

# An Overview of the Texas Economy

Presentation for

**ERCOT**

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Presented by:

**Tom Currah**

Chief Revenue Estimator

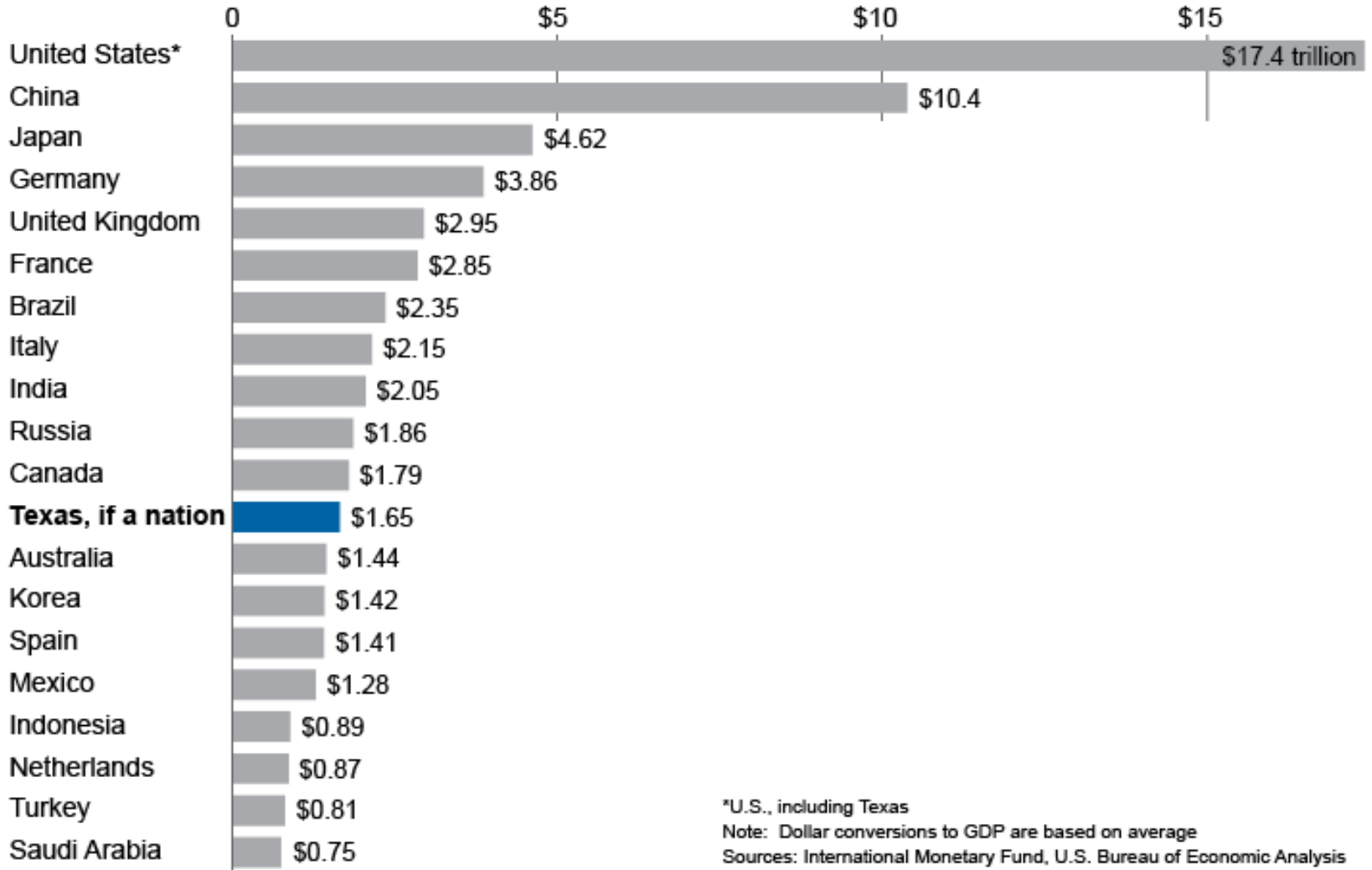
Texas Comptroller of Public Accounts

# Recent Economic Growth

- Texas economy grew by 5.2% in 2014, second only to North Dakota.
- U.S. economy grew by 2.2%.
- Texas economy has outpaced U.S. economy every year since 2005.

