

PARKERSBURG AREA

ECONOMIC OUTLOOK 2022-2026



Parkersburg Area Economic Outlook

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Recent Economic Performance

The Parkersburg Area¹ economy experienced a substantial loss in jobs during COVID-19 recession, as the combination of public health measures and massive negative shock to economic activity globally caused employment in the area to plunge by nearly 8,000 jobs in early-2020. By some measures, the area’s recession was not demonstrably worse than what occurred at the state and national level yet was still unprecedented in terms of how fast these losses happened when compared to previous economic downturns. At the same time, the area has recovered nearly 6,000 jobs over the last six quarters, putting its overall recovery on par with the statewide average, in which payrolls have increased to just over 97 percent of their pre-pandemic level.

Although the region’s recovery from the COVID-19 recession can be best characterized as “V-shaped,” the Parkersburg Area entered 2020 on the heels of what was nearly a decade’s worth of economic volatility. Even though the region outperformed many other portions of West Virginia during the early- to mid-2010s, the five-county area fell into a multi-year slump in 2015 that lasted until a significant build-out of natural gas pipeline capacity, new manufacturing activity and other factors gave the area a boost during 2018 and the first half of 2019.²

PERFORMANCE BY COUNTY While the path of recession and recovery over the COVID-19 pandemic has trended in a similar fashion across the Parkersburg Area’s five counties, each of these counties have unique underlying differences that contribute to regional growth patterns over the long term. Wood County is the largest county in the region both in terms of population and jobs, and generally serves as the region’s economic and population center with the cities of Parkersburg and Vienna. Unfortunately, Wood County’s economy struggled for several years prior to the pandemic and saw particularly large job losses in retail trade. This sector’s weaknesses in the county

were amplified during the early phases of the pandemic response when public health measures were strictest. Wood County’s manufacturing sector experienced a pause in improvement during the pandemic after Hino Motors Manufacturing’s truck assembly plant suspended production due to decreased demand for trucks as well as issues achieving certification for its engines in the US. The company did resume operations in late-2021 and is expected to return to normal production schedules soon. Other segments of Wood County’s economy have performed well over the past several years and have

Figure 1: Total Employment

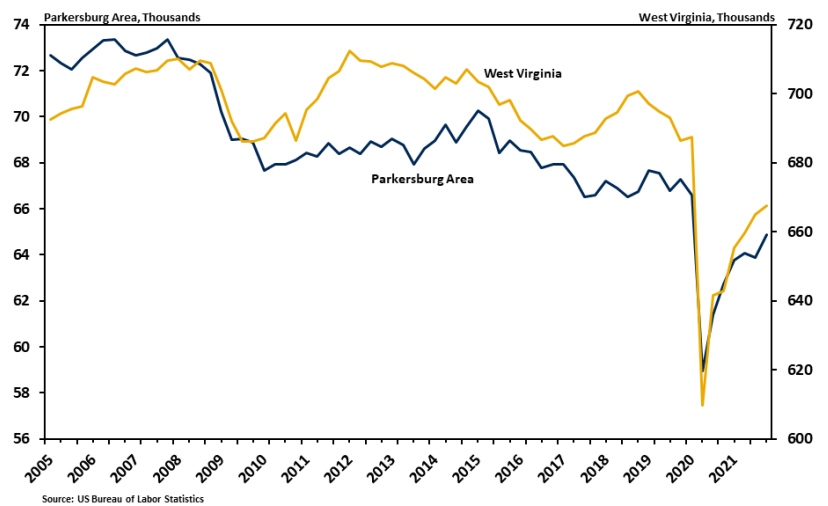
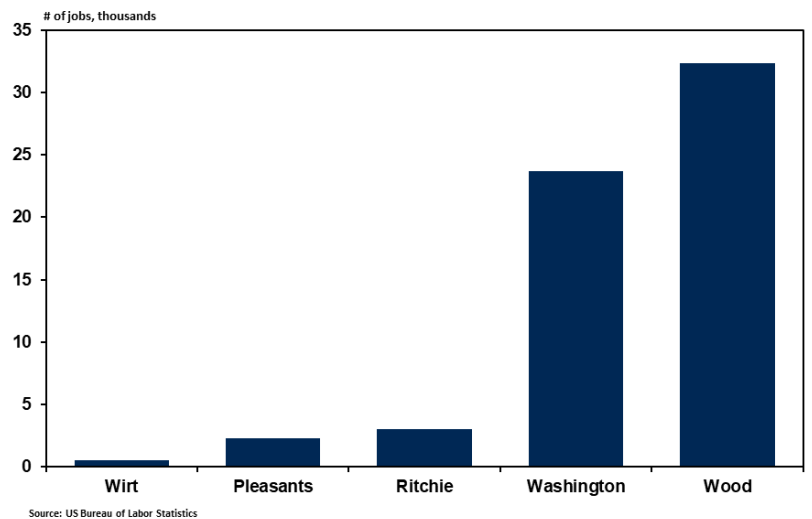


