

Oil Price Collapse: Is the Worst of Its Impact Over?

Ali Anari, James P. Gaines, Luis B. Torres, and Harold D. Hunt
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A recent Real Estate Center press release included economic indicators suggesting that the worst of the oil price collapse's impact on the Texas economy may be over.

That caught people's attention. Could the worst be over?

To address this question, the real estate research team looked at a number of leading, lagging, and coincident indicators of the Texas economy. Here's what they found.

On the plus side:

1. The annual growth rates of Texas total nonfarm jobs of 1.5 percent in February and 1.6 percent in January 2016 were both slightly higher than the 1.3 percent for December 2015, suggesting December 2015 could be the trough month for the current Texas employment growth rate cycle (Figure 1).
2. The annual growth rates of the state's mining job losses fell from 20 percent in December 2015 to

less than 19 percent in February 2016, suggesting December 2015 could be the trough month for the state's mining employment cycle (Figure 2).

3. Annual employment growth rates for the Midland petroplex show falling job loss rates since October 2015 and for the Odessa petroplex since December 2015 (Figures 3 and 4).
4. Spot prices of west Texas intermediate crude oil have recovered from \$26.21 on Feb. 11, 2016, to \$39.79 on March 23, 2016.
5. Rig count continues to decline, but at a slower rate. The decline in March was about half of what it was in February.
6. Service-providing industries of leisure and hospitality, education and health services, trade, and financial activities continue to create more jobs (Figures 5 to 8).

- The Texas Leading Index, which signals future directional changes in the business cycle, ticked down modestly in February 2016, showing less weakness, but still maintained the overall declining trend since its August 2014 peak. After prior months of negative contributions, the index was positively affected by the stock prices of Texas-based companies, the rebound in help-wanted advertising, and the slight fall in the real value of the dollar.
- The U.S. economy grows at a currently projected 2.4 to 2.7 percent level.

On the minus side:

- Texas manufacturing continues to suffer heavy job losses (Figure 9).
- Mining and manufacturing job losses have spread to construction, professional and business services,

and transportation, warehousing, and utilities (Figures 10 to 12).

- Fewer companies, especially airlines, are currently hedging against rising crude oil prices using crude oil forward contracts.
- If oil prices were to drop below \$30 per barrel for the year, however, Texas may experience a net job loss in 2016 (Figure 13).

Center Chief Economist Dr. Jim Gaines said that although current conditions indicate this trend may continue, the Center will need to study several more months' worth of data before drawing any conclusions. 📌

Dr. Anari (m-anari@tamu.edu) is a research economist with the Real Estate Center at Texas A&M University.

