



Federal Reserve
Bank of Dallas

**Texas Economic Performance and Outlook
(January 2023)
“Slowing economic growth”**

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Federal Reserve Bank of Dallas
1/20/2023

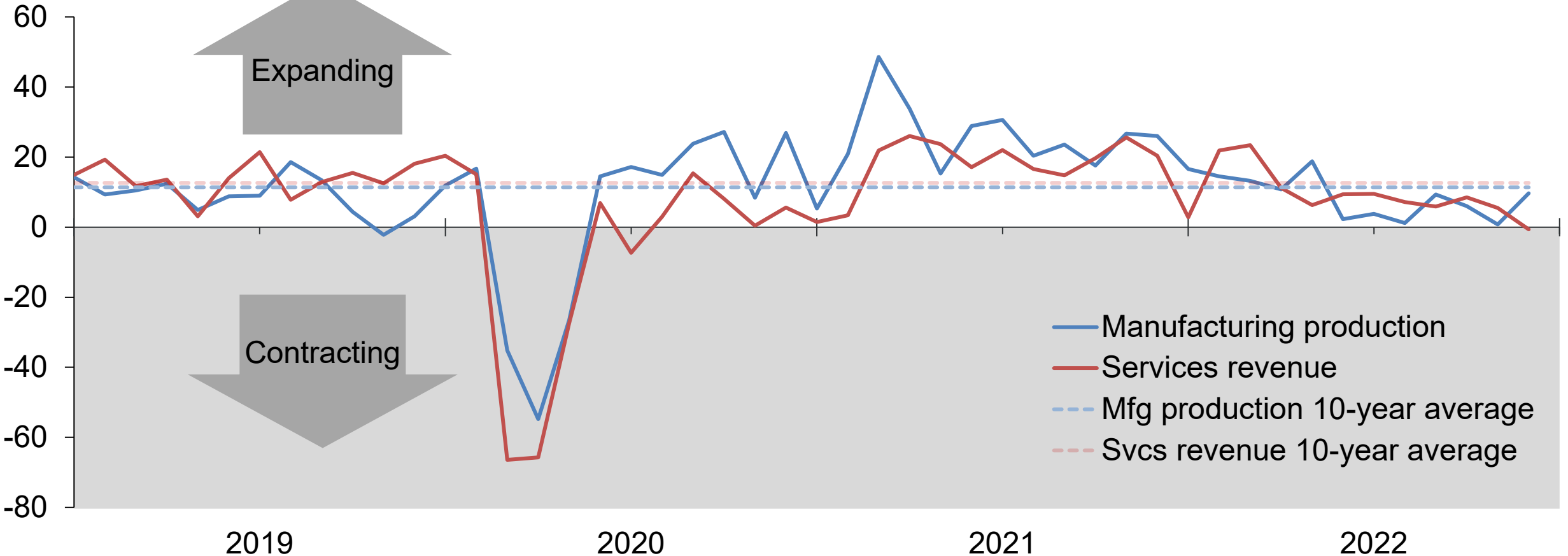
What's New...

- Texas employment growth slowed in December.
 - Jobs increased 2.3 percent in December after growing an upwardly revised 4.3 percent in November.
 - 2022 Texas job growth was 3.5 percent (Dec/Dec), down from 6 percent in 2021, according to Dallas Fed employment data, which (unlike TWC/BLS) are early benchmarked to the QCEW.
 - Texas exceeded U.S. job growth of 1.8 percent in December and 3.0 percent in 2022.
- Other indicators also signal slowing economic activity in Texas.
 - The Texas Business Outlook Surveys (TBOS) slowed further in December with the service sector revenue index hitting zero, suggesting no growth over the prior month.
- Job growth will slow further in 2023 as the national economy is expected to weaken
 - The Dallas Fed's Texas Employment Forecast indicates that jobs will increase less than 2 percent in 2023 (Dec/Dec)—the forecast will be released on February 3rd.
 - While the forecast suggests the state will avoid a recession, the risks to the outlook are to the downside. Persistently high inflation is the biggest risk to growth in 2023.

Overall Economic Activity

Manufacturing production slowed while services revenue stayed flat in December, according to Texas businesses

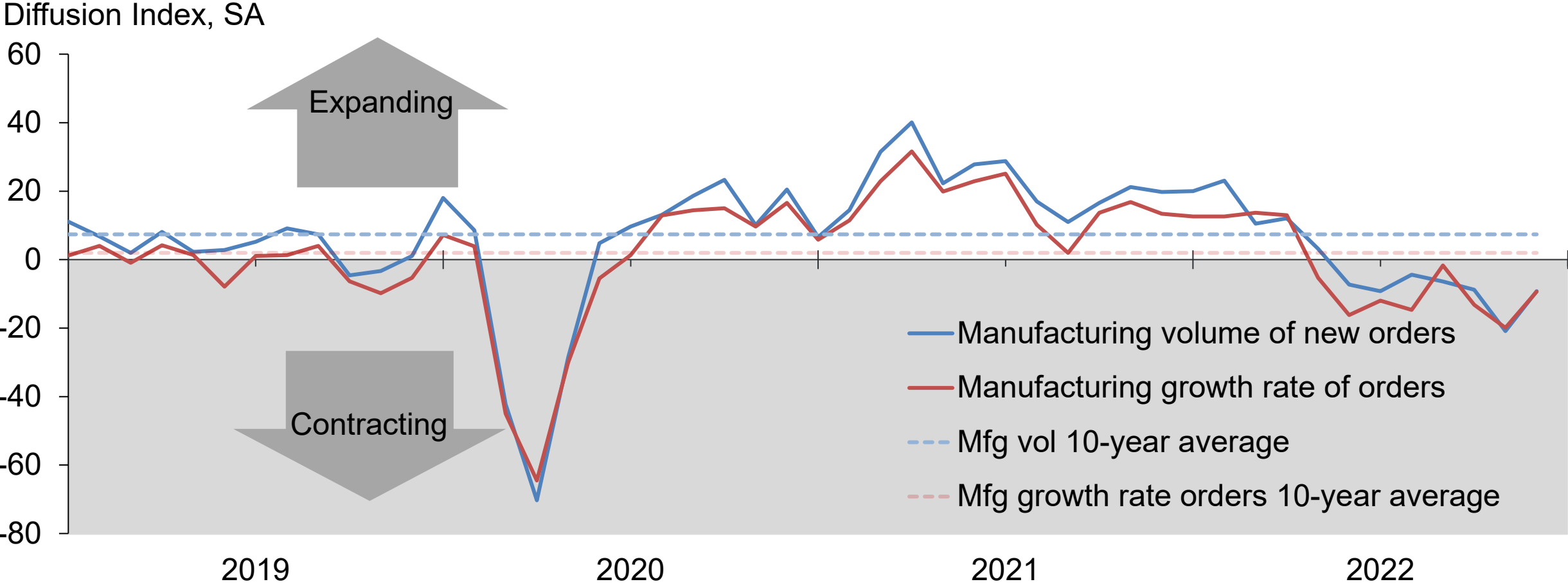
Diffusion Index, SA



NOTE: Data through December 2022.

