

Recent Economic Performance

The Huntington Area's¹ economy failed to gain any traction during the 2010s, recording no measurable job over the course of the decade. Unfortunately, the region's economy was dealt another blow by the COVID-19 recession in early-2020. Total payrolls in the five-county area plunged by more than 12,000 over the course of a two-month period, as a combination of public health interventions and plummeting consumer/business confidence led to a major pullback in economic activity throughout the US. The region did enjoy a surge in hiring activity over the course of summer and fall 2020, regaining roughly half of the jobs lost during the initial phases of the COVID-19 pandemic. Surging covid infections and hospitalizations, both regionally and statewide, during the fourth quarter of 2020 did prompt a noticeable slowdown in job growth as health measures were once again tightened and consumers pulled back on in-person economic activity again. In addition, several local healthcare facilities have experienced significant strain on staff and resources over the last six months or so, especially with the closure of Lady of Bellefonte Hospital in early-2020.²

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. These facilities have become ground zero for the Tri-State region's COVID-19 care options, as Eastern Kentucky, Southeastern Ohio and Southwestern West Virginia experienced massive increases in hospitalizations during late-2020/early-2021.

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.

Figure 1: Total Employment

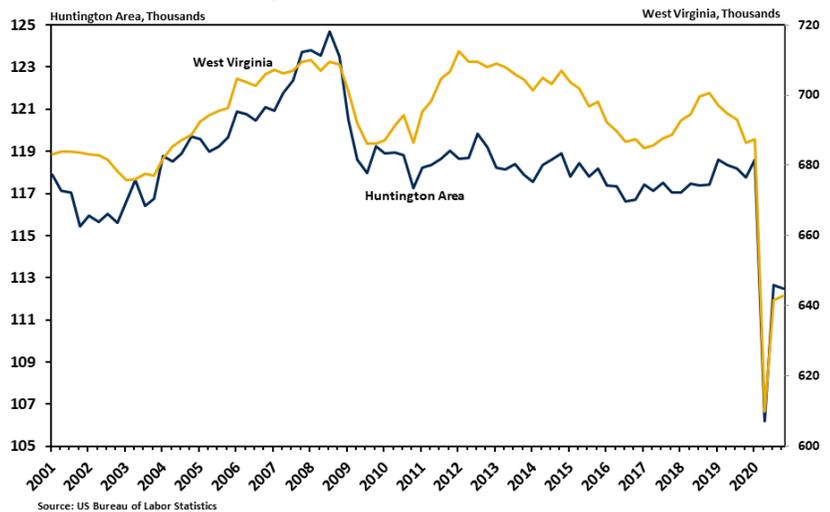
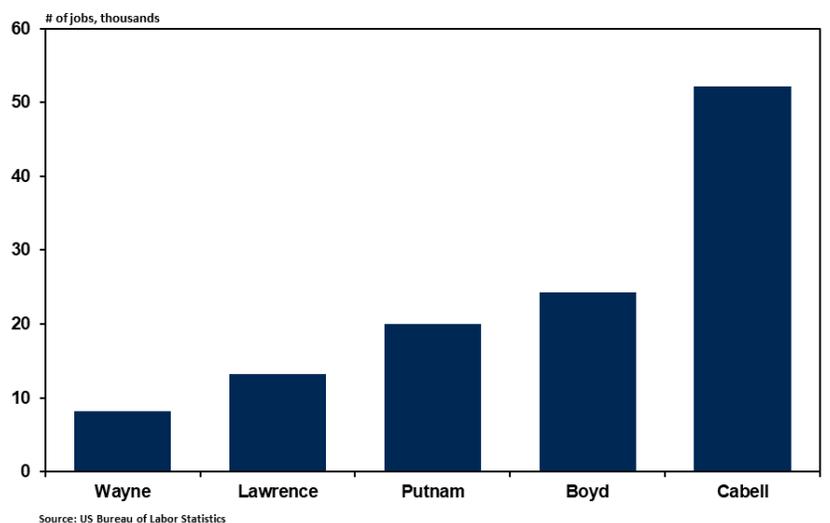


Figure 2: Total Employment by County (2019)

