



FEDERAL RESERVE BANK *of* DALLAS SAN ANTONIO BRANCH

2016 Texas Economic Outlook: Riding the Energy Roller Coaster

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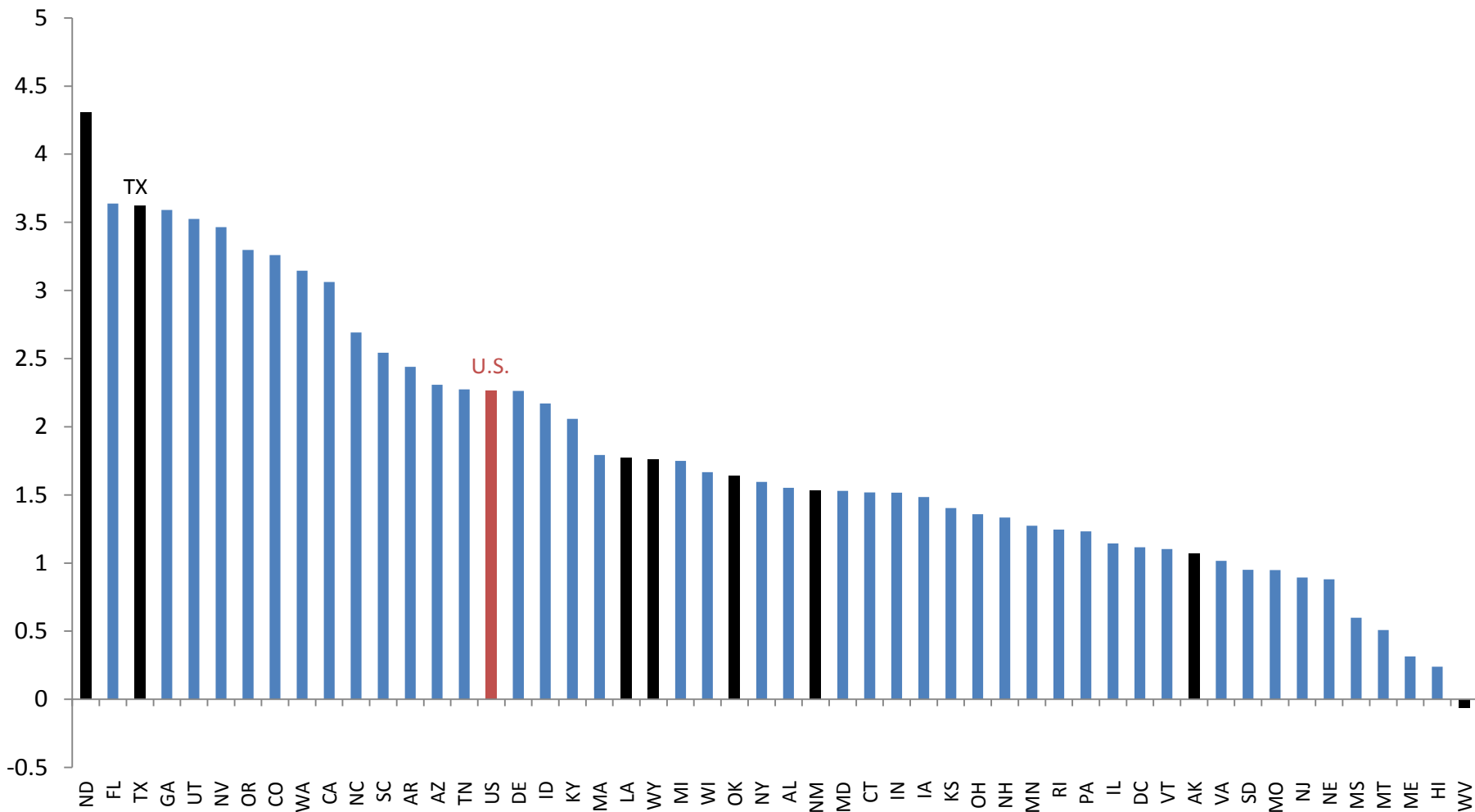
Texas Economy Weakened Sharply in 2015 but Continued to Add Jobs

- 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 1.5% (171,100 jobs), a drop from 3.6% in 2014. In 2016, if oil prices average around \$30-\$40, growth will be about 0.5% to 1.5% (59,600 to 178,800 jobs). If prices average below \$30 jobs could decline slightly.



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

Percent Change,
Dec. 2013 - Dec. 2014



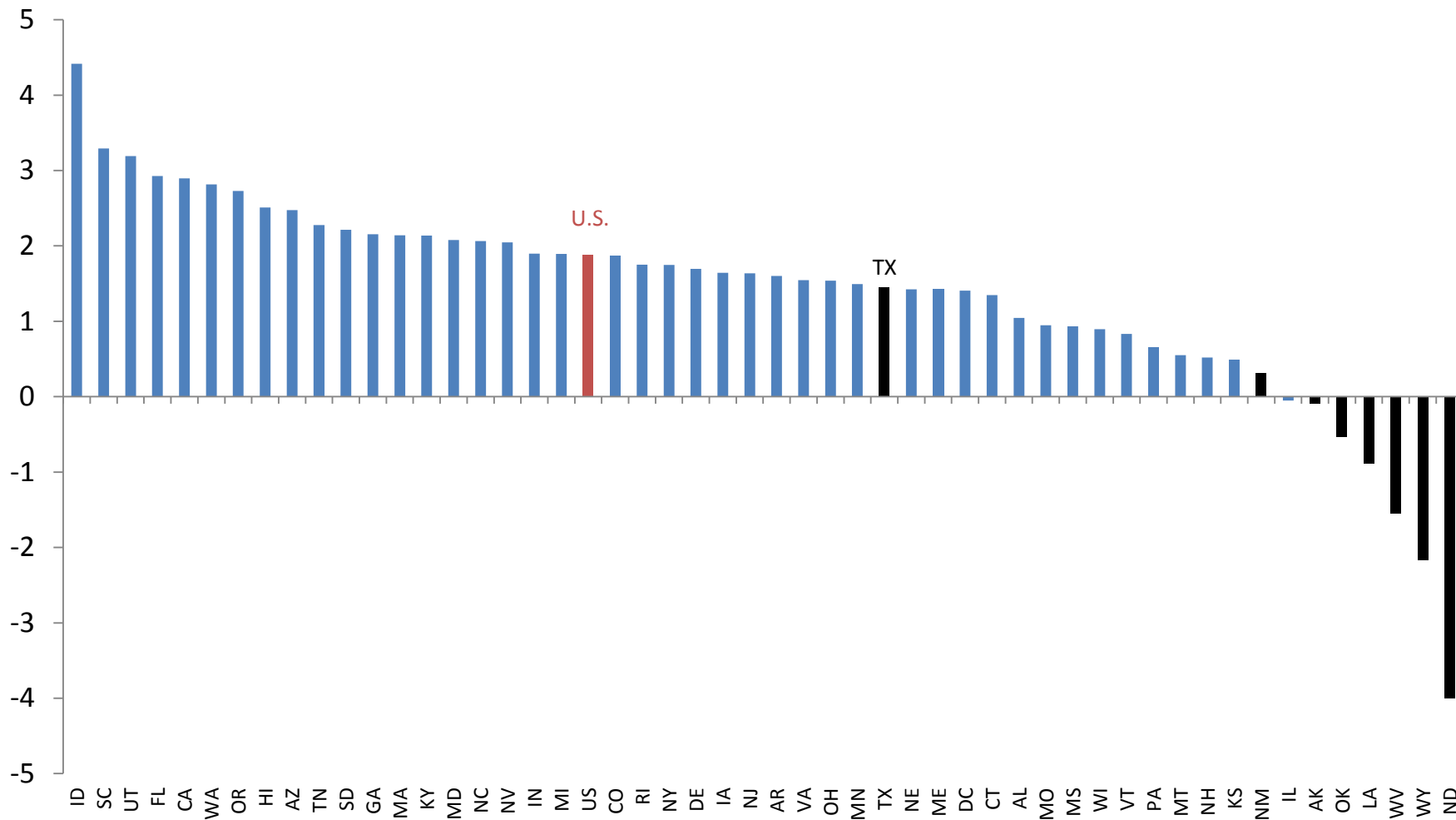
NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics



Texas Ranked 30th in Job Growth in 2015, but Above Most Energy States

Percent Change,
Dec. 2014 - Dec. 2015



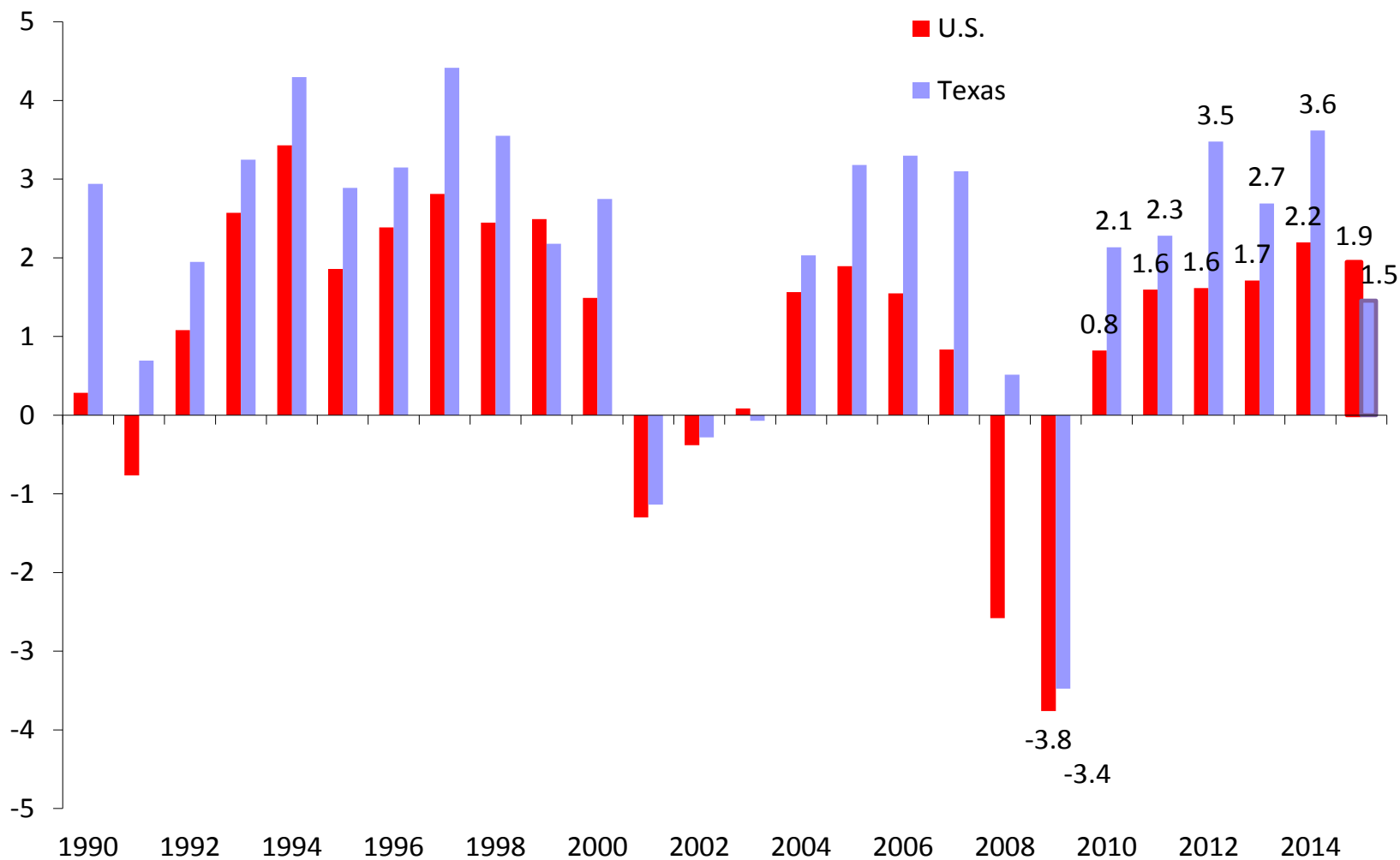
NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics