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

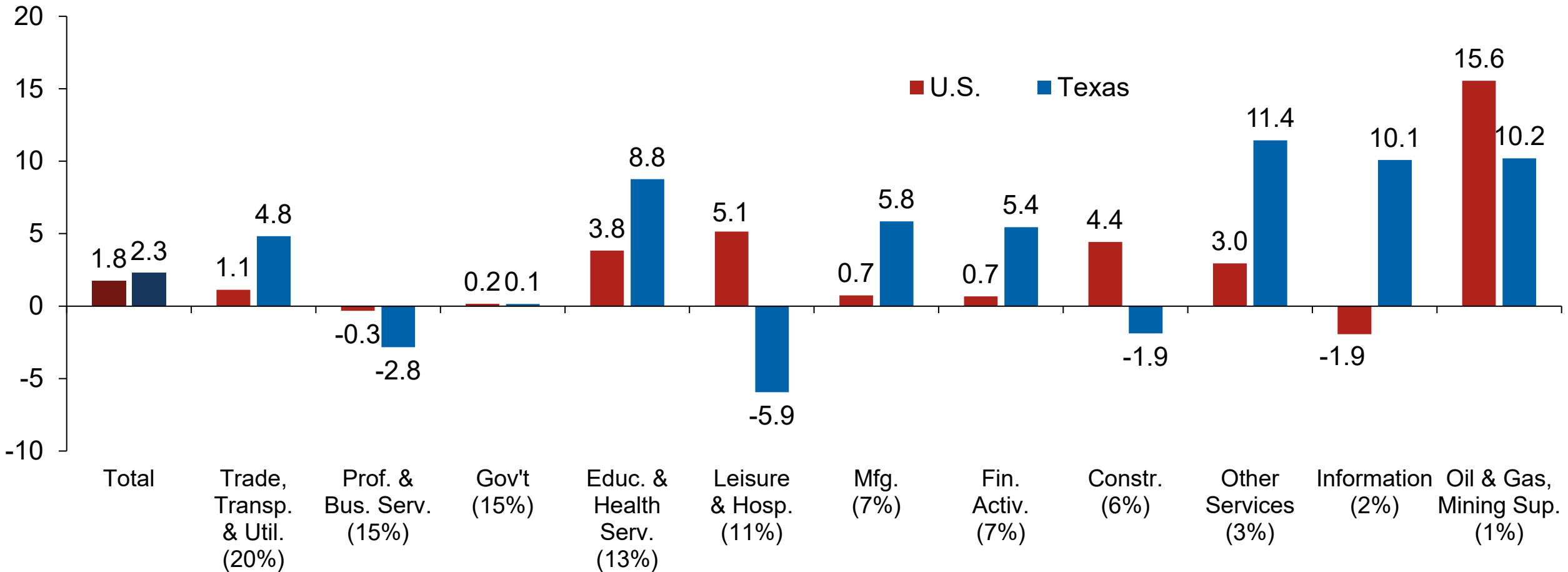
Texas manufacturing: New orders continued to decline in December signaling slower growth to come



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

Texas employment grew in December led by oil and gas; professional & businesses services and construction jobs fell

Job growth December 2022/November 2022 (percent)

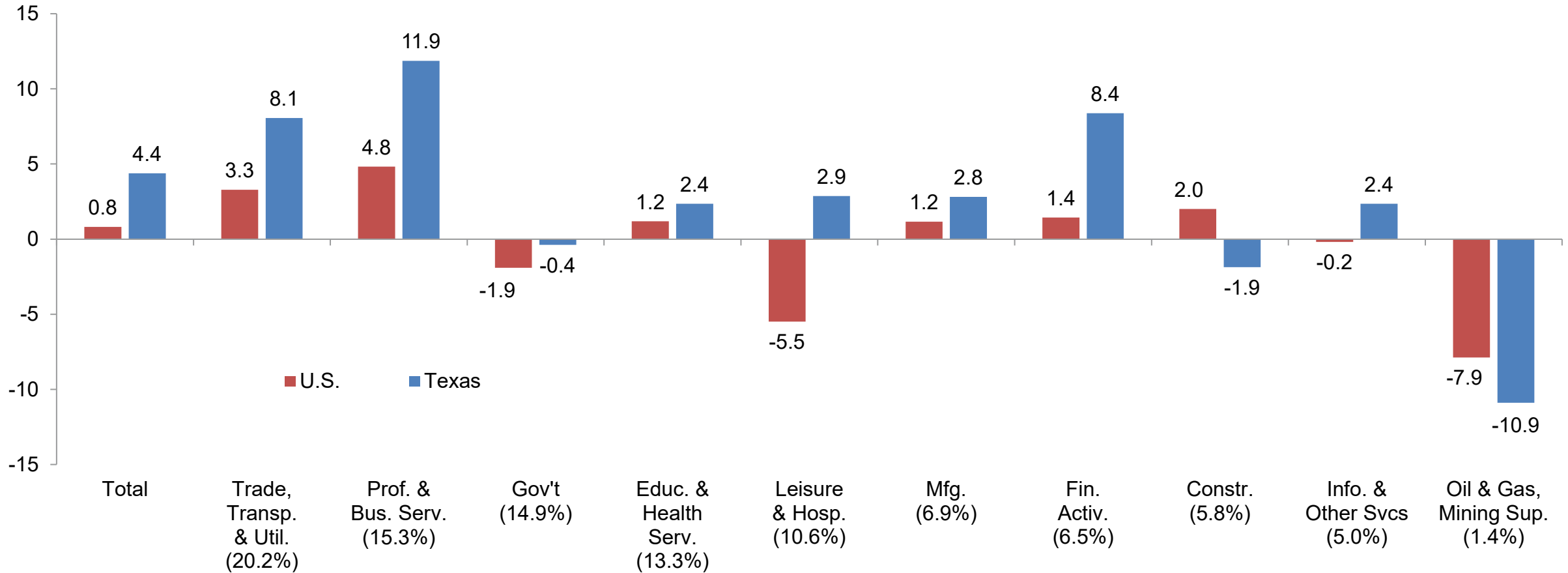


NOTES: Data show Dec job growth, annualized. Numbers in parenthesis indicate share of total state employment in Dec. 2022.

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 Dec. 2022/Feb. 2020 (percent)



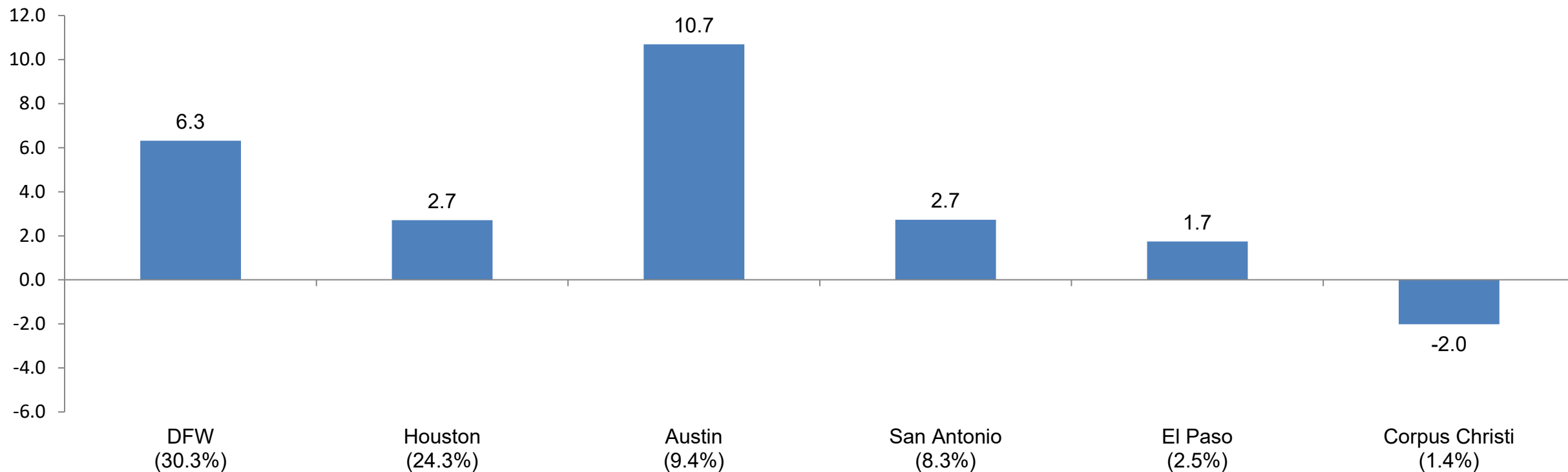
NOTE: Data show Dec. 2022/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment for December.

