

San Antonio Economic Outlook: 2019

Presented to:

San Antonio Economic Development Foundation Executive Committee

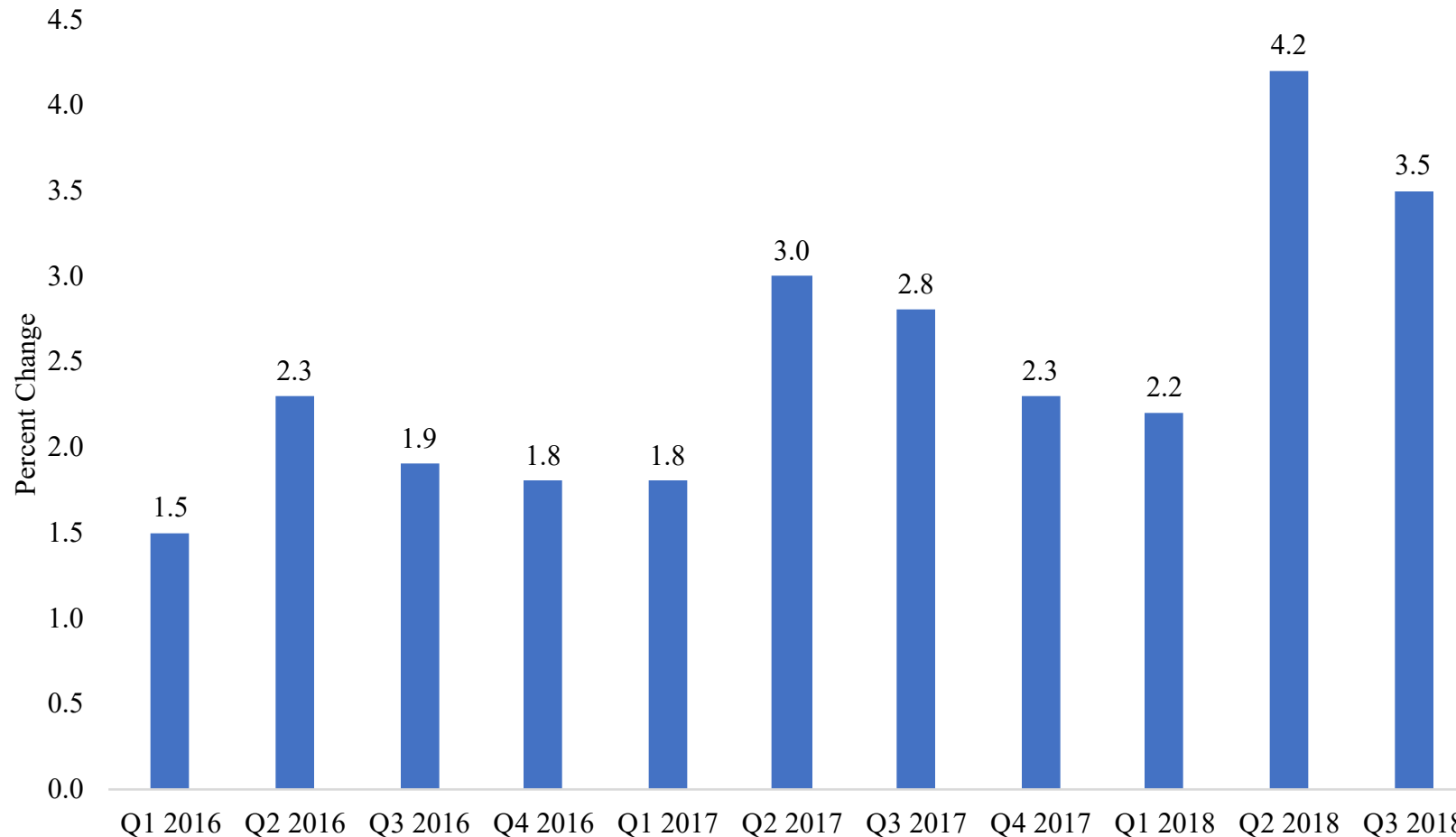
Presented by:

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December 5, 2018

U.S. economic growth continues to be strong.

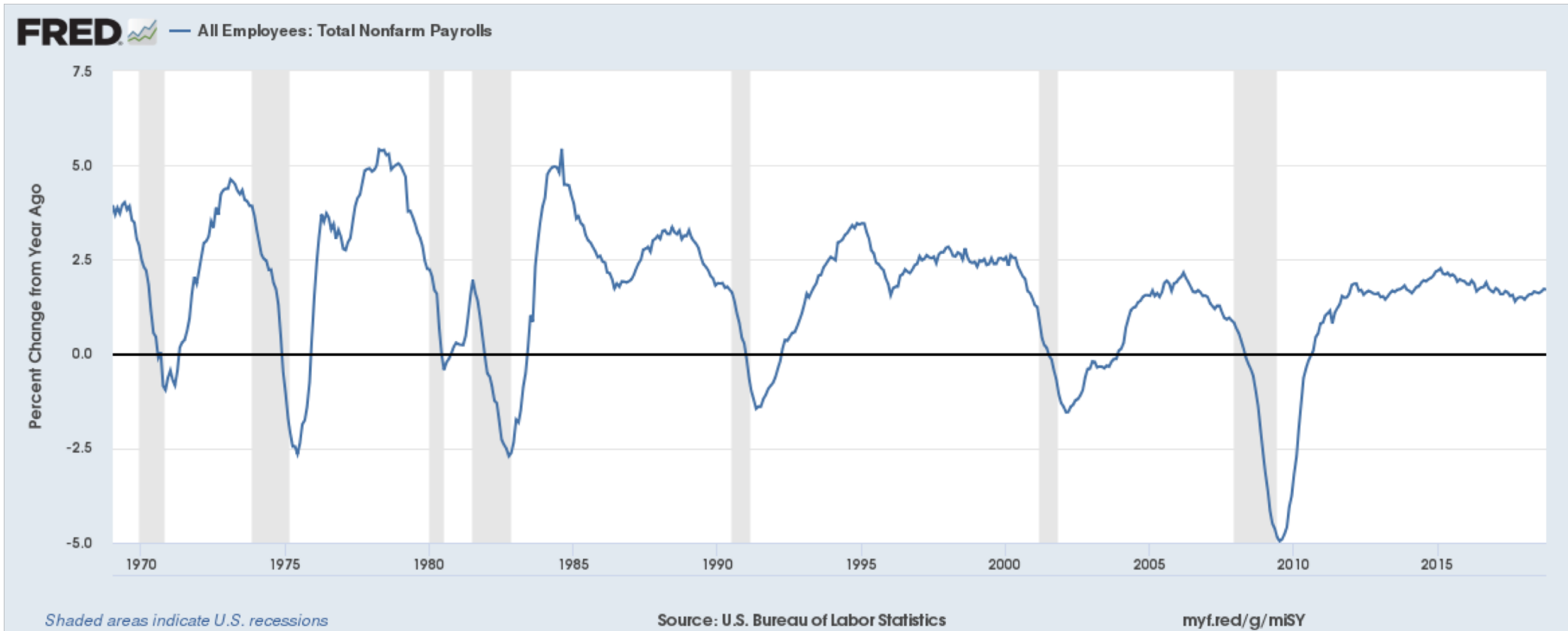
Real GDP, % Change from Previous Quarter, SAAR
(Source: U.S. Bureau of Economic Analysis)



