



EASTERN PANHANDLE REGION OUTLOOK

Forecast: 2000-2005
Released July 2001

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Executive Summary

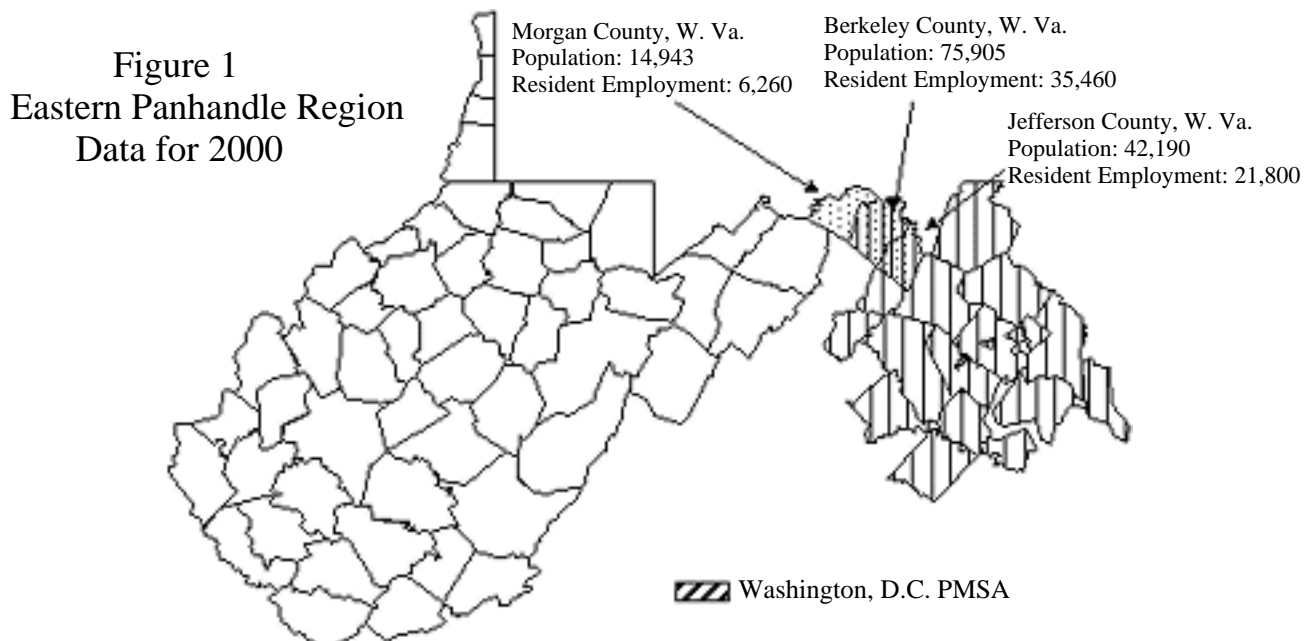
The Eastern Panhandle region expanded far faster than did the state during the 1990s. Regional job growth during the last decade more than doubled the rates posted by the Washington, D.C. PMSA, the state of West Virginia, and almost doubled the national rate. In addition, population gains were strong during the decade, the region's per capita personal income expanded, and unemployment rates were low.

The forecast for the next five years calls for the region to continue to expand, if the national economy avoids recession. Job growth is forecast to far exceed state and national rates, with strong gains in service-producing sectors, like trade, services, and government. Manufacturing and construction jobs are also forecast to post positive growth during the forecast period. Strong job growth performance drives gains in per capita personal income and contributes to continued population expansion. Regional unemployment rates are expected to remain low during the forecast period.

Eastern Panhandle Region in Perspective

Morgan, Berkeley, and Jefferson counties comprise the Eastern Panhandle region of West Virginia (see Figure 1). In 2000, the region's population (133,038) constituted 7.4 percent of total state residents. Berkeley County is the largest county in the region with 75,905 residents in 2000, followed by Jefferson County with a resident population of 42,190 and Morgan County with 14,943 residents.