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 (Dec. 2022/Feb. 2020)

Percent change, SA

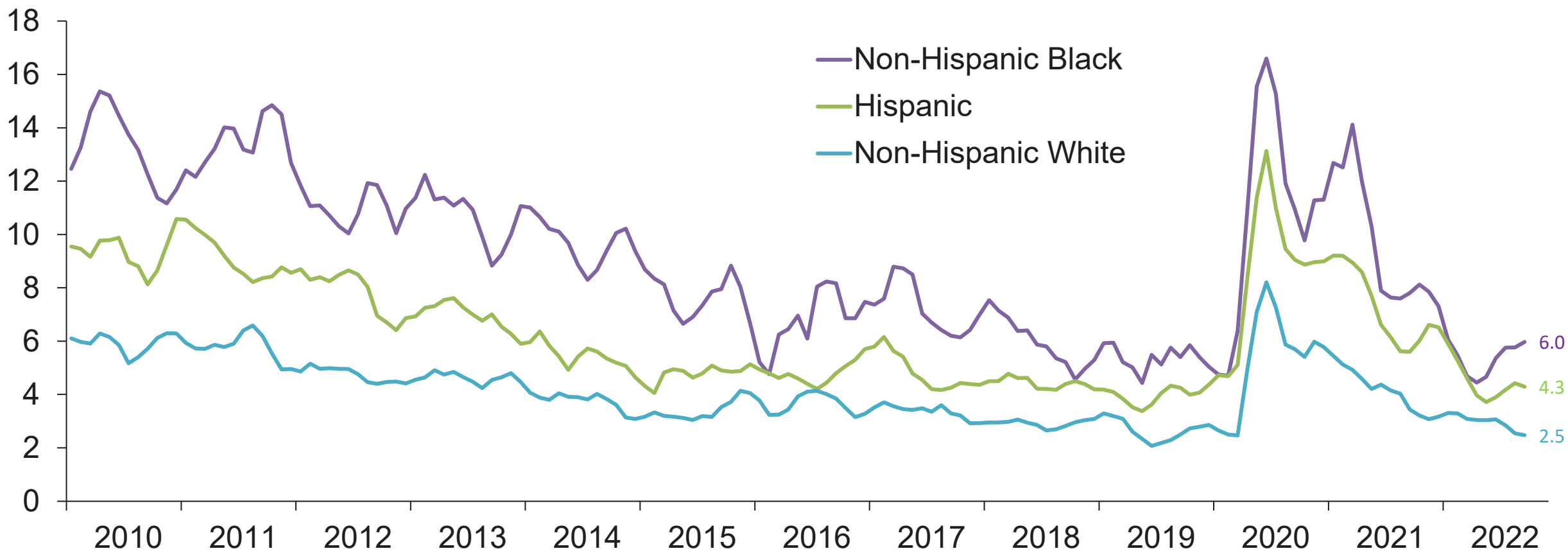


NOTES: Data refer to Dec 2022/Feb. 2020 non-annualized job growth. Numbers in parentheses refer to share of state employment in December 2022.

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

Black unemployment rates ticking up in Texas

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



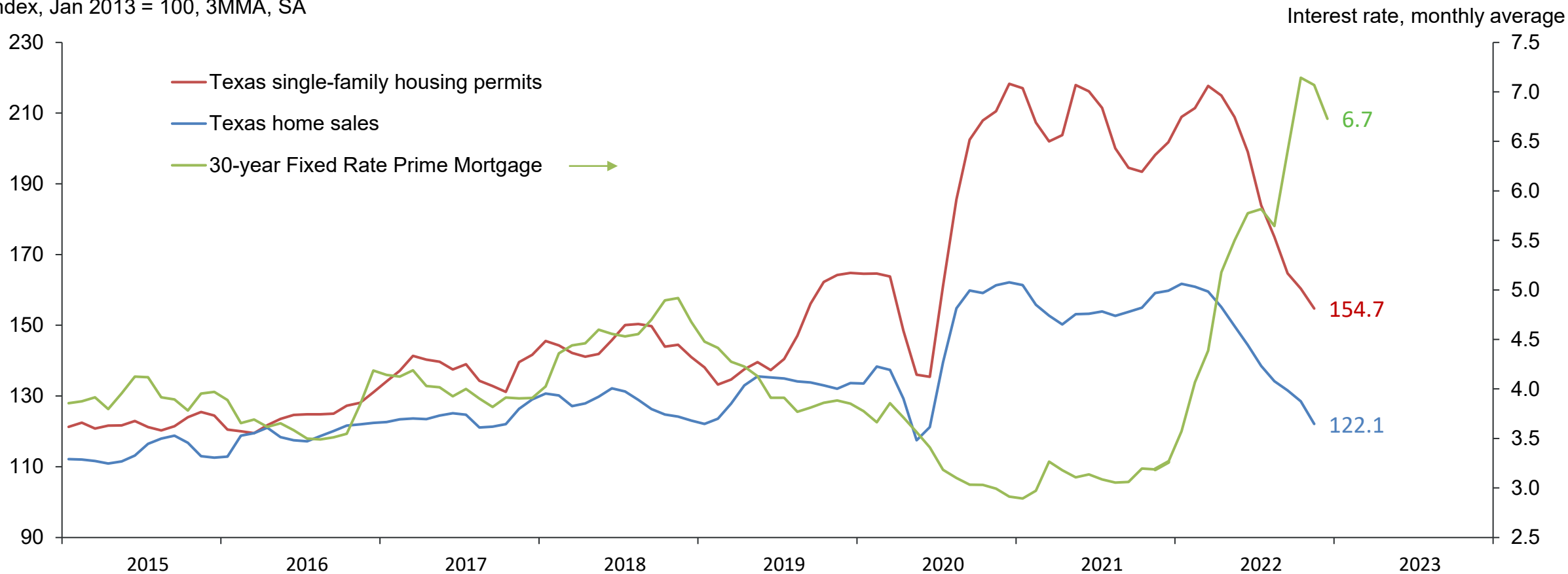
NOTE: Last data point November 2022.

SOURCE: Current Population Survey, authors' calculations.

