Executive Summary
The Eastern Panhandle region endured significant job losses, a massive increase in the unemployment rate, sluggish population growth, and declines in inflation-adjusted per capita personal income during the Great Recession. Indeed, the region lost 2,390 jobs from 2007 to 2010, a decline of 4.9 percent. The nation experienced a larger employment decline during the period, of 5.6 percent, while the state did better, with a decline of 1.6 percent.

The Eastern Panhandle posted an unemployment rate of 8.8 percent in 2010, up significantly from 3.5 percent in 2007. However, the region’s unemployment rate was below the state and the national rates in 2010, of 9.1 percent and 9.6 percent, respectively.

Preliminary data suggest that the downturn has ended for the Eastern Panhandle, as jobs have begun to increase and the unemployment rate has begun to fall. Through August of 2011, Eastern Panhandle nonfarm payroll employment was up 341 jobs from the same period of 2010, with job growth concentrated in leisure and hospitality; health care; construction; and information. Job gains in these sectors were partially offset by losses in professional and business services; government, particularly federal government; financial activities; and trade, transportation, and utilities. Employment in other services was roughly stable. In addition, the unemployment rate in the Eastern Panhandle declined by 0.4 percentage points during the period.

The outlook for the Eastern Panhandle depends on national and global economic growth, which has decelerated recently. The baseline national forecast calls for continued, but slow, growth during the 2011-2013 period. That sets the stage for continued growth in the Eastern Panhandle region. In addition, the location of the Macy’s fulfillment center in Berkeley County and the expansion at Quad/Graphics will significantly spur growth. Overall, the forecast calls for job growth in the region to significantly outpace gains for the state and the nation. As job growth accelerates, the region’s unemployment rate falls from 8.8 percent in 2010 to 5.4 percent by 2015.

Accelerating job growth during the forecast means stronger inflation-adjusted per capita income growth in the region as well. In addition, the region is forecast to continue to post population growth well above the state and national rates during the next four years.

While regional growth is expected to gain momentum during the forecast, there are risks to consider. First, the national economy is decelerating and could fall into recession during the forecast period. If that happens, it will translate into slower-than-expected growth for the region. In addition, policymakers will be working to rein in federal government spending during the next four years and that may translate into slower than expected growth in the region.
**Eastern Panhandle Region In Perspective**

The Eastern Panhandle region of West Virginia is made up of Berkeley, Jefferson, and Morgan counties. Each of these counties is a part of a metropolitan statistical area. As shown in Figure 1, Berkeley and Morgan counties belong to the Hagerstown-Martinsburg MSA, and Jefferson County is included in the Washington-Arlington-Alexandria MSA. Inclusion in these MSAs has had significant impacts on the demographics and economic conditions in the Eastern Panhandle region.

**Figure 1**

**Eastern Panhandle Region**

According to the 2010 Census count, Berkeley County had the largest population, with 104,169 residents, or 59.5 percent of the Eastern Panhandle’s total population. As shown in Table 1, this was much greater than the population of Jefferson County (53,498 people or 30.5 percent) and Morgan County (17,541 residents or 10.0 percent of the Panhandle region’s population).

Median age data helps economists predict changes in the work force and educational attainment along with other important indicators of economic performance. Berkeley County had the lowest median age in 2010 of the three Eastern Panhandle counties, at 37.6 years, which was below the state’s median age of 41.3 years and only marginally higher than the national median age (37.2 years). This was lower than that of the Hagerstown-Martinsburg MSA, which had a median age of 39.2 years in 2010. Jefferson County was a close second at 38.9 years, which was above the Washington MSA median age, but below that of the Winchester MSA—a region close to the Eastern Panhandle and the Washington and Hagerstown-Martinsburg MSAs. Morgan County had the highest
median age in 2010 (45.0 years) in the Eastern Panhandle region, surpassing both national and state median ages.

Personal income is another tool useful to economists in determining an area’s performance. Total personal income is a measure that covers the earnings from work (total wages, fringe benefits and proprietor’s income, minus social insurance taxes), income from assets (including dividends, interest, and rent), and transfer income (Social Security, Medicare, Medicaid, and welfare) of an area’s residents. Per capital personal income (PCPI) is found by dividing a region’s total personal income by its population.