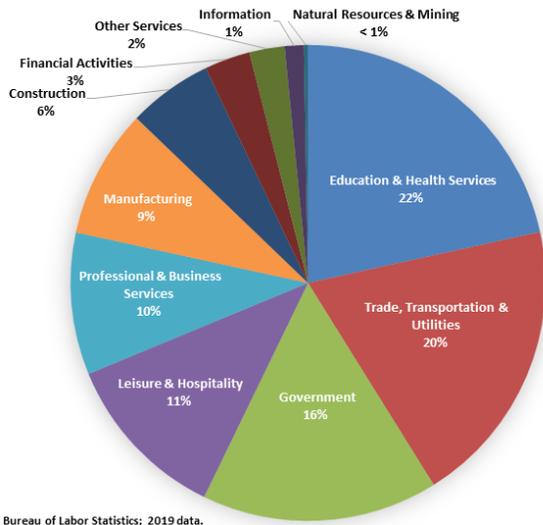


¹ For the purposes of this report, The Huntington Area is comprised of five counties: Cabell, Putnam, and Wayne counties

in West Virginia, Boyd County in Kentucky and Lawrence County in Ohio.

² Sources for historical information are noted in each figure.

Figure 3: Huntington Area Employment Distribution by Sector



Source: US Bureau of Labor Statistics; 2019 data.

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. The auto manufacturer has announced an additional capacity expansion that will result in the addition of more than 100 jobs and has indicated future opportunities for expansion are likely within the next few years.

Lawrence County, OH experienced relatively constant payrolls prior to the pandemic, 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 driven the region’s overall stagnation since 2010 due in part to the continued decline of domestic metals manufacturing, which included AK Steel’s announcement to close its Ashland Works plant in 2019.

Wayne County has experienced the largest percentage losses within the region, entirely because 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.

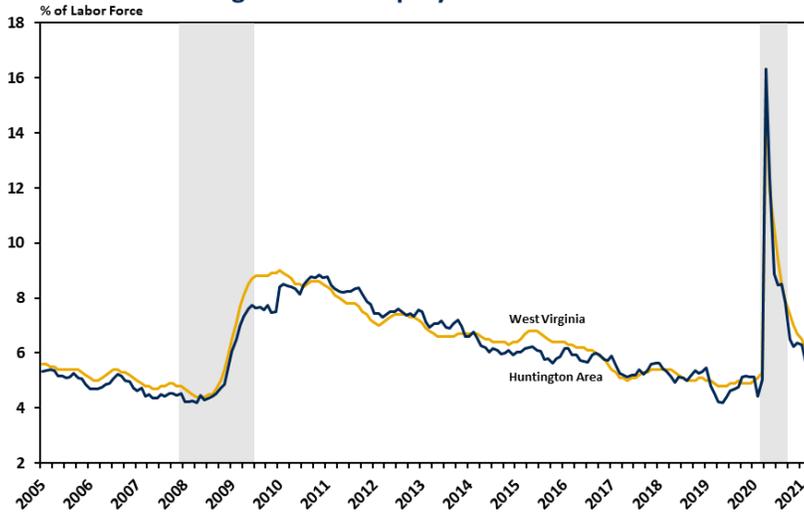
MANUFACTURING Although its overall footprint in the regional economy has declined over the past few decades, just as it has at the state and national levels, the Huntington Area’s manufacturing sector remains a key part of the area’s economic makeup thanks to a large contingent of metals, plastics, and automotive manufacturers. This sector has experienced some notable job losses over the past decade or so, including the closure of AK Steel. Although the plant had been mostly idle since a larger layoff event in 2015, the latest closure resulted in the loss of another 230 jobs. Despite some of these recent difficulties, the sector 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 Allevard 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 zero tons in 2019 compared to 4.1 million tons in 2013 as area operations were shuttered due to a cascade of bankruptcies by Alpha, Cliffs, and other producers over the years.

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 the past several years has generated significant downward

Figure 4: Unemployment Rate



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 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 yet 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.

