

# Greater Morgantown Area

## ECONOMIC OUTLOOK

2016



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## Executive Summary

The Greater Morgantown Area remains one of West Virginia's strongest economic regions, as evidenced by employment and numerous other indicators. In this report, we present a detailed discussion of recent trends in the region's economy along with our forecast for the likely path of economic activity over the next five years.

### Several key facts behind the recent economic performance of the Greater Morgantown Area are as follows:

- **Greater Morgantown Area employers have added nearly 7,000 jobs since 2010, surpassing the level observed prior to the economic downturn by more than 5 percent.** Job growth did decelerate over the course of 2013 and the first half of 2014, but employment gains have accelerated in recent quarters.
- **Most major industrial sectors have added jobs at rates that exceed statewide average in recent years.** Strong performance has been observed in sectors such as healthcare, construction, and the consumer-driven sectors of retail trade and leisure and hospitality.
- **Not all sectors have added a significant number of jobs over the past few years.** Employment within natural resources and mining has declined as a result of falling coal mine employment and falling natural gas employment more recently. The public sector has seen payrolls remain flat due to state and federal budget concerns.
- **Unemployment in the region is substantially lower than the statewide average.** Preliminary data do indicate a sharp rise in unemployment in the region recently, but we suspect that current estimates overstate the actual increase in unemployment and will be revised in the coming year.
- **Labor force participation is higher in the Greater Morgantown Area compared to the state overall.**
- **Per capita personal income has grown at an average annual rate over the past five years that slightly exceeds that of both the state and nation.** Both wage and non-wage sources of income have contributed to gains in personal incomes.

- **The Greater Morgantown Area has posted the second-largest increase in population of any West Virginia region, lagging only the Eastern Panhandle.** Since 2000, the region's resident population increased by more than 26,000, whereas the remainder of the state (outside of the Eastern Panhandle) lost residents. The area's population is significantly younger and more highly educated on average than the overall state population.

### Our forecast calls for continued growth in the Greater Morgantown Area over the next five years.

#### Key aspects of our forecast are as follows:

- **We expect employment to grow at an annual rate of 0.7 percent per year in the Greater Morgantown Area over the next five years.** This rate is higher than expected growth for West Virginia overall (0.5 percent) but lags expected growth nationally (1.2 percent).
- **Monongalia County is expected to exhibit the highest rate of job growth among the region's four counties in coming years.**
- **The professional and business services, education and health, construction, and leisure and hospitality sectors are expected to produce above-average rates of job growth going forward.**
- **Unemployment is expected to fall over the next five years, and will likely remain lower than the statewide average throughout the outlook period.** This comes on top of a projected increase in the labor force in the region.
- **Real per capita personal income is expected to increase at an annual average rate of 2.1 percent over the next five years.** This rate of growth is better than West Virginia as a whole, but slightly lags expectations for the nation (2.3 percent).
- **The region's population is expected to continue to grow in coming years.** Most of the expected growth will be in Monongalia County.

## Recent Economic Performance

The Greater Morgantown Area's<sup>1</sup> economy has been one West Virginia's steadiest-performing economic region in recent years. After experiencing relatively mild job losses during the Great Recession, employment in the four-county area as a whole has trended higher over the past five years. While the pace of job growth did decelerate over the course of 2013 and the first half of 2014, employment gains have accelerated in recent quarters. Overall, businesses in the region have managed to add nearly 7,000 new jobs since 2010, surpassing the level observed prior to the economic downturn by more than 5 percent. This stands in stark contrast to broader statewide trends, wherein job losses have generally persisted since the beginning of 2012.<sup>2</sup>

**PERFORMANCE BY COUNTY** Monongalia County operates as the region's economic center, thanks in large part to the presence of West Virginia University. The combined impact of nearly 29,000 students and 6,500 faculty and staff acts as a stabilizing force during economic downturns, but construction of several new major buildings and renovation projects for others across WVU's various campuses have allowed the university to bolster the county's growth in recent years. Overall, total employment in Monongalia County has increased steadily for the most part since 2008, with businesses adding nearly 6,000 jobs over that time period. Harrison County, which contains nearly one-third of the region's jobs, recorded sluggish growth for an extended period of time between 2006 and 2010, but thanks in large part to the boom in natural gas drilling throughout much of North-Central West Virginia, employment levels have increased by roughly 2,000 over the past five years.

