

Overview of the Texas Economy

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The Texas Economy Online is an ongoing review of the most recent statistical data about the state's economy and people. This review provides a brief analysis of economic and demographic trends and is intended to serve as a one-stop gateway to timely economic data on the World Wide Web.

Population

The population of the Lone Star State reached 23,507,783 in July 2006, according to the latest estimates from the U.S. Census Bureau. As of July 1, 2006, Texas edged out California as the state with the largest population growth, gaining 2.7 million people since 2000 and growing at a 12.7 percent rate. According to the same Census data release, Texas also dominated the list of the 10 fastest growing U.S. cities with San Antonio, Fort Worth, Houston, Austin and Dallas each making the top 10. The 2000 Census indicates that 82.5 percent of Texas' population lives in metropolitan areas. The urbanizing of Texas is underscored by recent growth trends - the state's metropolitan areas accounted for over 91 percent of Texas population growth between 1990 and 2000. Growth has occurred primarily in the large metropolitan areas of Austin, Dallas, Houston, and San Antonio. Austin added 403,536 people during the 1990s, increasing its population by nearly 50 percent. Other areas with significant growth are metros located along the Mexico border, such as McAllen, Brownsville, and Laredo. One of the fastest growing regions in the state, the Lower Rio Grande Valley, houses two adjacent metros - McAllen and Brownsville. Together they added 261,025 people between 1990 and 2000 - about the same as the increase for the entire San Antonio metro area during the same period. Dallas-Fort Worth-Arlington, Houston-Sugar Land-Baytown, San Antonio, Austin-Round, El Paso, and McAllen-Edinburg-Mission are all on the Census Bureau's latest nation's 100 most populous metropolitan statistical areas list based on July 2006 population estimates.

According to the most recent population projections from the Texas State Data Center, Texas' population was 23,047,143 in January 2006 and is expected to reach 35.76 million by 2040. This is based on a statewide annual rate of growth of approximately 1.5 percent; slower than 1990-2000 but still substantial growth given the 2000 population base of 20.85 million. Hispanics will account for most of this growth and are expected to outnumber Anglos in Texas by 2020. These projections are based on the State Data Center's "0.5" migration scenario, which is the one indicated as "most appropriate...for use in long-term planning." In 2005, Texas became the fourth "majority-minority" state, with a minority population comprising 50.2% of its total population, according to U.S. Census Bureau population estimates.

Employment Performance

Texas employment gained 213,200 total nonagricultural jobs in 2006 for an annual growth rate of 2.2 percent. December 2006 marked 27 consecutive months of employment growth. Reviewing the Texas labor market, Professional and Business Services ranked first in job creation with a gain of 46,000 jobs in 2006 for an annual growth rate of 3.9 percent. Next was Education and Health Services with 26,100 new jobs and a 2.2 percent growth rate, closely followed by Government with 25,500 new jobs and a 1.5 percent growth rate in 2006.

Recent Southwest Economy analysis from the Federal Reserve Bank of Dallas confirms that Texas employment growth continued to outpace the nation in 2006. Texas job growth exceeded the 37-year average of about 2.8 percent, while the nation's job growth slowed to just under its 37-year average of 1.8 percent. Texas employment in 2006 grew 5.4 percent while the rest of the U.S. grew only 0.1 percent. All Texas' major sectors added workers at a faster pace than the rest of the country in 2006. The state's manufacturing sector added 26,300 factory jobs in 2006, a 2.9 percent increase, and has outperformed the nation for over a decade.

Employment - Current Situation

The Texas economy enjoyed strong non-farm job gains in 2006. According to the latest

employment estimates from the Texas Workforce Commission, the state gained 276,500 nonagricultural jobs from December 2005 to December 2006. The total Texas labor workforce stood at almost 11.9 million people in December 2006. In 2006, Texas led the nation with the largest employment gain for seasonally adjusted nonfarm employment of +213,200, according to the U.S. Bureau of Labor Statistics. The four largest Texas metropolitan statistical areas (MSAs) saw employment gains from December 2005 to December 2006.

The Texas seasonally adjusted unemployment rate fell to 4.5 percent in December 2006, which was the lowest level since 2001. State employers are adding workers at such an accelerated pace, some companies are reporting labor shortages. Unemployment rate data from the U.S. Bureau of Labor Statistics show that Texas had a -.7 rate change from December 2005 to December 2006.

