



## Amarillo Economy Accelerated in 1<sup>st</sup> Half of 2018

*The Amarillo metro area has now posted four consecutive quarters of solid economic growth. Hiring accelerated sharply in the first half of 2018 with gains in most sectors. The rebound remains broad-based, including retail and housing.*

### FORECAST HIGHLIGHTS:

- Metro area job growth accelerated to 2.8% in the 12 months ended in July, adding 3,300 new jobs
- The local jobless rate remains below both the state and nation, with most major industry sectors adding jobs
- Retail activity has rebounded, with city sales and use tax revenue up 3.9% year-to-date
- Single-family housing permit activity rebounded in the first half of 2018, up sharply over 2017 year-to-date
- Accelerating statewide activity and stable national conditions provide ongoing support to the local expansion

**The Amarillo economy accelerated significantly in the first half of 2018.** Most signs of the recent slowdown have now dissipated, and the region has returned to a new trend growth path.

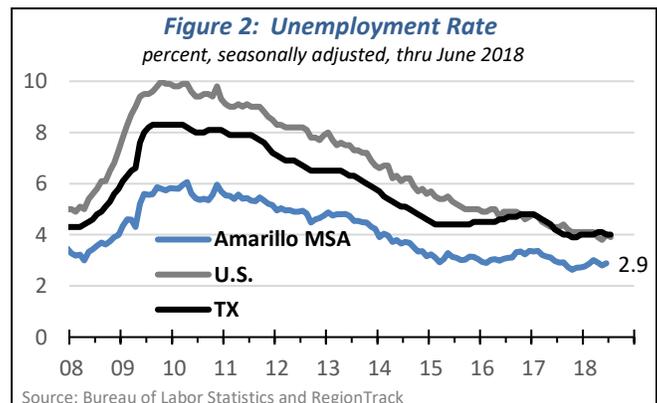
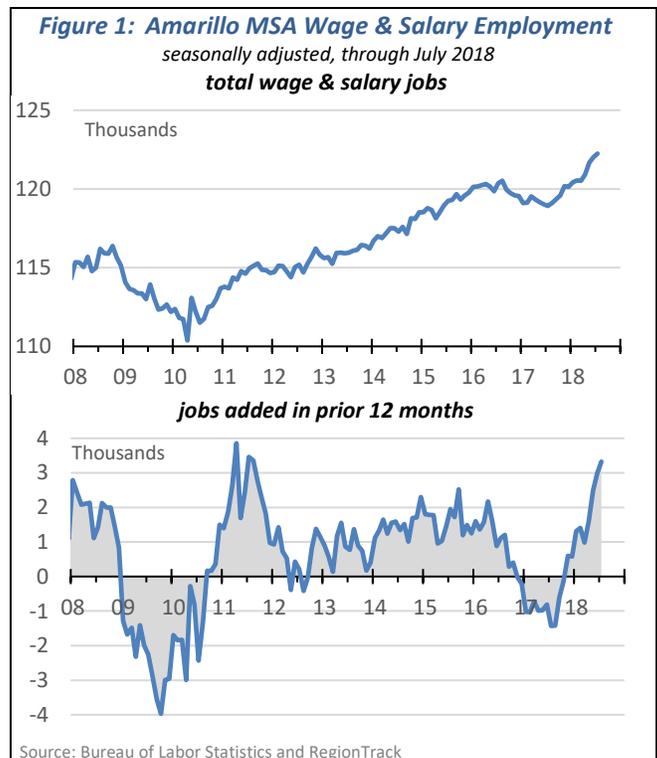
**Metro area job growth surged to a 2.8% annual pace (3,300 new jobs)** in the 12 months ended July 2018, the most recent data available (see Figure 1). This exceeds the 1.6% national gain in the period and only slightly trails the 3.2% statewide gain.

Amarillo is now at an **all-time high in employment** and experiencing the **fastest pace of job growth in the region since 2011** during the early stages of recovery from the national recession.

**Our outlook is for Amarillo hiring to continue outpacing national job gains** in the 2<sup>nd</sup> half of 2018 and into 2019.

**The Amarillo metro area unemployment rate fell to 2.9%** on a seasonally adjusted basis in the latest estimate for June 2018 and **remains roughly one percentage point below both the state and nation** (see Figure 2). A deeper look at the components of the unemployment rate calculation suggests a healthy rise in both employment and the size of the labor force, accompanied by a continued slow reduction in the number of unemployed workers locally.

Nevertheless, we expect the region's jobless rate to struggle to push below this level given historical norms. For comparison, the jobless rate in the region bottomed at approximately 3% at the cyclical bottoms in unemployment in 1994, 1999, and 2008, suggesting little room for further lowering of the rate in this cycle. Employers will also likely face increased hiring challenges as the local expansion continues.



**Metro area job gains are broad-based** with all major industry sectors except Information and some of the Government sectors posting gains the past 12 months (see Figure 3). **The private sector produced 3,200 of the 3,300 jobs added** in the 12 months ended in July. Private service-providing firms generated 2,300 jobs, while goods-producing firms added 900.

