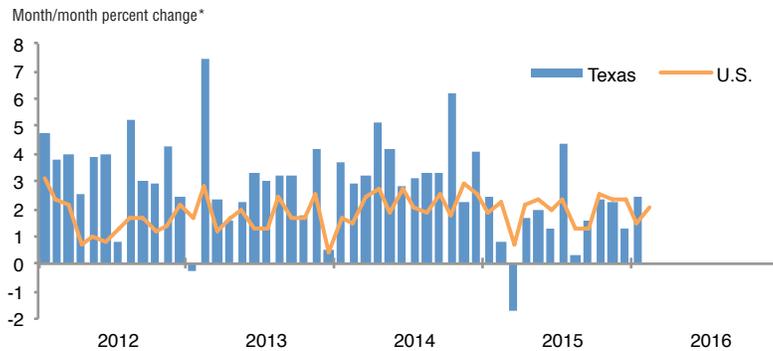


FEDERAL RESERVE BANK OF DALLAS • MARCH 7, 2016

Summary

The Texas economy expanded in January. Payroll employment increased during the month, and unemployment ticked down. The Texas Manufacturing Outlook Survey production index remained in negative territory. Fourth-quarter exports continued to decline, and the estimated value of the Texas Leading Index fell for the third straight month in January.

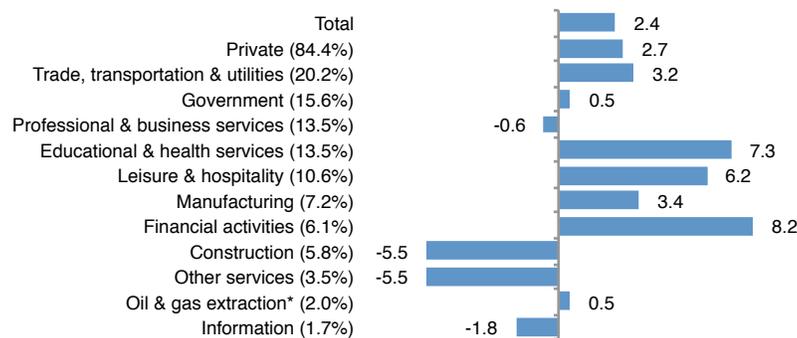
Employment



*Seasonally adjusted annualized rate.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Employment Growth by Sector

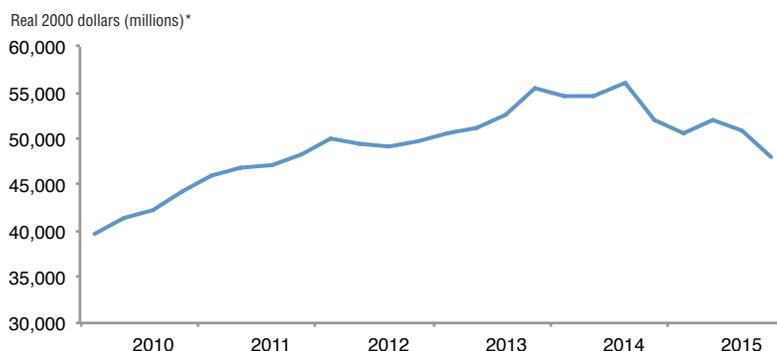


*Includes support activities for mining.

NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector, December 2015–January 2016. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Exports



*Quarterly, seasonally adjusted.

SOURCES: Census Bureau; WISERTrade; adjustments by the Dallas Fed.

▶ Texas employment grew at a 2.4 percent annualized pace in January, while the nation grew at a 1.5 percent rate. Texas gained 23,600 jobs in January after adding 13,000 in December. Current Texas employment stands at 11.9 million, according to the payroll survey (Current Employment Statistics).

▶ The Texas unemployment rate dipped in January to 4.5 percent. The state's reading continues to be lower than the U.S. rate of 4.9 percent.

▶ The Dallas Fed's Texas Employment Forecast is 0.9 percent for 2016 (December over December), below the 1.5 percent gain in 2015. The Texas Employment Forecast is available at the [Dallas Fed website](#).

▶ The financial activities sector recorded the fastest rate of increase at 8.2 percent in January, followed by educational and health services, and leisure and hospitality services. Employment in construction, other services, information, and professional and business services sectors slumped during the month.

▶ In 2015, leisure and hospitality was the fastest-growing sector at 4.7 percent, followed by educational and health services. Employment in manufacturing and mining fell last year.

▶ Texas exports decreased 5.7 percent in fourth quarter 2015 and were 7.8 percent lower than a year ago. Weakness in exports has been broad based across Texas' major trading partners for two consecutive quarters. In the fourth quarter, exports to Canada saw the largest drop (among Texas major trading partners) at 9.7 percent, followed by exports to the European Union declining 8.0 percent. Exports to Mexico dropped 1.9 percent, and exports to Asia, China and Latin America (excluding Mexico) each fell by 4.0 percent or more in the fourth quarter.

