



Federal Reserve
Bank of Dallas

Texas Economic Outlook: Cruising in Third Gear

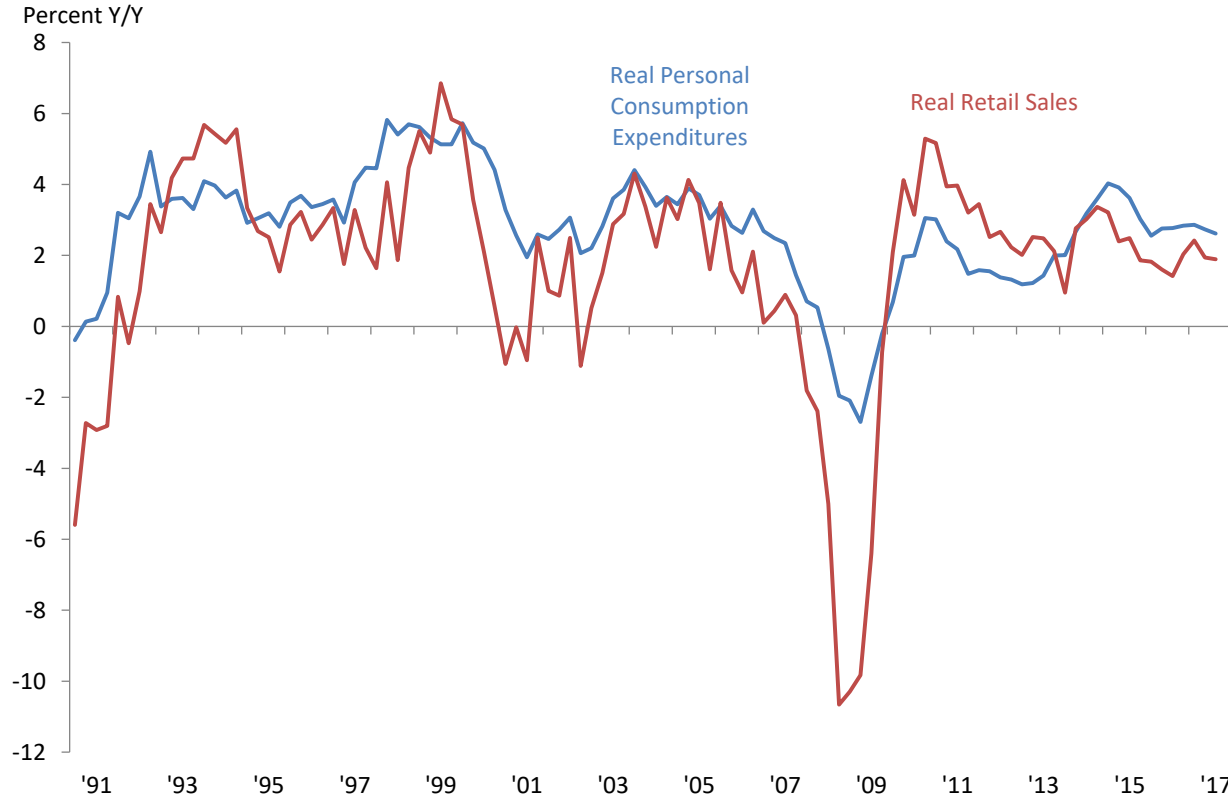
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11/30/17

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National Economy Growing Moderately

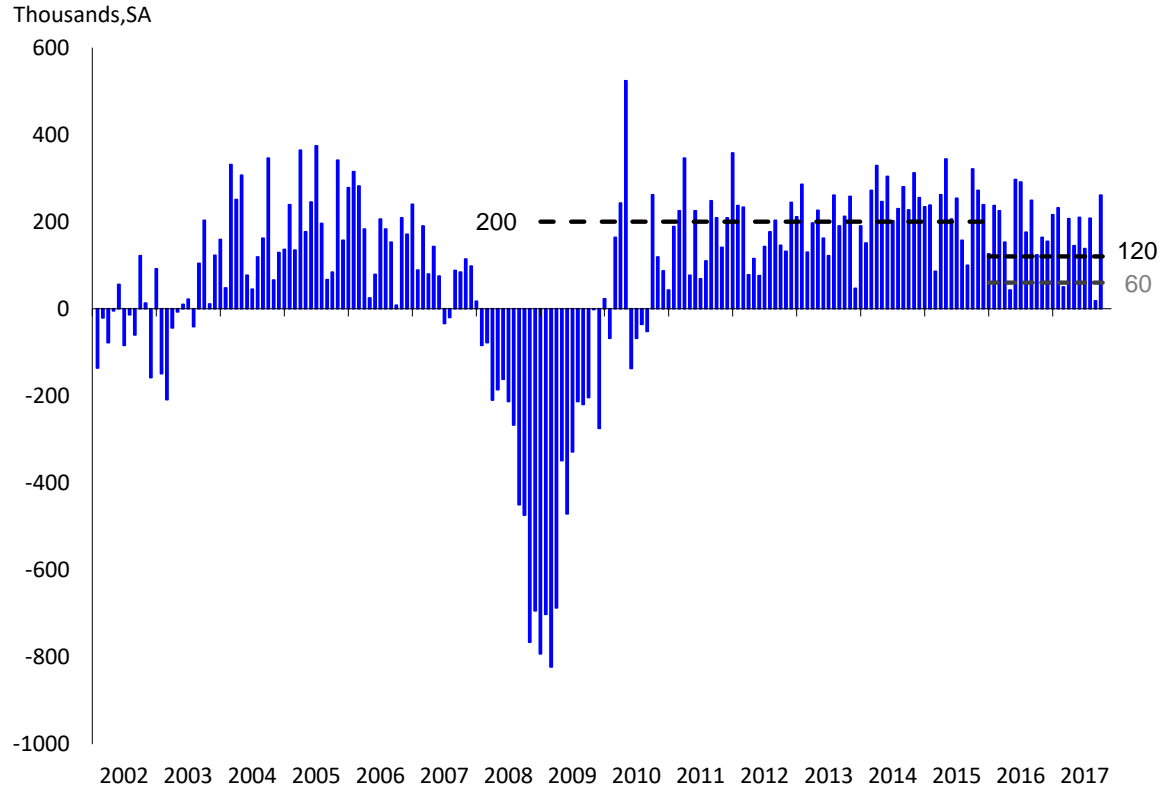
- Jobs grew 1.6% in 2016 and 1.4% so far this year, while RGDP growth has picked up from 2.0% to 2.4%.
- Manufacturing sector is improving this year after being hit last year by global weakness and strong dollar.
- Retail jobs have weakened compared to last year.
- Labor market near full employment at 4.1% unemployment rate.
- RGDP growth expected to hold steady in 2018.

Real Consumer Spending Growing at Mild Pace



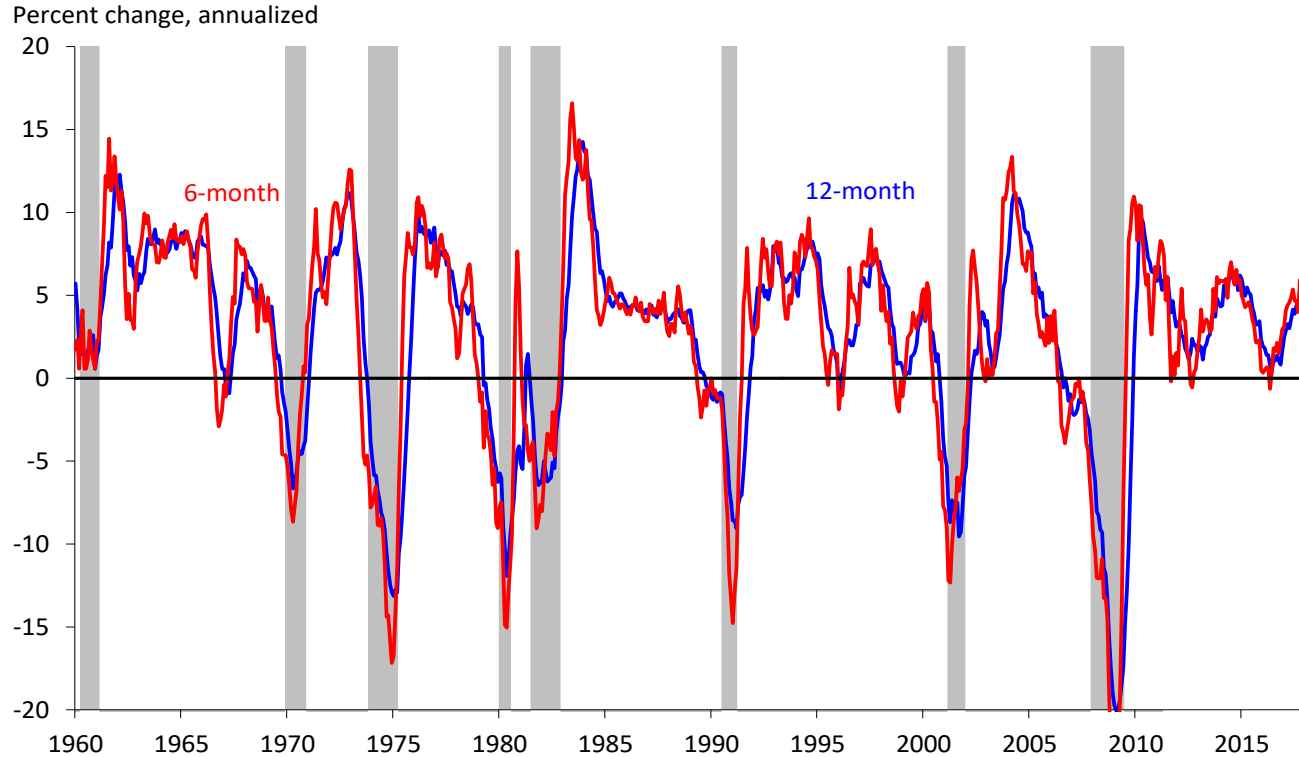
SOURCES: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis.