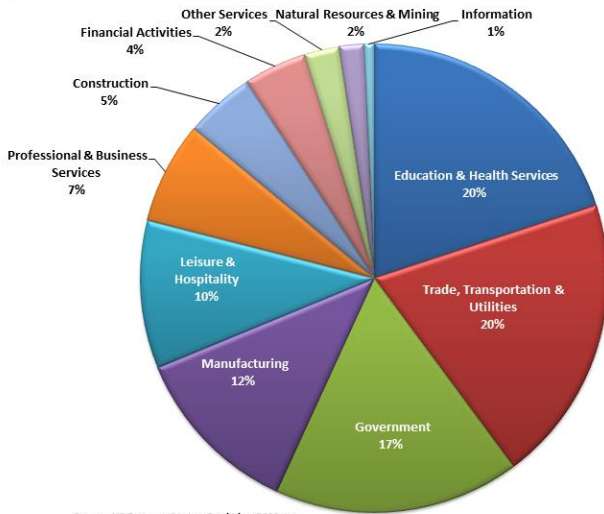
Figure 2: Total Employment by County (2020)



¹For the purposes of this report, The Parkersburg Area is comprised of five counties: Pleasants, Ritchie, Wirt and Wood counties in West Virginia and Washington County in Ohio.

² Sources for historical information are noted in each figure.

Figure 3: Parkersburg Area Employment Distribution by Sector



Source: US Bureau of Labor Statistics; 2020 data.

buoyed the region’s economy as a whole – even during the pandemic. Indeed, the US Treasury has appreciably expanded hiring at its Bureau of Public Debt operations in Parkersburg, particularly for accountants, programmers, and other high-skilled positions.

The region’s other major economic center, Washington County (which contains the city of Marietta, Ohio), recorded steady job growth prior to the COVID-19 pandemic. Although it trails other nearby counties in Ohio in terms of energy-producing jobs, the surge in Marcellus and Utica gas output throughout the tri-state area bolstered portions of the county’s manufacturing base, particularly those companies that produce metals, machinery and other key products that are key components to the upstream and midstream portions of the gas industry. In addition, Washington County has experienced the strongest bounce-back in payrolls among the region’s larger counties, due in part to a healthy rebound in demand for manufactured goods.

Though containing much fewer jobs and population than Wood and Washington counties, Ritchie County represents the five-county area’s primary connection to the shale gas industry. Growing industrial and utility sector demand along with new pipelines entering service have incentivized additional production and exploration activity throughout areas lying in the footprint of the Utica and Marcellus Shale plays, a region that also includes Ritchie County. Production growth has stalled over the past couple of years as investment in new fields has shifted toward areas such as Tyler and Marshall counties, where

natural gas liquids deposits are more abundant, Ritchie County ranks among the state’s largest volume- producing counties. The industry’s job growth has been less robust in recent years as was previously anticipated as improvements in drilling practices have allowed companies to access gas deposits from larger areas via longer horizontal pipelines and more efficient capital equipment. A strong US housing market has boosted the local manufacturing sector, particularly over the past 18 months or so, as a healthy portion of production activity in the area is dedicated to materials supplied directly to new home construction as well as for remodeling activity.

Pleasants County’s economy remained in a relatively stable range of activity prior to the pandemic, but the county endured larger-than-normal declines in payroll employment during the initial stages of the pandemic response and the pace of rebound has also lagged the rest of the region. The Pleasants Power Station at Willow Island is slated to close in 2023 if Energy Harbor (a subsidiary of First Energy) is unable to secure a buyer for the coal-fired power plant. West Virginia Methanol announced it would be building a \$350 million natural gas-to-methanol conversion facility in the county, but the project is still in the early planning phases and will likely be subjected to regulatory review and legal challenges. Wirt County payrolls have mostly declined over the past several years as the county has not recovered from the closure of Mustang Survival’s facility. The county’s labor force often finds work in nearby Wood County, whose sluggish overall growth has dampened opportunities for Wirt County’s residents as well.

MANUFACTURING The manufacturing sector remains a critical component of the Parkersburg Area’s economy. Indeed, plastics, fabricated metals, chemicals and even the auto industry make up the base of the region’s manufacturing activity. Even though the past couple of decades have been characterized by sizable job losses, the sector has stabilized in recent years and some subsectors have posted appreciable growth. While the COVID-19 pandemic has erased some of the sector’s job gains, these losses are expected to be temporary in nature.

