

The Texas Economy

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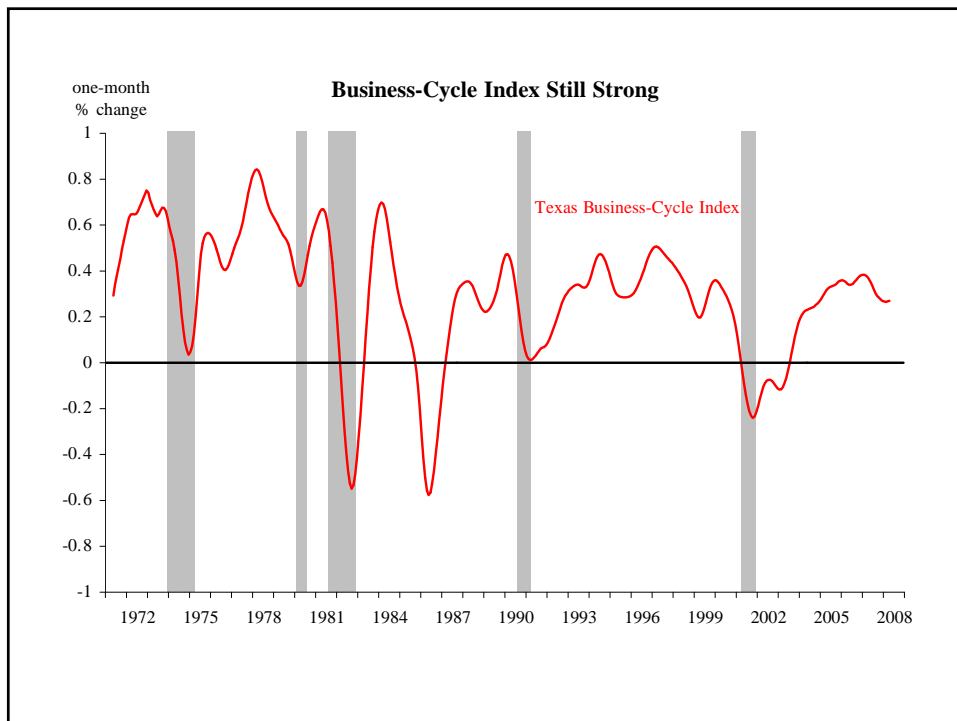
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The views expressed are those of the speaker and should not necessarily be attributed to the Federal Reserve Bank of Dallas or the Federal Reserve System.

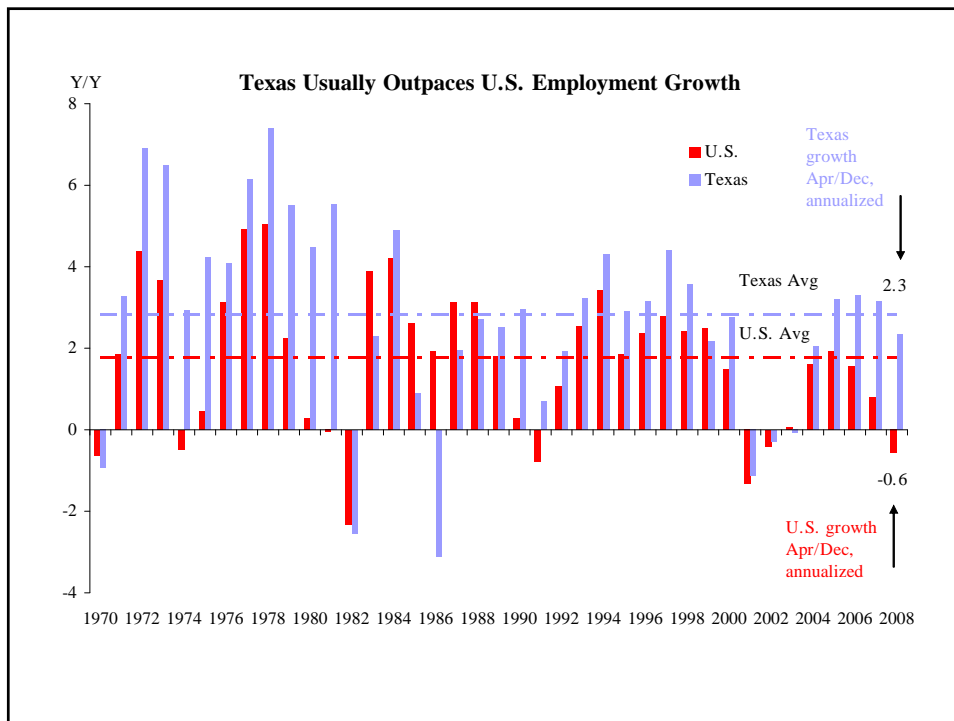




Texas Economic Growth has Downshifted

- High energy prices are pushing up costs for consumers and business.
 - Food prices
 - Transportation costs

- A reassessment of lending risk is damping construction and real estate activity.

