



Federal Reserve
Bank of Dallas

**Texas Economic Performance and Outlook
(December, 2022)
“Slowing economic growth”**

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Federal Reserve Bank of Dallas
12/16/2022

What's New...

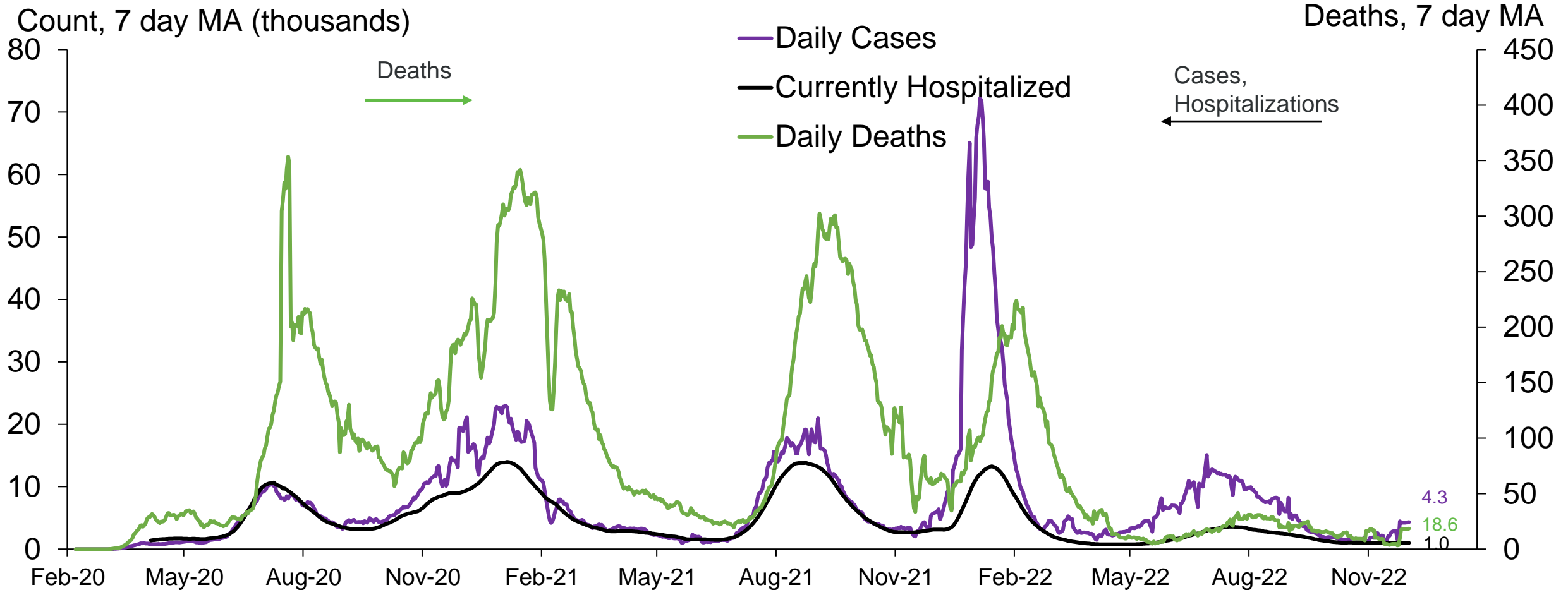
- Texas job growth grew 3.7 percent in November and year-to-date job growth is a solid 3.5 percent despite the downward revision to the first half.
 - This was above the U.S. job growth pace of 2.1 percent in November and 3.2 percent year-to-date.
- Employment forecast for the year (Dec/Dec) decreased to 3.5 percent from 4.3 percent last month, implying growth of 3.3 percent in the fourth quarter.
 - The forecast declined due to large downward revisions in Texas employment when benchmarking the payroll survey to the Quarterly Census of Employment and Wages.
- The Texas Business Outlook Surveys (TBOS) continued to show slowing economic activity in the state in November.
 - Manufacturing survey data indicate output was flat and new orders fell for the sixth month in a row.
 - Service sector survey revenue index slipped further below its average, perceptions of broader business conditions continued to worsen, and the outlook remained negative.

What's New...

- Survey contacts during November reported a slowing of selling price growth, and input cost growth (among manufacturers). Wage pressures remain subdued.
- During November, special questions were asked in the TBOS surveys on costs and operating margins.
 - The answers showed that as input costs and wages rise Texas companies are finding it harder to pass some of this costs to customers.
- While Texas has historically fared better than the nation during U.S. economic downturns when oil prices are high, the state's growth is decelerating from the highs of 2021.
 - As job and output growth slow, price and wage pressures weaken, and businesses grow more pessimistic, there is no guarantee that Texas will be protected from a downshift in U.S. economic activity

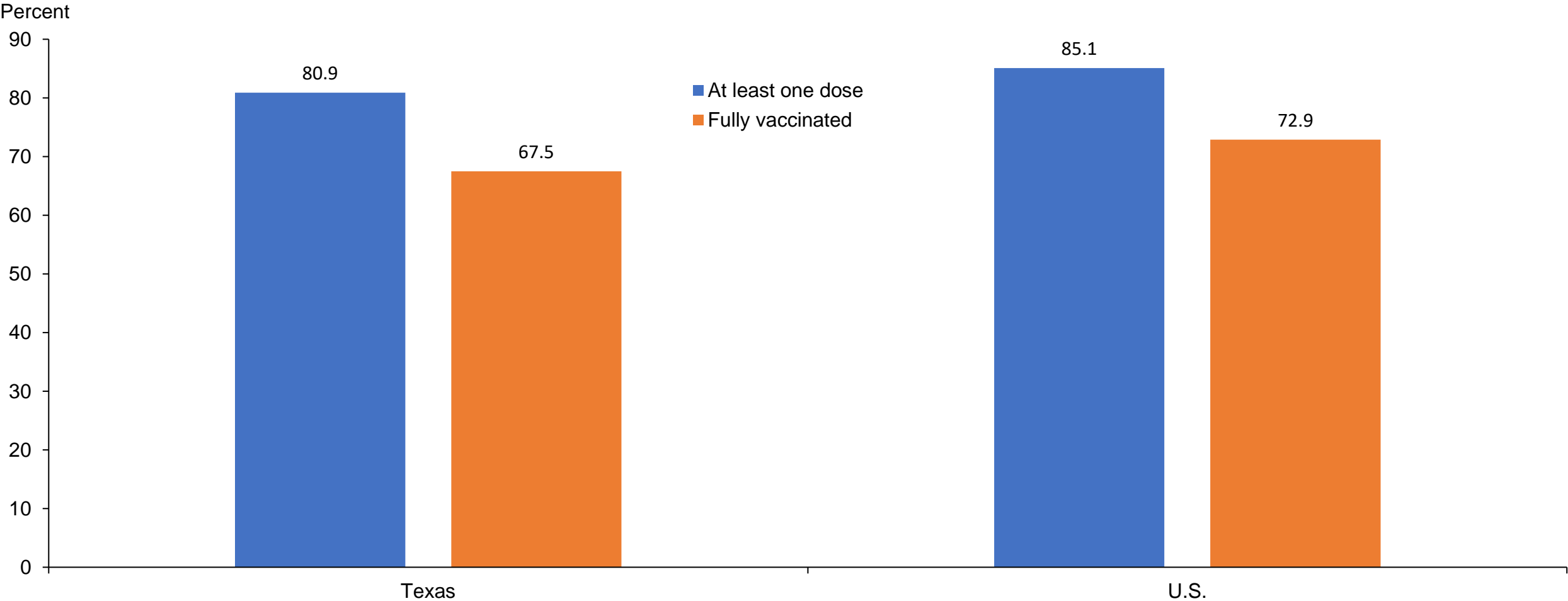
COVID-19 Update

Texas' reported COVID cases low, hospitalizations flat



NOTE: Data through December 14.
SOURCE: New York Times, Texas DSHS.

Over 80 percent of Texans have had at least one dose of the COVID vaccine

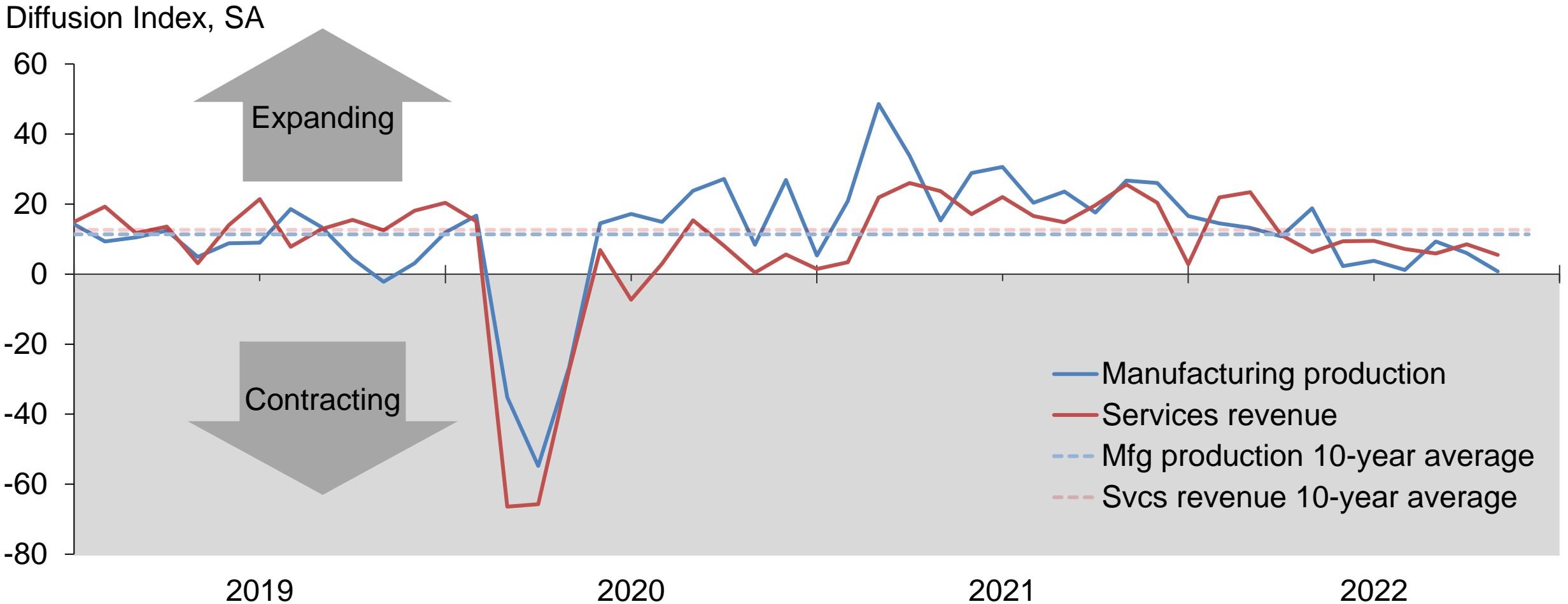


NOTE: Data as December 15, 2022. Data show vaccination rate for population over the age of 5.

