



Federal Reserve
Bank of Dallas

**Texas Economic Outlook:
Despite COVID Waves and Ukraine War, Economy on
Track for Strong Growth in 2022**

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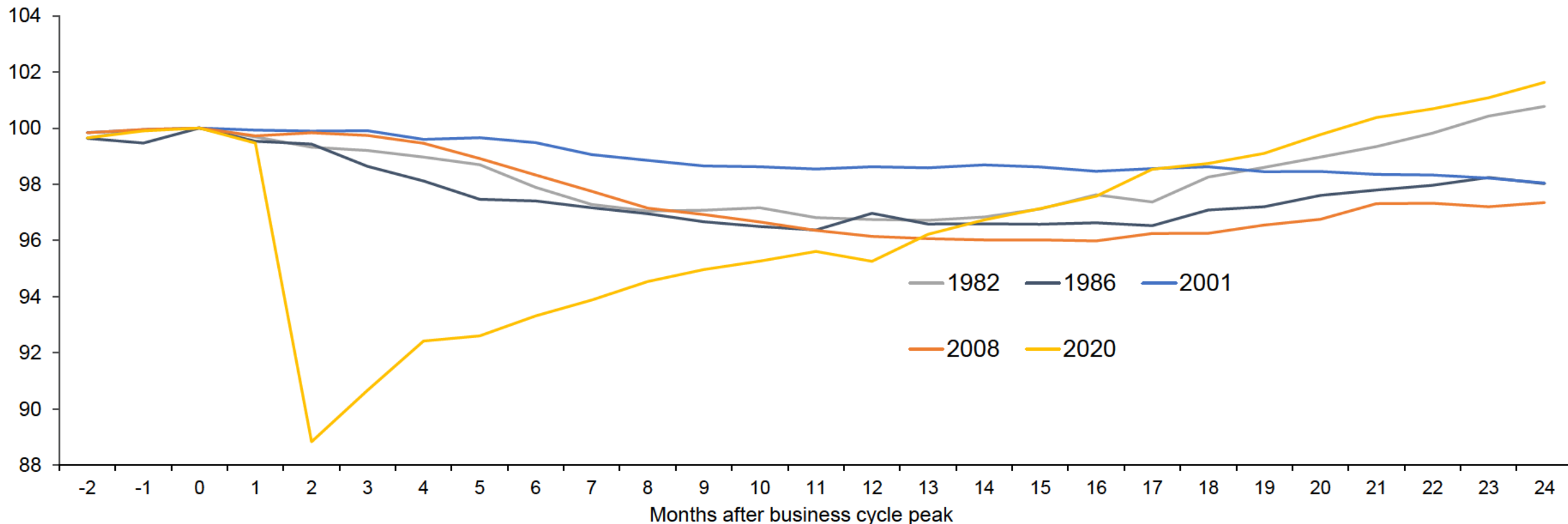
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Overview

- Texas economy saw significant shock with COVID-19:
 - In Texas, pandemic initially destroyed 1.4 million Texas jobs but these have all been recovered while U.S. employment remains below pre-pandemic levels.
- Recovery has not been uniform across industries, and many sectors have yet to catch back up.
- Texas economy currently in expansion, growing faster than nation.
- Despite overall positive outlook for 2022, downside risks for the state and national economy remain:
 - Continued supply chain disruptions due to war in Ukraine, international COVID-related shutdowns
 - Tightness in labor markets
 - High rate of inflation and policy response

This recession stands apart from others: much sharper, shorter-lived decline and steeper recovery

% of peak employment

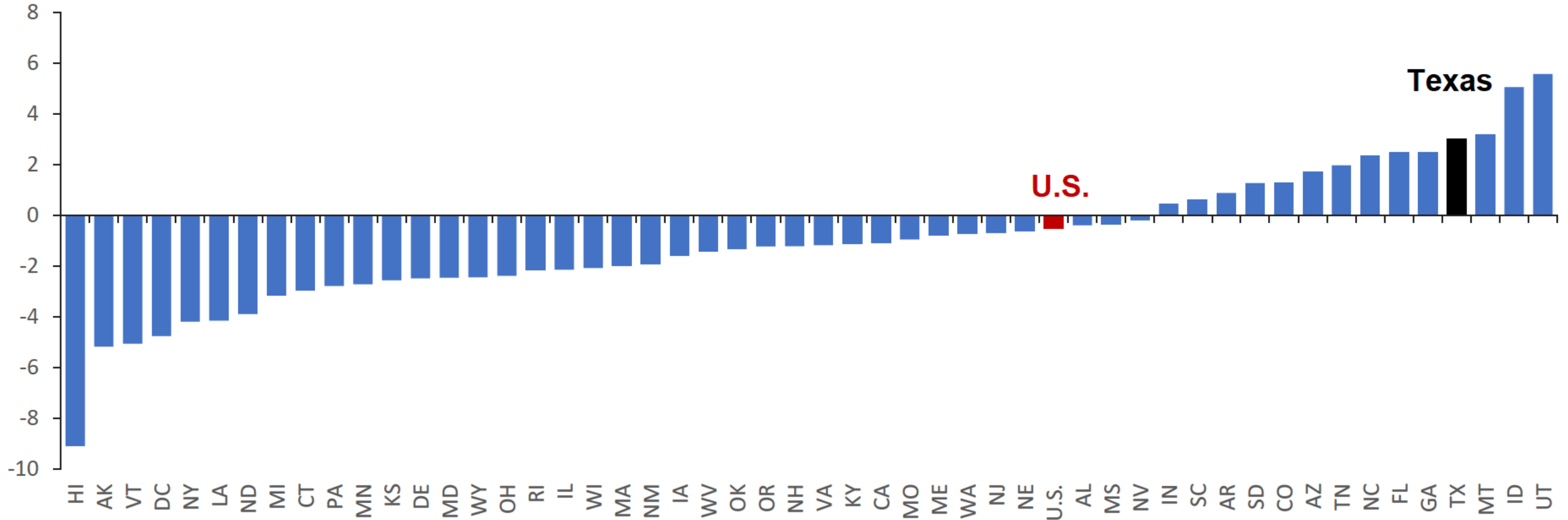


NOTES: Shown is Texas nonfarm payroll employment. Recessions are indexed to on peak employment: March 1982, January 1986, March 2001, August 2008, and February 2020.

SOURCE: BLS.

Texas one of fourteen states that have regained pre-pandemic employment levels

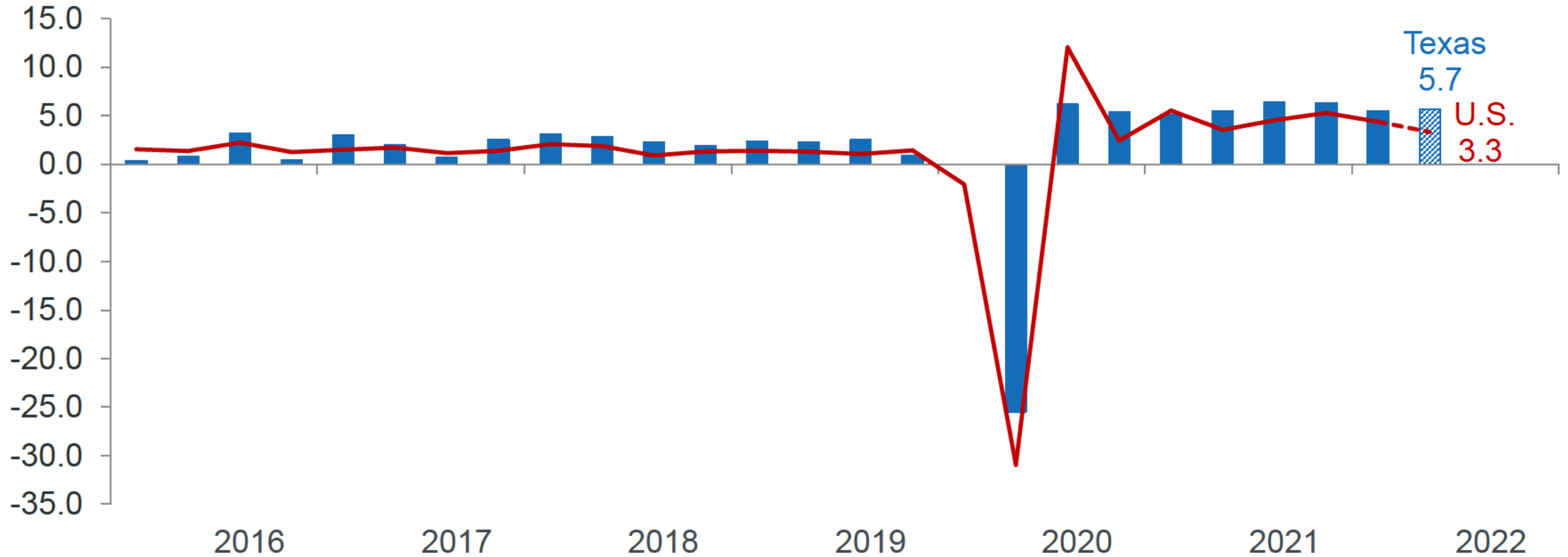
Job growth (percent), May 2022/Feb 2020, SA



NOTES: Data show non-annualized job growth since beginning of pandemic. Texas data are not early benchmarked to allow comparison across states.
 SOURCES: Bureau of Labor Statistics.

Texas Job Growth Strong in 2nd Quarter 2022

Job growth (percent), quarter/quarter*



*Seasonally adjusted, annualized rate. Partial quarter data is represented with a shaded bar/dashed line.

