Austin Economic Indicators

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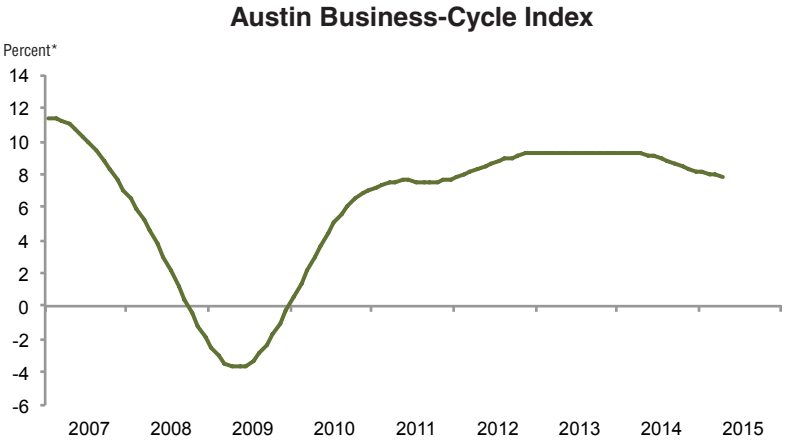
Summary

The Austin economy expanded modestly in March. Jobs grew at an annualized 0.4 percent rate, compared with a 1.2 percent contraction for the state overall. The unemployment rate remained flat at a low 3.4 percent. Austin housing market indicators were mixed, with low inventories and strong home price appreciation indicating strength but permit and construction data suggesting some weakness. The Austin Purchasing Managers Index points to some improvement in manufacturing activity in April.

Economic Activity



*Six-month, annualized rate.

▶ The Austin Business-Cycle Index moderated in March, though it expanded at a rapid 7.8 percent annualized pace over the six months ending in March. Over this time, annualized job growth has been 3 percent and the unemployment rate has fallen 0.6 percentage points to 3.4 percent. While the Austin economy continues to grow robustly, it has gradually decelerated since the end of 2013, likely due in part to very tight labor markets. With the sharp decline in the oil and gas sector of Texas and the slowing in the state's economy, the Austin economy is likely to continue to moderate in the coming months.

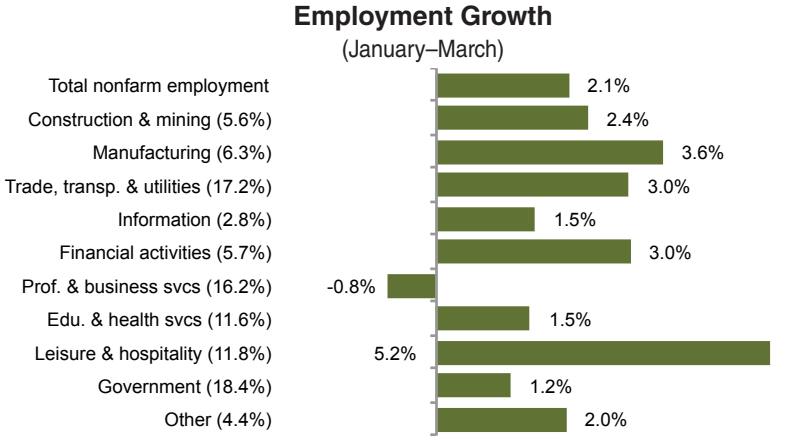
▶ Austin economic indicators were mixed in March. While job growth slowed sharply, pulling first-quarter annualized growth down to just 2.1 percent, Austin continues to fare better than the state as a whole. Texas shed 11,900 jobs in March and saw employment growth of 0.7 percent in the quarter. The Austin unemployment rate of 3.4 percent was the lowest among the largest 50 metropolitan areas in the nation and was significantly below the rate for Texas and the nation. The most recent data available for Austin indicate that growth in wages and retail sales were strong.

Business-Cycle Index Components

	Austin	Texas	U.S.
Annualized job growth (March)	0.4%	–1.2%	1.1%
Unemployment rate (March)	3.4%	4.2%	5.5%
Year-over-year change in real retail sales (2014:Q3)*	4.2%	6.5%	2.7%
Year-over-year change in real wages paid (2014:Q3)*	4.8%	4.8%	2.8%

*Most recent data available for Austin.

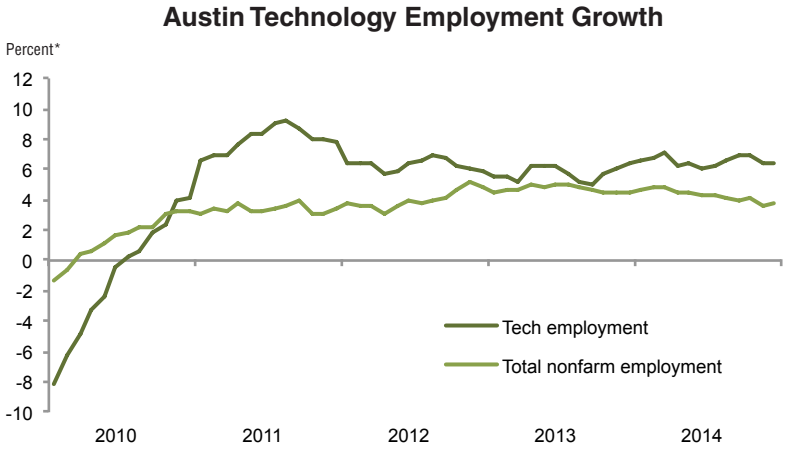
Employment



NOTES: Numbers in parentheses represent share of total employment and may not sum to 100 percent due to rounding. Job growth data are seasonally adjusted and annualized.

