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# South Texas Economy Growing at a Moderate Pace

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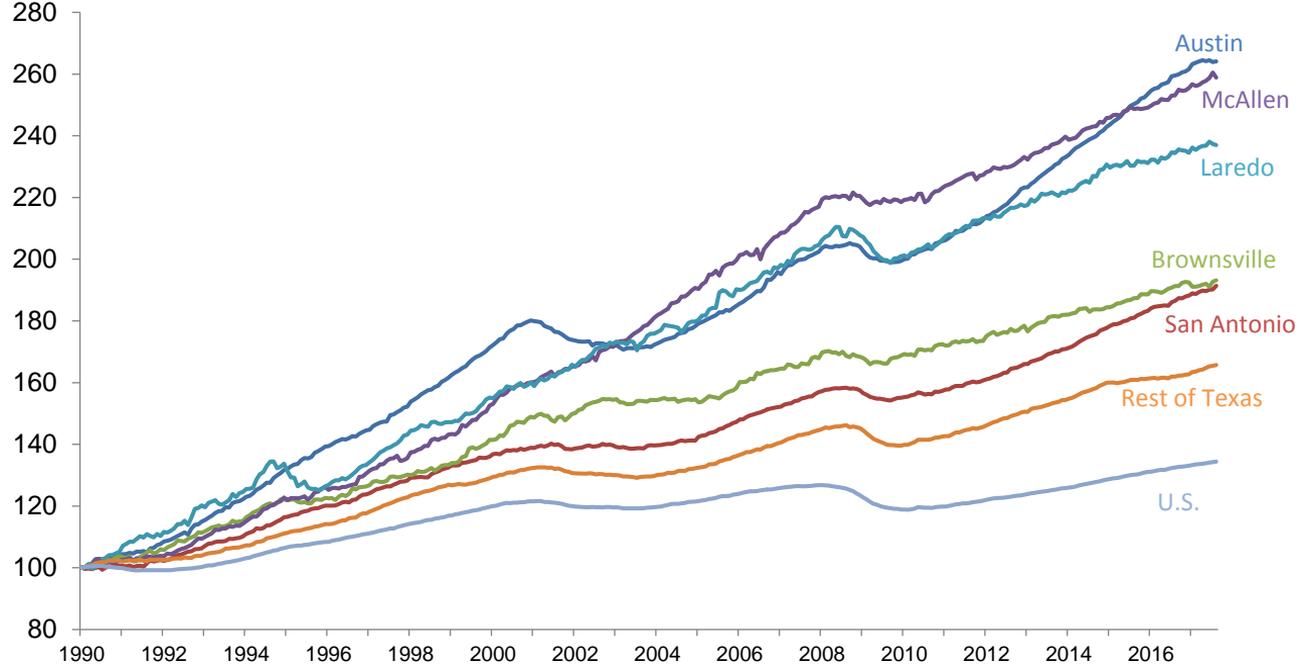
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# South Texas Economy Diverse

- Divide region into three key areas – The South Texas Border, San Antonio and Austin. Each has its own industry makeup and key drivers.
- In general, this area is less sensitive to energy extraction and manufacturing and more sensitive to government spending.
- During most of expansion, region slightly lagged state with exception of Austin. Past two years better than state due to less sensitivity to oil industry.
- This year growth has moderated slightly while energy areas of state are rebounding

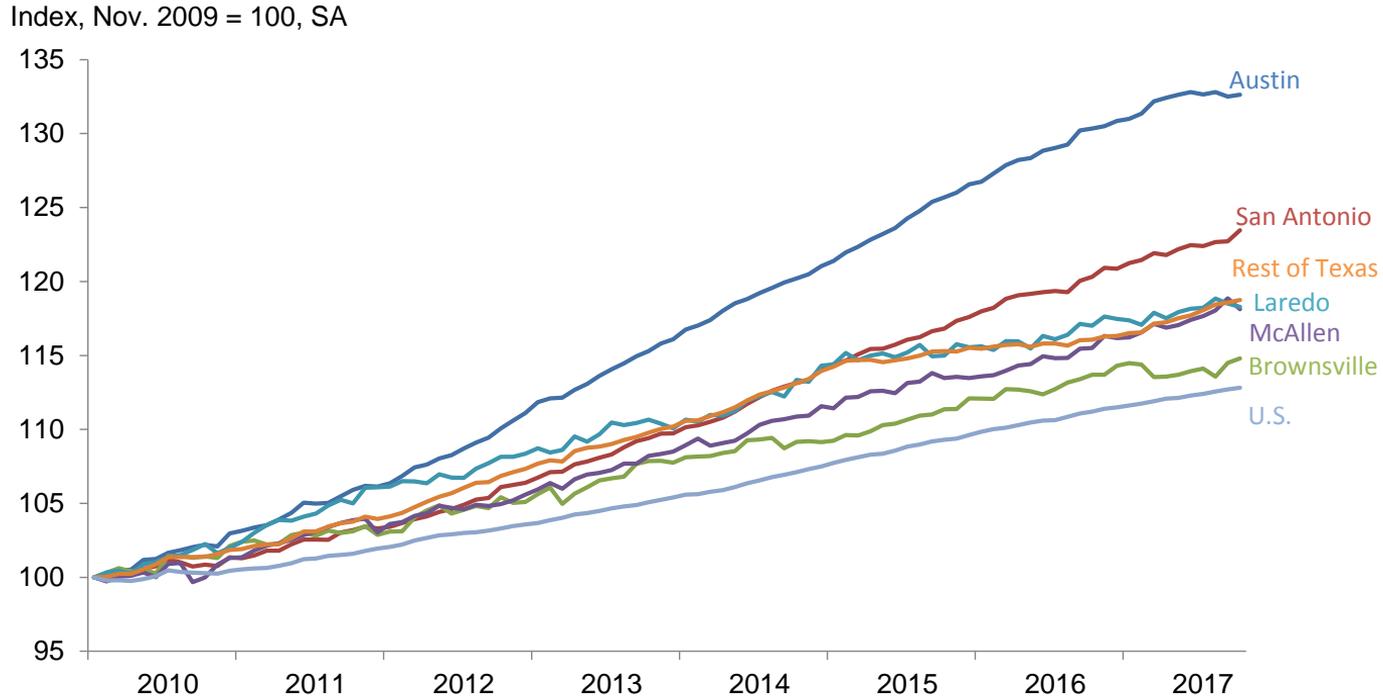
# Since 1990, South Texas Has Added Jobs Faster Than The Rest of Texas