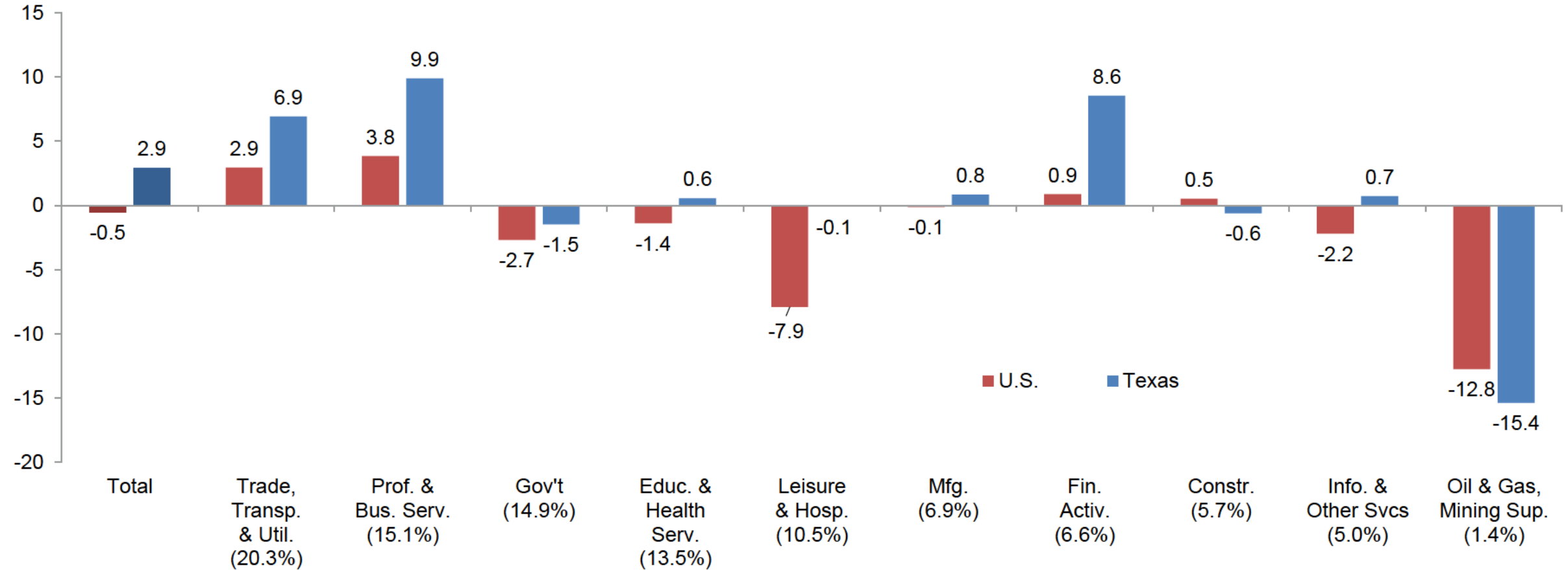
NOTE: Last data points are annualized job growth for Texas (May 2022/Mar. 2022) and U.S. (May 2022/Mar. 2022).

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

DATA: <https://www.dallasfed.org/research/econdata/tae000000.aspx>

Texas employment faring better than U.S. across most industries

Job growth May 2022/Feb. 2020 (percent)

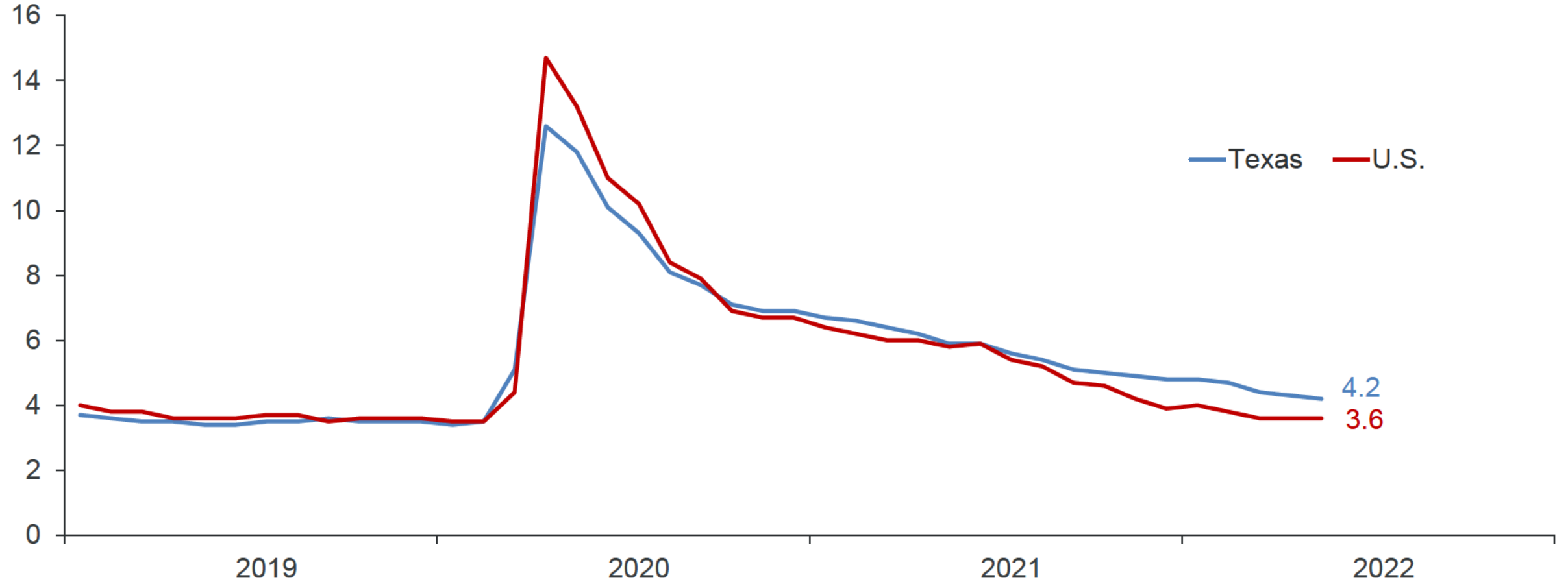


NOTE: Data show May 2022/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment for March.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

Texas unemployment rate declining but still elevated compared to U.S. rate

Unemployment rate, percent, SA

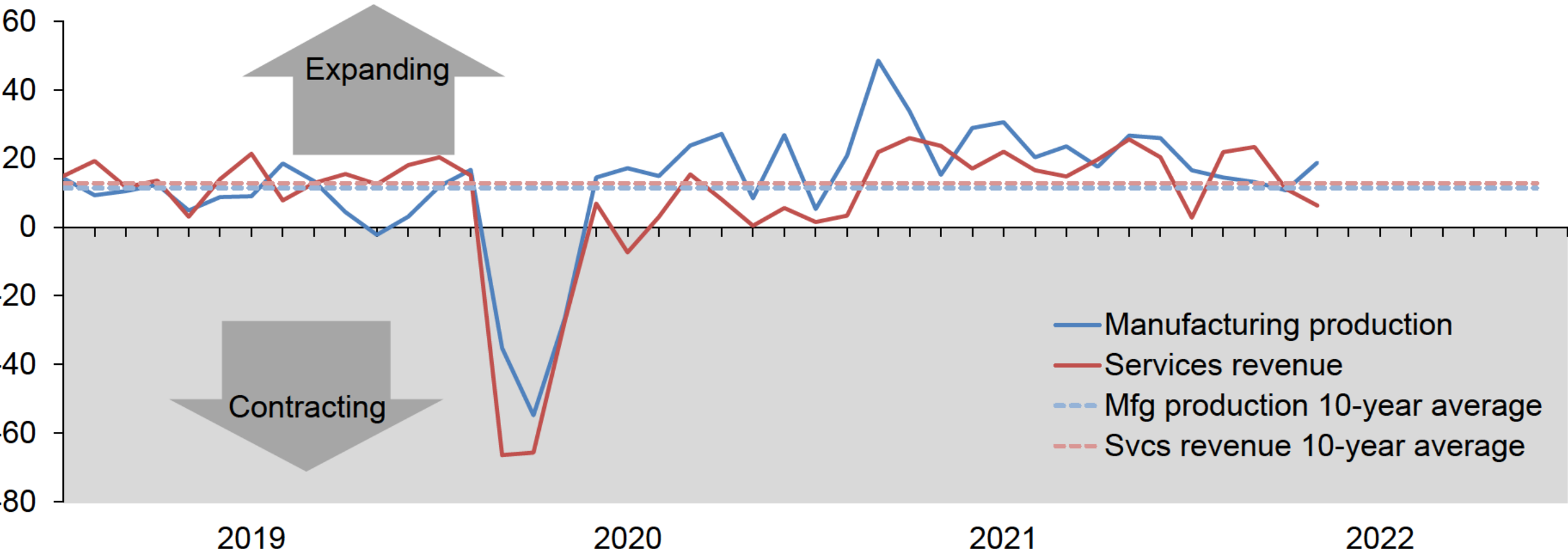


NOTE: Texas and U.S. data through May 2022.

SOURCE: Bureau of Labor Statistics.