# Gross Domestic Product, 2014

In trillions of 2014 U.S. dollars



\*U.S., including Texas

Note: Dollar conversions to GDP are based on average

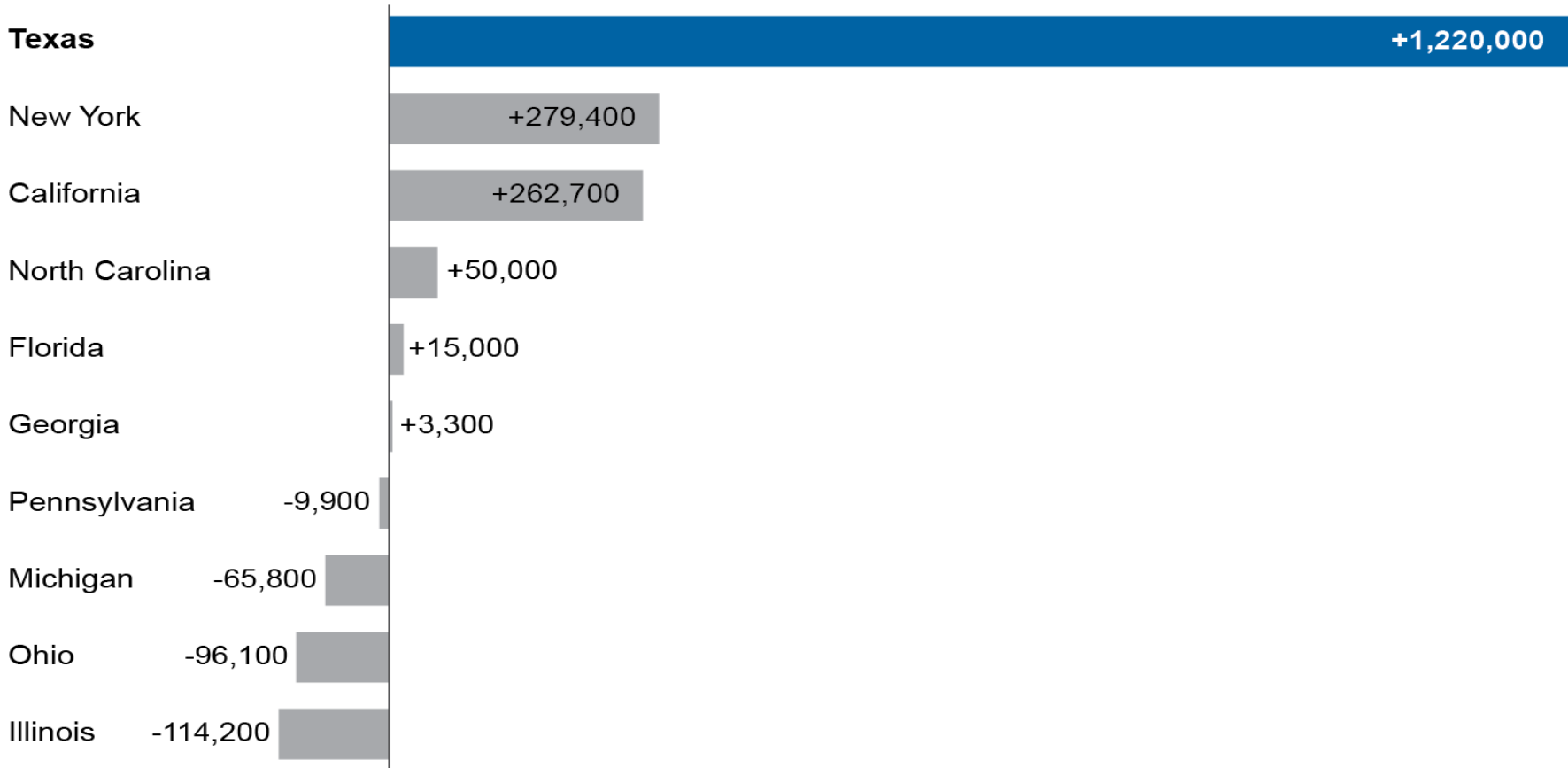
Sources: International Monetary Fund, U.S. Bureau of Economic Analysis

# Strong Recovery from Recession

- Texas has outpaced the U.S. over the last decade on most economic indicators.
- Discrepancy has been particularly pronounced since the recession.
- Texas employment, for example, returned to pre-recession peak by November 2011.
- U.S employment returned to pre-recession level in April 2014.

