

AQUA BOOK

Annual Review of the
South Texas Economy

2014 Edition



TEXAS A&M
UNIVERSITY
CORPUS
CHRISTI

COLLEGE OF
BUSINESS

E★D★A

U.S. ECONOMIC DEVELOPMENT ADMINISTRATION



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COASTAL BEND BUSINESS
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Welcome Message

“Aqua also reflects the unique, natural environment that defines of our Island University—water.”



We are pleased to publish this inaugural issue of the Aqua Book as an annual review of the South Texas economy. Our readership includes public officials, business leaders, entrepreneurs, and other community stakeholders.

This new publication is an initiative of the EDA University Center at Texas A&M University-Corpus Christi. The center aims at fostering sustainable economic and community development in our region. This annual update on the regional economy supplements the Regional Economic Indicators newsflash, which provides a monthly snapshot of overall economic conditions in the Coastal Bend’s metro area. In comparison, this annual report provides a deeper overview of recent economic and business development across the region’s various communities.

The title of this publication parallels the informal names of some well-known economic reports issued periodically by the Federal Reserve, the U.S. central bank. As a color, ‘aqua’ is a mix between blue and green, the two official colors of our university. Aqua also reflects the unique, natural environment that defines of our Island University—water. Today water as a resource is also one of the most pressing issues for many communities in South Texas.

Our economy is always in flux. In this issue, we are fortunate to report mostly good news about recent economic development. With growth come opportunities and challenges. Community officials and business leaders are heading into uncharted territory. The main objective of our economic programs is to help the region keep its economic edge. We hope this publication will help you ride the current wave of economic growth in South Texas. We welcome your input in improving our research work and its presentation.

Thank you for your support.

Jim Lee
Chief Economist
EDA University Center

Introduction

“Our coverage of the region’s economy first includes some insight into recent developments.”

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This overview of South Texas’s economic conditions begins with a look at recent economic and financial developments at the national level. Our regional economy is intertwined with the rest of the world. For this reason, national and state economic trends influence the business climate of our local communities.

Our coverage of the region’s economy first includes some insight into recent developments in the Corpus Christi metro area, the key economic engine of the Coastal Bend. In addition to major economic and business indicators, we will describe conditions in the local labor and housing markets.

We will also take a close look at individual communities in South Texas. As for Corpus Christi, the same measures of economic performance will be applied to the twelve counties that make up the Coastal Bend region. Data for the last quarter of 2013 are preliminary estimates. Although the economic landscape varies strikingly across this region, most local communities have experienced much stronger employment and income growth than the rest of the nation. One major source of current economic growth in South Texas is, of course, the oil boom in the Eagle Ford Shale formation.

Despite impressive economic progress in recent years, we should be mindful of the long-term challenges facing South Texas. Among others, local residents overall are still contending with income and education attainment levels well below the national averages. There is no better time for us to tackle those chronic problems than now!

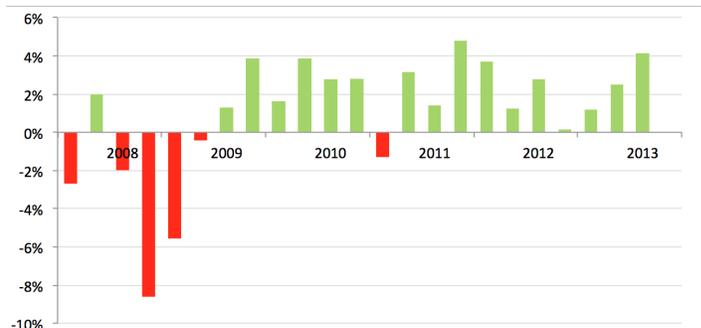


The Big Picture

“For the future course of the economy, leading economic indicators can provide hints.”

While the U.S. labor market has been slow in recouping all massive job losses during the Great Recession of 2007-2009, overall economic activity nationwide has recently revved up at a pace faster than most forecasts. For the last four official releases, the growth rate of U.S. GDP more than doubled that of the previous quarter. Gross domestic product—the total output of goods and services—is the broadest measure of the size of an economy.

U.S. GDP Growth, Annualized Quarterly % Change

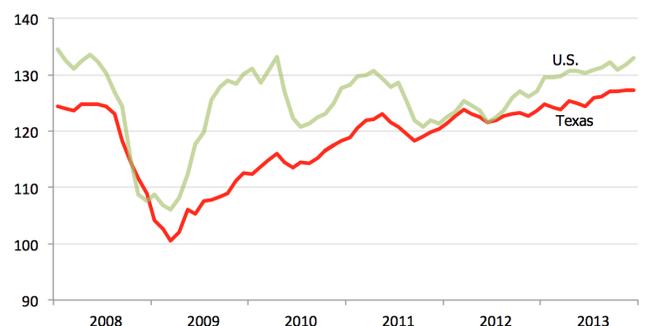


SOURCE: Bureau of Economic Analysis.

National Trends

The latest GDP figures underscore the strength of the U.S. economy. For the future course of the economy, leading economic indicators can provide hints. Those indicators are made up of such factors as stock prices, manufacturing activity and building permits, which often change before the overall economy changes. As such, leading indicators offer foresight into where the economy is headed in the near future. The readings for both Texas and the U.S. since mid-2012 point to continued improvement in the overall economic environment.

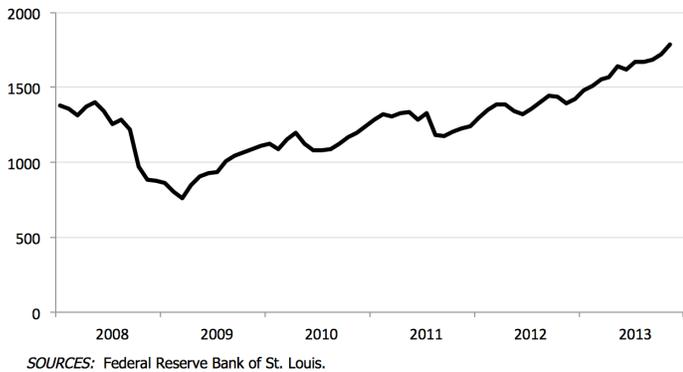
Leading Economic Indicators



SOURCES: Federal Reserve Bank of Dallas; Business Cycle Research Institute.

One of the leading economic indicators is the overall value of stock prices. The S&P 500 index, a common measure of U.S. stock prices, has continued to appreciate after surpassing its previous peak reached before the onset of the 2008 financial crisis. As financial capital flows freely across the nation, regional economies are subject to developments in financial markets at the national level.

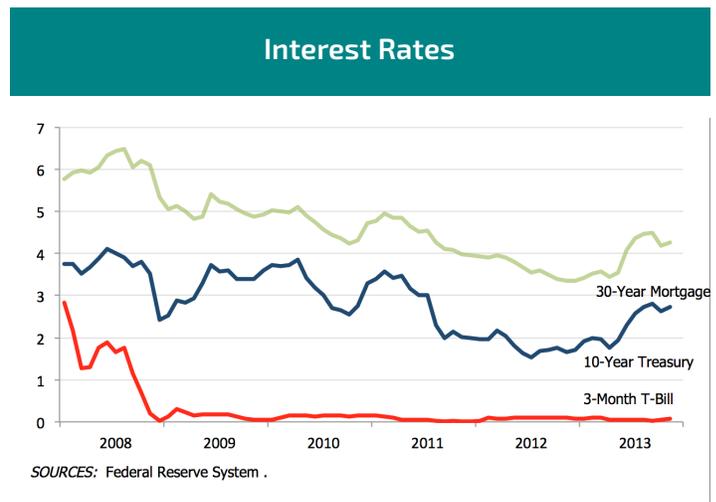
S&P 500 Index



Rock Bottom Financing Costs

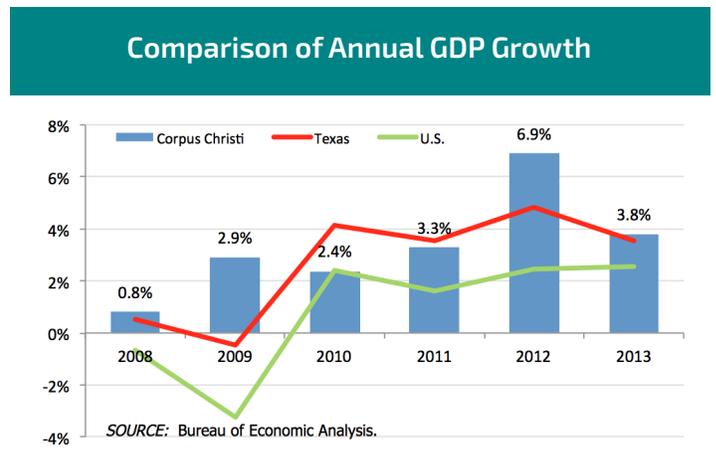
Since 2008, the Federal Reserve has slashed the overnight interest rates to near zero. In response, the three-month Treasury-bill rate—a benchmark for short-term interest rates—has also fallen to levels near the zero-percent floor. In addition to those conventional Fed policy actions, a series of quantitative easing (QE) programs have helped reduce most U.S. interest rates to their historic lows through mid-2013. Those unconventional policy actions of the Fed involved purchasing large quantities of government bonds and other securities. Tame inflation at around two percent since 2011 has also helped kept interest rates low. The 30-year conventional mortgage rate had fallen to about 3.4 percent by the end of 2012 before gaining one percentage point within the following year.

With the U.S. economy back on course, the Federal Reserve announced in last November a cutback on its quantitative easing stimulus program. In response to the Fed’s tapering on its bond buying activities, bond yields and thus most market interest rates are expected to continue to return to their pre-2008 levels.



What Happens in South Texas Stays in South Texas

While the national economy is gaining momentum at last, Texas is among those states that are leading the nation in job creation. With half of the nation’s total oil production that has been expanding at an accelerated pace, the state experienced a strong overall economic growth rate of 4.8 percent in 2012 and 3.6 percent in the following year. The Corpus Christi metro area has witnessed even stronger growth in the past two years. The local economy expanded nearly 7 percent in 2012, followed by a slightly moderate pace of 3.8 percent in 2013.



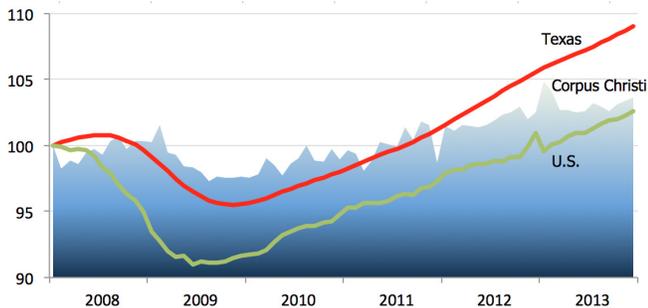
The current shale oil boom in the Eagle Ford began in 2008 with the discovery of Hawkville Field in LaSalle County. Oilfield employment has become a key source of job growth in South Texas.

The Eagle Ford has become the leader in oil production growth among all shale plays in the U.S. Only three counties (Bee, Live Oak and McMullen) belong to the Eagle Ford oil and gas production zone. Yet within five years of the first shale oil well on that play was drilled, oil and gas exploration has already proved to be a game changer for many communities in the Coastal Bend.

“What Goes Around ... Comes Around”

Movement in the regional economy over time is tied to the changing economic environment in the rest of the world. According to the Business Cycle Index, Corpus Christi followed the state and the nation during the last economic downturn. As a measure of the overall economic condition, the Business Cycle Index for Corpus Christi reflects changes in the level of employment, the unemployment rate, wage earnings, and retail sales. South Texas escaped the brunt of the Great Recession of 2007-2009 that has continued to drag much of the global economy. During that period, Corpus Christi experienced less severe economic declines than the rest of the nation. The metro area returned to its pre-recession conditions as early as mid-2011.

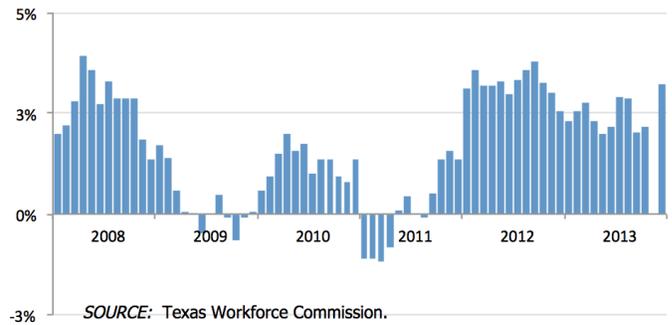
Business Cycle Index



SOURCES: Federal Reserve Bank of Dallas; TAMUCC EDA University Center.

By 2012, local businesses in Corpus Christi had added back most of the jobs destroyed during the last economic downturn. Among all months in 2012, employment grew at an annualized rate of over 3 percent, more than double the historical average. At the end of 2013, the local unemployment rate dipped to a five-year low of 5.5 percent.

Corpus Christi Employment Growth, Year-Over-Year % Change

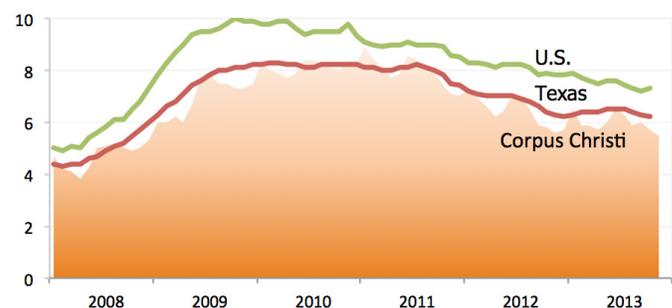


SOURCE: Texas Workforce Commission.

Reversal of Fortunes

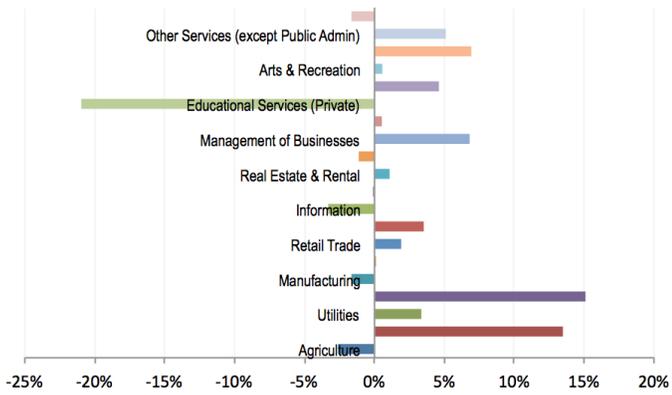
Historically, Corpus Christi faced the challenge of persistently high unemployment relative to the rest of the state and the U.S. That trend has been reversed ever since 2008. The local unemployment rate is now at least one percentage point below the national average. The unemployment rate for the Coastal Bend region as a whole is even lower, as labor markets are increasingly tighter for those communities closer to oilfields in the Eagle Ford.