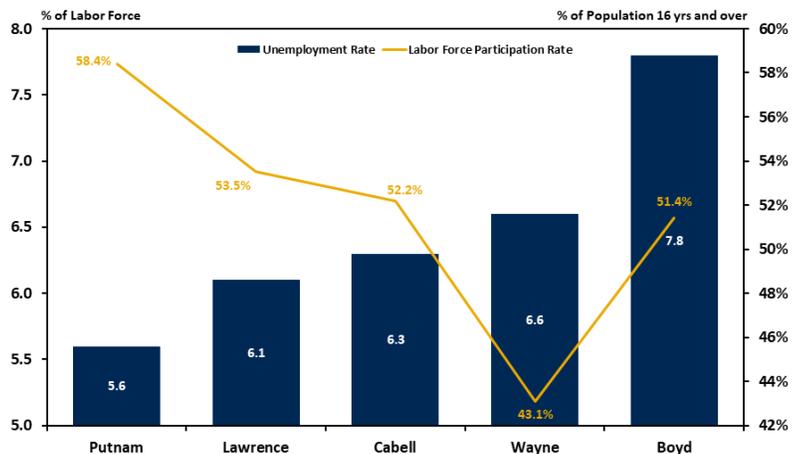
SERVICE SECTORS In terms of sectors affected by consumer spending, the region’s retail and leisure and hospitality sectors have encountered noticeably different fortunes in recent years. Up until early-2017, retail trade had held in a relatively stable range of employment for nearly a decade. Over subsequent 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. The retail trade sector was hit hard during the COVID-19 recession as well, as capacity restraints by public health authorities and consumer fears over becoming infected with the virus in indoor settings have weighed on in-person shopping activity. Moreover, the pandemic has also served to

reinforce online consumer spending trends already mentioned above and is expected to continue long after the pandemic ends.

The leisure and hospitality sector had enjoyed relatively consistent job gains prior to 2020, but this sector has been the hardest hit of any during the COVID-19 pandemic. Indeed, even after shelter-in-place orders ended the sector’s overall employment plunged to nearly half of its pre-pandemic level due to capacity restrictions on restaurants, hotels, and other indoor venues. Hiring activity has improved over the second half of 2020 the sector’s level of employment is nearly 20 percent below its pre-pandemic total due to continued fears of infection risk and difficulty in attracting workers to these lines of work.

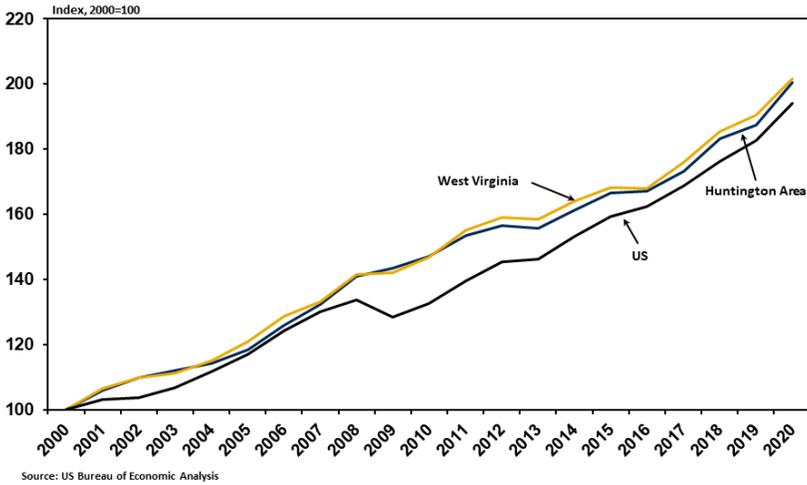
The education and health sector is the Huntington Area’s most prominent source of employment, accounting for more than one in five jobs in the area. In recent times, this sector played a key stabilizing force by counterbalancing the losses that have occurred in transportation, coal and a few other sectors. 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. The sector has faced significant turmoil over the past year or so as the COVID-

Figure 5: Unemployment and Labor Force Participation by County



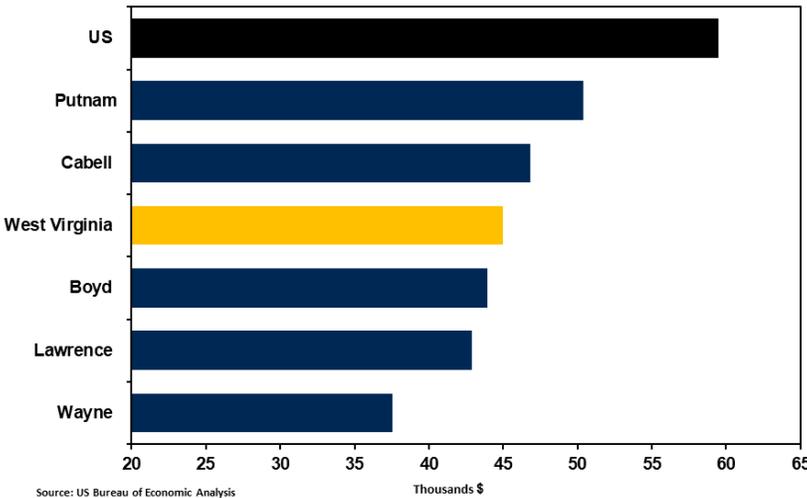
Source: US Bureau of Labor Statistics; US Census Bureau
 Note: Unemployment rate represents 2020Q4 average; Labor force participation rate is 2015-2019 average.

