Corpus Christi and Coastal Bend
Economic Pulse
Texas A&M University-Corpus Christi
College of Business and Center for Business Research

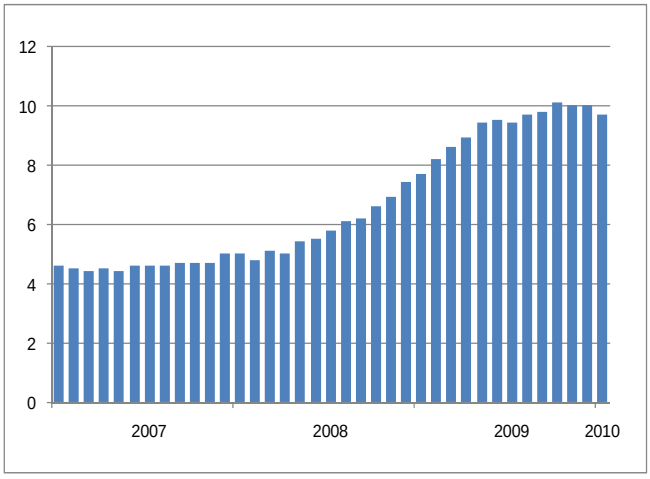
2010 No. 1

The Great Recession—Say Hello and Goodbye!

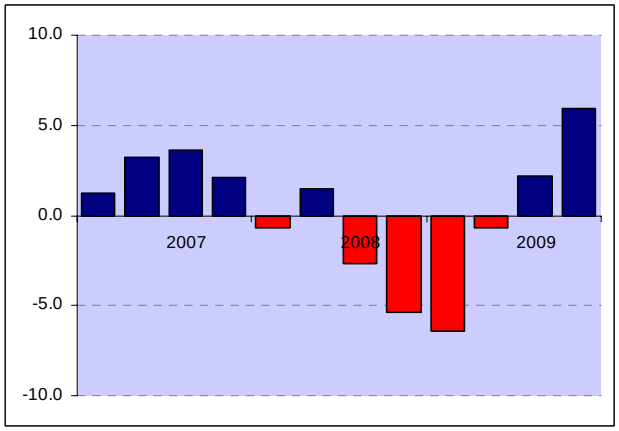
Following a housing market downturn and a subsequent financial crisis that spread across the nation, the U.S. officially entered a recession in December 2007. The National Bureau of Economic Research determines the timing of business cycles for the U.S. Since the Great Depression, recessions have lasted 11 months on average. Today, the current recession, widely known as the Great Recession, has lasted more than two years.

But then there are already signs that the U.S. economy has already hit the bottom. Gross Domestic Product, the broadest measure of a nation's economic activity, began to grow once again in the third quarter of 2009, after a full year (four quarters) of steep declines. The 5.9 percent growth during the final quarter of 2009 only confirms that an economic recovery is well underway. To reinforce the signals from GDP, the unemployment rate—typically a lagging economic indicator—had began to show a steady decline by the spring of 2010, after surging over 10 percent.

U.S. Unemployment rate (%)



U.S. GDP Percentage Change



All those positive economic signals have led some economists, including former Federal Reserve Chairman Alan Greenspan, to conclude that the recession ended sometime in mid-2009, even though an official declaration from the NBER is not likely to come until later this year.

Historically speaking, the Great Recession is extraordinary not only in the severity of the economic decline and the widespread effects on local communities and industries. But this business cycle is also extraordinary in the speed that the economy has recovered from its bottom.

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But the picture is quite different for the local economy in South Texas. Much like the last national recession in 2001, Corpus Christi continued to grow well past mid-2008 before local employment growth began to slow down.

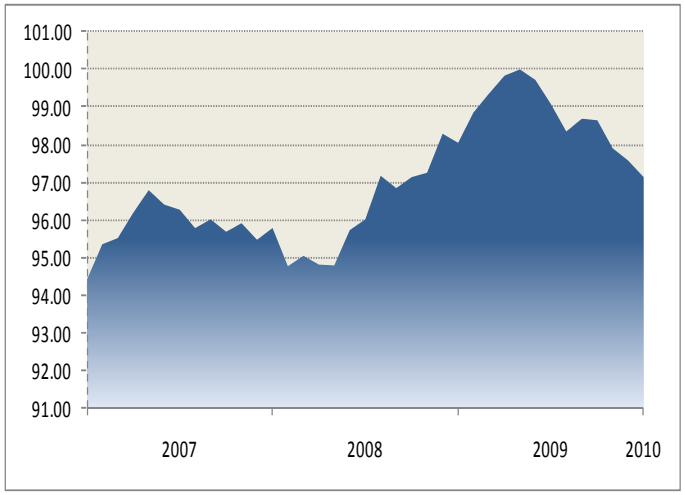
Will the Local Recession End Soon?