SOURCE: Texas DSHS, CDC.

Overall Economic Activity

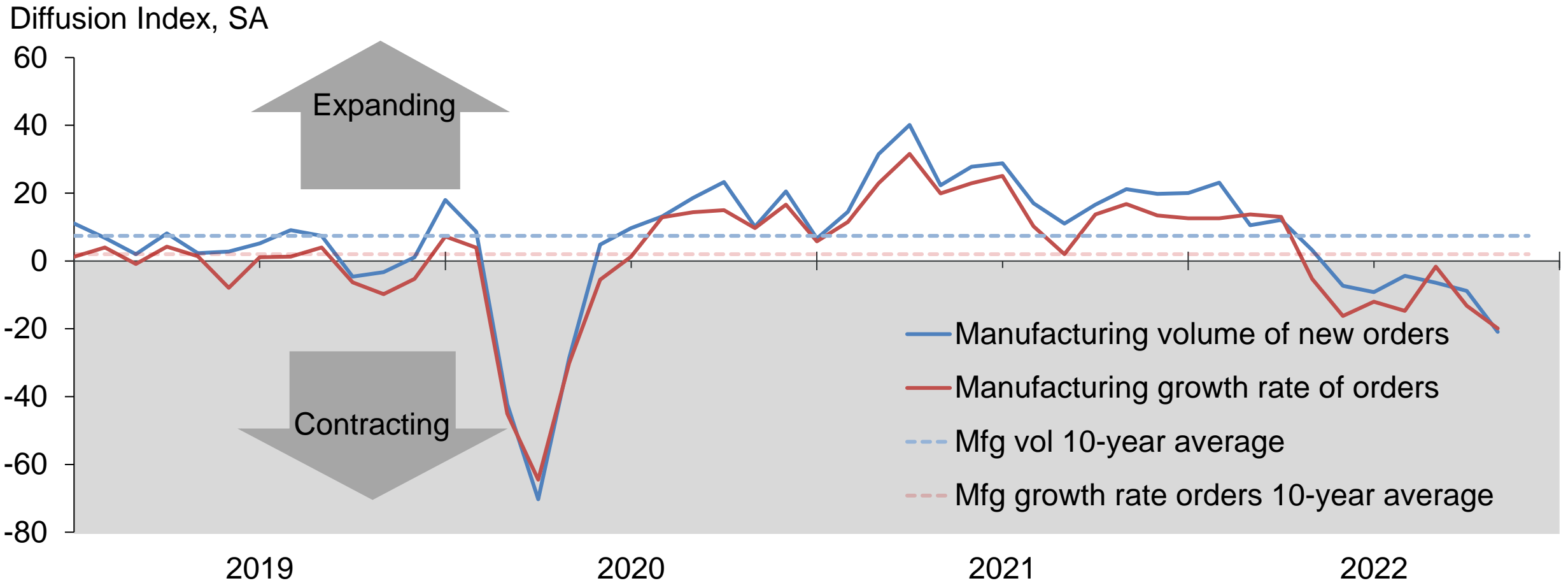
Growth in manufacturing production and services revenue remain below long-term averages, according to Texas businesses



NOTE: Data through November 2022.

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

Texas Manufacturing: New orders continue to decline in November

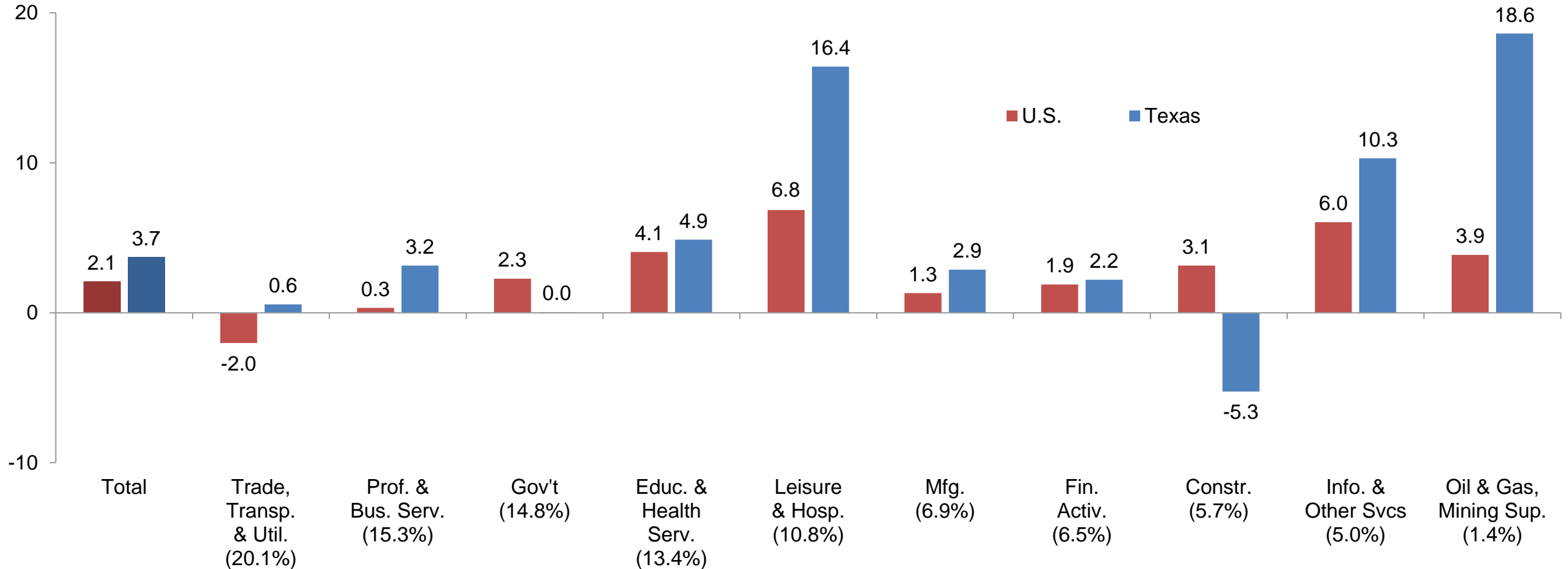


NOTE: Data through November 2022.

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

Texas employment grew in November, led by Oil, Gas, and Mining

Job growth November 2022/October 2022 (percent)

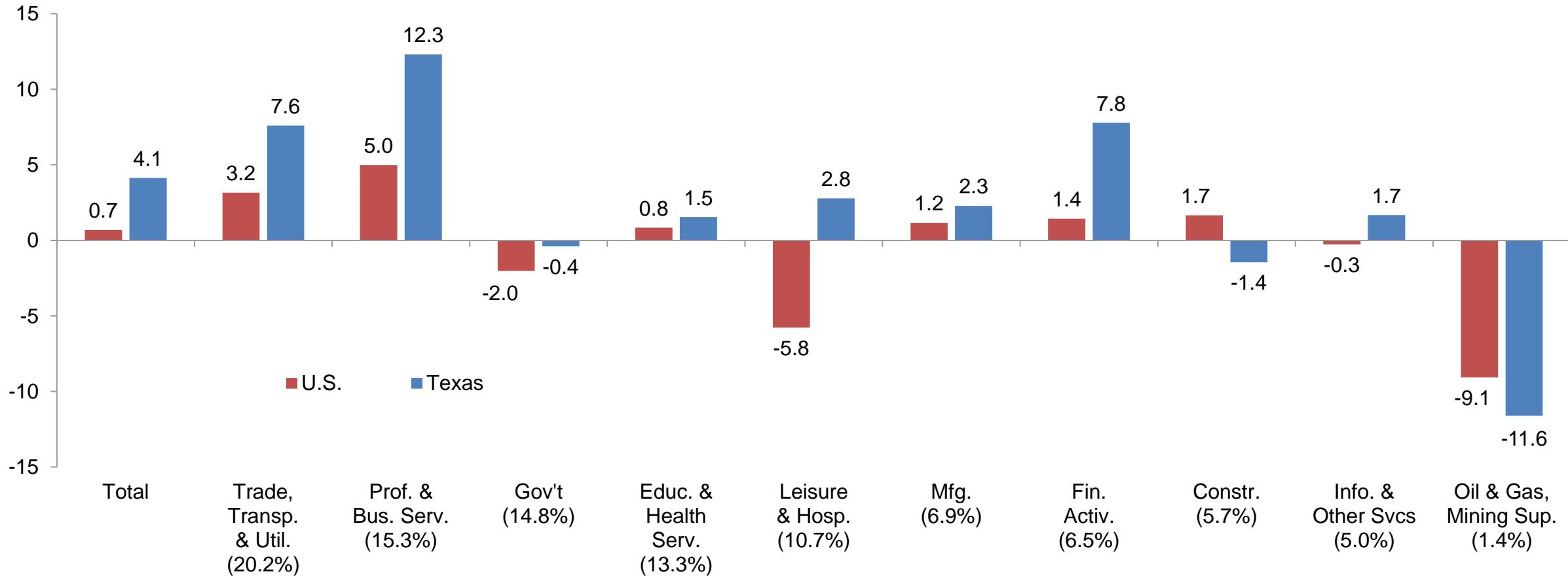


NOTE: Data show November 2022/October 2022 annualized growth. Numbers in parentheses indicate share of total state employment for October.

