

The background of the slide is split. On the left, there is a close-up of the Texas state flag, showing the blue field with a white star, the white horizontal stripe, and the red vertical stripe. On the right, there is a dark blue background with a glowing, translucent blue virus particle, representing COVID-19.

South Texas Business Recovery from COVID-19

Progress Report

June 2020



TEXAS A&M
UNIVERSITY
CORPUS
CHRISTI

SOUTH TEXAS ECONOMIC
DEVELOPMENT CENTER

This report reviews changes in South Texas business conditions since the COVID-19 outbreak unfolded in the region. To monitor how the business community has navigated the ongoing pandemic over time, we first compare key findings of the South Texas COVID-19 Task Force surveys conducted in [March](#), [April](#), and [June](#). Next, we supplement the survey results with daily foot traffic and on-site employment data from various private data platforms, such as Google.

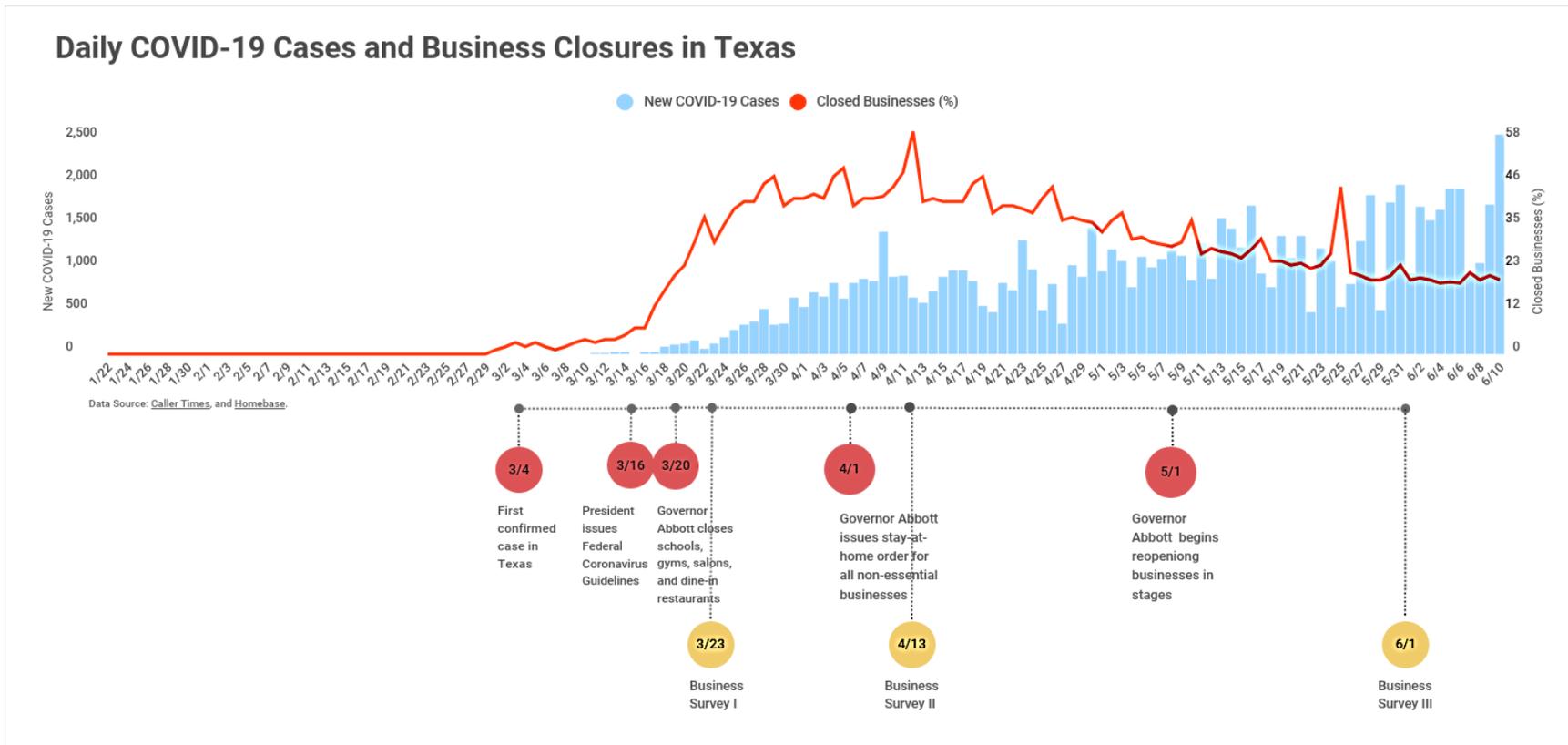
How is our regional economy performing today? Without timely official statistics on local business conditions, our survey and real-time locational data offer a glimpse of the progress we've made in the past month as well as the challenges our businesses are facing. Along with daily on-site and mobility data, the surveys represent snapshots of our regional economy that help us better understand the impacts of statewide lockdown order and business performance after the state began reopening the economy.

