Trends in the Texas Regional Economy

Summer Professional Development
International Marketplace
The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.
The National Economy
Unemployment Rate

Percent

Unemployment rate, May 2022 = 3.6
SEP longer run projection, May 2022 = 4.0
CBO estimate of natural rate, Q2 2022 = 4.4

SOURCES: Bureau of Labor Statistics; Federal Reserve Board.
PCE Inflation

Percent


12-month headline PCE
12-month core PCE
12-month trimmed mean PCE

SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.
The Regional Economy
Texas Economy

Texas produces 9 percent of U.S. GDP, second only to California.

Texas has a large and diverse workforce made up of 14 million workers.

Texas is younger and faster growing than the nation.
Overview of the Texas Economy

• The Texas economy has recovered strongly since the COVID-19 pandemic
  • Pandemic initially destroyed 1.4 million Texas jobs; all jobs were recovered by December 2021
    • Houston recovered in April 2022
  • Manufacturing output continues robust recovery, while growth in the service sector is slowing
  • Unemployment rate declined sharply since April 2020 peak, is 4.2 percent as of May 2022
    • The Dallas Fed’s Texas employment forecast predicts 2022 employment to grow 4.0 percent
Texas Job Growth Above U.S. So Far in 2022

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


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

DATA: https://www.dallasfed.org/research/recondata/tae000000.aspx
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).
DATA: https://www.dallasfed.org/research/econdata/tadd000000.aspx
Texas & Houston Have Recovered From Pandemic Job Losses

Index, February 2020 = 100

- Texas (ex Houston; 103.2)
- Houston (100.2)
- U.S. (ex Texas; 98.9)

NOTE: Dashed lines are based on the Bureau of Labor Statistics' annual benchmark (released in March 2022) using administrative data for third quarter 2021. Solid lines are data based on the Dallas Fed's quarterly early benchmark update using administrative data for fourth quarter 2021.
Texas Outpacing U.S. So Far in 2022

Job growth (percent)*

- Texas (May 2022/Dec. 2021)

<table>
<thead>
<tr>
<th>Category</th>
<th>U.S.</th>
<th>Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Trade, Transp. &amp; Util. (20.2%)</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv. (14.8%)</td>
<td>4.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Gov't</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Educ. &amp; Health Serv. (13.4%)</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Leisure &amp; Hosp. (10.6%)</td>
<td>8.7</td>
<td>10.2</td>
</tr>
<tr>
<td>Mfg. (6.9%)</td>
<td>4.1</td>
<td>6.5</td>
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<tr>
<td>Fin. Activ. (6.6%)</td>
<td>2.3</td>
<td></td>
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<tr>
<td>Constr. (5.8%)</td>
<td>3.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Info. &amp; Other Serv. (5.0%)</td>
<td>3.5</td>
<td>7.0</td>
</tr>
<tr>
<td>Oil &amp; Gas, Mining Sup. (1.4%)</td>
<td>18.0</td>
<td>19.1</td>
</tr>
</tbody>
</table>

*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment for most recent monthly data.

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

Job Growth Broad-Based Across Texas Industries

Job growth (percent), Dec./Dec.*

- Total 5.6
- Trade, Trans. & Util. (20.2%)
- Prof. & Bus. Serv. (15.2%)
- Gov't (14.8%)
- Educ. & Health Serv. (13.4%)
- Leisure & Hosp. (10.6%)
- Mfg. (6.9%)
- Fin. Act. (6.6%)
- Constr. (5.8%)
- Info. & Other Serv. (5.0%)
- Oil & Gas Extract. & Mining Sup. (1.4%)

*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment for most recent monthly data.

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

Year-to-date Job Growth Strongest in Dallas & Fort Worth

*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for most recent monthly data.

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

DATA: https://www.dallasfed.org/research/econdata/tx-emp.aspx#tab3
Payroll Growth and Recovery Continues Across Most Major Metros

*Seasonally adjusted.

NOTE: Numbers in parentheses refer to the share of May 2022 Texas employment.
In Houston, Services Continue to Lead Recovery & Mining Job Growth Soars

Employment by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Feb. 2020 to April 2022</th>
<th>Dec. 2021 to April 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade, transp &amp; utilities (20.7%)</td>
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<td></td>
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<tr>
<td>Professional &amp; business svc (16.4%)</td>
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<td></td>
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<tr>
<td>Government (13.4%)</td>
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<td></td>
</tr>
<tr>
<td>Education &amp; health services (13.3%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leisure &amp; hospitality (10.4%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing (6.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction (6.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial activities (5.5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other services (3.5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining &amp; logging (2.0%)</td>
<td>-18.0</td>
<td>18.5</td>
</tr>
</tbody>
</table>

NOTE: The chart shows the percent change in payroll jobs by sector since February 2020 and the annualized year-to-date percent change by sector for April 2022. Numbers in parentheses represent the share of total employment in April 2022 and may not sum to 100 due to rounding.

