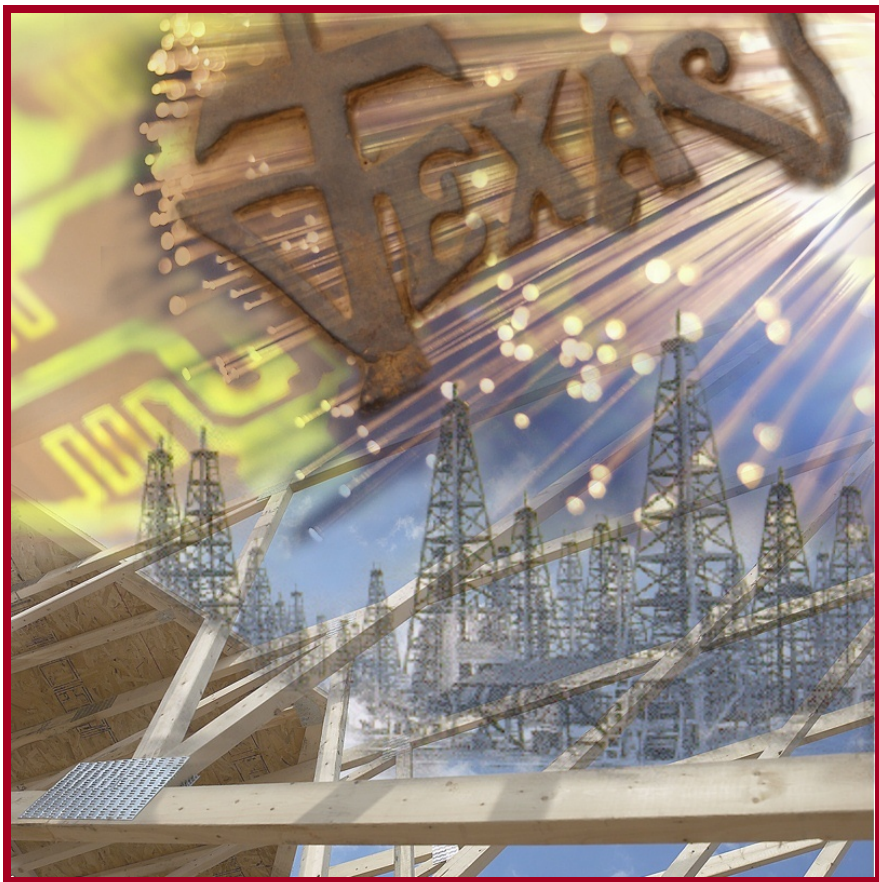


The Texas Economy



Mine Yücel

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Federal Reserve Bank of Dallas

June 14, 2016



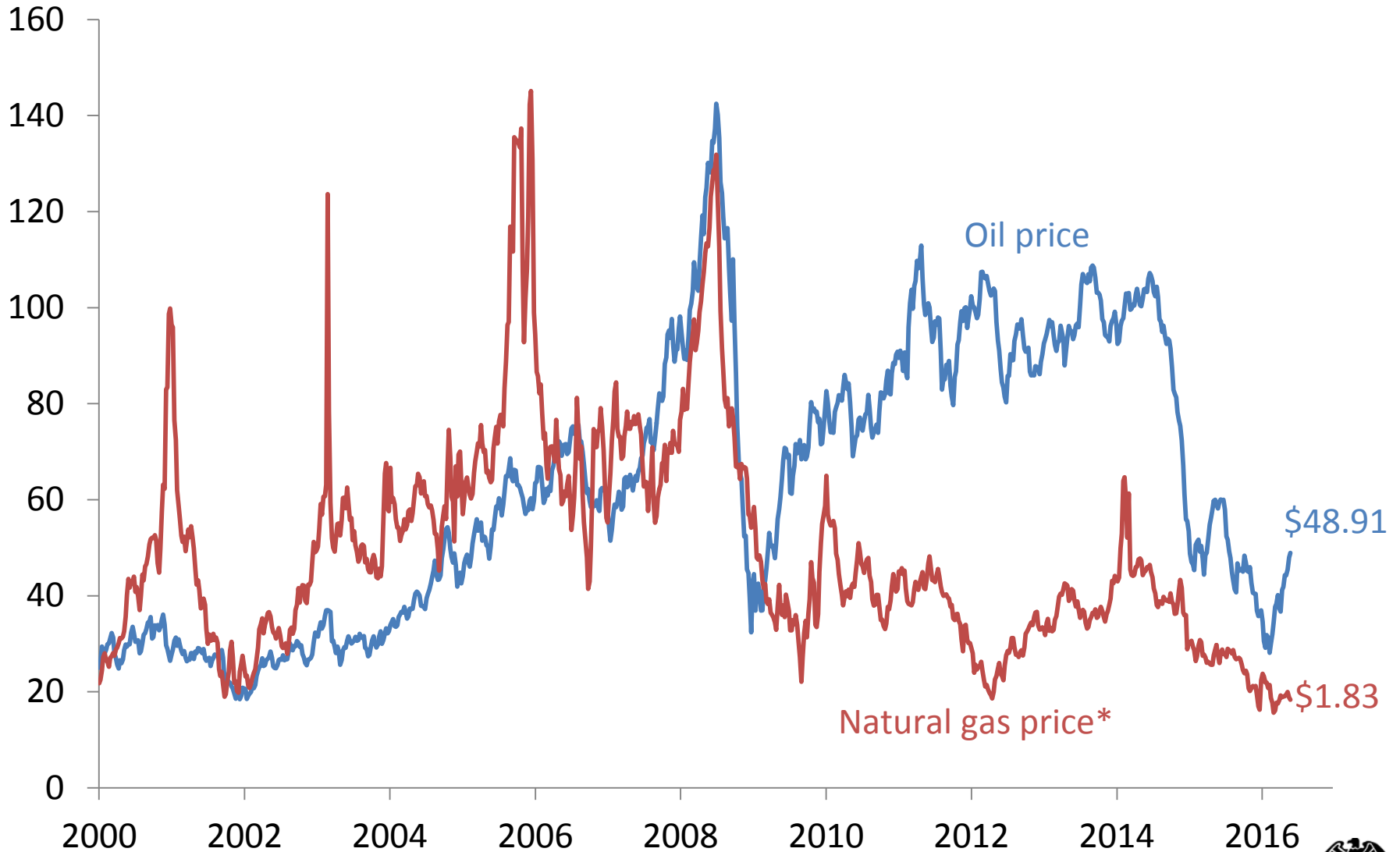
Texas Economic Update

- Texas grew rapidly for five years, fueled by high oil prices, strong exports and construction activity.
- Texas employment growth slowed in 2015
 - Low oil prices and strong dollar main culprits
- Slow employment growth continues in 2016
- Mixed picture for Texas economy
 - 1.1% job growth through April 2016
 - Dallas Fed Business Outlook Surveys weaker
 - Exports turned down
 - Energy sector fragile



Oil prices moving up

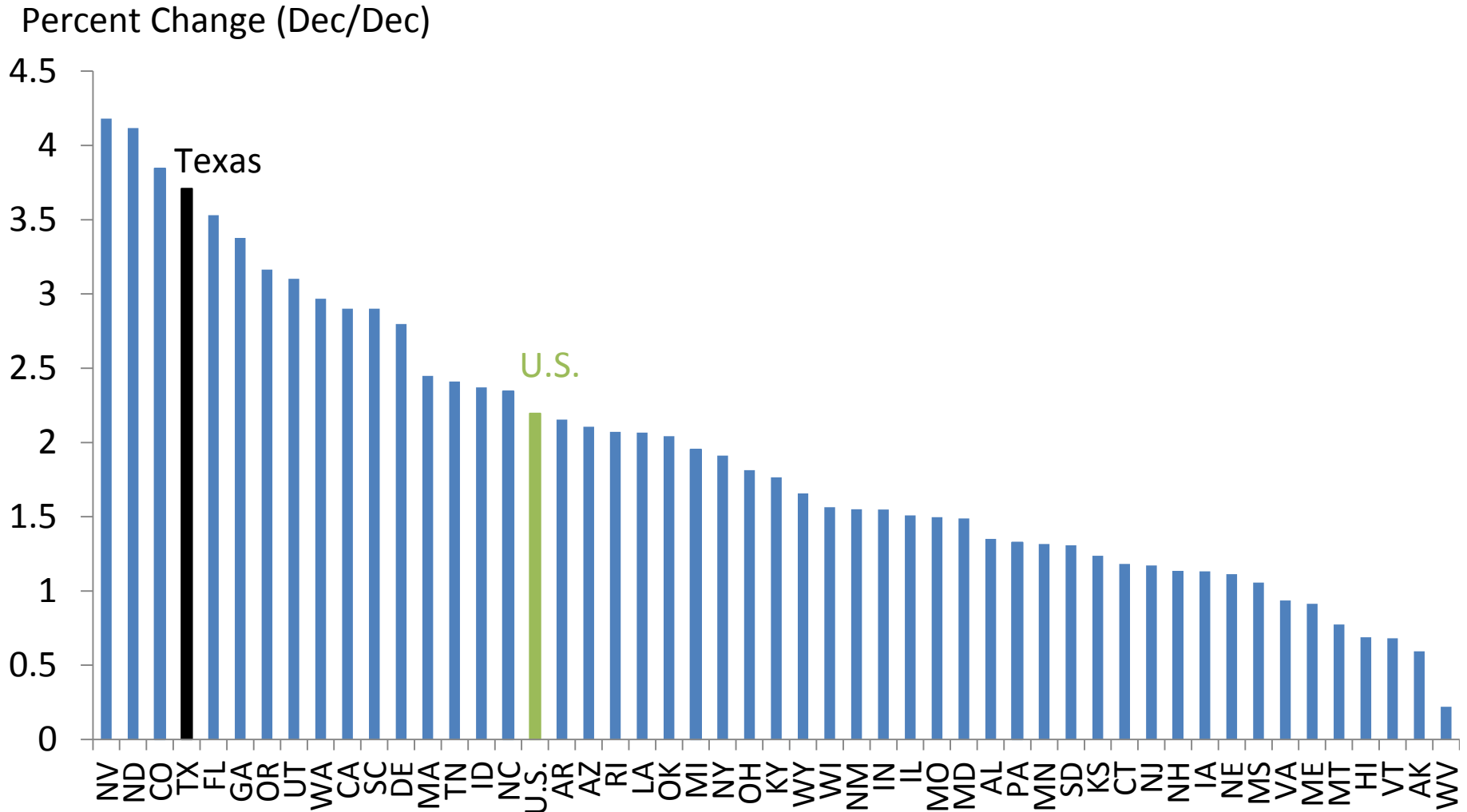
Nominal price, \$, weekly



*Natural gas series multiplied by 10.



