

# **Texas Economy Moves from Recovery to Expansion**

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**Federal Reserve Bank of Dallas**

**April 18, 2012**



# U.S. Economic Update



**LOST 8.8 MILLION JOBS**

**REGAINED 3.5 MILLION**



# Texas Economic Update



**LOST 433,000 JOBS**

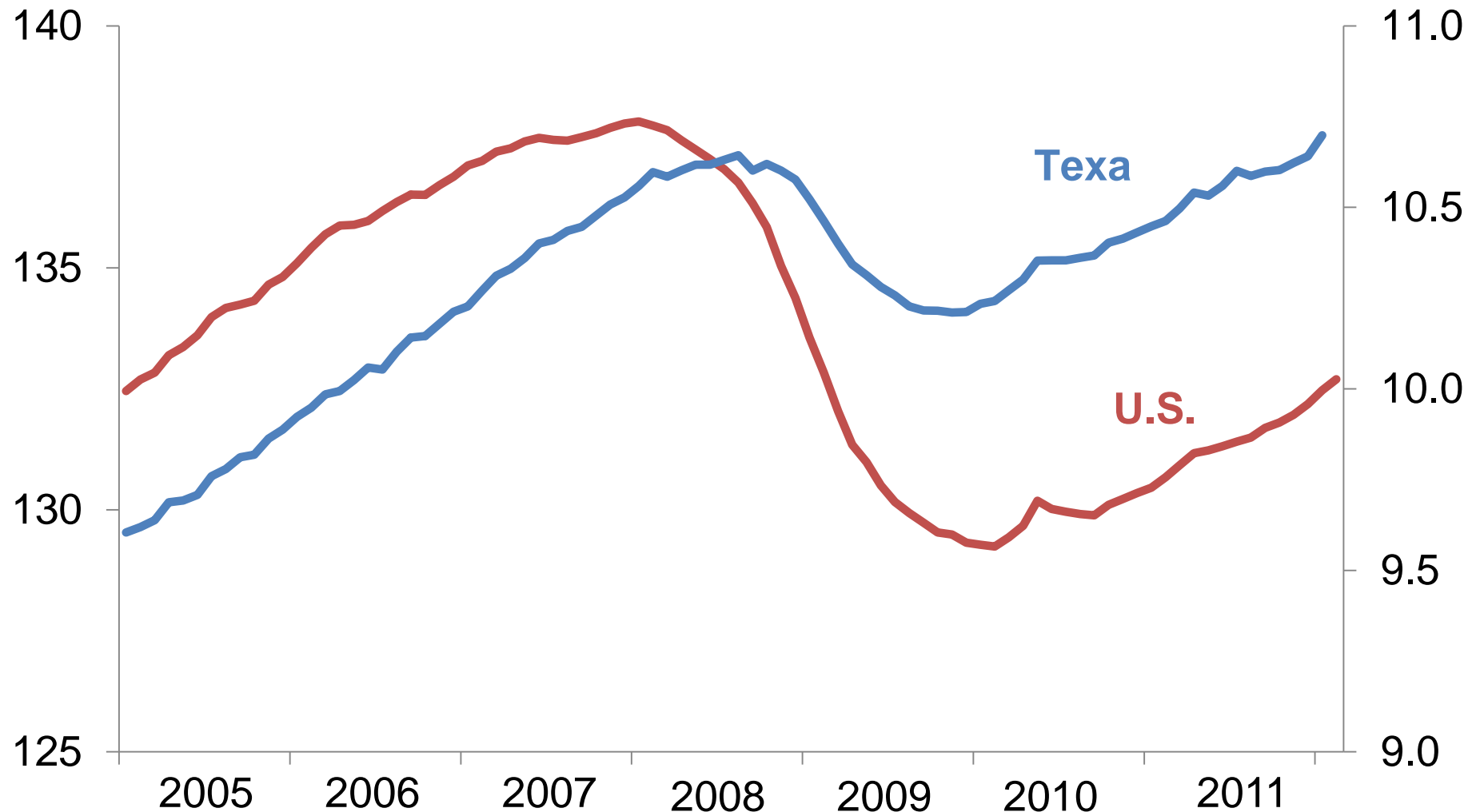
**REGAINED ALL**



# Texas Surpasses Pre-Recession Peak

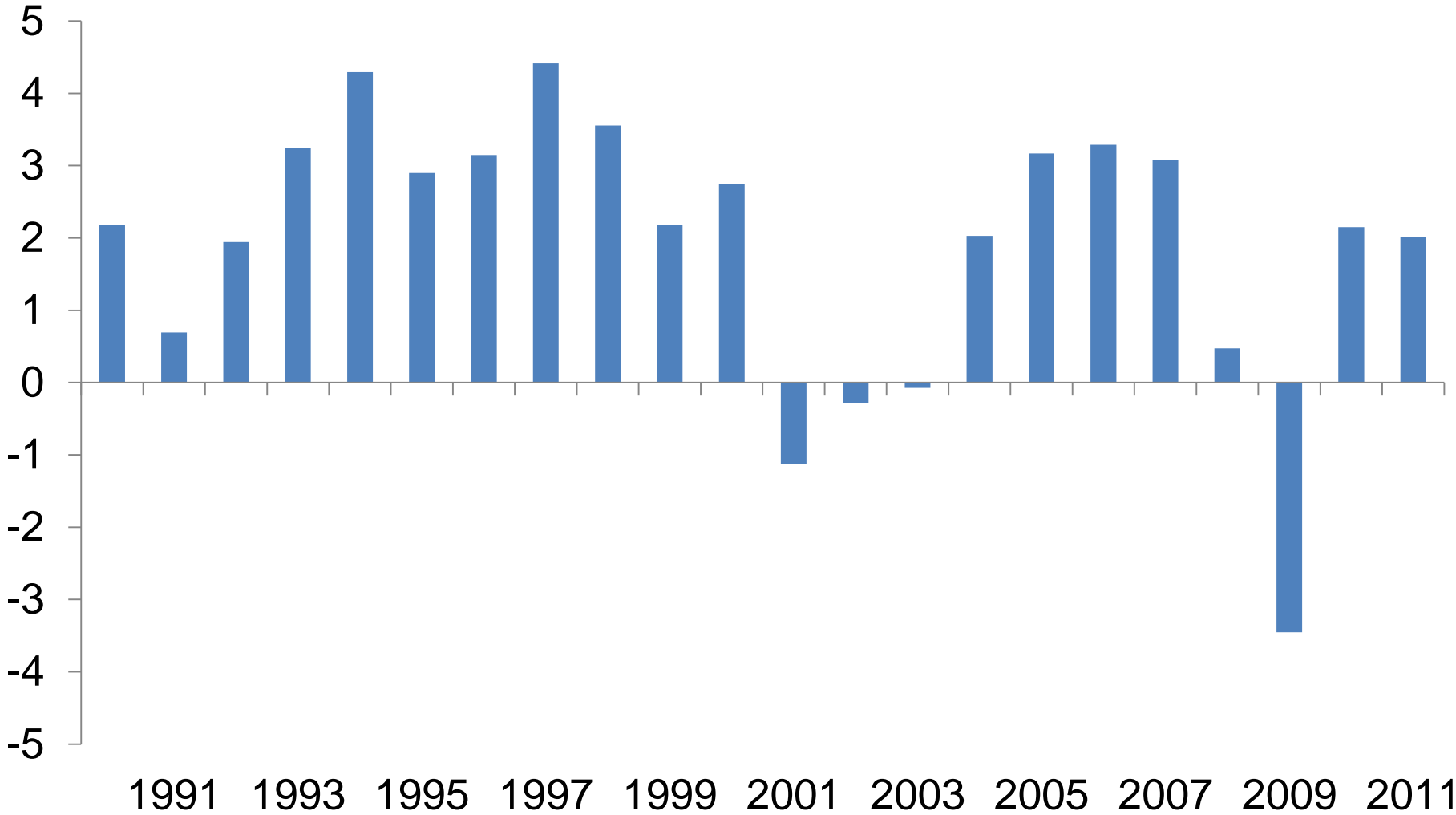
U.S. employment (millions)

Texas employment (millions)



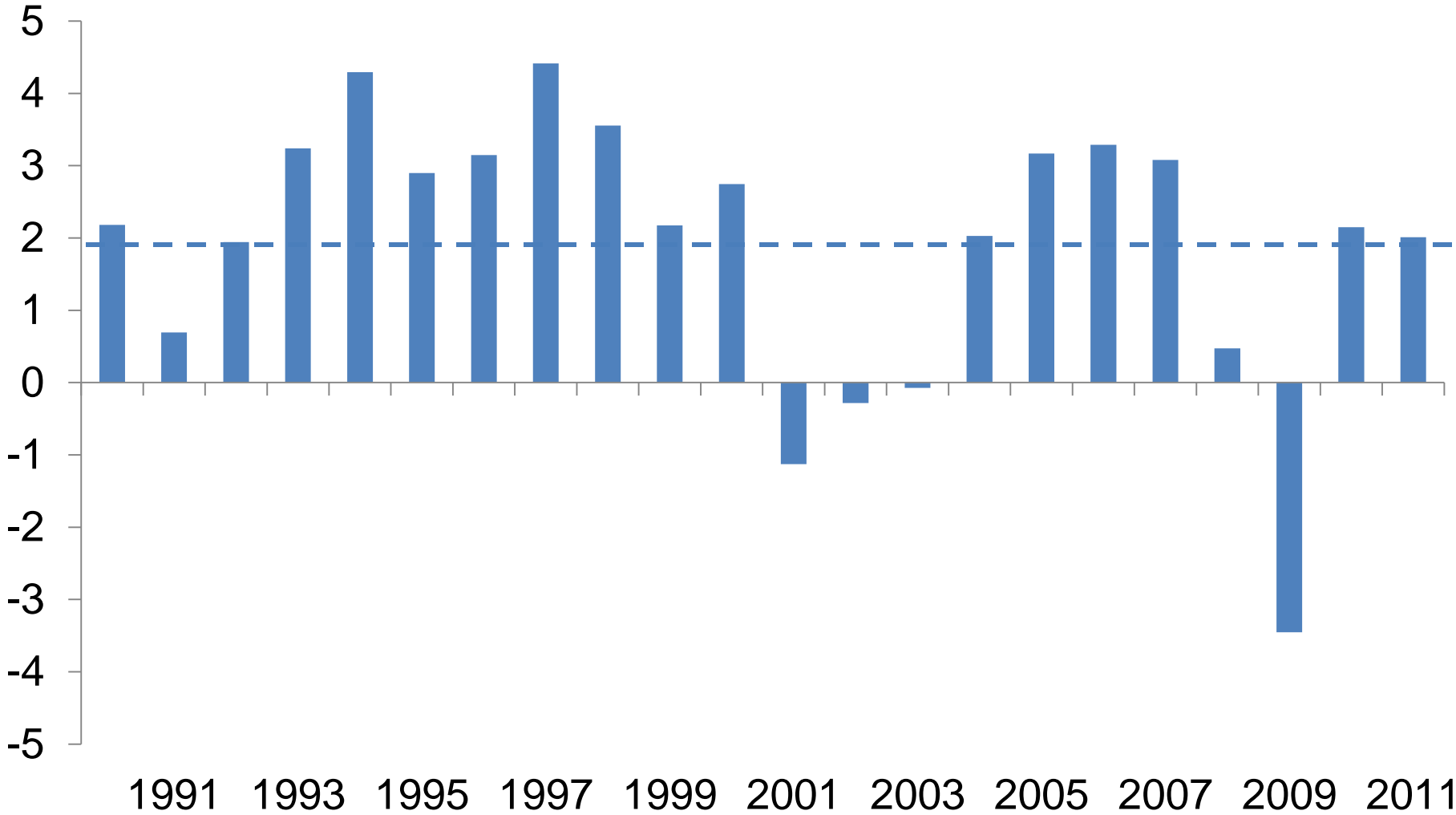
# Texas Employment Growth Bests U.S.

Annual job growth (percent)



