

Firmer Oil Prices Help Texas, But Recovery in Houston Will Be Slow

The price for West Texas Intermediate crude oil appears to be stabilizing in the range of \$45 to \$50 per barrel, providing a floor for drilling activity in Texas. The rig count for the state has bounced off the mid-May low of 173 active rigs, up to 268 by mid-November. Oil producers continue to gain efficiencies, pushing the marginal cost of production lower and so we expect to see ongoing moderate gains in the rig count and associated oil field activity through the end of this year and into early 2017. However, even as we write this, the spot price for WTI has slipped below \$45, and there remains a worldwide glut of oil that may take a year or more to absorb, keeping downward pressure on prices. Oil storage in the U.S. is falling off its record peak from this past spring, but progress has been slow. Stronger-than-expected storage numbers in late October through early November brought prices down to \$43 by mid-November. Fortunately for Texas, the state economy is fueled by more than just oil. Job growth over the last two years has been remarkably resilient, with just two months, March 2015 and March 2016, showing net job losses. This September the state added 38,300 jobs on net, which is above the monthly average for 2012 and 2013. The contrasting patterns in the state economy are seen in the comparison of the Dallas/Fort Worth metropolitan area and the Houston metropolitan area. Job growth in North Texas remains strong, up 3.8 percent in September over the previous 12 months. Job growth in the Houston MSA has slipped to just 0.5 percent year-over-year as of September. We look for a slow turnaround in Houston in 2017.

Texas Economic Outlook

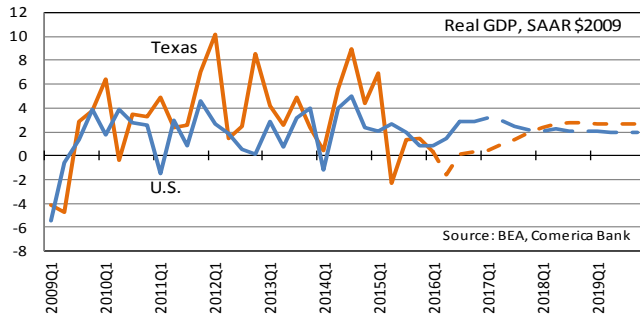
	2Q'16a	3Q'16a	4Q'16f	1Q'17f	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2015a	2016f	2017f
State GDP											
Real GDP (Chained 2009 Millions \$)	1475021	1475317	1476385	1477900	1481159	1486180	1493549	1502444	1475535	1476923	1484697
Percent Change Annualized	-1.6	0.1	0.3	0.4	0.9	1.4	2.0	2.4	3.8	0.1	0.5
Labor and Demographics											
Payroll Jobs (Thousands)	11984	12054	12103	12154	12205	12258	12312	12366	11839	12027	12232
Percent Change Annualized	0.6	2.4	1.6	1.7	1.7	1.8	1.8	1.8	2.4	1.6	1.7
Unemployment Rate (Percent)	4.4	4.7	4.7	4.6	4.6	4.6	4.6	4.6	4.5	4.5	4.6
Population (Thousands)	27915	28013	28105	28197	28288	28376	28468	28564	27526	27961	28332
Percent Change Annualized	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.4	1.8	1.6	1.3
Net Migration (Thousands)	44.1	36.3	36.9	35.3	33.1	36.9	41.0	40.1	250.7	168.6	146.3
Personal Income											
Total Personal Income (Nom., Millions \$)	1316702	1328346	1341436	1353196	1366140	1380255	1394639	1409320	1289604	1322937	1373557
Percent Change Annualized	3.6	3.6	4.0	3.6	3.9	4.2	4.2	4.3	4.5	2.6	3.8
Housing											
Housing Starts (Total, Ann. Rate)	163870	159746	160394	160614	161105	161849	162719	163917	170100	163093	161572
Percent Change Annualized	-10.2	-9.7	1.6	0.5	1.2	1.9	2.2	3.0	6.6	-4.1	-0.9
SF Housing Starts (# of Units, Ann Rate)	109045	109297	109501	109581	109798	110257	110747	111466	109250	109707	110096
MF Housing Starts (# of Units, Ann Rate)	54825	50449	50893	51033	51307	51592	51972	52451	60849	53386	51476
Existing Home Sales (Ths. of Units, Ann Rate)	440	372	440	442	445	448	451	454	461	424	447
House Prices, FHFA (1991 Q1=100, SA)	254	258	261	264	267	270	273	277	239	256	269
Year/Year Percent Change	7.0	6.7	6.3	5.7	5.2	4.8	4.6	4.8	7.4	6.8	5.1
Bankruptcies											
Total Business (12 Months Ending)	2277	2370	2418	2493	2531	2575	2623	2672	2014	2290	2555
Total Personal (12 Months Ending)	31421	31385	31925	32095	32224	32310	32462	32646	32608	31603	32273

