

# Economic Outlook



**Pandenomics: Despite COVID Waves,  
Strong Economic Growth to Continue in 2022**

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Keynote Speaker

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*The views expressed are my own and  
do not necessarily reflect official positions  
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# Overview

- Pandemic an unusual economic downturn due to the rise in incomes, surging demand for goods and housing, collapse in demand for services, labor shortages
- Despite significant impact of COVID on public health and labor supply, Texas growth outperformed the nation in pandemic overall and in 2021
  - Growth in region accelerated in second half of 2021
- Dallas Fed economic outlook suggests Texas will outperform the nation again in 2022 but risks to the outlook include
  - Additional COVID waves
  - Lasting supply-side constraints
  - Continued high inflation

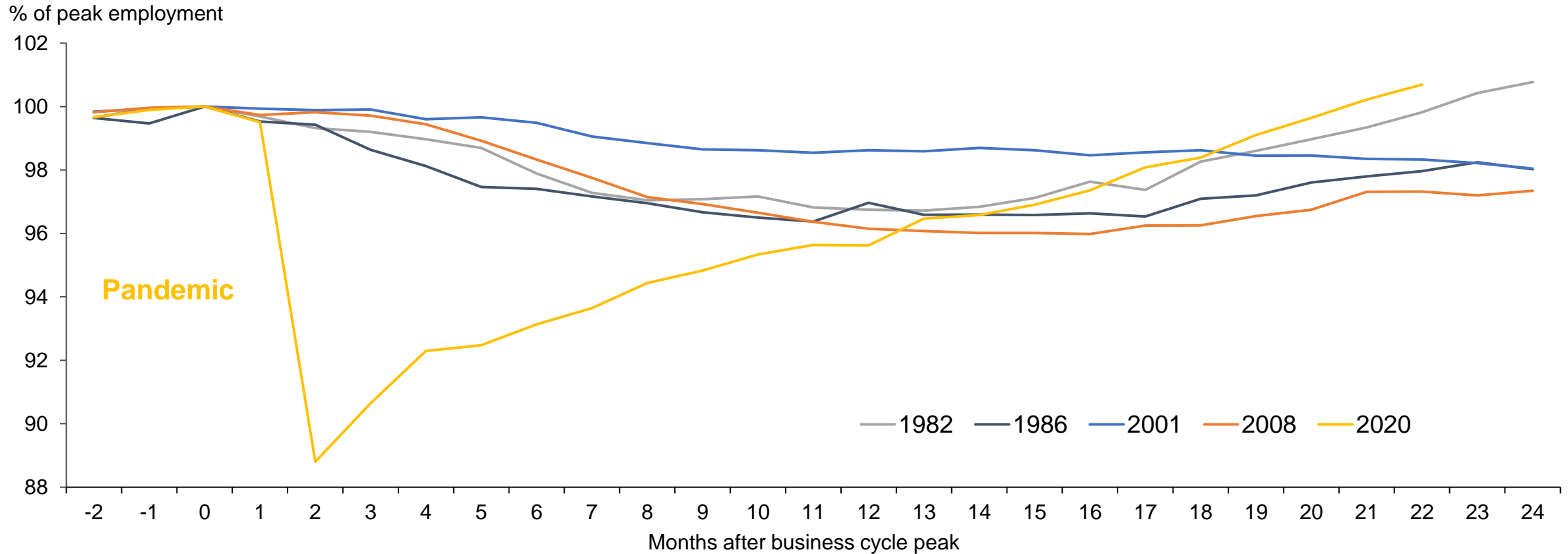


# Pandemonics: A Recession (and Recovery) Like No Other



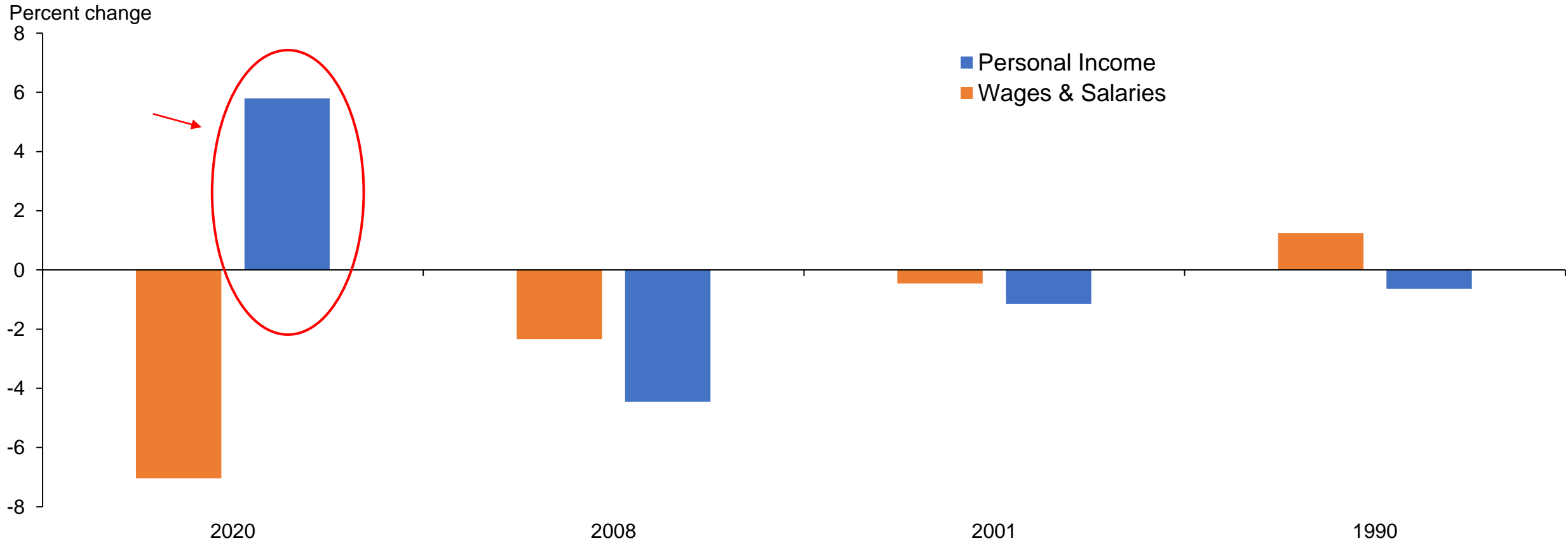
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# Pandemic recession stands apart from others: much sharper, shorter-lived decline and steeper recovery



NOTES: Shown is Texas nonfarm payroll employment. Recessions are indexed to on peak employment: Mar 1982, Jan 1986, Mar 2001, Aug 2008, and Feb 2020.  
SOURCE: Bureau of Labor Statistics.

