

## Texas Driven by DFW

The Texas economy is having a strong year in 2019. Most of the state's major metropolitan areas are showing employment growth well above the national average. Texas was prominent in the June release of metropolitan area employment and unemployment data. According to the Bureau of Labor Statistics, the oil-rich Midland metro area tied for the second lowest unemployment rate in the country at 2.1 percent (nonseasonally adjusted). Of the 51 metro areas with a 2010 population greater than 1 million, Austin shared the honor of having the lowest unemployment rate, at 2.7 percent. The Dallas-Fort Worth (DFW) metro area had the second largest net job gain over the year ending in June, at 120,000, not far behind significantly larger New York City. Among the 51 largest metro areas, DFW had the third highest percent gain in employment over the year, at 3.2 percent. Within the DFW metro area, the eastern half, the Dallas-Plano-Irving metropolitan division, gained 97,000 jobs over the year ending in June, a 3.7 percent year-over-year increase. The Houston metro area was just behind DFW, posting a strong 2.9 percent increase in jobs over the last year. The North Texas area remains a very attractive location for companies seeking to establish a new national headquarters. We expect the red hot North Texas economy to cool a few degrees next year. A cooler national economy will induce more defensive behavior at the board room level, and likely slow the pace of corporate relocations to North Texas. We expect the 2020 Census to show a significant population gain for Texas. This will fuel organic growth for years to come.

### Texas Economic Outlook

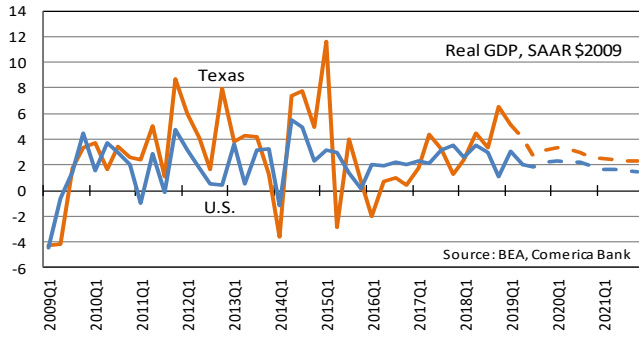
|   | 1Q'19a      | 2Q'19a      | 3Q'19f      | 4Q'19f     | 1Q'20f     | 2Q'20f     | 3Q'20f     | 4Q'20f     | 2018a      | 2019f      | 2020f      |
|---|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>State GDP</b>                              |             |             |             |            |            |            |            |            |            |            |            |
| Real GDP (Chained 2009 Millions \$)           | 1729567     | 1746896     | 1758658     | 1772387    | 1786949    | 1801265    | 1814397    | 1826253    | 1676679    | 1751877    | 1807216    |
| <b>Percent Change Annualized</b>              | <b>5.1</b>  | <b>4.1</b>  | <b>2.7</b>  | <b>3.2</b> | <b>3.3</b> | <b>3.2</b> | <b>2.9</b> | <b>2.6</b> | <b>3.2</b> | <b>4.5</b> | <b>3.2</b> |
| <b>Labor and Demographics</b>                 |             |             |             |            |            |            |            |            |            |            |            |
| Payroll Jobs (Thousands)                      | 12672       | 12768       | 12841       | 12912      | 12981      | 13071      | 13106      | 13157      | 12504      | 12798      | 13079      |
| <b>Percent Change Annualized</b>              | <b>1.8</b>  | <b>3.1</b>  | <b>2.3</b>  | <b>2.2</b> | <b>2.1</b> | <b>2.8</b> | <b>1.1</b> | <b>1.6</b> | <b>2.3</b> | <b>2.4</b> | <b>2.2</b> |
| Unemployment Rate (Percent)                   | 3.8         | 3.5         | 3.4         | 3.2        | 3.1        | 2.9        | 3.0        | 3.0        | 3.9        | 3.5        | 3.0        |
| Population (Thousands)                        | 29012       | 29113       | 29215       | 29317      | 29418      | 29519      | 29620      | 29722      | 28755      | 29164      | 29570      |
| <b>Percent Change Annualized</b>              | <b>1.4</b>  | <b>1.4</b>  | <b>1.4</b>  | <b>1.4</b> | <b>1.4</b> | <b>1.4</b> | <b>1.4</b> | <b>1.4</b> | <b>1.4</b> | <b>1.4</b> | <b>1.4</b> |
| Net Migration (Thousands)                     | 47.8        | 48.0        | 47.8        | 46.9       | 46.8       | 47.6       | 47.6       | 48.2       | 195.8      | 190.4      | 190.2      |
| <b>Personal Income</b>                        |             |             |             |            |            |            |            |            |            |            |            |
| Total Personal Income (Nom., Millions \$)     | 1445961     | 1466463     | 1481438     | 1500282    | 1519587    | 1540096    | 1558020    | 1576941    | 1409301    | 1473536    | 1548661    |
| <b>Percent Change Annualized</b>              | <b>3.9</b>  | <b>5.8</b>  | <b>4.1</b>  | <b>5.2</b> | <b>5.2</b> | <b>5.5</b> | <b>4.7</b> | <b>4.9</b> | <b>5.1</b> | <b>4.6</b> | <b>5.1</b> |
| <b>Housing</b>                                |             |             |             |            |            |            |            |            |            |            |            |
| Housing Starts (Total, Ann. Rate)             | 186422      | 184335      | 181992      | 183903     | 185516     | 186837     | 188077     | 189178     | 177681     | 184163     | 187402     |
| <b>Percent Change Annualized</b>              | <b>12.7</b> | <b>-4.4</b> | <b>-5.0</b> | <b>4.3</b> | <b>3.6</b> | <b>2.9</b> | <b>2.7</b> | <b>2.4</b> | <b>6.3</b> | <b>3.6</b> | <b>1.8</b> |
| SF Housing Starts (# of Units, Ann Rate)      | 128697      | 122524      | 124201      | 125198     | 126229     | 126874     | 127683     | 128343     | 123915     | 125155     | 127282     |
| MF Housing Starts (# of Units, Ann Rate)      | 57724       | 61812       | 57791       | 58705      | 59287      | 59963      | 60395      | 60835      | 53767      | 59008      | 60120      |
| Existing Home Sales (Ths. of Units, Ann Rate) | 499         | 516         | 524         | 529        | 532        | 535        | 538        | 541        | 519        | 517        | 537        |
| House Prices, FHFA (1991 Q1=100, SA)          | 296         | 299         | 303         | 306        | 309        | 313        | 317        | 321        | 289        | 301        | 315        |
| <b>Year/Year Percent Change</b>               | <b>4.4</b>  | <b>4.3</b>  | <b>4.3</b>  | <b>4.2</b> | <b>4.4</b> | <b>4.6</b> | <b>4.7</b> | <b>4.8</b> | <b>6.3</b> | <b>4.3</b> | <b>4.6</b> |
| <b>Bankruptcies</b>                           |             |             |             |            |            |            |            |            |            |            |            |
| Total Business (12 Months Ending)             | 2383        | 2506        | 2498        | 2492       | 2488       | 2486       | 2482       | 2483       | 2586       | 2470       | 2485       |
| Total Personal (12 Months Ending)             | 32546       | 32662       | 32412       | 32166      | 31918      | 31694      | 31961      | 31816      | 31376      | 32446      | 31847      |