Table 1 displays nominal PCPI in 2009 for the Eastern Panhandle and related regions. Jefferson County had the highest PCPI in the Eastern Panhandle region, with $36,390. This was well above West Virginia’s PCPI ($32,080), but below the nation’s ($39,635) and the Washington MSA’s ($56,984). Morgan County followed with a PCPI of $33,769, which was above that of the Hagerstown-Martinsburg MSA and the Eastern Panhandle, though it was below the Winchester MSA PCPI. In 2010, Berkeley County had the lowest PCPI in the region ($30,059).

Educational attainment also varied greatly across the Eastern Panhandle in 2009, as shown in Table 1. The American Community Survey, conducted by the U.S. Census Bureau, estimated that of the population aged 25 years or older in Morgan County, 12.4 percent had attained a Bachelor’s degree or higher, making it the only Eastern Panhandle county with an attainment rate lower than the state (17.1 percent). Berkeley County’s attainment rate was 18.9 percent of the population age 25-and-older, which was just above the Hagerstown-Martinsburg MSA rate, but below that of the Winchester MSA. The population over age 25 in Jefferson County had a Bachelor’s degree or better attainment rate of 28.7 percent, which was just over the national level (27.5 percent). The Washington MSA had the highest educational attainment rate in the region, with 47.8 percent earning a Bachelor’s degree or higher in 2009.

Another indicator of economic performance is the value of construction starts in an area. F.W. Dodge released these data for projects in West Virginia during 2010, as shown in Table 1. The state had $1.87 billion in construction starts during the year. The Eastern Panhandle accounted for $293 million, or 15.7 percent of all construction starts in West Virginia. Berkeley County contributed over $163 million to this figure, and Jefferson County reported $106 million. However, Morgan County accounted for only 1.3 percent of the state’s construction starts with $24 million in 2010.
Table 1
Eastern Panhandle Region Selected Economic Indicators By County

<table>
<thead>
<tr>
<th></th>
<th>FW Dodge Const. Value</th>
<th>Per Capita Personal Income</th>
<th>Nonfarm Job Growth</th>
<th>Unempl. Rate</th>
<th>Educational Attainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley, W.Va</td>
<td>104,169</td>
<td>3.2</td>
<td>37.6</td>
<td>163,124</td>
<td>30,059</td>
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<tr>
<td>Jefferson, W.Va</td>
<td>53,498</td>
<td>2.4</td>
<td>38.9</td>
<td>105,837</td>
<td>36,390</td>
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<tr>
<td>Morgan, W.Va</td>
<td>17,541</td>
<td>1.8</td>
<td>45.0</td>
<td>24,016</td>
<td>33,769</td>
</tr>
<tr>
<td>Wash.-Arb.-Alex., DC-VA-MD-WV MSA</td>
<td>5,582,170</td>
<td>1.5</td>
<td>36.1</td>
<td>--</td>
<td>56,984</td>
</tr>
<tr>
<td>Hagerstown-Martinsburg, MD-WV MSA</td>
<td>269,140</td>
<td>1.9</td>
<td>39.2</td>
<td>--</td>
<td>33,137</td>
</tr>
<tr>
<td>Winchester, VA-WV MSA</td>
<td>128,472</td>
<td>2.2</td>
<td>39.1</td>
<td>--</td>
<td>34,094</td>
</tr>
<tr>
<td>Eastern Panhandle Region</td>
<td>175,208</td>
<td>2.8</td>
<td>--</td>
<td>292,977</td>
<td>32,341</td>
</tr>
<tr>
<td>Maryland</td>
<td>5,773,552</td>
<td>0.9</td>
<td>38.0</td>
<td>--</td>
<td>48,247</td>
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<tr>
<td>Virginia</td>
<td>8,001,024</td>
<td>1.2</td>
<td>37.5</td>
<td>--</td>
<td>44,057</td>
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<tr>
<td>West Virginia</td>
<td>1,852,964</td>
<td>0.2</td>
<td>41.3</td>
<td>1,867,341</td>
<td>32,080</td>
</tr>
<tr>
<td>U.S.</td>
<td>308,745,538</td>
<td>0.9</td>
<td>37.2</td>
<td>--</td>
<td>39,635</td>
</tr>
</tbody>
</table>