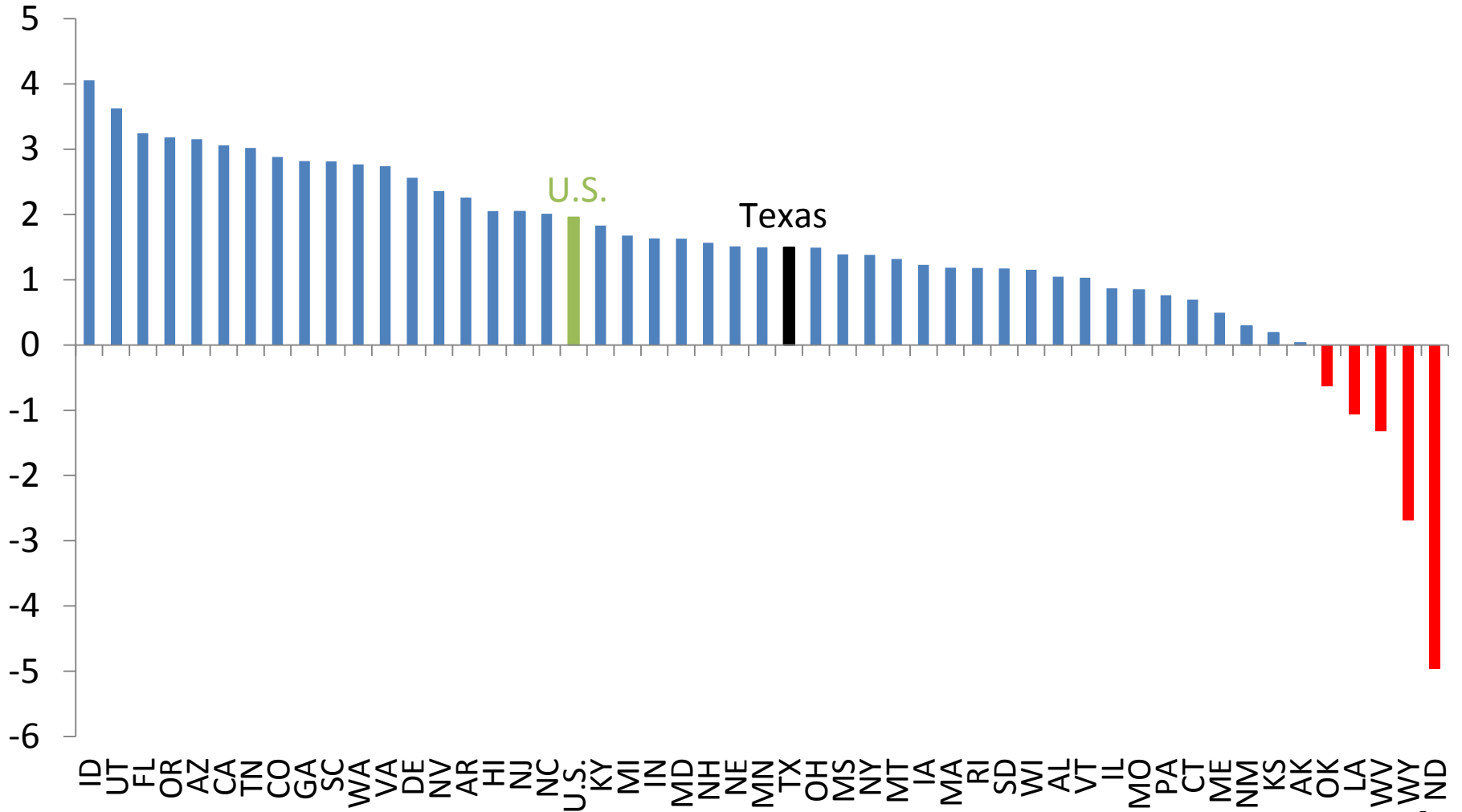
Texas posted fourth-fastest job growth among states in 2014



SOURCE: Bureau of Labor Statistics.

In 2015, Texas 26th in job growth

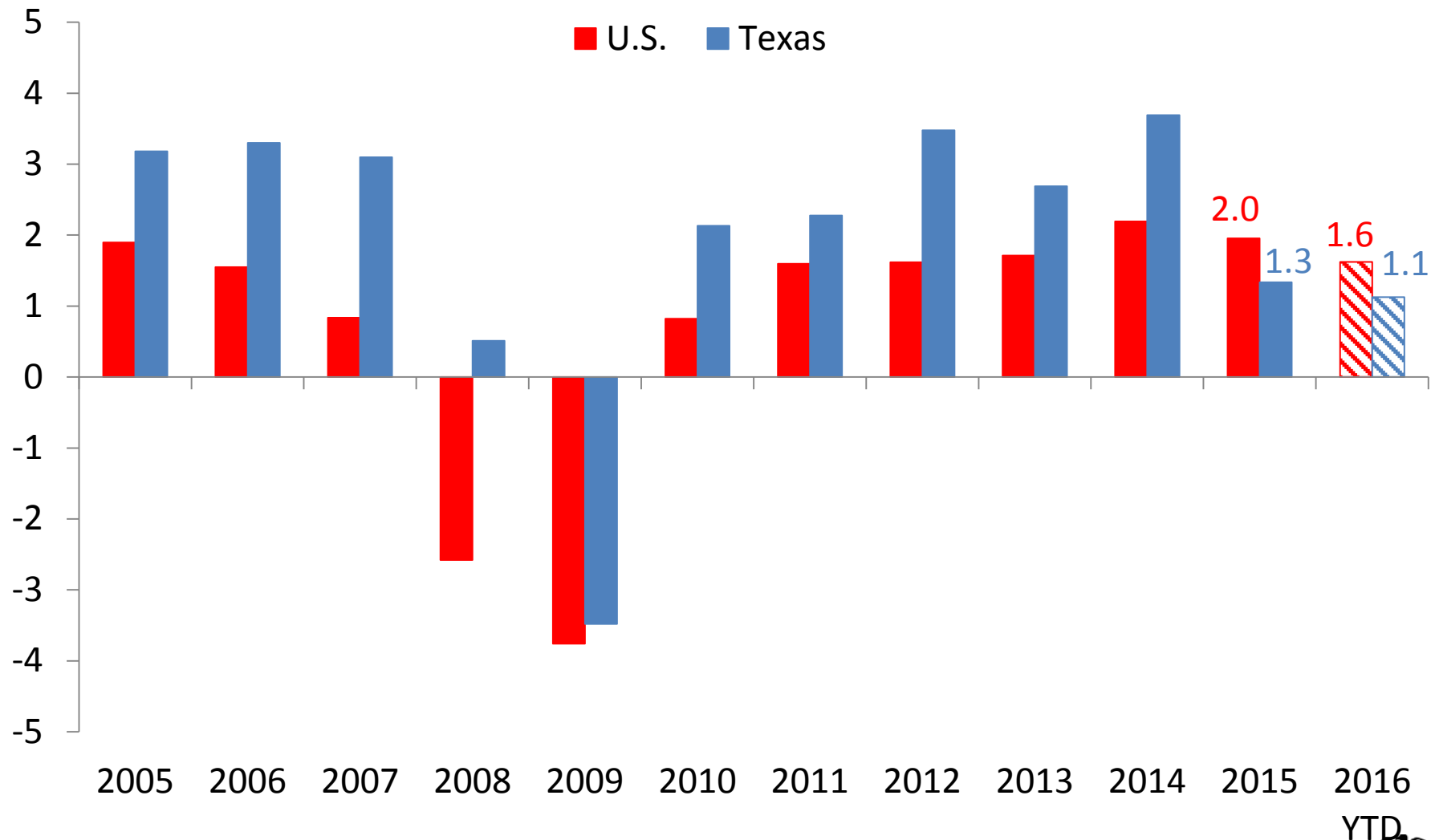
Percent Change (Dec/Dec)



SOURCE: Bureau of Labor Statistics.

Texas 2016 job growth below nation's

Y/Y percent change, SA



NOTE: Shaded bar represents April 2016/December 2015 growth, annualized rate.

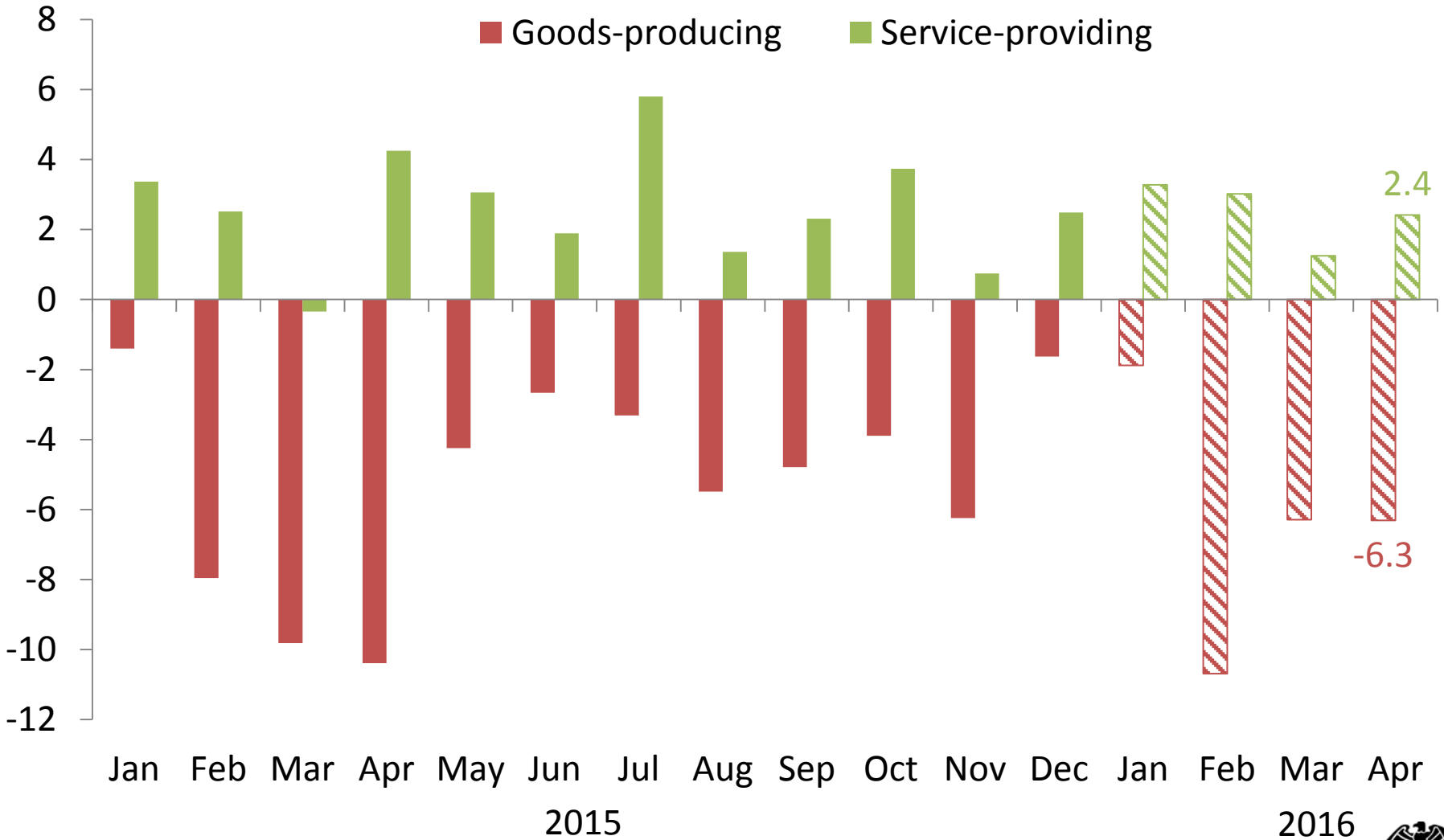
SOURCES: Bureau of Labor Statistics, Texas Workforce Commission, seasonal adjustments by FRB Dallas.