The natural gas industry’s expansion throughout Pennsylvania, Ohio, and West Virginia, has accounted for

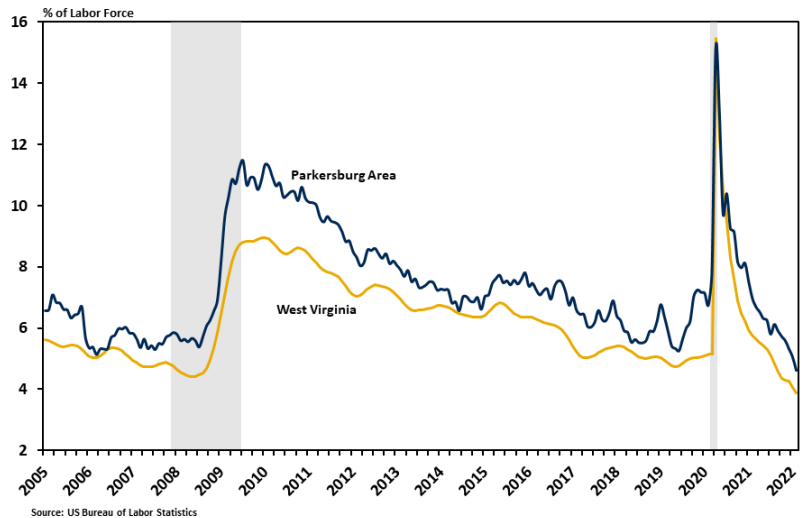
some of the sector’s positive turn in the five-county area over the past several years. In addition to driving demand for the drilling and transmission line pipe manufactured locally, the dramatic growth in natural gas output has also factored into lowering operational costs for chemicals and plastics manufacturers that use gas as a feedstock. Plastics manufacturing in the Parkersburg Area has also benefited from the ongoing recovery in single-family home construction activity across most of the US. Although there had been serious consideration and hope for a cracker plant in the Parkersburg region, development talks for such a project have been tabled for the foreseeable future.

Auto manufacturing has also become a larger player in the area’s industrial base. The Japanese truck manufacturer Hino Motors Manufacturing, U.S.A.’s \$100 million investment in a plant in the former Coldwater Creek distribution center, was completed nearly three years ago and at one point employed 500 people. The pandemic and problems meeting the certification requirements for commercial truck engines caused a lengthy suspension in production activity until October 2021. Limited truck production has resumed but is expected to return to prior levels in the coming quarters. The company has also indicated it will accelerate development and production of electric-powered commercial trucks to 2023 and 2024 but, so far, has not announced which of its North American facilities will be awarded contracts to produce the e-vehicles.

NATURAL GAS Energy production has been a linchpin to economic activity in many of West Virginia’s regions over the years. Even though energy production accounts for a small share of the Parkersburg Area’s economic base, its importance has grown significantly since the early-2010s due to the natural gas industry. Ritchie County is the area’s primary source of gas production, with the rural county situated at the southern portion of West Virginia’s shale gas region. Ritchie County accounted for roughly 11 percent of total natural gas production in the state in 2020. While natural gas production in Ritchie County grew by 25% in 2019, it grew by less than 2% in 2020 and preliminary data for 2021 indicate dry gas withdrawal volumes fell at a double-digit rate. On a positive note, NGL production has increased sharply over the past two years, rising to nearly 9 million barrels equivalent in 2021.

CONSTRUCTION The area’s construction sector has seen significant volatility over the past decade, and the past couple of years have been no different. Residential construction activity has been the most stable component overall, though homebuilding activity has seen a noticeable uptick over the past few years thanks to strong wage growth in a few key sectors as well as a combination of low mortgage rates, accumulated savings coming from pandemic relief payments and pent-up consumer demand.

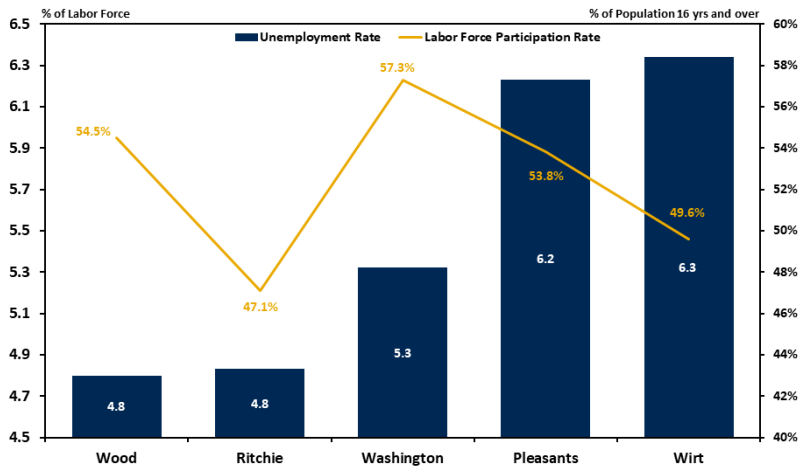
Figure 4: Unemployment Rate



A significant amount of new natural gas pipeline takeaway capacity occurred in 2018 and 2019, but as those projects have ended the boom in construction activity that occurred with them has also faded. Still, the projects created tangible economic benefits at the time via jobs and high wages, but they also continue to create funding for publicly funded projects via property and various income taxes in areas with limited potential to generate revenue from other sources. Highway and other forms of government backed infrastructure spending have buoyed the sector as well, but growth is expected to be stronger going forward as federal funding expands after last year’s passage of the Infrastructure Investment and Jobs Act.

