Corpus Christi relies on the oil and gas industry as much as Houston does. Both metro areas have been resilient to the impact of the current oil bust. As construction and service-oriented employment is slowing down, those two regional economies are facing new challenges in light of heightened uncertainty about the near-term outlook, while recent trends in job postings and business sentiment are positive. Read this article online at atavist.com.

Houston relies on oil and gas activity. So does Corpus Christi. During the current oil bust, strength in the service sector, particularly health care and hospitality in both metro areas, has offset much of the impact related to the falling oil and gas industry.

Yet there is growing evidence that Houston is running out of steam, according to Dallas Fed economist Jesse Thompson. Given the close resemblances of those two economies, may early signs of an economic downturn in Houston also presage an economic recession for Corpus Christi?

Although neither of the two metro areas produces significant amounts of oil and gas directly, Houston is the corporate headquarters of a large number of energy firms and Corpus Christi is a major source of suppliers for oil and gas production across South Texas. The majority of oil refineries and petrochemical plants in Texas are also located in those two metro areas largely as a result of their port facilities. The Houston metro area also includes The Woodlands and Sugarland.

Past Oil Bust
Sharp declines of crude oil prices after mid-2014 have reminded many Texans of a similar episode in the 1980s. In early 1986, crude oil prices fell suddenly by half. As oil drilling activity across Texas also fell in response to the global oil market collapse, Houston and Corpus Christi suffered a deep recession.

Employment fell by more than five percent between the two metro areas during 1986. Houston did not regain all the job losses during that oil bust until one and half years later. By comparison, the recession in Corpus Christi was not only more severe but also more long-lasting. Its overall employment did not return to the pre-1986 levels until almost five years later.

Oil Bust Today
Since mid-2014, crude oil prices once again have fallen more than half. Like that oil bust 30
years ago, oil prices have stayed at low levels long enough to make most drilling activity in South Texas unprofitable. Declining oil and gas activity has dragged the economies of both metro areas.

Yet this doesn’t seem to be the case for the state of Texas as a whole. Despite being the nation’s largest oil producing state, its much diversified economy today appears to be resilient to the impact of the current oil bust.

Construction Surge
Both metro areas have been supported by strong growth in the health care and hospitality sectors. In addition, the shale oil and gas boom in Texas has triggered a historic surge in development of large-scale petrochemical facilities and industrial manufacturing plants near their ports.

Slack in the regional workforce due to falling oil and gas production has been largely absorbed by surging construction activity among those heavy natural gas users and industrial sites in the downstream energy sector.

Between 2011 and 2014, heavy and industrial construction was a major driver of employment growth for Corpus Christi. In 2015, a strong housing market boosted employment in residential construction, partially offset job losses in nonresidential construction.

By the end of 2015, the downturn in construction employment in both Corpus Christi and Houston had intensified the overall weakness of their labor markets. As employment growth is now cooling down among the construction and other service industries, the impact of low oil prices is becoming more visible.

Job Postings
One leading indicator of the direction of the labor market is the number of job postings or advertisements. The accompanying table on the next page shows that employment growth and changes in the number of new hires followed closely the numbers of job postings.

Often one job posting can represent a company’s intention to hire several people, while several postings can represent only one job opening. For this reason, the total number of job postings differs from the number of unique job postings. The ratio between these two measures, referred to as job posting intensity, reflects the effort employers put toward hiring. The higher the posting intensity ratio, the more employer effort to fill a job position.

For both Corpus Christi and Houston, this ratio today is still as high as that during the shale oil boom in 2012 and 2013. This may be indicative of a tight labor market at least for certain occupations.

However, job postings are less common in some industries such as construction, so those industries may have significantly more hires than postings in any given month. Nevertheless, the ratio between the number of hires and job postings has dropped persistently for both cities over the years since 2012. Today there are no more than two hires for every unique job posting, compared to more than four hires in 2012.

The patterns of monthly job postings
in Corpus Christi are similar to the patterns for Houston. Despite sharp drops in late 2015, the gains in recent months seemed to support a positive near-term business outlook. This evidence also complements the outcomes of recent Surveys of Business Conditions, which confirmed an improvement of business sentiment among Corpus Christi respondents.

Uncertainty
Incoming labor market data contain mixed signals as to the future direction of the two Texas regional economies that are heavily exposed to the energy industry. Whether Houston and Corpus Christi are about to bottom out from the recent downturn, or weaken further instead, depends on a myriad of factors, none of which is now foreseeable with high confidence. A clear or bright outlook is possible only after uncertainty about the global economy and the oil market has subsided.

References:
Jesse Thompson, “Houston Grinds to a Halt as Oil Industry Declines,” Federal Reserve Bank of Dallas, Southwest Economy, Second Quarter 2016, pp. 16-19.

Job Posting Data, Annual Percentage Change

<table>
<thead>
<tr>
<th>Year</th>
<th>Corpus Christi MSA</th>
<th></th>
<th>Houston MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Unique</td>
<td>Intensity</td>
</tr>
<tr>
<td>2012</td>
<td>3.6%</td>
<td>13%</td>
<td>72% 81% 4.0</td>
</tr>
<tr>
<td>2013</td>
<td>2.0%</td>
<td>-12%</td>
<td>38% 31% 4.3</td>
</tr>
<tr>
<td>2014</td>
<td>1.7%</td>
<td>7%</td>
<td>19% 16% 4.4</td>
</tr>
<tr>
<td>2015</td>
<td>0.4%</td>
<td>3%</td>
<td>67% 41% 5.2</td>
</tr>
<tr>
<td>2016*</td>
<td>0.3%</td>
<td>2%</td>
<td>-15% -8% 4.7</td>
</tr>
</tbody>
</table>

Sources: EMSI; author’s calculations. Note: 2016 average is calculated through May 2016.
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