2015 Texas Job Growth Less Than the Nation's

Percent, Job Growth Y/Y



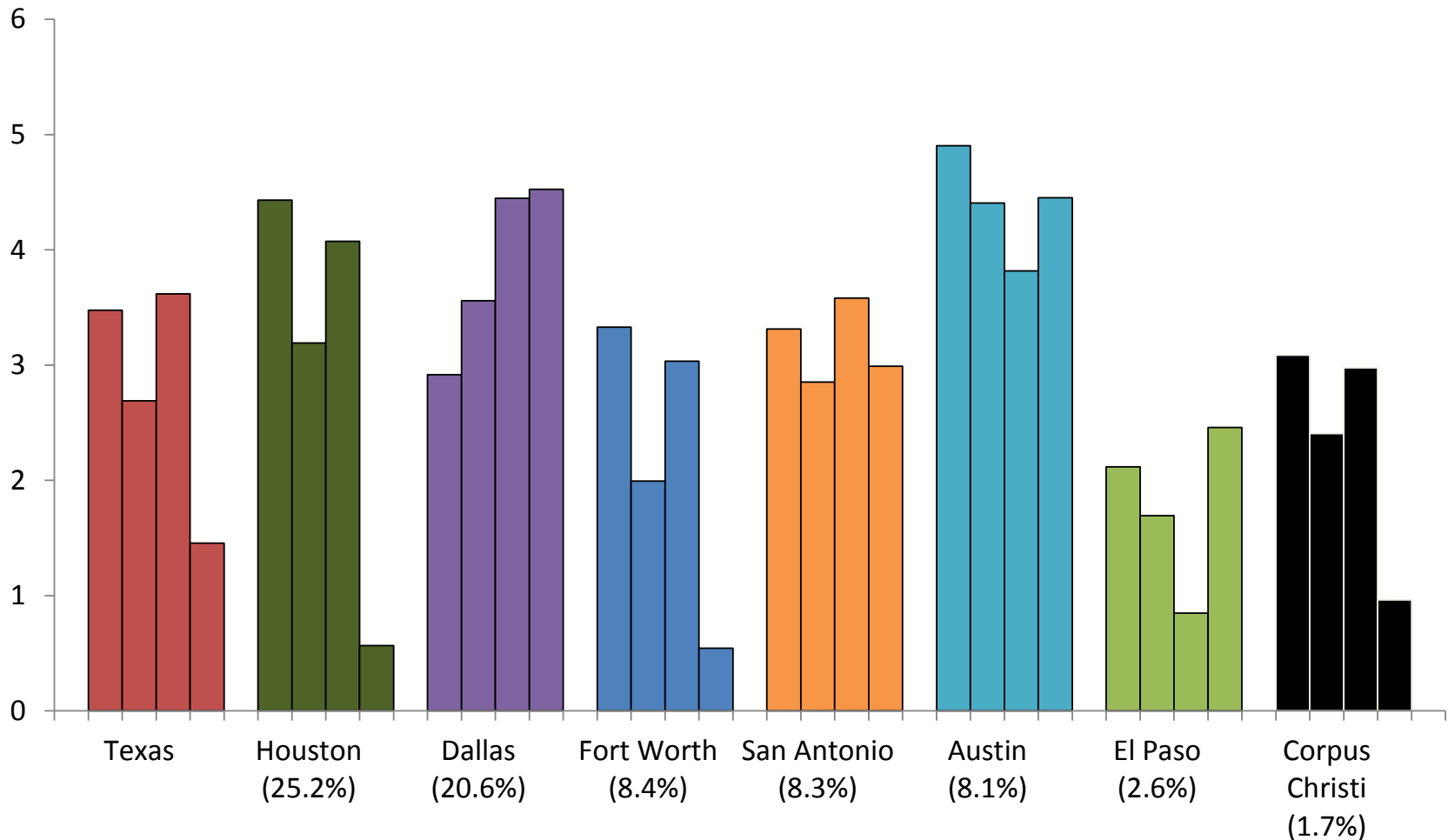
Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas



2015 Growth Was Mixed Across Major Metros

Job Growth, 2012-2015

Percent, Dec./Dec.

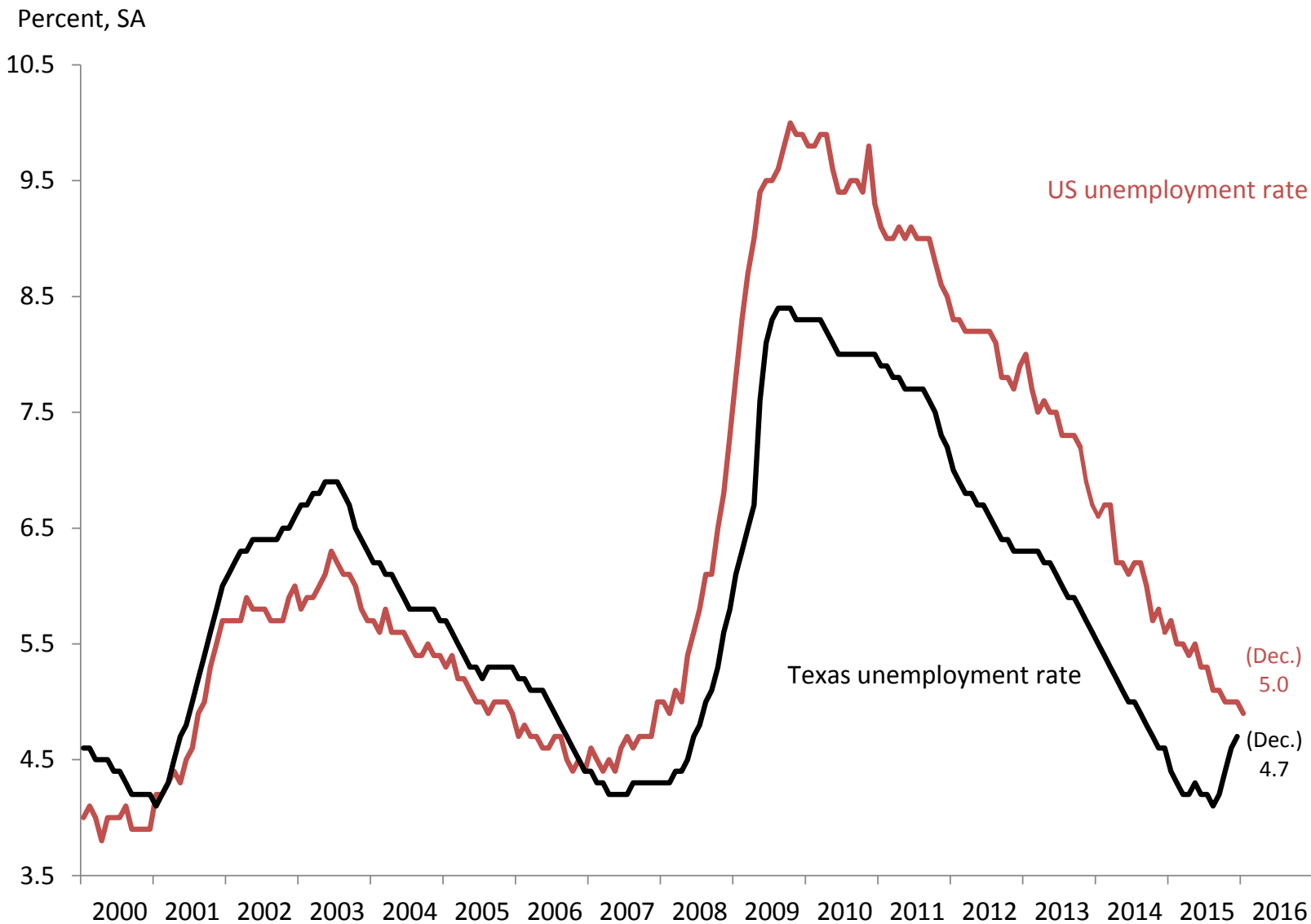


NOTE: Figures in parentheses represent shares of total state employment.