Unemployment Rate

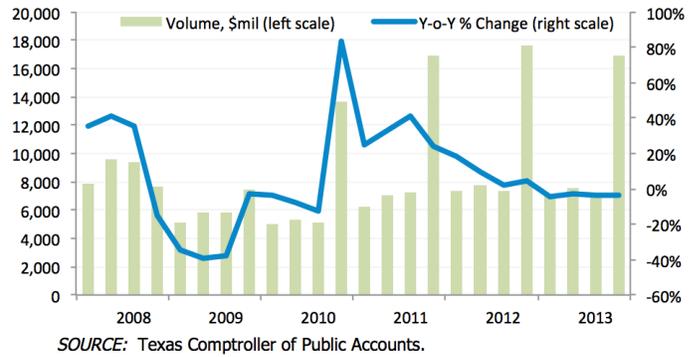


Expansion in the Eagle Ford oil and gas drilling activity has been the underlying source of economic growth in South Texas. Oil and gas production has helped boost employment growth by more than 10 percent in Corpus Christi's mining and construction industries. Local businesses in lodging and food services together have also added 8 percent more jobs as spillover effects from the oil boom.

Corpus Christi Employment Change by Industry, 2012- 2013



Corpus Christi Business Sales

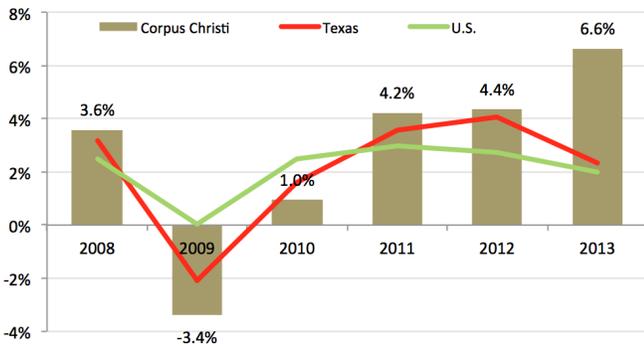


Region in Transformation

Corpus Christi is not simply adding jobs, but high paying jobs. Jobs in oil and gas extraction and business services that are expanding at record pace also pay more relative to other industries. An increasingly tighter regional labor market has driven up overall wages. Despite a retreat in job growth, average wage earnings in Corpus Christi rose 6.6 percent in 2013, after about 4 percent gains in the previous two years. Recent growth in local wage earnings was more than twice of those at the state and national levels.

Corpus Christi is in the midst of a construction boom that promises to transform the future landscape of South Texas's economy. With a whopping 15 percent employment growth in its construction sector, Corpus Christi added the most construction jobs among all Texas metro areas in 2013. According to the Associated General Contractors of America, Corpus Christi added a total of 3,800 new construction jobs in 2013. Those jobs were responsible for more than two-third of the total employment gain in the metro area.

Wage Earnings Per Employee, % Change



Growth in employment and income stimulates household spending. Since the beginning of 2011, the volume of business sales in the metro area has continued to expand on a year-over-year basis, particularly during the fourth quarter that includes the holiday season.

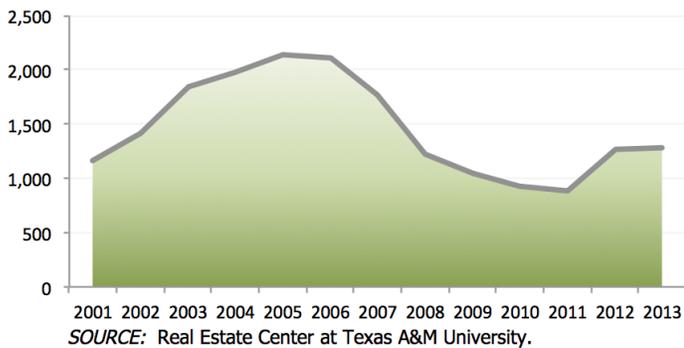
The U.S. as a whole is also witnessing an uptick in construction. What distinguishes Corpus Christi from the rest of the nation is industrial construction. More than a dozen industrial facilities with capital investment together in excess of \$20 billion were announced within the past two years. TPCO America, a Chinese-owned company, broke ground on its \$1 billion steel pipe plant in the city of Gregory in early 2012. Almost overnight, South Texas became a mecca for foreign investment. That largest overseas capital project for China to date was soon followed by the Italian M&G Group, which announced the construction of a plastics plant at \$1 billion near Port of Corpus Christi; and an Austrian company Voestalpine, which announced the construction of a \$700 million iron ore processing plant near La Quinta Ship Channel. Among others, the influx of foreign capital investment has been driven by the competitive business environment in Texas, the advantage of a deep-sea port, and the proximity to an abundant supply of natural gas at low prices.

With soaring oil and gas production in the Eagle Ford, an increasing number of industrial leaders have announced plans to expand their current refinery and storage facilities alongside Port of Corpus Christi, or developing new ones. By July 2013, increasing shipments of crude oil and liquefied natural gas (LNG) to other parts of the U.S. and the rest of the world had made the port a net exporter for the first time in history.

Strong Housing Market

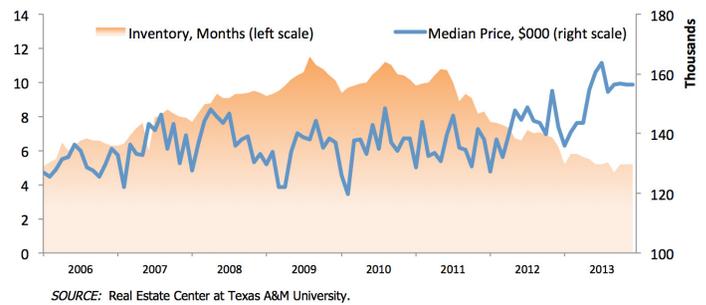
Home construction is also soaring. In contrast to industrial construction, rises in home building activity are a nationwide phenomenon. Historic low interest rates are keeping financing costs at very affordable levels. New home starts in some Coastal Bend communities have approached their levels set in 2008, which marked the end of the last housing boom. Despite increasing home starts across the U.S., homeownership has yet budged. In fact, after reaching at nearly 70 percent during the housing boom between 2005 and 2007, the nationwide homeownership rate inched down steadily over time to about 65 percent in 2013. Likewise, the share of owner-occupied housing units in the City of Corpus Christi declined from 54 percent in 2008 to 52 percent in 2012. The share of renter-occupied units rose correspondingly from 33 percent to 38 percent. Rather than homeowners, investors have been driving much of new home construction activity since 2011.

Corpus Christi Single-Family Home Starts



With rising demand outstripping the number of newly built homes in the Coastal Bend, home prices are on the rise. The median home price for the City of Corpus Christi appreciated more than 7 percent in 2013. The level of inventory in the market has reduced to below five months, about half of that five years ago. This means that now it will take only half of the time for the area to sell all houses up for sale on the local market.

Corpus Christi City Housing Market

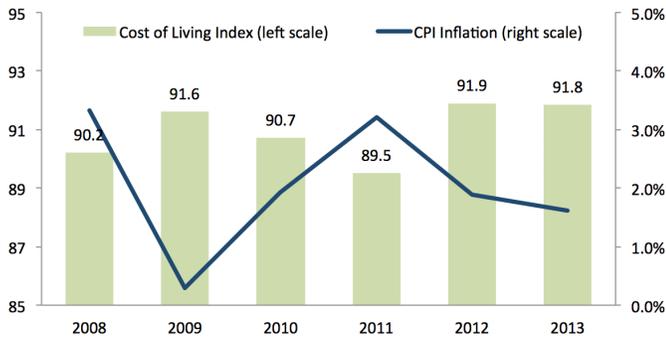


Downside of Growth

One dilemma for an economy is the tradeoff between rapid income growth and inflation. Inflation drives up the costs of living. A tighter labor market as a result of rapid employment growth leads to greater wage hikes over time, as currently found in South Texas. Employers who bear higher wage costs would more likely raise the prices of the goods and services they sell. In other words, a faster growing economy tends to command a higher rise in the community's overall cost of living.

The Corpus Christi Regional Economic Corporation, the city government's economic development agency, has been collecting the data for the popular Cost of Living index. With 100 as the U.S. average, the reading for Corpus Christi has historically been around 90, meaning that the overall cost of living for residents in the area has been about 10 percent below elsewhere in the U.S. Yet a gradual upward trend appears to have developed over the past two years. The average reading for 2013 is 91.8, more than two percentage points higher than the average of 89.5 for 2011.

Corpus Christi Cost of Living Index



Near the Speed Limit

Year 2013 shaped up as another pivotal moment for economic development in the Coastal Bend. While the labor market continued to hold up the legacy of strong job growth recorded in the previous year, some industries began to show early signs of reaching their speed limits. Unemployment is now almost nonexistent in some industries. More than two decades since the oil bust of the 1980s, the energy industry once again is serving as the key economic engine for many Coastal Bend communities.

Eagle Ford oil drilling activity has also generated another interesting economic pattern across the Coastal Bend. Rapid employment growth has led to steady declines in Corpus Christi's unemployment rate to 5.5 percent by the end of 2013, compared to over 8 percent in early 2010. Meanwhile, unemployment in its surrounding rural communities has dipped even more rapidly. For the past three years, the unemployment rate for the Coastal Bend region as a whole has fallen below that of its metro area. This contrast reflects not only a reversal of historical trends, but also how fast the labor markets of various rural communities in South Texas are approaching full capability.

Against All Odds

With hindsight, development in the Eagle Ford region has indeed proved to be a game changer in several aspects. First, Corpus Christi has defied the prediction among economists that the impact from shale oil and gas exploration would mostly be in the form of secondary or ripple effects.

This is largely because Corpus Christi is at least 70 miles away from the closest shale play. Yet since 2012, the metro area has led the entire Eagle Ford region of more than 20 Texas counties with the strongest job growth in oil and gas extraction. Along with the spillover effects on other corners of the economy, Corpus Christi has also become one of the leaders in employment growth among all U.S. metro areas. Its 3.7 percent annual job growth rate in 2013 was surpassed only by Midland and Odessa near the Permian Basin—another shale play in Texas.

Still Positive Outlook

Economic growth in most Coastal Bend communities has continued to solidify with expansion in business and employment. With the ripple effects from the current oil boom still unfolding, the regional economic outlook remains positive. South Texas is blessed by historically low interest rates at the national level and rapid expansion in industries related to oil and gas activity at the regional level. This South Texas region is now at crossroads with an unprecedented number of ongoing and announced massive industrial and infrastructure development projects that hold the promise of reshaping the region's future. A rising tide lifts all boats. As for the rest of the United States, Corpus Christi metro area is undergoing a renaissance in residential construction.

Looking forward, the South Texas economy will most likely continue to build on shale oil and gas production in years to come. Given the nonrenewable nature of the oil and gas resources, current development in that industry naturally leaves us with the challenges in the case of the imminent fall of the industry. In the near term, development of several large-scale industrial facilities in Corpus Christi will continue to keep the construction industry and the rest of the economy afloat.

Snapshots Across the Region

“Each community snapshot covers some vital economic indicators for 2013.”

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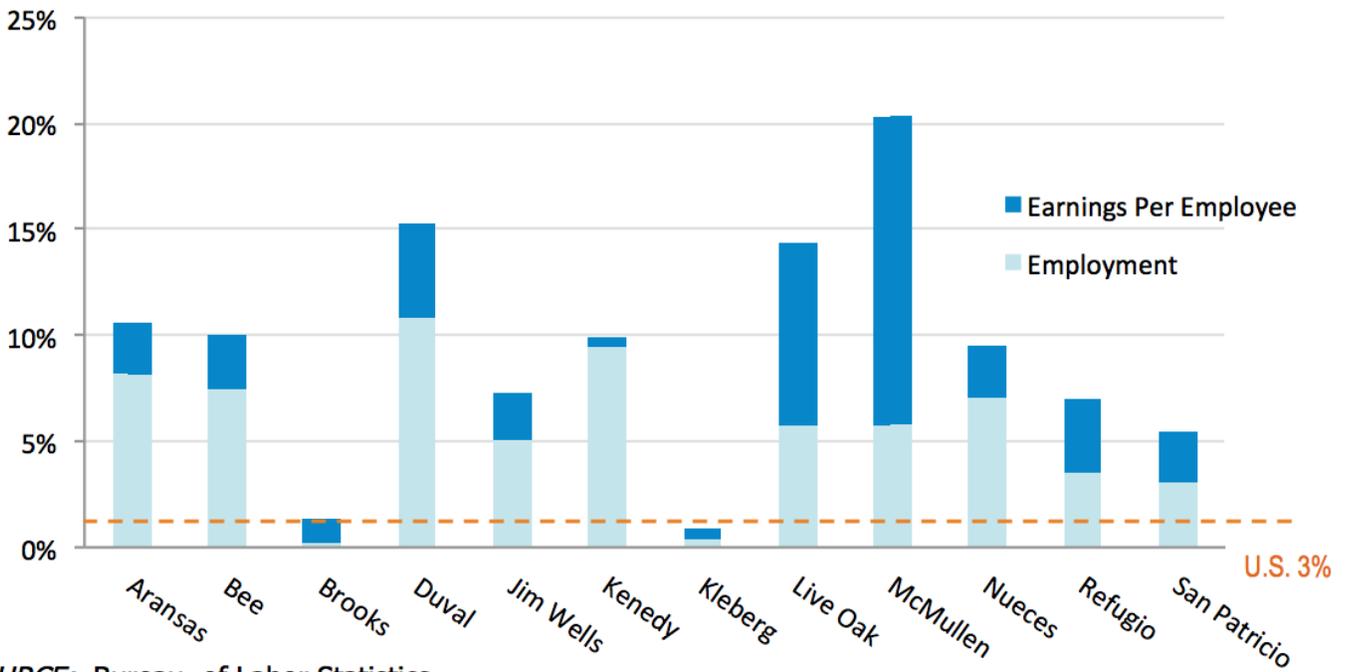
The previous section provides a panoramic view of recent economic development in the Coastal Bend as a whole. This section instead takes a close look at each of the twelve counties within this region. Each community snapshot covers some vital economic indicators for 2013, including population, employment, average wages and income levels. For those key statistics, we also include percent changes from the previous year, which capture short-term economic growth; and percent changes since 2008, which reflect long-term changes in economic conditions. We will also summarize development in the local labor markets, followed by a description of the landscape of the local economy in the context of job distribution and growth by industry. Each county update ends with a description of recent developments in local business and the local housing market.

Jobs and Earnings Stay Ahead Across the Region

With the Eagle Ford in the backyard, the Coastal Bend has been experiencing unprecedented economic growth. The ripple effects were felt in most local communities with employment and income gains in 2013. Total wage earnings rose 8.6 percent across the region, more than twice the U.S. average of 3 percent. Changes in wage earnings in an area come from changes in the number of jobs as well as changes in wages each employee receives. Along with stronger employment growth than the rest of the U.S., employees in all but two counties received pay raises more than the national average. Wage gains were considerably higher for counties with a smaller workforce, such as Duval, Live Oak and McMullen.