Job Growth Averaging 170K Per Month This Year



SOURCE: Bureau of Labor Statistics

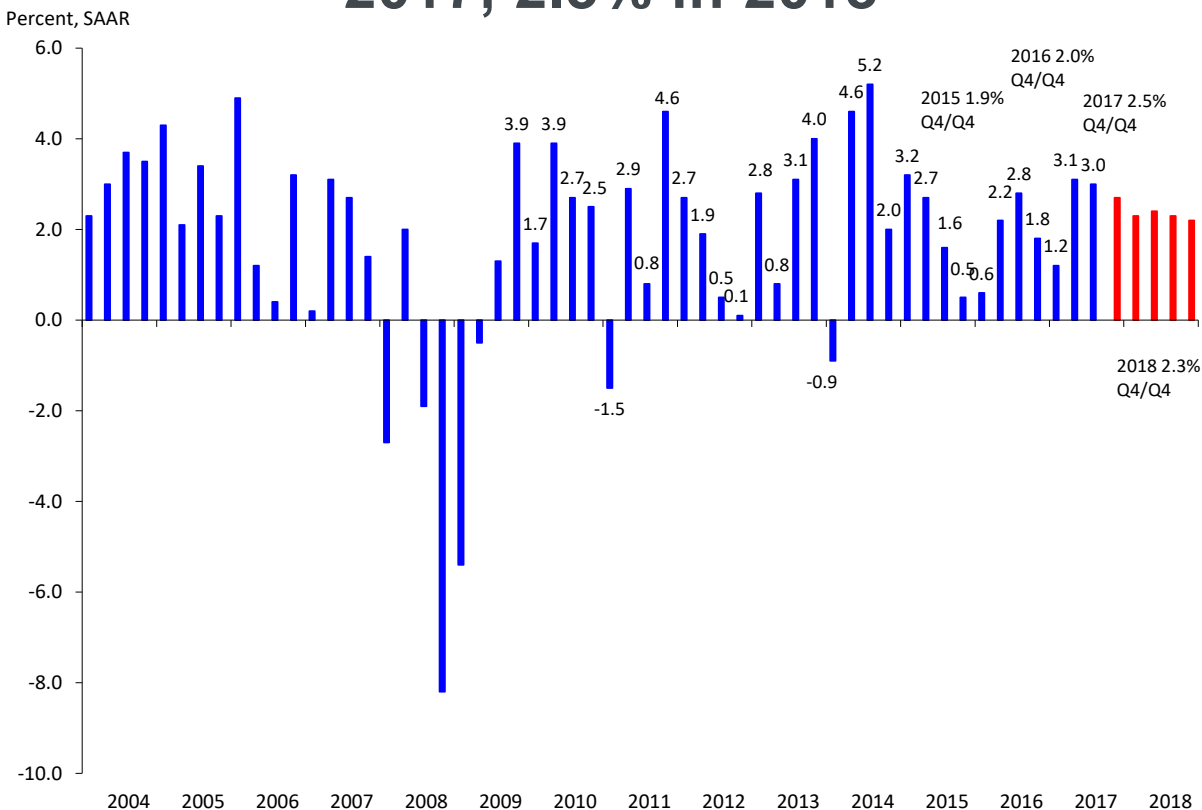
U.S. Leading Index Suggests Continued Growth in Months Ahead



NOTE: Shaded areas represent U.S. recessions.

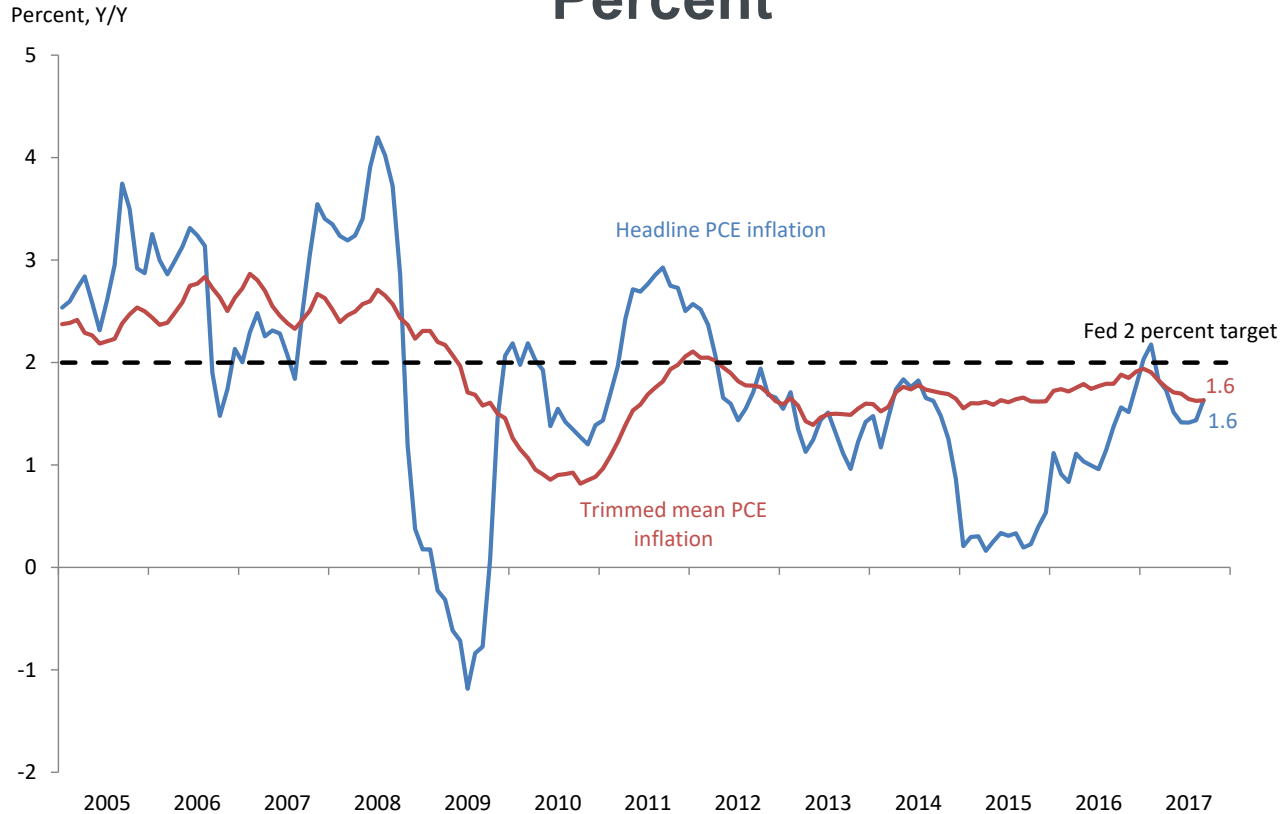
SOURCES: Conference Board, Federal Reserve Bank of Dallas.

November Blue Chip Survey Projects 2.5% Growth in 2017, 2.3% in 2018



SOURCES: Bureau of Economic Analysis; Blue Chip Economic Indicators.

Headline and Core Inflation Measures Below 2 Percent

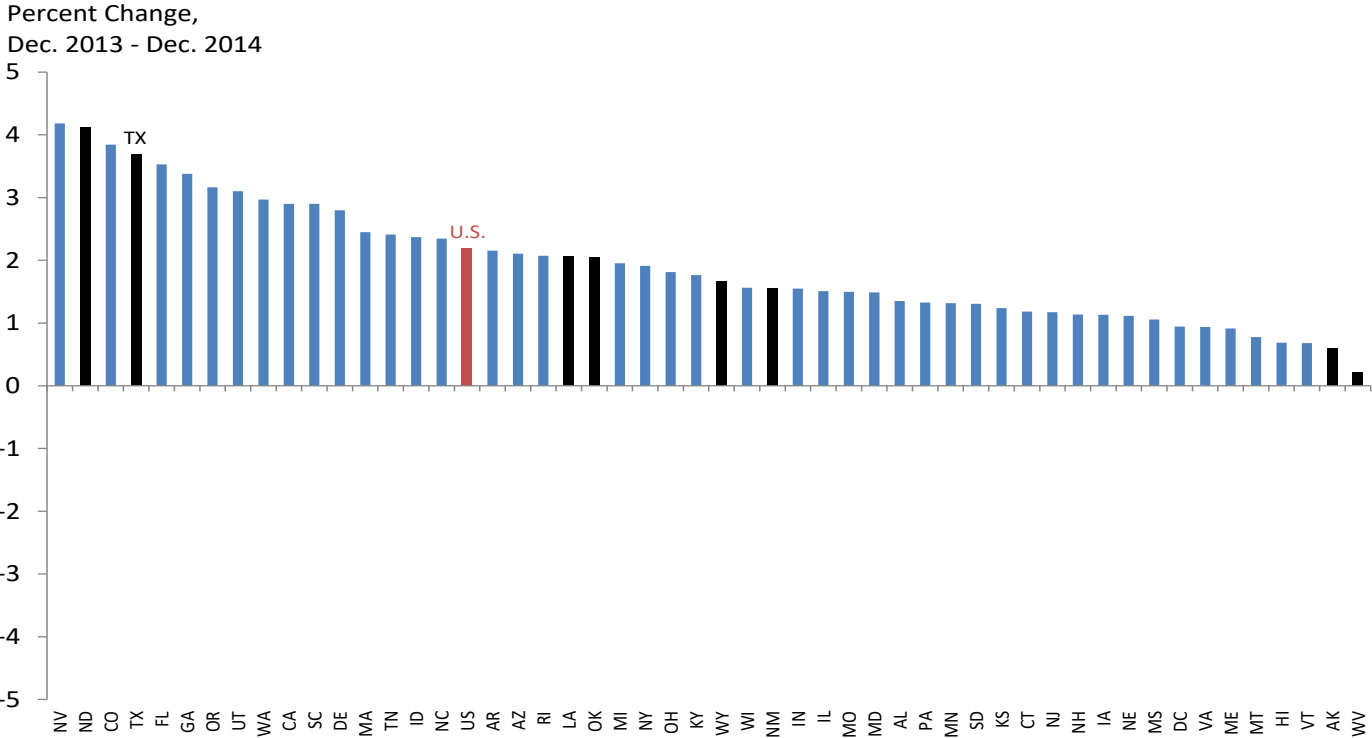


SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

Texas Economic Growth Weak in 2015 and 2016, 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.
- This year, Texas employment is growing much faster than 2016, faster than the nation and above trend.
- Pickup mostly due to a rebound in energy and manufacturing sectors.
- Jobs forecasted to grow 2.4 percent this year with a similar pace of activity next year.

