THE EASTERN PANHANDLE ECONOMIC OUTLOOK

2018-2022

West Virginia University
COLLEGE OF BUSINESS AND ECONOMICS
Bureau of Business and Economic Research

Eastern Panhandle Economic Outlook 2018-2022 is published by:
Bureau of Business & Economic Research
West Virginia University
College of Business & Economics
(304) 293-7831 | bebureau@mail.wvu.edu
https://business.wvu.edu/centers/bureau-of-business-and-economic-research
Javier Reyes, Ph.D., Milan Puskar Dean

Written by:
John Deskins, Ph.D.
Director
Bureau of Business & Economic Research

Brian Lego
Research Assistant Professor
Bureau of Business & Economic Research

Executive Summary

West Virginia's Eastern Panhandle (EPH) remains one of the state's strongest economic regions. Employment and numerous other economic indicators point to strength in the EPH economy compared to West Virginia overall. In this report, we present a detailed discussion of the current state of the EPH 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 Eastern Panhandle Region are as follows:

- **Employment in the EPH rebounded at a healthy pace after the Great Recession and the region has maintained those job gains over recent years.** Local employers added roughly 4,000 new jobs on a cumulative basis between 2012 and mid-2017, while the state as a whole lost 26,000 over the same time period.

- Among the region's three counties, employment growth has been strongest in Berkeley County, but Jefferson County has also contributed appreciably to job gains over the past several years.

- **The trade, transportation, and utilities sector has shown the strongest employment growth in recent years,** driven heavily by the Macy's fulfillment center as well as growth in retailing activity. Other sectors contributing to growth in a positive manner include private education and healthcare services and construction.

- **Not all sectors have added a significant number of jobs recently.** Difficulties in the leisure and hospitality sector has posted only modest gains over the past two years. Employment in the public sector – the region's largest employer with around 1 in 4 of the region's jobs – has been flat at best for five years. Growth in construction and business services payrolls have been slow to improve as well in recent years.

- **Unemployment in the region is substantially lower than the national and statewide average.**

- **Labor force participation rates exceed the overall statewide average and Jefferson and Berkeley counties have workforce participation rates above the national average.**

- **The EPH has posted by far the largest population increase of any region in the state in recent decades.** Over the past 20 years, the EPH has gained 65,000 residents. By contrast, the state's remaining 52 counties registered a net loss of 53,000 residents.

- **EPH's population is younger and has a larger share of college-educated residents than the overall state.**

Our forecast calls for continued healthy growth in the Eastern Panhandle over the next five years. Key aspects of our EPH forecast are as follows:

- **We expect employment to grow at an average annual rate of just above 0.9 percent per year in the EPH through 2022.** While this rate is down from what has been enjoyed over the past few years, it surpasses forecast employment growth for the state and slightly outperforms the nation as a whole.

- **The manufacturing sector is expected to produce the fastest rate of job growth in the coming years, with a forecast of more than 5 percent annually.** Gains will be driven largely by the early-2018 opening of a Proctor & Gamble facility.

- **Construction is expected to post strong job growth going forward as well**, driven in large part by residential and commercial activity, but also expected increases in public infrastructure spending. Leisure and hospitality will be the only major sector to see an overall net loss of jobs over the next five years.

- **Unemployment is expected to remain very low in the region throughout the entire outlook period.**

- **Strong increases in wages and salaries from local workers and commuters to the Greater DC Area, along with investment income, will drive healthy growth in personal income for the EPH in coming years.**

- **The EPH population is expected to grow at a rate of 1.4 percent annually in coming years.** This stands in sharp contrast to anticipated declines in population for most regions in West Virginia.

Recent Economic Performance

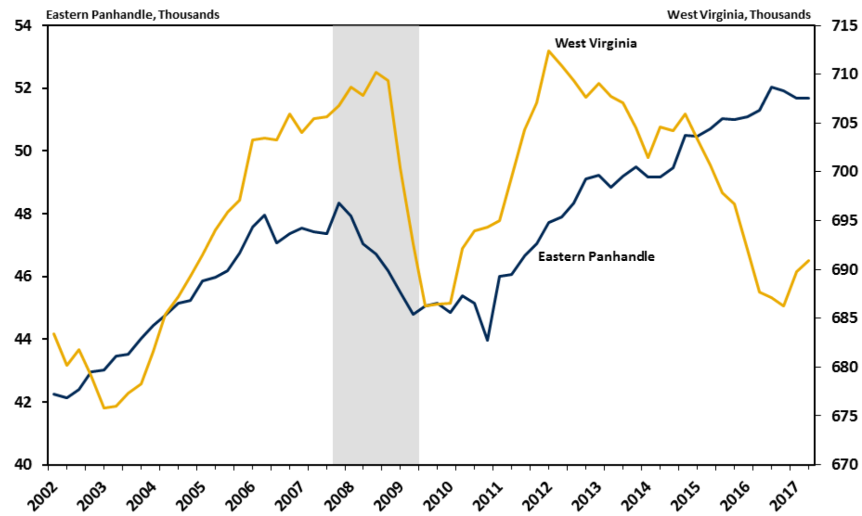
The Eastern Panhandle[1] remains West Virginia's strongest economic region, having experienced a healthy pace of growth since the beginning of the US economic recovery. Indeed, the state as a whole registered a net decline of 26,000 jobs, or a 3.7 percent drop, between early-2012 and late-2016, while employers managed to add roughly 4,200 jobs in the Eastern Panhandle over this same time period, or an 8.9 percentage gain. Furthermore, employment levels in three-county area are more than 6 percent above the pre-recession peak while total payrolls for the state overall are now roughly in line with levels that were observed during the mid-2000s.[2]

PERFORMANCE BY COUNTY All three counties within the Eastern Panhandle Region experienced job losses during the national economic downturn, but each individual county has followed a different trajectory between early-2010 and mid-2017. With nearly two-thirds of the jobs found in the region, along with the fact that it lies directly on the I-81 corridor and is close to I-70, Berkeley County is generally regarded as the Eastern Panhandle Region's economic center. Over the course of the Great Recession and the early stages of the national economic recovery, Berkeley County saw total payrolls nearly 12 percent on a cumulative basis. Since the beginning of 2010, however, payrolls have rebounded by more than 18 percent.

