Recent Economic Performance

While the Huntington Area\(^1\) avoided the protracted economic downturn that plagued much of the state between early-2012 and late-2016, the region’s economy has failed to notch any measurable growth since 2010. In fact, even as statewide economic conditions have improved over the past two years thanks to a surge in production and construction activity originating from the energy sector, the Huntington Area has seen payrolls trend slightly lower over the same time period. Overall, the Huntington Area’s economy as a whole has not displayed any widespread weaknesses per se in recent years, but significant losses in a few sectors combined with moderate growth in other sectors have made the region’s economy a sluggish performer for nearly a decade.\(^2\)

PERFORMANCE BY COUNTY The five counties in the Huntington Area have seen rather substantial variation in growth, much of which is to be expected given some of the notable differences that exist between their underlying economic drivers. Cabell County is the region’s primary economic and population hub thanks to the urbanized area in and around the City of Huntington, which serves as a concentration center for healthcare due to the presence of Cabell-Huntington Hospital and other major provider facilities. In addition, Marshall University’s presence helps to stabilize the area to some extent and provides the area the additional benefits that arise from containing a public university. Finally, Cabell County is also home the regional headquarters and large facilities for an array of private industry, which enables it to be the core county in the area and the major destination for commuters coming into the area to work.

Despite the overall importance of Cabell County in determining the economic outcomes of the region, Putnam County happens to be the Huntington Area’s most flexible and productive economy due to a diverse mix of employers as well as a series of capacity expansions at Toyota Motor Manufacturing’s plant in Buffalo. Lawrence County, OH has experienced relatively constant payrolls over the past few years, as the county has struggled to recover from plunging river barge and rail activity as the Central Appalachian coal industry struggles with its long-term structural decline. Boyd County, KY, has endured many of these same issues related to the downturn in coal-related transportation, but the county’s economy has arguably

\(^1\) For the purposes of this report, The Huntington Area is comprised of five counties: Cabell, Putnam, and Wayne counties in West Virginia, Boyd County in Kentucky and Lawrence County in Ohio.

\(^2\) Sources for historical information are noted in each figure.
driven the region’s overall stagnation since 2010 due in part to the continued decline of domestic metals manufacturing, which includes AK Steel’s announcement to close its Ashland Works plant at the end of this year. Wayne County has experienced the largest percentage losses within the region, entirely as a result of the collapse in domestic demand for steam coal in electricity generation. This market trend precipitated the 2015 closure and sale of Alpha Natural Resources’ Rockspring Development mine and prep plant, which led to the direct loss of more than 400 jobs and additional losses as many of the county’s other businesses were part of the mine’s supply chain or depended upon the spending patterns of highly-paid coal miners.

MANUFACTURING Although its overall footprint in the regional economy has declined over the past few decades, just as it has at the state and national levels, the Huntington Area’s manufacturing sector remains a key part of the area’s economic makeup thanks to a large contingent of metals, plastics, and automotive manufacturers. This sector has experienced some notable job losses over the past decade or so, including the announcement by AK Steel that it will fully shutter the Ashland Works facility in 2019. Although the plant had been mostly idle since a larger layoff event in 2015, the impending closure will result in the loss of another 230 jobs. Despite some of these recent difficulties, the sector it has notched moderate gains in employment since mid-2016. Most of the job growth has occurred within the auto parts manufacturing sector, mostly due to a series of capacity expansion projects by Toyota and Allevar Sogefi USA. Both companies have undertaken a series of upgrades at their respective facilities in Putnam and Wayne counties – including announcements by Toyota in 2017 and 2019 that it will rapidly raise production capacity of transaxles for hybrid vehicles up to 240,000 per year by 2022.

