

WEST VIRGINIA  
EASTERN  
PANHANDLE  
REGION  
OUTLOOK

2013

## EXECUTIVE SUMMARY

The Eastern Panhandle region was severely impacted by the Great Recession, experiencing a significant reduction in total economic activity, large job losses and substantial income declines. By these measures, the Eastern Panhandle's economy was more like the US economy than the state's. The region has begun to recover, however, and over the next five years the Eastern Panhandle's tendency to match national growth will serve it well, as the region is expected to outpace the rest of the state in nearly every measure.

The Eastern Panhandle saw large declines in total economic activity between 2006 and 2011. Overall, the region saw an average annual loss of 0.3 percent in inflation-adjusted Gross Domestic Product (GDP) over that time period, compared with a gain of 1.2 percent for the state as a whole. The region experienced losses in gross product each year between 2007 and 2010. The region started growing again in 2011, but hasn't yet reached its pre-recession growth rate.

Inflation-adjusted GDP growth in the Eastern Panhandle is expected to accelerate between 2012 and 2015, before leveling off at approximately the same growth rate as before the recession. The region is forecast to grow at an average annual rate of 3.5 percent between 2012 and 2017, compared with an expected 2.1 percent annual average growth rate for the state.

The Eastern Panhandle saw large job losses during the Great Recession, with most sectors falling faster than the state and national averages. The greatest employment losses from 2006-2011 occurred in the Construction sector, which fell 13.5 percent on an annual average basis. These job declines reflect the effect on the region of the breaking of the housing bubble. Residential construction starts fell 89 percent between their peak in 2006 and 2011.

The region's employment growth over the next five years is projected to be extremely positive, however, outpacing the state in every employment category. Job growth is expected to be led by the Professional and Business Services sector, which is forecast to rise by more than 950 jobs from 2012-2017. This represents an average annual growth rate of 4.8 percent. The Construction, Natural Resources, and Mining sector is expected see a turnaround as well, rising 3.7 percent on an average annual basis.

The Eastern Panhandle region's job losses led to a reduction in real per capita personal income between 2006 and 2011 of 0.03 percent on an average annual basis. The region performed significantly worse than West Virginia as a whole, which experienced a 1.2 percent average annual growth in real per capita personal income over the years leading up to and following the most recent recession.

Income in the Eastern Panhandle is expected to recover over the next five years, but growth will be slower than the state. Except for 2012, inflation-adjusted per capita personal income growth is forecast to be above 2 percent in each of the next five years, for an average annual growth rate of 1.8 percent. This translates into an additional per capita spending power of \$2,700 for the average Eastern Panhandle resident by the end of the forecast period in 2017.

Eastern Panhandle population grew rapidly prior to the recession. Its population growth rate in 2006 was more than 3.6 percent, compared with 0.4 percent for the state as a whole. But the recession caused population growth to plummet; it fell below 1.5 percent in each of the years between 2009 and 2011. The forecast calls for the Panhandle region to regain some of its pre-recession growth, but growth will remain far slower than before the recession. The region is expected to grow at an annual average rate of 1.6 percent between 2012 and 2017.

As in the state overall, the fastest gains will be in the over-65 age group, which is forecast to grow by 3.9 percent on average. The region is also expected to have large gains in the population of young children. Population age zero to 14 is forecast to rise by 1.7 percent on an annualized basis. The gain in younger population reflects the region's lower median age, which gives it a larger potential child-bearing population.

## EASTERN PANHANDLE REGION PROFILE

The Eastern Panhandle is made up of Berkeley, Jefferson and Morgan Counties, each of which is part of a metropolitan statistical area (MSA). Jefferson County lies within the Washington-Arlington-Alexandria MSA (subsequently the Washington MSA), and thus owes much of its economic activity to the Washington, DC, area. Berkeley and Morgan Counties are part of the Hagerstown-Martinsburg MSA (subsequently the Hagerstown MSA), which gives them ties to cities outside the state.

