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## **2018 Texas Economic Outlook: Firing on all Cylinders**

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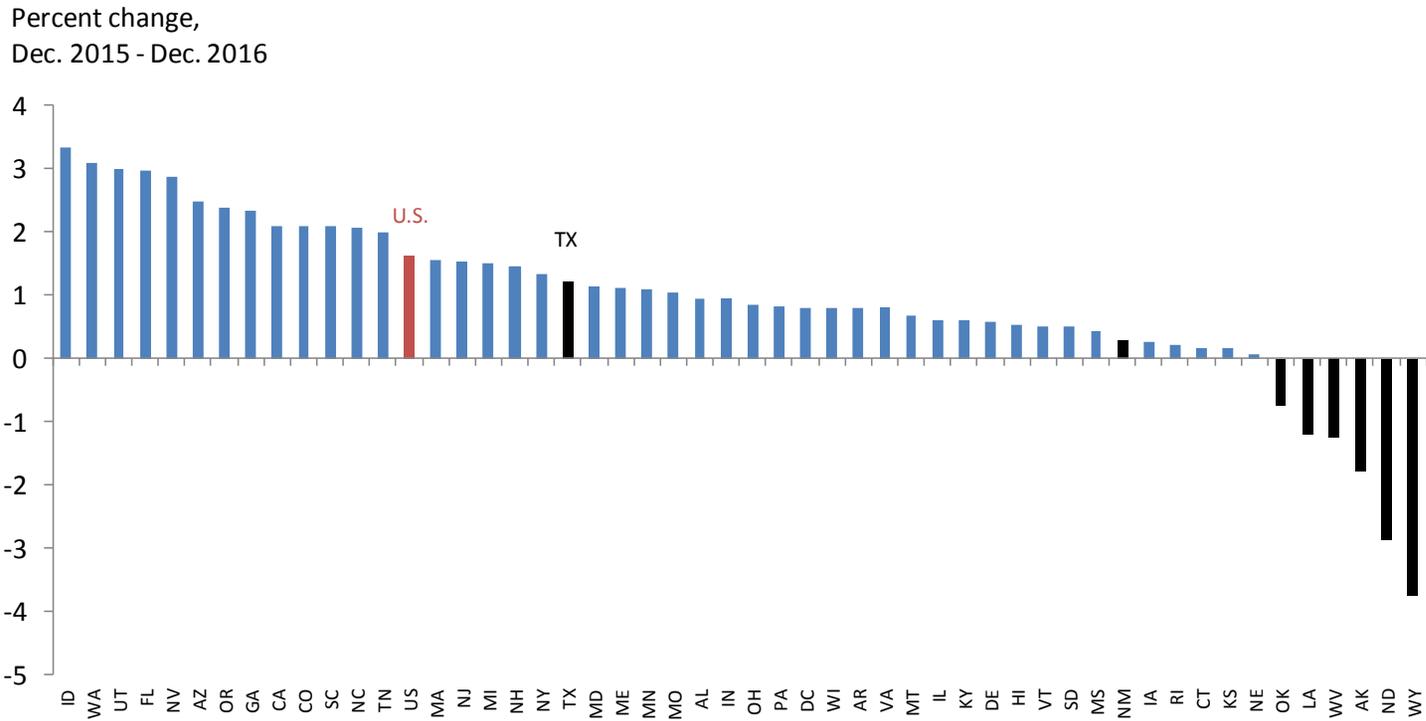
6/27/2018

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## **Texas Economic Growth Weak in 2015-2016, Accelerated in 2017 and 2018**

- In five years prior to 2015, growth in energy, construction and exports provided a strong stimulus to Texas.
- In 2015 and 2016, low oil prices and strong dollar reduced job growth – but Texas did better than other energy states.
- Last year, Texas employment grew much faster than in 2016, faster than the nation and close to trend.
- Pickup mostly due to a rebound in energy and manufacturing sectors.
- Jobs grew 1.9 percent last year, 3.6 percent so far this year and should finish the year at 3.3 percent.

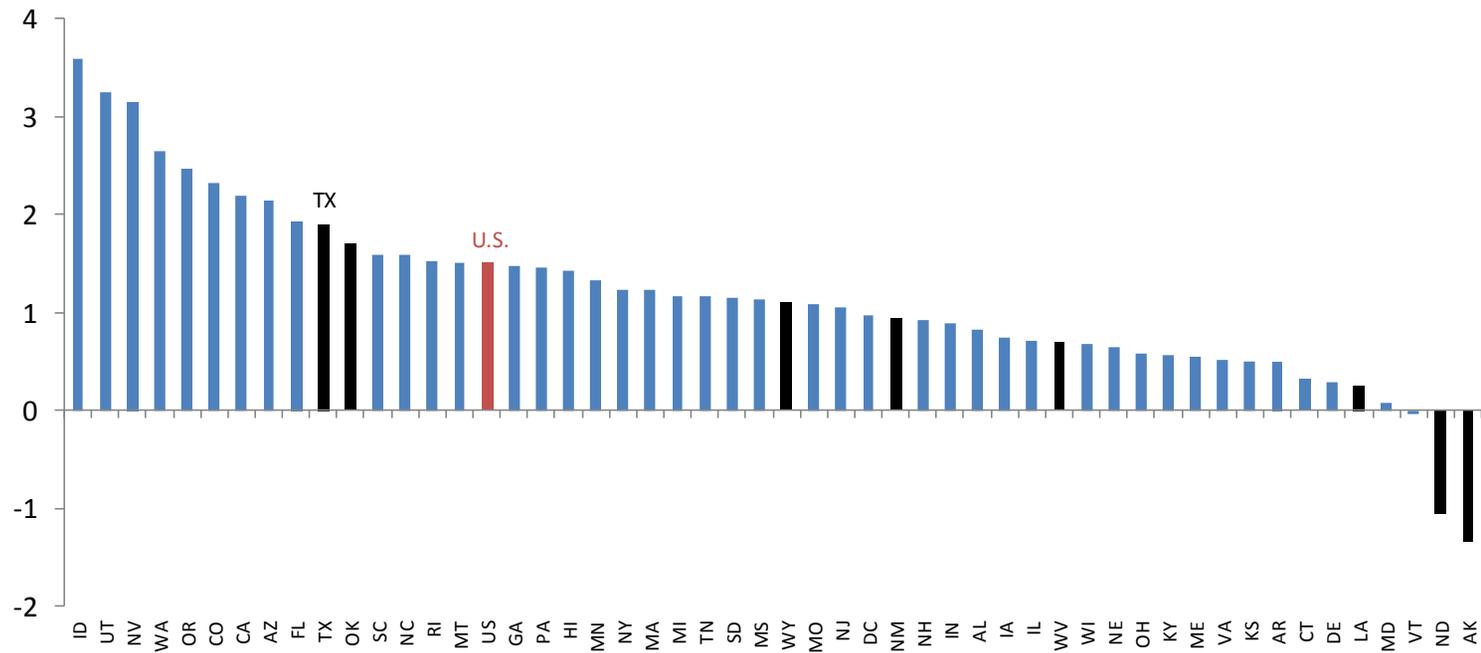
# 2016 Texas Job Growth Slipped Below Nation Due to Oil Bust



NOTE: Black bars represent large energy-producing states.  
SOURCE: Bureau of Labor Statistics.