COAL MINING While accounting for a small share of the Huntington Area’s economy, coal mining has played a significant role in shaping the region’s sluggish economic performance over the past several years. The regions surrounding the Huntington have traditionally been dominant players in producing steam coal utilized by coal-fired power plants throughout the US, but a combination of shifting market dynamics and regulatory policy changes caused the region’s coal to fall out of favor. Wayne County accounted for the vast majority of area coal production, but has seen output plunge to less than 10,000 short tons in 2018 compared to 4.1 million tons in 2013. Since prep plants remain in operation in the region, overall coal mine employment has dropped from as many as 900 in late-2012/early-2013 to fewer than 100 by late-2018.

The reach of the coal industry’s struggles has extended beyond that of just the people directly employed by mines and prep plants in the region. For example, given that a sizable share of the region’s transportation industry is linked directly to moving coal shipments by barge, rail, and heavy trucks, the coal industry’s steep downturn in recent years has generated significant downward pressure on the four-county area’s transportation and warehousing companies. In fact, the sector shed nearly 1,500 jobs in the past decade, or roughly one-third of its base over that time period. The utilities sector, which pays wages well above regional averages for most industries, has also been a source of volatility over the past several years. While the John E. Amos power plant is not at risk for closure, weak electricity demand growth and competition from other fuel sources, especially natural gas, have reduced the plant’s capacity utilization rates in recent years.
OTHER SECTORS In terms of sectors affected by consumer spending, the region’s retail and leisure and hospitality sectors have encountered noticeably different fortunes in recent years. Up until early-2017, retail trade had held in a relatively stable range of employment for nearly a decade. Over subsequent quarters, however, the sector has seen abrupt shifts in consumer behavior and increased penetration by Amazon and online ordering platforms in general that has precipitated significant reorganization that has pushed many traditional brick-and-mortar retailers into outright bankruptcy liquidations or downsizings, resulting in large layoffs at the local, state and national levels. By comparison, the leisure and hospitality sector has enjoyed relatively consistent job gains as consumers remain willing to spend their income gains in restaurants and other similar venues.

The education and health sector is the Huntington Area’s second most prominent source of employment, and is responsible for over 21 percent of jobs in the area in 2017. This sector played a key stabilizing force by counterbalancing the losses that have occurred in transportation, coal and a few other sectors. Among the Huntington Area’s largest employers are the St. Mary’s Medical Center, Cabell Huntington Hospital, and the Charleston Area Medical Center, which serve as not only a vital source for a mix of high- and low-skill jobs for area residents, but they also function as an important medium for fostering improvements in healthcare technology and pharmaceutical innovation.

UNEMPLOYMENT The Huntington Area’s unemployment rate generally falls in lockstep with the statewide average. Indeed, the region’s overall jobless rate trended downward from its cyclical peak of nearly 9 percent in late-2010 down to 5.2 percent in late-2017. The rate has hovered around 5.3 percent over the past several quarters due to some of the region’s recent economic volatility. At the county level in the Huntington area, the unemployment rate falls between the upper-4.0 percent range for Cabell and Putnam counties up to roughly 6.0 percent in Boyd and Wayne counties.

LABOR FORCE Since 2010, the Huntington Area’s labor force has shrunk by approximately 10,000 people. Most of this decline reflects the region’s population loses as well as underlying demographic trends that include an aging population and poor health and educational outcomes that have limited job prospects for portions of the Huntington Area’s residents. The area’s weaker economic conditions compared to other small and medium-sized urbanized areas in nearby states have also played a factor as they have precipitated increases in out-migration. Cabell, Lawrence and Boyd counties have accounted for most of the region’s labor force attrition, but Putnam and Wayne counties have not recorded much appreciable growth in the number of labor force participants since 2010 as well. Labor force participation in
the Huntington area is slightly above the state average, with individual county rates varying from around 47 percent in Wayne County to a high of 59 percent in Putnam County.

**INCOME** Per capita income (not adjusted for inflation) in the Huntington area in 2017 was estimated to be $38,200 and has increased nearly 2 percent per year since 2011, both of which are in line with the statewide average but trail the corresponding level and rate of growth achieved over this time frame by a sizable margin ($51,700 and 3.2 percent).

At the county level, per capita income in 2017 varied from just below $31,000 in Lawrence and Wayne counties to $44,300 in Putnam County.

