

# Austin Economic Indicators

DALLAS FED

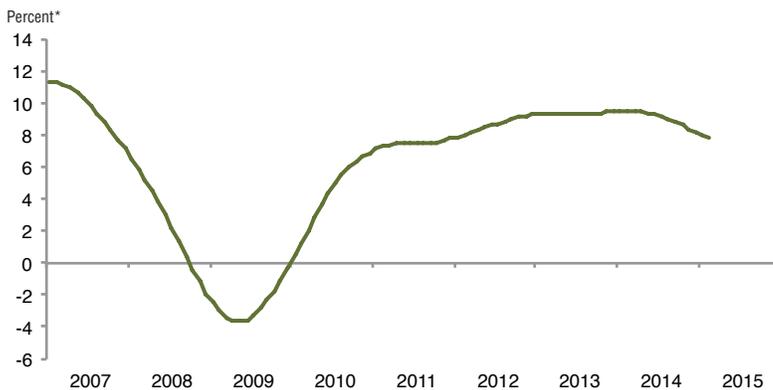
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## Summary

The Austin economy expanded at a moderate pace in January. Jobs grew at a tepid annualized rate of 1.2 percent, below the state's mild 1.7 percent. Unemployment ticked up to 3.7 percent, though it remains well below its historical norm. Despite continued price appreciation, home affordability increased slightly in Austin in the fourth quarter. The Austin Purchasing Managers Index fell in February, though it continued to indicate growth in the manufacturing sector.

## Economic Activity

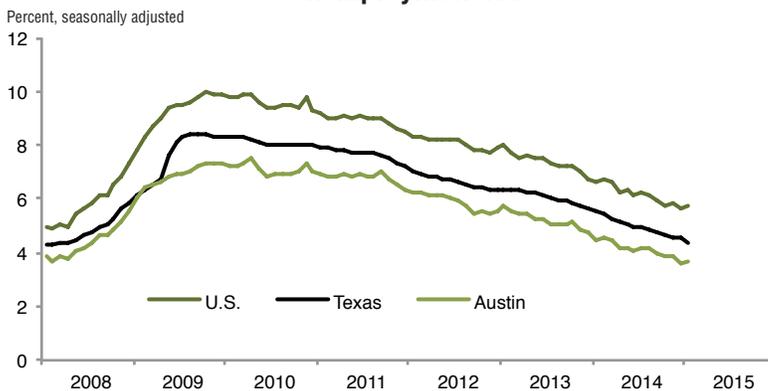
### Austin Business-Cycle Index



► The Austin Business-Cycle Index moderated in January, growing at a 7.8 percent annualized rate over the six months beginning in July. Though the index continues to expand robustly, it has slowed recently, due in part to below-average job growth in the second half of 2014. Given the low unemployment rate, however, at least part of the deceleration in job growth is likely due to firms having difficulty finding workers. This is supported by sharp increases in help-wanted advertising in the first two months of the year.

## Employment

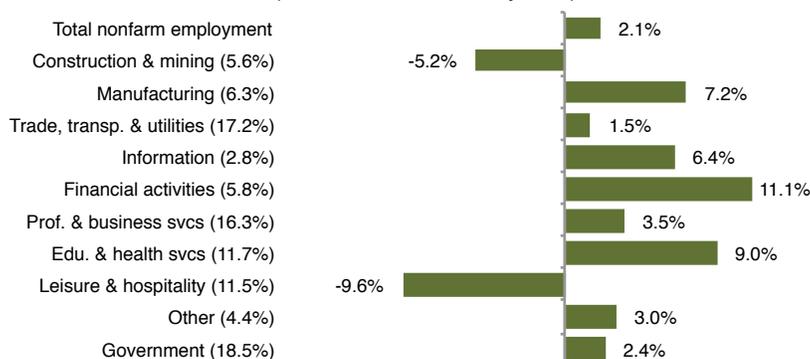
### Unemployment Rate



► Austin's unemployment rate ticked up slightly from 3.6 percent in December to 3.7 in January, while the state reading continued to decline, to 4.4 percent. Historically, Austin has seen unemployment rates fall as low as 2.1 percent during boom years. While household employment and labor force growth were healthy in 2014, both contracted in January.