# 2017 Texas Job Growth Improved, 10<sup>th</sup> Fastest Among States

Percent Change,  
Dec. 2016 - Dec. 2017

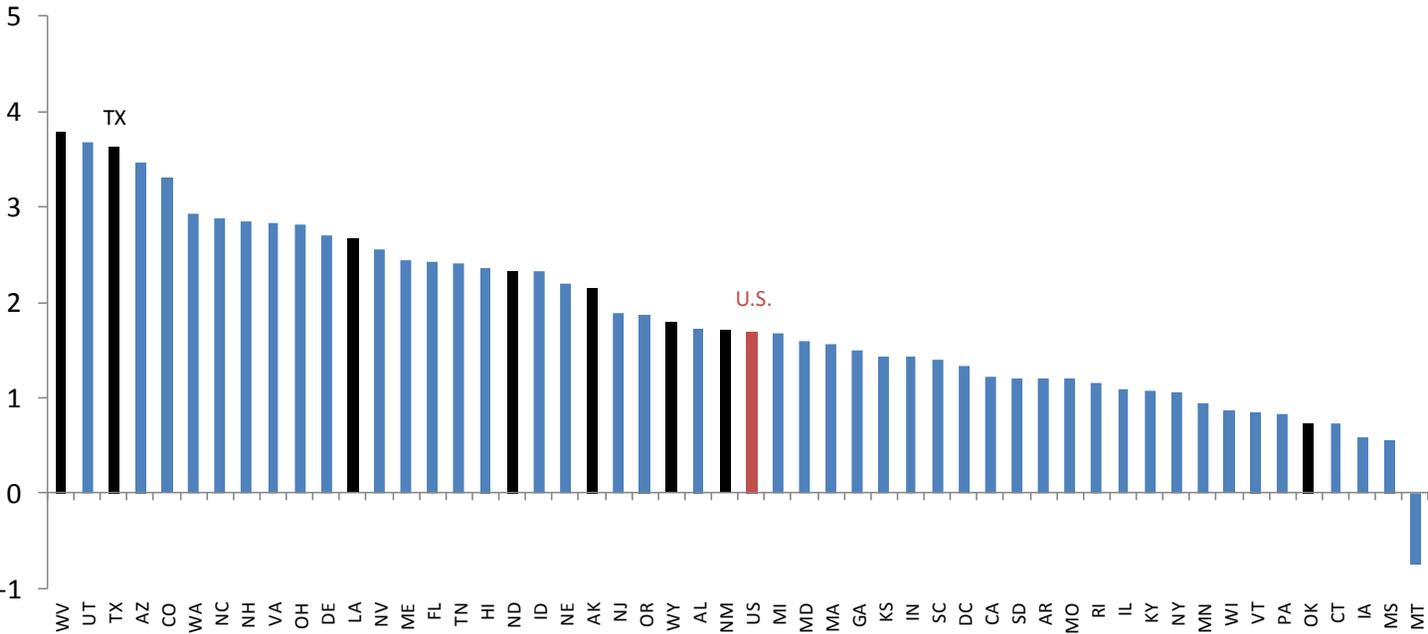


NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics.

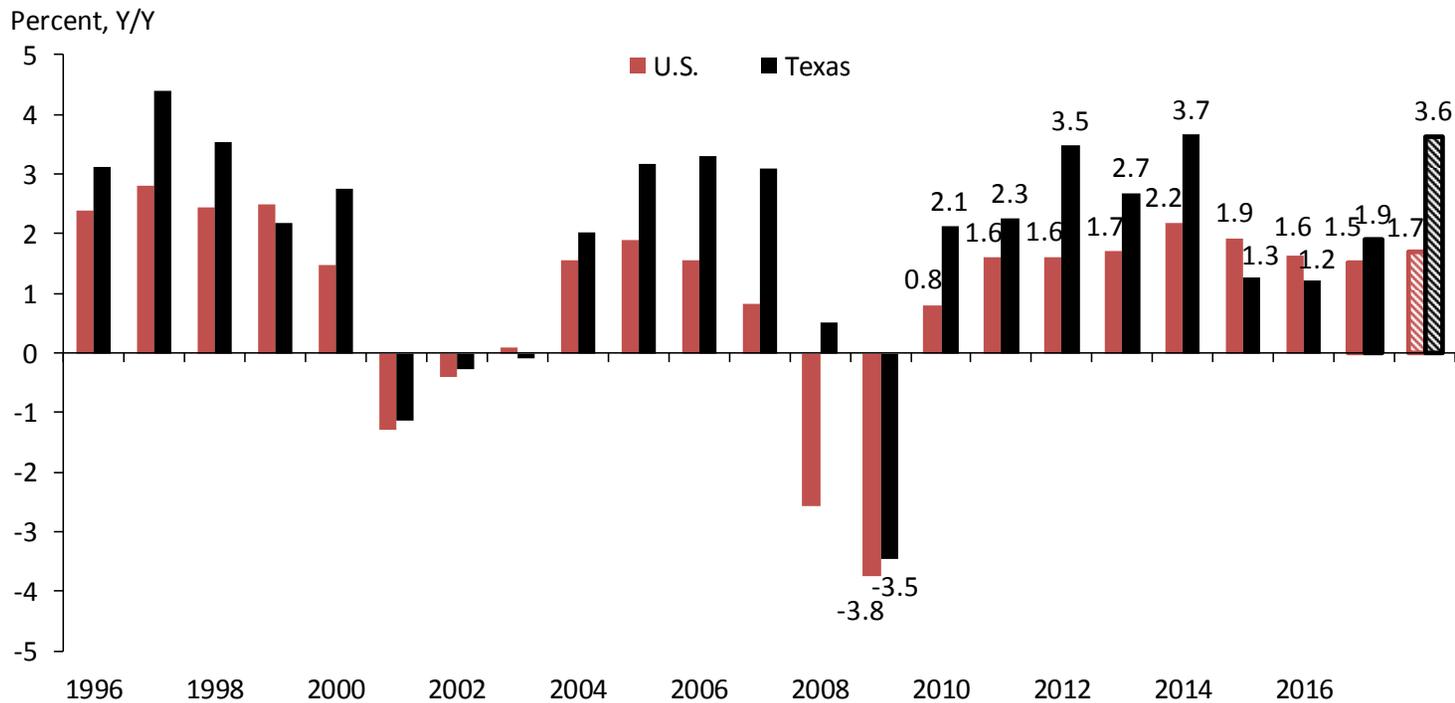
# 2018 Texas Growth Strong, Currently Third Fastest Among States

Percent Change,  
Dec. 2017 - May 2018



NOTES: Black bars represent large energy-producing states. Growth rates are seasonally adjusted.  
SOURCE: Bureau of Labor Statistics.

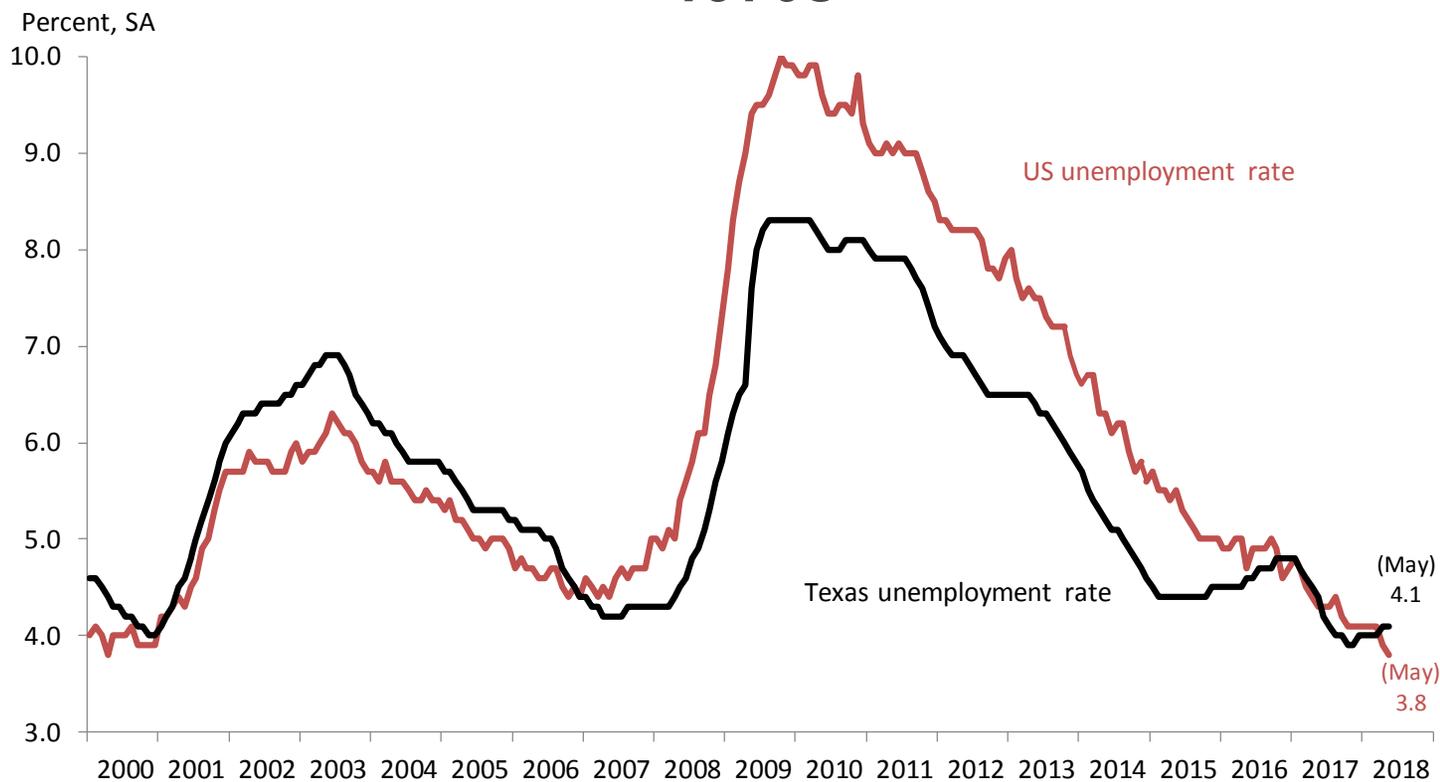
# Texas Job Growth Usually Above the Nation's



