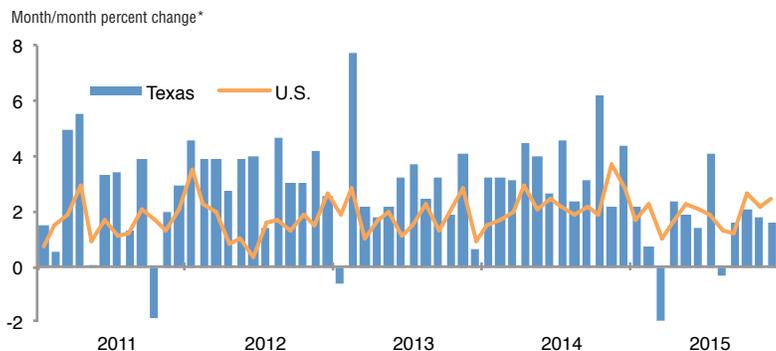


FEDERAL RESERVE BANK OF DALLAS • JANUARY 25, 2016

Summary

The Texas economy expanded in December. Payroll employment increased during the month; however, unemployment continued to edge up. Housing starts climbed in November, and home sales strengthened in December. November exports continued to fall, and the estimated value of the Texas Leading Index dipped further in December following November's decline.

Employment



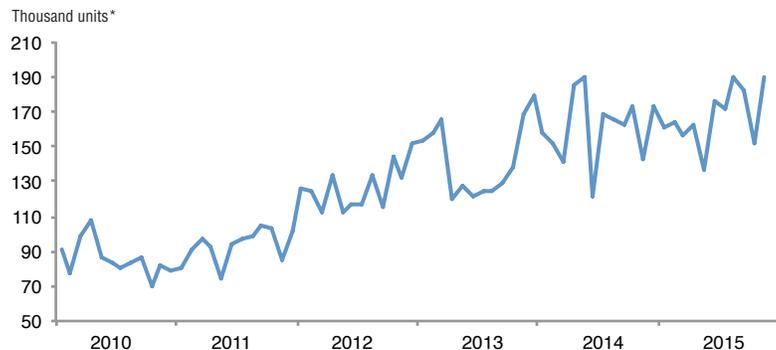
*Seasonally adjusted annualized rate.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

▶ Texas employment grew an annualized 1.6 percent in December—slower than the nation's 2.5 percent growth. Texas gained 16,100 jobs in December after adding 17,900 in November. Current Texas employment stands at 11.9 million, according to the Current Employment Statistics payroll survey.

▶ The Texas unemployment rate ticked up in December from 4.6 to 4.7 percent. The state's reading continues to be lower than the U.S. rate, which held steady at 5.0 percent.

▶ The Dallas Fed's Texas Employment Forecast is 1.1 percent growth for 2016 (December over December), following a 1.5 percent increase in 2015. The Texas Employment Forecast is available at the [Dallas Fed website](#).

Housing Starts



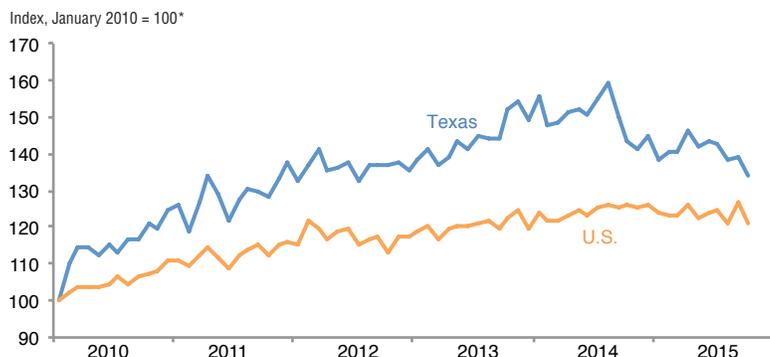
*Seasonally adjusted annualized rate.
SOURCE: Bank of Tokyo-Mitsubishi UFJ.

▶ Texas housing starts, including both single-family and multifamily units, jumped 25.4 percent in November after falling 16.8 percent in October. Starts were up 32.5 percent year over year in November.

▶ Single-family housing construction permits dropped 4.5 percent in November but were up 4.3 percent year over year.