Index, Jan. 1990 = 100, SA



SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

# So Far this Decade Only Austin and San Antonio, Significantly Outpacing Rest of TX



SOURCES: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

# Unemployment Rates Have Flattened Out at Low Levels



NOTE: Seasonally adjusted.

SOURCES: Bureau of Labor Statistics, adjustments by FRB Dallas.

# Service-Producing Sectors an Important Source of South Texas Economic Growth

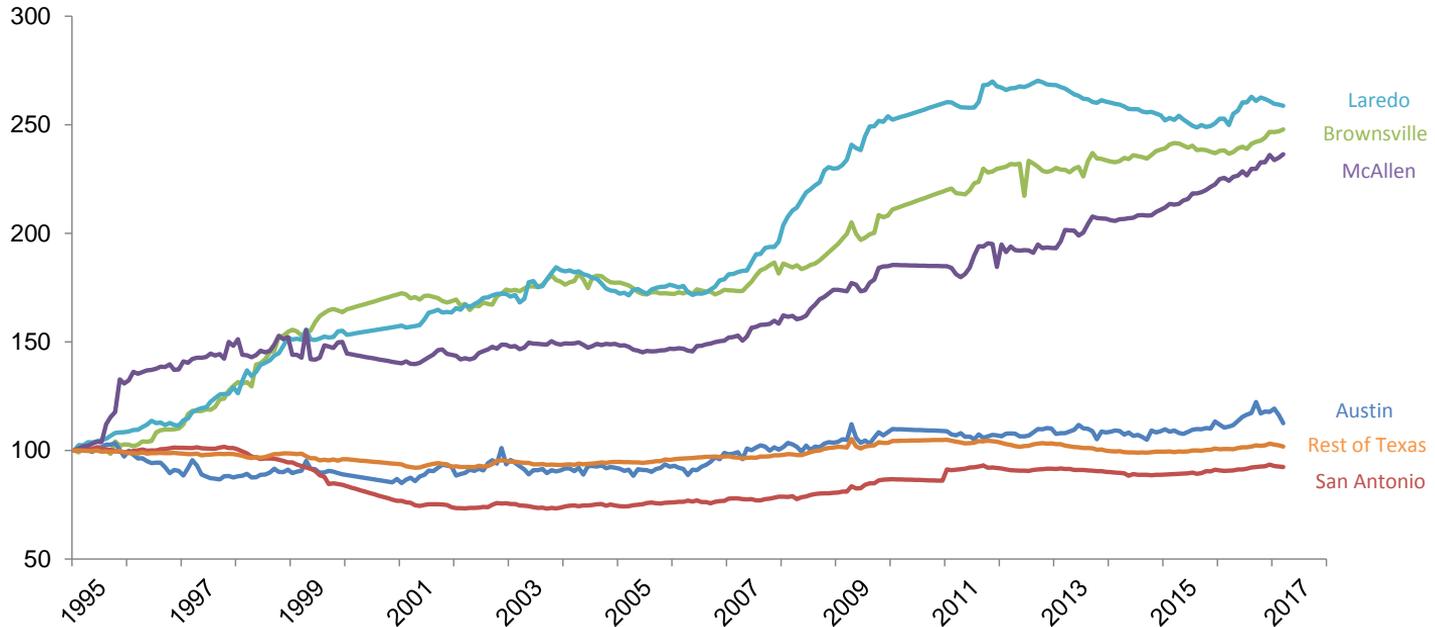
	Brownsville	McAllen	Laredo	Austin	San Antonio	Rest of TX
Mining	0.09	1.90	4.73	0.72	1.06	5.07
Manufacturing	0.48	0.31	0.09	0.68	0.56	0.97
Retail	1.18	1.35	1.20	0.96	1.01	0.97
Transportation and Warehousing	1.01	1.02	4.07	0.54	0.87	1.18
Professional and technical services	0.28	0.31	0.40	1.42	0.81	1.21
Computer systems design and related svcs	0.07	0.08	0.04	1.98	0.52	1.20
Management and technical consulting svcs	0.18	0.26	0.90	1.80	0.79	1.37
Leisure and hospitality	0.96	0.85	0.97	1.10	1.21	0.94
Health care and social assistance	1.94	1.90	1.16	0.82	1.18	0.84
Home health care services	11.22	10.12	6.43	0.82	2.79	2.16
Federal Government	1.15	0.78	1.71	0.66	1.87	0.77
State and Local Gov't	1.44	1.51	1.34	1.21	0.96	0.99

