This is a presentation of South Texas Economic Development Center for year 2017.

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The past year was full of big surprises. For our regional economy as a whole, the biggest surprise was perhaps its continued resiliency to the low oil prices that were less than half of their peak levels in 2014.

In this update, we first look at how Corpus Christi has fared during the current oil cycle, followed by our view of the prospects for the region in the year ahead.
The most intuitive indicator of the economic health of Corpus Christi is its unemployment rate. Indeed, we now can no longer claim full employment for the area as we probably would some two years ago when the local unemployment rate dipped below 5 percent.

Since the oil boom ended in late 2014, Corpus Christi’s unemployment rate has continued to inch up, now at about 6 percent.

But so far Texas as a whole seems to be immune to the current oil bust. The statewide labor market has continued to expand, and the unemployment rate remains below 5 percent.
But the unemployment rate is a lagging indicator, meaning that it is slow to react to changes in the labor market.

A more timely economic indicator than unemployment is the so-called jobs number. The recent patterns of employment growth clearly reflect the impact of the falling oil and gas industry on Corpus Christi in comparison with the rest of the state.

Job losses in the metro area persisted over the past year, but there were early signs of leveling at year end.
Despite its exposure to developments in the oil and gas industry, our local economy so far has held up much better than during a similar oil market scenario 20 years ago.

In early 1986, oil prices dropped by half. The immediate impact on Corpus Christi was an employment loss of nearly 10 percent, and its economy did not recover until two years later.

But during the current down cycle, despite a nearly one-percentage point higher unemployment rate, the employment level today remains close to that at the peak of the last oil boom in mid-2014.
Still, the role of oil in South Texas can’t be understated. That goes well beyond job numbers. Historically, the only years that the typical Corpus Christi resident lost income earnings happened when oil prices also dropped. Changes in oil prices from one year to the next explain a whopping 42 percent of changes in the area’s personal income per capita.

Even for the majority of residents who have stayed employed during the current economic downturn, they are likely worse off economically today than they were a couple of years ago.

The data also highlight the close tie between our local economy and developments around the world, which affect the markets for commodities like oil.
So, what lies ahead for Corpus Christi? The answer naturally depends on the outlook for oil prices. Given the consensus of a moderate rebound of oil prices in the near term, Corpus Christi and the broader South Texas region will likely be making a turnaround from the recent downswing.

Between the Center for Border Economic Studies at University of Texas Rio Grande Valley and the South Texas Economic Development Center at Texas A&M University-Corpus Christi, the forecast is a 2.1 percent economic growth for Corpus Christi in 2017.
Our positive outlook aligns with the finding of positive business sentiments in our recent business outlook surveys. More survey respondents are expecting business growth in the near future.

This helps generate a virtuous cycle in our local economy.
Beyond this year, the outlook is much less certain. The main reason for the local economy’s resistance to a freefall in recent years is the ongoing construction activity near the Port.

All but two of those projects will complete by year end. Will the Exxon Mobil plant be the next wave of employment?
This concludes our Economic Update and Outlook for Corpus Christi.

The South Texas Economic Development Center is a unit of the College of Business at Texas A&M University-Corpus Christi.

Please visit us at SouthTexasEconomy.com. The latest release of the Aqua Book shows current economic trends in local communities across South Texas.

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