

BECKLEY METROPOLITAN STATISTICAL AREA OUTLOOK 2015



Beckley Metropolitan Statistical Area
Economic Outlook 2015 is published by:
Bureau of Business & Economic Research
West Virginia University
College of Business and Economics
P.O. Box 6527, Morgantown, WV 26506-6527
(304) 293-7831 | bebureau@mail.wvu.edu
be.wvu.edu/bber

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

John Deskins, Ph.D.
Director, BBER

Brian Lego
Research Assistant Professor, BBER

EXECUTIVE SUMMARY

The Beckley MSA has endured a great deal of economic volatility over the past several years. Employment in the metro area rebounded rapidly just after the Great Recession, significantly surpassing its pre-recession level. However, employment has fallen again sharply over the past two years. This loss has been driven in large part by the natural resources and mining and trade, transportation, and utilities sectors. Activities associated with the Summit Bechtel Reserve have been a highlight of the region's economy in recent years, helping to bolster the leisure and hospitality sector and providing a modest lift to nonresidential construction activity.

Several key facts behind Beckley's recent economic performance are as follows:

- **After gaining nearly 4,000 jobs between early-2010 and early-2012, Beckley has lost more than 2,400 jobs since that point.** Employment in the region is now slightly below where it stood just before the recent recession. These job losses have disproportionately occurred in Fayette County.
 - **The leisure and hospitality and healthcare sectors have accounted for a large share of new jobs in the region in recent years.** Overall public sector employment has been stable in the region.
 - **Trade, transportation, and utilities has lost a significant number of jobs in recent years, shedding nearly 10 percent of its workforce since 2007.** Employment within natural resources and mining has declined by more than one-fourth (approximately 900 jobs) since the beginning of 2012, due to various pressures on the coal industry.
 - **Beckley's unemployment rate has risen since the beginning of 2014 and currently stands at about one percentage point above the state average.**
 - **The region has suffered labor force attrition in recent years.** Overall, the metro area's labor force has fallen by nearly 3.5 percent since the beginning of 2012.
 - **Per capita personal income has grown at a 3.2 percent average annual rate over the past several years that slightly exceeds that of the state overall.** Of the two counties that comprise the MSA, per capita personal income is noticeably higher in Raleigh County.
 - **Population has declined in the MSA over the past decade,** primarily driven by losses in Fayette County.
- Our forecast calls for moderate growth in the Beckley metro area over the next five years.**
- Key aspects of the outlook are as follows:**
- **We expect employment to increase at an average annual rate of 0.5 percent in Beckley over the next five years.** However, most of this growth will come later in the forecast period. This rate is slightly down from what has been enjoyed over the past ten years and falls short of expected growth for West Virginia overall (0.9 percent) and the nation (1.5 percent).
 - **The education and health services sector is expected to produce the fastest rate of job growth going forward,** with a forecast of 1.7 percent average annual job growth. Leisure and hospitality, professional and business services, and construction are other major sectors expected to add jobs at above-average rates. Expanded activities at the Summit Bechtel Reserve offer a source of optimism for the region's leisure and hospitality sector.
 - **Unemployment is expected to continue to fall over the next five years,** but will likely remain higher than the state and national averages.
 - **Per capita personal income is expected to rise at an annual average rate of 2.0 percent** over the next five years. This rate of growth is slightly lower than West Virginia as a whole (2.3 percent).
 - **Beckley's population is expected to decline at a moderate pace in coming years.** Most of the metro area's population loss will likely be driven by anticipated declines in Fayette County.

BECKLEY MSA RECENT ECONOMIC PERFORMANCE

The Beckley, WV metropolitan area¹ has struggled over the past two years. After enduring a protracted economic slowdown that lasted between 2006 and 2010, the metro area experienced a very strong recovery by gaining nearly 4,000 jobs between the first quarters of 2010 and 2012. Moreover, the region saw total employment surpass its pre-recession peak by more than 3.4 percent. Since that point, however, the metro area's economy lost momentum as local businesses have cut more than 2,400 jobs on a cumulative basis over the past two years, paring away more than half of the gains made during the region's recovery.²

Raleigh County serves as the region's economic center, containing nearly two-thirds of the metro area's residents and three-fourths of its jobs. Employers in Raleigh County have seen a net loss of 1,400 jobs since the beginning of 2012, but total employment remains 1.2 percent above the peak level observed prior to the recession. At the same time, despite accounting for one fourth of the metro area's overall job base, Fayette County has suffered a similar magnitude of employment losses as businesses cut 1,000 jobs on net since the first three months of 2012. In addition, reflecting the county's long-term structural economic issues, employment in Fayette County is at its lowest level since the early-1990s.