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Goods vs Service Sector Employment

M/M employment growth, SAAR



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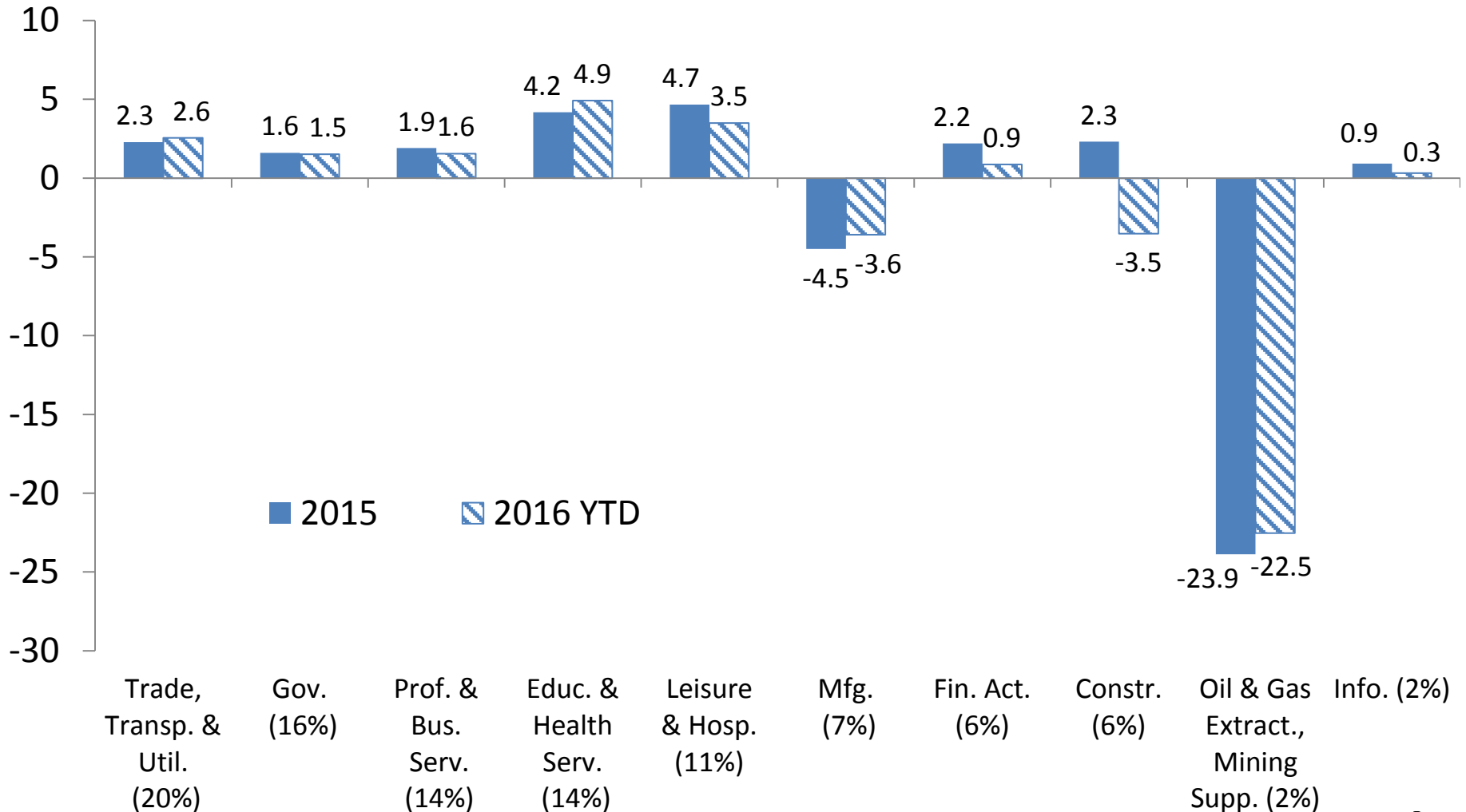


SOURCES: Bureau of Labor Statistics, Texas Workforce Commission, seasonal adjustments by FRB Dallas.

Employment Growth Rates by Sector

(NAICS Super Sectors, SA by FRB Dallas)

Percent change, SAAR



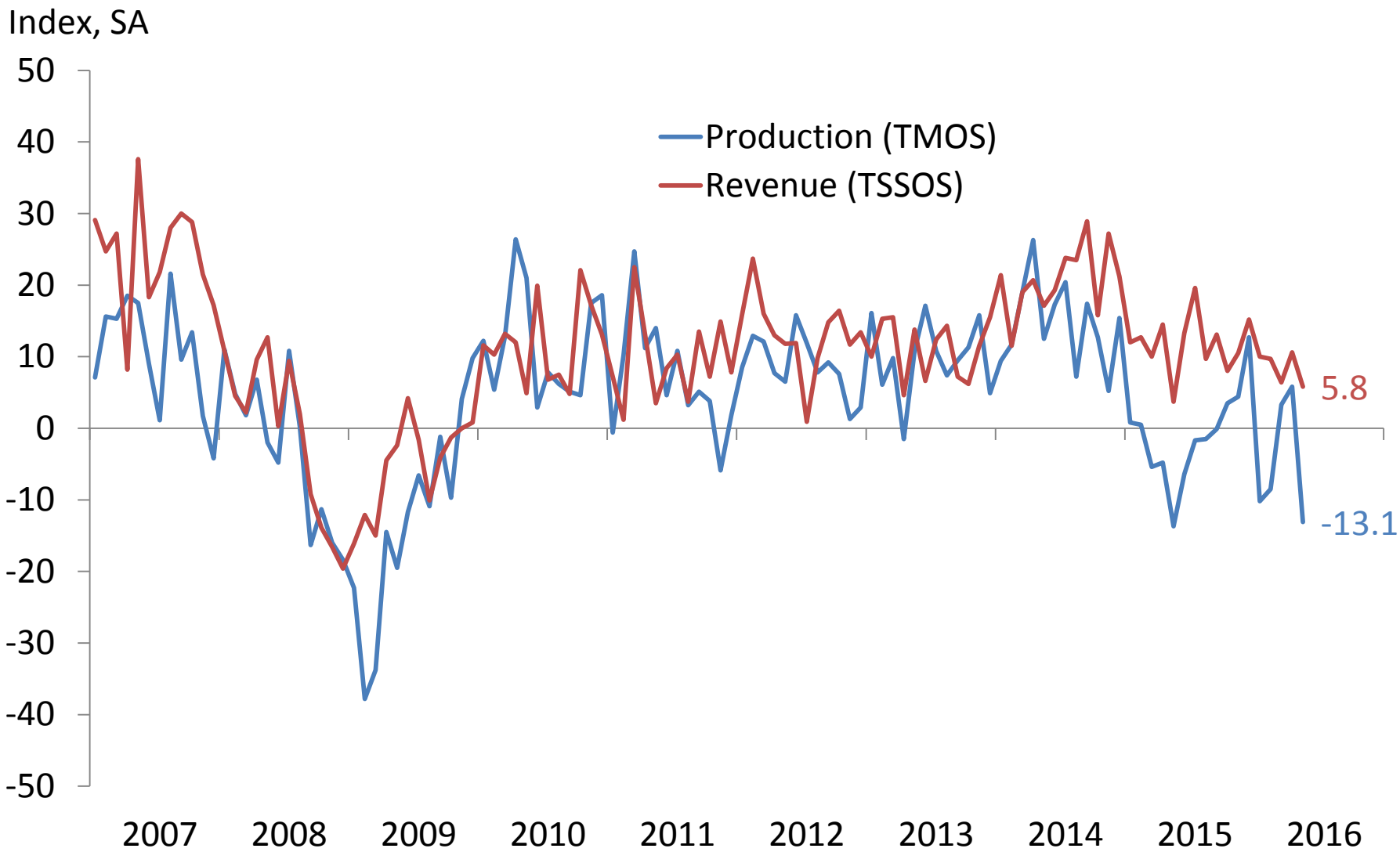
NOTE: Year to date is through April.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal adjustments by FRB Dallas.

