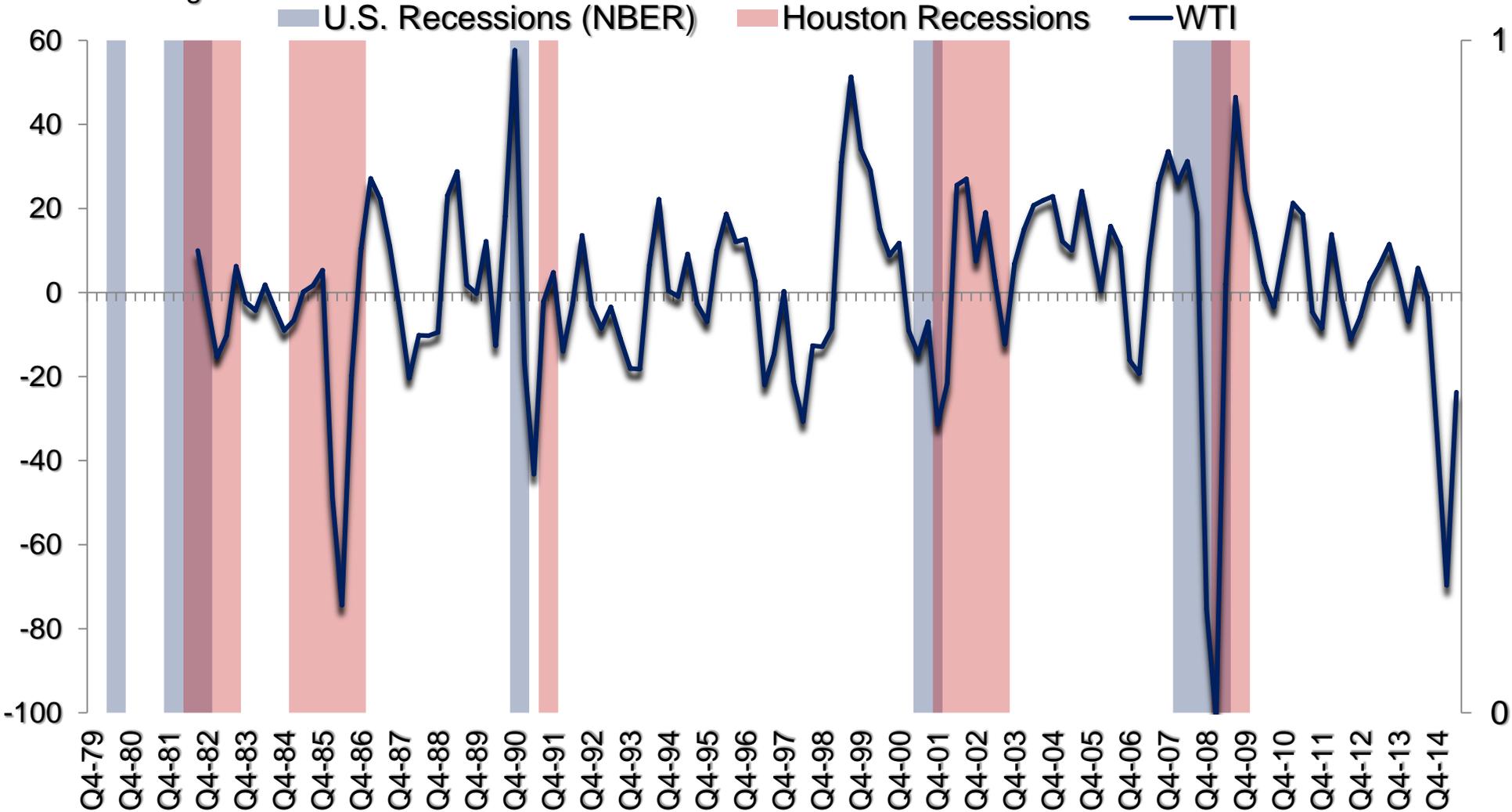


Oil Prices Decline

Here We Go Again

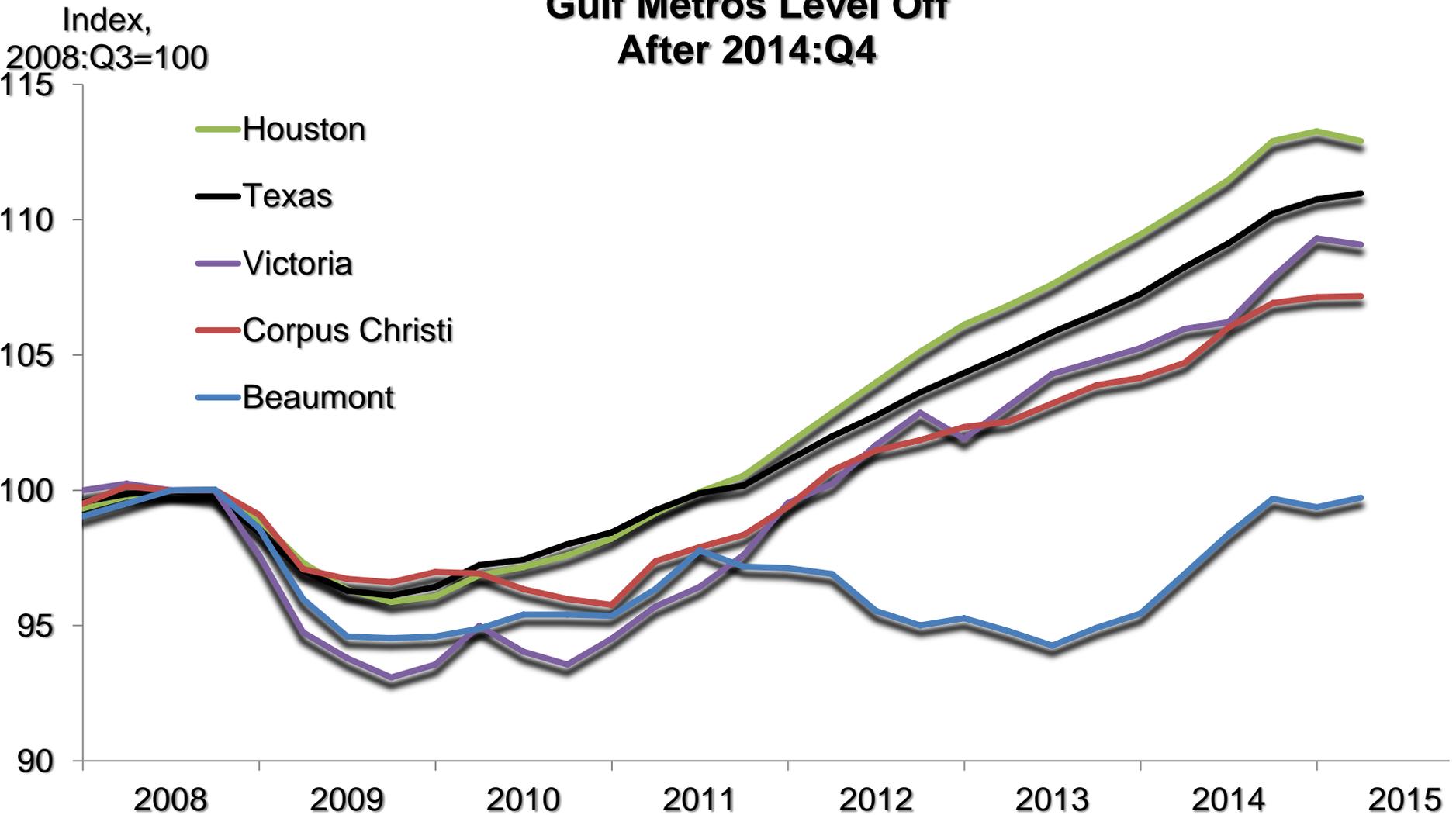
Percent Change



*Houston recession start dates based on two consecutive quarters of decline; recession ending based on two consecutive quarters of growth.

