



Federal Reserve
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South Texas Economy Growing at a Healthy Pace in 2018

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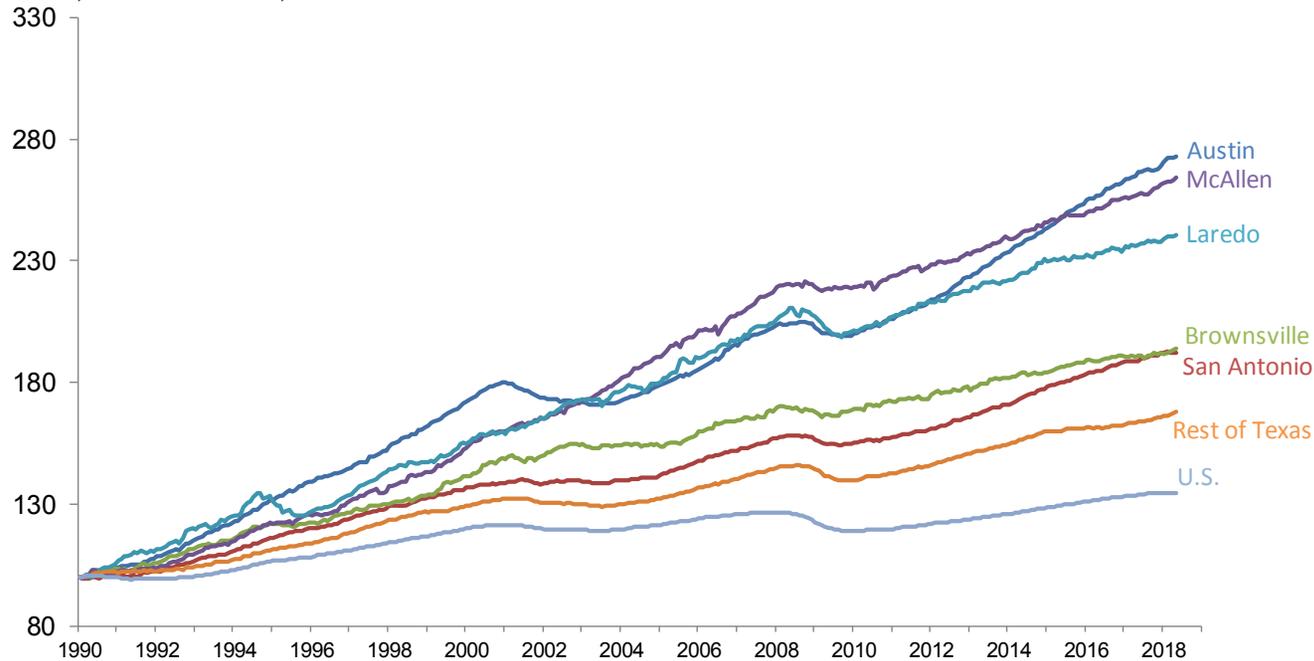
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South Texas Economy Diverse

- 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, health care, the peso and high-tech.
- During most of current decade Border metros slightly lagged state. Austin and San Antonio have done better. This year Border is picking up, Austin remains strong and San Antonio is somewhat weaker.

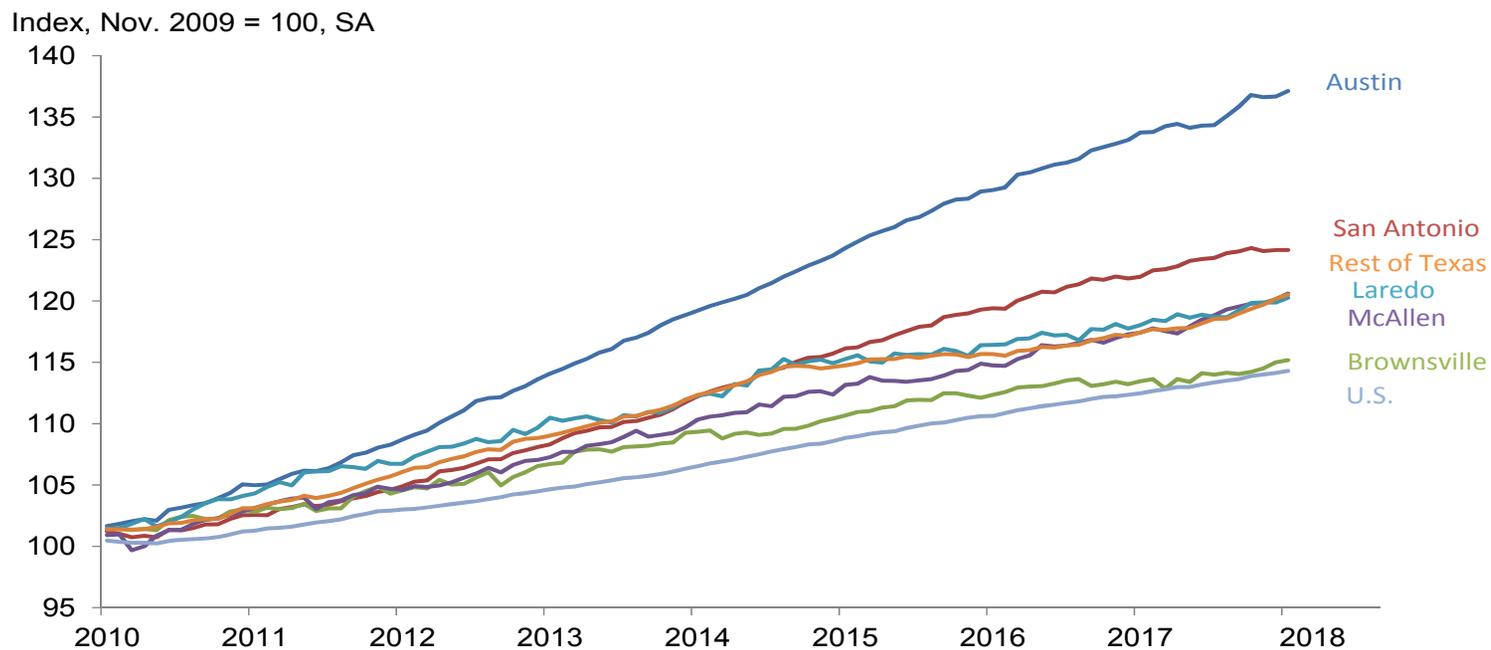
Since 1990, South Texas Has Added Jobs Faster Than The Rest of Texas

