



Corpus Christi and Coastal Bend Economic Pulse

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

2013 | No. 3

A Tale of Two Counties

By Jim Lee

Historically, the economies of the two major counties in the Corpus Christi metro area, Nueces and San Patricio, tended to move up and down together over time. During the latter half of the past decade, events like BRAC and structural shifts across local industries, set the growth paths of the two communities apart. Yet their overall standards of living, as measured by per capita income, have almost converged.

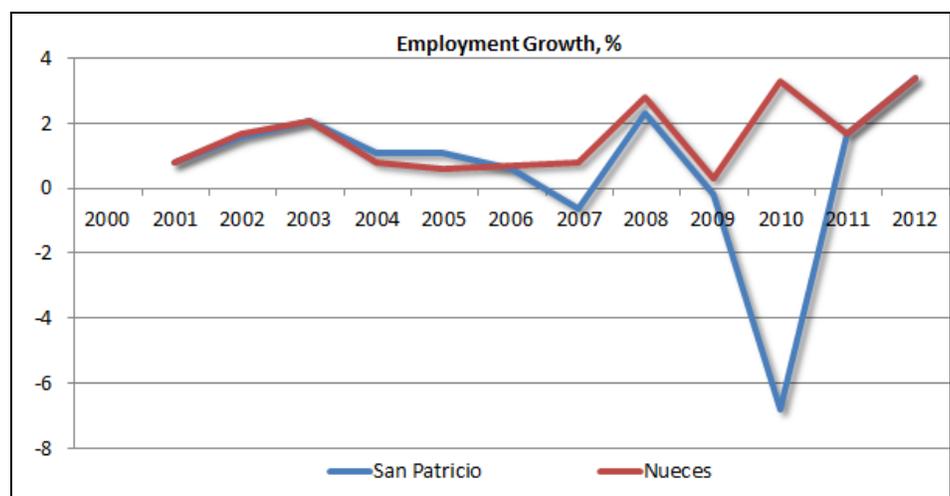
Nueces and San Patricio are the two major counties in the Corpus Christi Metropolitan Statistical Area (MSA). The county of Aransas became part of this metro area in 2003. Because of its substantially smaller population size of about 5 percent of the overall metro area population, this article focuses on the other two counties instead.

What is in an MSA?

According to the Census Bureau, an MSA is defined as a core urban area with adjacent counties that have a high degree of economic homogeneity or integration through commuting patterns. Historically, the economy of San Patricio county moved up and down over time along with its neighboring Nueces county with a population size about five times larger. While Corpus Christi Bay is a geographically natural divider for the two communities, the Port of Corpus Christi and its industrial district, which cover the north and south sides of the bay, serve as their common economic engine.

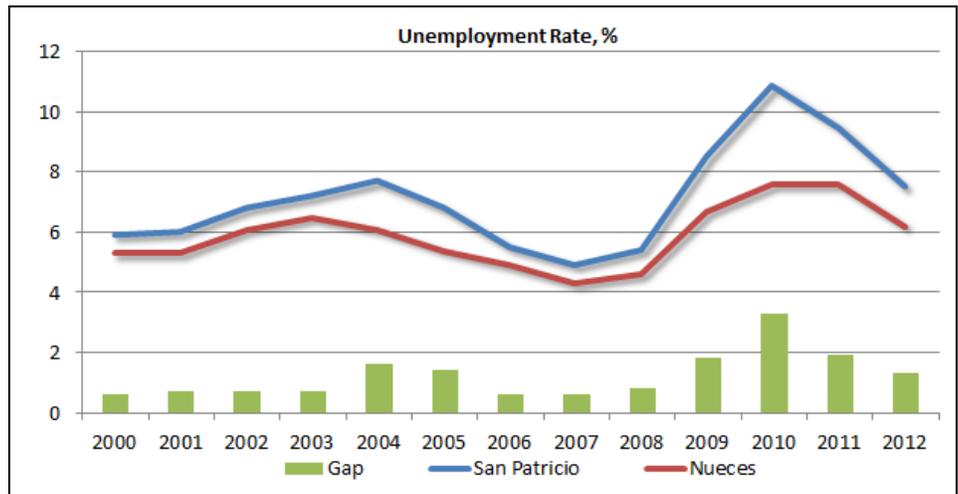
According to a recent industry cluster study by Lee (2009), the oil refineries, heavy manufacturing and other industrial plants within the Port district account for over one-tenth of economic activity in the metro area. The sheer size of economic activity in that district contributes to the strong correlation between the two county economies. One of the defining actors of the South Texas economy in the past two years has been growth in industries associated with oil and gas drilling activities in the Eagle Ford Shale formation.