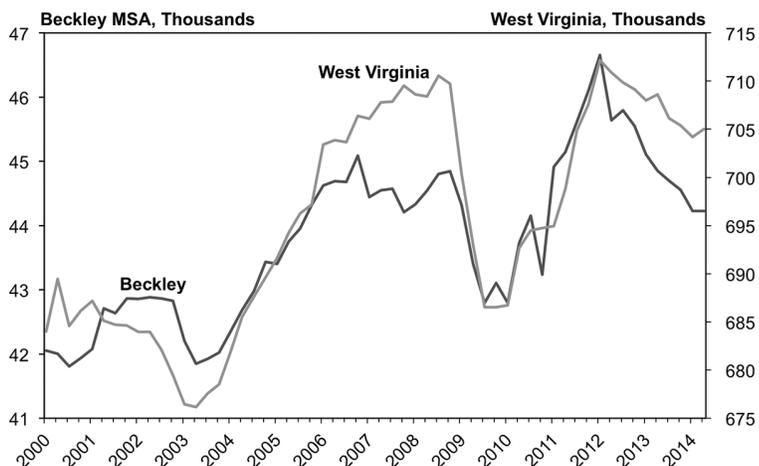
Owing to the region's wealth of natural scenic attractions and outdoor-oriented activities such as whitewater rafting, camping, hiking and zip-lining, leisure and hospitality accounts for an above-average share of jobs in the Beckley metro area. This sector has been one of the region's more consistent sources of growth since 2008, although it has registered a moderate amount of job losses over the past few quarters. The new Summit Bechtel Reserve in Fayette County helped to bolster the industry's performance, as it hosted the 2013 US National Boy Scout Jamboree. In addition to the demand generated by more than 30,000 youth and adult participants, hotels, restaurants and other establishments also received a boost from Boy Scouts' accompanying families.

Reflecting an above-average share of elderly residents and the broader national-level increase in demand for healthcare services, the education and health services sector plays a significant role in the Beckley MSA's economy. Although payrolls have slipped slightly over the past two years, the sector has accounted for an appreciable share of the region's job growth since 2008 and now accounts for approximately one-in-five jobs in Fayette and Raleigh counties. The public sector has provided some degree of stability for the Beckley MSA as well. Local governments represent the largest share of public sector employment in

the region and have made a modest positive contribution to overall job growth in recent years, while federal and state payroll levels have remained fairly steady. The federal government's influence in the metro area is larger than normal due to the presence of facilities for the Department of Veterans Affairs (The Beckley Vet Center) and the Department of Justice (FCI Beckley).

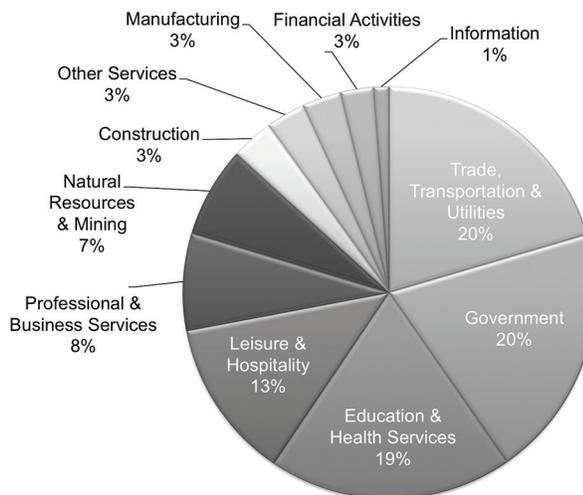
Trade, transportation and utilities is the Beckley metro area's largest sector in terms of overall employment levels, but the sector has weighed on the region's economy for quite some time. Prevailing demographic trends, volatile wage growth and a few large retail store closures have caused the retail trade sector to shed nearly 10 percent of its workforce in the two-county region. The wholesale trade segment has also struggled for the past several years, reflecting the retail sector's downturn as well as declining wholesale orders for mining and manufacturing equipment in the area.

FIGURE 1: Total Employment



Sources: US Bureau of Labor Statistics, Workforce WV

FIGURE 2: Beckley Employment Distribution by Sector (2013)



Source: US Bureau of Labor Statistics

1. For the purposes of this report, The Beckley, WV metropolitan statistical area is comprised of two counties: Fayette and Raleigh counties.

