



STEUBENVILLE-WEIRTON MSA OUTLOOK

Forecast: 2000-2005
Released June 2001

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Executive Summary

The Steubenville-Weirton Metropolitan Statistical Area (MSA) lagged behind West Virginia and the nation during the 1990s. The region posted net job losses during the decade, in contrast to the state and the nation, primarily due to huge job losses in manufacturing. On the brighter side, services job growth in the region nearly matched state and national rates, with travel and tourism services (Mountaineer Race Track and Gaming Resort) posting positive results. However, overall weak job growth performance held down income growth and contributed to large population losses during the decade. Population losses contributed to labor force declines, which, in turn, helped to produce lower unemployment rates during the 1990s.

The forecast for the region depends on the outlook for the national and international economies. If the U.S. avoids recession during the 2000-2005 period, that gives the region a solid foundation on which to build. However, regional growth is likely to be very slow and to fall well short of state and national growth rates. If the national slowdown currently underway turns into a recession, that will produce net job losses in the region, drive income growth down, and produce rising unemployment rates. Further, the region is very specialized in manufacturing sectors (especially steel production with Weirton Steel Corporation, Wheeling-Pittsburgh Steel Corporation, and Wheeling-Nisshin, Inc. located in the region) that have been punished by strong international competitive pressures in recent years. If these pressures accelerate during the forecast period, results for the region will probably fall well short of current expectations.

Steubenville-Weirton MSA in Perspective

The Steubenville-Weirton Metropolitan Statistical Area (MSA) consists of Brooke and Hancock counties of West Virginia and Jefferson County of neighboring Ohio. The region is located in the northern panhandle of West Virginia as shown in Figure 1. Population for the region was 132,008 in 2000. The two West Virginia counties comprised 3.2 percent of the total state population. Resident employment in the region was 52,939 in 2000 and the two West Virginia counties accounted for 3.3 percent of employed state residents. All three counties of the MSA experienced net population losses during the last decade.

FIGURE 1
Steubenville-Weirton MSA

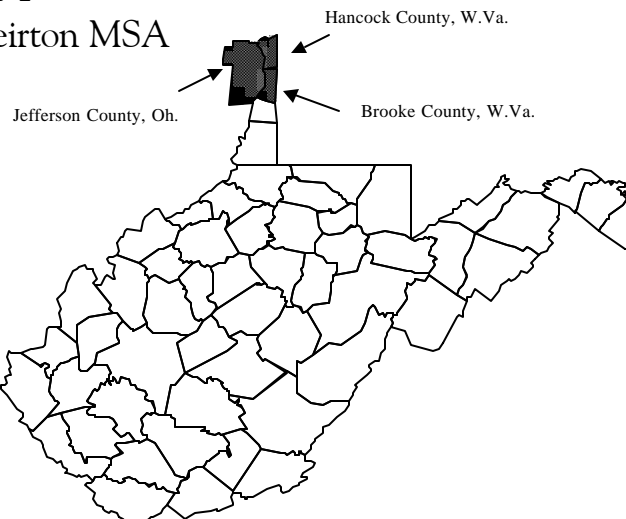


Table 1 summarizes various economic indicators that can be used to assess the overall performance of the Steubenville-Weirton MSA. Jefferson County, Ohio is the largest county in the MSA with 73,894 residents, followed by Hancock County, W. Va. with 32,667 residents and Brooke County, W.Va. with 25,447 residents in 2000.

Hancock County registered the highest per capita income level of \$22,786 in 1999 (the most recent year for which data is available) in the Steubenville-Weirton MSA. Brooke County trailed behind the MSA, the state, and the national averages with a per capita income of \$20,248. The Steubenville-Weirton MSA registered a per capita personal income level of \$21,151 in 1999, 25.9 percent below national per capita personal income of \$28,546 but above the state per capita income level of \$20,921. The Wheeling-Bridgeport MSA recorded a per capita personal income level above that of the Steubenville-Weirton MSA, as did the Pittsburgh MSA. Personal income is a very broad measure of income, which includes earnings from work; dividends, interest, and rent; and transfer income.