Texas & Houston Unemployment Rate Trending Down, but Above U.S. Level

Unemployment Rate

Percent

Houston (4.6)  
Texas (4.3)  
U.S. (3.6)  

Thousands of people


Federal Reserve Bank of Dallas
Texas Initial Unemployment Claims Rising; Remains Below Pre-Pandemic Levels

Weekly claims, indexed Jan. 2000 = 100

*Seasonally adjusted.
NOTE: Data through the week ending Jun. 11, 2022.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.
Texans’ Wages are Up Significantly Since 2020

Texas Business Outlook Surveys’ Wages and Benefits Indexes

*Seasonally adjusted, three-month moving average.

NOTE: TMOS is the Texas Manufacturing Outlook Survey; TSSOS is the Texas Service Sector Outlook Survey; TROS is the Texas Retail Outlook Survey.

SOURCE: Dallas Fed.
When Do You Expect Supply Chains to Return to Normal?

Percent

- 6 months or less
- 7-12 months
- More than a year

NOTES: Data as of May 2022. Question only posed to firms reporting supply-chain disruptions or delays. SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.
Houston Business Cycle Indexes Strong

Houston Business-Cycle and Leading Indexes

Growth rate (percent)

NOTE: Data are annualized three-month growth rates.
SOURCE: Dallas Fed.
Texas Employment Growth Forecast Predicts 4.0 Percent Growth in 2022

*Seasonally adjusted.

Federal Reserve Bank of Dallas
Texas is #1 producer of oil and natural gas in nation

Approximately 30% of U.S. refinery capacity and 75% of U.S. petrochemical production is in Texas

Low energy prices hurt Texas economy on net
Drilling Activity Trending Upward Amidst High Energy Prices

*Latest labeled natural gas price is dollars per million Btu, while the series is dollars per million Btu multiplied by 10. NOTES: Oil price is dollars per barrel. Data through May 2022. SOURCES: Wall Street Journal; Baker Hughes; U.S. Energy Information Administration.
Texas produces 9% of U.S. manufactured goods

Manufacturing sector leading indicator of economic growth

Dallas Fed’s Texas Manufacturing Outlook Survey offers early look at turning points and insight on trends
Texas Manufacturing Activity Continuing to Grow

Index, 3-month moving average*

*Seasonally adjusted.
NOTE: Data through May 2022. Grey bars represent recessions.
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey (TMOS).
DATA: https://www.dallastxed.org/research/surveys/tmos

Federal Reserve Bank of Dallas
Texas is the top exporting state and accounts for 24% of U.S. exports.

Gulf coast ports are major exporters of oil and gas, oil products and petrochemicals.

Texas-Mexico border ports also process over half of state exports.
Texas Exports Reach Record High in April

Index, Jan. 2012=100*

Mexico is Texas’ top trading partner, receiving around 30% of the state’s exports.

*Seasonally adjusted, real dollars.
NOTE: Data through Apr. 2022.
SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by FRB Dallas.
Texas Oil and Gas Export Growth Holding At Elevated Levels

Index, Jan. 2012 = 100

- Oil and Gas (22.8%)
- Petroleum and Coal Products (13.2%)
- Computers and Electronics (16.1%)
- Chemicals (14.4%)
- Transportation Equipment (6.9%)
- Industrial Machinery (7.3%)

*Seasonally adjusted, real dollars.

NOTE: Data through Apr. 2022. Share of 2021 Texas exports in parentheses.
SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by FRB Dallas.
Service industry makes up the bulk of the Texas economy

Accounts for 75% of private-sector output in Texas

Dallas Fed’s Texas Service Sector Outlook Survey provides timely insight into this key sector
Texas Service Sector Growth Remains Steady, Retail Sales Lagging

Index, 3-month moving average*

*Seasonally adjusted.
NOTES: Data through May 2022. The TROS is a component of TSSOS using information only from retail and wholesale trade sectors. Grey bars represent Texas recession.
SOURCES: Federal Reserve Bank of Dallas Texas Service Sector Outlook Survey (TSSOS) and Texas Retail Outlook Survey (TROS).
DATA: https://www.dallasfed.org/research/surveys/tssos
Texas house prices have tracked the nation since the Great Recession

Single-family housing sector was slow to recover

Housing markets currently tight in most of the state
Texas Home Sales Moderate as Inventories Remain Tight

Total existing home sales*

Months Supply of Inventory*

*Seasonally adjusted.
NOTE: Data through Apr. 2022.
SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.
Home Sales Dip in May, June

NOTE: Data reflect seasonally-adjusted, four-week moving average of total home sales indexed to January 2018. Total sales are the number of homes with a sale date during a given time period. Last observation is June 5, 2022.
SOURCE: Redfin Weekly Housing Market Data; adjustments by Dallas Fed.
Median Home Prices Stabilize

NOTE: Data reflect the four-week moving average of inflation and seasonally-adjusted median sale price. Median sales price is the final home sale price covering all homes with a sale date during a given time period where 50% of the sales were above this price and 50% were below this price. Last observation is June 5, 2022.
We need your input!

Be part of a survey that gauges regional business activity and informs monetary policy making.