



Federal Reserve
Bank of Dallas

Regional Economic Update

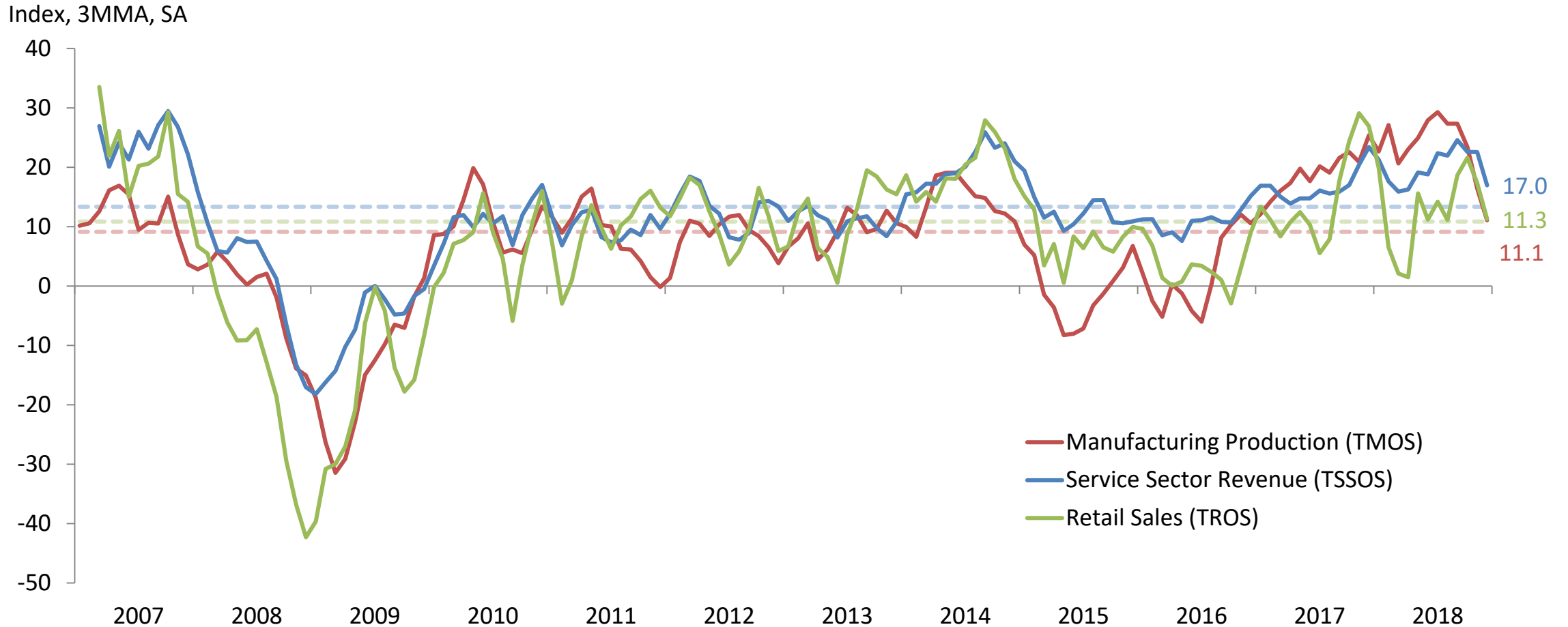
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Overview

- Texas economy expanding at a moderate pace but job growth decelerated in Q4
- Jobs grew at 2.5 percent annual rate in December
 - 2.4 percent rate in 2018 (faster than 2.1 percent in 2017)
- Labor markets remain tight
- Construction activity softened and house price growth decelerating
- Wage and price pressures moderating
- Exports strong despite recent dollar strength
- Expect 1-2 percent job growth in 2019—slower than 2018

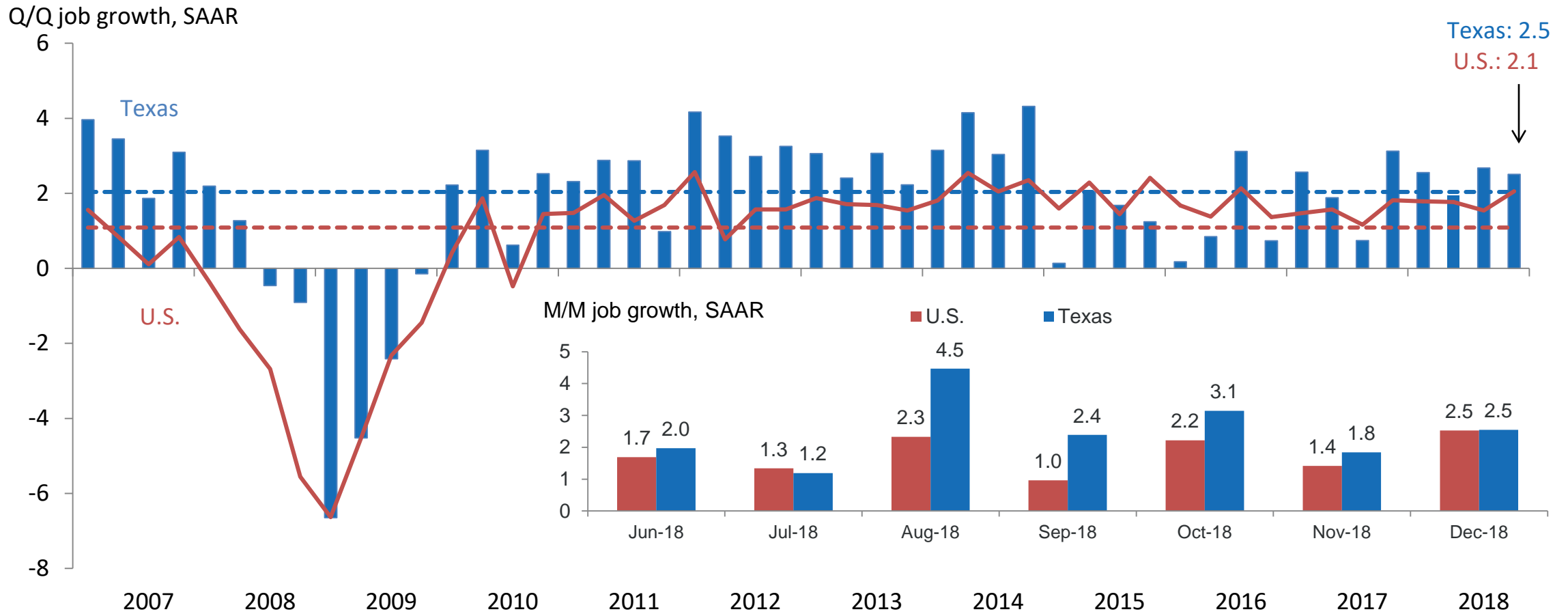
TBOS Headline Indexes Show Signs of Slower Growth



NOTES: Data through December 2018. Dashed lines are post-recession averages (Jan. 2010-Dec. 2017).

SOURCES: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey (TMOS), Texas Service Sector Outlook Survey (TSSOS) and Texas Retail Outlook Survey (TROS).

Texas Payroll Employment Growing Moderately

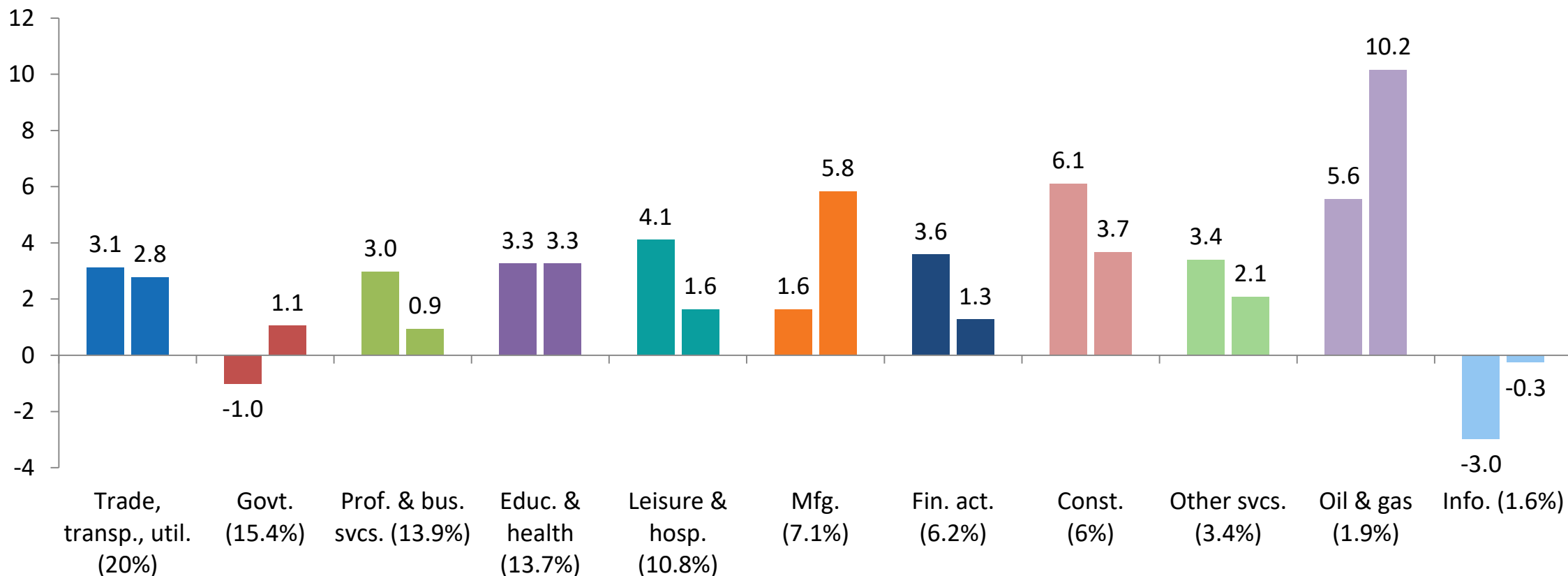


NOTE: Dashed lines indicate long-run averages (Jan. 1990-Dec 2017).

