

October 21, 2019

The Texas economy continues to expand moderately. While job growth decelerated in September, the unemployment rate held at a record low, indicating continued tightness in the labor market. The three-month change in the Texas Leading Index was negative. Natural gas prices slipped, and oil prices inched up in the week ending Oct. 11. Exports edged up, and housing permits and starts increased in August, though residential construction contract values fell.

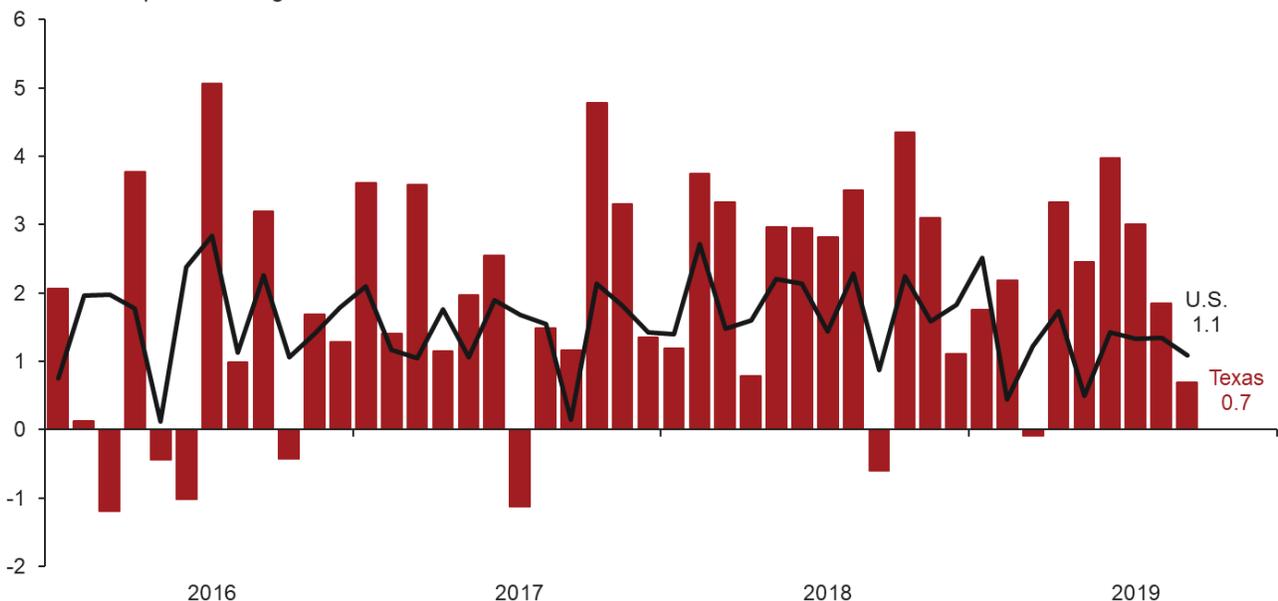
Labor Market

Job Growth Continues to Decelerate

Texas employment grew an annualized 0.7 percent in September, following 1.8 percent growth in August (*Chart 1*). Job growth continued below the state's long-run average of 2.1 percent for the second month in a row. U.S. payrolls also grew during the month and outpaced Texas growth for the first time since March of this year. The Dallas Fed's Texas Employment Forecast predicts 2.1 percent job growth this year (December/December), with an 80 percent confidence band of 1.7 percent to 2.5 percent.

Chart 1
Employment Growth

Month/month percent change*



*Seasonally adjusted, annualized.

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

Among the major metros, all but Austin added jobs in September. Growth slowed in every major metro, except for Fort Worth, where it reversed course from a decline of 0.9 percent in August to a 2.2 percent annualized increase in September. Year to date, every major metro area added jobs.

