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

Economic & Business Conditions of Corpus Christi

Welcome aboard again! In the last issue of Economic Pulse, we discussed the Corpus Christi economy in a historical context. In this issue, we take a close look at the metropolitan area's current economic and business conditions. To begin, we will introduce an index that depicts the vital signs of the local economy. This economic barometer, commonly known as the coincident index, will be regularly updated and reported in future issues of this newsletter.

The current issue also features two articles concerning regional economic development. The first article spotlights the links between Mexico and Corpus Christi as a neighbor to the U.S.-Mexican border, and the second article discusses the role of the oil price in the local economy.

Coincident Index

By Jim Lee

Knowledge about how the local economy performs has widespread ramifications for decisions in not only the business but also the government sector. If business firms expect an economic boom, for example, they might raise inventory investment to meet the anticipated increase in demand for their products. On the contrary, local government officials perceiving a weakening economy might postpone road improvement efforts in anticipation of lower sales tax revenues to finance these projects.

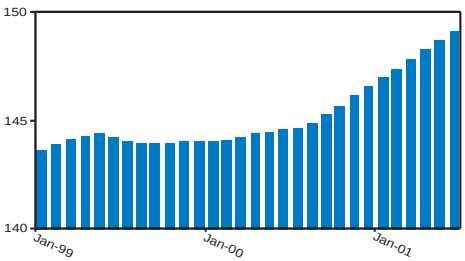
For this reason, a wealth of local economic and business data have been released regularly by various institutions, including the Economic Indicators by the Corpus Christi Caller-Times, a local newspaper, and this Economic Pulse newsletter by the College of Business at Texas A&M University-Corpus Christi. These statistics, however, do not always convey a clear view concerning the overall strength or the direction of local economic activity.

In this newsletter, we present the data for a newly constructed index that tracks the underlying economic fundamental of Corpus Christi-the coincident index. This index has been developed for the U.S. as well as for the state of Texas for some time, but not at the local level. Its name implies that the timing of its movements coincides with the booms and busts of the business cycle.

Coincident Indicators

This coincident index is made up of four indicators that capture key aspects of the Corpus Christi economy: the nonfarm employment level, the unemployment rate, the retail sales level, and the total number of building permits. An accompanying chart compares the coincident index for the metropolitan area

