

AMARILLO
ECONOMIC
DEVELOPMENT



2020

ECONOMIC
REVIEW



LETTER FROM THE PRESIDENT

For 30 years, the Amarillo Economic Development Corporation has dedicated its mission to improving the lives of those in the Amarillo area by supporting the growth and diversification of our economy. Whether it's recruiting new companies to the area or helping local businesses expand their operations, the Amarillo EDC sees each project as an opportunity to provide our citizens quality jobs with growing companies.

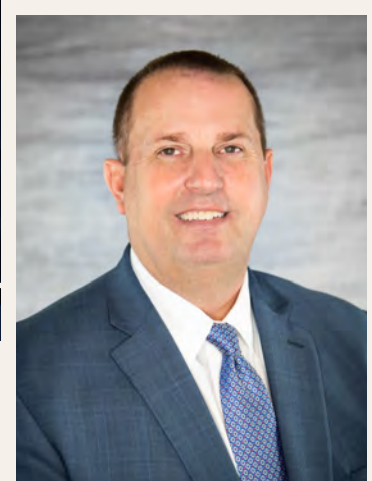
2019 was a great year for the Amarillo area, it was filled with many successes that will grow our local economy for years to come. Among those successes, the Amarillo EDC announced two major projects that have a capital expenditure that exceeded \$50 million. We welcomed CHEP Pallet Company, who completed their industrial building this year, and SSI Foods, who broke ground on their facility in November. In addition, the Texas Tech University System broke ground on the School of Veterinary Medicine, the first vet school in the nation that is co-located with a pharmacy and medical school. Combined, these three projects will create over \$100 million in economic impact each year.

This year we began exploring the technology sector further by partnering with the WT Enterprise Center to introduce the WIRE Accelerator. The WIRE Accelerator hosted four technology startups that completed a 12-week growth driven program in the hopes of receiving start-up capital investment on Amarillo's First Demo Day.

We also continued to focus efforts on growing local businesses at home. We worked with the WT Enterprise Center for the 24th annual EnterPrize Challenge that invested over \$450,000 into five small businesses. In May we made a recommitment to our Business Retention and Expansion program through the hiring of a dedicated person, whose focus is to support established and growing Amarillo businesses.

To encourage growth in our local workforce we researched the hiring needs of local companies and created the Take Root In Amarillo website that focuses on recruiting outside talent to our area. We also created the Amarillo Intern Experience, which brings interns from different companies together to learn about what our city has to offer.

I would like to thank the Amarillo EDC board, Mayor Ginger Nelson, the City Council, Potter County Commissioners, and the Randall County Commissioners for all their help and support. All the past successes and future successes would not be possible without their support. This past year has been filled with exciting projects and tremendous growth, I'm looking forward to continuing the Amarillo EDC's work into 2020.



Kevin Carter
President & CEO

Staff Members :



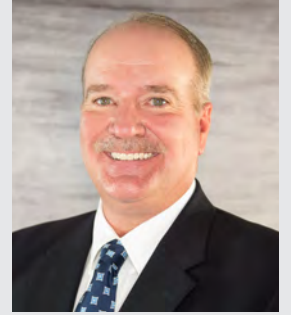
Kevin Carter,
President & CEO



Doug Nelson,
Senior Vice President
of Financial Services



Reagan Hales,
Vice President,
Business Development



Michael Kitten,
Vice President, Business
Retention & Expansion



Sabrina Meck Perez,
Director of Workforce
Attraction & Retention



Savannah Tarbet,
Director of Marketing
& Communication



Andy Arias,
Loan Officer,
Financial Services



Chris Lyles,
Office Administrator

Board of Directors :



Lloyd Brown,
Chairman of the Board



Scott Bentley,
Vice-Chairman



Laura Street,
Director



Brian Heinrich,
Director



Andrew Hall,
Director

ECONOMIC IMPACT

TEXAS TECH VET SCHOOL

In September, the Texas Tech University System broke ground on their School of Veterinary Medicine. TTU School of Veterinary Medicine is the first vet school in the nation that will be co-located with pharmacy and medical schools. The TTU School of Veterinary Medicine will have a total economic impact of \$76 million annually, create 95 full-time jobs, and 278 secondary jobs.



CHEP

CHEP Pallet Company offers a full range of pooled pallet solutions – all designed to maximize supply chain efficiencies while minimizing emissions and waste. After finishing their building in 2019, CHEP will create 33 new jobs and have an annual economic impact of \$1.5 million.



SSI FOODS

SSI Foods, LLC is a company started by a group of industry veterans to fill the national need to process protein products for chain restaurants and the food service industry. SSI Foods will create 150 new jobs in Amarillo and have an estimated annual economic impact of \$27.6 million.



PROGRAMS & SERVICES

BUILD YOUR TALENT TOOLBOX

These biannual events are designed for your HR professionals and business owners to recruit, retain, and engage both current and future workforce. Topics include creating a work culture, engaging high school students, hiring right the first time recruiting to Amarillo.

TAKE ROOT IN AMARILLO

As a one-stop hub for all things Amarillo, TakeRootInAmarillo.com helps you recruit new talent to our area and ease the process of acclimating to a new city! The site allows employers to highlight hard-to-find, high-skilled, living wage jobs and internship opportunities as well as showcase different aspects of daily life in Amarillo including housing, education, cultural happenings, and how to get plugged in, which will ultimately help with employee retention.

AMARILLO INTERN EXPERIENCE

Many college-age interns from out of town struggle to get acclimated and make friends outside of the company they're interning for. So we decided to get them together and show off our community. By meeting up with outside interns, experiencing different parts of Amarillo, and connecting with Elevate Amarillo young professionals, our future workforce begins to put down roots right here in our community.

TEXAS PANHANDLE REGIONAL DEVELOPMENT CORPORATION (TPRDC)

Our non-profit development company, certified by the U.S. Small Business Administration (SBA), serves as a bridge between local lenders and companies that typically don't meet the requirements for traditional financing. Over the past 36+ years, the TPRDC has created and/or retained more than 1,900 jobs in the Amarillo area, and guaranteed 157 loans to small businesses in Potter and Randall counties.

WT ENTERPRISE CENTER (WTEC)

Since 2001, the WT Enterprise Center has been helping local entrepreneurs build great companies. With access to certified business coaches, industry expert specialists, top-notch facilities and high-level programs, business owners gain the support system and resources needed to take their business to the next level. In 2019, the WTEC hosted the first WIRE Accelerator, a 12-week growth driven program. Four technology startups were able to receive hands-on training, mentorship and industry connections to accelerate their business to the next level.



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1. SUMMARY OF AMARILLO ECONOMIC CONDITIONS AND OUTLOOK

The Amarillo metro area economy posted a **second consecutive year of steady but moderate economic growth** in 2019. The metro area is on pace to add more than **850 jobs (0.7% gain) in 2019**, up from the 680 jobs (0.6% gain) added in 2018. The Amarillo region has now generated a total of **2,300 new jobs since the recent oil and gas-induced slowdown ended in mid-year 2017**.

The metro area **unemployment rate continues to hover near 2.5%**, a full percentage point below both the state (3.5% Oct.) and nation (3.6% Oct.). This represents the **lowest jobless rate in the region since the mid-1970s**.

Our estimates suggest that **income growth in the metro area slowed in 2019**, with personal income growth of 2.4% expected for all of 2019. Despite significant and steady gains since 2016, proprietor (self-employment) income remains more than 10% below the recent peak level of almost \$2 billion reached in 2014, with the gap traced largely to oil and gas weakness.

No meaningful recovery has taken place in Panhandle drilling activity since the slowdown in 2015 and 2016. As few as one rig was searching for oil and gas in the Panhandle throughout much of 2019. **Forecasts for oil and gas prices suggest little rebound in the region's energy sector through 2020.**

Our 2020 hiring outlook calls for metro area job growth to maintain its current approximate trend and post a **gain of 0.6% (800 jobs) in 2020**. This suggests continued **expansion at a moderate pace in Amarillo for a third consecutive year**. Personal income growth is expected to **accelerate slightly to 3.0%** but trail the 4.0% average annual pace posted in the 2008 to 2018 period. Ongoing strength in state and U.S. conditions remains supportive of local growth.

Exports of goods from Amarillo posted a moderate 2% gain to reach \$539 million in 2018. Exports now comprise 17.8% of total metro GDP. By sector, **food manufacturing now accounts for almost 75% of metro exports**.

Consistent with USDA forecasts, our model-based estimates suggest a **rise in total metro farm earnings to \$165 million (15.2% gain)** for all of 2019.

Recent **Census population estimates suggest a slowing to 0.4% growth** in 2018 for the Amarillo metro area, just below the U.S. estimate of 0.6%. The slowing is traced to a rise in outmigration, primarily from the city of Amarillo.

The Amarillo **metro area added 700 housing units in 2018** according to recent Census data. However, in 2019, **builders sharply reduced the number of housing construction permits** sought by roughly one-third. This is consistent with the recent slowing in population growth in the region. Housing prices are on pace for a 2.8% gain for all of 2019, and our outlook is for a slight acceleration to 3.1% in 2020.

The Amarillo **retail sector is poised to post a second consecutive year of growth** in 2019. In the most recent 4 quarters ended June 2019, **gross sales in the metro area are up 2.2%** while **taxable sales are up 2.4%**. Taxable sales are far stronger in Randall County (4.2% gain) than Potter County (1.2% gain). Our model-based **2020 outlook calls for a 2.1% gain in taxable sales for the metro area**, a 2.1% gain in Potter and Randall Counties combined, and 2.0% growth in the city of Amarillo.

Amarillo's **11.2% increase in the median wage** in 2018 far outpaced the 2.0% gain nationally and the 3.9% gain in Texas. The median annual wage across workers of all education levels in the Amarillo metro area has now **increased 29.4% across the decade** versus 23.7% for the state and 17.6% for the nation. Median wages in Amarillo increased to **99% of the state and 97% of the national median wage**. In inflation-adjusted terms, median wages in Amarillo are roughly **2% higher than the state and 4% above the nation**.

Overall educational attainment based on **average years of schooling increased to 13.33 years** in 2018, or 1.33 years of education beyond high school on average. The **gap between Amarillo and the state and nation closed** in 2018, with the metro area now only 0.09 years behind the state average of 13.42 years and 0.35 years behind the national average of 13.68 years. **Amarillo's current 26.3% share of workers with a bachelor's degree or higher increased 2 percentage points** in 2018, ranking Amarillo 9th among all Texas metro areas.

Amarillo metro area **bank deposits posted a solid 3.1% gain**, reaching \$7.34 billion in mid-year 2019. Ongoing deposit growth is consistent with continued moderate growth in the broader Amarillo metro area economy in 2019.

2. RECENT ECONOMIC CONDITIONS

AMARILLO ECONOMIC EXPANSION CONTINUES

The Amarillo metropolitan area posted a second consecutive year of steady but moderate economic growth in 2019. The metro area will add an estimated 860 jobs in 2019, slightly more than the 680 jobs added in 2018. The Amarillo region has now generated a total of 2,300 new jobs since the recent oil and gas-induced slowdown ended in mid-year 2017 (Fig 1).

The metro area unemployment rate continues to hover near 2.5% on a seasonally adjusted basis (Fig 2), a full percentage point below both the state (3.5% Oct.) and nation (3.6% Oct.). This represents the lowest jobless rate in the region since the mid-1970s and is likely near the long-run floor. The current jobless rate in Randall County is now 2.3%, just below the 2.6% rate in Potter County.

Wage and salary earnings reflect steady employment growth in the region (Fig 3), with a 3.9% gain on a year-over-year basis in the latest data through the second quarter. Taxable retail sales, in turn, reflect steady wage growth and have increased 2.4% in the latest 4 quarters (thru Q2) reported (Fig 4). Single-family housing construction softened in 2019 (Fig 5) but is supporting continued home price gains.

CURRENT ECONOMIC INDICATORS (AMARILLO METRO AREA)

Fig 1. Wage & Salary Employment

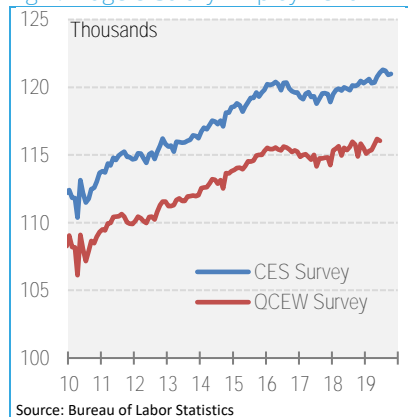


Fig 2. Unemployment Rate (%)

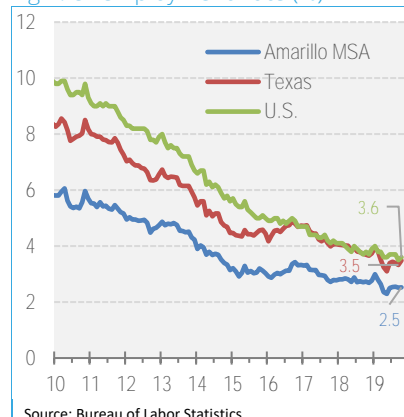


Fig 3. Wage & Salary Earnings

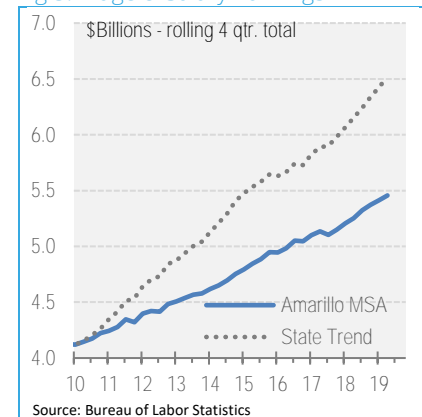


Fig 4. Gross and Taxable Sales Base

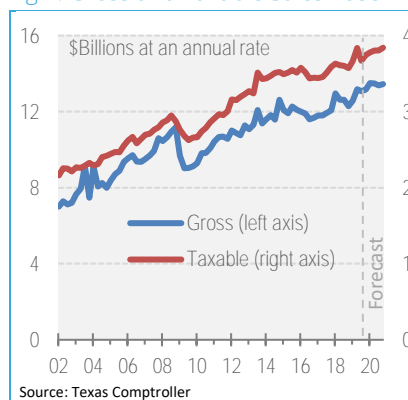
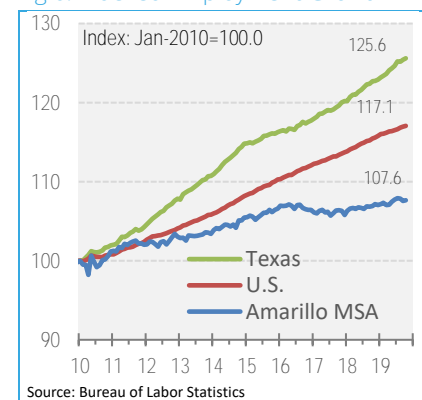


Fig 5. Single-Family Housing Permits



Fig 6. Indexed Employment Growth



NATIONAL AND STATE ECONOMIES REMAIN SUPPORTIVE

The Amarillo regional economy continues to receive support from ongoing expansions at the state and national levels. The state economy remains largely unfazed to date by the recent sharp pullback in drilling activity in many energy-producing regions. Hiring growth managed to accelerate in Texas in late 2019 and should provide added stability for the Amarillo economy next year (Fig 6). The U.S. economy slowed in 2019, particularly hiring, but received much needed stimulus from the Federal Reserve. The two primary risks to the ongoing U.S. expansion in 2020 are continued foreign trade disputes and recent geopolitical instability in the Middle East.