The accompanying line graph shows the historical patterns of annual employment growth rates for San Patricio and Nueces counties. Clearly, the data were similar in terms of their directions of change from one year to the next. The year of 2010 was the only exception. The dramatic decline in San Patricio county by 1,900 jobs in 2010, or nearly 7 percent, was attributable to the run-up to the eventual closure of Naval Station Ingleside in 2011.



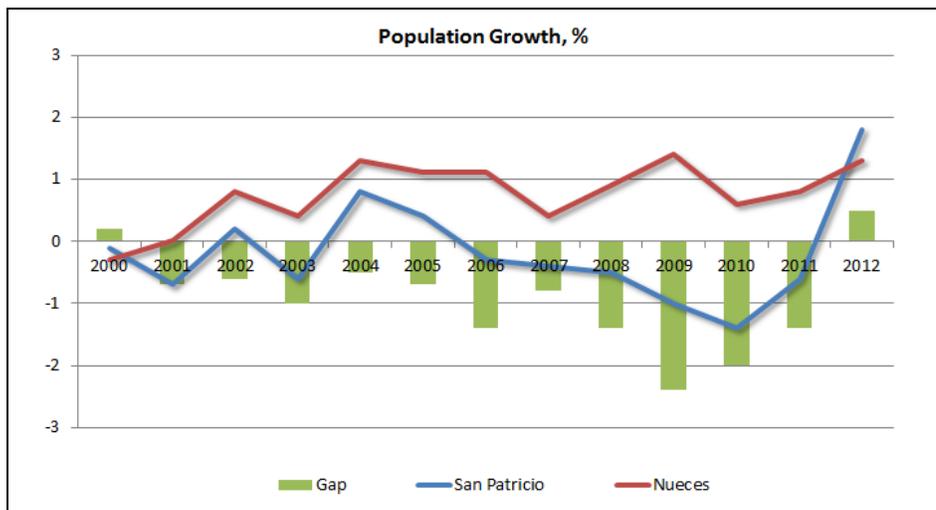
According to the Department of Defense, closing that former military base would result in a loss of about 2,000 direct jobs, nearly 1,700 of which were military and the rest were civilian and contractor positions. The two military installations in Nueces county were also subject to realignment, but the reductions in their workforce were substantially smaller by comparison.

The diagram on the right shows another way to compare the job markets of the two local communities. The two local unemployment rates inched down persistently between 2003 and 2007, when the region as well as the rest of the nation were experiencing a construction-driven economic expansion. The subsequent surges of the unemployment rates beginning in 2009 reflect the impacts of the global recession following the 2007-2008 financial crises.



As the unemployment rate is a lagging economic indicator, the county unemployment data did not reach their peaks until 2010. By comparison, San Patricio county appeared to have been hit much harder than Nueces county. San Patricio county's average unemployment over year 2010 was nearly 11 percent, as compared to 7.6 percent for Nueces county. As the columns in that same graph show, their gap in the unemployment rates remained quite large by the end of 2012.