Population and Median Age data are from the 2000 and 2010 Census Counts.
U.S. employment data are from the BLS - labor force data.
Per capita personal income data are from the U.S. Bureau of Economic Analysis.
Nonfarm Job data is from BLS and Workforce WV.
Educational Attainment BA+ measures the percent of the population above age 25 that has earned a bachelor's degree or higher from American Community Survey.

By breaking down employment by industry, we can determine the employment mix in a region and how that differs from the state and the nation. A comparison of 2010 employment shares by industry in the Eastern Panhandle, West Virginia, and the U.S. is given in Figure 2. The government sector accounted for the largest share of employment in the Eastern Panhandle (28.3 percent) and West Virginia (20.5 percent), and the second largest share of employment for the nation (17.3 percent) in 2010. The Eastern Panhandle’s comparatively large share of government employment is attributed to its close proximity to the nation’s capital, as well as the Veterans Administration Center, the U.S. Department of Treasury (IRS), the U.S. Coast Guard, and the Department of the Interior (National Park Service), among others.

The leisure and hospitality sector represented a significant share of total employment in the Panhandle, at 14.9 percent, which is a much larger share than for the state or the nation. This reflects the growing gaming industry, as the Charles Town Races and Hollywood Casino in Jefferson County is classified in this sector.

The mining and logging sector represented the smallest share of industry in the Eastern Panhandle (0.4 percent) and the nation (0.5 percent of total employment), but accounted for a much larger share in West Virginia, with 4.0 percent of total employment. The Eastern Panhandle’s employment share in construction was 3.1 percent in 2010, which was below national and state shares, at 4.3 percent and 4.4 percent, respectively.

Information was the third-smallest sector in the Eastern Panhandle (3.1 percent of total employment) and the second-smallest in nation (2.1 percent), as well as the smallest share in the state (1.4 percent) in 2010. The information sector includes activity at Quad/Graphics in the Eastern Panhandle.
Note also that the Eastern Panhandle region had a smaller share of total employment in both professional and business services and health care, although each represented a significant share of local jobs.

Figure 3 compares employment shares in the Eastern Panhandle to those in the Washington and Hagerstown-Martinsburg MSAs. The Washington MSA had the largest share of its employment in government with 23.2 percent, and Hagerstown-Martinsburg had its second-largest share (19.4 percent) in the same sector. Though the nation’s capital is the central hub of the Washington MSA, the Eastern Panhandle had a higher percentage of government employment (28.3 percent). We observe this because the Eastern Panhandle had a larger share of jobs in state and local government than did the Washington MSA. The Washington MSA, on the other hand, had a larger share of federal government jobs, at 12.8 percent of total employment, compared to 9.9 percent for the Eastern Panhandle region.

In addition, the Eastern Panhandle had a larger share of employment in information and leisure and hospitality than did either the Washington or Hagerstown-Martinsburg MSAs. Manufacturing employment in the region includes activity at Royal Vendors, as well as significant employment in printing, plastics and rubber, chemicals, and nonmetallic minerals.

Finally, note the extremely large share of professional and business services jobs in the Washington MSA, compared to any of the comparison regions, including the Eastern Panhandle. This reflects both the shift of government activity from direct government employment to procurement of services from the private sector, as well as the very high level of educational attainment in the metropolitan area.

**Recent Developments**

Table 1 provides the 2000 to 2010 average annual growth rates of population in the Eastern Panhandle, state, nation, and surrounding MSAs. The Eastern Panhandle region added 42,170 residents during the past decade, which translated into an average annual growth rate of 2.8 percent per year. Berkeley County grew more quickly than Jefferson and Morgan counties. Its average annual growth rate was 3.2 percent, which was significantly faster than the state (0.2 percent) and the nation (0.9 percent). Jefferson County followed with a 2.4 percent annual average growth rate, while Morgan County grew at an annual average rate of 1.6 percent. The Winchester (2.2 percent),
Hagerstown-Martinsburg (1.9 percent), and Washington (1.5 percent) MSAs also outpaced growth in the state and nation.

