



FEDERAL RESERVE BANK *of* DALLAS

South Texas Economy Showing Resilience to Energy Downturn

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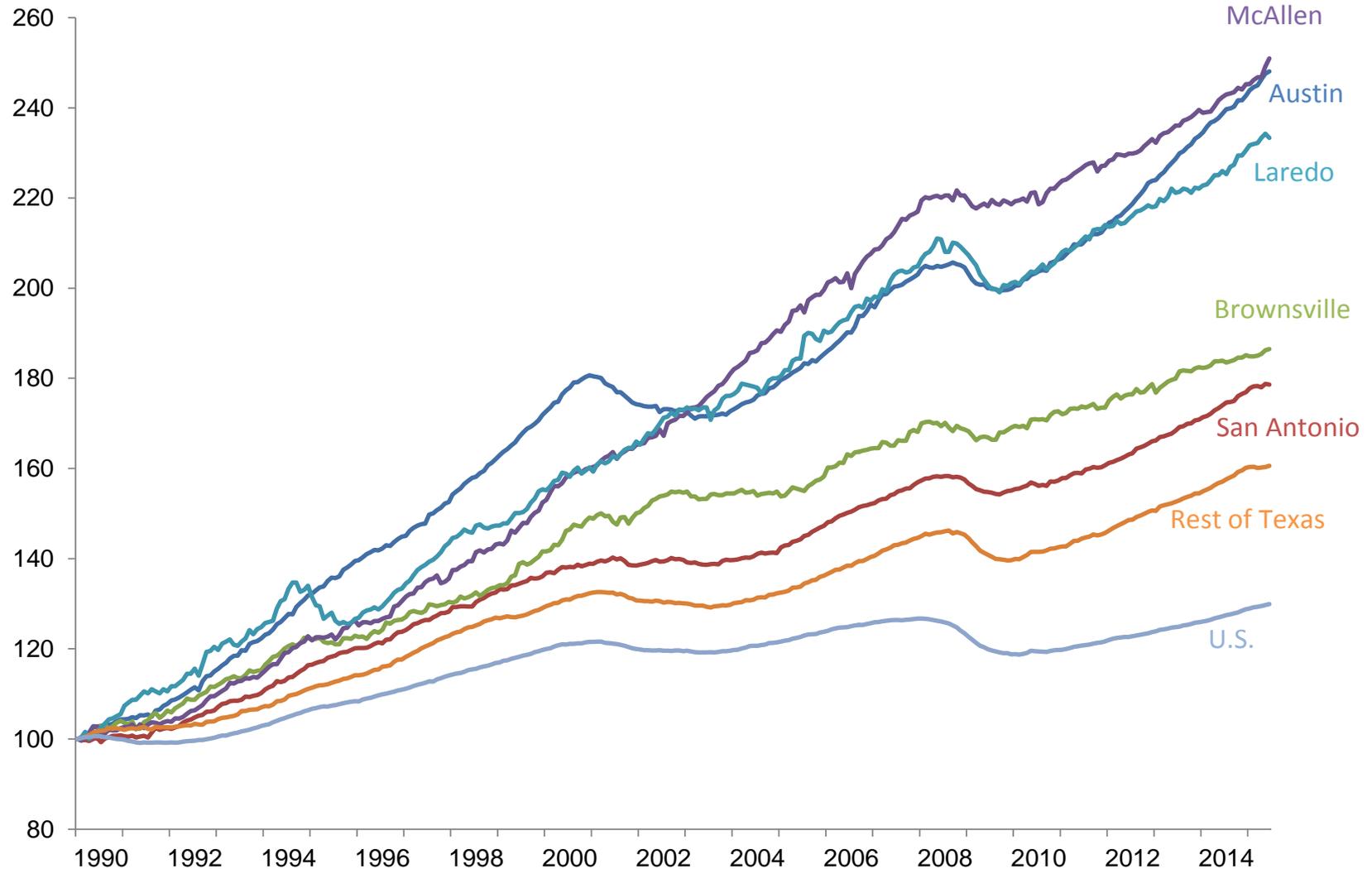
South Texas Economy Diverse

- Can 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. This year better than state due to less sensitivity to oil industry.



