



Federal Reserve
Bank of Dallas

Texas Economic Outlook: Strong Growth Continues

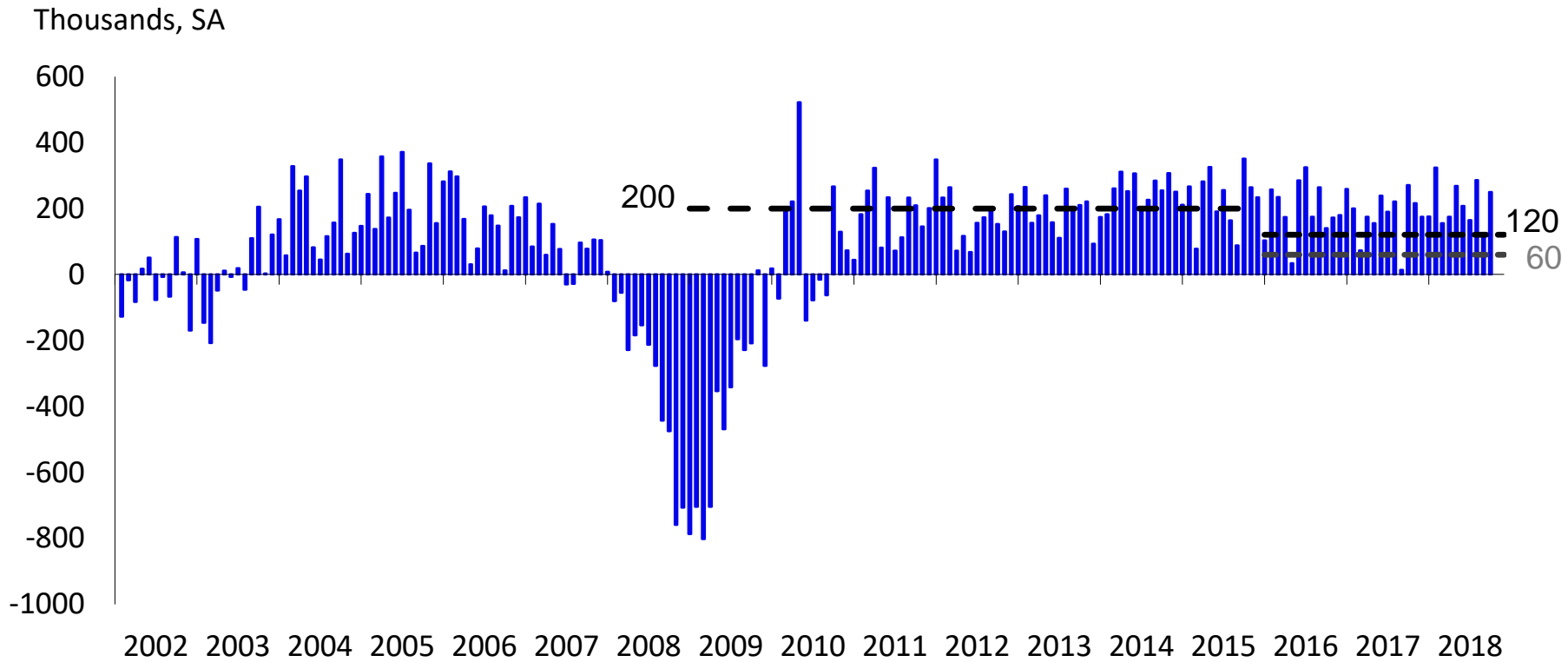
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10/23/18

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National Economy Growing Strongly

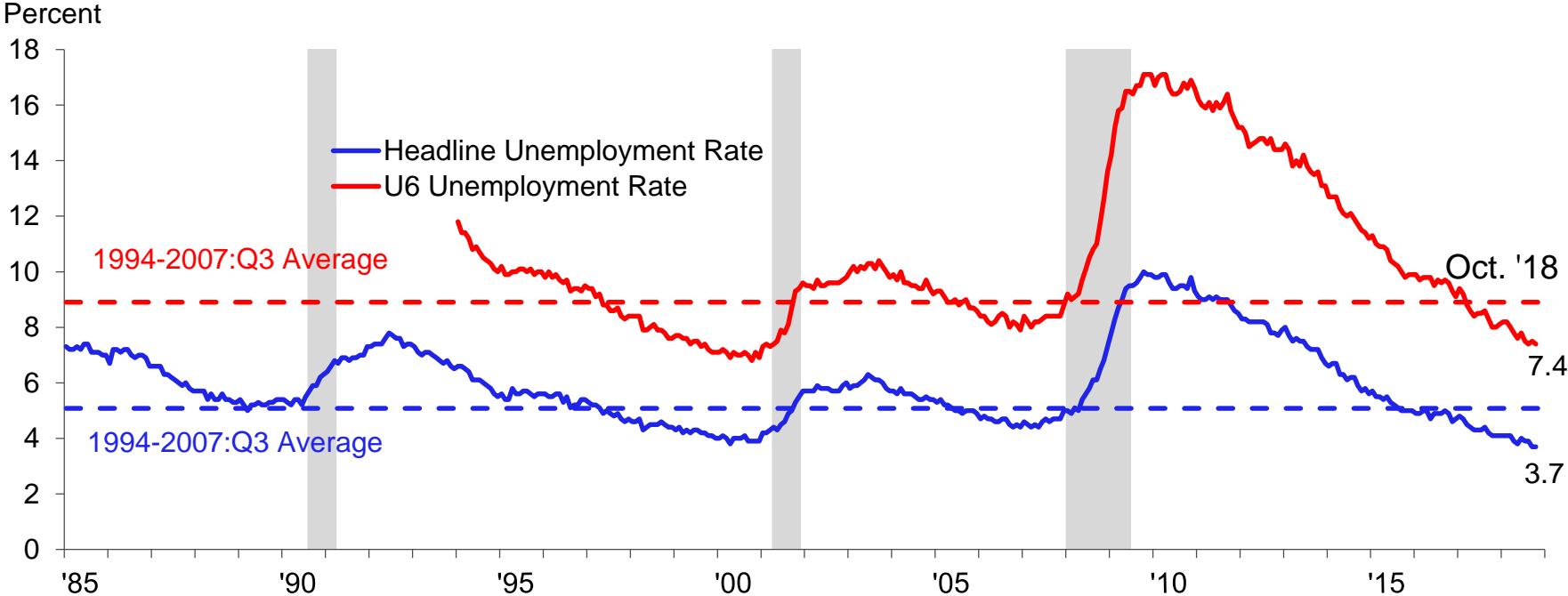
- Jobs grew 1.5% in 2017 and 1.7% so far this year, while real GDP growth picked up from 2.5% to about 3.1%.
- Manufacturing, construction and mining job growth strong but retail weak.
- Labor market below full employment at 3.7% unemployment rate.
- Inflation has been lower than expected but is picking up.
- Jobs and RGDP growth expected to hold steady in coming quarters.
- Tax reform may have added .3 to 1.0 percent to GDP growth this year (with reduced growth later) – but trade uncertainty likely reduced growth somewhat.

Job Growth Averaged 182K Per Month Last Year, 212K Over First 10 Months of 2018



SOURCE: Bureau of Labor Statistics

Unemployment Rate Low

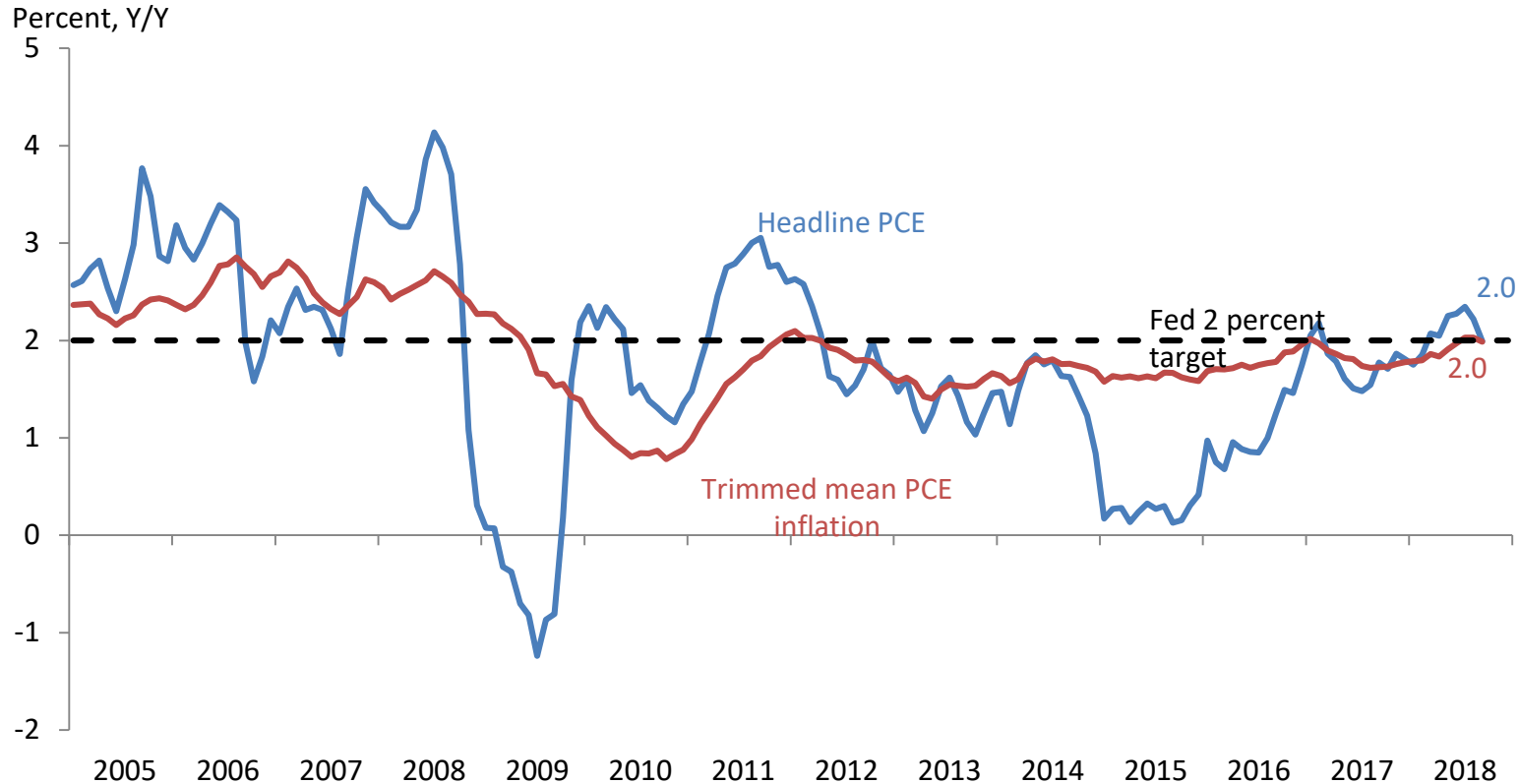


NOTES: U6 Unemployment rate includes marginally attached and part-time for economic reasons workers.

Gray shaded areas indicate NBER recessions.

SOURCES: Bureau of Labor Statistics; NBER.

