Texas Economic Outlook: Takes a Licking But Keeps on Ticking

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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 doing better than other energy states.

Service sectors and I-35 corridor not impacted much by energy downturn.

In 2015, jobs grew 1.3% (155,000 jobs), a drop from 3.7% in 2014. In 2016, growth though September is 1.4% and will likely hold near that pace to finish about 1.5% for the year. 2017 forecast at 1.7%.
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 30th in Job Growth in 2015; Jobs Contracted in Most Energy States


NOTE: Black bars represent large energy-producing states.
SOURCE: Bureau of Labor Statistics
Texas Growth This Year Remains Positive and Above Other Energy States

Annualized Percent Change

NOTE: Black bars represent large energy-producing states.
SOURCE: Bureau of Labor Statistics
2015-16 Texas Job Growth Less Than the Nation

Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas
Most Metros Still Growing: Dallas Strong, Houston Weak

Job Growth, 2013-2016

Percent, Dec./Dec.

Texas (24.8%) 1.4
Houston (20.8%) 3.0
Dallas (8.4%) 2.0
San Antonio (8.4%) 1.4
Fort Worth (8.4%) 1.5
Austin (8.2%) 1.7
El Paso (2.6%)
Corpus Christi (1.6%)

Texas Unemployment Rate Rising But Still Below National Rate

Texas Economy Expanding Near Trend After Weak First Half

Texas Business Cycle Index

M/M SAAR

NOTE: Shaded areas represent Texas recessions
SOURCE: Federal Reserve Bank of Dallas

3.7% trend
Service Sectors Continue to Add Jobs

(Job Growth 2013-2016)

TX Construction Contract Values Weakening

Real $, Mil
5MMA, SA

Source: F.W. Dodge, Federal Reserve Bank of Dallas
Texas Office Markets Healthy But Vacancy Rate Suggests Slowing

Note: Shaded areas represent Texas recessions
Source: F.W. Dodge, CBRE, Federal Reserve Bank of Dallas
Texas Residential Construction Indexes Suggest Activity Flattening Out

Sources: Federal Reserve Bank of Dallas, Texas A&M Real Estate Center.
TX Manufacturing Indicators Have Improved in Recent Months

Strong Value of the Dollar Continues to Dampen Exports

Index, SA, Real
Jan. 2000=100

Texas Value of the Dollar

U.S. minus Texas

Drilling Rig Count Picking Up in Recent Months

Sources: Oil and Gas Journal, Baker Hughes.
Eagle Ford, Permian Basin Jobs Declining

Index, Jan. 2007 = 100*

*Seasonally adjusted.

Which Metros Are Performing the Best in 2016?
Size of Energy Sector Explains a Lot

Correlation: -0.76
(2015 Correlation -0.88)

Mining sector share of total employment

Leading Index Components Weakly Positive

Net contributions to Change in the Texas Leading Index (July - September)

-0.21

-0.03

0.00

0.08

0.11

0.11

0.18

0.33

Net change in Texas Leading Index
Texas value of the dollar
U.S. leading index
Well permits
New unemployment claims
Texas Stock Index
Help wanted index
Average weekly hours

NOTE: Seasonally adjusted.
SOURCE: Federal Reserve Bank of Dallas.
Texas Jobs Forecasted to Grow about 1.5% in 2016, 1.7% in 2017

Surveys Suggest that $50-$55 Oil needed to Drill Profitably

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

Dollars per barrel

- Permian Basin: $51
- Eagle Ford: $53
- Other U.S.: $55
- Other Texas: $55
- Oklahoma: $56
- Onshore Gulf Coast: $62

NOTES: Line depicts the mean and bars depict the range of responses. Sixty-three exploration and production firms answered this question. Other U.S. includes Bakken, Kansas and Gulf of Mexico, among other responses.
SOURCE: Federal Reserve Bank of Dallas.
Oil Futures Suggest Flat Prices, But Highly Uncertain

Dollars per barrel

WTI spot price

WTI futures (Oct 28)

95% futures confidence interval

SOURCES: Bloomberg; Energy Information Administration; calculations by the Federal Reserve Bank of Dallas.
In past two year Texas weakened sharply but continued to grow - did much better than 1980s and better than other energy states.

Tight real estate markets and continued growth in sectors such as health care and government are offsetting the decline in energy and manufacturing.

Despite ongoing weakness, Texas still growing - Texas job growth likely to be about 1.5 percent this year and 1.7 percent next year.

Biggest risk to the forecast is sharp decline in oil prices.