Industry Trends

For the fourth quarter of 2006, venture capitalists in Texas invested primarily in the Texas software, networking and equipment, telecommunications, and semiconductors. The BIDC Industry Portfolio area has detailed information about the communications, computers, semiconductors, pharmaceuticals, petroleum & coal and other Texas industry breakouts. There are also state Industry Employment Snapshots provided by the Texas Workforce Commission.

Research and Development

Several Texas universities and research institutions are leaders in electronics, medical, biotechnology, aerospace, advanced materials, and energy-related research. Data from the U.S. Patent & Trademark Office indicate that Texas residents were issued 5,660 patents and Texas resident filed 12,951 patent applications in fiscal year 2005, ranking the state second in the nation in both categories behind California. In 2004, Texas was ranked third in the nation for academic R&D expenditures by state by the National Science Foundation with approximately \$2.8 billion spent.

Income

The Texas economy performed robustly in 2006, spurred by heavy demands for energy and construction – while homebuilding and exports reached record levels. Texas personal income rose an annual average of 8.2 percent in 2006. State Comptroller income data also show increases in Texas 2006 personal income. Third Quarter 2006 BEA data indicate Texas ranked eleventh in the nation for personal income.

Real Estate

In 2006 and looking forward to 2007, Texas' real estate's performance is very robust. Low interest rates and taxes, job growth, a growing population, and the continued affordability of Texas housing are helping to drive residential housing construction and purchases. Texas residential housing permits data indicate a 3.06 percent increase in 2006 and also show a recent decline from the peak levels in 2005. The Texas A&M Real Estate Center predicts that while national home prices are expected to drop, Texas as a whole should avoid a decline in home prices. The Texas Real Estate Market Reports from the Real Estate Center at Texas A&M University provide detailed information about the 25 Texas Metropolitan Statistical Areas.

Transportation

Texas' central location facilitates in providing timely access to national and international markets via air, rail, roads, and water. Texas has over 303,000 miles of public roads, which is more than any other state. Texas' railroad system was nationally top ranked in 2005, with 44 railroads (#2) operating on 10,386 rail miles (#1) carrying 384.4 million rail tons (#5). Texas has thirteen deep water ports with channels at least 30 feet deep along the Gulf Coast. The state's two largest airports, Dallas-Fort Worth International (DFW) and George Bush Intercontinental in Houston (IAH), serve as major hubs for connecting flights within the domestic and international air systems. International 2006 airline passenger data indicate that DFW ranked 6th and IAH in Houston ranked 16th for total passengers served.

International border crossings between Texas and Mexico rank among the busiest in the United States. In 2006, Texas handled over 2.98 million incoming and 2.88 outgoing trucks. Laredo had the most incoming and outgoing traffic. In 2006, Texas handled 278,988 incoming and 364,809 outgoing rail crossings. Laredo had the most incoming and outgoing traffic. In 2006, Texas handled 29.17 million incoming and 30.91 outgoing personal vehicles. Brownsville had the most incoming and outgoing traffic.

Gross State Product

The Texas gross state product (GSP) in 2006Q4 was \$1,096.9 billion, according to the Comptroller of Public Accounts. If Texas were a nation, its economy would rank as the eighth largest in the world, according to the Comptroller's Fall 2004 Texas Economic Update. According to 2005 Comptroller calculations, if Texas were a nation, its economy would rank as the tenth largest in the world. Since the 1986 recession, the Texas economy has been steadily diversifying.

International Trade

In 2006, for the fifth year in a row, Texas was ranked as the number one state by export revenues. Texas exports for 2006 totaled \$150.8 billion, which is \$22.1 billion more than 2005 and represents a 17.2 percent increase. Recent Texas exports information indicate steady increases in exports in 2006. The state's top value-added Texas exports in 2006 were Computer & Electronic Products, Chemicals, Machinery (not electrical), Transportation Equipment, and Petroleum & Coal Products. Total 2006 exports for the United States increased over 14.6 percent to over \$1 trillion from \$904.3 billion in 2005.