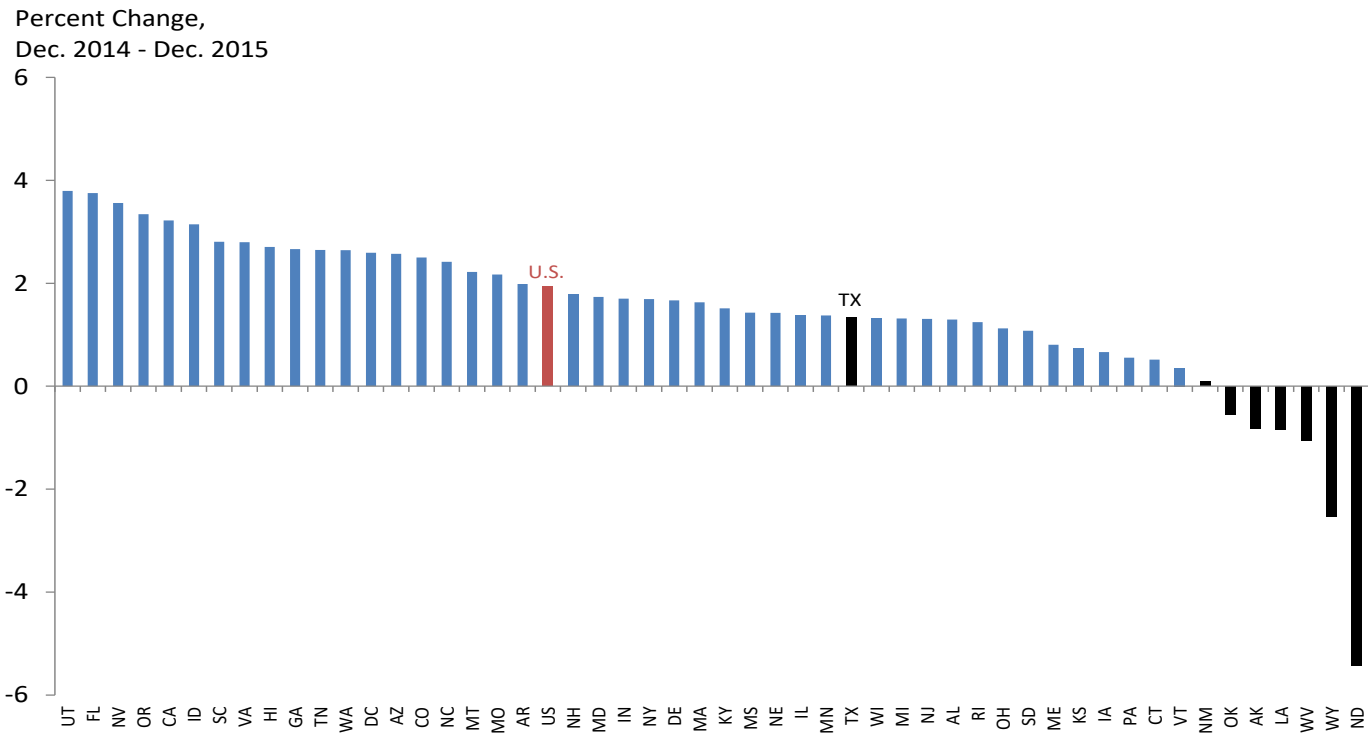
Texas Ranked 4th in Job Growth in 2014, Growth in Energy States Varied Widely



NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics

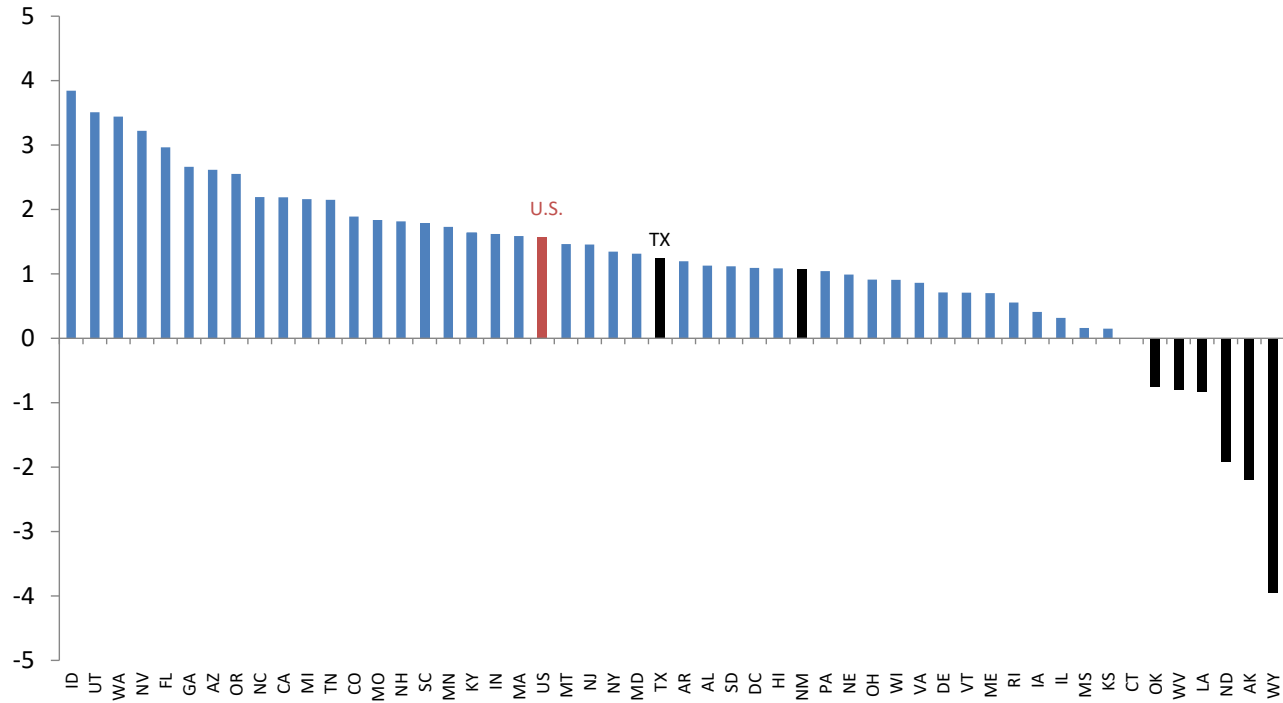
Texas Ranked 31st in Job Growth in 2015; Jobs Contracted in Most Energy States



NOTE: Black bars represent large energy-producing states.
SOURCE: Bureau of Labor Statistics

2016 Texas Growth Was Below National Average

Percent change,
Dec. 2015 - Dec. 2016

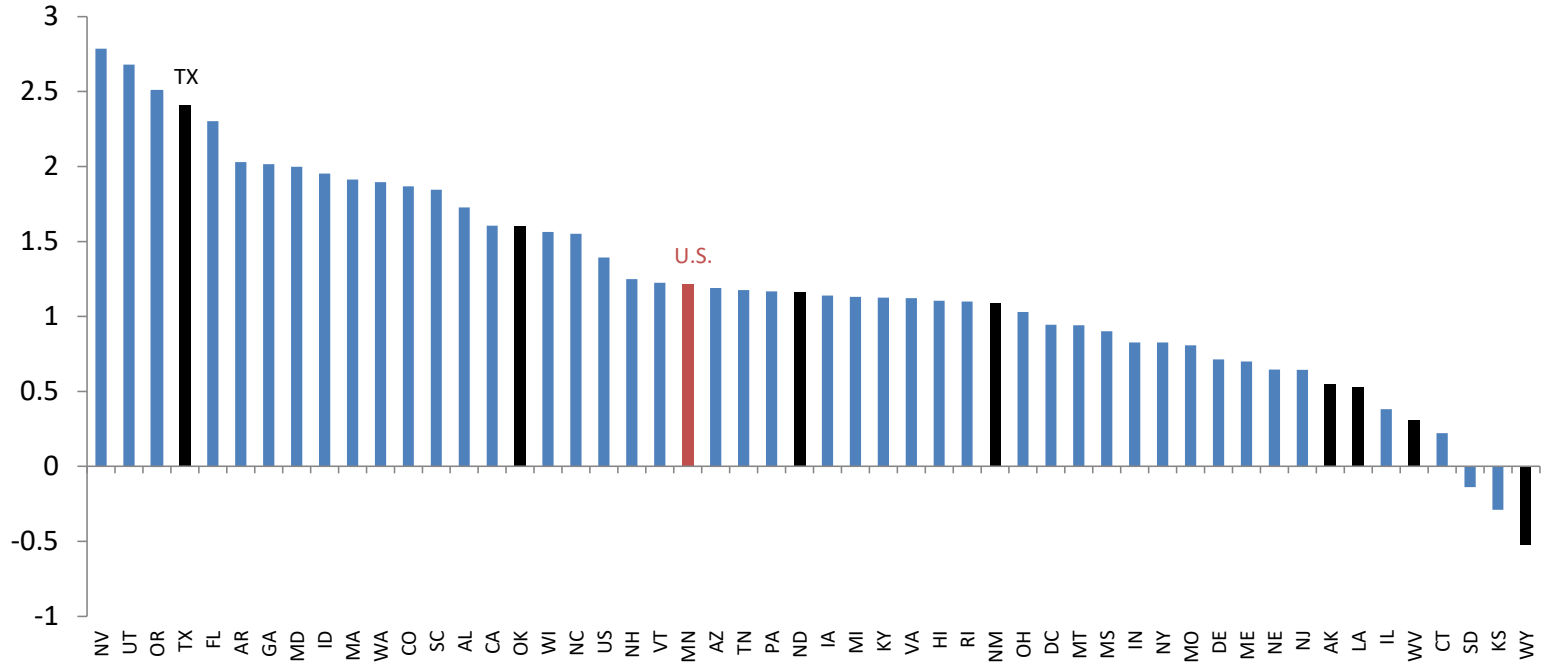


NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics.