Takeaways

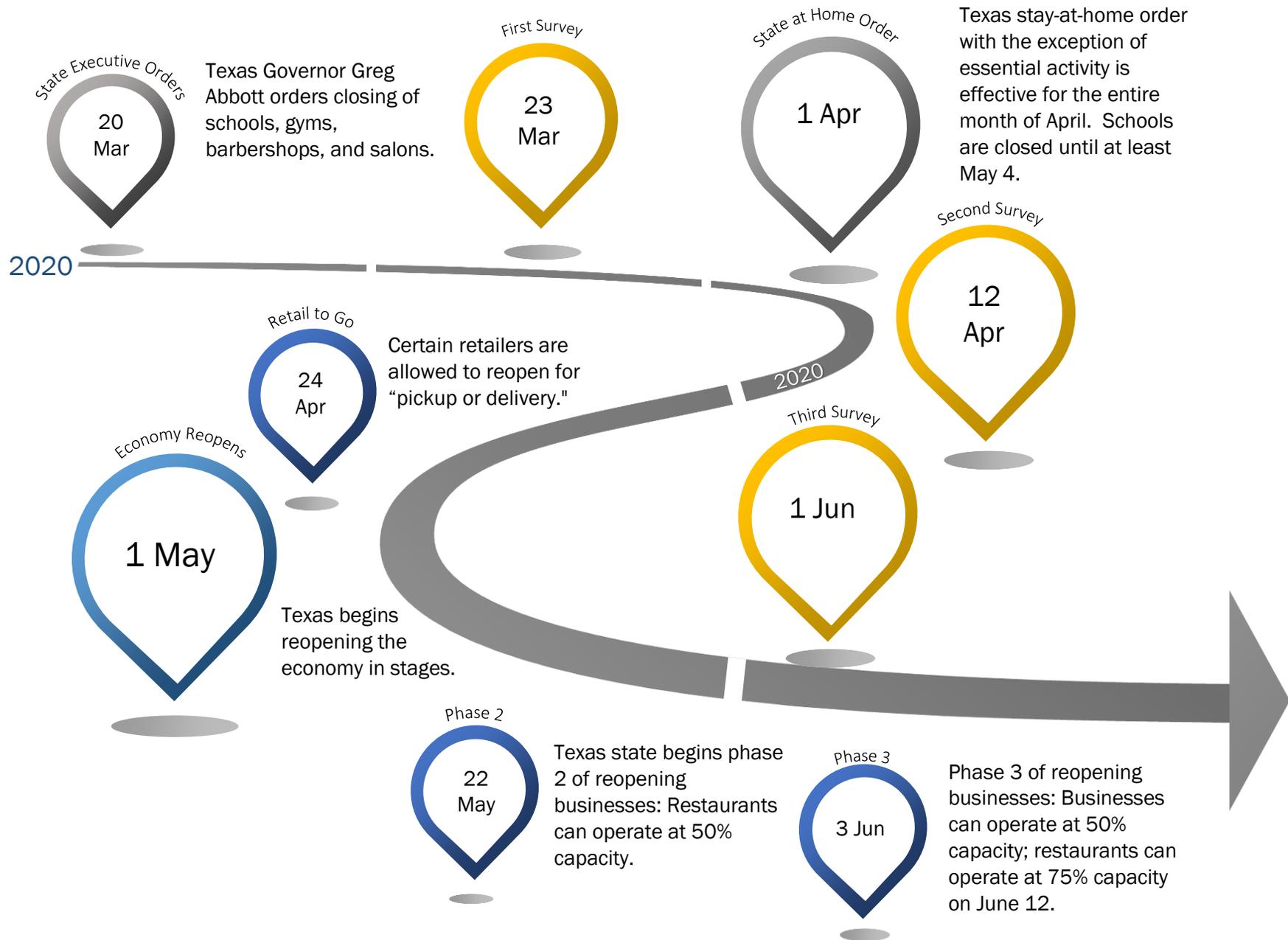
- One month after the state's lifting of its stay-at-home order, more than 90% of businesses in South Texas had reopened. While the vast majority of businesses have returned, industries that are directed affected by the state's social-distancing requirements, including educational, and leisure and hospitality, have been operating well below their pre-pandemic capacity. This has contributed to persistence in unemployment after a historic jump in April.
- The economic toll of COVID-19 is disparately spread across the business community, and various state executive orders along with social distancing behavior since March have likely affected this. Industries that rely heavily on face-to-face interaction with employees and customers have been hit hardest along with steepest revenue losses. The pandemic has also continued to devastate businesses that are particularly vulnerable to supply chain disruptions.
- The COVID-19 economic crisis is likely hitting Corpus Christi and Victoria harder than other large metro areas in Texas. As tourist destinations as well as energy hubs, these areas' employment share of "high risk" industries ([Moody Analytics, 2020](#)) at about 20% is among the highest in Texas, following only Midland, Odessa, and Laredo. The survey results indeed underscore the vulnerability of their brick-and-mortar industries, particularly oil and gas extraction, and leisure and hospitality.
- Essentially the entire United States is bearing the pandemic's economic toll, but the burden is disproportionately steeper for this South Texas community. It is now evident that simply reopening the economy is insufficient to restore employment. Instead of one-size-fits-all policies, public officials must therefore attend to the distinctive regional and local impacts of the national turmoil.
- The pandemic has hit the local economies in South Texas especially hard, creating unemployment rates higher than the national average. Most businesses are back by now, but jobs are not. To quickly restore the regional economy and employment, bold policy actions are required to boost spending, public or private, at the same time to incentivize the unemployed to return to work.

Background

According to Homebase’s daily geolocation data, the number of closed businesses began rising in response to the state governor’s announcement of school closing effective March 20. Yet some businesses reopened their doors as soon as the second week of April, long before the state lifted its ban on “nonessential” businesses’ operations by the end of that month. Gauged by foot traffic, the economy has reopened slowly but steadily over time through today. Developments during the ongoing COVID-19 pandemic underscore the importance of understanding geographical differences across the nation as well as the pandemic’s varying impacts on different businesses and demographic groups.



Timeline of State Executive Orders



Geographic Scope and Timing of Surveys

To gauge the immediate economic impact of the coronavirus outbreak, particularly the unprecedented executive orders to shut down certain businesses, the South Texas COVID-19 Task Force initiated a business survey project in late March. Led by the Corpus Christi Regional Economic Development Corporation, this task force consists of chambers of commerce, economic development agencies, and public officials across the Coastal Bend and Golden Crescent regions of South Texas.

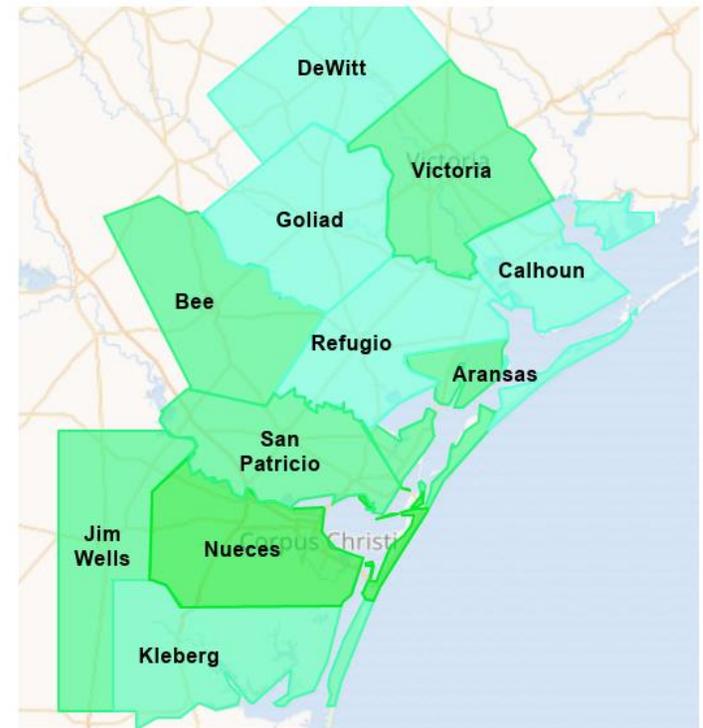
The first survey was launched soon after Texas Governor Abbott issued executive orders to close schools, gyms, and barbershops. Following the stay-at-home orders from the governor and local officials across South Texas effective April 1, the Task Force conducted a follow-up survey during the week of April 13 to assess further changes in local business conditions.