Jefferson County, which contains nearly 30 percent of the jobs located within the region, experienced a moderate episode of job losses during the economic downturn but gains over the past several years have been uneven. After seeing an initial gain of 1,400 jobs (10 percent) between the first quarters of 2010 and 2012, total county payrolls followed a moderate downward trend until the latter half of 2014. Payroll growth resumed for the subsequent year, but has since lost momentum as the level of county employment has been flat for the past six quarters or so. While the Eastern Panhandle's two larger counties have registered solid gains in employment since the end of the Great Recession, Morgan County has recovered more slowly as payrolls have remained stable since mid-2013.

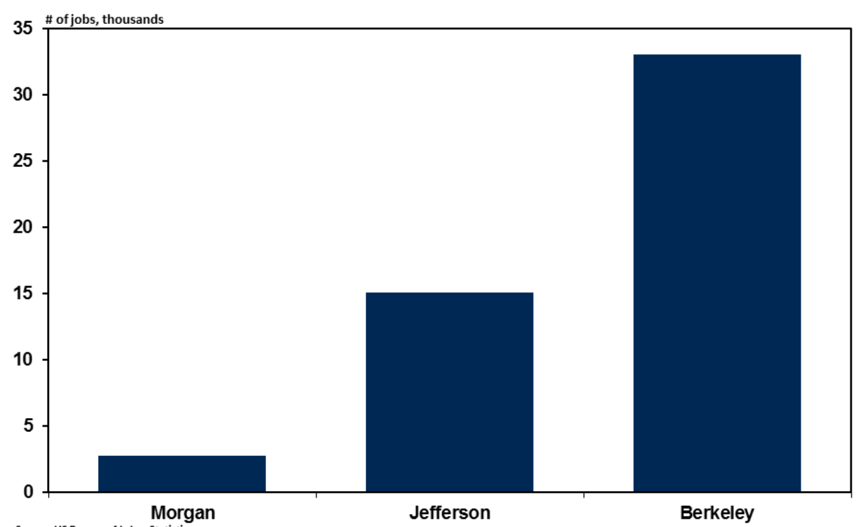
COMMUTER JOBS Although payroll levels within the region have clearly expanded in recent years and provide

Figure 1: Total Employment



Source: US Bureau of Labor Statistics

Figure 2: Total Employment by County (2016)



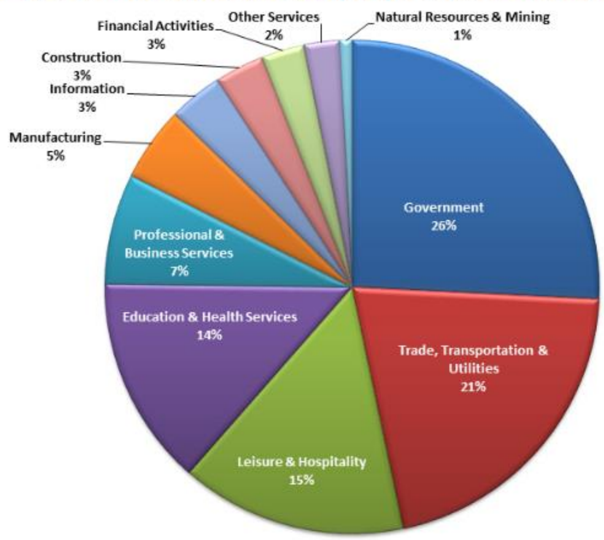
Source: US Bureau of Labor Statistics

---

[1] For the purposes of this report, The Eastern Panhandle Region is comprised of three counties: Berkeley, Jefferson and Morgan counties.

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

Figure 3: Eastern Panhandle Employment Distribution by Sector



Source: US Bureau of Labor Statistics; 2016 data.

a gauge that growth is being generated from within the region, more than 40 percent of the Eastern Panhandle's workforce holds a job in places such as Northern Virginia, Suburban Maryland or downtown Washington DC. Aside from the temporary slowdown in growth in 2013 and 2014 caused by federal budget impasses in Congress, the Greater Washington DC-area economy has rebounded strongly from the Great Recession, with particularly healthy growth in private-sector hiring since early-2015. This has helped to open up the availability of high-wage jobs for commuters in outlying areas such as Berkeley and Jefferson counties. In all, 7,000 residents in the Eastern Panhandle have obtained jobs between late-2014 and mid-2017.

TRADE SECTOR Even with the region's relatively strong rate of job growth in recent years, a sizable share of the Eastern Panhandle's gains over the course of its economic recovery can be traced to a few sectors. The trade, transportation and utilities sector has recorded the strongest gains in employment within the three-county region, although this comes largely as a result of the Macy's fulfillment center opening in 2012. Year-round staffing levels for the facility have expanded to include approximately 1,700 workers, but during winter holiday shopping season payrolls are supplemented by the addition of 3,000+ temporary employees. Although distribution and warehousing services have driven most of the sector's gains, population and income growth have helped the region to experience a 10 percent jump in retail trade employment since the beginning of 2013. This stands in contrast to the 2 percent decline observed for the state as a whole over this time.