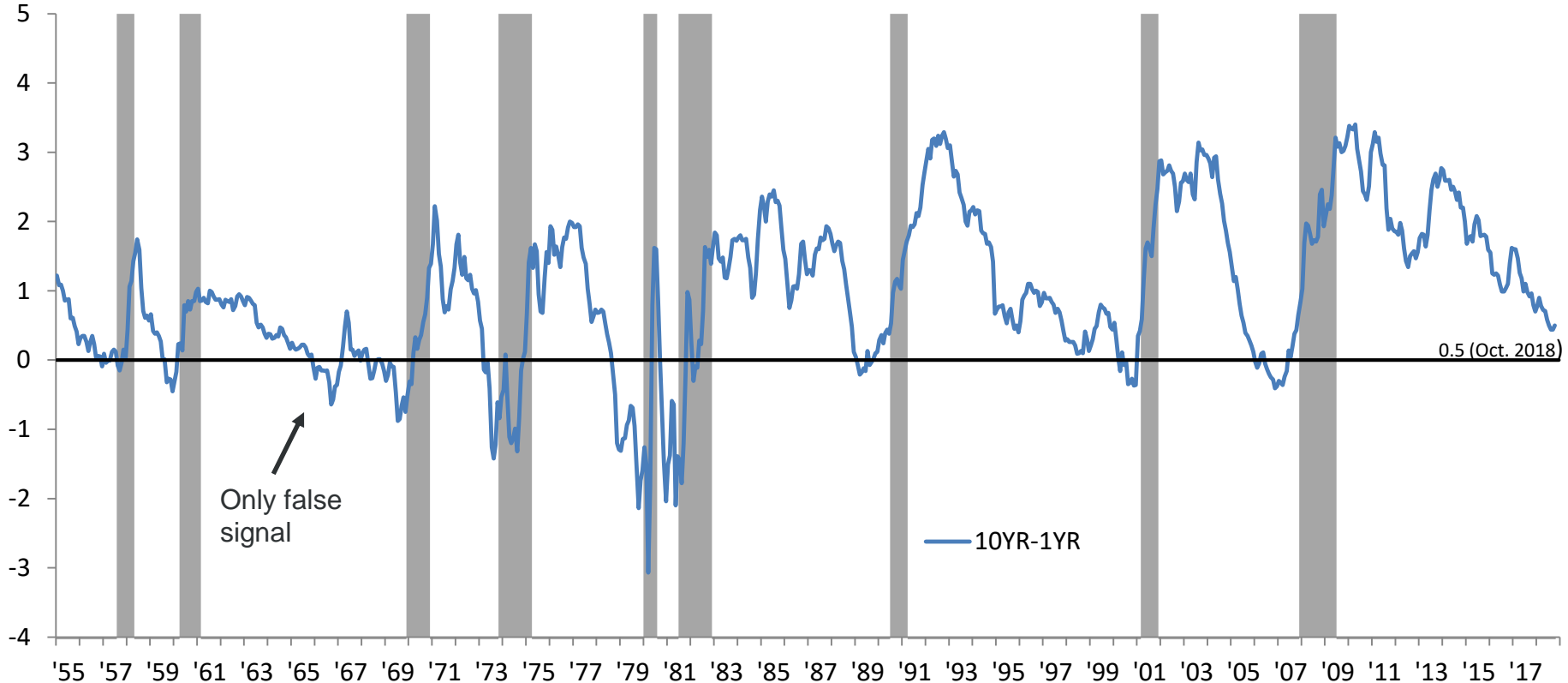
Inflation Measures Near 2 Percent Goal



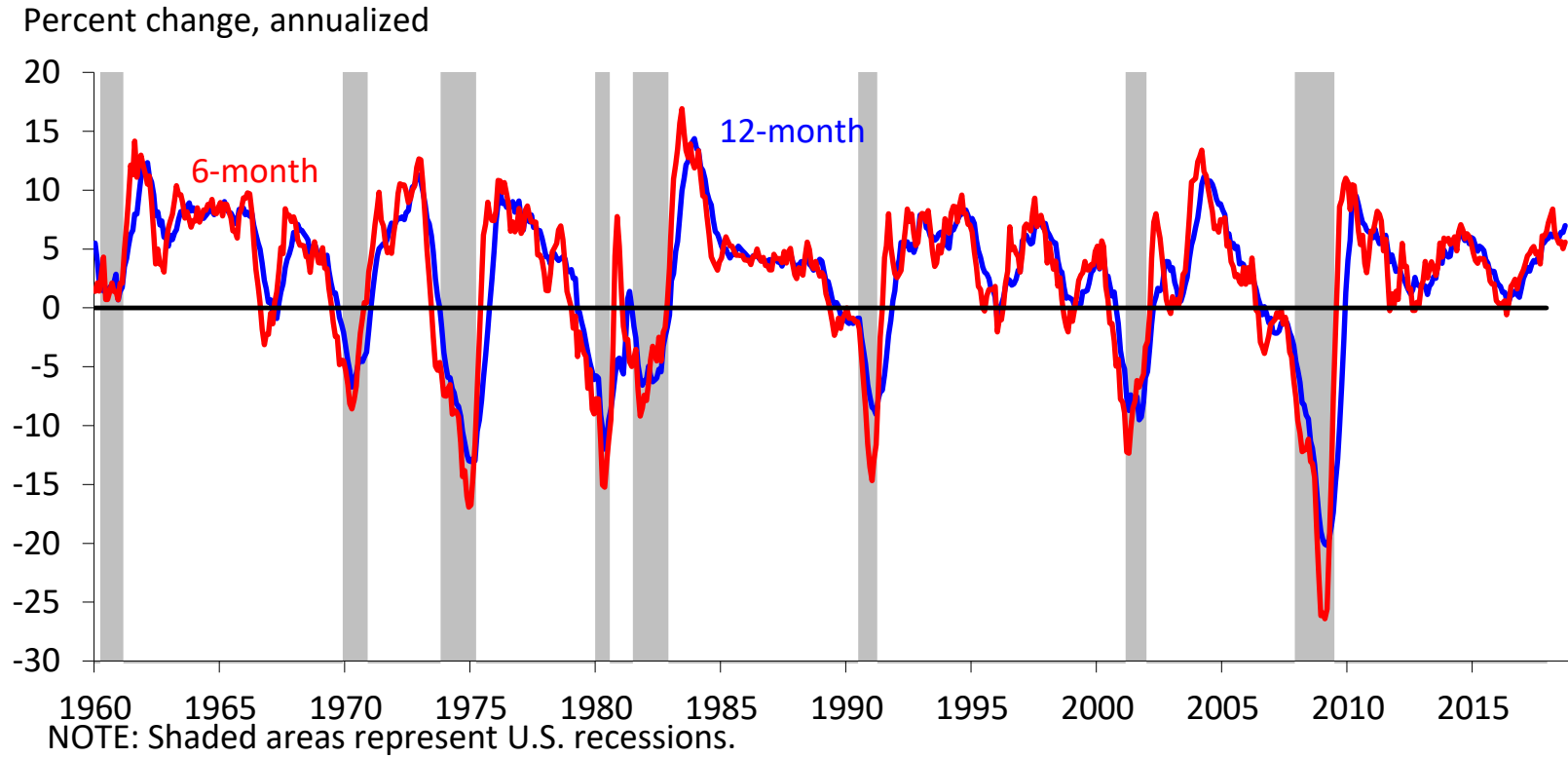
SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

10-yr./1-yr. Yield Spread Suggests Low Chance of Recession

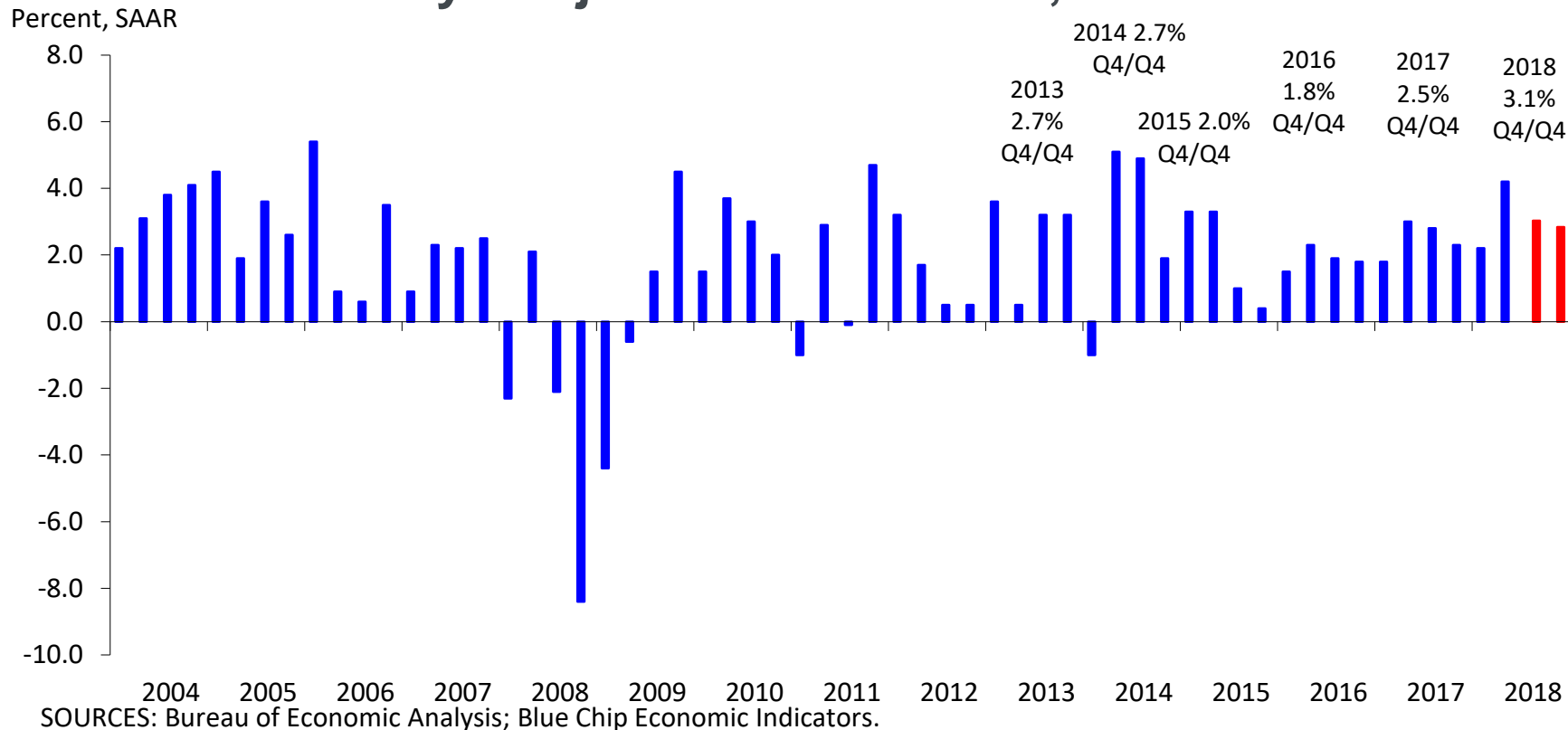
Percentage points



U.S. Leading Index Suggests Continued Growth in National Economy over next 3-6 Months



GDP Grew 2.5 Percent in 2017, October Blue Chip Survey Projects 3.1% in 2018, 2.3% 2019

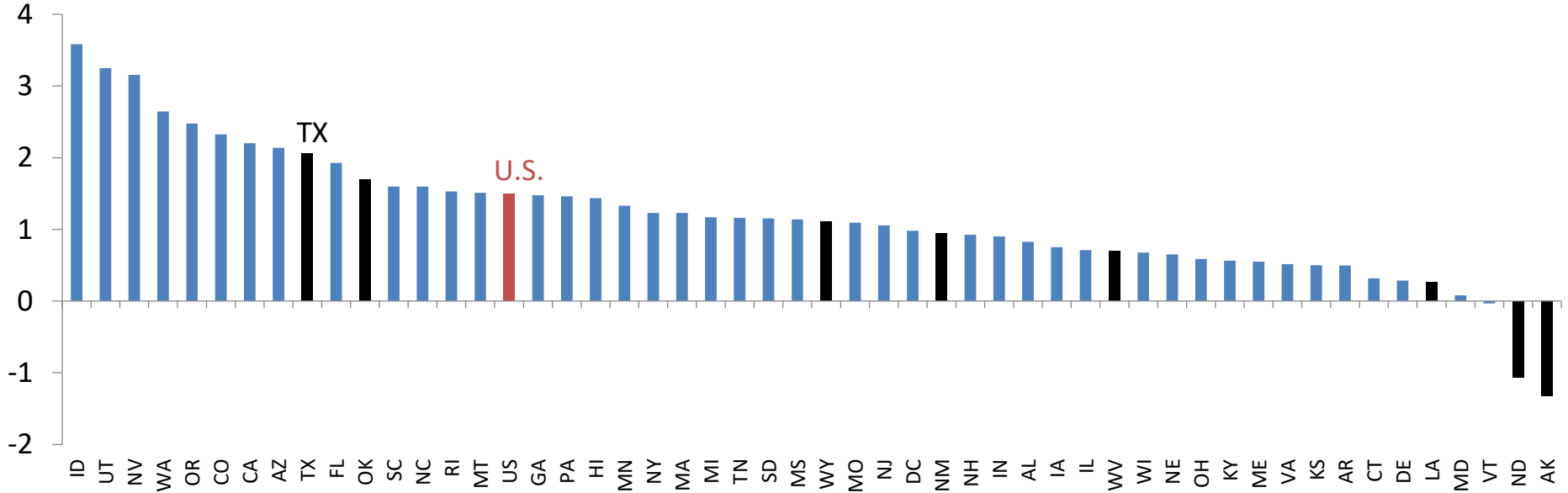


Texas Economic Growth Accelerating This Year

- In five years prior to 2015, growth in energy, construction and exports provided a strong stimulus to Texas.
- In 2015 and 2016, low oil prices and strong dollar reduced job growth – but Texas did better than other energy states.
- Last year energy and manufacturing sectors began to recover and overall job growth picked up from about 1.2 percent to 2.1 percent.
- So far this year energy and manufacturing have accelerated and job growth will likely be close to 3.0 percent in 2018.

