



FEDERAL RESERVE BANK *of* DALLAS  
SAN ANTONIO BRANCH

**2016 Texas Economic Outlook:  
Riding the Energy Roller Coaster**  
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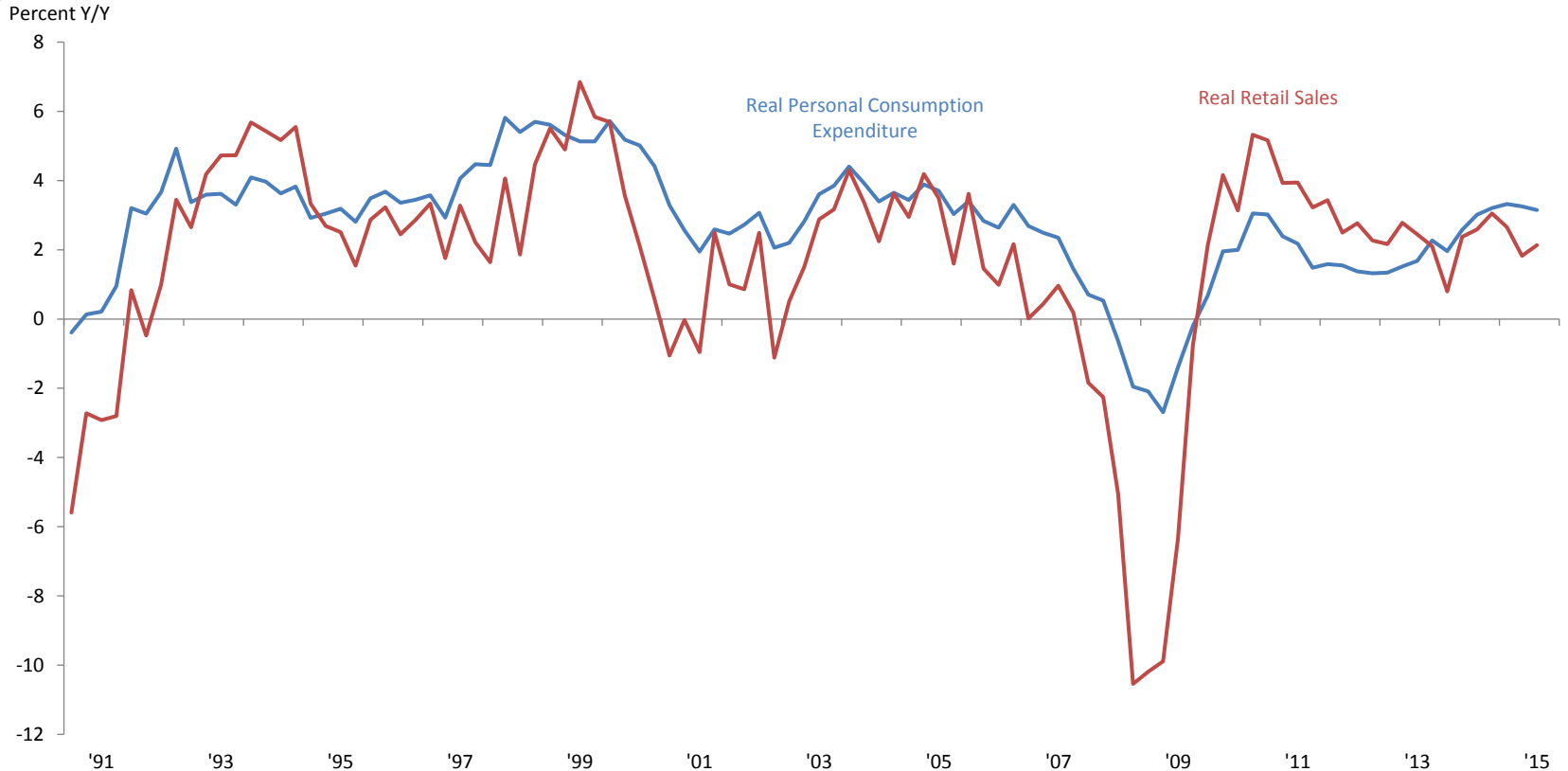


## National Economy Slowed Slightly in 2015

- Job growth slowed from 2.3% in 2014 to 1.9% in 2015, while RGDP growth likely slowed from 2.5% to 2.1%.
- Manufacturing sector hit by global weakness and strong dollar.
- Health care sector picked up with greater insurance coverage. Retail and leisure and hospitality remained healthy, but positive impact of lower energy prices smaller than expected.
- RGDP expected to pick up slightly in 2016.



# 2015 Consumer Spending Weaker Than Expected

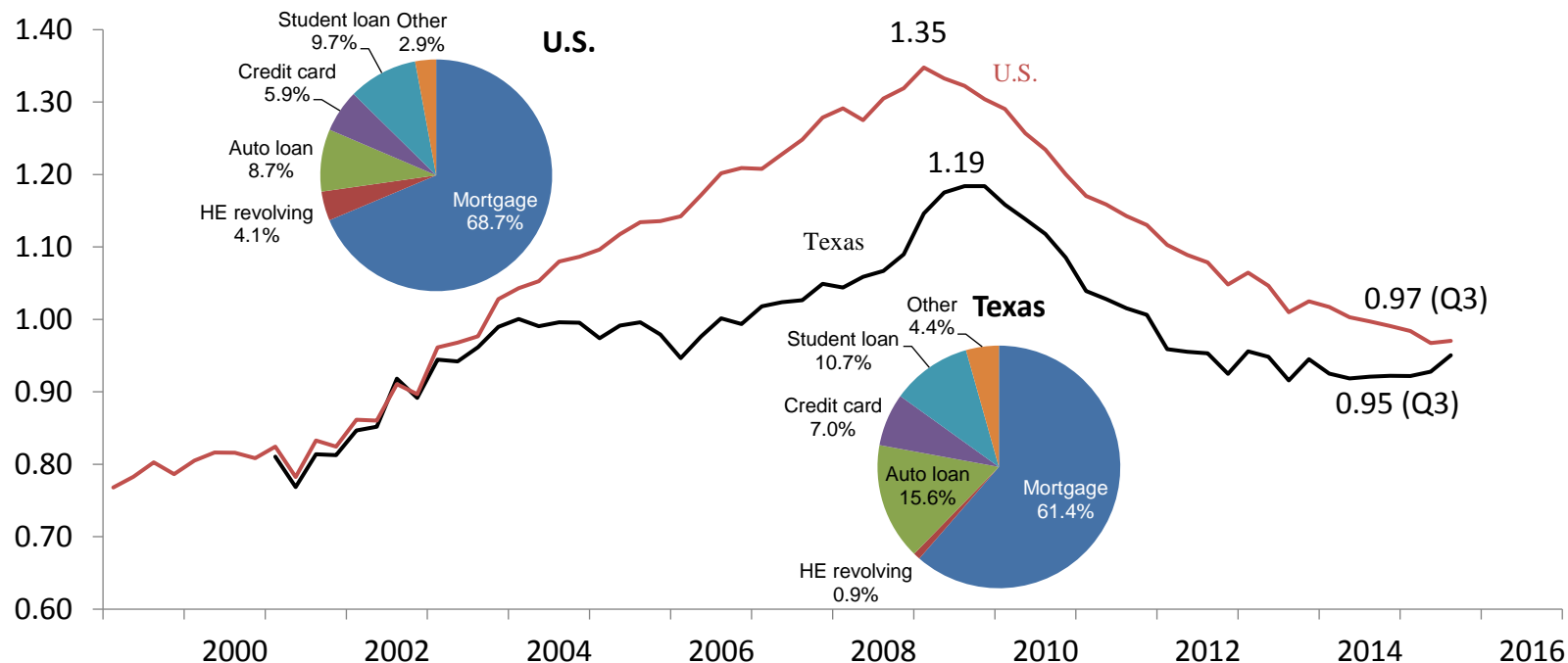


Sources: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis.



# U.S. Households Reduced Debt

Ratio, personal debt per capita/personal income per capita

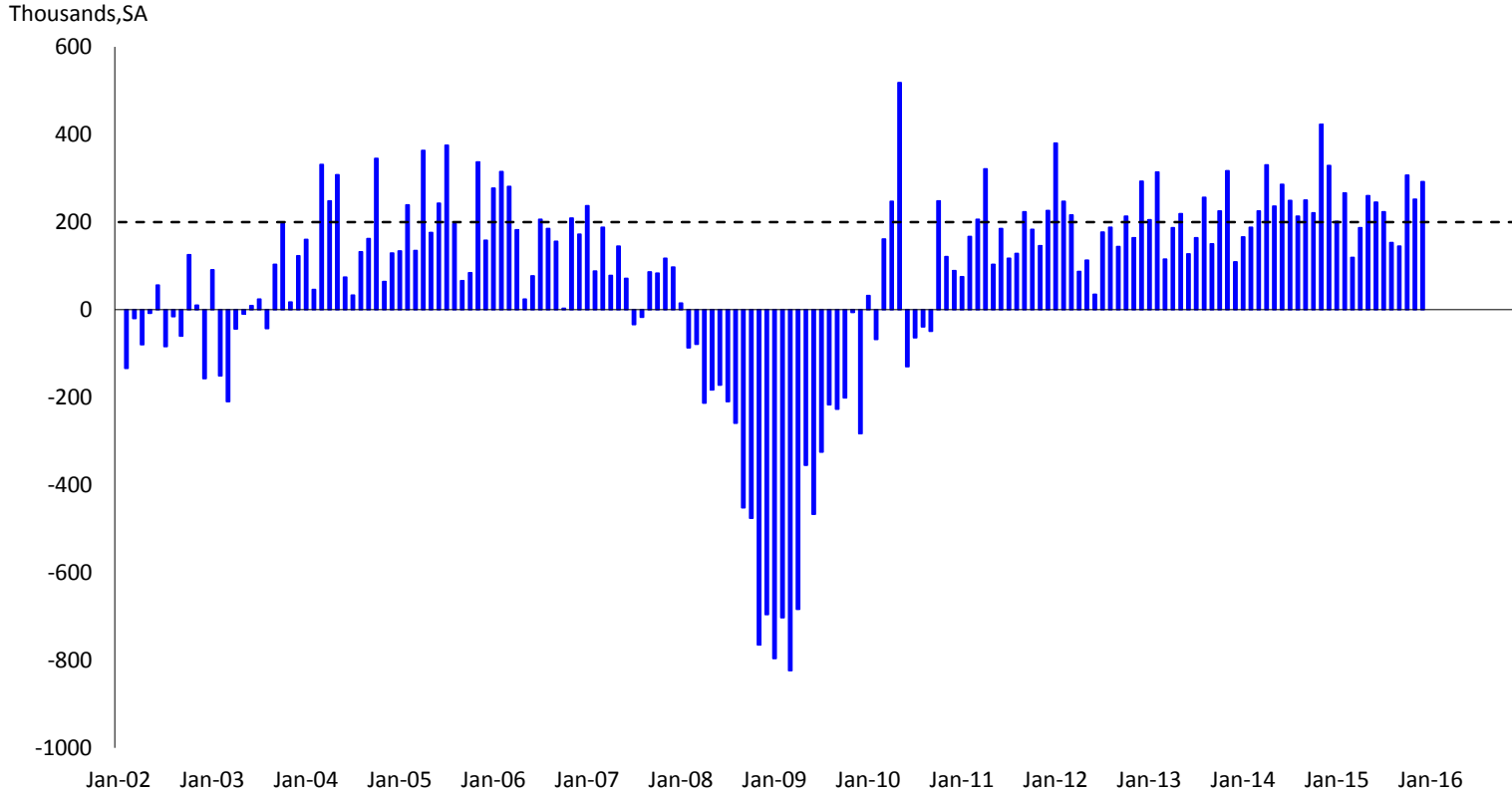


Note: Data are through third quarter 2015, except where noted.

Sources: Federal Reserve Bank of New York, Bureau of Economic Analysis.