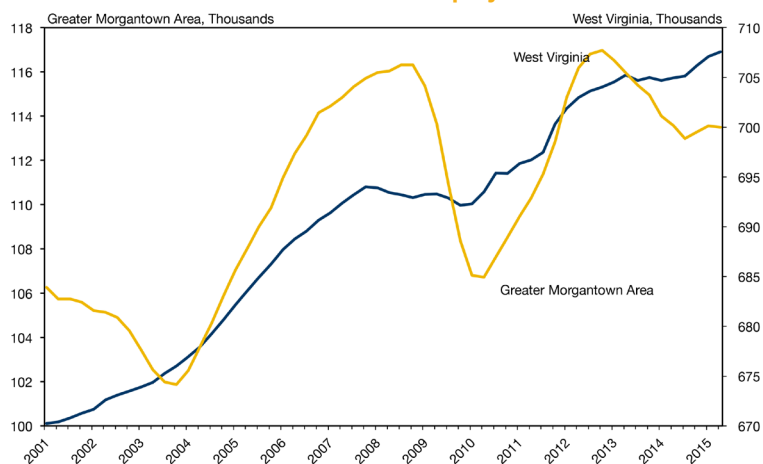
While Preston County's economy has recovered nearly all of the jobs lost during the economic downturn, Marion County has endured an appreciable amount of volatility in recent years. After a fairly mild rate of job loss during the Great Recession, employment nearly returned to its pre-recession peak by the second half of 2011. Unfortunately, total employment in Marion County has fallen by nearly 1,000 in the interim due to job losses across several major sectors, pushing payrolls in the county to their lowest levels since the mid-2000s.

**PUBLIC SECTOR** The public sector is a major feature of the Greater Morgantown Area's economic landscape. In addition to the presence of public higher education insti-

tutions, namely WVU and Fairmont State University, the regional economy hosts an array of federal installations such as the FBI's Criminal Justice Information Services Division, Department of Energy's National Energy Technology Laboratory, Louis A. Johnson VA Medical Center, National Institute for Occupational Safety and Health (NIOSH) and US Bureau of Prisons. Overall, federal, state and local government employment combine to account for just above 1 in 5 jobs (22 percent) locally. In addition to ongoing budget problems for the state as a whole, public sector employment in the region has fallen slightly in recent years as a result of the effects of budget sequestration and overall slower growth in federal spending.

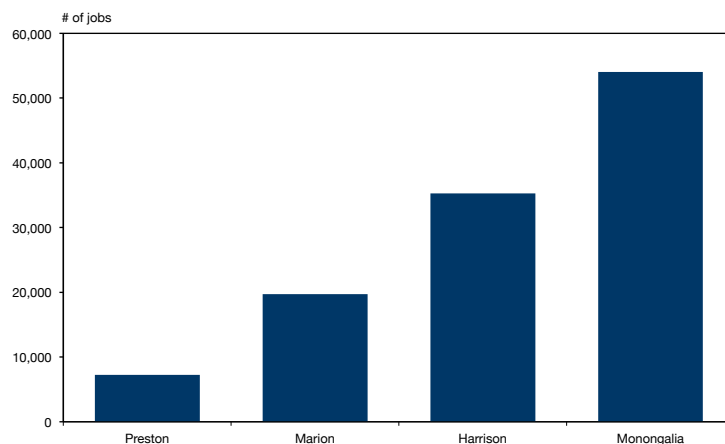
**EDUCATION AND HEALTH** Education and healthcare services also represents a key sector for the region's economy. Ruby Memorial Hospital and the Mon General Hospital System employ more than 8,000 people in the region. WVU Hospitals is in the midst of a series

**FIGURE 1: Total Employment**



Source: US Bureau of Labor Statistics  
Note: Series are presented as 4-quarter moving averages.

**FIGURE 2: Total Employment by County (2014)**



Source: US Bureau of Labor Statistics

1. For the purposes of this report, The Greater Morgantown Area is comprised of four counties: Harrison, Marion, Monongalia, and Preston counties.

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

of expansions, including the construction of a 114-bed tower at Ruby Memorial and the recently-opened outpatient care facility at the University Towne Center complex. Mon General has invested heavily in additions and renovations over the past several years and is also in the process of building a medical park consisting of three smaller facilities adjacent to Route 705 that will be dedicated to outpatient and surgical care. While the sector did slip somewhat over the course of 2013, these recent expansions and simply the broader backdrop of rising healthcare demand at both the regional and national level have bolstered job growth in the sector over the past several quarters. In all, the education and healthcare services sector has added more than 2,000 jobs in the four-county region since the beginning of 2009 and has nearly doubled in size over the past two decades.

**TRADE SECTOR** Retail trade payrolls for West Virginia as a whole recently reached their lowest number in 20 years and leisure and hospitality employment has been under pressure due in part to declining visits to the state's racetrack and casino facilities. By contrast, consumer-oriented sectors operating in the Greater Morgantown Area have recorded a steady upward trend in hiring activity during the last several years thanks to the effects of a healthy regional labor market and strong income growth. These sectors have enjoyed notable gains throughout most of the region, but a substantial portion has occurred along the I-79/I-68 corridor. In particular, growth has been particularly strong in Monongalia County with the ongoing additions of numerous consumer-oriented options (stores, restaurants, hotels) in and around the University Towne Center development.