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

In Texas and nation, most sectors have now recovered the jobs they lost in the pandemic

Job growth Nov. 2022/Feb. 2020 (percent)



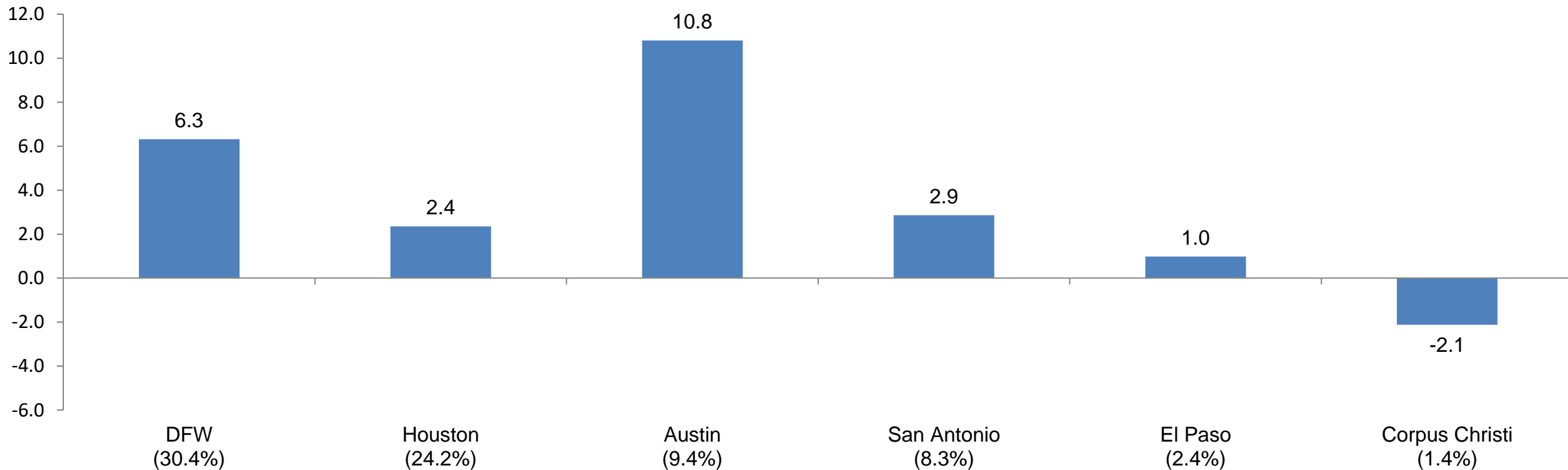
NOTE: Data show November 2022/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment for October.

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

Most major metros have recovered jobs lost during the pandemic

Employment Change by Major Metro (Nov. 2022/Feb. 2020)

Percent change, SA

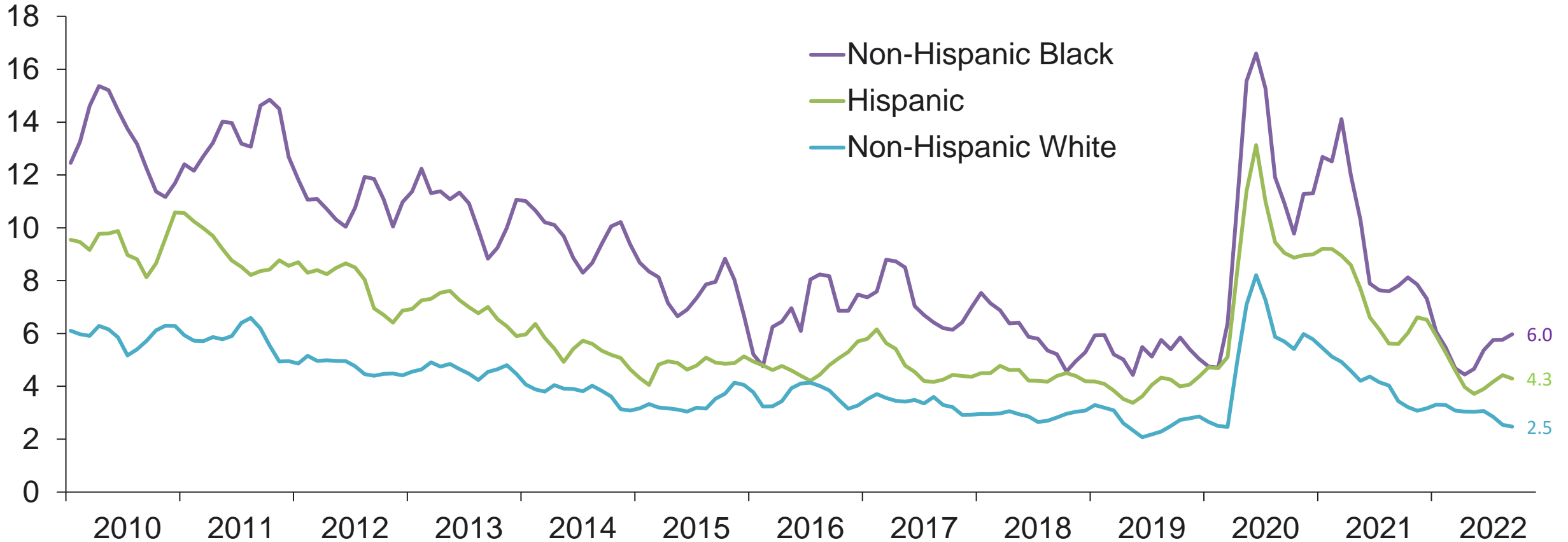


NOTES: Data refer to November 2022/Feb. 2020 non-annualized job growth. Numbers in parentheses refer to share of state employment in October 2022.

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

Black, Hispanic unemployment rates ticking up in Texas

Pct., seasonally adjusted, 3-mo. moving avg.



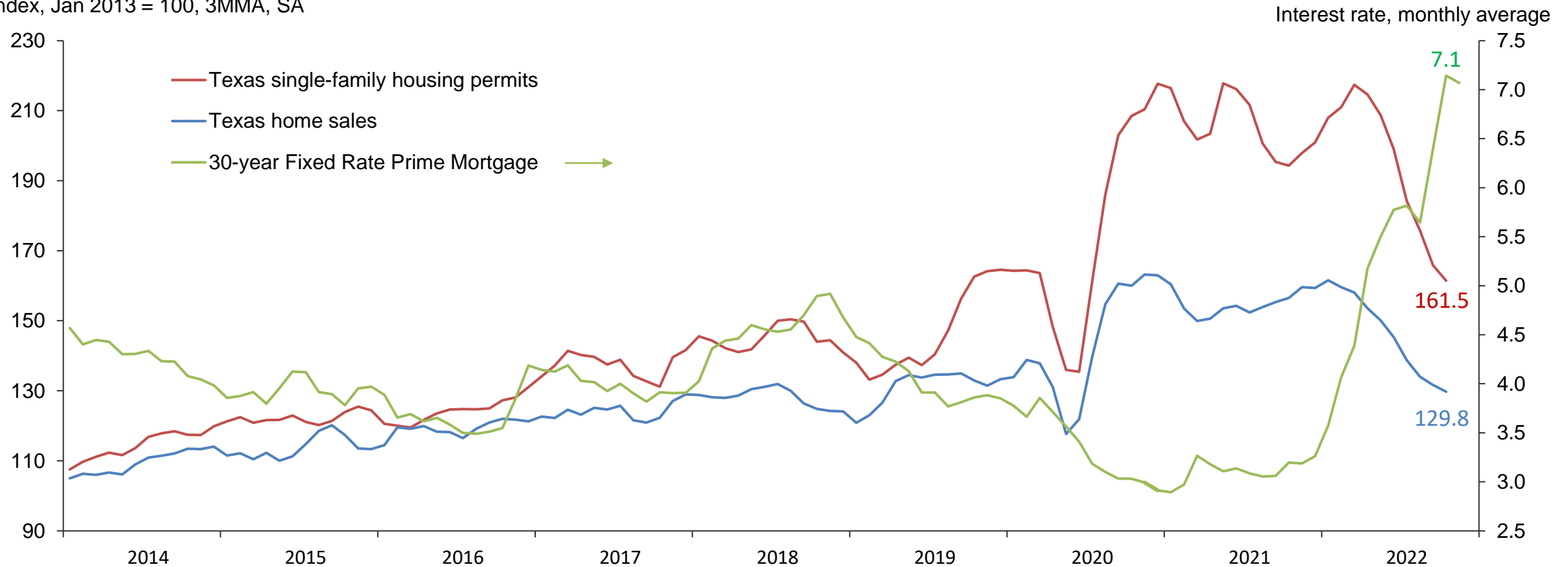
NOTE: Last data point September 2022.

SOURCE: Current Population Survey, authors' calculations.