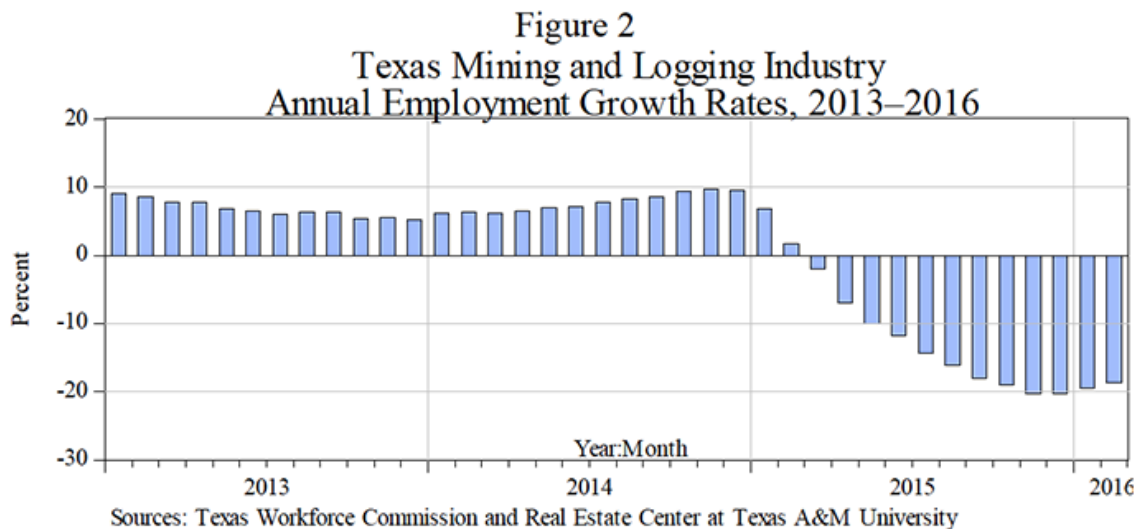
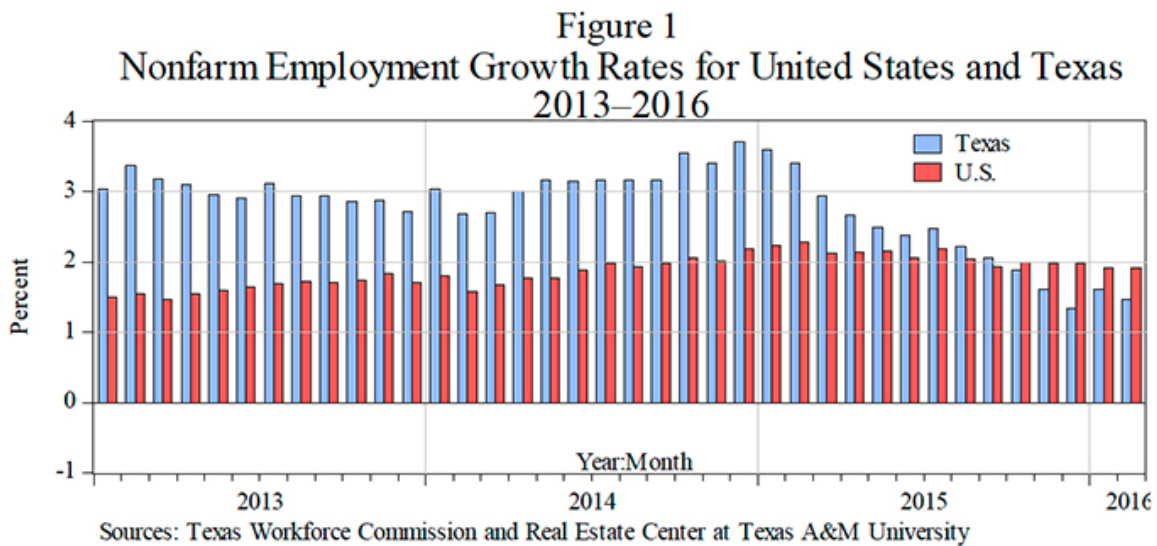
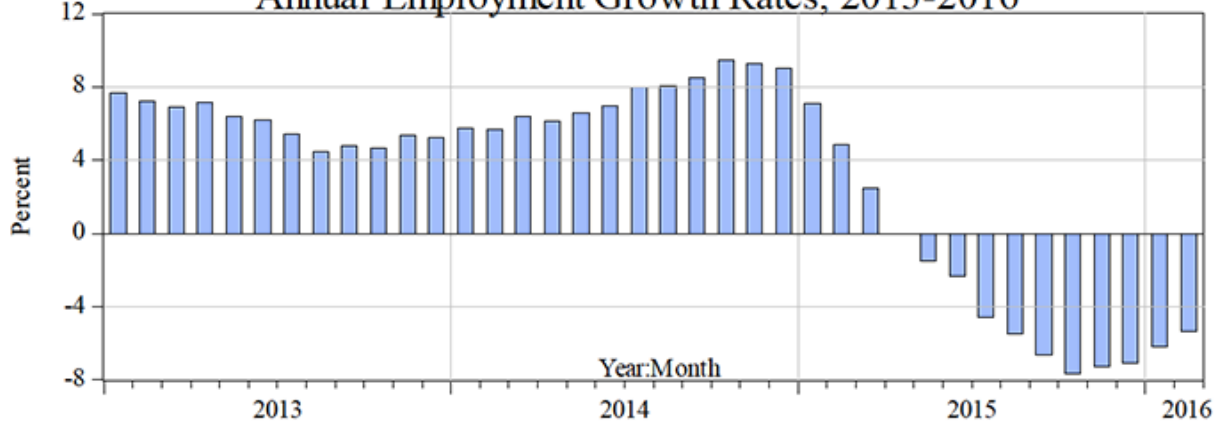


Figure 3
Midland Metro Area
Annual Employment Growth Rates, 2013-2016



Sources: Texas Workforce Commission and Real Estate Center at Texas A&M University

Figure 4
Odessa Metro Area
Annual Employment Growth Rates, 2013-2016



Sources: Texas Workforce Commission and Real Estate Center at Texas A&M University

