

THE

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AUSTIN LETTER

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Dear Client:

What in prior years may have come as “bad,” or at least disappointing, news to Texas is currently “good,” or even outstanding, news in light of a sluggish and challenging national economy. Let’s examine this claim by a noted Texas-based economist.

Longtime Texas economist **Ray Perryman** says that “despite the current national economic recession and statewide slowdowns, the **metropolitan areas of Texas are projected to see growth resuming within the year, with momentum building**” for the next four years. Here’s how he assesses the current situation.

The latest increase in **sales tax revenue** is far less dramatic than the increases Texas experienced in recent years and even recent months, but it is **far better than the notable declines felt in many parts of the country.**

Important sectors such as **construction** have shown some downturns (see our March 27th edition), but are **faring well in comparison to other regions.**

Texas continues to perform notably better than the nation as a whole, and the dire financial straits experienced by so many states are not likely here.

In terms of State government, Perryman says that “conservative planning, coupled with additional resources to draw upon if conditions worsen, will **protect Texas from seeing a huge deficit.** **Overall, the fiscal situation of the State is fine,** although not ideally where we might like to be nor where Texas was projected to be before the drop in oil prices from the peak last summer and the rapidly unfolding financial calamity.”

“The story of Texas is one of bad news, good news,” he says. “**The bad news is that the economy is slowing.** With the type of interconnectedness experienced today, it was hardly expected that the state could avoid all effects of the larger national and global crises. **The good news is that Texas is fiscally sound and will continue to outperform the nation.**”

The Perryman Group’s forecasts call for better days as soon as mid-year. Let’s look at his projections for the Austin-Round Rock metro area, and some of the other Texas metros, in the next item.

Of the 25 Texas metro areas, the five largest account for almost 68% of the state's population, 71% of jobs and 85% of output. And the Austin metro is a vital part of the Big Five.

The five largest metros are Austin-Round Rock, Dallas-Fort Worth-Arlington (includes the Dallas-Plano-Irving and Fort Worth-Arlington metro divisions), El Paso, Houston-Sugar Land-Baytown, and San Antonio. **These metros are projected to account for almost 82% of the state's total population gain by 2013. And seven out of every ten jobs in Texas are in these metros.** These five regions are the economic gorillas of Texas.

Economist **Ray Perryman's** five-year forecast horizon runs from 2008 to 2013. He projects the five-county Austin metro area (Travis, Williamson, Hays, Bastrop and Caldwell) will tally a **294,720 population gain during that timeframe** – or, as the economists call it, a Compound Annual Growth Rate (CAGR) of 3.35%. In this same period, he is projecting an **employment gain of 81,430 or 1.94%**. His *statewide* projections: a 1.87% population increase and a 1.70% employment gain.

Much of the rest of Perryman's projections are all wrapped up in economic jargon and are guaranteed to make your eyes glaze over – even if we tried to condense and translate them for you. Suffice it to say that many of his forecasts, such as **retail sales and output growth (see, another economic phrase) show the Austin metro's percentages pacing the state.** Other metros may have greater actual numbers because they are larger metros. Anyway, he is bullish.

Speaking of growth, the US Census Bureau just reported that Austin was the nation's second-fastest growing metro area between 2007 and 2008.

The official stats show that the **Austin-Round Rock metro grew to a population of 1.65 million** between July 2007 and July 2008. This is a 3.8% growth rate. And it was second only to Raleigh-Cary, North Carolina. Oh, by the way, this same report pointed out that Texas had more counties, 10, among the 25 with the largest numerical gains and had 19 counties on the list of 100-fastest-growing, more than any other state.

Only four US housing markets experienced an increase in value during January. Three were in Texas, and Austin topped the Texas list.

An analysis prepared by First American CoreLogic, and reported in the *Dallas Morning News*, shows that the **Austin-Round Rock metro had a 3.9% increase in housing market value** in January. Houston-Sugar Land-Baytown recorded a 3.6% increase while the Dallas-Plano-Irving Metro Division notched a 1.5% increase in home values. Throughout Texas, home prices were up by just under 2%, but nationwide, home prices fell 11.6% compared to a year ago.

Austin's national reputation as a great place to create jobs got another boost.