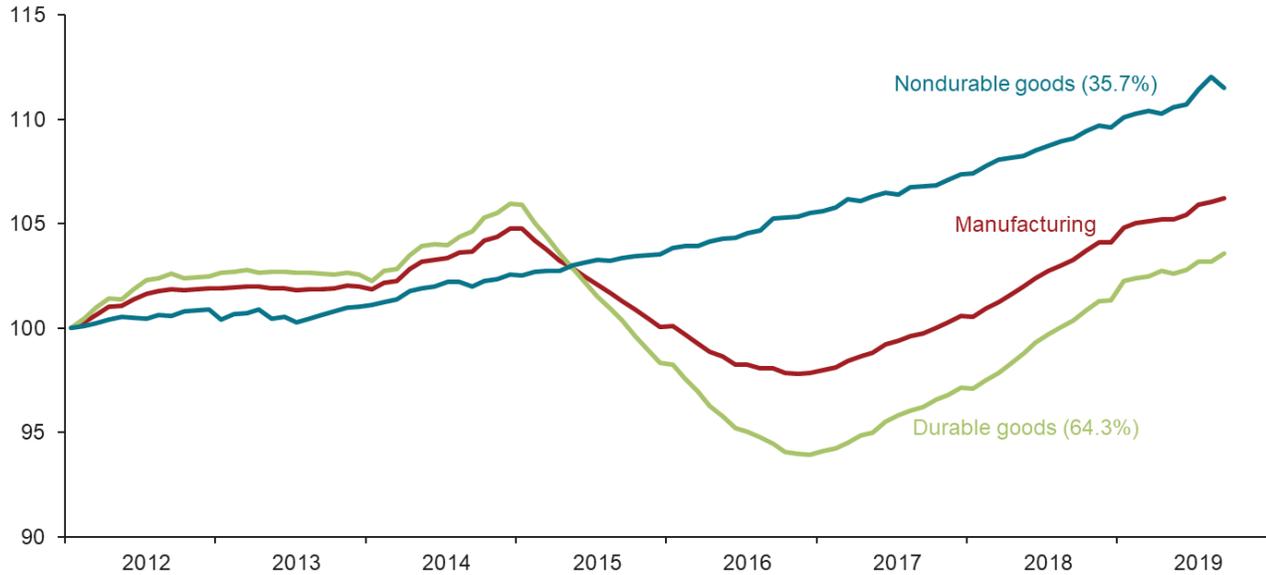
The Texas unemployment rate held steady at 3.4 percent for the fourth month in a row. The U.S. unemployment rate, which had been flat at 3.7 percent since June, dropped to 3.5 percent, the lowest it has been since December 1969.

Employment Growth Picks Up in Manufacturing

In September, Texas employment growth accelerated in the manufacturing sector from 1.6 percent to 2.0 percent (*Chart 2*). Employment in durable goods rose an annualized 4.9 percent after contracting in August. Payrolls in nondurable manufacturing contracted an annualized 5.4 percent in September, following four months of robust growth.

Chart 2
Employment Growth in the Manufacturing Sector

Index, January 2012 = 100*



*Seasonally adjusted.

