

The logo for ITEXAS Economic Outlook. It features the word "ITEXAS" in large, bold, orange letters. To the left of "ITEXAS" are five vertical bars of varying heights and colors: teal, green, yellow, red, and orange. To the right of "ITEXAS" is the text "Economic Outlook" in a black, sans-serif font.

ITEXAS Economic Outlook

A horizontal decorative graphic consisting of five colored panels. From left to right: a teal panel with a white line graph; a green panel with a white bar chart; an orange panel with a white pie chart; a red panel with white horizontal bars; and an orange panel with a white outline of the state of Texas.

Pandemonomics: Where Do We Go From Here?

Keith R. Phillips
Keynote Speaker

January 29, 2021



Federal Reserve
Bank of Dallas

The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.

National Economy



Federal Reserve
Bank of Dallas

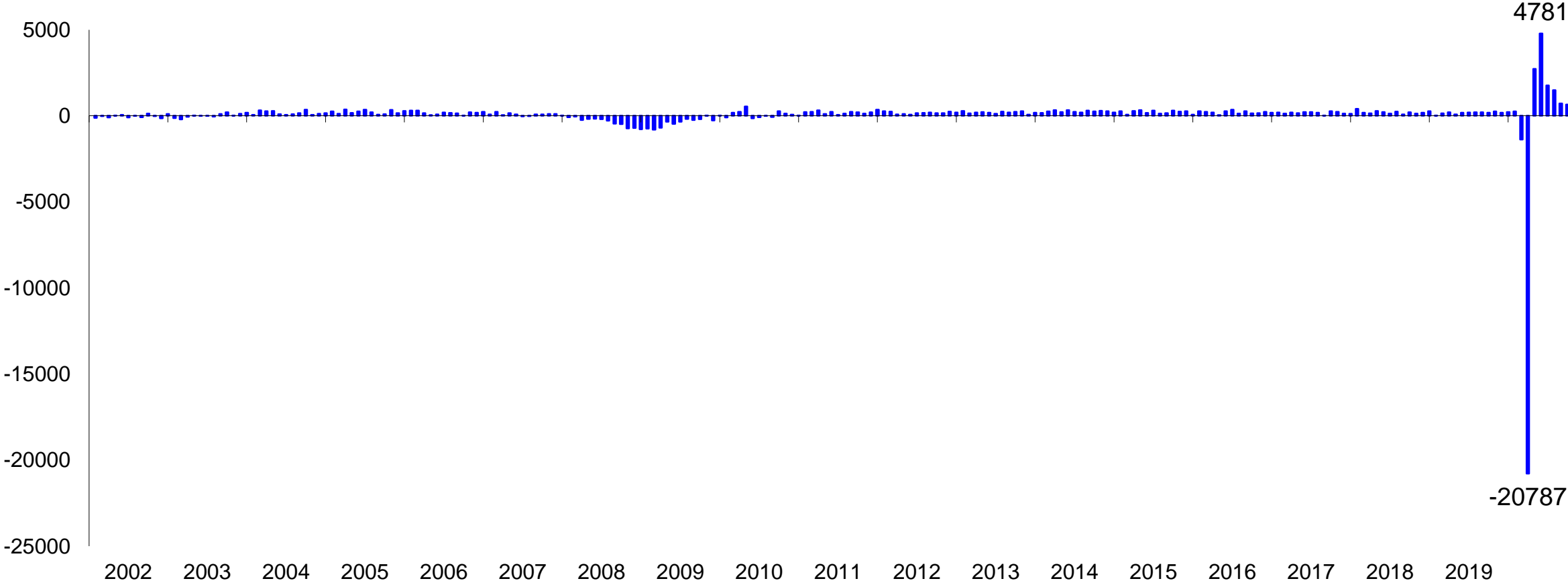
The logo for the Texas Economic Outlook, featuring a stylized bar chart with four bars in teal, green, yellow, and red, followed by the word "TEXAS" in large orange letters and "Economic Outlook" in smaller black letters.**TEXAS** Economic
Outlook

U.S. Economy Likely to Grow Strongly in Second Half of 2021

- After growing a healthy 1.4% in 2019, job growth fell sharply to -6.2% in 2020, while real GDP growth slowed less: from 2.3% to -2.5%
- Labor market well below full employment at 6.7% unemployment rate
- Inflation slightly below Fed target of 2%
- Pandemic has been main driver of economic growth – vaccines suggest strong growth in second half of the year
- Upward sloping yield curve reflects positive outlook over next 12 months
- Blue Chip Forecasters project GDP to grow about 4.0% this year
 - Jobs likely to improve by less than output with Blue Chip year-end UR forecast of 5.5%

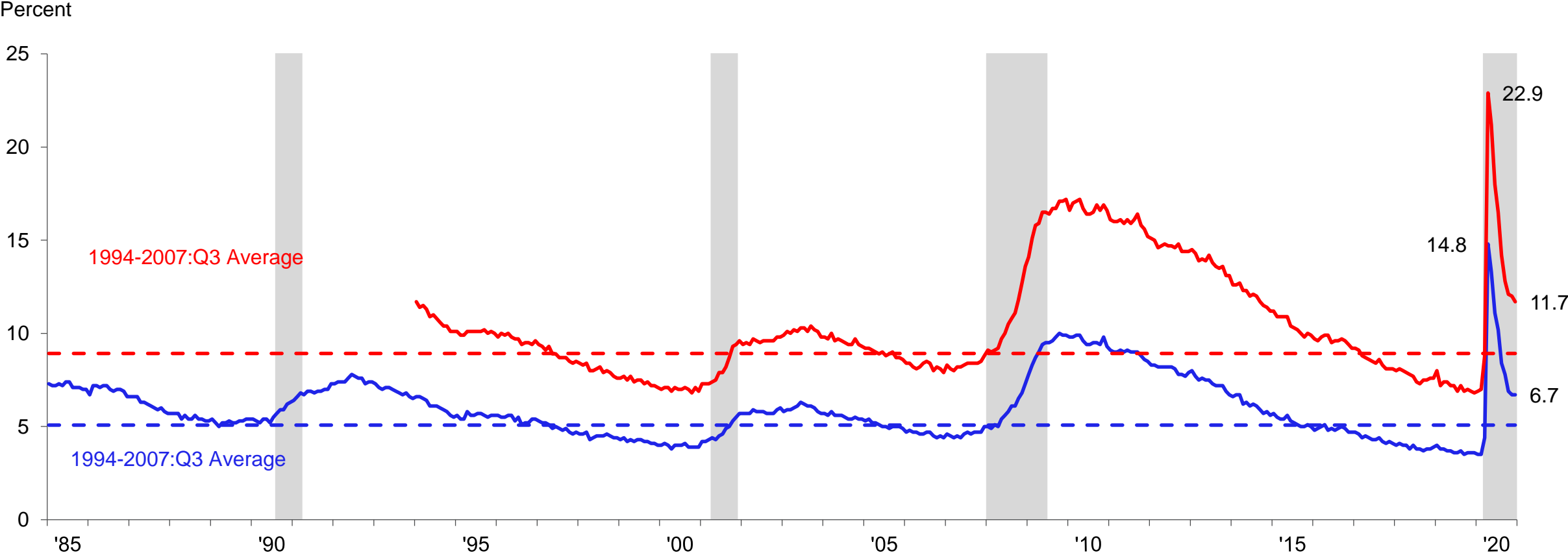
Historic Monthly Job Loss in April, Rebound Dissipating

Thousands, SA



NOTE: Data up to December 2020.
SOURCE: Bureau of Labor Statistics

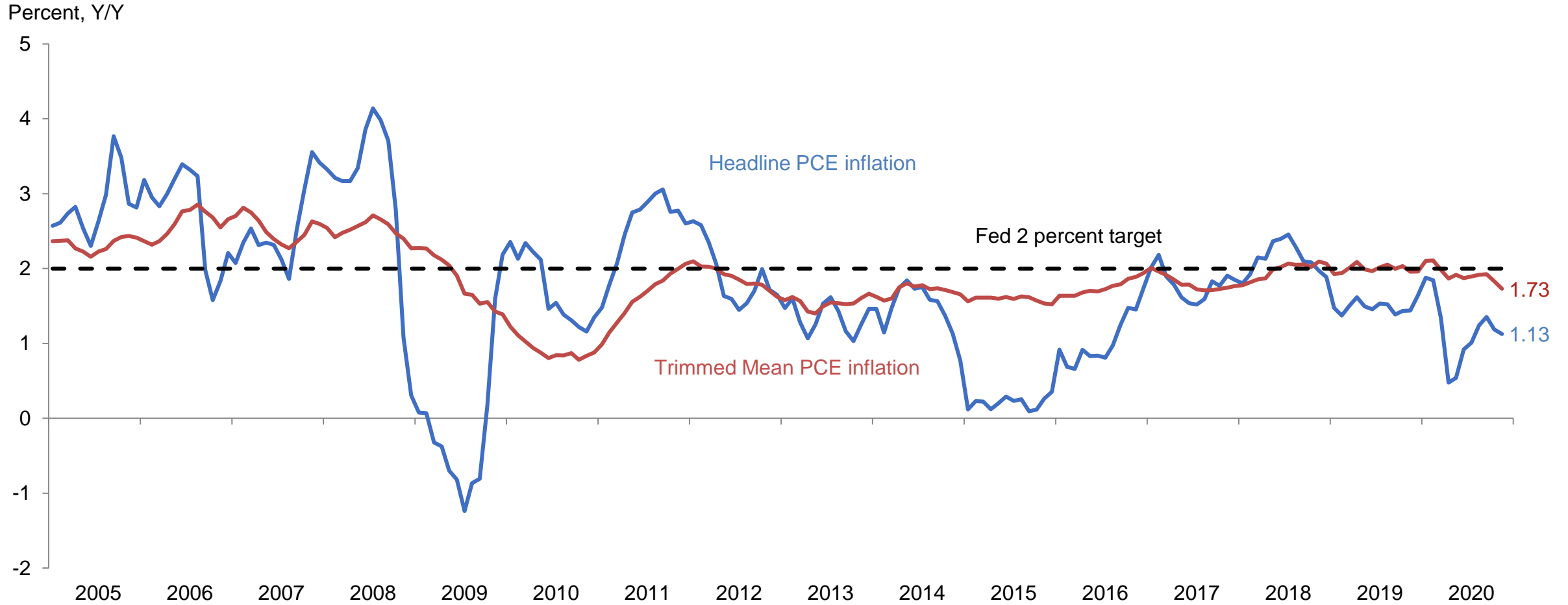
Unemployment Rate has Declined, but Remains High



NOTES: U6 Unemployment rate includes marginally attached and part-time for economic reasons workers. Gray shaded areas indicate NBER recessions. Data up to December 2020.

SOURCES: Bureau of Labor Statistics; NBER.

