

QUOTABLE: “A significant Texas budget shortfall may prompt both spending cuts and tax increases and could pose an important downside risk to the strength of the recovery going forward.”

—Anil Kumar, Senior Research Economist and Advisor

AIRLINES: Texas Carriers Fly Fuller; Mergers Ahead



Texas-based Southwest Airlines and American Airlines have seen more passengers and fuller planes this year. Passenger traffic rose a combined 4.7 percent year over year through October, while the average load factor—a measure of capacity utilization—ticked up 1.5 percentage points.

Carriers experienced a summer of increased demand and strong profit growth as the U.S. airline industry healed from the recession and a rough 2009. Resurgent business travel paced the revenue and profit increases.

In the third quarter, Southwest Airlines Co. reported earnings of \$205 million, a sharp turnaround from a \$16 million loss in the prior-year period. American’s parent company, AMR Corp., followed suit with its first profitable quarter

(excluding special items) since third quarter 2007. The load factor for all U.S. airlines in August 2010 rose 0.6 percentage points from August 2009 as demand climbed and capacity was slow to expand. Though heightened, demand remains below what it was before the downturn. In October, Texas air transportation employment fell slightly from the prior month and trailed prerecession levels of June 2008 by 10.1 percent.

Mergers promise change for Texas’ airline industry. Southwest plans to take over AirTran Holdings Inc. of Atlanta and keep corporate operations in Dallas, while Houston-based Continental Airlines Inc. merged with Chicago’s UAL Corp. on Oct. 1 and began relocating corporate operations from Texas.

—Adam Swadley

INCOME AND POVERTY: Texans Slip During Recession



Benchmarks of economic well-being show that Texas experienced a pattern of highs and lows similar to that of the nation during the recession. However, Texas continues to rank below other states in many of the measures.

Texas’ median household income fell 2.4 percent to \$48,259 in 2009, well below the U.S. average of \$50,221, data from the American Community Survey show. The national decline was sharper, though, at 2.9 percent. Texas’ income ranking among the states and the District of Columbia improved to 26th last year from 35th in 2005.

Texas’ poverty rate rose 1.2 percentage points to 17.2 percent in 2009, compared with an increase of 1 percentage point to 14.3 percent in the U.S. Nearly 400,000 additional people fell below the poverty line in the state, pushing the total to more

than 4 million.

Texas has had the nation’s ninth-highest poverty rate for the past four years. Poverty levels were highest in Mississippi, Arkansas and Kentucky. Among Texas counties surveyed, Hidalgo in the Lower Rio Grande Valley posted the highest rate, 35.4 percent, while Williamson near Austin had the lowest, 4.7 percent.

The data also show that Texas had the nation’s largest share of people without health insurance coverage. The figure increased 0.4 percentage points to 23.8 percent in 2009. The U.S. share rose 0.5 percentage points to 15.1 percent. Of those without coverage in Texas, about 70 percent live above the poverty line.

—Yingda Bi

GULF OIL SPILL: Costs of Well Disaster Still Piling Up



British Petroleum’s Macondo well blew out April 20 as the Deepwater Horizon platform sunk. By the time the well was capped on July 15, an estimated 4.9 million barrels of oil had flowed into the Gulf of Mexico.

The U.S. government and BP are still assembling a definitive estimate of the flow; the final figure is likely to be a source of contention because it will be the basis for determining financial penalties.

Under various environmental protection laws, fines range from \$1,100 to \$4,300 per barrel. If they come in at the high end of this range, total penalties could top \$20 billion. As of Sept. 30, BP’s total cleanup, containment and business compensation expenses had already exceeded

\$11 billion.

The oil spill affected not only the Gulf ecosystem, but also area states’ economies. From Texas to Florida, tourism and services activities slumped due to vacation cancellations and lost business.

BP set up the Gulf Coast Claims Facility to compensate those affected. As of Nov. 22, the claims facility had paid out more than \$1.98 billion.

The incident also ushered in a deepwater-drilling moratorium that was only recently lifted. A lag in the resumption of drilling activity is likely because of the time required to grant new permits.

—Jackson Thies