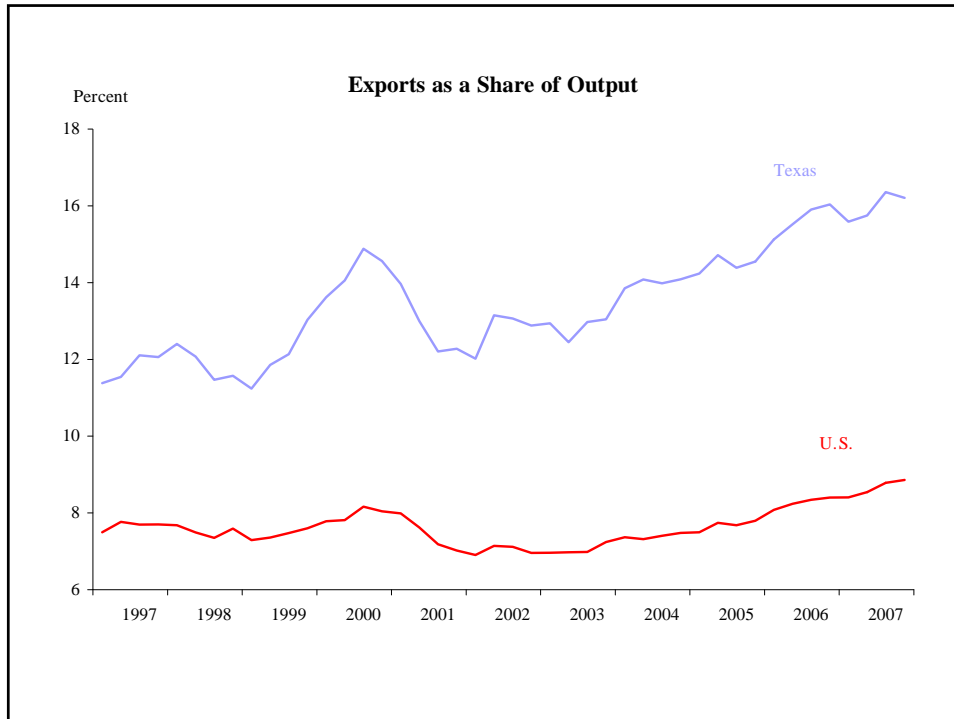


Texas Economy Grew Strongly in 2007

- State job growth of 3.2 percent was over triple the nation's 0.8 percent.
 - In 2007, 27 percent of U.S. jobs were created in Texas
 - 35 percent of nongovernmental jobs.
- Construction remained at high levels.
 - Texas added 43,000 employees in the construction industry while U.S. declined 232,000.
- Oil and gas drilling returned to heights not seen since the early 1980s energy boom.
 - 56 percent of U.S. employment in natural resources & mining.

