

Texas Regains Economic Momentum

The revised data for Texas real gross domestic product now shows that the state was in a recession from 2015Q2 through 2016Q1. Three out of those four quarters have declining real (inflation adjusted) GDP. The good news is that Texas has regained its economic momentum with strong annualized real GDP growth, averaging 4.5 percent, from 2017Q1 through 2017Q4. We expect the positive momentum for Texas to continue through this year and next. The Texas economy has four key supports this year. First, oil prices have increased to about \$70 per barrel for West Texas Intermediate crude oil, and drilling and production activity is increasing as well. This may not be especially visible in the large metro areas in the eastern half of the state, but it is visible in the Permian Basin of West Texas. We have increased our yearend oil price forecast to \$75 per barrel. Second, Texas is benefitting from strong in-migration, which ramped up in late 2006 and stayed strong for the state even when oil prices slumped badly through 2015 and 2016. Strong in-migration has fueled overall population growth which, in turn, has broadened the substantial non-energy-related economy of Texas. Third, the Houston economy is stabilizing after the devastating flooding association with Hurricane Harvey. Houston had net-outmigration in 2017 according to the Greater Houston Partnership. We expect that to improve significantly in 2018. Houston experienced erratic job growth from 2015 through 2017. We expect Houston to show consistent job gains this year. The fourth positive for Texas in 2018 is a strong U.S. economy, along with ongoing global growth, which will fuel demand for Texas energy and non-energy exports. Trade with Mexico remains a wildcard, with some uncertainty about a self-imposed May 18 deadline for the U.S. negotiators.

Texas Economic Outlook

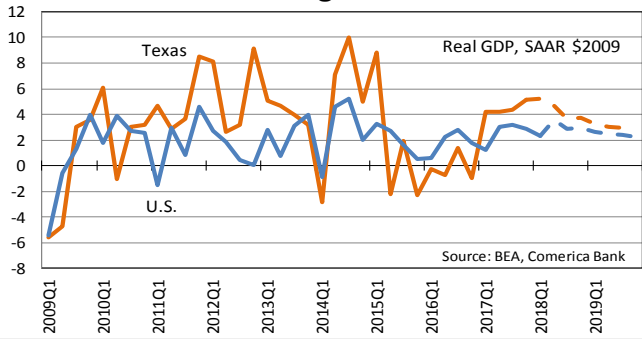
	4Q'17a	1Q'18a	2Q'18f	3Q'18f	4Q'18f	1Q'19f	2Q'19f	3Q'19f	2017a	2018f	2019f
State GDP											
Real GDP (Chained 2009 Millions \$)	1547505	1567255	1585140	1599490	1614316	1627468	1639720	1651676	1521003	1591550	1645376
Percent Change Annualized	5.2	5.2	4.6	3.7	3.8	3.3	3.0	2.9	2.6	4.6	3.4
Labor and Demographics											
Payroll Jobs (Thousands)	12330	12426	12507	12579	12639	12696	12750	12802	12224	12538	12775
Percent Change Annualized	3.4	3.1	2.6	2.3	1.9	1.8	1.7	1.6	1.8	2.6	1.9
Unemployment Rate (Percent)	3.9	4.0	3.8	3.6	3.5	3.5	3.4	3.4	4.3	3.7	3.4
Population (Thousands)	28502	28604	28708	28814	28919	29022	29126	29230	28354	28761	29178
Percent Change Annualized	1.4	1.4	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Net Migration (Thousands)	48.6	50.1	52.4	51.0	49.8	49.6	50.1	50.0	183.3	203.3	200.5
Personal Income											
Total Personal Income (Nom., Millions \$)	1348486	1368259	1387472	1406575	1425453	1444398	1463051	1482018	1328683	1396940	1472525
Percent Change Annualized	5.4	6.0	5.7	5.6	5.5	5.4	5.3	5.3	3.1	5.1	5.4
Housing											
Housing Starts (Total, Ann. Rate)	171525	174445	167110	169440	171564	173450	175274	177046	166006	170640	176152
Percent Change Annualized	56.6	7.0	-15.8	5.7	5.1	4.5	4.3	4.1	1.1	2.8	3.2
SF Housing Starts (# of Units, Ann Rate)	123778	123248	118164	119887	121395	122747	124134	125481	117303	120674	124792
MF Housing Starts (# of Units, Ann Rate)	47748	51196	48945	49553	50169	50702	51140	51565	48703	49966	51361
Existing Home Sales (Ths. of Units, Ann Rate)	507	489	497	502	508	513	518	523	488	499	520
House Prices, FHFA (1991 Q1=100, SA)	281	286	292	297	302	307	312	317	274	294	315
Year/Year Percent Change	7.3	7.4	7.0	7.6	7.7	7.3	7.1	6.8	7.7	7.4	6.9
Bankruptcies											
Total Business (12 Months Ending)	2642	2778	2779	2799	2825	2831	2834	2836	2600	2795	2836
Total Personal (12 Months Ending)	32449	31541	31512	31366	31253	31166	31153	31161	32547	31418	31161

