



# FEDERAL RESERVE BANK *of* DALLAS SAN ANTONIO BRANCH

## **2016 Texas Economic Outlook: Riding the Energy Roller Coaster**

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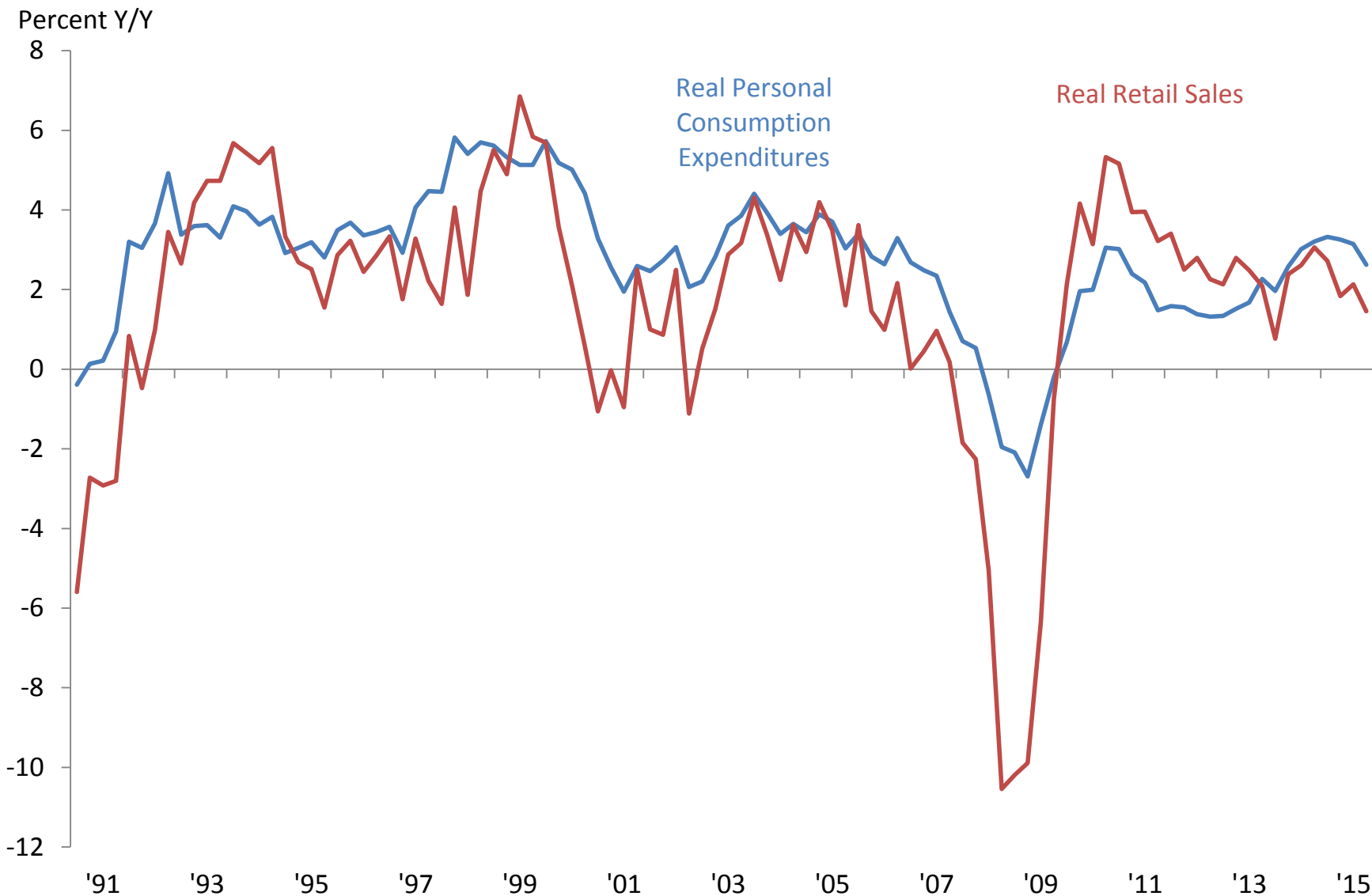


# National Economy Slowed Slightly in 2015

- Job growth slowed from 2.2% in 2014 to 2.0% in 2015, while RGDP growth slowed from 2.5% to 1.9%.
- Manufacturing sector hit by global weakness and strong dollar.
- Health care sector picked up with greater insurance coverage. Retail and leisure and hospitality remained healthy, but positive impact of lower energy prices smaller than expected.
- RGDP expected to pick up in 2016.



# 2015 Consumer Spending Weaker Than Expected

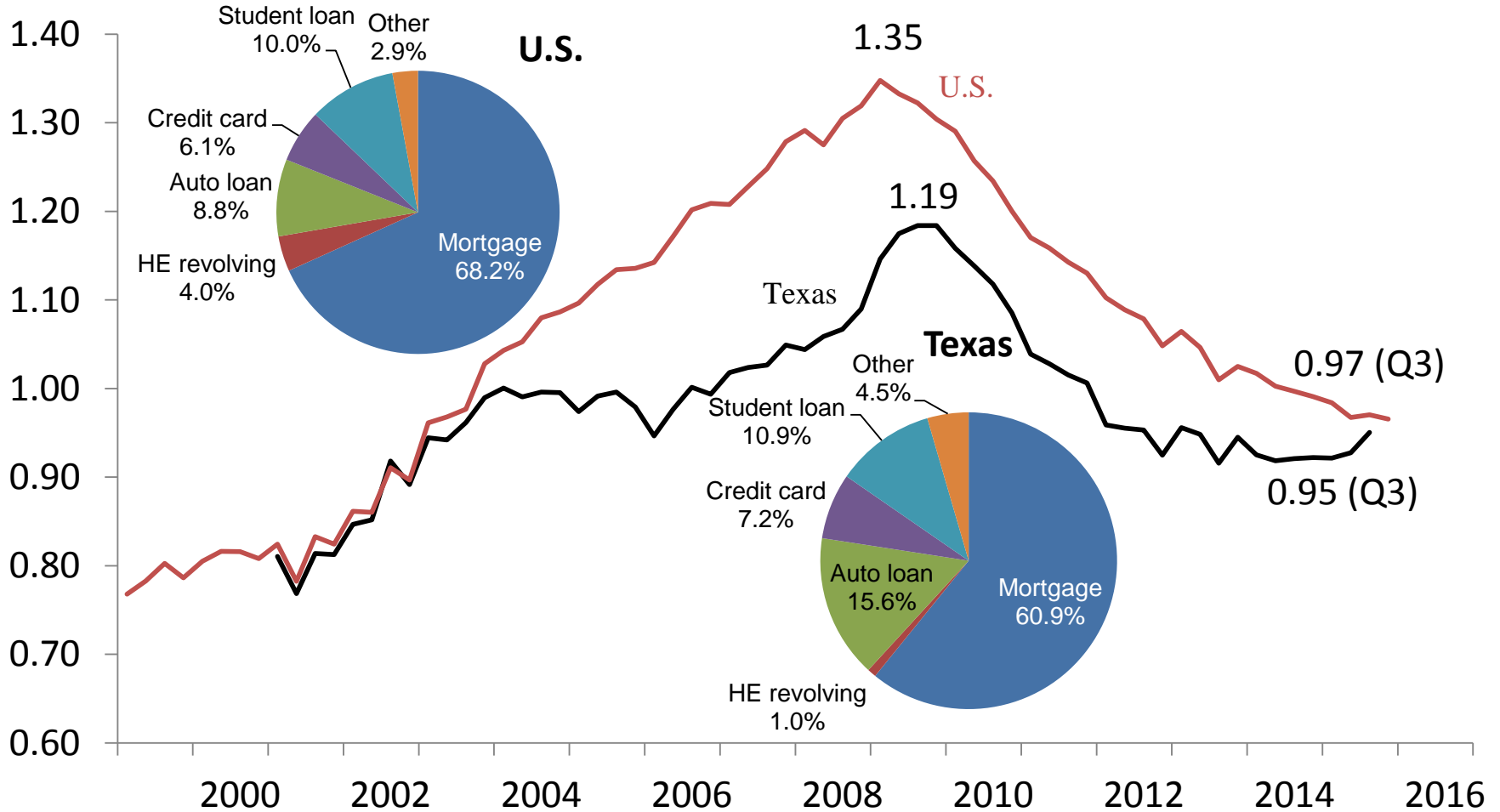


Sources: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis.



# Household Balance Sheets in Better Shape

Ratio, personal debt per capita/personal income per capita

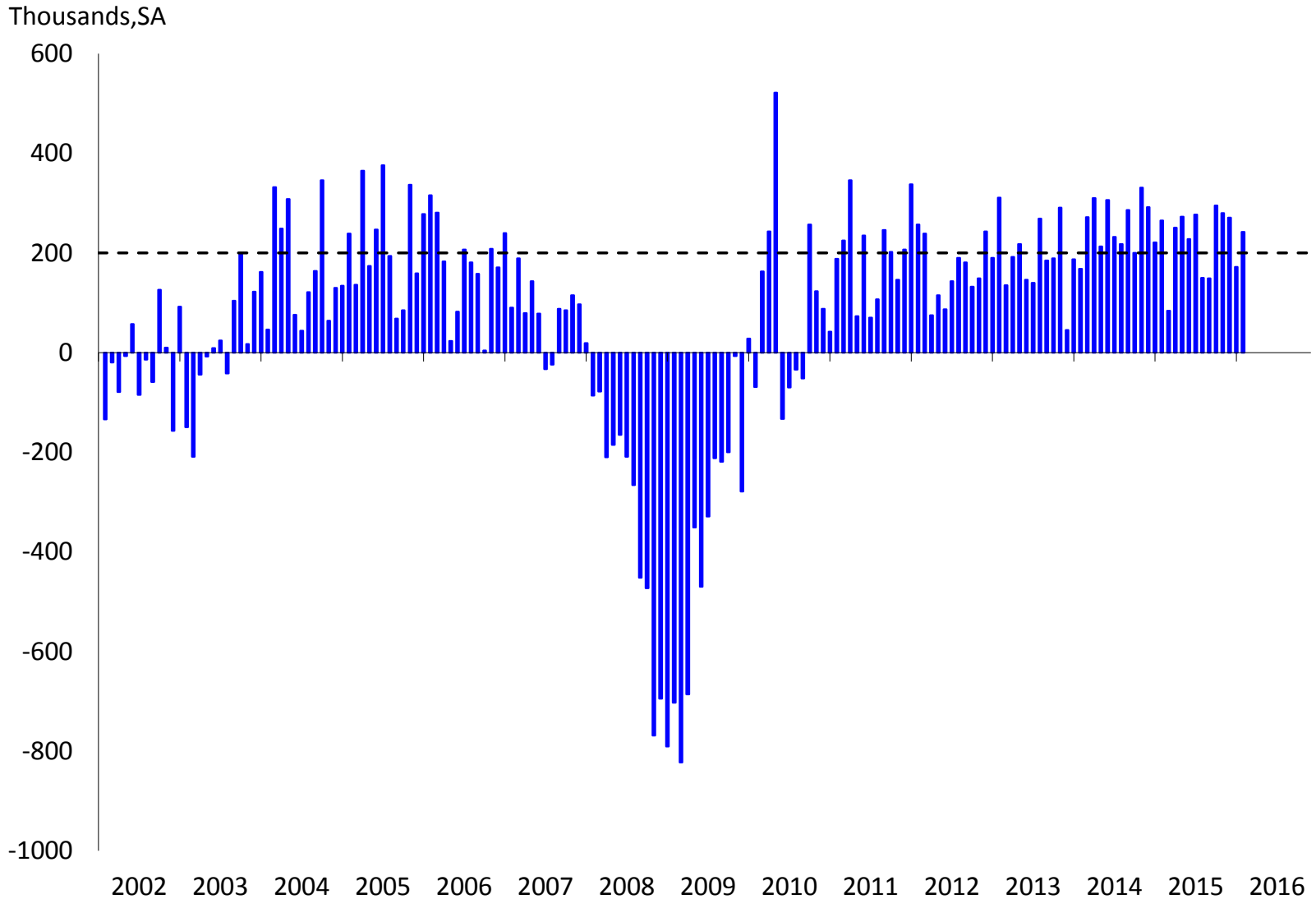


Note: Data are through fourth quarter 2015, except where noted.

Sources: Federal Reserve Bank of New York, Bureau of Economic Analysis.



