



Federal Reserve
Bank of Dallas

The Texas Gulf Coast

Overview and Outlook

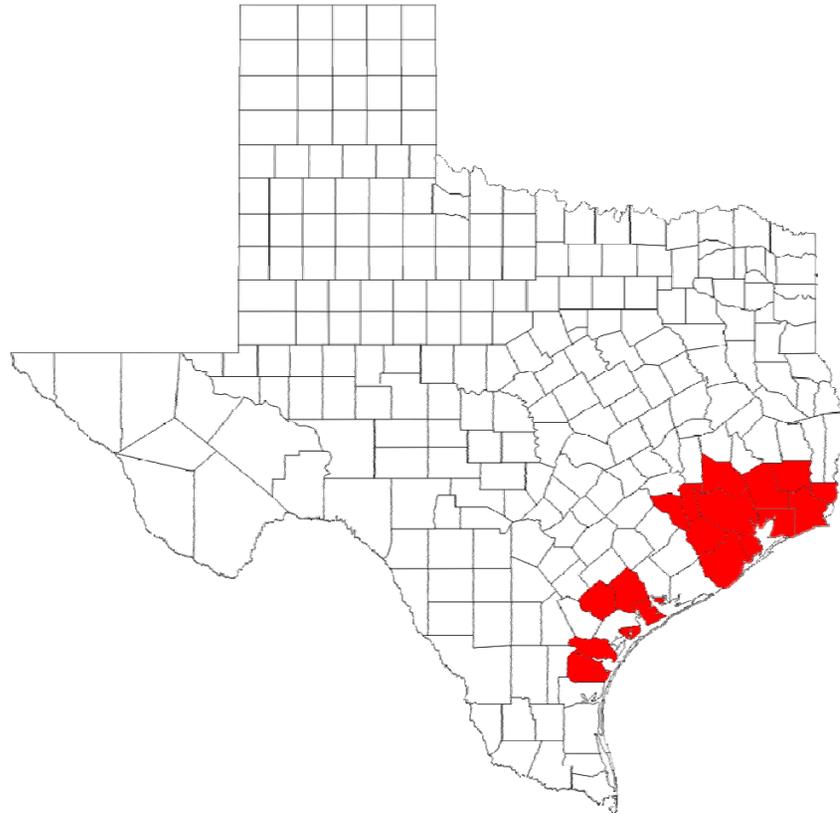
Jesse Thompson

Federal Reserve Bank of Dallas – Houston Branch

06/2018

The views expressed in this presentation are strictly those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Dallas or the Federal Reserve System.

Texas Gulf Coast

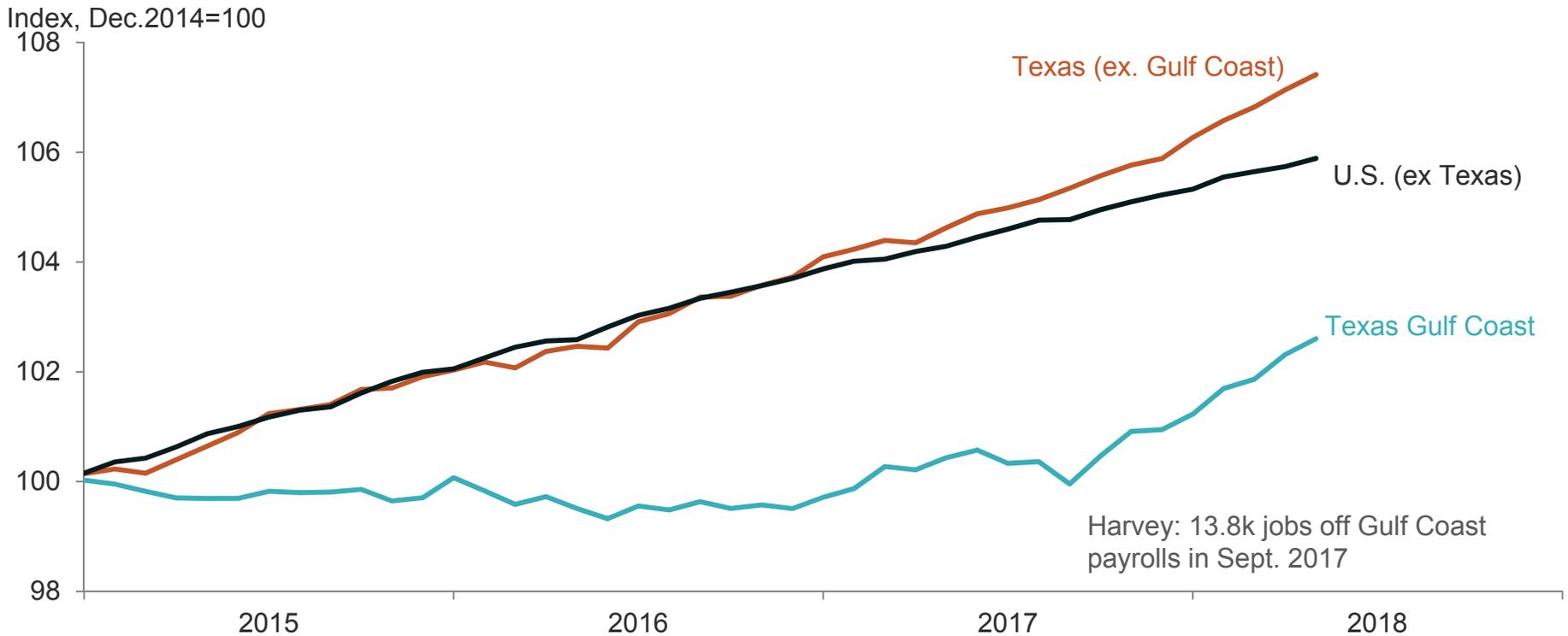


Texas Gulf Coast

Three main factors are shaping the Texas Gulf Coast outlook

- Energy Industry Boom-Bust-Recovery
- Petrochemical Manufacturing & Construction Boom & Energy Exports
- Hurricane Harvey