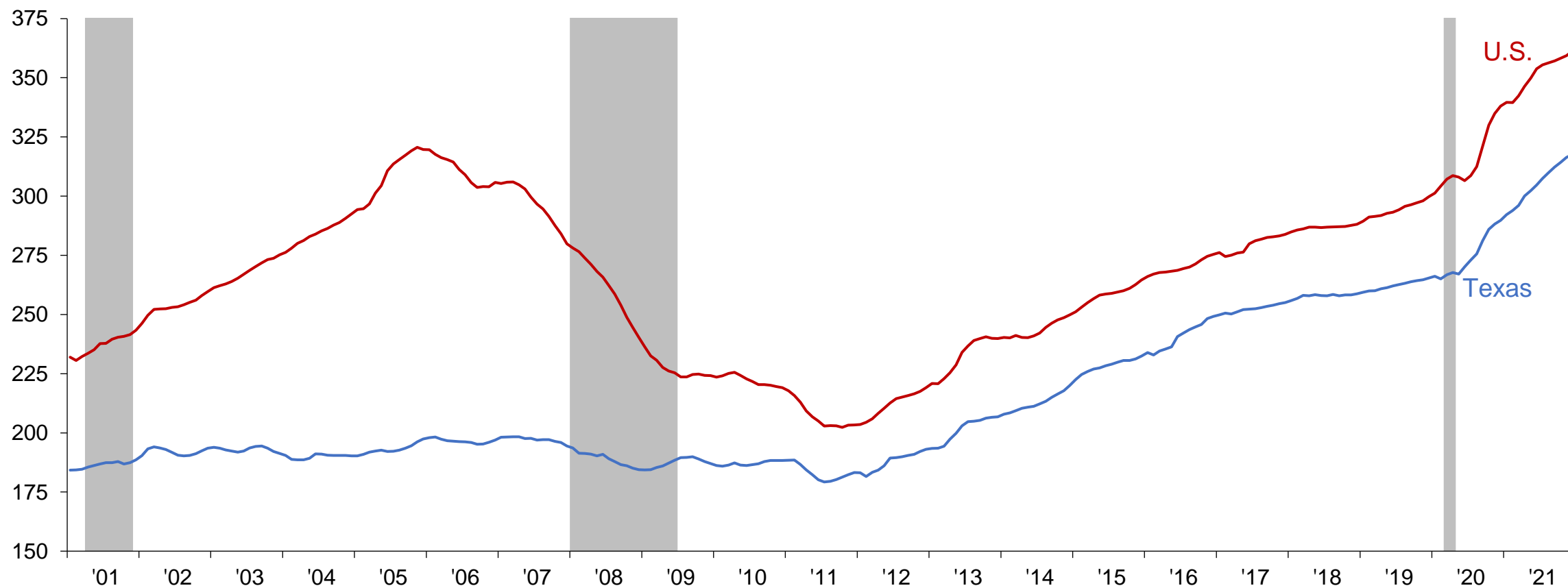
# Also unusual for a recession, personal income rose



NOTE: Data for Texas. Change in real per capita personal income and wages & salaries, from first quarter to last quarter of recession.  
SOURCE: Bureau of Economic Analysis (BEA)

# And unlike Great Recession, house prices soared

Dollars (thousands), four-month moving average\*



\*Seasonally adjusted, real dollars.

NOTE: Data on median house price through Dec. 2021. Shaded bars indicate recessions.

SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.

# How Texas Fared in Pandemic



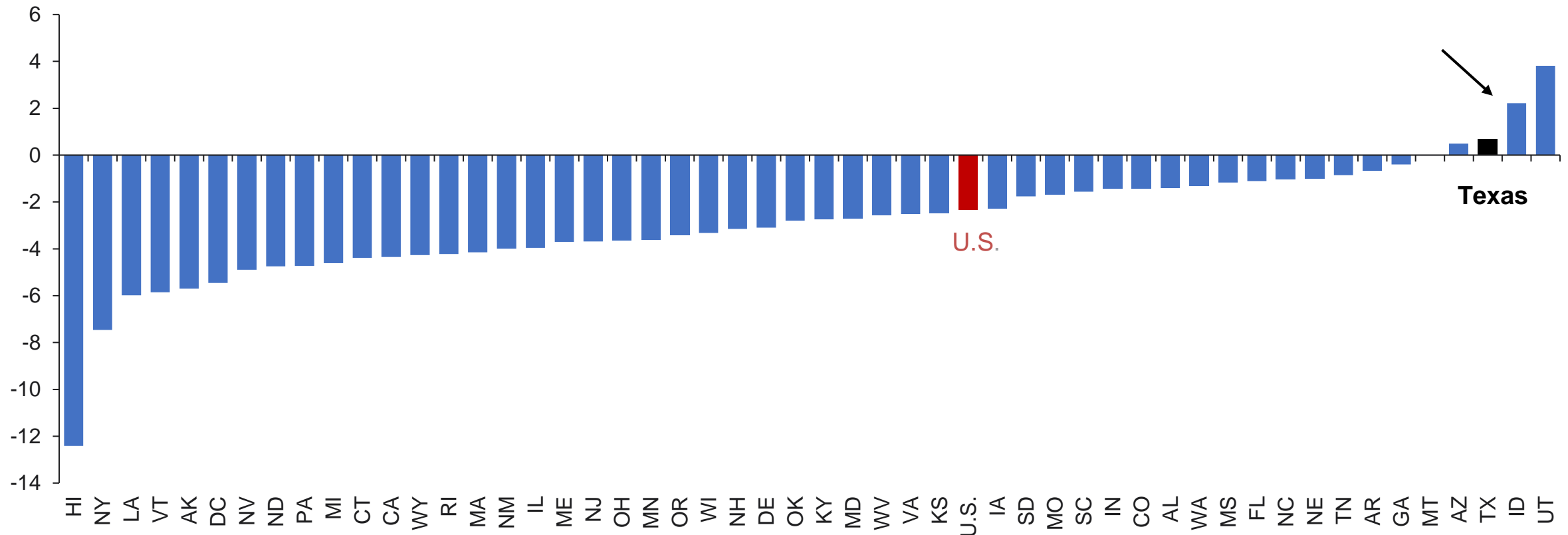
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# Texas is one of only four states that have exceeded their pre-pandemic level of employment

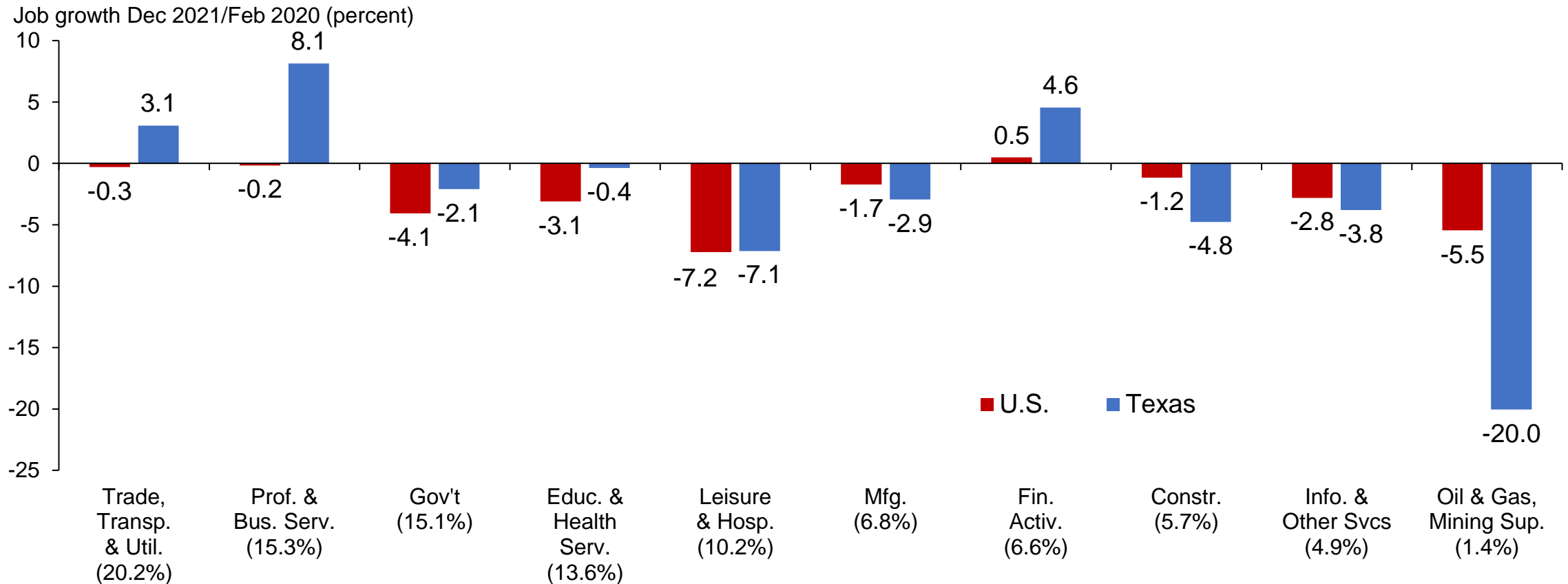
Job growth (percent), Dec 2021/Feb 2020, SA



