



FEDERAL RESERVE BANK *of* DALLAS

# South Texas Economy Showing Resilience to Energy Downturn

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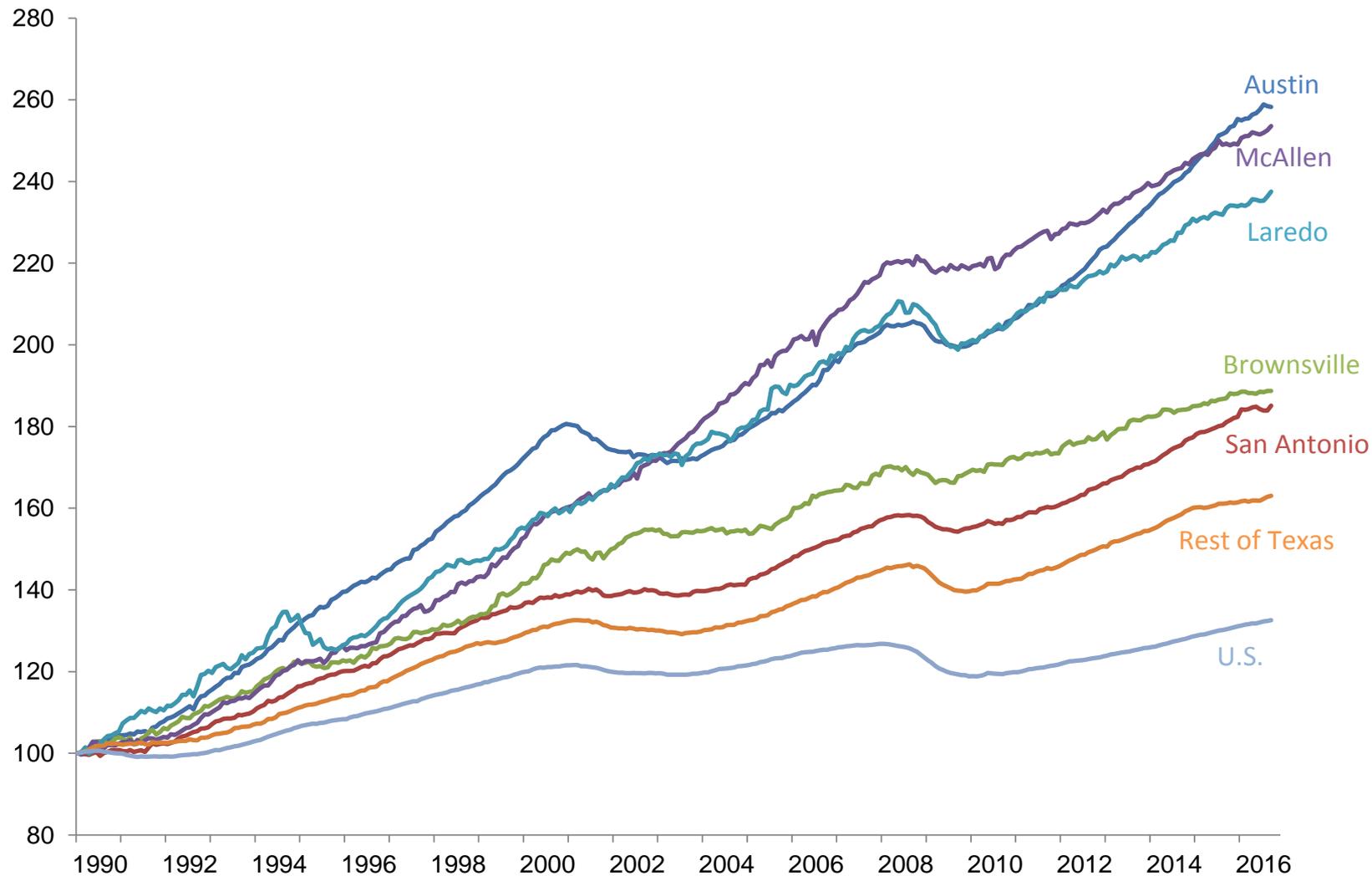
# South Texas Economy Diverse

- 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. 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