2. Sources for historical information are noted in each figure.

The natural resources and mining sector has been a major contributor to the Beckley MSA's struggles over the past two years. While the sector accounts for just roughly 7 percent of total employment, it has a significant impact on region's performance by producing one-third of the metro area's overall economic output. In addition, total annual wage rates are typically twice as high as those earned on average. With relatively limited natural gas production occurring in the region, underground and surface coal mining operations make up the wide majority of resource extraction in Fayette and Raleigh counties. These two counties ranked 10th and 7th statewide, respectively, in terms of total coal production during 2013 and combined to account for just over 10 percent of state coal output.

Geological constraints, environmental regulatory issues, weak market conditions for metallurgical coal and strong competition from natural gas for electricity generation have combined to weigh on coal production in Raleigh and Fay-

ette counties—as well as other portions of the state's southern coalfields. Total annual coal tonnage declined less than 7 percent between 2011 and 2013 in Raleigh County, but the drop-off was much more pronounced in Fayette County as production fell 28 percent over this time period.

The decline in mine output appears to have accelerated in Raleigh County, falling more than 13 percent through the first three quarters of 2014 compared to the same timeframe during 2013. By comparison, coal tonnage has declined 15.1 percent year-to-date versus the previous year. Consequently, these factors have caused employment levels in the sector to erode by more than 25 percent (nearly 1,000 jobs) since the beginning of 2012. The metro area's manufacturing sector has been negatively affected by the broader downturn in southern WV coal production, as many machine shops and equipment manufacturers service or directly supply mines throughout the region.

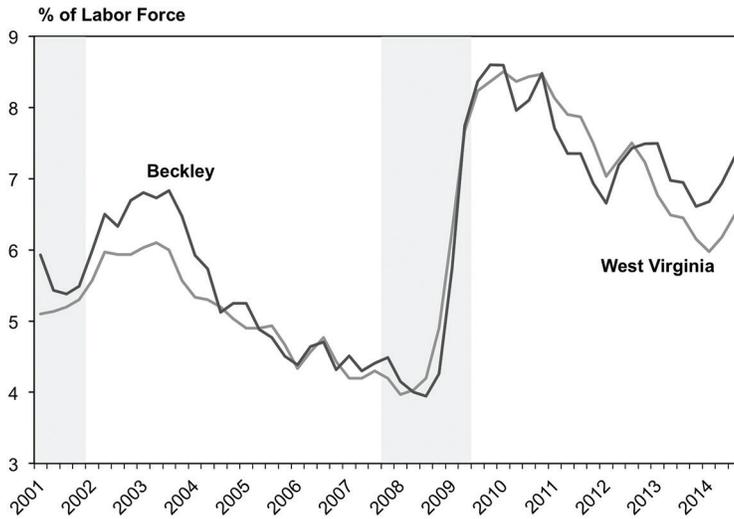
Aside from the boost created by building the Summit Bechtel Reserve, the Beckley MSA's construction sector has experienced a protracted downturn. According to McGraw-Hill Construction, while the pace of single-family housing starts has doubled since bottoming out in early 2009, starts have remained close to a seasonally adjusted annualized rate of 135 units for more than four years. The dollar value of nonresidential construction projects started in the past 12 months has totaled less than \$6 million, the smallest volume since 2010. On a positive note, nonbuilding construction, which consists mostly of infrastructure projects, has totaled more than \$46 million over the past year. This marks the largest amount spent in the metro area in nearly four years, primarily due to the start of several multi-million dollar transportation projects in Raleigh County.

While the Beckley MSA's unemployment rate has historically been a percentage point or more higher than the statewide average, the metro area was generally in line or lower for much of the past decade. The jobless rate bottomed out at 3.9 percent during the third quarter of 2008, but rose rapidly over the next several quarters until it reached a high of 8.6 percent in late 2009. Accelerating job growth did fuel an appreciable decline in the unemployment rate, causing it to fall to 6.7 by the first quarter of 2012. Since that point, however, Beckley's unemployment rate has been up and down and climbed to 7.3 percent during the third quarter of 2014, which is roughly one percentage point higher than statewide and national averages.

Both of the metro area's component counties have seen their unemployment rates rise over the past year. Raleigh County's jobless rate came in at a seasonally-adjusted average of 6.9 percent during the third quarter of 2014. Fayette County's unemployment rate has typically been the higher of the Beckley metro area's two counties, though that margin has declined significantly in recent years. As of the third quarter of 2014, Fayette's unemployment rate reached 8.0 percent.

