



FEDERAL RESERVE BANK *of* DALLAS SAN ANTONIO BRANCH

Texas Economic Outlook: Takes a Licking But Keeps on Ticking

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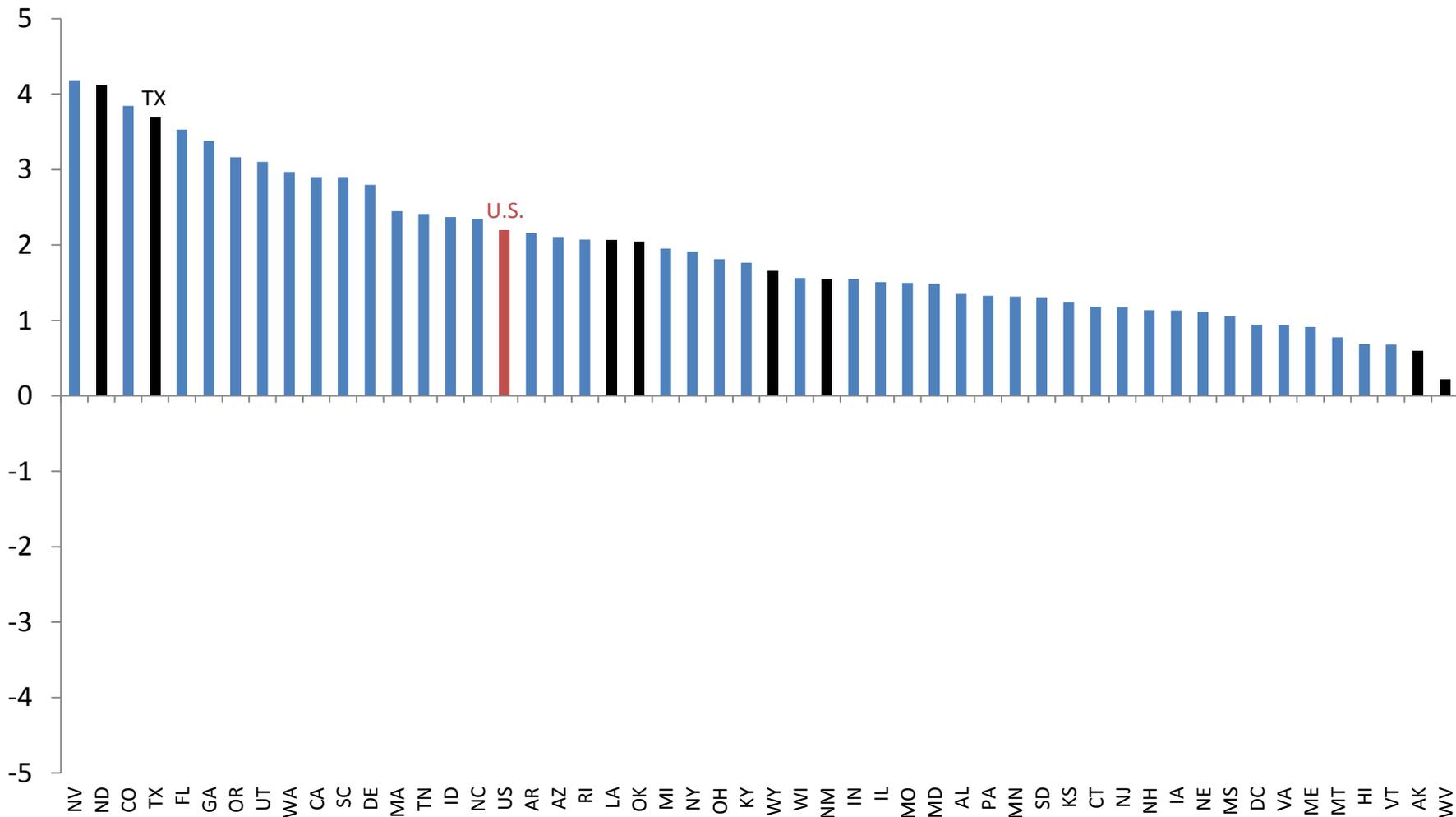
Texas Economic Growth Weak in 2015 and 2016, Likely to Pick Up Next Year

- In five years prior to 2015, growth in energy, construction and exports provided a strong stimulus to Texas.
- In 2015 and 2016, low oil prices and strong dollar reduced job growth – but Texas doing better than other energy states.
- Service sectors and I-35 corridor not impacted much by energy downturn.
- In 2015, jobs grew 1.3% (155,000 jobs), a drop from 3.7% in 2014. In 2016, growth through September is 1.4% and will likely hold near that pace to finish about 1.5% for the year. 2017 forecast at 1.7%.



Texas Ranked 4th in Job Growth in 2014, Growth in Energy States Varied Widely

Percent Change,
Dec. 2013 - Dec. 2014



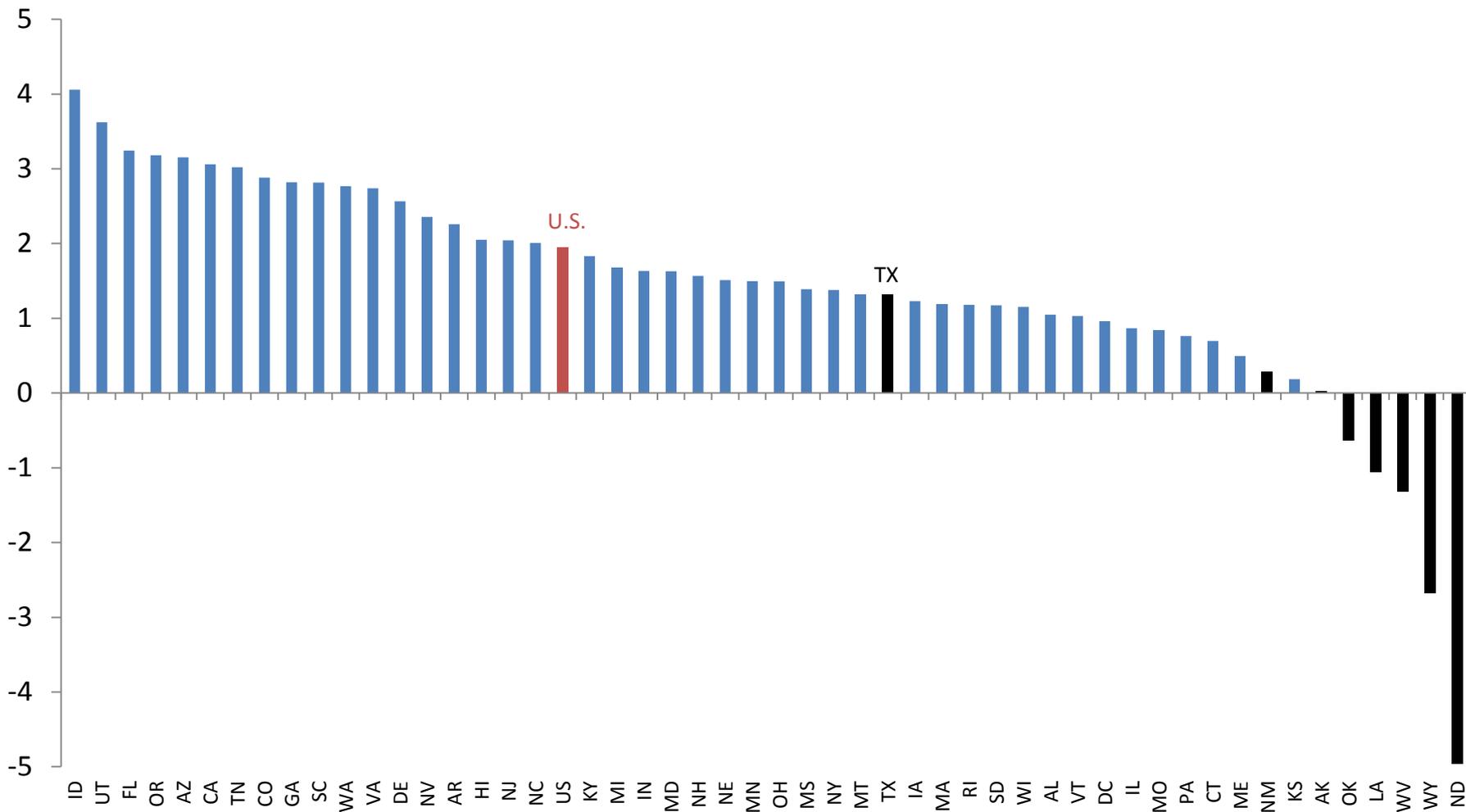
NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics