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

Job Growth Mostly Broad-based Across Sectors

Percent, Q/Q job growth, SAAR

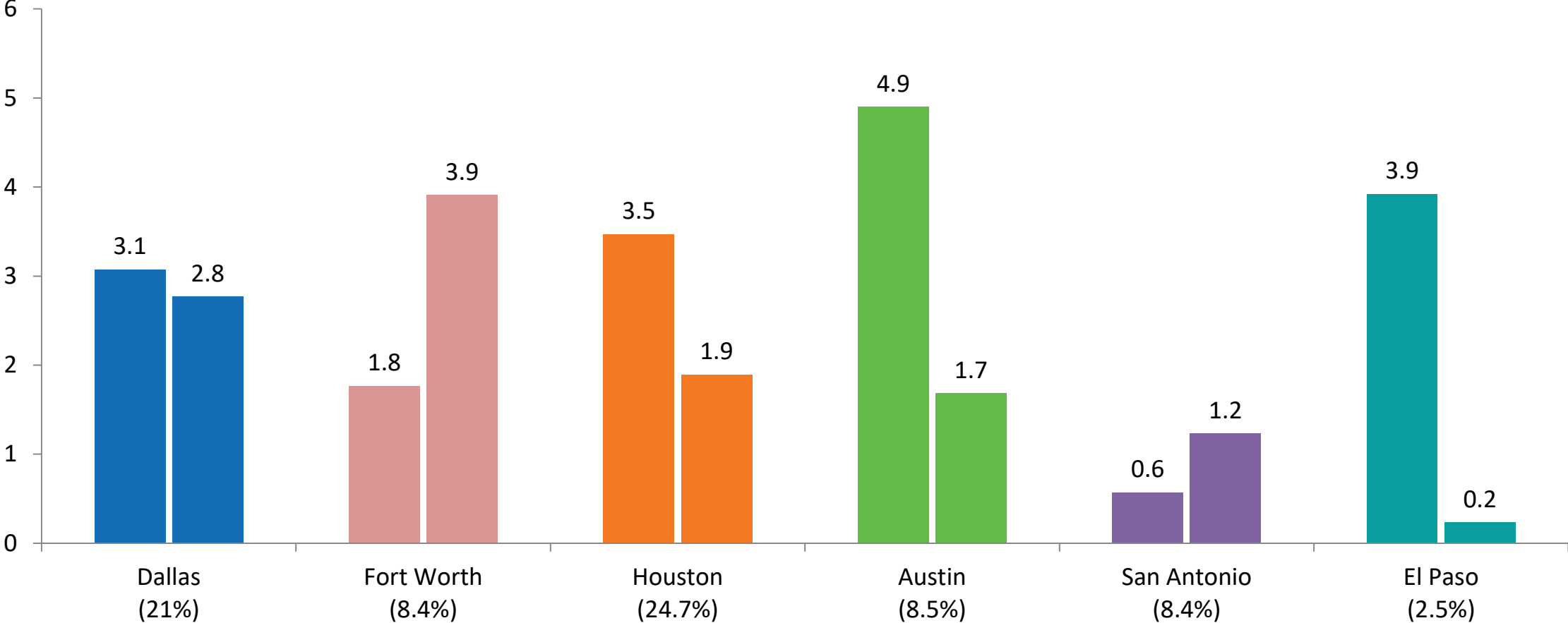


NOTES: Quarters are Q3 and Q4 2018. Numbers in parentheses refer to share of state employment in December 2018.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

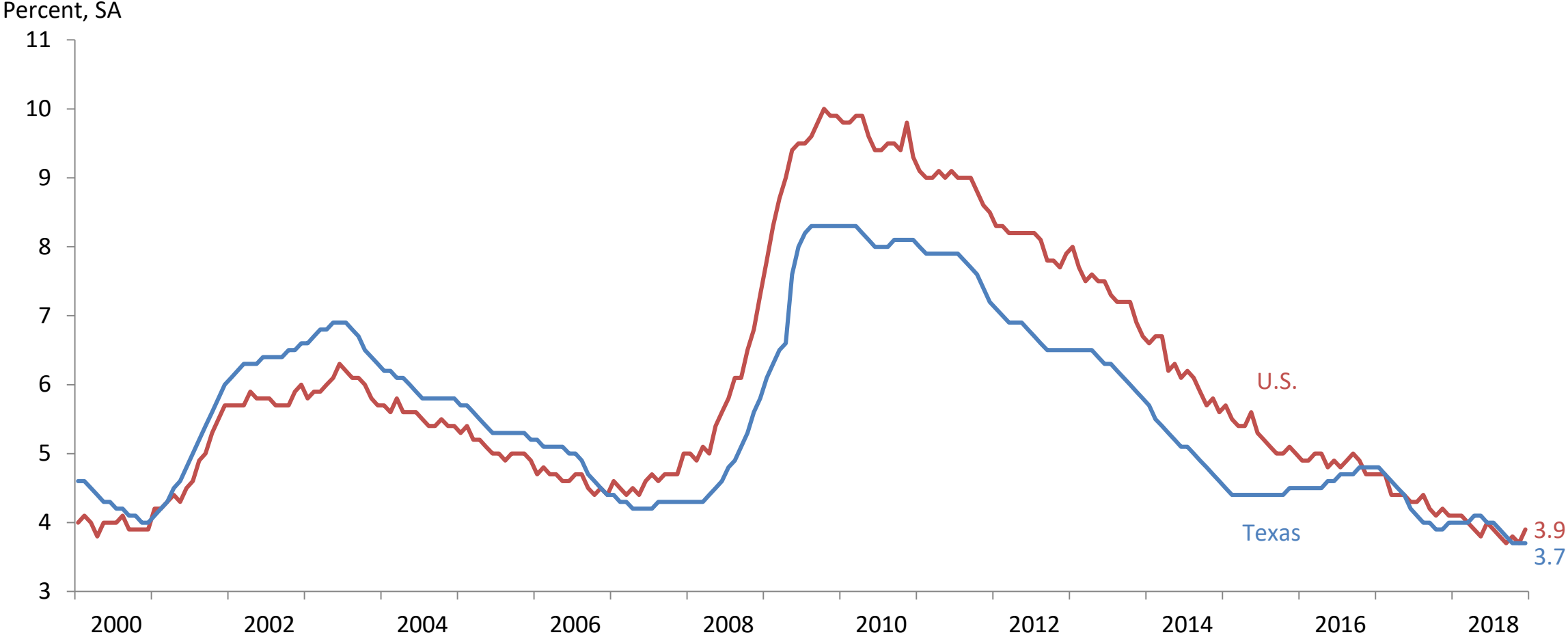
Q4 Job Growth Slower in Most Metros

Percent, Q/Q job growth, SAAR



NOTES: Quarters are Q3 and Q4 2018. Numbers in parentheses refer to share of state employment in December 2018.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

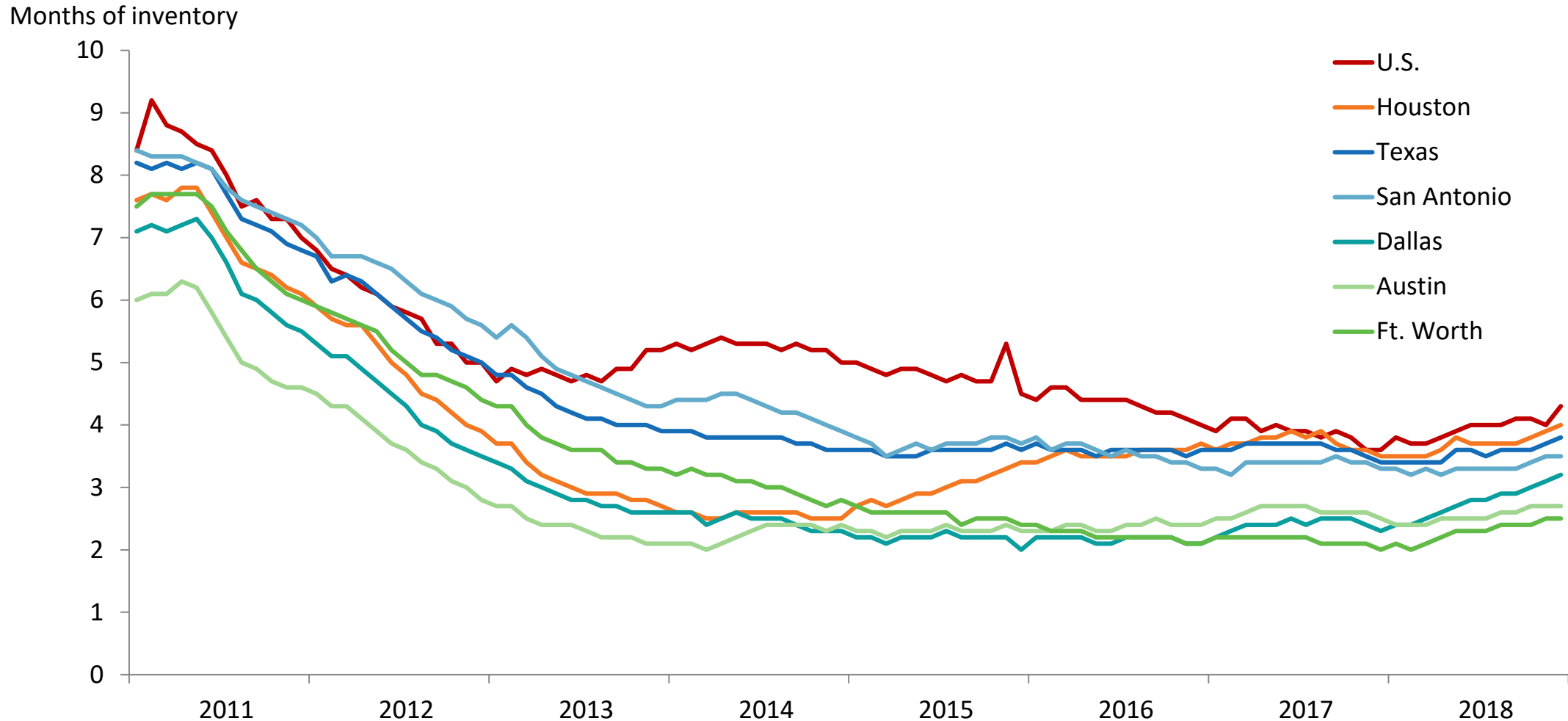
Texas Unemployment Rate Holds Steady and Remains Near Historical Lows



NOTE: Data through December 2018.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.

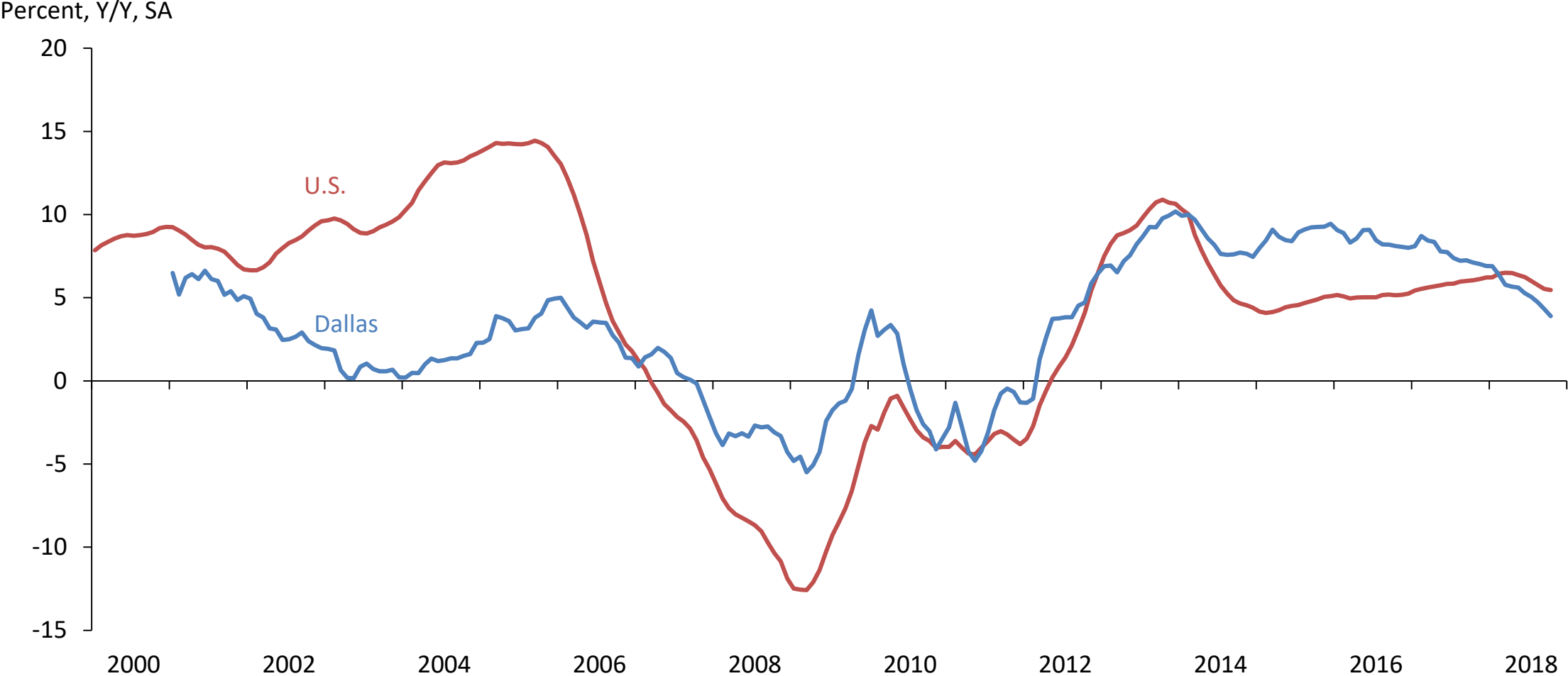
Existing Home Inventories Edge Up but Remain Still Low



