



State of the Coastal Bend Economy 2022

Economic Pulse, 2022 Issue 4

South Texas Economic Development Center
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Takeaways:

- Corpus Christi and the Coastal Bend were hit hard by COVID-19. Despite a strong rebound in 2021, the regional economy still lagged behind the rest of the nation by the end of the year.
- While the region's historical income and job growth gaps have widened once again, the pandemic has also created numerous new opportunities for local businesses, employees, and communities as a whole to bounce forward.
- An accelerated transition to renewable energy, the ongoing influx of out-of-state businesses and skilled workers, and the flexibility for employees to work from home all have the potential to transform the economic landscape of the

region in years to come. The future of the Coastal Bend economy depends on how the region harnesses these unprecedented opportunities.

The state of the Coastal Bend is in flux, more so during the times out of the pandemic. The region was hit hard by COVID-19. Today, job and income recovery among its local communities still lag much of the nation.

Due to its outsized exposure to contact-intensive industries, particularly hospitality, construction, oil and gas, and health services, social distancing measures and travel restrictions even after the business lockdown and stay-at-home orders were lifted last year have continued to plague the overall South Texas economy.

Pandemic Recovery

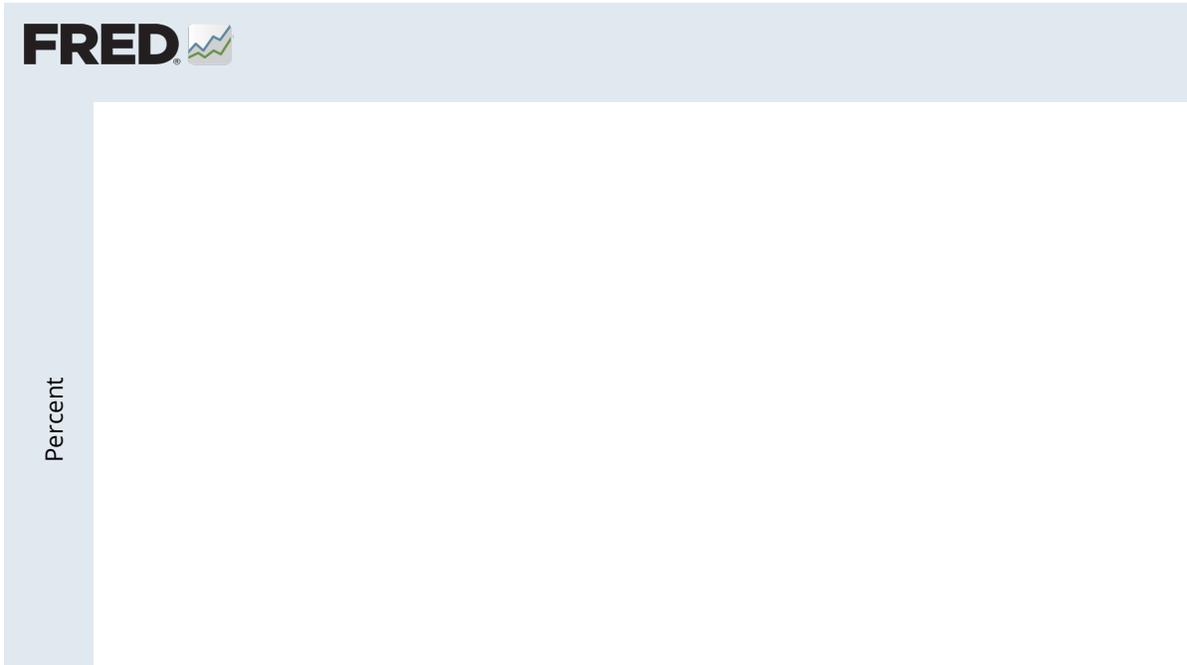
Amid pandemic-induced headwinds, Corpus Christi entered the new decade of the 2020's with remarkable momentum. Local business activity had mostly returned to the pre-pandemic levels by mid-2021. By then, the business community had recovered more than 96% of the lost jobs during the COVID-induced recession between February and April of 2020.

Surges of leisure visitors from out-of-town drove up the demand for hotel/motel rooms, making Corpus Christi's hospitality sector the leading driver of the local employment growth in the state. Most mid-scale hotels/motels witnessed an unprecedented near 100% occupancy rate during weekends through the third quarter.