NOTE: 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.

# In Texas, three sectors have now surpassed pre-pandemic employment. In nation, only one...

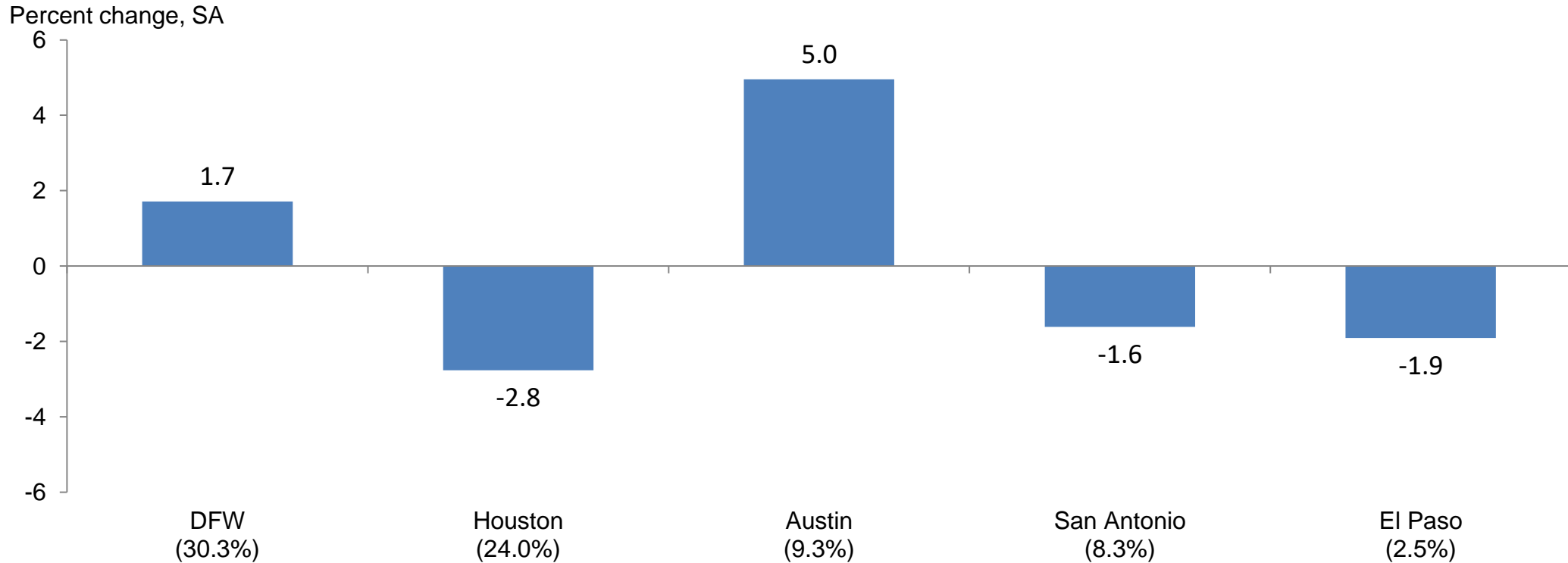


NOTE: Data show Dec. 2021/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment in December.

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

# Austin, DFW first metros to recover all lost jobs; other metros catching up

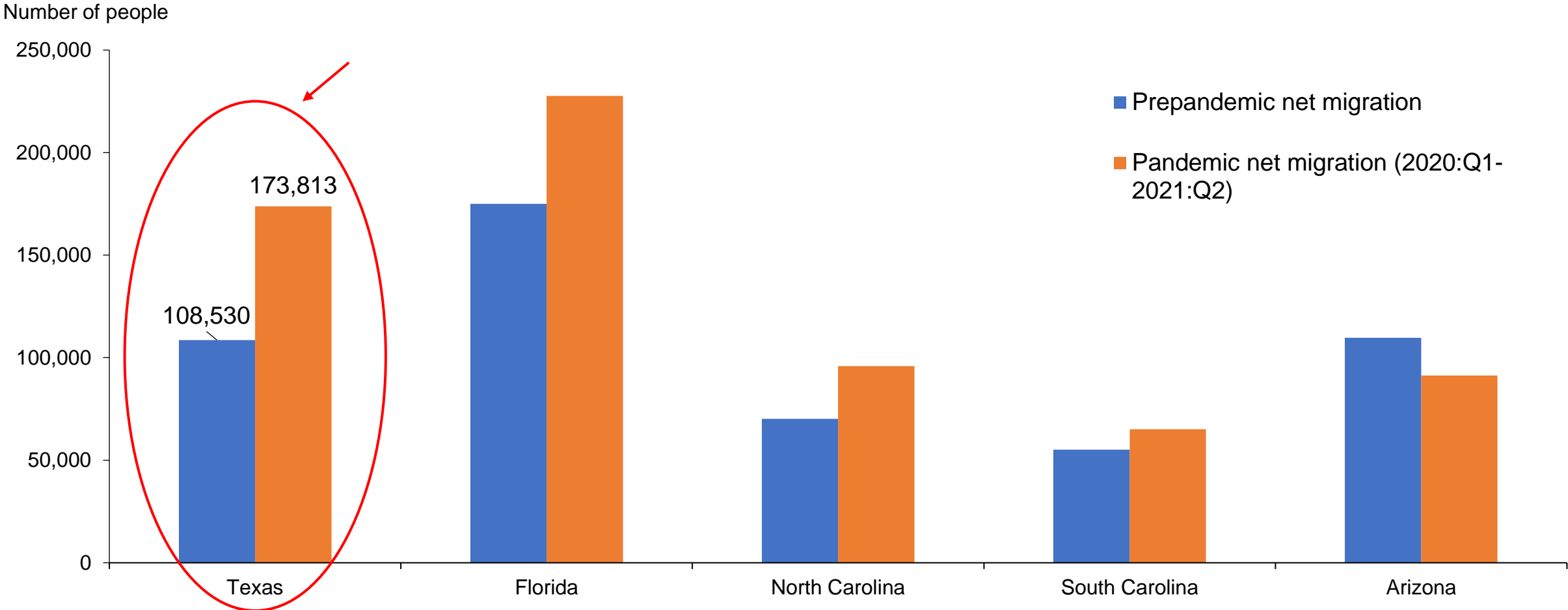
Employment Change by Major Metro (Dec 2021/Feb 2020)



NOTES: Data refer Dec. 2021/Feb. 2020 non-annualized job growth. Numbers in parentheses refer to share of state employment in Dec. 2021.