Figure 6: Per Capita Personal Income



Source: US Bureau of Economic Analysis

Figure 7: Per Capita Personal Income by Area (2020)



Source: US Bureau of Economic Analysis

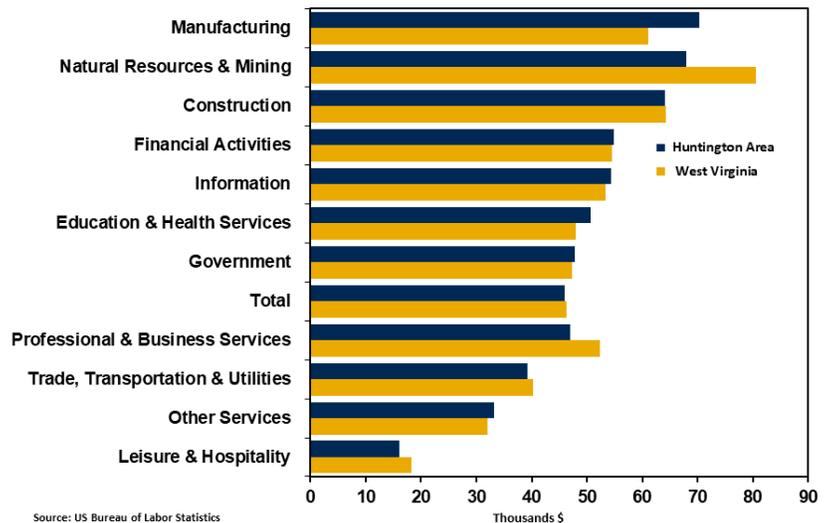
19 pandemic has forced facilities into furloughing workers or re-shuffling staffing responsibilities as non-emergent care was sharply curtailed to account the increased resource demand caused by COVID-19 hospitalizations. Furthermore, the sector took a hit at the onset of the pandemic as Our Lady of Bellefonte in Ashland, KY, was permanently closed.

UNEMPLOYMENT The Huntington Area’s unemployment rate generally falls in lockstep with the statewide average. At the height of the COVID-19 recession, the region’s unemployment rate surged to 16 percent and fell again sharply over the course of 2020 and early-2021 as public health measures were reduced and businesses re-hired workers and began moving toward more

normalized operations. As of February 2021, the five-county area’s jobless rate registered 5.7 percent, only marginally higher than what is observed during periods of more normal economic activity. At the county level in the Huntington area, the unemployment rate falls between the low-5.0 percent range for Putnam County up to the upper-7.0 percent range in Lawrence County, Ohio.

LABOR FORCE Over the past decade or so, 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 43

Figure 8: Average Annual Salary by Major Sector (2019)



Source: US Bureau of Labor Statistics

percent in Wayne County to a high of 58 percent in Putnam County.

INCOME Per capita income (not adjusted for inflation) in the Huntington area in 2020 was estimated to be \$45,000 and has increased 3.2 percent per year since 2010, both of which line up nearly perfectly with the statewide average over this period. Of course, as has been the case nationally, income growth during 2020 was characteristically strong as federal income support vis-à-vis direct payments to households and enhanced spending through UI and other safety net programs raised incomes overall even as wages were lost due to weak business activity.

At the county level, per capita income in 2020 varied from just below \$38,000 in Wayne County to a high of nearly \$50,400 in Putnam County. Indeed, 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.

POPULATION The Huntington area has lost 14,000 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 while Putnam gained a small number of residents over this same period.

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, just 21 percent of residents aged 25 years and older possess at least a bachelor’s degree, 11 percentage points behind the nation.