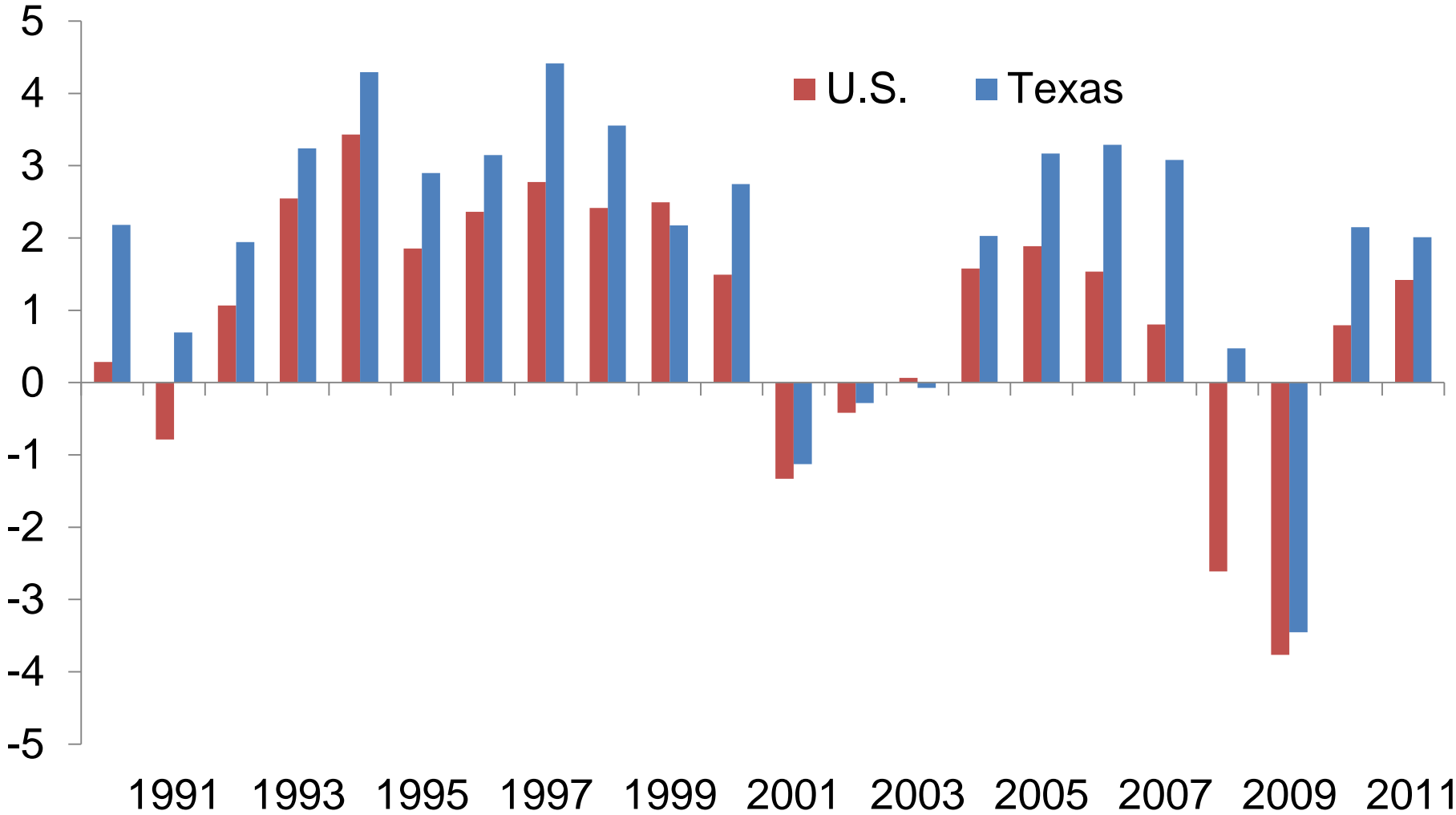
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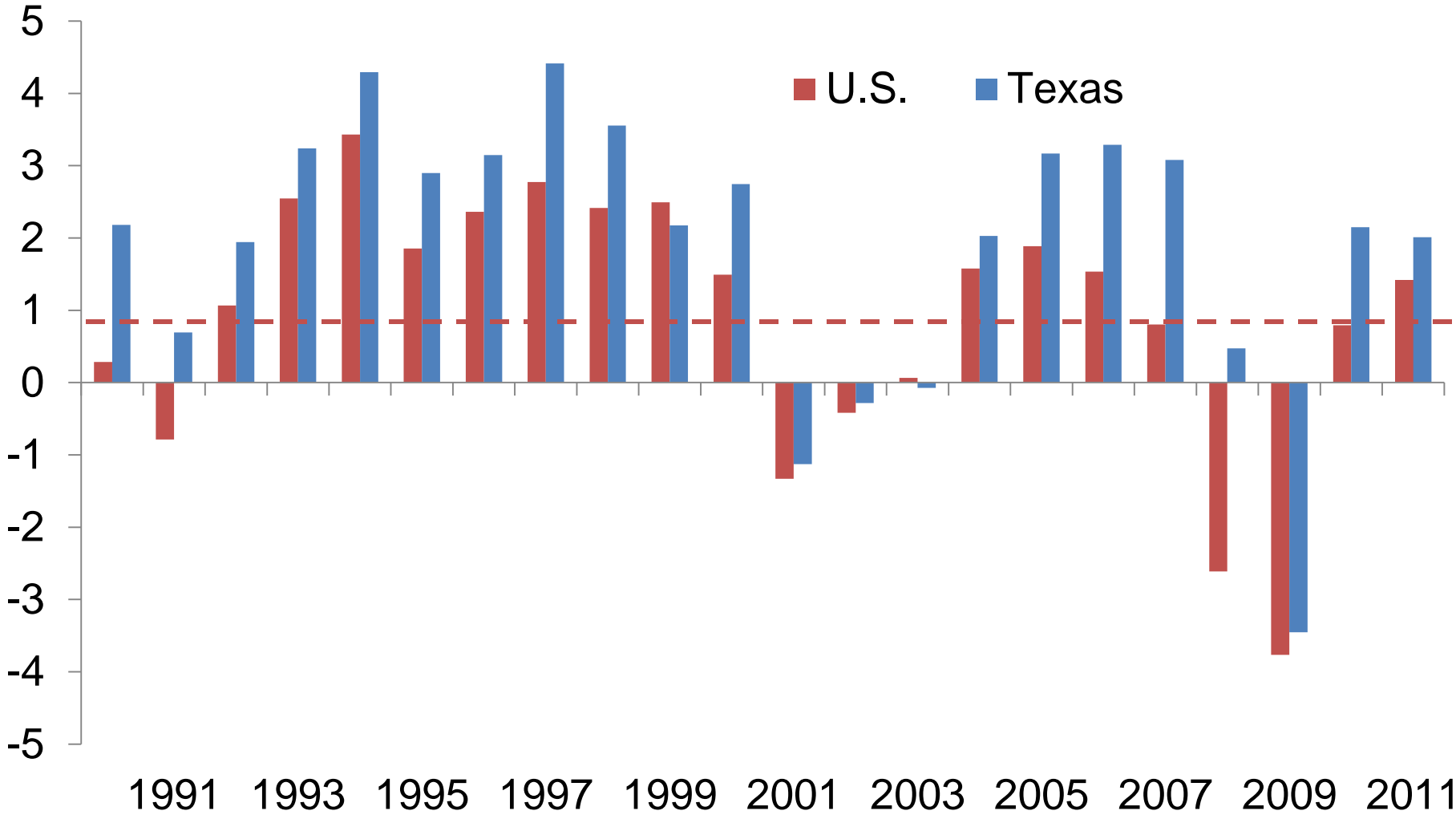
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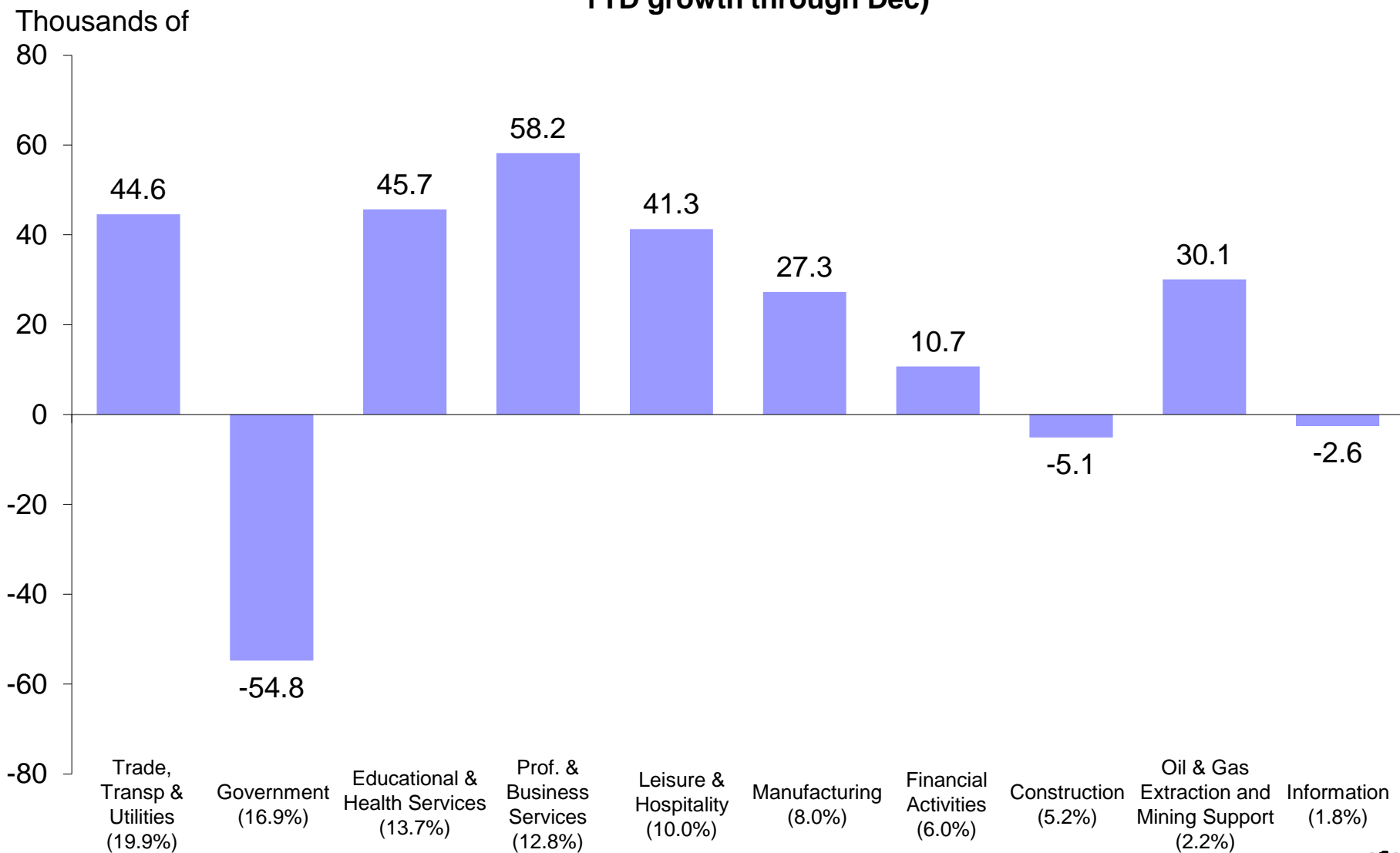
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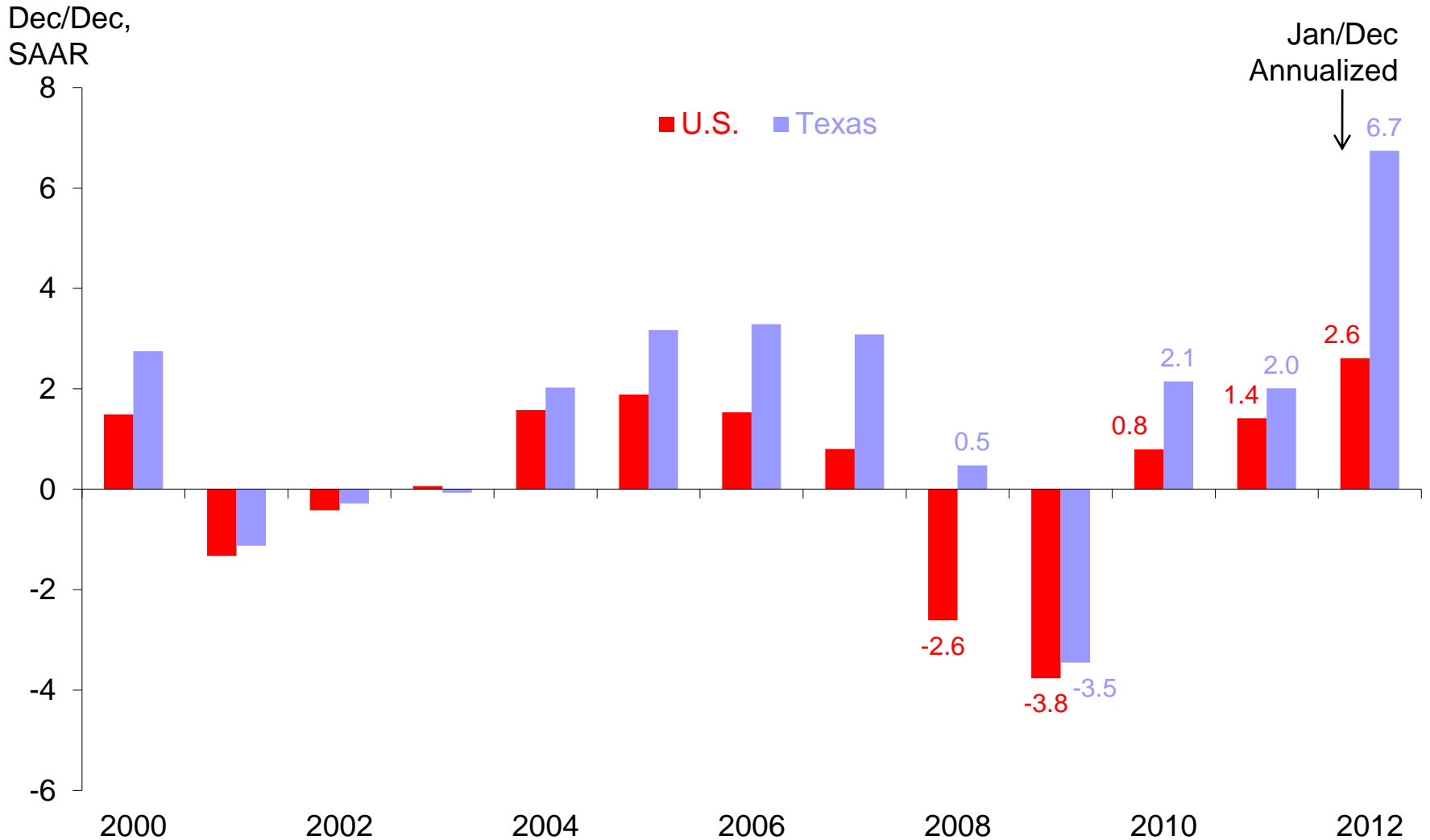


# 2011 employment growth

(NAICS Super Sectors, SA by FRB Dallas  
YTD growth through Dec)