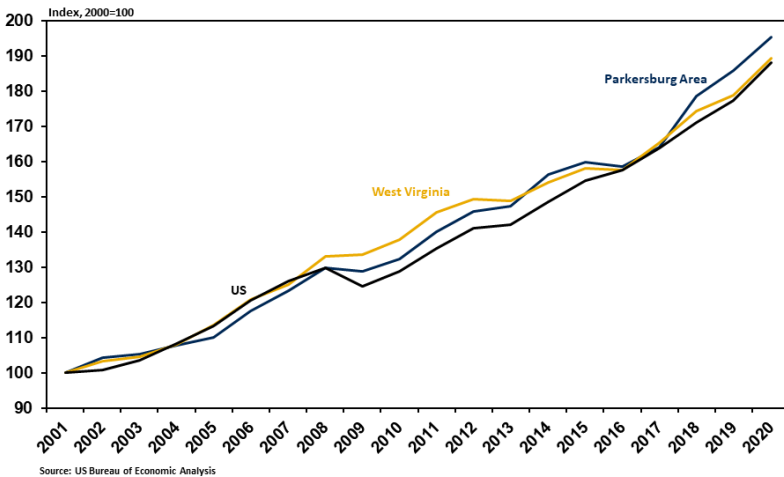
SERVICE SECTORS Prior to the pandemic, trade, transportation, and utilities was the Parkersburg Area’s largest sector in terms of employment. The combined effects of the COVID-19 pandemic and ongoing structural changes in the retail industry have caused the overall sector to shrink in size by an appreciable margin since 2017. Indeed, several retailers closed stores in the region

Figure 5: Unemployment and Labor Force Participation by County



Source: US Bureau of Labor Statistics; US Census Bureau
 Note: Unemployment rate represents 2021Q4 average; Labor force participation rate is 2016-2020 average.

Figure 6: Per Capita Personal Income



Source: US Bureau of Economic Analysis

before the pandemic, with their parent companies citing longstanding competitive issues with e-commerce as a major source of eroding profitability. While retail employment has bounced back since the earliest stages of the pandemic, it remains well below pre-pandemic levels and is expected remain so going forward as retailers adapt to changes in consumer behavior that have likely become engrained permanently by the pandemic.

UNEMPLOYMENT The Parkersburg Area’s jobless rate has mostly tracked statewide and national averages over the last two years or so. The region’s unemployment rate spiked at roughly 16 percent in April 2020 but has reversed course just as sharply since then. Indeed, as local economic conditions have improved and hiring activity has

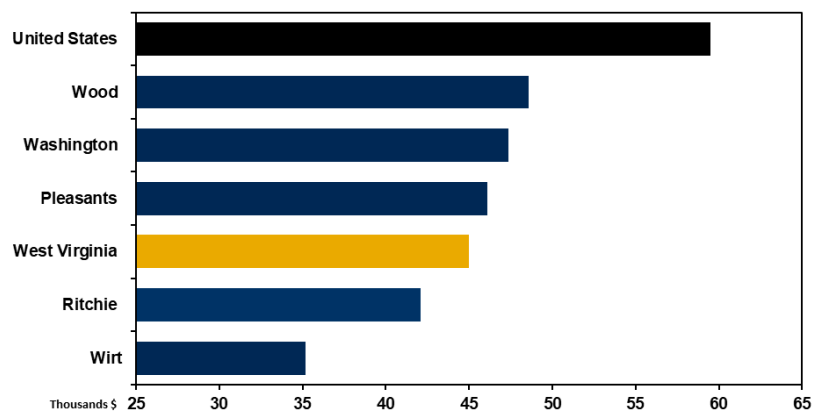
picked up across many industries, the region’s jobless rate has declined rapidly over the past 18 months or so, reaching its lowest point since the early-2000s during the first two months of 2022. Furthermore, this marks only the second time historically the five-county area has registered an average unemployment rate below five percent for consecutive months.

Among the Parkersburg Area’s five counties, Wood has the lowest jobless rate as of the fourth quarter of 2021, but Ritchie’s has fallen even further in early-2022, sinking to a seasonally adjusted rate around 3.5 percent. Even Pleasants and Wirt counties, which typically record considerably higher unemployment rates, have also recorded jobless rates well below historical norms in recent months

LABOR FORCE Even before the pandemic, the Parkersburg Area has recorded sizable declines in the size of its local labor force, with roughly 5,000 residents exiting the area workforce between 2010 and 2019. Unfortunately, the COVID-19 recession appears to have exacerbated this trend of a declining workforce. While some of this can likely be traced to the discouraged worker effect, early retirements and other behavioral changes caused by the pandemic have caused the labor force to shrink by 4,000 residents over the last two years.