# Average Job Growth of 229K per Month in 2015 After 251K in 2014 (2.0% vs 2.2%)

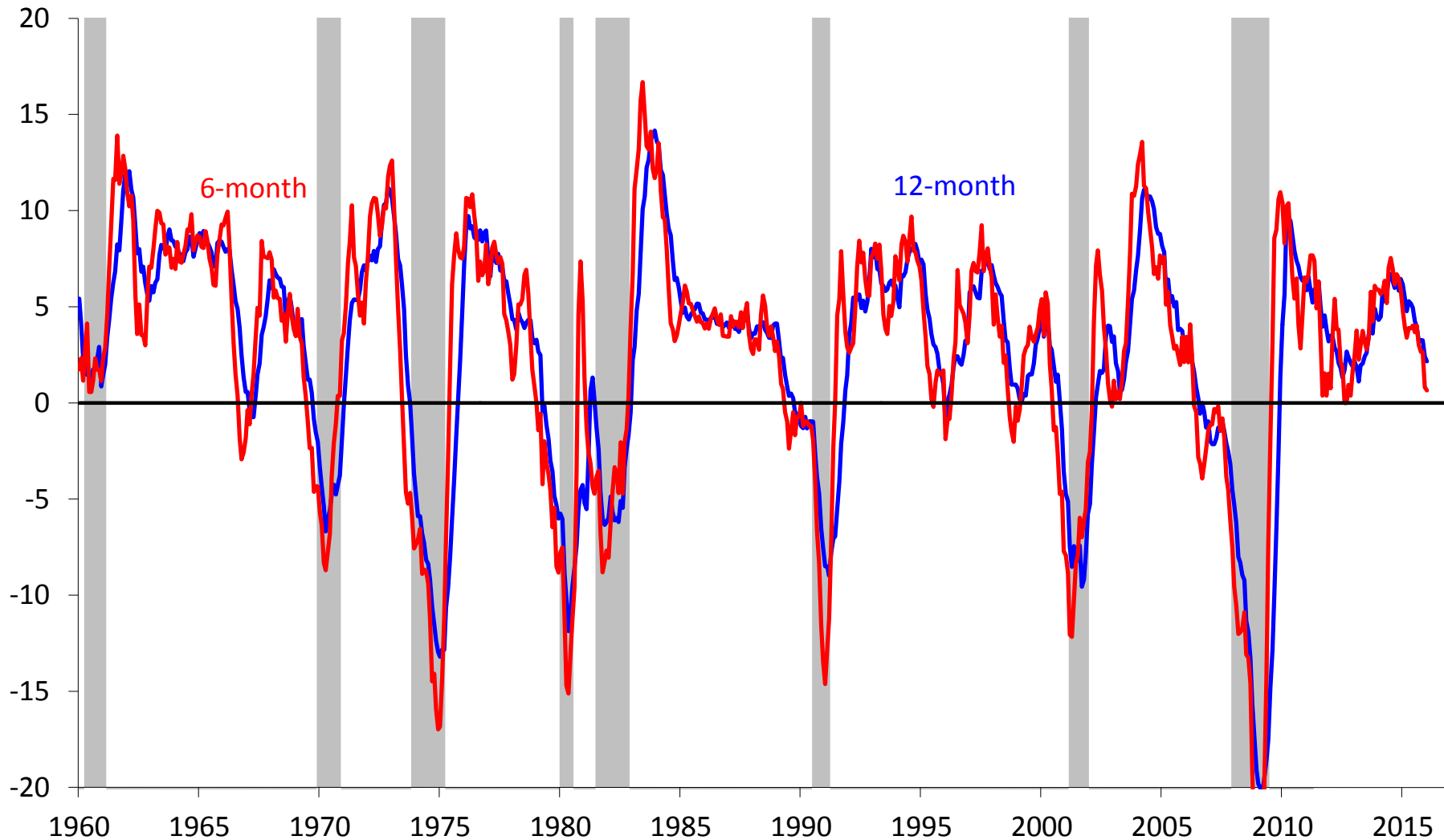


Source: Bureau of Labor Statistics



# U.S. Leading Index Decelerating but Suggests Continued Growth in Months Ahead

Percent change, annualized



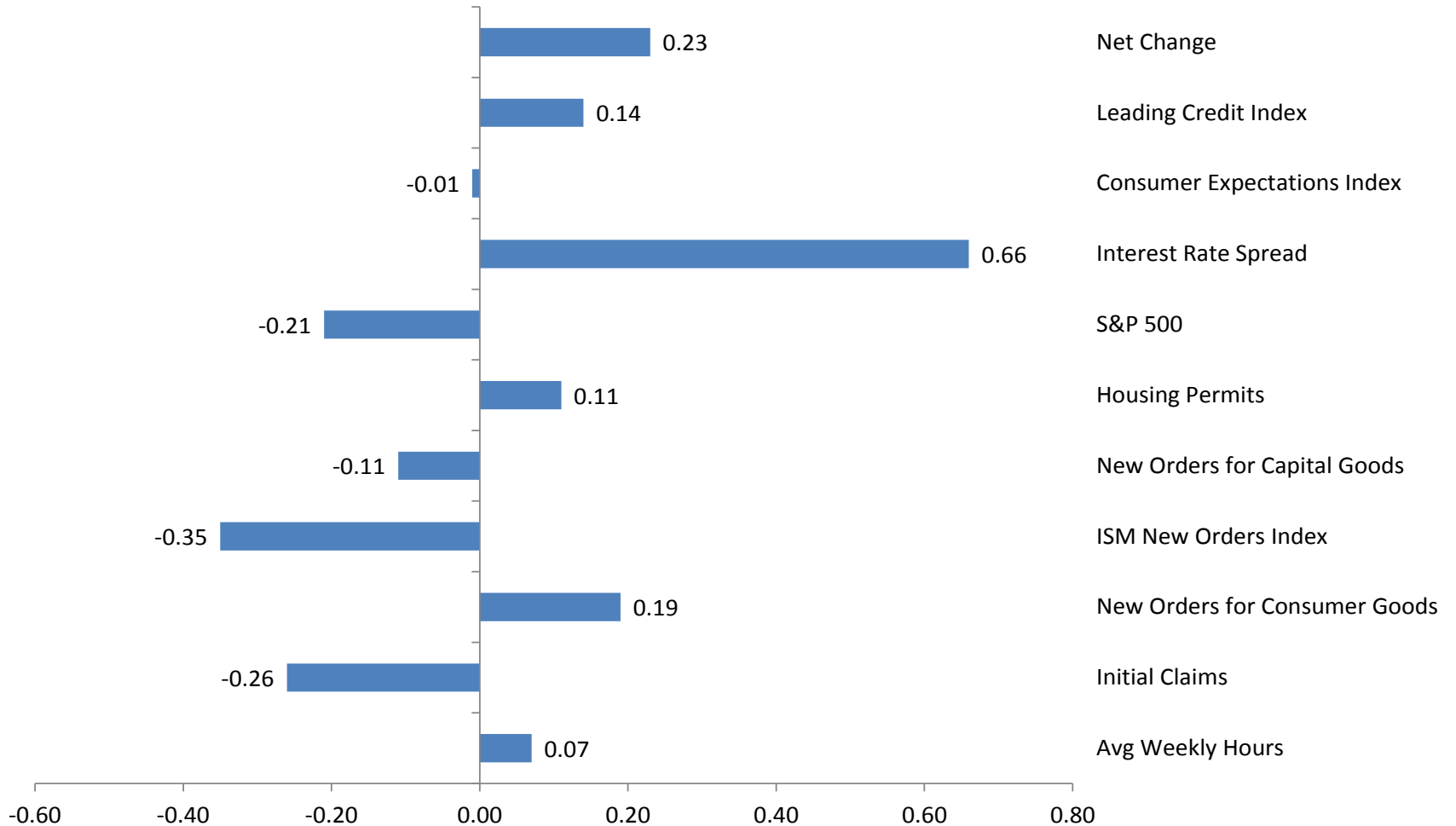
Note: Shaded areas represent U.S. recessions.

Sources: Conference Board, Federal Reserve Bank of Dallas.



# U.S. Leading Index Components Mixed

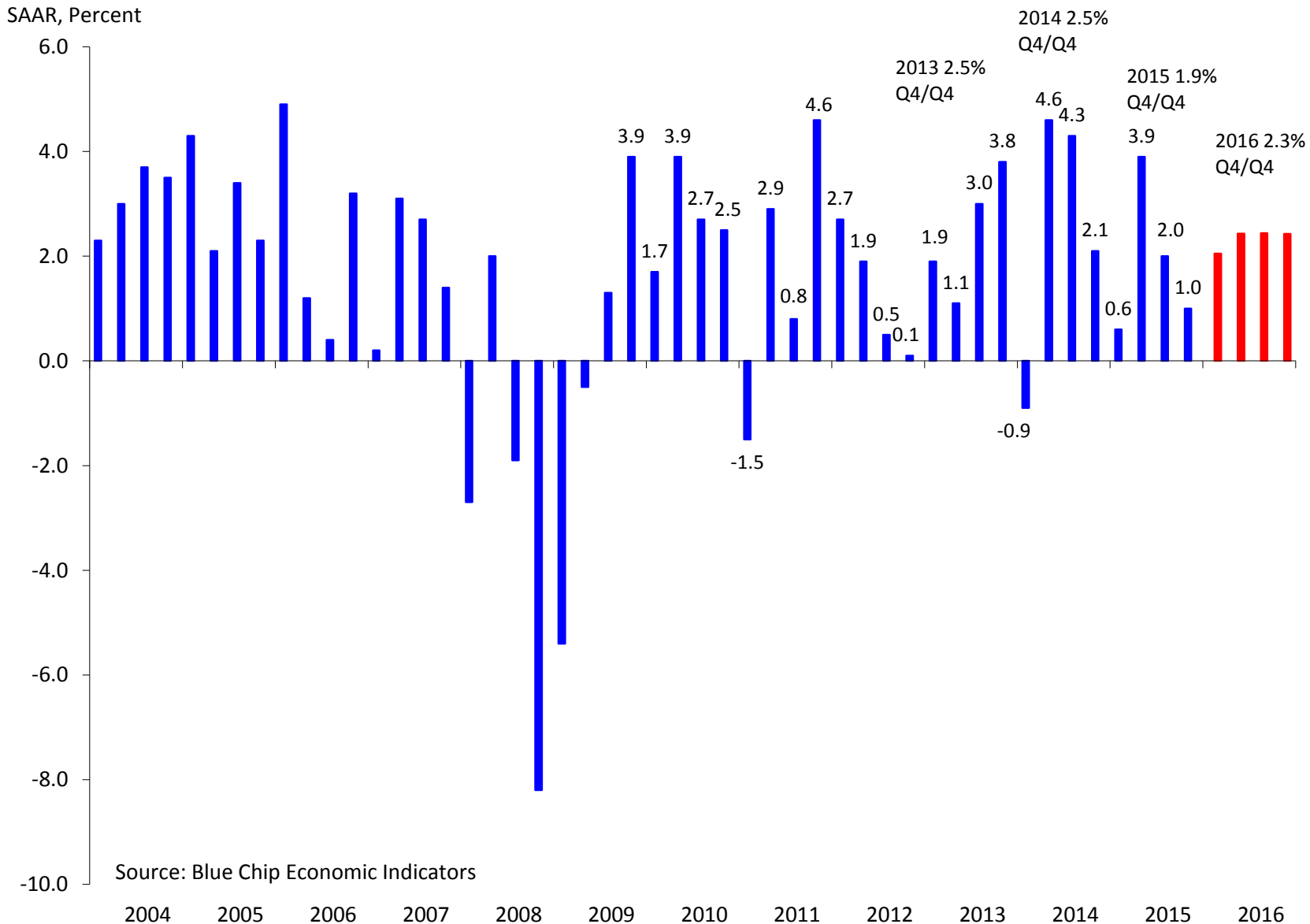
Net Contributions to Change in U.S. Leading Index  
(Nov. 2015 - Jan. 2016)



SOURCE: Conference Board.



# RGDP Growth Slipped to 1.9% in 2015, March Blue Chip Survey Projects 2.3% in 2016





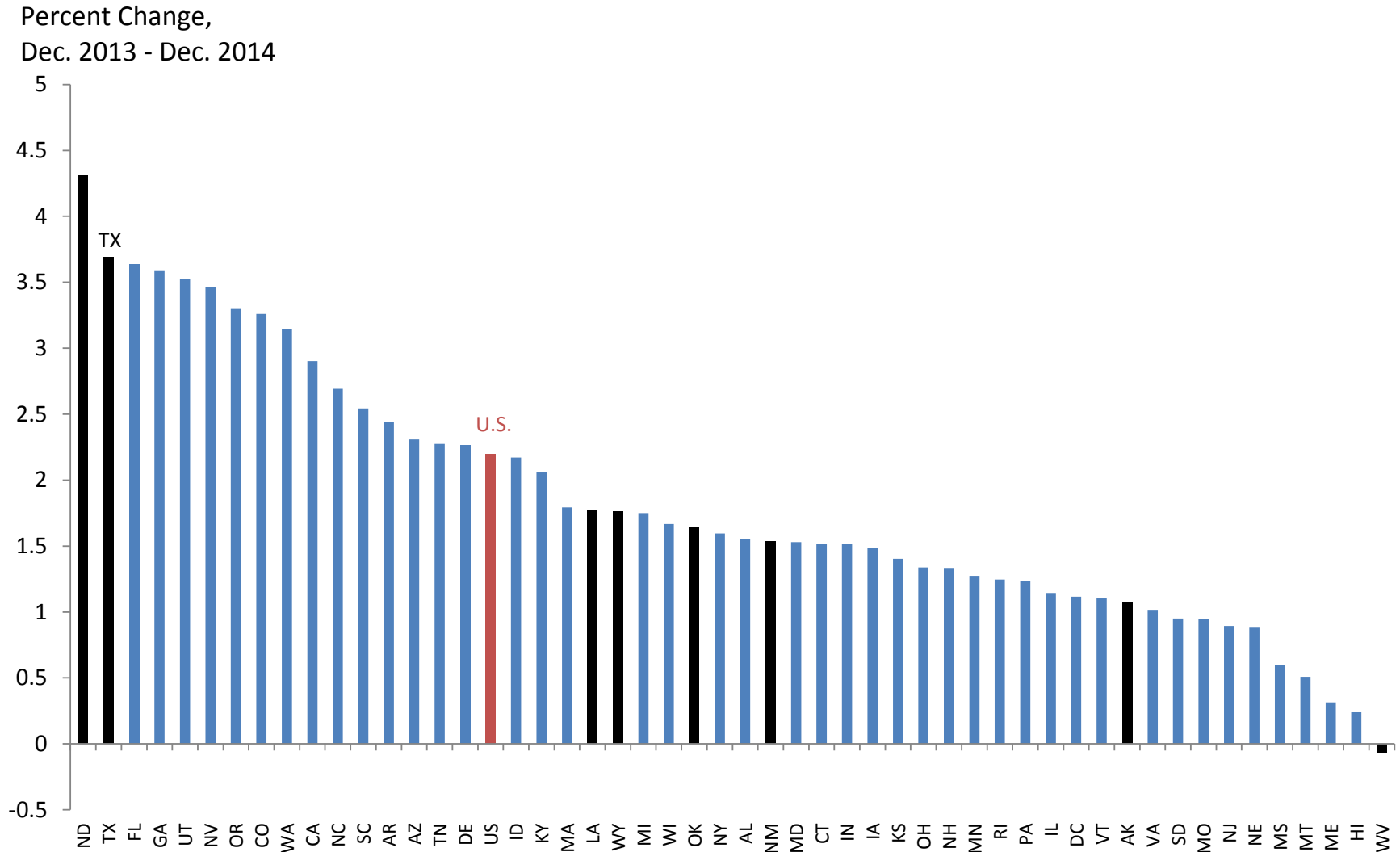


# Texas Economy Weakened Sharply in 2015 but Continued to Add Jobs

- In five years prior to 2015, growth in energy, construction and exports provided a strong stimulus to Texas.
- In 2015, low oil prices, strong dollar and labor market tightness reduced job growth.
- Health care and leisure and hospitality remained strong—offsetting some of the weakness in energy and manufacturing.
- In 2015, jobs grew about 1.5% (180,000 jobs), a drop from 3.6% in 2014. In 2016, if oil prices average around \$30-\$40, growth will be about 0.5% to 1.5% (59,700 to 179,000 jobs). If prices average below \$30 jobs could decline slightly.