Figure 9: Summary Population Profiles

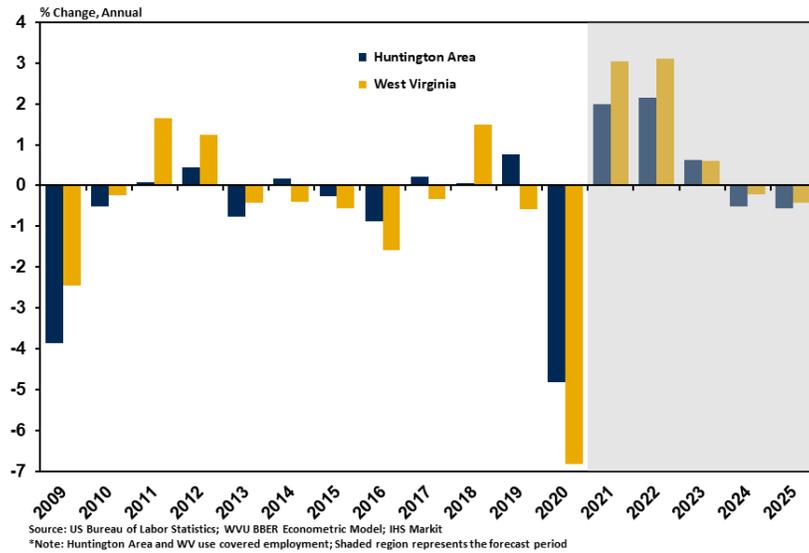
	Huntington Area	West Virginia	United States
Total Population (2019)	293,035	1,782,959	331,893,745
% Population Under 18 (2019)	21.3%	20.1%	22.2%
% Population 65 Years + (2019)	18.7%	22.6%	16.9%
Population with Less than High School Diploma (2019, 25 yrs. +)	12.4%	13.1%	12.0%
Population with High School Diploma, No College (2019, 25 yrs. +)	37.1%	40.3%	27.0%
Population with Some College (2019, 25 yrs. +)	29.2%	25.9%	28.9%
Population with Bachelor's Degree or Higher (2019, 25 yrs.+)	21.1%	20.6%	32.1%
Median Age (2019)	41.7	43.0	38.6
Mean Household Income (2019)	\$63,614	\$65,332	\$91,547
Average Household Size (2019)	2.43	2.40	2.61

Source: US Census Bureau

Economic Outlook

Expectations for the West Virginia and US economies during the 2021-2025 forecast horizon will have a significant impact on the performance of the Huntington Area going forward.³ The forecast calls for the region to post moderate job growth in the coming years.

Figure 10: Employment Growth Forecast



Overall, we anticipate total employment will increase at an average annual rate of roughly 0.8 percent through 2025. Payrolls are expected to grow at their fastest rate over the first half of the outlook period, increasing at an average annual rate of approximately 2 percent during 2021 and 2022 as the recovery from the COVID-19 recession accelerates, particularly for service sector industries encumbered heavily by weak business activity. Wider availability of vaccines and other COVID-19 treatments should also aid in keeping workers healthy and able to re-enter the labor force more fully in the coming quarters.

By mid- to late-2023, the region’s growth will slow considerably, and we anticipate slight declines in payroll levels as the five-county area currently lacks any significant growth drivers that will bolster growth over the longer term. For these reasons, we do not anticipate the Huntington Area surpassing its pre-pandemic level of employment during the outlook period and it will certainly

fall well below the region’s long-run peak observed in the late-2000s.

SERVICE SECTOR RECOVERY The Huntington Area’s economic recovery will be led largely by the sectors hurt most by the COVID-19 pandemic – namely leisure and hospitality and other services. Since these businesses rely on close-contact activity by consumers and employees in indoor settings, an ebbing of the COVID-19 pandemic will be a key step in boosting hiring activity for these establishments between 2021 and 2023. In addition, income growth in 2021 is expected to see further support from the federal government thanks to the American Rescue Plan.

Over the longer term, these sectors will once again respond more to long term trends in income growth as well as broader demand for gaming services. The legalization of sports betting in West Virginia has helped venues such as Mardi Gras Casino & Resort as they cope with stiff competition from newer gaming venues in Ohio, Pennsylvania and Maryland. The extent to which this boost lasts depends on how quickly other states are able to change their own sports gaming laws and the quality of services provided at Mardi Gras and competing casinos.

