



# Corpus Christi and Coastal Bend Economic Pulse

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## Regional Economic Impact of the Eagle Ford Shale: 2011 Update

By Jim Lee

This article provides an update for the impact of the Eagle Ford Shale oil and gas production activity on the regional economy of the Coastal Bend. The mining, trade and transportation, and hospitality sectors have witnessed phenomenal growth in Corpus Christi. In 2011, the booming oil and gas industry in South Texas generated at least 1,600 local jobs, which accounted for 32 percent of the area's total employment growth. The three Coastal Bend counties that sit atop the Eagle Ford Shale formation also experienced a combined gain of nearly 600 jobs and \$80 million in business revenues.

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The University of Texas at San Antonio's Institute for Economic Development has released economic impact reports and updates primarily for the Eagle Ford Shale region as a whole. This summary article complements those findings with local data particularly for some Coastal Bend counties.

In addition to results more attuned to the understanding of our regional economy, this study sheds light on developments associated with the Eagle Ford Shale in retrospect. This contrasts with the conventional methodology of UTSA, which has used the IMPLAN model to derive estimates for the *potential* impact of the entire Eagle Ford Shale region. It is, however, difficult to use this methodology to isolate the *secondary* or spillover effects on a particular area like Corpus Christi. Also, as compared to forecasts, historical data provide a better understanding of how the impact has in fact played out across Coastal Bend communities.

According to the IMPLAN model, in addition to oil and gas extraction and supporting services, the industries that would benefit the most from shale oil and gas extraction and production include industrial construction, wholesale trade and retail stores, truck transportation, and lodging and food services. As discussed below, actual data support such model predictions.

### Impact on Corpus Christi

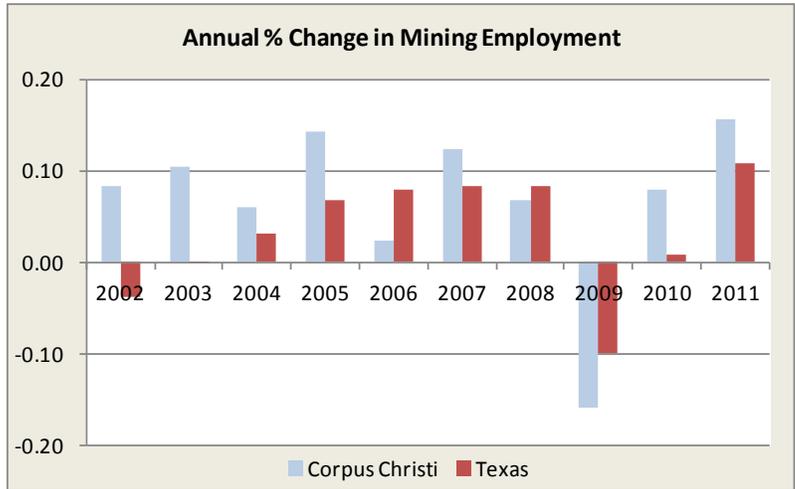
While only three counties of the 12-county Coastal Bend region sit atop the Eagle Ford Shale formation, the exponential growth in shale oil and gas extraction and production has generated a measurable effect on the rest of the region, particularly the Corpus Christi area. Rather than the impact that arises from activities directly involved in oil and gas extraction and drilling, much of the economic impact on the three counties of Corpus Christi—Nueces, San Patricio and Aransas—represents *indirect* effects, which include such activities as supporting services for oil and gas extraction, trucking and pipeline transportation, and lodging and food services for workers in oil fields. Such effects show up in the local labor markets.

Over the 10-year period between 2002 and 2011, employment growth in the Corpus Christi metro area varied over time almost in lockstep as the Texas statewide average. During 2011, employment in both Corpus Christi and Texas as a whole added grew about 2 percent. The employment growth patterns of individual industries, however, differ widely between the metro area and the statewide average. A few sectors have grown more rapidly than others.