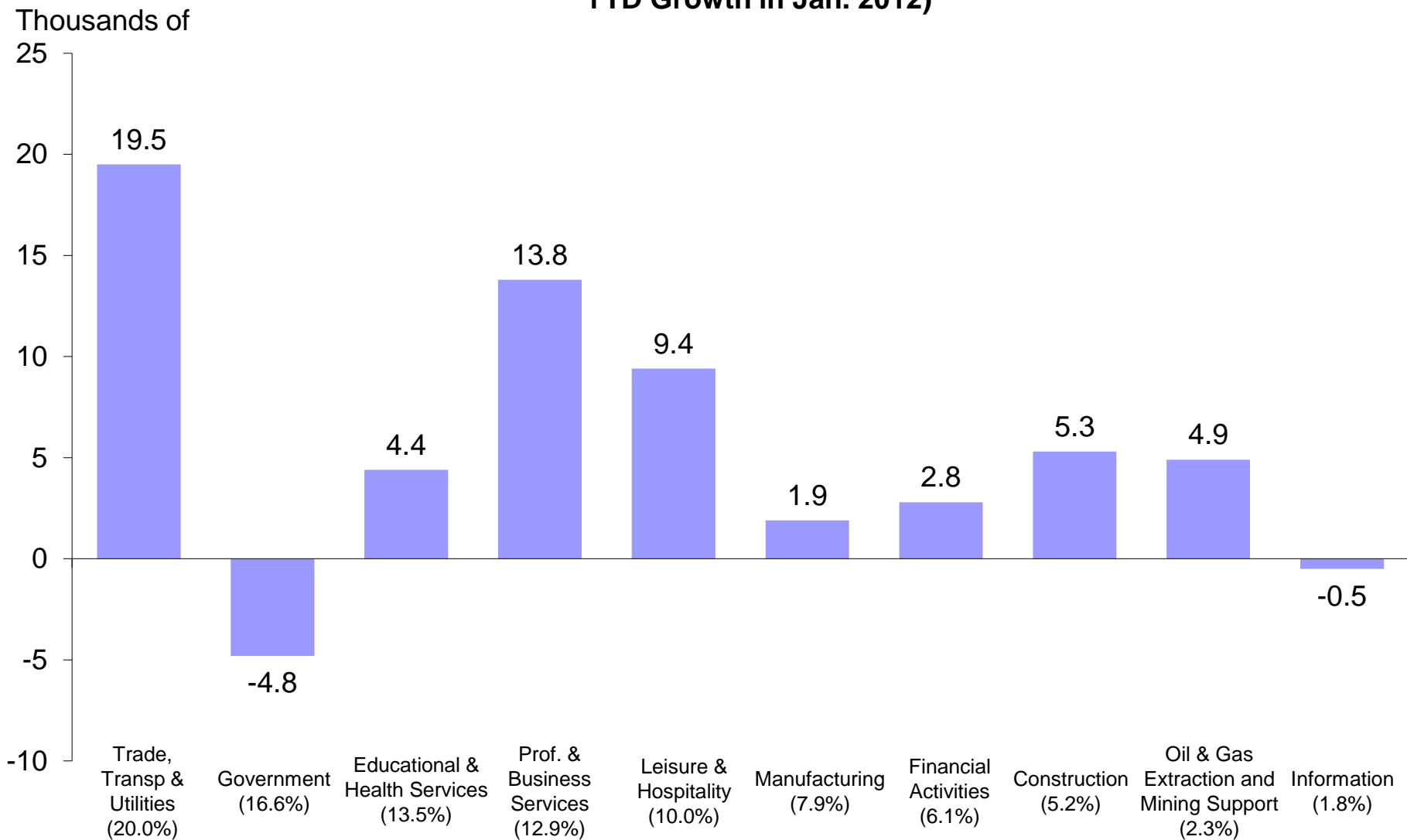


# Texas' employment growth bests nation's



# 2011 employment growth by sector

(NAICS Super Sectors, SA by FRB Dallas  
YTD Growth in Jan. 2012)

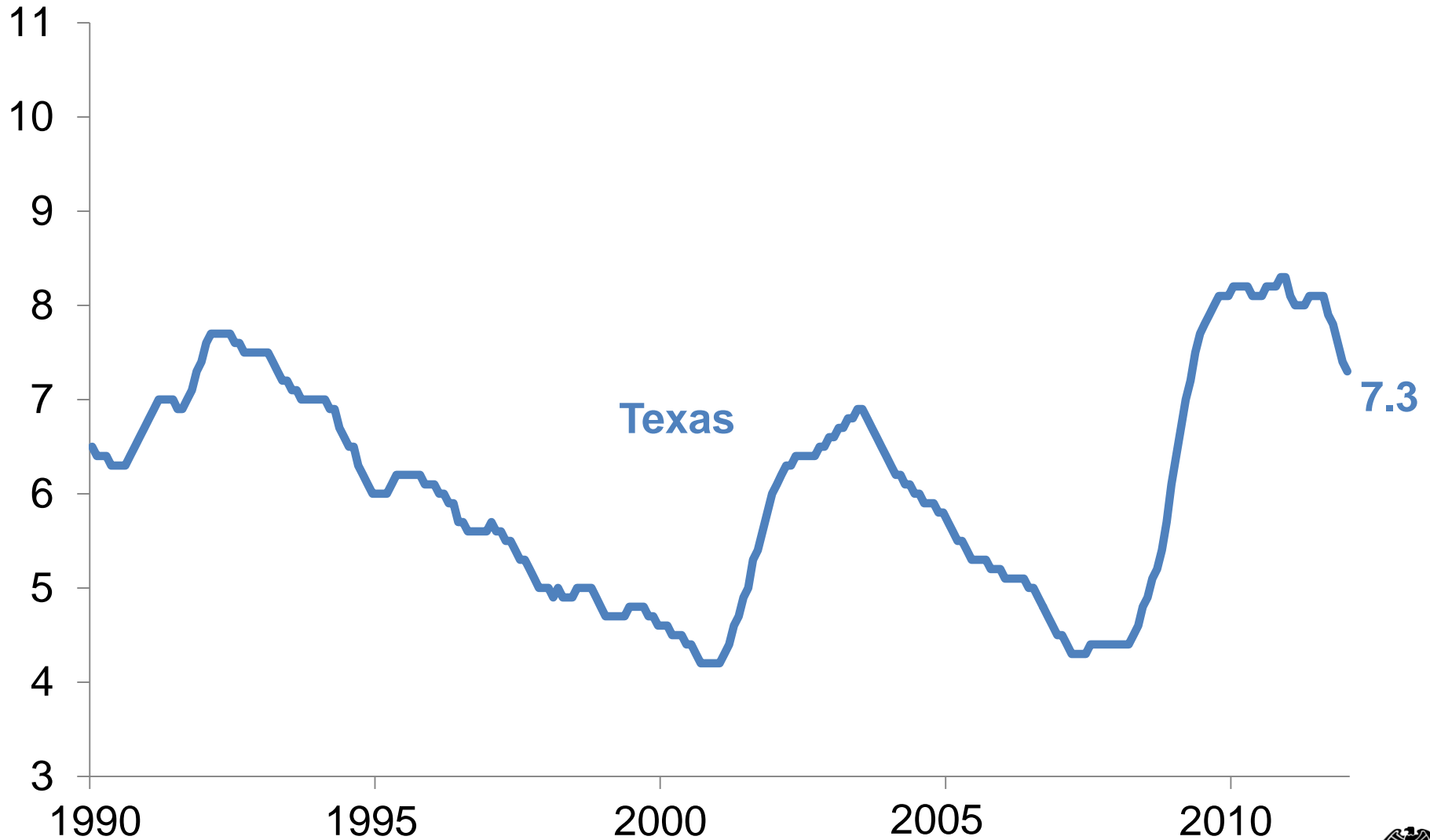


# Texas Job Growth Stronger in 2012

Year	Job Growth
2008	0.5%
2009	-3.5%
2010	2.1%
2011	2.0%
2012 (full-year forecast)	2-3%

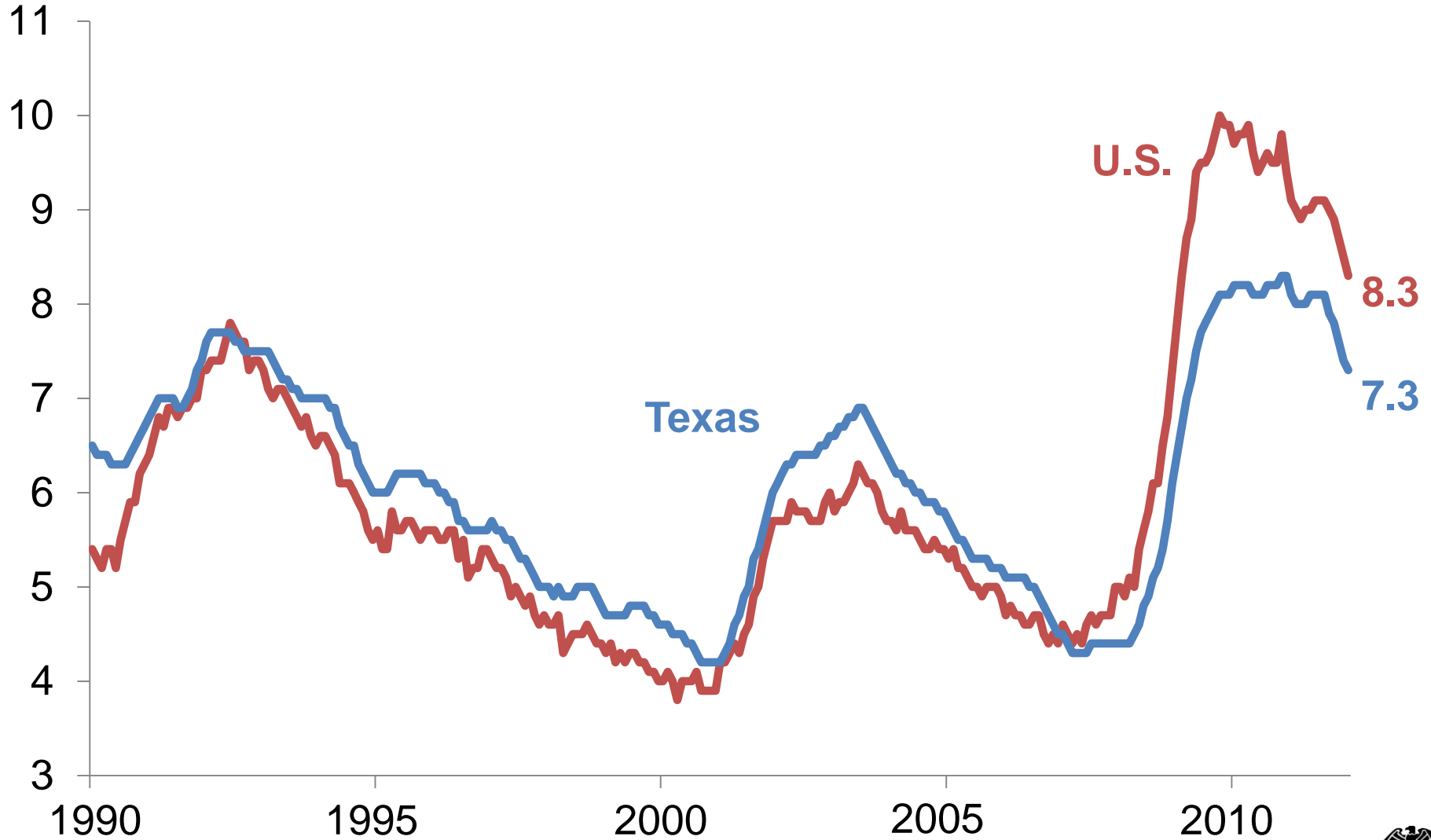
# Unemployment Remains Elevated

Unemployment rate (percent)

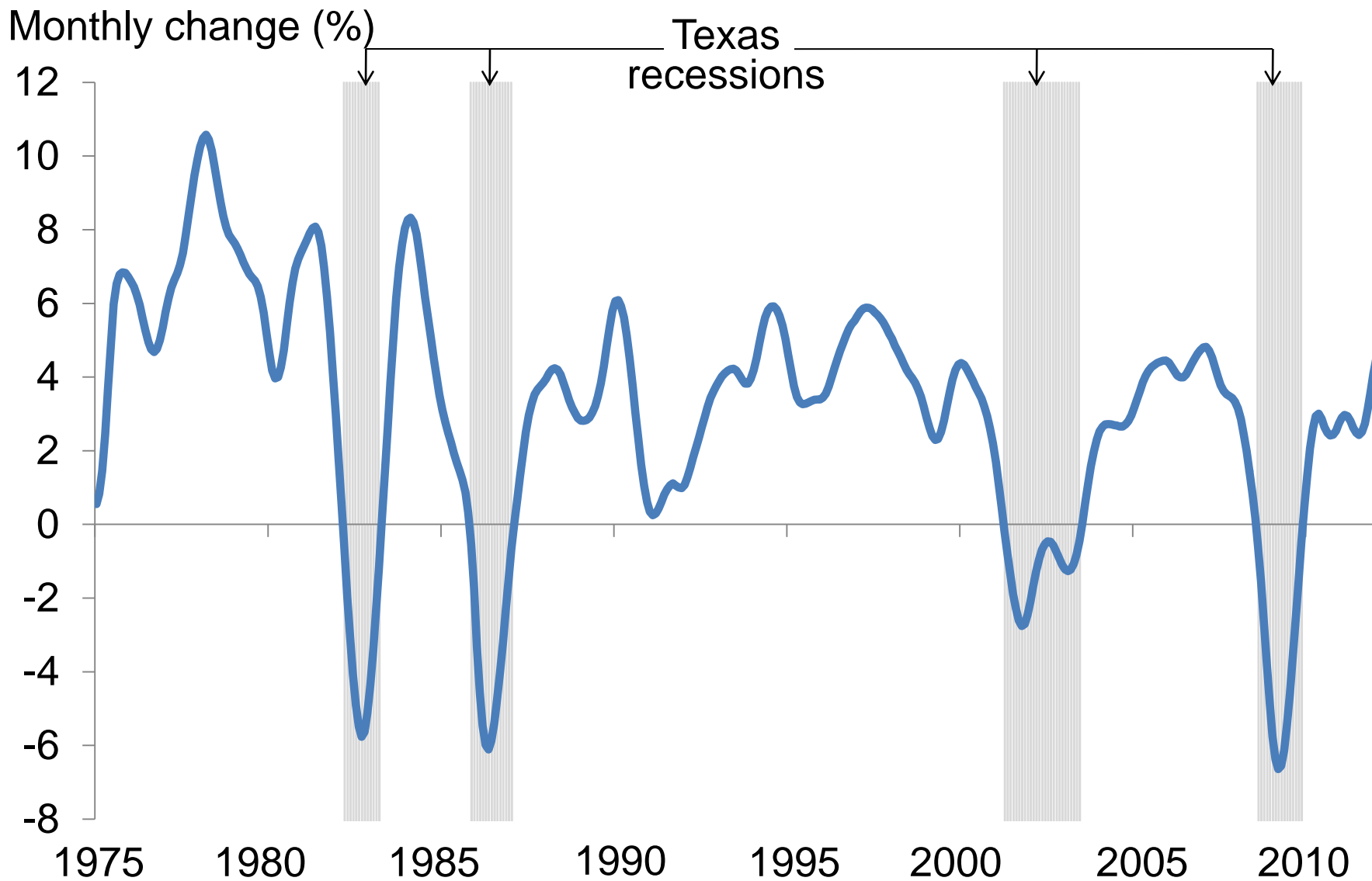


# Unemployment Remains Elevated

Unemployment rate (percent)