**CONSTRUCTION** Construction activity, though somewhat volatile, has been strong across the region in recent years. In addition to the WVU Hospitals and Mon General

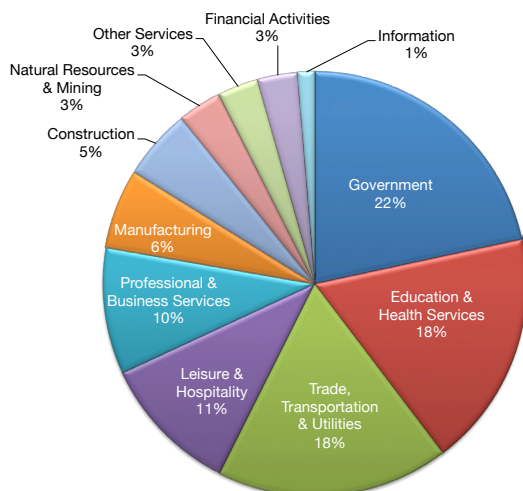
projects, the sector has directly benefited from construction taking place across WVU's various campuses. These include the University Park and University Place housing complexes, Evansdale Crossing, College of Physical Activity and Sports Sciences building, engineering and agricultural sciences buildings, as well as upgrades to many of the university's athletic facilities. In addition to the WVU-related projects, the build-out of the University Towne Centre and Suncrest Town Centre, as well as the recent completion of the Pierpont Center only serve as further examples of the large amount of the region's non-residential construction activity that has been focused in Monongalia County.

The addition of new businesses along the I-79 corridor in Harrison and Marion counties, along with the build-out of infrastructure, lodging and other businesses at the Jerry Dove Drive exit on I-79 have also bolstered nonresidential construction activity in the region. Finally, the boom in natural gas drilling and exploration throughout the tri-state area has also lifted construction employment in the Greater Morgantown Area over the past several years due to the need for development of upstream and midstream assets for the extraction, transportation and storage of natural gas and natural gas liquids.

**NATURAL RESOURCES & MINING** Although the natural resources and mining sector accounts for a relatively small share of jobs in the region, it has had a disproportionate influence on economic output in the Greater Morgantown Area in recent years. Harrison County has traditionally been one of the state's top counties in terms of natural gas production. While its overall ranking has slipped as production in nearby counties such as Doddridge, Marion, Ritchie, Tyler and Wetzel has skyrocketed, many of the primary drilling and support service firms still maintain their physical presence in Harrison. Overall, the number of workers employed within the oil and gas industries in Harrison County (as well as the region as a whole) has doubled in the past 10 years. However, the low price environment that has plagued the entire energy complex since the second half of 2014 has caused the region's natural gas industry to see a considerable slowdown in production and job losses in recent quarters.

In addition to the region's wealth of natural gas production, the Greater Morgantown Area contains an appreciable amount of coal production, primarily at Murray Energy operations located in Monongalia and Marion counties. During 2014, mines in the region produced 22.7 million short tons of coal, roughly 20 percent of the state-wide total and a 14 percent increase from the previous year. Unfortunately, low-priced natural gas has absorbed a growing share of baseload electricity generation since the beginning of the year, leaving coal-fired utilities with stockpiles at multi-year highs. Export demand for thermal coal has also been severely weakened in 2015

**FIGURE 3: Greater Morgantown Area Employment Distribution by Sector (2014)**



due to sluggish global economic growth and a strong dollar. As a result, several of the mines operating in the region have either been temporarily idled or seen a large curtailment in production this year, which have in turn lead to the loss of more than 700 coal mining jobs since the fourth quarter of 2014. At current rates, coal output from area mining operations for 2015 as a whole will total well below 20 million short tons and likely finish below its recent trough seen back in 2002.

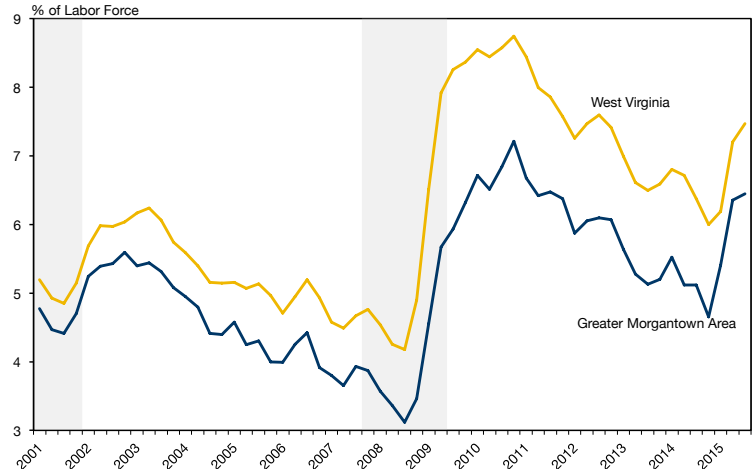
**UNEMPLOYMENT** The Greater Morgantown Area consistently has an unemployment rate that comes in well below the statewide average. The region's jobless rate reached its lowest level on record in mid-2008 at just above 3 percent and then more than doubled over the next two-plus years before hitting a peak of 7.2 percent during the fourth quarter of 2010. Over the subsequent four years the Greater Morgantown Area's jobless rate declined in a fairly steady fashion down to 4.7 percent. However, since the outset of 2015, preliminary estimates indicate the region's unemployment rate has risen sharply, climbing more than a full percentage point between the first and third quarters of this year. Among the four counties, Monongalia possesses the lowest rate in the region at 5.3 percent, while Marion County has the highest at 7.5 percent.

