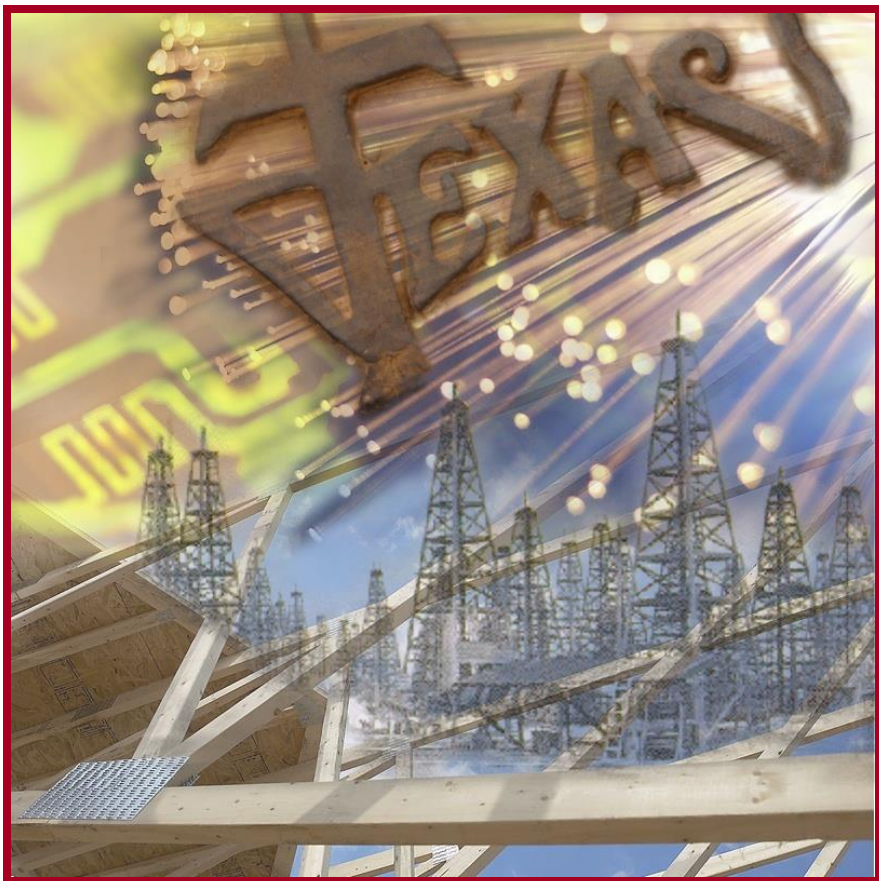


The Texas Economy



Mine Yücel

Director of Research

Federal Reserve Bank of Dallas

April 14, 2014

**Presented to the Government Finance
Officers Association of Texas**



Texas Economic Update

- The Texas economy grew 2.5% in 2013
 - Added 278,000 jobs
- In 2014, Texas grew 2.9 % through February
 - Added 54,500 jobs
- Manufacturing lost jobs, but output expanding
- Construction and energy came in strong
- Expect 2.8% growth for the year

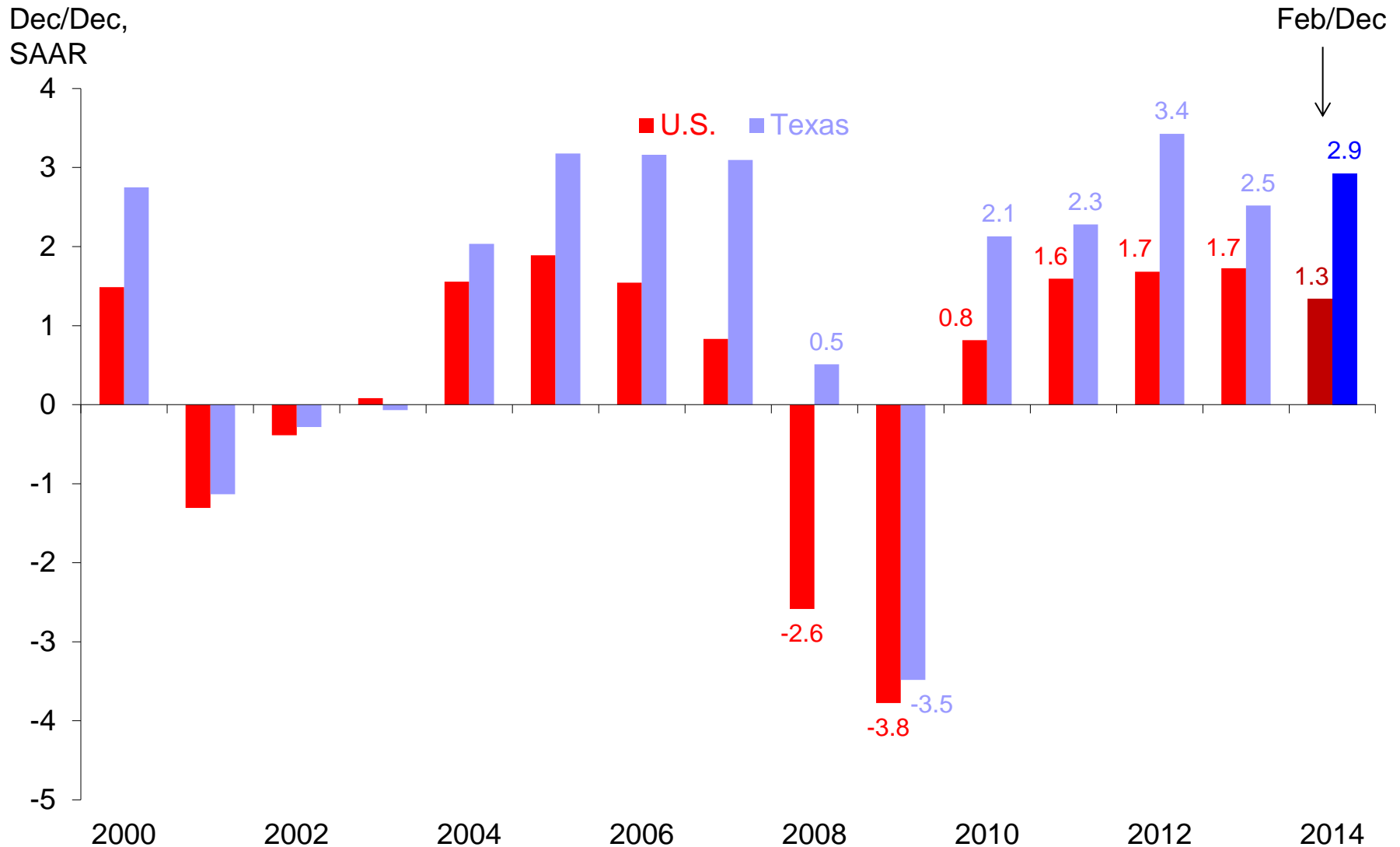


Texas significant share of U.S.

Geography	261,797 Mi²	7.4% of U.S. Land Area
Population	26,448,193	8.4% of U.S. Population
Output	\$1,397.4 (Bil.)	9.0% of U.S. GDP
Employment	11,333,600	8.2% of U.S. Employment



Texas' employment growth bests nation's

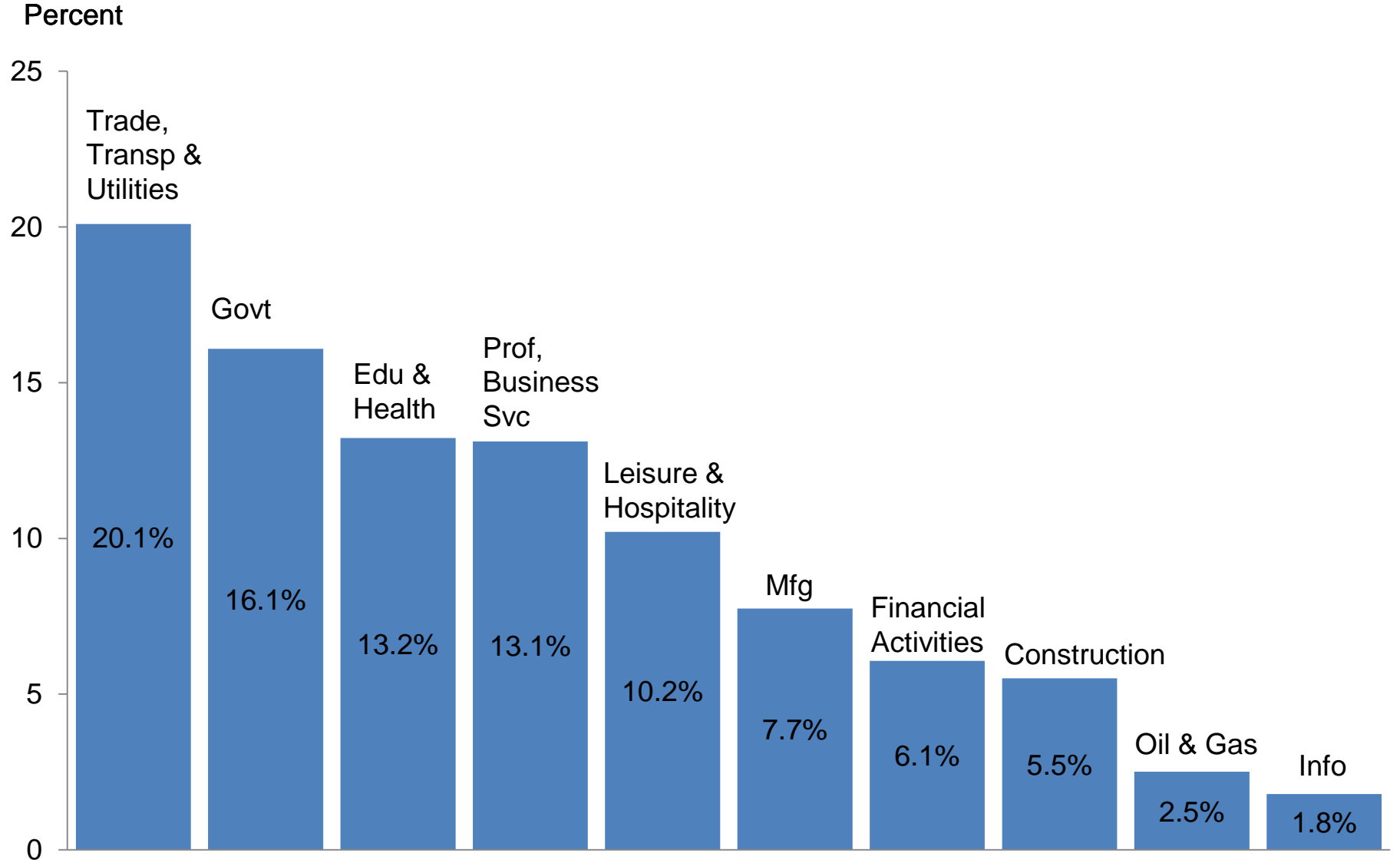


Why has Texas outperformed the nation in recent years?