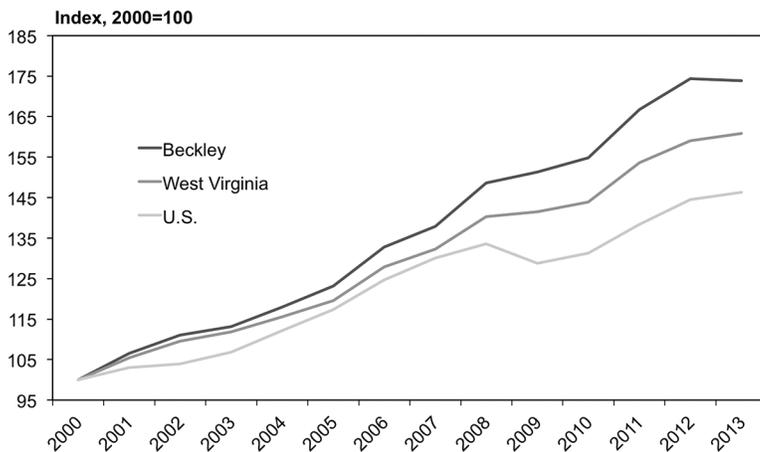
Reflecting the region's struggling labor market, the Beckley MSA has recorded significant labor force attrition over the

FIGURE 3: Unemployment Rate



Source: US Bureau of Labor Statistics
 *Shaded regions indicate recessions; data are seasonally adjusted

FIGURE 4: Per Capita Personal Income



Source: US Bureau of Economic Analysis

past two years. Overall, the metro area's workforce has declined by nearly 3.5 percent (1,800) since the beginning of 2012. Rates of workforce participation in both Fayette and Raleigh counties are very low, with 47 and 49 percent of the 16 years and older population, respectively, holding a job or actively looking for a job. These rates are several percentage points lower than the statewide average of 54 percent, which itself is approximately 9 percentage points below the national average (63 percent).

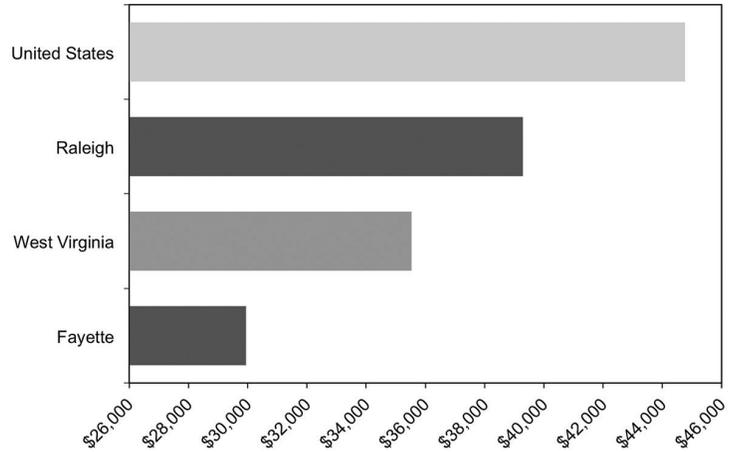
Per capita personal income for the Beckley MSA was estimated at approximately \$35,900 during calendar year 2013. This marked a 0.3 percent rate of decline versus 2012. Despite the drop in average incomes observed during 2013, the two-county region has enjoyed a fairly strong rate of growth in nominal per capita income levels over the past five years, averaging 3.2 percent growth per year since 2008. Beckley's average annual rate of income growth is slightly higher in comparison to the rest of the state (2.8 percent) and nearly double the rate of growth observed nationally (1.8 percent).

Raleigh County residents earned an average of approximately \$39,300 per person during 2013, ranking it as the 8th highest among the state's 55 counties. Per capita income levels were measurably lower in Fayette County, coming in at nearly \$30,000 for calendar year 2013. While both counties contain an above-average share of high-wage jobs in the natural resources and mining sector, Fayette County per capita personal income levels tend to be lower because of the composition of income sources. Indeed, a combination of demographic and socioeconomic circumstances have caused federal government transfer payments to account for more than 35 percent of personal income received in Fayette County.

