

WHEELING

METROPOLITAN STATISTICAL AREA OUTLOOK

2014



Wheeling Metropolitan Statistical Area
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EXECUTIVE SUMMARY

The Wheeling metropolitan statistical economy (MSA) economy continues to improve in terms of employment and personal income per capita, with especially strong growth in the latter in recent years. This economic growth is driven by the natural resources and mining sector, but several other sectors have also posted job gains. However, the overall pace of improvement in employment has been modest, with several sectors in decline, and the MSA has suffered significant population losses.

Several key facts behind the recent economic performance of the Wheeling MSA are as follows:

- **Employment in the MSA has grown over the past two years.** However, the rate of job growth has been tepid, with the MSA having replaced only one-third of the jobs lost during the recent recession.
- **The economic recovery has been relatively narrow in scope as the natural resources and mining sector accounts for the large majority of the net job growth in the MSA over the past two years.** Coal production has remained consistent in the MSA, despite declines in other parts of the broader region. The expansion in oil and gas drilling has provided a significant boost as well.
- **Other areas of job growth are in construction, professional and businesses services, and trade, transportation and utilities.** The construction sector has benefited from the growth in oil and gas drilling in the area.
- **The manufacturing, education and health services, and leisure and hospitality sectors have lost jobs in recent years.**
- **The MSA's unemployment rate is at its lowest level since the end of 2008,** and the rate is noticeably below the national average. However, unemployment in the MSA is above the overall West Virginia average. Further, individuals leaving the labor force account for much of this drop in unemployment.
- **Much of the recent job growth in the Wheeling MSA has been in high wage sectors,** such as natural resources and mining and construction.
- **Per capita personal income has grown at a healthy pace recently,** although the rate of growth has slowed since 2011. Overall since 2008, per capita personal income in the Wheeling MSA has grown

at an average annual rate of 2.3 percent, which significantly exceeds the national rate of 1.1 percent. While per capita personal income in the Wheeling MSA is below the national average, the gap between the two figures is at its smallest level since 1983.

- **Population in the MSA has declined in each of the last 16 years.** Currently the MSA's population is around 21 percent below its 1976 level.

Our forecast calls for continued growth in the Wheeling MSA over the next five years. Key facts related to our Wheeling MSA forecast are as follows:

- **We expect employment growth to improve over the coming years. Specifically, we forecast a 0.9 percent annual rate of employment growth through the end of 2018.** While this growth rate is an improvement over recent years, the rate lags expected employment growth in the nation (1.6 percent) and in West Virginia overall (1.0 percent).
- **The natural resources and mining and construction sectors are expected to produce the fastest rate of job growth in the coming years.** Growth is expected in most other sectors as well.
- **The labor force in the Wheeling MSA is expected to grow at a modest pace in coming years.** Some new entrants into the labor force in the region is expected as the economy grows, but the aging population in the region puts significant downward pressure on the rate of labor force participation, limiting overall improvement.
- **Per capita personal income is expected to grow at an annual average rate of 1.9 percent** over the next five years, which represents a deceleration from the pace in recent years. This rate also lags expectations for the nation (2.7 percent) and West Virginia as a whole (2.3 percent).
- **While we do not foresee population gains in the region, our forecast calls for an improvement in the rate of population decline in the coming years.**

WHEELING MSA RECENT ECONOMIC PERFORMANCE

The Wheeling WV-OH metropolitan statistical area (MSA)¹ endured a comparatively mild economic downturn during the Great Recession, as employment in the region dropped by approximately 3.5 percent between the first quarters of 2008 and 2011. Employment in the MSA has grown over the past two years, but the rate of growth thus far has generally been tepid. Indeed, local employers have added approximately 800 jobs over the past two years, or roughly one-third of the total jobs that were lost over the course of the MSA's recession.²

Wheeling's recovery has been relatively narrow in scope, as one sector—natural resources and mining—accounts for the large majority of the net job growth in the metro area over the past two years. The natural resources and mining sector in Wheeling has enjoyed a fairly steady rate of job growth for several consecutive years and has notched an overall increase of approximately 1,300 workers since 2005. Even in a state that has a relatively high concentration of jobs in the natural resources and mining sector, the Wheeling metro area contains an even larger share of employment within this sector largely as a result of Marshall and Belmont counties leading West Virginia and Ohio, respectively, in total coal production. These two counties are also major players in natural gas production.