- Larger share of fast-growing sectors
 - Oil and gas
 - Petrochemicals
 - High-tech
- Housing market less of a drag than in nation.
- Exports a source of strength
- Favorable long-term factors
 - Low cost of living
 - Business climate
 - Demography
 - Geography



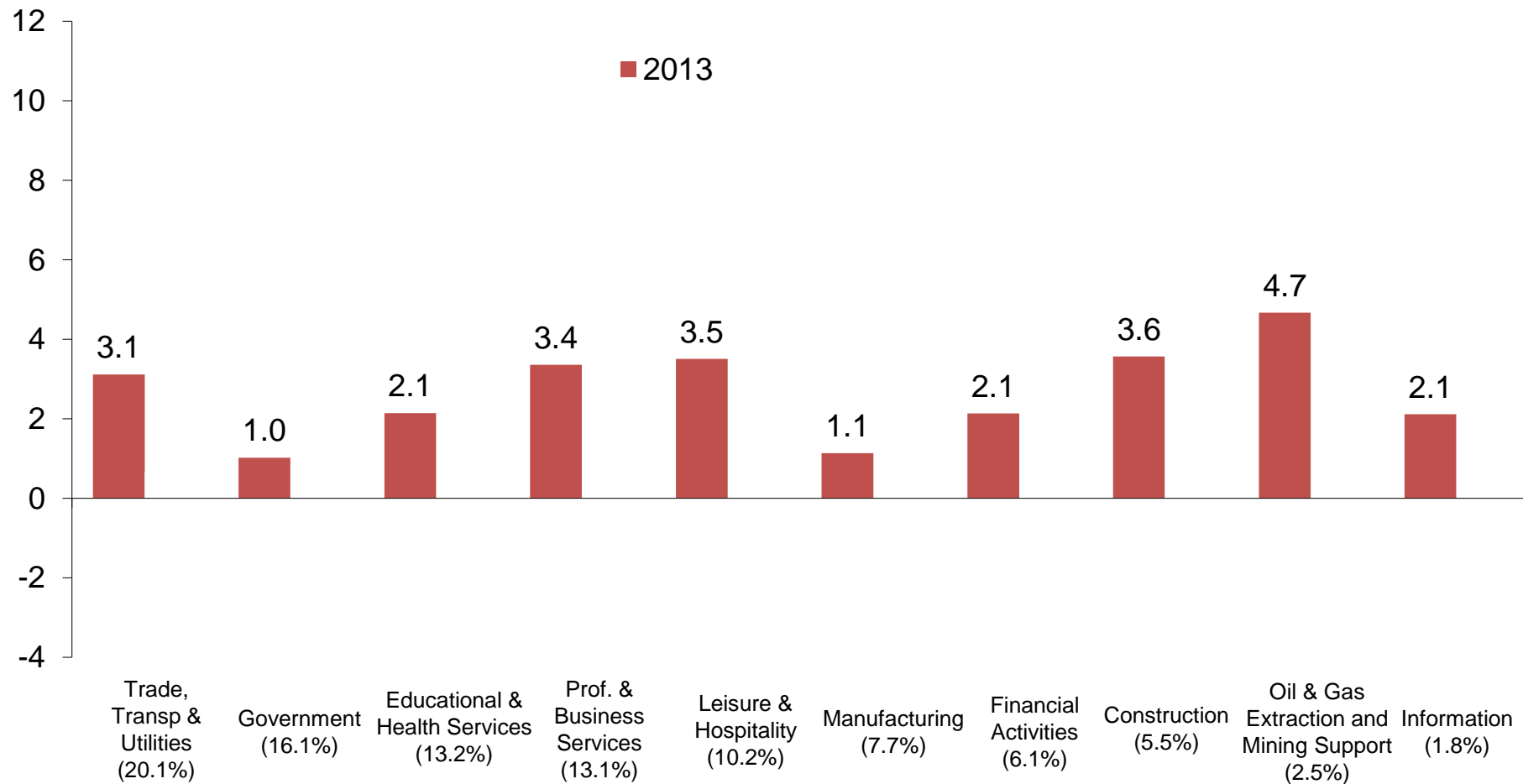
Employment share by sector



Employment growth by sector

(NAICS Super Sectors, SA by FRB Dallas)

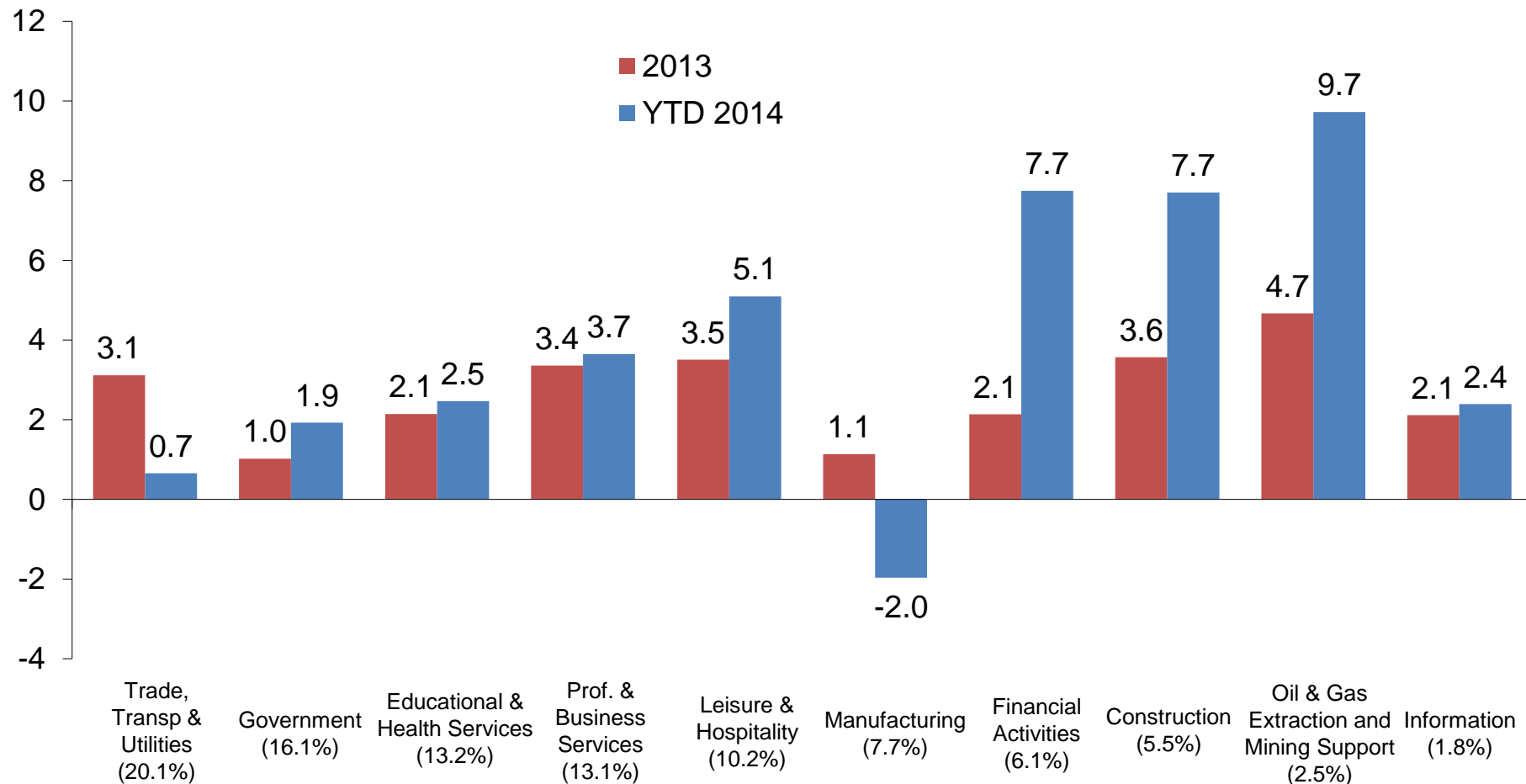
YTD percent
change, SAAR



Employment growth by sector

(NAICS Super Sectors, SA by FRB Dallas)

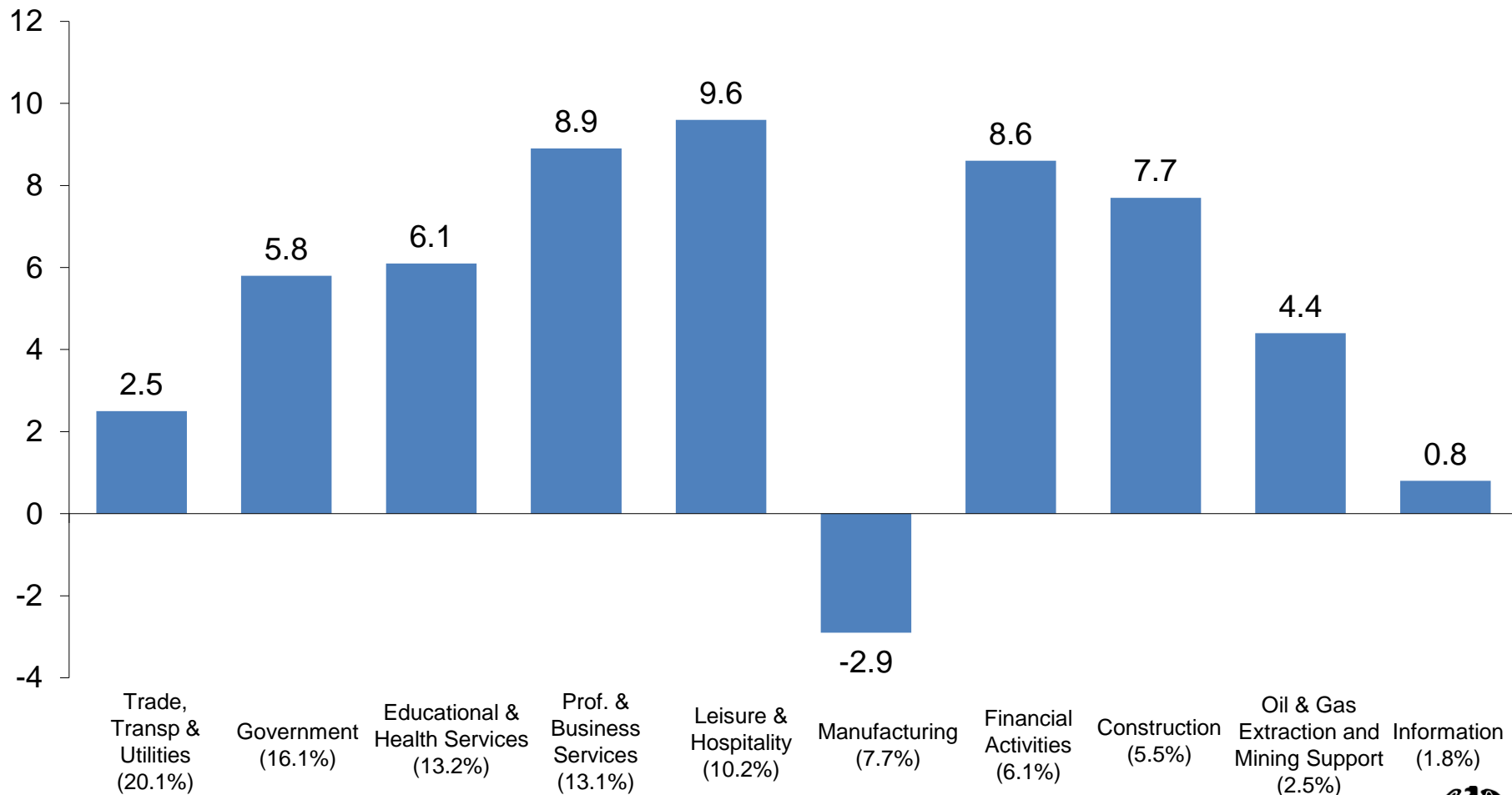
YTD percent change, SAAR



Employment growth by sector

(NAICS Super Sectors, SA by FRB Dallas, through February)