# Texas Business-Cycle Index Signals Growth



# ENERGY



25% of U.S. refinery capacity and 60% of U.S. petrochemical production is in Texas

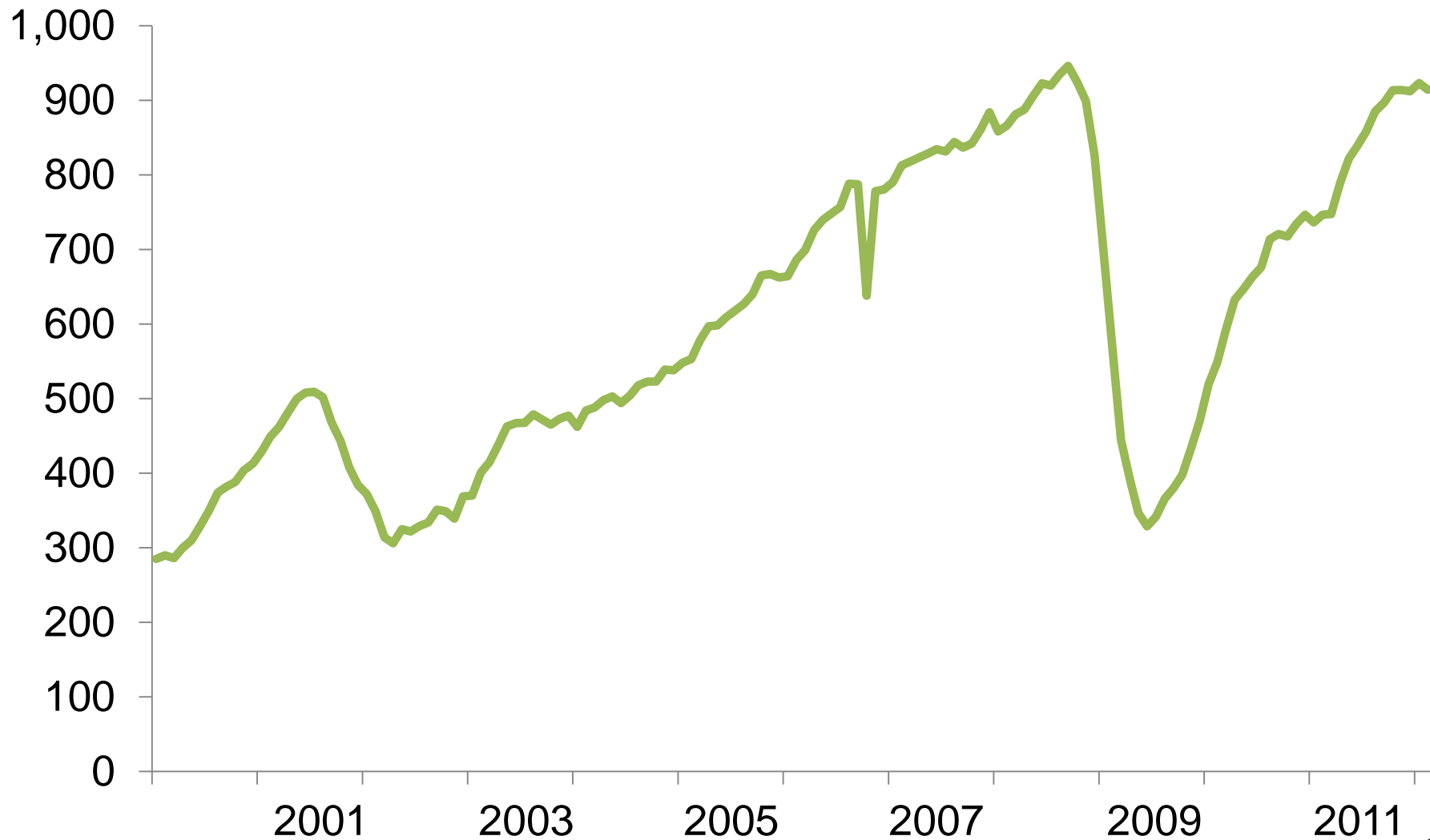
Texas #1 producer of oil and gas in nation

High energy prices benefit the Texas economy



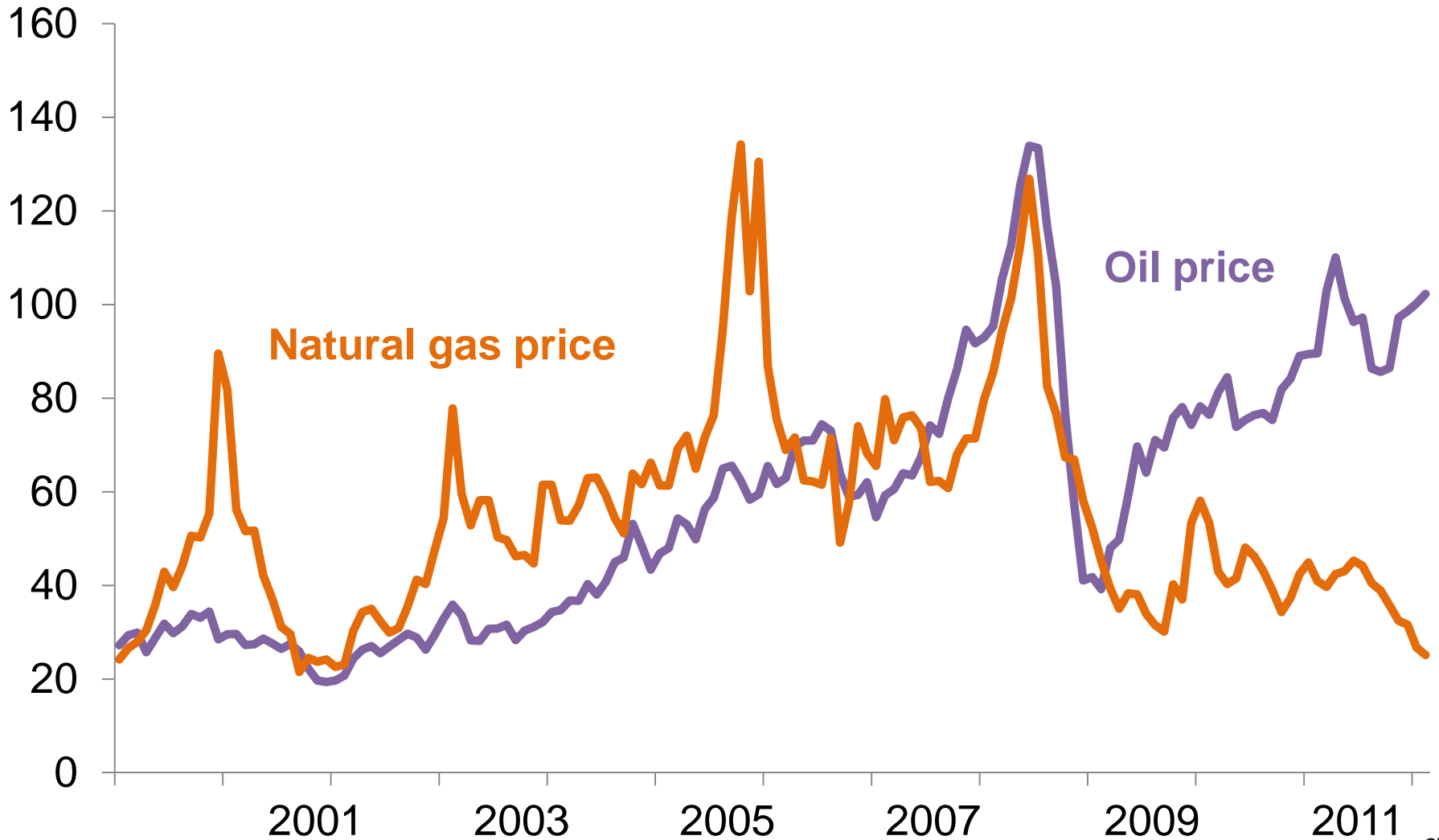
# Energy Activity Continues Rise

Active rigs in Texas



# High Oil Prices Support Energy Activity

Dollars\*



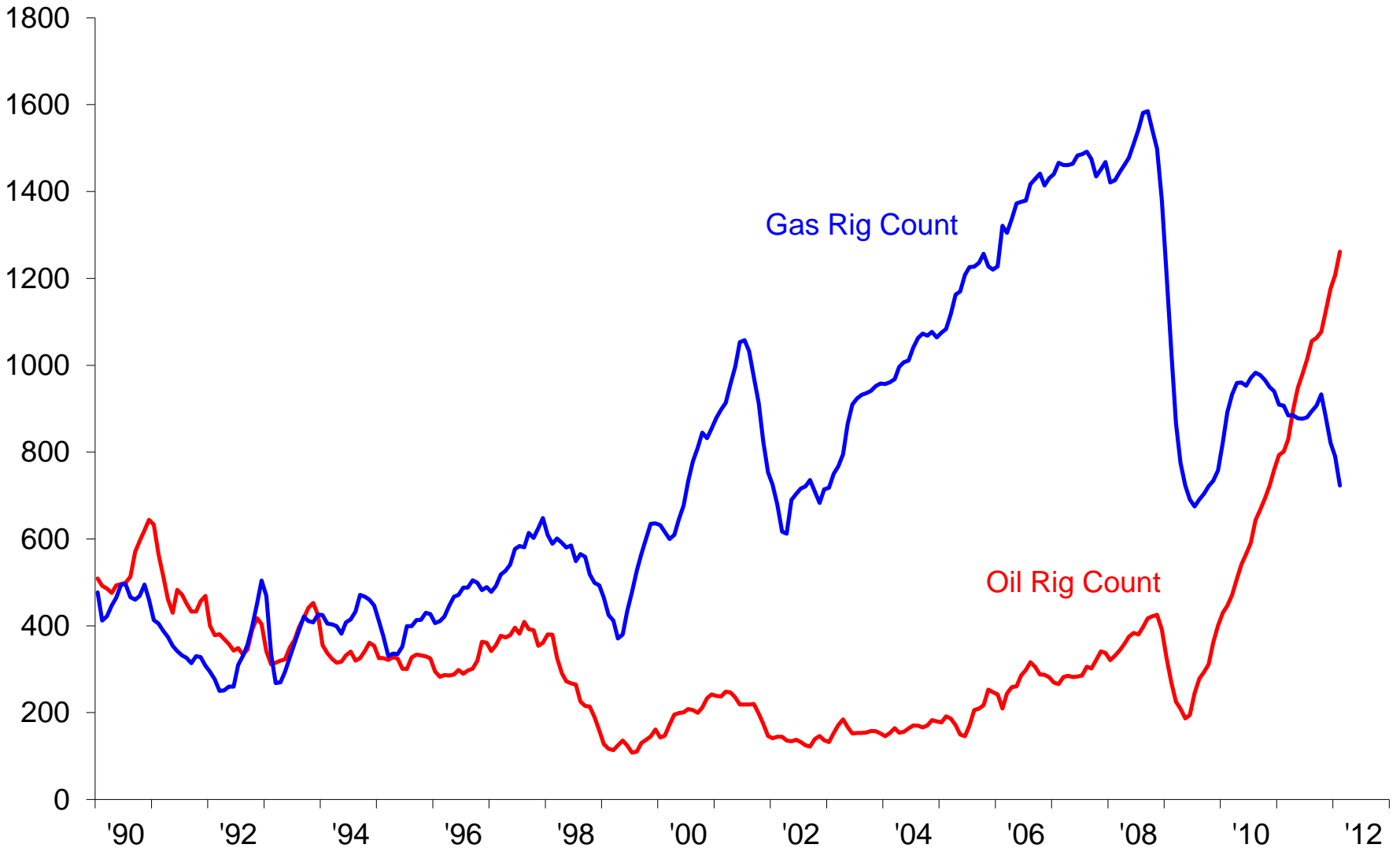
\*Oil price is dollars per barrel. Natural gas price is dollars per million Btu, multiplied by 10.