NOTE: Data through Dec. 2018.

SOURCES: Multiple Listing Service; Texas A&M Real Estate Center.

House Price Growth Decelerates More in Texas than U.S.



NOTE: Data through October 2018.
SOURCE: Standard & Poor's.

Most Measures Point to Slower House Price Growth

House Price Changes in Texas and the U.S.						
	Latest Period		Year/Year		2017 Year/Year	
	Texas	U.S.	Texas	U.S.	Texas	U.S.
FHFA House Price Index (Q3)	4.5	5.1	5.7	6.3	7.7	6.6
S&P/Case Shiller Index (Oct.)	3.0	6.1	3.9	5.5	7.7	5.8
MLS Median Sales Price (Dec.)	-5.2	-11.3	1.1	1.2	4.3	4.0

NOTES: Dallas is used to approximate Texas for the S&P/Case Shiller Index; all data is annualized.

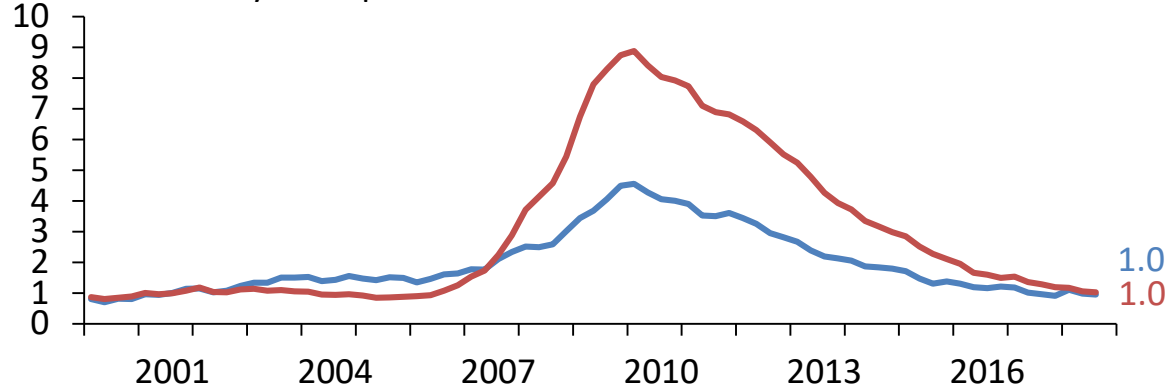
SOURCES: FHFA, S&P/Case Shiller, MLS.

Delinquency Rates Reflect Still-healthy Household Financial Situation

— Texas — U.S.

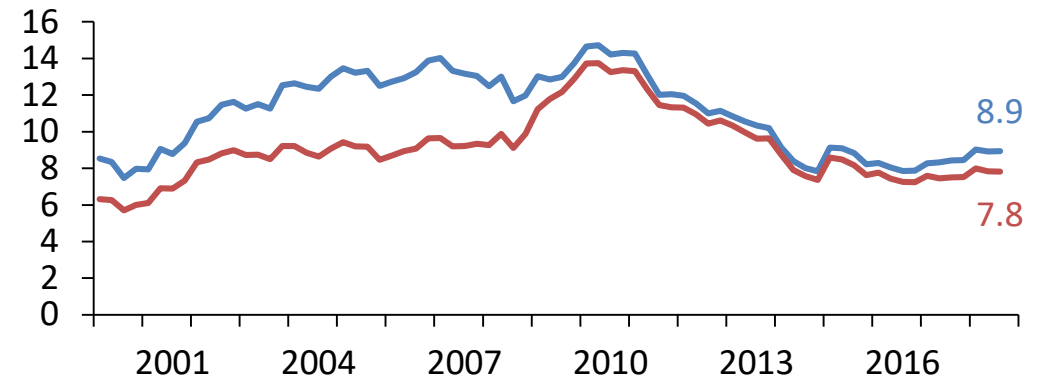
Mortgage Loans

Percent seriously delinquent



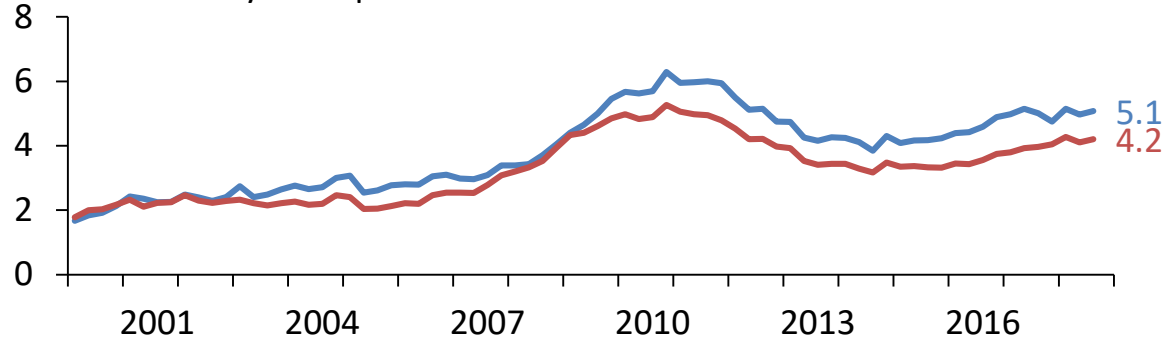
Credit Card Loans

Percent seriously delinquent



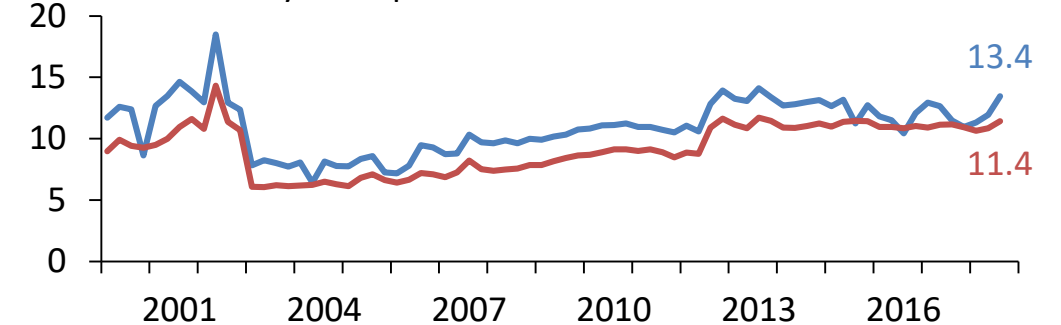
Auto Loans

Percent seriously delinquent



Student Loans

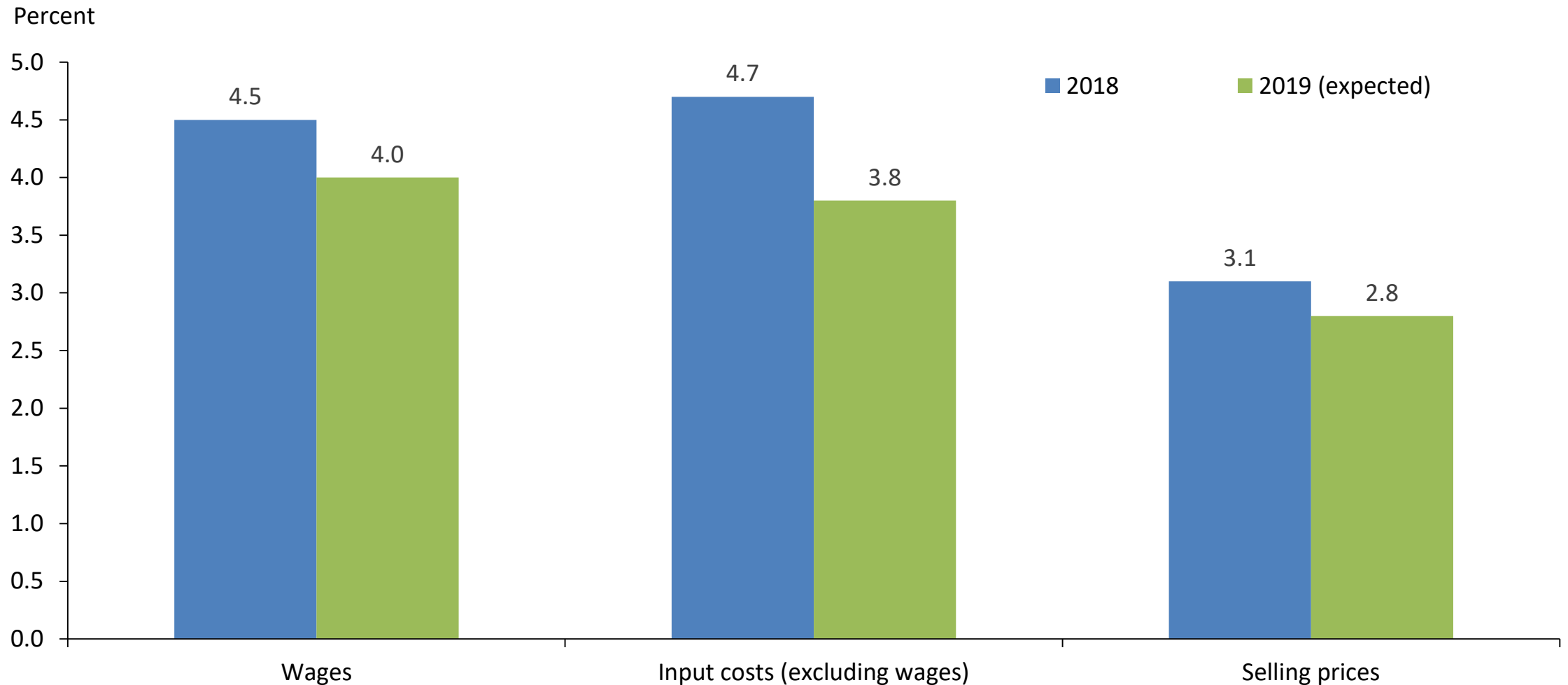
Percent seriously delinquent



NOTES: Data through Q3 2018. Seriously delinquent includes 90+ days past due and severe derogatory.

