



Federal Reserve
Bank of Dallas

Texas Mid-Year Economic Outlook: Strong Growth Continues

Keith Phillips
Assistant Vice President and Senior Economist
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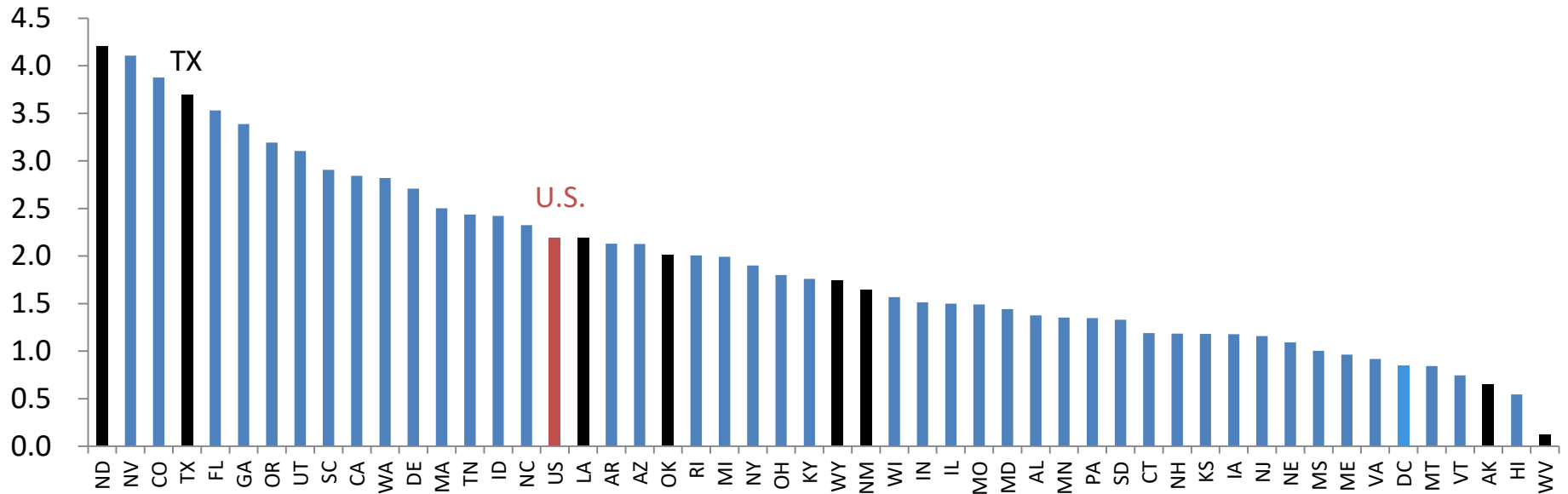
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Texas Economic Growth Accelerating This Year

- 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 2.8 percent in 2018.