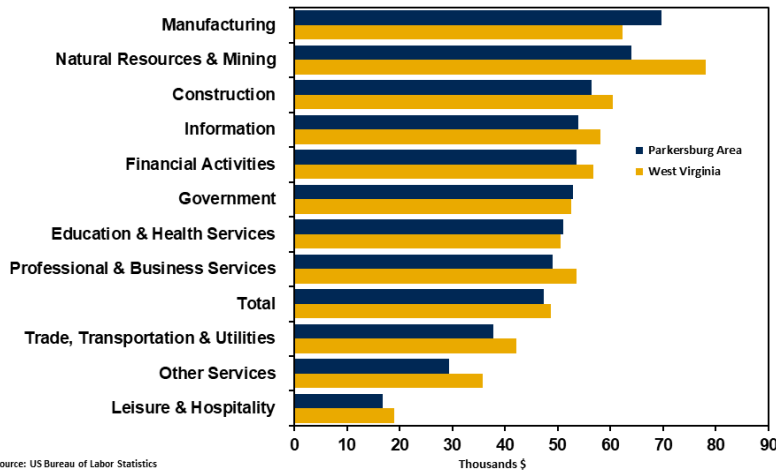
Wood and Washington counties lead the region in terms of workforce participation at 55 and 57 percent, respectively, which still lag the national average

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



Source: US Bureau of Economic Analysis

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



Source: US Bureau of Labor Statistics

participation rate by more than 5 percentage points. The three rural counties lag the statewide average by as much as 9 percentage points.

INCOME Per capita income (not adjusted for inflation) in the Parkersburg Area during 2020 was \$47,200. The region’s average income levels have increased by more than one-third since 2012, outpacing statewide growth by a healthy margin and coming in roughly on par with the national average. Income gains have been particularly strong over the past few years thanks to pipeline construction, growth in natural gas development and new manufacturing activity. At the same time, per capita income was boosted strongly in 2020 by federal pandemic relief payments. Preliminary income data for 2021 indicates another strong year for income growth, as wages increased at a rapid pace and the American Rescue Plan

provided another round of federal pandemic relief and other support to households.

DEMOGRAPHIC CHARACTERISTICS Consistent with several of West Virginia’s other economic regions, the Parkersburg Area’s population has experienced sustained declines in the number of residents over a long period of time. While part of the region’s population losses can be attributed to comparatively weaker economic prospects, which have fueled net out-migration, a growing deficit of births relative to deaths has prevented the area from growing the population via natural increase. Part of this is due to the area’s above-average share of elderly residents, but the region also struggles with higher mortality rates related to poor health outcomes (diabetes, cancer, and heart disease) across several age groups. Finally, like other parts of Appalachia, the Parkersburg Area continues to deal with the opioid drug epidemic.

The Parkersburg Area lags in some measures related to human capital but does well according to other metrics. Even with several higher education institutions, less than 19 percent of area residents aged 25 years and older possess at least a bachelor’s degree—13 percentage points below the national average. On a positive note, the presence of WVU-Parkersburg and technical schools allows the area to provide 2-year degree and post-secondary certificate programs that provide skills training and placement opportunities for workers in many trades and craft occupations needed by Hino Motors as well as companies in the natural gas industry.

Figure 9: Summary Population Profiles

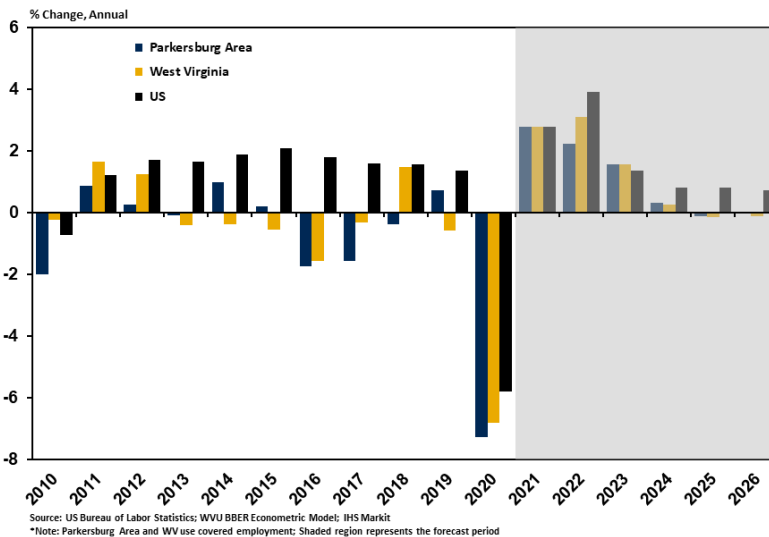
	Parkersburg Area	West Virginia	United States
Total Population (2021)	164,675	1,782,959	331,893,745
% Population Under 18 (2021)	20.3%	20.1%	22.2%
% Population 65 Years + (2021)	20.5%	22.6%	16.9%
Population with Less than High School Diploma (2020, 25 yrs. +)	10.5%	13.1%	12.0%
Population with High School Diploma, No College (2020, 25 yrs. +)	38.5%	40.3%	27.0%
Population with Some College (2020, 25 yrs. +)	31.7%	25.9%	28.9%
Population with Bachelor's Degree or Higher (2020, 25 yrs.+)	19.3%	20.6%	32.1%
Median Age (2020)	44.9	43.0	38.6
Mean Household Income (2020)	\$67,470	\$65,332	\$91,547
Average Household Size (2020)	2.39	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 Parkersburg Area going forward.³ The lingering effects of the COVID-19 pandemic will continue to fade over the course of 2022, though rising rates of inflation and ongoing issues with product supply chains plus heightened excess labor demand pose significant risks to the near-term outlook at the US, state, and regional level – at least through early-2023.

