

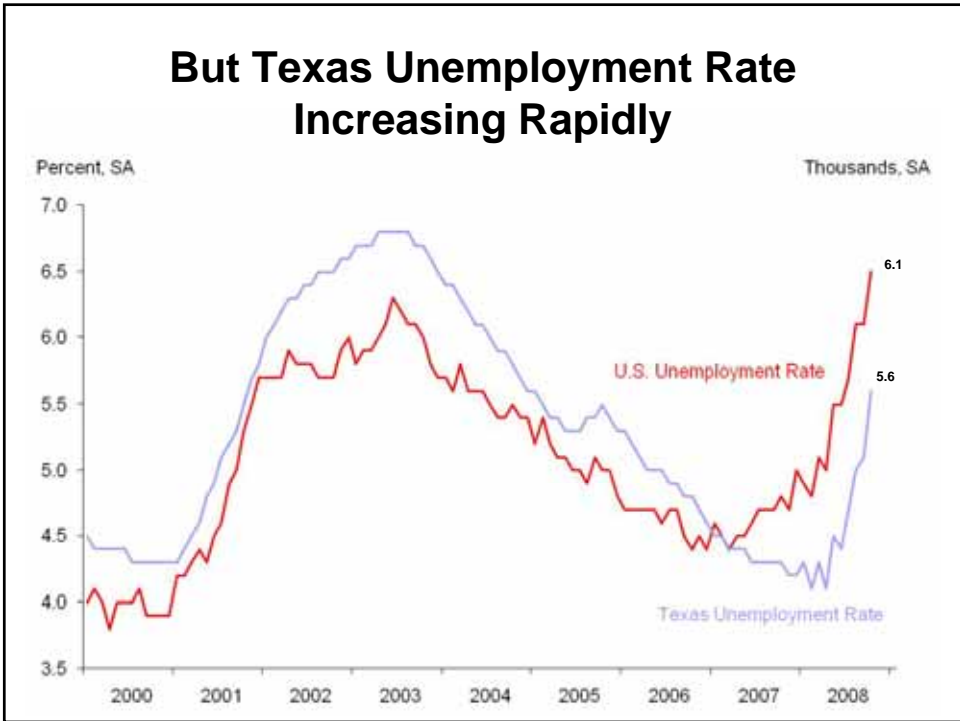
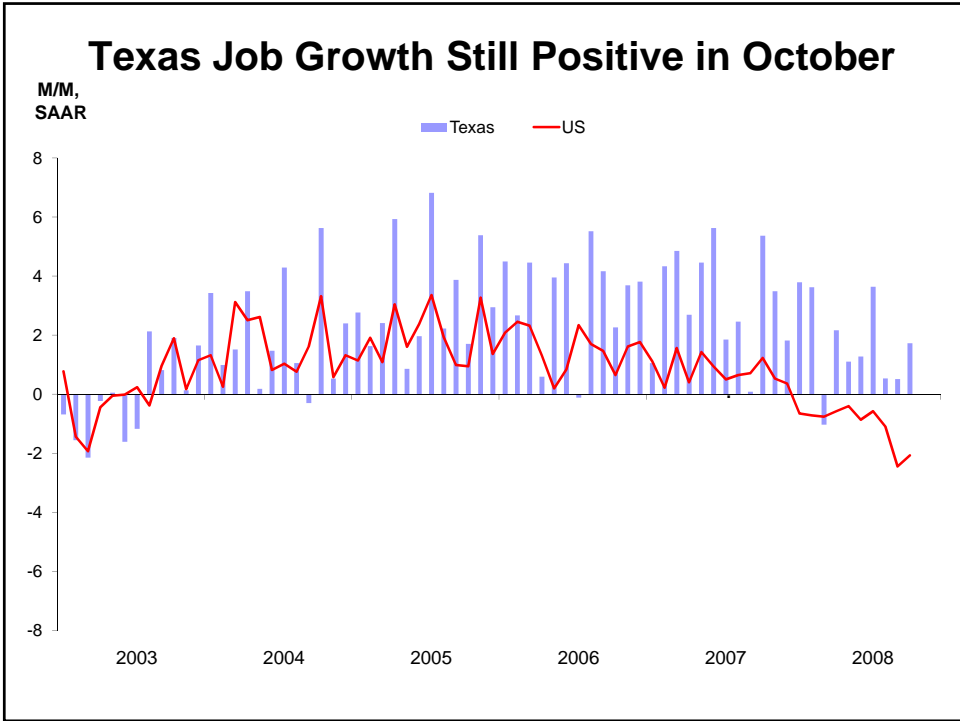
*A Perspective on Income and Job  
Growth in San Antonio*