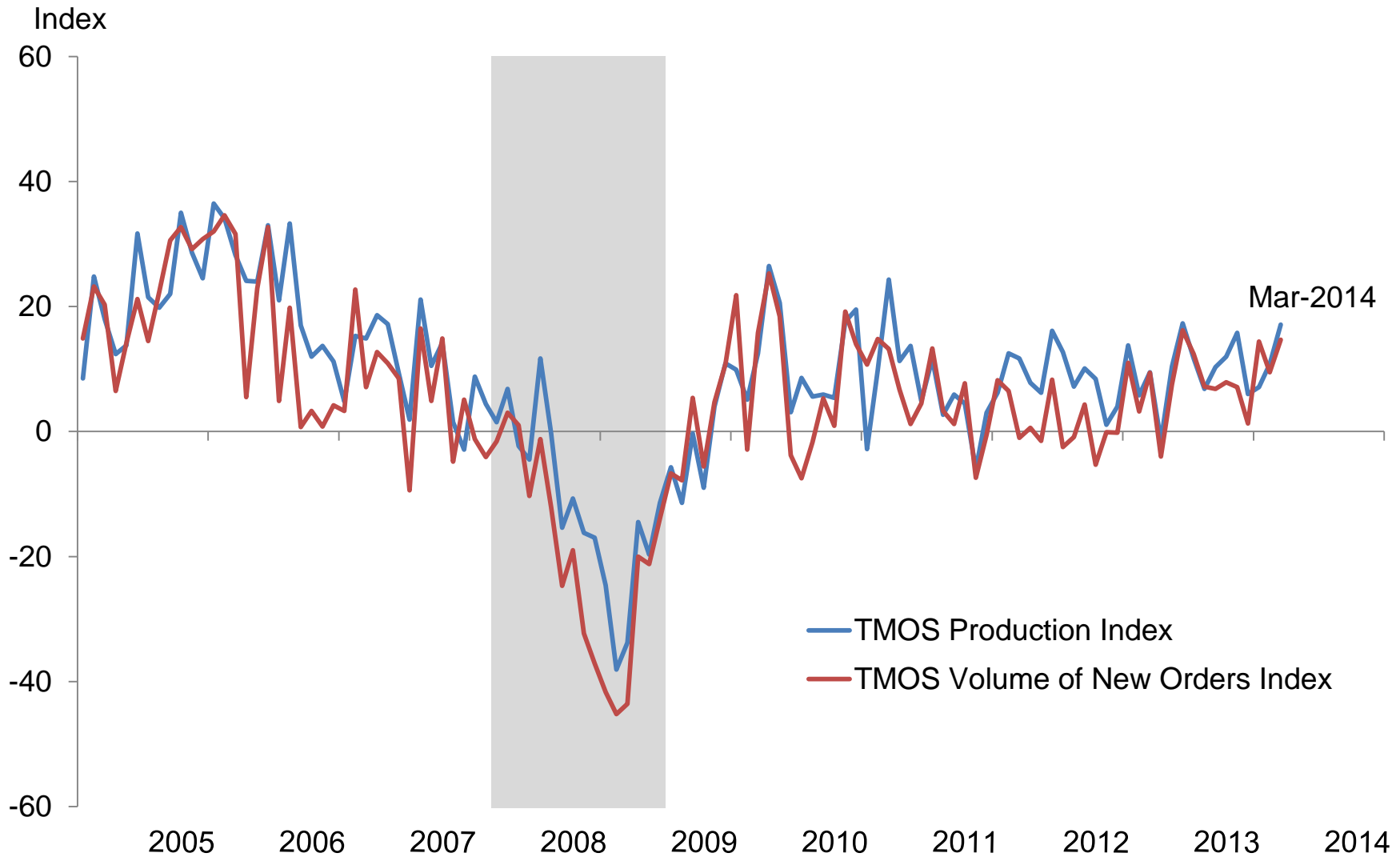
Thousands of jobs



Federal Reserve Bank of Dallas

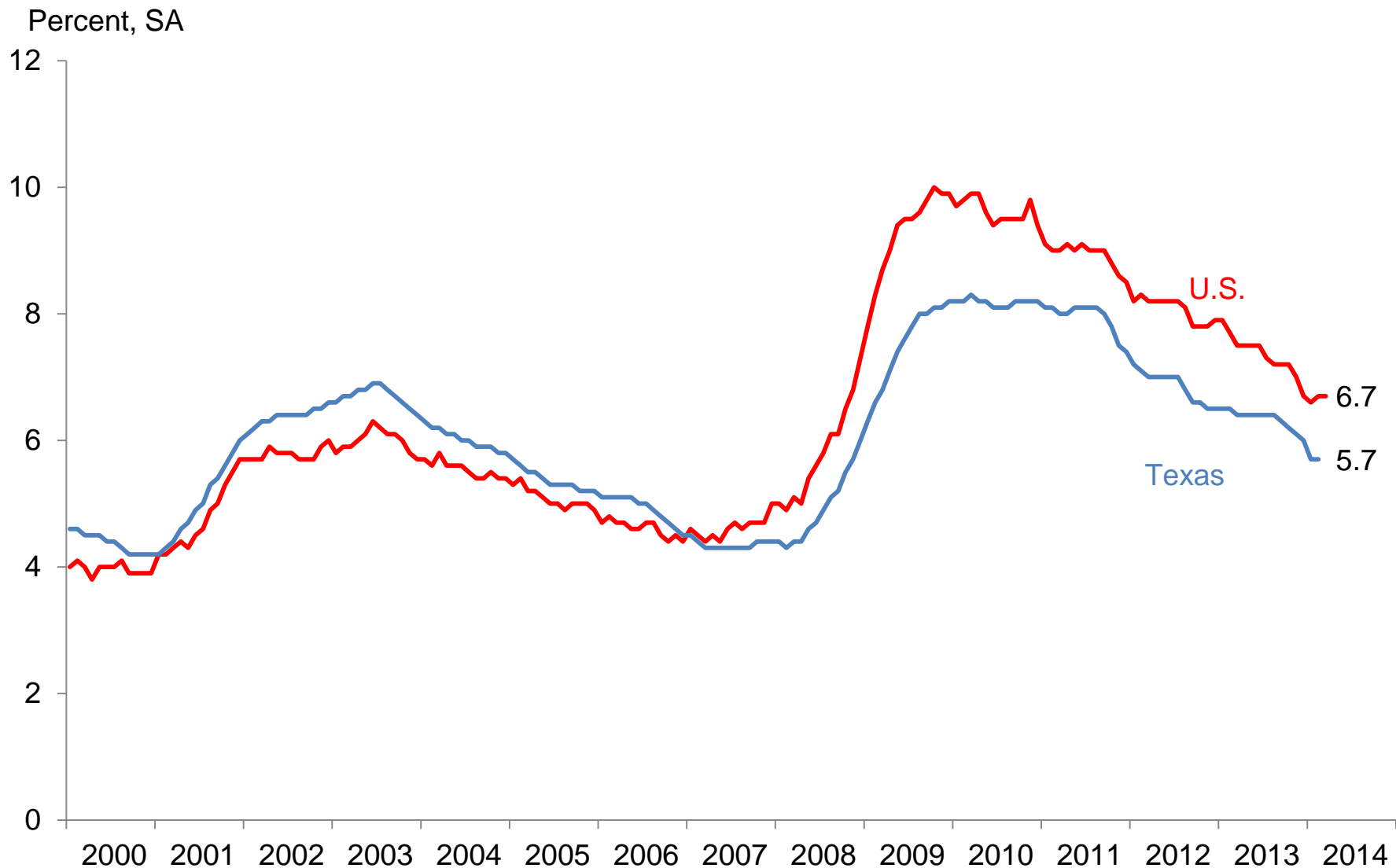


Manufacturing activity expands



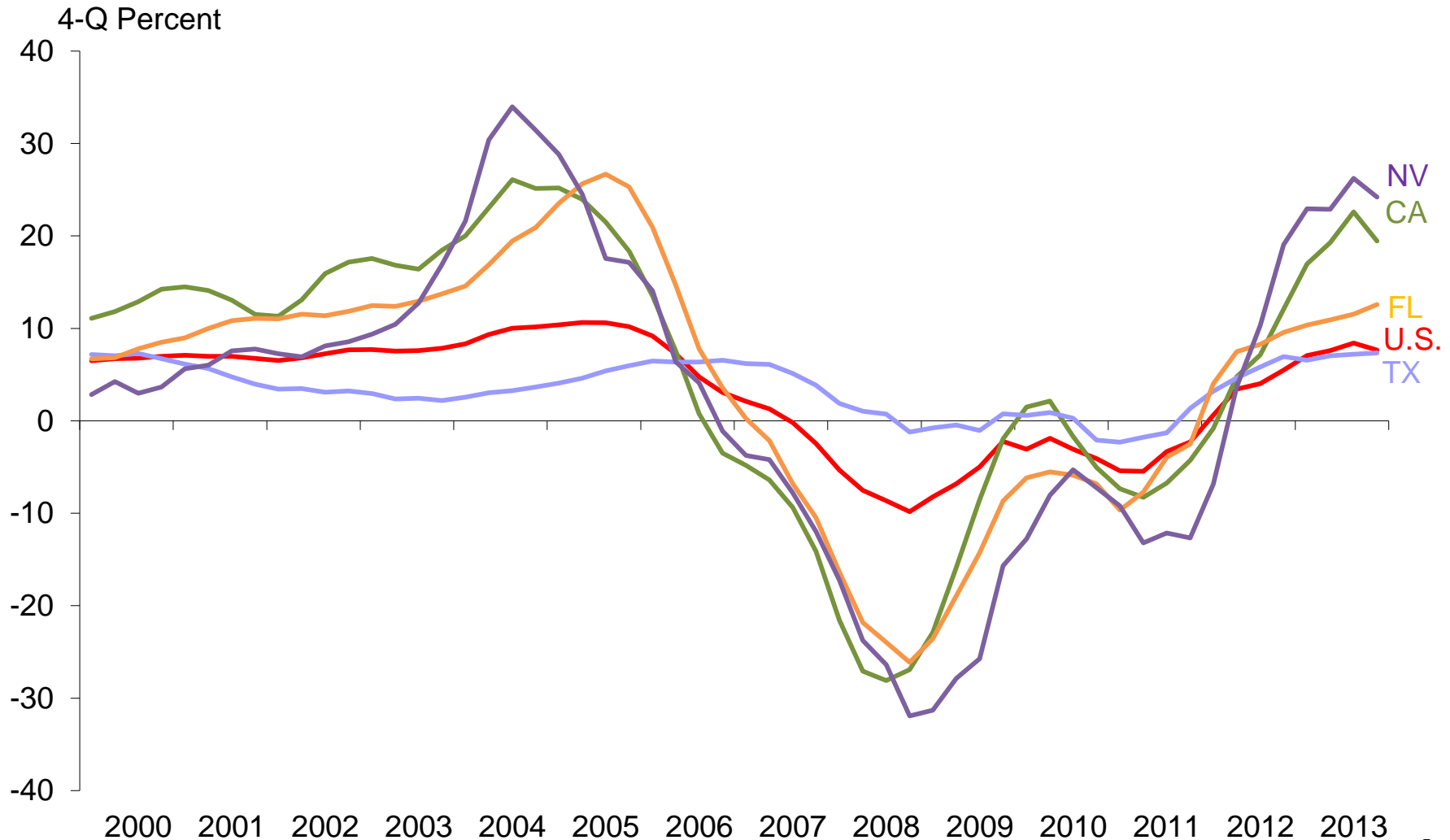
NOTE: Gray bar indicates Texas Recession.