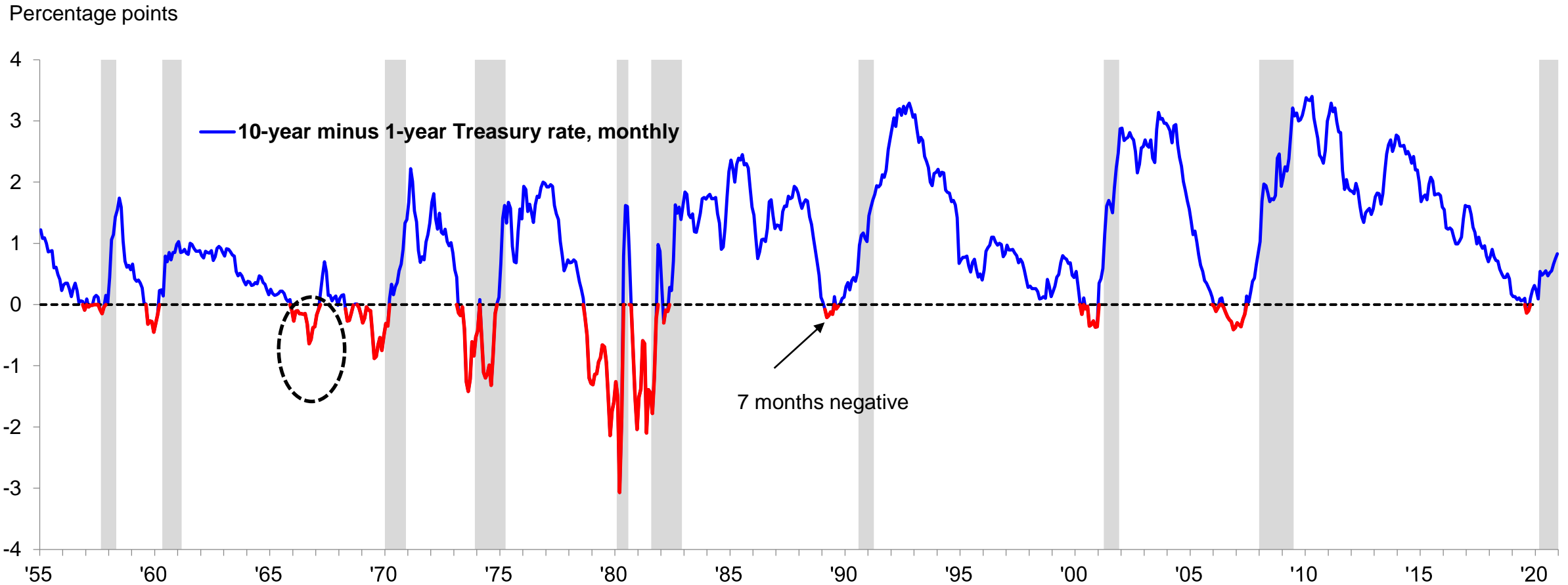
Core Inflation Below 2 Percent Goal



NOTE: Data up to November 2020.

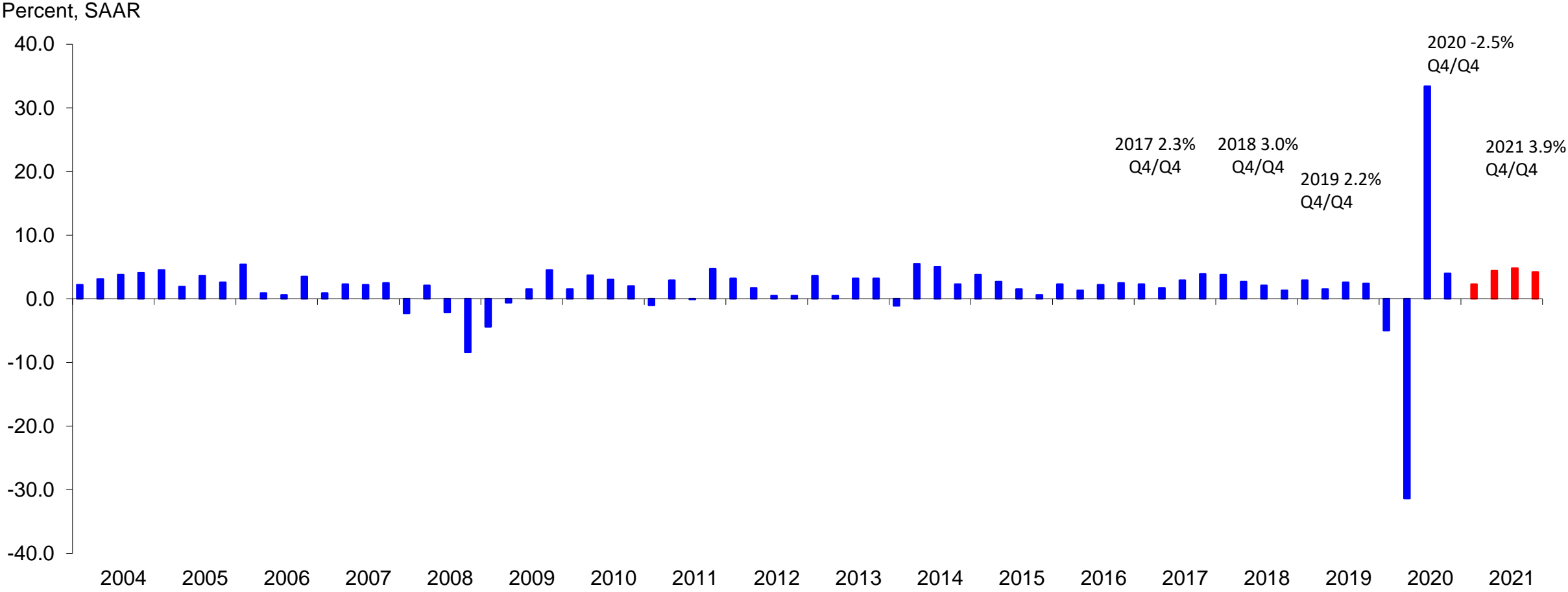
SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

Steepening Yield Curve Signals Positive Outlook



NOTE: Data through December 2020.

GDP Growth Expected to Increase about 4.0 percent – Surpass pre-COVID Levels



SOURCES: Bureau of Economic Analysis; Blue Chip Economic Indicators.

Texas Economy



Federal Reserve
Bank of Dallas

The logo for the Texas Economic Outlook, featuring a stylized bar chart with four bars in blue, green, orange, and red, followed by the word 'TEXAS' in large orange letters and 'Economic Outlook' in smaller black letters.

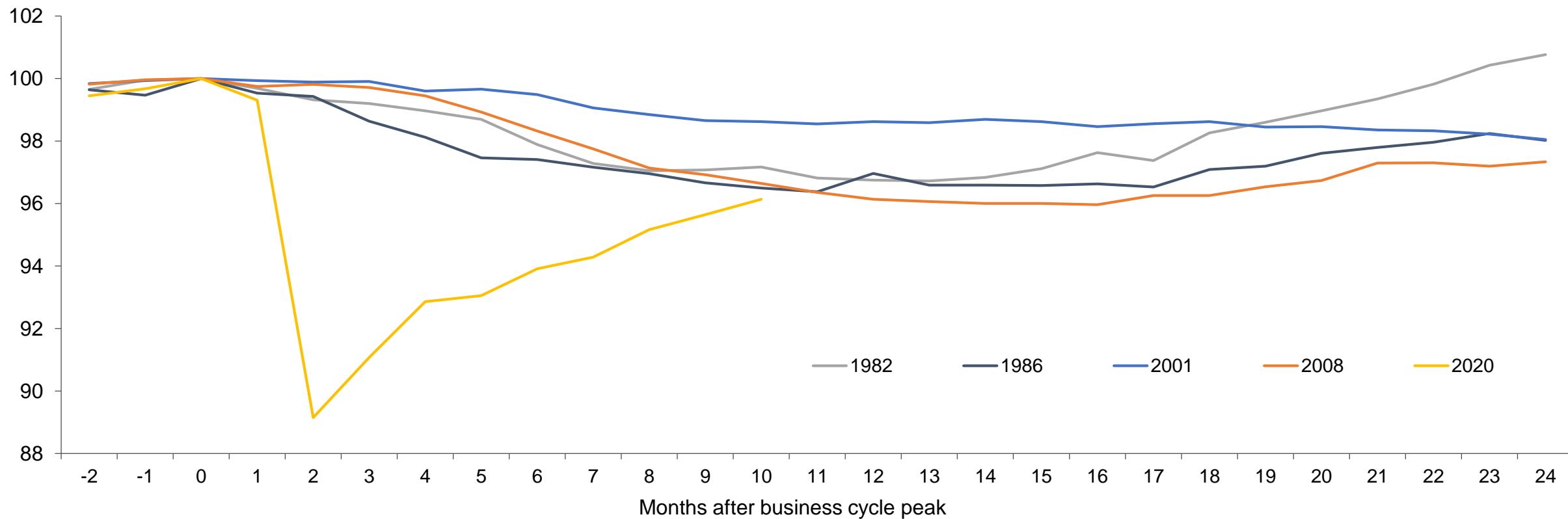
TEXAS Economic
Outlook

Texas Economy Declined Less than Nation Last Year – Will likely Grow Faster than the Nation this Year

- Despite sharp decline in the energy sector, Texas jobs declined less than the national average.
- Better performance likely due to less pandemic hit, increased preference for low cost, low density areas to live and work.
- Data through mid-January suggests weak job growth due to COVID surge but data since mid-January shows declines in COVID – hints at improvement in jobs in February.
- COVID will have long-last structural impact on many industries, suggesting that while Texas job growth will be strong this year, it will not fully recover to pre-COVID levels

Pandemonics: This Texas Recession Like No Other, Much Sharper, Shorter-Lived Decline, Steeper Recovery

% of peak employment

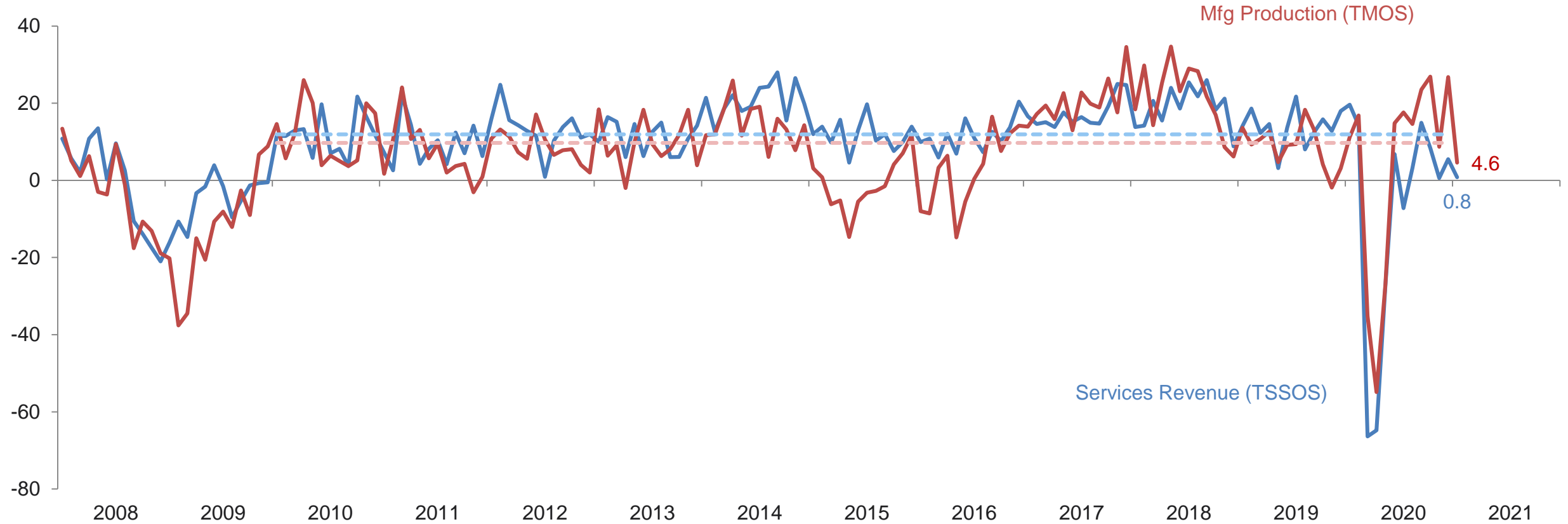


NOTES: Shown is Texas nonfarm payroll employment. Recessions are indexed to on peak employment: March 1982, January 1986, March 2001, August 2008, and February 2020.