### GROSS DOMESTIC PRODUCT

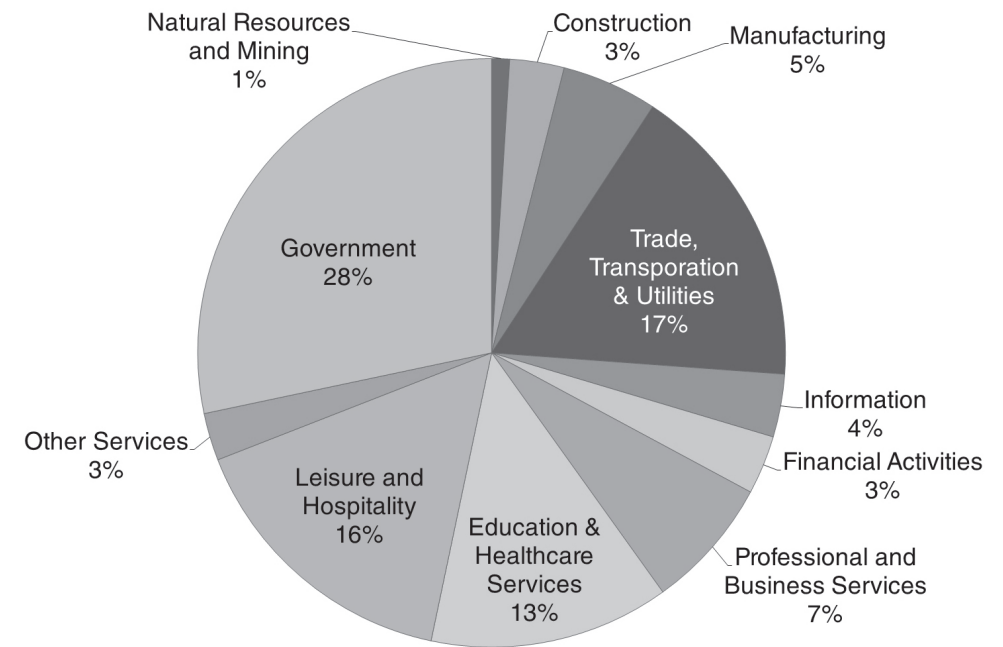
Gross Domestic Product (GDP) is the dollar value of all goods and services produced in an area. This report uses the gross product measure in several ways; Gross State Product (GSP), Gross County Product (GCP) and for Metropolitan Statistical Areas (MSA), Gross Metropolitan Product (GMP). The three counties that make up the Eastern Panhandle all saw large declines in gross county product in the years between 2006 and 2011. Overall, the region saw an average annual loss of 0.3 percent over that time period. The region experienced losses in gross product in all of the years between 2007 and 2010, and though the Eastern Panhandle started growing again in 2011, it hasn't yet reached the same growth rate it had before the recession.

In 2011 the Eastern Panhandle contributed 5.7 percent to West Virginia's GSP. Berkeley County contributed the largest share with 3.5 percent, while Jefferson and Morgan counties contributed 1.8 and 0.4 percent respectively. The value of the Eastern Panhandle's real GDP for 2011 is roughly \$3.2 billion. As a comparison, the GMP of the Hagerstown MSA in 2011 was about \$7.8 billion. Though composed of many more people and registering much higher levels of economic activity, we can also compare the performance of the Eastern Panhandle with the Washington MSA. The Washington MSA's real GMP was valued at \$380 billion.

### EMPLOYMENT

The Eastern Panhandle had a total of 47,138 jobs in 2011. As Figure 1 indicates, the Government sector made up the largest share of employment at 28 percent of the total jobs. This is significantly higher than in the state as a whole, which had 20 percent of employment in the Government sector. This large government contingent reflects the region's close ties to the Washington, DC, area, as well as the Veterans Administration Center, the US Department of Treasury and other federal facilities.

**FIGURE 1: Eastern Panhandle Employment by Major Sector**



Source: WorkForce West Virginia

The region also has a high proportion of Leisure and Hospitality sector employment, which makes up nearly 16 percent of the region's total workforce. This reflects employment in the region's gaming industry. The Eastern Panhandle is less dependent on the Mining sector as the rest of the state. Employment in Natural Resources and Mining sector constitutes only about 1 percent of total employment, compared with 5 percent for the state as a whole. All three counties have very low levels of employment in the Information Services sector.

Similar to the Eastern Panhandle, the largest share of employment in Berkeley County is in the government sector. Government accounted for 29.1 percent of total employment in the county in 2011. This county also has a high level of employment in the Transportation, Trade, and Utilities sector which is an aggregate grouping of the Transportation, Warehousing and Utilities, and Wholesale and Retail Trade sectors. Employment in the aggregated sector accounted for 18.6 percent of employment in the county. Also noteworthy is employment in the Education and Health Services Sector, which accounted for 13.5 percent of total employment in the county.