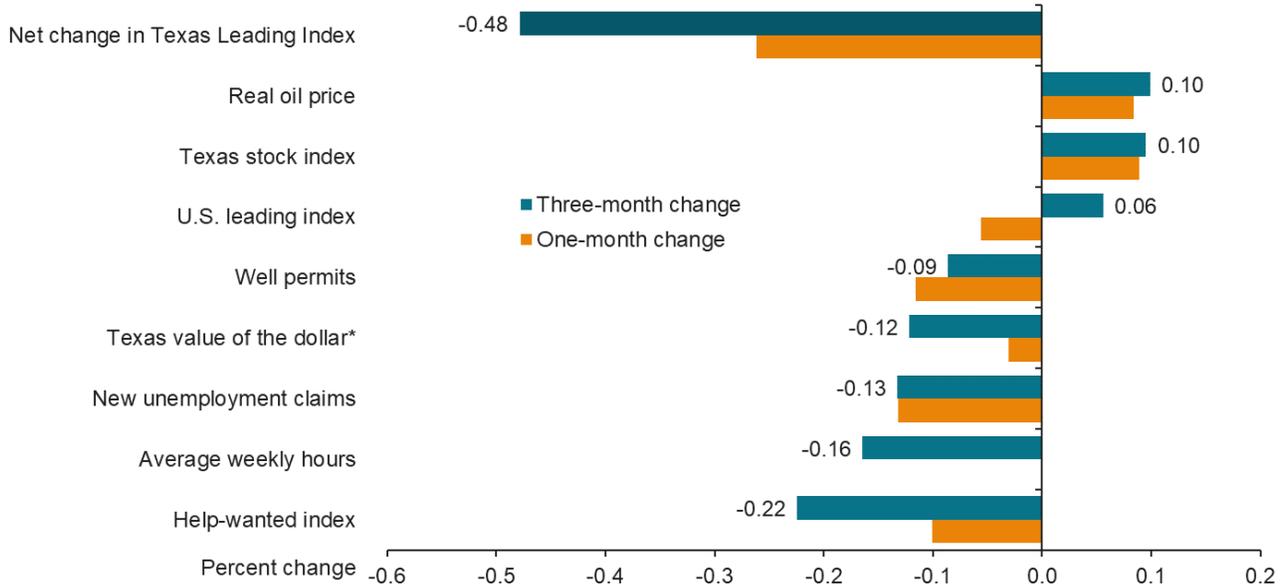
NOTE: Numbers in parentheses refer to share of September 2019 Texas manufacturing employment.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Year to date, the durable goods sector has added jobs at a 3.0 percent annualized rate, with employment rising in all industries. Job growth was the strongest in computer and electronic products manufacturing, which grew an annualized 7.2 percent. Payrolls in nondurable manufacturing grew an annualized 2.3 percent through September. Within nondurables, employment in printing contracted, while petroleum and coal products employment jumped 9.0 percent; all other industries saw moderate growth.

Texas Leading Index

The Texas Leading Index, which is used to estimate the Dallas Fed's Texas Employment Forecast, sheds light on the future of the state's economy. The index fell 0.3 percent in September after a large dip in August, pushing the three-month change further into negative territory (*Chart 3*). In September, the components largely driving the contraction of the index were new unemployment claims, well permits and the help-wanted index. The U.S. leading index and the Texas value of the dollar were also slight drags on the index. Real oil prices and the Texas stock index improved during the month.

Chart 3
Texas Leading Index

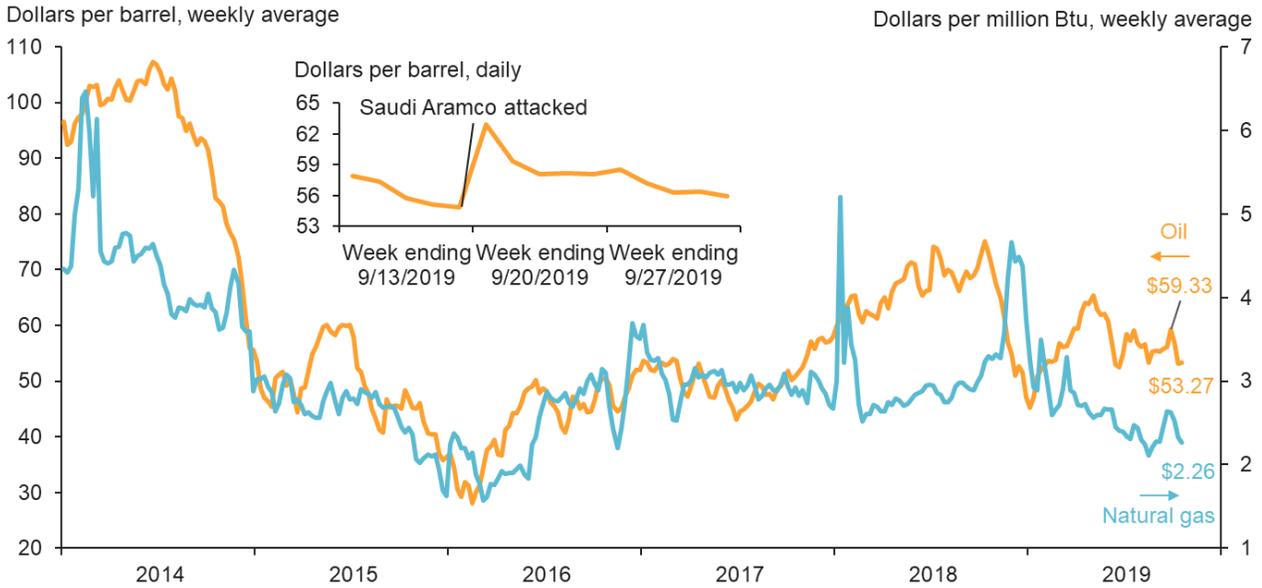


*Component is estimated.
NOTE: Data are through September 2019 and are seasonally adjusted.
SOURCE: Dallas Fed.

