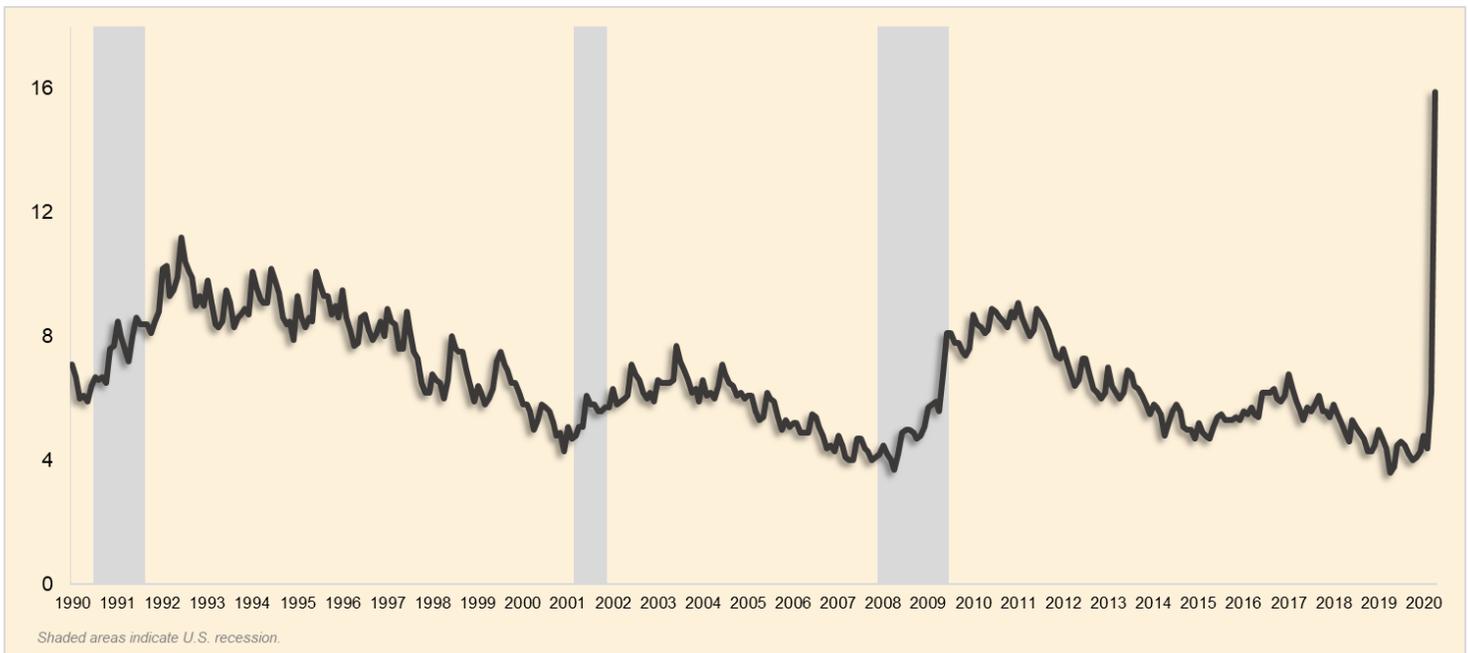


### Record Unemployment

Jim Lee

2020 • ISSUE NO.9

#### Corpus Christi MSA Unemployment Rate (Seasonally Unadjusted)



**TAKEAWAYS:** Corpus Christi’s unemployment rate surged to a record level of 15.8% in April. Unlike the rest of Texas, the area faces a double whammy as a result of its exposure to the hospitality and energy sectors, both of which have been hit hardest during the COVID-19 pandemic. As social distancing has begun to wind down, businesses are gradually returning to a new normal. Locally, however, high unemployment may be here to stay as long as oil prices remain at depressed levels.

Corpus Christi’s unemployment rate surged to 15.8 percent in April, according to the latest official data release from the Texas Workforce Commission. Similarly, the unemployment rate of the broader Coastal Bend region more than doubled from 6.4 percent in March to 15.4 percent.

These record high levels of joblessness are no surprise in the face of the coronavirus pandemic, which prompted state and local government orders to shut down a vast majority of businesses across the nation beginning in late March.

After all, the nation’s unemployment rate stood at 14.7 percent. The statewide unemployment rate without seasonal adjustment also soared to 13 percent, a sharp reversal of the historic low at 3 percent a year earlier.