Housing and Energy Industries

Housing: Single-family building permits and sales continue to decline as mortgage rates remain over 7 percent in November

Index, Jan 2013 = 100, 3MMA, SA

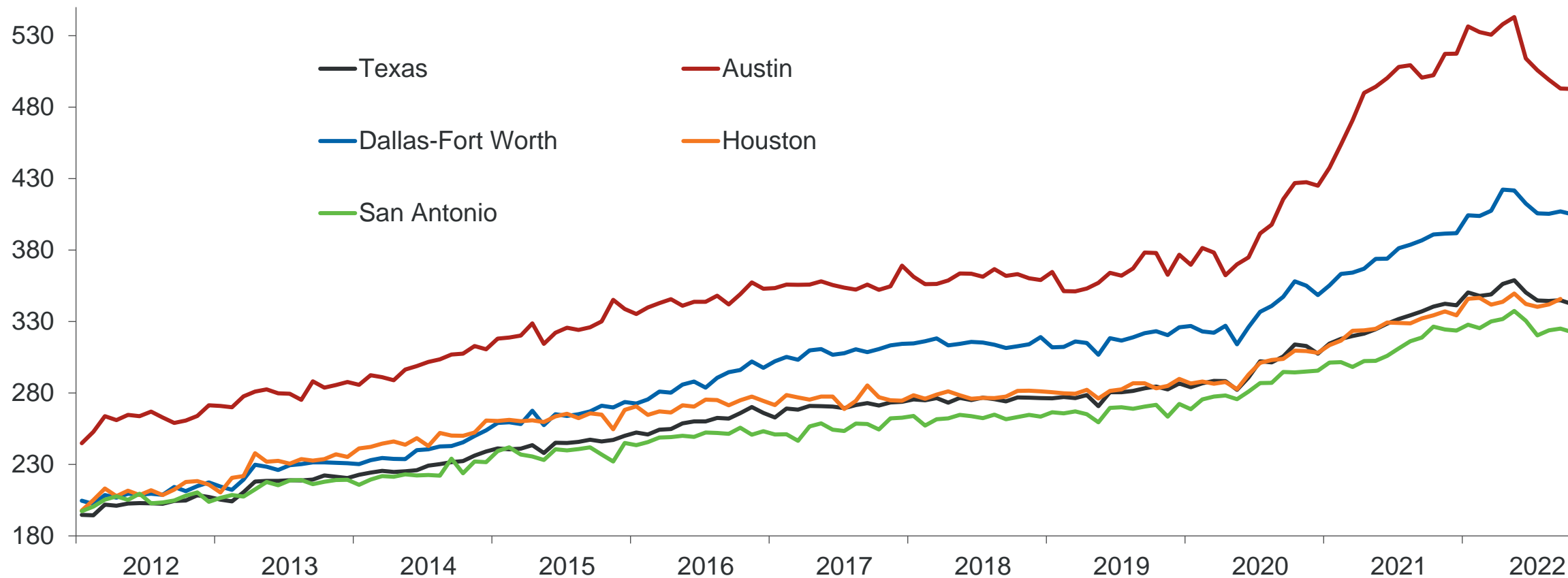


NOTES: Texas single-family housing permits and home sales through October 2022, Mortgage data through November 2022.

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

Texas home prices remain low in October due to increasing mortgage rates, slowing sales

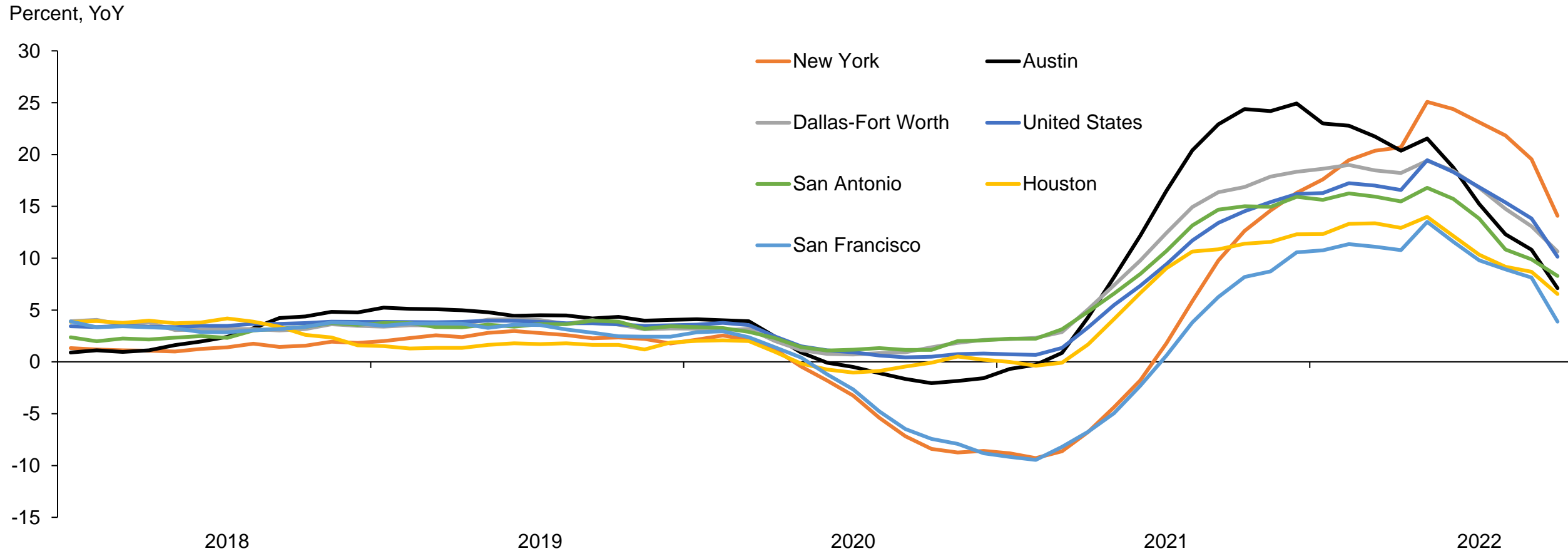
Thousands of 2022 dollars, SA



NOTES: Seasonally adjusted sales price for all series but Houston through October 2022 data with October dollars. Houston data through September 2022, presented in September 2022 dollars.

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

Rents: Apartment rent decelerating; TX Metros grow slower than national average (new leases)