Index, Jan. 1990 = 100, SA



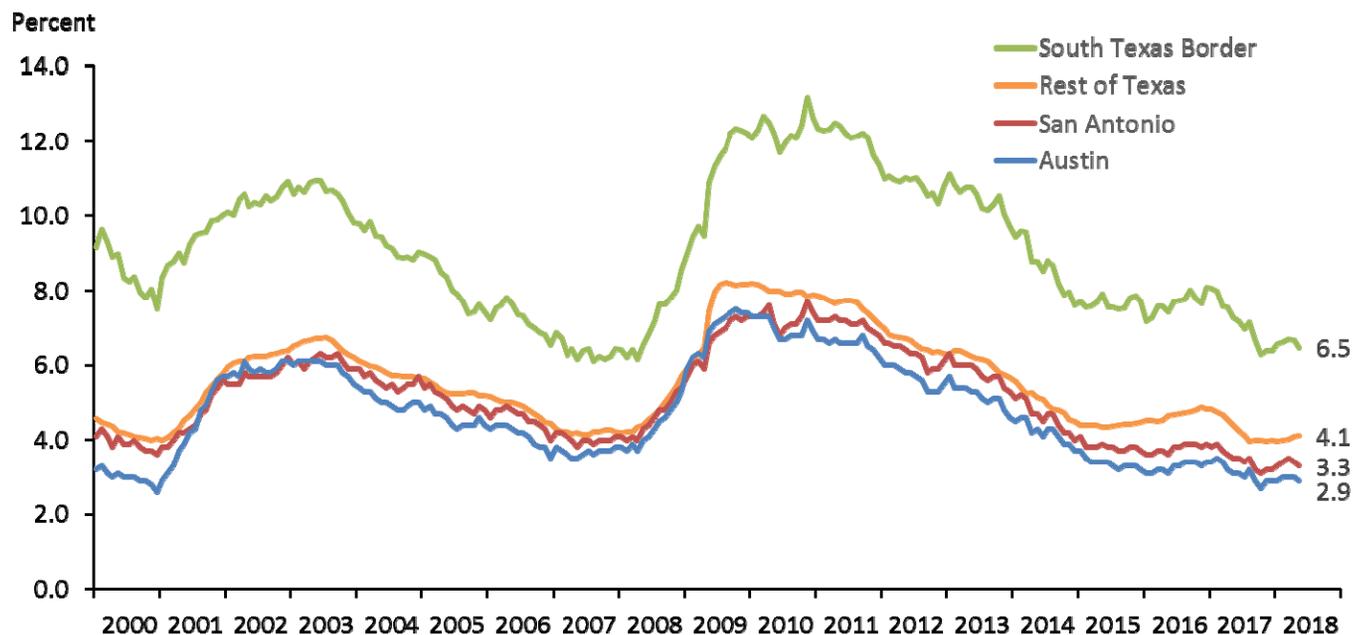
SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

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 High Along Border Due to Young, Fast-Growing Labor Force



NOTE: Seasonally adjusted.