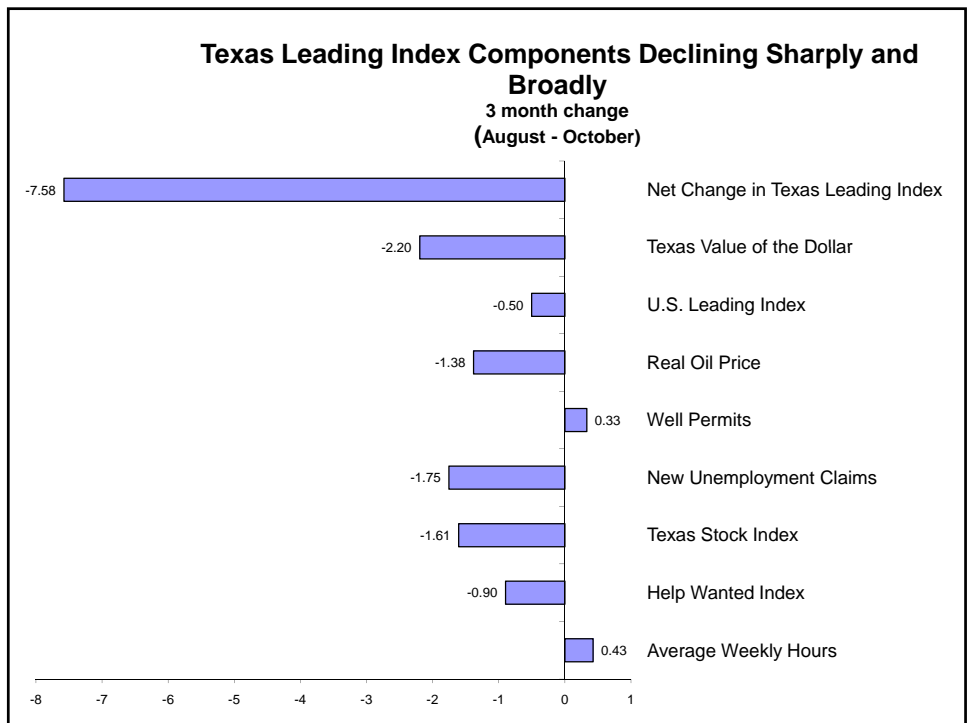
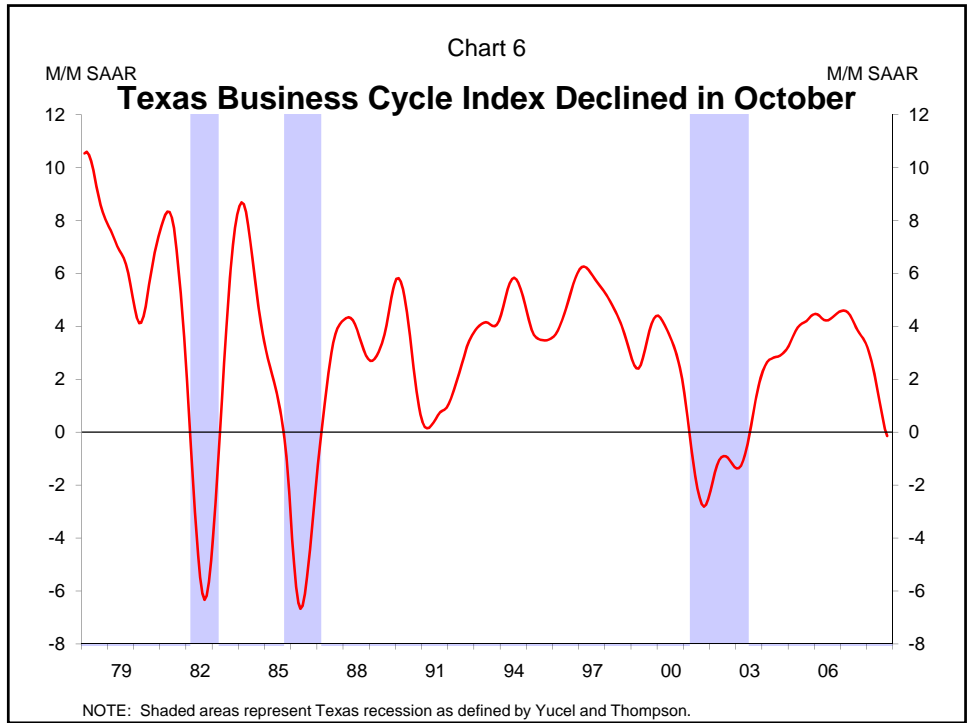
*Evening at the Fed  
December 10, 2008*

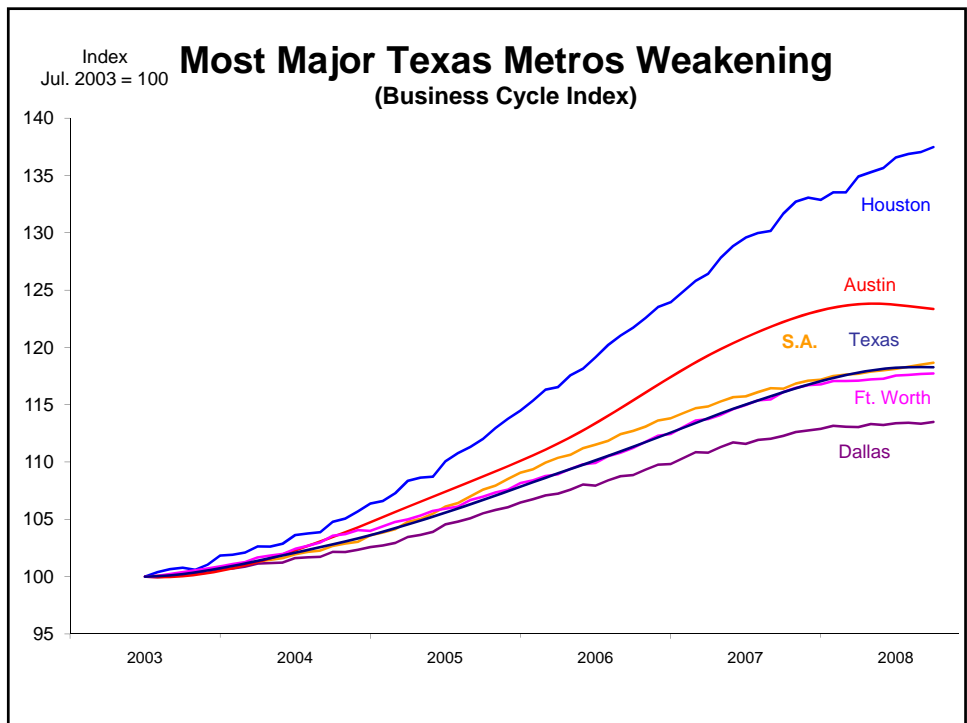
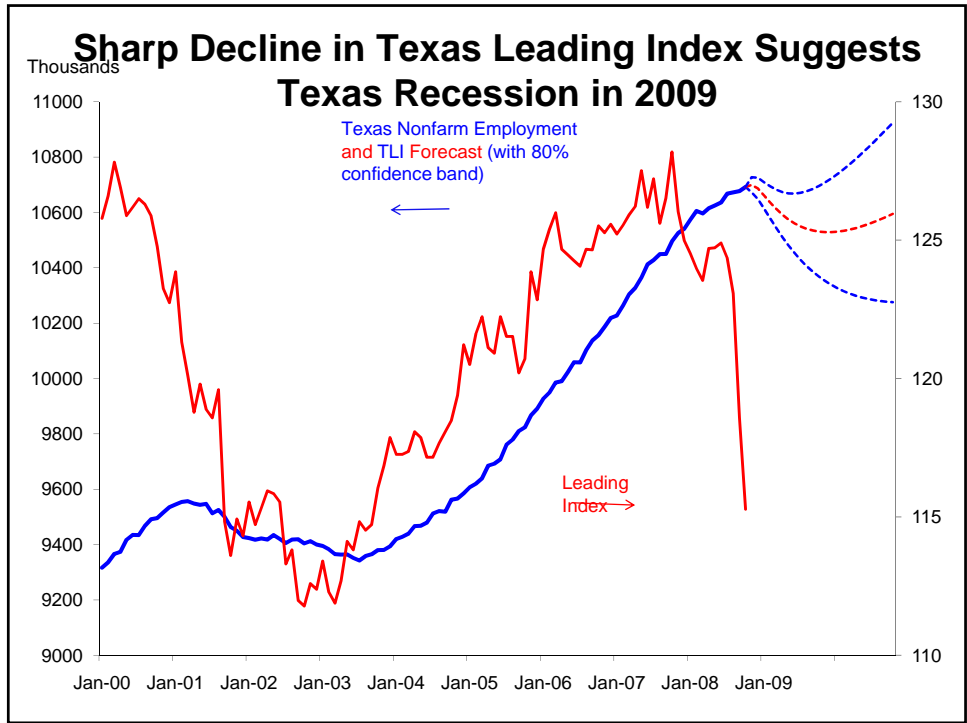
*Keith Phillips  
Federal Reserve Bank of Dallas  
San Antonio Office*