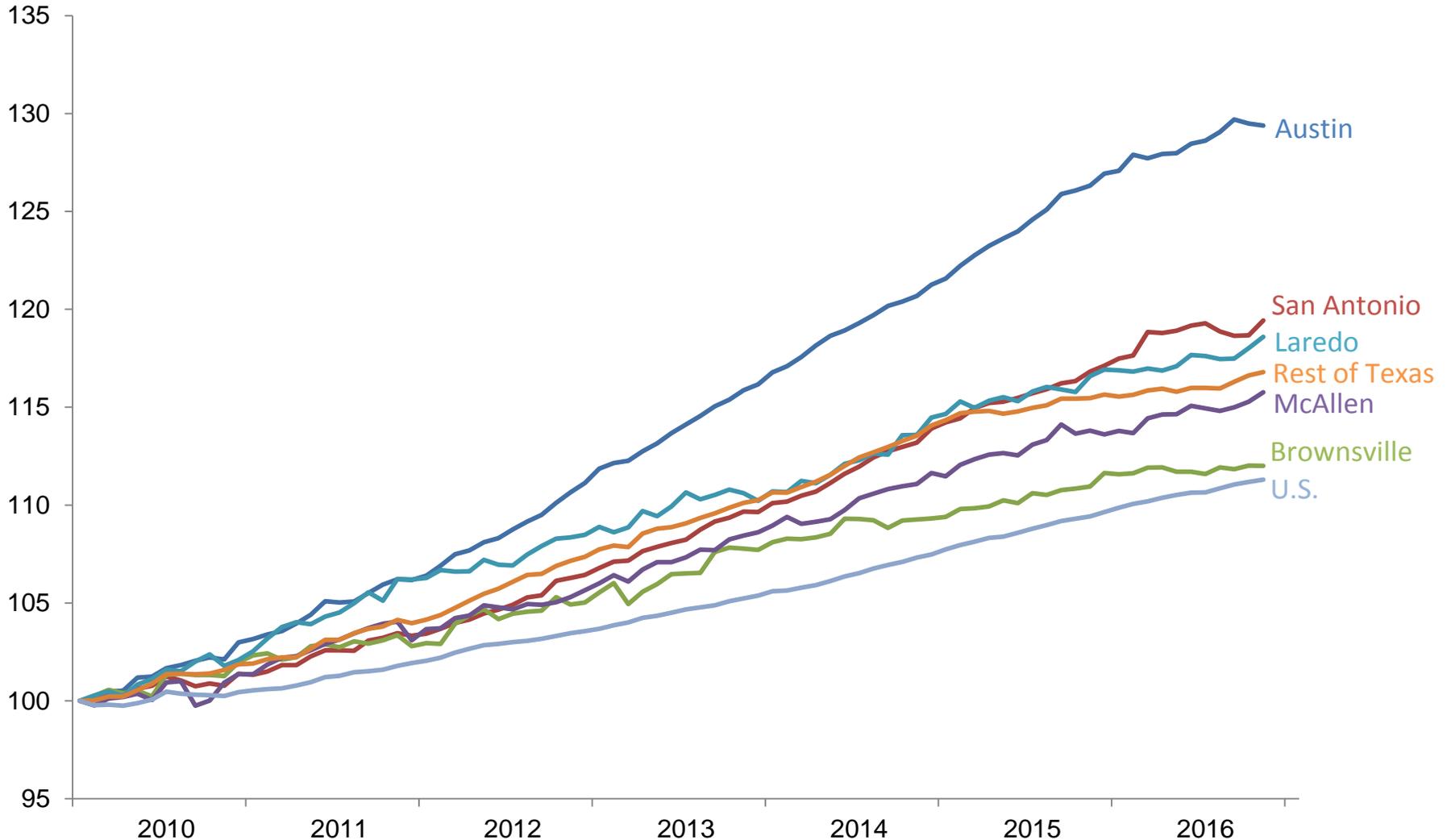


SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



# Besides Austin, Job Growth Near or Below Rest of TX During Pre-2015 Recovery

Index, Nov. 2009 = 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                                   | 0.82   | 0.20        | 4.59   | 1.76    | 1.57        | 5.02       |
| Manufacturing                            | 0.72   | 0.50        | 0.09   | 0.31    | 0.56        | 0.95       |
| Retail                                   | 0.98   | 1.24        | 1.22   | 1.38    | 1.06        | 1.00       |
| Transportation and Warehousing           | 0.54   | 0.96        | 4.31   | 1.02    | 0.90        | 1.32       |
| Professional and technical services      | 1.59   | 0.29        | 0.41   | 0.31    | 0.80        | 1.01       |
| Computer systems design and related svcs | 2.46   | 0.06        | 0.05   | 0.07    | 0.55        | 0.99       |
| Management and technical consulting svcs | 1.86   | 0.28        | 0.99   | 0.35    | 0.89        | 1.16       |
| Leisure and hospitality                  | 1.17   | 1.00        | 1.03   | 0.87    | 1.22        | 0.96       |
| Health care and social assistance        | 0.85   | 2.04        | 1.20   | 1.94    | 1.22        | 0.97       |
| Home health care services                | 0.77   | 11.75       | 6.32   | 10.14   | 2.76        | 2.07       |
| Federal Government                       | 0.66   | 1.22        | 1.69   | 0.84    | 1.87        | 0.76       |
| State and Local Gov't                    | 1.20   | 1.46        | 1.41   | 1.56    | 1.00        | 0.98       |

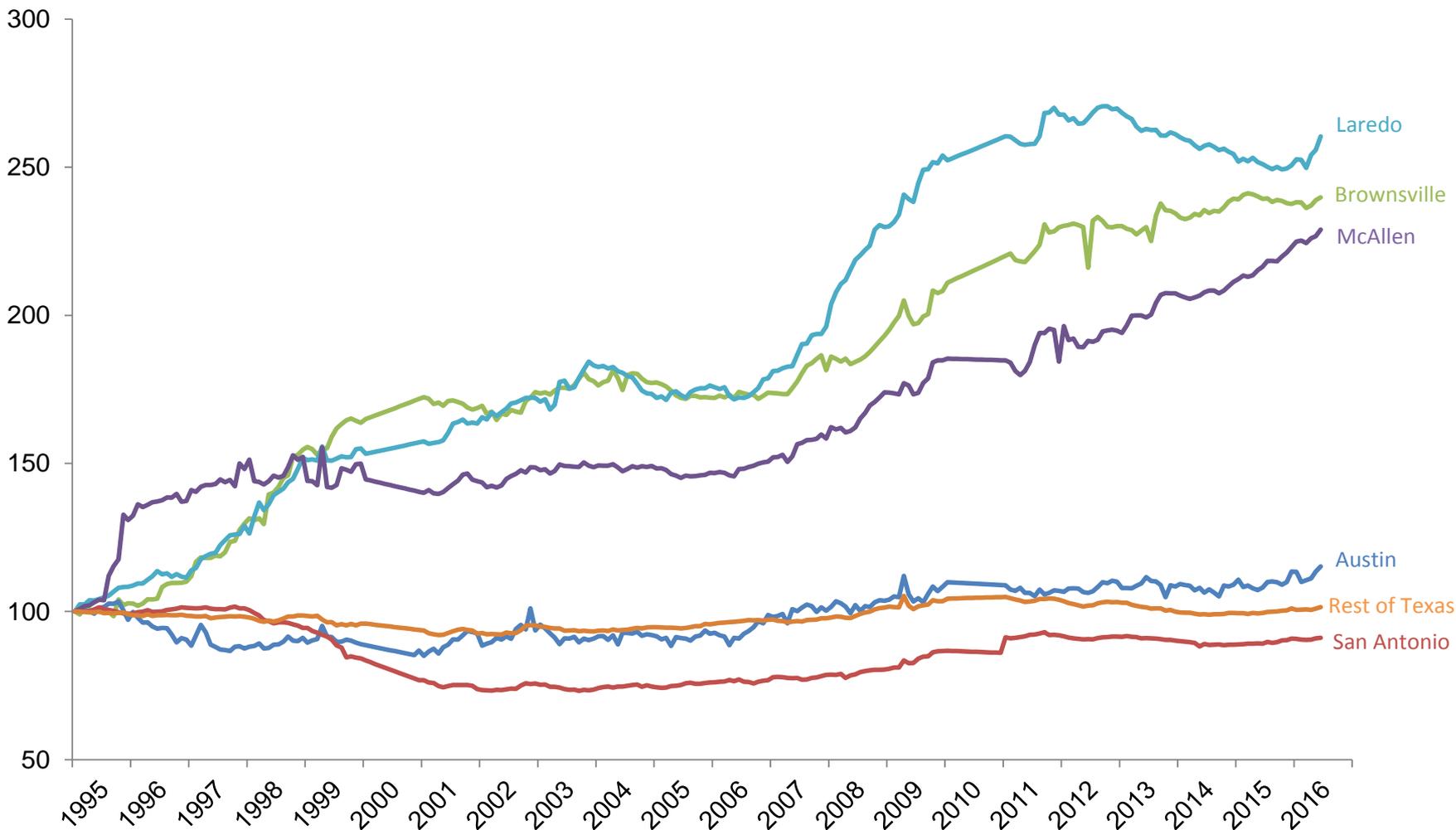
NOTE: Data from 2015; location quotients measure the ratio of employment share locally to employment share nationally.

