



TEXAS

The Real Estate Center (REC) at Texas A&M University's February 2017 Summary noted that "The Texas economy remained strong as the energy sector performed well. Oil prices rose and stimulated production. Manufacturing employment benefitted from the increased energy activity, adding 3,900 jobs. Texas wages continued to lag inflation, thereby reducing consumers' purchasing power. However, consumers remained optimistic regarding future economic conditions. Housing prices in Texas appreciated as supply continued to fall short of growing demand. Potential headwinds to the Texas economy include trade uncertainty (especially with Mexico), volatile energy prices, and tax policy uncertainty."

AUSTIN

On April 6th, the Dallas Fed reported that "Austin continued its economic expansion in February, albeit at a slower pace. The Austin Business-Cycle Index softened and grew below its long-term average. Job growth slipped, and the unemployment rate rose notably, although it remains the lowest among Texas' major metro areas. Population growth remains strong in Austin, suggesting that despite a very low unemployment rate, the metro is likely to continue to have the workers to support healthy job growth in 2017."



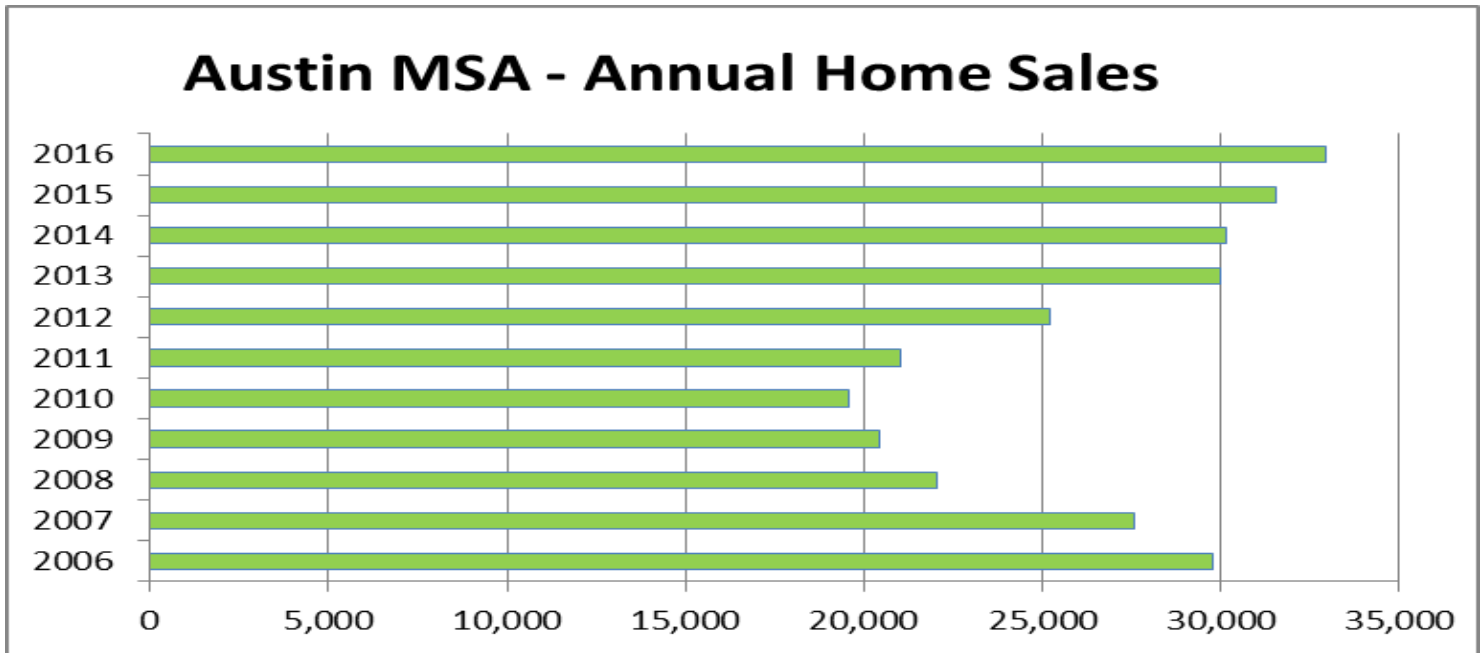
UNITED STATES

"Economic indicators released in February and March have been mostly positive, with the 2017 consensus outlook for output and inflation improving slightly since January's Federal Open Market Committee (FOMC) meeting."

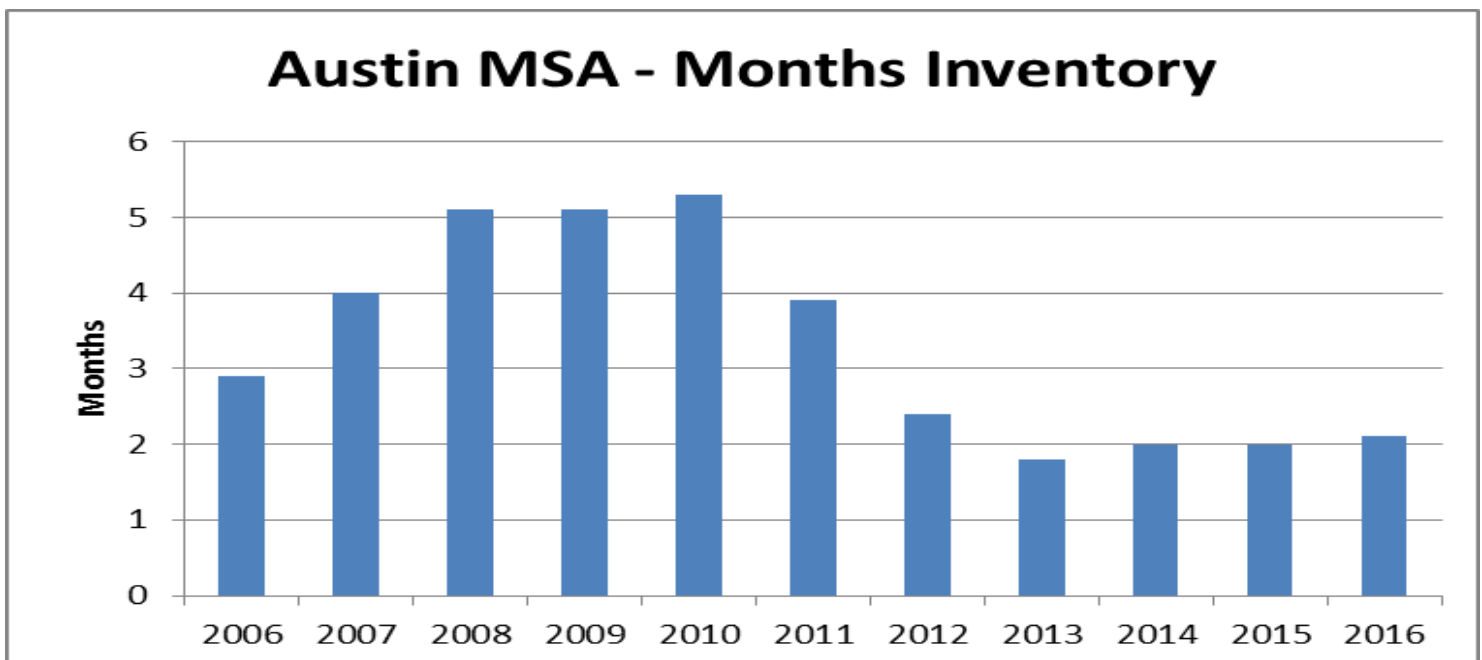
The second revision for real (inflation-adjusted) gross domestic product (GDP) growth in fourth quarter 2016 was unchanged at 1.9 percent, with a shift from investment to consumption. Other indicators such as the Institute for Supply Management (ISM) Manufacturing Index suggest improving business investment in 2017." – Research Department at the Federal Reserve Bank of Dallas

HOUSING – ANNUAL AUSTIN MSA SALES AND MONTHS INVENTORY

On the next couple of pages are the Austin MSA Annual Home Sales, Months Inventory, Sales Price, and Price Distribution graphs. The graphs highlight the reality of the Austin housing market (high demand + low inventory = higher prices).