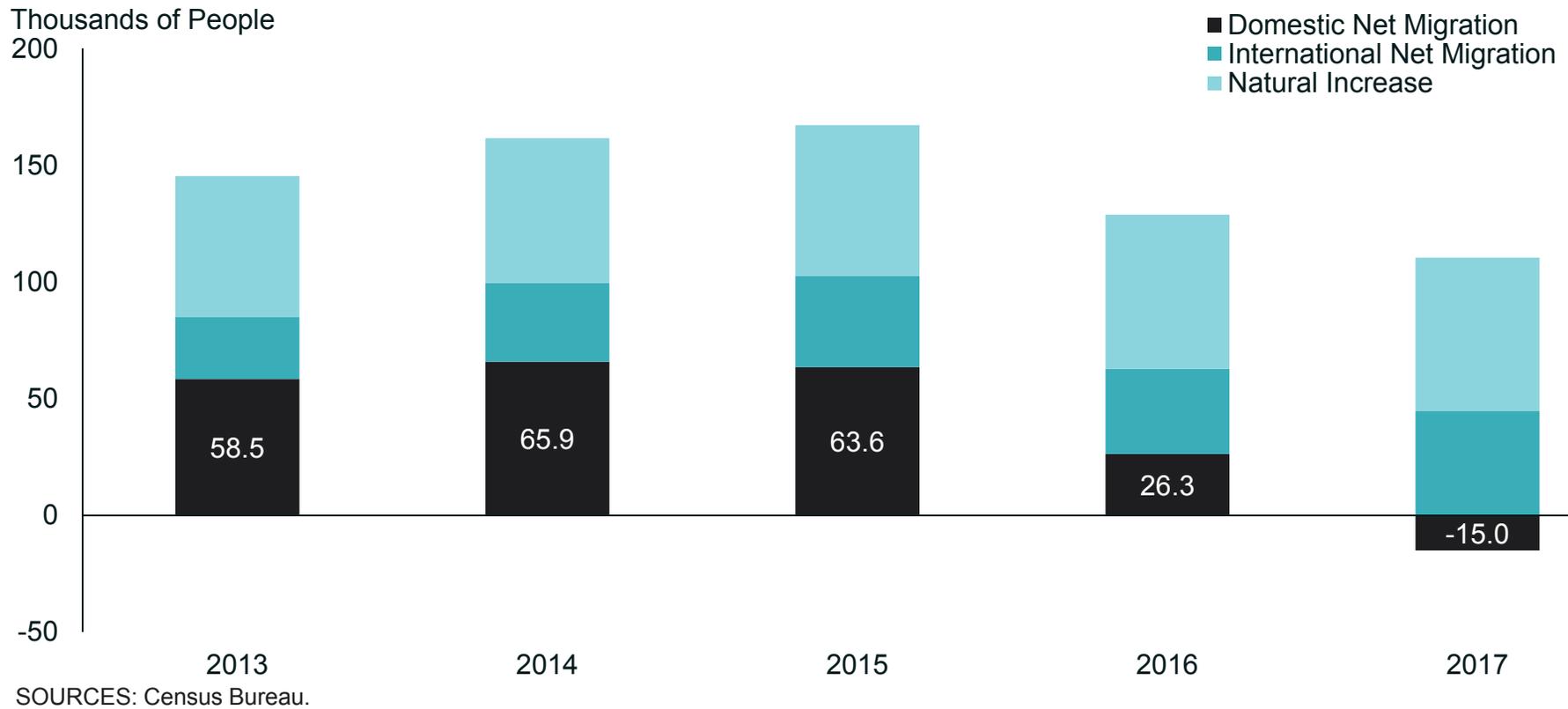
Employment: Gulf Coast Metro Employment Plateaus in Oil Bust,



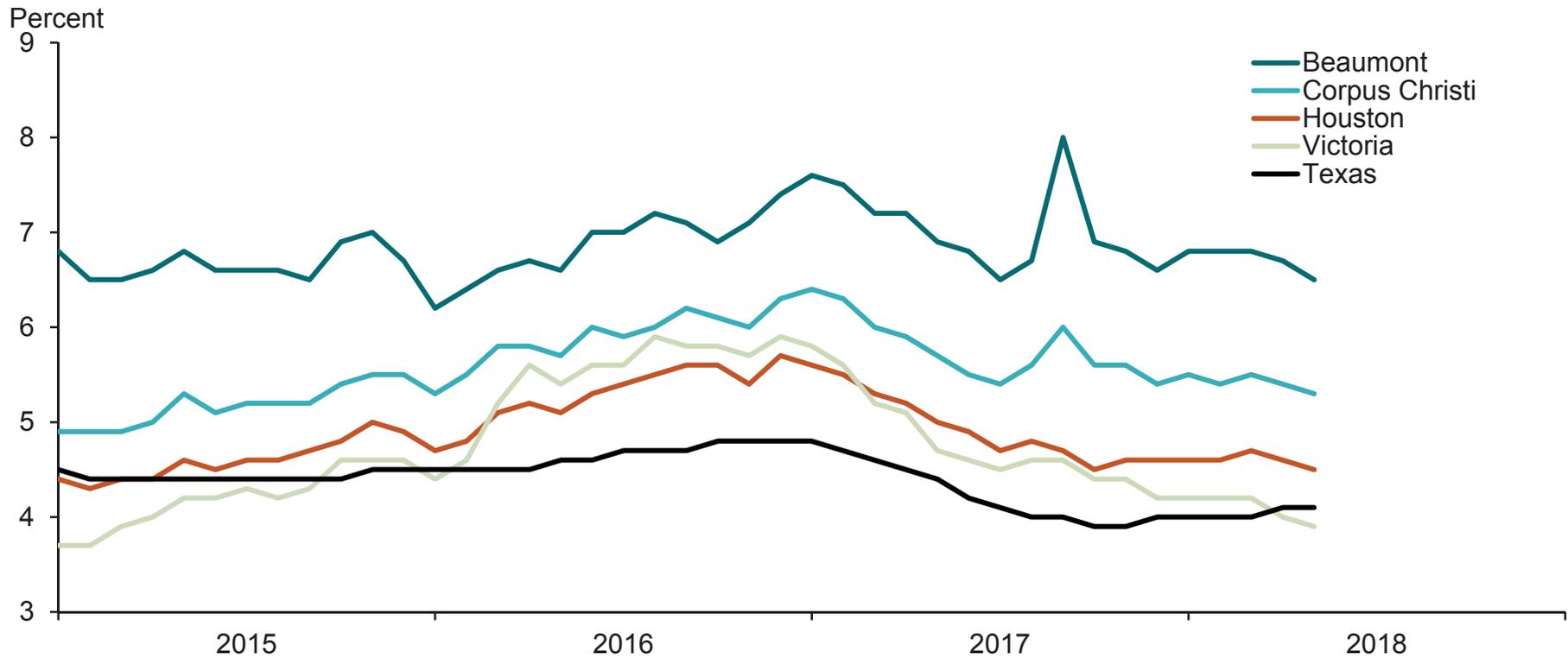
NOTE: Victoria data seasonally adjusted using x12.