Texas Job Growth Ranked 9th in the Nation Last Year

Percent change,
Dec. 2016 - Dec. 2017

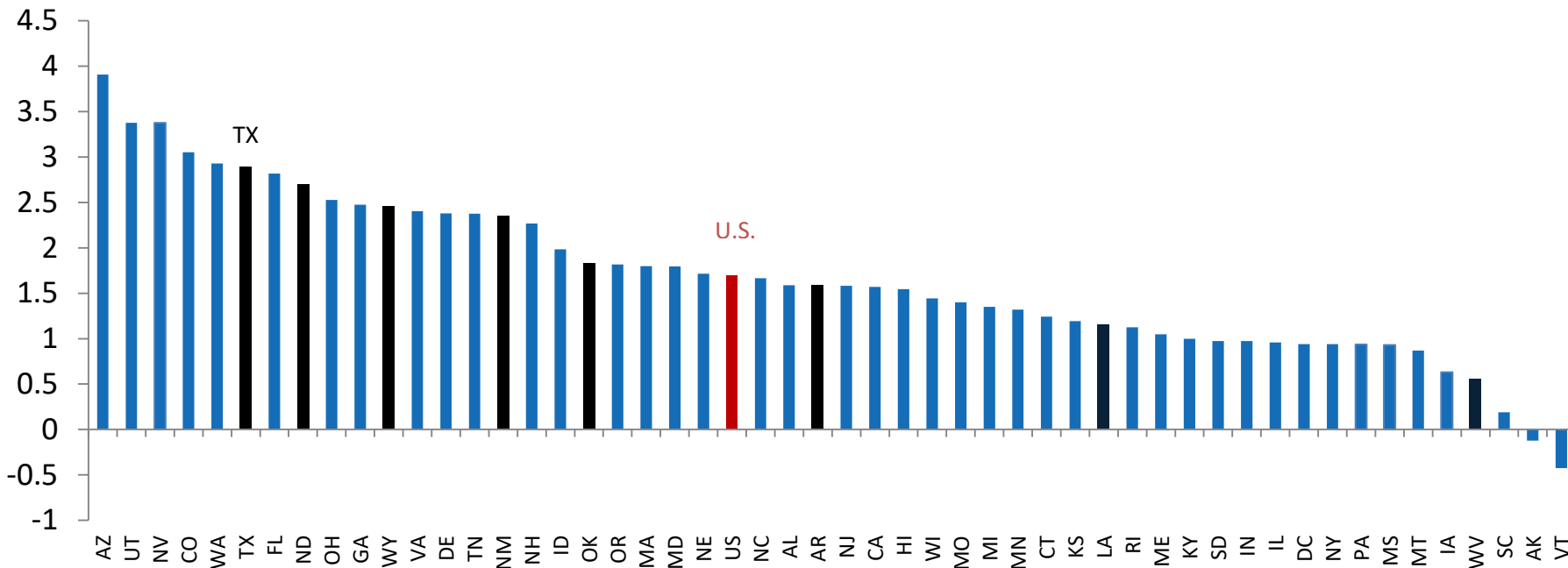


NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics.

Texas Job Growth This Year Has Changed To #6 Fastest Growing State

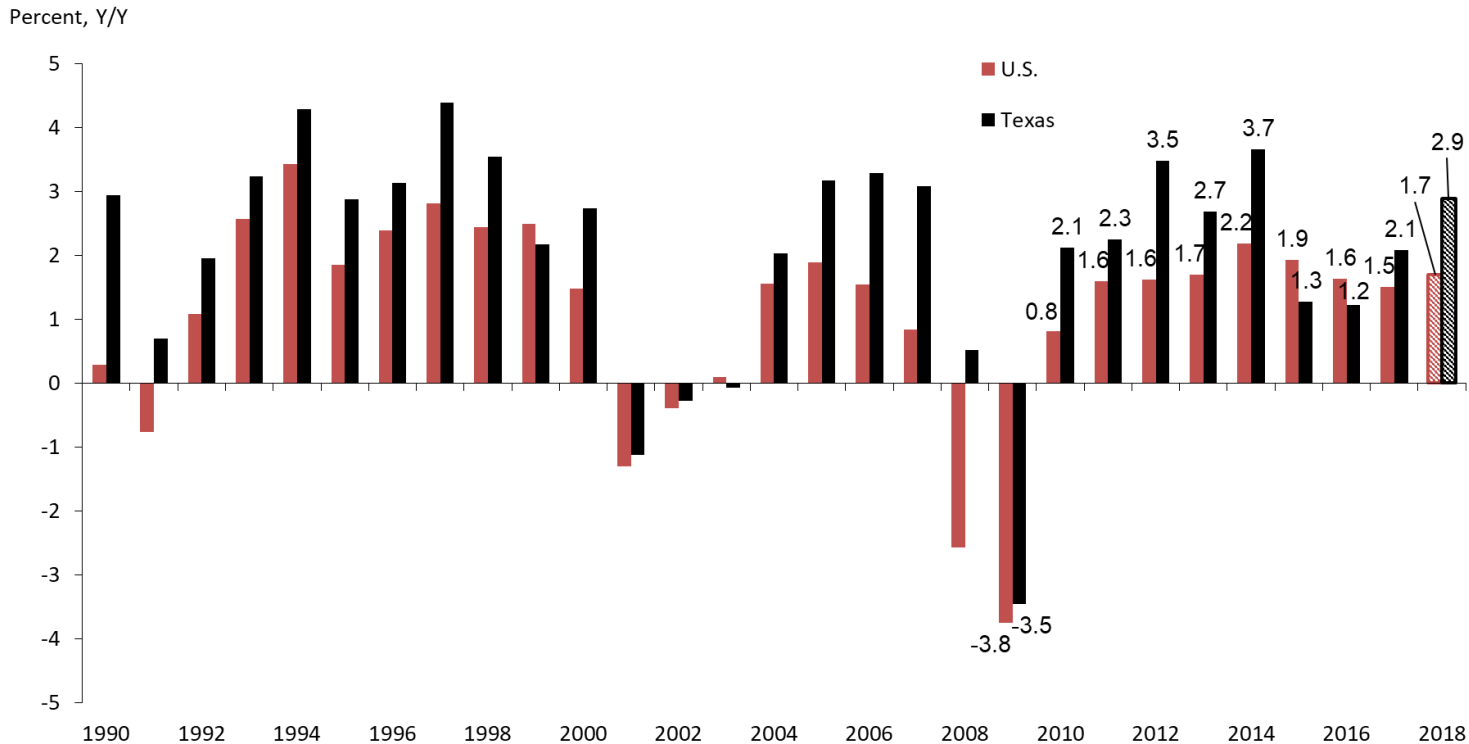
Percent Change,
Dec. 2017 - Sept. 2018



NOTES: Black bars represent large energy-producing states. Growth rates are seasonally adjusted.

SOURCE: Bureau of Labor Statistics.

Texas Job Growth Back Above the Nation

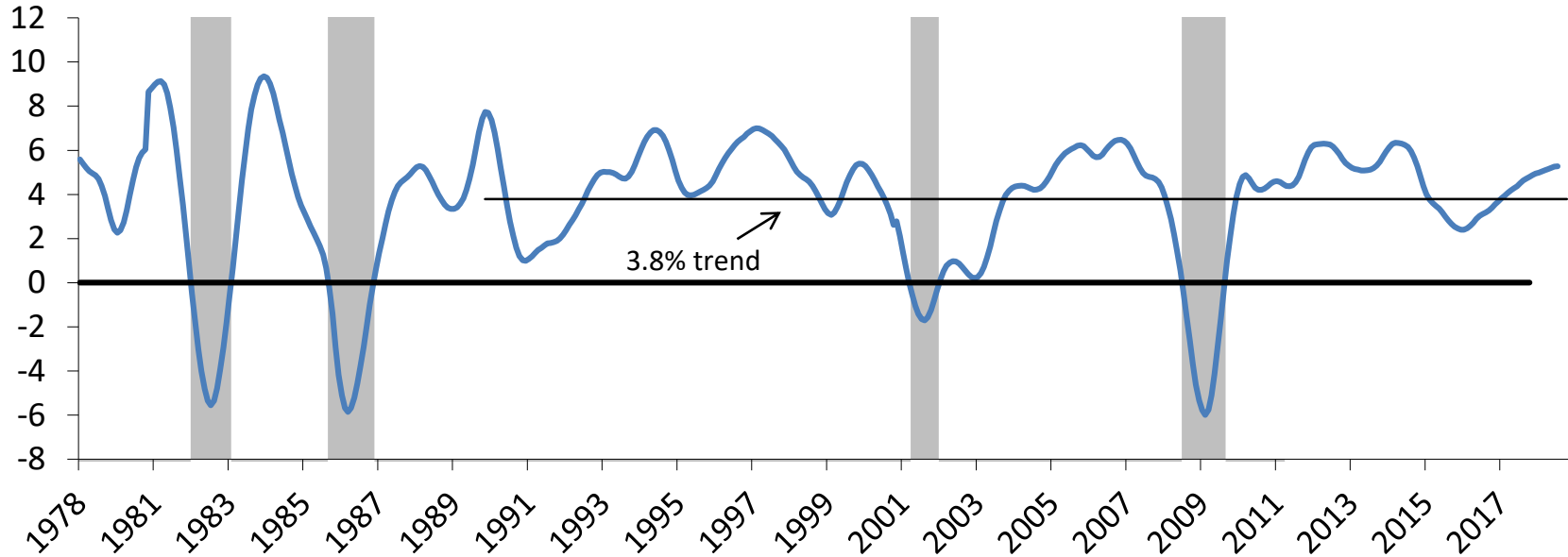


NOTE: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to Feb. 2018.
 Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas

Texas Economy Expanding At Strong Pace

(Texas Business-Cycle Index)

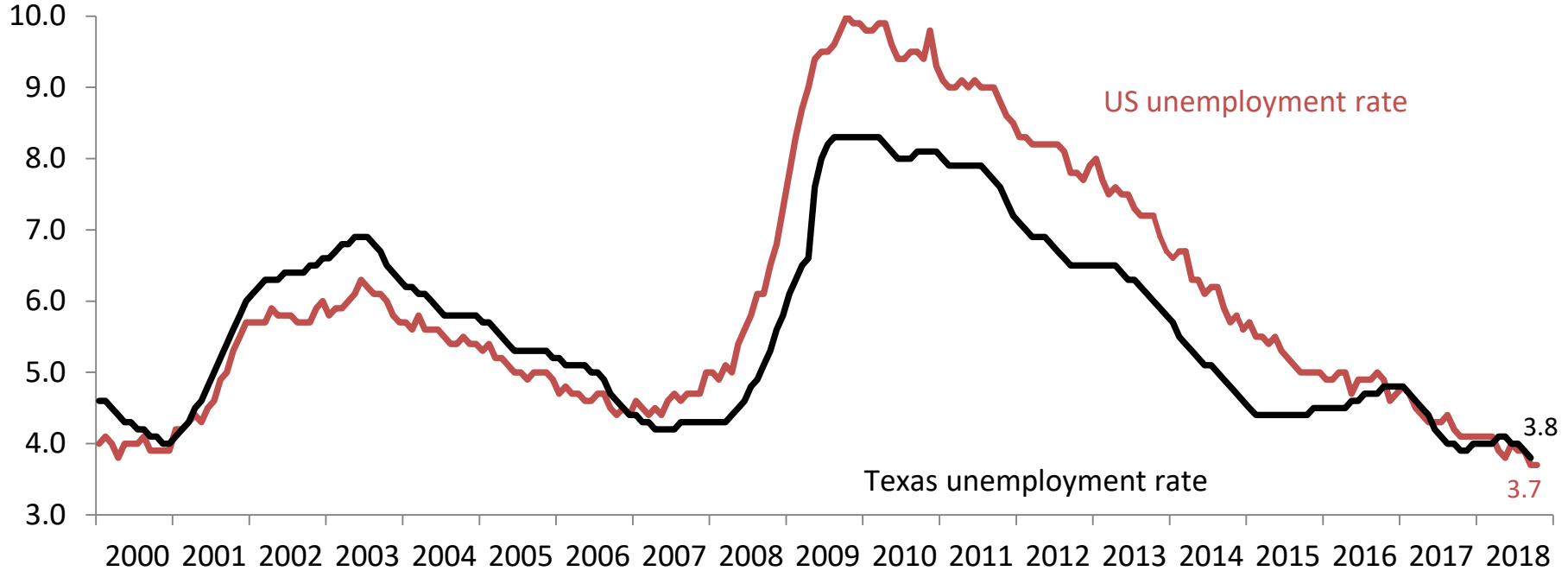
Percent, M/M SAAR



NOTE: Data through September 2018. Shaded areas represent Texas recessions. Trend refers to growth from