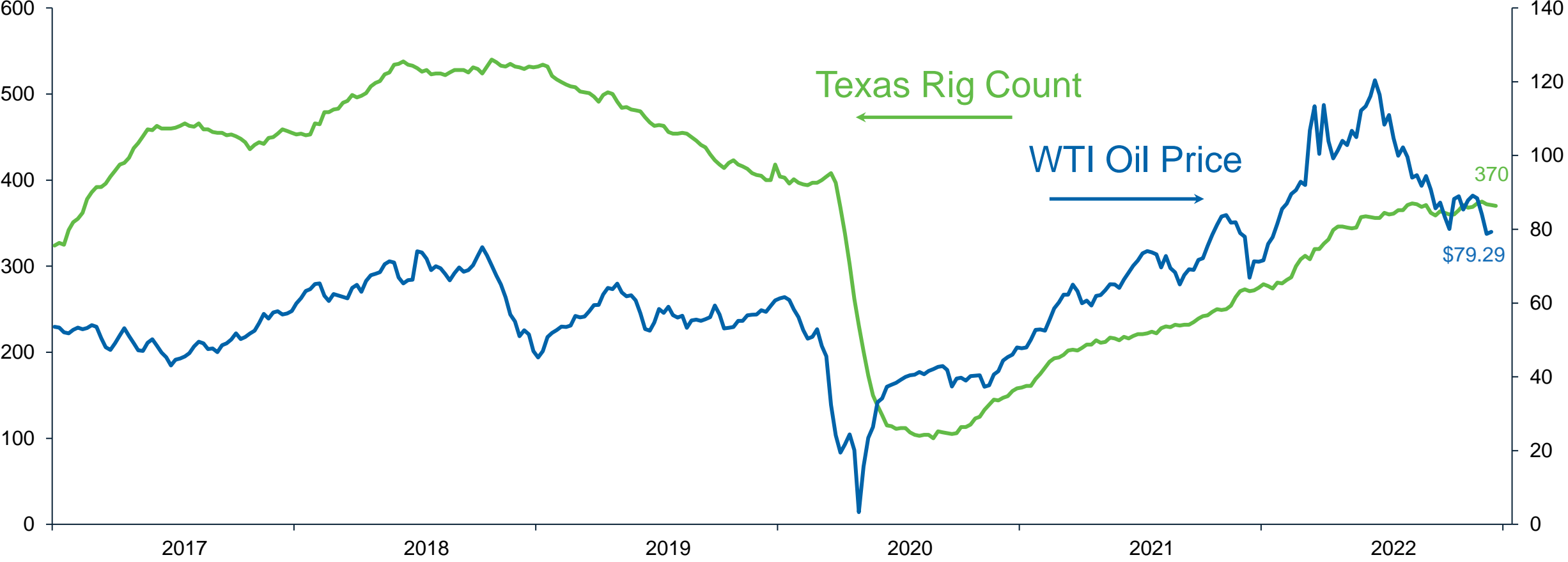


NOTE: Data through November 2022.
SOURCE: Zillow

Oil prices decline slightly, rigs increase

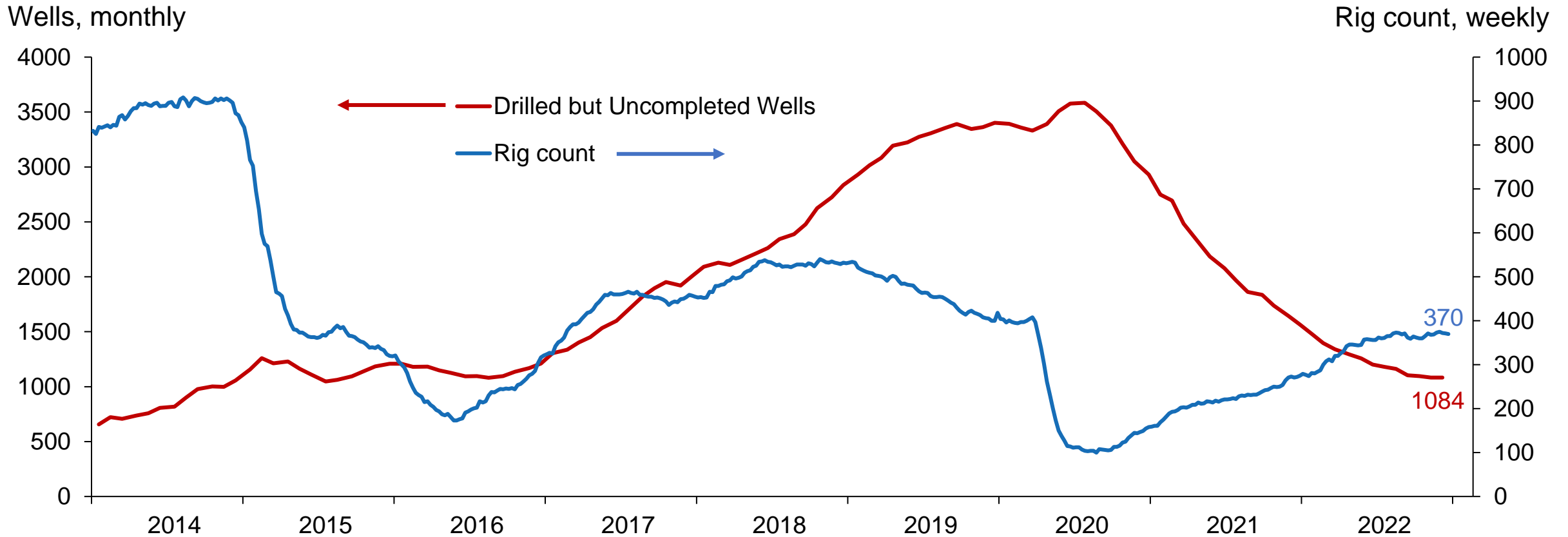
Rig count, weekly

Nominal price, \$, weekly



NOTES: Data are weekly through Dec 9, 2022.
SOURCES: Energy Information Administration; Baker Hughes.

DUC declines steady as rig count increases

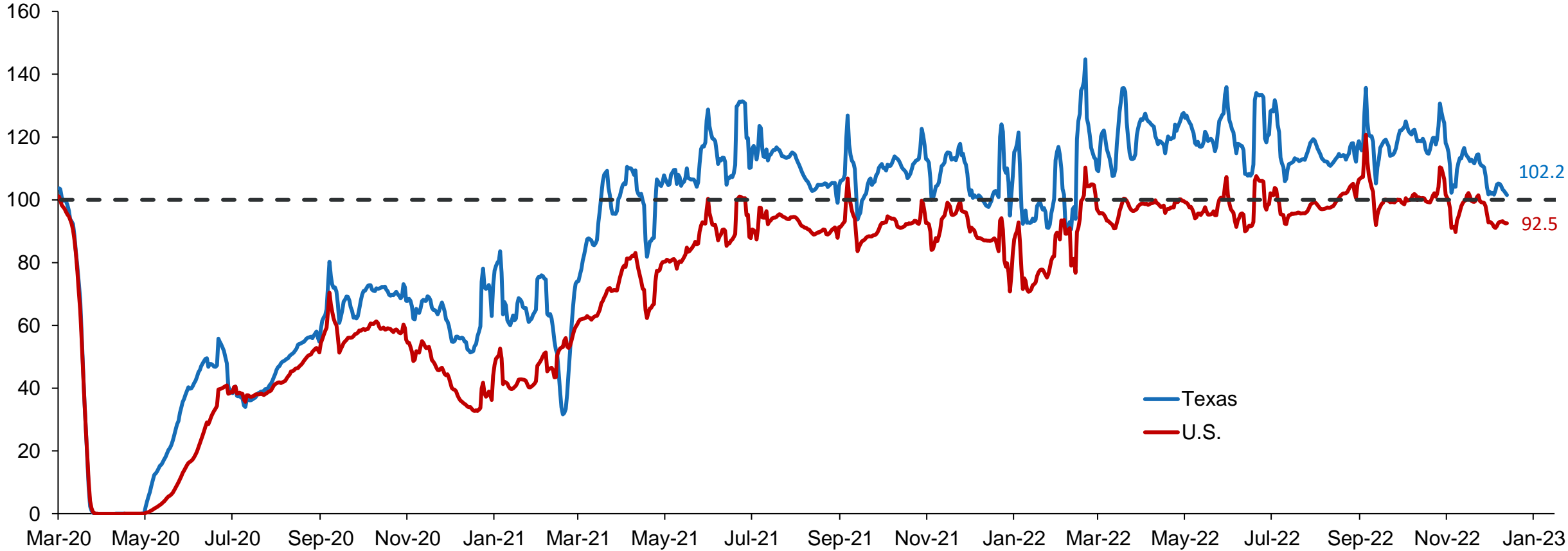


NOTES: Well data through November 2022. Rig count data through December 9, 2022. Rig count is for Texas, drilled but uncompleted wells are for Permian Basin.
SOURCES: Energy Information Administration; Baker Hughes.

High-Frequency Data

Restaurant Reservations Decline

% of 2019, 7dma



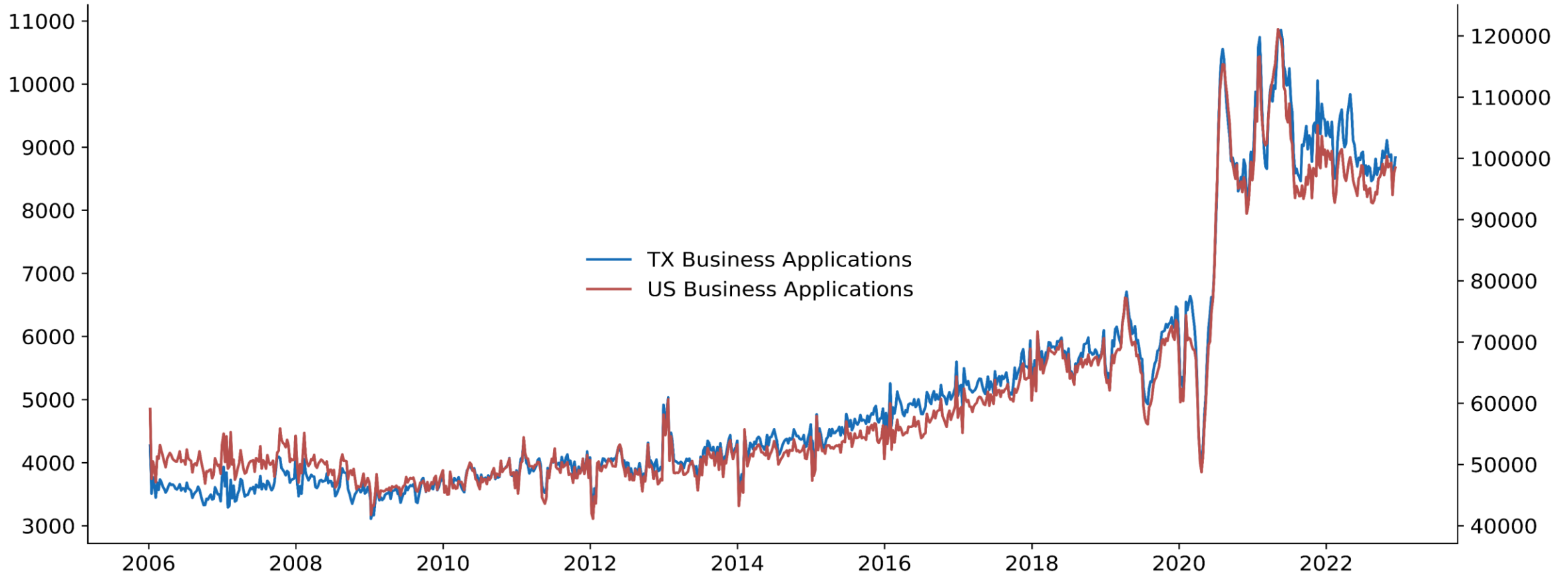
NOTES: Dining out data up to December 13th, 2022.

SOURCES: OpenTable.

New business applications increased sharply during the pandemic, remain elevated

TX Applications, SA, 4WMA

US Applications, SA, 4WMA

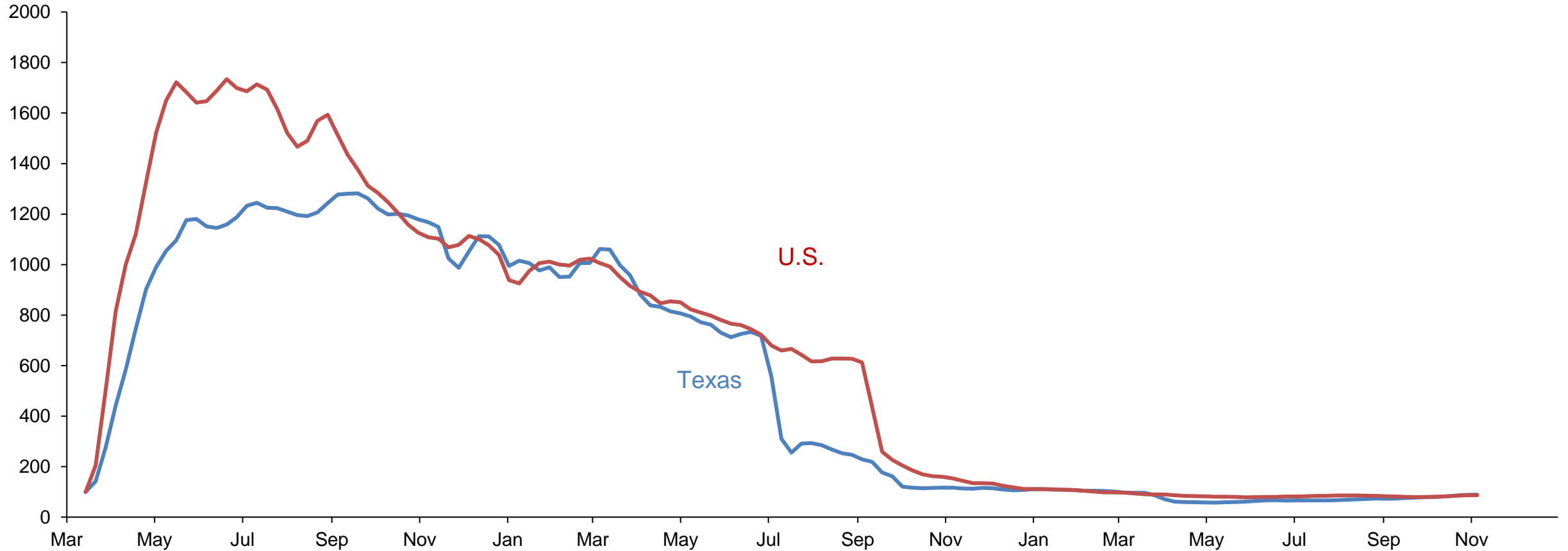


NOTE: Data through December 10.
SOURCES: U.S. Census Bureau.