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.

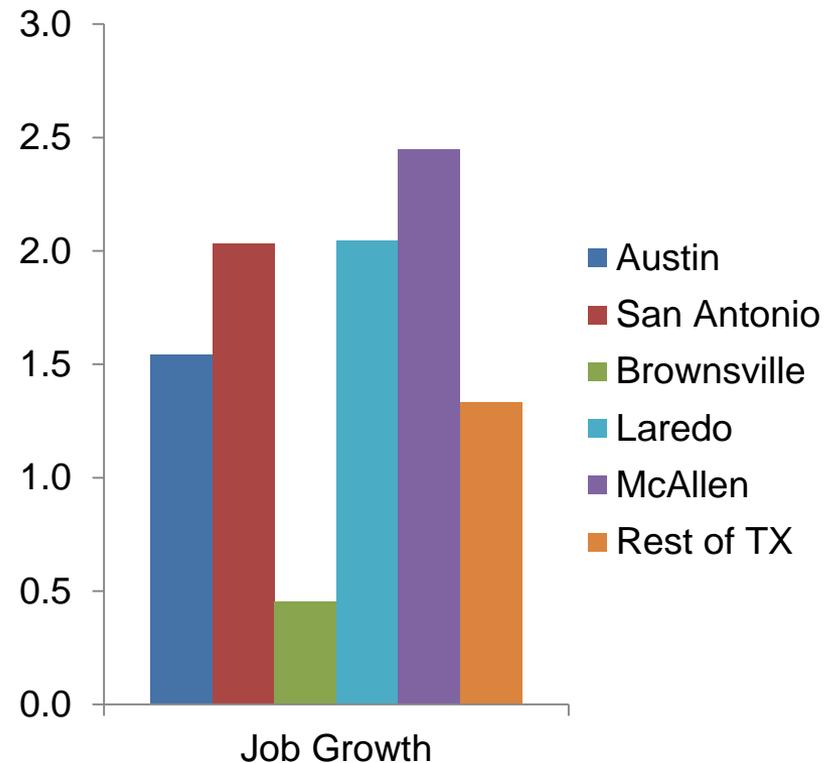
Sources: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



# This Year Most of South Texas Growing Faster than Rest of State

- Energy and manufacturing decline hitting other areas much harder
- Health care strong along the border, weak in Austin and San Antonio
- Federal government stronger this year
- With the exception of Brownsville, metros' growth outpacing the rest of the state this year

Percent, Annualized YTD



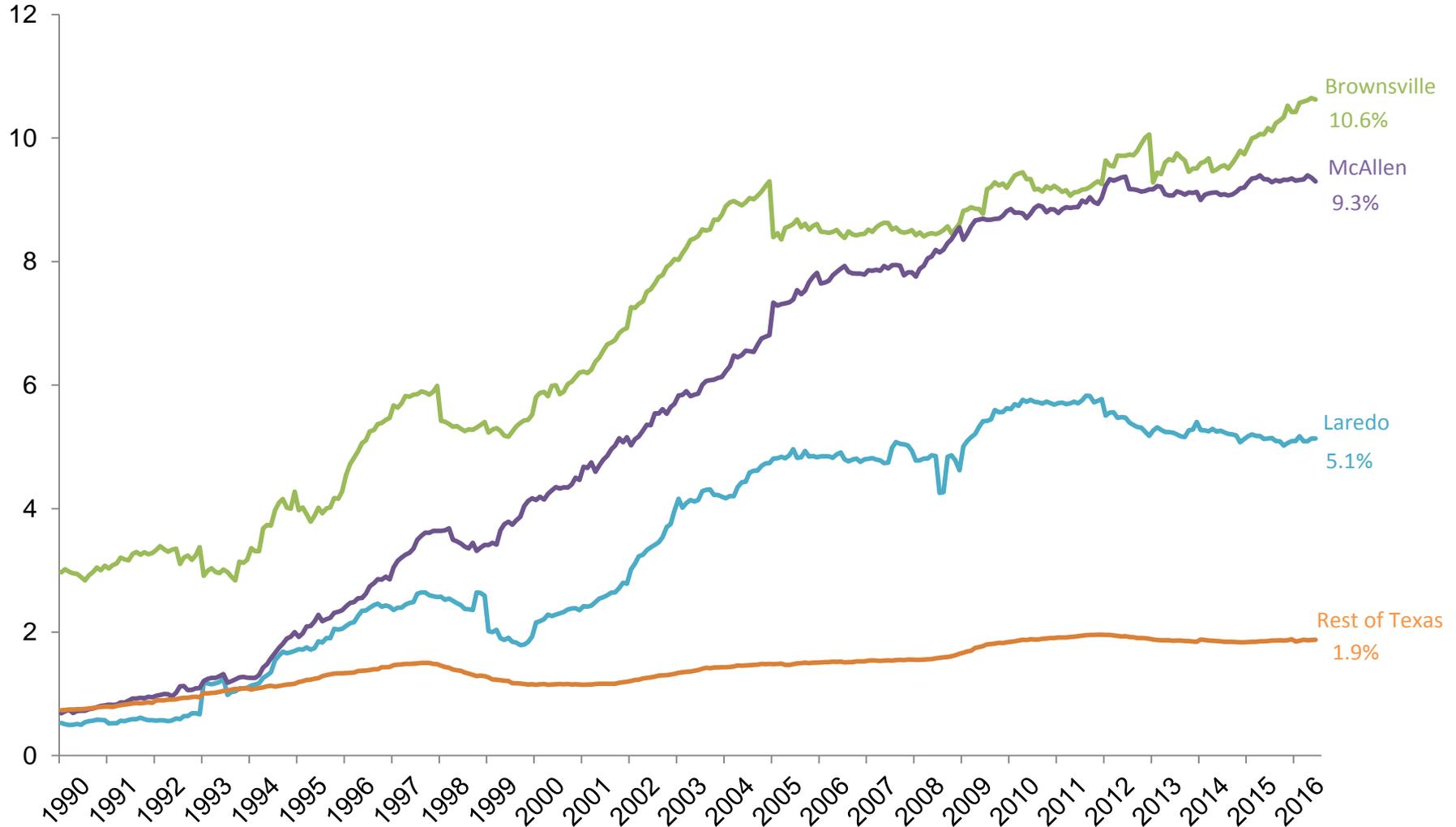
SOURCES: Bureau of Labor Statistics, FRB Dallas.