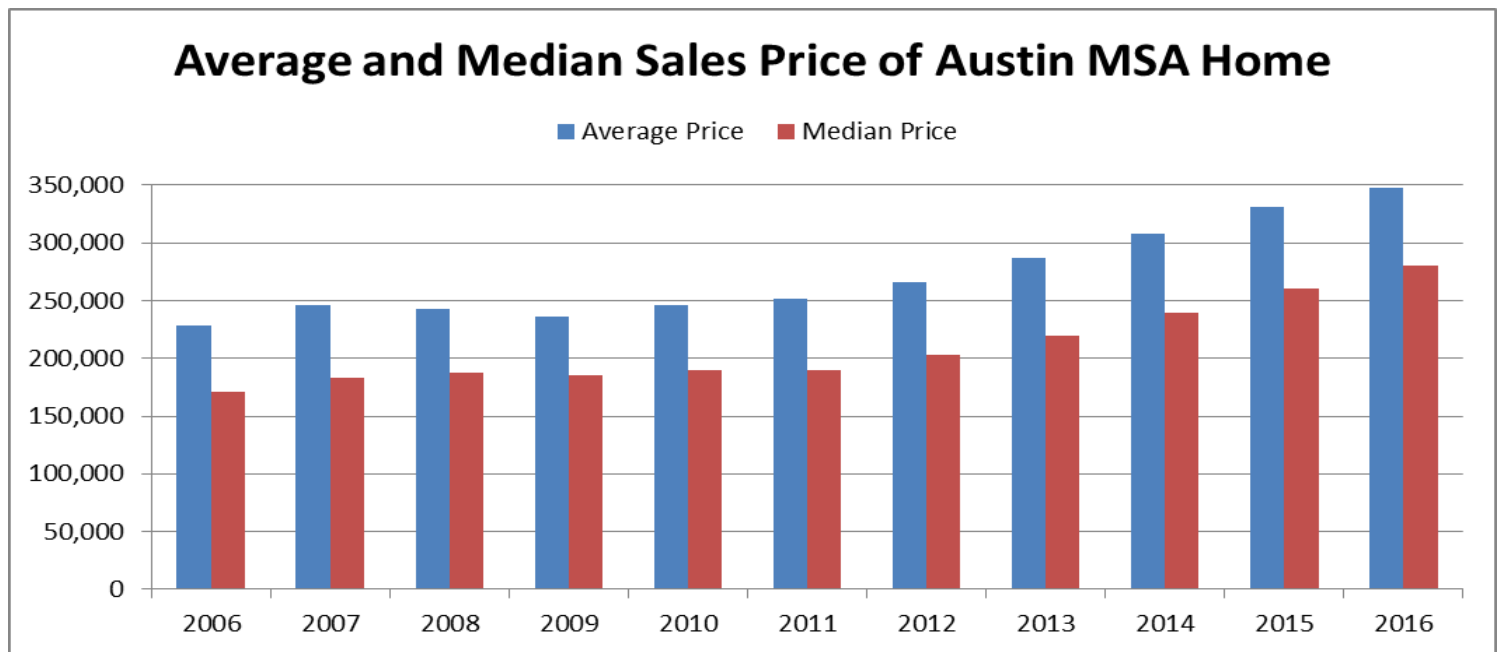


Source: Real Estate Center at Texas A&M University

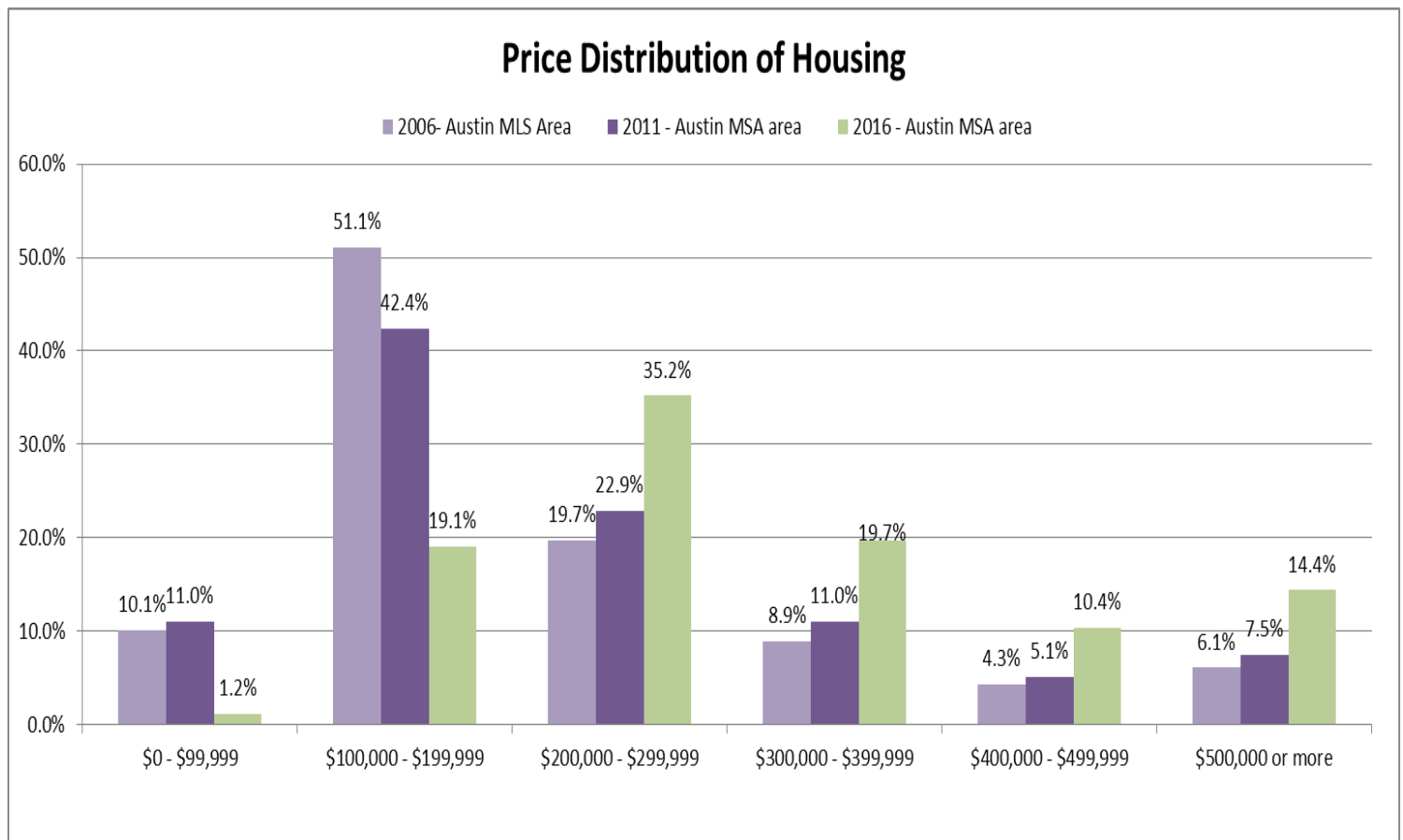


Source: Real Estate Center at Texas A&M University

HOUSING – AUSTIN MSA SALES PRICE AND PRICE DISTRIBUTION



Source: Real Estate Center at Texas A&M University

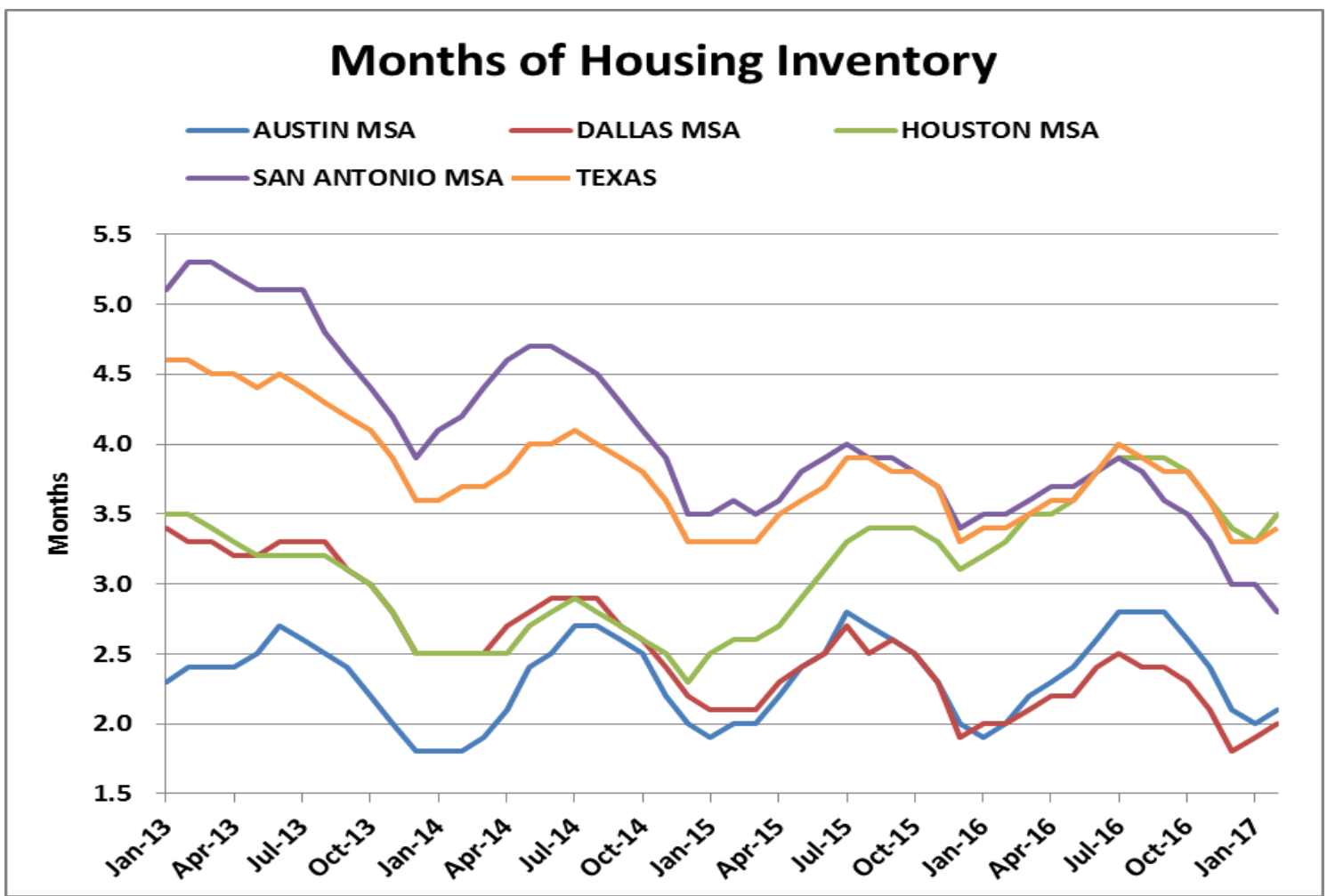


Source: Real Estate Center at Texas A&M University
Percentages may not equal 100% due to rounding

HOUSING – INVENTORY

The Austin MSA's months of housing inventory increased from 2.0 in January to 2.1 in February. It has been below 3.0 months since November 2012. The Real Estate Center has estimated that “seasonally adjusted; around 6.5 months of inventory is considered a balanced housing market in which neither sellers nor buyers dictate prices.”

“Austin remains one of the tightest residential real estate markets in Texas. However, growth in new-housing permits, particularly for single-family homes, has continued to trend upward and suggests some balancing of the market this year.” – Dallas Fed