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

Percent change,
Dec. 2013 - Dec. 2014

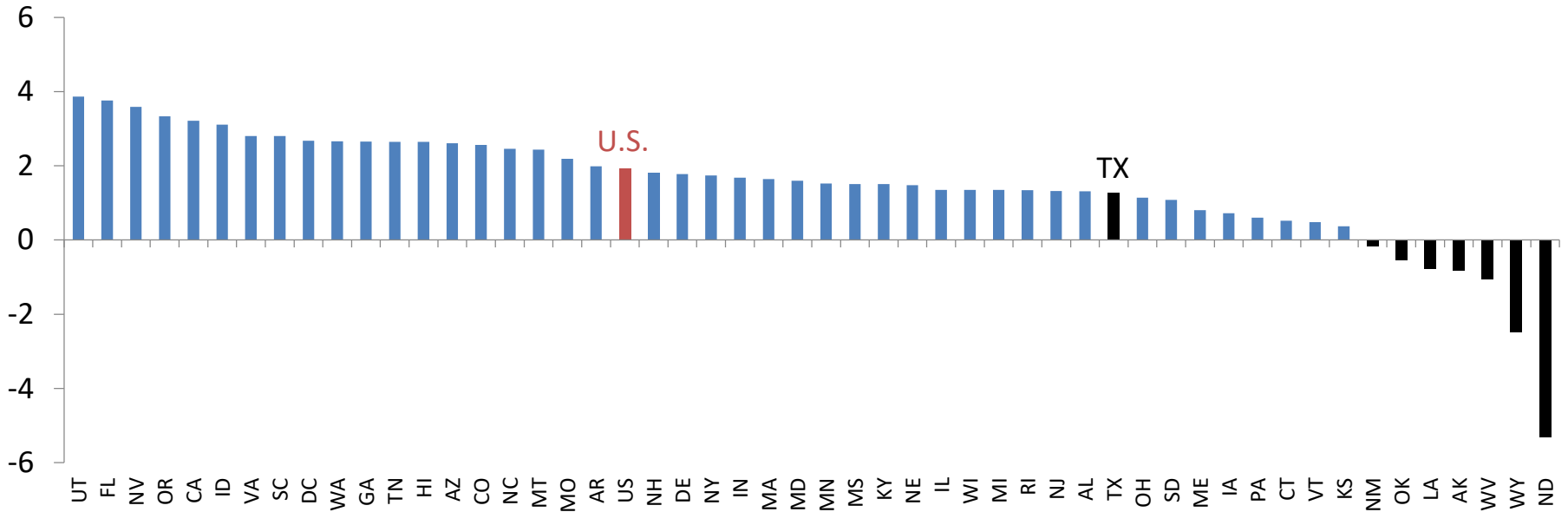


NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics

Texas Ranked 36th in Job Growth in 2015; Jobs Contracted in Most Energy States

Percent change,
Dec. 2014 - Dec. 2015

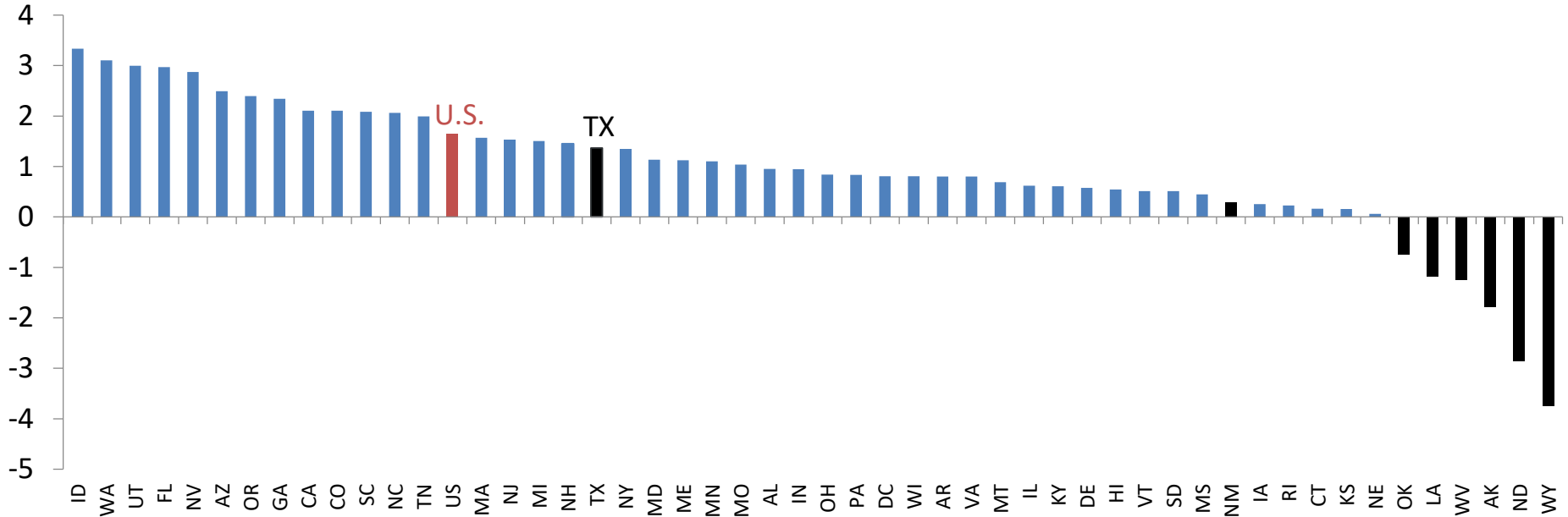


NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics

2016 TX Growth Remained Below National Average

Percent change,
Dec. 2015 - Dec. 2016

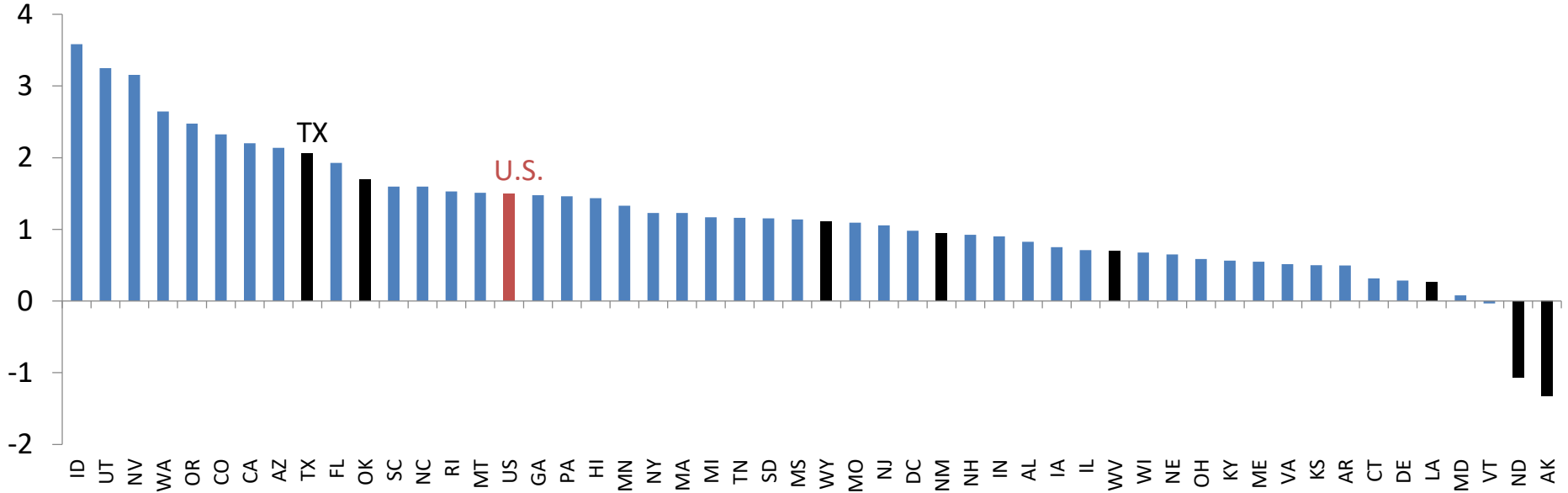


NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics.

Texas Job Growth Ranked 9th in the Nation Last Year

Percent change,
Dec. 2016 - Dec. 2017

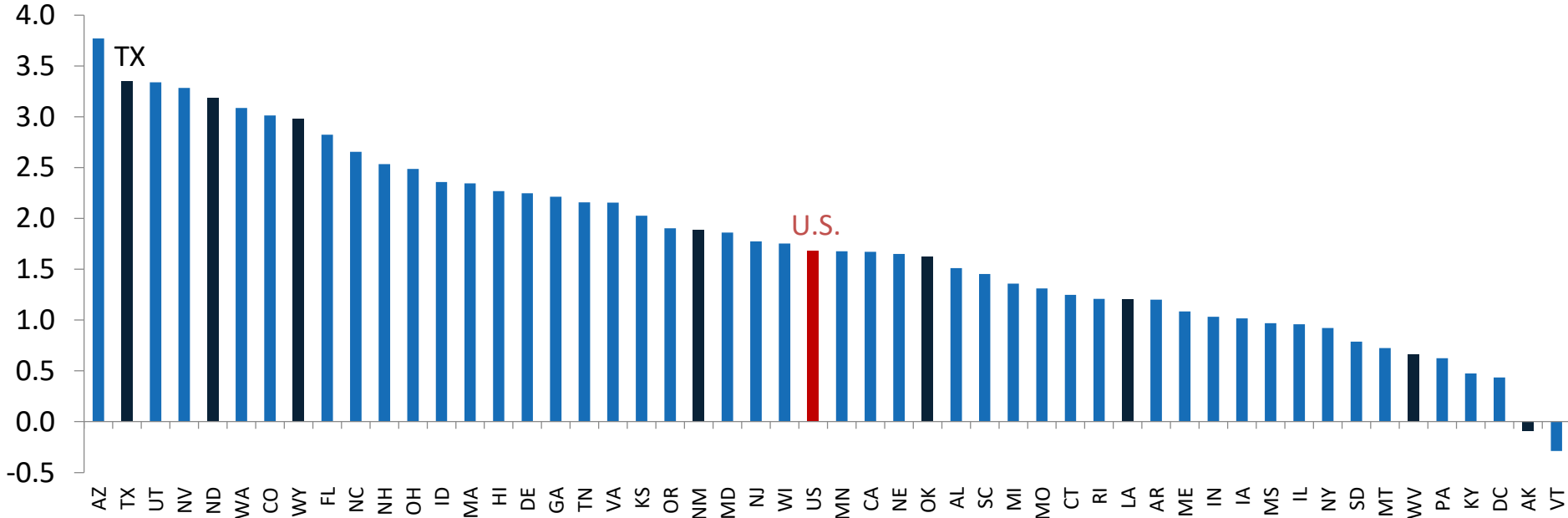


NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics.

Texas Job Growth This Year Has Improved To #2 Fastest Growing State

Percent change,
Dec. 2017 - August 2018

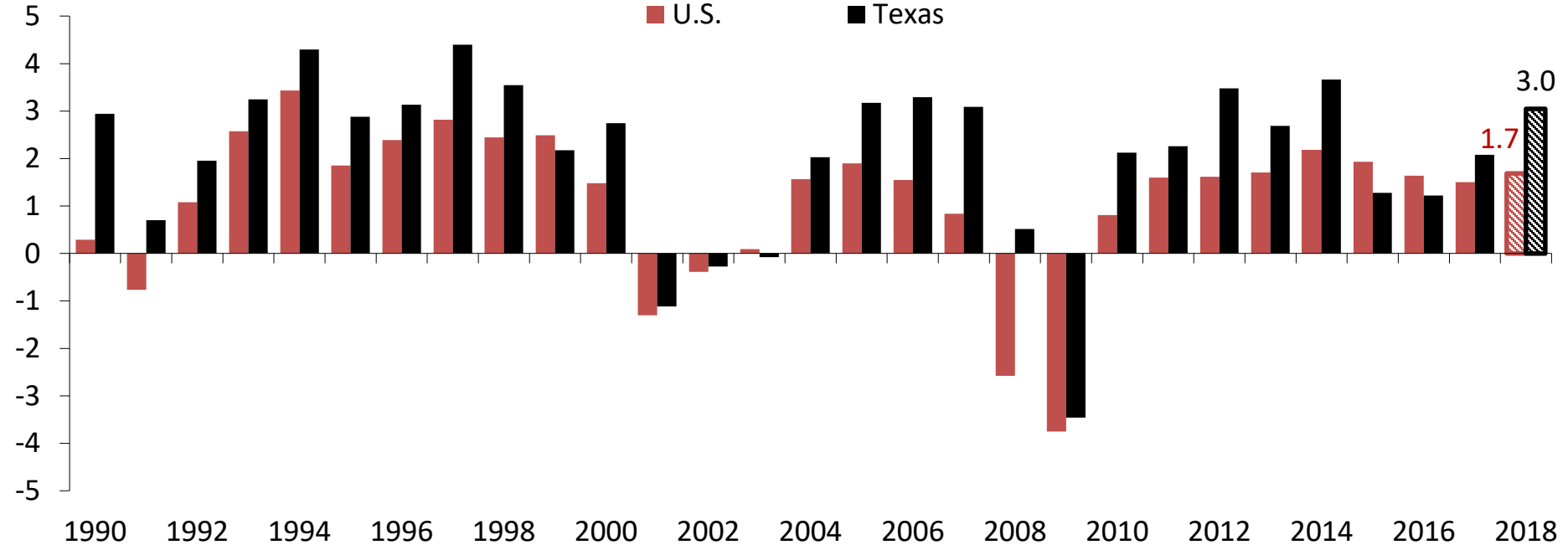


NOTES: Black bars represent large energy-producing states. Growth rates are seasonally adjusted.

SOURCE: Bureau of Labor Statistics.

