



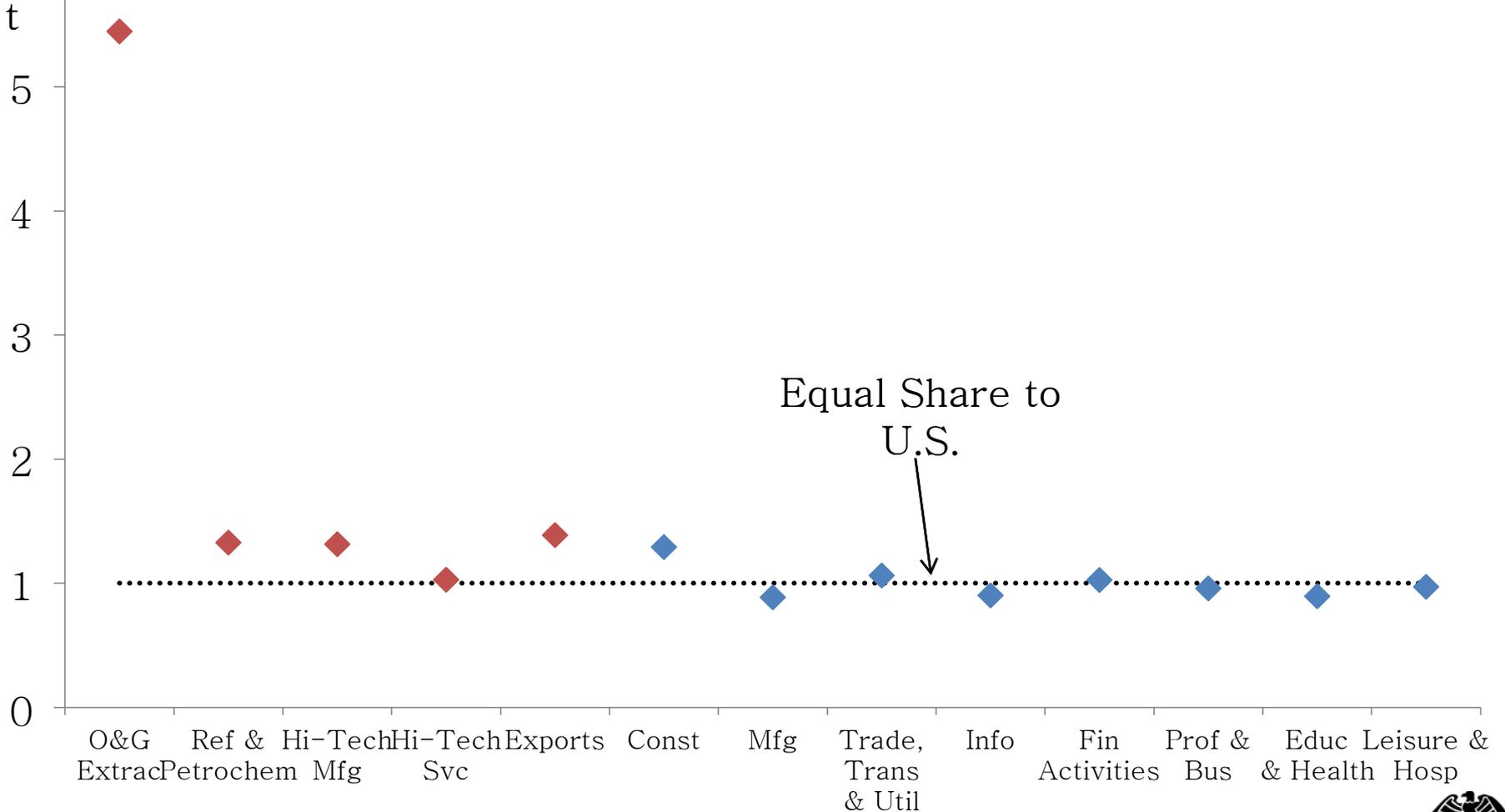
# What Drives Texas?