#### Regional Disparity

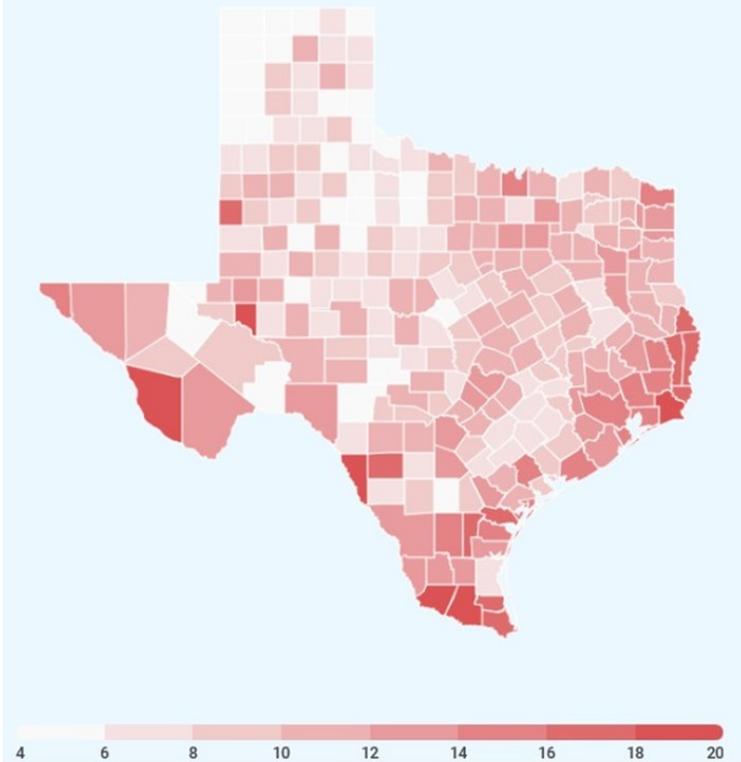
While record-high unemployment is widespread across the state of Texas, some communities seem to be economically less vulnerable to the pandemic than others. Loving in West

Texas, the least-populous county in the continental U.S. with fewer than 200 residents, still faced a 1.3 percent unemployment rate in April. In South Texas, McMullen County had a 2.6 percent unemployment rate, which contrasts with the over 15 percent rates for its surrounding counties, such as Duval and Jim Wells.

Within the Coastal Bend, Jim Wells and San Patricio Counties sustained the highest unemployment rate of 16.7 percent. Other than San Patricio, the other two counties of the Corpus Christi metro area – Nueces and Aransas – also witnessed the sharpest jump of unemployment to around 15 percent, compared with their below 4 percent record lows merely a year earlier.

After the Great Depression, when the national unemployment rate reached hit 24.9 percent, the metro area registered a peak unemployment rate of 13.4 percent in January 1987 on the heels of a global oil crash. So, what makes Corpus Christi and most counties in the Coastal Bend particularly vulnerable to the economic devastation of the pandemic?

## April 2020 Unemployment Rate (%) by Texas County



Source: Texas Workforce Commission..

Let's look at some readily available data in detail.

### Job Losses

Obviously, a high unemployment rate is an outcome of job losses. The state-mandated closures of businesses and schools beginning in late March and the stay-at-home orders for all Texans resulted in layoffs, furloughs, and terminations. To what extent the unprecedented \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act has mitigated the pandemic impacts remains to be seen.

Yet, in hindsight, it is clear that those federal programs, including the Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL) for small businesses and the Economic Impact Payment (or stimulus checks) for Americans, fell short of swiftly stabilizing the local economy in April.

The metro area lost nearly 36,000 jobs between March and April, or about 19 percent of the workforce. Job losses spread across all sectors, including the government. The sector that consists of hotels/motels and restaurants accounted for almost 60 percent of all job losses. The loss of nearly two out of three jobs in this tourism-based sector reflects the immediate impact of COVID-19 outbreak's impact on long-distance travels and restrictions for restaurant dine-in services beginning in late March.

Following the hospitality sector is the mining and construction sector, which shredded nearly 16 percent of its workforce. Job losses in support activities and construction related to oil

and gas extraction were not a direct outcome of the uptake of social distancing but rather the aftermath of an oil market collapse.

Since the pandemic began, crude oil has been trading below the break-even, or economically feasible, prices for most oil wells in the United States. On April 20, the futures market price of West Texas Intermediate Crude, the U.S. benchmark, fell to negative territory for the first time in history in response to uncertainty on future global oil demand.

