

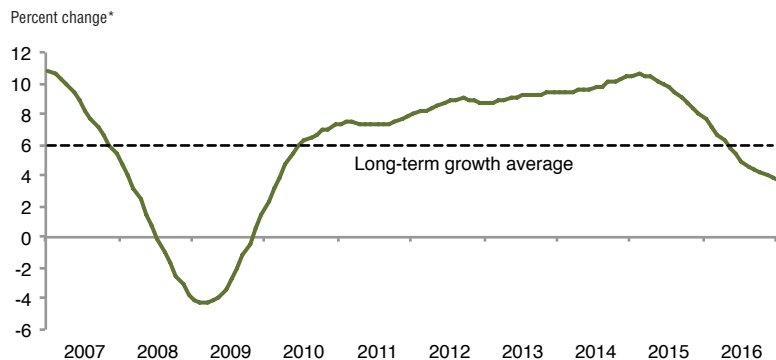
Austin Economic Indicators

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Summary The Austin economy expanded moderately in December. The Austin Business-Cycle Index continued to grow, but at a slower rate, as job growth weakened and the jobless rate inched up. Employment growth in 2016 was half the pace of 2015, but strength in indicators such as help-wanted advertising and wage growth suggest that the underpinnings of the Austin economy remain healthy in 2017.

Austin Business-Cycle Index



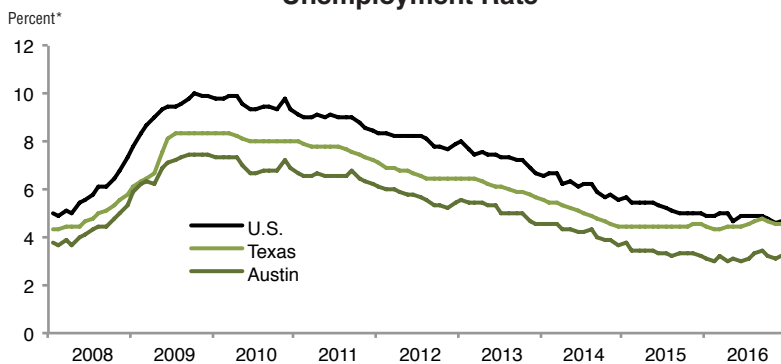
*Month-over-month annualized rate, seasonally adjusted.

SOURCE: Dallas Fed.

► Growth in the Austin Business-Cycle Index slowed to a 3.8 percent annualized rate in December. Economic expansion in 2016 declined steadily as job growth was modest throughout, and the unemployment rate saw little change from its low level. Help-wanted advertising suggests that labor demand increased in the second half of the year, particularly for manufacturing and production jobs.

Employment

Unemployment Rate

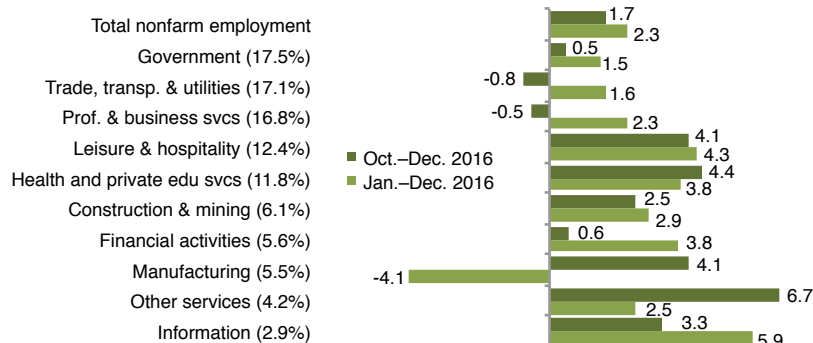


*Seasonally adjusted.

SOURCE: Bureau of Labor Statistics.

► While the Austin unemployment rate rose to 3.2 percent in December, it continued to have one of the lowest jobless rates among large metro areas across the nation. This is also well below the state figure of 4.6 percent and the national rate of 4.7 percent. Labor force growth weakened to 2.1 percent in 2016, below the 3.5 percent in 2015 and the long-term average of 2.8 percent.

