



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook (March, 2023)

“Texas Employment Surges in January ”

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Federal Reserve Bank of Dallas
3/10/2023

DISCLAIMER: The views expressed are the authors' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.

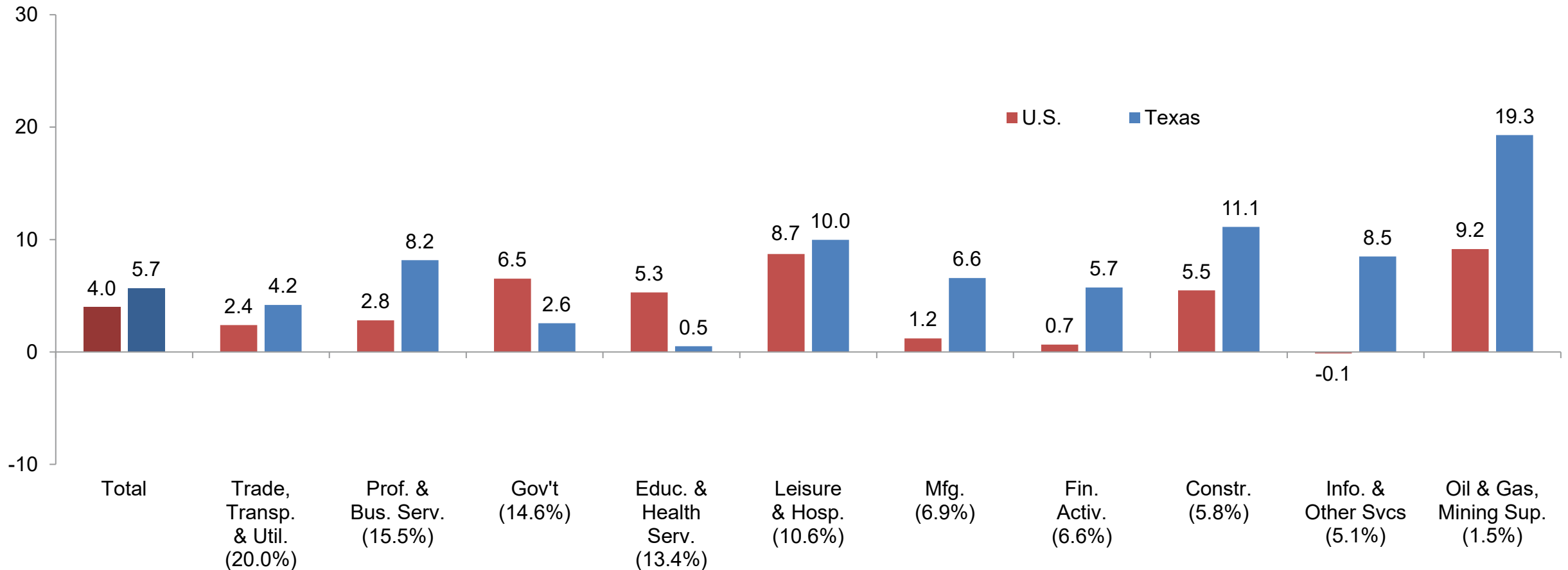
What's New...

- Texas employment surged 5.7 percent in January, and December growth was revised up
 - Texas is growing faster than the nation (U.S. job growth was 4.0 percent in January)
- The Dallas Fed's Texas Employment Forecast indicates that jobs will increase 2.8 percent in 2023
 - Upward benchmark revisions—together with the strong January and upwardly revised December data—pushed up the 2023 forecast
- Despite strong jobs data, the Texas Business Outlook Surveys (TBOS) are mixed, with manufacturing contracting in February while the service sector grew at a modest pace
 - TBOS company outlook worsened but, surprisingly, less than one-third of survey participants expect demand to fall in 2023
- Most concerning to the outlook is price pressures, which show few signs of receding in either the payroll data or the surveys; the latest inflation data have also been high
 - Persistent price pressures may lead to additional monetary policy tightening, which will further slow activity in housing and construction, and dampen investment and consumer demand

Overall Economic Activity

Texas employment surged in January led by oil and gas, construction, and leisure and hospitality

Job growth January 2023/December 2022 (percent)