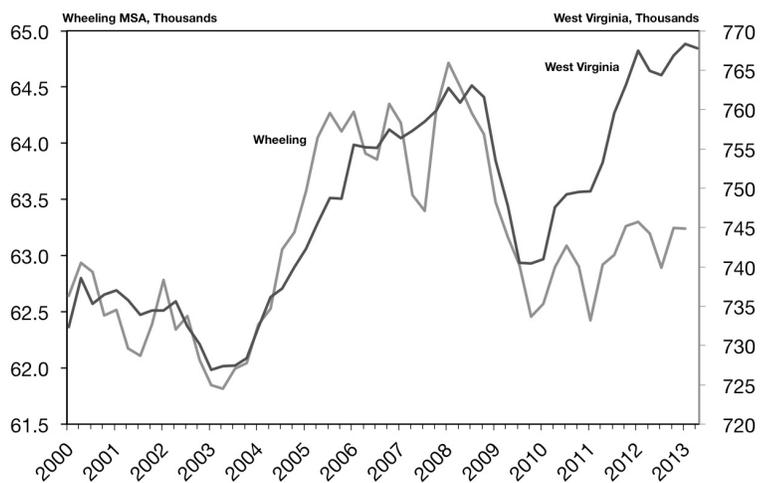
While coal production in the broader Central Appalachian region (which includes southern West Virginia and other areas) has trended sharply lower in recent years, output from mines in the Northern Appalachian region, which contains the Wheeling metropolitan area, has held up relatively well due in part to strong export demand for steam coal. For example, preliminary data from the US Energy Information Administration reveal that cumulative coal production in the Central Appalachian area from January to August 2013 is down 10 percent compared to the same period a year ago, while year-to-date production in the Northern Appalachian region has slipped just 1.3 percent versus the same period in 2012.

The broader expansion in oil and natural gas drilling has provided a boost to the MSA's natural resources and mining sector as well. Marshall and Belmont counties have become major producers of natural gas (and to a lesser extent crude oil) extracted from wells in the Marcellus and Utica Shale formations. The metro area also saw the construction of the \$1.5 billion Natrium Natural Gas Process and Fractionation Plant, which began operation in mid-2013. This facility

processes wet gas extracted from Marcellus and Utica wells, separating the natural gas liquids for downstream shipment.

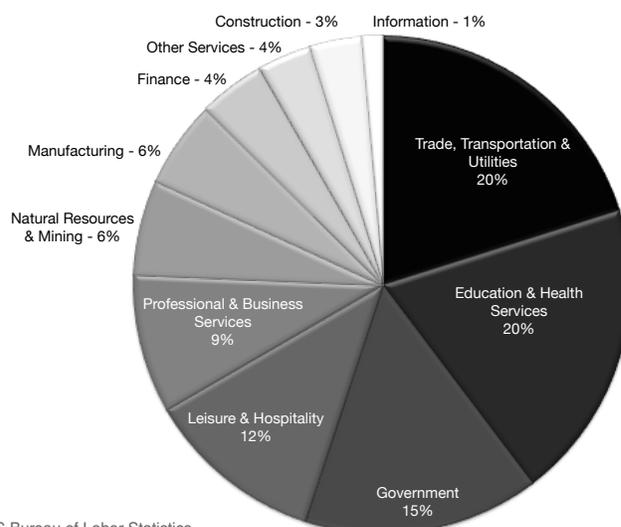
Aside from natural resources and mining, construction, professional and business services, and trade, transportation and utilities were the remaining sectors that have registered appreciable gains in employment over the past two years. The construction sector has benefited directly from the regional growth in natural gas production, as evidenced by the newly-

FIGURE 1: Total Employment



Sources: US Bureau of Labor Statistics, Workforce WV

FIGURE 2: Wheeling MSA Employment by Sector (2012)



Source: US Bureau of Labor Statistics

1. The Wheeling WV-OH MSA is comprised of three counties: Marshall and Ohio counties in West Virginia and Belmont County in Ohio.

