



The Perryman TEXAS LETTER

June 8, 2000

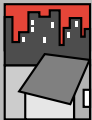
What's Inside:



INDUSTRY HEADLINES



ECONOMY



ECO. DEVELOPMENT



ENVIRONMENT



Dear Client:

>>> Long-term forecast for Texas indicates a strong economy.

Lone Star State population is predicted to approach 30 mln by 2025. Compound annual growth rate (CAGR) over 1999-2025 period to be 1.53%.

Real gross product (RGP) likely to rise 3.58% yearly through 2025. Retail sales expected to top \$1 trillion by 2025; represents 6.34% annual rise. Real personal income (by place of residence) to see 3.57% yearly growth.

All sectors to experience RGP gains over forecast horizon.

Sectors with fastest RGP growth rates (1999-2025): durable manufacturing, 5.21% & transportation, communications, & utilities, 4.71%. Finance, insurance, & real estate sector next with 4.19% growth per year. Services to rise 3.49%; nondurable manufacturing to have 2.83% CAGR.

Trade RGP forecast to see 2.79% annual growth over long term. Remaining sectors' CAGR forecast for 1999-2025 include government at 2.23%, mining at 1.95%, agriculture at 1.79%, and construction at 1.33%.

Sectoral percentages of overall TX RGP forecast quite revealing.

By 2025, durable manufacturing will comprise 18.55% of TX RGP. Services to follow at 16.42%; finance, insurance, and real estate at 15.38%. Transportation, communications, and utilities forecast to be next at 15.37%.

Other sectors and percentages of state's total real gross product: Trade: 13.74%, government: 6.93%, mining: 4.73%, construction: 2.13%. Agriculture is predicted to have smallest RGP contribution in 2025: 0.91%.

Jobs in Texas expected to grow significantly over next 25 years.

Employment across the state will probably experience 2.05% CAGR. Number of jobs in Texas to rise to 16.6 million over next quarter century. Workers in services sector to account for 5.95 million of this total amount. Represents 3.16 mln increase in services jobs from 1999-2025 (2.95% CAGR).

Transportation, communications, & utilities jobs up 2.28% annually. Finance, insurance, and real estate expected to have a 1.75% yearly increase.

Trade jobs see 1.82% CAGR; durable mfg. employment up 1.72%. Construction predicted to have annual 1.68% rise over 1999-2025 horizon.

Government yearly employment growth rate is forecast to be 1.45%. Ag jobs will see a 1.32% annual increase; nondurable mfg. to rise 0.57%/yr. Mining to experience 0.28% annual decrease in workers during 1999-2025.

Volume 11, Number 6

Editorial prepared by
Texas Economic Publishers, Inc.
510 N. Valley Mills Dr.
STE 300
Waco, Texas 76710-6076
phone 254.751.7411
fax 254.751.7855
e-mail info@perrymangroup.com
www.perrymangroup.com

For subscription information
call 1.800.633.4931

© Copyright 2000

Texas Economic Publishers
is a division of
The Perryman Group



>>> **Forecast for major metropolitan statistical areas is positive.**

Real gross product (RGP or output) in the Austin-San Marcos MSA forecast to swell at an annual rate of 4.33% during the 1999-2025 horizon.
Real personal income (RPI) is expected to grow at a rate of 4.17% per year.

Austin wage & salary employment forecast to expand 2.41% yearly. The growth of retail sales expected to see 7.17% yearly pace through 2025. Retail sales is reported in nominal terms; part of growth is due to inflation. Population is forecast to have 2.20% CAGR; projected to reach 1.98 mln.

Dallas Primary Metropolitan Statistical Area has diverse economy.
RGP expected to expand at annual pace of 3.96% over 1999-2025 horizon. Real personal income will probably advance at a 4.06% rate per year. In 2025, RPI is forecast to be \$265.5 billion, measured in 1992 dollars.