The oil and gas industry was also hit hard by the COVID outbreaks in 2020. Oil prices have more than doubled since early 2020, but mining and construction employment has recovered moderately due in part to pandemic-related uncertainties.

Other than slow recovery in the mining industry, Corpus Christi's growth is limited by labor shortages and supply chain disruptions as for the rest of the nation. Businesses, particularly in the hospitality sector that pays relatively low wages, face difficulties filling vacant positions.

The exact answer for the workforce shrinkage is unclear. One possible driver stems from the federal stimulus payments and extended unemployment benefits that might have reduced the incentive of the unemployed to return to work. If this is true, then the labor markets across the nation will turn to the pre-pandemic conditions once people's excess savings dry up.



Another possible reason for the labor market puzzle is a permanent structural shift in the workforce. The pandemic might have accelerated the pace of economic and geographic

mobility for workers. While job seekers seem to be more choosy in accepting a job offer, a record number of employees quit their jobs.

People, businesses and communities have emerged out of the pandemic with an outlook of more opportunities. Many workers prefer to continue to work from home at least some time as they did during the first wave of the COVID outbreaks. The recent growth in online retail and business services is expected to be here to stay.

Coupled with the infusion of federal funds to local communities under the CARES Act in 2020 and ARP Act in 2021, the social spending package passed in late 2021 is poised to transform the social infrastructure across the nation as well as the economic landscape of local communities.

So, what is the long-term outlook for Corpus Christi and the rest of the Coastal Bend? The region is at a pivotal point. The unprecedented nature of this pandemic has also brought about unprecedented opportunities for Corpus Christi. What the future will hold depends on how opportunities become realities.

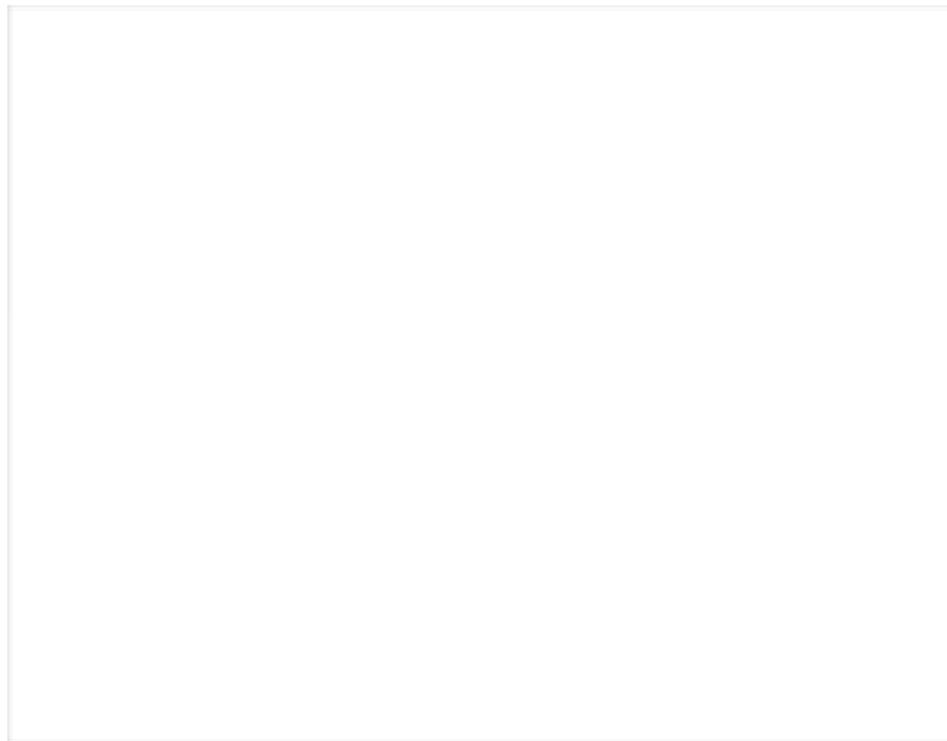
Wind and Sun

To slow down climate change, the Biden administration has accelerated the nation's shift away from fossil energy resources, like coal and oil, by developing renewable energy. The president's announced goal for U.S. greenhouse gas emissions to reduce 50 percent below their 2005 levels by 2030 is set to transform the landscape of our regional economy in the coming decade.

On one hand, the transition to a green economy necessarily means declining demand for fossil fuels, which would obviously hit Texas the hardest among all states. On the other hand, the shift to renewable energy production is creating an economic opportunity for both the state and the region.

