

# Texas' Share of the U.S. Macroeconomy in the Aftermath of the Great Recession

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An ongoing research program at the Real Estate Center monitors changes in the relative macroeconomic importance of the Texas economy within the U.S. economy. This is measured by monitoring Texas' shares of U.S. gross domestic product (GDP), U.S. total incomes and U.S. employment. The current research program focuses on the economic performance of the Texas economy in the aftermath of the Great Recession (GR) of 2008–09.

During this period, the Texas economy expanded its share of U.S. aggregate output and emerged in a much stronger position compared with the nation. The state's share of the nation's GDP surpassed New York in 2007, and currently Texas ranks second after California. Texas' growing share is mainly attributable to the higher contributions of the state's construction, manufacturing, trade, and professional and business services industries.

### The Takeaway

A Center study determines how important Texas' economy is to the overall national economy by monitoring and comparing Texas and United States GDPs, total incomes and employment. Since the Great Recession, Texas has expanded its share of U.S. aggregate output.

### Measuring Relative Macroeconomic Importance

This research program measures Texas' relative macroeconomic performance by comparing Texas' share of U.S. GDP with Texas' share of the U.S. population. The size of a regional economy is typically described in terms of its GDP and the structure of the economy in terms of industry gross value added (GVA). GDP is the total monetary or market value of all goods and services produced in a region during a specific period (year or quarter) measured in terms of value added by each industry or economic activity. Gross value added is the net output of an industry after adding up the monetary values of all outputs of the industry and subtracting monetary values of all inputs purchased

from other industries. Adjusting GDP and GVA for depreciation gives net domestic product (NDP) or net value added (NVA).

The data used consist of time series of total annual GDPs and industry GDPs for the United States and Texas from 1997 to 2013 and annual population data for the same period. The GDP data are adjusted for inflation so they measure quantities of goods and services produced in the United States and Texas.

## The Big Picture

Texas' share of U.S. GDP hovered around 7.5 percent from 1997 to 2005 but since 2006 has trended upward, reaching 8.9 percent in 2013 compared with 8.4 percent for the state's share of U.S. population that year (Figure 1). The state's share of U.S. GDP has been through three distinct periods since 1997: from 1997 to 2002, Texas' share of GDP was higher than its share of population; from 2003 to 2008, the state's share of U.S. population was greater than its GDP share; and a period of more-than-population share in the aftermath of the GR (Figure 1). The gap between the state's share of U.S. GDP and the state's share of U.S. population has been positively widening in the aftermath of the GR due to the Texas economy's higher than national average growth rates (Figure 1).

Texas' share of U.S. GDP surpassed that of New York in 2007 (Figure 2). While California's share of U.S. GDP has changed little since 1997, Texas has been narrowing the gap between its share of U.S. GDP and California's share (Figure 2).

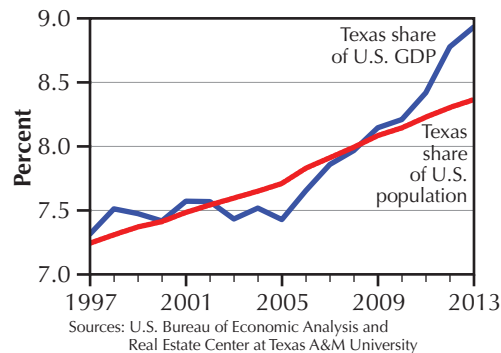
## Texas' Growing U.S. GDP Share

Changes in Texas' share of total U.S. GDP over time are attributable to changes in the GDPs of U.S. industries located in Texas. Texas industries fall into two groups: those whose shares of U.S. industry GDPs exceed Texas' share of U.S. population and those whose shares are less than Texas' population share. Texas' shares of the U.S. GDPs of mining, construction, manufacturing, transportation and utilities and trade industries have been larger than the state's share of U.S. population. Those with less than the state's share of U.S. population are the financial activities industry, education and health services, leisure and hospitality, information industry, agriculture and the government sector.