NOTE: Data from 2016; location quotients measure the ratio of employment share locally to employment share nationally.

SOURCE: Texas Workforce Commission; Bureau of Labor Statistics; Federal Reserve Bank of Dallas.

# Historically Federal Government Civilian Jobs Have Grown Strongly on Border

Index,  
Jan. 1995 = 100, SA

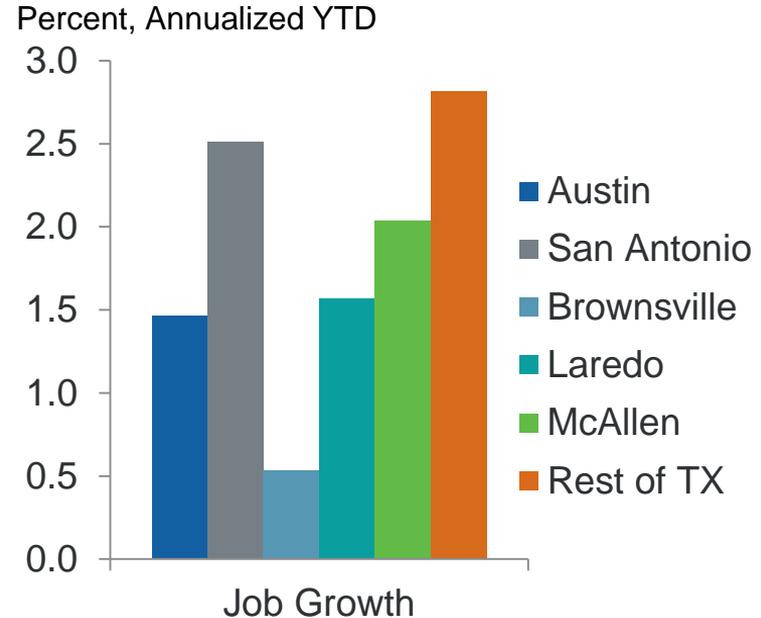


NOTE: Data adjusted to exclude temporary Census workers.

SOURCES: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

# This Year Most of South Texas Growing at Moderate Pace

- Energy and manufacturing rebound having stronger impact on other areas of the state
- Health care strong except in Laredo
- Government strong in San Antonio, mixed in other areas
- Retail weak due to brick and mortar decline, weak peso and less Mexican tourism
- Overall growth is moderate with some weakness in Brownsville