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

Index, Jan. 1990 = 100, SA

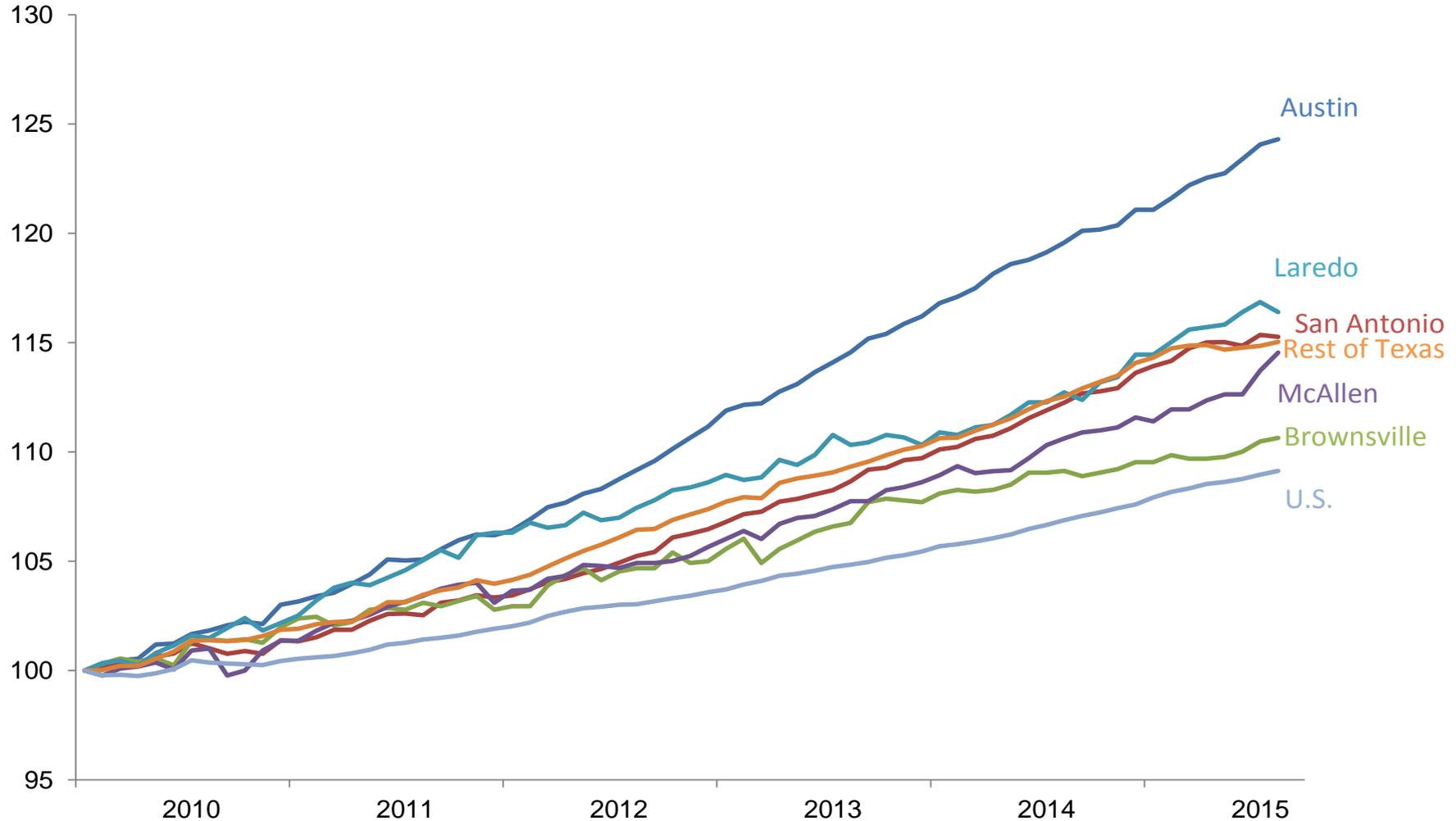


SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



Besides Austin, Job Growth Near or Below Rest of TX During Recovery...