NOTE: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to May 2018

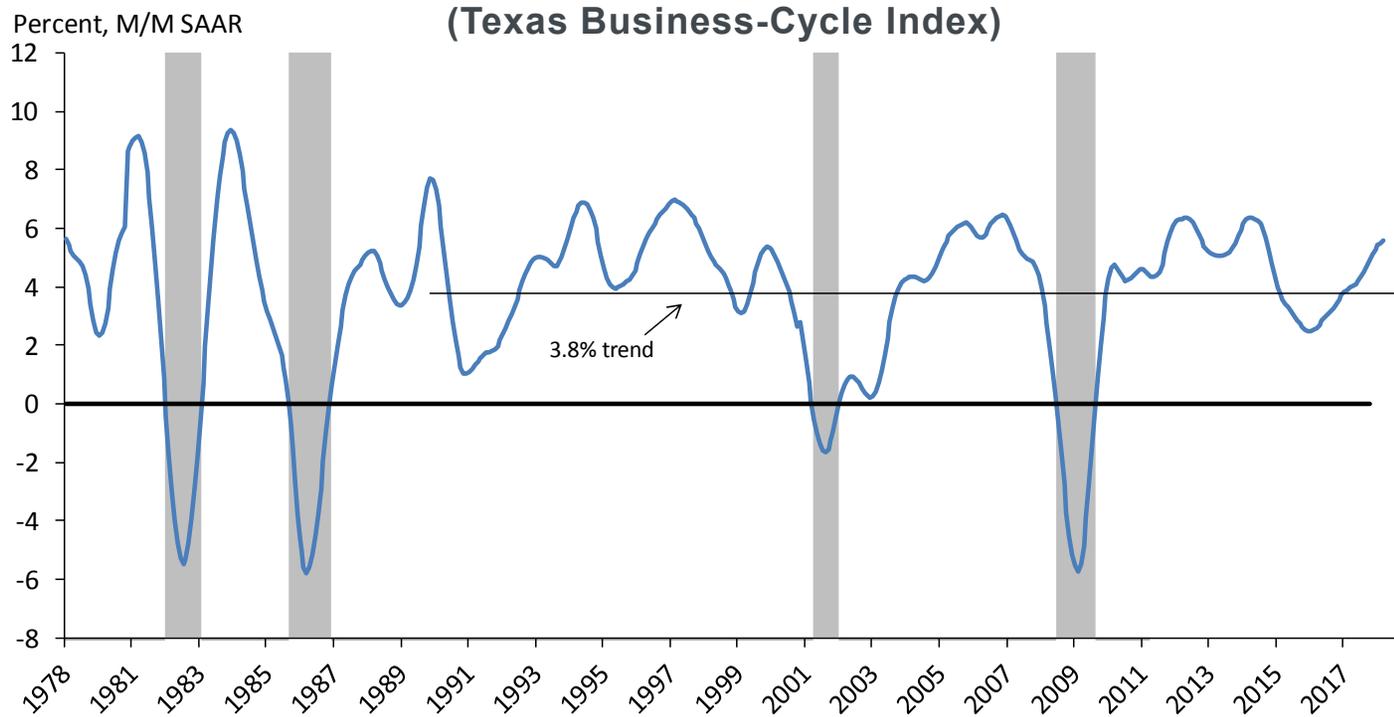
SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

# Texas Unemployment Rate Near Lowest Level Since 1970s



SOURCE: Bureau of Labor Statistics.

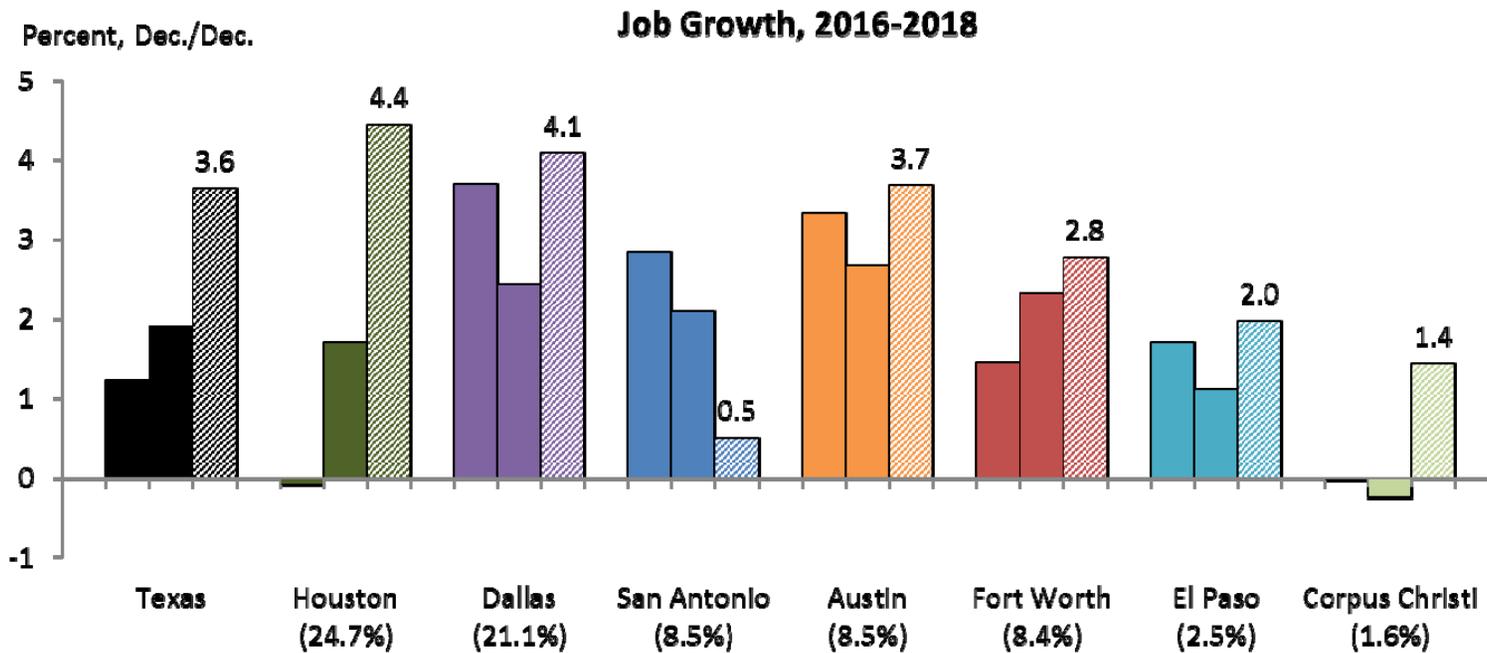
# Texas Economy Weakened in 2015 and 2016 But Remained in Expansion