Texas Job Growth Back Above the Nation

Percent change, Y/Y



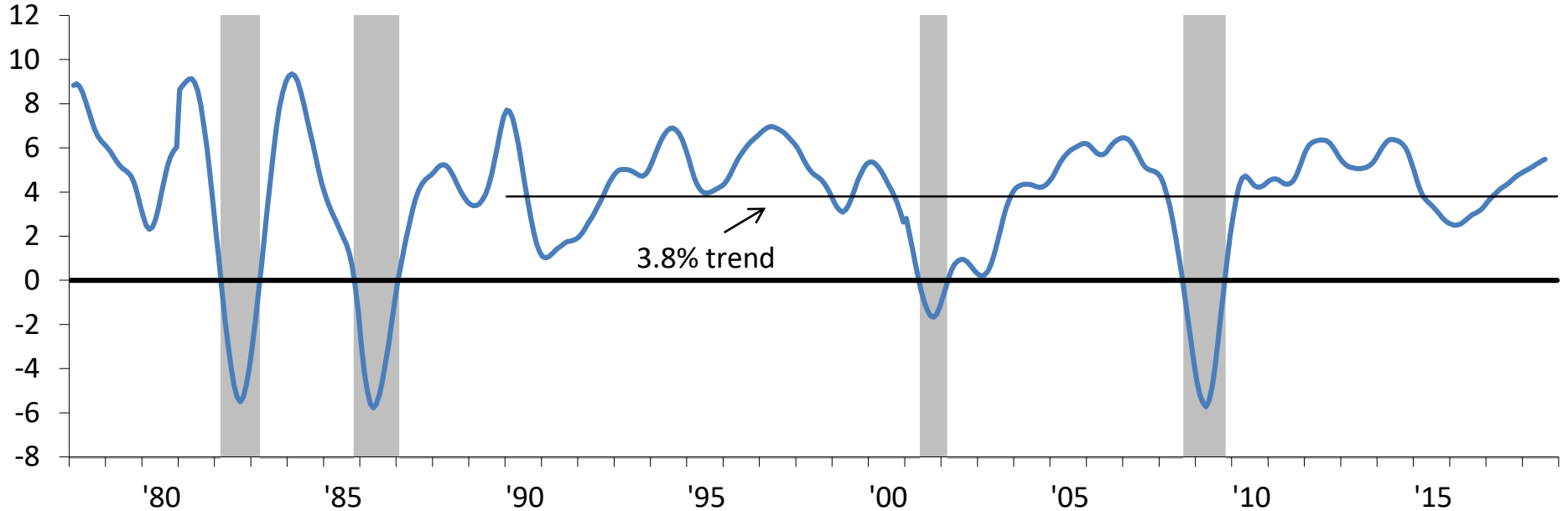
NOTE: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to August 2018.

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

Texas Economy Expanding At Strong Pace

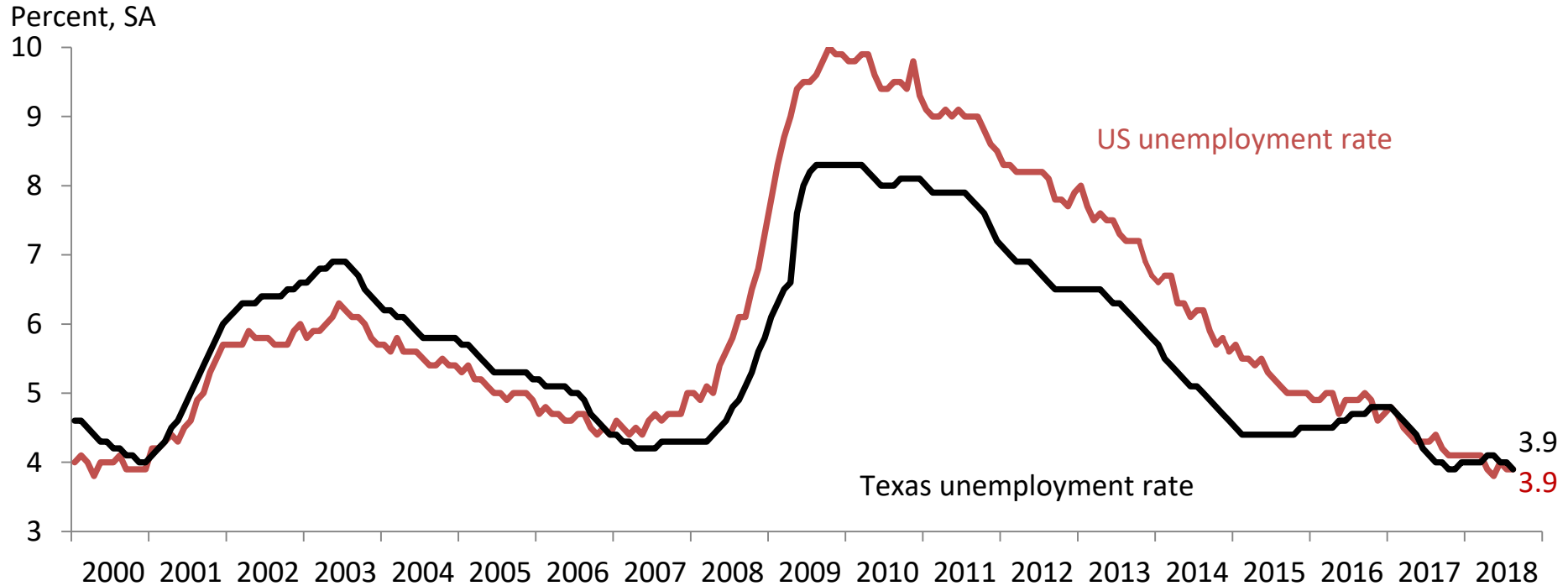
(Texas Business-Cycle Index)

Percent change, M/M SAAR



NOTES: Data through August 2018. Shaded areas represent Texas recessions. Trend refers to growth from Jan. 1990 – present.

Texas Unemployment Rate Equal to National Average

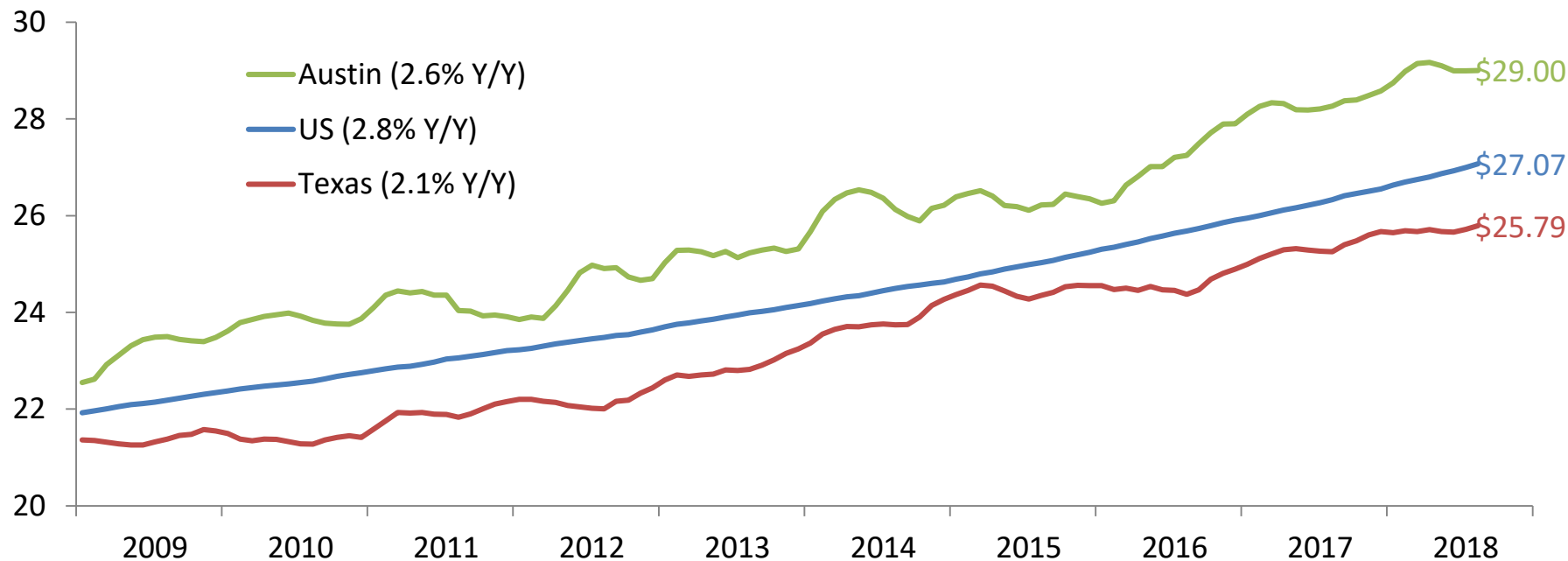


NOTE: Data through August 2018.

SOURCE: Bureau of Labor Statistics.

