

Texas Is Back

The Texas economy struggled through 2015 after the price of crude oil and petroleum products plummeted. Even after energy prices started to improve, the Houston area was dealt a severe blow by the unprecedented rainfall that came with Hurricane Harvey last year. Now the skies are clearing for Texas. Energy markets look firm, the Houston area is recovering from the flooding and the U.S. economy is doing well. With U.S. real GDP growth at a strong 4.1 percent annualized rate in the second quarter, we expect Texas to be considerably north of that number, near 6 percent or more when the data is released. Energy has returned as an accelerator for the Texas economy. West Texas is booming with the re-emergence of the Permian Basin as a global oil powerhouse. With the boom comes the risk of a bust. However, we expect that the very strong crude oil production coming out of West Texas will be sustained over decades, requiring significant and permanent economic investment. With a sustained industrial expansion in West Texas, the area's non-energy economy will also grow. The severe climate and geographic isolation are limiting factors, but we expect to see a permanent expansion in West Texas metropolitan and micropolitan areas. In addition to the build up in oil drilling and production capacity, crude oil and petroleum product transportation projects are adding to Texas' economic momentum. Pipeline expansion out of the Permian Basin is underway by several companies. Also, the Swiss commodity trading company Trafigura is planning to build the first deepwater oil export terminal in the U.S. near Corpus Christi.

Texas Economic Outlook

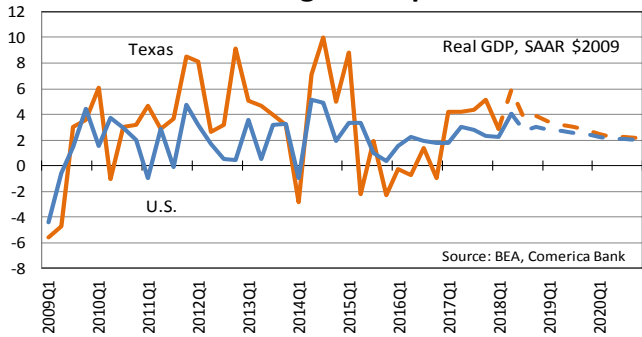
	1Q'18a	2Q'18a	3Q'18f	4Q'18f	1Q'19f	2Q'19f	3Q'19f	4Q'19f	2017a	2018f	2019f
State GDP											
Real GDP (Chained 2009 Millions \$)	1558619	1581261	1595379	1610706	1624398	1637129	1649291	1660771	1521003	1586491	1642897
Percent Change Annualized	2.9	5.9	3.6	3.9	3.4	3.2	3.0	2.8	2.6	4.3	3.6
Labor and Demographics											
Payroll Jobs (Thousands)	12427	12544	12626	12705	12775	12840	12902	12961	12224	12576	12870
Percent Change Annualized	3.2	3.8	2.7	2.5	2.2	2.1	1.9	1.8	1.8	2.9	2.3
Unemployment Rate (Percent)	4.0	4.1	3.8	3.6	3.5	3.4	3.3	3.2	4.3	3.9	3.3
Population (Thousands)	28604	28708	28814	28919	29022	29126	29230	29333	28354	28761	29178
Percent Change Annualized	1.4	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Net Migration (Thousands)	50.1	52.4	51.0	49.8	49.5	50.2	50.0	50.4	183.3	203.3	200.1
Personal Income											
Total Personal Income (Nom., Millions \$)	1359185	1377390	1395663	1414968	1433873	1452043	1470478	1488798	1326760	1386801	1461298
Percent Change Annualized	5.4	5.5	5.4	5.6	5.5	5.2	5.2	5.1	2.9	4.5	5.4
Housing											
Housing Starts (Total, Ann. Rate)	175736	181450	178814	181065	183117	184903	186475	187932	167127	179266	185607
Percent Change Annualized	7.7	13.7	-5.7	5.1	4.6	4.0	3.4	3.2	1.7	7.3	3.5
SF Housing Starts (# of Units, Ann Rate)	122425	127628	128568	130184	131650	132874	133965	134944	118513	127201	133358
MF Housing Starts (# of Units, Ann Rate)	53311	53822	50246	50881	51468	52029	52510	52988	48614	52065	52249
Existing Home Sales (Ths. of Units, Ann Rate)	503	510	518	527	533	538	543	548	491	514	540
House Prices, FHFA (1991 Q1=100, SA)	286	291	296	301	306	311	316	321	274	293	314
Year/Year Percent Change	7.4	6.9	7.3	7.2	7.2	7.1	6.9	6.7	7.8	7.2	7.0
Bankruptcies											
Total Business (12 Months Ending)	2778	2446	2411	2381	2368	2352	2333	2320	2600	2504	2343
Total Personal (12 Months Ending)	31541	31032	31033	30964	30856	30714	30536	30389	32547	31143	30624