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

built Natrium facility, but data also indicate a modest upward trend in single-family housing starts.³ Rising demand for business support services and other back-office operations have yielded a moderate increase in hiring for the metro area’s professional and business services sector.

Among the MSA’s sectors that have struggled during the economic recovery, the most notable losses occurred within manufacturing, education and health services, and leisure and hospitality. Mirroring broader macroeconomic trends, employment levels within Wheeling’s manufacturing sector have been in a long-term state of decline. While growth in capital goods

demand and other factors have allowed manufacturing payrolls to increase modestly over the past two years, manufacturing employment in Wheeling declined an additional 7.7 percent between the first quarters of 2011 and 2013. Several of the metro area’s core manufacturing industries continue to face legacy cost issues as well as significant international competition.

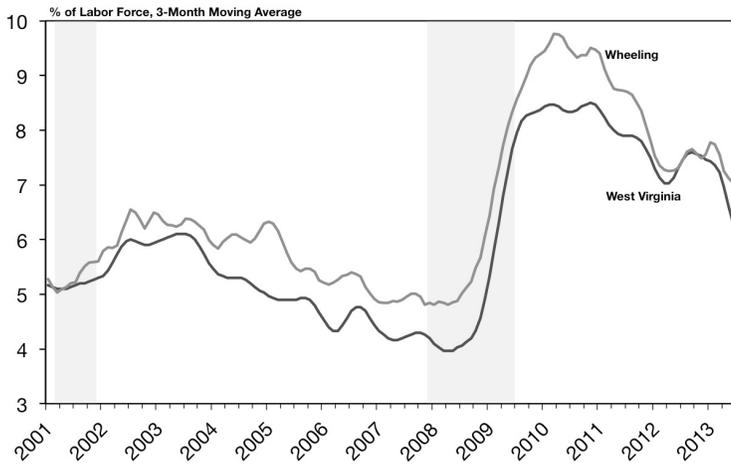
While education and health services employment has expanded at a relatively steady pace on a national scale, the sector’s payroll levels in the Wheeling metro area have actually fallen 1 percent since the first quarter of 2011 and since 2002 have ticked lower by 0.5 percent. Despite a generally improved backdrop for tourism and travel activity in the United States, Wheeling’s leisure and hospitality sector has experienced a 3.5 percent drop-off in employment over the past two years. A major issue affecting the metro area’s tourism attractions has been the expansion of gaming into Pennsylvania and Ohio, and more recently Maryland. Indeed, revenues from table games and video lottery terminals have fallen precipitously at Wheeling Island Hotel, Racetrack and Casino in recent years.

Wheeling’s unemployment rate reached a peak of 9.8 percent during the first quarter of 2010; however, since that point it has trended steadily lower, falling to 7 percent in the second quarter of 2013—its lowest point since the end of 2008. The metro area’s unemployment rate is higher compared to West Virginia as a whole (just above 6 percent), but is lower than the national figure (7.6 percent).

Modest improvements in Wheeling’s labor market have helped bring the metro area’s unemployment rate down since the end of the recession. Unfortunately, an additional, and perhaps more significant, factor that explains this drop in the jobless rate is individuals leaving the labor force. Indeed, since Wheeling’s unemployment rate reached its peak during the first three months of 2010, the local labor force has shrunk by more than 3,000.