Unemployment in U.S. is at levels below previous recessions.

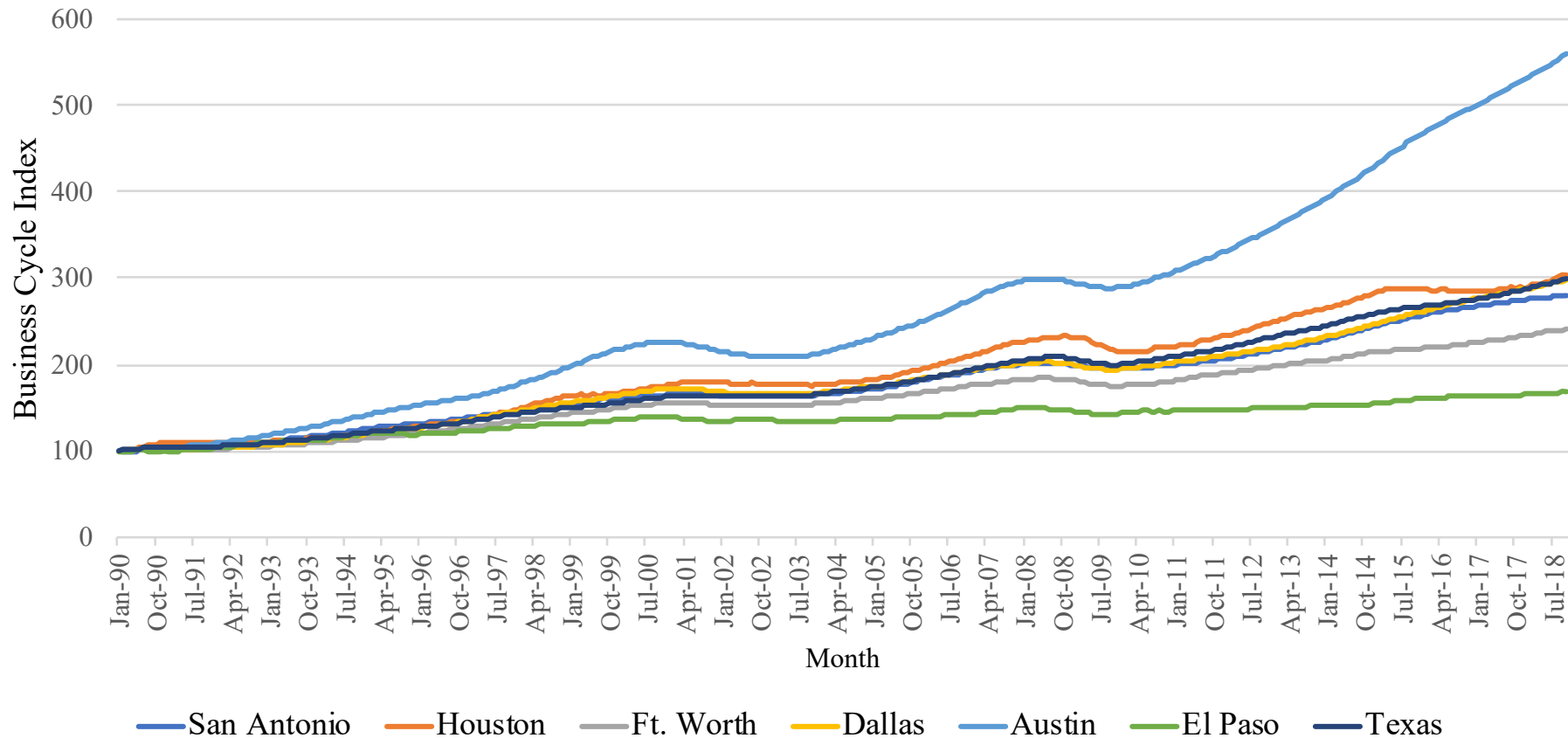


Employment growth in the U.S. has not yet turned down as typically does before recession.