EDUCATION AND HEALTH The education and health services sector has also been a key driver of new job growth in recent years. Even including an extended period of sluggishness in 2012 and 2013, the sector as a whole has seen a net increase of roughly 1,500 workers since late-2010. Moreover, the sector has driven a significant share of regional job growth from a long-term perspective, as private education and health care providers have seen payrolls more than double in number in the past 20 years. Most of these gains are connected to the broader trends that are occurring nationally within the healthcare sector vis-a-vis rising demand for healthcare services from an aging population. At the same time, even though healthcare has been at the epicenter of the sector's gains in the region over the long term, staffing increases for the American Public University System's operations in Jefferson County have boosted overall payroll growth over the past several years.

PROFESSIONAL & BUSINESS SERVICES Following a jump in hiring activity as the regional and national economies began to emerge from the Great Recession, the professional and business services sector has experienced a protracted period of sluggish job growth since the beginning of 2012. A series of federal budget debates over the past several years has hurt hiring activity to some extent, as many contractors and subcontractors working with federal agencies have been affected by lingering policy uncertainty. Regardless, the Eastern Panhandle's adjacency to Northern Virginia and Suburban Maryland have made it a viable location for a range of business support activities for both defense and non-defense contractors in recent years, particularly for businesses that provide support function roles such as IT, legal and accounting services for DC-area employers.

LEISURE & HOSPITALITY The leisure and hospitality sector remains a large player in the region's economy and has seen payrolls increase by 8 percent since the beginning of 2014. The construction of several new midscale hotels and casual dining restaurants along the I-81 corridor in Berkeley County have provided the largest boost to net job growth in the sector over the past few years. The improved backdrop for both leisure and business travel spending has also helped to buoy the sector's performance in the Eastern Panhandle. These gains have become particularly crucial as the largest portion of the sector locally, namely the Hollywood Casino at Charles Town Races, has struggled in light of broader national weakness in gaming spending and opening of venues in Maryland at Hanover, Rocky Gap and, most recently, National Harbor.

PUBLIC SECTOR While a large number of residents commute (or tele-commute) into Maryland, Virginia and Washington DC to work for federal agencies, the public sector accounts for the largest share of jobs located within the Eastern Panhandle—accounting for more than 1 in 4 jobs in the three-county area. Aside from state and local government offices, the US federal government has a sizable presence, with offices and various facilities for Treasury, Veterans Affairs, Customs, the National Parks Service and other agencies employing nearly 4,800 workers. Total public sector employment in the region has been mostly flat since 2010 as hiring activity at all levels of government has been limited due to budget constraints or other reasons.

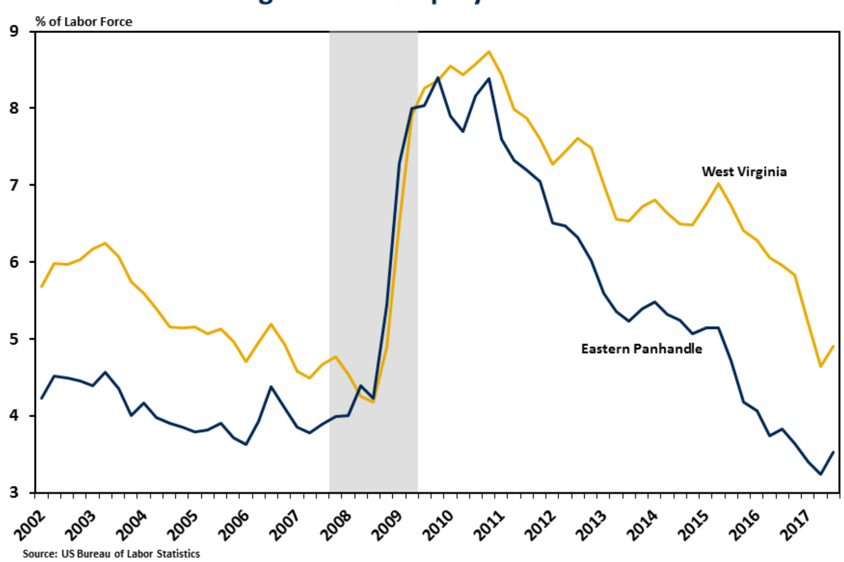
CONSTRUCTION The Eastern Panhandle's construction sector has experienced limited growth over the past few years. After new single-family housing starts in the region plunged more than 87 percent between 2006 and 2011, homebuilding activity rebounded roughly 80 percent by the first half of 2014. Since then, new home construction has continued to improve as approximately 850 homes were started in the area during the last 12 months. This marked the strongest pace of construction in the three-county region since 2008 and represents a 137 percent increase in the number of single-family units under construction since local homebuilding activity bottomed out in 2011.

Nonresidential activity has been heavily concentrated on one particular project in the area, but at an estimated-$500 million ongoing work at the Procter & Gamble manufacturing facility in Tabler Station has provided a large source of support for this segment of the construction sector. Most of the facility's construction will be complete over the near term as production of Bounce detergent items are slated to begin during the first quarter of 2018, but further expansions are scheduled as more consumer product lines are added in the coming years. Spending on nonbuilding projects such as infrastructure and other public works has averaged nearly $35 million on an annualized basis during the past 2 years, representing just one-third the level of spending activity that was typically seen a decade ago.[3]

AGRICULTURE While the Eastern Panhandle contains a limited amount of mining operations, the region is one of the few in the state that does have a sizable presence of agricultural activity. As of the 2012 Census of Agriculture, which serves as the most recent comprehensive data available at this time, the Eastern Panhandle contains between 1,300-1,400 farming operations, with cattle ranching, horses and apple orchards constituting most of the area's farm output.

