



FEDERAL RESERVE BANK *of* DALLAS SAN ANTONIO BRANCH

2017 Texas Economic Outlook: Shifting Into Second Gear

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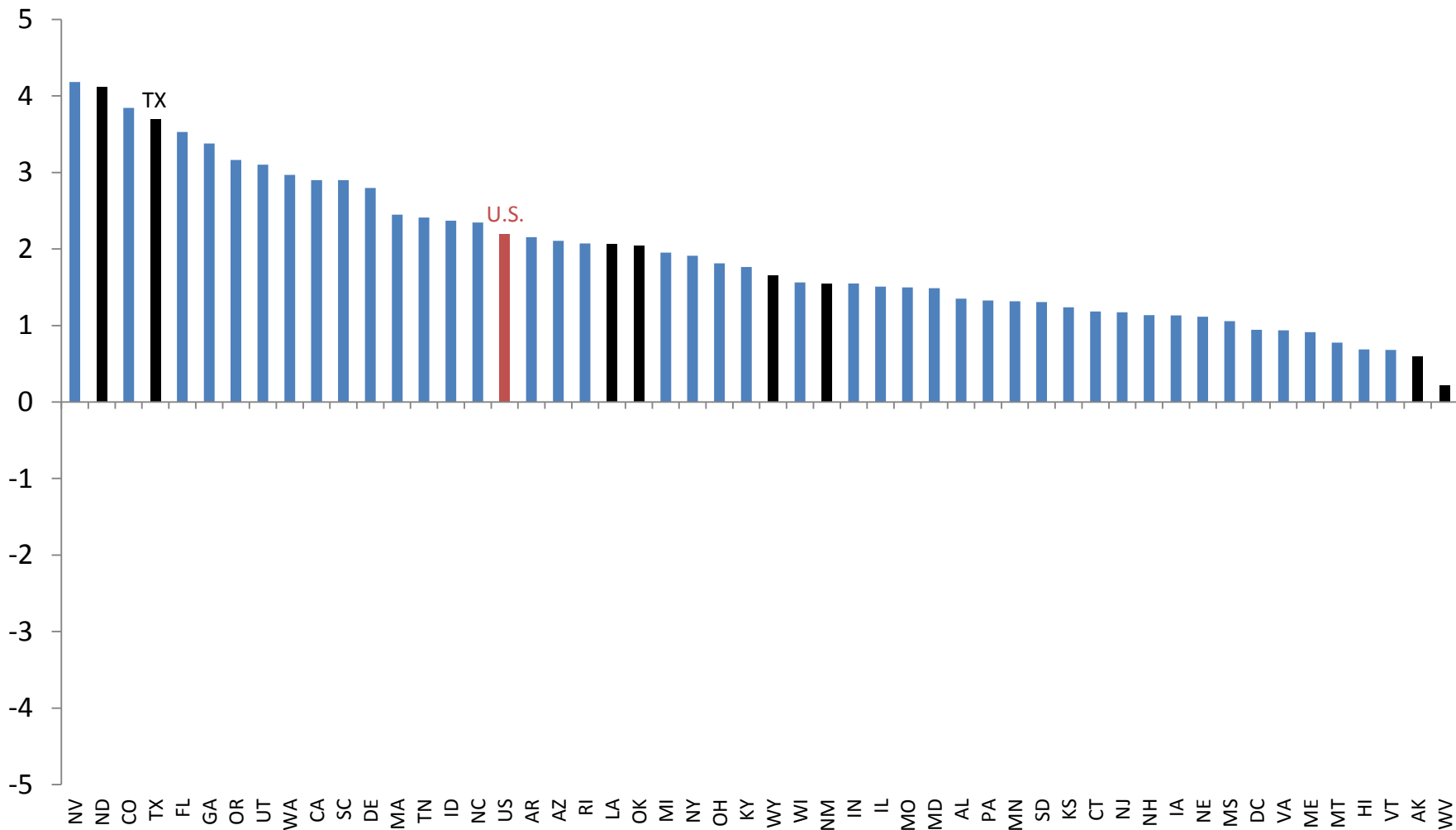
Texas Economic Growth Weak in 2015 and 2016, Likely to Pick Up Next Year

- 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 doing better than other energy states.
- Service sectors and I-35 corridor not impacted much by energy downturn.
- In 2016, jobs grew 1.6% (188,000 jobs), an increase from 1.3% in 2015. In 2017, growth will likely pick up to about 2.0 percent, close to its long term average of 2.1 percent.



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

Percent Change,
Dec. 2013 - Dec. 2014



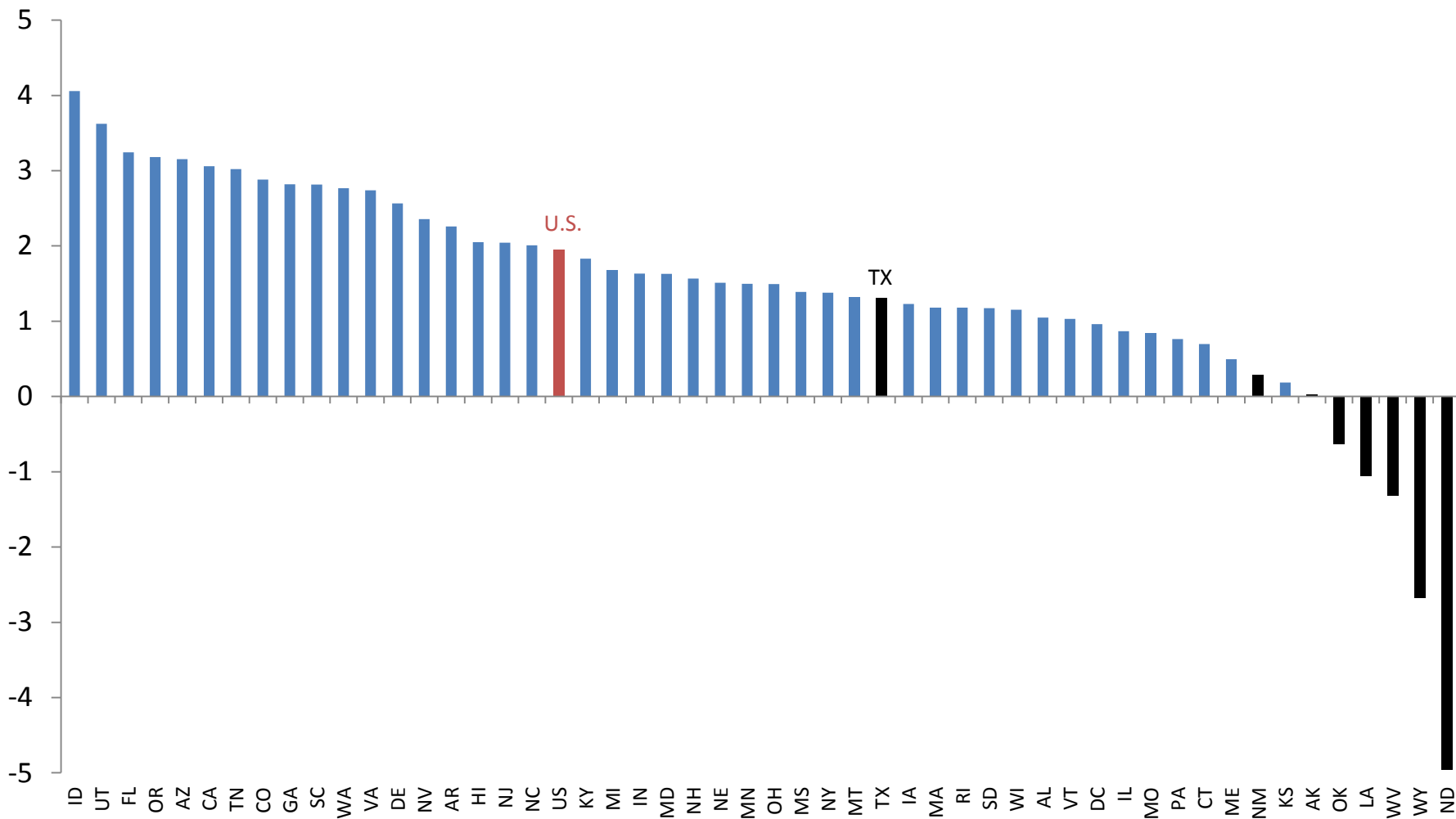
NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics



Texas Ranked 30th in Job Growth in 2015; Jobs Contracted in Most Energy States

Percent Change,
Dec. 2014 - Dec. 2015



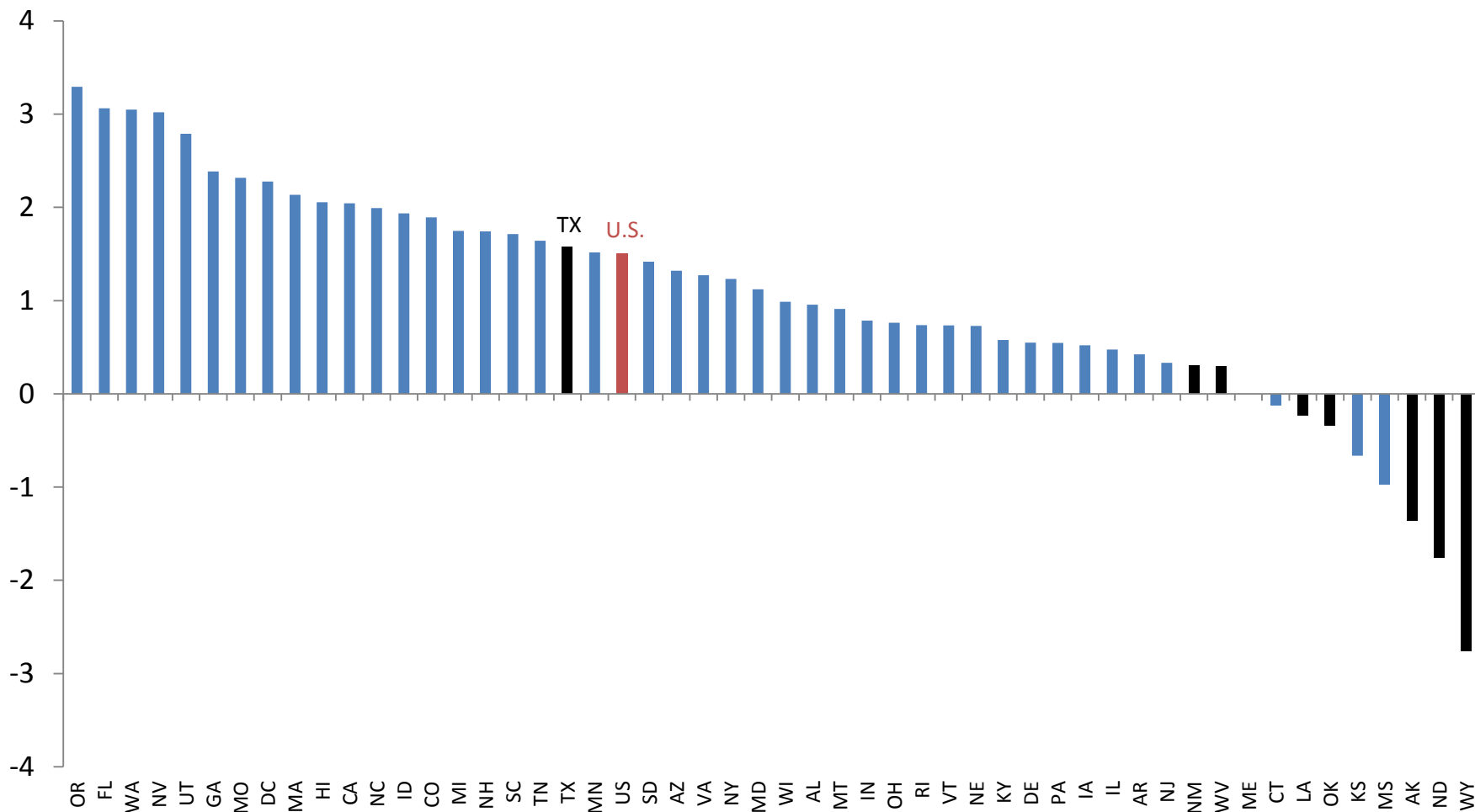
NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics