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



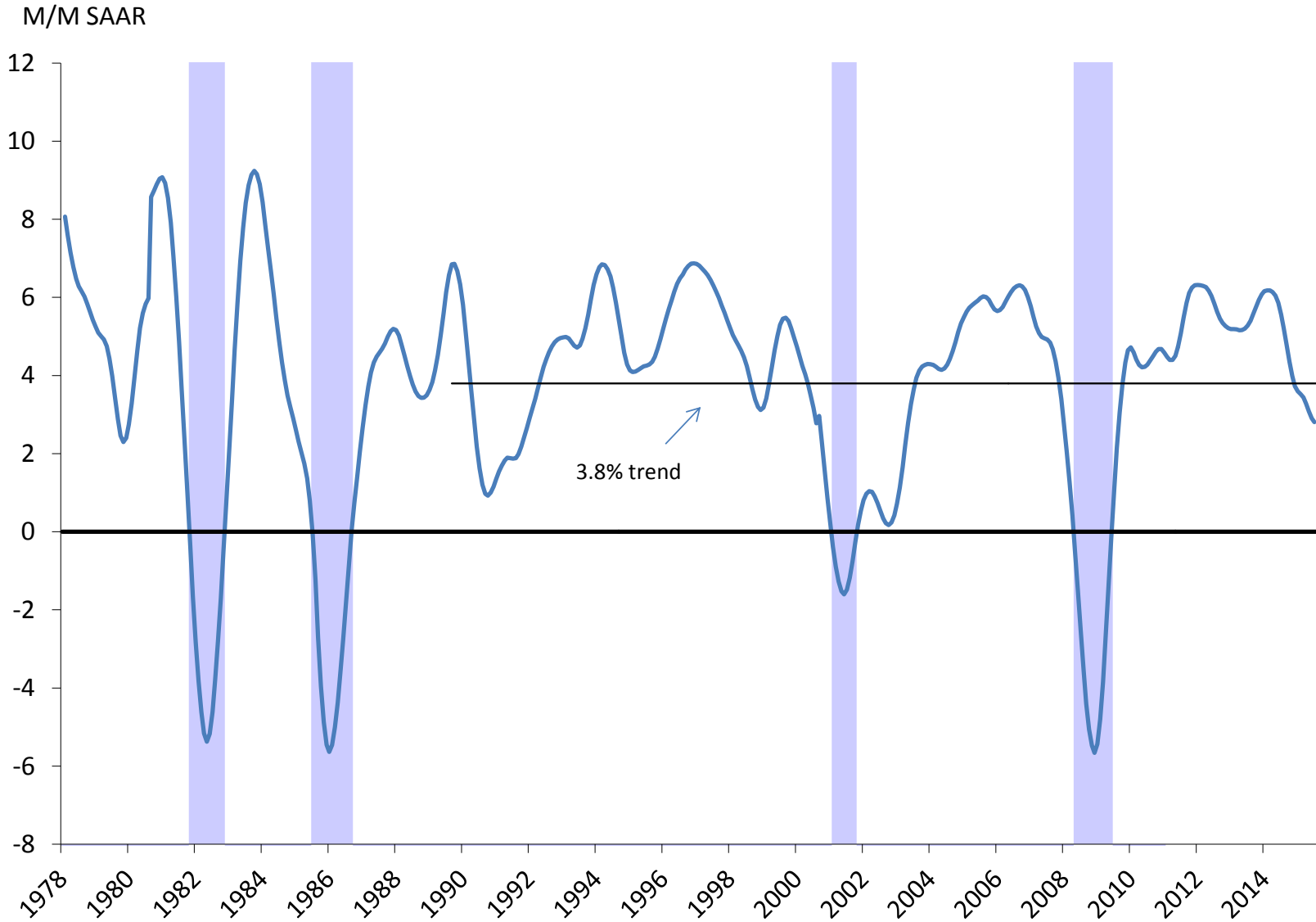
Texas Unemployment Rate Still Below Nation But Rising



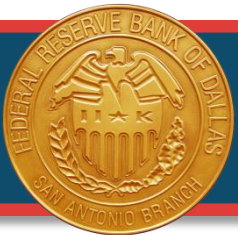
Source: Bureau of Labor Statistics.



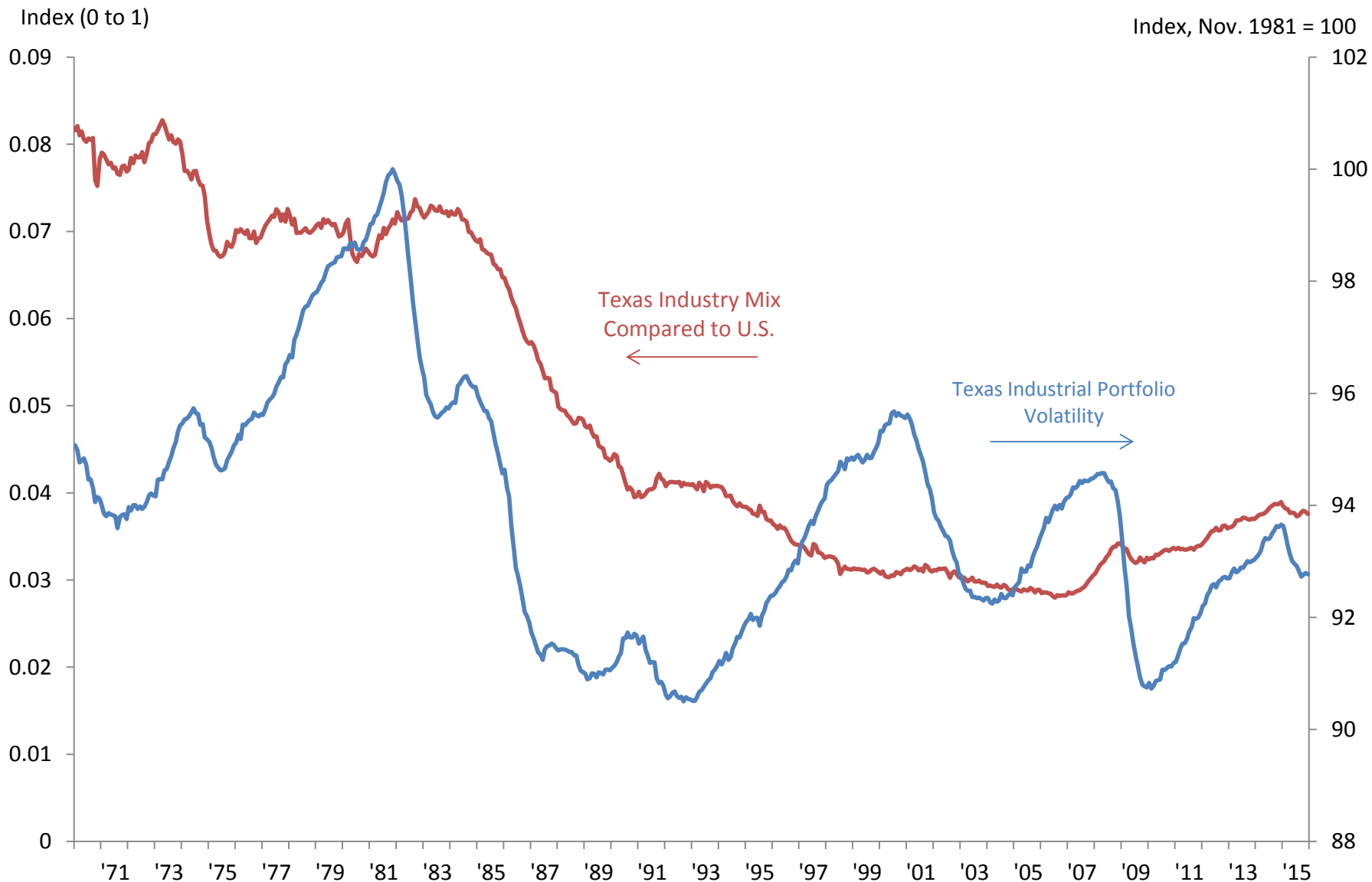
Texas Economic Growth Below Trend But Positive (Texas Business Cycle Index)



NOTE: Shaded areas represent Texas recession.



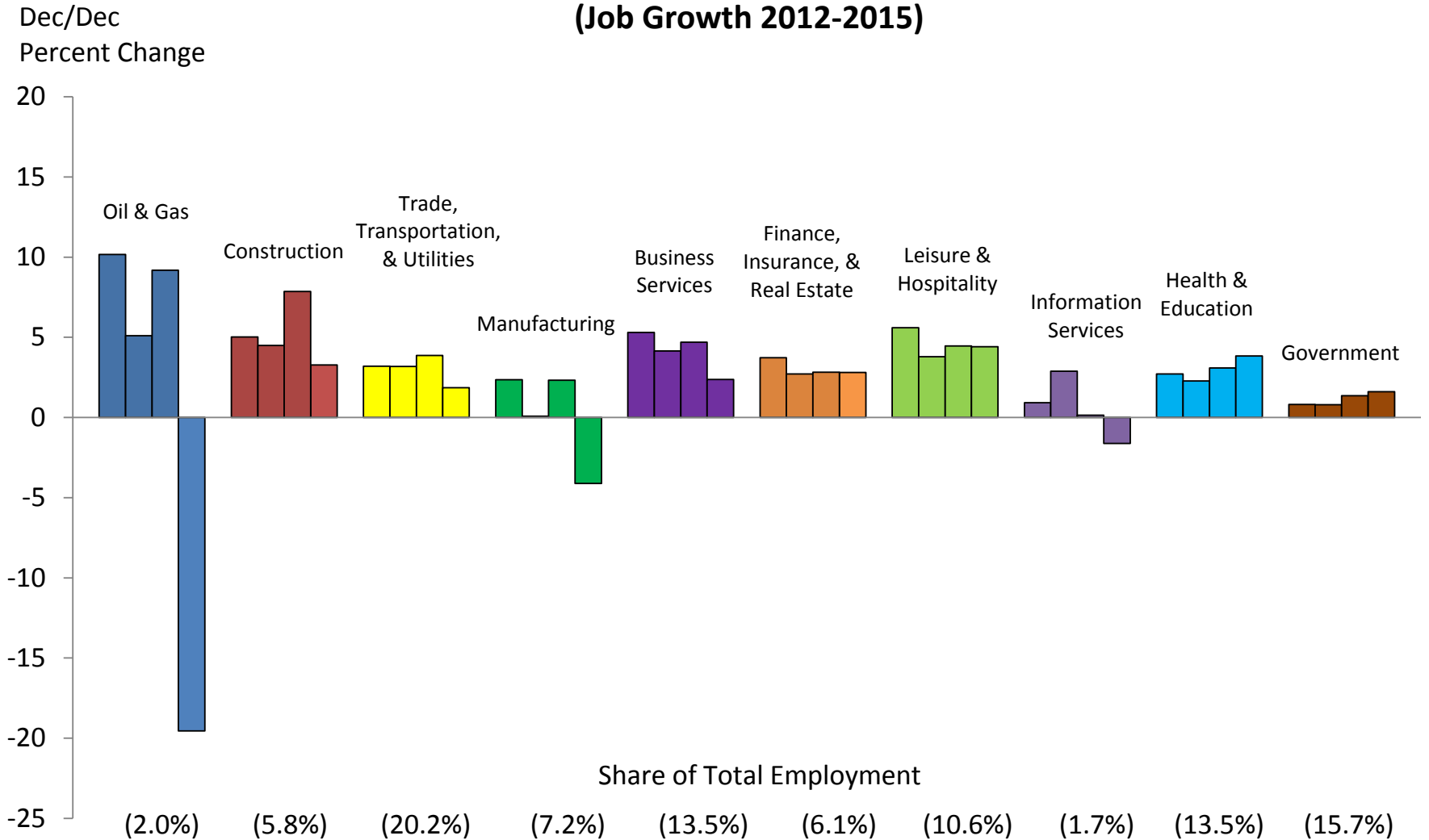
Texas Industry Mix Closer to U.S. & More Diversified Than in 1980s