SOURCE: BLS.

Pandemonics: Unlike Other Texas Recessions, Manufacturing Activity has Outperformed Services

Diffusion index, SA

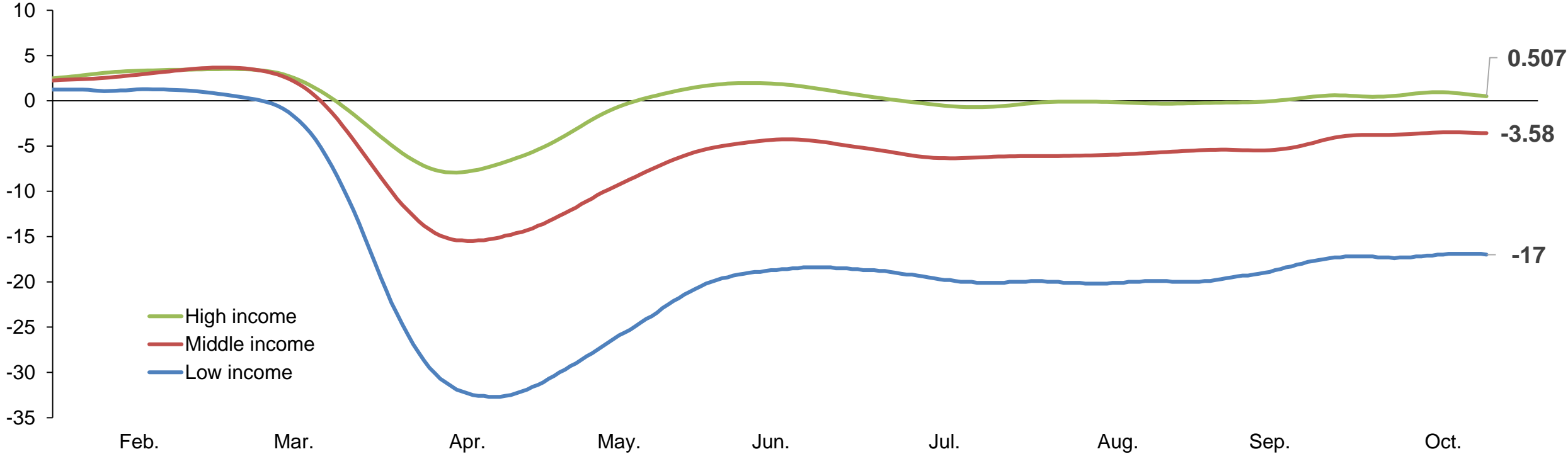


NOTES: Data through January 2021. Dashed lines are post-recession averages TMOS 9.7; TSSOS 11.9.

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

Employment Among High Income Earners Recovered Quickly While Low Income Earners were Hit Harder

Employment level relative to Jan. 2020

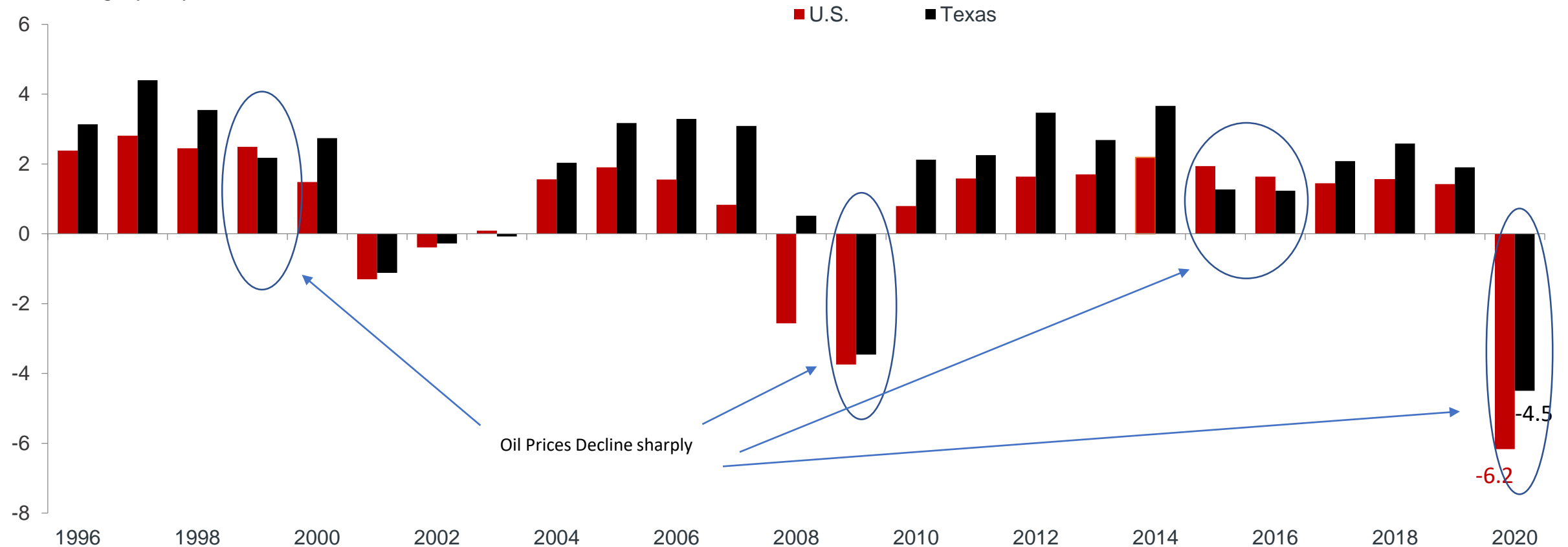


NOTE: Data through Oct. 22, 2020. High income is greater than \$60,000 per year; middle income is between \$27,000 and \$60,000 per year; low income is less than \$27,000 per year.

SOURCES: Paychex; Intuit; Earnin; Kronos; Opportunity Insights.

Despite Large Decline in Energy Sector, Texas Job Growth Not as Weak as the Nation's

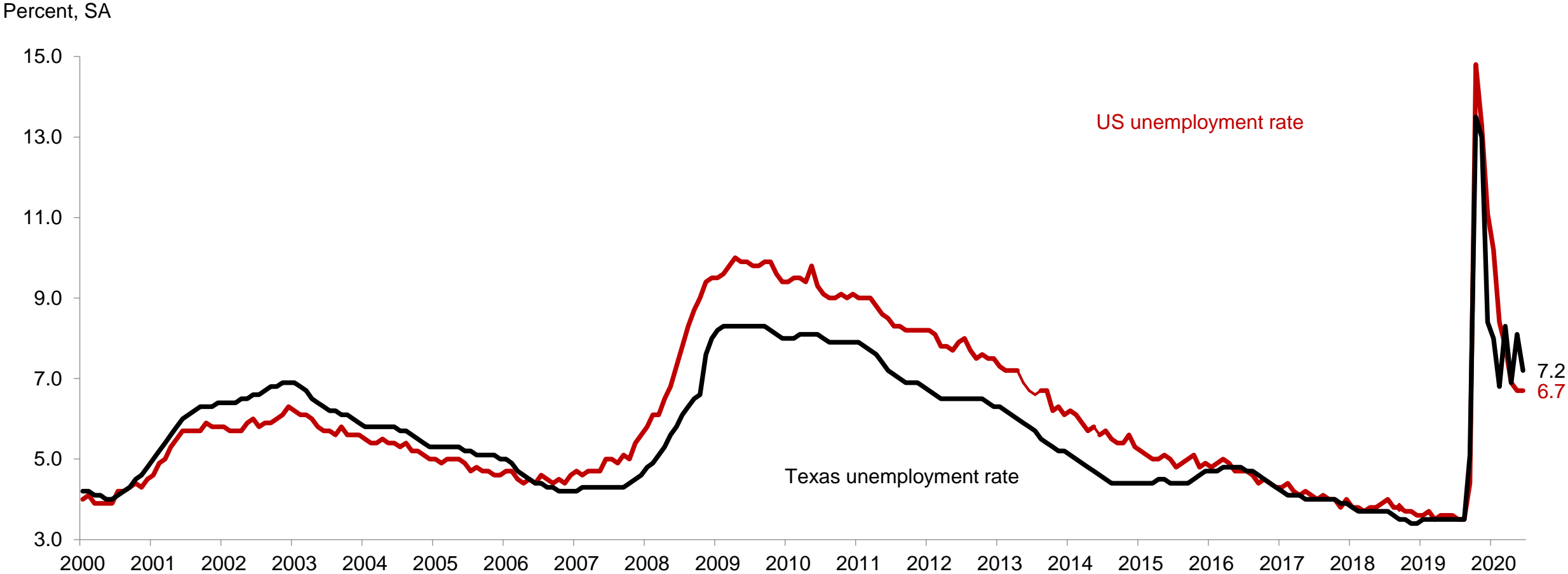
Percent change, year/year, SA



NOTES: Long-run trend growth is 1.1 percent for the U.S. and 2.1 percent for Texas.

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

Texas Unemployment Rate Close to Nations



NOTES: Data through December 2020.
SOURCE: Bureau of Labor Statistics.