### Oil and Gas Industry

The first sector that has witnessed exceptional growth is mining, which includes oil and gas extraction and supporting activities. In 2011, employment in this sector expanded 16 percent locally, as compared to 11 percent statewide.

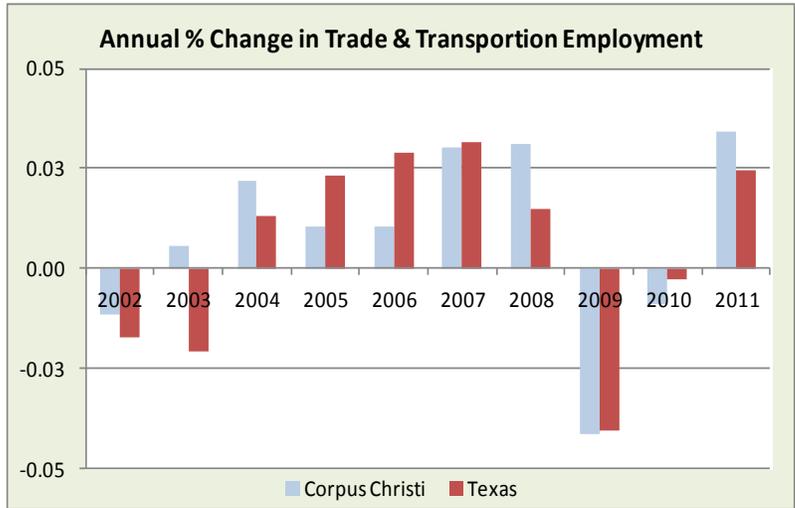
Using the Texas state average as the benchmark, an estimate of 572 jobs were attributable to the Eagle Ford Shale oil and gas industry, even though the metro area itself does not sit atop the shale play. According to the Texas Comptroller’s data, business transactions in the mining sector expanded nearly 40 percent locally, as compared to 25 percent for all sectors combined.



### Trade and Transportation Sector

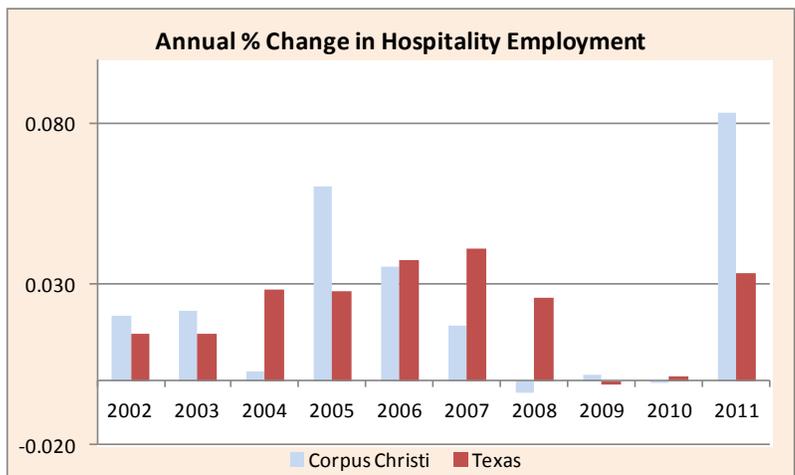
Another sector that has experienced extraordinary growth is the trade and transportation sector. This sector includes retail stores, gas stations, and trucking and pipeline transportation.

Employment in this sector grew 3.4 percent locally in 2011, as compared to 2.5 percent statewide. The amount that exceeds the statewide-average employment growth is equivalent to 309 jobs.