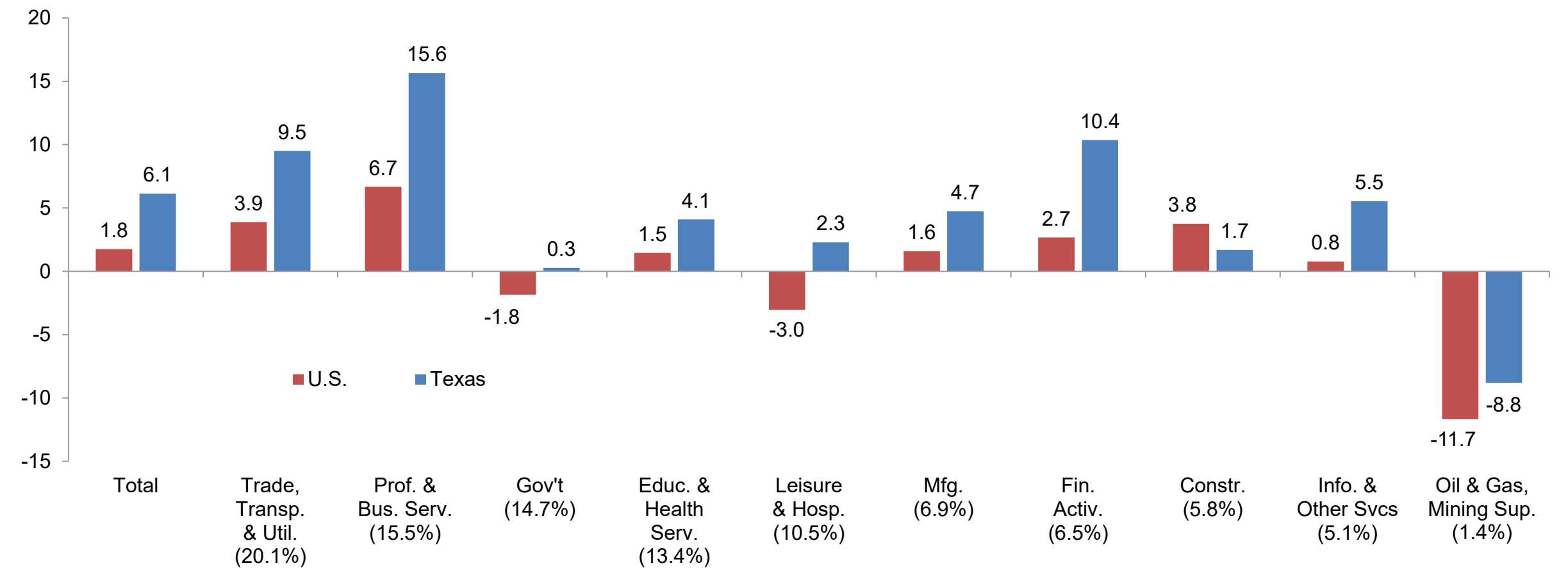


NOTE: Data show January 2023/December 2022 annualized growth. Numbers in parentheses indicate share of total state employment for January.