Texas Ranked 30th in Job Growth in 2015; Jobs Contracted in Most Energy States

Percent Change,
Dec. 2014 - Dec. 2015



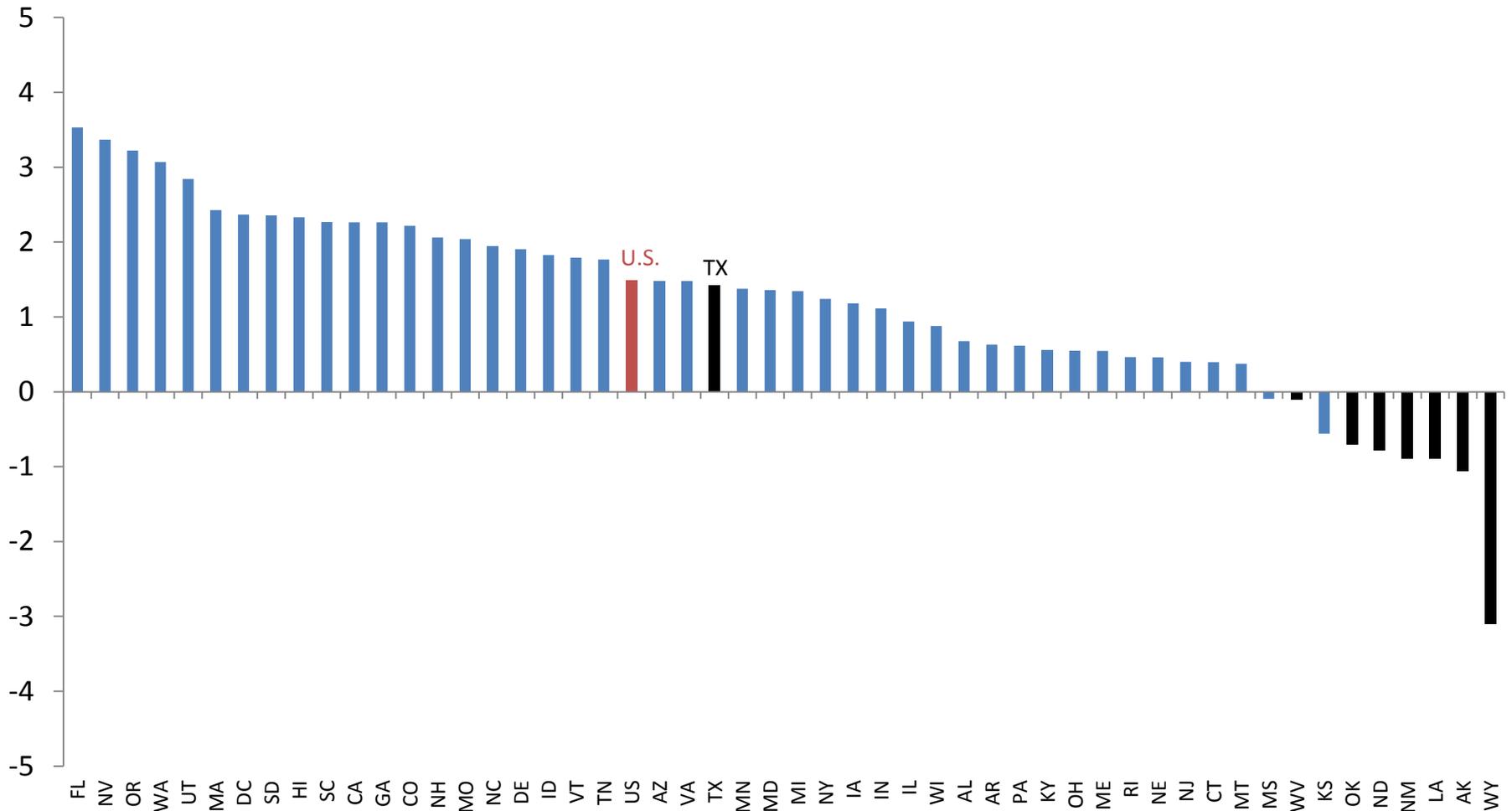
NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics



Texas Growth This Year Remains Positive and Above Other Energy States

Annualized Percent Change
Dec. 2015 - Sept. 2016

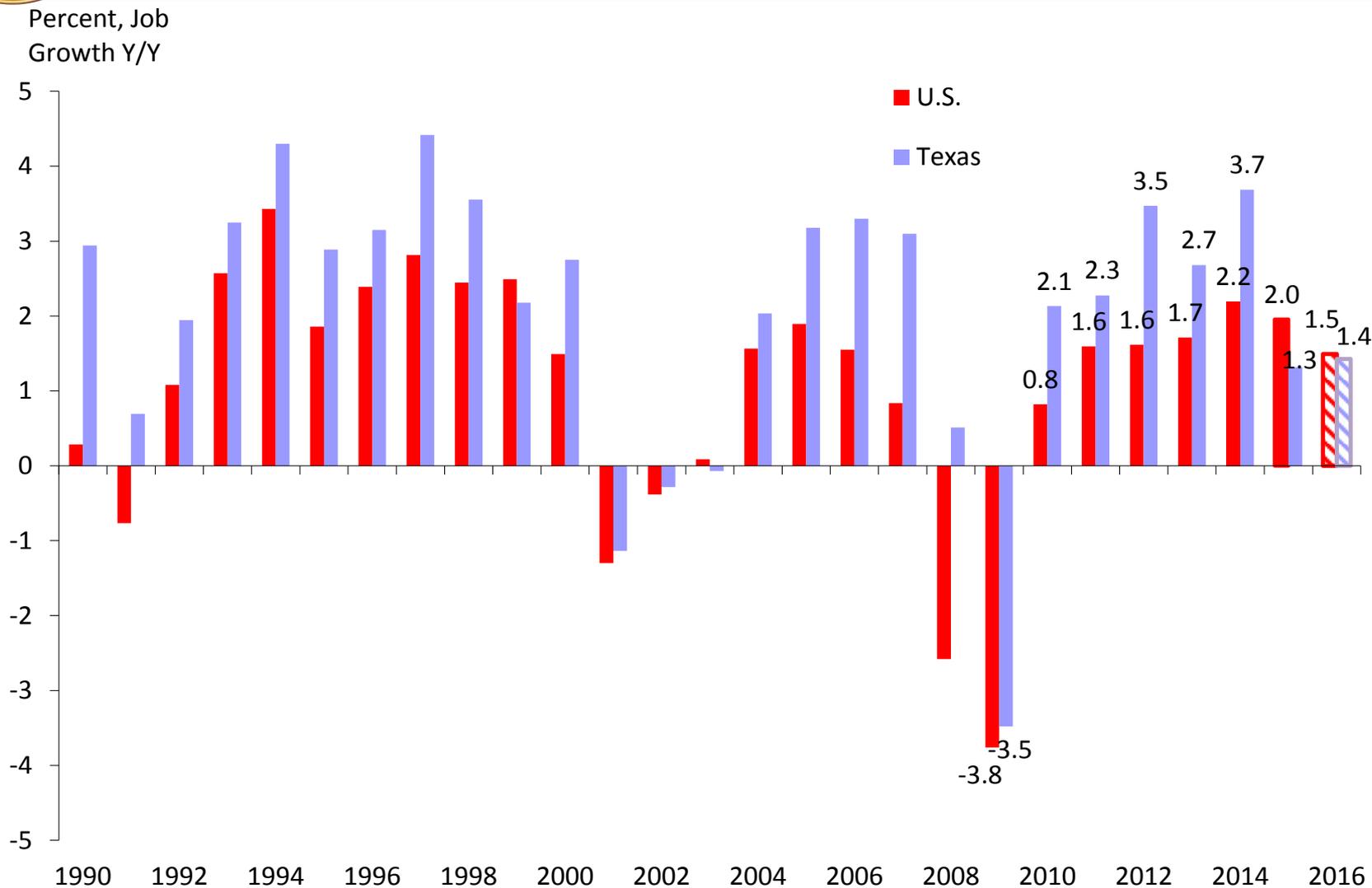


NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics



2015-16 Texas Job Growth Less Than the Nation



Note: Striped bars indicate Sept. 2016/Dec. 2015 annualized growth.

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



Most Metros Still Growing: Dallas Strong, Houston Weak

Job Growth, 2013-2016

Percent, Dec./Dec.