Employment Growth



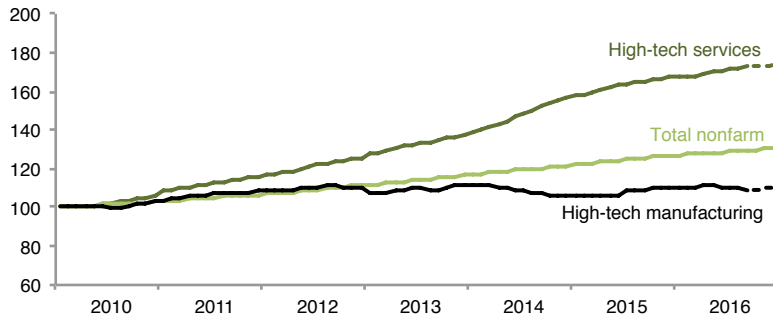
NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

► Austin jobs expanded at a 1.7 percent annualized pace in fourth quarter 2016. Growth was broad based across industries, with the exceptions of small declines in the trade, transportation and utilities, and professional and business services sectors. Health care and leisure and hospitality were the fastest-growing large sectors, particularly ambulatory health care services, which grew at an 8.4 percent pace, and food services, which rose 7.0 percent. Manufacturing had a sharp reversal following months of steady declines, with increased employment in computer component manufacturing. Expansion in construction, financial activities, and government was modest compared with earlier in the year but remained positive. For 2016 as a whole, job growth was revised up due to **early benchmarking** of third quarter data. During 2016, all major industries except manufacturing grew at a moderate rate.

High-Tech Manufacturing and Services Employment

Index, January 2010 = 100



NOTES: Data are seasonally adjusted; dashed lines represents estimates based on broader industry data.

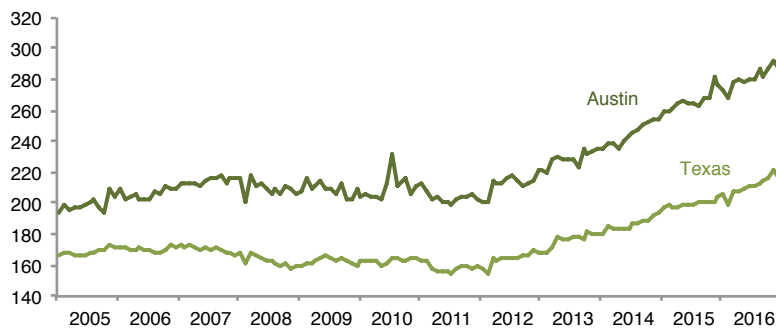
SOURCES: Texas Workforce Commission; Bureau of Labor Statistics; adjustments by the Dallas Fed.

► High-tech-related employment in Austin continued to diverge between the manufacturing and service sectors in the third quarter. Although the strength of the U.S. dollar has dampened high-tech manufacturing activity in Austin, high-tech services continue to grow rapidly. The most recent data available show that tech-related services expanded at a 4.8 percent annualized pace in the third quarter, in sharp contrast to a 5.2 percent decline in tech-related manufacturing employment. Broader industry data suggest that fourth quarter growth has continued steady in services at 3.0 percent and rebounded in manufacturing at 2.8 percent.

Housing

Median Home Prices

Thousands of dollars, real

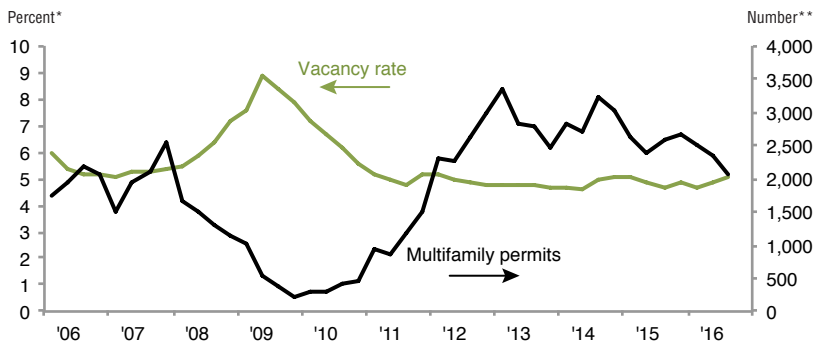


SOURCE: Multiple Listing Service.

► The median home price in Austin slipped slightly in December to \$287,355, mirroring a statewide decline in home prices. In 2016, price appreciation of Austin homes continued but slowed relative to the state average—December prices were up 4.1 percent compared with 12 months prior in the metro area but were up 5.7 percent for Texas. December existing-home sales reached an all-time high in Austin, while home inventories held near all-time lows, suggesting demand in residential markets remains strong and supplies very tight.

► Multifamily markets in Austin remained tight in third quarter 2016. Apartment vacancy rates picked up slightly but remained below their long-term average of 5.7 percent. Despite the low vacancy, permits for multifamily construction slowed notably in the second half of last year, and 2016 permits were down 18 percent compared with 2015.

Multifamily Vacancy Rate and Permits



*Seasonally adjusted.

**Three-quarter centered moving average, seasonally adjusted.

SOURCES: CBRE Econometric Advisors; Census Bureau; adjustments by the Dallas Fed.

NOTE: Data may not match previously published numbers due to revisions.

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