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

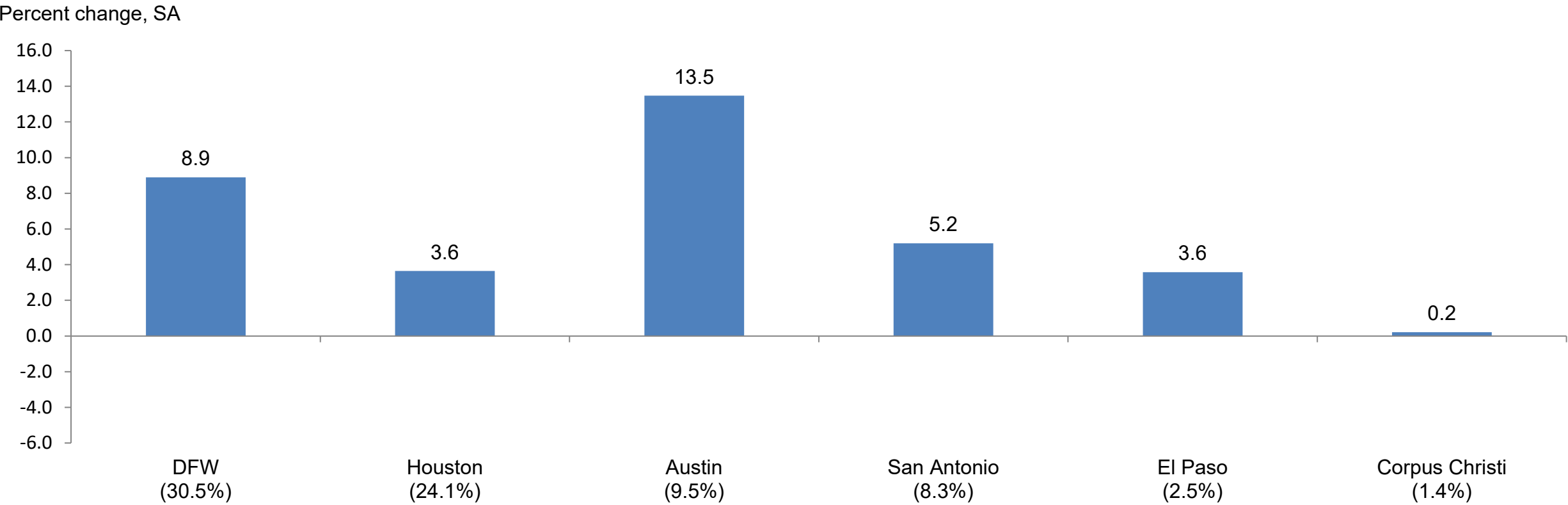
Job growth Jan. 2023/Feb. 2020 (percent)



NOTE: Data show Jan. 2023/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment for January.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

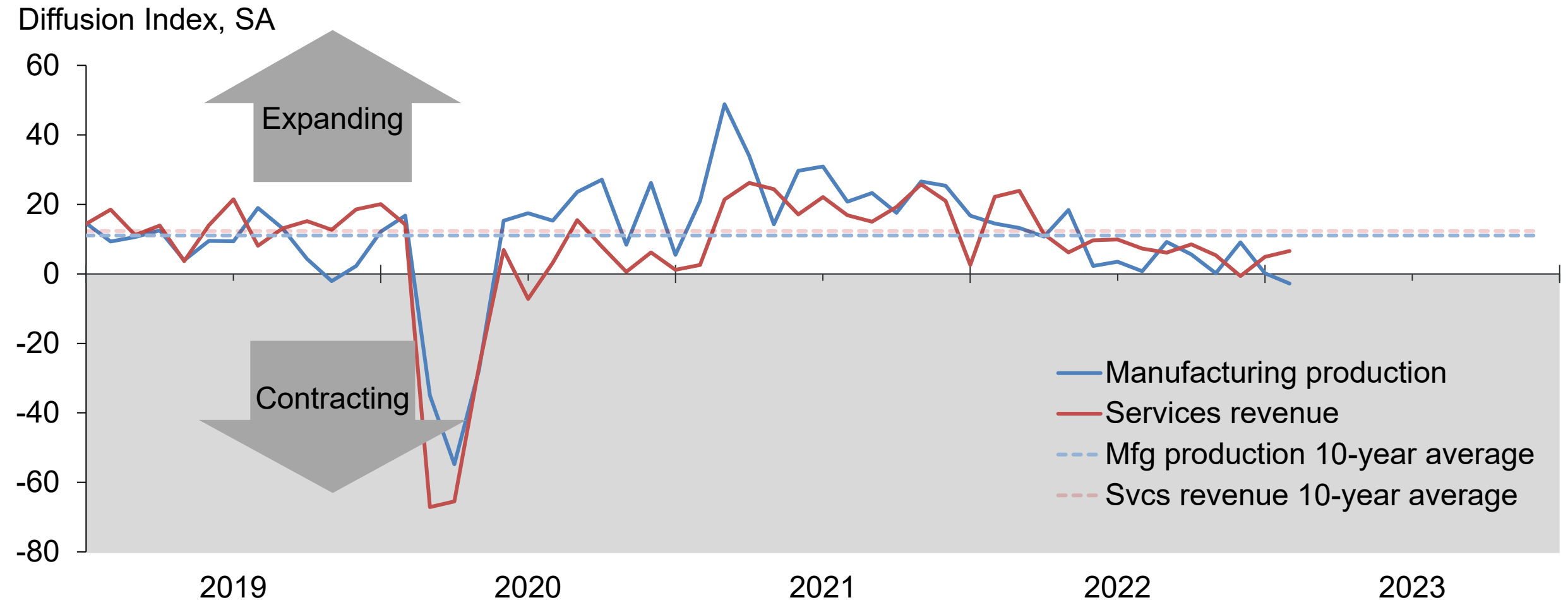
Most major metros have recovered jobs lost during the pandemic

