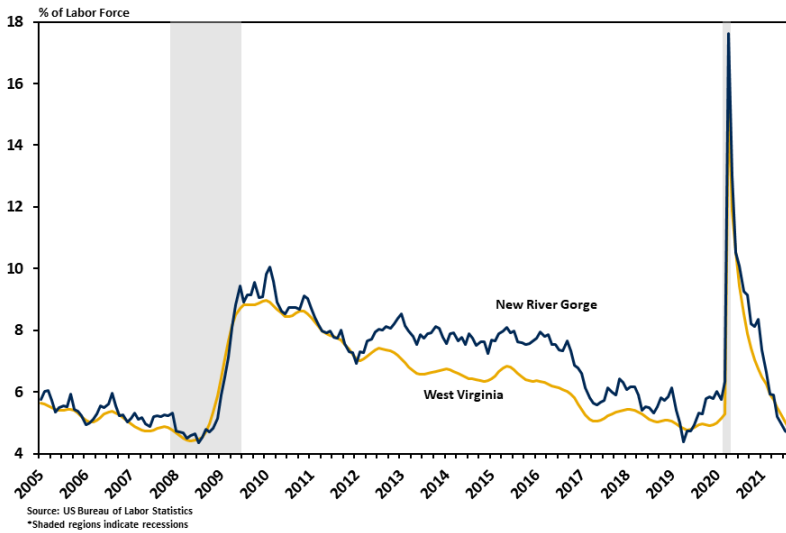
providers, much as it has on hospitals, nursing homes and other facilities throughout the state for the past 18 months or so. The sector has also been one of the hardest hit in terms of labor supply across the US, as successive surges in covid cases and hospitalizations during the fall and winter months in 2020, and more recently due to spread of the Delta variant, have left many facilities stretched thin to handle the focused care needed for admitted covid patients as well as staffing for non-covid care.

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 2020, natural resources and mining accounted for more than 4 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. While the low point for the industry's output occurred during the 2015/2016 collapse in global coal demand, production only reached half of its 2008 levels in years with supportive global demand, averaging around 10.5 million tons during 2018 and 2019. Of course, the COVID-19 recession caused a significant fall-off in coal production in the region as output fell to 8.3 million short

Figure 4: Unemployment Rate



tons in 2020. Mined tonnage through the first three quarters of 2021 has totaled 7.6 million short tons, a 20 percent increase from the same time period a year earlier. Stronger demand from emerging economies such as India, Ukraine and others, along with an ongoing dispute between China and Australia, has bolstered global coal prices and output from local mines. Coal mine payrolls have recovered at a slightly lower pace over the past year as pandemic-related labor supply shortfalls continue to affect the industry. Even with the improvement, employment is down by nearly one-fourth since the beginning of 2014.

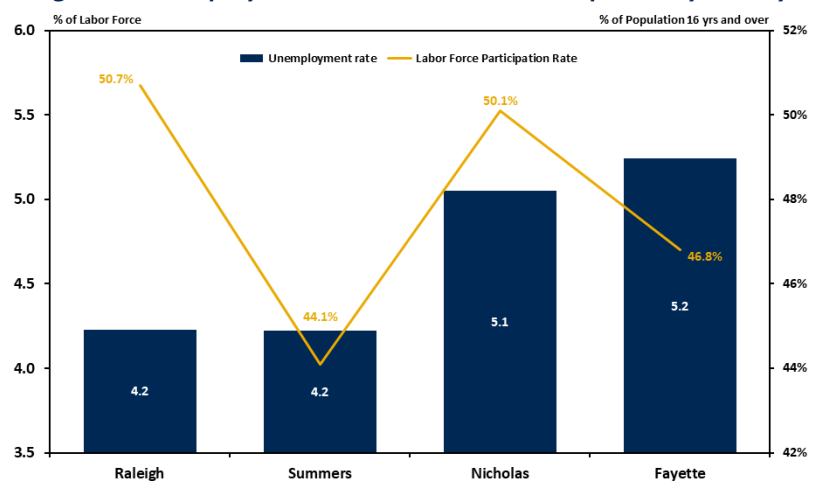
CONSTRUCTION The New River Gorge has struggled with a long-term slump in construction sector activity. Outside of a brief period of robust activity linked to natural gas pipeline construction between 2017 and early-2019, the four-county area has seen significant declines in construction across residential, nonresidential and nonbuilding categories, driven in large part by unfavorable demographic trends and the shrinking footprint of coal production. On a positive note, the Roads to Prosperity program has buoyed construction activity in the region to some extent but should see even more significant growth in the coming years thanks to the \$1.2 trillion Infrastructure Investment and Jobs Act, which was recently signed into law by the Biden Administration. Although it is unclear how much of the federal infrastructure spending will be used in the region, the legislation stands to offer billions of dollars in funding for physical infrastructure for the