Dallas employment will likely see 2.32% CAGR over forecast period. Retail sales is projected to expand at a 6.87% annual rate through 2025. Dallas PMSA population to reach 5.03 million by 2025, a 1.70% CAGR.

RGP for Fort Worth-Arlington PMSA to see 3.71% annual growth.
Number of workers to increase by 2.18% yearly, reaching 1.38 mln in 2025.

Real personal income will probably advance at 3.82% per year. By 2025, total expected to reach \$102.1 billion, measured in 1992 dollars. A 6.61% CAGR is forecast for retail sales over the long-term horizon. The Fort Worth-Arlington PMSA population should increase to 2.36 million. This gain over the long term represents a 1.48% annual pace of expansion.

The El Paso MSA is forecast to have 2.87% annual RGP growth.
Employment is projected to grow at a rate of 1.52% yearly through 2025. In 2025, RPI for El Paso MSA to be \$19.7 billion, measured in 1992 dollars. Compound annual growth rate for real personal income should be 2.60%.

El Paso retail sales expected to rise 5.51% annually through 2025. Population to see 1.68% CAGR, reaching 1.11 million over forecast period.

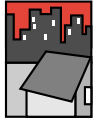
RGP should advance at a rate of 3.59% annually for Houston PMSA.
Wage & salary employment growth forecast to occur at a 2.11% yearly pace. Real personal income (by place of residence) will likely rise 3.68% annually. By end of forecast period, expected to reach \$280 billion in 1992 dollars.

Houston retail sales is forecast to rise at a 6.41% clip through 2025. Population to reach 5.99 million over long-term horizon, a 1.58% CAGR.

Prosperity of San Antonio due in part to trade enhanced by NAFTA.
The geographic location of the San Antonio MSA allows it to experience significant business links with Mexico and other major markets to the south.

RGP is expected to grow at an annual rate of 3.59% through 2025. Employment will likely expand at 2.18% annually over long-term horizon. Number of jobs should reach 1.38 million over the next quarter of a century.

Retail sales projected to grow annually at a 6.54% rate through 2025. Real personal income expected to near \$86.2 billion over 1999-2025 horizon. RPI compound annual growth rate over forecast period will likely be 3.74%.



>>> **Developments & expansions continue to boom across Texas:**

Wichita Falls: Wal-Mart opened two new supercenters in April. Around 600 workers at both locations (183,000 sq. ft. & 224,000 sq. ft.). Covercraft moves into old 83,000 sq. ft. Levi Strauss plant. Car cover manufacturer expects employment to reach 100 by year's end.

Plano: North Dallas suburb unveils major Porsche dealership. 45,000 sq. ft. facility, The Porsche Store, to tap into niche market in area.

Dallas: 1,200 to 1,500 hires for Abacus Communications LC. Operations underway at new 106,000 sq. ft. e-commerce service center.

Cedar Hill: Real estate and investment company plans facility. Robert Pattillo Properties Inc., to build 2,000,000 sq. ft. logistics center. Ground broken on new 320,000 sq. ft. retail shopping center. Plaza at Cedar Hill to house Old Navy, Hobby Lobby, Marshalls, & more.

Rockwall: Falcon Fine Wire Products Inc., to build new facility. 72,500 sq. ft. center will be located in the Rockwall Technology Park.

Austin: Call center for Charles Schwab & Co. Inc., opening. Ready in July, the facility is expected to employ 2,000 by the end of 2001.

Fredericksburg: Hill Country Memorial Hospital expanding. Spending \$7.7 mln to add 30,000 sq. ft., renovate existing 30,000 sq. ft.

El Paso: Financial firm to build 11,330 sq. ft. offices downtown. Morgan Stanley Dean Witter to eventually add 20 to current staff of 30. Furr's Supermarket Inc., building 55,000 sq. ft. New Plaza Market. Added features like photo finishing, video rental for new concept store.