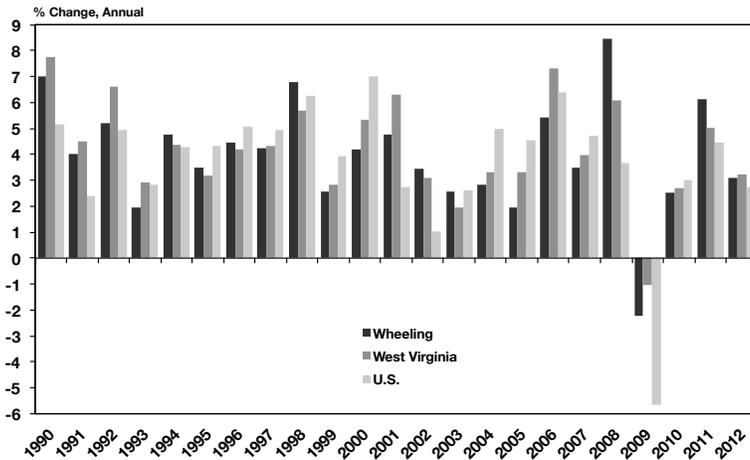
Per capita personal income in Wheeling was estimated at nearly \$35,500 during calendar year 2012, which represented a 3.1 percent gain over the previous calendar year (without adjusting for inflation). This was roughly half the overall rate of per capita income growth registered in 2011, when the Wheeling MSA ranked 31st out of more than 360 metropolitan areas in the US, but still marks the second consecutive year in which average income in the metro area have risen at a rate faster than the national average. Overall, per capita income in Wheeling has expanded at an average annual rate of 2.3 percent since 2008, trailing the state of West Virginia (2.5 percent) and outperforming the U.S. as a whole (1.1 percent).

FIGURE 3: Unemployment Rate



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

FIGURE 4: Per Capita Personal Income Growth



Source: US Bureau of Economic Analysis

3. Construction starts data come from McGraw-Hill Construction and only cover Marshall and Ohio counties in West Virginia.

The underlying composition of jobs created in the metro area in recent years has been a key contributing factor to the above average pace of income growth realized in Wheeling. Indeed, strong employment gains observed within relatively high-wage sectors such as construction, and natural resources and mining have boosted local income levels. According to data from the Bureau of Labor Statistics, the average annual wage for all workers employed in the three-county MSA increased at a rate of 3.4 percent per year between 2010 and 2012 (without adjusting for inflation), reaching more than \$36,400.

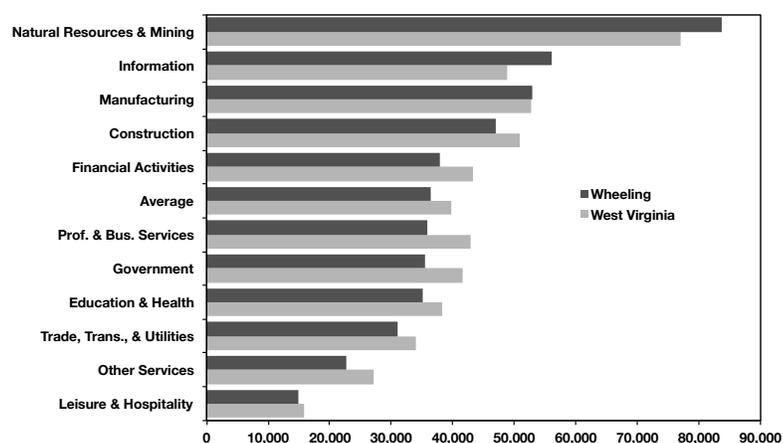
An above-average pace of income growth over the past several years has allowed Wheeling to close its income gap with other metropolitan areas in the US. In 2012 per capita income for all metro areas in the US was estimated at approximately \$44,500, putting Wheeling at just under 80 percent of the average of all metropolitan areas within the nation, representing the smallest relative income gap since 1983. Nonetheless, even with this improvement, Wheeling continues to rank in the bottom one-third of all metropolitan areas in the US in terms of income per capita.

Unlike the state of West Virginia, where consistent declines in population ended and the state began to gain residents over the past several years, Wheeling has seen the population contract in each of the last 16 years and has witnessed a downward trend in population levels since the mid-1970s. The MSA's total resident population has contracted from more than 186,400 in 1976 to just above 146,400 people in 2012.

While all three of the counties that comprise the metro area have seen their populations shrink in number, Marshall County, WV has experienced the largest percentage decline over the past 10 years, with the population declining at a rate of 0.7 percent per year since 2002.