Although layoffs in the four-county region's energy sector have hurt the overall labor market, we believe the current unemployment rate overstates this weakness and the series could see appreciable revisions when benchmark estimates are released next year. In addition, another factor driving the region's jobless rate higher over the course of 2015 has been additions to the labor force. Overall, the area's labor force has expanded by more than 1,300 people since the first quarter 2015 and the majority of those did not hold a job. The Greater Morgantown Area has higher rates of workforce participation compared to the state as a whole. Even Monongalia County, which contains nearly 29,000 college students, has 57.3 percent of its population aged 16 and older either holding a job or actively seeking one, compared to roughly 53 percent for West Virginia.

**INCOME** Per capita personal income for the Greater Morgantown Area was estimated at approximately \$40,200 during calendar year 2014. This marked a 2.3 percent rate of growth over 2013, not accounting for inflation, and trailed both the state national growth rates. However, the area has enjoyed slightly stronger nominal per capita income growth compared to statewide and national figures since 2009, averaging 3.4 percent growth per year over that span.

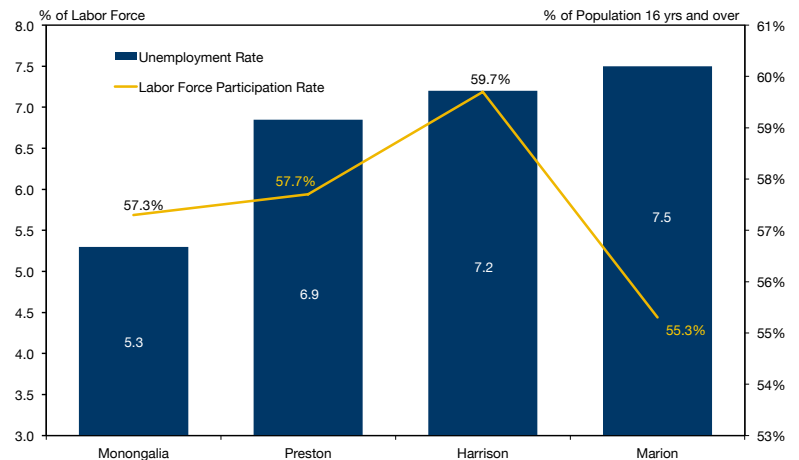
Harrison County has the highest per capita income of all four counties in the region at approximately \$44,600 in 2014, trailed by Monongalia and Marion counties, where

**FIGURE 4: Unemployment Rate**



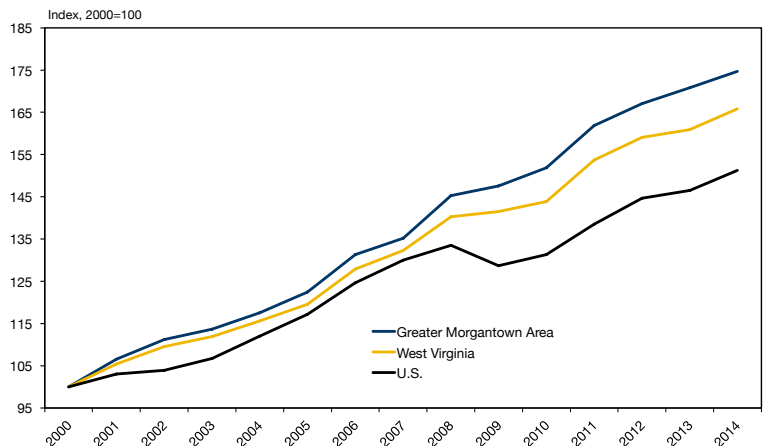
Source: US Bureau of Labor Statistics  
 Note: Shaded regions indicate recessions