# Texas Ranked Second in Job Growth in 2014, Growth in Energy States Varied Widely



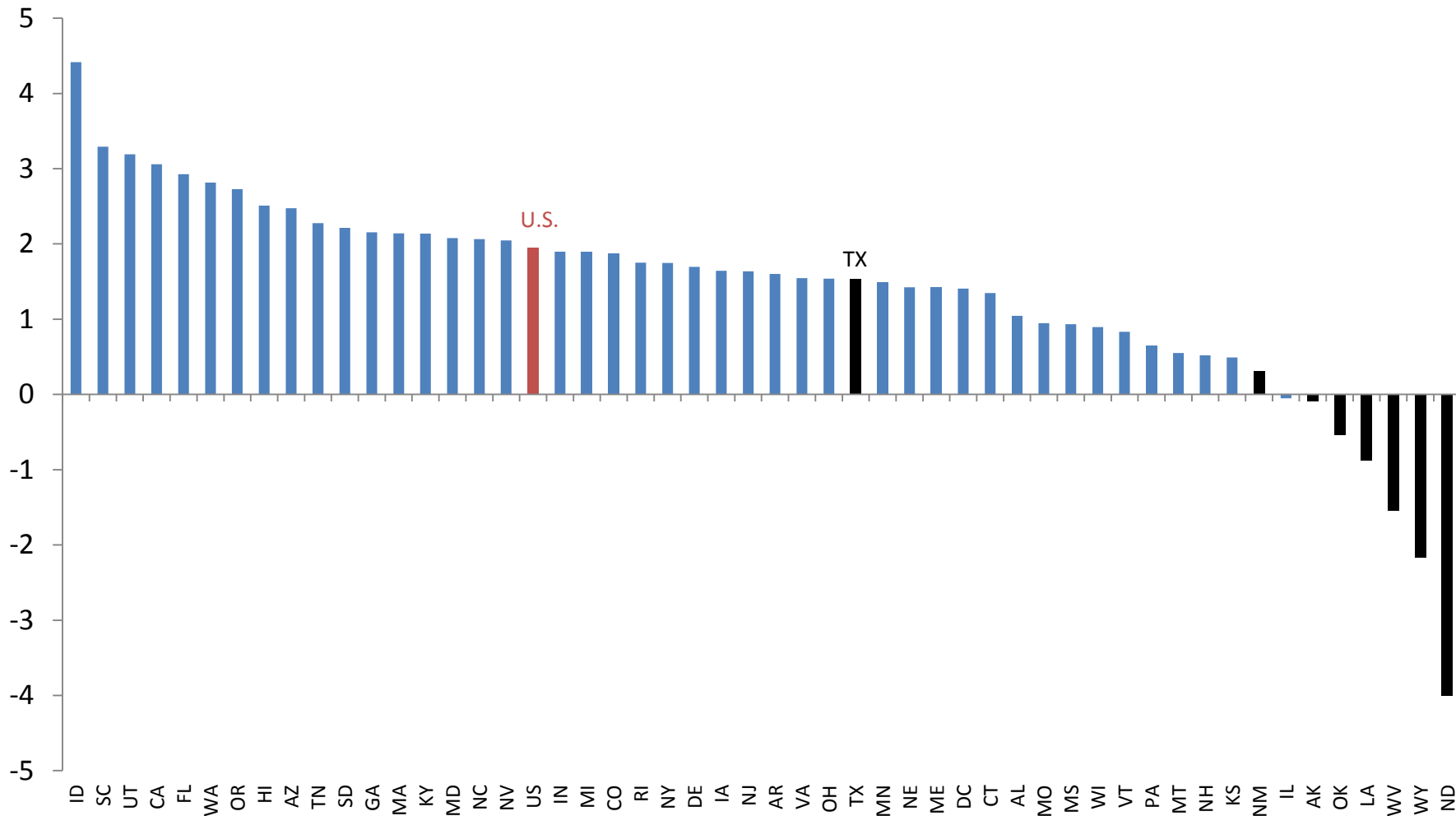
NOTE: Black bars represent major energy-producing states.

SOURCE: Bureau of Labor Statistics



# Texas Ranked 29<sup>th</sup> in Job Growth in 2015, but Above Most Energy States

Percent Change,  
Dec. 2014 - Dec. 2015



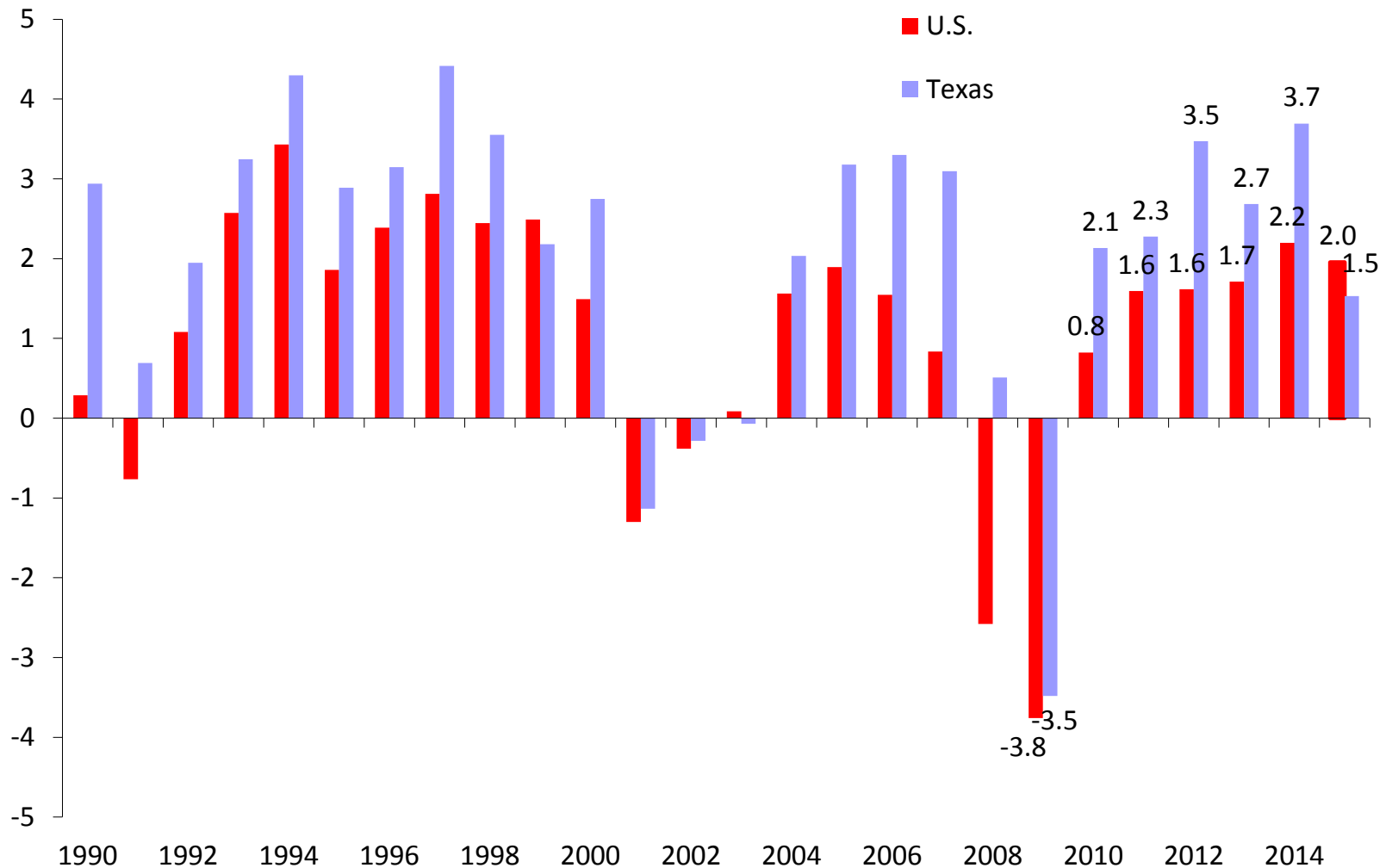
NOTE: Black bars represent large energy-producing states.

SOURCE: Bureau of Labor Statistics



# 2015 Texas Job Growth Less Than the Nation's

Percent, Job Growth Y/Y



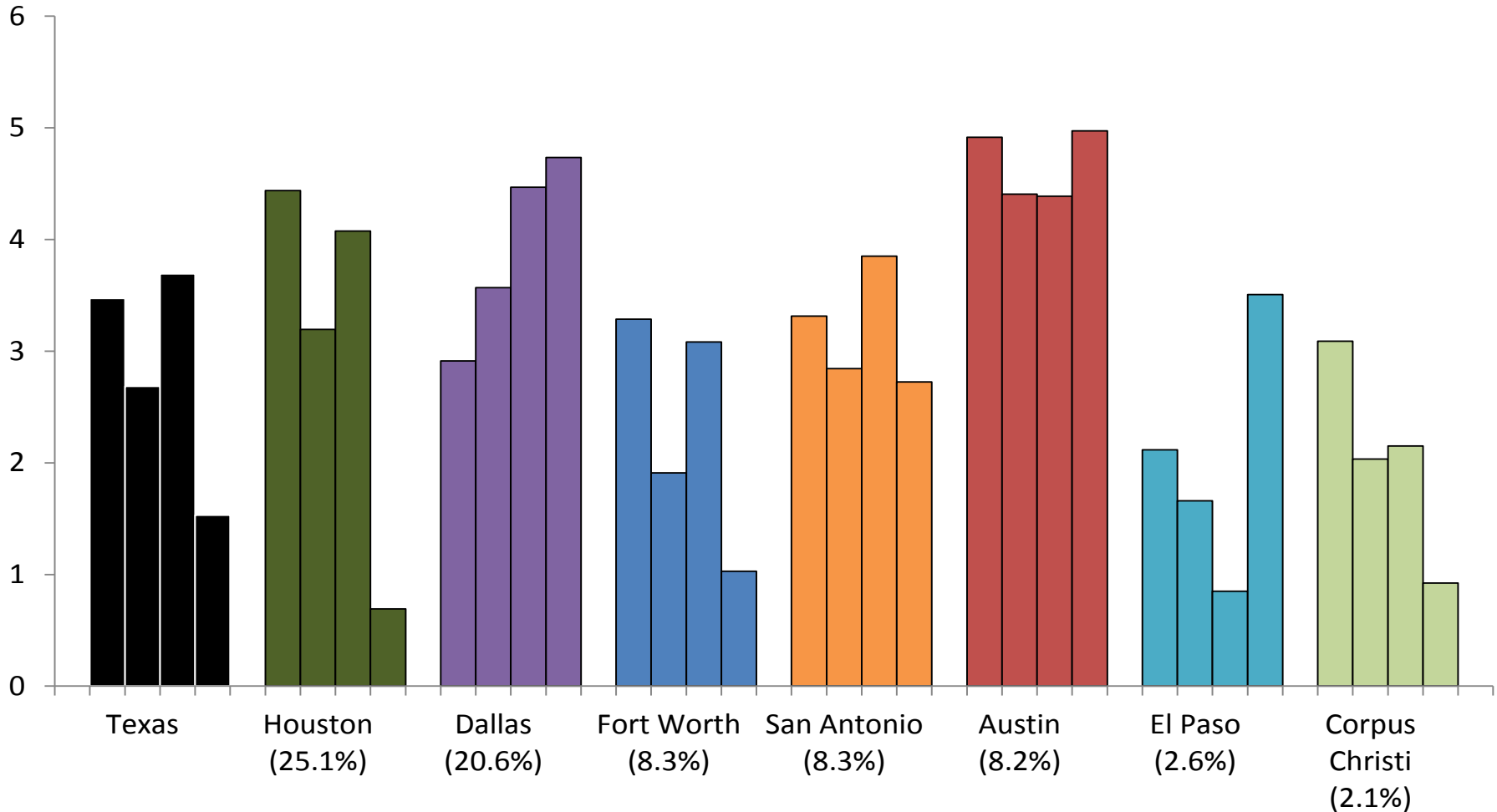
Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas



# 2015 Growth Was Mixed Across Major Metros

## Job Growth, 2012-2015

Percent, Dec./Dec.