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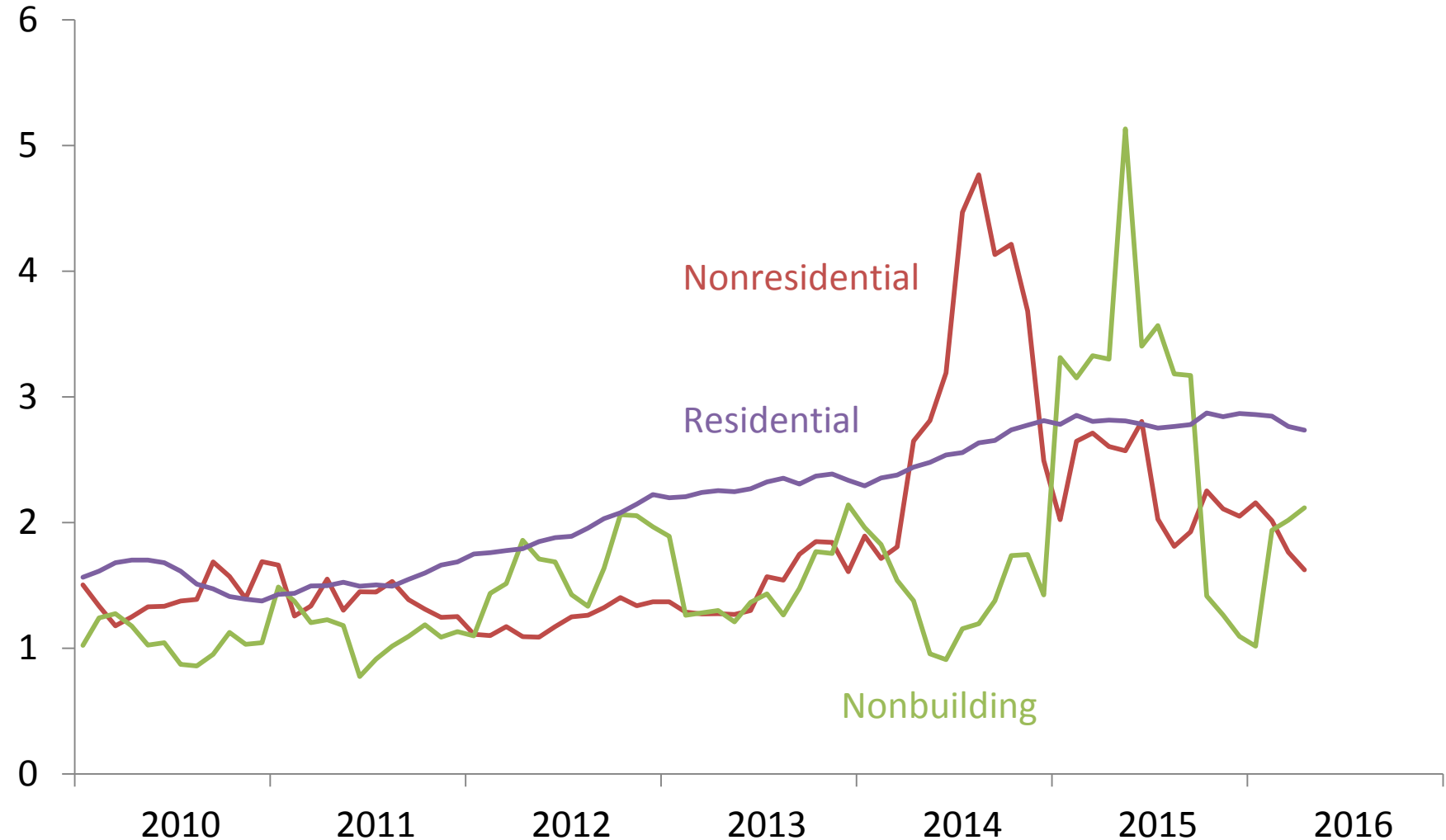
Dallas Fed surveys turn down in May



NOTE: Last data point May.

Large projects pushed construction contract values up

Billions real \$, 5MMA, SA



NOTE: Last data point April 2016.

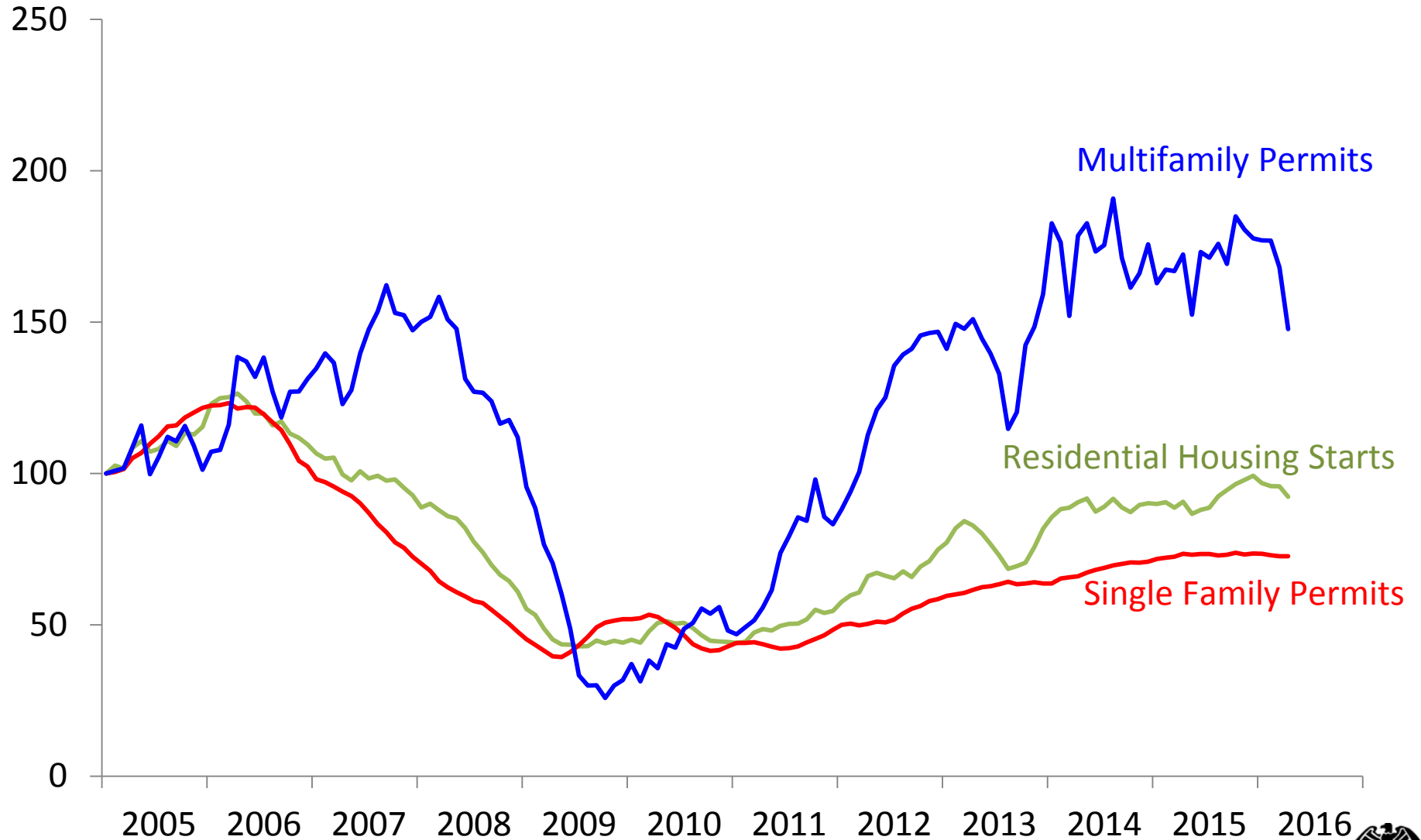
SOURCES: F.W. Dodge; seasonal adjustments by Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas



New home construction weakens

Index, Jan '05=100, 5MMA, SA



Federal Reserve Bank of Dallas

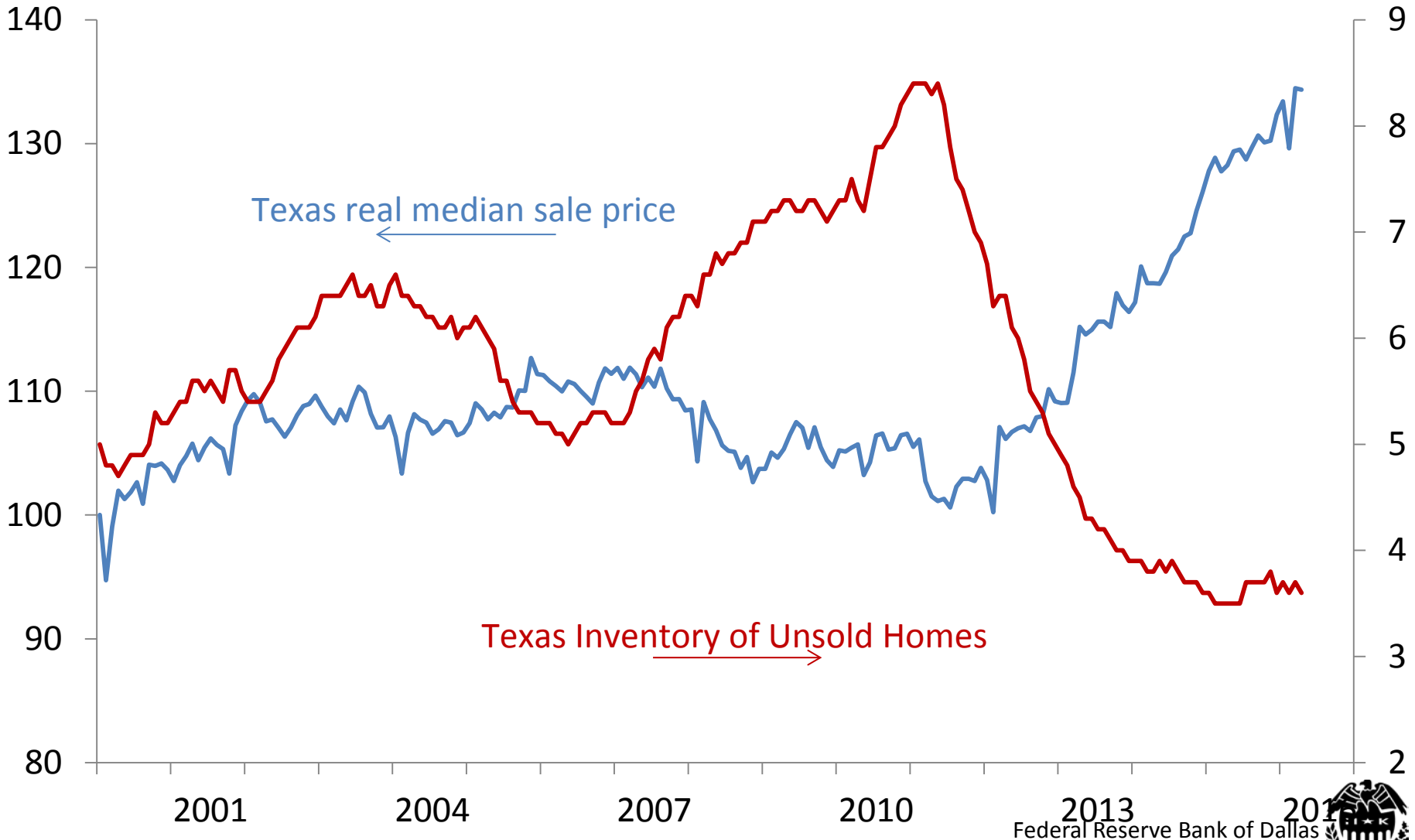


NOTE: Data are through April.