Resident employment in the region was 63,520 in 2000, which translates to 8.2 percent of the state total. Berkeley County also registered the highest resident employment in 2000. Berkeley and Jefferson counties, as part of the Washington, D.C. PMSA, accounted for 2.2 percent of the metropolitan area's resident employment.



Per capita personal income was \$26,529 in Jefferson County in 1999 - the highest in the region and well above the West Virginia average of \$20,921 and the regional average of \$23,905 but below the U.S. average of \$28,546. In 1999, Jefferson County ranked 3rd in the state in terms of per capita income. Ranked 9th (up one place since 1998), Berkeley County had a per capita income of \$23,040, while Morgan County recorded per capita personal income of \$20,455 and climbed three notches from last year to be ranked 13th in the state. Per capita personal income for all three counties, however, registered below the Washington, D.C. PMSA per capita income level of \$38,403.

As Table 1 shows, the regional unemployment rate of 2.8 percent was well below the state (5.5 percent) and the national (4.0 percent) rates in 2000. While Morgan County had the highest unemployment rate in the region (3.0 percent), Jefferson County had the lowest and was at par with the Washington, D.C. PMSA average of 2.4 percent. In addition, the Eastern Panhandle region's unemployment rate has recorded strong declines since 1991, when it averaged 9.6 percent.

TABLE 1
Eastern Panhandle Region Selected Economic Indicators by County

	Population		Resident Employment	Per Capita Personal Income		Covered Job Growth	Unempl. Rate	Median Household Income	Poverty*
	Av. An. G.R.			Av. An. G.R.		Av. An. G.R.			
	2000	1990-2000(%)	2000	1999 (\$)	1990-1999(%)	1990-1999 (%)	2000	1997(\$)	1997(%)
Berkeley, W.Va.	75,905	2.5	35,460	23,040	4.3	3.4	2.9	35,715	11.2
Jefferson, W.Va.	42,190	1.6	21,800	26,529	5.3	2.6	2.4	39,607	10.0
Morgan, W.Va.	14,943	2.1	6,260	20,455	4.7	2.0	3.0	30,915	12.2
Eastern Panhandle Region	133,038	2.2	63,520	23,905	4.7	3.0	2.8	<i>n/a</i>	<i>n/a</i>
Washington D.C. PMSA	4,923,153	1.5	2,630,689	38,403	4.2	1.2	2.4	34,980	19.3
Virginia	7,078,515	1.4	3,529,902	29,794	4.2	1.8	2.2	40,209	11.6
Maryland	5,296,486	1.0	2,696,543	32,517	3.9	1.0	3.9	45,289	9.5
West Virginia	1,808,344	0.1	779,000	20,921	4.1	1.4	5.5	27,432	16.8
U.S.	281,421,906	1.2	135,208,000	28,546	4.3	1.7	4.0	37,005	13.3

Population data are from the March 2000 Census Release.

Resident employment estimates for West Virginia are from the West Virginia Bureau of Employment Programs.

Washington D.C. and U.S. resident employment data are from the BLS - labor force data.

Per capita personal income data are from the U.S. Bureau of Economic Analysis.

Median household income and poverty rates are from the U.S. Census Bureau.

Covered Employment data for Washington D.C. is from Maryland, West Virginia and Virginia LMI.

Unemployment Rate data are from WVBEF and BLS.

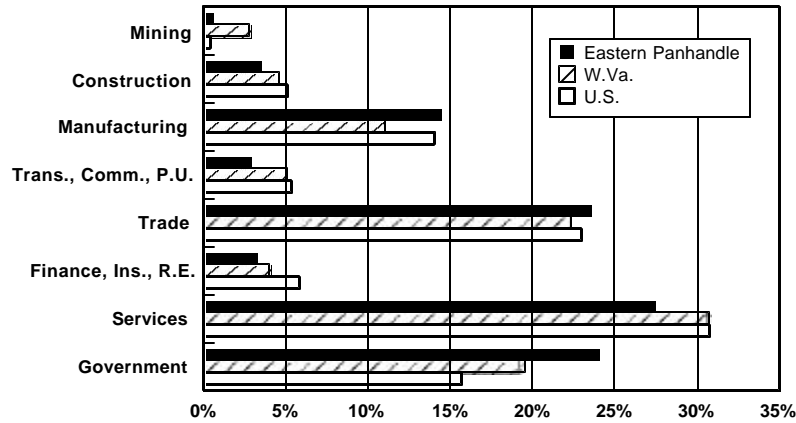
As part of the Washington, D.C. PMSA, Jefferson and Berkeley counties had median household incomes closer to the nation than the state average of \$27,432. Unlike personal income, median household income is calculated using money income, which excludes non-cash sources of income like fringe benefits, Medicare, and Medicaid. Compared to the nation's median household income of \$37,005 for 1997 (the most recent year for which this data is available), Jefferson County fared better with \$39,607 and was ranked 2nd in the state, followed by Berkeley County ranked 3rd with \$35,715, and Morgan County, ranked 10th, with a median household income of \$30,915.