▶ Existing-home sales rose 14.4 percent from November to December. Home inventories ticked down to 3.4 months' supply in December, equivalent to their year-ago level.

Exports



*Seasonally adjusted.
SOURCES: Census Bureau; WISERTrade; adjustments by the Dallas Fed.

▶ Texas exports fell 3.2 percent in November following a 4.0 percent slide in October. November exports were 8.4 percent lower than a year ago. The weakness in Texas exports is a result of lower oil prices, weaker global demand and a strong dollar.

Crude Oil Prices



SOURCE: Wall Street Journal.

► West Texas Intermediate crude oil fell from \$42.65 per barrel in November to \$37.19 in December. The price was 37.3 percent lower year over year.

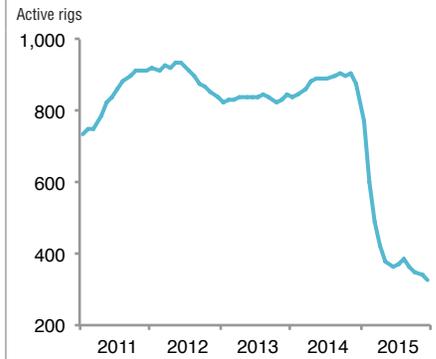
Natural Gas Prices



SOURCE: Wall Street Journal.

► The price of natural gas dropped again to \$1.89 per million Btu in December, down 9.1 percent from the November level and 44.4 percent lower than December 2014.

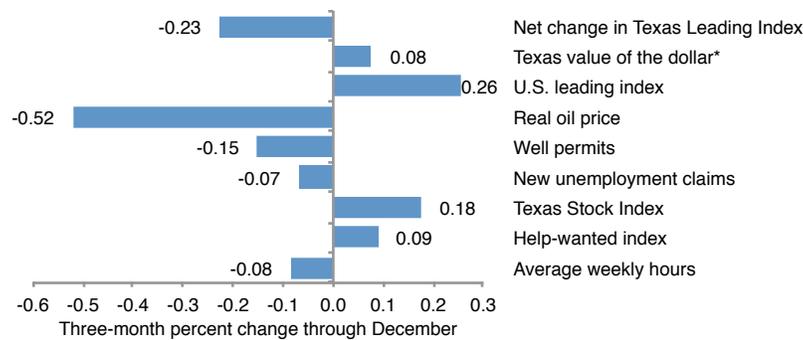
Texas Rig Count



SOURCE: Baker Hughes.

► The Texas rig count dropped for the fourth consecutive month, declining from 339 in November to 324 in December. The rig count remains 62.8 percent below December 2014 levels.

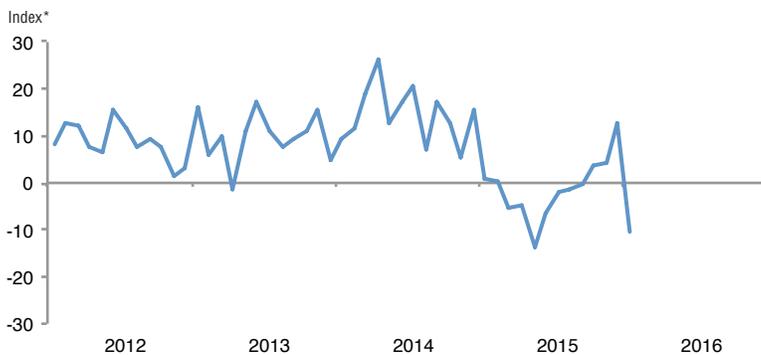
Texas Leading Index with Components



► The Texas Leading Index estimate, which uses key economic indicators to forecast employment growth, dipped 1.0 percent in December, and the three-month net change (October to December) was -0.23 percent. Rising new unemployment claims and a decline in average weekly hours, oil prices and well permits depressed the index estimate, while increases in the U.S. leading index, stock prices of Texas-based companies and the help-wanted index contributed positively.

*Estimated December value.
NOTE: Seasonally adjusted.
SOURCE: Dallas Fed.

Manufacturing Outlook Survey Production Index



*Seasonally adjusted.
SOURCE: Dallas Fed.

► Texas factory output plunged after edging up for several months in a row, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, decreased from 12.7 in December to -10.2 in January.

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

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