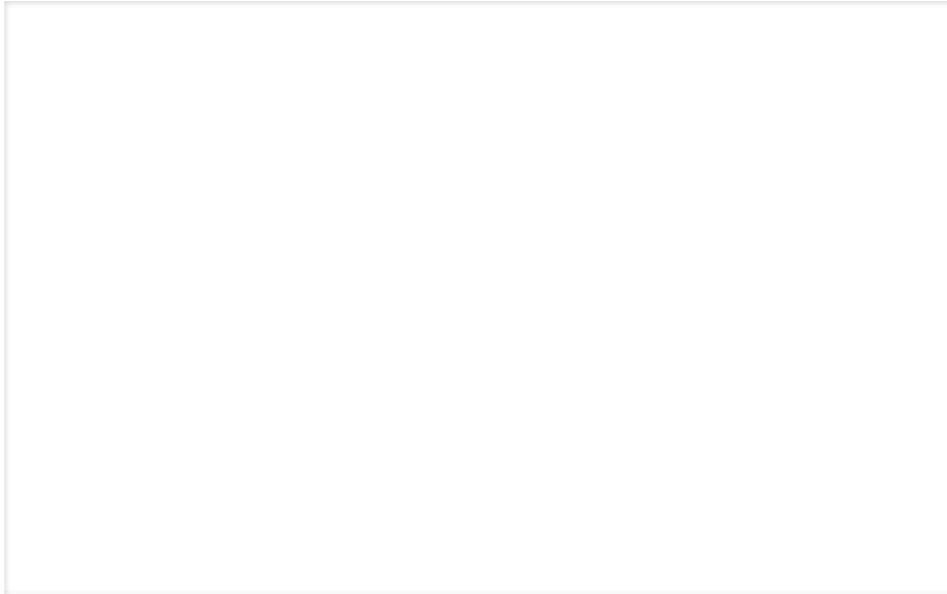
The region is poised to become another leading energy hub other than in oil and gas. Texas is already the state with the most onshore wind energy production, about three times more than that of the next state of Iowa. In contrast to wind resources onshore, offshore wind has yet to develop in the Gulf of Mexico.

According to the U.S. Bureau of Ocean Energy Management, the region in Texas with the most capacity and economic potential to develop offshore wind energy is located off the coast of Corpus Christi and the rest of South Texas.



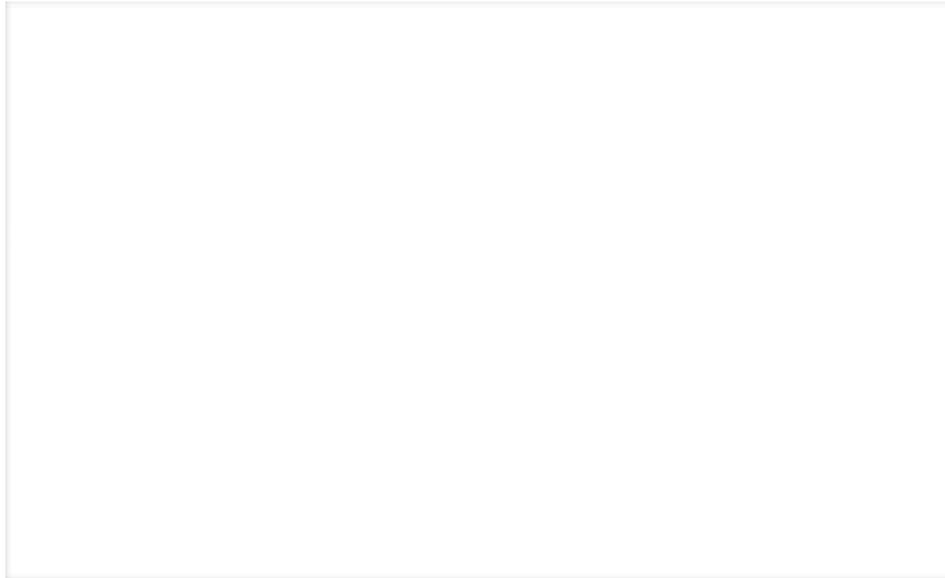
Yet the entire South Texas region does not have any manufacturing plant for wind turbine components, despite the ports of Corpus Christi and Brownsville being the leading

ports in the Gulf of Mexico for handling wind turbine components. An imminent expansion of the wind energy industry, either onshore or offshore, is expected to raise future demand for wind turbines. In addition to more imports of wind components through these two ports, the region can benefit more from manufacturing wind blades and other wind components.