2016 Texas Growth Back Above Other Energy States and National Average

Percent Change,
Dec. 2015 - Dec. 2016

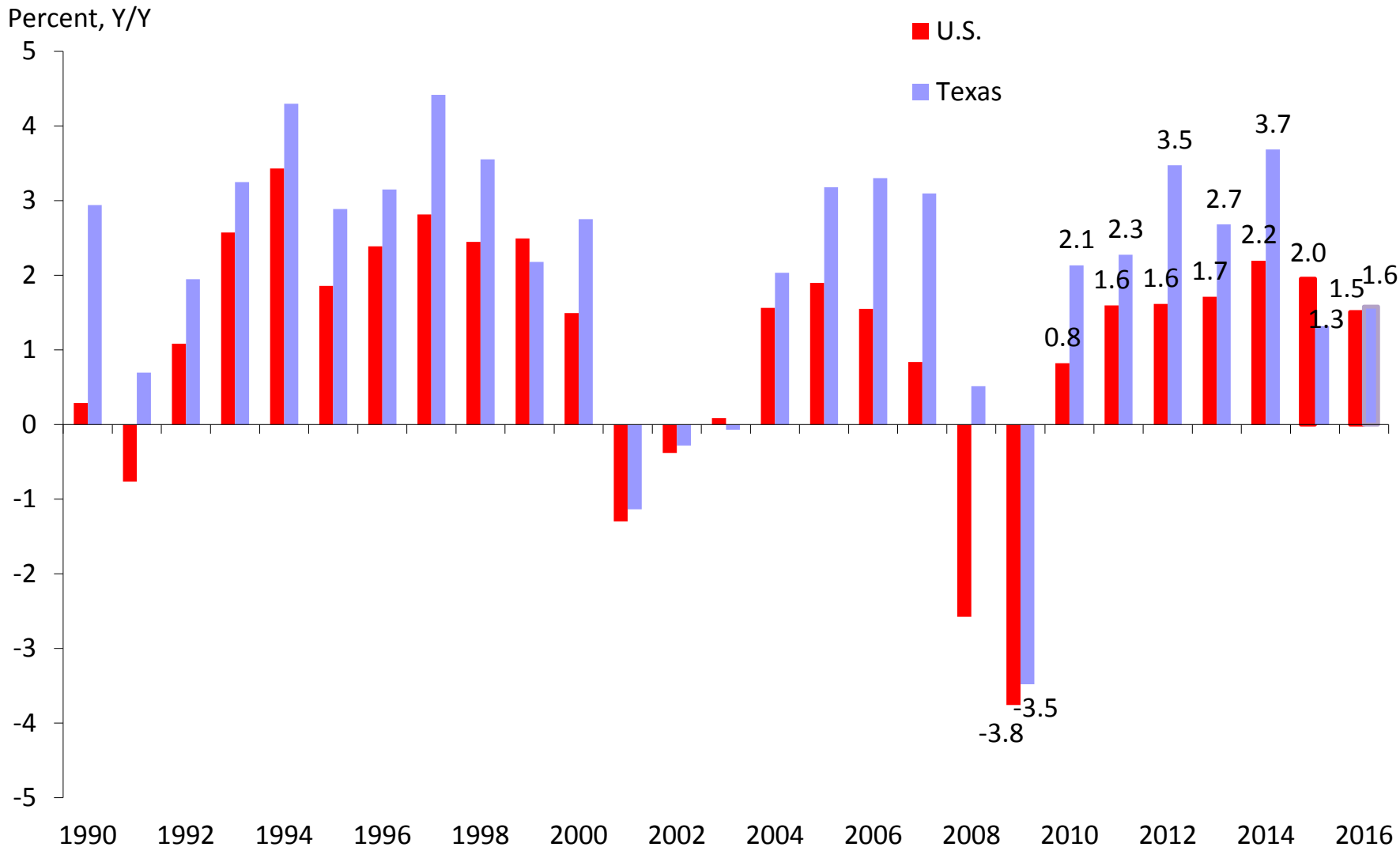


NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics.



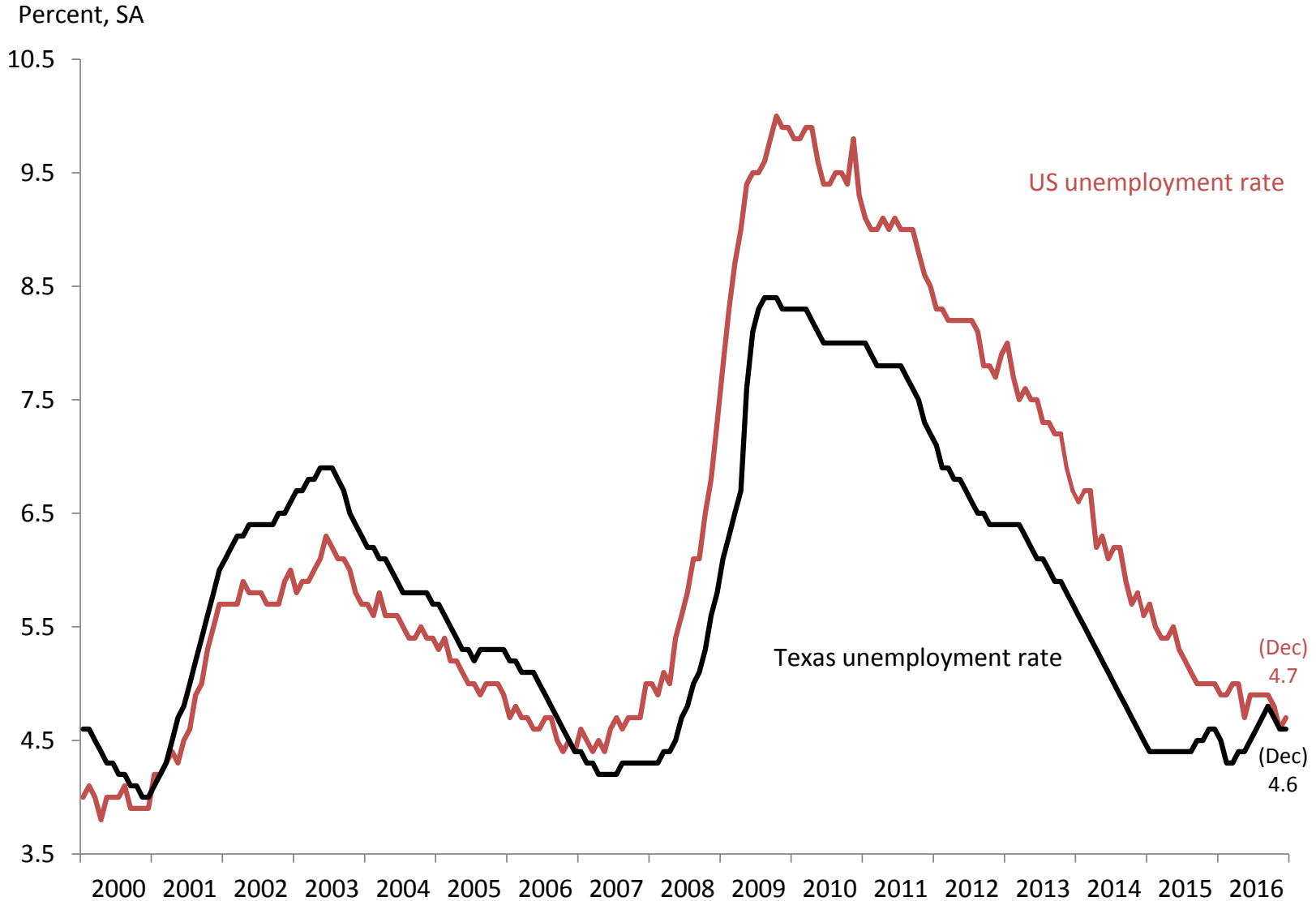
2016 Texas Job Growth Slightly Above the Nation



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



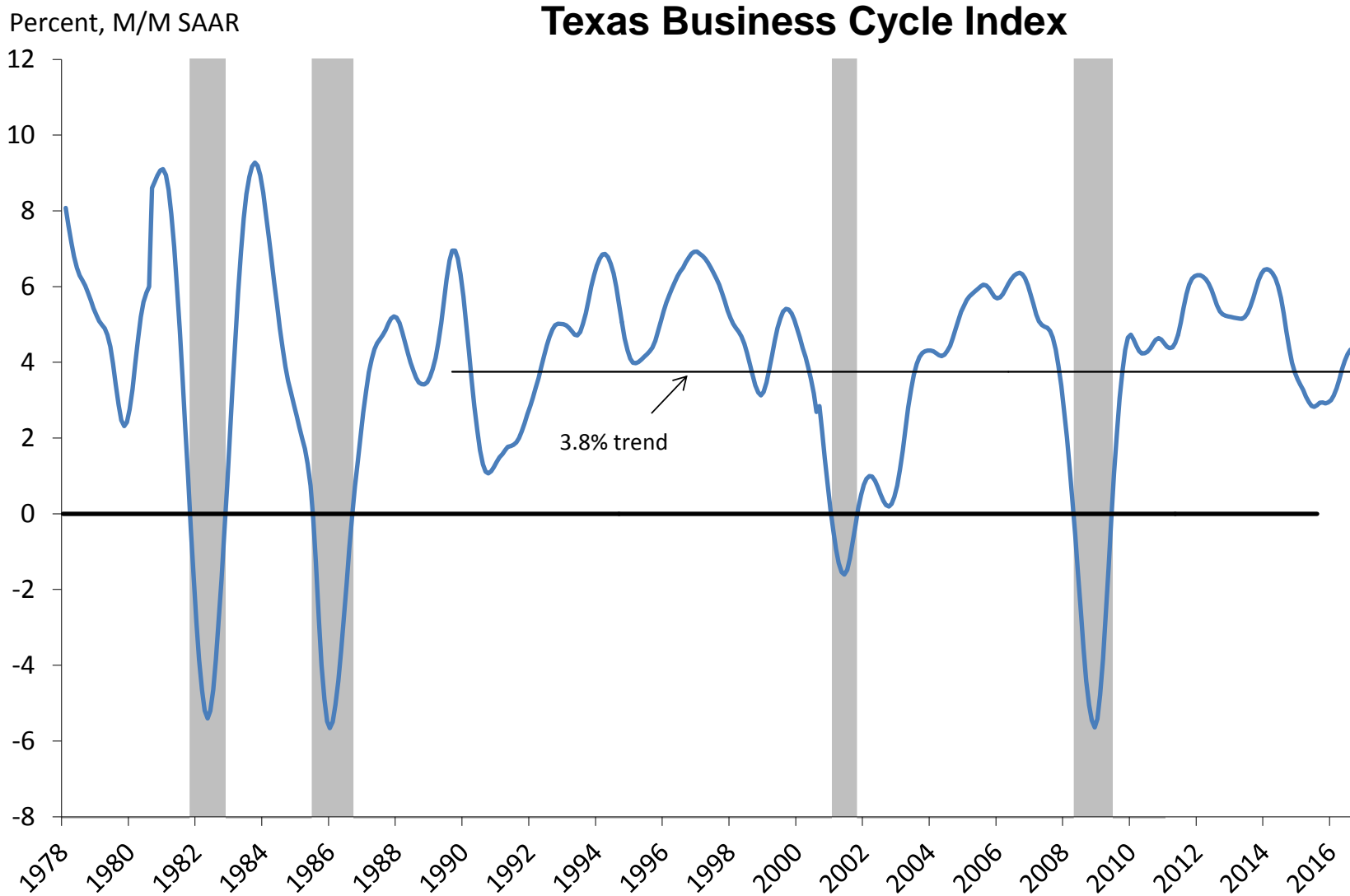
Texas Unemployment Close to National Average



SOURCE: Bureau of Labor Statistics.