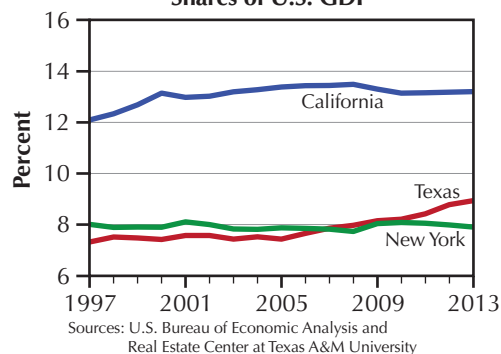
Texas has the largest mining and logging industry among all states, accounting for 44.1 percent of the GDP of the U.S. mining industry in 2013 (Figure 3). Despite the ups and downs of oil prices, the state's share of the nation's mining GDP has accounted for about 40.5 percent of U.S. mining GDP from 1997 to 2013 and since 2011 has trended upward (Figure 3).

Texas' share of the GDP of the U.S. construction industry has been greater than the state's share of U.S. population since 1997 (Figure 4). A steep upward trend in the state's share of the GDP of the U.S. construction industry since 2006 increased the share to 11.9 percent in 2013 compared with 8.4 percent for Texas' share of U.S. population in the same year (Figure 4).

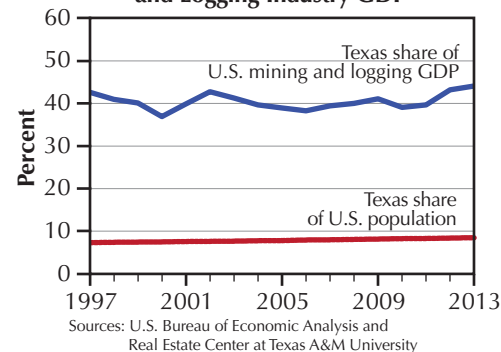
**Figure 1**  
Texas Share of U.S. Gross Domestic Product



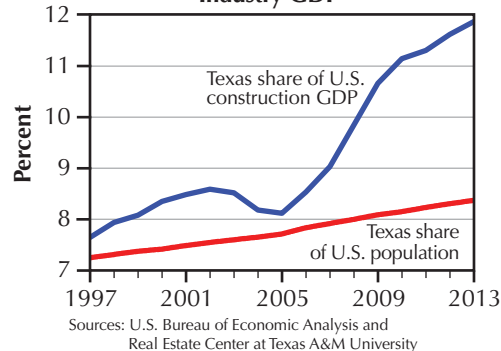
**Figure 2**  
Texas, California and New York Shares of U.S. GDP



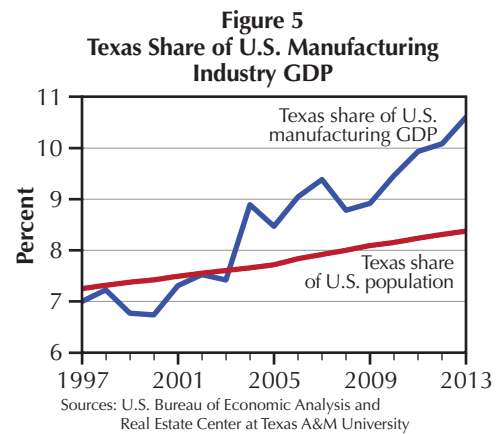
**Figure 3**  
Texas Share of U.S. Mining and Logging Industry GDP



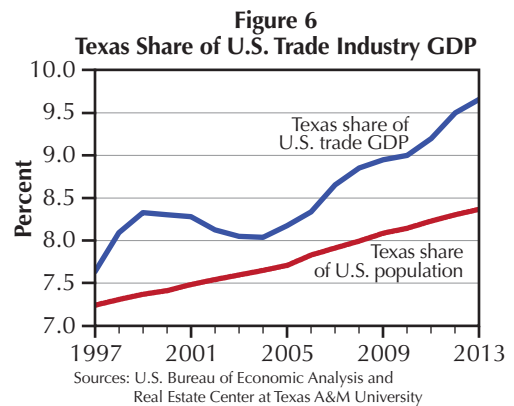
**Figure 4**  
Texas Share of U.S. Construction Industry GDP