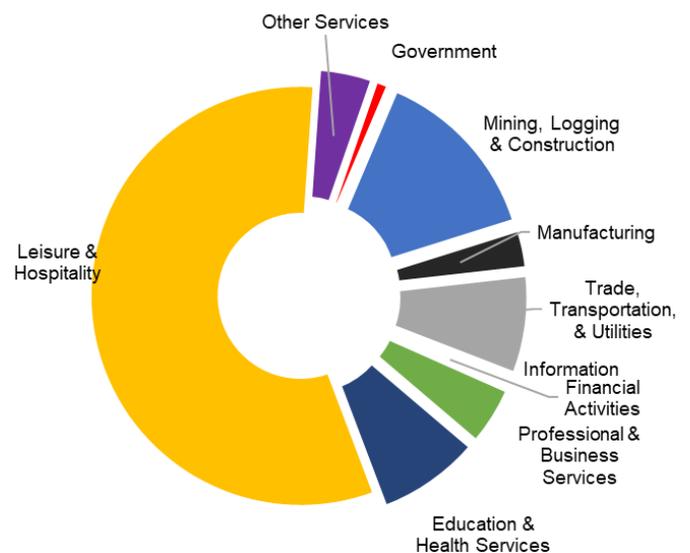
### Pandemic Vulnerability

Corpus Christi's economy has proven to be particularly vulnerable to the pandemic. The metro area is facing a double whammy in light of its exposure to tourism and oil industry, both of which have been hit the hardest. Corpus Christi has more than four times as much employment in oil and gas extraction as the national average. It also has 30 percent more employment in accommodation and restaurants than a typical U.S. community.

Across Texas, very few counties rely on both sectors as much as the three counties in Corpus Christi do. Instead, most counties have been affected largely through the uptake of social distancing among residents. Either in response to the stay-at-home orders or just information about the coronavirus outbreak locally, Texans have limited movements outside of their home beyond essential needs.

Since the pandemic began, major phone app companies have released to the public aggregate data on the extent of human mobility by geographical location. A scatter plot using the Facebook app data by Texas counties shows a positive relationship between the extent of limited movement within a county and its unemployment rate in April. Accordingly, counties with relatively more residents social distancing from others also tended to face more job losses.

### Job Losses in Corpus Christi March-April, 2020



Source: Texas Workforce Commission..

Most counties reinforced Governor Abbott’s stay-at-home order in April, but those with a higher population density and thus more confirmed cases tended to have more of their residents staying home. Other than restaurants, the uptake of social distancing has hit non-grocery retail stores particularly hard. In South Texas, Aransas and Victoria Counties have relatively high concentration of employment in the retail sector, which helps explain their over 14 percent unemployment rates.

**Social Distancing**

In the scatter plot on the next page, the size of each bubble represents the number of confirmed COVID-19 cases in a county by the second week of April. The bubble size tends to become bigger as a county moves further up or to the right. This means that more Texans social distance when their community reports more confirmed cases. Social distancing has been widely touted as the most effective way to slow the virus spread. But it also comes at high costs.

The near real-time data on mobility and business closures offer some insight into what has been affecting the local labor market. In addition to the statewide executive orders to close nonessential businesses, much of the economy became paralyzed due to a lack of foot traffic. As Texans stayed home, restaurants and retail stores that relied on face-to-face contacts also scaled down their operations or closed their doors altogether.

As the extent of social distancing has wound down slowly yet persistently since mid-April, the overall business condition has been improving along with the state’s allowance of different businesses to open each week. In light of the latest mobility and foot traffic data, most businesses are expected to be back online within the next month.

Yet so far as oil prices remain at depressed levels, the local energy sector will continue to drag the rest of the economy. In that case, high overall unemployment might be here to stay for some time. Bear in mind back in 1986 and 2015, a similar oil market collapse sent the Corpus Christi economy into a recession for more than three years.

**Double-Edged Sword**

The unemployment rate is a popular metric of labor market

performance and the overall health of the economy, but it is a lagging economic indicator and so it is not a good predictor for the future direction of the economy.

This monthly statistic depends on numerous factors in the labor market, including whether the unemployed stay in the workforce or not and whether they have an incentive to accept a job offer. The weekly number of initial unemployment insurance claims is a precursor of the monthly unemployment rate.

In Corpus Christi, after a sharp jump to over 5,000 claims during the final week of March, the number of unemployment claims has trended down. However, whether this would translate into a lower unemployment rate in May compared to April depends also on how fast those receiving unemployment benefits would return to work.