next decade above and beyond what was already being provided for in the state’s Roads to Prosperity program and under more focused aspects of infrastructure spending found in the American Rescue Plan Act and CARES Act that came from the federal government’s pandemic response.

UNEMPLOYMENT Prior to the pandemic, outside of a brief episode in mid-2019, the New River Gorge Area’s jobless rate was appreciably higher than the statewide average since 2012, surpassing it by as much as two percentage points for a sustained period. Over the course of the COVID-19 pandemic, the four-county area’s unemployment rate reached 17.6 percent in April 2020 but has receded quickly since then and now sits in the mid-4.0-percent range as of September 2021. Unemployment rates vary within the region, ranging from a low of 4.2 percent in Raleigh and Summers counties up to a high of 5.2 percent in Fayette County as of the third quarter of 2021. Fayette County registered the area’s highest jobless rate at the height of the COVID-19 recession at 18.6 percent while Summers County had the lowest among the four counties at 13.2 percent.

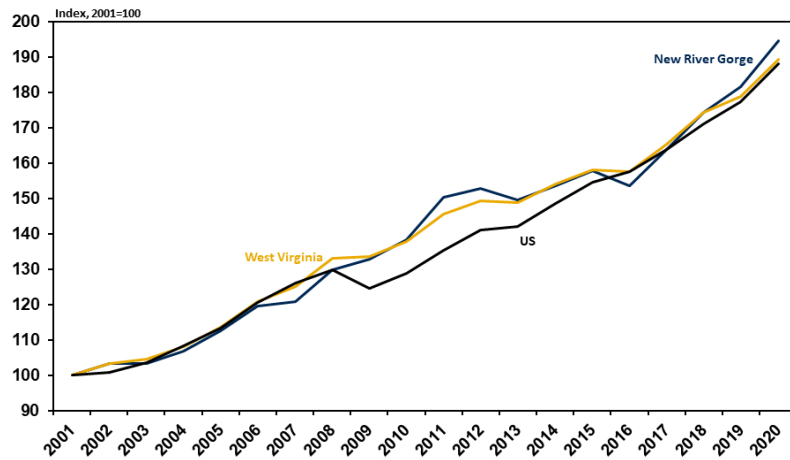
LABOR FORCE Reflecting the region’s struggling labor market, as well as its underlying demographic trends, the New River Gorge Area has recorded significant labor force attrition since 2012. Overall, the region’s workforce has declined by more than 12 percent (8,200 people) between 2012 and 2016. The area’s improving economic conditions between 2017 and 2019 did foster some growth in the workforce as roughly 2,000 were added to the labor force

Figure 5: Unemployment and Labor Force Participation by County



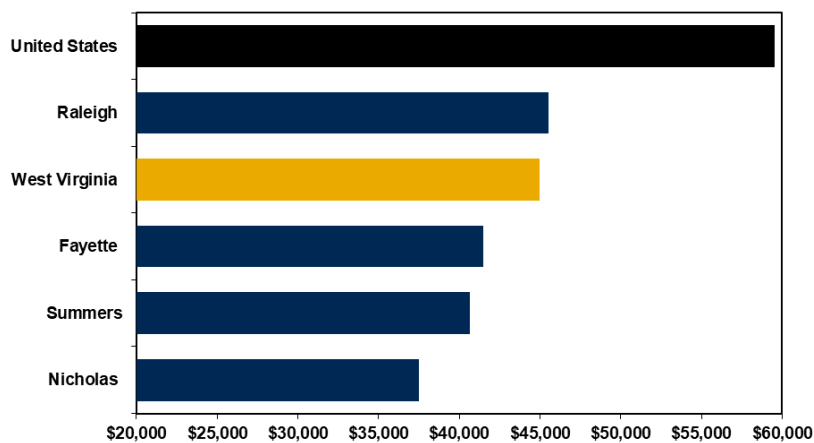
Source: US Bureau of Labor Statistics; US Census Bureau
 Note: Unemployment rate and labor force participation represent 2020q3 averages

Figure 6: Per Capita Personal Income



Source: US Bureau of Economic Analysis
 *Note: The 2020 figure for New River Gorge is an estimate.