All Texas Metros were Hit Hard Early in Pandemic

Employment (June/Feb 2020)

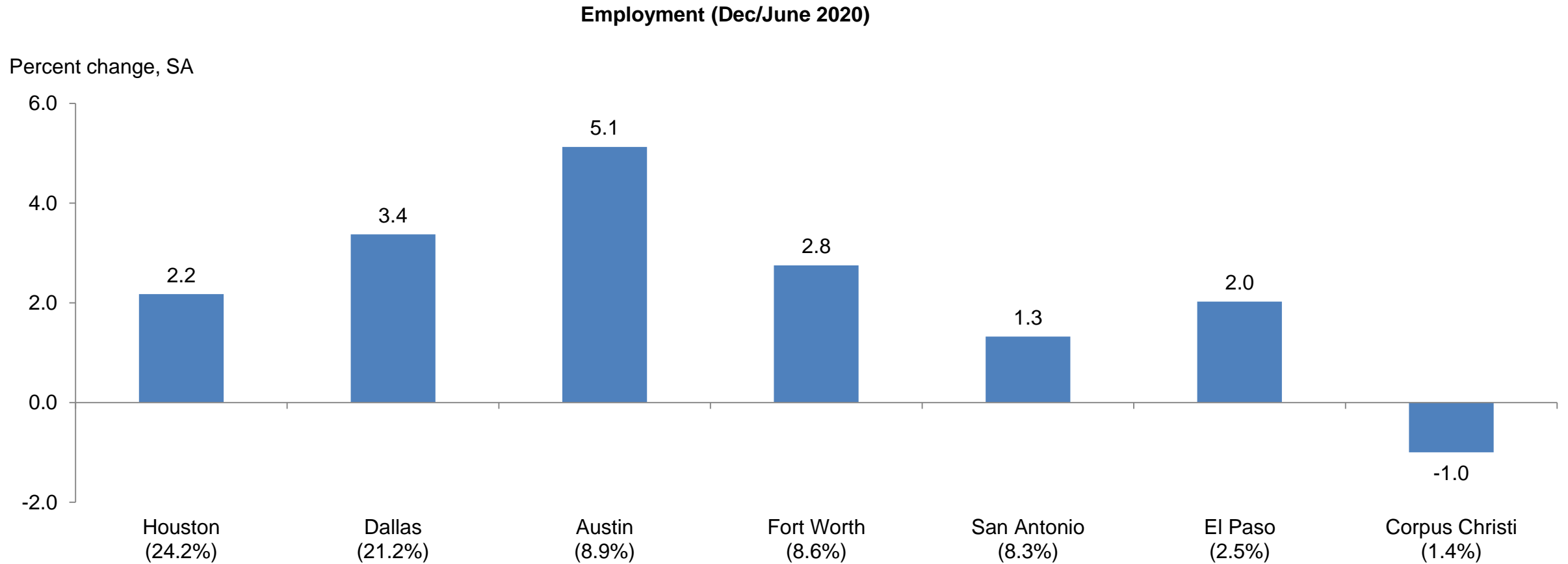
Percent change, SA



NOTES: Data refer June/Feb 2020 non-annualized job growth. Numbers in parentheses refer to share of state employment in December 2020.

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

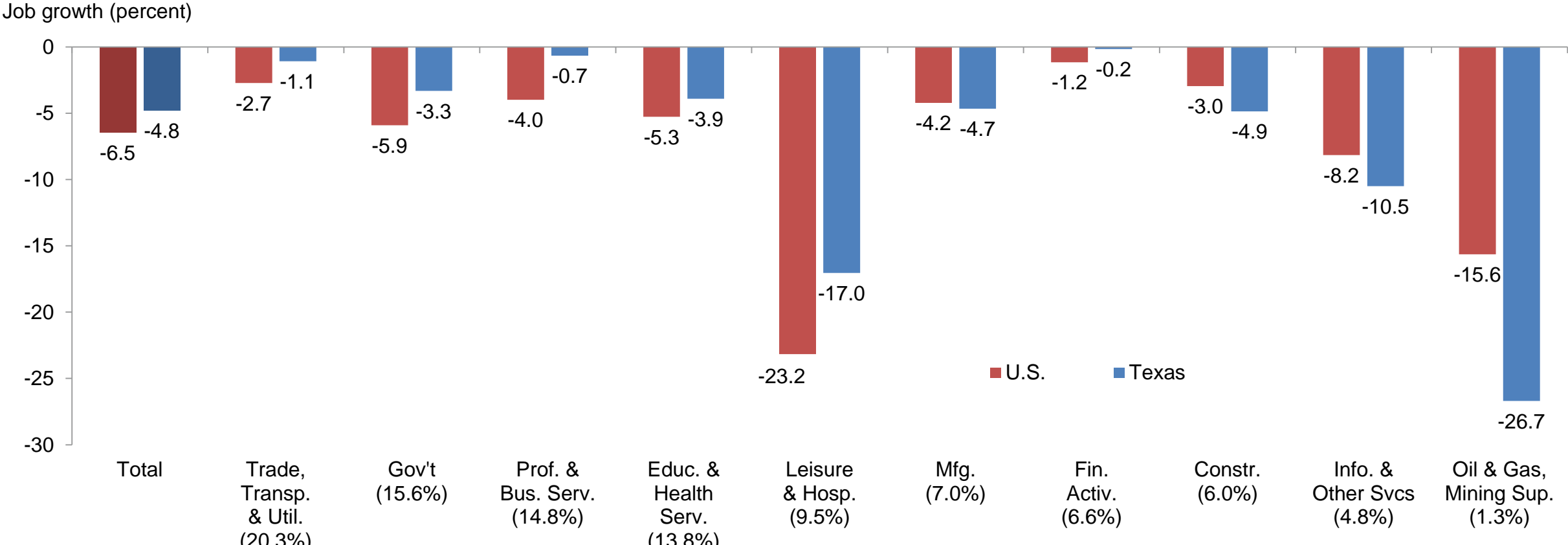
Austin Employment Improving the Most Since Mid-Year



NOTES: Data refer Dec 2020/June 2020 non-annualized growth. Numbers in parentheses refer to share of state employment in December 2020.

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

During Pandemic Texas Job losses Widespread Across Industries, Oil & Gas, Leisure & Hospitality Hardest Hit



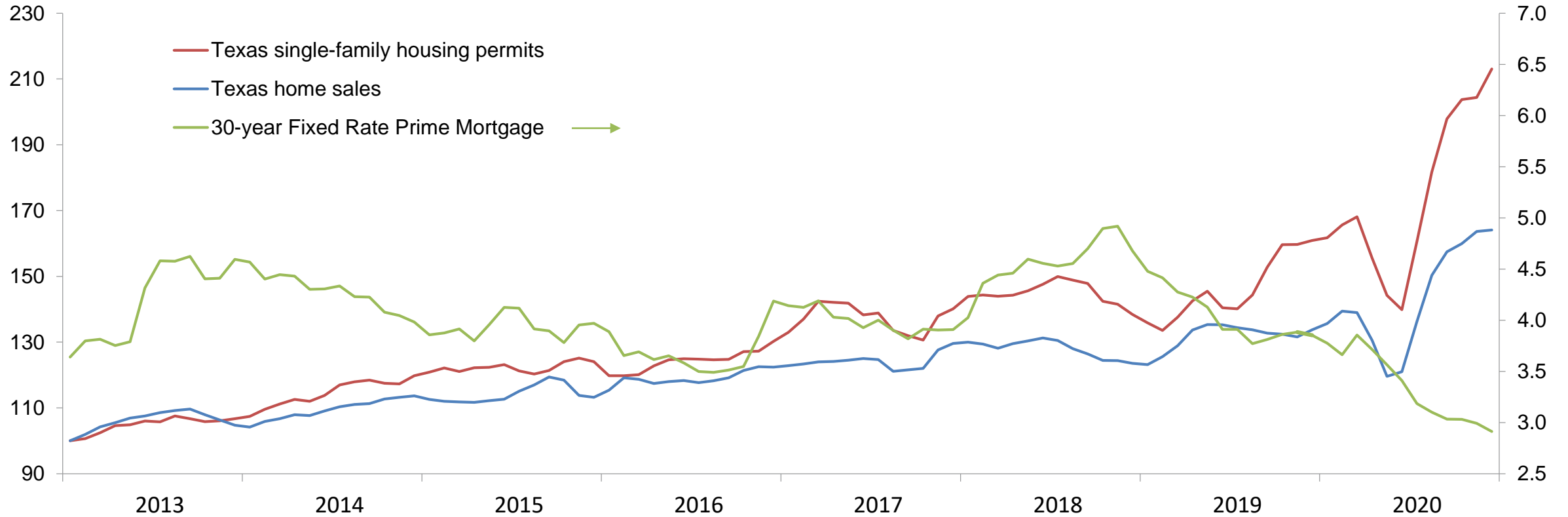
NOTE: Data show December 2020/Feb. 2020 non-annualized growth. Numbers in parenthesis indicate share of total state employment for December. Texas employment early benchmarked through second quarter 2020.

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

Single-family Housing Market Takes Off in Pandemic, Helped by Falling Mortgage Rates

Index, Jan 2013 = 100, 3MMA, SA

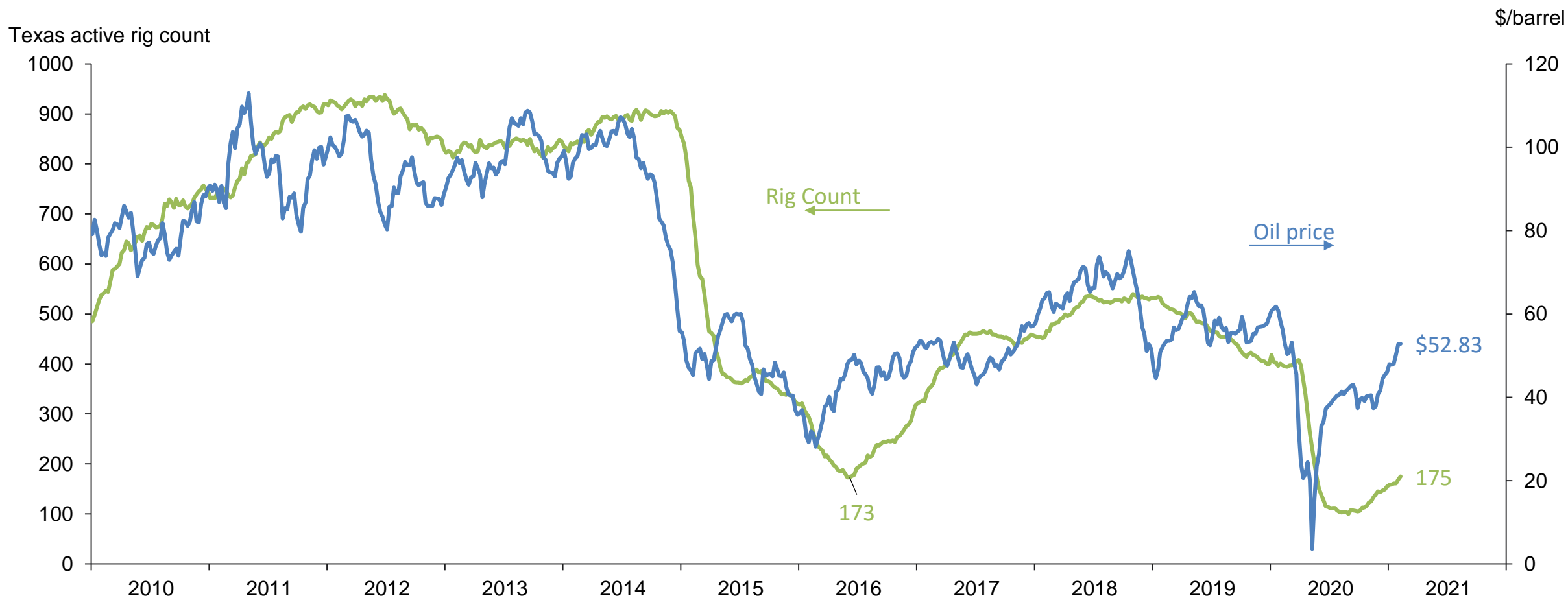
Interest rate, monthly average



NOTES: Data through Dec. 2020.