Total jobless claims below pre-pandemic level in Texas

Total claims, state and federal (initial and continuing)

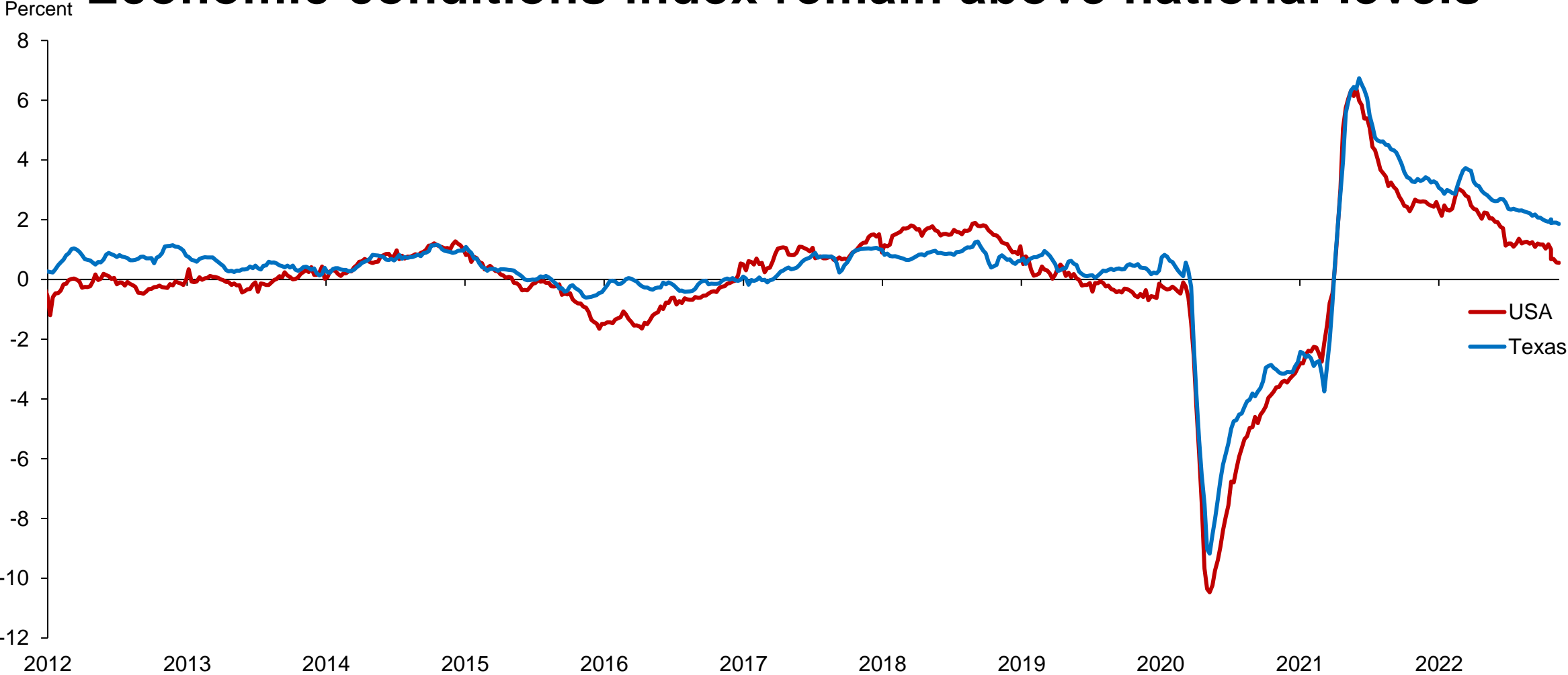
2 week moving average, Index, second week of March = 100



NOTES: Unemployment claims data through the week ending December 3 and include states UI and federal PUA, PEUC and EB when available.

SOURCES: Department of Labor.

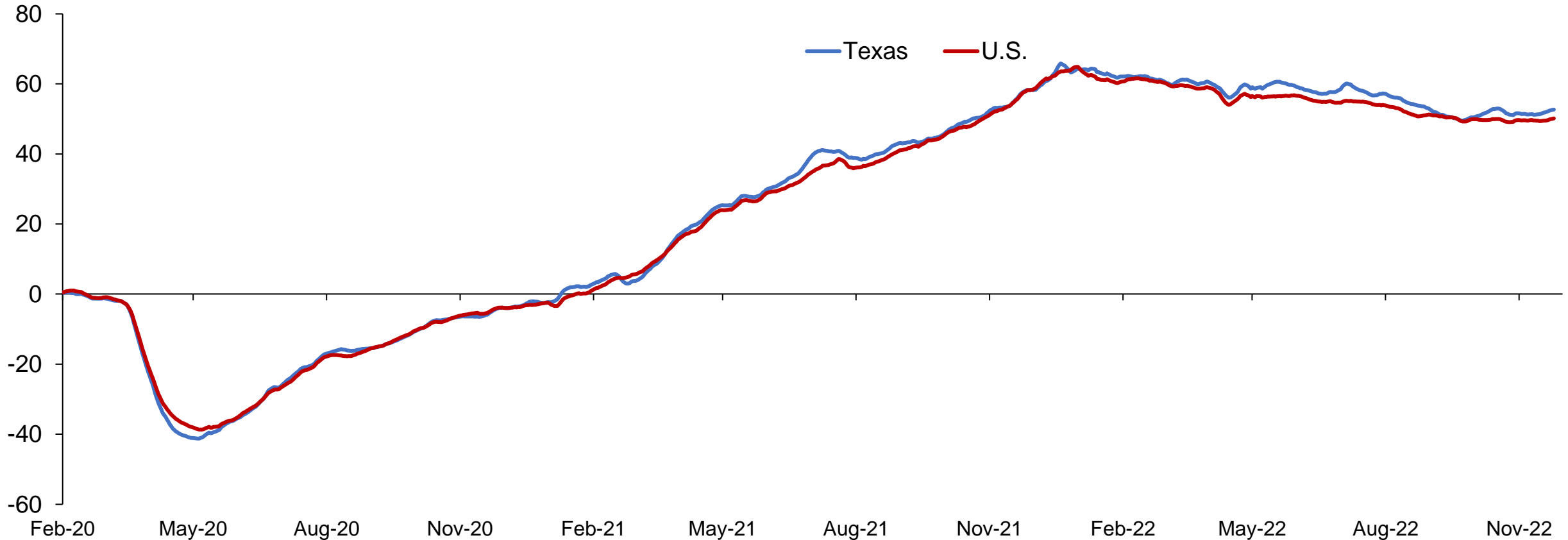
Economic conditions index remain above national levels



NOTES: Texas data through October 29, US data through November 12
SOURCE: University of Notre Dame

Texas job postings trending down slightly but remain well above pre-pandemic levels

% change from Feb. '20

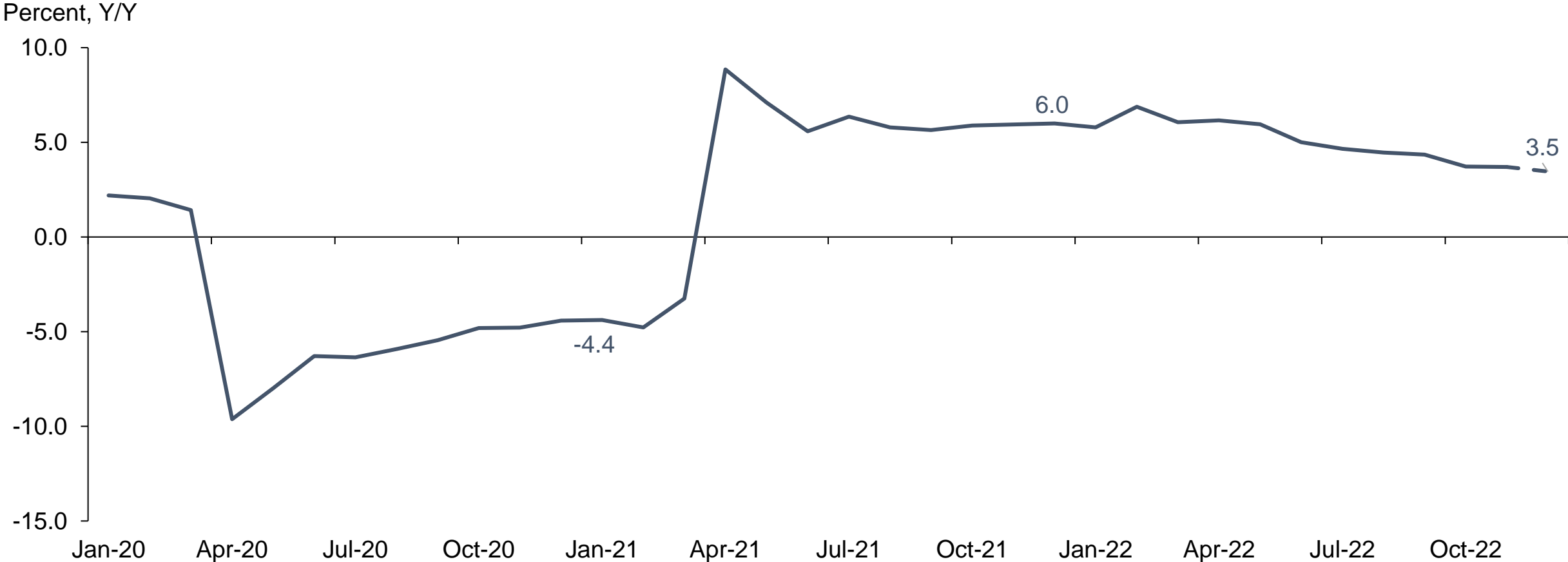


NOTE: U.S. and Texas data daily through Nov 25th, 2022.