The Eastern Panhandle also generated solid per capita personal income growth during the past five years, at 2.9 percent per year. That was slower than the national growth rate (3.2 percent) and growth rates posted by nearby metropolitan areas. West Virginia experienced a significantly faster average annual growth rate of 4.5 percent. Berkeley County had the slowest average annual growth rate in PCPI from 2004 to 2009 (2.8 percent), among the Eastern Panhandle counties. Jefferson County’s PCPI grew at an average annual rate of 3.0 percent, while Morgan County’s growth rate was 3.1 percent.

The value of construction starts in the Eastern Panhandle region hit $293 million in 2010, up from $221 million in 2009, according to data from FW Dodge. The increase last year was driven by gains in nonbuilding activity and residential activity, as nonresidential starts fell. Nonbuilding activity includes infrastructure, like highways, roads, water, and sewer projects. Even though the value of residential contracts rose in 2010, to $137 million, that remains well below peak levels attained in 2006, of $727 million. In other words, the value of residential contracts in the region has declined by 81.1 percent during the past four years. This shows the impact of the national housing correction on the Eastern Panhandle region.

In addition, single-family house prices continued to fall for the metropolitan areas that include the Eastern Panhandle region, according to data from the Federal Housing Finance Agency. House prices for the Hagerstown-Martinsburg MSA fell by 11.9 percent from the second quarter of 2010 to the same quarter of 2011. Likewise, house prices fell in both the Washington and Winchester metropolitan areas, by 2.3 percent and 1.4 percent, respectively. Overall, house price declines appear to have begun to moderate in the Winchester and Washington metropolitan areas. In contrast, house prices continue to drop rapidly in the Hagerstown-Martinsburg area. Further, house prices have continued to fall for both the state and the nation as well, with prices down by 4.5 percent for the nation and 3.6 percent for the state during the past four quarters.

Employment in the Eastern Panhandle during the past five years has been adversely affected by the housing correction and global downturn. Indeed, total nonfarm employment in the Eastern Panhandle declined by 0.4 percent per year during the period. Both Berkeley and Morgan counties posted net job losses during the period. In contrast, employment increased in Jefferson County. As Table 1 shows, nonfarm employment was stable for West Virginia during the period, while the U.S. lost jobs at an average annual rate of -0.6 percent per year.

Unemployment rates have also risen dramatically since 2008, due to the Great Recession. In 2007, the Eastern Panhandle region unemployment rate was just 3.5 percent. According to the latest data for 2010, the Eastern Panhandle unemployment rate hit 8.8 percent last year. Both West Virginia and the U.S. experienced similar unemployment rate increases during the recession. The Eastern Panhandle unemployment rate remained below the state and national rates in 2010, at 9.1 percent and 9.6 percent, respectively. However, the Eastern Panhandle unemployment rate is now above the rates for the Winchester and Washington metropolitan areas, at 7.5 percent and 6.2 percent, respectively.

Figure 4 shows nonfarm employment growth by industry for the Eastern Panhandle, the state, and the nation during the 2005-2010 period. As the figure shows, the region experienced rapid job losses.
across most sectors, similar to the experience of both the state and the nation. The region experienced the most rapid job losses in construction, which is consistent with the major drop in the value of residential construction starts and the decline in house prices during the period.

The Eastern Panhandle region also suffered job losses in manufacturing; professional and business services; mining and logging; information; financial activities; and trade, transportation, and utilities. Like the state, the region posted job growth in health care, government, and leisure and hospitality during the past five years.

Figure 5 shows nonfarm employment growth by industry for the Eastern Panhandle region, compared to the Washington and Hagerstown-Martinsburg metropolitan areas. It is clear from this figure that none of the local labor markets in the area escaped the impact of the housing correction and severe global downturn. Even though the Washington metropolitan area managed to post net job growth during the period, of 0.3 percent per year, that growth was far below normal. Indeed, growth during the 2000-2005 period was nearly six times faster, at 1.7 percent per year.

