

**QUOTABLE:** “Texas’ exports face headwinds from two sources: a slowdown in Mexico and emerging Asia—particularly China—and a stronger dollar.”

—Anil Kumar, Senior Research Economist

## PERSONAL INCOME: Further Declines Seen in Texas and U.S.

Many economic indicators in Texas and the U.S. continued to decline in 2010 even though the recession ended in 2009. While Texas still lags behind in certain key measures of citizens’ well-being, some of the gaps appear to be narrowing.

Texas’ real median household income fell 1.6 percent to \$47,464 in 2010, compared with a U.S. reduction of 2.3 percent, or more than \$1,100, to \$49,445, according to the 2011 Current Population Survey Annual Social and Economic Supplement.

Texas’ lesser decline allowed it to move closer to the national income level than it has been since 2001.

The share of Texas residents without health insurance

decreased 1.5 percentage points during 2010 to 24.6 percent. The U.S. recorded a 0.4 percentage-point drop to 16.3 percent. While Texas experienced the fourth-largest decline in such coverage gaps in the U.S., the state continues to have the largest percentage of people without health insurance—3 percentage points greater than in New Mexico, the next-highest state.

The Texas poverty rate increased to 18.4 percent in 2010, a year-over-year increase of 1.1 percentage points. The national poverty rate rose to 15.1 percent, up 0.8 percentage points. The national and state rates climbed to their highest levels since the early 1990s.

—Christina Daly

## RECORD DROUGHT: Agriculture Losses Estimated at \$5.2 Billion

Texas’ agricultural sector is tallying up record losses due to an unprecedented drought. The 12 months ended in September were the driest since recordkeeping began in 1895. The U.S. Drought Monitor found 92 percent of the state in extreme or exceptional drought as of mid-October.

Crop and livestock losses are estimated at \$5.2 billion, or 25 percent of usual agricultural production value, according to the Texas AgriLife Extension Service at Texas A&M University. The total surpasses the previous record for costliest drought of \$4.1 billion in 2006.

Low yields and crop abandonment at a time of high commodity prices produced losses of \$1.8 billion in cotton, \$750 million in hay, \$327 million in corn, \$243 million in

wheat and \$63 million in sorghum production. Crop insurance lessened the impact of income losses for many farmers.

The cost to the livestock sector was \$2.1 billion, with 82 percent of pastures and rangeland in very poor condition and hay prices increasing twofold to threefold from a year ago. Ranchers culled herds due to water and feed conditions, depressing market prices in the short term. However, prices remain relatively high, mitigating the effect.

In addition, the drought lowered income for agriculture workers and sales of farm services and supplies such as Gins, elevators and fertilizer. AgriLife Extension estimates the sum of direct and indirect losses at \$8.7 billion this year.

—Yingda Bi

## DEFENSE SPENDING: Economic Benefit Likely to Diminish in Texas

National defense strongly influences the Texas economy through 20 area military installations and the companies providing them with goods and services. Additional benefits arise from spending by military personnel and by the Defense Department on aircraft and equipment produced by area manufacturers such as Lockheed Martin and Bell Helicopter.

All told, defense purchases and pay for military and civilian personnel in Texas amounted to \$65.6 billion in 2009, or about 9.7 percent of U.S. defense spending. After accounting for spillover effects in the local economy from inputs used by defense contractors and goods purchased by military personnel, total spending in Texas was estimated at \$108.6 billion.

Compared with other large states, Texas ranked second

behind California in terms of spending. However, on a per capita basis, Texas was ninth at just under \$3,500.

The Base Realignment and Closure program instituted in 2005 and ongoing conflicts in Iraq and Afghanistan led to a military influx that had boosted Texas infrastructure investment, particularly benefiting Fort Bliss in El Paso and Fort Sam Houston in San Antonio.

However, the outlook is less rosy. Military spending in Texas will likely fall amid overall defense reductions beginning in 2012 as part of deficit-cutting measures by Congress. Spending in Texas will decline to \$51.7 billion by 2015, a 21.2 percent drop from 2009, Defense Department estimates show.

—Jackson Thies