Jefferson County is the driving force behind such high levels of employment in the Leisure and Hospitality sector in the Eastern Panhandle Region due to the location of the Hollywood Casino in Charles Town, WV. This sector accounted for 28.1 percent of total employment in Jefferson County in 2011. Panhandle trends continue in Jefferson County with the next two highest shares of employment coming from the Government, and Trade, Transportation, and Utilities sectors at 24.8 and 14.6 percent respectively.

Morgan County has a population roughly one-fifth of that of Jefferson County. However, its employment shares are quite similar. In 2011 there were 2,873 jobs in Morgan County, 28.0 percent of which were in the Government sector. Other notable employment shares came from the Education and Health Services, and Trade, Transportation, and Utilities sectors at 20.0 and 14.6 percent. The lowest level of employment in the county comes from the Information sector representing 0.9 percent of total employment.

The greatest employment losses from 2006-2011 occurred in the construction industry (Figure 2). The Eastern Panhandle region saw employment in this sector fall from 2,879 jobs in 2006 to 1,391 in 2011, an average annual decline of 13.5 percent. Berkeley, Jefferson, and Morgan County saw construction employment declines at average annual rates of 12.4, 15.8, and 14.1 percent. Although employment in the Construction sector suffered, the Eastern Panhandle had a 2.1 percent increase in average weekly wages for its employees in this sector. Morgan County saw average weekly wage growth in the Construction industry of 6.8 percent on an annual average basis, while Berkeley and Jefferson County saw increases of 3.0 and 0.13 percent.

The Manufacturing sector also shed jobs rapidly during the recession. Employment in the sector fell by almost 1,500 jobs, an annual average drop of 9.1 percent. The reduction in the Eastern Panhandle was significantly larger than in the state as a whole, which fell 4.1 percent. The Professional and Business Services sector also performed worse than the state, falling by more than 600 jobs, a decline of 3.1 percent on an annual average basis.

The Eastern Panhandle did better than the state in the Education and Health Services sector. Employment in this sector rose at an annual average rate of 4.5 percent, compared with a rise of 1.8 percent for West Virginia. Over the course of 2006-2011, the Government sector also expanded, adding more than 1,700 jobs, which was split between the Federal, and State and Local levels.

**INCOME**

Personal income helps determine an area's economic performance from year to year. This report uses the measure of real per capita personal income (PCPI), which is the inflation- and population-adjusted personal income for a particular region. From 2006-2011, real PCPI in the Eastern Panhandle region essentially stayed the same, falling 0.03 percent on an average annual basis. The region performed significantly worse than West Virginia as a whole, which experienced a 1.2 percent growth in real PCPI over the years leading up to and following the most recent recession. Although the region experienced negative growth over the last five years, in 2011 the Eastern Panhandle had a slightly higher real PCPI than the state as a whole, \$29,720 versus \$29,350.

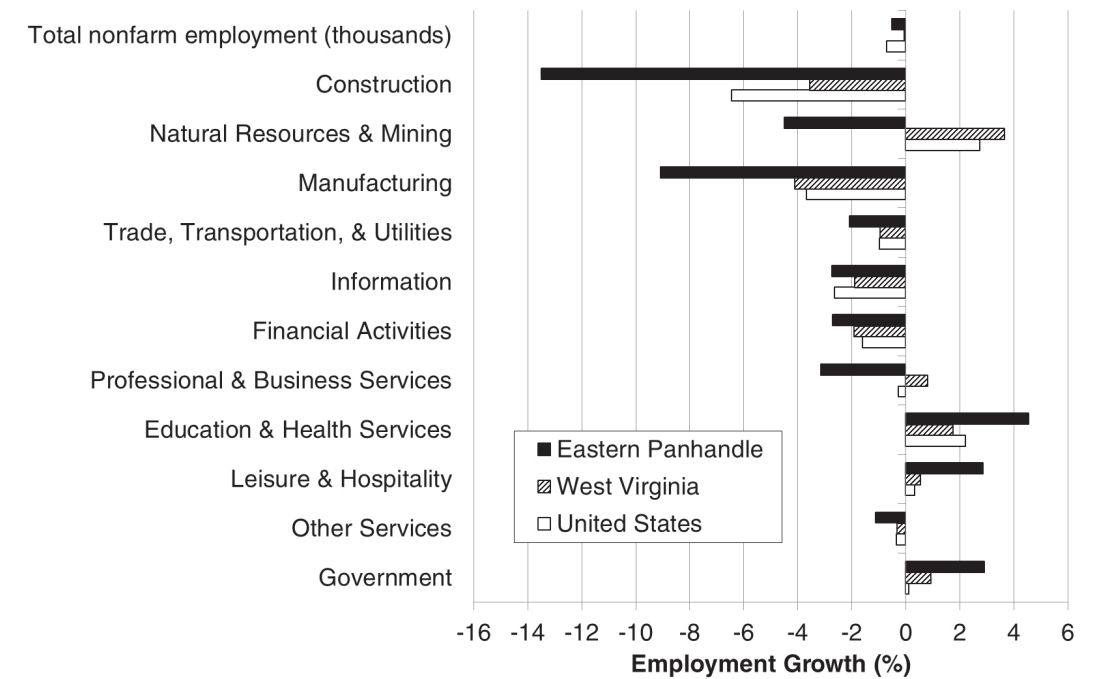
Berkeley County was the only county in the Eastern Panhandle to see positive growth in real PCPI from 2006-2011 at a rate of 0.2 percent. Morgan and Jefferson County experienced declines in real PCPI at rates of 1.1 and 0.05 percent respectively. In 2011 Jefferson County had real personal per capita income of at \$33,517, which was significantly higher than the state as a whole. This is most likely due to its inclusion in the Washington MSA which had a real PCPI of \$51,800 in 2011. Berkeley and Morgan County both fell below the state average, at \$28,052 and \$28,066. The two counties also fell below the level of the Hagerstown MSA, which had a real PCPI of \$30,820.

