



Beckley-Bluefield Region Outlook

FORECAST: 1999-2004
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Executive Summary

The Beckley-Bluefield region kept pace with the state rate of economic growth during the 1990s, in spite of sustained losses in coal mining jobs. Employment gains during the 1990s have come primarily in the service-producing sectors, driven by gains in trade, services, and government. County job growth within the region varied from well above the state rate (Raleigh County) to well below the state rate (McDowell County). Consistent overall job gains, combined with moderate population losses, have generated unemployment rate declines since the early 1990s.

Preliminary data for 1999 suggest that, although the region continued to add jobs last year, growth was reduced due to accelerating coal mining job losses (and a spectacular bank failure in McDowell County).

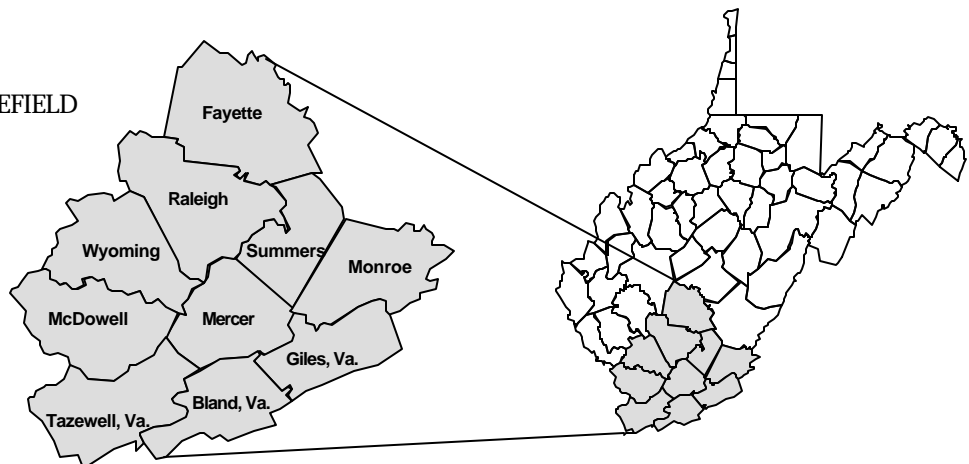
The outlook for the region calls for continued economic growth, if the national economy avoids recession during the 2000-2004 period. However, job and income gains are also expected to come at a slower pace than during the 1990-1998 period (and at a slower rate than is currently expected for the state or the nation) and are expected to be accompanied by population losses.

Beckley-Bluefield Region in Perspective

The Beckley-Bluefield region (as shown in Figure 1) includes Fayette, McDowell, Mercer, Monroe, Raleigh, Summers, and Wyoming counties in West Virginia and Bland, Giles, and Tazewell counties in Virginia. The region is defined by 1990 Census commuting patterns to and from Raleigh and Mercer counties.

Population for the 10 counties was 342,800 in 1999 and the seven West Virginia counties accounted for 15.1 percent of state residents. Resident employment in the region was 130,000 in 1999 and the West Virginia counties in the region represented 13.1 percent of the state's resident employment.

FIGURE 1
THE BECKLEY-BLUEFIELD
REGION



The counties in the Beckley-Bluefield region are diverse in terms of size, income, and employment. Table 1 shows various economic indicators used to describe counties. Raleigh County is the largest in terms of population and employment level, while Bland County recorded the lowest population and employment. In addition, Raleigh County recorded the fastest rate of job growth in the region, growing more than twice as fast as the state during the 1990-1998 period.

Compared to the state's median household income of \$25,354 only Raleigh County fared better than the state with \$26,350. All three Virginia counties recorded higher median incomes than West Virginia, but lower median incomes than the nation (\$34,076). Unlike personal income, median household income is calculated using money income, which excludes non-cash sources of income like fringe benefits, Medicare, and Medicaid.