### Employment Growth

(November 2014–January 2015)



► Austin jobs grew at an annualized pace of 2.1 percent in the three months ended in January. Growth was broad based, with most major sectors posting gains. Financial activities grew the most at 11.1 percent, with sharp increases coming particularly from real estate-related activity. Private education and health services expanded 9 percent, mainly due to increased health care employment. Manufacturing experienced a large bounce-back after showing weakness through much of last year. Construction and mining declined 5.2 percent, although a sharp increase in help-wanted advertising in February for construction and maintenance workers suggests this may be temporary. Leisure and hospitality saw the sharpest decline at 9.6 percent, due in part to a reduction in accommodation and food services jobs.

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

### Retail Sales and Employment



\*Seasonally adjusted.

► Retail activity in Austin grew strongly in the first half of 2014 as real retail sales rose 5.1 percent and employment in retail trade increased an annualized 2.9 percent. However, job growth slowed in the third quarter to 2.1 percent then dropped sharply, by 3.6 percent, in the fourth quarter. This recent decline in retail employment suggests that retail sales may have weakened in the second half of last year. A regression of retail sales on its own past movements and on retail employment suggests that the second half of 2014 saw little to no growth in sales.

## Housing

### Housing Affordability

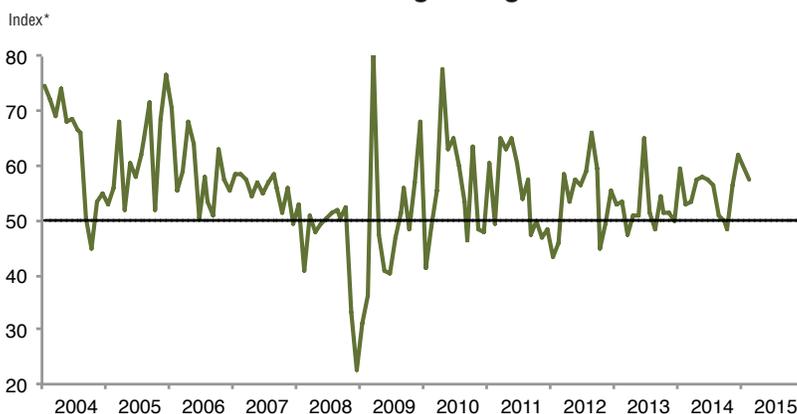


\*Population-weighted average of the Dallas, Fort Worth, Houston and San Antonio indexes.

► Housing affordability in Austin, as measured by the National Association of Home Builders/Wells Fargo Housing Opportunity Index, increased in the fourth quarter to 61.5. This measure indicates that 61.5 percent of homes sold were affordable to a median-income family in Austin. While strong home price appreciation in Austin has reduced affordability the past several years, stronger income growth has kept affordability relatively high. As a result, affordability over the last two quarters of 2014 was slightly higher in Austin than in most of the other major Texas metros.

## Manufacturing

### Austin Purchasing Managers Index



\*Seasonally adjusted; a value of 50 indicates expansion.

► The Austin Purchasing Managers Index edged down to 57.4 in February. This suggests that manufacturing activity decelerated, as reflected by mixed growth in the index's components. Production and new orders weakened, showing no net growth, while inventories fell substantially. However, the supplier deliveries index rose, indicating longer delivery times for goods, a sign of stronger business activity. Along with the substantial increase in manufacturing employment in recent months, indicators seem to suggest tamer but positive manufacturing growth in the near future.

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; **retail sales and employment:** BLS, Texas Comptroller of Public Accounts; Dallas Fed; **housing:** National Association of Home Builders/Wells Fargo; **Austin Purchasing Managers Index:** Institute for Supply Management–Austin.

CONTACT: Questions regarding *Austin Economic Indicators* can be addressed to Christopher Slijk at [christopher.slijk@dal.frb.org](mailto:christopher.slijk@dal.frb.org).