Texas Mid-Year Economic Outlook: The Skies are Beginning to Clear

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• In past five years growth in energy, construction and exports provided a strong stimulus to Texas.

• 2014 growth was broad based across sectors. Energy, construction, business services, health care, exports and tourism strong.

• In 2015, low oil prices, strong dollar and labor market tightness restraining job growth. I expect job growth will slow in 2015 to between 0.5% and 1.5% (from 3.6% in 2014).
Texas Economic Growth Dipping Below Trend
(Texas Business Cycle Index)

NOTE: Shaded areas represent Texas recession.

2.6% trend
Texas Ranked Third in Job Growth in 2014, Growth in Energy States Varied Widely


NOTE: Black bars represent large energy-producing states.
SOURCE: Bureau of Labor Statistics
Texas Ranked 31st in Job Growth So Far in 2015, But Above Most Energy States


NOTE: Black bars represent large energy-producing states.
SOURCE: Bureau of Labor Statistics
Texas Jobs Growing Below the Nation So Far in 2015

Percent, Job Growth Y/Y

Note: 2015 data annualized through June.
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 Well Below Nation

Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas
Energy, Construction & Manufacturing Have Weakened Significantly in 2015

Dec/Dec Percent Change

(Job Growth 2012-2015)

Oil & Gas
Construction
Trade, Transportation, & Utilities
Manufacturing
Business Services
Finance, Insurance, & Real Estate
Leisure & Hospitality
Information Services
Health & Education
Government

Share of Total Employment

(2.4%) (5.6%) (20.2%) (7.4%) (13.4%) (6.0%) (10.5%) (1.7%) (13.3%) (15.7%)

Note: Striped bars represent Dec. 2014 - June 2015 annualized change
Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas
Texas Construction Contract Values Increasing Strongly This Year

Source: F.W. Dodge, Federal Reserve Bank of Dallas
TX Home Inventories Remain at Historically Low Levels

Source: Multiple Listing Service
TX Office Vacancy Rising and New Construction Declining

Real, Millions $, 5MMA

Office and Bank Buildings Contract Value
Office Vacancy Rate

Source: F.W. Dodge, CBRE, Federal Reserve Bank of Dallas
TX Manufacturing Beginning to Show Signs of Improvement

Source: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.
Texas Exports Have Weakened as Value of the Dollar has Risen

Index, SA, Real
Jan. 2000=100

Texas Value of the Dollar

Texas

U.S. minus Texas

Oil Prices Low, Drilling Rig Count Down by 60%
Texas Metro Areas Differ Greatly in Share of Jobs in the Oil and Gas Industry

El Paso*
Brownsville-Harlingen
Mcallen-Edinburg-Pharr
Sherman-Denison
San Antonio
Beaumont-Port Arthur
Austin-Round Rock
Lubbock
Dallas-Fort Worth-Arlington
Laredo
Amarillo
College Station-Bryan
Houston-Baytown-Sugar Land
Corpus Christi
Tyler
San Angelo
Abilene
Victoria
Longview
Odessa
Midland

*El Paso data as of 2008. All others as of 2012. Source: Bureau of Economic Analysis
Oil prices have declined by nearly 60% since last July, initial drop from $106 to $80 likely was good for TX economy

Sustained drop from $80 to $45 is hurting TX economy - $45-$55 is below the breakeven point for majority of shale drilling.

Q1 SWE article by Michael Plante suggested that 50% decline in oil prices would lead to job loss of 140,000
Energy’s Share of TX Economy Increased with Shale Drilling

NOTE: GDP values prior to 1997 and employment values prior to 1990 extrapolated from SIC coded data.

TX Job Growth Relative to Nation
Impacted by Oil Prices

Percent difference in TX and U.S. growth, 12MMA

Real price, $, monthly average

Texas Job Growth Relative to U.S.

Real Oil Price

Pickup in Leading Index Led By Reduced Unemployment Claims

Texas Leading Index Components, 3 month change
April -June

-0.34
-0.25
-0.23
0.87
-0.27
0.56
0.62
-0.01
0.94
-0.40
-0.20
0.00
0.20
0.40
0.60
0.80
1.00
1.20

Net Change in Texas Leading Index
Texas Value of the Dollar
U.S. Leading Index
Real Oil Price
Well Permits
New Unemployment Claims
Texas Stock Index
Help Wanted Index
Average Weekly Hours
Texas Job Growth Likely to be between 0.5–1.5% in 2015, down from 3.6% in 2014

![Graph showing Texas Nonfarm Employment and TLI Forecast (with 80% confidence band)](image)

Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas, author's calculations
• TX expansion was strong until this year.

• Initial oil price decline from $106 to $80 had positive impact but movement from $80 to $45-$55 has had sharply negative impacts.

• Strong dollar and tight labor markets also dampening growth but long-term factors and diversification helping us to do better than other energy states and relative to 1980s.

• Biggest cuts in the energy sector are likely over but recent oil price decline likely means some further cuts in second half.

• This year Texas job growth likely to be 0.5-1.5% (58,700 to 176,300 jobs).