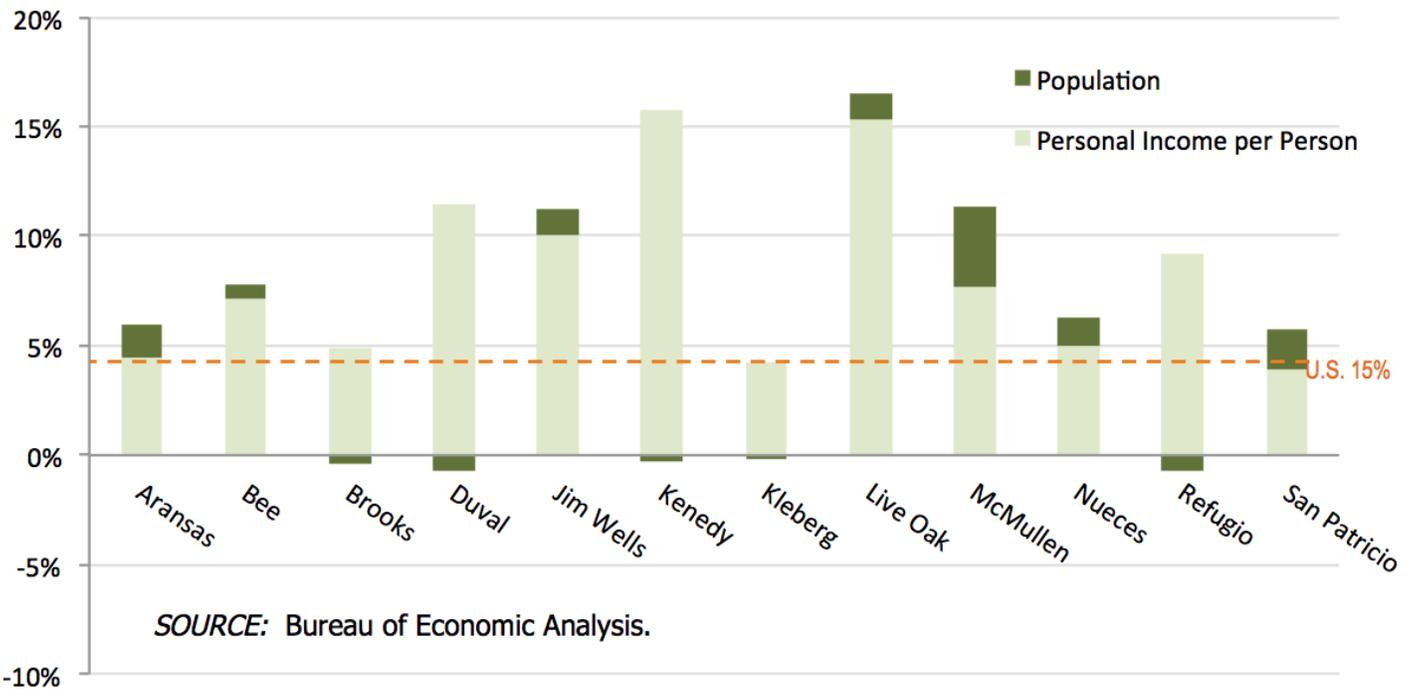
Wages and salaries are a key source of household income. Other sources of income include interest, rent, and business dividends. Total personal income across the Coastal Bend rose 6.7 percent in 2013, nearly two percentage points higher than the U.S. average. For most counties in the region, the majority of the increase came from an increase in income earnings rather than an increase in its population size. Five of the 12 counties in the Coastal Bend in fact lost some residents over the past year.

Wage Earnings % Change, 2012 - 2013



SOURCE: Bureau of Labor Statistics.

Personal Income % Change, 2012 - 2013



SOURCE: Bureau of Economic Analysis.

COASTAL BEND



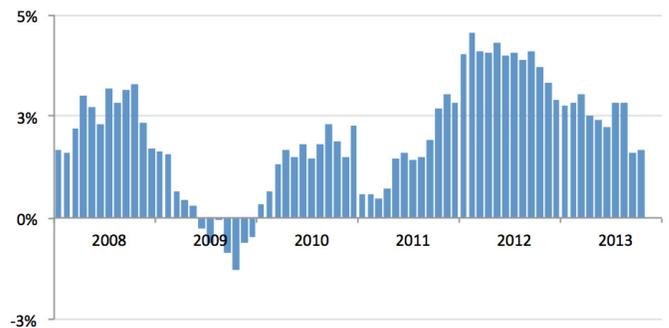
BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	589,231	1.2%	4.0%
Employment	283,377	3.0%	5.9%
Unemployment Rate	5.9%	-0.3%	1.2%
Wages Per Employee	\$52,637	6.2%	15.1%
Average Personal Income	\$42,421	5.7%	21.5%
Sales Volume(\$ mil)	53,749	-0.9%	40.5%
New Home Value	\$159,988	-2.3%	16.9%
- % National Average	71%		

The Coastal Bend region in South Texas comprises 12 counties: Aransas, Bee, Brooks, Duval, Jim Wells, Kenedy, Kleberg, Live Oak, McMullen, Nueces, Refugio, and San Patricio. The region has exhibited much resilience to the financial crisis and the ensuing economic downturn that wreaked havoc on the rest of the world between 2007 and 2009. Now most local communities are facing unprecedented economic growth in the midst of an oil boom across South Texas.

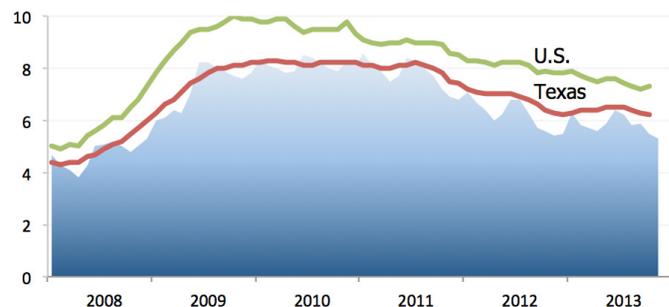
While many U.S. communities remain in the shadow of the Great Recession, the Coastal Bend economy appears to have fully recovered from the depths of the last economic slump. While only three counties—Bee, Live Oak and McMullen—lie in the Eagle Ford Shale production zone, much of the region has been facing rapid development in infrastructure, business expansion and workforce demand. Shale oil and gas production has transformed many small communities. Despite much progress since 2011, the average level of personal income per local resident remains 7 percent below the U.S. average, and a typical home in the region is about 30 percent more affordable.

The regional labor market grew 3 percent in 2013, after a year of record growth in excess of 4 percent.

Employment Growth



Unemployment Rate



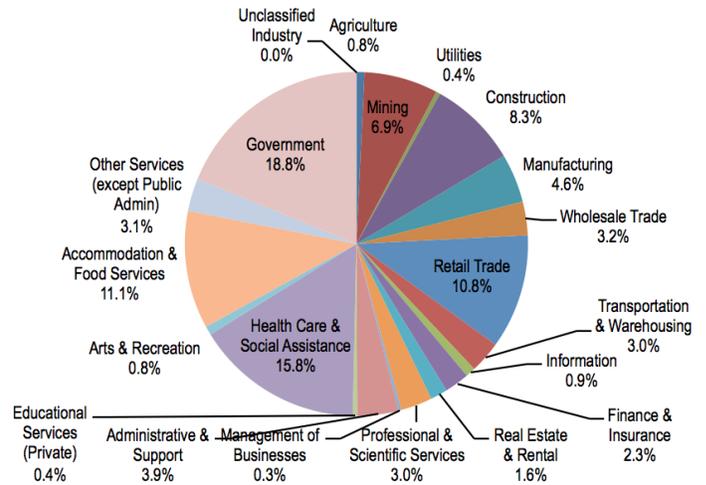
By the end of the year, the regional unemployment rate had dipped to 5.3 percent. With oil and gas drilling underway, Live Oak and McMullen counties are facing unemployment rates below 4 percent.

The Coastal Bend region as a whole has a well-diversified economic landscape, although certain industries are more concentrated in different counties. The government and health care sectors are the leading employers, followed by retail trade and hospitality. Although the mining sector accounts for no more than 7 percent of overall regional employment, the number of employees working in that sector regionally is more than 10 times that of a typical U.S. community. Likewise, construction accounts for only 8.3 percent of all jobs in the Coastal Bend, but the share of those jobs is twice as much as that in other U.S. regions.

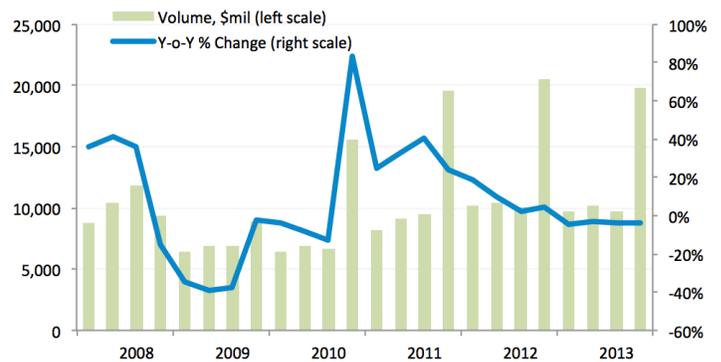
Rapid growth in the mining and construction industries during recent years has contributed to the increasing shares of those jobs in the regional labor market. Beyond those two industries, soaring Eagle Ford oil and gas production has significantly boosted local businesses and thus employment in lodging and food services.

Most communities in the Coastal Bend are experiencing either direct or ripple effects of the Eagle Ford oil boom. The total volume of business sales in the region reached a four-year peak in early 2012, and then began to stabilize throughout 2013. The region is also experiencing a construction boom. Industrial structures rather than residential homes have contributed to the majority of growth in construction activity across the region. New home building began to lift off in 2012, after declining for more than four years since the end of the last housing boom. The total number of new home permits issued in 2013 returned to the 2008 levels, but it was still 40 percent below its 2005 peak.

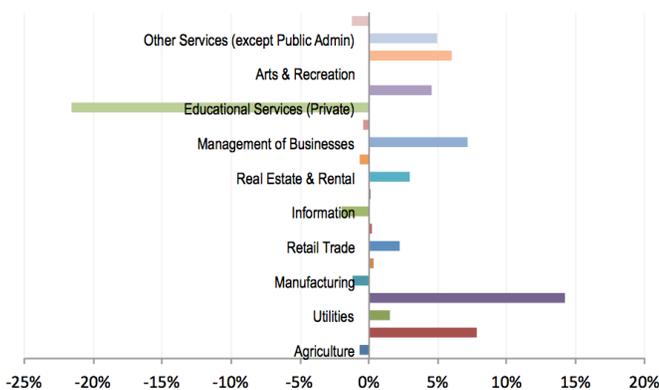
Industry Composition by Employment, 2013



Sales



Employment Growth 2012-2013 by Industry



Home Starts



ARANSAS COUNTY

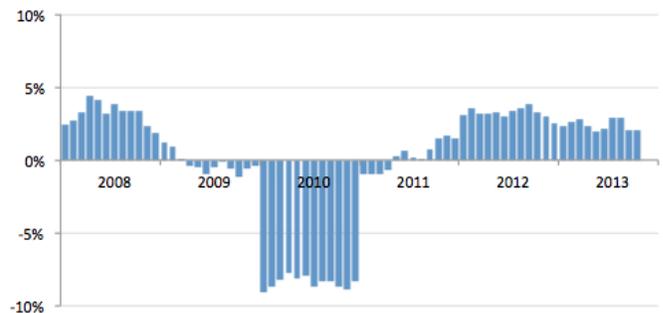


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	24,178	1.5%	4.1%
Employment	10,516	4.2%	4.3%
Unemployment Rate	6.0%	-0.1%	1.5%
Wages Per Employee	\$39,459	8.2%	26.0%
Average Personal Income	\$45,521	4.5%	11.8%
Sales Volume(\$ mil)	830	14.3%	47.1%
New Home Value	\$135,600	0%	-4.0%
- % National Average	61%		

Aransas county is one of three counties that make up the Corpus Christi metro area, and it is the smallest of the three by area or population size. Rockport, the county's largest city, is a favorite destination for Winter Texans and retirees. Other than the period of last economic downturn, which devastated its tourism industry, the economy of Aransas county has been relatively stable. In 2013, its employment grew 4.2 percent from the previous year, and the growth of wages was twice as much. Business activity was also solid, with a double-digit gain in sales. Since the last housing boom that ended in late 2005, the local housing market has remained depressed. The average value of new homes now at about \$136,000 is nearly 40 percent below the national average.

As the South Texas economy has continued to gain traction, the county labor market quickly return to its pre-recession conditions. Local businesses added 4 percent more jobs. With steady gains in employment over the past two years, the county's jobless rate has shown steady improvement. By the end of 2013, the local unemployment dipped below 6 percent.

Employment Growth



Unemployment Rate

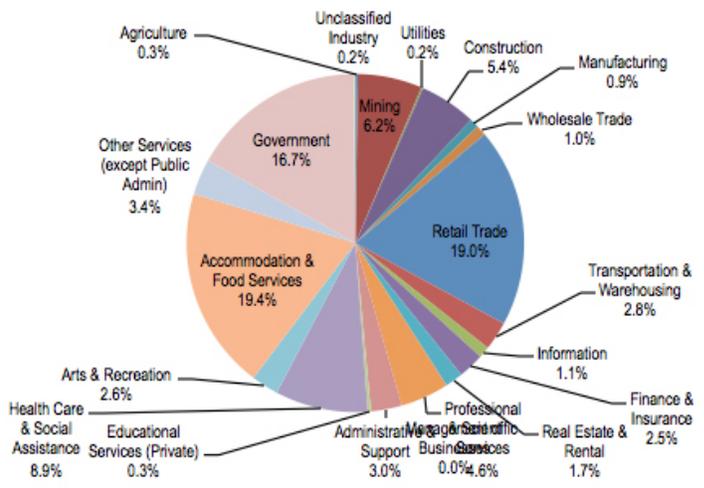


The key private industries in Aransas County are retail trade, and accommodation and food services, each accounting for almost one in five jobs in the area. The sheer sizes of those two sectors highlight the importance of tourism for the community relative to other parts of the Coastal Bend.

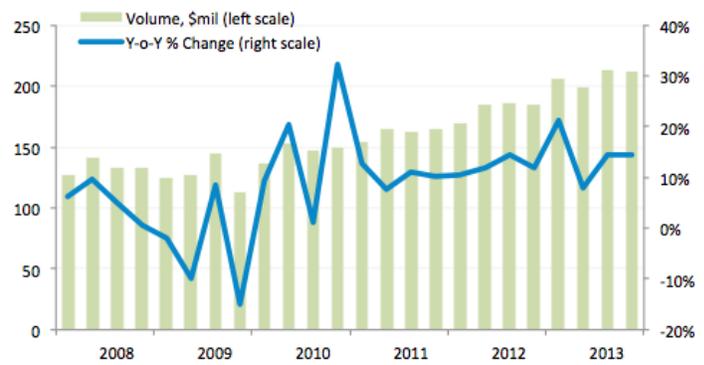
Despite the distance from the Eagle Ford and the city of Corpus Christi, where much development has taken place, Aransas county is also witnessing rapid expansion in the mining and construction industries. Employment grew about 20 percent between the two industries in 2013.

Business activity in Aransas county has remained relatively stable over time. The declines in business receipts were relatively mild during the Great Recession period of 2007-2009. Since 2010, the monthly volume of business sales grew steadily over time around 10 percent on a year-over-year basis. The housing industry appears to have stabilized from the last peak in 2005 when more than 250 new homes were built. During each of the two previous years, approximately 90 new homes were built.