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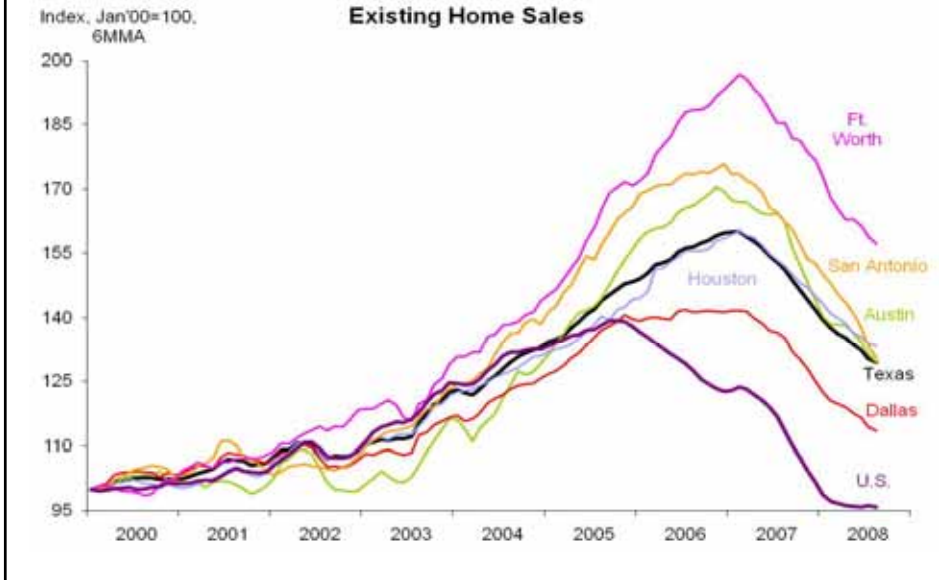
**Recent Economic  
Conditions in Texas and  
San Antonio**