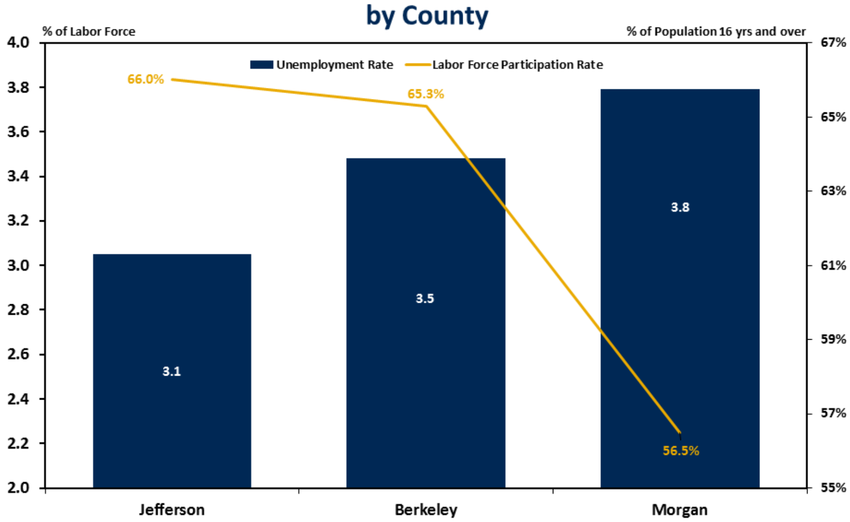
Preliminary data indicate gross cash sales of crops and livestock by local farms totaled $59 million in 2016. Although this represents a structurally higher level of sales compared to as recently as the late 2000s, gross sales have dropped by 17 percent in the last two years as prices for some of the region's primary crops and livestock fell significantly. The pricing environment improved over the course of 2017 for most of the area's dominant farm products, which should result in an increase in sales and income for the year as a whole compared to 2016.

Figure 4: Unemployment Rate



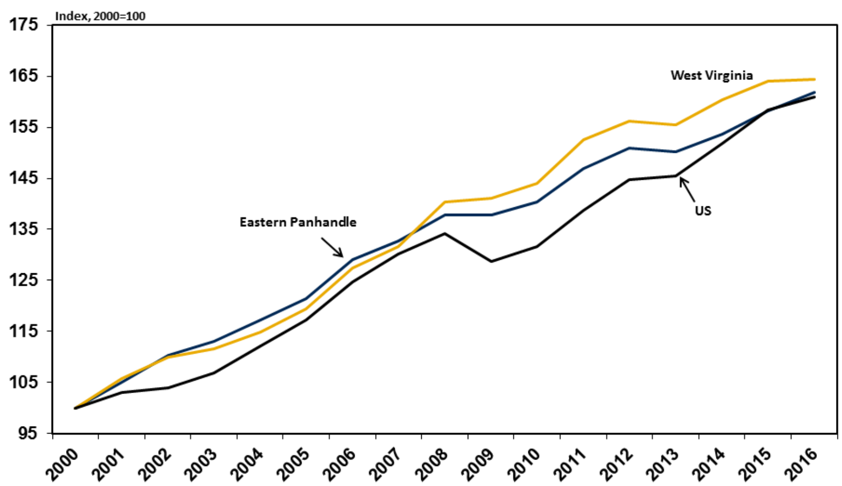
[3] Construction data come from McGraw-Hill Construction.

Figure 5: Unemployment and Labor Force Participation by County



Source: Bureau of Labor Statistics; US Census Bureau
Note: Unemployment rate represents 2017Q3; Labor force participation rate is from 2015.

Figure 6: Per Capita Personal Income



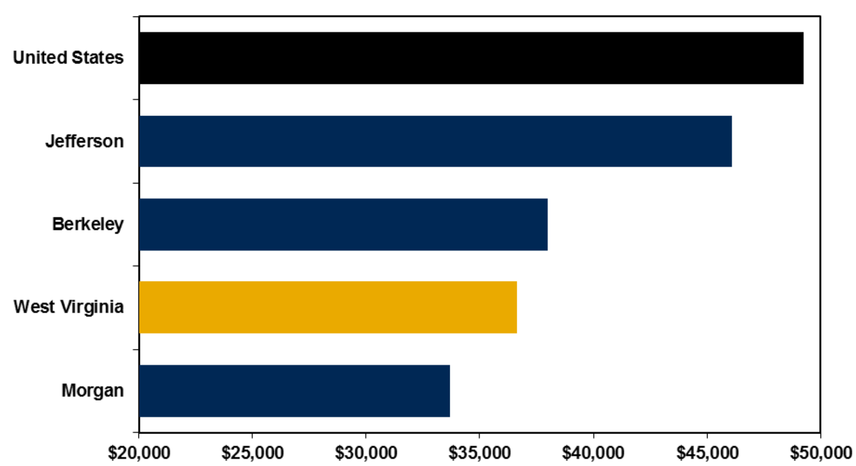
Source: US Bureau of Economic Analysis
*Note: The 2016 figure for Eastern Panhandle is an estimate.

LABOR FORCE In contrast to broader statewide trends, the Eastern Panhandle's unemployment rate has declined mostly on the weight of improving labor market conditions for residents rather than losses in the size of the workforce. Overall, the Eastern Panhandle's labor force has increased by approximately 4,500 since the beginning of 2010, though gains were minimal over the course of 2012 and 2013 largely as a result of the DC-area's economic slowdown. Morgan County's older-than-normal population creates a ceiling for its labor force participation rate, nearly two-thirds of residents aged 16 and older actively participate in the workforce in both Jefferson and Berkeley counties, putting them more in line with workforce participation trends observed in neighboring Maryland and Virginia, as well as the nation as a whole.