SOURCE: Federal Reserve Bank of New York Consumer Credit Panel/Equifax.

Firms Expect Lower Wage and Price Pressures in 2019



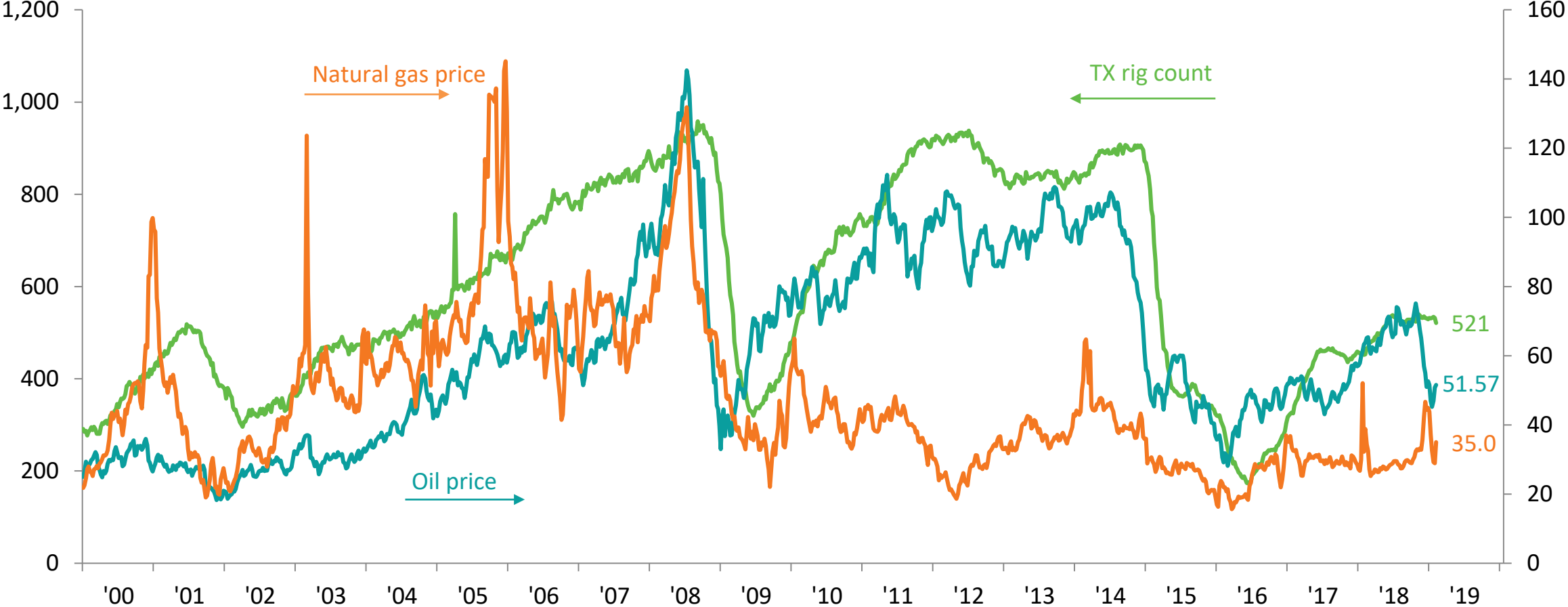
NOTE: Data collected Dec. 18–26, 2018 with 317 firms responding.

SOURCE: FRB Dallas Texas Business Outlook Surveys.

Rig Counts Flatten After Recent Declines in Oil Prices

Rig count, weekly

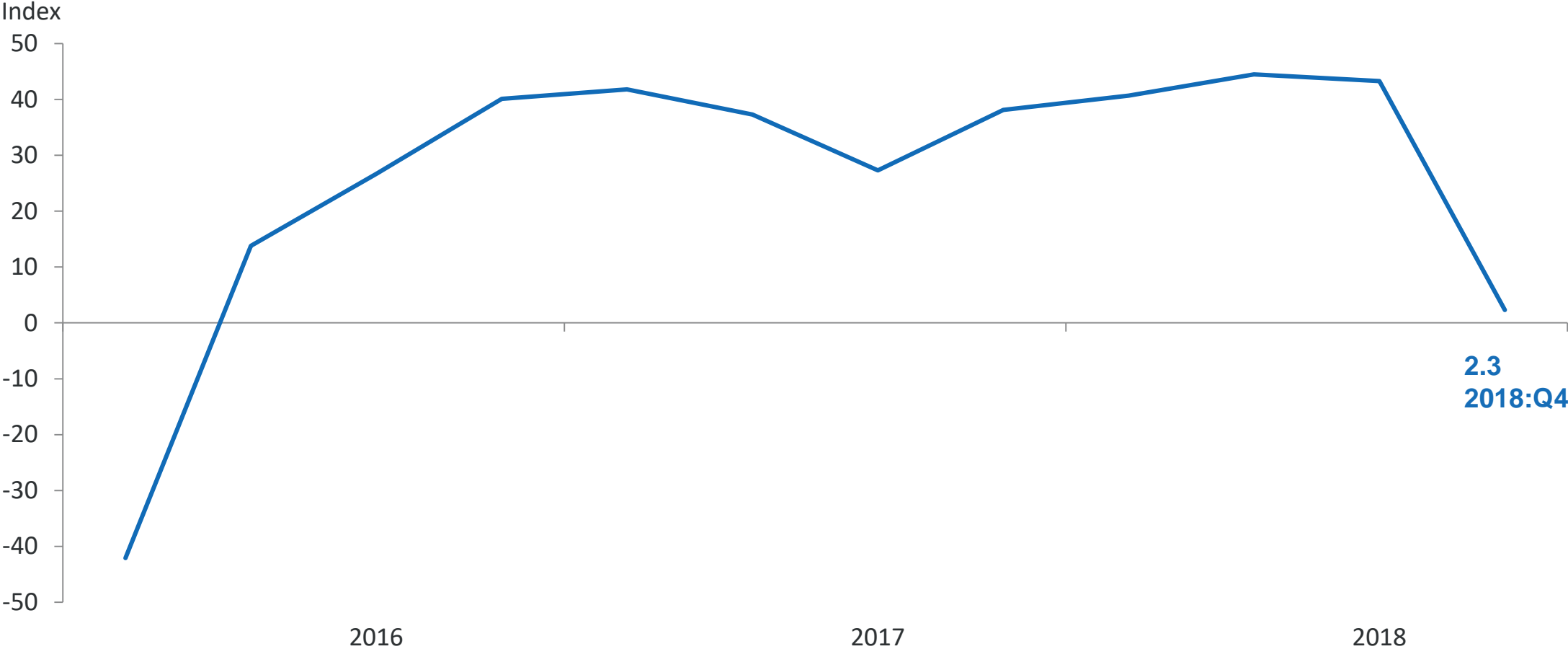
Nominal price, \$, weekly



NOTES: Natural gas price is multiplied by 10. Data through week of January 18, 2018.

SOURCES: *Wall Street Journal*; Baker Hughes; Energy Information Administration.

Energy Sector Business Activity Slowed Significantly in Q4

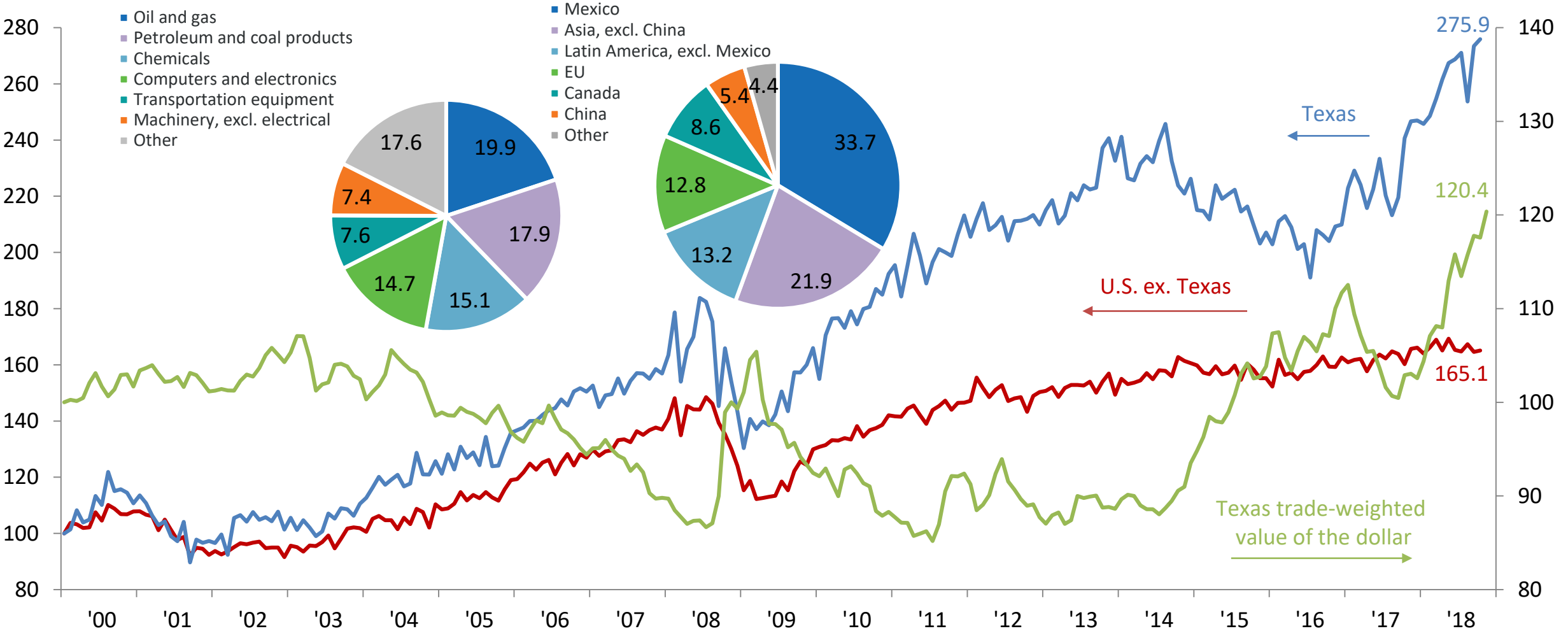


SOURCE: Federal Reserve Bank of Dallas Energy Survey.