Employment

**Gulf Metros Level Off
After 2014:Q4**

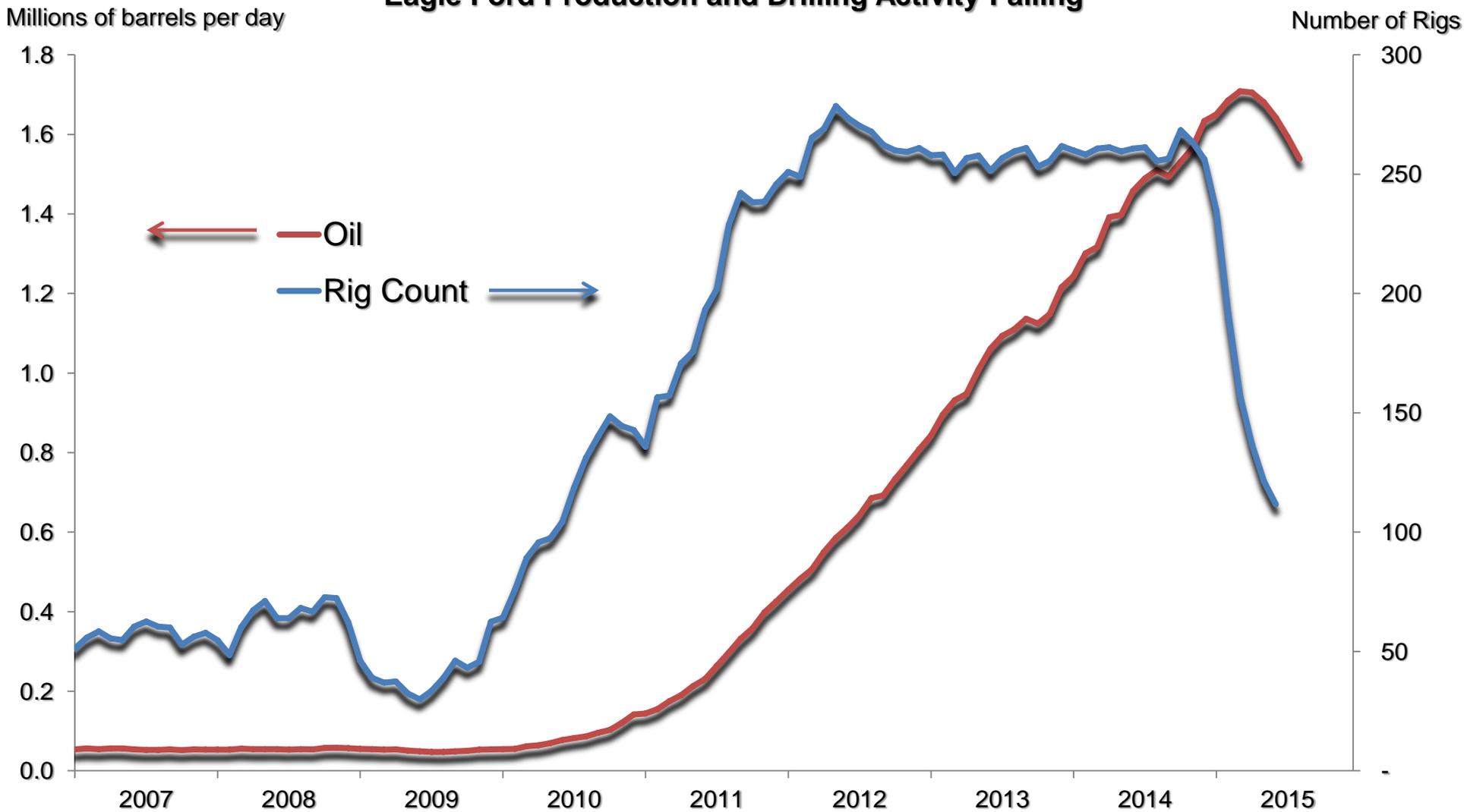


Oil & Gas Extraction



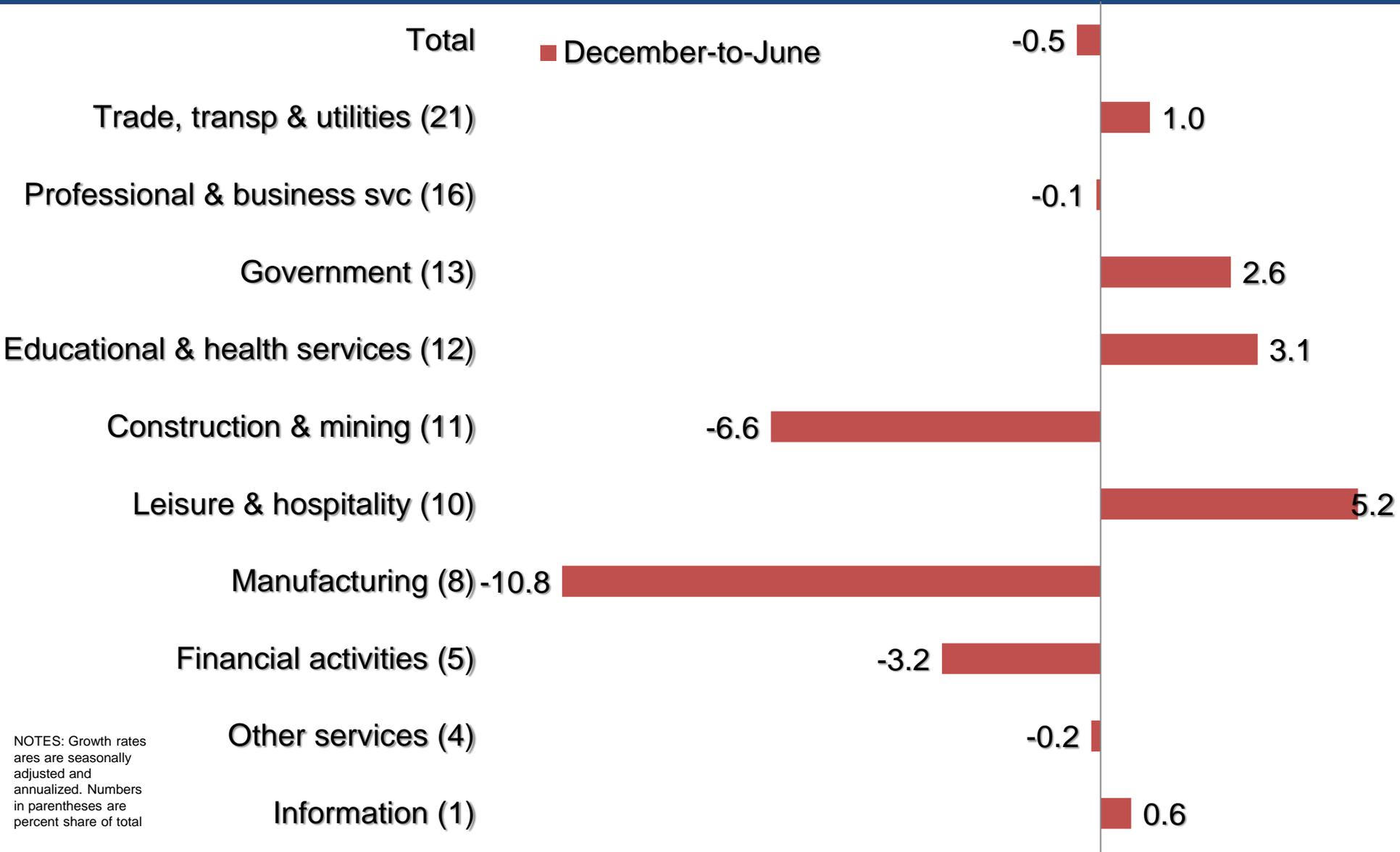