Energy & Manufacturing Weakened Sharply in 2015

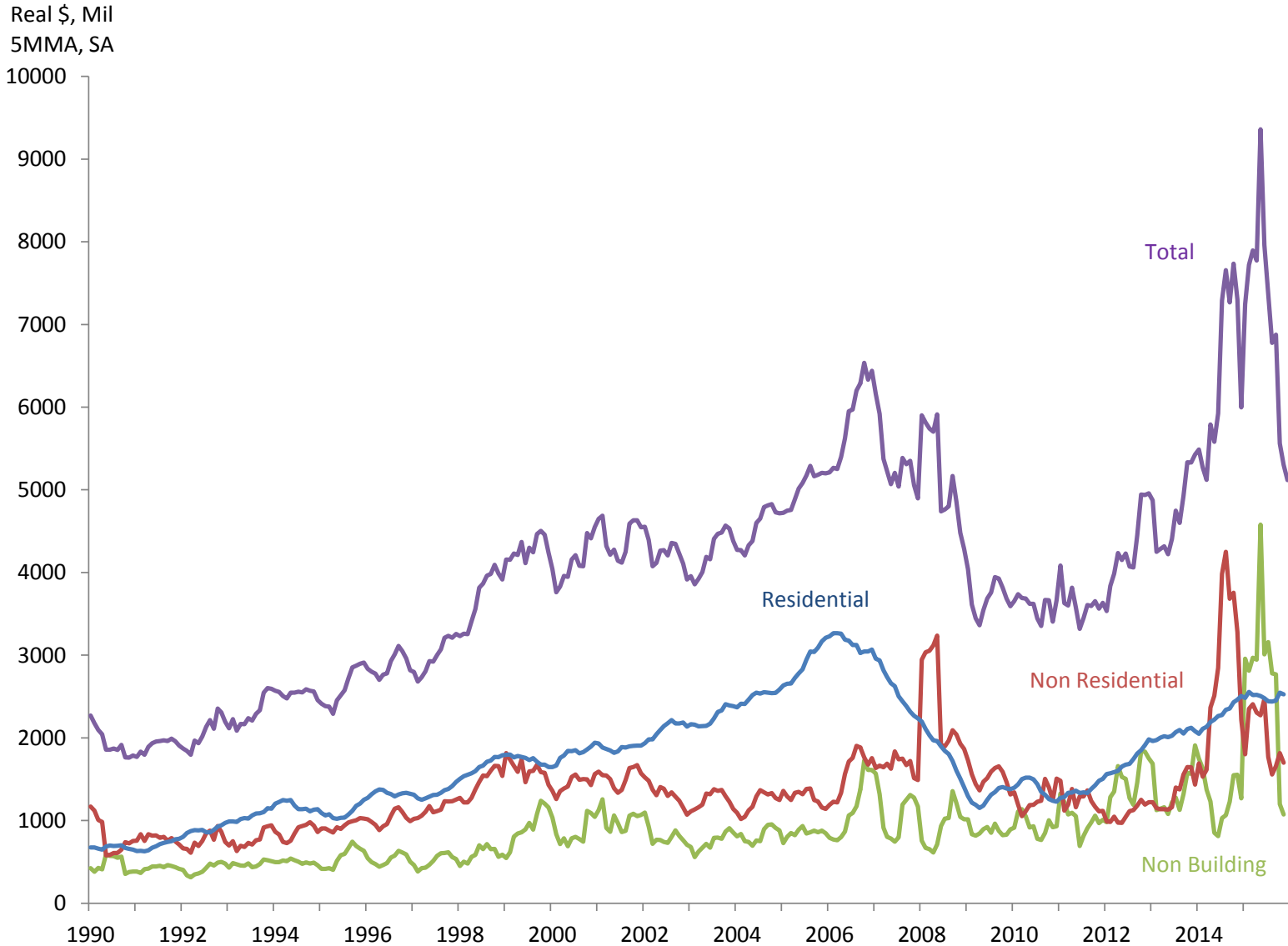
(Job Growth 2012-2015)



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



Texas Construction Contracts Strong in 2015

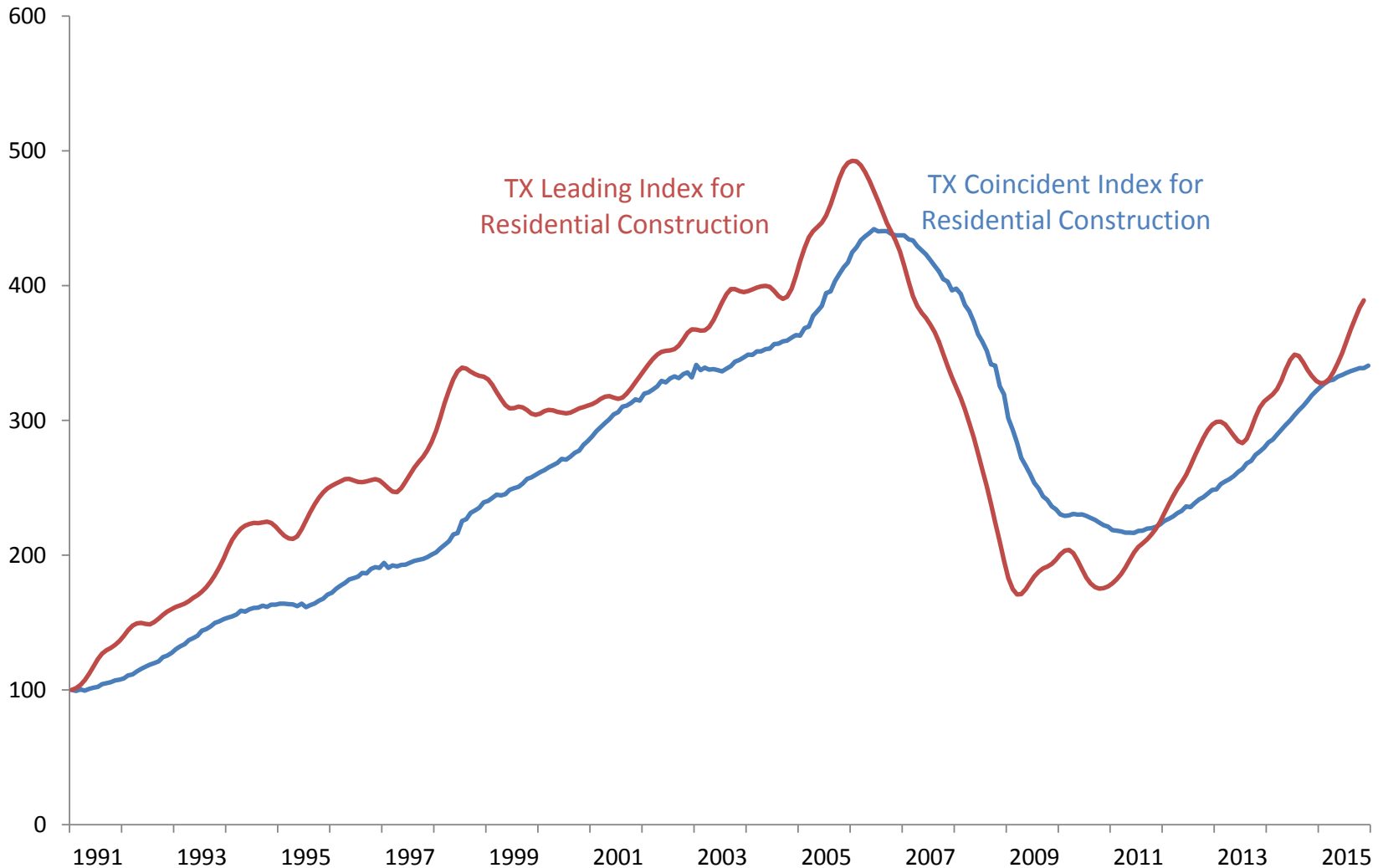


Source: F.W. Dodge, Federal Reserve Bank of Dallas



Texas Residential Construction Indexes Suggest Continued Growth

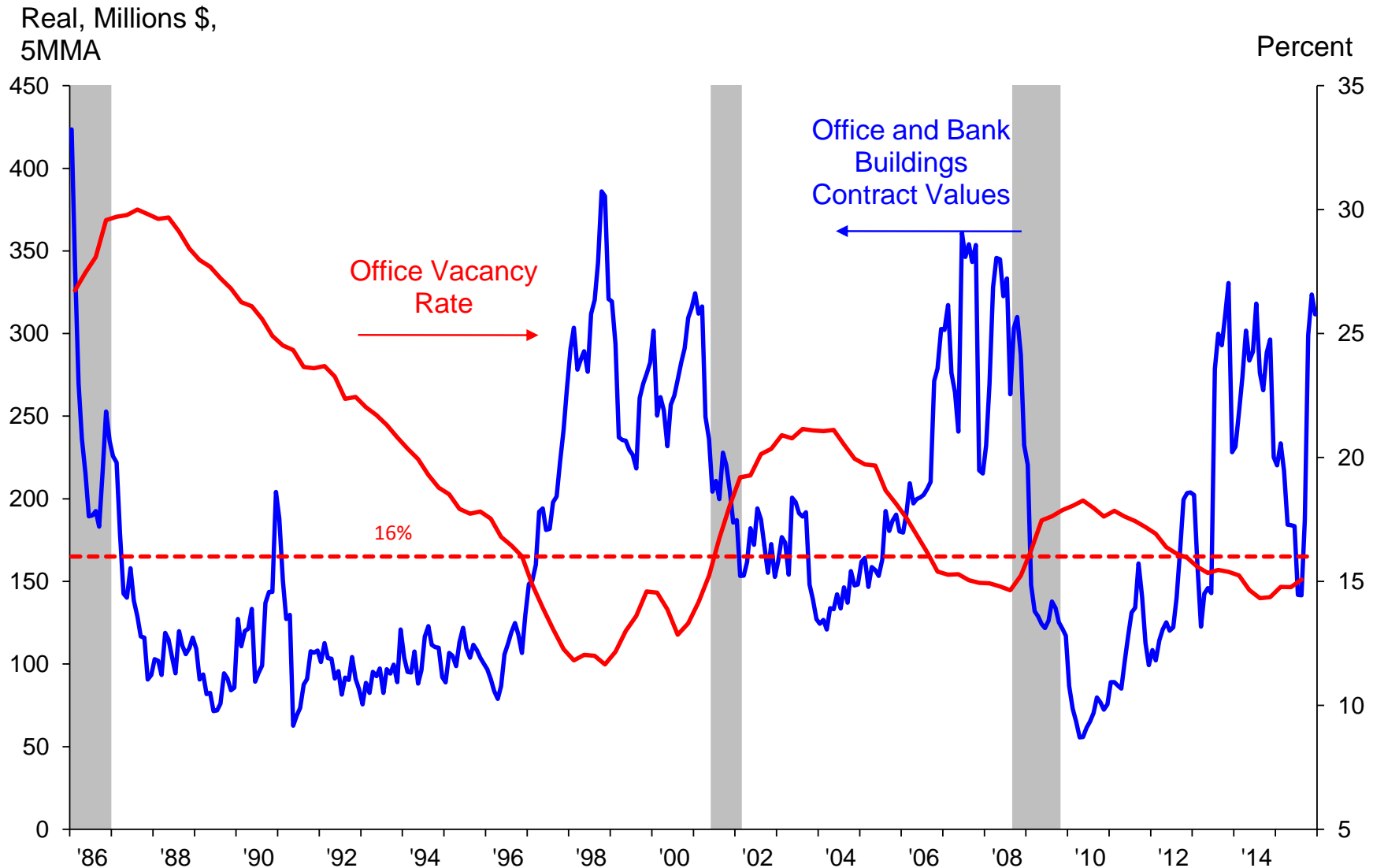
Index, Jan. 1991 = 100



Sources: Federal Reserve Bank of Dallas, Texas A&M Real Estate Center.