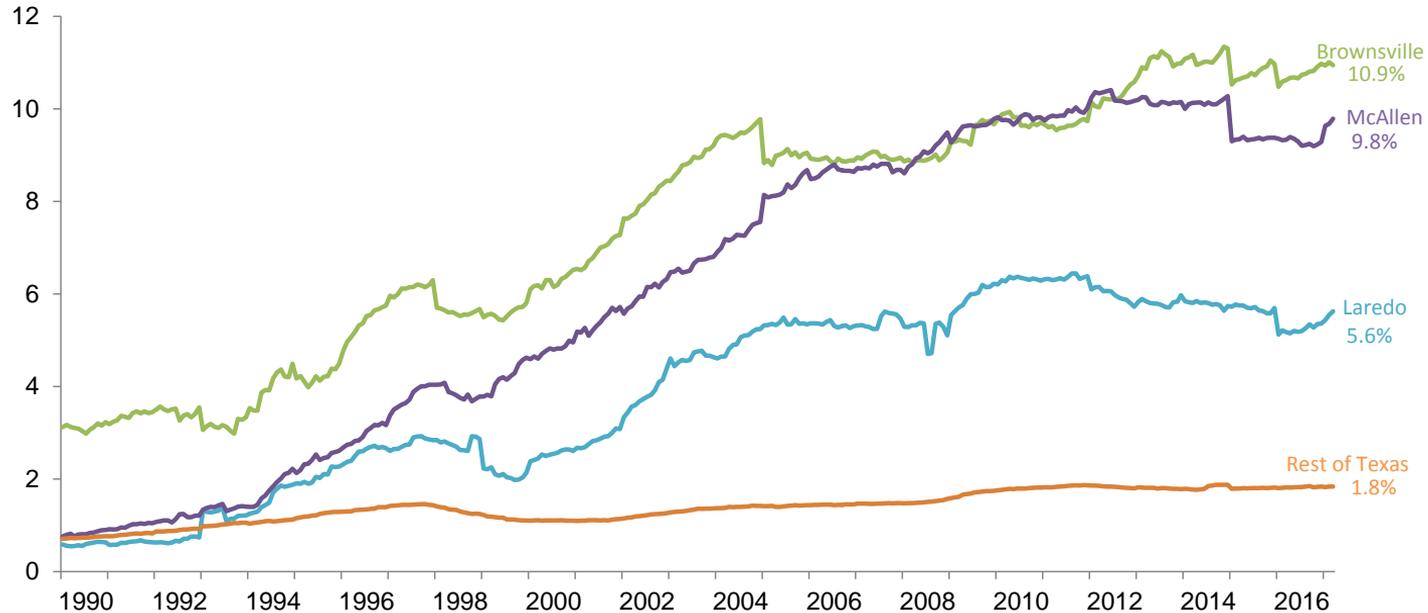


SOURCES: Bureau of Labor Statistics, FRB Dallas.

# South Texas Border

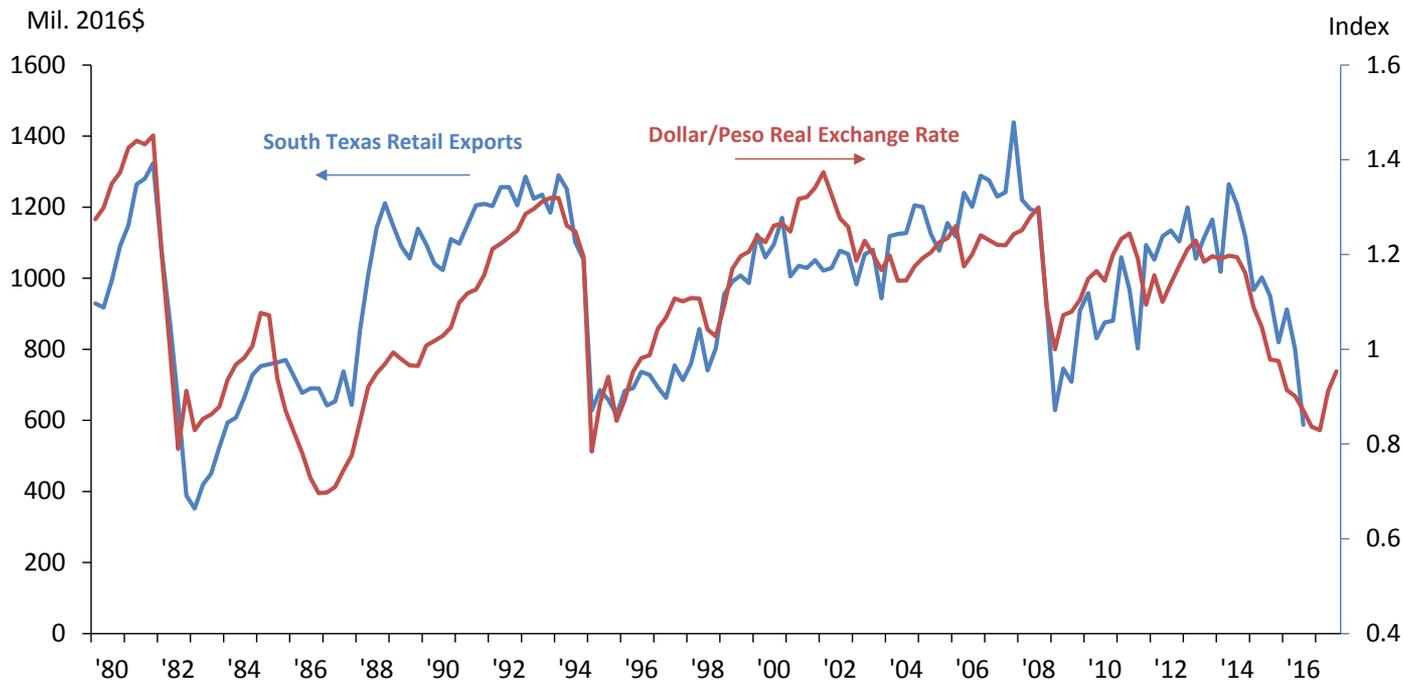
# Home Health Care Big Part of Border Job Growth From Early 1990s to About 2012