Figure 5
Texas Leisure and Hospitality Industry
Annual Employment Growth Rates, 2013-2016



Sources: Texas Workforce Commission and Real Estate Center at Texas A&M University

Figure 6
Texas Education and Health Services Industry
Annual Employment Growth Rates, 2013–2016

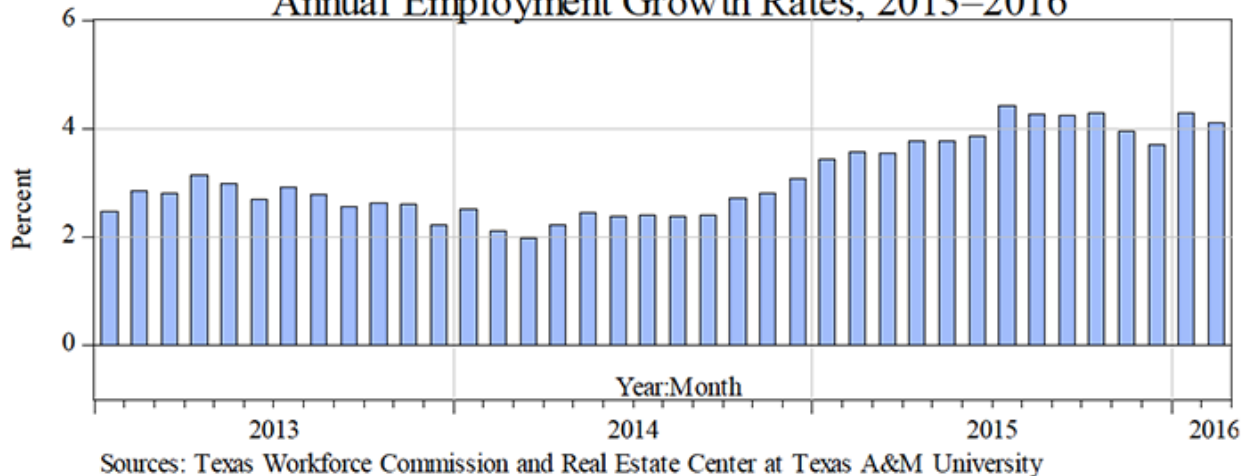


Figure 7
Texas Trade Industry
Annual Employment Growth Rates, 2013–2016

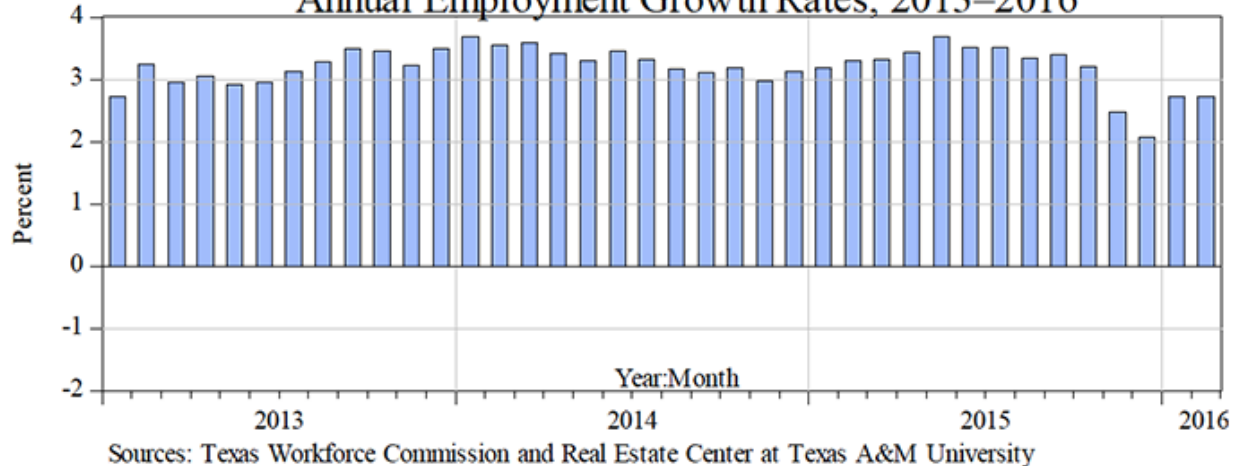


Figure 8
Texas Financial Activities Industry
Annual Employment Growth Rates, 2013–2016