Texas Exports Pick Up Despite Stronger Dollar

Index, January '00=100, SA

Index, January '00=100, SA

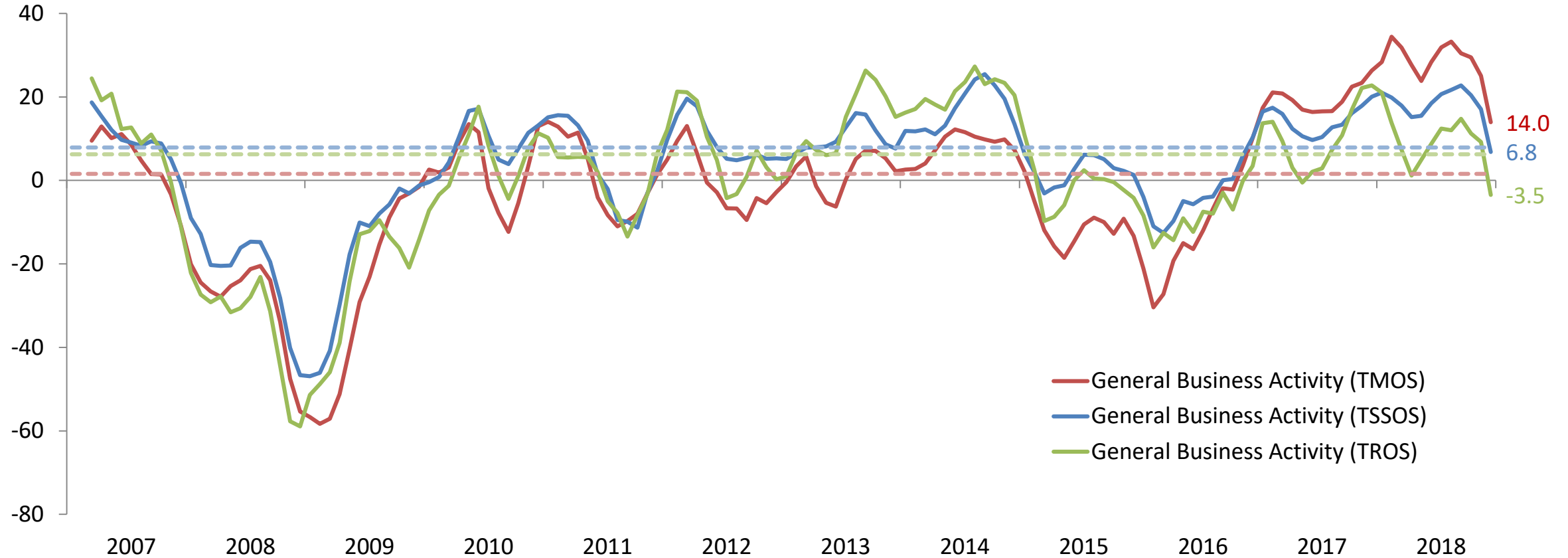


NOTE: Exports lines through October 2018, value of the dollar line through November, and pie charts refer to Q3 2018.

SOURCES: U.S. Census Bureau; WISERTrade.

Perceptions of Broader Business Conditions Moderate Significantly

Index, 3MMA, SA



NOTES: Data through December 2018. Dashed lines are post-recession averages (Jan. 2010-Dec. 2017).

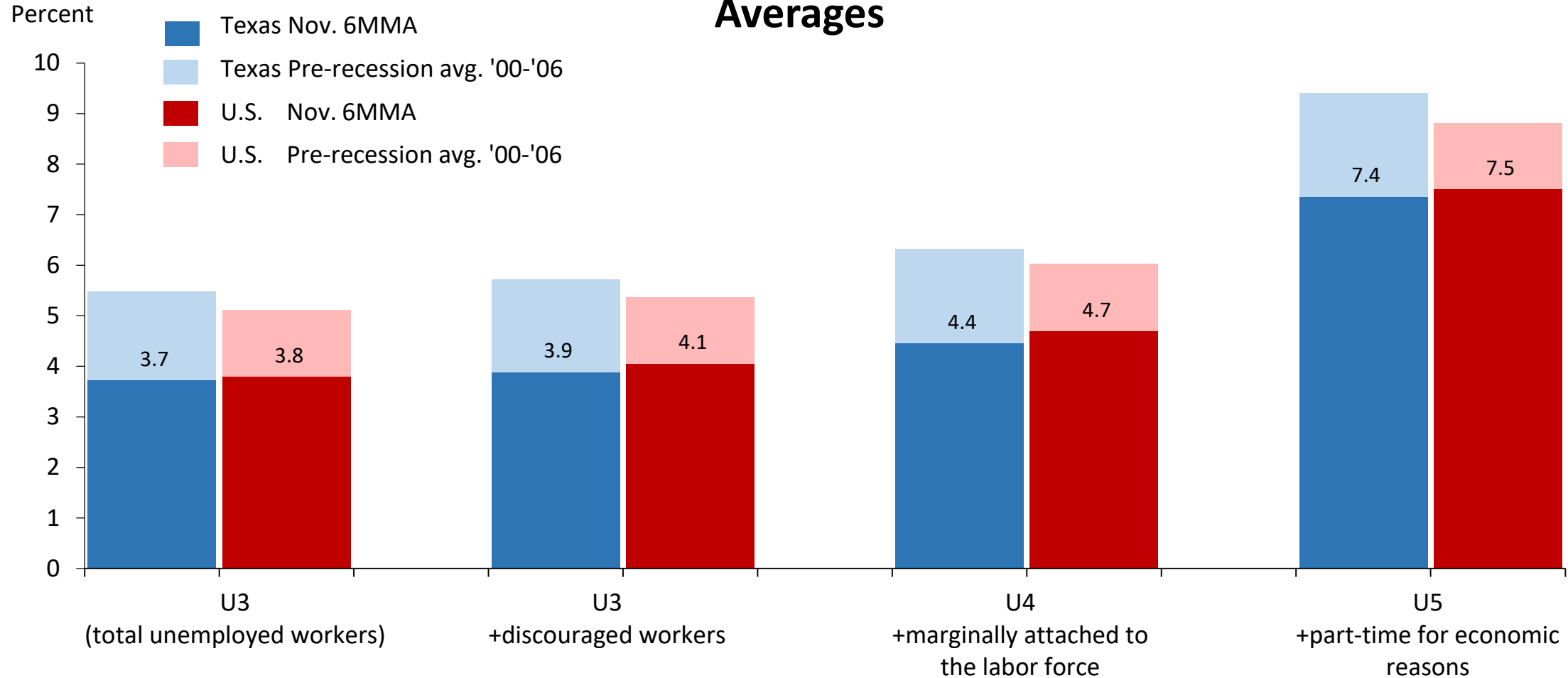
SOURCES: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey (TMOS), Texas Service Sector Outlook Survey (TSSOS), and Texas Retail Outlook Survey (TROS).

Summary

- Texas economy expanding at a moderate pace but job growth decelerated in Q4
- Labor markets remain tight
- House price growth decelerating
- Wage and price pressures expected to moderate in 2019
- Lower oil prices likely to affect energy sector activity
- Expect 1-2 percent job growth in 2019—slower than 2.4 percent in 2018
- Key downside risks:
 - Lower oil prices, higher rates, strong dollar, labor supply constraints, tariffs, and trade policy uncertainty

Broader Measures of Unemployment Well Below Pre-recession

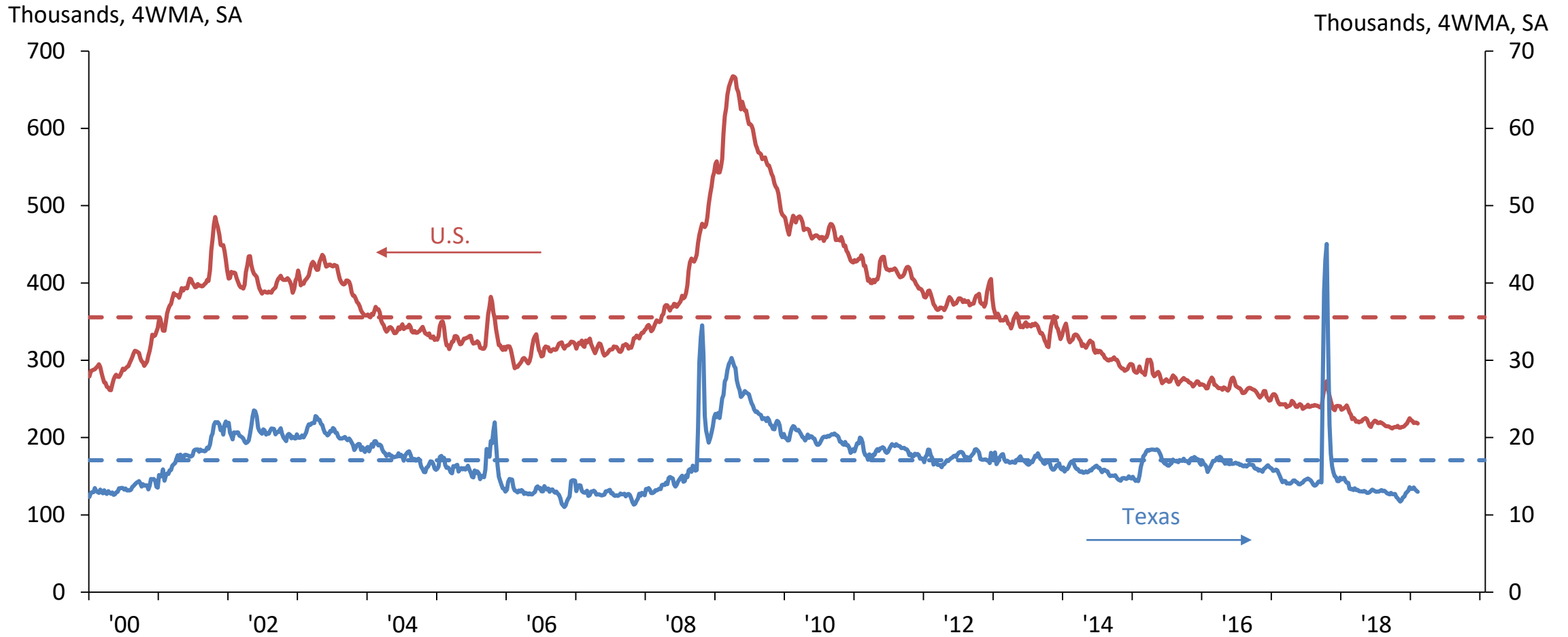
Averages



NOTES: Data through November 2018. Discouraged workers calculated as a percent of the civilian labor force plus discouraged workers. Marginally attached workers calculated as a percent of the civilian labor force plus all marginally attached workers. Part time for economic reasons calculated as a percent of the civilian labor force plus all marginally attached workers. U6 (Broader unemployment rate) equals U3 plus discouraged workers plus marginally attached plus part time for economic reasons.

SOURCES: BLS/CPS.