**Mine Yücel**  
**June 13, 2012**



# What sets Texas apart?

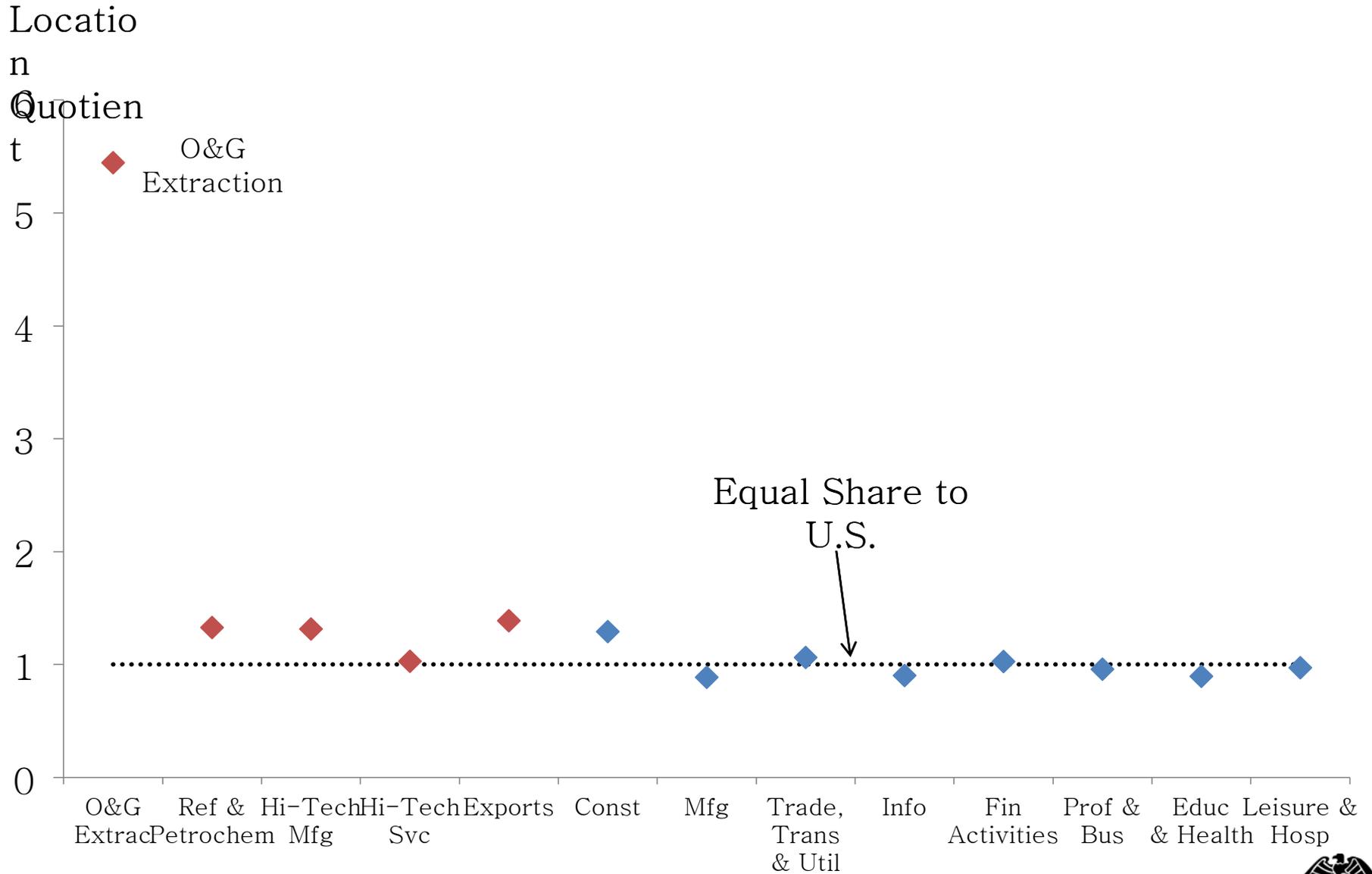
Location  
Quotient



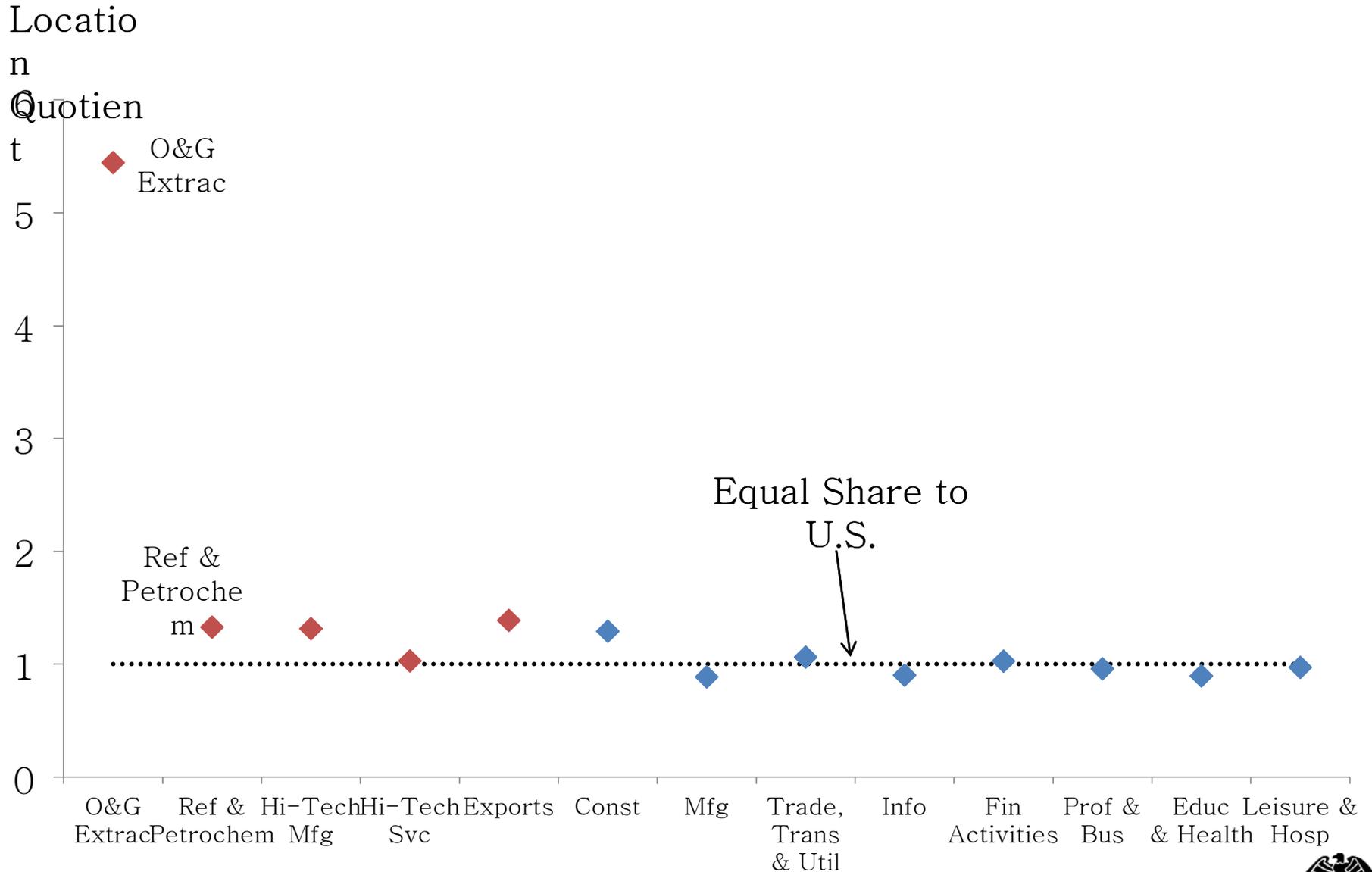
Equal Share to  
U.S.



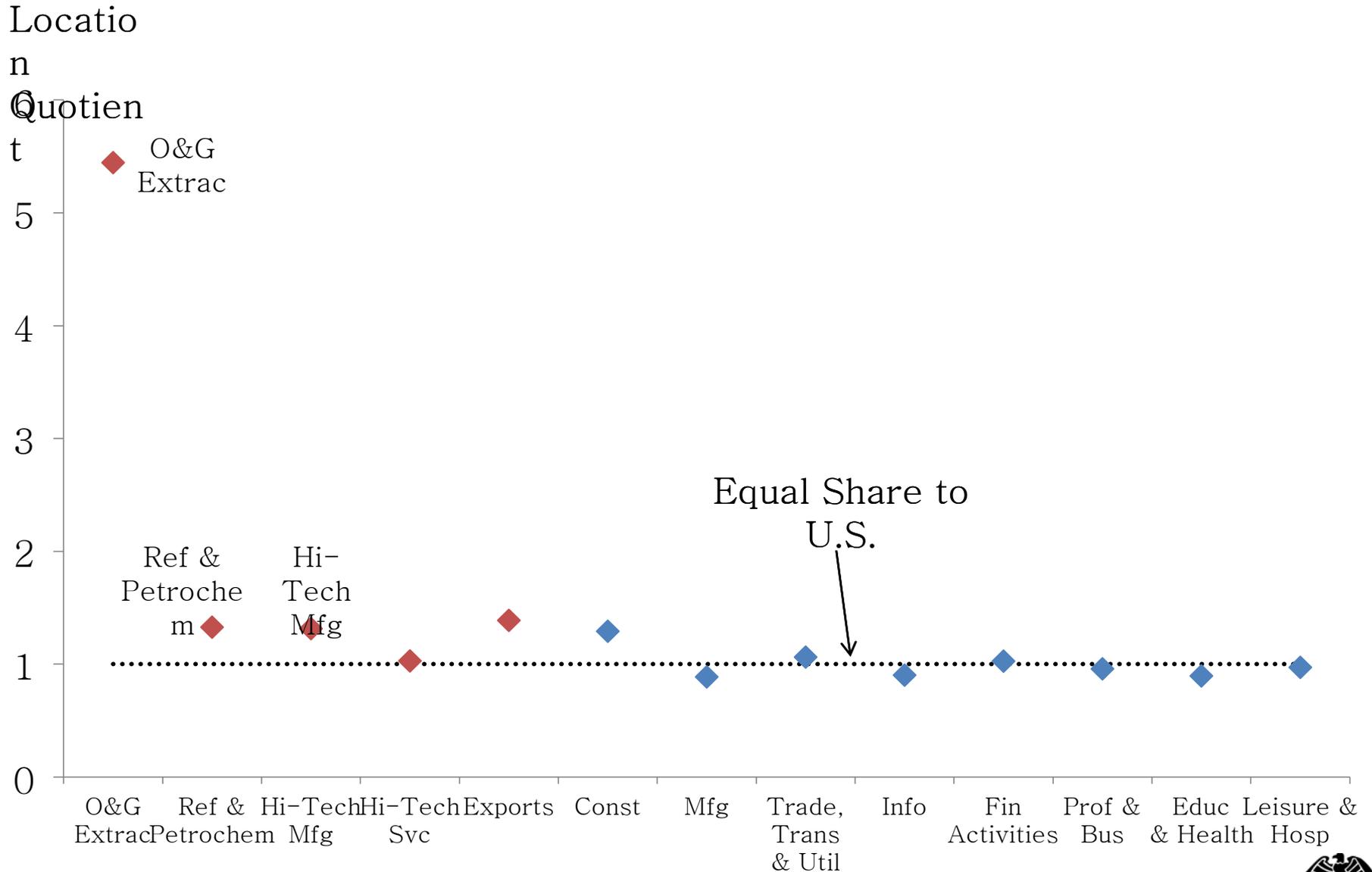
# What sets Texas apart?



