

More Evidence of a Turn in the Texas Economy

For the first time since the first quarter of 2015, Texas put together back-to-back quarters of positive state-level real GDP growth in the second half of 2016. We expect the string of real gains to state gross domestic product to continue through 2017 and 2018. Two factors are at work stabilizing the Texas economy. First is the momentum generated by the state in recent years that is non-energy-related. Strong in-migration leading to significant population growth and the expansion of non-energy employment and infrastructure has been a life preserver for the state. Second, oil prices have stabilized while oil producers have become much more efficient in their operations. This supportive combination of factors will allow for consistent moderate growth for the state economy even as the support from massive projects on the downstream side of the energy sector in the Houston area eases as they are completed this year and next. Oil prices have been soft this year with stubbornly high U.S. inventories. However, recently, prices have firmed, with WTI approaching \$50 per barrel as OPEC ministers discuss the possible limited extension of OPEC production cuts. Meanwhile, the Texas drilling rig count continues to climb, reaching 451 active rigs by the middle of May. Employment in the state's resources and mining sector has done a similar U-turn, following the rig count upward, adding 13,000 jobs over the six months ending in March 2017. The state's unemployment rate has edged up from a low of 4.4 percent in July 2015, to 5.0 percent as of this March. We look for the unemployment rate to turn the corner this year and gradually decline through 2018.

Texas Economic Outlook

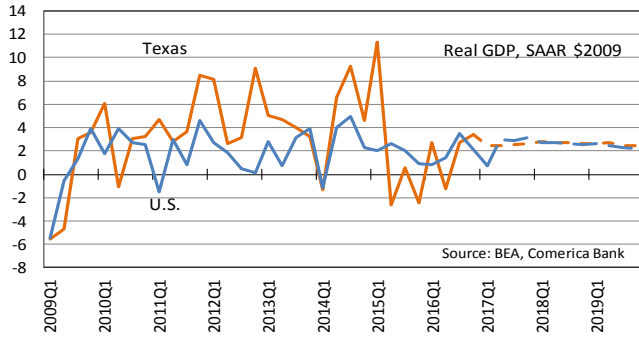
	4Q'16a	1Q'17a	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2Q'18f	3Q'18f	2016a	2017f	2018f
State GDP											
Real GDP (Chained 2009 Millions \$)	1512166	1521483	1530699	1540338	1550466	1561111	1571662	1582141	1498881	1535747	1576841
Percent Change Annualized	3.4	2.5	2.4	2.5	2.7	2.8	2.7	2.7	0.4	2.5	2.7
Labor and Demographics											
Payroll Jobs (Thousands)	12110	12204	12275	12346	12414	12481	12545	12608	12028	12310	12576
Percent Change Annualized	2.2	3.1	2.3	2.3	2.2	2.2	2.1	2.0	1.3	2.3	2.2
Unemployment Rate (Percent)	4.8	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.7	4.8	4.6
Population (Thousands)	28058	28148	28238	28332	28427	28524	28620	28715	27912	28286	28668
Percent Change Annualized	1.4	1.3	1.3	1.3	1.3	1.4	1.4	1.3	1.6	1.3	1.3
Net Migration (Thousands)	33.6	35.7	39.1	40.0	42.3	41.2	40.6	42.0	173.0	157.1	167.1
Personal Income											
Total Personal Income (Nom., Millions \$)	1346628	1362243	1378281	1396122	1414435	1433251	1452031	1471419	1327261	1387770	1461948
Percent Change Annualized	4.0	4.7	4.8	5.3	5.4	5.4	5.3	5.4	2.9	4.6	5.3
Housing											
Housing Starts (Total, Ann. Rate)	160576	187866	172040	173168	174912	176959	178993	180804	162783	176996	179849
Percent Change Annualized	3.2	87.4	-29.7	2.6	4.1	4.8	4.7	4.1	-4.3	8.7	1.6
SF Housing Starts (# of Units, Ann Rate)	116127	119705	116264	117151	118476	119809	121048	122207	111235	117899	121608
MF Housing Starts (# of Units, Ann Rate)	44448	68160	55776	56017	56435	57150	57946	58597	51547	59097	58241
Existing Home Sales (Ths. of Units, Ann Rate)	419	409	407	406	411	418	423	427	443	408	424
House Prices, FHFA (1991 Q1=100, SA)	263	267	272	276	281	285	290	295	256	274	292
Year/Year Percent Change	7.7	7.4	7.1	6.4	6.6	6.8	6.8	6.7	7.5	6.9	6.7
Bankruptcies											
Total Business (12 Months Ending)	2402	2505	2495	2493	2494	2491	2493	2500	2286	2497	2499
Total Personal (12 Months Ending)	31428	31896	32209	32324	32356	32300	32241	32182	31479	32196	32215