Texas Home Prices and Inventories

Index, Jan.'00=100, SA

Months in Inventory, SA



Texas Inventory of Unsold Homes

Texas real median sale price

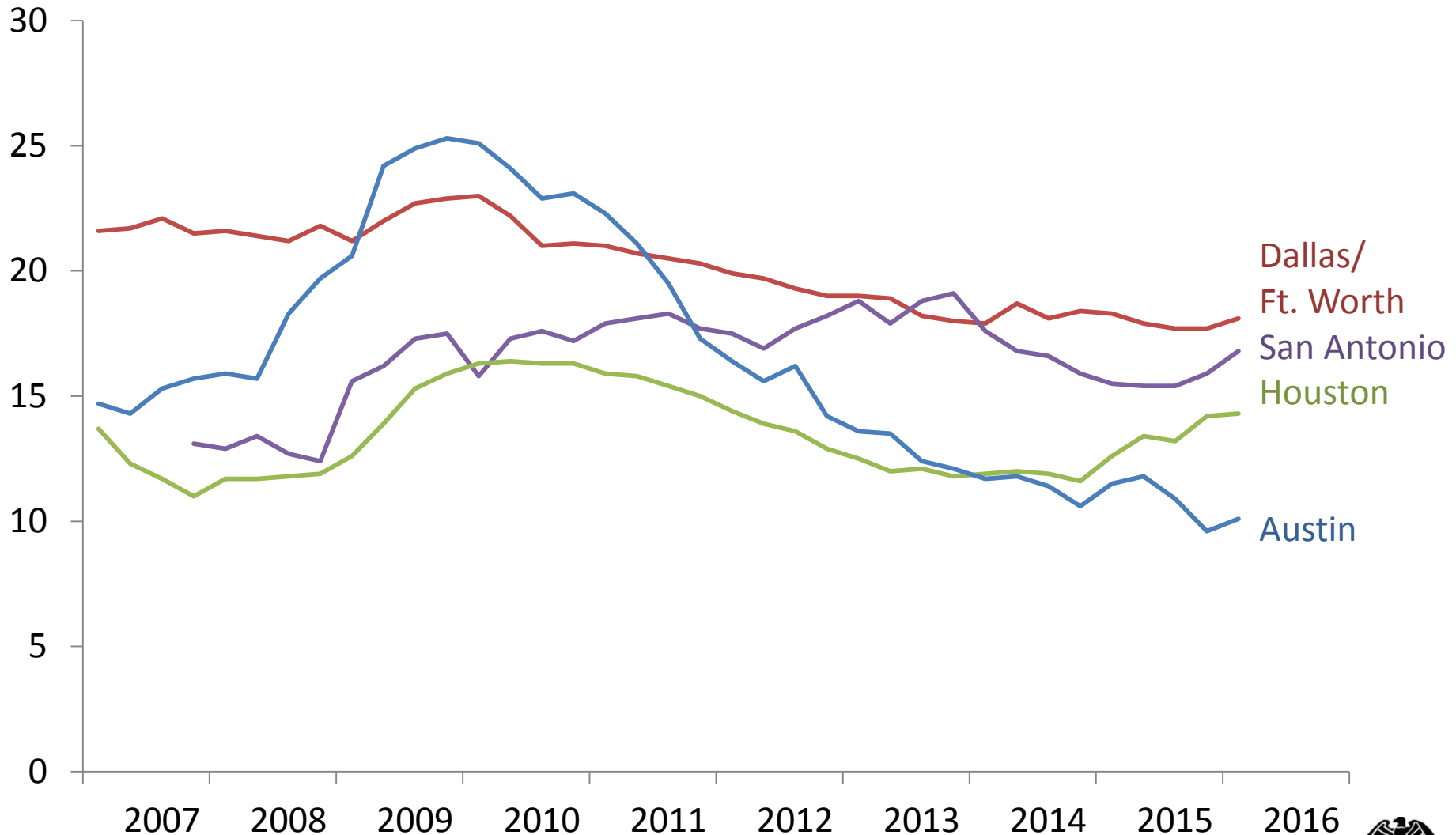
Existing home market still tight

City	Nominal Median Prices (April)	Year-over-year % change	Months in Inventory (April)
Texas	\$203,723	4.8	3.6
Austin	\$275,452	5.9	2.4
Dallas	\$243,936	5.0	2.2
Fort Worth	\$188,519	7.8	2.3
Houston	\$216,683	2.9	3.5
San Antonio	\$198,276	4.7	3.7



Low oil price impacts office market

Vacancy rate (percent)



Dallas/
Ft. Worth
San Antonio
Houston
Austin

NOTE: Data through Q1 2016.

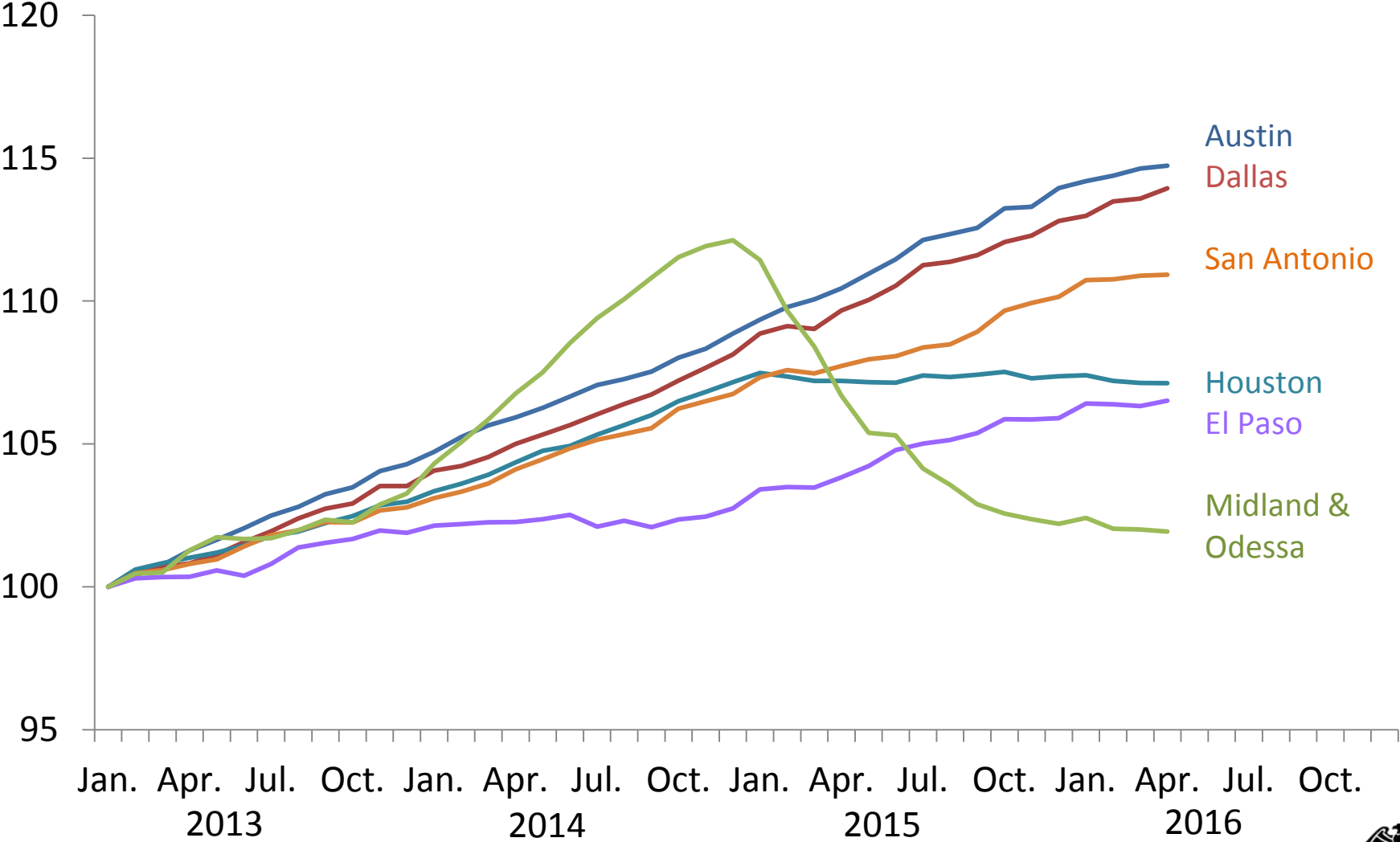
SOURCES: CBRE.