Texas Economy Expanding Near Trend After Weak First Half

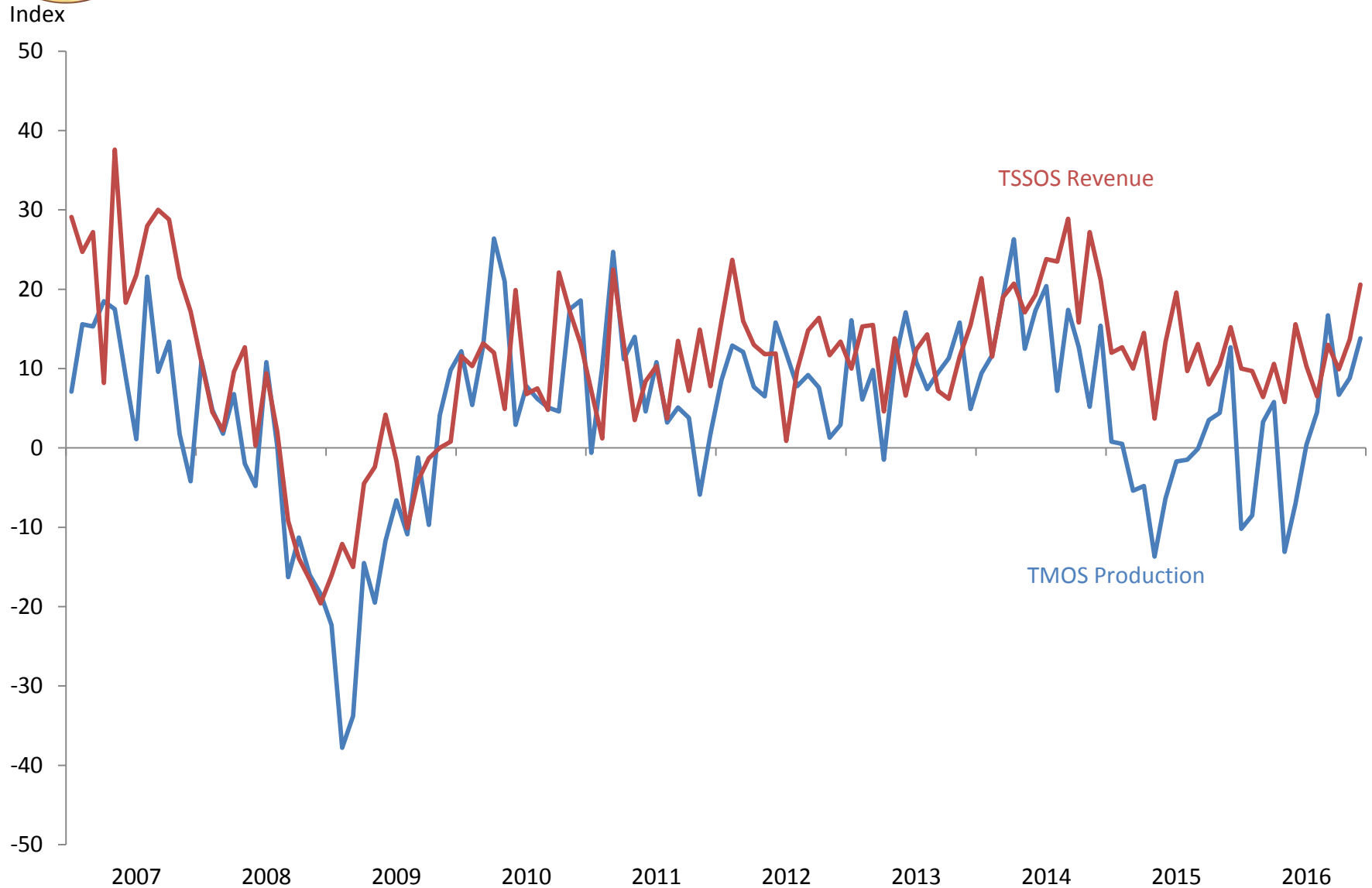


NOTE: Shaded areas represent Texas recessions

SOURCE: Federal Reserve Bank of Dallas



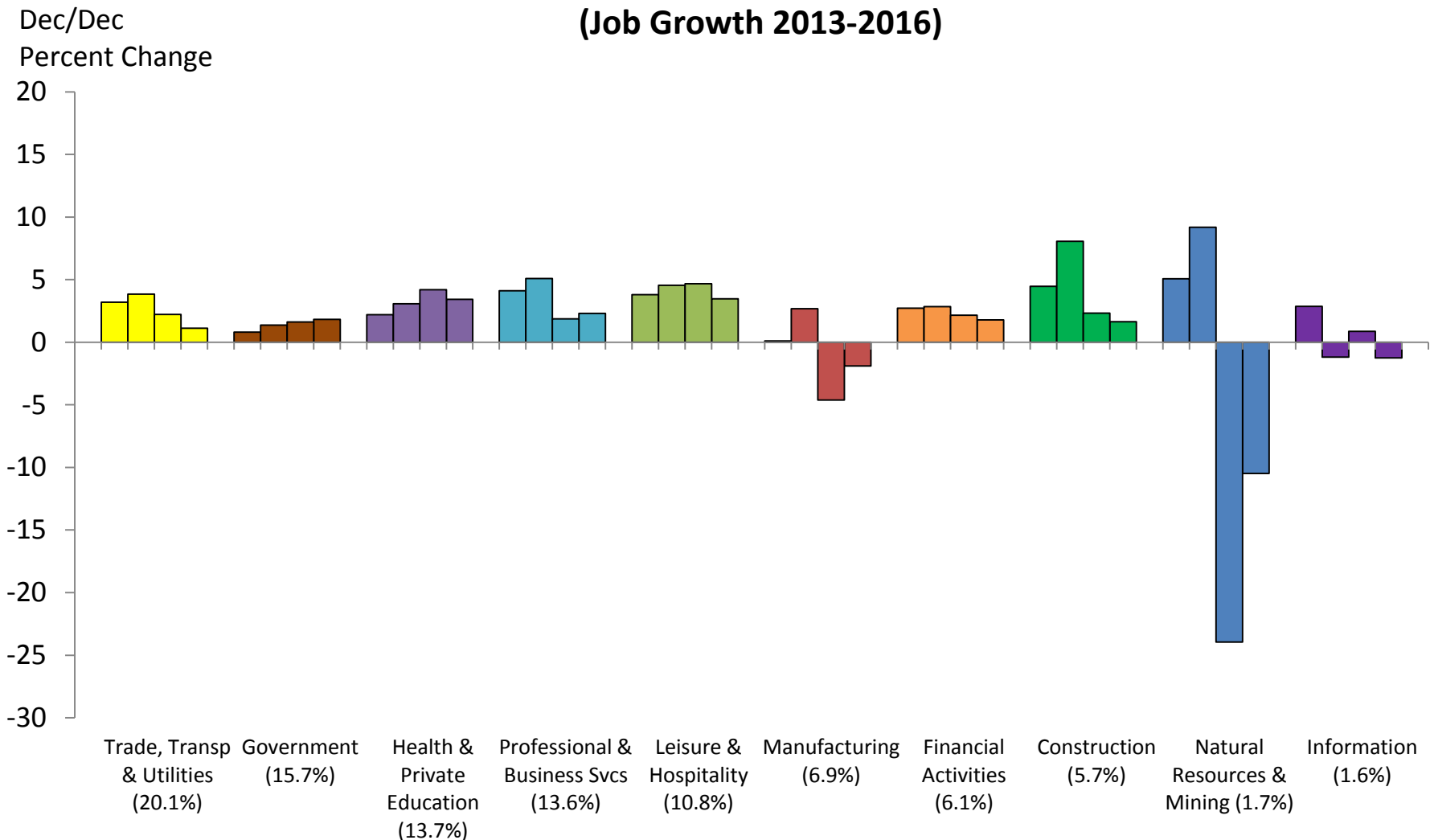
Headline Indexes for TMOS and TSSOS Show Sharp Improvement in December



SOURCE: Federal Reserve Bank of Dallas.



Service Sectors Continue to Add Jobs: Manufacturing and Mining Less Weak



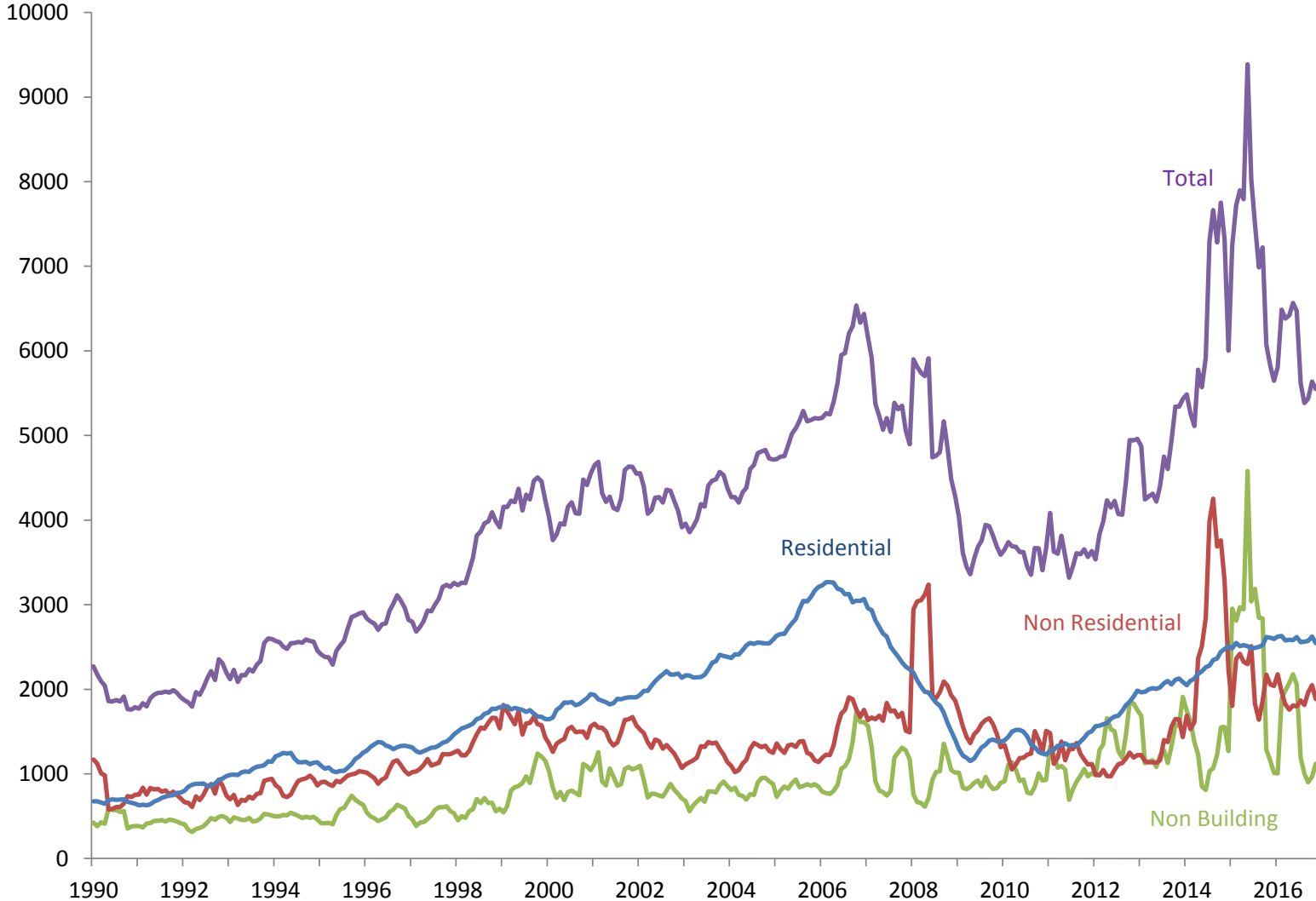
NOTE: Figures in parentheses represent shares of total nonfarm employment.