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

Population: Gulf Coast growth slowed on domestic net migration in wake of oil bust.



Unemployment: Harvey impact bigger in Beaumont and Corpus Christi. Labor markets are tight.

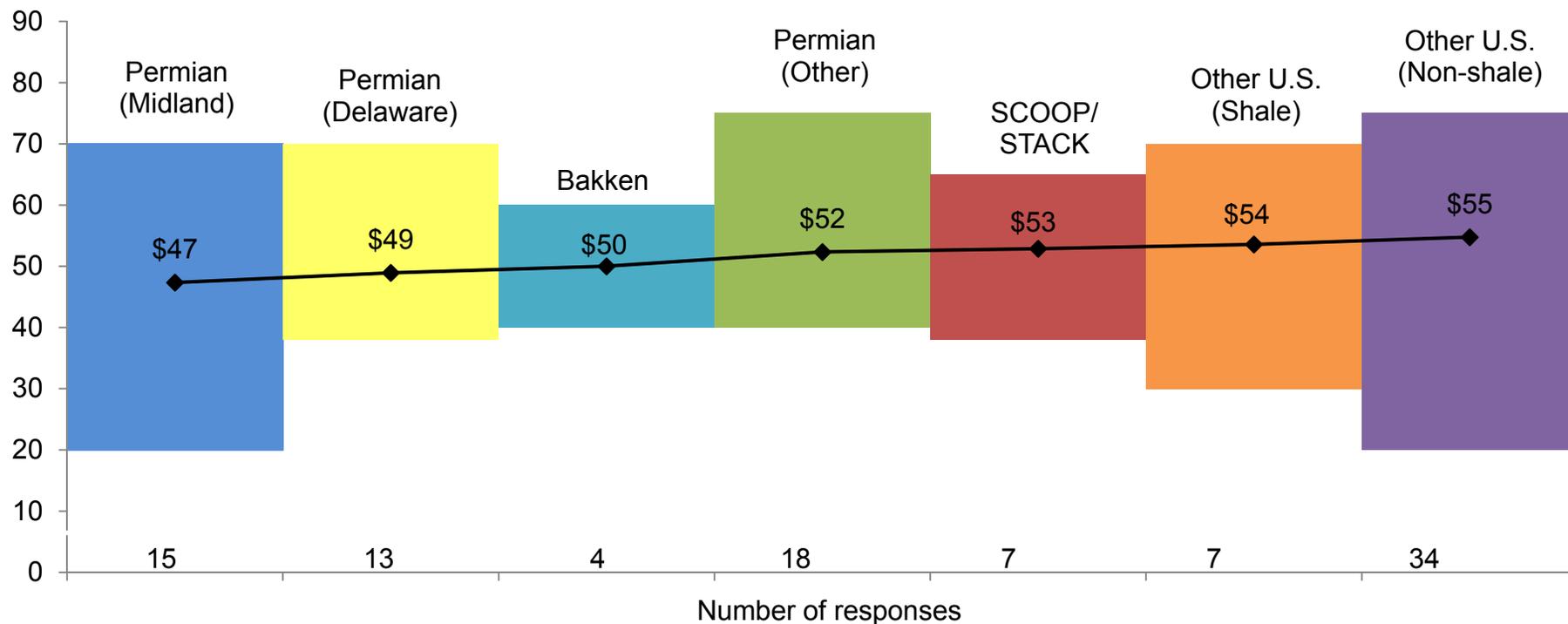


SOURCE: Bureau of Labor Statistics.

