Major cities in Texas are leading the nation in recovering from the Great Recession that began a decade ago in 2007. According to a recent report by Honestly Now, Austin and Houston took the third and fifth places, respectively, in terms of the pace of economic growth during the current recovery cycle.

Among 126 American cities in the study, Salisbury in Maryland was the top city, and Corpus Christi took the 45th place.

Methodology
Honestly Now compared cities’ economic conditions using indicators that gauge how well they have recovered from the heights of the recession in 2010. Scores and rankings were computed from a total of 12 economic factors, which were grouped into 5 categories:

1. Employment
What jobs are available and how much do they earn?
- Percentage change in Real Personal Income (per capita income adjusted to take into account differences in buying power)
- Percentage change in Available Jobs, weighted by full or part time

2. Demand
How much do people want to live in that area?
- Percentage change in Population
- Percentage change in Median Home Price

3. Resilience
How well can individuals weather economic challenges?
- Percentage change in Workforce with Higher Education (bachelor’s degree or higher)
- Percentage change in Housing Affordability (percent of residents for whom rent is <30% of their income; 30% is considered the maximum percentage of income that should be devoted to housing)

4. Personal Finance
What do individuals’ finances look like?
- Percentage change in Credit Scores
- Percentage change in Population Below the Poverty Level
- Percentage change in Average Personal Debt

5. Local Economy
How well has the city’s economy fared?
- Percentage change in Gross Metropolitan Product (GMP)
- Percentage change in Rate of Loan Defaults in the previous 12 months
- Percentage change in Number of Businesses

 Corpus Christi was among the top 10 best cities in terms of the percentage changes in personal income and employment since 2010. The city also fared very well in the demand category, which includes population growth and home price appreciation. However, its ranking fell remarkably to 85 for personal finance and close to the bottom at 104 for economic resilience.

Overall personal income growth in Corpus Christi has not been shared equally among households. As for Brownsville and Laredo in South Texas, Corpus Christi residents’ credit scores tend to be much below the national aver-
The personal finance condition was much worse in Corpus Christi than in San Antonio and the rest of the nation.

How well residents in a city weather economic challenges depends on their educational attainment and housing affordability, according to Honestly Now. The share of the Corpus Christi workforce with a college degree (19%) is at least 10 percentage points below the state and national averages.

Local home price appreciation since 2010 has also generally outpaced household income growth. Partly because of strong home price appreciation in Texas in recent years, the relative scores and rankings of economic resilience tend to be remarkably lower among Texas cities, including Austin.

The large disparities among the five scores for Corpus Christi can be explained by differences between short-term and long-term factors. The city’s personal income and employment growth since 2010 has largely been associated with the shale oil boom in South Texas.

Given the cyclical nature of the oil and gas industry, the solid pace of economic growth across South Texas in recent years was largely a short-term phenomenon. Indeed, regional growth has slowed dramatically as shale oil and gas production has scaled back in the wake of the oil price collapse after 2014.

Beyond this short run horizon, factors such as workforce skills and capital investments will be the main driving force for local economic growth in the long run.

The study also includes remarks from a number of panelists answering questions concerning regional economic growth and personal finance. The following are responses from the South Texas Economic Development Center.

1. **What do you think are the most important drivers of economic growth in big cities? In smaller cities?**

Cities across the United States have been growing at varying speeds, depending on a variety of factors. Over the long term, the changing economic landscape, or industry makeup, and demographics across the nation have been the main drivers behind the disparity in city growth.

Big cities tend to offer more amenities, such as concerts and sport events, and better social infrastructure, such as health care and educational facilities. Migration of residents from smaller cities or rural areas has contributed to the rapid population growth of many bigger cities or metro areas in recent decades. Austin, Texas, is a classic example. Those fast growing cities have also flourished economically due to rapid expansion of their workforce, particularly in service-oriented industries, such as IT, that have grown steadily.

The economic fortunes for smaller cities are somewhat different from larger cities. Smaller cities are more subject to the ebb and flow of the regional economy, rather than serving as the broader region’s economic drivers. For instance, a number of small cities, including those in North Dakota and Texas, have grown tremendously in both population size and household incomes as a result of the shale oil boom between 2009 and 2014. But then the collapse of oil prices after mid-2014 has also hit those economies particularly hard.

2. **What are the most important things people can do to ensure their own financial stability?**

People with more savings are less subject to the impact of financial instability. Where to keep their savings is also important. If we put all our savings in bank deposits or fixed-income accounts, then we are not subject to any investment risk but we also miss the opportunity of earning potentially higher returns on our savings. On the other hand, if we put all our savings in stocks or funds that are volatile, then the risk of financial stability increas-
es. The best strategy is to put savings in a well-balanced portfolio of financial instruments, depending on each individual’s age and other personal factors. Above all, professionals with more education and training tend to be more secure in employment, more able to build wealth, and so are less subject to economic and financial instability over time.

3. What are the most important things cities can do to ensure economic stability or growth?

The shale oil bust in the past two years offered a lesson about the importance of economic diversification. Cities that are more diversified, such as Dallas and Austin in Texas, have performed well so far despite being in the largest oil-producing state in the nation. On the contrary, Houston, which is more exposed to the oil and gas industry, is experiencing an imminent downturn. A diversified and skilled workforce has also proved to be key to community development over the long run.

4. Are there ways to tell a recession is on the horizon?

It is difficult, if not impossible, to pinpoint when a recession will arrive. Even at the national level, most recessions historically were announced only months after an economic downturn had already begun.

That said, at the local level, the labor market provides the most reliable signals about the overall economic condition. Just like the adage “it’s a recession when your neighbor loses his job,” employment and wage earnings typically fall before the rest of the economy takes a nosedive.

5. What can people or cities do to prepare for a recession?

A recession is a decline in the overall economic activity. Its impact on businesses and employment, however, depends on the types, or cyclical nature, of industries and jobs. Some sectors, such as the government, are recession proof. So are some occupations, like school teachers and medical professionals. So a more diversified economy helps mitigate the impact of a nationwide recession.

At the individual level, people can deal with uncertainty in their jobs and incomes by saving more for the “rainy day.” Indeed, the personal saving rate tends to increase during recession times. And, of course, the best way to avoid the ups and downs of the economy is to work in the government sector.

6. If an area goes into a recession, are there ways to tell how long it will last?

History does repeat itself, but each business cycle seems to be different from the last one. This is because no two economic shocks that affect our economy are identical.

The Great Recession of 2007-2009 was definitely unique historically. How long a local economic downturn will last depends how much the local economy is tied to the broader region or the whole nation.

More economically diversified communities that are less in sync with the national business cycle are less likely to be hit hard by a recession. Those areas also tend to recover more rapidly after the fall.

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