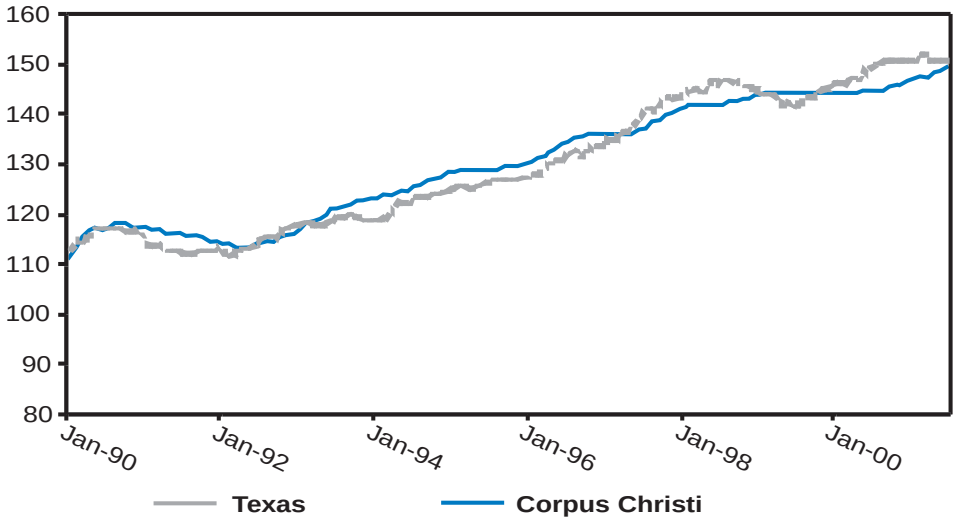
Corpus Christi Coincident Index



Source: Author's calculations

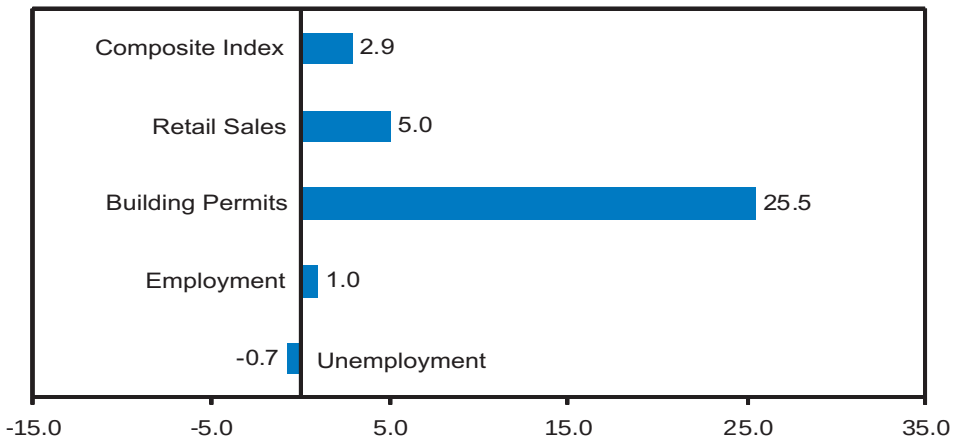
Coincident Indexes

Monthly, Seasonally Adjusted, 1987=100



Sources: Federal Reserve Bank of Dallas and author's calculations

Percent Changes in Coincident Indicators
(2000Q2-2001Q2)



Source: Author's calculations

with the statewide index since 1990. For comparison purposes, both indexes are set to 100 for 1987. The overall pattern of the local index is apparently in tandem with that of the Texas index.

Periodically, the local index takes a different path from the state index. For instance, the decline in the Texas index between mid-1998 and mid-1999 was not shared by Corpus Christi, whereas the local slowdown from mid-1999 to mid-2000 was only accompanied by accelerated growth in Texas. The somewhat weaker local index between 1999 and 2000 is mirrored by a sharp drop in employment along with sluggishness in construction activity. These gaps delineate the potential of the local index for monitoring Corpus Christi's unique economic and business conditions.

Since mid-2000, the local coincident index has shown a buildup of economic fundamentals. Together with solid growth in both building permits and retail sales, the two labor market indicators-the employment level and the unemployment rate-have continued to improve. In the second quarter of 2001, the unemployment rate fell to 5.9 percent from 6.6 percent a year earlier. In line with its historical trend over the past decade, employment grew at a steady pace of 1.0 percent annually. The service sector led the growth.

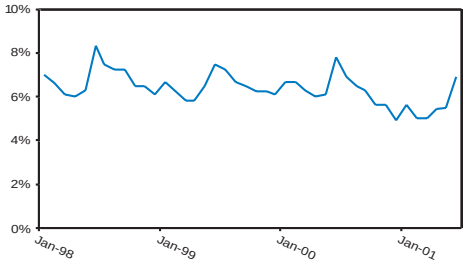
The construction sector also experienced employment gains. During the second quarter, 80 building permits were issued-a whopping 25 percent gain from last year's 64 permits. Meanwhile, retail sales also showed a solid 5.0 percent growth. Looking ahead, lower interest rates, falling energy costs and tax rebates should prop up investment and consumption spending further throughout the rest of this year.

Braving the Wind

Against the backdrop of a nationwide slowdown, the current Corpus Christi economy remains healthy. With all coincident indicators pointing upward, the composite index has continued its upward momentum so far this year. In June, this economic barometer climbed to 149.2, which was 4.5 points, or 2.9 percent, ahead of the reading a year earlier. In comparison, the coincident index was up 1.7 percent for Texas and only 0.6 percent for the U.S. as a whole. According to these numbers, Corpus Christi is likely to be able to weather a possible national downturn.

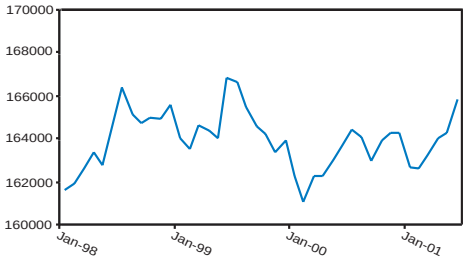
Details of the methodology for constructing and updating the coincident index for Corpus Christi are contained in a working paper, which is accessible online at http://go.to/EconomicPulse.