Oil & Gas Extraction

Eagle Ford Production and Drilling Activity Falling



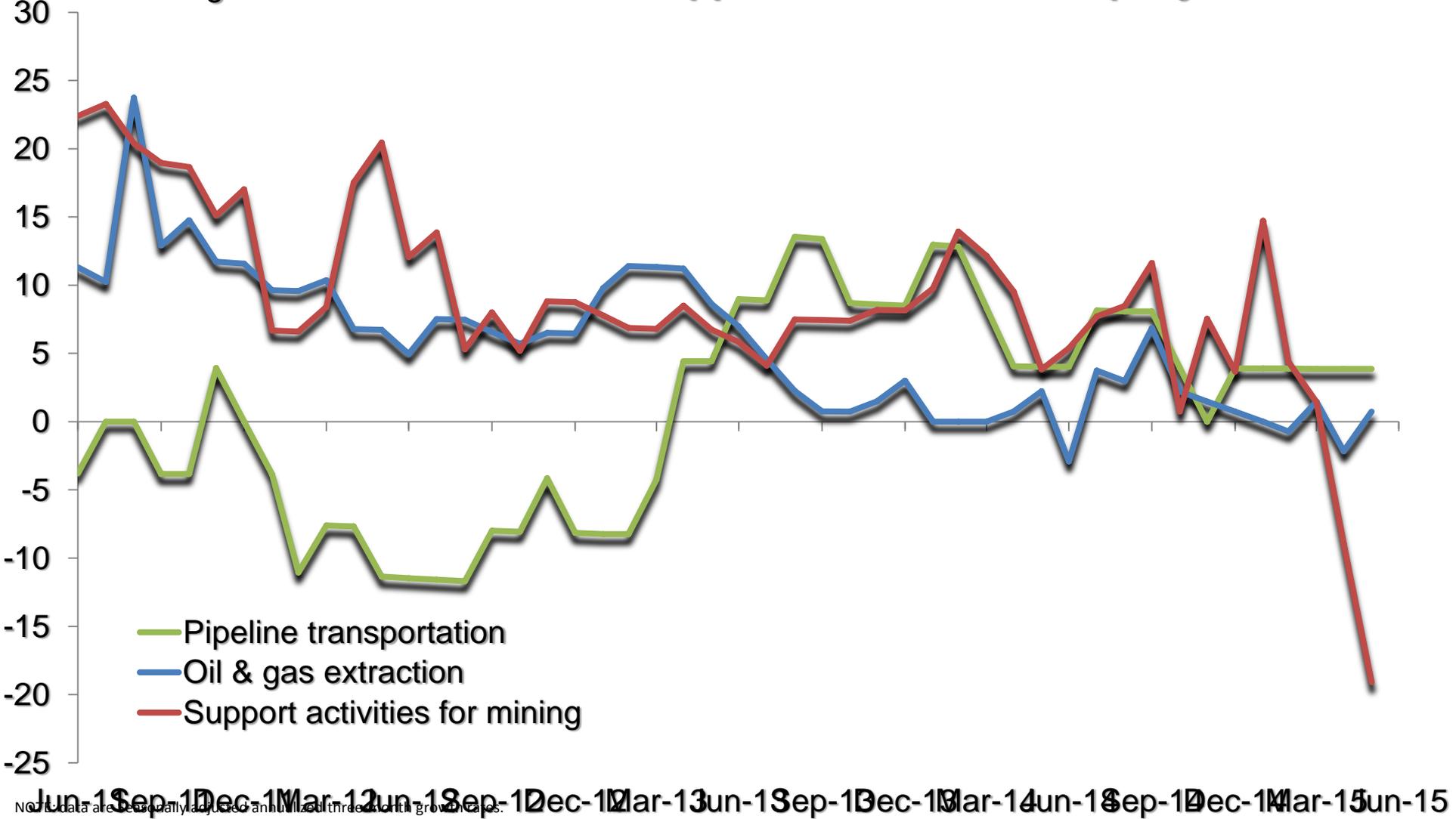
SOURCE: Energy Information Administration