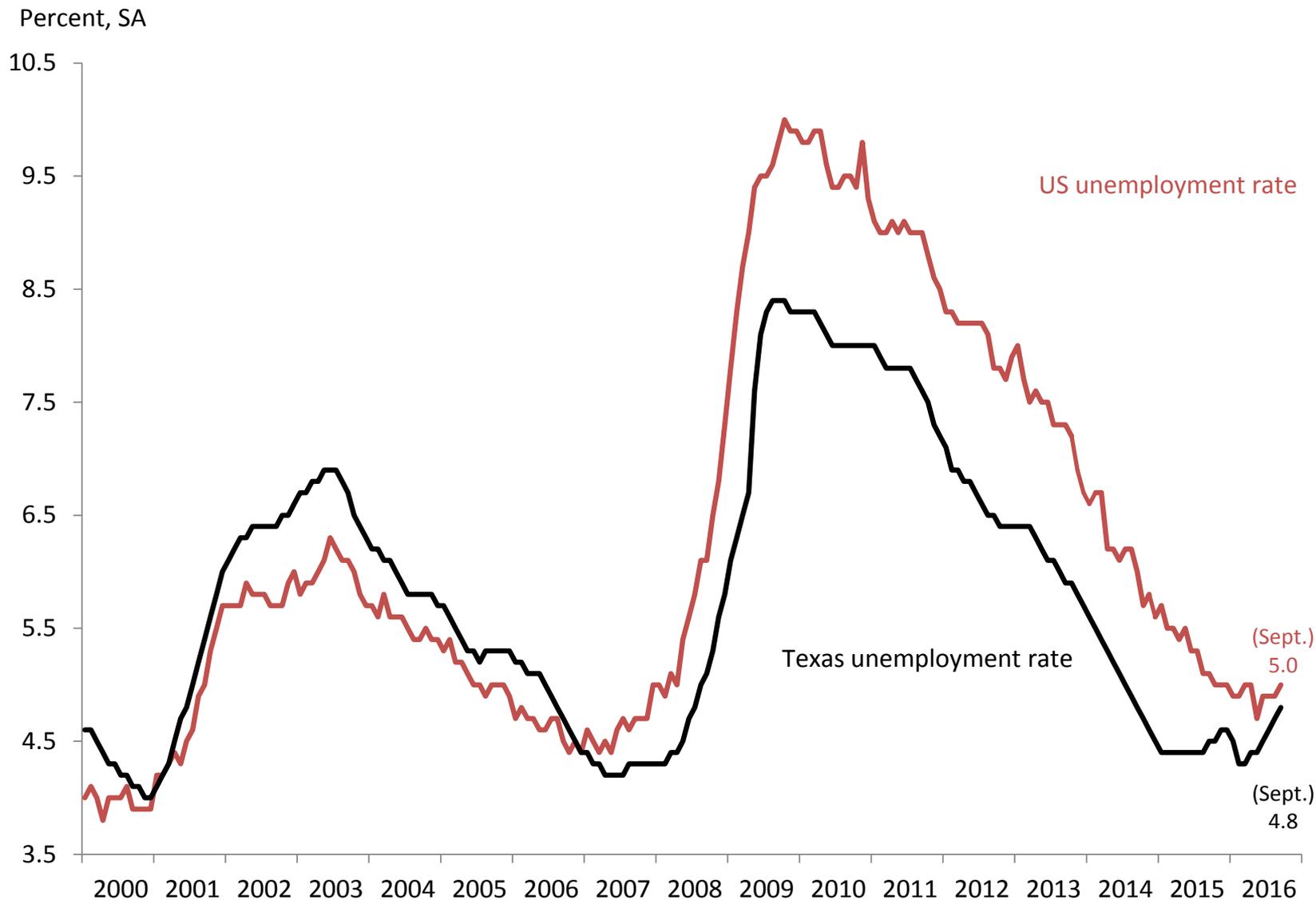


NOTE: Figures in parentheses represent shares of total state employment. Shaded bars indicate Sept. 2016/Dec. 2015 annualized growth.

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



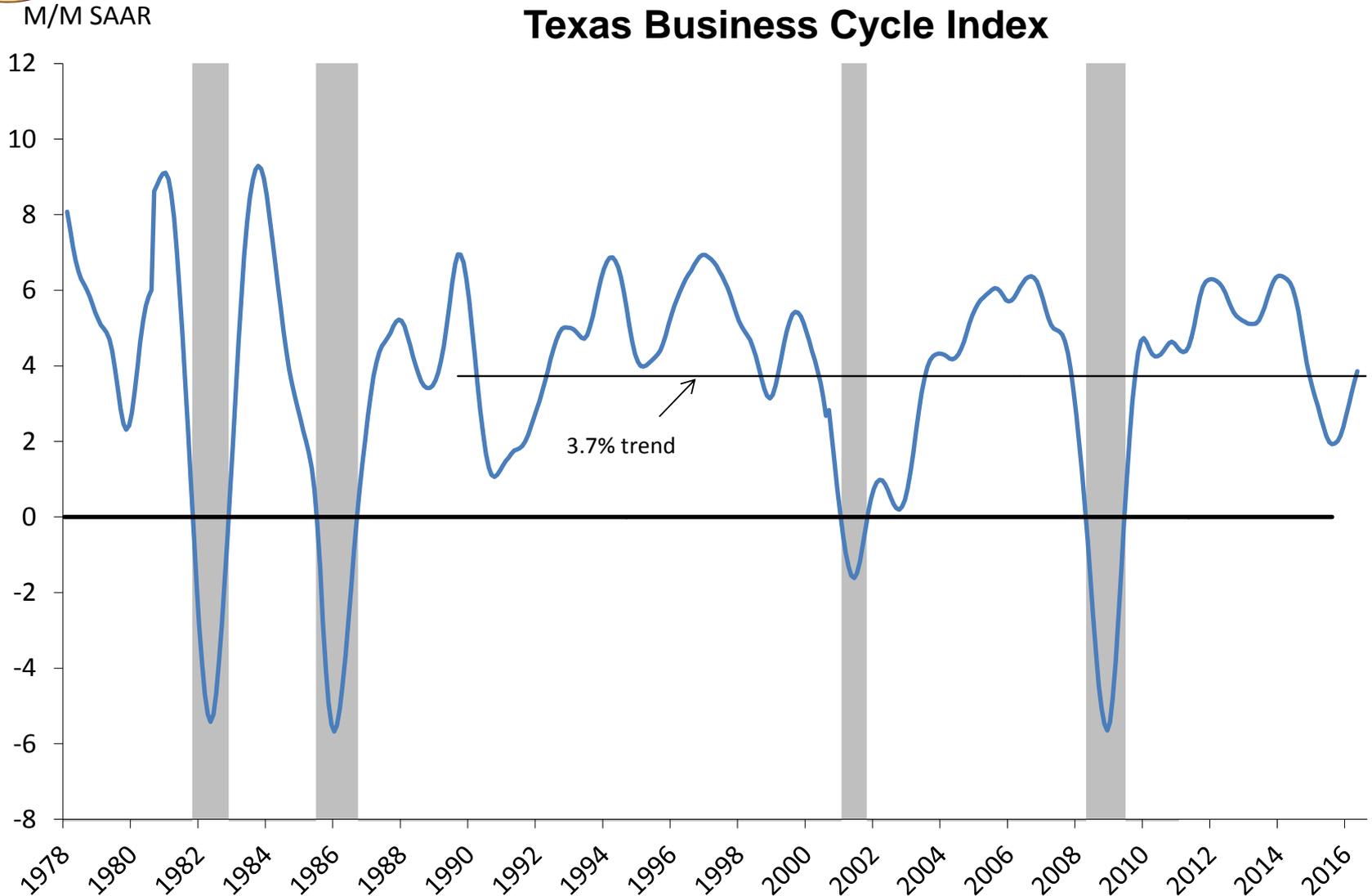
Texas Unemployment Rate Rising But Still Below National Rate



Source: Bureau of Labor Statistics.