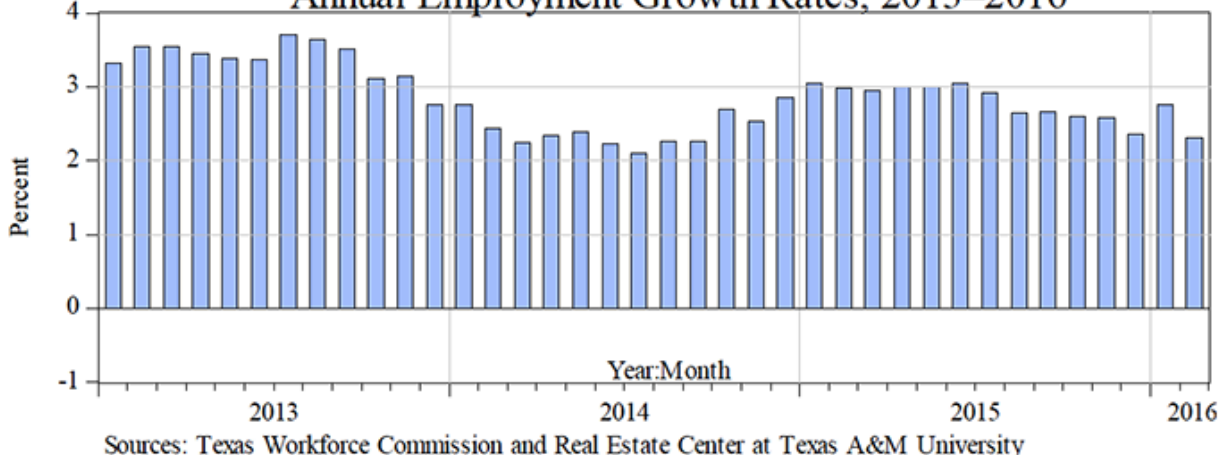


Figure 9
Texas Manufacturing Industry
Annual Employment Growth Rates, 2013–2016

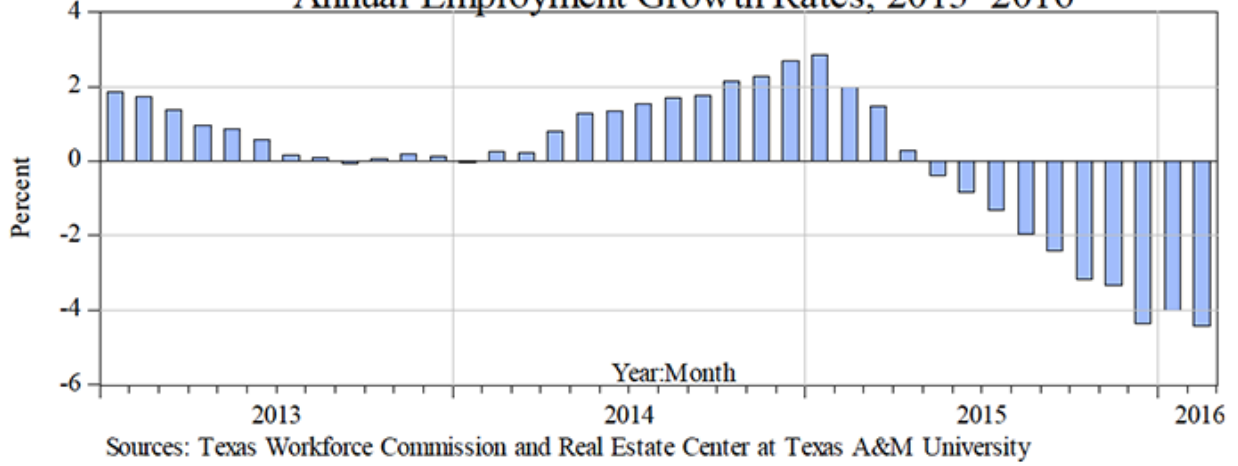


Figure 10
Texas Construction Industry
Annual Employment Growth Rates, 2013–2016

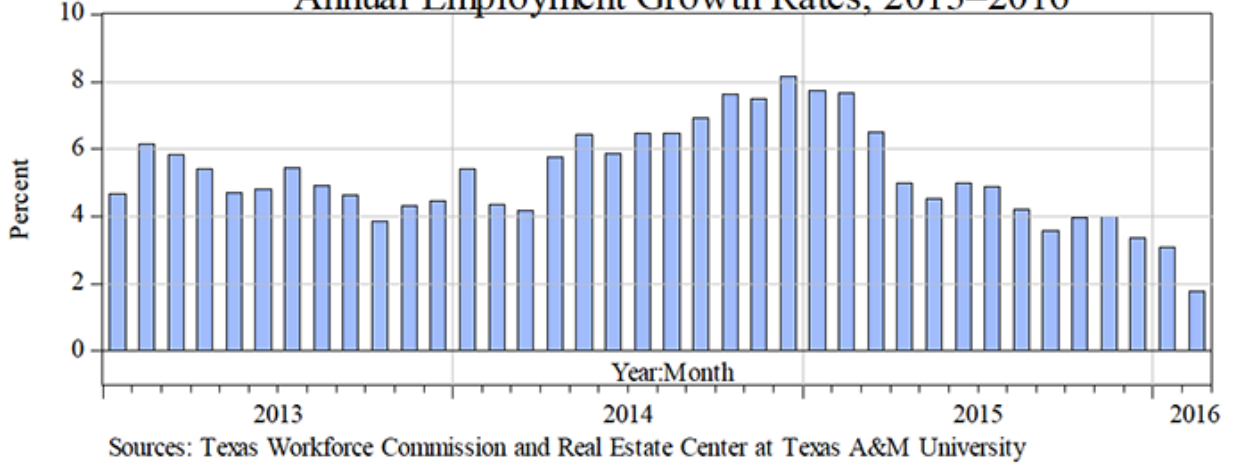