# Nonfarm Employment Change in 10 Largest States

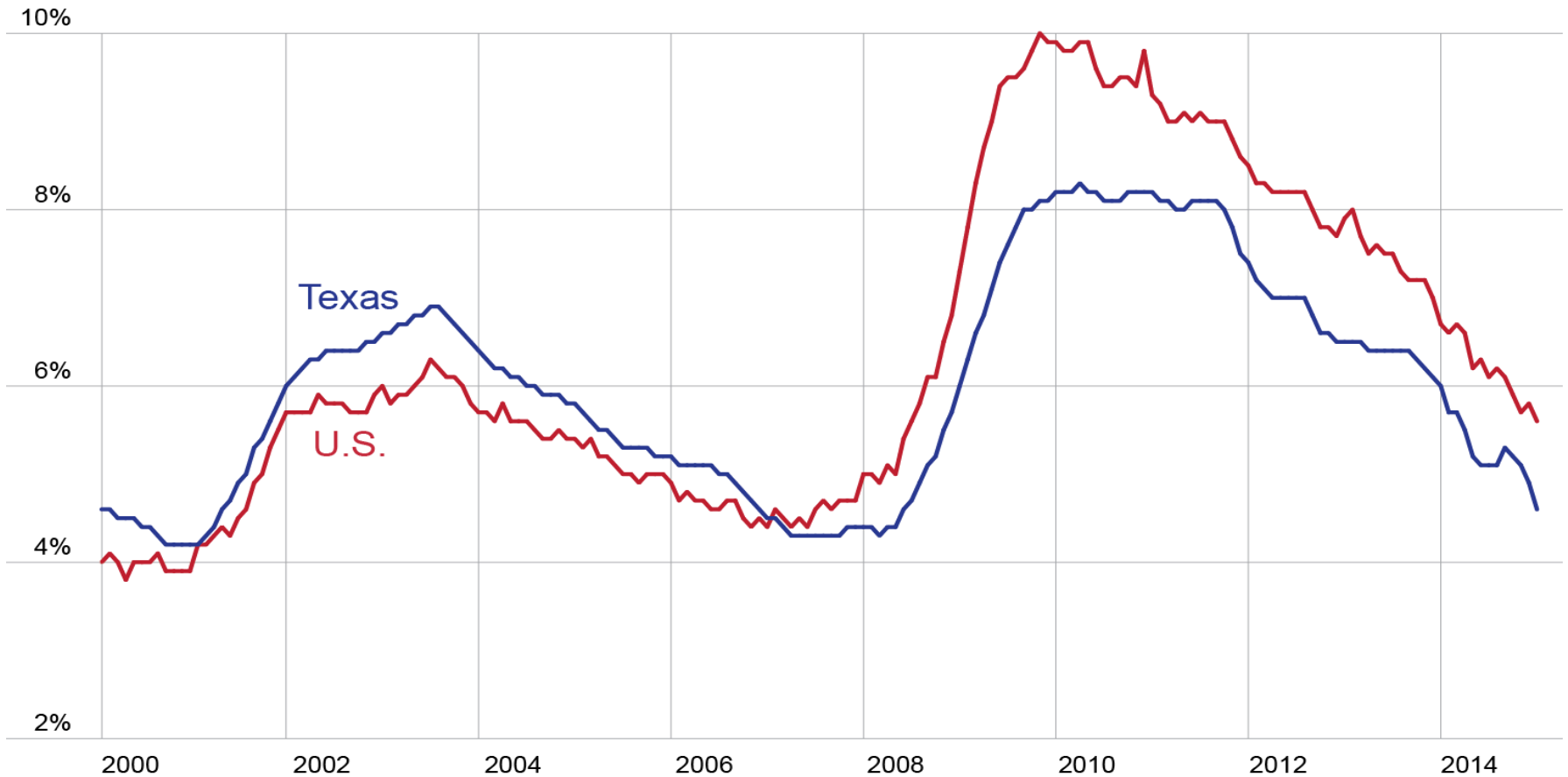
Net change from January 2008 - December 2014



Source: U.S. Bureau of Labor Statistics

# Texas and U.S. Unemployment Rates

January 2000 - December 2014  
Seasonally Adjusted Estimates



## Change in Median Sale Price for Existing Single-Family Homes

*Annual Percent Change*

Year	Texas	U.S.
2005	5.5%	12.8%
2006	4.5%	2.0%
2007	3.0%	-2.9%
2008	-0.6%	-9.2%
2009	-0.7%	-11.9%
2010	1.6%	0.1%
2011	0.7%	-4.5%
2012	5.9%	6.6%
2013	8.8%	11.5%
2014	7.4%	5.7%
2015*	8.5%	6.9%

\*For 2015, the comparison is January to May 2015 to the same period in 2015.  
 Source: IHS Global, Inc., and Texas A&M Real Estate Center