Unfortunately, the extended unemployment insurance program passed under the CARES Act is now acting as a double-edged sword. The federal government now provides each unemployment insurance recipient an average of \$1,000 per week, more than twice the average payment before the pandemic.

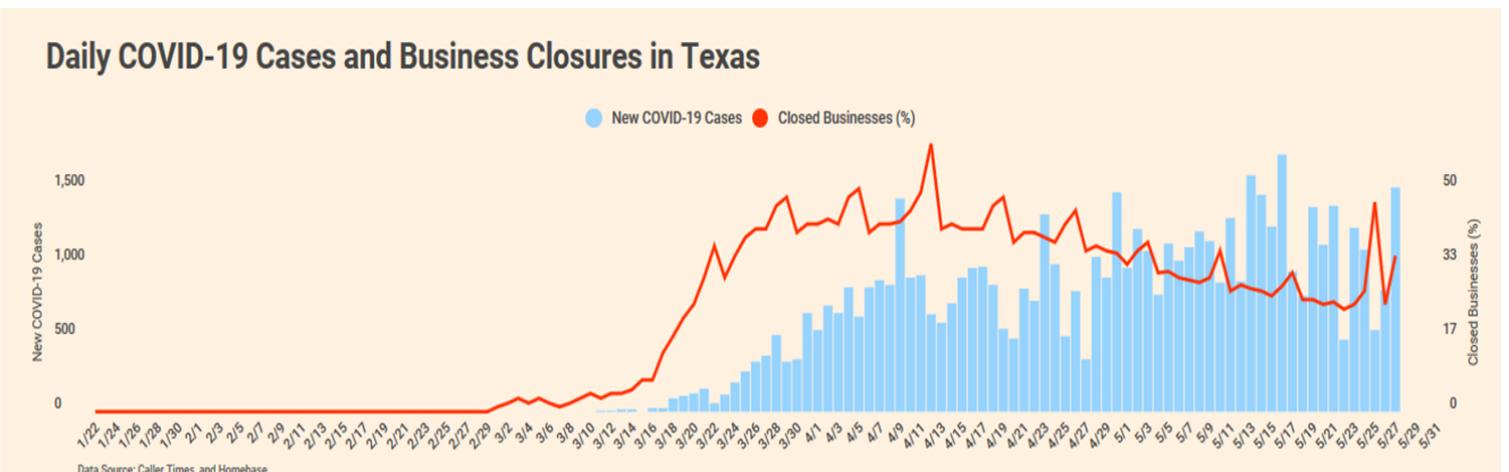
On the one hand, the more generous financial relief reduces the hardship faced by the unemployed. On the other hand, it reduces their incentive to work again.

**Pandemic Then and Now**

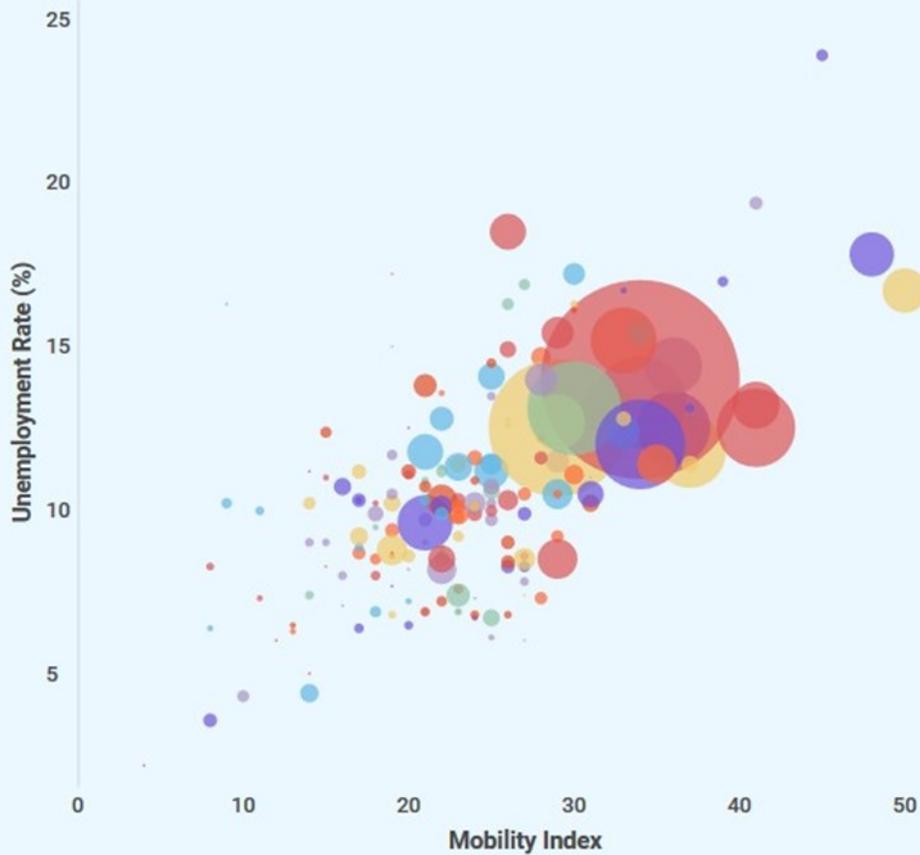
History repeats itself. The current pandemic is a 100-year event. In 1918, most businesses in Corpus Christi were affected by an influenza pandemic and quarantines as they are today. Life seemed to return to a new normal after about a month of the virus outbreak in the city beginning in early October.