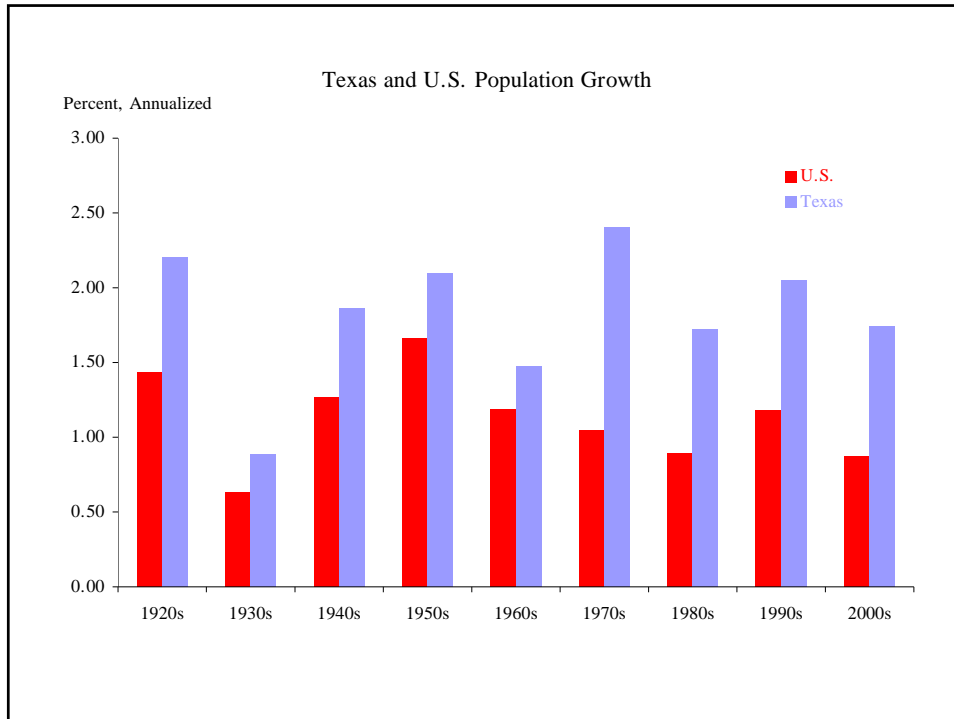
Reasons for Texas' relative strength

- Good distribution facilities and global ties



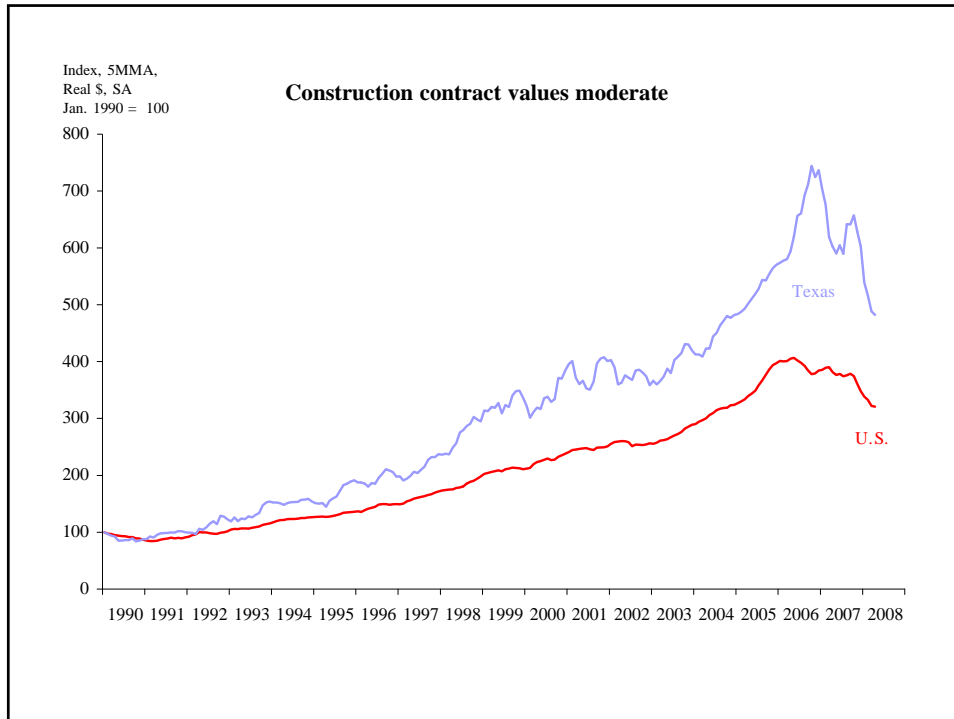
Reasons for Texas' relative strength

- Good distribution facilities and global ties
- Strong population growth

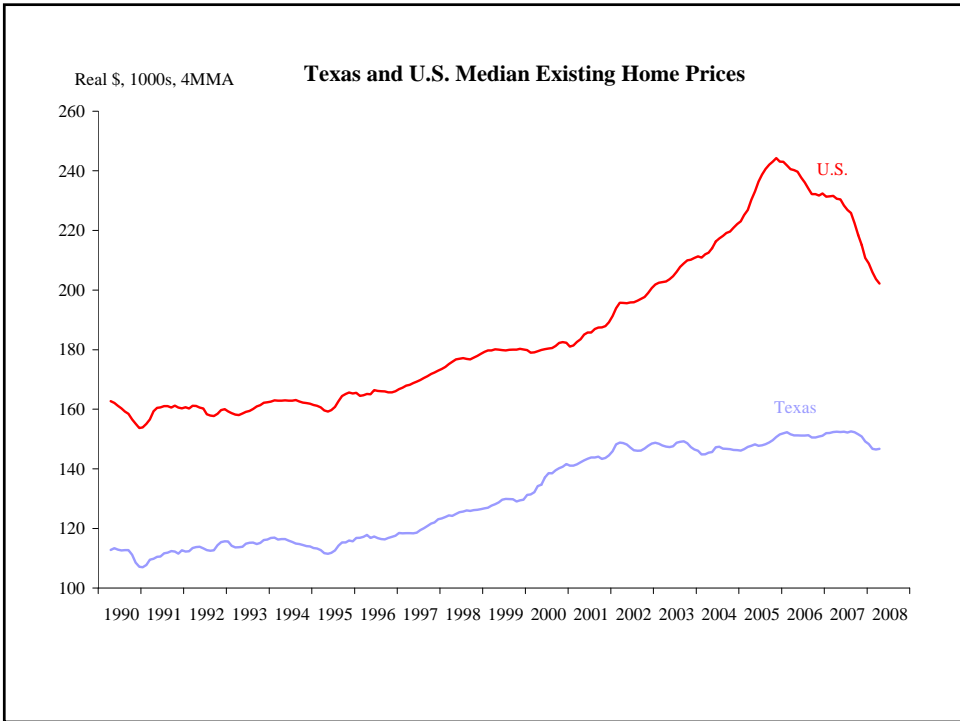
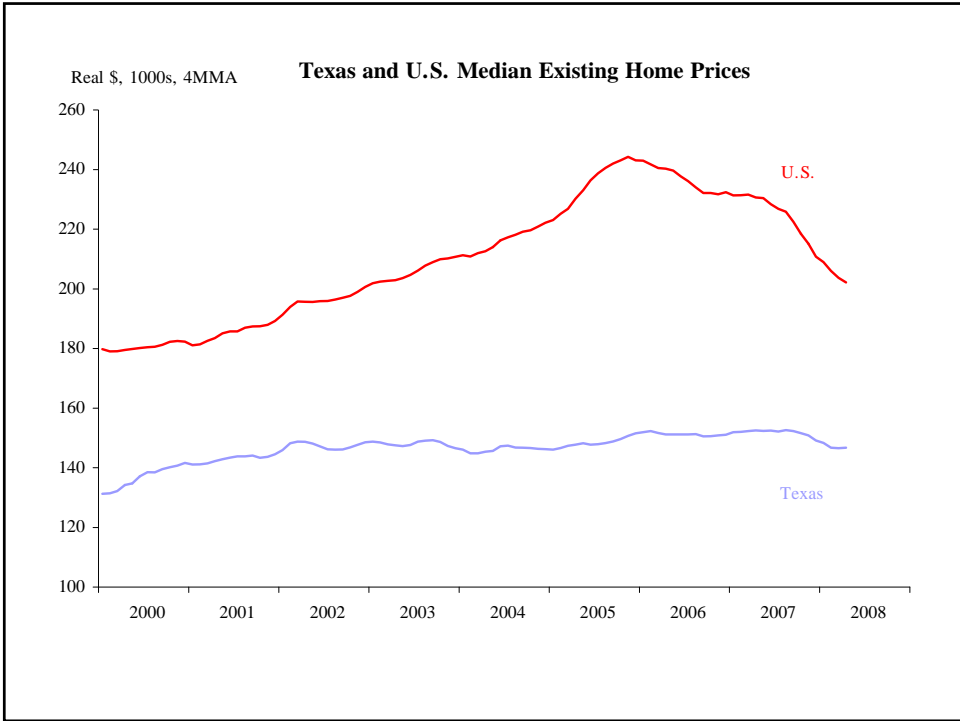