Note also that both nearby metropolitan areas experienced strong job losses in most sectors, particularly mining and construction; manufacturing; information; and financial activities. In contrast to job losses in professional and business services in the Eastern Panhandle, the Washington MSA experienced job gains in this sector.

Further, each of these local areas experienced job gains in the same three sectors: health care; leisure and hospitality; and government.
Forecast: 2011-2015

The forecast for the Eastern Panhandle region depends in part on the outlook for the U.S. and world economies. Table 2 summarizes the September 2011 forecast from IHS Global Insight, a global consulting and forecasting firm.

U.S. real GDP growth rebounded from the Great Recession to hit 3.0 percent in 2010, as Table 2 shows. However, growth slowed significantly during the first half of 2011, with real GDP growth both the first and second quarters at or below 1.0 percent at an annual rate.

Real GDP growth since the middle of 2009 eventually translated to U.S. job growth, but that growth has been slow. Indeed, seasonally-adjusted annual job growth since the first quarter of 2010 has averaged 1.0 percent per year through the second quarter of 2011. That job growth has translated into modest improvement in the national unemployment rate, which has fallen from its peak of 10.0 percent in the fourth quarter of 2009, to 9.1 percent in the second quarter of 2011. However, the national unemployment rate remained well above pre-recession levels in the neighborhood of 4.5 percent.

Growth weakened in early 2011 as real consumer spending ground nearly to a halt. That was partly due to reduced automobile sales, which were supply constrained, but overall consumers faced high gas prices, a sluggish labor market, house price declines, and weak sentiment. Nonresidential fixed investment (plant, equipment, inventories) accelerated in the second quarter of 2011 and residential investment rose modestly. Even so, the housing sector continued to operate at very low levels, with housing starts running at an annual rate of just 572,000 in the second quarter. That is far below peak levels reached in 2005 of 2.1 million starts. Real export growth softened in the second quarter but remained positive, as did real growth in imports. Federal government spending declined during the first half of 2011, as did spending by state and local governments.

The baseline outlook for the U.S. economy calls for continued growth through 2015. However, that growth is very slow through 2013, with real GDP growth averaging just 1.9 percent during 2011-2013. In addition, with real GDP growth averaging just 1.3 percent during the second half of 2011, the U.S. faces significant recession risks during the next year.

Housing is forecast to remain flat through 2012, with low housing start levels and continued house price declines. Housing starts begin to rebound in 2013, reaching 938,000, and house prices finally stabilize.

Exports remain a bright spot during the forecast, with real export growth averaging 7.7 percent per year during the 2011-2015 period. This is driven by the assumption of continued global growth, particularly in emerging economies, and by a continued low level of the U.S. dollar.

Monetary policy remains expansionary during the next two years, with the federal funds rate near 0.1 percent through the end of 2013. The 30-year fixed mortgage rate falls to 4.27 percent by 2012, before rising gradually to 5.98 percent by 2015.

Real federal government spending growth is forecast to decline each year during the forecast, which helps drive the federal budget deficit down from $1,272 billion in FY 2011 to $610 billion by 2015. Real state and local government spending is forecast to decline through 2013.
The baseline U.S. forecast of continued growth sets the stage for growth in the Eastern Panhandle region as well. Table 3 summarizes the outlook for jobs by industry, the unemployment rate, population, and personal income by component in the Eastern Panhandle region.

Job growth in the region is forecast to accelerate strongly during the next five years, as Figure 6 shows. The forecast calls for net job losses during the 2005-2010 period to be replaced by strong job gains during the next five years, with growth averaging 2.5 percent per year during the period. That far exceeds the expected job growth for West Virginia, at 1.2 percent per year, as well as national job growth, at 1.5 percent per year.

As Figure 6 also shows, nearly all sectors of the regional economy are expected to add jobs during the forecast. Natural resources and mining jobs are expected to be stable during the forecast. Overall, growth across most sectors during the forecast is a significant contrast to job losses across all sectors, except health care, leisure and hospitality, and government during the downturn.