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

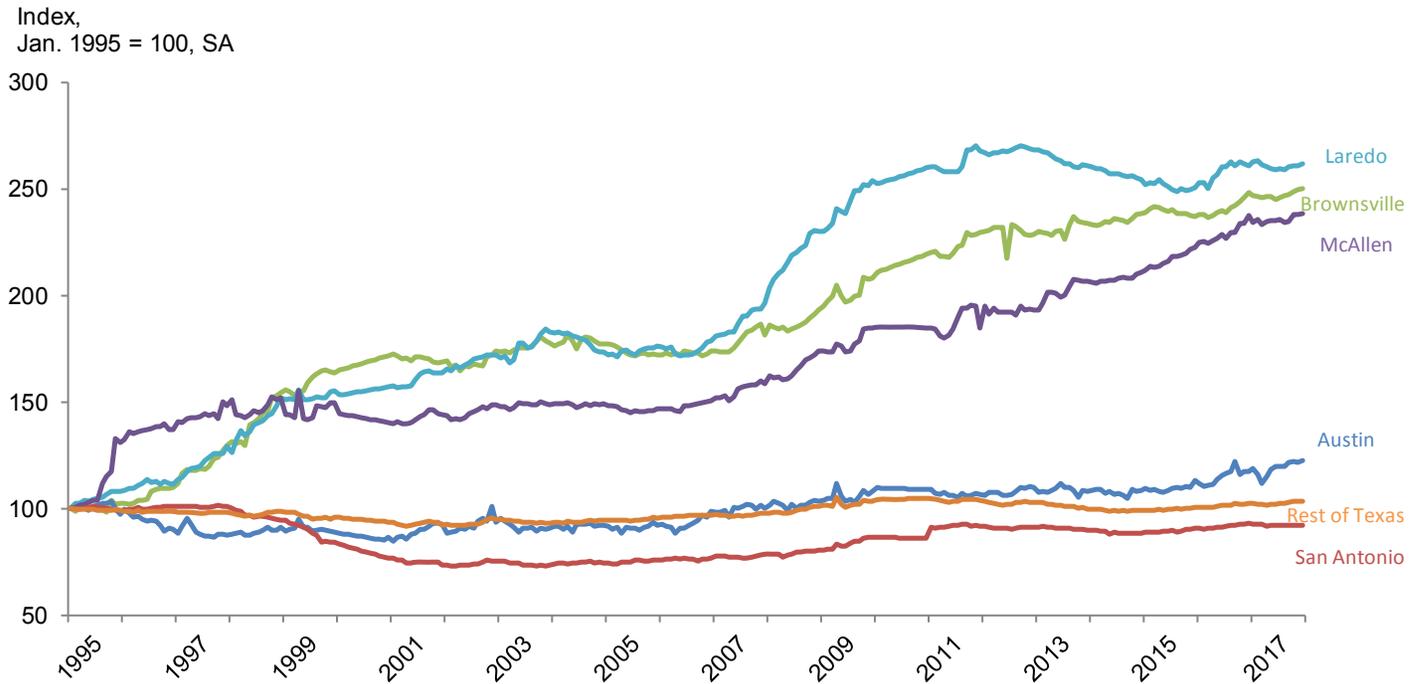
Service-Producing Sectors an Important Source of South Texas Economic Growth

	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

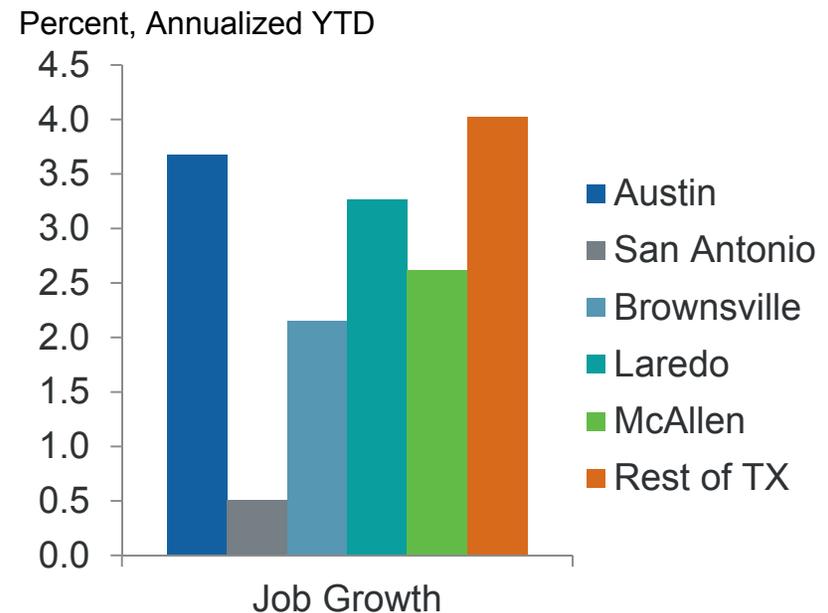


NOTE: Data adjusted to exclude temporary Census workers.

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

Most of South Texas Growing between 2% to 4%

- Energy rebound impacting other areas of the state more
- Austin led by high-tech services and leisure and hospitality
- Health care strong in San Antonio – possible data issues
- Manufacturing strong in Brownsville and McAllen
- Laredo driven by professional and business services