Texas Economy Expanding Near Trend After Weak First Half

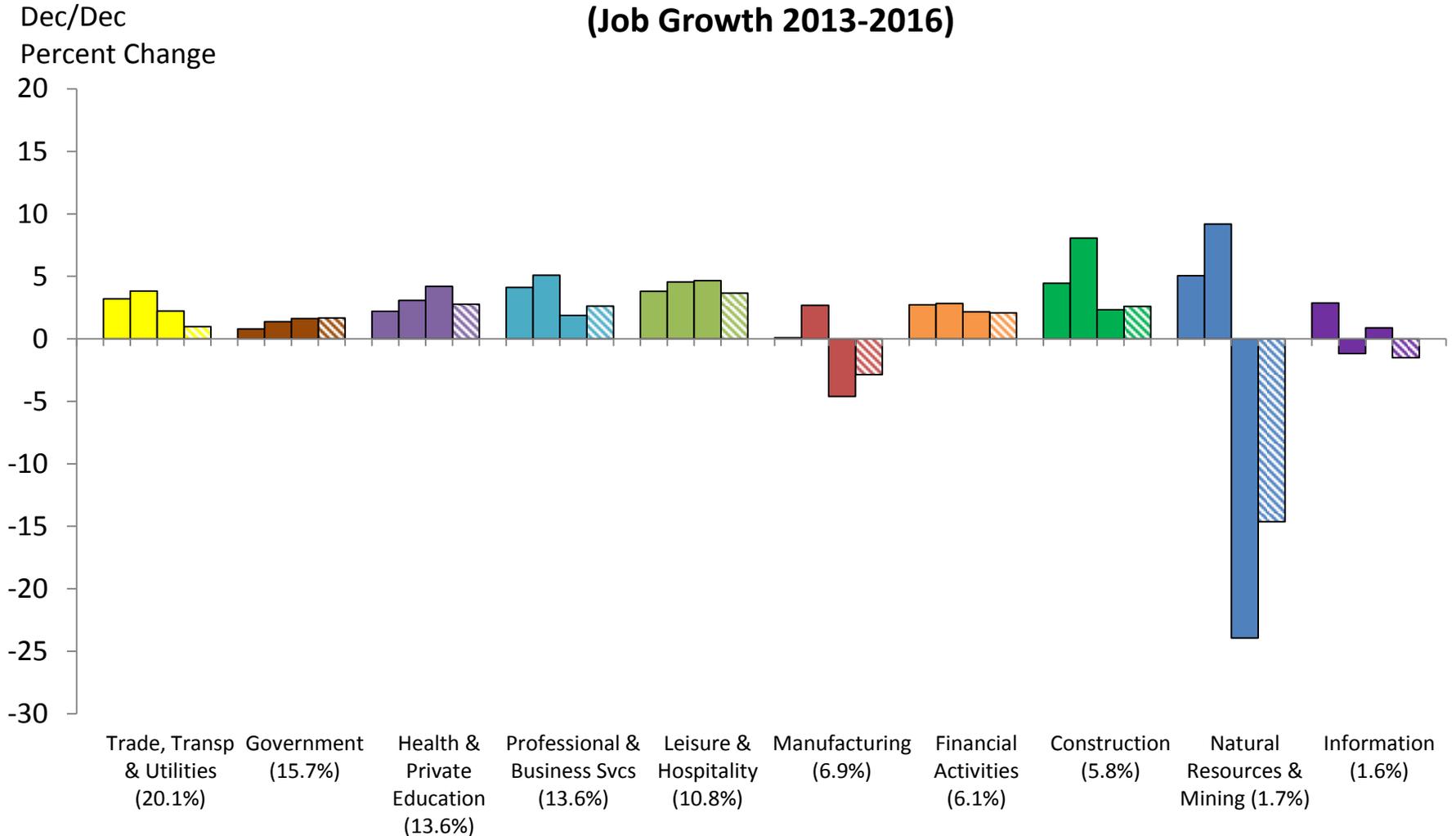


NOTE: Shaded areas represent Texas recessions

SOURCE: Federal Reserve Bank of Dallas



Service Sectors Continue to Add Jobs



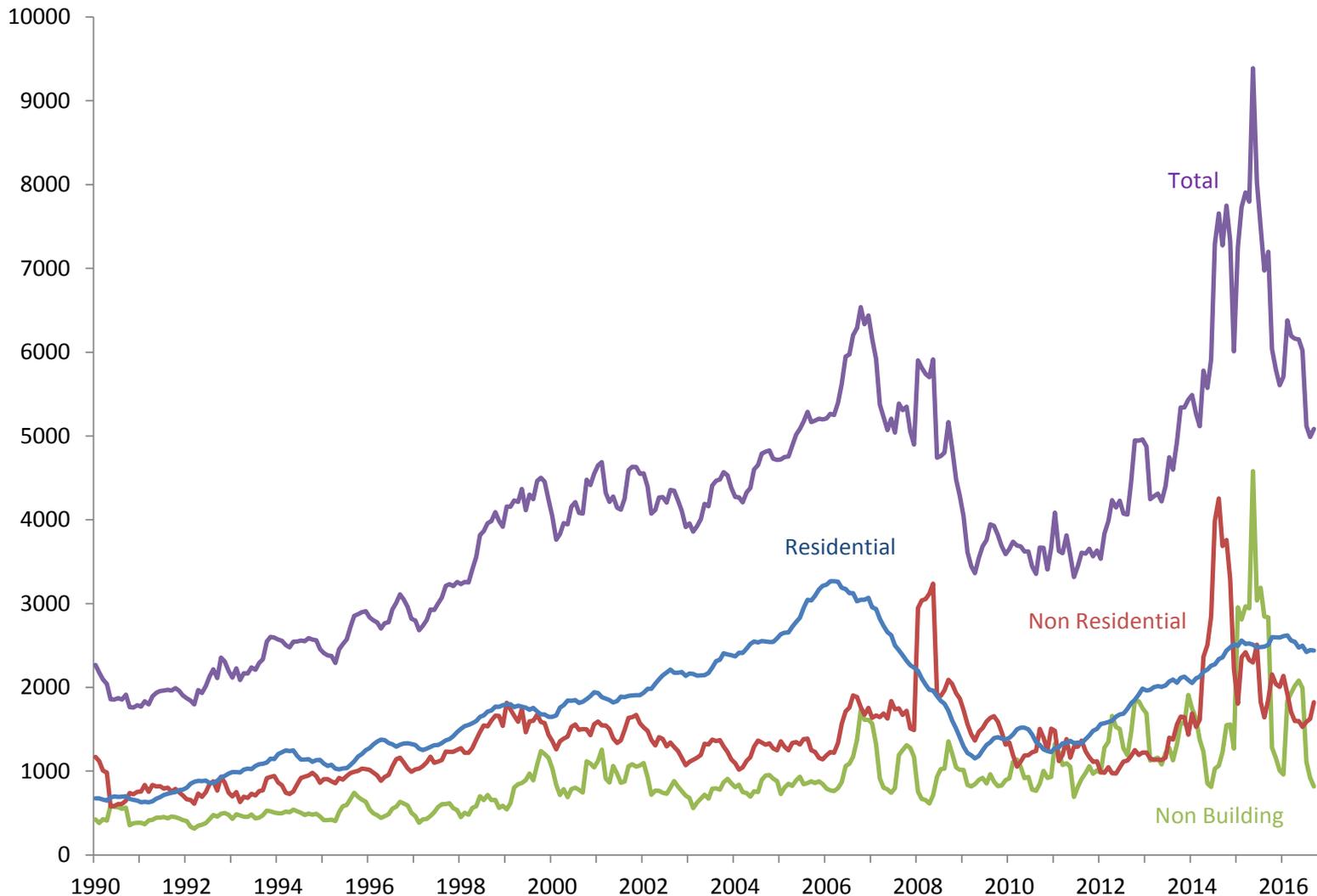
Note: Figures in parentheses represent shares of total nonfarm employment. Shaded bars indicate Sept. 2016/Dec. 2015 annualized growth.

Source: Bureau of Labor Statistics, adjustments by Federal Reserve Bank of Dallas.