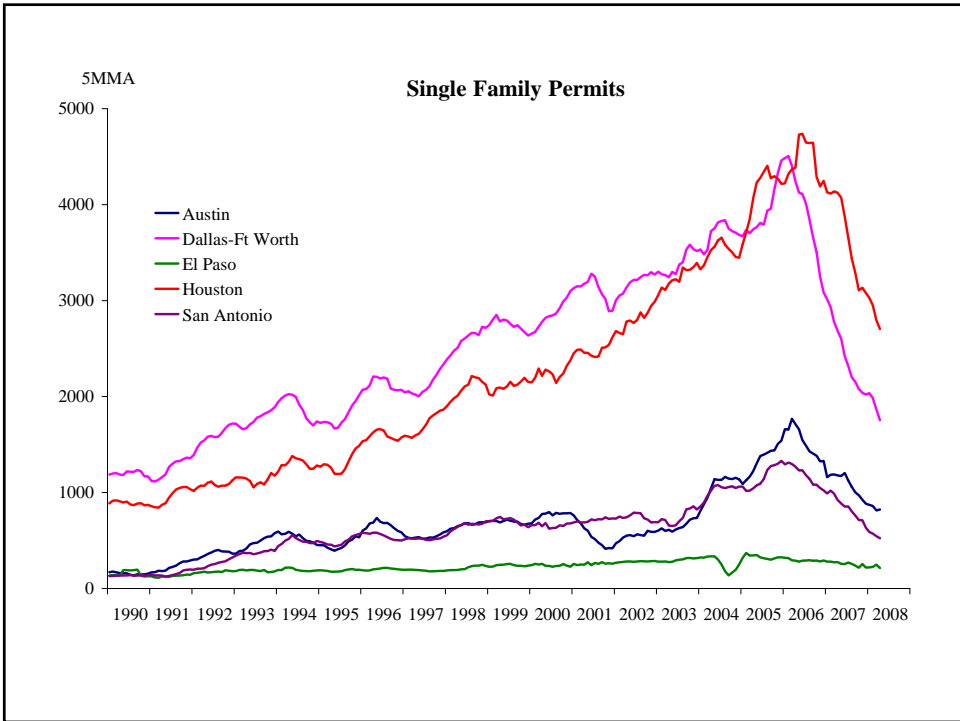
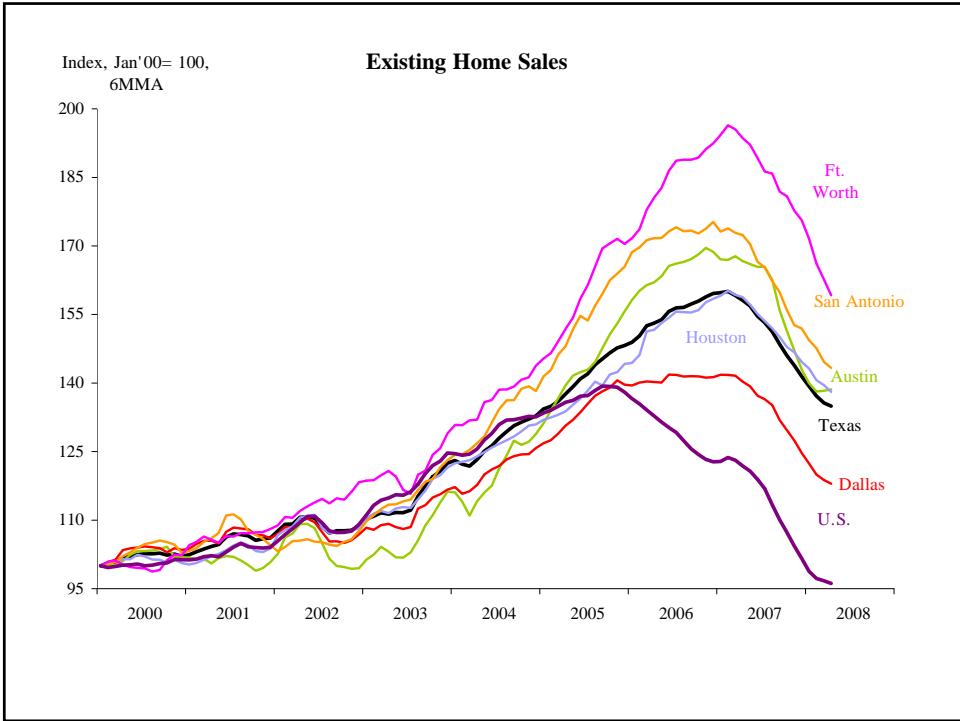
Reasons for Texas' relative strength