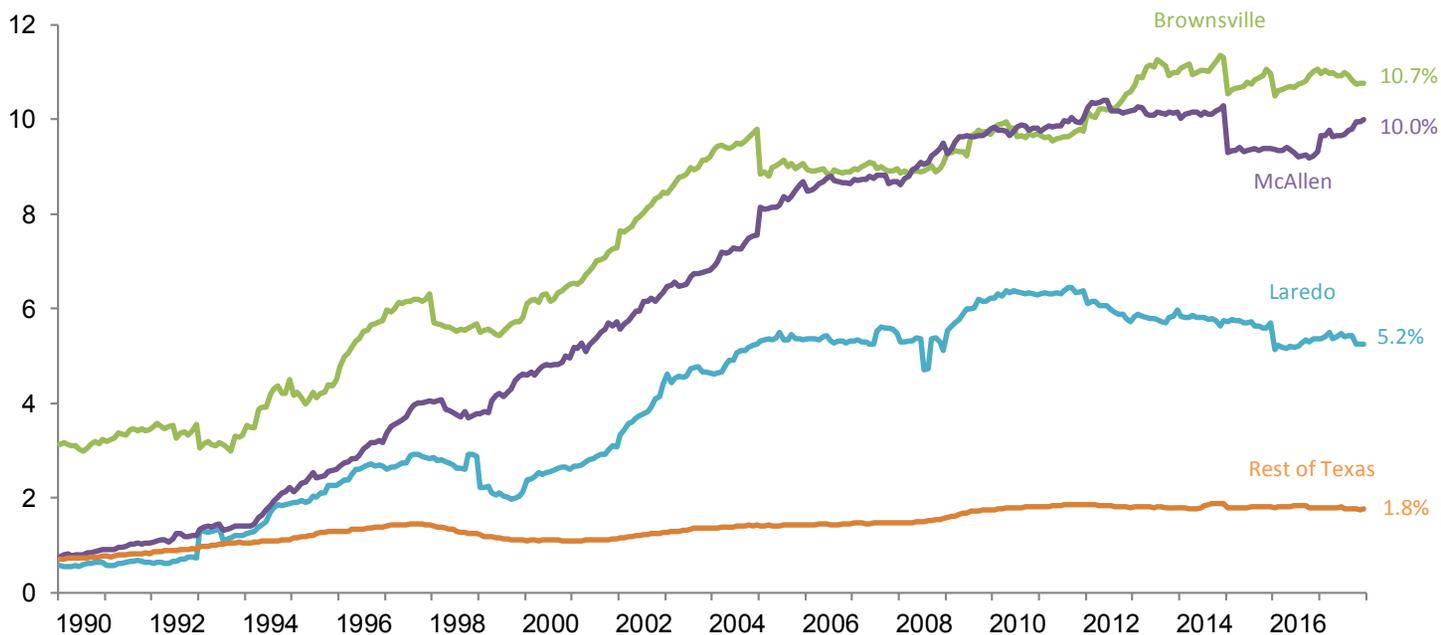
SOURCES: Bureau of Labor Statistics, FRB Dallas.

South Texas Border

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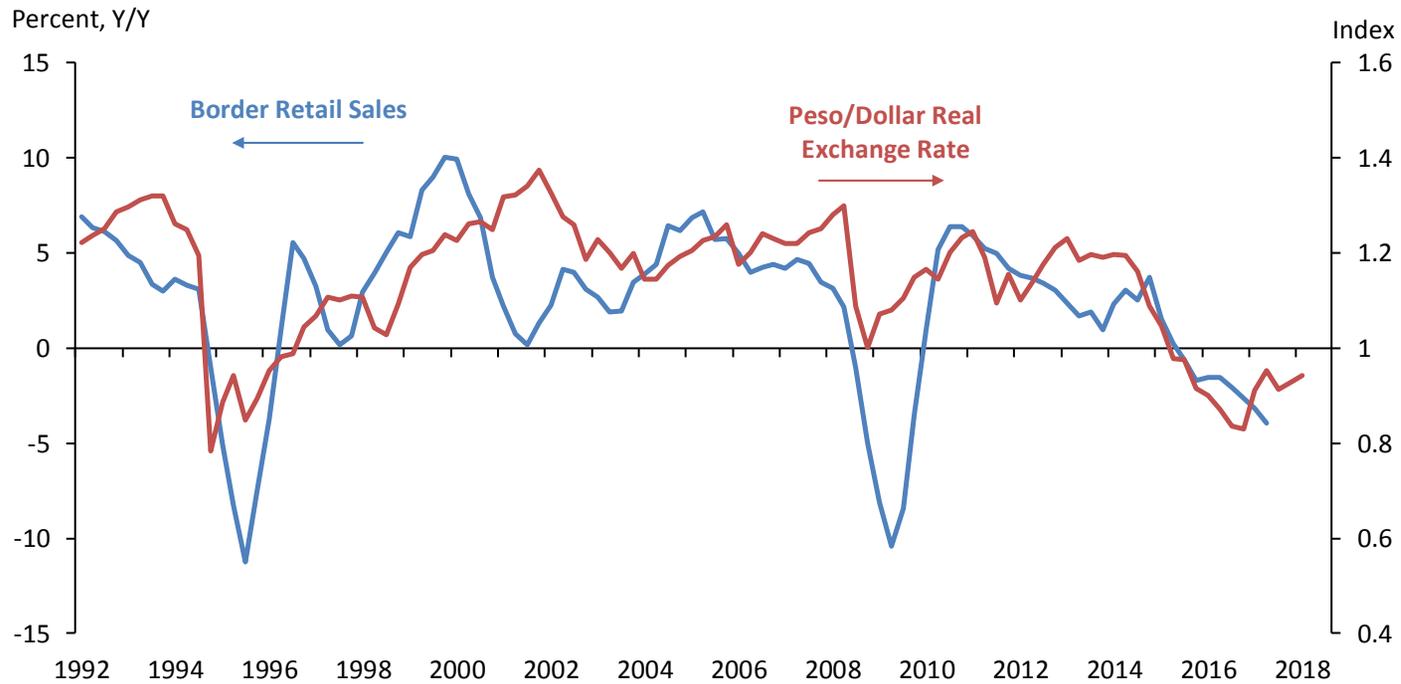
Home Health Care Big Part of Border Job Growth From Early 1990s to About 2012