TABLE 1
BECKLEY-BLUEFIELD REGION SELECTED ECONOMIC INDICATORS BY COUNTY

	Population		Resident Employment	Covered Job Growth	Per Capita Personal Income		Median Household Income	Poverty Rate
	Av. An. G.R.		1999	Av. An. G.R. 1990-1998(%)	Av. An. G.R.		1995(\$)	1995(%)
	1999	1990-1999(%)			1997(\$)	1990-1997(%)		
Bland, Va.	6,795	0.4	3,419	0.9	15,162	3.3	29,236	10.6
Fayette	46,785	-0.3	16,520	2.0	16,232	4.9	22,655	25.8
Giles, Va.	16,315	0.0	7,937	0.2	18,408	3.4	30,059	12.0
McDowell	29,306	-1.9	6,470	-1.6	13,480	4.0	17,706	36.8
Mercer	64,132	-0.1	27,230	1.1	19,300	4.0	25,046	22.0
Monroe	13,296	0.8	5,180	1.0	14,388	2.7	24,007	19.1
Raleigh	78,947	0.3	32,920	3.2	18,405	4.2	26,350	21.0
Summers	13,863	-0.2	4,050	1.4	13,617	4.7	20,668	29.1
Tazewell, Va.	46,343	0.1	18,621	1.2	17,805	3.6	25,920	18.7
Wyoming	26,987	-0.8	7,420	0.7	13,816	3.7	22,959	26.8
Beckley-Bluefield	342,769	-0.2	129,768	1.5	16,984	4.1	n/a	n/a
West Virginia	1,806,928	0.1	763,000	1.5	18,724	4.1	25,354	19.9
U.S.	272,690,813	1.0	133,488,000	1.7	25,288	4.0	34,076	13.8

Population data are from the March 2000 Census Release.

Resident employment estimates for West Virginia are from the West Virginia Bureau of Employment Programs; Virginia resident employment data are from the Virginia Employment Commission.

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

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

Covered job estimates are from the Bureau of Labor Statistics.

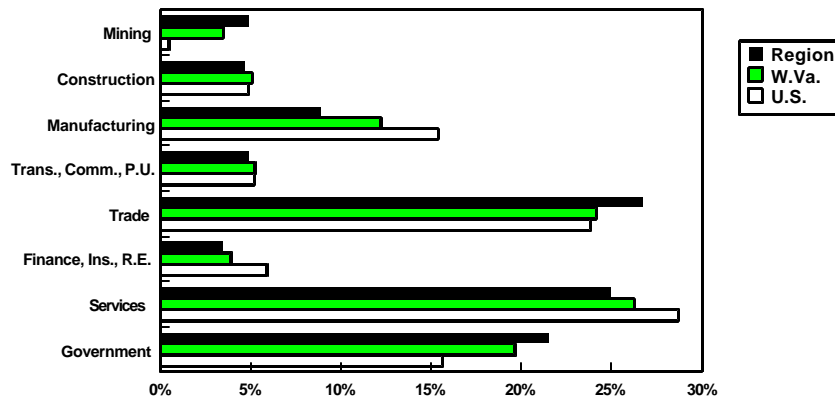
Poverty rates in the counties throughout the region are also diverse. The poverty rate is the share of a region's population whose income falls below certain thresholds which vary by family size and composition. Bland County, Virginia recorded the lowest poverty rate in the region with 10.6 percent, and McDowell County recorded the highest rate with 36.8 percent.

Per capita personal income in the region registered \$16,984 in 1997, the most recent year for which we have data. Mercer County recorded the highest per capita personal income in 1997 (\$19,300), while McDowell County registered the lowest (\$13,480). Per capita personal income is a very broad measure of income. It includes earnings from work (including fringe benefits); income from dividends, interest, and rent; and transfer income (including Social Security, Medicare, Medicaid, and welfare payments).

As Figure 2 shows, industry employment shares in the Beckley-Bluefield region were different than the national average. The regional share of jobs in mining was above both the national average and the state average in 1998, primarily due to coal mining. Indeed, in 1998 the West Virginia counties in the region accounted for 18.3 percent of state coal production. The regional shares of jobs in trade and government were also above both the state and the national averages in 1998, reflecting the region's extensive highway infrastructure.

The regional share of the manufacturing industry was well below both the state and national share of that industry in 1998. The largest manufacturing sectors in the region are chemical products (especially man-made fibers), industrial machinery (especially mining machinery), and lumber and wood products. In 1998, the region also lagged behind the state and the nation in the share of jobs in services and finance, insurance, and real estate.

FIGURE 2
BECKLEY-BLUEFIELD REGION 1998 COVERED
EMPLOYMENT SHARES RELATIVE TO THE STATE AND THE NATION



Note: This employment data is from ES-202.