TX Construction Contract Values Weakening

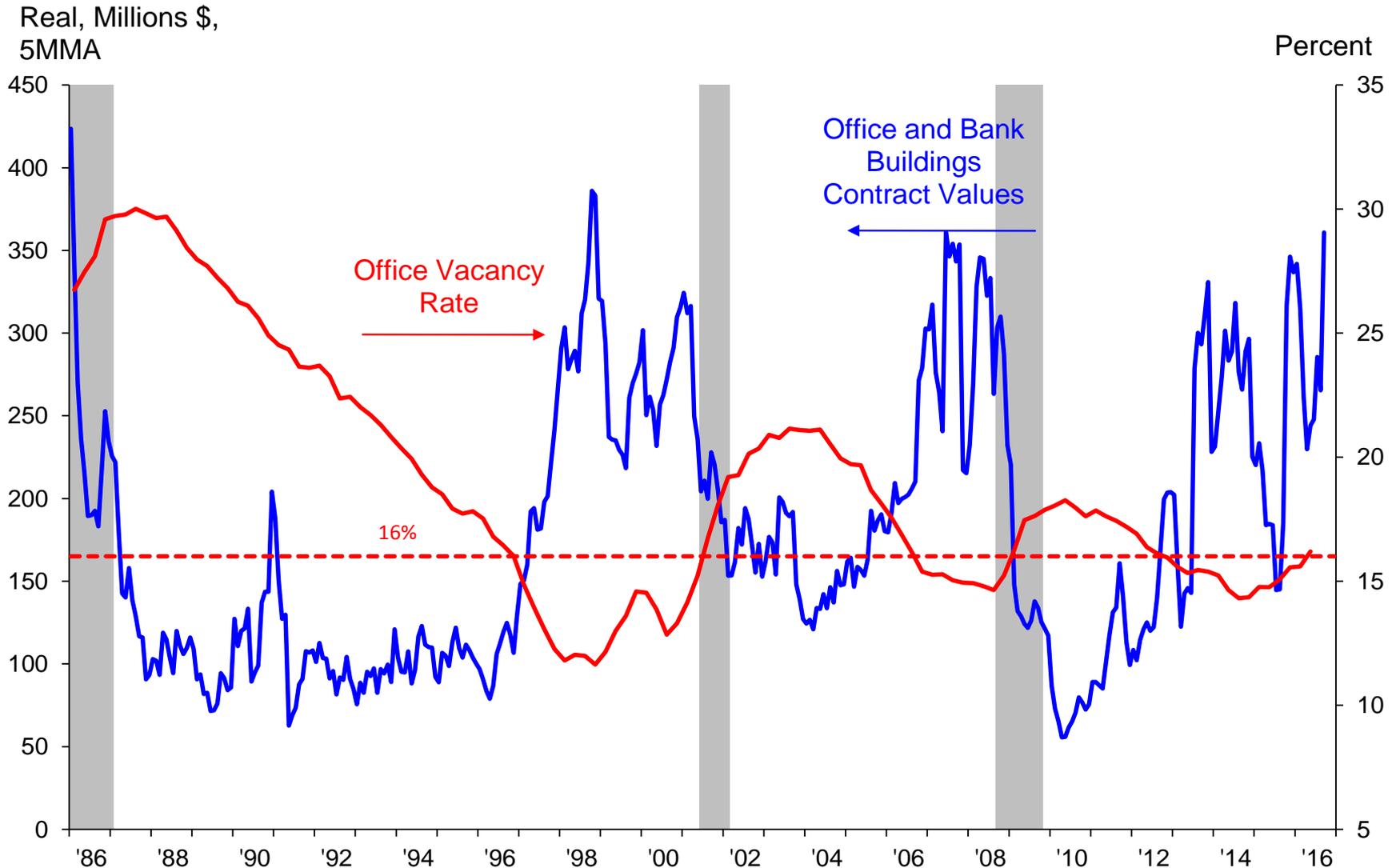
Real \$, Mil
5MMA, SA



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



Texas Office Markets Healthy But Vacancy Rate Suggests Slowing



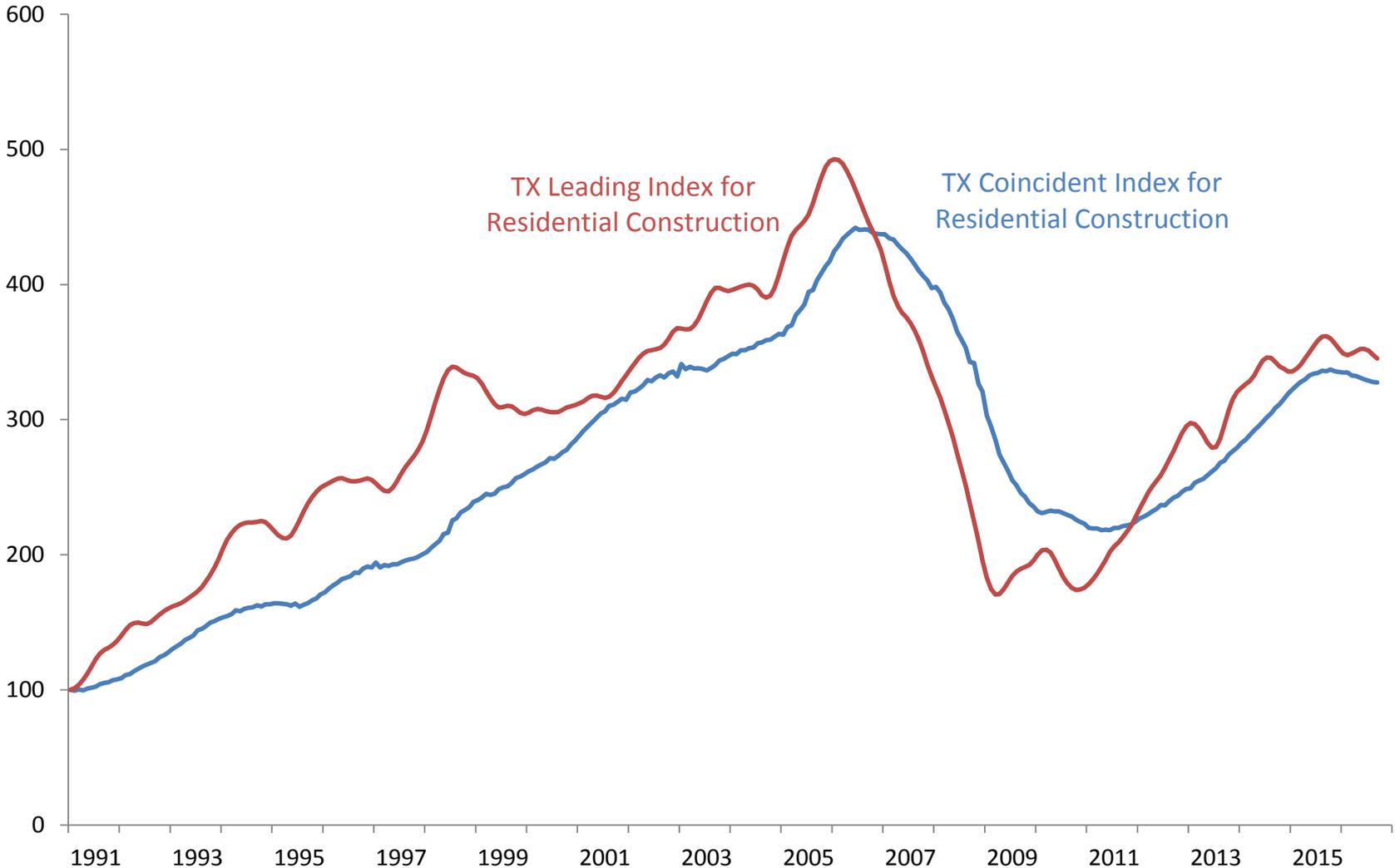
Note: Shaded areas represent Texas recessions