Although the size of Beckley MSA's population has declined since 2000, Fayette and Raleigh counties have experienced noticeably different trends in population growth over this time period. For example, Raleigh County has seen its population shrink by just 200 residents cumulatively between 2000 and 2013, but it did enjoy modest growth in population of nearly 1,100 residents from 2006 to 2011. By contrast, Fayette County has registered a fairly consistent trend of population decline, losing nearly 2,000 residents since 2000.

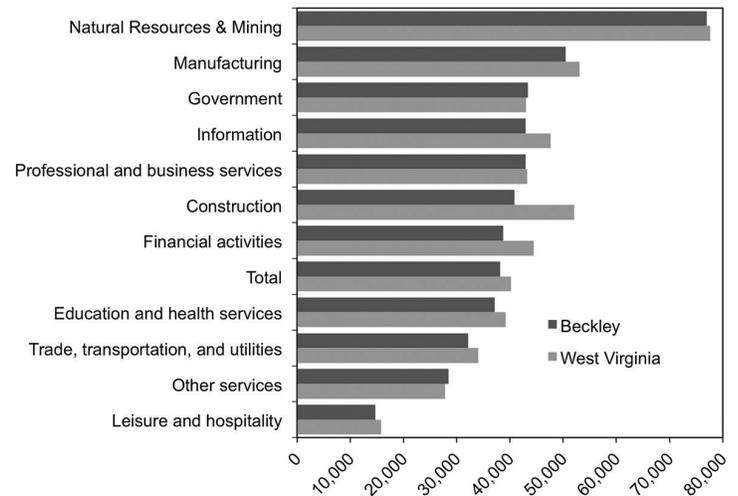
In terms of its underlying demographic trends and characteristics, the Beckley MSA is generally similar to that of West Virginia as a whole. Both Fayette and Raleigh counties have had a negative contribution to population growth from natural sources, i.e. deaths exceeding births. Migration flows have generally been negative for Fayette County over the past decade while Raleigh County has experienced a more volatile pattern of migration flows. The region's median age is identical to the state (41.9 years), though both counties do contain a share of residents aged 65 years and over that exceeds the statewide average. Finally, rates of educational attainment in the metro area lag both the statewide and national average as less than 16 percent of residents aged 25 years and over held at least a bachelor's degree in 2013.

FIGURE 5: Per Capita Personal Income by County (2013)



Source: US Bureau of Economic Analysis

FIGURE 6: Average Annual Salary by Major Sector (2013)



Source: US Bureau of Labor Statistics

FIGURE 7: Summary Population Profiles

	Beckley MSA	West Virginia	United States
Total Population (2013)	124,432	1,854,304	316,128,839
% Population Under 18 (2013)	21.0%	20.6%	23.3%
% Population 65 Years + (2013)	17.7%	17.3%	13.7%
Population with Less than High School Diploma (2013, % of pop. 25 yrs. +)	19.3%	15.5%	13.7%
Population with High School Diploma, No College (2013, % of pop. 25 yrs. +)	41.1%	40.6%	28.0%
Population with Some College (2013, % of pop. 25 yrs. +)	24.0%	25.0%	29.1%
Population with Bachelor's Degree or Higher (2013, % of pop. 25 yrs.+)	15.7%	18.8%	29.1%
Median Age (2013)	41.9	41.9	37.6
Mean Household Income (2013)	\$51,086	\$55,469	\$72,897
Average Household Size (2013)	2.46	2.44	2.64

Source: US Census Bureau

BECKLEY METROPOLITAN AREA OUTLOOK

Expectations for the West Virginia and US economy during the forecast horizon will have a significant impact on the Beckley MSA's performance going forward.³ The forecast calls for the region's economic growth to trail state and national averages during the outlook period. However, anticipated growth at the state and national level should enable the metro area to re-emerge from its current economic downturn and register a moderate rate of growth over the next five years.

We anticipate total employment will increase at an average annual rate of roughly 0.5 percent through 2019. Payrolls are expected to post a decline for 2014 as a whole, but the

metro area should begin to stabilize in 2015 and see job growth return during the remainder of the outlook period. Raleigh County experienced a smaller rate of job declines over the past two years, but will likely enjoy the strongest rate of job growth in the region during the 2014-2019 outlook period, averaging just above 0.5 percent per year. Fayette County is expected to see employment advance at an average annual rate of nearly 0.4 percent, as payroll levels slowly stabilize over the next two years and return to moderate growth over the rest of the forecast horizon.

