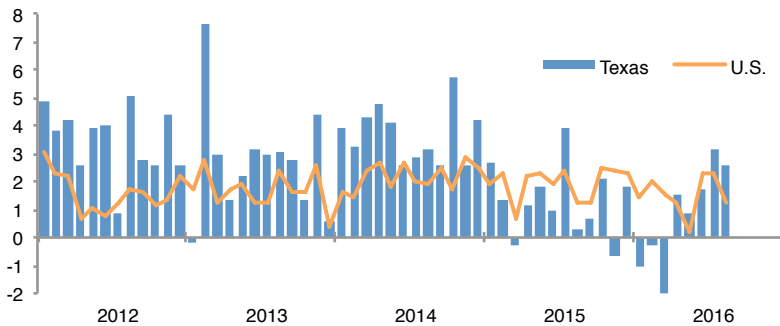


FEDERAL RESERVE BANK OF DALLAS • SEPTEMBER 19, 2016

Summary The Texas economy expanded in August. Employment grew overall and in the oil and natural gas sector, which had declined each month for over a year. Existing-home sales had mixed growth across Texas' major metros, while exports continued their rapid decline. Indicators of the energy sector continued to improve, and the index of leading indicators turned positive in July, though its three-month net change was negative. Finally, the Texas Manufacturing Outlook Survey indicated that conditions in the manufacturing sector are improving.

Employment

Month/month percent change*



*Seasonally adjusted, annualized rate.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

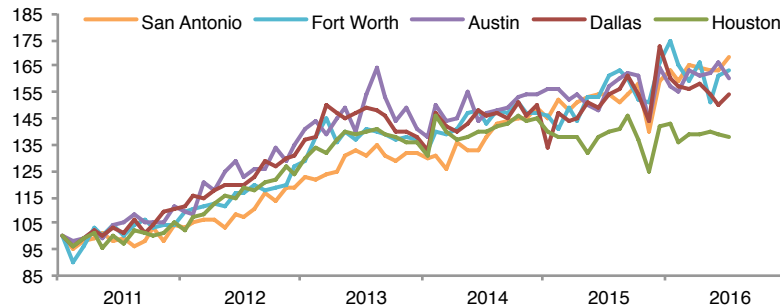
▶ Texas employment rose at a 2.6 percent annualized pace in August following a 3.2 percent increase in July. Texas outperformed the nation for the second month in a row. The state has gained 59,676 jobs this year through August, an annualized increase of 0.8 percent.

▶ Employment in education and health services has grown faster year to date than in any other sector, while oil and gas extraction has contracted the most. However, oil and gas sector employment increased an annualized 1.2 percent in August, reversing a 19-month streak of declines.

▶ The Dallas Fed's [Texas Employment Forecast](#) estimates growth of 1.2 percent for 2016 (December over December), which would imply 2.3 percent job growth for the second half of the year.

Existing-Home Sales by Metro

Index, January 2011 = 100*



*Seasonally adjusted.

SOURCE: Multiple Listing Service.

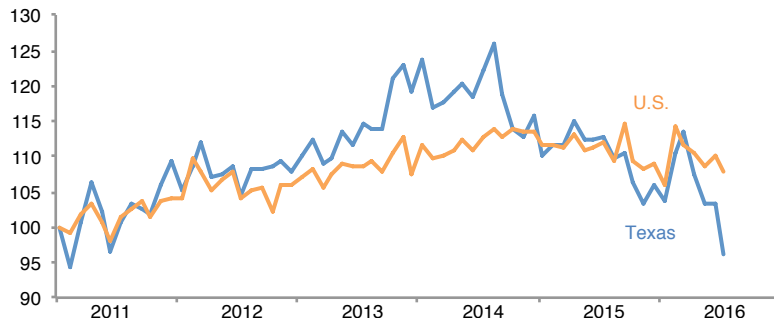
▶ Growth in existing-home sales varied at the metro level in July. San Antonio led the pack at 3.2 percent, followed by Dallas and Fort Worth. Austin and Houston, the metro with the largest housing market, experienced declining sales.

▶ Texas existing-home inventories remained at 3.7 months of supply in July, and the median sales price held steady at \$207,768.

▶ Permits for single-family housing dropped 2.6 percent in July, while permits for multifamily housing rose 1.5 percent. Housing starts increased 8.0 percent.

Exports

Index, January 2011 = 100*



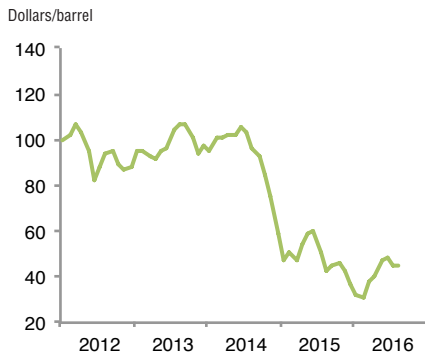
*Seasonally adjusted.

SOURCES: Census Bureau; WISERTrade; adjustments by the Dallas Fed.