3. MSA EMPLOYMENT BY MAJOR GROUP

SOURCES OF HIRING GAINS IN 2019 (AMARILLO MSA)

The Amarillo metro area is expected to post wage and salary job growth of 0.7% for all of 2019 based on the establishment job survey (CES survey), up slightly from a 0.6% gain in 2018 (Fig 4). These gains are lower following recent downward revisions to employment data for the region and many areas of Texas. Amarillo trails the expected 2.2% job gain at the state level and the projected 1.4% U.S. gain for all of 2019. Private sector job gains in 2019 were posted across both the goods-producing (200 jobs) and service-providing (500 jobs) sectors (Figs 2 and 4). Government employers added approximately 160 jobs the past 12 months.

The Amarillo region has averaged about 850 new jobs annually since the ongoing U.S. job expansion began in January 2010. In total, the metro area added 8,600 new jobs across the decade, a 7.6% gain. For comparison, U.S. employment increased 17.1% in the period, while state hiring increased 25.6%.

MSA JOB GROWTH BY SECTOR (CES JOB SURVEY – NOV. 2019)

Fig 1. Wage & Salary Employment

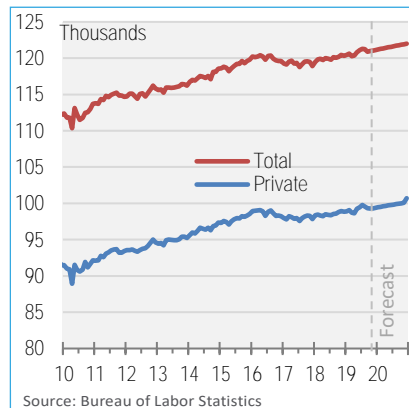


Fig 2. Goods vs. Services Employment

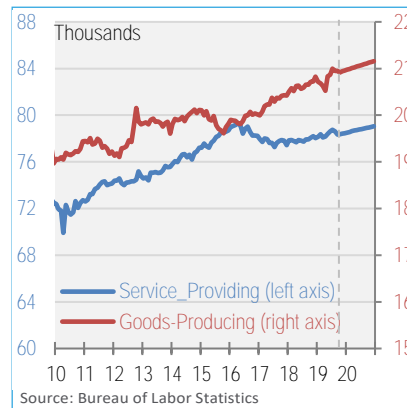


Fig 3. Wage & Salary Job Growth

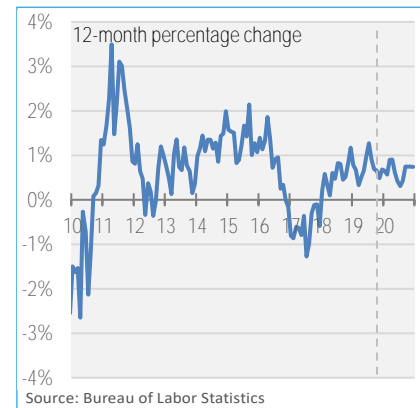


Fig 4. Amarillo MSA Employment Forecast by Industry Sector

| Industry Sector | Annual Average | | | | Change | | | Percent Change | | |
|------------------------|----------------|---------|---------|---------|--------|-------|-------|----------------|-------|-------|
| | 2017 | 2018 | 2019e | 2020f | 2018 | 2019e | 2020f | 2018 | 2019e | 2020f |
| Total | 119,298 | 119,982 | 120,843 | 121,625 | 684 | 862 | 782 | 0.6% | 0.7% | 0.6% |
| Private | 98,008 | 98,532 | 99,222 | 99,894 | 525 | 690 | 672 | 0.5% | 0.7% | 0.7% |
| Goods | 20,282 | 20,632 | 20,829 | 21,066 | 351 | 196 | 238 | 1.7% | 1.0% | 1.1% |
| Mining & Construction | 7,017 | 7,166 | 7,425 | 7,543 | 149 | 259 | 118 | 2.1% | 3.6% | 1.6% |
| Manufacturing | 13,265 | 13,466 | 13,403 | 13,534 | 201 | -63 | 130 | 1.5% | -0.5% | 1.0% |
| Private Services | 77,727 | 77,900 | 78,393 | 78,789 | 173 | 492 | 397 | 0.2% | 0.6% | 0.5% |
| Wholesale Trade | 5,400 | 5,491 | 5,558 | 5,415 | 92 | 66 | -142 | 1.7% | 1.2% | -2.6% |
| Retail Trade | 14,843 | 14,817 | 14,689 | 14,820 | -26 | -128 | 131 | -0.2% | -0.9% | 0.9% |
| Transport. & Utilities | 5,040 | 5,115 | 5,227 | 5,247 | 75 | 111 | 20 | 1.5% | 2.2% | 0.4% |
| Information | 1,317 | 1,300 | 1,301 | 1,266 | -17 | 1 | -35 | -1.3% | 0.1% | -2.7% |
| Financial Services | 6,667 | 6,667 | 6,657 | 6,695 | 0 | -9 | 37 | 0.0% | -0.1% | 0.6% |
| Prof. & Business | 9,324 | 8,849 | 8,794 | 8,881 | -475 | -55 | 87 | -5.1% | -0.6% | 1.0% |
| Education & Health | 16,842 | 16,934 | 16,968 | 17,161 | 92 | 34 | 193 | 0.5% | 0.2% | 1.1% |
| Hospitality | 13,401 | 13,802 | 14,212 | 14,284 | 401 | 410 | 71 | 3.0% | 3.0% | 0.5% |
| Other Services | 4,892 | 4,925 | 4,990 | 4,987 | 33 | 65 | -3 | 0.7% | 1.3% | -0.1% |
| Government | 21,291 | 21,451 | 21,607 | 21,736 | 160 | 157 | 128 | 0.8% | 0.7% | 0.6% |
| Federal Government | 2,200 | 2,217 | 2,311 | 2,316 | 17 | 94 | 5 | 0.8% | 4.2% | 0.2% |
| State Government | 5,685 | 5,635 | 5,504 | 5,525 | -50 | -131 | 22 | -0.9% | -2.3% | 0.4% |
| Local Government | 13,407 | 13,600 | 13,789 | 13,914 | 193 | 188 | 125 | 1.4% | 1.4% | 0.9% |

Source: Bureau of Labor Statistics – Current Employment Statistics

Notes: Year-over-year percentage changes are measured. Some components may not be additive to totals due to independent forecasts.

MOST PRIVATE SECTORS ADDING JOBS

Metro area private sector job gains were broad based across both the goods and services sectors in 2019, with most major subsectors posting a hiring gain. Performance was mixed among the goods subsectors in 2019, with the combined Mining and Construction sector posting a strong gain of 260 jobs (3.6%) but with Manufacturing losing about 60 jobs (-0.5%). The weakness in local factory hiring is consistent with a slowdown at the national level.

Among the services subsectors, the largest hiring gains in 2019 are in Hospitality (400 jobs), Transportation and Utilities (110 jobs), Wholesale Trade (70 jobs), and Other Services (65 jobs). Hiring in the large Education and Health Services sector (35 jobs) remained relatively soft in 2019. Job losses were posted in both Retail Trade (-130 jobs) and the key Professional and Business Services (-55 jobs) sector. Small job losses were posted in the Financial Services sector (-30 jobs) for a second consecutive year in 2019.

CONTINUED JOB GROWTH AT MODERATE PACE IN 2020

Our model-based outlook is for metro area job growth to maintain its current approximate rate and post a gain of 0.6% (800 jobs) in 2020 versus 0.7% (900 jobs) in 2019. This suggests continued expansion at a moderate pace in Amarillo for a third consecutive year. Based on revised job data, our expectation is that long-run trend job growth rate in the region is now in the 0.8-1.0% range, slightly below the national trend rate of 1.3%.

PRIVATE HIRING OUTLOOK POSITIVE IN MOST SECTORS

Our outlook for 2020 for each of the major subsectors suggests the continuation of current hiring trends in many sectors but important shifts in others. The largest numbers of new jobs are expected in Retail Trade (130 jobs) and Education and Health Services (195 jobs) as both sectors reverse recent weakness. Recent strong hiring gains in Hospitality are expected to slow to a more sustainable pace in 2020 (70 jobs). The Transportation and Utilities sector is similarly expected to slow from recent strong hiring gains (20 jobs).

A slight acceleration in overall hiring is expected in the goods-producing sectors. The combined Mining and Construction sector is projected to slow (120 jobs) but will be offset by gains in the rebounding manufacturing sector (130 jobs). Continued strength in goods hiring pushed the share of service-providing employment in the region below 83% in 2019, the lowest level in the past decade (Fig 6). This contrasts with most regions of the U.S. whereby services employment is increasing in share relative to goods employment.

Hiring in the key Wholesale Trade sector is expected to ease from recent strong gains and contract in 2020 (-140 jobs). Hiring in the Information sector (mostly publishing) is expected to continue its long-run downtrend in hiring in 2020. The Other Services sector is projected to post relatively flat hiring in 2020, continuing its long-run trend.

MSA EMPLOYMENT OUTLOOK – MAJOR SUBSECTORS

Fig 1. Mining/Construction/Manufacturing

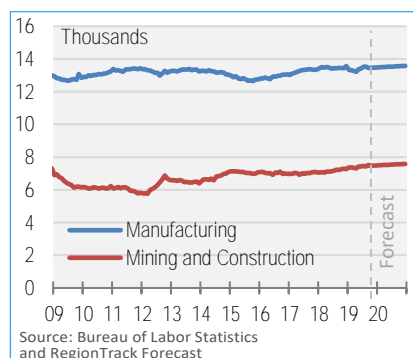


Fig 2. Education/Financial Services

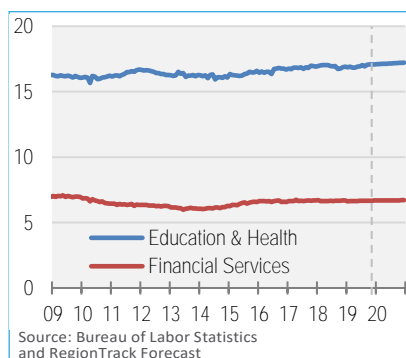


Fig 3. Business Services/Transport/Utility

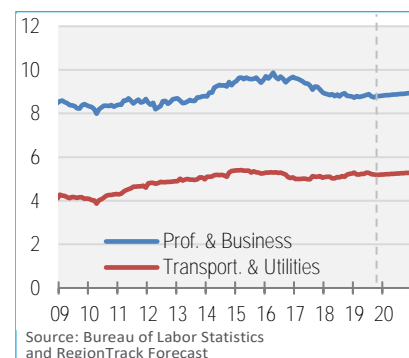


Fig 4. Wholesale/Retail Trade

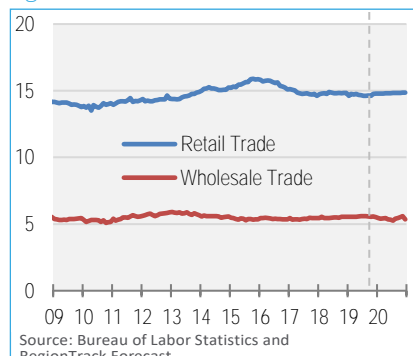


Fig 5. Information/Other Services

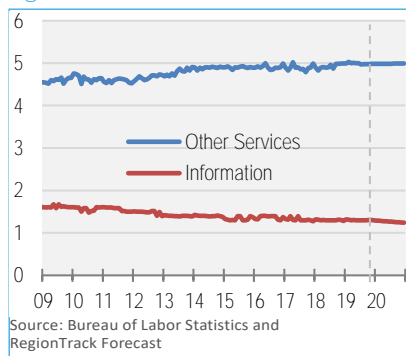
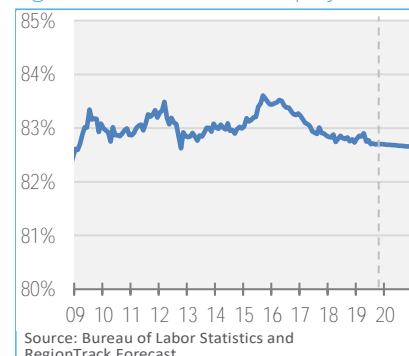


Fig 6. Share of Services Employment



4. GOVERNMENT EMPLOYMENT

GOVERNMENT REMAINS A SOURCE OF HIRING GAINS IN 2020

Federal, state, and local government (civilian or non-military) employment in the Amarillo metro area pushed above 21,500 in 2019 and is now approaching a record high (Fig 1). Hiring gains in government have been steady since mid-year 2014. Governments added 160 new jobs in both 2018 and 2019, gains of just below 1% annually, and a total of approximately 900 new jobs (4.2% gain) since the government hiring rebound began in 2014. Despite recent gains, the share of government employment in Amarillo has remained steady at about 18% since 2014 (Fig 4).

By sector, hiring gains are traced primarily to Local Government which comprised approximately two-thirds (13,800 workers) of total government employment in the area in late 2019 (Figs 3). The number of state government workers has remained in a slow downtrend much of the past decade and now totals about 5,500 (Fig 2). Federal government jobs have remained relatively flat the past decade and currently total about 2,300. State and Federal government hiring represent a combined 6.5% of total metro area hiring (Fig 5).

Total (civilian or non-military) government hiring is projected to increase 0.6% (130 jobs) in 2020. This reflects a continuation of the current trend in government hiring, with Local Government again producing most of the gain.

Military hiring in the Amarillo area remained relatively steady at approximately 600 personnel in 2019 (Fig 6). This level is consistent with historical averages the past several decades.