Figure 7: Per Capita Personal Income by Area (2020)



Source: US Bureau of Economic Analysis.
 Note: The 2020 income figures for counties are preliminary estimates

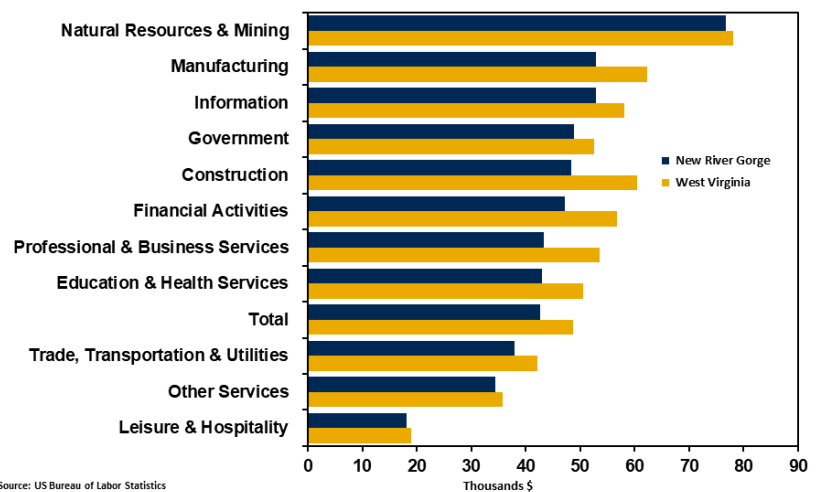
during this two-year window. The COVID-19 recession did cause the region to lose nearly 1,500 residents from the workforce initially, but the most of those losses have been recovered over the past 18 months.

Even with the apparent improvement in labor force participation over the past few years, the New River Gorge Area still suffers from a below-average rate of workforce engagement, even in comparison to the West Virginia average—which ranks last among all states. In fact, Raleigh and Nicholas counties have only slightly more than half of their 16-and-older populations employed or actively looking for work, while the figures are just 44 and 47 percent, respectively, for Summers

and Fayette counties. 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 among the prime working age (25-54 yrs), the region is well below average as residents struggle with physical disabilities and morbidities or lack sufficient job skills or educational requirements to match what employers need. 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 \$42,500 for calendar year 2020. This marked a 7.1 percent increase versus 2019 and leaves overall per capita income for the region 41 percent above 2010 levels (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 as a whole, with outright declines in nominal income levels during 2013 and 2016. Average income growth surged to nearly 7 percent in 2020 as federal pandemic relief, in the form of expanded unemployment insurance benefit payments and direct payments to households, more than offset the temporary losses in wages caused by shutdowns during the initial

Figure 8: Average Annual Salary by Major Sector (2020)



Source: US Bureau of Labor Statistics

public health response or more lasting impacts of layoffs that occurred in some service sectors. Income growth was likely strong in 2021 as well, with strong federal income support during the first quarter and accelerating wage growth over the remainder of the year.

Per capita income in Raleigh County averaged \$45,400 during 2020, ranking it 15th-highest among West Virginia’s 55 counties and slightly above the statewide average. Preliminary data also show the region’s other three counties with below-average income levels. 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. Indeed, due to 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 well in excess of 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 more than 13,000 residents since 2010.

DEMOGRAPHIC CHARACTERISTICS Just as with the rest of the state, the size of 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 only 16.6 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 one-half.