# Average Job Growth of 221K per Month in 2015 After 260K in 2014 (1.9% vs 2.3%)

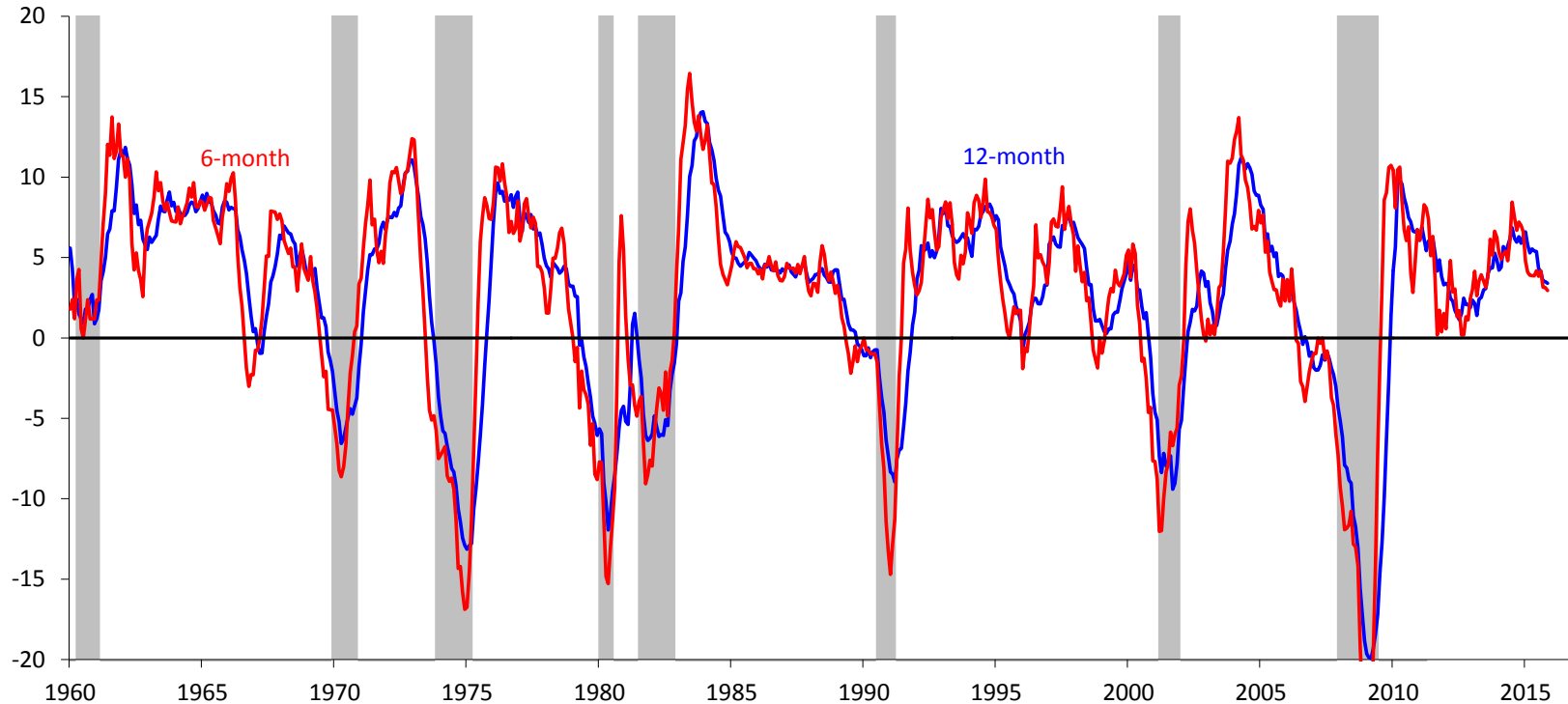


Source: Bureau of Labor Statistics



# U.S. Leading Index Suggesting Healthy Growth in Months Ahead

Percent change, annualized

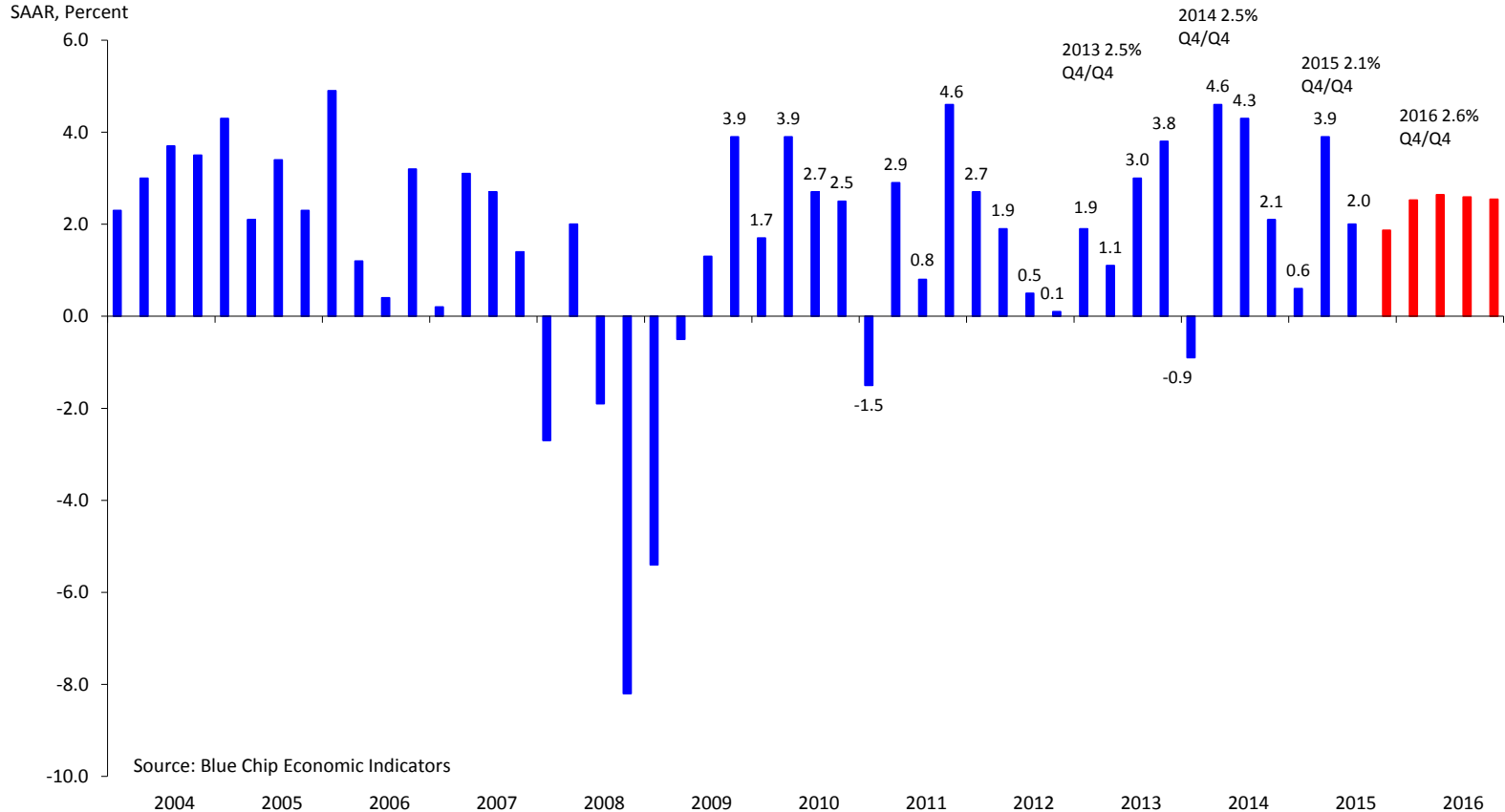


Note: Shaded areas represent U.S. recessions.

Source: Conference Board, Federal Reserve Bank of Dallas



# January Blue Chip Survey Projects 2.1% RGDP Growth in 2015 and 2.6% in 2016





## Texas Economy Weakened Sharply in 2015 but Continued to Add Jobs

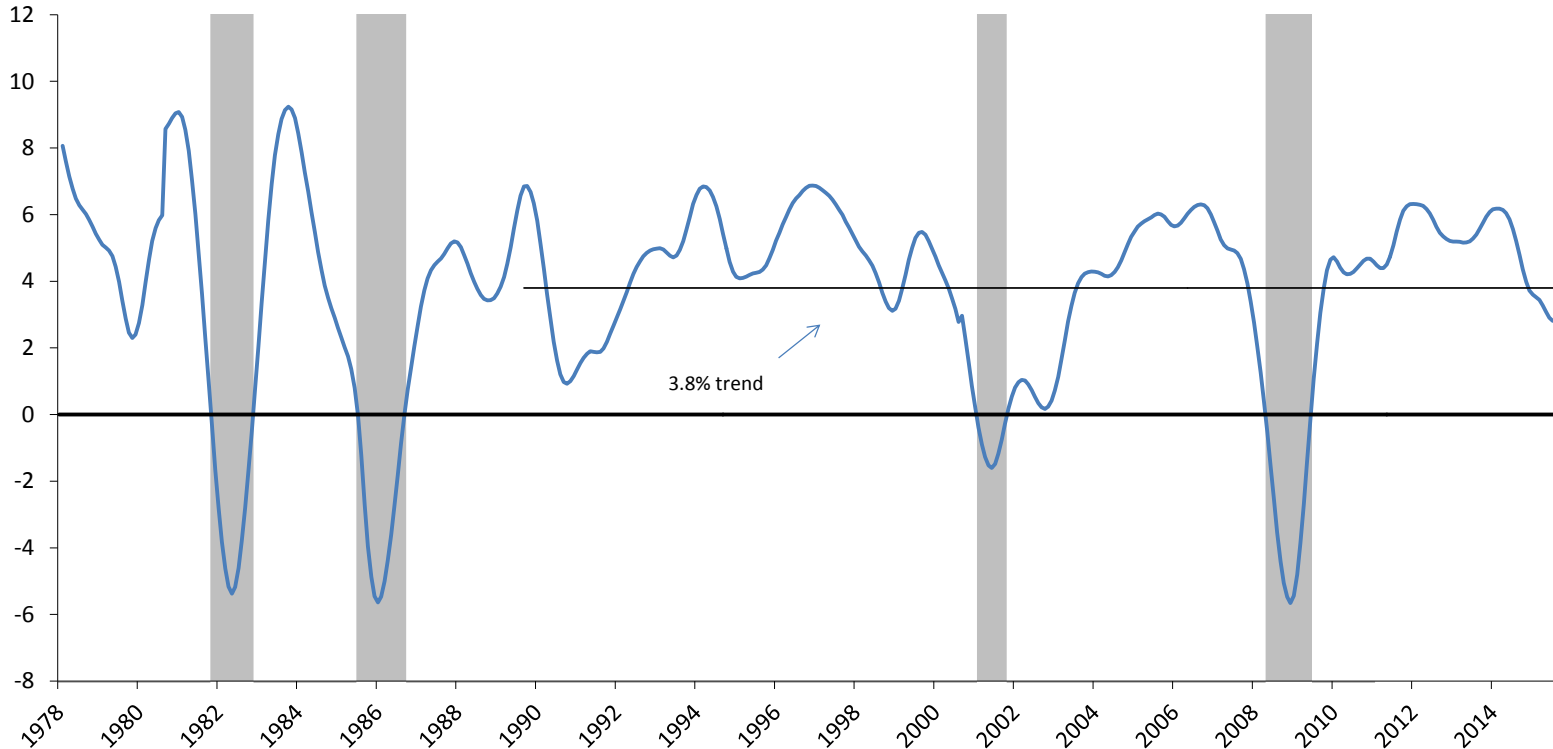
- In five years prior to 2015, growth in energy, construction and exports provided a strong stimulus to Texas.
- In 2015, low oil prices, strong dollar and labor market tightness reduced job growth.
- Health care and leisure and hospitality remained strong—offsetting some of the weakness in energy and manufacturing.
- In 2015, jobs grew about 1.3% (150,500 jobs), a drop from 3.6% in 2014. In 2016, if oil prices remain near \$40 - \$50, growth will be around 1.4% (161,200 jobs).