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



TX Construction Contract Values Healthy but Weakening

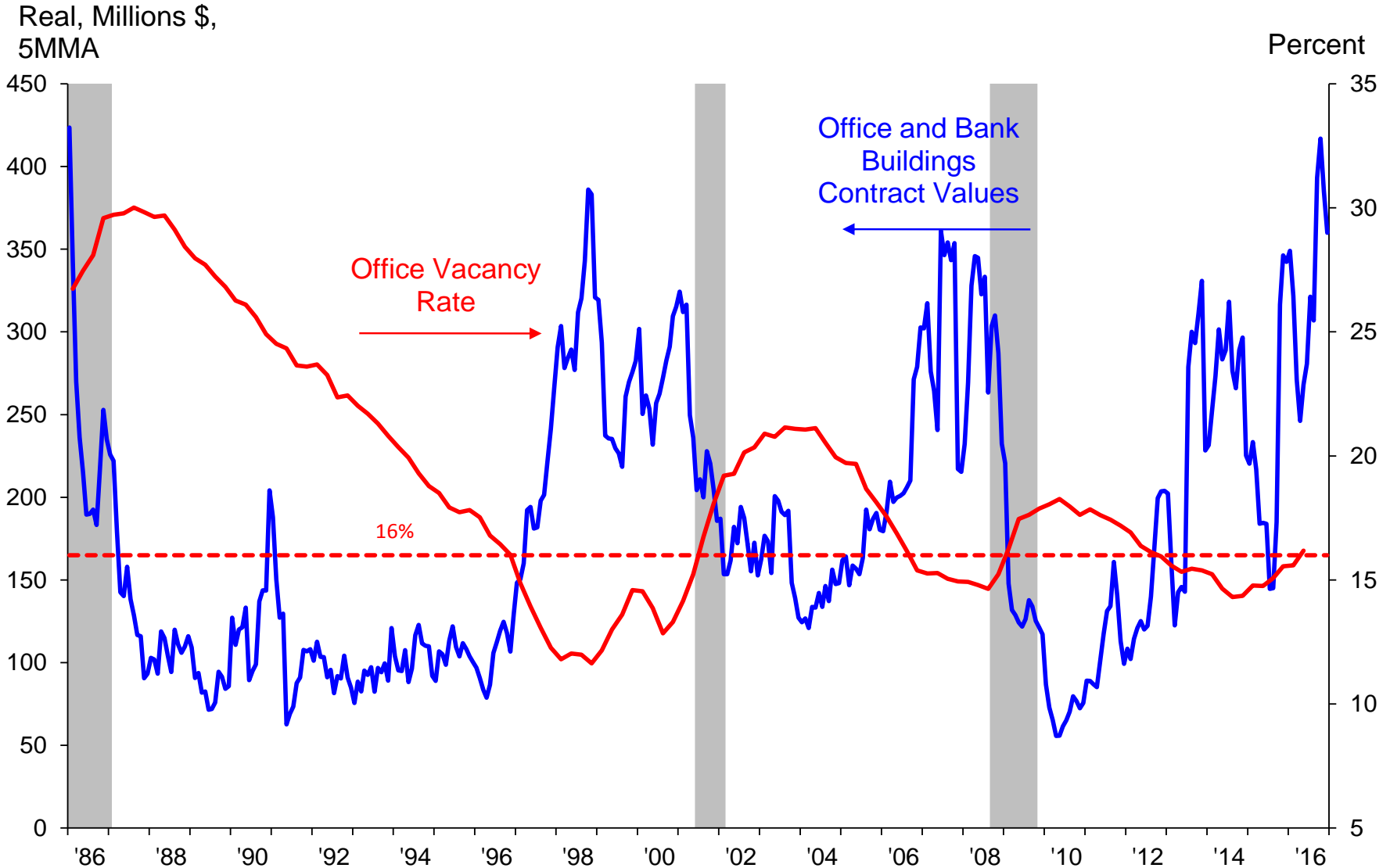
Real \$, Mil
5MMA, SA
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SOURCES: F.W. Dodge, Federal Reserve Bank of Dallas.



Texas Office Markets Healthy But Vacancy Rate Suggests Slowing

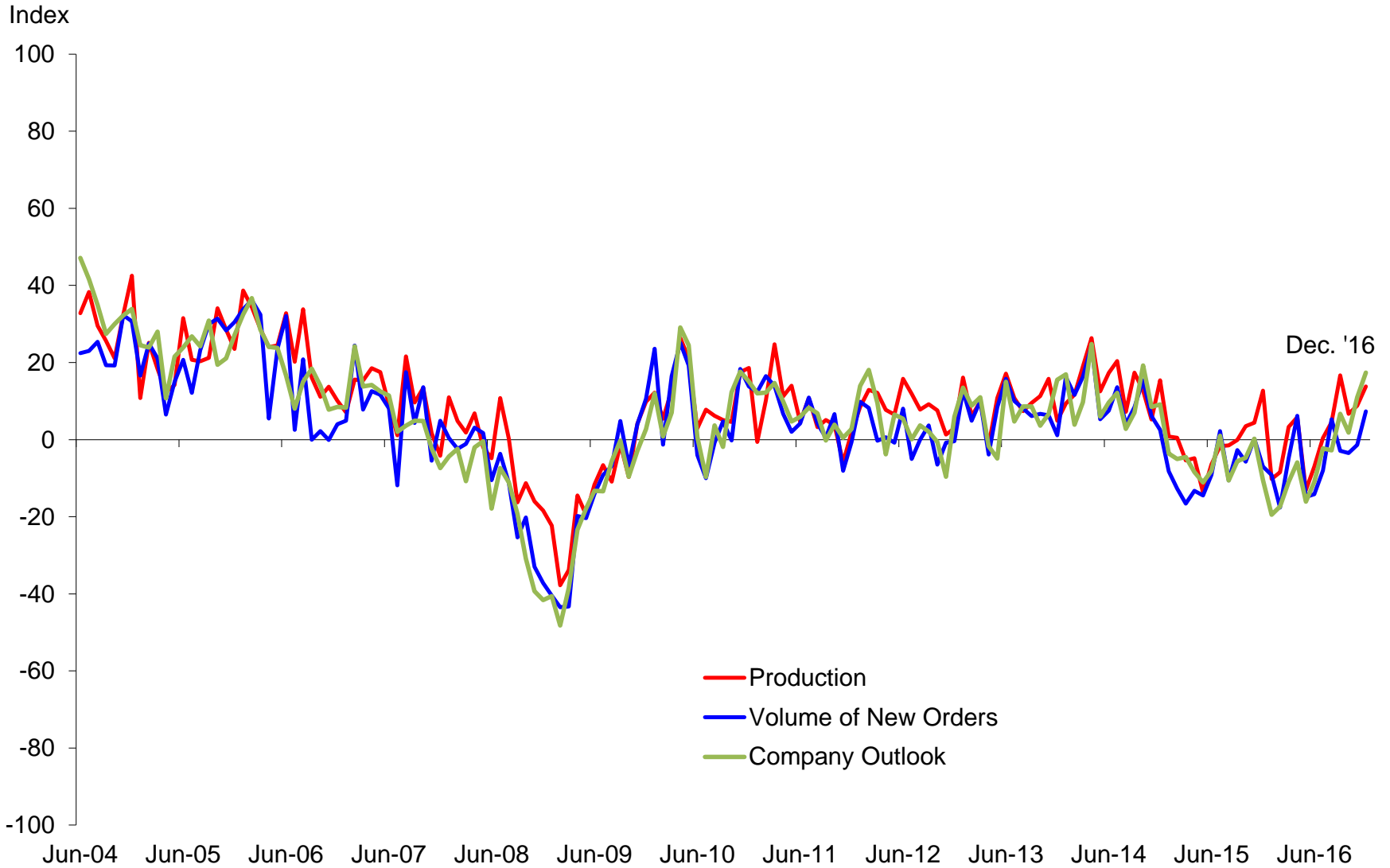


NOTE: Shaded areas represent Texas recessions

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



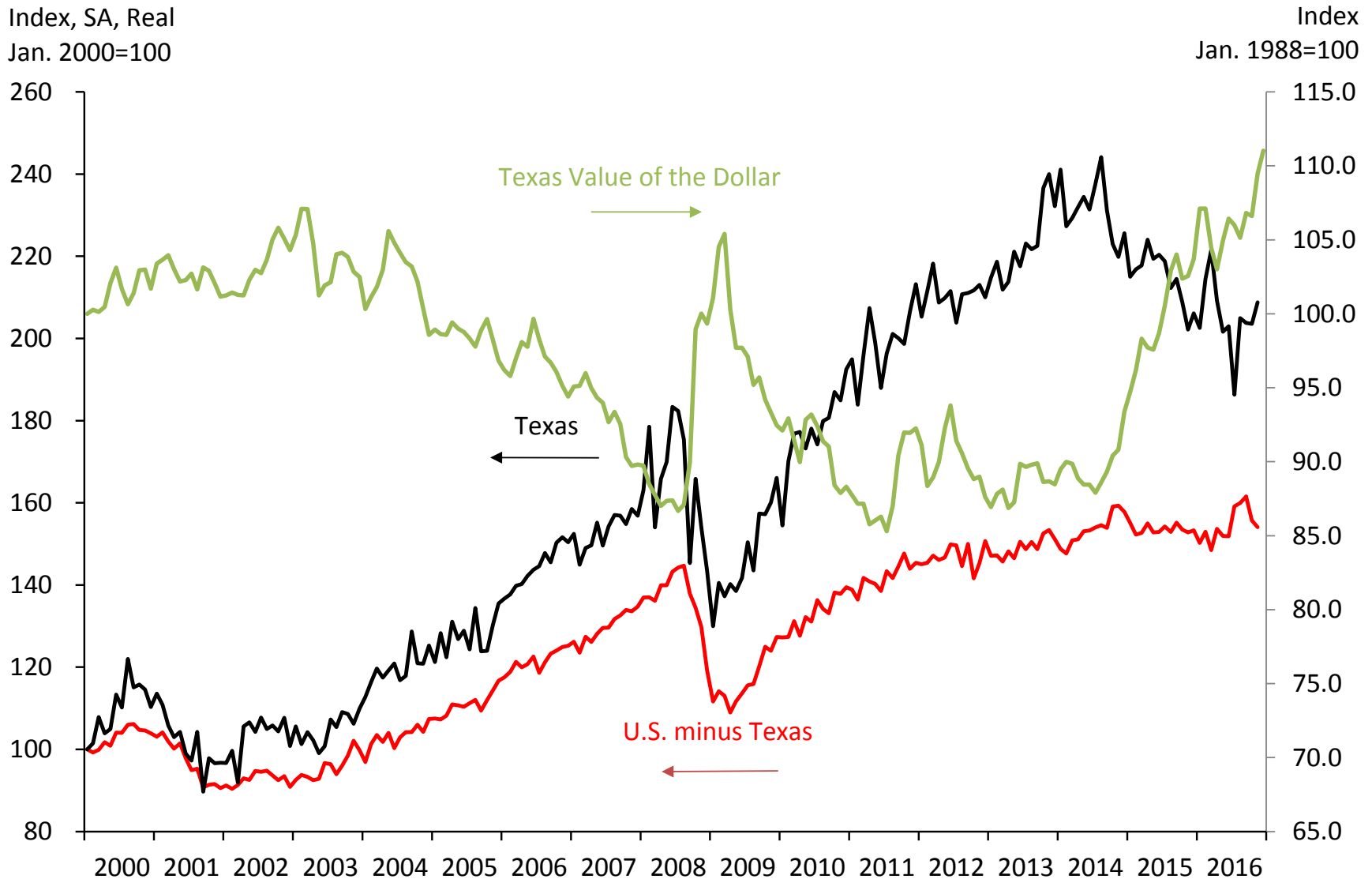
TX Manufacturing Indicators Have Improved in Recent Months