On November 11, residents celebrated the end the Great War when most businesses and schools had reopened. The oil and gas industry played a lesser role in the area economy a century ago.

Today, much of the Corpus Christi community is still recovering from a 50-year storm called Harvey. Back then, an equally devastating hurricane would hit the area only 10 months later in September 1919.



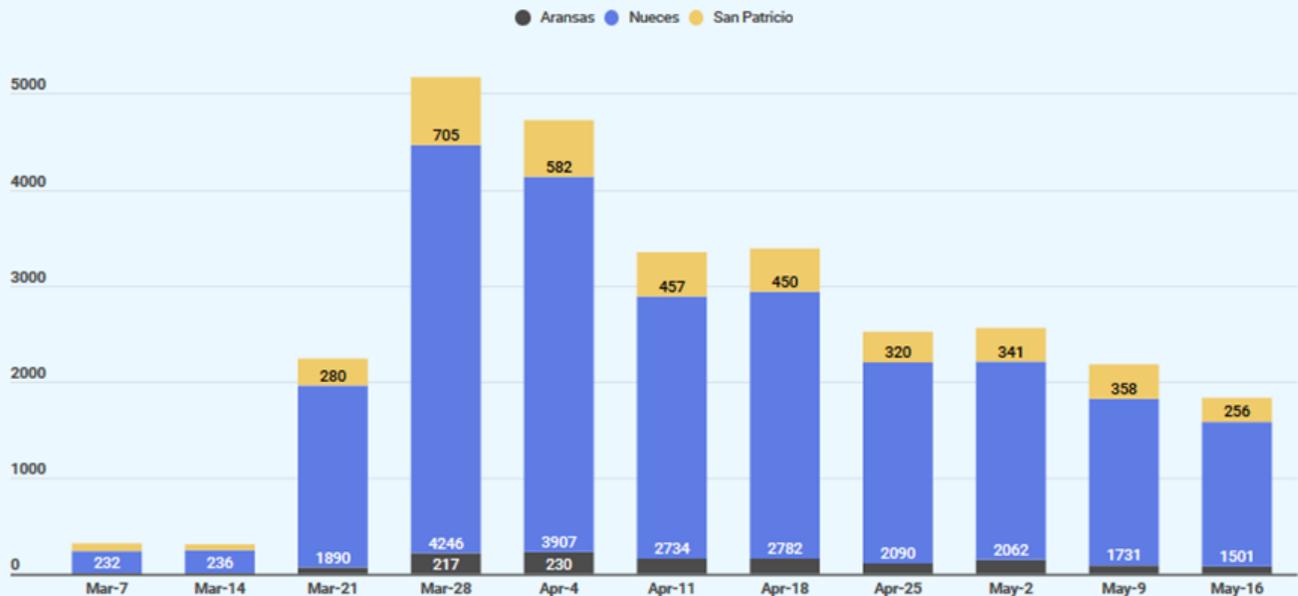
## April 2020 Unemployment vs. Stay-at-Home Index by Texas County



The Mobility Index is the negative value of the Facebook Mobility score during the second week of April relative to the last 2 weeks of February as the benchmark. A higher value represents a higher percentage of residents staying home. The bubble size represents the average number of confirmed cases in the second week of April.

Source: Facebook, Texas Workforce Commission, and Texas Department of State Health Services.

## Weekly Unemployment Claims in Corpus Christi MSA



Source: Texas Workforce Commission.