Governor Abbott lifted the statewide stay-at-home orders and began reopening the economy in stages effective May 1. To evaluate the recovery progress and the challenges that businesses were facing when they reopened their doors, the Task Force launched its third survey.

The first two surveys each garnered about 900 completed and partially completed returns. The third survey yielded 538 returns. Respondents spread across 11 counties between Kleberg and Victoria counties. All three surveys yielded results within the 5% confidence level. The mix of business owners and managers who filled out the surveys is representative of the overall profile of the business community in this region.

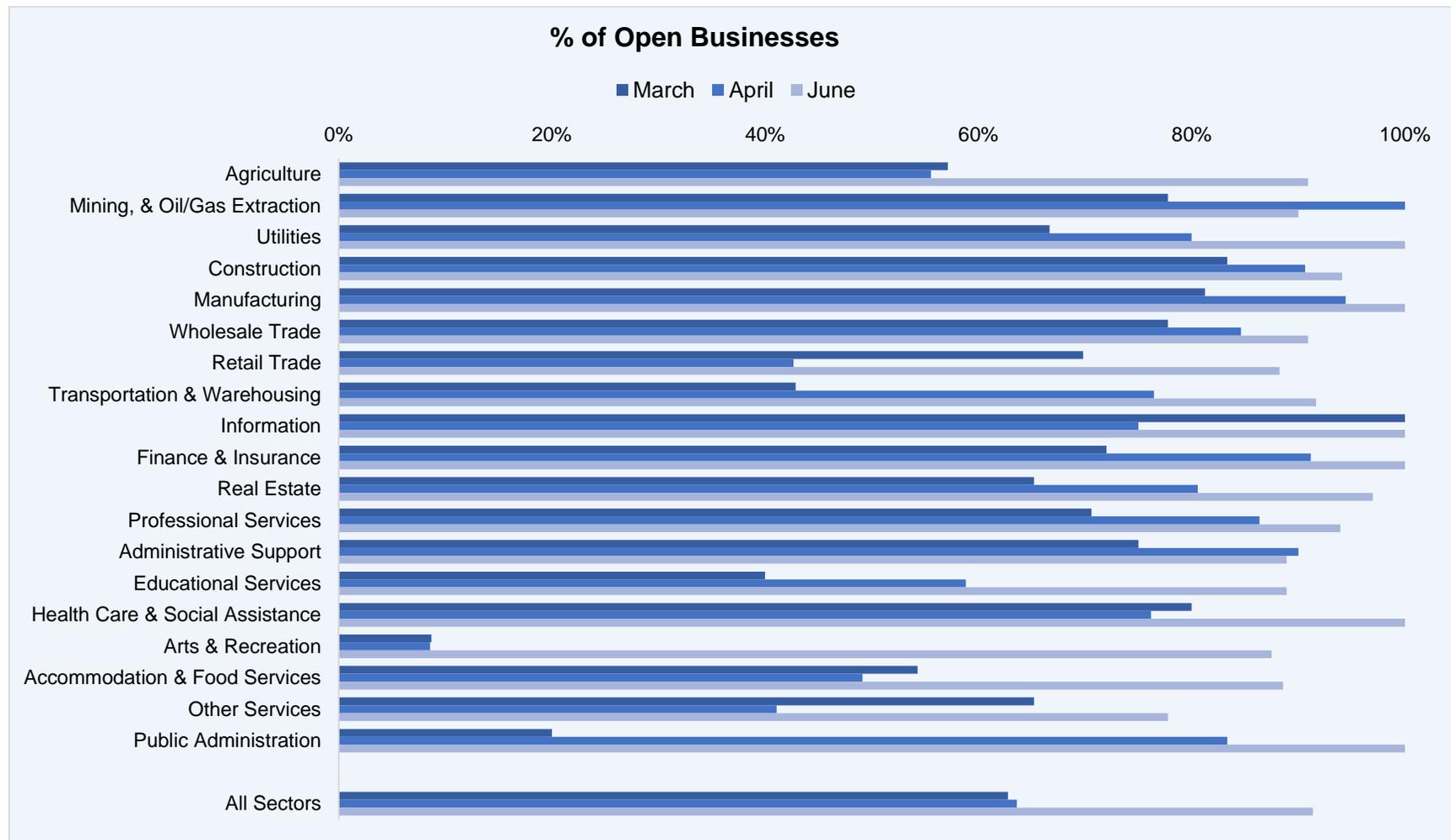
The summary reports for the three individual surveys document aggregate findings of all businesses, whereas the focus of this report is the dispersion in business performance across different industries. In other words, we look at how businesses in different sectors of the regional economy evolved at different stages of the pandemic underway.