Federal Reserve Bank of Dallas



# Rig count mirrors prices

Rig Count



# MANUFACTURING

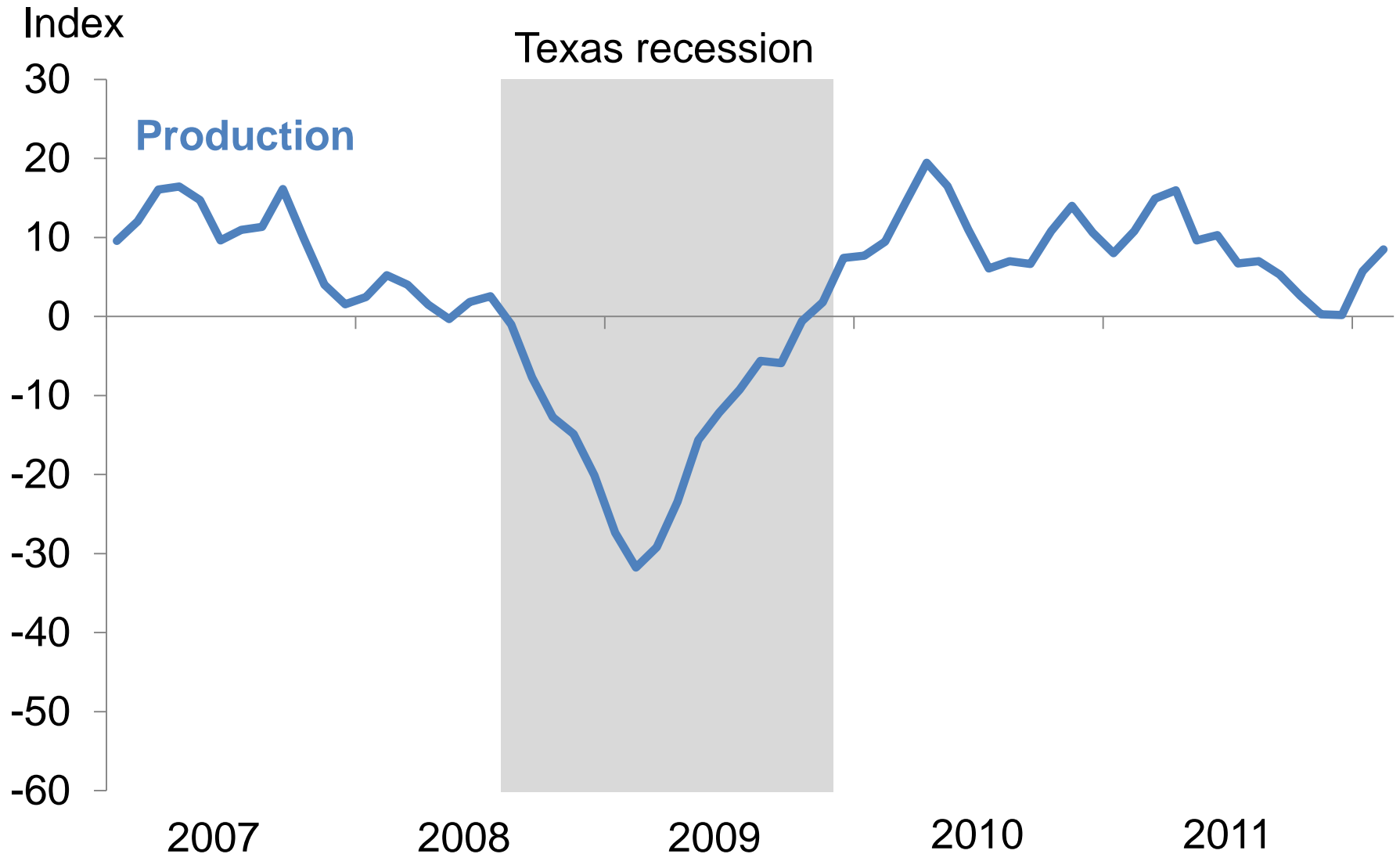


Texas produces 10% of U.S. goods

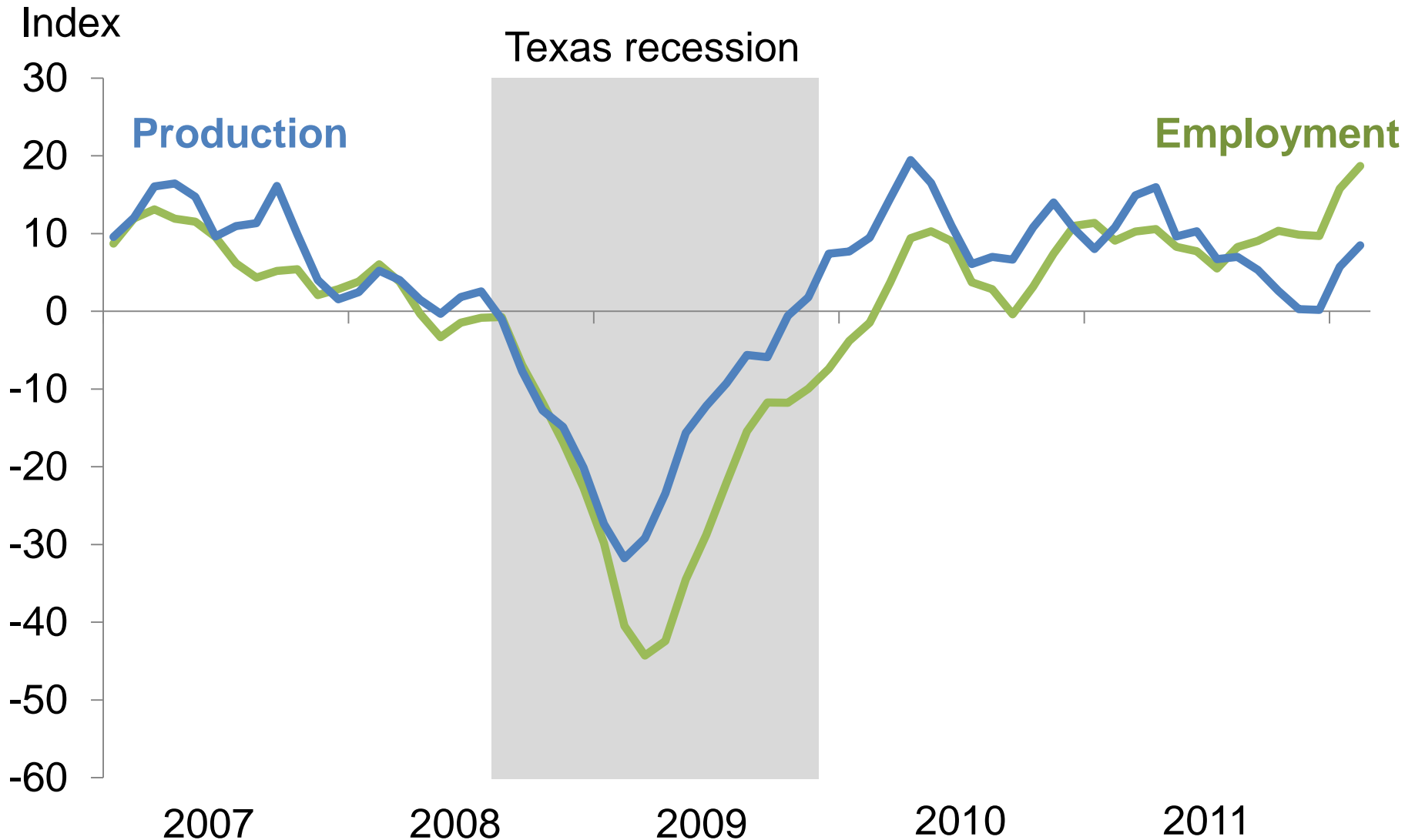
Manufacturing sector highly correlated with overall economy

Dallas Fed's Manufacturing Survey offers early look at trends

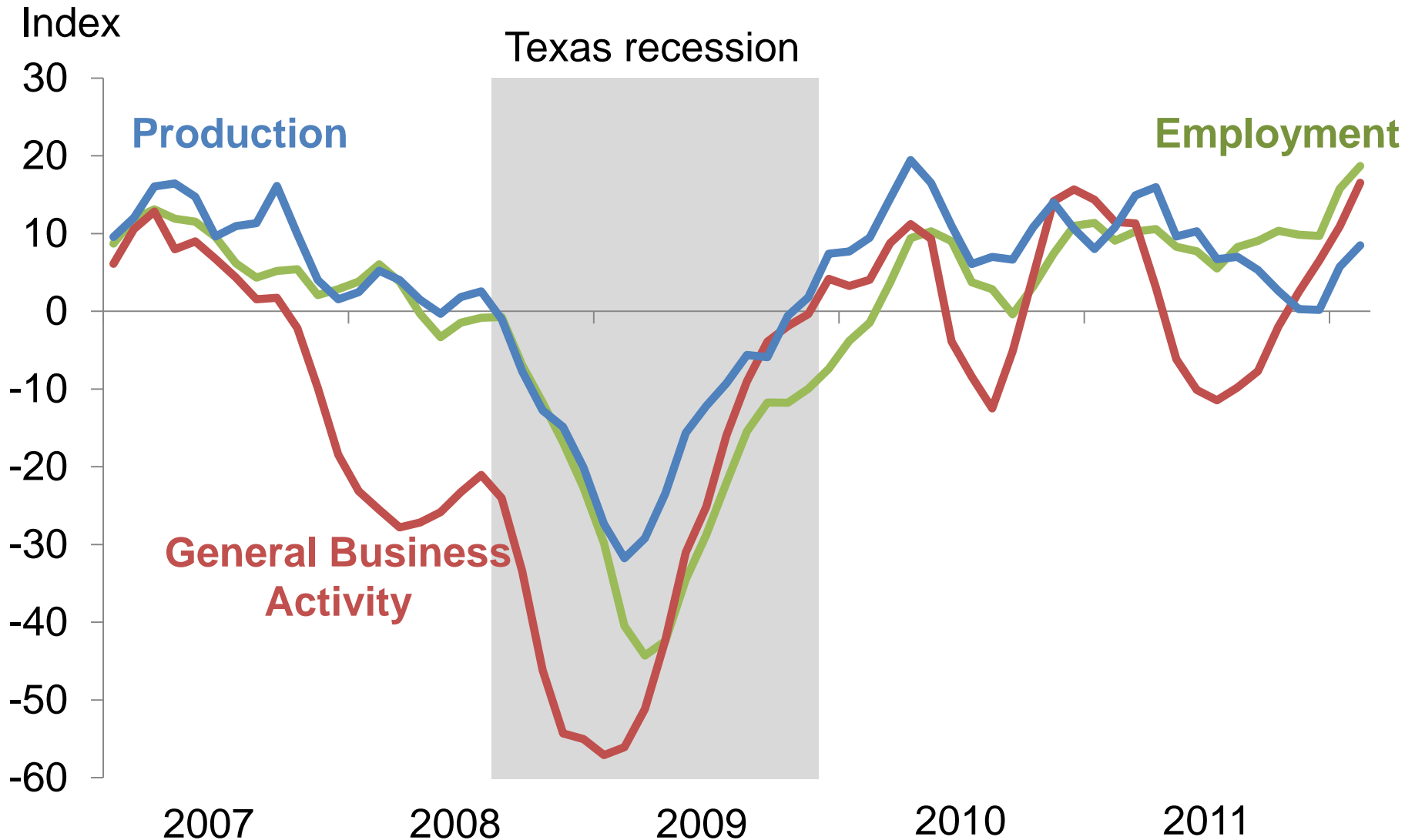
# Texas Manufacturing Growth Continues



# Texas Manufacturing Growth Continues



# Texas Manufacturing Growth Continues



# EXPORTS

A blue semi-truck is driving on a highway in a desert landscape. The truck is moving from left to right. The background shows a clear blue sky and some distant mountains. The truck is a modern model with a large trailer.

Texas accounts for 15% of U.S. exports

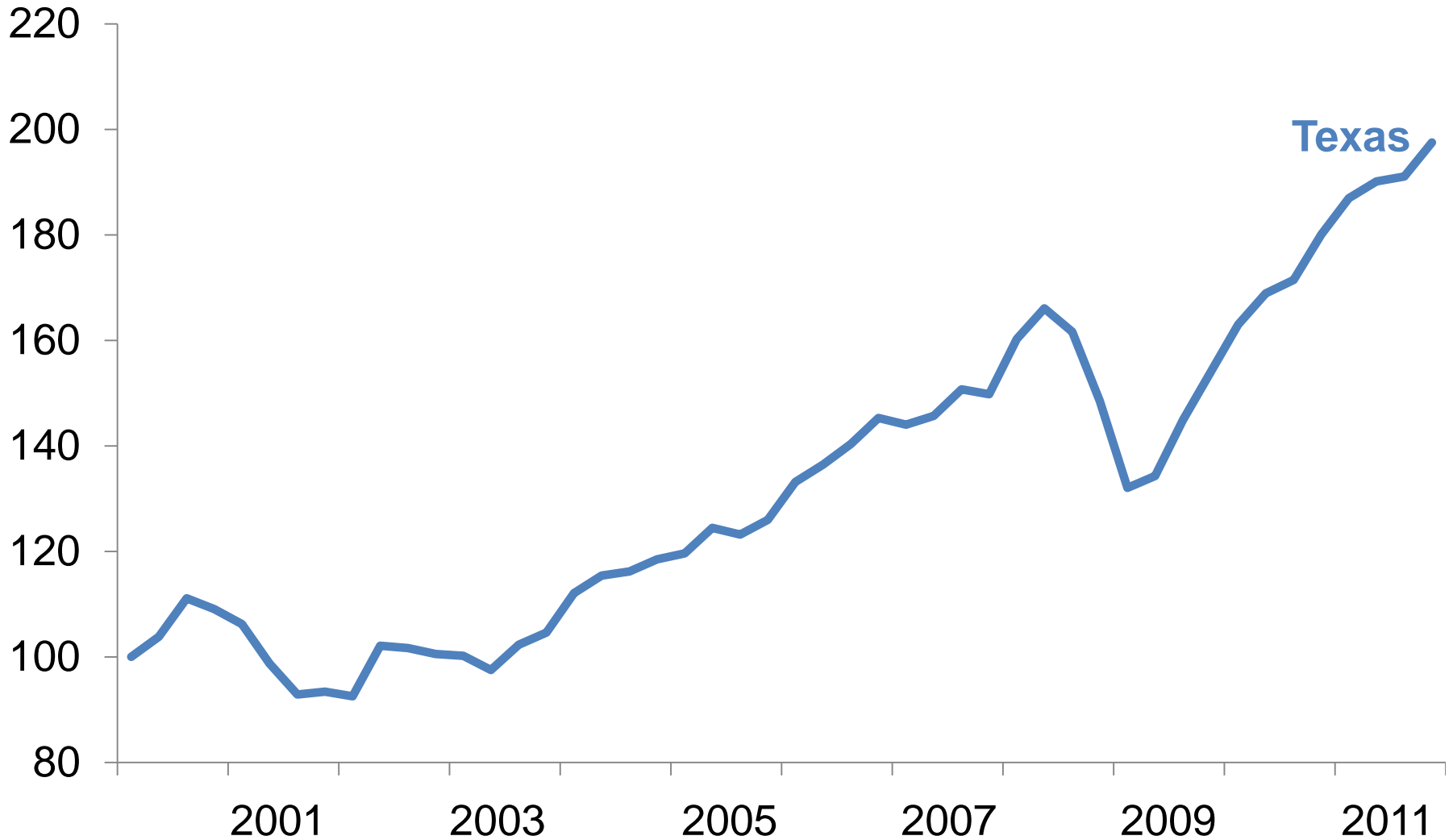
Gulf coast is a major exporter of oil and petrochemicals