**FIGURE 5: Unemployment Rate and Labor Force Participation Rate by County**

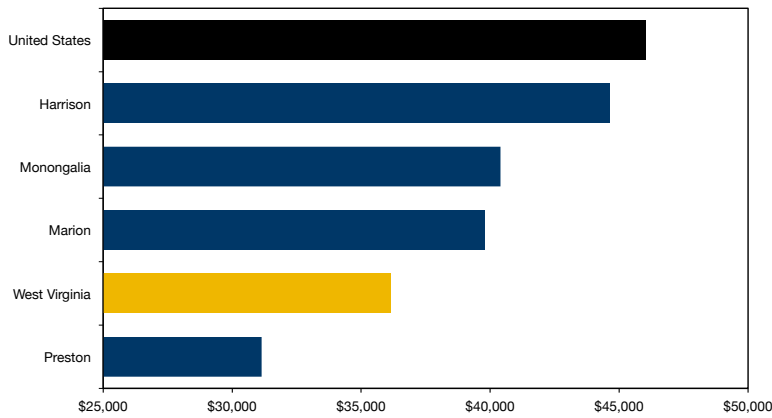


Sources: Bureau of Labor Statistics; US Census Bureau  
 Note: Unemployment rate represents 2015Q3; Labor force participation rate is from 2013.

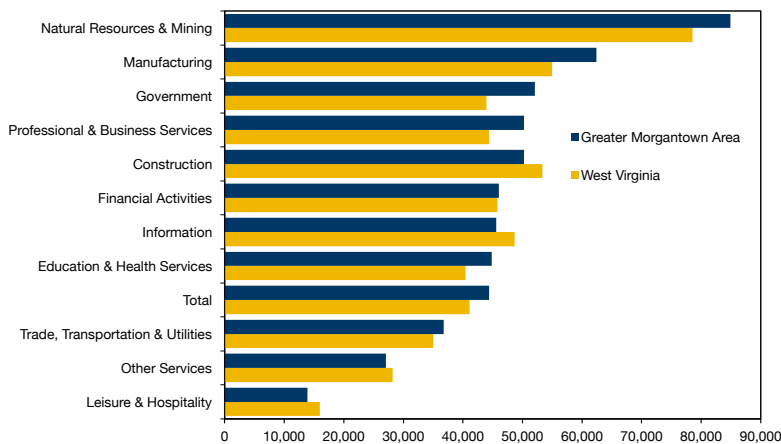
**FIGURE 6: Per Capita Personal Income**



Source: US Bureau of Economic Analysis  
 Note: The 2014 figure for Morgantown is an estimate.

**FIGURE 7: Per Capita Personal Income by County**

Source: US Bureau of Economic Analysis

**FIGURE 8: Average Annual Salary by Major Sector (2014)**

Source: US Bureau of Labor Statistics

**FIGURE 9: Summary Population Profiles**

|   | Greater Morgantown Area | West Virginia | United States |
|---|-------------------------|---------------|---------------|
| Total Population (2014)   | 262,815                 | 1,850,326     | 318,857,056   |
| % Population Under 18 (2014)  | 18.7%                   | 20.5%         | 23.1%         |
| % Population 65 Years + (2014)  | 15.1%                   | 17.8%         | 14.5%         |
| Population with Less than High School Diploma (2013, % of pop. 25 yrs. +)   | 12.2%                   | 15.4%         | 13.4%         |
| Population with High School Diploma, No College (2013, % of pop. 25 yrs. +) | 38.2%                   | 40.2%         | 27.8%         |
| Population with Some College (2013, % of pop. 25 yrs. +)                    | 24.5%                   | 25.4%         | 29.2%         |
| Population with Bachelor's Degree or Higher (2013, % of pop. 25 yrs.+)      | 25.0%                   | 18.9%         | 29.6%         |
| Median Age (2014)   | 37.5                    | 42.0          | 37.7          |
| Mean Household Income (2013)  | \$58,548                | \$55,787      | \$73,767      |
| Average Household Size (2013)   | 2.48                    | 2.44          | 2.65          |

Source: US Census Bureau

residents earned around \$40,000 on average. While each county's income levels lag the national average, they have generally been closing this gap in recent years. The region's industrial mix, namely the presence of several thousands of university faculty members, federal workers as well as private sector workers in high-wage industries such as coal, oil & gas, engineering services and manufacturing, puts income levels around \$4,000 higher than the state as a whole on average.

**POPULATION** The Greater Morgantown Area saw fairly steady increases in the number of residents since 2000, adding roughly 2,200 residents per year over that time period. Although Monongalia is the region's most populous county and has enjoyed the fastest rate of population growth over the past decade or so, all four counties have added residents in the past decade. However, preliminary estimates indicate Harrison County has lost approximately 175 residents per year on average during the last three years.

**DEMOGRAPHICS** Many of the underlying demographic trends and characteristics for the Greater Morgantown Area as a whole tend to look quite different when compared to statewide averages. To some extent, however, these differences are driven in large part by Monongalia County, as the other three counties in the region tend to resemble the state by most demographic measures. For example, the region's overall median age of 37.5 years, but given that nearly 40 percent of its population is under the age of 25, Monongalia County's median age is 11.1 years younger than the statewide reading while Harrison, Marion and Preston counties. Finally, the region contains a larger share of college educated residents aged 25 and older (25 percent) compared to the state as a whole. Unsurprisingly, Monongalia County contains the state's highest concentration of college graduates, wherein more than 38 percent of residents 25 years and older possess at least a bachelor's degree.