While its growth is expected to come in below the broader regional average, the education and health services sector should enjoy a moderate recovery in payrolls over the next five years and remain a vital element of the Huntington Area’s economy in the years to come. However, there are risks for the sector’s performance going forward, largely as a result of the pandemic, which has already exacted significant financial tolls or hospitals and led to unprecedented strains of staff and resources. The potential emergence of new SARS-COV2 variants, such as the Delta variant circulating in portions of Asian and Europe, could lead to spikes in hospitalizations once again and push healthcare providers in the Tri-State Area to crisis conditions again.

³ All forecast estimates presented herein are derived from the West Virginia University Bureau of Business & Economic Research Econometric Model unless otherwise noted.

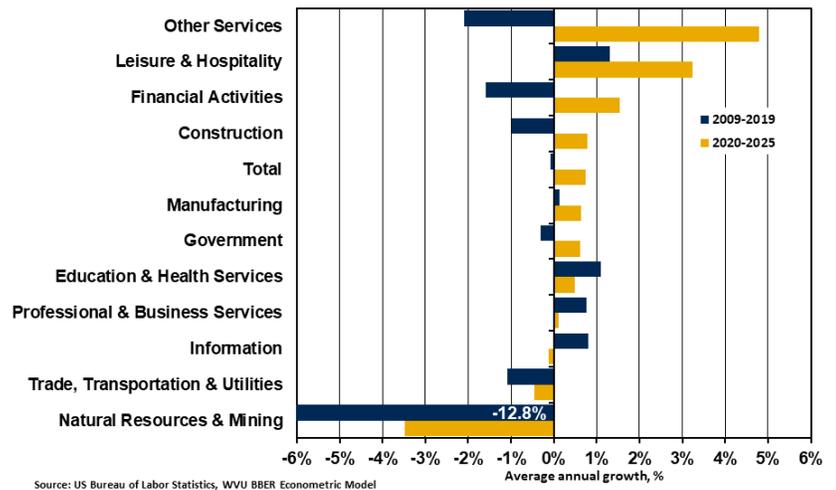
In addition to the risks posed by the pandemic, rising healthcare costs and low profitability have been a long-term issue and were a driving force behind the recent facility closure in Kentucky. Furthermore, generally poor health outcomes for the five-county region (and the state of West Virginia as a whole) and the opioid crisis could pose additional strains to the area's health care system and crowd out other medical services even further.

CONSTRUCTION After a bumpy decade, the region's construction sector is expected to rank among the fastest-growing sectors during the outlook period. Low mortgage rates and strong household balance sheets should provide a significant boost to single-family home construction for the next year or so, particularly in Putnam County and a few other portions of the five-county area. However, infrastructure developments are expected to be the major source of activity, at least during the first half of the outlook period and perhaps even longer depending on the ability of the Biden Administration to secure passage of a multi-year highway and transit infrastructure bill.

State-level infrastructure spending will also buoy the sector's performance during the forecast. 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. Other major I-64 projects include \$115 million in spending to widen the interstate through Cabell County as well as adding truck pull-out lanes and various intersection enhancements to facilitate traffic flow.

MANUFACTURING The forecast calls for manufacturing activity in the area to expand just below the broader regional average during the outlook period. 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

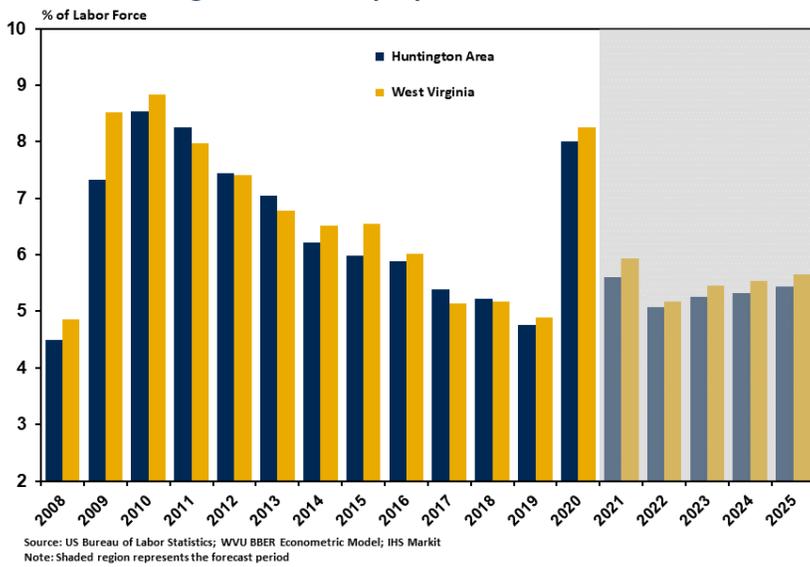
Figure 11: Huntington Area Employment Growth Forecast by Sector



