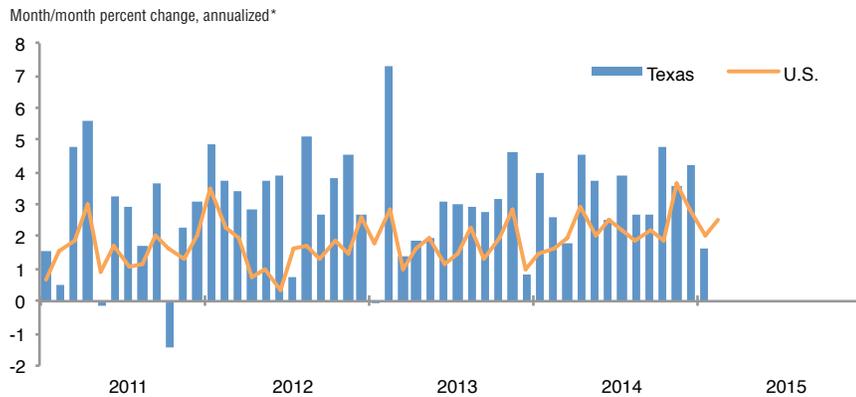


FEDERAL RESERVE BANK OF DALLAS • MARCH 9, 2015

Summary

The Texas economy continued to expand in January, albeit at a slower pace than in December. Existing-home sales, single-family permits and housing starts all fell in January. Quarterly exports declined in the fourth quarter. Manufacturing activity was flat in January and February, according to the Texas Manufacturing Outlook Survey.

Employment



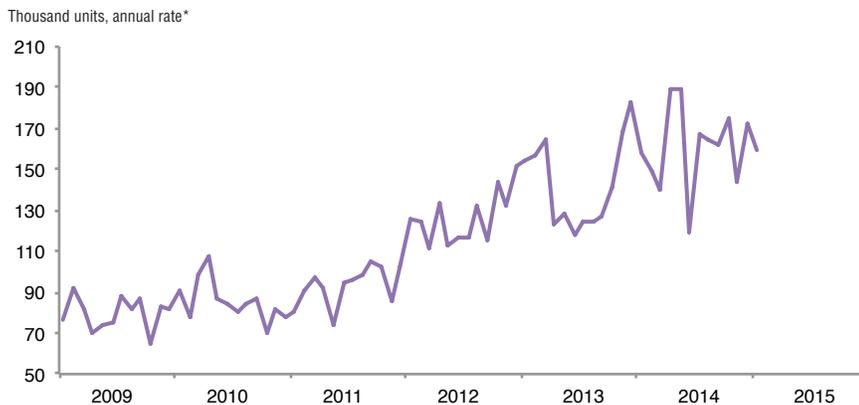
*Seasonal and other adjustments by the Federal Reserve Bank of Dallas.

▶ Texas employment grew at a 1.7 percent annualized pace in January, slower than the nation's 2.1 percent increase. Texas gained 16,200 jobs in January after adding 40,700 in December. Texas employment stands at 11.75 million, according to the payroll survey (CES).

▶ The state saw sluggish job gains in January. Information services had the largest increase, followed by construction and trade, transportation and utilities. Manufacturing employment held steady, while oil and gas extraction and government declined.

▶ The Texas unemployment rate fell to 4.4 percent in January. The Texas reading continues to be lower than the U.S. rate, which edged down to 5.5 percent in February.

Housing Starts



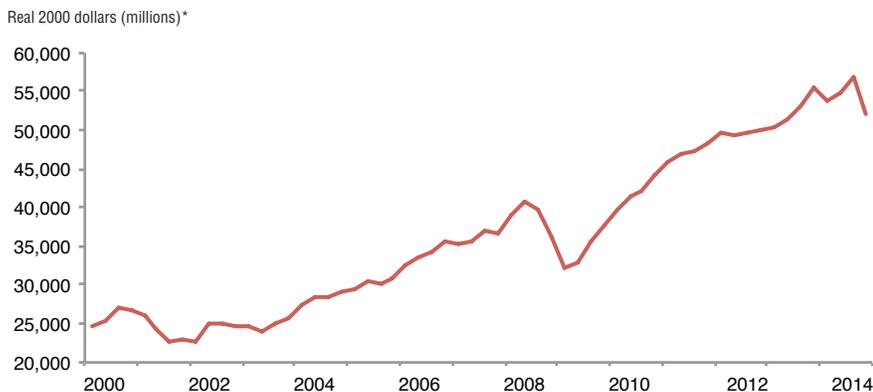
*Seasonally adjusted.

▶ Texas housing starts, including both single-family and multifamily units, decreased 7.3 percent in January after rising 20 percent in December. Starts are up 1 percent year over year.

▶ Single-family housing construction permits fell 1.6 percent from December to January. Permits are up 13.4 percent year over year.

▶ Existing-home sales fell 1 percent from December to January. Home inventories held steady at 3.4 months of available supply in January and were below their year-ago level of 3.6 months.

Quarterly Exports

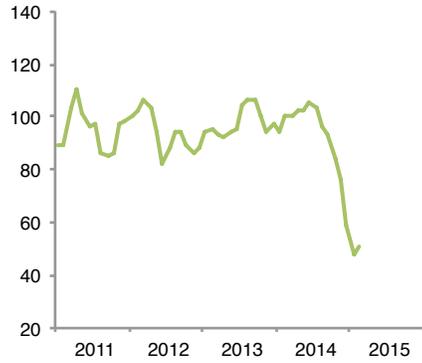


*Seasonal and other adjustments by the Federal Reserve Bank of Dallas.