Average Private Sector Hourly Wages Growing at Mild Pace

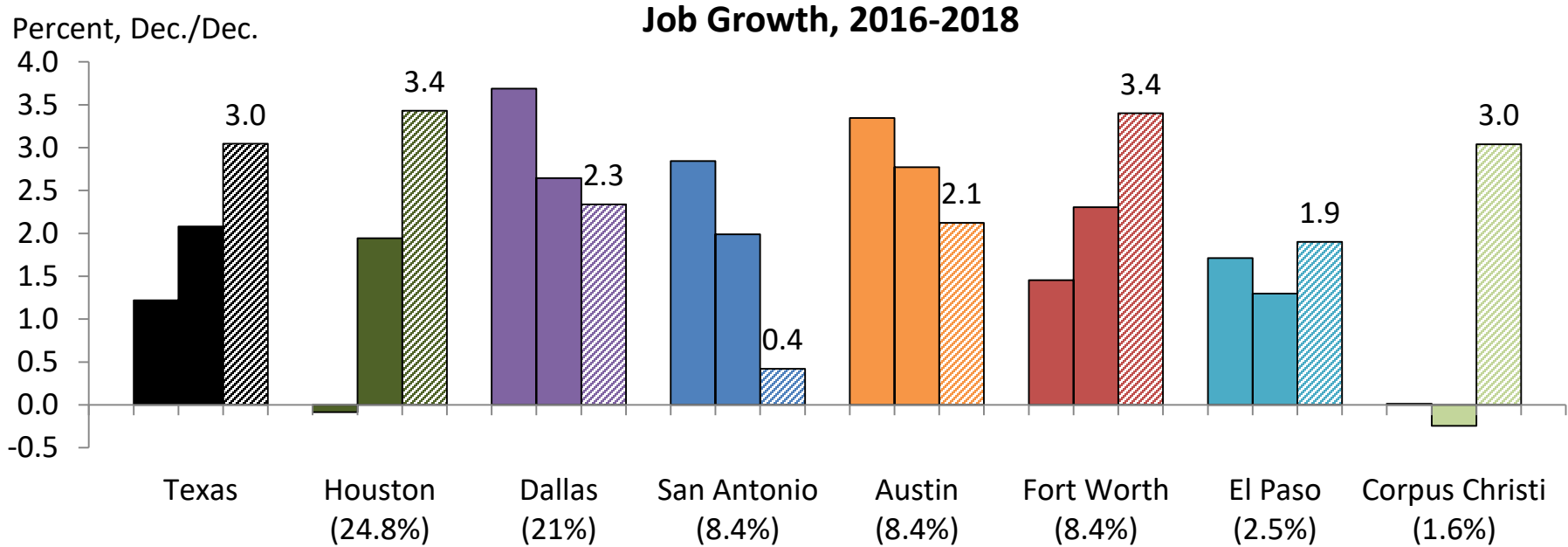
Dollars/hour, 3MMA, SA



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

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

I-35 Corridor Continues to Grow, Energy & Mfg. Areas Rebounding



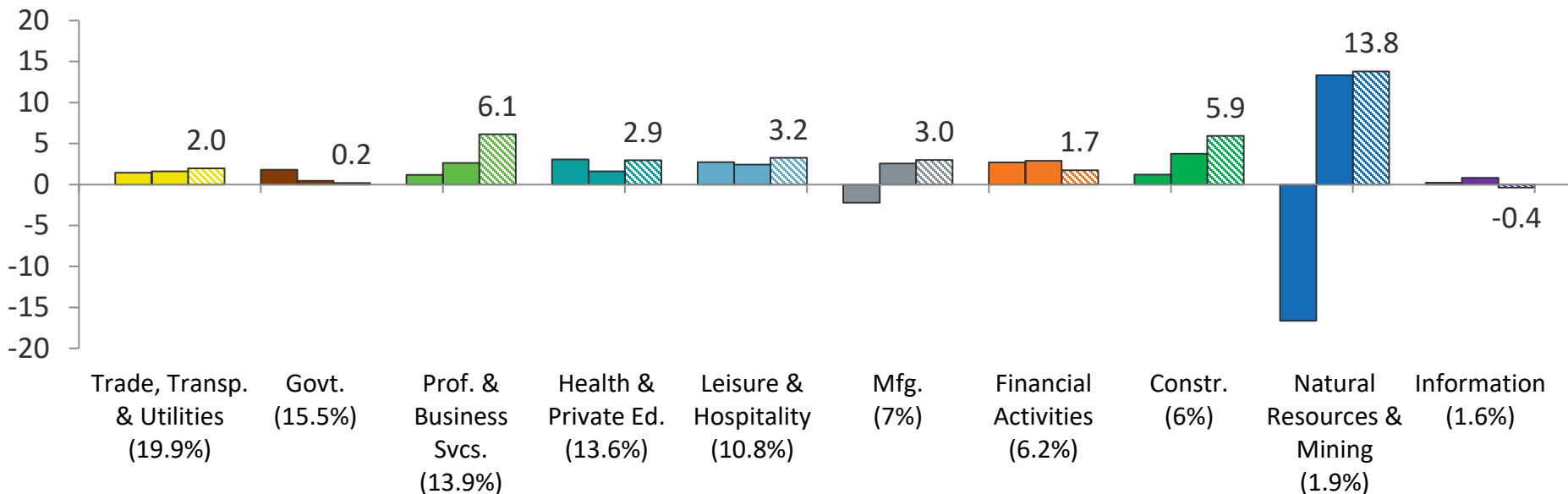
NOTES: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to August 2018. Figures in parentheses represent shares of total state employment.

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

Broad-Based Growth Across Industries

Job Growth 2016-2018

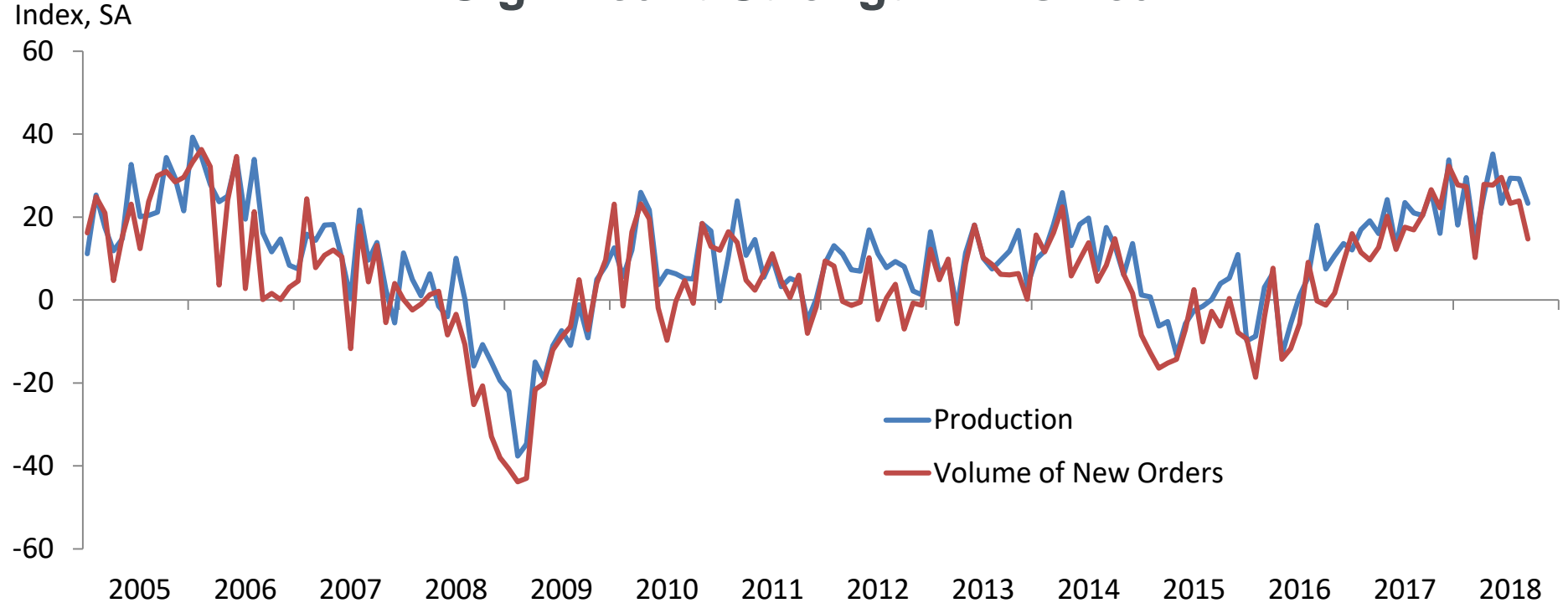
Percent, Dec./Dec.