Low Initial Unemployment Claims Reflect a Tight Labor Market

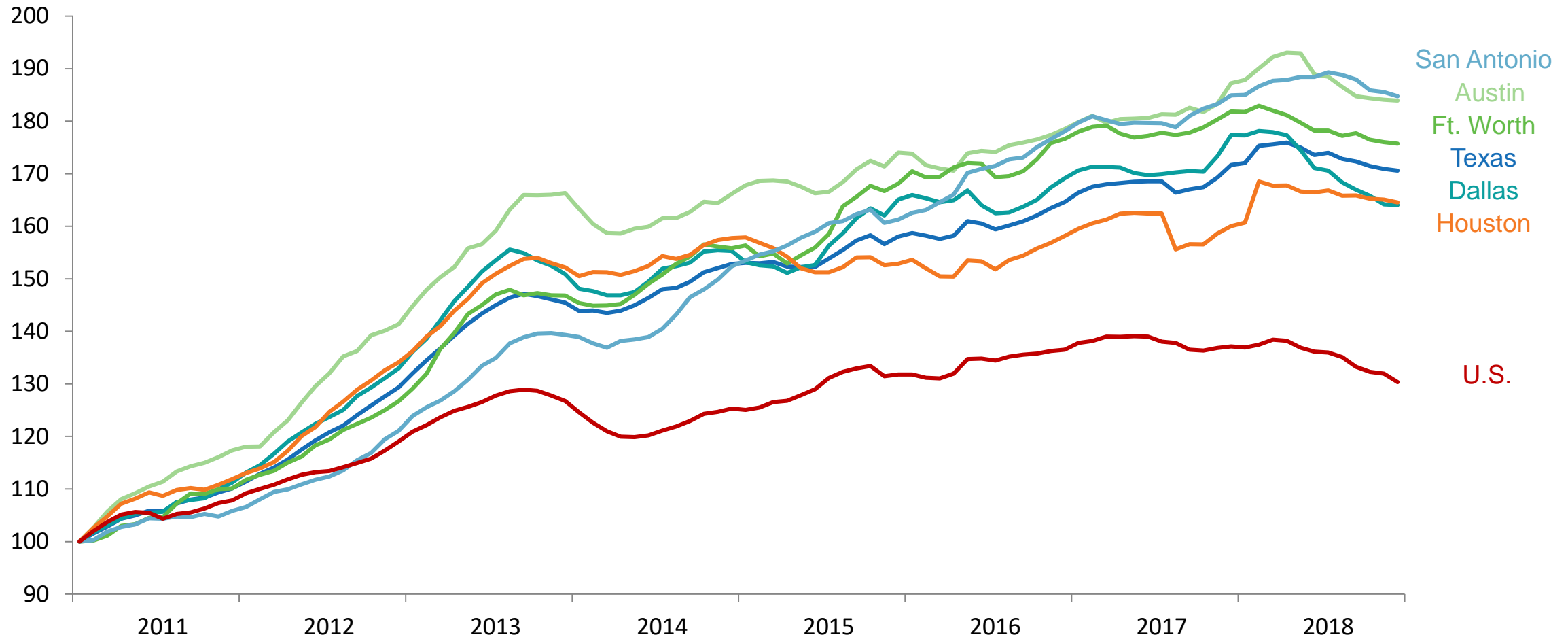


NOTES: Data are through January 12, 2019. Dashed lines are pre-recession averages (2000-2006).

SOURCE: United States Department of Labor.

Existing-Home Sales Moderated Significantly in 2018

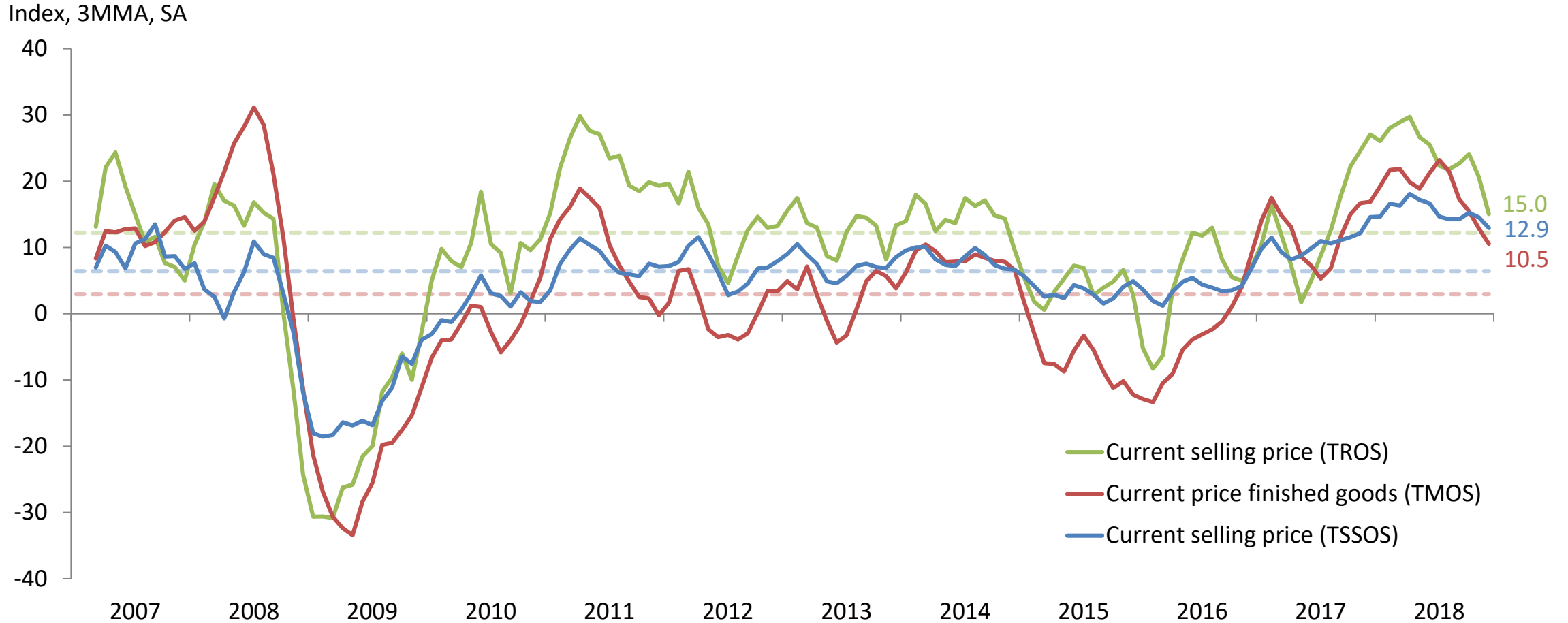
Index, Jan. '11=100, 6MMA



NOTE: Data through Dec. 2018.

SOURCES: Multiple Listing Service; Texas A&M Real Estate Center.

TBOS Price Indexes Suggest Price Pressures Easing

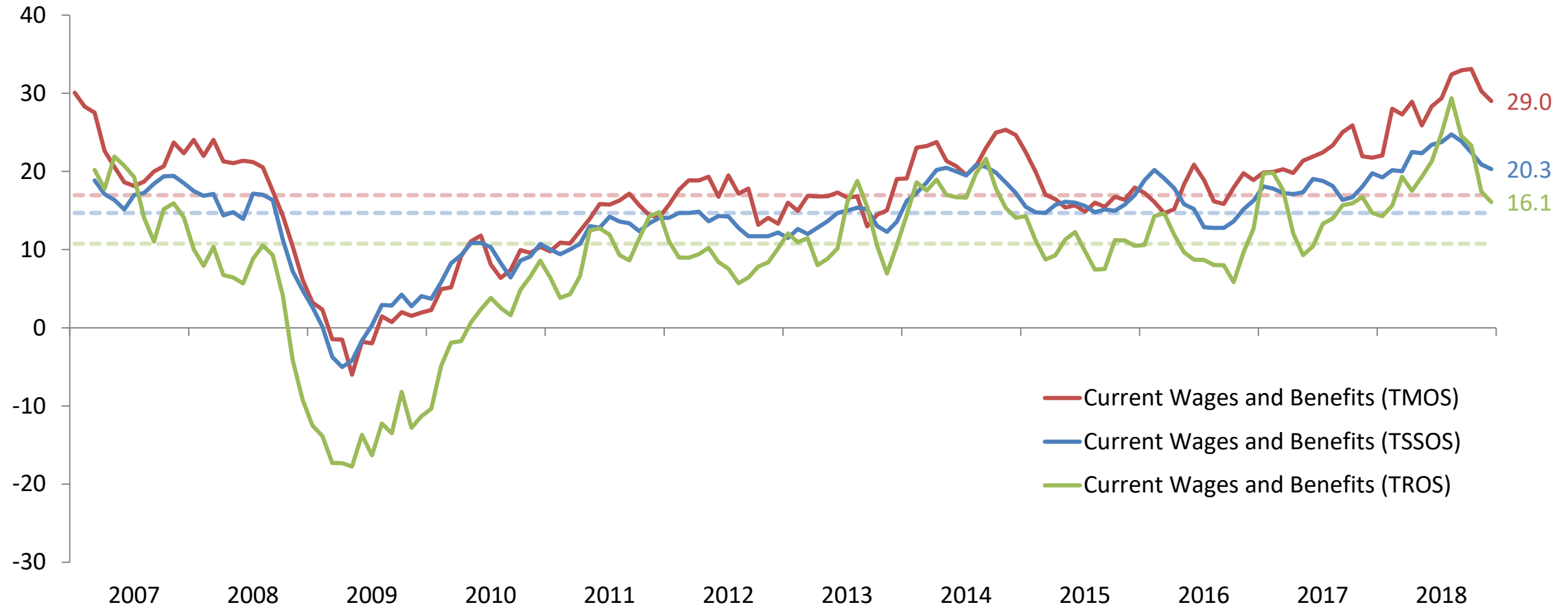


NOTES: Data through Dec. 2018. Dashed lines are post-recession averages (Jan. 2010-Dec. 2017).

SOURCES: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey (TMOS), Texas Service Sector Outlook Survey (TSSOS), and Texas Retail Outlook Survey (TROS).

TBOS Wage Indexes Ease but Remain Above Average

Index, 3MMA, SA

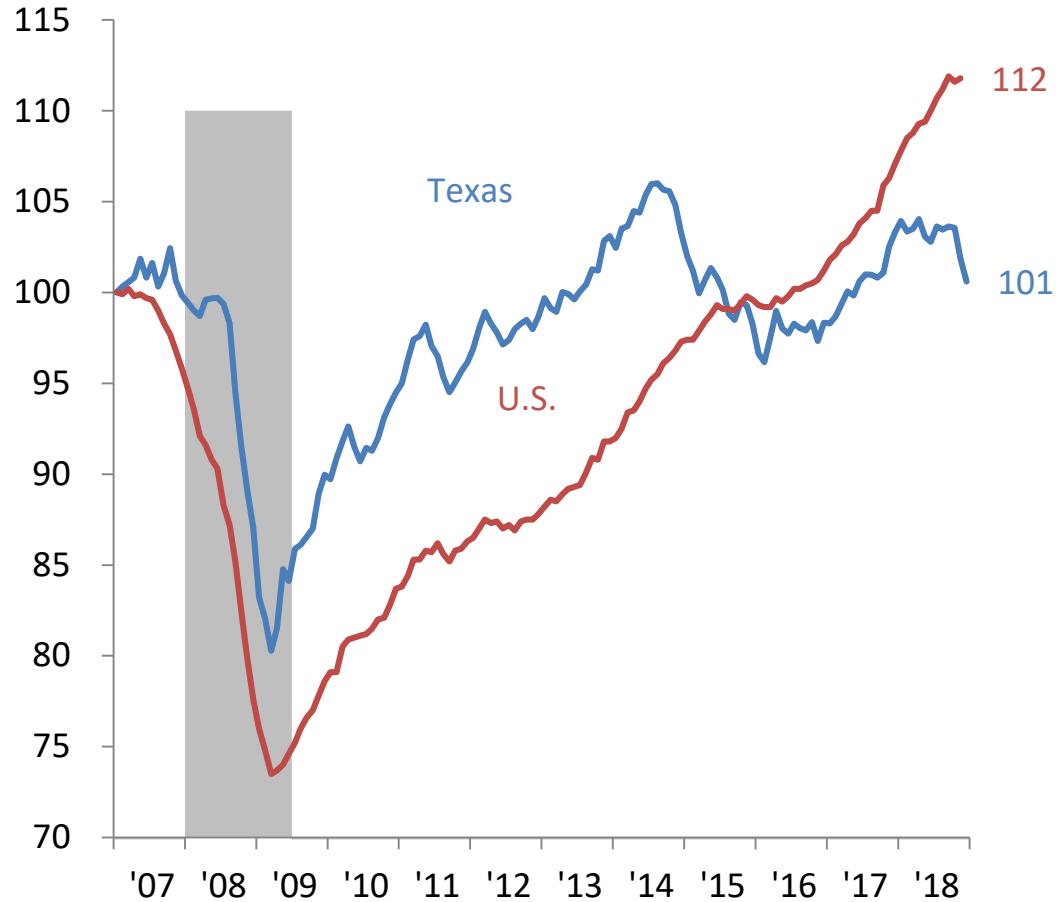


NOTES: Data through Dec. 2018. Dashed lines are post-recession averages (Jan. 2010-Dec. 2017).

