

Austin Economic Indicators

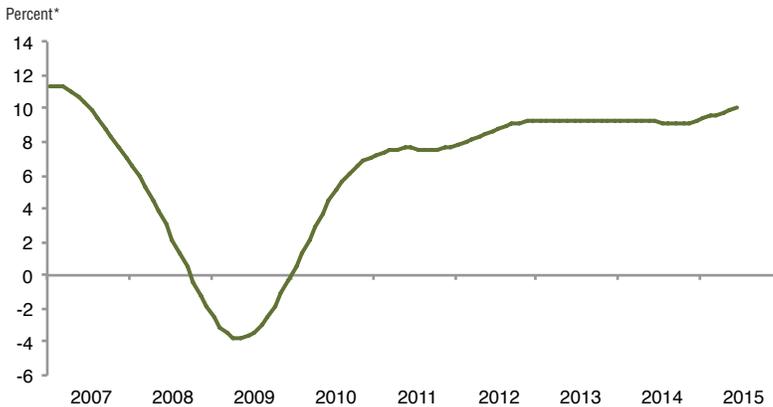
DALLAS FED

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Summary

The Austin economy continued to grow strongly in May. Job growth picked up to a 6.6 percent annualized rate, triple the state rate of 2.1 percent. The unemployment rate further declined to a postrecession low of 3.2 percent. Economic activity in Austin has continued to outpace that of other major metropolitan areas in Texas. A lesser dependency on the energy sector has insulated it from much of the weakness impacting the rest of the state, while industries such as hospitality have expanded robustly.

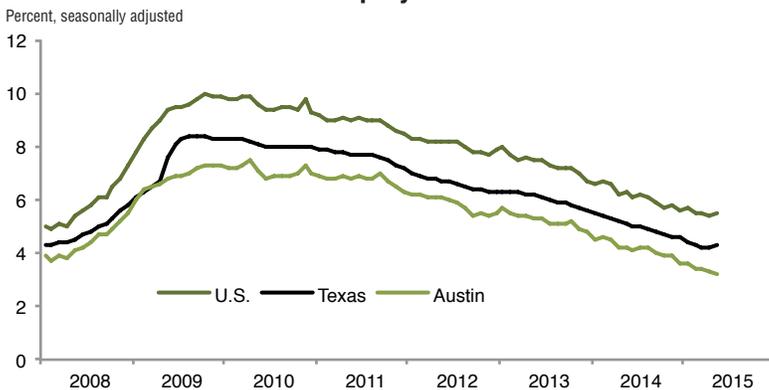
Austin Business-Cycle Index



► The Austin Business-Cycle Index continued to accelerate as growth picked up to an annualized 10 percent over the six months through May. Strong employment growth of 4.5 percent since November 2014, along with a 0.7 percentage-point drop in the unemployment rate, has pushed index growth to its fastest pace since mid-2007.

Employment

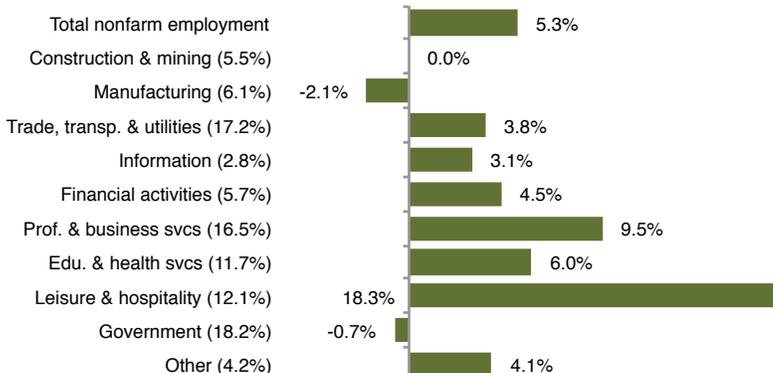
Unemployment Rate



► The unemployment rate fell for a second consecutive month in Austin even as it ticked up slightly in the state and the nation. Since the beginning of the year, the rate has declined from an already low 3.6 percent to a very tight 3.2 percent. With labor freeing up in other areas of the state, it's likely that employment growth in industries such as leisure and hospitality is at least partially attributable to an influx of workers coming from the energy sector.