Energy

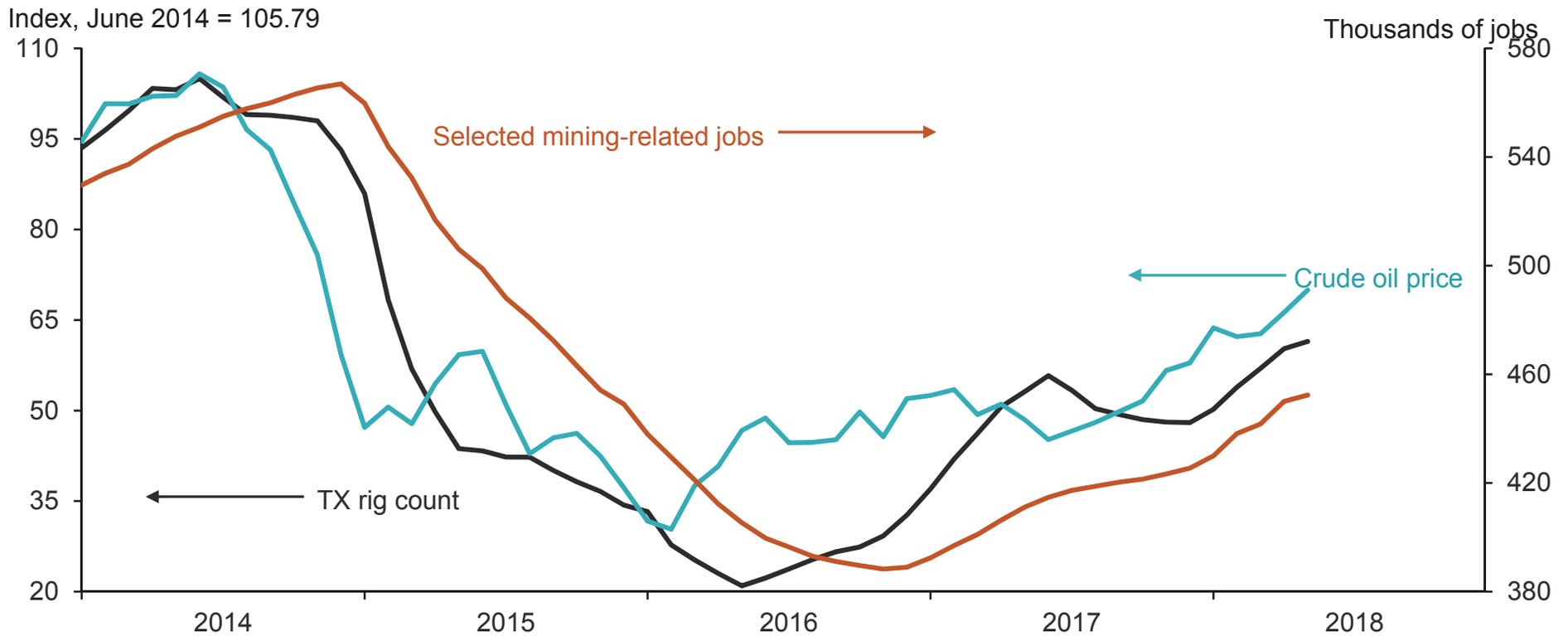
Energy Survey: “In the top two areas in which your firm is active: What WTI oil price does your firm need to profitably drill a new well?”

Dollars per barrel



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.

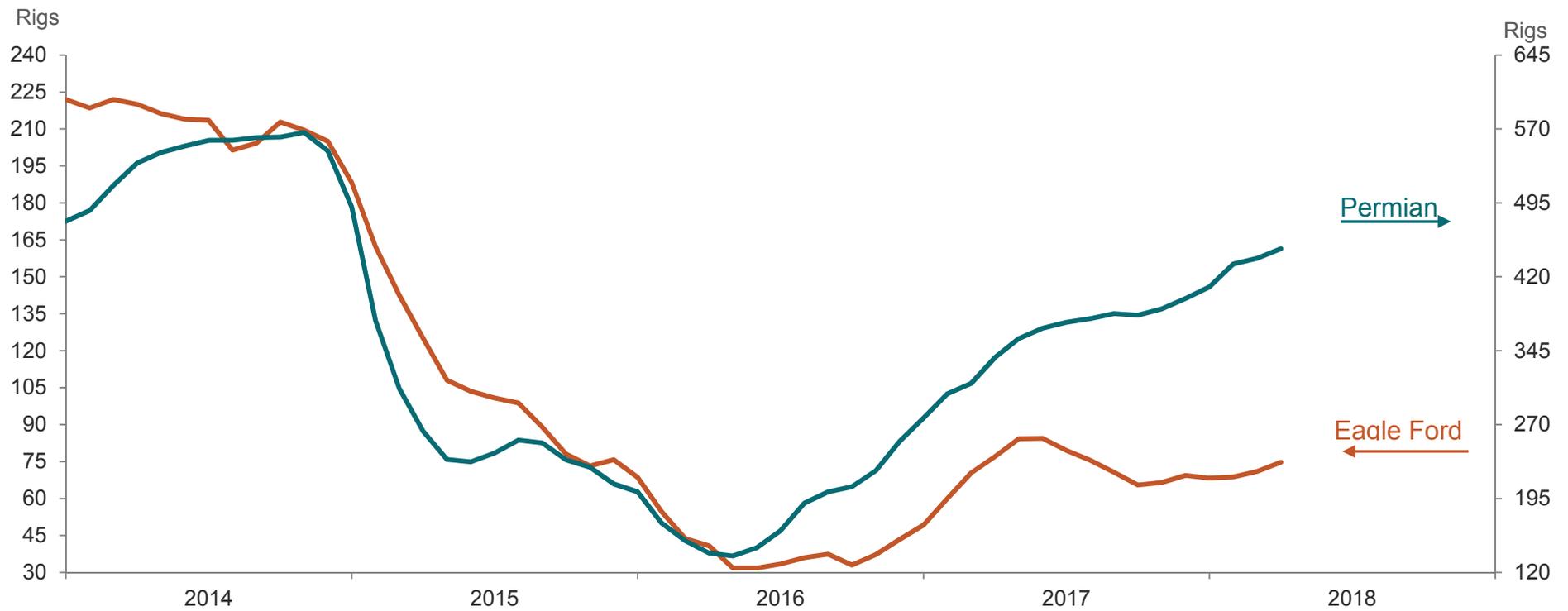
Energy Cycle: Texas Energy Recovery Continues



NOTES: Rig count and nominal price of West Texas Intermediate crude oil indexed to June 2014 = 105.79.

SOURCES: Energy Information Administration; Baker Hughes; Bureau of Labor Statistics; adjustments by the Dallas Fed.