Index, Nov. 2009 = 100, SA

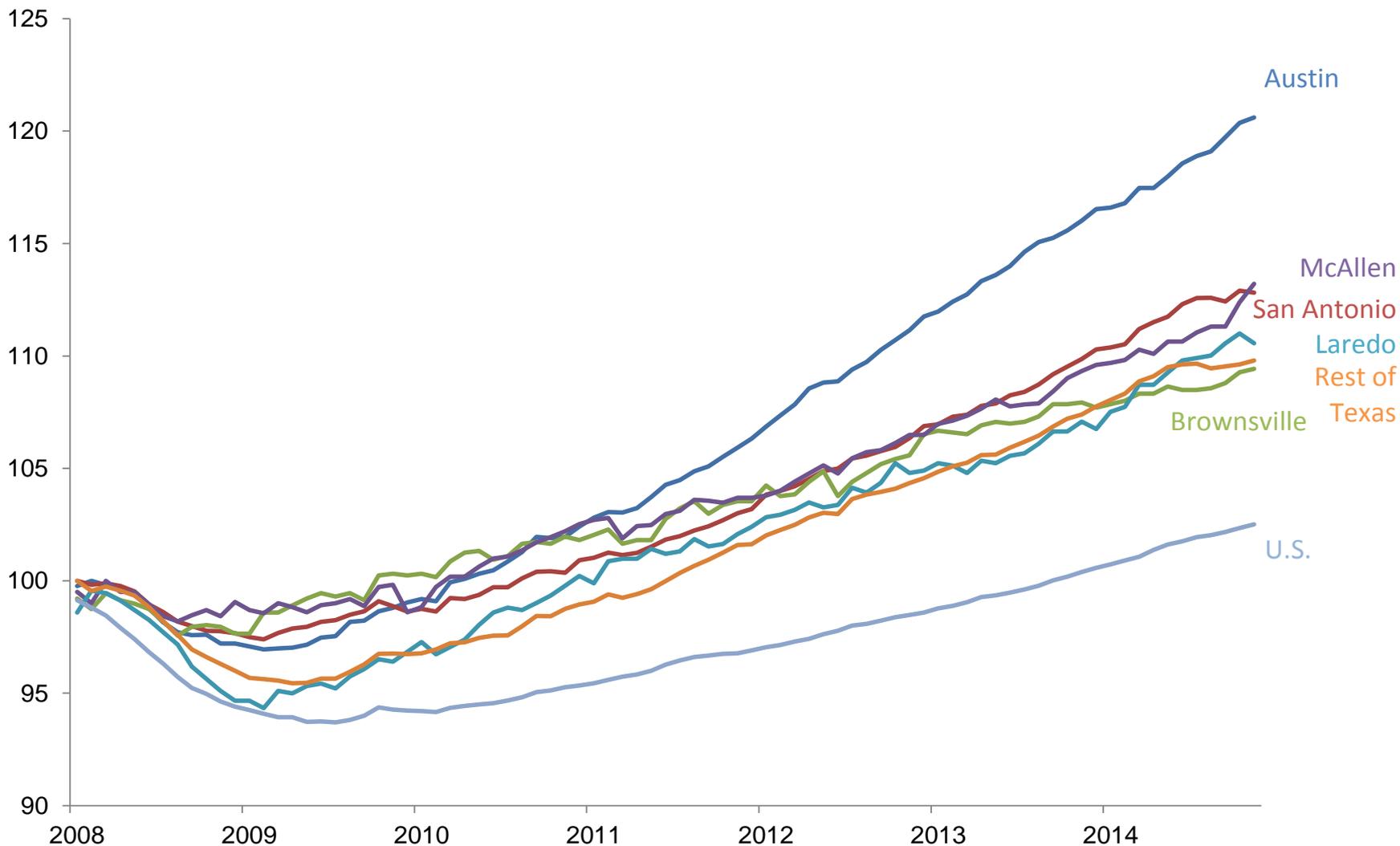


SOURCES: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



...Partly Due to Jobs not Declining as Much During Recession

Index, each metro's peak employment = 100, SA



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



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

	Austin	Brownsville	Laredo	McAllen	San Antonio	Rest of TX
Mining	0.72	0.09	4.74	1.90	1.06	5.07
Manufacturing	0.68	0.48	0.09	0.31	0.56	0.97
Retail	0.96	1.17	1.20	1.35	1.01	0.97
Transportation and Warehousing	0.54	1.01	4.08	1.02	0.87	1.18
Professional and technical services	1.42	0.28	0.40	0.31	0.81	1.21
Computer systems design and related svcs	1.98	0.07	0.04	0.08	0.52	1.20
Management and technical consulting svcs	1.80	0.18	0.90	0.26	0.79	1.37
Leisure and hospitality	1.10	0.96	0.97	0.85	1.21	0.94
Health care and social assistance	0.82	1.92	1.16	1.90	1.18	0.84
Home health care services	0.82	11.14	6.45	10.12	2.79	2.16
Federal Government	0.66	1.14	1.71	0.78	1.87	0.77
State and Local Gov't	1.21	1.43	1.34	1.51	0.96	0.99

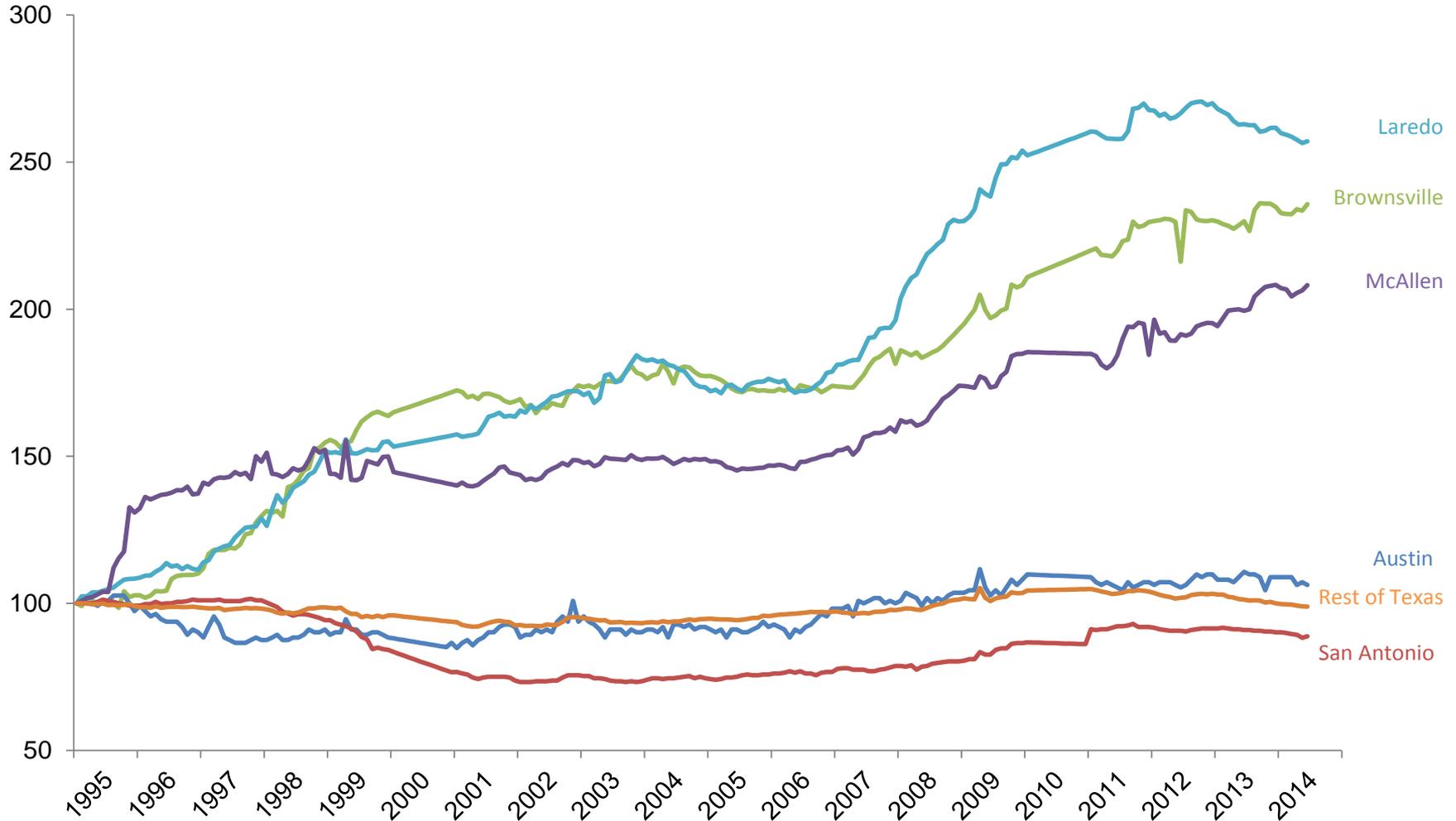
NOTE: Data from 2013; location quotients measure the ratio of employment share locally to employment share nationally.