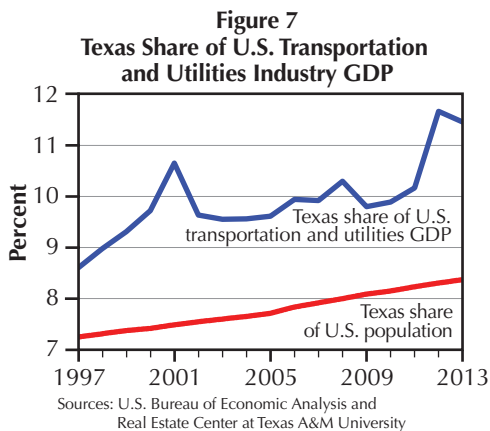
Texas' share of the GDP of the U.S. manufacturing industry has been larger than the state's share of U.S. population since 2003 (Figure 5). In the state's post-GR recovery, its share of the nation's manufacturing GDP increased to 10.6 percent in 2013 compared with 8.4 percent for its share of the U.S. population in the same year (Figure 5).



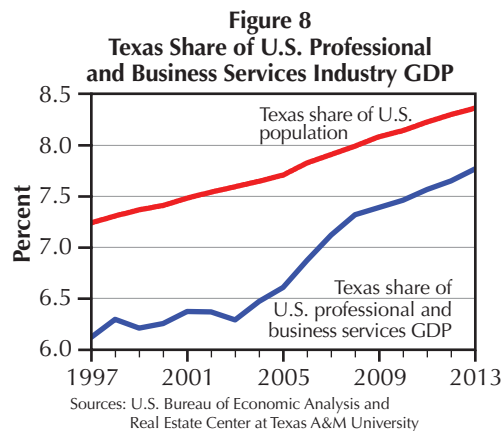
Texas' share of the GDP of the U.S. trade industry has been above the state's share of the U.S. population since 1997 but remained less than 8.5 percent until 2006 (Figure 6). The state's share of the U.S. trade industry GDP expanded in the post-GR recovery and reached 9.7 percent in 2013 (Figure 6).



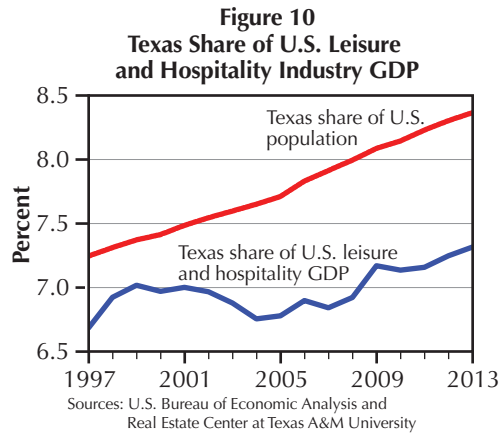
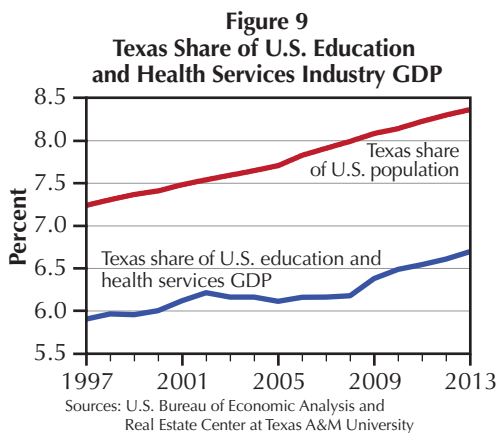
Texas' share of the U.S. transportation and utilities industry GDP has been greater than the state's share of U.S. population since 1997 but did not exceed 11 percent until 2011 (Figure 7). The state's share of the U.S. transportation and utilities industry GDP increased from 9.9 percent in 2010 to 11.5 percent in 2013, well above the 8.4 percent Texas share of the U.S. population in 2013 (Figure 7).



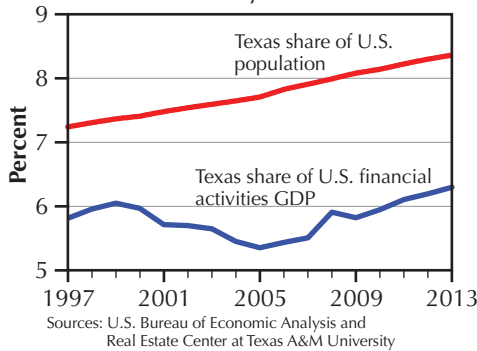
Texas industries whose shares of GDPs of industries are less than the state's share of U.S. population but are trending upward in the post-GR recovery are professional and business services, education and health services, leisure and hospitality, financial activities and the other services industry (Figures 8 to 12).