Housing and Energy Industries

Housing: Single-family building permits, home sales plummet as mortgage rates remain over 6 percent

Index, Jan 2013 = 100, 3MMA, SA

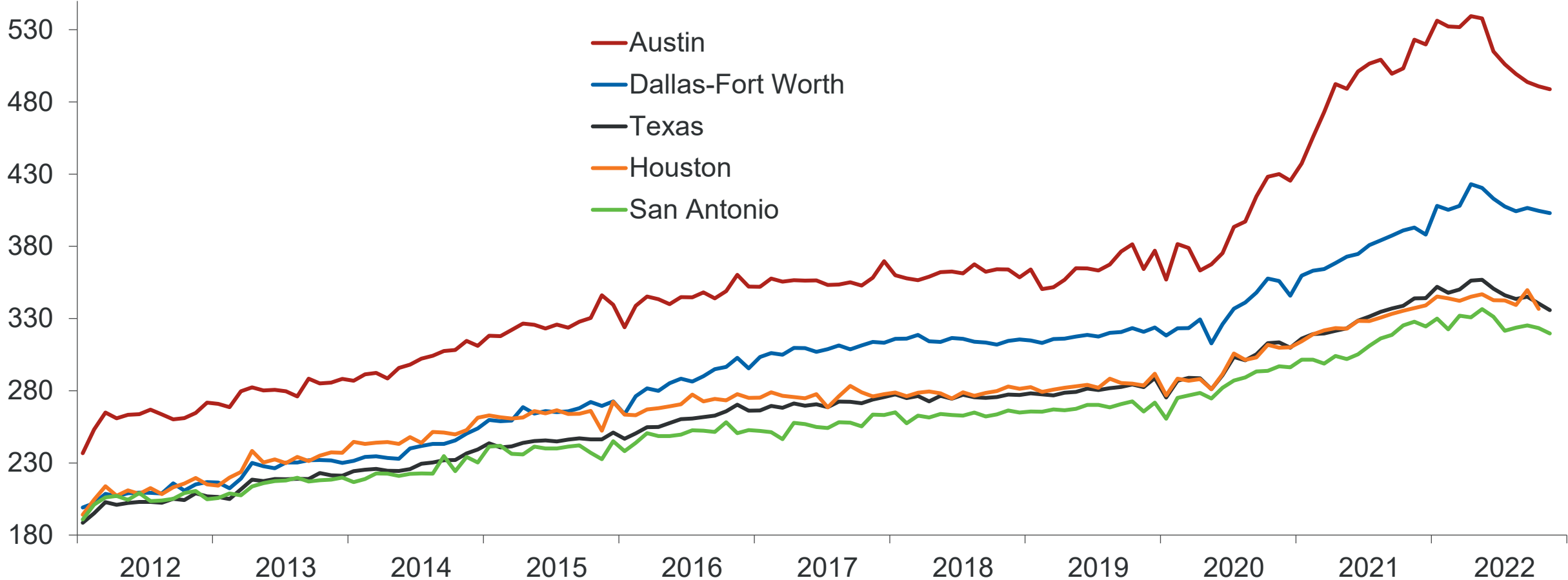


NOTES: Texas single-family housing & home sales through November 2022, mortgage data through December 2022.

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

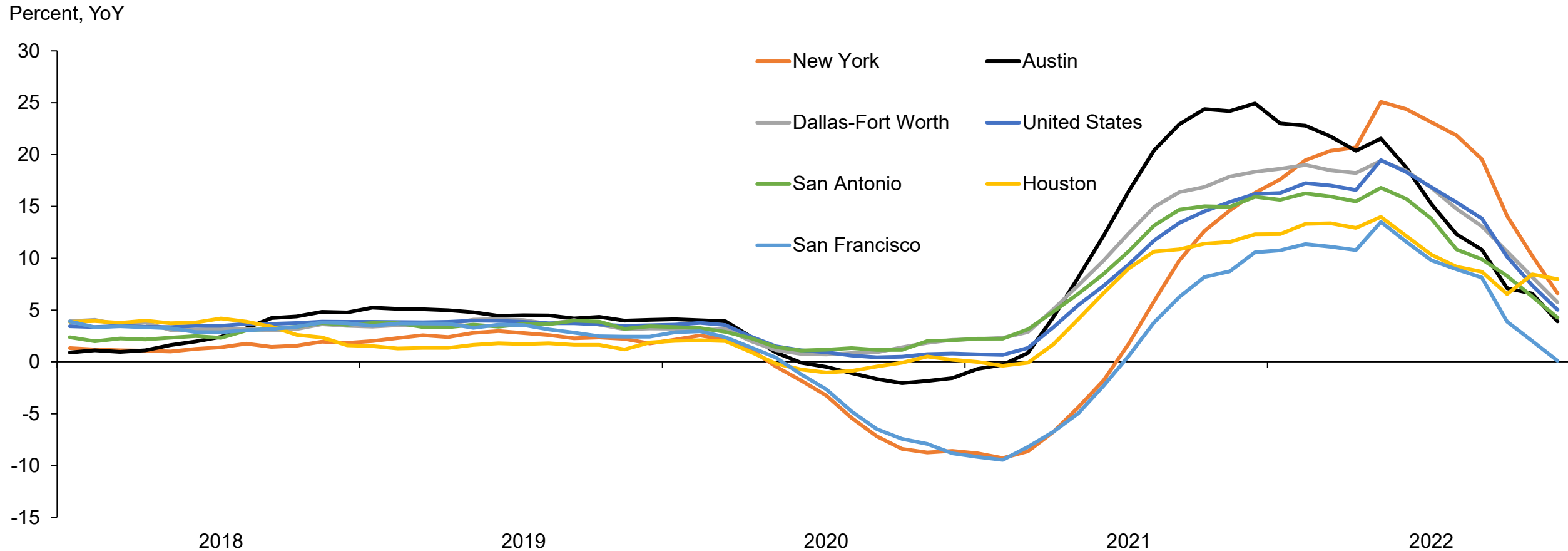
Home prices fall as affordability declines and demand weakens

Thousands of dollars, SA



NOTES: Seasonally adjusted sales price, nominal. Data through November 2022.
SOURCES: Multiple Listing Service, seasonal and other adjustments by FRB Dallas.

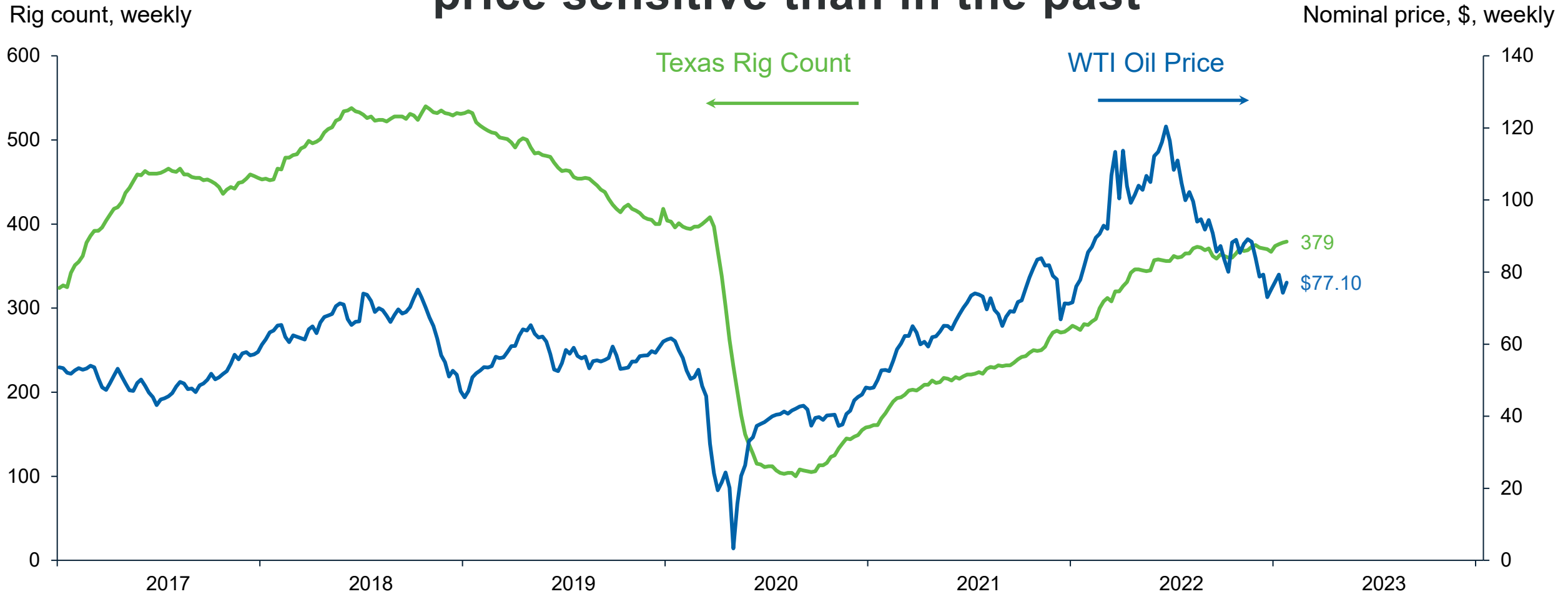
Apartment rent growth declines rapidly, reaching near pre-pandemic growth rates (new leases)