Figure 9: Summary Population Profiles

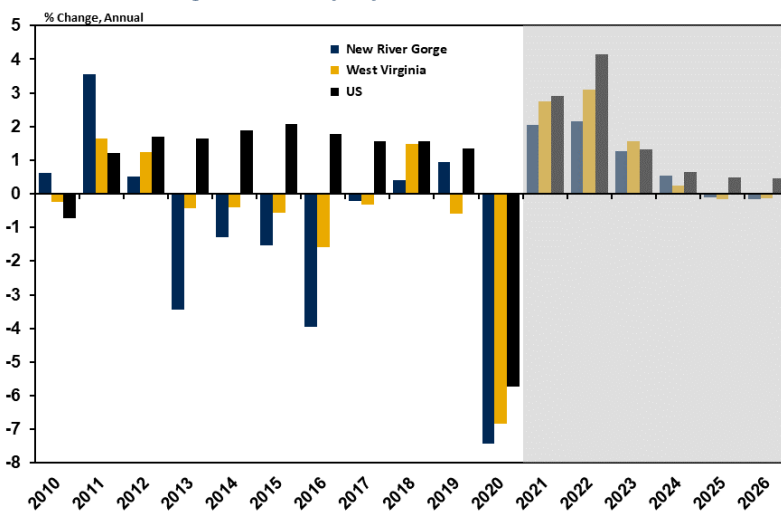
	New River Gorge	West Virginia	United States
Total Population (2020)	151,766	1,784,787	329,484,123
% Population Under 18 (2020)	20.2%	20.0%	22.1%
% Population 65 Years + (2020)	22.7%	22.6%	16.9%
Population with Less than High School Diploma (2019, 25 yrs. +)	14.6%	12.9%	11.4%
Population with High School Diploma, No College (2019, 25 yrs. +)	42.6%	40.2%	26.9%
Population with Some College (2019, 25 yrs. +)	26.2%	25.8%	28.6%
Population with Bachelor’s Degree or Higher (2019, 25 yrs.+)	16.6%	21.1%	33.1%
Median Age (2020)	44.4	43.0	38.6
Mean Household Income (2019)	\$56,090	\$65,842	\$92,324
Average Household Size (2019)	2.37	2.40	2.61

Source: US Census Bureau

Economic Outlook

Expectations for the West Virginia and US economy during the 2022-2026 forecast horizon will have a significant impact on the performance of the New River Gorge Area going forward.³ In addition, the trajectory of the COVID-19 pandemic over next several months will have an influence on the near-term performance of the region's economy, especially as several key sectors will be directly affected by any significant increases in cases and hospitalizations. With that said, the forecast calls for the New River Gorge Area to remain on a path to recovery from the COVID-19 recession.

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

Overall, we anticipate total employment will increase at an average annual rate of between 0.6 and 0.7 percent through 2026. Growth will be much stronger during the first half of the outlook period as several sectors continue to work their way toward recovery from the COVID-19 recession and coal production benefits from a rebound (albeit a temporary one) in coal consumption growth globally. Gains will weaken over the second half of the forecast horizon and decline slightly at some point as the region's lack of dynamic industries and unfavorable demographic characteristics prove to be a constraining factor on growth over the long term. The forecast calls for the New River Gorge Area to reach its pre-pandemic level of employment on a consistent basis by late-2022.

COUNTY DIFFERENCES Among the region's four counties, Raleigh County is expected to enjoy the fastest pace of job growth going forward at 0.7 percent per year. The rebound in global coal demand should provide an increasingly larger boost to the county's economy for the next year or directly through new miner jobs and indirectly as manufacturers and other suppliers, such as business services firms, see expanded business activity. 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 through 2022, 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-2022.

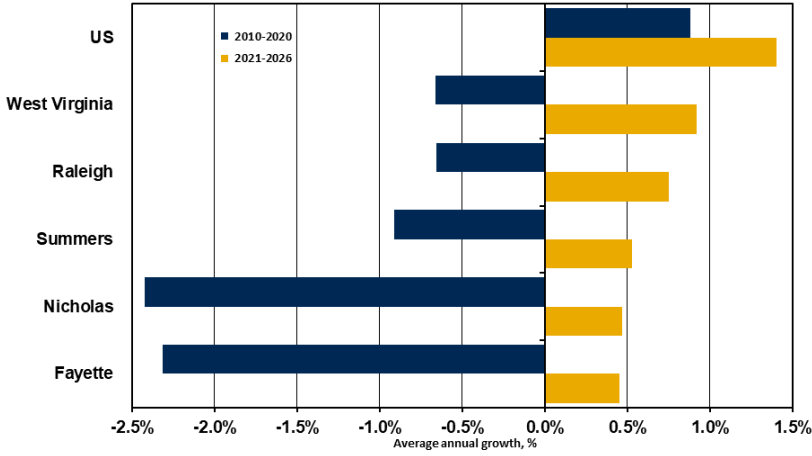
Nicholas and Fayette counties are expected to see similar rates of job growth during the outlook period, with average annual increases of 0.4 to 0.5 percent. While both areas have some upside potential related to tourism development and other factors, we do not anticipate either county will return to pre-pandemic levels of employment for a sustained period over the forecast horizon.