INCOME Per capita personal income in the Eastern Panhandle was estimated at nearly $40,200 during calendar year 2016, a 2.3 percent gain over 2015 (without adjusting for inflation). Growth in the region's per capita income levels since 2010 (2.6 percent per year) has lagged the national average (3.4 percent), but has managed to outpace the state overall (2.2 percent annually). The Eastern Panhandle has experienced strong growth in wages and salaries earned from local sources of employment as well as the earnings growth realized by commuters.

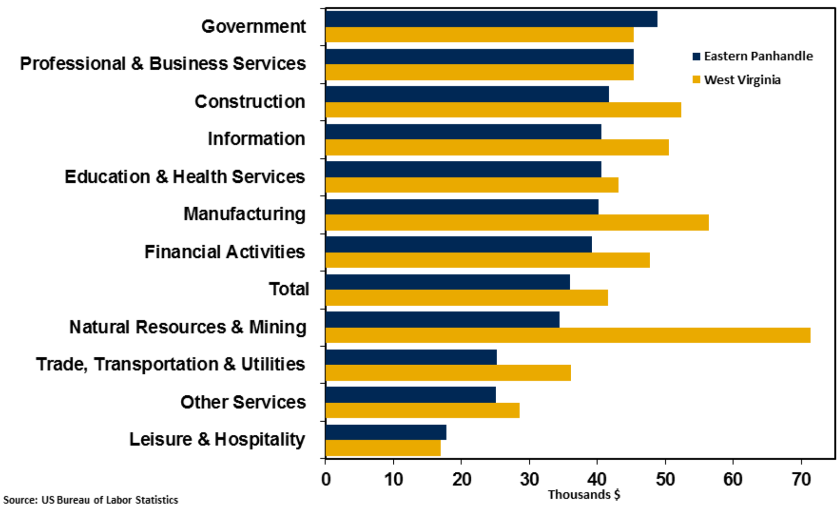
UNEMPLOYMENT After reaching the mid-8.0 percent range during 2009 and 2010, the Eastern Panhandle's unemployment rate has fallen significantly to reflect the broader improvements in local job growth and a stronger DC-area economy for regional commuters. As of the third quarter of 2017, the three-county region's jobless rate came in at a seasonally-adjusted reading of 3.5 percent. While an uptick from the previous quarter, the area's unemployment rate is at levels not seen since the late-1990s economic boom. Also, each county in the region has an unemployment rate below the statewide and national averages.

Figure 7: Per Capita Personal Income by Area (2016)



Source: US Bureau of Economic Analysis
Note: 2016 income figures for counties are preliminary.

Figure 8: Average Annual Salary by Major Sector (2016)



Source: US Bureau of Labor Statistics

Of the three counties in the Eastern Panhandle region, residents in Jefferson County have the highest per capita income at roughly $46,100, putting it $9,500 above the statewide average and ranking second among West Virginia's 55 counties. Per capita income levels in Berkeley and Morgan counties were lower at $38,000 and $33,700.

POPULATION The Eastern Panhandle has consistently ranked as West Virginia's fastest-growing region for the past 20+ years. Between 1996 and 2016, Berkeley, Jefferson and Morgan counties combined to gain more than 65,000 residents, or a 53 percent cumulative rate of growth over that time period. By contrast, the state's remaining 52 counties combined to register a net loss of 53,200 residents. Population growth in the Eastern Panhandle has decelerated in comparison to its performance in the early- to mid-2000s, but gains have begun to pick back up over the past three years (1.2 percent annually) thanks to improving job prospects locally and its discounted housing prices relative to the higher-priced markets in the nearby Virginia and Maryland suburbs of the Washington DC metro area.

DEMOGRAPHICS Due to some underlying demographic characteristics, the Eastern Panhandle's population tends to resemble the US as a whole rather than what is observed for populations other parts of West Virginia. For example, Berkeley and Jefferson counties populations is appreciably younger compared to the state, causing the Eastern Panhandle to have higher birth rates and lower death rates as a result. Consequently, this allows the region to gain residents via natural increase (births minus deaths) while most counties in the state typically see deaths outnumber births.

The local population also tends to possess higher levels of educational attainment. More than 22 percent of the region's population aged 25 years and older held at least a bachelor's degree during 2015. Jefferson County contained the highest share of college graduates in the region, with more than one in four of the county's residents aged 25 years and older had received a bachelor's or graduate degree.

Figure 9: Summary Population Profiles

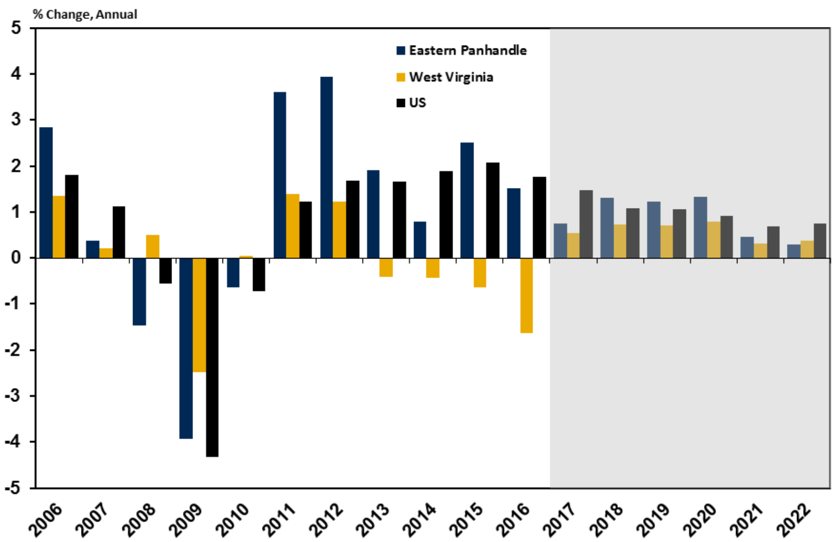
	Eastern Panhandle	West Virginia	United States
Total Population (2016)	187,525	1,831,102	323,127,513
% Population Under 18 (2016)	23.1%	20.4%	22.8%
% Population 65 Years + (2016)	15.2%	18.7%	15.2%
Population with Less than High School Diploma (2015, 25 yrs. +)	13.0%	14.0%	12.8%
Population with High School Diploma, No College (2015, 25 yrs. +)	36.7%	40.7%	27.6%
Population with Some College (2015, 25 yrs. +)	28.1%	25.7%	28.9%
Population with Bachelor's Degree or Higher (2015, 25 yrs.+)	22.2%	19.6%	30.6%
Median Age (2016)	40.0	42.2	37.9
Mean Household Income (2015)	$70,957	$56,568	$78,378
Average Household Size (2016)	2.73	2.49	2.73