In addition to losing residents to other areas via net out-migration, Wheeling has seen its population decline as a result of deaths outnumbering births. With a significantly higher share of residents over the age of 65 and a median age more than 6 years higher than the rest of the nation, death rates will tend to be higher than normal and birth rates will be lower than normal.

FIGURE 5: Average Annual Salary by Major Sector (2012)



Source: US Bureau of Labor Statistics

FIGURE 6: Summary Population Profiles

	Wheeling MSA	West Virginia	United States
Total Population (2012)	146,420	1,855,413	313,914,040
% Population Under 18 (2012)	19.4%	20.7%	23.5%
% Population 65 Years + (2012)	18.4%	16.8%	13.7%
Population with Less than High School Diploma (2011, % of pop. 25 yrs. +)	12.1%	15.8%	14.1%
Population with High School Diploma, No College (2011, % of pop. 25 yrs. +)	42.6%	41.6%	28.4%
Population with Some College, No Degree (2011, % of pop. 25 yrs. +)	27.9%	24.1%	29.0%
Population with Bachelor's Degree or Higher (2011, % of pop. 25 yrs.+)	17.3%	18.5%	28.5%
Median Age (2012)	43.5	41.7	37.4
Median Household Income (2011)	\$39,518	\$38,482	\$50,502
Mean Household Income (2011)	\$53,166	\$53,269	\$69,821
Average Household Size (2011)	2.41	2.46	2.64

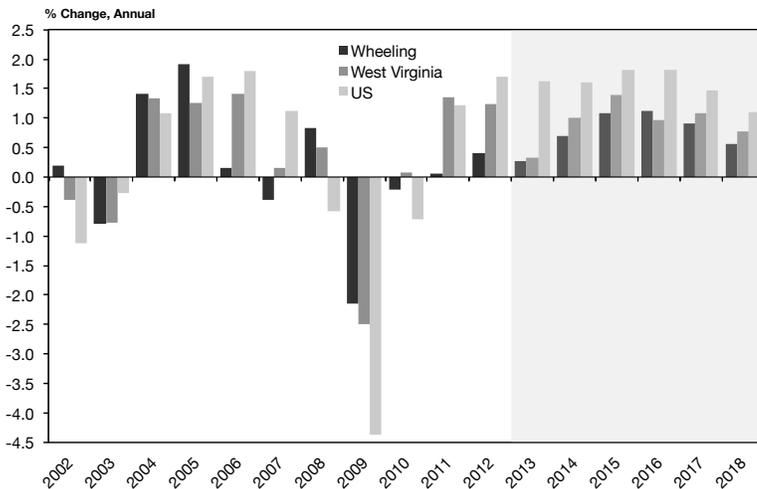
Source: US Census Bureau

WHEELING METROPOLITAN AREA OUTLOOK

Expectations for the US and state of West Virginia during the forecast horizon will have a significant impact on Wheeling’s performance going forward.⁴ The forecast calls for the economic recovery to continue over the next five years. Projected economic growth at the state and national level during the outlook period is expected to filter down to the Wheeling economy and allow it to see its modest recovery carry through to the end of 2018. We anticipate total employment will expand at a rate of 0.9 percent per year. Although this marks a modest acceleration in growth compared to the past two years, the metro area’s projected gains in employment over the next five years will lag national and statewide growth of 1.6 and 1.0 percent per year, respectively.