Summers County is expected to surpass its pre-pandemic level of employment by early- to mid-2022 and will likely see job growth of more than 0.5 percent over the next five years.

PANDEMIC RECOVERY Job growth in the New River Gorge Area, particularly over the next two years, will be driven in large part by consumer-oriented services sectors that were hit hard during the initial public health response and saw declines in consumer activity during periods of surging COVID-19 cases and hospitalizations in 2020 and 2021. Indeed, we anticipate leisure and hospitality and other services will add jobs at an average annual rate of more than 4 percent through 2026, though most of this growth will be during the earliest part of the forecast in 2022 and

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

Figure 11: Employment Growth Forecast by Area



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

2023. 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, the return of events such as Bridge Day in 2022 and the World 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 recent 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.

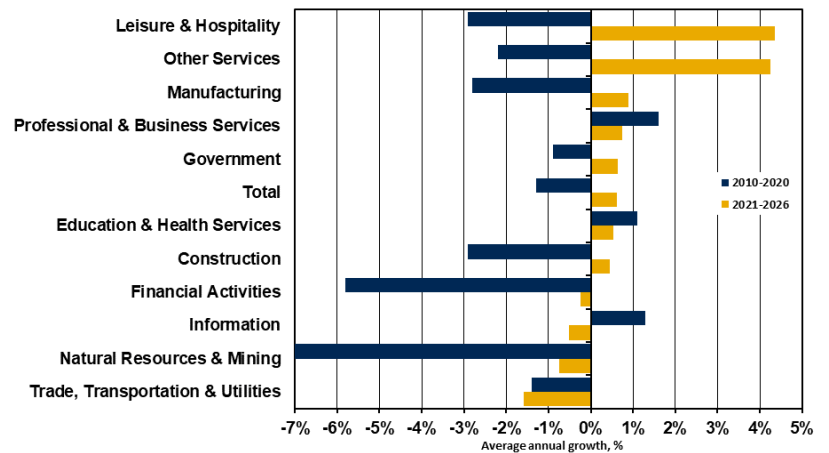
MINING AND MANUFACTURING The New River Gorge Area’s natural resources and mining sector is expected to lose jobs at an average annual rate of 0.8 percent between 2021 and 2026. Coal production and payroll levels for area mines could

approach 2018 levels over the next year or so as global coal prices remain supportive of new output growth. 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. 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, while several others are expected to see conversion to other fuel sources either due to previous utility integrated resource plans or to come into compliance of revised standards for effluence of coal ash.

The New River Gorge Area’s manufacturing sector is expected to rebound at a rate of nearly 1 percent 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 slumping coal production weighs on demand for roof bolts, augurs, circuit breakers and other mining equipment. Wood products, plastics and other sub-sectors should enjoy some growth over the next five years, providing a boost to the sector’s overall performance.

CONSTRUCTION The construction sector is expected to see payrolls increase nearly 0.5 percent. Most of the sector’s growth in the region will occurring during the middle phase of the forecast horizon, as physical