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. Chief among these strengths is the Kanawha and Ohio Valley's expanding network of auto parts manufacturing, much of which is led by continued growth by Toyota at its powertrain equipment manufacturing facility in Buffalo. Indeed, Toyota has already announced the expansion of hybrid transaxle production at the plant, which will soon result in the addition of more than 100 jobs and hundreds of millions in investments. Other expansions are likely in the works as well, as Toyota continues to expand its small engine and hybrid powerplant production to meet changing consumer demand. Finally, ongoing natural gas development in the state already promises a consistent source of low-cost feedstock and could facilitate opportunities for development of downstream natural gas throughout the Ohio and Kanawha River Valleys, including ethylene production and petrochemical/plastics manufacturing in general.

Figure 12: Unemployment Rate Forecast



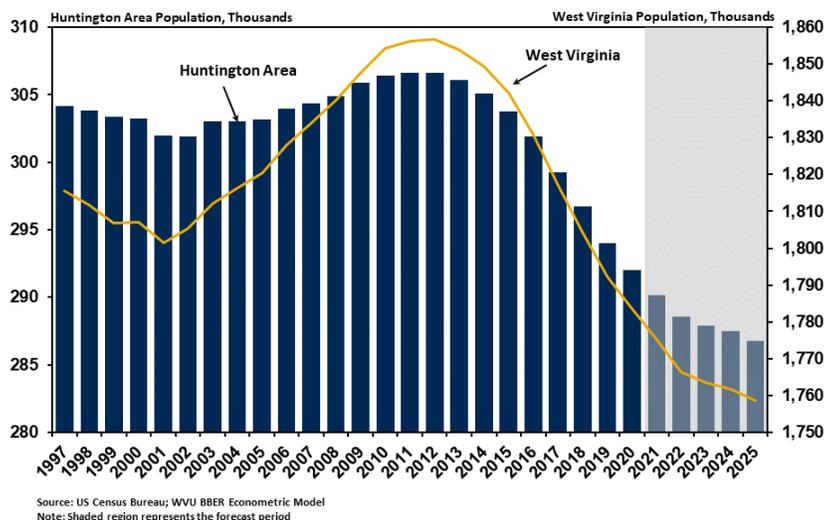
flows largely from the outsized growth in transfer payments that have occurred because of the COVID-19 pandemic. As these temporary enhancements to federal safety net programs expire over the course of 2021 and 2022, it will weigh appreciably on topline personal income. Wage and salary growth is expected to pick up momentum over the next couple of years as businesses are expected to compete strongly for workers to return to the workforce and to entice others to change jobs. Beyond the near-term decline in transfer payments caused by the anticipated expiration of pandemic-related support, payments to residents via Social Security, Medicare and other safety net programs are expected to rise steadily during the latter half of the forecast horizon, due in large part to the

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. The stark rise in unemployment in 2020 was a shock to the area. Fortunately, the recovery has been strong, and the forecast calls for the unemployment rate to stabilize between 5 and 6 percent, which is like the unemployment rate before the pandemic.

area’s high share of elderly.

POPULATION The region’s population is expected to shrink further during the outlook period, but slowly begin to stabilize during the latter half of the five-year horizon. 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 challenges that affect many of West Virginia’s other economic regions.

Figure 13: Population Forecast



As of February 2021, the unemployment rate was 5.7 percent and for the coming year, the jobless rate is expected to drop to a 5.6 percent average. While it is a good sign that the unemployment rate is recovering from the recession, 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.

Three fundamental demographic issues currently hinder the region’s growth potential and will continue to over the long term if they are not addressed. First, the large and continually growing share of the elderly population limits potential economic growth as these households are not

often part of the labor force and generate less entrepreneurial activity on average. Second, the population must be healthy and drug-free to consistently contribute to the economy. Finally, workers must be educated and/or trained to meet the needs of the job market. All three of these issues are already underlying demographic characteristics for the region and the area must seriously address these long-term issues along with the short-term issues that arose with COVID-19. Otherwise, these population issues will continue to cause serious damage to the area's ultimate potential for economic growth.