Percent Share of Total Jobs, SA



SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

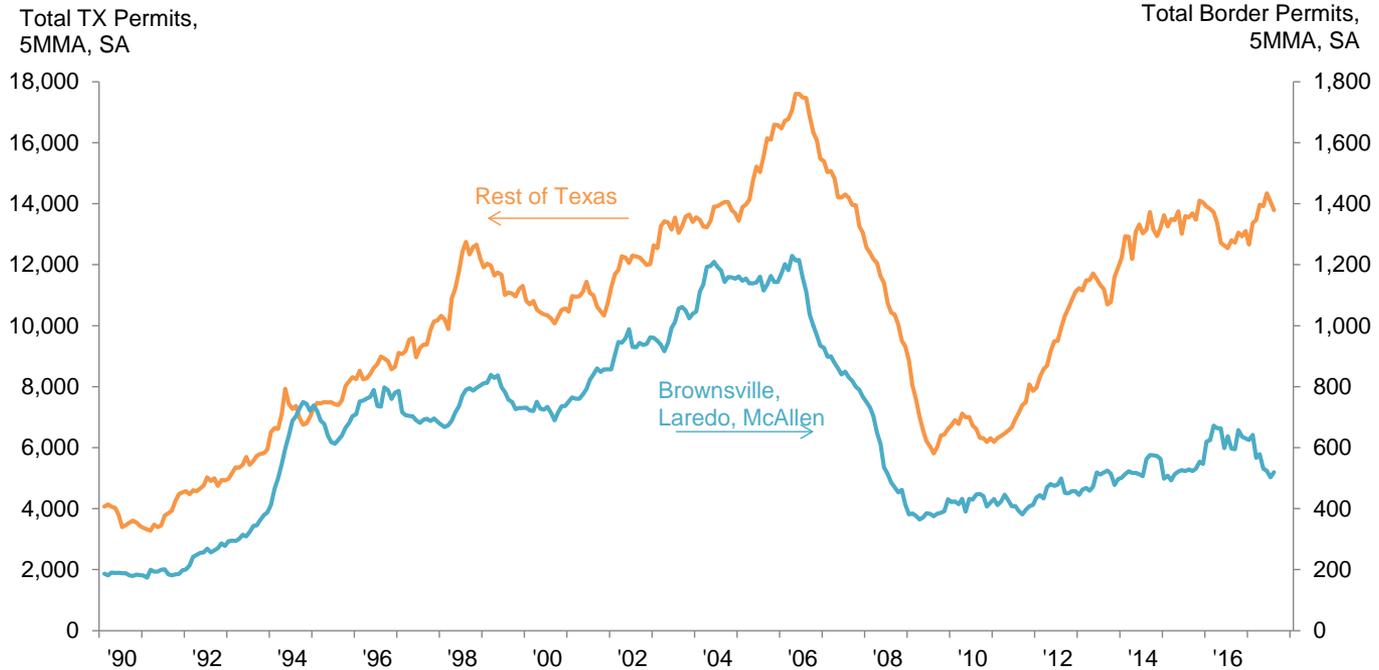
# Weak Peso Has Been a Drag on Border Retail Sales



NOTE: Retail data are through Q3 2016, exchange rate data are aggregated quarterly through July 2017.

SOURCES: Texas Comptroller of Public Accounts, Census Bureau, Dallas Fed, authors' calculations.

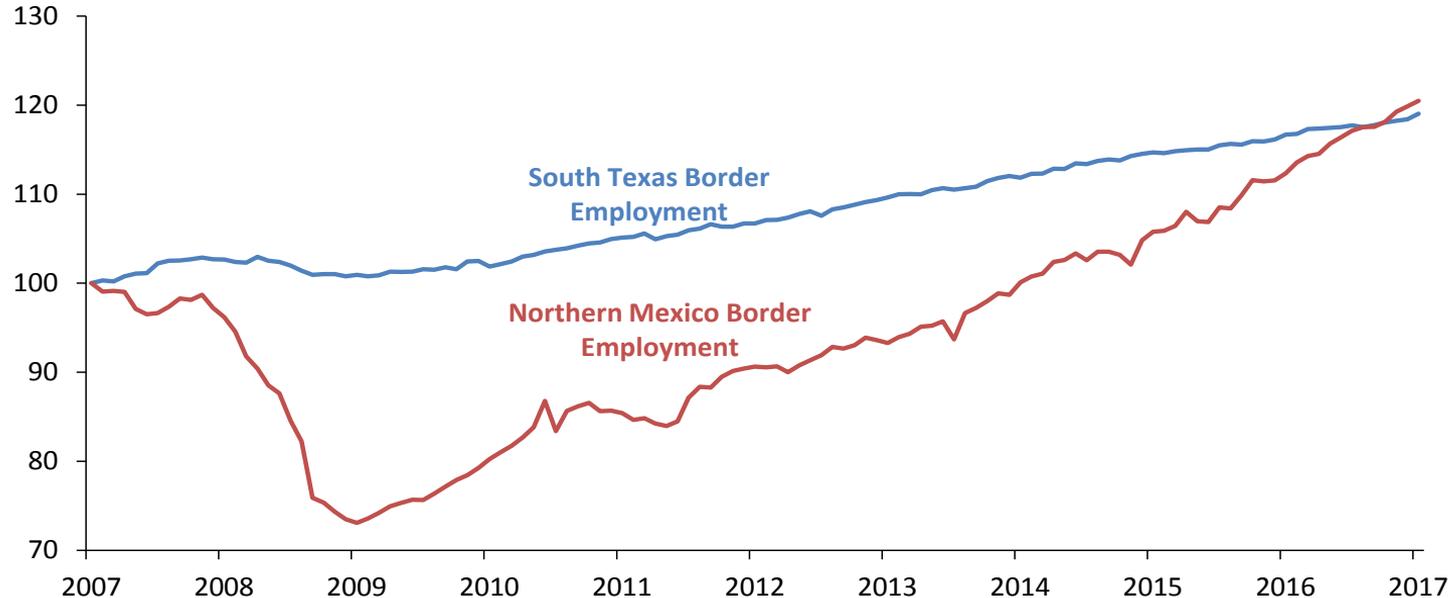
# Tight Credit Conditions Likely Suppressing Home Building in South Texas Border



