



Corpus Christi and Coastal Bend Economic Pulse

College of Business and EDA University Center
Texas A&M University-Corpus Christi

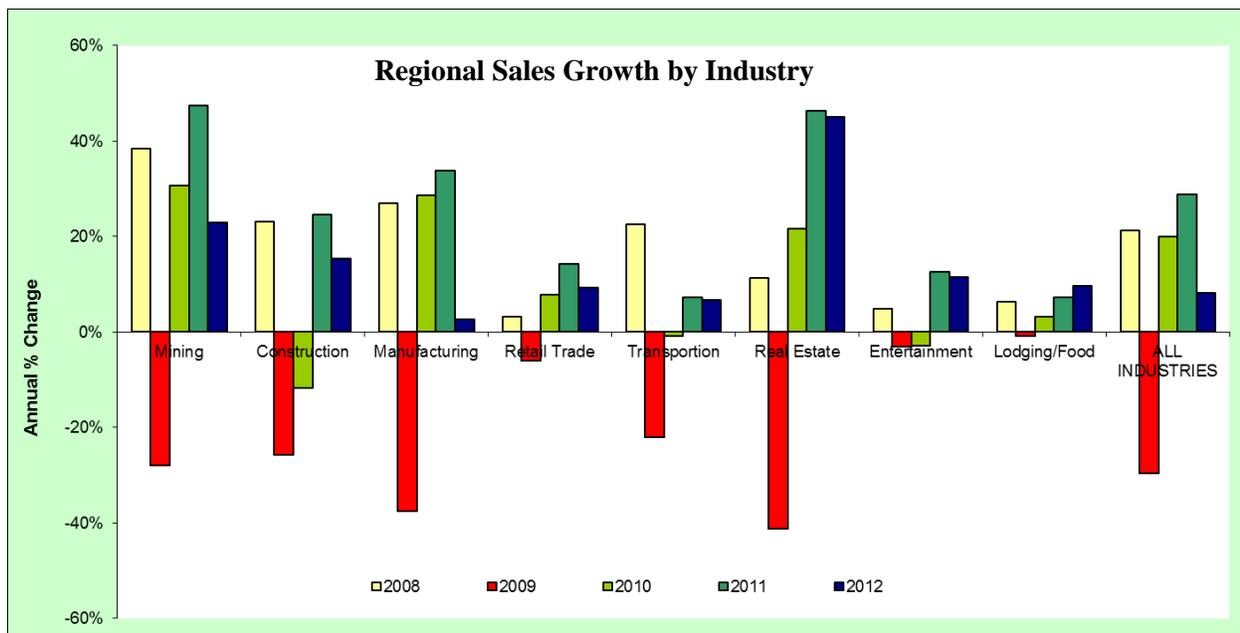
2013 | No. 2

Year 2012 in Review

By Jim Lee

The Coastal Bend economy posted solid gains in economic activity and employment during 2012. The housing market, the main driver of the most recent economic downturn, also began to experience sustained expansion. Yet the regional economy is also showing early signs of slowing down, possibly due to a bottleneck in some industries. Improvement in infrastructure and the overall production capacity, including physical and human capital, will help extend the region's recent growth momentum.

One of the defining characteristics of the regional economy in the past two years has been growth in industries associated with oil and gas drilling activities in the Eagle Ford Shale area in South Texas.



Sales activity posts solid gains ...

The above chart shows the annual percentage changes of gross sales of major economic sectors in the Corpus Christi metro area from 2008 to 2012. The overall sales volume expanded 8 percent in 2012, after a nearly 30 percent growth in 2011. The mining sector, made up mostly of oil and gas extraction, was still going strong in 2012, although the pace of growth appeared to have slowed down. Other industries also show similar patterns. The bar chart also suggests that while the regional economy has remained solid, some sectors have grown substantially faster than others.