TABLE 1
Steubenville-Weirton MSA Selected Economic Indicators by County

	Population		Resident Employment	Per Capita Personal Income		Covered Job Growth	Unempl. Rate	Median Household Income	Poverty Rate
	Av. An. G.R.			Av. An. G.R.					
	2000	1990-2000(%)	2000	1999 (\$)	1990-1999(%)	1990-1999 (%)	2000	1997(\$)	1997(%)
Brooke, W.Va.	25,447	-0.6	10,920	20,248	3.5	0.6	3.8	32,466	11.6
Hancock, W.Va.	32,667	-0.8	14,480	22,786	3.1	-1.7	4.0	32,037	11.8
Jefferson, Oh.	73,894	-0.8	28,229	20,720	3.4	0.2	5.3	28,443	15.5
Steubenville-Weirton MSA	132,008	-0.8	52,939	21,151	3.4	-0.3	4.6	n/a	n/a
Wheeling-Bridgeport MSA	153,172	-0.4	70,226	22,349	3.9	0.9	4.8	n/a	n/a
Pittsburgh MSA	2,358,695	-0.2	1,106,532	29,587	4.5	0.9	4.1	n/a	n/a
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 Census 2000 Release.

Resident employment estimates for West Virginia are from the West Virginia Bureau of Employment Programs (WVBEP). MSA and U.S. data from BLS (preliminary).

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

Covered Employment data are from WVBEP and Ohio LMI.

Unemployment Rate data are from WVBEP, OBES and BLS.

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

Brooke County in West Virginia recorded the highest annual job growth rate (0.6 percent) in the MSA during the 1990-1999 period, with Jefferson County registering a growth rate of 0.2 percent per year. However, Hancock County recorded a decline in jobs at a rate of 1.7 percent each year during the same period. Job losses in manufacturing in Hancock County overwhelmed gains in the service-producing sectors (primarily services).

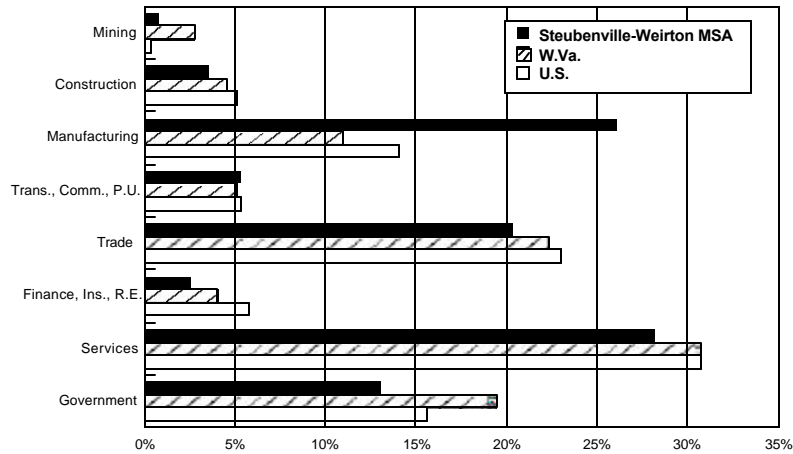
Jefferson County had the highest unemployment rate in the MSA in 2000 at 5.3 percent, almost matching the West Virginia average of 5.5 percent. Brooke County recorded the lowest unemployment rate (3.8 percent) among the three counties of the MSA, although Hancock County was close with a 4.0 percent rate in 2000. The unemployment rate for the Steubenville-Weirton MSA at 4.6 percent was 0.9 percentage points lower than the state rate but 0.6 percentage points above the national rate in 2000. The Wheeling-Bridgeport MSA recorded a higher unemployment rate (4.8 percent) than the Steubenville-Weirton MSA, while the Pittsburgh MSA recorded a lower rate of unemployment at 4.1 percent.