Respondent Distribution



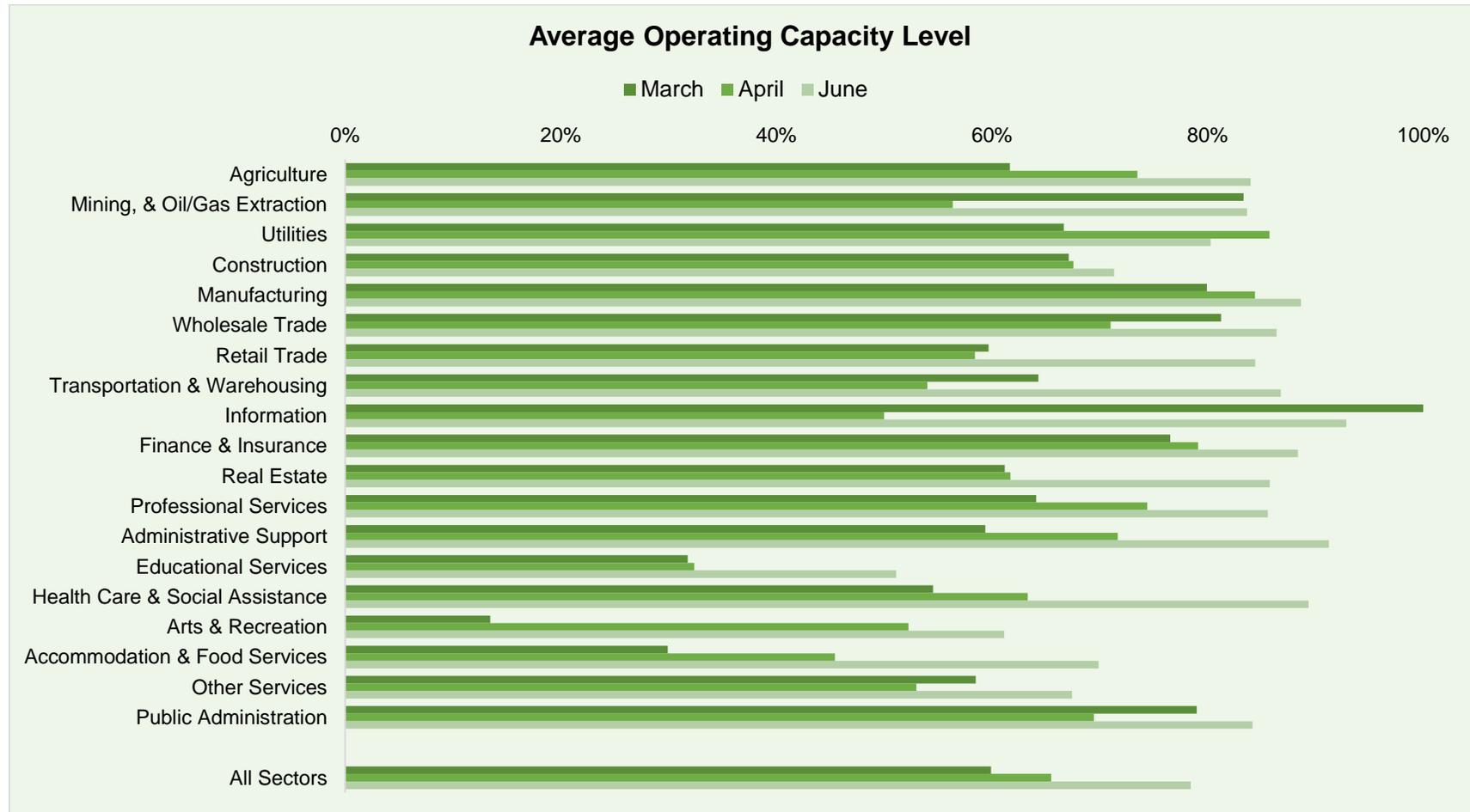
Operations

More than one third of businesses were reportedly closed during the two survey periods in March and April. Closures were more prevalent in some industries than others. By early June, more than 90% of businesses in the region had returned in response to the state's lifting of temporary closure orders. Most businesses in industries that are less affected by social distancing requirements, such as financial and business services, are now open.