Texas Job Growth Now 4th Fastest Among States

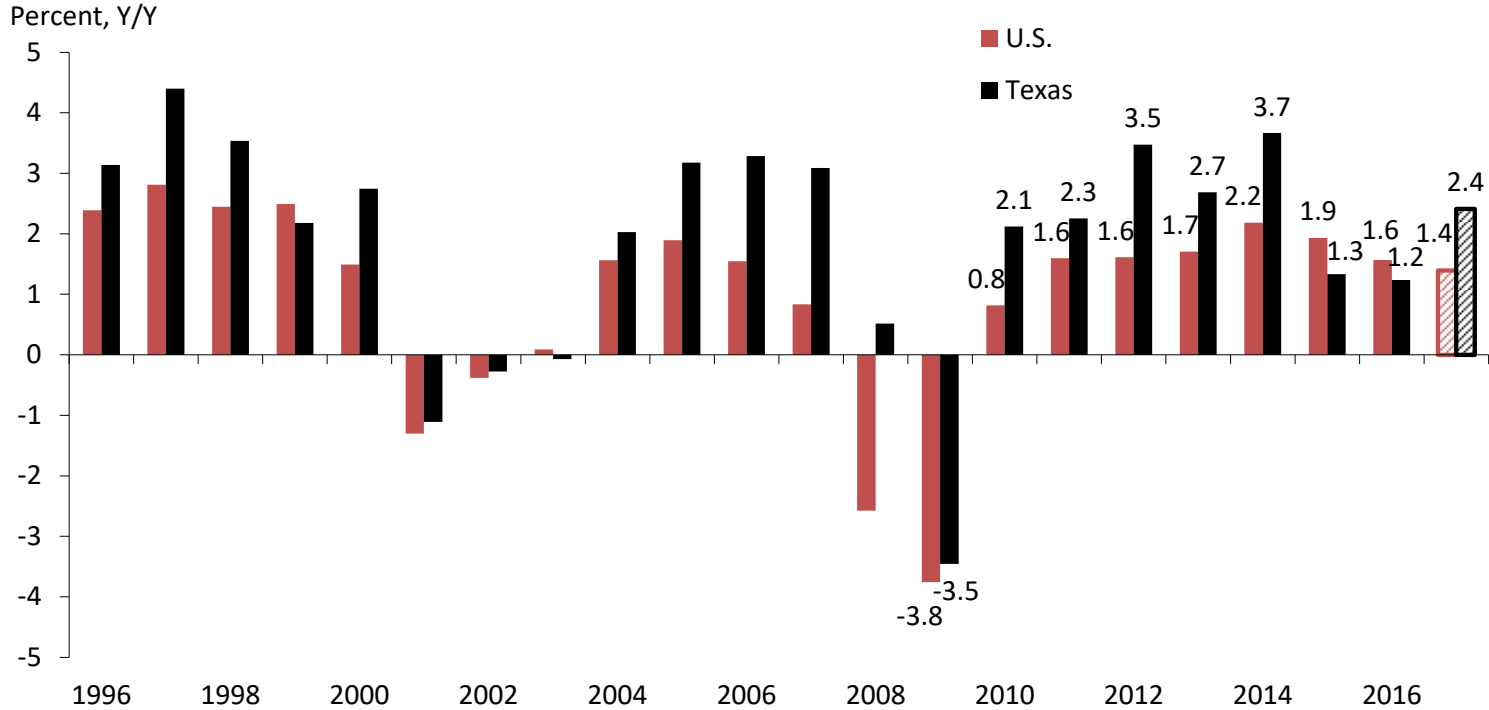
Percent Change,
Dec. 2016 - Oct. 2017



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

SOURCE: Bureau of Labor Statistics.

2017 Texas Job Growth Above the Nation

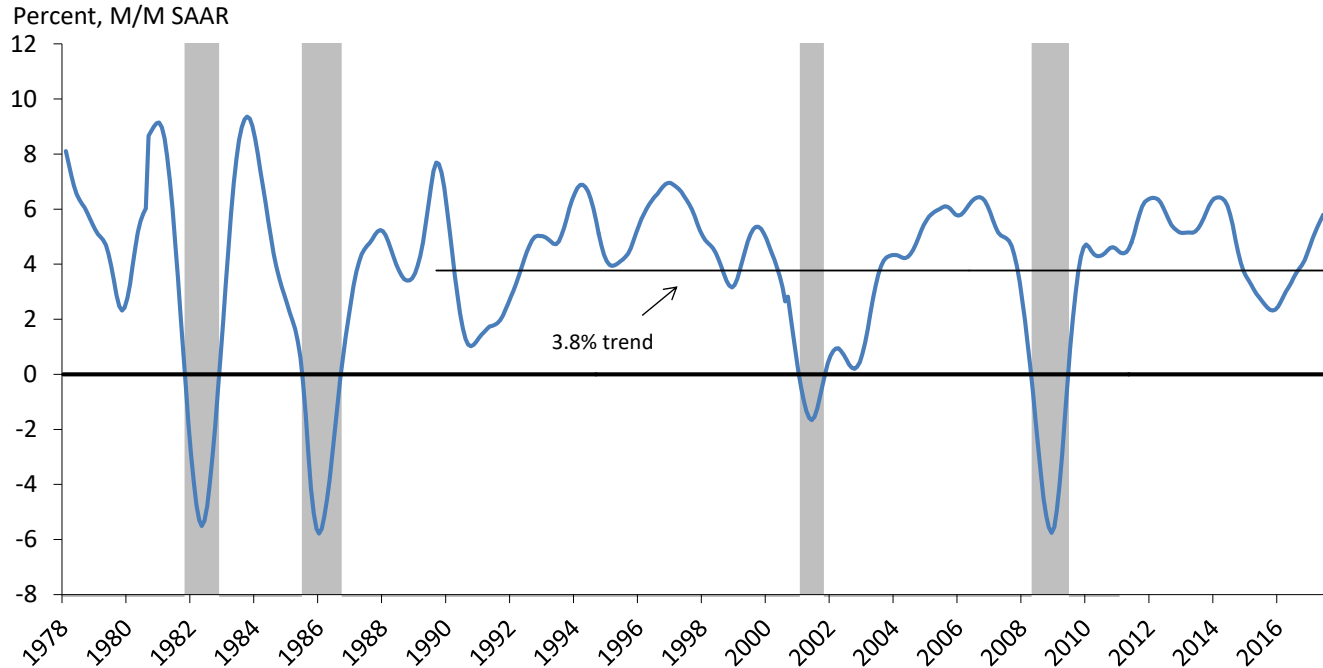


NOTE: Striped bars represent Oct. 2017/Dec. 2016 annualized growth.

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

Texas Economy Expanding Above Trend After Weakness in 2015 and 2016

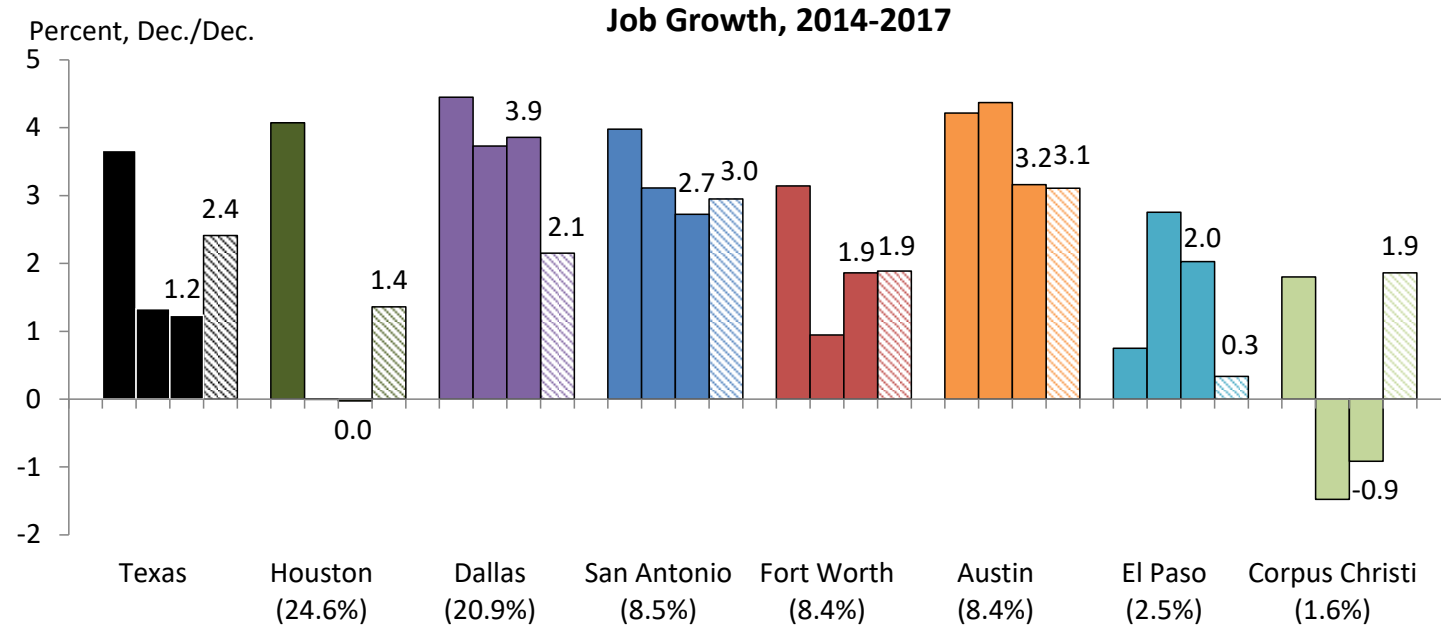
(Texas Business-Cycle Index)



NOTE: Shaded areas represent Texas recessions

SOURCE: Federal Reserve Bank of Dallas

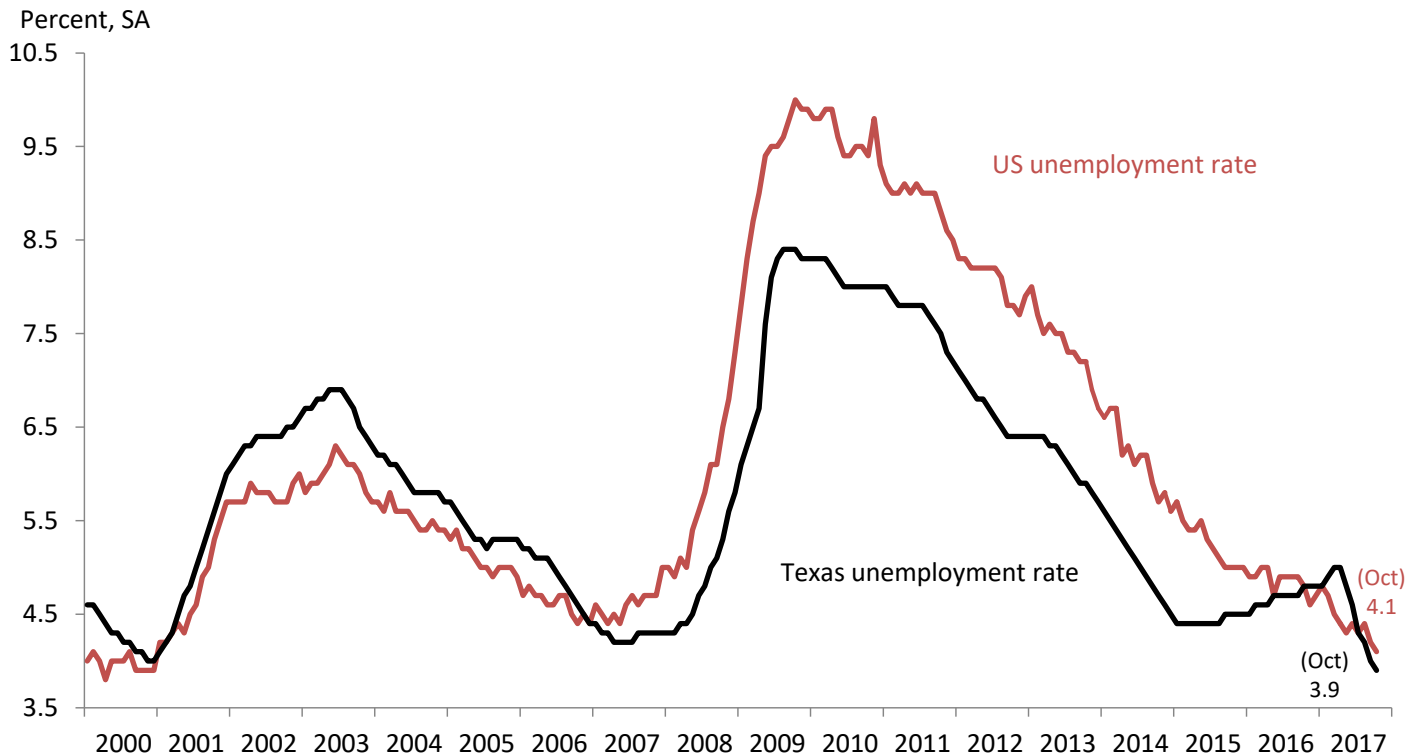
I-35 Corridor Continues to Grow, Energy Metros Rebounding



NOTE: Striped bars represent annualized growth Oct. 2017/Dec. 2016. Figures in parentheses represent shares of total state employment.