Employment Growth



Direct Energy Jobs

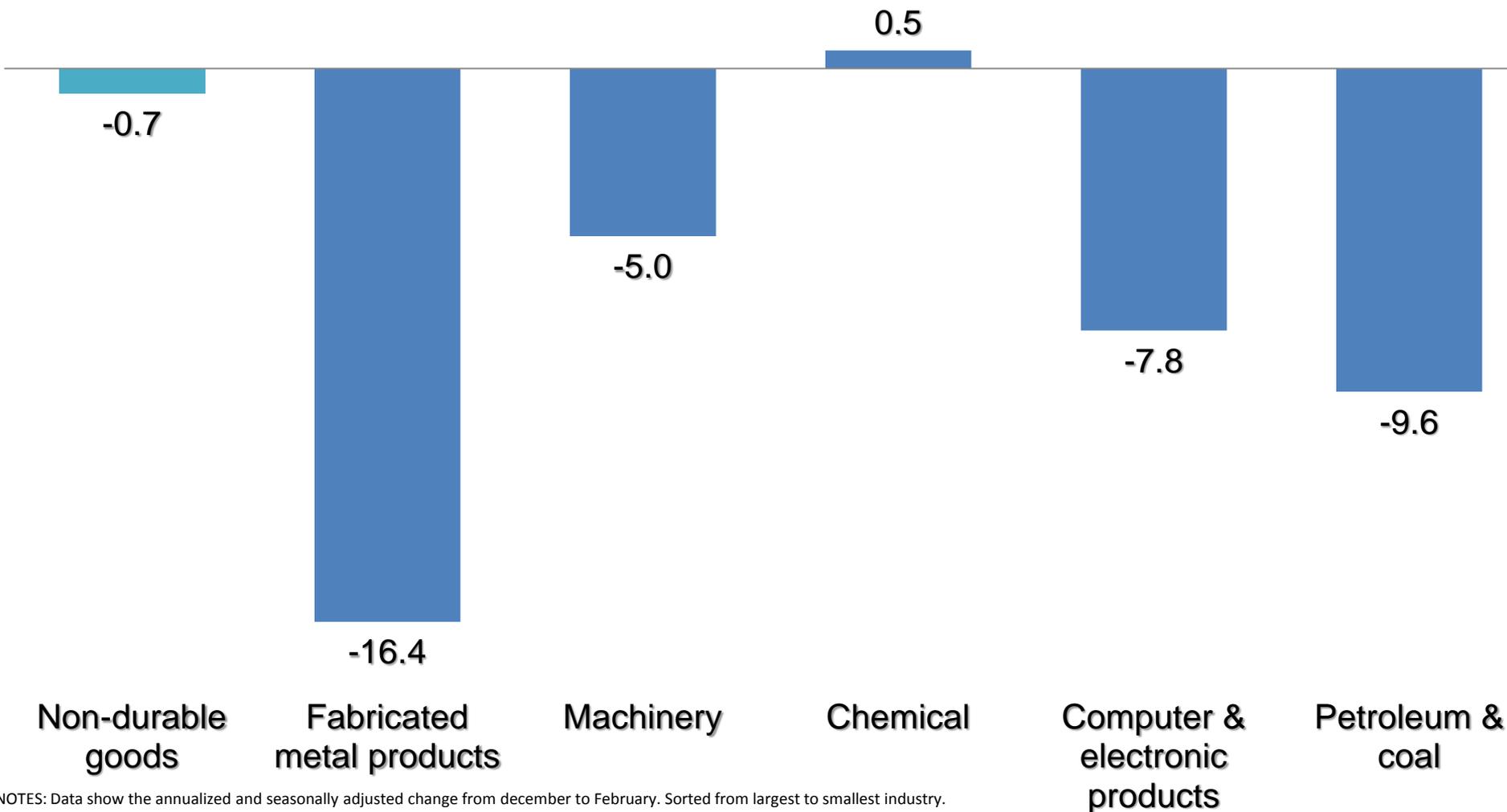
Percent change* **Oil Field Services & Support Activities Fall Rapidly**



*Note: Data are seasonally adjusted annualized three-month growth rates.

Durable Goods manufacturing

Upstream Manufacturing Jobs Take the Biggest Hit.



NOTES: Data show the annualized and seasonally adjusted change from december to February. Sorted from largest to smallest industry.

Refining & Petrochemicals



Refining & Petrochemicals

- **Cheaper Oil & NGL's (Ethane, Propane, Butane)**
 - Raw materials
- **Cheaper Natural Gas & NGL's**
 - heat, electricity

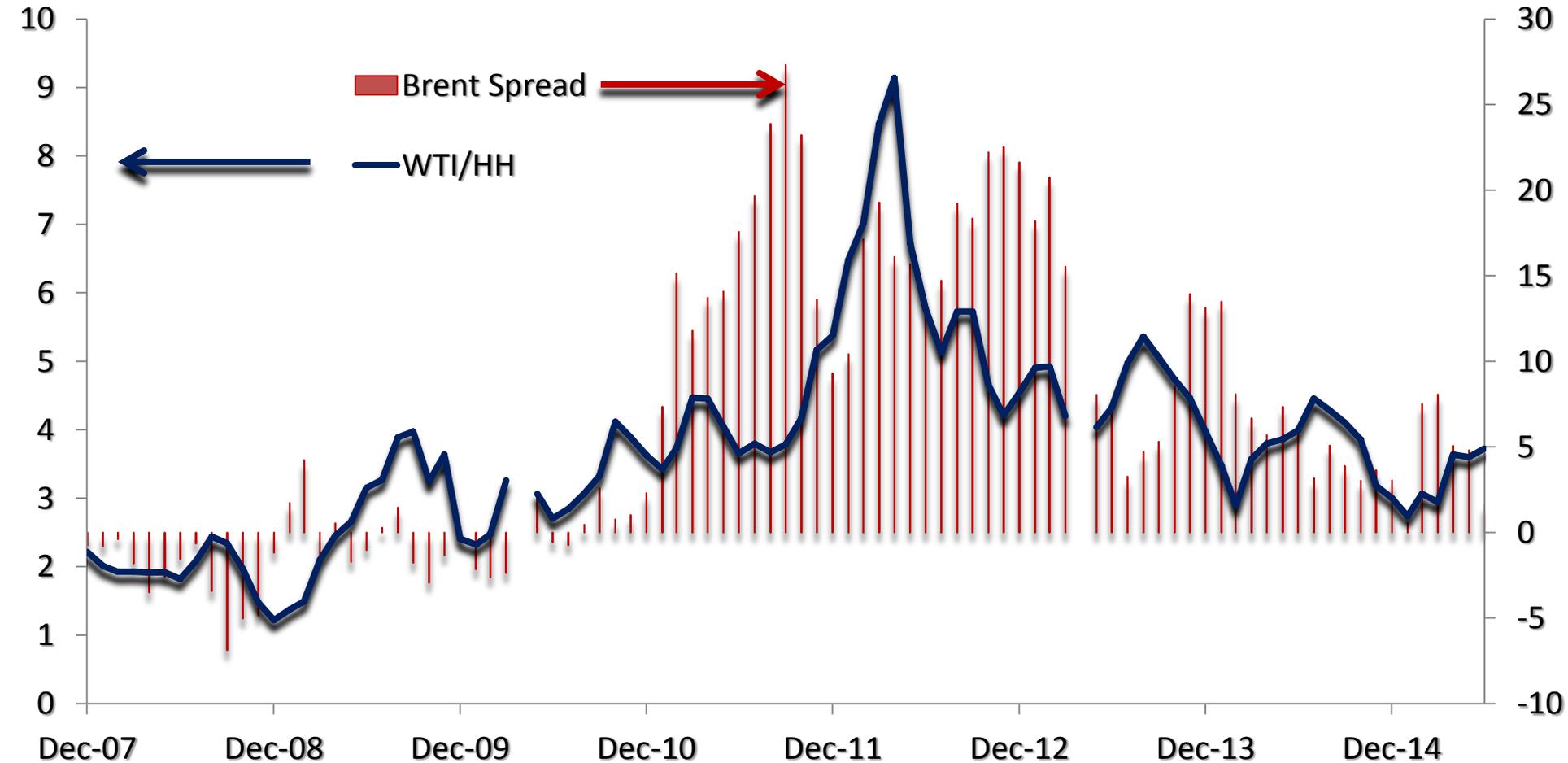
Houston, we have a cost advantage.