The countries Mexico and Canada, followed by Asian and Pacific Rim countries, were the leading destinations for Texas exports in 2006. The state's largest export market continued to be its NAFTA trading partners, which accounted for approximately 47 percent of total state exports during 2006. Mexico continued as the top export destination with \$54.8 billion in Texas exports, representing a 9.4 percent increase from \$50.1 billion in 2005. Canada ranked second with almost \$15.6 billion, representing a 6.6 percent increase from \$14.6 billion in 2005. China ranked third at \$6.6 billion, representing a 35.5 percent increase from almost \$5 billion in 2005. Korea ranked fourth at \$5.3 billion, a 15.5 percent increase from \$4.6 billion in 2005. The Netherlands surpassed China (Taiwan), ranking fifth at \$4.4 billion with a 66.7 percent increase from \$2.6 billion in 2005.

In 2006, Port Level data from the Bureau of Economic Analysis indicated Texas Port Level imports totaled over \$245.1 billion, up from \$235.5 billion in 2005. 2006 Texas Imports for the top 10 countries of origin accounted for \$185.7 billion. NAFTA trading partner, Mexico, was the top country of origin for Texas imports with approximately \$123.9 billion in imported goods – or 52% of Texas imports. NAFTA trading partner, Canada, does not rank in the top 10 for Texas imports, in striking contrast to its number two ranking for Texas exports in 2006. Energy, machinery, and telecom and high technology equipment were top ranked for the 2006 Texas Port Level imports by commodities. Energy imports, including petroleum, gas, coal, and power generating machinery, accounted for \$75.9 billion or 31% of 2006 Texas Port Level imports.

Labor and Management Diversity

The value of sales and receipts of minority-owned firms in Texas reached \$1.81 trillion in 2002, up from \$1.41 trillion in 1997. (2002 is the latest year these data are available from the Economic Census, which is produced every five years. 2002 Economic Census data were released from 2004 through 2006.) There were 1,734,648 minority-owned firms in 2002, up from 1,525,972 in 1997. These firms employed 8,059,889 in 2002, up from 7,074,209 in 1997. Major breakouts follow, and there are more Texas minority-owned business data available.

In 2002, there were 319,340 Hispanic-owned firms in Texas, up 33 percent from 240,396 firms in 1997. Sales and receipts rose 7 percent from \$39.48 billion in 1997 to \$42.2.

In 2002, Texas ranked second nationally for the number of firms and sales and receipts of Hispanic-owned firms. One in five U.S. Hispanic-owned firms calls Texas home. Three of the top MSAs with the largest number of Hispanic-owned firms – Houston-Baytown-Huntsville (#3), Dallas-Fort Worth (#5), and Brownsville-Harlingen-Raymondville (#9) – and three of the top counties with the largest number of Hispanic-owned firms – Harris, Hidalgo, and Bexar – are in Texas.

In 2002, there were 88,769 Black-owned firms in Texas, up 47 percent from 60,427 firms in 1997. Sales and receipts declined 2 percent from \$6.85 billion in 1997 to \$6.69 billion in 2002. Texas ranked third nationally for sales and receipts and fifth nationally for the number of firms of Black-owned firms.

In 2002, there were 469,049 women-owned firms in Texas, up 23 percent from 381,453 firms in 1997. Sales and receipts rose 3 percent from \$65.1 billion in 1997 to \$66.7 billion in 2002. Texas ranked third nationally for the number of firms and sales and receipts of women-owned firms.

In 2002, there were 78,018 Asian-owned firms in Texas, up 32 percent from 59,318 firms in 1997. Sales and receipts rose 24 percent from \$18.22 billion in 1997 to \$22.62 billion in 2002. Texas ranked third nationally for the number of firms and sales and receipts of Asian-owned firms.

In 2002, there were 16,863 Native American-owned firms in Texas, up 8 percent from 15,668 firms in 1997. Sales and receipts rose very slightly from \$3.32 billion in 1997 to \$3.321 billion in 2002. Texas ranked third nationally for the number of firms and second nationally for sales and receipts of Native American-owned firms.

In 2002, there were 1,543 Pacific Islander-owned firms in Texas, up 70 percent from 908 firms in 1997. Sales and receipts greatly declined from \$624 million in 1997 to \$277 million in 2002. Texas ranked fifth nationally for the number of firms and third nationally for sales and receipts of Pacific Islander-owned firms.

Looking Ahead...

- Economic growth that exceeds the U.S. average.
- Stronger business ties to the far corners of the world.
- An older and more ethnically diverse population.

In short, this is the future of the Texas economy in the coming years, most analysts and experts conclude. For a detailed statistical overview of the long-term outlook for the State of Texas, see the most recent state economic forecast from the Texas Comptroller of Public Accounts and the most recent state population projections from the Texas State Data Center.

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