NOTE: Shaded areas represent Texas recessions

SOURCE: Federal Reserve Bank of Dallas

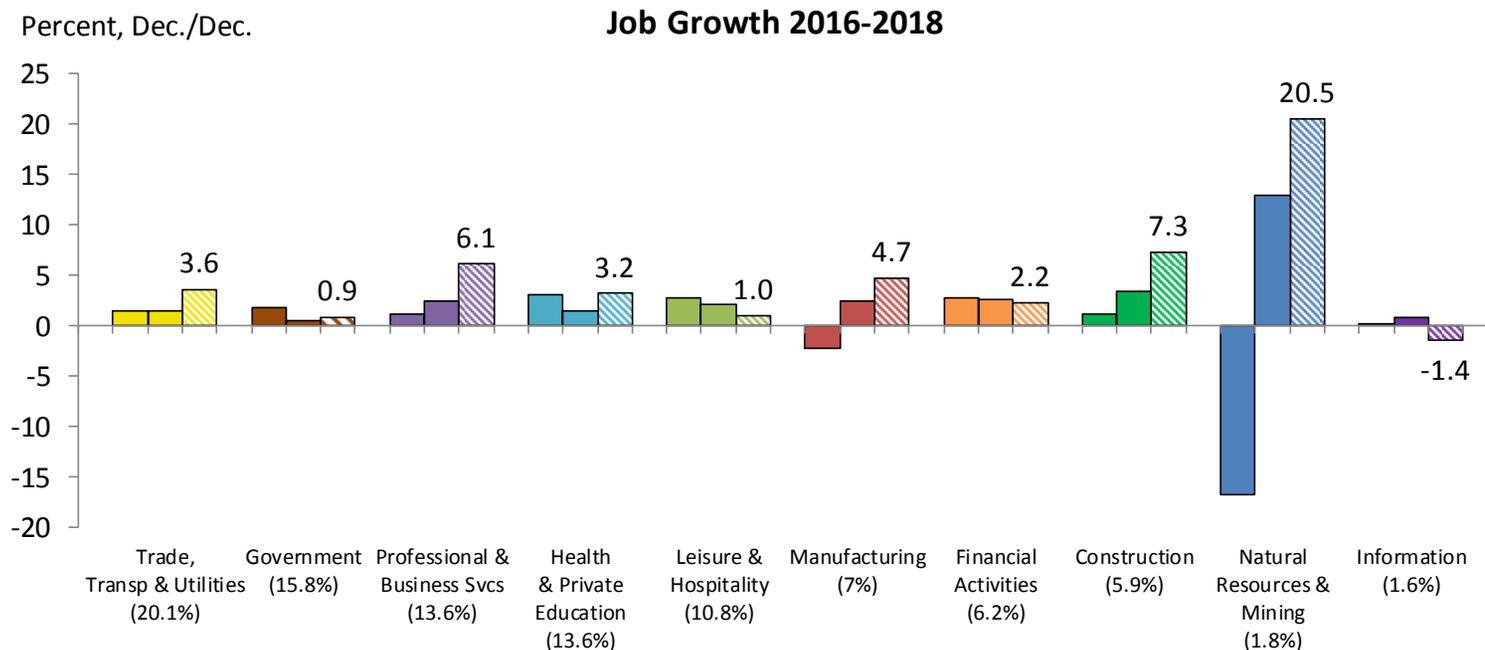
# Growth Broad-Based Across Large Metros



NOTES: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to May 2018. Figures in parentheses represent shares of total state employment.

SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

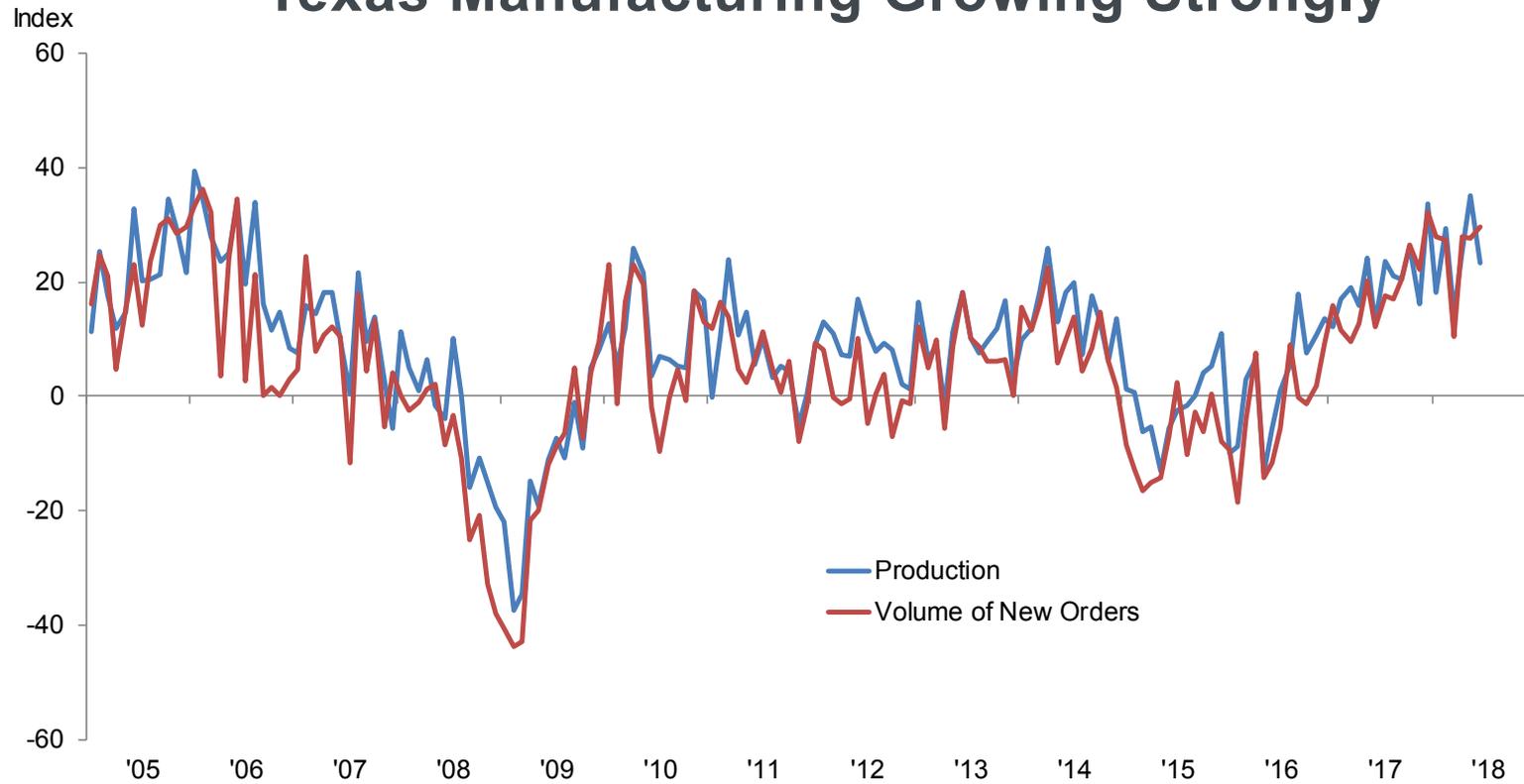
# Goods-Producing Industries Rebounded in 2017, Strong So Far This Year



NOTES: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to May 2018. Figures in parentheses represent shares of total nonfarm employment.

SOURCES: Bureau of Labor Statistics, adjustments by Federal Reserve Bank of Dallas.

