San Antonio saw solid economic growth in the first two months of 2014, with most industries reporting moderate to strong gains in employment. Unemployment fell to 5.3 percent in January but climbed to 5.5 percent in February, though it remains below the 5.7 percent state average. Housing was strong as new construction, permits and home listings rose and home sales remained steady.

The San Antonio Business-Cycle Index accelerated in recent months, picking up from a mild slowing through October 2013. Strong recent job growth and a general fall in the unemployment rate have propelled the gains in the index. Recent annual benchmark revisions to employment and the unemployment rate account for an upward revision to the growth in the index since the middle of 2012. Unemployment rates throughout 2013 were generally revised down about 0.2 percentage points. The employment benchmark revision released by the Bureau of Labor Statistics (BLS), which aligned quite closely with the Dallas Fed's preliminary benchmark reported in this publication last month, showed job growth of 2.3 percent in 2013 compared with 0.8 percent previously reported by the BLS and 2.2 estimated by the Dallas Fed.

San Antonio reversed its December malaise with two consecutive months of strong job growth, expanding at an annualized 3.7 percent and 4.9 percent in January and February, respectively. The unemployment rate dipped from a revised 5.6 percent in December to 5.3 percent in January before an influx of new job seekers outpaced the rate of job creation in February, pushing the rate up to 5.5 percent.

Total employment grew at an annualized rate of 2.9 percent over the three months ending in February, faster than the 2.3 percent growth rate for 2013. Growth was broad-based and moderate to strong across private-sector industries. Construction employment growth, though volatile, bounced back after a sharp decline in November. Leisure and hospitality continued to rise at a brisk pace. Professional and business services, after contracting moderately at the end of last year, added 3,600 new jobs, largely in administrative, support and remediation services. Only government shed jobs, when an annualized 3.8 percent increase in January was followed by a 5.8 percent fall in February.

<table>
<thead>
<tr>
<th>Annualized job growth (February)</th>
<th>San Antonio</th>
<th>Texas</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment rate (February)</td>
<td>4.9%</td>
<td>3.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Year-over-year change in real retail sales (2013:Q3)</td>
<td>5.5%</td>
<td>5.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Year-over-year change in real wages paid (2013:Q3)</td>
<td>2.4%</td>
<td>1.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

NOTES: Numbers in parentheses are shares of total employment. Job growth data are seasonally adjusted and annualized.
The construction industry in San Antonio in the past two years has been one of the most persistently strong sectors of the economy. However, despite expanding at an annual 5.9 percent rate since postrecession growth began in December 2011, jobs contracted at a 3 percent rate after peaking in October last year. The Conference Board’s seasonally adjusted help-wanted advertising for construction and maintenance jobs declined by 8 percent in January and February after surging over 16 percent in the prior two months. Even with the recent weakening in construction employment and job listings, data on San Antonio housing permits, starts and inventories suggest construction will pick up in the months ahead.

Sources
Housing: National Association of Home Builders.
San Antonio Stock Index: Bloomberg.

Questions regarding San Antonio Economic Indicators can be addressed to Christopher Slijk at christopher.slijk@dal.frb.org.

Housing starts advanced strongly in the first two months of the year. Single-family starts in particular have picked up after leveling off in December, showing a 14.7 percent increase year to date. The median house price fell slightly in January before rising 0.5 percent to $172,554 in February. Home inventories remained at a tight 4.4 months’ supply, indicating that any increases in demand will likely require new building activity.

The San Antonio Stock Index increased by 11.6 percent from Feb. 3 to March 31, outperforming the S&P 500 by 4.1 percentage points over this period. Most of these gains are accounted for by oil and gas firms, which have done quite well overall in the past month. Despite some recent mixed outcomes, financial and communications firms have generally seen growth as well, indicating broad-based expansion across various industries in San Antonio.