Figure 12: New River Gorge Employment Growth Forecast by Sector



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

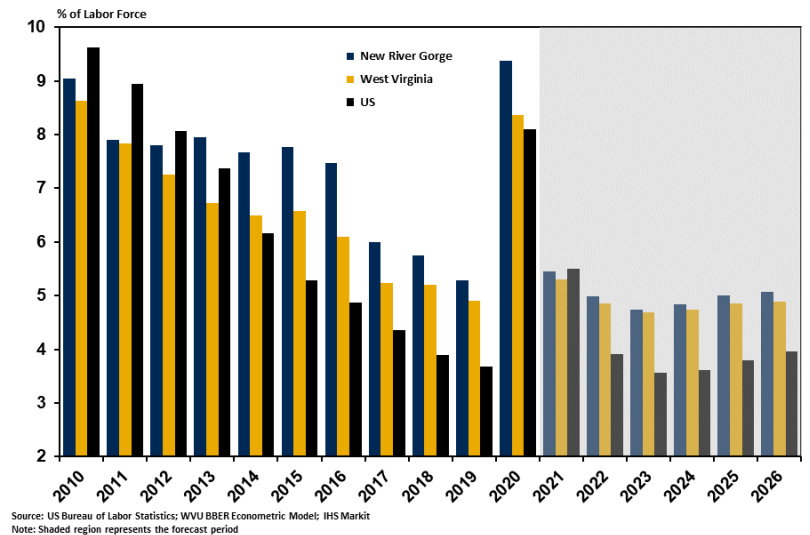
infrastructure development flowing from the Roads to Prosperity program work toward completion. However, we do anticipate some upside potential for regional construction activity, largely as a result of new infrastructure development flowing from the recently signed Infrastructure Investment and Jobs Act. While it remains to be seen which projects will ultimately receive funding or come to fruition during the outlook period, the Biden Administration’s goal to significantly scale up domestic infrastructure investment to the tune of \$1.2 trillion over the next decade suggests billions in funding should be available for a range of physical infrastructure projects (bridges, highways, transit, water/sewer) in the four-county area and other economic regions in West Virginia.

BUSINESS SERVICES Professional and business services is expected to record growth above the regional average, as payrolls are expected to increase 0.8 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. Moreover, contract labor services for mines should also grow over the near term with the expected pick-up in coal mine output.

OTHER SECTORS Education and health services is expected to add jobs at a 0.5 percent average annual rate through 2026. The New River Gorge Area’s healthcare sector has been under significant strain for more than a year as a result of the COVID-19 pandemic. While the federal government has provided some funding to alleviate the losses associated with shifting or delaying routine appointments, elective procedures and other forms of care to treat COVID-19 patients in ICU and non-ICU environments, regional hospitals have faced significant financial difficulties over the course of the pandemic. In addition to the stress on facilities and financial statements, the pandemic has caused massive levels of stress to the healthcare sector’s workforce and currently faces one of the highest ratio of unfilled jobs among any sector.

Consequently, it will likely take several quarters of strong hiring activity before the sector can offset the negative labor force churn it has experienced since early 2020. 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 co-morbidities.

Figure 13: Unemployment Rate Forecast



The public sector in the New River Gorge Area is expected to grow at a rate roughly on par with 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 should afford state, county and municipal governments to target expenditures on a broad cross section of government functions that were cut during the pandemic or received relatively less support in recent years as funds were diverted to other priorities. Furthermore, higher education 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 Unanticipated changes in labor force participation within the New River Gorge 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

increase from its current level and eventually stabilize between 5.3 and 5.4 percent by 2021.

Raleigh County is expected to have the lowest unemployment rate in the region, averaging in the low- to mid-4.0-percent range for most of the outlook period. Summers County’s jobless rate is expected fall within a similar range over the next few years. By contrast, Fayette and Nicholas counties will post higher unemployment rates over the forecast horizon, falling roughly within the low- to mid-5.0-percent range.

INCOME Inflation-adjusted per capita income in the New River Gorge Area is projected to increase at an average annual rate of 1.6 percent through 2026. Transfer payments are expected to decline outright between 2021 and 2026, largely as a result of federal pandemic relief in the first quarter of 2021 as well as the re-introduction of expanded unemployment insurance benefits that remained in place until the summer months. Growth in high-wage sectors such as mining and manufacturing will boost wage and salary growth during the next few years, while intense competition for workers will bolster wage growth among less-skilled sectors such as retail and leisure and hospitality and could eventually result in raising the statutory federal minimum wage beyond its current level. Finally, while transfer payments will decline as a share of total regional income, the region’s demographic profile means that a growing share of the four-county areas will begin to receive federal transfers for Medicare and Social Security at some point during the outlook period.

POPULATION The region’s population is expected to shrink at a rate of more than 0.6 percent annually over the next five years. The entire region will continue to struggle with net out-migration and high mortality rates that stem from a host of underlying causes. Raleigh County has the greatest potential to see much smaller losses (or even potential gains) in population due in part to its status as the economic epicenter of the region, although the other counties have the potential to arrest their declining population numbers as well if they can capitalize on marketing the area’s appeal to residents from other areas. 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.

Figure 14: Population Forecast