# South Texas Border



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

Percent Share of Total Jobs, SA

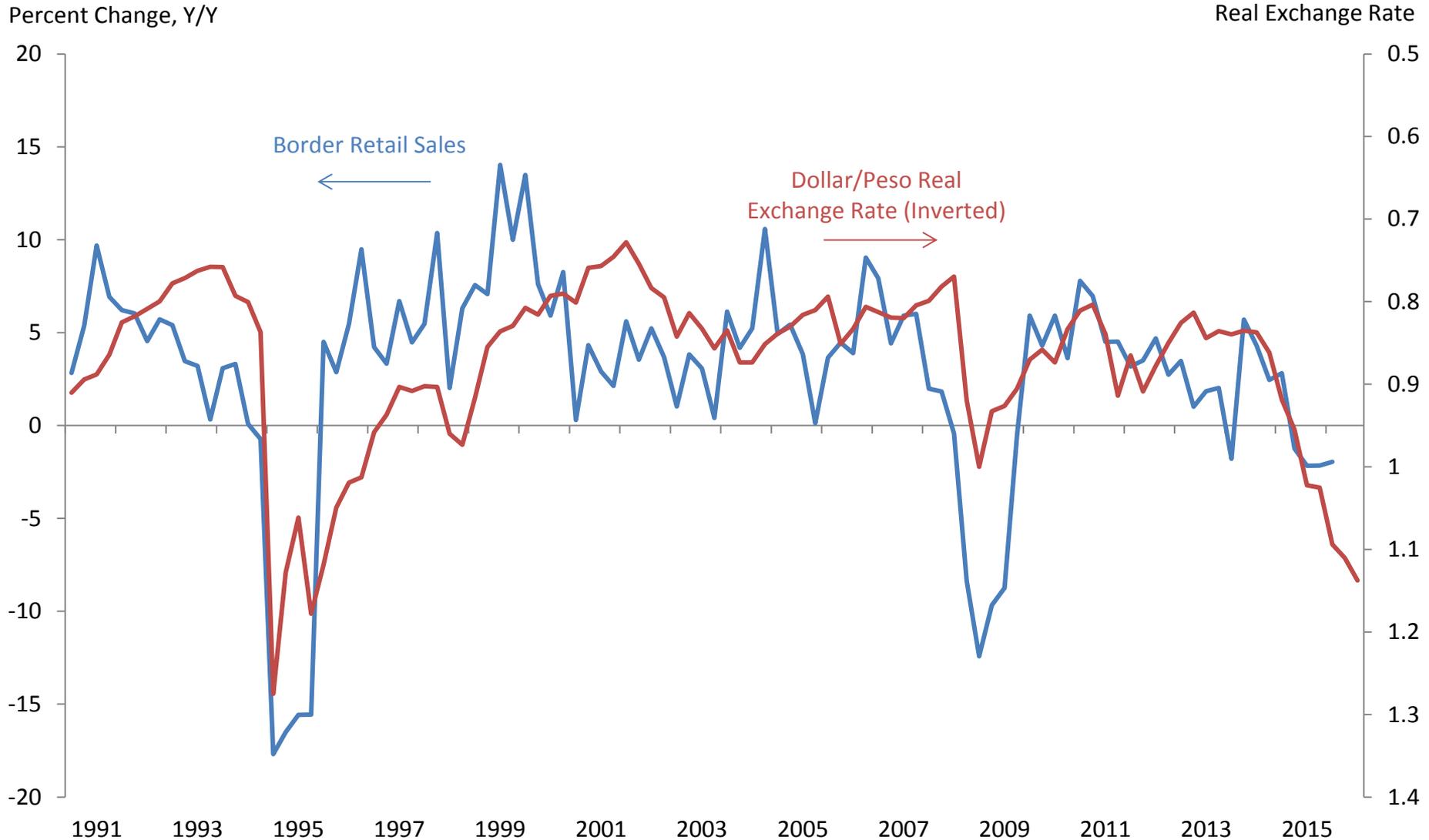


Note: Data are adjusted for annual BLS occupational reclassifications.