NOTES: Shaded bars represent seasonally adjusted, annualized growth from Dec. 2017 to August 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

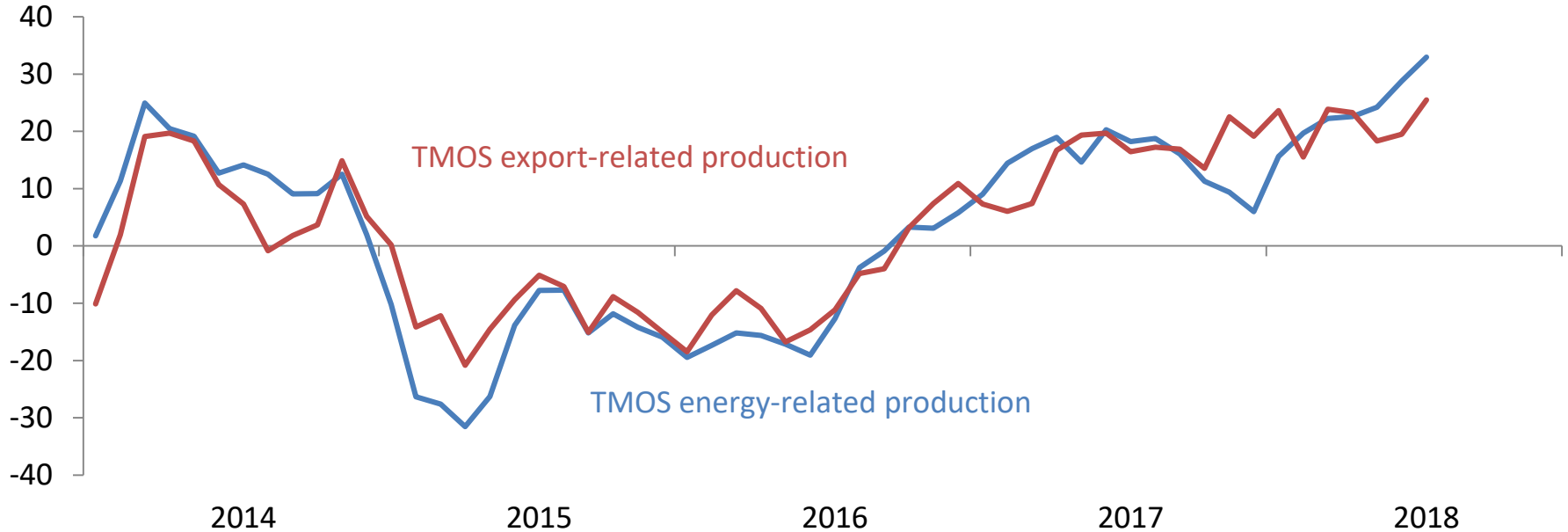


NOTE: Data through September 2018.

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

Manufacturing Production Tied to Exports and Energy Growing Strongly

Index, SA, 3-month centered moving average



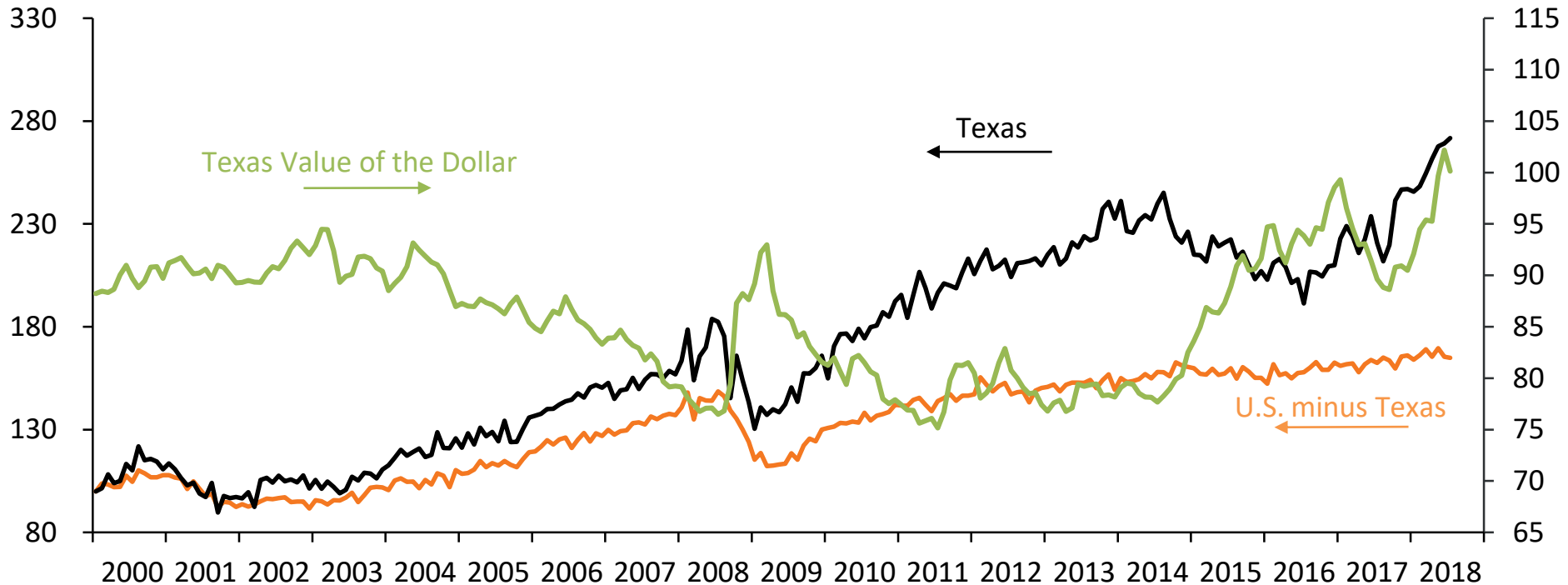
NOTE: Data through August 2018.

SOURCE: Federal Reserve Bank of Dallas.

