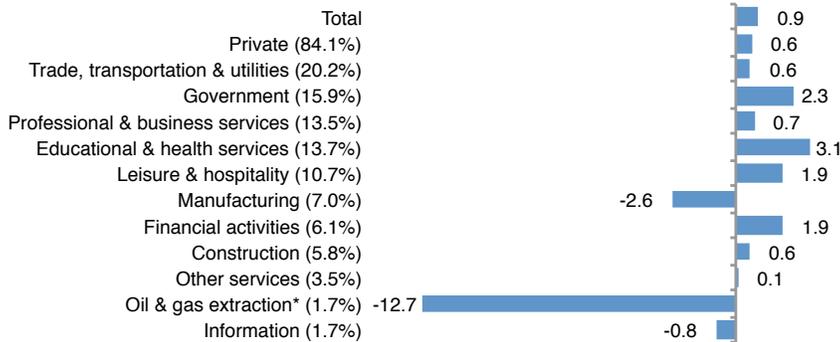


FEDERAL RESERVE BANK OF DALLAS • OCTOBER 24, 2016

Summary

The Texas economy expanded in September. Employment grew, and the Texas Business Outlook Surveys suggested expansion across sectors. While energy prices and the rig count continued to rise, employment in the energy sector contracted further. Housing starts declined in August, but home sales and prices rose, and Texas exports increased.

Employment



▶ Texas employment grew at a 2.1 percent annualized pace in September, faster than the nation's 1.3 percent increase. September marked the third straight month that gains in Texas outpaced gains in the U.S.

▶ Texas recorded annualized third-quarter job growth of 2.6 percent, exceeding second-quarter growth of 1.4 percent. Year-to-date payrolls in Texas have grown at a 0.9 percent annual rate.

▶ Texas unemployment ticked up to 4.8 percent, while U.S. unemployment rose to 5.0 percent in September.

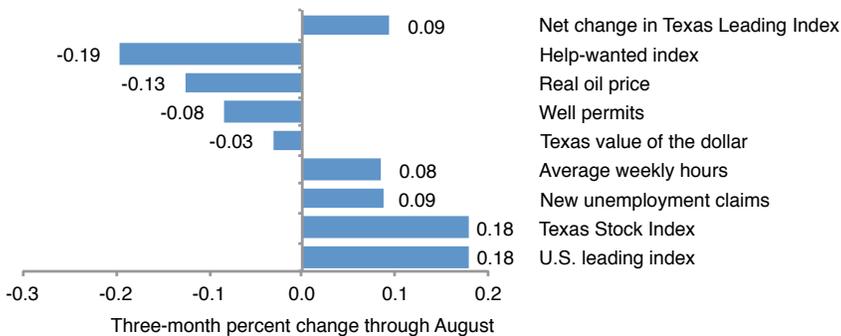
▶ The [Texas Employment Forecast](#) for 2016 job growth (December over December) was unchanged at 1.2 percent.

*Includes support activities for mining.

NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector for December 2015–September 2016. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Texas Leading Index with Components



NOTE: Data are seasonally adjusted.

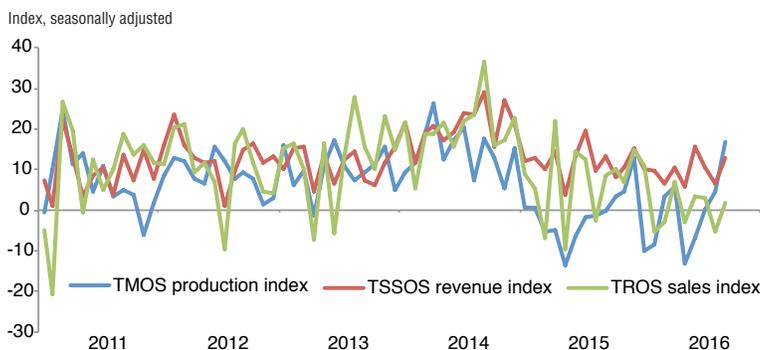
SOURCE: Dallas Fed.

▶ The Texas Leading Index, a composite of eight indicators that tend to change direction before the overall economy does, sheds light on the future of the state's economy. In August, its three-month net change was 0.09 percent.

▶ A decline in the help-wanted index, real oil prices and well permits depressed the index over the three-month period.

▶ Gains in average weekly hours worked, the Texas Stock Index and the U.S. leading index, along with a drop in new unemployment insurance claims (shown as a positive value), boosted the index during the period.

Texas Business Outlook Survey Indexes



NOTE: TMOS = Texas Manufacturing Outlook Survey; TSSOS = Texas Service Sector Outlook Survey; TROS = Texas Retail Outlook Survey.

SOURCE: Dallas Fed.