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Metro Employment Growth

Index, Jan. '13=100, SA



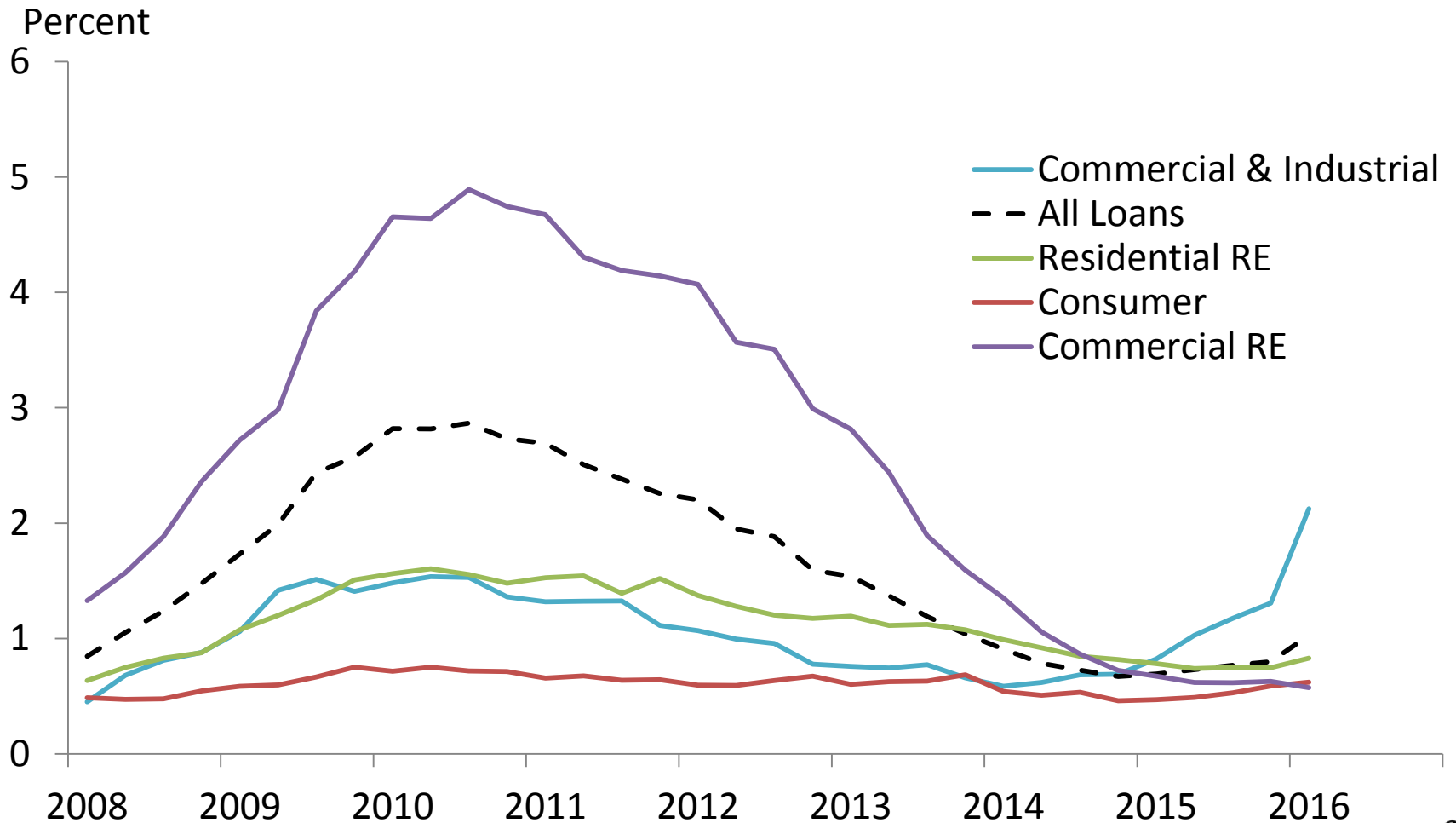
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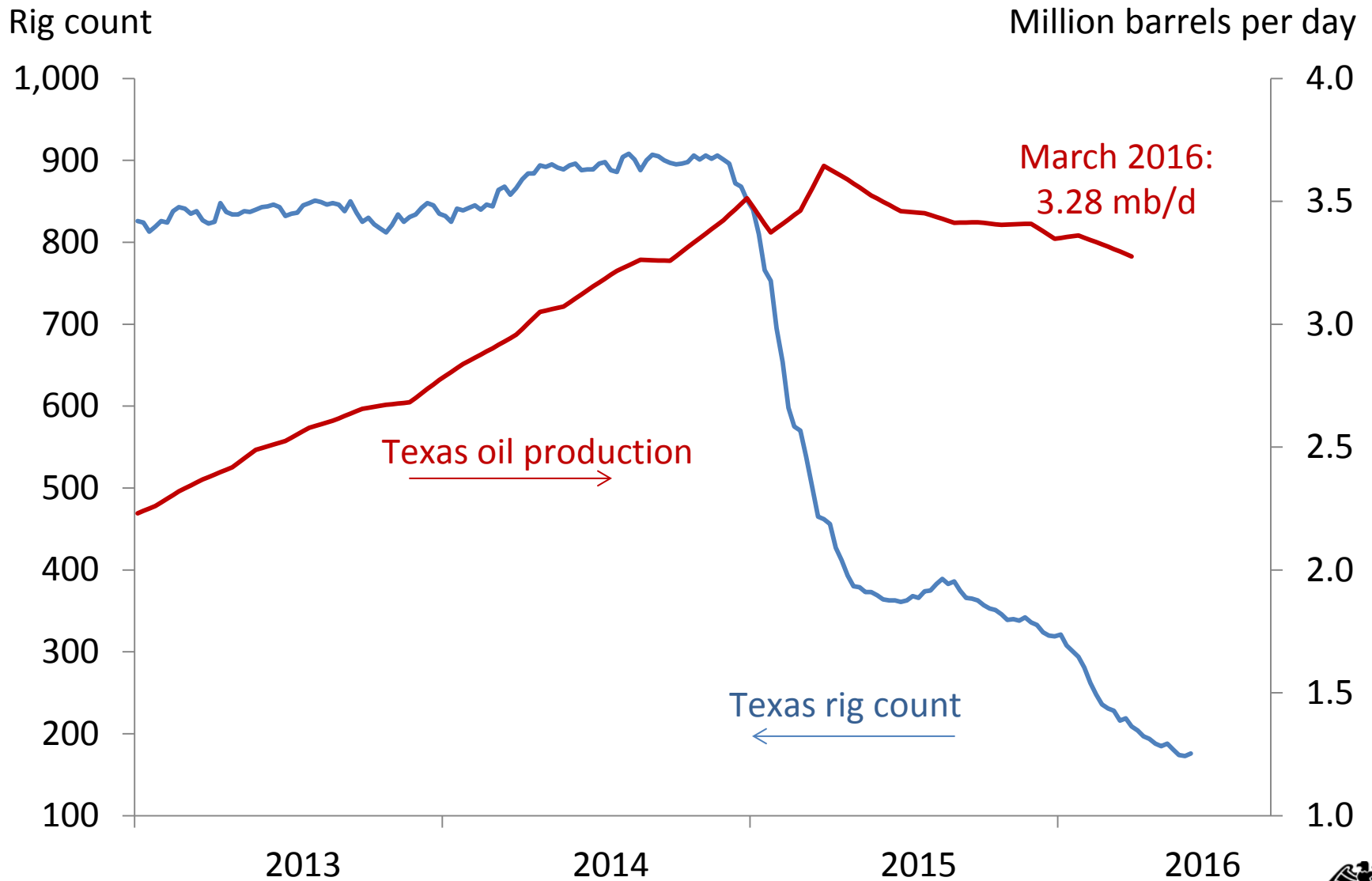
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal adjustments by FRB Dallas.

Noncurrent C&I loans rising

Texas banks



Texas rig count steadies



Oil and gas bankruptcies accelerated in 2015...

U.S. Oil and Gas Bankruptcy Filings and Debt, 2015

	Producers	Services	All Firms	Total Debt (billions USD)
Q1	4	5	9	2.87
Q2	6	7	13	1.02
Q3	14	9	23	9.95
Q4	12	12	24	8.27
Annual	36	33	69	22.12



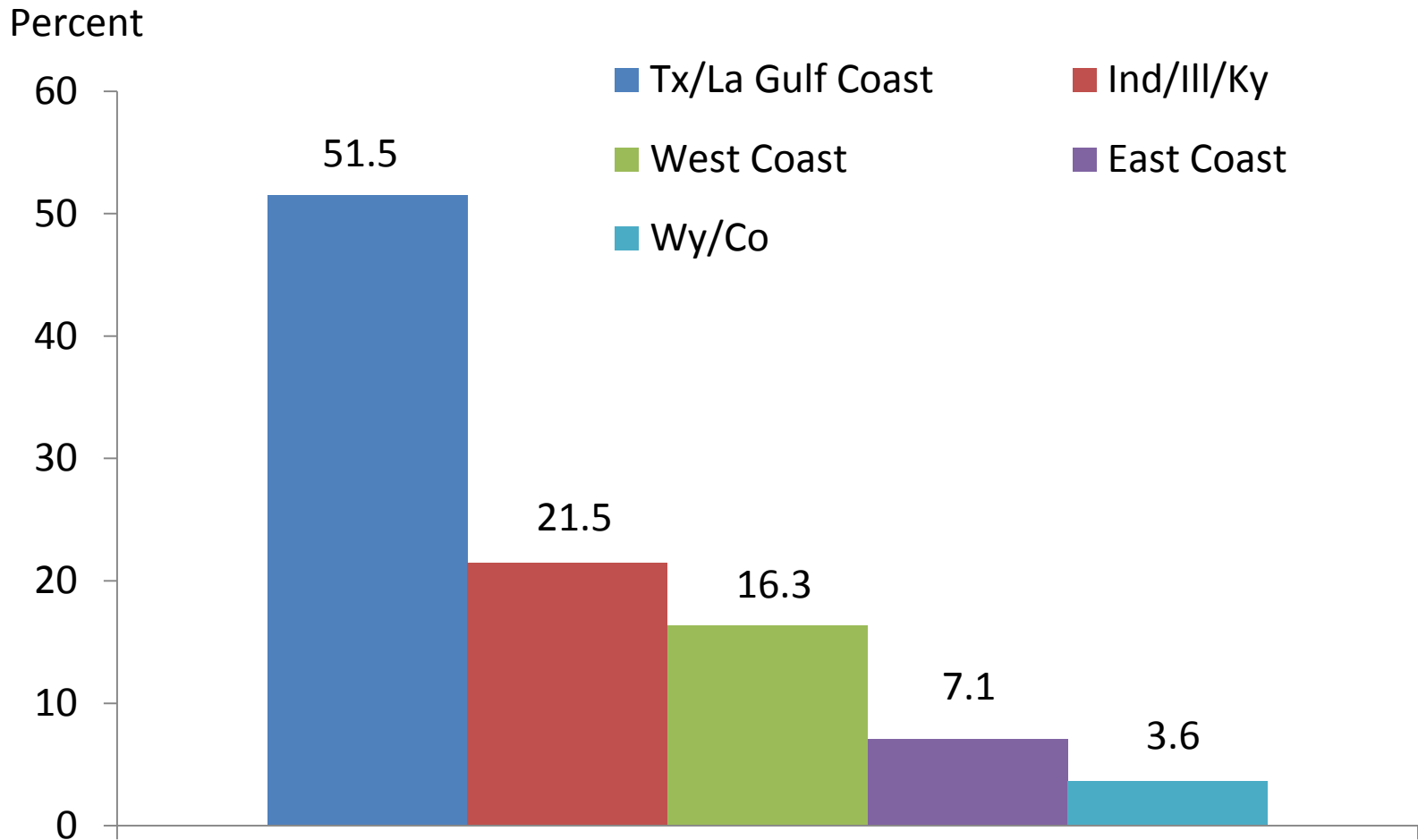
...and have continued to accelerate in 2016

Oil and Gas Bankruptcy Filings and Debt, May 16, 2016

	Texas		U.S.	
	Bankruptcies	Total Debt (billions USD)	Bankruptcies	Total Debt (billions USD)
Producers	21	16.49	34	34.58
Services	13	1.30	22	3.93
All Firms	34	17.78	56	38.51



Texas and Louisiana Gulf Coast biggest share of U.S. refining capacity



NOTE: West Coast is DOE definition of PAD 5, Ind/Ill/Ky is PAD 2, and the East Coast is PAD 1; Inland Texas has another 4 percent of US capacity; Operable distillation capacity per calendar day; January 1, 2015.