Texas Unemployment Rate Equal to National Average

Percent, SA

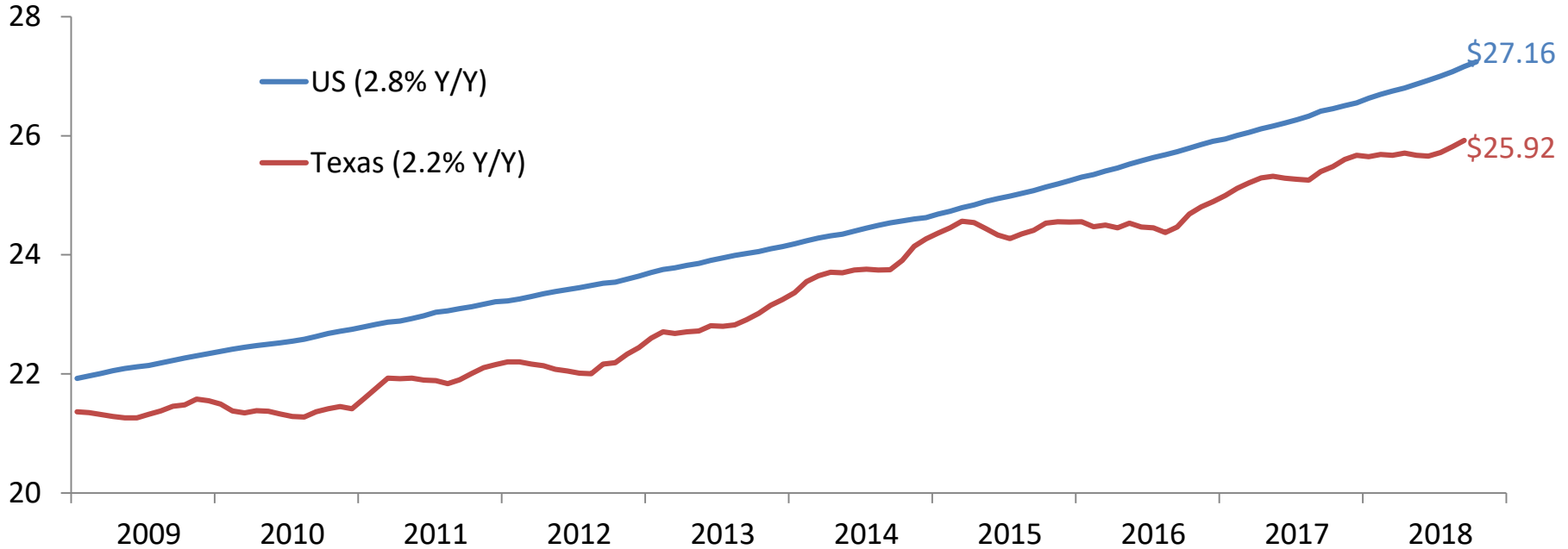


NOTE: Data through September 2018.

SOURCE: Bureau of Labor Statistics.

Average Private Sector Hourly Wages Growing at Moderate Pace

Dollars/hour, 3MMA, SA



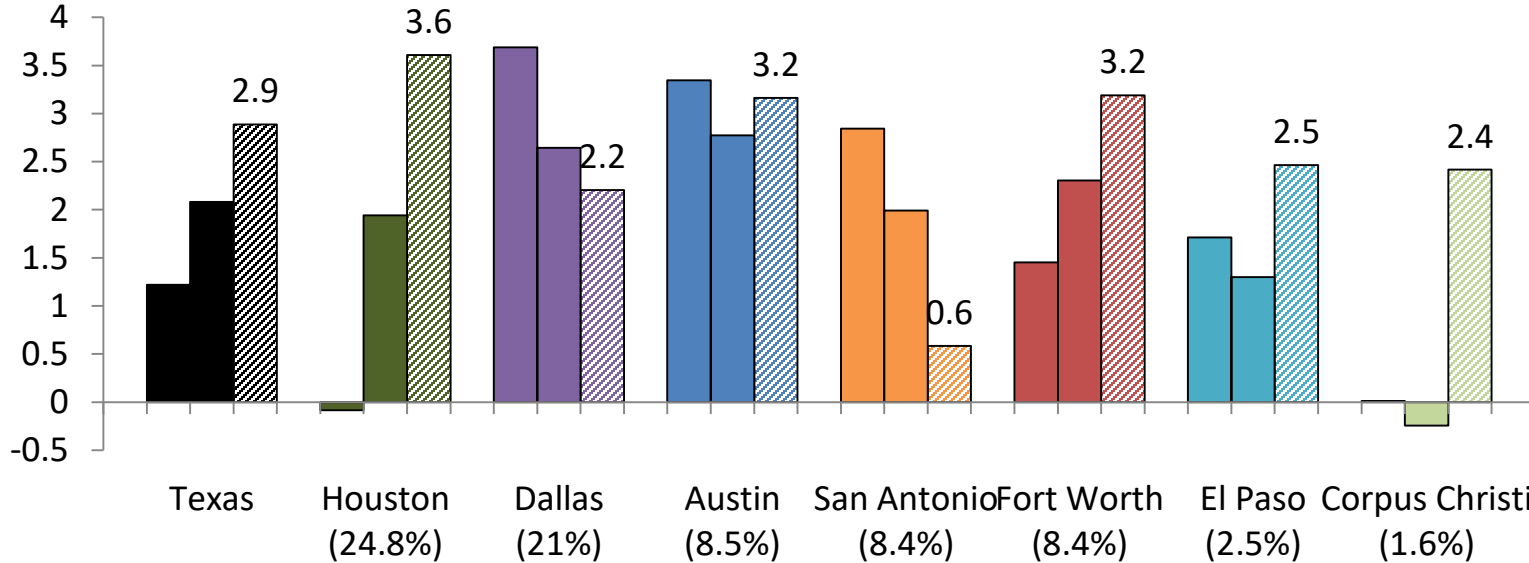
NOTES: Data through September 2018. Numbers in parentheses refer to year-over-year percent change in 3mma.

SOURCES: Bureau of Labor Statistics; adjustments by Dallas Fed.

Job Growth Broad-Based Across Large Metro Areas

Job Growth, 2016-2018

Percent, Dec./Dec.

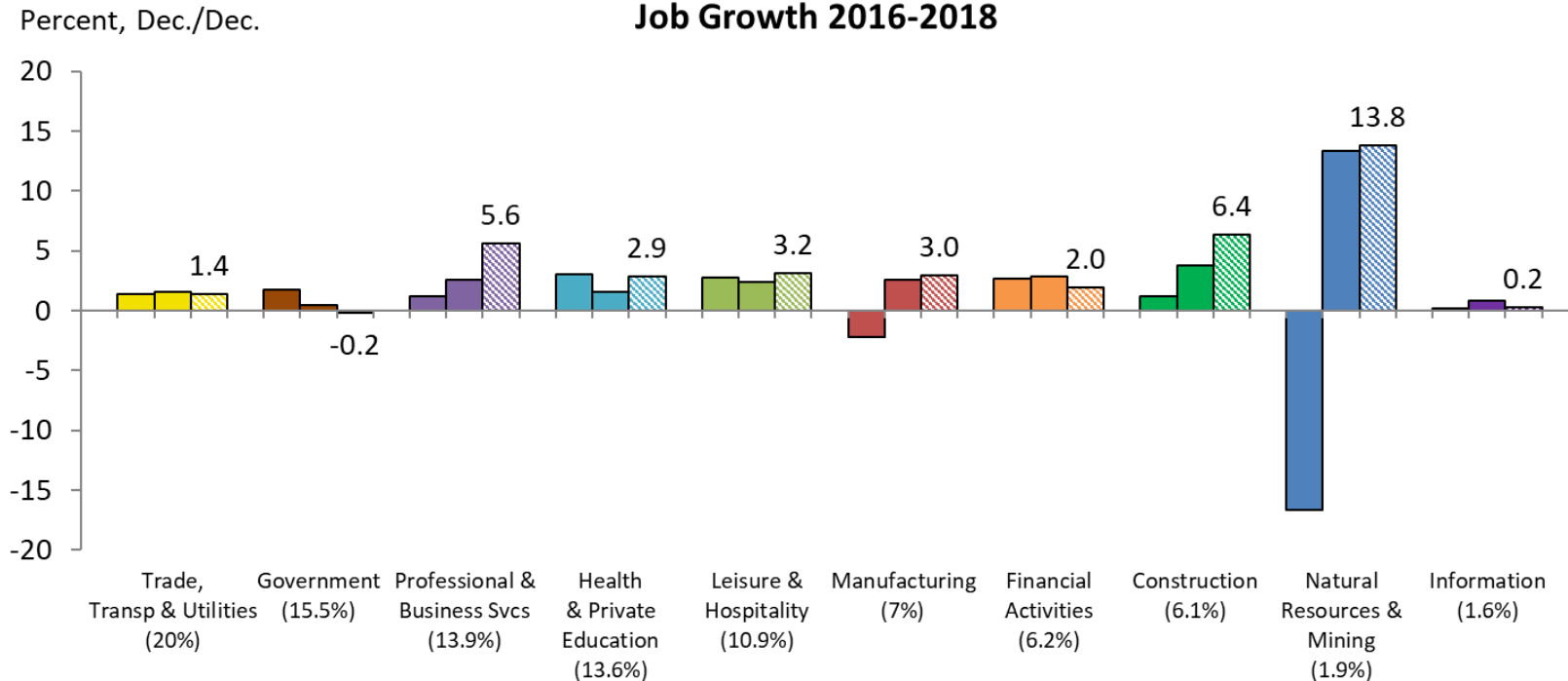


NOTES: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to Sept 2018. Figures in parentheses represent shares of total state employment.

SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

Broad-Based Growth Across Industries

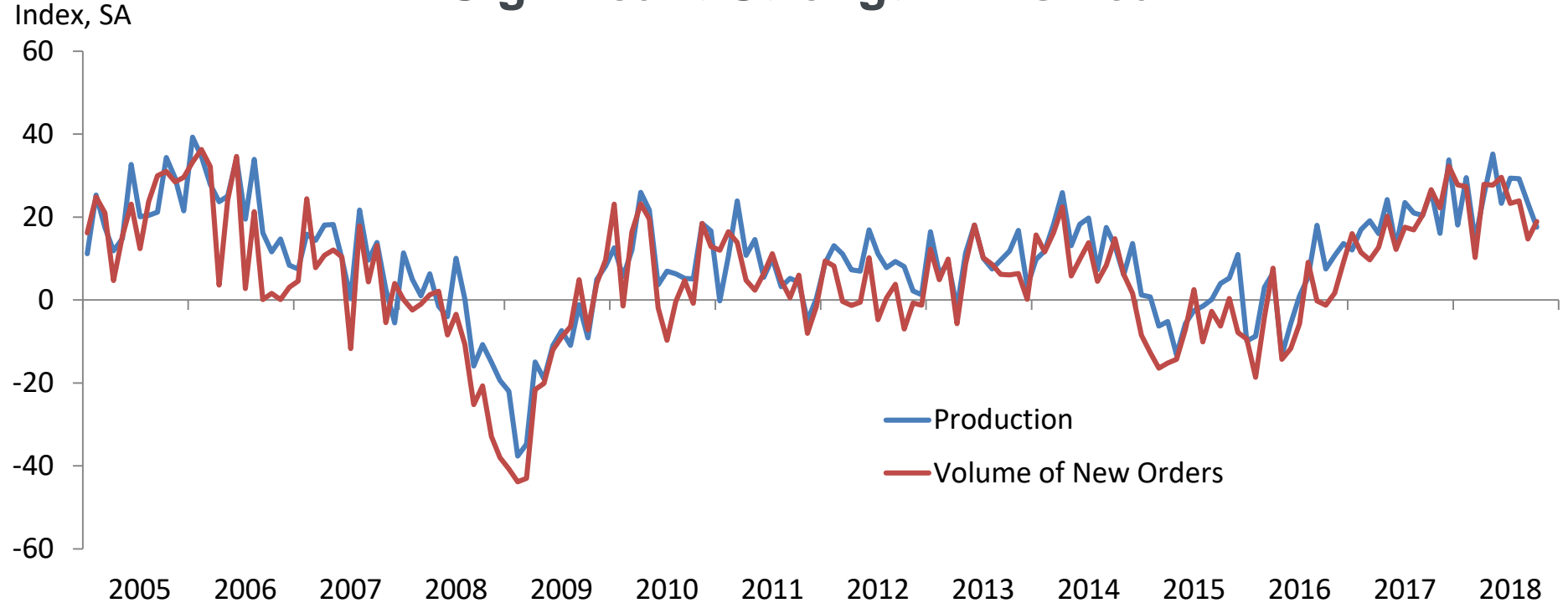
Job Growth 2016-2018



NOTES: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to Sept. 2018. Figures in parentheses represent shares of total nonfarm employment.

SOURCES: Bureau of Labor Statistics, adjustments by Federal Reserve Bank of Dallas.

Texas Manufacturing Outlook Survey Shows Significant Strength This Year

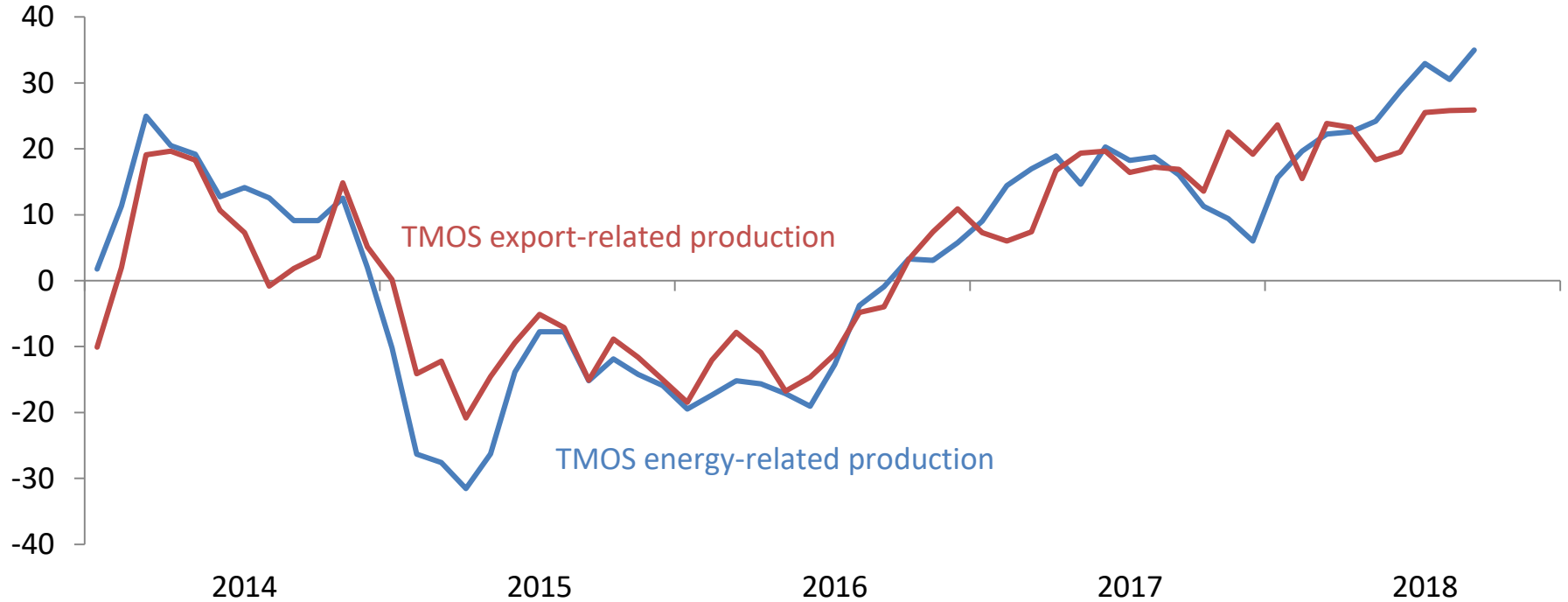


NOTE: Data through September 2018.

SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.

Manufacturing Production Tied to Exports and Energy Growing Strongly

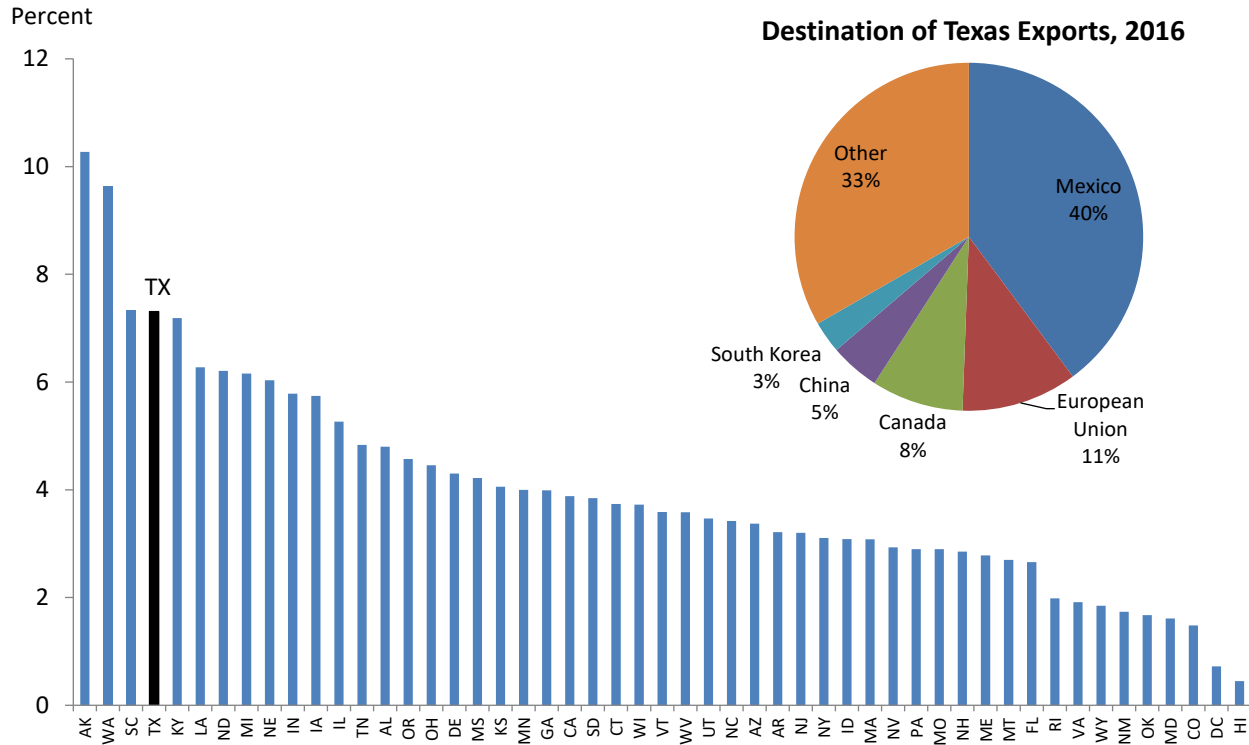
Index, SA, 3 MMA



NOTE: Data through Sept. 2018.

SOURCE: Federal Reserve Bank of Dallas.

Share of Texas Jobs Tied To Exports 4th Highest Among States

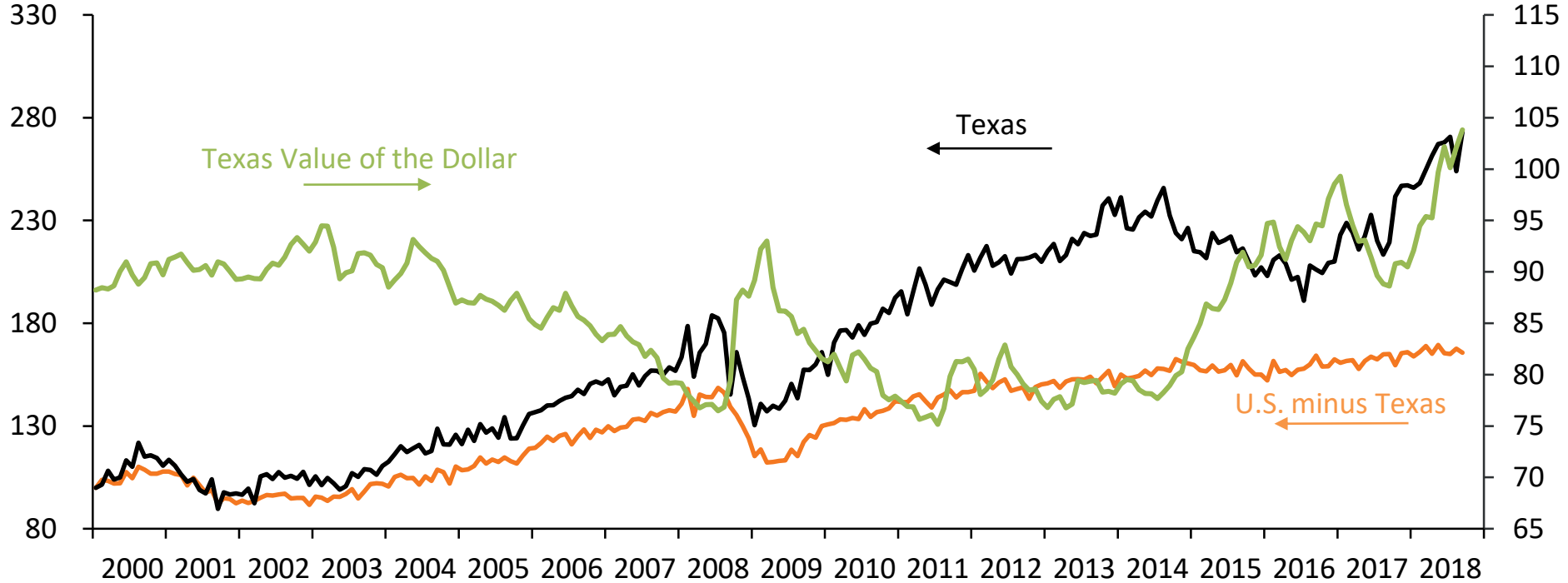


SOURCES: International Trade Administration; WISERtrade; Bureau of Economic Analysis.