Percent Share of Total Jobs, SA



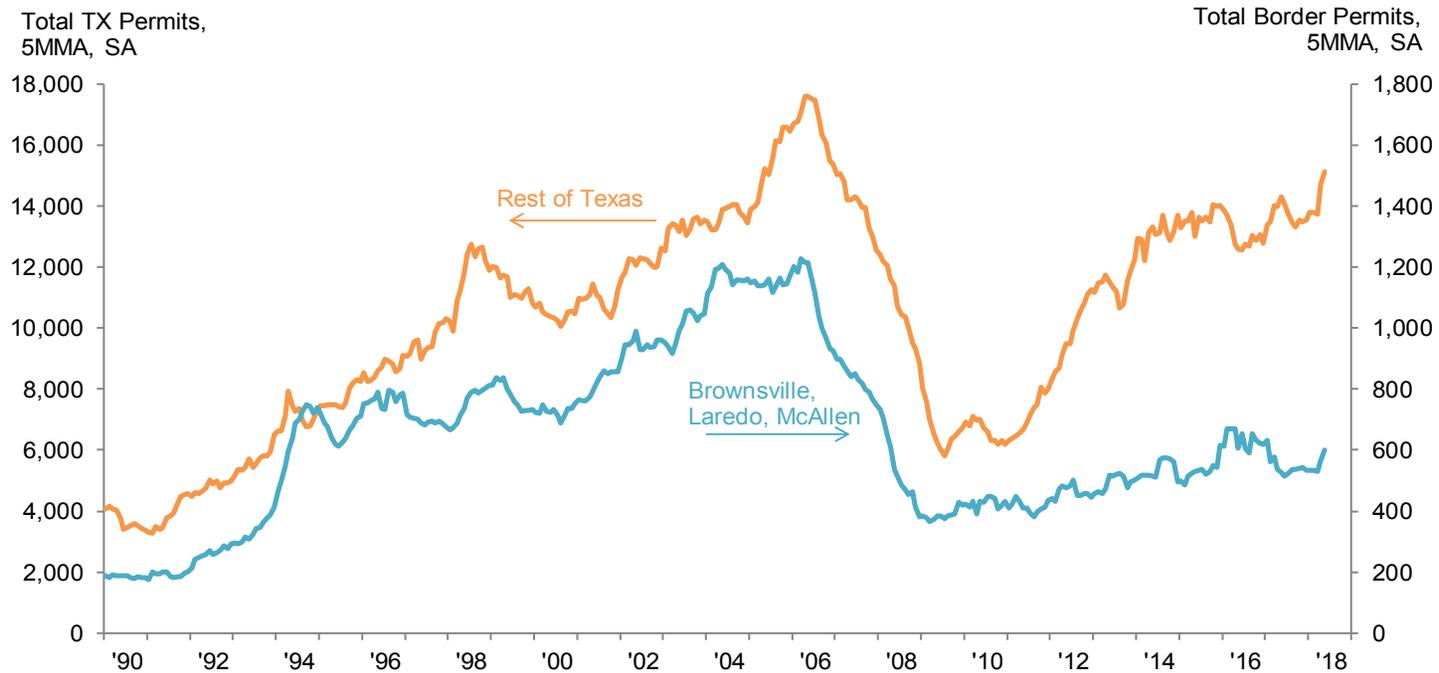
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

Peso Strengthening Should Help Border Retail Sales



SOURCES: Texas Comptroller of Public Accounts, Federal Reserve Board of Governors, adjustments by FRB Dallas.