NOTE: Data through December 2022.

SOURCE: Zillow

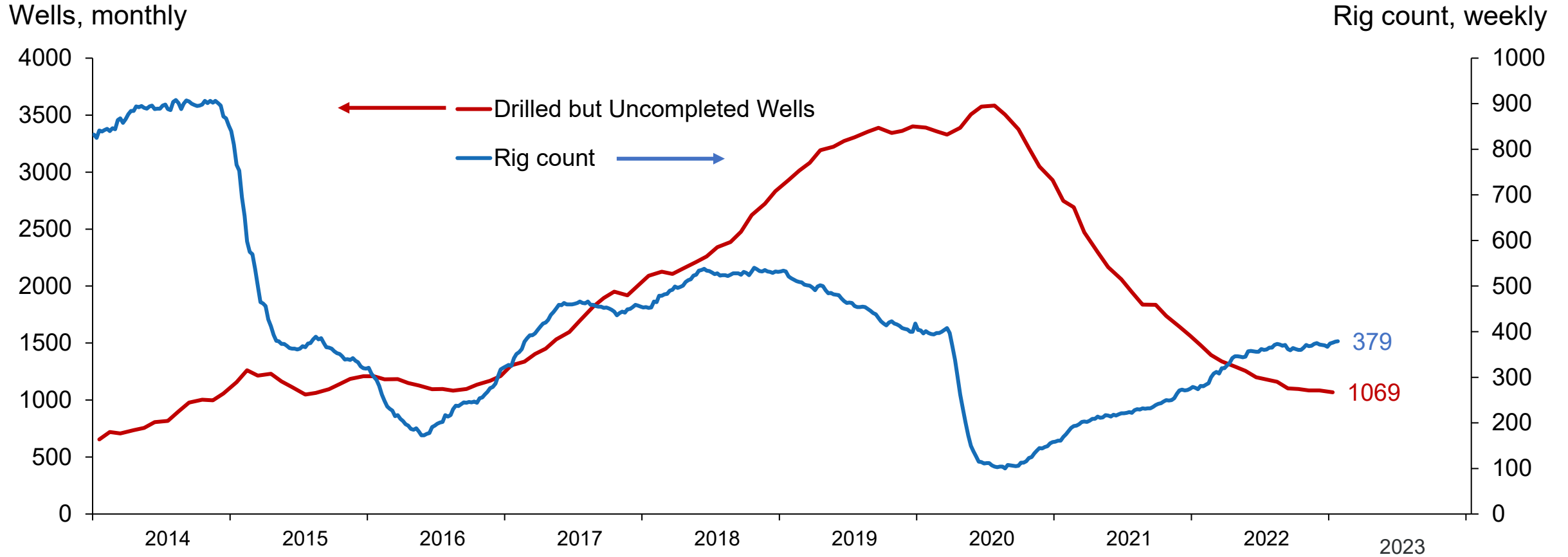
Rig count lags the oil price, suggesting drilling is less price sensitive than in the past



NOTES: Data are weekly through Jan 13, 2022.

SOURCES: Energy Information Administration; Baker Hughes.

DUC count fell in pandemic as rising oil prices prompted producers to complete more wells

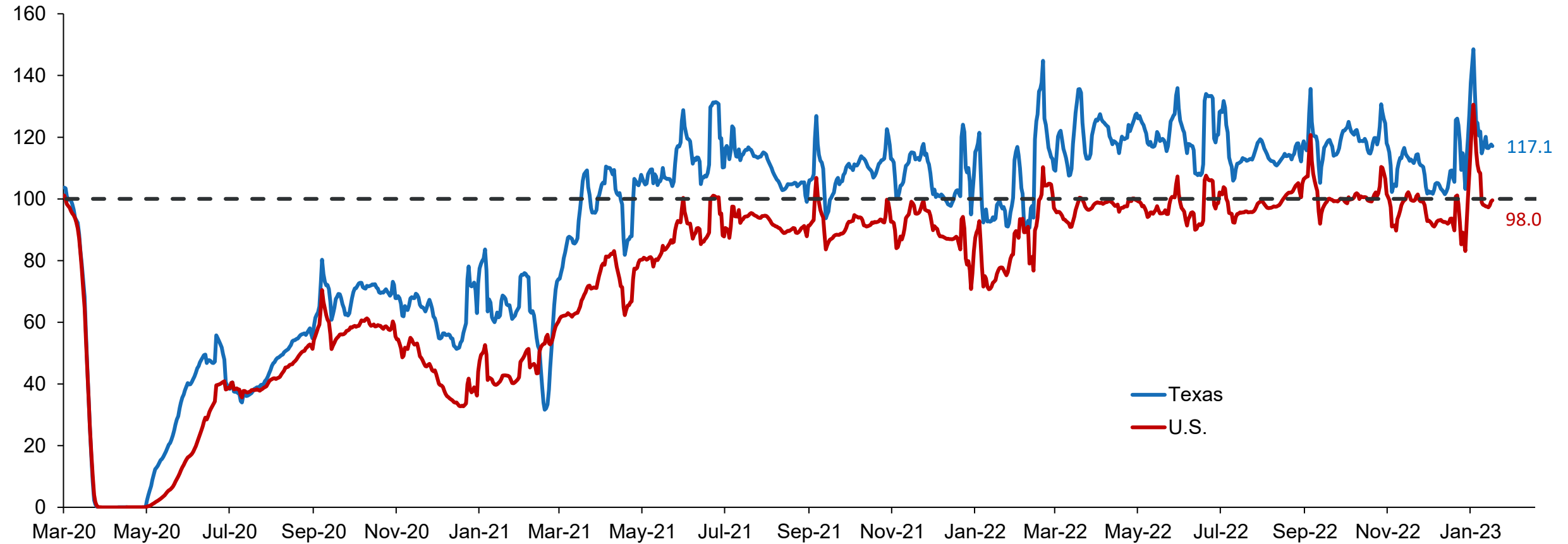


NOTES: Well data through December 2022. Rig count data through Jan 13, 2023. Rig count is for Texas, drilled but uncompleted wells are for Permian Basin.
SOURCES: Energy Information Administration; Baker Hughes.