Employment Change by Major Metro (Jan. 2023/Feb. 2020)



NOTES: Data refer to Jan 2023/Feb. 2020 non-annualized job growth. Numbers in parentheses refer to share of state employment in January 2022.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

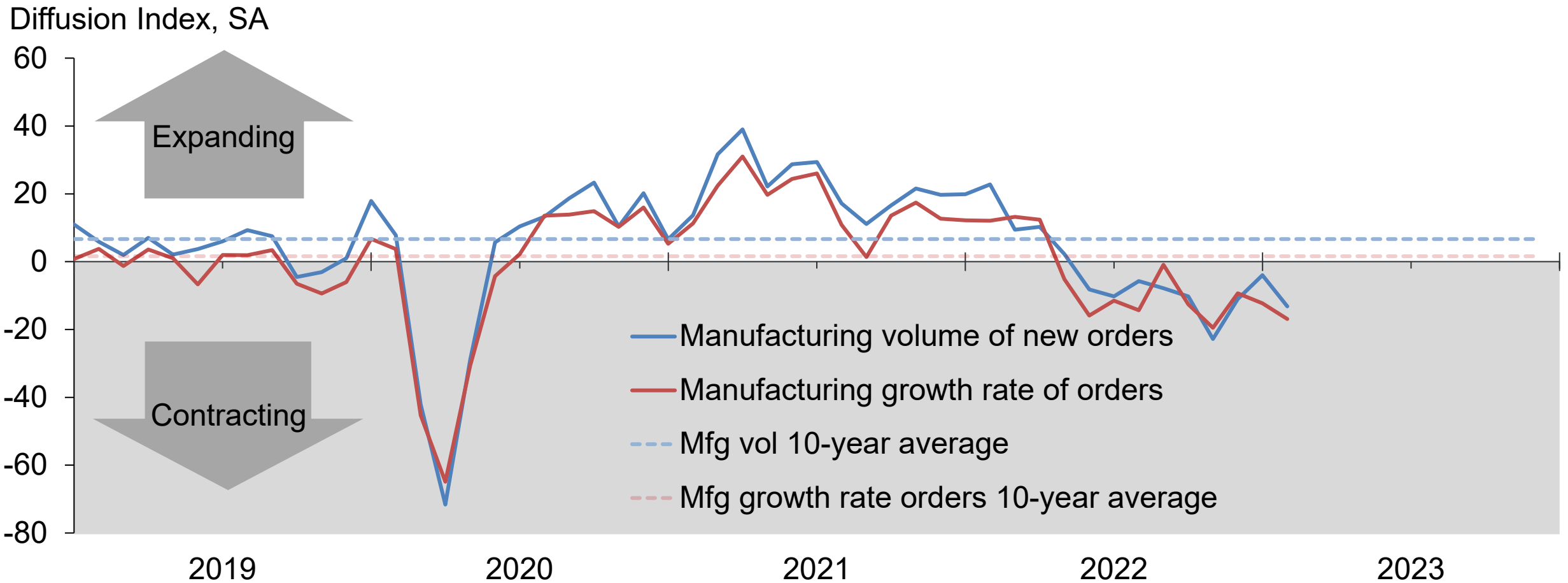
Growth in manufacturing production and services revenue remain below long-term averages, according to Texas businesses



NOTE: Data through February 2023.