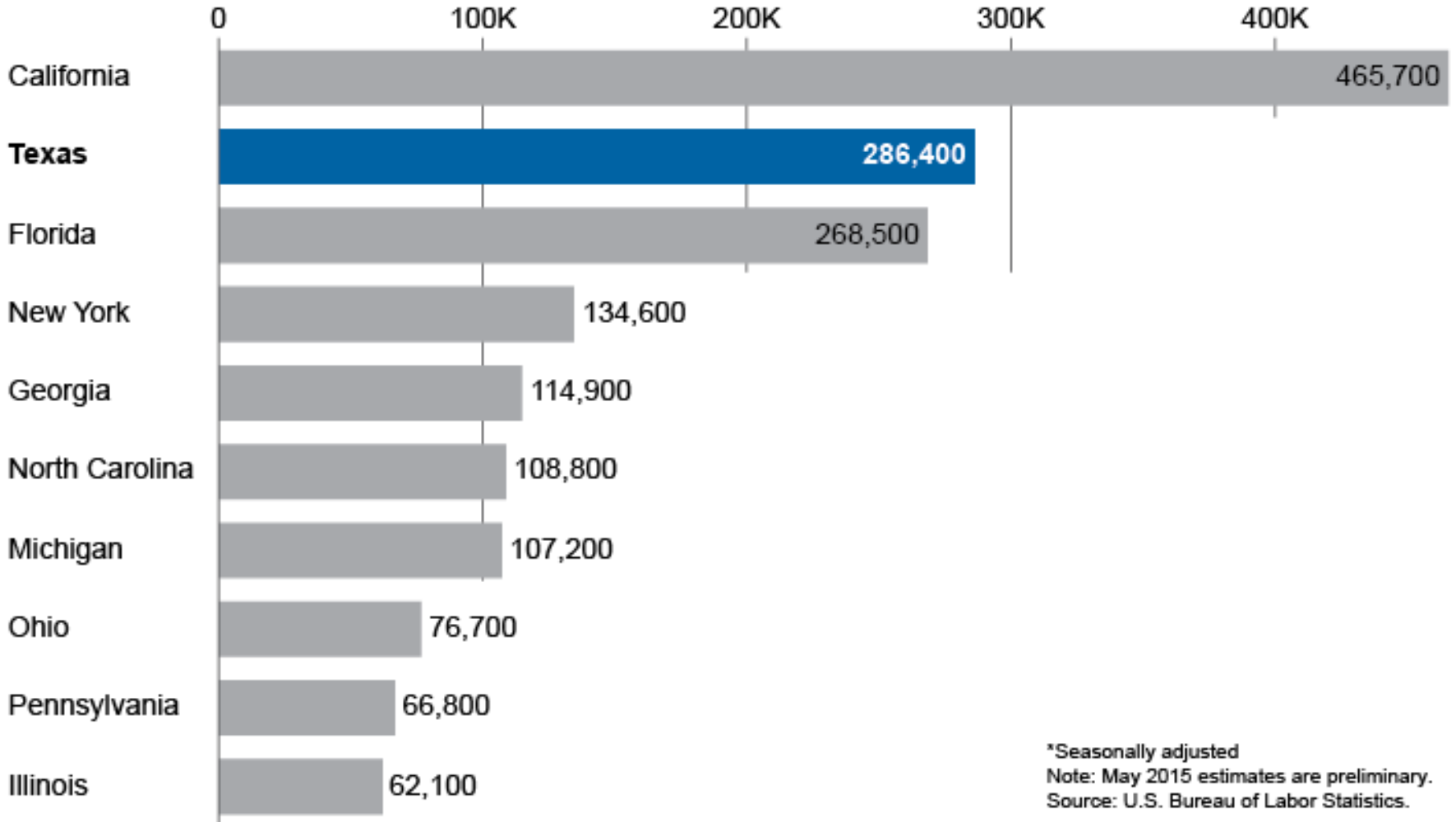
# Growth Rates Will Moderate

- Slowdown in Oil and Natural Gas operations will contribute to slower rates of growth.
- We project the Texas economy will more closely track the national economy in the near term.



# Nonfarm Employment Change in 10 Largest States

Net change from May 2014 - May 2015\*



\*Seasonally adjusted  
Note: May 2015 estimates are preliminary.  
Source: U.S. Bureau of Labor Statistics.