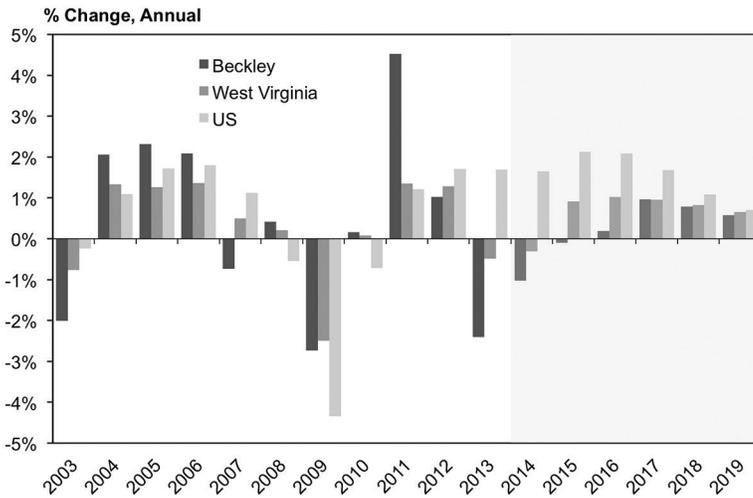
Our forecast calls for education and health services to be the fastest-growing sector in terms of employment, expanding at an average annual rate of 1.7 percent per year between 2014 and 2019. Healthcare demand is expected to grow consistently within the metro area throughout the outlook period, reflecting the region's large share of elderly residents and above-average proportion of individuals with disabilities. While uncertainty remains over its ultimate impact, the expanded availability of health insurance under the Affordable Care Act will likely bolster demand for healthcare.

Leisure and hospitality is expected to rank as the second fastest-growing sector in the two-county region over the next five years, adding jobs at a rate of 1.2 percent per year. The region's wealth of natural amenities and outdoor recreational activities will remain a strength for this sector going forward, allowing it to continue to attract large amounts of spending from tourists and other travelers. A significant portion of the sector's growth will likely occur during the latter half of the forecast horizon as the Summit Bechtel Reserve is slated to host both the National and World Boy Scout Jamborees in 2017 and 2019. However, the recent passage of Amendment One, which will allow portions of the Summit Bechtel Reserve to be rented for other events, does provide a source of upside potential for additional growth in the sector.

The professional and business services sector will expand at a solid pace during the outlook period, with an expected average annual gain of 1.1 percent through 2019. A firming national economic recovery should lead to increased demand for some of the business support services firms that operate primarily in Raleigh County, namely temp services, legal and accounting services. The Beckley MSA's construction sector is expected to grow at a pace of just above 1.0 percent per year during the outlook period, recovering a portion of the jobs lost over the past 10 years. New home construction should rebound from current levels, but the overall recovery in homebuilding activity will likely be hampered by the metro area's challenging demographic trends and below-average growth in wages.

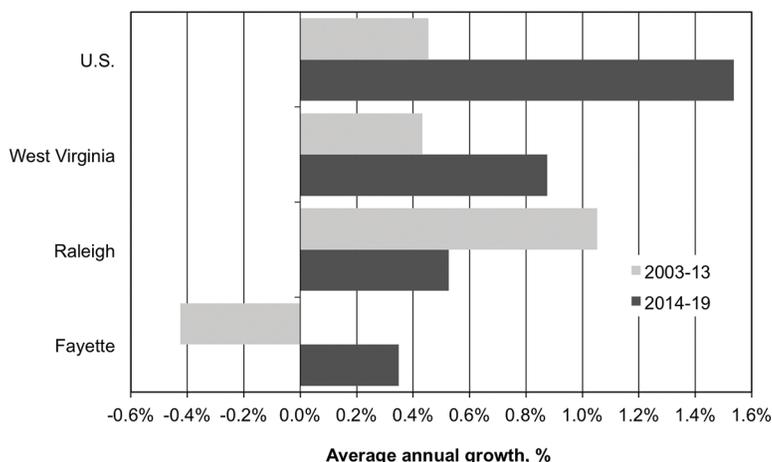
Public sector employment will generally remain stable in the metro area over the next five years. Weakening coal tax severance receipts and a declining youth population

FIGURE 8: Employment Growth Forecast



Source: Bureau of Labor Statistics; Workforce WV; WVU BBER Econometric Model; IHS Global Insight
 *Note: Beckley MSA and WV use covered employment; Shaded region represents the forecast period

FIGURE 9: Beckley MSA Employment Growth Forecast by County



Sources: Workforce WV, WVU BBER Econometric Model

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

will weigh on local government hiring. Although federal employment levels in the region should at least hold steady going forward, persistent concerns over the federal government's long-term fiscal health could affect the metro area if broader budget cuts are implemented that affect those agencies with a local presence. The Beckley MSA's trade, transportation and utilities sector is also expected to see negligible gains in employment through 2019, largely as a result of local consumer spending being hampered over the near term by sluggish growth or outright losses in key high-wage industries.

