



EASTERN COMMUNITY COLLEGE REGION OUTLOOK

Forecast: 2000-2005
Released June 2001

Funding support for this forecast was provided by Eastern West Virginia Community and Technical College. The College would like to recognize the Region 8 Planning and Development Council for their help in coordinating this effort.

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Executive Summary

The Eastern Community College region steadily expanded during the 1990s, adding jobs and new residents, increasing per capita personal income, and reducing the regional rate of unemployment. While the region has expanded during the last decade, growth in several indicators was slower than that posted by West Virginia, Maryland, Virginia, and the nation. The region posted manufacturing job gains well in excess of the state and the nation during the 1990s. Further, as was true for the state and the nation, the services sector was an engine of job growth in the region.

The forecast for the 2000-2005 period calls for the region to continue expanding, if the national economy avoids recession, but for growth to be below the national average. The majority of job gains are expected to come in service-producing sectors, like trade, services, and government. Manufacturing jobs in the region are expected to stabilize around current levels. Job gains translate into continued inflation-adjusted income growth. Population gains are expected to continue to exceed state results and to be close to the national growth rate. Labor markets in the region gradually tighten during the forecast, with the regional unemployment rate near the state rate, but remaining above the national rate.

Eastern Community College Region in Perspective

The Eastern Community College region consists of Grant, Hampshire, Hardy, Mineral, Pendleton and Tucker counties of West Virginia. The region is located west of the Eastern Panhandle of West Virginia as shown in Figure 1. Population for the region was 86,766 in 2000. The counties comprised 4.8 percent of the total state population. Resident employment in the region was 39,490 in 2000 and the Eastern Community College region accounted for 5.1 percent of employed state residents.

FIGURE 1
Eastern Community College Region
Data for 2000

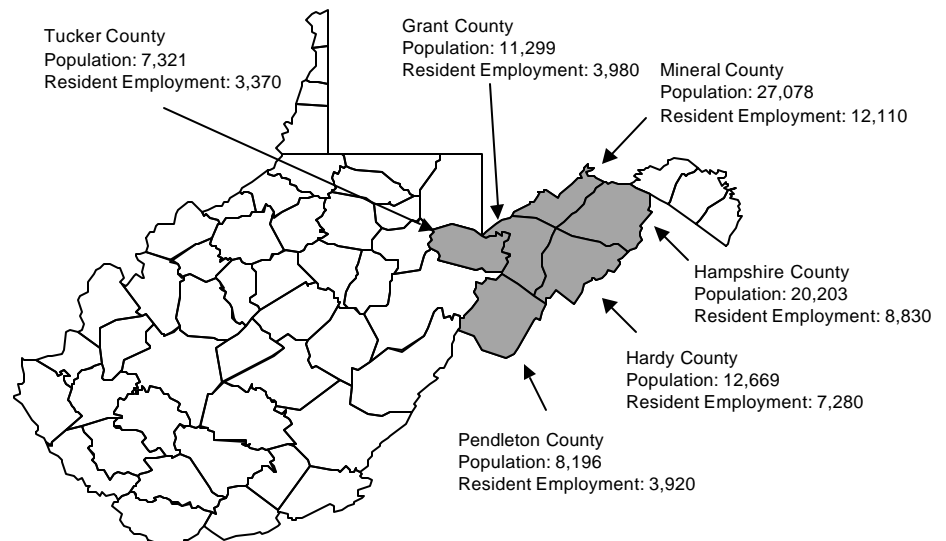


Table 1 summarizes various economic indicators that can be used to assess the overall performance of the region and contains relevant data for the Washington, DC PMSA and two neighboring states, Maryland and Virginia, for comparison. Mineral County is the largest in the region in terms of population with 27,078 residents, followed by Hampshire County (20,203), Hardy County (12,669), Grant County (11,299) and Pendleton County (8,196). Tucker County was the smallest with 7,321 residents in 2000.