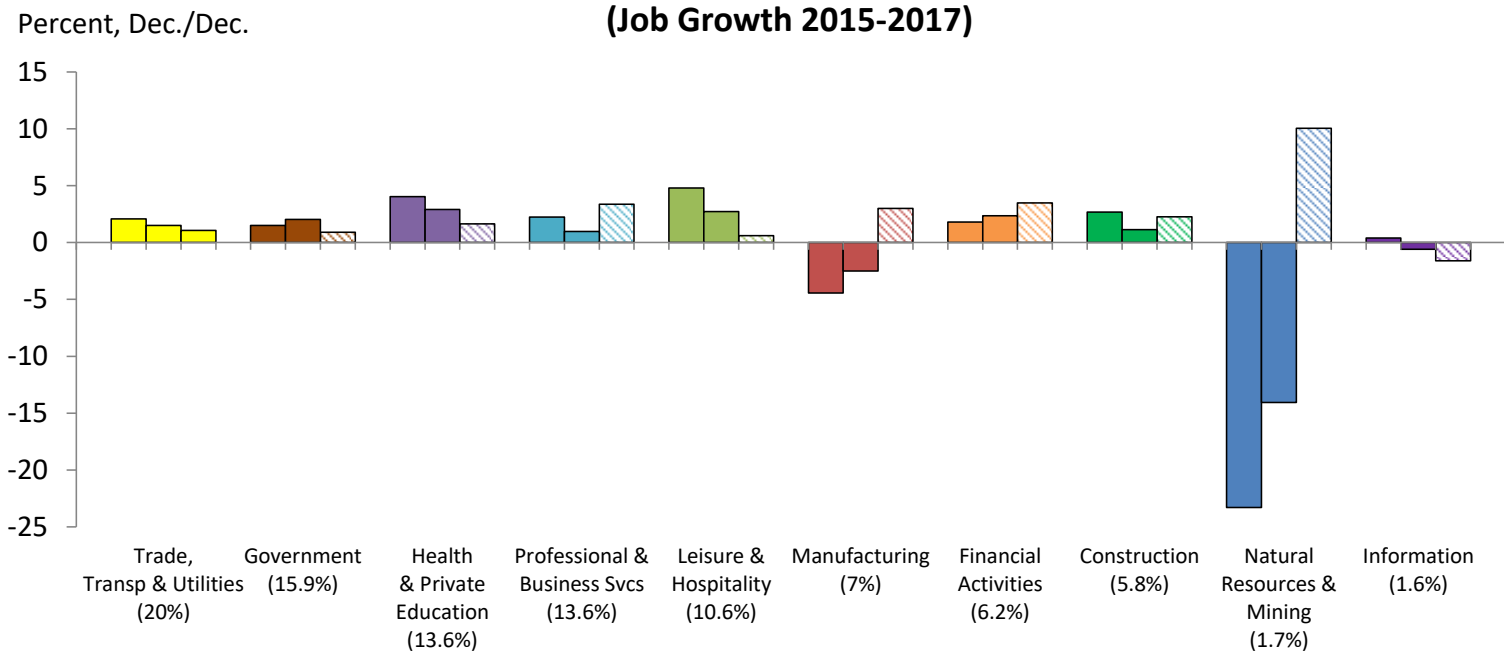
SOURCES: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

Texas Unemployment Rate At Lowest Level Since 1970s



SOURCE: Bureau of Labor Statistics.

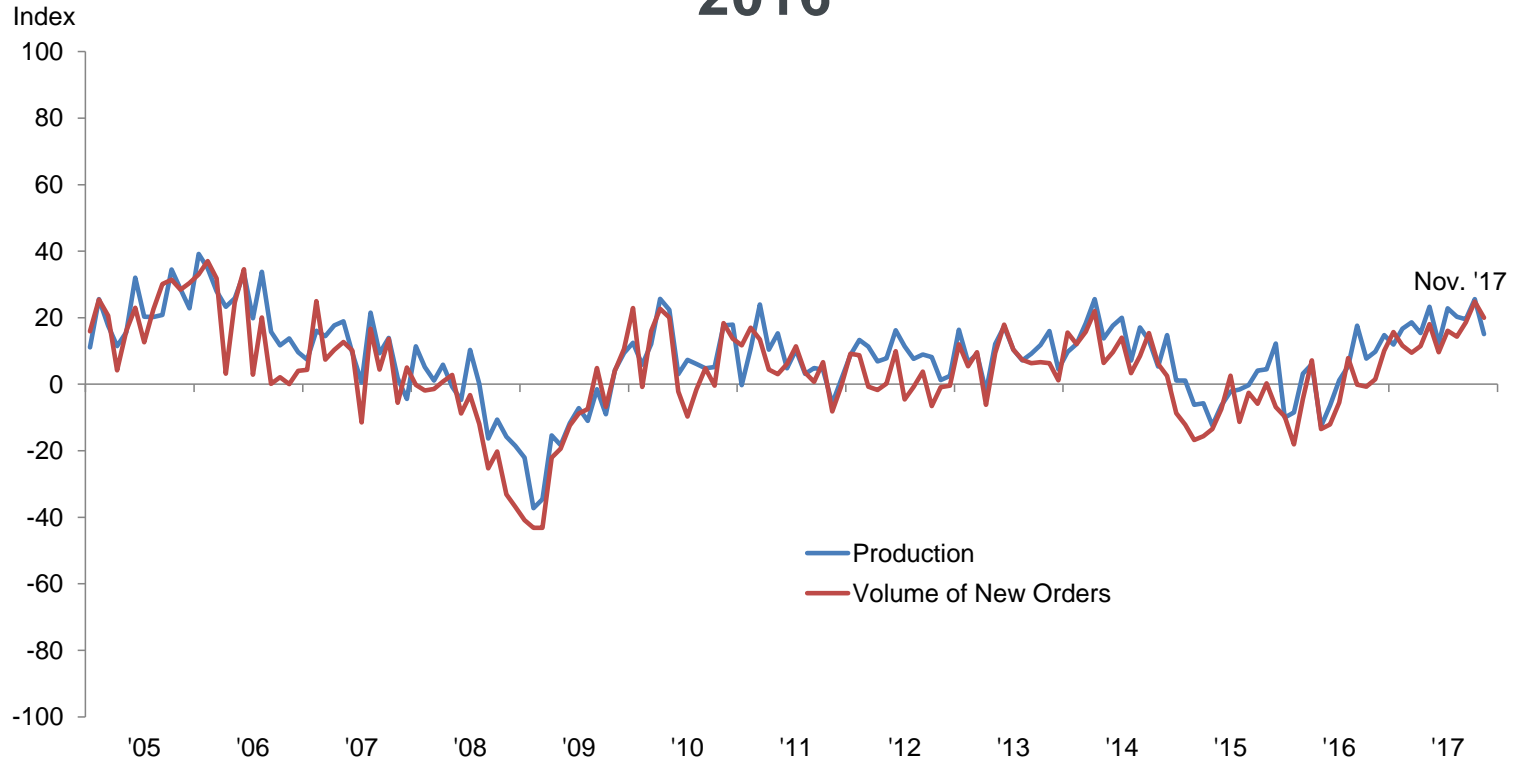
Goods-Producing Industries Rebounding in 2017



NOTE: Striped bars are annualized growth Oct. 2017/Dec. 2016. Figures in parentheses represent shares of total nonfarm employment.

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

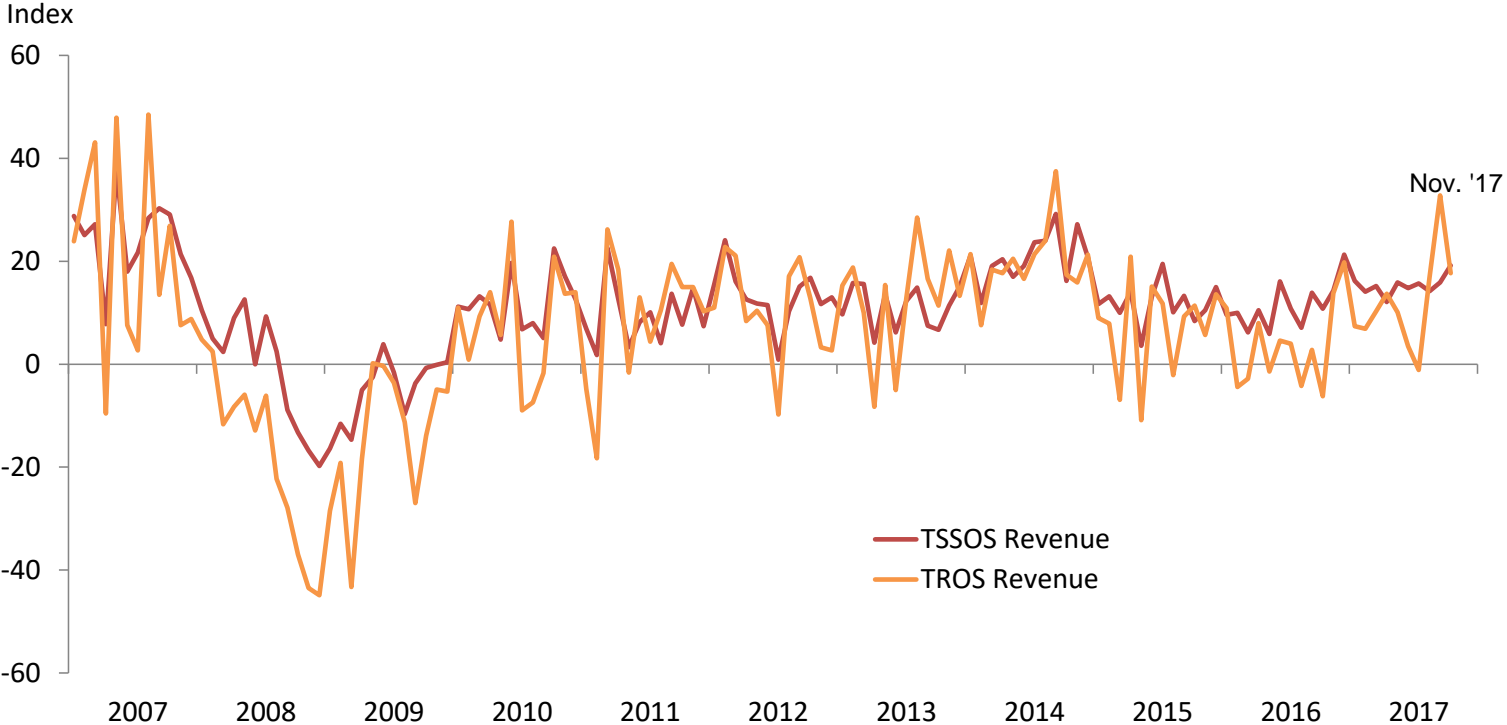
State Manufacturing Indicators Growing Since mid-2016