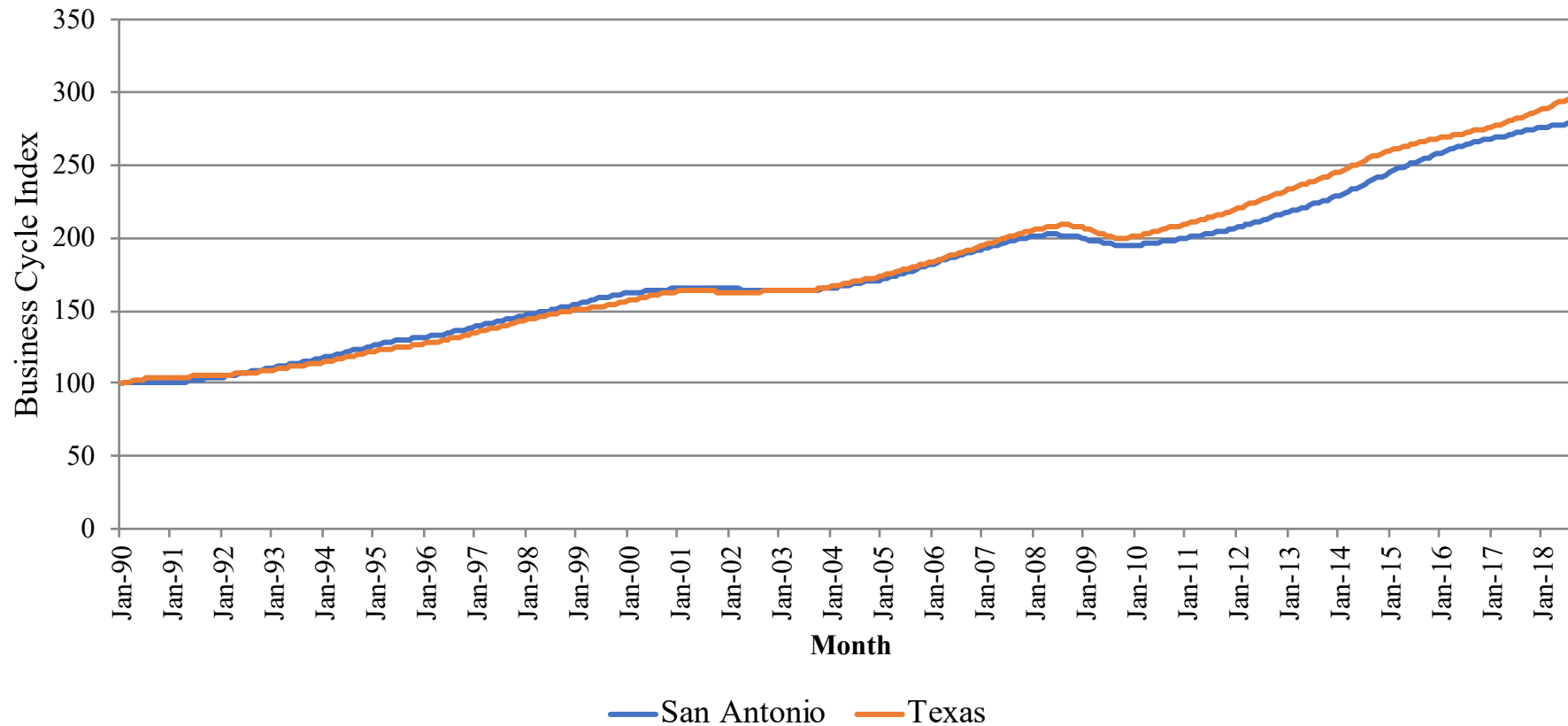
Growth remains strong in Texas and major metropolitan economies.

Business Cycle Index for Texas and Major Metropolitan Economies
Thru October 2018: Seasonally Adjusted, 1990=100
(Source: Federal Reserve Bank of Dallas, author's calculations)

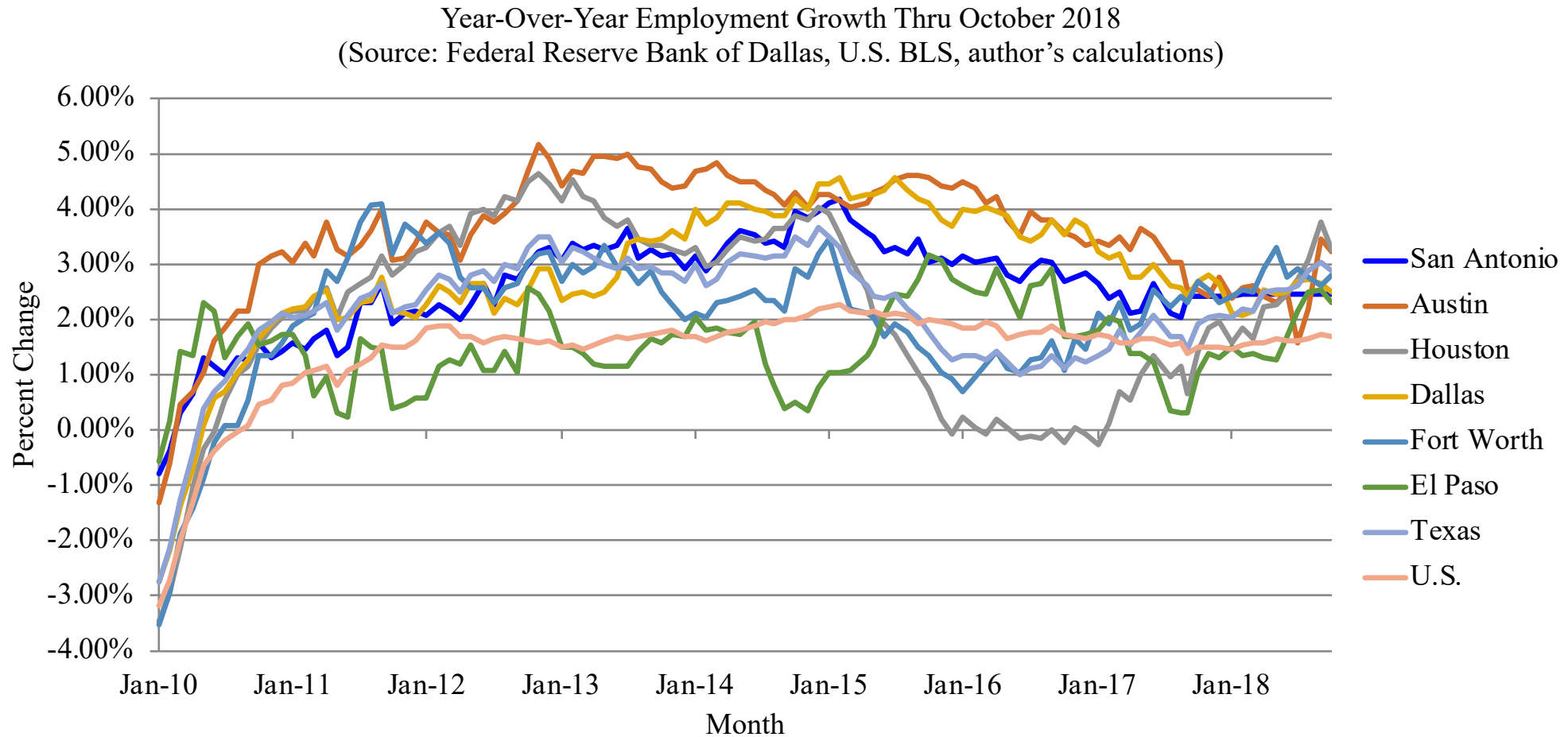


Growth in San Antonio has started to slow a bit.