Compared to the state's median household income of \$27,432 for 1997 (the most recent year for which data is available), each county fared better than the state but not as well as the nation's \$37,005. Unlike personal income, median household income is calculated using money income, which excludes non-cash sources of income like fringe benefits, Medicare, and Medicaid.

The two West Virginia counties of the region registered poverty rates lower than those of the state and the nation. The poverty rate is the share of a region's population whose income falls below certain thresholds that vary by family size and composition. Jefferson County recorded the highest poverty rate in the MSA in 1997 (at 15.5 percent), followed by Hancock County (at 11.8 percent) and Brooke County (at 11.6 percent).

The employment shares shown in Figure 2 can be used to track the industrial composition of the regional economy. Compared to the state (and to the neighboring Wheeling-Bridgeport MSA), mining is not as important for the Steubenville-Weirton MSA. With an employment share of just 0.7 percent, it was a closer match with the national average of 0.4 percent in 2000.

FIGURE 2
 Steubenville-Weirton MSA Employment Shares
 Compared to the State and the Nation for 2000



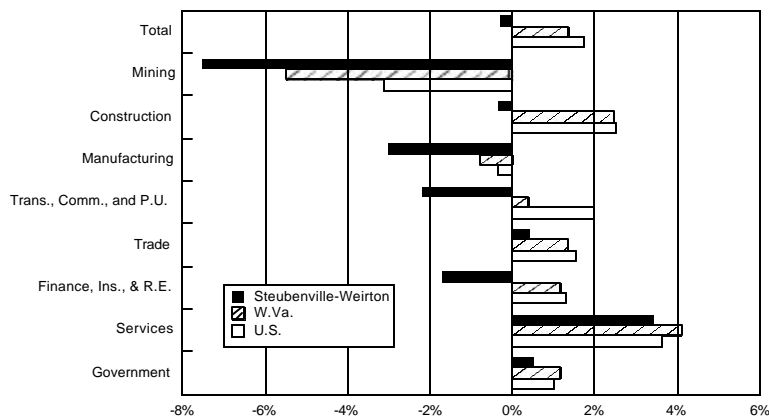
Manufacturing plays an important role in the MSA, accounting for 26 percent of total nonfarm jobs in 1999, compared to 14 percent for the nation. Large employers in the region include primary metals (steel), fabricated metals, and glass production. Steel production in the region also accounts for a large share of state activity in the industry, with 76 percent of state primary metals employment located in the region in 1999. Employment shares in construction; finance, insurance and real estate; trade; services; and government fell below the national and state averages. Employment share in transportation, communication and public utilities was almost at par with the national average.

Recent Developments

The Steubenville-Weirton MSA has been registering job losses at an average annual rate of 0.3 percent per year between 1990-1999. West Virginia job growth during the same period was 1.4 percent per year. The Steubenville-Weirton MSA performed below the Wheeling-Bridgeport MSA and the Pittsburgh MSA, the state and the nation.

As Figure 3 shows, the Steubenville-Weirton MSA was hard hit by job losses in mining, with the industry losing 400 jobs during the 1990s. Manufacturing was hit even harder, losing 4,200 jobs during the decade, as the steel industry struggled to cope with tough competitive pressures in domestic and overseas markets. The lingering effects of the 1998 Asian financial crisis, coupled with an appreciating foreign exchange value of the U.S. dollar, have continued to pressure this industry during recent years.

FIGURE 3
 Annual Covered Job Growth: 1990-1999
 Steubenville-Weirton MSA, W.Va., and the U.S.



Construction; transportation, communication and public utilities; and finance, insurance and real estate also posted job declines during the decade. Job losses in high-paying sectors such as mining, manufacturing and transportation, communication and public utilities dragged down the region's overall economic performance.

The Steubenville-Weirton MSA registered job gains in construction, services, government, and trade. Services includes a wide variety of activities, such as health care and social services, business services, private education services, and travel and tourism services, to name just a few. For the MSA, West Virginia, and the nation, this sector has been an engine of job growth.