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



Over Past Two Decades Federal Government Civilian Jobs Have Grown Strongly

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.



Government Spending Drag on South Texas in Recent Years



NOTE: Data are real government GDP, do not include government transfer payments.

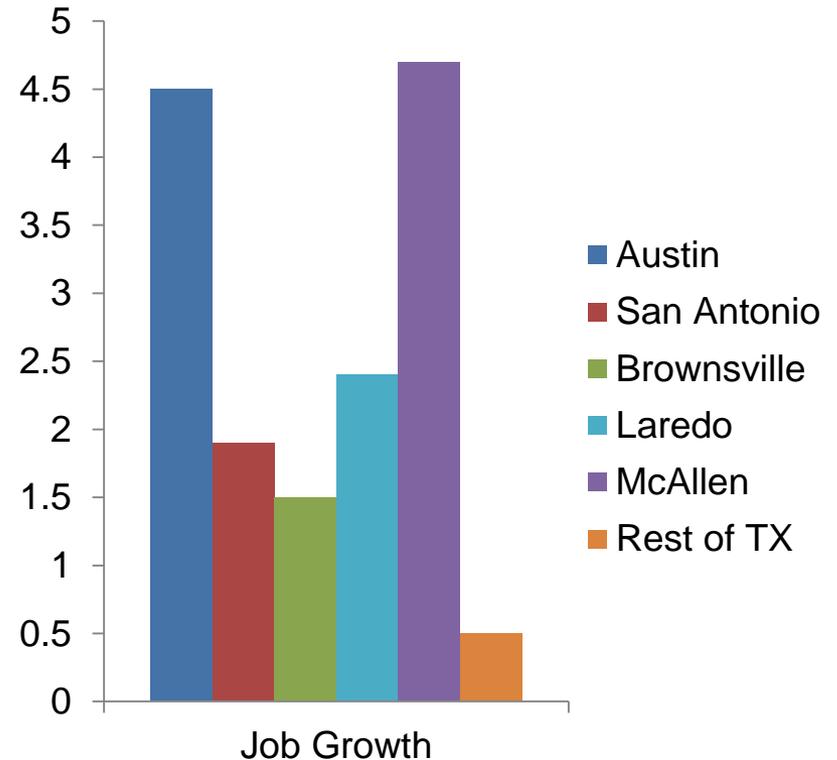
SOURCE: Bureau of Economic Analysis.



This Year South Texas Growing Faster than Rest of State

- Energy and manufacturing decline hitting other areas much harder
- Health care and leisure and hospitality strong
- Federal Government still weak

Percent, Annualized YTD



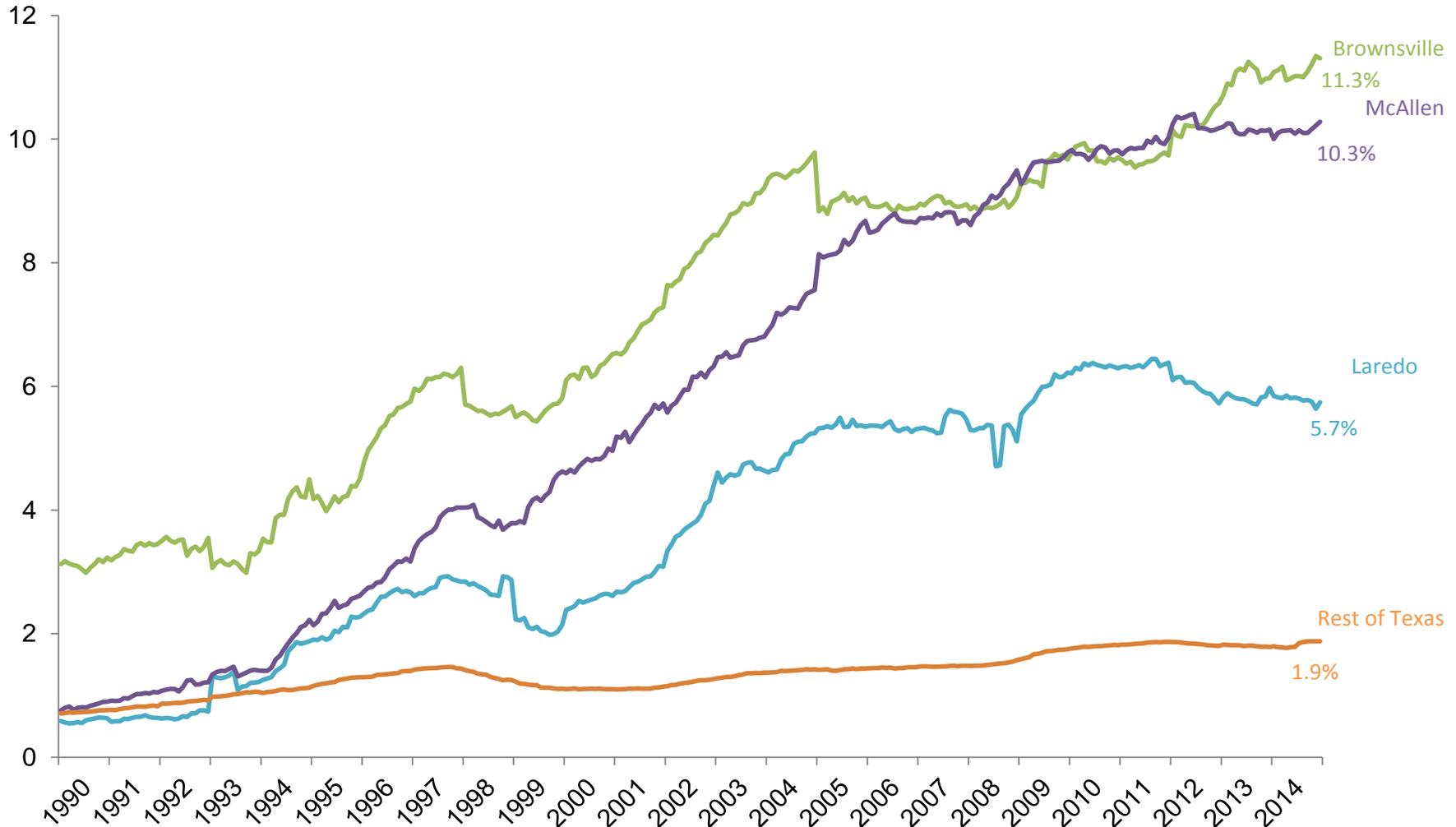
SOURCES: Bureau of Labor Statistics, FRB Dallas.