**POPULATION**

The Eastern Panhandle is both younger and better educated than the state as a whole. It also typically has faster population growth than the state. Table 1 summarizes the Eastern Panhandle region's demographic characteristics.

The region experienced rapid population growth of 1.7 percent from 2006-2011, significantly higher than the state as a whole, which grew at a rate of 0.3 percent over the same time period. In 2011 total Eastern Panhandle region population was 177,510, up 1.0 percent from 2010. The largest population in the region is

**FIGURE 2: Average Annual Employment Growth (2006-2011)**



Source: WorkForce West Virginia

**TABLE 1: Select Demographic Characteristics 2011**

REGION	POPULATION	MEDIAN AGE	PERCENT OF POPULATION (OVER 65)	REAL PER CAPITA PERSONAL INCOME (2005 \$)	UNEMPLOYMENT RATE
Eastern Panhandle	177,510	38.7*	12.6%	\$29,722	7.3%
Berkeley County	105,750	37.9	11.7%	\$28,052	7.9%
Jefferson County	54,225	39.4	12.2%	\$33,517	6.0%
Morgan County	17,535	45.8	19.0%	\$28,066	8.3%
Washington DC MSA	5,703,948	36.1*	10.2%	\$51,800	5.8%
Hagerstown MD MSA	271,488	39.2*	13.6%	\$30,820	9.0%
West Virginia	1,855,364	41.5	16.2%	\$29,400	8.0%
United States	311,591,917	37.3	13.3%	\$32,500	9.0%

\* 2010 Census

Source: US Census Bureau American Community Survey, WorkForce West Virginia, and IHS Global Insight

in Berkeley County, which had a population of 105,750 in 2011. Jefferson and Morgan counties had populations of 54,225 and 17,535 for the year. The populations of Berkeley and Jefferson counties both grew and were up by 1.0 and 1.1 percent from 2010 to 2011.

Morgan County, which increased in population slightly in 2011, is the only county in the region with percent of population 65 years of age and older and median age above the state average. The two MSAs associated with the Eastern Panhandle both experienced population growth above the state average in 2011, while having a smaller percentage of people age 65 and older.

Closely tied to the population growth is the Eastern Panhandle region's Construction sector, which was significantly impacted by the Great Recession. From 2006 to 2011 the total value of construction starts fell at an average annual rate of 22.5 percent. Residential construction starts values fell by 33.6 percent, nonresidential construction starts fell by 12.2 percent, and non-building construction starts fell by 18.8 percent.

Construction of residential housing was most affected by the recession in all three counties. The value of residential construction starts in Berkeley County fell by 36.6 percent on an average annual basis from 2006-2011. Residential construction starts fell by 24.9 percent in Jefferson County and 35.4 percent in Morgan County.