Land-based trade on Texas-Mexico border also important export region



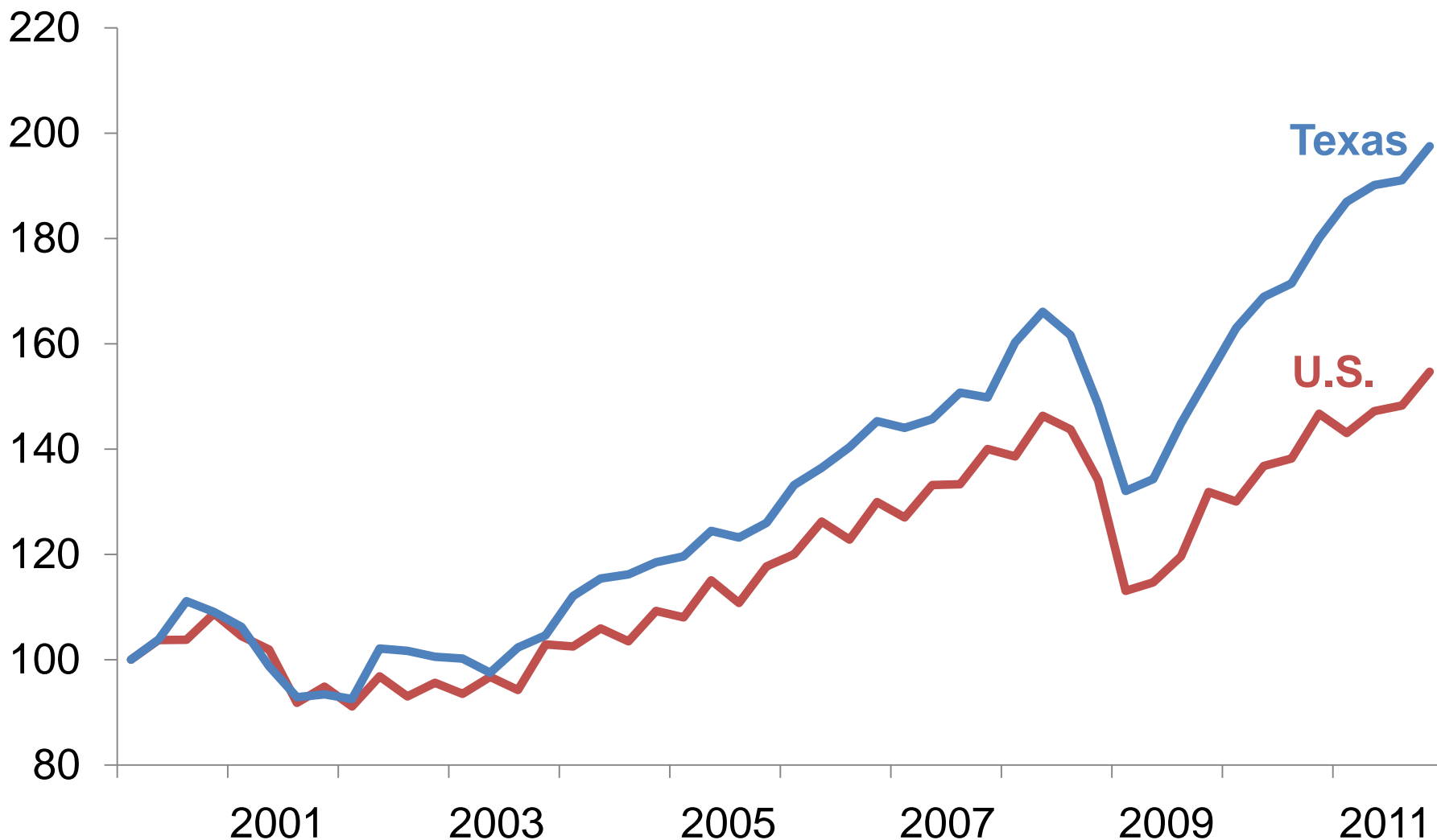
# Texas Export Strength Continues

Index, 2000=100



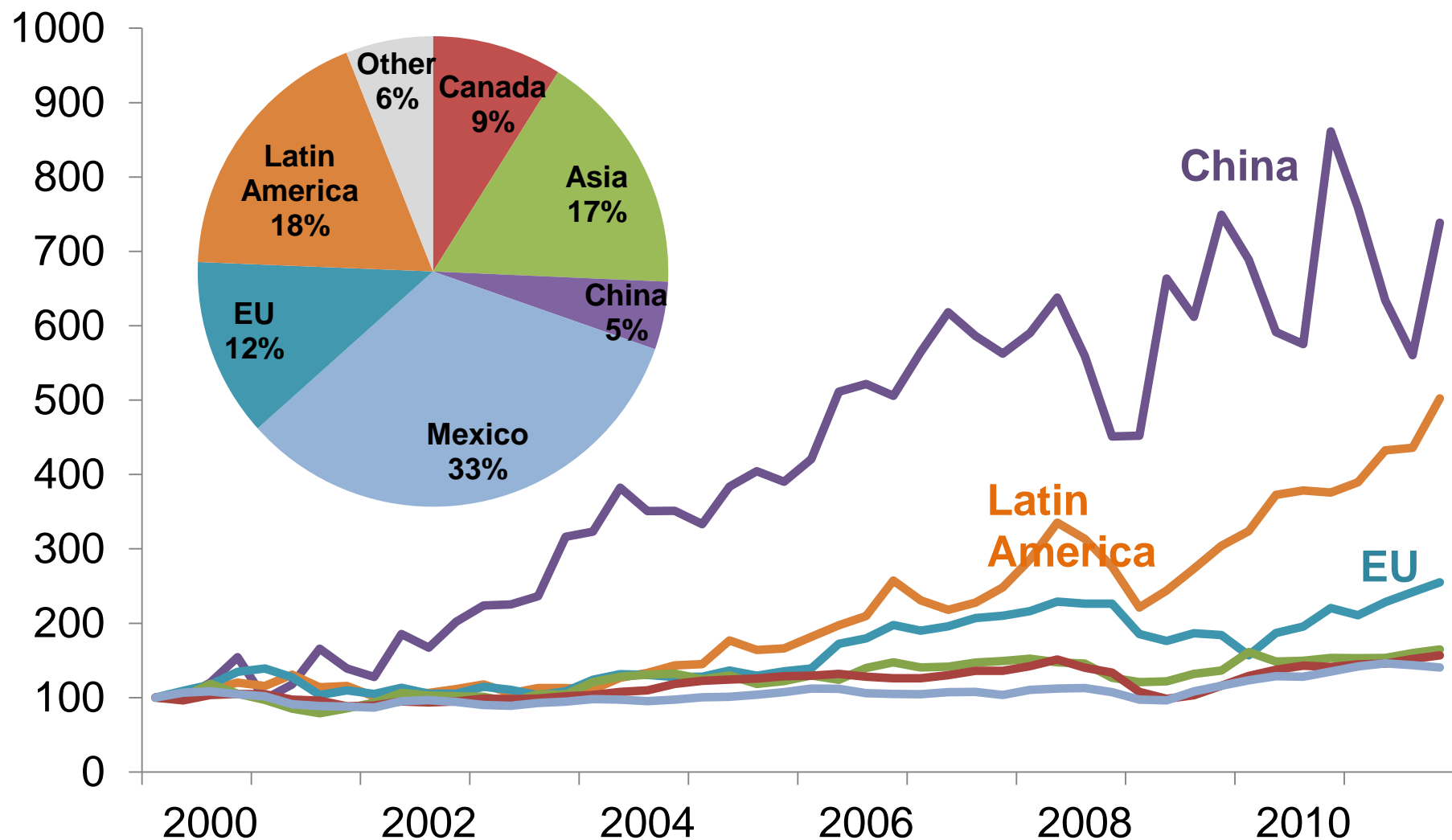
# Texas Export Strength Continues

Index, 2000=100



# Texas Exports to China Growing Faster

Index, 2000=100



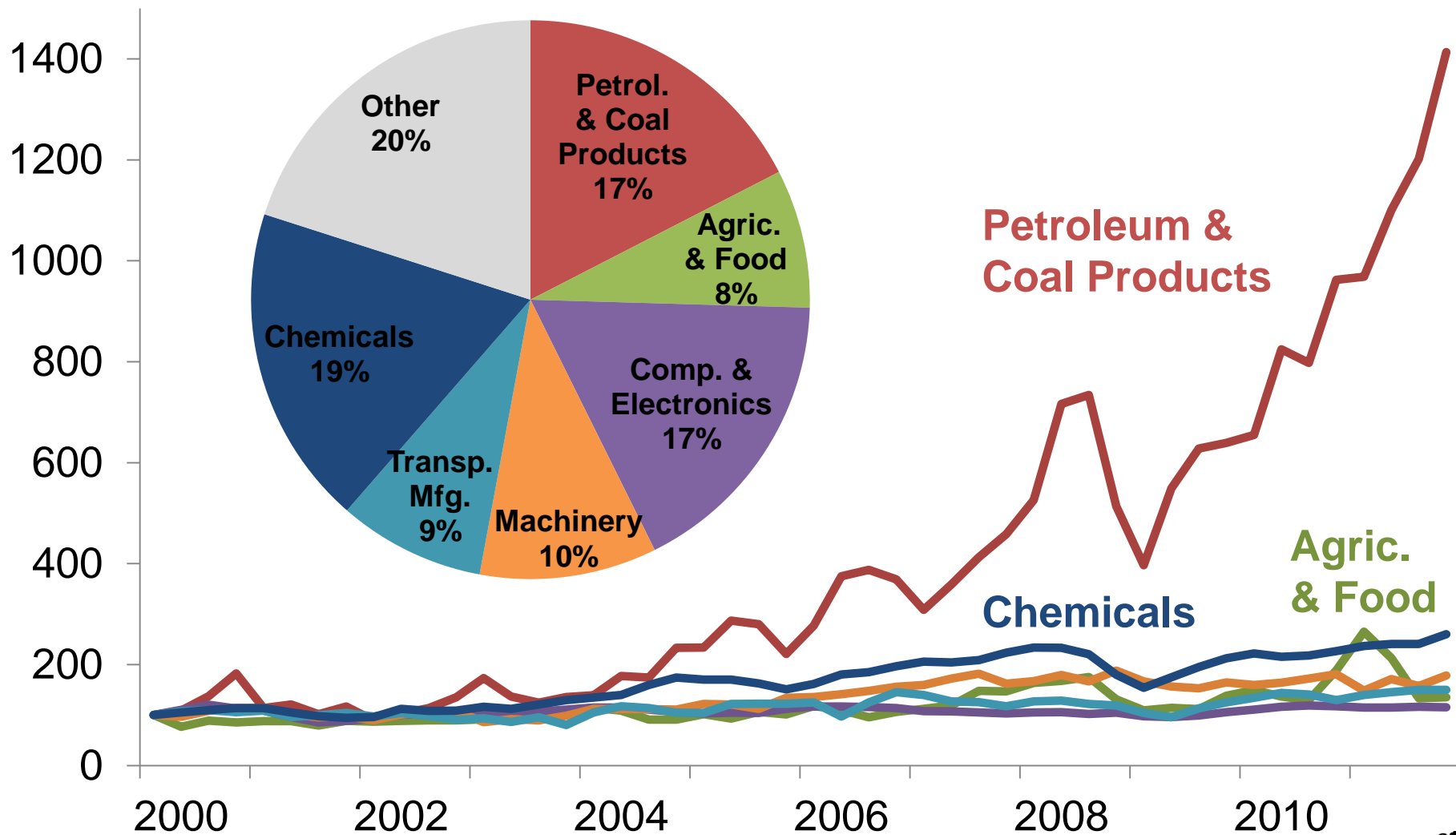
\*Latin America excludes Mexico.

\*\*Asia excludes China.



