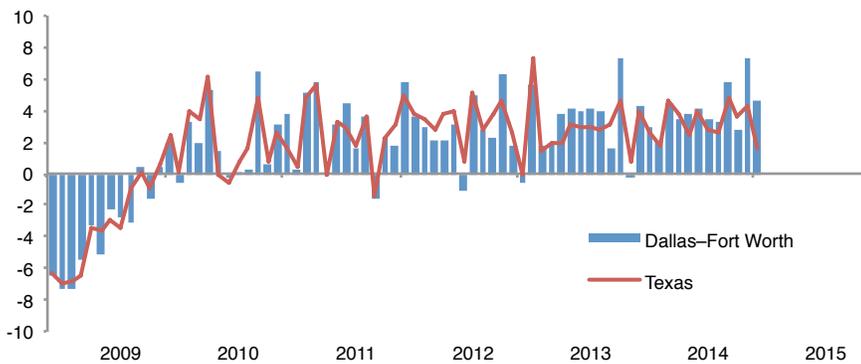


FEDERAL RESERVE BANK OF DALLAS • MARCH 10, 2015

Summary The Dallas–Fort Worth economy continues to expand at a solid pace. In January, DFW employment grew 4.6 percent, outperforming the state’s 1.7 percent rate. The unemployment rate held steady in Fort Worth and edged up in Dallas during the month. The residential housing market remains tight, characterized by low affordability and rising house prices. Dallas Fed business-cycle indexes point to continued expansion for the metroplex.

Employment

Month/month percent change, annualized*



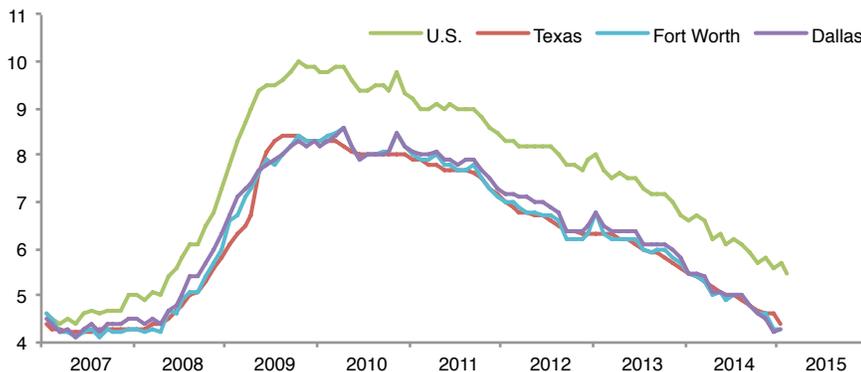
*Seasonal and other adjustments.

► Employment expanded at a rapid clip in January, although the 4.6 percent annual pace was down slightly from the 5.3 percent rate registered in the fourth quarter. Job creation occurred in most major sectors, with payroll declines limited to the financial activities and miscellaneous services sectors. In January, DFW added 12,500 jobs.

► The Conference Board’s Help Wanted On-Line Index for Dallas indicated the number of new job ads fell for a second month in a row in January, down 2.2 percent. Total job ads, however, rose 3.7 percent during the month and were up 10.7 percent from last year’s levels.

Unemployment Rate

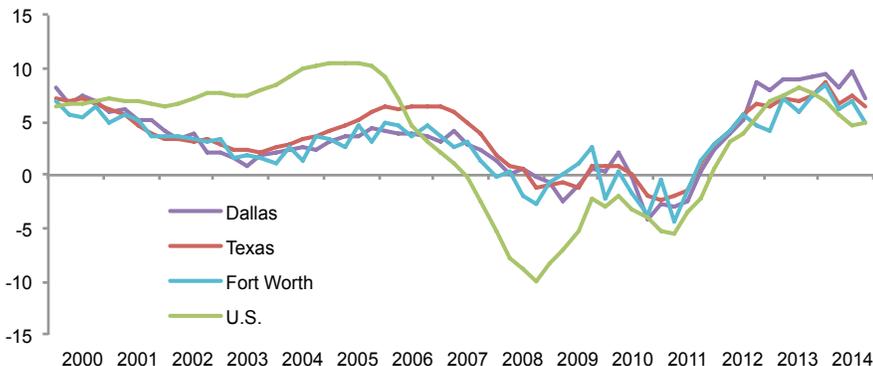
Percent, seasonally adjusted



► In January, the unemployment rate held steady at 4.3 percent in Fort Worth, edged up to 4.3 percent in Dallas and ticked down to 4.4 percent in Texas. All have unemployment rates lower than the U.S. rate of 5.5 percent. Unemployment is near prerecession lows in Dallas and Fort Worth and has declined 1.2 percentage points in both metros over the past 12 months.

