

Austin Economic Indicators



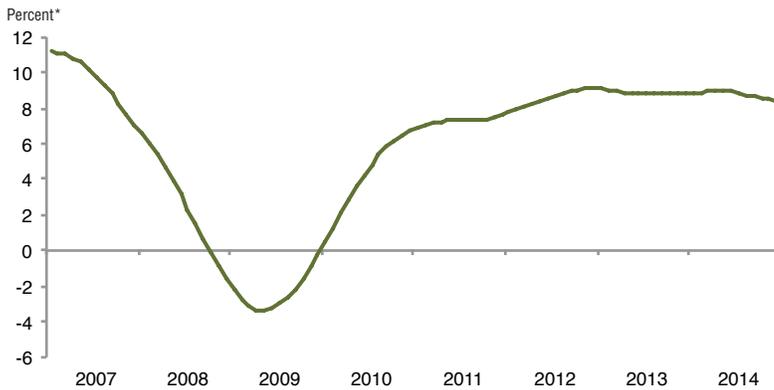
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Summary

The Austin economy grew at a stable pace in December. Jobs expanded at a modest annualized rate of 0.7 percent, while the unemployment rate fell sharply to 3.7 percent. Housing markets remained steady, with permits and median home price appreciation indicating strong momentum moving into 2015. Austin-area manufacturing picked up at the end of 2014, with production and volume of new orders accelerating.

Economic Activity

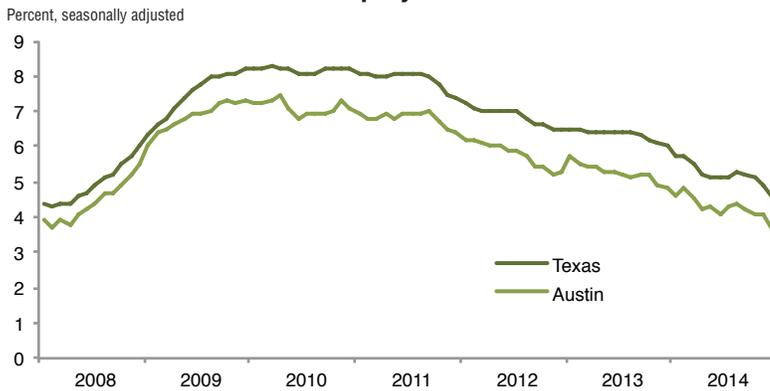
Austin Business-Cycle Index



► The Austin Business-Cycle Index grew at an 8.3 percent annualized rate over the second half of 2014. While this pace dipped slightly from 8.8 percent in the first half of the year, it remains more than 3 percentage points above the 30-year average. Job growth in the second half of the year was a below-average 2.7 percent, but a 0.4 percentage-point drop in the unemployment rate from June to December contributed to continued gains in the index.

Employment

Unemployment Rate

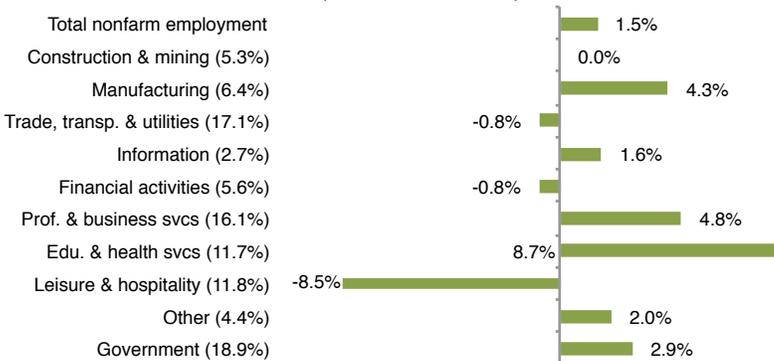


► Austin's unemployment rate dropped from 4.1 percent in November to 3.7 percent in December. This reflects the broader trend seen in the state's rate, which fell 0.3 percentage points to 4.6 percent. Austin's rate is now at the same level as in early 2008, nearly half a year before the metropolitan area entered recession