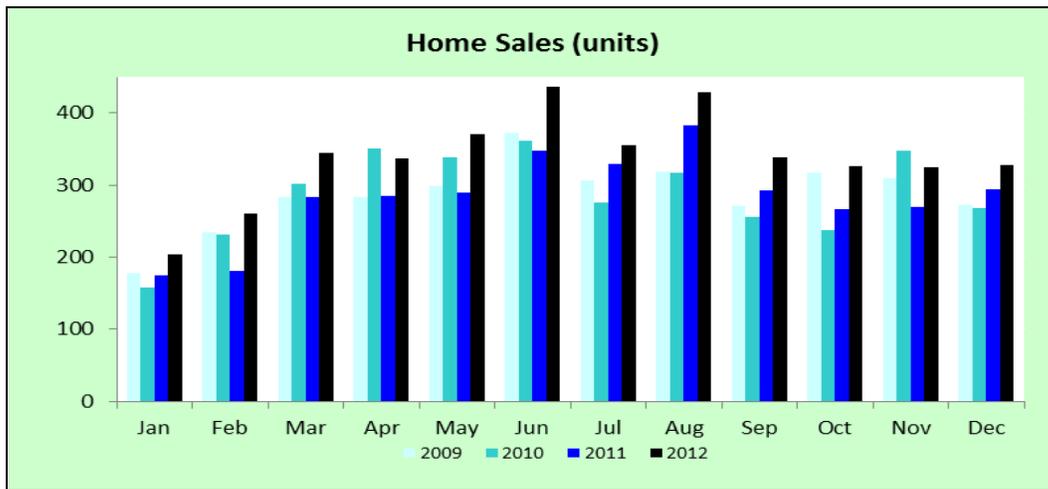
Following substantial losses in home sales during the depth of the nationwide recession in 2009, the regional housing market has regained much of the pre-recession momentum. The 45 percent sales growth in real estate during 2012 was the highest among all industries.

Hotels and restaurants in the hospitality sector were the only businesses that posted more growth in 2012 than in the previous year. Growth in this sector has been driven in part by developments in the Eagle Ford region as well as strong economic growth elsewhere in Texas. Housing has become a pressing issue in South Texas, especially for smaller communities.

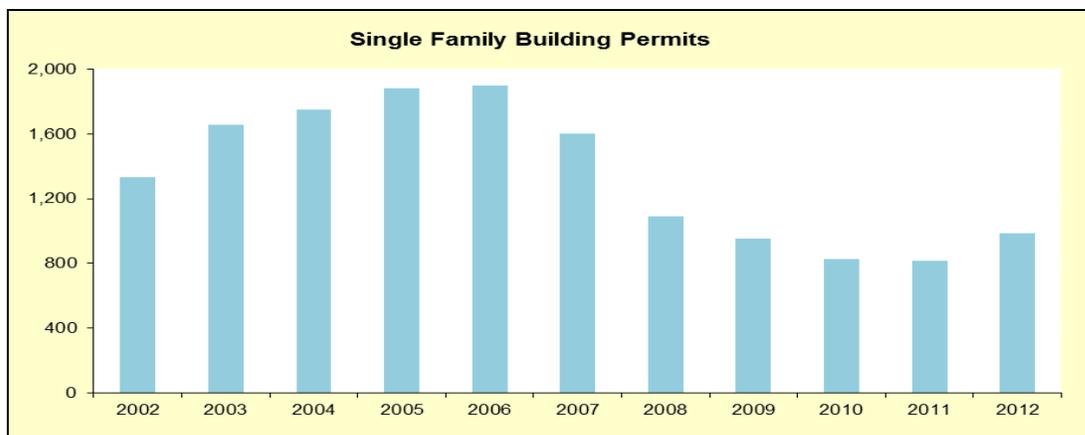
Corpus Christi is Texas' fifth most-visited metropolitan area, boasting its Gulf Coast beaches and waterfront with warm weather year. Nearly 80 percent of its visitors come from the rest of Texas. State economic performance is a key determinant of the area's tourism industry. With one of the fastest growing state economies, Texas has become a main contributor to the growth of local tourism.

Housing market picks up finally ...

In 2012, the regional housing market showed sustained growth ever since the market boom that ended in 2006. After declining for the fifth year in a row, the number of home sales in the Corpus Christi metro area rose by nearly 20 percent to 4,058 units.



Home sales have been driven mainly by growth in demand that has outpaced growth in supply. The number of building permits in Corpus Christi began to pick up in 2012, after a lengthy setback since 2006. Still, the addition of about 1,000 new homes in the area was behind the growing housing demand. The amount of housing inventory, a measure of slack in the real estate market, fell rapidly from over 10 months in 2010 and 2011 to 7 months in 2012. In January 2013, it would take only 5.2 months for a typical house on the market to close, which was half of the time compared to two years ago.



A tight local housing market has resulted in a rapid home price appreciation. The median home price rose over 4 percent in 2012, after staying relatively flat since the onset of the national recession in late 2007.

