

## Texas Is Back in the COVID Soup

The recent surge in COVID-D cases and the associated drop in available intensive care unit capacity in Texas hospitals represents a significant downside risk for the economy of Texas. To date, state officials are expressing no appetite for tightening social mitigation policies. However, in all four of Texas's major urban areas, DFW, Houston, San Antonio and Austin, local officials are beginning to tighten policy. Even if there is no return to restrictions on business activity, there will be some economic drag from the current surge in COVID cases as consumer and business confidence is impaired and consumer activity is voluntarily reduced. Also, with global energy demand held in check due to the pandemic and OPEC oil production set to increase, crude oil prices have moderated back to below \$70 per barrel. Natural gas prices have also leveled out after doubling over the past year to \$4 per MMBtu. The rate of increase in the Texas drilling rig count diminished into early summer after a strong increase last fall and through the winter. We expect to see only-moderate gains in the rig count through the second half of this year as pressure from energy demand in both the U.S. and China eases. Even with these headwinds, we expect the Texas economy to continue to be a growth leader for the U.S. We expect to see significant federal spending bills emerge from Congress this fall and Texas will be a beneficiary. Another positive for Texas is the confirmation from the 2020 Census that Texas saw strong positive net-migration through 2020. We are forecasting ongoing strong in-migration for Texas.

### Texas Economic Outlook

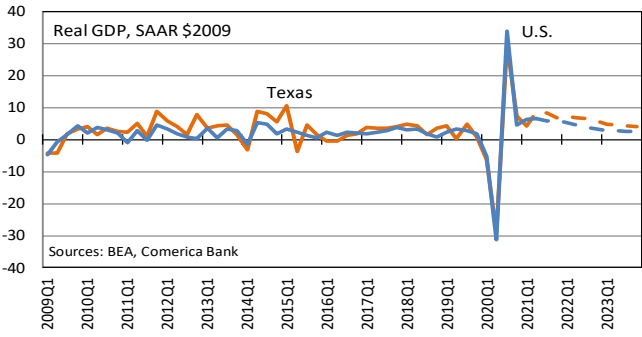
	1Q'21a	2Q'21a	3Q'21f	4Q'21f	1Q'22f	2Q'22f	3Q'22f	4Q'22f	2020a	2021f	2022f
<b>State GDP</b>											
Real GDP (Chained 2009 Millions \$)	1762989	1799768	1836000	1866584	1900093	1932246	1963351	1990993	1703074	1816335	1946671
<b>Percent Change Annualized</b>	<b>4.3</b>	<b>8.6</b>	<b>8.3</b>	<b>6.8</b>	<b>7.4</b>	<b>6.9</b>	<b>6.6</b>	<b>5.8</b>	<b>-3.5</b>	<b>6.7</b>	<b>7.2</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Thousands)	12439	12573	12759	12900	12999	13082	13158	13228	12267	12668	13117
<b>Percent Change Annualized</b>	<b>4.5</b>	<b>4.4</b>	<b>6.0</b>	<b>4.5</b>	<b>3.1</b>	<b>2.6</b>	<b>2.3</b>	<b>2.1</b>	<b>-4.3</b>	<b>3.3</b>	<b>3.5</b>
Unemployment Rate (Percent)	6.9	6.6	6.2	6.0	5.7	5.5	5.2	4.8	7.7	6.4	5.3
Population (Thousands)	29680	29790	29898	30000	30100	30200	30299	30397	29419	29842	30249
<b>Percent Change Annualized</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>
Net Migration (Thousands)	56.9	55.2	48.7	45.6	45.1	44.8	43.7	43.8	213.5	206.3	177.3
<b>Personal Income</b>											
Total Personal Income (Nom., Millions \$)	1820246	1683744	1676803	1657079	1674197	1697673	1726105	1754215	1610231	1709468	1713048
<b>Percent Change Annualized</b>	<b>67.8</b>	<b>-26.8</b>	<b>-1.6</b>	<b>-4.6</b>	<b>4.2</b>	<b>5.7</b>	<b>6.9</b>	<b>6.7</b>	<b>5.2</b>	<b>6.2</b>	<b>0.2</b>
<b>Housing</b>											
Housing Starts (Total, Ann. Rate)	241869	239213	239218	241508	244084	246707	248462	249636	220096	240452	247222
<b>Percent Change Annualized</b>	<b>-3.4</b>	<b>-4.3</b>	<b>0.0</b>	<b>3.9</b>	<b>4.3</b>	<b>4.4</b>	<b>2.9</b>	<b>1.9</b>	<b>10.9</b>	<b>9.2</b>	<b>2.8</b>
SF Housing Starts (# of Units, Ann Rate)	173395	172482	172684	174952	177240	179620	180921	181679	155307	173378	179865
MF Housing Starts (# of Units, Ann Rate)	68474	66732	66534	66555	66844	67087	67541	67957	64789	67074	67357
Existing Home Sales (Ths. of Units, Ann Rate)	507	480	491	499	508	515	519	521	485	494	516
House Prices, FHFA (1991 Q1=100, SA)	342	355	369	382	394	406	415	424	316	362	410
<b>Year/Year Percent Change</b>	<b>11.9</b>	<b>14.7</b>	<b>15.5</b>	<b>15.7</b>	<b>15.3</b>	<b>14.4</b>	<b>12.6</b>	<b>11.1</b>	<b>6.5</b>	<b>14.5</b>	<b>13.3</b>
<b>Bankruptcies</b>											
Total Business (12 Months Ending)	3209	2980	2862	2789	2713	2631	2555	2485	3113	2960	2596
Total Personal (12 Months Ending)	19680	19134	19106	19063	18930	18696	18387	18023	27719	19246	18509