► Austin job growth slowed to an annualized 1.5 percent in the fourth quarter, with mixed movements across industries. Education and health services saw 8.7 percent growth, with the majority of new jobs in health care and social assistance. Professional and business services also grew at a healthy pace, with a 6.2 percent jump in hiring for professional, scientific and technical services as well as strong job growth for temporary workers. Manufacturing, generally a source of weakness in 2014, expanded 4.3 percent. Surprisingly, construction and mining employment growth slowed to a halt in the fourth quarter after expanding 7.3 percent the first nine months of the year. Leisure and hospitality contracted sharply, with the majority of lost jobs stemming from food-service employment.

Employment Growth

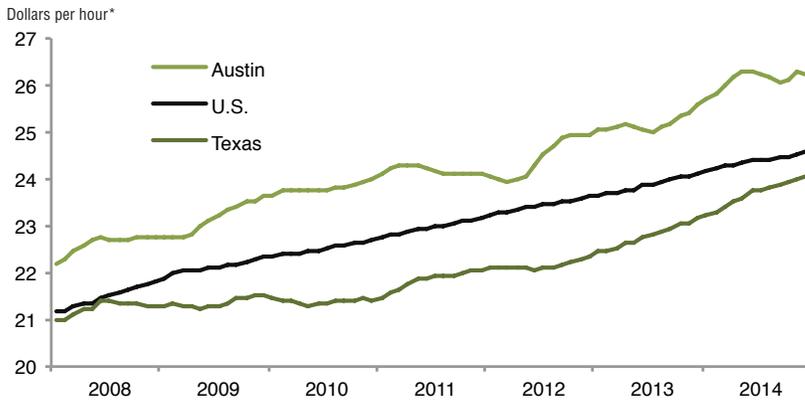
(October–December)



NOTES: Numbers in parentheses represent share of total employment and may not sum to 100 percent due to rounding. Job growth data are seasonally adjusted and annualized.

Employment

Private Sector Average Hourly Earnings



► Average hourly earnings in Austin continued to increase in 2014, though at a slower pace than in previous years. The five-month moving average of private sector earnings rose 2.7 percent for the year, above the nation's 1.8 percent growth but below the state's 3.9 percent. The first half of the year was strong for earnings, continuing the upward trend that began in mid-2013. However, average earnings fell slightly in the third quarter before picking up modestly in the fourth. With a rapidly shrinking pool of available workers putting more labor constraints on Austin than the rest of the state and the nation, it is possible that wage pressures will begin to pick up more rapidly in 2015.

Housing

Housing Permits



► December permits for new residential construction ticked up in Austin, with the five-month moving average up 1.9 percent over November's level. Permits were up 11.5 percent in 2014, slightly ahead of the state. Median home prices edged down in December to \$246,916, up 7.8 percent year over year and nearly 30 percent higher than the state average. Despite the slowdown in construction hiring in the fourth quarter, help-wanted advertising for construction workers remains near all-time highs, suggesting that housing construction will continue to be strong in the first half of 2015.

Manufacturing

Austin Purchasing Managers Index



► The Austin Purchasing Managers Index rose in December to its highest reading since June 2013, suggesting that area manufacturing activity is picking up. Nearly all the major components accelerated, with notable jumps in production and new orders. Inventories flattened out after falling sharply in November.

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

SOURCES: **Austin Business-Cycle Index:** Bureau of Labor Statistics (BLS), Texas Workforce Commission (TWC) and Federal Reserve Bank of Dallas; **unemployment rate:** BLS and Dallas Fed; **employment:** BLS and Dallas Fed; **private sector earnings:** TWC, BLS and Dallas Fed; **housing:** Multiple Listing Service; **Austin Purchasing Managers Index:** Institute for Supply Management–Austin.

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