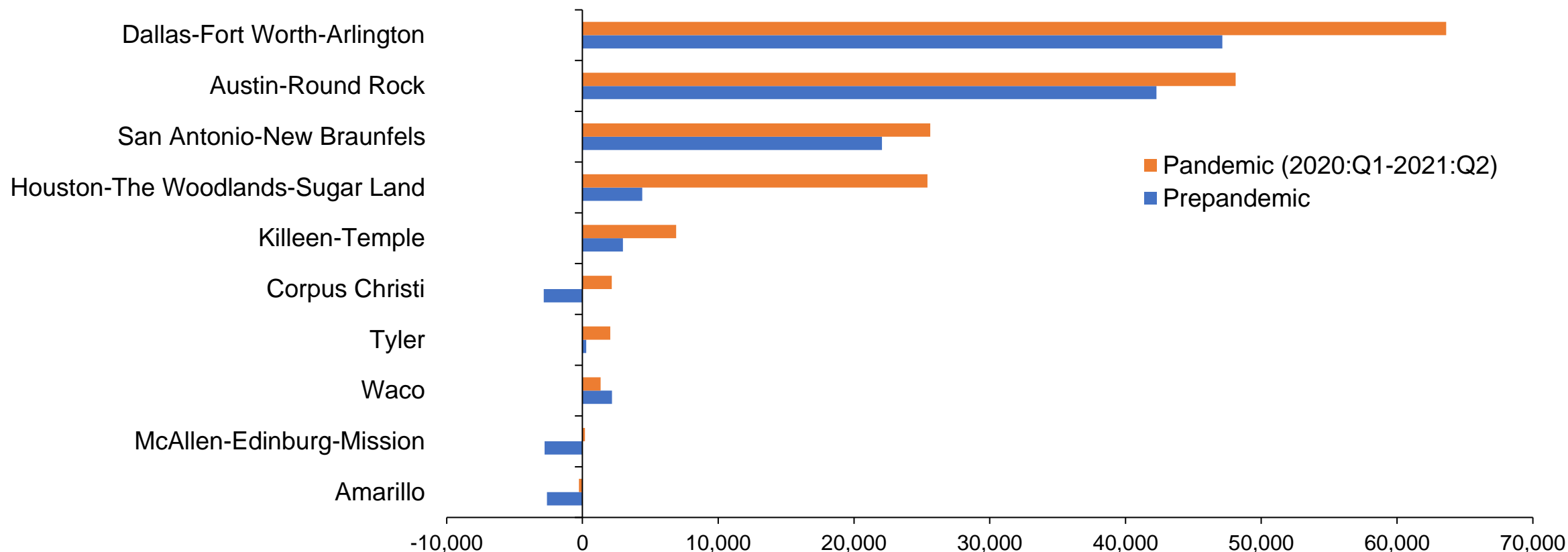
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

# Texas job growth fueled by domestic migration, which accelerated in pandemic



NOTE: Data and analysis from Yichen Su “Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic,” *Southwest Economy*, 4<sup>th</sup> quarter, 2021.  
SOURCES: Federal Reserve Bank of New York Consumer Credit Panel, Equifax.

# Even though migration flowed mostly to D-FW & Austin, almost all Texas metros enjoyed higher inflows in pandemic



NOTES: Data shown are net in-migration figures for Texas metros from Yichen Su “Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic,” *Southwest Economy*, 4<sup>th</sup> quarter, 2021.

SOURCES: Federal Reserve Bank of New York Consumer Credit Panel, Equifax.

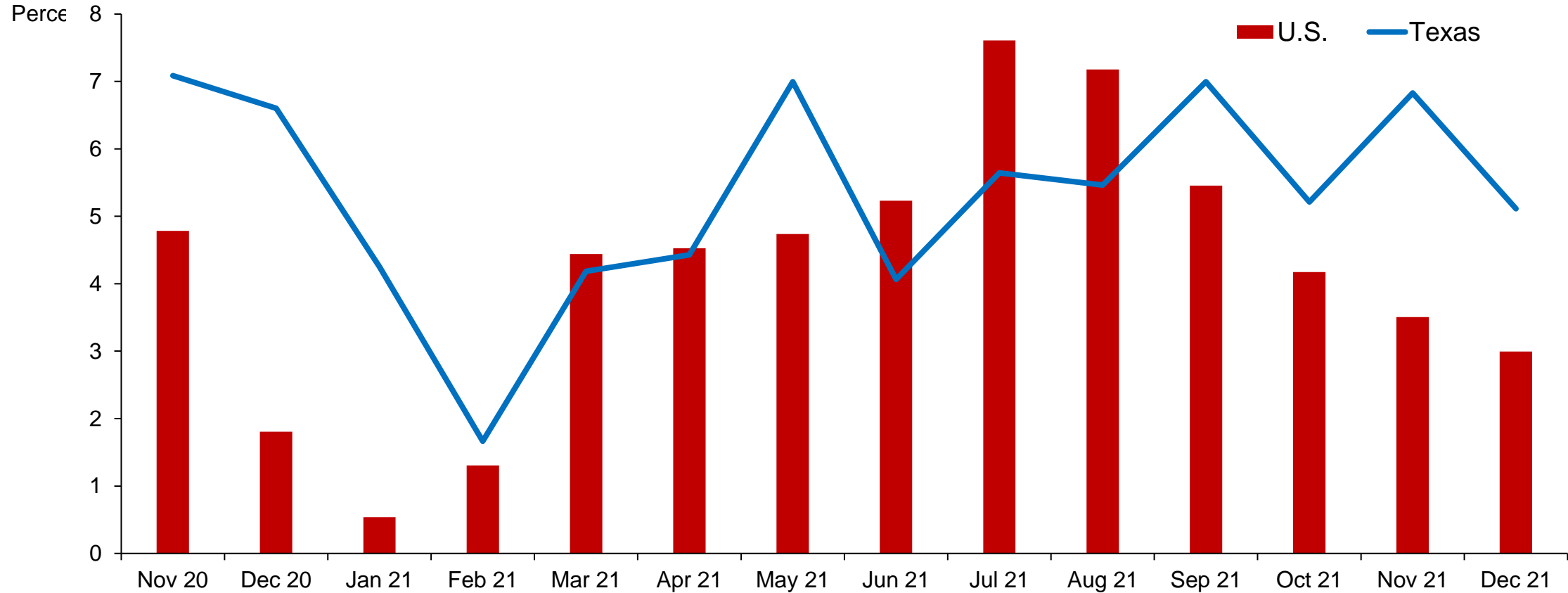
# Texas Recent Economic Performance



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# Texas job growth above U.S. rate since Sept. 2021



NOTE: Data through December 2021.