South Texas Border



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

Percent Share of Total Jobs, SA



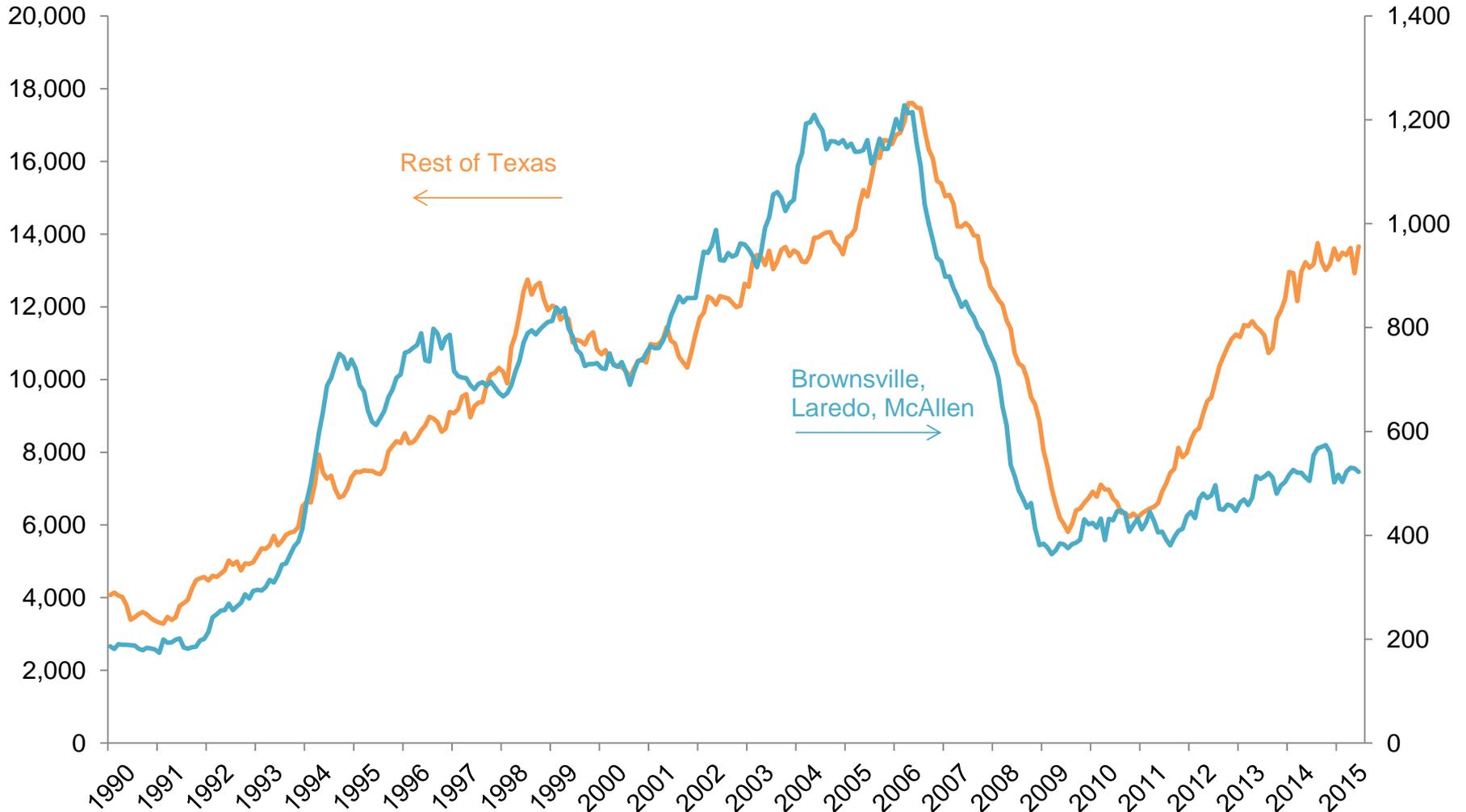
Note: January 2013 data for McAllen and Brownsville adjusted for BLS occupational reclassification.
Sources: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.