The Steubenville-Weirton MSA recorded population losses at an average annual rate of decline of 0.8 percent per year during the 1990-2000 period, which ranked the region last in the nation in population growth compared to other MSAs (and CMSAs). Population declines in the Steubenville-Weirton MSA contrast with slow, but positive, growth for West Virginia. Population in the Wheeling-Bridgeport MSA and the Pittsburgh MSA also declined during the period but at a slower pace than in the Steubenville-Weirton MSA. National population growth averaged 1.2 percent per year during the same period and the state posted an annual average population growth rate of 0.1 percent.

The unemployment rate (4.6 percent) in the region was between the state (5.5 percent) and national rates (4.0 percent) in 2000, however the Steubenville-Weirton MSA has recorded steady declines in unemployment rate since 1997, when the rate had reached a high of 10.1 percent.

The Steubenville-Weirton MSA recorded annual per capita personal income growth of 3.4 percent during the 1990-1999 period, falling short of both the statewide (4.1 percent) and the national (4.3 percent) growth rates. Per capita income growth in the MSA also registered lower than that of the Pittsburgh MSA and the Wheeling-Bridgeport MSA.

Forecast: 2000-2005

The outlook for the Steubenville-Weirton MSA depends in part on the overall macroeconomic performance of the U.S. and world economies. No metropolitan economy is entirely insulated from outside events. Likewise, the outlook for the Steubenville-Weirton MSA depends on assumptions about national and international economic performance.

The forecast for the MSA 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.

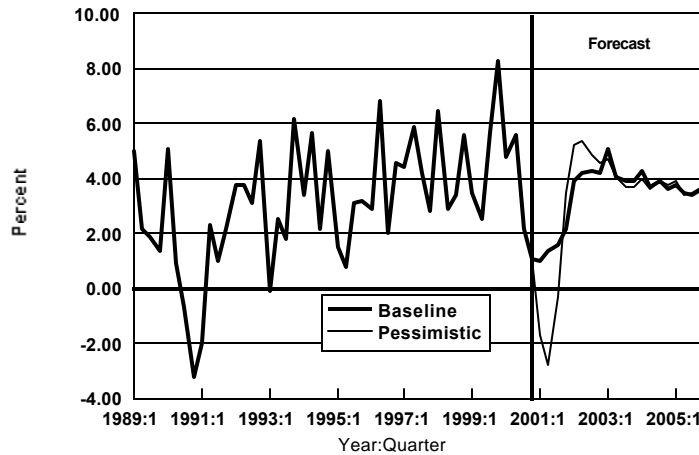
Overall inflation remains under control, with consumer prices (measured by the personal consumption deflator) rising by less than 2.0 percent per year through 2005. The federal budget runs surpluses through 2005, as tax revenues exceed spending in the near term. On the international front, U.S. export 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	Forecast				
	2000	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
Real U.S. GDP Growth Baseline and Alternative
Forecasts from Standard and Poor's DRI
March 2001



The baseline U.S. outlook produces a solid foundation for growth in the Steubenville-Weirton MSA economy. The MSA outlook calls for growth in jobs and per capita income, although that growth is likely to be minimal (compared to the state and the nation). Further, the outlook calls for the MSA labor market to remain tighter than it was during the 1990s (with a lower unemployment rate) and for population losses to continue to mount. The Steubenville-Weirton MSA forecast is summarized in Table 3.