NOTE: Data are seasonally adjusted.

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

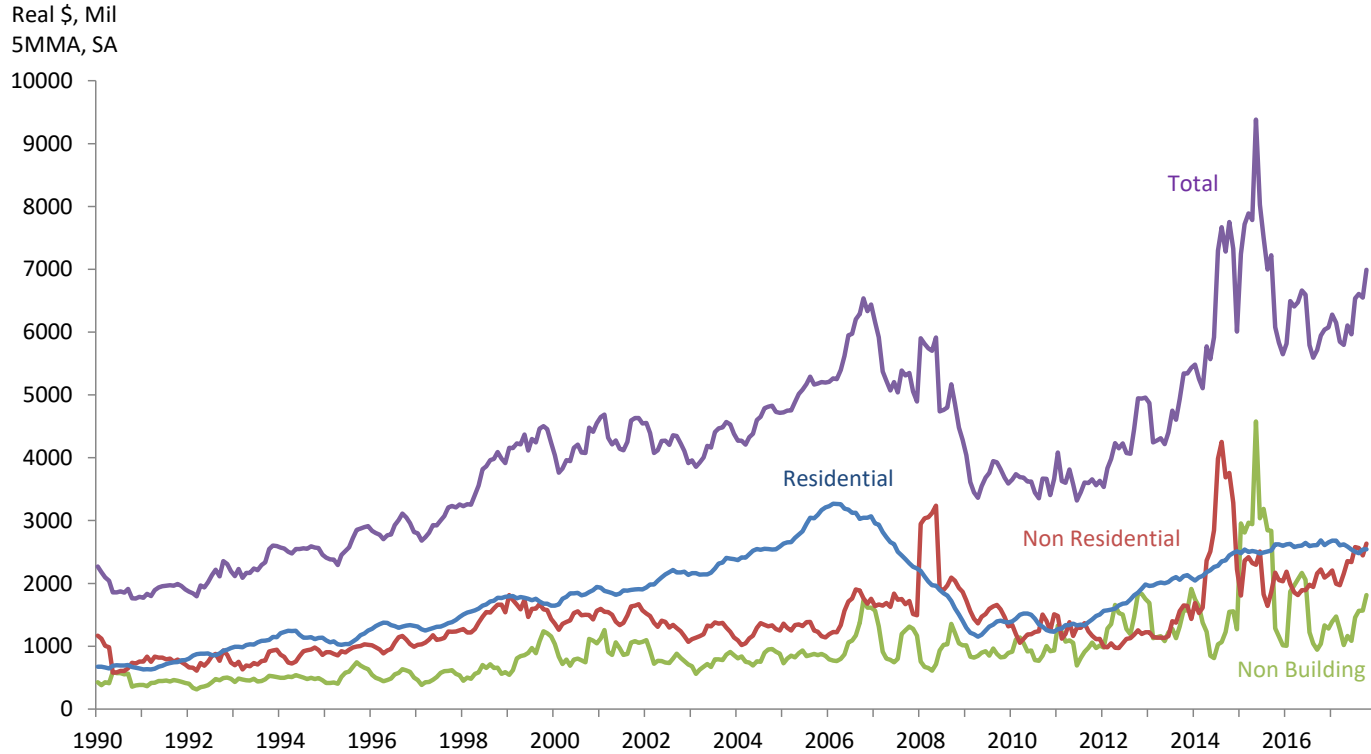
Texas Service Sector Continuing to Expand



NOTE: Seasonally adjusted.

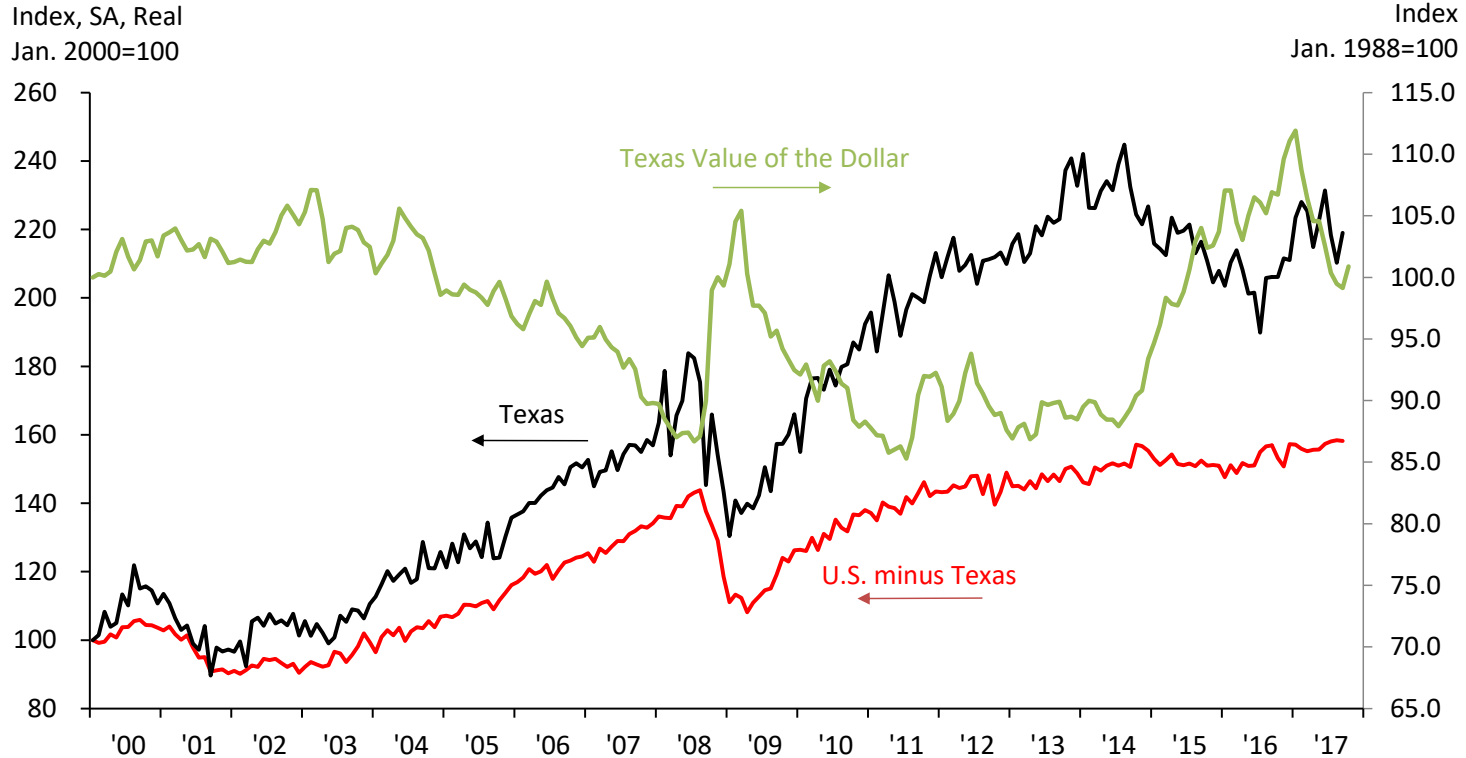
SOURCE: Federal Reserve Bank of Dallas Texas Service Sector and Retail Outlook Surveys.

Texas Construction Contract Values Picking Up in Second Half of the Year



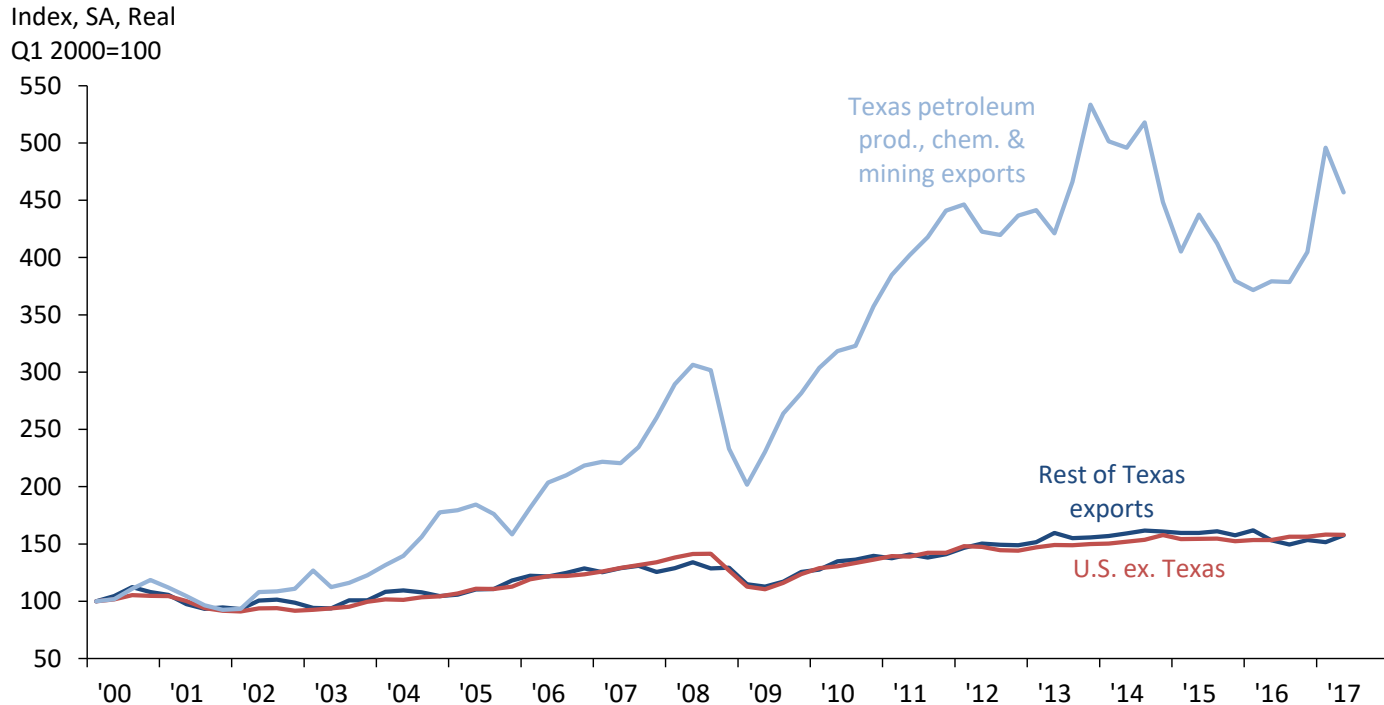
SOURCES: F.W. Dodge, Federal Reserve Bank of Dallas.