AMARILLO MSA GOVERNMENT EMPLOYMENT (CES SURVEY)

Fig 1. Total Government Employment

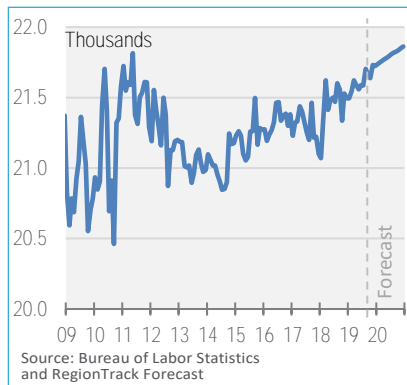


Fig 2. Federal & State Government

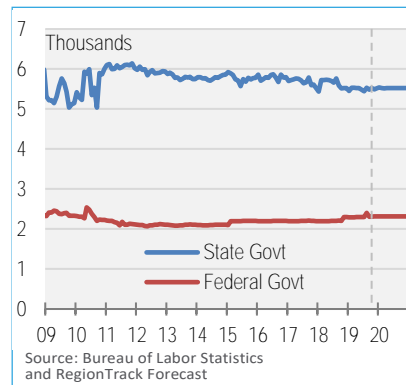


Fig 3. Local Government

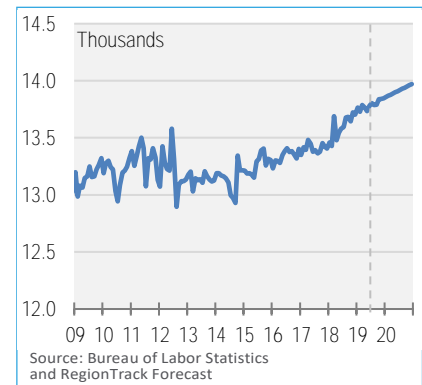


Fig 4. Govt. Share of Employment

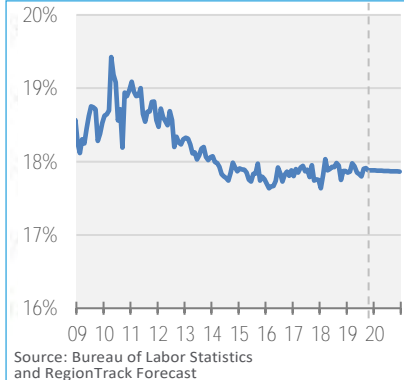


Fig 5. Govt. Share of Employment by Type

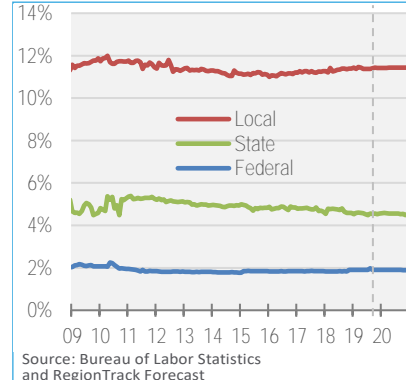
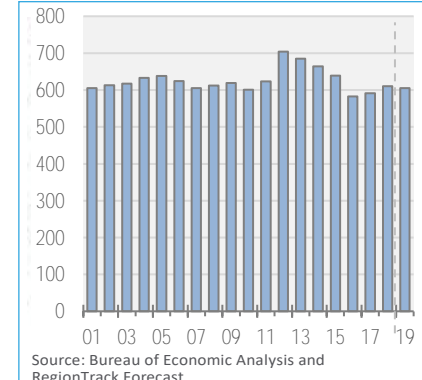


Fig 6. Military Employment



5. RANDALL & POTTER EMPLOYMENT OUTLOOK

RANDALL OUTPERFORMS POTTER

Based on the most recent county-level data from the Quarterly Census of Employment and Wages (QCEW), the two core metro counties – Potter and Randall – are both on pace to post moderate job gains for all of 2019 (Fig 1).

While smaller Randall county continues to produce far steadier and stronger job growth than Potter County, both counties are expected to produce job gains for all of 2019. This marks the first year since 2015 that both counties simultaneously added jobs, with Potter undergoing a multi-year decline in jobs from 2016 to early 2019. Recent data suggest that Potter County has finally reversed its multi-year hiring decline and is projected to post a small year-over-year gain of 150 jobs in 2019 (Fig 2). Randall County continues to add jobs at a steady pace, with an estimated 550 new jobs for all of 2019.

The three smaller counties in the Amarillo metro area - Armstrong, Carson, and Oldham- are projected to add 200 jobs for all of 2019 (Fig 3), a far faster pace than the two larger core counties. Hiring in the smaller counties accelerated beginning in early 2018, which increased their role in the overall performance of the metro area.

Our model-based outlook for 2020 suggests continued steady job growth in Randall next year but some softening in the recent job gains for Potter in 2020. Randall County is expected to add 850 new jobs on a year-over-year basis in 2020 and account for the great majority of total job growth in the Amarillo metro area in 2020. Potter is projected to post a small decline of 150 jobs next year as the region takes additional time to rebound fully from many years of hiring weakness.

The three smaller metro counties are projected to post a relatively small hiring gain of approximately 75 jobs in 2020 (Fig 3).

WAGE AND SALARY EMPLOYMENT – POTTER AND RANDALL COUNTIES (QCEW EMPLOYMENT SURVEY)

Fig 1. Potter County + Randall County

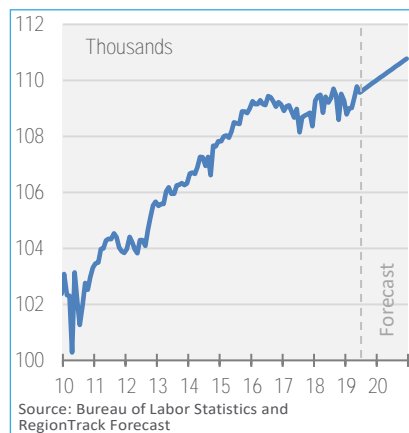


Fig 2. Potter and Randall Counties

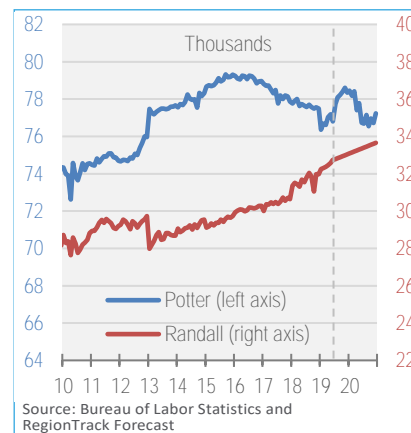


Fig 3. Other 3 Metro Counties



6. INCOME AND WAGES

INCOME GROWTH EASES

Personal income growth in the Amarillo metro area rebounded to 5.0% in 2018 as the expansion underway in the region matured. The income gains were broad based as wage and salary income growth rebounded to 4.1% and proprietor income increased 5.9%. Our model-based estimates suggest that income growth in the metro area slowed again in 2019, with estimated personal income growth of 2.4% for 2019. The overall gain is comprised of a 2.0% gain in wage and salary income and a 3.8% gain in proprietor income.

Amarillo metro area residents who work outside the metro area continue to generate sizeable net inflows of household income into the region (Fig 6). Estimates suggest that wage net inflows for Amarillo residents will increase slightly to \$155 million in 2019.

Our outlook for overall personal income growth in 2020 calls for a slight acceleration to 3.0%. The Amarillo metro area will also approach \$13 billion in total personal income in 2020. By major component, wage and salary earnings are expected to post a 2.5% gain while proprietor income posts a 2.6% gain. Growth in dividends, interest, and rent is projected to reach 4.2% in 2020. The outlook also includes another year of modest growth in both farm and military income in 2020 (Figs 4 and 5).

Income in the region will nonetheless grow at a rate slightly slower than the 4.0% average annual pace posted in the 2008 to 2018 period.

INCOME AND EARNINGS (AMARILLO MSA)

Fig 1. Personal Income & Earnings

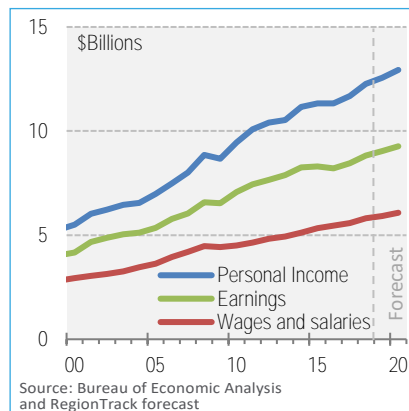


Fig 2. Personal Income per Capita

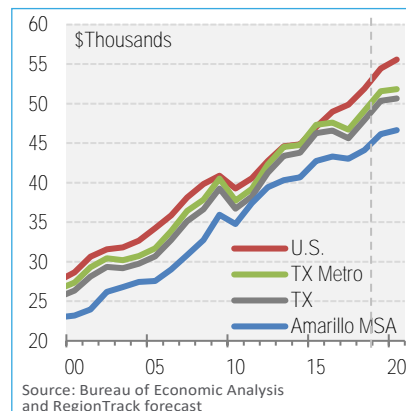


Fig 3. Amarillo Personal Income Share

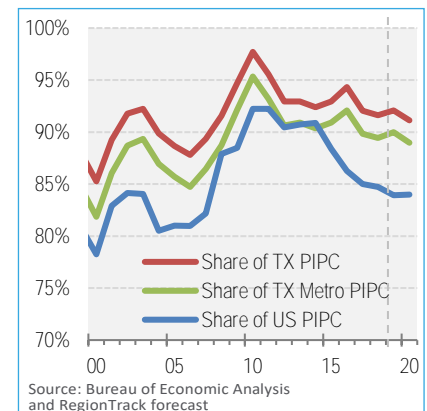


Fig 4. Farm Income

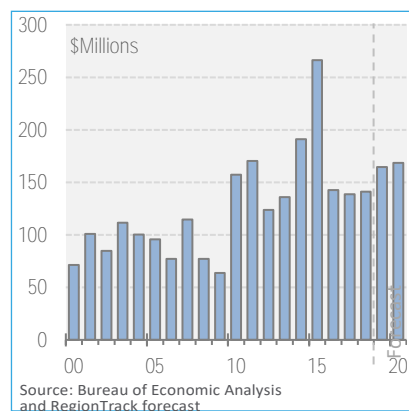


Fig 5. Military Income

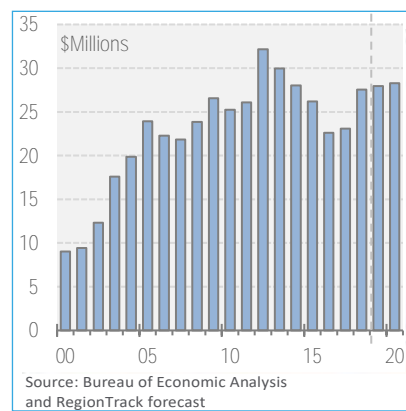
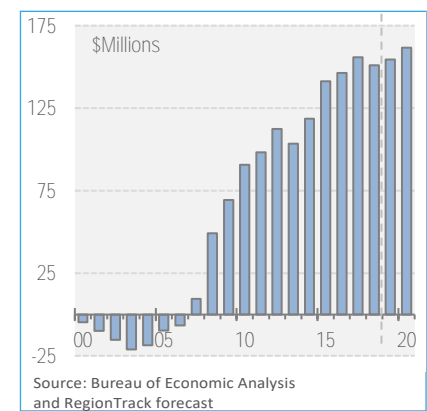


Fig 6. Adjustment for Residence



INCOME SOFTNESS RELATIVE TO THE NATION

Personal income per capita in the Amarillo metro area has continued to weaken since 2010 relative to both the state and nation (Figs 2 and 3). Income per capita in Amarillo fell to approximately 85% of the U.S. average in 2019, down from a recent high of about 92% in 2010. Amarillo income per capita fell to an estimated 92% of the state average and 90% of the average for all Texas metros in 2019. Our model-based forecast suggests that these shares will move slightly lower again in 2020.

7. PROPRIETOR EMPLOYMENT AND EARNINGS

SELF EMPLOYMENT INCOME CONTINUES REBOUND

The more than 42,000 self-employed proprietors in the Amarillo metro area were hard-hit in the recent oil and gas-driven slowdown but continue to rebound in 2019 (Fig 1). Proprietor income for all of 2019 is currently estimated at \$1.74 billion, up 3.8% from 2018 (Fig 2). Despite significant and steady gains since 2016, proprietor income remains more than 10% below the recent peak level of almost \$2 billion reached in 2014.

The share of total household earnings from proprietor income has been cut nearly in half from a recent high of 22.6% in 2014 to an estimated 13.8% in 2019. This relative decline has weighed heavily on overall income growth in the metro area since 2014 and underlies much of the softness in income per capita in the period.

Farm proprietor income remains a relatively small component of total proprietor income but is estimated at \$146 million in 2019, or 1.2% of total household income in the metro area.

Our model-based estimates suggest a 2.6% increase in total proprietor income in 2019. Proprietor income should remain a slight drag on expected overall income growth of 3.0% in the metro area next year.

PROPRIETOR ACTIVITY (AMARILLO MSA)

Fig 1. Proprietor Employment

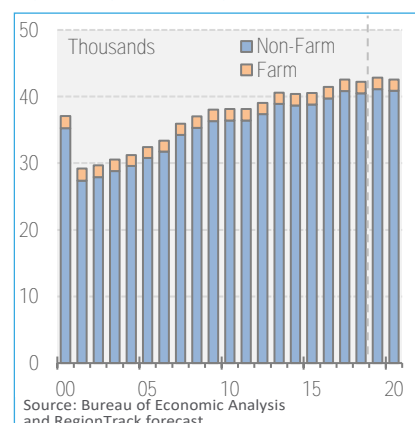


Fig 2. Proprietor Income by Type

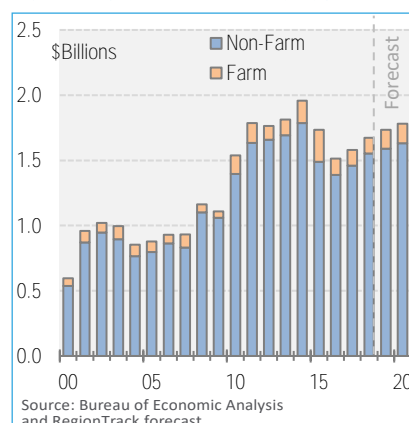
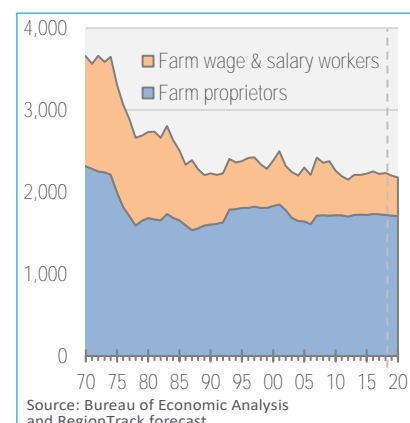


Fig 3. Farm Employment by Type



8. OIL AND GAS ACTIVITY

PANHANDLE DRILLING ACTIVITY REMAINS DEPRESSED

The drilling collapse in the Panhandle region in 2015 and 2016 hit the Amarillo region hard and contributed to a sharp slowdown in the local economy into 2017. However, a recovery in Panhandle drilling activity never materialized relative to the state and many other regions. The Panhandle rig count bounced only slightly in 2017 and 2018 to peak of about 10 rigs and has never approached the more than 60 rigs operating in the region in the 2012 to 2014 period (Fig 1).