## Greater Morgantown Area Outlook

Expectations for the US and West Virginia economies during the forecast horizon will have a significant impact on the Greater Morgantown Area's economic performance going forward.<sup>3</sup> Our forecast calls for the region to continue expanding over the next five years. Projected economic growth at the state and national level during the outlook period bodes well for the area and should allow the local economy to enjoy above-average growth through the end of 2020.

**EMPLOYMENT OUTLOOK** We anticipate total employment will increase at an average annual rate of 0.7 percent in the four-county region. This lags the rate of job growth observed during the past 10 years, but will allow the Greater Morgantown Area to continue expanding at a steady pace while still outperforming projected statewide growth of 0.5 percent per year. Between the four counties in the region, Monongalia County is expected to enjoy the strongest rate of job growth during the 2015 to 2020 outlook period, averaging approximately 1 percent per year. The three remaining counties will see payrolls increase between 0.3 and 0.4 percent annually, slightly trailing the state average for the next five years.

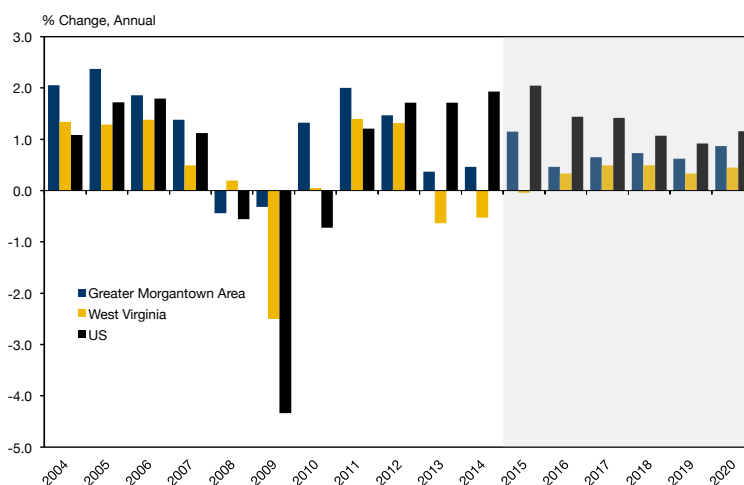
**SECTOR OUTLOOK** Our forecast calls for the professional and business services sector to pace overall growth in the region during the outlook period, with payrolls growing at an expected average annual gain of 1.7 percent through 2020. A continued national economic expansion should lead to increased demand for a range of business support activity, including legal, accounting and IT services. The presence of WVU and the numerous federal and private research facilities along the I-79 High-Tech Corridor will continue to facilitate technology transfer and innovation in the area that should provide for spillover effects, spurring additional job growth. However, risks for this segment of the region's sector do exist, most notably those related to the political climate in Washington and the potential for changes in federal spending on the various types of defense and non-defense research performed in the area. Temporary services employment should also rise at a stronger pace over the longer term as the anticipated improvement in regional natural gas production will cause many drilling, exploration and field services firms operating in the region to ramp up hiring of short-term contract labor workers.

After growing at a rate of 1.8 percent annually in the past decade, the education and healthcare services sector is expected to expand at a somewhat slower pace over

the five-year outlook period at 1.4 percent per year. The ongoing expansion at Ruby Memorial Hospital and the nearing completion of Mon General's new facilities will drive growth over the near term. Longer term, given the region's several large hospitals and Ruby Memorial Hospital's status as a hub for numerous forms of healthcare services for residents across the state of West Virginia, an aging population with generally poorer health outcomes will cause demand to rise further over the next five years. While some political and market uncertainties remain as a result of the Affordable Care Act, the legislation's impact of expanding health insurance availability is also expected to bolster demand for healthcare.

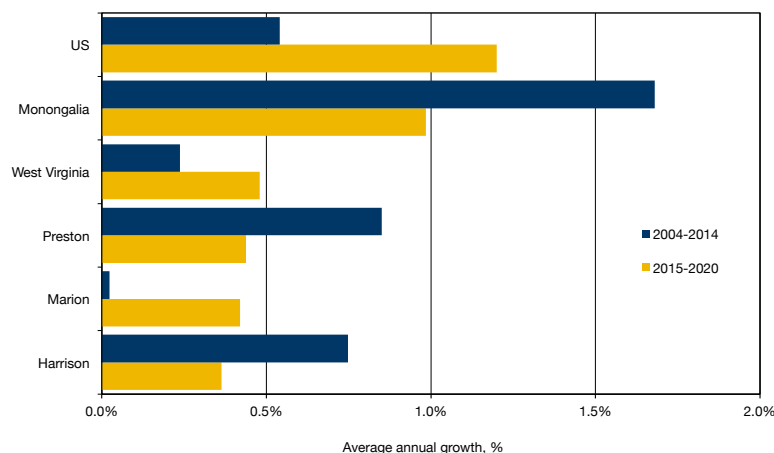
Construction activity is expected to remain strong during the outlook period, particularly over the next two to three years. Overall, the construction sector is expected to add jobs at a pace of 1.1 percent per year. Ongo-