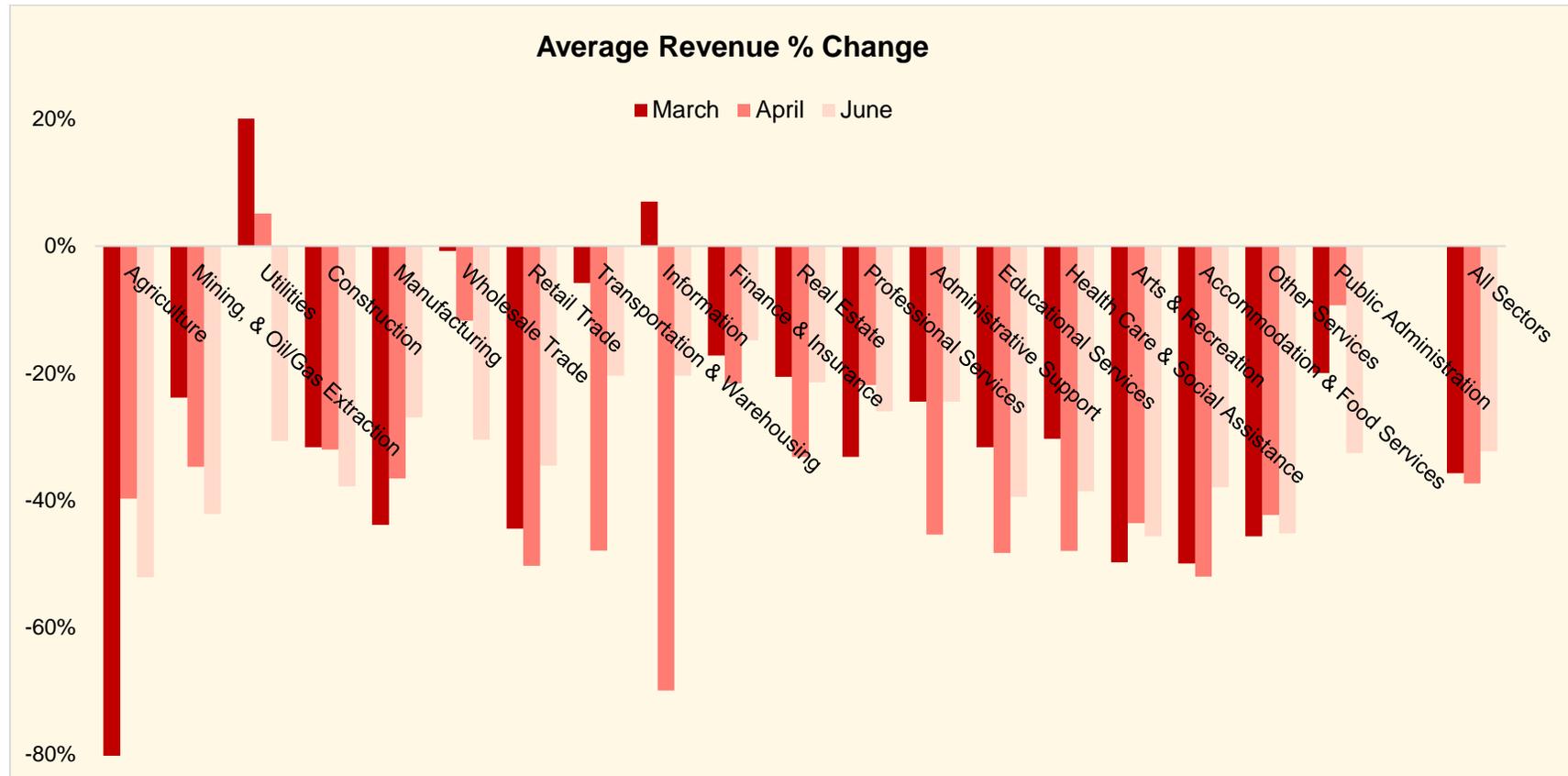
Operating Capacity

According to survey respondents, the average operating level among businesses in South Texas was 80% in March. It reduced to 65% in the second week of April. About one month after the stay-at-home orders were lifted, businesses on average were operating at 80% of their normal levels. The data by industry reflect the impacts of government mandates, including school closings, capacity restrictions on restaurants and bars, and arts and recreational facilities like museums and sports venues.



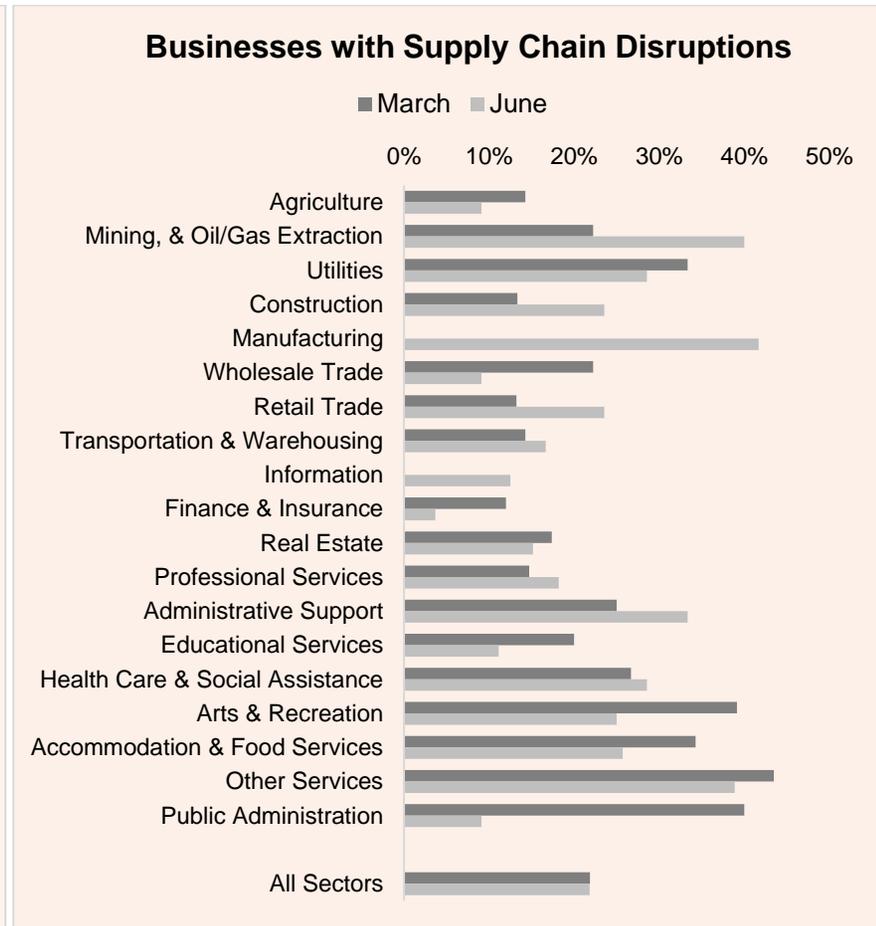
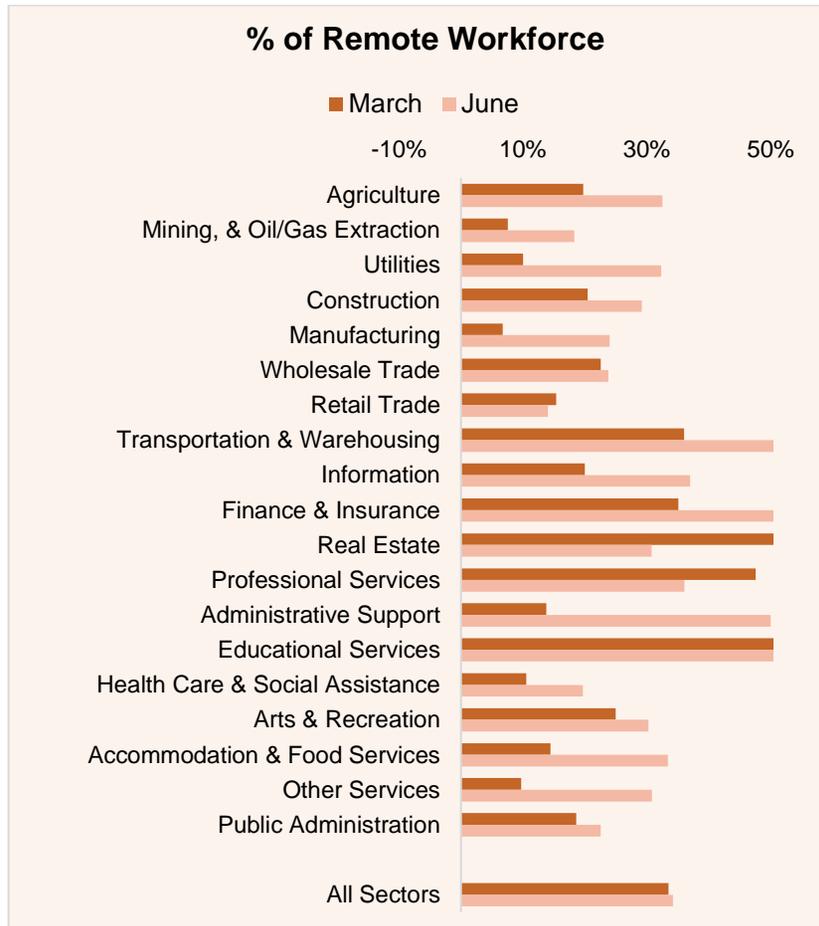
Revenue Changes

On average, businesses in South Texas have sustained a 30% revenue loss since late March. According to the surveys, ending the stay-at-home orders did not quickly erase those losses as businesses have still operated below their pre-pandemic capacity. In June, some service industries, including arts and recreation, hotels/motels, and restaurants, suffered more losses than other industries as distance travels remained limited.