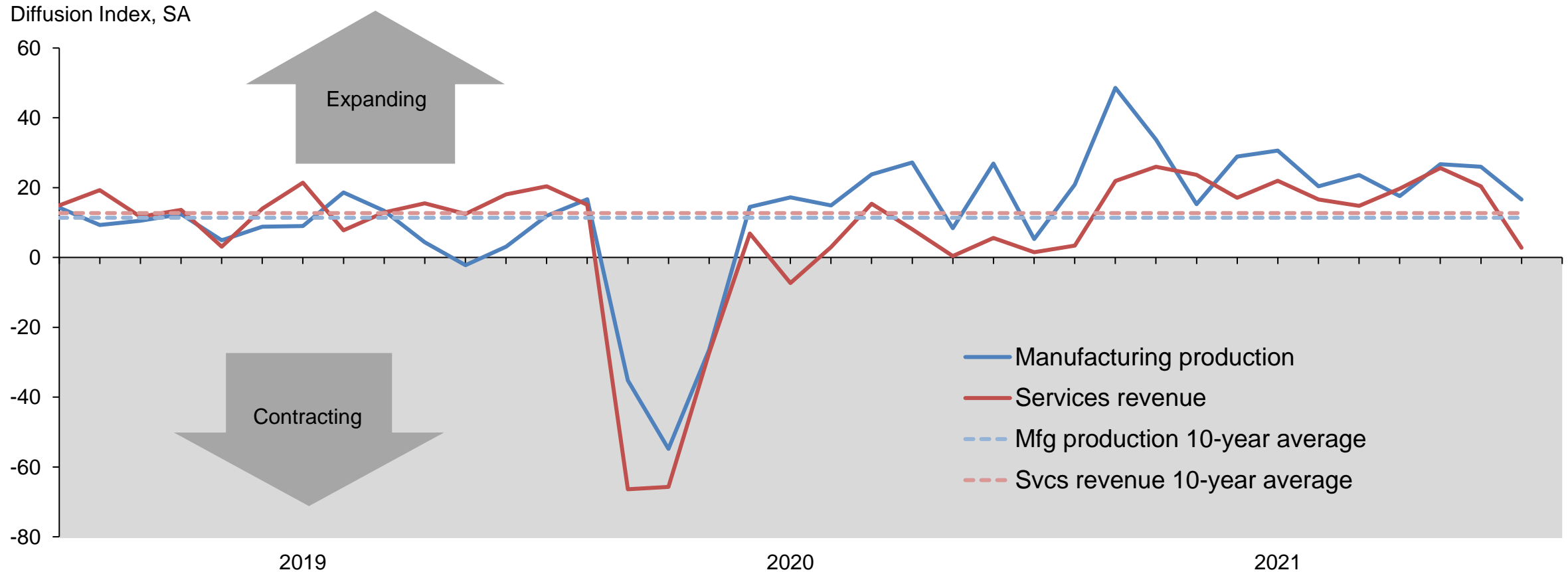
SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.



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# Manufacturing output and service sector revenue growth robust in 2021 but slowed in January 2022



NOTE: Data through January 2022.

SOURCE: Dallas Fed Texas Business Outlook Survey



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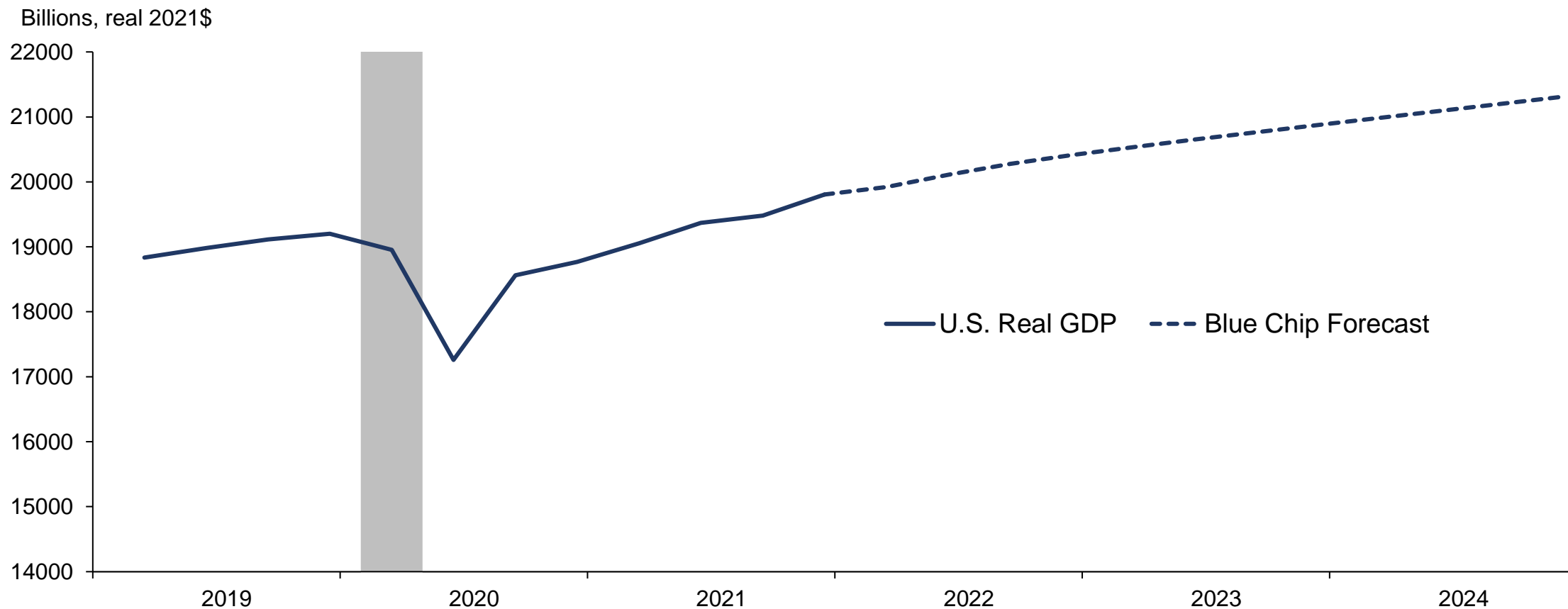


# Outlook for 2022



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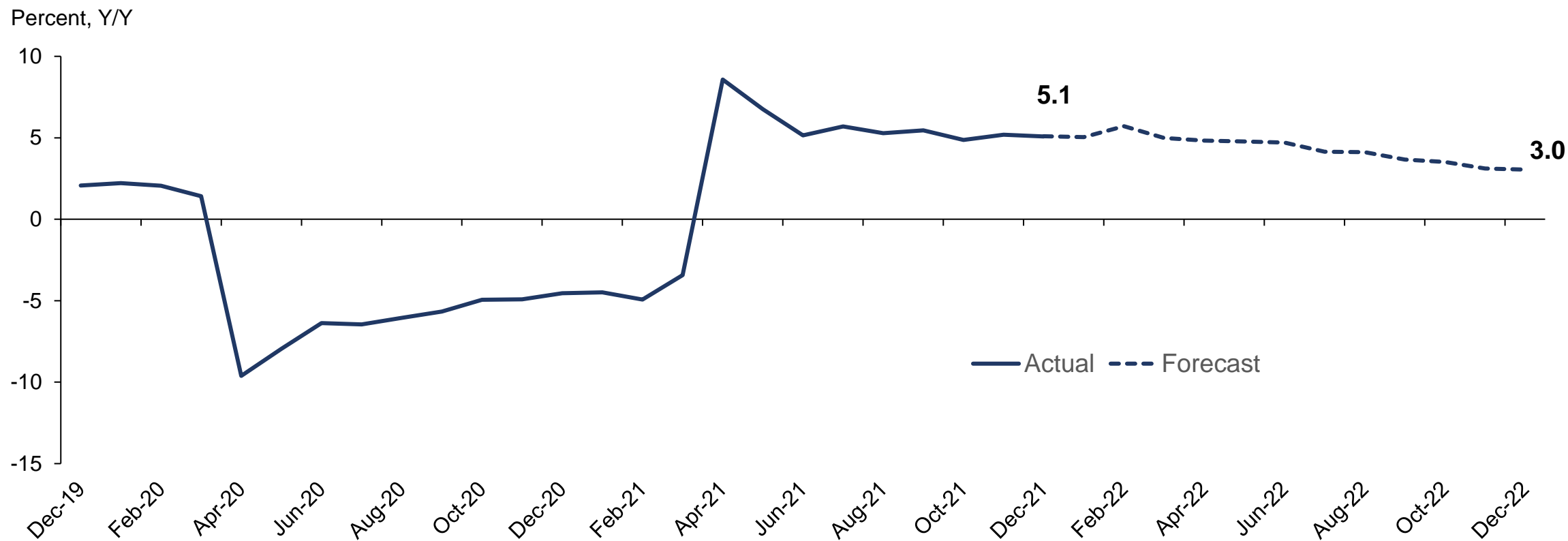
# U.S. GDP expected to grow 3.9 percent in 2022, 2.5 percent growth in 2023



