



▶ *Dallas Fed research shows that the trading relationship with Mexico has been important to enhancing job growth and competitiveness in the U.S., as well as in the Eleventh District.*

The outlook for the Texas economy has improved considerably from a year ago. We currently expect 2017 job growth of approximately 2 percent, the strongest rate of growth in three years. The improved outlook is explained in greater detail in “Texas Economy Shifting into Second Gear in 2017,” by Keith R. Phillips and Christopher Slijk, in this issue of *Southwest Economy*.

Texas continues to benefit from diversification of the regional economy and the migration (as well as immigration) of people and firms to the state. The population of Texas is estimated to have grown by more than 5 million people since 2005, reaching nearly 28 million in 2016. Based on these trends, as the headwinds from a weak energy sector continue to dissipate, I am very optimistic about the growth prospects for Texas and the rest of the Eleventh District.

Of course, there are risks as well as potential growing pains associated with our outlook. Laila Assanie examines the challenges of growth relating to the residential housing market in “Texas Housing Market Soars to New Highs, Pricing Out Many.”

In addition, Federal Reserve Bank of Dallas economists are closely monitoring policy decisions that could impact our economic outlook—in particular, policy decisions that could adversely affect U.S. trading and cross-border investment relationships with Mexico. Mexico is the top destination for Texas exports, reaching \$93 billion in 2016. Dallas Fed research shows that the trading relationship with Mexico has been important to enhancing job growth and competitiveness in the U.S. as well as in the Eleventh District. It has particularly helped various industries in the state gain global competitiveness. Additionally, Texas border cities have benefited tremendously from increased U.S.–Mexico economic integration—leading to job gains, primarily in service sectors, that have boosted wages and improved living standards for many Texans.

As we look ahead, I am very optimistic about the prospects for more robust growth in the Eleventh District. Texas is the largest exporting state in the country and is home to 52 Fortune 500 companies. The characteristics of our district help give the Dallas Fed particular insight into energy, trade, immigration and other key aspects of the regional, national and global economies. Drawing on these insights, we at the Dallas Fed will continue to work to understand economic conditions and share our distinctive research with policymakers, businesses and the public in a manner that is insightful and informative.

A handwritten signature in black ink that reads "Robert S. Kaplan". The signature is written in a cursive, flowing style.

*Robert S. Kaplan  
President and Chief Executive Officer  
Federal Reserve Bank of Dallas*