Pendleton County registered the highest per capita income level of \$19,581 in 1999 in the Eastern Community College region and was ranked 20th in the state. It was also one of the fastest growing counties in the state over 1990-1999. Grant County, on the other hand, figured among one of the slowest growing counties of the state over the same period. Hampshire County registered the lowest per capita personal income in the region, trailing behind the region, the state, and the national averages with a per capita income of \$16,246. The Eastern Community College region as a whole registered a per capita personal income level of \$18,211 in 1999, 36.2 percent below national per capita personal income of \$28,546 and 12.9 percent lower than the state per capita income level of \$20,921. The Washington, DC PMSA recorded a per capita personal income level (\$38,403) above that of the region, the state and the nation. Per capita personal income in both Maryland and Virginia were above the regional and state levels for 1999 as well. Personal income is a very broad measure of income, which includes earnings from work; dividends, interest, and rent; and transfer income.

TABLE 1
Eastern Community College Region Selected Economic Indicators by County

	Population		Resident Employment	Per Capita Personal Income		Covered Job Growth	Unempl. Rate	Median Household Income	Poverty Rate
	Av. An. G.R.			Av. An. G.R.					
	2000	1990-2000(%)	2000	1999 (\$) 1990-1999(%)	1990-1999 (%)	2000	1997(\$)	1997(%)	
Grant, W. Va.	11,299	0.8	3,980	18,913	2.9	-1.7	7.0	27,808	13.6
Hampshire, W.Va.	20,203	2.0	8,830	16,246	3.6	1.6	4.2	27,976	16.0
Hardy, W. Va.	12,669	1.4	7,280	19,469	4.7	4.8	2.6	29,355	12.9
Mineral, W. Va.	27,078	0.1	12,110	18,722	4.1	-0.1	6.1	29,672	14.3
Pendleton, W.Va.	8,196	0.2	3,920	19,581	5.2	0.3	10.1	27,366	13.4
Tucker, W.Va.	7,321	-0.5	3,370	16,931	3.2	0.7	6.6	25,359	15.3
Eastern C.C. Region	86,766	0.8	39,490	18,211	3.9	0.9	5.6	n/a	n/a
Washington DC PMSA	4,923,153	1.5	2,630,689	38,403	4.2	1.2	2.4	34,980	19.3
Virginia	7,078,515	1.4	3,529,902	29,794	4.2	1.8	2.2	40,209	11.6
Maryland	5,296,486	1.0	2,696,543	32,517	3.9	1.0	3.9	45,289	9.5
West Virginia	1,808,344	0.1	779,000	20,921	4.1	1.4	5.5	27,432	16.8
U.S.	281,421,906	1.2	135,208,000	28,546	4.3	1.7	4.0	37,005	13.3

Population data are from the Census 2000 Release.

Resident employment estimates for West Virginia are from the West Virginia Bureau of Employment Programs (WVBEP). MSA, state and U.S. data from BLS.

Per capita personal income data are from the U.S. Bureau of Economic Analysis (REIS).

Covered Employment data are from WVBEP and state LMI's.

Unemployment Rate data are from WVBEP and BLS.

Median household income and poverty rates are from the U.S. Census Bureau.

Av. An. G.R. is the Average Annual Growth Rate.

Hardy County in West Virginia recorded the highest covered job growth (4.8 percent) in the region during the 1990-1999 period, far above the job growth rate for the region. Job losses in Grant and Mineral County, which is also the largest county in terms of resident population, pulled down the regional growth rate.