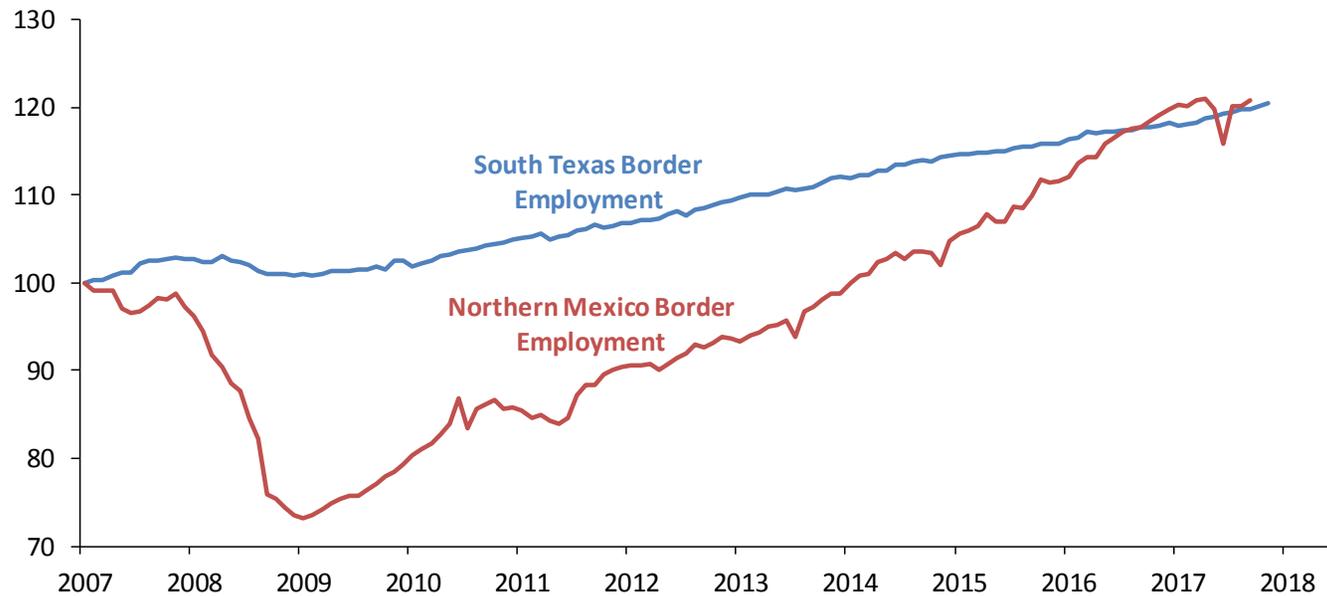
Tight Credit Conditions Likely Impacting Housing Growth in South Texas Border



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

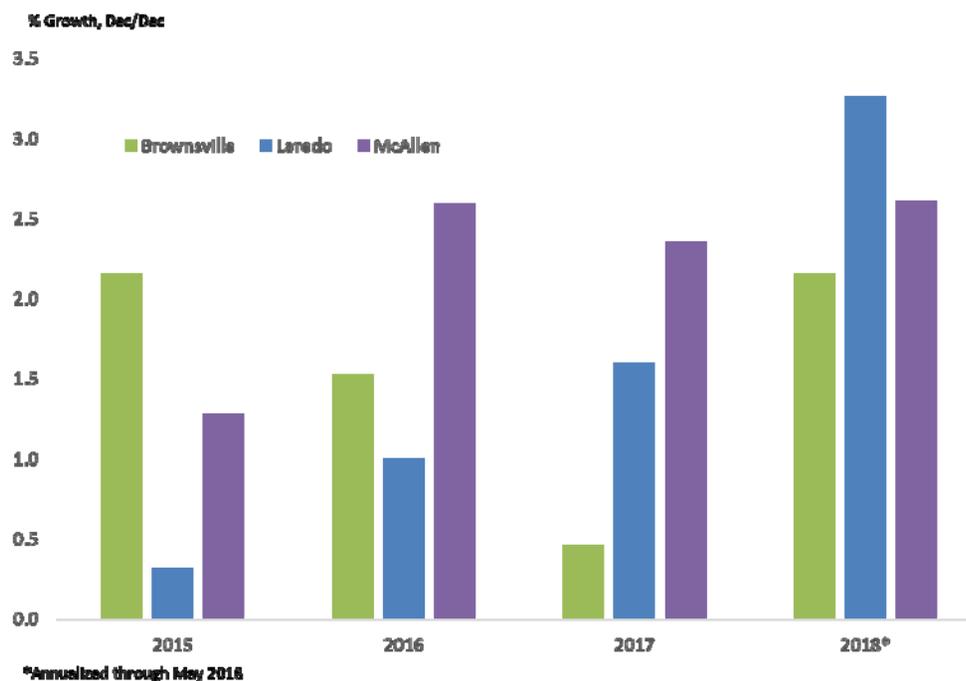


NOTES: South Texas includes Laredo, Brownsville, and McAllen. Northern Mexico includes Nuevo Laredo, Matamoros, and Reynosa.