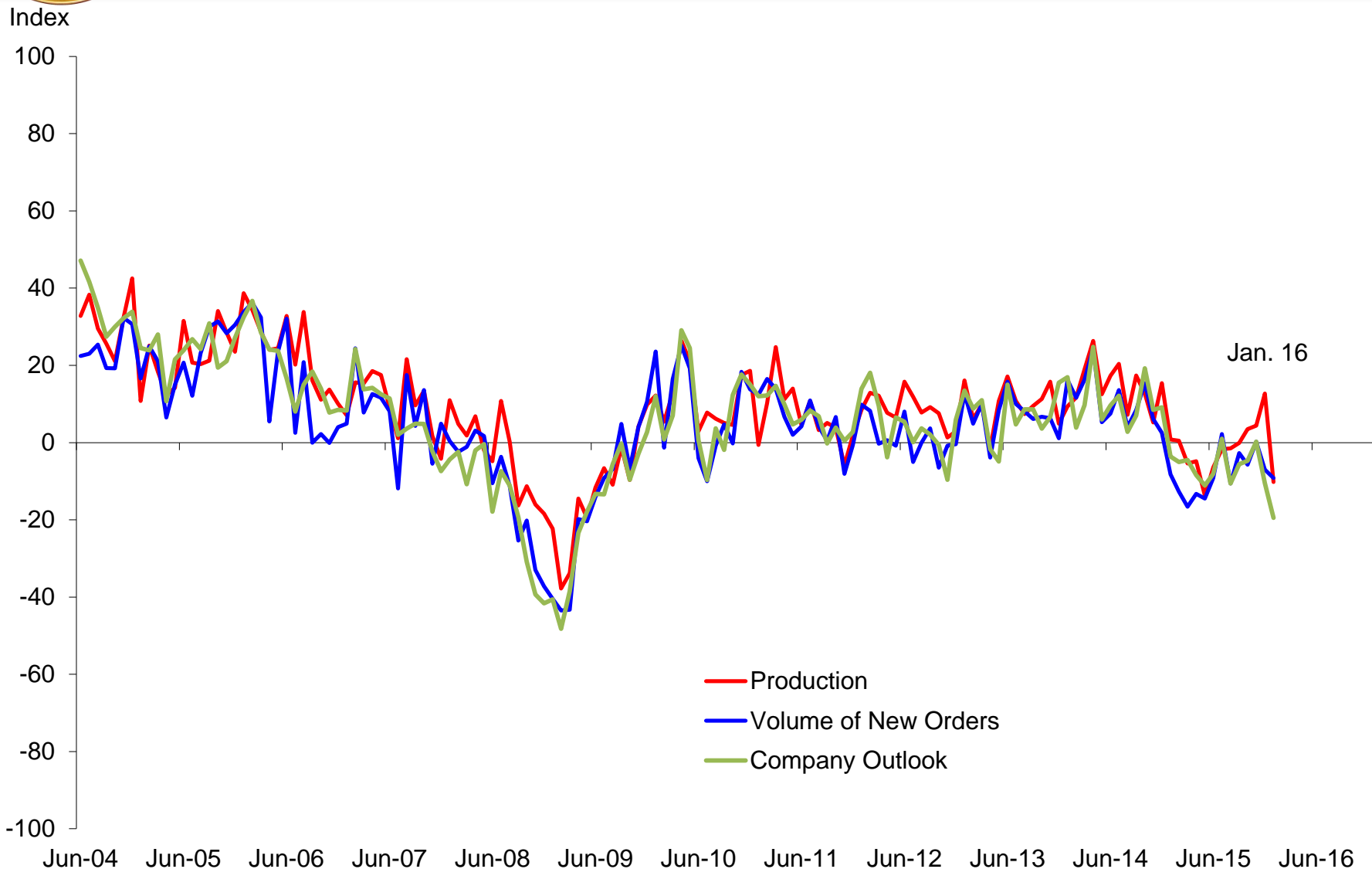
Texas Office Markets Remain Healthy



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



TX Manufacturing Indicators Weak



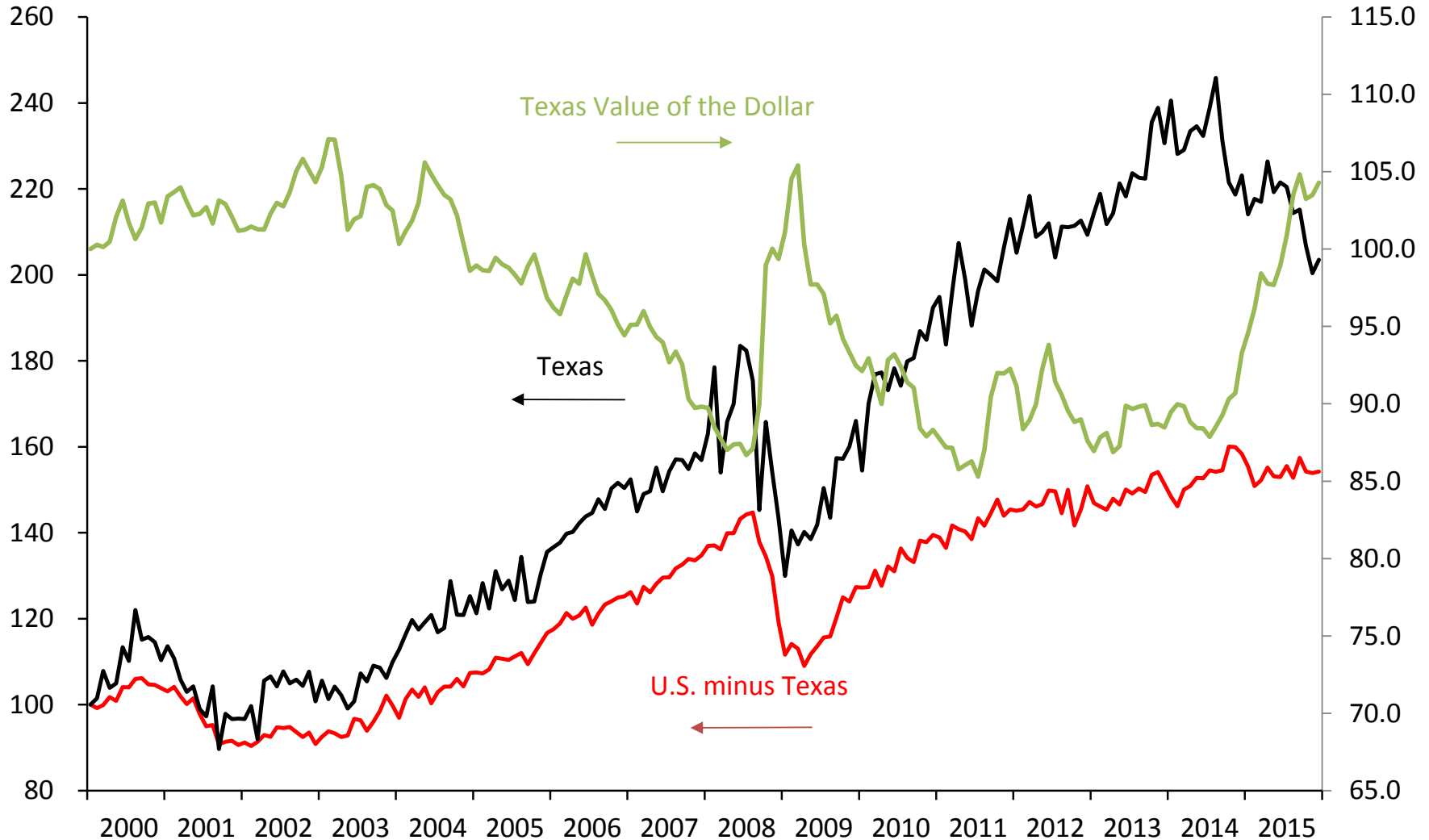
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.