Recent Developments

The Beckley-Bluefield region recorded solid job growth from 1990 to 1998, adding jobs at an average annual rate of 1.5 percent per year and meeting the statewide average of 1.5 percent. As Figure 3 shows, job growth performance in the region was significantly better than the state in construction and transportation, communication, and public utilities (TCPU), while statewide job losses in mining and manufacturing exceeded the region's average. Most TCPU sectors registered job gains in the region, with the notable exception of public utilities. Regional job gains in trade and the finance, insurance, and real estate sector fell short of the state rate of growth.

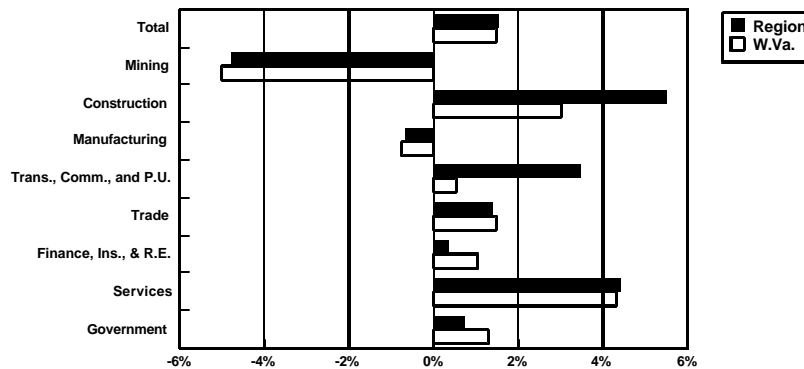
The region kept pace with the state in services job growth, which includes health care, business, social, and travel-related services (among others). The services sector alone has generated 64 percent of net job gains in the region during the 1990-1998 period. Business, health care, and social services have accounted for roughly two-thirds of services job growth in the region during the 1990-1998 period.

The unemployment rate in the region averaged 7.5 percent in 1999, 0.9 percent more than the average for the state and 3.3 percentage points above the national rate. In addition, the Beckley-Bluefield region unemployment rate has recorded strong declines since 1992, when it averaged 12.6 percent.

In terms of population, the region recorded a net decline between 1990 and 1999, losing residents at a rate of 0.2 percent per year. Statewide population growth averaged 0.1 percent per year during the period, while national growth averaged 1.0 percent per year.

The region recorded per capita personal income growth of 4.1 percent per year during the 1990-97 period, meeting the statewide growth rate of 4.1 percent and exceeding the national growth rate of 4.0 percent.

FIGURE 3
ANNUAL NONFARM JOB GROWTH: 1990-1998
W.VA. AND THE BECKLEY-BLUEFIELD REGION



Forecast: 1999-2004

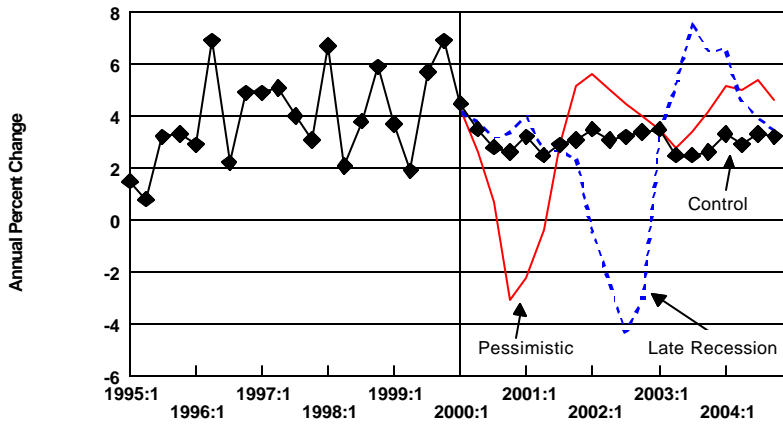
The forecast for the Beckley-Bluefield region depends on the performance of the national economy. If the national economy falls into recession, the Beckley-Bluefield region will likely turn down as well. The control (or baseline) forecast for the U.S. economy, prepared by DRI/McGraw-Hill in March 2000, calls for the U.S. economy to avoid recession during the 2000-2004 period. Real gross domestic product growth is forecast to average 3.3 percent per year. The national unemployment rate is forecast to briefly fall below 4.0 percent and then stabilize at a level just over 4.0 percent. Inflation accelerates slightly, from 2.2 percent in 1999 to 2.6 percent by 2004. The forecast calls for interest rates to rise through the end of 2000, and then settle back to just above current levels. The U.S. forecast is summarized in Table 2.