Figure 11
Texas Professional and Business Services Industry
Annual Employment Growth Rates, 2013–2016

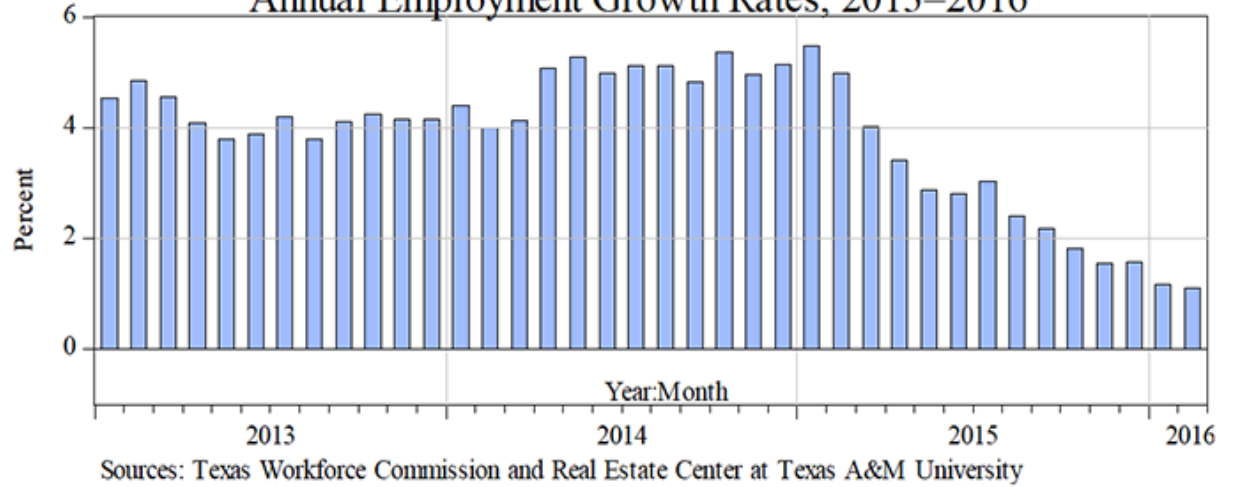


Figure 12
Texas Transportation, Warehousing, and Utilities Industry
Annual Employment Growth Rates, 2013–2016