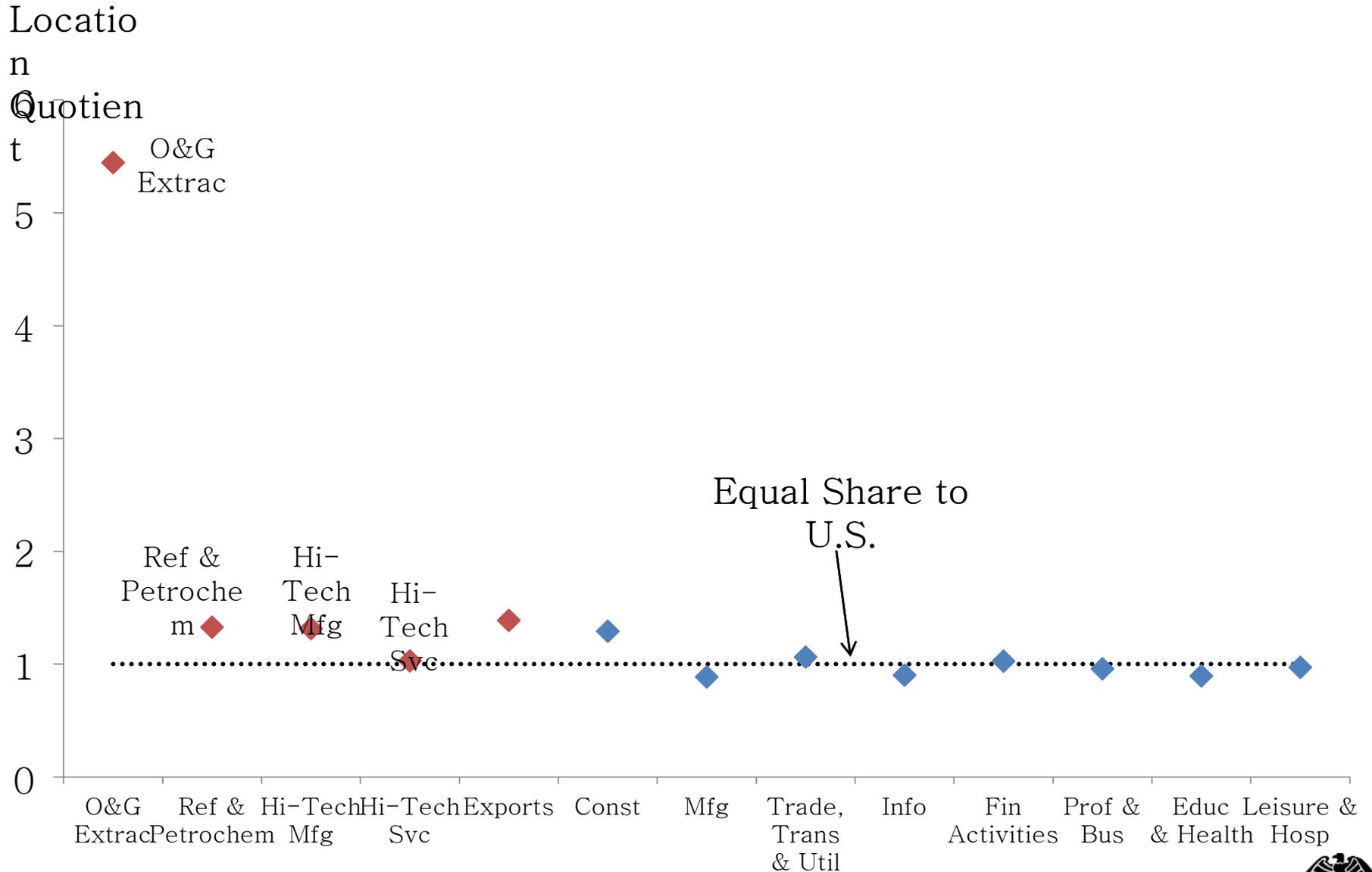
# What sets Texas apart?



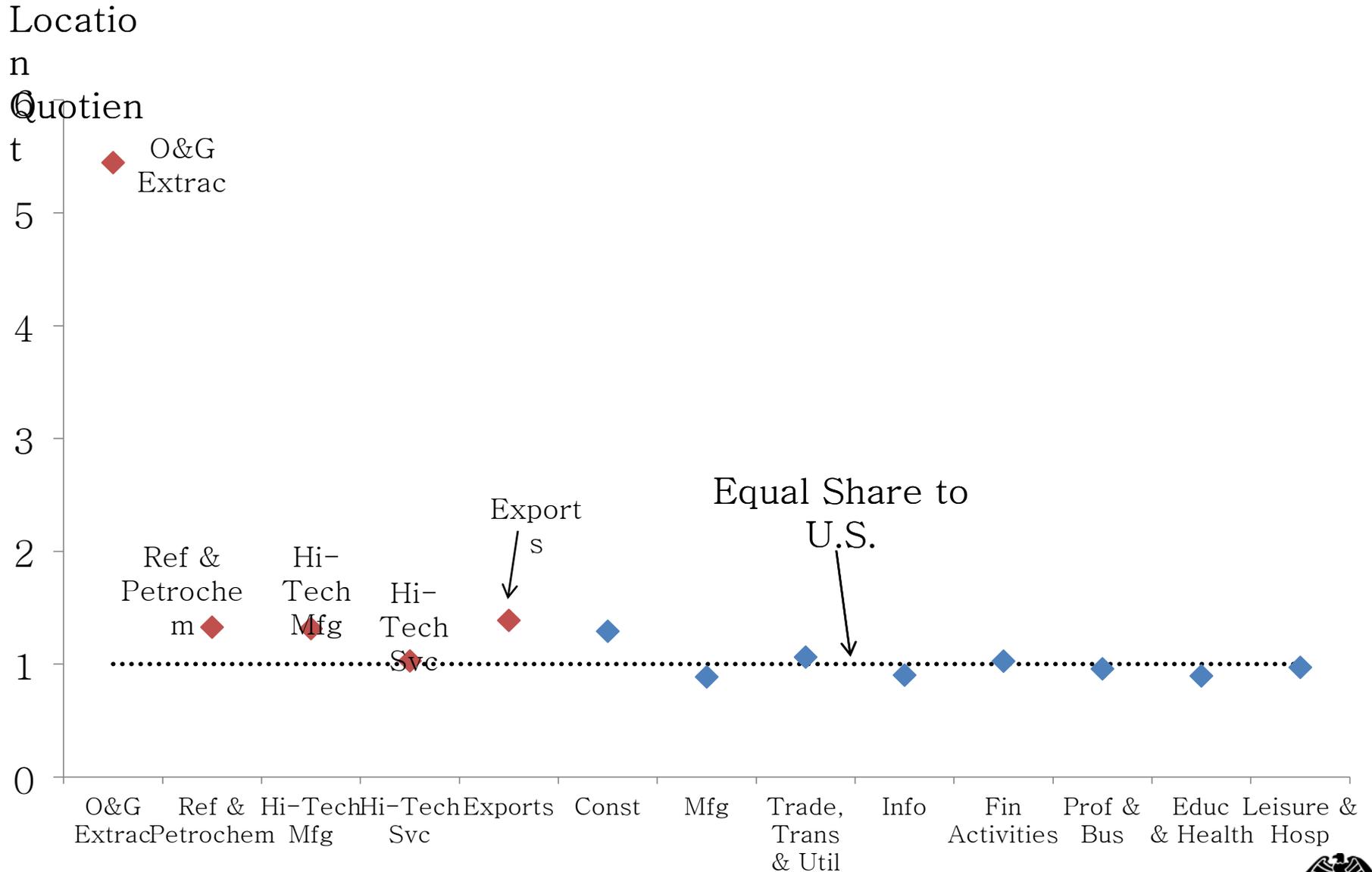
# What sets Texas apart?



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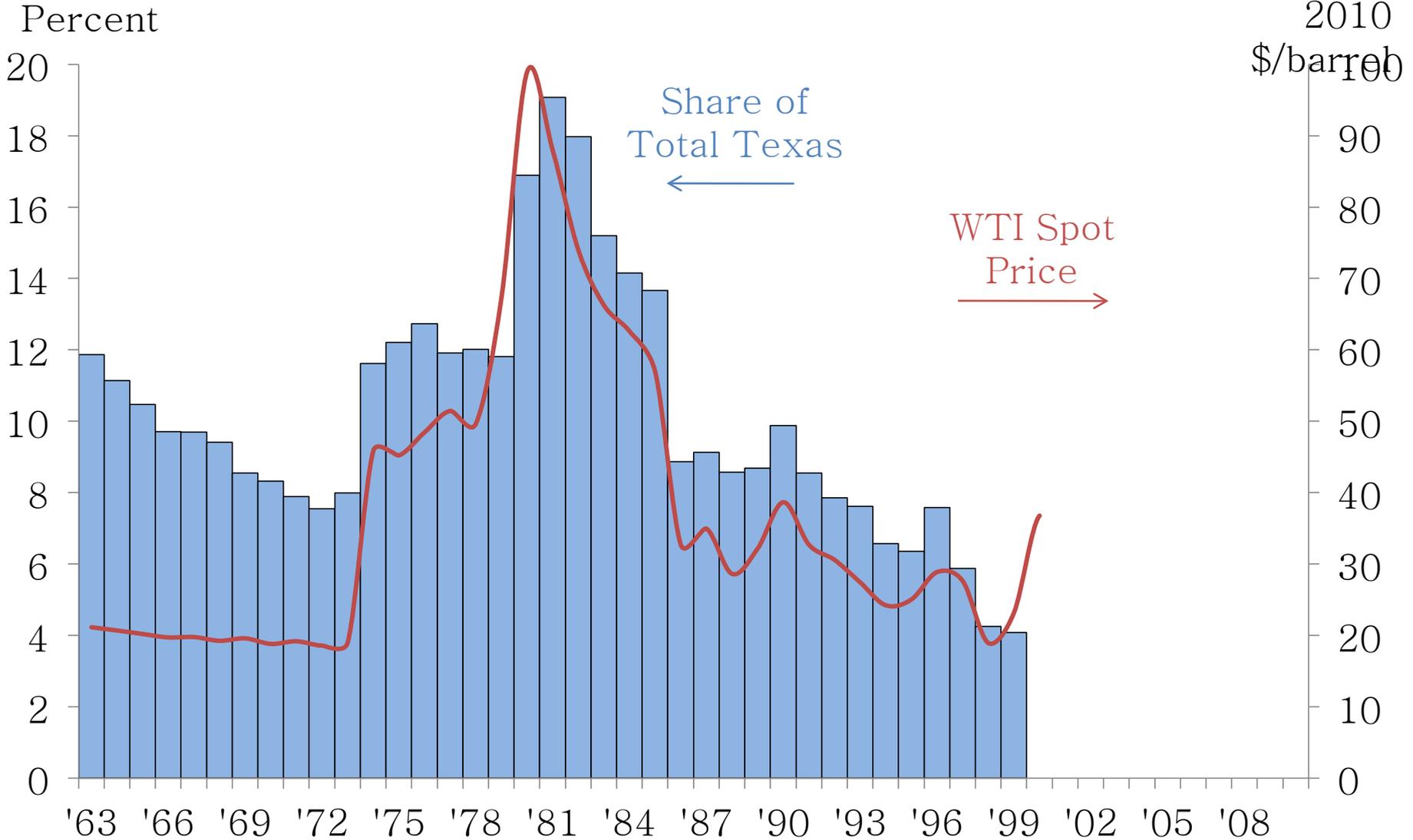