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



Strong Value of the Dollar Continues to Dampen Exports

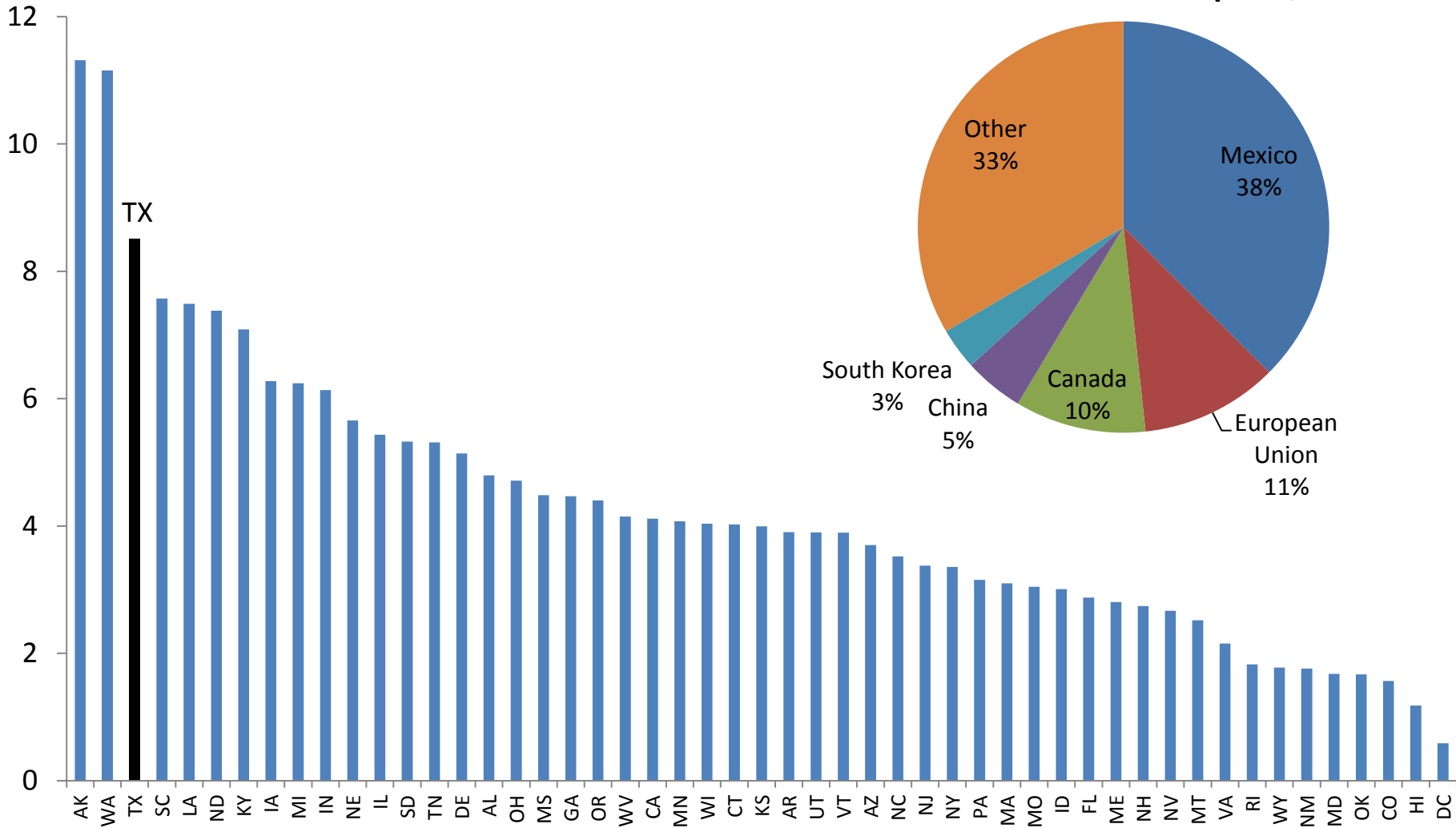


SOURCES: U.S. Census, Bureau of Labor Statistics, WISERtrade, Federal Reserve Bank of Dallas

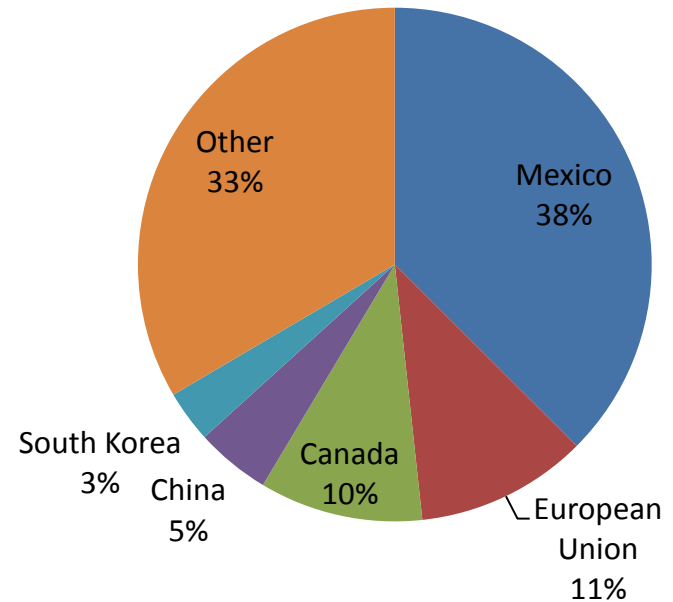


Share of Texas Jobs Tied To Exports 3rd Highest Among States in 2015

Percent



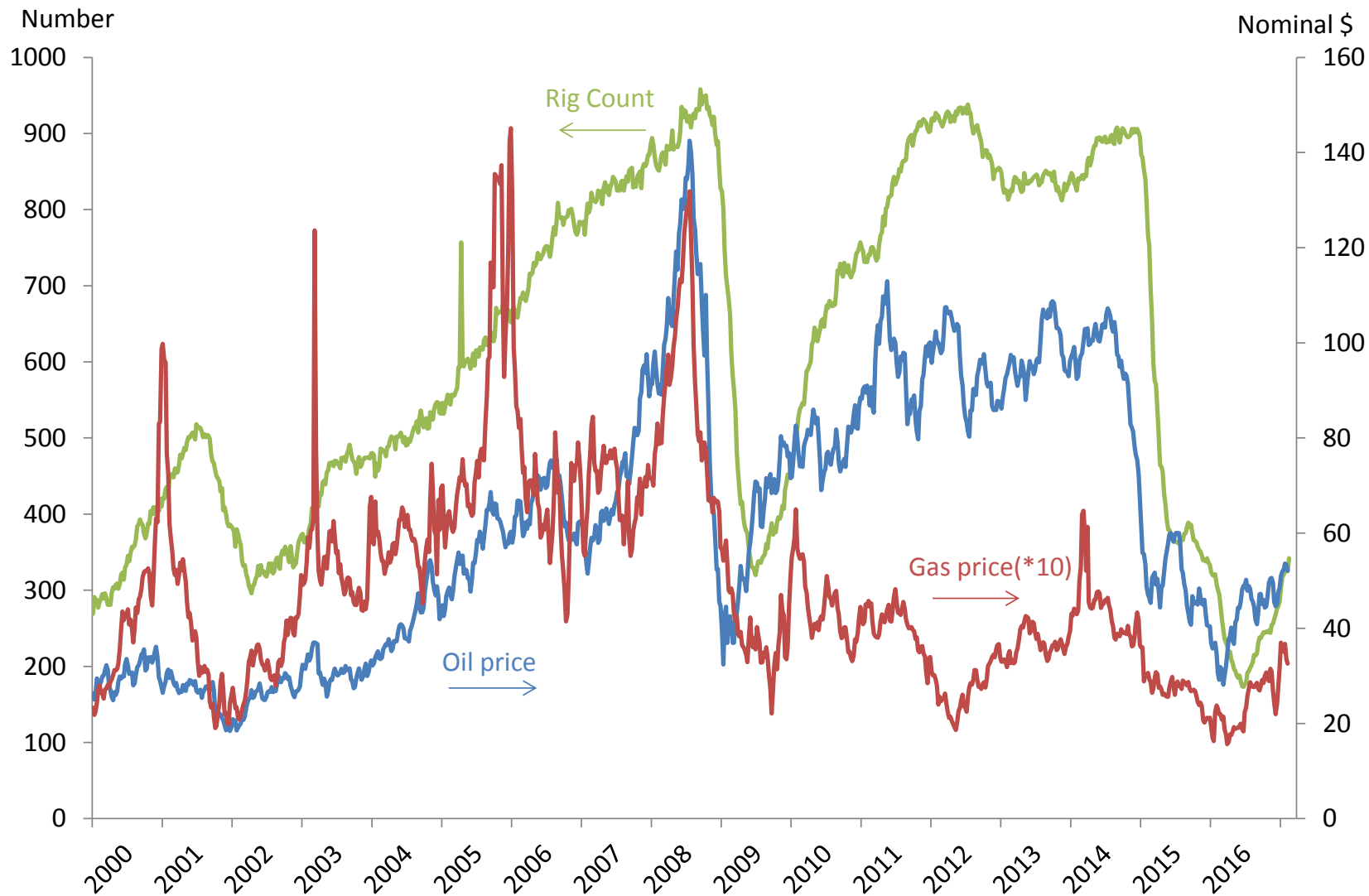
Destination of Texas Exports, 2015



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



Drilling Rig Count Picking Up in Recent Months



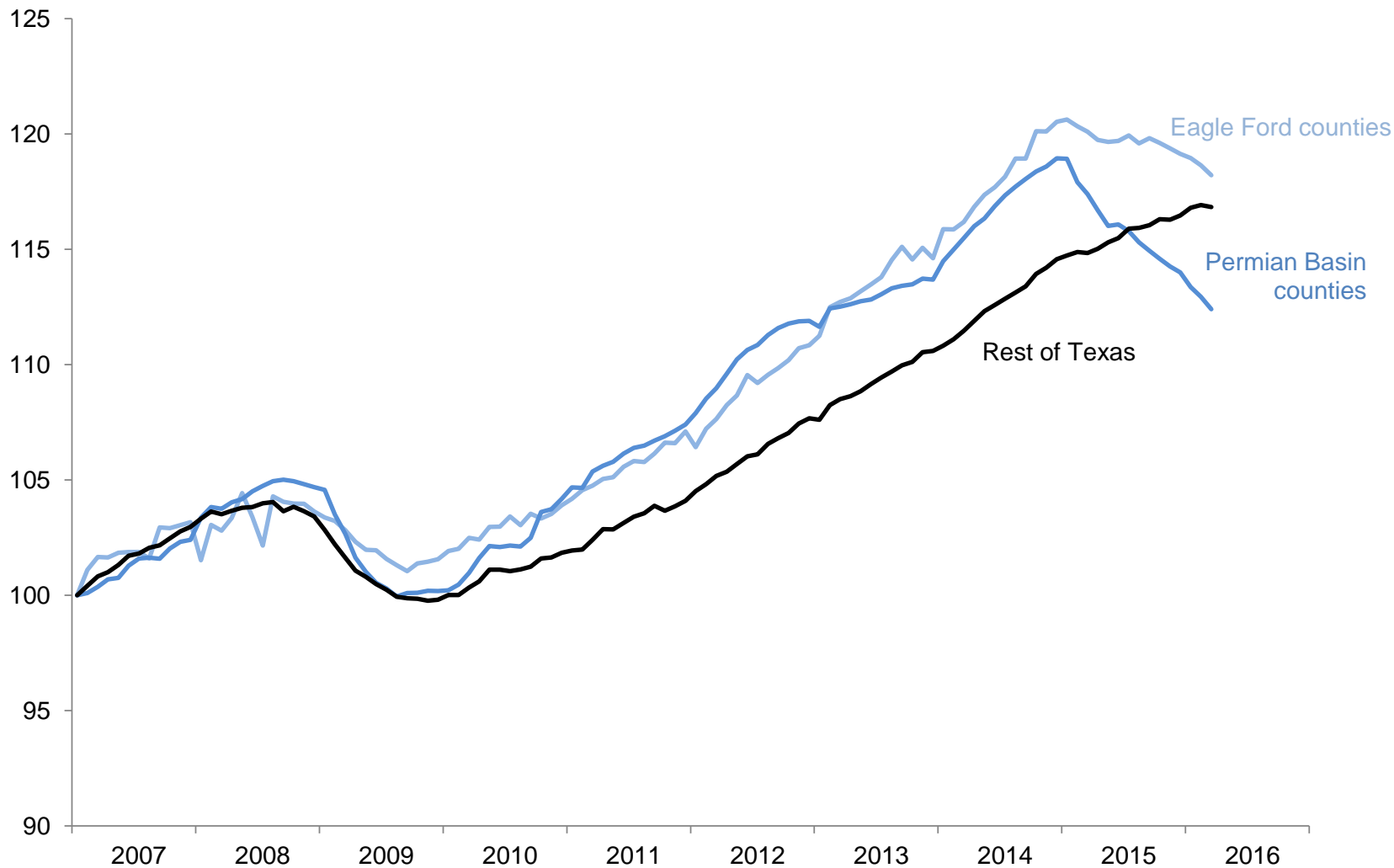
NOTE: Data are weekly, last data point is the week of Jan. 20, 2017.