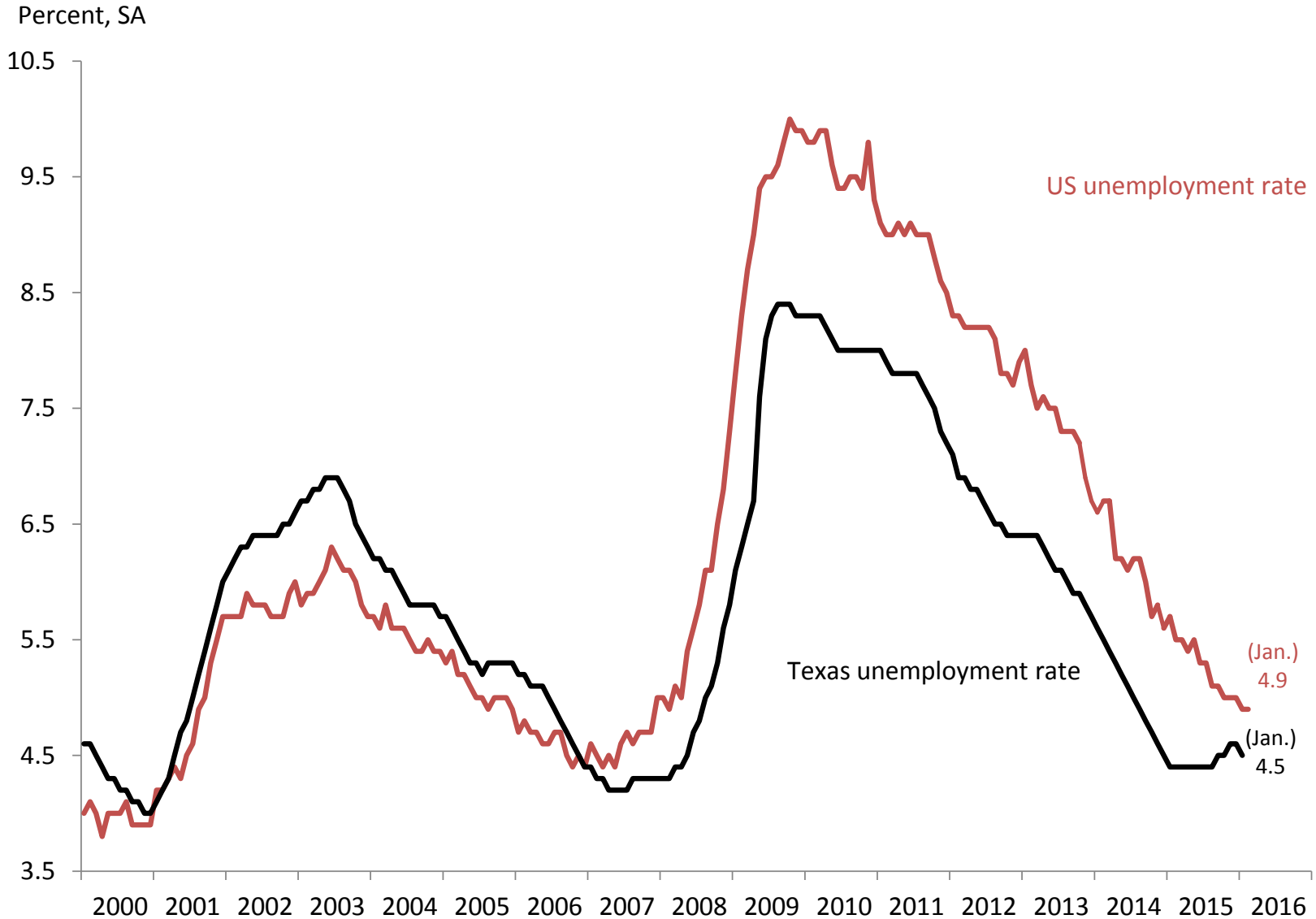


NOTE: Figures in parentheses represent shares of total state employment.

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



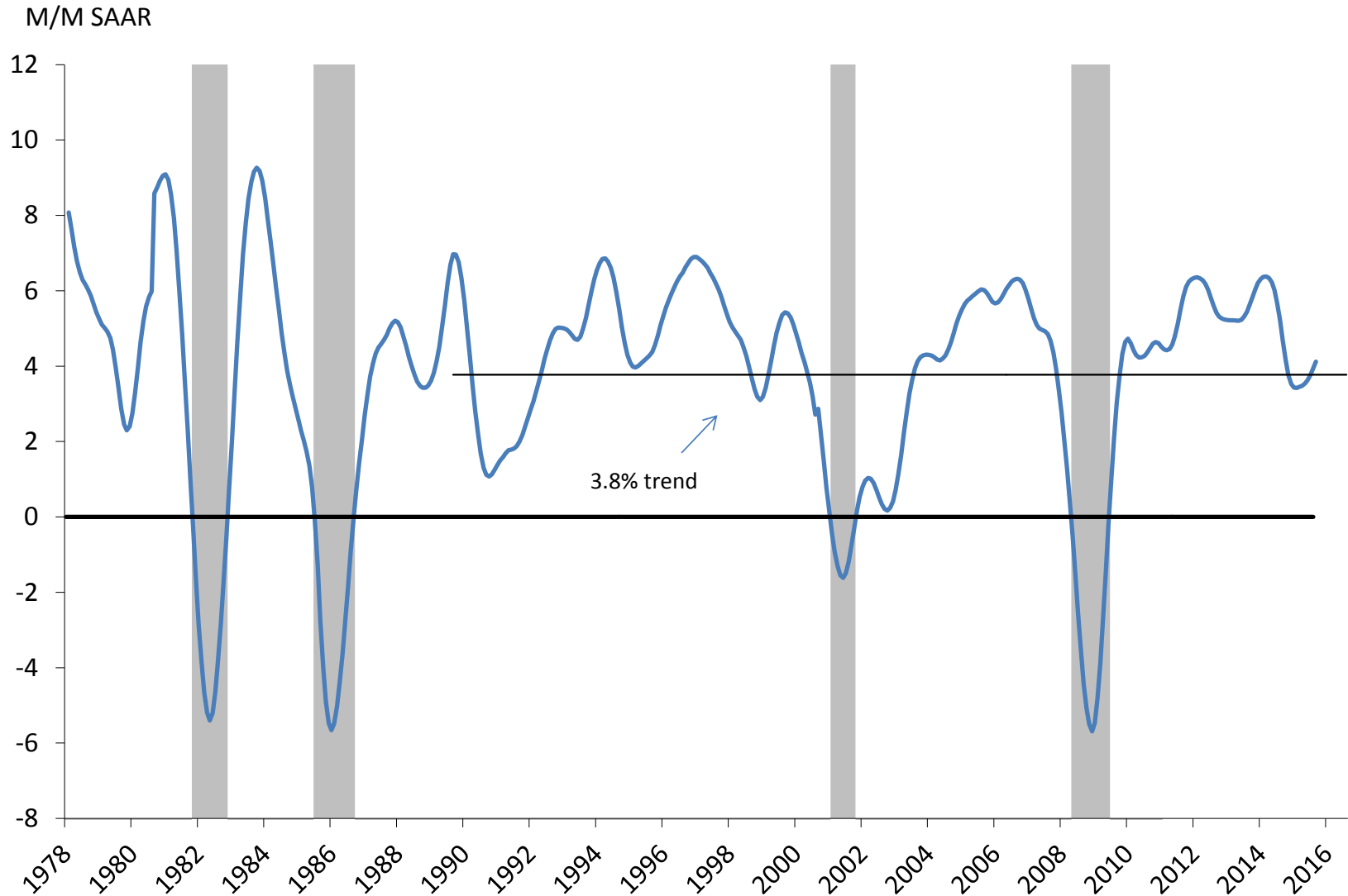
# Texas Unemployment Rate Still Holding Below National Rate



Source: Bureau of Labor Statistics.



# Texas Economic Growth Remains Positive (Texas Business Cycle Index)



NOTE: Shaded areas represent Texas recession.

SOURCE: Federal Reserve Bank of Dallas



# Energy & Manufacturing Weakened Sharply in 2015

Dec/Dec  
Percent Change

(Job Growth 2012-2015)