# Energy in Texas

- Texas #1 producer of oil and gas in the nation
  - 28% of oil production
  - 28.4% of natural gas production
- Texas has
  - 25% of U.S. refinery capacity
  - 60% of U.S. petrochemical production
- Prominence of oil and gas extraction industry has diminished, but remains substantial
- High energy prices still benefit the Texas economy



# Oil and gas output share reflects energy prices

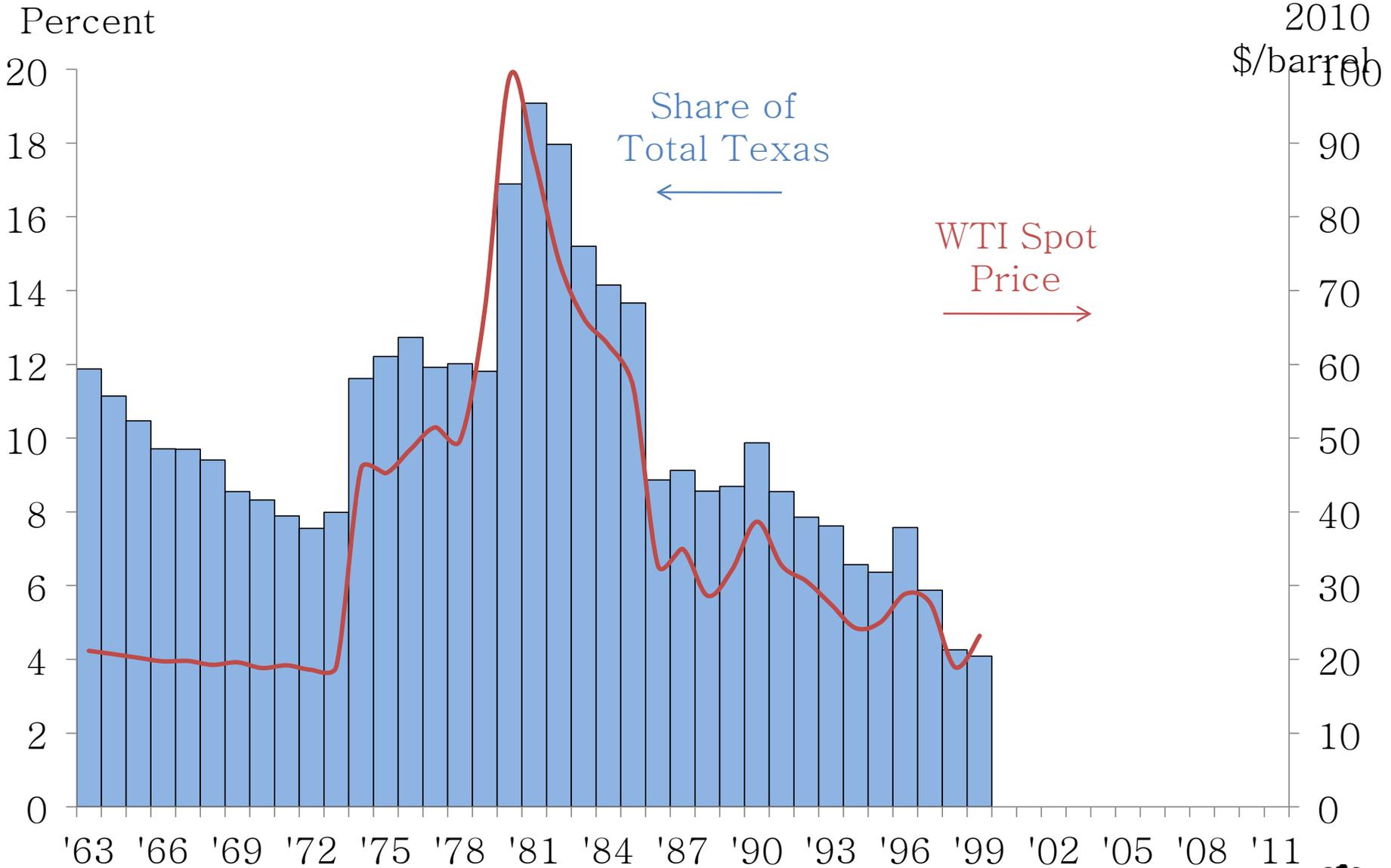


# Oil and gas and the Texas economy

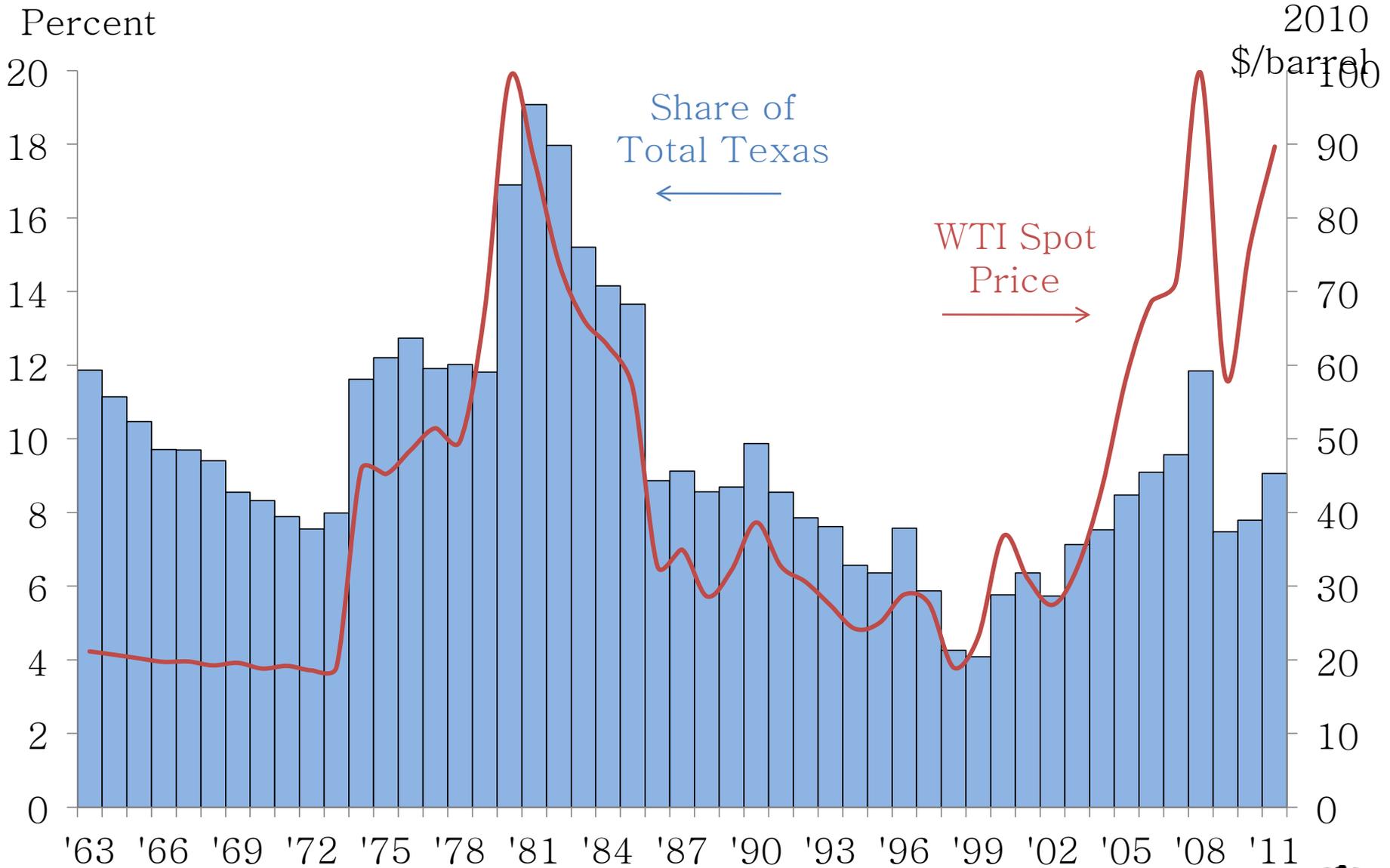
- Texas went into recession with the collapse of oil prices in 1986
  - Sector lost half its employment
- Texas economy diversified away from oil following the recession
- Share of energy declined as economy recovered



# Oil and gas output share reflects energy prices



# Oil and gas output share reflects energy prices



# Growth of shale gas in Texas

- Energy sector's resurgence driven first by natural gas, then oil
- Improvements in technology key:
  - Horizontal drilling
  - Hydraulic fracturing
- Texas produced 70% of U.S. shale output in 2009, 45% in 2011.