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

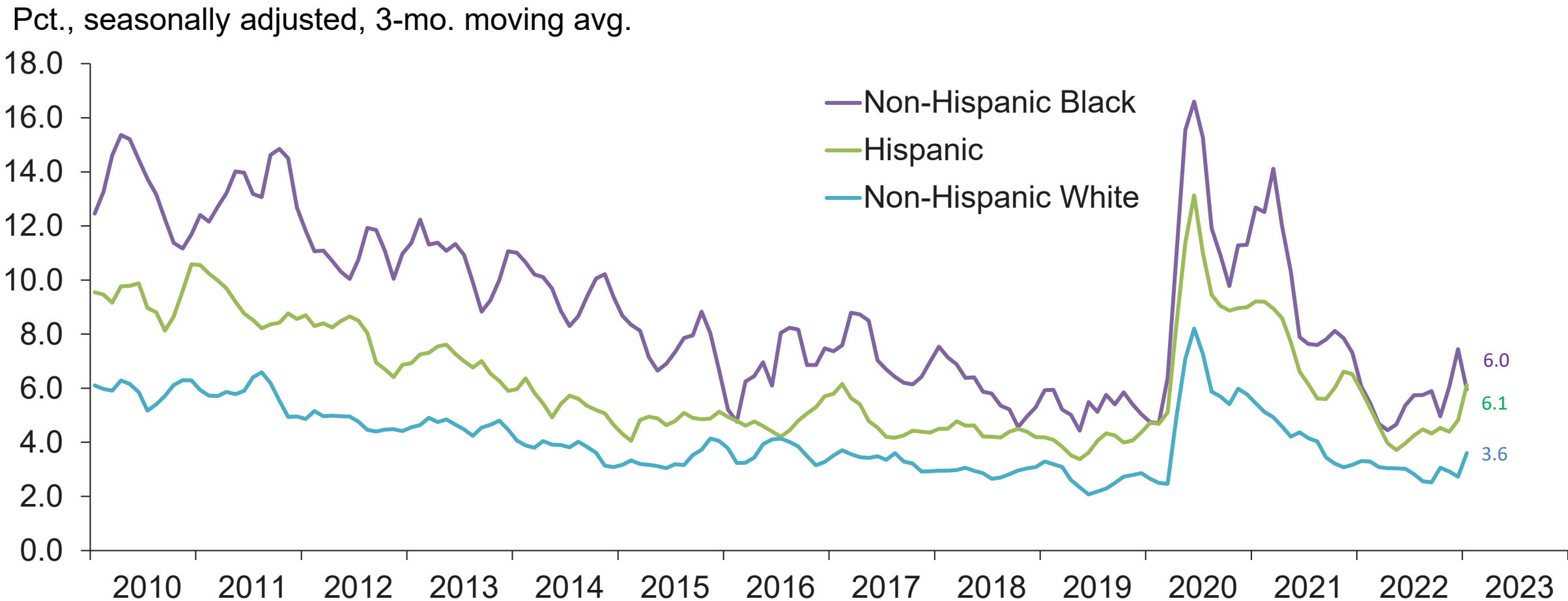
Texas Manufacturing: new orders continued to decline in February



NOTE: Data through February 2023.