Business Cycle Index for Texas and San Antonio MSA
Thru October 2018: Seasonally Adjusted, 1990 = 100
(Source: Federal Reserve Bank of Dallas, author's calculations)

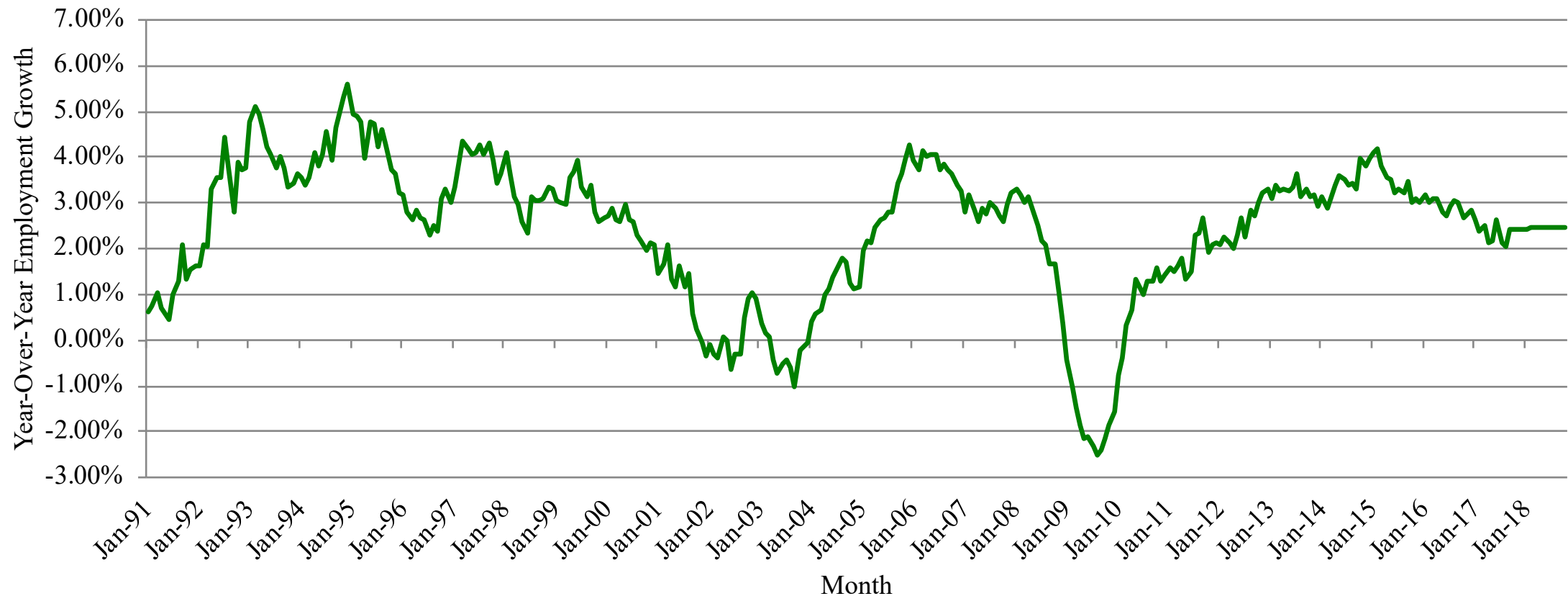


Employment growth remains strong across the state with San Antonio level at about its historic growth rate.



Is employment growth in San Antonio really this steady or is it a data issue?

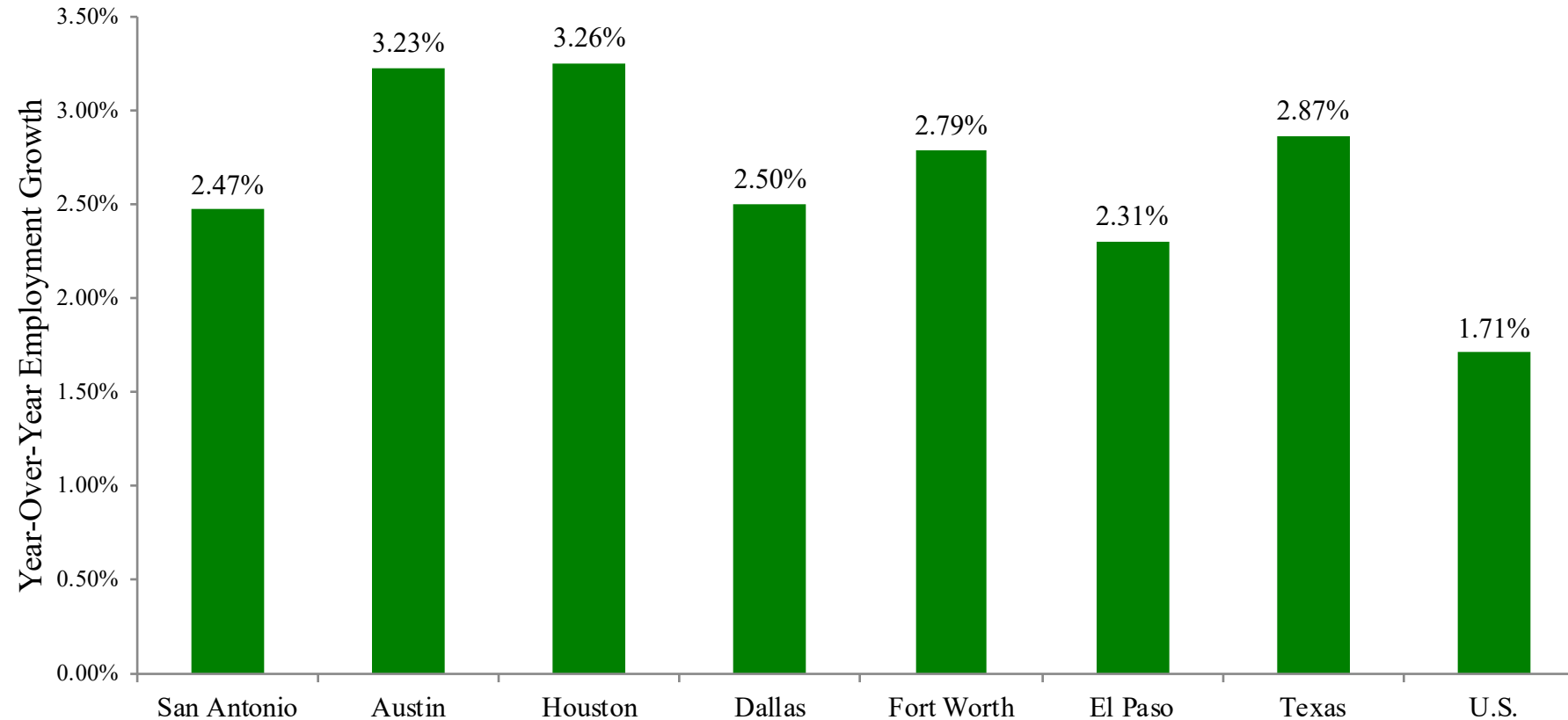
Year-Over-Year Employment Growth in San Antonio Thru October 2018
(Source: Federal Reserve Bank of Dallas, U.S. BLS, author's calculations)