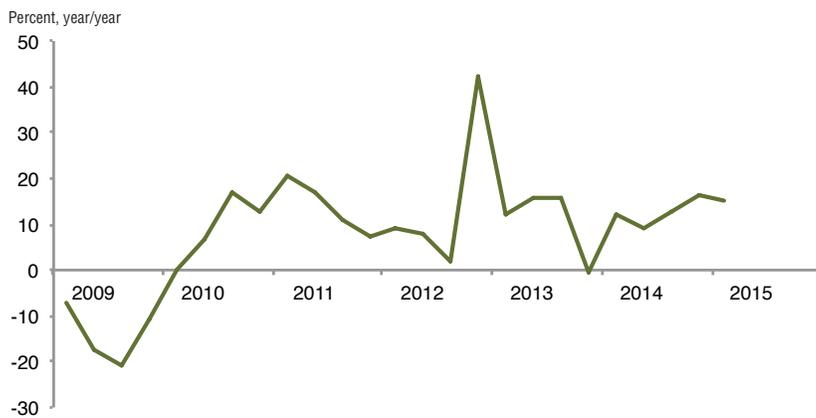
► Job growth in Austin accelerated to an annualized 5.3 percent in the three months ending in May. Growth has been broad based across most industries. Leisure and hospitality continued to expand rapidly, adding 4,800 jobs over this time. Professional and business services grew at a fast 9.5 percent pace, with a significant increase in high-paying scientific and technical services jobs. Health care employment also strengthened, with substantial hiring in ambulatory health care services, including physicians and other practitioners. Construction grew steadily in March and April but shed jobs in May to register no net change over this period. Manufacturing employment weakened, particularly in computer and electronics manufacturing, and federal government employment fell sharply.

Employment Growth (March–May)



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.

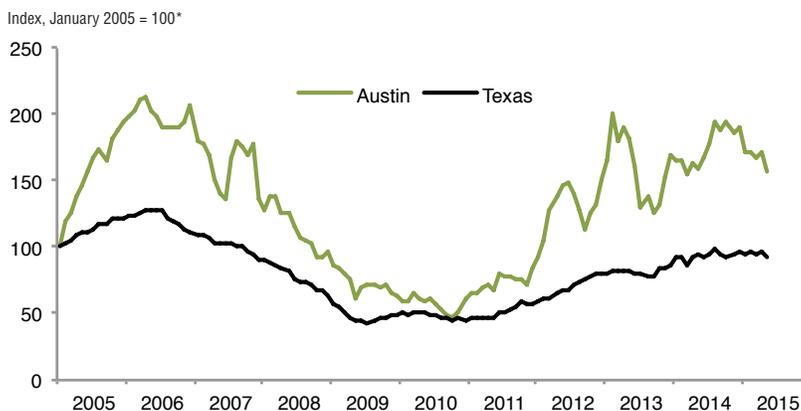
Quarterly Hotel Receipts



► Since the end of the recession, the leisure and hospitality industry has been a significant source of strength for the Austin economy. In first quarter 2015, gross receipts for hotels and lodging in the city of Austin grew 14.9 percent year over year. Over the past five months, employment in the sector has grown at a staggering 17.3 percent annualized rate, the fastest five-month pace since the start of the data in 1990. Some of this boost is likely due to the beneficial effects of lower energy prices spurring additional spending and travel. With continued strong tourism likely to persist during the summer months, the hospitality industry in Austin looks set for a very strong year overall.

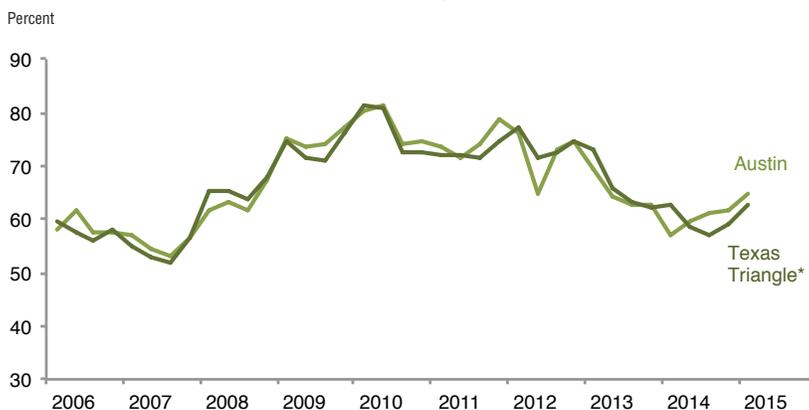
Housing

New-Home Permits



*Seasonally adjusted, indexed on five-month moving average.

Affordability Index



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

► Permits for new-home construction in Austin have moderated in recent months. While existing-home inventories are at a lean 2.5 months' supply, construction activity for new housing slowed somewhat in May. This may be temporary as heavy rainfall in Central Texas caused delays on new construction projects. Leading indicators such as help-wanted ads for construction and maintenance workers, which picked up by 5.1 percent in May, suggest that growth will likely rebound in the months ahead.

► Despite strong home price appreciation, housing affordability in Austin ticked up in the first quarter. The National Association of Home Builders/Wells Fargo Housing Opportunity Index rose to 64.6. This indicates that nearly two-thirds of homes sold in Austin were affordable to a median-income family, slightly above the weighted average of 62.9 for the other four largest Texas metros. The increase in affordability suggests that although median home prices recently reached an all-time high of \$262,387, incomes in Austin have risen rapidly enough and interest rates have remained low enough to keep homes affordable to most households.

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 Dallas Fed; **unemployment rate:** BLS and Dallas Fed; **employment:** BLS and Dallas Fed; **hotel receipts:** Texas Comptroller of Public Accounts; **housing permits:** Census Bureau; **housing affordability:** National Association of Home Builders/Wells Fargo.

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