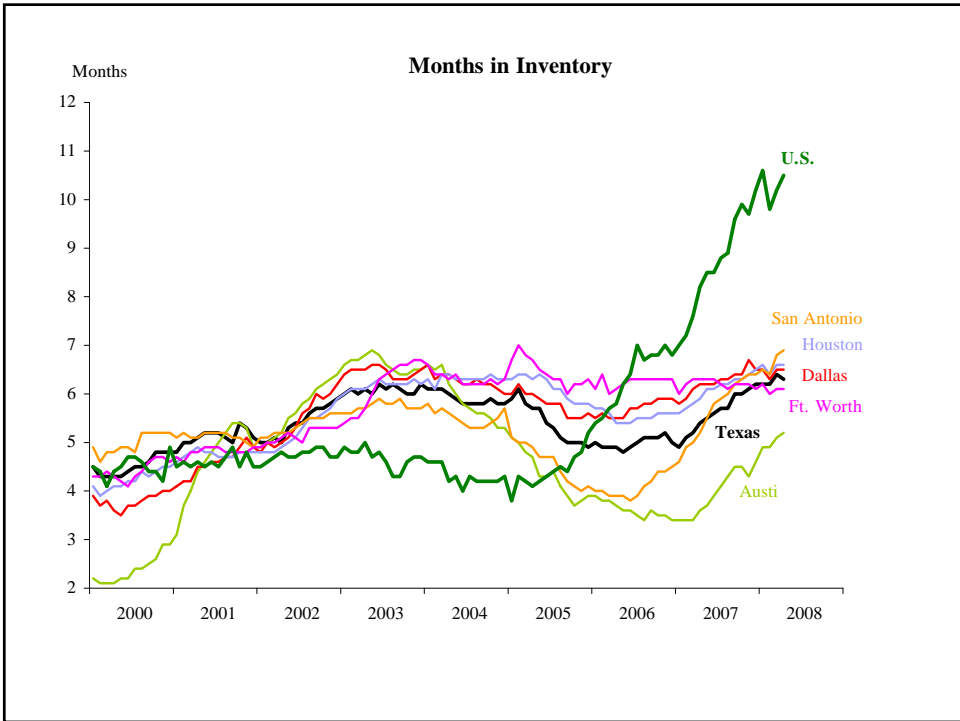
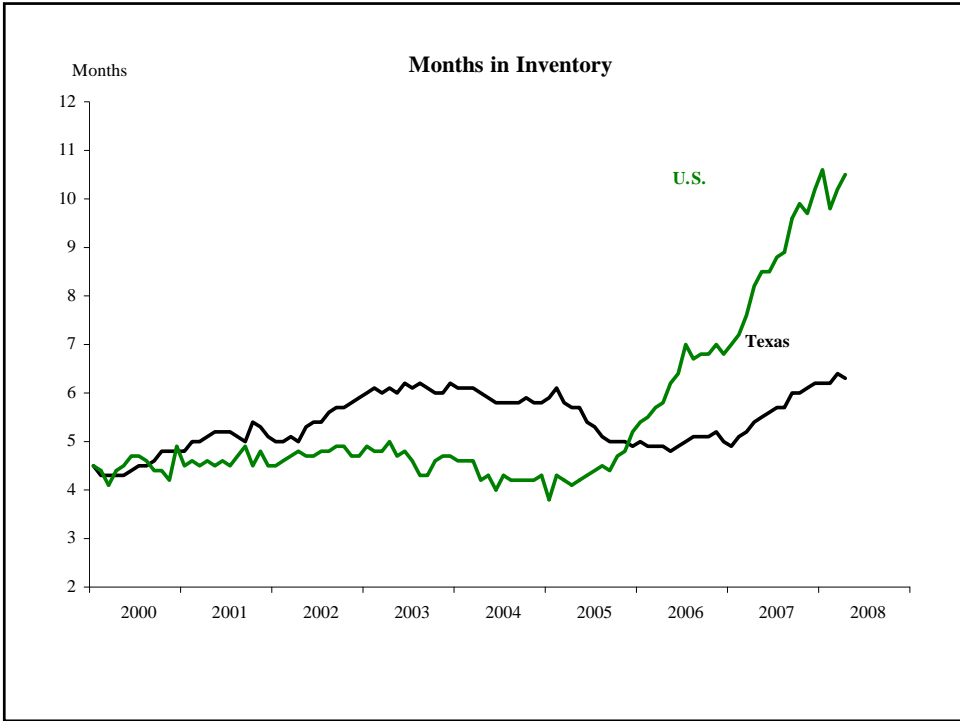
- Good distribution facilities and global ties
- Strong population growth
- Real estate markets are closer to fundamentals