Healthy employment growth continued into October.

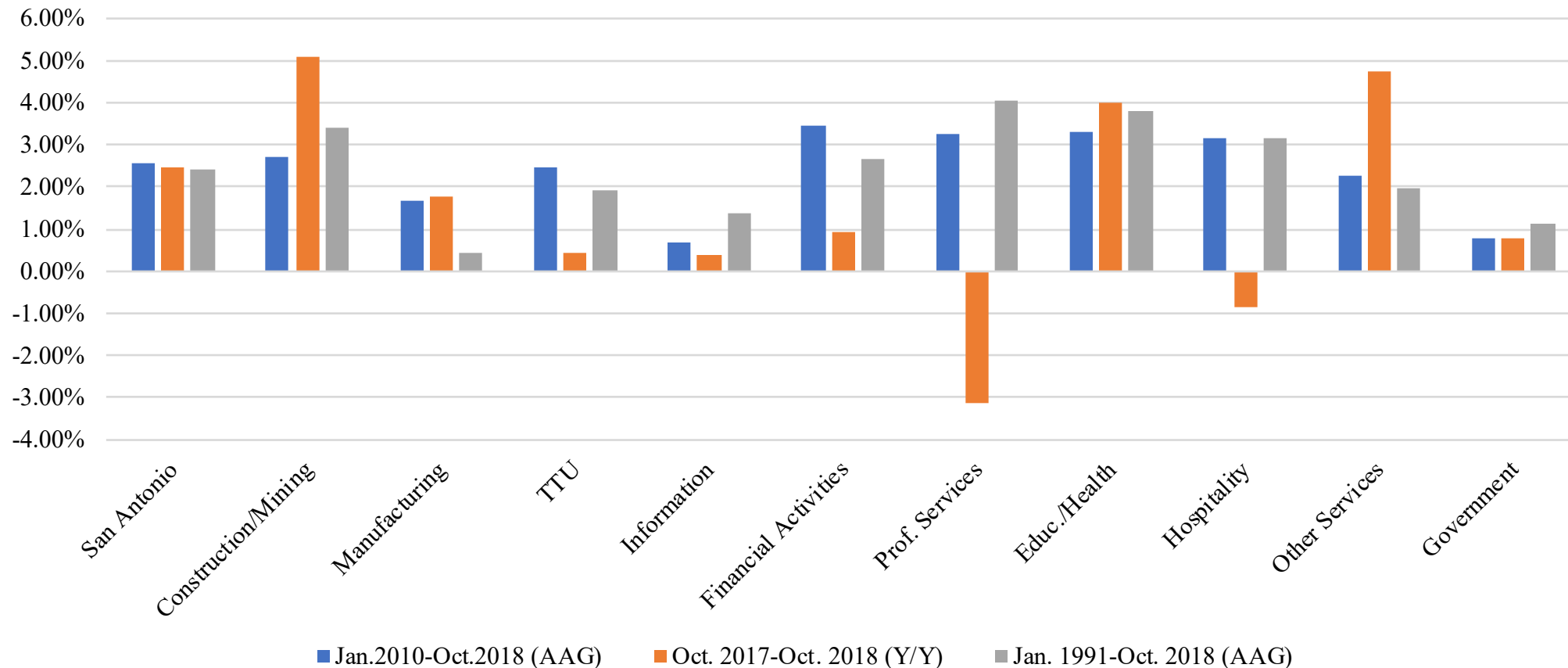
Employment Growth in Major Metropolitan Areas, Texas, and U.S.:
October 2018

(Source: Federal Reserve Bank of Dallas, U.S. BLS, author's calculations)