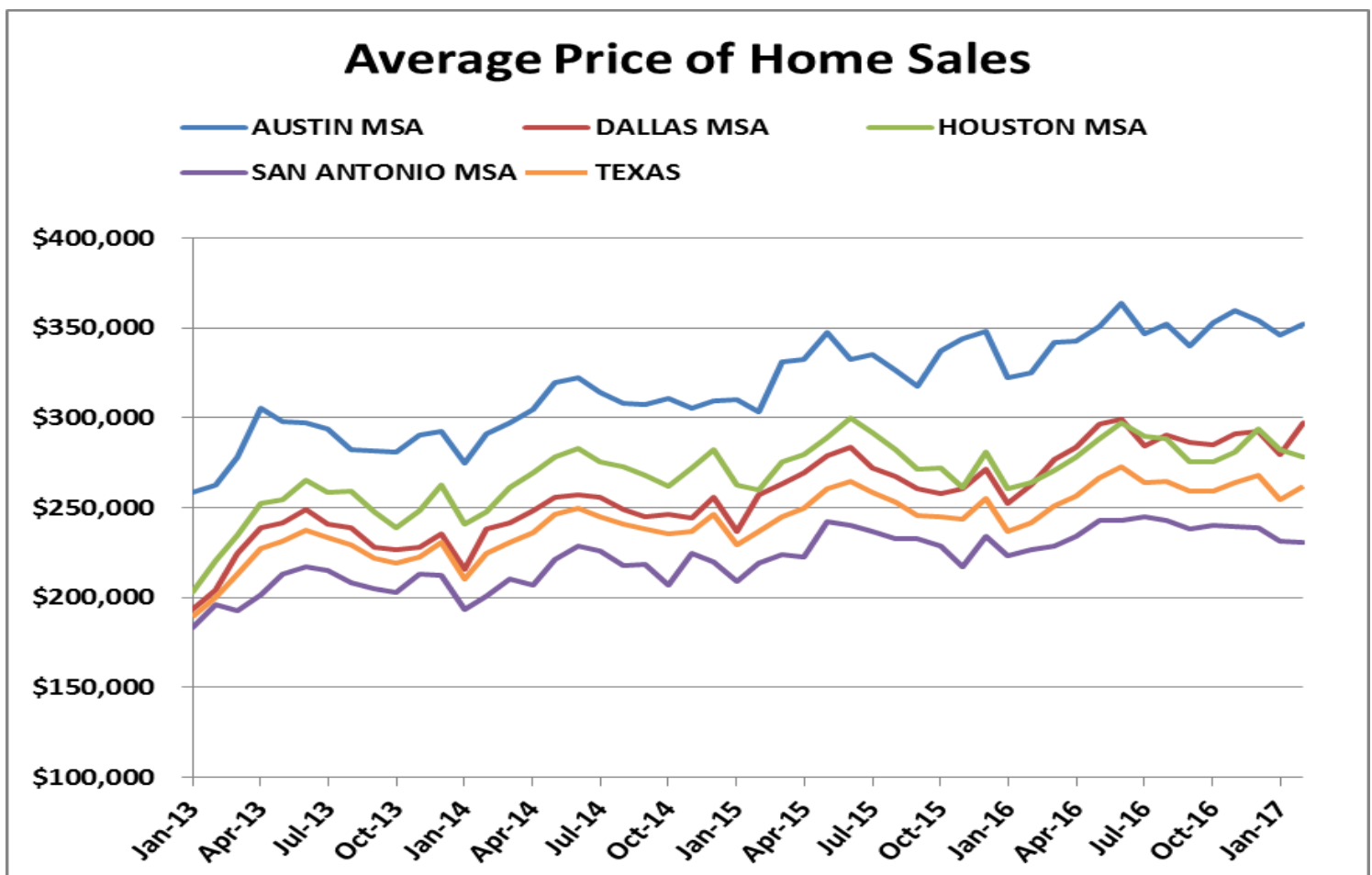


Source: Real Estate Center at Texas A&M University

HOUSING – AVERAGE SALES PRICE

“Since 2011, the Texas median sales price for all homes has increased 47.1 percent. House price appreciation has been spurred by the state’s economic and population growth over the past decade. Since 2007, employment and population have increased over 10 percent more in Texas than the nation.” – Outlook for the Texas Economy – REC – January 2017 Summary

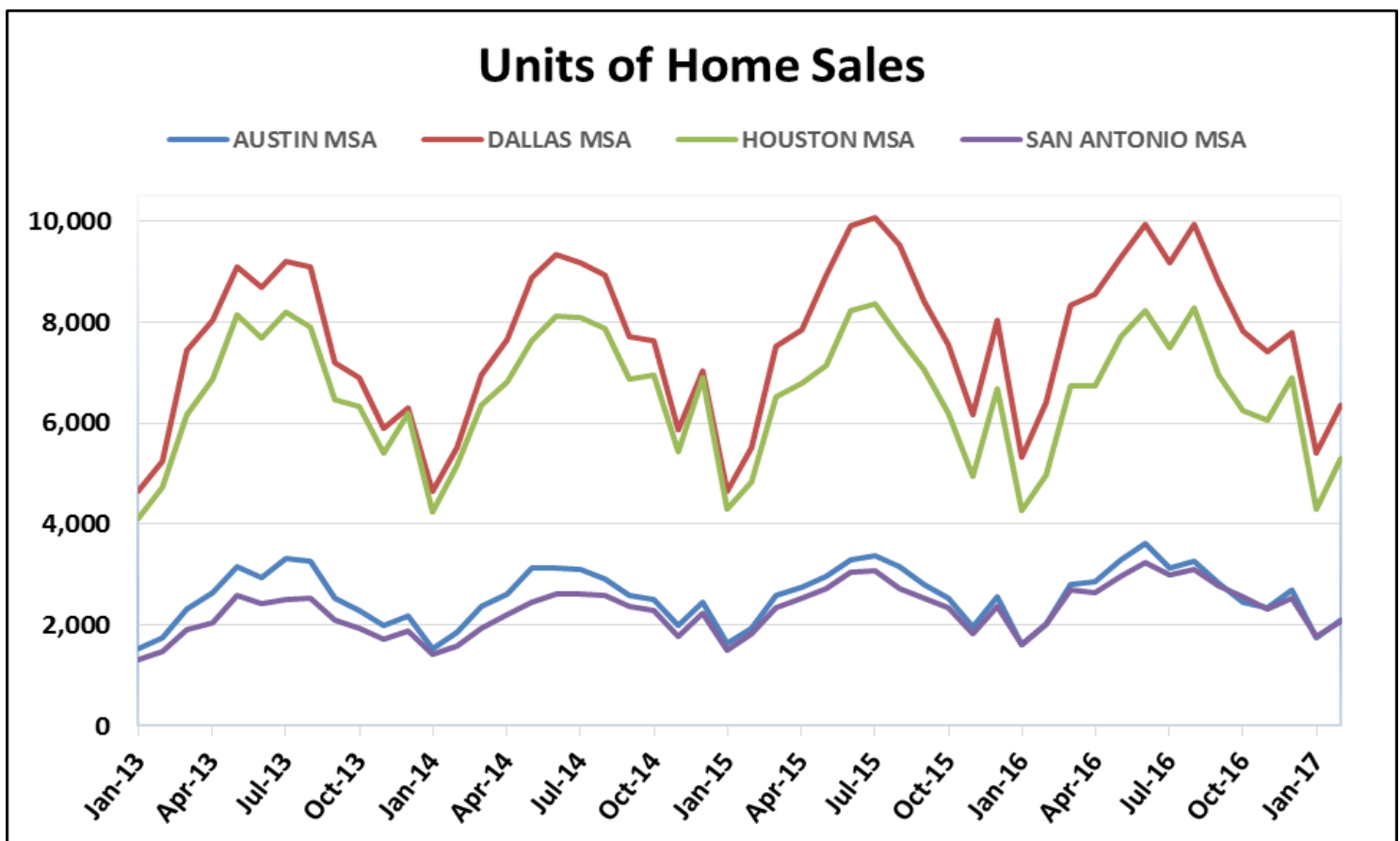
According to the Dallas Fed’s March DFW Economic Indicators publication “On a year-over-year basis, prices were up 10.7 percent in Dallas and 10.5 percent in Fort Worth—both higher than in Texas (7.7 percent) and the nation (6.2 percent). Price appreciation in DFW last year also outpaced increases in Austin, San Antonio and Houston, which saw year-over-year growth of 10.1, 9.3 and 3.3 percent, respectively.”



Source: Real Estate Center at Texas A&M University

HOUSING – HOME SALES

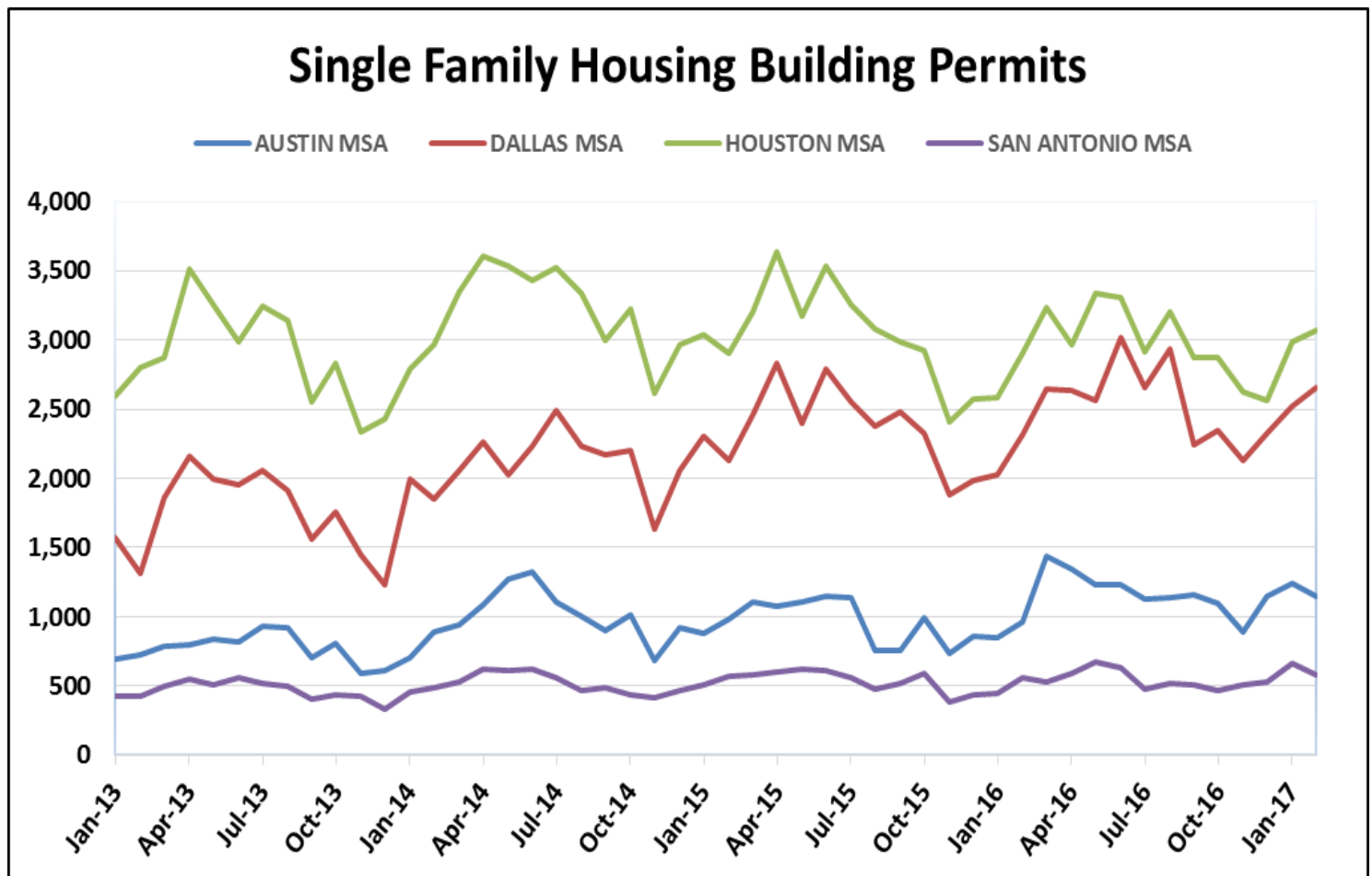
“Texas housing demand was steady as the average number of days on market settled at 57, but sales declined because of tight supply. The supply of homes for sale remained constrained as the statewide months of inventory fell to 3.5 months—the lowest since May 2015. A combination of restricted supply and persistent demand in the Texas housing market caused prices to appreciate. House price appreciation has been spurred by the state’s economic and population growth over the past decade. Since 2007, employment and population have increased over 10 percent more in Texas than the nation.” – Real Estate Center - February 2017 Summary



Source: Real Estate Center at Texas A&M University

HOUSING – SINGLE FAMILY BUILDING PERMITS

The Atlanta Business Chronicle noted that “Texas Home builders were busy adding to the region's inventory of new homes in 2016. According to the National Association of Home Builders, San Antonio ranks No. 24 in the nation in single-family housing building permits from **January through October of 2016** with more than 5,400. Houston ranked No. 1 with 30,388 permits, Dallas ranked No. 2 with 25,441 permits and Austin ranked No. 6 with 11,617 permits.”