TABLE 2
U.S. FORECAST
STANDARD & POOR'S DRI MARCH 2000

	Years					
	Actual 1999	Forecast				
	2000	2001	2002	2003	2004	
	Annual Percent Change					
Real GDP	4.1	4.4	2.9	3.2	3.1	3.0
Industrial Production	3.5	4.1	2.0	3.7	3.6	2.7
Nonfarm Employment	2.2	2.2	1.4	1.2	1.2	1.2
Personal Income	5.9	6.3	5.2	5.0	5.2	5.2
Personal Consumption Deflator	1.6	1.9	1.8	2.3	2.4	2.3
	Unemployment and Interest Rates					
Unemployment Rate	4.2	3.9	4.1	4.3	4.3	4.3
Federal Funds Rate	4.97	6.25	6.48	5.95	5.75	5.75
Thirty-Year Treasury Bond Yield	5.87	6.28	6.19	6.00	5.80	5.79
	Federal Government					
Federal Budget Surplus (FY, \$Bil)	102.3	146.9	163.5	175.0	226.8	230.6
	International Trade					
Real Export Growth (GDP Basis)	3.6	6.7	7.3	8.7	8.6	8.2
Real Import Growth (GDP Basis)	11.8	11.1	6.6	5.3	7.1	7.5

However, it is possible that the U.S. economy could fall into recession in the near future. Two recession scenarios explored by Standard & Poor's DRI are shown in Figure 4. The Pessimistic scenario calls for a recession in the near term, caused by a large correction in the stock market, which drastically reduces consumer confidence and consumption spending. The Late Recession scenario assumes that the Federal Reserve allows inflation to rapidly accelerate and thus finds it necessary to raise short-term interest rates well above current levels, generating a recession in 2002.

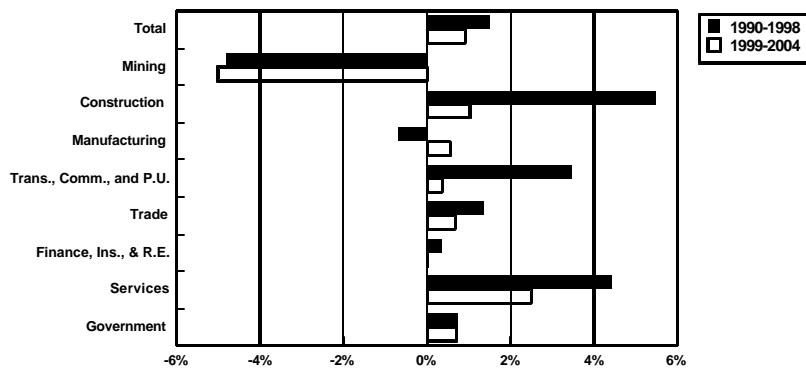
FIGURE 4
 REAL U.S. GDP GROWTH: THREE SCENARIOS
 FORECAST FROM STANDARD & POOR'S DRI



The Beckley-Bluefield region forecast, summarized in Table 3, is based on the control (or baseline) national forecast. In this scenario, the national economy slows during the next few years, but avoids recession. Based on this national forecast, the Beckley-Bluefield region is likely to continue to add jobs and register further increases in inflation-adjusted per capita personal income. However, those gains are expected to come at a slower pace during the next five years than they did during the 1990s.

Figure 5 gives an indication of why job growth in the region is expected to slow. Mining job losses (primarily coal mining) are forecast to worsen slightly during the 1999-2004 period. Continuing pressure on the industry from coal produced elsewhere (within the U.S. and abroad) and from continuing environmental concerns drive the expected job losses. Construction jobs stabilize near current levels during the forecast, in contrast to the vigorous growth during the 1990-1998 period.

FIGURE 5
 BECKLEY-BLUEFIELD REGION
 ANNUAL JOB GROWTH: HISTORY AND FORECAST



Manufacturing jobs are expected to be a bright spot for the region, with job gains coming at a faster rate than currently expected for the state or the nation. However, most of the slowdown during the forecast originates in the service-producing sector, with slower gains in trade, services, and government. This slower growth is fueled by the loss of high-paying coal mining jobs and by expected slower job gains in health care and social services.

Slower (but continuing) job growth results in a stabilized unemployment rate near current levels, in part because of moderate population losses.

Inflation-adjusted personal income growth is reduced both by slower job growth and by strong job losses in the high-paying coal mining sector. However, since the region is forecast to register population declines during the forecast, per capita personal income growth keeps pace with the state average.

