Regional Economic Update: Conditions Good, Outlook Brightening

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Federal Reserve Bank of Dallas
DABE Annual Outlook
1/17/2020

The views expressed are my own and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.
Regional economy was healthy overall in 2019
  - Texas job growth close to trend
  - Tight labor markets are pushing wages higher, consumer strong
  - Migration picked up

Headwinds either stable or dissipating slightly as we enter 2020
  - Labor markets tight but stable
    - Suppress job growth as labor shortages cause difficulty hiring
  - Investment suppressed but uncertainty improving
    - Tariffs and trade policy uncertainty are a headwind to growth and investment
  - Energy sector weak but pace of decline slowing
  - Global growth slower, including Mexico, but some positive signs emerging
10 years after Great Recession, 11th Federal Reserve District still outperforms

Index, each district's peak employment = 100

NOTE: Data through November 2019.
Texas 3rd among states in job growth in 2019

Percent change, Nov 2019/Dec 2018, SAAR

Energy states denoted in black

2019 Texas job growth above nation’s, close to state trend

Percent change, year/year, SA


Tight labor markets a constraint; Texas and U.S. unemployment rates at record lows

NOTE: Data through November 2019 for Texas and December 2019 for the U.S..
Large net in-migration allows Texas to grow faster

Net migration (thousands)

International migration
Domestic migration

NOTE: Data are for July of the previous year to July of the year indicated.
SOURCE: U.S. Census Bureau.
Relocations to Texas more likely to be driven by job market

<table>
<thead>
<tr>
<th>Reason</th>
<th>Texas</th>
<th>Non-Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocated for job</td>
<td>51</td>
<td>41</td>
</tr>
<tr>
<td>Family Reasons</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Amenities</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

NOTE: Data refer to 2010-2019.
SOURCES: CPS-ASEC, author’s calculations.
By Industry: Broad based job growth, energy the lone exception

2019 YTD percent change in employment, SAAR

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Trade, Transp. &amp; Util.</td>
<td>0.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Gov't</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv.</td>
<td>1.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Educ. &amp; Health Serv.</td>
<td>2.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Leisure &amp; Hosp.</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Mfg.</td>
<td>0.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Financial</td>
<td>1.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Constr.</td>
<td>2.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Info. &amp; Other Svcs</td>
<td>1.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Oil &amp; Gas Extract., Mining Sup.</td>
<td>-3.8</td>
<td>-2.7</td>
</tr>
</tbody>
</table>


SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.
By Metro: Employment growth slowest in energy hubs

Percent change in employment, Dec./Dec., SAAR

NOTE: Numbers in parentheses refer to the share of Texas employment in the most recent month.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Dallas Fed.
Energy activity continues to slow as rig count trends down

NOTE: Data are weekly, through the week ending January 10, 2020.
SOURCES: EIA; Baker Hughes.
Well completions also falling

NOTE: Rig count data through December 2019; all other data through November 2019.
SOURCES: Energy Information Administration; Baker Hughes.
Dallas Fed Energy Survey: activity still declining, but company outlook turns positive in Q4

Diffusion index

NOTE: Price forecast is average year-end forecast of WTI oil price among respondents.
Texas exports keep hitting records despite tariffs, expensive dollar

NOTES: Data through November 2019. Exports data in real dollars.
SOURCES: U.S. Census Bureau; Bureau of Labor Statistics.
Texas firms report they are far more likely to be harmed than helped by tariffs

Current (2019)

- Positive: 9%
- Negative: 28%
- No impact: 58%
- Don’t know: 5%

Longer term (2020-2021)

- Positive: 10%
- Negative: 37%
- No Impact: 29%
- Don’t know: 25%

NOTES: Data collected June 11-19 and 363 business executives responded to the surveys.
Texas Business Outlook indexes show services, manufacturing activity diverging at year-end

NOTES: Data through December 2019. Dashed lines are post-recession averages.
Investment down from 2018 highs, but growing at average pace

Company uncertainty indexes moderated in late 2019

NOTES: Data through December 2019. Dashed lines are post-recession averages.
SOURCES: Federal Reserve Bank of Texas Business Outlook Surveys (TBOS).
Company outlook indexes edge up in December

NOTES: Data through December 2019. Dashed lines are post-recession averages.
SOURCES: Federal Reserve Bank of Texas Business Outlook Surveys (TBOS).
Bright spot: Texas residential construction activity reversed course in 2019

Index, Jan. 2005=100, 5MMA, SA

NOTE: Data through November 2019.
SOURCES: U.S. Census Bureau; Bank of Tokyo-Mitsubishi UFJ.
Despite apartment building boom, Texas rent growth exceeds US since 2010

NOTES: Data through Q3 2019. U.S. data based on the 150 metros that form the core of RealPage’s coverage.
SOURCE: RealPage Inc.
But income gains in several Texas metros have also exceeded nation since 2010

Percent growth, 2010-18

<table>
<thead>
<tr>
<th>City</th>
<th>Median Income (2018)</th>
<th>Percent Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>76,925</td>
<td>19.8</td>
</tr>
<tr>
<td>Midland-Odessa</td>
<td>67,273</td>
<td>18.2</td>
</tr>
<tr>
<td>Tyler</td>
<td>58,226</td>
<td>17.0</td>
</tr>
<tr>
<td>Dallas</td>
<td>71,195</td>
<td>11.3</td>
</tr>
<tr>
<td>Fort Worth</td>
<td>65,899</td>
<td>9.3</td>
</tr>
<tr>
<td>Texas</td>
<td>60,629</td>
<td>8.3</td>
</tr>
<tr>
<td>U.S.</td>
<td>61,937</td>
<td>7.5</td>
</tr>
<tr>
<td>Longview</td>
<td>51,296</td>
<td>6.5</td>
</tr>
<tr>
<td>Houston</td>
<td>65,394</td>
<td>5.3</td>
</tr>
<tr>
<td>Lubbock</td>
<td>49,974</td>
<td>3.0</td>
</tr>
<tr>
<td>Amarillo</td>
<td>53,087</td>
<td>-0.6</td>
</tr>
<tr>
<td>San Antonio</td>
<td>57,379</td>
<td>-0.8</td>
</tr>
</tbody>
</table>

NOTES: Bars show real median household income growth 2010-18. Median 2018 incomes are displayed in parentheses. SOURCE: Census Bureau, 2010 and 2018 American Community Survey 1-year estimates.
Housing affordability now highest in Austin(!)

NOTES: Data through Q3 2019. Two-quarter moving average is plotted.
Outlook for 2020
Most leading index components are positive

Net contributions to change in Texas Leading Index

NOTES: Three-month percent change through November, seasonally adjusted.
SOURCE: Federal Reserve Bank of Dallas.
Texas job growth in 2020 likely to be close to the 2019 pace of 2.0%
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