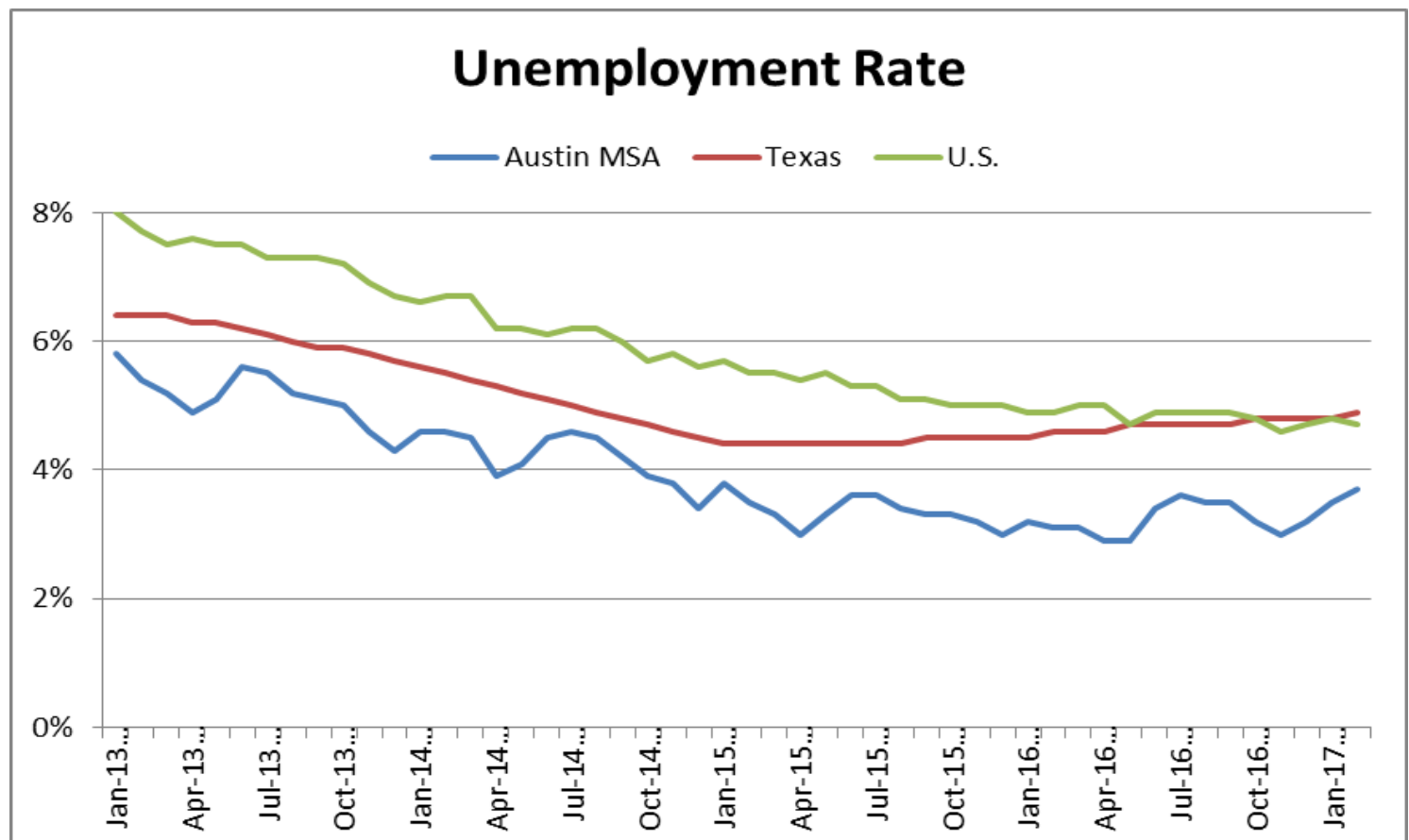
Source: Real Estate Center at Texas A&M University

Source: U.S. Bureau of Census

JOBS - UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

The Austin area unemployment rate spiked in February to 3.7 percent. “The uptick stemmed from an increase in the local labor force, which rose at its fastest pace since July 2016, and a decline in household employment, which had its weakest month since April 2016. However, the jobless rate remains well below the national rate of 4.7 percent and the state rate of 4.9 percent.” – Austin Economic Indicators - Dallas Fed – April 2017

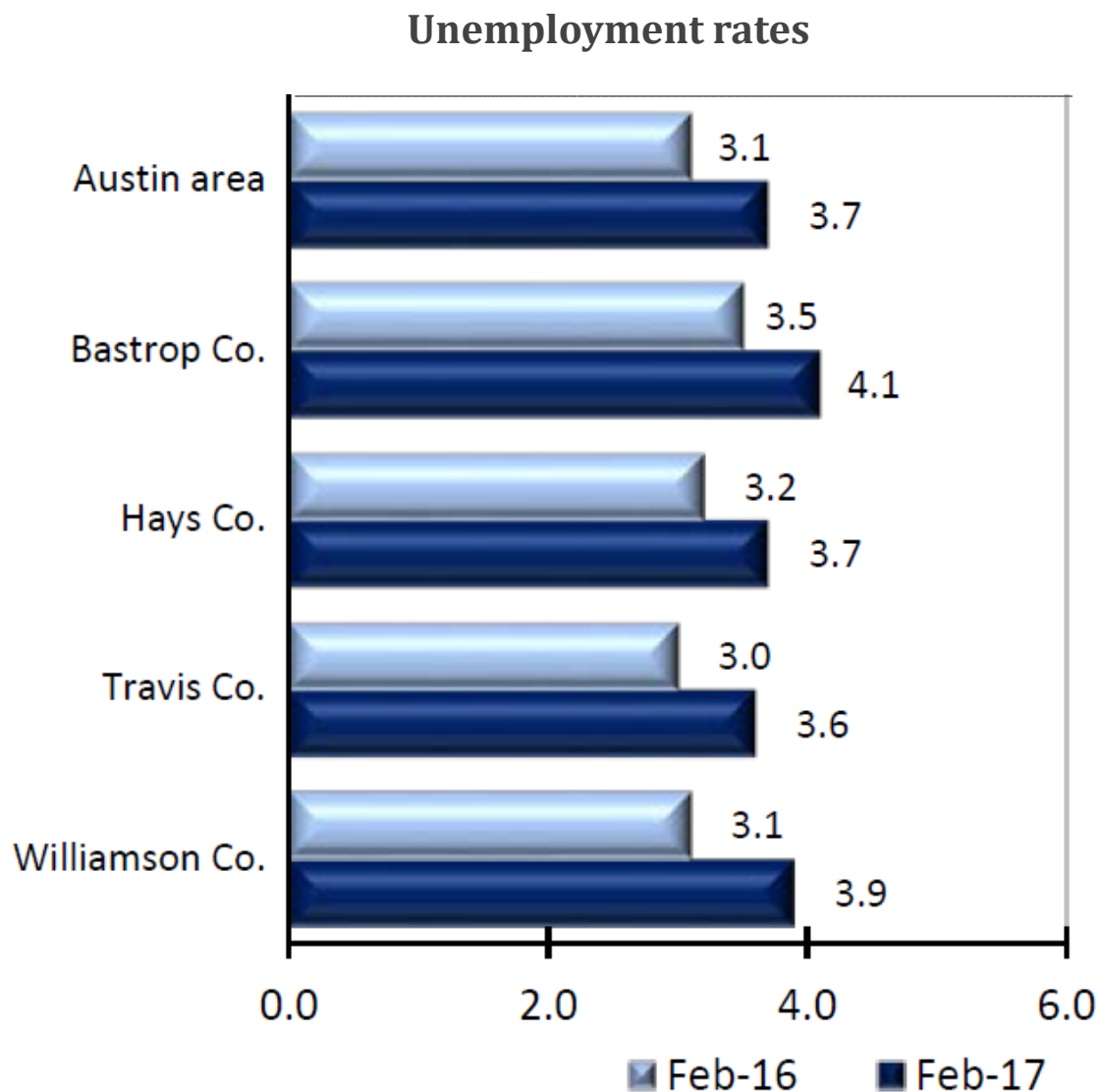
“The Texas unemployment rate ticked up to 4.9 percent in February—its highest level since August 2014. The Texas unemployment rate is above the U.S. rate, which edged down to 4.7 percent in February. Despite the uptick, the labor market remains tight for skilled workers in certain sectors such as construction.” – Texas Economic Indicators – Dallas Fed – March 2017



*Note: U.S. and Texas seasonally adjusted, Austin MSA not seasonally adjusted.
Source: Bureau of Labor Statistics*

JOBS - UNEMPLOYMENT RATE – AUSTIN AREA

Below is a chart taken from the April 6, 2017, Austin Area Economic Summary prepared by the U.S. Bureau of Labor Statistics. It graphically shows that unemployment rates throughout the Austin area have increased over prior year.



Source: U.S. BLS, Local Area Unemployment Statistics.