In 2011, 13.3 percent of Eastern Panhandle residents age 25 and older had a bachelor's degree or higher. Jefferson County led the region with 16.8 percent of its residents age 25 and older holding a bachelor's degree. Berkeley and Morgan counties saw rates of educational attainment of 12.3 and 9.3 percent respectively. Jefferson and Berkeley counties both had higher levels of educational attainment than the state as a whole. In 2011, 10.6 percent of West Virginia residents held at least a bachelor's degree. The Eastern Panhandle region and the state as a whole both fell behind the national rate of 17.6 percent, as well as the Washington MSA and Hagerstown MSA, in which 24.9 and 11.9 percent of the respective populations held bachelor's degrees.

## EASTERN PANHANDLE FORECAST

The Eastern Panhandle region is expected to perform well over the next five years with rapid growth in economic activity, employment and income. Population growth is expected to be slower than before the recession, but still faster than the state average. Table 2 is a summary of the forecast of the Eastern Panhandle and related counties and MSAs.

### GROSS DOMESTIC PRODUCT

Inflation-adjusted GDP growth in the Eastern Panhandle is expected to accelerate between 2012 and 2015, before leveling off at approximately the same level as before the recession (Figure 3). The region is forecast to grow at an average annual rate of 3.5 percent between 2012 and 2017, which matches its pre-recession growth rate. This growth rate is significantly higher than for the rest of the state, which is forecast to grow 2.1 percent annually on average. It is also higher than the expected growth rate for the rest of the country.

The counties that make up the Eastern Panhandle will not all do equally well. Jefferson County real GCP is expected to grow faster than the other two counties at an average annual rate of 4.1 percent. Berkeley County is forecast to grow at an average annual rate of 3.3 percent, and Morgan County is forecast to grow at a rate of 1.9 percent.

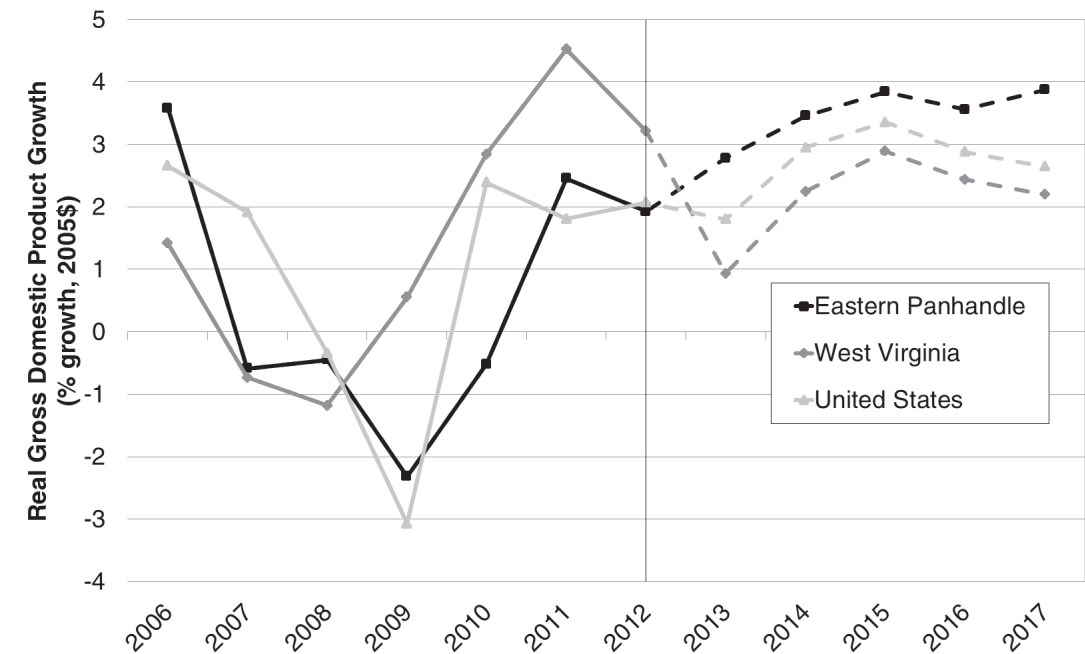
GDP growth in the Eastern Panhandle is expected to be greater than the metropolitan areas in the region. The Washington MSA is forecast to grow at an average annual rate of 2.9 percent between 2012 and 2017, and the Hagerstown MSA is forecast to grow by 2.3 percent annually on average.