Unemployment Rate



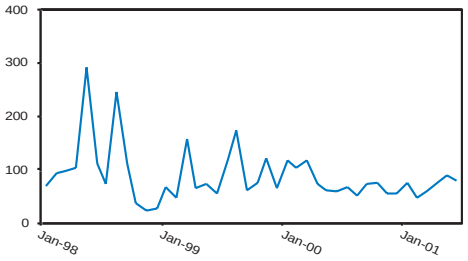
Source: Texas Workforce Commission

Employment Level



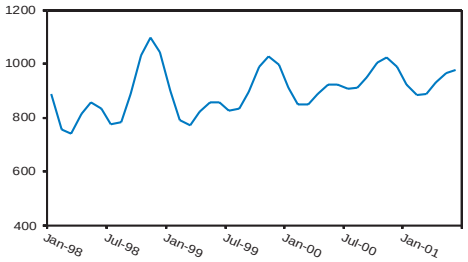
Source: Texas Workforce Commission

Building Permits



Source: City of Corpus Christi

Retail Sales



Source: Texas Comptroller of Public Accounts

Comparison of Coincident Indicators: 2001Q2

	Corpus Christi	Texas	U.S.
Unemployment (%)	5.9	4.5	4.5
Employment (% change from 2000Q2)	1.0	2.6	0.0
Building Permits (% change from 2000Q2)	25.5	8.6	4.1
Retail Sales (% change from 2000Q2)	5.0	3.0	2.1
Composite Index (% change from 2000Q2)	2.9	1.7	0.6

Texas-Mexican Trade: Profile and Prospects

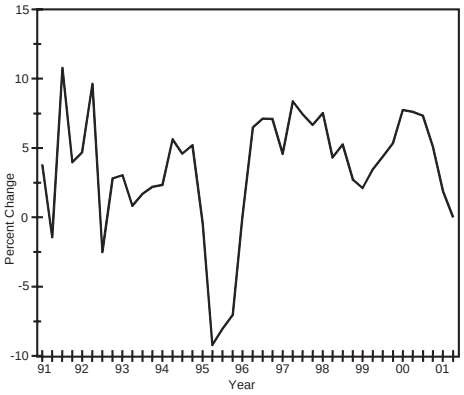
By Patrick Crowley

Given our proximity to Mexico, border issues clearly affect us in Corpus Christi. Not only are we the nearest major U.S. urban area to the border in south-east Texas, but we also have a thriving port that does a considerable amount of trade with Mexico. In addition, issues that the current administration have emphasized, such as visas for migrant labor or whether Mexican-registered trucks have a right to cross the border into the U.S., are likely to be controversial in South Texas. The former has been the subject of negotiations between Presidents Bush and Fox, and the latter is currently before a NAFTA dispute settlement panel (with the decision binding subject to appeal).

From a growth perspective, trade with our southern neighbor can help the region, whether in terms of exports from the region or importing goods from Mexico, perhaps for trans-shipment elsewhere.

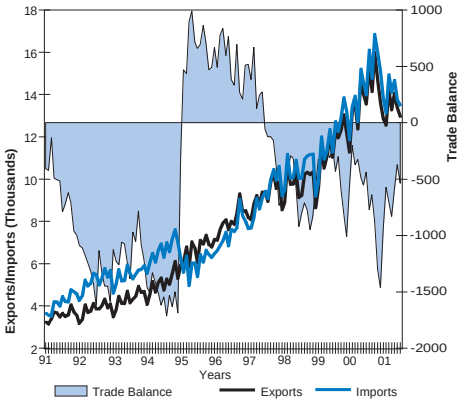
Figure 1 shows the path of Mexican GDP over the last 5 years. Recent data indicates that the country is now probably at a standstill, a similar economic situation to that of the U.S.

Figure 1: Mexican GDP



Mexico is extremely dependent on the U.S. in terms of its foreign trade, as over 90% of exports are to the U.S and over 75% of Mexican imports are from the U.S. The rapid economic growth in Mexico has led to a widening gap between exports and imports of goods, evidenced in recent statistics on the trade deficit graphed in Figure 2.

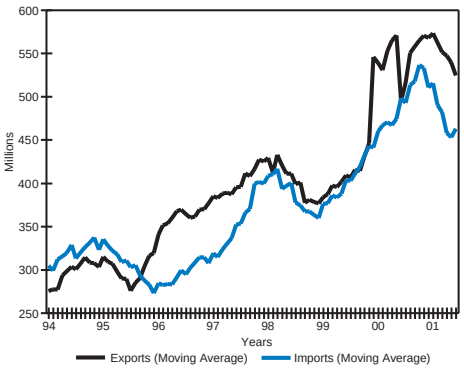
Figure 2: Mexican Trade Balance



Given prospects for sluggish growth and the strong U.S. currency, this trade deficit should not become a problem over the next year. It is unlikely that economic growth will resume until the U.S. starts to recover from the current downturn, but trade should still continue apace unless the dollar begins to depreciate after the recent terrorist incidents.