Figure 10: Employment Growth Forecast



After recording similar rates of job losses and gains to the statewide average during the COVID-19 recession and recovery thus far, respectively, the Parkersburg Area’s outlook is expected to resemble the state’s performance, though growth will be slightly weaker overall due to the closure of the Pleasants Power Station and ongoing structural and technological changes within several sectors. The forecast calls for the region’s rebound from the COVID-19 recession to continue during the first half of the outlook period, but we do anticipate the five-county area surpassing the pre-pandemic level of employment later than the state and compared to the previous forecast report. We anticipate the Parkersburg Area will eclipse its pre-pandemic level of payrolls by early-2023.

Overall, we anticipate total employment will increase at an average annual rate of over 1.5 percent through 2025.

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

While employment rebounded by 2.8 percent in 2021, growth is expected to average 2 percent over the course of 2022 and 2023. Underlying labor market conditions are expected to normalize even further over the next several quarters for those sectors most affected by the COVID-19 pandemic and the heightened levels of unfilled job openings. In addition, operations at Hino Motors truck assembly plant are expected to ramp back up during the next several quarters and enable more employees to return to work. Meanwhile, the facility could see additional investment should Hino decide to use the plant as the site for producing electrified commercial trucks.

The region’s outlook could contain significant upside potential in the long run if it can capitalize on development of downstream and midstream opportunities with natural gas. While prospects for an ethane cracker plant are effectively off the table and plans for a natural gas storage hub remain uncertain at best, the installation of the natural gas to methanol conversion plant in Pleasants County suggests the area could at least play some role in establishing a connection to the natural gas/petrochemicals industry in the Parkersburg area.

NATURAL GAS INDUSTRY Even though the industry will remain a small share of the overall economy, the forecast calls for natural gas to play a major role in shaping the region’s growth going forward. In fact, natural resources and mining, which is largely made up of Ritchie County’s natural gas industry, is once again expected to post the fastest job growth among the region’s sectors. Overall, the forecast calls for the Parkersburg Area to see an employment gain of more than 4 percent annually through 2026. The current situation in Ukraine does create some uncertainty for the industry over the foreseeable future, as Russia’s decision to cut off gas supplies to parts of the European continent could cause even more countries to shift their purchases of liquefied natural gas (LNG) to US shale gas supplies.

The energy industry will affect other sectors in the region in an outsized manner over the five-year outlook period. A

large share of the area’s professional and business services sector is interwoven with the natural gas industry in both states by providing contract labor workers, as well as engineering, legal and other support services. During the forecast horizon, we anticipate the energy industry’s growth, along with broader US economic gains that will buoy demand for accounting, legal and other skilled services occupations, will cause payrolls to increase by 1.3 percent per year.

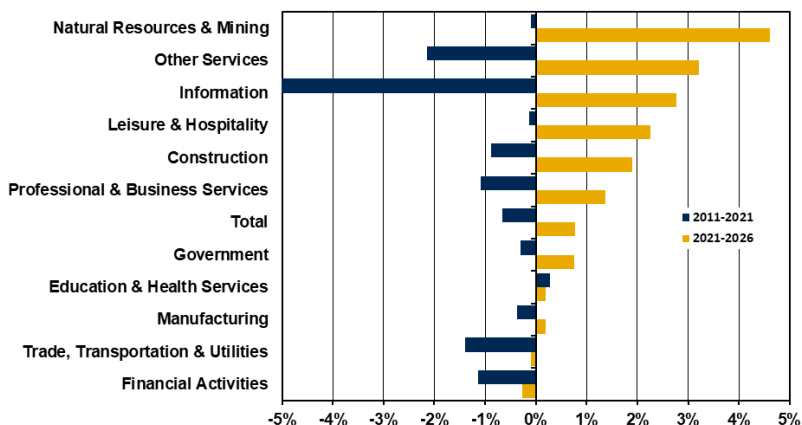
MANUFACTURING The manufacturing sector in the Parkersburg Area is expected to see a slight increase in payrolls during the outlook but risks for growth in the sector are likely biased to the upside. Longer-term, the Hino Motors expansion has the potential to lay additional groundwork for development of a larger auto manufacturing and clean energy hub spread across the Mid-Ohio and Kanawha valleys – a possibility that could only be improved should the commercial truck manufacturer decide to invest in electric vehicle production at the Coldwater Creek plant. Furthermore, the federally funded Mister Bee project improvement to their facilities may also aid in this growth.