Source: US Census Bureau

Economic Outlook

Expectations for the US economy, and to a lesser extent the broader West Virginia economy, during the forecast horizon will have a significant impact on the Eastern Panhandle's performance going forward.[4] The forecast calls for local economic growth to remain healthy over the next five years, thanks to a combination of continued growth in the DC-area economy and rising job growth prospects from within the three-county region. Indeed, the upcoming opening in early-2018 of the Procter & Gamble manufacturing facility will provide the single-largest boost to area growth during the forecast. Another recently-announced manufacturing operation moving into the area by 2020 is expected to bolster growth later on in the outlook.

Figure 10: Employment Growth Forecast



Source: US Bureau of Labor Statistics; WVU BBER Econometric Model; IHS Markit
*Note: Eastern Panhandle and WV use covered employment; Shaded region represents forecast period

EMPLOYMENT OUTLOOK We anticipate total employment in the three-county region will increase at a rate of more than 0.9 percent per year through 2022. This represents somewhat of a slower pace of growth for the Eastern Panhandle compared to how the region has performed since bouncing back from the Great Recession. However, these gains will still be enough to enable the region to post growth that easily outpaces what is anticipated for most of West Virginia. In addition, the three-county area is also expected to enjoy growth that surpasses the national average by a small margin. Job growth for calendar year 2017 is estimated to come in at roughly 0.8 percent, though the final figure could be lower or higher to some degree due to difficulties in accounting for shifting seasonal patterns for a few key sectors and the timing of final hiring plans by Procter & Gamble as it begins operation in the first quarter of 2018.

COUNTY FORECAST Among the three counties, Berkeley County is expected to enjoy the strongest rate of growth over the next five years. Average annual growth of 1.0 percent annually will lag the county's performance of the past decade by the slightest of margins, but will still allow it to surpass both state and national averages over the next five years. Berkeley County's economy will be bolstered in large part by contributions from the construction, manufacturing and warehousing sectors. Job growth in Jefferson County is expected to fall roughly on par with the national average, thanks to fairly broad-based growth within the county, but with a notable boost from manufacturing thanks to the recent announcement by ROXUL to build an insulation materials facility in Ranson that will begin production by the first quarter of 2020. Due to its more rural nature and demographic composition, Morgan County will likely register growth at a rate of 0.3 percent per year.

SECTORAL OUTLOOK Among the Eastern Panhandle's major sectors, our forecast calls for manufacturing to record the strongest pace of job growth during the next five years, expanding at a rate of 5.1 percent per year. The bulk of this growth will be accounted for by the opening of Procter & Gamble's new $500 million production facility in the Tabler Station area in Berkeley County. Approximately 300 employees are expected to be hired once operations begin in late 2017 as initial production will be limited to fabric enhancer products. By early-2019, the facility's workforce is expected to reach 700 as production expands into other consumer goods such as shampoos, conditioners and soaps. In addition, the facility is also expected to add the Swiffer and other related brands to its production lines in the early-2020s as P&G decided to close its Brockville,

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

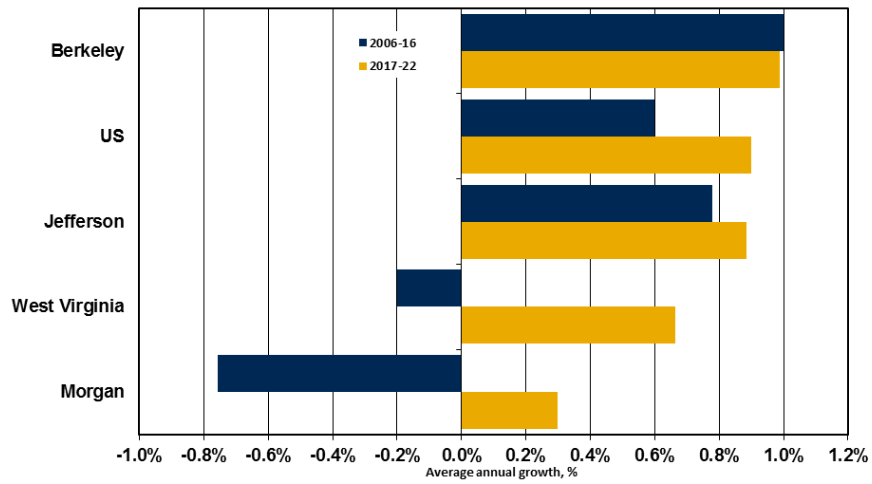
Ontario, plant and move these operations to Berkeley County. The ROXUL facility will boost manufacturing sector payrolls in the area by 100-150 by the time production begins in early-2020. Other segments of the area's manufacturing sector, such as machinery, building materials and other goods, should remain at least stable, but their growth rates will be the most likely to vary depending upon the US economy's growth.