State Exports Holding Steady Over Past Six Months



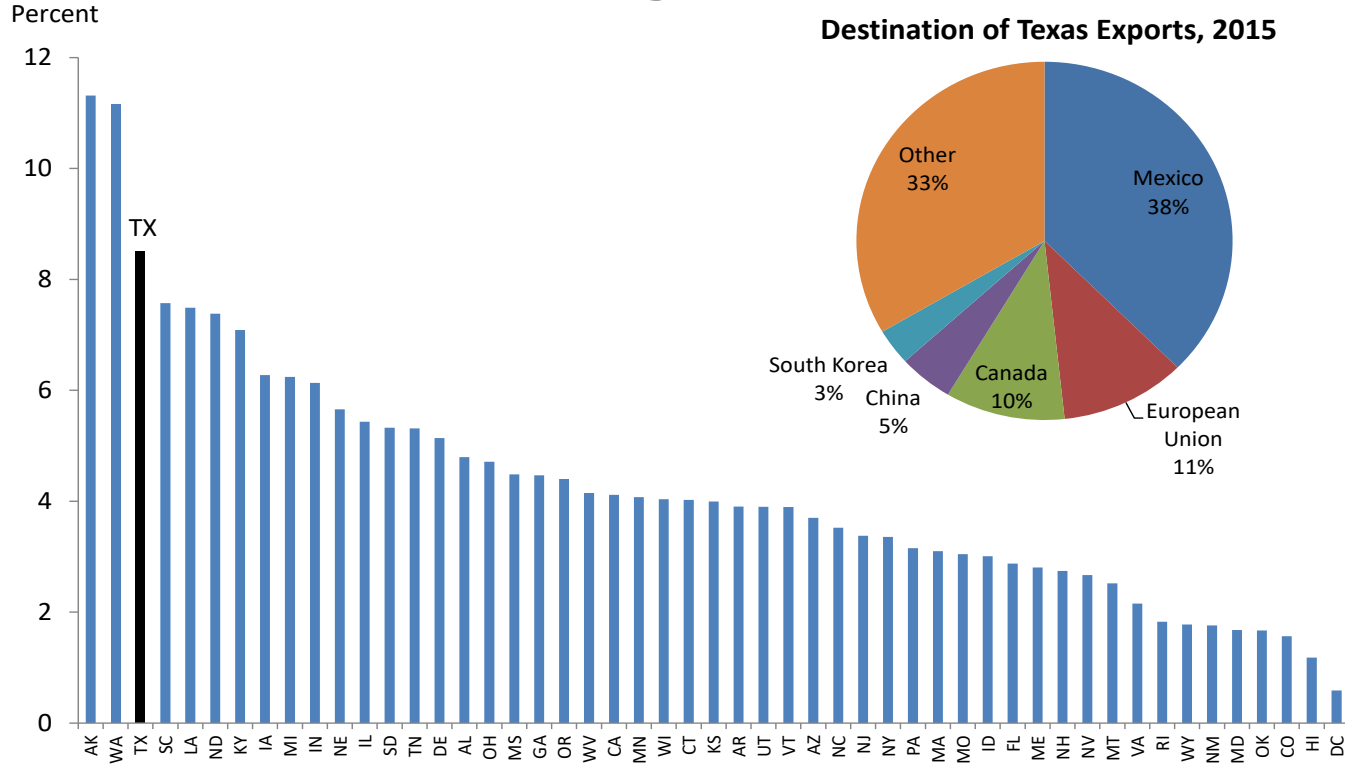
SOURCES: U.S. Census, Bureau of Labor Statistics, WISERtrade, Federal Reserve Bank of Dallas.

Petroleum and Mining Products Drivers of Texas Export Growth Relative To U.S.



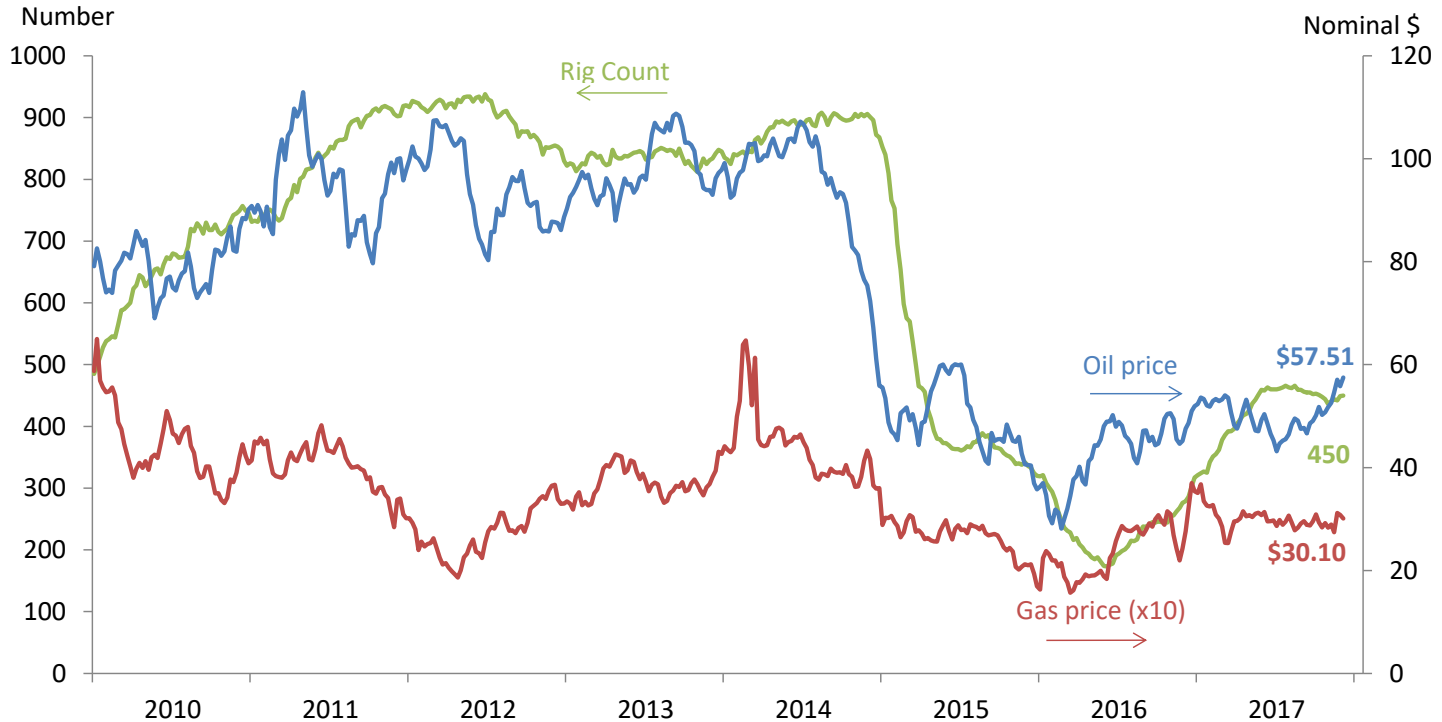
SOURCES: U.S. Census, Bureau of Labor Statistics, WISERtrade, Federal Reserve Bank of Dallas.

Share of Texas Jobs Tied To Exports 3rd Highest Among States



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

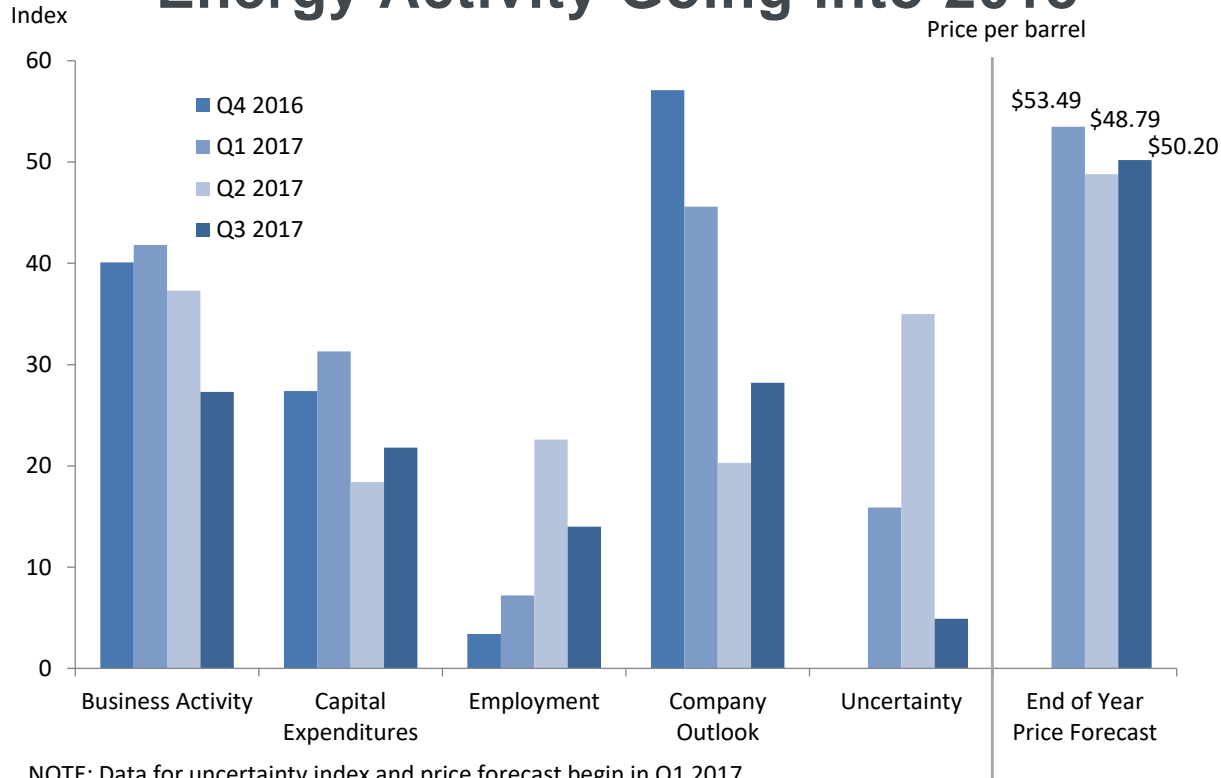
Rig Count Has Flattened Out Since April After Strong Growth Since Mid-2016



NOTE: Data are weekly, last data point is the week of Nov. 24, 2017.