TABLE 2: Forecast Summary (Average Annual Growth 2012-2017)

REGION	REAL GDP	EMPLOYMENT	PERCENT OF POPULATION (OVER 65)	REAL PER CAPITA PERSONAL INCOME (2005 \$)
Eastern Panhandle	3.5%	1.5%	1.6%	1.8%
Berkeley County	3.3%	1.5%	1.7%	1.4%
Jefferson County	4.1%	1.8%	1.8%	2.0%
Morgan County	1.9%	0.3%	0.1%	3.2%
Washington DC MSA	2.9%	1.8%	1.3%	1.8%
Hagerstown MD MSA	2.3%	1.4%	1.0%	1.9%
West Virginia	2.1%	1.1%	0.3%	2.2%

Source: IHS Global Insight

FIGURE 3: Gross Domestic Product Growth Rates



Source: IHS Global Insight

**EMPLOYMENT**

Employment in the Eastern Panhandle fell significantly during the Great Recession, with most sectors seeing job losses greater than the state and national averages. Growth rates over the next five years are projected to be extremely positive, however, outpacing the state in every employment category.

Total employment in the Eastern Panhandle region is forecast to rise at an average annual rate of 1.5 percent. Job growth is expected to be led by the Professional and Business Services sector, which is forecast to rise by more than 950 jobs between 2012 and 2017 (Figure 4). This averages out to an annual growth rate of 4.8 percent, a strong turnaround from the 3.1 percent annual loss over the last five years. The Education and Healthcare Services sector is also expected to do well, rising at an average annual rate of 2.5 percent. Job growth in this sector is projected to be slower than the last five years, but it will still account for approximately 23 percent of job gains over next five years. The last sector expected to post large job gains is the Trade, Transportation, and Utilities sector. The sector is forecast to increase by about 640 jobs, which represents an average annual employment increase of 1.5 percent.

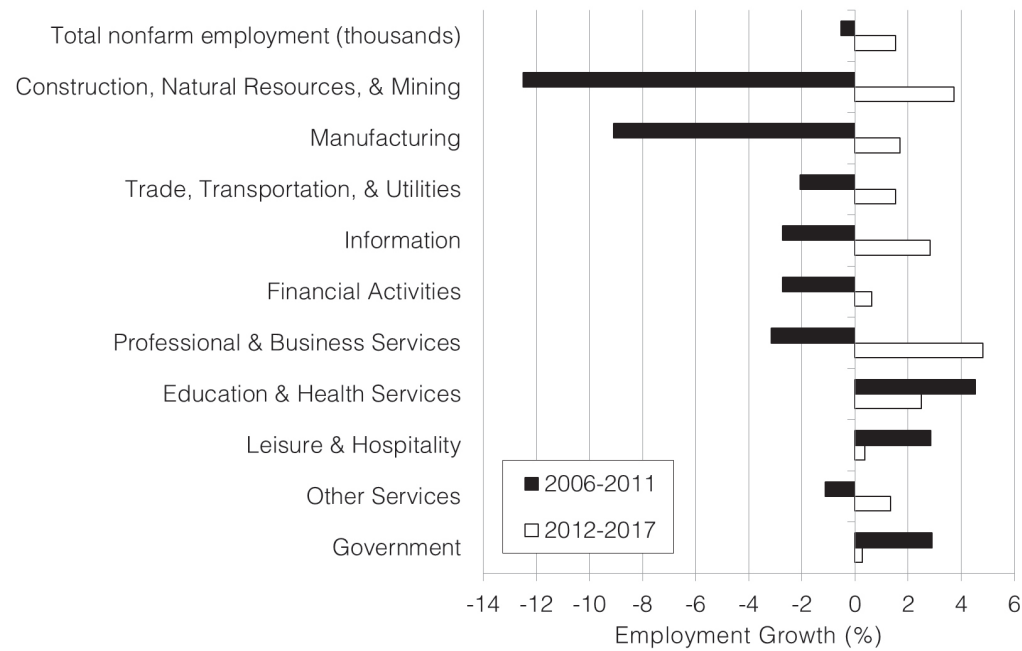
basis, a far cry from the more than 12-percent losses in the previous five years. Jobs in the Construction industry alone fell by more than half during the recession, amounting to an average annual loss of more than 13 percent between 2006 and 2011. The forecast does not break out the differences between the Construction and Mining sectors. However, given that the West Virginia forecast calls for job losses in the Mining sector, and mining is a relatively small industry in the Eastern Panhandle, it is likely that the majority of job gains in this sector will come in the Construction industry.<sup>1</sup>

Job growth in the Leisure and Hospitality sector is expected to slow over the next five years, dropping to an average annual growth rate of just 0.4 percent, compared with job gains of almost 3 percent in recent years. Since this category includes race tracks and gaming establishments, the slowdown in job gains may reflect increasing competition from nearby states for gambling dollars. Growth in Government sector jobs is also expected to slow between 2012 and 2017. This slowdown is almost entirely due to job losses at the Federal level, which represents a large constituency in the Eastern Panhandle.