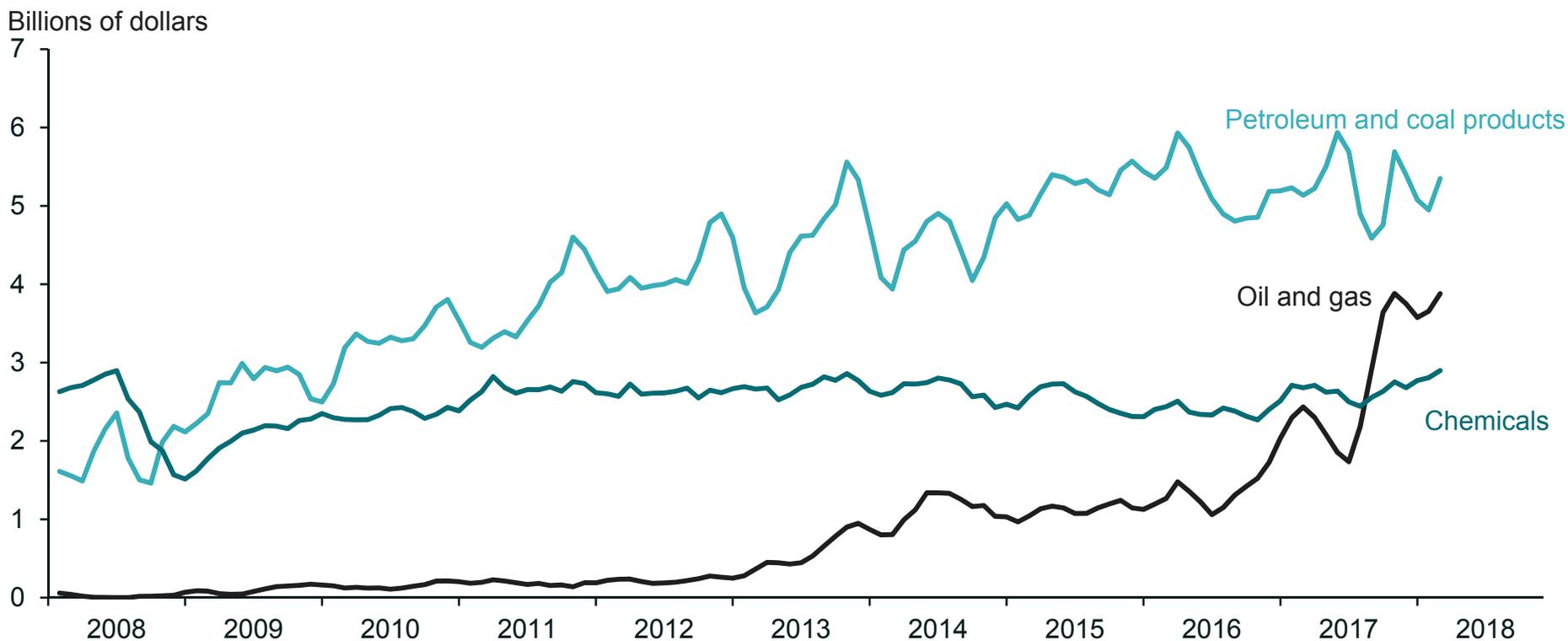
TX Oil Basins: Drilling activity up on higher prices.



SOURCE: Baker Hughes

Manufacturing Construction & Trade

Real Energy Exports: Oil and gas exports surging amidst elevated



NOTES: Data are for the Houston-Galveston and Port Arthur customs districts. Values are centered three-month moving-averages, adjusted to June 2014 dollars using NAICS export price indices.

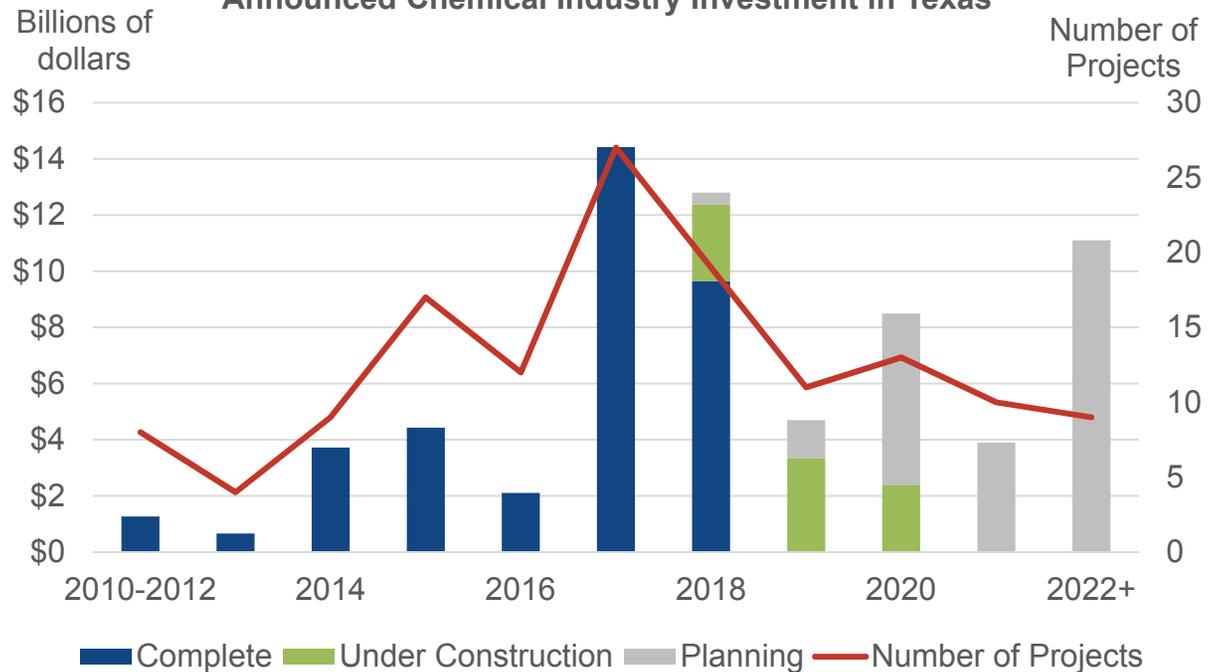
SOURCES: Census Bureau; Bureau of Labor Statistics.