Source: PoweringTexas.com, Texas America's Leader in Wind Energy, February 2019.

Another renewable energy that the region can leverage is solar. California currently has the most installed utility-scale solar capacity of any state, but Texas is catching up quickly. According to the Energy Information Administration (EIA), Texas accounts for one-third of the nation's growth in solar capacity this year. Along with other southwestern states, the western half of Texas has the most solar resource to harness.



Source: <https://www.nrel.gov/gis/assets/images/solar-annual-ghi-2018-usa-scale-01.jpg>

Texas Triangle vs. Texas Star

The business-friendly environment in Texas has prompted an increasing number of hi-tech companies to relocate from other parts of the nation, notably Silicon Valley of California. Tesla of Palo Alto is one such company. The demand for vehicle batteries will also surge as it begins its electric vehicle production in Texas.

In addition to business relocations, migration of a productive workforce into the state is propelling job and income growth while diversifying its economy.

The ongoing pandemic has shifted the paradigm of business operations, particularly among information-based business service companies. Historically, businesses tended to cluster in areas with a skilled workforce. Following the business lockdown and stay-at-home orders at the onset of the pandemic last year, increasingly more employees are now able to work from home.

Last year, the percent of workers working at home was about twice that of the historical average. According to [Census survey data](#), 42 percent of employees spent some time working at home in 2020. In Nueces County, this share was below the national average at 36 percent. The relatively fewer local jobs that can be done at home help explain a lack of resilience of the local labor market to the pandemic.

Some tech companies, such as Facebook, Apple and Dropbox, have made the remote work option permanent for at least some of their employees. In effect, many workers across the U.S. can now choose where they want to live and work, without commuting to their offices daily.

The increasing popularity of work from home is about to change the shape and size of cities, especially the largest metro areas [like New York City and San Francisco](#). Lockdowns in those cities last year has triggered an exodus of residents. Housing market data indicates that urban dwellers have opted to move to suburban areas with more spacious and affordable houses. [Recent surveys](#) also suggest that 61% of employee surveyed was willing to take a pay cut in exchange for the option to work from home.



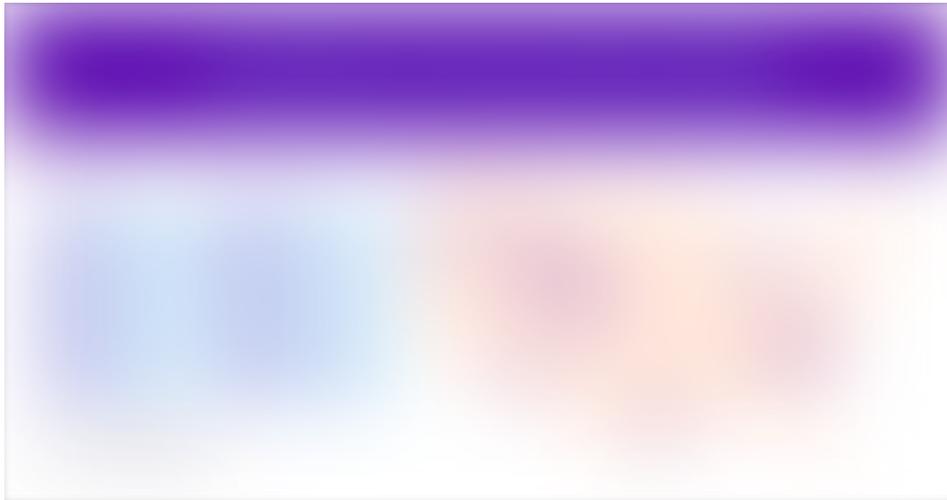
One implication of this new trend is the migration pattern across the nation. The first aspect of the potential population shift occurs between a city center and its suburbs. Before the pandemic, only 2.4 percent of Americans worked remotely, although 37 percent of jobs can be done online.

A recent survey by Apartment List indicates 4 out of 10 respondents expect at least some remote work flexibility. Most moves of remote workers in 2020 occurred within the same city. Another implication of the geography of remote work is migration between different cities.