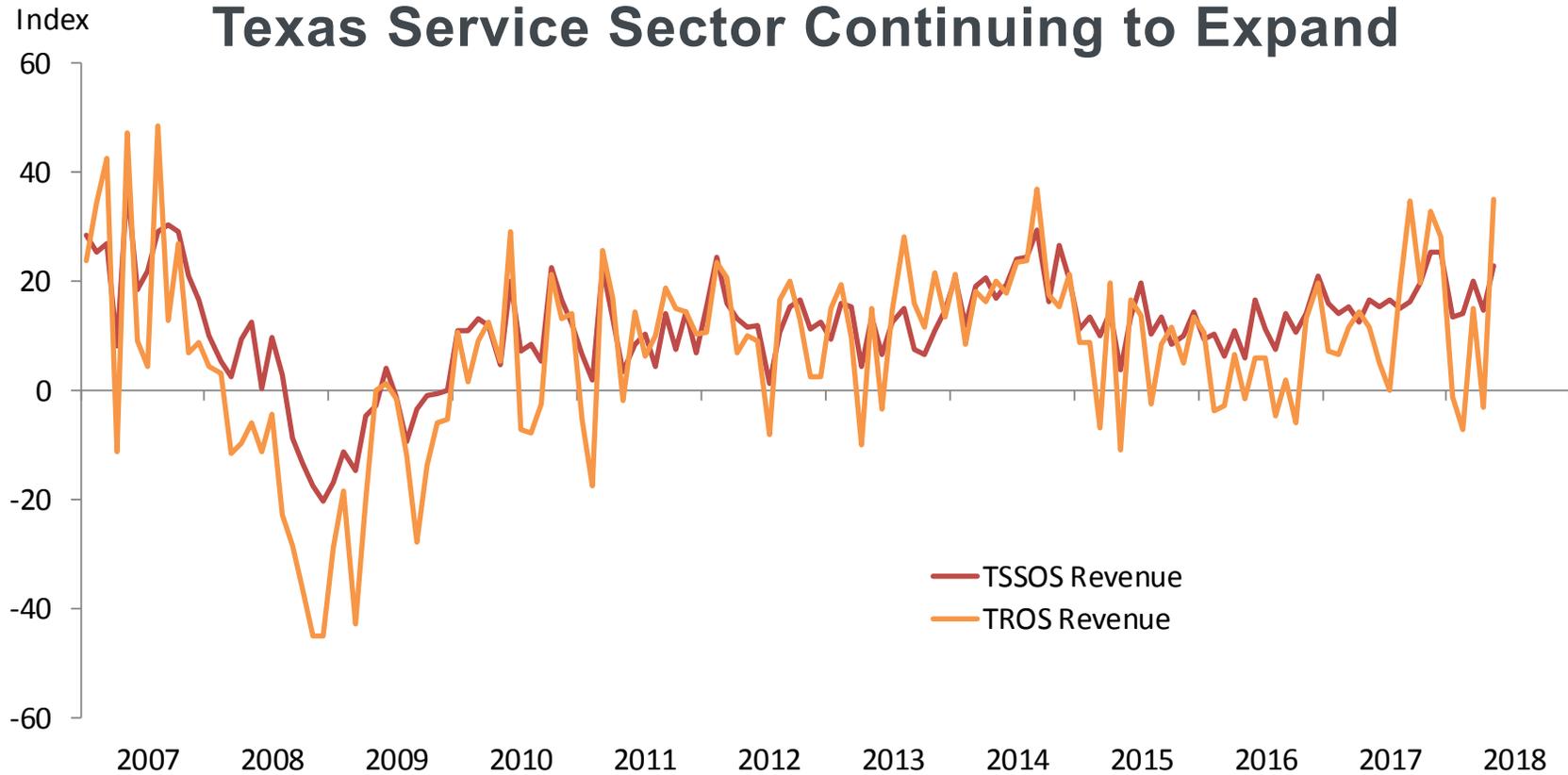
# Texas Manufacturing Growing Strongly



NOTE: Data are seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.

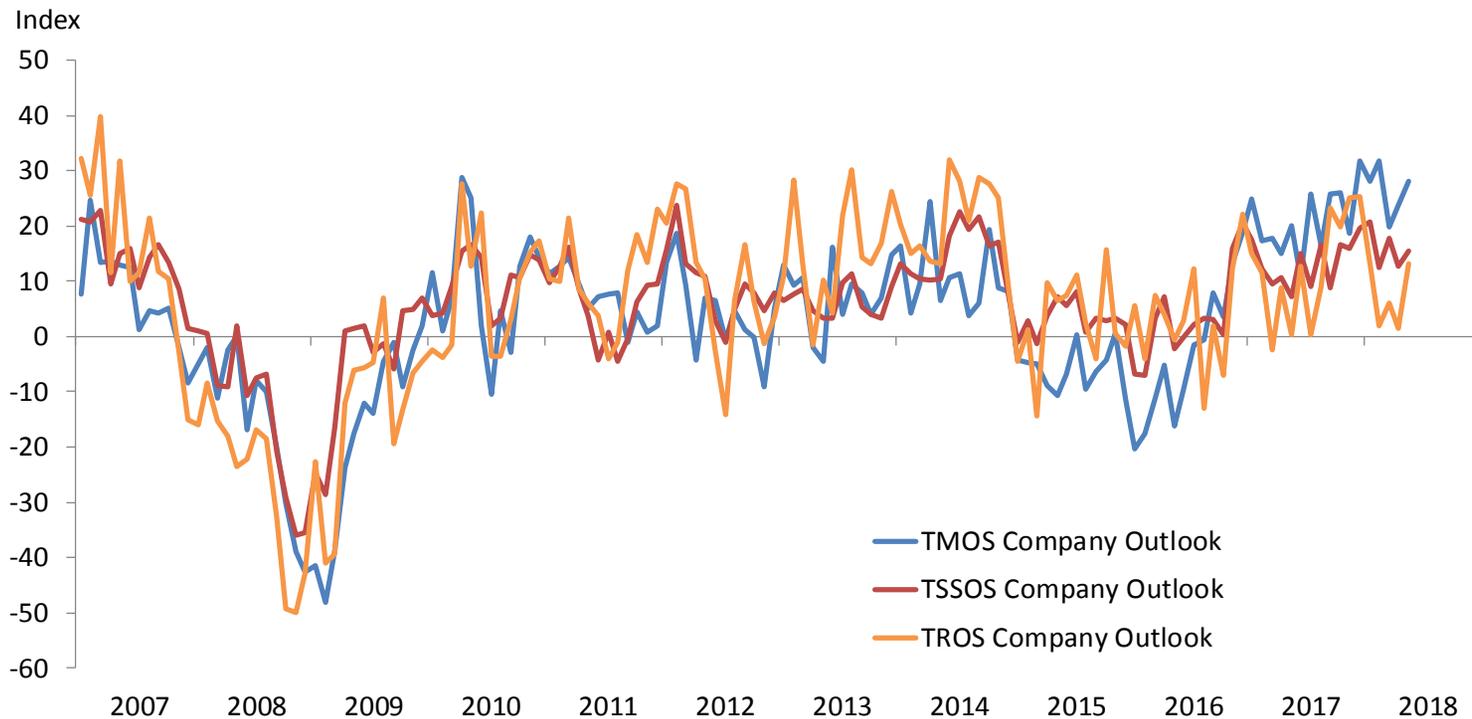
## Texas Service Sector Continuing to Expand



NOTE: Seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas Texas Service Sector and Retail Outlook Surveys.

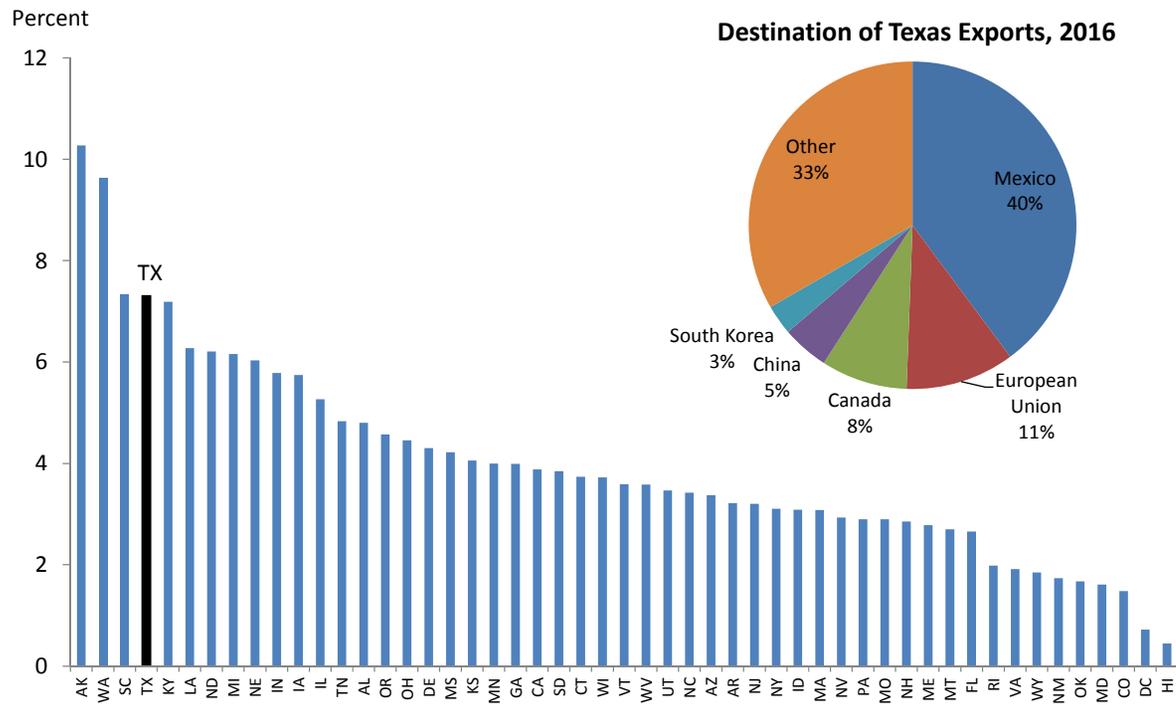
## Business Sector Outlooks Strong this Year but Slightly Weaker in Recent Months



NOTE: Seasonally adjusted.