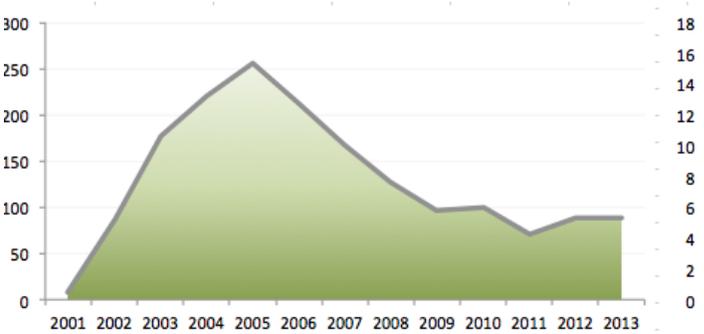
Industry Composition by Employment, 2013



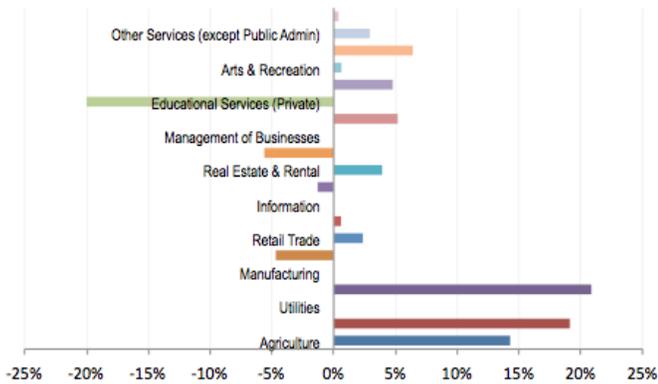
Sales



Home Starts



Employment Growth 2012-2013 by Industry



BEE COUNTY

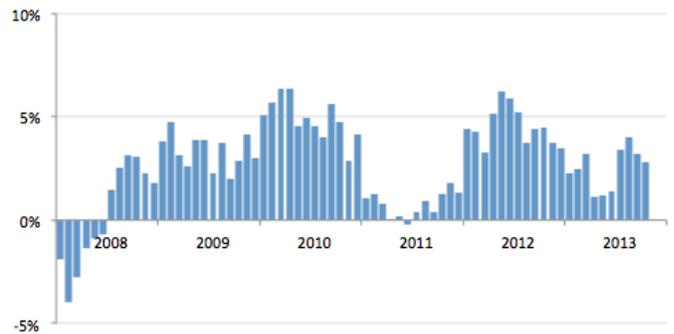


BY THE NUMBERS	2013	CHANGE	CHANGE
		FROM 2012	FROM 2008
Population	32,717	0.6%	2.8%
Employment	12,309	2.1%	15.6%
Unemployment Rate	6.8%	-0.2%	0.5%
Wages Per Employee	\$45,071	7.5%	23.3%
Average Personal Income	\$31,474	7.2%	29.4%
Sales Volume(\$ mil)	843	1.1%	47.7%
New Home Value	\$115,400	0.0%	63.0%
- % National Average	52%		

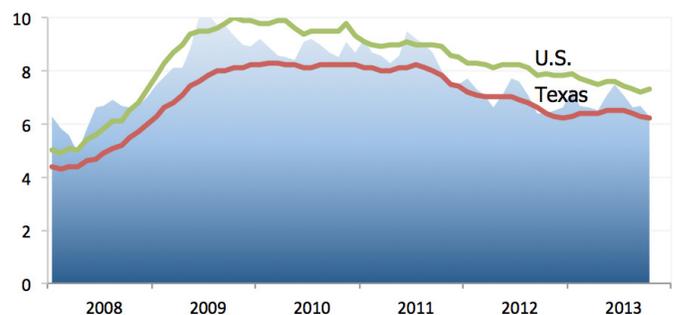
Bee county is one of the 24 counties of the Eagle Ford Shale production zone. Within the Coastal Bend region, Live Oak and McMullen are the other counties with shale oil and gas wells. The impact of oilfield activity on Bee county's economy is more tenuous than the other two oil producing counties in the Coastal Bend. According to Baker Hughes, only two oil and gas rigs are currently running in this county, compared to 7 for Live Oak, and 29 for McMullen. Bee county has been experiencing relatively steady growth in population and employment. Local wages and incomes grew at a strong pace of over 7 percent in 2013, as the local labor market became increasingly tighter.

The labor market in Bee county has remained solid since 2008. After strong employment growth of more than 4 percent in 2012, job gains have slowed down to about 2 percent. Since the local economy pulled back in 2009, Bee county's unemployment rate has improved at a slower pace than other counties in the region. Local unemployment remained at above 6 percent at the end of 2013.

Employment Growth



Unemployment Rate

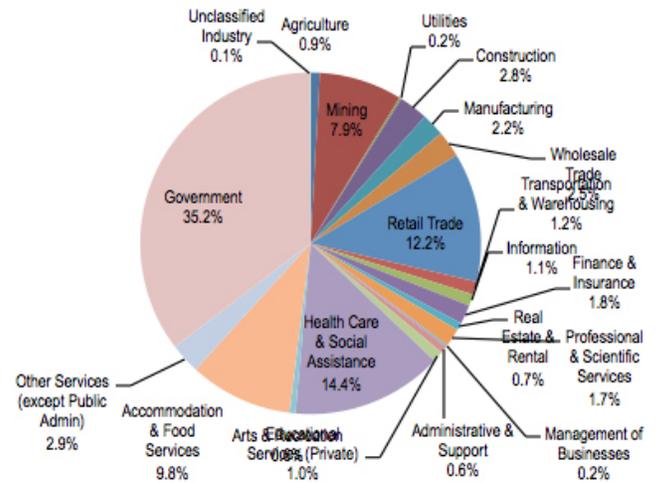


The public sector is the largest employer in Bee county. About one in three employees work for the government. The Texas Department of Criminal Justice operates transfer and correctional facilities within the county with about 1,000 employees. In the private sector, health care and retail trade are the major industries, followed by mining, and accommodation and food services. Spohn Hospital is a one of the largest private employers in Bee county. With two oil and gas rigs running, the mining industry accounted for approximately 8 percent of county employment.

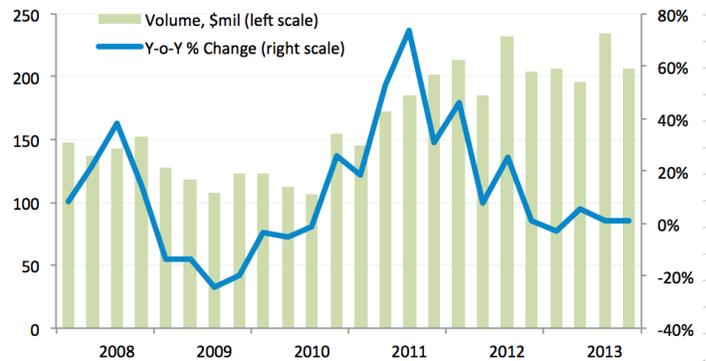
Bee county's overall employment gained 2 percent in 2013. The county witnessed significant growth in manufacturing jobs, specifically in metal fabrication which added 50 jobs in 2013. In the mining sector, oil and gas extraction, and supporting activities added a total of 39 jobs. Emergency health care services, as major employers in the county, added another 82 positions in 2013 to a total of 835 jobs.

Businesses in Bee county experienced significant growth in 2011 as oil and gas well drilling activity was underway. Since then, business receipts have stayed at approximately \$200 million per month. The county has also maintained a stable housing market in recent years. Nine home permits were issued for each of the previous three years. The average value of new homes at \$115,000 remains nearly 50 percent below the national average.

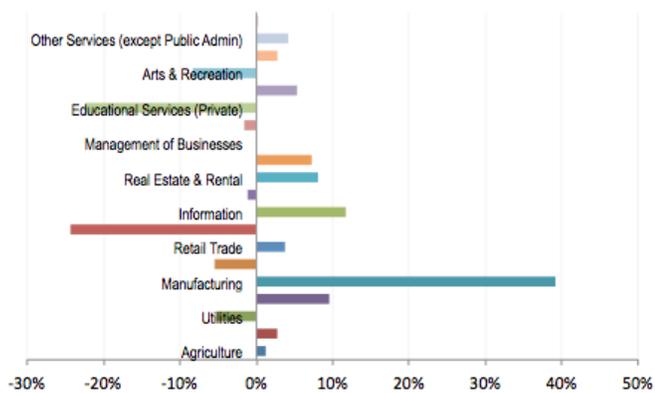
Industry Composition by Employment, 2013



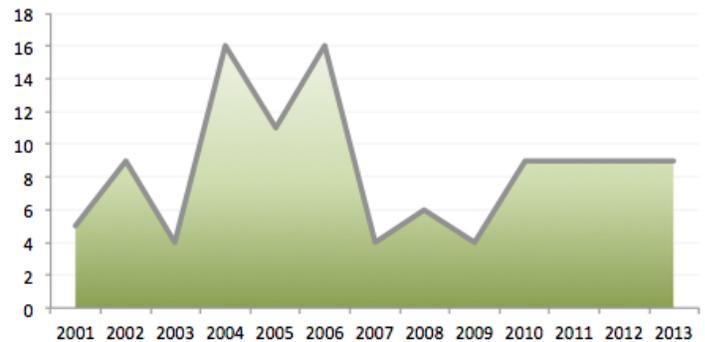
Sales



Employment Growth 2012-2013 by Industry



Home Starts



BROOKS COUNTY

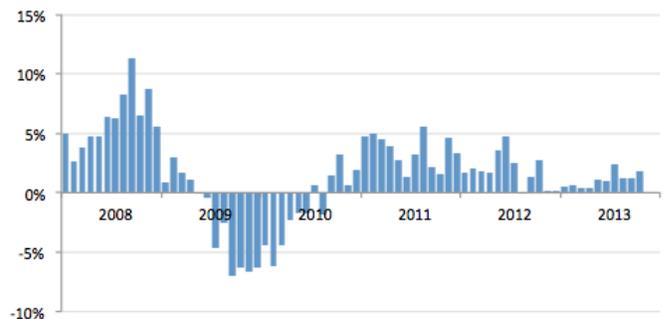


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	7,136	-0.3%	-2.8%
Employment	3,171	1.4%	1.3%
Unemployment Rate	7.4%	0.3%	2.0%
Wages Per Employee	\$48,782	0.3%	19.1%
Average Personal Income	\$34,526	4.9%	32.3%
Sales Volume(\$ mil)	111	-1.6%	12.6%

Brooks county has experienced relatively slow economic growth since the South Texas economy pulled back in 2009. More than one in 10 people in the workforce were unemployed during that year. Compared to other counties in the Coastal Bend, its labor market has improved more slowly. With slower job growth than its surrounding communities, the county has also been losing its population. In 2013, its local unemployment rate at 7.4 percent remained 2 percentage points above the 2008 levels. There was little gain in local wage earnings during 2013, and the proportionally larger gain of nearly 5 percent in personal income among local residents was largely due to the loss in population.

The labor market in Brooks county has recovered at a modest but steady pace since mid-2000. Employment grew 1.4 percent in 2013, after two years of gains at more than twice as much. Its county unemployment rate has been the highest among all counties in the Coastal Bend. With slow job creation, local unemployment remained elevated in the past year. The county's unemployment rate averaged at 7.4 percent in 2013, more than one full percentage point above the Coastal Bend average.

Employment Growth



Unemployment Rate

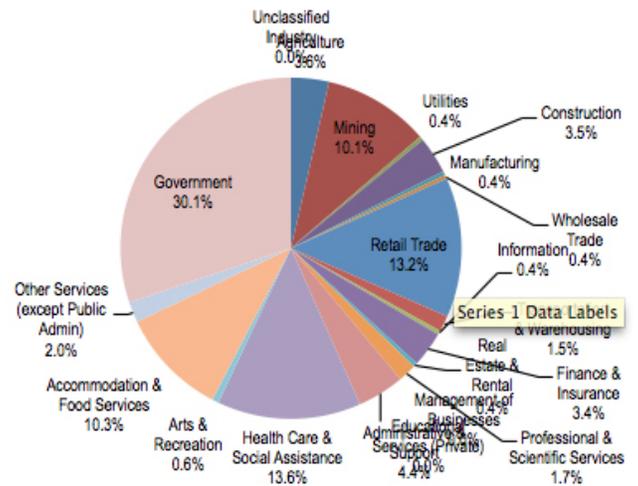


The government is the largest economic sector in Brooks county, accounting for over 30 percent of all local jobs. Its local Independent School District is the largest employer within the county. Like the rest of the Coastal Bend, the majority of the local workforce is engaged in providing services as opposed to manufacturing goods. The major private industries in the county are retail trade and health care, followed by accommodation and food services, and mining. The mining sector employs over 10 percent of the local workforce, but fewer than 10 individuals work in oil and gas extraction.

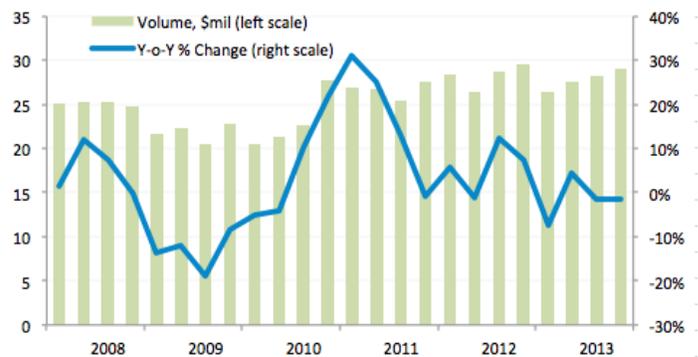
Brooks county's job growth has retreated from the 2012 peak. With a relatively small workforce, a reduction or addition of a few jobs in one particular industry generates a significant percentage change in employment of that industry. The 6 percent reduction in arts and recreation employment, the largest percentage decline, was associated with only one job cut in that industry.

Business activity in Brooks county has been relatively stable, except for the downfall during the depths of the economic downturn in 2009. For the past three years, the volume of business sales remained around \$25 million per month. The housing market is also relatively steady. During the most recent housing boom, six new homes were built each year. During the past three years, no new homes were built.