# Texas Economic Growth Below Trend but Positive (Texas Business Cycle Index)

Percent, M/M SAAR



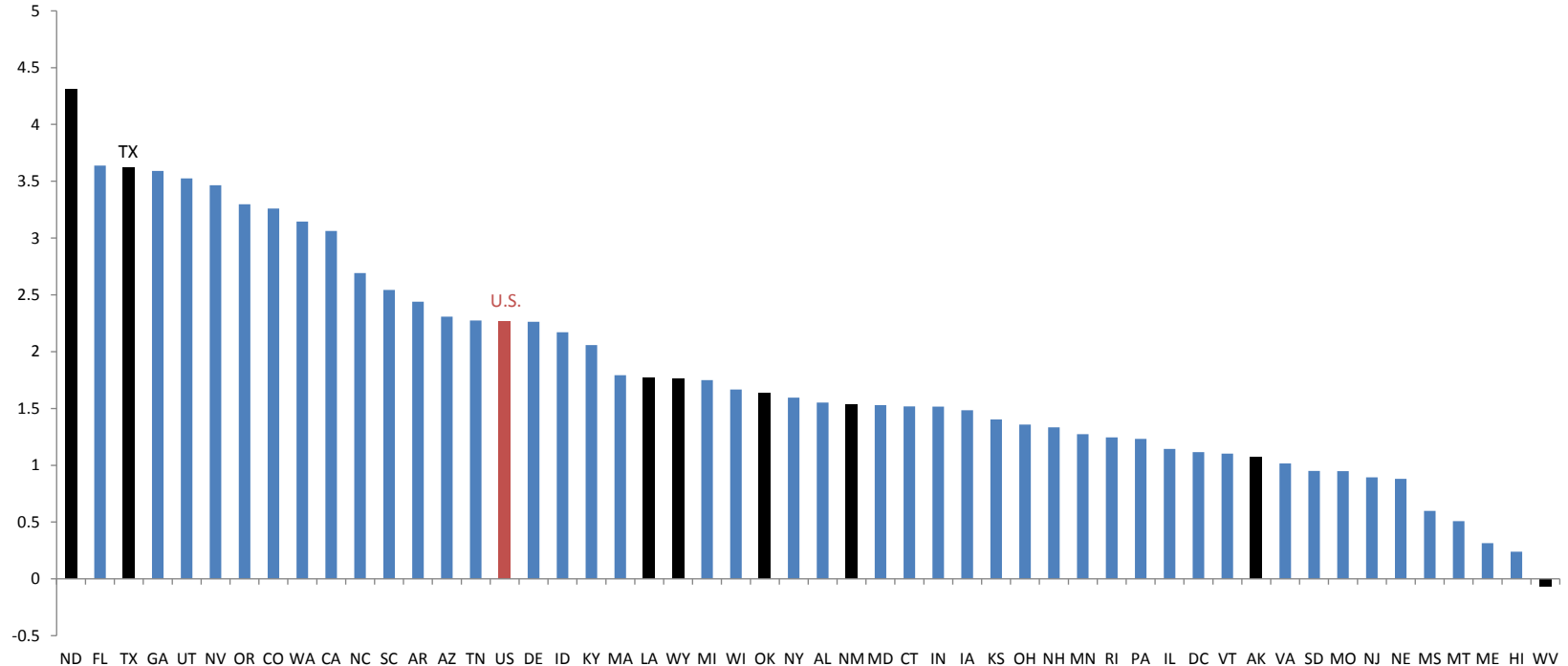
Note: Shaded areas represent Texas recessions

Source: Federal Reserve Bank of Dallas



# Texas Ranked Third in Job Growth in 2014, Growth in Energy States Varied Widely

Percent Change,  
Dec. 2013 - Dec. 2014



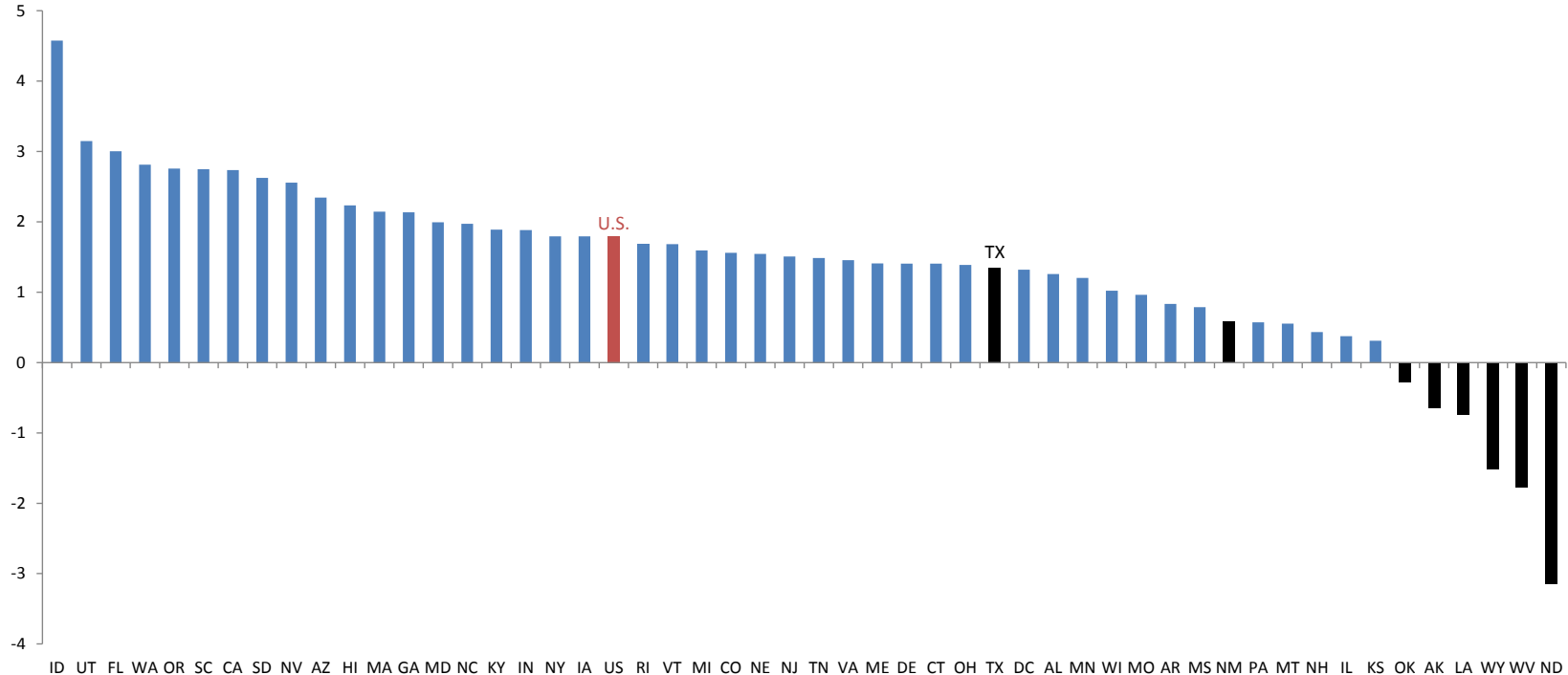
Note: Black bars represent large energy-producing states.

Source: Bureau of Labor Statistics



# Texas Ranked 32<sup>nd</sup> in Job Growth in 2015, but Above Most Energy States

Annualized Percent Change,  
Dec. 2014 - Nov. 2015



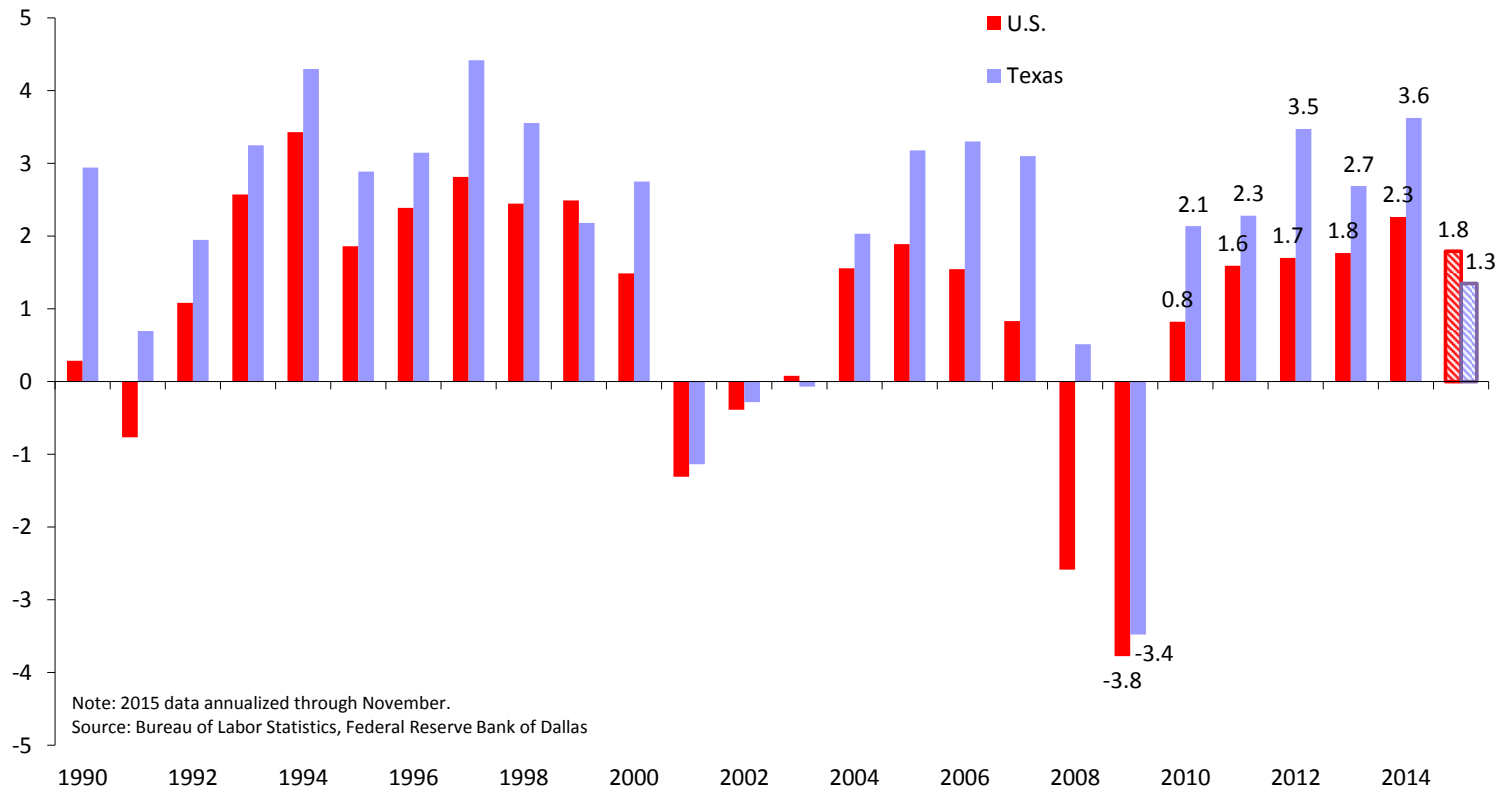
Note: Black bars represent large energy-producing states.

Source: Bureau of Labor Statistics



# 2015 Texas Job Growth Less Than the Nation's

Percent, Job Growth  
Y/Y



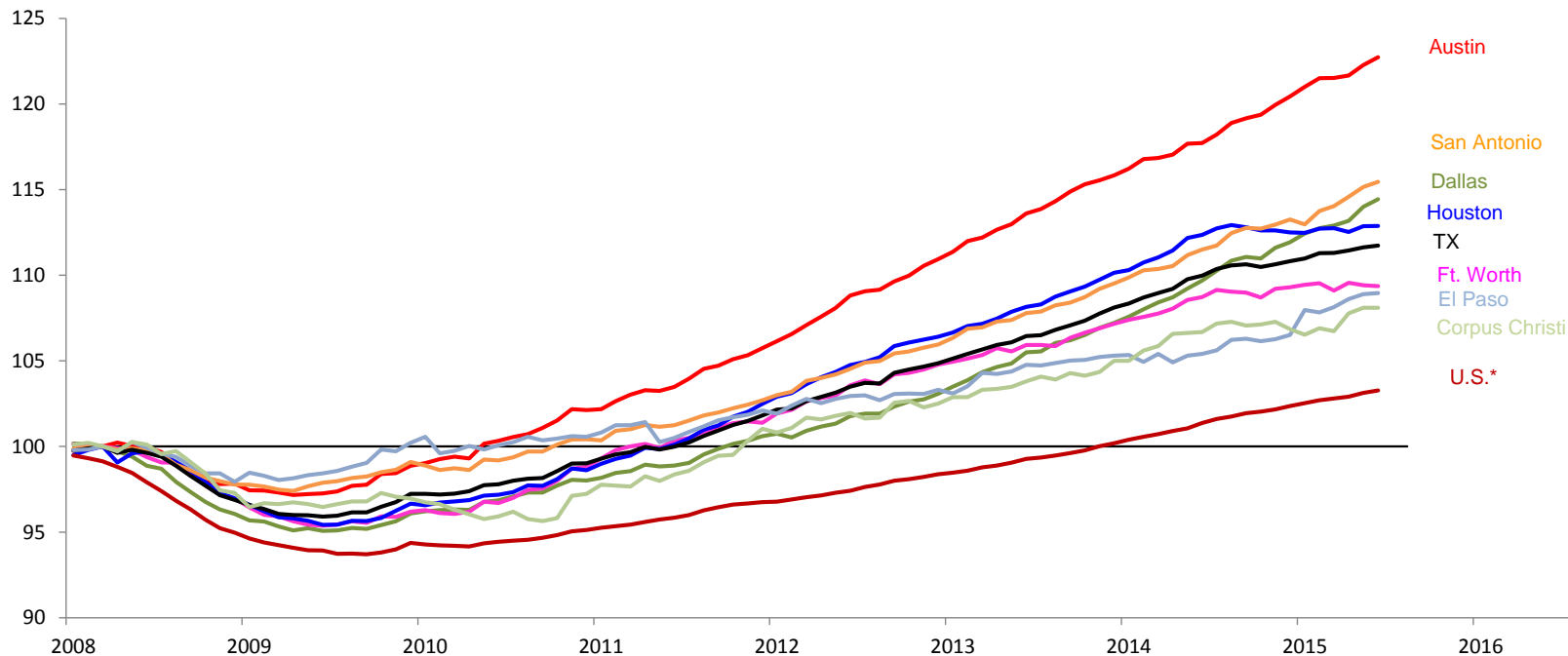
Note: 2015 data annualized through November.

Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas



# Job Growth Has Been Broad-Based Across Large Texas Metro Areas

Nonfarm Employment Index  
Aug. 2008=100

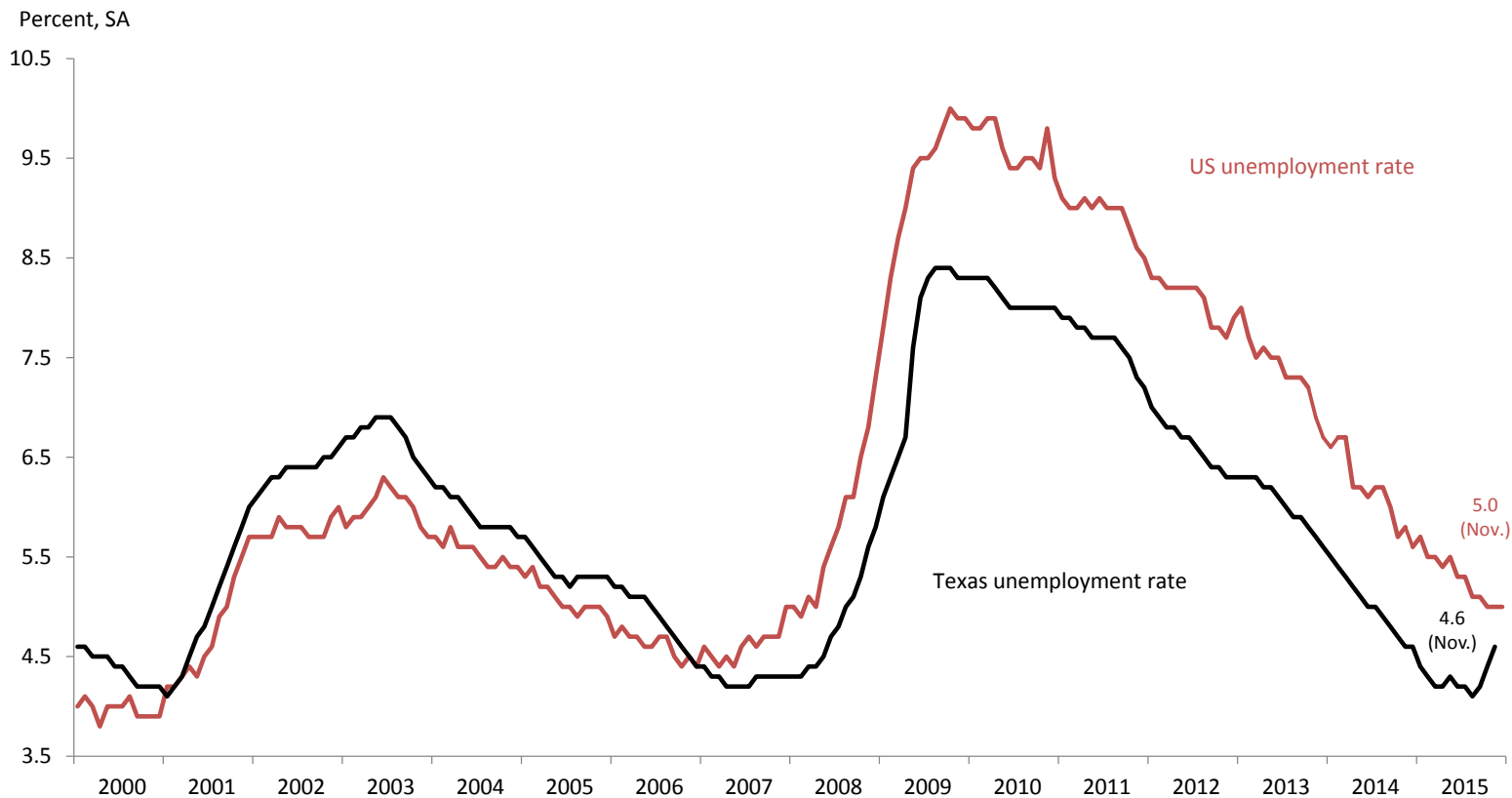


\*Indexed from U.S. Peak Employment in January 2008

Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas



# Texas Unemployment Rate Still Below Nation's but Rising



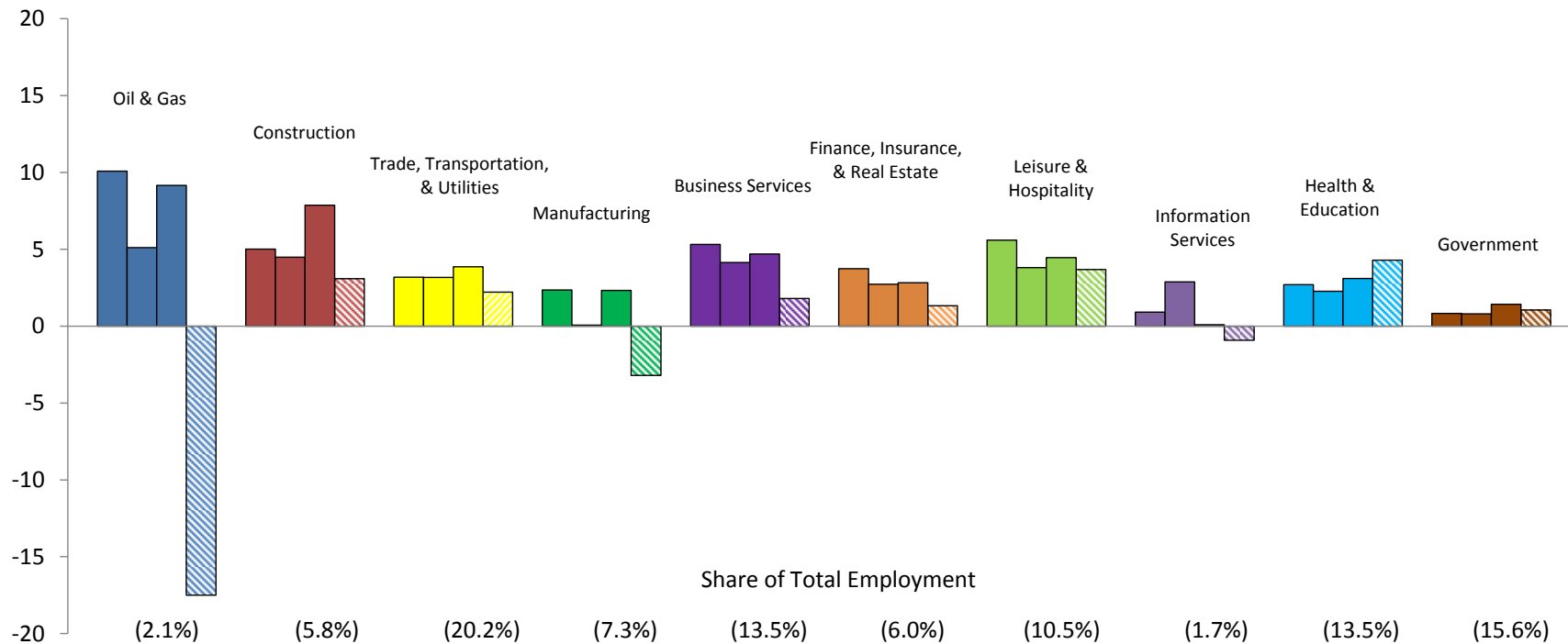
Source: Bureau of Labor Statistics.



# Energy & Manufacturing Weakened Sharply in 2015

Dec/Dec  
Percent Change

(Job Growth 2012-2015)

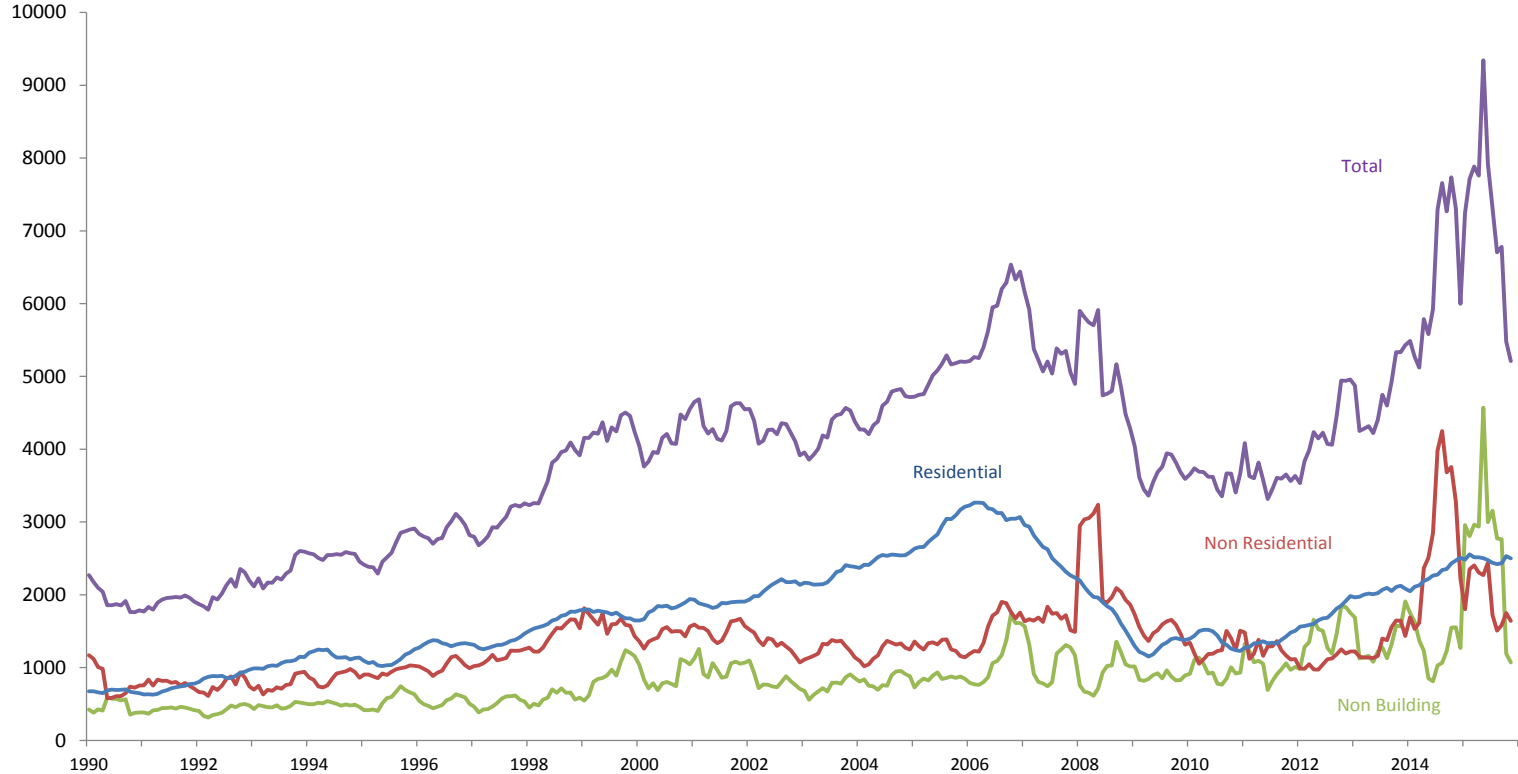


Note: Striped bars represent Dec. 2014 - Nov. 2015 annualized change  
Sources: Bureau of Labor Statistics, Federal Reserve Bank of Dallas