### Lodging and Food Services

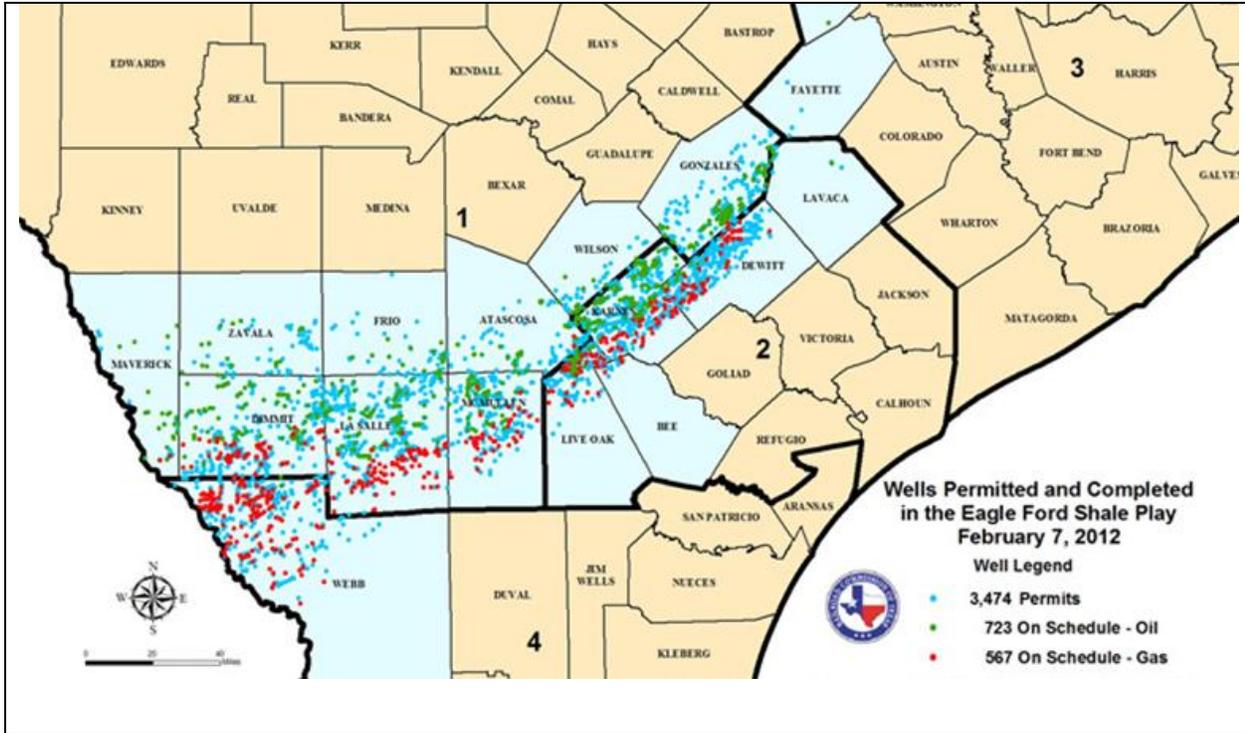
The third sector that has benefitted from the growing oil and gas extraction and production activity in South Texas is the hospitality sector, which is made up of hotels and motels, and restaurants and other food services establishments. Together, employment among those local businesses grew 8.3 percent, as compared to 3.4 percent statewide. In the absence of other major developments, this suggests that 719 jobs in Corpus Christi’s hospitality sector are associated with the booming oil and gas industry.



One of the major challenges for the rapid development in Eagle Ford’s oil and gas industry is the surging demand for housing. The overall occupancy rate for apartments in the Corpus Christi area had reached over 94 percent by the end of 2011, the highest among all Texas metro areas. Likewise, the average occupancy rate for the area’s hotels and motels jumped more than 12 percent in the past year. Much of the increased demand for hotel and motel rooms occurred along I-37 that passes through the Eagle Ford Shale play.

Given the workforce expansion in those three sectors, developments in the Eagle Ford Shale formation generated an employment impact of at least 1,600 jobs in Corpus Christi in 2011. Those jobs accounted for 32 percent of the total employment gain in Corpus Christi and they would be supported by \$187 million in business activity.