Texas Exports Weakened as Value of the Dollar Continues to Rise

Index, SA, Real
Jan. 2000=100

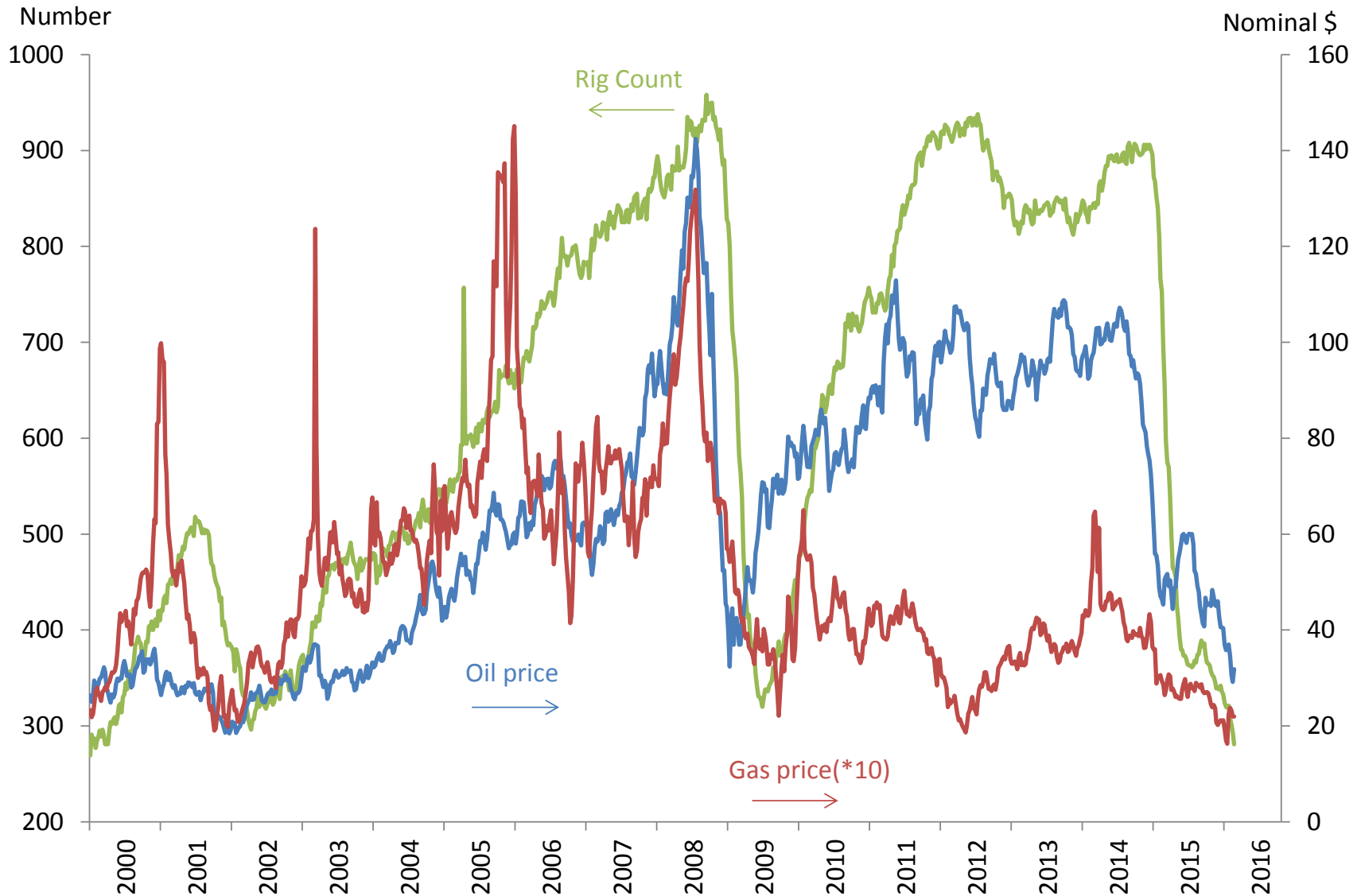
Index
Jan. 1988=100



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



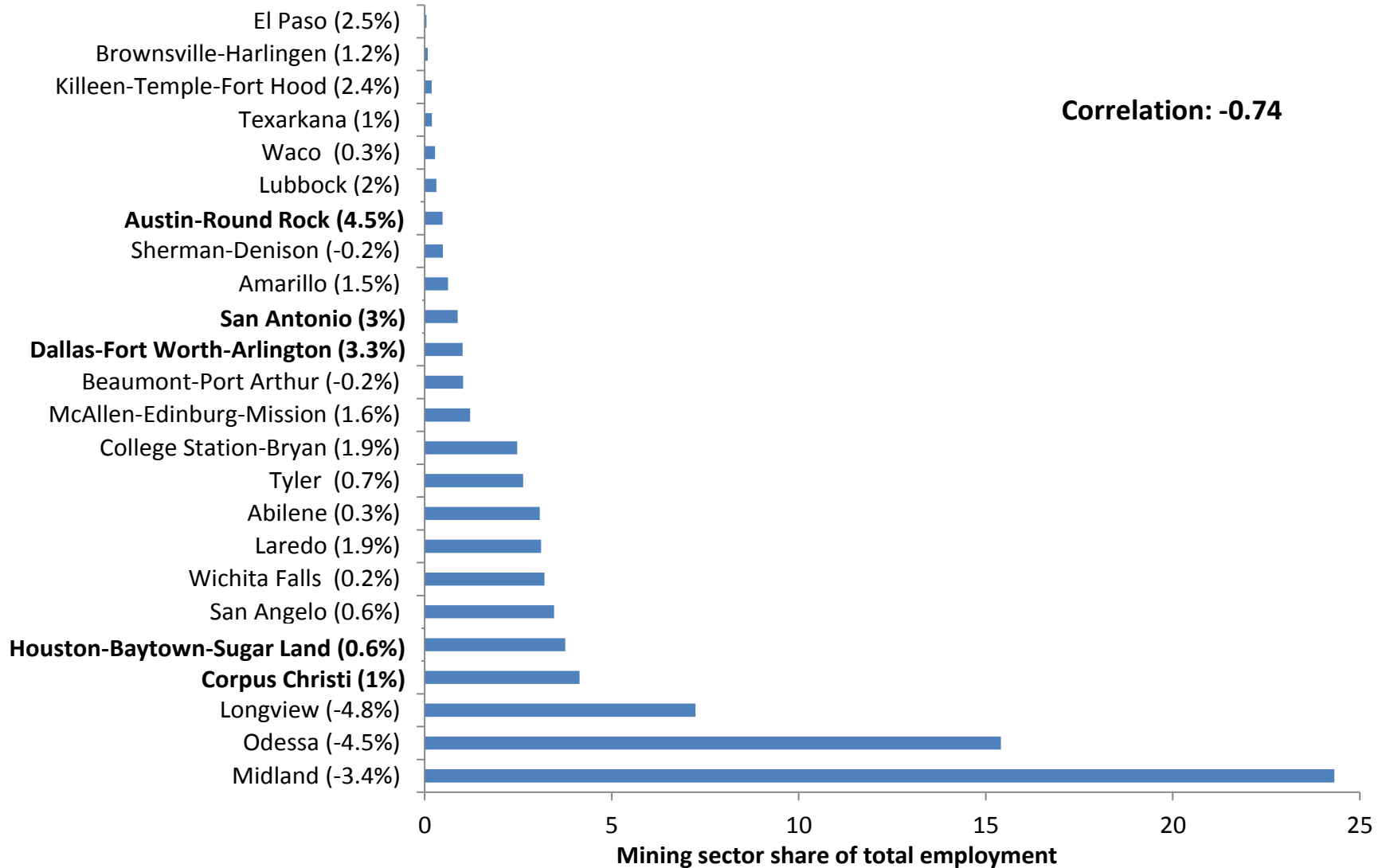
Drilling Rig Count Continues to Fall Amidst Renewed Plunge in Energy Prices



Sources: Oil and Gas Journal, Baker Hughes.



Which Metros Performed the Best in 2015? Size of Energy Sector Explains a Lot

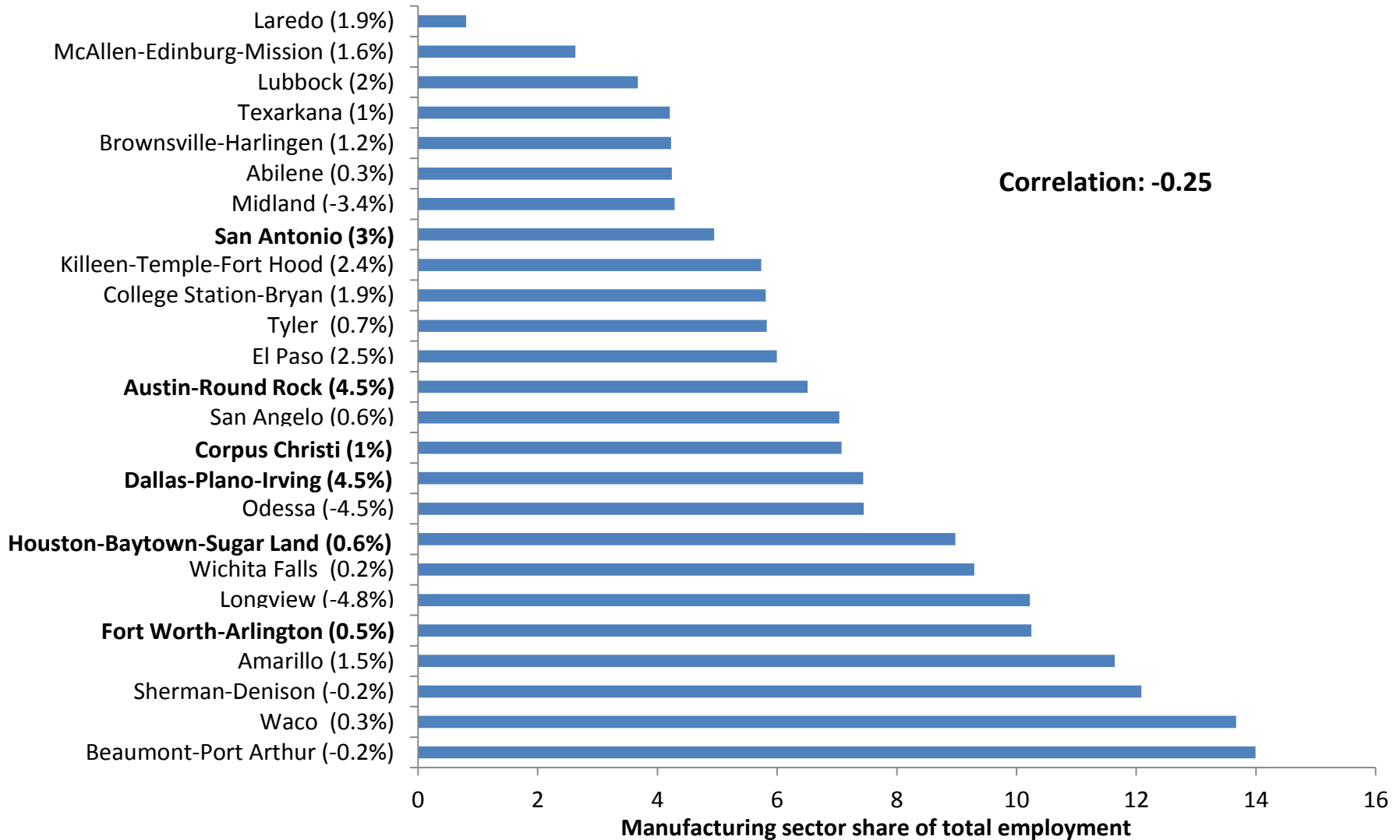


Note: Data in parentheses are total nonfarm job growth Dec. 2014 - Dec. 2015. Mining share data as of 2014.