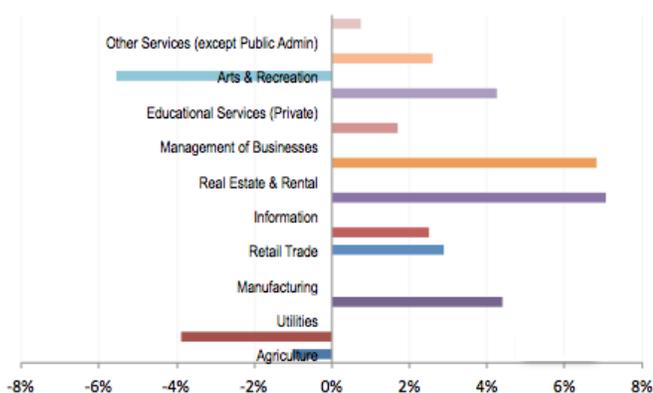
Industry Composition by Employment, 2013



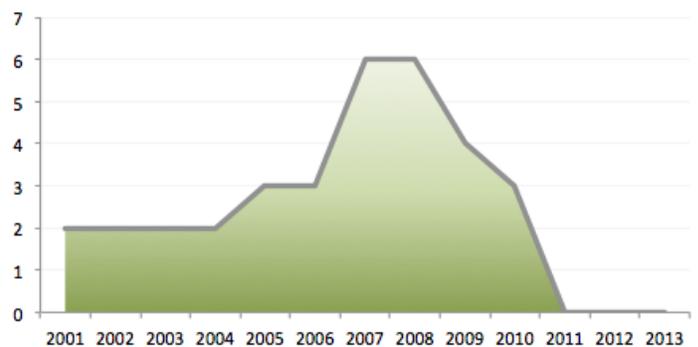
Sales



Employment Growth 2012-2013 by Industry



Home Starts



DUVAL COUNTY

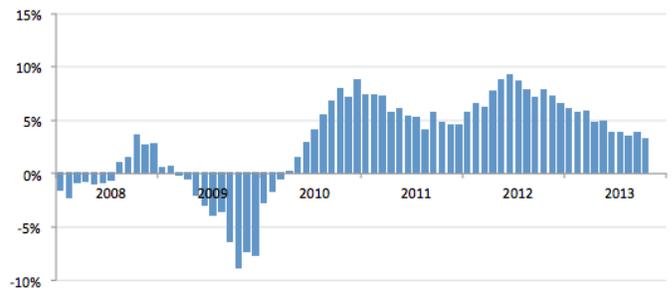


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	11,632	-0.7%	-2.6%
Employment	5,757	4.1%	13.6%
Unemployment Rate	6.1%	-0.6%	0.6%
Wages Per Employee	\$53,385	10.8%	27.7%
Average Personal Income	\$43,644	11.5%	47.8%
Sales Volume(\$ mil)	431	13.8%	125.0%

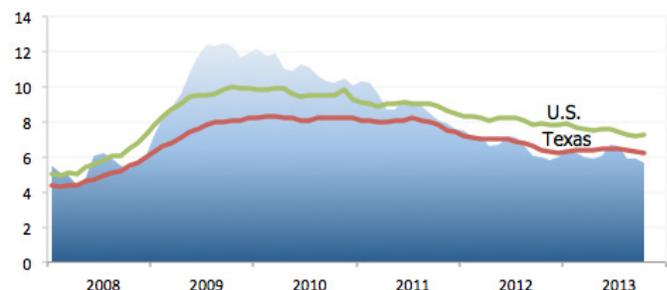
Duval county experienced substantial economic growth in recent years. The county's total employment gained 4.1 percent in 2013, well above the Coastal Bend regional average of 2.5 percent. With unemployment returning to pre-2008 levels, wages and household income are growing at double-digit rates. Along with rapid expansion of the local economy, the volume of business receipts expanded at a strong pace of 14 percent in 2013.

Total employment in Duval county has undergone relatively more fluctuations in recent years than other counties in the Coastal Bend. After the economic setback in 2009, its labor market added the most jobs in mid-2012. Since then, employment growth subsided to about 3 percent by the end of 2013, compared to over 9 percent in June 2012. Despite solid job gains, the county's unemployment has remained elevated as a result of skills mismatches. The current unemployment rate for Duval county is above 6 percent.

Employment Growth



Unemployment Rate

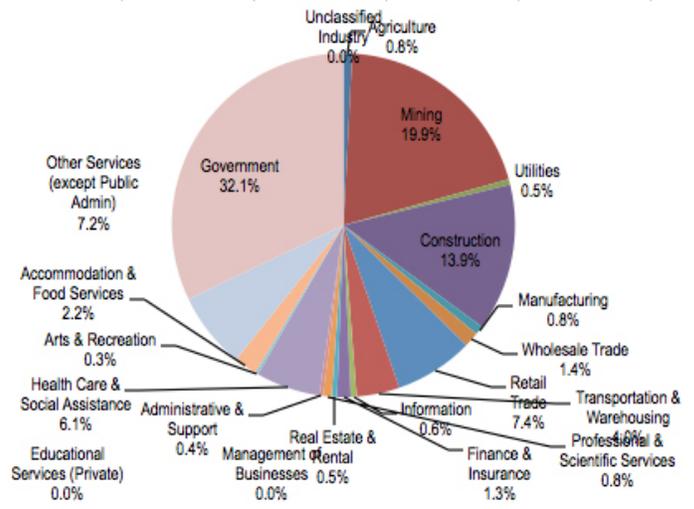


Other than the government sector, which employs nearly one-third of the local workforce, the mining sector is a major economic engine of Duval county. More than 130 individuals are working in oil and gas extraction, and over 550 others provide support activities. Other than those two sectors, the county is well diversified across different industries.

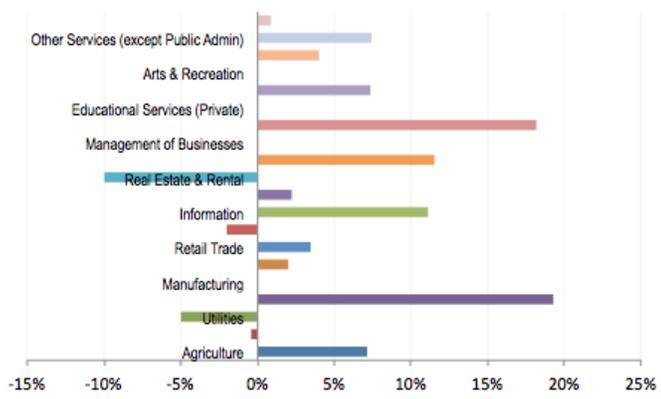
With a diverse economy, the pattern of employment growth in 2013 varied considerably across industries. Industrial construction led all other industries in job gains. A total of 83 new contractor jobs were created in 2013. Job gains in other industries were much smaller.

Business activity in Duval county has been on an upward trend for the past four consecutive years. Following sharp increases of more than 100 percent in 2010 and 2011, the pace of monthly sales growth has tapered off to around 20 percent on a year-over-year basis.

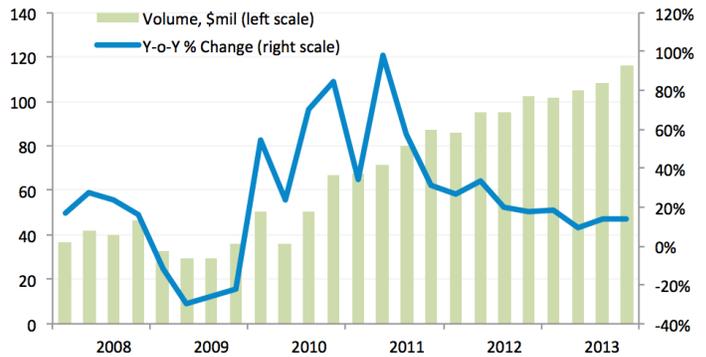
Industry Composition by Employment, 2013



Employment Growth 2012-2013 by Industry



Sales



JIM WELLS COUNTY



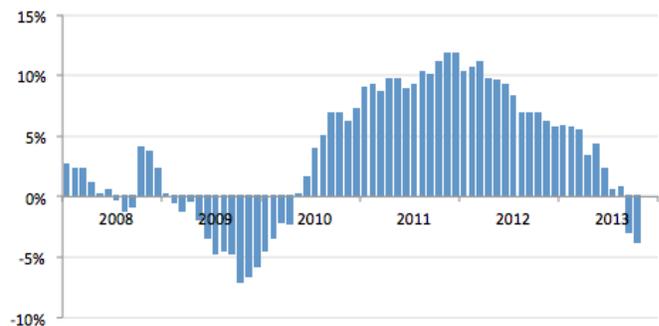
BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	42,280	1.3%	4.3%
Employment	24,601	1.4%	13.7%
Unemployment Rate	4.9%	0.0%	0.6%
Wages Per Employee	\$55,240	5.2%	37.8%
Average Personal Income	\$48,306	10.0%	40.3%
Sales Volume(\$ mil)	2,986	-19.5%	103.6%
New Home Value	\$107,800	0.0%	2.5%
- % National Average	48%		

Jim Wells county has undergone considerable economic growth in association with the oil boom in South Texas. The economy revved up rapidly after the depths of the last economic slump in 2009. Since 2010, nearly 2,500 jobs have been created in support of oil and gas extraction. In 2013, the county's unemployment rate fell below 5 percent. Wages and income growth among residents in the county were more than twice those of the rest of the nation.

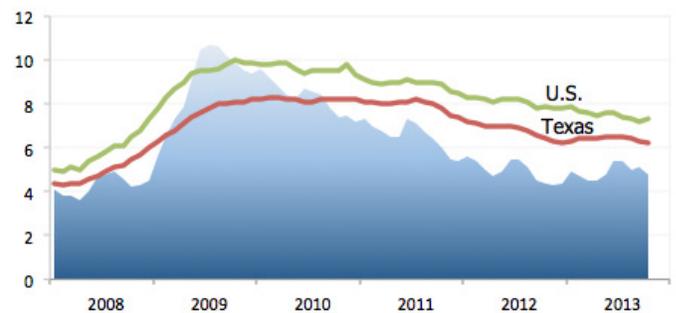
Jim Wells county's economy underwent sharp expansion for two years after 2009. Employment growth peaked in late 2011 with year-over-year growth rates over 10 percent. With the local labor market approaching full capacity and unemployment falling below 5 percent, the pace of employment growth has slowed down recently. BY the end of 2013, the growth trend had reversed to negative.

The key private industries in Jim Wells County are mining and health care, each accounting for over 20 percent of all jobs within the county. Since 2008, the number of jobs in support of the booming oil and gas drilling activity has more than doubled to over 5,000.

Employment Growth



Unemployment Rate



KENEDY COUNTY

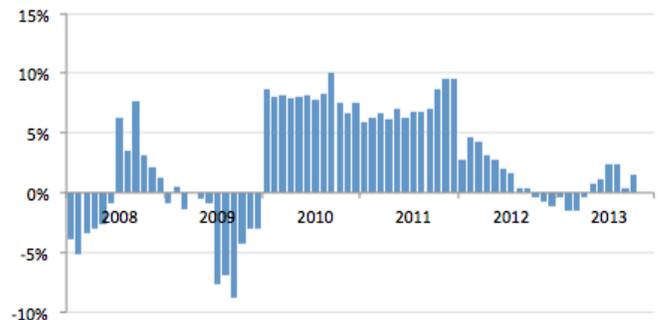


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	430	-1.4%	3.7%
Employment	263	7.1%	22.6%
Unemployment Rate	3.2%	-0.2%	-0.1%
Wages Per Employee	\$69,851	9.5%	56.8%
Average Personal Income	\$69,391	17.1%	52.9%
Sales Volume(\$ mil)	9	168.0%	299.4%
New Home Value			
- % National Average			

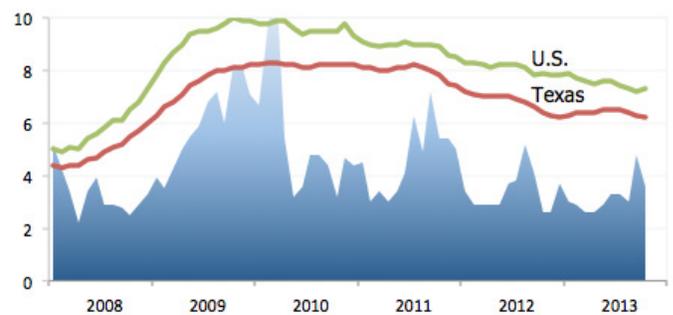
With fewer than 500 residents, Kenedy county is the least populated county in the Coastal Bend. In 2013, the community added 36 jobs, including self-employment. Historically, the county's unemployment rate has been considerably low at below 4 percent. The only exception was 2009 when local unemployment surged above 6 percent. Since then, wages and income for local residents have risen rapidly as its labor market has returned to normalcy.

Kenedy county has historically been near full employment. At full employment, continued expansion in business activity would not further reduce the number of unemployed. Unemployment in this situation would be largely a result of mismatches of job skills. With more than 10 new jobs in 2010 and 2011, the county's unemployment rate returned rapidly to its lowest sustainable level near 3 percent. Its current unemployment rate at below 3.5 percent is about half of that for the rest of the nation.

Employment Growth



Unemployment Rate

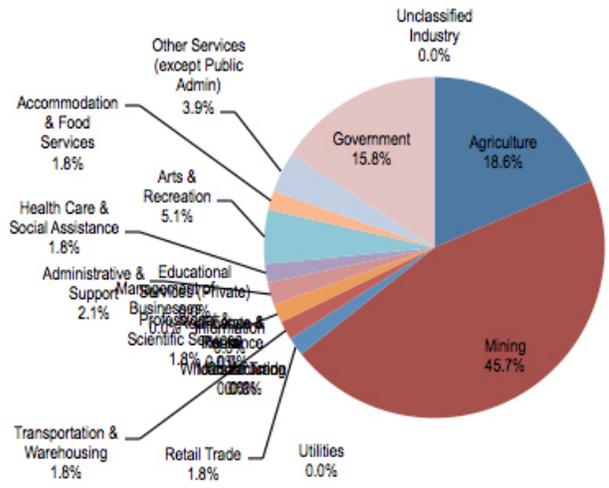


The mainstays of the Kenedy county economy are mining and agriculture. These two sectors together account for two-third of all jobs in the county. The community is supported by 25 private business establishments. One firm provides oil and gas support services with over 250 employees. In the agriculture sector, six businesses are involved in fishing, hunting, and animal processing.

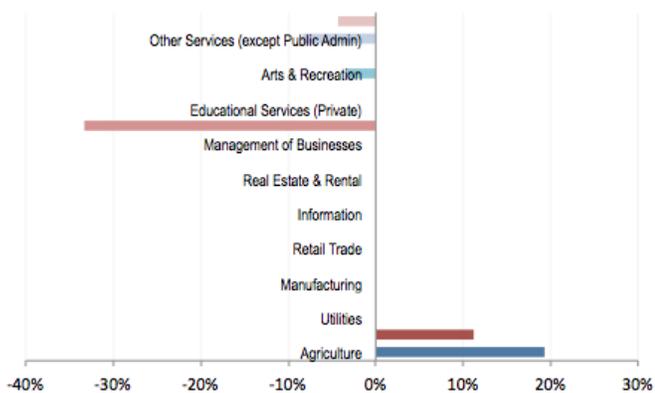
Kenedy county's economy is made up of a handful of businesses. During 2013, businesses in the two major sectors—mining and agriculture—accounted for most of the 43 new private-sector jobs in the county.

The county's business activity gradually returned to its pre-2008 levels until 2012. Sharp increases in business sales since the last quarter of 2012 have come from major expansion in the fishing industry.