a = actual f = forecast

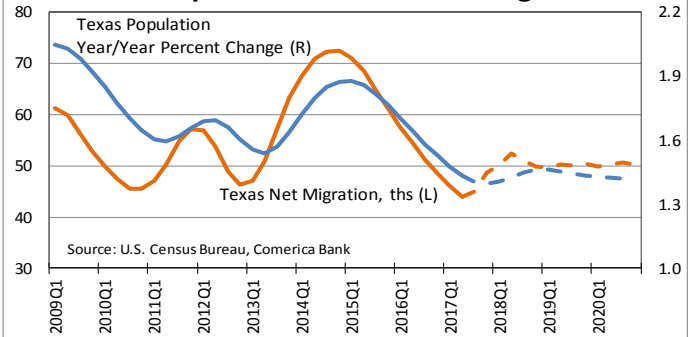
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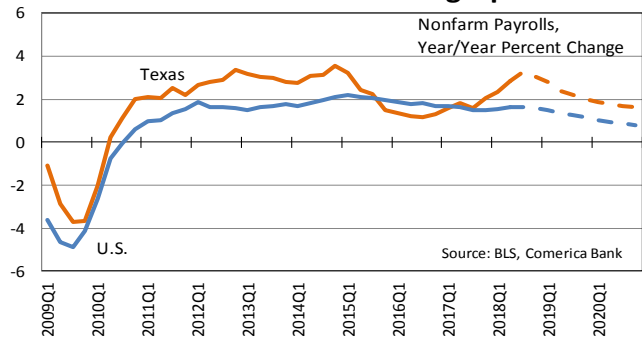
Texas GDP Again Outpaces U.S.



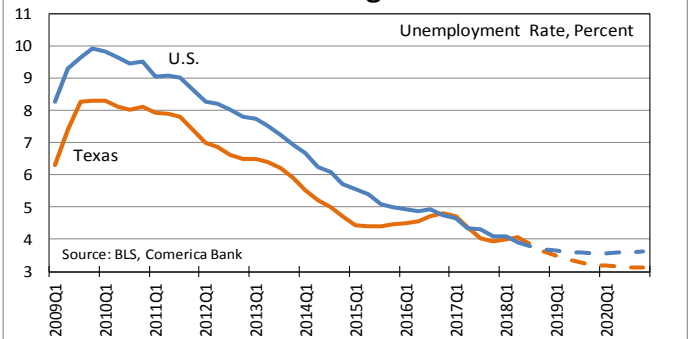
Population Growth Is Strong



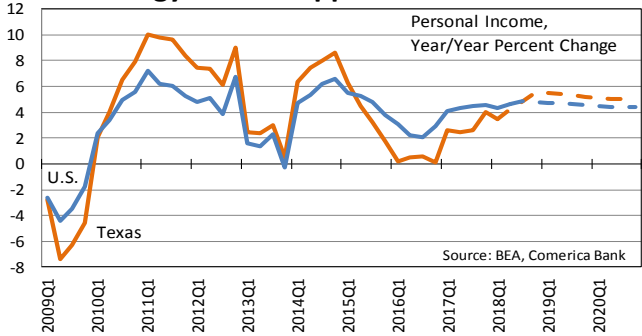
Job Growth Is Heating Up



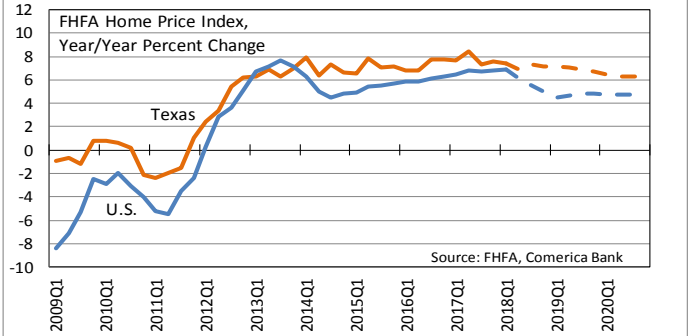
Labor Markets Are Tight in Most Areas



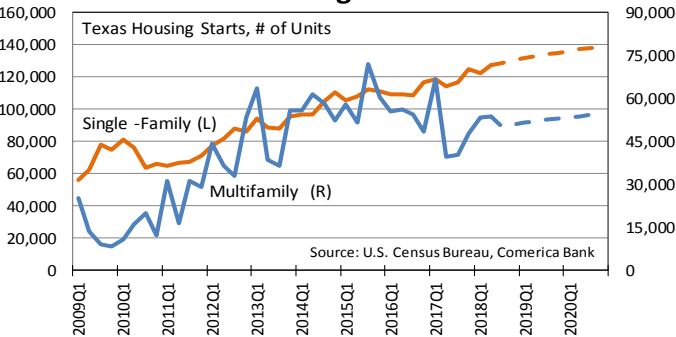
Energy Sector Supports Income Gains



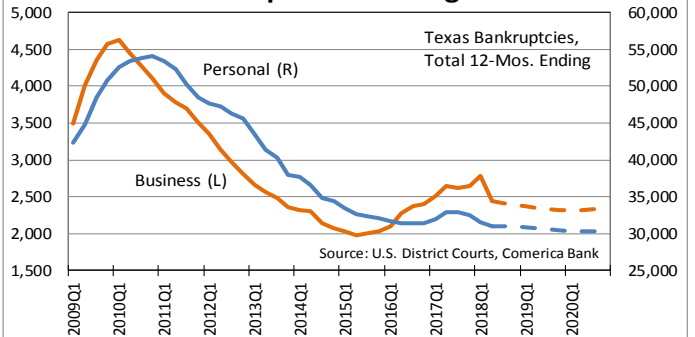
Low Inventories Boost House Prices



Home Building to Continue



Bankruptcies Leveling Out



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