

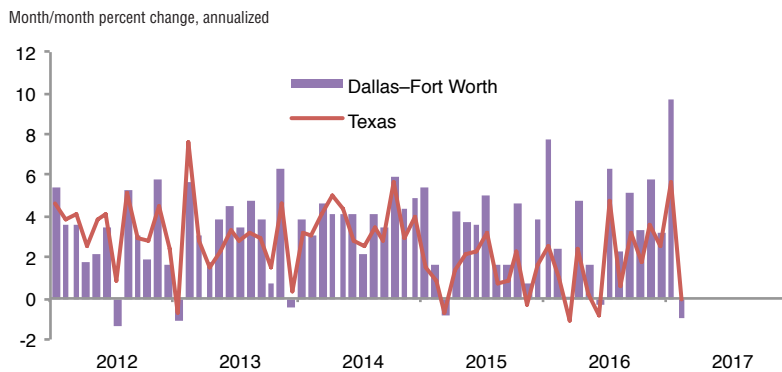
FEDERAL RESERVE BANK OF DALLAS • MARCH 28, 2017

Summary

The Dallas–Fort Worth economy moderated in February, with payroll employment contracting and unemployment ticking up during the month, similar to the pattern seen at the state level. Looking at the two-month period, employment growth was strong at 4.2 percent. Dallas and Fort Worth business-cycle indexes also decelerated in February, though growth remained positive. The DFW housing market remained solid, with house price gains outstripping those nationally.

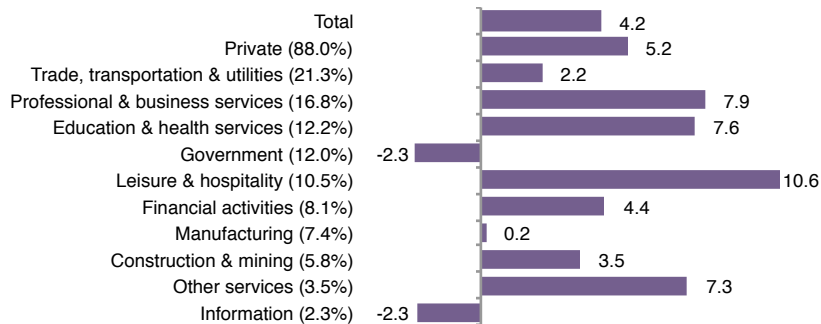
Employment

Employment Growth



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

Employment Growth by Sector



NOTES: Data show seasonally adjusted, annualized percentage growth by supersector for December 2016–February 2017. Numbers in parentheses are shares of total Dallas–Fort Worth nonfarm employment and may not sum to 100 due to rounding.

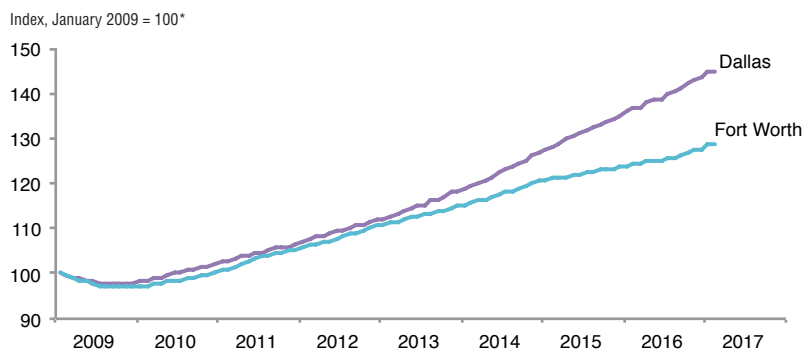
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

► DFW employment came in at –1.0 percent annualized in February, weaker than growth at the state level, which was flat. Declines in payroll employment (3,400 jobs) in Dallas more than offset the slight increase seen in Fort Worth (450).

► DFW employment growth was mostly broad based across supersectors from December to February. An increase in leisure and hospitality payrolls at 10.6 percent led gains. The professional and business services sector also added jobs at a rapid clip, supported by ongoing relocations and expansions in the metroplex. Other large sectors such as education and health services and financial activities also saw strong growth. Job growth in manufacturing was flat, while payrolls in government and information services contracted.

► In February, the unemployment rate rose to 4.1 percent in Dallas and 4.5 percent in Fort Worth. Both figures remain lower than the Texas rate, which edged up to 4.9 percent. The unemployment rate in Dallas is close to multiyear lows, although it has risen in recent months.