# Refining and petrochemicals

- Texas # 1 in downstream production
- High oil and gas prices hurt downstream industries
- Strong growth in foreign demand boosts downstream industry



# High Tech in Texas

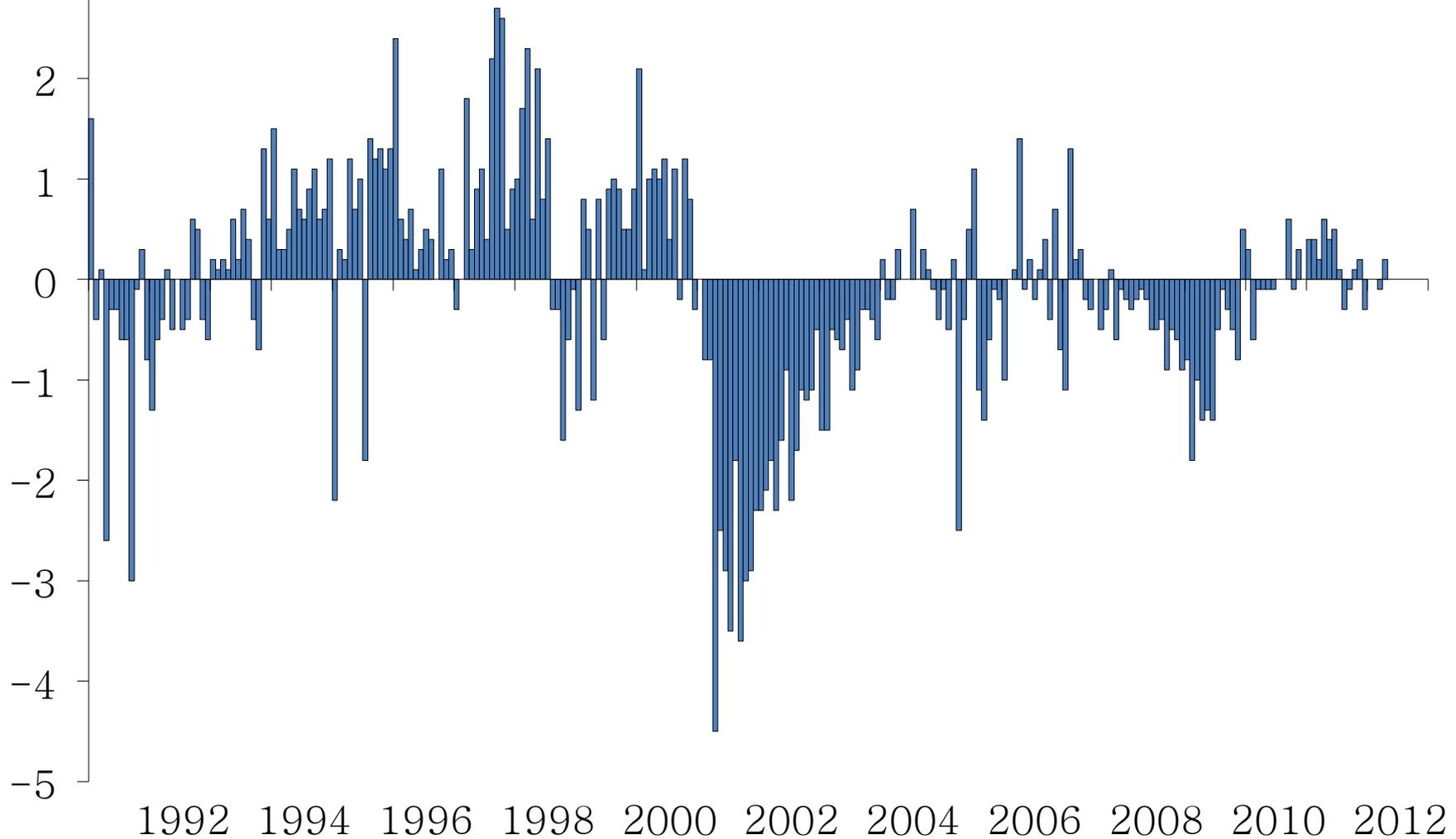
- High-tech manufacturing and services an important economic driver in the 90s
  - High-tech manufacturing output grew 20X as fast as Texas GDP
  - Austin -- “silicon prairie”
  - Dallas – “telecom corridor”
- Tech bust caused industry downsizing
- Growth strongest in computer systems design since bust



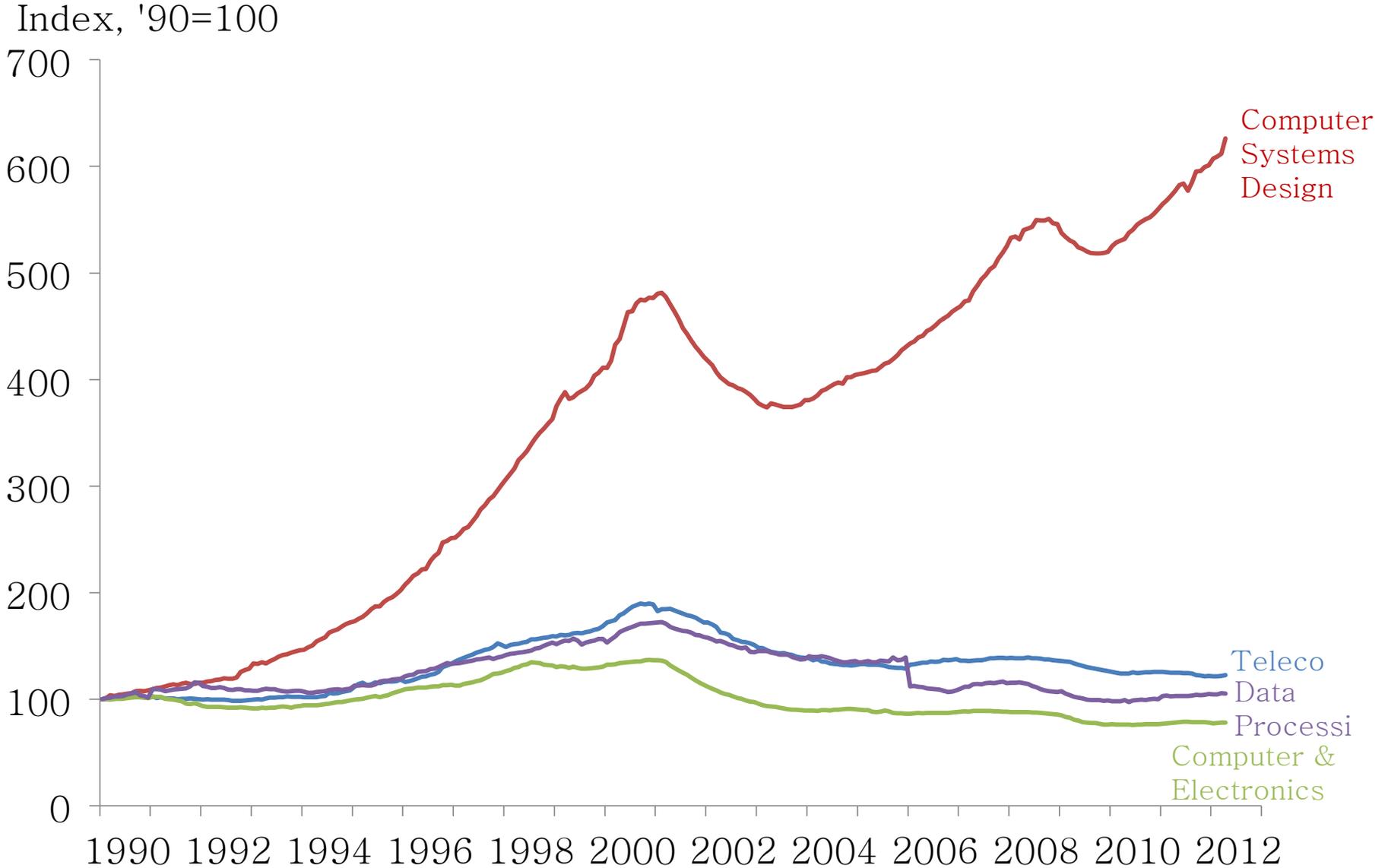
# Boom and bust in high-tech manufacturing