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

Border Economy Accelerating in 2018

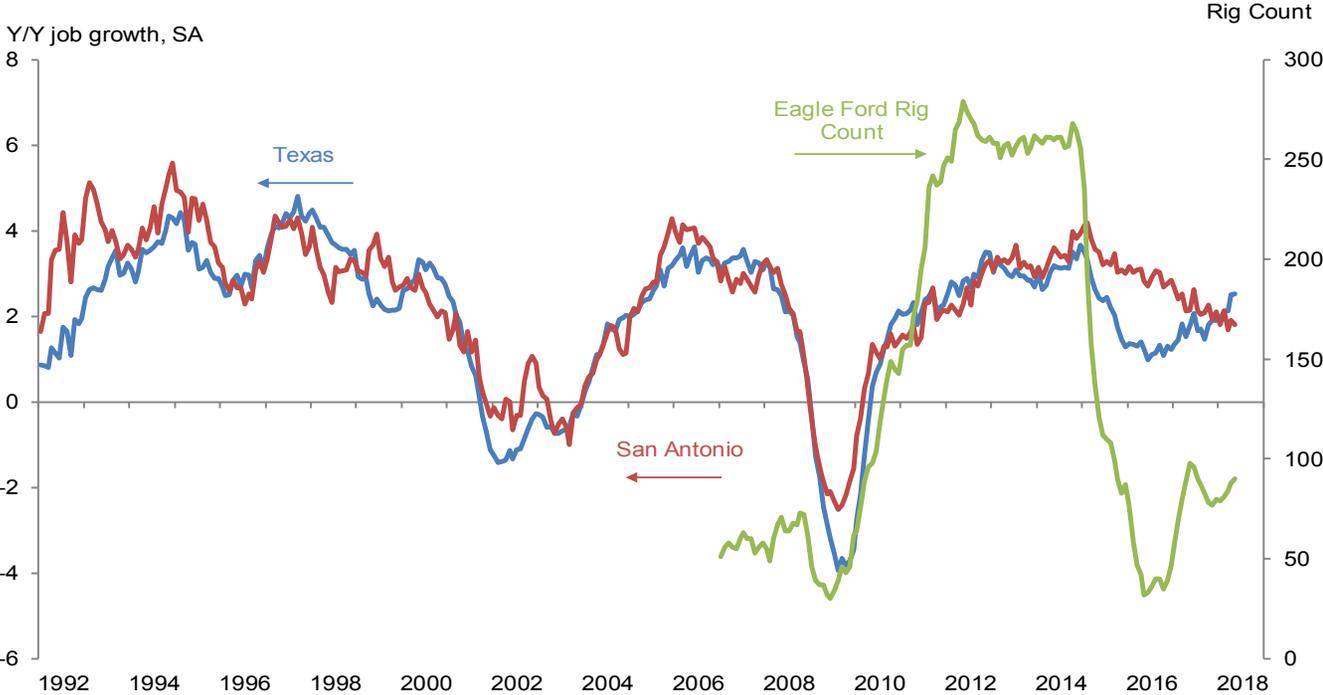
- 2018 job growth accelerating in Laredo, McAllen and Brownsville.
- Retail jobs have recently picked up with improvement in Mexico and some improvement in peso
- Pickup in drilling in Eagle Ford likely helping Laredo
- Health care strong in McAllen
- Growth in South Texas border MSAs likely to grow in range of 2.0 – 3.5% in 2018.



San Antonio

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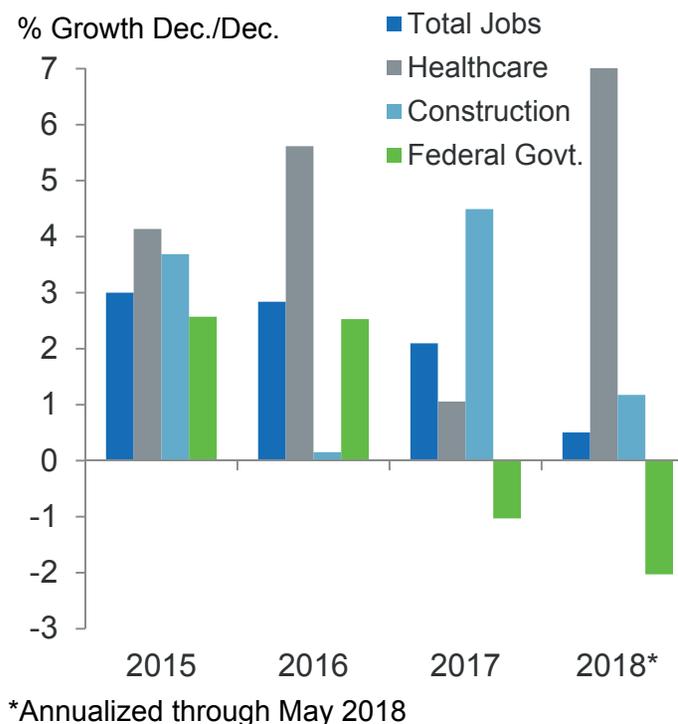
Energy Activity has Less Impact on San Antonio than Rest of State



NOTE: Eagle Ford rig data unavailable prior to 2007.
SOURCE: Oil and Gas Journal, Bureau of Labor Statistics, Federal Reserve Bank of Dallas