High-Frequency Data

Restaurant reservations falling in Texas, US

% of 2019, 7dma



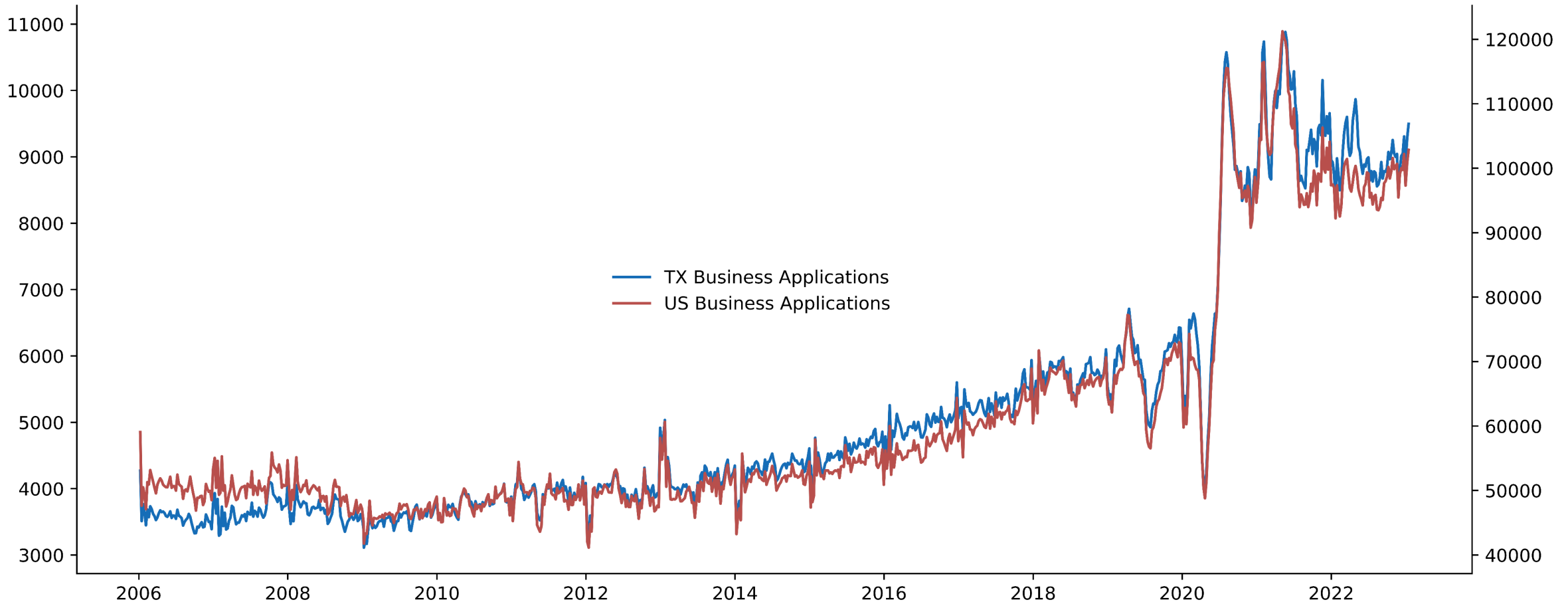
NOTES: Dining out data up to January 17th, 2022.

SOURCES: OpenTable.

New business applications increased sharply during the pandemic, remain elevated

TX Applications, SA, 4WMA

US Applications, SA, 4WMA

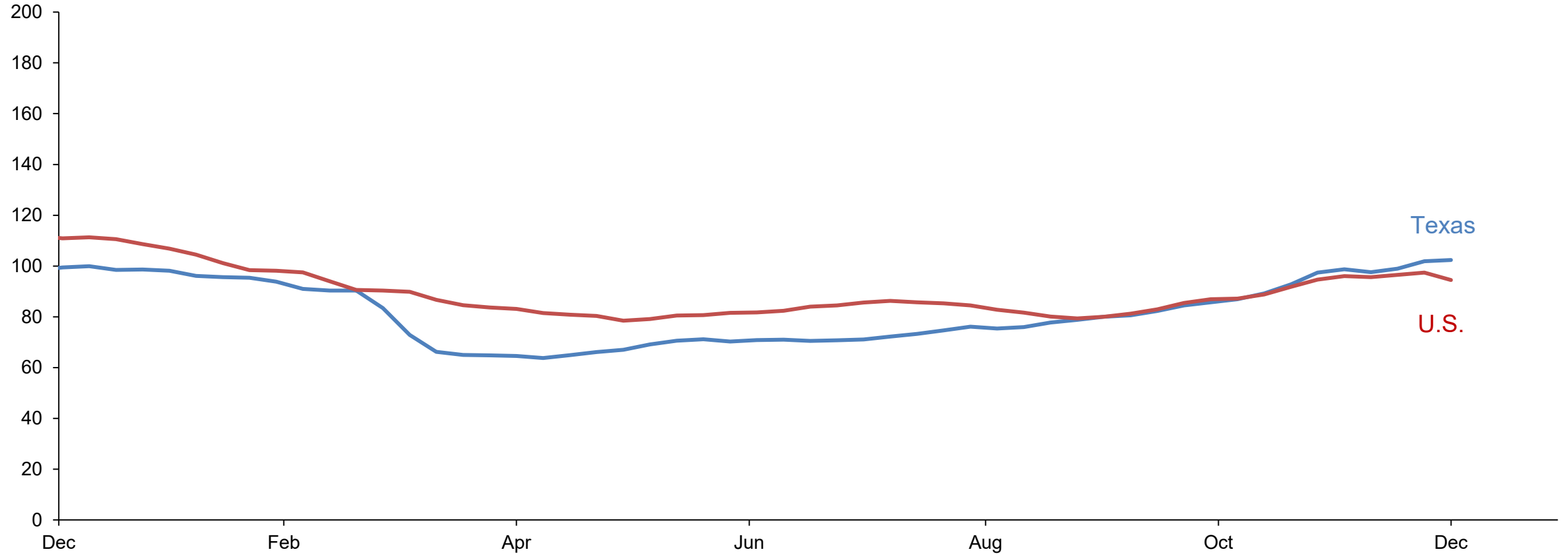


NOTE: Data through January 15.
SOURCES: U.S. Census Bureau.

Jobless claims inch up in Texas in December, January

Total claims, state and federal (initial and continuing)