Tight Credit Conditions Likely Impacting Housing Growth in South Texas Border

Total TX Permits,
5MMA, SA

Total Border Permits,
5MMA, SA

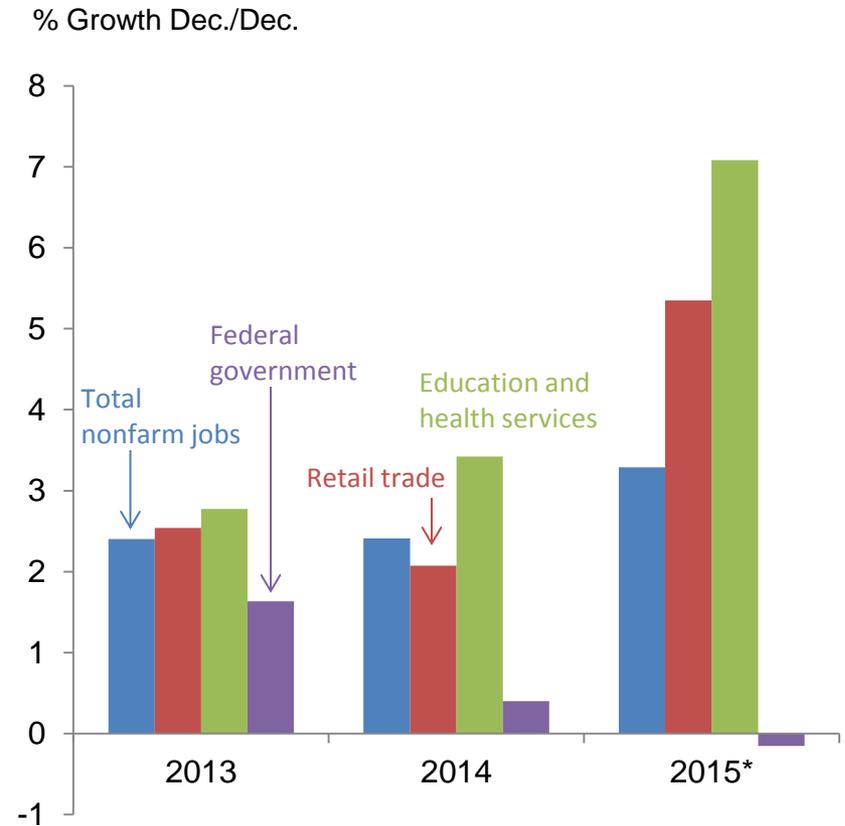


Sources: Census Bureau; Haver Analytics; Federal Reserve Bank of Dallas.



Border Economy Improving in 2015

- 2015 job growth at 3.3% so far after 2.4% in 2014
- Education and health care job growth accelerating sharply so far this year.
- Retail trade jobs also strong after modest growth in past two years.
- Federal govt. weak; jobs contracted slightly in first half after very modest growth in 2014.
- Growth in South Texas border MSAs likely to average around 2.5 – 3.5% this year.