SOURCES: Oil and Gas Journal, Baker Hughes.



Eagle Ford, Permian Basin Jobs Declining

Index, Jan. 2007 = 100*



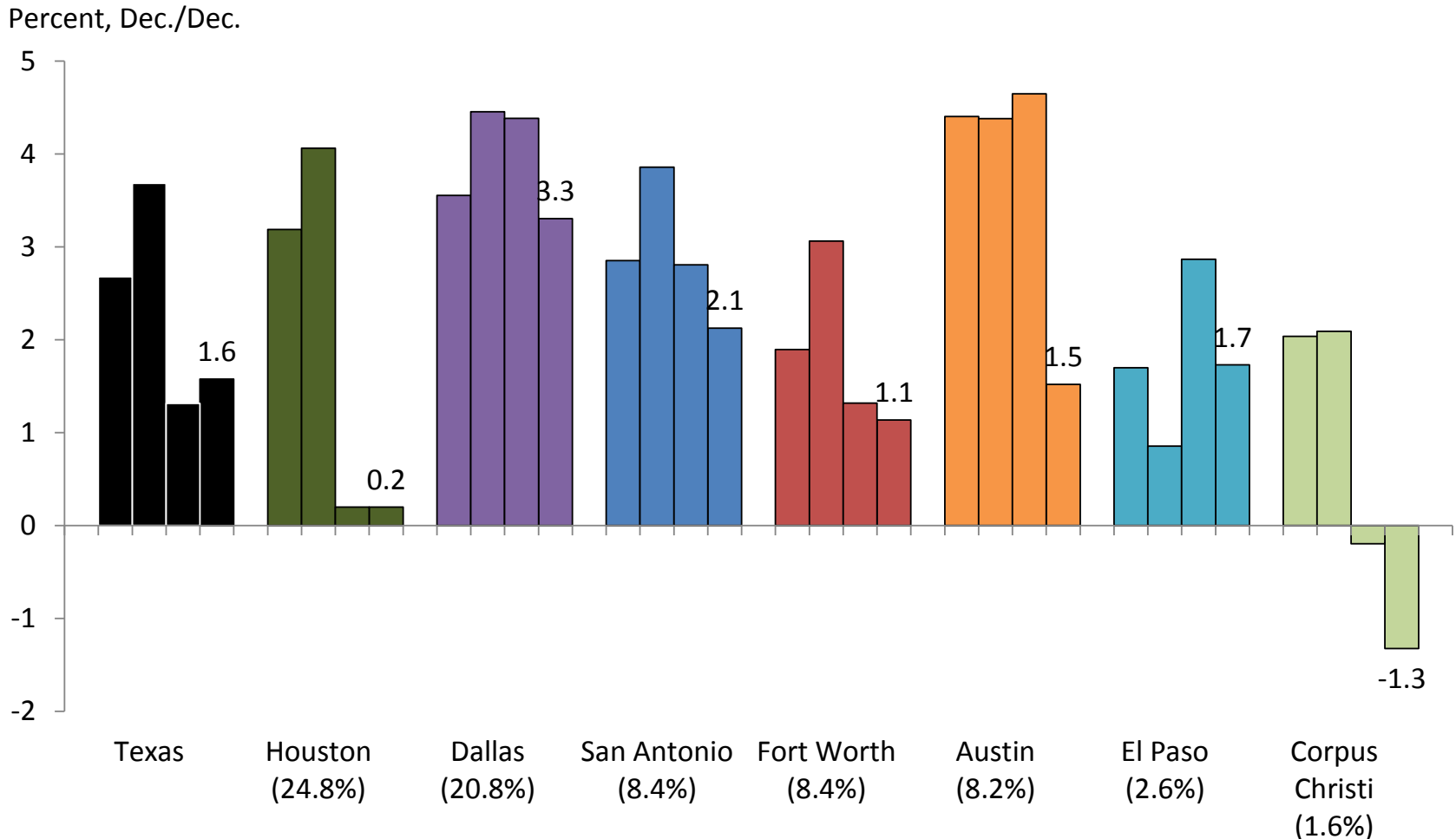
*Seasonally adjusted.

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



Most Metros Still Growing: Dallas Strong, Houston Weak

Job Growth, 2013-2016



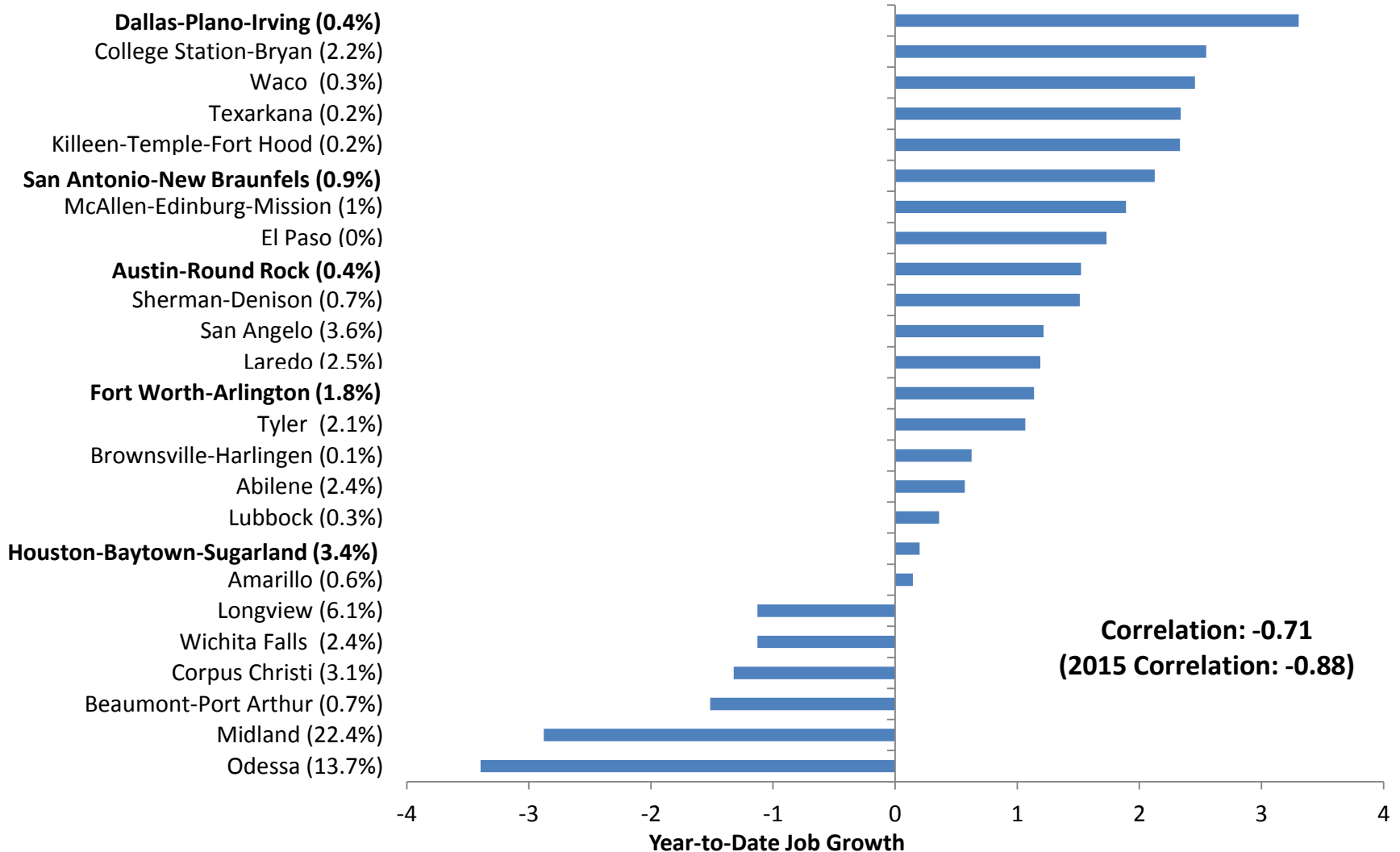
NOTE: Figures in parentheses represent shares of total state employment.

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



Which Metros Are Performing the Best in 2016?

Size of Energy Sector Explains a Lot



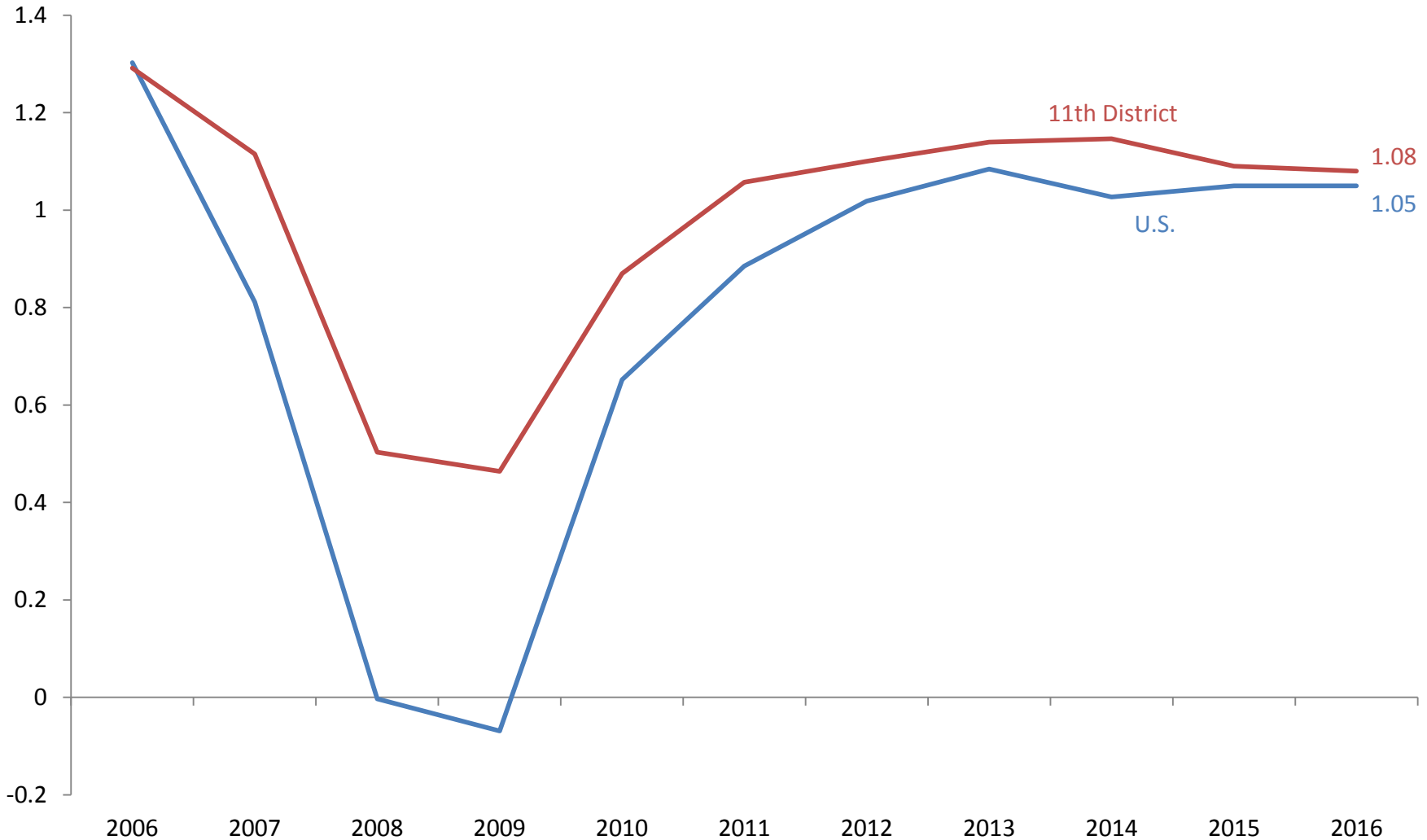
Note: Data in parentheses are mining share of total employment in 2015.