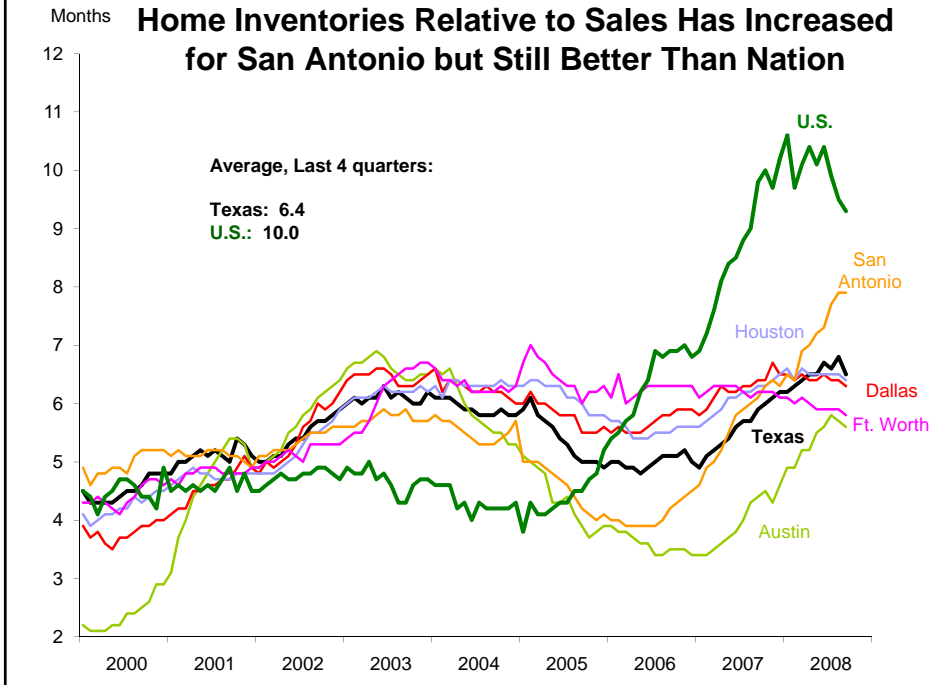


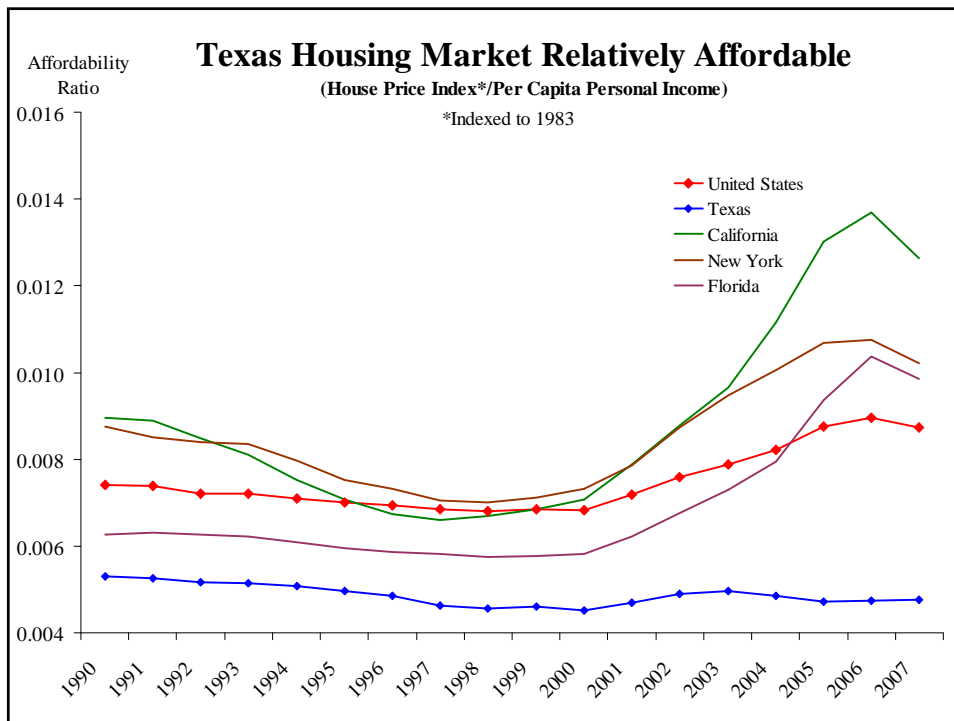
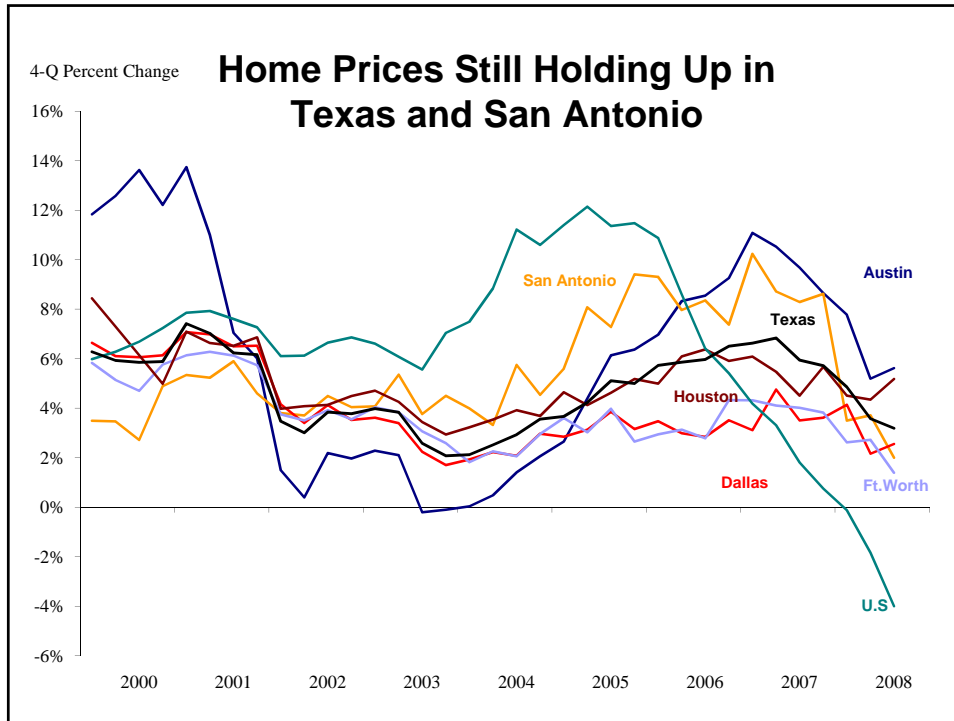


## Existing Home Sales Falling in All Major Texas Markets

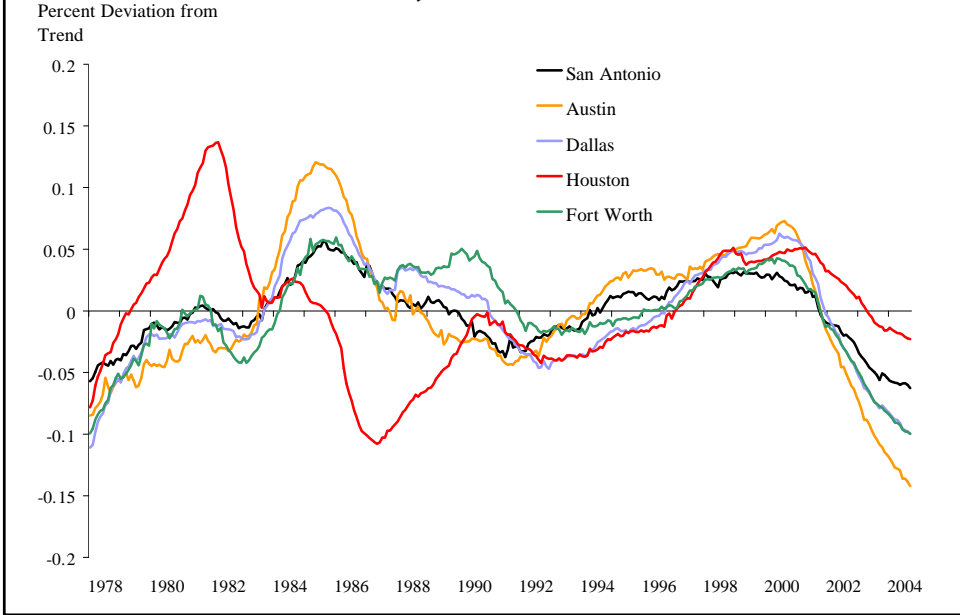


## Home Inventories Relative to Sales Has Increased for San Antonio but Still Better Than Nation



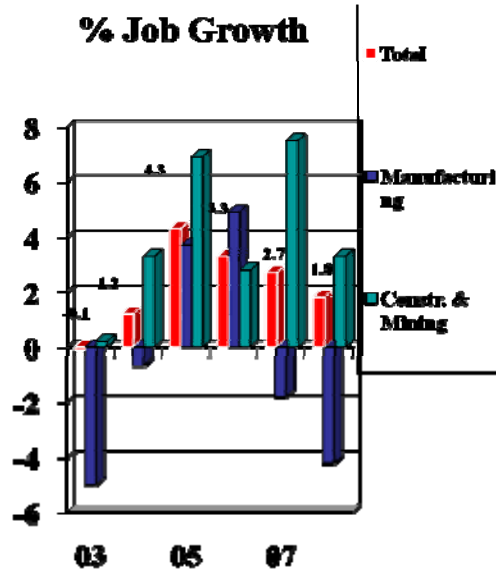


## San Antonio Employment Stable, Houston, Austin Volatile



## San Antonio Will Likely See Some Slight Job Losses in 2009

- San Antonio helped by research and medical jobs from BRAC
- San Antonio less cyclical than most cities its size
- Financial Crisis will leave no region untouched
- Residential construction will continue to decline and private-sector commercial construction likely to also decrease
- Manufacturing and Financial services likely to shrink
- 2009 Job Growth likely to be between -.5 and -1.0 percent
- Stronger than state at -1.5