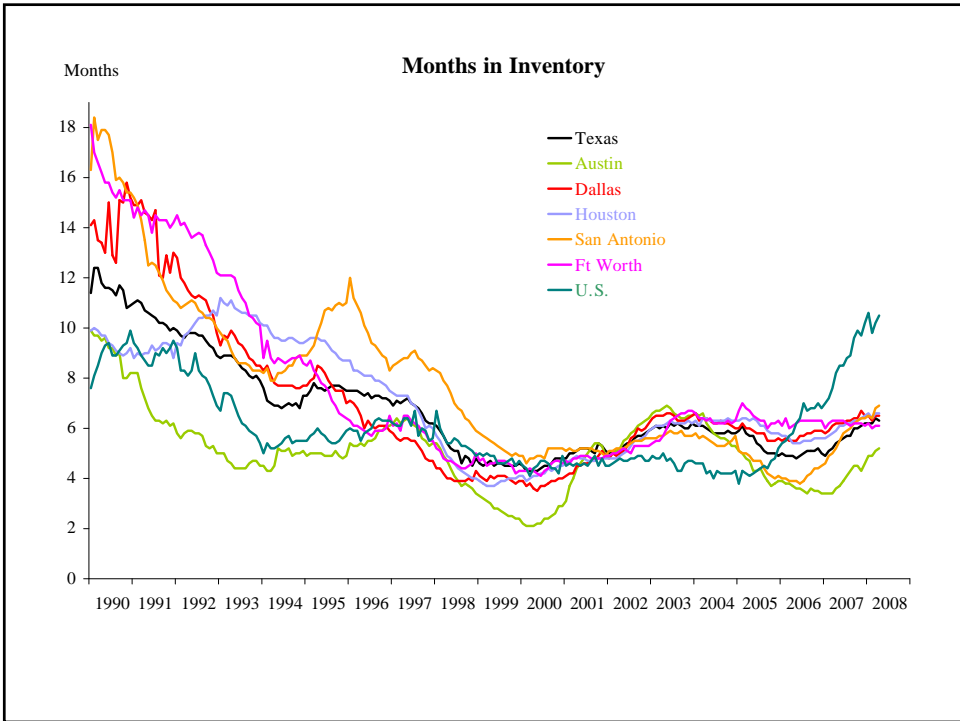
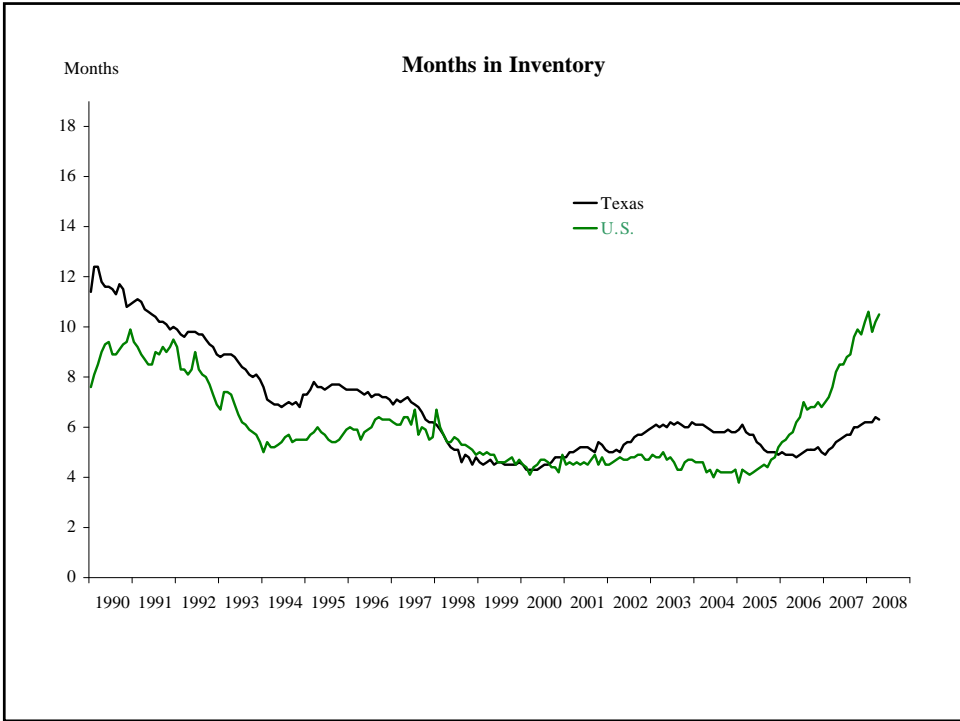


- In Texas, supply increases quickly to meet demand
- Supply response mutes upward price response