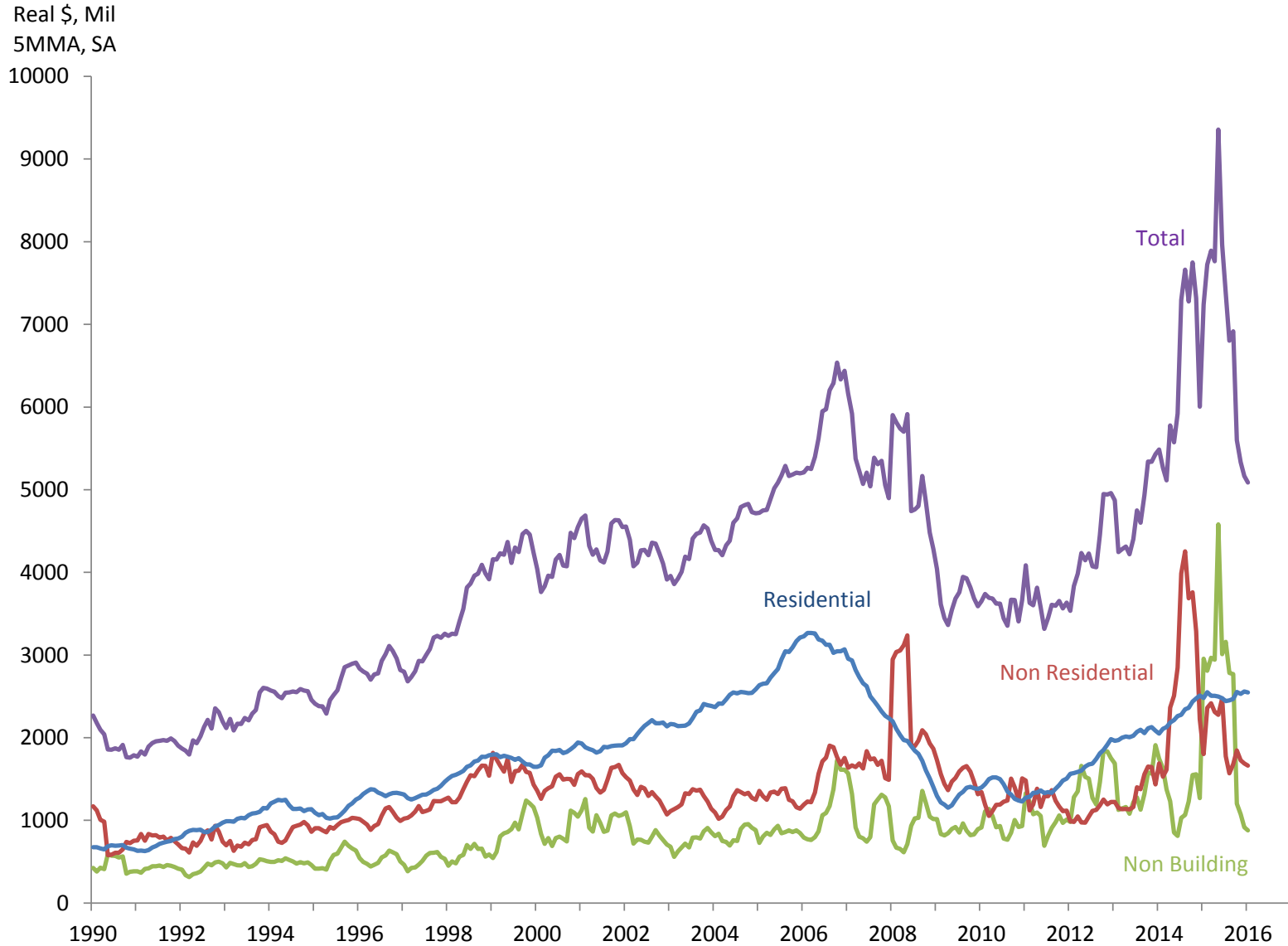


Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas





# Texas Construction Contracts Strong in 2015

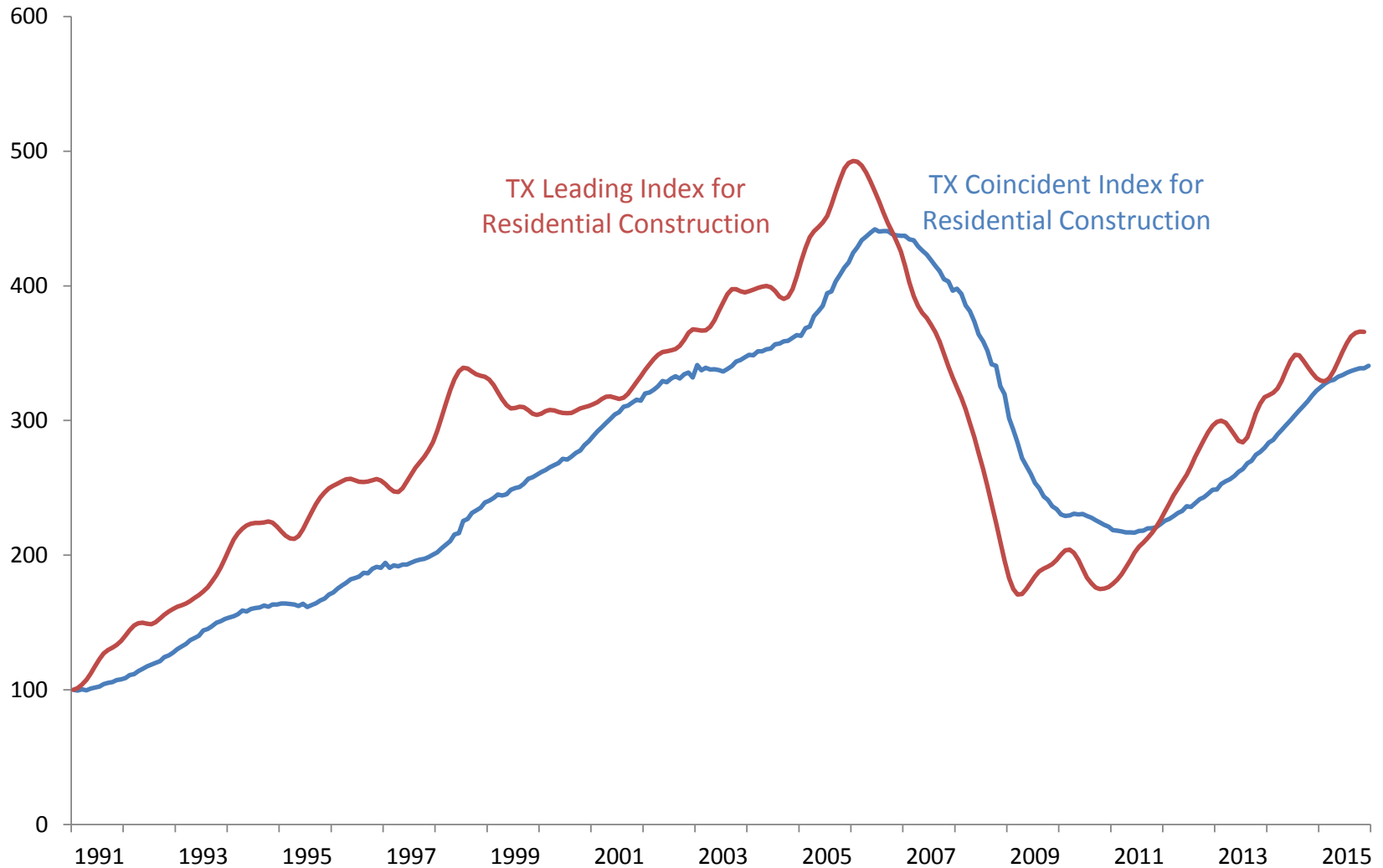


Source: F.W. Dodge, Federal Reserve Bank of Dallas



# Texas Residential Construction Indexes Suggest Continued Growth

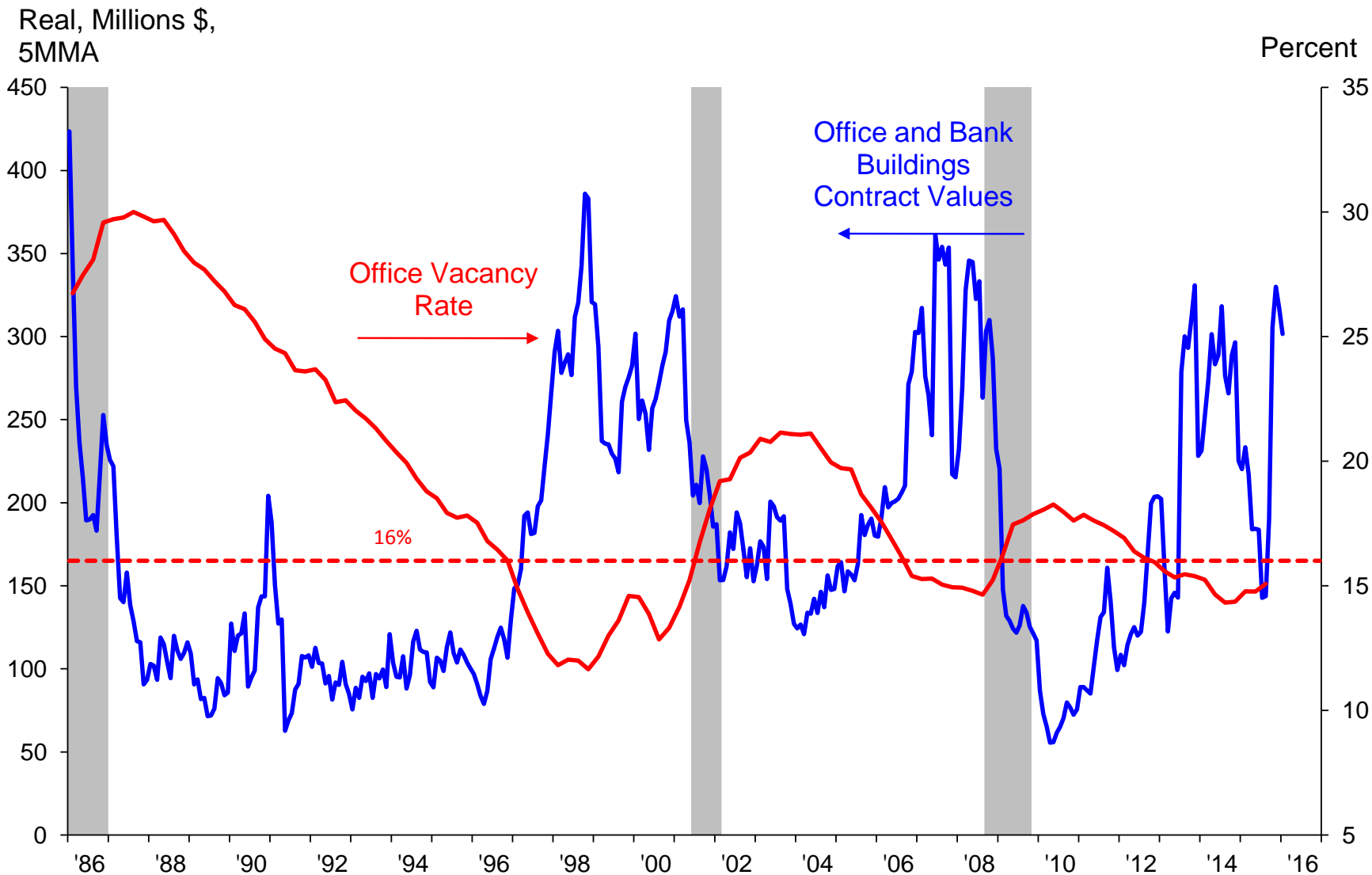
Index, Jan. 1991 = 100



Sources: Federal Reserve Bank of Dallas, Texas A&M Real Estate Center.



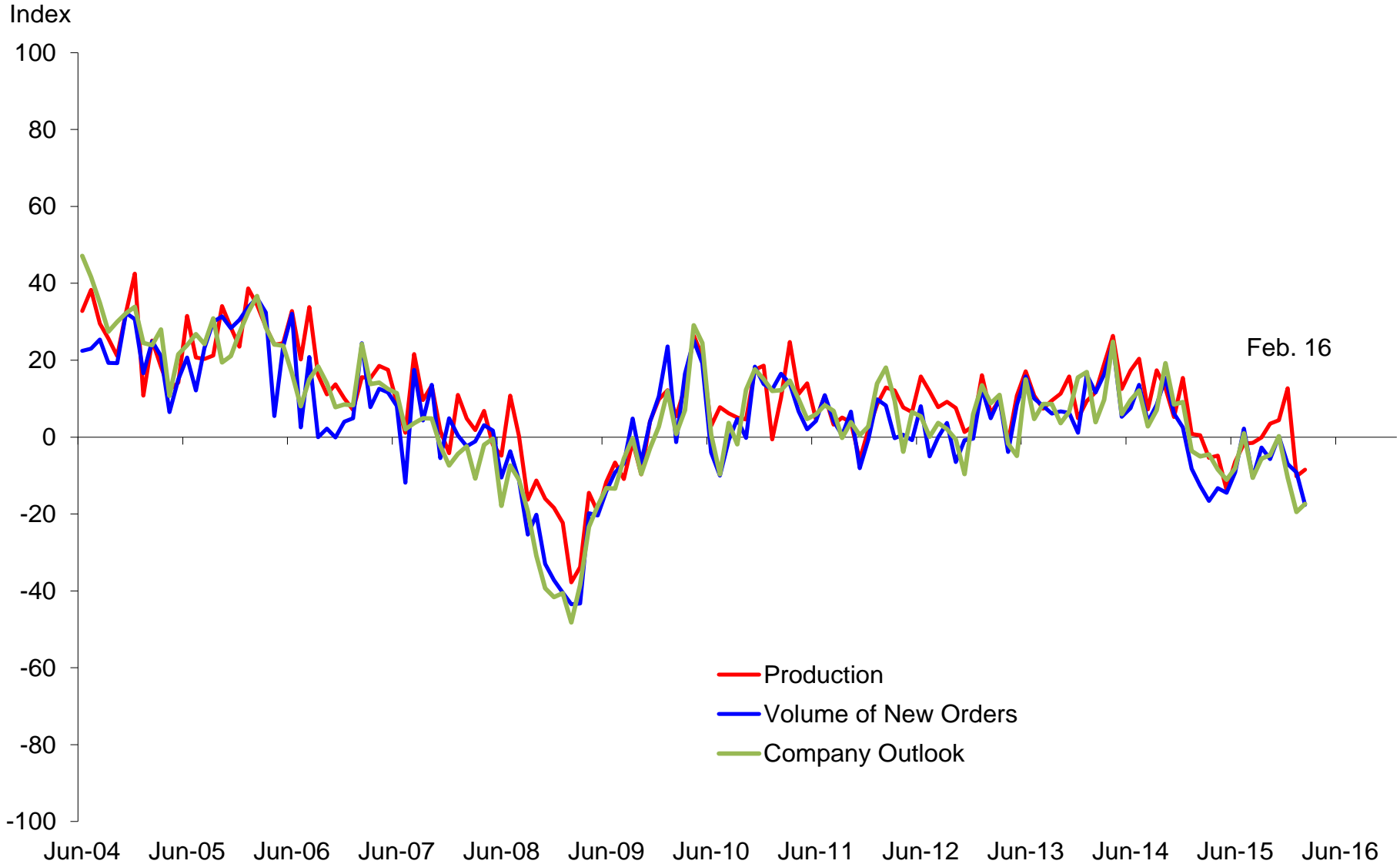
# Texas Office Markets Remain Healthy



Note: Shaded areas represent Texas recessions  
Source: F.W. Dodge, CBRE, Federal Reserve Bank of Dallas



# TX Manufacturing Indicators Weak



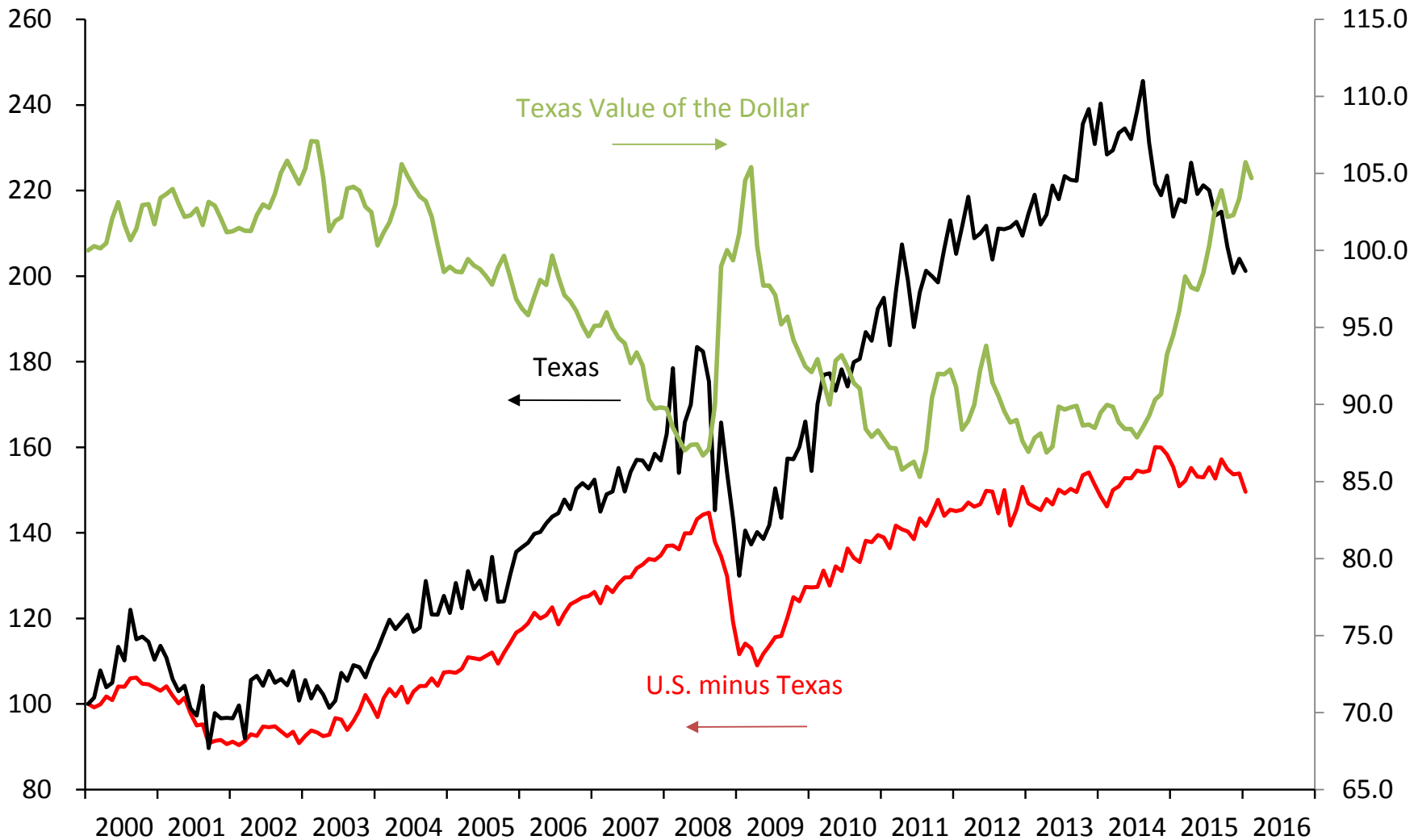
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.



