Overview of Texas Economy

- The Texas economy is growing robustly in 2018
  - 2018 job growth through November is 2.4 percent annualized compared to 2.1 percent in 2017
  - 2015 and 2016 job growth was much weaker due to the oil bust (1.3 percent and 1.2 percent, respectively)
- Partial fourth quarter employment growth (November/September) is above long-run trend at 2.3 percent
  - Third quarter job growth was strong at 2.7 percent after the first half of the year posted moderate growth of 2.2 percent
- The 2019 job growth forecast is for slower growth compared to 2018
  - We are currently growing above our post-recession trend
Texas Job Growth Outpaced U.S. in 2018

Job growth (percent), Dec./Dec.*

*Seasonally adjusted, annualized rate.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.
DATA: https://www.dallasfed.org/research/econdata/tae000000.aspx
Texas Posts Robust Job Growth in Second Half of Year after Moderate Second Quarter Growth

Job growth (percent), quarter/quarter*

*Seasonally adjusted, annualized rate.

NOTES: Patterned bar represents Texas annualized November/September job growth. Dashed line represents U.S. annualized November/September job growth.

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

DATA: https://www.dallasfed.org/research/econdata/tae000000.aspx
2018 Texas Employment Growth Leads U.S. Across Most Industries

Job growth YTD 2018 (percent)*

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>1.7</td>
<td>12.0</td>
</tr>
<tr>
<td>Trade, Transp. &amp; Util.</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Gov't</td>
<td>2.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv.</td>
<td>2.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Educ. &amp; Health Serv.</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Leisure &amp; Hosp.</td>
<td>1.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Mfg.</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Fin. Activ.</td>
<td>1.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Constr.</td>
<td>3.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Info. &amp; Other Svcs</td>
<td>0.7</td>
<td>-0.2</td>
</tr>
<tr>
<td>Oil &amp; Gas, Mining Sup.</td>
<td>12.0</td>
<td>8.9</td>
</tr>
</tbody>
</table>

*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of total state employment.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.
2018 Texas Employment Growth Broad-based, Led by Energy

Job growth (percent), Dec./Dec.*


Total 2.4  2.1  4.4  2.5  2.2  3.6  2.2  4.1  0.5
Trade, Trans. & Util. (20.0%) -0.3  -0.6
Gov’t (15.4%)  4.4
Prof. & Bus. Serv. (13.9%)  2.5
Educ. & Health Serv. (13.6%)  2.2
Leisure & Hosp. (10.8%)  3.6
Mfg. (7.1%)  2.2
Fin. Act. (6.2%)  4.1
Constr. (6.0%)  -0.6
Other Services (3.4%)
Oil & Gas Extract. & Mining Sup. (1.9%)
Info. (1.6%)

*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of total state employment.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.
2018 Job Growth Strong Across Most Major Metros

Texas (8.5%)  Austin (21.0%)  Dallas (8.4%)  Fort Worth (8.4%)  Houston (24.8%)  San Antonio (8.4%)

*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of state employment.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.
DATA: https://www.dallasfed.org/research/econdata/tx-emp.aspx#tab3
Texas Unemployment Rate Holds at Historic Low

Unemployment rate (percent)

NOTES: U.S. and Texas data through November 2018.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.
2019 Job Growth Forecast for Slower Growth Compared to 2018

*Seasonally adjusted.
NOTES: Observed employment data through November 2018. Shaded region represents the 80 percent confidence bands around the forecast.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.
DATA: http://www.dallasfed.org/research/forecast/index.cfm
Texas is #1 producer of oil and natural gas in nation

Approximately 30% of U.S. refinery capacity and 75% of U.S. petrochemical production is in Texas

Low energy prices hurt Texas economy on net
Rig Count Flattens After Rising in the First Half of 2018

NOTES: Oil price is dollars per barrel. Natural gas price is dollars per million Btu, multiplied by 10. Data through November 2018.

Texas produces 9% of U.S. manufactured goods

Manufacturing sector leading indicator of economic growth

Dallas Fed’s Texas Manufacturing Outlook Survey offers early look at turning points and insight on trends
Texas Manufacturing Production Growth Robust but Moderating

Index, 3-month moving average*

*Seasonally adjusted.

NOTE: Data through November 2018.
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey (TMOS).
DATA: https://www.dallasfed.org/research/surveys/tmos
Texas is the top exporting state and accounts for 19% of U.S. exports.

Gulf coast ports are major exporters of oil and gas, oil products and petrochemicals.

Texas-Mexico border ports also process over half of state exports.
Texas Exports Rise after Energy Bust

Index, Jan. 2007=100*

In Q3 2018, Mexico was Texas’ top trading partner, receiving 34% of state exports.

*Seasonally adjusted, real dollars.
NOTE: Data through October 2018.
SOURCES: U.S. Census Bureau; Wisertrade; Bureau of Labor Statistics; seasonal and other adjustments by FRB Dallas.
After Removal of the Oil Export Ban in December 2015, Texas Oil and Gas Exports Surge

Oil and gas exports surge, now make up 20 percent of Texas exports.

*Seasonally adjusted.
NOTE: Data through Q3 2018.
SOURCES: U.S. Census Bureau; Wisetrade; Bureau of Labor Statistics; seasonal and other adjustments by FRB Dallas.
Service industry makes up the bulk of the Texas economy

Accounts for over 60% of private-sector activity in Texas

Dallas Fed’s Texas Service Sector Outlook Survey provides timely insight into this key sector
Texas Services Revenue and Retail Sales Growth Strong

Index, 3-month moving average*

*Seasonally adjusted.
NOTES: Data through November 2018. The TROS is a component of TSSOS using information only from retail and wholesale sectors. SOURCES: Federal Reserve Bank of Dallas Texas Service Sector Outlook Survey (TSSOS) and Texas Retail Outlook Survey (TROS). DATA: https://www.dallasfed.org/research/surveys/tssos
Texas house prices have tracked the nation since the Great Recession

Single-family housing sector was slow to recover

Housing markets currently tight in most of the state
Texas Home Sales High but Falling, Inventories Tick Up

Total existing home sales* | Months in inventory*
--- | ---
35,000 | 9
30,000 |
25,000 |
20,000 |
15,000 |
10,000 |

*Seasonally adjusted.
NOTE: Data through November 2018.
SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.
Texas Median Home Price Hits Record High

Dollars (thousands), four-month moving average*

<table>
<thead>
<tr>
<th>Metro Area</th>
<th>November Median Price</th>
<th>Y/Y % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>$308,153</td>
<td>1.5%</td>
</tr>
<tr>
<td>Dallas</td>
<td>$288,338</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Houston</td>
<td>$238,039</td>
<td>1.8%</td>
</tr>
<tr>
<td>Ft.Worth</td>
<td>$233,235</td>
<td>0.8%</td>
</tr>
<tr>
<td>San Antonio</td>
<td>$227,342</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

*Seasonally adjusted.
NOTES: Data in real dollars. Data through November 2018.
SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.