Downstream Cost Advantage

Advantage lower, but persistent.

Oil/Gas Ratio*

Dollar Spread



Refining & Petrochemicals

New Plants, Expansions, “De-bottlenecks”, Hundreds of Billions of Dollars in Capital Investment from 2014-2020?

Construction Workers in Shortage, particularly specialized skills.

Projects Will Partially Counter/Absorb job losses in oil field.

**Many Projects Wont Get Built.
Cliff Coming In 2017.**

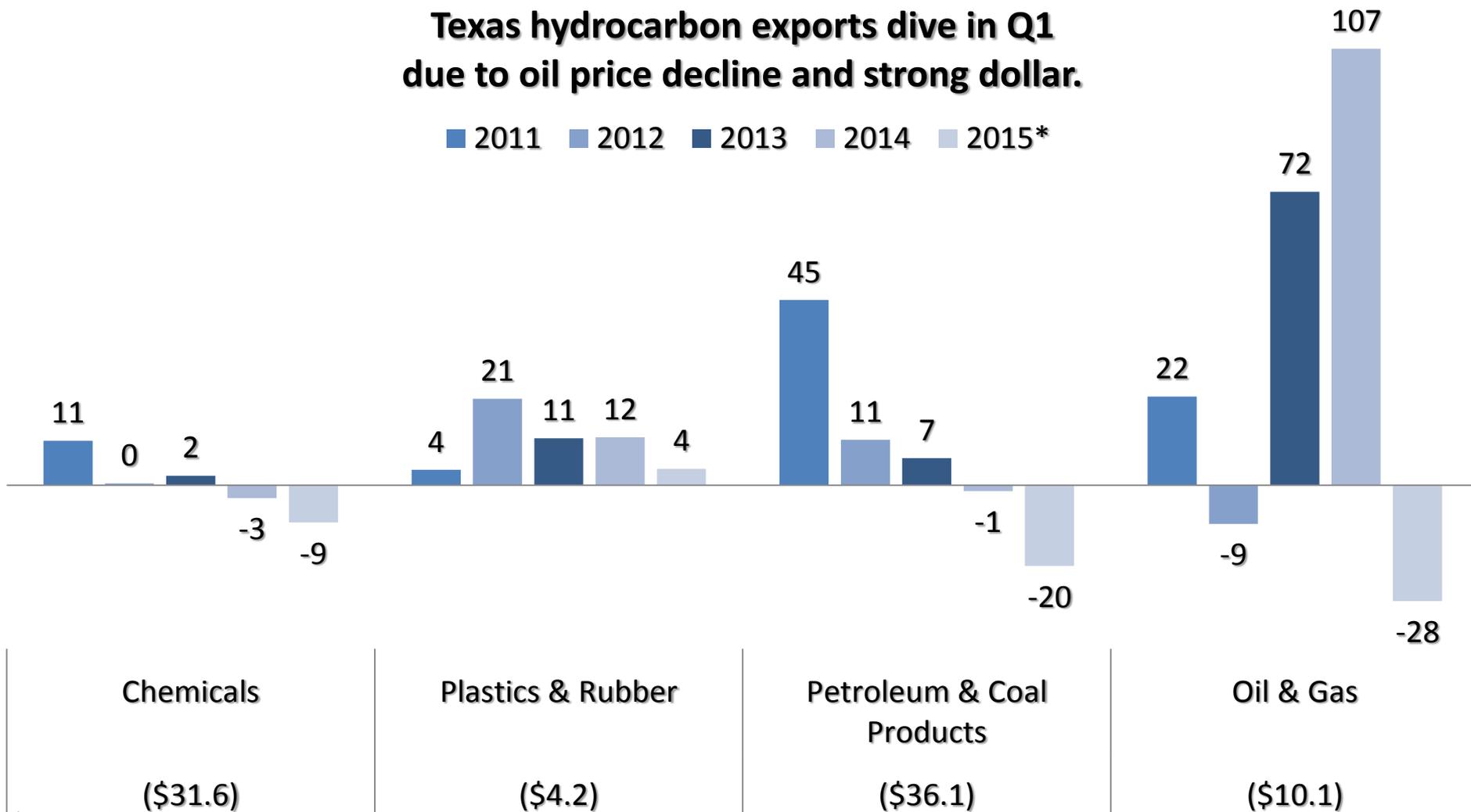
International Trade



Texas hydrocarbon exports

**Texas hydrocarbon exports dive in Q1
due to oil price decline and strong dollar.**

■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015*



*year-to-date, annual rate.

Note: Data in parenthesis are real annualized export values in billions of dollars through 2015:Q1.

SOURCE: U.S. Census Bureau and Wisetrade.

Texas hydrocarbon exports

New Exports:

Liquefied Natural Gas
(Methane)

Natural Gas Liquids
(Propane, Butane, Etc.)

“Stabilized” Condensate
(Whatever that means)

Crude Oil???

Old Exports:

Motor Fuel
(Gasoline, Diesel, Jet Fuel, Etc.)

Petrochemicals
(PVC, Coatings, Etc.)

