

QUOTABLE: “While job losses have been widespread in the nation, they’ve so far been limited to manufacturing and information in Texas.”

—Anil Kumar, Senior Research Economist



HURRICANE SEASON: Ike Deals Severe Blow to Texas Economy

Hurricane Ike roared ashore at Galveston on Sept. 13 with winds of 110 mph. Initial estimates put insured damage at \$7 billion to \$12 billion, making Ike one of the costliest Atlantic storms in history.

Hardest hit were Galveston, Houston and the Beaumont–Port Arthur area, which represent 30 percent of the state’s output and 26 percent of its jobs. Many firms suffered property losses. Widespread power outages, phone disruptions, road closures and airport shutdowns curtailed business. Many Galveston companies remained closed a month after the storm.

The Texas Workforce Commission estimates that 34,756 Ike-related initial unemployment claims were filed

for the week ending Sept. 27, with 17,189 more filed by Oct. 4. About 65 percent of the Texans filing in these two weeks made Ike-related claims.

Ike-affected counties suffered substantial crop and livestock losses. About 4,000 cattle were killed. Many rice fields flooded. But the losses won’t have a big impact on Texas’ overall agricultural production.

As of Oct. 6, 46.2 percent of the Gulf of Mexico’s crude oil production and 40.6 percent of its natural gas production were still shut-in. However, the Gulf’s energy infrastructure remained intact after Ike, and the storm had minimal impact on energy prices.

—Mike Nicholson



VENTURE CAPITAL: Texas Investment Funding Slips in 2nd Quarter

Venture capital companies closed 36 Texas deals and provided \$257 million in financing during the second quarter. Funding activity was down 17 percent (\$54 million) from the second quarter of 2007 and 35 percent (\$140 million) from the first quarter of 2008.

In the first six months of the year, Texas firms received a total of \$654 million, slightly above the average for the past six years.

Texas received about 4 percent of the nation’s total venture capital funding from January through June, ranking third behind California’s 50 percent and Massachusetts’ 10 percent. Since 2000, Texas has averaged about 5 percent

of total U.S. venture capital investment.

Nearly 38 percent of Texas venture capital investment during the first half of 2008 was directed to the industrial and energy sector, up from only 6 percent in 2002. The sharp rise in energy prices has fueled alternative energy research, providing a promising outlet for venture capital firms during a time of economic uncertainty.

Formerly stalwart sectors for venture capital investing fell out of favor. Telecom, which received 20 percent of investment in the first half of 2007, declined to 4 percent in the first six months of 2008.

—Jackson Thies



EXPORTS: Latin America, China Lead Texas Surge in Overseas Sales

Texas exports rose more than 5 percent in the second quarter, led by sales to Latin America and China.

Year-over-year, the state’s exports are up almost 14 percent, accounting for 15 percent of total U.S. exports in the April-to-June period.

Real exports increased more than 17 percent to Latin America in the second quarter. Sales rose 21 percent to Brazil, which buys 3 percent of Texas’ exports. Chemicals were the top Texas export to Latin America, making up 42 percent of sales to Brazil and 35 percent to both Venezuela and Colombia.

Exports to China were up 8 percent in the second quarter, led by a 47 percent increase in shipments of agricultural products. Double-digit increases in chemicals and

modest growth in computer and electronic products contributed to the gains. These two industries accounted for half of Texas’ exports to China.

Sales to the European Union, Canada and Mexico, which represent 54 percent of Texas exports, rose modestly in the second quarter. Exports of petroleum and coal products to Mexico jumped 60 percent, driving the industry’s Texas exports up nearly 37 percent.

Second-quarter exports benefited from the dollar’s decline against the currencies of Texas’ trading partners. Over the summer, however, the dollar has strengthened and foreign economies have weakened, suggesting Texas’ export growth is likely to slow.

—Jessica J. Renier