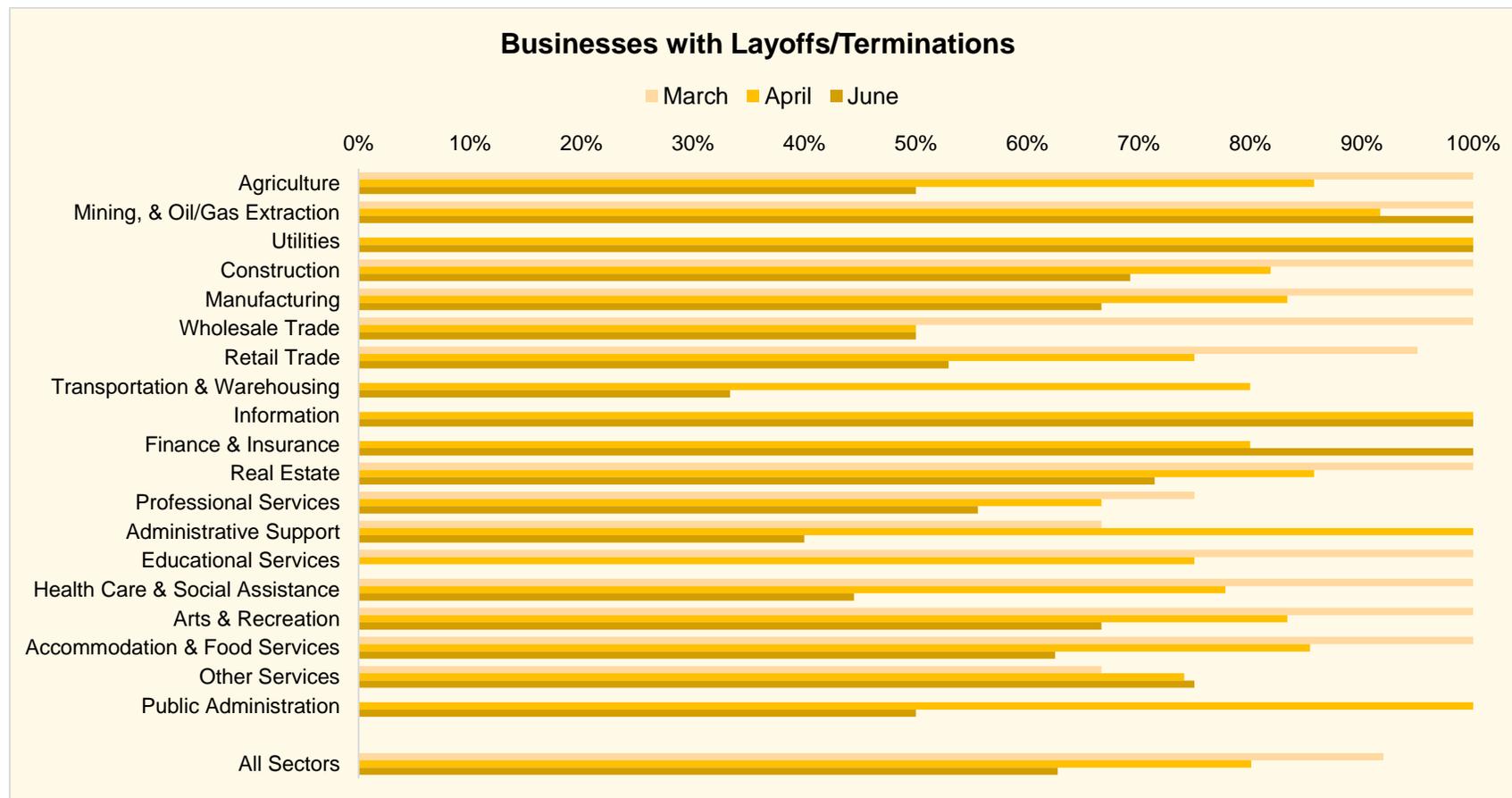
Business Challenges

The pandemic has created different challenges to different businesses. All else being equal, businesses that can more readily operate online with their employees and customers were less vulnerable to the effects of stay-at-home orders and social distancing guidelines. Those businesses are largely in educational, financial, and other professional services. On the contrary, businesses in the hospitality sector rely heavily on face-to-face contact and thus have been particularly devastated by the pandemic. In addition to requiring physical interactions with employees, some industries, such as oil and gas and manufacturing, are particularly subject to supply chain disruptions that have been occurring nationally and globally.