DATA GLOSSARY

Forecast data for West Virginia and the Beckley-Bluefield 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 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 by 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 wvbeis.be.wvu.edu/public/default.htm. Population estimates reflect the number of persons whose usual place of residence was within the state or county on July 1 of the 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 wvbeis.be.wvu.edu/public/default.htm.

TABLE 3
BECKLEY-BLUEFIELD REGION EMPLOYMENT, POPULATION, AND INCOME FORECASTS

	Actual			Forecast						Annual Growth			
	1996	1997	1998	1999	2000	2001	2002	2003	2004	Region	Region(%)	W.Va.(%)	U.S.(%)
	1996	1997	1998	1999	2000	2001	2002	2003	2004	1999-2004	1999-2004	1999-2004	1999-2004
Covered Nonagricultural Employment by Industry*													
Total	102,138	103,246	103,831	103,999	105,030	105,865	106,765	107,748	108,885	977	0.9	1.1	1.5
Goods Producing	19,830	19,785	19,126	18,436	18,336	18,182	18,047	17,978	17,949	-97	-0.5	-0.6	-1.0
Mining	5,633	5,369	5,037	4,420	4,159	3,954	3,766	3,588	3,418	-200	-5.0	-7.1	-3.2
Construction	4,589	4,698	4,887	4,906	4,924	4,918	4,986	5,077	5,164	52	1.0	1.4	1.1
Manufacturing	9,608	9,718	9,202	9,110	9,253	9,310	9,294	9,313	9,366	51	0.6	-0.1	-1.7
Service Producing	82,308	83,461	84,705	85,563	86,694	87,683	88,719	89,770	90,936	1,075	1.2	1.5	2.0
Trans., Comm., P.U.	4,759	5,025	5,037	4,916	4,892	4,906	4,935	4,969	5,006	18	0.4	0.1	1.6
Trade	27,505	27,564	27,794	28,052	28,414	28,592	28,737	28,874	29,030	196	0.7	0.9	1.2
Finance, Ins., R.E.	3,492	3,674	3,592	3,512	3,443	3,454	3,493	3,514	3,515	1	0.0	1.1	1.8
Services	24,376	25,062	25,926	26,584	27,184	27,843	28,528	29,240	30,066	697	2.5	2.6	3.1
Government	22,176	22,136	22,356	22,500	22,761	22,887	23,025	23,171	23,319	164	0.7	0.8	1.2
Civilian Labor Force, Employment, and Unemployment													
Labor Force	138,619	138,148	137,733	140,316	140,849	141,868	143,062	143,926	145,344	1,006	0.7	0.6	1.3
Employment	127,145	127,427	127,195	129,768	130,746	131,550	132,412	133,360	134,468	940	0.7	0.6	1.3
Unemployment Rate	8.3	7.8	7.7	7.5	7.2	7.3	7.4	7.3	7.5	0.0	-0.1	-0.5	0.5
Population (Thousands)													
Total Population	347.7	346.4	344.8	342.8	340.6	338.6	336.6	334.5	332.5	-2.1	-0.6	0.0	0.9
Real Personal Income (Millions of 1996 Dollars)													
Total Personal Income	5,712	5,786	5,833	5,864	5,932	5,986	6,059	6,138	6,225	72	1.2	1.5	3.2
Wage and Salary	2,491	2,536	2,578	2,591	2,619	2,633	2,665	2,699	2,738	29	1.1	1.2	3.5
Other Labor Income	273	264	255	247	240	236	234	233	232	-3	-1.2	0.1	2.3
Proprietors' Income	293	301	300	300	296	293	293	295	297	-1	-0.2	0.9	2.5
Div., Int., Rent	797	804	816	828	840	854	866	879	892	13	1.5	1.0	2.7
Transfer Income	1,870	1,892	1,908	1,929	1,955	1,994	2,028	2,065	2,105	35	1.8	2.5	3.2

The Beckley-Bluefield Region includes Fayette, McDowell, Mercer, Monroe, Raleigh, Summers, and Wyoming Counties in West Virginia and Bland, Giles, and Tazewell Counties in Virginia.

* 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.

The West Virginia forecast is from the West Virginia Economic Outlook 2000. The U.S. forecast is from Standard & Poor's DRI, March 2000.

Beckley-Bluefield Region Outlook

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