Thousands,

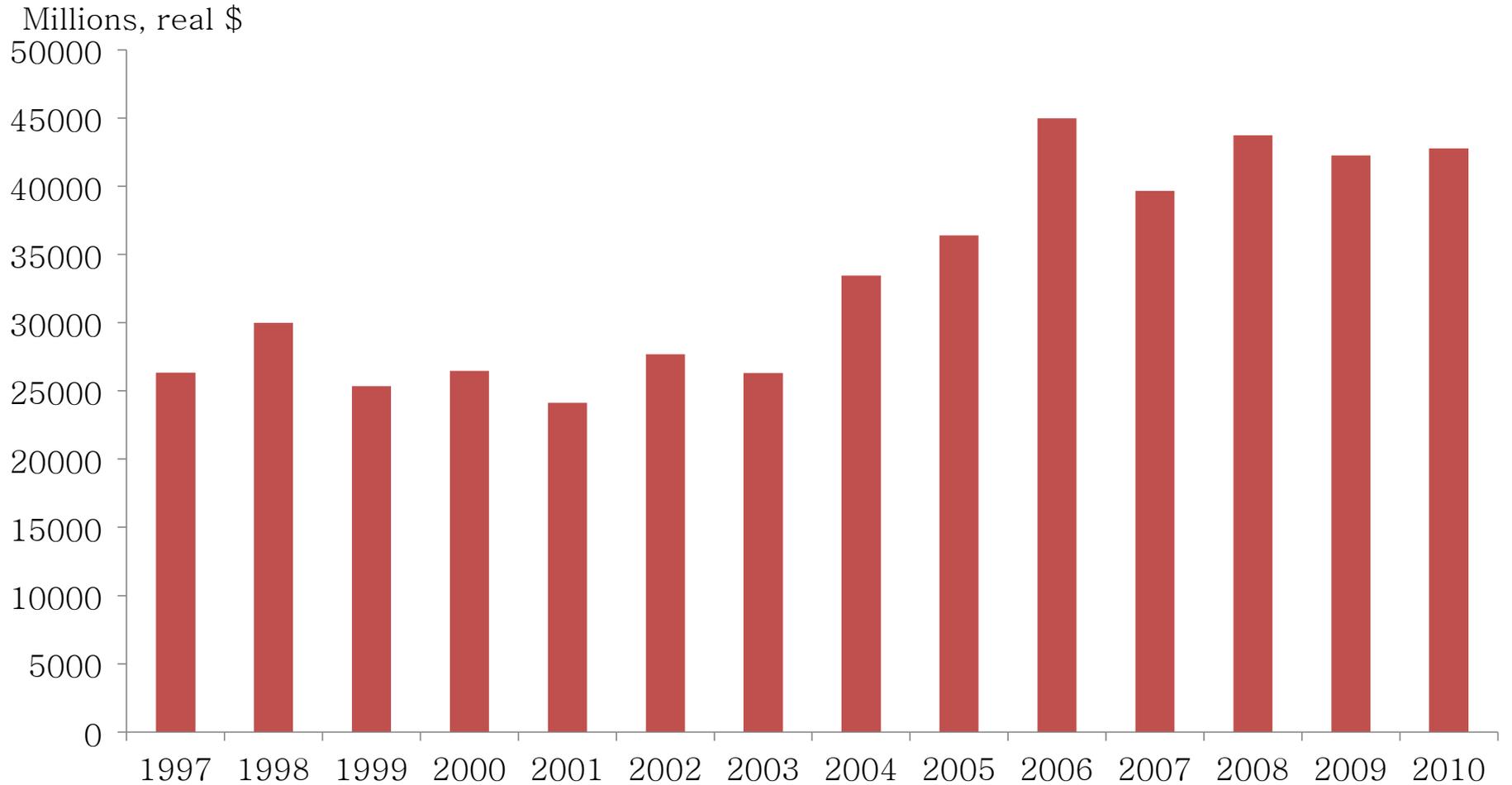
SA



# Texas high-tech employment growth

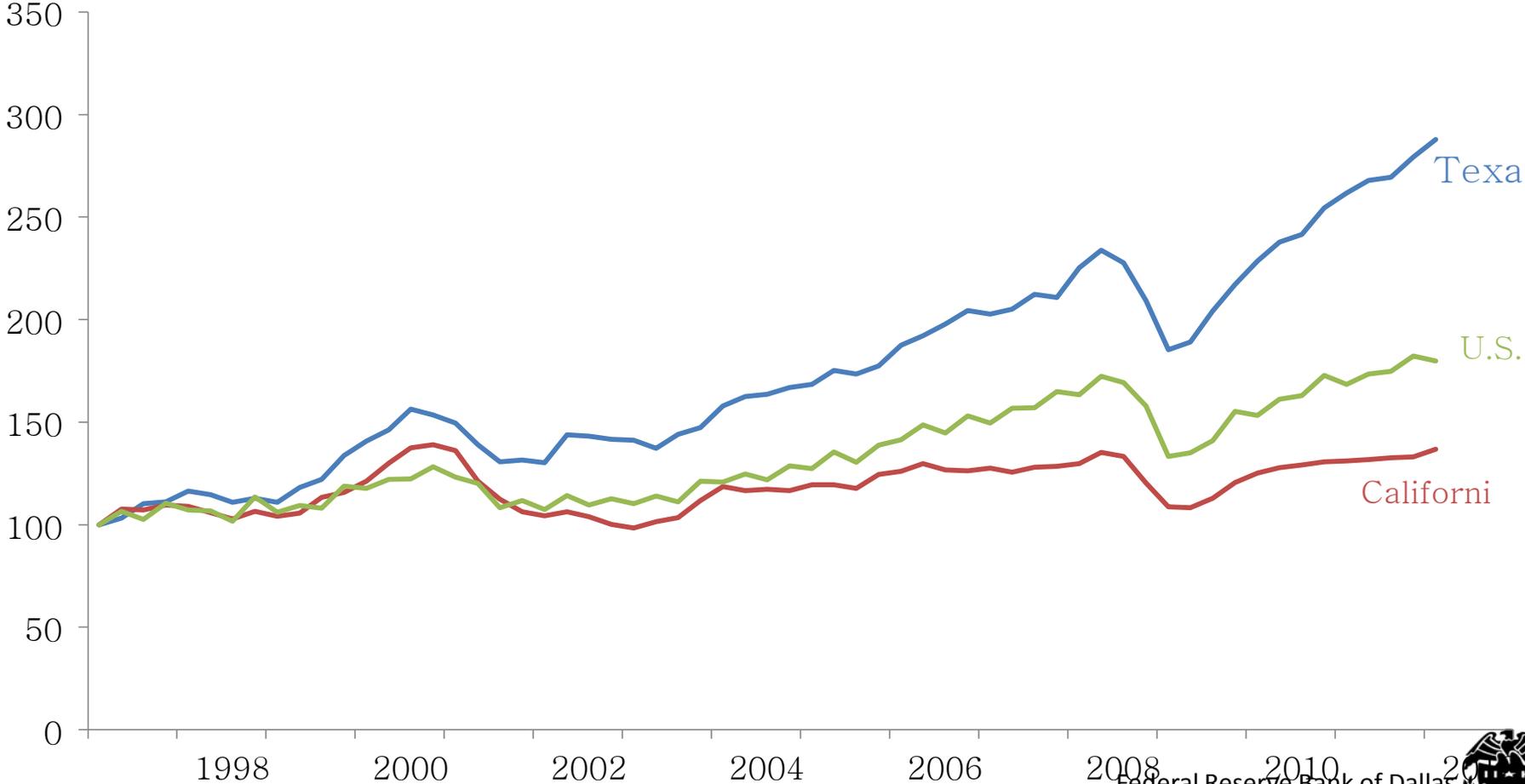


# Texas high-tech output



# TX exports outgrow CA and the U.S.

Index,  
Jan. 1997 = 100



Federal Reserve Bank of Dallas



# Texas trade

- The Gulf Coast and the U.S.–Mexico border are key trading regions for Texas.
- Texas Gulf Coast is a major producer of oil, oil products, petrochemicals and plastics.
  - Exports have grown rapidly in recent years.
- Mexico is our largest trade partner.
  - Much of the trade on the border is intra-industry: parts sent to Mexico for assembly and later returned to the U.S. as final goods