SOURCE: Indeed.

Outlook for 2022

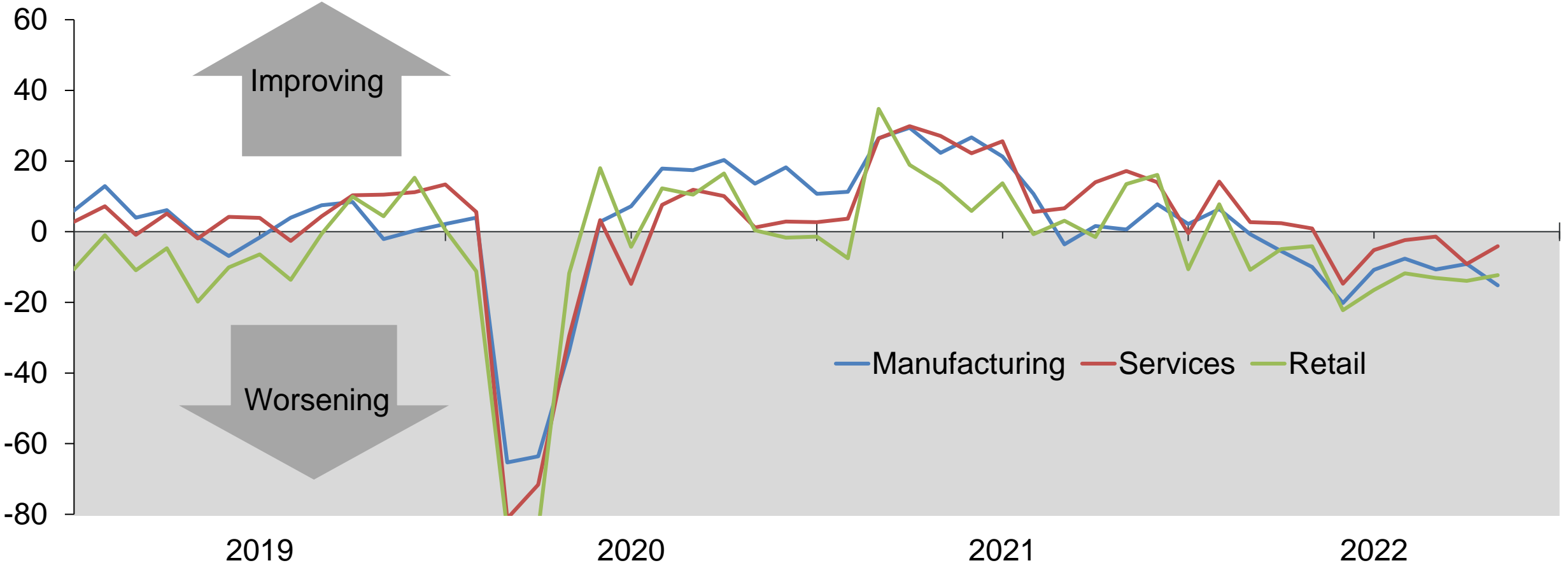
Dallas Fed 2022 Texas jobs forecast now 3.5 percent



The Dallas Fed Texas Employment Forecast is based on the average of four models. Three models are VARs where Texas payroll employment is regressed on WTI oil prices, the US leading index and the Texas leading index, respectively. The fourth model is a regression of payroll employment on expectations for U.S. GDP growth and WTI oil prices, four COVID-19 dummy variables (March-June 2020) and projected Texas COVID-19 hospitalizations from the Institute for Health and Metrics Evaluation.

Texas company outlooks deteriorate slightly

Diffusion Index, SA

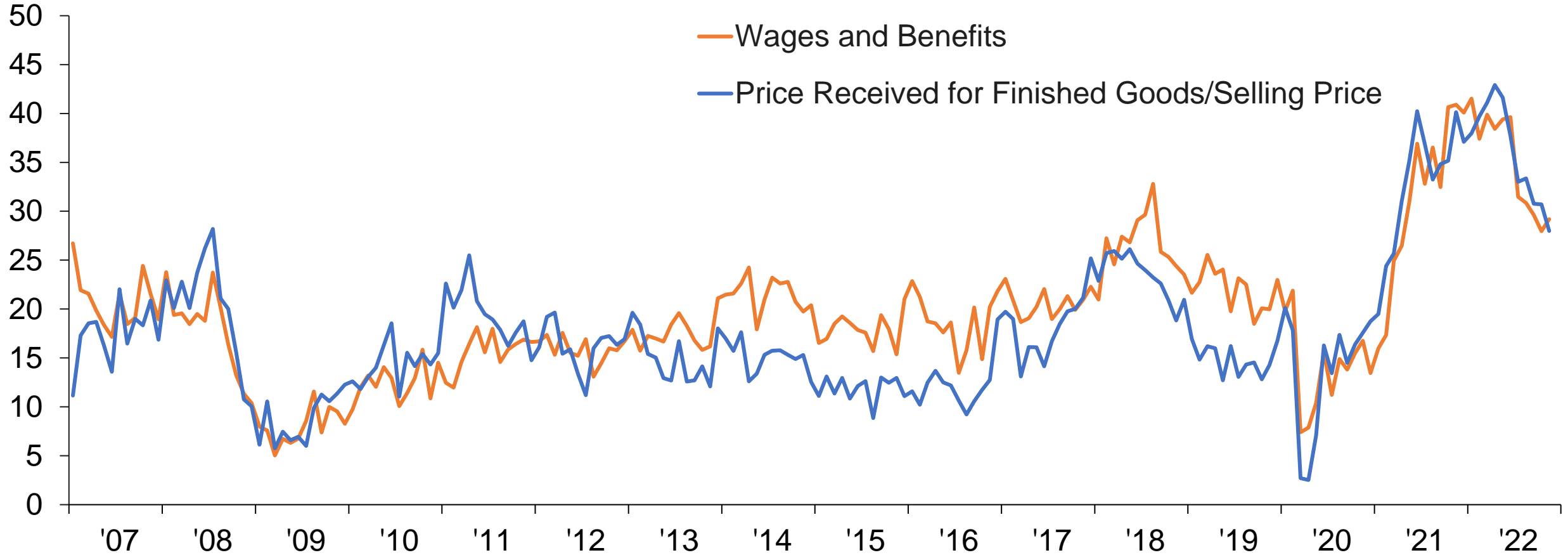


NOTE: Data through November 2022.