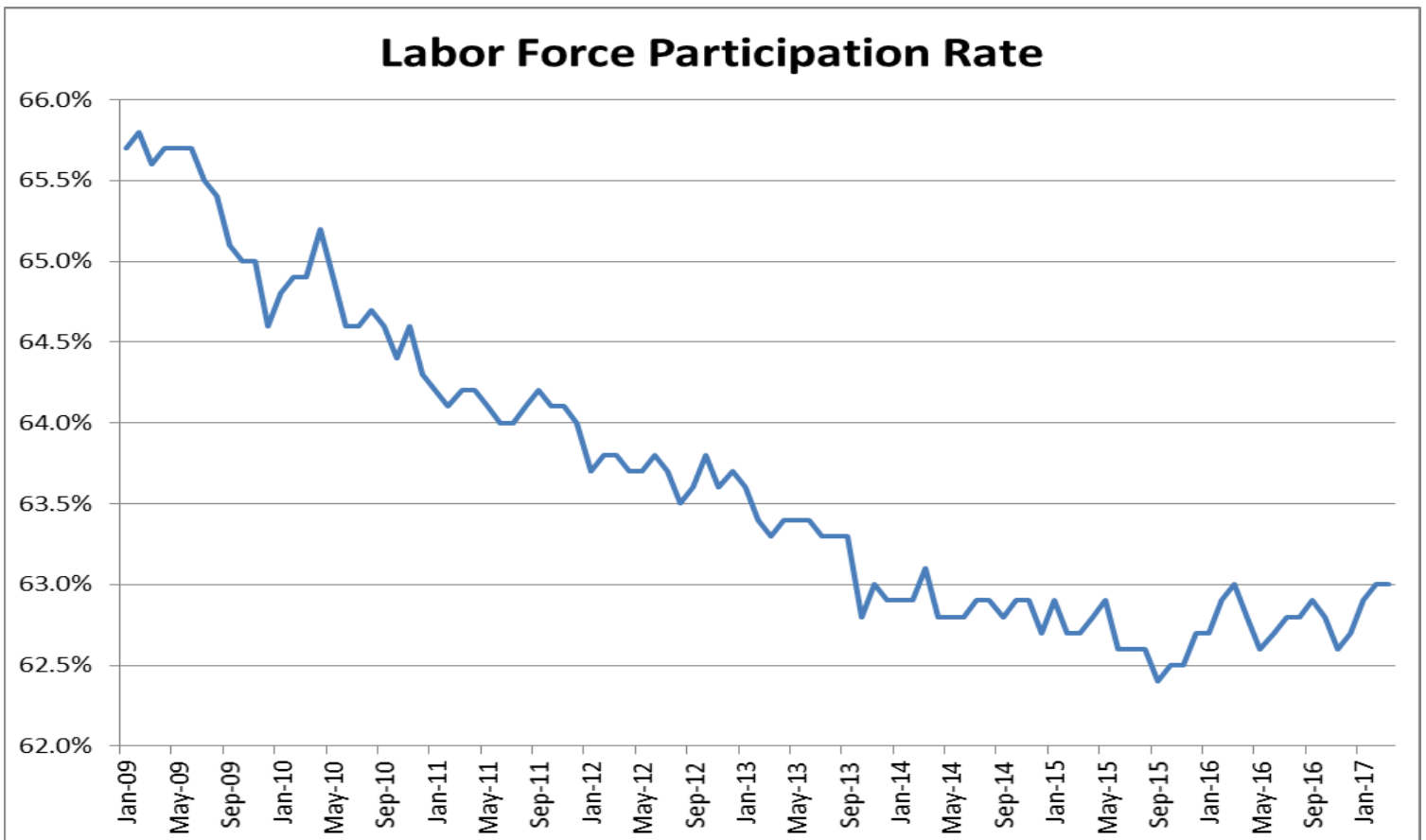
JOBS – LABOR PARTICIPATION RATE

The **labor force participation rate**, as defined by the Bureau of Labor Statistics (BLS), is “the percentage of the population [16 years and older] that is either employed or unemployed [that is, either working or actively seeking work].”

“The number of employed Americans increased 472,000 to 153,000,000 in March, setting a second straight monthly record; and the number of unemployed persons dropped by 326,000 to 7.2 million. That brought the nation’s unemployment rate down two-tenths of a point to 4.5 percent.

The Labor Department’s Bureau of Labor Statistics said the labor force participation rate remained flat at 63 percent in March; and the number of Americans not in the labor force increased slightly to 94,213,000, up 23,000 from February’s 94,190,000.

The Bureau of Labor Statistics says the economy added 98,000 jobs last month, which was well below the gains of 219,000 in February and 216,000 in January. Employment increased in professional and business services – and in mining – but retailers lost jobs.” – CNSNews.com

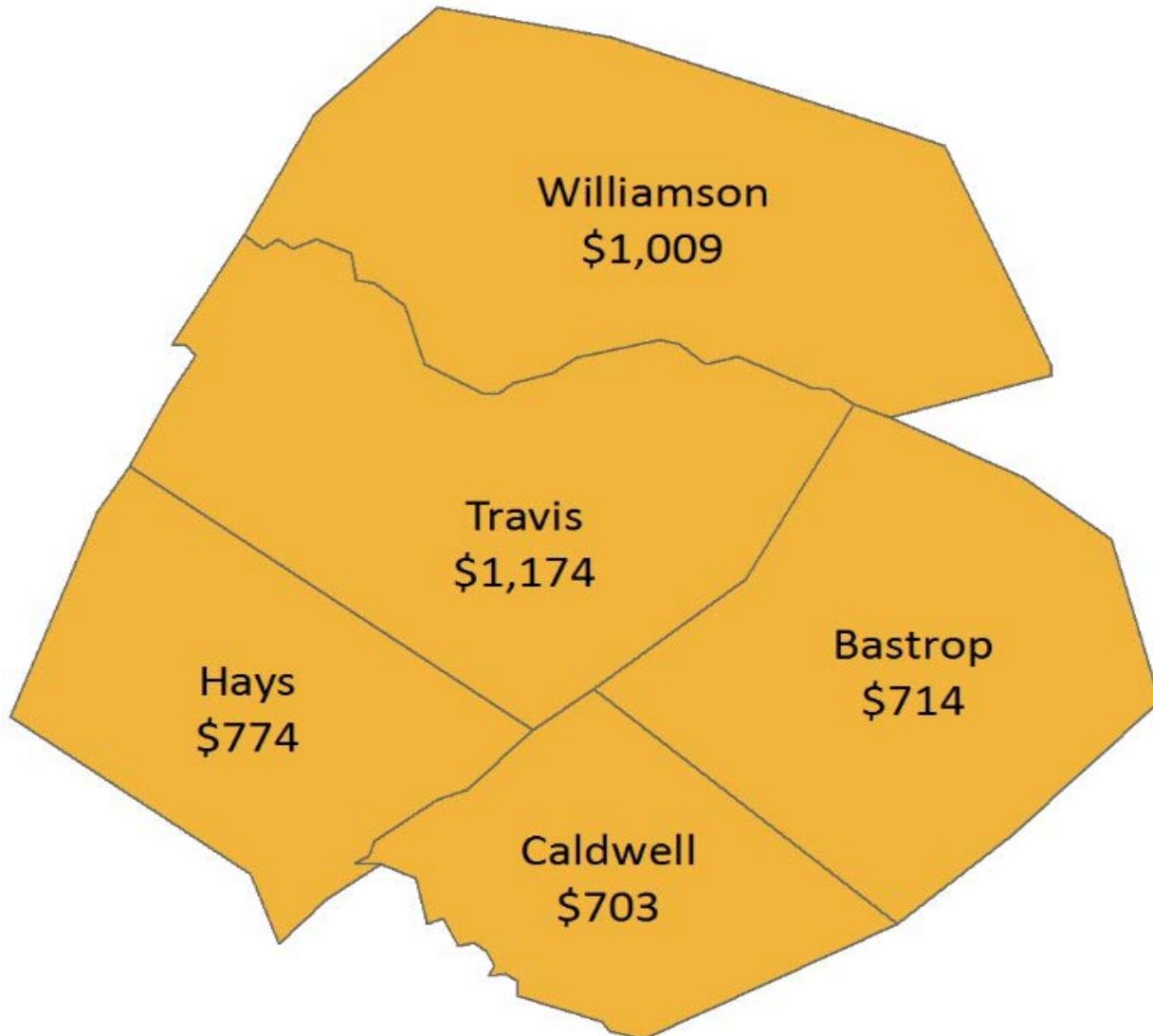


Source of Data: Bureau of Labor Statistics

JOBS – AVERAGE WEEKLY WAGES BY COUNTY

Below is a chart comparing the average weekly wages for all industries by county. The most recent data for the Austin area is from the 3rd Quarter 2016. Travis County wages show an increase of \$54 over the previous quarter.

What is included in total wages? “Under most State laws or regulations, wages include bonuses, stock options, severance pay, profit distributions, cash value of meals and lodging, tips and other gratuities, and, in some States, employer contributions to certain deferred compensation plans such as 401(k) plans.” – Bureau of Labor Statistics (BLS)



Source: U.S. BLS, Quarterly Census of Employment and Wages.

JOBS – NONFARM EMPLOYMENT BY INDUSTRY

The chart below shows the year-over-year changes in employment by major industry sector. The total Austin area nonfarm employment has increased by 27,000 jobs (2.7%) from prior year.

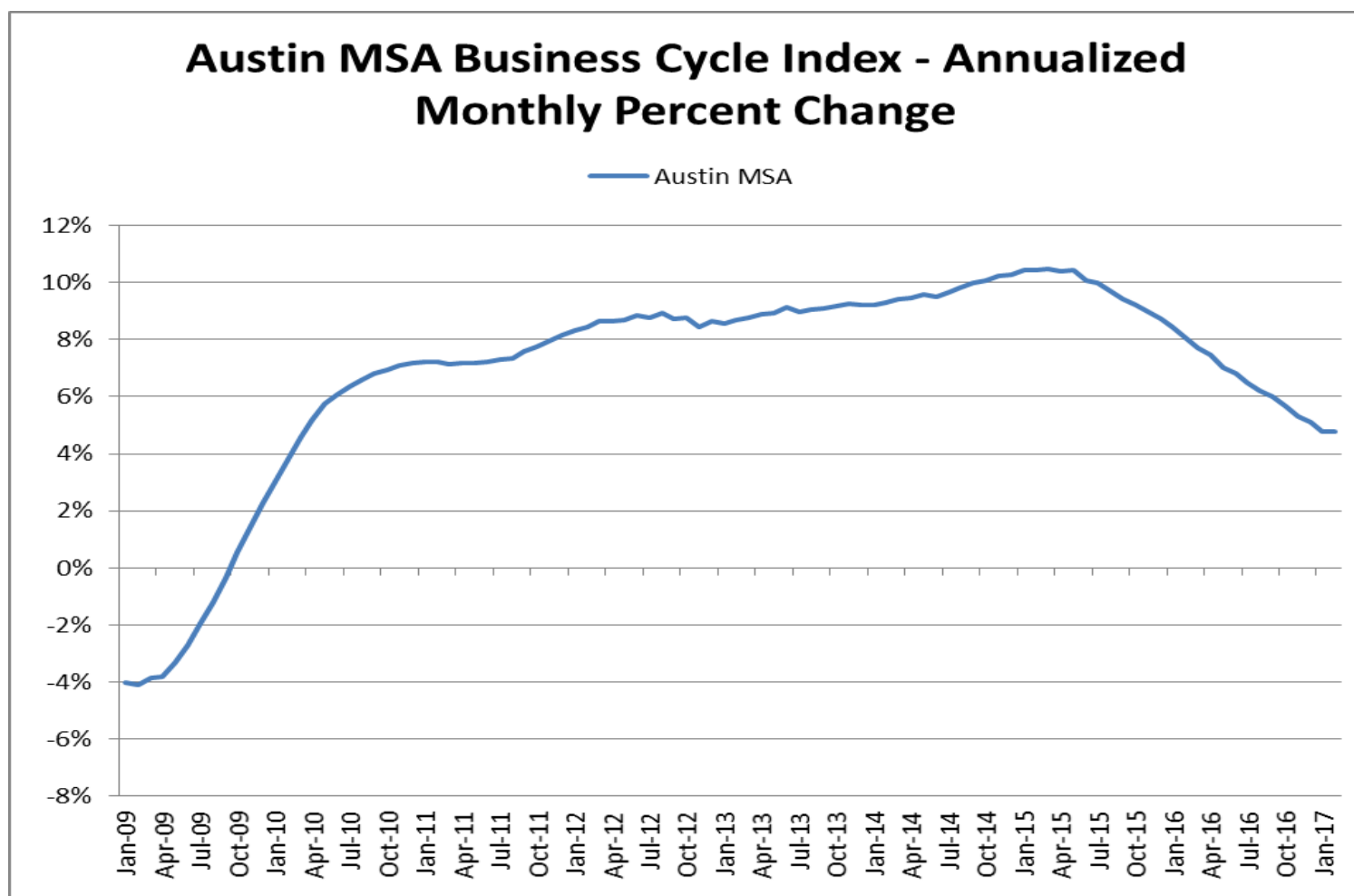
Austin area employment (numbers in thousands)	Feb. 2017	Change from Feb. 2016 to Feb. 2017	
		Number	Percent
Total nonfarm	1,011.5	27.0	2.7
Mining, logging, and construction	60.5	3.2	5.6
Manufacturing	56.3	1.0	1.8
Trade, transportation, and utilities	171.4	3.3	2.0
Information	28.2	0.2	0.7
Financial activities	56.6	1.1	2.0
Professional and business services	169.3	3.4	2.0
Education and health services	119.5	3.9	3.4
Leisure and hospitality	123.1	4.8	4.1
Other services	44.0	2.0	4.8
Government	182.6	4.1	2.3