a = actual f = forecast

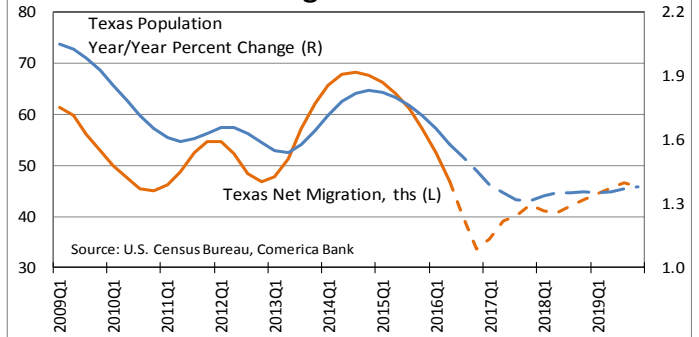
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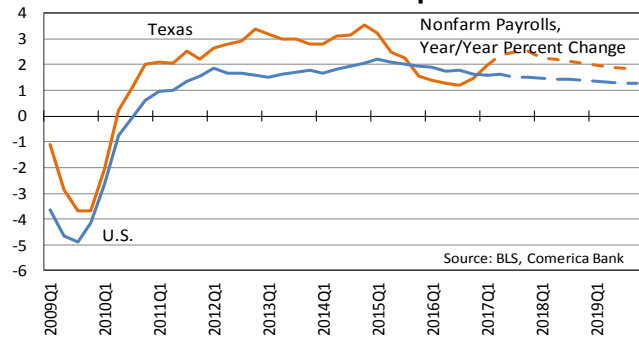
Texas GDP Growth to Stabilize



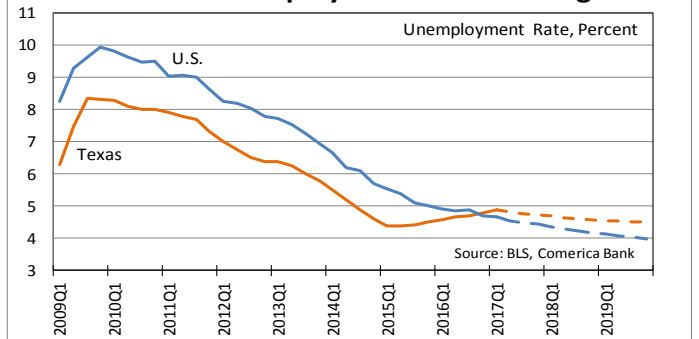
Net Migration to Fall



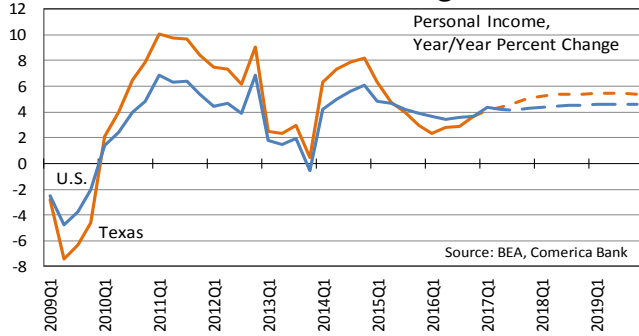
Job Growth to Improve



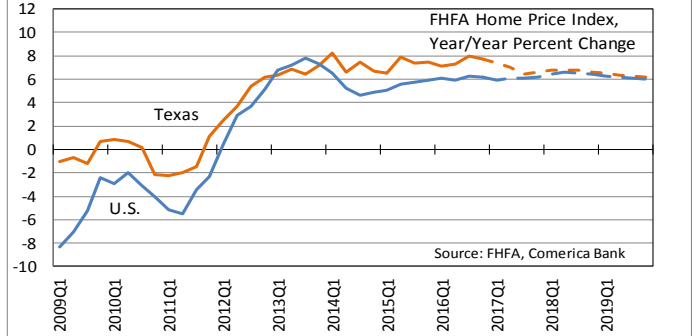
Texas Unemployment Rate Peaking



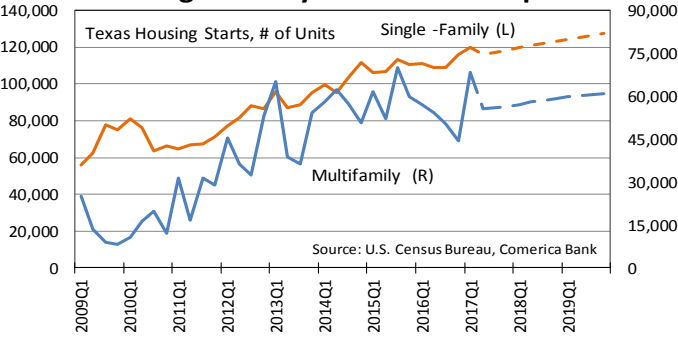
Income Growth Turning North



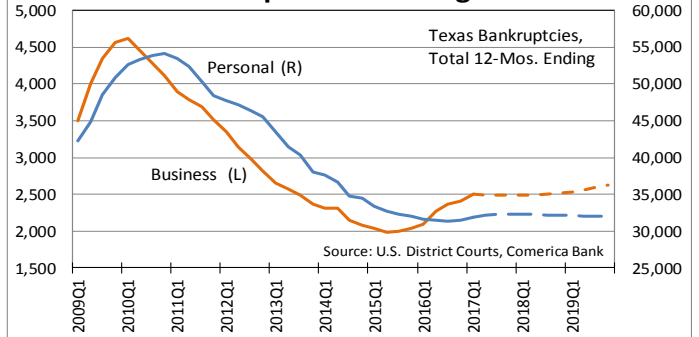
Home Prices Add to Wealth



Single-Family Construction Up



Bankruptcies Levelling Out



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