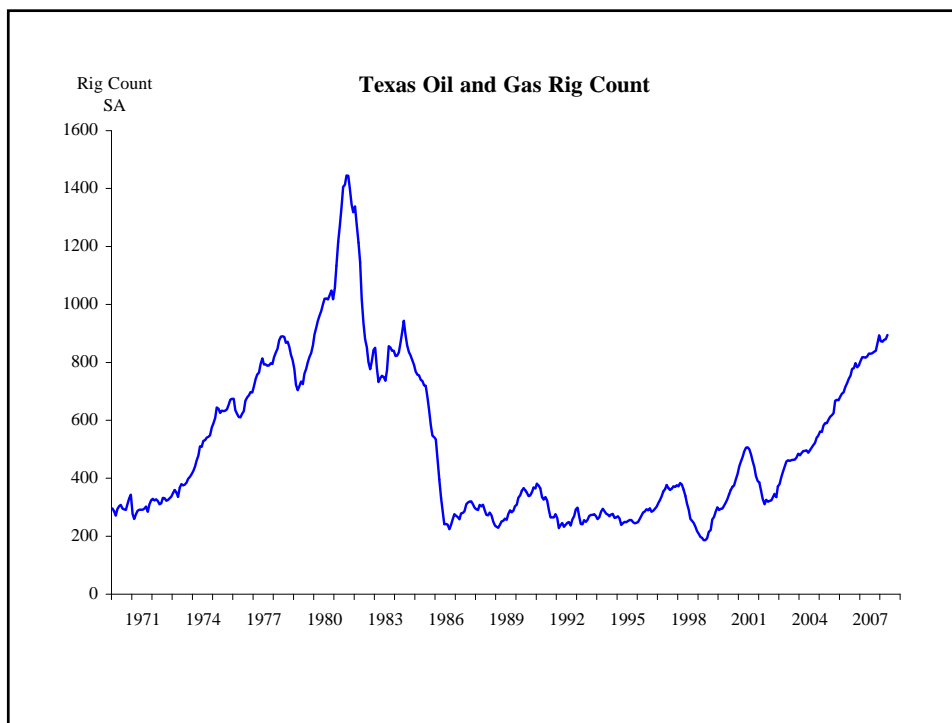


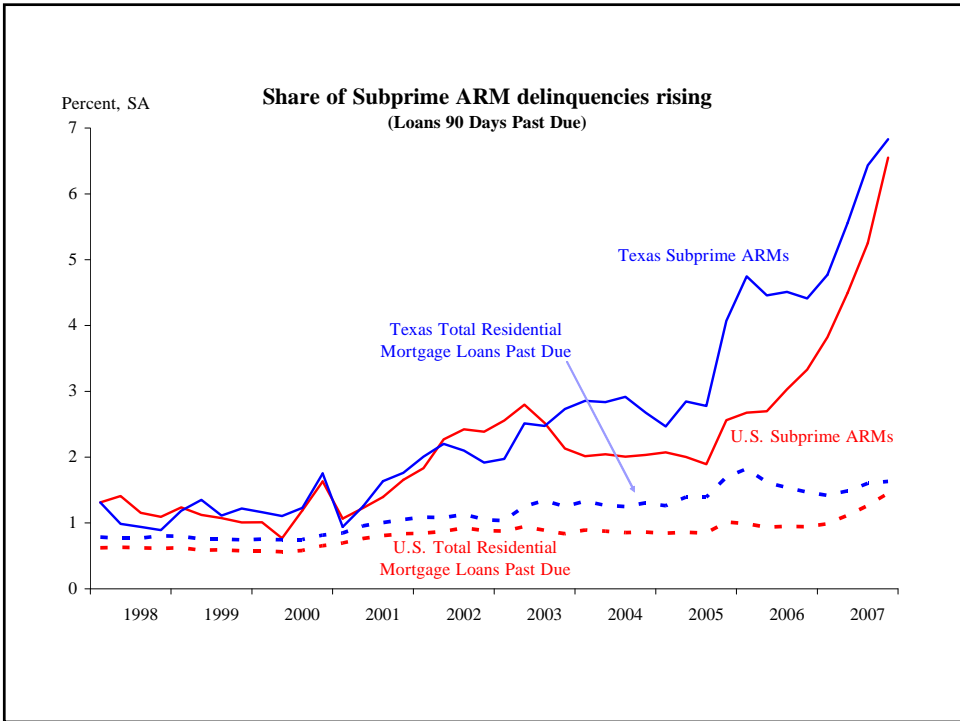
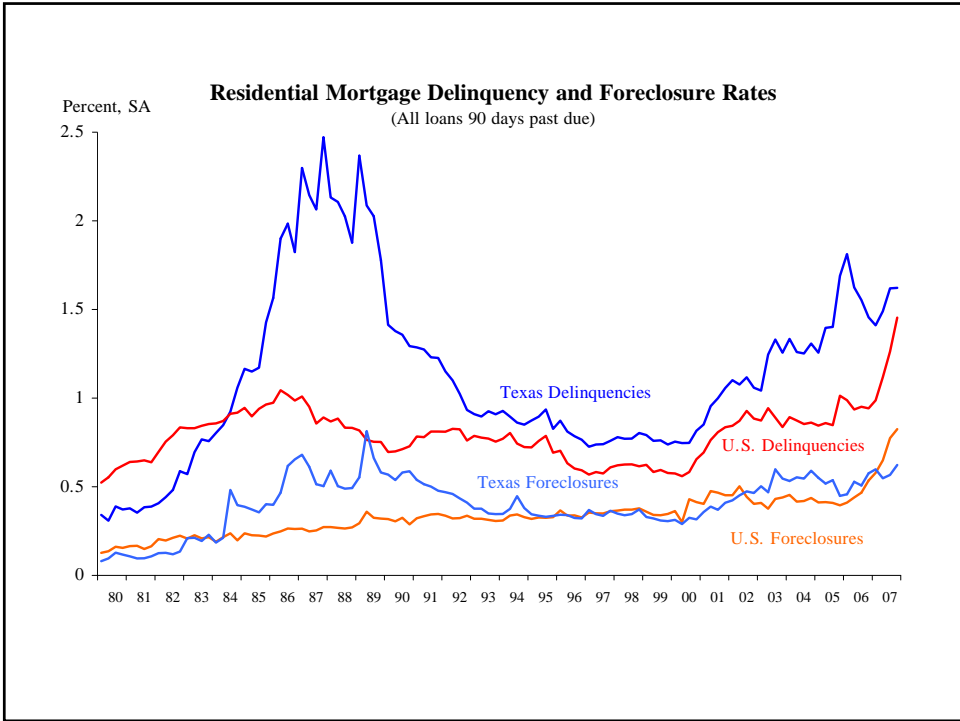




Reasons for Texas' relative strength

- Good distribution facilities and global ties
- Strong population growth
- Real estate markets are closer to fundamentals
- Epicenter of the energy industry