The Construction, Natural Resources, and Mining sector is expected to fare well, rising 3.7 percent on an average annual

<sup>1</sup> See the Population section on page 9 for a discussion of the Construction sector.

**FIGURE 4: Average Annual Eastern Panhandle Employment Growth**



Source: IHS Global Insight

Of the three counties in the Panhandle region, Jefferson County is projected to see the largest job gains, rising 1.8 percent on average between 2012 and 2017. Employment in Berkeley County is projected to rise more than 1.5 percent on average, which likely reflects new jobs at the Macy's fulfillment center. Lastly, Morgan County is expected to see a modest job increase of 0.3 percent on an average annual basis. Annual Average job gains in the Eastern Panhandle are expected to be slower than the Washington MSA (1.8 percent) and faster than the Hagerstown MSA (1.4 percent).

**INCOME**

Most measures of income in the Eastern Panhandle fell substantially during the recession and have been slow to recover in the last two years. Income growth is expected to pick up speed over the next five years, but will fail to get back to pre-recession growth rates.

Except for 2012, inflation-adjusted PCPI growth is forecast to be above 2 percent in each of the next five years, for an average annual growth rate of 1.8 percent. This translates

into an additional \$2,700 of spending power, on average, for Eastern Panhandle residents by the end of the forecast period in 2017. Gains in PCPI will be slower than the state, which is expected to rise by 2.2 percent on average between 2012 and 2017 (Figure 5).

Inflation-adjusted average annual wage growth is forecast to accelerate over the next five years, rising to 1.1 percent on an average annual basis. Average annual wages are projected to rise to \$36,630 by 2017, giving the average worker an additional \$2,240 in spending power.

Per capita income will grow fastest in Morgan County, where PCPI is projected to rise by an average annual rate of 3.2 percent. Jefferson County is projected to rise by 2.0 percent, followed by Berkeley County at 1.4 percent on an average annual basis. Jefferson County will continue to have a significantly higher average income level due to its proximity to Washington, DC. Eastern Panhandle PCPI growth is expected to be roughly equal to both of the region's MSAs.

**FIGURE 5: Real Per Capita Personal Income Growth (2006-2017)**



Source: IHS Global Insight

**POPULATION**

Rapid job gains are expected to lead to an acceleration of population gains in the Eastern Panhandle over the next five years (Figure 6). The Panhandle region also will continue to outpace state population growth, however the gain will be far less than the pre-recession level.

Eastern Panhandle population grew rapidly prior to the recession. Its population growth rate in 2006 was more than 3.6 percent, compared with 0.4 percent for the state as a whole. But the recession sent population growth down to below 1.5 percent in each of the years between 2009 and 2011. The forecast calls for the Panhandle region to regain some of its growth rate, but remain far slower than before the recession. The region is expected to grow at an annual average rate of 1.6 percent between 2012 and 2017.

As in the state overall, the fastest gains will be in the over-65 age group, which is forecast to grow by 3.9 percent on average. The region also will see large gains in the population of young children. Population age zero to 14 is forecast to rise

by 1.7 percent on an annualized basis. The gain in younger population reflects the region's lower median age, which gives it a larger potential child-bearing population.

The vast majority of the population gains will be in Berkeley and Jefferson counties, which are expected to grow at an average annual rate of 1.7 and 1.8 percent respectively. Morgan County is projected to grow at a rate of only 0.1 percent on average, lower even than the state average. The Eastern Panhandle region is forecast to grow faster than both the Washington and Hagerstown MSAs.

The region's population gains are expected to bring a construction boom in the region. Though projected housing starts are unavailable at the county level, both the MSAs in the region are projected to have rapid gains in new housing. The Hagerstown MSA is forecast to have housing starts rise by an annual average of 25.2 percent. Somewhat smaller numbers are expected in the Washington MSA, which is projected to see housing starts rise 13.2 percent per year on average.

**ABOUT THE FORECAST**

Unless otherwise noted, all forecast data for this report comes from IHS Global Insight (IHS). The US forecast data comes from IHS' October US Economic Outlook; the WV forecast is from IHS' September West Virginia Outlook; and county data is from IHS' June county forecast.

