National Economy Growing Strongly

• After growing a strong 1.8% in 2018 job growth slowed to 1.3% in 2019, while real GDP growth slowed from 2.5% to 2.3%

• Manufacturing, construction and mining jobs slowed last year

• Labor market below full employment at 3.5% unemployment rate

• Inflation is stable near Fed target of 2%

• USMCA passage and first stage of China trade deal has reduced uncertainty

• Negative yield spread in August, September and more recent declines in US Leading Index suggests some concern about the outlook for 2020

• Forecasters project GDP to grow between 1.8% and 2.2% this year
Job Growth Averaged 176K Per Month Last Year, 223K in 2018

Thousands, SA

SOURCE: Bureau of Labor Statistics
Unemployment Rate Lowest in 50 Years (1969)

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.
Core Inflation Near 2 Percent Goal

SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.
Yield Curve Turns Positive in October – But Caution Remains

NOTE: Data through December 2019.
U.S. Leading Index Suggests Weaker Growth Over Next 3-6 Months

NOTE: Shaded areas represent U.S. recessions.
SOURCES: Conference Board, Federal Reserve Bank of Dallas.
GDP Growth Expected to Slow – No Recession Forecasted for 2020

SOURCES: Bureau of Economic Analysis; Blue Chip Economic Indicators.
Texas Economy Moderated in 2019

• Following oil bust in 2015 and 2016, Texas economy picked up in 2017 and 2018 but slowed in 2019.

• Last year job growth weakened slightly from 2.4 to 2.0 percent as the energy industry declined and labor market constraints continued to suppress job growth.

• Growth in the second half of 2019 improved and the leading index picked up – but manufacturing and energy weakened further.

• This year, less trade uncertainty is a positive although the energy sector will remain a drag. Election uncertainty may restrain business investment.

• Overall the forecast is for steady job growth near 2.1 percent with further declines in the unemployment rate.
Texas Job Growth Above the Nation’s

NOTES: Long-run trend growth is 1.1 percent for the U.S. and 2.1 percent for Texas.
Texas Economy Expanding At Strong Pace
(Texas Business-Cycle Index)

NOTE: Data through December 2019. Shaded areas represent Texas recessions. Trend refers to growth from Jan. 1990 – present.
Texas Unemployment Near Historical Low

NOTES: Data through December 2019.  
Job Growth Broad-Based Across Regions

NOTES: Numbers in parentheses refer to the share of Texas employment in the most recent month.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Dallas Fed.
2019 Job Growth Broad-Based Except Mining

Percent change, SAAR

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (100%)</td>
<td>2.0</td>
<td>1.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Trade, Transp. &amp; Util. (19.6%)</td>
<td>2.8</td>
<td>2.9</td>
<td>1.9</td>
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<tr>
<td>Gov. (15.2%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv. (14.1%)</td>
<td>1.9</td>
<td>-5.4</td>
<td>2.5</td>
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<tr>
<td>Educ. &amp; Health Serv. (13.7%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
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<tr>
<td>Leisure &amp; Hosp. (10.9%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
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<tr>
<td>Mfg. (7.1%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Fin. Act. (6.3%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
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<tr>
<td>Constr. (6.2%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Oil &amp; Gas Ext., Mining Sup. (1.8%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Info. (1.6%)</td>
<td>2.6</td>
<td>4.2</td>
<td>5.2</td>
</tr>
</tbody>
</table>

NOTES: Numbers in parentheses are share of Texas employment for most recent month.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.
Manufacturing and Services Activity Picked Up in January

NOTES: Data through January 2020. Dashed lines are postrecession averages.
Tariffs Increasing Costs and Prices, Reducing Capex

“What impact have U.S. and foreign tariffs implemented since last year had on the following aspects of your firm’s business?”

*Net percent calculated as the share of respondents reporting increase minus the share reporting decrease.