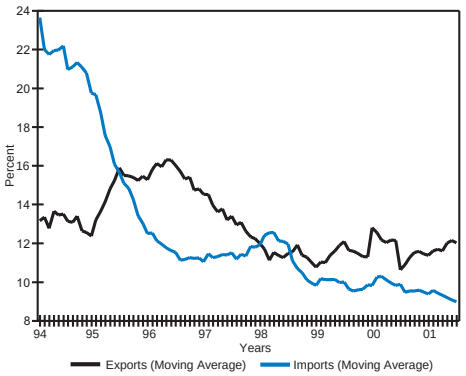
Against this backdrop of a flat economy in Mexico, San Antonio and Corpus Christi may well benefit from increased cross border trade flows over the coming year, particularly on the import side because of the high dollar. Figure 3 documents the amount of trade passing through Brownsville.

Figure 3: Brownsville Trade in Current U.S. $



Brownsville's share of the Laredo district's trade (Laredo district consists of all Texas entry/exit points except El Paso, Presidio and Fabens) has stayed roughly constant in terms of exports but has fallen in terms of imports of goods from Mexico, as shown in Figure 4.

Figure 4: Brownsville Trade, Percent of the Laredo District



The fall in imports relative to the rest of the district is likely due to the opening of new Maquiladora plants in the Laredo and Presidio areas in the mid-1990s, which has boosted the flow of goods through these entry points into the U.S., lowering the proportion of goods imported through Brownsville. Even so, as Figure 3 shows, imports through Brownsville have increased substantially over the last two years, by over $200 million, not a small figure at all!

In terms of the types of goods that appear to be crossing the border into Mexico through Brownsville, electric capacitors, petroleum coke and car parts appear to be highest in value; and in terms of imports from Mexico, radio broadcast receivers, other motor vehicle parts, industrial equipment and clothing appear to be the highest value items during 2000. The Port of Corpus Christi already has a considerable amount of trade with Mexico, as Mexico ranked third in terms of trading countries for the Port in 1999.

In the long term, given the stable political environment in Mexico, the openness of the new regime and its pro-free trade stance, there should be considerable growth in cross-border flows over the next few years. This would give import companies in Corpus Christi considerable opportunities.

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For a copy of this newsletter or more information about the Corpus Christi economy, visit us online at http://go.to/EconomicPulse.

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Oil Price and the Local Economy

By Jim Lee

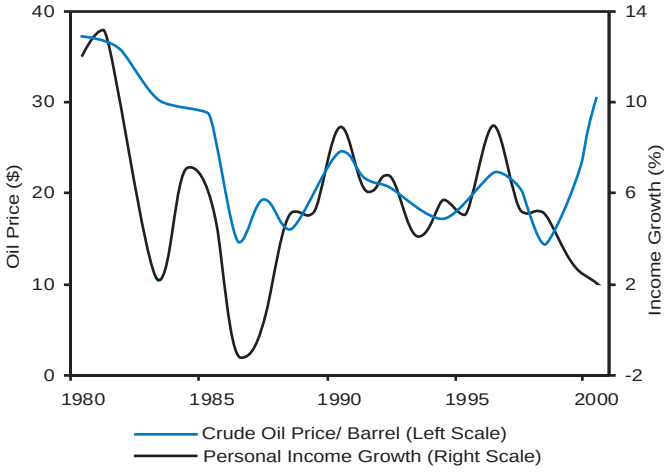
Energy prices have recently experienced increased volatility. While higher energy costs trim households' pocketbooks, they represent good fortunes for the oil-related industries. Other things being equal, oil and gas companies, such as CITGO, Koch and Coastal, have been profiting from higher gasoline prices. And these companies are a major driving force behind the Corpus Christi economy.

How does the local economy fare in the case of a higher oil price? The accompanying chart provides a visual impression of the relationship between the crude oil price per barrel and the Corpus Christi area's personal income growth rate in the past two decades. Apparently, both the oil price and income growth tend to move roughly together over time.

The oil price dropped from $38 per barrel in 1980 to about $20 in 1986 and remained relatively steady throughout the 1990s. Local economic activity appeared to ride along with these movements rather than against them. In fact, over 30 percent of the year-to-year changes in local income growth were correlated to changes in oil price.

Contrary to much of the U.S., which is oil-consuming, the varying performance of the Corpus Christi economy is typical of the Southwest region (Oklahoma, New Mexico, Arizona and Texas), which is oil-producing. While the last two national recessions (one in 1981-82 and another in 1991) were preceded by an oil price shock, Corpus Christi suffered only when the oil price dropped.

Yet Corpus Christi seems to have failed to reap the fortune of surging oil prices through this summer. Greater drilling activity and earnings for oil companies have not resulted in corresponding employment gains in the region. Slow job growth in the oil industry has been an outcome of improved oil extraction technology and, more importantly, the nationwide consolidation related to the series of mergers among the major oil companies, including Exxon /Mobil and Chevron/Texaco.



Sources: Federal Reserve Bank of Dallas and Bureau of Economic Analysis