Diverging Population Patterns



Employment is one major reason for people to relocate or to stay in an area. A growing population also helps stimulate market demand and thus business activity. The graph on the left shows annual population growth data for the two counties since 2000. Their overall patterns are similar to those for employment growth. However, the population in Nueces county grew at 0.75 percent annually on average,

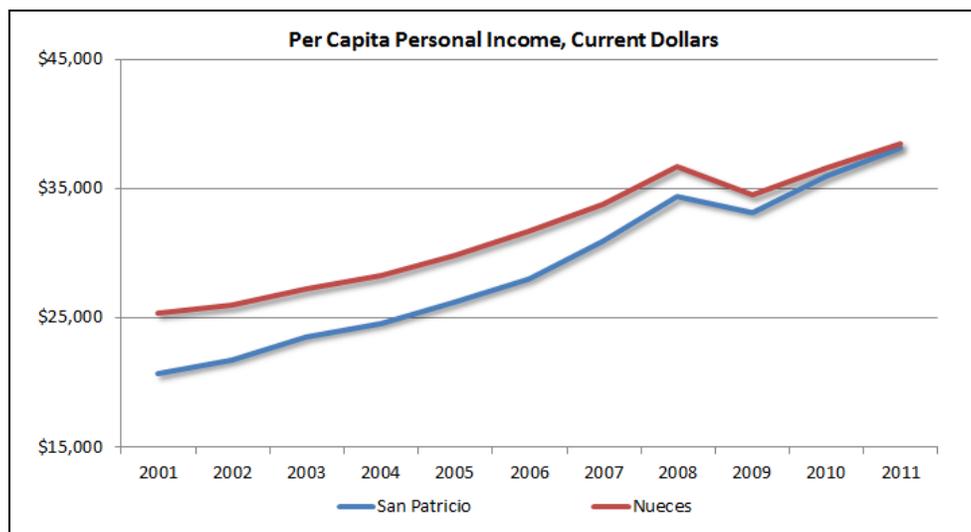
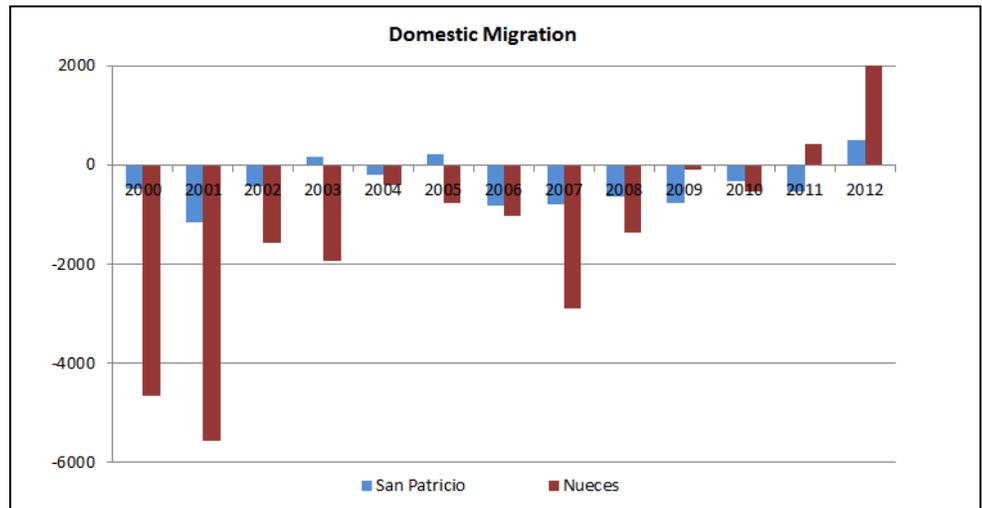
while the average for San Patricio county was -0.2 percent. Between 2006 and 2011, San Patricio county lost a cumulative total of 2,810 residents.