Exports Strengthening Since mid-2016, Recent rise in Dollar, Tariffs May Subdue Growth

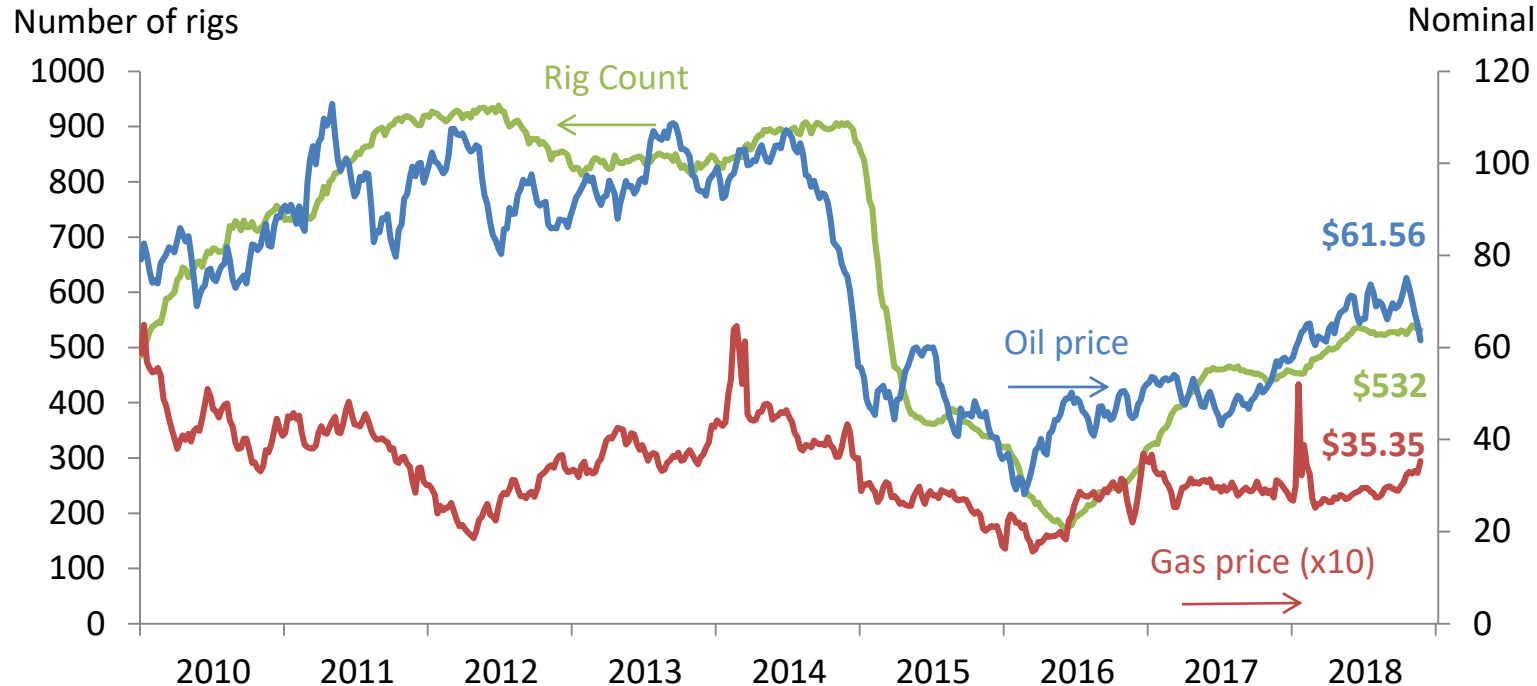
Index, SA, Real
Jan. 2000=100

Index
Jan. 1988=100



SOURCES: U.S. Census; Bureau of Labor Statistics; WISERtrade; Federal Reserve Bank of Dallas.

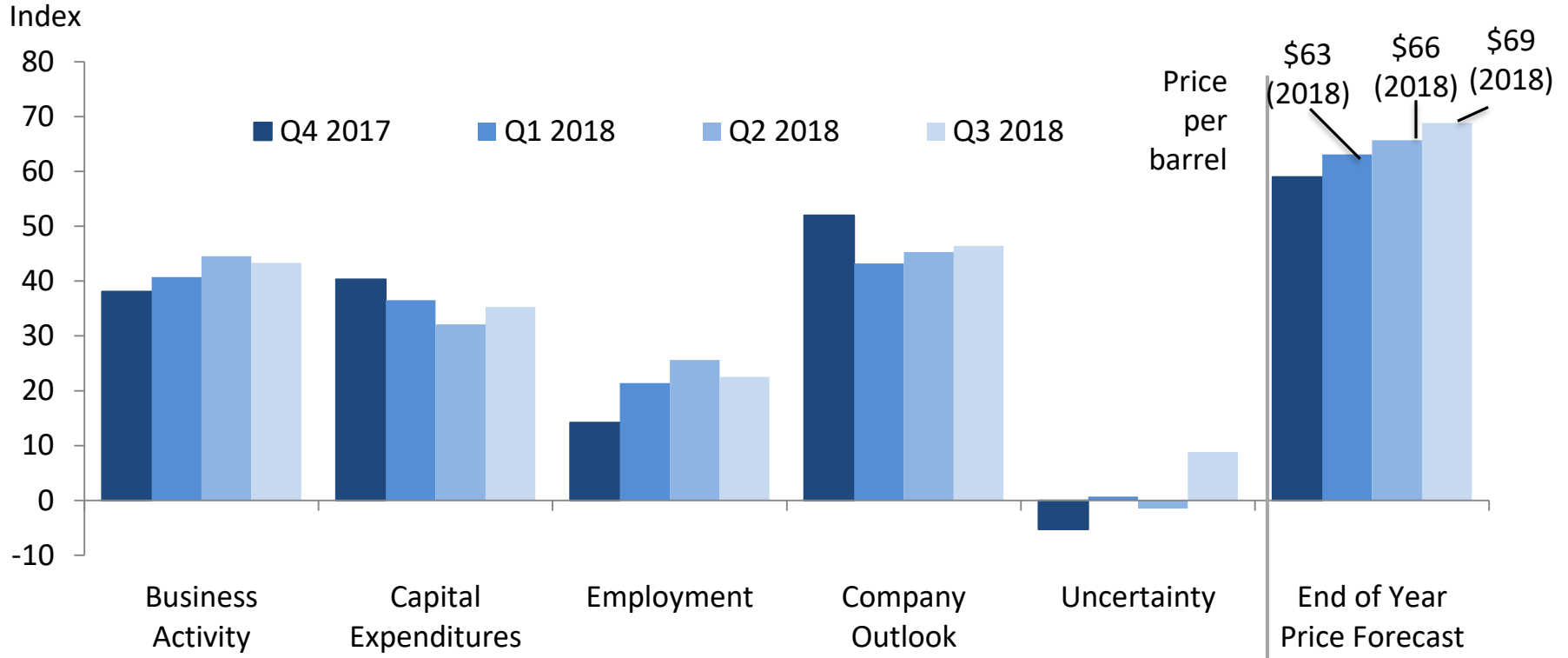
Oil Prices Strong, Rig Count Higher than 2017



NOTE: Data are weekly, last data point is the week of Nov. 9, 2018.

SOURCES: Oil and Gas Journal, Baker Hughes.

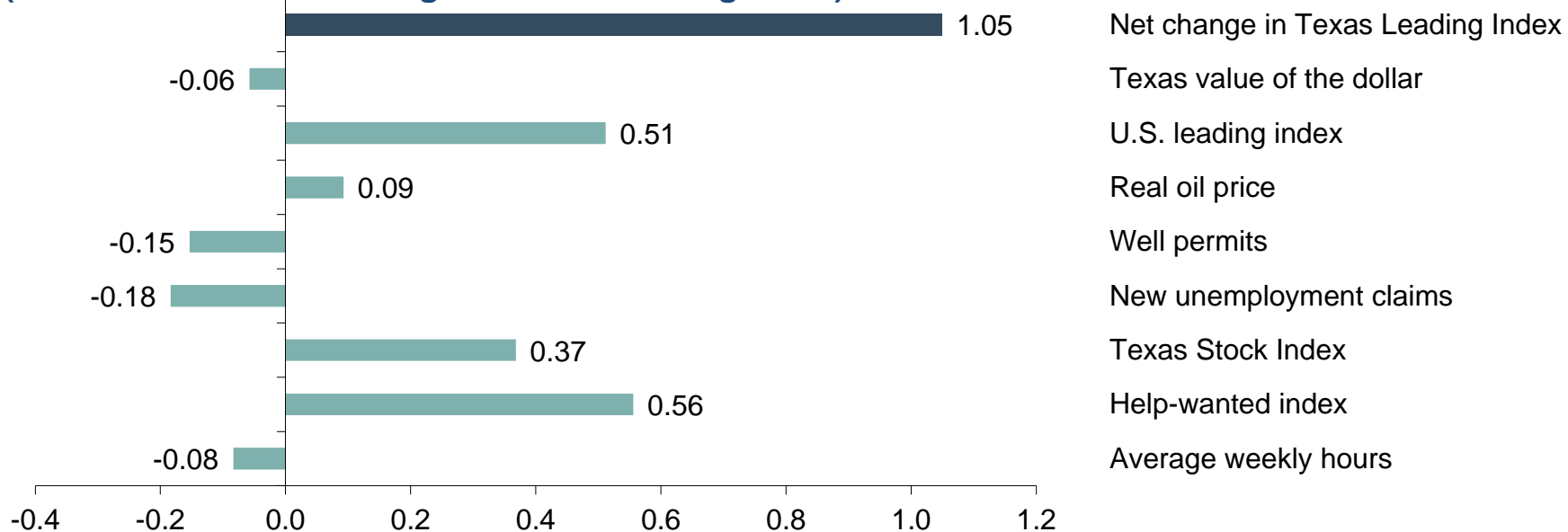
Energy Survey Suggests Continued Strong Growth



SOURCE: Federal Reserve Bank of Dallas Energy Survey.

Texas Leading Index Components Mixed

Growth in Leading Index Components Mixed (Net contributions to change in Texas Leading Index)

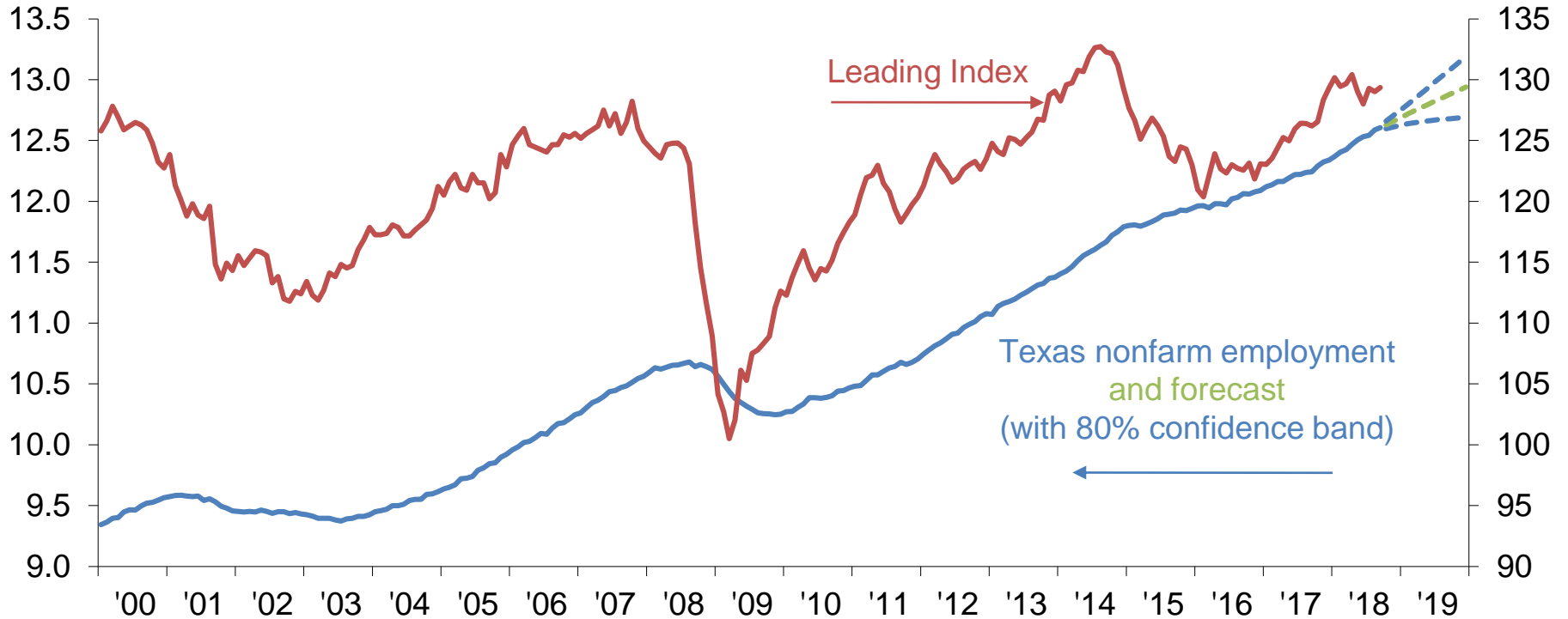


NOTE: Three-month percent change through September, seasonally adjusted. Texas value of the dollar and unemployment claims for September are estimated.