Texas unemployment rate low



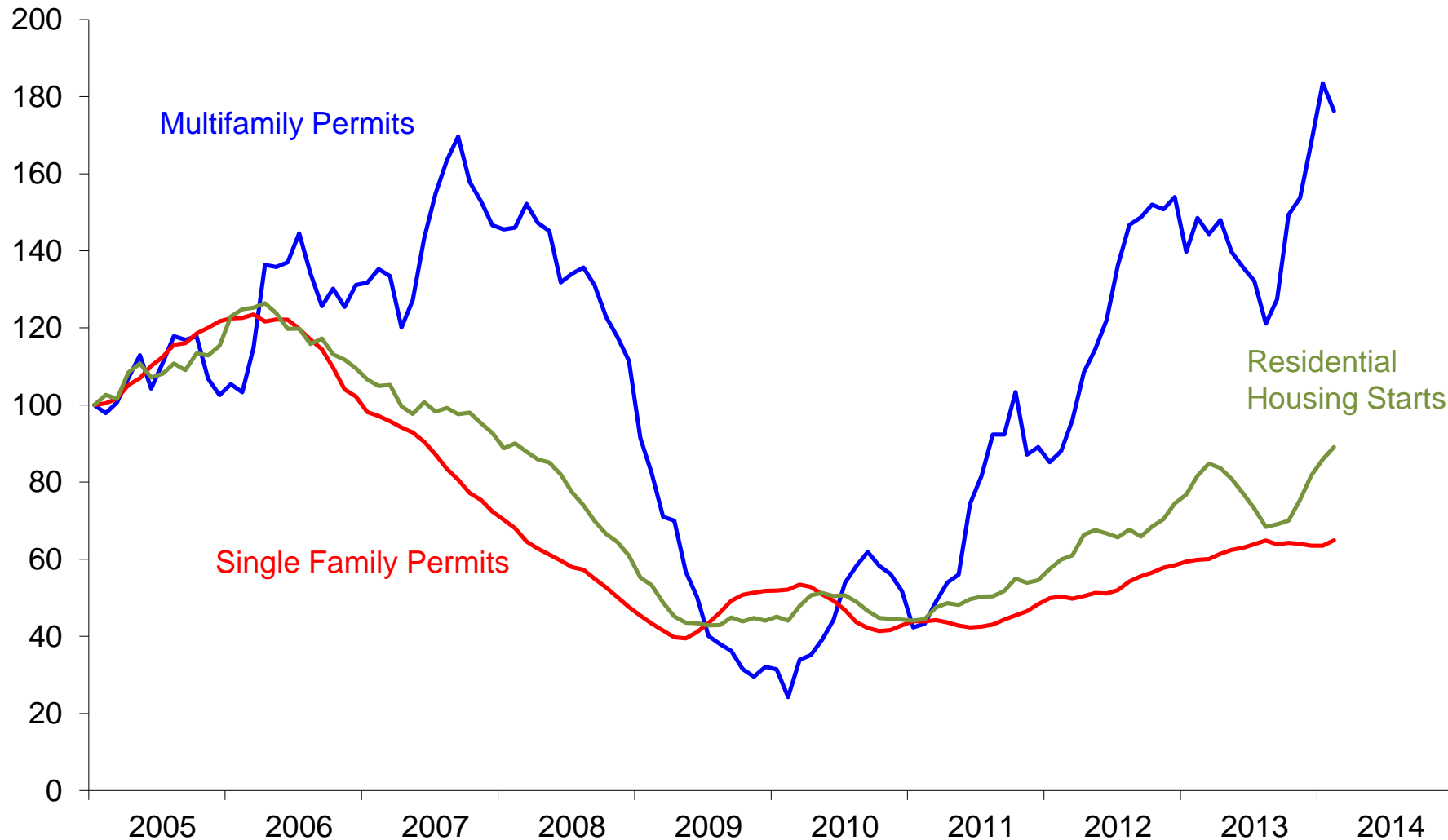
House prices continue to improve

House Price Index – Q4



New home construction robust

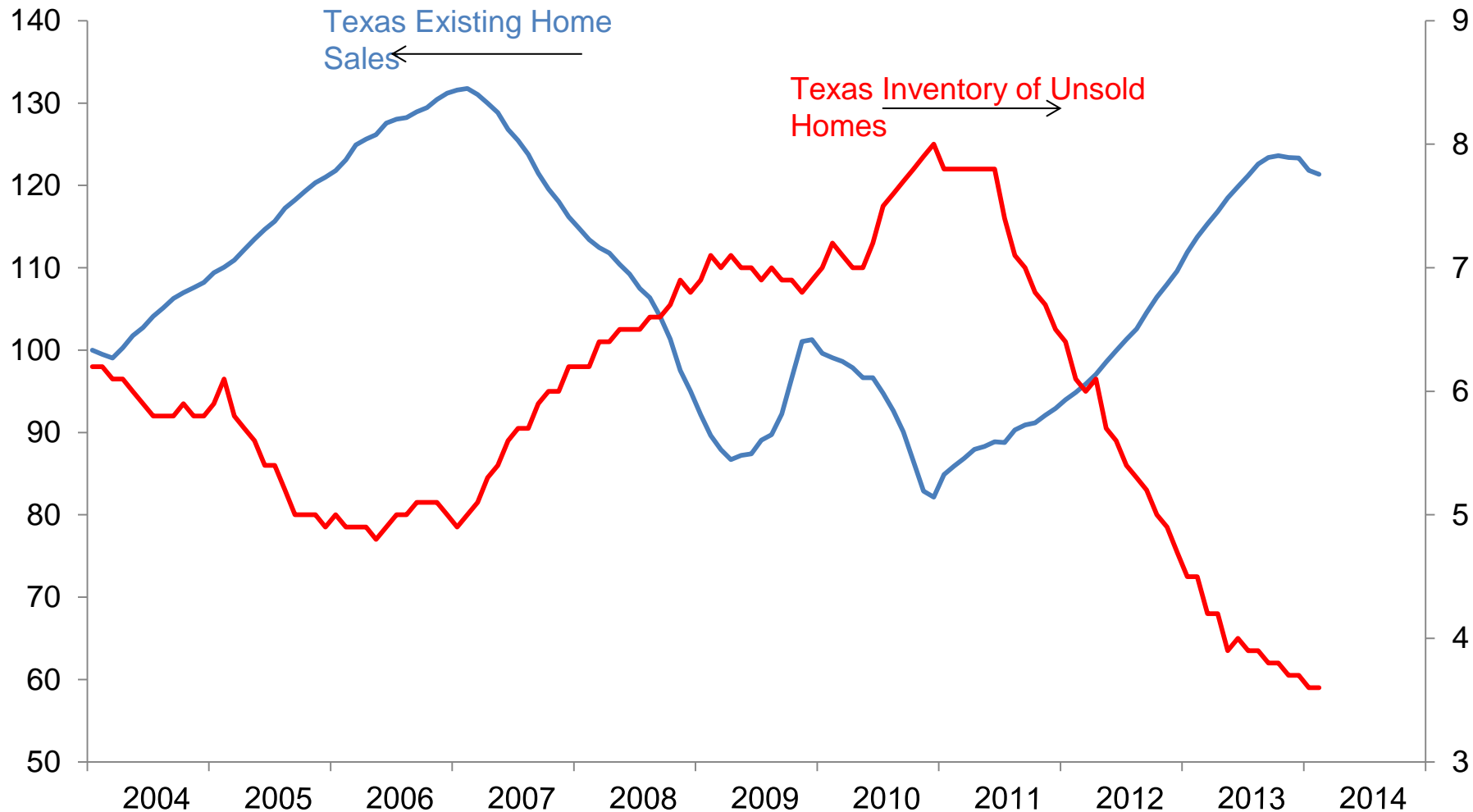
Index, SA, 5MMA
Jan 2008=100



Home market still tight

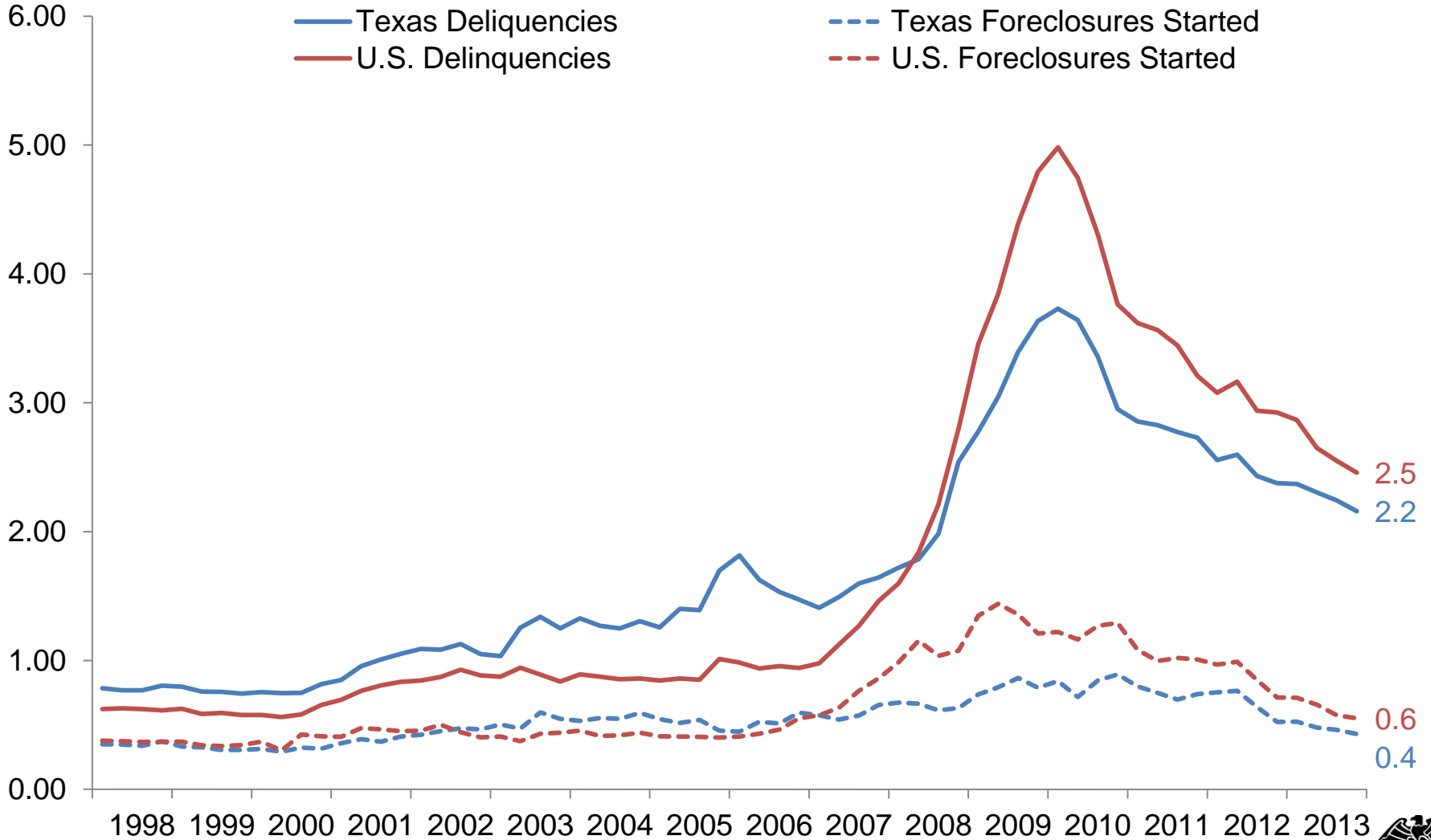
Index, Jan. 2004=100,