# Energy Supports Export Growth

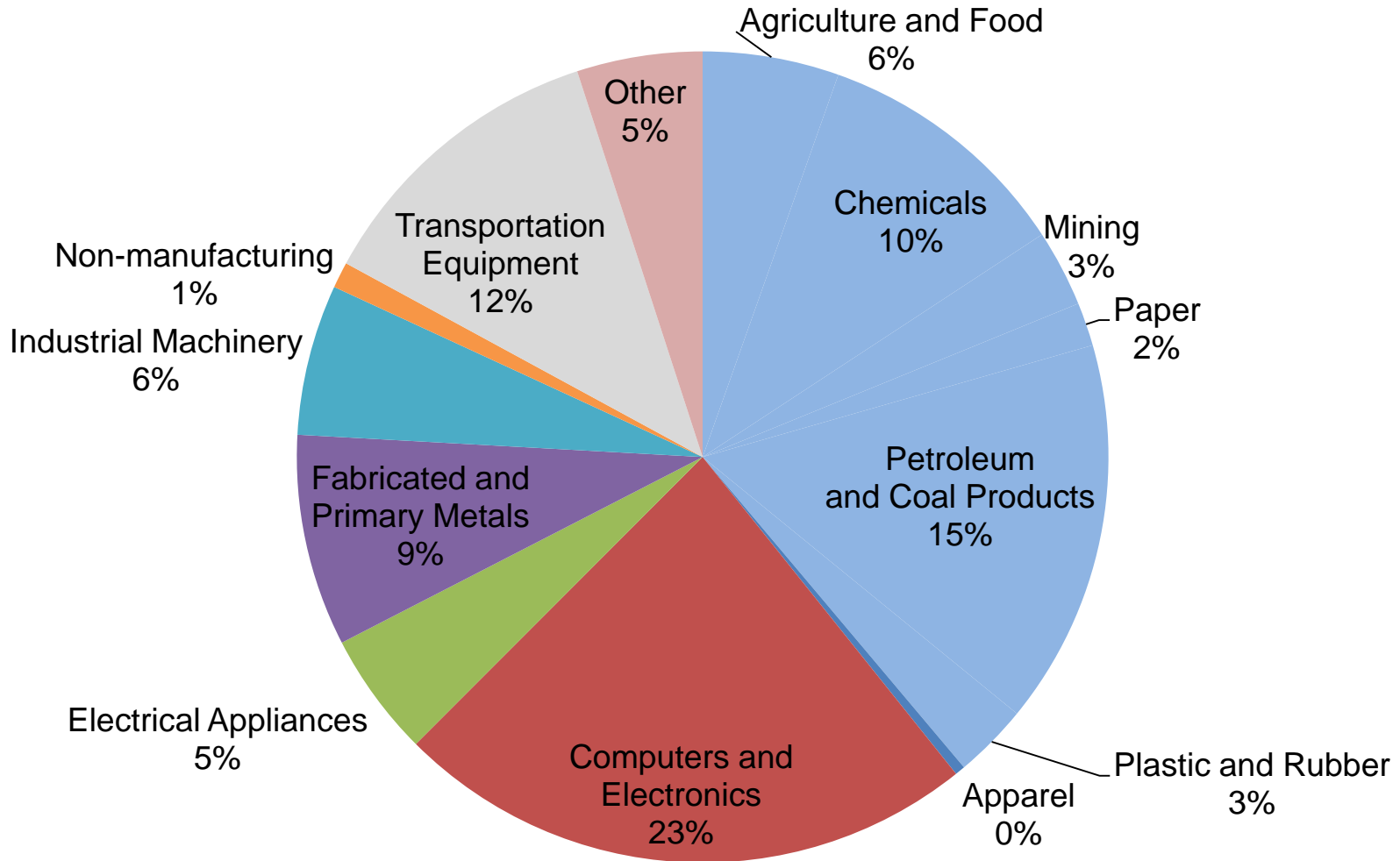
Index, 2000=100



# US-Mexico trade: mostly intra-industry

Imports				Exports				
	SITC Code	Product	Billions \$		SITC Code	Product	Billions \$	
1	33	<b>PETROLEUM</b>	<b>41.6</b>	1	77	<b>ELECTRICAL MACHINERY</b>	<b>16.6</b>	
2	78	<b>ROAD VEHICLES</b>	<b>32.1</b>	2	78	<b>ROAD VEHICLES</b>	<b>13.9</b>	
3	76	<b>TELECOMMUNICATIONS/SOUND RECORDING</b>	<b>31.2</b>	3	33	<b>PETROLEUM</b>	<b>9.6</b>	
4	77	<b>ELECTRICAL MACHINERY</b>	<b>22.3</b>	4	75	<b>OFFICE/AUTOMATIC DATA PROCESSING MACHINES</b>	<b>7.3</b>	
5	74	<b>GENERAL INDUSTRIAL MACHINERY</b>	<b>9.2</b>	5	74	<b>GENERAL INDUSTRIAL MACHINERY</b>	<b>7.2</b>	
6	71	<b>POWER GENERATING MACHINERY AND EQUIPMENT</b>	<b>7.3</b>	6	76	<b>TELECOMMUNICATIONS/SOUND RECORDING</b>	<b>6.6</b>	
7	87	PROFSSIONAL/SCIENTIFIC INSTRUMENTS	6.4	7	89	MISCELLANEOUS MANUFACTURED ARTICLES	6.6	
8	75	<b>OFFICE/AUTOMATIC DATA PROCESSING MACHINES</b>	<b>6.4</b>	8	57	PLASTICS IN PRIMARY FORMS	5.6	
9	5	VEGETABLES AND FRUIT	5.9	9	71	<b>POWER GENERATING MACHINERY AND EQUIPMENT</b>	<b>5.3</b>	
10	93	SPECIAL TRANSACTIONS AND COMMODITIES	5.1	10	51	ORGANIC CHEMICALS	5.2	
			<b>Subtotal</b>				<b>Subtotal</b>	<b>83.8</b>
			<b>Other</b>				<b>Other</b>	<b>67.7</b>
			<b>Total</b>				<b>Total</b>	<b>151.5</b>

# Texas Maquiladora Related Exports to Mexico Close to 60 %



# AGRICULTURE

A red tractor pulling a green combine harvester in a field. The background shows trees and a clear sky.

Texas is #1 cotton-producing state in U.S.

Texas also first in livestock production

2011 record year for Texas drought loss

# HOUSING

An aerial photograph of a residential development, showing rows of houses and streets. The image is partially obscured by a dark blue horizontal band at the top, which contains the word 'HOUSING' in white. Below this, the image is divided into several horizontal bands, each with a dark blue background and white text. The background image shows a large area of new construction, with many houses and some open lots. In the distance, there are hills and a body of water. The overall scene is a mix of urban and rural elements.