Remote work is more readily adaptable in information-based service occupations, such as software development, legal, and business services. So where do these highly skilled and paid workers prefer to live? Research shows that workers' locational choice is affected by the tradeoff between the costs of commuting to work and the amenities of their residence, or quality of life, from restaurants and shops to scenic landscapes

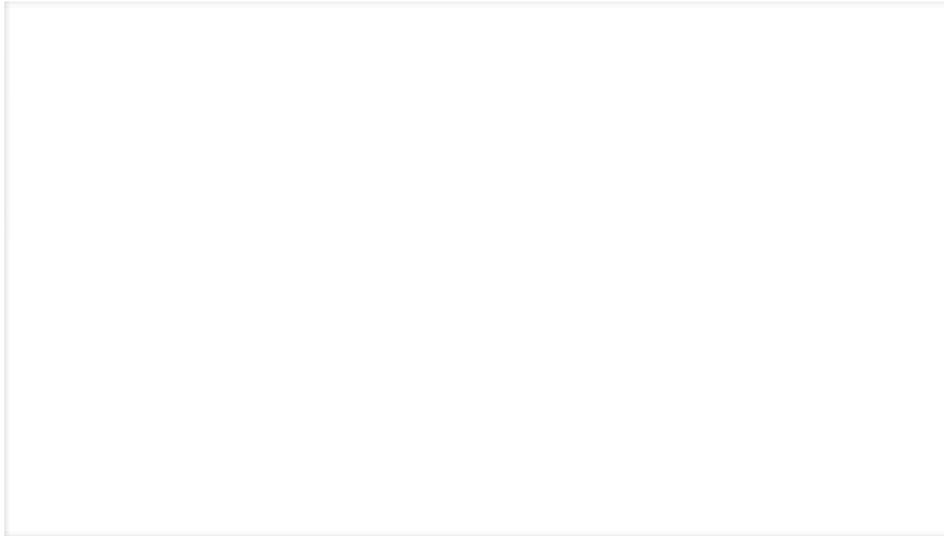
and proximity to beaches and parks. Virtual conferencing and online apps have expanded the capacity of remote work, essentially reducing commuting costs.

Since remote workers can live anywhere, small towns and cities across the nation, from Topeka, Kansas, to Tulsa, Oklahoma, have begun to lure them with cash and other perks.



Source: <https://www.apartmentlist.com/renter-life/best-cities-for-remote-workers>

More Texan migrants have come from California than any other state. In 2020, about one of every ten newcomers was Californian. The majority of them are from southern California. Not surprisingly, most of these Californians relocated to communities in Austin, Houston and Dallas, the so-called Texas Triangle region.

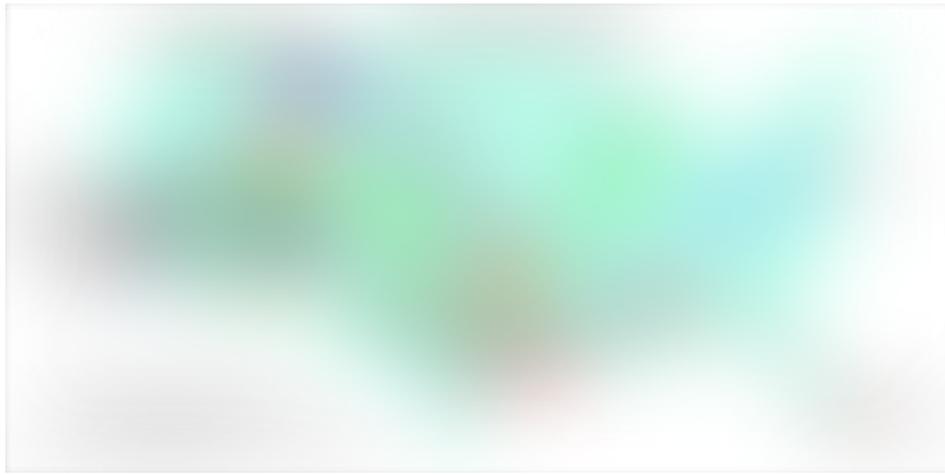


Source: Economic Development Strategy & Diversification Study, prepared for Texas General Land Office, May 2021.

According to [Apartment List's](#) research, Austin is the best place in Texas for remote workers. The city is already home to such tech companies as Apple, Google, Meta (formerly Facebook), and Whole Foods Market. Austin not only offers relatively affordable housing and a variety of urban amenities like restaurants and coffee shops, but it is accessible to abandon natural amenities like lakes and hiking trails.