The most recent pullback in domestic drilling activity beginning in late 2018 has further weighed on exploration activity in the Panhandle region in 2019. The region averaged only 3.5 rigs so far in 2019 (through November) and only 2.0 rigs in the second half of 2019. The rig count has dropped to as low as a single rig operating during several weeks in 2019.

EIA ENERGY PRICE OUTLOOK REMAINS SOFT

The most recent Energy Information Administration (EIA) forecasts for both crude oil and natural gas prices suggest price weakness through 2021 (Fig 2). EIA's outlook for the price of West Texas Intermediate crude oil suggests a trading range between \$50 and \$60 per barrel the next two years. The outlook for natural gas suggests an average price well below \$3 per million btu through 2021.

These prices are not expected to spur a meaningful rebound in drilling activity in the Panhandle region. Concerns remain about the competitiveness of formations in the Panhandle at continued low energy prices, particularly crude oil below \$60 per barrel. It is unlikely that the energy sector will play a meaningful role in determining the path of the Amarillo economy in 2020 unless crude oil and/or natural gas prices rise substantially above current levels.

OIL AND GAS ACTIVITY WEIGHS ON INCOME

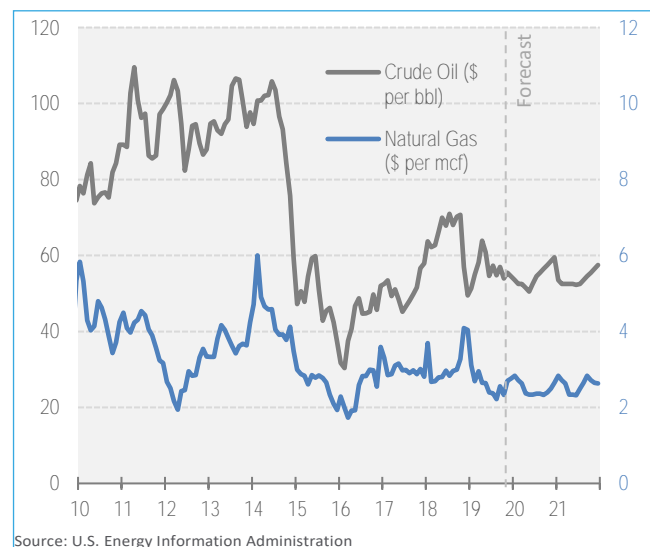
Ongoing weakness in the region's oil and gas sector is undoubtedly continuing to weigh on overall Amarillo economic conditions, particularly income growth. As a traditionally high-paying industry with substantial self-employment income, the oil and gas sector can produce an outsized influence on income growth in the region. The greatest influence is transmitted through proprietor income tied to oil and gas activity. Total proprietor income in the region remains depressed relative to historical levels and is largely traced to oil and gas activity. As a result, oil and gas activity is projected to act as a source of drag on total income growth in the Amarillo metro area through at least 2020.

OIL AND GAS INDICATORS

Fig 1. Texas and TX Panhandle Drilling Rig Count



Fig 2. Crude Oil and Natural Gas Price Outlook



9. AGRICULTURE

FARM EARNINGS CONTINUE RECOVERY FROM RECENT HIGHS

The U.S. farm sector continues to adjust to a sharp pullback in farm earnings since 2016 following an extended period of record earnings. Farm earnings in the Amarillo metro area similarly levelled off in the 2016 to 2018 period at about \$145 million annually (Fig 1). Consistent with USDA forecasts, our model-based estimates suggest a rise in total metro farm earnings to \$165 million (15.2% gain) for all of 2019. An expected rise in government payments to \$27.7 million in 2019 will play only a minor role in the projected gain in total farm earnings (Fig 3). Despite the projected gain, the expected level of metro farm earnings in 2019 remains well below the record earnings posted in 2014 (\$193 million) and 2015 (\$270 million).

Lower farm cash receipts, primarily for livestock, underlies the pullback in farm earnings from recent highs (Fig 2). Our forecast suggests a fourth consecutive year of small gains in total farm cash receipts in 2019 for Amarillo metro farms. Continued modest increases in livestock and feed purchases for a fourth consecutive year in 2019 will also contribute to higher net farm earnings in the near term (Fig 6).

Corporate farm net income in the Amarillo area remains well below highs across the past two decades but has remained relatively steady at an average of \$12 million annually in the 2012 to 2018 period (Fig 4). Our estimate suggests a slight slowing to \$13.1 million in 2019.

Wage and salary payments to farm workers remain in a slow long-run uptrend. Farm wages and salaries reached \$19.7 million in 2018 but are expected to pull back slightly to \$19.3 million in 2019 (Fig 5).

AGRICULTURE INDICATORS

Fig 1. Total Farm Earnings

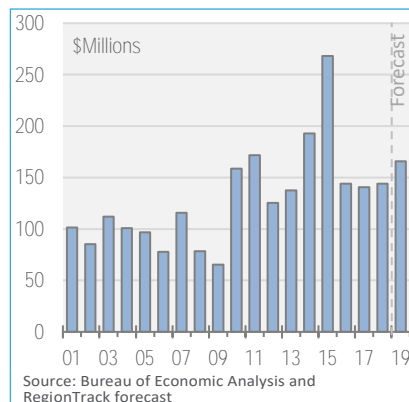


Fig 2. Farm Cash Receipts by Type

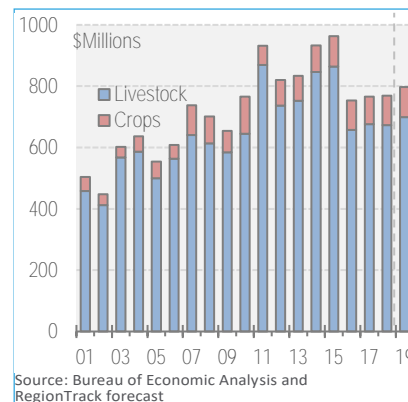


Fig 3. Government Payments

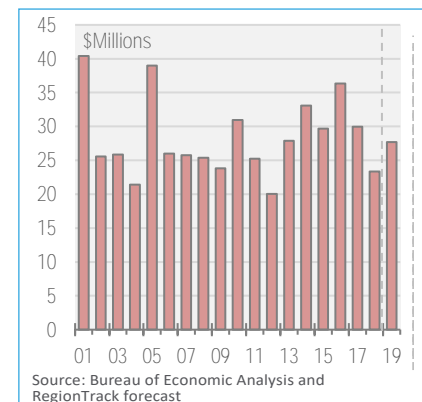


Fig 4. Corporate Farm Net Income

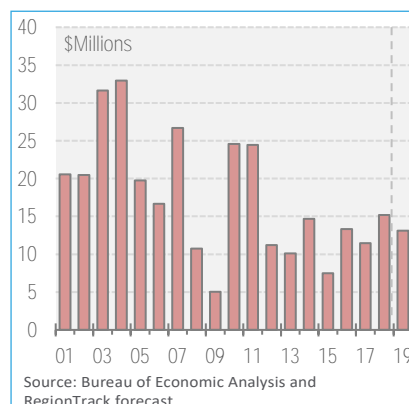


Fig 5. Farm Wages & Salaries

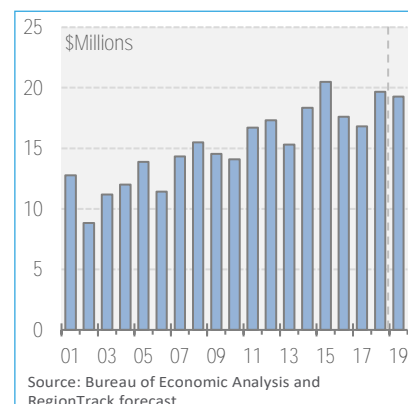
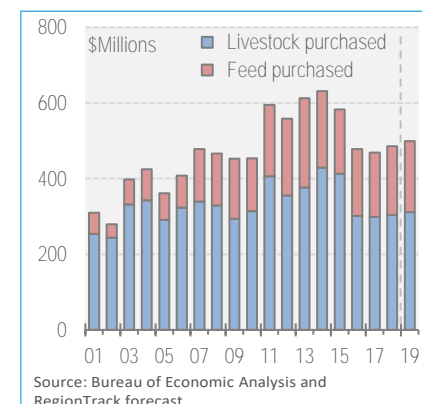


Fig 6. Livestock and Feed Purchases



10. POPULATION AND MIGRATION

METRO POPULATION GAINS FALLS BELOW U.S. TREND

Population growth in the Amarillo region has closely followed the national trend in recent decades. However, since 2015, the metro area has slightly trailed the national gain each year. The most recent 2018 Census metropolitan area estimates suggest a gain of 0.4% for the Amarillo metro area, again just below the U.S. estimate of 0.6%. Metro area population topped 266,000 in 2018 and is projected to reach 267,500 in 2019.

The Amarillo region is still believed to be closely tracking the U.S. population trend in the longer term. Based on revised data for the 2000 to 2018 period, Amarillo's 0.85% average annual population gain in the period remains nearly identical to the 0.84% national gain (Fig 2). Our model-based estimate for the metro area for 2019 suggests a slight rebound next year to 0.6% growth (Fig 7). This matches the expected U.S. population gain of 0.6% in the period. Metro population gains will nonetheless continue to trail well behind overall Texas gains. The state is currently projected to post a 1.5% gain in 2019, a slight acceleration from the 1.35% gain in 2018.

The relative weakness in the 2018 population estimate for the metro area is traced to outmigration of about 200 residents in 2018 (Fig 4). This marks the third year of outmigration from the region since 2013. Outmigration in 2018 is traced primarily to Potter and Randall counties, with a combined loss of 228 residents in 2018 (Fig 5). In contrast, the three smaller metro counties posted a net gain of 25 residents in 2018 (Fig 6).

POPULATION AND MIGRATION INDICATORS

Fig 1. Total Population

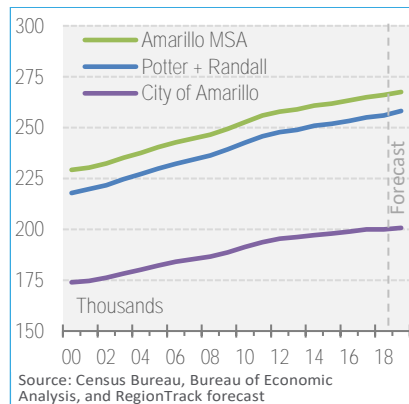


Fig 2. Population Growth

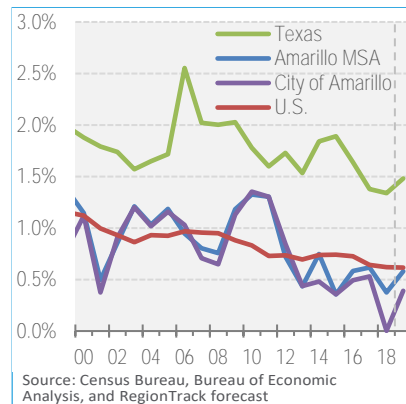


Fig 3. Share of MSA Population

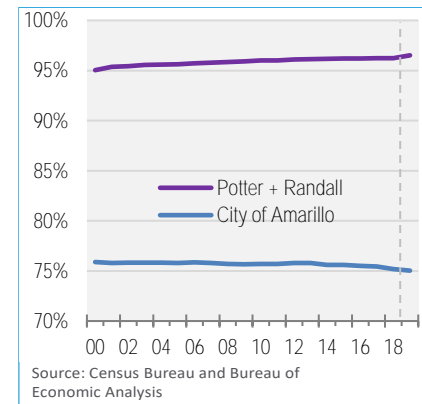


Fig4. Net Migration (Amarillo MSA)

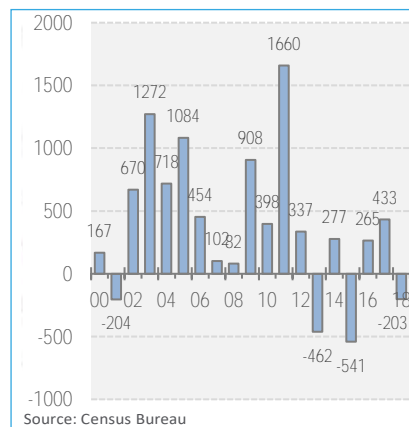


Fig 5. Net Migration - Potter & Randall

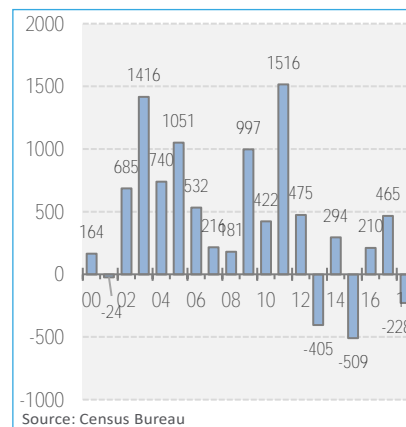
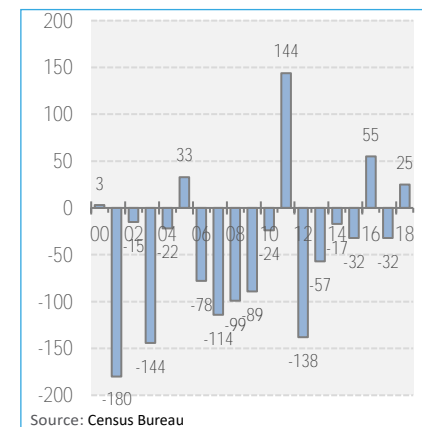


Fig 6. Net Migration MSA ex Potter/Randall



11. POPULATION AND MIGRATION (CONTINUED)

CITY GROWTH TRAILS BROADER METRO AREA

The most recent Census estimates indicate flat population growth for the city of Amarillo in 2018. Growth in 2018 was far weaker at the city level than the metro level which suggests that outmigration in 2018 was concentrated within the city. Our outlook for population growth at the city level is for a rebound to 0.4% growth for 2019 (Fig 8). The city remains at the cusp of the 200,000-population milestone and likely reached it in late 2018 or early 2019 based on our estimates.