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

Inflation is high but share of Texas firms raising prices, wages falling

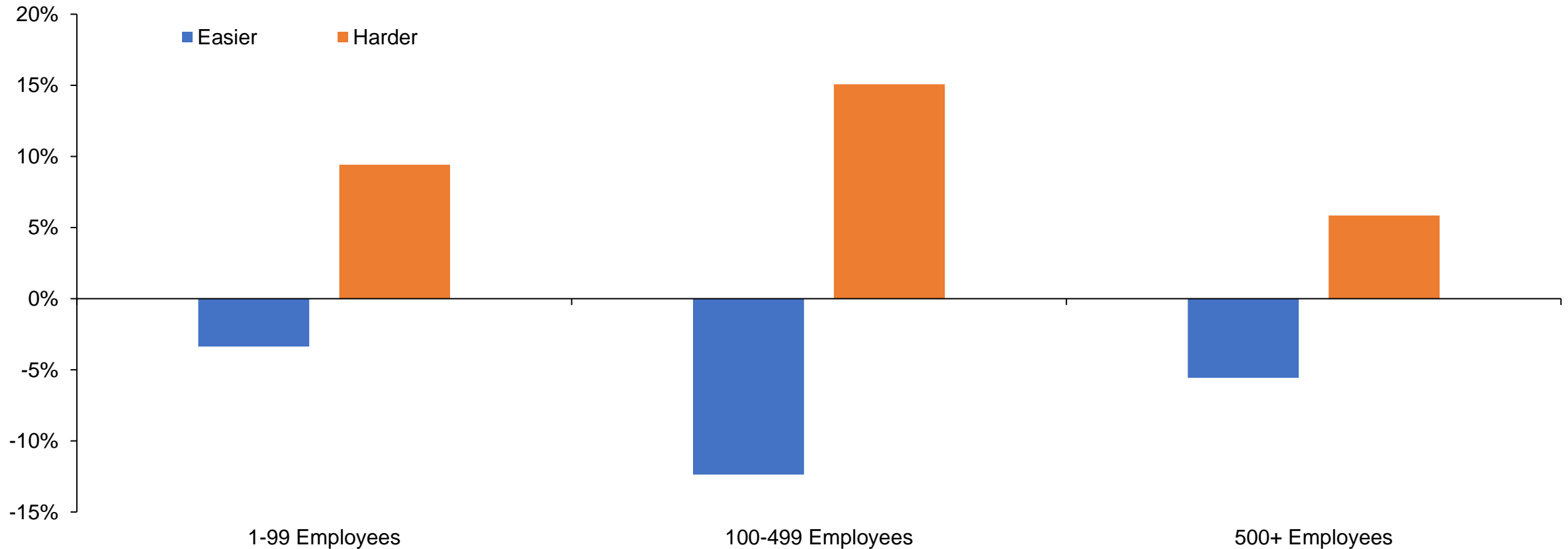
Percent Reporting Increase



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

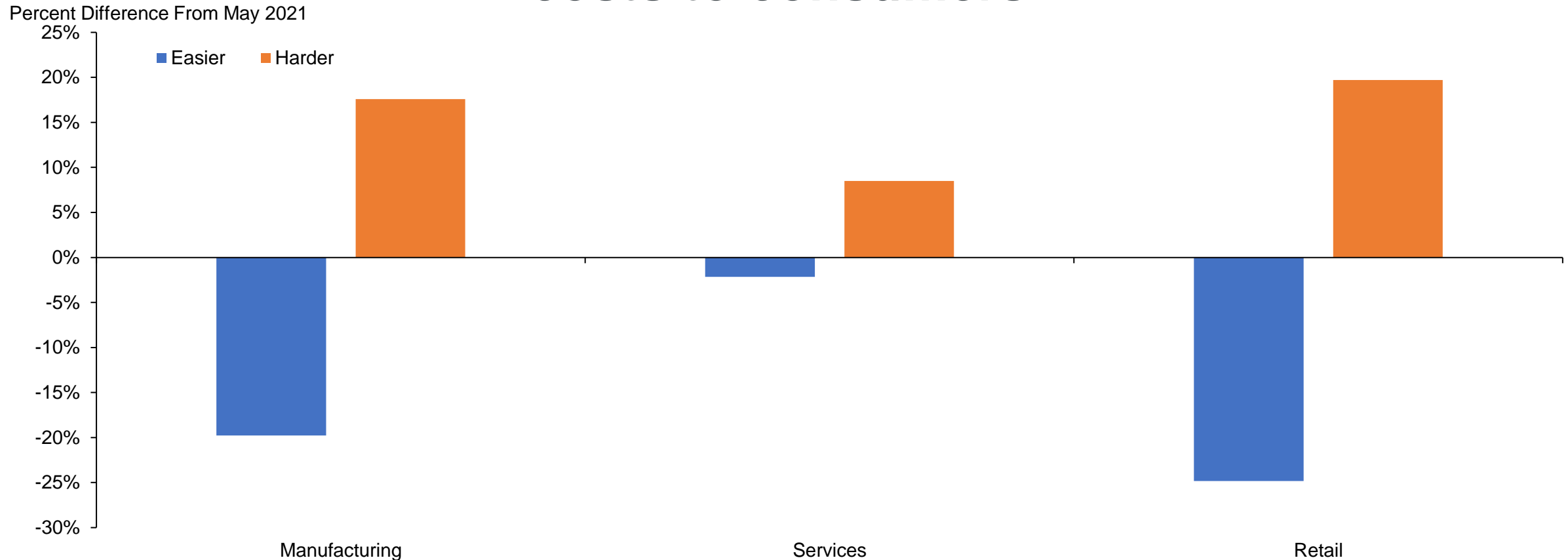
Small and medium businesses find it harder to pass along costs

Percent Difference From May 2021



NOTES: Respondents were asked, "If costs (including wages) are increasing, how has your firm's ability to pass those increases on to customers changed over the past six months?" They answered both in May 2021 and November 2022. The graph depicts the change in the percent of respondents who said it was easier or harder from May '21 to November '22. N = 360 (157, 107, 66)

Retail and manufacturing find it harder to pass along costs to consumers

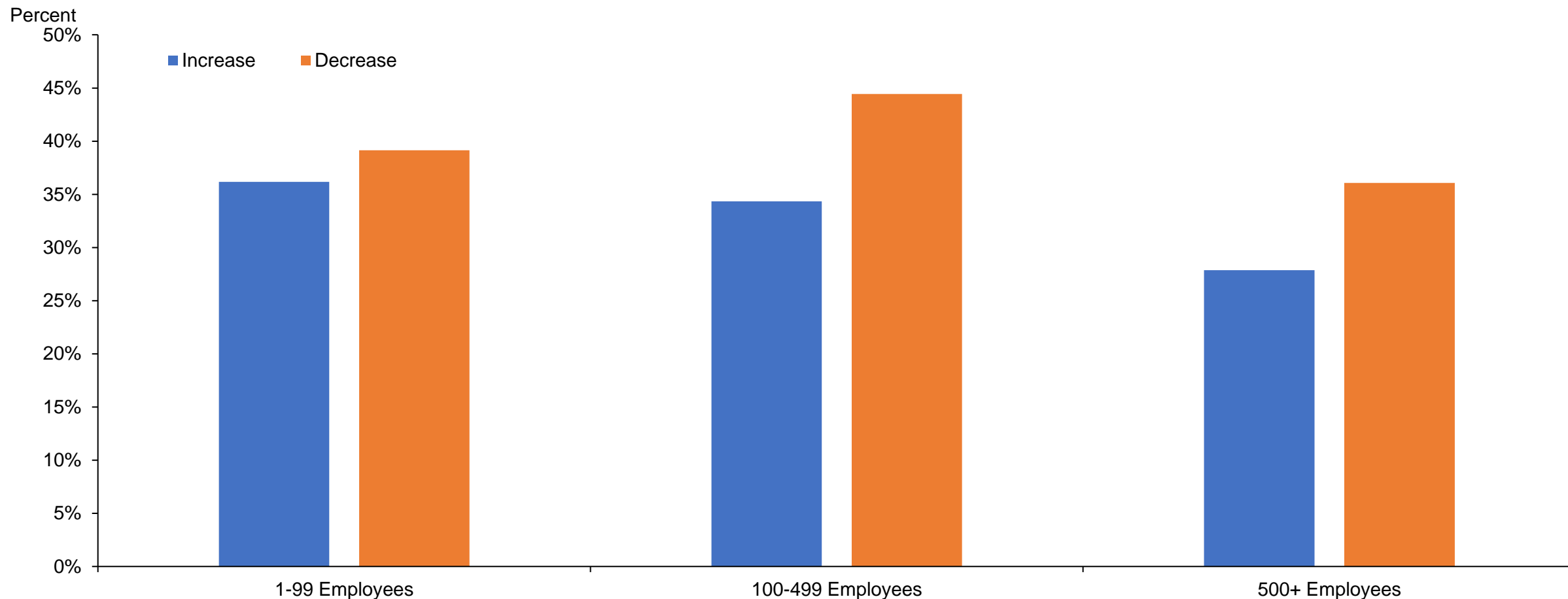


NOTES: Respondents were asked, "If costs (including wages) are increasing, how has your firm's ability to pass those increases on to customers changed over the past six months?" They answered both in May 2021 and November 2022. The graph depicts the change in the percent of respondents who said it was easier or harder from May '21 to November '22.

N = 360 (91, 269, 61)

SOURCES: Texas Business Outlook Surveys.

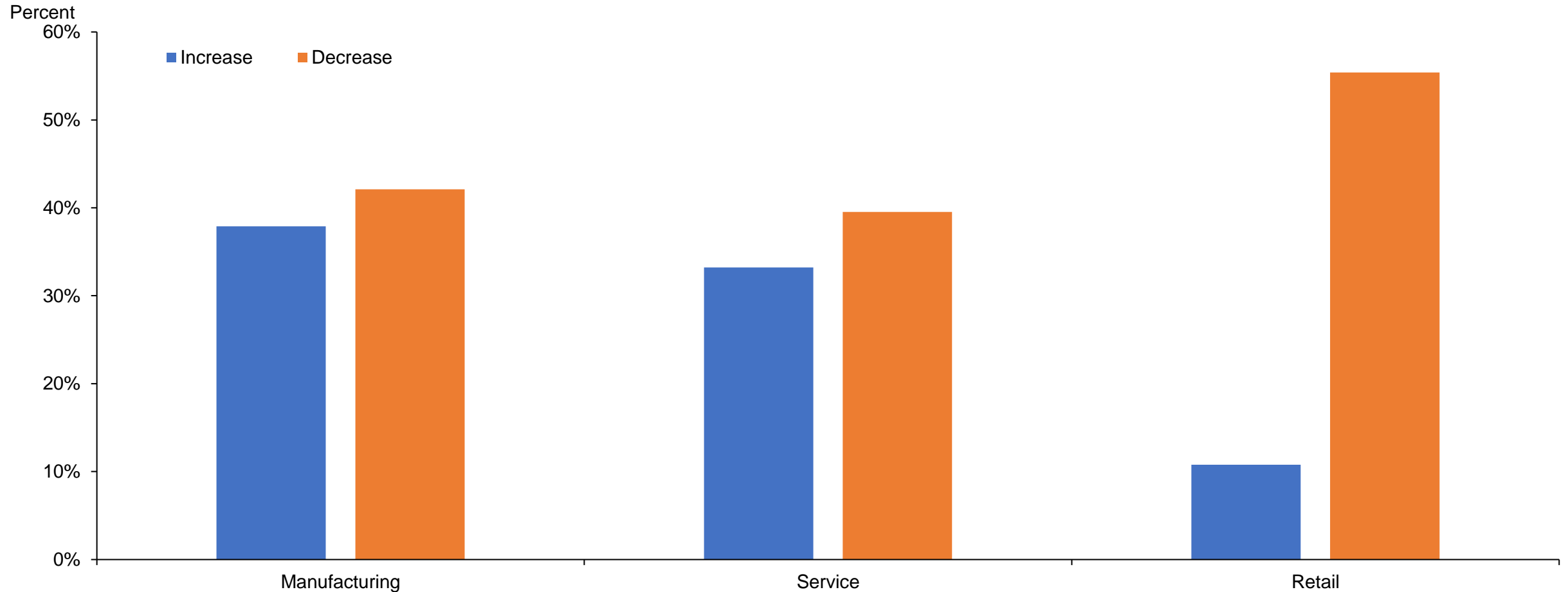
Most companies expect margin decrease in 2023



NOTES: Respondents were asked "How do you expect your firm's operating margin (defined as earnings before interest and taxes (EBIT) as a share of total revenue) to change over the next six months?". Graph depicts "increase" vs. "decrease" responses. N = 396 (235, 99, 61)

SOURCES: Texas Business Outlook Surveys

Retail much more likely to expect margin decrease



NOTES: Respondents were asked "How do you expect your firm's operating margin (defined as earnings before interest and taxes (EBIT) as a share of total revenue) to change over the next six months?". Graph depicts "increase" vs. "decrease" responses. N = 396 (95, 301, 65)

SOURCES: Texas Business Outlook Surveys

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