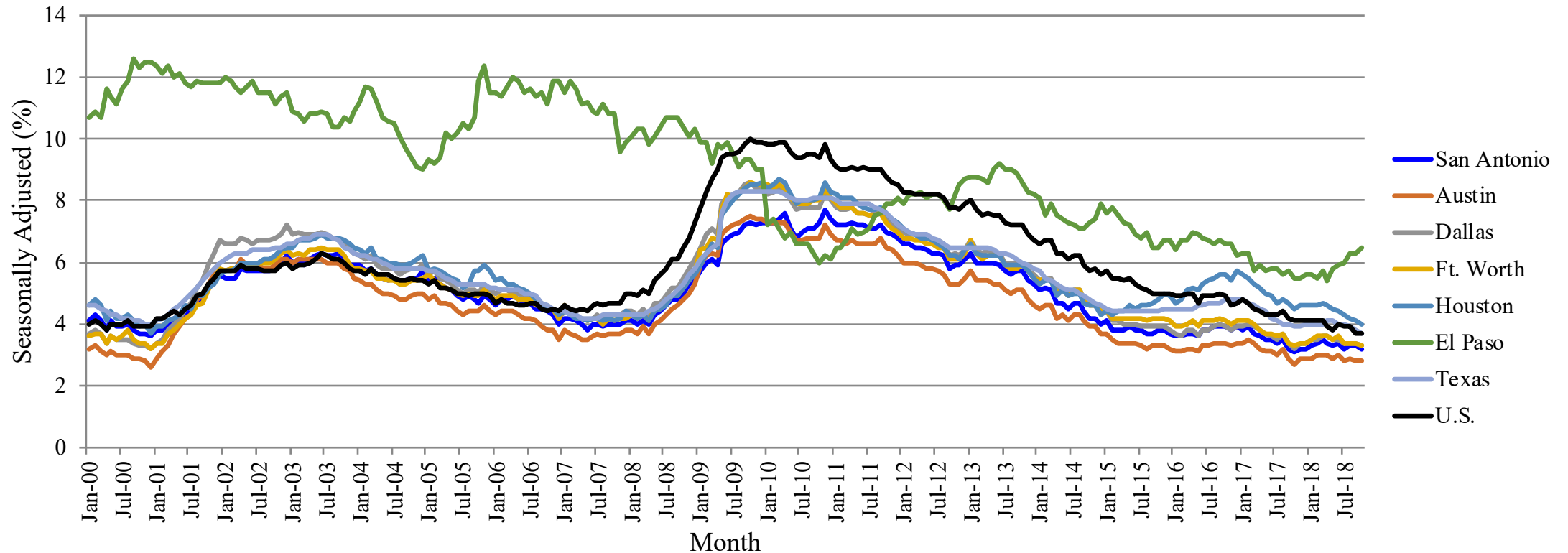
Growth in San Antonio is mixed with some sectors starting to see slowing growth.

Employment Growth by Industry in San Antonio
(Source: Federal Reserve Bank of Dallas, U.S. BLS, author's calculations)



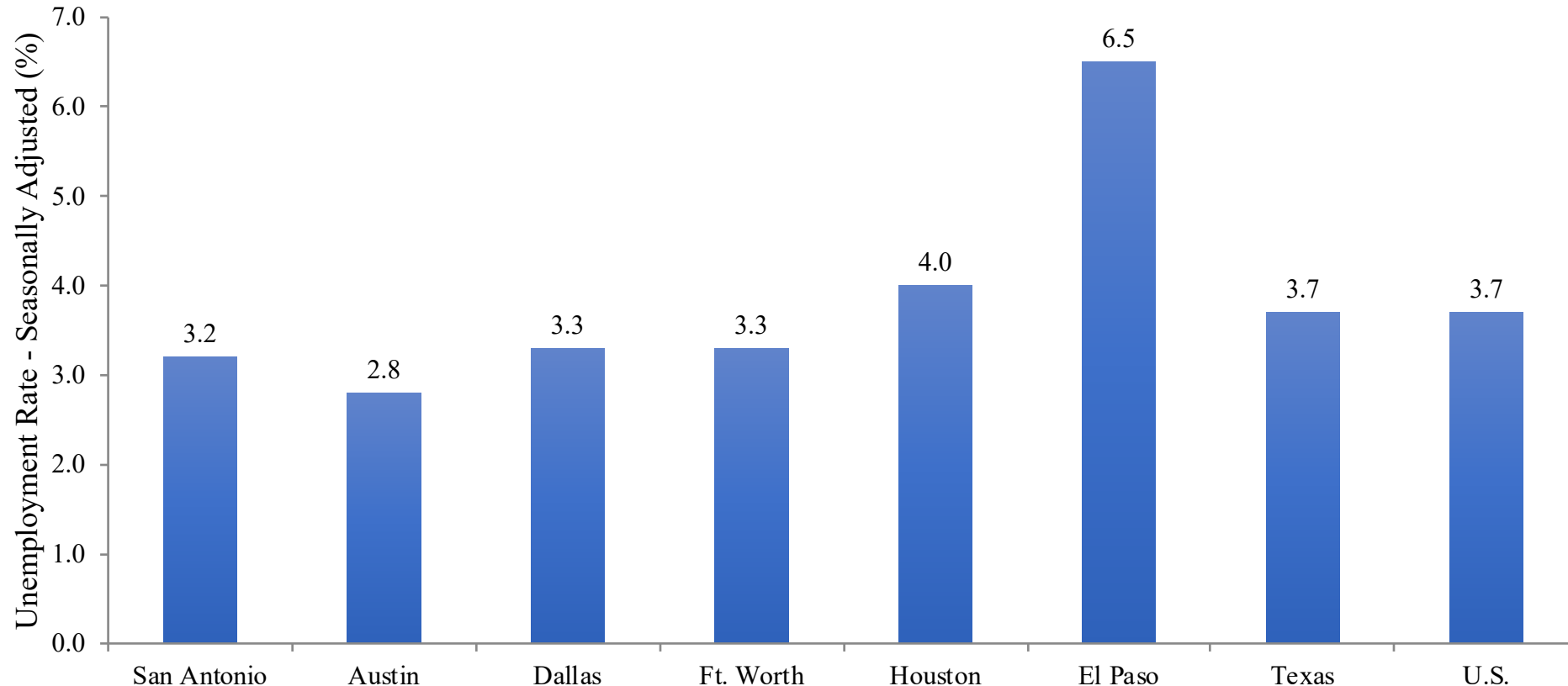
Unemployment continues to stay at low rates similar to those preceding previous recessions.