# Texas Exports Weakened as Value of the Dollar Continues to Rise

Index, SA, Real  
Jan. 2000=100

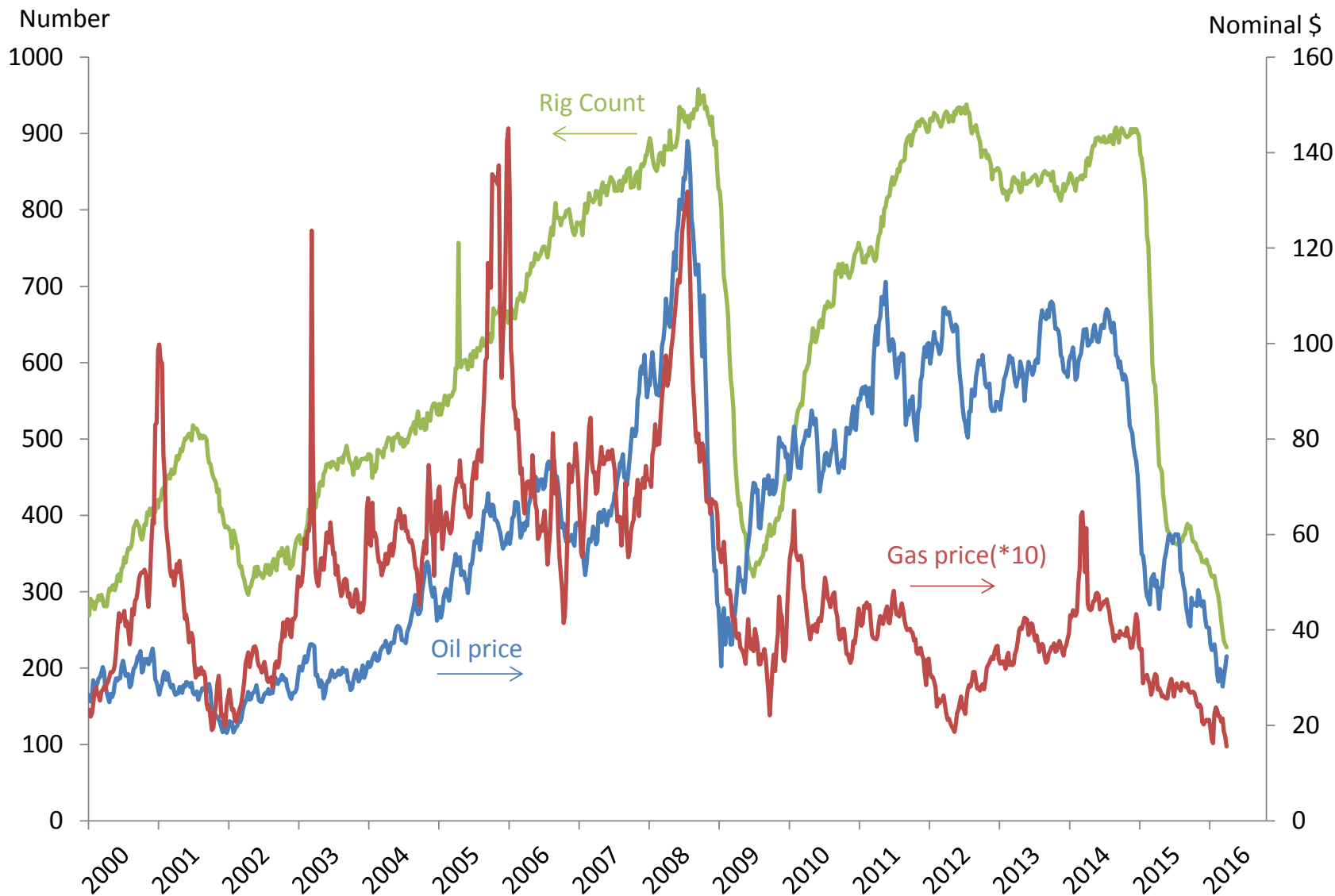
Index  
Jan. 1988=100



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



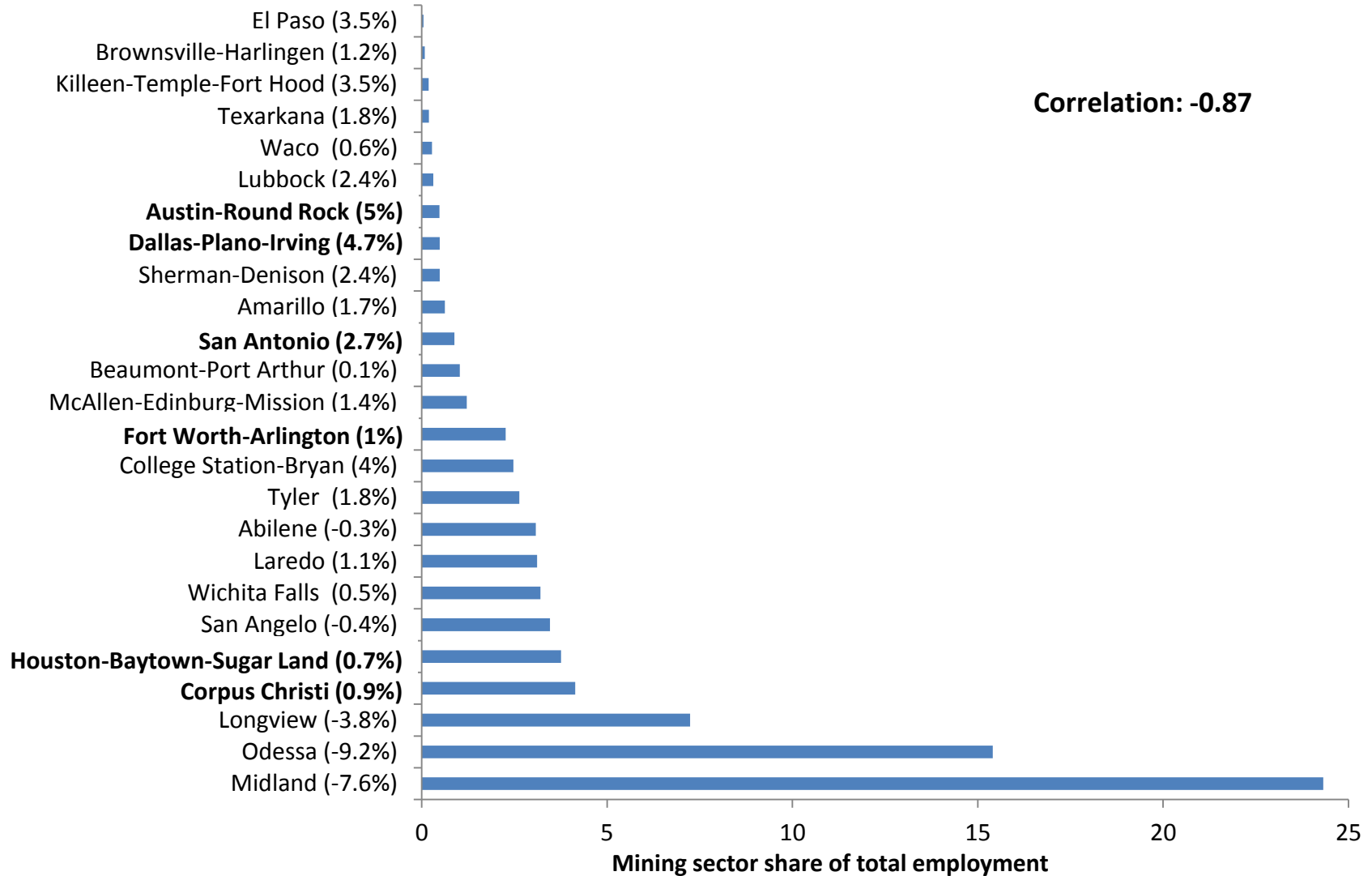
# Drilling Rig Count, Energy Prices Remain Low



Sources: Oil and Gas Journal, Baker Hughes.



# Which Metros Performed the Best in 2015? Size of Energy Sector Explains a Lot



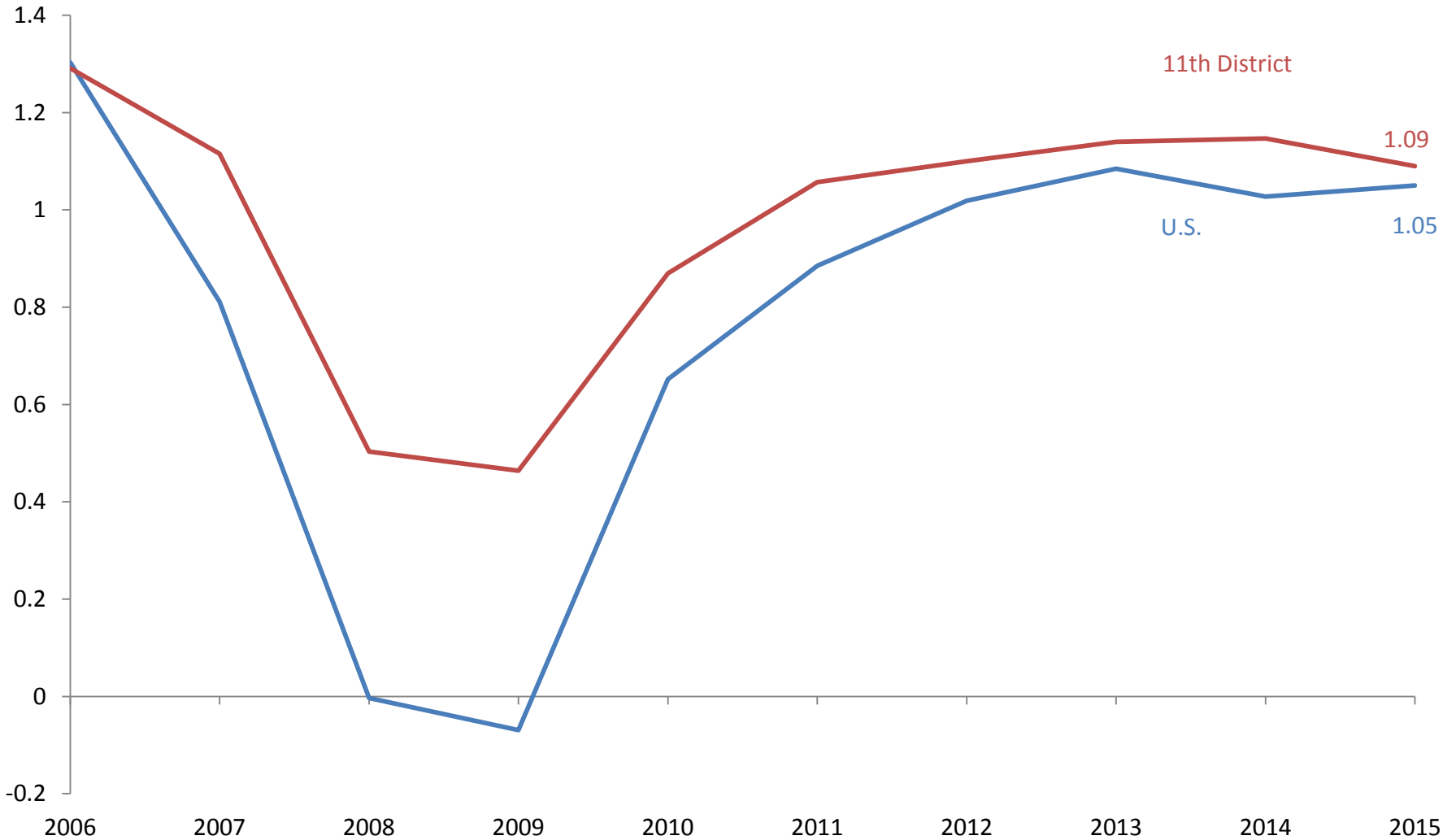
Note: Data in parentheses are total nonfarm job growth Dec. 2014 - Dec. 2015. Mining share data as of 2014.