This week, Forbes.com zoomed Austin up its national ranking from 47th last year to now ranking Austin as the 8th best place in the nation for business and careers. **It pointed out Austin has a relatively low subprime mortgage exposure and solid job growth.**

Its Top Ten: Raleigh, NC ... Fort Collins, Colo ... Durham, NC ... Fayetteville, Ark ... Lincoln, Neb ... Asheville, NC ... Des Moines, Iowa ... **Austin** ... Boise, Idaho ... and Colorado Springs, Colo.

It'll be a little more difficult to see a wildlife phenomenon that occurs in the sky over Austin twice a year. The tallest birds in North America are flying over the area during the first weeks of April, but the endangered species is fewer in number this year.

The whooping cranes are magnificent creatures. You may be able to hear them as they fly over the Austin area. They “trumpet” or “whoop.” **They are entirely white, except for a small patch of black feathers and red skin on the face. Their black wing tips are visible only in flight.** Riding southerly winds on a northwest path, they usually migrate in small family groups of two-to-five birds. They stop overnight, seeking out wetlands for roosting and agricultural fields for feeding. They sometimes share habitats with the smaller, more common sandhill crane. They seldom remain more than one night.

The drought Central Texans have experienced has taken its toll on the small whooping crane population. The birds spend their summers in Canada and winter at the Aransas National Wildlife Refuge on the Texas coast near Rockport. And the endangered giant birds just went through the worst winter on record in terms of bird deaths. In fact, 20% of the flock was lost during the last 12 months.

As a result, only 249 birds will fly over the Austin area, heading to Wood Buffalo National Park in Canada. How did the Central Texas drought affect these big birds? Low rainfall resulted in saltier bays and fewer blue crabs, the primary food source for the wintering whoopers. The birds were stressed when they left the bays to fly inland seeking fresh water. Many died.

Whooping cranes were almost extinct in the 1930s when a major two-nation effort began to encourage an expansion of their population. Occasional set-backs aren't new to the whooping crane recovery story. In fact, **as recently as 1975, there were only 49 whoopers. Last year, the population reached a record 270 birds** – before the drought-stricken 2008 winter. And it marked the first drop in numbers since 2001. Officials are not sounding an alarm, but they stepped up efforts to help the population, such as supplemental feeding for the whooping cranes this winter. Meantime, check the Austin skies. You may see a rare sight.

With “hits” seeming to come from all sides lately, some are claiming nuclear power — Austin’s least expensive source of electricity – may be facing a dismal future in the US, even as it is the primary source of electricity in many nations around the world.

In recent months, Austin’s City Council twice rejected investing in the expansion of the nuclear power plant on the Gulf Coast that currently provides Austin Energy customers with its least expensive source of electricity. Instead, the Austin City Council is pouring **hundreds of millions of dollars into expensive alternative sources of energy** – such as solar and wind.

And on the national scene, the **Obama administration has effectively killed the plan for a nuclear waste repository at Yucca Mountain, Nevada.** As a result, one national leader who supports expansion of nuclear power said that no national effort to dispose of, or re-process, nuclear waste will effectively kill the future of nuclear power in the US.

But our friends at *The Kiplinger Letter* in Washington report **“That won’t abort the coming nuclear power renaissance, though. From 2015 to 2030 or so, two dozen new plants will be fired up.”** It said construction costs will rise to accommodate on-site waste storage, but it will be only a fraction of the \$6-\$8 billion cost of a new nuclear power plant.

And remember, we reported 2/6/09 (click “Archives” at the top of the page to go to Volume 30, Number 43) that **UTAustin physicists have designed a new system to eliminate most of the waste produced by nuclear power.** So, the use of nuclear power will be a continuing debate.

You may have noticed the designation at the top of the page that read: Volume 31, Number 1. This is the way publishers mark the fact that, for us, this is the first issue in our 31st year of publication. It means that, for 30 years, we have never missed a weekly deadline publishing 50 editions each year. For you, we hope that it means you have been kept *abreast* of – and in many cases, *ahead* of – the economic, business, political and growth trends in Austin and Texas. But when we start thinking about how long something goes on, **Dr. Louis Overholster** brings us down to earth by pointing out that how long a minute is, depends on what side of the bathroom door you’re on!

Sincerely



Editor/Publisher