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Texas likely to lead nation in economic growth, researchers forecast

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AUSTIN – Texas lost hundreds of thousands of jobs last year as it stumbled through the deep national recession. But the state is likely to shine as the nation's economic growth leader over the next decade, according to research and forecasting firm IHS Global Insight.

Payroll employment in Texas is expected to expand 1.8 percent next year, tied for No. 1 nationally with Nebraska, according to the firm's projections.

The state's expected 2.2 percent annual job growth rate between 2010 and 2016 is also tied for first, but with Idaho, according to the firm.

"This is the decade in relative economic terms where Texas really dominates the U.S. economy," said Jim Diffley, who tracks U.S. regional economies for Lexington, Mass.-based IHS Global Insight. His remarks came at an economic outlook conference Tuesday in Austin.

The catch? The phrase "in relative terms."

Texas is apt to outperform the national economy in the coming years, thanks to its relatively mild housing bust, diversified economy and competitive business costs. But it will still take years for job growth to dent widespread unemployment.

The Texas jobless rate will probably remain above 6 percent in 2016, Diffley said. The state's unemployment rate fell to 8.1 percent in September, down from 8.3 percent the month before.

'Less fun'

Moreover, growth in the U.S. economy in the coming years is likely to remain modest by historical standards.

"The next decade will be less fun than the 1990s and the 2000s," said Nariman Behraves, chief economist at IHS Global Insight, also speaking at the conference.

The national jobless rate stood at 9.6 percent in October, unchanged from August and September. That's down from a 10.1 percent unemployment rate a year ago, but it's still near a 28-year high.

Meanwhile, job growth has been slow. Payroll employment nationwide has added fewer than 875,000 jobs this year after losing a combined 8.4 million jobs in 2008 and 2009.

Despite the continued weakness, Behravesch doesn't expect the U.S. economy to fall back into recession in the foreseeable future.

"I think a double dip is a very low likelihood at this point," he said.

More conservative

As for Texas, not everyone is quite as upbeat as IHS Global Insight.

"Our economic forecast for Texas is a bit more conservative," said Gary Preuss, an economist at the Texas comptroller's office who attended the conference. "Compared to a traditional recovery after a recession, this will take longer than usual."

Preuss also echoed Diffley's point that Texas' unemployment rate will remain elevated for some time.

"It will come down, but it will come down slowly," Preuss said. "The labor force is growing almost as quickly as the number of jobs."

Diffley acknowledged that Texas faces other economic challenges as well, such as state budget woes.

But the state seems well-positioned to continue recovering from the recession.

Texas employers have added nearly 146,000 jobs this year, after slashing more than 350,000 jobs last year.

It's also one of four states where payroll employment is expected to reach pre-crisis levels by the end of next year, Diffley said.

The state is "No. 1 in many, many indicators," Diffley said. "Certainly No. 1 among the largest states."