a = actual f = forecast

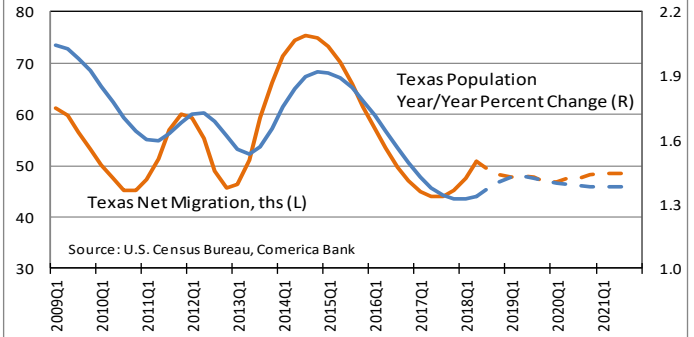
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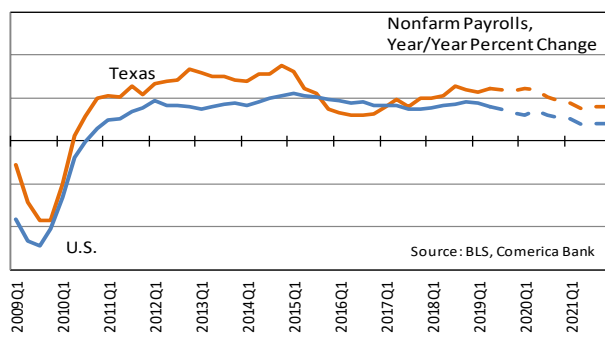
## Texas Economy Set for Strong Growth