Sources: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



11th District Banks Remain Slightly More Profitable Than National Average

Percent, Return on Assets



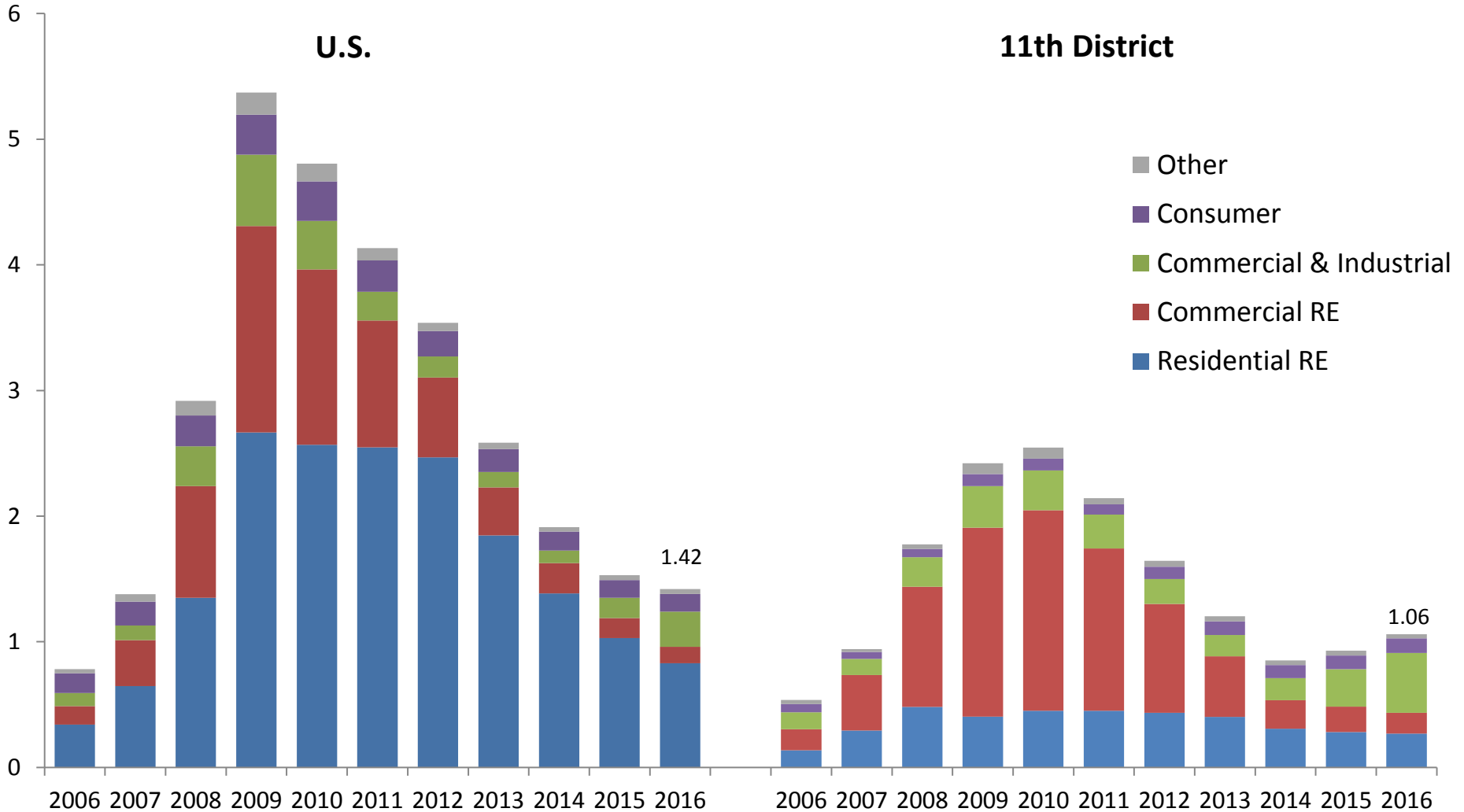
Data through third quarter 2016.

SOURCE: Quarterly Reports of Conditions and Income, Federal Financial Institutions Examination Council.



District Banks in Good Health Despite Increase in Noncurrent C&I Loans

Percent of Total Loans



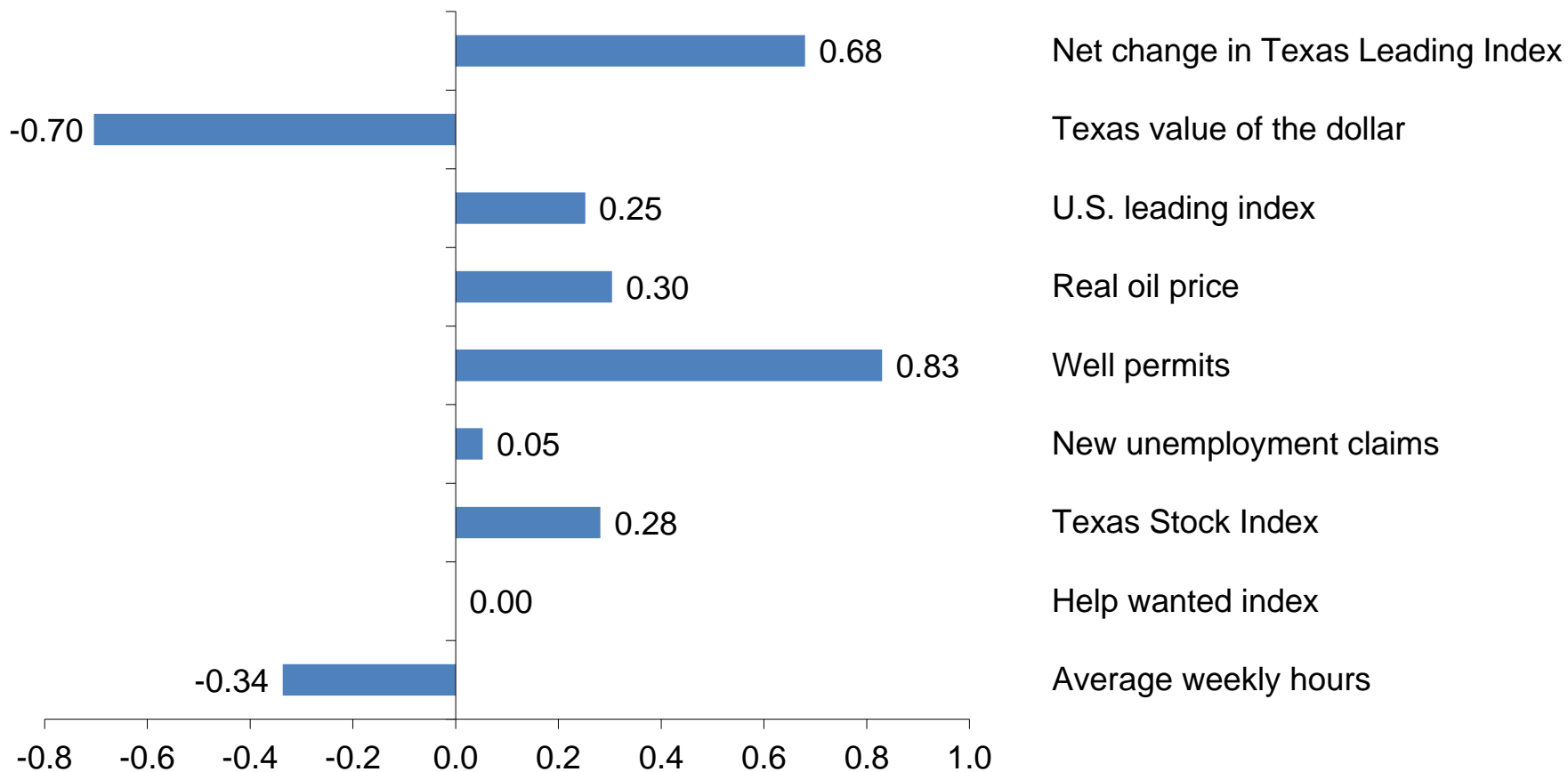
NOTE: 2016 data are year-to-date through third quarter.

SOURCE: Quarterly Reports of Conditions and Income, Federal Financial Institutions Examination Council.



Leading Index Decline Driven by Strong Gains in the Value of the Dollar

**Net contributions to Change in the Texas Leading Index
(October - December 2016)**

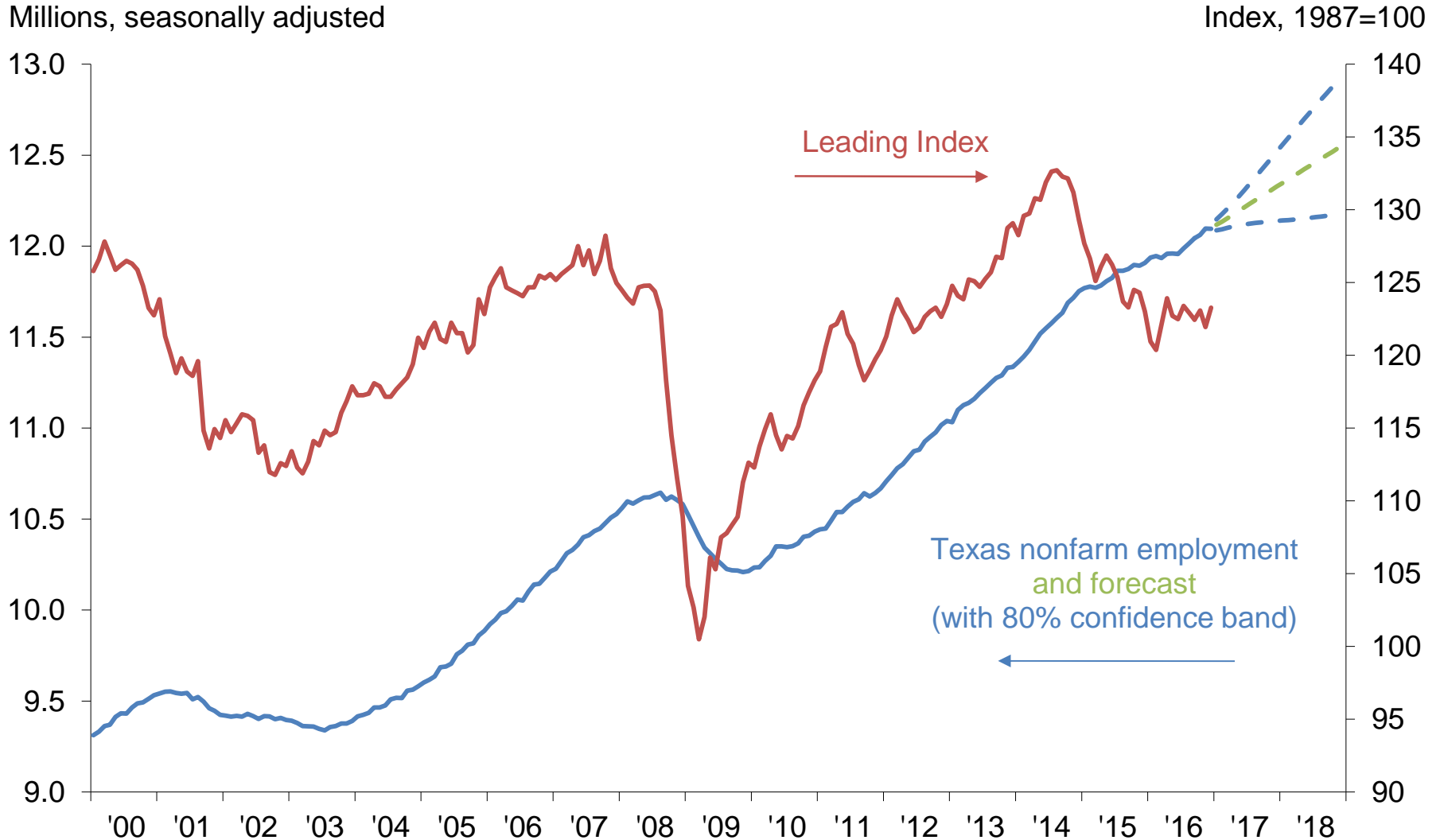


NOTE: Seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas.