The aforementioned West Virginia Methanol project, which will include the construction of a methanol processing plant, indicated it specifically chose the Parkersburg area as the site to construct the planned facility due to an abundance of natural gas, natural gas liquids (NGLs) and newly installed natural gas and condensate pipelines throughout the region. While the plant has not yet received full authority for permitting and other regulatory requirements, and could face potential legal challenges, it will provide up to 50 high-wage jobs upon completion.

Finally, another new manufacturing venture in West Virginia could provide a source of upside potential for the Parkersburg Area manufacturing sector and overall economy. Nucor’s recent announcement that it will build a \$2.7 billion state-of-the-art sheet plate steel mill in Mason County will certainly generate massive increases in economic activity across the Mid-Ohio Valley during the construction phase. However, upon completion the plant should foster additional growth in the steel industry supply chain throughout the broader region.

OTHER SECTORS Construction activity in the Parkersburg Area is expected to increase over the course of the next several years, with payrolls increasing nearly 2 percent annually through 2026. Growth will be concentrated in the sector’s nonresidential and nonbuilding segments, with the latter seeing a boost from the renewed focus on highways and other public infrastructure by state officials and lawmaker, as well as due to increased federal infrastructure spending flowing from the Infrastructure Investment and Jobs Act passed late last year. The new methanol plant to be built in Pleasants County will also provide construction jobs for its anticipated two- to three-year construction period.

Figure 11: Parkersburg Area Employment Growth Forecast by Sector



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

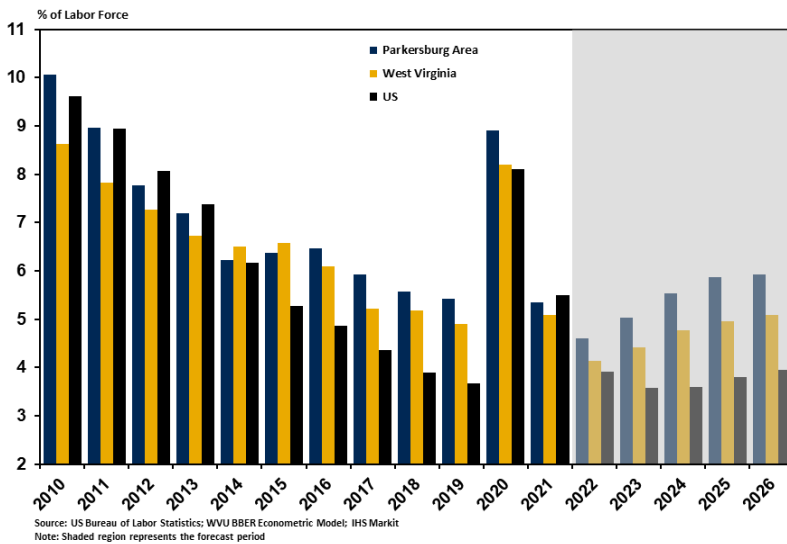
The Parkersburg Area’s leisure and hospitality sector is expected to see the third highest job growth of any sector on the order of over 2 percent per year during the outlook period. While this rate of recovery is strong, the sector has the largest deficit in economic activity to recover from in comparison to pre-pandemic levels. Recent evidence points to consumers rapidly increasing spending on indoor dining and other in-person venues over the past year as pandemic conditions have generally waned in most parts of the US.

Payrolls in trade, transportation, and utilities will see a slight decline in the forecast period due primarily to job losses in retail and utilities. Many of the structural problems plaguing the sector did not disappear during the pandemic, and in some cases were only exacerbated by it, which will only pressure the region’s brick-and-mortar establishments further as consumers continue to spend increasingly more on e-commerce platforms.

The Pleasants Power Station at Willow Island is expected to close in 2023, barring an unexpected about-face by FirstEnergy to keep it open or find a buyer to keep the plant in operation. The forecast assumes the power plant will close, resulting in the loss of nearly 150 jobs in the utilities sector alone and additional losses are possible since many workers at the power plant are paid wages well above the regional average. Furthermore, local government tax collections will be hurt as well since the facility's closure is expected to erase a sizable portion of the area's B&O tax base.

Education and health services is expected to add jobs at over a 0.2 percent average annual rate through 2026. Healthcare demand is expected to grow consistently within the region, reflecting the region's large share of elderly residents. The COVID-19 pandemic has placed significant strain on critical care infrastructure throughout a large portion of the US and the Parkersburg Area suffered in similar fashion. The waning of the pandemic will allow hospitals to direct resources toward more normal levels going forward and could allow facilities to rebuild staffing levels that were eroded because of the high-stress and rigorous work environment created by care of hospitalized COVID-19 patients.

Figure 12: Unemployment Rate Forecast



In addition, rural hospital systems in West Virginia have struggled in recent years with a growing mismatch between capacity and an eroding population base in their geographic footprints, financial struggles amid shifting funding models. Although partner hospital agreements with larger regional providers such as WVU Medicine offer

long-term potential for stability and perhaps growth, some hospitals will likely remain at risk for downsizing or closure over the long term as population totals are expected to decline further.