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

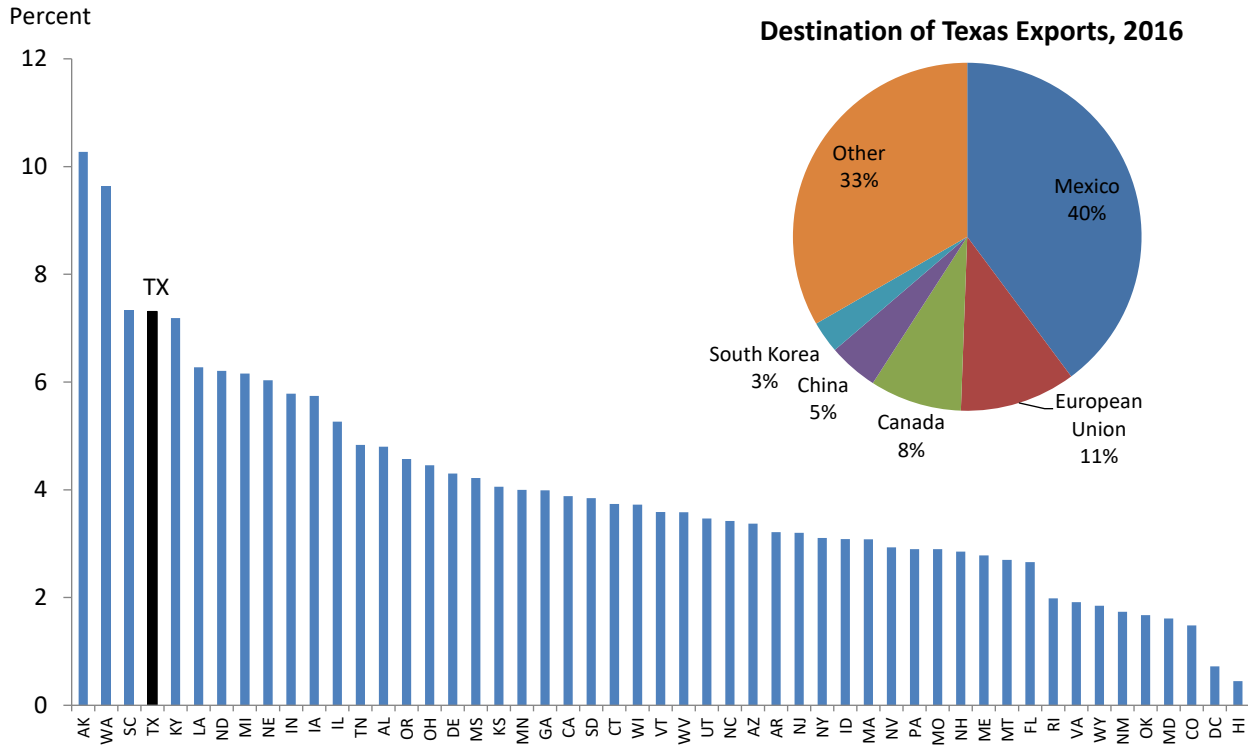
Index, SA, Real
Jan. 2000=100

Index
Jan. 1988=100



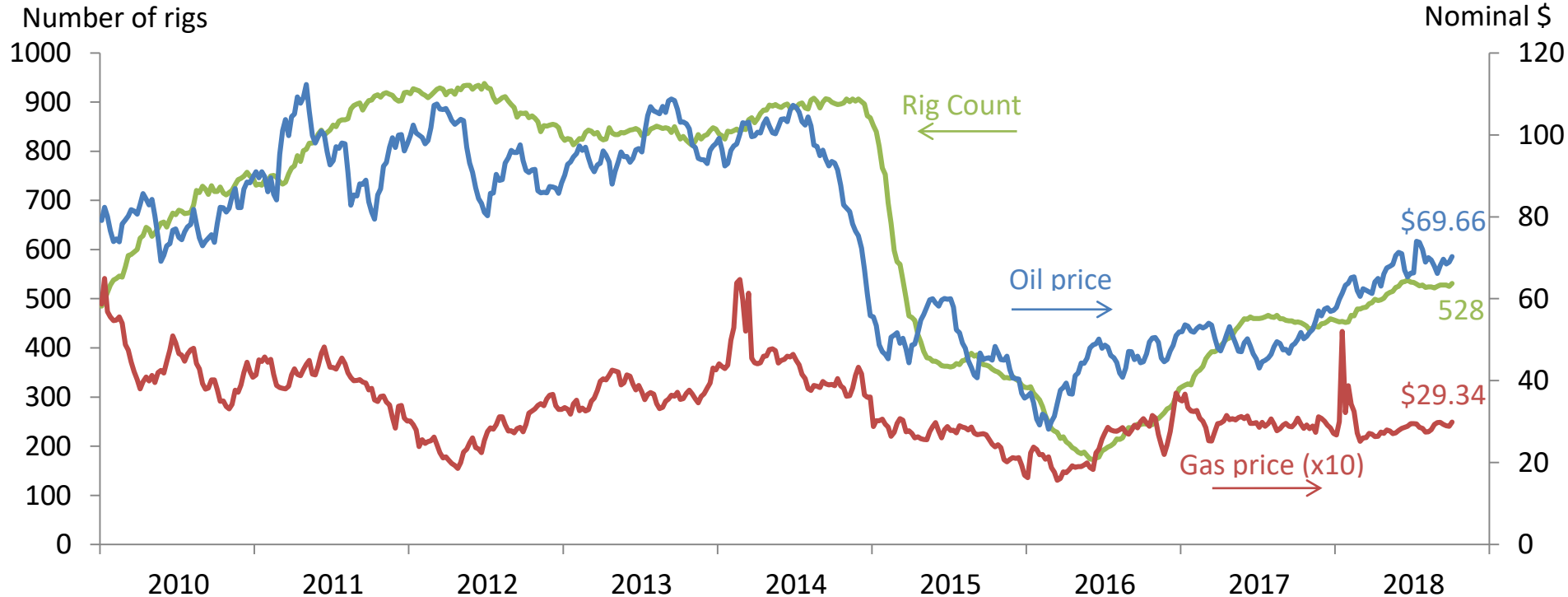
SOURCES: U.S. Census; Bureau of Labor Statistics; WISERtrade; Federal Reserve Bank of Dallas.

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



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

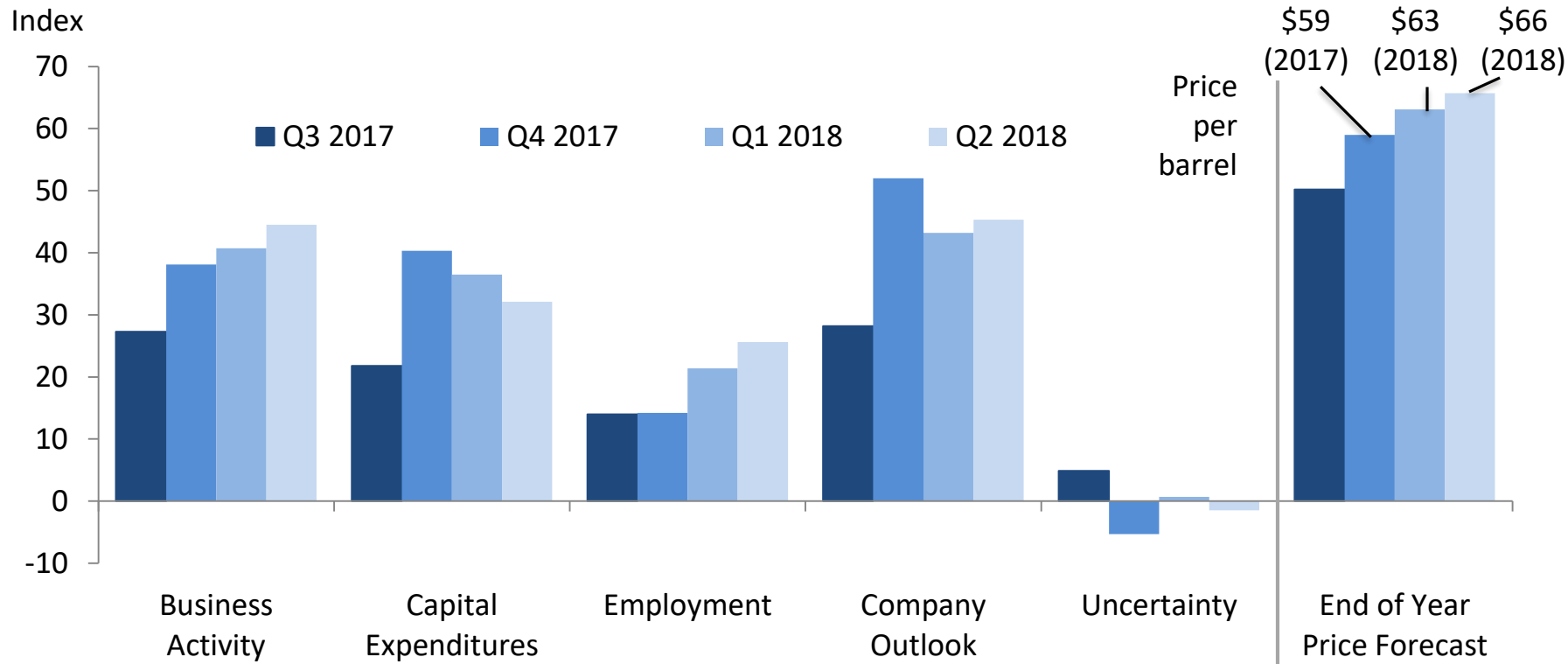
Oil Prices Strong, Rig Count Higher than 2017



NOTE: Data are weekly; last data point is the week of August 31, 2018.

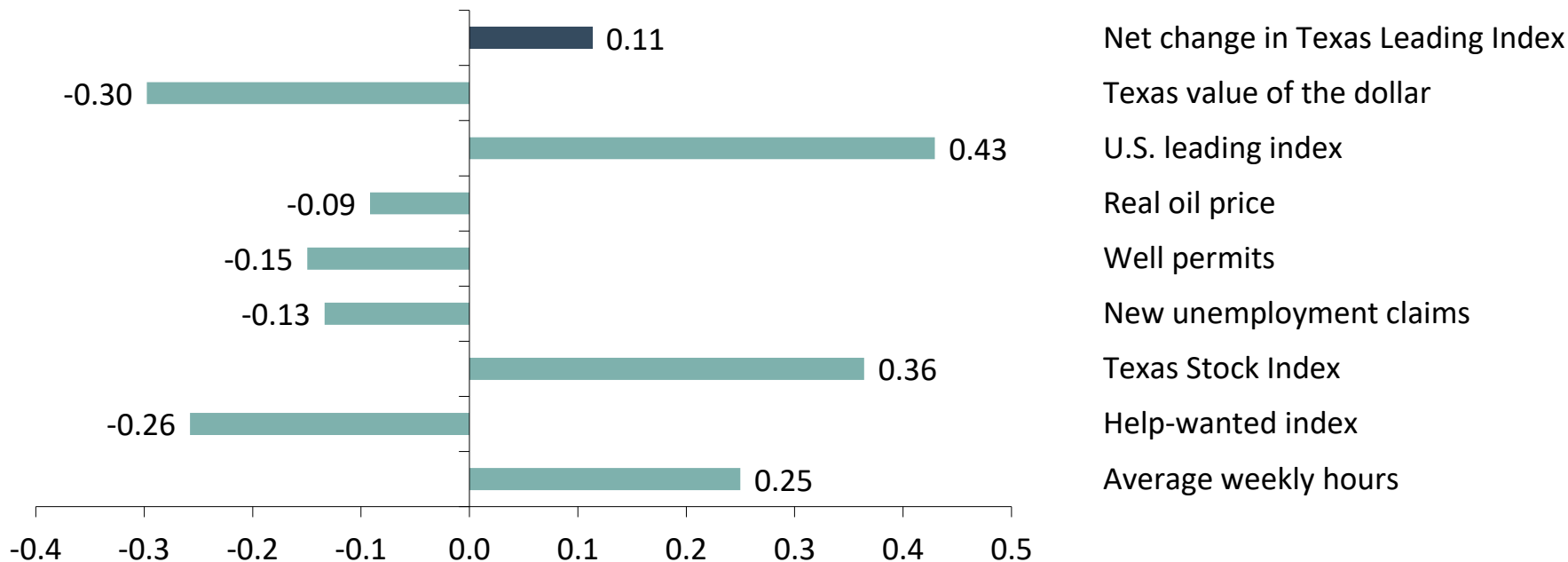
SOURCES: Oil and Gas Journal, Baker Hughes.