## Texas Economic History and Outlook

<b>TEXAS ECONOMY</b>	2011	2012	2013	2014	2015*	2016*
Real Gross Domestic Product (Billion 2009 \$)	1,246	1,323	1,395	1,467	1,497	1,545
<i>Annual percent change</i>	3.7	6.2	5.5	5.2	2.0	3.2
Gross Domestic Product (Billion Current \$)	1,351	1,449	1,557	1,648	1,681	1,765
<i>Annual percent change</i>	8.3	7.3	7.4	5.8	2.0	5.0
Personal Income (Billion Current \$)	1,052	1,128	1,160	1,225	1,267	1,327
<i>Annual percent change</i>	9.4	7.2	2.9	5.6	3.5	4.7
Nonfarm Employment (Thousands)	10,569	10,879	11,207	11,551	11,786	12,027
<i>Annual percent change</i>	2.2	2.9	3.0	3.1	2.0	2.0
Resident Population (Thousands)	25,713	26,144	26,564	27,013	27,445	27,884
<i>Annual percent change</i>	1.6	1.7	1.6	1.7	1.6	1.6
Unemployment Rate (Percent)	7.6	6.6	6.0	5.0	4.4	4.4
Oil Price (Taxable \$ per Barrel)	91.72	92.22	96.23	86.88	53.27	59.38
Natural Gas Price (Taxable \$ per MCF)	4.31	2.97	3.70	4.39	2.66	3.05
<b>U.S. ECONOMY</b>						
Real Gross Domestic Product (Billion 2009 \$)	15,021	15,369	15,710	16,086	16,447	16,950
<i>Annual percent change</i>	1.6	2.3	2.2	2.4	2.2	3.1
Consumer Price Index (1982-84=100)	224.9	229.6	233.0	236.7	237.1	241.4
<i>Annual percent change</i>	3.2	2.1	1.5	1.6	0.2	1.8
U.S. Treasury 10-Year Note Yield (%)	3.3	3.3	3.3	3.3	3.3	4.2

\*Estimated or projected. Values through 2014 include benchmark revisions.  
Sources: Glenn Hegar, Texas Comptroller; and IHS Global, Inc.

# Economic Growth

Year	Annual Change, Real Texas GDP	Annual Change, Real US GDP
2012	6.2%	2.3%
2013	5.5%	2.2%
2014	5.2%	2.4%
2015*	2.0%	2.2%
2016*	3.2%	3.1%

\* Projected

# Employment

Year	Annual Change, Nonfarm Employment, TX	Annual Change, Nonfarm Employment, US	Average Annual Unemployment Rate, TX	Average Annual Unemployment Rate, US
2012	2.9%	1.7%	6.6%	8.3%
2013	3.0%	1.7%	6.0%	7.6%
2014	3.1%	1.8%	5.0%	6.5%
2015*	2.0%	2.0%	4.4%	5.4%
2016*	2.0%	1.5%	4.4%	5.1%