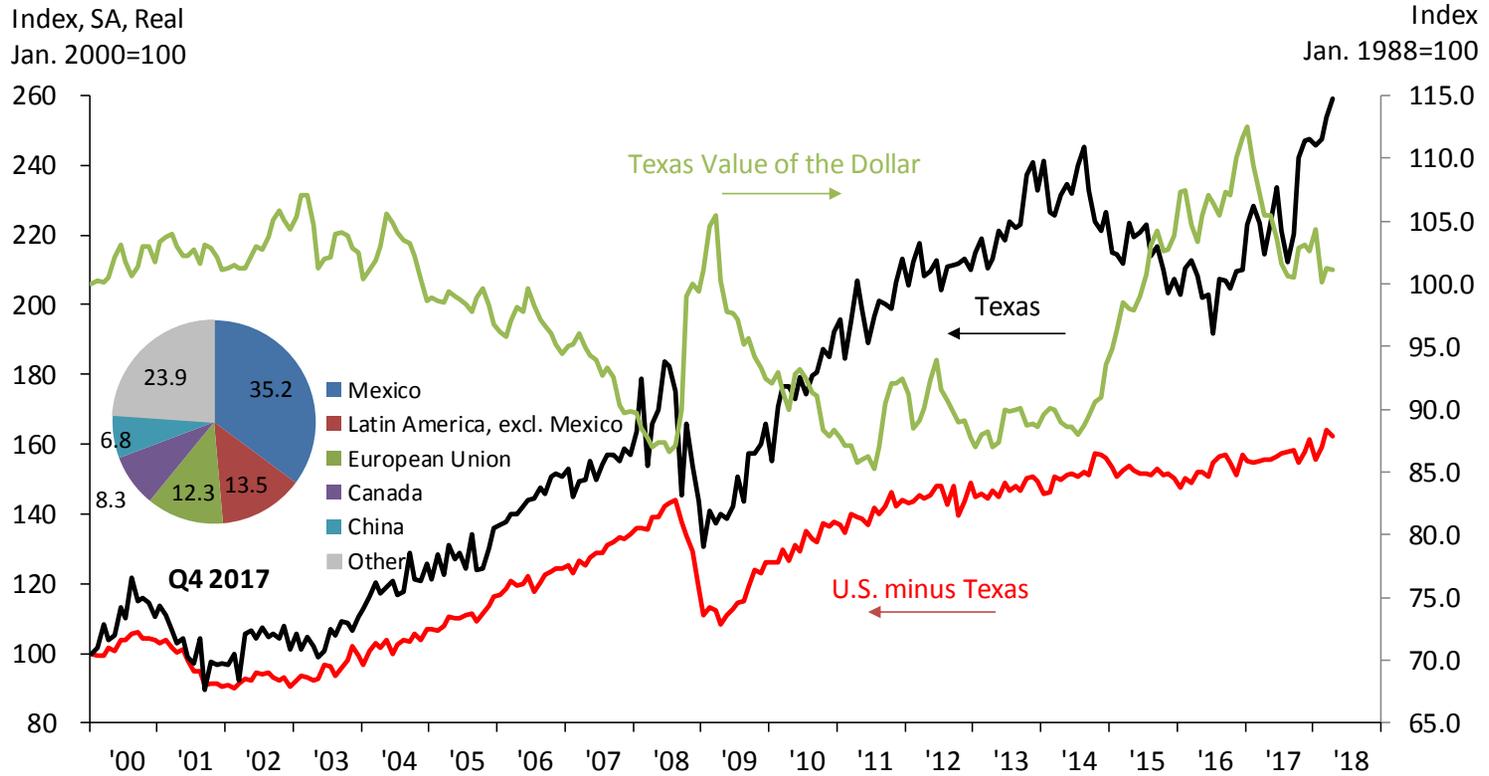
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing, Service Sector and Retail Outlook Surveys.

# Share of Texas Jobs Tied To Exports 4th Highest Among States



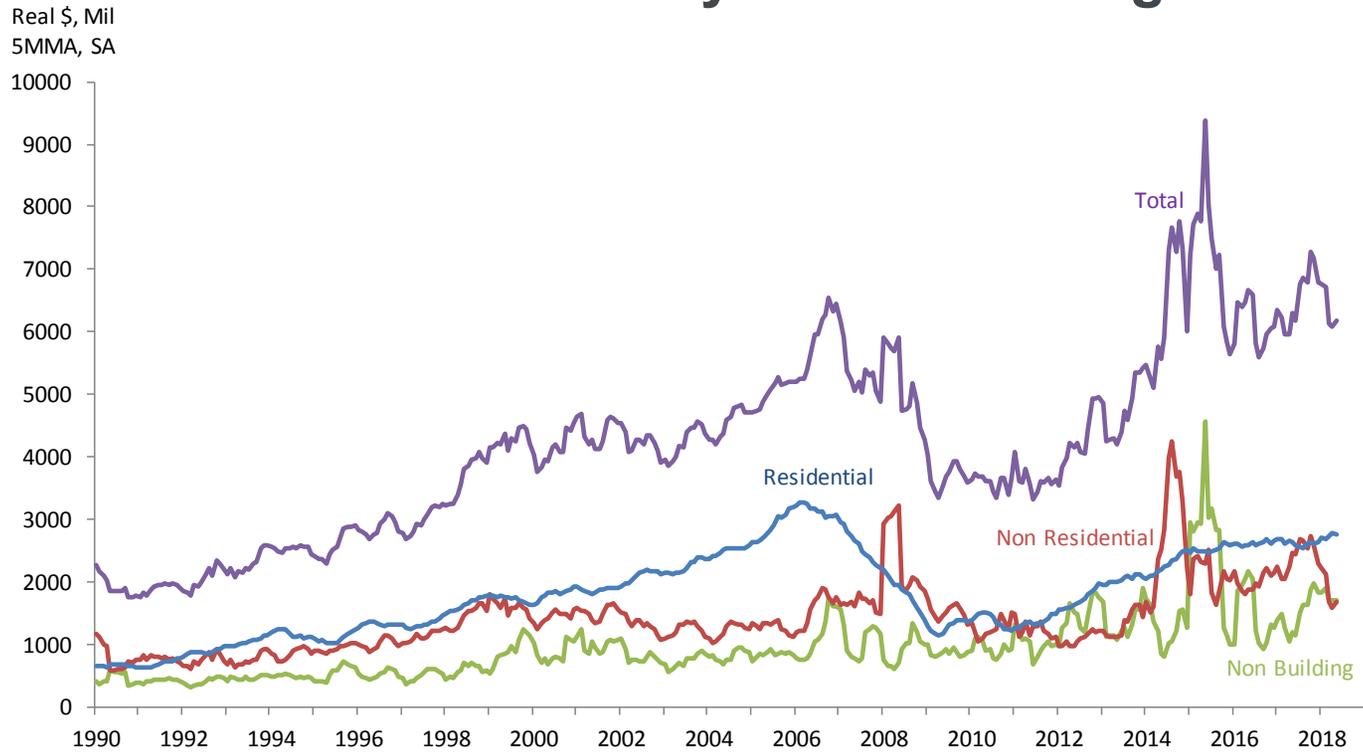
SOURCES: International Trade Administration; WISERtrade; Bureau of Economic Analysis.