An accompanying chart below shows the movement of an economic index that tracks the changing overall economic condition of Corpus Christi. This business cycle index was originally developed by Jim Lee, an economist at Texas A&M University-Corpus Christi, in partnership with the Corpus Christi Chamber of Commerce. It is a summary of the movements in five economic indicators: employment, the unemployment rate, sales tax revenues, the number of building permits and the median home price.

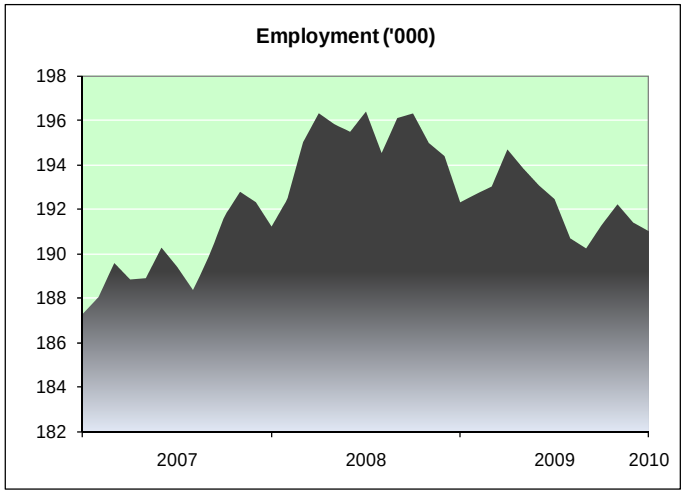
The index registered the most recent peak at 100 in early 2009. With 100 as the benchmark, a reading below 100 means less favorable economic and business conditions as compared to that peak. The index has dwindled down since early 2009, reaching 97.14 by January 2010.

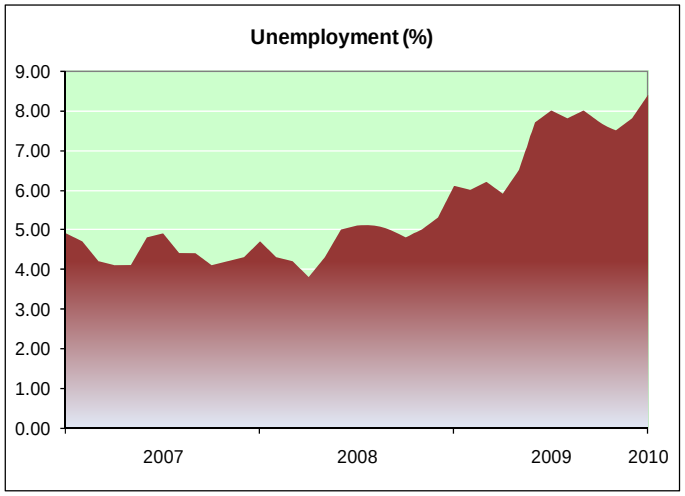
In this past January, all indicators except the number of residential building permits showed signs of deterioration (see charts below). The local unemployment rate rose to 8.4 percent from 6.2 percent a year ago. The Corpus Christi MSA also lost 3,100 jobs over the month of January. The median home price depreciated 8 percent in that month alone and local sales tax revenues dropped nearly 20 percent from a year ago.