Energy Exports Growing Strongly: Less Impacted by Tariffs, Dollar Strength

Index, Jan 2003 = 100, 5MMA, real 2018$

- Blue line: Texas exports less energy related exports
- Orange line: Texas energy related exports
- Green line: Texas total exports

NOTE: Energy related exports include mining, chemical, and petroleum and coal products exports. Data through November 2019.
SOURCES: U.S. Census, USATrade.
Texas Non-Energy Exports Doing Better than Rest of U.S. States

Index, Jan 2003 = 100, 5MMA, real 2018$

NOTES: Energy related exports include mining, chemicals and petroleum and coal products exports. Data through November 2019.
Mortgage Rates Declined in 2019 – Home Building Grew Strongly

NOTES: Data through December 2019. Effective interest rate is for closed 30-year, fixed rate, prime, first mortgages.
SOURCES: MLS; Texas A&M Real Estate Center; Wall Street Journal.

Federal Reserve Bank of Dallas | San Antonio
Oil Price Suggests Flattening Rig Count

NOTE: Data are weekly, through the week ending January 24, 2020.
SOURCES: EIA; Baker Hughes.
Current Oil Prices Support Moderate Drilling Activity

In the top two areas in which your firm is active:
How much WTI oil price does your firm need to profitably drill a new well?
Dollars per barrel

![Bar Chart]

NOTES: Lines show the mean, and bars show the range of responses. Executives from 82 exploration and production firms answered this question during the survey collection period, March 13–21, 2019.

SOURCE: Federal Reserve Bank of Dallas.
Energy Survey Suggests Continued Weakness

NOTE: Price forecast is average year-end forecast of WTI oil price among respondents.
Recent Oil Prices Suggest Texas Job Growth Will Remain Above Nation’s

NOTE: Nominal oil price was $59.81 a barrel in Dec. 2019.
Outlook Improving in Services but not in Manufacturing

NOTES: Data through January 2020. Dashed lines are post recession averages.
SOURCES: Federal Reserve Bank of Dallas Outlook Surveys: Manufacturing (TMOS); Service Sector (TSSOS).
TX Leading Index Components Mostly Positive Over Past 3 Months

Net contributions to change in Texas Leading Index

NOTE: Three-month percent change through December, seasonally adjusted. Texas value of the dollar is a preliminary estimate from the Dallas Fed.
SOURCE: Federal Reserve Bank of Dallas.
Texas Jobs Forecast to Grow about 2.1% in 2020

*Seasonally adjusted.

San Antonio Economy Picked Up in 2019

- 2019 job growth at 2.2% after 1.6% in 2018
- Federal govt. declined slightly after growing moderately in 2018
- Construction, health care and leisure and hospitality strong
- Finance and Insurance down, retail flat
- UR very low at 3.0 percent – labor force picked up in second half of 2019

Summary

• National economy slowed in 2019 but remained above trend – forecasters expect continued growth but caution remains

• Texas even stronger than nation but energy sector likely to continue to decline

• Historically tight labor markets continue to restrain job growth

• Texas jobs grew 2.0 percent in 2019 and will likely grow about 2.1 percent this year – with greater downside than upside risks

• Texas unemployment rate likely to decline further

• Biggest downside risks to forecast are sharp decline in oil prices, trade war escalation, national recession
Uncertainty in Crude Price Forecasts

WTI crude oil, dollars per barrel

- Historical spot price
- STEO price forecast
- NYMEX futures price
- 95% NYMEX futures confidence interval

Source: EIA
How Did My Forecast From Last Year Do?

Last year stated: “Texas expected to have grown 2.4 percent in 2018 and will likely slow to about 1.4 percent in 2019”

– Instead growth slowed from 2.4% in 2018 to 2.0% in 2019
Dallas Fed Resources

Publications and Surveys:

- Texas Employment Forecast
- Metro Economic Indicators
- Regional Economic Updates
- Southwest Economy
- Heart of Texas
- Dallas Fed Blog
- National Economic Updates
- International Economic Updates
- Texas Business Outlook Surveys
- Energy Survey

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