Unemployment Rate: January 2000-March 2018
(Source: Federal Reserve Bank of Dallas, U.S. BLS)

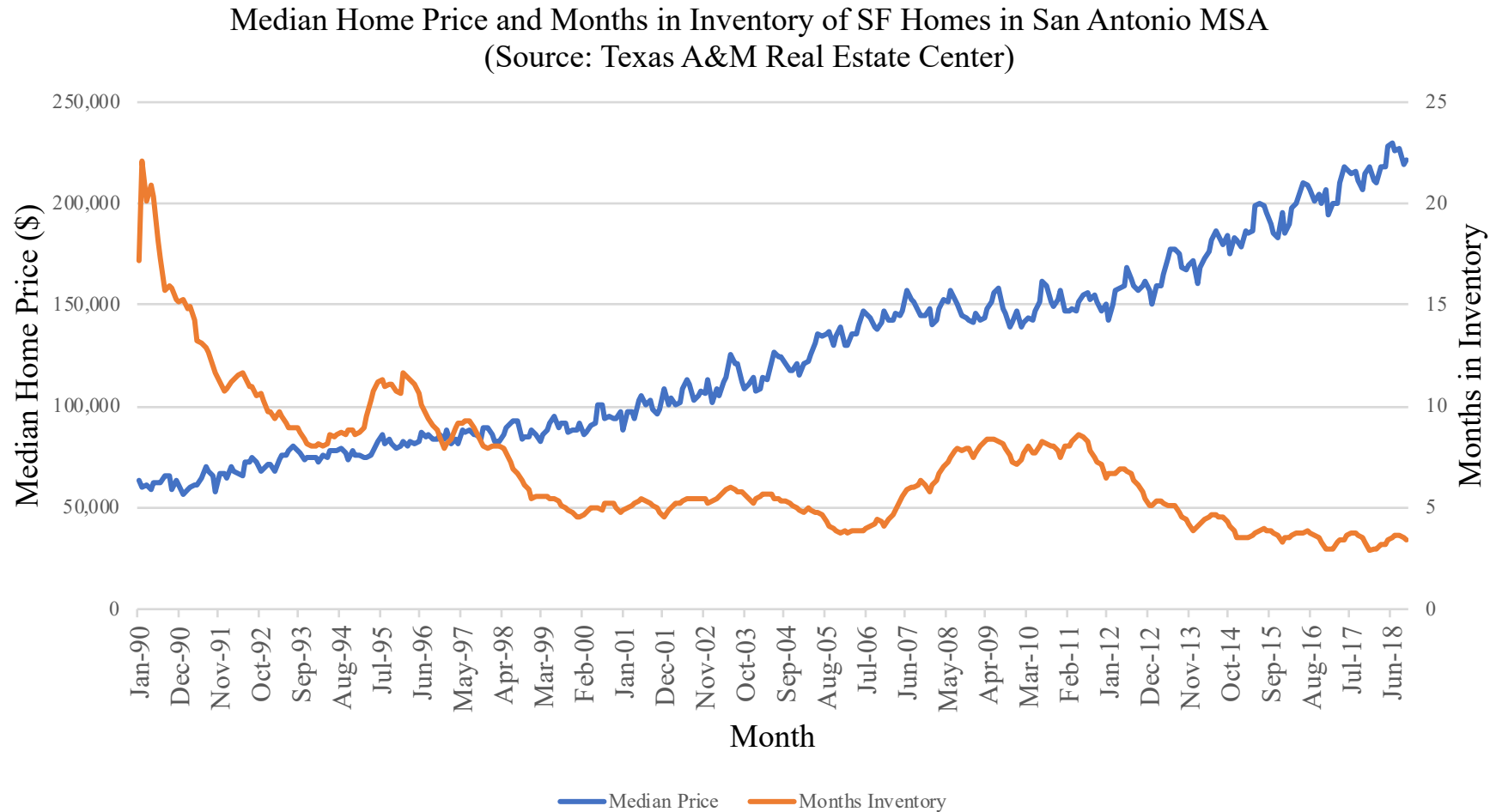


San Antonio had second-lowest rate of unemployment in October.

Comparison of Metropolitan Area, Texas, and U.S. Unemployment Rates: October 2018
(Source: Federal Reserve Bank of Dallas, U.S. BLS)