Severance tax collections from natural gas bode well for many of the area's local governments specific to Ritchie County, as do heightened property and B&O tax revenues associated with industrial development and natural gas pipeline additions in the region. Overall government employment in the Parkersburg Area is expected to increase by 0.7 to 0.8 percent per year. The state of West Virginia's fiscal situation has improved significantly over the past two years, but the waning effect of federal assistance to states could lead to the return of budget difficulties if the economy were to enter recession or key sources of revenue (such as severance taxes on energy) fail to match expectations.

UNEMPLOYMENT OUTLOOK Unanticipated changes in labor force participation within the Parkersburg Area's labor force, pandemic-related or not, could cause the forecast for the regional unemployment rate to differ significantly from what is anticipated. With that said, the region's unemployment rate has likely reached or will soon reach its lowest point of the current macroeconomic cycle. Longer term, the forecast calls for the jobless rate to fall within the mid-5-percent range in the coming years, roughly one-half of a percentage point above the statewide average.

While the unemployment rate carries some meaning for the region, it is critical to focus also on labor force participation and human capital outcomes in West Virginia and the Parkersburg area in the coming years. Historically, West Virginia's labor force participation rate has ranked as the lowest among all states, and significant portions of the Parkersburg Area have lagged the state by an appreciable margin. As a result, the region needs an adequately trained and healthy, educated workforce if it seeks to achieve stronger-than-expected growth in coming years.

INCOME Given the unprecedented nature of federal support to households and businesses during the pandemic, any comparisons to years such as 2020 and

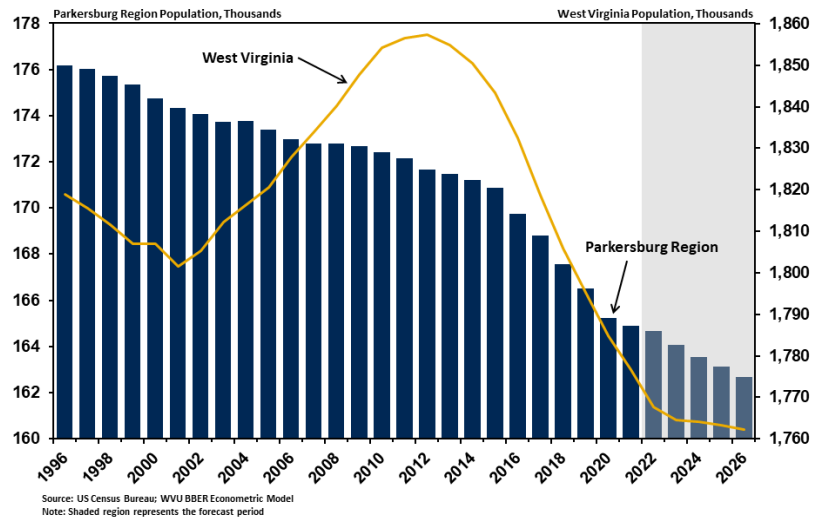
2021 will be distorted to a significant extent. Indeed, as federal transfer payments vis-à-vis expanded child tax credit and other programs have not carried over to 2022 due to legislative gridlock in the US Senate. Total real personal income is expected to decline by more than \$400 million in the Parkersburg Area during 2022. Between 2022 and 2026, inflation-adjusted personal income is expected to increase at a rate of 2.1 percent per year. While the level of transfer payments going forward will be considerably smaller in comparison to years such as 2021, regional income will increasingly shift away from net workplace earnings and capital income over to federal transfer payment programs. Most of this shift is due to demographic trends as more residents enter retirement age and become eligible for Social Security and Medicare coverage.

POPULATION The region’s population is expected to shrink in number during the outlook period as much of the five-county area grapples with the same demographic challenges that also affect many of West Virginia’s other economic regions. Specifically, three fundamental demographic issues could hinder the region’s growth potential to some degree during the outlook period and into the longer term. First, workers must be educated and/or trained to meet the skill requirements in the job market. Second, the population must be healthy and not be addicted to potentially life-threatening drugs to consistently contribute to the economy in a productive manner.

Finally, a large and growing share of elderly population may limit potential economic growth as these households tend not to be part of the labor force and generate less entrepreneurial activity on average. Each of these issues are a feature in the Parkersburg Area’s underlying demographic characteristics and could determine the area’s ultimate potential for economic growth.

Remote work, even after the pandemic is over, also presents opportunities for growth in the area. The COVID-19 pandemic forced many employees throughout the world to work remotely. However, that didn’t necessarily mean from home. Many migrated to a destination where they wanted to be safer from the pandemic, but also go where they really wanted to live. West Virginia and the

Figure 13: Population Forecast



Parkersburg area, with its relatively low-cost of living and low population density have opportunities to draw people into a more comfortable lifestyle while still working at a company that may be located outside of the region/state.