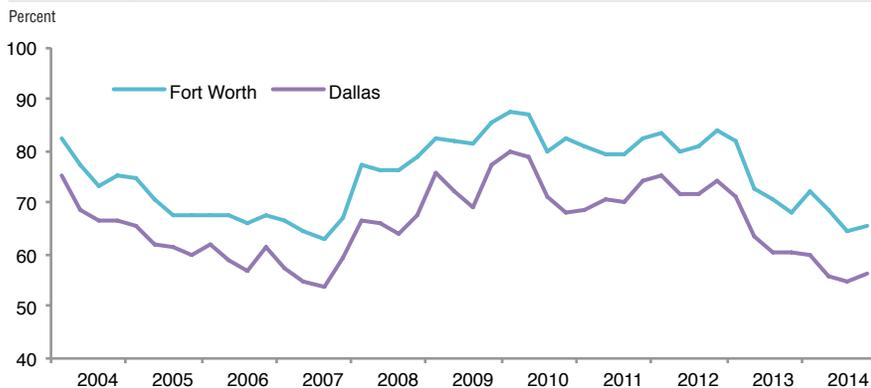
Home Prices

Year/year percent change, seasonally adjusted



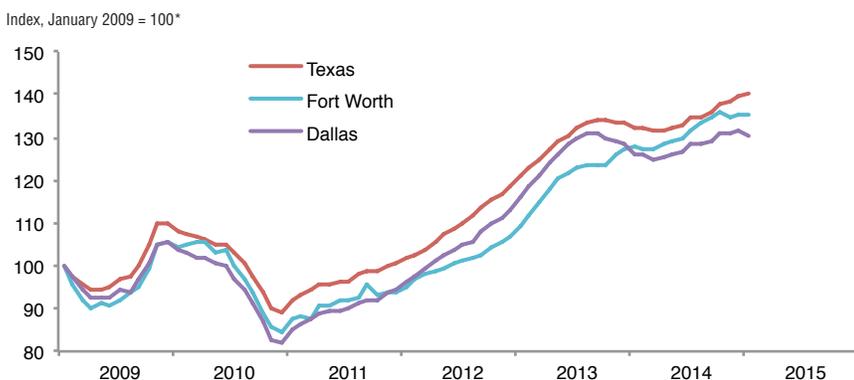
► The DFW housing market remained healthy in 2014, and home prices were trending upward at a more moderate pace at year-end. Home prices edged up 1 percent in Dallas and 0.4 percent in Fort Worth in the fourth quarter, according to the Federal Housing Finance Agency purchase-only house price index. This compares with increases of 2.6 percent in Dallas and 1.5 percent in Fort Worth in the third quarter. On a year-over-year basis, prices were up 7.2 percent in Dallas and 5 percent in Fort Worth—both higher than the national average gain of 4.9 percent. Prices in the metroplex have risen to levels well above their peak before the housing bust, in part due to low inventories and strong demand.

Housing Affordability



► Rising home prices have resulted in lower housing affordability in the metroplex. The National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI) for Dallas rose from 55 to 56.3 in fourth quarter 2014, suggesting that about 56 percent of the homes sold were affordable to median-income families. The HOI for Fort Worth ticked up from 64.6 to 65.7 over the same period. While the indexes for both metros improved slightly, they remain close to prerecession lows reached in third quarter 2007. Still, Dallas and Fort Worth continue to fare better than large metros such as Los Angeles and New York, where 16.2 percent and 24.7 percent of homes sold, respectively, were affordable to median-income families.

Home Sales

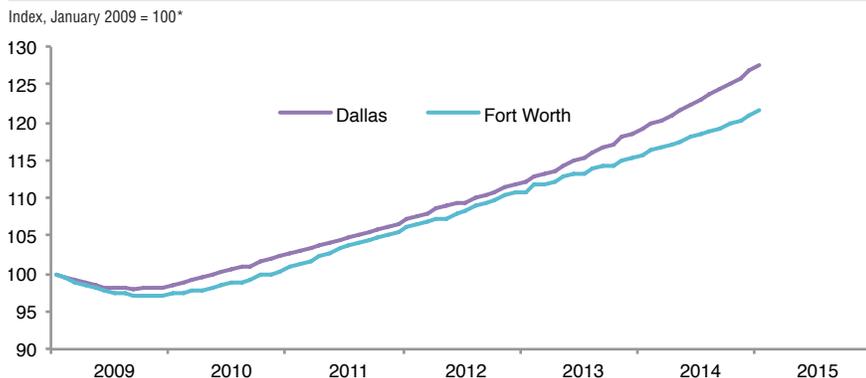


*Six-month moving average; seasonally adjusted.

► Existing-home sales declined 6.6 percent in Dallas and 0.8 percent in Fort Worth in January. In 2014, total home sales grew 0.7 percent in Dallas, 6.7 percent in Fort Worth and 3.3 percent in Texas. Rising home prices and low inventory levels contributed to modest sales growth in Dallas last year.

► Home inventories remain tight. In January, supplies were 2 months in Dallas, 2.3 months in Fort Worth and 3.4 months in Texas, according to the Multiple Listing Service. These figures are below the U.S. level of 5 months and well below the 6-month threshold that usually signals a balanced housing market. Inventories in both metros are lower than the levels seen during the U.S. housing boom.

Business-Cycle Index



*Monthly; seasonally adjusted.

► Overall economic activity continues to pick up briskly in the metroplex, according to the Dallas Fed's metro business-cycle indexes. In January, the Dallas index rose at a robust pace of 7 percent (annualized), and the Fort Worth index increased 6.9 percent. Year over year, the indexes have climbed 7 percent in Dallas and 5.3 percent in Fort Worth, thanks to strong job creation and sharp declines in unemployment.

► The Dallas Fed produces business-cycle indexes for Texas and its major and border metros to help gauge the current state of the economy. The metro indexes are constructed using payroll employment, the unemployment rate, inflation-adjusted real wages and inflation-adjusted retail sales.

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

SOURCES: **Employment:** Bureau of Labor Statistics' Current Employment Statistics, Texas Workforce Commission and Federal Reserve Bank of Dallas; **unemployment:** Census Bureau and Dallas Fed; **housing:** Federal Housing Finance Agency, National Association of Home Builders/Wells Fargo and Multiple Listing Service; **business-cycle indexes:** Dallas Fed.

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