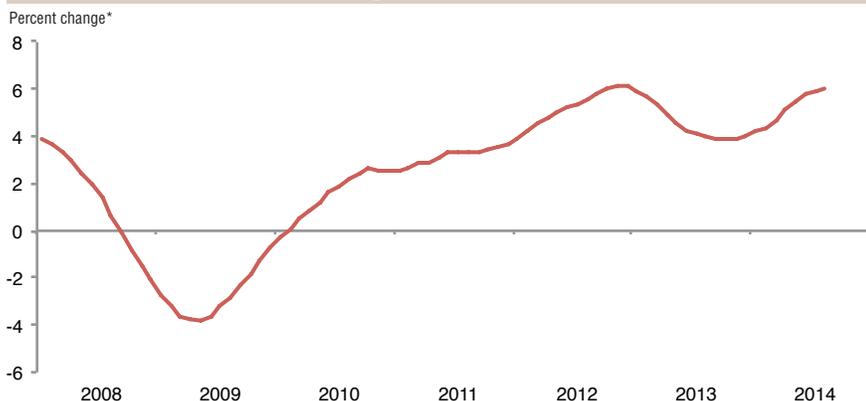


Summary

Economic activity in San Antonio gained strength in August. Job growth increased at a rapid annual rate of 8.6 percent, the fastest single month of growth in nearly a decade. While the unemployment rate ticked up to 5 percent from 4.9 percent in July, other indicators such as help-wanted advertising continue to point toward increasing labor demand in San Antonio. Housing strengthened despite a drop in housing starts, and construction employment and new residential permits continued to rise rapidly.

San Antonio Business-Cycle Index

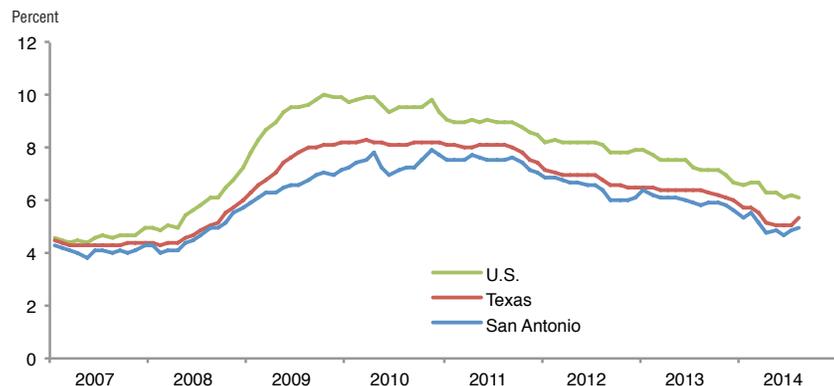


*Six-month, annualized rate.

► The San Antonio Business-Cycle Index continued to accelerate, reaching a six-month growth rate of 6 percent in August. Despite a deceleration in 2013 and early 2014, the index has maintained growth above the 20-year average of 3.4 percent since 2011. The August increase was largely buoyed by exceptionally strong job growth.

Employment

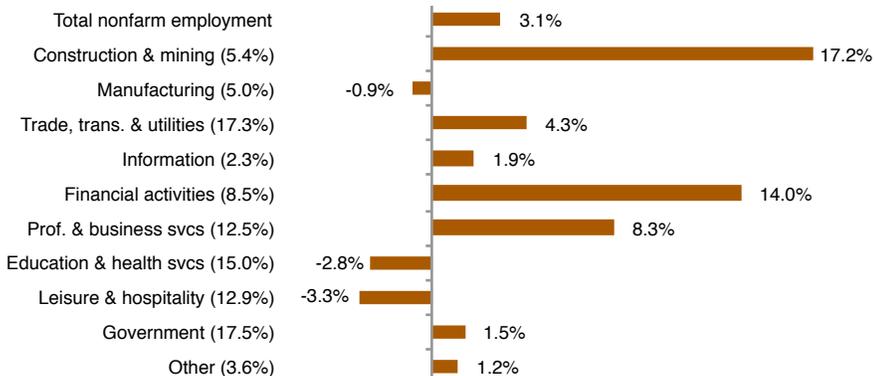
Unemployment Rate



* Seasonally adjusted.

► The August unemployment rate in San Antonio increased from 4.9 to 5 percent due to an expansion in the labor force that was not offset by job growth. Since 2007, San Antonio has maintained an unemployment rate below that of the state, which in turn has done far better than the U.S. While economic conditions continue to pick up for San Antonio and Texas, the unemployment rates of both have ticked up in recent months due in part to labor force expansion.

Employment Growth (June–August)