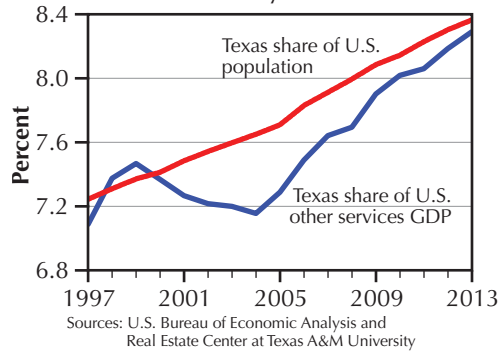
Texas' share of the U.S. government sector GDP has remained less than the state's share of U.S. population since 1997 and has remained around 7.2 percent since 2010 (Figure 13).



**Figure 11**  
Texas Share of U.S. Financial Activities Industry GDP



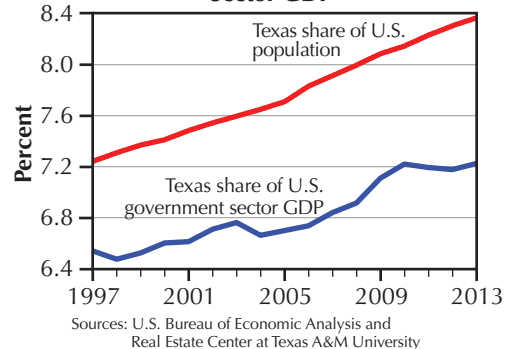
**Figure 12**  
Texas Share of U.S. Other Services Industry GDP



Two Texas industries, information and agriculture, have been losing their market shares over the past decades. Texas' information industry (internet service providers, web search portals, publishing industries, broadcasting and telecommunications) suffered more than the nation's information industry in the aftermath of the U.S. dot-com bubble bursting. Texas' share of the U.S. information industry's GDP fell from 7.2 percent in 2000 to 5.8 percent in 2013 (Figure 14).

Texas' share of the U.S. agriculture industry's GDP decreased from 7 percent in 2004 to 5 percent in 2011 and has remained the same since then (Figure 15).

**Figure 13**  
Texas Share of U.S. Government Sector GDP

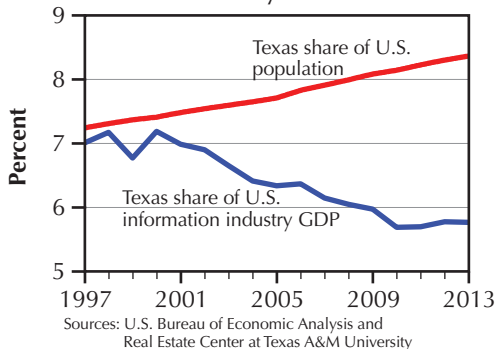


### Texas Real Estate Industry Implications

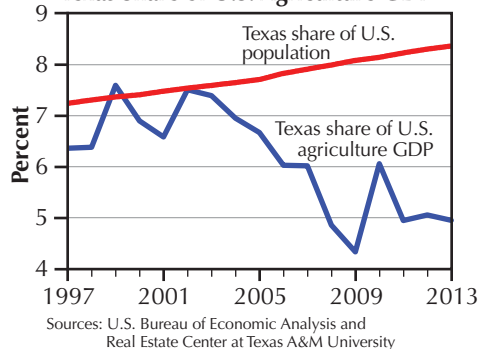
Texas' growing shares of U.S. GDP and population mean more demand for housing units. The state's construction industry's growing share of U.S. GDP is expected to increase demand for Texas lands. Texas' growing share of U.S. trade GDP is expected to increase demand for commercial real estate properties. Upward trends in Texas' shares of professional and business services, education and health services, leisure and hospitality, and financial activities GDPs mean upward trends in demands for office and commercial real estate properties. Growing mining and manufacturing GDPs for Texas are expected to increase demand for industrial real estate properties.

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**Figure 14**  
Texas Share of U.S. Information Industry GDP



**Figure 15**  
Texas Share of U.S. Agriculture GDP



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