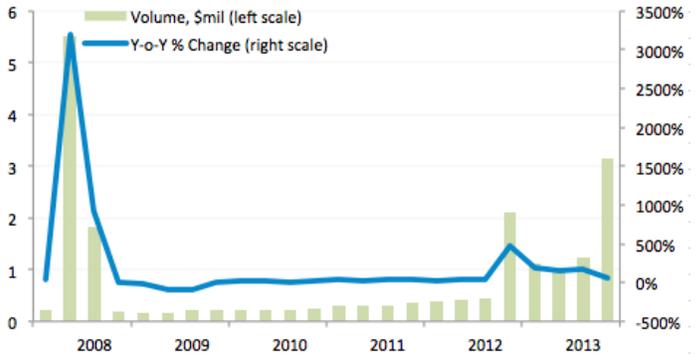
Industry Composition by Employment, 2013



Employment Growth 2012-2013 by Industry



Sales



KLEBERG COUNTY

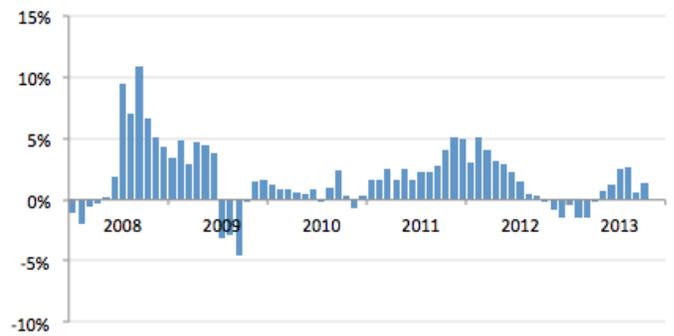


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	31,960	-0.2%	1.3%
Employment	16,828	0.6%	3.7%
Unemployment Rate	5.8%	-0.1%	1.5%
Wages Per Employee	\$43,999	0.4%	9.4%
Average Personal Income	\$37,387	4.2%	21.8%
Sales Volume(\$ mil)	907	9.9%	19.7%
New Home Value	\$241,600	0.0%	241.2%
- % National Average	108%		

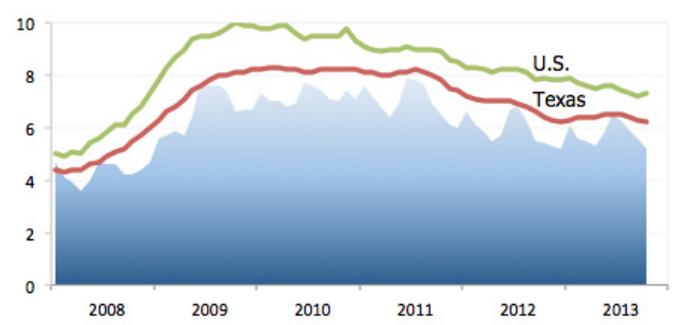
Kleberg county's economy has shown both strength and stability in comparison with the rest of the Coastal Bend. Naval Air Station Kingsville is a major local employer. As such, both the population and employment of the county are subject to workforce changes in its military base. With a large federal government workforce, the county escaped much of the economic impact from the Great Recession of 2007-2009. Local employment growth peaked in late 2011, and then slowed down through early 2013. The county's current unemployment rate below 6 percent is near the Coastal Bend regional average.

With a large military presence, Kleberg county's labor market has been relatively stable historically. Employment in the county dipped between 2008 and 2009. Since 2010, businesses directly associated with oil and gas production have been a major driver of local employment growth. The county's unemployment has stayed near the Coastal Bend regional average. By the end of 2013, its unemployment rate had inched down to near 5 percent.

Employment Growth



Unemployment Rate

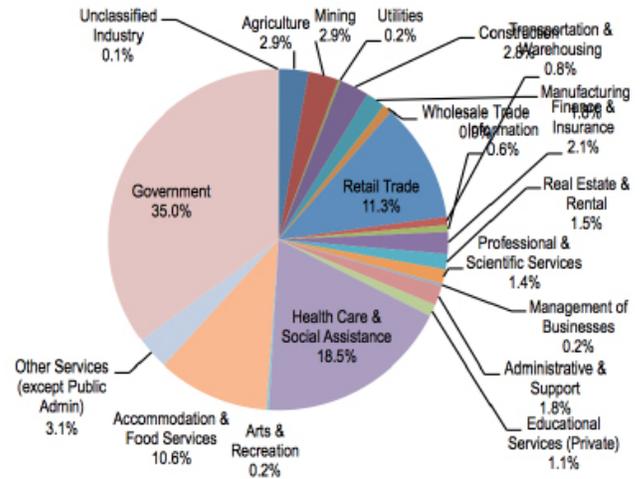


Kleberg county stands out from the rest of the Coastal Bend with its large military workforce. In addition to more than 1,000 military personnel, Naval Air Station Kingsville—the county’s primary military installation—employs another 1,000 or so civilians. Most private-sector industries are service oriented, including health care, retail trade, and accommodation and food services. Nearly one in five local employees work in the health care sector. With more than 700 employees, Christus Spohn Kleberg is the county’s largest health care provider.

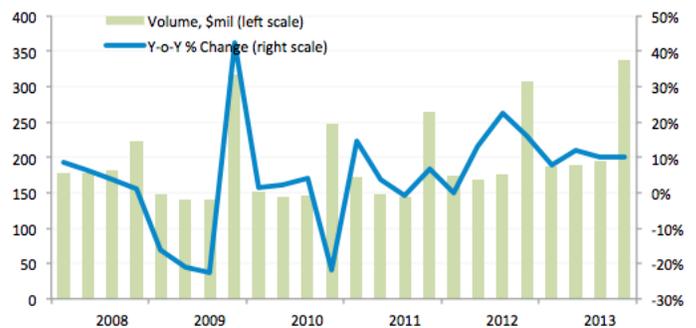
The regional oil boom has contributed to a major source of job growth in Kleberg county. Since 2008, employment in oil and gas extraction and its support services has more than doubled. Meanwhile, the military base has added nearly 180 civilian jobs, while Texas A&M University-Kingsville—the county’s major higher education institution—has added more than 70 positions.

Kleberg county appears to have dodged most economic effects from the 2007-2008 financial crisis and the ensuing global recession. Local business receipts showed moderate declines in 2009. During the past four years, sales activity has expanded at a relatively modest and steady pace. The local housing market, however, has undergone more volatility. Home construction has remained active after the last housing boom that ended in 2006. Slightly fewer than 20 new homes were built in each of the past three years. The average value of new homes more than doubled in 2011, leaving the county with the most expensive new homes in the Coastal Bend.

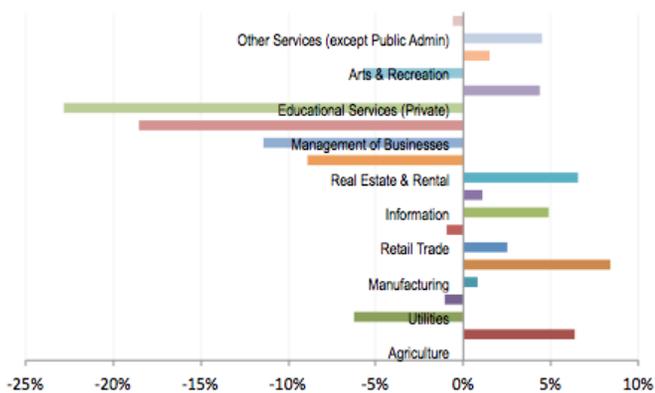
Industry Composition by Employment, 2013



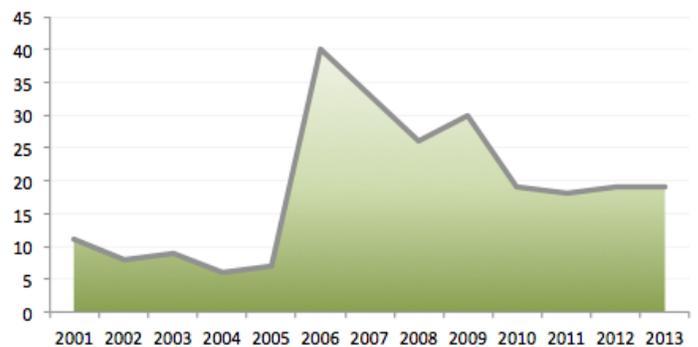
Sales



Employment Growth 2012-2013 by Industry



Home Starts



LIVE OAK COUNTY

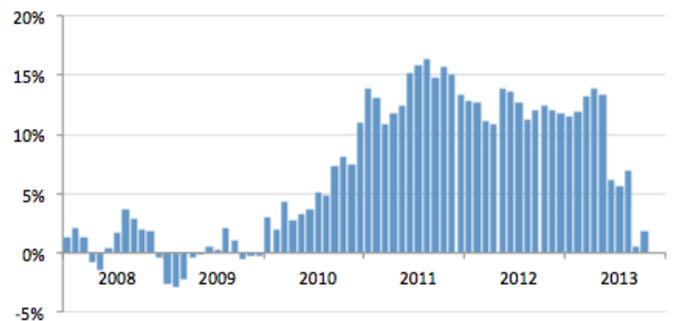


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	11,799	1.2%	2.8%
Employment	7,102	3.1%	46.4%
Unemployment Rate	4.0%	-0.2%	-0.3%
Wages Per Employee	\$55,988	5.8%	33.9%
Average Personal Income	\$50,788	15.4%	75.7%
Sales Volume(\$ mil)	5,096	3.7%	83.2%
New Home Value	\$161,500	0.0%	116.2%
- % National Average	72%		

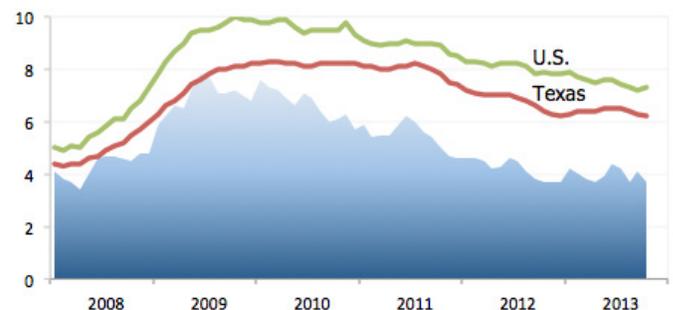
The communities in Live Oak county, particularly Three Rivers, have been experiencing much of the impact from the recent boom in oil and gas drilling. With three oil and four gas rigs currently in operation, the county is part of the Eagle Ford Shale production zone. Six of those seven rigs are operated with the horizontal drilling method. With economic growth at a record pace, most economic indicators, such as employment and earnings, show significant advancement since 2010, when its local oil and gas production took off. Since 2008, businesses have added about 1,400 jobs, or nearly 50 percent of the county's total employment.

Employment in Live Oak county has expanded rapidly along with the acceleration of shale oil and gas drilling activity. The county added more than 10 percent in employment during 2011 and 2012, before showing signs of a slowdown in late 2013. With little slack in its labor market, the county's unemployment dipped to around 4 percent in 2013. As the local economy is reaching full employment, further expansion among businesses would not reduce the number of unemployed further. In this case, most unemployment would be a result of mismatches of skills, instead of a lack of workforce demand.

Employment Growth



Unemployment Rate

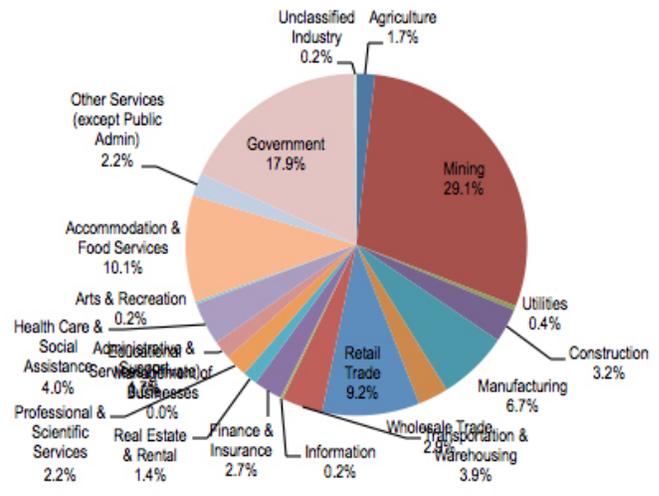


Expansion in the oil and gas drilling activity has significantly altered Jim Well county's economic landscape. The mining sector now accounts for nearly one-third of all jobs in the county. In 2013, 130 individuals worked in oil and gas extraction, compared to 17 in 2009. In those years, employment in oil and gas supporting activities also increased 10 times to over 1,000 positions in 2013. Restaurants and retail stores that support oilfield activity have also undergone significant expansion. Those businesses together now hire one-fifth of the county workforce.

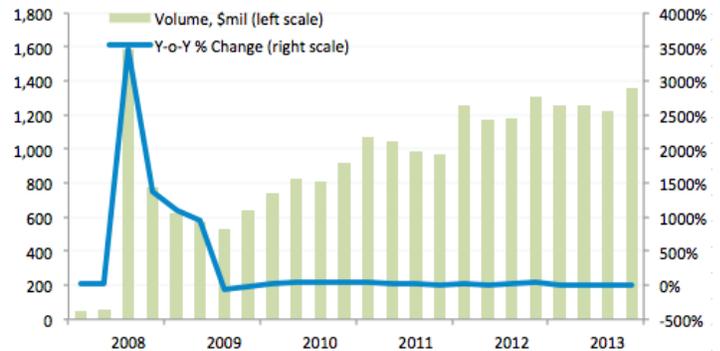
Oilfield employment continued to expand between 2012 and 2013. In addition to accommodation and food services, the oil boom has added additional pressure on the market for temporary housing, which added 50 percent jobs in 2013. Meanwhile, the industries of business and trade services have also undergone significant expansion.

The fortunes of businesses in Live Oak county have been subject to development in shale oil and gas production activity. After a dramatic surge in 2008 and again in 2010, business receipts continued to expand but at a relatively moderate pace through the end of 2013. The previous housing boom ended in 2006 with a record number of 17 new homes constructed in that county. Fewer houses have been built since then, and much of the impact from the soaring oil and gas drilling activity has fallen on temporary housing, including the region's hotels and motels.