Energy

Natural gas prices slipped 3.0 percent in the week ending Oct. 11, while oil prices inched up 0.3 percent (*Chart 4*); year over year, both have slumped 31.4 and 27.0 percent, respectively. Natural gas prices have been on a downward trend since they peaked at \$4.67 per million British thermal units in late November 2018. Oil prices have been more volatile. They jumped from \$56.16 per barrel to \$59.33 in the week ending Sept. 20, following the attack on the Saudi Aramco facilities Sept. 14. Oil prices saw their greatest daily increase in 11 years on Sept. 16, the Monday following the attack. Since then, oil prices have fallen to preattack levels.

Chart 4
Energy Prices

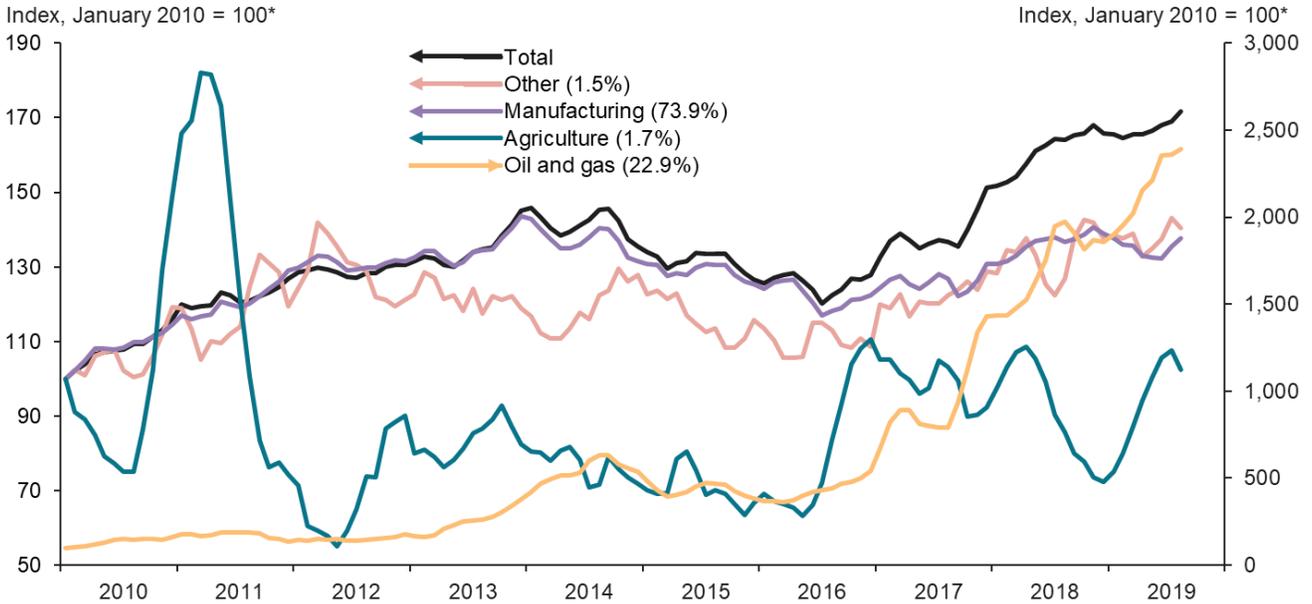


NOTES: Data are through the week ending Oct. 11, 2019. Btu is British thermal units. Oil price is for West Texas Intermediate crude oil. Post-Saudi Arabia-attack high oil price is labeled. Daily oil prices for the weeks ending Sept. 13, Sept. 20 and Sept. 27 are shown.
SOURCES: Energy Information Administration; *Wall Street Journal*.