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



# 11<sup>th</sup> District Banks Remain More Profitable than U.S. Banks...

Percent, Return on Assets



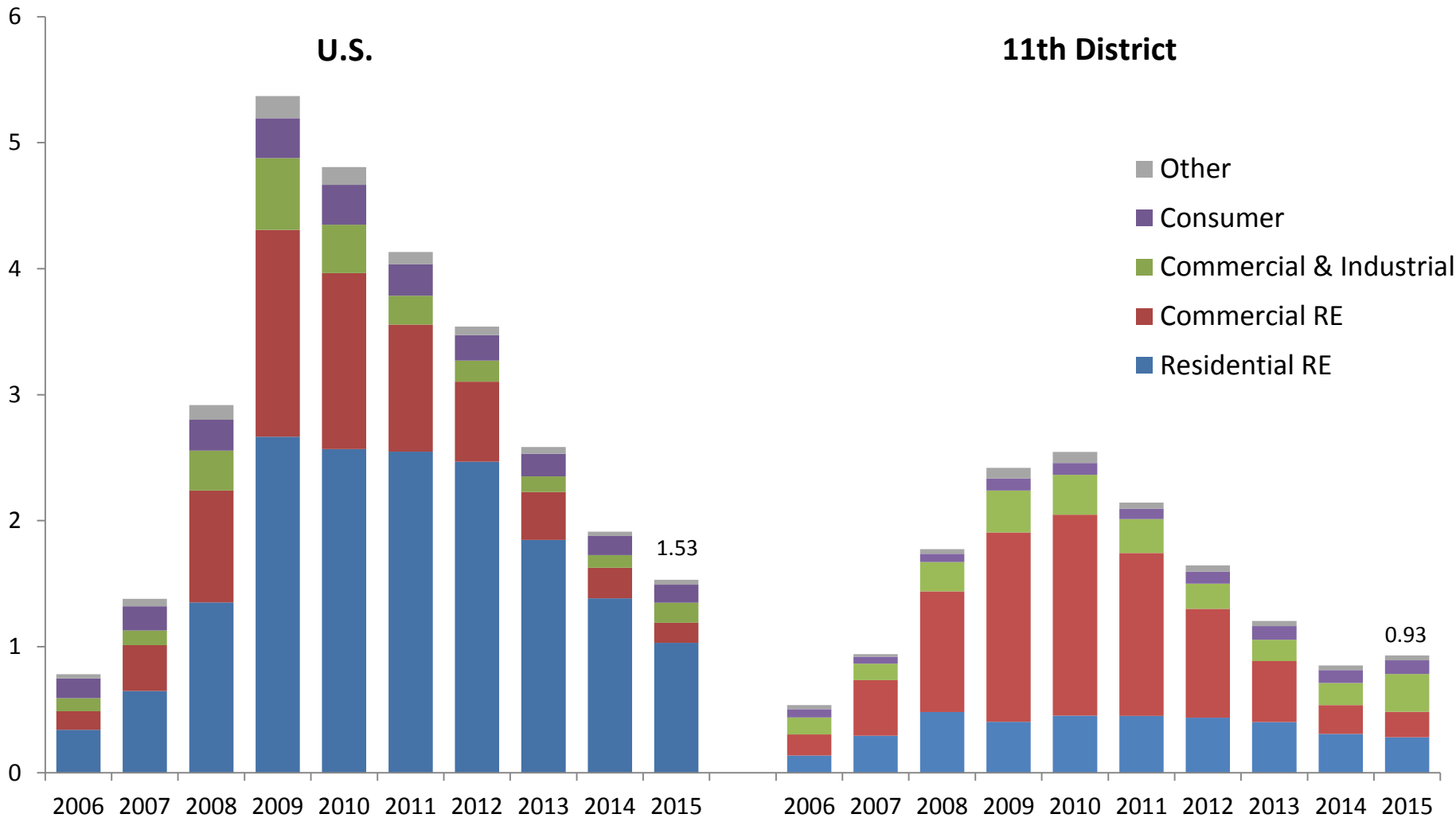
SOURCE: Quarterly Reports of Conditions and Income, Federal Financial Institutions Examination Council.





# ...But Noncurrent Loans Have Ticked Up Regionally.

Percent of Total Loans

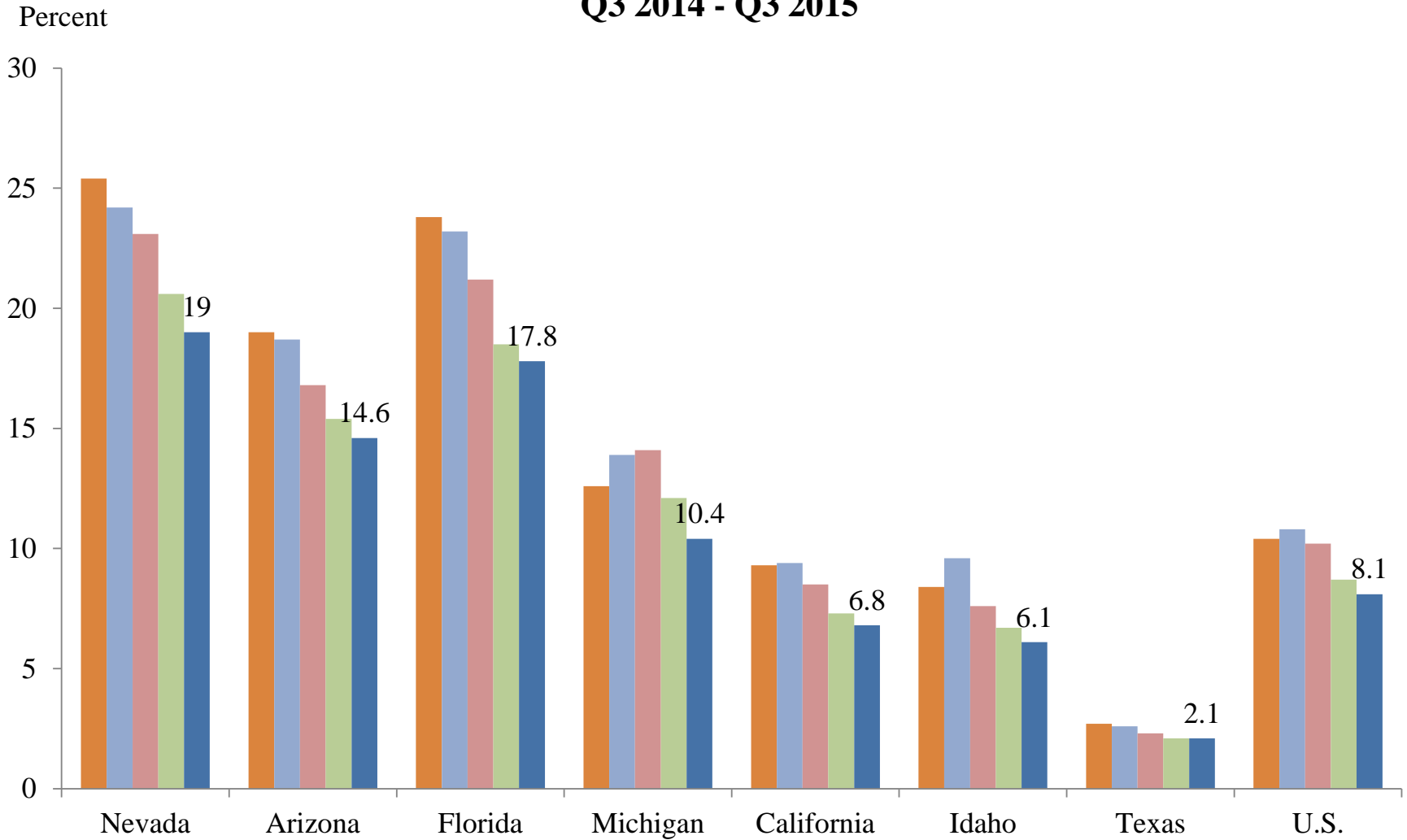


SOURCE: Quarterly Reports of Conditions and Income, Federal Financial Institutions Examination Council.



# Texas Homes Have Lowest Rate of Negative Equity in the Nation

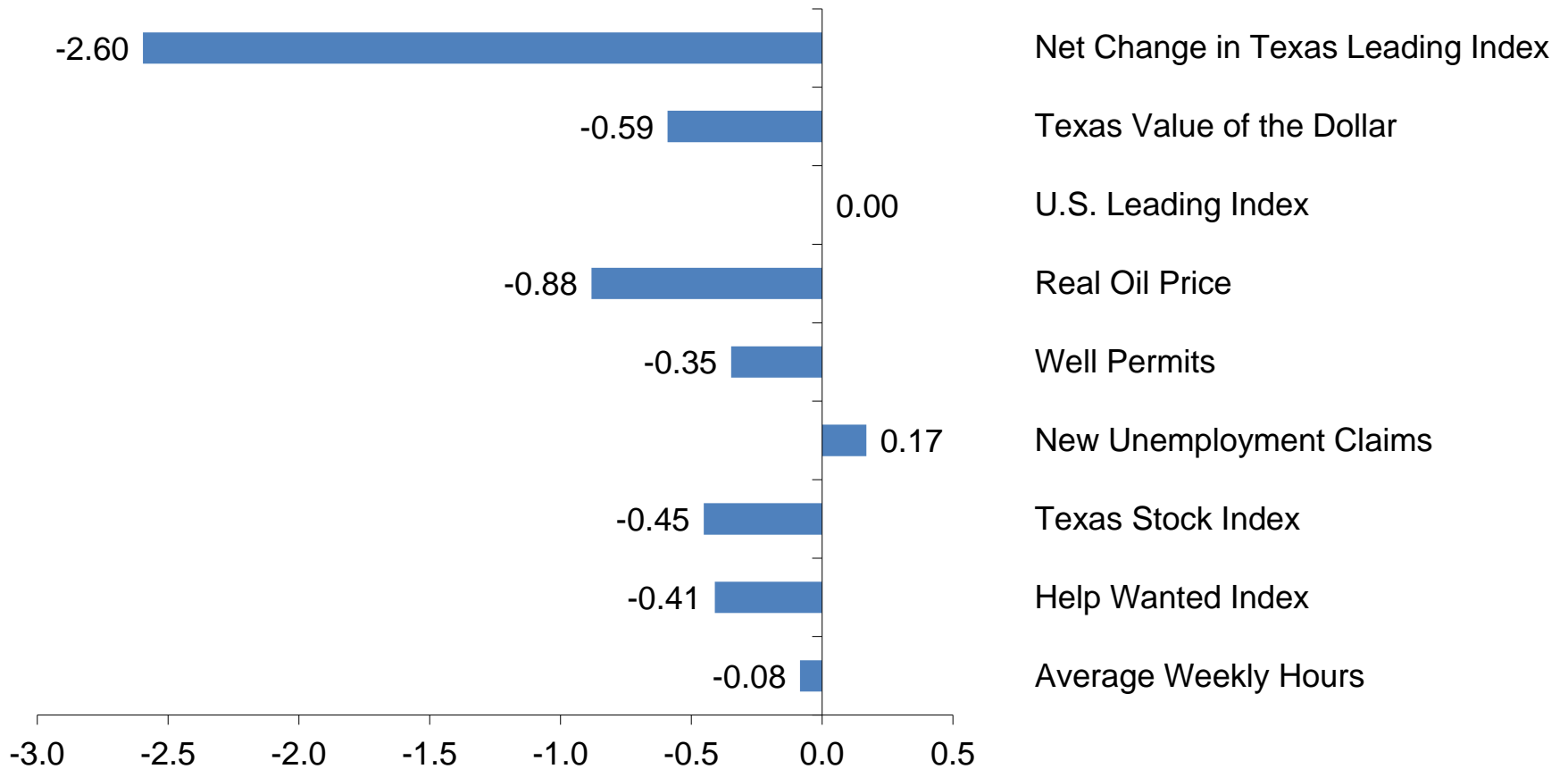
Percent of Mortgages "Under Water"  
Q3 2014 - Q3 2015





# Leading Index Components Weak

(Net contributions to Change in the Texas Leading Index, Nov. 2015 - Jan. 2016)

