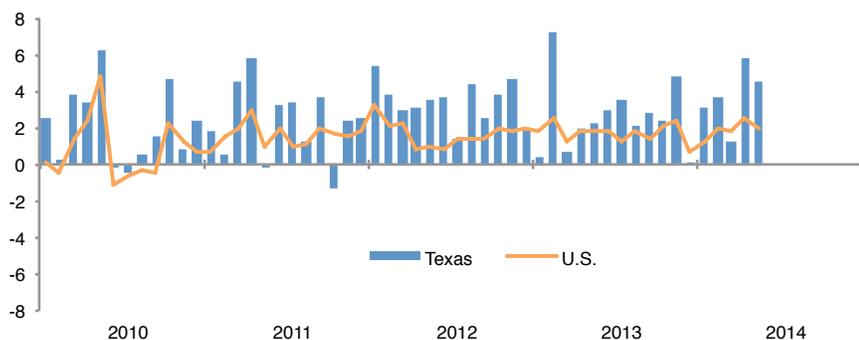


Summary

The Texas economy continues to expand, with employment growing at a 4.5 percent annual rate in May. Single-family construction permits and existing-home sales in Texas increased, while housing starts decreased in May. Texas exports edged up in April. Manufacturing activity in June rose at a faster rate than May, according to the Texas Manufacturing Outlook Survey.

Employment Growth

Month-over-month percent change, annualized

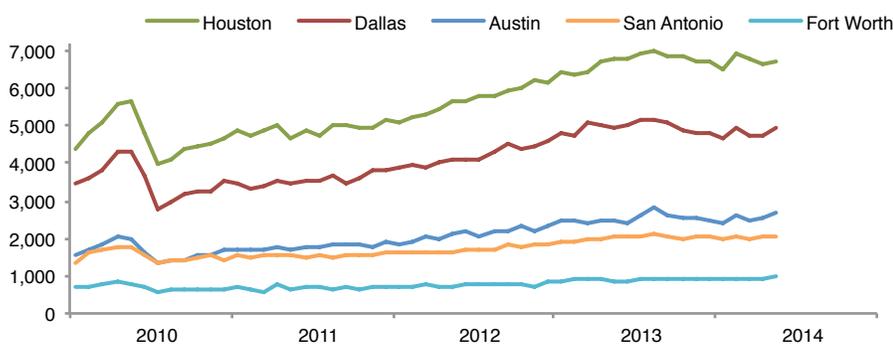


▶ Texas gained 42,000 jobs in May after adding 54,100 jobs in April. Current Texas employment stands at 11.49 million, according to the payroll survey (CES).

▶ The Texas unemployment rate declined to 5.1 percent in May. The Texas rate remains lower than the U.S. rate, which held at 6.3 percent in May.

Existing-Home Sales

Existing-home sales, seasonally adjusted



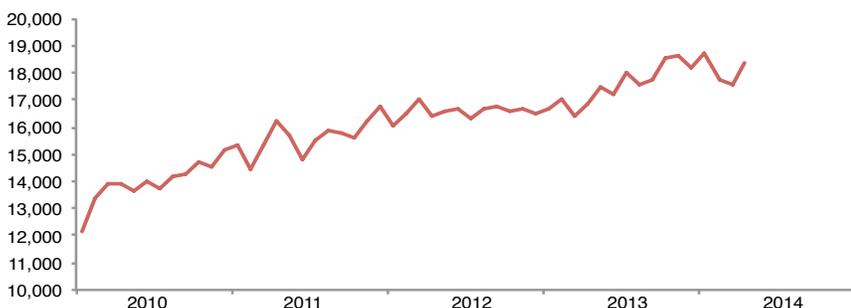
▶ Existing-home sales in Texas increased 2.9 percent from April to May and are up 2.2 percent year over year. Sales in Austin, Dallas, Fort Worth and Houston increased from April levels, while San Antonio experienced a decrease in sales.

▶ Single-family housing construction permits increased for the second consecutive month in May, rising 0.5 percent. Texas housing starts declined 2.1 percent in May following a significant spike in April.