The Eastern Panhandle counties also had poverty rates more akin to the nation than the state. Poverty rate is the share of a region's population whose income falls below certain thresholds that vary by family size and composition. Compared to the U.S. poverty rate of 13.3 percent for 1997, Jefferson County recorded the second lowest poverty rate in the state (10.0 percent), while Berkeley County, ranked 3rd, recorded a rate of 11.2 percent, and Morgan County a rate of 12.2 percent (ranked 6th). The state recorded a poverty rate of 16.8 in 1997, down 15.6 percent from the 1995 level. The Washington, D.C. PMSA registered poverty rates higher than all three counties in the Eastern Panhandle as well as the state and the nation.

The employment shares illustrated in Figure 2 can be used to assess the industrial composition of the region's economy. Mining (0.6 percent of total jobs) is of relatively little significance in the Eastern Panhandle, almost at par with the national average of 0.4 percent. Manufacturing, trade, services and government were the areas of strength for the region, similar to national shares.

Manufacturing accounted for 14.5 percent of the region's employment share in 2000, with the printing and publishing industry being a major contributor to employment. Trade, with 23.6 percent of total jobs, was the second most important sector while services was number one in the region, as well as the state and the nation, with an employment share of 27.5 percent. Construction; finance, insurance and real estate; and transportation, communication and public utilities registered employment shares below the national average.

FIGURE 2
 Eastern Panhandle Region Employment Shares
 Compared to the State And Nation for 2000

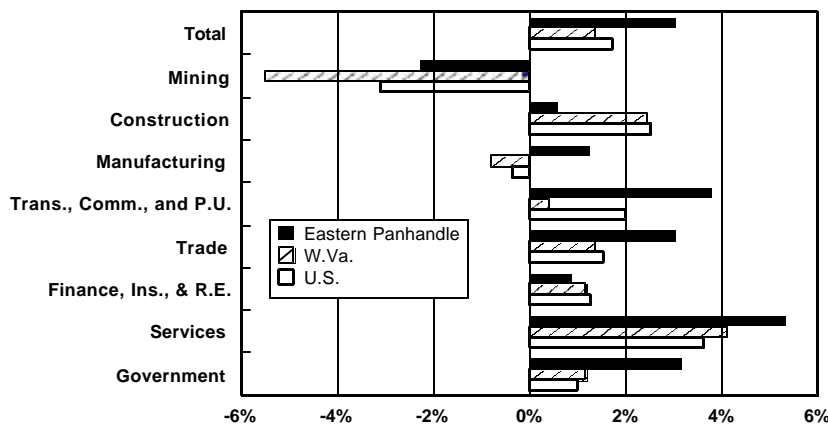


Recent Developments

The Eastern Panhandle region recorded rapid job growth from 1990 to 1999. The region added jobs at an average annual rate of 3.0 percent per year, outpacing the statewide average of 1.4 percent and the national rate of 1.7 percent. As Figure 3 shows, job growth performance in the region was significantly better than the state in nearly all sectors, with the exception of construction and finance, insurance and real estate.

Most new jobs in the region were generated in service-producing sectors, especially trade, services, and government. The services sector in particular was an engine of job growth for the region, with gains concentrated in business services, health care services, and social services. The region also generated strong job growth in transportation, communications, and public utilities, with those gains arising primarily in trucking and warehousing.