SA, 6MMA

Months in
Inventory, SA



Mortgage delinquencies falling

Percent, SA

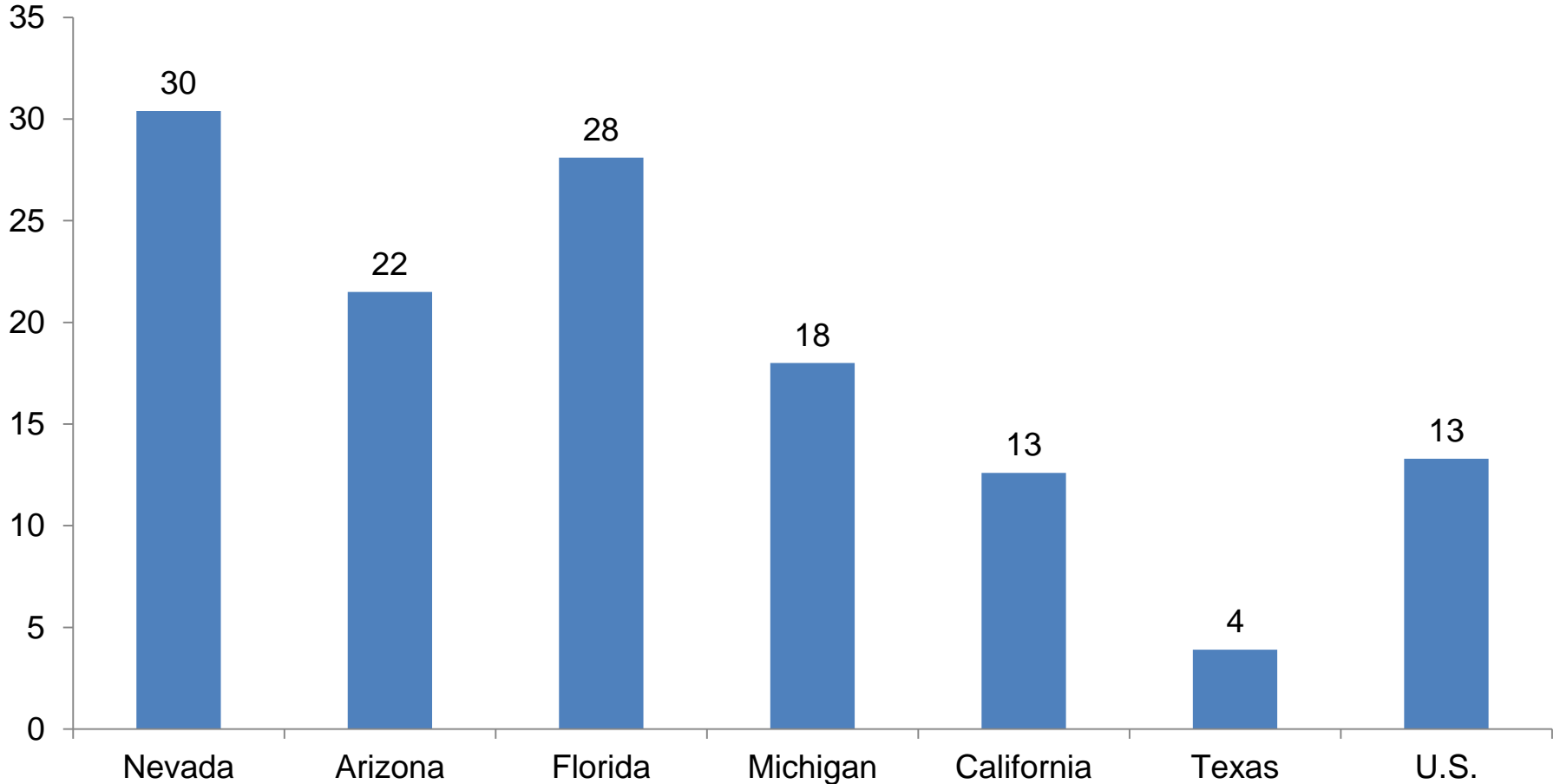


Federal Reserve Bank of Dallas



Texas has much lower share of underwater mortgages

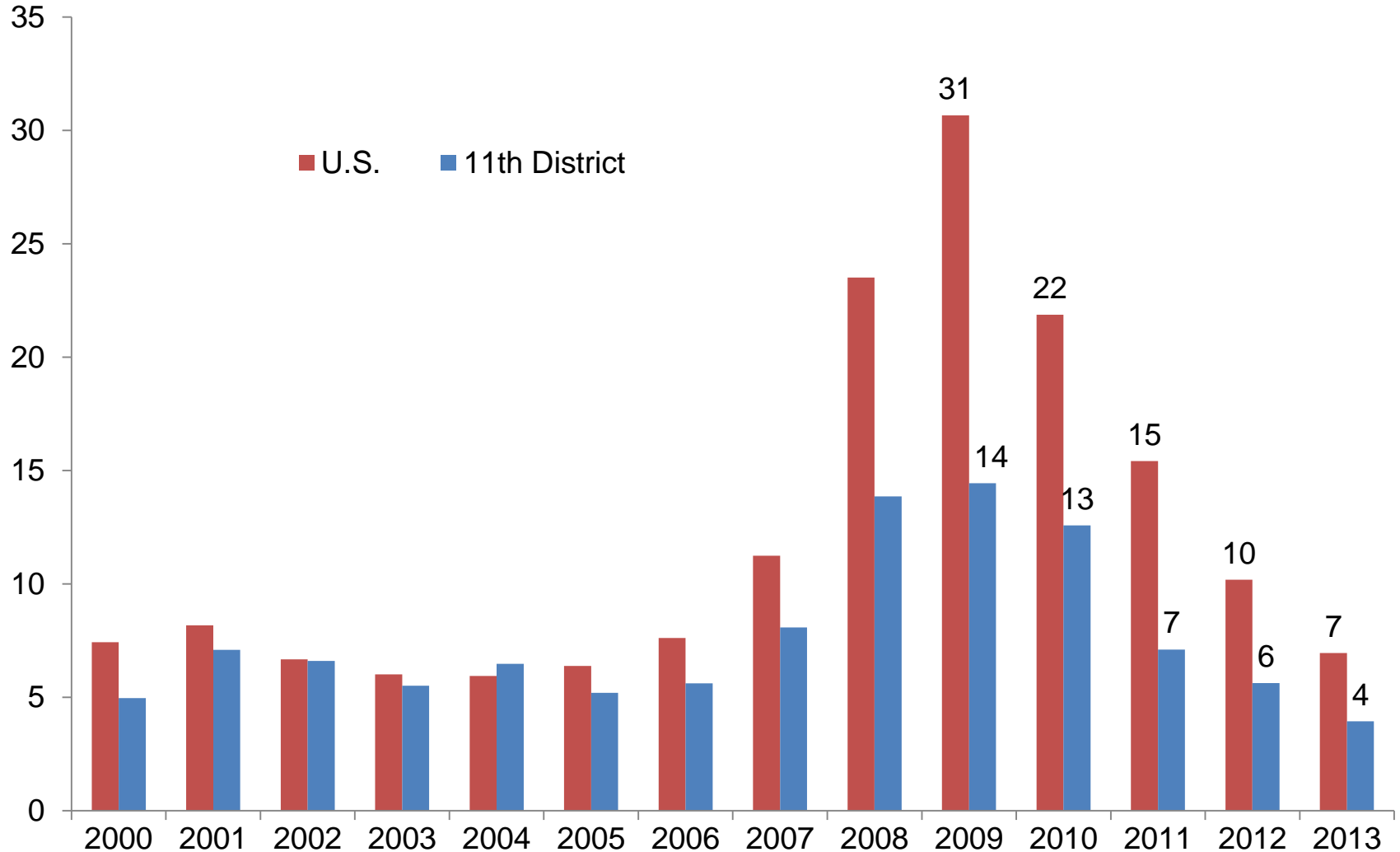
Percent of mortgages with balance > home value, 2013Q4