Source: U.S. BLS, Current Employment Statistics.

BUSINESS CYCLE INDEX – AUSTIN MSA

Business Cycle Indexes are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

“Growth in the Austin Business-Cycle Index flattened out at a 4.8 percent annualized rate in February. The sharp uptick in the unemployment rate and decline in February jobs contributed to recent weakness, while slower growth in total wages paid and retail sales in 2016 contributed to the moderation in index growth from its peak in mid-2015.” – Dallas Fed

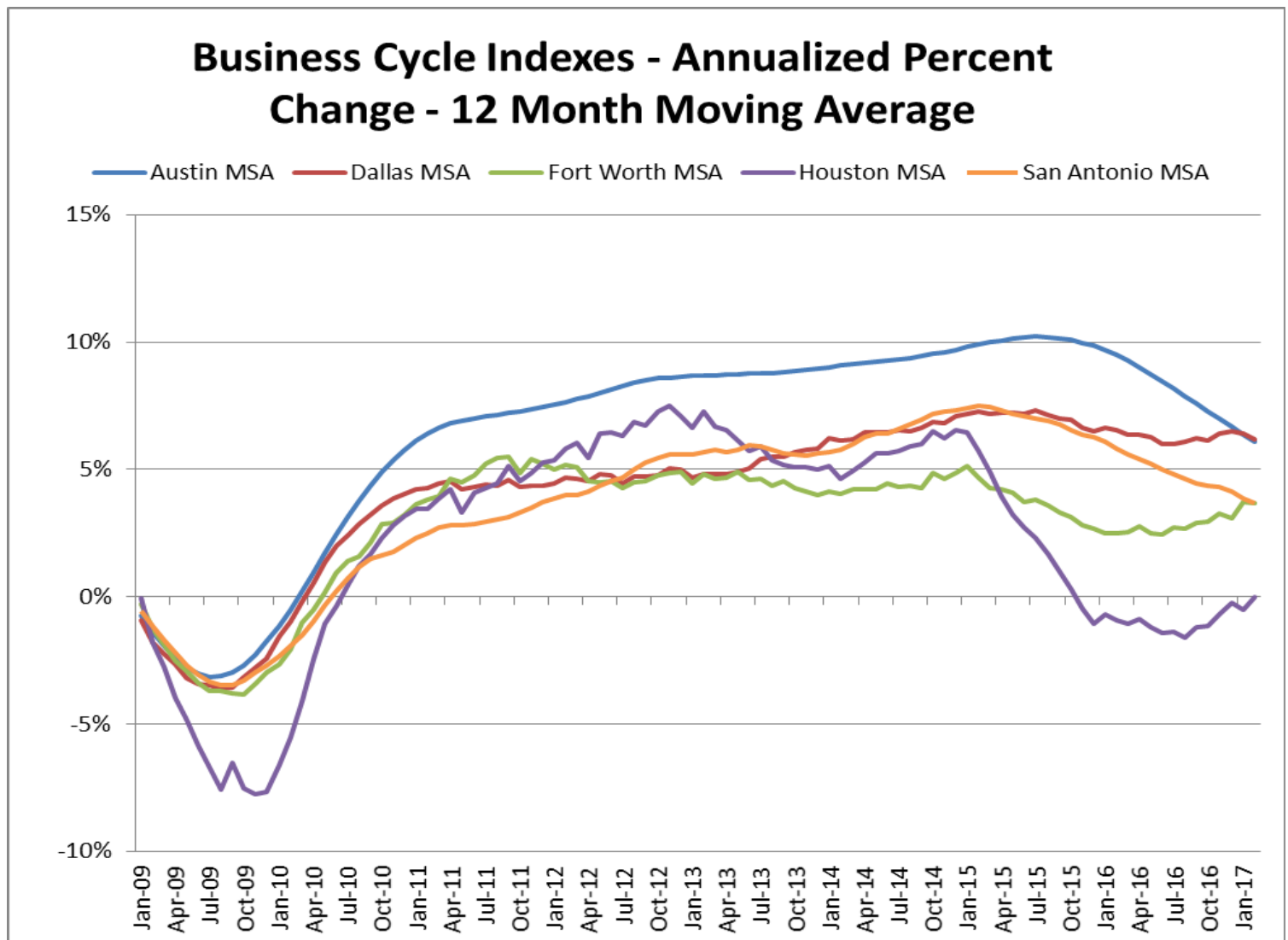


Source: Federal Reserve of Dallas - Index, 1980 = 100

BUSINESS CYCLE INDEX – MAJOR METROS

In the chart below, a twelve month moving average was incorporated to smooth out short-term fluctuations and highlight longer-term cycles.

The February twelve month moving average Business Cycle decelerated in four of the five largest cities in Texas. Houston's Index increased marginally but it remained in negative territory.



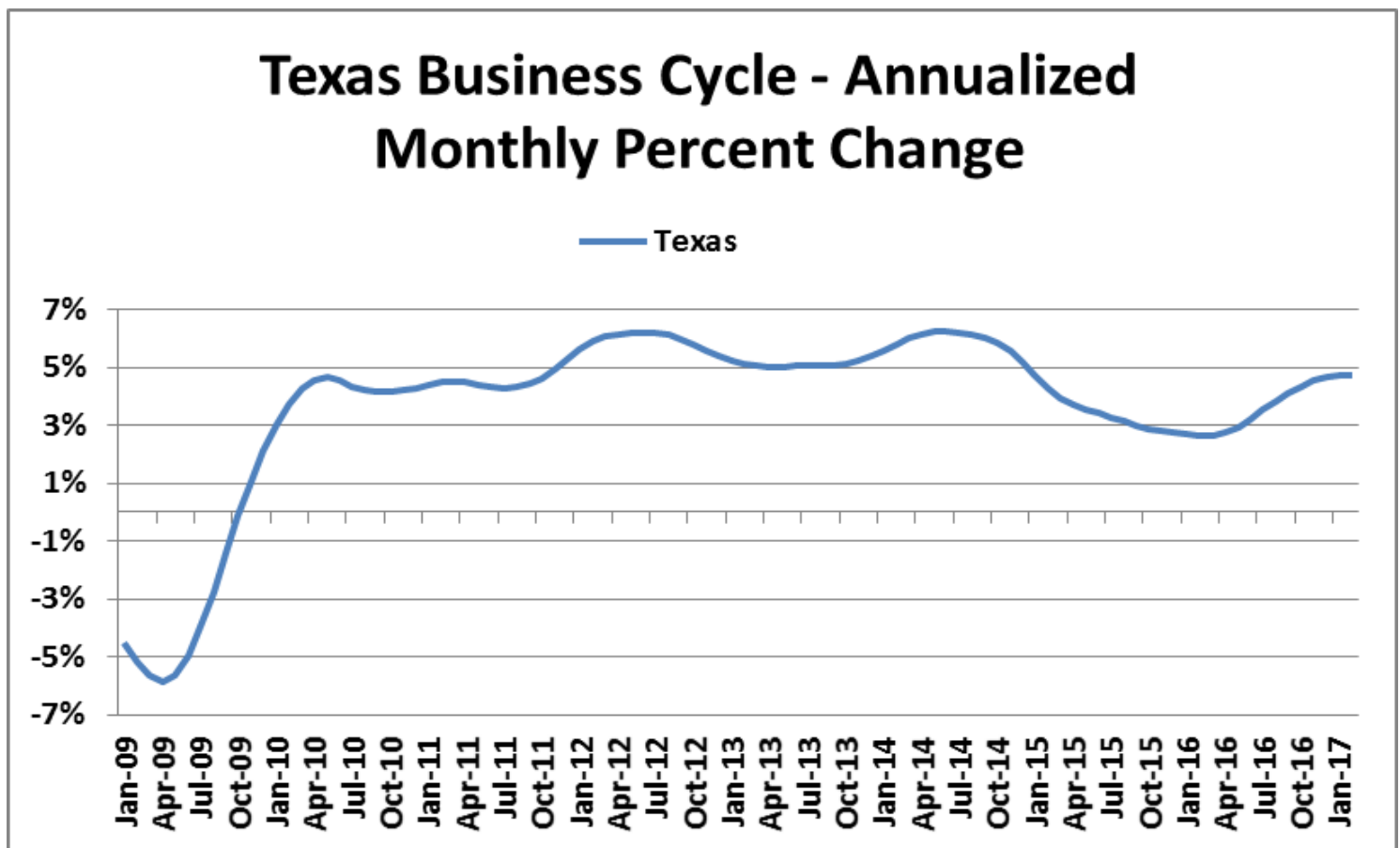
Source: Federal Reserve of Dallas

Source: Federal Reserve of Dallas - Index, 1980 = 100

BUSINESS CYCLE INDEX – TEXAS

The **Texas Business Cycle Index** measures the current state of the Texas economy. The Dallas Fed constructed the index using payroll employment, gross state product, and the unemployment rate.