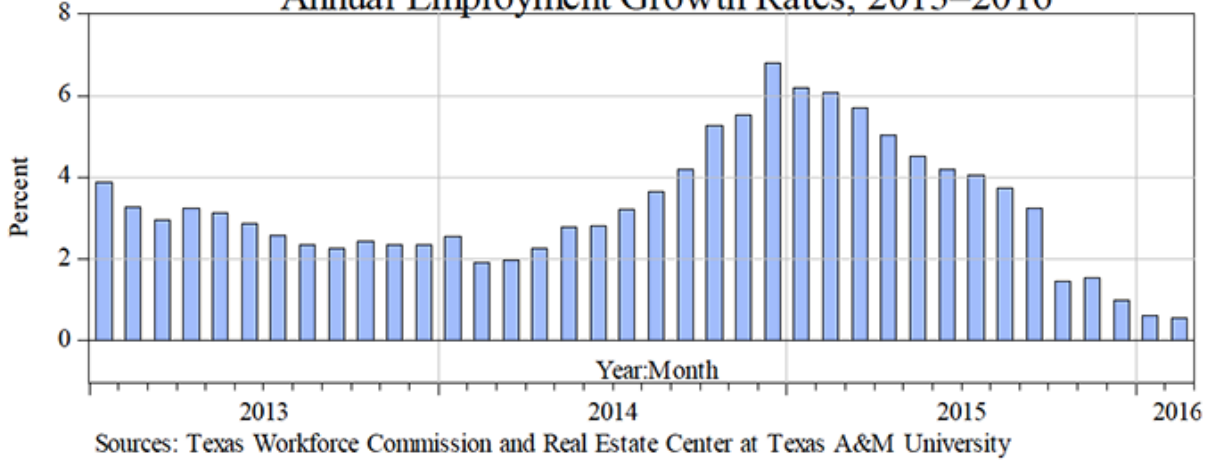
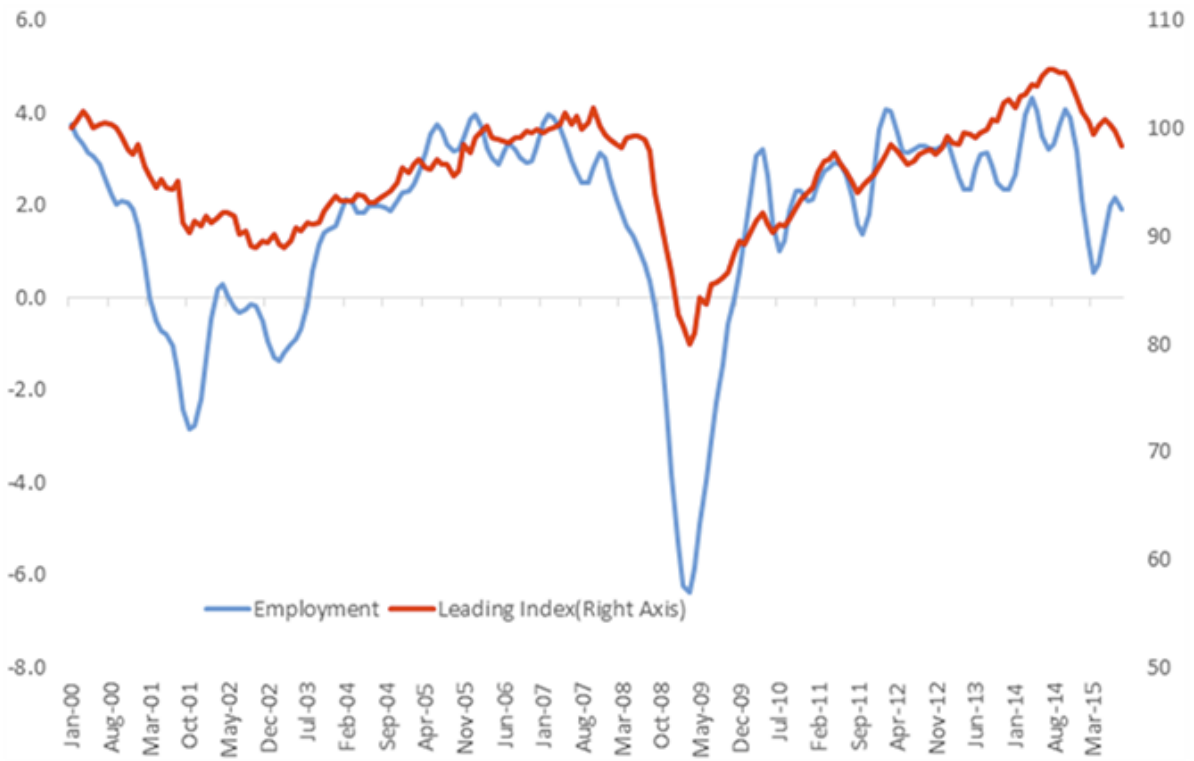


Figure 13
Employment Growth Rate and Texas Leading Index
(Month-over-Month(annualized) Percent Change; Index 2000Jan=100)



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