POPULATION

Fig 7. Population Growth – Amarillo MSA vs State of Texas

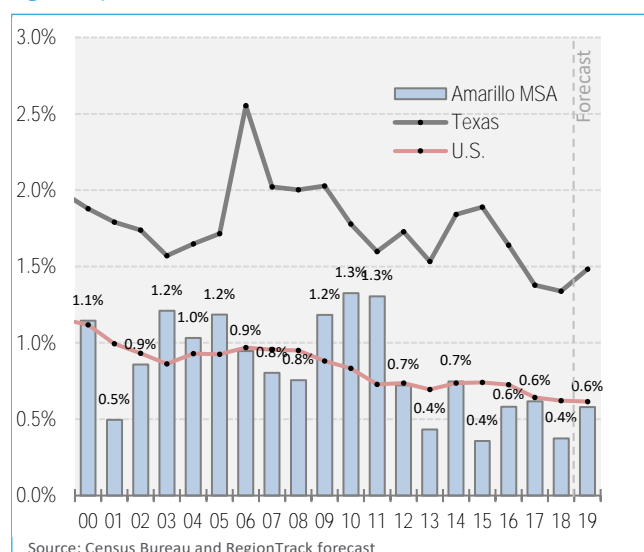
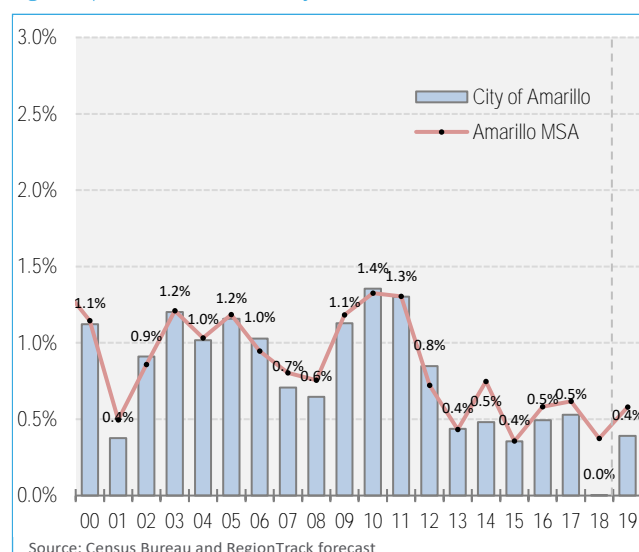


Fig 8. Population Growth – City of Amarillo vs. MSA



12. EXTERNAL TRADE

RIISING EXPORTS

Exports of goods from Amarillo posted a moderate 2% gain to reach \$539 million in 2018 (Fig 1). This followed a strong 16% gain in 2017. For comparison, exports statewide posted a far larger 20% gain in 2018. Export growth continues to make an important contribution to the ongoing expansion underway in the metro area and now equals 17.8% of total metro GDP (Fig 3).

By sector, food manufacturing assumed an even greater role in metro area exports in 2018, comprising almost 75% of exports from the region. Manufactured food exports totalled \$395 million in 2018, up almost 30% from \$307 million in 2017. Manufactured food products have now increased more than fifteen-fold since 2011.

Exported crops increased more than 25% to \$92 million in 2018 following a more than doubling in 2017.

Machinery manufacturing exports remained relatively stable at \$30 million in 2018.

All other categories of exports combined were off sharply in 2018 relative to 2017, falling from \$124 million to only \$22 million over the year.

EXPORT TRADE INDICATORS

Fig 1. Amarillo MSA Exported Goods by Type

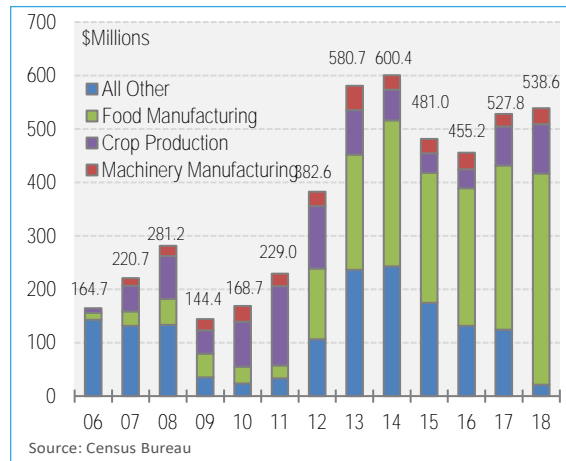


Fig 3. GDP Share of Exported Goods

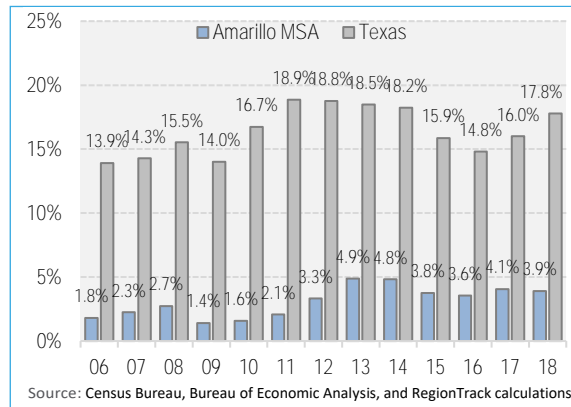
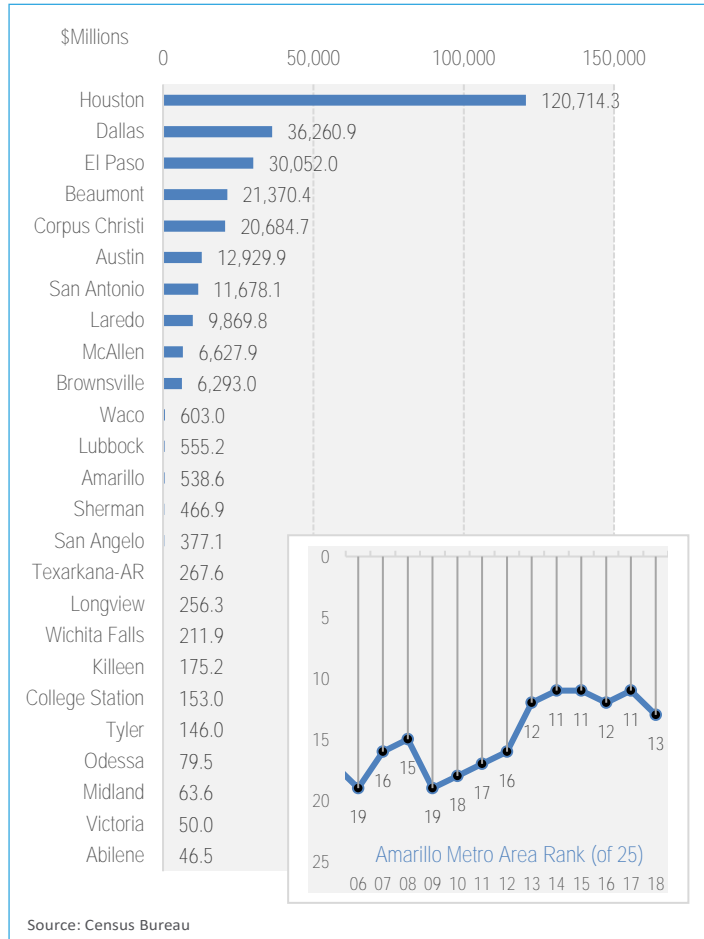


Fig 2. Goods Exports by Texas MSA (2018)



STRONG REGIONAL PERFORMER

The Amarillo metro area slipped two spots to the 13th largest export market among Texas metro areas in 2018 (Fig 2). Amarillo continues to rank highly among the largest Texas export regions that are not located near international borders or ports. The metro area's rank the past decade remains closely tied to fluctuations in exports of manufactured food products.

Relative to nearby metro areas, Amarillo's \$539 million in exports in 2018 slightly trailed Waco (\$603 million) and Lubbock (\$555 million) but outpaced exports from San Angelo (\$377 million), Wichita Falls (\$212 million), Odessa (\$80 million), Midland (\$64 million), and Abilene (\$47 million).

13. HOUSING

STEADY HOUSING UNIT GROWTH

The most recent Census estimate of housing units for 2018 suggests continued steady expansion of the housing stock in the Amarillo metro area. The region added 700 units to reach a total of approximately 110,000 housing units. This gain is consistent with the ongoing pace of about 600-800 units annually since 2009 (Fig 1 and 2). or annual growth of 0.6-0.8% (Fig 3).

HOUSING CONSTRUCTION RETRENCHES

Builders seeking housing construction permits in the metro area pulled back sharply in 2019 (Fig 4). Again, this is consistent with a slowing in population growth in the region. Total housing permits for 2019 fell to only 490 units through October at an annualized pace. This is roughly two-thirds of the 750 housing permits issued in 2018. Weakness is present in both single- and multi-family permits in 2019. The total value of housing permits is currently at an annualized level of only \$116 million for 2019, similarly about two-thirds of the 2018 level (Fig 5).

HOUSING UNITS AND CONSTRUCTION (AMARILLO MSA)

Fig 1. Total Housing Units

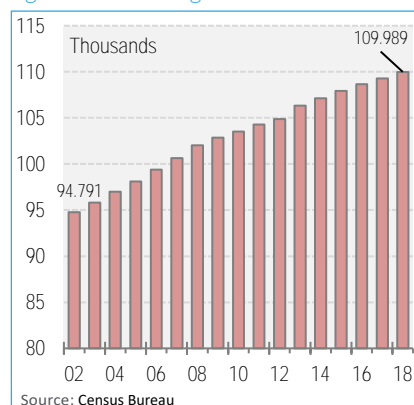


Fig 2. Net Change in Housing Units



Fig 3. Percent Change in Housing Units

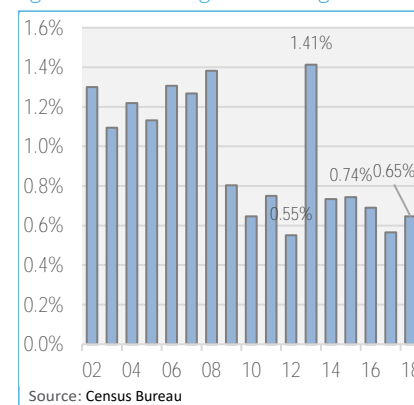


Fig 4. Total Housing Permits

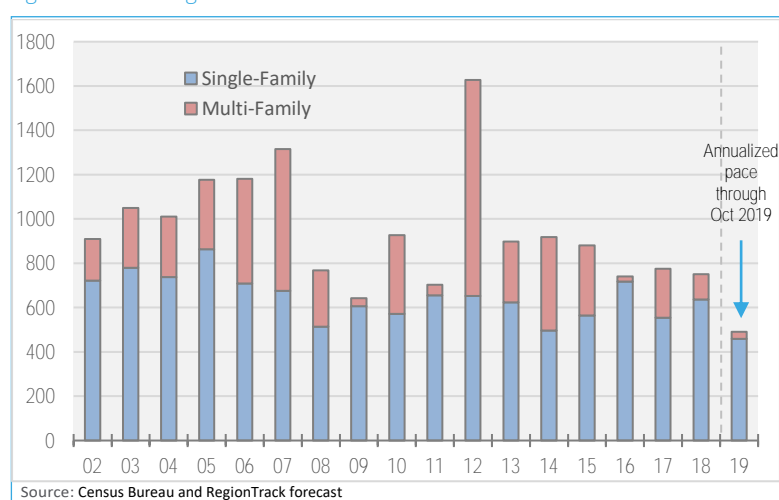
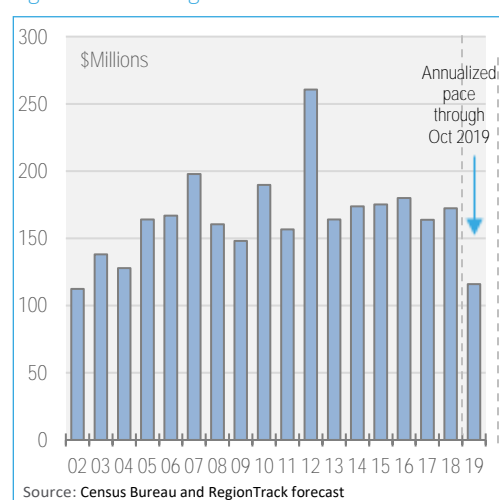


Fig 5. Total Housing Permit Value



14. HOUSING (CONTINUED)

U.S. AND TEXAS HOUSING PRICE GAINS REMAIN STRONG

A distinct cooling in U.S. home prices was visible across 2019 but gains remains robust and well above inflation (Fig 6). Nationally, housing prices are up a total of 46% from the recent bottom in early 2012 through the 3rd quarter of 2019 based on the FHFA all transactions index.

Texas gains have consistently exceeded national gains since 2013 but also cooled in 2019 as much of the state's performance gap with the nation was eliminated (Fig 6). State housing prices are up 60% from the recent bottom in 2012 to the 3rd quarter of 2019, far outpacing the nation in the current housing cycle. The most recent 4-quarter price gain reached 4.9% for Texas versus 4.6% for the nation. The non-metro portions of Texas have posted a 41% gain since early 2012 and are currently up 7.1% over the past four quarters (Fig 8). These large housing price gains are now producing tremendous wealth spillover effects in many regions of the state.

AMARILLO HOUSING PRICES STRONG BUT TRAIL STATE

Relative to many areas of the country, Amarillo has posted an impressive 24% cumulative gain in housing prices from early 2012 through the third quarter of 2019 (Fig 7). Annualized gains over the period remain roughly 3% and are exceeding inflation. Nevertheless, Amarillo continues to trail well behind the nation, state, and non-metro areas of Texas. Amarillo's cumulative gain since early 2012 now ranks 21st among the 25 metro areas in Texas tracked by FHFA (Fig 9).

The large metropolitan areas continue to drive housing price gains at the state level. Austin and Dallas have now posted gains exceeding 75% since early 2012. The gain in Fort Worth exceeds 70% in the period. Houston has been hampered by energy sector volatility but still posted a 58% gain in the period, trailing well behind both Dallas and Ft. Worth. Midland (66%) and Sherman (62%) similarly posted cumulative price increases of 60% or more. San Antonio trails slightly behind Houston with a gain of 54%.

Among the nearest small Texas metro areas, Midland (66%), Odessa (60%), Abilene (38%), and Lubbock (32%) outpaced housing price growth in Amarillo since early 2012, while Wichita Falls (22%) trailed.

Our outlook remains for Amarillo housing prices to continue to trend upward at a pace exceeding inflation, but well below the pace for both the state and nation (Fig 10). We anticipate a year-over-year housing price gain of 2.8% for all of 2019 followed by a slight acceleration to 3.1% in 2020. For comparison, the state is projected to slow to a 5.6% year-over-year gain for all of 2019 before slowing a bit further to 5.5% in 2020. Texas home price gains are expected to slightly outperform the nation once again in 2020. The U.S. is expected to post a 5.2% year-over-year gain for all of 2019 and then slow further to 4.9% growth in 2020.