Exports

Texas exports ticked up in August to \$28.7 billion (Chart 5). Year to date, exports in 2019 are up 5.4 percent when compared with 2018 exports through August. The three-month moving averages for manufacturing and oil and gas exports ticked up in August. Agriculture exports' three-month moving average slipped in August for the first time since December 2018. Compared with January through August 2018 exports, agriculture and manufacturing exports this year are down 0.8 percent and 0.1 percent, respectively. Oil and gas exports are up 31.4 percent over the same time period.

Chart 5
Texas Exports



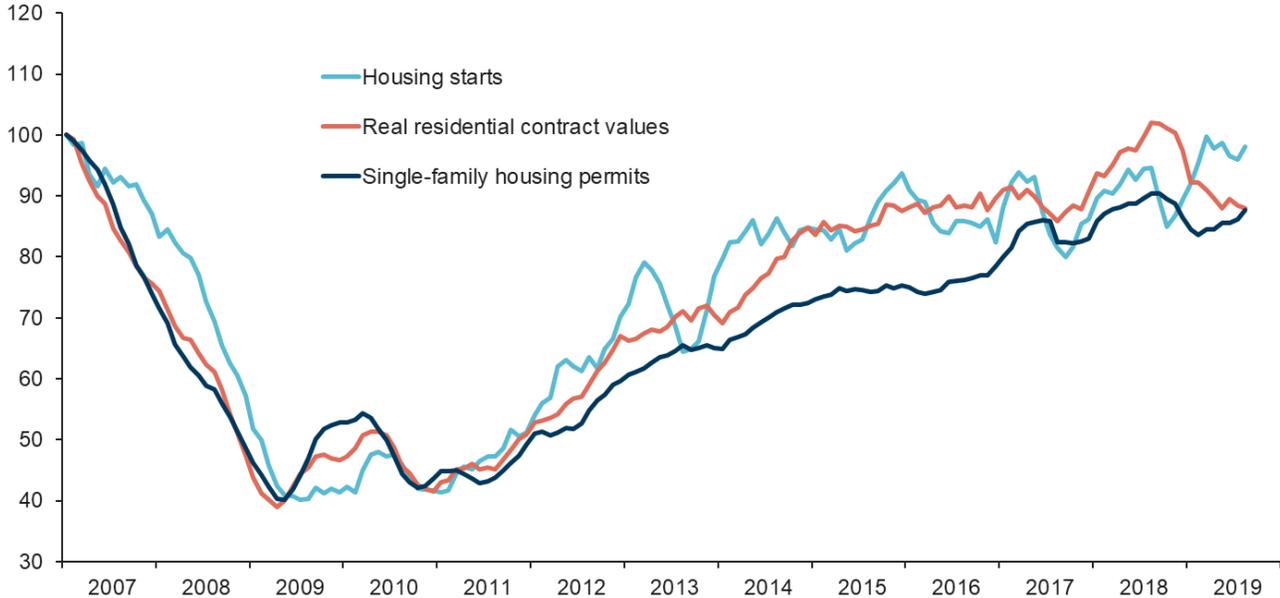
*Real dollars; seasonally adjusted, three-month moving average.
 NOTES: Share of Texas' August 2019 exports is in parentheses. Shares may not sum to 100 percent due to rounding.
 SOURCES: Census Bureau; Bureau of Labor Statistics.

Housing

The five-month moving average of Texas housing starts and single-family housing permits ticked up in August, while real residential contract values dipped (*Chart 6*). Housing starts jumped 16.1 percent in August, following two months of contraction. Residential contract values continued to fall, and single-family housing permits continued to rise. Through August, housing starts were 5.7 percent higher than the same period last year, while contract values and housing permits were lower by 11.8 percent and 3.4 percent, respectively.

Chart 6
Housing

Index, January 2007=100*



*Seasonally adjusted, five-month moving average.

SOURCES: Bank of Tokyo–Mitsubishi UFJ; F.W. Dodge; Census Bureau.

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

About Texas Economic Indicators

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