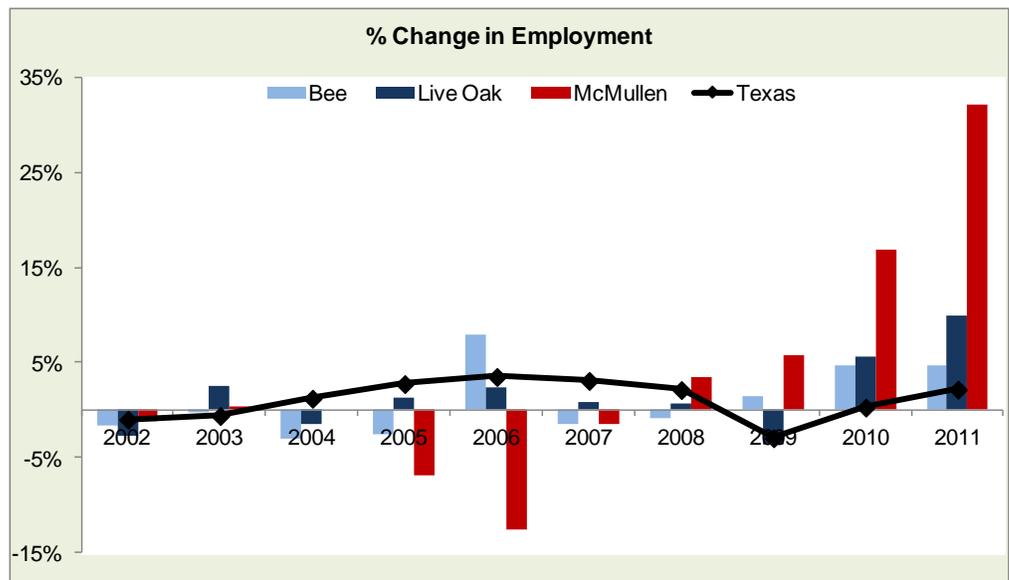
### Eagle Ford Counties



Source: Texas Railroad Commission, 2012.

Three Coastal Bend counties sit atop the Eagle Ford Shale formation: Bee, Live Oak and McMullen. Oil and gas wells in those counties together account for approximately 8 percent of the Eagle Ford regional total. Drilling activity has occurred mostly over the northwestern parts of those counties.

The impact of shale oil and gas extraction on those three counties is discernible in the accompanying chart, which shows the patterns of their employment growth since 2002. Historically, those individual counties' employment growth rates stayed close to the statewide average. As drilling activity began to gain a foothold in 2010, employment expanded at a rapid pace. Since 2008, McMullen's job growth nearly doubled each year.



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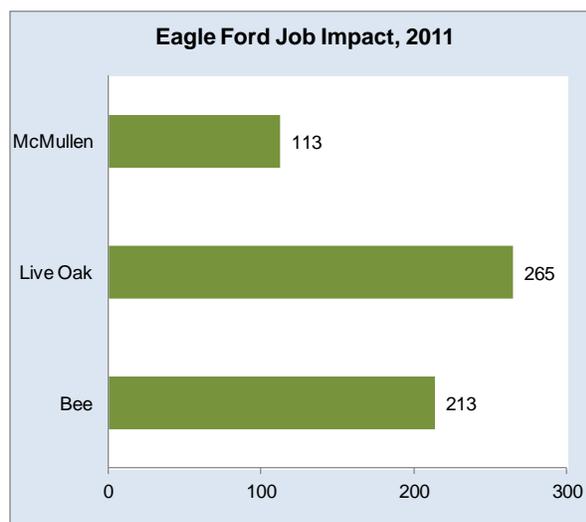
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Source: Author's calculations.

In the absence of other major developments in South Texas, the amount of job growth above the statewide average is attributed to the burgeoning oil and gas drilling activity. Accordingly, the Eagle Ford Shale generated an estimated total of 591 jobs and \$79 million in business revenues among those three counties in 2011. Those jobs represent nearly 5 percent of the workforce in the three counties together.