A significant share of the job growth during the next five years comes from the location of the Macy’s fulfillment center in Berkeley County. These jobs particularly affect job gains in trade, transportation, and utilities during 2011-2013, when employment rises by nearly 2,000 jobs. That growth, combined with other new jobs in the sector, generates annual job gains of 5.9 percent, which far outstrips expected job gains for either the state or the nation.
In addition, job growth in information accelerates during the next five years, as Quad/Graphics expands in the region. This expansion also contributes to the rebound in manufacturing jobs during the forecast.

The region is also forecast to experience solid job gains in health care, although growth slows slightly compared to growth during the previous five years. Government job gains continue in the region, primarily driven by local government growth related to continued strong population increase. Federal government job growth in the Eastern Panhandle may slow during the forecast as the federal government struggles to rein in growth in spending. In addition, the region gains professional and business services jobs during the forecast, in contrast to recent job losses. However, growth during the next five years may be below the long-run trend growth for this sector, as federal procurement spending decelerates or even declines during the next five years. Construction jobs grow during the next five years, reflecting private capital investment (such as the Macy’s facility) and the eventual rebound in residential construction.

Strong job growth in the region sets the stage for continued rapid population growth, which averages 2.2 percent per year during the forecast, well above the state rate of -0.1 percent per year and the national rate of 1.0 percent per year. Rebounding job growth also translates into solid gains in inflation-adjusted per capita personal income, which rises by 1.4 percent per year.

While the outlook is positive for the Eastern Panhandle during the next five years, there are risks to the outlook. First, the national economy faces significantly increased risks of recession during the next year. If the U.S. economy falters, that will contribute to reduced growth in the region as well. Further, the federal government is expected to work to rein in spending growth during the forecast. If that growth slows more than expected, then it may reduce regional growth as well. The gaming sector has contributed significantly to regional job growth recently. However, this sector will also remain hotly competitive. If competition from other states turns out to be more effective than expected under baseline assumptions, then growth in leisure and hospitality may be slower than expected as well.
The Eastern Panhandle Region consists of Berkeley, Jefferson, and Morgan counties in West Virginia.

*This column contains the average yearly change during the 2011-2015 period.

U.S. forecast is from IHS Global Insight September 2011. W.Va. forecast is from West Virginia Economic Outlook 2011.
**Forecast Data Glossary**

Forecast data for West Virginia and the Eastern Panhandle Region come from the West Virginia Economic Outlook Project. U.S. forecast data are from IHS Global Insight.

**Nonfarm Payroll Employment by Industry**
Historical employment data come from the U.S. Bureau of Labor Statistics and the WorkForce West Virginia, Research, Information and Analysis Division. Data can be found on-line at [http://www.workforcewv.org/lmi/default.htm](http://www.workforcewv.org/lmi/default.htm). Estimates are from a survey of employers. Jobs are counted based on where the establishment is located, not on where the worker lives.

**Civilian Labor Force, Employment, Unemployment, and the Unemployment Rate**
Historical labor force data are available in the West Virginia County Profiles, published by WorkForce West Virginia. Labor force data cover West Virginia residents only. They are counted as participating in the labor force if they are employed or, if unemployed, actively seeking work. The unemployment rate is the number of unemployed residents divided by the labor force.

**Population**
Historical population estimates are from the U.S. Census Bureau and are available on-line at [www.census.gov](http://www.census.gov). Population data reflect the number of persons whose usual place of residence was within the state or county on July 1. Persons in the military or institutionalized are counted where the military base or institution is located, as long as that is within the U.S.

**Real Personal Income**
Real personal income is nominal personal income adjusted for the effects of inflation, using the U.S. personal consumption deflator. Personal income includes earnings from work (wages, proprietors' income, fringe benefits); dividends, interest and rent; and transfer income (Social Security, Medicare, Medicaid, welfare). Historical data are compiled by the U.S. Bureau of Economic Analysis and is available on-line at [www.bea.gov](http://www.bea.gov).

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**Eastern Panhandle Region Outlook 2011-2015**
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