

## Texas Positioned for Growth in 2019

The Texas economy is poised to have another good year in 2019, supported by higher oil prices and a solid Houston metro area economy. Houston represents about one-fourth of all employment in Texas, and Houston will be a complex story in 2019. The area economy has recovered from the devastating flooding associated with Hurricane Harvey in 2017. Higher oil prices this year will support growth in Houston's important energy sector. Organic growth for Houston, driven by strong population expansion, is also a significant economic driver for the state. However, even with higher energy prices, Houston faces the unwind of a period of robust expansion in its petrochemical industry. We expect year-over-year job growth in the Houston metro area to remain well above the U.S. average, but it will ease from near 2.5 percent as of March. The Austin metro area will also be an important part of the Texas story in 2019. For much of the past 30 years, Austin has been the fastest growing of the big four Texas metro areas. But through the first quarter of 2019, both Houston and Dallas-Ft. Worth are showing stronger year-over-year job growth than Austin. San Antonio currently trails the group posting 2.0 percent year-over-year job growth in March, which is still above the U.S. average of 1.7 percent. The state economy will continue to benefit from the development of Permian Basin oil reserves in West Texas. Development has been hampered by a pipeline bottleneck that will ease this year. The consolidation of Permian Basin production by major oil companies will be a stabilizing force for the state economy.

### Texas Economic Outlook

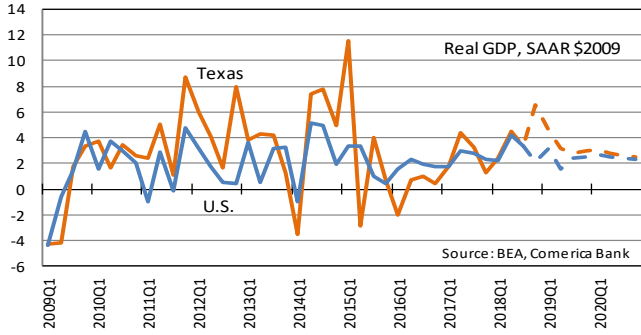
	4Q'18a	1Q'19a	2Q'19f	3Q'19f	4Q'19f	1Q'20f	2Q'20f	3Q'20f	2018a	2019f	2020f
<b>State GDP</b>											
Real GDP (Chained 2009 Millions \$)	1708247	1727316	1740935	1753107	1766002	1779413	1791558	1803152	1676679	1746840	1797083
<b>Percent Change Annualized</b>	<b>6.6</b>	<b>4.5</b>	<b>3.2</b>	<b>2.8</b>	<b>3.0</b>	<b>3.1</b>	<b>2.8</b>	<b>2.6</b>	<b>3.2</b>	<b>4.2</b>	<b>2.9</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Thousands)	12616	12670	12737	12803	12869	12933	12991	13047	12504	12770	13017
<b>Percent Change Annualized</b>	<b>2.3</b>	<b>1.7</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.0</b>	<b>1.8</b>	<b>1.7</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>
Unemployment Rate (Percent)	3.7	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.9	3.6	3.2
Population (Thousands)	28909	29013	29115	29218	29321	29423	29524	29626	28755	29167	29575
<b>Percent Change Annualized</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
Net Migration (Thousands)	49.3	48.8	49.0	48.8	47.9	48.0	47.7	48.0	196.8	194.4	191.7
<b>Personal Income</b>											
Total Personal Income (Nom., Millions \$)	1439371	1456126	1474692	1493068	1511882	1530245	1547667	1565371	1411021	1483942	1556654
<b>Percent Change Annualized</b>	<b>6.5</b>	<b>4.7</b>	<b>5.2</b>	<b>5.1</b>	<b>5.1</b>	<b>4.9</b>	<b>4.6</b>	<b>4.7</b>	<b>5.3</b>	<b>5.2</b>	<b>4.9</b>
<b>Housing</b>											
Housing Starts (Total, Ann. Rate)	176495	181301	182884	184984	186754	188226	189651	190878	176092	183981	190265
<b>Percent Change Annualized</b>	<b>1.3</b>	<b>11.3</b>	<b>3.5</b>	<b>4.7</b>	<b>3.9</b>	<b>3.2</b>	<b>3.1</b>	<b>2.6</b>	<b>5.4</b>	<b>4.5</b>	<b>3.4</b>
SF Housing Starts (# of Units, Ann Rate)	119905	127142	128212	129749	130862	131837	132864	133708	123457	128991	133290
MF Housing Starts (# of Units, Ann Rate)	56590	54159	54672	55235	55891	56389	56787	57169	52635	54990	56975
Existing Home Sales (Ths. of Units, Ann Rate)	501	506	511	516	521	524	526	529	515	513	528
House Prices, FHFA (1991 Q1=100, SA)	294	297	301	305	308	312	316	320	289	303	318
<b>Year/Year Percent Change</b>	<b>5.1</b>	<b>4.4</b>	<b>4.6</b>	<b>4.8</b>	<b>5.0</b>	<b>5.1</b>	<b>5.1</b>	<b>5.0</b>	<b>6.3</b>	<b>4.7</b>	<b>5.1</b>
<b>Bankruptcies</b>											
Total Business (12 Months Ending)	2621	2383	2381	2356	2334	2313	2296	2289	2586	2363	2296
Total Personal (12 Months Ending)	31765	32546	32438	32466	32387	32343	32318	32291	31376	32459	32315