Texas Jobs Forecasted to Grow 2.2% to 3.2% in 2018

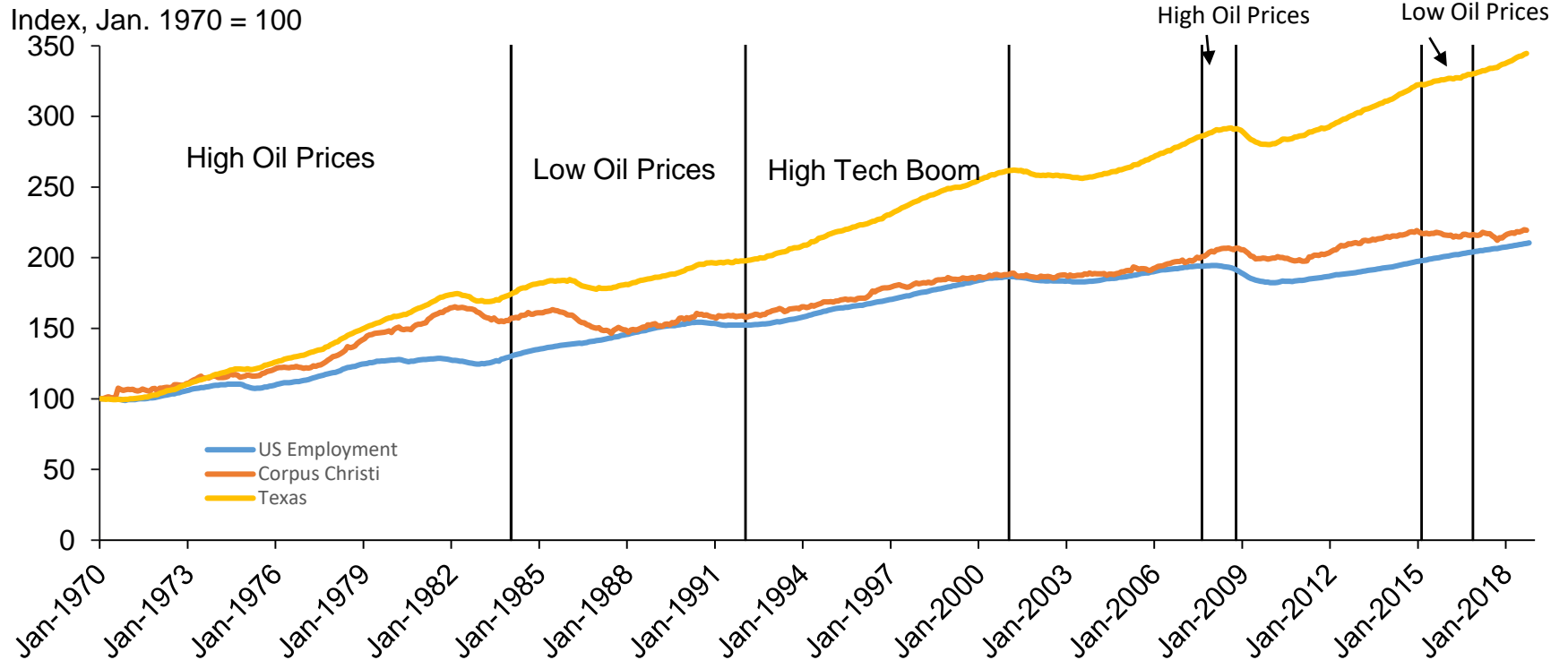
Millions, seasonally adjusted

Index, 1987=100



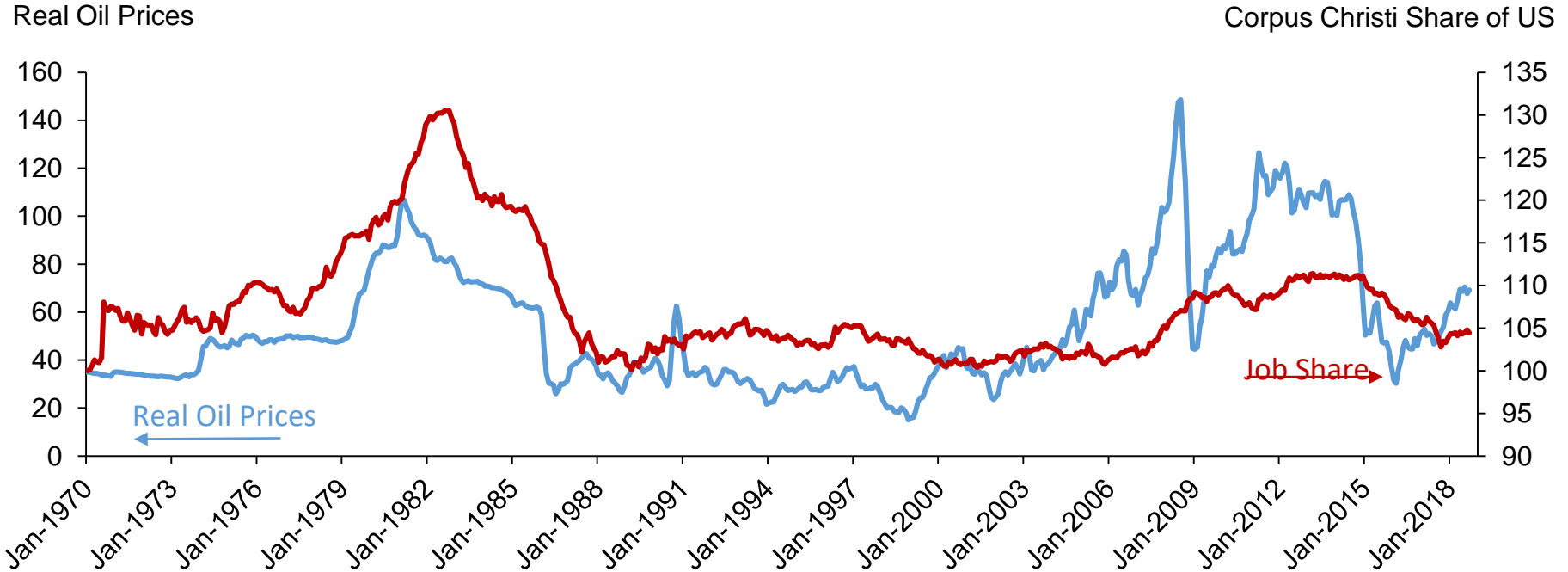
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

Corpus Christi Job Growth Impacted by Oil Prices



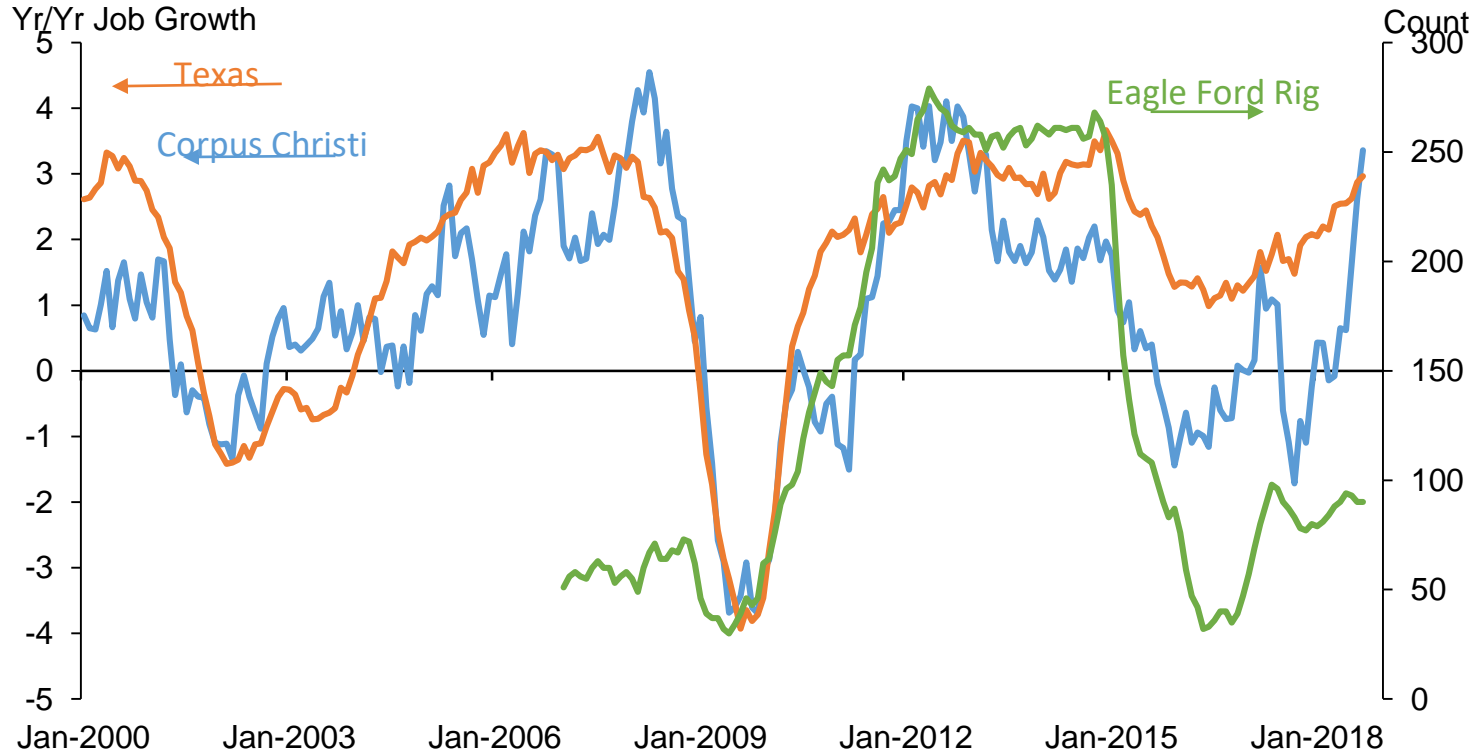
SOURCE: Federal Reserve Bank of Dallas, Bureau of Labor Statistics

Corpus Christi Outperforms National Economy When Oil Price are High



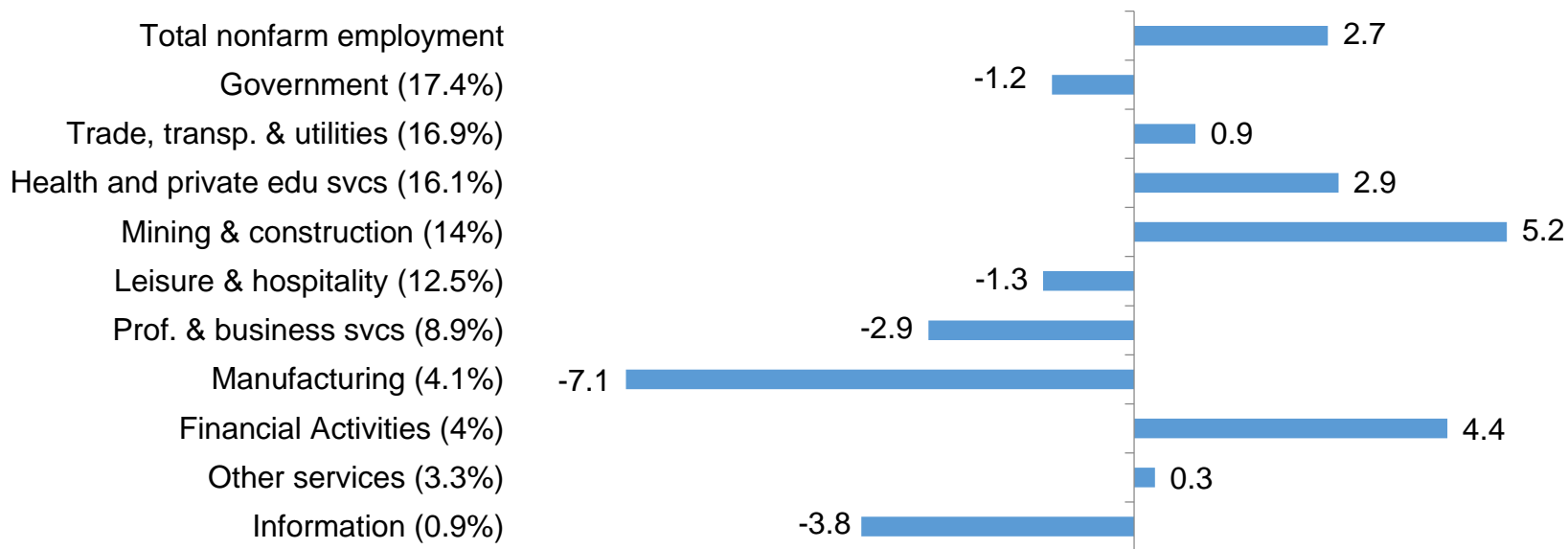
SOURCE: Federal Reserve Bank of Dallas. Bureau of Labor Statistics. Oil and Gas Journal