SOURCES: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey (TMOS), Texas Service Sector Outlook Survey (TSSOS), and Texas Retail Outlook Survey (TROS).

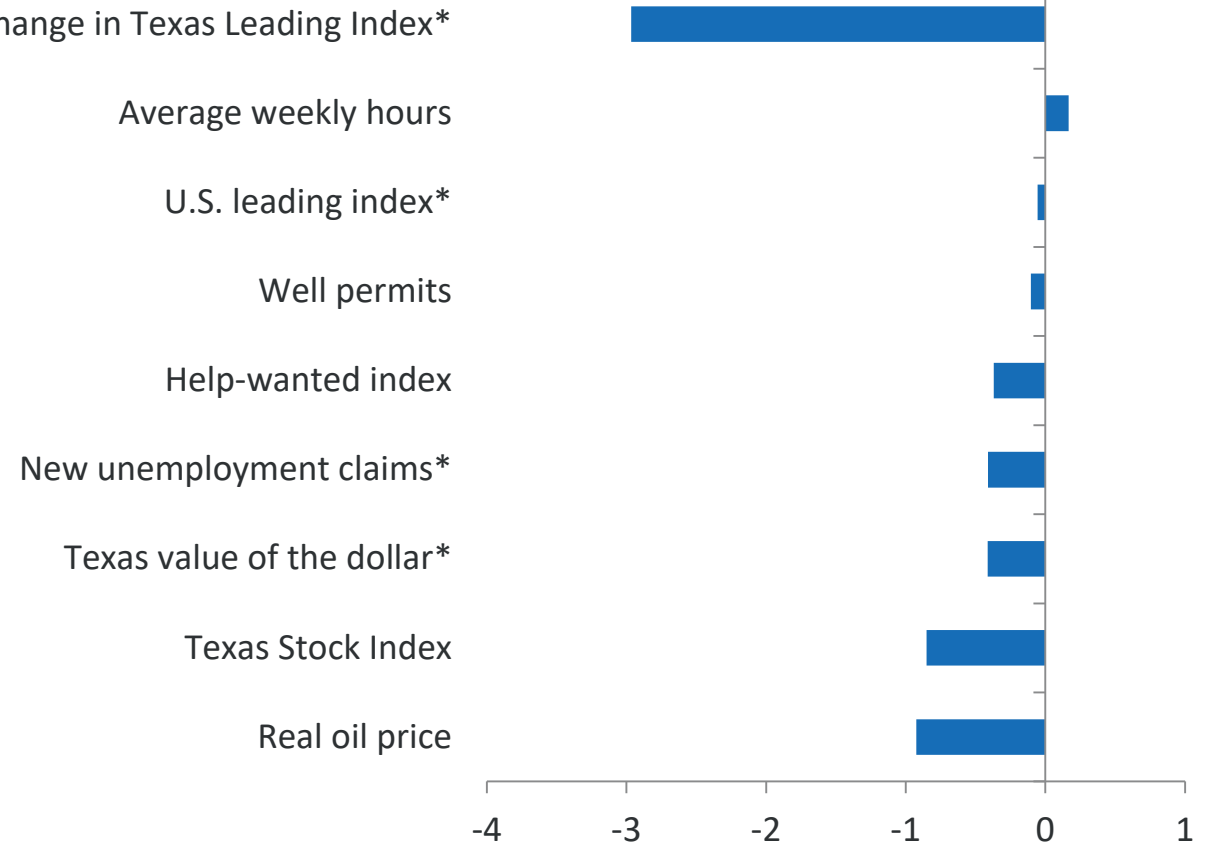
Texas Leading Index Points to Slower Growth

Index, January '07 = 100



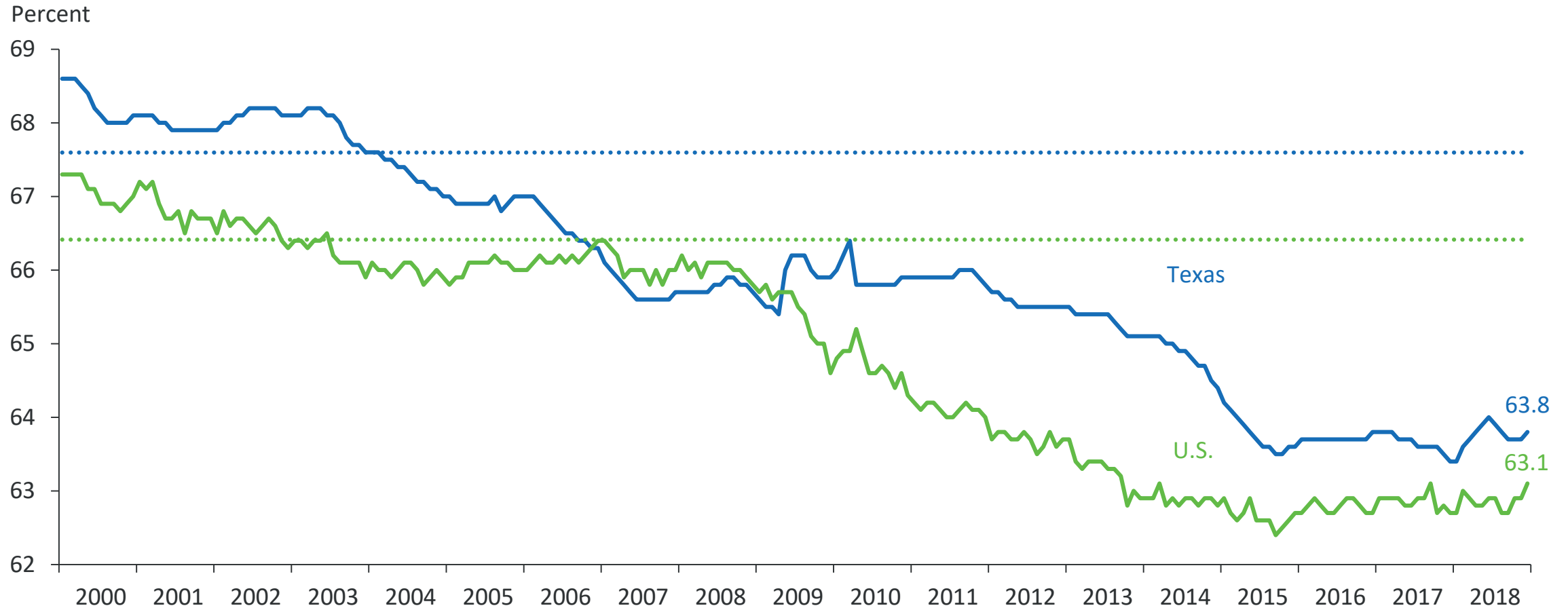
NOTE: Texas data through Dec. 2018; U.S. through Nov.
 SOURCES: Conference Board; FRB Dallas.

Three-month percent change



*Estimated December value.
 NOTE: Change from Sept. to Dec. 2018.
 SOURCE: FRB Dallas.

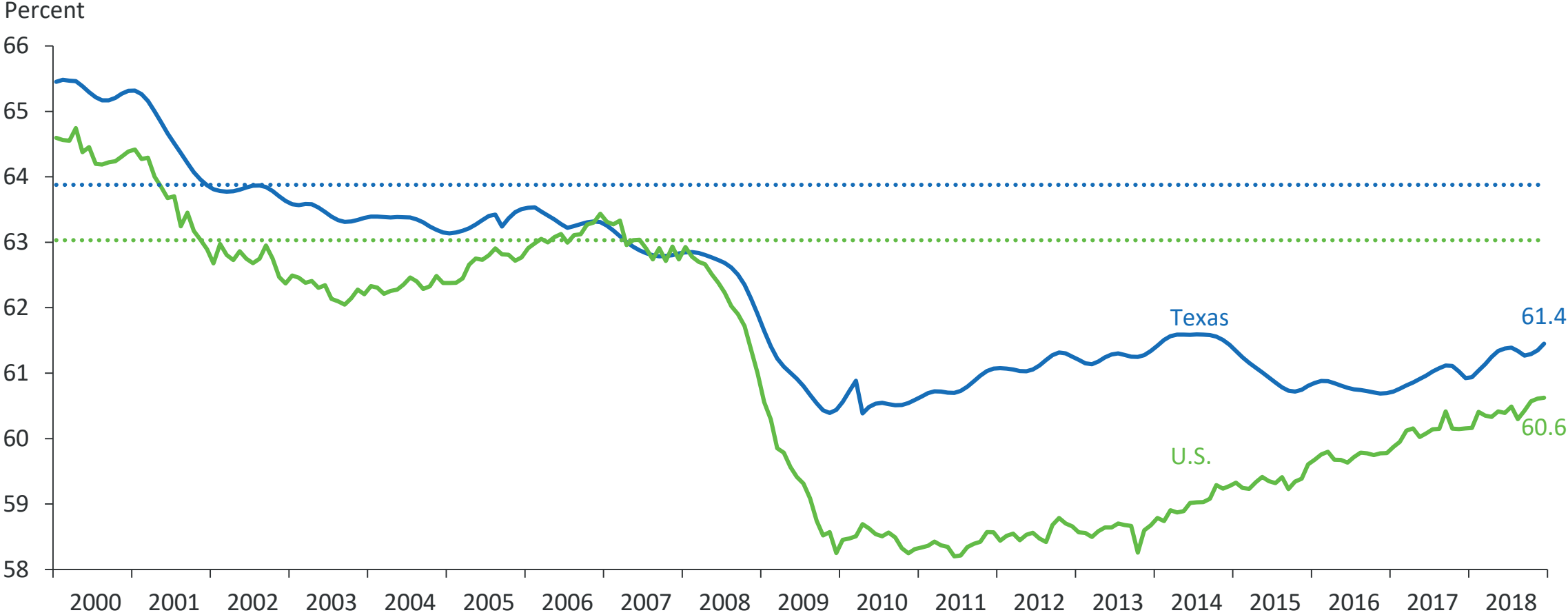
Labor Force Participation Rate



NOTE: Dashed lines refer to pre-recession averages (Jan. 2000 – Dec. 2006).