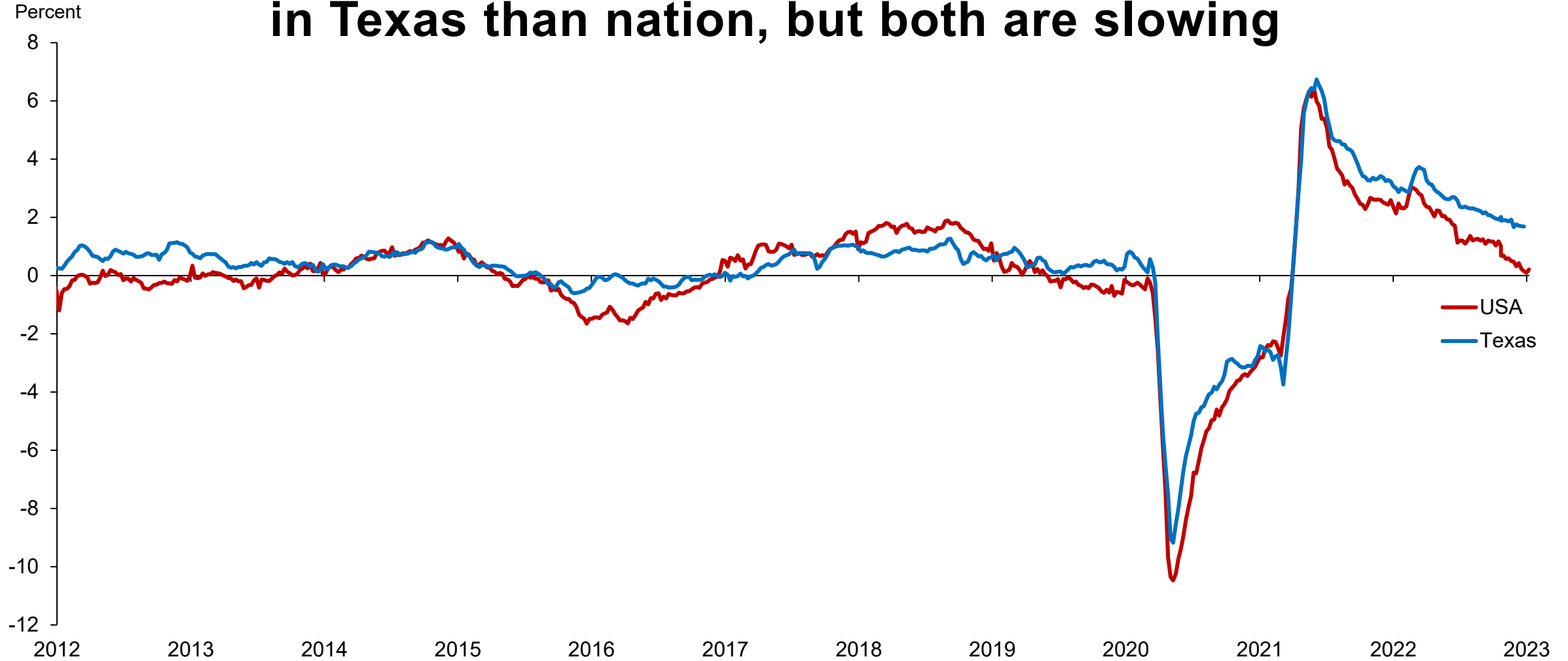
2 week moving average, Index, second week of March = 100



NOTES: Unemployment claims data through the week ending January 7 and include states UI and federal PUA, PEUC and EB when available.

SOURCES: Department of Labor.

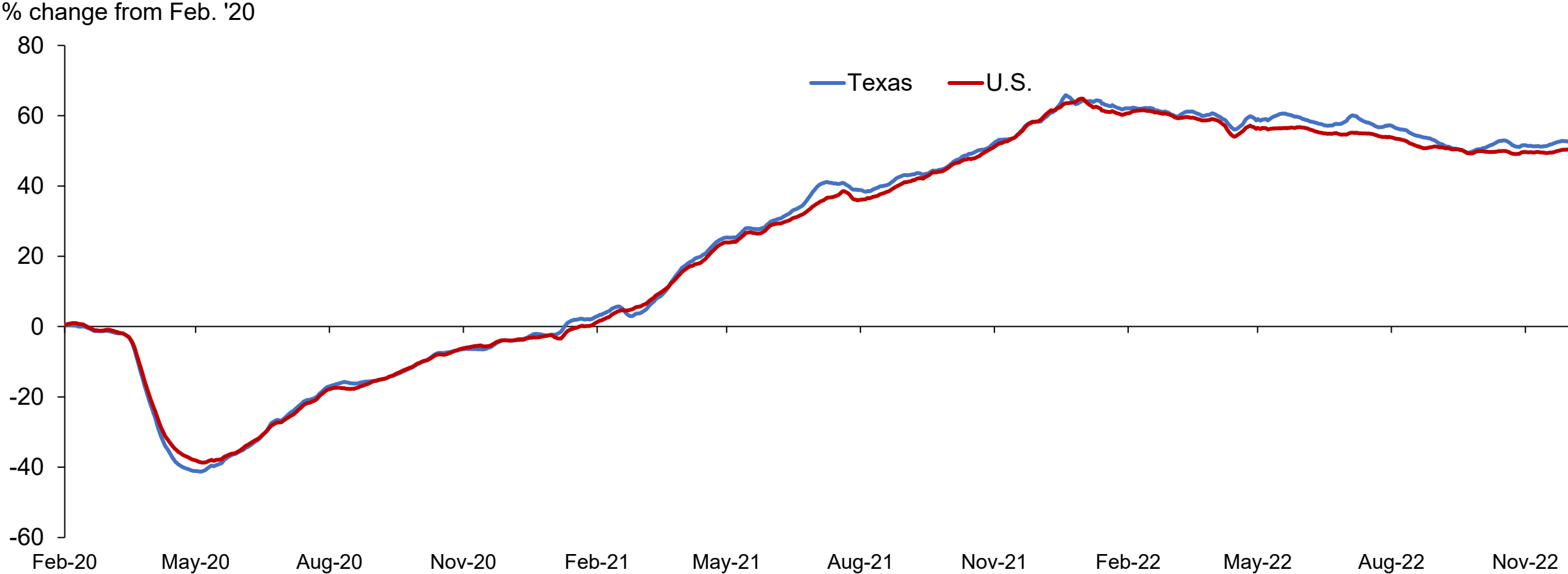
Economic Conditions Index suggests economic growth higher in Texas than nation, but both are slowing



NOTES: Texas data through Dec 31, US data through Jan 7

SOURCE: University of Notre Dame

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



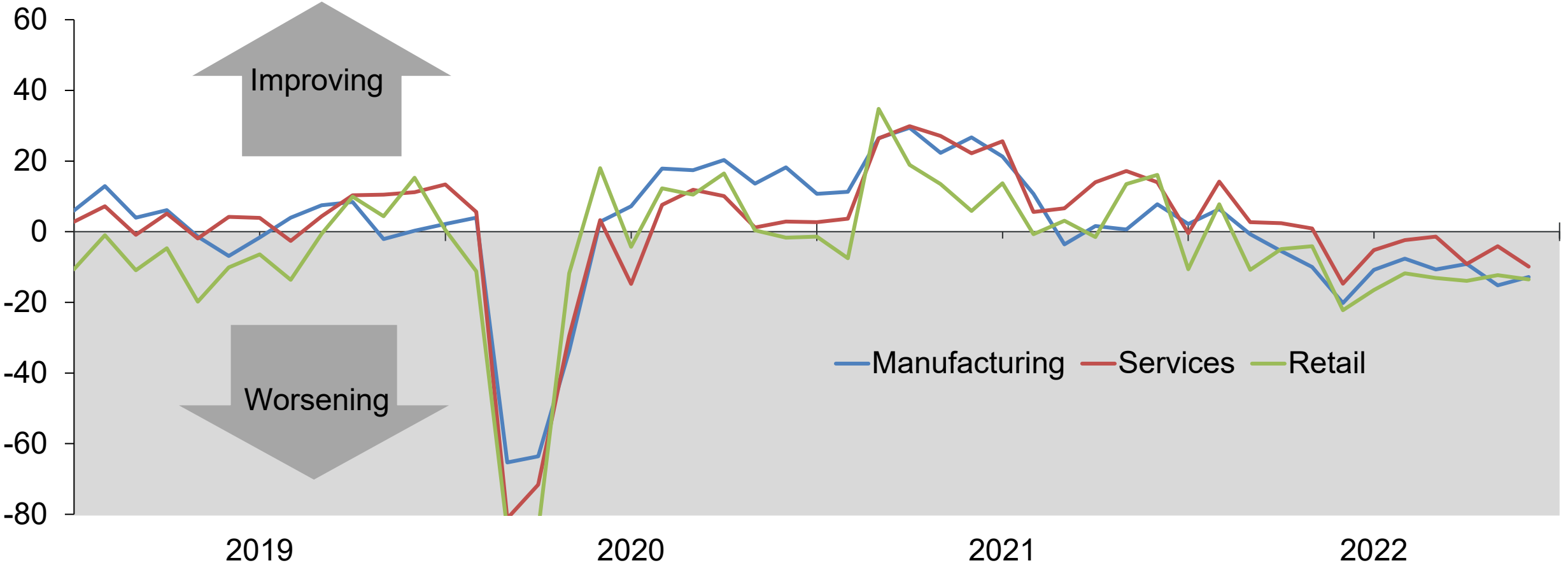
NOTE: U.S. and Texas data daily through Jan 13th, 2022.

