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Texas economy chugs along as economists fret over trade, global slowdown

Texas remains among the strongest regional economies in the nation, but the horizon might not be as bright as tariffs continue to hit business' bottom lines and uncertainty caused by signs of slowing economies in developing countries worry economists.

Speaking at the Houston branch of the Federal Reserve Bank of Dallas, economists pointed to a robust labor market that is posting strong job gains each month and driving unemployment to record lows as a sign that Texans are prospering. But uncertainty as to how long tariffs will stay in effect — and how high they will go — has continued to put the brakes on economic growth in the region, which is highly connected to the global economy, economists said.

Other risks to the region's growth include the direction of oil prices — always a major factor in the local economy's stability — and a slowdown in manufacturing, which generally is a leading indicator for business cycles. Economists called manufacturing one of the “gloomier” pieces of data they are tracking right now. In Texas, manufacturing is highly dependent on the energy sector. The U.S. rig count, which can provide an indication of energy sector activity, has declined in 2019, and Fed surveys of energy executives in Texas found that capital expenditures by energy firms are down in the second quarter. Companies' outlooks also have turned negative in the second quarter.

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