Per capita income levels tend to be higher in Putnam County due to a higher labor force participation rate and a greater prevalence of dual-income households. Furthermore, the county contains several high-paying employers such as Toyota and the John E. Amos power plant. Cabell also enjoys several high-paying employers such as Marshall University and several large hospitals. Due to the combined effects of several underlying demographic and socioeconomic characteristics, federal government transfer payments such as Social Security, Medicare, unemployment insurance, etc. account for a relatively large share of total personal income in the region.

**POPULATION** The Huntington area has lost 6,500 residents since 2012, leaving the area with roughly the same population that it had during the early-1990s. At the county level, Wayne County suffered the largest percentage decline over the last five years, losing approximately 1,900 residents (4.6 percent) since 2012. Putnam County gained a small number of residents over this same time period, while Cabell lost approximately 3,400 residents – or a 3.8 percent decline.

**DEMOGRAPHIC CHARACTERISTICS** Consistent with West Virginia overall, population in the Huntington Area has been negatively affected by deaths consistently outnumbering births.
Part of this is due to the area’s larger-than-normal share of elderly residents, but also due to higher death rates from a host of issues ranging from heart disease to drug overdoses among younger people living in the region. Finally, the five-county area, though slightly ahead of statewide figures, lags the nation in measures of educational attainment. Even with a large higher education presence in the region, less than 21 percent of residents aged 25 years and older possess at least a bachelor’s degree, more than 10 percentage points behind the nation as a whole.

### Figure 9: Summary Population Profiles

<table>
<thead>
<tr>
<th></th>
<th>Huntington Area</th>
<th>West Virginia</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population (2017)</td>
<td>300,131</td>
<td>1,815,857</td>
<td>325,719,178</td>
</tr>
<tr>
<td>% Population Under 18 (2017)</td>
<td>21.2%</td>
<td>20.4%</td>
<td>22.6%</td>
</tr>
<tr>
<td>% Population 65 Years + (2017)</td>
<td>18.7%</td>
<td>19.4%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Population with Less than High School Diploma (2017, 25 yrs.+)</td>
<td>13.0%</td>
<td>14.1%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Population with High School Diploma, No College (2017, 25 yrs.+)</td>
<td>36.9%</td>
<td>40.6%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Population with Some College (2017, 25 yrs.+)</td>
<td>29.7%</td>
<td>25.4%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Population with Bachelor's Degree or Higher (2017, 25 yrs.+)</td>
<td>20.5%</td>
<td>19.9%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Median Age (2017)</td>
<td>41.3</td>
<td>42.5</td>
<td>38.0</td>
</tr>
<tr>
<td>Mean Household Income (2017)</td>
<td>$60,817</td>
<td>$59,634</td>
<td>$81,283</td>
</tr>
<tr>
<td>Average Household Size (2017)</td>
<td>2.48</td>
<td>2.46</td>
<td>2.74</td>
</tr>
</tbody>
</table>

Source: US Census Bureau
Economic Outlook

Expectations for the West Virginia and US economies during the 2019-2024 forecast horizon will have a significant impact on the performance of the Huntington Area going forward. The forecast calls for the region to post moderate job growth in the coming years.

Overall, we anticipate total employment will increase at an average annual rate of nearly 0.4 to 0.5 percent through 2024. Payrolls are expected to grow at their fastest rate over the first half of the outlook period, increasing at an average annual rate of 0.7 percent through 2020 due in large part to a burst in construction activity as well as stabilization in several industries that have experienced steep job losses in recent years. Growth will slow considerably over the remainder of the forecast horizon, and even with the gains anticipated over the next five years, overall employment in the Huntington Area will not return to its late-2008 peak level of employment.

GOODS-PRODUCING SECTORS  Construction is expected to among the area’s fastest-growing sectors during the outlook period, as the baseline forecast calls for the Huntington Area to see construction payrolls increase by a pace of just over 0.8 percent annually. Even stronger gains are expected to occur during the first half of the outlook period as most of the large-scale projects will ultimately peak around 2021 and 2022.