Business-Cycle Indexes



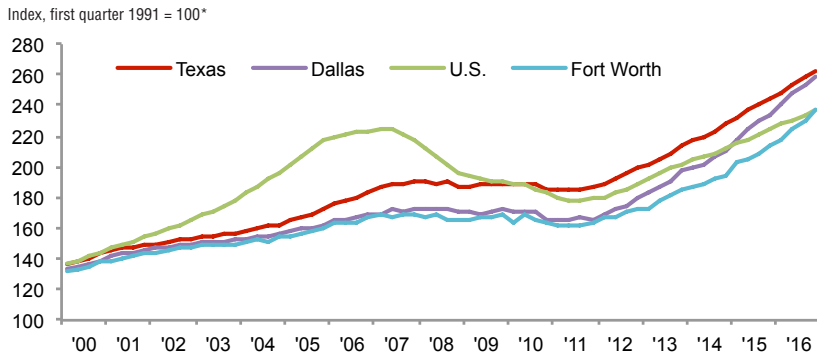
*Monthly, seasonally adjusted.

SOURCE: Dallas Fed.

► Growth in the [Dallas and Fort Worth business-cycle indexes](#) moderated in February. The Dallas index rose an annualized 2.8 percent during the month, slower than January's 9.2 percent pace. The Fort Worth index grew 1.9 percent, following January's 10.9 percent increase. Year over year, the Dallas index was up 6.2 percent and the Fort Worth index was up 3.6 percent as a result of continued healthy job creation in the metroplex.

Housing

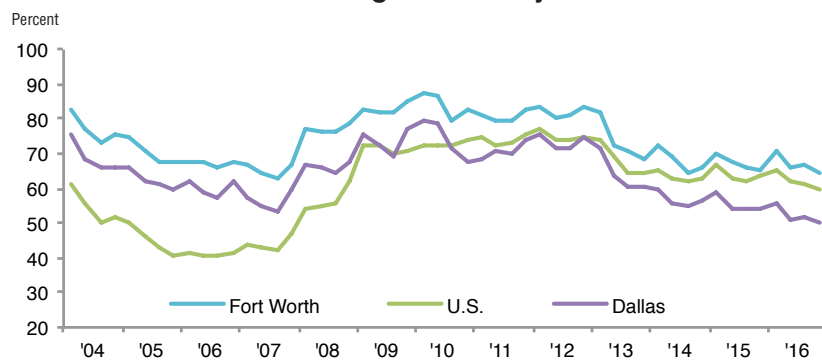
Home Prices



*Quarterly, seasonally adjusted.

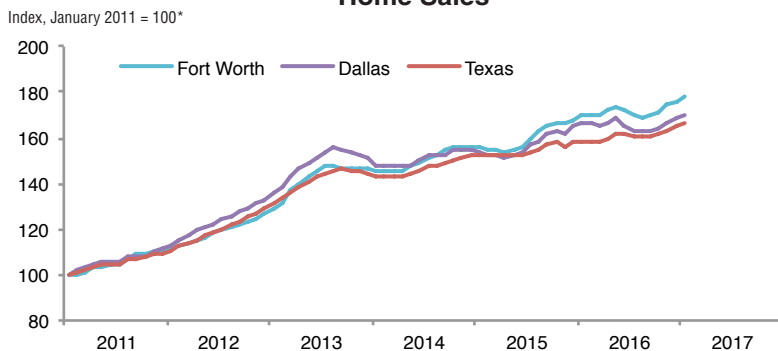
SOURCE: Federal Housing Finance Agency.

Housing Affordability



SOURCE: National Association of Home Builders/Wells Fargo Housing Opportunity Indexes.

Home Sales



*Six-month moving average; seasonally adjusted.

SOURCES: Real Estate Center at Texas A&M University; Multiple Listing Service; seasonal adjustments by the Dallas Fed.

► The DFW housing market remained solid at year-end, with home price gains in the metroplex outpacing those in the state and U.S. Prices rose 2.6 percent in Dallas and 2.4 percent in Fort Worth in fourth quarter 2016, faster than the 1.5 percent increase registered in both Texas and the U.S., according to the Federal Housing Finance Agency purchase-only house price index. On a year-over-year basis, prices were up 10.7 percent in Dallas and 10.5 percent in Fort Worth—both higher than in Texas (7.7 percent) and the nation (6.2 percent). Price appreciation in DFW last year also outpaced increases in Austin, San Antonio and Houston, which saw year-over-year growth of 10.1, 9.3 and 3.3 percent, respectively.

► Record home price appreciation has eroded housing affordability in the metroplex. According to the National Association of Home Builders/Wells Fargo's Housing Opportunity Indexes, Dallas was the least affordable major metro area in the state, with about 50 percent of homes sold during fourth quarter 2016 considered affordable for the median-income family. Fort Worth remained more affordable relative to Dallas and the nation, with 64 percent of homes sold in the fourth quarter viewed as affordable. Affordability has been declining in the metroplex since early 2013. (See the *Southwest Economy* article "[Texas Housing Market Soars, Pricing Out Many.](#)")

► While existing-home sales weakened in January, six-month moving averages show continued increases in Dallas and Fort Worth as well as the state. In 2016, sales rose 4.7 percent in Dallas and 7.5 percent in Fort Worth. New-home sales also remain healthy in the metroplex, according to Dallas Fed Beige Book contacts. Solid job growth is buoying DFW housing demand.

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

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