▶ The headline indexes of all three of the Dallas Fed's Texas Business Outlook Surveys point to expansion in September.

▶ The Texas Manufacturing Outlook Survey production index reached 16.7 from 4.5 in August, indicating accelerating growth in factory output during the month.

▶ The Texas Service Sector Outlook Survey revenue index rose to 13.0 from 6.5 in August.

▶ The Texas Retail Outlook Survey sales index, which tends to be more volatile, rose from -5.3 to 2.0, suggesting retail spending grew after contracting in August.

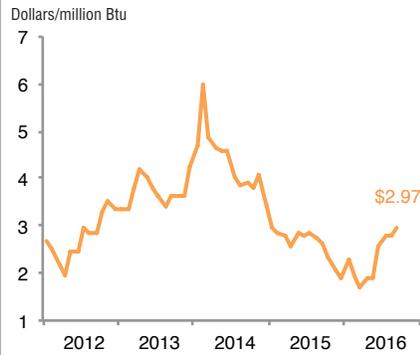
Crude Oil Prices



SOURCE: Wall Street Journal.

► The price of West Texas Intermediate crude oil rose 1.0 percent from August to September, reaching \$45.22.

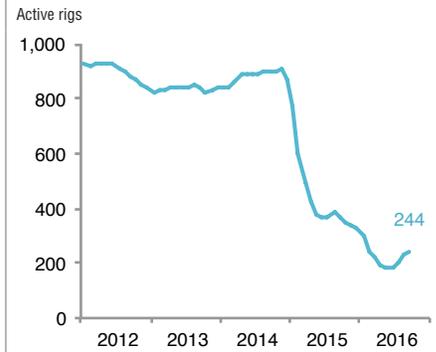
Natural Gas Prices



SOURCE: Wall Street Journal.

► The price of natural gas increased 6.5 percent in September to \$2.97 and is 12.1 percent above year-ago levels.

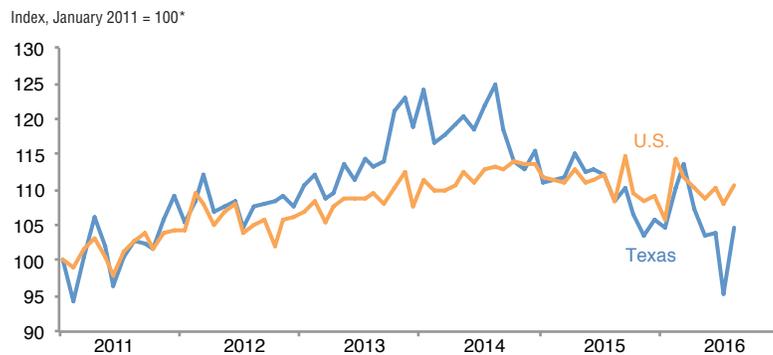
Texas Rig Count



SOURCE: Baker Hughes.

► Thirteen active rigs were added in September, the fourth straight month of increase. Still, the Texas rig count is 123 rigs below September 2015 levels.

Exports



*Seasonally adjusted.

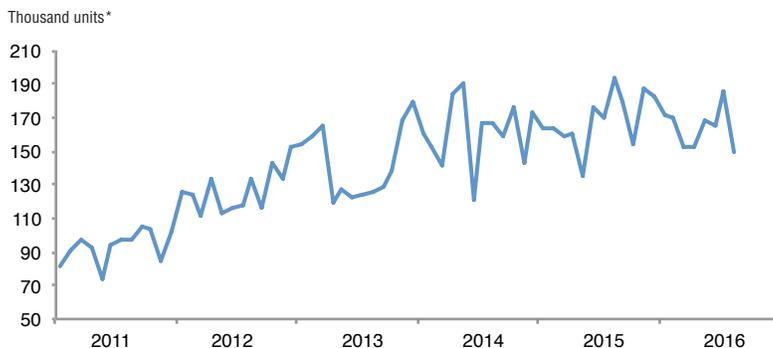
SOURCES: Census Bureau; WISERTrade; adjustments by the Dallas Fed.

► Texas exports expanded 9.6 percent in August, while U.S. exports increased 2.5 percent.

► Through August, Texas exports are up 7.8 percent compared with the same period last year.

► The state's exports continue to be suppressed by low oil prices, weak global demand and a generally strong dollar.

Housing Starts



*Seasonally adjusted, annualized rate.

SOURCE: Bank of Tokyo-Mitsubishi UFJ.

► Housing starts in Texas declined 19.9 percent in August. They have fallen 22.7 percent compared with August 2015 levels.

► Existing-home sales increased 0.5 percent in August, and the median sales price was up 1.1 percent.

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

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More Dallas Fed economic updates: www.dallasfed.org/research/update/