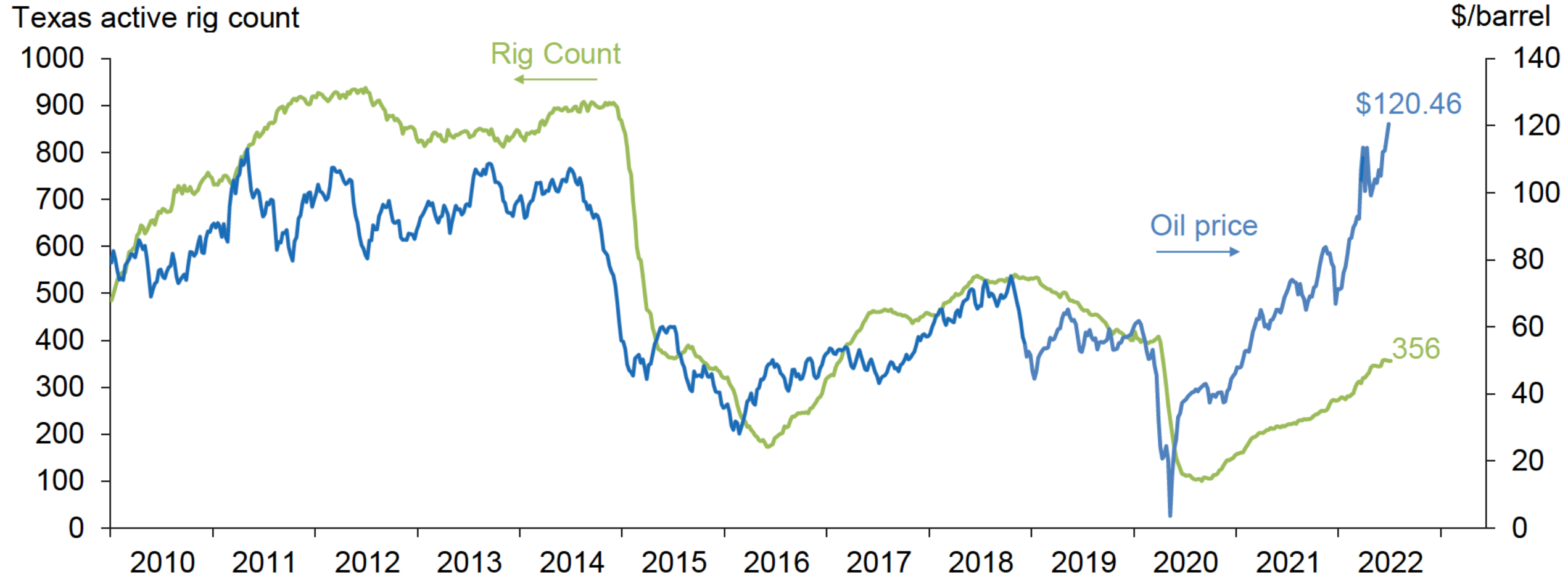
Manufacturing output remains robust, services revenue growth moderating from last year's above-average pace

Diffusion Index, SA



NOTE: Data through May 2022.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Survey

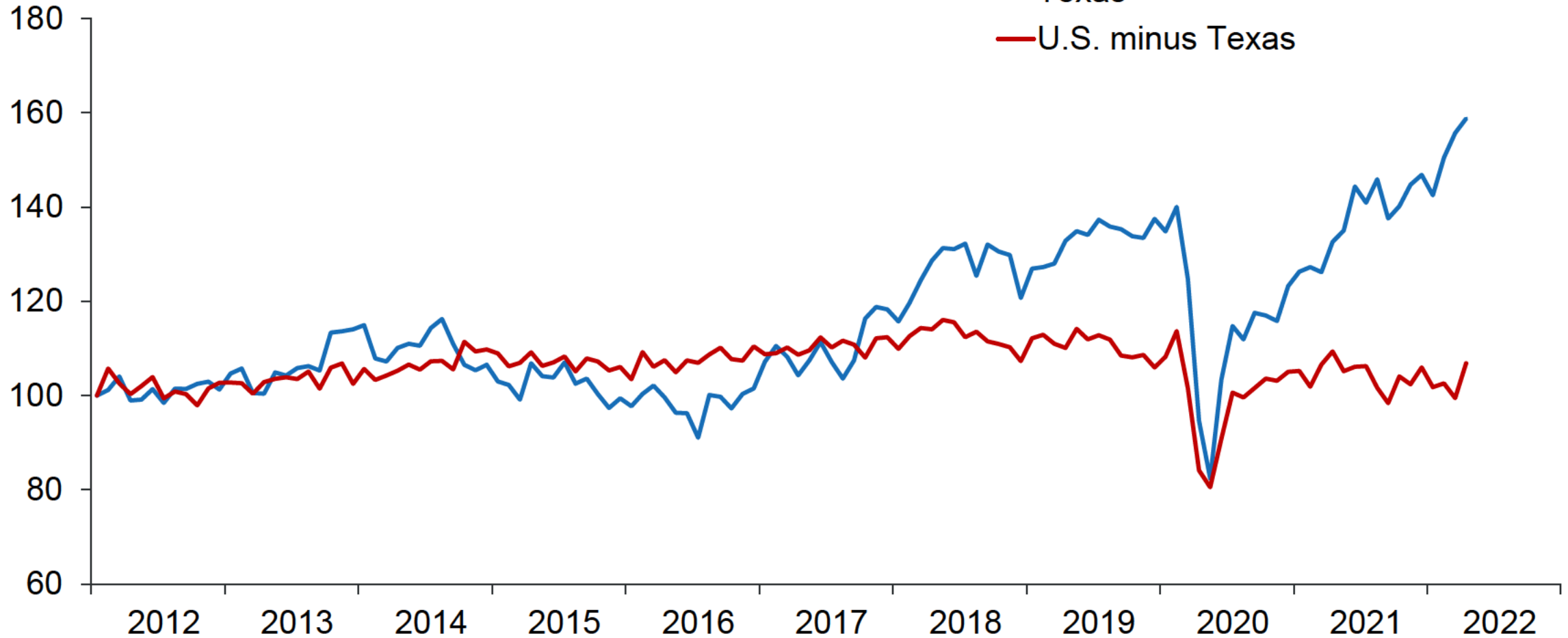
Drilling activity slow to rise despite soaring oil price



NOTES: Data is weekly through June 10th, 2022.
SOURCES: Oil and Gas Journal; Baker Hughes, EIA.

Texas exports picked up to new high in April

Index, Jan. 2008=100*

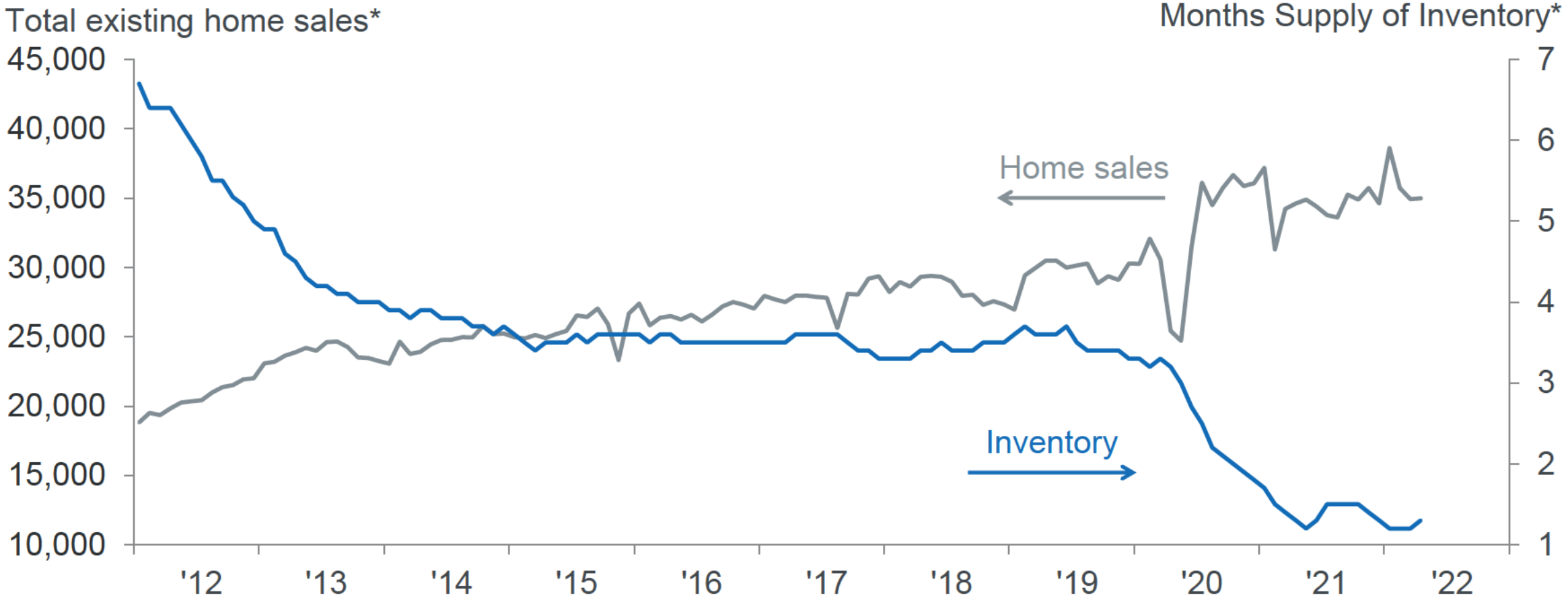


*Seasonally adjusted, real dollars.

NOTE: Data through April 2022.

SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by FRB Dallas.

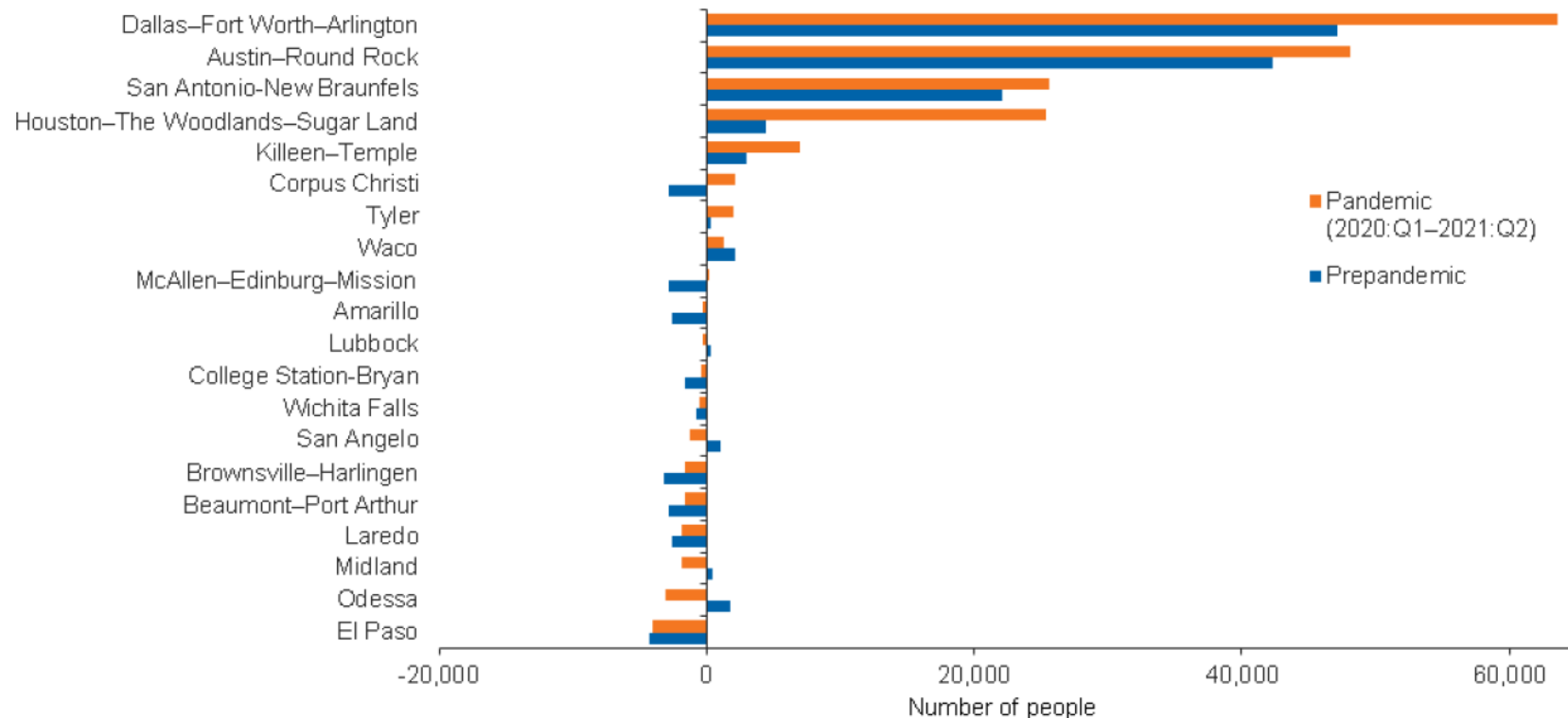
Texas home sales remain elevated as inventories near record lows