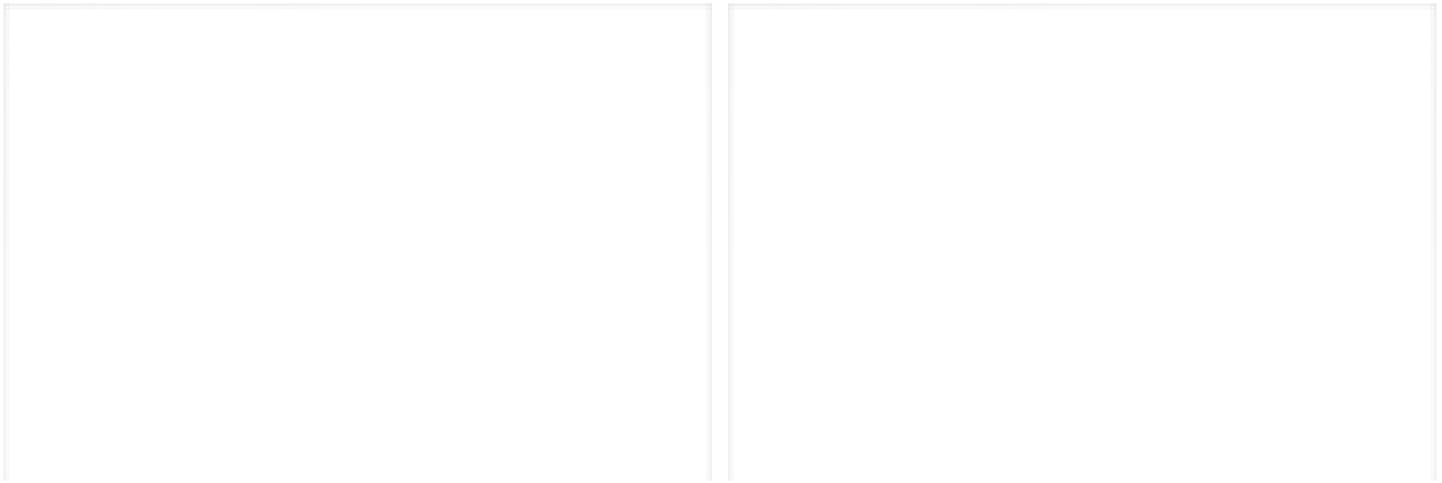
For New Yorkers, other than the city suburbs, the most favorite destinations for them were around Miami and other coastal cities in Florida.

Riding the Migration Wave



As work from home becomes an emerging dimension of the workforce culture, a city's jobs are less tied to its residents. A remote worker living in Corpus Christi can work for a business anywhere in the world, even Amazon in Seattle. The absence of geographical barriers for remote workers also has far-reaching implications for regional economic development.

The popularity of remote work is about the reshape the regional competitiveness of the city and beyond. An increasingly number of companies, especially those in the information and business services industries, have allowed their employees to work from anywhere. Though, during the pandemic, most moves have occurred within the same metro area instead of elsewhere, those who have moved further away seemed to favor areas with relatively more affordable housing, and urban (e.g., restaurants) and natural (e.g., coastline and hiking trails).



Draft the arrow left or right to compare counties that local residents moved from and to.

Historically, most migration for the Corpus Christi metro area occurred within the state of Texas and the Southwestern region of the nation. During the past decade, the area has experienced a net outflow, driven predominantly by migration to other larger metro areas in Texas, notably Dallas and Austin.

The pandemic has reversed the local migration trend. Instead of losing about 2,000 residents in 2019, Corpus Christi has gained about 1,500 since the beginning of 2020, according to the address change data compiled by [two Dallas Fed economists](#). Other similar-size metros, such as Brownsville-Harlingen and Laredo, have continued to experience a net outflow of population but at reduced levels.

Though it remains to be seen whether Corpus Christi will ride the current wave of great Texas migration in years to come, the region has most of the natural amenities as in the booming southern Florida coast, which has attracted many New Yorkers during the ongoing pandemic.

Hopefully, this new trend is here to stay beyond the pandemic. Along with El Paso that has experienced a large population inflow during this era Great Migration, Corpus Christi might well be part of the transformation from the Texas Triangle

into a Texas Star.