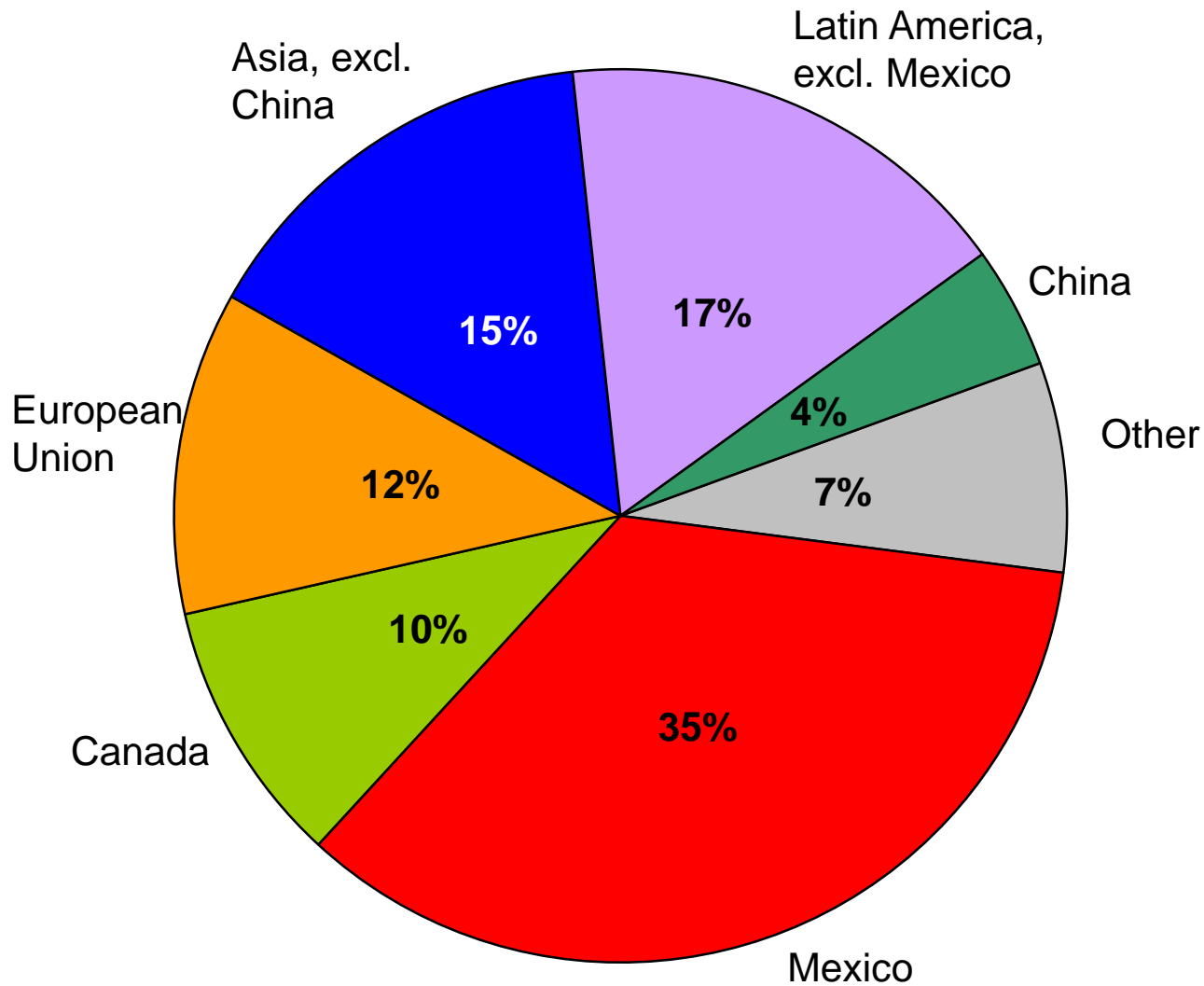
Source: CoreLogic

Share of unprofitable banks

Percent of Banks Reporting a Net Loss

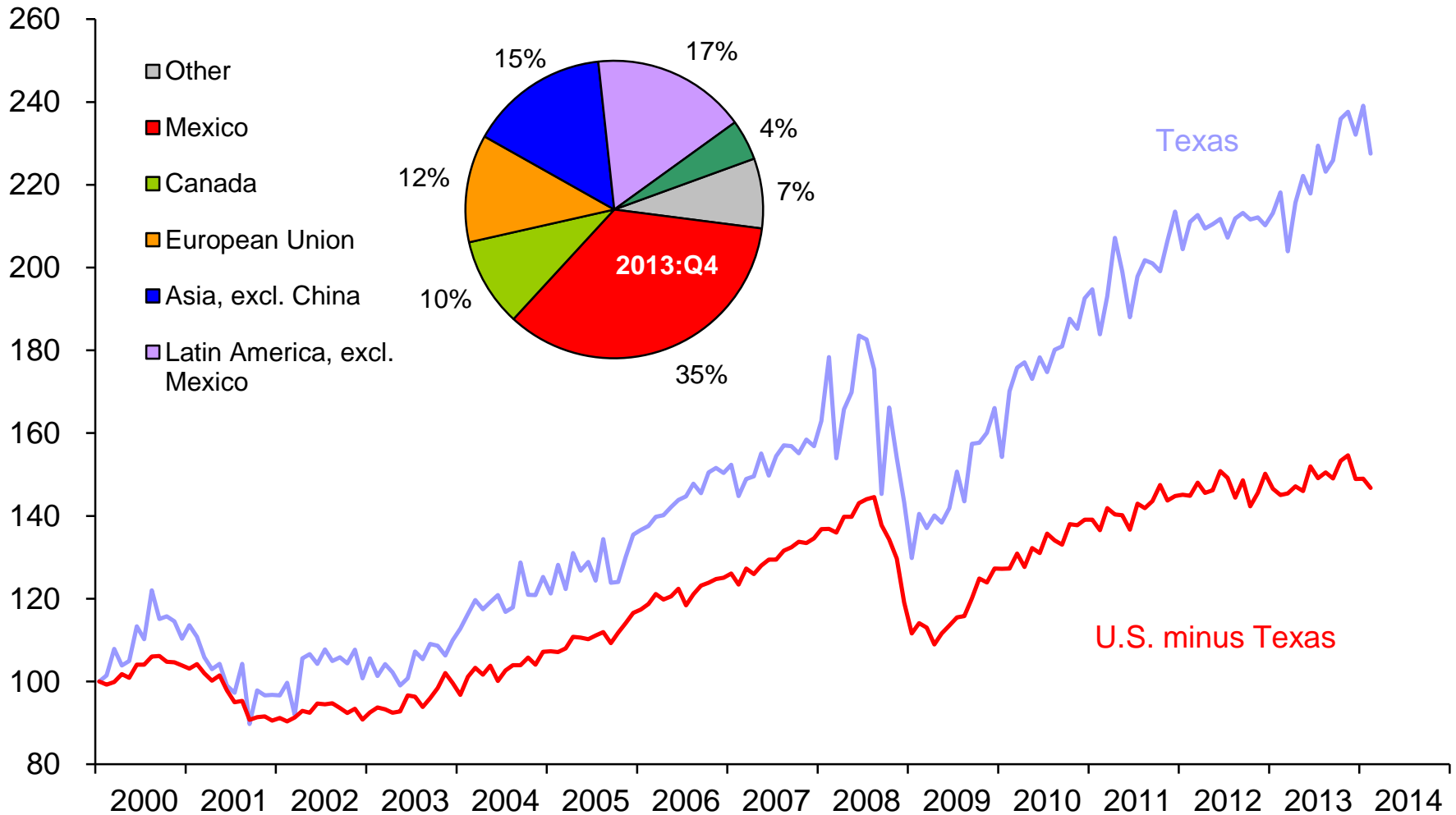


Texas' Trade Partners



Export growth weakens

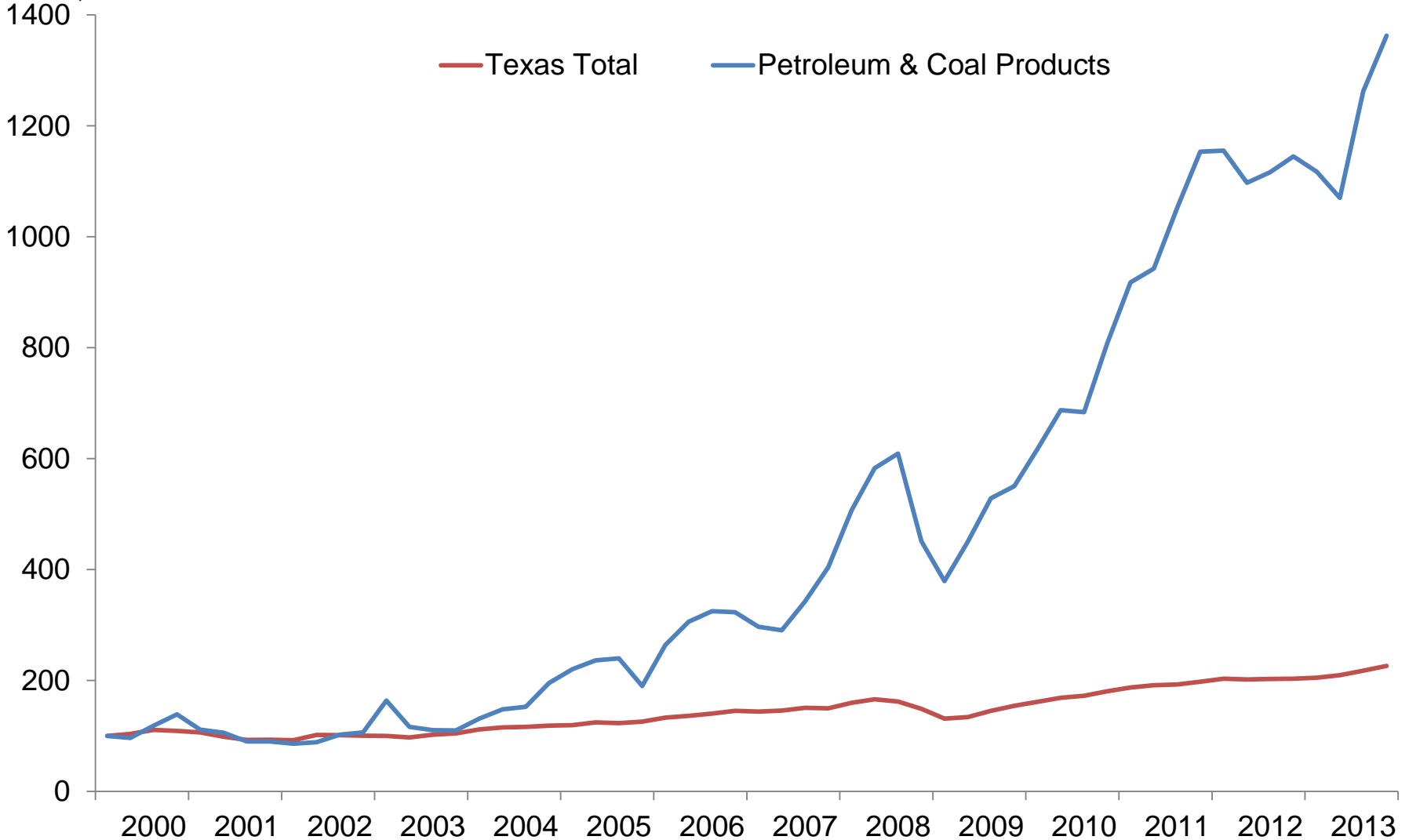
Index, SA Real
Jan. 2000=100



Petroleum exports surge

Index, Q1 2000=100

Real, SA

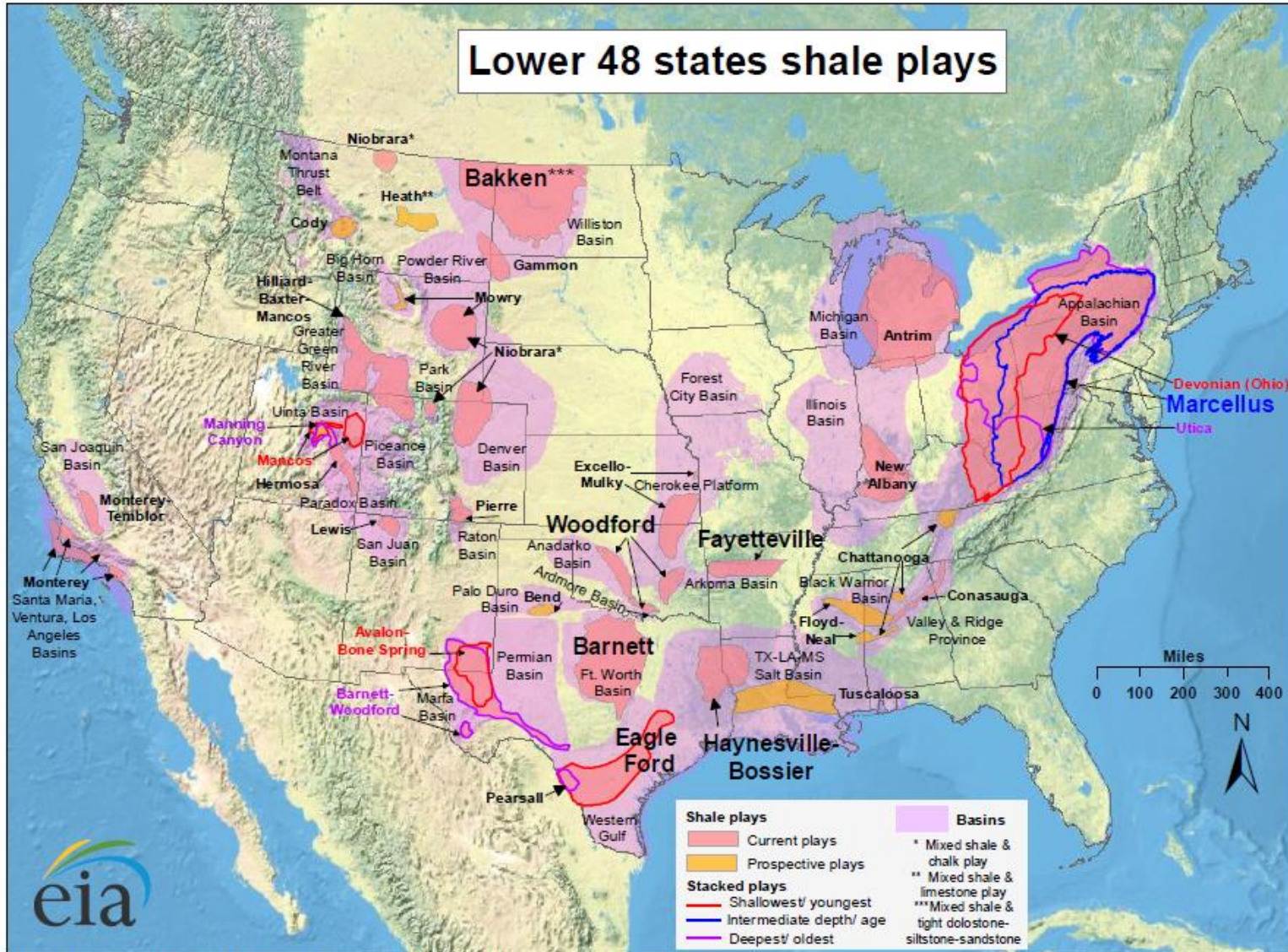


Energy major driver of Texas economy

- Texas #1 producer of oil and gas in the nation
- Texas provides oil services to nation and rest of world.
- 25% of U.S. refinery capacity and 60% of U.S. petrochemical production is in Texas
- Higher energy prices benefit Texas, on net.