IHS makes several assumptions about the US economy that are relevant to the forecast. These include the assumption that the US Congress will avoid the so-called "fiscal cliff" coming at the end of 2013 by putting off spending cuts to the military, as well as spreading out tax increases over time. The forecast also assumes that the US Federal Reserve will continue quantitative easing, and that Europe's efforts to avoid a sovereign debt default will be successful. IHS states that if these assumptions are not met, the forecast could be significantly more pessimistic than is presented here.

**GLOSSARY**

**Average Annual Growth Rate**

Average Annual Growth Rate is calculated for annual data as:

$$\left[ \left( \frac{X_t}{X_{t-N}} \right)^{1/N} - 1 \right] \times 100$$

Where X\_t is the current data, X\_(t-N) is the previous data, and N is the number of years between the two data points.

**Civilian Labor Force, Employment, Unemployment, and the Unemployment Rate**

Historical labor force data are available in the West Virginia County Profiles, published by the Bureau of Employment Programs. These data are available on-line at [www.workforcewv.org](http://www.workforcewv.org). Labor force data cover West Virginia residents only. They are counted as participating in the labor force if they are employed or, if unemployed, actively seeking work. The unemployment rate is the number of unemployed residents divided by the labor force.

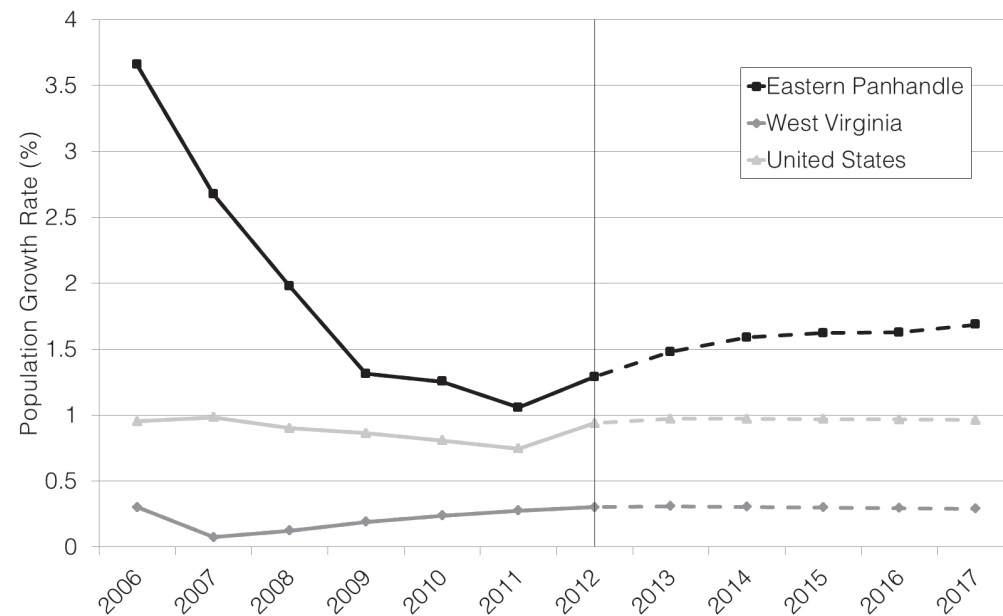
**Nonfarm Payroll Employment by Industry**

Historical employment data come from the US Bureau of Labor Statistics and the West Virginia Bureau of Employment Programs, Research, Information and Analysis. Data can be found on-line at [www.workforcewv.org](http://www.workforcewv.org). Estimates are from a survey of employers. Jobs are counted based on where the establishment is located, not on where the worker lives.

**Population**

Historical population estimates are from the US Census Bureau and are available on-line at [www.census.gov](http://www.census.gov). Population data reflect the number of persons whose usual place of residence was within the state or county on July 1. Persons in the military or institutionalized are counted where the military base or institution is located, as long as that is within the United States.

**FIGURE 6: Population Growth**



Source: IHS Global Insight

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P.O. Box 6527, Morgantown, WV 26506-6527  
(304) 293-7831 | fax (304) 293-7061 | [bebureau@mail.wvu.edu](mailto:bebureau@mail.wvu.edu)  
**[bber.wvu.edu](http://bber.wvu.edu)**

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Jose V. Sartarelli, Ph.D.  
Milan Puskar Dean

Nancy McIntyre, Ph.D.  
Associate Dean for Research & Outreach

Eric Bowen  
Research Associate  
Bureau of Business and Economic Research

Patrick Manzi  
Graduate Research Assistant

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