The observed patterns of local population growth can be explained by changes in domestic migration patterns. The bar chart on the next page shows that, for most years in the last decade, both counties witnessed a net domestic outmigration, meaning that more Americans moved out than into the local areas. For Nueces county, the amount of outmigration was more than offset by the influx of immigrants from other countries and the number of births less the number of deaths. For San Patricio county, the amounts

of net domestic outmigration between 2006 and 2011 total 3,865, which reflects the extent that the closure of Naval Station Ingleside played in its local community.

Yet there are also signs that the downward trends in local population will be reversed. A number of major industrial development projects are underway around Corpus Christi Bay, including a steel plant by Tianjin Pipe Corporation

(TPCO) and another one by Voestalpine, a plastic plant by M&G, and a liquefied natural gas export terminal by Cheniere. In 2012, employment and population growth for the two counties converged once again. Their unemployment gap also began to close up.



Converged At Last

Despite the overall slower population and employment growth in San Patricio than Nueces county, the overall standard of living among residents in San Patricio county seems to have risen more rapidly. In 2001, per capita personal income of San Patricio county was around \$20,600, nearly \$5,000 less than that for Nueces county. Over the following 10 years, per

capita income grew at an annual rate of 6.5 percent on average in San Patricio county, as compared to 4.3 percent in Nueces County. By 2011, their income gap had shrunk to only \$350.

Structural Shifts

What explains the closing of the income gap between the two counties? The following bar chart, which shows the percentage change of employment in selected industries between 2000 and 2011, provides some clues to the answer. For San Patricio county, the impact of closing its naval base is highlighted by the losses in military and federal civilian jobs. As for the rest of the nation, the two counties have continued to shed manufacturing jobs as they have been outsourced to other countries. On the other hand, due to the oil and gas production boom in the Eagle Ford region, both communities have witnessed substantial gains of employment in the mining industry, which more than doubled between 2007 and 2011.

Despite those common factors that have generated similar effects on certain industries in both counties, the local areas have experienced different patterns of structural shifts in their economic landscape. According to the bar chart on the next page, San Patricio has been gaining proportionally more employment in information, business management, and construction. Jobs in those industries tend to pay relatively more than those in other industries. Employment growth in those industries within San Patricio county helps explain its relatively higher income growth over the past decade.

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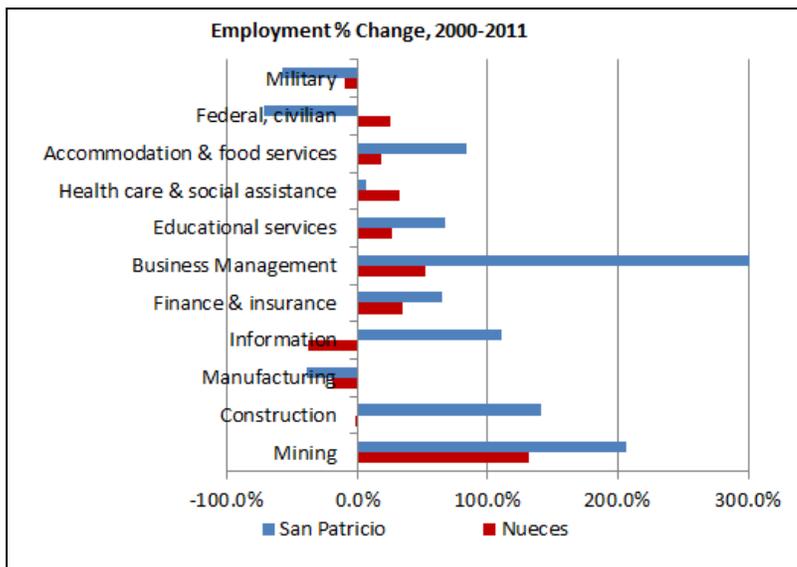
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Despite their different patterns of structural shifts, the recent explosion of oil and gas production activity in the Eagle Ford formation has revitalized both counties. Yet in the midst of a surge of major development projects on both sides of the Harbor Bridge, how the two local economies will perform relative to each other remains to be seen.