Shale Oil and Gas Resources

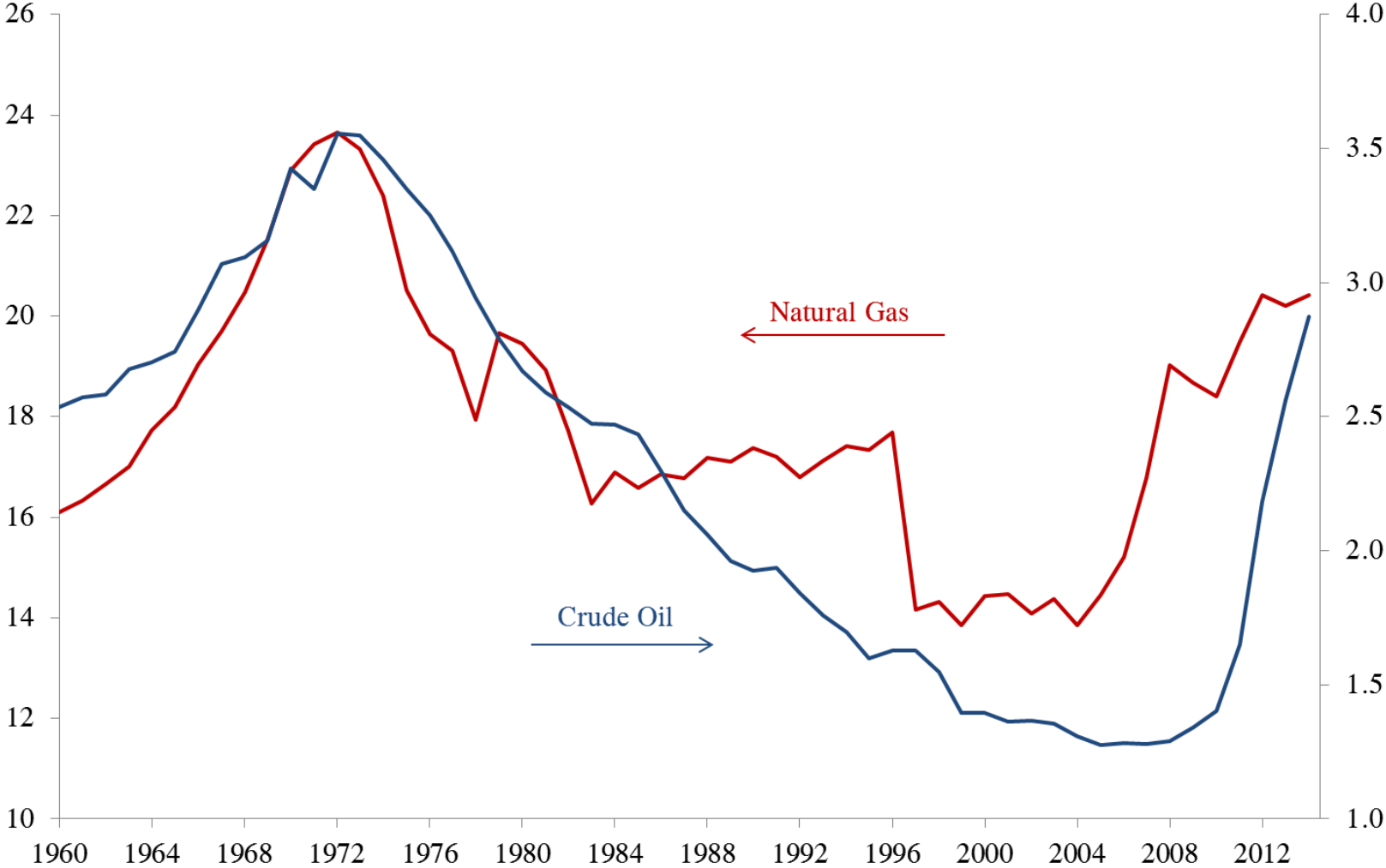


Source: Energy Information Administration based on data from various published studies.
 Updated: May 9, 2011

Texas energy production up strongly

Billion cubic feet per day

Million barrels per day



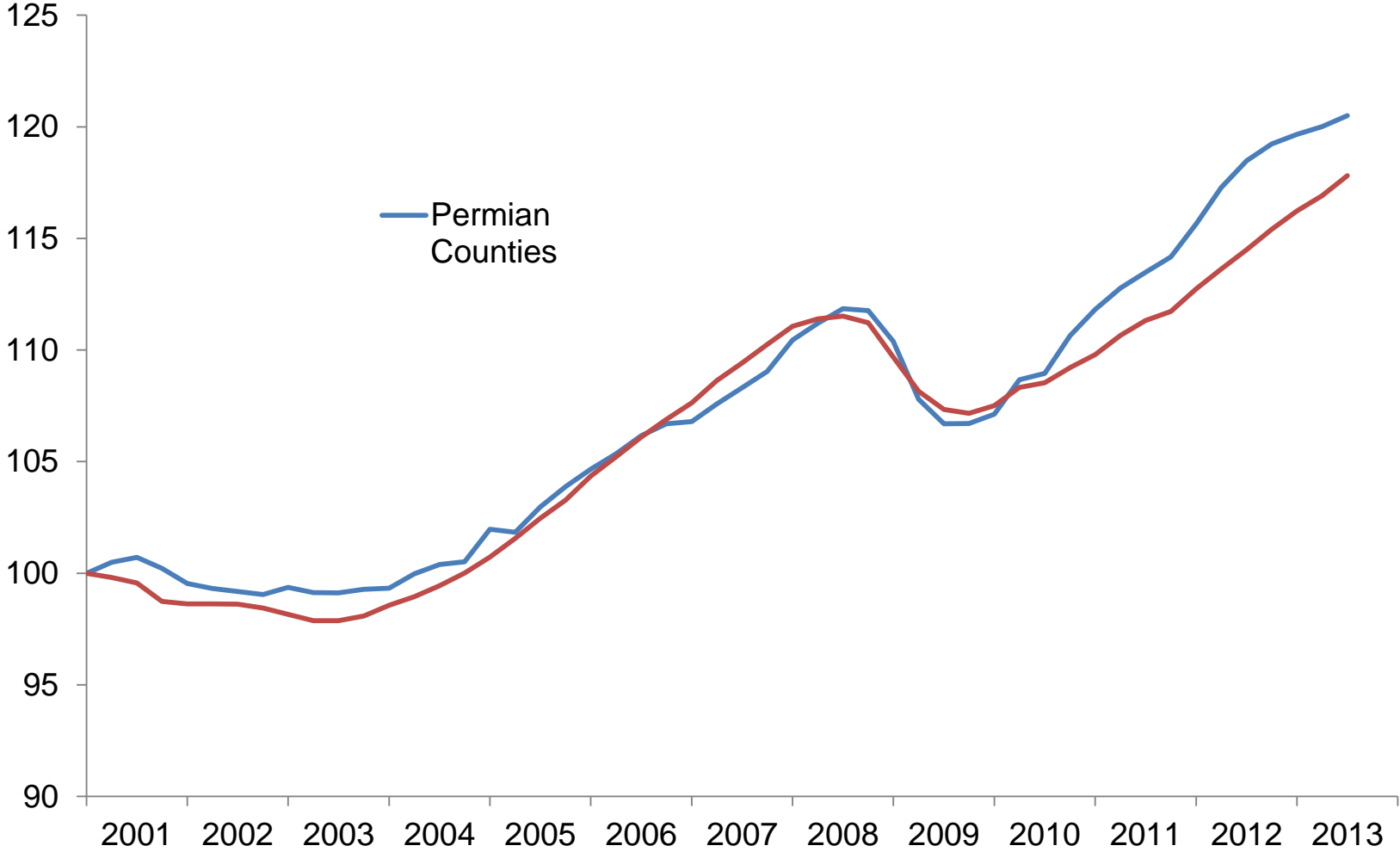
Regional Effects

- Increased energy activity brings oil and gas extraction and oil-field support jobs
- Local areas:
 - lease and royalty payments,
 - infrastructure construction and
 - increased spending on retail, leisure and hospitality, and health services.
- Local governments: greater sales taxes
- State governments: increased severance tax revenues