FIGURE 3
 Eastern Panhandle Region
 Annual Job Growth: 1990-1999



Regional population growth was much faster than the state average during the 1990s, with an average annual growth rate of 2.2 percent. Statewide population growth averaged 0.1 percent per year, while U.S. population growth averaged 1.2 percent per year and Washington, D.C. PMSA population growth averaged 1.5 percent per year.

During the 1990-1999 period, the region recorded per capita personal income growth of 4.7 percent per year, which was higher than the Washington, D.C. PMSA growth rate for the same period, as well as the statewide (4.1 percent) and the national growth rates (4.3 percent).

Forecast: 2000-2005

The outlook for the Eastern Panhandle region depends in part on the overall macroeconomic performance of the U.S. and world economies. No state or regional economy is entirely insulated from outside events. Likewise, the outlook for the region depends on assumptions about national and international economic performance.

The forecast for the region discussed below depends on a forecast for the U.S. economy developed by Standard and Poor's DRI in March 2001. This forecast is summarized in Table 2 below. The U.S. outlook assumes that the U.S. economy narrowly avoids recession in 2001 and continues to post positive growth through 2005. Specifically, the forecast calls for real GDP growth to decelerate from 5.0 percent growth in 2000, to just 1.7 percent in 2001, and then rebound to 3.3 percent by 2002.

Slowing output growth drives soft employment gains during 2001 and 2002, with the U.S. economy adding jobs at a rate less than 1.0 percent per year until 2003. Matching the slowdown in job growth is a gradual increase in the unemployment rate, which rises from 4.0 percent in 2000, to 5.3 percent by 2002.

The federal funds rate (the market interest rate at which banks make overnight loans to one another) falls from 6.2 percent in 2000 to 4.8 percent by 2002, as the Federal Reserve loosens monetary policy in order to boost spending and steer the economy away from recession. This is matched by declines in the 10-year treasury yield, which drops from 6.0 percent in 2000 to 5.2 percent by 2002.

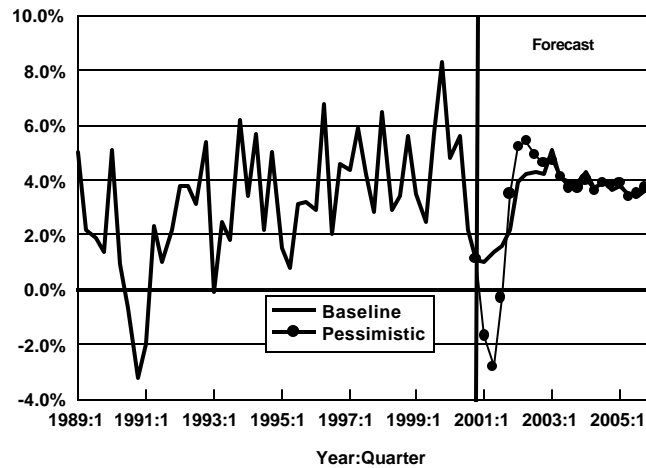
Overall inflation remains under control, with consumer prices (measured by the personal consumption deflator) rising by less than 2.0 percent per year through 2005. The federal budget runs surpluses through 2005, as tax revenues exceed spending in the near term. On the international front, U.S. export growth softens during 2001, as world growth slows. U.S. import growth also slows during the 2001-2005 period as U.S. economic growth softens from the torrid pace of the late 1990s.