# State Exports at All-Time High This Year



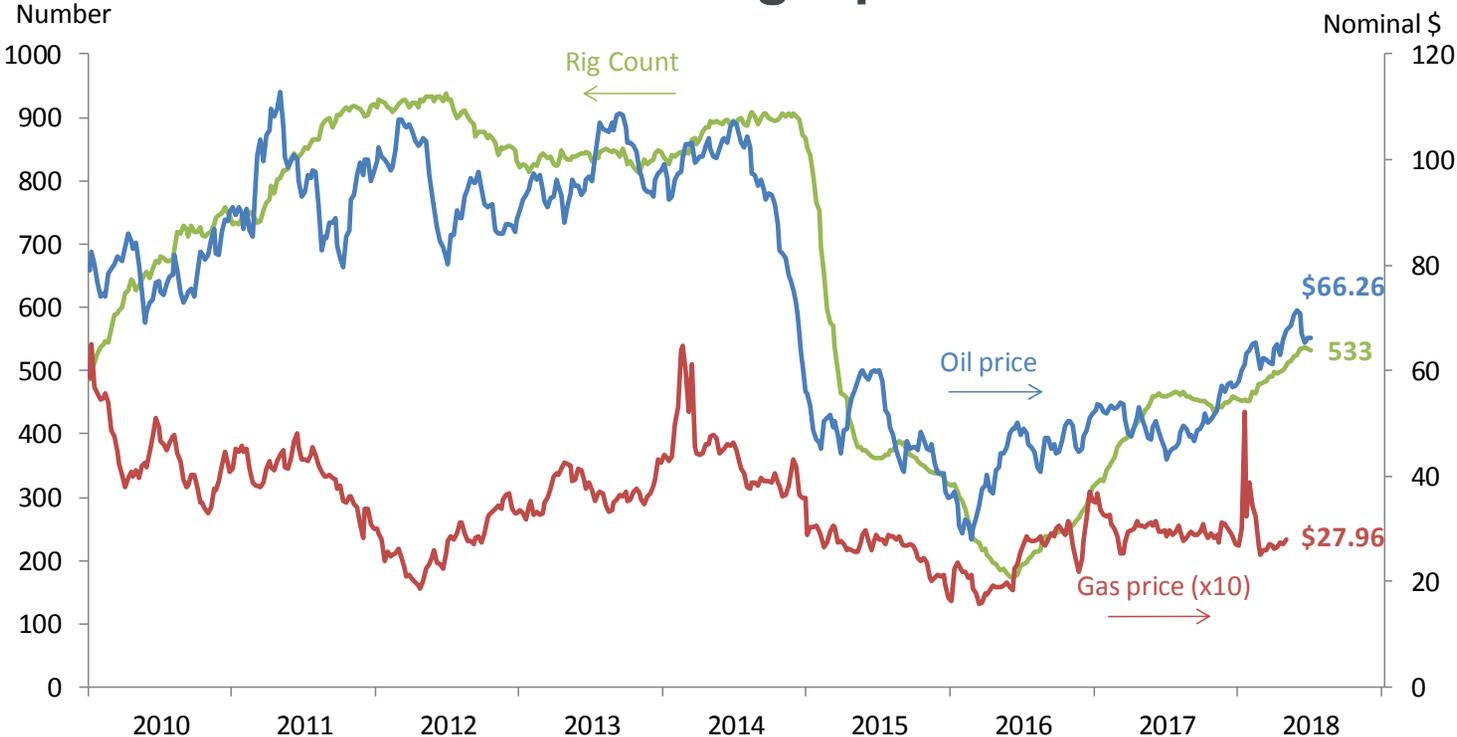
SOURCES: U.S. Census, Bureau of Labor Statistics, WISERtrade, Federal Reserve Bank of Dallas.

# Texas Construction Contract Values Weakened Somewhat Recently but Still at High Level



SOURCES: F.W. Dodge, Federal Reserve Bank of Dallas.

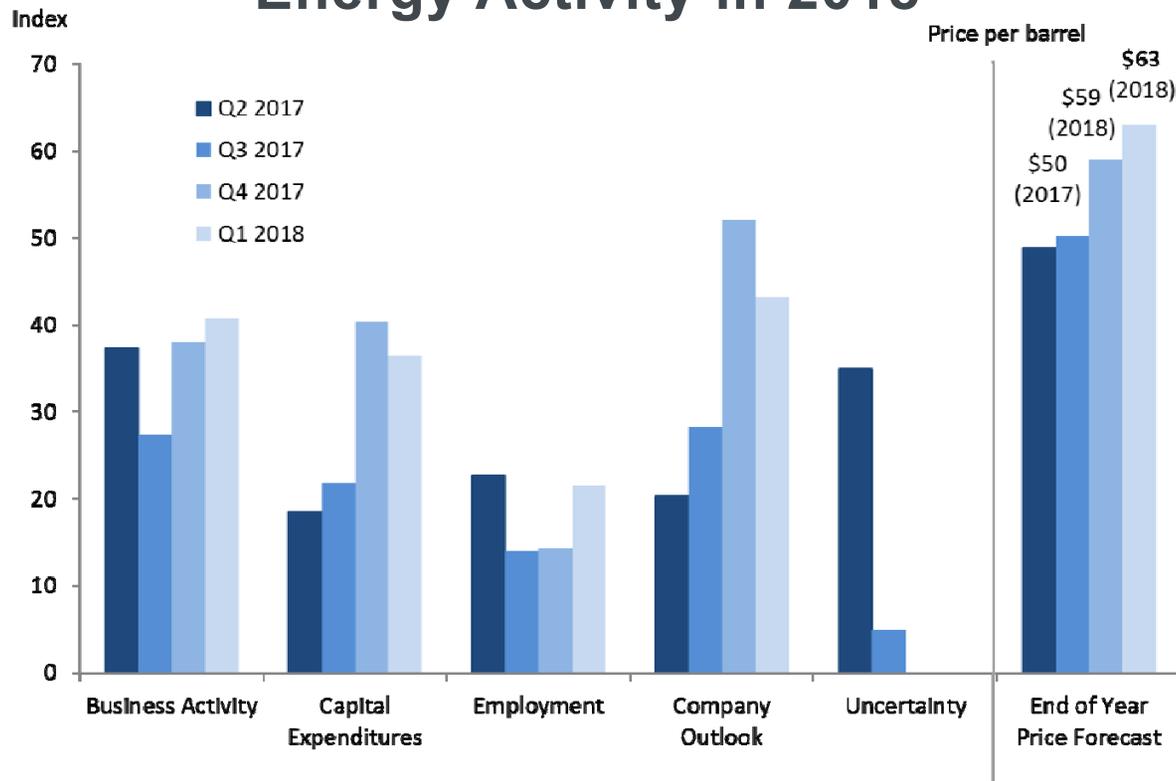
# Oil Prices Holding Above \$60 This Year – Rig Count Picking Up



NOTE: Data are weekly, last data point is the week of June 22, 2018.

SOURCES: Oil and Gas Journal, Baker Hughes.

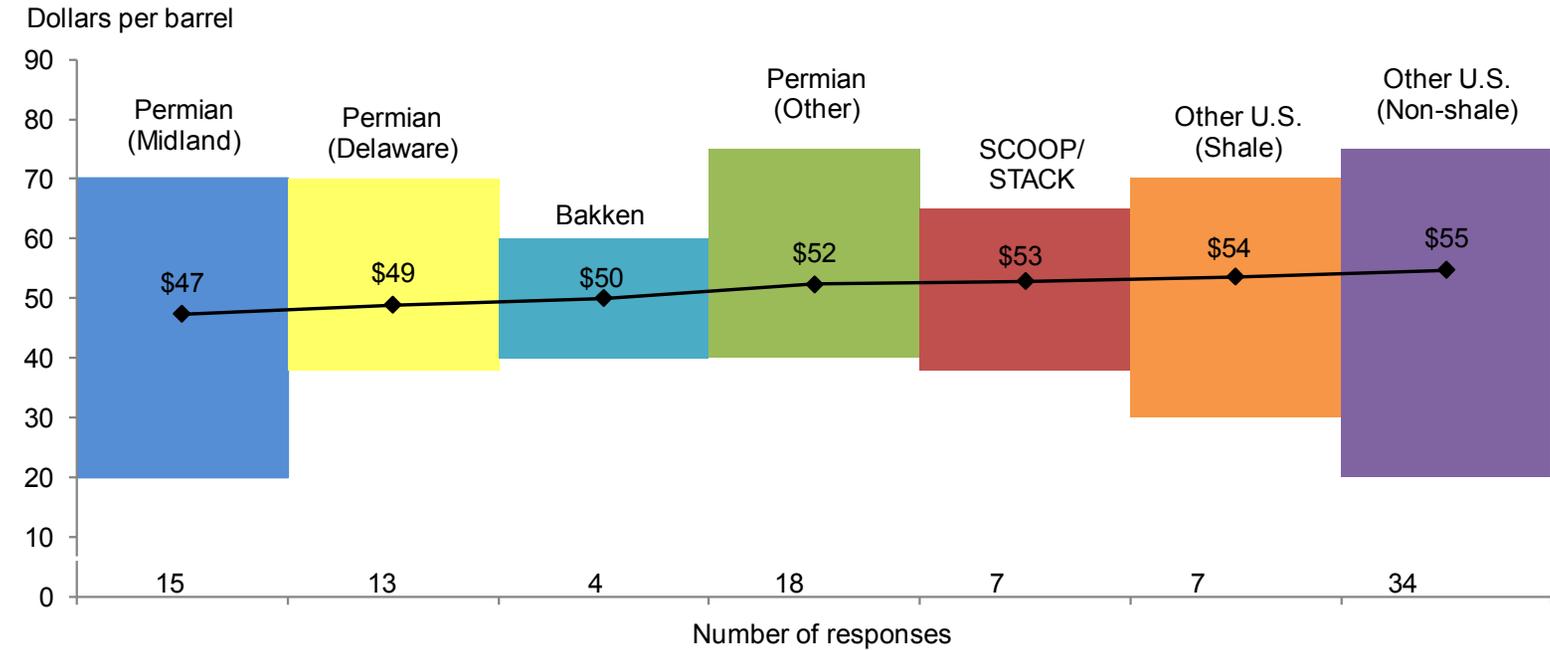
# Energy Survey Suggests Continued Growth in Energy Activity in 2018



SOURCE: Federal Reserve Bank of Dallas.