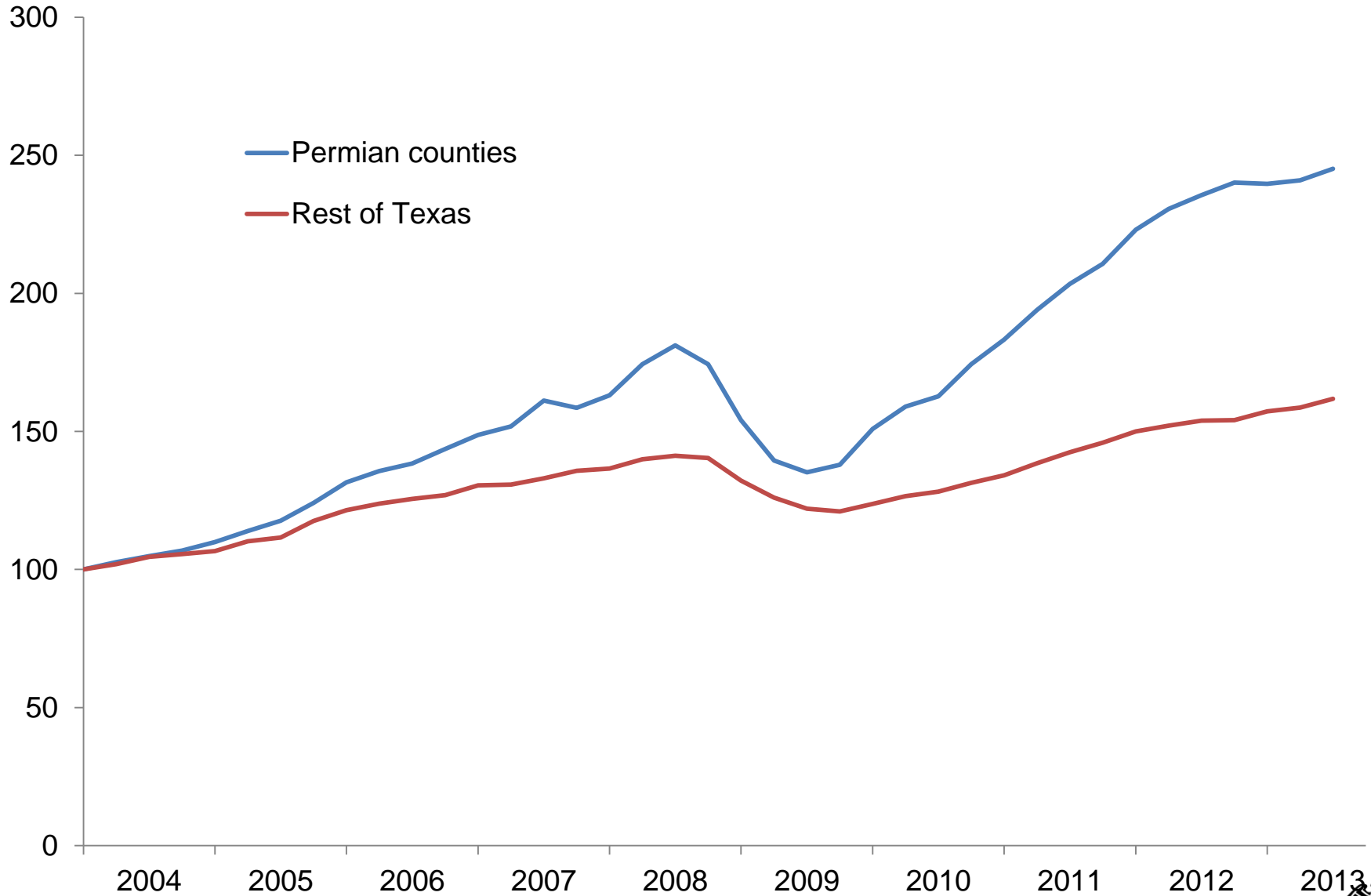
Permian Basin Employment

Index, 2001: Q1 = 100, SA



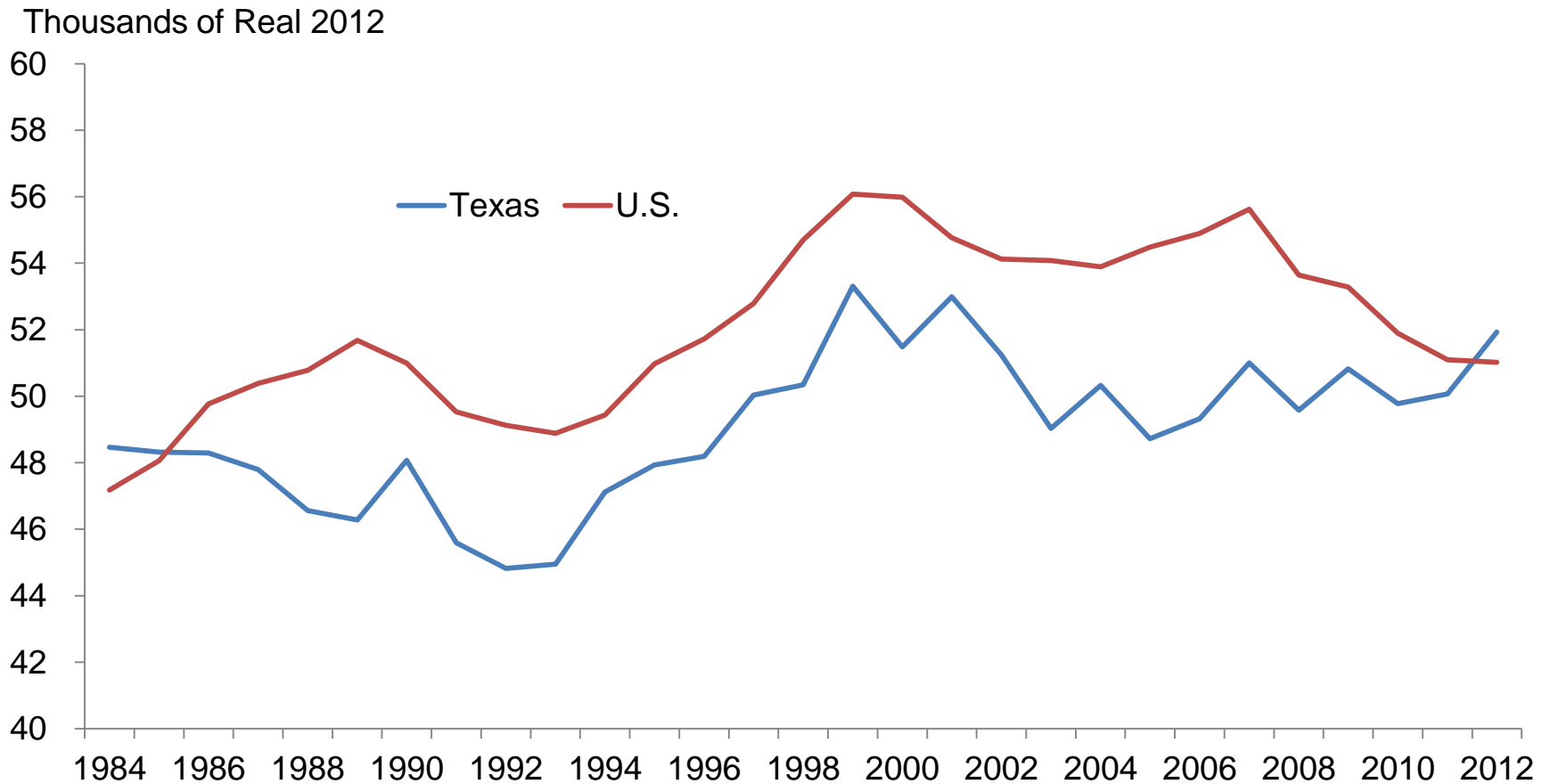
Permian Basin retail sales growth

Index, 2004:Q1 = 100, SA



Texas incomes close the gap

Real Median Household Income



SOURCE: March CPS.



Severance taxes fill state coffers

- 2013 oil and gas tax revenues in TX
 - \$4.5 billion
 - 10.7 % of total state tax revenues
 - 45% increase from a year ago
- Oil severance taxes: \$3.0 billion
- Natural Gas severance taxes: \$1.5 billion



Oil and gas production

Crude Oil (mb/d) 2012

- World 75.6
- Russia 9.9
- Saudi Arabia 9.8
- **U.S. 8.2 (Mar 2014)**
- Canada 3.1
- **Texas 2.9 (Jan 2014)**
- Mexico 2.6
- Venezuela 2.2
- Norway 1.6
- Libya 1.4
- Qatar 1.3

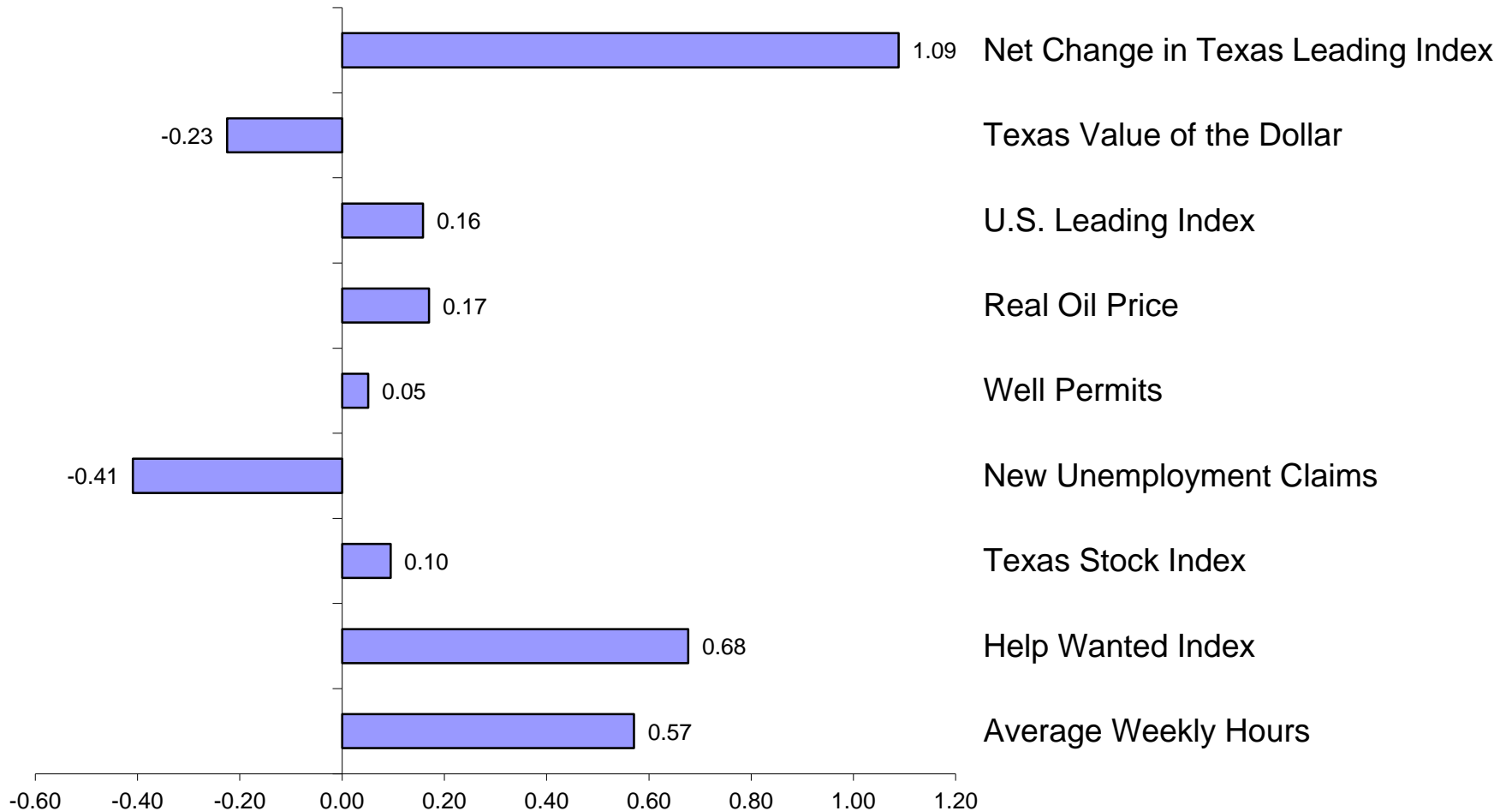
Natural Gas (tcf) 2012

- World 122.8
- **U.S. 25.6 (2013)**
- Russia 23.8
- **Texas 7.4 (2013)**
- Iran 6.1
- Canada 5.7
- Qatar 4.9
- Norway 3.7
- Saudi Arabia 3.6
- Algeria 3.5
- Mexico 1.8



Texas Leading Index

Texas Leading Index Components, 3 month change December - February

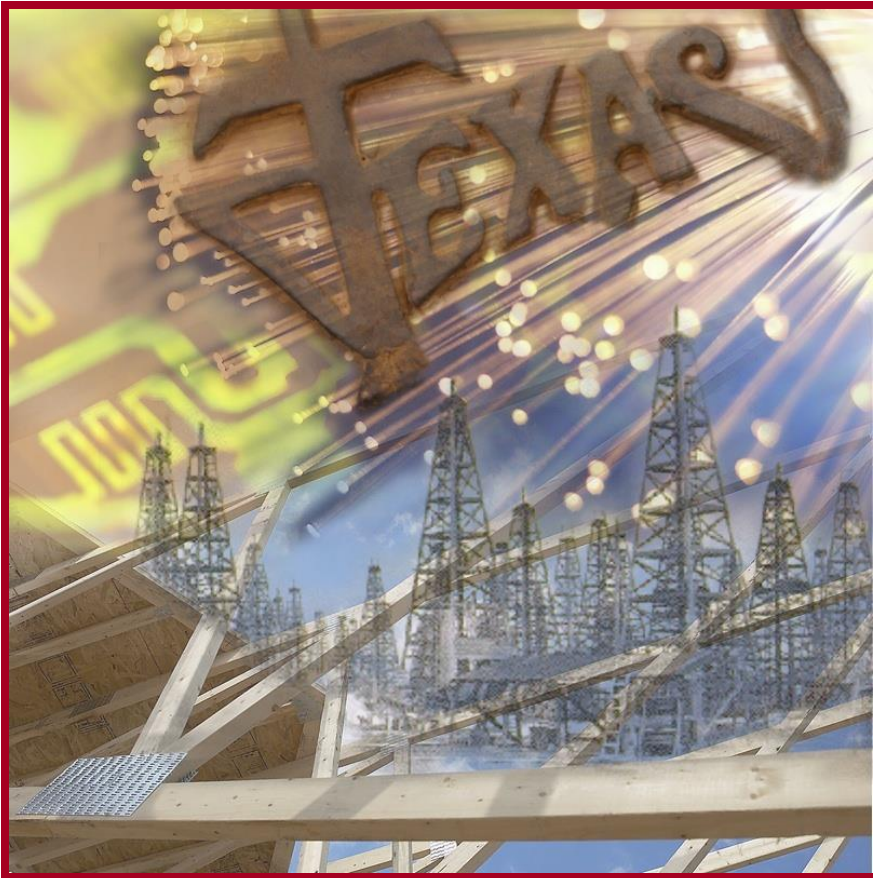


Texas Economic Update

- Texas grew 2.9 % through February
 - Added 54,500 jobs
- Manufacturing lost jobs, but output expanding
- Construction and energy came in strong
- Outlooks optimistic
- Expect 2.8% growth for the year
- Texas will outpace nation in 2014.



The Texas Economy



Mine Yücel
Federal Reserve Bank of Dallas