▶ The 2.1 percent job growth recorded in the first quarter was below the 3.8 percent reading in fourth quarter 2014. Nevertheless, most industries grew at a good pace. Leisure and hospitality employment expanded rapidly at a 5.2 percent rate, with strong hiring in accommodation and hotel services driving much of this growth. Manufacturing continued to post strong growth of 3.6 percent. Trade, transportation and utilities grew steadily as well, led by a 12.7 percent increase in transportation and warehousing employment. The only sector to shed jobs over this time was professional and business services, with declines concentrated in a 7.8 percent reduction in employment agency and temporary jobs.

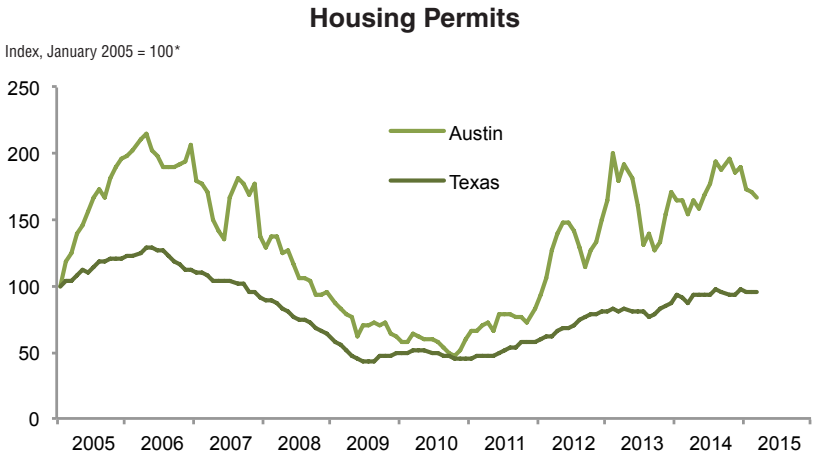
Employment



*Year-over-year change.
NOTE: Tech employment includes computer and electronics equipment manufacturing, communications, software, engineering and technology services.

▶ Employment in technology-related industries in 2014 (the latest data available) outpaced overall job growth. While expansion in total nonfarm jobs slowed in 2014—decelerating from 4.3 to 3.2 percent from the first to the second half of the year—tech job growth accelerated from 6.3 to 6.7 percent. Jobs in computer systems design in particular grew rapidly, adding nearly 5,000 jobs during the year and accounting for the majority of new jobs in the sector.

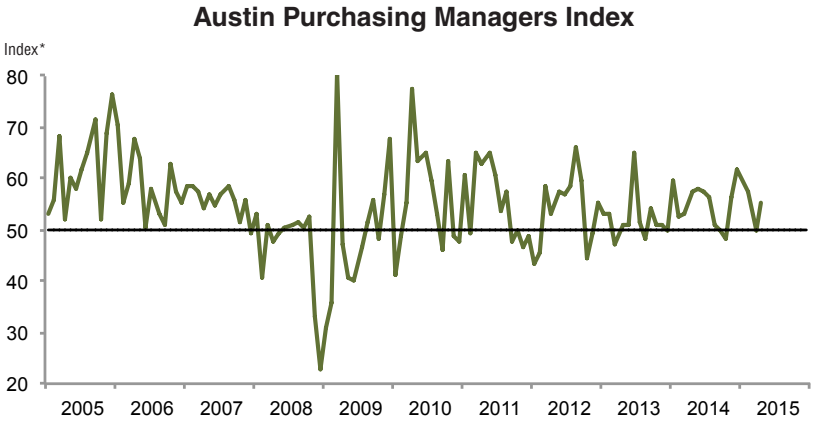
Housing



*Seasonally adjusted, indexed on five-month moving average.

▶ Housing permits for new residential construction in Austin dipped in recent months, with the five-month moving average falling to its lowest level since mid-2014. Single-family permits were steady in the first quarter, while multifamily permits improved in February and March after a sharp fall in January. Inventories decreased further to a very tight 2.4 months' supply, while the median price increased to $250,592 in March. However, help-wanted advertising for construction and maintenance fell 23.5 percent in March. Overall, housing market indicators suggest that growth may be slower this year than last.

Manufacturing



*Seasonally adjusted; values greater than 50 indicate expansion.

▶ The Austin Purchasing Managers Index picked up in April to 55.1 (indicating expansion) after softening in March. Supplier delivery times slowed (indicating delivery backlogs) and inventory positions improved, both contributing positively to the index. However, the new-orders, production and employment indexes continued to indicate contraction, with new orders falling sharply after expanding moderately in March.

NOTE: Data may not match previously published numbers due to revisions.
SOURCES: **Austin Business-Cycle Index:** Bureau of Labor Statistics (BLS), Texas Workforce Commission (TWC) and Federal Reserve Bank of Dallas; **unemployment rate:** BLS and Dallas Fed; **employment:** BLS, TWC and Dallas Fed; **housing:** Census Bureau; **Austin PMI:** Institute for Supply Management–Austin.

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