SINGLE-FAMILY HOUSING PRICES

Fig 6. FHFA Housing Price Growth

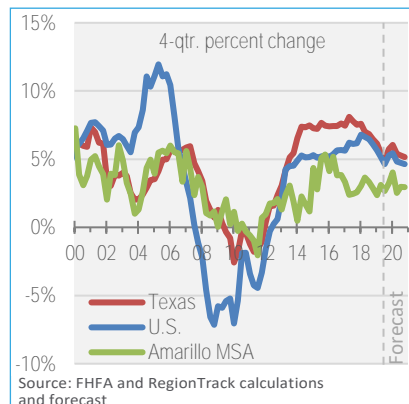


Fig 7. FHFA Housing Price Index

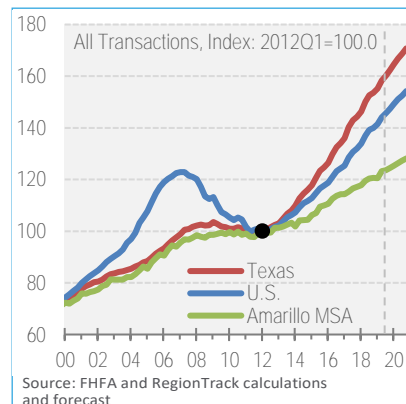


Fig 8. FHFA Metro Housing Price Index

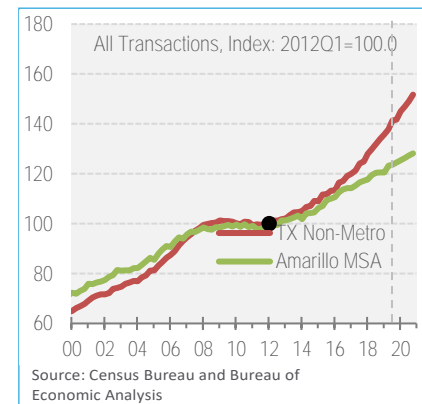
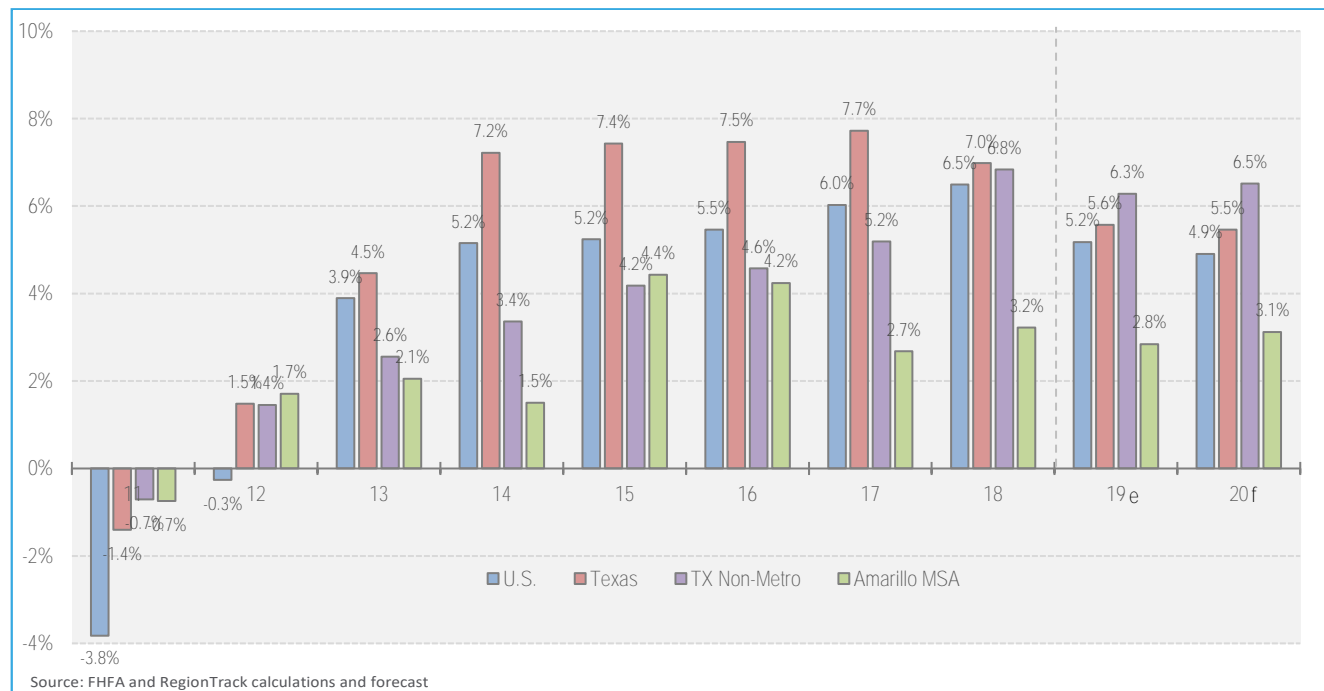


Fig 9. Texas MSAs FHFA Housing Price Growth (Percent Change 2012Q1-2019Q3)

| Rank | Texas Metro Area | Growth | Rank | Texas Metro Area | Growth |
|------|----------------------------------|--------|------|--------------------------|--------------|
| 1 | Austin-Round Rock | 81.4% | 15 | Killeen-Temple | 33.7% |
| 2 | Dallas-Plano-Irving (MSAD) | 75.7% | 16 | Lubbock | 32.2% |
| 3 | Fort Worth-Arlington (MSAD) | 70.1% | 17 | Tyler | 32.1% |
| 4 | Midland | 66.3% | 18 | Beaumont-Port Arthur | 29.9% |
| 5 | Sherman-Denison | 62.1% | 19 | Victoria | 27.7% |
| 6 | Odessa | 60.2% | 20 | McAllen-Edinburg-Mission | 26.3% |
| 7 | Houston-The Woodlands-Sugar Land | 58.1% | 21 | Amarillo | 23.6% |
| 8 | San Antonio-New Braunfels | 54.3% | 22 | Wichita Falls | 21.7% |
| 9 | Waco | 49.8% | 23 | Brownsville-Harlingen | 18.8% |
| 10 | College Station-Bryan | 48.1% | 24 | Longview | 17.6% |
| 11 | Corpus Christi | 42.1% | 25 | El Paso | 15.1% |
| 12 | San Angelo | 41.6% | | | |
| 13 | Abilene | 38.2% | | State of Texas | 60.2% |
| 14 | Laredo | 35.2% | | U.S. | 45.6% |

Source: FHFA and RegionTrack calculations

Fig 10. FHFA Housing Price Index Annual Percent Change



15. HOUSING (CONTINUED)

RESIDENTIAL DEVELOPMENT PULLBACK

After a recovery in single-family housing permits in 2018, activity retreated sharply in 2019. Single-family permits are on pace to reach only 460 for all of 2019 based on annualized data through October, the slowest pace since 1997 (Fig 1). This reflects a 28% decline from the 637 permits issued in 2018.

Total valuations for single-family permits are on pace to reach only \$112 million for all of 2019, down sharply (-30%) from \$159 million in 2018. The average value per single-family residential permit is on pace to dip to near \$243,000 for 2019, down from \$249,700 in 2018.

Only 31 multi-family permits are expected for all of 2019 based on annualized data through October. This continues a trend of weak multi-family permit activity since 2016. Only about 100 multi-family housing units were permitted annually in the 2016 to 2019 period. Total multi-family valuations are expected to reach an annualized total of only \$4.1 million in 2019. Per unit valuations for multi-family housing should rise to about \$131,400 for 2019.

Total housing permits (both single- and multi-family) are projected to reach only 491 units for all of 2019, the slowest overall pace since 1998. Combined valuations for single- and multi-family permitted housing development is expected to reach only \$116 million for all of 2019. This work mark the lowest total housing construction valuation in Amarillo since 2002 (unadjusted for inflation).

SINGLE-FAMILY HOUSING PERMITS AND VALUE

Fig 11. Single-Family Housing Permits

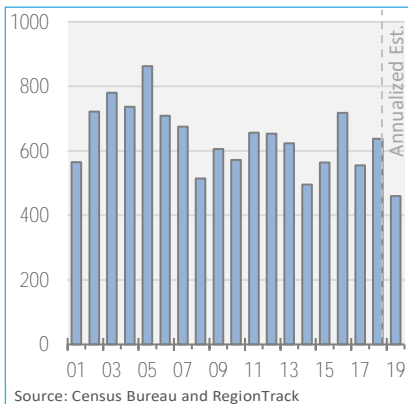


Fig 12. Total Value Single-Family Permits

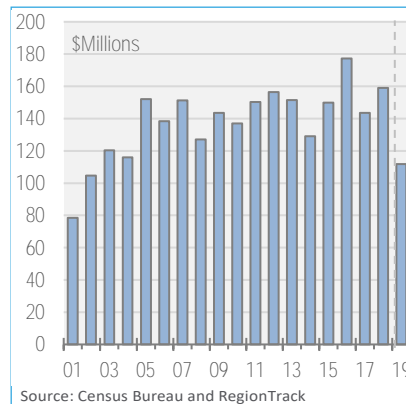
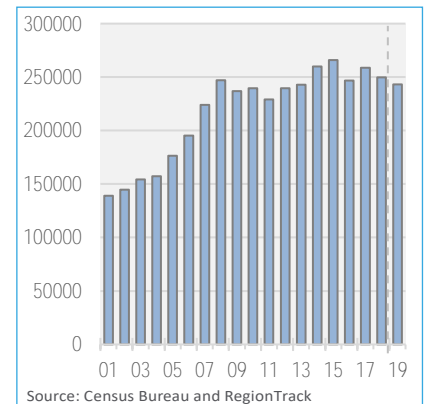


Fig 13. Average Value per Single-Family Unit



MULTI-FAMILY HOUSING PERMITS AND VALUE

Fig 14. Multi-Family Housing Permits

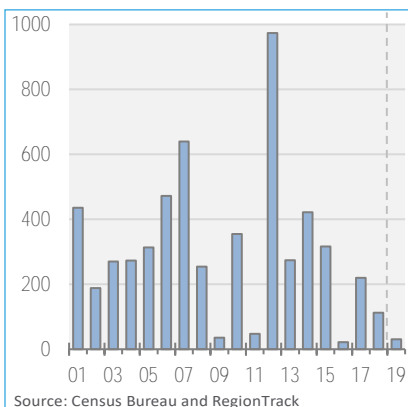


Fig 15. Total Value Multi-Family Permits

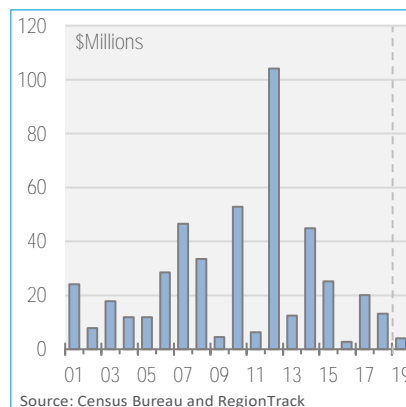
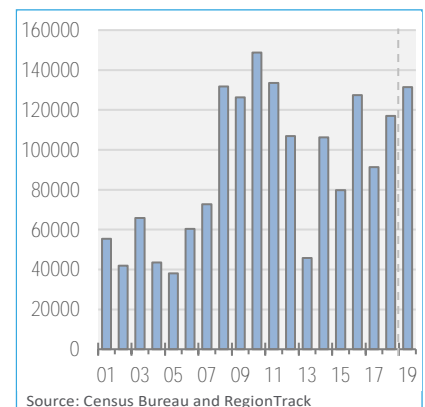


Fig 16. Average Value per Multi-Family Unit



OTHER HOUSING INDICATORS

Fig 17. Housing Units by Major County

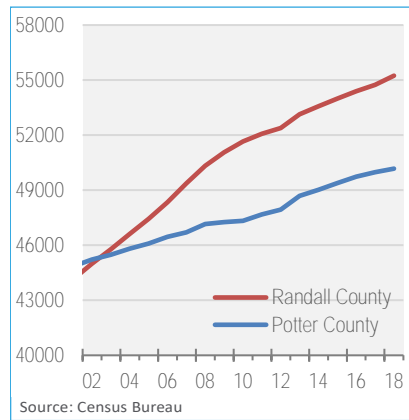


Fig 18. Housing Unit Growth by County

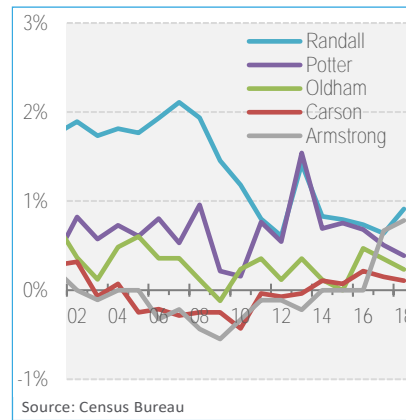
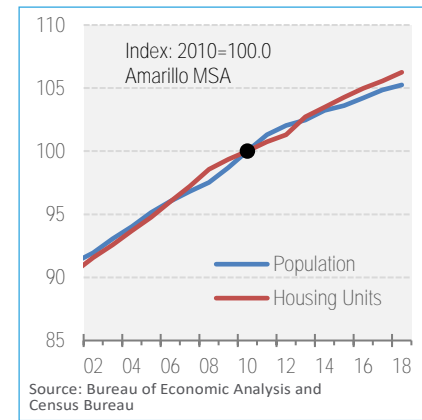


Fig 19. Index of Housing & Population



HOUSING DEVELOPMENT BROADENS ACROSS THE METRO

After adding housing units at a similar pace in the 2011 to 2016 period, housing development in Potter and Randall counties is diverging once again in recent Census data (Figs 17 and 18). Randall County added 499 housing units (0.9% gain) versus only 194 units (0.4% gain) in Potter County in the most recent data for 2018. Our expectation is that the gap will narrow in the near term, with both counties posting annual housing unit gains in the 0.7-0.8% range.

The three smaller counties in the metro area posted gains in the number of housing units in the 2018 Census data. Gains reported include a 0.8% rise (8 units) in Armstrong, a 0.1% (3 units) rise in Carson, and a 0.2% (2 units) gain in Oldham. Despite the relatively small individual gains, the 13 new housing units in the three counties represent a 0.3% gain in total housing units, just trailing the percentage gain in Potter County.

Looking at longer-term fundamentals for the metro area, housing unit growth has slightly outpaced metro population growth since 2013 (Fig 19). The gap between housing and population growth since 2013 reached a net imbalance, or potential oversupply, of 1% in 2018. Any excess growth in housing is likely contributing to recent weakness in residential housing permits. Some of the imbalance is consistent with a small decline in the average household size but does not explain the full discrepancy since 2013.

16. RETAIL TRADE

RETAIL EXPANSION CONTINUES

The Amarillo retail sector is poised to post a second consecutive year of growth in 2019 (Fig 1). In the most recent 4 quarters of data ended June 2019, gross sales in the metro area are up 2.2% while taxable sales are up 2.4%. Taxable sales are up only 1.3% in the city of Amarillo the past 4 quarters but up 2.2% in Potter and Randall counties combined. The metro area continues to trail the pace of the state retail cycle, with state taxable sales up 6.5% in the most recent 4 quarters of data (Fig 2).

Taxable sales are far stronger in Randall County (4.2% gain) than Potter County (1.2% gain) in the latest 4 quarters. This is a reversal of the performance of the regions in 2018 but consistent with historical trends. Since the current national retail cycle began in approximately the 3rd quarter of 2009, total growth in taxable sales in much smaller Randall County (83%) has far outpaced the gain in Potter (30%) (Fig 3). Total sales growth in Randall continues to approximately match the 79% gain in statewide taxable sales in the period. For comparison, the Amarillo metro area posted a 46% gain across the cycle.