“The Dallas Fed’s Texas Business-Cycle Index suggests continued growth in the state’s economy. The index rose an annualized 4.8 percent in February – similar to last month’s pace, and above its long-run average of 3.9 percent.” - Texas Economic Indicators – Dallas Fed – March 2017

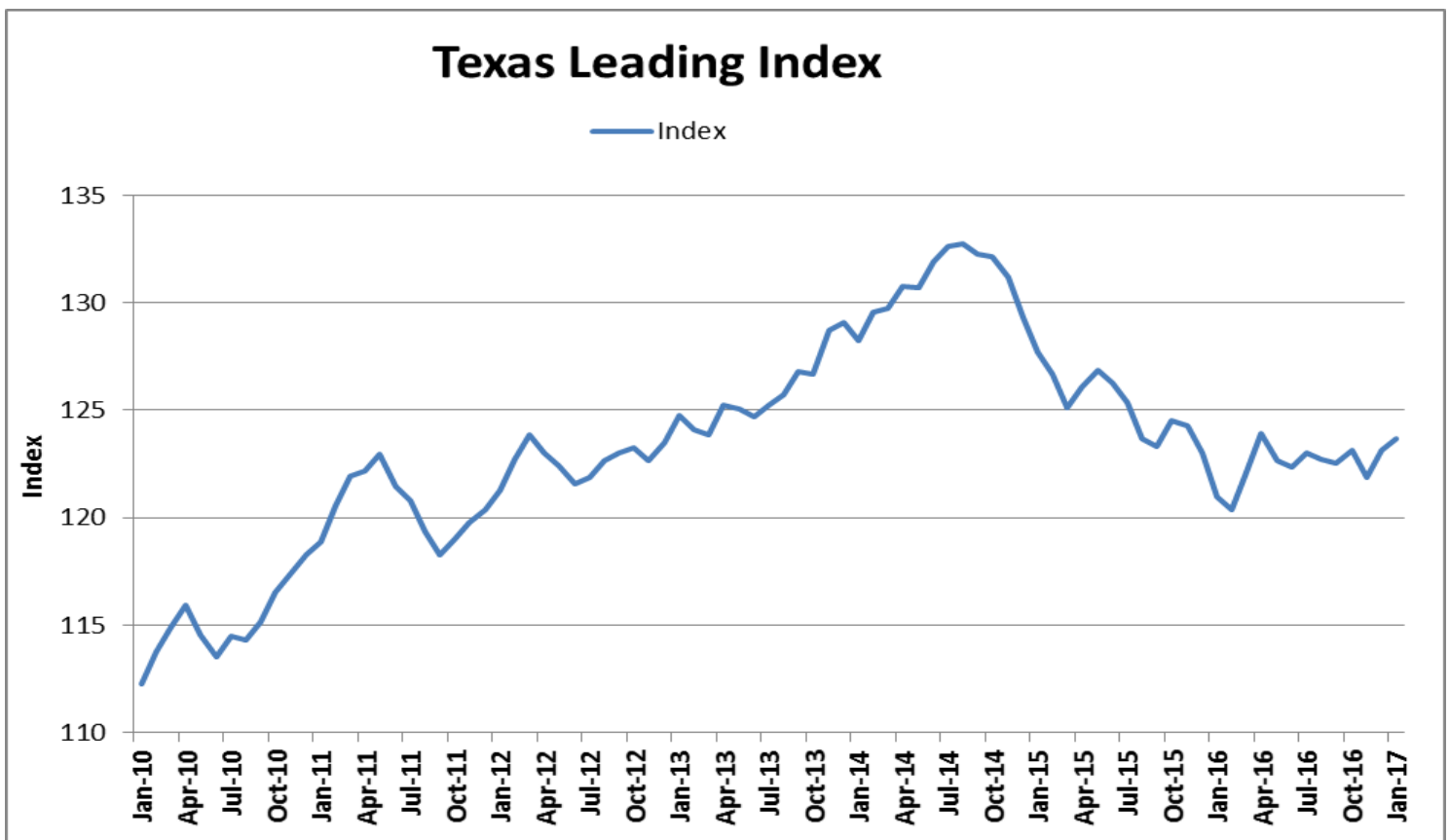


Source: Federal Reserve of Dallas – Index, 1987 = 100

LEADING INDEX – TEXAS

Dallas Fed has defined the **Texas Leading Index** as the “single summary statistic that sheds light on the future of the state's economy.” The Texas Leading Index is made up of eight leading indicators that have been shown to change direction – up or down – before the overall economy. The eight indicators used by the Dallas Fed are the Texas value of the dollar, U.S. leading index, real oil price, well permits, initial claims for unemployment insurance, Texas stock index, help-wanted index and average weekly hours worked in manufacturing.

The Texas Leading Index “rose marginally at 0.2 percent. The index was positively affected by higher oil prices, increased well permits, and declining initial unemployment insurance claims. The index was negatively affected by the decline in help-wanted advertising and the number of average weekly hours worked by employees.” – Real Estate Center



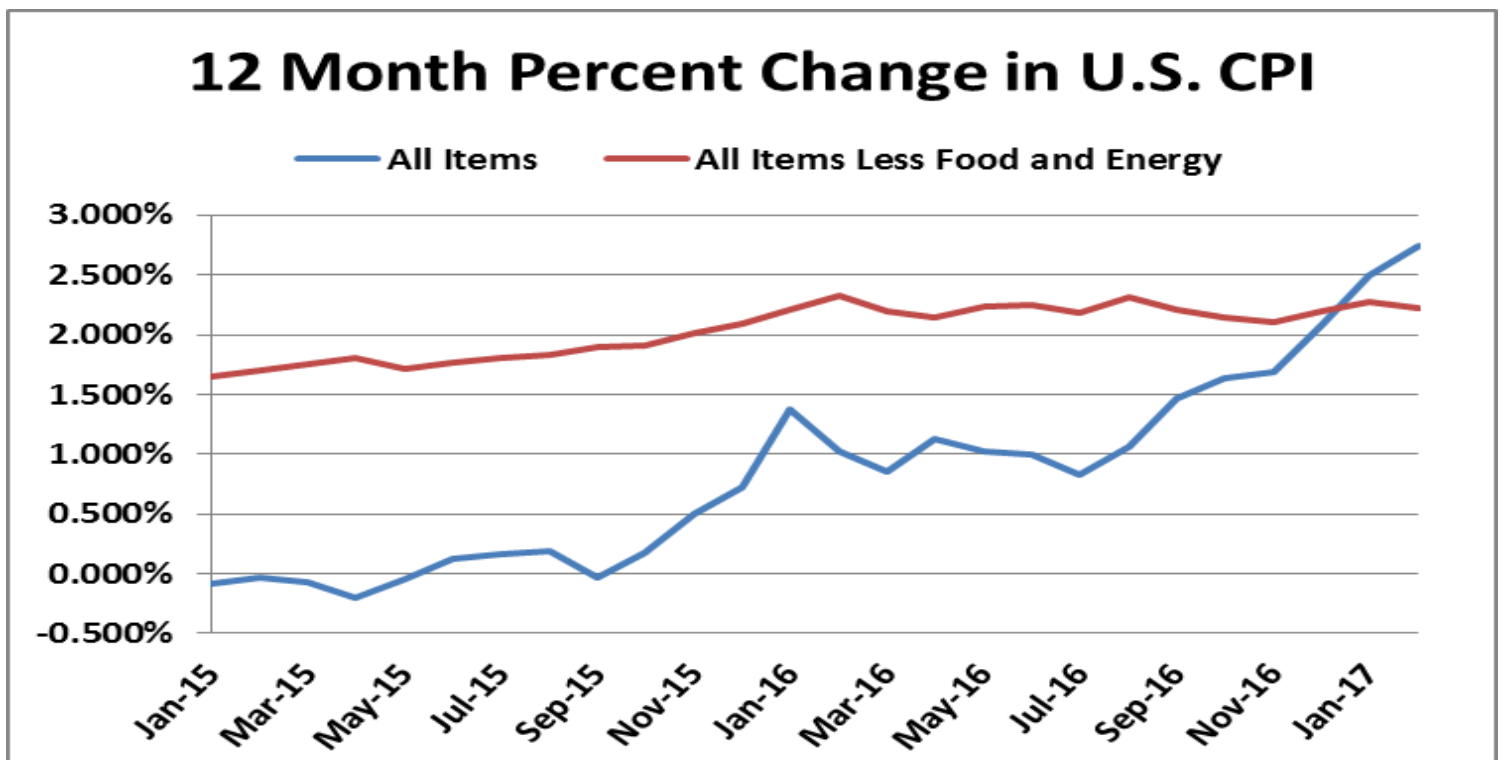
Source: Federal Reserve of Dallas – Index, 1987 = 100

CONSUMER PRICE INDEX

According to the Bureau of Labor Statistics (BLS), “The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.” Basically, the CPI measures inflation as experienced by 87% of the total U.S. population in their day-to-day living expenses.

There are a variety of CPI numbers generated each month. In the graph below, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy**. The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