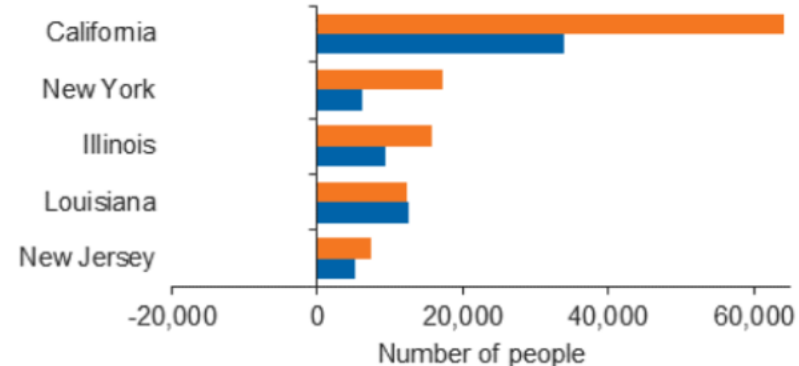
*Seasonally adjusted.
NOTE: Data through Apr. 2022.
SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.

All major Texas metros see accelerating in-migration relative to pre-pandemic rates

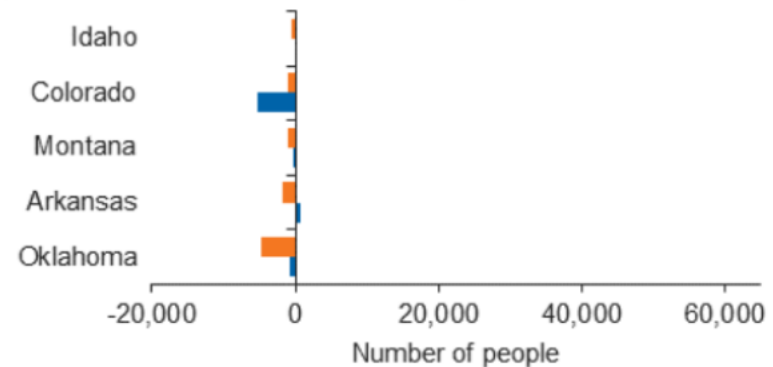
Four Largest Texas Metros Dominate as Migration Destinations



Top Source States of Inbound Immigrants



Top Destination States of Outbound Migrants



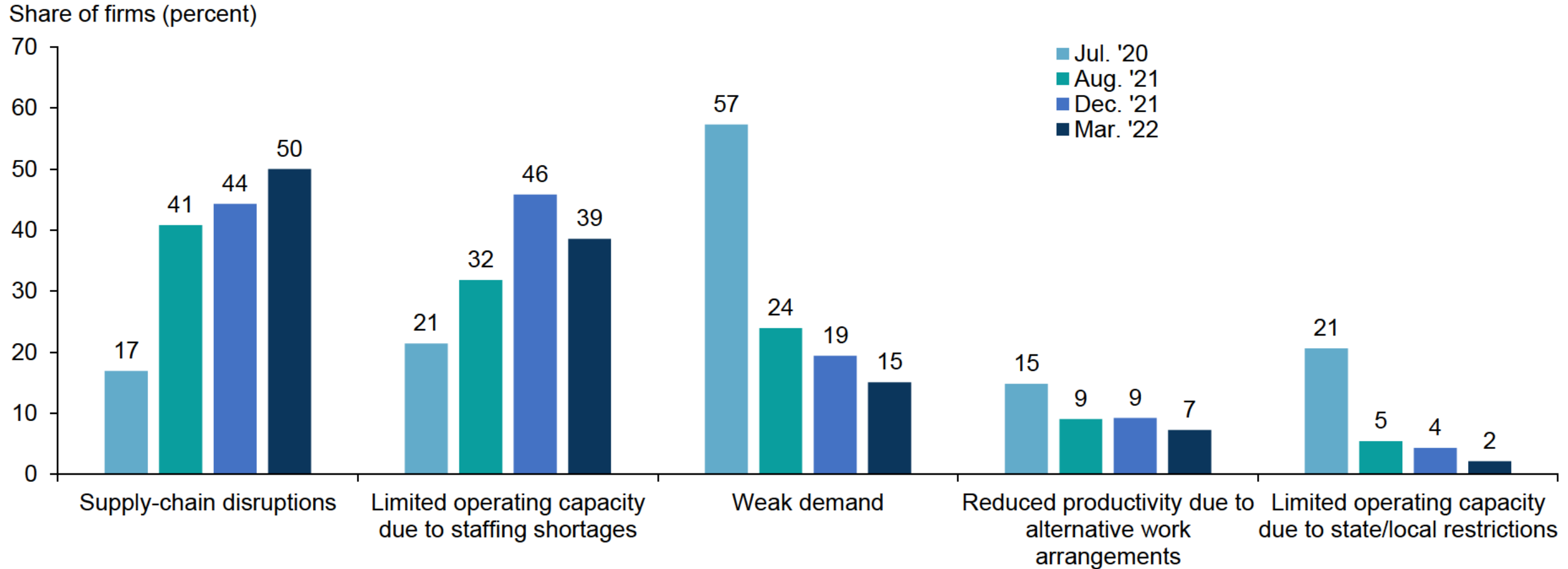
NOTES: Data shown are net in-migration (out-migration) figures for Texas metros. Residents living in micropolitan areas or rural areas are dropped due to the quality or the geocoding in the data.

SOURCE: Federal Reserve Bank of New York Consumer Credit Panel/Equifax.

Federal Reserve Bank of Dallas

[Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic - Dallasfed.org](https://dallasfed.org), by Wenli Li and Yichen Su

Supply chain disruptions and staffing shortages are firms' top revenue constraints



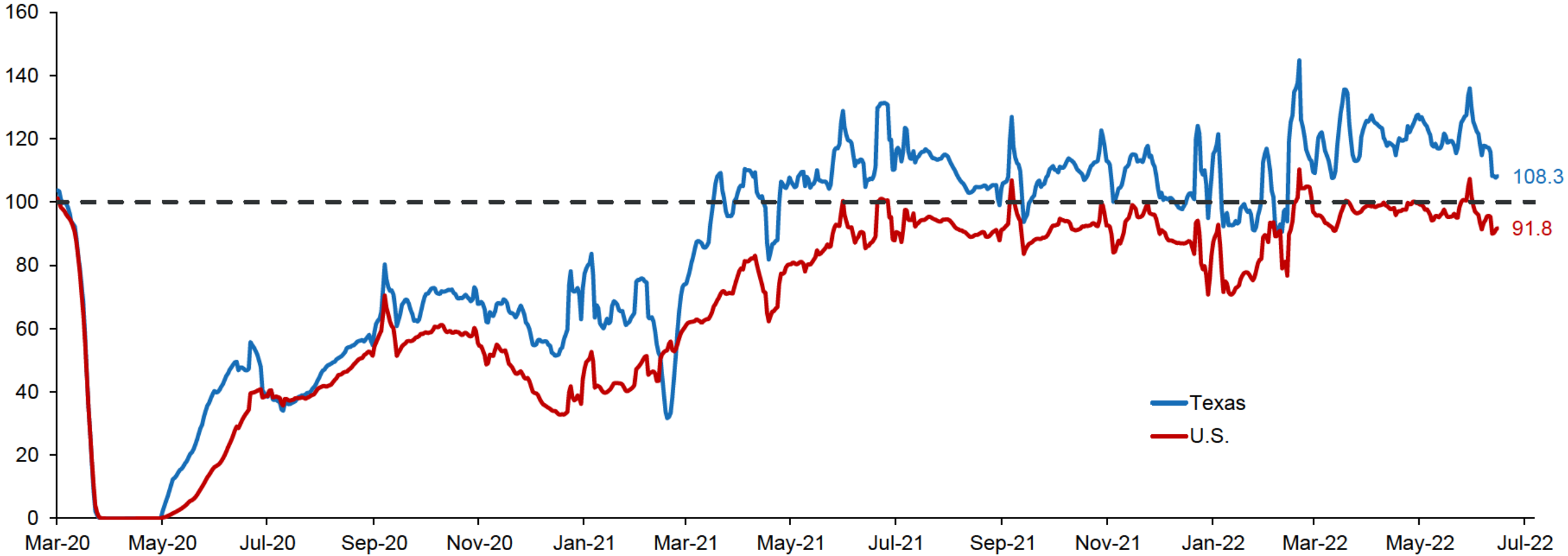
NOTES: Respondents were asked to select up to three primary factors restraining revenues.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