# Texas's top trading partners

Country	Share of Exports
Mexico	34.7%
Canada	8.8%
China	4.4%
Brazil	4.0%
Netherlands	3.6%
Korea	3.0%
Singapore	2.6%
Colombia	2.0%
Japan	1.8%
Belgium	1.7%
UK	1.6%

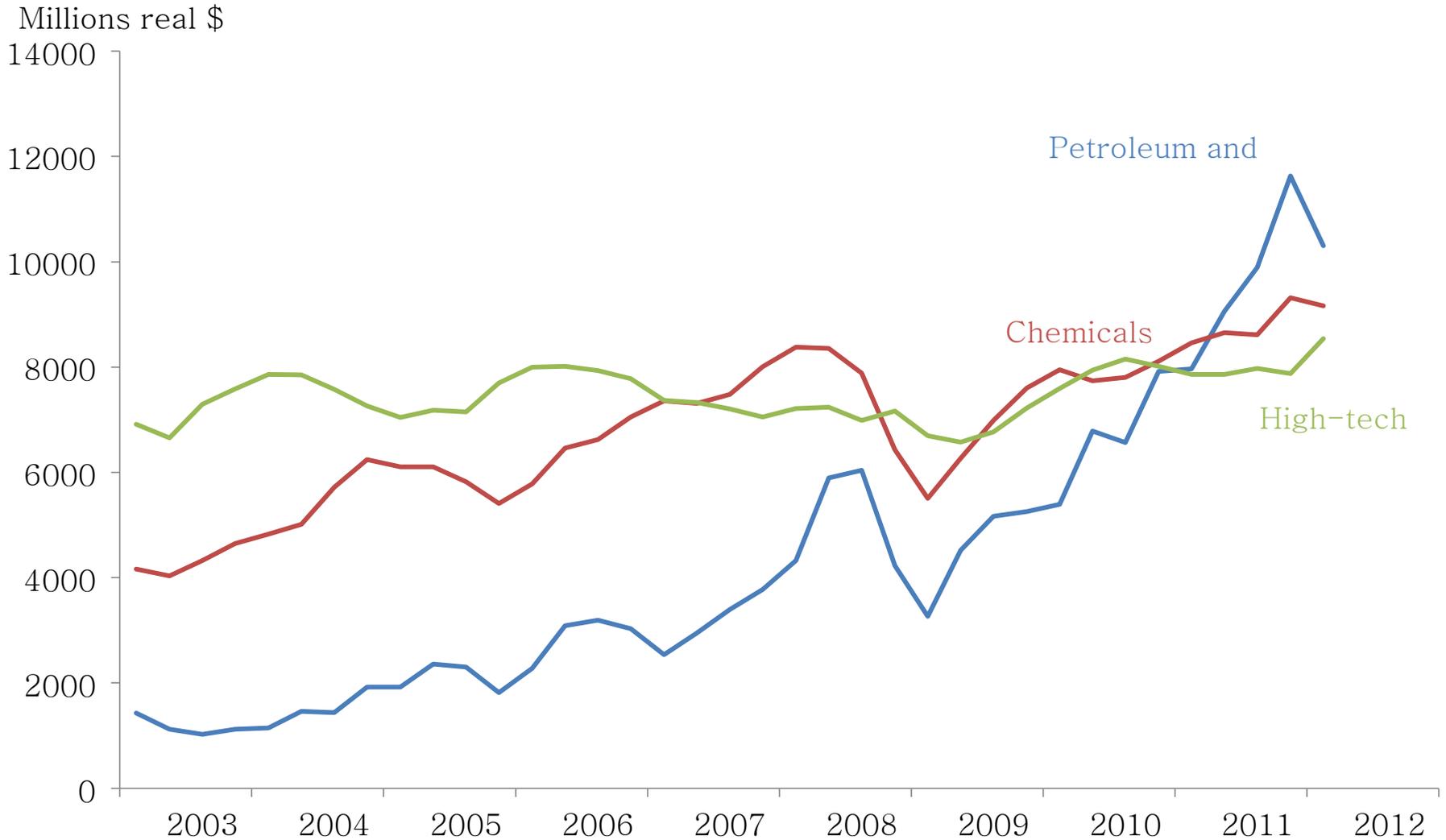


# Texas's top exports

Industry	Share
Petroleum and coal	20.5
Chemicals	18.7
Computers and electronics	16.8
Machinery	11.0
Transportation equipment	8.6
Ag	3.3
Electrical appliances	3.1
Primary metals	3.0
Fabricated metals	3.0



# Texas exports grew strongly

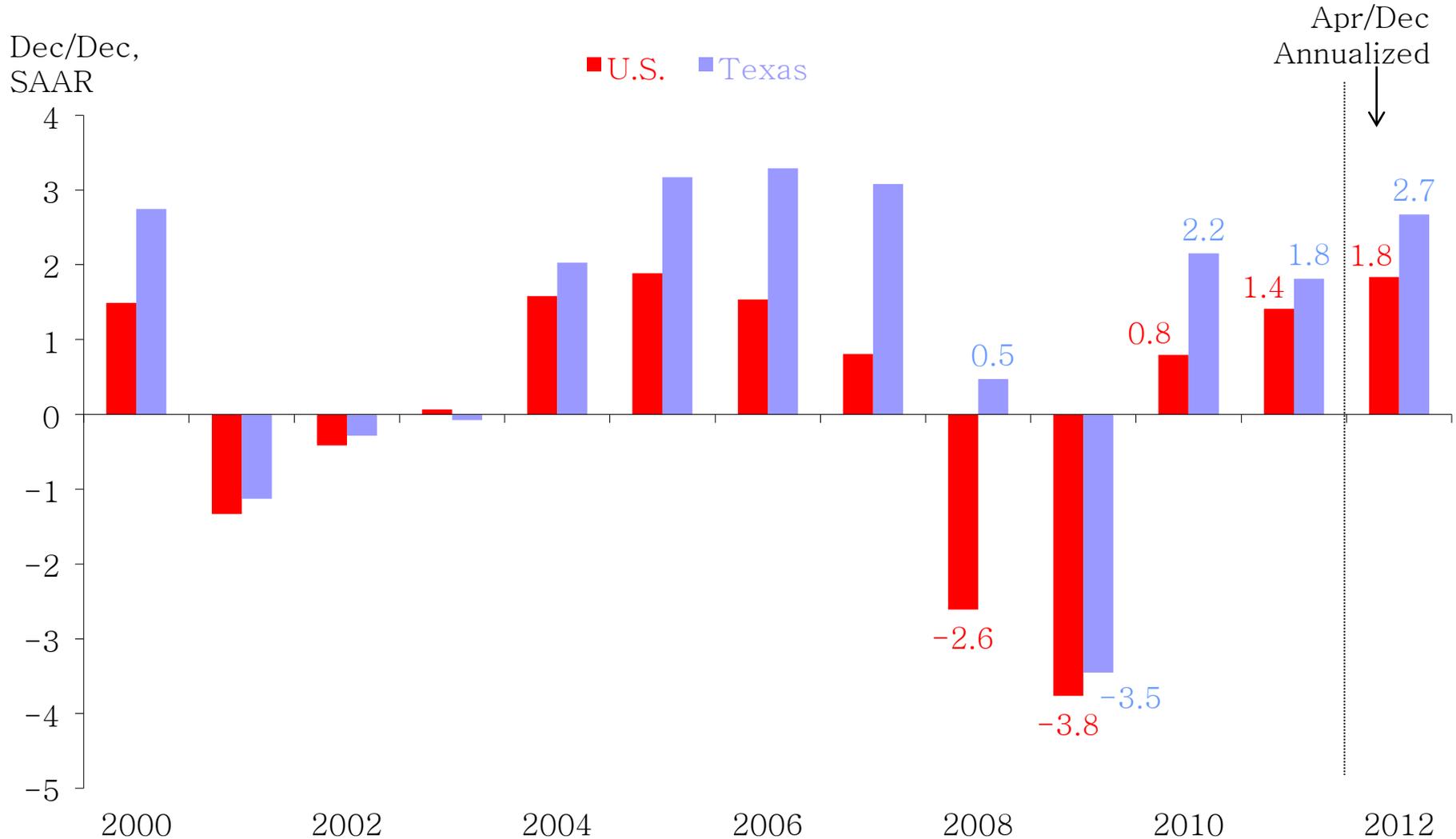


# Texas Economy

- Texas economy in expansion
- Texas employment grew 1.8 percent in 2011
  - Added a total of 189,300 jobs
  - 262,200 private jobs
- 93,800 jobs added in 2012 through April.
- Expect 2.5 percent growth in 2012