Energy Survey Suggests Continued Strong Growth



SOURCE: Federal Reserve Bank of Dallas Energy Survey.

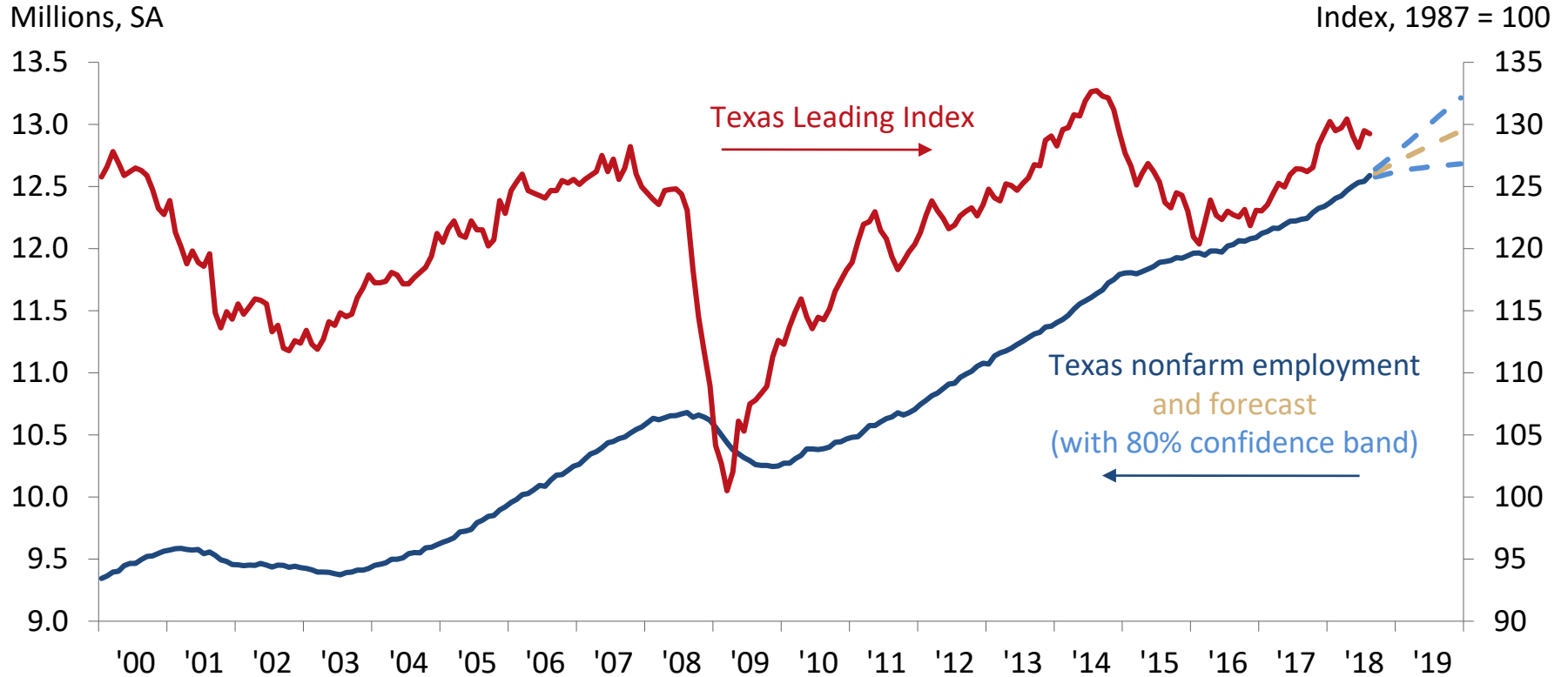
Texas Leading Index Components Mixed



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

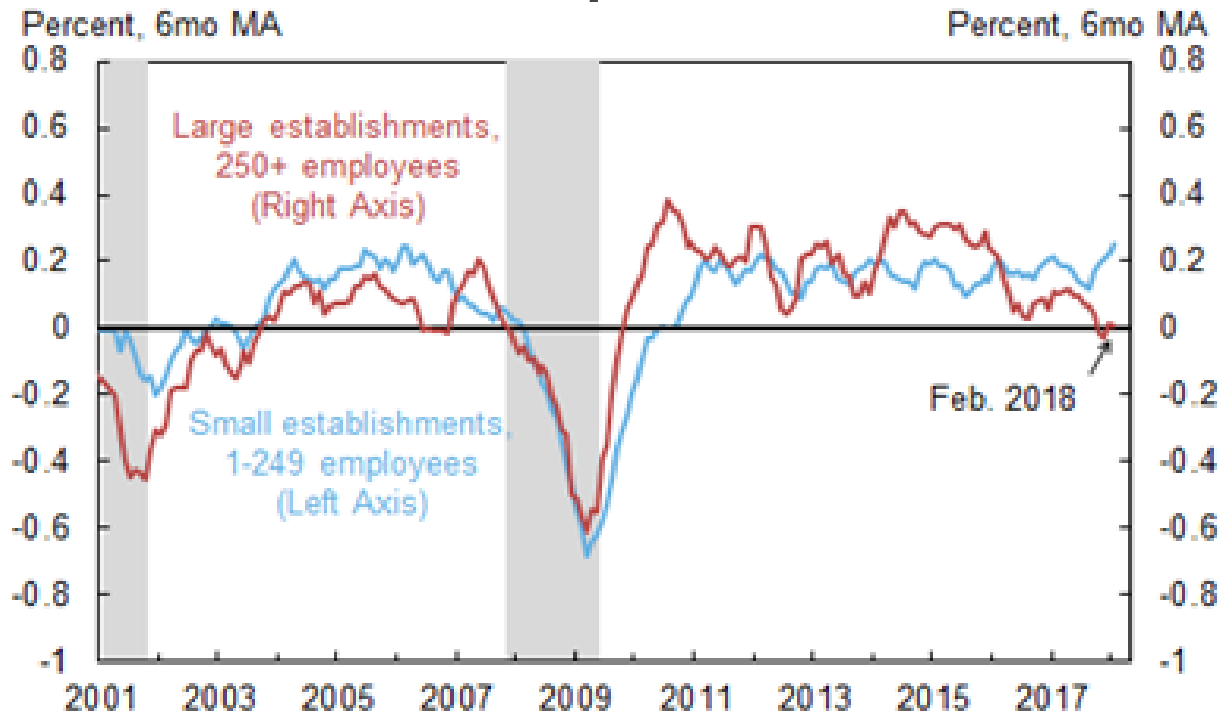
SOURCE: Federal Reserve Bank of Dallas.

Texas Jobs Forecasted to Grow 2.3% to 3.3% in 2018



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

Nationally, Recent Net New Hiring Driven By Small Companies



Source: Bureau of Labor Statistics

Note: Grey shading shows NBER recessions.

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 and will decelerate in second half but remain strong – about 2.8 percent for the year.
- Early for 2019 – but likely 2.0 – 3.0 percent.
- Big challenge is shortage of labor with UR near historical lows and uncertainty surrounding international trade.
- Biggest risk to the forecast is trade war or sharp decline in oil prices.