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



Share of Manufacturing Also Accounts for Some Differences in Job Growth

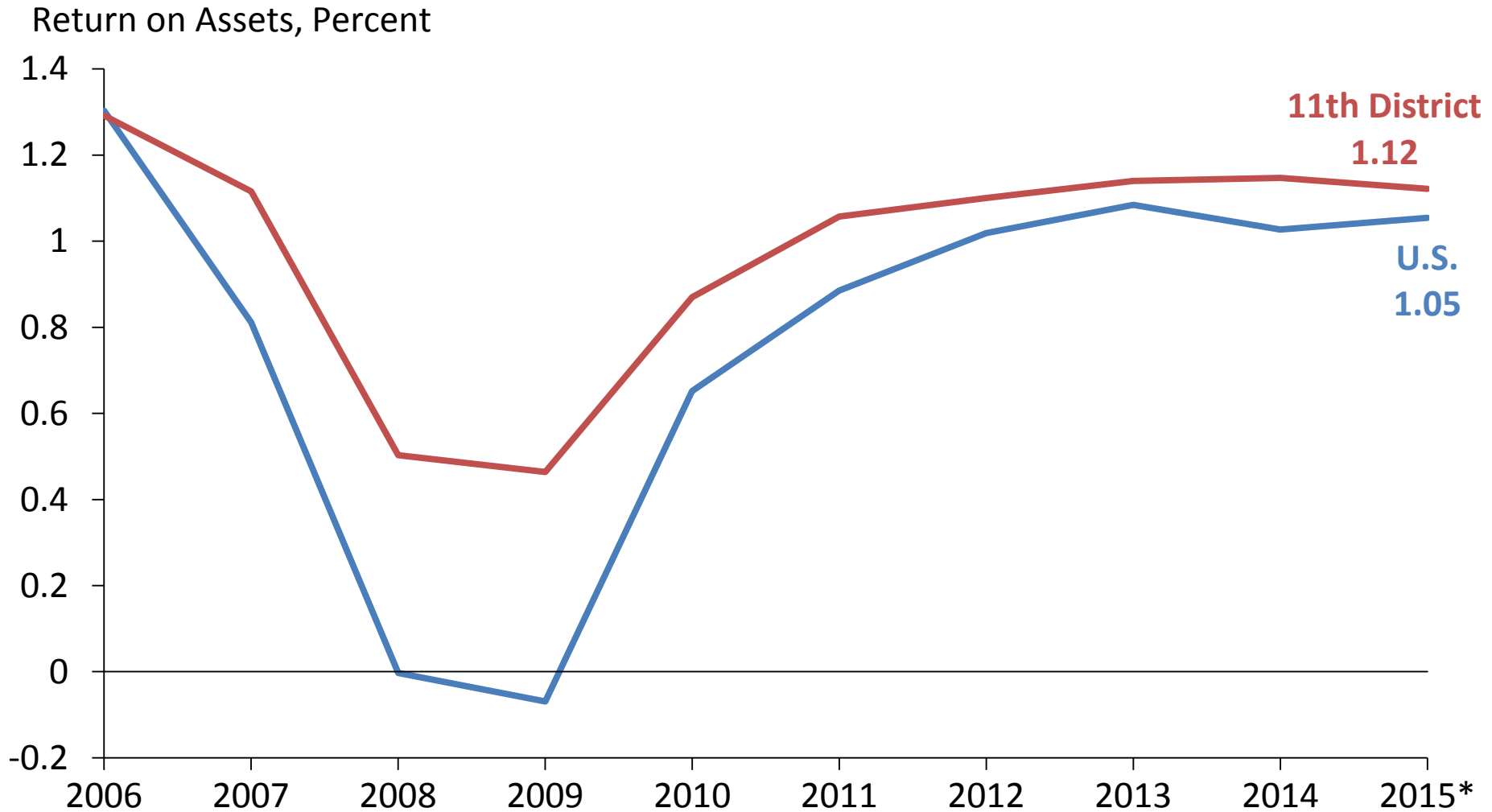


Note: Data in parentheses are total nonfarm job growth Dec. 2014 - Dec. 2015. Manufacturing share data as of 2014.

Sources: Texas Workforce Commission, Bureau of Labor Statistics.



11th District Banks Remain More Profitable than U.S. Banks...

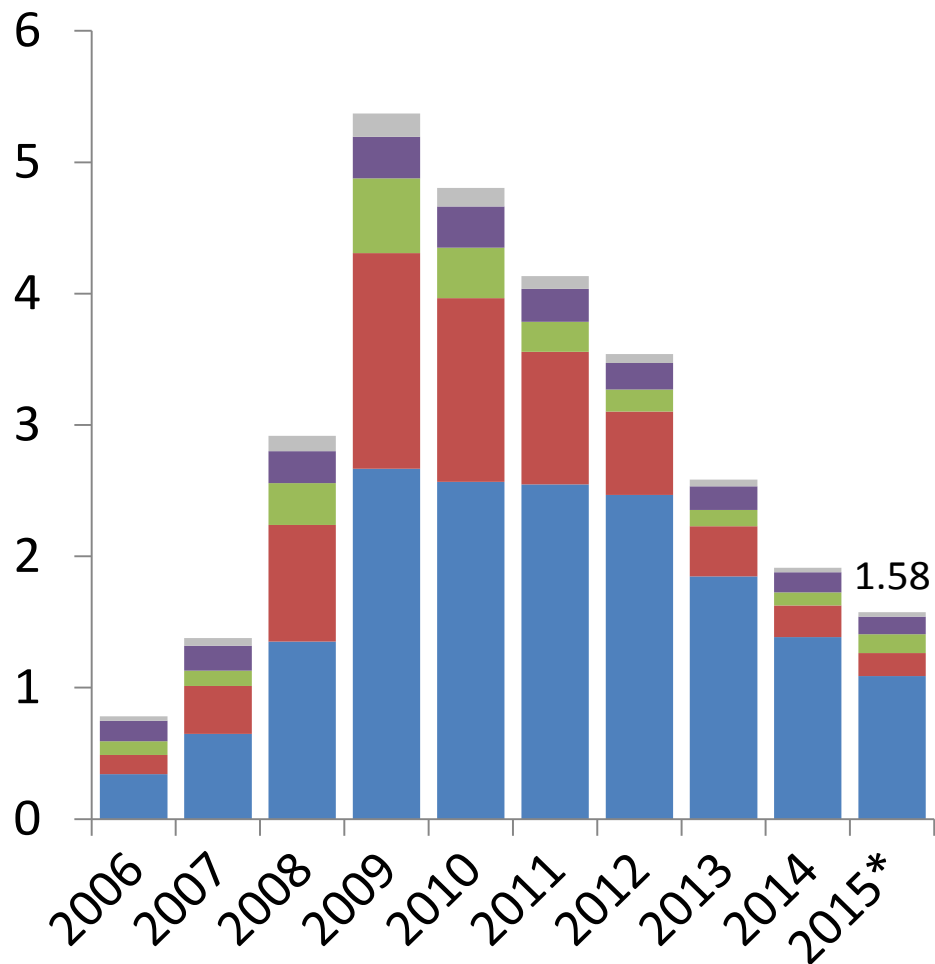


*Through September 30th, annualized.

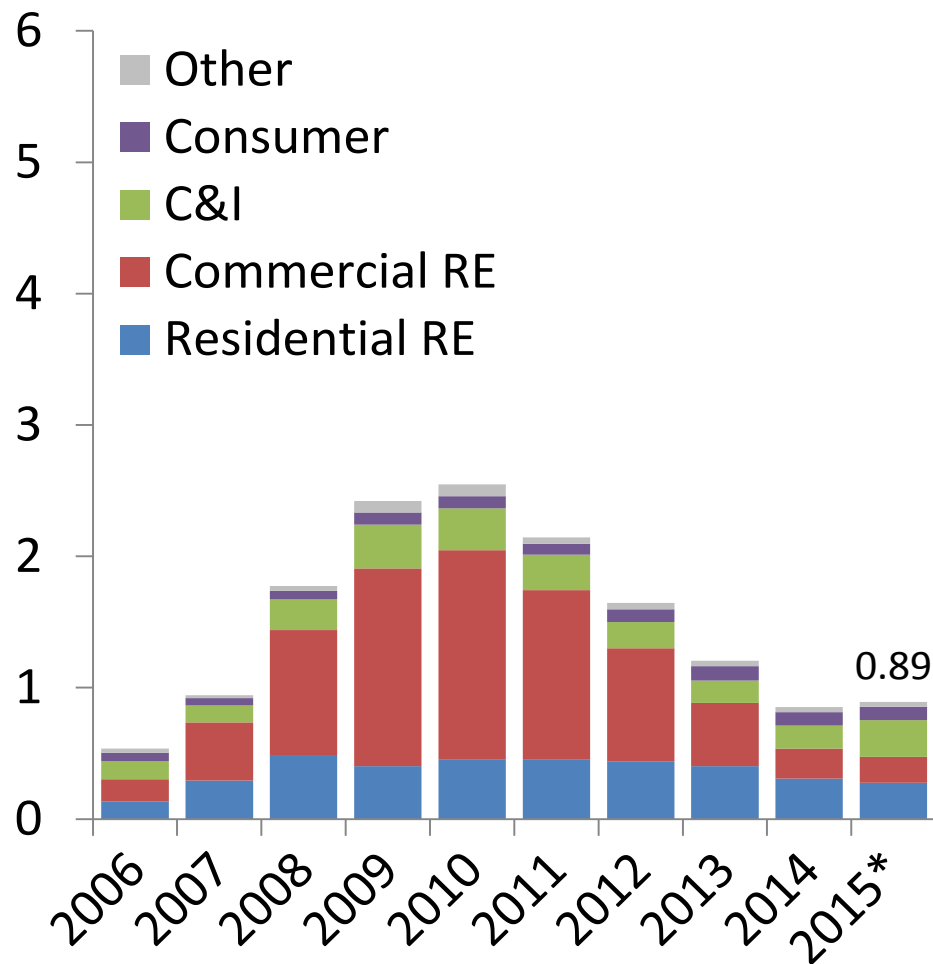


...But Noncurrent Loans Have Ticked Up Regionally.