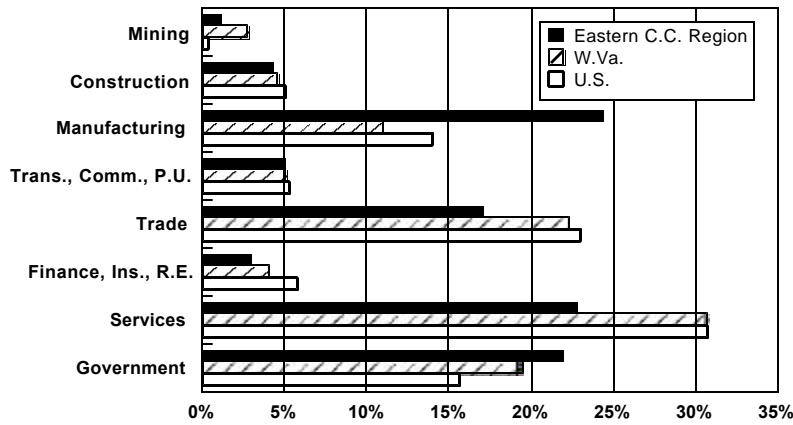
Pendleton County had the highest unemployment rate in the MSA in 2000 at 10.1 percent, almost double the state average of 5.5 percent. Hardy County recorded the lowest unemployment rate (2.6 percent) among the six counties of the region. The unemployment rate for the Eastern Community College region almost equaled that of the state at 5.6 percent but was 1.6 percentage points above the national rate in 2000. The Washington, DC PMSA recorded a lower unemployment rate (2.4 percent) than the region, the state and the nation but Virginia registered an even lower unemployment rate (2.2 percent) in 2000.

Compared to the state's median household income of \$27,432 for 1997 (the most recent year for which data is available), almost all counties fared better than the state but not as well as the nation's \$37,005. Tucker County had the lowest median household income for 1997 at \$25,359. Mineral County was ranked 14th in the state recording the highest median household income (\$29,672) in the Eastern Community College region. Median household income for the state of Maryland was \$45,289, higher not only than the region, but also Washington, DC PMSA, the state and the nation. Unlike personal income, median household income is calculated using money income, which excludes non-cash sources of income like fringe benefits, Medicare, and Medicaid.

All counties of the region registered poverty rates lower than the state. The poverty rate is the share of a region's population whose income falls below certain thresholds that vary by family size and composition. Hampshire County recorded the highest poverty rate in the region in 1997 (at 16.0 percent), closest to the state's 16.8 percent, and was ranked 34th in the state. Hardy County registered the lowest poverty rate at 12.9 percent in the region and was ranked 49th. Maryland had the lowest poverty rate in the area for 1997 (the most recent year for which data is available) at 9.5 percent.

The employment shares shown in Figure 2 can be used to track the industrial composition of the economy. Mining is not as significant for the region in terms of employment as it is in some other parts of the state. With a share of 1.2 percent, it had a higher share than the national average of 0.4 percent but almost half that of the state share in 2000.

FIGURE 2
Eastern Community College Region Employment Shares
Compared to the State And Nation for 2000



Manufacturing plays an important role in the region, accounting for 24 percent of total nonfarm jobs in 2000, compared to 14 percent for the nation. Large employers in the region include lumber and wood product manufacturers, and food products (primarily poultry processing). Employment shares in construction; finance, insurance and real estate; trade, and services fell below the national and state averages. Employment share in transportation, communication and public utilities was almost at par with the state and national averages, while share of government employment was above that of the state and the nation.

The region is also a major agricultural center in the state, primarily due to its focus on poultry processing. According to the 1997 Census of Agriculture, the region accounted for 52.9 percent of West Virginia's sales of agricultural products (including both crops and livestock). Further, poultry sales accounted for the lion's share of agricultural sales in the region and the region was by far the dominant supplier of poultry in the state in 1997.

Recent Developments

The Eastern Community College region registered job growth at an average annual rate of 0.9 percent per year between 1990-1999, performing below the Washington, DC PMSA, Virginia, Maryland, the state and the nation. West Virginia job growth during the same period was 1.4 percent per year. As Figure 3 shows, the region suffered due to job losses in mining; construction; and transportation, communication and public utilities.