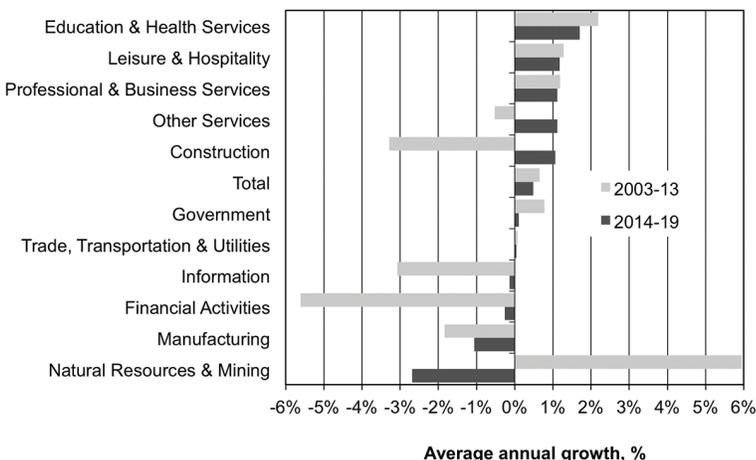
Beckley's natural resources and mining sector is expected to lose jobs at a rate of 2.7 percent per year through 2019. Although the overall magnitude of declines will be smaller in comparison to what has occurred in the past two years, the region's coal industry will likely struggle further over the next several years due to a mix of environmental regulatory policy changes and uncertainty, weak international metallurgical coal demand and difficulties associated with accessing shallow coal seams. Due in part to its tight linkages to the coal industry, the metro area's manufacturing sector is expected to contract at a rate of 1 percent per year.

The Beckley MSA's unemployment rate is expected to decline gradually over the course of the outlook period, reaching an annual average of 5.7 percent in 2019. However, we anticipate the jobless rate will remain stubbornly high in the 6.5-7.0 percent range over the next two years as a result of struggles in several of the metro area's core industries. Raleigh County will likely see its unemployment rate hover in the low- to mid-6 percent range through 2016 before eventually settling at roughly the statewide average (5.1 percent). Fayette County's jobless rate will remain structurally higher during the forecast horizon, holding between 7.5-8.0 percent through the end of 2015 before slowly declining to the low 6 percent range by 2018.

Inflation-adjusted per capita income growth in the Beckley MSA is projected to increase at an average annual rate of 2.0 percent through 2019. Growth will lag the statewide average (2.3 percent) and the 2.7 percent per year rate of growth anticipated for the nation as a whole. While a return to job growth will help wage growth, the limited gains or outright losses expected in several of the region's high-paying industries will dampen growth in real wages and salaries earned by workers. Nonwage sources of income are expected to grow more quickly over the next five years and will account for an increasingly larger share of real personal income. In particular, transfer payments will continue to grow at a strong pace due in part to the metro area's above-average share of residents at or near retirement age.

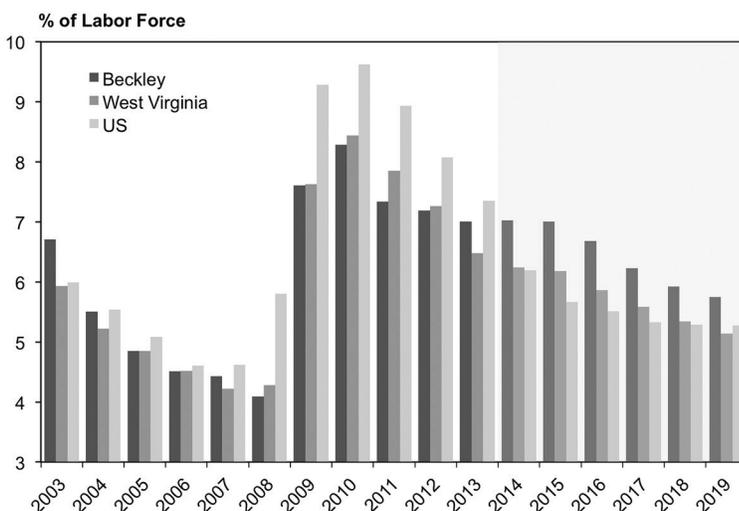
Beckley's population is expected to shrink at a rate of 0.2 percent over the next five years. Raleigh County's population will remain mostly stable as modest levels of positive net in-migration offset natural declines in the population. However, Fayette County will record steady losses in the number of residents through 2019, reflecting expectations for continued net out-migration and deaths exceeding births.