Other Refined Products
(lubricants, solvents, etc)

Outlook



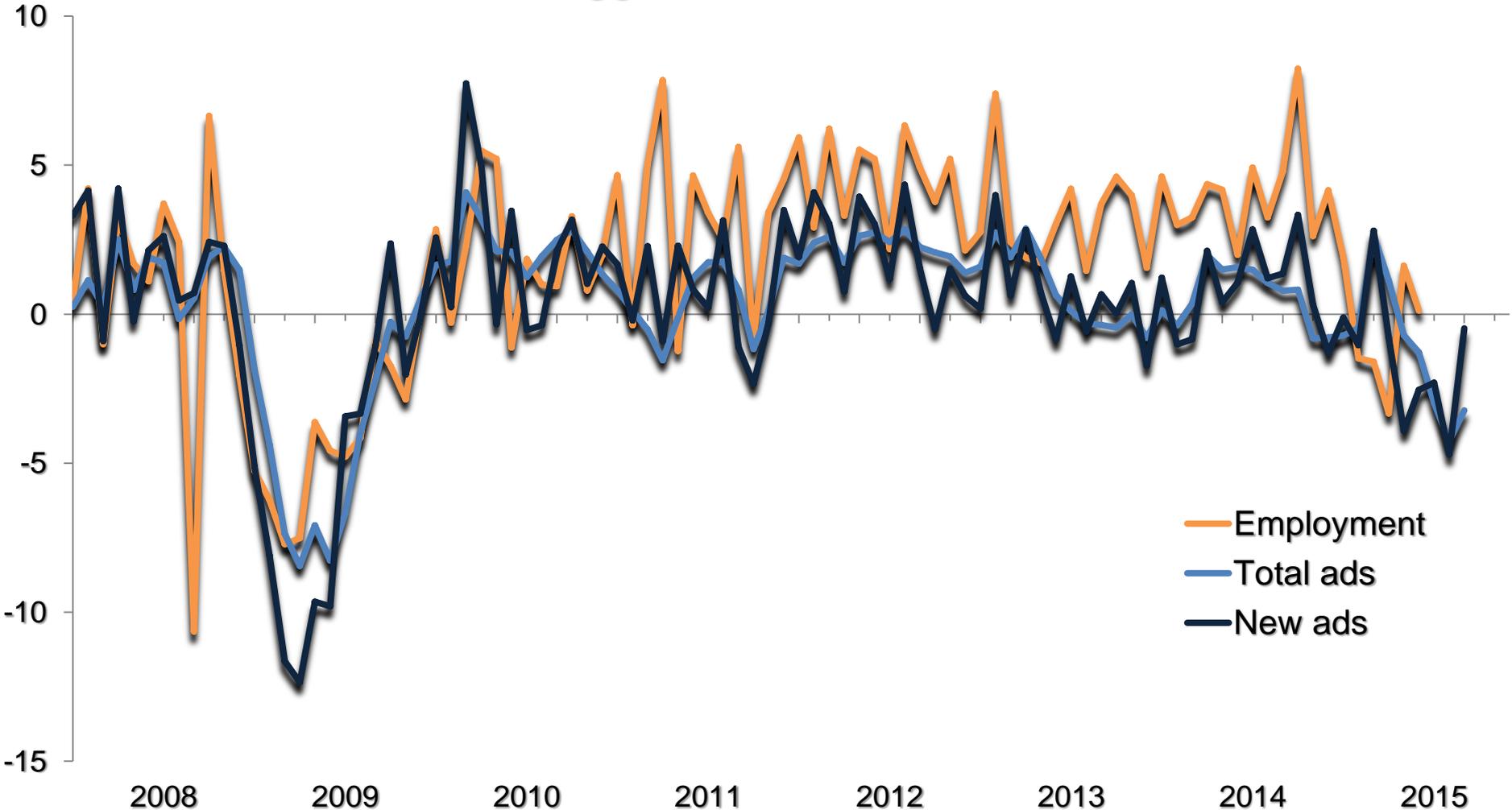
Outlook



Outlook

Percent growth

Job Ads Suggest Weaker Jobs Data Ahead

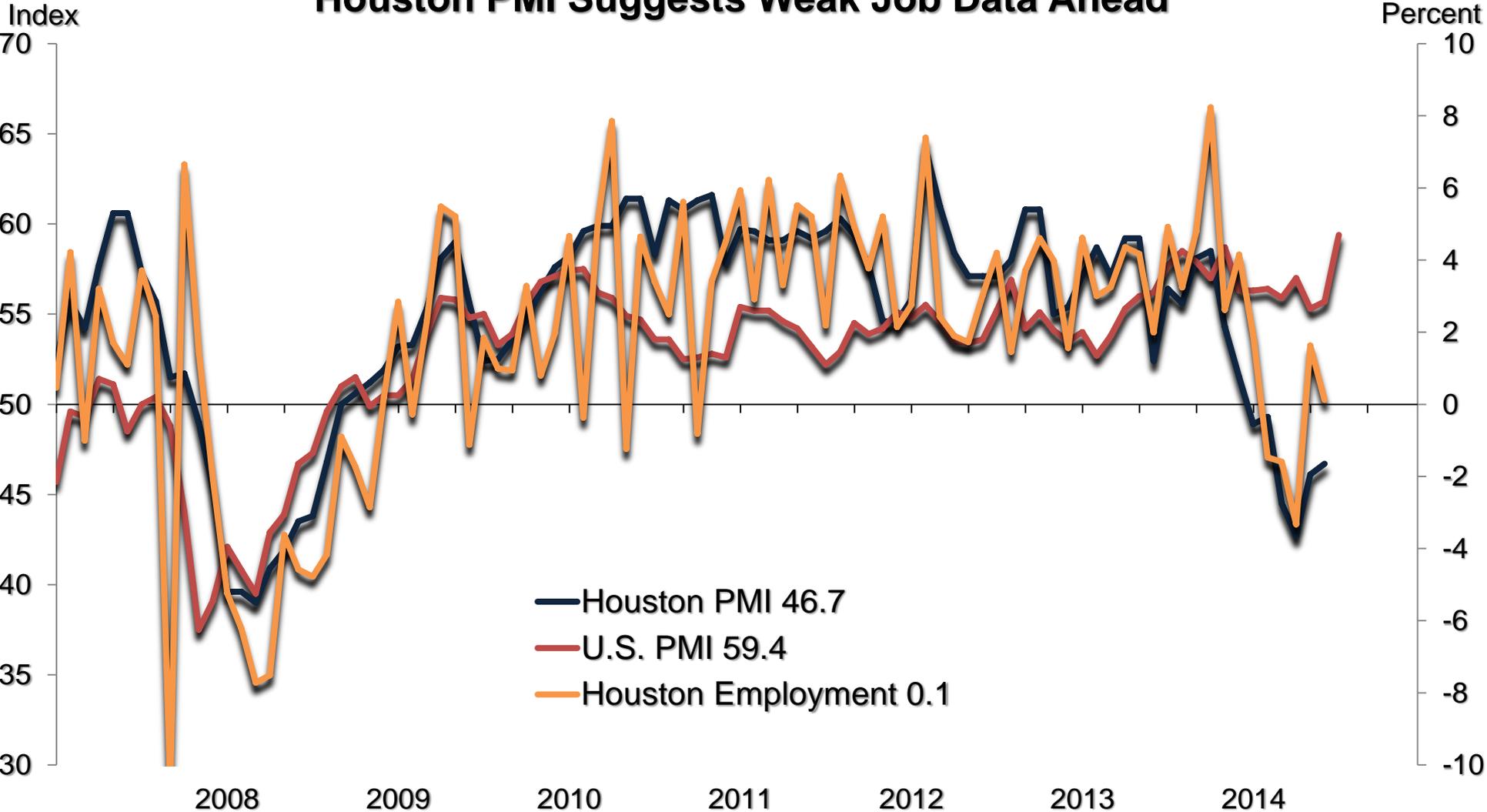


— Employment
— Total ads
— New ads

NOTE: Total and new ads are weighted moving averages, shifted forward two months.
SOURCES: Conference Board; author's calculations.

Outlook

Houston PMI Suggests Weak Job Data Ahead



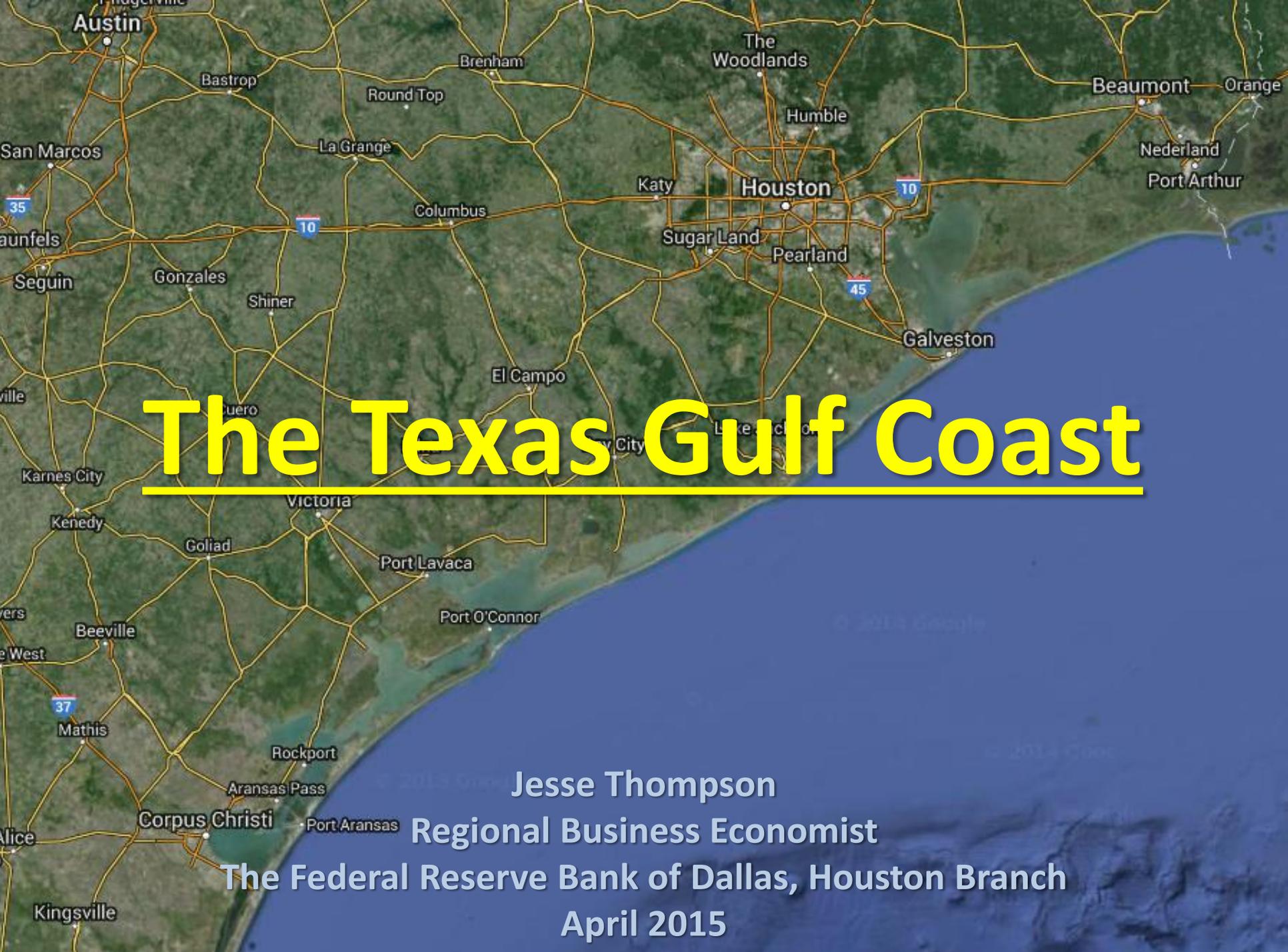
Outlook

A grim outlook for Upstream.

A good outlook for downstream.

A Healthier U.S. Economy will help everyone else

**Houston and the Texas Gulf Coast to Grow
0-1 Percent in 2015?**

A satellite-style map of the Texas Gulf Coast region, showing major cities, highways, and the coastline. The map is overlaid with a large yellow underline. The text 'The Texas Gulf Coast' is written in a large, bold, yellow font across the center of the map. The map shows major cities like Austin, Houston, Galveston, and Corpus Christi, along with major highways like I-10, I-35, and I-45. The Gulf of Mexico is visible on the right side of the map.

The Texas Gulf Coast

Jesse Thompson

Regional Business Economist

The Federal Reserve Bank of Dallas, Houston Branch

April 2015

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DALLAS FED Economic Update
National
May 1, 2015

Expectations of a Pickup Remain Despite Slow Start to 2015

Data released in the past six weeks have surprised to the downside, raising concerns that the nation's recovery may not have been as solid as previously thought. Temporary factors and short-term frictions—such as harsh winter and a West Coast ports strike—may have contributed to slower growth in the first quarter.