Texas Jobs Forecasted to Grow 1.5% to 2.5% in 2017

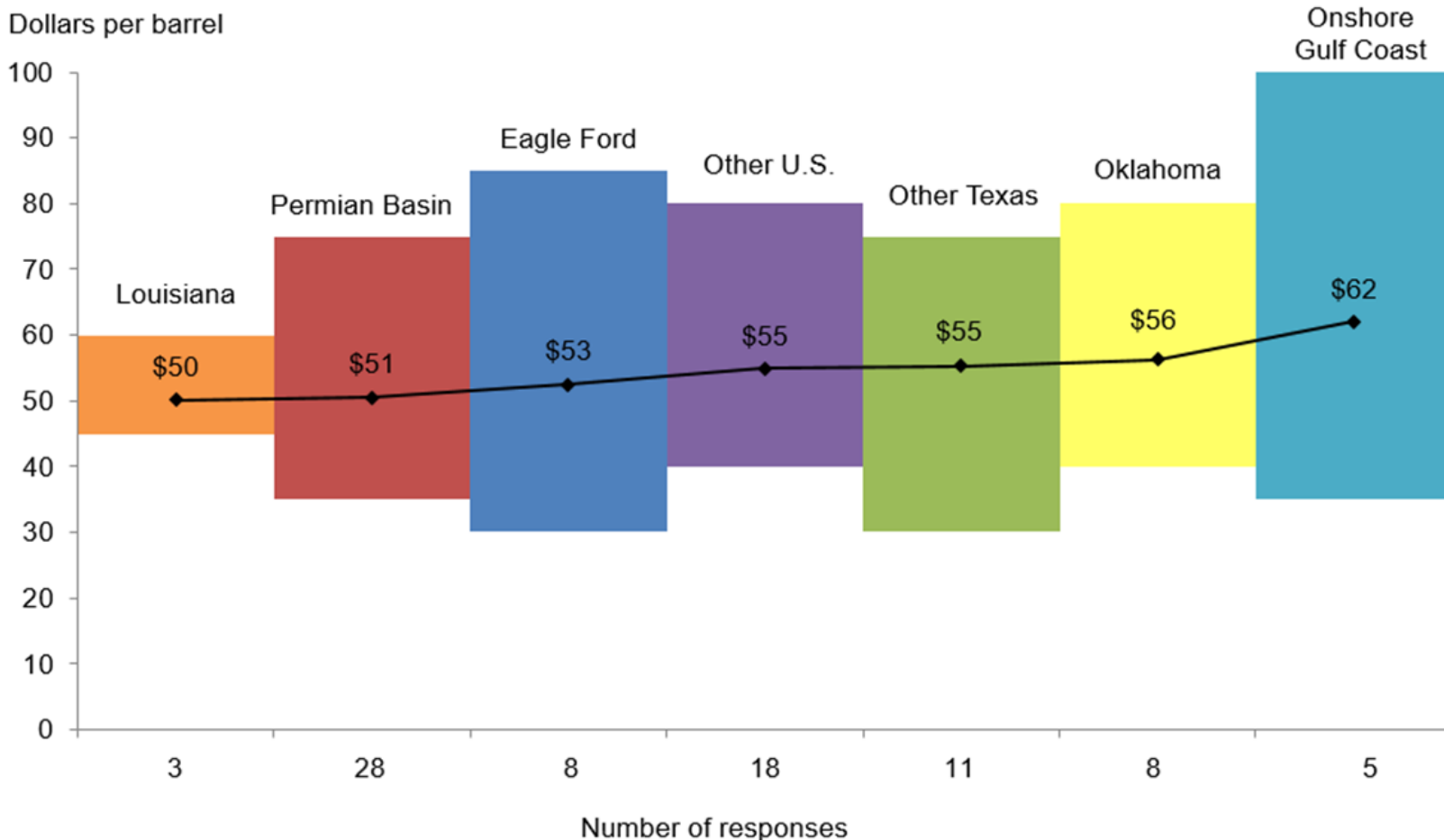


SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.



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?



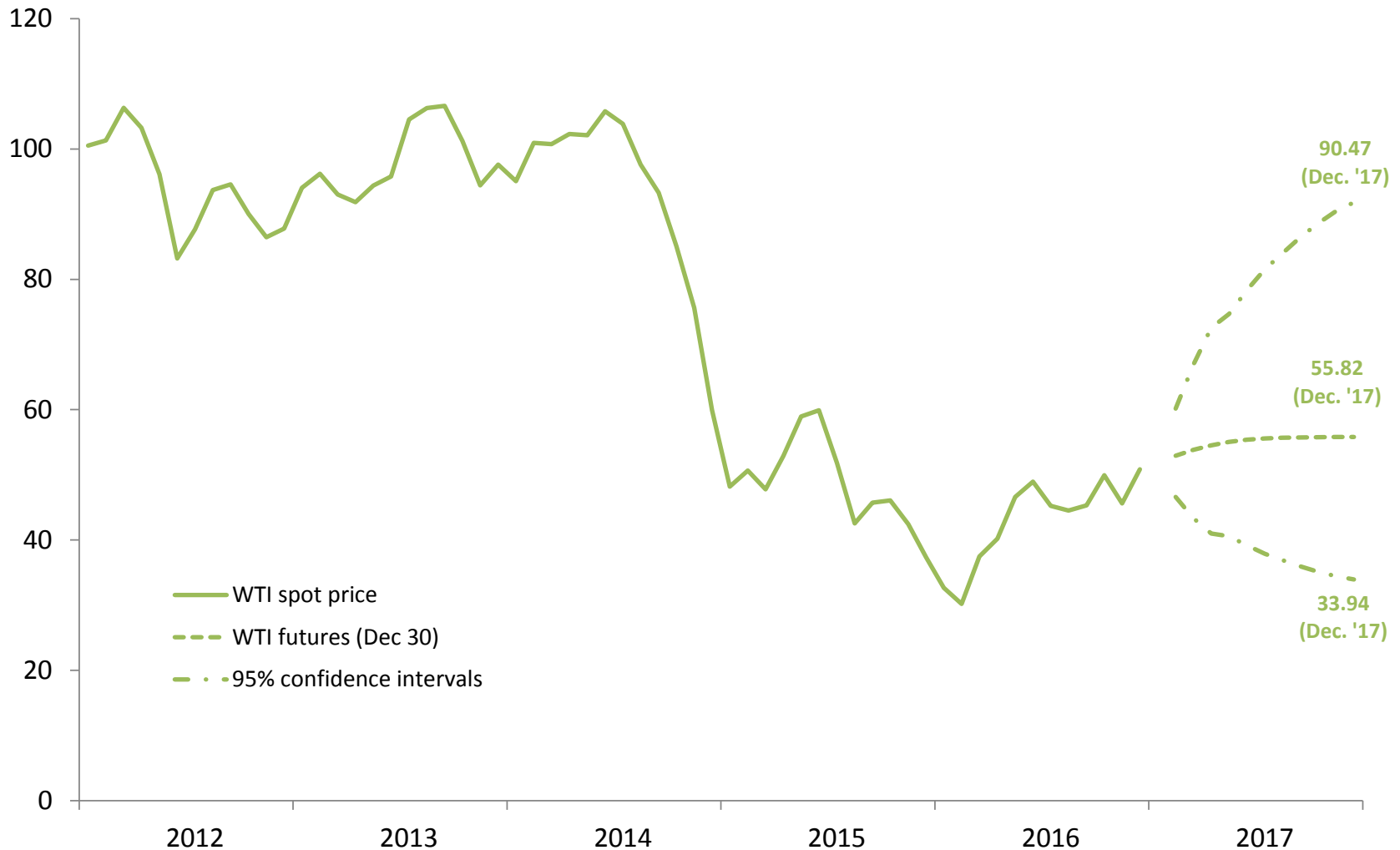
NOTES: Line depicts the mean and bars depict the range of responses. Sixty-three exploration and production firms answered this question. Other U.S. includes Bakken, Kansas and Gulf of Mexico, among other responses.

SOURCE: Federal Reserve Bank of Dallas.



Oil Futures Suggest Flat Prices, But Highly Uncertain

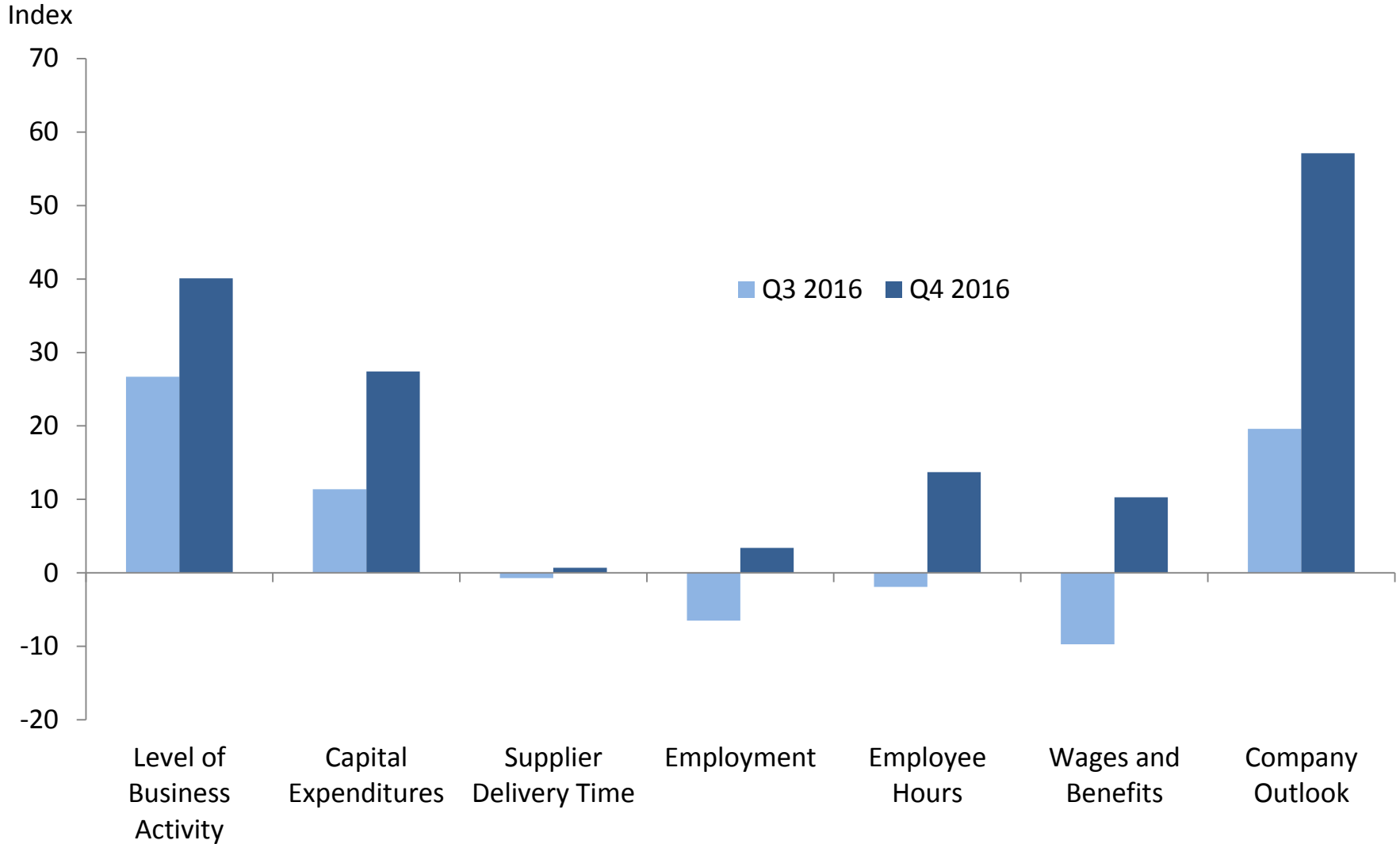
Dollars per barrel



SOURCES: Bloomberg; Energy Information Administration; calculations by the Federal Reserve Bank of Dallas.



Energy Survey Shows Resurgent Optimism in Energy Sector



SOURCE: Federal Reserve Bank of Dallas.



Summary

- In past two year 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. Recently more optimism in energy sector while strong dollar is a headwind for manufacturing.
- Lots of uncertainty with new administration and trade impacts. Texas job growth likely to be about to pick up slightly in 2017. San Antonio likely to do better than state average.
- Biggest risk to the forecast is sharp decline in oil prices or exports.



FEDERAL RESERVE BANK *of* DALLAS 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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