Texas Likely will Continue to Outperform Other States in the Long-Run

Texas Has Been in Top 10 States in Terms of Job and Output Growth

Time Period	Real GDP		Job Growth	
	Percent Change	State Ranking	Percent Change	State Ranking
1970s	4.4	3	4.9	7
1980s	2.6	25	2.0	21
1990s	4.7	10	2.9	6
2000s	2.5	8	0.9	5
2010s	3.8	2	2.5	5
1970-2016	3.4	8	2.6	8

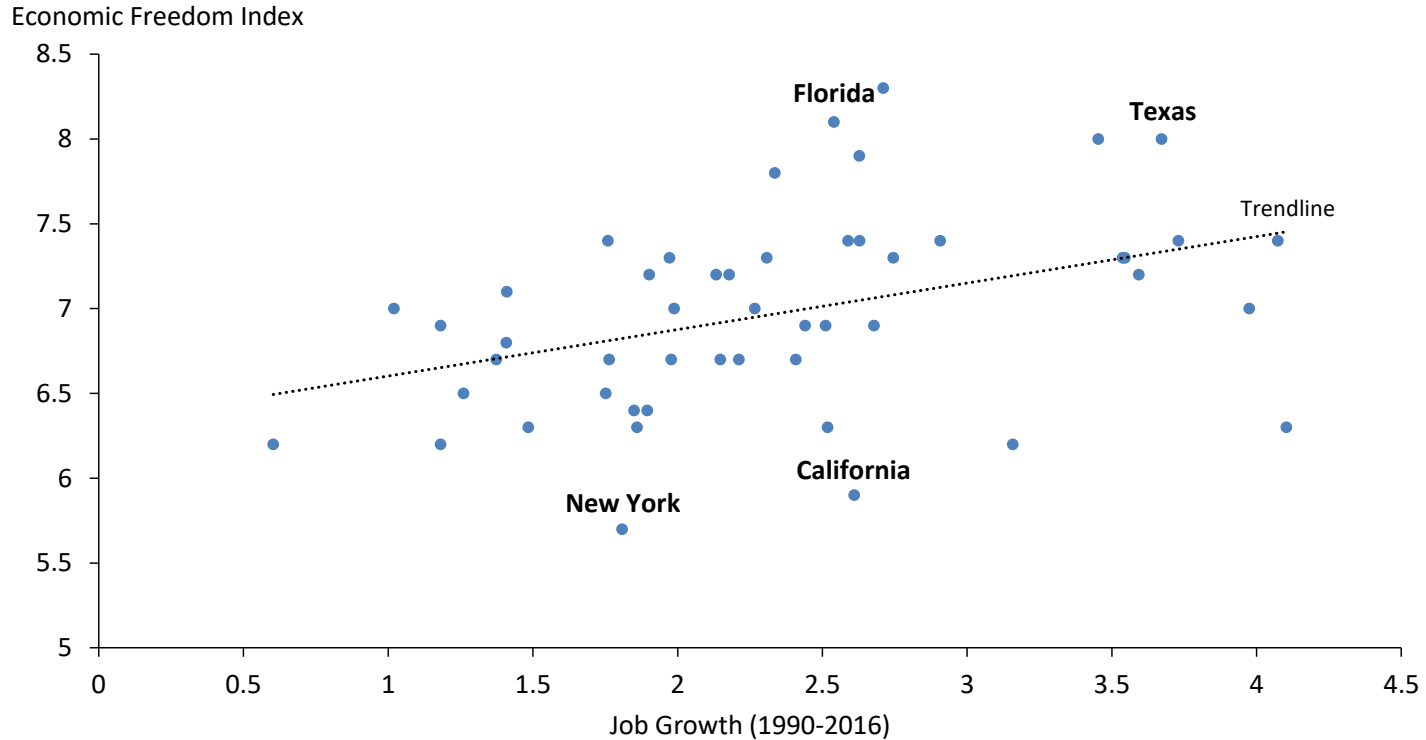
NOTES: Real GDP data only available back to 1971 for Texas and 1977 for other states; 1970s state ranking based on nominal GDP. Data are in annualized growth rates.

SOURCES: Bureau of Economic Analysis, Bureau of Labor Statistics.

Why Do Some States Grow Faster Than Others?

- Where do people want to live? Where can businesses maximize profits?
- Technology and infrastructure can have important impacts.
- Faster growing states tend to have greater economic freedom (smaller share of government, fewer regulations), lower cost of living, better K-12 education outcomes.

Economic Freedom & Growth High in Texas

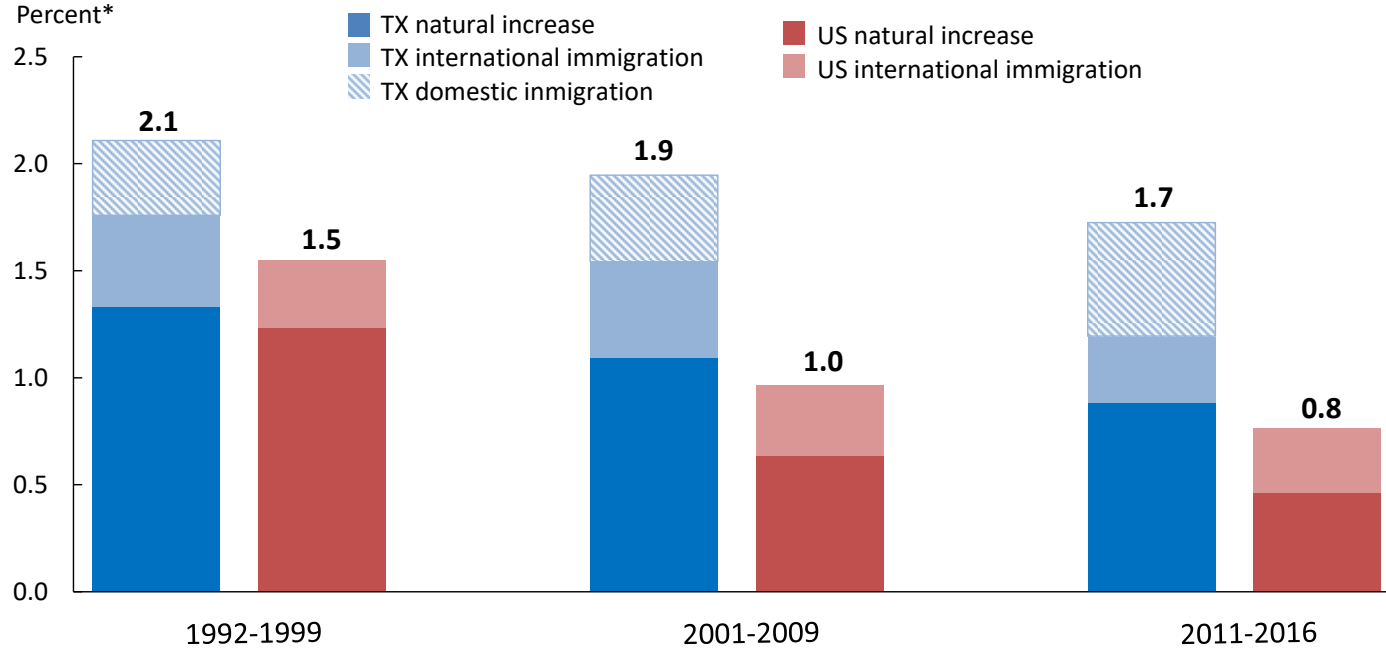


SOURCE: Fraser Institute Economic Freedom Network; Bureau of Labor Statistics.

Population Growth Strong in Texas

- Cost advantage and ease of doing business is reflected in strong movement of people and firms to Texas
- Since 2000, nearly half of the increase in state population has been due to immigration from other states and internationally.
 - Expected to take on an even larger role in the coming decades.
- Growth in size and number of businesses nearly double the rate of the U.S.

Texas Population Growth Consistently Ahead of National Average



*Annual average percentage point contribution to population growth.

SOURCES: Texas A&M; Census Bureau; adjustments by FRB Dallas.

Future Growth

- Texas likely to continue to grow faster than the national average for many years to come but faces challenges going forward.
 - Erosion in cost of living and doing business (housing, congestion, regulations).
 - Need further improvement in educational outcomes and attainment – technology enabled disruption

Summary

- Texas in top 10 states in terms of long-term job and output growth
- Biggest factors in Texas growth may be reasons behind why workers and firms move here
 - Factors such as low cost of living and doing business has attracted strong net in-migration of people and firms
- Most recent decade strong due to energy and exports
- As populations continues to grow, gets harder to contain cost of living and doing business and growth tends to slow

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](#)
- [International Economic Updates](#)
- [Additional Research Publications and Data](#)