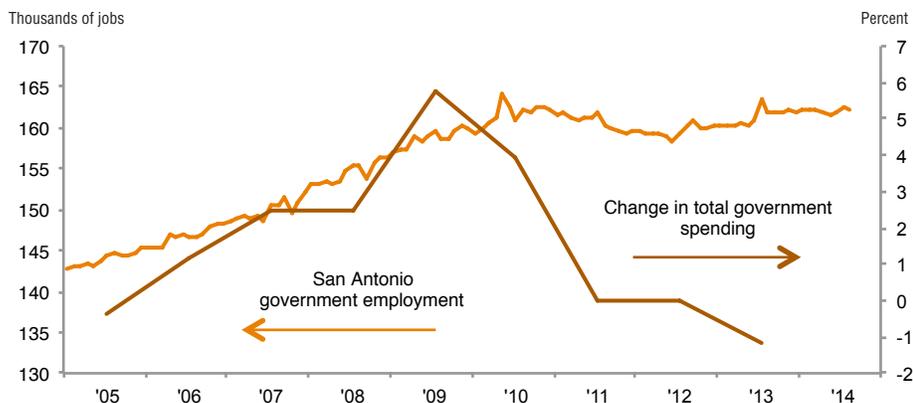


► Employment growth for the three months ended in August picked up to an annualized 3.1 percent. The construction and mining and financial activities sectors continued to post extraordinary growth at rates last seen before the most recent recession. Professional and business services employment grew 8.3 percent after showing signs of slowing at the end of the second quarter. Growth in trade, transportation and utilities continued to accelerate as well, increasing 4.3 percent. Meanwhile, leisure and hospitality reversed course after strong growth earlier in the year, contracting 3.3 percent. Education and health services employment also fell significantly due to a shedding of health care and social services jobs. Government employment grew a modest 1.5 percent, although federal jobs declined 6.8 percent.

NOTES: Numbers in parentheses represent share of total employment and may not sum to 100 percent due to rounding. Job growth data are seasonally adjusted and annualized.

Government

Government Spending and Employment

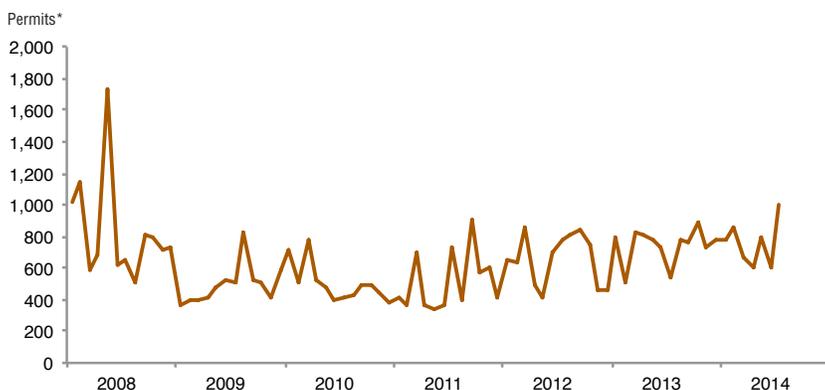


NOTES: Employment data are seasonally adjusted. Annual government spending data are real.

► Given the area's large military presence, government is an important sector of the San Antonio economy. However, government spending and employment have faced sharp cuts the past several years, most notably in 2013 with the federal budget sequestration. The result was a 1.2 percent decline in overall government spending in 2013. While the cuts haven't been as severe in 2014, reduced spending has partially manifested itself as a flattening out of government employment, particularly federal civilian employment. Because many civilian contractors depend on government funding, further cuts could hamper job growth in the private sector, as they did in 2013.

Housing Markets

Housing Permits

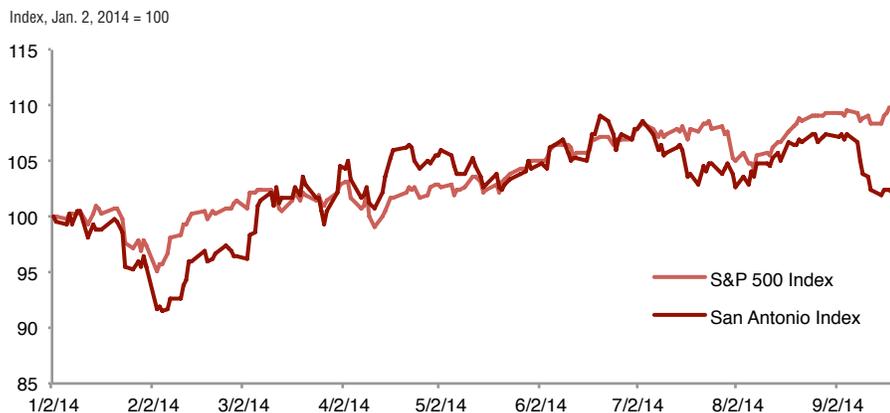


* Seasonally adjusted.

► Housing permits in San Antonio increased sharply in July as new multifamily units surged to their highest level since early 2012. Through July, year-to-date housing permits were up 6.4 percent over the same period last year. Housing starts softened slightly, while home inventories fell from 4.4 to 4.3 months' supply, construction employment continued to grow and existing-home sales rose to their highest level since 2007. Housing starts may have softened due to a shortage of construction workers and available lots. Overall, housing indicators suggest continued strong demand.

Stock Index

Stock Price Indexes



► The San Antonio Stock Index dropped significantly from Aug. 15 to Sept. 19, falling 2.8 percent as the S&P 500 rose 2.8 percent. Energy company stocks dominated the fall as refining companies in particular saw sharp declines in early September. Finance and telecommunications firms made moderate gains, while manufacturing firms saw little net change over this period.

NOTE: Data may not match previously published numbers due to data revisions.

SOURCES: **San Antonio Business-Cycle Index:** Bureau of Labor Statistics (BLS), Texas Workforce Commission and Federal Reserve Bank of Dallas; **unemployment rate:** BLS and Dallas Fed; **employment:** BLS and Dallas Fed; **government spending and employment:** BLS, Bureau of Economic Analysis and Dallas Fed; **housing permits:** Census Bureau and Dallas Fed; **stock price indexes:** Bloomberg and Standard and Poor's.

Questions regarding *San Antonio Economic Indicators* can be addressed to Christopher Slijk at christopher.slijk@dal.frb.org.