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



Texas Residential Construction Indexes Suggest Activity Flattening Out

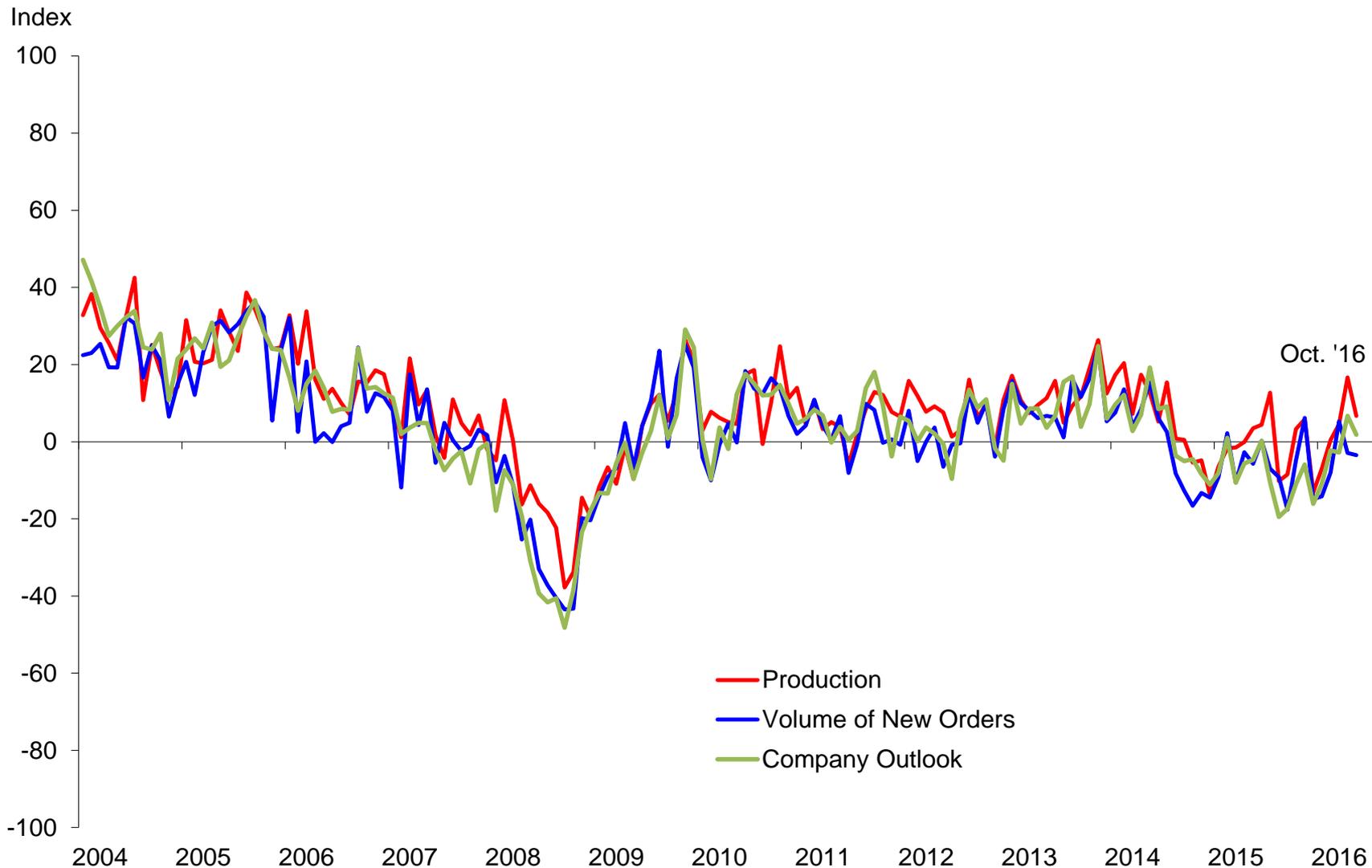
Index, Jan. 1991 = 100



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



TX Manufacturing Indicators Have Improved in Recent Months



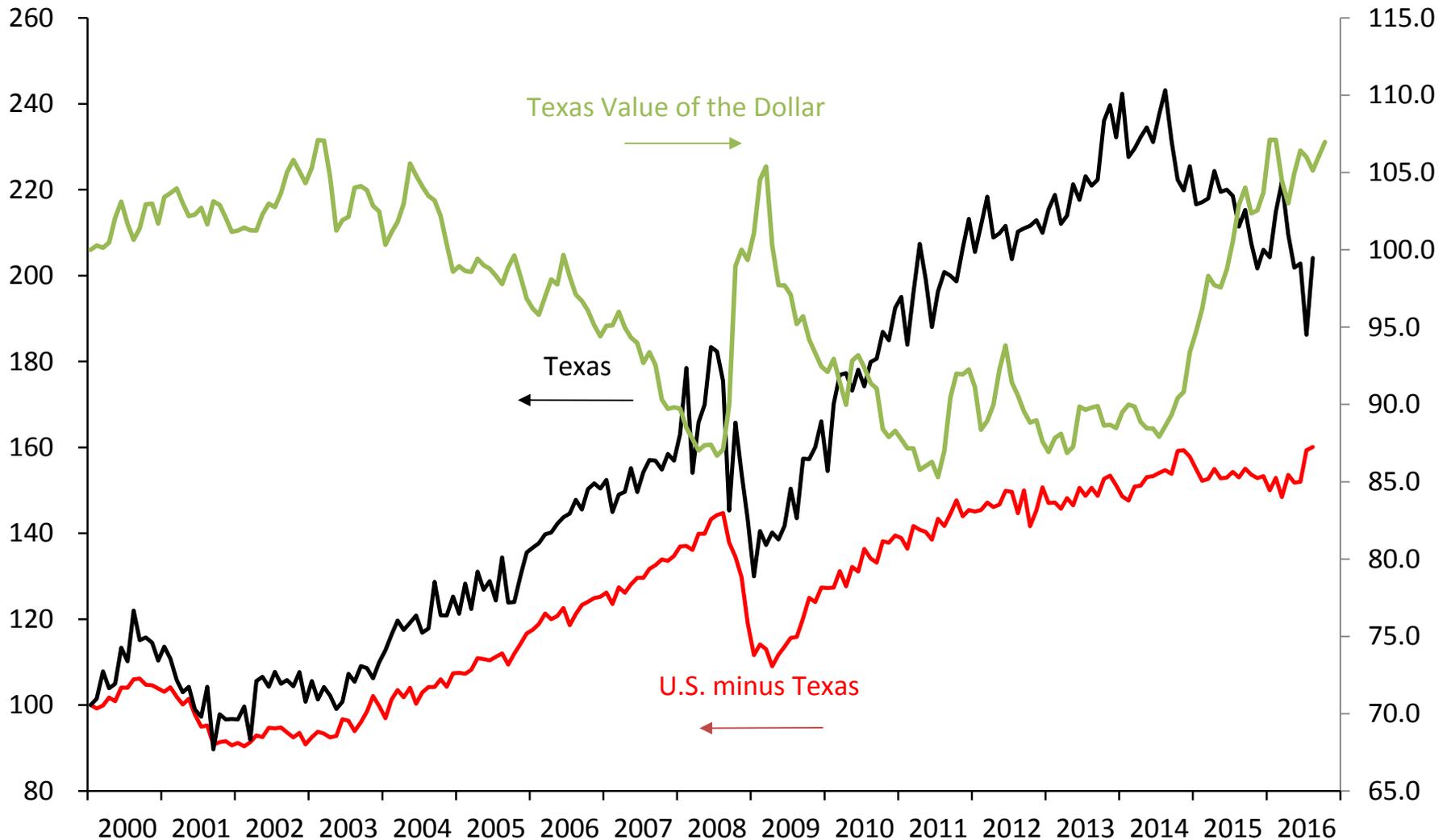
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.