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

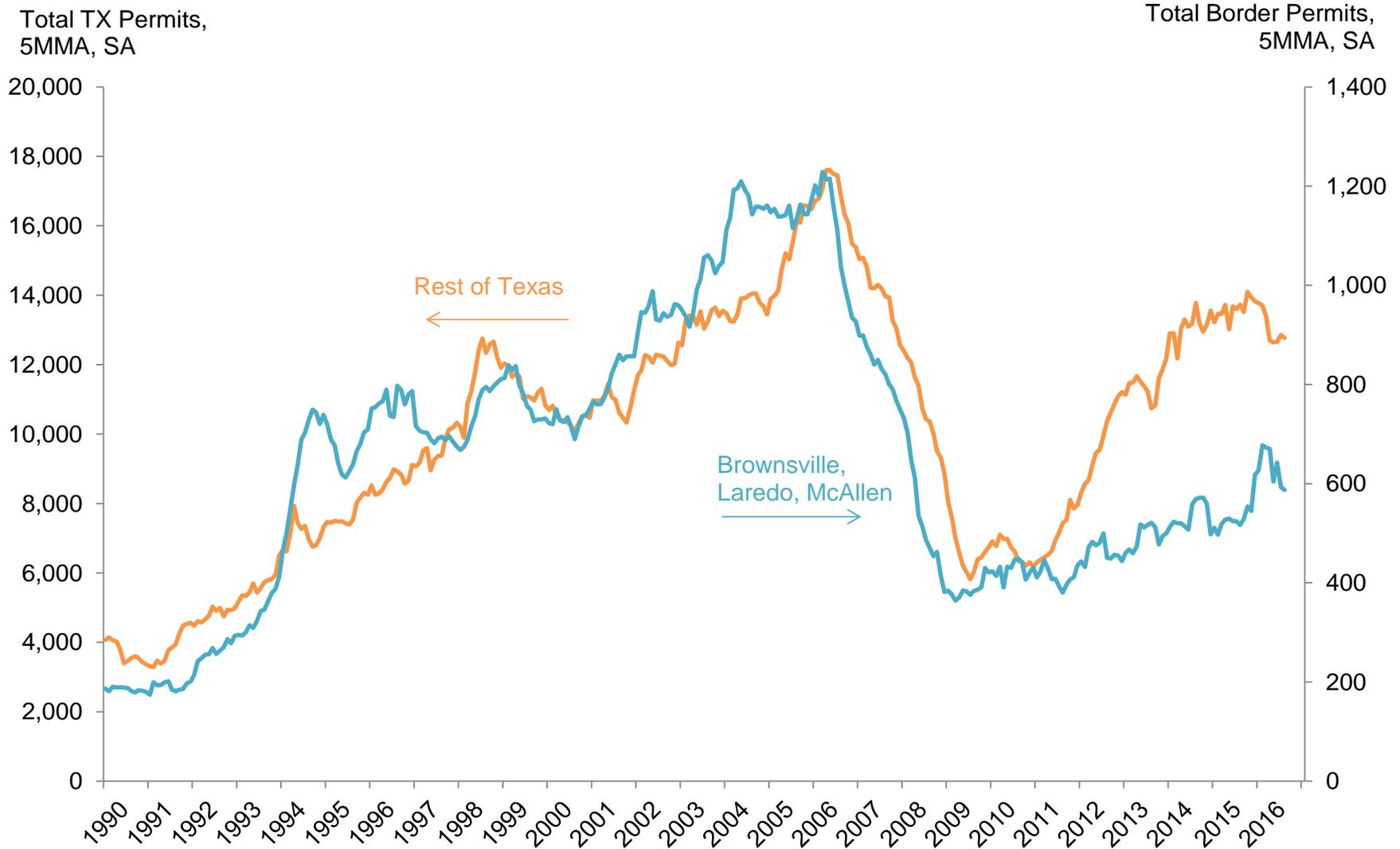


# Weak Peso Has Been A Drag on Border Retail Sales





# Tight Credit Conditions Likely Impacting Housing Growth in South Texas Border

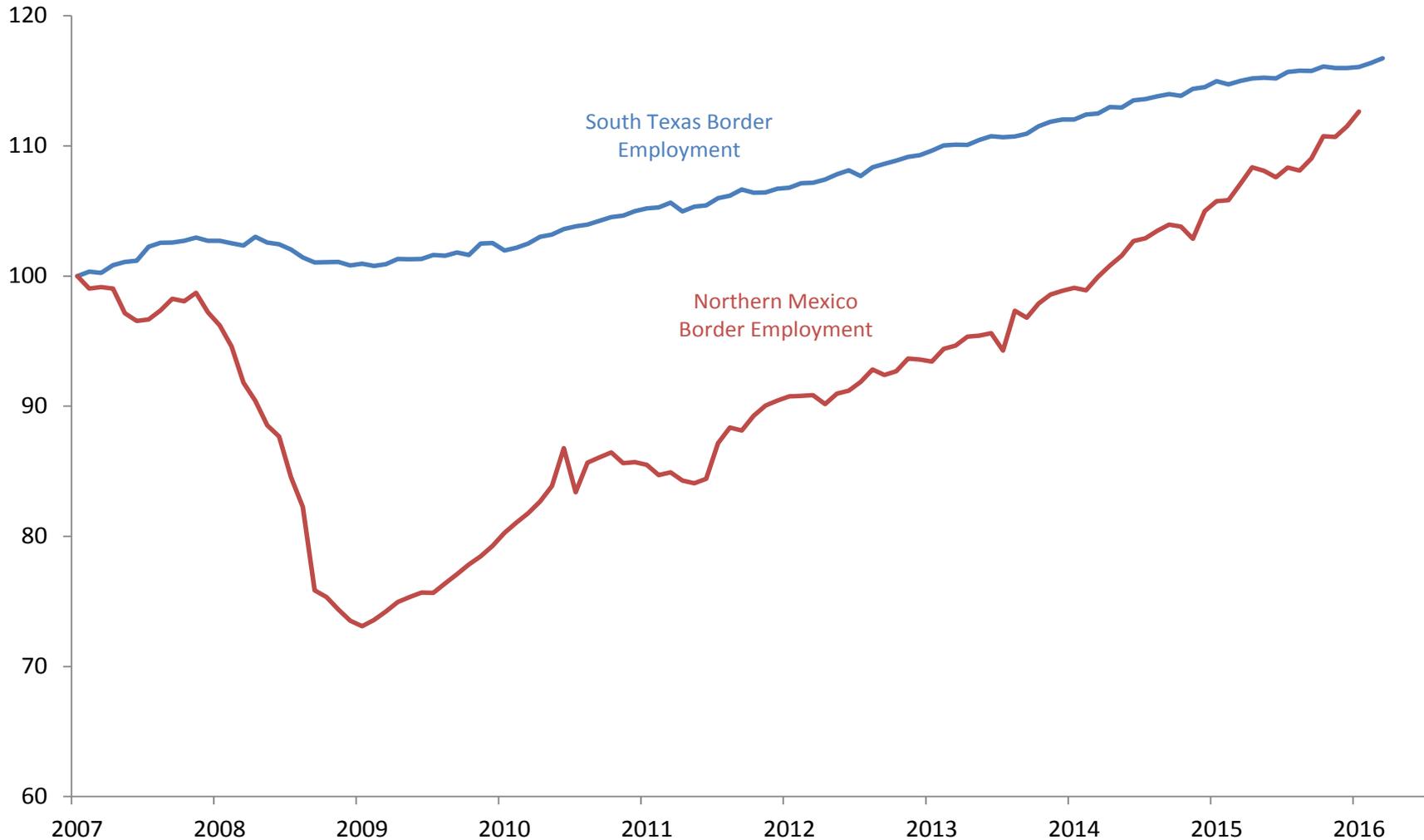


Sources: Census Bureau; Haver Analytics; Federal Reserve Bank of Dallas.



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

Index, Jul. 2007 = 100



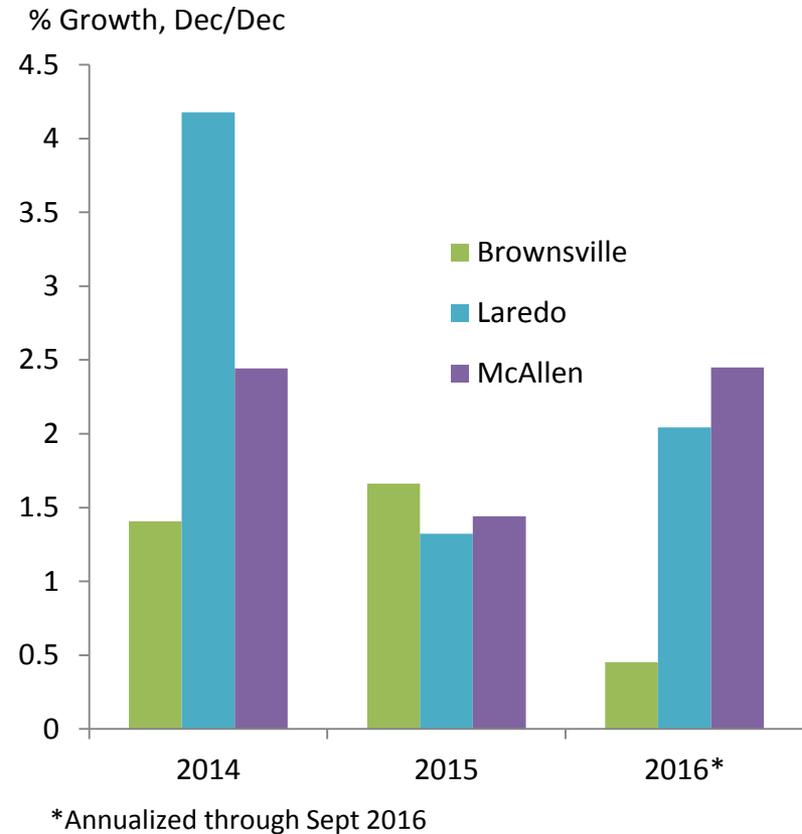
NOTE: South Texas includes Laredo, Brownsville, and McAllen. Northern Mexico Border includes Nuevo Laredo, Matamoros, and Reynosa.