▶ Looking at exports by industry, there continues to be weakness in sales of energy-related products. Exports of machinery and petroleum and coal products plunged by more than 15 percent each in the fourth quarter, while exports of transportation equipment were up 4.1 percent, and food product exports rose 2.3 percent.

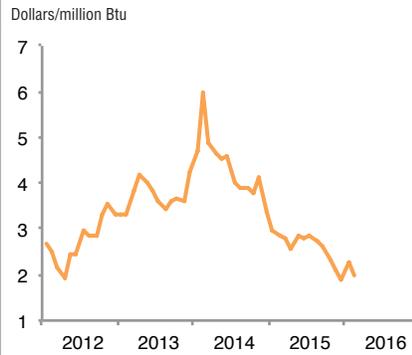
Crude Oil Prices



SOURCE: Wall Street Journal.

► West Texas Intermediate crude oil slid from \$31.67 per barrel in January to \$30.60 in February. The price was 39.5 percent lower year over year.

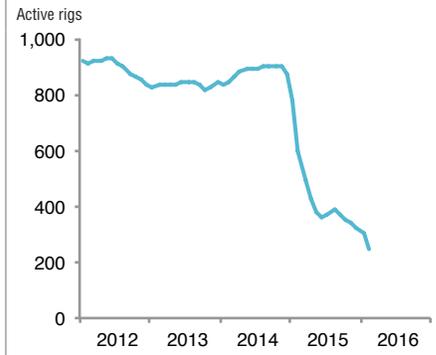
Natural Gas Prices



SOURCE: Wall Street Journal.

► The price of natural gas dropped again to \$1.96 per million Btu in February, down 14.0 percent from the January level and 31.2 percent lower than February 2015.

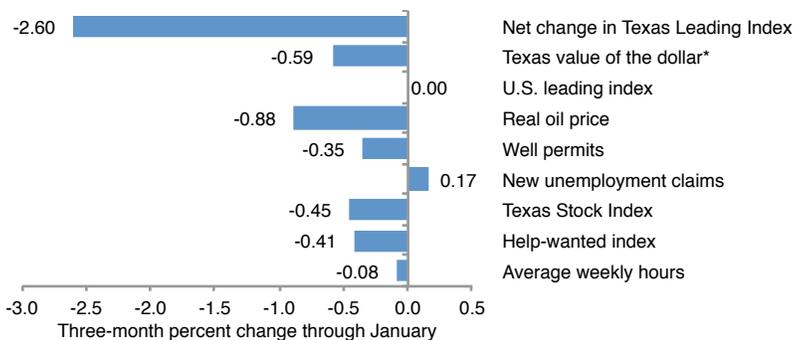
Texas Rig Count



SOURCE: Baker Hughes.

► The Texas rig count fell for the sixth consecutive month, declining from 301 in January to 244 in February. The rig count remains 59.3 percent below February 2015 levels.

Texas Leading Index with Components



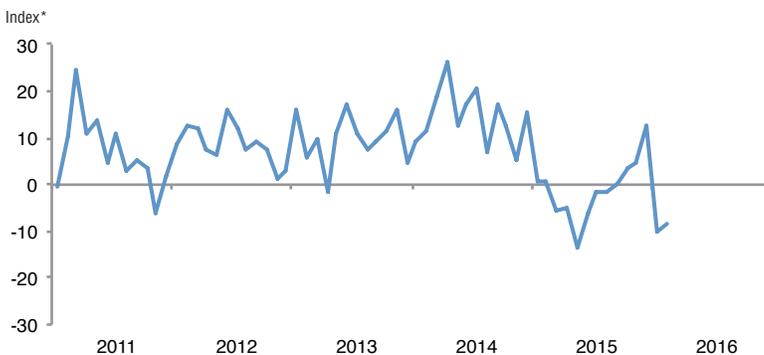
*Estimated January value.

NOTE: Seasonally adjusted.

SOURCE: Dallas Fed.

► The Texas Leading Index estimate, which uses key economic indicators to forecast employment growth, dipped 1.4 percent in January, and the three-month net change (November to January) was -2.60 percent. A decline in average weekly hours, the help-wanted index, stock prices of Texas-based companies, oil prices and well permits depressed the index estimate, while a decline in new unemployment claims contributed positively.

Manufacturing Outlook Survey Production Index



*Seasonally adjusted.

SOURCE: Dallas Fed.

► Texas factory output declined for the second straight month in February, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, inched up from -10.2 in January to -8.5 in February, suggesting that output contracted, though at a somewhat slower pace than in January.

► The Dallas Fed conducts the Texas Manufacturing 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.

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