High-Frequency Data

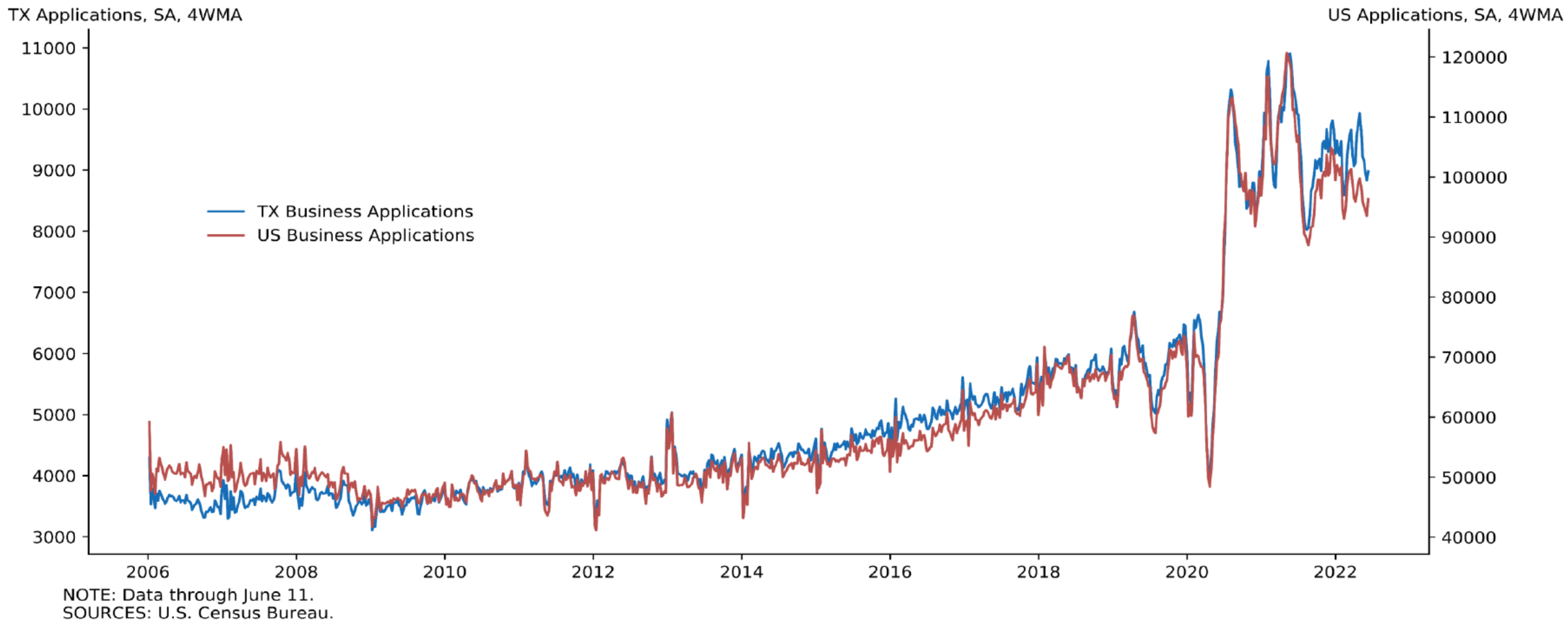
Texas restaurant reservations remain above pre-pandemic levels

% of 2019, 7dma



NOTES: Dining out data up to June 15, 2022.
SOURCES: OpenTable.

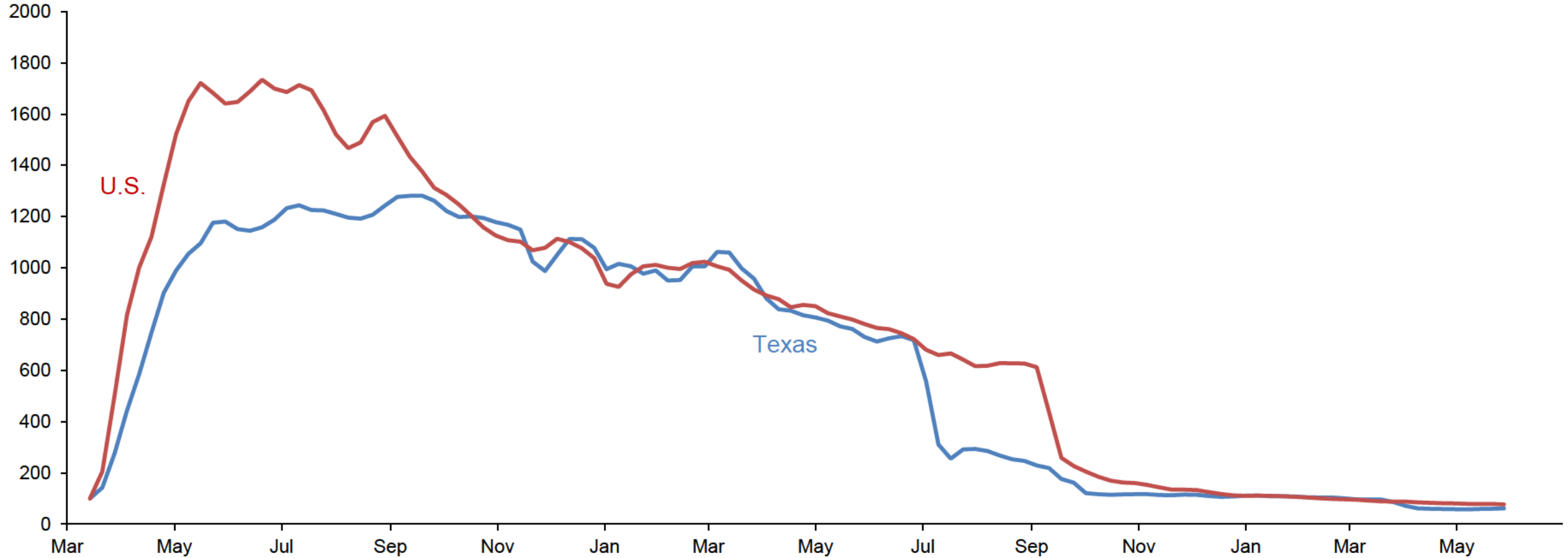
New business applications increased sharply during the pandemic, remain elevated



Total jobless claims below pre-pandemic level in Texas

Total claims, state and federal (initial and continuing)

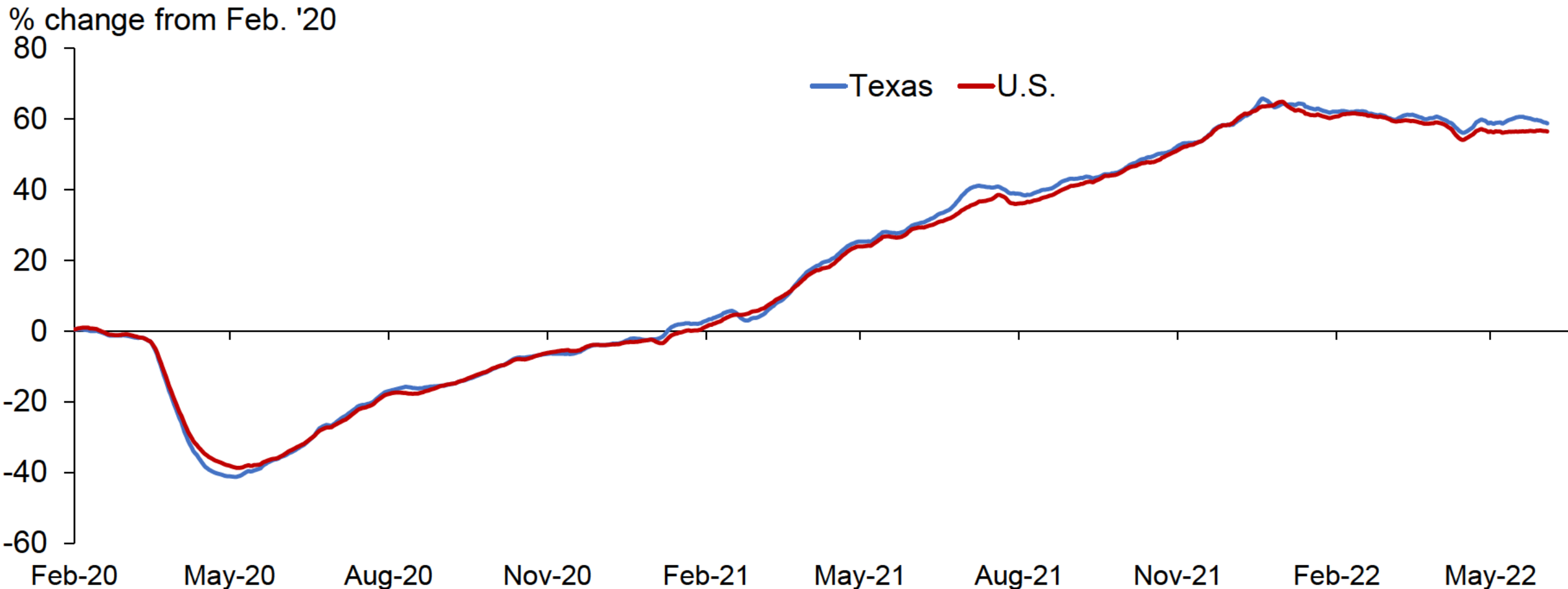
2 week moving average, Index, second week of March = 100



NOTES: Unemployment claims data through the week ending May 28 and include state UI and federal PUA, PEUC and EB when available.

SOURCES: Department of Labor.