Sources: Census Bureau; Haver Analytics; Federal Reserve Bank of Dallas.

# Growth in Northern Mexico Likely Source of Strength for Border Region

Index, Jul. 2007 = 100

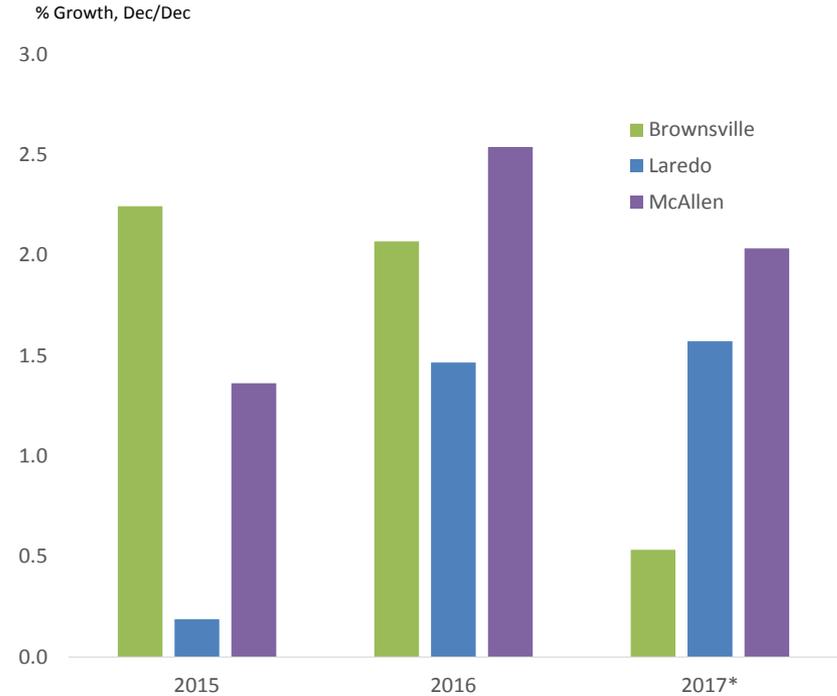


NOTES: South Texas includes Laredo, Brownsville, and McAllen. Northern Mexico includes Nuevo Laredo, Matamoros, and Reynosa.

SOURCES: Bureau of Labor Statistics, INEGI, adjustments by FRB Dallas.