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



# Border Economy Improving in 2016

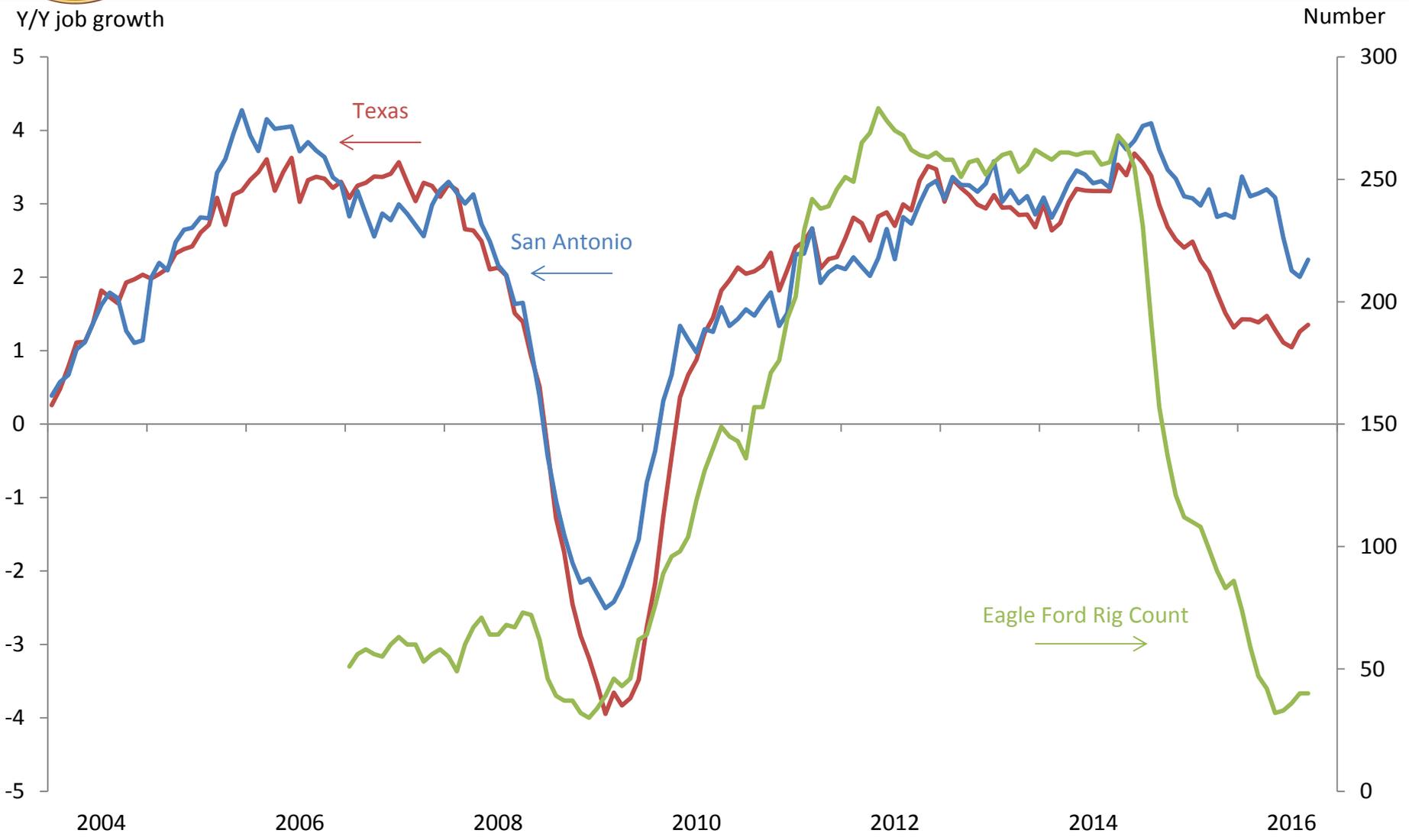
- 2016 job growth accelerating in Laredo and McAllen, slowing in Brownsville.
- Education and health care jobs continuing to grow strongly this year.
- Federal gov't picking up sharply after weakness over the past several years.
- Retail jobs remain weak; very slow growth since the strengthening of the 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 2017.