Texas job postings edge up in May, remain well above pre-pandemic levels

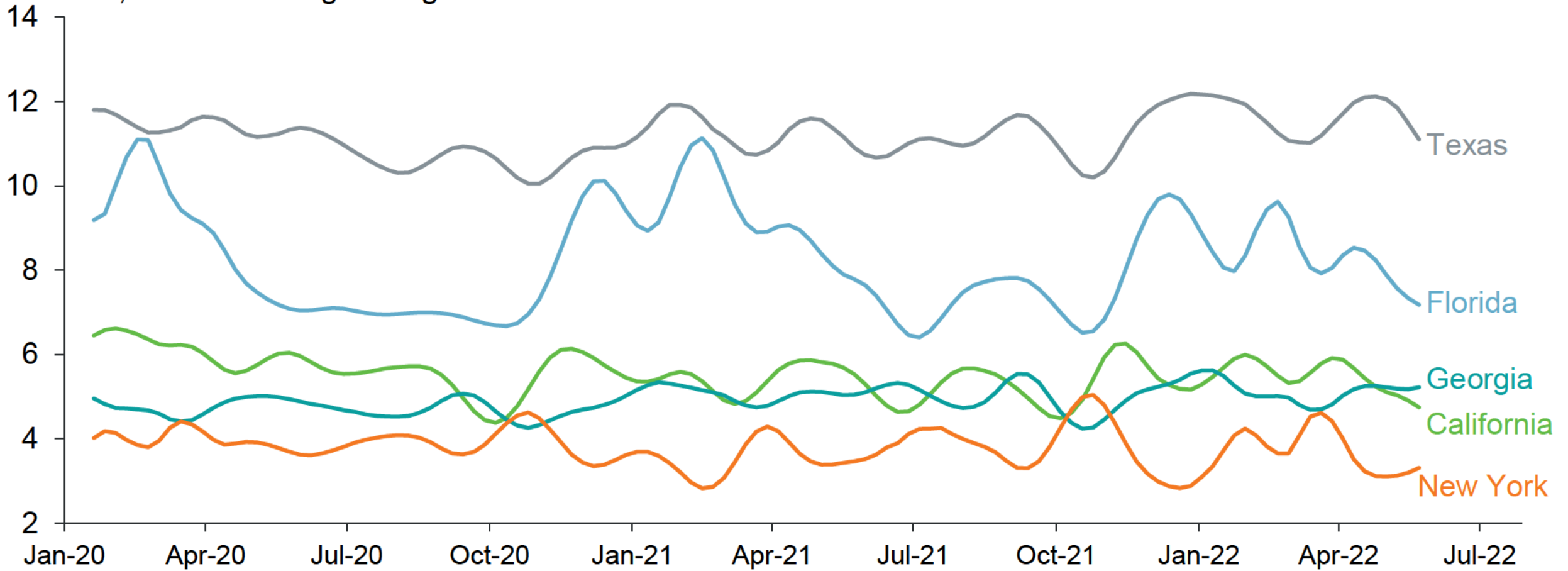


NOTE: U.S. and Texas data daily through June 3, 2022.

SOURCE: Indeed.

Inter-State movers still favor Texas: Share of home switchers by destination (net)

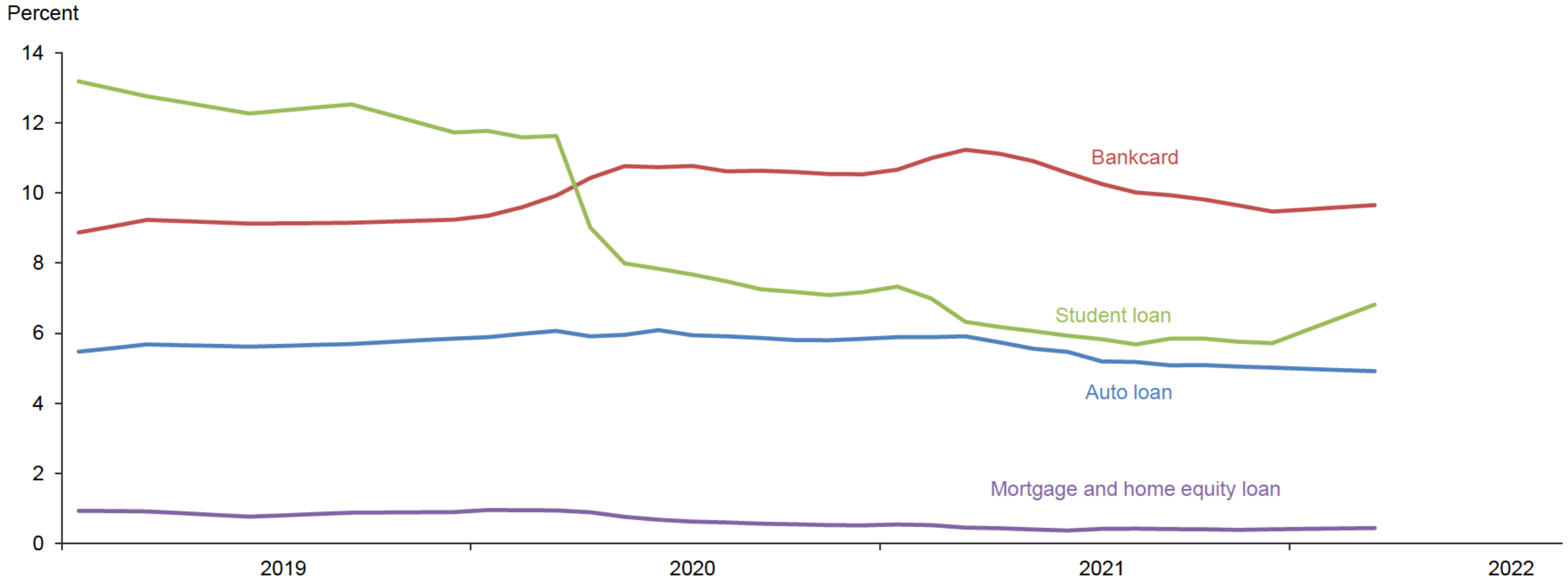
Percent, 4-week moving average



NOTE: Data through the week of May 24, 2022. Data are shown as year-over-year change in relocations by state.

SOURCE: Cuebiq.

Texas borrower still looks healthy on average: Loan delinquencies are mostly flat

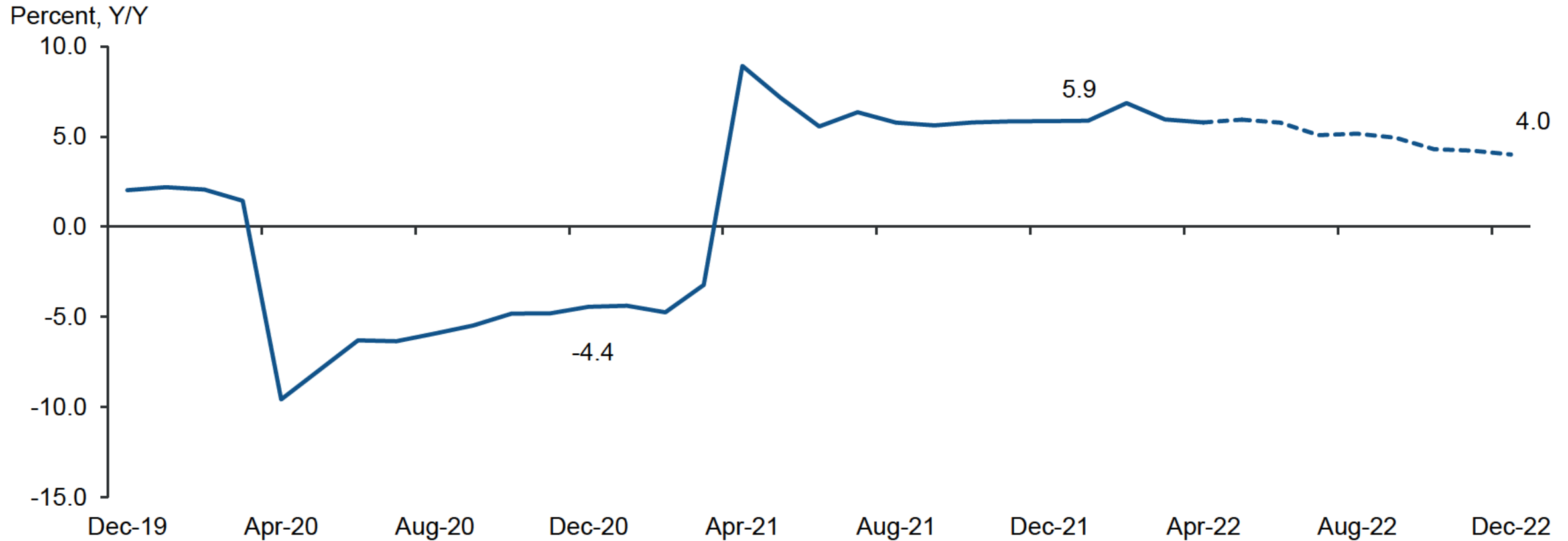


NOTES: Seriously delinquent loans (90+ days). Data through March 2022.

SOURCE: FRBNY Consumer Credit Panel.