The energy industry slowdown, uncertainty regarding future oil prices and a strengthening dollar also contributed. These factors, which tend to be longer lasting, reflect the transitional impact of businesses and households adjusting to a lower oil-price environment. The U.S. economy, however, seems well-positioned to absorb the attendant costs and resume growing at least at the average annual rate of 2.3 percent observed during the recovery.

Disappointing Output Growth

In its advance estimate, first-quarter real (inflation adjusted) gross domestic product (GDP) grew at an annualized 0.2 percent rate, a sharp deceleration from the fourth quarter's 2.2 percent rate (Chart 1).

Real personal consumption expenditures contributed 1.0 percentage points to real GDP growth. The main negative contributors to real GDP growth were real private nonresidential investment, subtracting 0.4 percentage points, and real net exports, subtracting 1.3 percentage points. Exports fell at an annualized rate of 7.2 percent in the first quarter. The decline reflected a strengthening dollar and weakening global demand. Nonresidential fixed investment fell amid uncertainty about future oil prices and tentative news surrounding new business investments.

Temporary Factors, Short-Term Drag

Other recent economic indicators suggest a slowing U.S. economy. The Bureau of Labor Statistics' establishment survey for March showed a deceleration in northern payroll employment gains to a seasonally adjusted 12,000 jobs—the weakest hiring in 15 months (Chart 2).

Job creation averaged 197,000 per month in first quarter 2015, compared with 224,000 in fourth quarter 2014. Industrial production, which includes manu-

facturing as well as mining and additives sector output, fell at a 3.2 percent annualized rate during the first quarter—the first quarterly decline since the recession ended in 2009.

The disappointing data reflect temporary factors. The Northeast experienced an exceptionally cold winter; the number of workers reporting that they could not show

Chart 1
First Quarter GDP Growth Decelerates from 2014 Average
Percent

Chart 2
Northern Job Growth Slows in March
Thousands of jobs

Federal Reserve Bank of Dallas National Economic Update 1

DALLAS FED Texas Economic Indicators
MAY 27, 2015

Summary The Texas economy expanded at a modest pace in April. Employment growth was positive during the month, and unemployment held steady. Exports dipped during the first quarter. The Texas Leading Index ticked down in March for the seventh consecutive time.

Employment

• Texas employment edged up at a 1.0 percent annualized pace in April, slower than the nation's 1.6 percent increase. Texas gained 5,700 jobs in April after shedding 11,000 jobs in March. Current Texas employment stands at 11.78 million, according to the payroll survey (CES).

• The Texas unemployment rate held steady at 4.2 percent in April. The ratio remains continues to be lower than the U.S. rate, which came in at 5.4 percent.

Employment Growth by Sector

• Employment has grown at a 6.8 percent annualized rate year to date. The labor and hospitality sectors recorded the fastest pace of increase at 5.3 percent followed by information services at 4.6 percent. Employment in oil and gas extraction has posted the largest decline, followed by manufacturing and construction employment.

• Texas existing-home sales ticked up 1.3 percent year over year. Home inventories increased at 13 months of available supply in April the third month in a row and were slightly below the five-year level of 3.5 months.

• Single-family housing permits rose 1.2 percent in March, following a 1.6 percent decline in February. Texas housing starts, which include single-family and multifamily units, fell 7.8 percent in March, following a 4.0 percent rise in February.

Chart 1
Texas Employment Growth Slows in April

Chart 2
Texas Existing-Home Sales Rise in April

Chart 3
Texas Housing Starts Decline in March

Federal Reserve Bank of Dallas Texas Economic Indicators 1

DALLAS FED Southwest Economy
SECOND QUARTER 2015

Robust Regional Banking Sector Faces New Economic Hurdles

PLUS

- On the Record: Trade Advocates, Cautions Have Beef with Meat Labeling Rules
- ADP Payroll Processing Data Can Provide Early Look at Texas Job Growth
- Spotlight: Chinese Slowdown Restraints Texas Exports

Federal Reserve Bank of Dallas Southwest Economy 1

DALLAS FED Economic Update
International
April 30, 2015

Global Growth Uneven, Inflation Low

The global growth outlook remains mixed, with prospects improving in advanced economies and weakening in emerging economies. The International Monetary Fund (IMF), in its April World Economic Outlook, forecasts global growth at 3.5 percent in 2015 and 3.8 percent in 2016. Low energy prices are keeping inflationary pressures subdued while boosting consumption in advanced economies and fueling oil-exporting countries. Global risks include slower growth in China and ongoing negotiations between the Greek government and its major creditors.

Advanced Economy Growth Offsets Emerging Economy Slowdown

Global economic growth rose just under 3 percent year over year in fourth quarter 2014 (Chart 1). Despite a pullback in emerging economies and a slowdown in emerging economies in 2014 compared with 2013, advanced economies still made up three-fourths of annual world growth. China's gross domestic product (GDP) grew 7 percent year over year in the first quarter, down from 7.5 percent in the fourth quarter. It was the country's fastest quarterly growth rate since 2009. The British and Russian economies are expected to contract in 2015, with Russia's decline likely to persist through 2016. However, activity in the euro area has improved in early 2015, with lower oil prices boosting consumption.

Low Oil Prices Keep Inflation Subdued

Recent global inflation declines have been driven by the drop in energy prices. The latest numbers for headline consumer price index (CPI) inflation in the advanced economies are well below the major central bank's 2 percent target (Chart 2). Forecasts for 2015 headline CPI inflation from Consensus Economics have been steadily revised downward in recent months, especially following the Organization of the Petroleum Exporting Countries' decision in November not to cut oil production. Even core CPI inflation, which excludes food and energy prices, has recently decelerated. Core CPI inflation in emerging economies has declined sharply since 2014, while rates have held steady in advanced economies.

Monetary Policy Generally Accommodative in Advanced Economies

Many central banks are pursuing quantitative easing and forward monetary policy in light of low inflation (Chart 3). None of the central banks in the major advanced economies has changed their policy since the March Federal Open Market Committee meeting. However, at its April 8 meeting, the Bank of Japan real-

Government bond yields in most advanced economies have fallen in 2015, reflecting looser monetary policy in the euro area and Japan, and reduced growth prospects in some countries. The yield on Germany's 10-year bond has fallen 20 basis points since our last update. Similarly, the U.S. Treasury's 10-year bond yield, which has been negative since January, falls in overnight debt in several advanced European countries are also negative (Chart 4). The ECB's financial assets per month through September 2016.

Chart 1
Global GDP Growth Slows Across Advanced and Emerging Economies

Chart 2
Headline Consumer Price Index Inflation Low in Advanced Economies

Chart 3
Central Bank Policy Rates Remain Low

Chart 4
Government Bond Yields Turn Negative in Several Advanced Economies

Federal Reserve Bank of Dallas International Economic Update 1