Corpus Christi Impacted by Rise and Fall of Eagle Ford



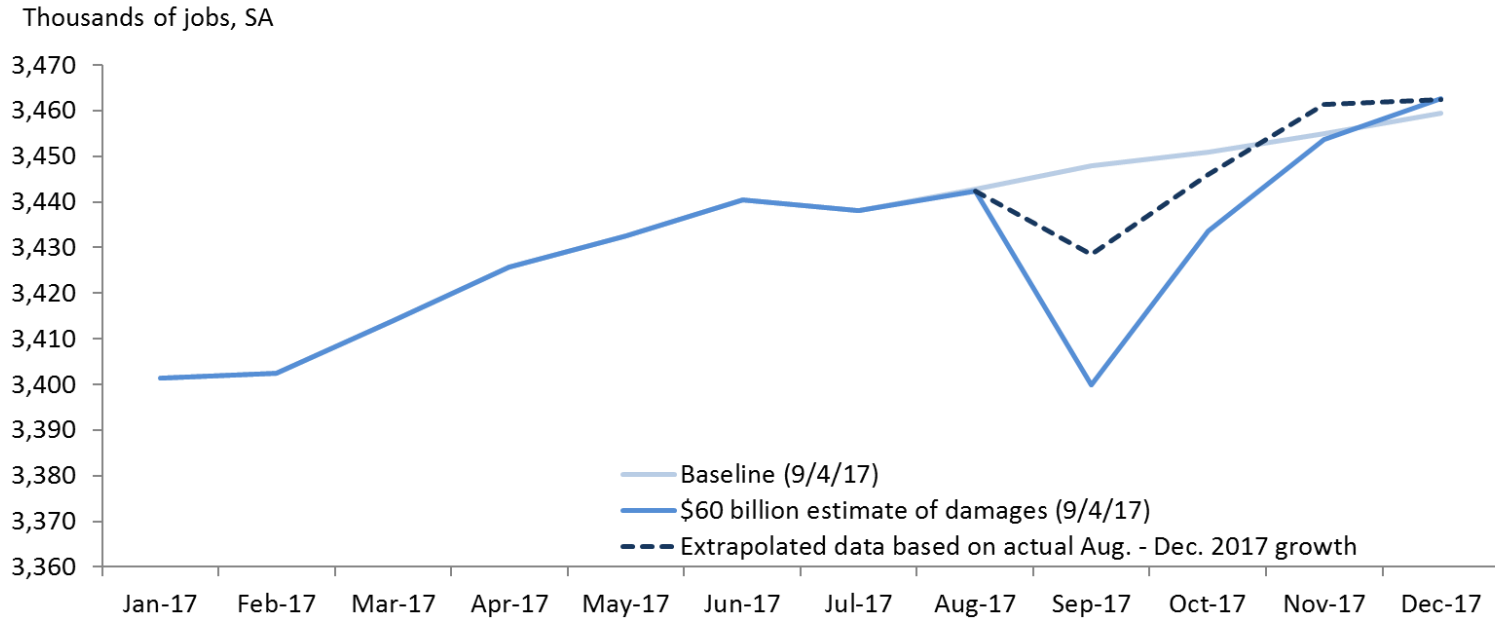
SOURCE: Oil and Gas Journal, Bureau of Labor Statistics, Federal Reserve Bank of Dallas

2018 Corpus Christi Job Growth Led by Mining and Construction



NOTES: Data show seasonally adjusted and annualized percentage employment Sept. 2018/Dec. 2017 by industry supersector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

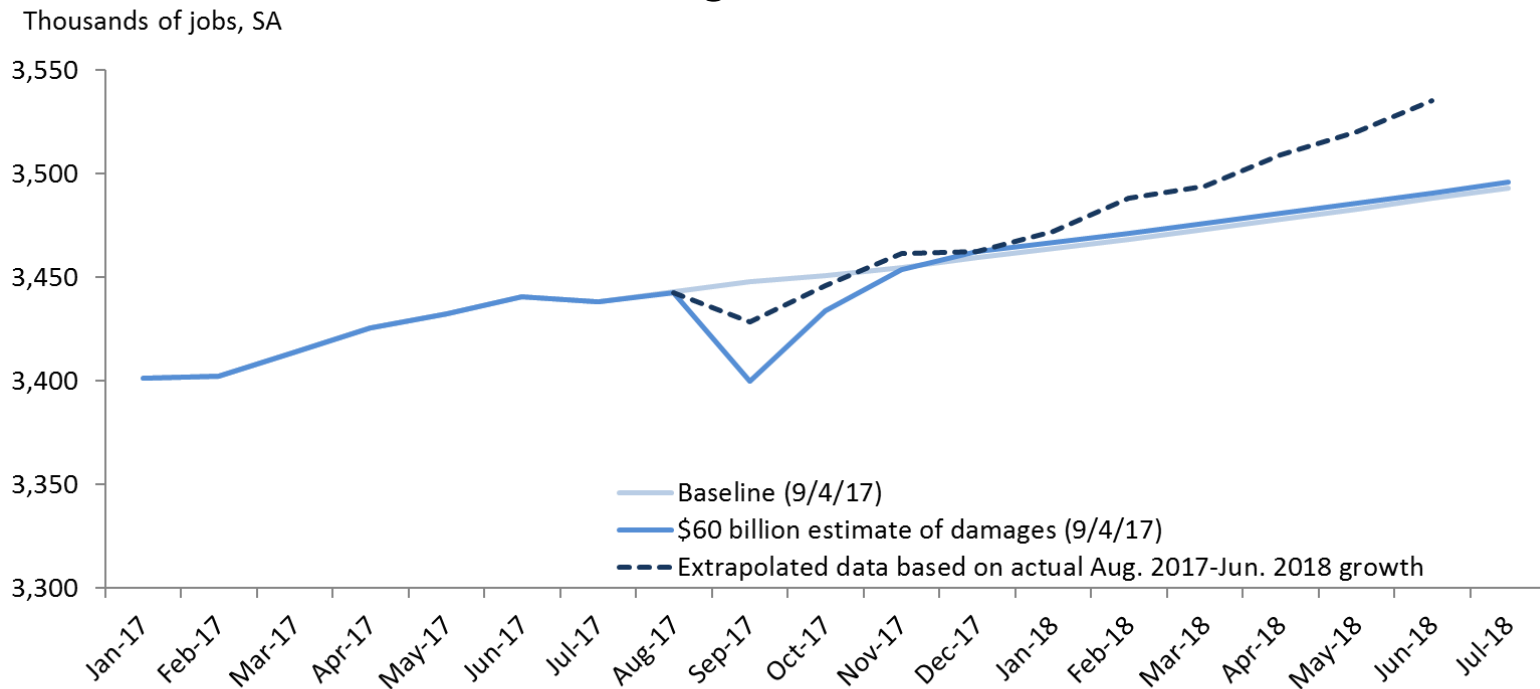
Current Data Supports Our Forecast of Impact of Harvey on Gulf Coast Jobs



NOTE: Gulf Coast includes the Houston, Beaumont-Port Arthur, Victoria, and Corpus Christi MSAs.

SOURCES: Bureau of Labor Statistics; National Oceanic and Atmospheric Administration; authors' calculations.

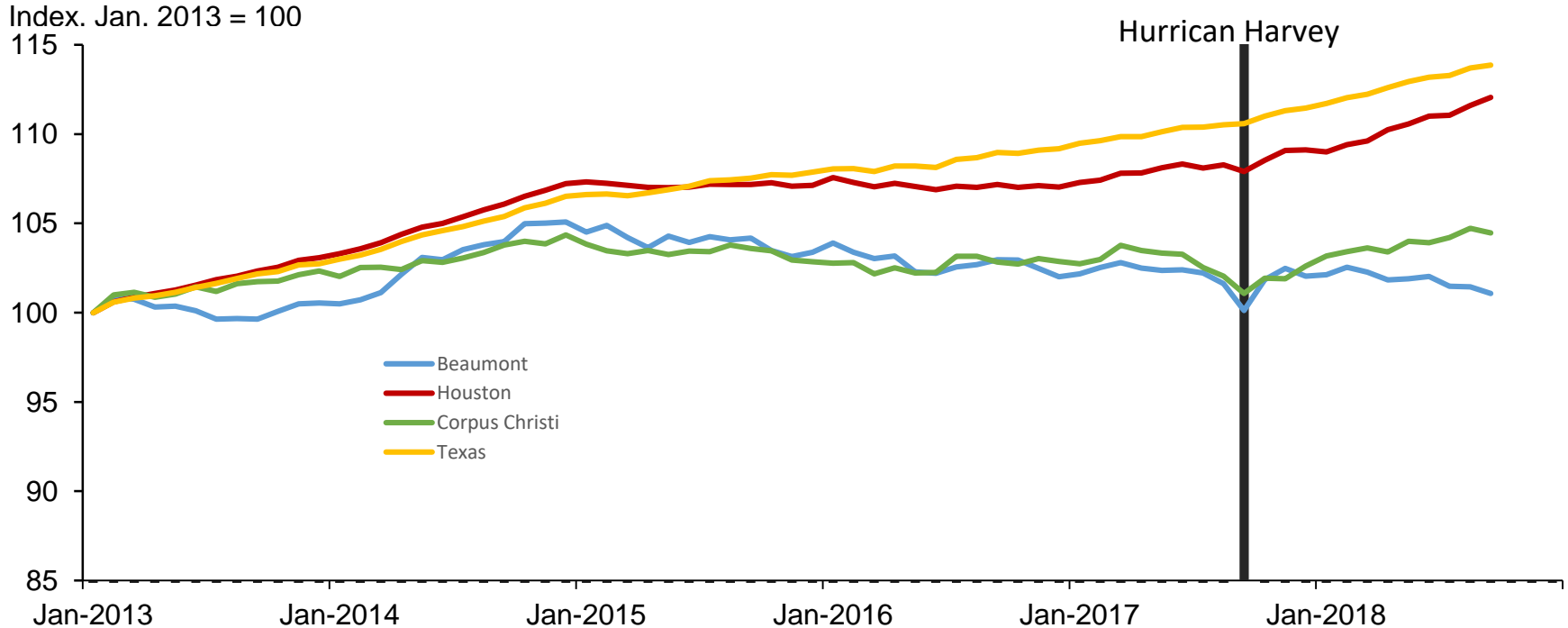
Growth This Year Much Stronger Than was Expected in August 2017



NOTE: Gulf Coast includes the Houston, Beaumont-Port Arthur, Victoria, and Corpus Christi MSAs.

SOURCES: Bureau of Labor Statistics; National Oceanic and Atmospheric Administration; authors' calculations.

Harvey had Different Impacts Along Gulf Coast



SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by Federal Reserve Bank of Dallas

Summary

- In 2015 and 2016, Texas weakened sharply but continued to grow - did much better than 1980s and better than other energy states.
- In 2017 energy and manufacturing sectors rebounded.
- Texas grew strongly in first half of this year but began to slow slightly in Q3 (3.1 to 2.4) but remains strong – likely will grow about 2.7 percent for the year.
- Early for 2019 – but likely 2.0 – 3.0 percent – labor market tightness in unknown territory.
- Corpus Christi growing strongly with strength in the energy sector and Harvey rebuilding
- Biggest risk to the forecast is sharp decline in oil prices.

Dallas Fed Publications

Public Resources from the Dallas Fed:

- [Southwest Economy](#)
- [Regional Economic Updates](#)
- [San Antonio](#) and [Austin](#) Economic Indicators
- [Texas Business Outlook Surveys](#)
- [Energy Survey](#)
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