San Antonio Economy Softening Somewhat in 2018

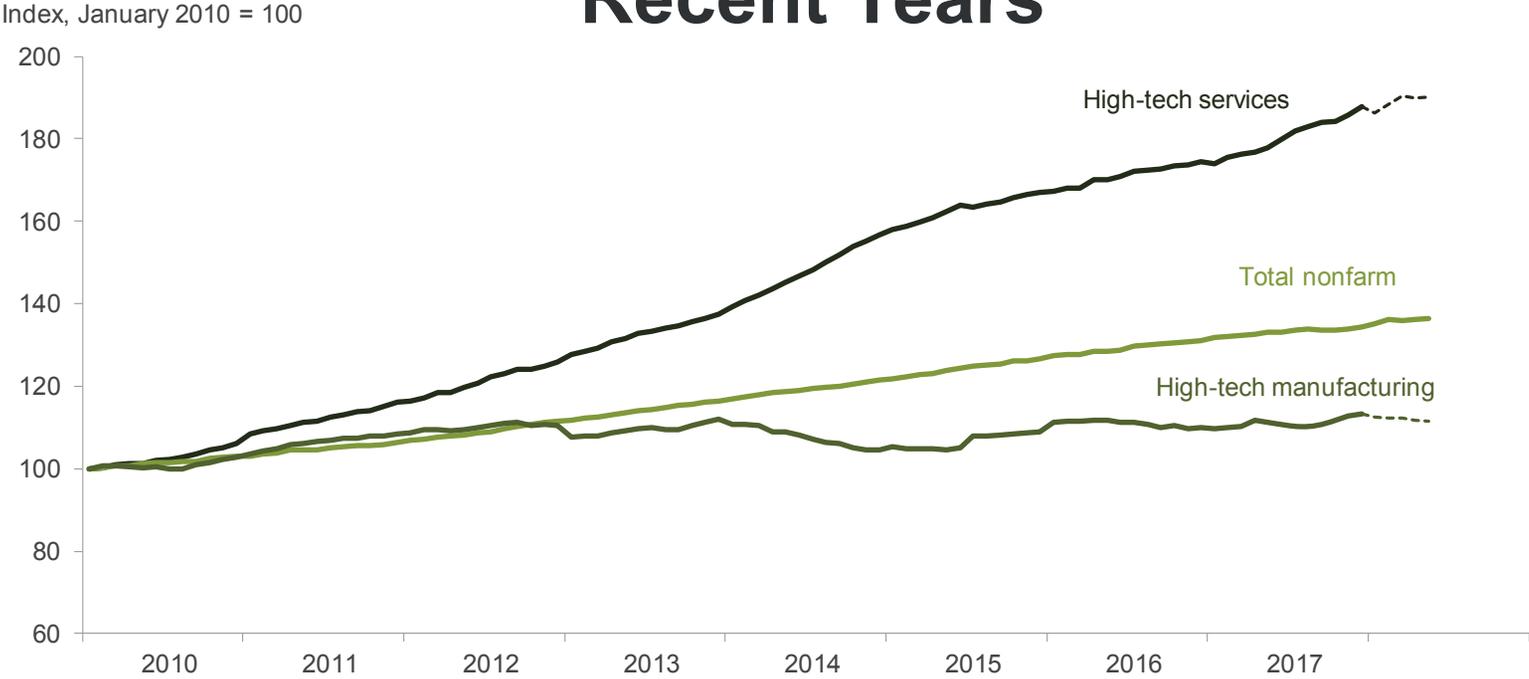
- 2018 job growth at 0.5% so far after 2.1% in 2017 – past data suggests upward revision
- Construction, Federal government slowing this year
- Health care, retail accelerating
- Leisure and hospitality weaker has declined sharply – data issues.
- Overall job growth in San Antonio likely to be 2.0 – 3.0% this year. UR at 3.3 vs 4.1 for TX.



Austin

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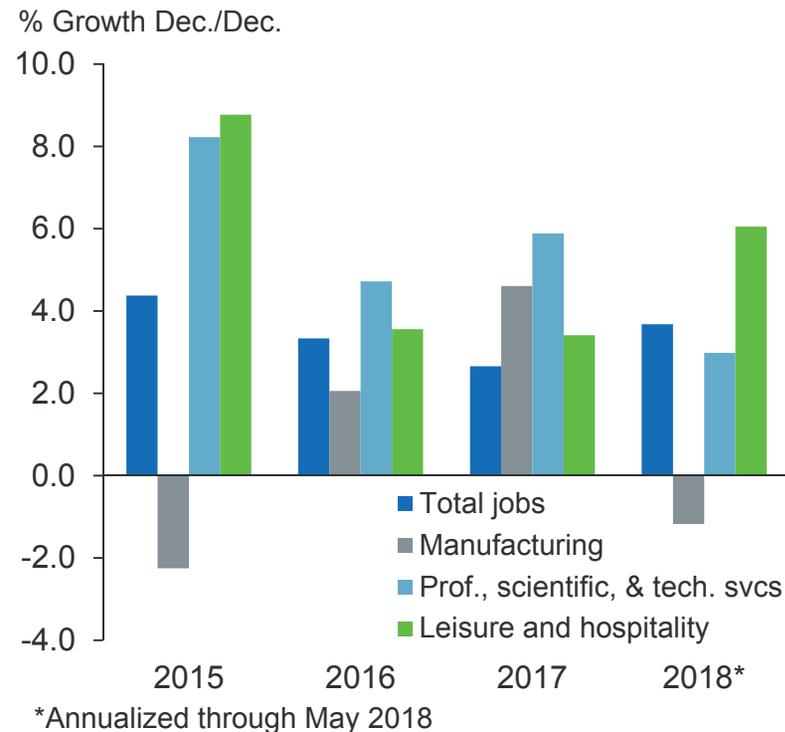
Austin Technology Services Growing Strongly in Recent Years



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 Growing Strongly in 2018

- 3.7 percent job growth so far this year after 2.7 percent last year.
- Leisure and hospitality and construction strong
- High tech services slightly weaker but still strong
- Manufacturing weak.
- Outlook is for job growth of 2.5 to 3.5 percent. Labor market is constrained with UR at 2.0 percent.



Summary and Conclusions

- Economies of South Texas very diverse and fortunes sometimes differ
- Historically job growth has been strong in South Texas
- Border slowed since Great Recession but accelerating this year
- San Antonio and Austin continue to do well although not impacted as much by energy rebound as other regions
- 2018 should be a good year for South Texas