Construction activity is also expected to contribute greatly to job growth in the Eastern Panhandle. Overall, we anticipate construction sector payrolls to increase 2.5 percent annually through 2022. Growth will be the strongest earlier on in the forecast horizon as additional site and infrastructure developments continue to occur at and around the P&G facility beyond its initial opening in early-2018. In addition to the region's access to the I-81 and I-70 corridors, the P&G and ROXUL facilities, along with operations such as the Macy's fulfilment center, should enable the region to enjoy the benefits of economies of scale as affiliated commercial and industrial operations co-locate in the area.

In addition, continued population, income and job gains in the area will facilitate construction of new retail and other consumer-focused commercial real estate. Longer term, new single-family home construction will buoy the construction activity as several years of depressed new home construction, combined with in-flows of migrants from higher-priced housing markets in neighboring suburbs in Northern Virginia and Maryland, spur increased construction of new single-family homes.

Private education and health services providers operating within the Eastern Panhandle are projected to increase employment at an average annual rate of just 0.6 percent through 2022. This growth will largely come from region's healthcare sector, as growth at American Public University System's (APUS) Jefferson County facilities will not come close to matching the large increases observed during the past several years. In addition, this segment of the sector will be at risk going forward as various levels of legislative and regulatory scrutiny over for-profit educational institutions could lead to reforms that directly affect APUS.

Figure 11: Employment Growth Forecast by Area



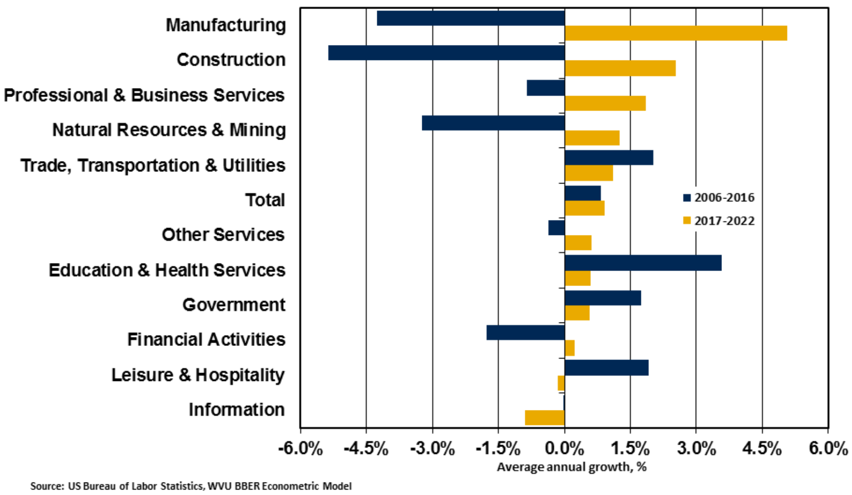
Source: US Bureau of Labor Statistics, WVU BBER Econometric Model; IHS Markit

While the significant uncertainty remains for the healthcare sector, given the multiple attempts by Congress already to repeal the Affordable Care Act, an expanding elderly population and the location of several WVU Medicine-backed health care facilities in the region provide enough of a backdrop to support the sector's continued growth during the outlook.

Employment in the region's trade, transportation and utilities sector is projected to increase 1.1 percent per year between 2017 and 2022. Population growth, rising income levels and greater household wealth engendered by house price appreciation and healthy equity markets are all factors that bode well for Eastern Panhandle retailers. A limiting factor to the retail sector's prospects going forward stems from what appears to be a structural change in the retail sector as a whole. Indeed, the encroachment of Amazon and other internet-based retailing venues into consumer purchasing decisions that were traditionally satisfied by traditional brick-and-mortar stores has only increased in recent years, in turn leading several major retailers to enter bankruptcy proceedings and/or close stores nationwide.

The transportation and warehousing segment of this sector should benefit from the aforementioned structural change in retailing activity, however, as many stores are expected to shift their emphasis over to their online operations and fulfilment centers, which should ultimately benefit warehousing and distribution operations in the area like Macy's. Moreover, the P&G and ROXUL developments will likely foster more growth opportunities

Figure 12: Eastern Panhandle Employment Growth Forecast by Sector



of transportation and warehousing activities, especially given the region's direct access to the I-70/I-81 corridor and proximity to major Eastern US markets.

The public sector will likely see moderate job growth of 0.6 percent annually over the next five years, and most of this is expected to occur at the local government level. High income levels and projected gains in population will likely create the need for new school facilities and the expanded provisions of other local services. Federal government jobs in the region are generally expected to remain mostly stable over the outlook period, save for a temporary jump in payrolls attributed to census enumerator and survey processor hiring in 2020.