\* Projected

# State Tax Collections

All Funds, Excluding Trust

FY 2012-13                    \$ 92 billion

FY 2014-15\*                 \$102 billion

FY 2016-17\*                 \$109 billion

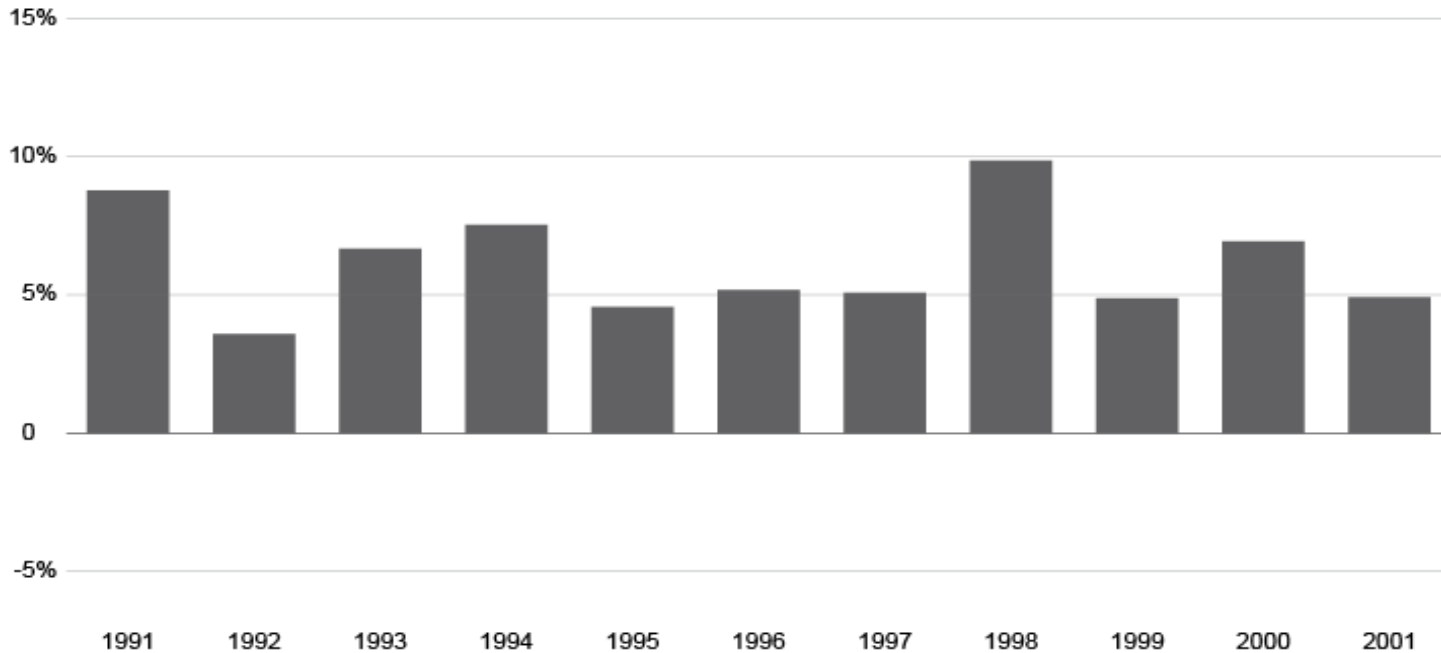
\*Projected



## Increased Volatility in Sales Taxes

From 1991 to 2001, sales taxes grew every year, but never by 10 percent or more.

Year-over-year percent change in collections.