# Texas Construction Contracts Strong in 2015

Real \$, Mil  
5MMA, SA

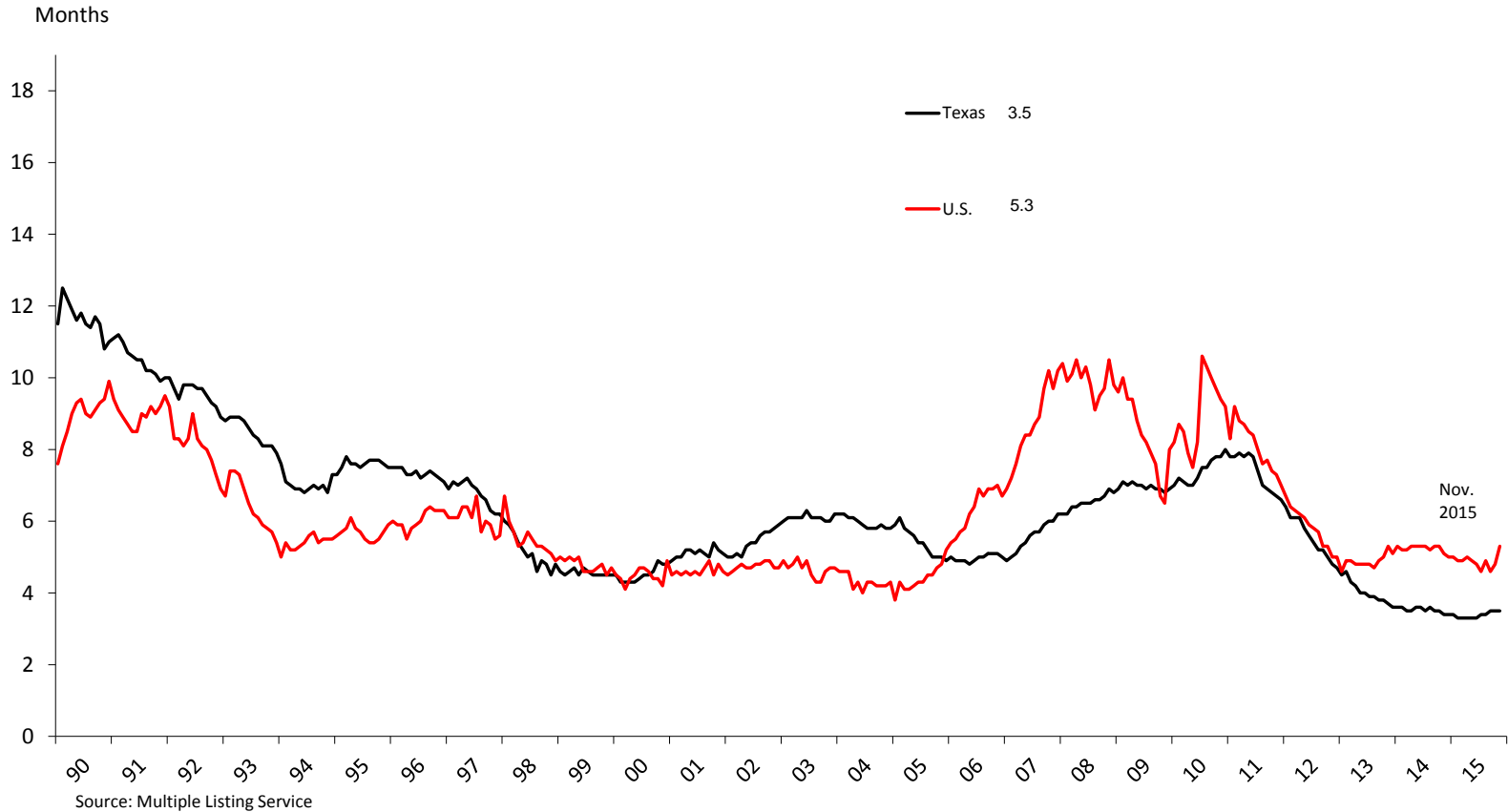


Sources: F.W. Dodge, Federal Reserve Bank of Dallas



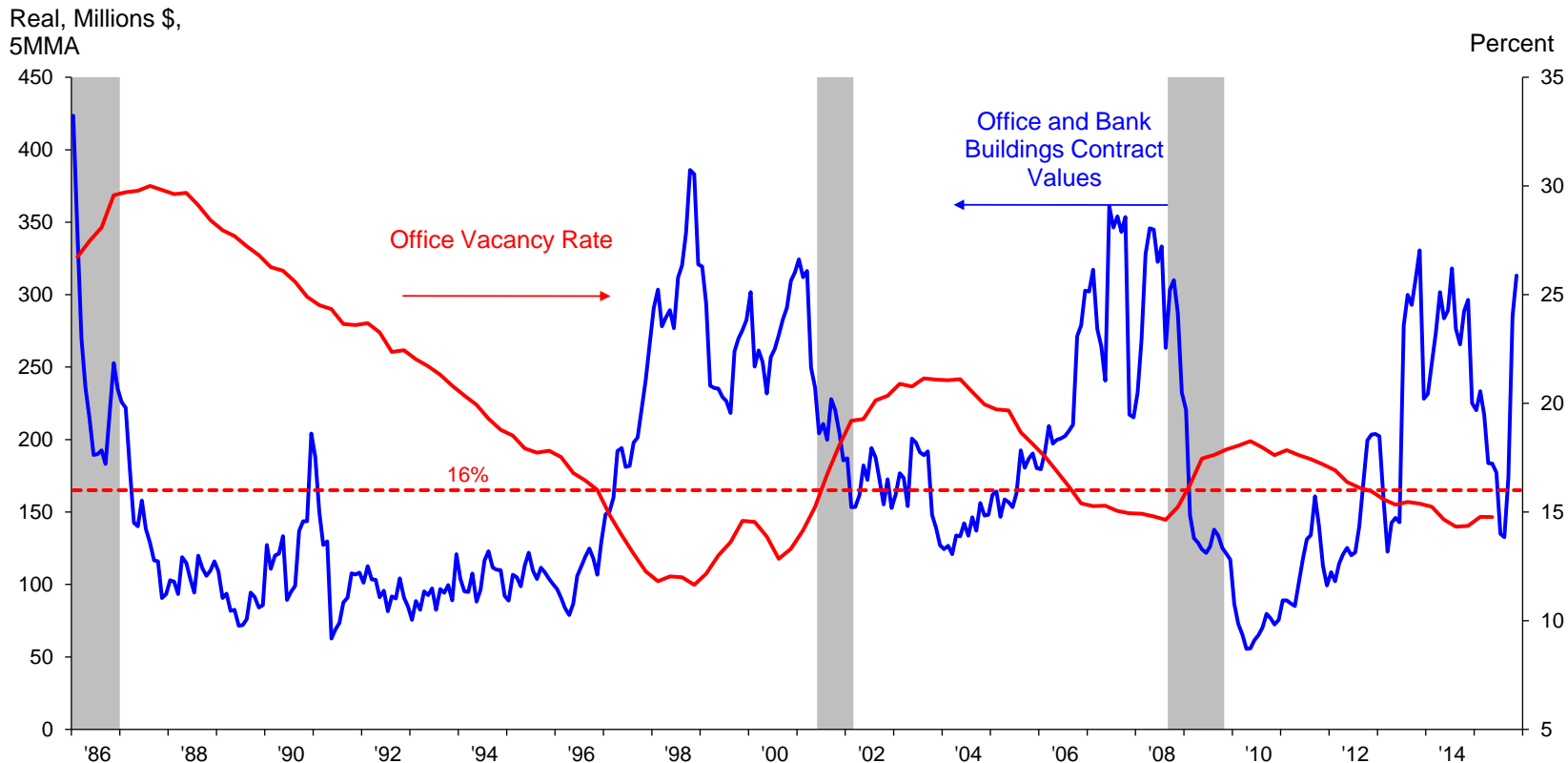


# Texas Home Inventories Remain Near Historically Low Levels





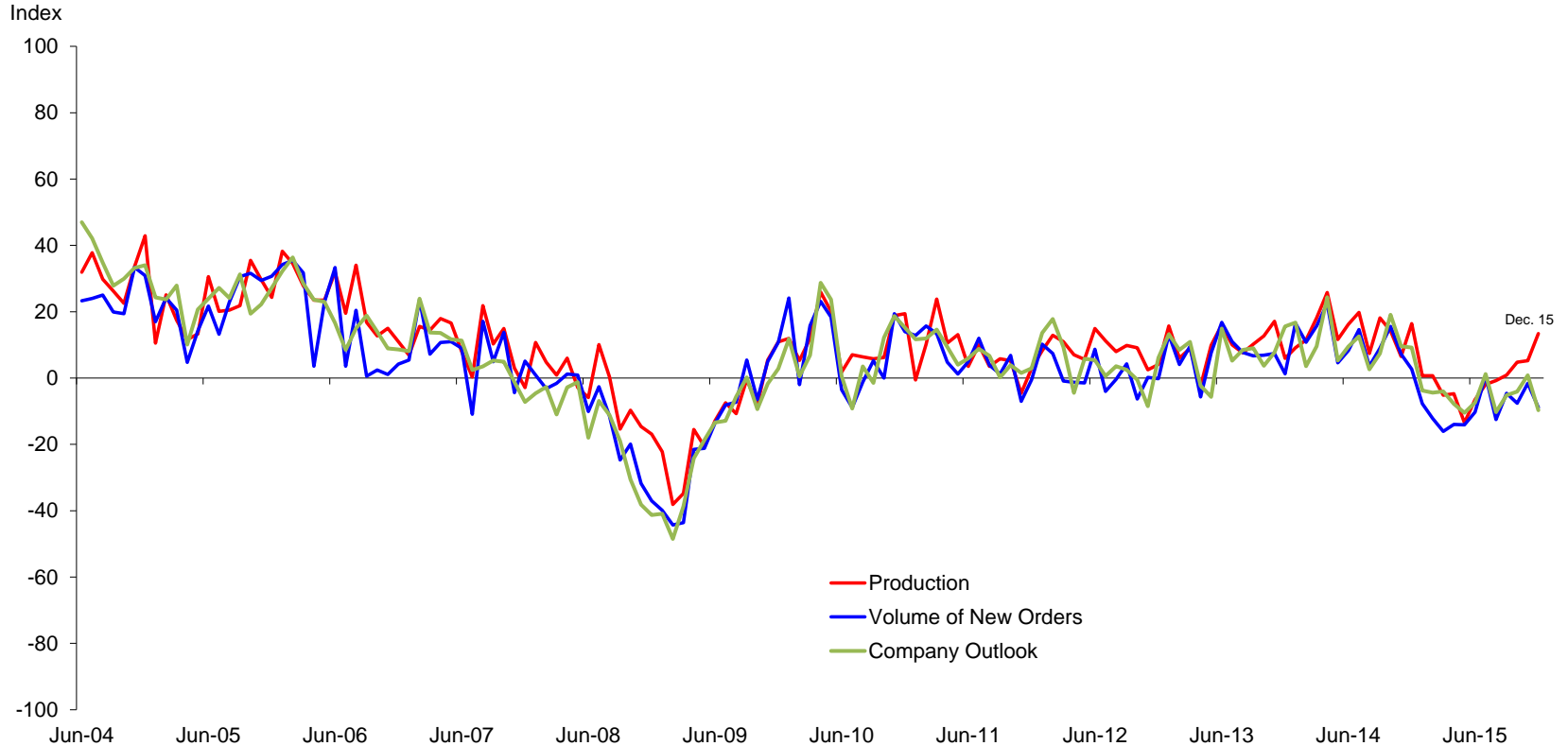
# Texas Office Markets Remain Healthy



Note: Shaded areas represent Texas recessions  
Sources: F.W. Dodge, CBRE, Federal Reserve Bank of Dallas