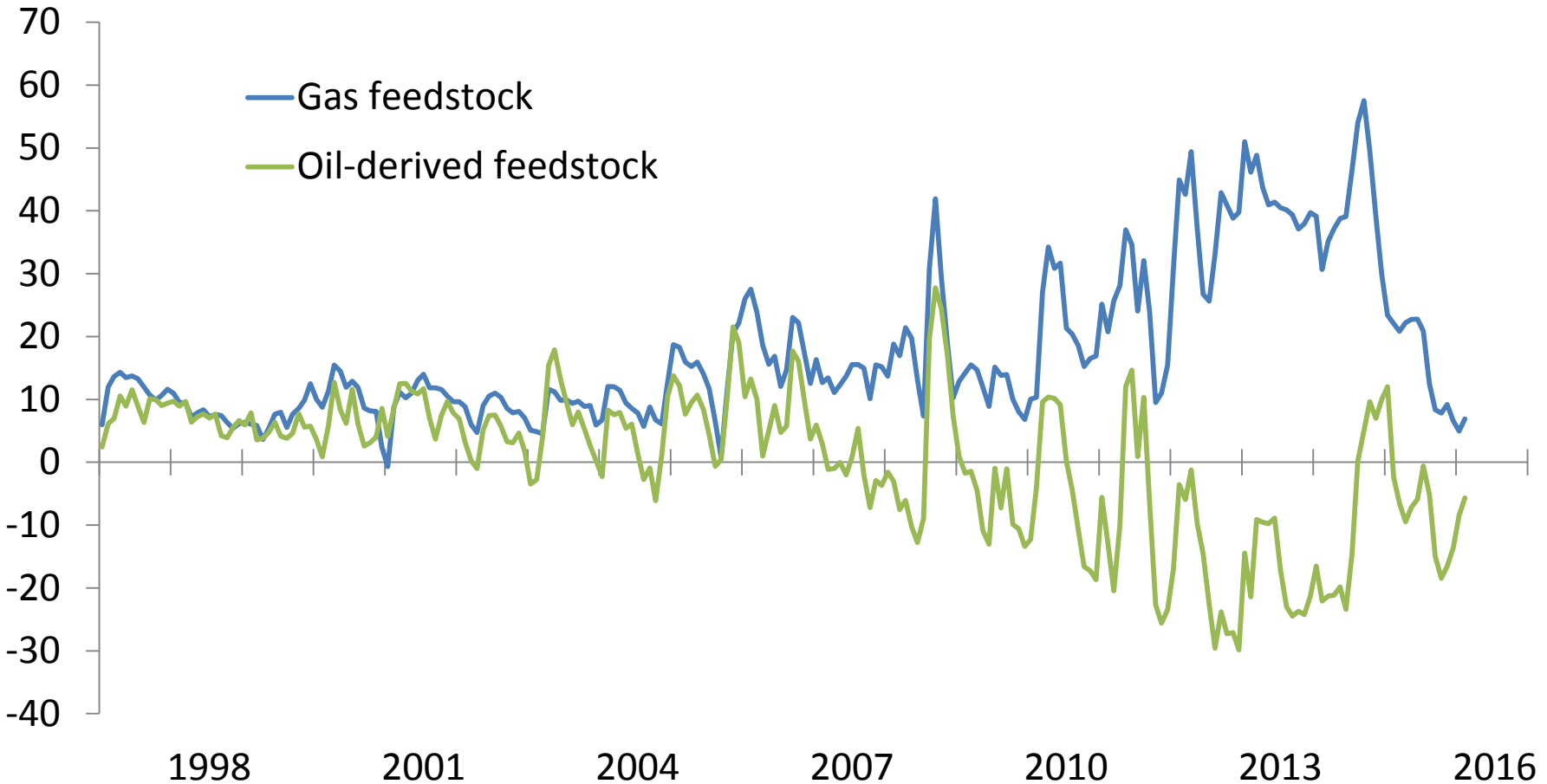
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Downstream Advantage

U.S. gas-based margins down, but better than oil-based competitors

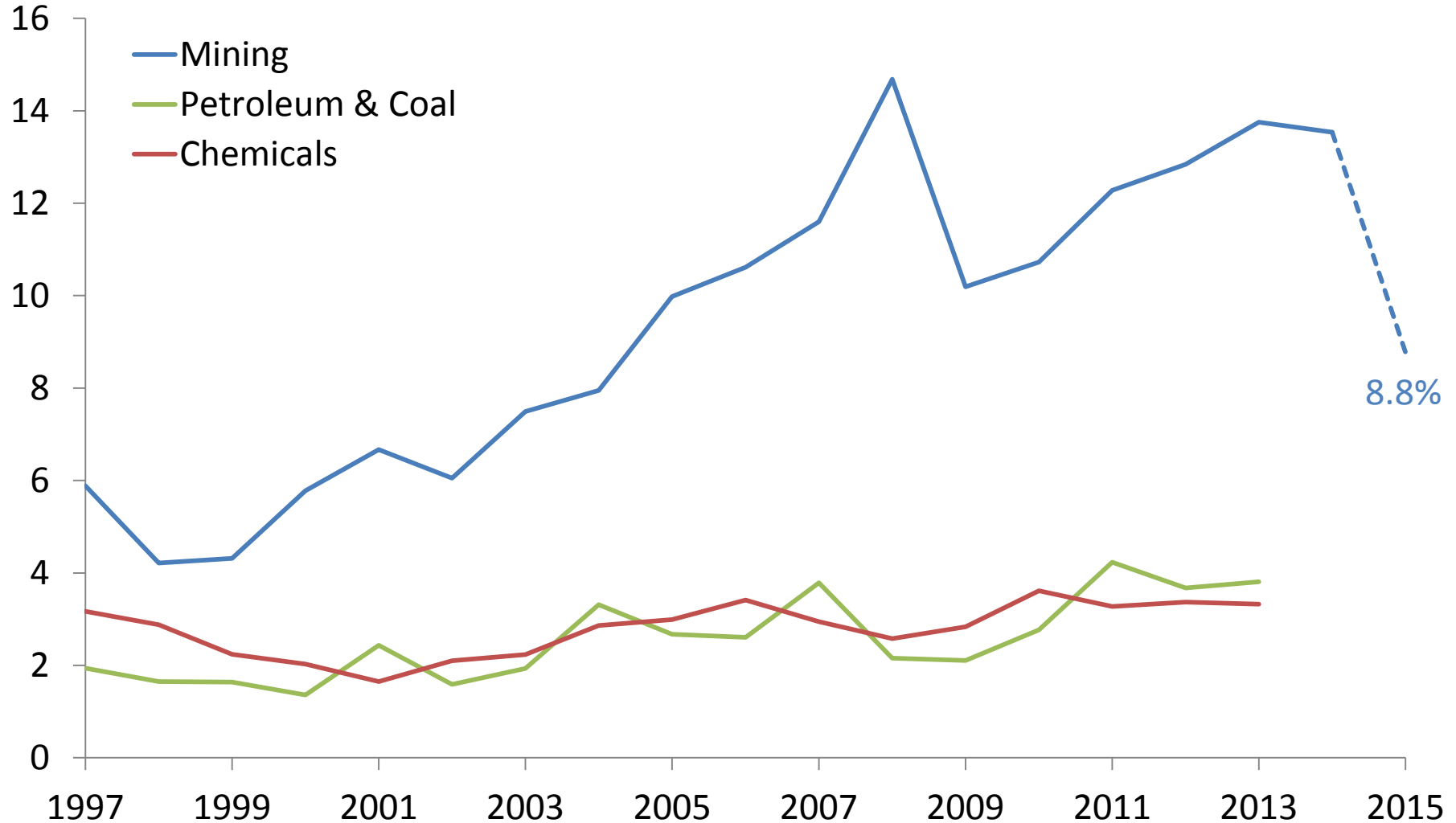
Cents per pound



NOTE: Data are cash margins for ethylene production.
SOURCE: Muse, Stancil & Co.

Oil and Gas-Related Share of GDP in Texas

Percent share



NOTES: Underlying GDP data are in nominal dollars. Last point preliminary Q3 2015 data.

SOURCES: Bureau of Economic Analysis; calculations by FRB Dallas.