NOTE: Data through December 2021.

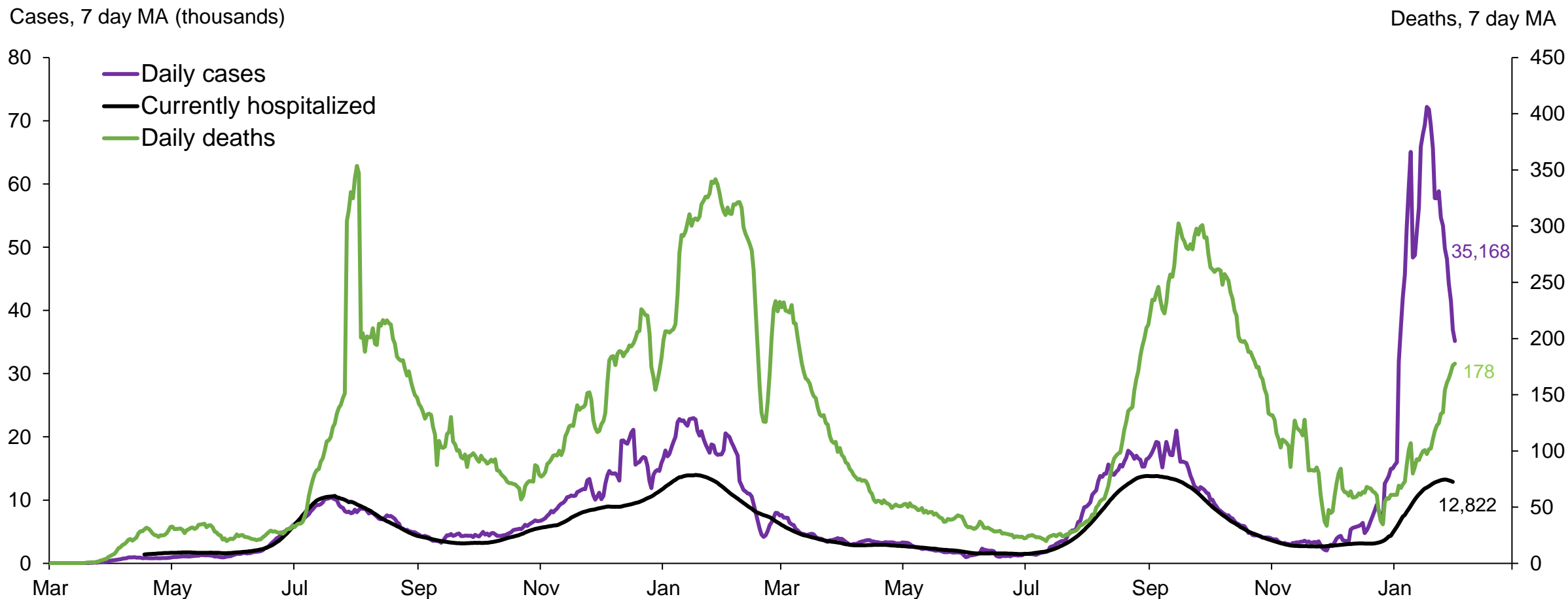
SOURCE: Bureau of Economic Analysis; Blue Chip Economic Indicators.

# Dallas Fed 2022 Texas jobs forecast between 2 and 4 percent growth (Dec/Dec); point estimate is 3 percent



NOTE: Forecast scenario estimates Texas payroll employment for 2022 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 1/27/22.

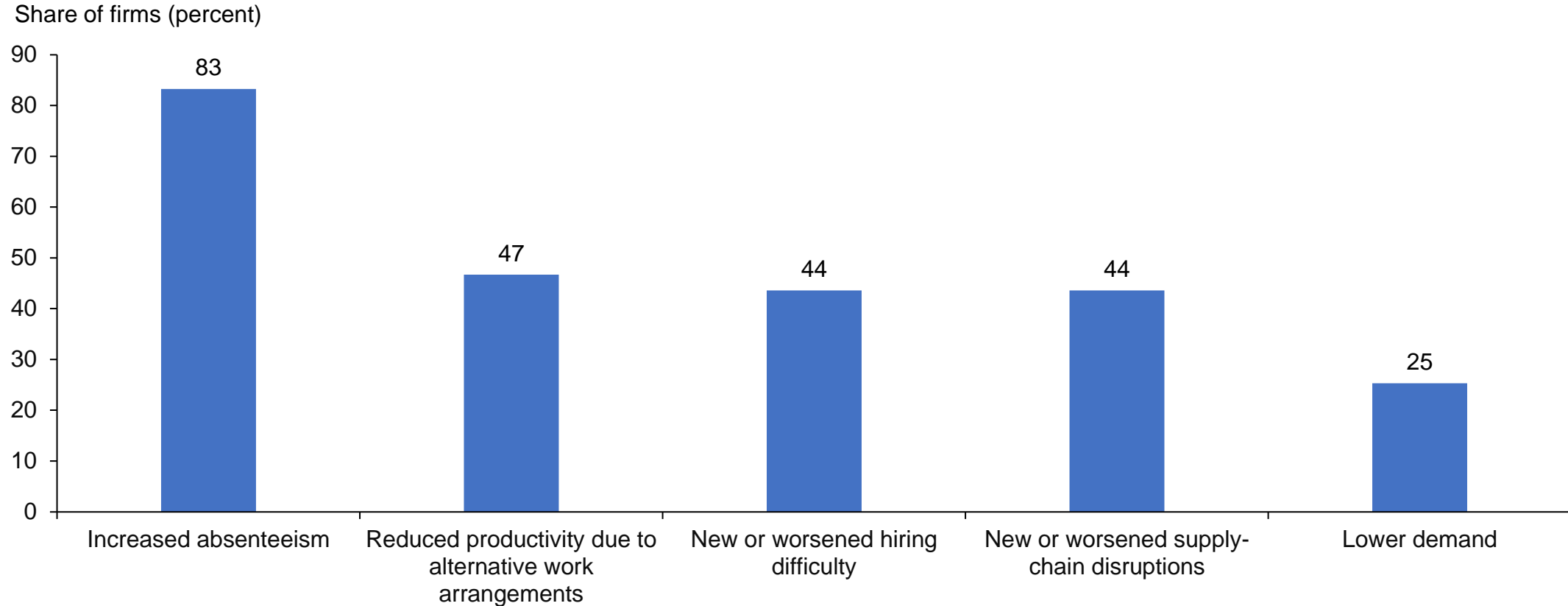
# Texas COVID cases falling sharply, hospitalizations slowing



NOTE: Hospitalization data are daily through January 30, 2021. Case and death data through January 30, 2022.