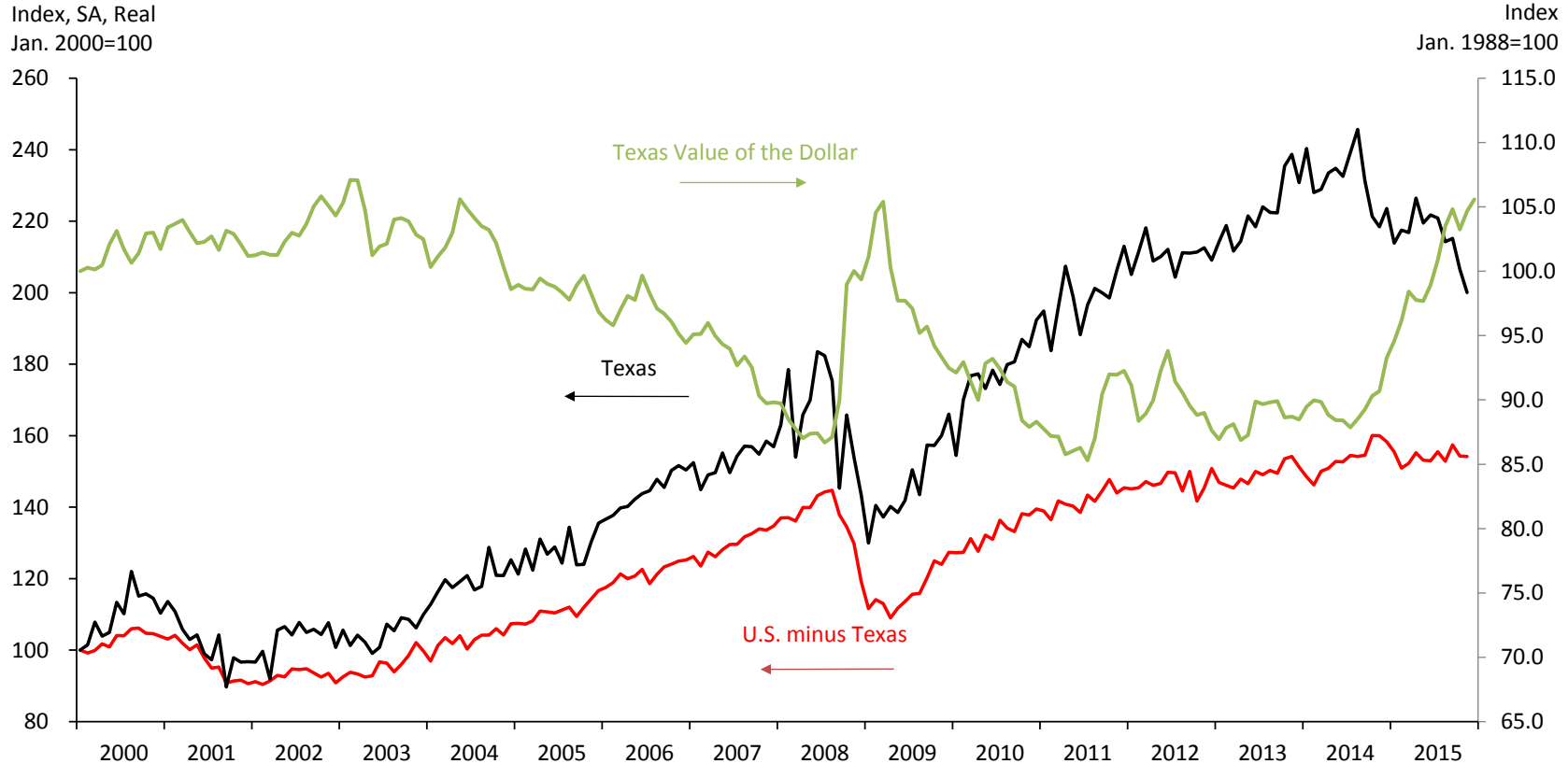
# Texas Manufacturing Indicators Mixed



Source: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey



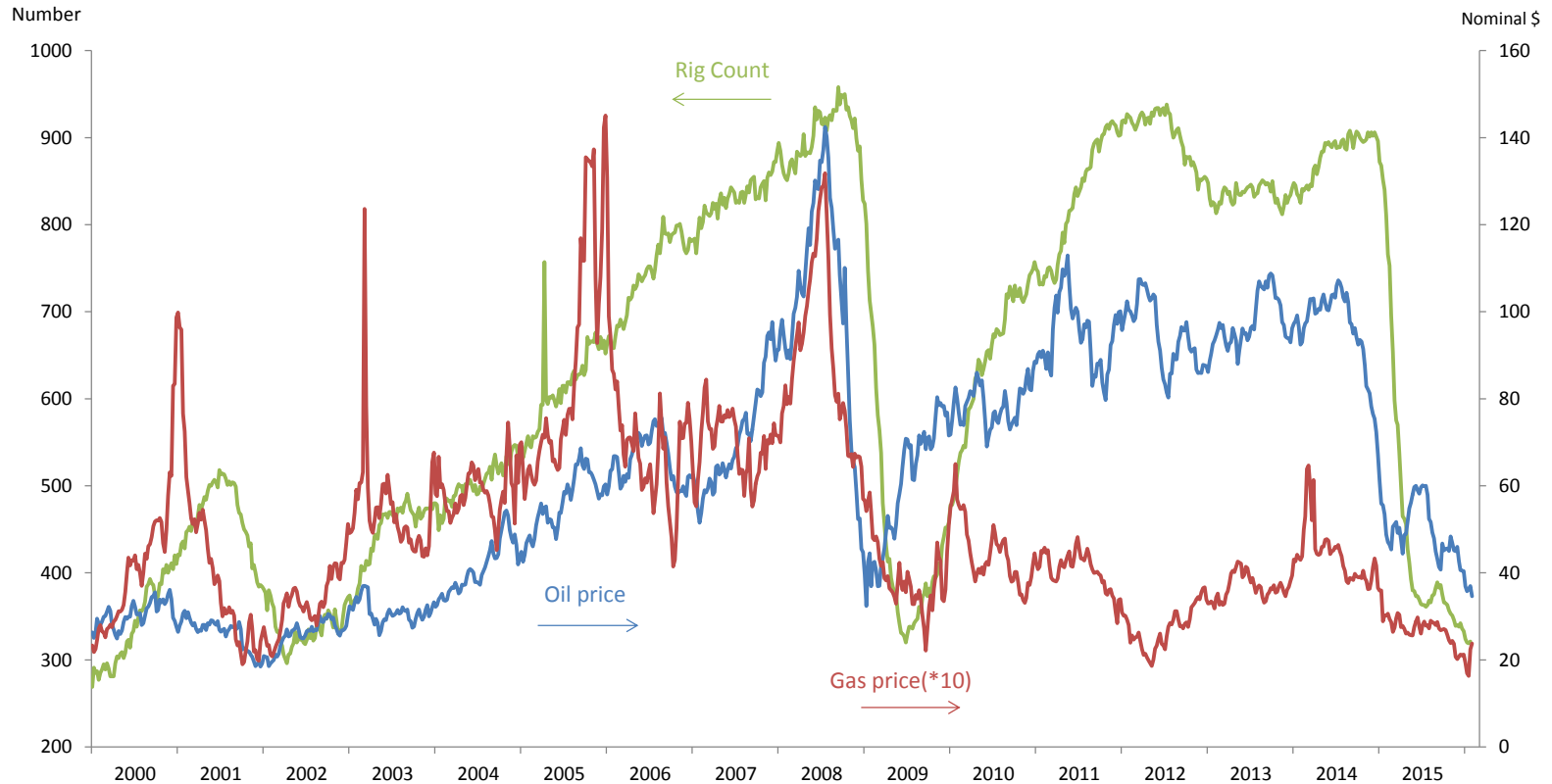
# Texas Exports Have Weakened as Value of the Dollar Continues to Rise



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



# Drilling Rig Count Continues to Fall Amidst Renewed Plunge in Energy Prices

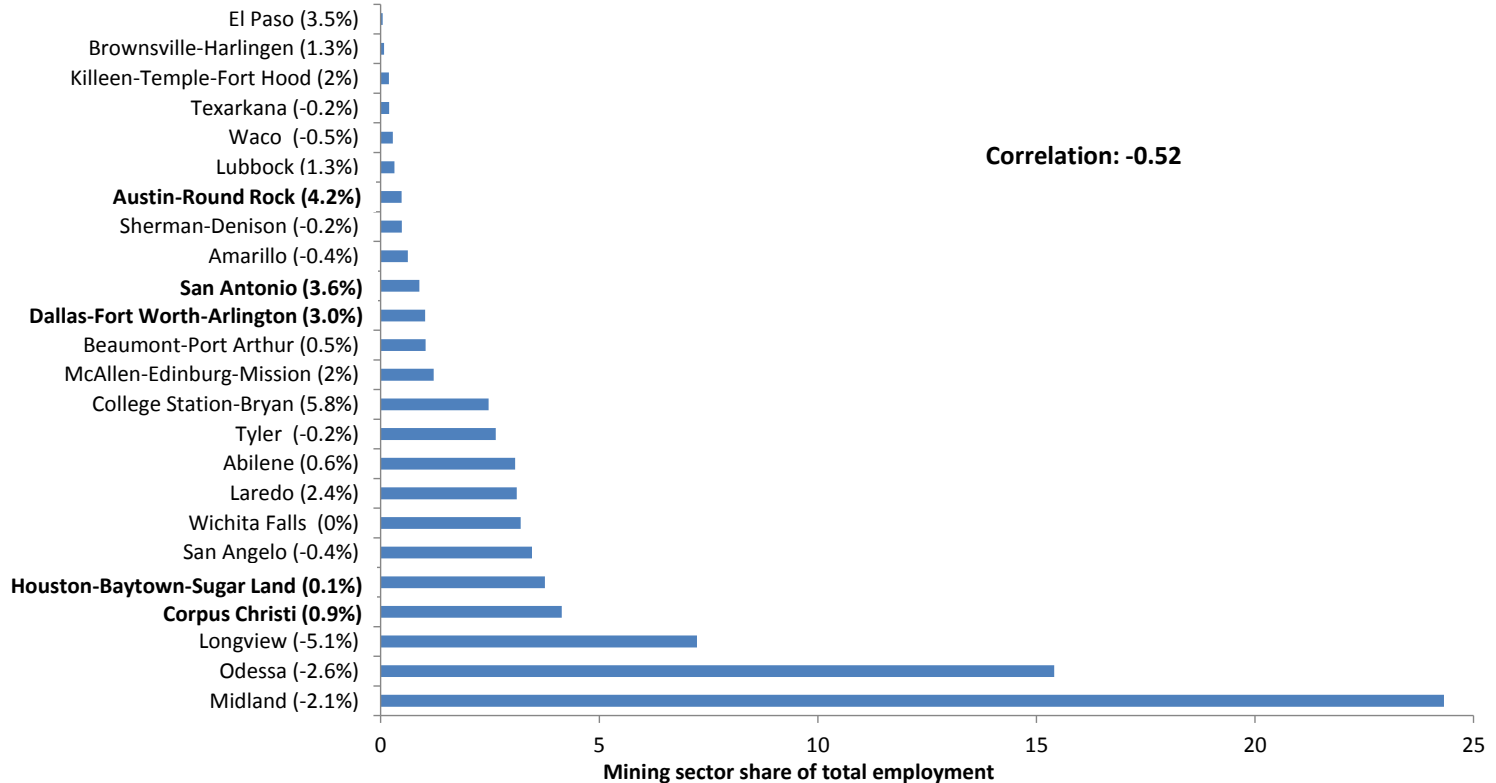


Source: Oil and Gas Journal, Baker Hughes.



# Which Metros Performed the Best in 2015?

## Size of Energy Sector Explains a Lot

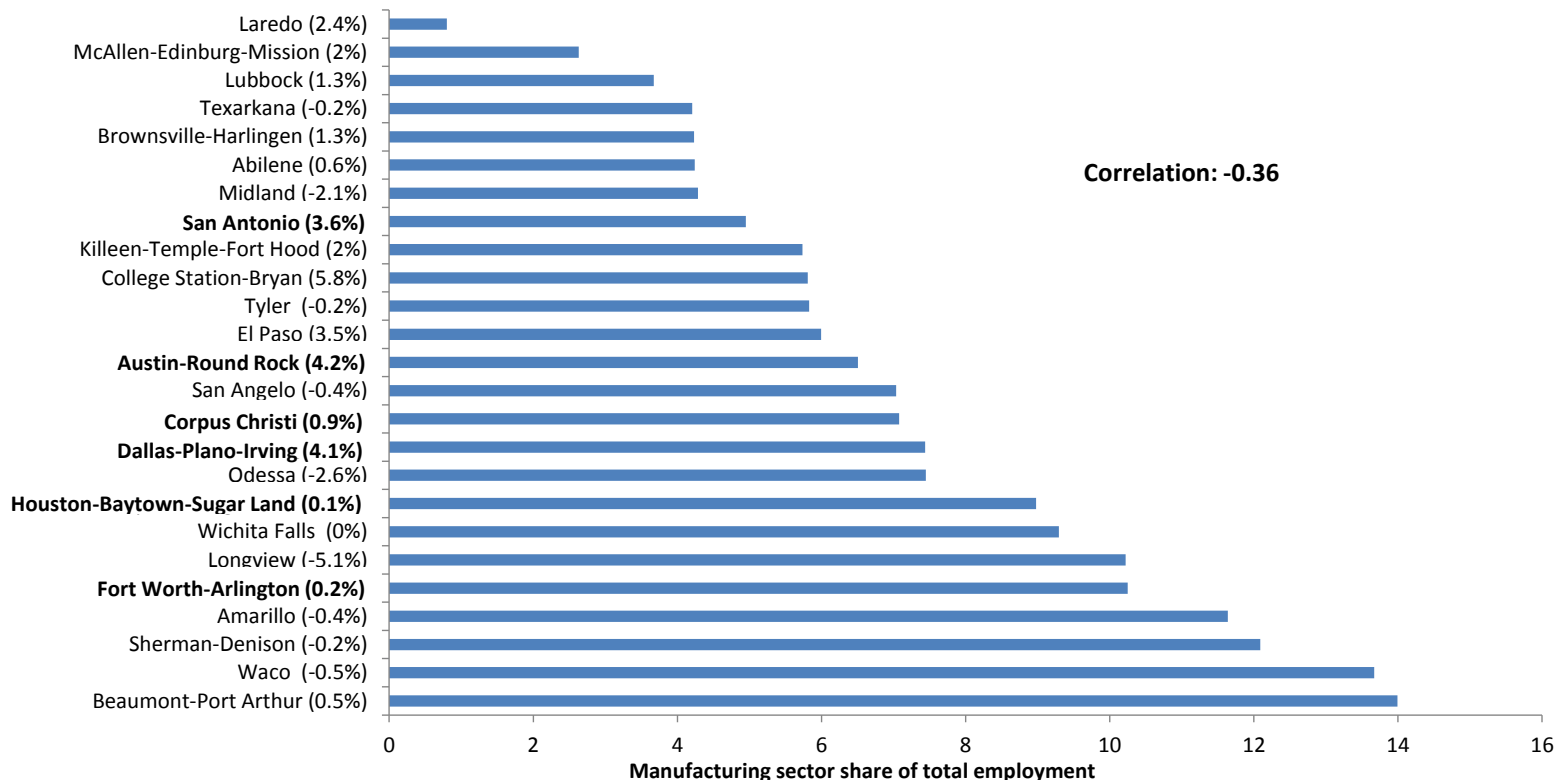


Note: Data in parentheses are annualized job growth, Dec. 2014 - Nov. 2015. Mining share data as of 2014.

