

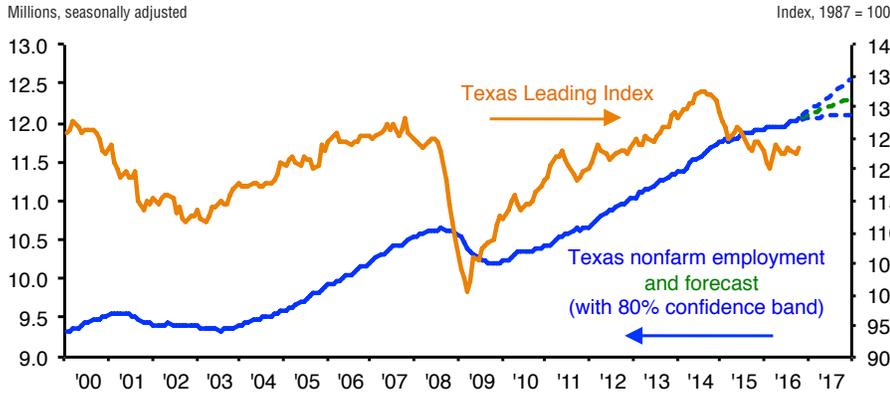
# Texas Employment Forecast

DALLAS**FED**

FEDERAL RESERVE BANK OF DALLAS • NOVEMBER 18, 2016

## Chart 1

### Latest Texas Job Forecast Predicts 1.5 Percent Growth in 2016

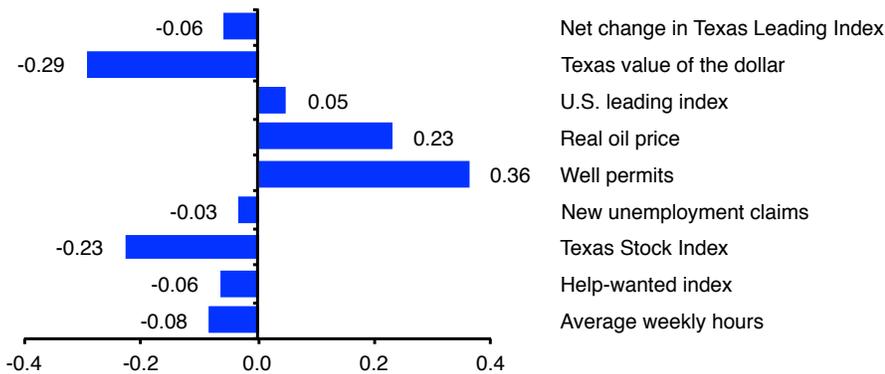


SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

## Chart 2

### Leading Index Components Mixed

(Net contributions to change in Texas Leading Index)



NOTE: Three-month percent change through October, seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas.

► Incorporating early benchmark revisions, October employment growth of 1.1 percent and new leading index data into the Texas Employment Forecast suggests jobs will grow 1.5 percent this year (December/December), up from last month's estimate of 1.2 percent. Based on the forecast, 183,800 jobs will be added in the state this year and employment in December 2016 will be 12.1 million (Chart 1).

The Dallas Fed's Texas Leading Index generally held steady over the three months ending in October, with the index slipping -0.06 percent (Chart 2).

"Following revisions which show that jobs in the first half of the year grew 0.8 percent, growth since then has picked up to an annualized pace of 2.4 percent," said Keith R. Phillips, Dallas Fed assistant vice president and senior economist. "The recent flatness in the Texas Leading Index suggests Texas will grow at a mild pace of about 1.6 percent in the fourth quarter."

Growth in the components of the Texas Leading Index was mixed over the three months ending in October. The increase in the value of the dollar and decline in stock prices of Texas-based companies were moderate drags on the leading index. However, an increase in new well permits and the oil price were positive contributors.

"Overall, broad indicators of the Texas economy continue to point toward moderate growth in the months ahead," said Phillips. "With the stabilization of the energy sector and some recent improvement in the manufacturing sector, the Texas economy is on solid ground and will likely improve moderately in 2017."

Next release: December 16, 2016

## Methodology

The Dallas Fed's Texas employment forecast projects job growth for the calendar year and is estimated as the 12-month change in payroll employment from December to December. The forecast reported above is a point estimate with 80 percent confidence bands; in other words, the true forecast lies within the bands on Chart 1 with 80 percent probability.

The Dallas Fed's Texas Employment Forecasting Model is based on a transfer function that utilizes past changes in state employment along with past changes in the Dallas Fed's Texas Leading Index (TLI). Changes in the TLI have an impact on employment with a lead time of three months, and the effect dies out slowly over time. The regression coefficients on lagged changes in employment and the TLI are highly statistically significant, and the model as a whole has been accurate relative to other forecasters over the past two decades.

For more information about the Texas Employment Forecast, contact Keith Phillips at [keith.r.phillips@dal.frb.org](mailto:keith.r.phillips@dal.frb.org).

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