a = actual f = forecast

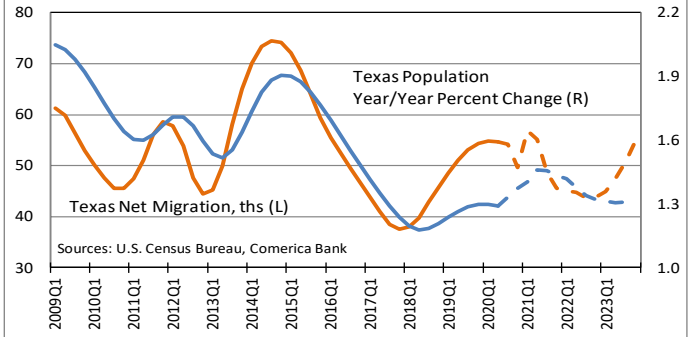
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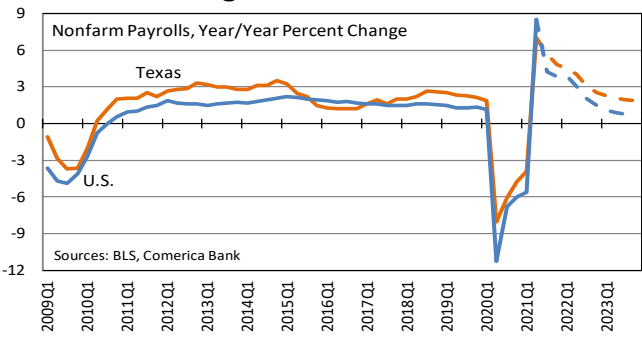
## Above-Average GDP Growth for Texas



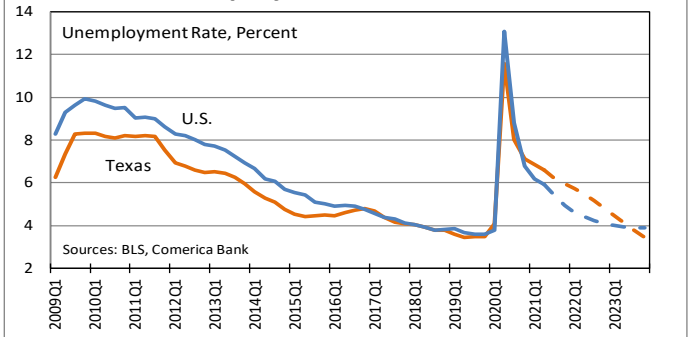
## Ongoing Positive Net-Migration



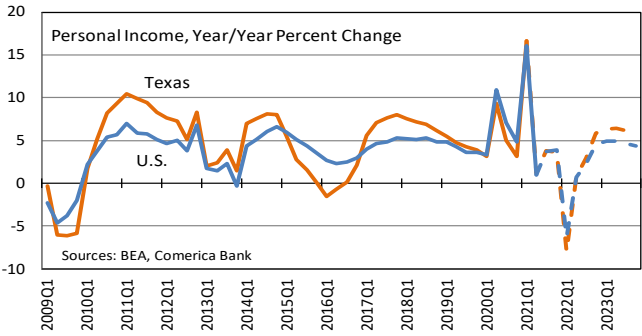
## Strong Job Growth in 2021H2



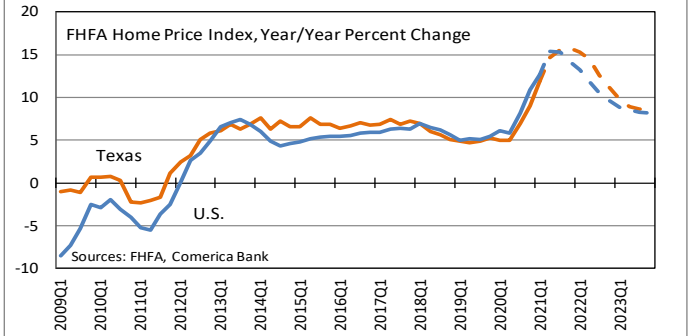
## Unemployment Rate Declines



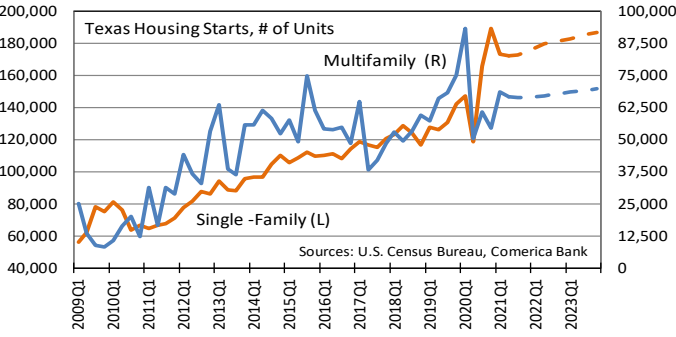
## Fiscal Stimulus Skews Income This Year



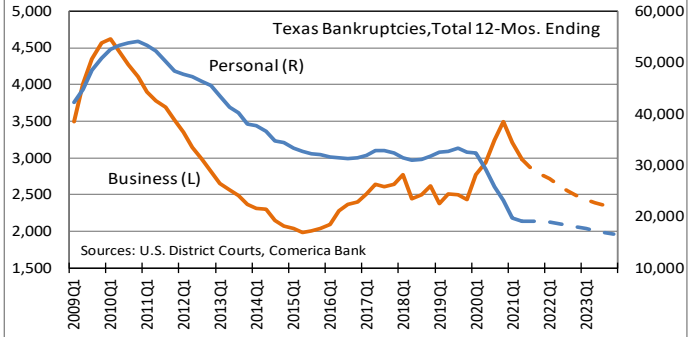
## Home Price Growth Moderates



## Home Construction is Strong



## Credit Conditions Are Stabilizing



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