

Texas expected to resist downturn

Expert sees Austin job growth hitting 4 percent through 2008.

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AMERICAN-STATESMAN STAFF
Saturday, February 24, 2007

As the national economy is expected to lose steam, in part because of a housing slowdown, several Texas regions, including Austin, are poised to buck the trend, an economist said Friday.

Through 2008, the Austin, San Antonio and Dallas-Fort Worth regions will see jobs added at a faster pace than in 2005 and 2006, said Rakesh Shankar, senior economist for Moody's Economy.com. At the same time, national job growth will slow.

"At the national level, the economy is bound to slow," Shankar said during an Austin visit Friday. However, "the risks that are really major for the nation are not risks for Texas."

"The main theme is Texas is in a much better position than the national economy," he added. "It does not have the same housing weight, and it does not have the same industrial — the (domestic) auto-related weight — that the rest of the nation has."

Five factors fuel the bullish outlook, Shankar said: population growth, the state's growing presence as a national business center, growing global trade, stronger consumer spending growth and industrial growth.

A report this week from the Dallas Federal Reserve said that 2007 will be "a good year, but not a banner year" for the state.

The regional bank said the state will feel some effects from a national economic slowdown, buffered by rising exports and strong activity in the energy, commercial and public works construction sectors.

The report said labor shortages in some areas could be a negative for the state.

Shankar said the housing slowdown and the struggles of domestic automakers are among the factors that will put a damper on the national economy.

Growth in the gross domestic product is expected to remain below 3 percent during the next year, signaling a slowdown, Shankar said.

Although the national job market has remained strong, any jobs tied to the housing industry, such as construction, are expected to scale back.

"Because of the housing bust nationally, job creation has really slowed quite a bit," Shankar said.

Austin is one of Texas' economic hot spots.

Through 2008, it's expected to have job growth above 4 percent, compared with 3.4 percent in 2005 and 2006.

In San Antonio, the work force will grow 3.2 percent, up from 2.7 percent in the previous two years, fueled by strong growth in local tourism and military operations, including military health care. While U.S. automakers are struggling, he noted that Toyota Motor Corp., which opened a San Antonio plant last year, is surging.

Houston is probably the state's biggest economic hot spot, Shankar said, thanks to its sheer size, broad-based growth and booming energy industry. Also, Houston reaps the benefits of growing international trade through its port operations, which have become an increasingly attractive alternative to West Coast ports for exports from Asia.

"Right now, Houston is the growth driver for the state of Texas," he said. "As long as international trade is expanding and improving, Houston is going to benefit."

Dallas is one of the state's weakest metro areas because it relies heavily on defense and transportation, which are slated for a slowdown.

Shankar noted that Texas continues to attract workers from other states who are looking for cheaper housing.

"Texas is one of the fastest-growing states in the country," Shankar said. And "it is really cost-driven. The fact that Texas is a much cheaper place to live and do business is really driving people from the West Coast and Northeast."

Courtesy of JB Goodwin