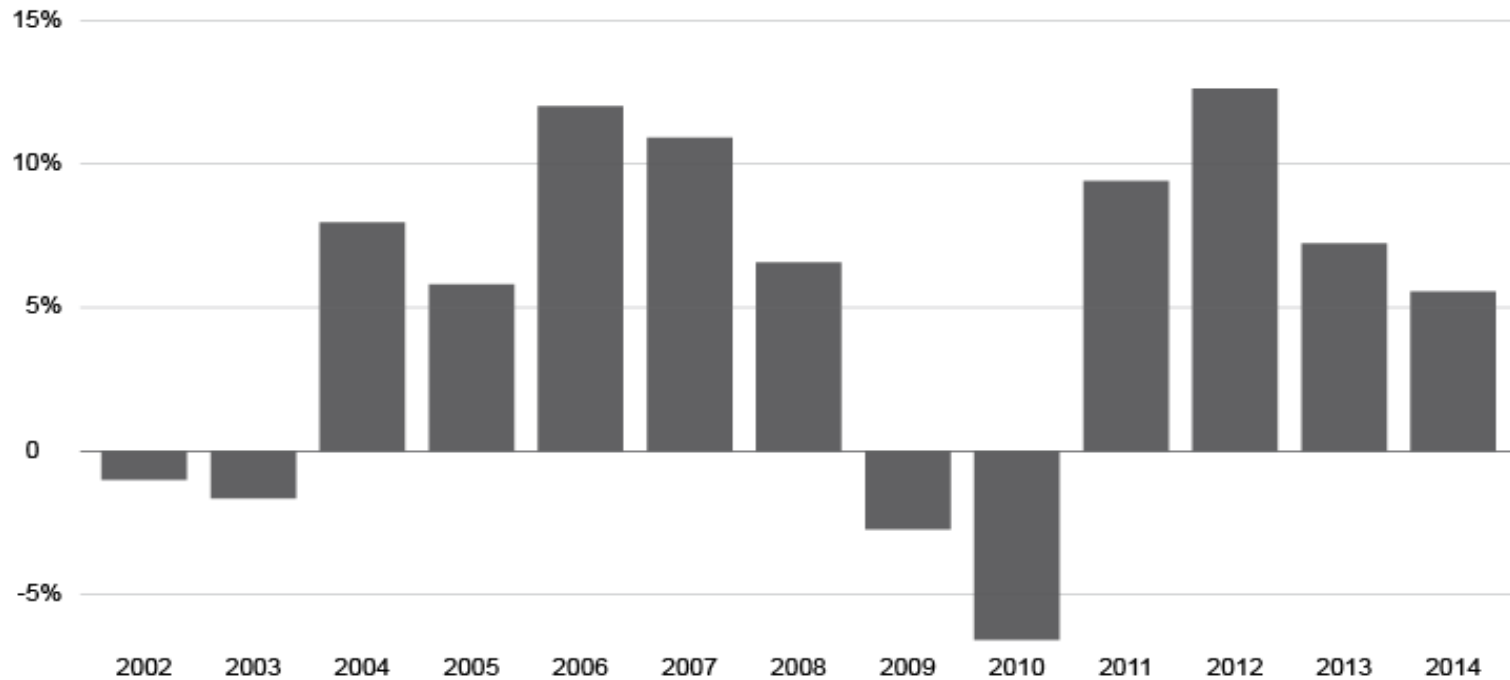


Source: Texas Comptroller of Public Accounts

### Increased Volatility in Sales Taxes

From 2002 to 2014, revenues from sales taxes declined four times and grew by more than 10 percent three times.

Year-over-year percent change in collections.

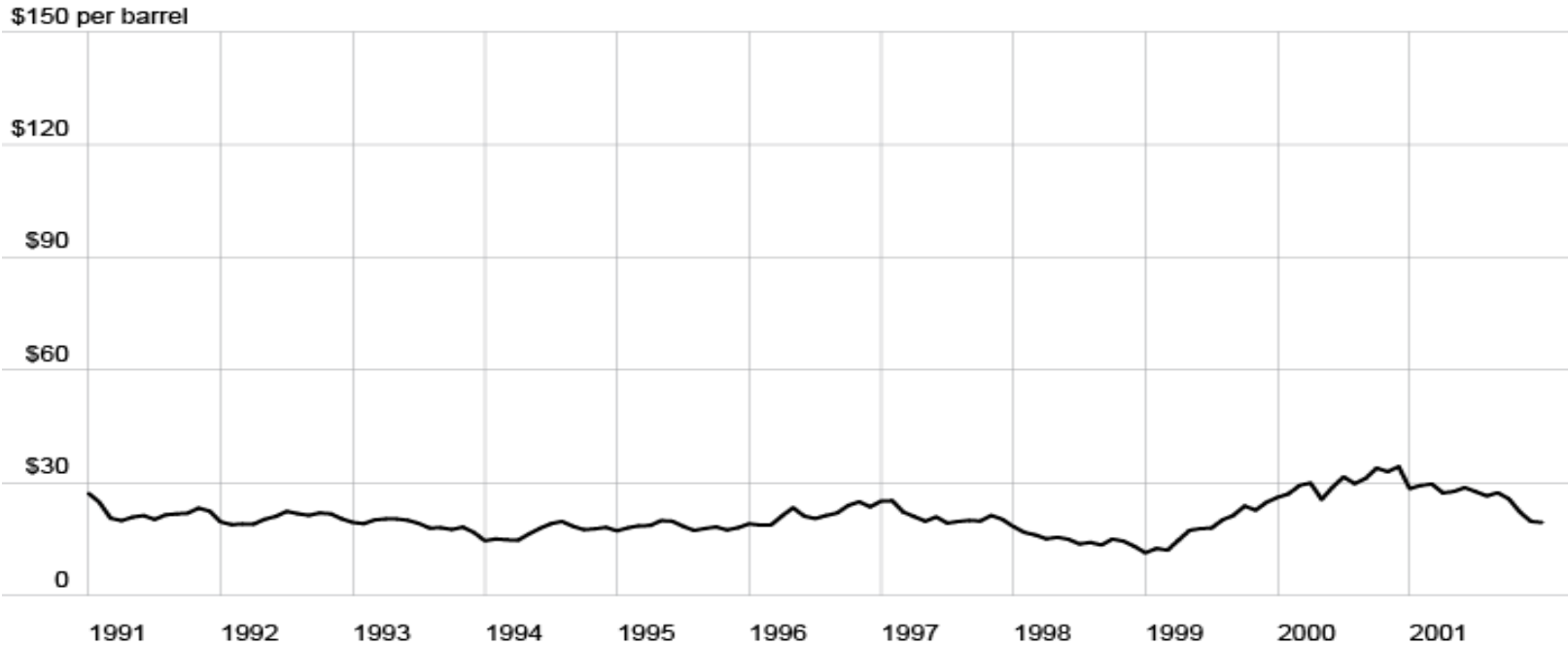


Source: Texas Comptroller of Public Accounts



## Average Monthly Oil Futures Market Prices, 1991-2014

From 1991 to 2001, monthly average oil prices ranged from \$11.31 to \$34.26 per barrel.