SOURCES: MLS; A&M Real Estate Center; Freddie Mac Primary Mortgage Market Survey; U.S. Census.

Energy Sector Declined Sharply with Fall in Oil prices: Rig Count Now Increasing from Very Low Levels



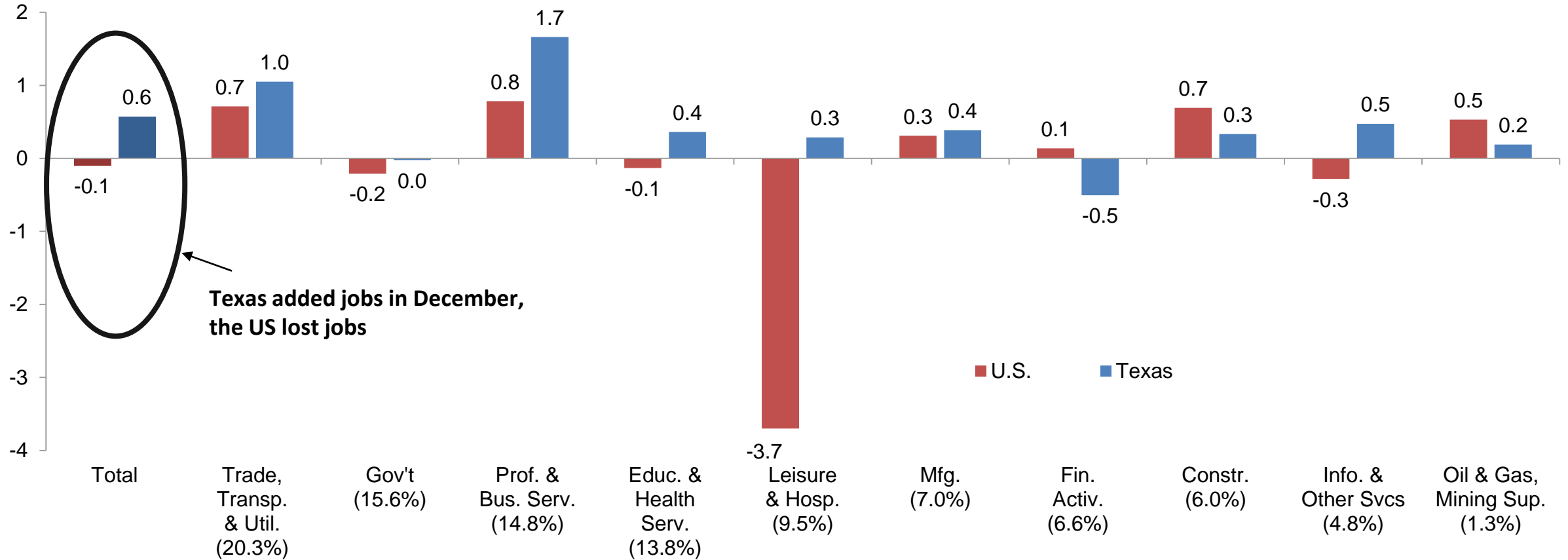
NOTES: Data are weekly. Data through the week of Jan. 22, 2021.

SOURCES: Oil and Gas Journal; Baker Hughes.

Recent Economic Activity

Despite Pandemic Surge, Texas Job Growth Strong in December

Job growth (percent)



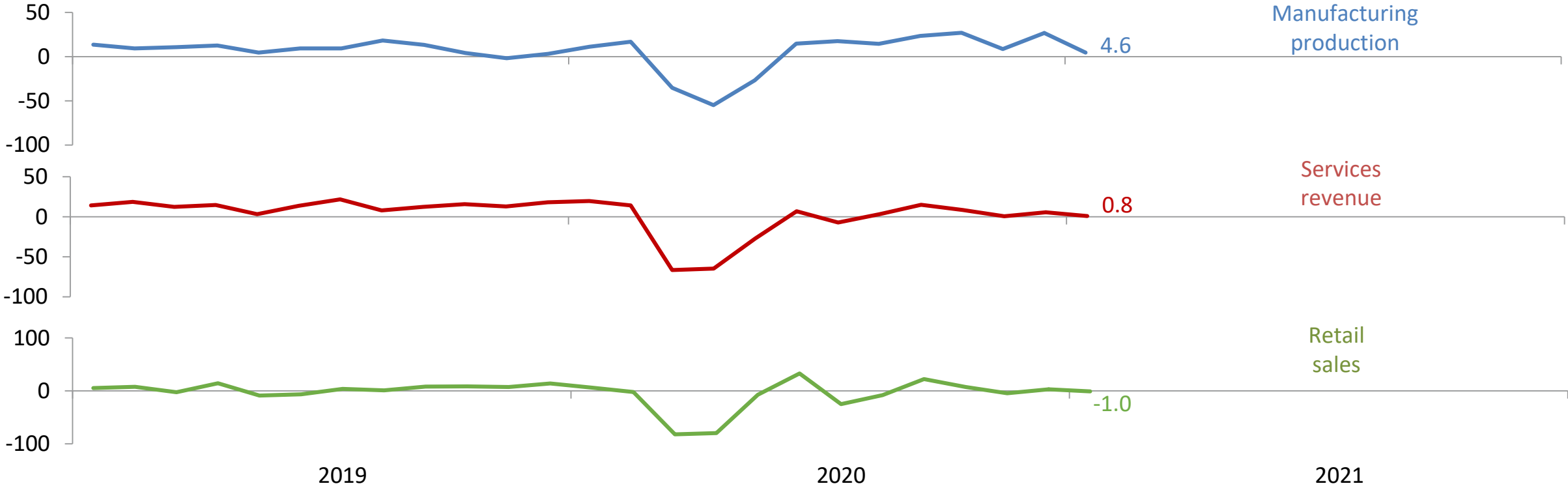
Texas added jobs in December, the US lost jobs

NOTE: Data show December 2020/November 2020 non-annualized growth. Numbers in parenthesis indicate share of total state employment for December. Texas employment early benchmarked through second quarter 2020.

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

Output Growth Stalls Out in January, According to Texas Businesses

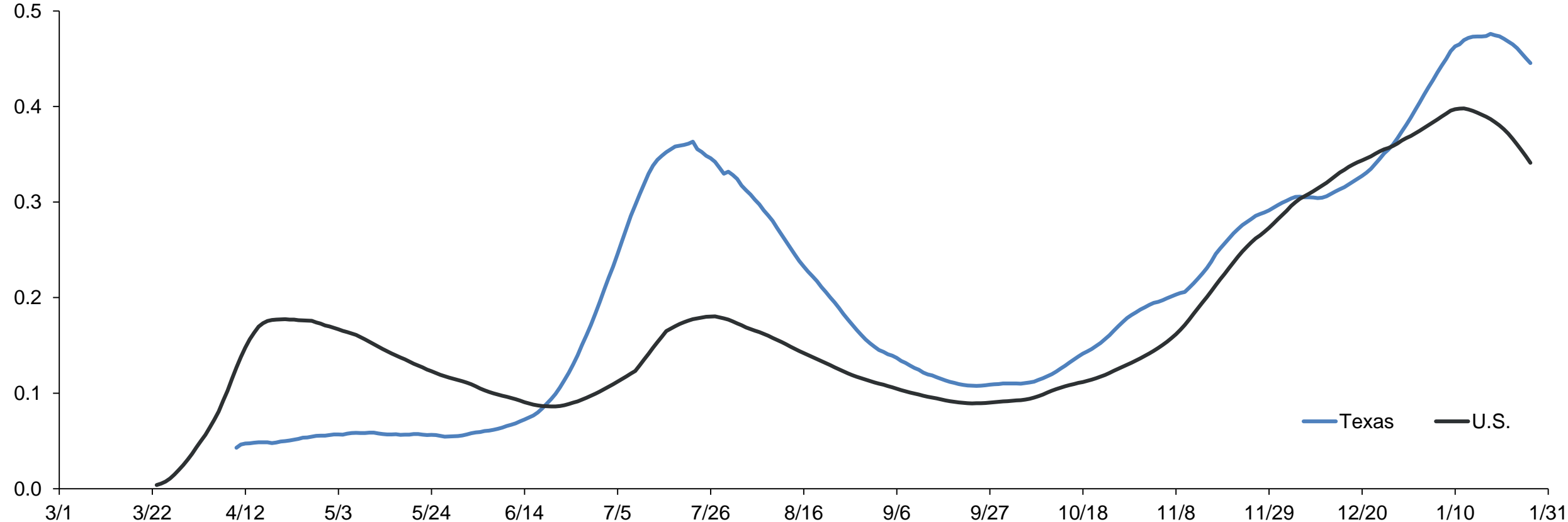
Diffusion index, SA



NOTE: Data through Jan. 2021.
SOURCE: Dallas Fed Texas Business Outlook Surveys.

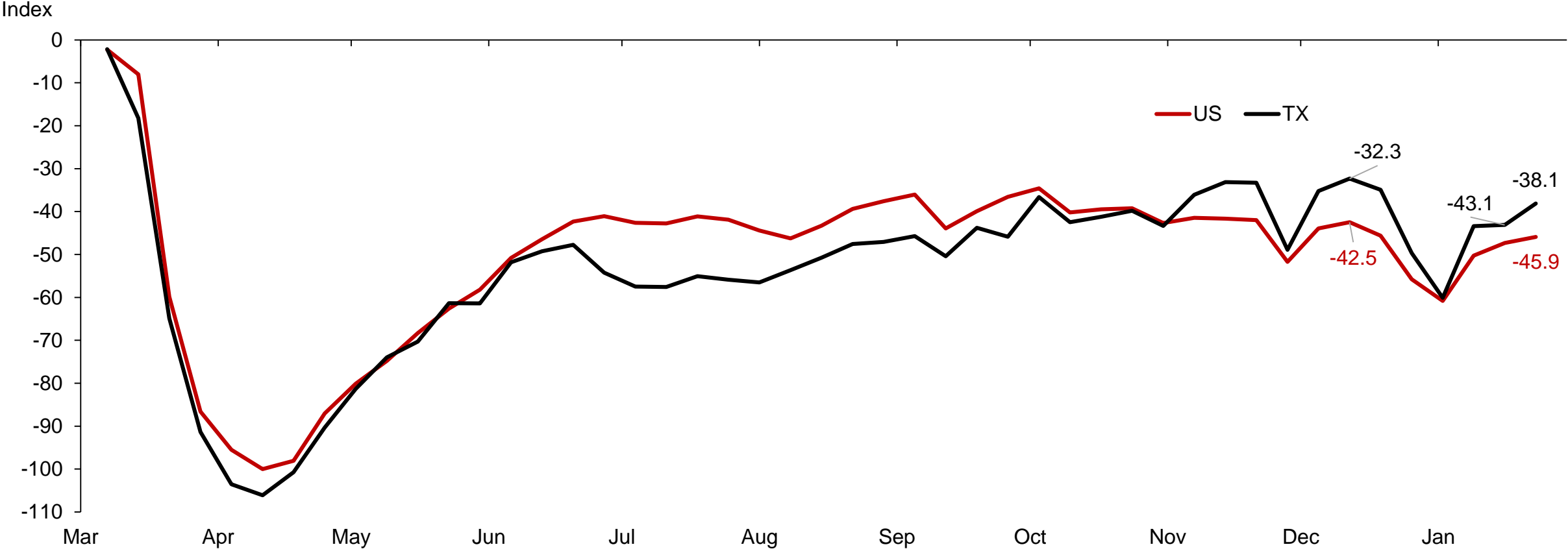
Texas, U.S. Surpass Previous Peaks in COVID hospitalizations