**FIGURE 10: Employment Growth Forecast**



Sources: Bureau of Labor Statistics; Workforce WV; WVU BBER Econometric Model; IHS Economics  
Note: Greater Morgantown Area and WV use covered employment; Shaded region represents the forecast period

**FIGURE 11: Employment Growth Forecast by County**



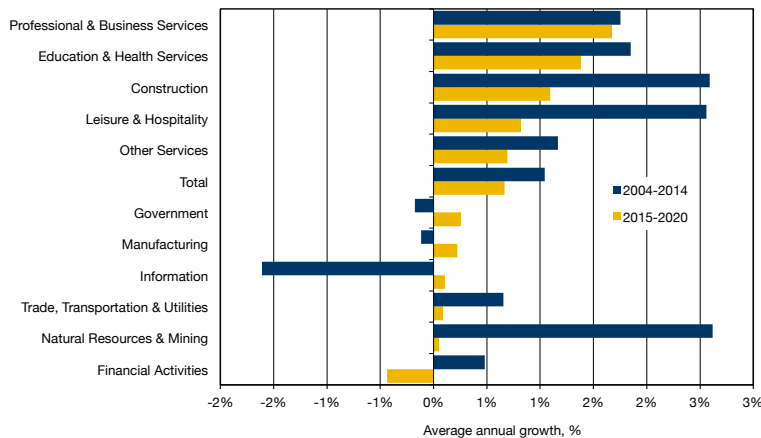
Sources: WorkForce WV, WVU BBER Econometric Model; IHS Economics

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

ing and planned projects associated with WVU and continued growth along the I-79 corridor and Harrison and Marion counties will account for the wide majority of new construction jobs created during the outlook period. The recently announced \$30 million aquatic and track recreational center at Mylan Park and the planned 105,000 square foot FedEx distribution center are examples of other major projects in Monongalia County. Ongoing work and future additions to the exit and traffic interchange for University Towne Center and baseball stadium, as well as the eventual \$30 million extension of the Morgantown Regional Airport’s runway serve as major infrastructure developments that could bolster prospects even further.

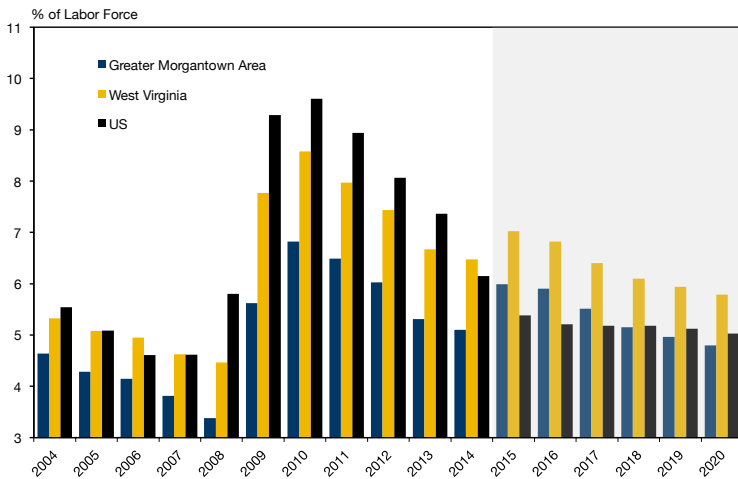
The Greater Morgantown Area’s consumer-driven sectors, namely leisure and hospitality and the retail portion of trade, transportation and utilities, are projected to see steady job gains over the next five years. Population growth and the anticipated gains in several high-wage industries in the region will drive most of these gains going forward. In addition, the build-out of major developments such as University Towne Center, Suncrest Towne Center and Fort Pierpont in Monongalia County, as well as the several retail and lodging centers along the I-79 corridor in Harrison and Marion counties, will continue to provide for the expanded availability of new retail, dining, lodging and entertainment businesses.

**FIGURE 12: Greater Morgantown Area Employment Growth Forecast by Sector**



Sources: WorkForce WV, WVU BBER Econometric Model

**FIGURE 13: Unemployment Rate Forecast**



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

Public sector employment in the four-county area is expected to grow 0.3 percent per year between 2015 and 2020. Most of these gains are projected to occur in the region’s state and local government segments, reflecting in large part the continued expansion at WVU as well as a rising population creating additional demand for local public services. In addition, growth in public sector jobs will be artificially boosted in the final year of the outlook due to the hiring of workers for the 2020 Census. At present, we do not anticipate any major problems for the region’s federal employers, but the political climate in Washington DC and general concerns with the public debt and future spending priorities suggest federal agencies operating in the Greater Morgantown Area will see limited growth at best over the next five years.