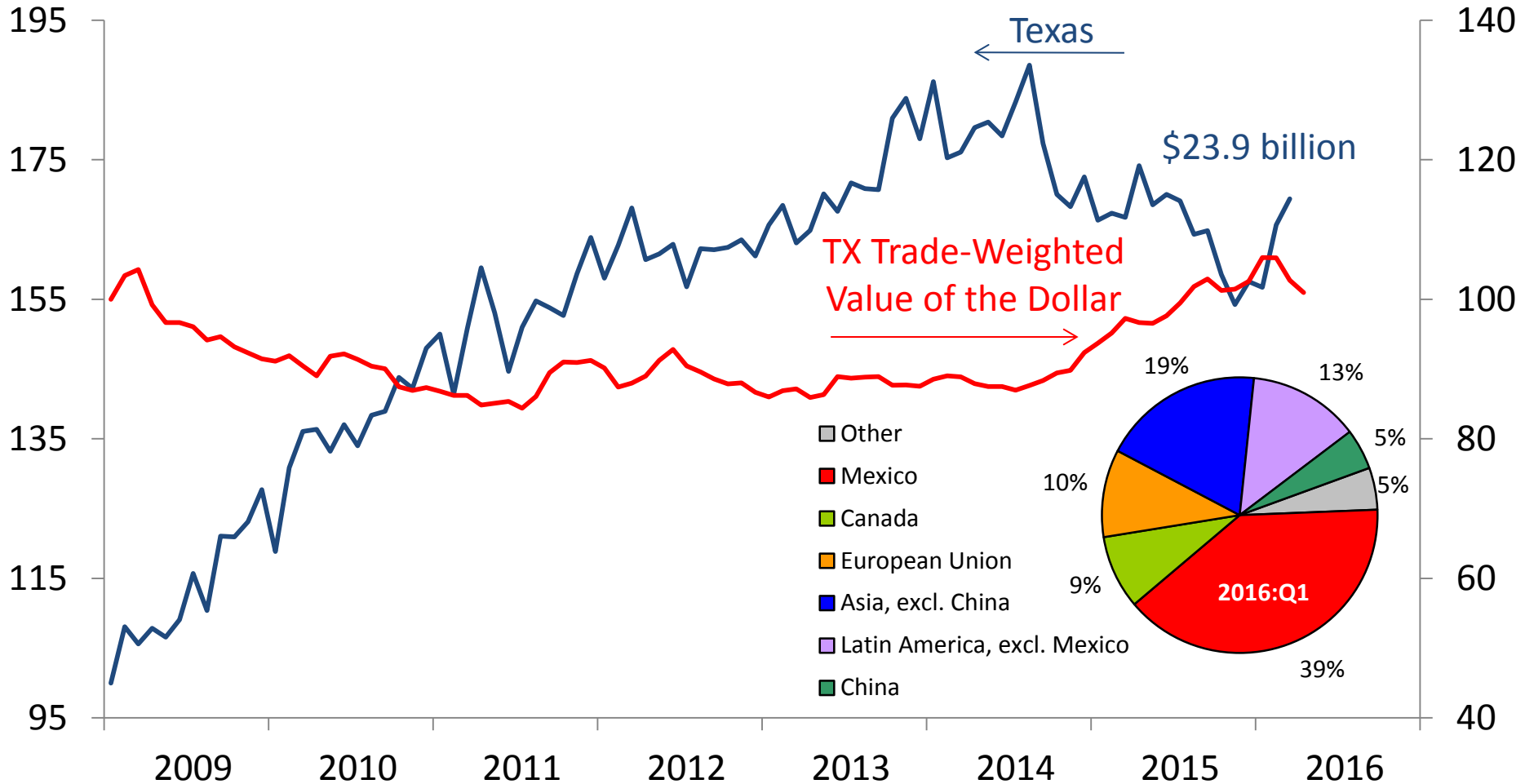
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Dollar impacts Texas exports

Index, Jan.'09=100,
Real \$, SA

Index, Jan.'09=100



NOTES: Exports are through March; TX TWVD is through April, last data point estimated using U.S. TWVD.

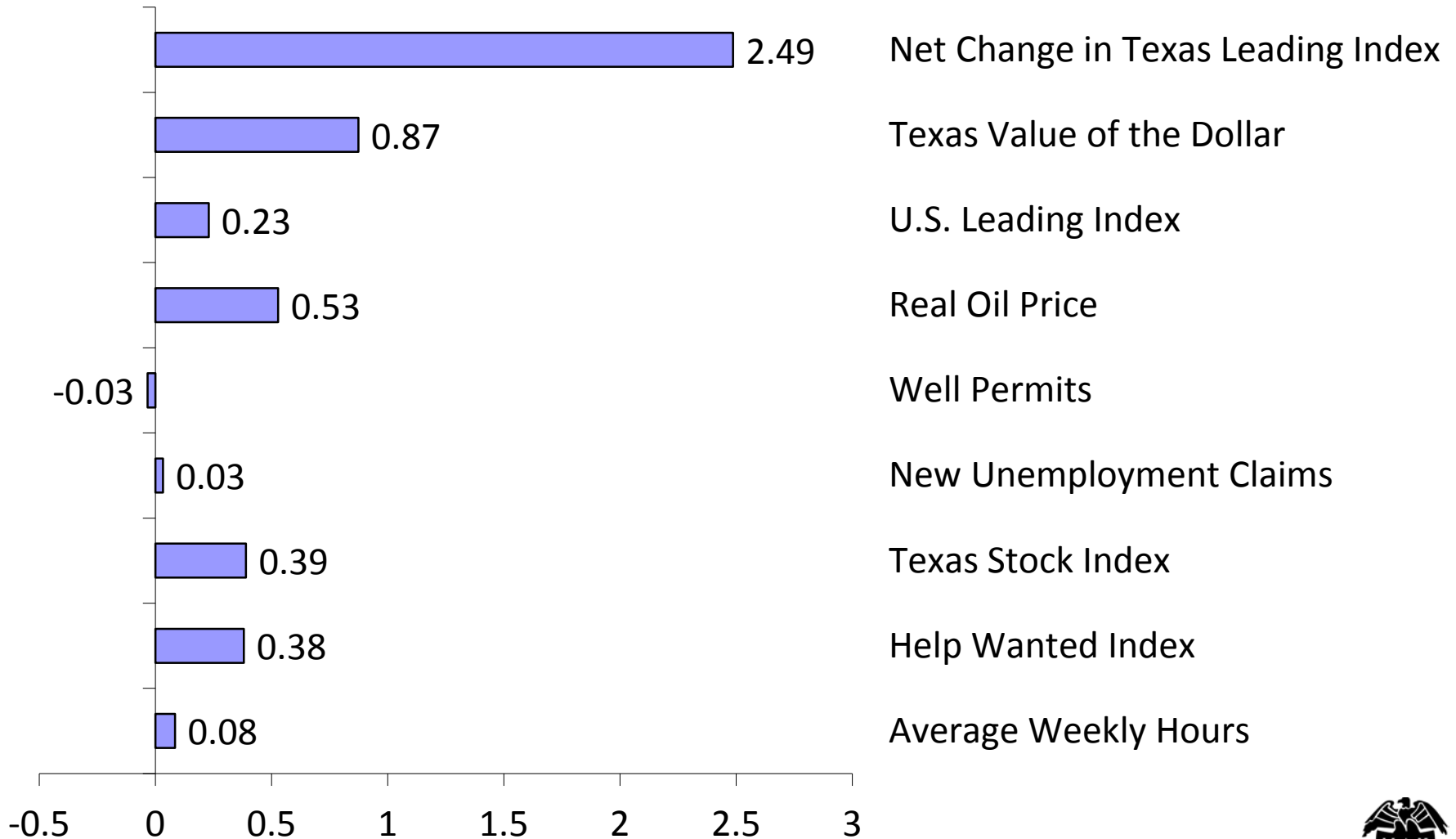
SOURCES: U.S. Census Bureau; WISERTrade; Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas



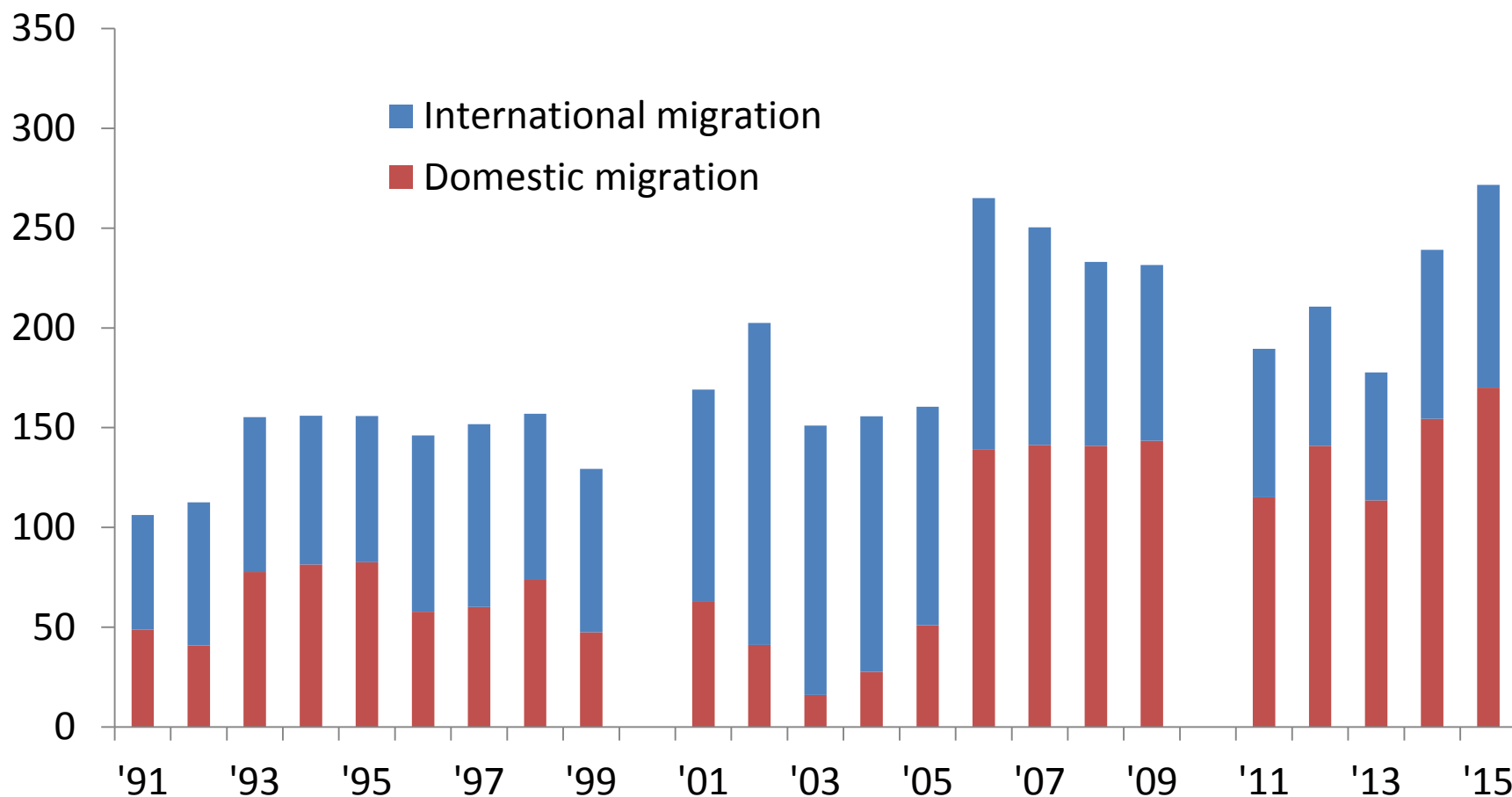
Texas Leading Index

Texas Leading Index Components, 3 month change February-April



Migration into Texas

Net Migration (Thousands)



SOURCE: U.S. Bureau of the Census. Data are for July of the previous year to July of the year indicated, and are not available for decennial Census years

Federal Reserve Bank of Dallas



Outlook

- Plunge in oil prices slowed Texas job growth.
- Expect 1 – 1.5% growth in 2016.
- Risks:
 - Energy prices
 - Oil prices have stabilized
 - Low natural gas prices help petrochemical sector
 - Strong dollar
 - National economy
 - Healthy national economic growth has been a tailwind
- Texas growth will stay weak until oil prices strengthen.