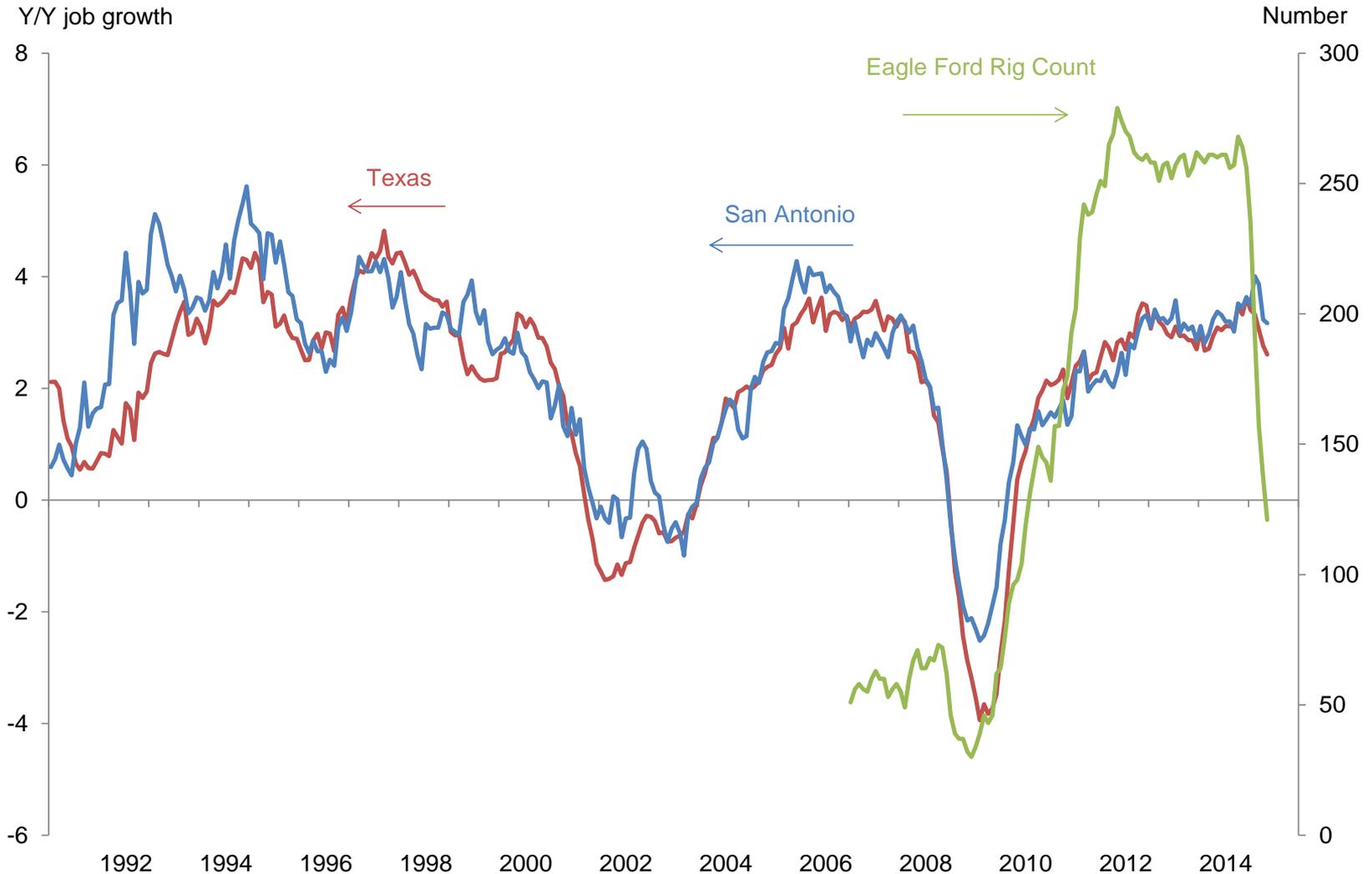


*Annualized through June 2015

San Antonio



No Clear Boost to San Antonio Job Growth from Eagle Ford Development

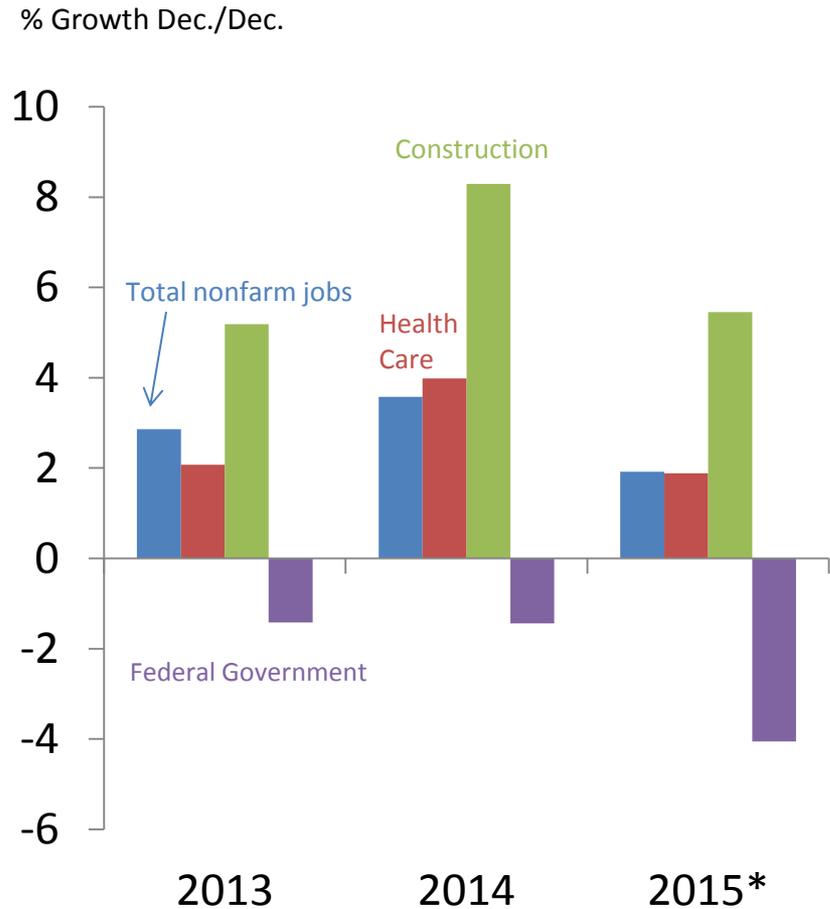


SOURCE: Oil and Gas Journal, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



San Antonio Economy Holding Up in 2015

- 2015 job growth at 1.9% so far after 3.6% in 2014
- Health care job growth moderate after strong expansion in 2014
- Construction and financial activities strong
- Federal govt. weak so far this year
- Eagle Ford decline hitting mining, transportation and warehousing but overall effects mixed
- Overall job growth in San Antonio likely to be close to 2.0% this year