Single-family home construction in Putnam County and a few portions of the area’s other counties will buoy overall construction activity, but most of the area’s construction sector growth will be related to infrastructure developments. However, these gains will also be linked to traditional publicly-funded highway and bridge projects. Indeed, the recent completion of the Mountaineer XPress Pipeline included the installation of dozens of miles of 36 inch pipe through the area’s geographic footprint as well as the addition of two compression units and modifications to the Ceredo Compressor Station in Wayne County. The proposed Buckeye XPress Pipeline project, which is under review by the Federal Energy Regulatory Commission (FERC), will replace existing 20- and 24-inch pipeline infrastructure with 36-inch pipe will travel through Lawrence County in Ohio and a portion of Wayne County, WV. The project’s value is estimated at more than $700 million and would include the addition of valves and other equipment as well as further modifications to the Ceredo Compressor Station.

More traditional forms of publicly-funded infrastructure activity will also boost the area’s construction sector, reflecting the passage of the Roads to Prosperity Amendment in 2017. The major rehabilitation projects in the Huntington Area largely revolve around I-64, which will be renovated on a rolling basis over the next couple of years. The largest identified project in the region is the widening of I-64 from US 35 to Nitro, which will include a new bridge across the Kanawha River. Wayne County has one major project targeted, namely constructing a four-lane highway from Prichard Intermodal Facility at an expected cost of $150 million. The overall price tag is estimated at $170 million and represents the second single-largest planned project in the entire state of West Virginia. Other major I-64 projects include $115 million in spending to widen the interstate through Cabell County as well as adding truck

3 All forecast estimates presented herein are derived from the West Virginia University Bureau of Business & Economic Research Econometric Model unless otherwise noted.
pull-out lanes and various intersection enhancements to facilitate traffic flow.

The forecast calls for manufacturing activity in the area to expand moderately during the outlook period, with payrolls increasing at a rate of 0.5 percent annually through 2024. While the Huntington Area’s manufacturing sector will face some continued difficulty in the early part of the forecast period, as AK Steel’s upcoming closure of the Ashland Works facility leads to the loss of 200 jobs. Other metals manufacturers in the region are also expected to see continued pressure from cost competitiveness issues that have plagued the industry for decades, while a portion of the fabricated metals subsector struggles with additional customer losses as coal production trends lower throughout Central Appalachia.

Despite these limitations, the region’s manufacturing sector has some key points of strength that will underpin growth going forward, with opportunities for upside potential. Investments in the region’s natural gas infrastructure vis-à-vis the Mountaineer and Buckeye XPress pipelines, will provide the region’s industrial gas users a consistent source of low-cost feedstock and could at the same time facilitate opportunities for development of downstream natural gas throughout the Ohio and Kanawha River Valleys, including ethylene production and petrochemical/plastics manufacturing in general. Finally, the region’s expanding network of auto parts manufacturing will receive another boost during the outlook period as Toyota expands its Buffalo facility to include the production of roughly 240,000 hybrid vehicle transaxles, leading to the addition of 120 jobs at the Putnam County plant.

EDUCATION & HEALTH SERVICES The education and health services sector will remain a vital element of the Huntington Area’s economy in years to come, due in large part to the area’s status as a regional healthcare center that serves the Tri-State area. Generally poor health outcomes for the five-county region (and the state of West Virginia as a whole) will continue to push healthcare demand higher throughout the outlook period. As a result, education and health services is expected to post average annual growth of 0.7 percent, or 1,000 jobs, over the next 5 years. This growth offers opportunity for the Huntington area by both increasing the number of job opportunities in a relatively high-paying sector, but also increases the sector’s reach in providing even more access to healthcare services to the area’s residents. The ongoing opioid crisis in West Virginia does pose a strain to the system, given the overall scope of the problem in the region and other neighboring counties. If the crisis does not abate from its current trajectory, the growing demand for resources to treat overdose victims would likely crowd out other medical services even further. In addition, continued discussions by the Trump Administration to alter the Affordable Care Act, as well as the law’s ongoing legal challenges, could also negatively affect the Huntington Area’s healthcare sector going forward.