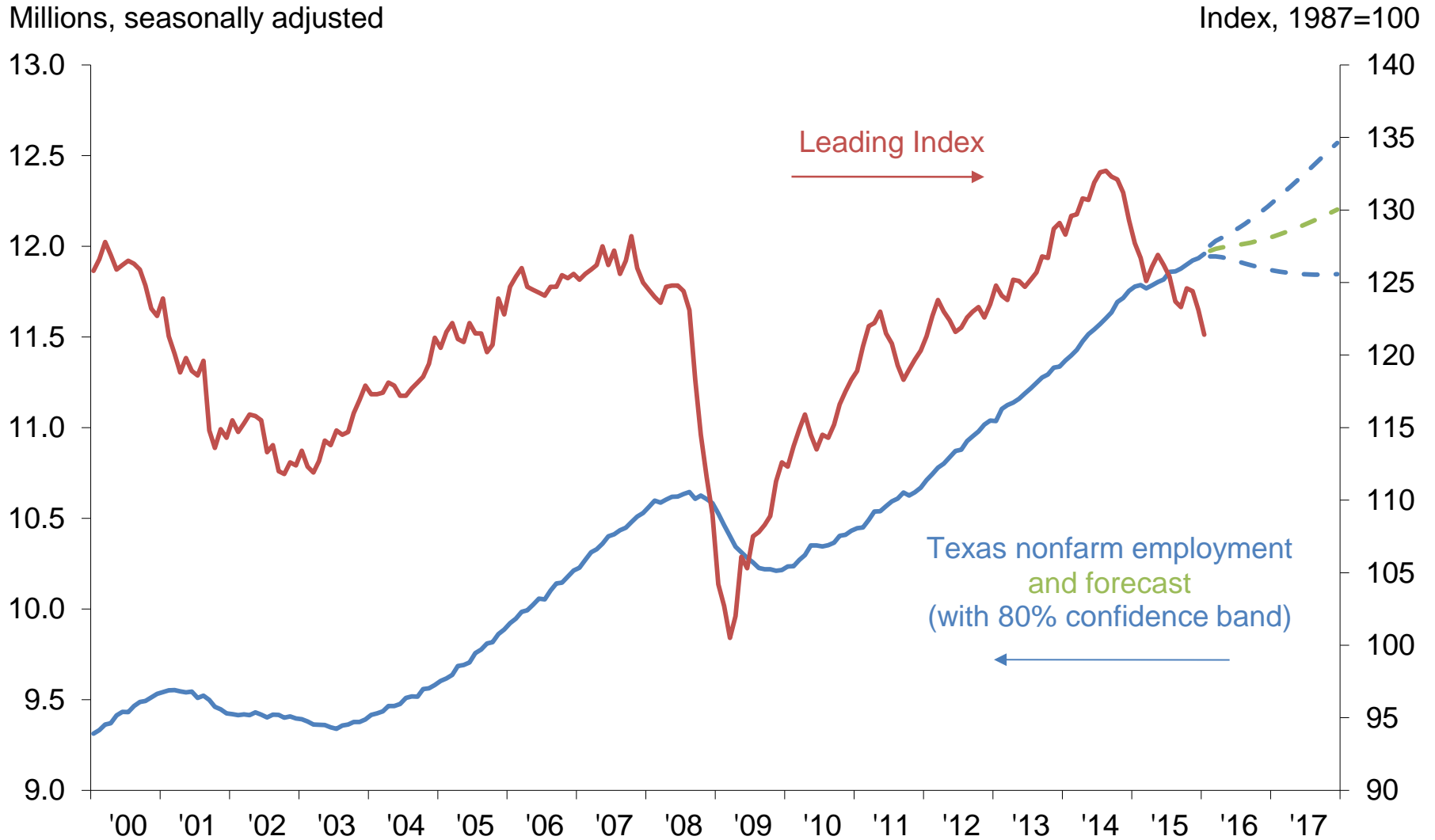


NOTE: Seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas.



# Texas Jobs Forecasted to Grow 0.5-1.5% in 2016



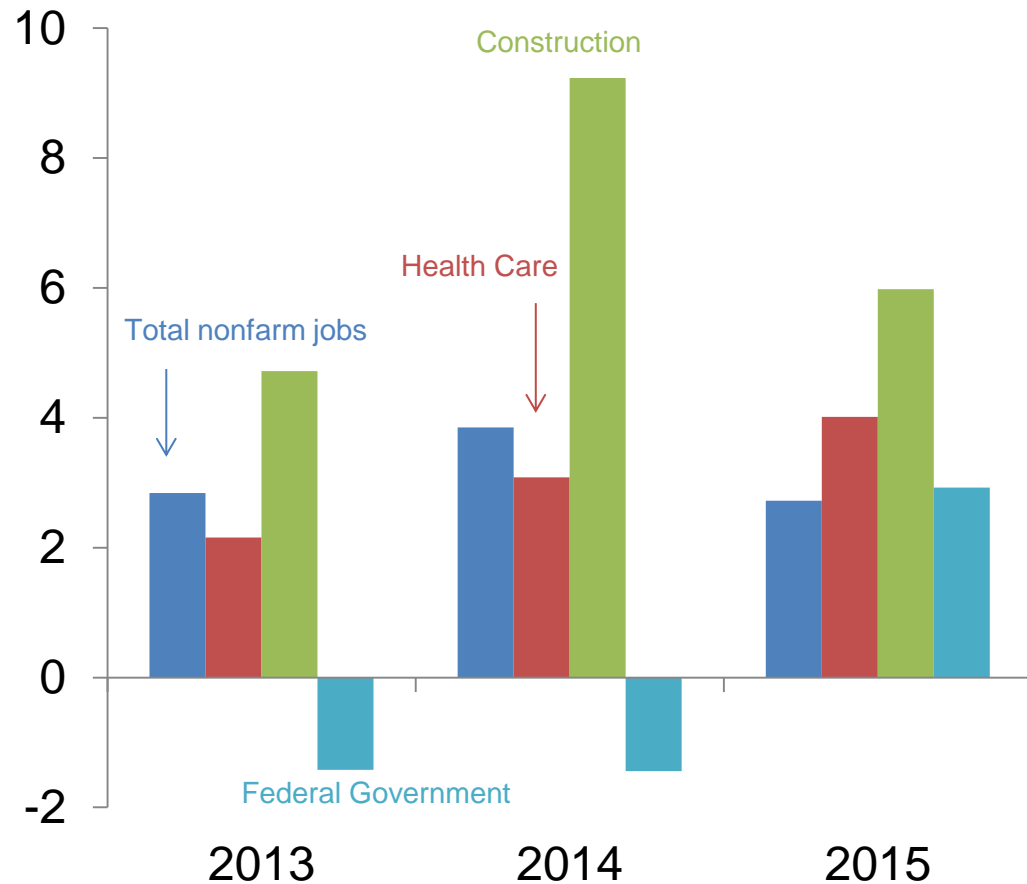
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.



# San Antonio Economy Grew Strongly in 2015

- 2015 job growth at 2.7%— slower than the 3.6% pace in 2014.
- Federal government picked up - health care and construction growth remained robust.
- Business services growth also strong.
- Manufacturing, mining weak last year.

% Growth Dec./Dec.

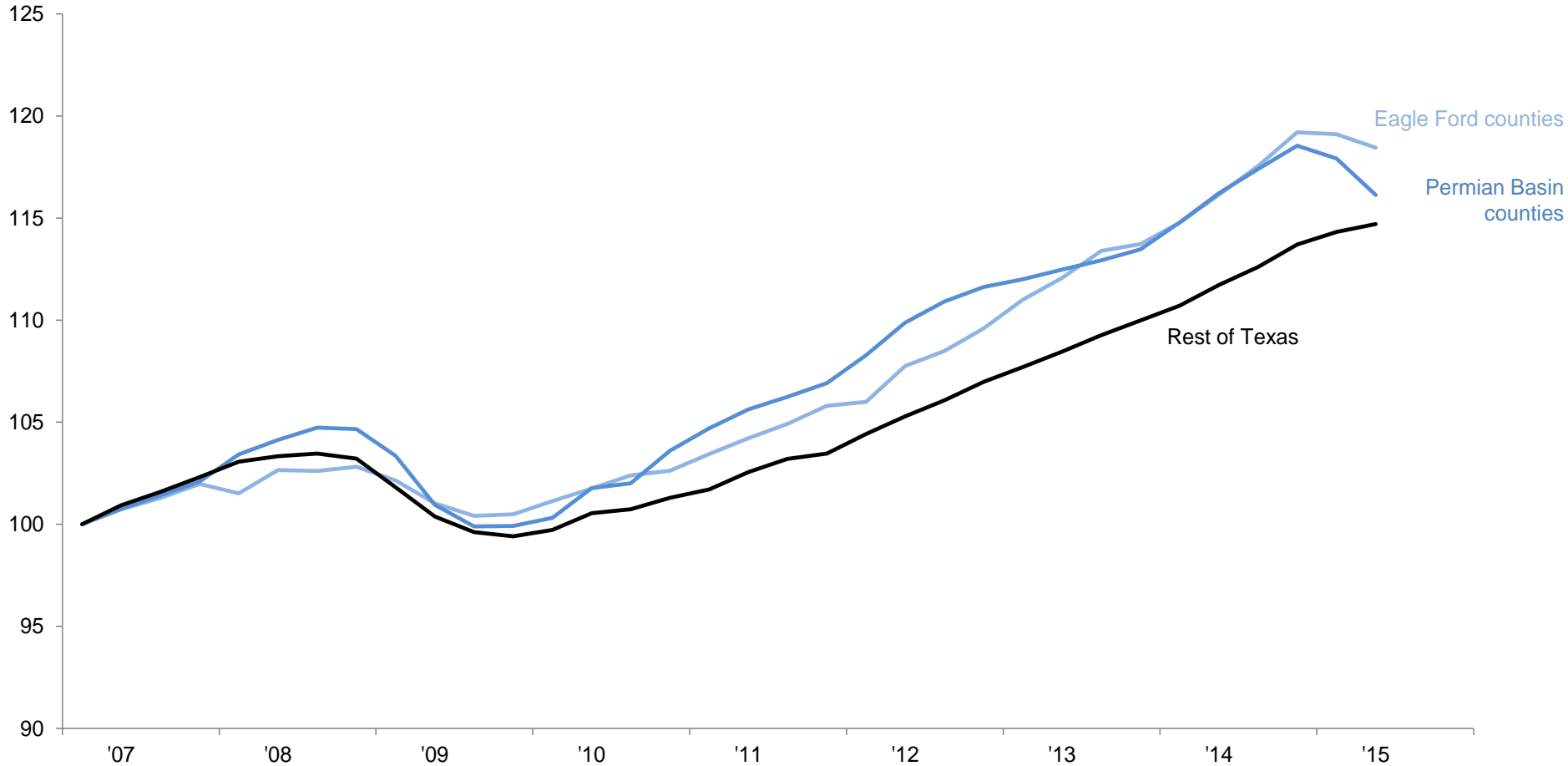


SOURCE: Bureau of Labor Statistics, adjustments by FRB Dallas.



# Eagle Ford Jobs Declining

Index, 2007:Q1 = 100\*



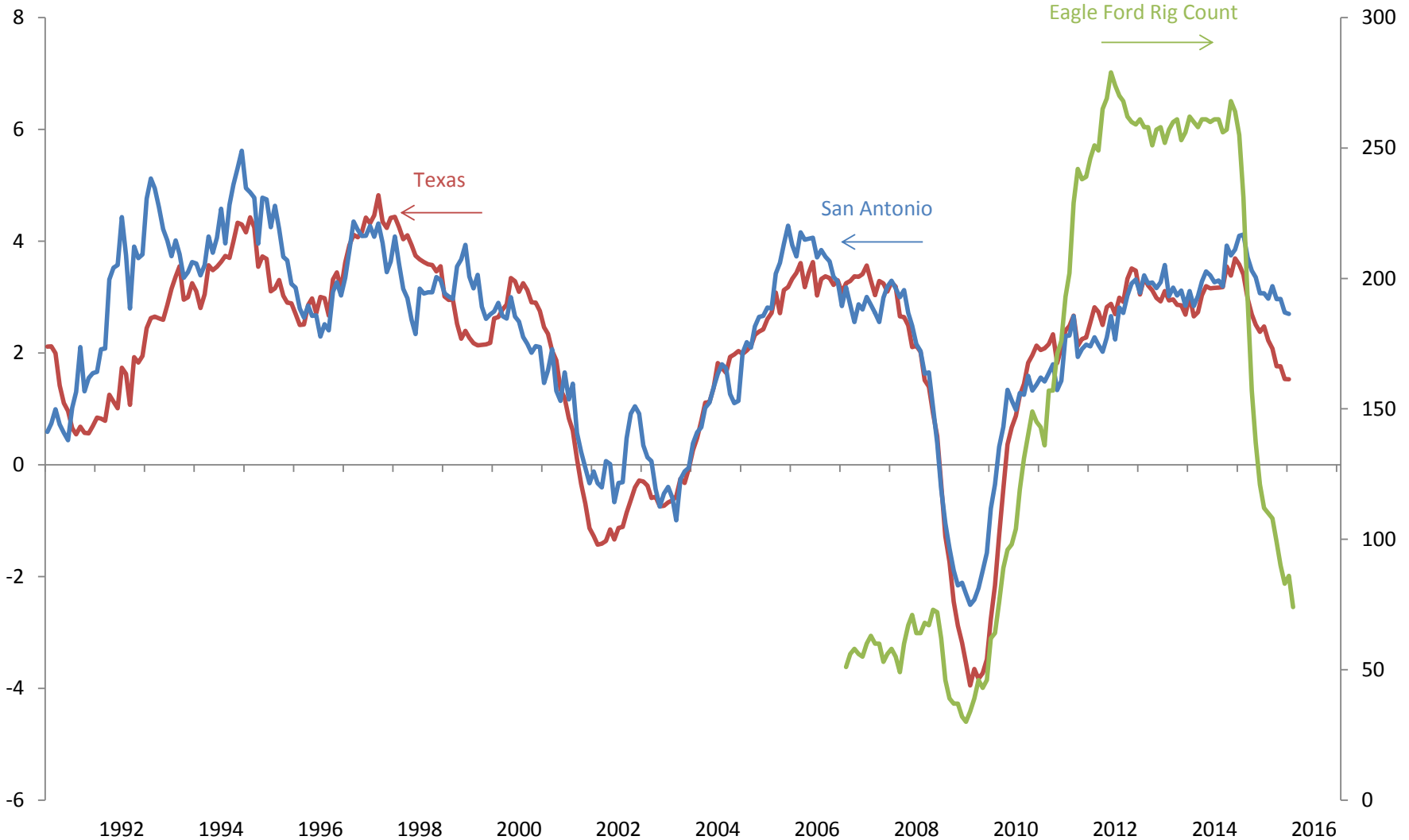
\*Quarterly, seasonally adjusted.

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



# Effects of Eagle Ford Decline on San Antonio Muted

Y/Y job growth



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



# Summary

- In 2015 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 leisure and hospitality are helping sustain positive job growth.
- I-35 Corridor strong
- 2016 Texas job growth likely to be between 0.5% and 1.5%.
- Biggest risk to the forecast is declining oil prices. If average oil prices fall between \$20–\$30 for the year, then negative job growth likely.