# San Antonio



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

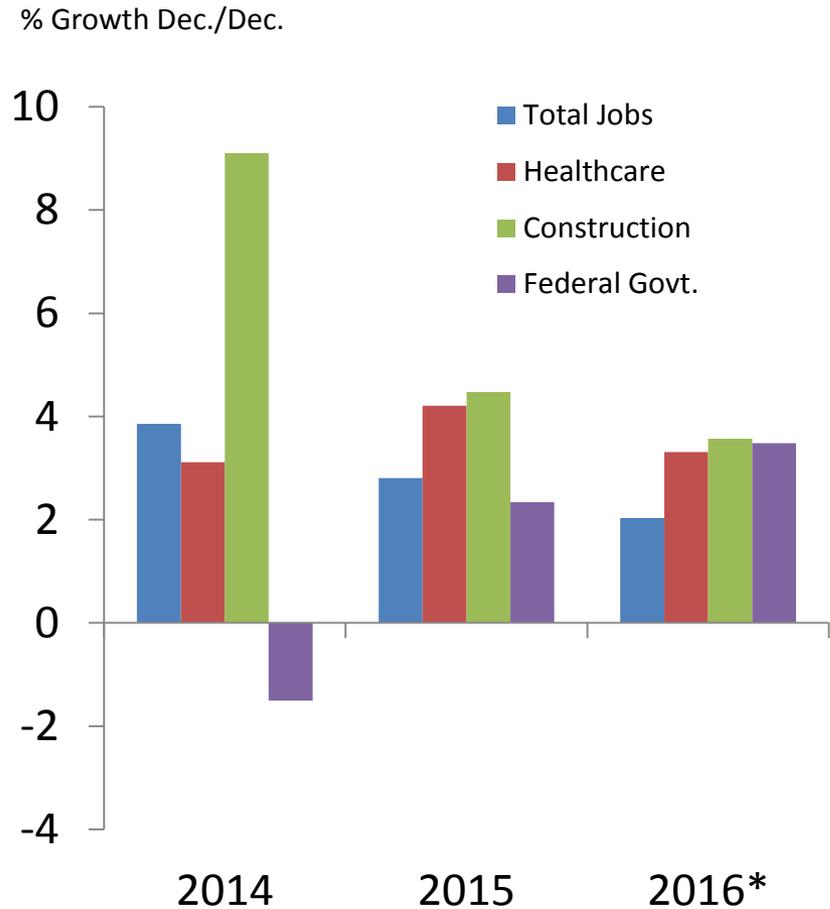


NOTE: Eagle Ford rig count data not available prior to 2007.  
SOURCE: Bureau of Labor Statistics, Baker Hughes, Federal Reserve Bank of Dallas.



# San Antonio Economy Softening Somewhat in 2016

- 2016 job growth at 2.0% so far after 2.8% in 2015
- Federal govt. accelerating this year.
- Health care and construction holding steady after strong expansion in last two years.
- Retail, leisure and hospitality weaker, possible spillover effects from Eagle Ford.
- Overall job growth in San Antonio likely to be 2.0 – 2.5% this year and 2.5 – 3.0% in 2017