RETAIL TRADE ACTIVITY

Fig 1. Gross & Taxable Sales (MSA)

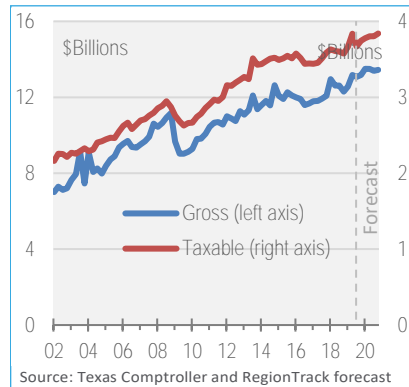


Fig 2. Taxable Retail Sales Trend

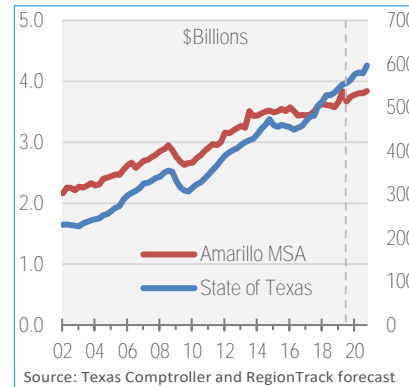


Fig 3. Taxable Sales Base by Major Area

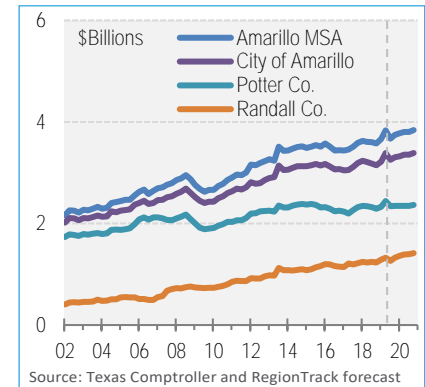


Fig 4. Trade Employment (MSA)



Fig 5. Taxable Sales Growth Estimate and Forecast (sales base, calendar year)

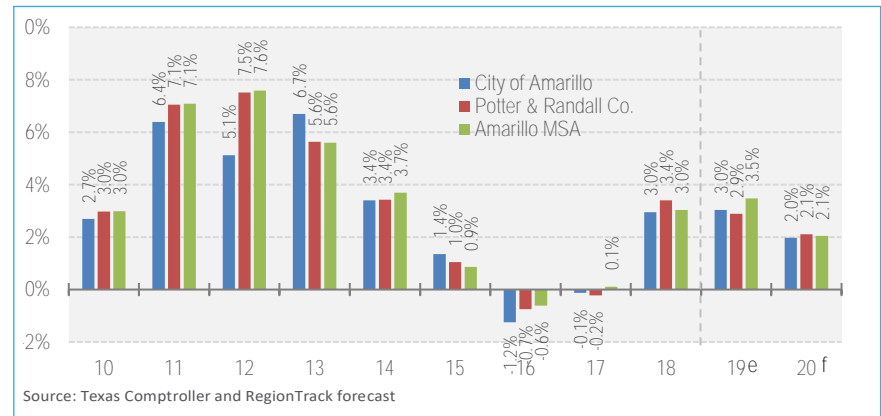


Fig 6. Share of MSA Taxable Sales

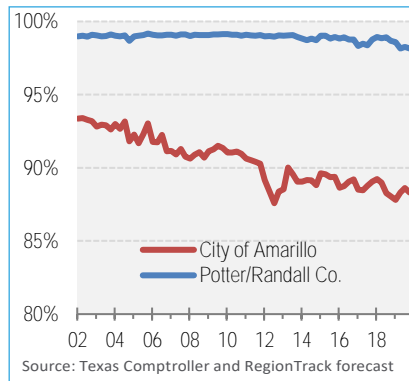
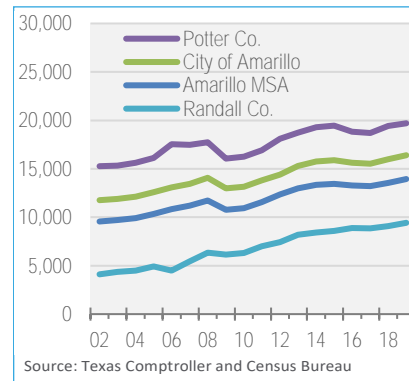


Fig 7. Taxable Sales Per Capita



17. RETAIL TRADE (CONTINUED)

SHIFTING RETAIL SHARES

The three smaller metro counties (Armstrong, Carson, and Oldham) continue to far outpace retail growth in Potter and Randall counties. The three smaller counties combined posted a 30.5% year-over-year gain in the most recent four quarters of data through the 2nd quarter of 2019. The total gain for the three smaller counties since the current U.S. retail cycle began in the 3rd quarter of 2009 has now reached 258%. In the most recent 4 quarters, Carson (39%) and Oldham (24%) posted the largest gains while Armstrong (-0.6%) reported a small decline.

Despite sizeable retail gains in the three smallest counties, they contribute less than 2 percent of total metro retail sales. Potter and Randall counties remain the core of retail sales activity in the broader Amarillo metro area with more than 98% of total metro area sales (Fig 6). The city of Amarillo's retail share continues to fall and is now approaching 83%. The city share is now down 10 percentage points from more than 93% in 2002.

All regions of the Amarillo metro area continue to post rising taxable retail sales per capita (Fig 7). Estimated per capita sales for all of 2019 are projected to rise 2.9% for the metro area, 2.0% for Potter and Randall Counties combined, and 2.6% for the city of Amarillo. The strongest retail pull remains in Potter County with taxable sales of \$19,700 per person versus \$13,950 across the full metro area.

RETAIL ACTIVITY EASES IN 2020

Our outlook for Amarillo retail activity in 2020 reflects our expectation for continued moderate economic growth next year. Our model-based outlook for calendar year 2020 calls for a 2.1% gain in taxable sales for the metro area, a 2.1% gain in Potter and Randall Counties combined, and 2.0% growth in the city of Amarillo. These growth projections are slightly slower than gains in 2019 and remain well below historical averages. Retail gains in Amarillo are also expected to trail projected gains at the state level in 2020.

18. EDUCATION

MEDIAN WAGE REBOUND

Census estimates for educational attainment suggest that median wage gains were relatively modest at the national level in 2018, the most recent year available. In contrast, both Texas and Amarillo posted far larger gains and made up considerable ground relative to the nation (Fig 1). The nation posted a 2.0% gain in the median wage, roughly half the 3.9% gain in Texas. The Amarillo metro area posted a far larger 11.2% increase in the median wage in 2018 following a small decline in 2017.

The median annual wage across workers of all education levels in the Amarillo metro area has now increased 29.4% across the decade, rising from \$30,582 in 2008 to \$39,565 in 2018. The state posted a 23.7% gain and the nation a 17.6% gain across the decade.

Amarillo made considerable progress in relative terms in 2018, with median wages in Amarillo rising to 99% of the state and 97% of the national median (Fig 3). Median wages in Amarillo fare even better relative to the state and nation when measured on a cost of living-adjusted basis. The average cost of living in Amarillo remains approximately 7% lower than the nation, based on Bureau of Economic Analysis price parity indexes. The state cost of living is only 3% lower than the nation. In inflation-adjusted terms, median wages in Amarillo are roughly 2% higher than the state and 4% above the nation.

COMPOSITION OF WAGE GAINS

The strongest wage gains in Amarillo in 2018 accrued to those with a high school degree (11.5%) and those with some college or an associate degree (5.9%) (Fig 2). Workers in Amarillo with a bachelor's degree (1.0%) posted far smaller gains. Wages for those with a graduate or professional degree (-10.4%) were weakest, followed by those with less than a high school education (-4.5%).

As a share of the national median wage by educational attainment (Fig 4), Amarillo made progress relative to the U.S. in 2018 for those with a high school education (104.6% of U.S. median) and those with some college or an associate degree (99.5% of U.S. median). The region lost ground relative to the nation in the remaining categories.

MEDIAN WAGES BY EDUCATIONAL ATTAINMENT – POPULATION AGES 25+ (AMARILLO MSA)

Fig 1. Median Wage

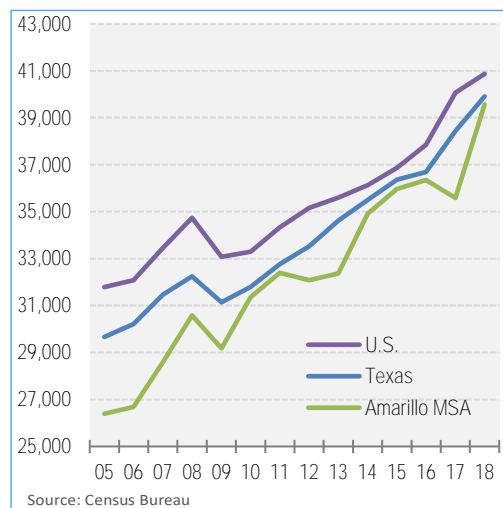


Fig 2. Median Wage by Educational Attainment

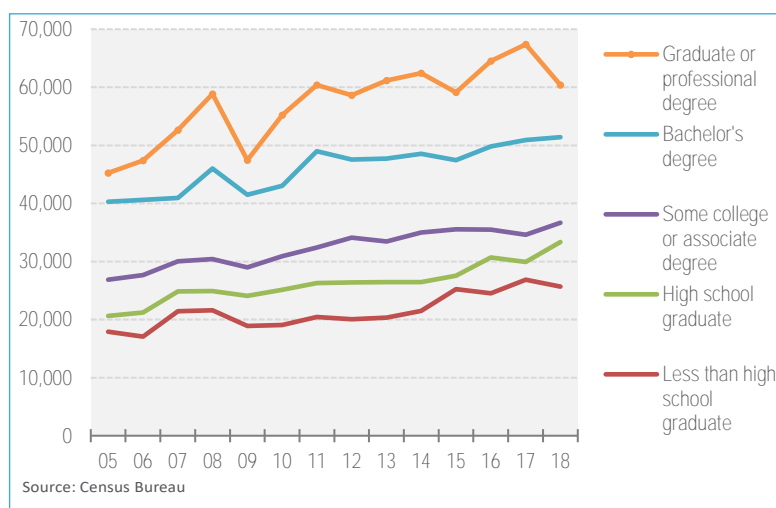


Fig 3. Amarillo MSA Share of Texas & U.S. Wages

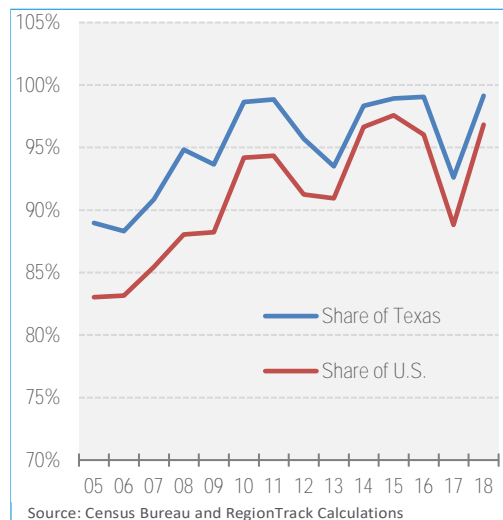
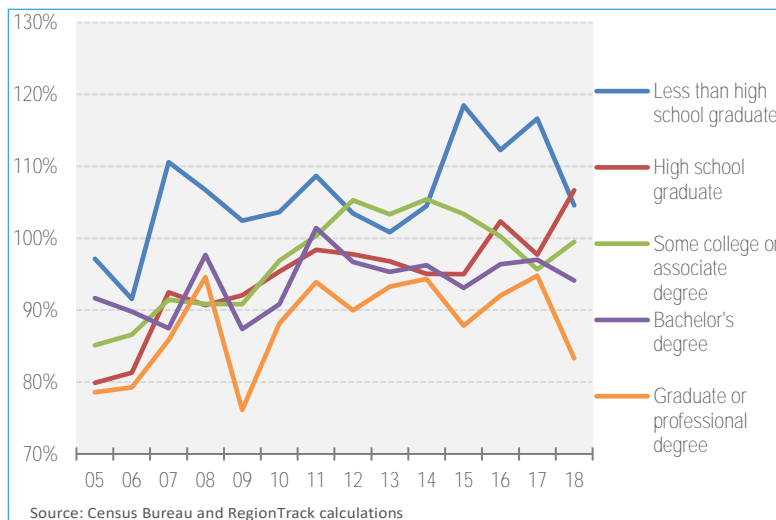


Fig 4. Amarillo MSA Median Wage as a Share of U.S. Median Wage



LOCAL ATTAINMENT GAINS RELATIVE TO STATE AND NATION

Amarillo made significant progress on overall educational attainment in 2018 based on average years of schooling. Metro area workers ages 25 and over now have an average of 13.33 years of schooling, or 1.33 years of education beyond high school on average (Figs 5 and 6). Years of education increased 0.11 years from 13.22 in 2017, a new high in overall attainment for the region.

The gap between Amarillo and the state and nation closed in 2018. The metro area is now only 0.09 years behind the state average of 13.42 years and 0.35 years behind the national average of 13.68 years. The state average in 2018 increased 0.04 years from 13.38 years in 2017; the national average increased 0.04 years from 13.64 years. Amarillo's 2018 gain of 0.11 years is more than double the progress made at the state and national levels.

The Amarillo metro area moved up one spot to 10th in the Texas metro area rankings based on average years of schooling in 2018 (Fig 11). Amarillo's 13.33 years trails the nearby small Texas metro area of Lubbock (13.46 years) but matches Midland (13.33 years) and leads Wichita Falls (13.25 years), Abilene (13.28 years), and Odessa (12.60 years). The state's large metro areas remain the leaders.

19. EDUCATION (CONTINUED)

GROWTH IN BACHELOR'S, HIGH SCHOOL GRADUATES

The ongoing rise in average years of schooling masks several underlying changes underway in the educational attainment status of the Amarillo area labor force. The most important change is the relatively recent surge in the reported number of workers with a high school degree (Fig 7). Census reports a 15% increase relative to 2014, a rise of about 6,300 workers. This is the largest single factor in slowing the potential growth of average years of schooling in the region.

In contrast, the number of workers with less than a high school education continues to fall (Fig 7). Amarillo also made substantial progress in increasing the group of metro area workers with a bachelor's degree, with a large gain of 3,000 reported in 2018. This followed a gain of 2,400 in 2017. Slight upticks were reported in 2018 in the number of workers with some college but no degree and those with a graduate or professional degree.

STRONG GAIN IN SHARE OF BACHELOR'S & HIGHER DEGREES

The strongest component of the Amarillo education profile is undoubtedly the continued rise in the share of workers with a bachelor's degree or higher. In 2018, Amarillo's population ages 25 and over ranks 9th among all Texas metro areas measured by the share of workers with a bachelor's degree or higher, up one spot from 2017 (Fig 10). Amarillo's current 26.3% share is up more than two percentage points from 24.2% in 2017. Amarillo remains behind the nearby metros of Lubbock (29.2%) and Midland (27.5%) but leads Wichita Falls (22.9%), Abilene (24.7%), and Odessa (16.1%).