Strong Value of the Dollar Continues to Dampen Exports

Index, SA, Real
Jan. 2000=100

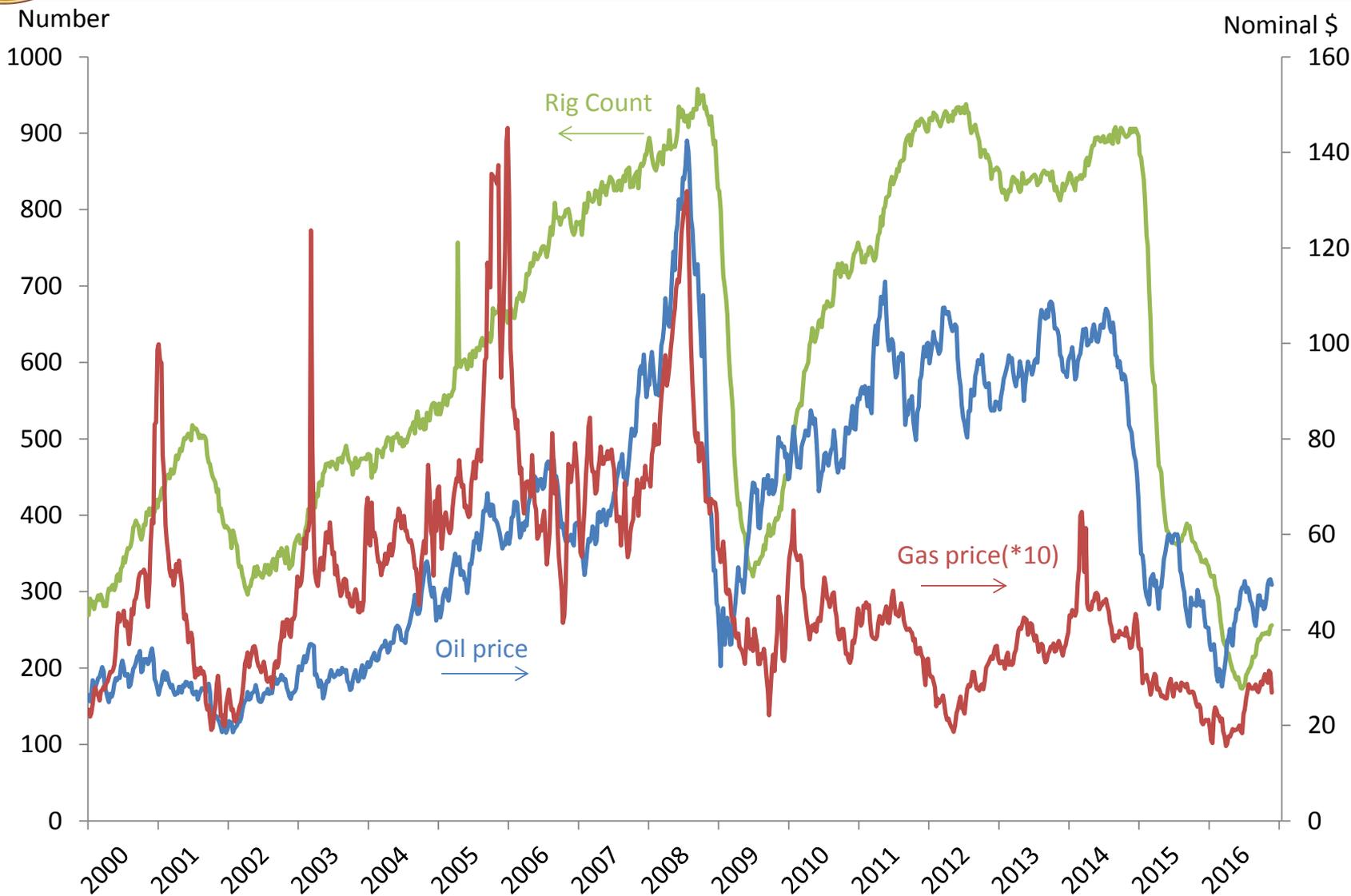
Index
Jan. 1988=100



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



Drilling Rig Count Picking Up in Recent Months

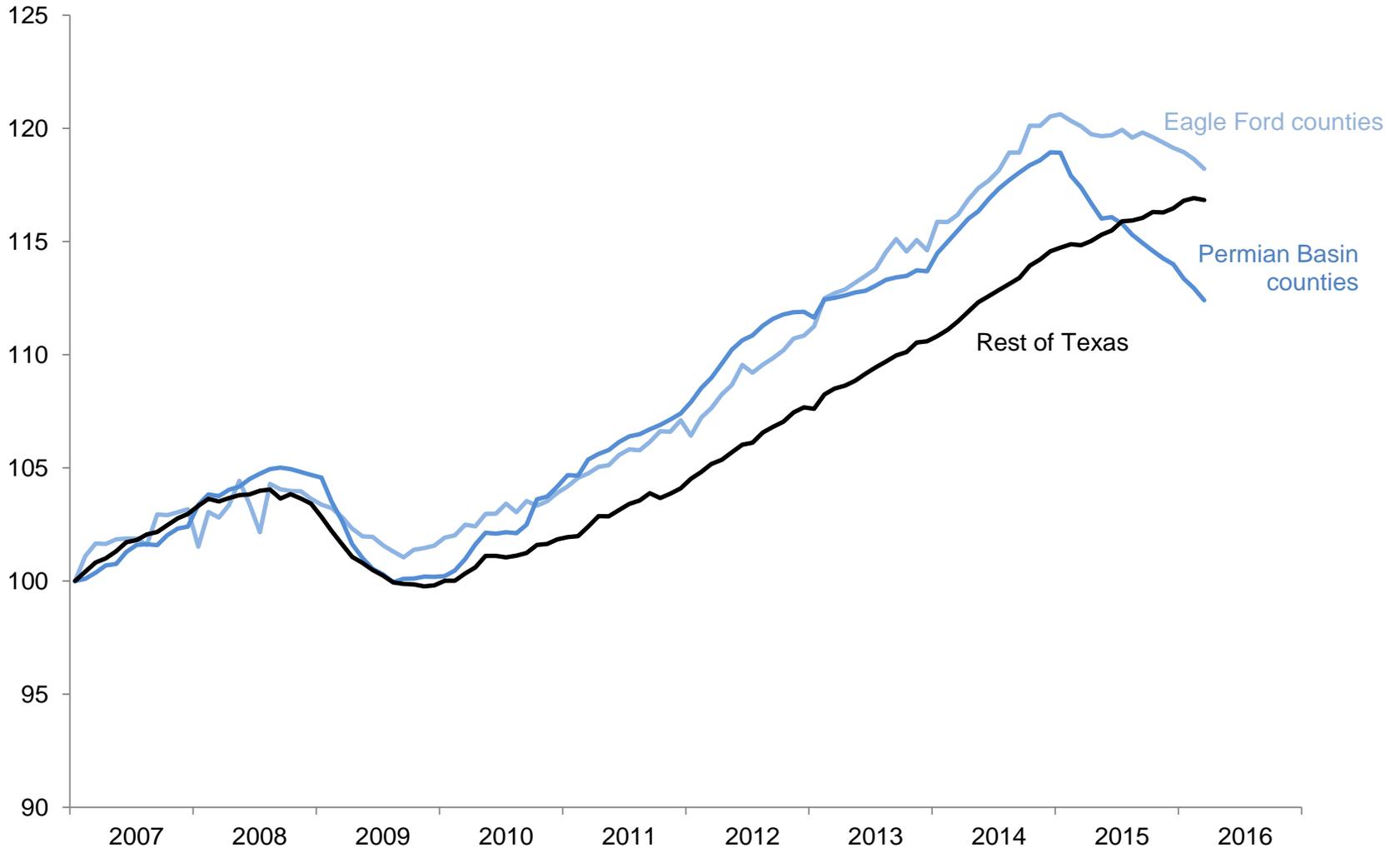


Sources: Oil and Gas Journal, Baker Hughes.



Eagle Ford, Permian Basin Jobs Declining

Index, Jan. 2007 = 100*



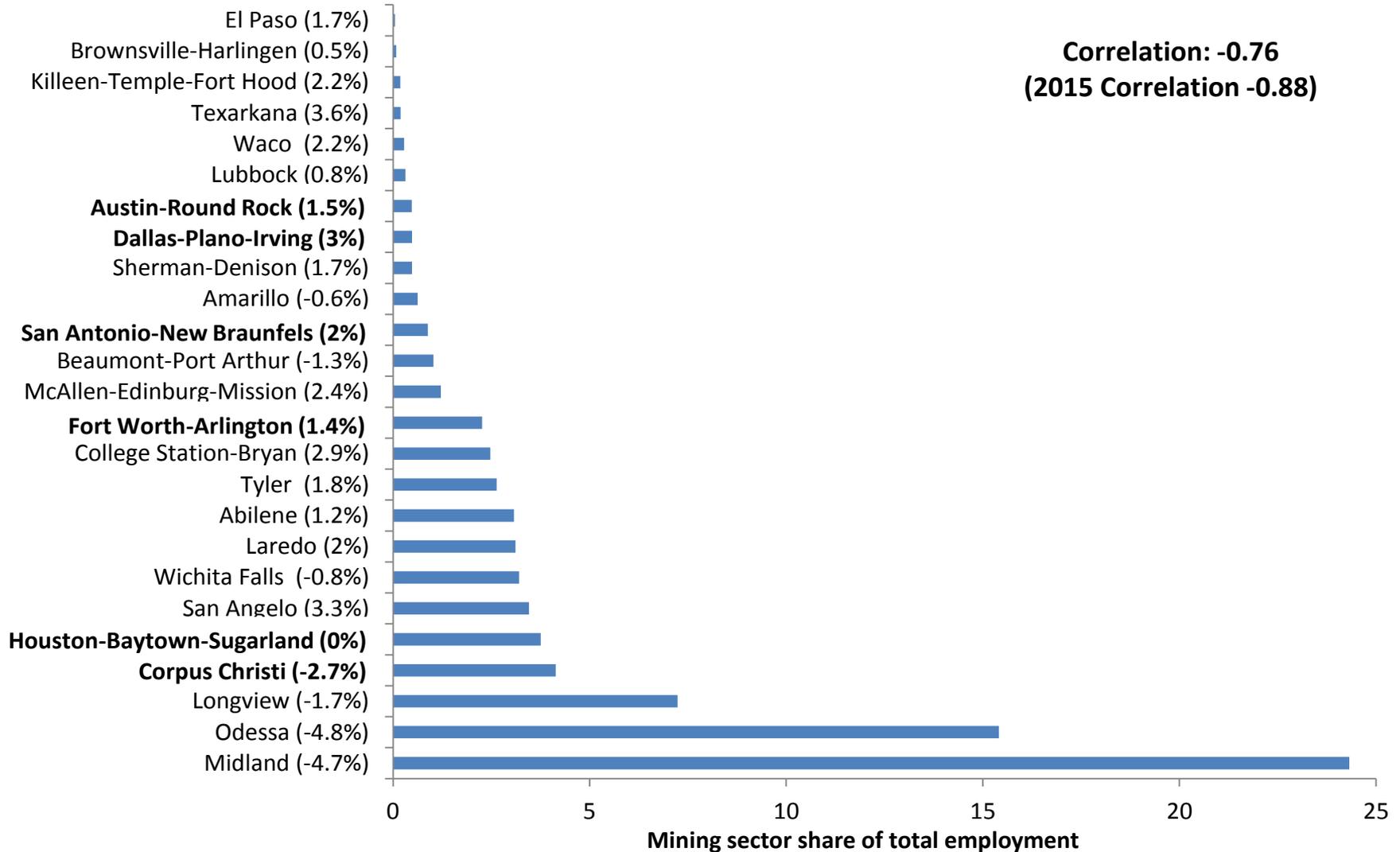
*Seasonally adjusted.

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



Which Metros Are Performing the Best in 2016?

Size of Energy Sector Explains a Lot

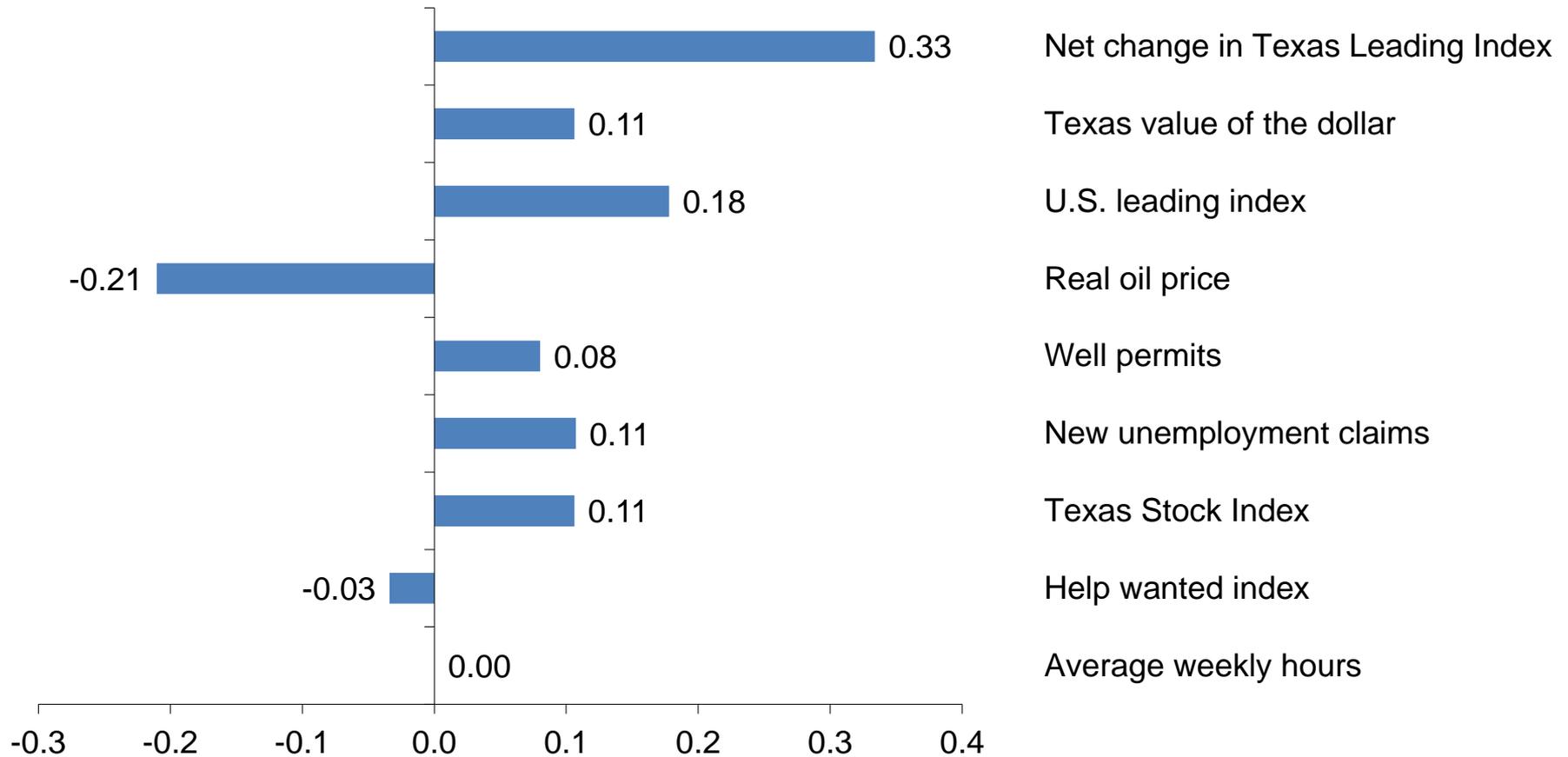


Note: Data in parentheses are annualized total nonfarm job growth Dec. 2015 - Sept. 2016. Mining share data as of 2014.
Sources: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