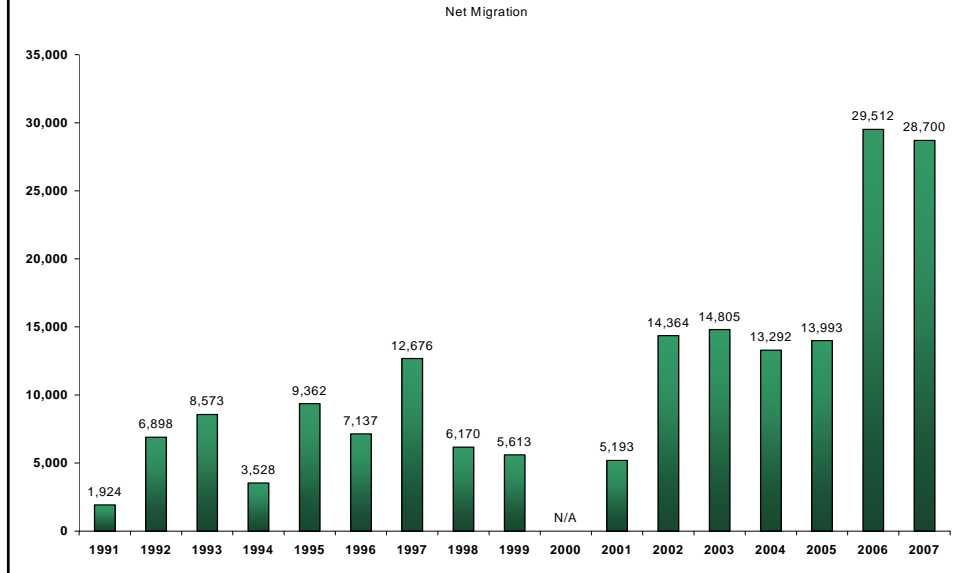


## A Broader Look at the San Antonio Economy

### San Antonio

- 7<sup>th</sup> largest *city* in U.S.
- The most representative regional unit is the Metropolitan Statistical Area (MSA) – this is the group of counties where people work and shop and travel regularly
- The San Antonio MSA is the 29<sup>th</sup> largest
- Historically has job growth slightly faster than state average and is considered a stable economy

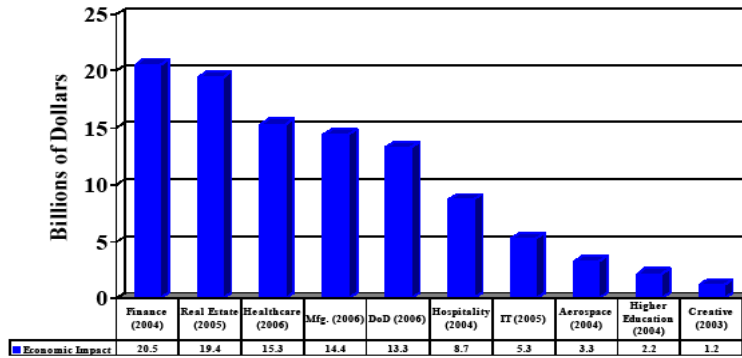
## San Antonio Migration Pattern Reflective of a Strong Economy



## Shifting Job Shares Suggest Growing Private Services, Less Government

	Percent of Total Employment		Beta
	Jan. 1990	Sep. 2004	
Natural Resources & Mining	0.42	0.32	-1.51
Construction	4.41	5.48	2.05
Manufacturing	8.54	5.98	2.24
Trade, Transp & Utilities	19.38	17.88	0.99
Information	2.66	3.18	1.43
Financial Activities	8.27	8.15	0.00
Professional & Business Svc	8.10	12.22	2.18
Educational & Health Services	10.69	13.62	0.96
Leisure & Hospitality	10.54	11.14	0.79
Other Services	4.09	3.72	0.91
Government	22.85	18.35	0.38
<hr/>			
Industry-Share Beta	Jan. 1990 0.991347594	Sep. 2004 1.052308839	

## Finance Study Created Some Controversy- “Economic Impact” is Total Revenue (Not Local) Economic Impact by Industry/Sector



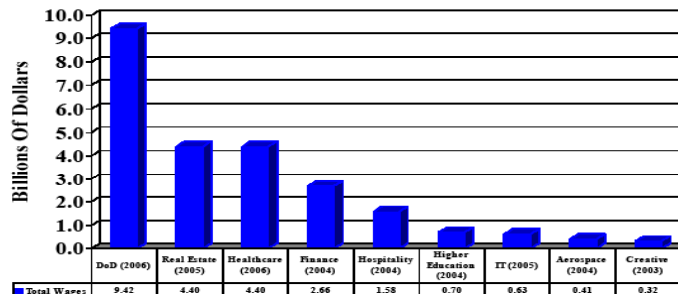
NOTE: Healthcare includes the bioscience industry.

Source: COSA EDD Economic Analysis & Coordination Division

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## Total Wages May be Best Indicator of Local Impact (Wages, billions of dollars)

### Earnings Supported by Industry/Sector



NOTE: Healthcare includes the bioscience industry.

Source: COSA EDD Economic Analysis & Coordination Division

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## Everything's Relative – But to What?

- To get an idea of the economic performance of San Antonio compare income, wages, and occupational employment to similar cities
- To define Peer MSAs - looked for competitive MSAs of similar industrial structure, size, and region.
- Subjective and not perfect – but better than only comparing to Austin and Dallas

## Population Varies Among Comparison Cities

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### Total Population

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Dallas-Fort Worth-Arlington, TX (MSA)	6,006,094
Atlanta-Sandy Springs-Marietta, GA (MSA)	5,134,871
Phoenix-Mesa-Scottsdale, AZ (MSA)	4,039,182
San Jose-Sunnyvale-Santa Clara, CA (MSA)	2,941,454
Sacramento-Arden-Arcade-Roseville, CA (MSA)	2,067,117
Orlando-Kissimmee, FL (MSA)	1,984,855
San Diego-Carlsbad-San Marcos, CA (MSA)	1,948,437
<b>San Antonio, TX (MSA)</b>	<b>1,784,826</b>
Indianapolis-Carmel, IN (MSA)	1,669,370
Virginia Beach-Norfolk-Newport News, VA-NC (MSA)	1,647,400
Austin-Round Rock, TX (MSA)	1,506,425

US Census: 2006 American Community Survey

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## San Antonio Has Lowest Cost of Living