TABLE 2
U.S. Forecast
Standard and Poor's DRI March 2001

	Years					
	Actual 2000	Forecast				
	2001	2002	2003	2004	2005	
	Annual Percent Change					
Real GDP	5.0	1.7	3.3	4.4	4.0	3.7
Industrial Production	5.6	0.1	2.1	4.1	3.4	2.9
Nonfarm Employment	2.0	0.5	0.8	1.7	1.7	1.8
Personal Income	6.3	4.5	4.6	5.7	5.5	5.5
Personal Consumption Deflator	2.4	1.9	1.6	1.6	1.7	1.9
	Unemployment and Interest Rates					
Unemployment Rate	4.0	4.9	5.3	4.9	4.7	4.4
Federal Funds Rate	6.2	5.1	4.8	5.3	5.5	5.5
Ten-Year Treasury Note Yield	6.0	4.9	5.2	5.6	5.7	5.8
	Federal Government					
Federal Budget Surplus (NIPA, FY, \$Bil)	256.5	245.0	162.4	130.4	102.3	149.9
	International Trade					
Real Export Growth (GDP Basis)	9.1	1.9	5.4	8.5	8.6	8.5
Real Import Growth (GDP Basis)	13.6	5.0	6.7	7.7	7.0	6.4

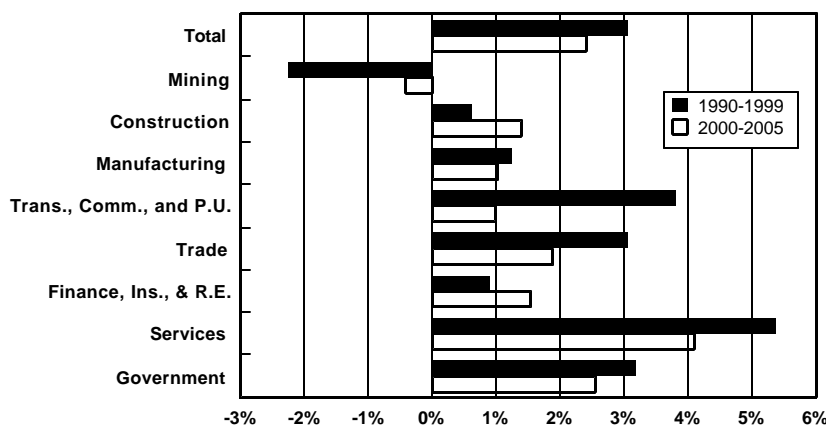
The baseline U.S. forecast assumes that the Federal Reserve succeeds in guiding the U.S. economy to a soft-landing. Of course, this assumption may be faulty. DRI also examines an alternative scenario in which the outlook is not so rosy. In this scenario, the Federal Reserve keeps interest rates too high for too long. Combining this with steep declines in consumer confidence (driven by larger stock price declines) tips the U.S. economy into recession during the last half of 2001. However, as Figure 4 shows, DRI expects that the recession under this scenario would be similar in magnitude to the mild recession of the 1990s.

FIGURE 4
U.S. Real GDP Growth Baseline and Alternative
Forecasts from Standard and Poor's DRI
March 2001



Continued national growth puts a solid foundation under the Eastern Panhandle region economy. The forecast calls for the region to expand during the next five years at a rate far exceeding state and national gains. Indeed, job growth is forecast to more than double the expected state rate. Most of the job gains in the region come in service-producing sectors, as Figure 5 shows, especially in the trade, services, and government sectors. However, the region also adds jobs in two important goods-producing sectors: construction and manufacturing.

FIGURE 5
Eastern Panhandle Region
Annual Job Growth: History and Forecast



Services is expected to be one of the most important sectors generating job gains in the region, as business services, health care, and travel and tourism related jobs expand. Manufacturing jobs, especially printing and publishing and aircraft production, expand regionally, even as the manufacturing sector experiences net job losses on a statewide and national basis.

Even with continued strong gains in most sectors, slowing (but still growing) state and national economies pull down regional growth rates. Thus, job gains during the forecast come at a somewhat slower rate than they did during the 1990s.

Continued job gains generate steady growth in income from work. This helps to sustain gains in per capita personal income, even after accounting for the impact of inflation. Residents of the region are likely to experience a higher standard of living five years from now than they do today.

With favorable labor market conditions, and income growth, the region will likely continue to be a population magnet. Population gains in the region are forecast to far outstrip gains expected for the state and the nation, both because of strong expected job gains in the region and because of continued growth in residents commuting to jobs in the Washington, D.C. PMSA.

Furthermore, with strong job growth paced by strong population gains, the regional unemployment rate is expected to remain near current levels during the next five years. This leaves the regional unemployment rate well below expected state and national rates.