▶ Home inventories held steady at 3.5 months of available supply in May and were below their year-ago level of 3.9 months.

Monthly Texas Exports

Real 2000 dollars (millions)



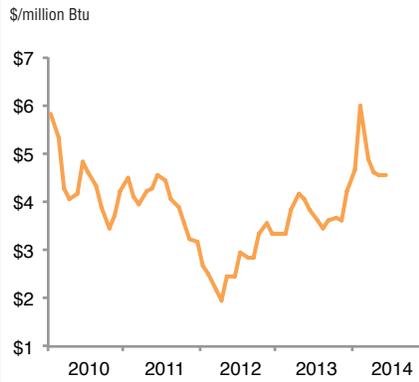
▶ Monthly Texas exports increased 4.3 percent in April after edging down 0.8 percent in March. April exports were 9.1 percent higher than last year's level.

Crude Oil Prices



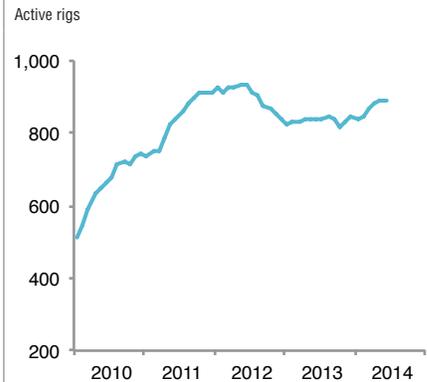
► The West Texas Intermediate crude oil price rose to \$105.67 per barrel in June and was up 10.3 percent year over year.

Natural Gas Prices



► Natural gas prices remained flat around \$4.57 per million Btu from May to June. The price was 19.6 percent higher than in June 2013.

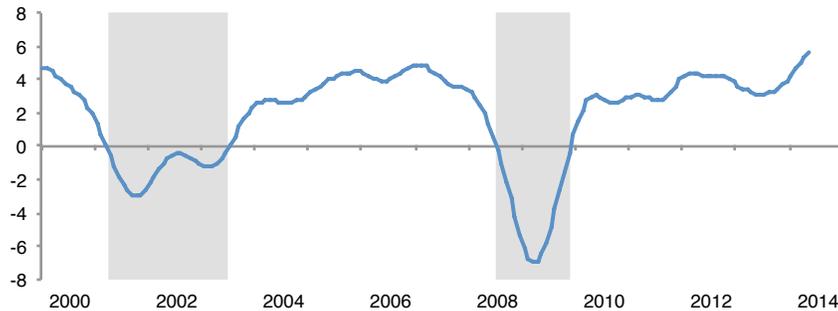
Texas Rig Count



► The Texas rig count held steady around 891 from May to June and was up 6.0 percent year over year.

Texas Business-Cycle Index

Month-over-month percent change, annualized



► The Texas Business-Cycle Index rose at a 5.6 percent annualized pace in May. Year to date, the index has posted a 5 percent annualized increase.

► The Dallas Fed index combines movements in employment, the unemployment rate, and state real gross domestic product to provide a broader view of the state's economic health. Periods of negative change in the index indicate recessions in Texas.

Production Index - Texas Manufacturing



► Texas factory activity increased again in June, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose from 11 to 15.5, indicating that June output grew at a faster pace than in May.

► The Dallas Fed conducts the monthly Texas Manufacturing Outlook Survey to obtain a timely assessment of the state's factory activity.

NOTE: Data may not match previously published numbers due to data revisions.

SOURCES: Employment: Bureau of Labor Statistics' Current Employment Statistics (CES); Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.

Housing: Multiple Listing Service; U.S. Census Bureau; Bank of Tokyo-Mitsubishi UFJ. All housing data are seasonally adjusted.

Exports: U.S. Census Bureau; World Institute for Strategic Economic Research; seasonal and other adjustments by Federal Reserve Bank of Dallas.

Energy: *Wall Street Journal*; Henry Hub; Baker Hughes.

Texas Business-Cycle Index: Federal Reserve Bank of Dallas. Data are seasonally adjusted.

Texas Manufacturing Production Index: Federal Reserve Bank of Dallas. Data are seasonally adjusted.

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