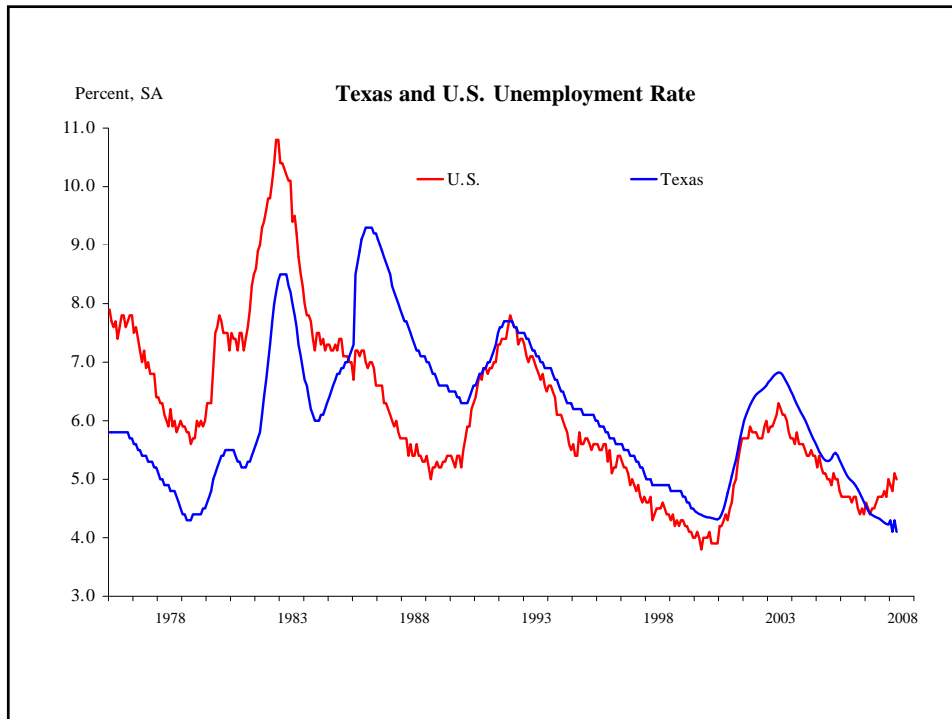
Texas has a relatively large percent of higher-priced loans

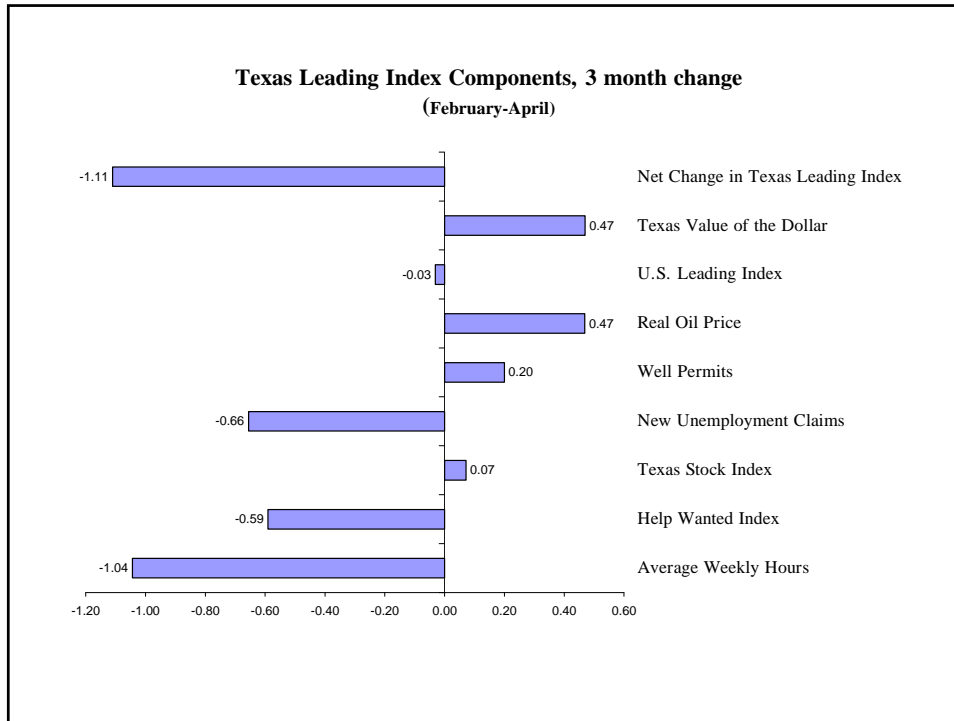
2006 Originations—loans at least 3 percentage points above market rates.

The nation's 12 largest MSAs

Boston	18	Austin-Round Rock, TX	17
Philadelphia	18	College Station-Bryan, TX	17
New York	22	Amarillo, TX	23
San Francisco	22	Tyler, TX	23
Washington D.C.	23	Victoria, TX	25
Atlanta	24	San Antonio, TX	26
Chicago	27	Lubbock, TX	26
DFW	29	Midland, TX	27
Los Angeles	32	Dallas-Plano-Irving, TX	29
Houston	34	Texas Metros	30
Detroit	37	Wichita Falls, TX	31
Miami	45	Fort Worth-Arlington, TX	31
		Longview, TX	31
		San Angelo, TX	31
		Killeen-Temple-Fort Hood, TX	32
		Corpus Christi, TX	33
		Waco, TX	33
		Beaumont-Port Arthur, TX	33
		Abilene, TX	33
		Texarkana, TX-Texarkana, AR	33
		Houston-Sugar Land-Baytown, TX	34
		Sherman-Denison, TX	35
		El Paso, TX	37
		Odessa, TX	46
		Brownsville-Harlingen, TX	47
		Laredo, TX	49
		McAllen-Edinburg-Mission, TX	54

SOURCES: Home Mortgage Disclosure Act data from ffiec.com; Dallas Fed calculations.





The Texas Economy: Softer Growth but No Recession

- National slow down dampening growth
- Construction activity softening
- Tighter credit standards affecting some deals
- Uncertainty remains high
- 2008 job growth likely to be around 1.5 percent

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