Super-cycle of Chemical Investment Underway

139 *announced* projects valued at \$71 billion.

- 65% of projects are foreign direct investment (or include a foreign partner).
- “Second Wave” of construction deliveries scheduled for 2020.
- Some “Planning-stage” projects (gray bars) may not get built.

Announced Chemical Industry Investment in Texas



NOTE: Data as of June 2018
SOURCE: American Chemistry Council

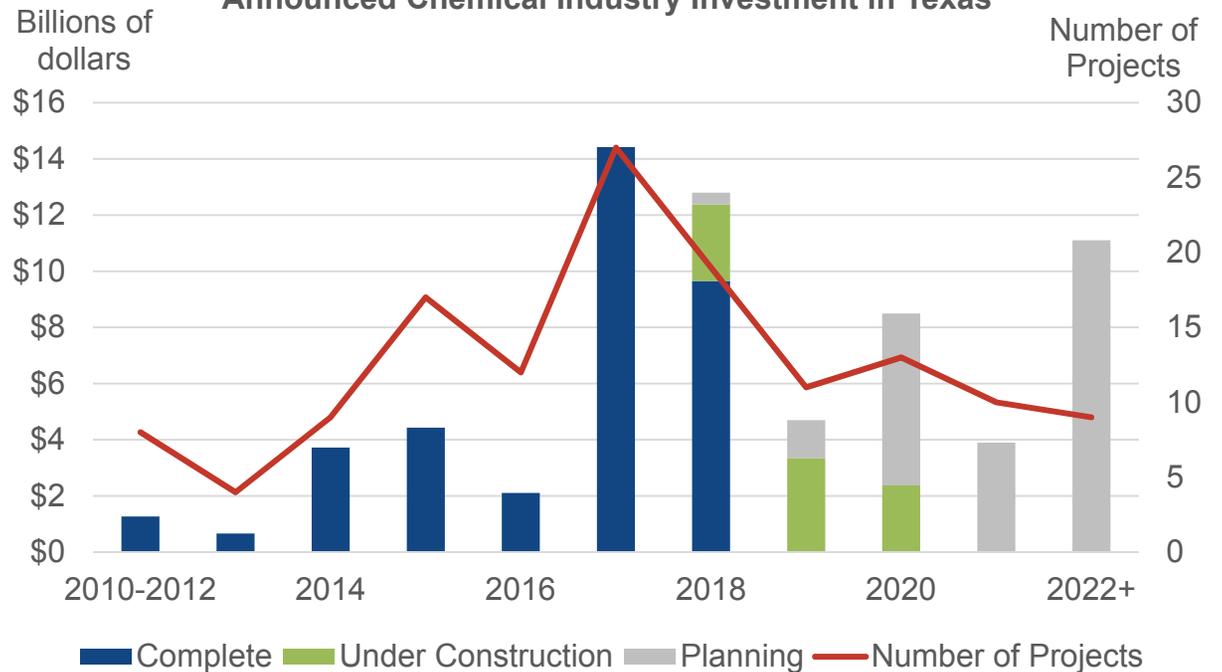
NOTE: The data is based on publicly available information, which is believed to be accurate, but have not been independently verified by ACC.
Source: American Chemistry Council analysis.

Super-cycle of Chemical Investment Underway

Chemical Construction-related job boom past its peak.

- Number and Value of new project *completions* Peaked in 2017.
- Peak was blunted due to Hurricanes and project delays.
- Midstream and refinery construction projects will absorb some of the construction jobs lost over the next two years

Announced Chemical Industry Investment in Texas



*As of 2018:Q2

SOURCE: American Chemistry Council

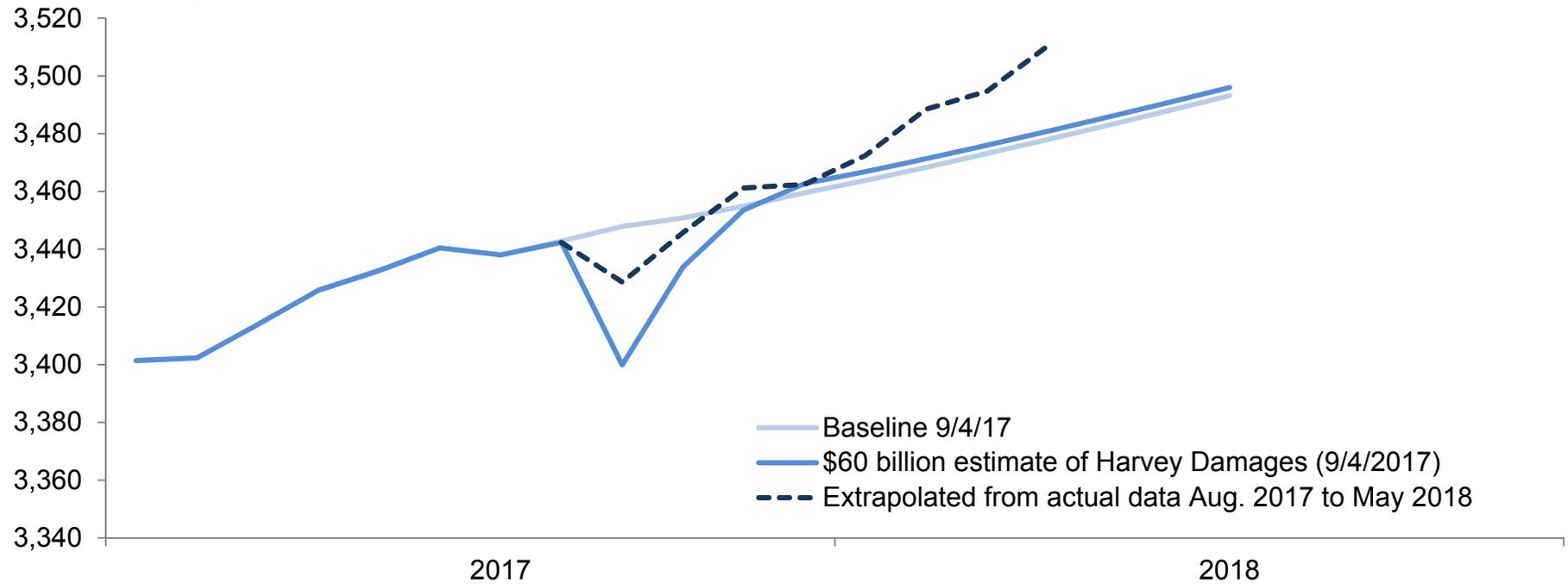
NOTE: The data is based on publicly available information, which is believed to be accurate, but have not been independently verified by ACC.