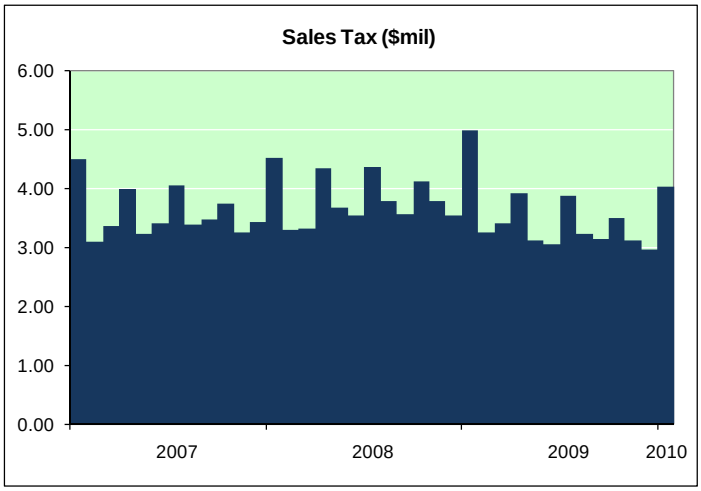
Corpus Christi Economic Index

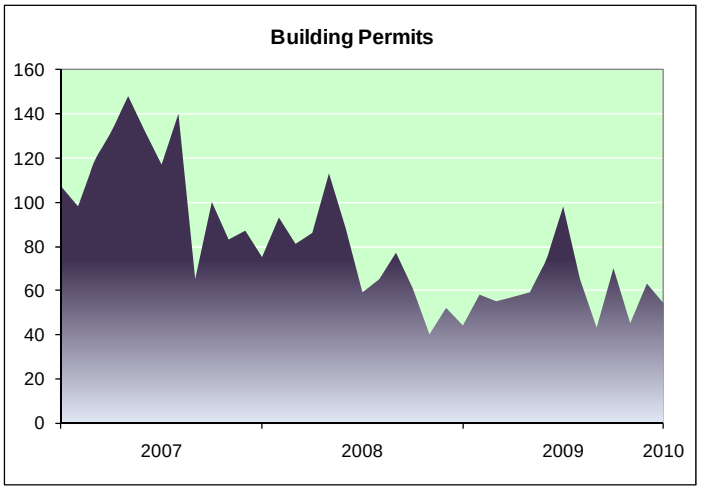


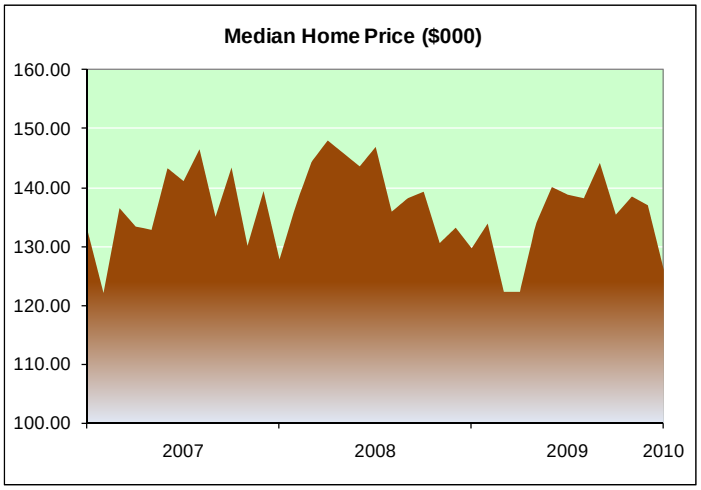
Economic Indicators











An accompanying chart below shows the corresponding business cycle index for Texas. This index is constructed and updated by the Federal Reserve Bank of Dallas, which also reports a business cycle index for nine metro areas in Texas except Corpus Christi. According to the Texas statewide index, Texas entered the current down cycle in July 2008. A comparison between the Texas index and the corresponding index for Corpus Christi suggests that Corpus Christi lagged behind the rest of the state and also the rest of the nation.

One reason for the discrepancy between the local economy and other parts of the nation is related to the economic base of the region. Port-related industries in the area, and particularly the oil refineries, are the key economic drivers of the Coastal Bend region. Those industries had benefitted from the escalating oil prices before 2009. As oil and other energy prices fell in the wake of the steep recession nationwide, oil refining and construction activities around the Port district slowed down as well.

Challenges Ahead

There is now high hope for a full-fledged economic recovery at the national level: GDP has begun to grow and the job market is improving. Corpus Christi's unemployment rate in January was below the statewide and nationwide averages. But the contrast between rising unemployment rate locally as opposed to the steadily declining rate nationally is a hint that the local economy might continue to worsen in the coming months before it will get better.

For Corpus Christi, the challenge is in fact more of long-term than short-term or cyclical nature. Historically, a business cycle downturn, like the current recession, is a temporary phenomenon if it is a result of a shortfall in spending by either consumers or businesses. But an area may also undergo structural change that may have a permanent effect on its economy. Take the closure of the military base in Ingleside for example. If the adverse effects of the closure are not mitigated by any redevelopment effort, then the job and income losses, as discussed in the 2006 No. 2 issue of the *Economic Pulse*, will be lost permanently.

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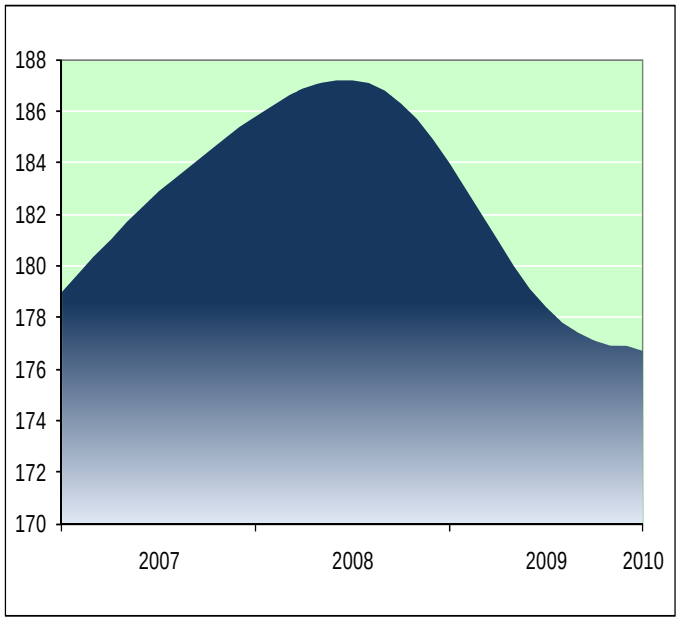
Texas Business Cycle Index



Source: Federal Reserve Bank of Dallas.