

Austin's economy topped U.S. metro areas in growth in 2017

BUSINESS

By Bob Sechler - American-Statesman Staff



LYNDAM GONZALEZ

Delivery associate Carlos Villacorte loads packages into a new Amazon-branded delivery van at the Cargo Leasing Solutions garage on Aug. 16. The Austin-area economy grew by 6.9 percent in 2017, making the region the fastest-growing large metro area in the country last year in terms of inflation-adjusted gross domestic product, according to the Bureau of Economic Analysis.

Posted: 5:27 p.m. Tuesday, September 18, 2018

Highlights



Local economy grew by 6.9 percent in 2017 in terms of inflation-adjusted gross domestic product.

 National growth rate was 2.1 percent for U.S. metro areas overall.

If it hasn't been obvious from the construction cranes, real estate prices and traffic congestion, some new federal data illustrates the magnitude of the Austin area's economic boom.

The local economy grew by 6.9 percent in 2017, making the Austin-Round Rock region the fastest-growing large metro area in the country last year in terms of inflation-adjusted gross domestic product, according to the Bureau of Economic Analysis.

The region's output of goods and services totaled \$148.75 billion, according to federal data. That's up from \$135.98 billion in 2016 and from about \$103.5 billion in 2012. Adjusting for inflation, the federal agency pegged growth in the Austin-Round Rock metro's economic output since 2012 at about 36 percent.

The rate of the local expansion sped up last year, after coming in at 5.5 percent in 2016, according to the new figures. In addition, the region's 2017 growth substantially outpaced the second-place finisher for metros with over 2 million people — the Seattle area in Washington state — which logged a 5.2 percent increase in its gross domestic product.

Austin's expansion "is really, really impressive — not only is it No. 1, but it is more than three times the average" growth rate of 2.1 percent for U.S. metro areas overall, said Bernard Weinstein, a Southern Methodist University economist.

Wholesale and retail trade contributed 1.45 percentage points of the region's 2017 gain, which Weinstein called "just a reflection of a robust economy and people having money to spend."

In addition, the figures indicated the state's hot oil-and-gas industry has been boosting the Austin metro area, even though it is relatively far removed from the epicenter of the Texas energy sector. Local output in the natural resources and mining category — meaning oil and gas, primarily — contributed 1.22 percentage points of the Austin area's growth last year, a trend observers attributed to support services for the energy industry.

The category that includes finance, insurance and real estate services accounted for 1.14 percentage points of last year's local increase, while professional and business services added just under 1 percentage point. The remaining growth was split among several other sectors.

It remains to be seen if Austin can sustain the blistering pace of its economic boom.

The Federal Reserve Bank of Dallas **recently revised downward its measure of the region's annual growth rate** — with an extremely tight labor market a primary culprit for the change. The Dallas Fed estimated growth in the Austin metro at 4.7 percent through the first six months of 2018 — down from a preliminary estimate of about 6 percent — and it pegged the figure for July at 4.3 percent.

William Mellor, vice president at Austin economic consulting firm Angelou Economics, said "labor

constraints” in the area clearly have begun to rein in some of the region’s gains because employers are having trouble hiring enough workers to sustain the pace of output, although he said he expects the local economy to remain relatively strong regardless.

The monthly unemployment rate in the Austin area — recently named the hottest market in the country for job seekers by professional networking site LinkedIn — has been scraping near 20-year lows throughout 2018.

“We have every reason to believe that future (gross domestic product) growth will still top the charts, (but) it is likely that we’ll see lower rates of growth going forward,” largely because of the labor force issues, Mellor said.

But he said Austin’s economy still should perform relatively well, because many other metros are experiencing similar labor shortages amid low unemployment nationwide.

“Austin is great at attracting more than its fair share of people (and) we will be able to fill job shortages more easily than many other cities around the country,” Mellor said.

Gross domestic product in the Dallas-Fort Worth metro rose by an inflation-adjusted 3.9 percent last year, to \$535.5 billion, according to the new federal statistics, while output in the Houston metro area was flat at about \$490 billion — making it the only large metro area in the nation not to log an increase for 2017. Growth in the San Antonio metro area ticked up an inflation-adjusted 4.6 percent, to \$129.3 billion.

Reader Comments 1 ▾



Sign in



+ Follow

Post comment as...

Newest | Oldest