Currently hospitalized per thousand, 7dma



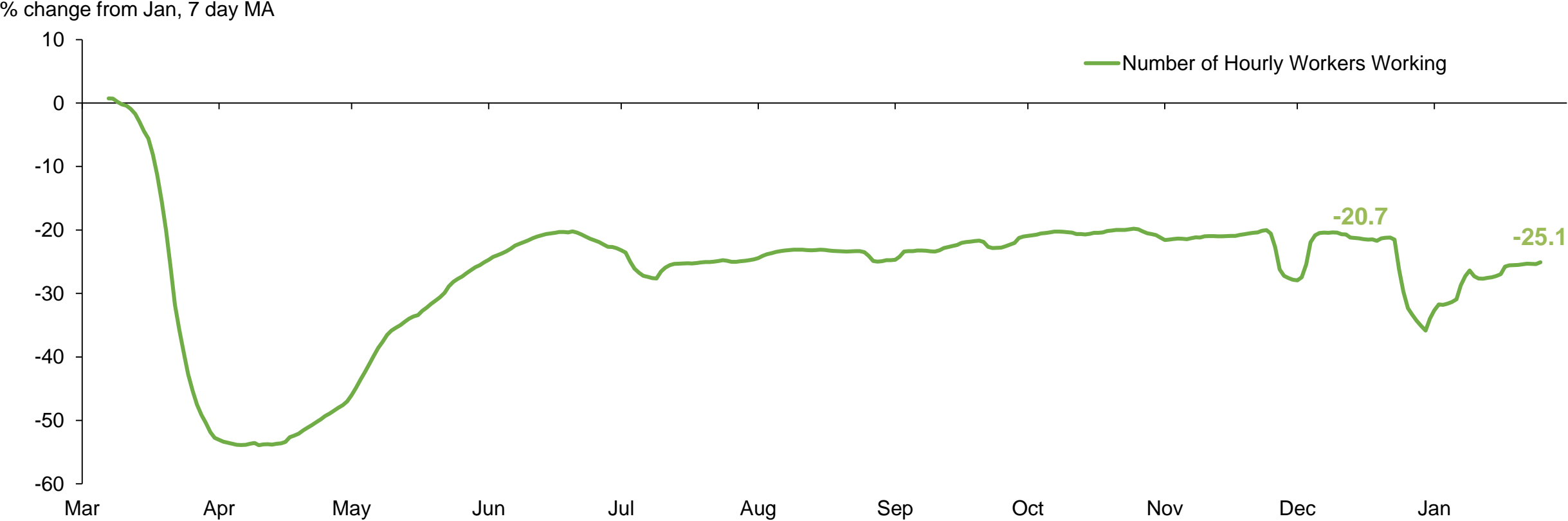
NOTE: Data up January 27, 2021. Data normalized using 2020 Census population estimate.
SOURCES: Texas Department State Health Services; covidtracking.com.

Mobility and Engagement Index Down in Mid-January from Mid-December



NOTE: Weekly mobility and engagement index up to Jan 23, 2020.
SOURCE: Federal Reserve Bank of Dallas.

Homebase Staffing Levels Decline from Mid-December to Mid-January

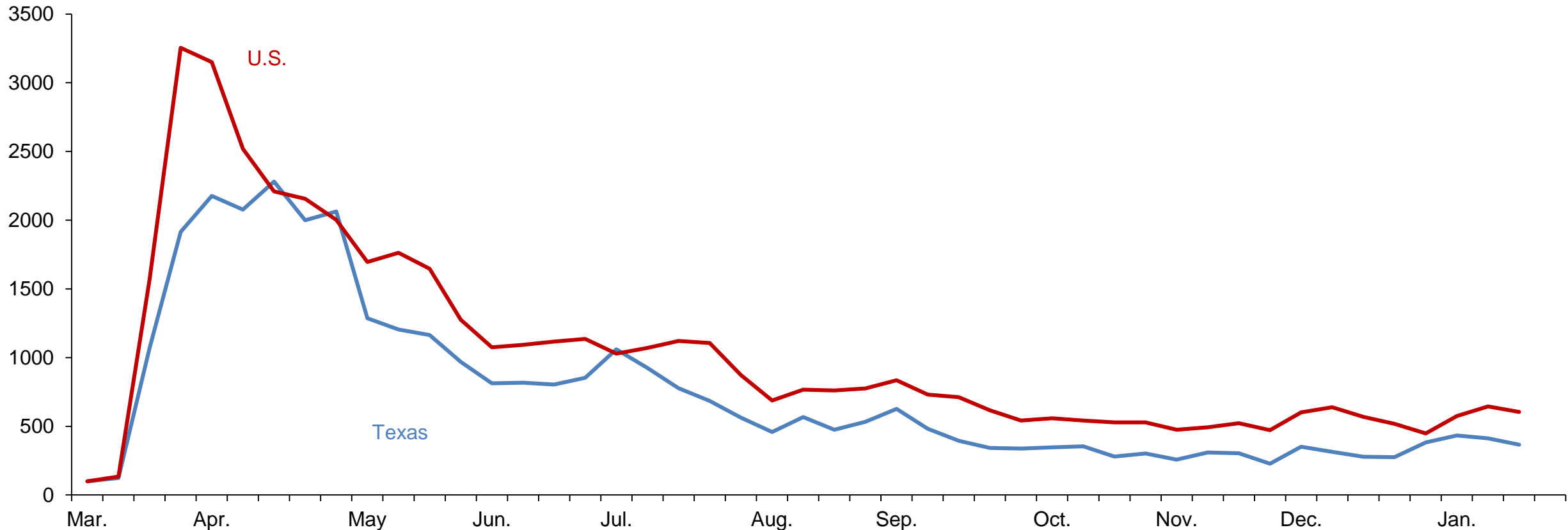


NOTE: Texas data up to Jan 25, 2020.
SOURCE: Homebase.

Initial Jobless Claims Up 26 percent in January in Texas

Initial claims, state UI and federal PUA

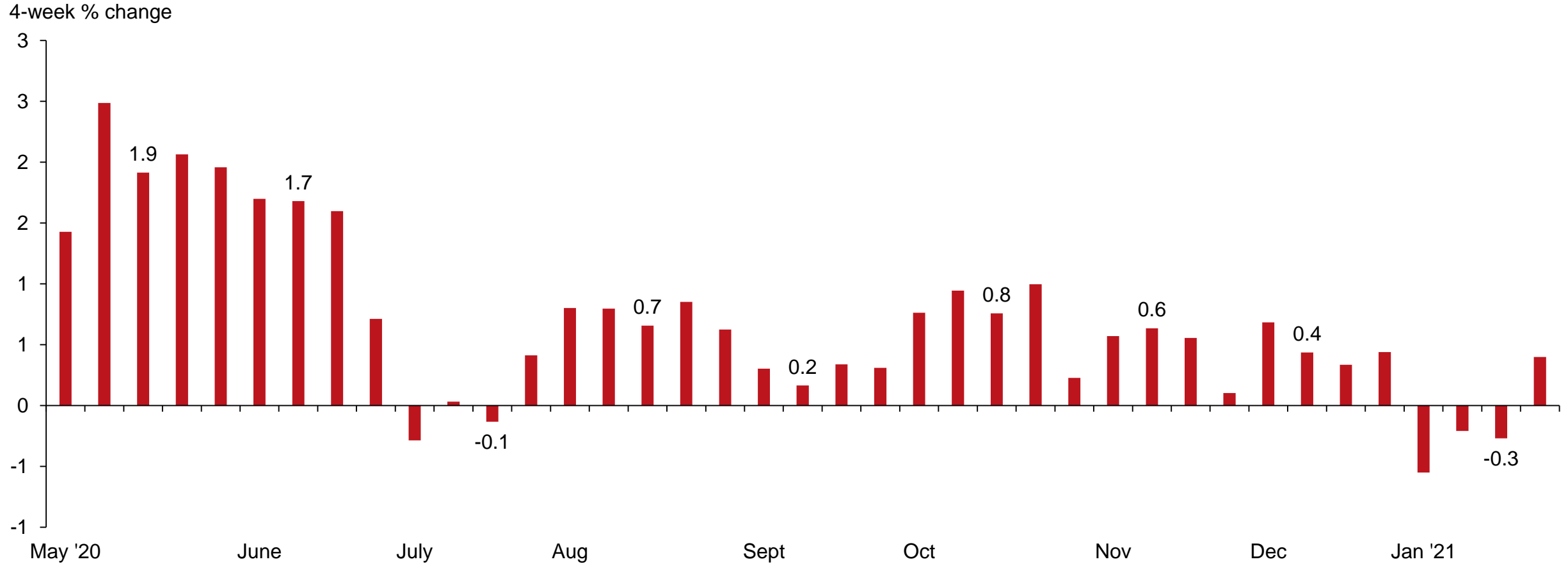
Index, first week of March = 100



NOTE: Data through the week ending January 23.

SOURCE: Department of Labor.

The Texas Weekly Employment Estimate Suggests Job Growth Slowed Sharply in January



SOURCE: Federal Reserve Bank of Dallas.