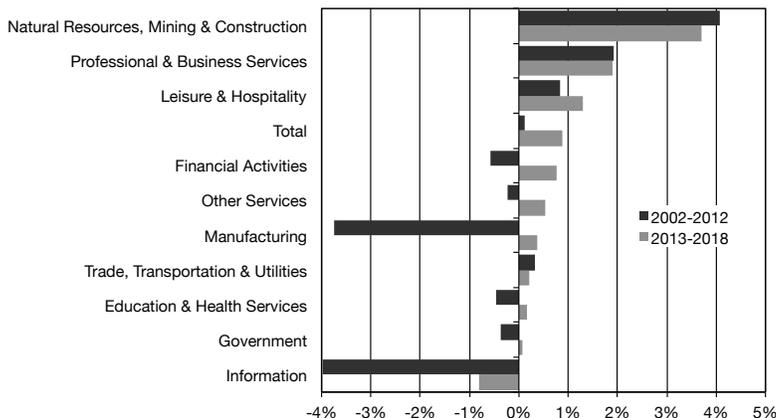
We expect Wheeling’s employment growth during the outlook period will be below-average. Although gains from goods-producing sectors such as mining and construction buoy the area’s performance, many local service-producing industries will likely experience slower growth in demand due to less favorable demographic trends and/or increased competition for consumer discretionary spending from nearby attractions. The natural resources and mining and construction sectors⁵ are expected to enjoy the fastest pace of new job growth over the next five years. Growth will be moderately slower in comparison to the past 10 years, but the mix will be more balanced between these two individual sectors. Output of high-sulfur coal from the metro area’s mines is expected to benefit from its cost advantage for domestic coal-fired power plants and on the broader strength of international demand for steam coal. In addition, continued drilling and extraction of oil, natural gas and by-product liquids across the Marcellus and Utica Shale plays found in the West Virginia and Ohio portions of the metro area bode well for the sector’s outlook.

FIGURE 7: Employment Growth Forecast



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

FIGURE 8: Wheeling MSA Employment Growth Forecast by Sector



Source: Workforce WV, WVU BBER Econometric Model

Construction activity will likely receive a boost directly as a result of the oil and gas industry’s expansion during the forecast horizon. Indeed, Natrium II, an expansion to the recently-completed Natrium facility, will increase the infrastructure needed to process natural gas liquids from Utica Shale deposits in the region up to 59,000 barrels per day and is already in the works. Furthermore, new natural gas transmission lines will likely be needed in the region to handle the increased flow of production from newly-tapped wells. While Wheeling’s underlying demographic trends will not generate a significant rebound in homebuilding activity, we still anticipate a modest recovery in single-family home construction going forward.

We expect Wheeling’s professional and business services sector will see a rate of job growth during the next five years similar to that it has experienced over the previous ten years. A firming national economic recovery is expected to bolster demand for the MSA’s array of business support service providers. The forecast calls for a 1.3 percent average annual gain in leisure and hospitality employment through 2018. Solid expectations for consumer and business travel spending should benefit Wheeling’s tourism and business travel destinations going forward. Unfortunately, the region’s gaming industry will remain under significant pressure from nearby venues in Ohio and Pennsylvania, and to a lesser extent Maryland, poaching away potential visitors.

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

5. We combine the natural resources and mining and construction sectors due to restrictions on the disclosure of confidential data in certain years.

Wheeling's manufacturing sector is expected to stabilize over the near term and eventually begin to add a modest number of jobs over the latter half of the forecast horizon as demand for fabricated metals rise and other locally manufactured goods benefit from broader national growth in business investment and manufacturer capacity expansion activity in other regions. We anticipate education and health services providers in the Wheeling MSA will increase payrolls at a very modest pace during the five-year forecast horizon. A large elderly population and expanded health insurance coverage should benefit local hospitals and other medical services providers, but expectations for continued population declines will offset these positives.

The forecast calls for moderate increases in employment for the broad trade, transportation, and utilities sector. While rising income levels and stronger consumer confidence bode well for the metro area's retail segment during the outlook, payrolls at utilities operating in the region will continue to trend downward as additional power plants are retired from service and not replaced with new generating capacity. Finally, we expect little if any growth in the number of public sector workers employed in the Wheeling metro area. Further anticipated declines in the tax base and concerns over the long-term trajectory of government spending at all levels will likely dampen hiring activity.

As a result of the combined effects of job growth and prevailing demographic trends, we expect Wheeling's unemployment rate will decline steadily throughout the five-year forecast horizon. Overall, the metro area's unemployment rate will tend to follow broader statewide and national trends, falling steadily from its current rate of around 7 percent down to under 6 percent by the end of 2018. The rate will remain nearly a percentage point higher than the statewide average and eventually exceed the jobless rate for the nation as a whole by the latter half of the outlook period.