SOURCES: Oil and Gas Journal, Baker Hughes.

Energy Survey Suggests Continued Growth in Energy Activity Going into 2018

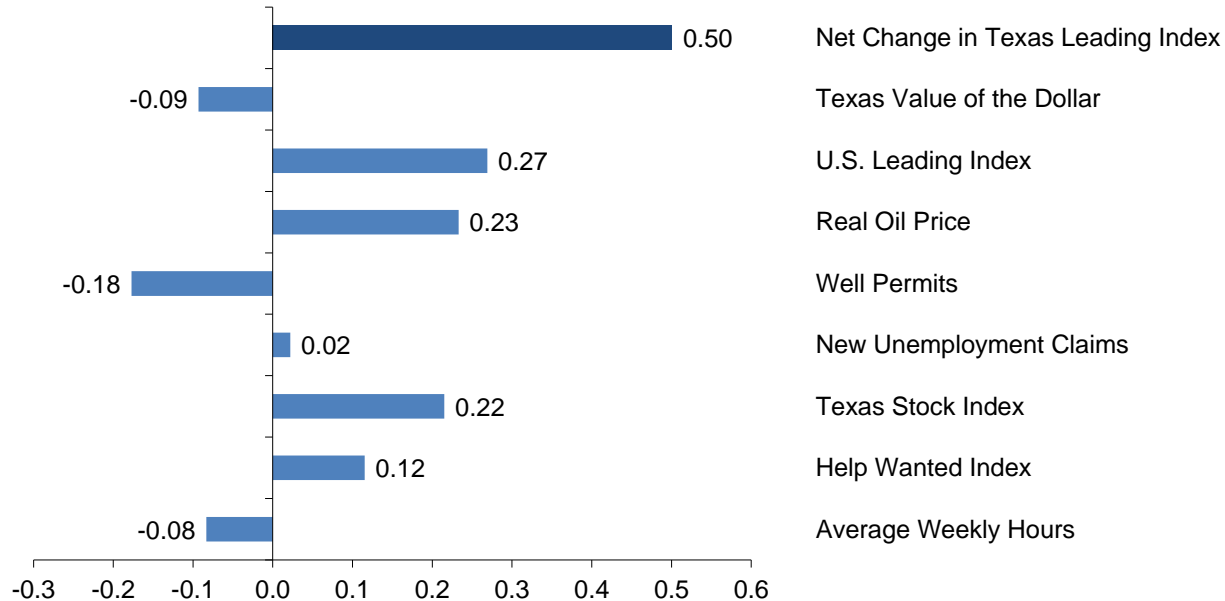


NOTE: Data for uncertainty index and price forecast begin in Q1 2017.

SOURCE: Federal Reserve Bank of Dallas.

Texas Leading Index Components Mostly Positive After Adjusting for Temporary Hurricane Effects

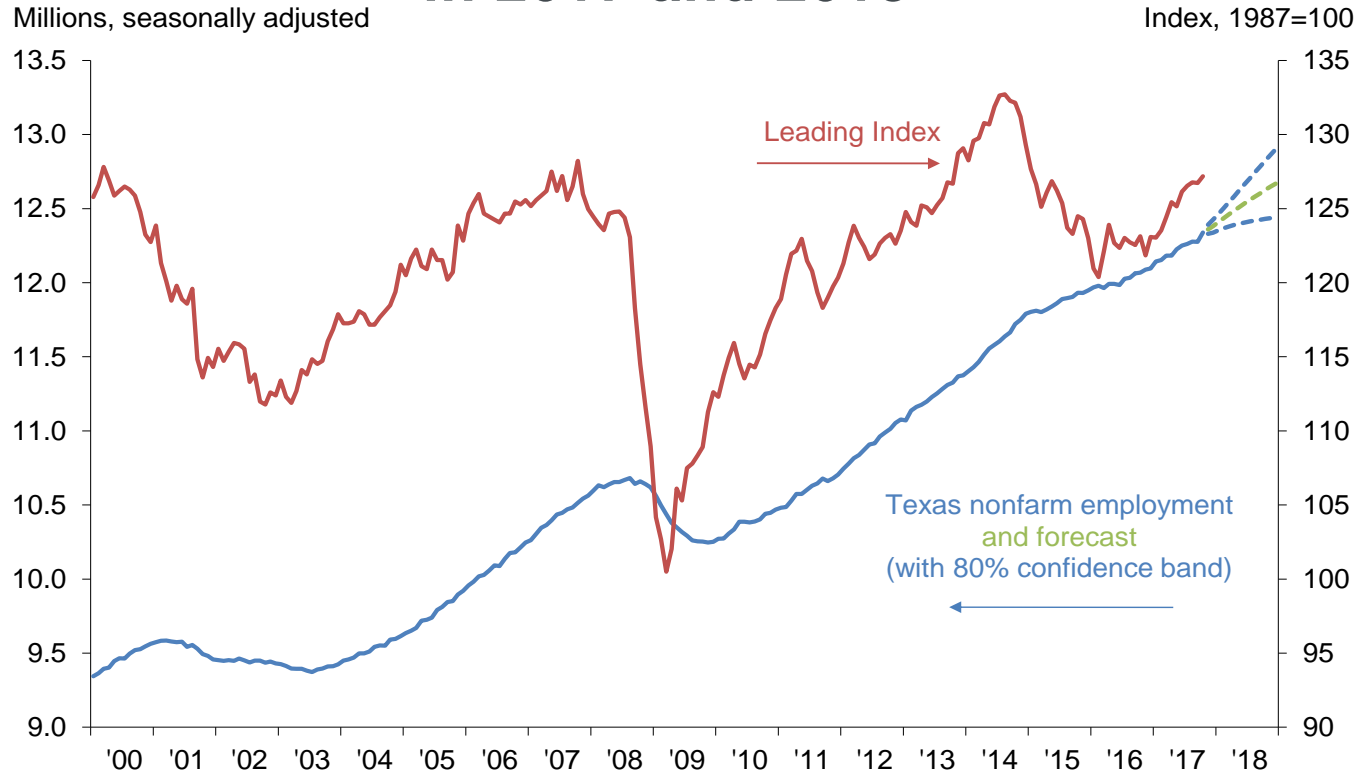
Net contributions to change in the Texas Leading Index
(August - October 2017)



NOTE: Seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas.

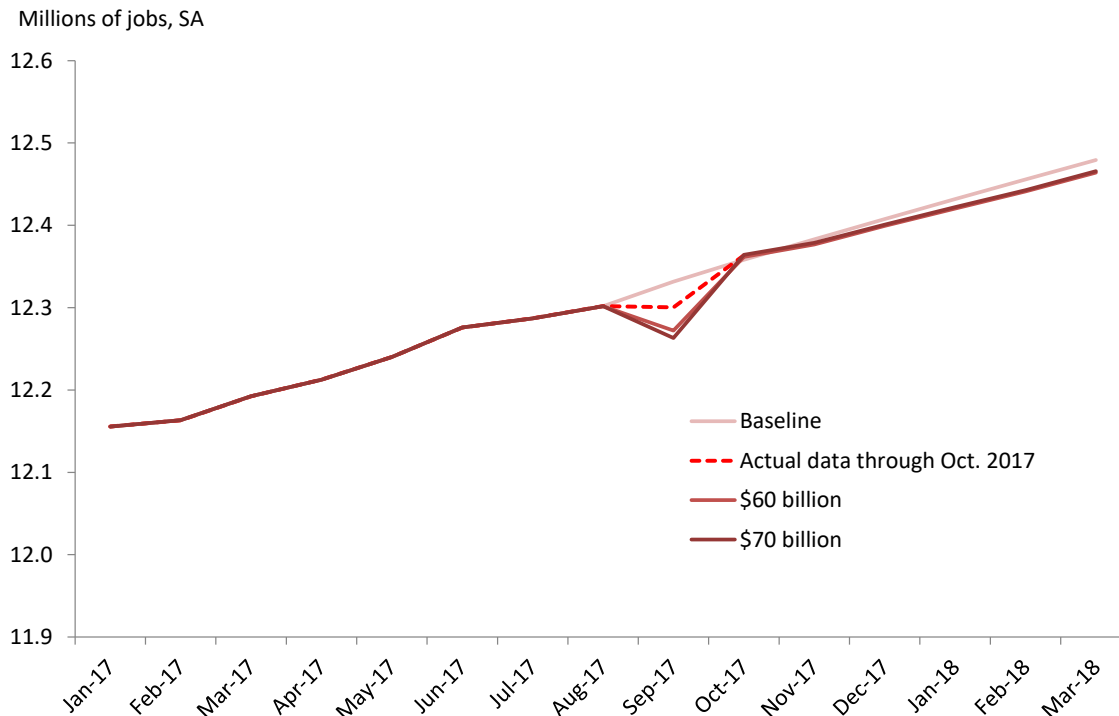
Texas Jobs Forecasted to Grow 2.0% to 3.0% in 2017 and 2018



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

October Job Data Confirm No Net Employment Effect for Texas from Hurricane Harvey

Texas Employment



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

Summary

- In past two years, Texas weakened sharply but continued to grow - did much better than 1980s and better than other energy states.
- In second half of 2016, energy and manufacturing sectors stabilized and job growth picked up.
 - In 2017, these sectors have rebounded.
- Texas likely to grow about 2.4 percent this year, similar rate in 2018.
- Biggest risk to the forecast is sharp decline in oil prices or exports.

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](#)
- [National Economic Updates](#)
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