# Border Economy Growing Moderately in 2017

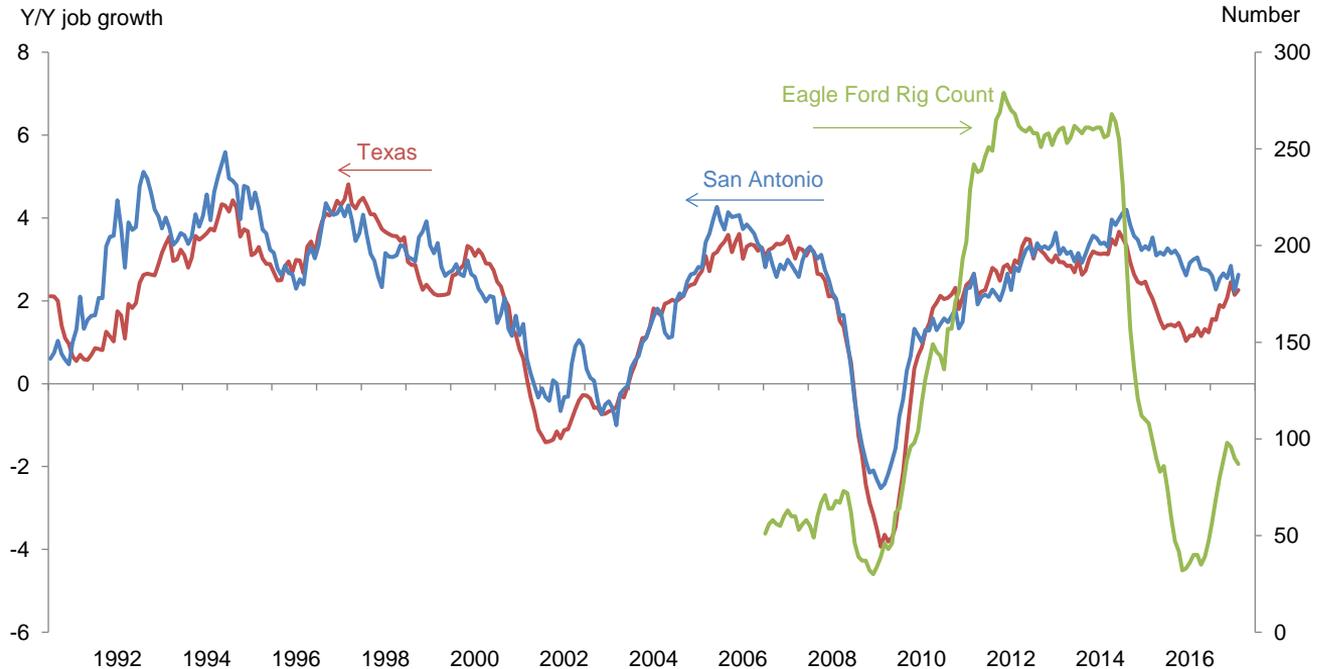
- 2017 job growth generally steady in Laredo and McAllen, slowing in Brownsville.
- Health care jobs growing strongly in McAllen and Brownsville.
- Federal gov't picking up sharply after weakness over the past several years.
- Retail jobs remain weak; very slow growth since the strengthening of the dollar began mid-2014.
- Growth in South Texas border MSAs likely to average around 1.5% – 2.5% this year, 2.0 – 3.0% in 2018.



\*Annualized through Aug. 2017

# San Antonio

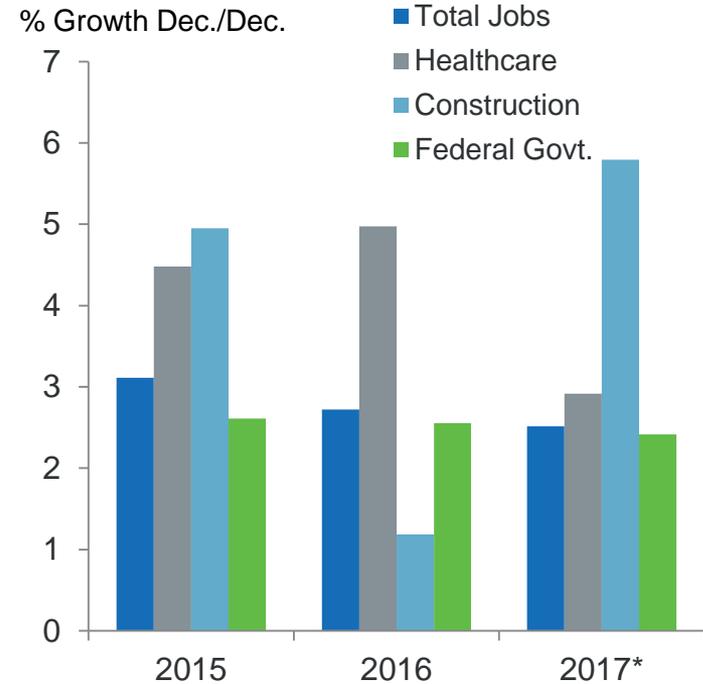
# Energy Activity has Less Impact on San Antonio than Rest of State



SOURCE: Oil and Gas Journal, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