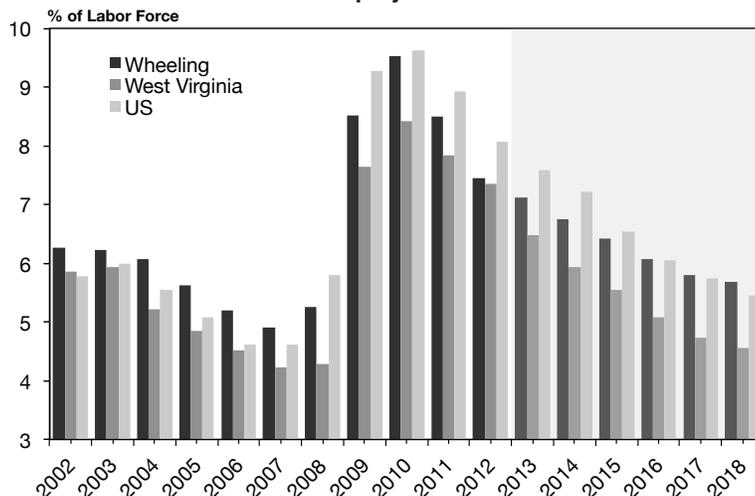
Wheeling's labor force will see only slight increases during the outlook period. The modest uptick in job growth is expected to bring in new labor force entrants and incentivize some individuals to re-enter the labor force. At the same time, however, the metro area's disproportionate share of residents at or near retirement age will put significant downward pressure on the labor force since these individuals are expected to exit the labor force at some point during the forecast period.

Growth in inflation-adjusted per capita income for the Wheeling MSA is expected to decelerate for the second consecutive year in 2013, as higher payroll taxes offset growth in other sources of income. For the outlook period as a whole, although job growth will translate into gains in wages and salaries and other forms of

income, transfer payments are expected to be the fastest-growing component of income. Overall, our forecast calls for the Wheeling metro area to experience growth of real per capita income levels of 1.9 percent per year between 2013 and 2018, which will once again lag state and national-level increases of 2.3 and 2.7 percent, respectively.

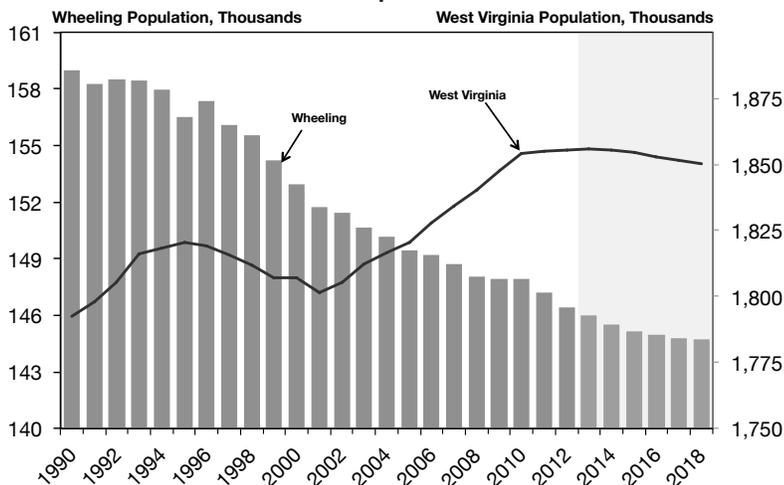
Owing to the age structure of the metro area's population and its projected below-average pace of growth, Wheeling is expected to see its population decline further during the 2013 to 2018 forecast period. The rate of decline will be slower than what occurred over the past ten years, but Wheeling's population is still expected to shrink by nearly 300 residents per year, or an average annual rate of 0.2 percent during the next five calendar years.

FIGURE 9: Unemployment Rate Forecast



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

FIGURE 10: Population Forecast



Source: Bureau of Labor Statistics; WVU BBER Econometric Model; IHS Global Insight
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).