▶ Texas exports declined 8.6 percent in the fourth quarter following a 3.5 percent increase in the third. Fourth-quarter exports were 6.4 percent lower than a year ago. Texas exports to China fell the most, 13.8 percent, whereas exports to Mexico—the state's largest trading partner—declined a modest 4.8 percent during the quarter.

Crude Oil Prices

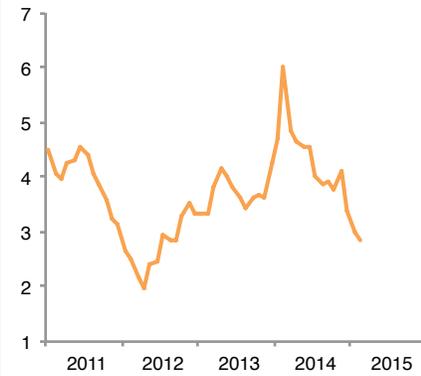
Dollars/barrel



▶ West Texas Intermediate crude oil edged up from \$47.64 per barrel in January to \$50.72 in February but was down 49.7 percent year over year.

Natural Gas Prices

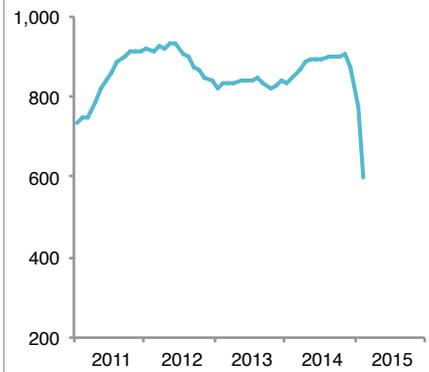
Dollars/million Btu



▶ Natural gas fell to \$2.85 per million Btu in February, a 4.4 percent decline from the January level. The price was 52.6 percent lower than in February 2014.

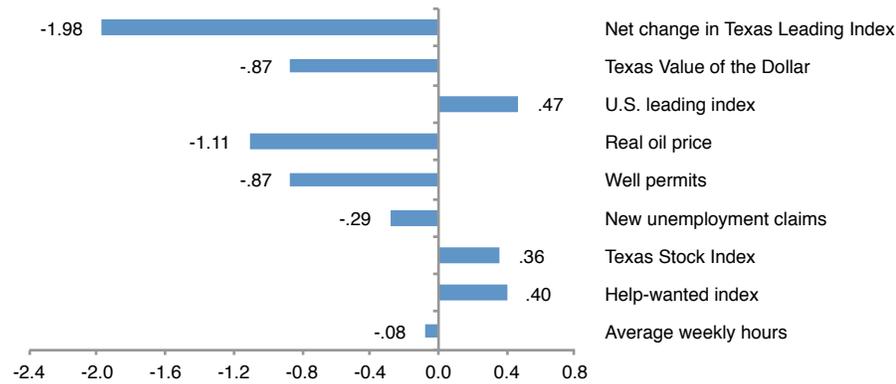
Texas Rig Count

Active rigs



▶ The Texas rig count dropped sharply from 773 in January to 599 in February and was down 29 percent from last year's level.

Texas Leading Index with Components

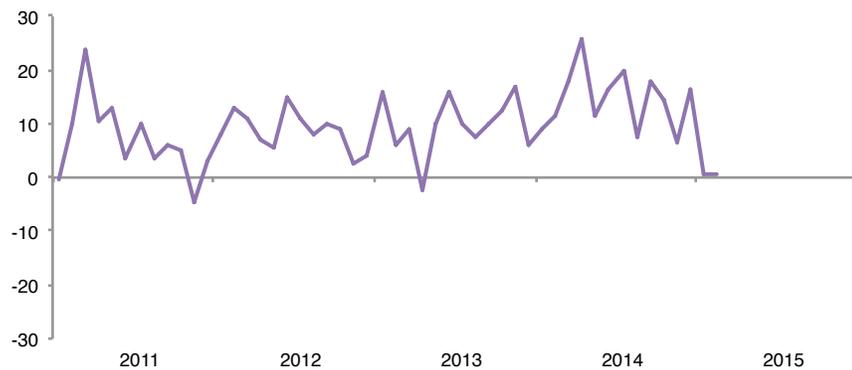


NOTE: Three-month percent change, seasonally adjusted.

▶ The Texas Leading Index, which uses key economic indicators to forecast employment growth, declined 1.98 percent from October to December as more than half of its components fell. New unemployment claims declined along with the index's energy-related components, such as oil prices and well permits, while the help-wanted component rose during the period.

Manufacturing Outlook Survey Production Index

Index*



*Seasonally adjusted.

▶ Texas factory output was flat in February, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, remained at 0.7 for the second month in a row, indicating output is unchanged from December.

▶ The Dallas Fed conducts the outlook survey monthly to obtain a timely assessment of the state's factory activity.

NOTE: Data may not match previously published numbers due to revisions.

SOURCES: **Employment:** Bureau of Labor Statistics' Current Employment Statistics (CES) and Texas Workforce Commission; **housing:** Multiple Listing Service, Census Bureau and Bank of Tokyo-Mitsubishi UFJ; **exports:** Census Bureau and World Institute for Strategic Economic Research; **energy:** *Wall Street Journal* and Baker Hughes; **Texas Leading Index:** Federal Reserve Bank of Dallas; **Manufacturing Outlook Survey Production Index:** Federal Reserve Bank of Dallas.

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