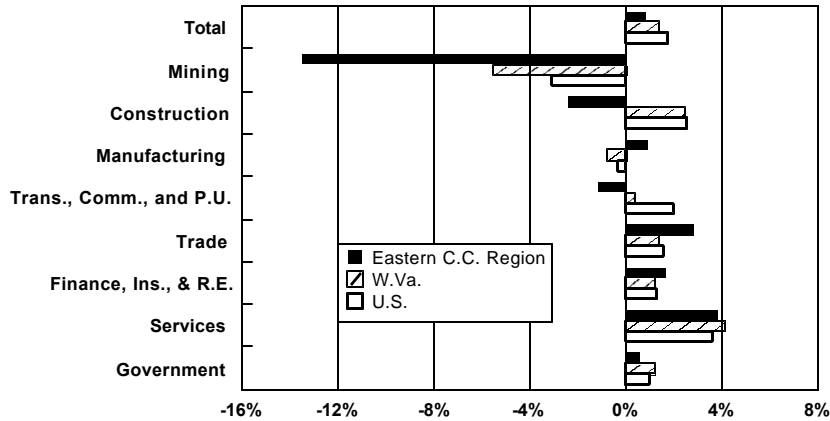
The Eastern Community College region registered positive job growth in manufacturing, trade, finance, insurance and real estate, services, and government. Services includes a wide variety of activities, such as travel and tourism services, business services, auto repair services, personal services to name just a few. For the region, West Virginia, and the nation, this sector has been an engine of job growth.

The region recorded population gains at an average annual rate of 0.8 percent per year during the 1990-2000 period. The pace of population growth in the region corresponds to the slow, but positive, growth for West Virginia. National population growth averaged 1.2 percent per year during the same period and the state posted an annual average population growth rate of 0.1 percent.

The unemployment rate (5.6 percent) in the region was almost at par with that of the state but was higher than the national rate of 4.0 percent in 2000. The region has recorded unemployment rates higher than the Washington, DC PMSA and neighboring states of Virginia and Maryland.

The Eastern Community College region recorded annual per capita personal income growth of 3.9 percent during the 1990-99 period, equal to the rate posted by Maryland for the same period but below the statewide (4.1 percent), the national growth rates (4.3 percent) as well as those of Virginia, and the Washington, DC PMSA.

FIGURE 3
Eastern Community College Region
Annual Job Growth: 1990-1999



Forecast: 2000-2005

The outlook for the Eastern Community College region depends in part on the overall macroeconomic performance of the U.S. and world economies. No state or regional economy is entirely insulated from outside events. Likewise, the outlook for the region depends on assumptions about national and international economic performance.

The forecast for the region discussed below depends on a forecast for the U.S. economy developed by Standard and Poor's DRI in March 2001. This forecast is summarized in Table 2 below. The U.S. outlook assumes that the U.S. economy narrowly avoids recession in 2001 and continues to post positive growth through 2005. Specifically, the forecast calls for real GDP growth to decelerate from 5.0 percent growth in 2000, to just 1.7 percent in 2001, and then rebound to 3.3 percent by 2002.

Slowing output growth drives soft employment gains during 2001 and 2002, with the U.S. economy adding jobs at a rate less than 1.0 percent per year until 2003. Matching the slowdown in job growth is a gradual increase in the unemployment rate, which rises from 4.0 percent in 2000, to 5.3 percent by 2002.

The federal funds rate (the market interest rate at which banks make overnight loans to one another) falls from 6.2 percent in 2000 to 4.8 percent by 2002, as the Federal Reserve loosens monetary policy in order to boost spending and steer the economy away from recession. This is matched by declines in the 10-year treasury yield, which drops from 6.0 percent in 2000 to 5.2 percent by 2002.