Source: American Chemistry Council analysis.

Hurricane Harvey

Hurricane Harvey: Impact smaller than expected, growth well above Sept. 2017 projections

Thousands of jobs, SA



NOTE: Gulf Coast includes the Houston, Beaumont-Port Arthur, Victoria, and Corpus Christi MSAs.

SOURCES: Bureau of Labor Statistics; National Oceanic and Atmospheric Administration; authors' calculations.

Construction Job Growth: Hurricane Harvey keeping construction job growth elevated.



NOTES: Numbers in parentheses represent share of total Houston employment. Shares are rounded.

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



Federal Reserve
Bank of Dallas

The Texas Gulf Coast

Overview and Outlook

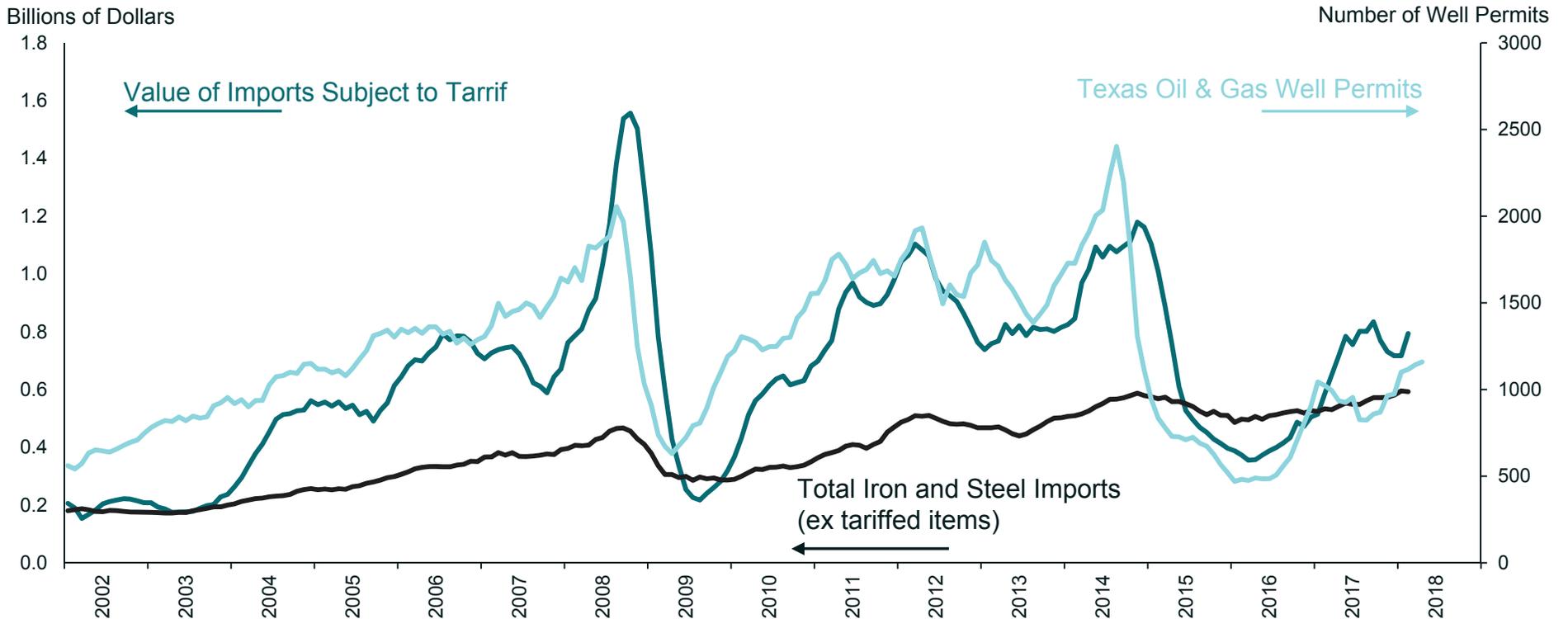
Jesse Thompson

Federal Reserve Bank of Dallas – Houston Branch

6/2018

The views expressed in this presentation are strictly those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Dallas or the Federal Reserve System.