▶ Texas exports declined 7.0 percent in July, the largest monthly drop since January 2009. Real exports were 14.7 percent below last July's reading and were at their lowest level since March 2011.

▶ U.S. exports, by comparison, fell 2.2 percent in July and were down 3.7 percent year over year.

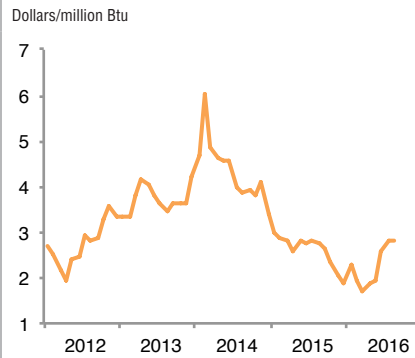
Crude Oil Prices



SOURCE: Wall Street Journal.

► The price of West Texas Intermediate crude oil rose 0.2 percent from July to August to \$44.76 per barrel. The price was 4.4 percent above year-ago levels.

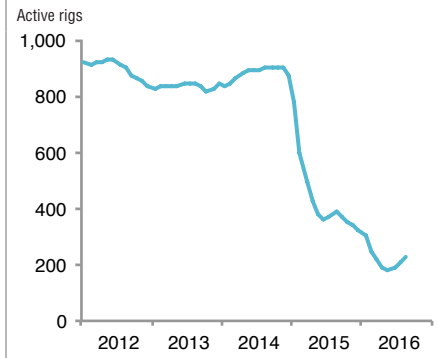
Natural Gas Prices



SOURCE: Wall Street Journal.

► The price of natural gas was unchanged in August at \$2.79 per million Btu, which was 1.1 percent above year-ago levels.

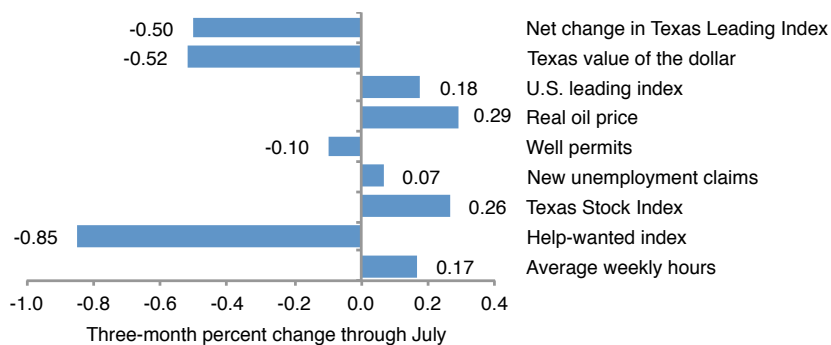
Texas Rig Count



SOURCE: Baker Hughes.

► The rig count continued to climb in August, increasing by 24. Rigs have been added back each month since June at an accelerating rate, pointing to stabilization in the energy sector. The rig count is still 40 percent below its level last August.

Texas Leading Index with Components



NOTE: Data are seasonally adjusted.

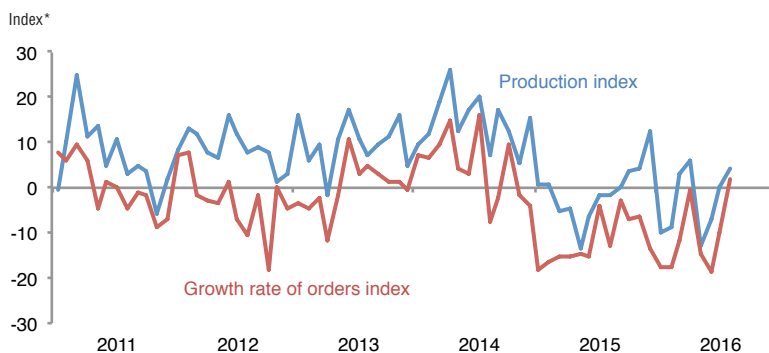
SOURCE: Dallas Fed.

► The Texas Leading Index, which uses key economic indicators to forecast employment growth, increased 0.64 percent in July. However, the three-month net change (May to July) was -0.5 percent.

► A decline in the help-wanted index, a rise in the Texas value of the dollar (shown as a negative value) and fewer well permits depressed the leading index over the three-month period.

► Factors that boosted the index's value over the three-month period included increases in real oil prices, improvements in the Texas Stock Index, a rise in the U.S. leading index, an increase in average weekly hours worked and fewer new unemployment claims.

Texas Manufacturing Outlook Survey Indexes



*Seasonally adjusted.

SOURCE: Dallas Fed.

► The [Texas Manufacturing Outlook Survey](#) suggested that Texas manufacturing activity expanded in August.

► The production index, a key indicator of manufacturing conditions, came in at 4.5 after a near-zero reading in July, suggesting output ticked up this month.

► The growth rate of orders index, which reflects demand for manufactured goods, rose to 2.1, its first positive reading since November 2014.

NOTE: Data may not match previously published numbers due to revisions.

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