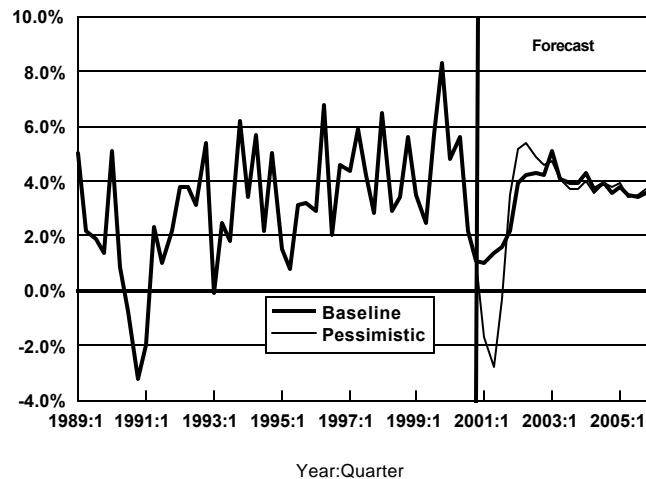
Overall inflation remains under control, with consumer prices (measured by the personal consumption deflator) rising by less than 2.0 percent per year through 2005. The federal budget runs surpluses through 2005, as tax revenues exceed spending in the near term. On the international front, U.S. export growth softens during 2001, as world growth slows. U.S. import growth also slows during the 2001-2005 period as U.S. economic growth softens from the torrid pace of the late 1990s.

TABLE 2
U.S. Forecast
Standard and Poor's DRI March 2001

	Actual	Years					
		2000	2001	2002	2003	2004	2005
		Forecast					
		Annual Percent Change					
Real GDP	5.0	1.7	3.3	4.4	4.0	3.7	
Industrial Production	5.6	0.1	2.1	4.1	3.4	2.9	
Nonfarm Employment	2.0	0.5	0.8	1.7	1.7	1.8	
Personal Income	6.3	4.5	4.6	5.7	5.5	5.5	
Personal Consumption Deflator	2.4	1.9	1.6	1.6	1.7	1.9	
		Unemployment and Interest Rates					
Unemployment Rate	4.0	4.9	5.3	4.9	4.7	4.4	
Federal Funds Rate	6.2	5.1	4.8	5.3	5.5	5.5	
Ten-Year Treasury Note Yield	6.0	4.9	5.2	5.6	5.7	5.8	
		Federal Government					
Federal Budget Surplus (NIPA, FY, \$Bil)	256.5	245.0	162.4	130.4	102.3	149.9	
		International Trade					
Real Export Growth (GDP Basis)	9.1	1.9	5.4	8.5	8.6	8.5	
Real Import Growth (GDP Basis)	13.6	5.0	6.7	7.7	7.0	6.4	

The baseline U.S. forecast assumes that the Federal Reserve succeeds in guiding the U.S. economy to a soft-landing. Of course, this assumption may be faulty. DRI also examines an alternative scenario in which the outlook is not so rosy. In this scenario, the Federal Reserve keeps interest rates too high for too long. Combining this with steep declines in consumer confidence (driven by larger stock price declines) tips the U.S. economy into recession during the last half of 2001. However, as Figure 4 shows, DRI expects that the recession under this scenario would be similar in magnitude to the mild recession of the 1990s.

FIGURE 4
U.S. Real GDP Growth Baseline and Alternative
Forecasts from Standard and Poor's DRI
March 2001



The U.S. forecast produces a solid foundation for growth in the Eastern Community College region. In turn, the regional forecast calls for growth in jobs and per capita income, with growth rates similar to expected state results, although below expected national growth rates. The outlook also calls for the regional labor market to continue to tighten (illustrated by gradual declines in the unemployment rate), while population growth in the region continues to outpace state results and to come close to forecast growth for the nation. The Eastern Community College region forecast is summarized in Table 3.