Percent of Total Loans **U.S.**



11th District

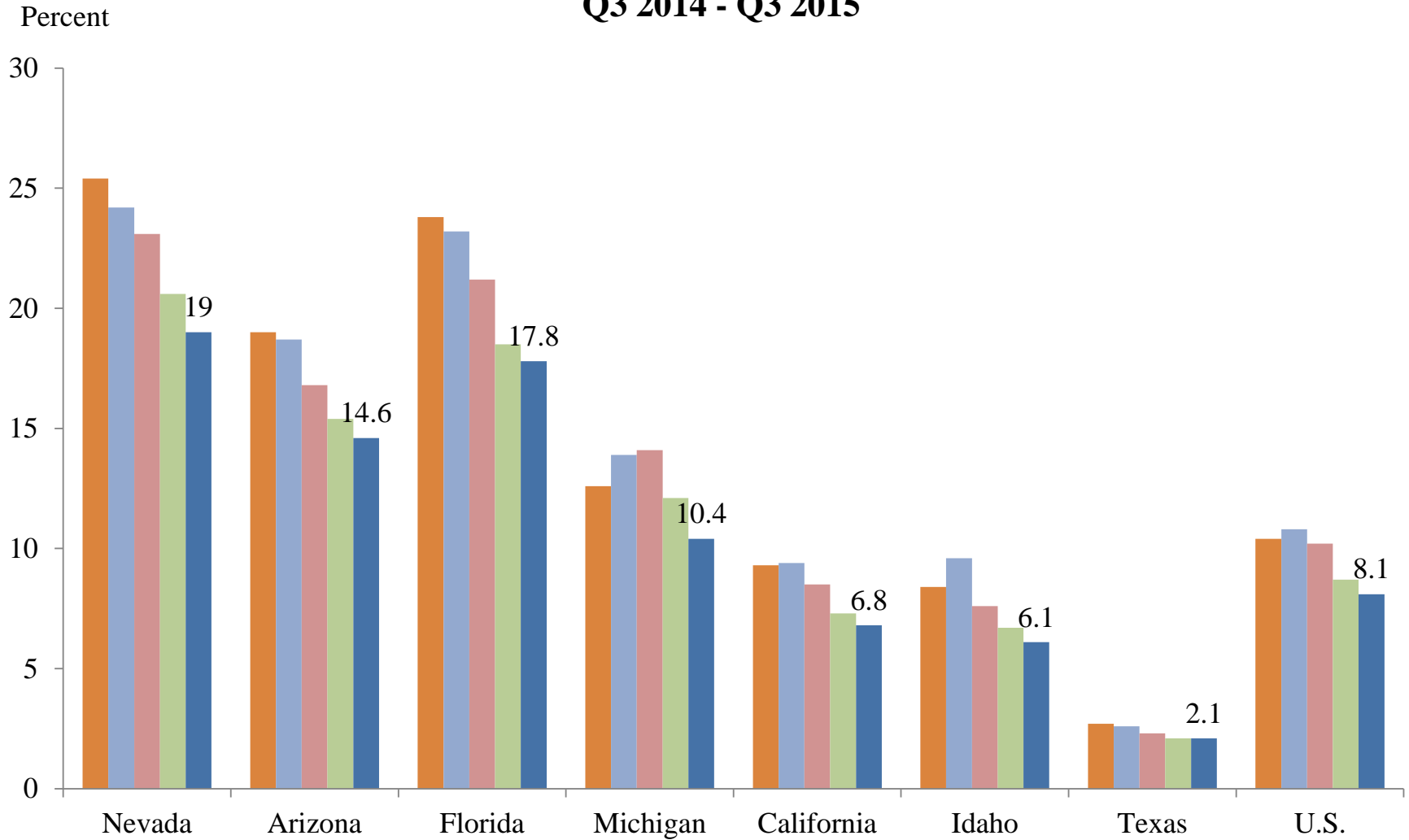


*Annual data, 2015 data are annualized through Q3



Texas Homes Have Lowest Rate of Negative Equity in the Nation

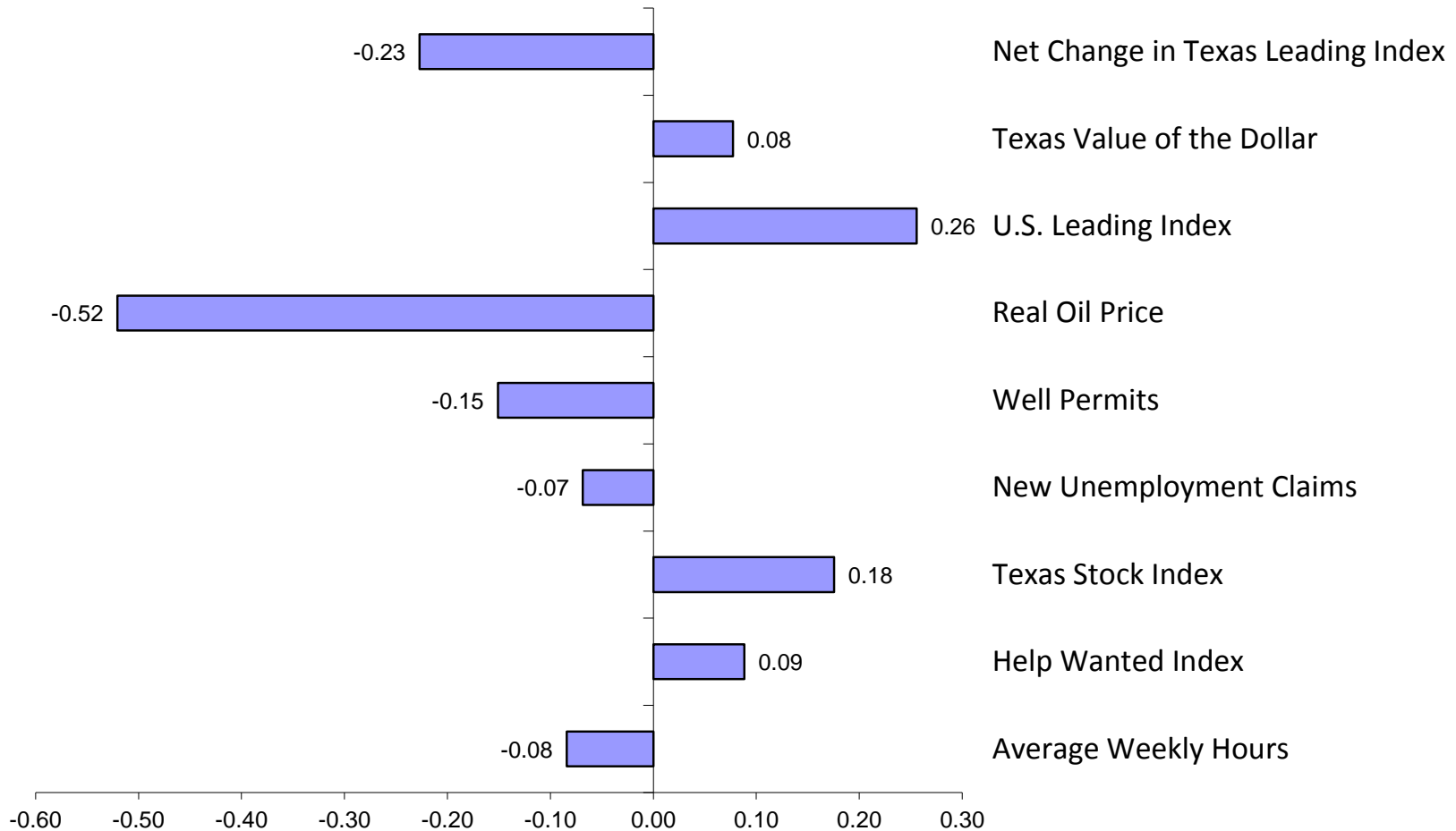
Percent of Mortgages "Under Water" Q3 2014 - Q3 2015





Leading Index Components Mixed

(Weighted contribution of components to index change, October-December 2015)



NOTE: Seasonally adjusted.

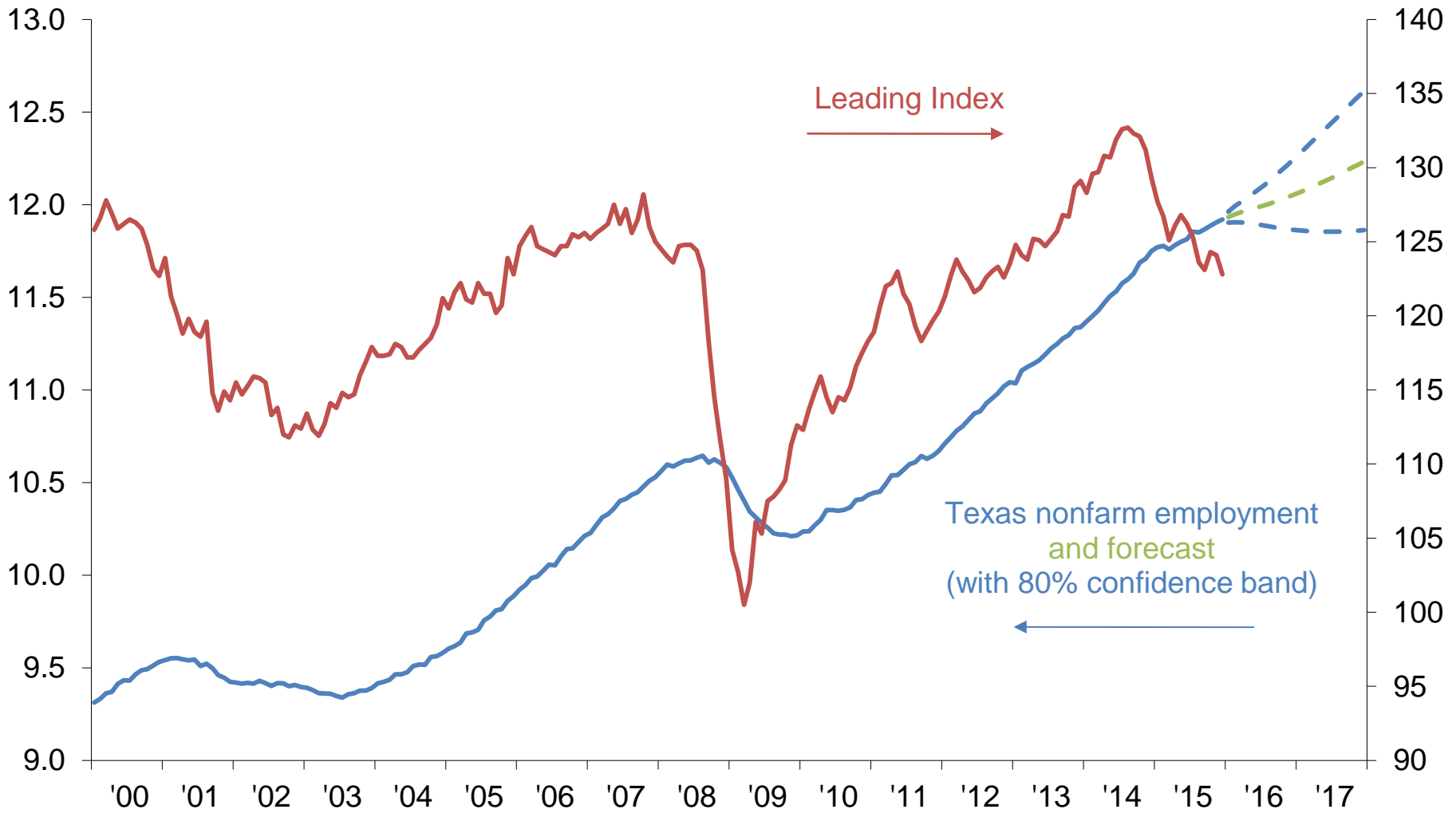
SOURCE: Federal Reserve Bank of Dallas.



Texas Jobs Forecasted to Grow 1.1% in 2016

Millions, seasonally adjusted

Index, 1987=100



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



Summary

- In 2015 Texas weakened sharply but continued to grow - did 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 between 0.5% and 1.5%.
- Biggest risk to the forecast is declining oil prices. If average oil prices fall between \$20–\$30 for the year, then negative job growth likely.