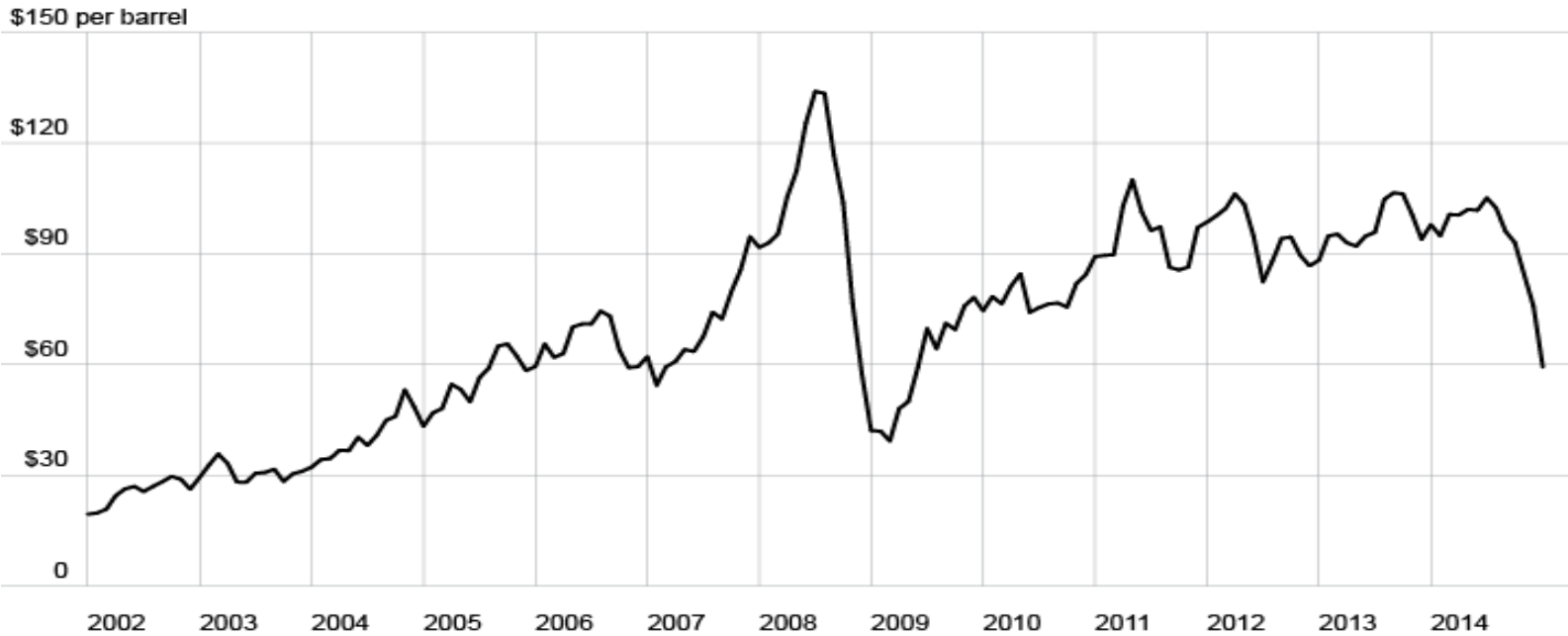


Source: U.S. Energy Information Administration



## Average Monthly Oil Futures Market Prices, 1991-2014

Since 2001, monthly average oil prices have varied more widely, from \$19.73 to \$134.02 per barrel.



Source: U.S. Energy Information Administration

# Headwinds

- Decline in oil and gas activity will be a drag on growth.
  - Rig count in Texas has dropped from 900+ in late 2014 to 368 as of July 8.
- Slow growth in Europe and Asia could impact Texas.
- Strong dollar is an obstacle for export growth.

# Tailwinds

- Improving national economy will benefit Texas.
- A relatively young population positions Texas for long-term growth above national average.
- A favorable business climate contributes to growth.

# Regional Impacts

- Areas heavily dependent on oil and gas may see some economic contraction.
- See signs of pullback in employment numbers and sales tax revenues.
- Large metropolitan areas continue to grow. Houston is more likely to feel some impact from the energy downturn.
- Impact of the decline in oil and natural gas prices thus far has been muted.

# Conclusion

- Texas retains advantages that will help it continue to grow.
- Growth in near term will moderate compared to rapid growth in recent years.
- Long term growth in Texas is likely to outpace the nation.



Tom Currah  
Revenue Estimating Division  
Texas Comptroller of Public Accounts

[tom.currah@cpa.texas.gov](mailto:tom.currah@cpa.texas.gov)