# San Antonio Economy Softening Somewhat in 2017

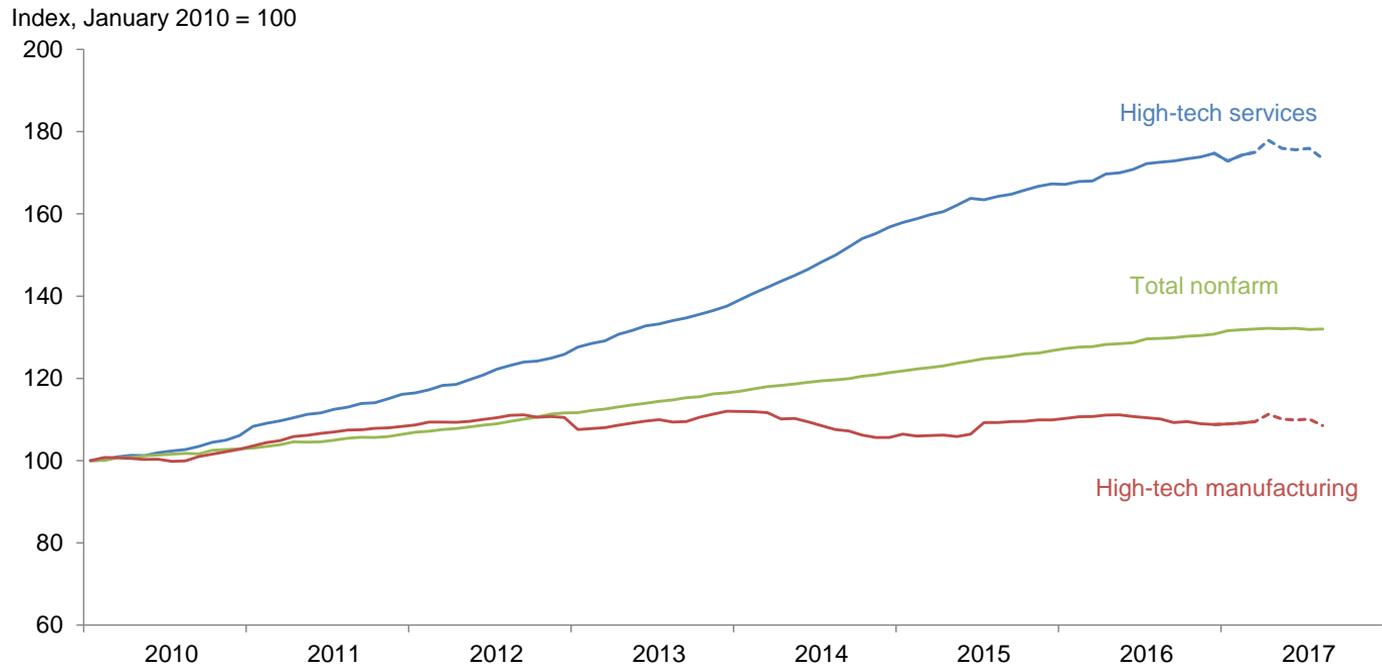
- 2017 job growth at 2.5% so far after 2.7% in 2016
- Construction accelerating this year
- Health care moderating after strong expansion in last two years
- Retail, leisure and hospitality weaker
- Overall job growth in San Antonio likely to be 2.0 – 3.0% this year and next.



\*Annualized through Aug.

# Austin

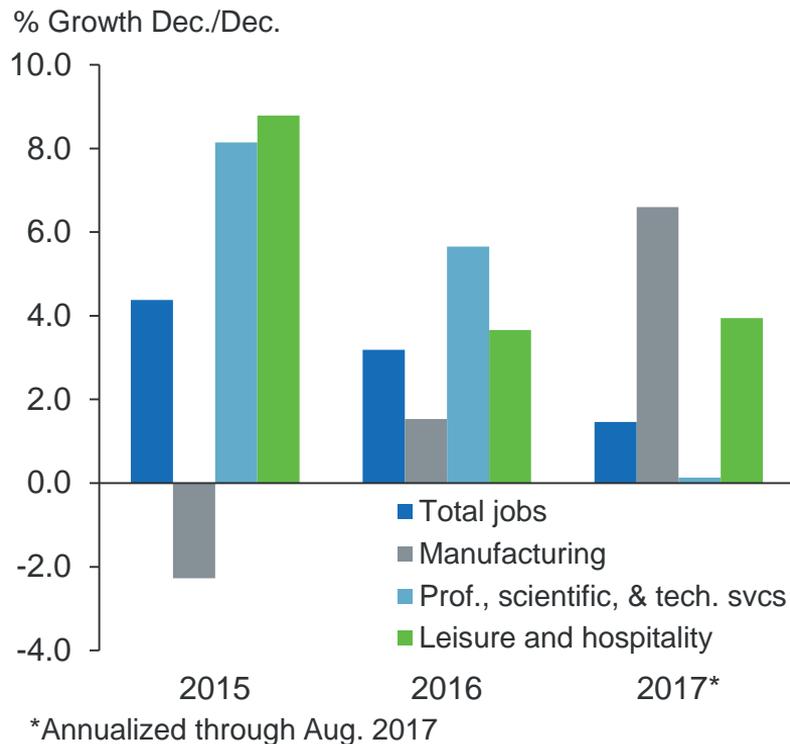
# Austin Technology Services Flattening Out This Year



NOTES: Data are seasonally adjusted; dashed lines represent estimates based on broader industry data.  
SOURCES: Texas Workforce Commission; Bureau of Labor Statistics; adjustments by the Dallas Fed.

# Austin Economy Slowing in 2017

- 2017 job growth up 1.5% so far this year
- High tech services growth slowing
- Finance and government accelerating from last year.
- Manufacturing, leisure and hospitality doing well
- Past data revisions suggest recent data is underestimated
- Overall job growth likely to be about 2.5 to 3.5% this year and next



# Summary and Conclusions

- Historically job growth has been strong in South Texas
- Metro areas in region have common and unique features
- Overall growth in region slightly weaker this year due to weakness in retail sector
- Moderate growth likely to continue in 2018 - NAFTA and immigration policy are risk factors