# Breakeven Prices for New Drilling Below Current Price of WTI

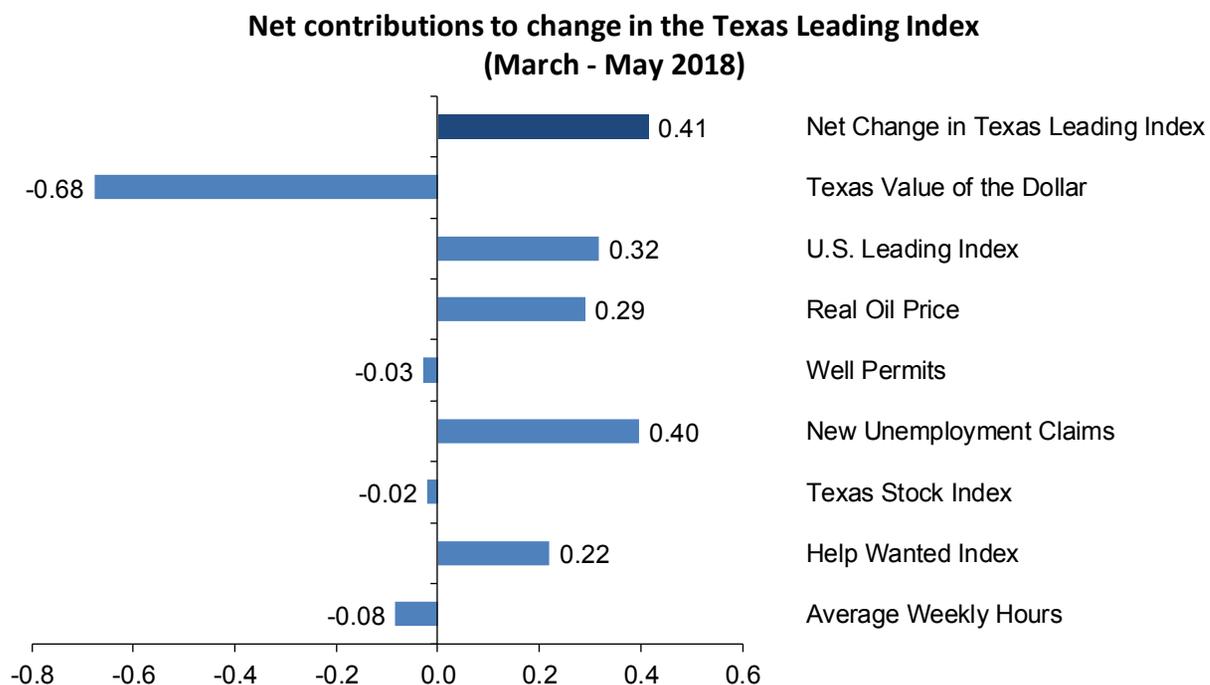
**Energy Survey:** “In the top two areas in which your firm is active: What WTI oil price does your firm need to profitably drill a new well?”



NOTES: Line shows the mean, and bars show the range of responses. 65 E&P firms answered this question from March 14-22, 2018.

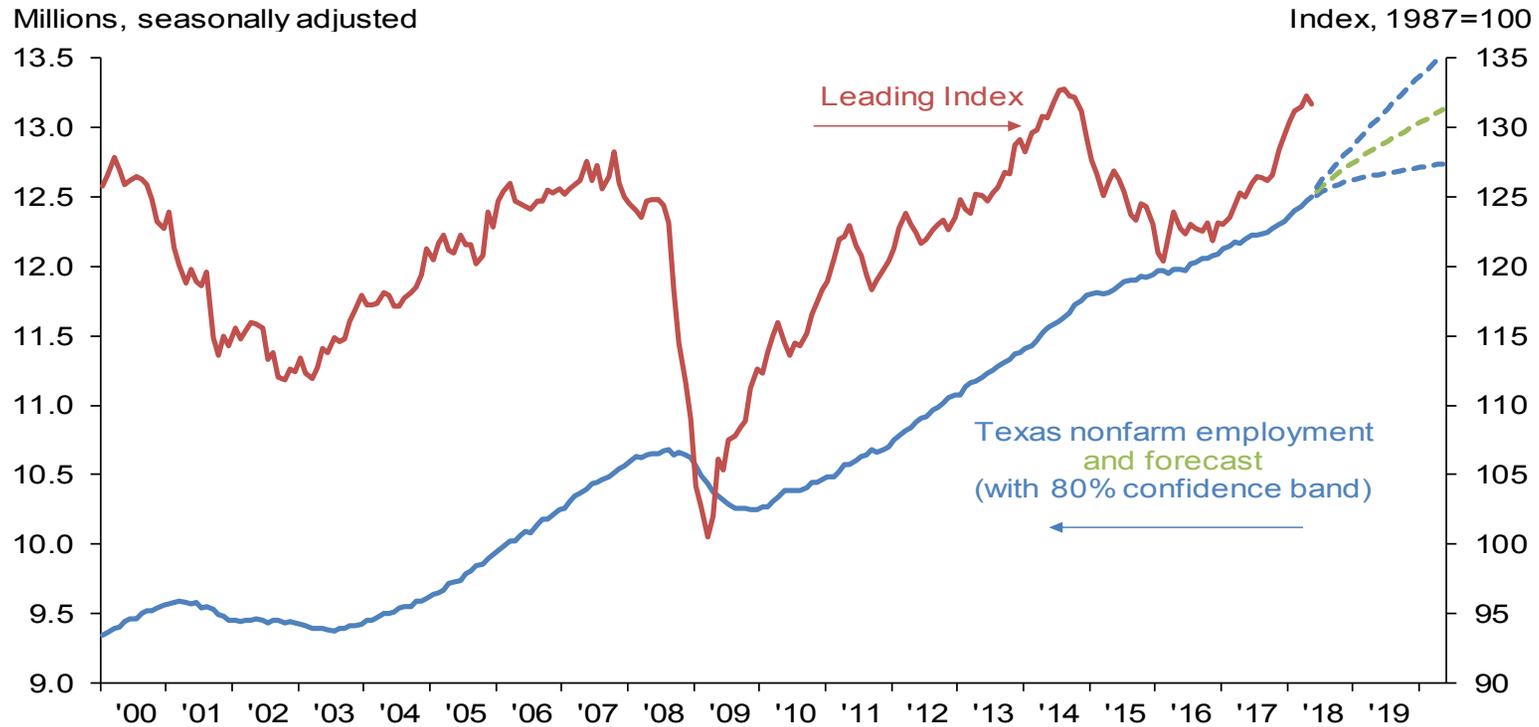
SOURCE: Federal Reserve Bank of Dallas.

# Texas Leading Index Components Mostly Positive



NOTE: Seasonally adjusted.  
SOURCE: Federal Reserve Bank of Dallas.

# Texas Jobs Forecasted to Grow 3.3% in 2018



SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

## Recent TMOS Comments Suggest Concerns with Recent Tariffs

- Fabricated metals producer: “I can’t believe the effect the tariff response has had on the metals trade. Somebody needs their head examined if they think this is good for the American economy.”
  - “Steel tariffs to NAFTA partners is a mistake. Higher steel prices could slow down strong projects and the manufacturing recovery which started in fourth quarter 2017.”
- Machinery Manufacturer: There is lots of uncertainty among manufacturers regarding the impact of the steel tariffs. Even steel sourced from the U.S. is rapidly increasing in price due to capacity constraints.
- Food Manufacturer: Tariffs impacting the price of stainless steel are a concern.

## Summary

- In 2015 and 2016, Texas weakened sharply but continued to grow - did much better than 1980s and better than other energy states.
- In 2017 energy and manufacturing sectors rebounded.
- Texas grew at 2.1 percent in 2017 and will likely accelerate to about 3.3 percent this year.
- Big challenge is shortage of labor with UR near historical lows - so far labor force has grown strongly (3.5 percent so far this year versus 0.1 percent nationally) but uncertain if it will last.
- Biggest risk to the forecast is trade war or sharp decline in oil prices.

## Dallas Fed Publications

### Public Resources from the Dallas Fed:

- [Southwest Economy](#)
- [Regional Economic Updates](#)
- [San Antonio](#) and [Austin](#) Economic Indicators
- [Texas Business Outlook Surveys](#)
- [Energy Survey](#)
- [National Economic Updates](#)
- [International Economic Updates](#)
- [Additional Research Publications and Data](#)