Outlook

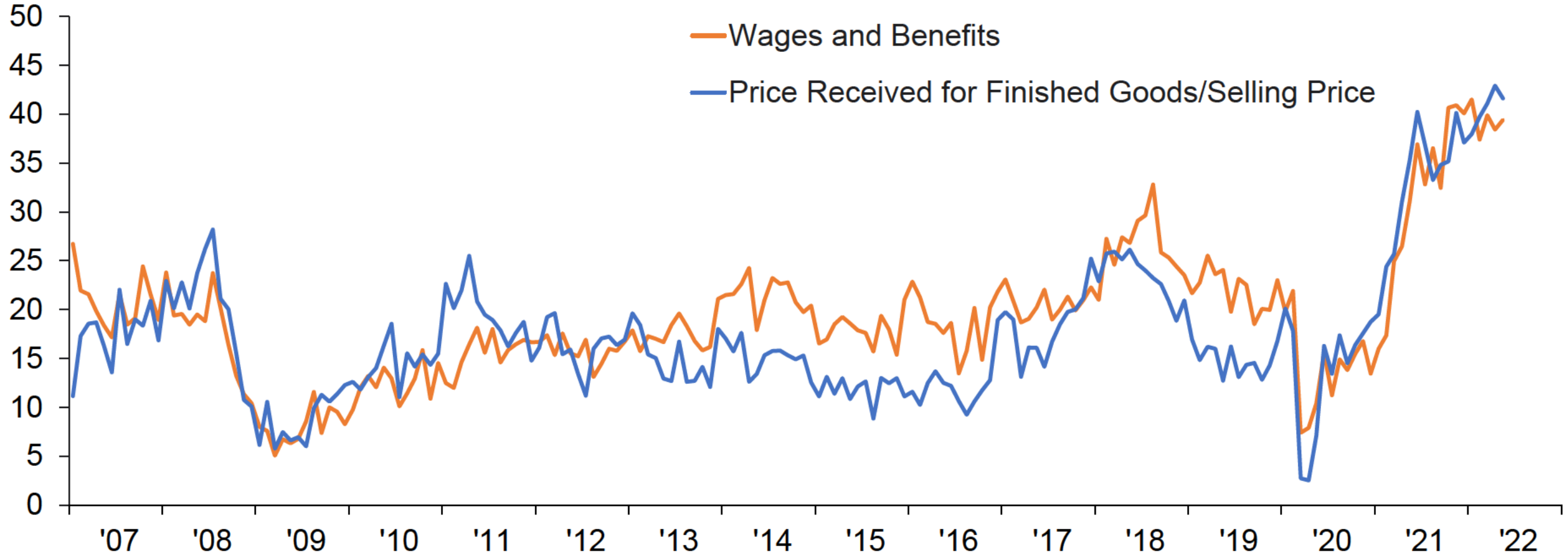
Dallas Fed 2022 Texas jobs forecast rises to 4.0 percent; 2021 employment grew 5.9 percent



NOTE: Forecast scenario estimates for 2022 Texas payroll employment are based on IHME monthly hospitalization projections for COVID-19 in Texas, direct COVID-19 impacts in March-June 2020, US GDP growth estimates for 2022, and WTI prices following the futures contract curve as of 6/17/22.

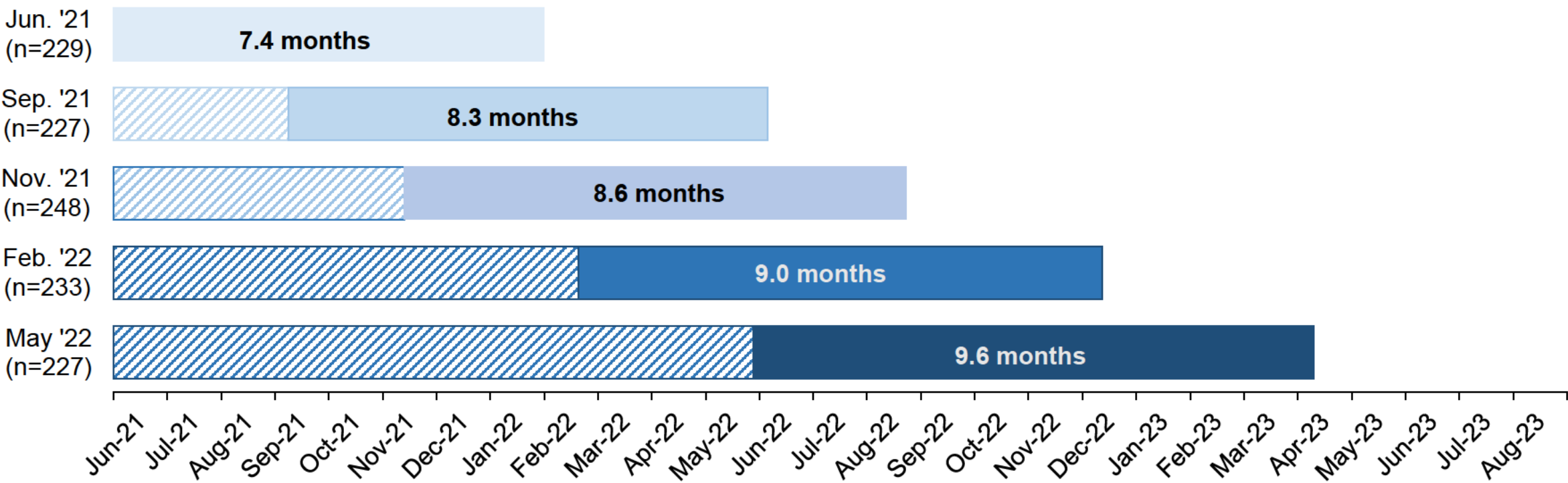
Share of Texas firms raising prices near record; share raising wages remains elevated

Percent Reporting Increase



NOTE: Percent reporting increase was constructed by weighing the respective component of TMOS, TSSOS, and TROS according to GDP shares. Data through May 2022.
SOURCE: Texas Business Outlook Surveys, Federal Reserve Bank of Dallas.

Timeline for supply-chain normalization continually delayed since last year

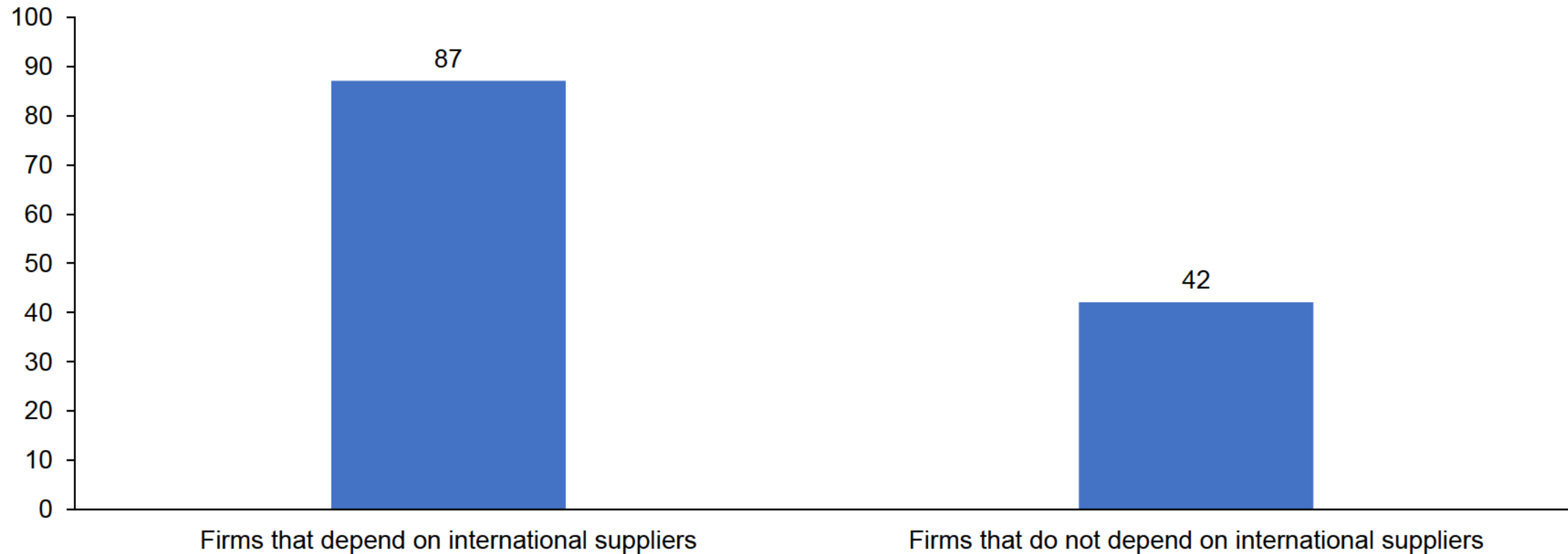


NOTES: Results are shown as a weighted average of responses to the question "When do you expect your supply chain to return to normal?", with the survey vintage shown on the vertical axis and the patterned bars representing the intervening time between each survey.

SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

Supply-chain disruptions far more prevalent among firms dependent on international suppliers

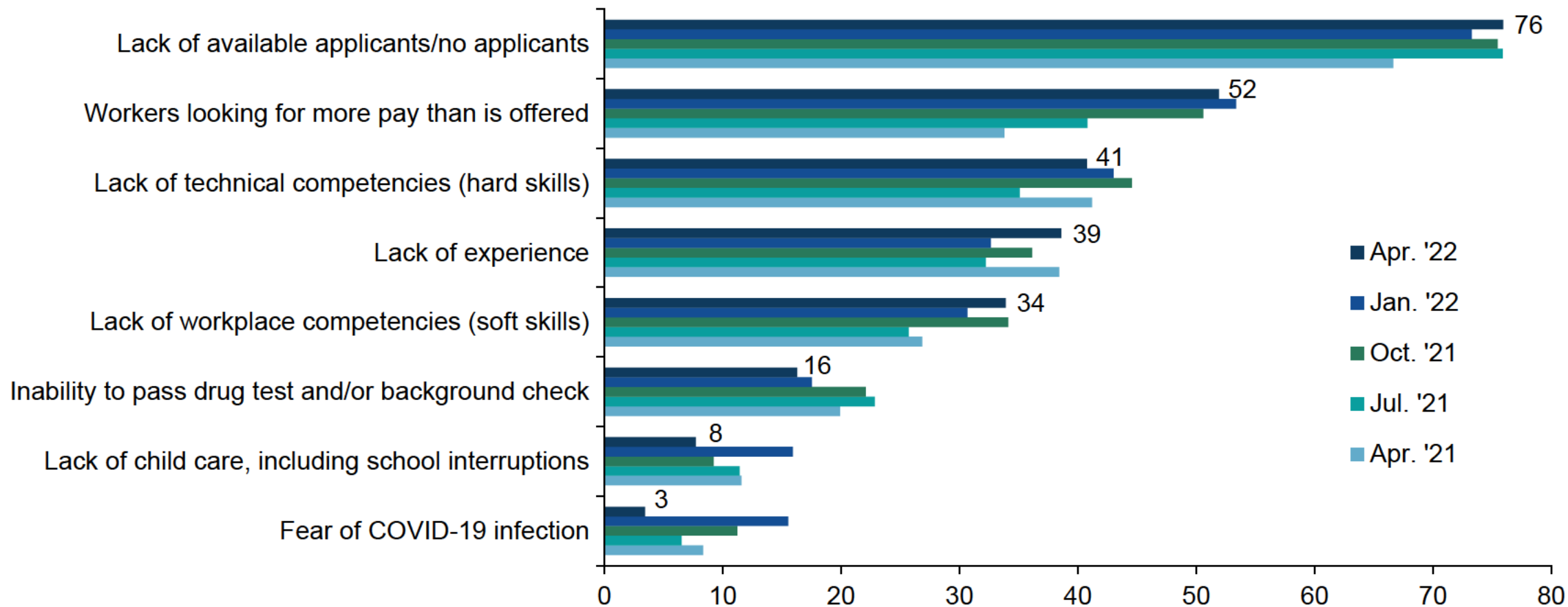
Share of firms experiencing supply-chain disruptions (percent)



NOTES: Data from May 2022. Firms were asked, "Are you currently experiencing any supply-chain disruptions or delays?" and the data was sorted based on answers so the question, "Does your supply chain depend on international suppliers? Please include both direct and indirect linkages."