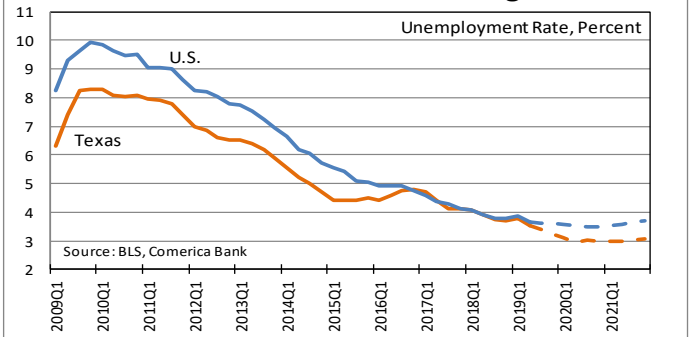
## Immigration Is a Growth Driver



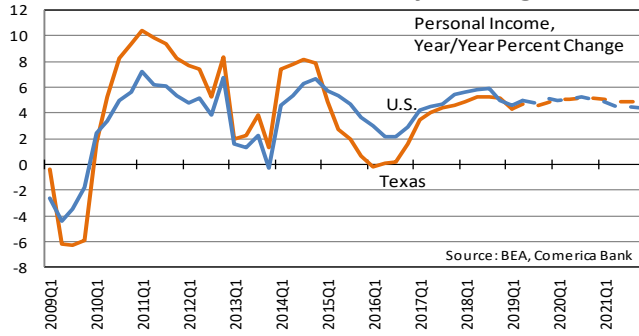
## Firmer Oil Prices Boosted Job Growth



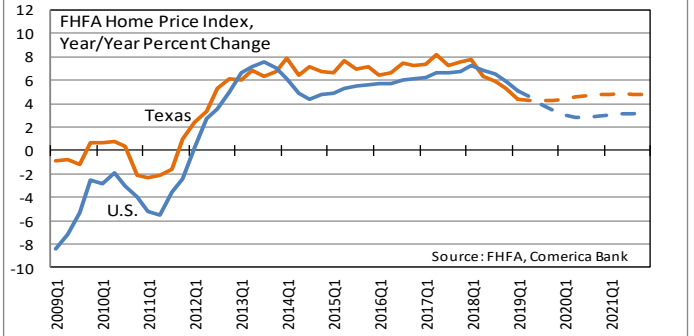
## Labor Markets Continue to Tighten



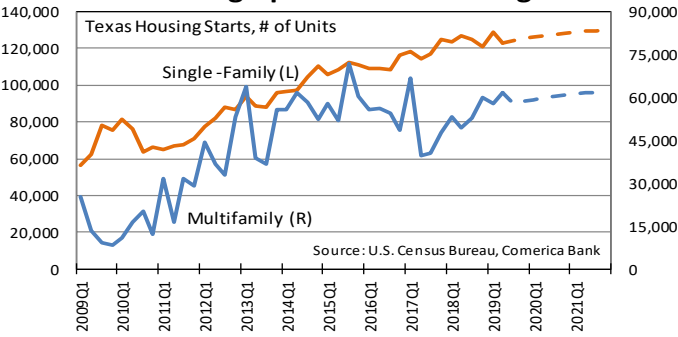
## Income Growth Stays Strong



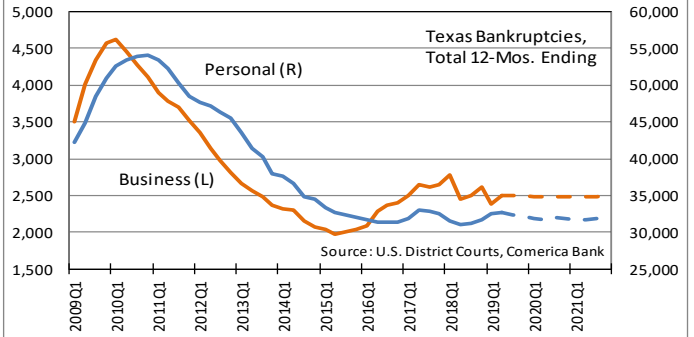
## House Price Appreciation to Stabilize



## Demographics Drive Housing



## Credit Conditions Stabilize



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