Outlook for 2021

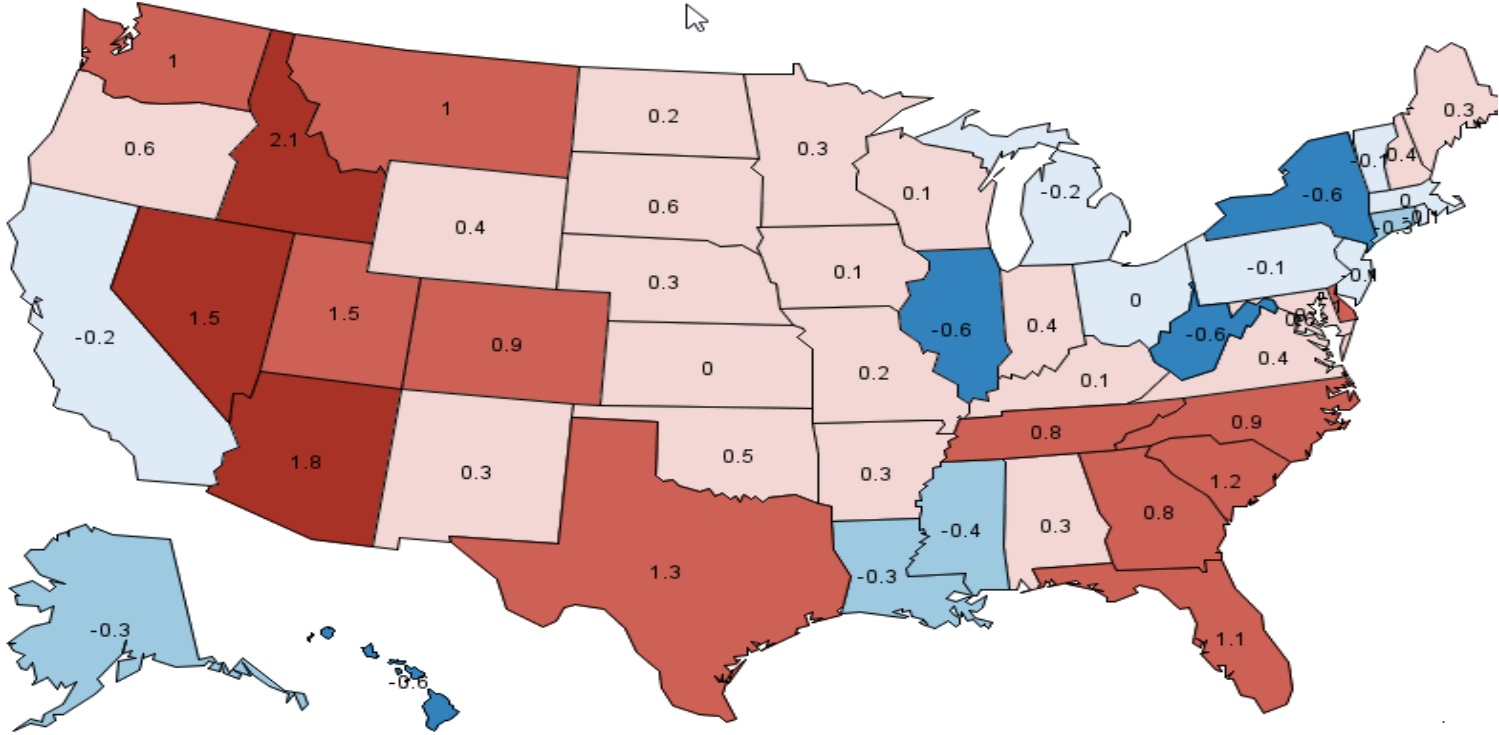


Federal Reserve
Bank of Dallas

The logo for the Texas Economic Outlook, featuring a stylized bar chart with four bars in green, yellow, red, and blue, followed by the word "TEXAS" in large orange letters and "Economic Outlook" in smaller black letters.

TEXAS Economic
Outlook

Of 10 Largest States, Population Growth Strongest in Texas Last Year



bins_growth_19_20

Less than -0.5	-0.5 to -0.25	-0.25 to 0
0 to 0.75	0.75 to 1.5	Over 1.5

More Than One-Third of Texas Firms Expect it to Take More Than a Year for Revenues to Return to pre-COVID Levels

When do you expect your firm's revenues to return to pre-COVID levels?

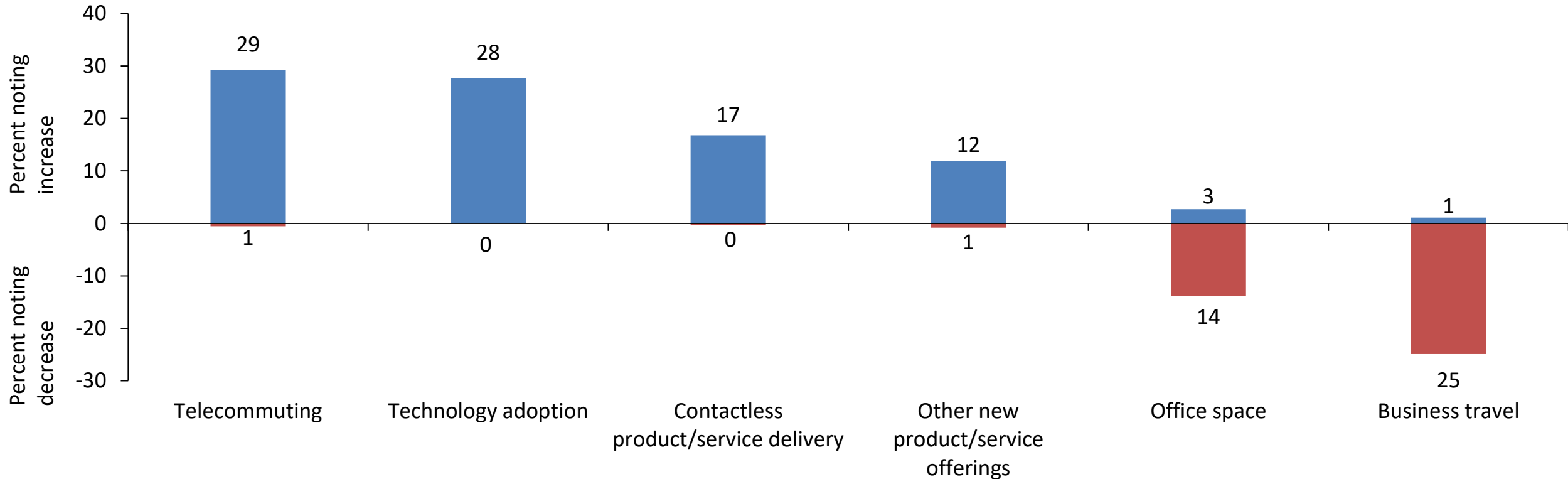


NOTES: This question was only posed to those indicating January revenues are below normal (59 percent of all firms). Data collected Jan. 12-20. 148 responses. Results are preliminary.

SOURCES: Federal Reserve Bank of Dallas, January 2021 Texas Business Outlook Surveys.

Jobs May Not Return to pre-COVID Levels this Year Due to Large Amount of Structural Changes in the Economy

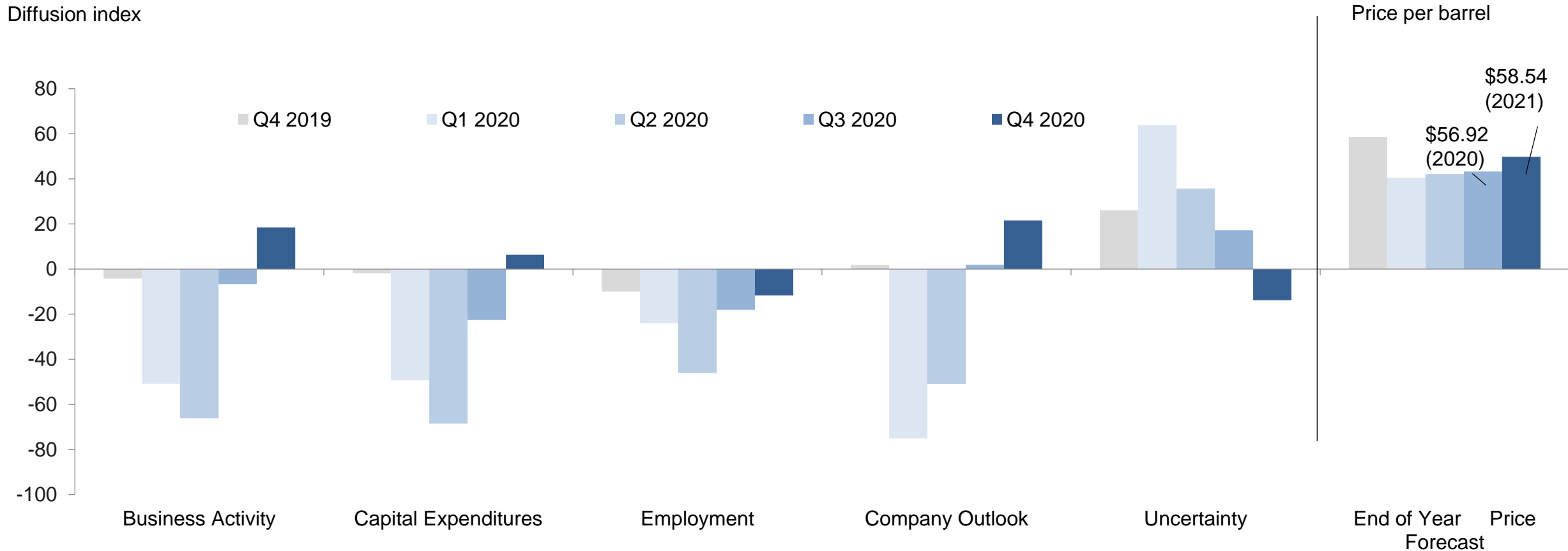
Texas Businesses Report on Expected Permanent Structural Changes Due to COVID-19



NOTES: 369 respondents. Firms were asked, "Are there structural changes your firm has made or plans to make as a result of the COVID-19 pandemic that you expect to be permanent? If yes, please specify any changes, and whether it is an increase or decrease."

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

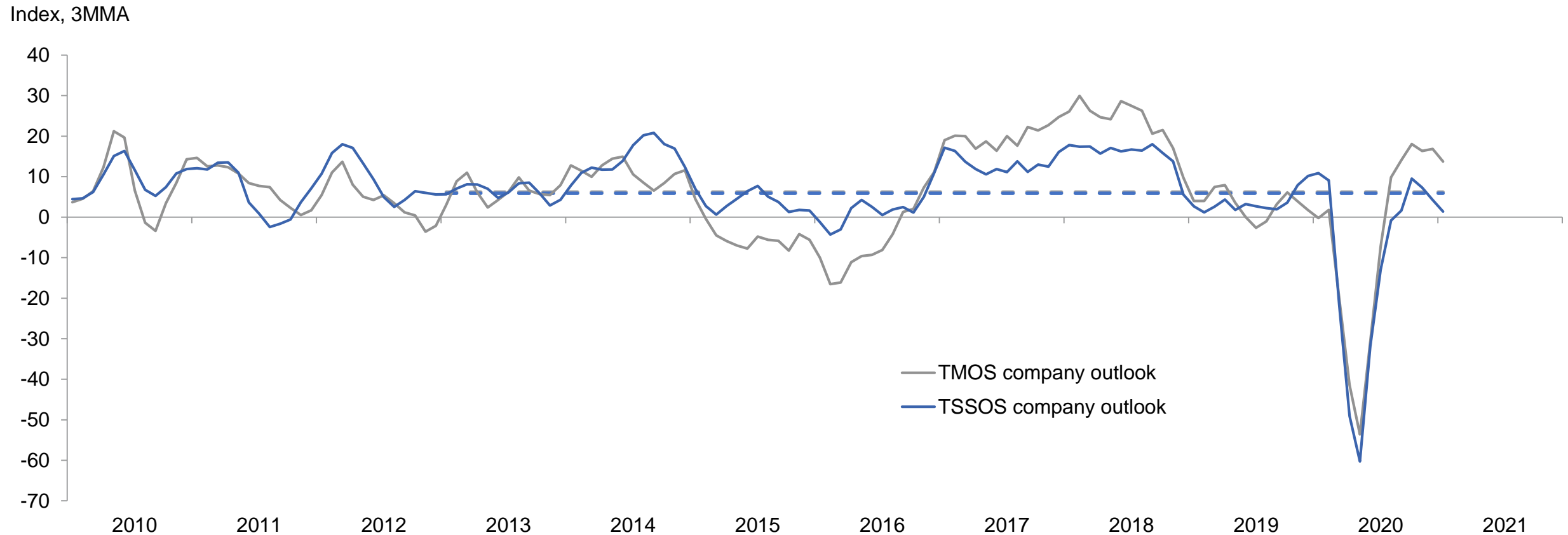
Energy Survey Suggests Mild Improvement this Year



NOTE: Price forecast is average year-end forecast of WTI oil price among respondents.