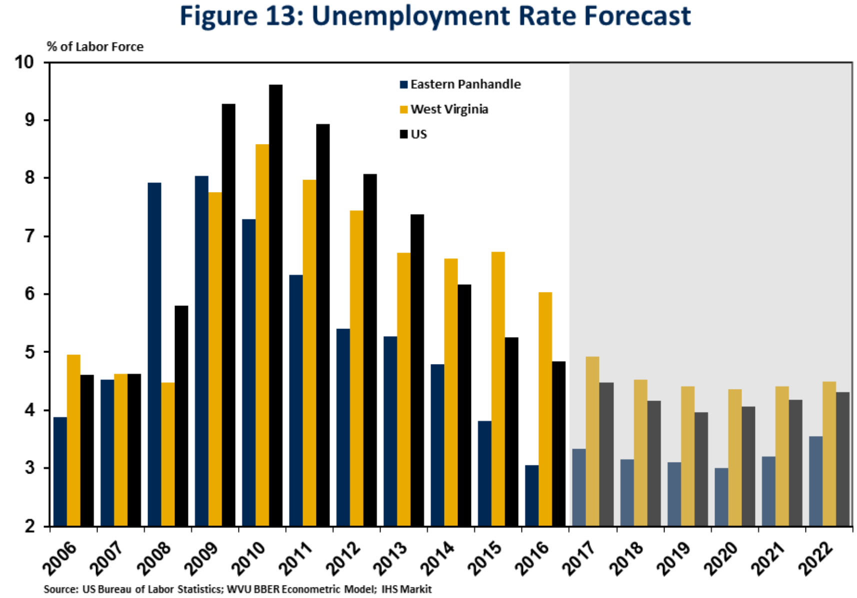
The forecast calls for the leisure and hospitality sector to see slight declines in employment during the outlook period, though portions of the sector are expected to register growth over the next five years or so. Specifically, gains will likely be concentrated within segments driven by discretionary spending patterns of local residents (restaurants, etc.) as well as tourists and businesses (hotels). Unfortunately, one notable segment of the region's sector, gaming, will face even greater pressure during the forecast horizon as the MGM National Harbor Casino Resort in Prince George's County, Maryland, has created yet another significant competitor for gaming visitors within a relatively small travel radius at a time when consumers are already spending less on gaming activities.

UNEMPLOYMENT OUTLOOK Strong job growth will allow the Eastern Panhandle's unemployment rate to remain close to all-time lows throughout the forecast horizon. Large revisions to historical data as well as any unanticipated changes in the labor force participation rate for the Eastern Panhandle could cause the forecast for the area's unemployment rate to differ significantly from both its projected level and path.

Strong population and wage growth should foster healthy labor force gains over the long term and will likely even put some upward pressure on the jobless rate over the longer term as the local labor market adjusts. Jefferson County is expected to have the lowest unemployment rate throughout the forecast horizon, falling to the upper-2.0 percent range. Morgan County's jobless rate will likely be the highest among the three counties in the region, but due to demographic factors it will remain in the mid- to upper-3.0-percent range, leaving it well below the statewide average.

LABOR FORCE GROWTH Unlike many other parts of West Virginia, the Eastern Panhandle should continue to see solid and consistent growth in the size of its labor force

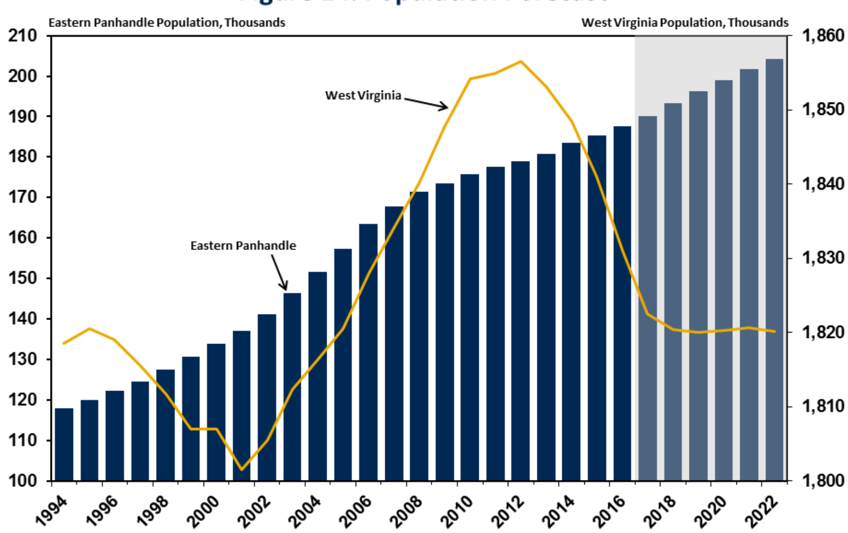
Figure 13: Unemployment Rate Forecast



through 2022. In addition to positive in-migration flows for the region, the absolute size of the under-18 population will only bolster the local workforce over the longer term, as some of these residents will enter the work force as they graduate from high school and positive prospects for the regional economy will encourage others to return to the area once they finish college. Morgan County will be the exception as its labor force will remain fairly steady in size as entrants to the workforce are offset by labor force exits due to a growing share of the county's older residents entering retirement.

INCOME Inflation-adjusted total personal income is expected to increase more than 2.5 per year in the Eastern Panhandle through 2022, surpassing the statewide average (1.8 percent) and trailing the national-level growth by a small margin (2.8 percent). Further labor market tightening within the three-county area and broader region will cause wages and salaries, those earned in the region as well as those imported via commuters working in the DC Area, to be the fastest growing component of income during the outlook period.

Figure 14: Population Forecast



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

Nonwage income sources, particularly investment income from capital gains realizations, dividends and rental properties, will also grow at a healthy pace going forward. While government transfer payments will increase during the forecast period, the region's healthier labor market and overall age distribution will grow much more slowly than what is expected for the state and nation as a whole. In fact, below-average growth in this income component is driving the region's moderately slower pace of total personal income growth.

POPULATION The Eastern Panhandle's population is expected to grow 1.4 percent annually between 2017 and 2022. Though marking a rate of growth one full percentage point below the Eastern Panhandle's average increase from the past two decades, it marks a significant departure from what is expected for many of the state's other regions. Moreover, some of this below-trend growth can be attributed to more modest increases in Morgan County's resident population. The forecast calls for Berkeley and Jefferson counties to add residents at average annual rates of roughly 1.5 and 1.3 percent, respectively, through 2022.