Table 3
Steubenville-Weirton MSA Employment, Population, and Income Forecasts

	Actual				Forecast				Annual Growth		U.S. (%)		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	S-W MSA 2000-2005*	S-W MSA (%) 2000-2005*	W.Va. (%) 2000-2005*	2000-2005*
Total	47,201	49,586	49,029	48,936	48,812	49,254	49,522	49,245	49,142	41	0.1	1.0	1.3
Goods Producing	14,258	15,763	15,485	15,421	14,631	14,443	14,418	14,264	14,025	-279	-1.9	-0.7	-0.6
Mining	426	404	406	408	409	411	412	414	416	2	0.4	-4.6	-3.6
Construction	1,621	1,785	1,806	1,854	1,836	1,828	1,796	1,787	1,802	-10	-0.6	0.3	1.8
Manufacturing	12,211	13,574	13,273	13,159	12,386	12,205	12,209	12,063	11,807	-271	-2.1	-0.3	-1.5
Service Producing	32,943	33,823	33,544	33,515	34,181	34,811	35,104	34,980	35,117	320	0.9	1.3	1.7
Trans., Comm., P.U.	2,494	2,498	2,410	2,411	2,407	2,370	2,351	2,344	2,333	-16	-0.7	0.3	1.9
Trade	10,659	10,620	10,453	10,305	10,310	10,426	10,486	10,433	10,412	21	0.2	0.5	1.0
Finance, Ins., R.E.	1,432	1,481	1,377	1,290	1,242	1,265	1,273	1,277	1,280	-2	-0.2	1.9	1.6
Services	12,036	12,830	12,867	12,996	13,687	14,174	14,363	14,406	14,565	314	2.3	2.6	2.8
Government	6,322	6,394	6,437	6,513	6,536	6,576	6,632	6,521	6,527	3	0.0	0.4	0.6

	Actual				Forecast				Annual Growth		U.S. (%)		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	S-W MSA 2000-2005*	S-W MSA (%) 2000-2005*	W.Va. (%) 2000-2005*	2000-2005*
Total	57,740	56,834	56,634	55,501	55,569	55,340	55,692	55,924	55,564	13	0.0	0.6	1.2
Labor Force	51,894	53,493	52,897	52,939	52,824	52,842	53,108	53,270	53,103	33	0.1	0.7	1.1
Unemployment Rate	10.1	5.9	6.6	4.6	4.9	4.5	4.6	4.7	4.4	0.0	-0.8	-1.3	2.0

	Actual				Forecast				Annual Growth		U.S. (%)		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	S-W MSA 2000-2005*	S-W MSA (%) 2000-2005*	W.Va. (%) 2000-2005*	2000-2005*
Total	135.2	134.1	133.1	132.0	131.0	130.0	129.1	128.1	127.1	-0.8	-0.8	-0.1	0.9

	Actual				Forecast				Annual Growth		U.S. (%)		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	S-W MSA 2000-2005*	S-W MSA (%) 2000-2005*	W.Va. (%) 2000-2005*	2000-2005*
Total	2,574,849	2,682,146	2,689,170	2,677,518	2,680,624	2,700,002	2,700,122	2,701,356	2,710,762	6,649	0.2	2.0	3.3
Wage and Salary	1,249,218	1,344,093	1,325,118	1,306,700	1,285,067	1,279,565	1,272,076	1,253,019	1,239,340	-13,472	-1.1	1.3	3.7
Other Labor Income	164,772	171,791	163,508	155,900	150,614	145,140	141,269	136,096	133,035	-4,573	-3.1	1.3	2.7
Proprietors' Income	124,104	132,127	136,089	135,186	132,772	134,713	134,863	132,774	131,542	-729	-0.5	1.9	3.7
Dividends, Interest, Rent	495,565	524,296	540,035	543,189	552,655	550,370	543,443	550,724	559,902	3,343	0.6	1.7	1.7
Transfer Income	653,383	643,316	640,130	645,920	667,236	695,230	710,126	725,166	740,376	18,891	2.8	3.2	4.0

Steubenville-Weirton MSA: Brooke County, W. Va., Hancock County, W. Va., and Jefferson County, Ohio