SOURCE: Federal Reserve Bank of Dallas Energy Survey.

Short-term Outlook Improving More in Manufacturing than Services

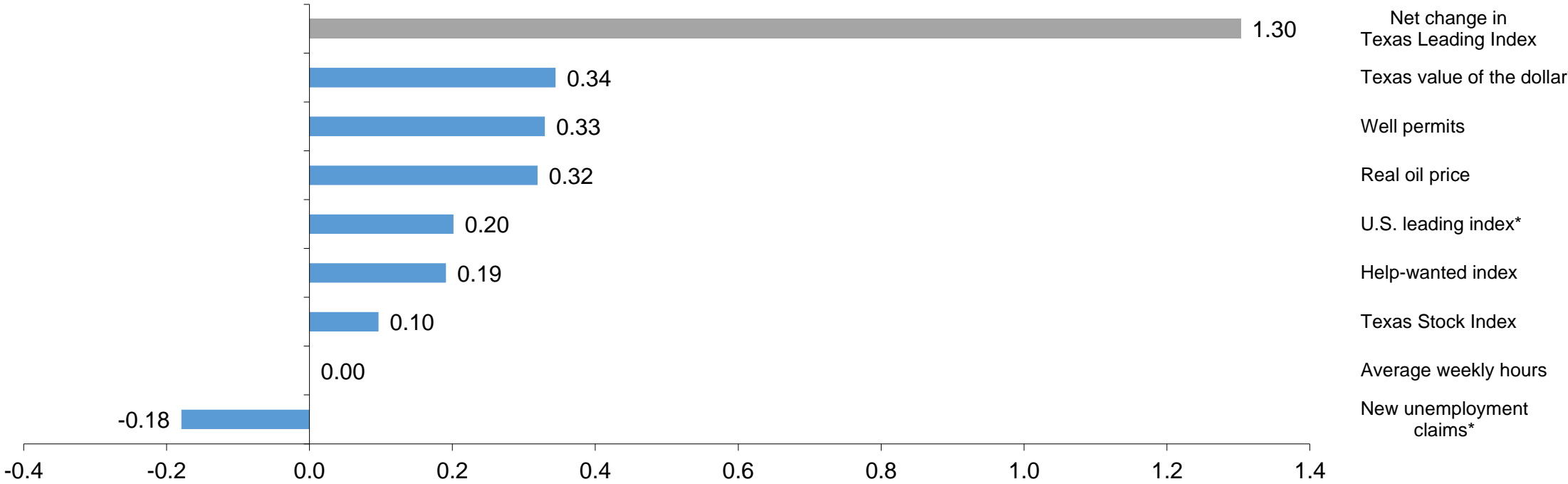


NOTES: Data through January 2021. Dashed lines are post 2008-2009 recession averages.

SOURCES: Federal Reserve Bank of Dallas Outlook Surveys: Manufacturing (TMOs); Service Sector (TSSOS).

Texas Leading Index Components Mostly Positive in December

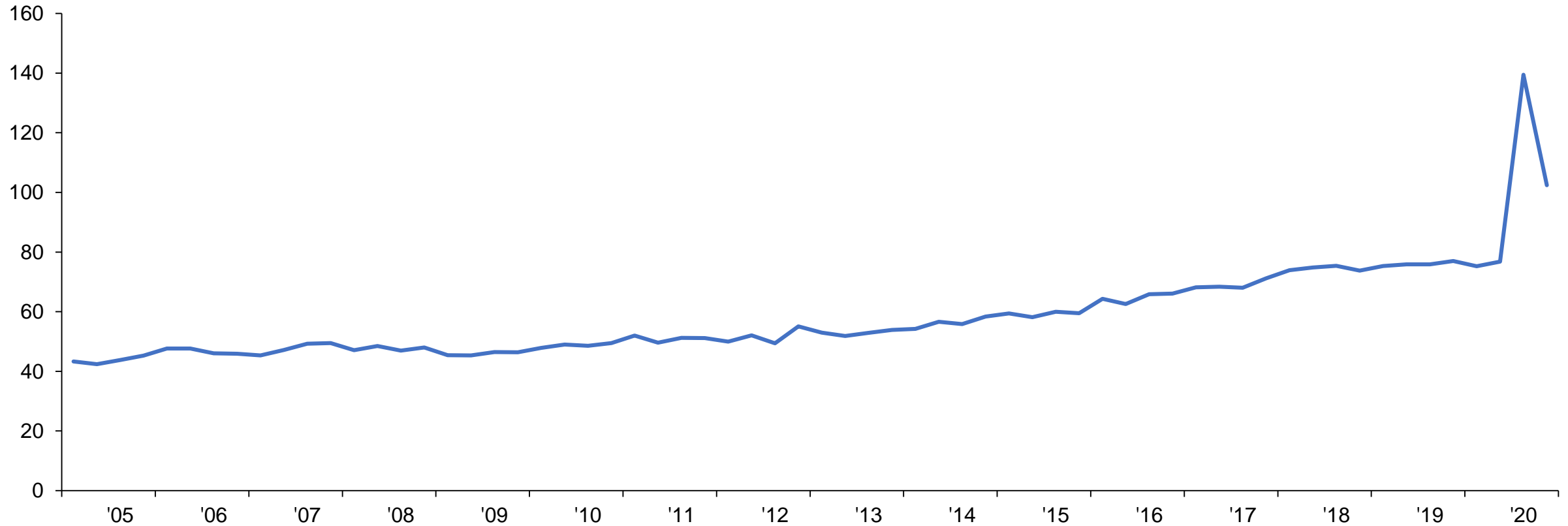
Net contributions to change in Texas Leading Index



NOTE: December 2020, seasonally adjusted. Texas value of the dollar is a preliminary estimate from the Dallas Fed.
SOURCE: Federal Reserve Bank of Dallas.

Green Shoots? Texas Business Applications Increase to Historic Levels

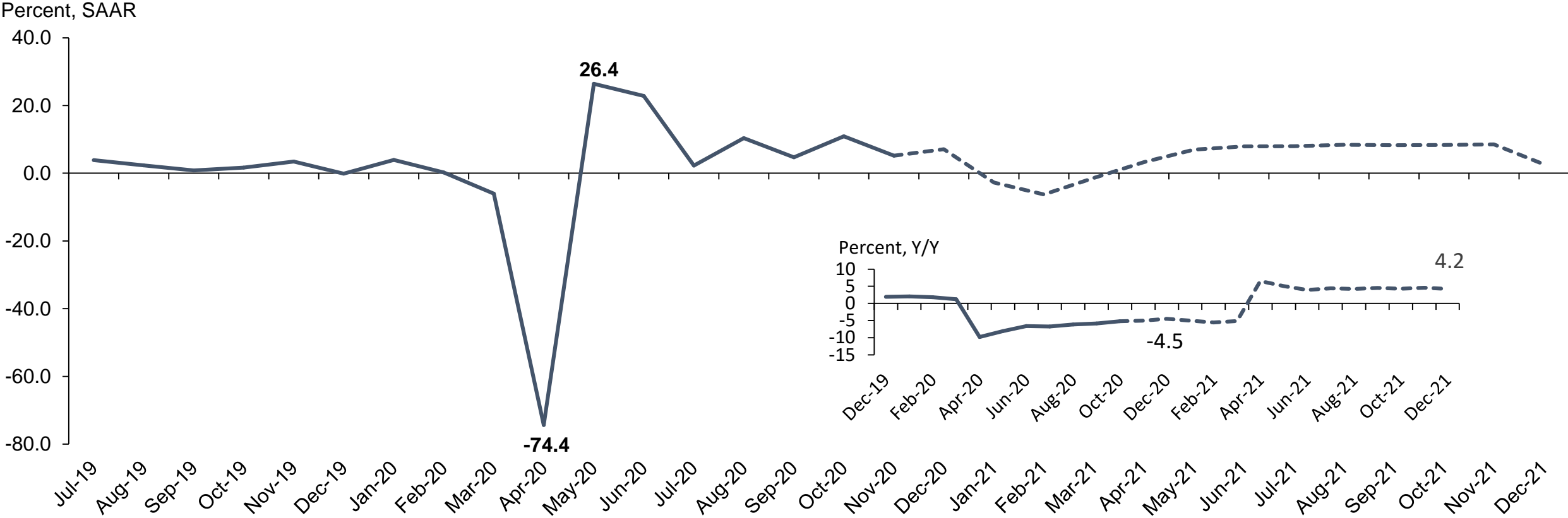
Count, Thousands



NOTE: Data for Texas business applications through Q4 2020.

SOURCE: U.S. Census.

Dallas Fed 2021 Texas Jobs Forecast Projects Some Weakness Over Next Few Months, Strong Growth of 4.2 percent for the Year



NOTE: Forecast scenario estimates Texas payroll employment for 2021 are based on monthly hospitalization projections for COVID-19 in Texas, direct COVID-19 impacts in March, April, and May, US GDP growth estimates for 2021, and WTI prices following the futures contract curve as of 1/28.
 SOURCE: Federal Reserve Bank of Dallas.

Summary

- Pandemic is unprecedented and has many aspects of a natural disaster instead of a typical recession
- Texas outperformed the nation last year despite a large decline in the energy sector
- Movement of people and firms out of high-density, high cost of living areas should continue to benefit Texas
- Pandemic will likely cause significant amount of long-term structural change that may delay return of jobs to pre-COVID levels
- Jobs in Texas are forecasted to grow about 3.1 to 5.3 percent - at 4.2 percent will be 0.8 percent below pre-COVID level but 4.3 percent below trend

How Did My Forecast From Last Year Do?

Last year stated: “Texas jobs grew 2.0 percent in 2019 and will likely grow about 2.1 percent this year – with greater downside than upside risks”

– Instead growth declined from 1.9% in 2019 to -4.5% in 2020

Obviously did not forecast the pandemic – if trust my forecast than economy likely would have grown about 2.0 percent last year without pandemic – so in December 2020 TX jobs were 6.5% below trend



Explore our resources at dallasfed.org

Economy

Banking

Communities

Education



Federal Reserve
Bank of Dallas

 **ITEXAS** Economic
Outlook

The logo for ITEXAS Economic Outlook, featuring the word 'ITEXAS' in a stylized font with vertical bars of varying heights in teal, green, and orange to the left of the letters 'I' and 'T'. The words 'Economic Outlook' are positioned to the right of 'ITEXAS'.

Dallas Fed Resources

Publications and Surveys:

[Texas Employment Forecast](#)

[Metro Economic Indicators](#)

[Regional Economic Updates](#)

[Southwest Economy](#)

[Heart of Texas](#)

[Dallas Fed Blog](#)

[National Economic Updates](#)

[International Economic Updates](#)

[Texas Business Outlook Surveys](#)

[Energy Survey](#)



COVID-related:

[Mobility and Engagement Index](#)

[Real-Time Population Survey](#)

[Texas Weekly Employment Estimate](#)

[Weekly Economic Index](#)