a = actual f = forecast

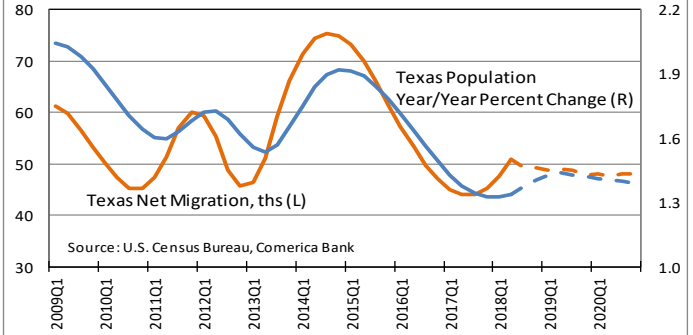
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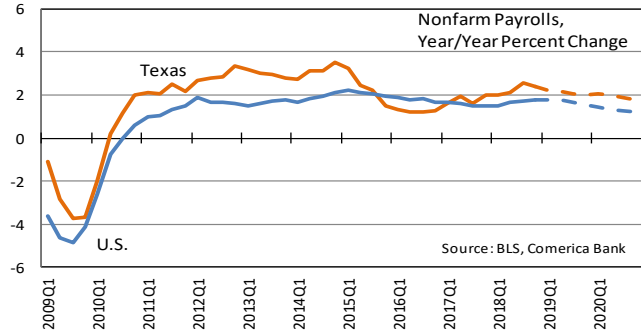
## Texas Economy Remains Strong



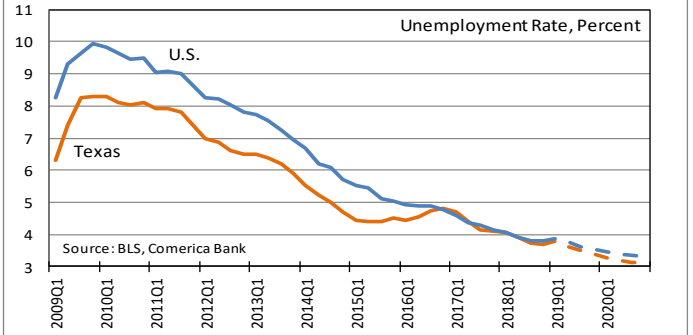
## Population Drives Economic Growth



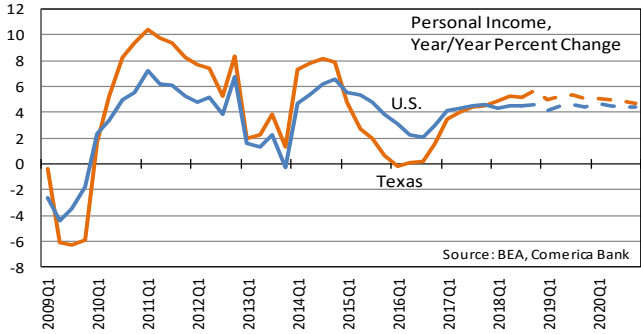
## Job Growth Well Above Average



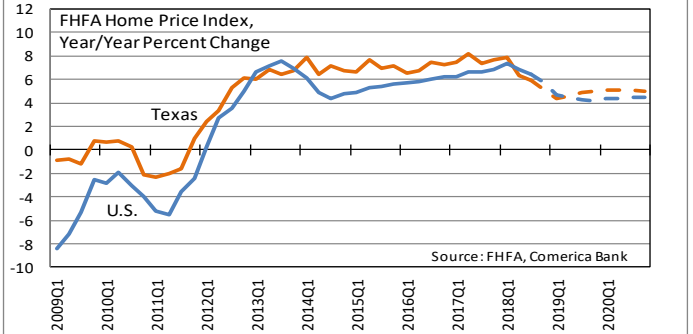
## Labor Markets Continue to Tighten



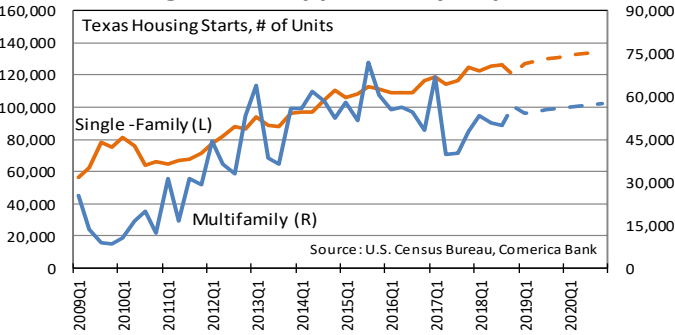
## Income Growth Stays Strong



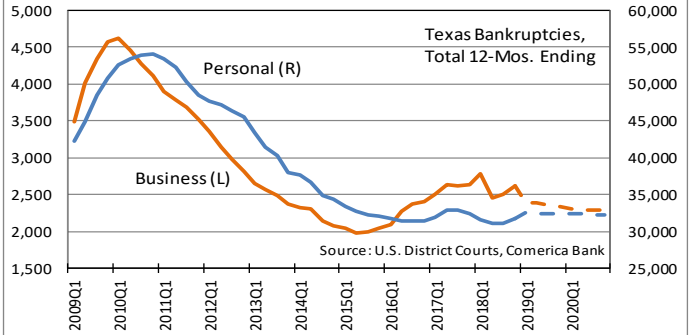
## Home Prices Increase More Slowly



## Housing Starts Supported by Population



## Credit Conditions Stabilize



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