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

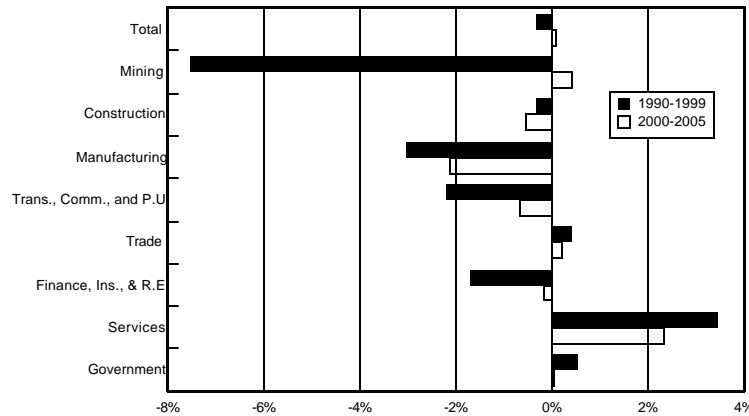
** Covered nonagricultural employment by industry includes employment at firms participating in the West Virginia Unemployment Compensation system. These estimates exclude the self-employed, student workers, most church workers, railroad workers, and unpaid family workers.

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

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

Figure 5 summarizes the job growth outlook for the MSA. The forecast calls for job gains to be minimal during the 2000-2005 period, although this would be an improvement over the results of the 1990s. The forecast calls for manufacturing jobs to continue to decline during the forecast, although at a slower rate than during the 1990s. However, the forecast also calls for manufacturing job losses to exceed those expected for the state and the nation. The forecast calls for services to produce most of the net job gains during the 2000-2005 period.

FIGURE 5
Steubenville-Weirton MSA Annual Job Growth: History and Forecast



Manufacturing is a key part of the forecast for the MSA. The outlook calls for manufacturing job losses to slightly moderate during the 2000-2005 period. This requires the steel industry in the region to successfully compete in an increasingly global market. While the forecast calls for slower growth in domestic and international demand, it also calls for a more stable international economic environment. Further, falling U.S. interest rates during the 2001-2002 period are expected to eventually push the exchange value of the U.S. dollar lower. This will make U.S. exports (including steel exports) more competitive in foreign markets while also making foreign products less competitive in U.S. markets.

Services is another key part of the MSA job growth outlook. The forecast calls for job gains in this industry to continue, although at a slower pace than during the 1990s, due to slower overall U.S. economic growth. However, travel and tourism related jobs are an important part of the regional economy and this sector is forecast to continue to expand during the forecast period.

Overall, the job outlook calls for rough stability during the next five years. However, this job growth is not sufficient (and not sufficiently high paid) to generate inflation adjusted wage gains. The story here is similar to that for the state. Job losses are expected in relatively high-paying sectors (primarily manufacturing) while job gains are expected in sectors like trade and services, which tend to offer lower wages. This situation generates very slow income gains in the MSA during the forecast.

Further, the combination of comparatively sluggish job and income growth generates continued population losses from the region. This means that the region will likely continue to post a high median age and low rates of natural increase (births minus deaths).

Finally, sustained (but slow) job growth, combined with population losses generates low unemployment rates in the region. Indeed, the forecast calls for the unemployment rate in 2001 (5.0 percent) to be less than half its level in 1997 (10.1 percent).

In conclusion, the baseline forecast for the region calls for stable performance during the 2000-2005 period, compared to the 1990s. However, as we did for the national economy, we must consider risks to this forecast. One risk to the regional outlook is the risk of a mild national recession. This would produce a regional recession as well, with associated job and income losses combined with higher unemployment rates. Further, a national downturn would also likely put increased pressure on the already shaky manufacturing sector. Larger problems in the manufacturing sector would be transmitted directly into larger economic losses for the region as a whole.

Forecast Data Glossary

Forecast data for West Virginia and the Steubenville-Weirton MSA 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 1999 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 from the West Virginia Bureau of Employment Programs, and may be accessed 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 estimates used here reflect the number of persons whose usual place of residence was within the state or county on April 1 of the 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. Data for years between 1990 and 2000 are estimated by straight-line interpolation and do not match previously published estimates.

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.

Steubenville-Weirton MSA Outlook

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