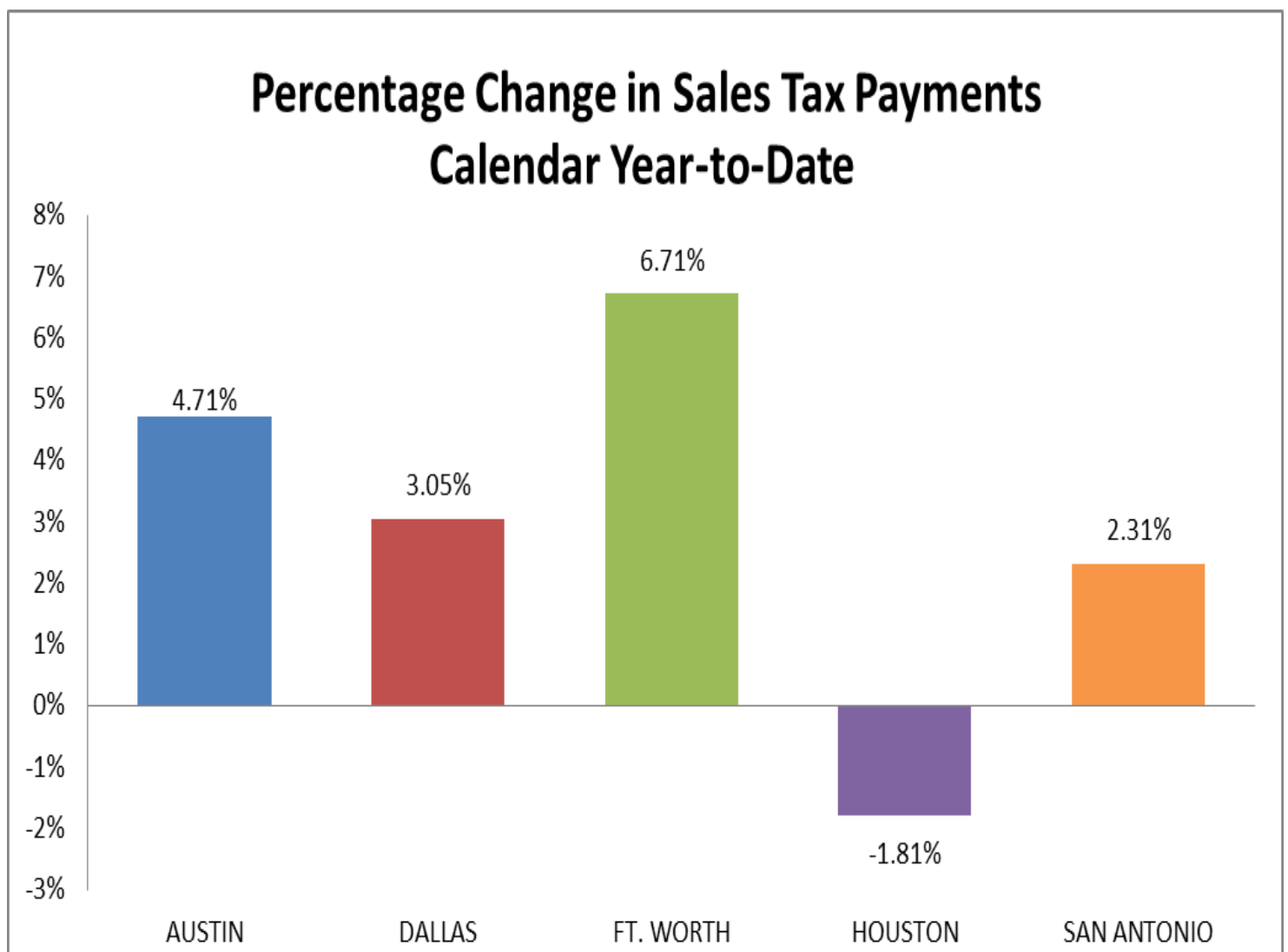
“The all items index rose 2.7 percent for the 12 months ending February; the 12-month increase has been trending upward since a July 2016 trough of 0.8 percent. The index for all items less food and energy rose 2.2 percent over the last 12 months; this was the fifteenth straight month the 12-month change remained in the range of 2.1 to 2.3 percent. The energy index rose 15.2 percent over the last year, while the food index was unchanged.” – BLS – Economic News Release



Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100

SALES TAX – METRO

Below is a graph of the 2016 vs. 2017 year-to-date percentage change in Sales Tax Payments made by the State to the five major cities in Texas. Based on the March 2017 report, Houston is the only top five city in Texas that has experienced a decline in revenue. The increase in Austin's year-to-date revenue is \$2.4M.



Source: Texas Comptroller of Public Accounts

TAXES – TEXAS

Below are the year-to-date FY 2017 Total Tax Collections for the **General revenue-related funds** for the State. Total Tax Collections represent approximately 86% of the Total Net Revenue for the General revenue-related funds.

FY 2017 year to date tax collections are running slightly higher than prior year and substantially below FY 2015. The current year to date drop in franchise taxes is not indicative of how the line item will end the year since over \$3.5M in franchise tax payments will be received around the May 15th deadline.

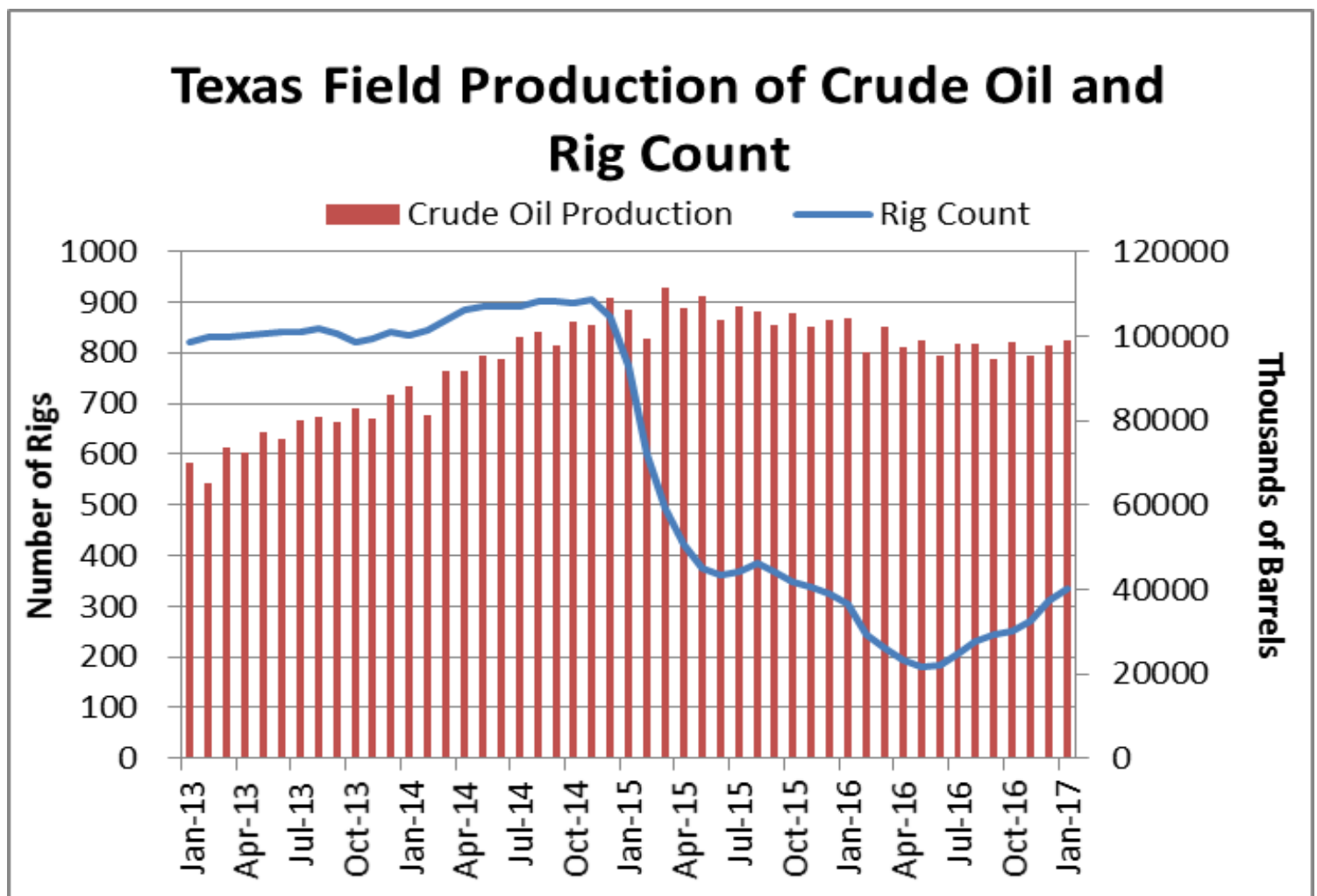
The reason for the decline in total tax collections between FY 2015 and FY 2017 is directly related to the reduction in oil prices. Comptroller Glenn Hegar had predicted that oil would average \$64.52 a barrel in fiscal year 2016 and \$69.27 a barrel in fiscal year 2017. Unless there is a dramatic increase in oil and gas prices and economic activity, the state will end up with a large tax shortfall for the second year in a row.

Tax Collections by Major Tax (amounts in millions)	Mar YTD FY 2017	Mar YTD FY 2016	Mar YTD FY 2015	FY17 vs. FY16 Variance	FY17 vs. FY15 Variance
Sales Tax	\$ 16,423	\$ 16,311	\$ 16,736	\$ 111	\$ (314)
Motor Vehicle Sales and Rental Taxes	2,692	2,672	2,628	20	65
Motor Fuel Taxes	520	528	511	(8)	9
Franchise Tax	(332)	22	(177)	(354)	(154)
Insurance Taxes	1,435	1,334	1,204	101	231
Natural Gas Production Tax	572	395	904	177	(331)
Cigarette and Tobacco Taxes	418	396	404	22	14
Alcoholic Beverages Taxes	688	670	645	18	43
Oil Production and Regulation Taxes	1,172	974	1,846	198	(673)
Utility Taxes	206	209	226	(3)	(20)
Hotel Occupancy Tax	283	281	284	3	(0)
Other Taxes	47	56	112	(9)	(65)
Total Tax Collections	\$ 24,126	\$ 23,848	\$ 25,322	\$ 277	\$ (1,197)
Totals may not add due to rounding.					

Source: Texas Comptroller of Public Accounts

OIL AND NATURAL GAS

“Crude oil prices continued to rise following OPEC’s November output restrictions. West Texas Intermediate crude oil prices averaged \$53.47 per barrel during February—a year-over-year increase of 79.1 percent. Consequently, the number of operating rigs in Texas increased to 374, the most since August 2015. The monthly production of crude oil in Texas has hovered at 96 million barrels per month since June 2016 but may increase if the price of oil continues to appreciate. The Henry Hub spot price of natural gas fell below \$3 per million BTUs (British thermal units) as U.S. output expanded. The Energy Information Administration predicts that the U.S. will be a net exporter of natural gas by 2018 for the first time in almost 60 years. Texas remained the largest gas-producing state, accounting for 25 percent of national production.” - Outlook for the Texas Economy (REC) – February Summary



Source: of Data: Baker Hughes and U.S. Energy Information Administration.

AUTOS

“Texas also has the highest auto loan balance of any state, accounting for 11.8 percent of U.S. auto loans in fourth quarter 2016. Additionally, 8.6 percent of Texas auto loans were 30 or more days past due (including severe derogatory), the seventh-highest percentage among the states. Dallas Fed contacts noted in January that, as a result of increased delinquencies, auto companies are easing away from the subprime market. This could affect auto sales, which have already weakened this year.” – Dallas Fed – Texas Economic Update March 20, 2017

DISCLAIMER

THIS PUBLICATION WAS DEVELOPED FOR INTERNAL, GOVERNMENTAL PURPOSES ONLY. IT WAS PREPARED IN GOOD FAITH AND FOR GENERAL INFORMATIONAL PURPOSES ONLY. WE DO NOT MAKE ANY WARRANTIES ABOUT THE COMPLETENESS, RELIABILITY AND ACCURACY OF THE INFORMATION. USE AT YOUR OWN RISK. YOU SHOULD NOT USE ANY OF THESE SAMPLE DOCUMENTS WITHOUT FIRST SEEKING LEGAL AND OTHER PROFESSIONAL ADVICE.