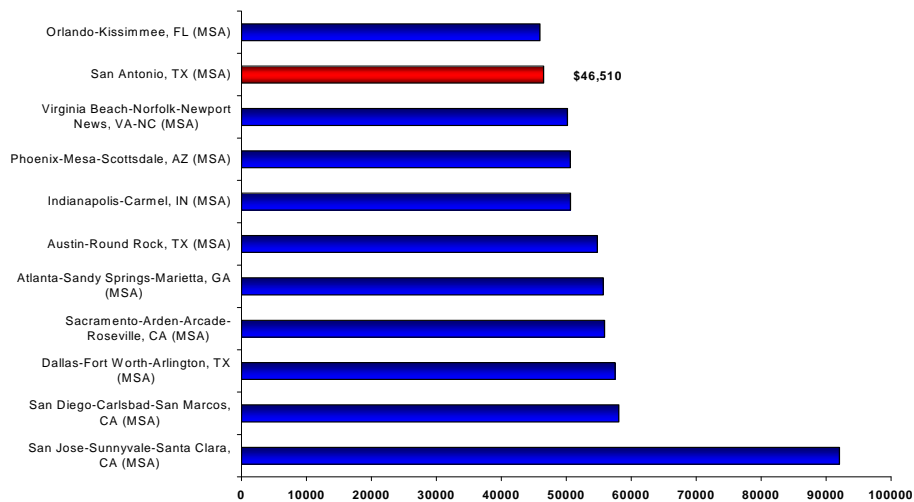
### ACCRA - Cost of Living Index\*

San Jose-Sunnyvale-Santa Clara, CA (MSA)	153.2
San Diego-Carlsbad-San Marcos, CA (MSA)	142.8
Sacramento-Arden-Arcade-Roseville, CA (MSA)	121.3
Virginia Beach-Norfolk-Newport News, VA-NC (MSA)	106.1
Orlando-Kissimmee, FL (MSA)	104.1
Phoenix-Mesa-Scottsdale, AZ (MSA)	102.1
Atlanta-Sandy Springs-Marietta, GA (MSA)	97.25
Austin-Round Rock, TX (MSA)	96.25
Indianapolis-Carmel, IN (MSA)	96.0
Dallas-Fort Worth-Arlington, TX (MSA)	94.1
<b>San Antonio, TX (MSA)</b>	<b>92.7</b>

\*2006 Average Composite Index

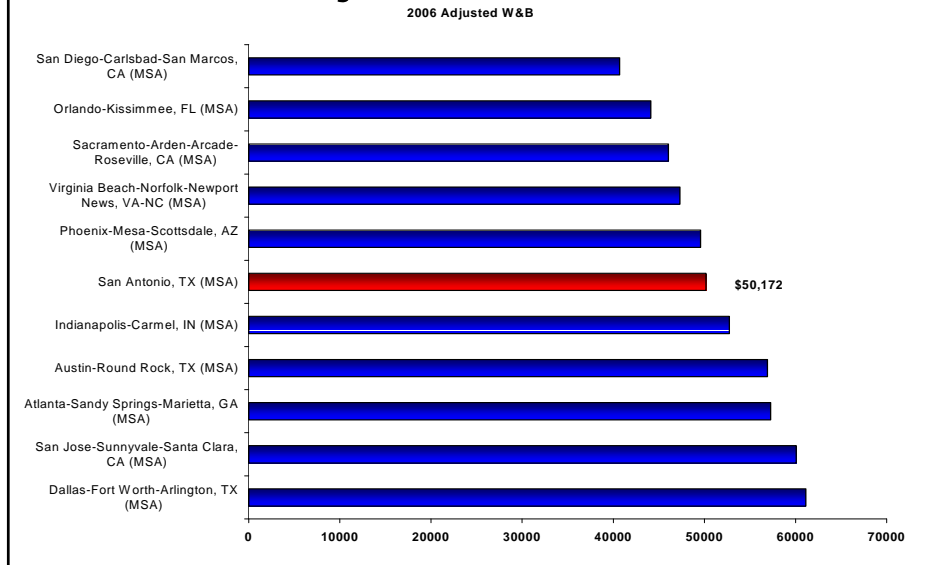
## SA Wages Per Worker Also Near the Bottom

2006 Wages and Benefits



Source: Bureau of Economic Analysis

## But in the Middle when Adjusted for COL



## Pull Factor

What Matters to Firms Selling in National and International Markets is Nominal Wage – What Matters to Workers is Real Wage

Win-Win Situation Occurs when Region has Below Average Nominal Wages (Attracts Firms) and Above Average Real Wages (Attracts Workers)

Wages not the only factor – amenities also play role – but wages important

## San Antonio is an Attractive Place for High-Wage Occupations

High-Wage Occupations	Nominal Wages			Adjusted Wages		
	Peer Cities Average	San Antonio	Difference	Peer Cities Average	San Antonio	Difference
Management	94698	81180	-13518	87487	\$87,572.82	\$86.17
Legal	85863	73900	-11963	78930	\$79,719.53	\$789.18
Computers and Math	68627	59560	-9067	63406	\$64,250.27	\$844.76
Architecture and Engineering	66778	56280	-10498	61511	\$60,711.97	-\$799.12
Business and Finance	59306	52850	-6456	55020	\$57,011.87	\$1,992.36
Life, Physical, and Social Science	60082	53520	-6562	55480	\$57,734.63	\$2,254.18
Health Care Practitioners	64716	55790	-8926	59621	\$60,183.39	\$562.00