FIGURE 10: Beckley MSA Employment Growth Forecast by Sector



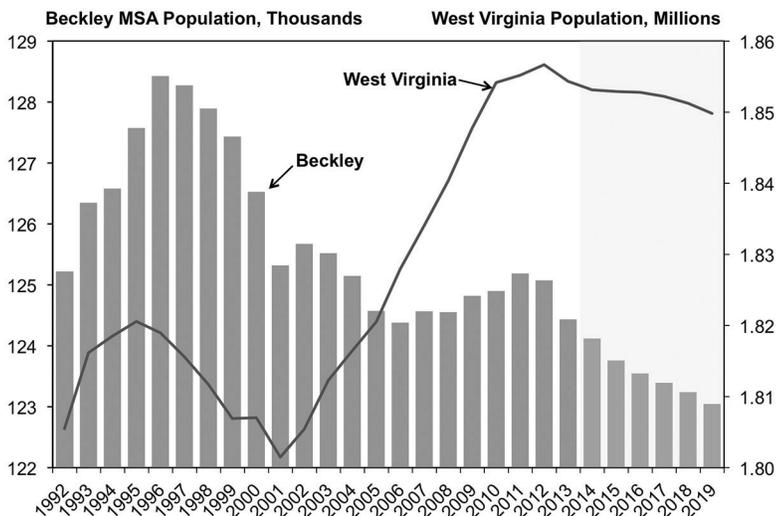
Sources: Workforce WV, WVU BBER Econometric Model

FIGURE 11: Unemployment Rate Forecast



Sources: US Bureau of Labor Statistics; WVU BBER Econometric Model; IHS Global Insight
Note: Shaded region represents the forecast period

FIGURE 12: Population Forecast



Sources: Bureau of Labor Statistics; WVU BBER Econometric Model
Note: Shaded region represents the forecast period

APPENDIX A: GLOSSARY OF TERMS

Annual Growth Rate	between consecutive years is calculated as: $\left(\frac{X_t}{X_{t-N}} - 1 \right) \times 100$
Average Annual Growth Rate	is calculated for annual data as: $\left[\left(\frac{X_t}{X_{t-N}} \right)^{1/N} - 1 \right] \times 100$
Gross Product	is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products; calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Gross product can be calculated for various sized economies. This paper references Gross Product for counties (GCP), MSAs (GMP), states (GSP), and the domestic economy as a whole (GDP).
Metropolitan Statistical Area	is distinguished by a densely populated city or urban agglomeration with a population of 50,000 or more according to the US Office of Management and Budget; a county containing that city become the core of the MSA and if an adjacent county has at least 25 percent of its labor force commuting to or from the core area it is including in the MSA.
Personal Income	is the sum of the incomes of an area's residents; it is calculated as the sum of wages and salaries, proprietor's income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts less contributions for government social insurance.
Per Capita Personal Income	is the mean personal income within an economic aggregate, such as a country or city. It is calculated by taking a measure of personal income and dividing it by the total population. Per capita personal income is often used as average income, a measure of the wealth of the population of a nation, particularly in comparison to other nations.
Population	is the number of persons whose usual place of residence was within the area at the time the census was taken. It is also referred to as resident population. Persons in the military or institutionalized are counted where the military base or institution is located.
Real	data has been adjusted for inflation. Using real data eliminates the year-to-year changes in price and gives a clearer picture of the true changes in purchasing power, production, etc.
Real Dollars	dollar amounts have been adjusted for inflation. Using real dollars eliminates the year-to-year changes in price and gives a clearer picture of the true changes in purchasing power.
Unemployment Rate	is the percent of the civilian labor force that is unemployed. The civilian labor force is comprised of non-institutionalized persons 16 years of age or over who are employed or unemployed. A resident is considered to be unemployed for the month if that person is at least 16 years old and is not currently employed but is available and actively looking for work during the survey week (the week including the 12th of the month).