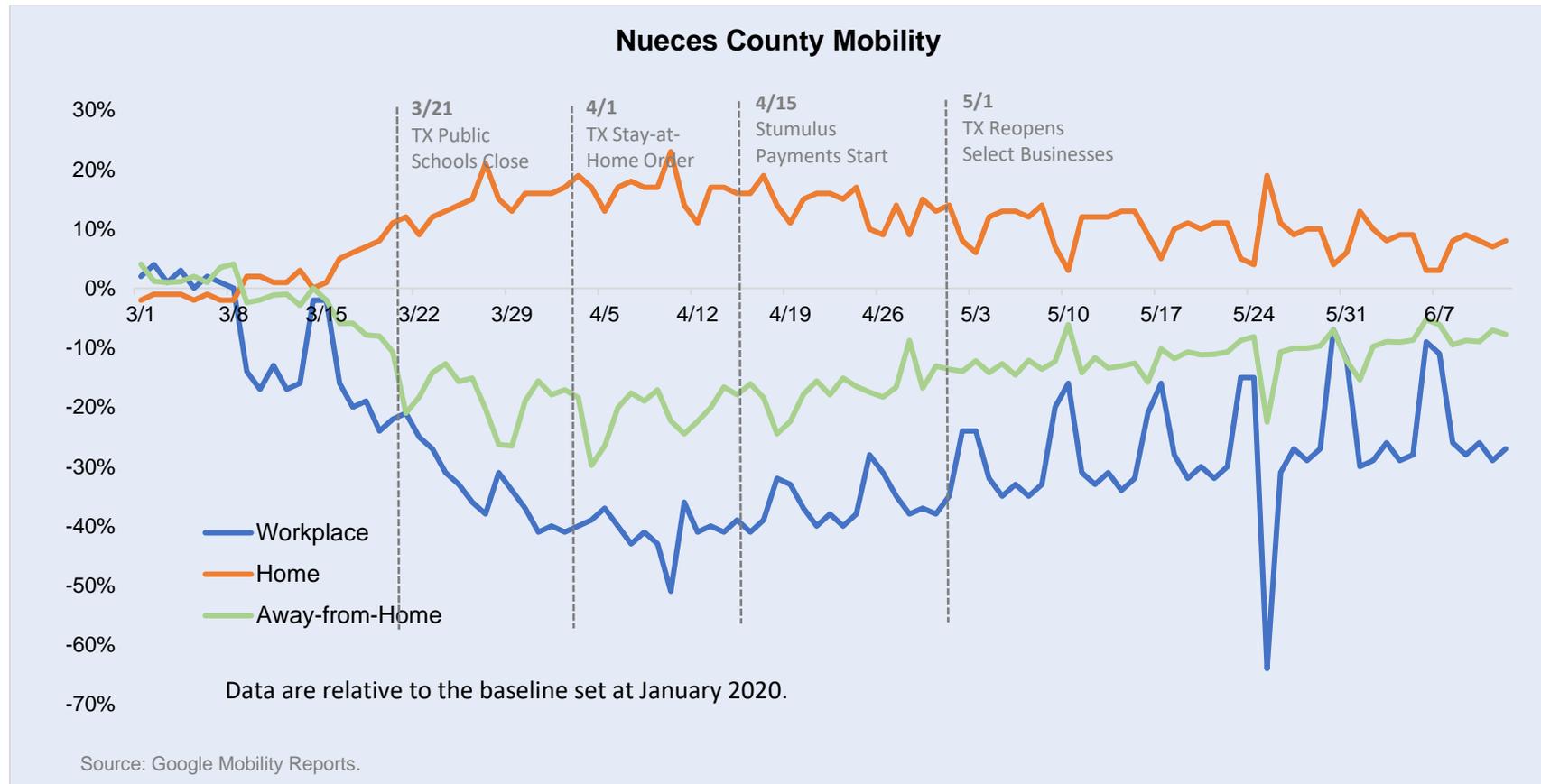
Staffing Level Changes

Despite the unprecedented federal relief programs under the CARES Act to help keep small businesses' employees on payroll, businesses have responded to the pandemic by reducing staffing levels. According to the June survey, slightly more than half (51%) of businesses have received a forgivable PPP or EIDL loan, leaving almost half of local businesses without any federal aid to navigate the shutdown period. While the share of local businesses that shredded part of their workforce has reduced from 92% in March to 62% in June, those businesses lacking government assistance were more likely to either layoff or terminate their employees.



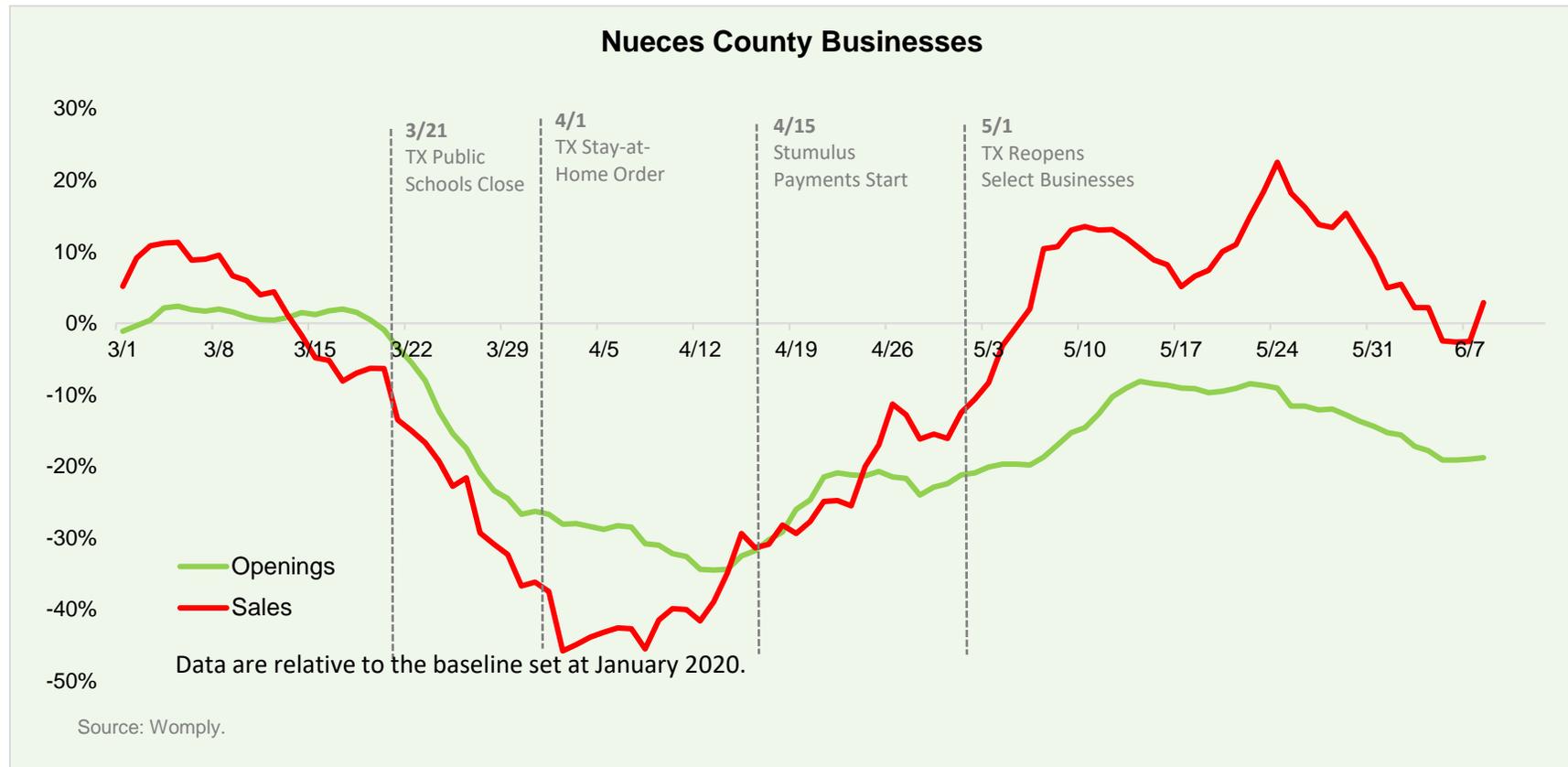
Local Physical Mobility

State-ordered reopening of economy on May 1 did not have any immediate impact on Texans' mobility behavior or employment. Federal stimulus payments tended to increase consumer spending, while Paycheck Protection Program loans and other federal aid provided liquidity to mitigate immediate economic hardship. These relief programs help explain the gradual but persistent rise in the amounts of time local residents have spent in the workplace or anywhere away from home.