Source: 2006 Bureau Labor Statistics Occupational Employment Statistics

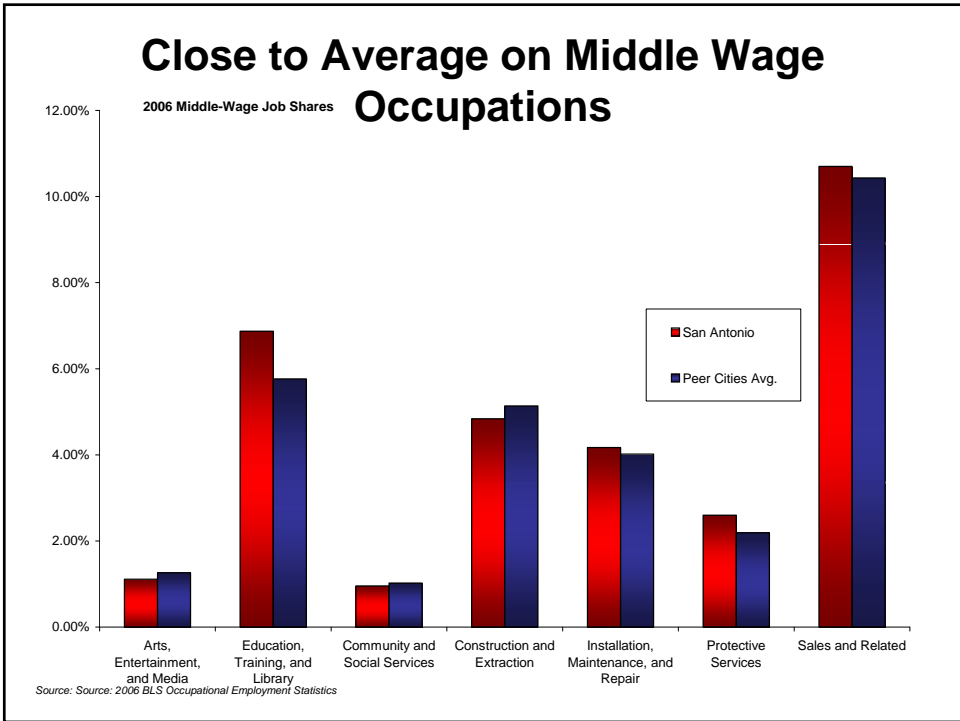
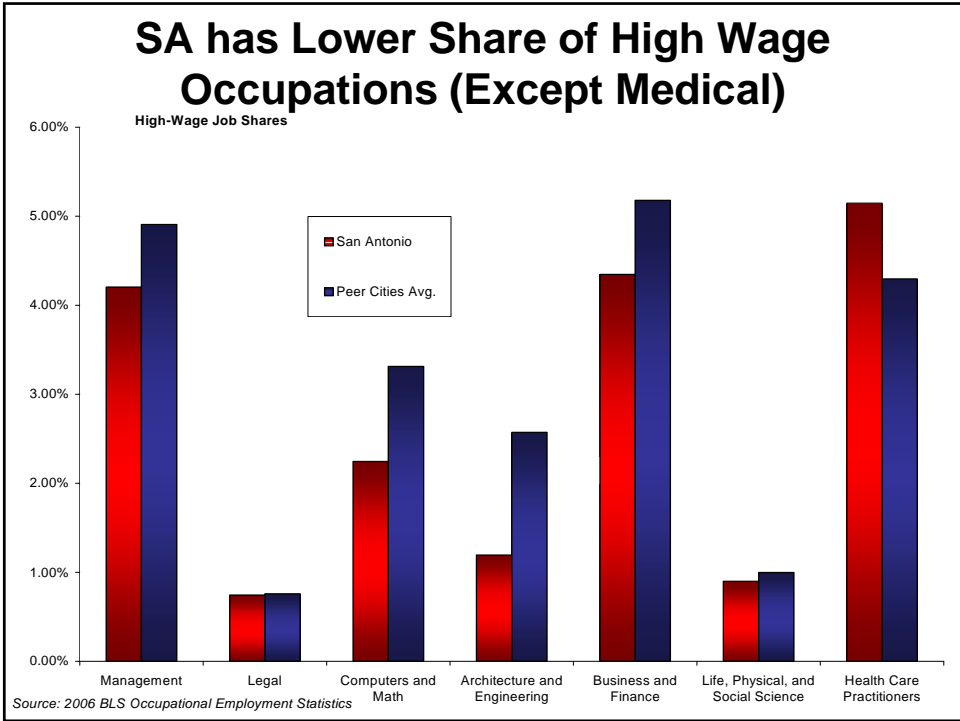
## Also Attractive for Some Middle Wage Occupations

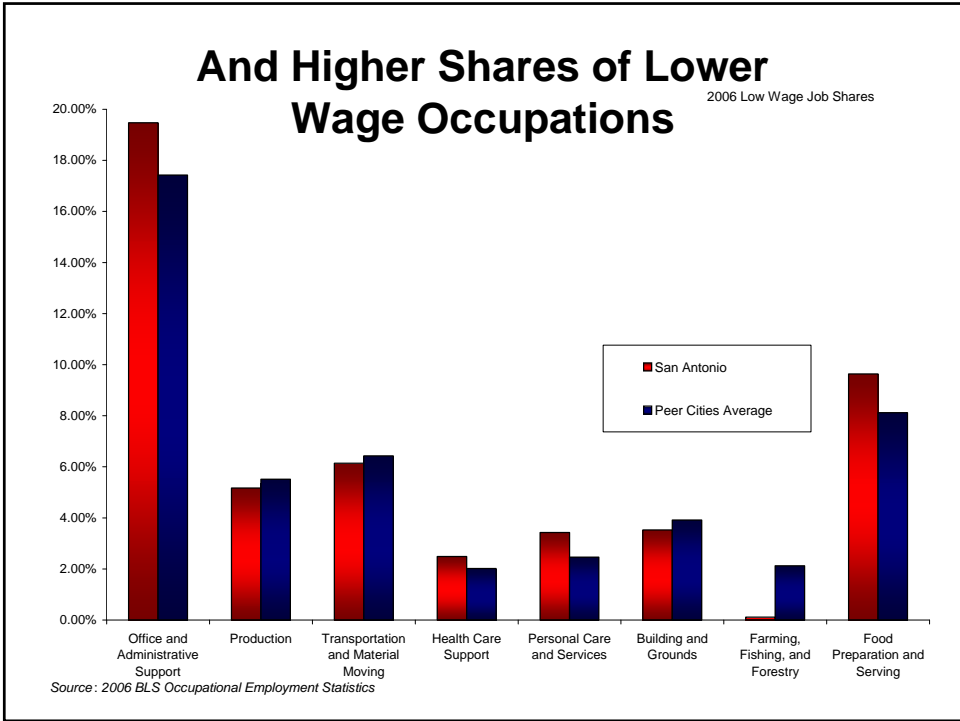
Middle-Wage Occupations	Nominal Wages			Adjusted Wages		
	Peer Cities Average	San Antonio	Difference	Peer Cities Average	San Antonio	Difference
Arts, Entertainment, and Media	45934	38840	-7094	42452	\$41,898.60	-\$553.78
Education, Training, and Library	43971	40820	-3151	40328	\$44,034.52	\$3,706.58
Community and Social Services	40489	35540	-4949	36981	\$38,338.73	\$1,357.34
Construction and Extraction	37371	28360	-9011	34129	\$30,593.31	-\$3,536.03
Installation, Maintenance, and Repair	39433	33080	-6353	36508	\$35,685.01	-\$822.68
Protective Services	36705	33850	-2855	33912	\$36,515.64	\$2,603.29
Sales and Related	36245	29330	-6915	33445	\$31,639.70	-\$1,805.44