a = actual f = forecast

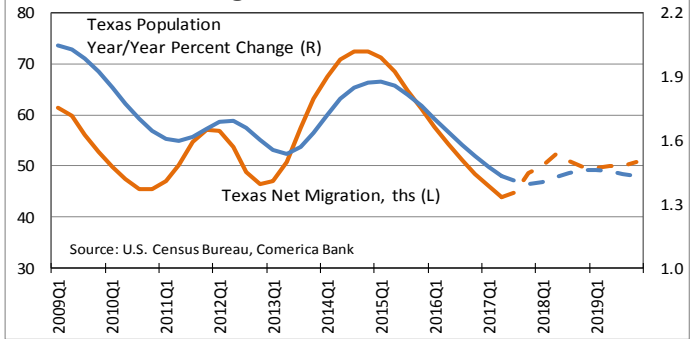
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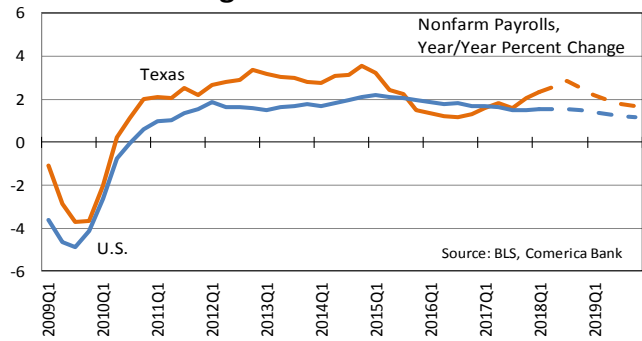
Texas GDP Regains Momentum



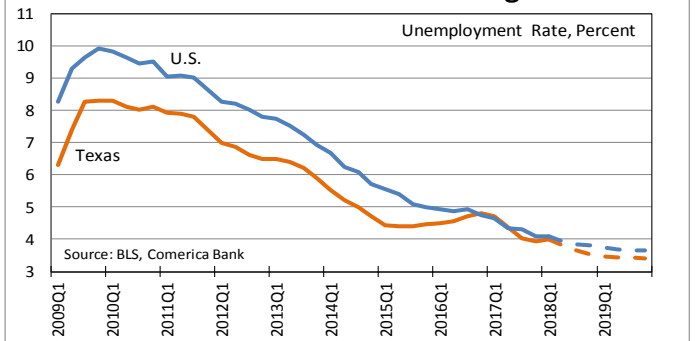
Net Migration Remains Positive



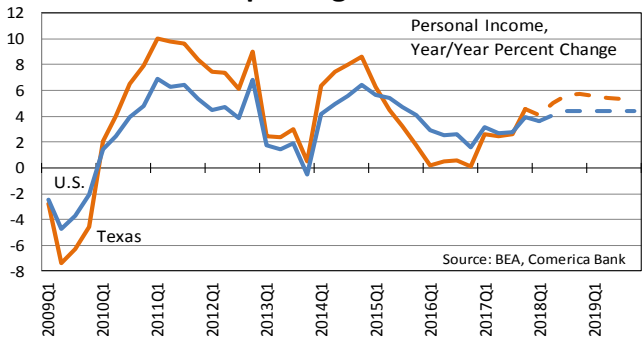
Stronger Job Growth in 2018



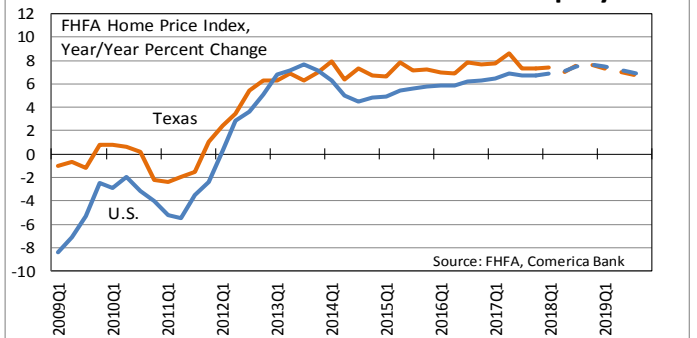
Texas U. Rate Back on Declining Track



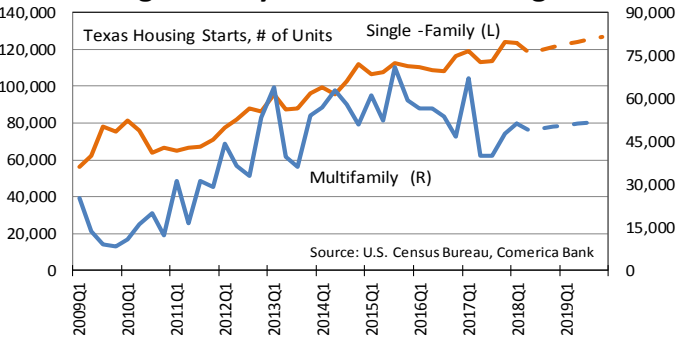
Incomes Improving As Oil Prices Firm



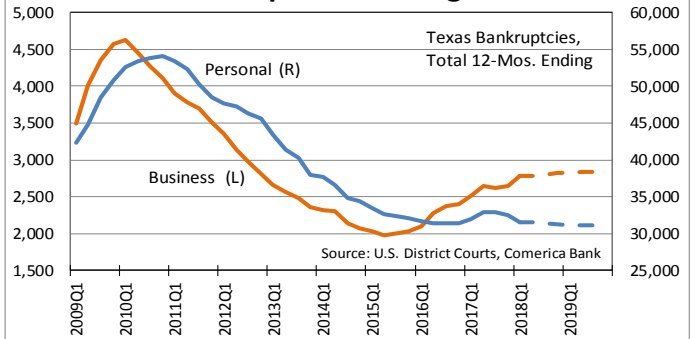
Home Price Gains Boost Owners' Equity



Single-Family Construction Stronger



Bankruptcies Leveling Out



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