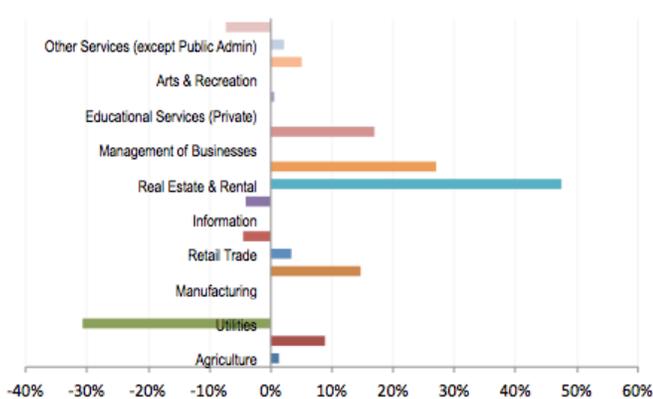
Industry Composition by Employment, 2013



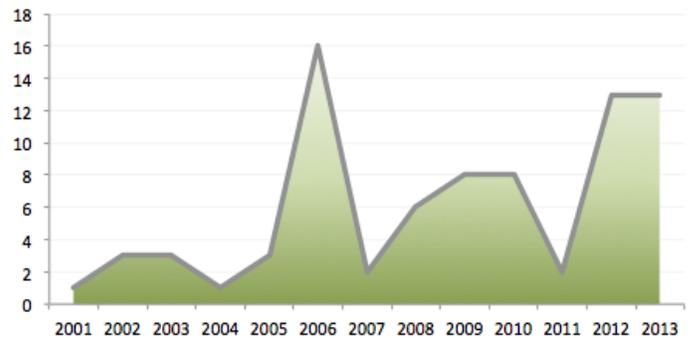
Sales



Employment Growth 2012-2013 by Industry



Home Starts



MCMULLEN COUNTY

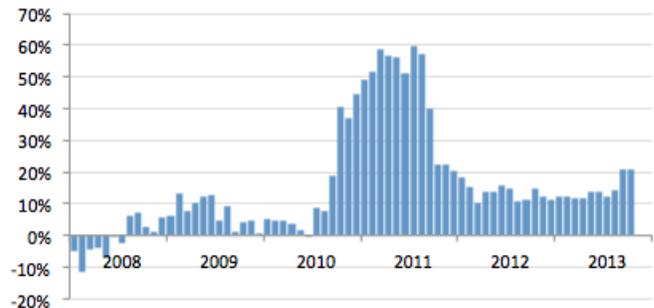


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	753	3.7%	2.3%
Employment	721	4.6%	129.1%
Unemployment Rate	3.1%	0.5%	-2.4%
Wages Per Employee	\$55,778	5.8%	48.7%
Average Personal Income	\$69,791	7.7%	66.8%
Sales Volume(\$ mil)	4,656	48.8%	6546.3%

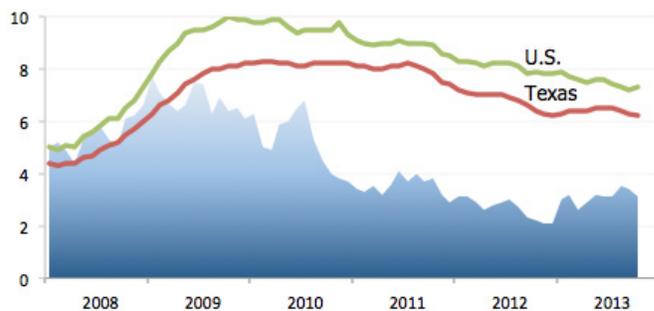
Among all communities in the Coastal Bend, McMullen county has benefited the most from the recent boom in shale oil and gas exploration. As part of the Eagle Ford Shale production zone, 29 oil and gas rigs are currently running in this county. Twenty seven are oil rigs and two are gas rigs. The majority of those rigs (72%) operate with the horizontal drilling method.

The county has fewer than 1,000 residents. Local employment has more than doubled since 2008. Beginning 2010, the unemployment rate has stayed around 3 percent, the lowest among all counties in the Coastal Bend. As with Live Oak county, most key economic indicators, such as employment and earnings, have shown significant advancement in recent years. Wage earnings per employee almost doubled in the past five years, and household income rose even more. Employment in McMullen county has expanded remarkably along with the acceleration of shale oil and gas drilling activity. Employment increased more than 50 percent in 2011 as a number of new oil and gas wells began operation. Between 2010 and 2011, oil and gas extraction jobs in the area increased sharply from 18 to 68. By 2013, more than 100 individuals worked directly for oil and gas extraction.

Employment Growth



Unemployment Rate



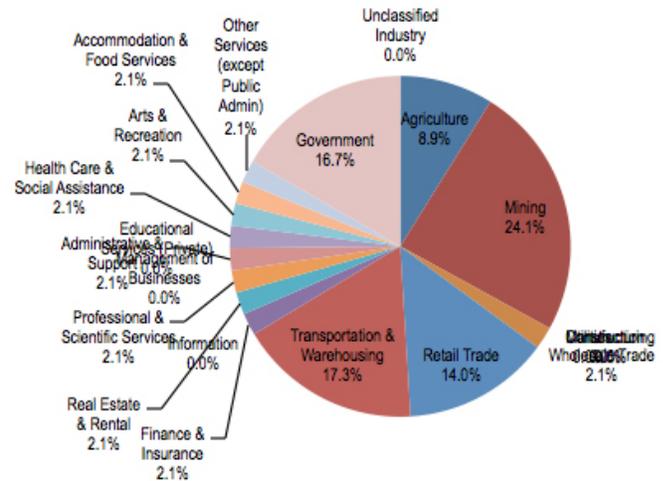
In support of the rising oil production locally, an increasing number of individuals work in trucking and pipeline transportation. The two gas stations with convenience stores have also expanded their business with the hiring of nearly 40, or 200 percent, more employees since 2008. With little slack in the community's labor market, local shale oil and gas exploration has pushed its unemployment rate down below 4 percent since 2011.

Jim Wells county's economy is dominated by a few industries. With surges in shale oil and gas extraction, the mining sector accounts for nearly one quarter of the local workforce. Other private businesses, such as those in retail trade and transportation, also operate in support of the local drilling activity.

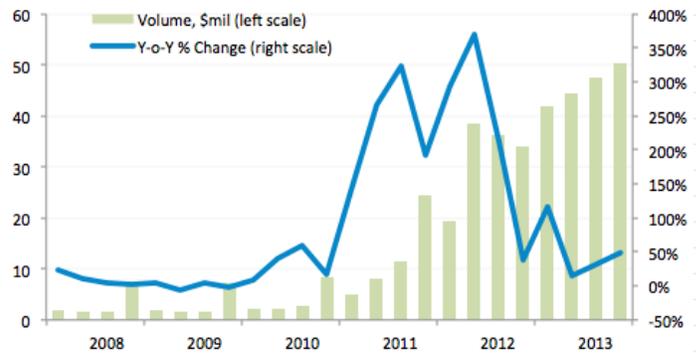
With fewer than 1,000 job positions in Jim Well county, changes in the local labor market have been driven by development in its mining sector. In 2013, 13 jobs were added to oil and gas extraction. This gain accounted for more than two-third of total job growth in the county. One additional individual worked in oil pipeline transportation. The government sector contributed to the rest of local employment growth with a total of three new positions.

Activities in the oilfields across McMullen county have perked up local businesses, particularly gas stations, convenience stores and restaurants. Since 2010, the total sales volume of the 40 plus business establishments rose almost consecutively from one month to the next. Over those four years, business receipts expanded more than 30 times.

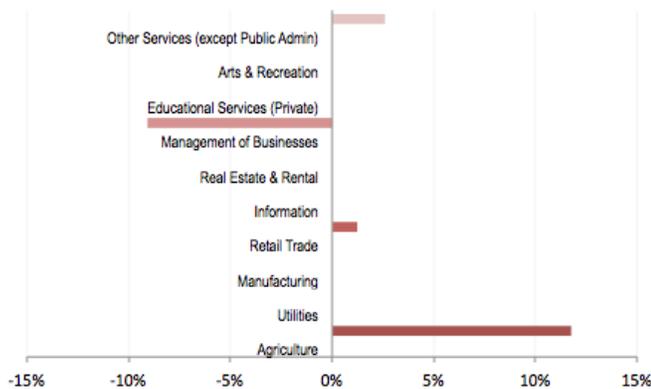
Industry Composition by Employment, 2013



Sales



Employment Growth 2012-2013 by Industry



NUECES COUNTY

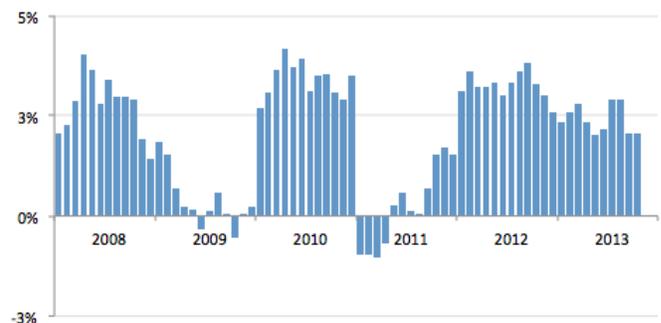


BY THE NUMBERS	2013	CHANGE	CHANGE
		FROM 2012	FROM 2008
Population	352,359	1.3%	5.6%
Employment	170,112	3.4%	3.4%
Unemployment Rate	5.8%	-0.4%	1.2%
Wages Per Employee	\$53,960	7.1%	10.7%
Average Personal Income	\$42,944	5.0%	17.2%
Sales Volume(\$ mil)	35,031	-5.1%	22.3%
New Home Value	\$163,880	-3.1%	19.9%
- % National Average	73%		

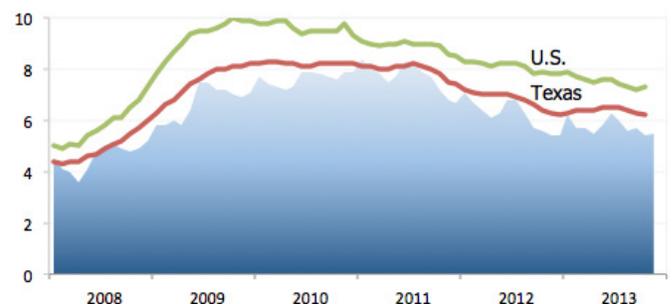
Nueces county is one of the three counties that form the Corpus Christi metro area. It is also the most populated county in the Coastal Bend, making up 60 percent of the region's population. As with other communities in the region, the county has experienced record employment and population growth. The shale oil and gas production boom in the Eagle Ford Shale region has fueled expansion in some upstream industries of oil and gas drilling, including pipeline and trucking transportation, industrial construction, and shipping through Port of Corpus Christi. Meanwhile, surges in the regional supply of natural gas at low prices have triggered the construction and expansion of a number of large-scale industrial sites alongside Corpus Christi Bay. Those new manufacturing plants, including steel and iron ore mills, and petrochemical manufacturing plants, will be a major source of regional employment growth for years to come.

The labor market in Nueces county has continued to hold up. After surges at annualized rates of nearly 4 percent by the end of 2012, monthly employment growth continued at a modest pace of 3.4 on average in 2013. New jobs have been created in most industries, but businesses that are directly related to the booming oil and gas exploration activity have experienced the most gains.

Employment Growth



Unemployment Rate



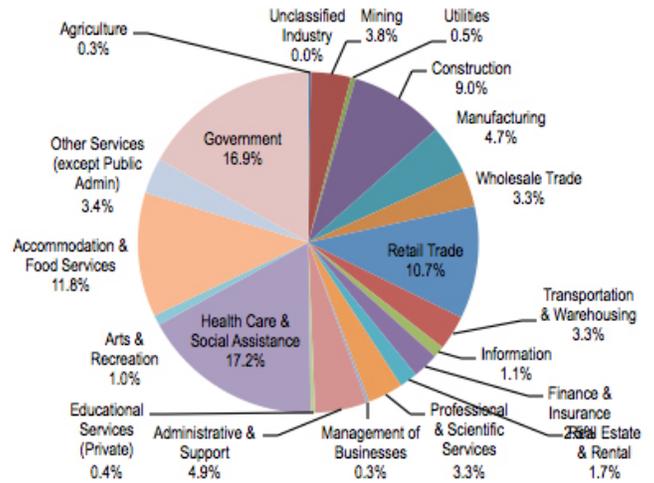
Robust employment growth had driven down the unemployment rate to 5.4 percent by the end of the year, the lowest since the local economy peaked out in 2008. With an increasingly tight labor market, wage earnings rose rapidly at 7 percent in 2013. Increases in wages and benefits contributed the majority of gains in average personal income, which grew by 5 percent.

The key private industries in Nueces County are health care, accommodation and food services, and retail trade. The health care and social assistance sector accounts for 17 percent of all jobs in the county, and the hospitality sector accounts for another 12 percent. The government sector is also relatively large, with Corpus Christi Army Depot as one of the largest employers in the county.

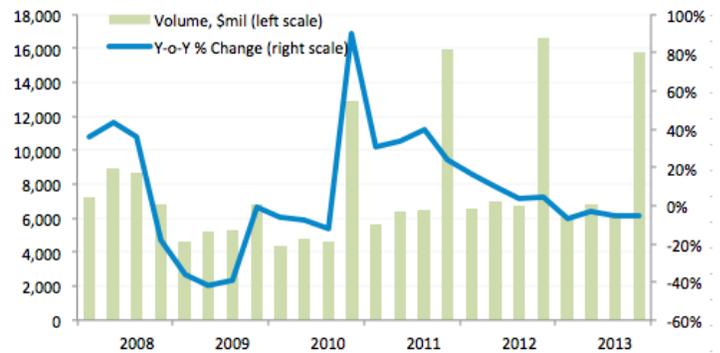
Since oil and gas drilling activity picked up in 2010, businesses that directly support oil and gas extraction have added a total of about 2,500 jobs in Nueces county. Along with construction activity that support oil and gas production, the development of electric power plants and a steel mill has added considerable workforce demand for in the region's construction industry. As the state and national economies began to recover from the 2007-2009 recession, the county's tourism or hospitality sector—a mainstay of the local economy—has revved up rapidly.

Nueces county appears to have dodged most economic effects from the 2007-2008 financial crisis and the ensuing global recession. Local business sales quickly regained traction after a plunge in early 2009. The county's sales volume reached a post-recession peak in mid-2012, and then stabilized throughout 2013. Residential and industrial construction has also kept the local economy afloat. New home construction began to take off in early 2012. In 2013, 14 percent more home permits were issued in the county than the previous year.

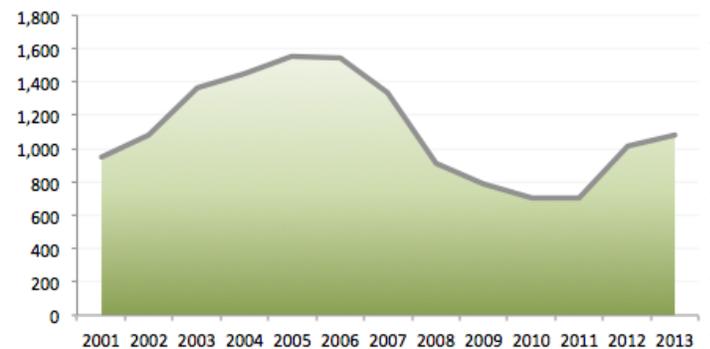
Industry Composition by Employment, 2013



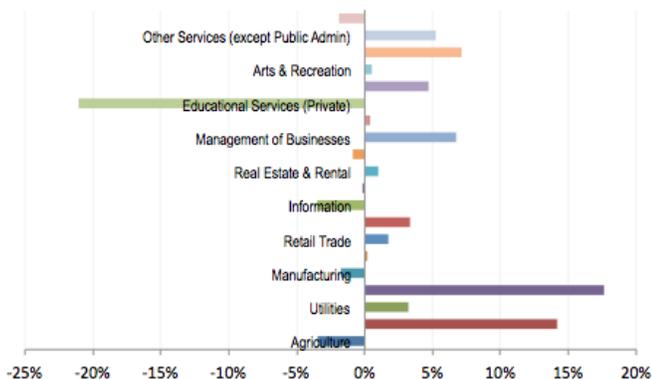
Sales



Home Starts



Employment Growth 2012-2013 by Industry



REFUGIO COUNTY



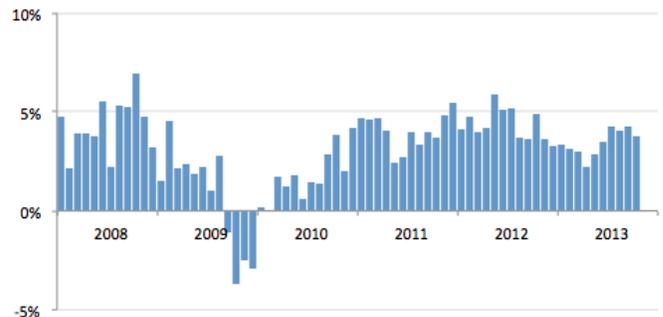
BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	7,204	-0.8%	-3.0%
Employment	4,452	2.5%	16.5%
Unemployment Rate	4.4%	-0.3%	0.4%
Wages Per Employee	\$48,885	3.5%	30.1%
Average Personal Income	\$48,903	9.2%	35.4%
Sales Volume(\$ mil)	233	4.5%	51.0%

Refugio county has shown considerable stability in economic development in recent years. The economy rebounded from the depths of the last economic downturn in 2009 with average annualized employment growth around 3 percent in the past three years. Its local labor market has also improved at a steady pace. The current unemployment rate below 4 percent is among the lowest in the region. With an overall healthy labor market, wages and personal income have also risen at rates above the state and national averages.