## But Not So Much For Lower Wage Occupations

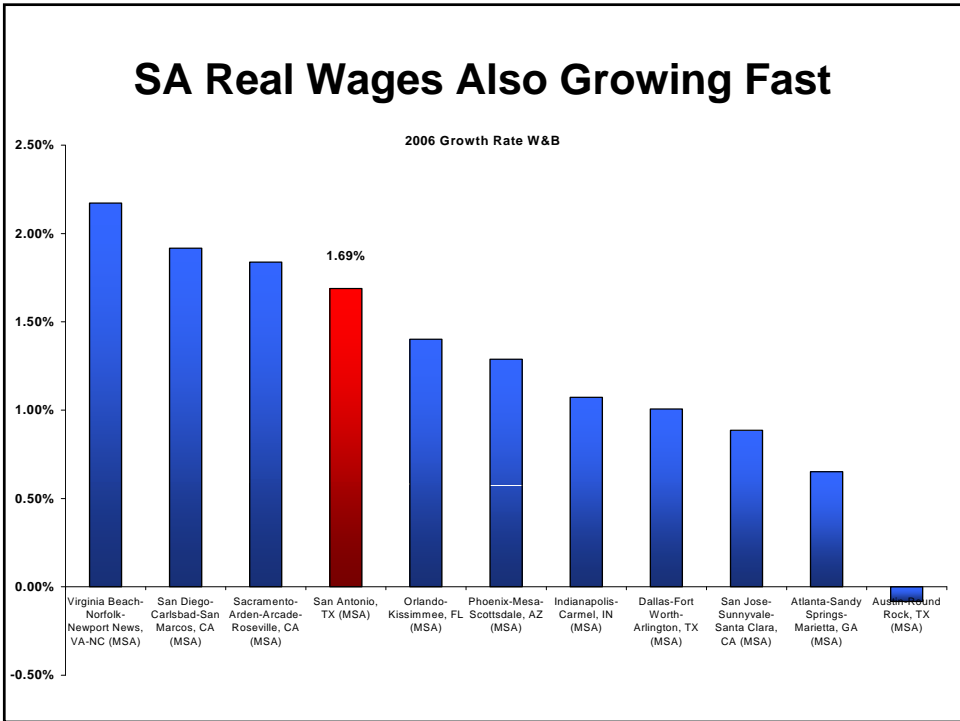
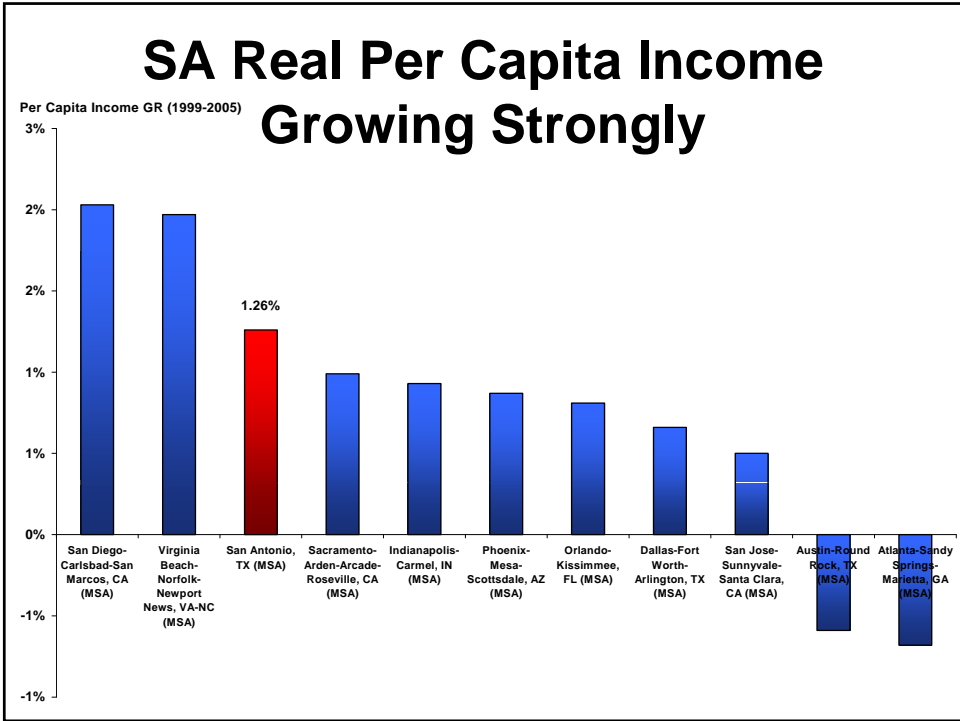
Low-Wage Occupations	Nominal Wages			Adjusted Wages		
	Peer Cities Average	San Antonio	Difference	Peer Cities Average	San Antonio	Difference
Office and Administrative Support	31179	27210	-3969	28863	29353	490
Production	30118	25430	-4688	27936	27433	-503
Transportation and Material Moving	28788	24900	-3888	26923	26861	-62
Health Care Support	24949	21830	-3119	23807	23549	-258
Personal Care and Services	23211	15850	-7361	21517	17098	-4419
Building and Grounds	21495	18380	-3115	19887	19827	-60
Farming, Fishing, and Forestry	21426	17750	-3676	20074	19148	-927
Food Preparation and Serving	18268	16580	-1688	16989	17886	897

**San Antonio is Ripe for Growth  
In High-Wage Occupations  
But Currently Has Lower Shares  
than Average of Peer Cities**





## Pull Factors Likely Helping Income and Wage Growth



## Long-run Challenges

### Health Care, Biotech, Financial Services and High-Tech Have Good Potential in S.A. But Education is Challenge

(Percentage of Adults Age 25 and Over with College Degrees )

San Jose-Sunnyvale-Santa Clara, CA (MSA)	43.4%
Austin-Round Rock, TX (MSA)	38.8%
San Diego-Carlsbad-San Marcos, CA (MSA)	33.4%
Atlanta-Sandy Springs-Marietta, GA (MSA)	33.3%
Sacramento-Arden-Arcade-Roseville, CA (MSA)	29.6%
Indianapolis-Carmel, IN (MSA)	29.5%
Dallas-Fort Worth-Arlington, TX (MSA)	29.4%
Orlando-Kissimmee, FL (MSA)	27.9%
Phoenix-Mesa-Scottsdale, AZ (MSA)	27.1%
Virginia Beach-Norfolk-Newport News, VA-NC (M	26.9%
<b>San Antonio, TX (MSA)</b>	<b>24.0%</b>

Source: U.S. Census, 2006 American Community Survey

## Summary

- U.S. economy likely in a recession which should last through the summer.
- Texas remains stronger than the nation but likely not avoid a recession.
- In 2009 job will likely fall -1.5 percent in Texas and about -1.0 percent in San Antonio.
- San Antonio wages and incomes are low when compared to peer cities but closer to middle when adjusted for cost of living.
- Most SA occupations pay lower than average nominal wages but higher than average real wages. Since firms want low nominal wages and workers want high real wages, San Antonio is an attractive area for both firms and workers.
- Wage pull factor and good amenities likely one reason that San Antonio has been growing strongly since 1999.
- In long-run, growth in biotech, health care, high-tech and financial services have good potential but need continued gains in educational attainment.
- Expansion of graduate programs at UTSA and Univ. of Texas Health Science Center, and growth of San Antonio Military Medical Center good news for region's growth.