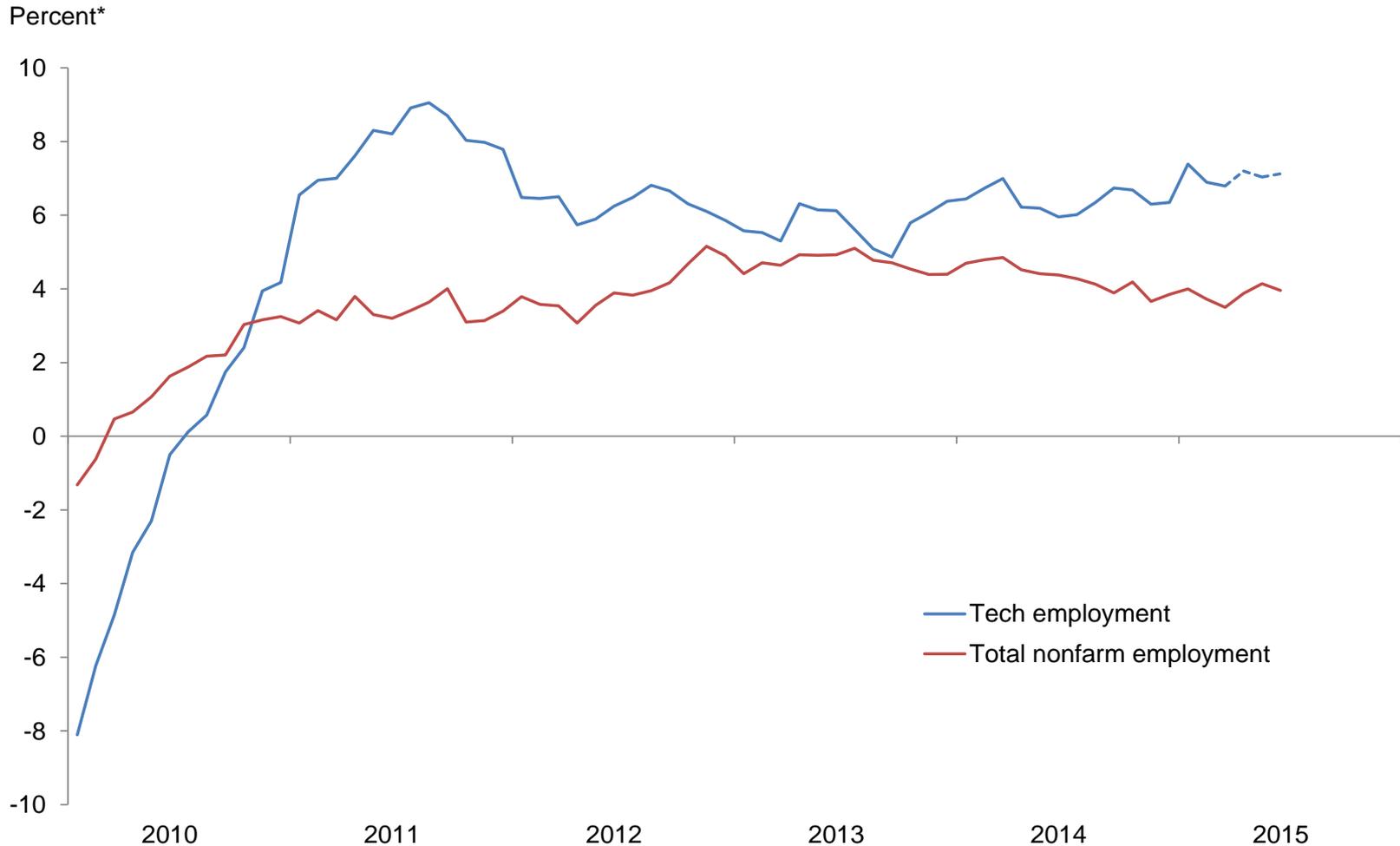


*Annualized through June 2015

Austin



Austin Technology Sector Employment Continues to Outpace Overall Job Growth



*Year-over-year change.

Note: Tech employment includes computer and electronics equipment manufacturing, communications, software, engineering and technology services; dashed line indicates projected job growth based on broader industry data.

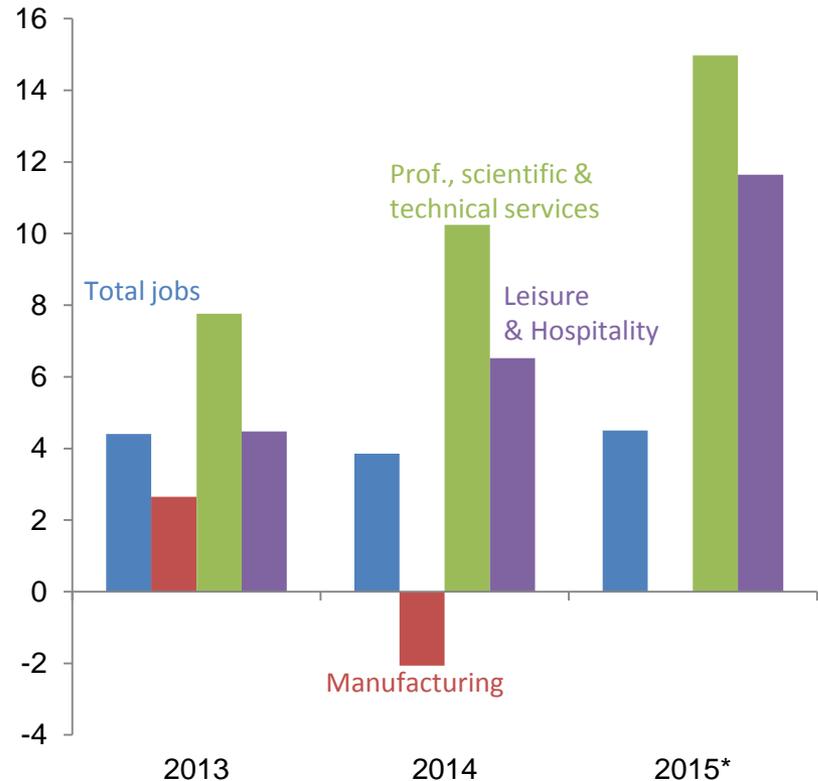
SOURCES: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



Austin Economy Remains Strong So Far in 2015

- 2015 job growth accelerated to 4.5% so far this year from 3.9% last year
- Manufacturing flat; dollar appreciation hindering exports
- High tech services, health care and leisure and hospitality continuing to grow strongly
- Government weak
- Tight labor markets (3.1 percent unemployment rate) likely restraining job growth
- Overall job growth likely to be about 4.0% this year

% Growth Dec./Dec.



*Annualized through June 2015



Summary and Conclusions

- Historically job growth has been strong in South Texas
- Metros areas in region have common and unique features
- With exception of Austin, expansion has been mild relative to historical trends
- Region less sensitive to energy and manufacturing so has slowed less this year
- Outlook is generally good - job growth in the major regions of South Texas will surpass the rest of the state in 2015