Construction

Existing-home sales

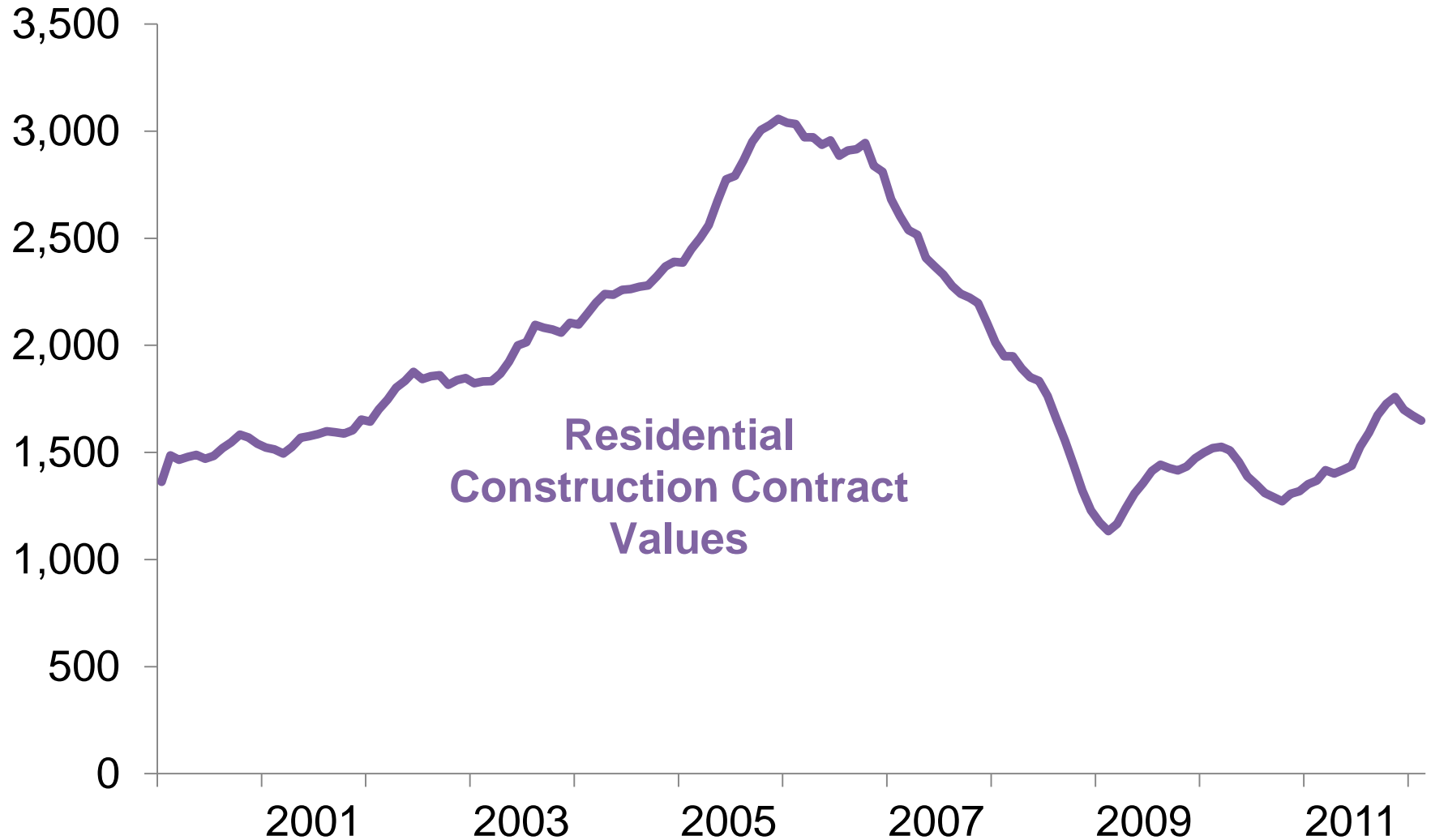
House prices

Effect of homebuyer tax credit



# Residential Construction Still Subdued

Millions of dollars

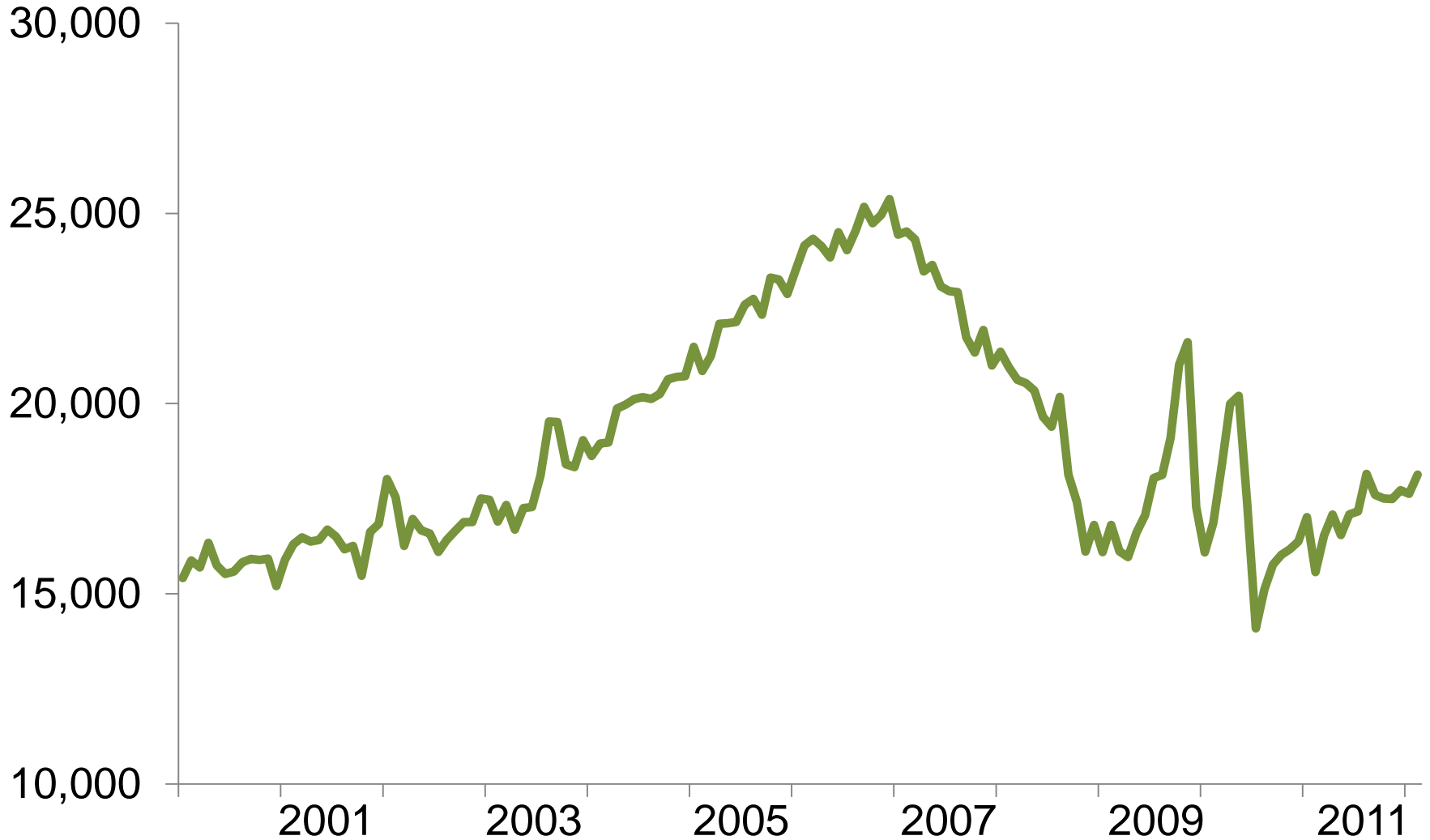


Residential  
Construction Contract  
Values

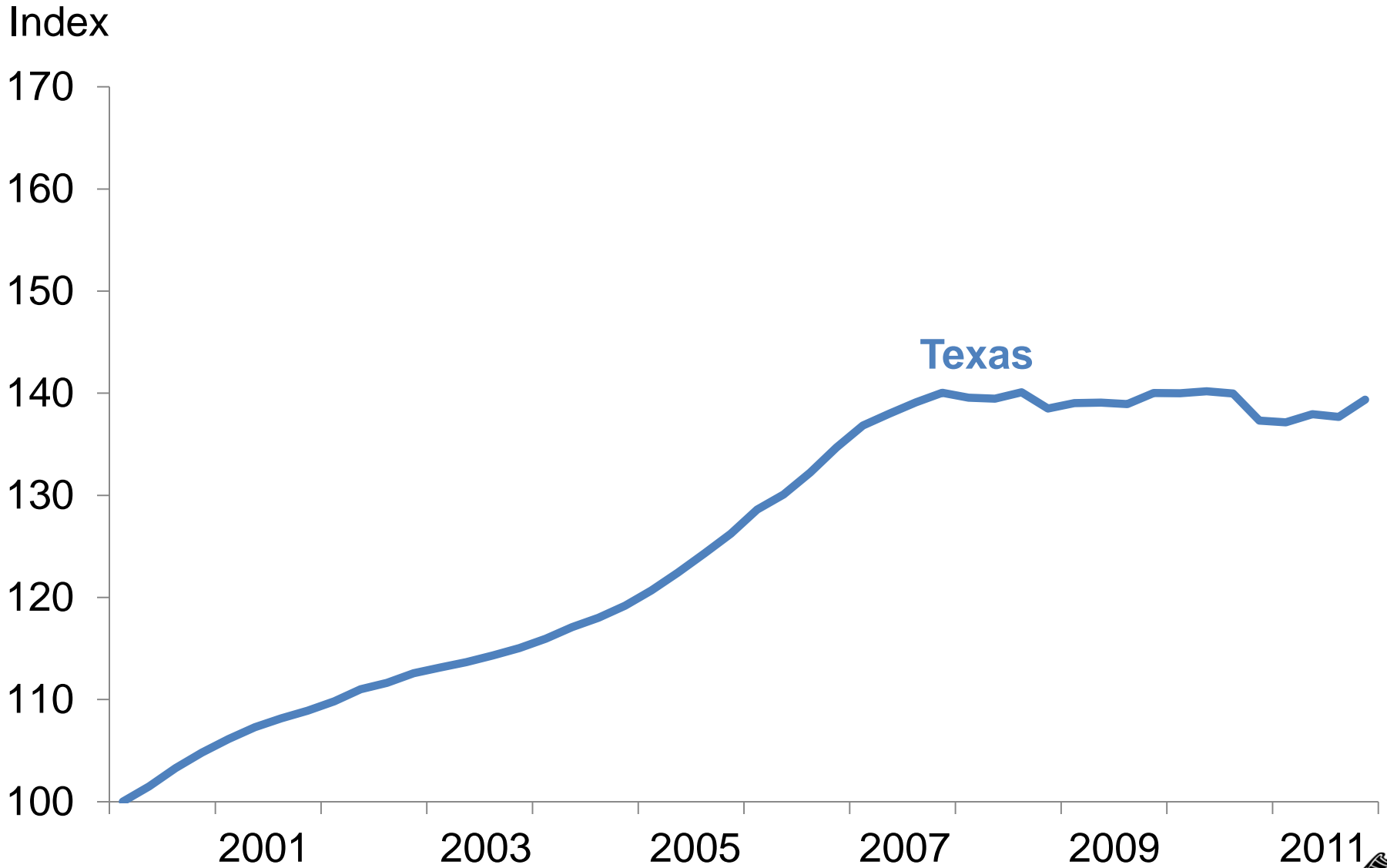


# Existing-Home Sales Increasing Again

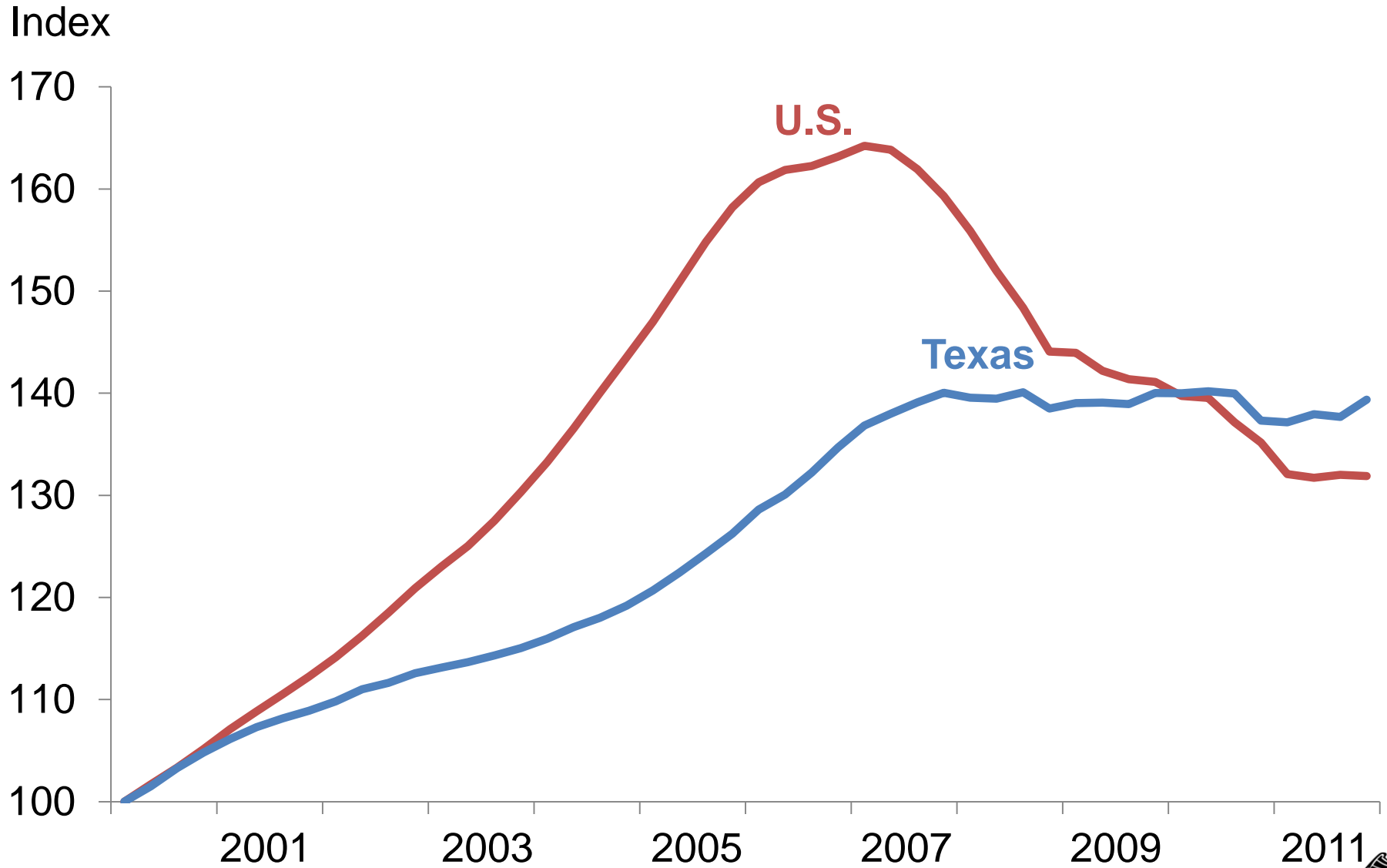
Total existing home sales



# House Prices Finally Increasing...

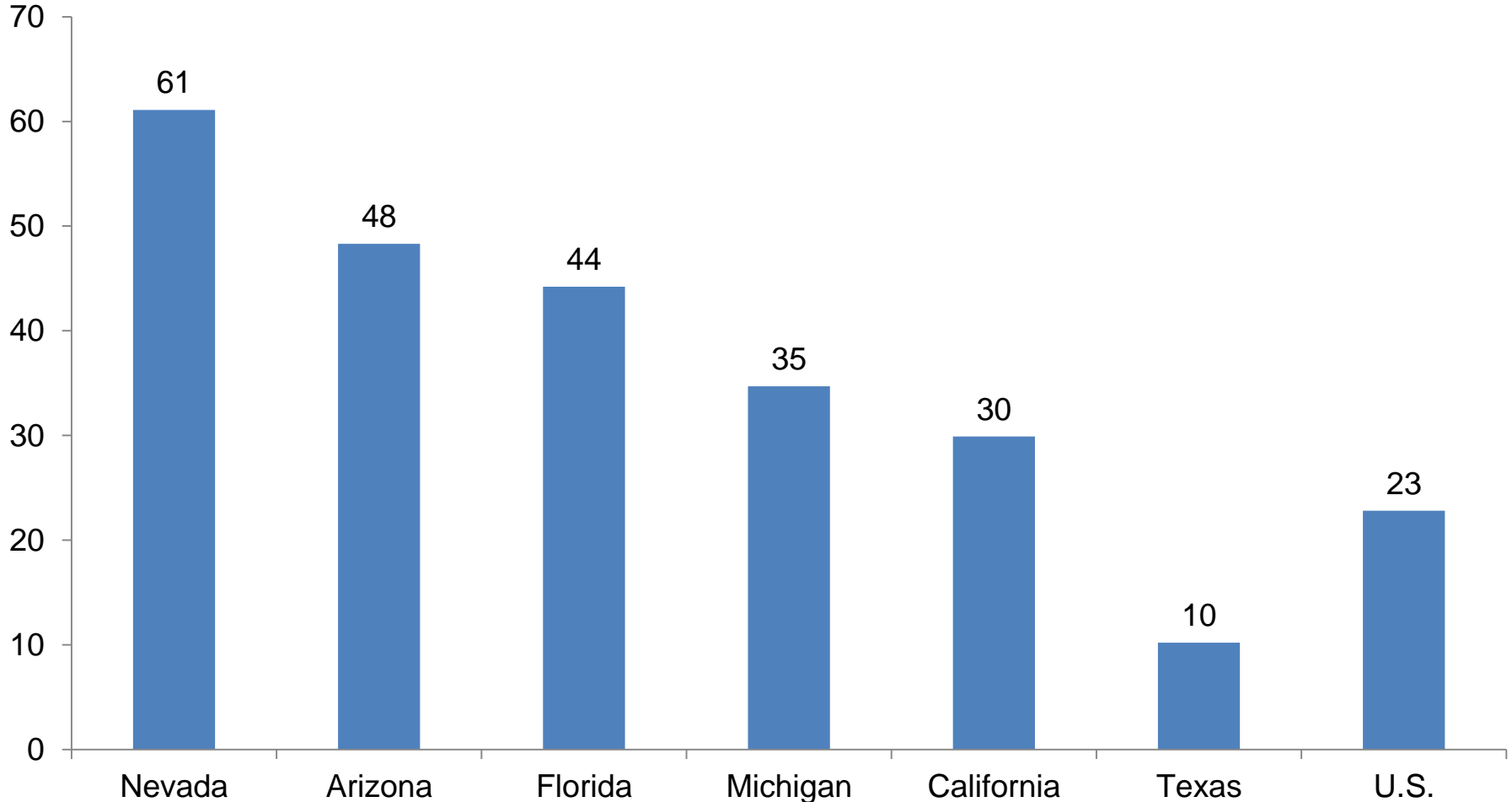


# ...and are in Better Shape than U.S.



# Texas has much lower share of underwater mortgages

Percent of mortgages with balance > home value, 2011Q4

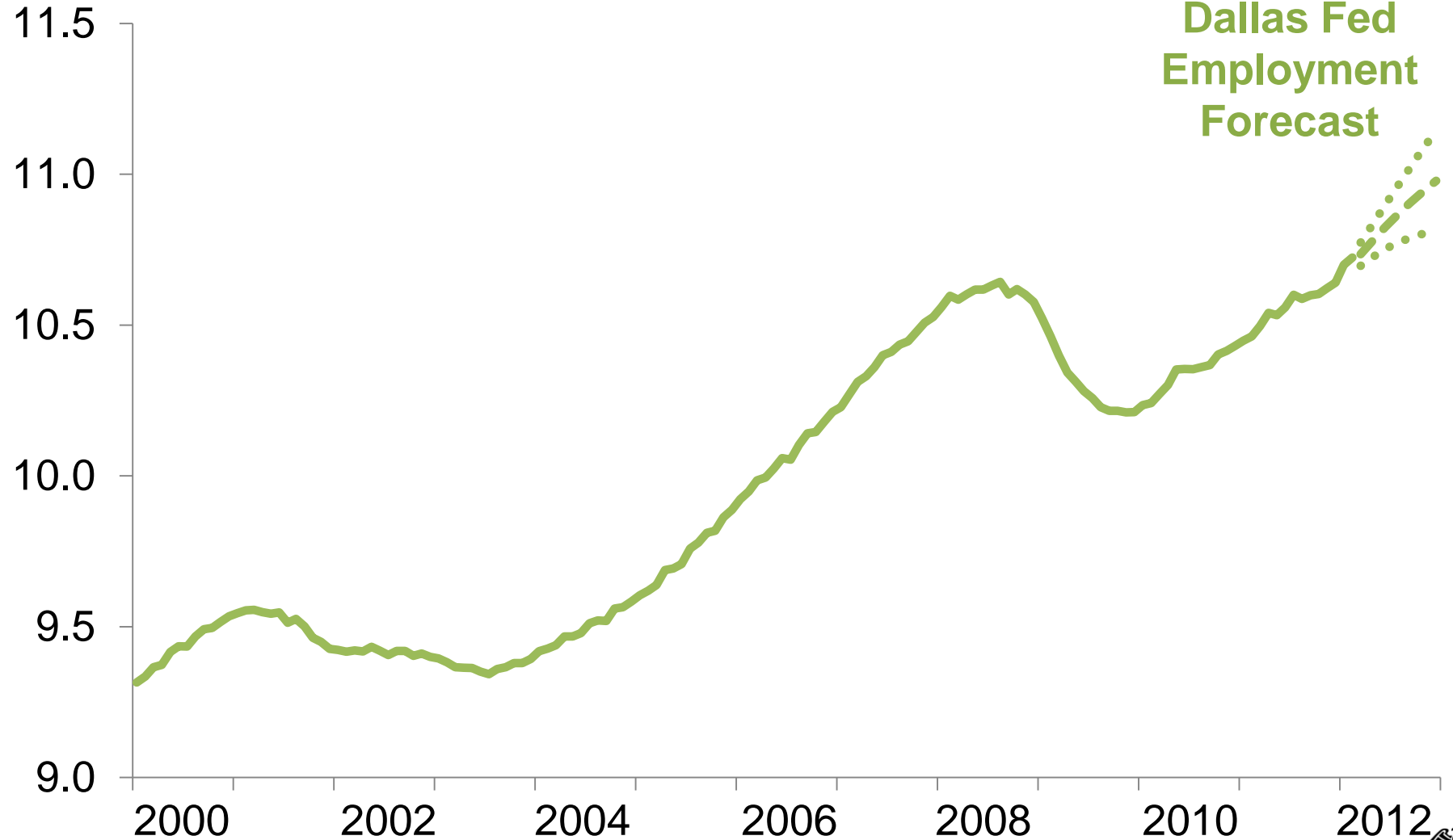


Source: CoreLogic

# **WHAT DO WE EXPECT FOR THE REST OF 2012?**

# Texas Economy will Continue Expanding

Millions of jobs



Dallas Fed  
Employment  
Forecast



# Summary

Texas Out of Recession, Out of Recovery,  
and into Expansion

Texas Growth Outpacing U.S. Growth

Job Growth Should Pick up in 2012

Some Uncertainty Persists





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