Finally, risks to the regional economy include the risk of a national downturn. This would slow growth in the region, particularly job and income growth, and result in higher unemployment rates.

Forecast Data Glossary

Forecast data for West Virginia and the Eastern Panhandle region come from the West Virginia Economic Outlook Project. U.S. forecast data are from Standard & Poor's DRI.

Covered Nonagricultural Employment by Industry

Historical employment data come from the West Virginia Bureau of Employment Programs' publication titled *West Virginia Employment and Wages*. Data for 2000 can be found on-line at www.state.wv.us/bep/lmi/. Annual data cover employees at firms participating in the West Virginia Unemployment Compensation system. This covers most employees, except railroad workers, the self-employed, student workers, most church workers, and unpaid family workers. Jobs are counted based on where the establishment is located, not on where the worker lives.

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.state.wv.us/bep/lmi/. 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.

Population

Historical population estimates are from the U.S. Census Bureau and are available on-line at www.census.gov. Population data for 2000 reflects the number of persons whose usual place of residence was within the state or county on April 1. Population estimates for the 1991-1999 period are derived by the authors using linear interpolation. Census will release official population estimates for the 1991-1999 period later this year. Persons in the military or institutionalized are counted where the military base or institution is located, as long as that is within the U.S.

Real Personal Income

Real personal income is nominal personal income adjusted for the effects of inflation, using the U.S. personal consumption deflator. Personal income includes earnings from work (wages, proprietors' income, fringe benefits); dividends, interest and rent; and transfer income (social security, Medicare, Medicaid, welfare). Historical data are compiled by the U.S. Bureau of Economic Analysis and is available on-line at www.bea.doc.gov.

