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Are we recession-proof?

Many local industries don't suffer during economic downturn

By [Kyle Peveto \(Contact\)](#)
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Reporter-News photo by Nellie Doneva Pam's Pets & Fish employee Tony Hefner, right, helps customer Jeff Putnam, left, look for a fish tank. The store's owner, Pam Mashburn, does not expect a possible recession to hit her business very hard.

Some industries don't suffer much in economic rough patches.

Healthcare is always needed, and educational institutions often grow during recessions, analysts say.

But, along with hospitals and universities, pet shops have weathered the past two

U.S. recessions fairly well.

No matter how tough things get, pet owners will continue to pamper their dogs and cats, said Pam Mashburn, owner of Pam's Pets on North 1st Street.

"Some people may see the care of a pet as expensive -- but not as expensive as something else they enjoy," Mashburn said. "I would sell candy on the side of the road if I had to so I could feed my dogs."

Over the past two recessions, the pet supply shop industry nationwide has added jobs even as the economy contracted, which causes career analyst Mark Hovind, who runs a Web site called JobBait.com, to name pet shops a "recession-proof" industry.

"We've been here 20 years. We've had our lows, and we've had our highs," Mashburn said. "You can see people cutting back, but you see the same people coming in always, buying food or toys for their pets."

Health care-related industries have remained the steadiest through the nation's past two recessions, according to Hovind's list, which aggregates data from the U.S. Bureau of Labor Statistics about job growth in hundreds of American job fields during the past two recessions and last year. Schools, both universities and primary and secondary schools, have remained stable through the past two recessions.

Healthcare just doesn't seem to experience recession, Hovind said.

So far, Texas has not significantly suffered the effects of a nationwide economic slowdown. The state added 237,000 jobs over the last 12 months, the most in the nation, according to BLS statistics.

And local analysts predict, along with Hovind, that the Abilene area is positioned well to feel little effect of a nationwide recession.

The area has experienced strong growth over the past four years after a lull of several years, said Karr Ingham, an Amarillo economist who studies Abilene and compiles an economic index by analyzing several factors, including area employment rates, consumer spending and residential and business construction and home sales. Abilene's economic index stalled from January 2000 to January 2004, when it began to climb steadily. Homes were constructed and new businesses streamed into town. According to his analysis, the Abilene economy peaked in October 2007 and steadied. Although it has dropped slightly from then, the area has continued to grow slightly -- over the same period last year -- in the first quarter of 2008.

After reaching new levels, Abilene has a larger cushion to protect it from turmoil other areas may experience.

"We've just gone through a period of impressive growth that has lasted a few years,

so the Abilene economy has been raised to a new plane over that period of time," Ingham said. "I think it's unlikely that the economy is going to lose nearly all of that or even much of it in a period of slowdown."

In the 1990 recession, Abilene fared well, outpacing the country in job growth, according to Hovind's study. During the brief recession of 2001, which lasted nine months, the city felt the same stagnation the country did, according to the statistics.

To compare an area's performance in a time of recession helps to see how another slowdown may affect it, but according to Monty Lynn, professor of management at Abilene Christian University and director of the Center for Business and Economic Research, each recession is different. And each recession is the same.

During periods of economic slowdown, separate sectors are affected to differing degrees. The oil bust of the 1980s hit Texas particularly hard, while many in the industry now revel in high oil prices. Subprime lending in the housing market affected both the real estate market and the financial world last year and trickled into individual investment portfolios, where it has affected investors throughout the economy, Lynn said.

But the perception -- and fear -- of a recession hits most consumers in the same manner.

"During a recession, people are spending less, that's a reaction that commonly happens. ... Generally in recessions people become more conservative in their expenditures," Lynn said. "That can happen across really different economic structures within a country or a region or a state, so you really have common behavior among consumers, even when the economics of a recession may be very different from one recession to the next."

Major Abilene employers excel

Abilene's largest employers have strong records as industries. Hospitals and health care remain strong even in downturns, and Hendrick Health System, which employs about 3,000, is the area's No. 2 employer.

Although federal government jobs don't fare well as a whole in recession, according to statistics, it would take a long downturn to seriously affect Air Force jobs, Lynn said. A long recession would eventually put pressure on the government to lower the tax burden, he said, eventually filtering into federal budgets.

"It would take a while for that to happen," he said. "To lower the fiscal income of the U.S. government to affect other macroeconomic indicators to the federal government, to then reach congress to slash budgets, that's going to be a long, long process."