Sources: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



# Share of Manufacturing Also Accounts for Some Differences in Job Growth

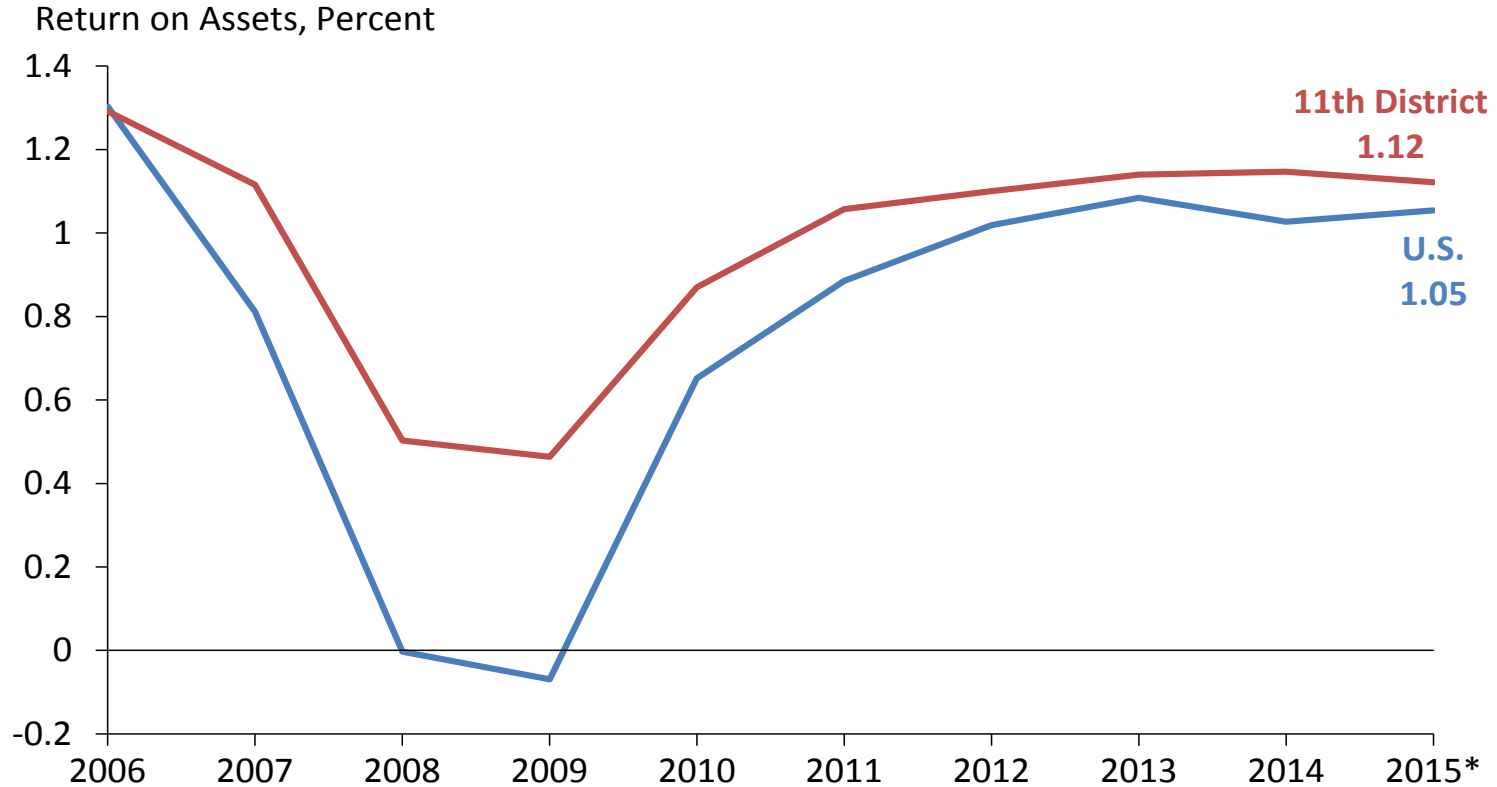


Note: Data in parentheses are annualized job growth, Dec. 2014 - Nov. 2015. Manufacturing share data as of 2014.

Sources: Texas Workforce Commission, Bureau of Labor Statistics.



# 11<sup>th</sup> District Banks Remain More Profitable Than U.S. Banks...



\*Annual data, 2015 data are annualized through Q3

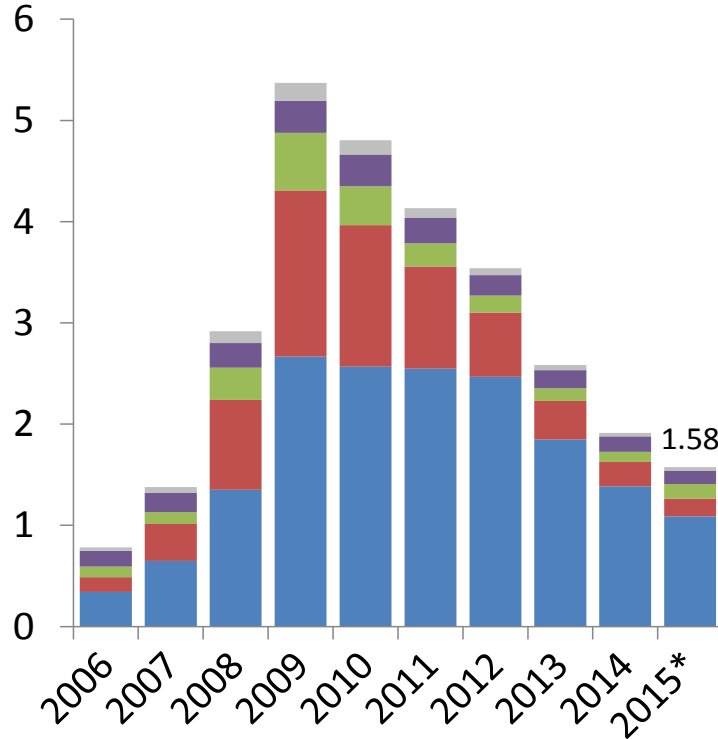




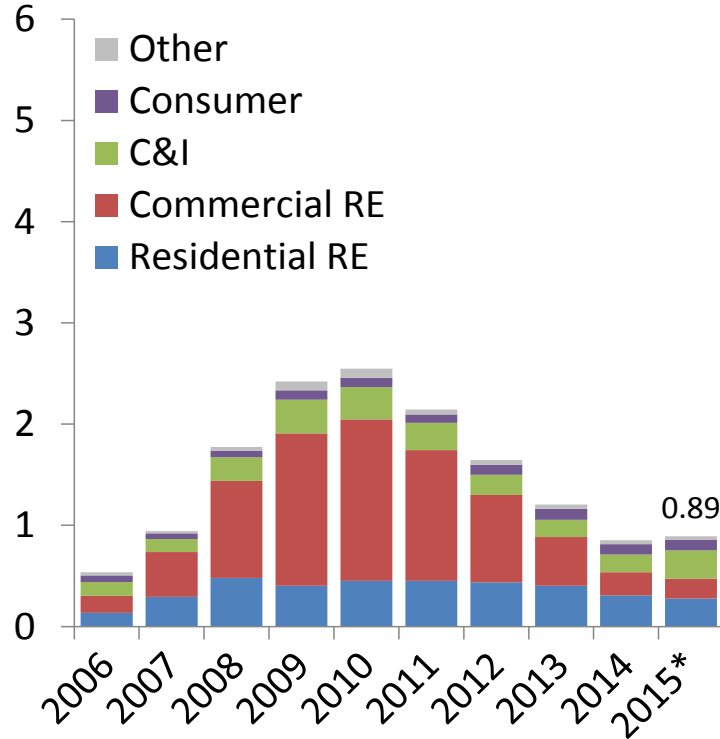
# ...But Noncurrent Loans Have Ticked Up Regionally

Percent of Total Loans

**U.S.**



**11<sup>th</sup> District**

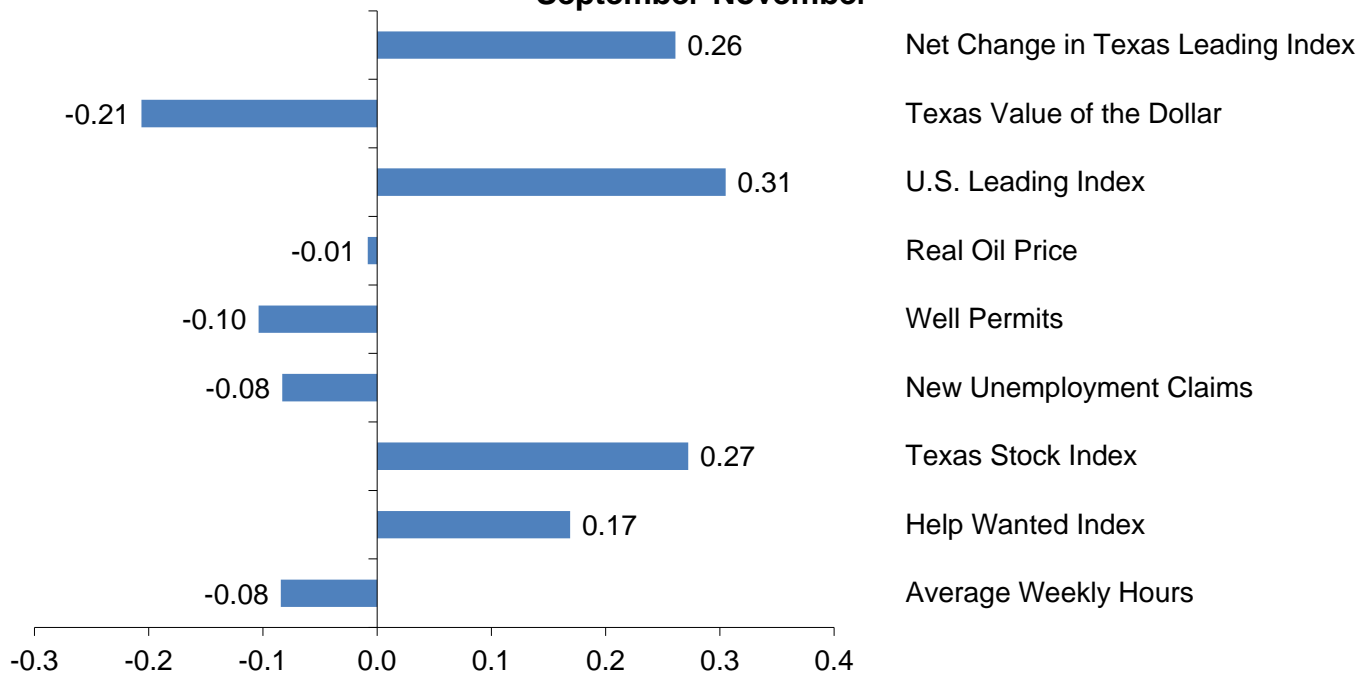


\*Annual data, 2015 data are annualized through Q3



# Leading Index Components Mixed

**Net contributions to Change in the Texas Leading Index  
September-November**

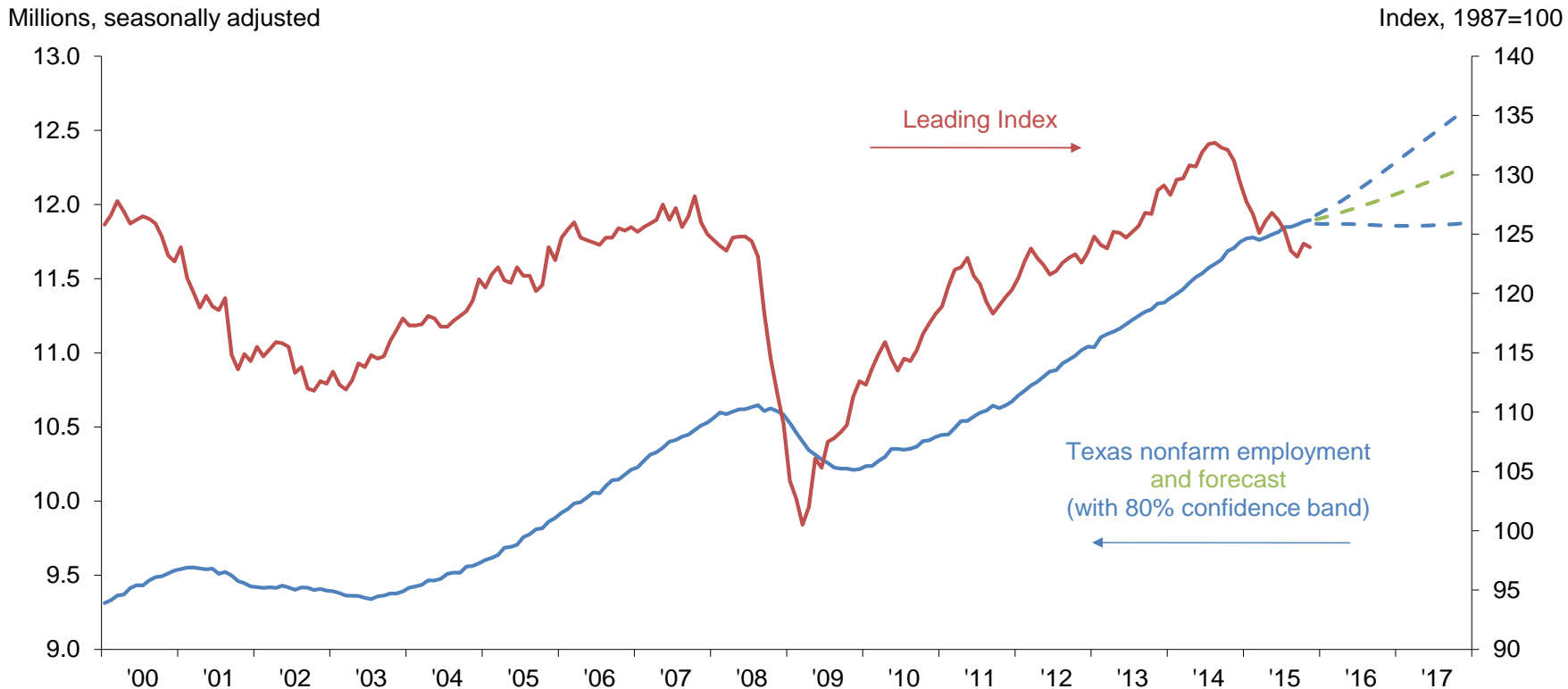


NOTE: Seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas.