SOURCE: Bureau of Labor Statistics.

Employment to Population Ratio

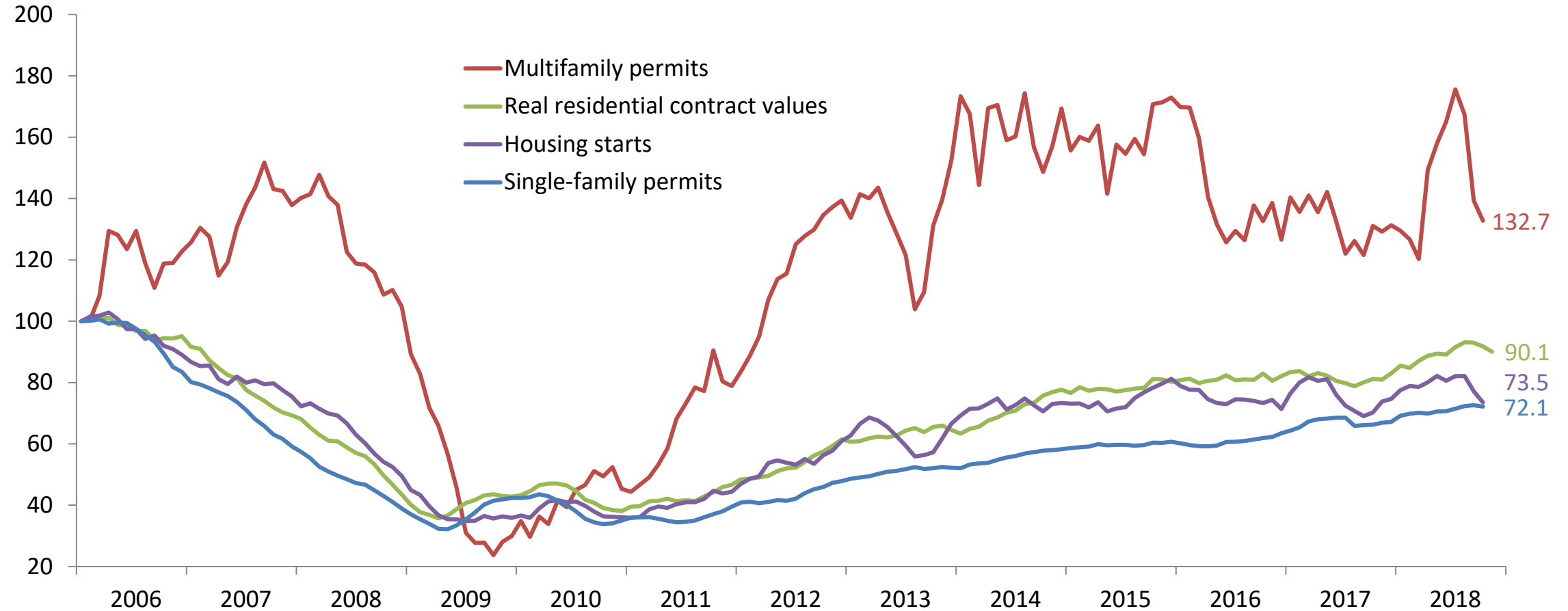


NOTE: Dashed lines refer to pre-recession averages (Jan. 2000 – Dec. 2006).

SOURCE: Bureau of Labor Statistics.

Residential Construction Activity Softens

Index, January '06=100, 5MMA

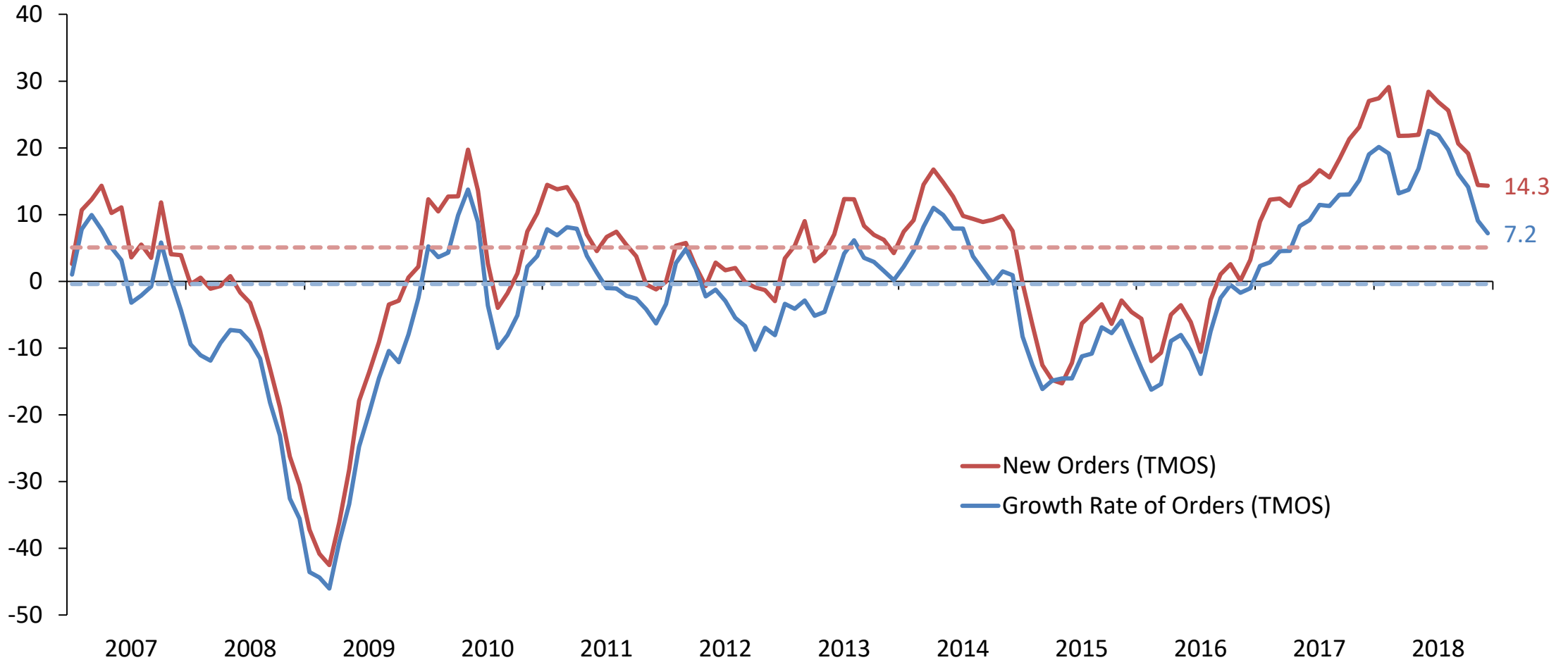


NOTE: Permits and housing starts through October, contract values through November 2018.

SOURCES: Bank of Tokyo-Mitsubishi; U.S. Census Bureau; F.W. Dodge.

Manufacturing Demand Growth Decelerates

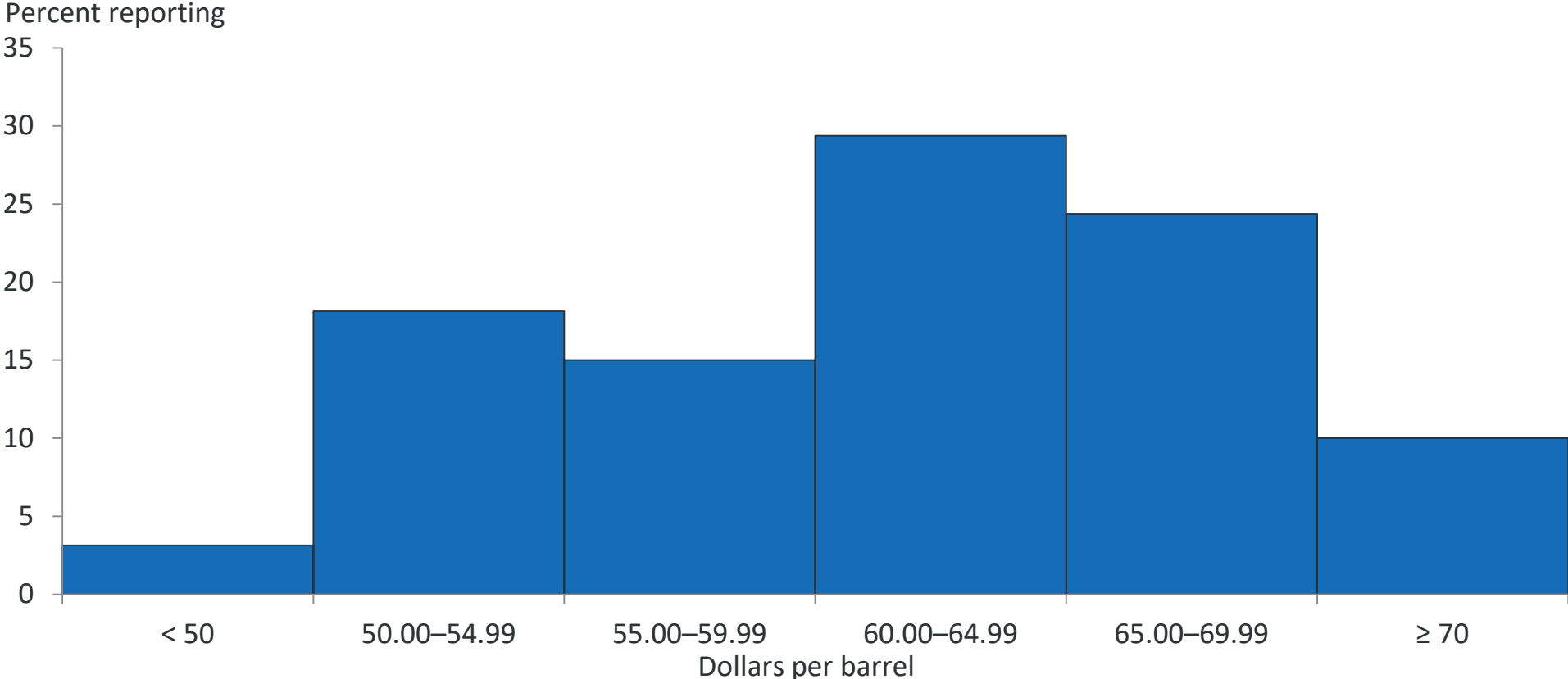
Index, 3MMA, SA



NOTES: Data through December 2018. Dashed lines are post-recession averages (Jan. 2010-Dec. 2017).

SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey (TMOS).

Oil Price Expectations for 2019 Remain Disperse



NOTES: Executives from 160 oil and gas firms answered this question during the survey collection period, Dec. 12–20, 2018. For reference, WTI (West Texas Intermediate) spot prices averaged \$49.22 per barrel during the period.

SOURCES: Federal Reserve Bank of Dallas Energy Survey; Energy Information Administration.