

AFTER THE BOOM

Texas Economy Downshifts in Energy Bust | Annual Report 2015

Letter from the President

Robert S. Kaplan | Annual Report 2015

The Eleventh District economy proved to be highly resilient in 2015 despite substantial declines in oil prices and related capital spending. This resiliency is a testament to the diversification of the Texas economy as well as the resourcefulness of the citizens of this region.

I became president and chief executive officer of the Federal Reserve Bank of Dallas in early September 2015. In this role, I have been enormously impressed with the quality, rigor and dedication of the staff who work in the Eleventh District and throughout the entire Federal Reserve System. They are truly outstanding.

I have also been gratified by the warm welcome and hospitality of the people of the Eleventh District. They have gone out of their way to help me integrate into the community and more effectively do my job. I have learned the essential role of the private sector in informing our economic research and policy work. I am grateful for the dedication of our board members, survey respondents and other advisers who consistently answer our requests for time, information and advice.

This year's annual report chronicles how we have advanced as a region and institution. The collection of economic essays, "After the Boom: Texas Economy Downshifts in Energy Bust," discusses the remarkable resilience of the Texas

economy and its path forward along several key dimensions—energy, banking, housing, labor markets and international trade.

The energy industry now accounts for approximately 2 percent of Texas employment and 9 percent of GDP. This is a good deal lower than the 1980s when the downturn in energy helped drag the state into a severe recession.

The region's transformation into a more highly diversified economy has been aided by a steady migration of people and firms to Texas. Since 2000, the state's average rate of population growth has been almost a full percentage point higher than the U.S. as a whole. As a result, despite the headwinds from energy, Texas job growth was 1.3 percent in 2015. Dallas Fed economists expect between .5 and 1 percent growth in 2016.

As we look beyond 2015 and 2016, I am very optimistic about the future of this district. As the headwinds from energy begin to fade I believe our great strengths will come to the fore. Our central location, favorable business and regulatory climate, skilled workforce and numerous ports are all key elements of this optimism. While there are various challenges relating to educational attainment levels, income inequality and access to health care, I am confident that the Texas can-do attitude will meet these issues head on.

I am honored to serve the people of this district and the nation. I look forward to getting to know you better and working with you to help build our future success.

Robert S. Kaplan

President and CEO
Federal Reserve Bank of Dallas