LEVEL OF EDUCATIONAL ATTAINMENT – POPULATION AGES 25+ (AMARILLO MSA)

Fig 5. Average Years of Schooling

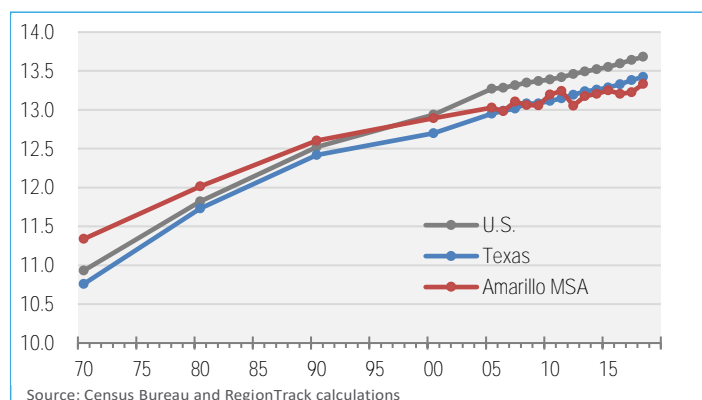


Fig 6. Average Years of Schooling

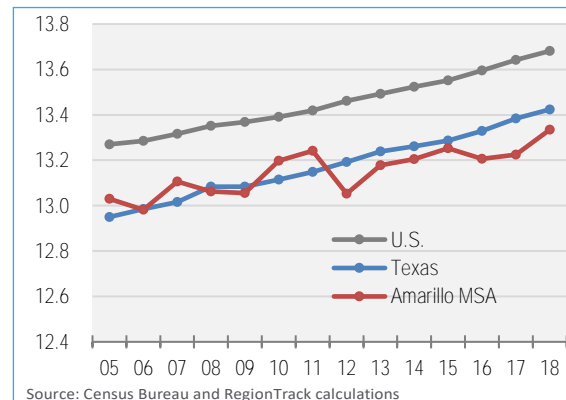
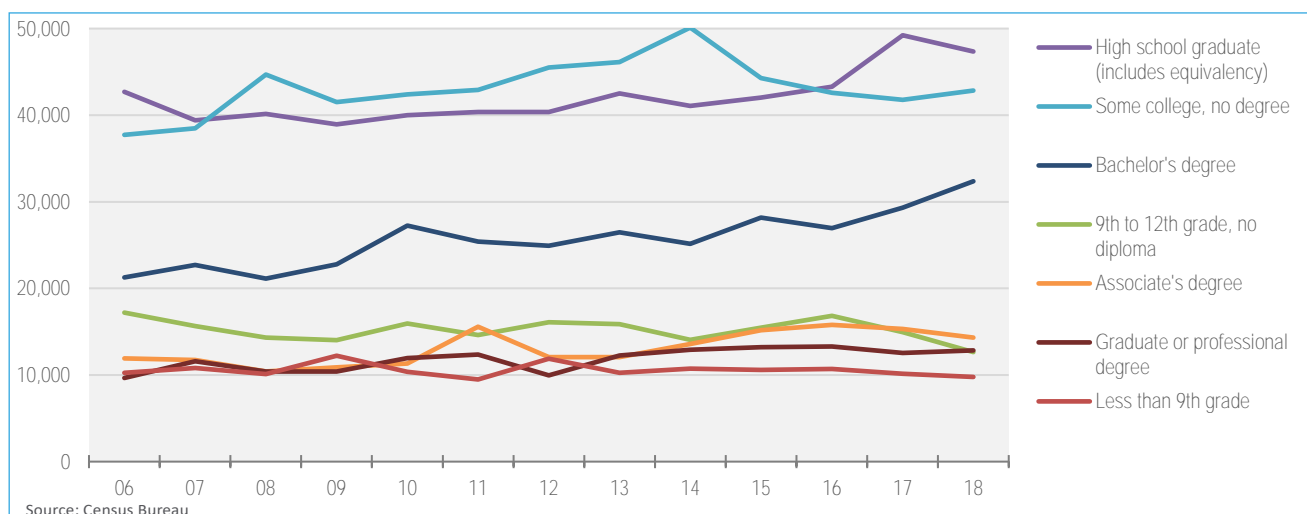


Fig 7. Amarillo MSA Population Ages 25+ by Educational Attainment



20. EDUCATION (CONTINUED)

EDUCATION SURPLUS/SHORTAGE IN AMARILLO

Structural differences in educational attainment for workers in Amarillo are highly visible in estimated shortages and surpluses relative to the nation (Fig 8 and 9). Although experiencing a long-standing shortage of workers with bachelor's degrees or higher, the gap narrowed in Amarillo in 2018. The shortage relative to the U.S. decreased from 4,800 in 2017 to only 2,000 in 2018. The gaps similarly closed to a lesser extent relative to both the state and nation for workers with a master's degree, a professional degree, and a doctorate degree. The recent increase in the number of workers with some college but no degree has further increased the surplus in Amarillo above both the state and national share. In contrast, the surplus of workers with a high school diploma or equivalent was sharply reduced from 2017 to 2018.

LEVEL OF EDUCATIONAL ATTAINMENT (2018) – POPULATION AGES 25+ (AMARILLO MSA)

Fig 8. Detailed Educational Attainment

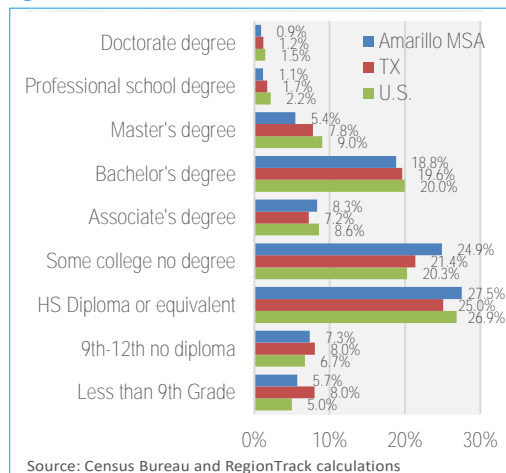


Fig 9. Amarillo Shortage/Surplus Relative to U.S. & Texas

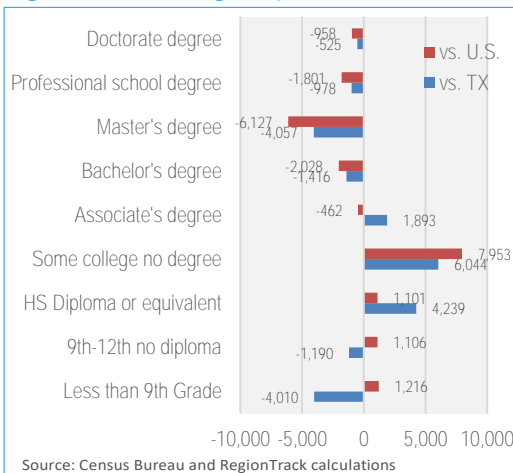


Fig 10. Share with Bachelor's Degree or Higher

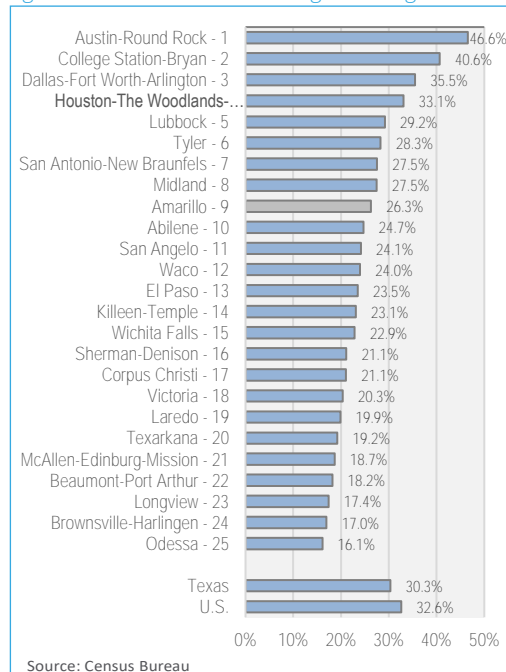
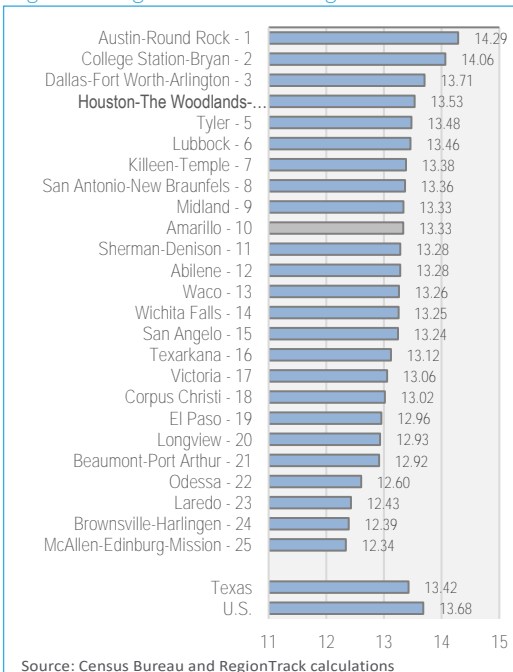


Fig 11. Average Years of Schooling – Texas Metro Area



21. BANKING AND FINANCIAL

FINANCIAL SECTOR GROWTH MATCHES MODERATE ECONOMIC GAINS

Amarillo metro area bank deposits posted a solid gain for the third consecutive year according to recent data released by the FDIC, reaching \$7.34 billion in mid-year 2019 (Fig 1).

Ongoing deposit growth is consistent with continued moderate growth in the broader Amarillo metro area economy in 2019. Deposit growth eased somewhat to a 3.1% gain in 2019 from a 5.6% gain in 2018, but metro gains continue to outstrip the rate of inflation (Fig 4). Statewide deposit growth reached 4.6% in 2019, a rebound from 2.7% growth in 2018.

Deposit growth in Amarillo was slightly weaker on a per capita basis, rising 2.5% in 2019 to approximately \$27,500 (Fig 2). For comparison, bank deposits per capita increased 3.0% statewide in 2019 to \$30,150.

Amarillo's \$7.34 billion market in 2019 placed the region 8th among Texas metro banking markets. Among nearby markets, Amarillo continues to trail well behind Lubbock (\$8.98 billion) but surpassed Midland (\$7.23 billion) in the latest rankings. Amarillo's banking market remains far larger than the nearby metro areas of Odessa (\$3.41 billion), Abilene (\$3.20 billion), and Wichita Falls (\$2.69 billion) (Fig 3).

The number of total banking locations statewide continued its downward trend in 2019. The state has steadily lost a cumulative 10% of all banking locations since the recent peak in 2009. In the Amarillo metro market, the number of locations remained unchanged at 69 in 2019, five below the recent peak of 74 set in 2011 (Fig 5).

BANKING INDICATORS (AMARILLO MSA)

Fig 1. Bank Deposits (June total)

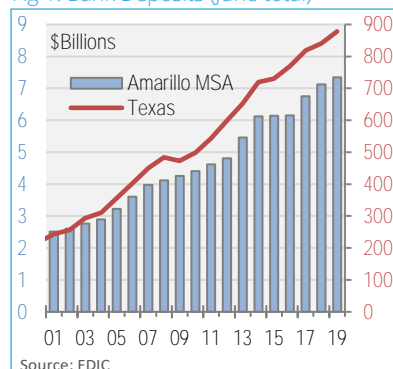


Fig 2. Bank Deposits per Capita

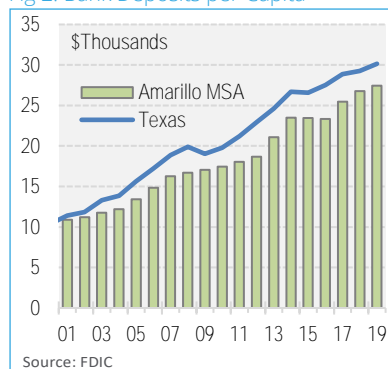


Fig 3. Bank Deposits by Texas Metro Area

| Texas Metropolitan Area | (\$billions) Deposits | 2019 Rank |
|-----------------------------|--------------------------|--------------|
| Dallas-Fort Worth-Arlington | \$295.31 | 1 |
| Houston-The Woodlands-Sugar | 249.55 | 2 |
| San Antonio-New Braunfels | 117.38 | 3 |
| Austin-Round Rock | 42.91 | 4 |
| McAllen-Edinburg-Mission | 9.95 | 5 |
| Lubbock | 8.98 | 6 |
| El Paso | 8.76 | 7 |
| Amarillo | 7.34 | 8 |
| Midland | 7.23 | 9 |
| Laredo | 6.54 | 10 |
| Tyler | 6.29 | 11 |
| Corpus Christi | 6.16 | 12 |
| College Station-Bryan | 5.99 | 13 |
| Longview | 5.92 | 14 |
| Waco | 5.48 | 15 |
| Beaumont-Port Arthur | 5.40 | 16 |
| Killeen-Temple | 5.13 | 17 |
| Brownsville-Harlingen | 4.23 | 18 |
| Odessa | 3.41 | 19 |
| Abilene | 3.20 | 20 |
| San Angelo | 2.75 | 21 |
| Wichita Falls | 2.69 | 22 |
| Sherman-Denison | 2.58 | 23 |
| Victoria | 2.19 | 24 |

Source: FDIC

Fig 4. Bank Deposit Growth

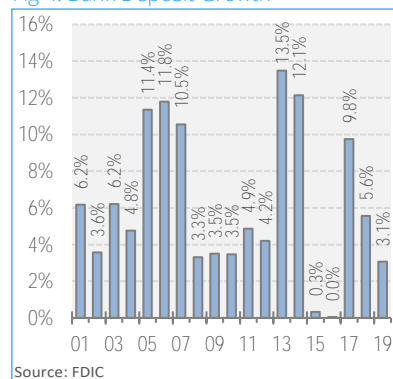
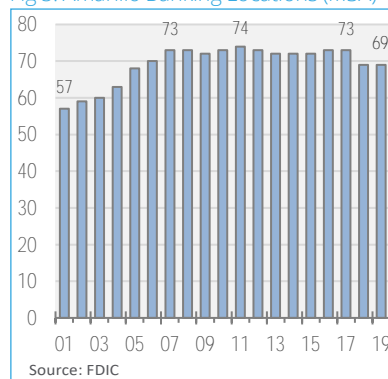


Fig 5. Amarillo Banking Locations (MSA)



REGIONTRACK, INC.

The 2020 **Amarillo Economic Review** was prepared by **RegionTrack**, an Oklahoma City-based economic research firm specializing in regional economic forecasting and analysis. The principal authors of the report are RegionTrack economists Mark C. Snead and Amy A. Jones.



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