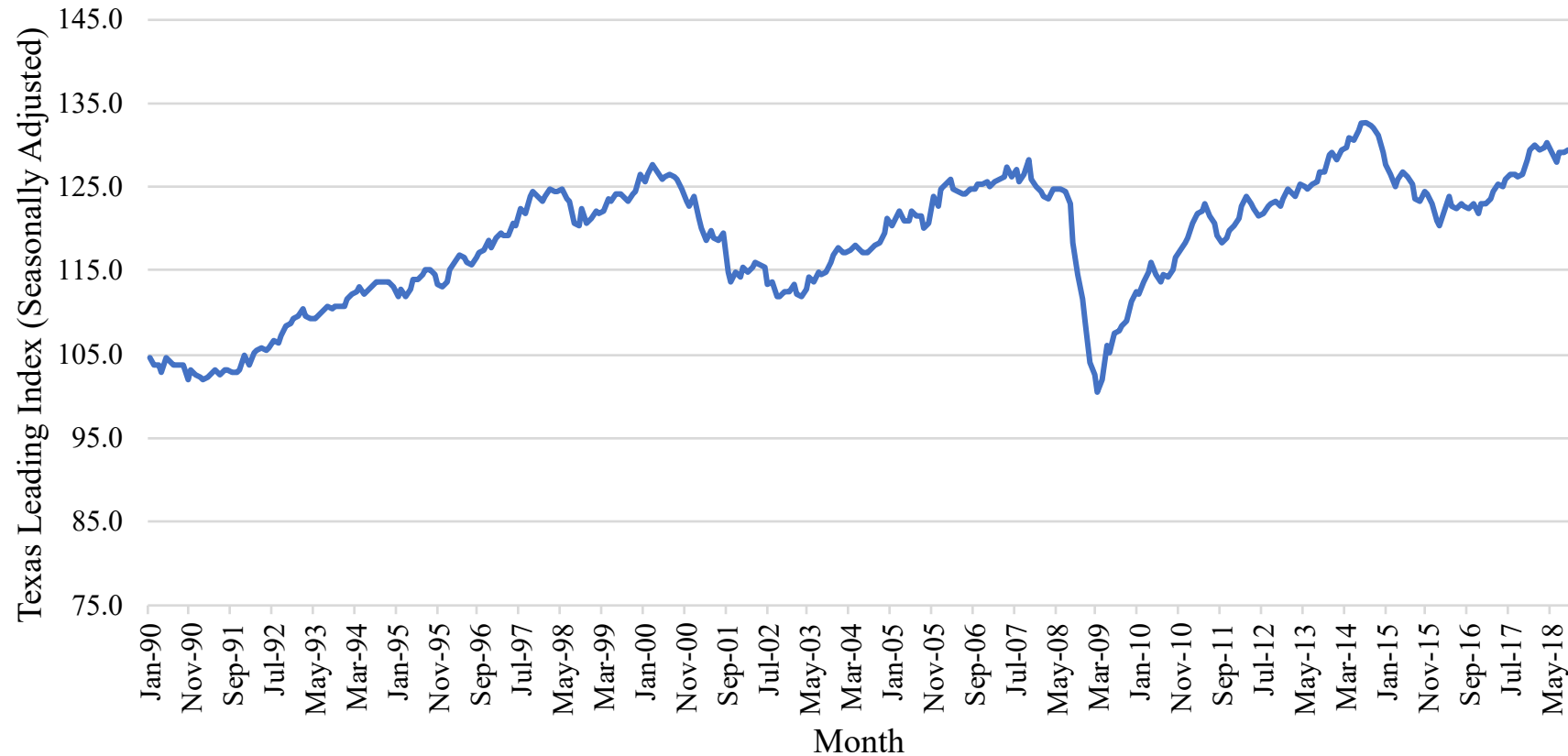


Housing market continues to be strong in San Antonio...but seeing slowdown in other markets.



Growth in Texas may be taking a turn.

Texas Leading Index: Jan. 1990-September 2018 (1987 = 100)
(Source: Federal Reserve Bank of Dallas)



Current expansion of the U.S. economy is the second-longest in history.

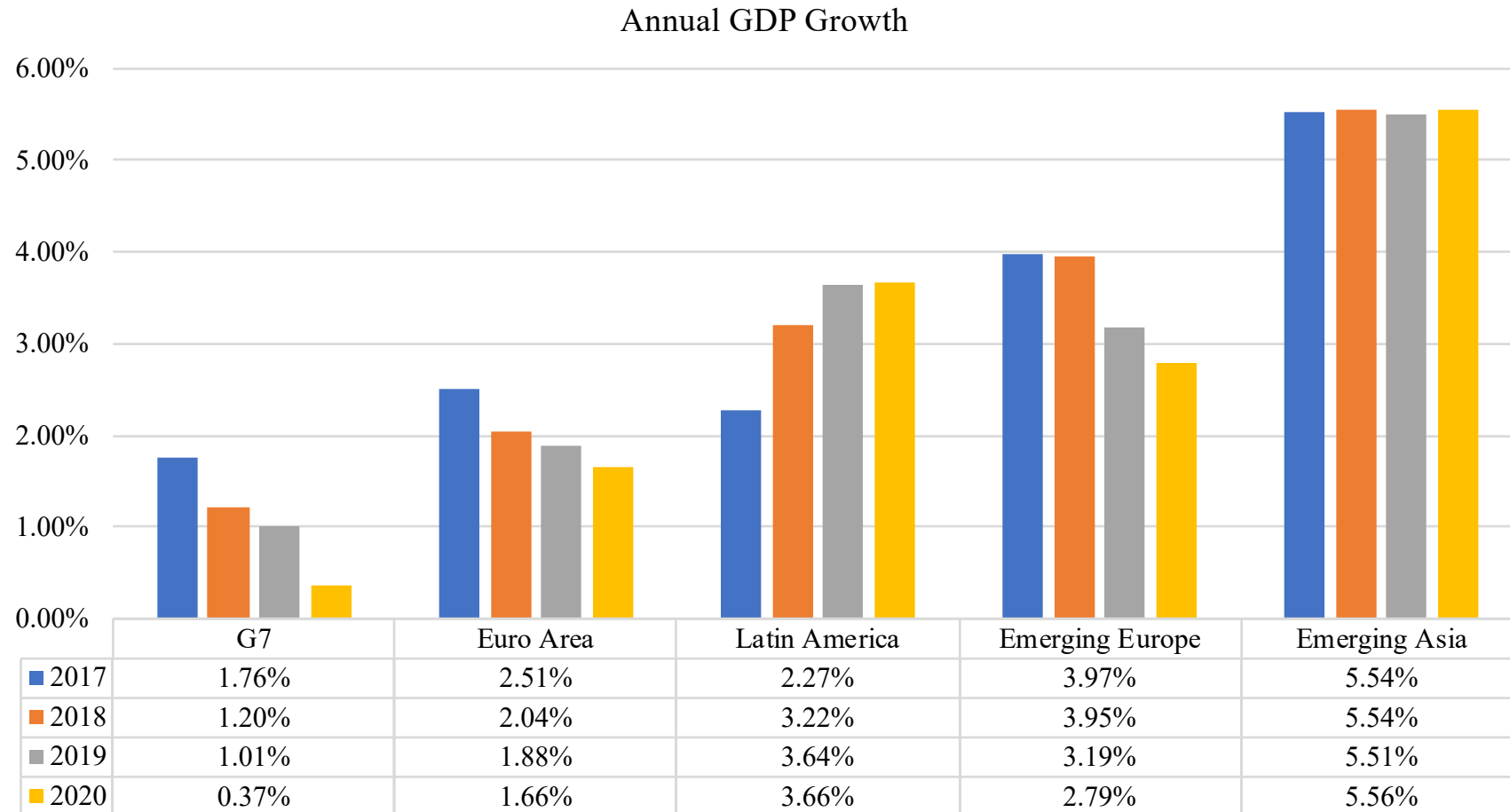
Time Period	Length of Expansion (months)
March 1991 – March 2001	120
June 2009 – April 2018	113
February 1961 – December 1969	106
November 1982 – July 1990	92
June 1938 – February 1945	80

Source: National Bureau of Economic Research Business Cycle Dating Committee, <https://www.nber.org/cycles.html>

Yield curve is close to inverting.



Growth is slowing across many regions around the world.



Summary

- Growth will continue into 2019.
 - Employment growth in San Antonio = 1.75-2.25%
 - Unemployment rate = 3.5-4.0%
- Strong possibility of recession beginning end of 2019 or in 2020.
- May not be as severe as Great Recession but government's ability to respond to it is likely to be somewhat limited.
 - Growing federal budget deficit
 - Limited monetary tools
 - Trade war
 - Global political uncertainty (e.g., Brexit, presidential election)