**Table 3
Eastern Panhandle Region Employment, Population, and Income Forecasts**

	Actual				Forecast				Annual Growth				
	1997	1998	1999	2000	2001	2002	2003	2004	2005	East. Panh. 2000-2005*	East. Panh. 2000-2005*	W.Va.(%) 2000-2005*	U.S.(%) 2000-2005*
Total	37,475	39,690	40,467	40,937	41,490	42,842	43,774	44,826	46,096	1,032	2.4	1.0	1.3
Goods Producing	7,680	8,320	8,326	8,062	7,933	8,030	8,166	8,296	8,489	85	1.0	-0.7	-0.6
Mining	259	259	261	280	279	278	276	275	274	-1	-0.4	-4.6	-3.6
Construction	1,562	1,496	1,500	1,552	1,582	1,582	1,626	1,642	1,663	22	1.4	0.3	1.8
Manufacturing	5,859	6,565	6,565	6,230	6,072	6,144	6,264	6,379	6,552	64	1.0	-0.3	-1.5
Service Producing	29,795	31,370	32,141	32,875	33,558	34,812	35,608	36,530	37,608	947	2.7	1.3	1.7
Trans., Comm., P.U.	1,072	1,056	1,141	1,103	1,102	1,105	1,116	1,134	1,158	11	1.0	0.3	1.9
Trade	9,894	10,110	10,166	10,203	10,240	10,492	10,694	10,928	11,189	197	1.9	0.5	1.0
Finance, Ins., R.E.	1,326	1,413	1,447	1,415	1,463	1,484	1,493	1,511	1,526	22	1.5	1.9	1.6
Services	8,506	9,382	9,684	10,092	10,347	11,056	11,427	11,836	12,326	447	4.1	2.6	2.8
Government	8,997	9,409	9,703	10,062	10,406	10,675	10,878	11,120	11,409	269	2.5	0.4	0.6
Covered Nonagricultural Employment by Industry**													
	1997	1998	1999	2000	2001	2002	2003	2004	2005	East. Panh. 2000-2005*	East. Panh. 2000-2005*	W.Va.(%) 2000-2005*	U.S.(%) 2000-2005*
Labor Force	59,920	61,380	63,730	65,330	66,447	67,449	69,565	71,183	72,977	1,529	2.2	0.6	1.2
Employment	57,350	59,170	61,630	63,520	64,194	65,150	67,492	69,111	70,942	1,484	2.2	0.7	1.1
Unemployment Rate	4.3	3.6	3.3	2.8	3.4	3.4	3.0	2.9	2.8	0.0	0.1	-1.3	2.0
Total Population	125.3	127.9	130.5	133.0	136.0	139.1	142.5	145.8	149.3	2.6	2.3	-0.1	0.9
Civilian Labor Force, Employment, and Unemployment													
	1997	1998	1999	2000	2001	2002	2003	2004	2005	East. Panh. 2000-2005*	East. Panh. 2000-2005*	W.Va.(%) 2000-2005*	U.S.(%) 2000-2005*
Labor Force	59,920	61,380	63,730	65,330	66,447	67,449	69,565	71,183	72,977	1,529	2.2	0.6	1.2
Employment	57,350	59,170	61,630	63,520	64,194	65,150	67,492	69,111	70,942	1,484	2.2	0.7	1.1
Unemployment Rate	4.3	3.6	3.3	2.8	3.4	3.4	3.0	2.9	2.8	0.0	0.1	-1.3	2.0
Population (Thousands)													
	1997	1998	1999	2000	2001	2002	2003	2004	2005	East. Panh. 2000-2005*	East. Panh. 2000-2005*	W.Va.(%) 2000-2005*	U.S.(%) 2000-2005*
Total	2,632,032	2,778,437	2,941,668	3,078,140	3,213,621	3,381,464	3,533,901	3,703,007	3,891,465	162,665	4.8	2.0	3.3
Wage and Salary	936,599	1,003,619	1,051,192	1,072,232	1,090,758	1,129,195	1,156,382	1,186,785	1,223,087	30,171	2.7	1.3	3.7
Other Labor Income	153,146	162,098	169,020	172,800	177,473	184,187	190,141	196,645	205,148	6,470	3.5	1.3	2.7
Proprietors' Income	138,494	141,364	144,694	146,849	146,833	153,820	156,757	158,359	161,157	2,862	1.9	1.9	3.7
Dividends, Interest, Rent	404,692	436,246	456,732	476,185	497,997	515,556	530,495	554,734	581,380	21,039	4.1	1.7	1.7
Transfer Income	396,781	403,438	409,411	431,722	456,441	486,396	510,018	534,645	560,967	25,849	5.4	3.2	4.0
Real Personal Income (Thousands of 1996 Dollars)													
	1997	1998	1999	2000	2001	2002	2003	2004	2005	East. Panh. 2000-2005*	East. Panh. 2000-2005*	W.Va.(%) 2000-2005*	U.S.(%) 2000-2005*
Total	2,632,032	2,778,437	2,941,668	3,078,140	3,213,621	3,381,464	3,533,901	3,703,007	3,891,465	162,665	4.8	2.0	3.3
Wage and Salary	936,599	1,003,619	1,051,192	1,072,232	1,090,758	1,129,195	1,156,382	1,186,785	1,223,087	30,171	2.7	1.3	3.7
Other Labor Income	153,146	162,098	169,020	172,800	177,473	184,187	190,141	196,645	205,148	6,470	3.5	1.3	2.7
Proprietors' Income	138,494	141,364	144,694	146,849	146,833	153,820	156,757	158,359	161,157	2,862	1.9	1.9	3.7
Dividends, Interest, Rent	404,692	436,246	456,732	476,185	497,997	515,556	530,495	554,734	581,380	21,039	4.1	1.7	1.7
Transfer Income	396,781	403,438	409,411	431,722	456,441	486,396	510,018	534,645	560,967	25,849	5.4	3.2	4.0

Eastern Panhandle Region: Berkeley, Morgan, and Jefferson Counties

*This column contains the average yearly change during the 2000-2005 period.

** Covered nonagricultural employment by industry includes employment at firms participating in the West Virginia Unemployment Compensation system. These estimates exclude the self-employed, student workers, most church workers, railroad workers, and unpaid family workers.

West Virginia forecast is from the West Virginia Economic Outlook 2001.

U.S. forecast is from Standard & Poor's DRI, March 2001.

Eastern Panhandle Region Outlook

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