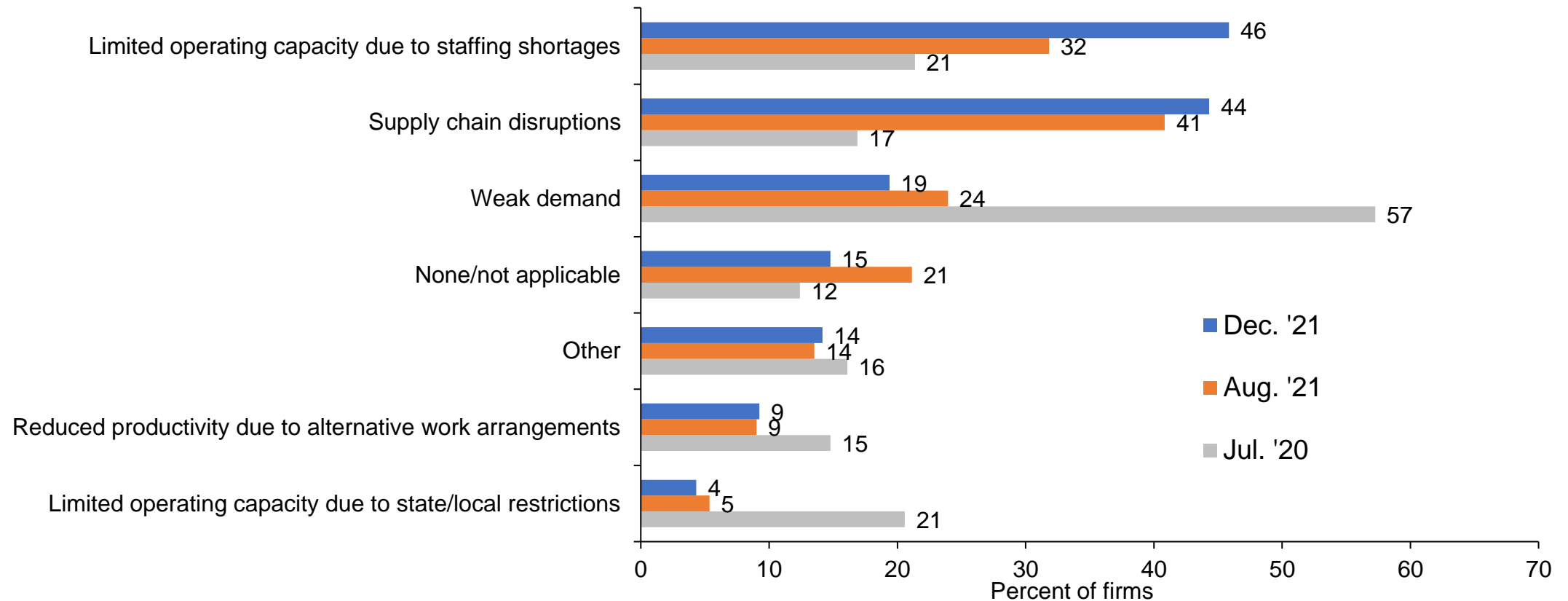
SOURCE: New York Times, Texas DSHS.

# Texas businesses report on impact of Omicron surge; staff absenteeism biggest problem



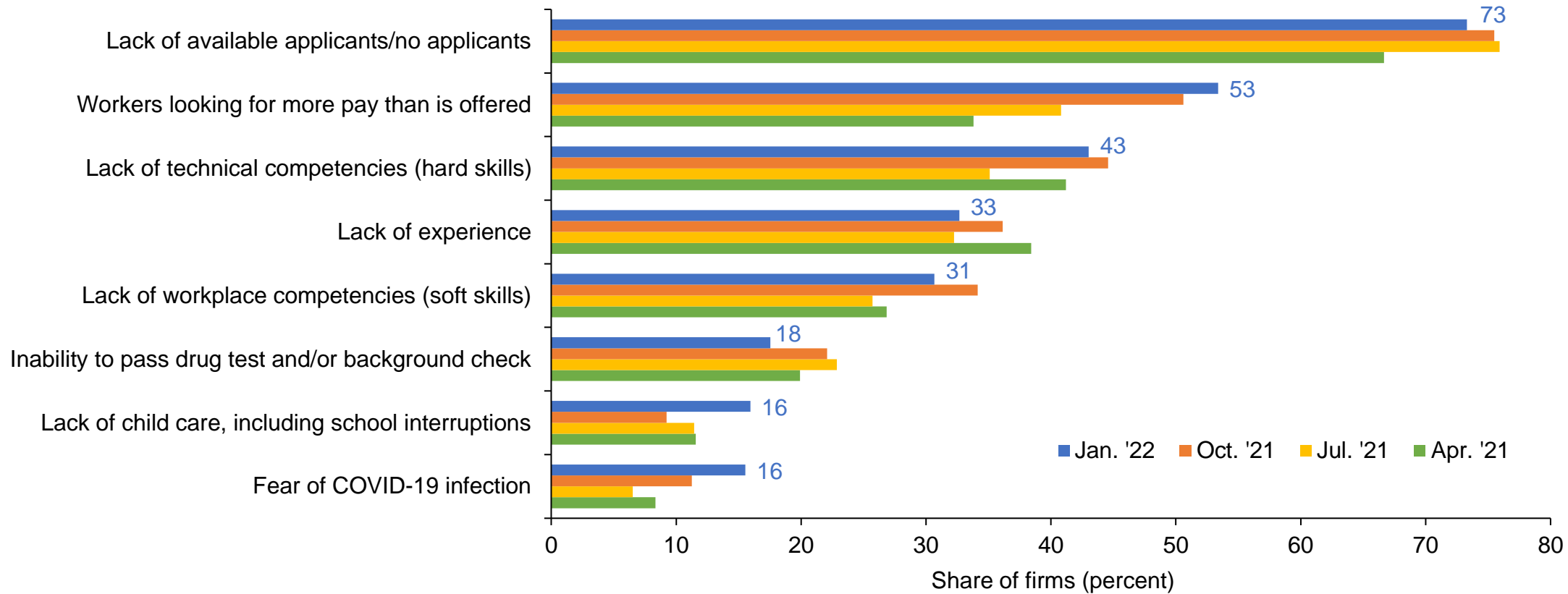
- NOTES: Respondents reporting a negative impact to their business by the current COVID-19 surge were asked to indicate how they were impacted. N=257. Percentages are calculated as shares of all responding firms, not the subgroup noting a negative impact.
- SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys, January 2022