Eagle Pass: 66-room Holiday Inn Express Hotel and Suites opens. New facility will feature 100-capacity meeting room and a fitness center.

Lubbock: Incentives allow expansion of three local companies. Trailer maker Westex Manufacturing creating 92 jobs at new operation. Other firm expansions are TechTel (72 jobs), iwantacar.com (65 jobs).

Mercedes: Construction set on South Texas Factory Outlet Mall. 200,000 sq. ft. center to earn city an estimate of \$1 mln annual sales tax.

McAllen: Rudolph Miles & Sons Inc., opens new warehouse. 126,000 sq. ft. distribution center is located in Sharyland Business Park. Panasonic breaks ground on new facility in business park. 119,000 sq. ft. warehouse to cost \$3.2 million. Creates 120 positions.

Houston: Metro One Telecommunications, Inc., creates 300 jobs. Another call center, Houston Community Call Center, L.P., hiring 350.

Tyler: The Home Depot locating a store in city this November. Home improvement retailer to hire about 150 for 129,923 sq. ft. facility.

Athens: Upgrades planned for East Texas Medical Center Athens. Total cost \$10 mln. Adding 45,000 sq. ft. of new medical office buildings.



>>> **Toxic Release Index (TRI) shows TX environment improving.**

Texas Public Policy Foundation reports Lone Star State findings. Twenty-five percent of the oil refining capacity of the US is located in Texas. State has sixty percent of nation's entire petrochemical production capacity. Even so, Texas has experienced a 44% decline in toxic releases from '95-'97.

From 1995-1997, sulfur dioxide emissions in TX fell 17.1 percent. Emissions for the United States as a whole rose 11% over these years. Texas carbon monoxide emissions decreased some 12% for this period, while the United States saw a 5.1% decline in carbon monoxide emissions. Nitrogen oxide emissions decreased 23.6% in Texas; rose 8.2% nationally. Texas expected to record further decline for '98-'99 in Toxic Release Index.

Emissions of volatile organic compounds (main precursor of ozone), decreased 43.2% in Texas, while falling just 16% for total United States. The only criteria pollutant where Texas lagged behind US was particulates. US experienced 21.2% drop; particulates emissions in TX fell only 11.9%.

TX is 7th in surface water acreage among contiguous US states.

The Lone Star State has about 191,228 miles of rivers and streams. Three-quarters of them are frequently dry during some portions of the year. Of those studied, 69% rated as fully supporting all water classification uses. (Various classifications are identified as fishing, swimming, and drinking.) Fifty-state average for "fully supportive" of all water classifications is 55%.

Interested in taking a long-term look at Texas developments?

The Perryman Long-Term Forecast (1999-2025) is now available. The annual publication contains highly significant economic outlook data. Focuses on US, TX, state's major metros, 10 economic regions, & more. For information on how to obtain a copy, please call us: 254.751.9595.

Yours very truly,

The Perryman Texas Editors

THE PERRYMAN TEXAS EDITORS

Editorial Advisor: M. Ray Perryman, Editor: Nancy Cunningham

Contributors: Eugene Baker and Nancy Risinger

Editorial Assistant: Karen Smith, Research Assistants: Elodia Cavazos and Wendy Leighty

The Perryman Texas Letter (ISSN 1052-5254) is published monthly by Texas Economic Publishers, Inc.

For editorial questions or for information about corporate services, economic forecasts, and other reports, call 1.800.749.8705.

You can also e-mail us at info@perrymangroup.com.

Visit our Internet site at www.perrymangroup.com.

For subscription information, call 1.800.633.4931.

POSTMASTER: Send address changes to Texas Economic Publishers, Inc.
PO Box 24168, Waco, TX 76702-4168.



Texas Economic Publishers, Inc.
PO Box 24168
Waco, TX 76702-4168

ADDRESS SERVICE REQUESTED

First-Class Mail
U.S. Postage Paid
Waco, TX
Permit #455