SOURCE: Indeed.

Outlook for 2023

Texas company outlooks deteriorate further in December

Diffusion Index, SA

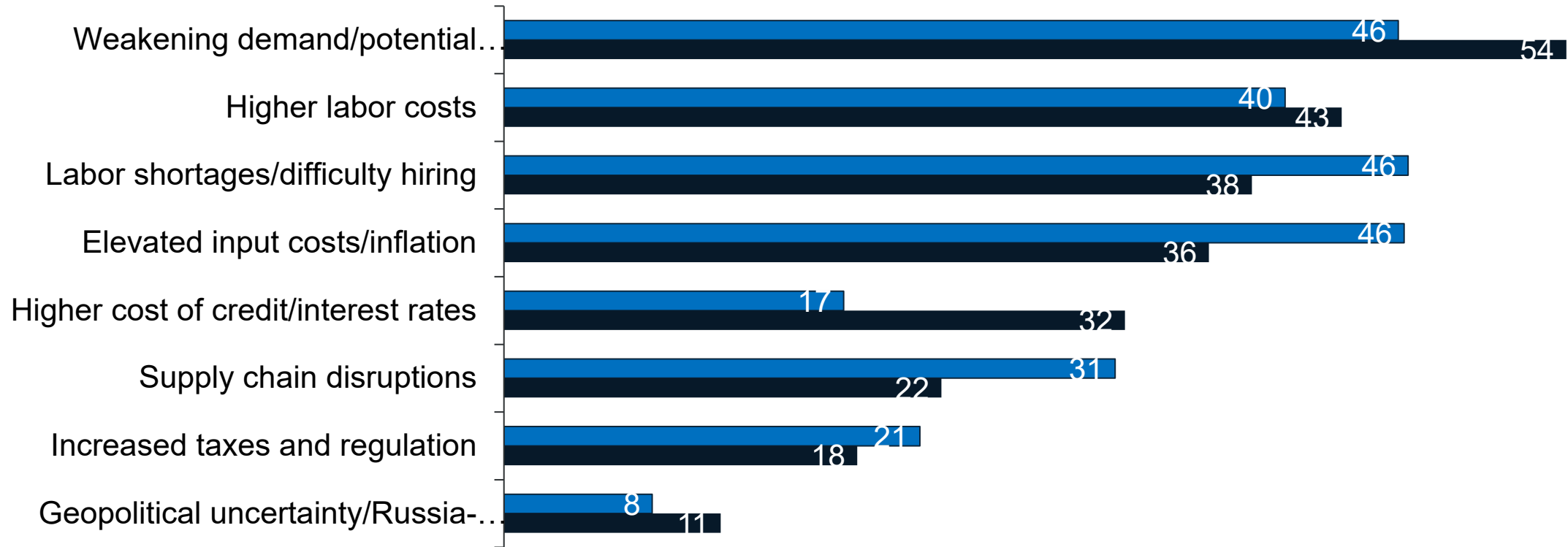


NOTE: Data through December 2022.

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

Weakening demand, high labor costs, & labor shortages remain the 3 biggest concerns for businesses

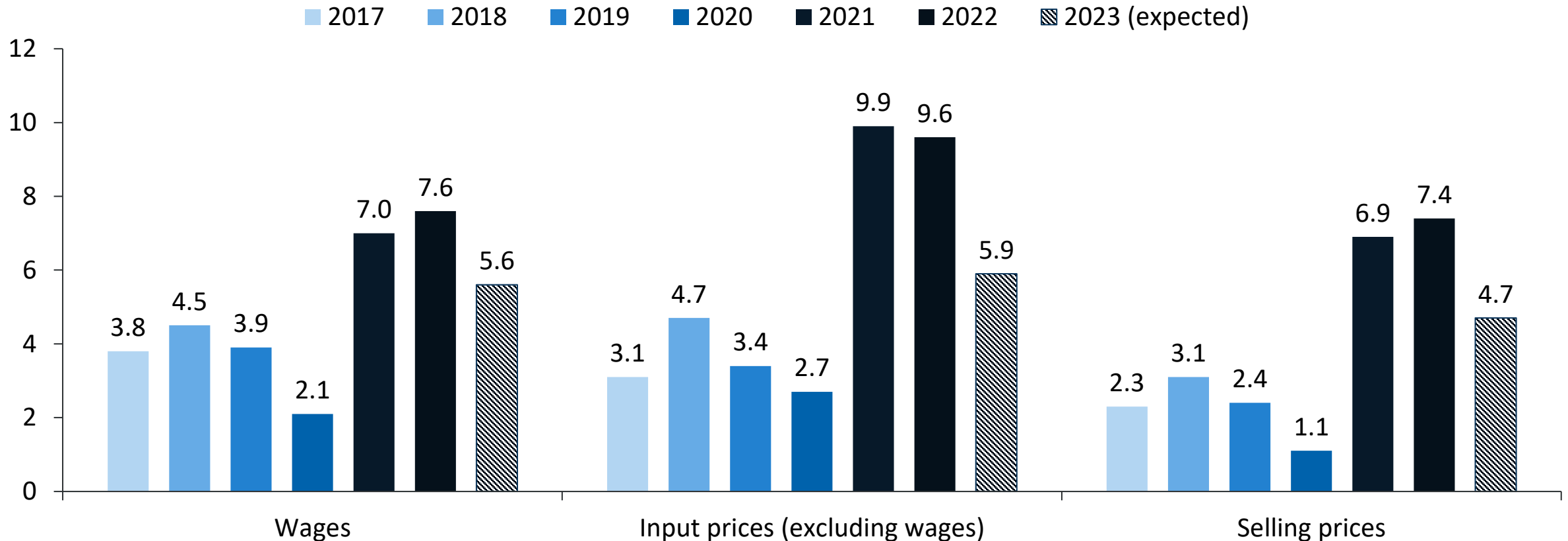
■ Sep. '22 ■ Dec. '22



NOTES: Respondents were asked "What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three." Shown is the percent of respondents citing each concern. 380 responses in Sep. 2022 and 371 responses in Dec. 2022. SOURCE: Dallas Fed's Texas Business Outlook Surveys.

Increases in wages, input costs, selling prices expected to be smaller in 2023 than prior two years

Percent change (average across responses)



NOTES: Shown are the trimmed mean percent changes in wages, input prices, and selling prices reported by TBOS respondents in Dec. of each year. 2023 data show expected percent change as of the Dec. 2022 survey (344 responses).

SOURCE: Dallas Fed's Texas Business Outlook Surveys.

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