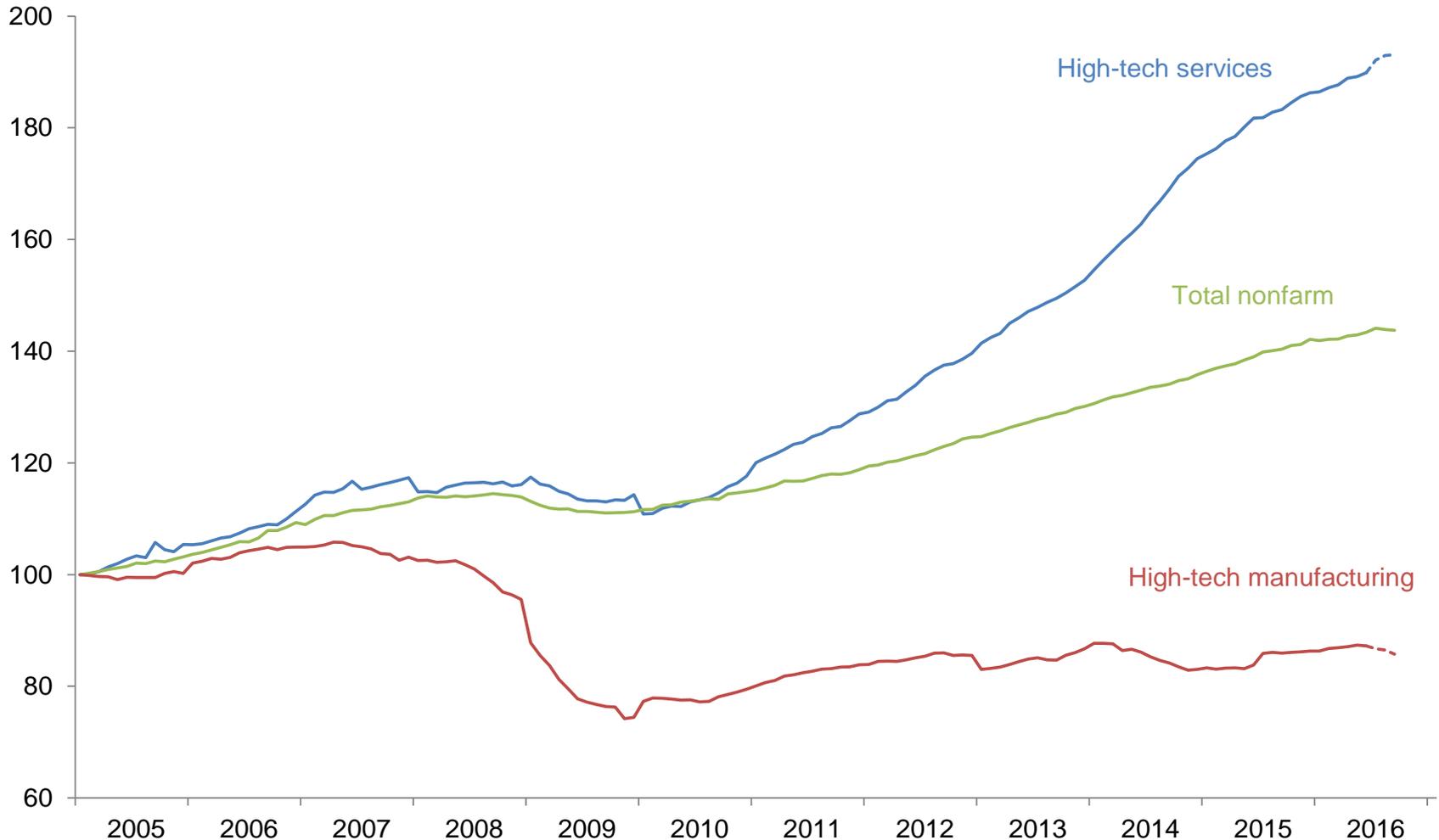
\*Annualized through Sept. 2016

Austin



# Austin Technology Services Employment Continues to Outpace Overall Job Growth

Index, Jan. 2005 = 100



NOTE: Data are seasonally adjusted, dashed lines represent estimates based on broader industry data.

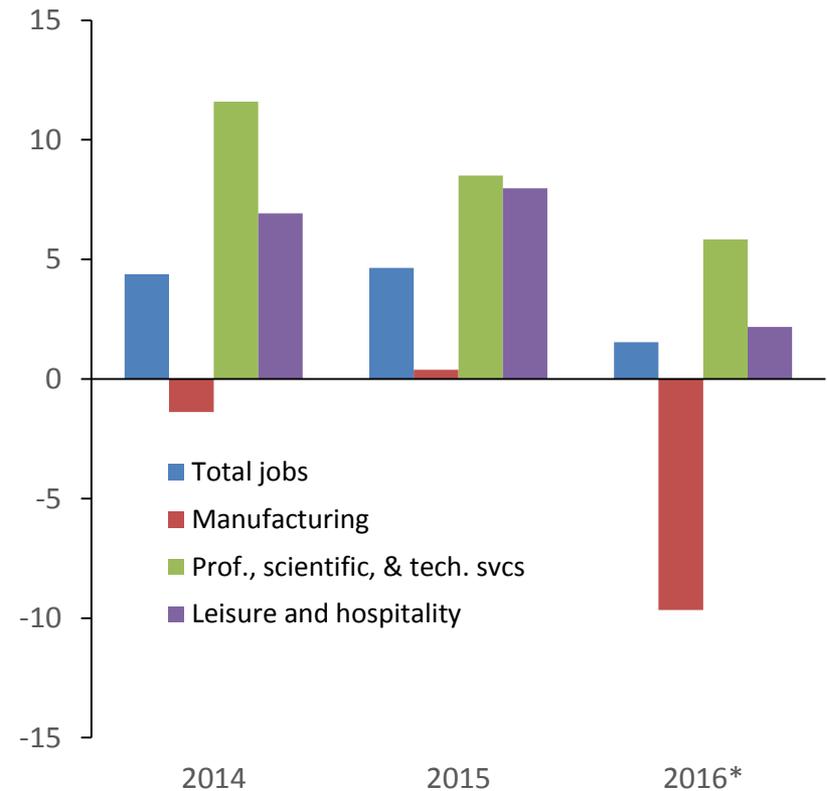
SOURCE: Texas Workforce Commission; Bureau of Labor Statistics; adjustments by Dallas Fed.



# Austin Economy Slowing in 2016

- 2016 job growth down to 1.5% so far this year from 4.6% last year.
- High tech services growth slowing but remain strong.
- Finance and government accelerating from last year.
- Manufacturing, health care shedding jobs; leisure and hospitality and retail still growing but are very weak
- Overall job growth likely to be about 2.0% this year – 3.0 to 4.0% next year

% Growth Dec./Dec.



\*Annualized through Sept. 2016



# Summary and Conclusions

- Historically job growth has been strong in South Texas
- Metros areas in region have common and unique features
- This year, Austin and San Antonio slowing
- South Texas Border improved but still below long-term trend.
- Despite current weakness, outlook is generally good: job growth in the major regions of South Texas will surpass the rest of the state in 2016 and 2017 – exception is counties in the Eagle Ford