a = actual f = forecast

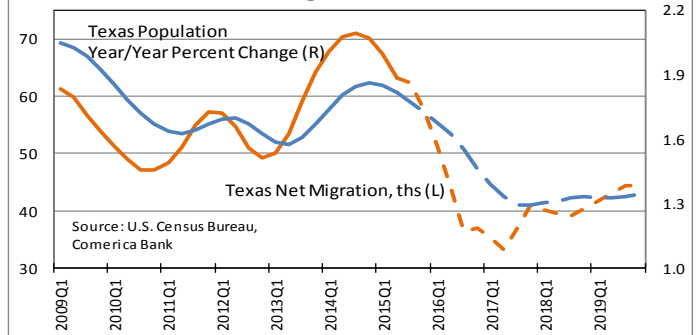
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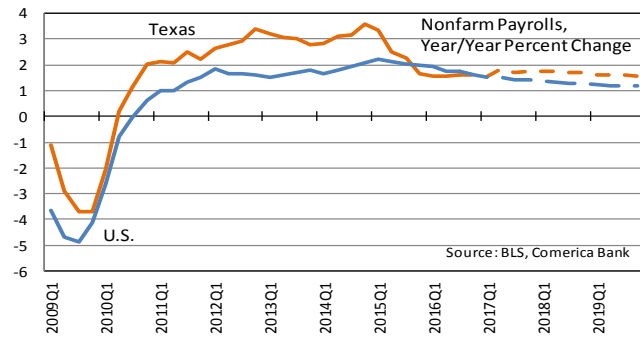
Texas Improves in 2017



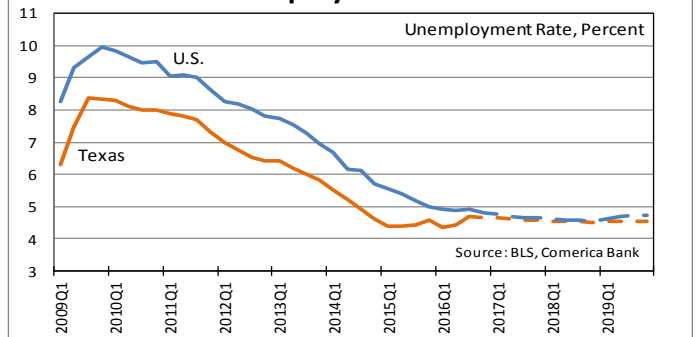
Net Migration to Fall



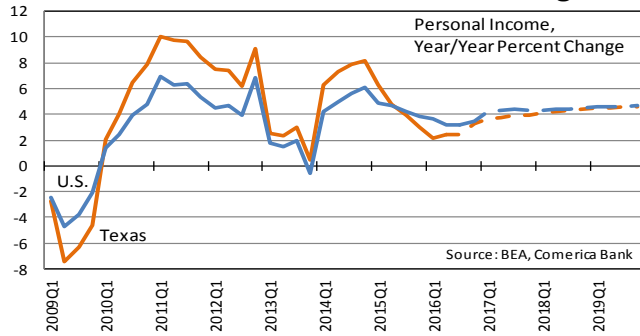
Job Growth Moderates



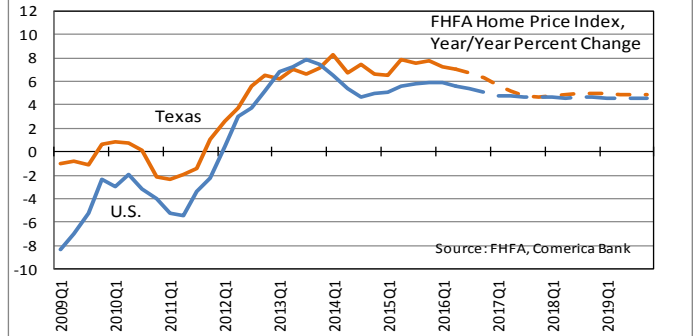
Texas Unemployment Rate Stable



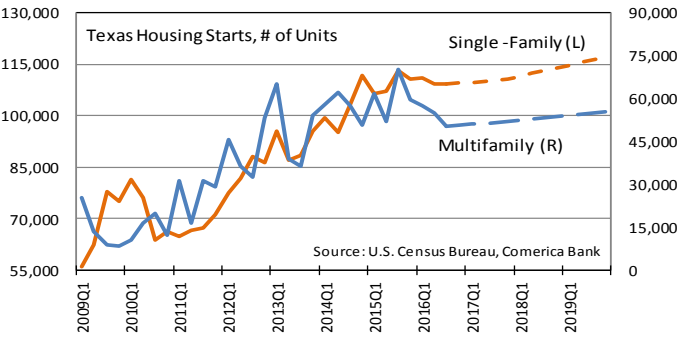
Income Growth Eases Below Average



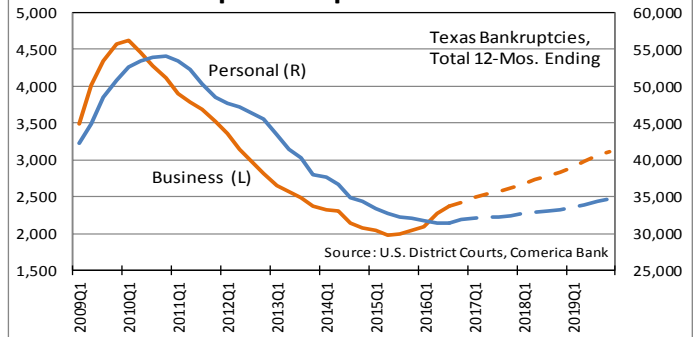
Home Prices Continue to Climb



North Texas Drives Home Construction



Bankruptcies Expected to Increase



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