# Texas Job Growth Likely to Be Between 1.0%–2.0% in 2016, Similar to 2015



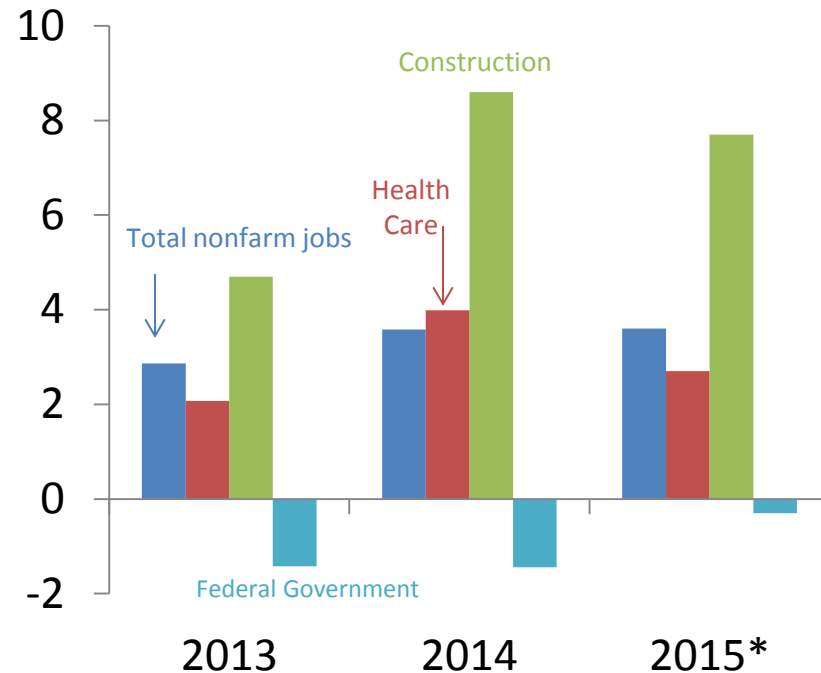
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.



# San Antonio Economy Grew Strongly in 2015

- 2015 job growth at 3.6% so far—same pace as 2014.
- Health care and construction growth remained robust.
- Financial activities, business services also strong.
- Manufacturing, mining, federal government weak last year.
- Declines in Eagle Ford had little net negative impact.

% Growth Dec./Dec.

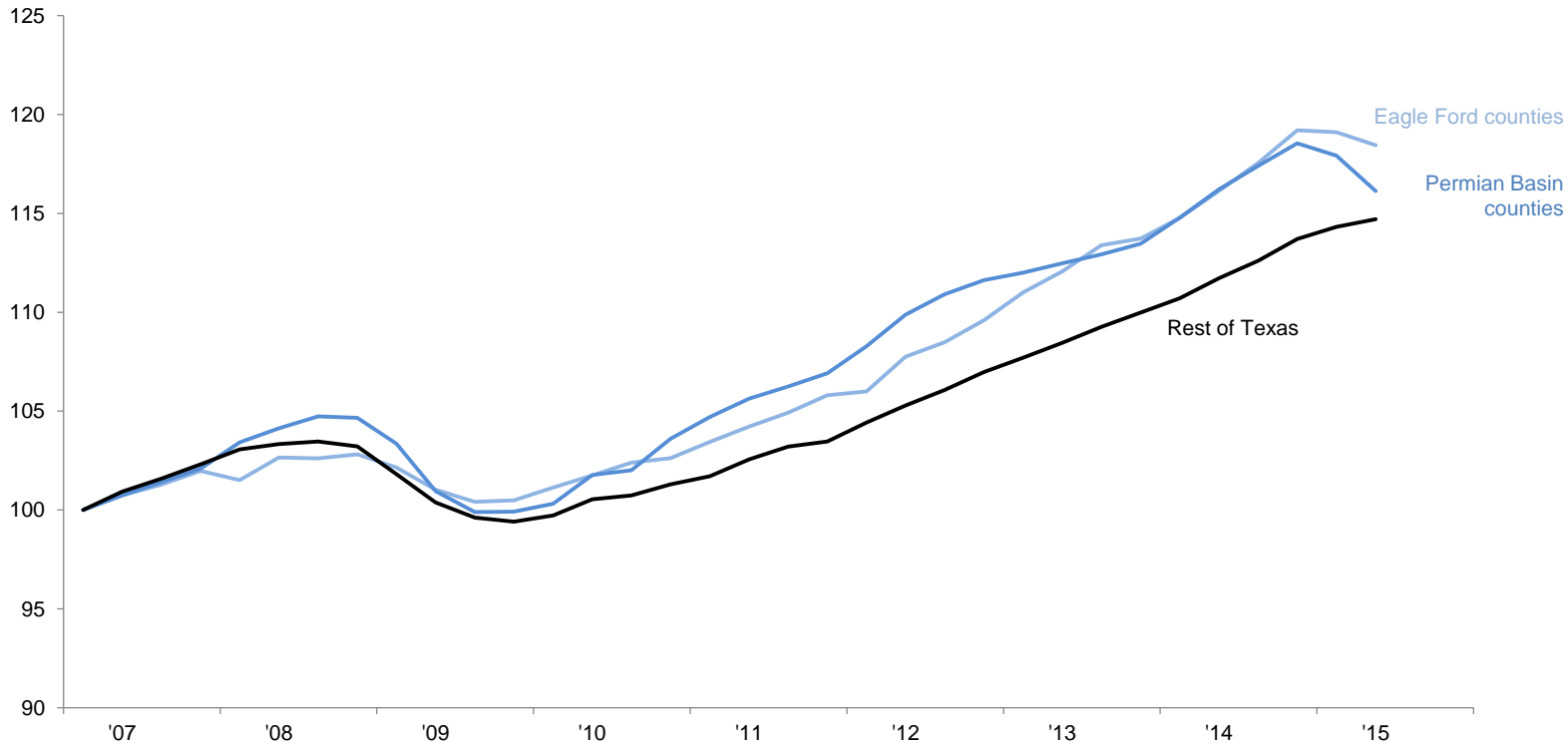


\*Annualized through Nov. 2015



# Eagle Ford Jobs Declining

Index, 2007:Q1 = 100\*



\*Quarterly, seasonally adjusted.

Sources: Bureau of Labor Statistics, seasonal and other adjustments by Federal Reserve Bank of Dallas.



## Summary

- Texas weakened in the first half of 2015, but outlook improved as oil prices stabilized near \$60—recent fall below \$45 has weakened the outlook.
- Texas doing much better than 1980s and better than other energy states.
- Tight real estate markets and continued growth in sectors such as health care and leisure and hospitality are helping sustain positive job growth.
- 2016 Texas job growth likely to be about 1.4% (161,200 jobs). Biggest risk to the forecast is declining oil prices. If average oil prices fall to \$20–\$30, then negative job growth likely.



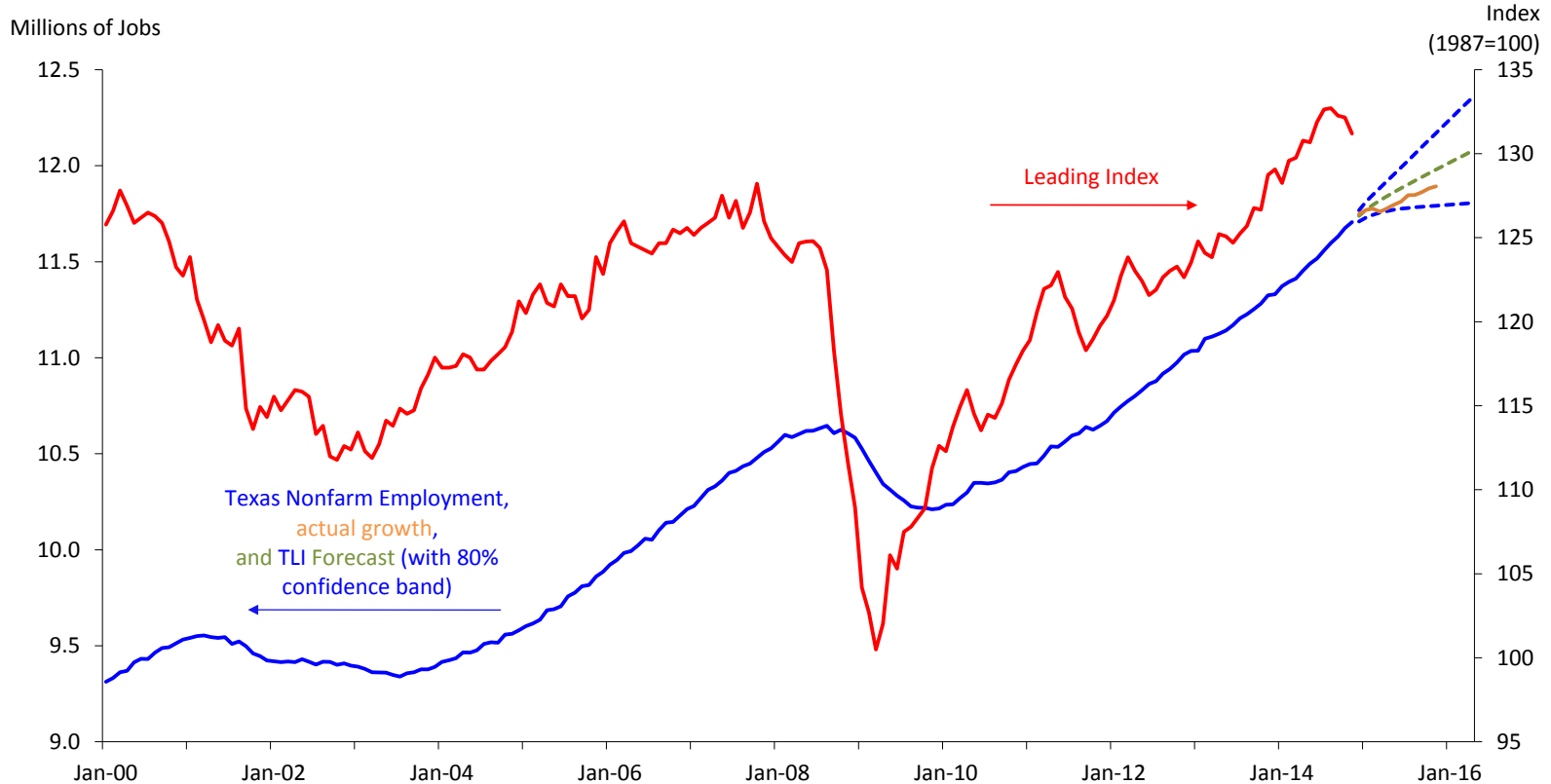
## How Did My Forecast From Last Year Do?

Last year stated: **Texas likely to continue to grow, but not nearly as strong as previous year.**

- Forecast was not weak enough



# Last Year's Job Growth Rate Weaker Than Forecast (1.3% vs. Forecast of 2.0%–2.5%)



Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas, author's calculations





# Texas Business Outlook Surveys

*Be part of a process that helps gauge regional business activity and informs monetary policy making.*

**We want your input!**



**Texas Manufacturing  
Outlook Survey**



**Texas Service Sector  
Outlook Survey**



**Texas Retail  
Outlook Survey**