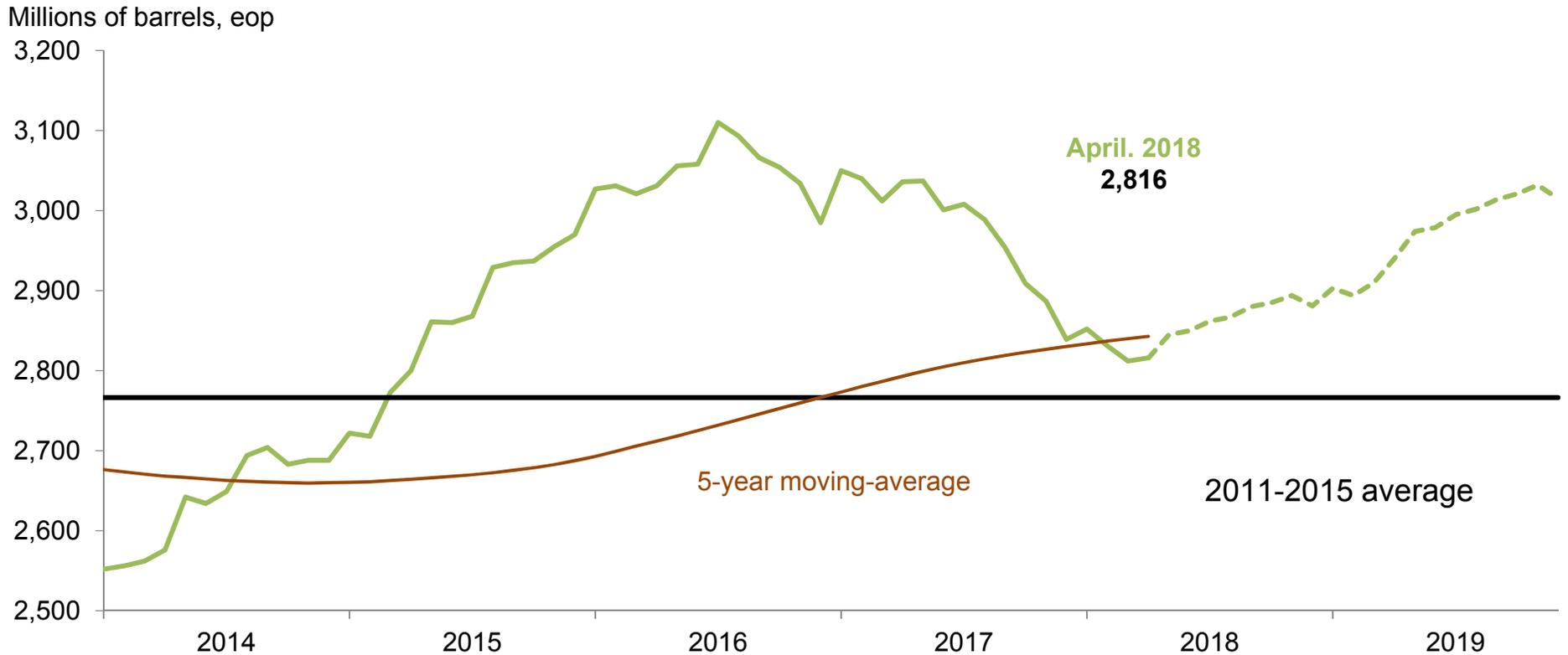
TX Imports of Iron & Steel: Tariff applies to significant share of imports, correlated with recent well permits



NOTES: Data are seasonally adjusted, three-month centered moving-averages.

SOURCES: Census Bureau data accessed June 8th 2018.

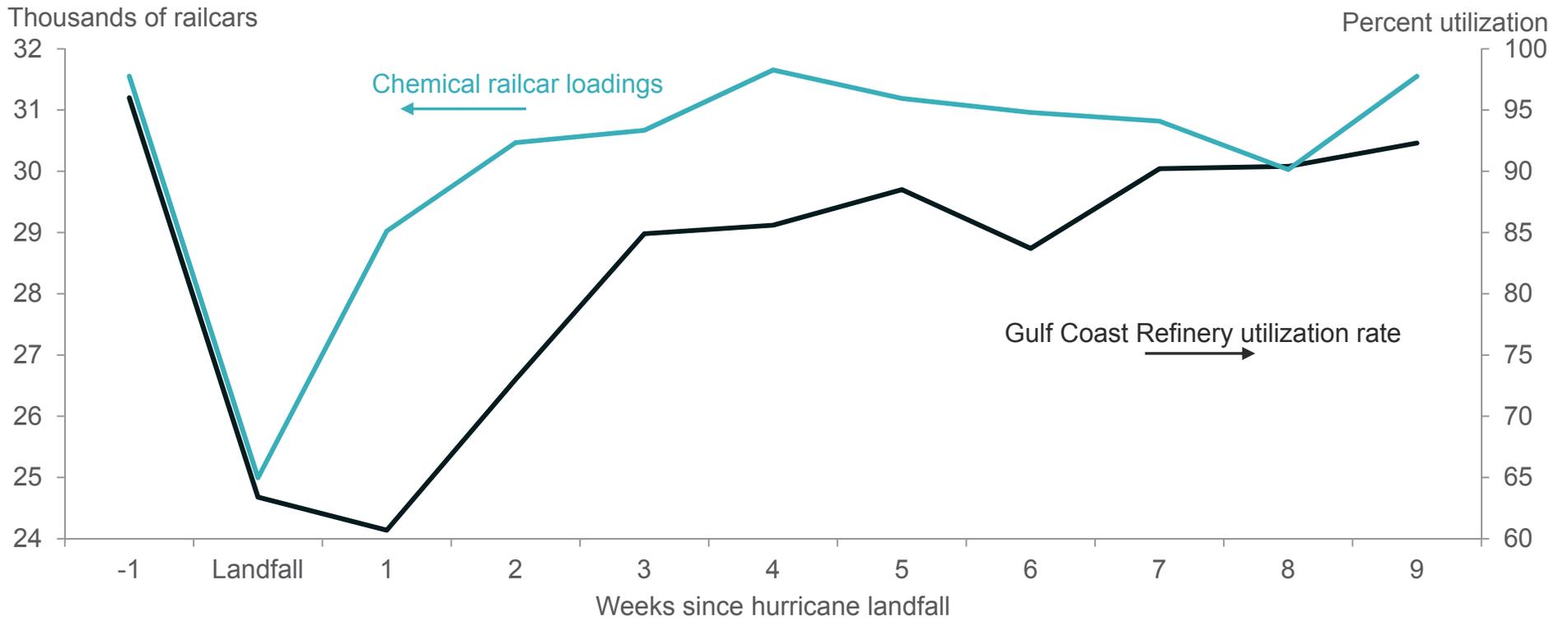
OECD Stocks: Petroleum & Other Liquids Inventories Level Below 5-yr moving average.



NOTE: Dashed line is a forecast.

SOURCE: Energy Information Administration.

Downstream Activity: Recovered from Harvey in a few weeks.



SOURCES: Association of American Railroads; Energy Information Administration.