**Figure 11: Huntington Area Employment Growth Forecast by Sector**

The leisure and hospitality sector is consistently responsible for over 10 percent of the Huntington Area’s total employment. We anticipate employment and wage growth will surpass the region’s overall gains by a slight margin, but without capitalizing on opportunities to encourage higher value tourism into the area will cause

**OTHER SERVICE SECTORS** While coal and broader energy production tends to drive a large portion of job growth in the professional and business services sector in other parts of the state, gains are more closely tied to the overall health of the Huntington Area’s economy as well as broader national-level economic conditions. Given that job growth in the five-county region is expected to occur over the next several years and no national economic downturn is currently anticipated, the forecast calls for the area’s front- and back-office operations employers to grow 0.6 percent per year.

Leisure and hospitality sector is consistently responsible for over 10 percent of the Huntington Area’s total employment. We anticipate employment and wage growth will surpass the region’s overall gains by a slight margin, but without capitalizing on opportunities to encourage higher value tourism into the area will cause
the sector’s growth to lag over the longer term. Moreover, even though the recent legalization of sports betting is expected to provide a boost to spending at the Mardi Gras Casino & Resort, the lift will likely be temporary as other states approve sportsbook services. The casino’s gaming services have already faced similar competitive issues from the addition of newer gaming venues in Ohio, Pennsylvania and Maryland – a trend that will likely continue and spread to sports betting services as time progresses.

UNEMPLOYMENT OUTLOOK Unanticipated changes in labor force participation within the Huntington Area’s adult-aged labor force could cause the forecast for the regional unemployment rate to differ significantly from both its projected level and path. With that said, the forecast calls for the regional unemployment rate to fall slightly from its current levels and eventually stabilize at just below 5 percent. For the coming year, the jobless rate is expected to average 5.1 percent. Overall, the expected path of the Huntington Area’s jobless rate puts it largely in line with that of the state but measurably above what is anticipated for the United States as a whole.

While the unemployment rate carries some meaning for the region, it remains critical to focus on labor force participation in the Huntington Area in coming years. Although the region’s rate of workforce participation slightly exceeds the statewide average, it is expected to remain well below the national average. Moreover, some of the region’s more rural areas will face increasing difficulty in attracting new jobs either through businesses expanding their operations or new companies moving into the area without major investments in human capital, whether through vocational skills training, 2-year degrees or some other structured programs.

INCOME The forecast calls for real per capita income in the Huntington area to grow by nearly 1.2 percent annually over the next five years. This falls in line with the statewide average, but inflation-adjusted income growth will continue to lag the national average by a small margin. A pick up in real wage and salary growth over the next couple of years will buoy broader income gains, but federal transfer payments compared to earned income sources (including wages, investment and proprietor’s income) will account for a growing share of the region’s income. Payments to residents via Social Security, Medicare and other safety net programs are expected to rise at an average annual rate of nearly 2 percent per year through 2024.

POPULATION The region’s population is expected to stabilize during the outlook period, with moderate gains in Putnam County offset by slight losses in the region’s other four counties. At the same time, however, the region will continue to face many of the same demographic

![Figure 12: Unemployment Rate Forecast](image)

![Figure 13: Population Forecast](image)
challenges that affect many of West Virginia’s other economic regions.

Three fundamental demographic issues could hinder the region’s growth potential to some degree during the outlook period and over the longer term if they are not addressed in some fashion. First, workers must be educated and/or trained to meet the needs of the job market. Second, the population must be healthy and drug-free in order to consistently contribute to the economy and finally, a large and growing share of elderly population may limit potential economic growth as these households tend not to be part of the labor force and also generate less entrepreneurial activity on average. Each of these issues are already underlying demographic characteristics for much of the region and not improving upon them could seriously undermine the area’s ultimate potential for economic growth.