The forecast calls for the region’s natural resources and mining sector to see minimal growth overall through 2020. Coal production from the region will remain under significant pressure through 2016 as domestic demand for thermal coal continues to be displaced by extremely low-priced natural gas for baseload electricity generation. By 2017, output from the region’s most productive operations should improve as coal recaptures some of its lost share of electricity generation and global coal market conditions begin to stabilize, but growth will likely be limited.

Longer term, significant risks exist for the area’s coal producers. The Clean Power Plan poses the greatest downside risk to future coal production in the region as it specifically sets targets for reduced CO2 output from each state’s electricity generators. Since most of the coal mined in the Greater Morgantown Area is used by power plants in states that have been targeted for large reductions in CO2 emissions, it would likely lead to significant drops in coal demand as these generators are retired or undergo conversions to natural gas from coal. Natural gas output from the region is expected to decline moderately over the next several quarters. Production from many uncompleted wells will continue to be shut in by extremely low market prices and when combined with lower rig counts and typical declines in legacy well pro-



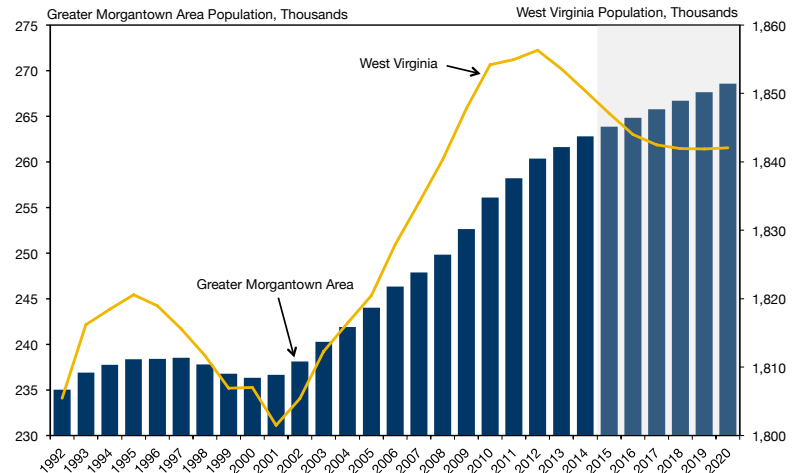
duction, this will result in reduced demand for workers as well. By the mid-point of the outlook period, several planned pipeline projects should begin to come on-line and allow prices to adjust higher as natural gas flows to under-supplied portions of the Northeast. In addition, the conversion of Cove Point, MD, to an liquefied natural gas export terminal will also bolster prices and production from wells in the region. As a result, we anticipate oil and gas employment in the four-county area will see solid growth between 2017 and 2020.

**UNEMPLOYMENT OUTLOOK** Projected job growth is expected to result in a steady drop in the Greater Morgantown Area's unemployment rate during the outlook period. After averaging an estimated 6 percent for all of calendar year 2015, our forecast calls for the jobless rate to decline only slightly in 2016 before gradually falling to 4.8 percent by late-2019. Monongalia County will maintain the region's lowest jobless rate throughout the forecast horizon, hovering in the upper-3 percent range over the latter half of the outlook period. Preston County's unemployment rate will also remain below the state average and eventually decline to 4.8 percent by 2020. Harrison and Marion counties will see their unemployment rates generally track the overall West Virginia average, reaching just above 5 percent by the end of the forecast.

**INCOME OUTLOOK** Inflation-adjusted per capita income growth in the Greater Morgantown Area is projected to increase at an average annual rate of 2.1 percent through 2020. Growth will surpass the statewide average, but will lag the 2.3 percent per year rate of growth anticipated for the nation as a whole. Job growth in relatively high-wage sectors will translate into strong increases in real wages and salaries earned by workers and continued improvements in equity markets should bolster local households' investment income. Finally, growth in transfer payments will accelerate during the latter half of the outlook period as more people in the area enter retirement.

**POPULATION OUTLOOK** The region's resident population is expected to increase 0.4 percent per year during the outlook period, which will appreciably lag the rate of growth observed in the most recent decade. Monongalia County will account for virtually all of the area's population growth over the next five years, adding residents at nearly 1 percent per year. Preston County is also expected to see its population rise in number through 2020, but gains will be modest at 0.3 percent annually. By comparison, the number of residents in Marion County is expected to hold steady for the most part while Harrison County will continue to lose residents on net for the next couple of years before the population eventually stabilizes at around 68,000 people.

**FIGURE 14: Population Forecast**



Sources: US Census Bureau; WVU BBER Econometric Model  
Note: Shaded region represents the forecast period