Table 3
Eastern Community College Region Employment, Population, and Income Forecasts

	Actual					Forecast					E.C.C.		Annual Growth		U.S.(%)		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2000-2005*	2000-2005*	2000-2005*	2000-2005*	2000-2005*	2000-2005*		
											E.C.C. (%)	W.Va. (%)	E.C.C. (%)	W.Va. (%)			
Covered Nonagricultural Employment by Industry**																	
Total	24,261	24,562	25,056	25,404	25,792	26,008	26,176	26,347	26,347	258	1.0	1.0	1.0	1.0	1.3		
Goods Producing	8,373	8,000	8,027	8,038	8,113	8,158	8,165	8,172	8,172	29	0.4	0.4	0.4	-0.6			
Mining	640	509	360	346	343	332	315	296	296	-10	-3.1	-3.1	-3.1	-3.6			
Construction	1,173	978	1,121	1,167	1,225	1,278	1,296	1,327	1,327	32	2.6	2.6	2.6	1.8			
Manufacturing	6,560	6,513	6,745	6,514	6,468	6,509	6,555	6,549	6,549	7	0.1	0.1	0.1	-1.5			
Service Producing	15,888	16,279	16,335	17,029	17,366	17,679	18,012	18,176	18,176	229	1.3	1.3	1.3	1.7			
Trans., Comm., P.U.	1,133	1,182	1,177	1,136	1,131	1,126	1,121	1,133	1,133	-1	-0.1	-0.1	-0.1	1.9			
Trade	4,411	4,491	4,523	4,557	4,589	4,741	4,801	4,839	4,839	56	1.2	1.2	1.2	1.0			
Finance, Ins., R.E.	785	781	801	798	804	811	806	804	804	1	0.2	0.2	0.2	1.6			
Services	4,232	4,460	4,481	4,988	5,232	5,358	5,442	5,512	5,609	124	2.4	2.4	2.4	2.8			
Government	5,327	5,366	5,354	5,549	5,611	5,691	5,739	5,765	5,791	48	0.9	0.9	0.9	0.6			
Population (Thousands)																	
Total Population	84.9	85.5	86.1	86.8	87.5	88.2	88.9	89.6	90.3	0.7	0.8	0.8	-0.1	0.9			
Civilian Labor Force, Employment, and Unemployment																	
Labor Force	39,660	39,770	40,920	41,840	42,186	42,699	42,806	43,064	43,267	285	0.7	0.7	0.6	1.2			
Employment	37,190	37,130	38,400	39,490	39,768	40,241	40,565	40,847	41,098	322	0.8	0.8	0.7	1.1			
Unemployment Rate	6.2	6.6	6.2	5.6	5.7	5.8	5.2	5.1	5.0	-0.1	-2.3	-2.3	-1.3	2.0			
Real Personal Income (Thousands of 1996 Dollars)																	
Total	1,399,026	1,440,888	1,479,415	1,518,044	1,557,212	1,601,632	1,623,495	1,647,465	1,668,233	30,038	1.9	1.9	2.0	3.3			
Wage and Salary	519,897	521,225	543,412	549,719	555,888	563,130	566,619	569,045	571,432	4,343	0.8	0.8	1.3	3.7			
Other Labor Income	74,480	74,087	75,159	75,583	76,609	77,244	77,819	78,228	79,023	688	0.9	0.9	1.3	2.7			
Proprietors' Income	103,894	114,078	117,975	119,221	117,571	123,836	125,088	123,357	122,542	664	0.6	0.6	1.9	3.7			
Dividends, Interest, Rent	237,657	247,300	256,776	265,423	274,035	278,888	278,826	285,921	289,621	4,840	1.8	1.8	1.7	1.7			
Transfer Income	329,953	334,925	335,205	344,391	358,440	374,192	383,707	390,224	397,365	10,595	2.9	2.9	3.2	4.0			

The Eastern Community College region consists of Grant County, Hampshire County, Hardy County, Mineral County, Pendleton County, and Tucker County of West Virginia.

*This column contains the average yearly change during the 2000-2005 period.