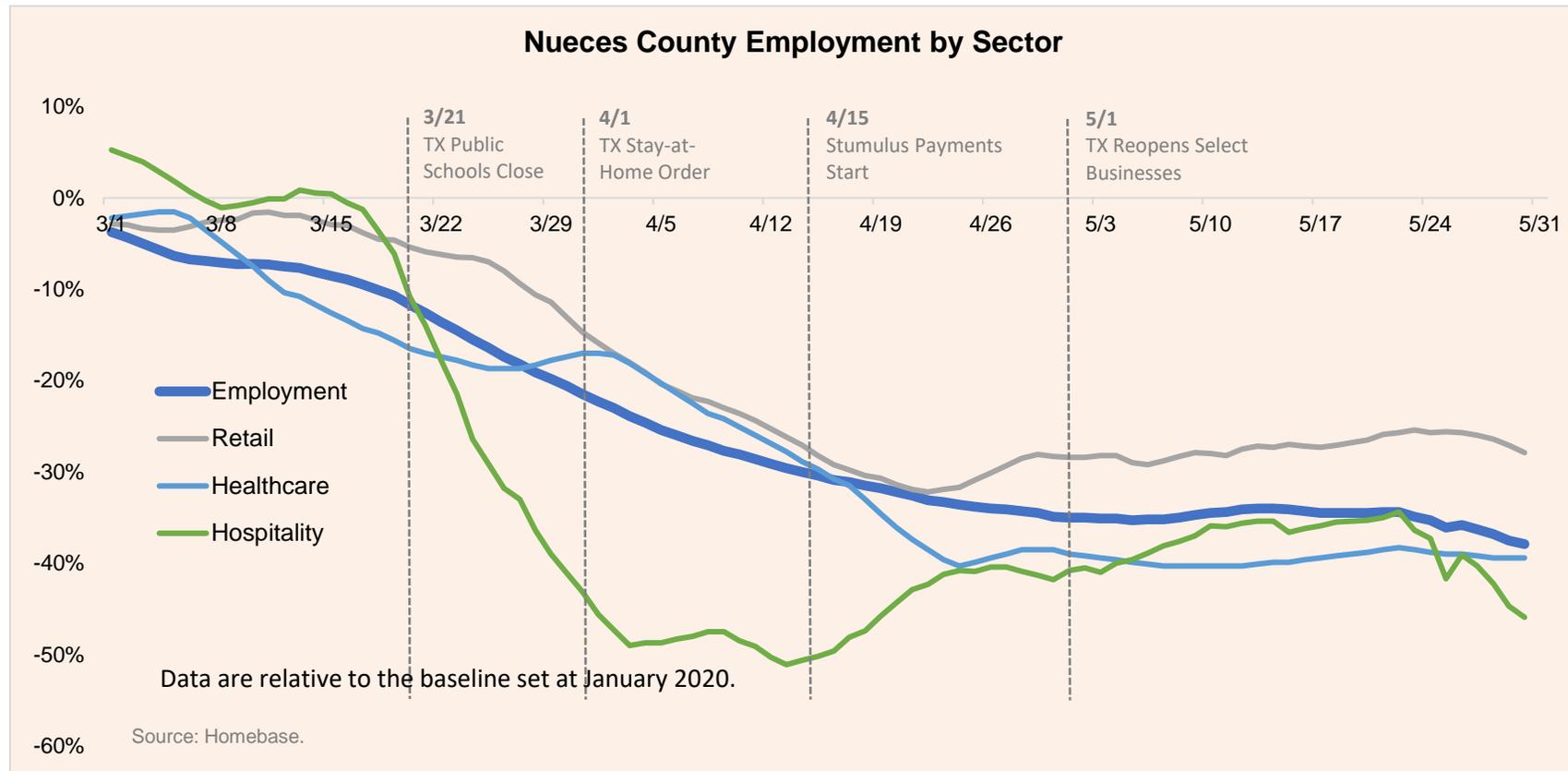
Local Business Openings and Revenues

While temporary business closures accelerated with the state’s executive order to shutter schools and certain “high-risk” businesses in March, overall business revenues began falling weeks earlier as the COVID-19 outbreak unfolded across the nation. While about 10% of local businesses remained closed in early June, those that have reopened experienced a surge in business activity during May due perhaps to increased foot traffic after the lifting of stay-at-home orders and the stimulus programs that boosted consumer spending. Yet consumer spending and thus business revenues have quickly slowed down after the initial surges. Today, Texans are still spending about 13% less than they did at the beginning of the year, according to [Opportunity Insights’ Economic Tracker](#).



Employment by Sector

Despite the rising number of reopened businesses and overall business revenues returning to the pre-COVID-19 levels, job losses remained widespread across the region. The pandemic has hit some sectors of the economy harder than others. The hospitality sector, which relies mostly in-person services and out-of-town visitors, has been hit hardest and thus has lost the most jobs in the region, as evidenced by the on-site data and Texas Workforce Commission’s unemployment claim patterns. The retail trade sector, on the contrary, have been overall less affected as grocery stores and supermarkets have in fact added workforce to meet rising demand for household supplies and groceries as residents have spent more time at home.



Geographic Disparities

In addition to different sectors or industries, the pandemic has hit some businesses especially hard due to their particular clientele or location within a region. As high-income households reduced spending more sharply than low-income households did, businesses that catered primarily those customers were more likely to close down or reduce their staffing levels. In Nueces County, employment and worker earnings among small businesses in the ZIP code areas with median household income on the top quartile (25%) of the national average, such as 78413 of Southside, have exhibited steeper declines than the communities with lowest-income households, such as 78405 of Westside. Business closures particularly in those high-income areas also impose trickle-down effects on the rest of the region through terminations of low-wage workers.