Because the oil bust of the 1980s hurt most of Texas and periods of drought have affected several areas of the state, many cities, including Abilene, have sought to

diversify and lower the risk that a downturn would seriously rock their economies.

"It does help to diversify," Lynn said, "just like in a stock portfolio to spread your investments across different industries reduces the amount of risk you might have if there is a downturn in a specific industry."

New manufacturing jobs have been attracted to the area through economic incentive funding raised by the city's half-cent sales tax.

"The goal of diversification and economic development was to decouple the economy from oil and gas and agriculture and shield it from downturns in those industries which can't be stopped," Ingham said. "There's nothing anybody local can do about the price of oil, about whether it rains or not, commodity prices and so on."

But has diversifying the area helped to strengthen the economy against recession, or has it made the area more susceptible to national slowdowns? Now that agriculture and oil are strong, manufacturers may feel the pressures of consumers' fears. Ski boat manufacturer Tige Boats laid off 49 workers after the economies of its main markets on the West Coast and in Michigan turned sluggish.

"That does mean that the Abilene economy is more connected to what happens at the broader geographic levels, the state economy and the national economy," Ingham said. "In some sense it makes it slightly more likely that a downturn or a recession at the national level will be felt at a local level."

Although the area has become more diverse, the Big Country is still less diversified than many cities in Texas, Lynn said, and manufacturing is still not a major portion of the employment base.

When the cost of groceries continues to rise and the cost of gasoline is skyrocketing, the local connection to oil field services and agriculture may help the area if the rest of the country suffers.

"Abilene has a couple of things working for it," Ingham said. "Diversification doesn't mean the regional influences go away entirely. Oil and gas and agriculture are still a vital and integral part of the Abilene economy just because it is the hub city for a region that is very active in both of those industries."

If economists do eventually declare a recession, Ingham said it would be unwise to think Abilene would not feel any effects, but, they would most likely be light.

In a recession?

Once national economists have enough data to declare a recession, it may be almost over, Ingham said.

Consumers usually start managing the downturn before officials can say it has occurred, according to Lynn, and "whether it becomes a recession or not, it almost becomes a technicality."

The key, in times of economic turmoil, Lynn said, is to never become too focused on the recession.

"In any economy, if you lose sight of the long-term and focus only on the short-term," he said, "you sell yourself short, and you're not investing in an economy you can benefit from in the future."

For Mashburn at the pet shop, she hears the predictions and continues to work for the long-term.

"We watch the TV and hear the talk," she said. "We've always managed to make a living. We've had our hard times, but you've always got to keep working."

Comments

Posted by **JarHead** on May 4, 2008 at 11:04 a.m. (**Suggest removal**)

Are we recession proof? Hardly, the U.S. dollar value has been in free-fall continuing to lose ground against goods and currencies world-wide. Oil, food and even stocks are not going up, the dollar is going down. There may be a lot of dollars chasing such things as oil but those dollars are worth less against other commodities and the pressure of all those shrinking dollars competing to buy oil (not shortages) make for an upward spiral not based on real value. When this bubble bursts, it will likely be a very big bang indeed as there may be no rebound for the dollar because of the huge U.S. national debt and war commitments made by this administration. Only those who have bought oil and like commodities when they were cheap using cheap dollars and who are contracted to sell them real soon now in some other currency, will survive this one.

Posted by **texmade2** on May 4, 2008 at 1:12 p.m. (**Suggest removal**)

Better get your head out of the sand , cause we are in for a free fall.

Posted by **reaganite** on May 4, 2008 at 6:41 p.m. (**Suggest removal**)

recession

Main Entry: re·ces·sion

Pronunciation: \ri-'se-shən\

Function: noun

Date: circa 1652

1 : the act or action of receding : withdrawal

2 : a departing procession (as of clergy and choir at the end of a church service)

3 : a period of reduced economic activity

The US economy grew 0.6% last quarter. We've had about 25 consecutive quarters of positive economic growth.

Growth is not a recession. When the economy goes into negative numbers for 2 consecutive quarters, then I'll worry.

"Most people don't understand what economic growth really represents (especially if they get their economic news from the Associated Press), so let's briefly review: Economic growth means the nation, as measured by gross domestic product (GDP), generated more value in the form of goods and services than it did during the last period measured."

The quoted portion stolen from Dan Calabrese's article from May 1st.



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