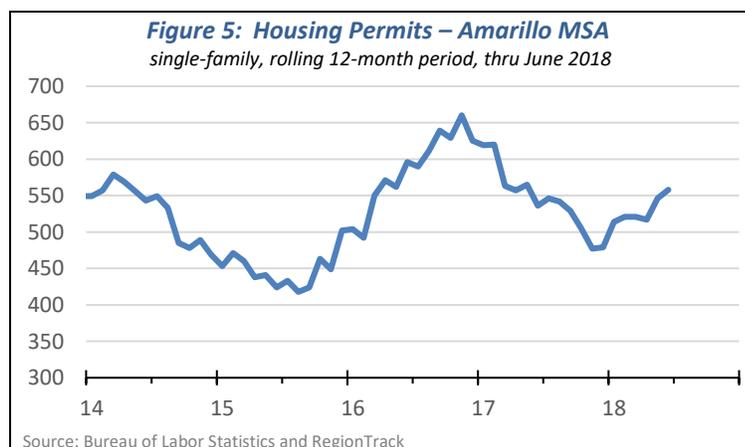
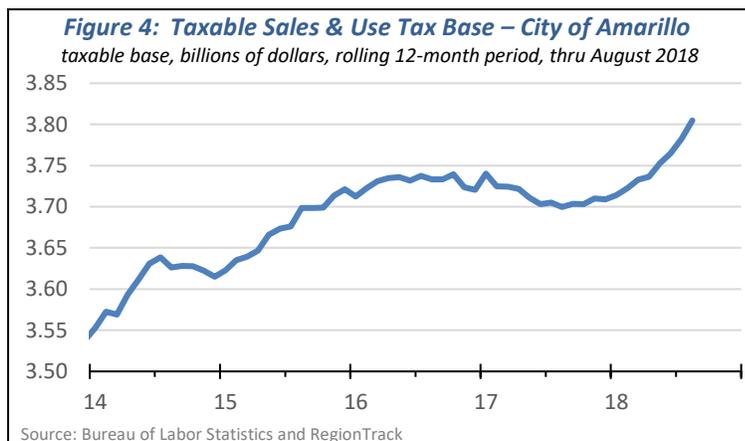
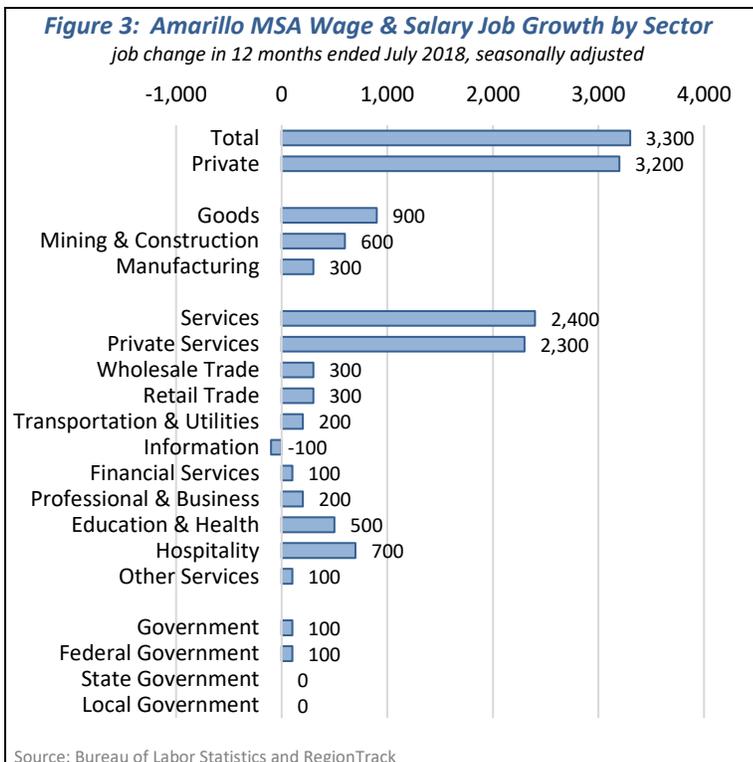
The **largest gains** among major sectors include Hospitality (700 jobs), Mining and Construction (600 jobs), Education and Health Services (500 jobs), Wholesale Trade (300 jobs), Retail Trade (300 jobs), and Manufacturing (300 jobs).

**The acceleration in activity in the first half of 2018 is visible in most other major economic measures.**

**Retail activity bounced** in lockstep along with employment, as city sales and use tax is up 3.9% year-to-date through August and up 6.4% relative to 12 months ago (see Figure 4).

**Construction activity in the metro area similarly rebounded sharply in the first half of 2018.** Single-family housing permits reached 309 units in the first half of 2018, versus only 230 units in the first half of 2017. Single-family housing permits now total more than 550 on a rolling 12-month basis but remain well below the late 2016 peak (see Figure 5). A permit was also filed for a 101-unit multi-family development in the first half of 2018, the first large multi-unit housing project permitted in the metro area since January 2015.

**Acceleration locally coupled with ongoing state and national gains suggest continued growth in Amarillo going forward.** Overall economic conditions in the Amarillo metro area are greatly improved relative to one year ago, with substantial acceleration in the pace of growth in the first half of 2018. We expect continued steady economic growth at the national level and acceleration statewide in Texas as the oil and gas industry recovers further to remain highly supportive of continued growth in the Amarillo region in the second half of 2018 and into 2019.



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