Unlike Florida, which has attracted mostly retirees during the pandemic, Texas has attracted workers as well as businesses. The current migration wave has brought talents from other high-skilled labor markets across the nation, particularly from the East and West Coasts. So, in-migration to Corpus Christi can potentially drive the region's sustained economic growth.

Much like the shale oil revolution that boosted economic growth in South Texas around the turn of this century, the so-called YOLO (You-Only-Live-Once) new normal once again promises to be a game changer for everyone.

Looking ahead, our future depends on how we individually or collectively reap these once-in-a-lifetime opportunities. This is especially true when many of us can now work anytime and anywhere. The flexibility of working remotely reduces the geographical and mobility barriers that might have crippled this region's economic growth historically.

What AI says ...

Finally, the pandemic has raised our awareness of what AI (artificial intelligence) can do for us, especially replacing humans for different tasks. To help us better understand AI's potential, the following is what [Sudowrite](#) generated online based on the input with the takeaways and first two sentences in this article.

AI will surely play a larger role at our Center going forward.

The state of the Coastal Bend is in flux, more so during the times out of the pandemic. The region was hit hard by

COVID-19. Today, job and income recovery among its local communities still lag much of the nation.

Due to its outsized exposure to contact-intensive industries, particularly hospitality, construction, oil and gas, and health services, social distancing measures and travel restrictions even after the business lockdown and stay-at-home orders were lifted last year have continued to plague the overall South Texas economy.

As projected, demand for healthcare and social services has soared, affecting the region's job growth and employment mix.

The recession has triggered a noticeable shift in the regional economy as skilled workers and businesses seek refuge from the Gulf Coast.

Despite a strong rebound in 2021, the regional economy still lagged behind the rest of the nation by the end of the year.

With the rapid build-out of new wind farms in Willacy, Kenedy, Kleberg, and Cameron counties, the Texas coastal region is on track to become the world's leading wind-energy provider.

The Texas Sustainable Energy Research Institute at the University of Texas–Rio Grande Valley is seeking to transform the region into a hub of research and innovation for energy efficiency, environmental sustainability, green infrastructure, and renewable energy.

The region's historical income and job growth gaps have widened once again, the pandemic has also created numerous new opportunities for local businesses, employees, and communities.

Pessimism persists among individuals across the region, but more so in some communities than others. Those communities

are struggling with lower incomes, more outmigration, lower labor force participation, and higher poverty levels. They are also facing increased economic competition from new businesses entering the state. The region has an opportunity to rise above the malaise, but first, it must address the fundamental structural problems facing its communities.

As the region continues to recover from the pandemic, there are signs of optimism. Corpus Christi's downtown, for example, is on its way to becoming a state-of-the-art tech hub for the oil and gas industry.

The area is also beginning to reap the rewards of its infrastructure investments.

Last year, the city renewed its focus on parks, trails, and recreation with the opening of the Corpus Christi Downtown Water Park, which helped draw people back downtown. A new downtown middle school planned for next year is also expected to energize the local community.

As the last two months of the year have shown, the region's economy has continued to grow stronger as health experts reported no new cases of the virus anywhere in the U.S. during November and December.

The new year will bring with it new challenges as local businesses and employees continue making their gradual comeback.

The state of the Coastal Bend is in flux. The region will maintain its strong position as a leader in wind power and onshore oil and gas drilling.

Despite the risk of additional landfalling hurricanes on parts of the region, and with an increased focus on onshore and offshore oil and gas development, the Coastal Bend is poised to attract

and retain a steady stream of new businesses and workers.

Local communities, schools, and infrastructure must keep pace with the Coastal Bend's fast-growing population.

The state of the Coastal Bend is in flux, more so during the times of the pandemic, out of which it is still recovering.

The ongoing influx of new workers from outside the region and the surge of out-of-state businesses looking to take advantage of the region's low costs and talent pool has helped to offset these short-term impacts, but not without consequences.

Organizational restructuring, downsizing, increased workload, and increased pressure on employees to commute for longer hours to work remotely or at home have all become the new normal for many South Texas businesses and communities today.

The Coastal Bend economy has rebounded strongly since COVID-19. The region has now regained all the jobs it lost during the pandemic.

Surging manufacturing, oil and gas drilling, and tourism numbers have all contributed to this recovery.

However, the region's historical income and job growth gaps have widened once again, highlighting the ongoing challenges for local communities and businesses to catch up to the rest of the nation.

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Cover Photo: Istockphoto.com.