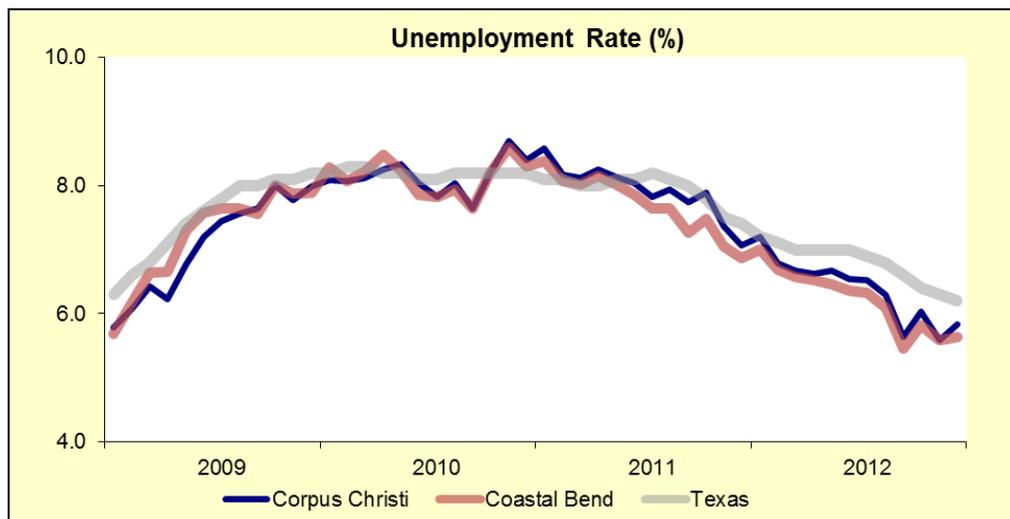


Employment grew, so did unemployment ...

Regional employment and income growth are contributing to the strength of the housing market. The job picture remains bright for the Coastal Bend. The unemployment rates for most local communities in the Coastal Bend region have improved at a faster pace than Texas and the nation as a whole. By the end of 2012, unemployment had inched down to below 6 percent, the lowest level since the beginning of 2009.

Employment growth peaked out at 4.7 percent on a year-over-basis in April, and then slowed down through the end of 2012. For the year as a whole, the metro area's 3.4 percent average job growth was still the highest in its recorded history.

Although the region restored its pre-recession employment levels back in early 2011, its current unemployment rate above 6 percent remains higher than the rates around 4.5 percent registered in early 2008. The reason for the stubbornly high unemployment rate is the increase over time in the number of job seekers that has outpaced the number of new jobs created. Between 2008 and 2012, the Coastal Bend area gained about 18,500 jobs, while 24,000 more persons joined the labor force. As a result, despite growth in employment, the number of unemployed increased by 5,500.



Approaching a bottleneck ...

Following a surge in economic activity in 2011 due largely to a boom in shale oil and gas production, local economic growth has decelerated since mid-2012. The region might have reached a bottleneck, given its existing infrastructure and production capacity, including both physical and human capital. For a given increase in investment spending, an economy with relatively less slack (say 6% unemployment) would generate a smaller increase in the production of goods and services than an economy with relatively more slack (say 8% unemployment).

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Economic Pulse

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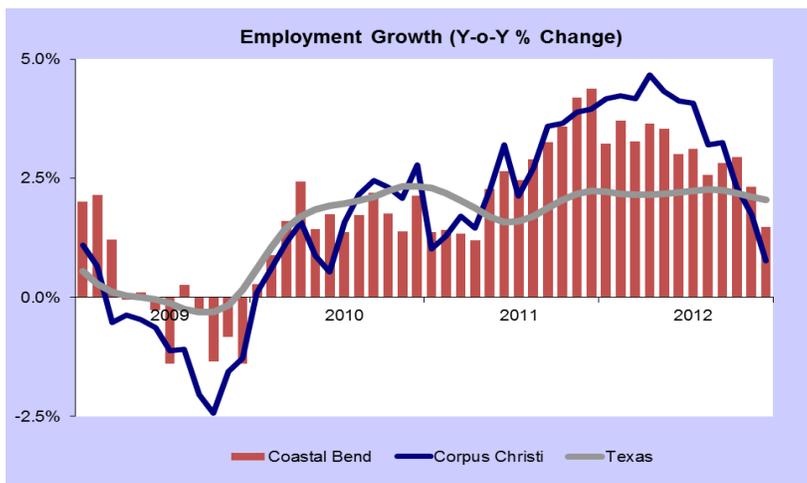
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An economy with little slack also faces the risk of rising inflation. According to ACCRA, the latest Cost of Living index for the Corpus Christi metro area exceeds 92, as compared to 89.5 in 2011 and 90.7 in 2010. The national average is 100. Changes in the relative reading of the local Cost of Living index over time highlight the extent of inflationary pressure in the Coastal Bend as compared to elsewhere in the United States.