

Waco's Economy It's Come a Long Way from Cotton, Dr Pepper

Nestled near the confluence of the Brazos and Bosque rivers, Waco was settled in 1849 at the site of a village once home to the Waco Indian tribe. The town was primarily agrarian, with a flourishing cotton plantation economy, until the early 1870s, when a 474-foot suspension bridge across the Brazos and the arrival of the railroad turned it into a prominent jumping-off point for pioneers heading west.



The addition of two other railroads in the 1880s made the city a transportation hub for agricultural goods, and Waco began to boom with textile and flour mills, foundries, bottling companies and banks. Three colleges soon opened their doors, among them the present-day Baylor University. A Waco pharmacist invented Dr Pepper, America's oldest major soft drink

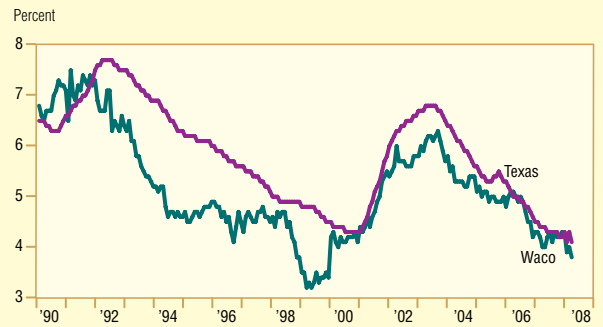
brand, during this decade.

Over the years, Waco's entrepreneurial spirit energized its economy following downturns and attracted businesses from a broad range of industries. Today, the onetime cotton town is an urban center with a population of about 228,000 and an economy closely linked to the Texas business cycle. Waco's unemployment has risen and fallen with the state's (*Chart 1*).

No major industry accounts for more than a fifth of the Waco metropolitan area's total employment (*Chart 2*). With 18 percent of the area's 109,000 jobs, the largest sector is education and health services. Baylor, Waco's largest private employer, combines with two other higher-education institutions to provide stability and growth to the local economy. Job creation in the education services industry rose 2.6 percent last year.

In health care, the area's two major hospitals are undergoing vast expansions.

Chart 1
Waco, State Jobless Rates in Sync



SOURCES: Bureau of Labor Statistics; Texas Workforce Commission.

In fact, the Hillcrest Baptist Medical Center project ranked among the 10 largest breaking ground in Texas in 2006.

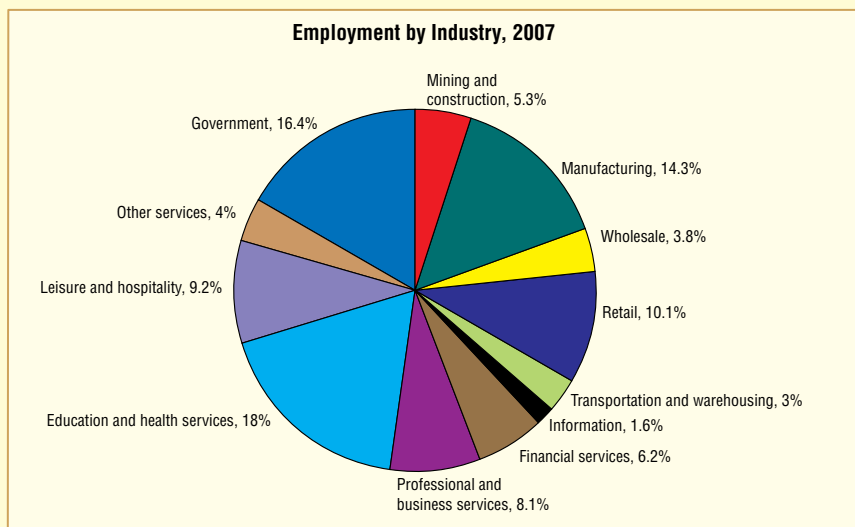
Manufacturing is among Waco's mainstays, accounting for about 14 percent of area jobs. Electronics and food manufacturers are the dominant employers and include Cargill Foods, Masterfoods USA, Pilgrim's Pride, Sanderson Farms and L-3 Communications. Although manufacturing employment has slid since 2005, average weekly factory wages have continued to rise.

Waco's housing market looks like many others in the state. From 2001 to 2006, single-family building permits doubled, and home sales grew at a swift pace. But building and sales activity peaked in late 2006, and permits were down 15 percent in April 2008 from year-earlier levels. Home inventories have climbed to 9.4 months, exceeding the state average of 6.3 months. Home prices are about where they were in 2007.

Diversity and stability have given Waco steady but unspectacular growth—no booms, no busts. From 1997 to 2000, for example, state job growth was 13.5 percent, while Waco payrolls rose by 7.8 percent. Between March 2001 and July 2003, when Texas lost 2.3 percent of its jobs, employment in Waco contracted 1.4 percent.

—Laila Assanie

Chart 2
Diverse Base Shapes Waco Economy



SOURCES: Bureau of Labor Statistics; Texas Workforce Commission.