# Supply chain disruptions and staffing shortages are firms' top revenue constraints in December survey



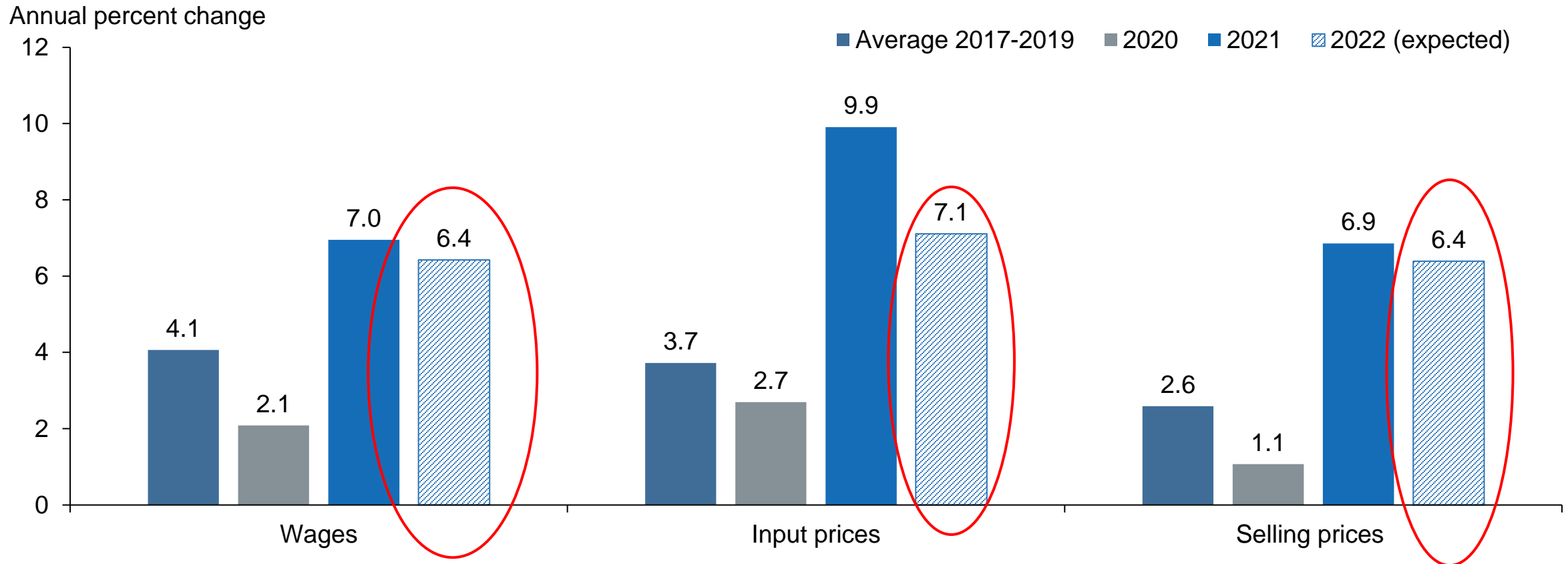
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Survey Special Questions.

# TBOS firms report on hiring impediments; lack of applicants top complaint



NOTES: Respondents were asked, "Are there any impediments to hiring or recalling workers? Please select all that apply." N=251.  
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys, January 2022.

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

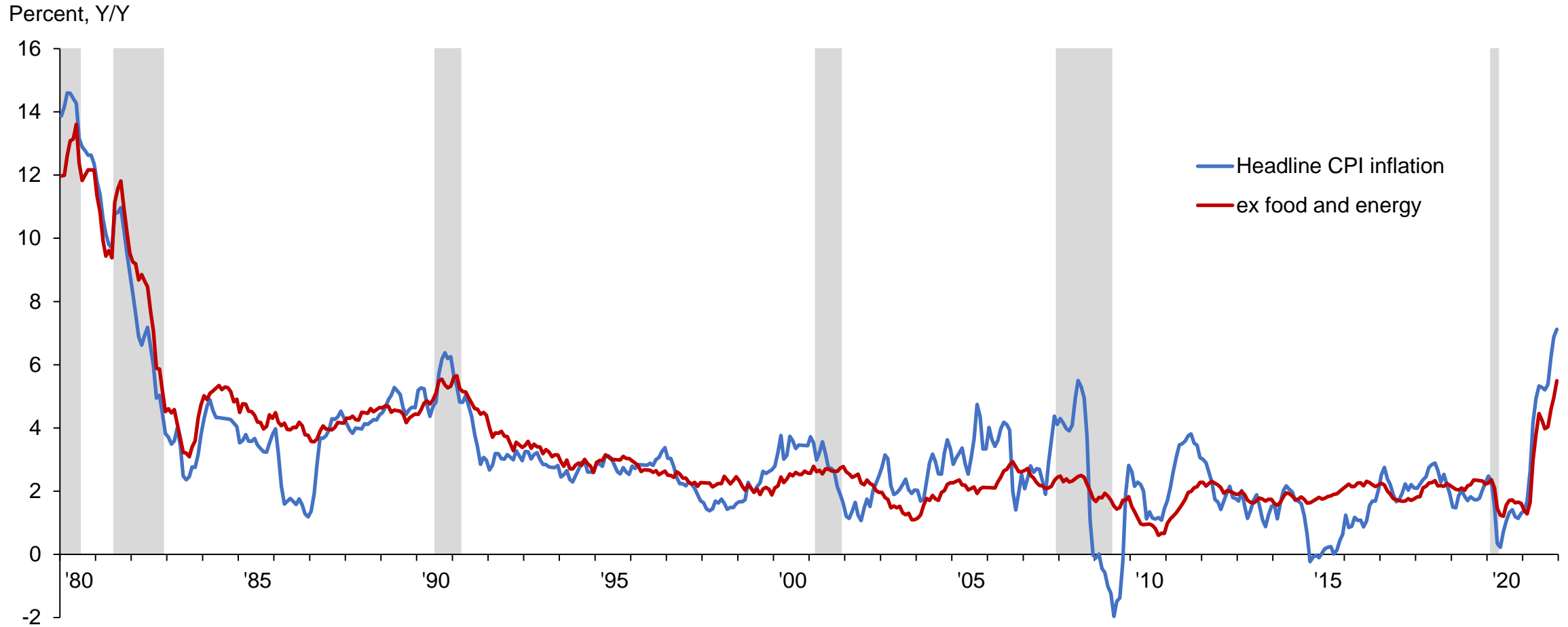


NOTES: Respondents were asked each December, "What annual percent change in wages, input prices and selling prices did your firm experience in [current year]?" Respondents were also asked about expectations for the upcoming year, shown here for 2022. Over 300 firms responded. Values are 5 percent trimmed means.

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



# U.S. CPI inflation highest since 1982



NOTES: Data through December 2021. Shaded bars indicate U.S. recessions.  
SOURCES: Bureau of Labor Statistics; National Bureau of Economic Research.

# Summary

- Texas employment forecast to grow between 2 and 4 percent in 2022—more slowly than in 2021, but still well above trend and nation
- Accelerated migration of people out of high-density, high-cost-of-living areas should continue to benefit Texas and boost growth
  - Inflows not without some growing pains
- Supply-chain disruptions and labor shortages expected to be a continued drag on growth – no strong expectations of significant relief through first half of 2022
- Further outbreaks of COVID remain a downside risk to the outlook, but tend to constrict supply, not demand
  - Price pressures likely to remain elevated



Thank you!



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