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Lack of applicants tops list of hiring impediments

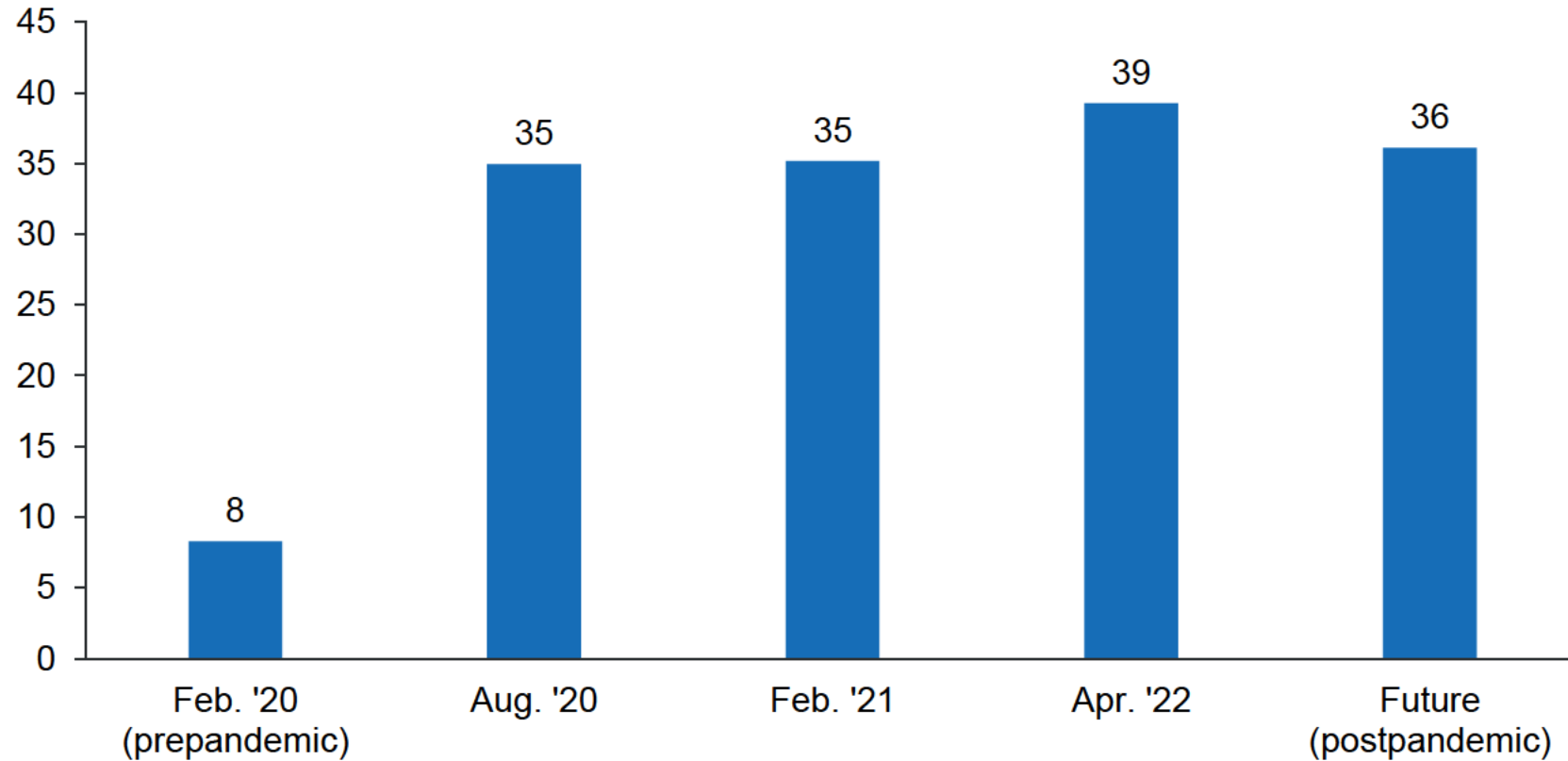


NOTES: Respondents were asked, "Are there any impediments to hiring or recalling workers? Please select all that apply."

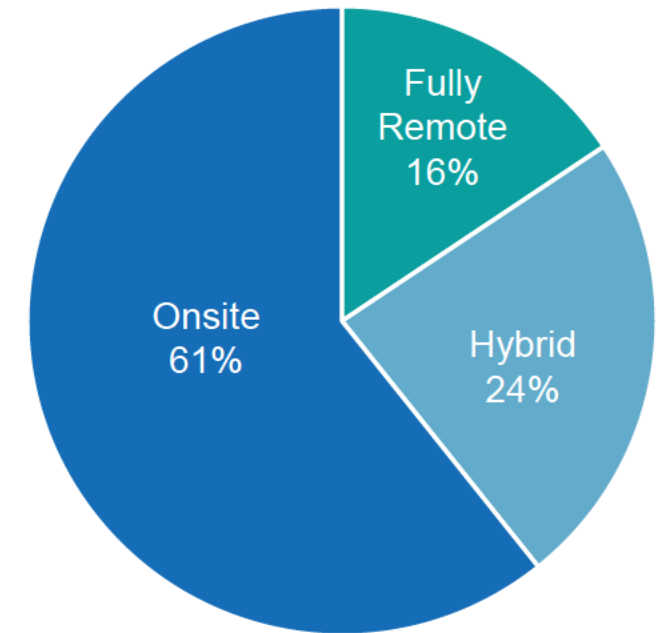
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

More than a third of employees working remotely, expectations for remote arrangements to continue in future

Share of employees working remotely (percent)



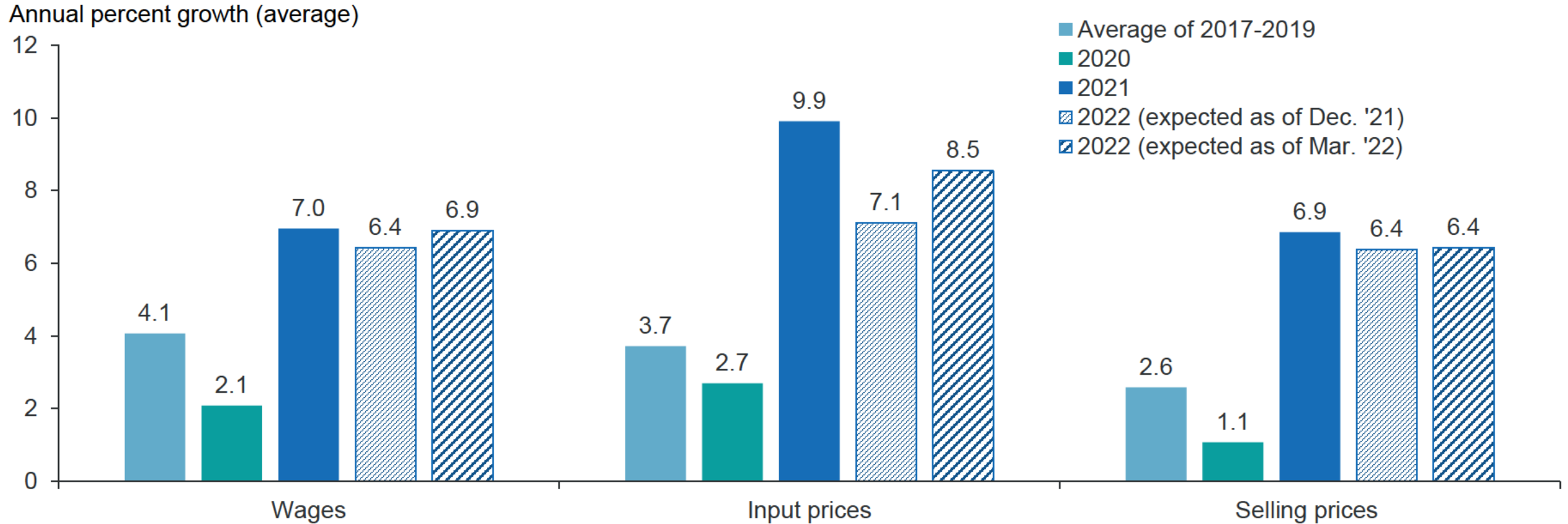
Work arrangements as of Apr. '22 (average across firms)



NOTE: Firms were asked, "What share of your employees were working remotely in February 2020 (pre-COVID-19), and what share are currently working remotely? What share do you expect to work remotely after the pandemic ends?" Shown are averages among responding firms.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Wage and price pressures surged in 2021 and are expected to remain elevated in 2022



NOTES: Respondents were asked about annual percent changes in wages, input prices and selling prices at their firm for the prior year as well as expectations for the year ahead. Values are trimmed means with the lowest and highest 5 percent of responses omitted.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Summary

- Texas economy continuing recovery from COVID-19 shock, though uneven across industries.
- As direct COVID shocks have lessened in 2022, indirect effects of labor shortages and supply-chain disruptions have become more prevalent.
- Texas economy forecast to grow more slowly in 2022 than in 2021, but still well above trend.
 - Supply-chain disruptions and labor shortages expected to be a continued drag on growth.
 - Inflation is running high, and expectations are for price pressures to remain elevated through 2022.

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