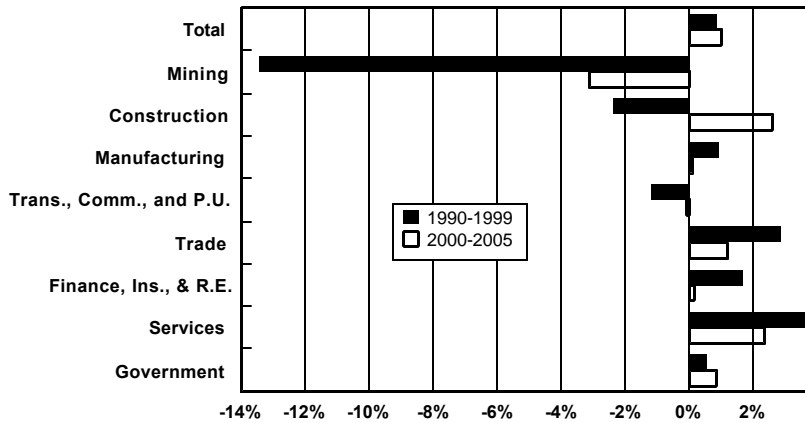
** Covered nonagricultural employment by industry includes employment at firms participating in the West Virginia Unemployment Compensation system. These estimates exclude the self-employed, student workers, most church workers, railroad workers, and unpaid family workers.

West Virginia forecast is from the West Virginia Economic Outlook 2001.

U.S. forecast is from Standard & Poor's DRI, March 2001.

Figure 5 summarizes the job growth outlook for the region. The forecast calls for job gains during the 2000-2005 period to come at about the same rate as during the 1990s. For the region, as well as the state and the nation, most net job gains come in service-producing industries, especially trade, services, and government. Services, in particular, is expected to be an engine of job gains for the region, with growth expected across the board, including sectors like business services, travel and tourism, and health care.

FIGURE 5
Eastern Community College Region
Annual Job Growth: History and Forecast



Mining jobs are forecast to continue declining in the region, although the pace of the decline is expected to moderate, as tight energy markets support prices in the short run. Construction jobs rise during the forecast period, reflecting population gains. Manufacturing jobs stabilize during the forecast period around current levels.

Overall, the job outlook calls for solid gains during the next five years. These job gains set the stage for continued population growth in the region. In addition, the region is likely to continue to gain residents that commute to jobs outside of the state. The net result is strong expected population growth during the forecast period, far exceeding the forecast for the state and similar to expected national rates.

Job growth generates similar gains in earnings from work, which supports overall inflation-adjusted income gains during the forecast.

Job growth during the forecast also generates a gradually declining regional unemployment rate. The forecast calls for the regional unemployment rate to remain well below the average levels of the 1990s, but to remain above the national rate.

While the baseline forecast for the region calls for steady performance during the 2000-2005 period, we must consider risks to this forecast. A major risk to the regional outlook is the risk of a national recession. This would likely produce a regional recession as well, and at a minimum, would stall economic growth in the region. At this point, the national economy stands a good chance of avoiding recession during 2001. If it does, then the region should continue to expand economically.

Forecast Data Glossary

Forecast data for West Virginia and the Eastern Community College region come from the West Virginia Economic Outlook Project. U.S. forecast data are from Standard & Poor's DRI.

Covered Nonagricultural Employment by Industry

Historical employment data come from the West Virginia Bureau of Employment Programs' publication titled *West Virginia Employment and Wages*. Data for 1999 can be found on-line at www.state.wv.us/bep/lmi/. Annual data cover employees at firms participating in the West Virginia Unemployment Compensation system. This covers most employees, except railroad workers, the self-employed, student workers, most church workers, and unpaid family workers. 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 the Bureau of Employment Programs. These data are available on-line at www.state.wv.us/bep/lmi/. 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. Population data for 2000 reflects the number of persons whose usual place of residence was within the state or county on April 1. Population estimates for the 1991-1999 period are derived by the authors using linear interpolation. Census will release official population estimates for the 1991-1999 period later this year. 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.doc.gov.

Eastern Community College Region Outlook

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