

**QUOTABLE:** “Real Texas exports grew at a 4 percent clip in 2007. Although sales to Mexico slowed last year, increasing trade with China, the European Union and Latin America helped keep overall growth positive.”

—Laila Assanie, Associate Economist

## ENERGY: Supply Disruptions Lead to Spike in Coal Prices

The high cost of oil and natural gas has dominated the headlines, but coal prices have doubled in the past year, including a 47 percent rise in the first three months of 2008.

Weather has been the primary cause of the most recent increases. A snowstorm in China and flooding in Australia and South Africa limited output in countries that together produce 52 percent of the world’s coal. Supply disruptions have been so severe that prices are higher for the current month than for future months.

Texas contributes about 4 percent to total U.S. coal production, so it should see some benefit from rising prices. For most Texans, however, more expensive coal will mean higher electricity bills because the fuel accounts for 44 per-

cent of the state’s electricity production. Nonetheless, coal is by far the cheapest non-nuclear power source, and it’s likely to remain the primary input for electricity generation in Texas and the U.S.

Some ebbing in coal prices is expected as supply disruptions ease. However, long-term price pressures remain because demand is growing rapidly in the developing world. China’s coal consumption more than doubled from 2000 to 2006 and now exceeds North America’s and Europe’s combined. And if droughts persist in the Southeast U.S. and Spain, water shortages could shut down nuclear plants, causing coal demand—and prices—to rise.

—Amber C. McCullagh

## TEXAS ECONOMY: State Ranks 4th in Personal Income Growth

Real personal income rose 5.3 percent in Texas last year, outpacing the national average of 3.5 percent and ranking the state fourth behind Louisiana, Utah and Wyoming.

For Texas, the gains were smaller than in 2006, but several factors kept the state ahead of most of the nation. The Texas labor market has been tight, leading to higher wages for some workers. High energy prices have ignited a boom in an industry that pays well and writes big royalty checks. The construction and professional and business services sectors have also added high-paying jobs.

Bureau of Economic Analysis data show that Texas’

share of U.S. personal income was 7.6 percent in 2007, up a 10th of a percentage point from the previous year. With the exception of telecom-bust-plagued 2002, the state’s share of U.S. personal income has been growing for 18 years.

While Texas enjoyed relatively high personal income growth, its population increased twice as fast as the nation’s, and it maintained a slightly lower labor force participation rate. As a result, the state didn’t rank in the top 10 in real personal income growth per capita. Even so, its gain of 2.8 percent beat the national average of 2.6 percent.

—Jessica J. Renier

## HEALTH CARE: Hospital Building Boom Under Way in Texas

Texas’ health sector is flourishing. Hospital construction and expansion projects are taking off across the state to meet the needs of a growing population.

From 2000 to 2007, the number of projects increased an average of 4.9 percent a year in Texas, compared with a 3 percent decrease in the U.S. The inflation-adjusted total value of health care-related construction contracts increased an average of 4.9 percent a year over this period, bettering the nation’s 4.5 percent.

Three health care developments were among the 10 largest construction projects to break ground in Texas in 2006, according to *Texas Construction*—the \$162 million expansion at Methodist Hospital in Houston, the \$130 million Sierra Providence Eastside Hospital in El Paso and the

\$126 million Hillcrest Baptist Medical Center in Waco.

These facilities are part of a rapidly growing industry that provides 13 percent of Texas’ private-sector jobs. From February 2000 to February 2008, private health care employment increased by 257,100, or 29.6 percent, accounting for more than a quarter of Texas’ overall private employment growth.

About two-thirds of that growth occurred in large metro areas, rising 35 percent in Houston, 34.1 percent in Dallas–Fort Worth, 30.5 percent in San Antonio and 25.6 percent in Austin. Since 2000, health care’s share of total jobs has risen faster than the state average in every border metro except El Paso.

—Mike Nicholson