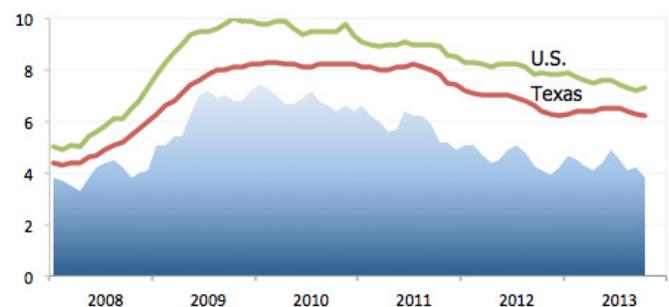
Other than the economic setback in 2009, the labor market in Refugio county has held up well historically. Local employment has shown steady gains between the three and five percent annualized rates over the past four years. As a result, the unemployment rate has shown persistent improvement since 2009. By the end of 2013, the county's unemployment dipped to 3.8 percent, the lowest since 2008.

Refugio county's overall economy is well diversified. The government sector is the largest employer, accounting for nearly 30 percent of local employment. In the private sector, oil and gas extraction and its support services in the mining sector are the primary industries.

Employment Growth



Unemployment Rate

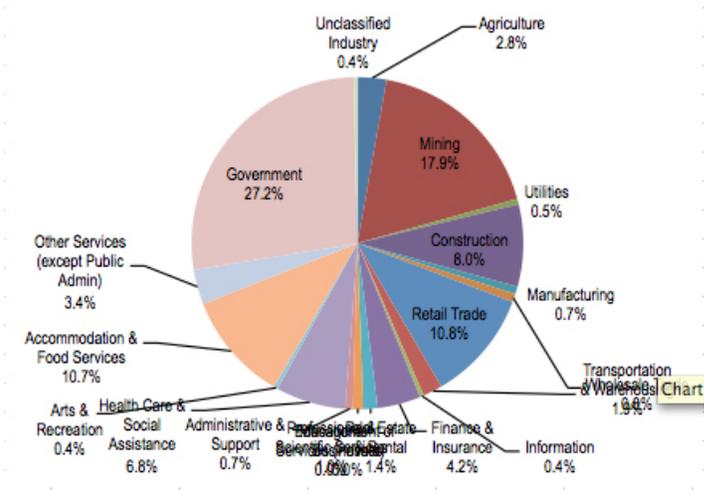


Since 2008, the number of individuals working directly in oil and gas extraction has reduced over the years from 87 to 61, while the number of jobs in the supporting role for oil and gas drilling has more than doubled from 182 to 402. Other industries supporting the expanding oil and gas production activity, such as trade contractors, restaurants and gas stations, have also undergone significant expansion.

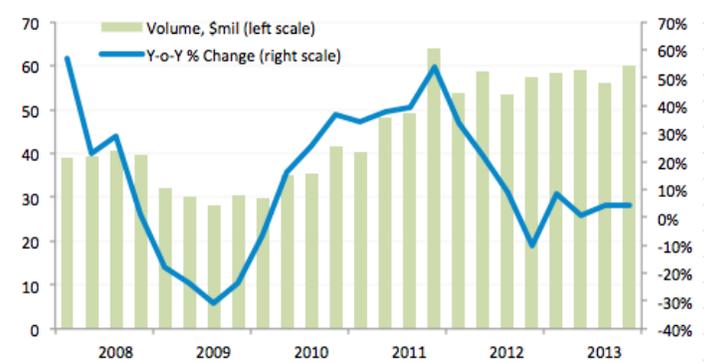
Except for the development in oil and gas extraction, employment has been relatively steady across different industries. During 2013, the strongest job growth occurred among machinery rental businesses, which added a total of 14 jobs. Partly due to its relatively small size, the rental industry showed a 64 percent gain. The utilities sector also saw similar expansion of 40 percent as a result of the addition of four employees in natural gas distribution.

With a diversified economy, businesses in Refugio county held up in 2009 better than businesses elsewhere in the Coastal Bend. The county's business receipts rose rapidly in 2010 and 2011, and then tapered off during the following two years. The current volume of annual business sales at \$230 million remains nearly 50 percent above the 2008 level. As for other counties in the Coastal Bend, new home construction in this county fluctuated over the past five years with slowdowns in 2010 and 2011. The numbers of new home starts in 2012 and 2013 were near the peaks reached in 2004 and 2005.

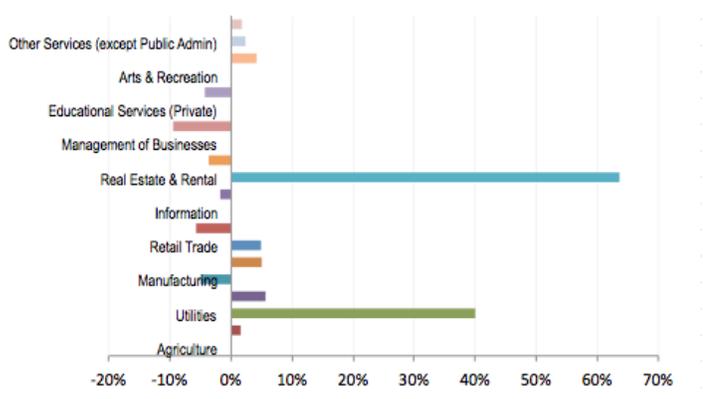
Industry Composition by Employment, 2013



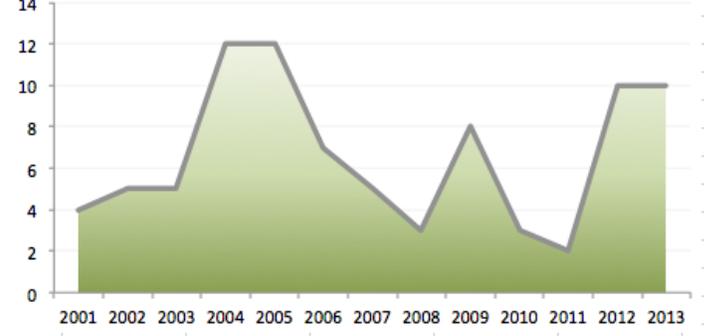
Sales



Employment Growth 2012-2013 by Industry



Home Starts



SAN PATRICIO COUNTY

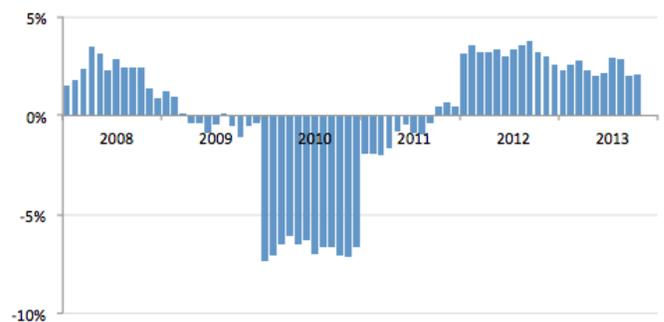


BY THE NUMBERS	2013	CHANGE FROM 2012	CHANGE FROM 2008
Population	66,809	1.8%	0.6%
Employment	27,544	2.5%	6.6%
Unemployment vRate	7.5%	-0.1%	2.1%
Wages Per Employee	\$52,270	3.1%	19.7%
Average Personal Income	\$40,675	3.9%	18.8%
Sales Volume(\$ mil)	2,616	5.5%	19.6%
New Home Value	\$161,200	0.0%	2.2%
- % National Average	72%		

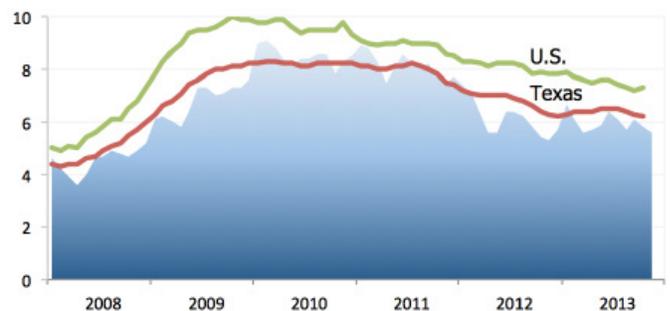
San Patricio county is part of the Corpus Christi metro area. The county was devastated by the closure of former Naval Station Ingleside. The military and civilian personnel on the base made up about 10 percent of the county workforce. In the run-up to the closure of the military installation in 2011, employment and population retreated significantly. Since 2011, the area has seen resurgence in job and population growth. Located at the north side of Corpus Christi Bay, a number of large-scale industrial development sites have broken ground. Those construction projects, including a steel mill, and a few petrochemical manufacturing plants and LNG terminals, will create a total of 4,000 plus temporary construction jobs for years to come. While the county's economy has rapidly rebounded from a major contraction three years ago, the unemployment rate remains evaluated at 7.5 percent, more than two percentage points above the 2008 level.

The labor market in San Patricio county is recovering from an economic collapse in 2010 and 2011. Since the beginning of 2012, the county has faced sustained monthly employment growth above two percent year-over-year. During the run-up to the closure of Naval Station Ingleside between 2010 and 2011, the county's unemployment surpassed 10 percent.

Employment Growth



Unemployment Rate



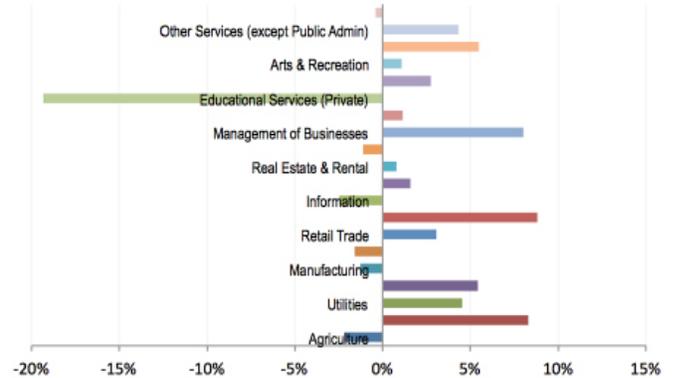
Despite job gains in some industries, the overall unemployment rate remained above 7 percent at the end of 2013, the highest among the three counties in the Corpus Christi metro area.

San Patricio county's economy is well diversified. The county has the largest manufacturing sector in the Coastal Bend. More than one in 10 jobs belongs to industrial manufacturing. The government sector has diminished considerably after the closure of its military base. The construction sector is the leading private employer, much of which supports the development and maintenance of the heavy manufacturing industry. With the construction of several large-scale industrial sites underway, construction employment will continue to expand in years to come. Current developments in the Port of Corpus Christi district will also shape the future economic landscape of the county. The expanding manufacturing sector in San Patricio county is poised to be a boon to the metro area economy. The Eagle Ford oil and gas production has also contributed much to the development of the local mining sector. Employment in oil and gas extraction doubled from 63 in 2008 to 126 in 2013. Businesses in support activities for oil and gas exploration also more than doubled their employment over those years.

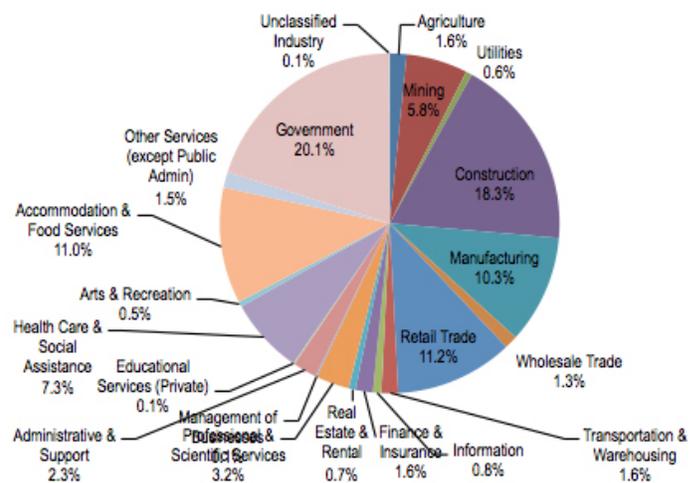
In 2013, almost every industry added jobs. In addition to the continuous expansion in employment for oil and gas extraction, the development of heavy manufacturing industries has boosted construction employment significantly. Industry expansion alongside Port of Corpus Christi also created jobs in water transportation. Since mid-2013, the increasing volume of outgoing shipments of crude oil has made the Port a net exporter rather than an importer.

Businesses in San Patricio county suffered remarkably during the closure of Naval Station Ingleside. The volume of local business sales reduced 20 percent in 2010. Business activity has slowly recovered since 2011. The county's housing market has also picked up at a moderate pace. More than 350 homes were built in the midst of the last housing boom during 2006. After a long period of declines, new home starts began to pick up in 2012.

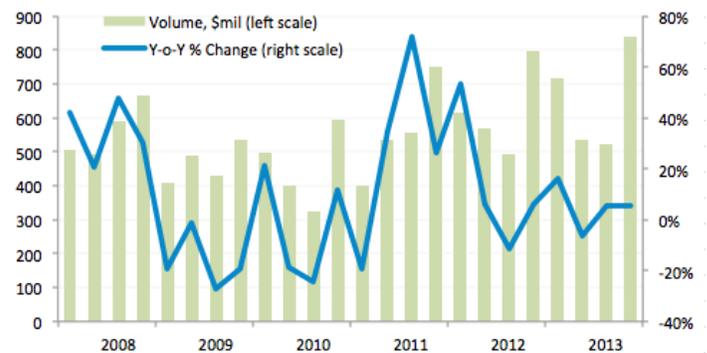
Employment Growth 2012-2013 by Industry



Industry Composition by Employment, 2013



Sales



Home Starts



DATA SOURCES

Overall Economic Conditions

- Federal Reserve Bank of Dallas
- Bureau of Economic Analysis
- IHS Global Insight
- U.S. Census Bureau

Financial Markets

- Federal Reserve Bank of St. Louis

Employment

- Texas Workforce Commission
- Real Estate Center at Texas A&M University
- Bureau of Labor Statistics

Housing Markets

- Real Estate Center at Texas A&M University
- Texas Association of Realtors

Business Conditions

- Texas Comptroller of Public Accounts

Cost of Living

- Bureau of Labor Statistics
- Corpus Christi Regional Economic Development Corporation

AQUA BOOK

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