# Texas' employment growth bests nation's



# The Texas Recovery: Strengths

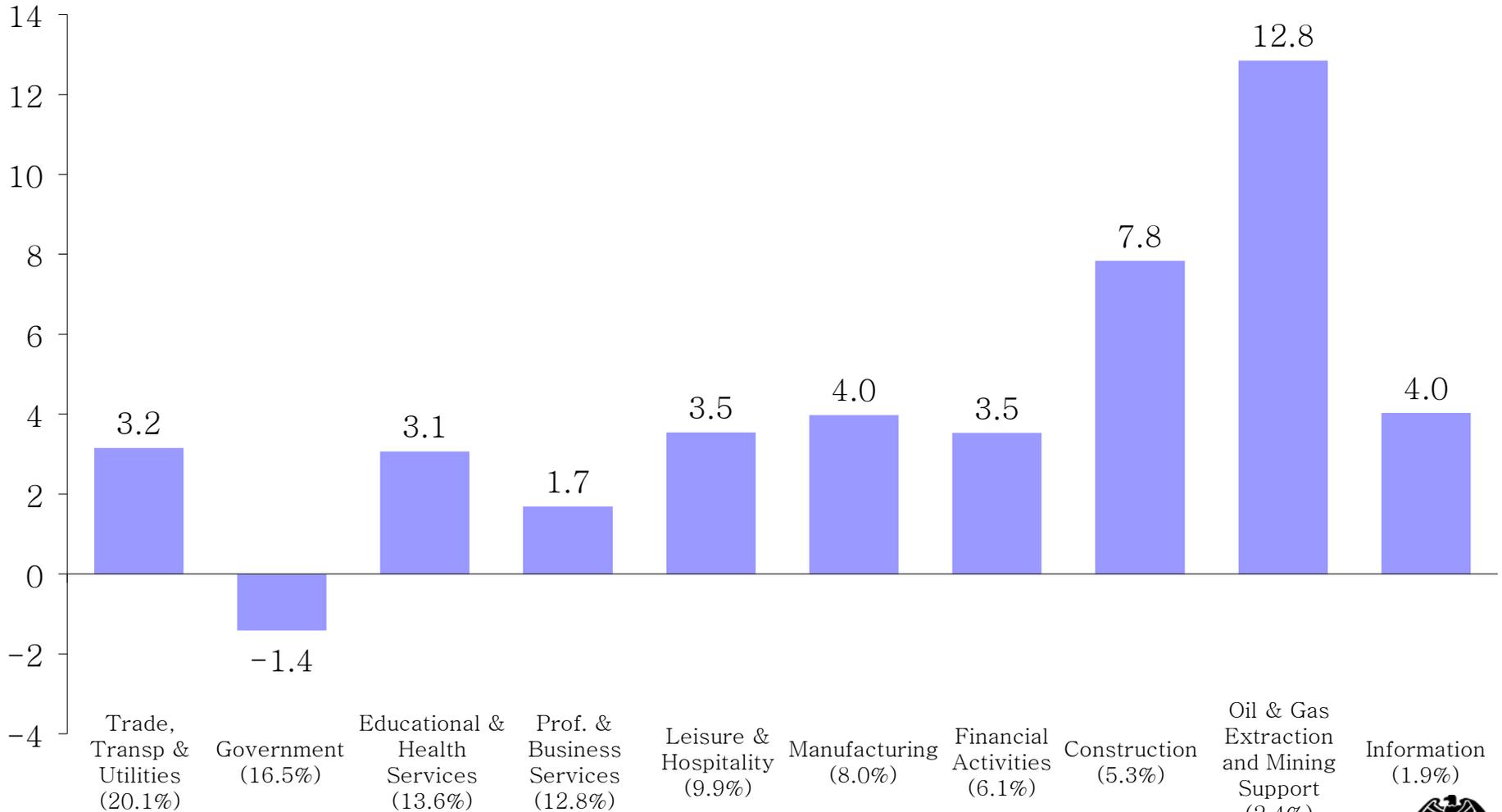
- Strong energy sector
- Rapidly growing exports
- No housing bubble or bust
- Healthy banks
- State finances relatively healthy, although budget cuts hurt



# 2012 employment growth by sector

(NAICS Super Sectors, SA by FRB Dallas  
Dec. 2011 – Apr. 2012)

YTD percent  
change, SAAR

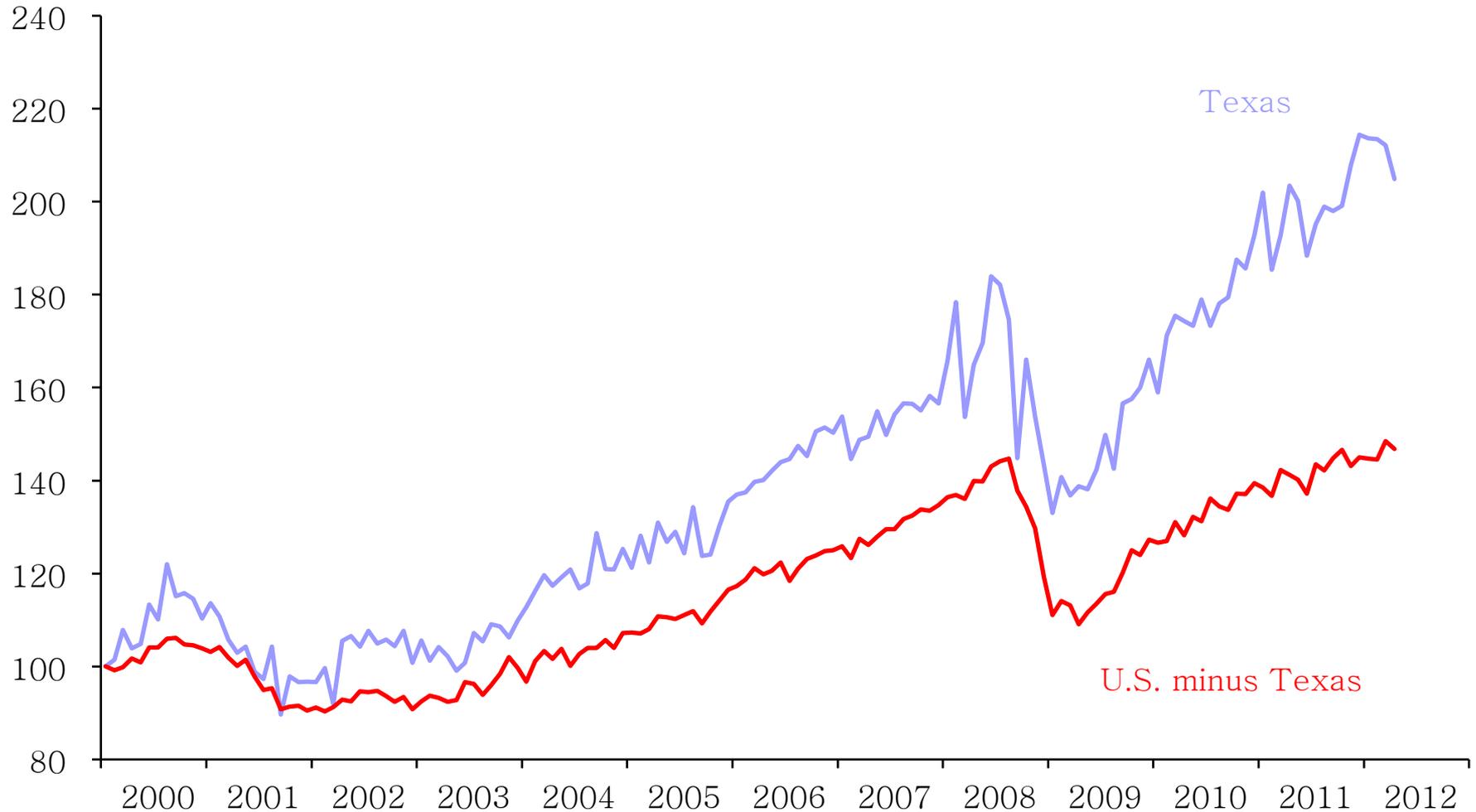


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# Exports weak in 2012

Index, SA Real  
Jan. 2000=100



# Summary

- Energy, tech and trade have been major drivers of Texas growth in the past
- These sectors have changed and restructured over the years
- Remain mainstays of the Texas economy
- Have been a source of strength in the recovery