Leading Index Components Weakly Positive

**Net contributions to Change in the Texas Leading Index
(July - September)**

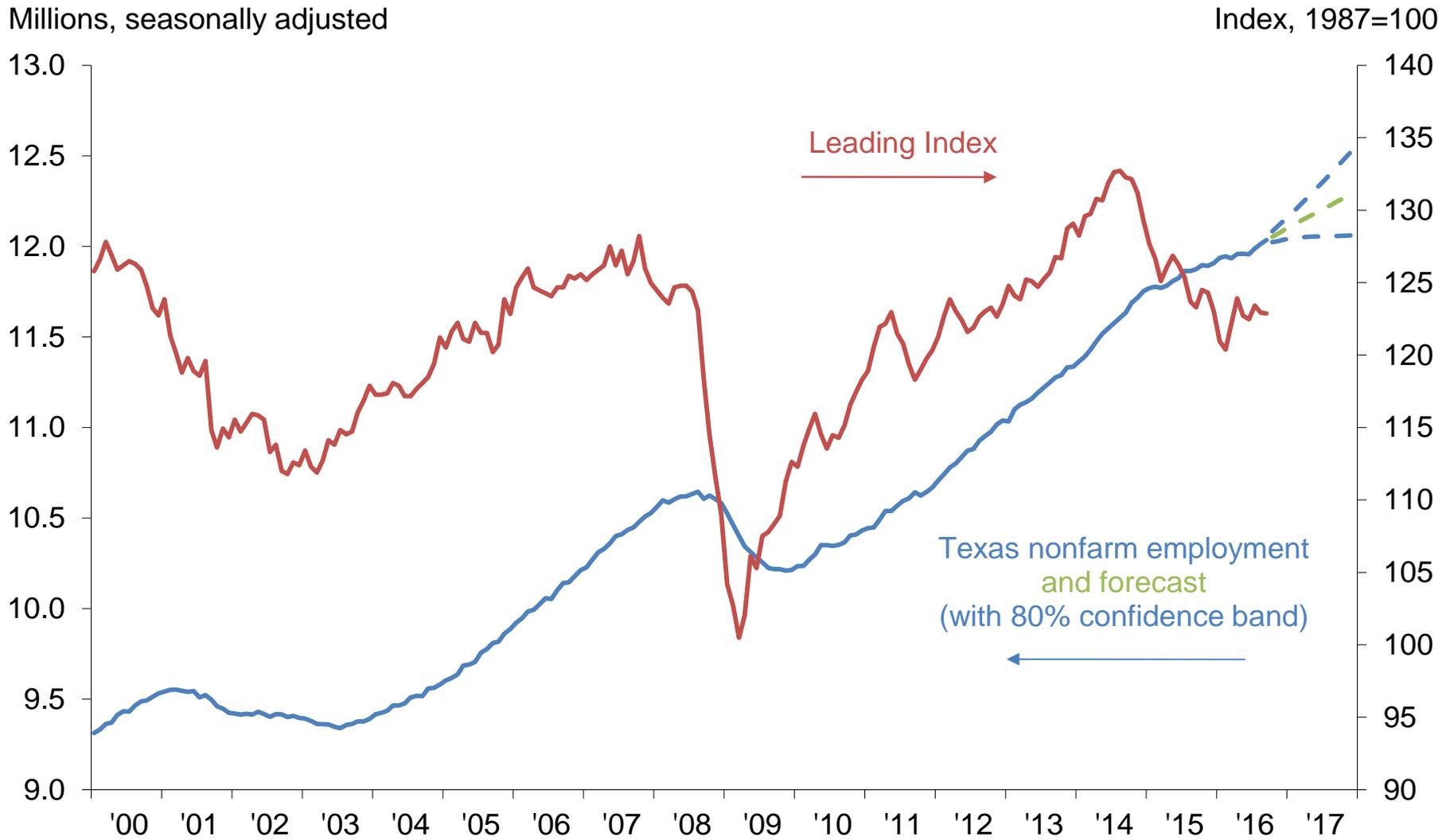


NOTE: Seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas.



Texas Jobs Forecasted to Grow about 1.5% in 2016, 1.7% in 2017



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



Surveys Suggest that \$50-\$55 Oil needed to Drill Profitably

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?



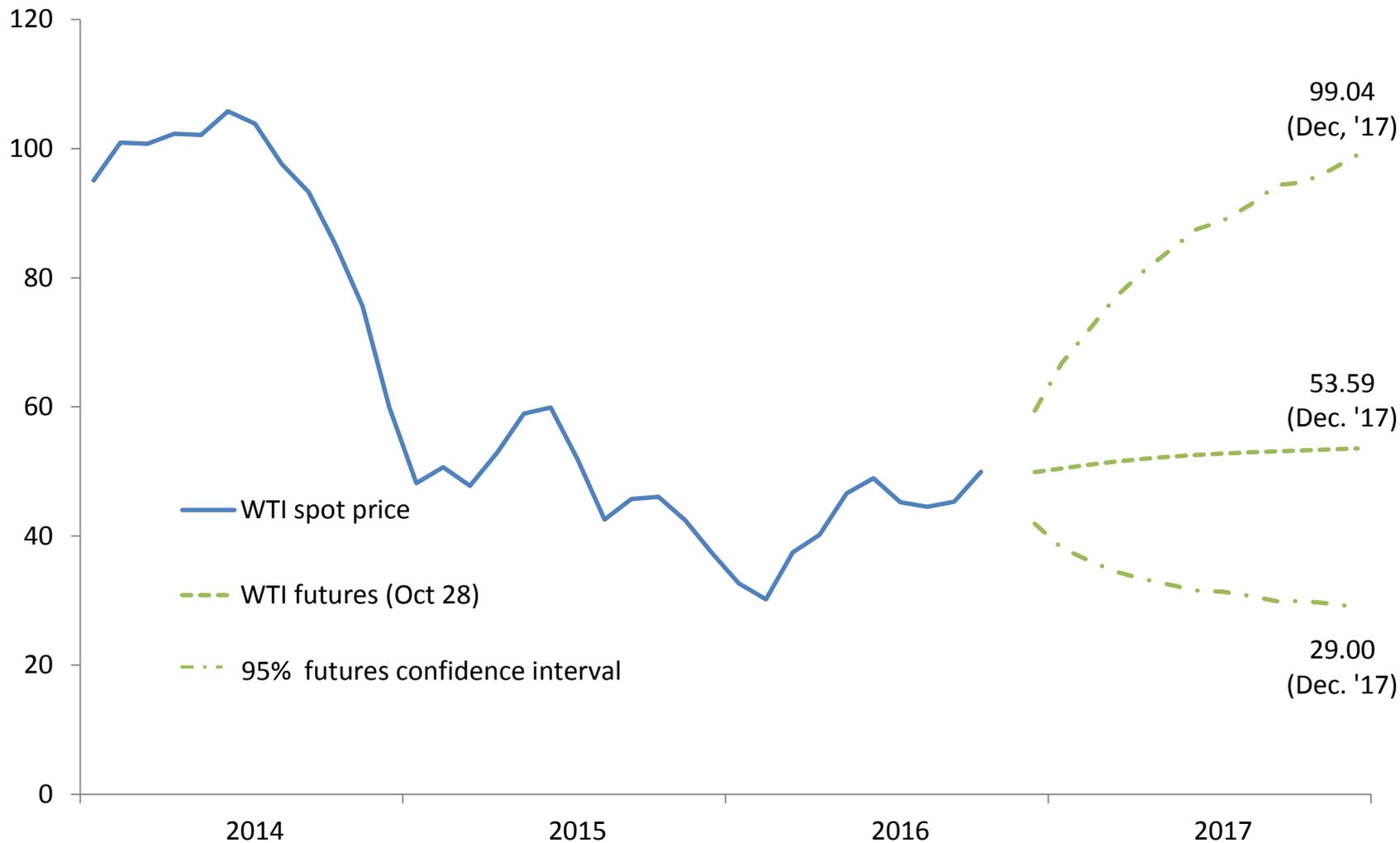
NOTES: Line depicts the mean and bars depict the range of responses. Sixty-three exploration and production firms answered this question. Other U.S. includes Bakken, Kansas and Gulf of Mexico, among other responses.

SOURCE: Federal Reserve Bank of Dallas.



Oil Futures Suggest Flat Prices, But Highly Uncertain

Dollars per barrel



SOURCES: Bloomberg; Energy Information Administration; calculations by the Federal Reserve Bank of Dallas.



Summary

- In past two year 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 government are offsetting the decline in energy and manufacturing.
- Despite ongoing weakness, Texas still growing - Texas job growth likely to be about 1.5 percent this year and 1.7 percent next year.
- Biggest risk to the forecast is sharp decline in oil prices.