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

Unemployment rates by race/ethnic group trending up

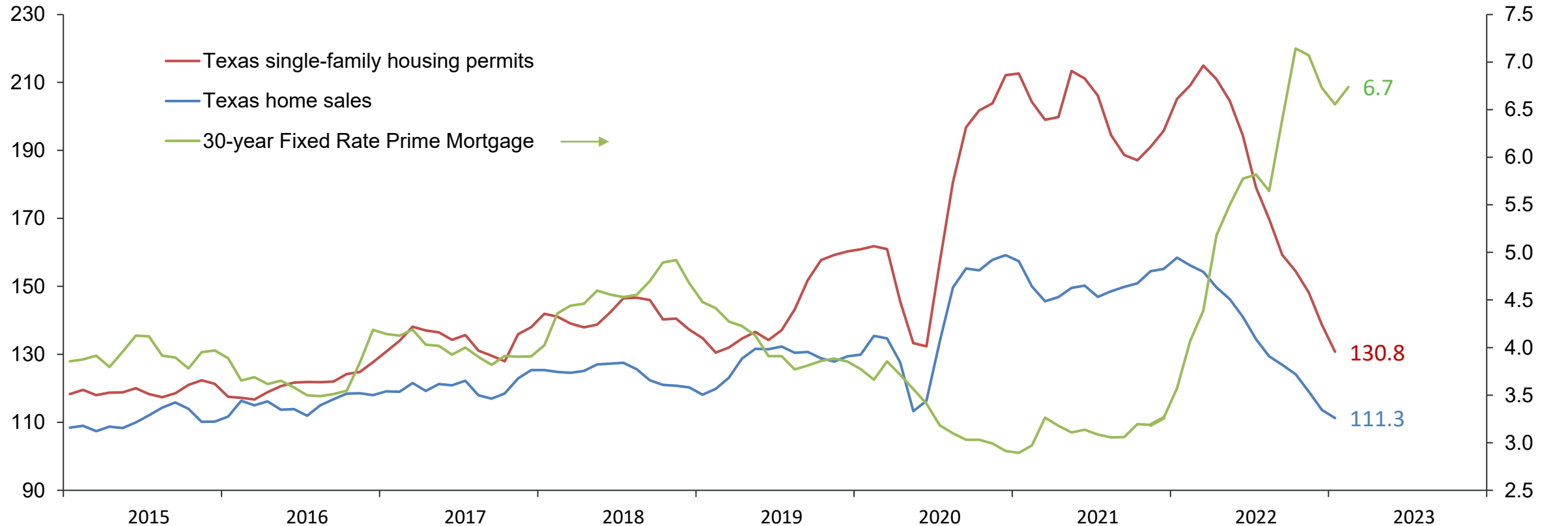


NOTE: Last data point January 2023.
SOURCE: Current Population Survey, authors' calculations.

Housing and Energy Industries

Housing: single-family building permits and sales continue to decline as mortgage rates remain between 6 and 7 percent

Index, Jan 2013 = 100, 3MMA, SA

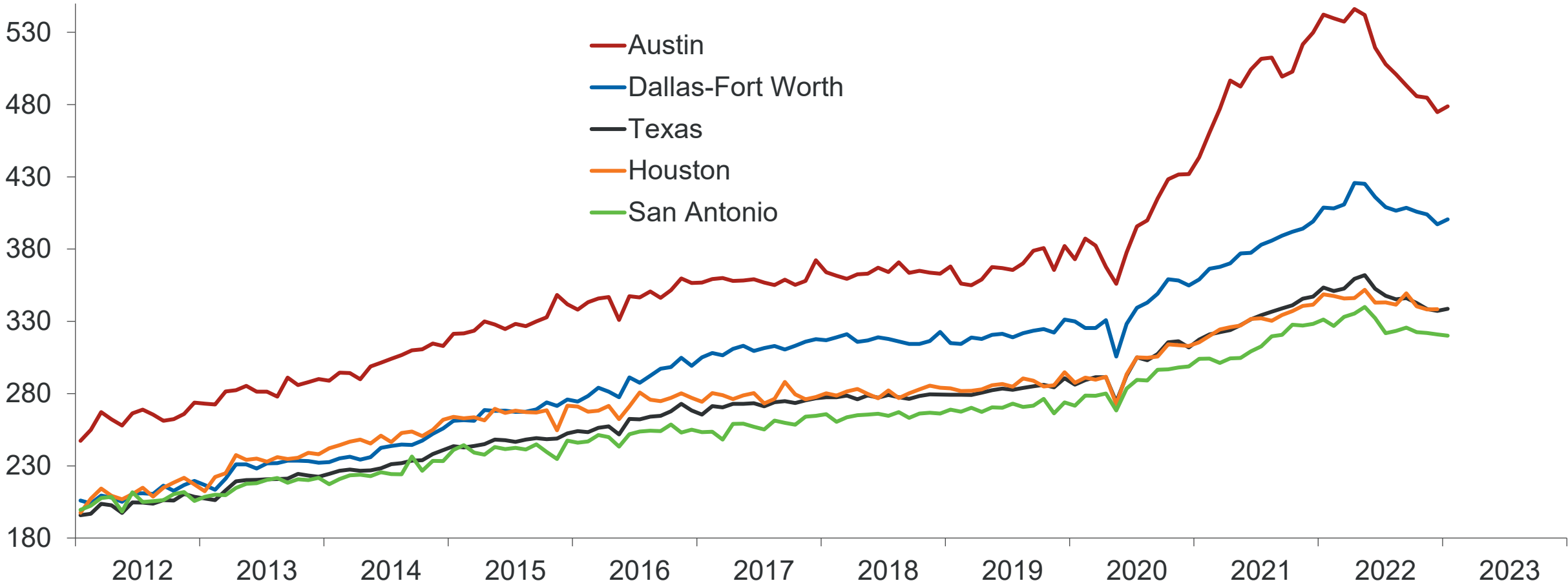


NOTES: Texas single-family housing & home sales through January 2023, mortgage data through February 2023.

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

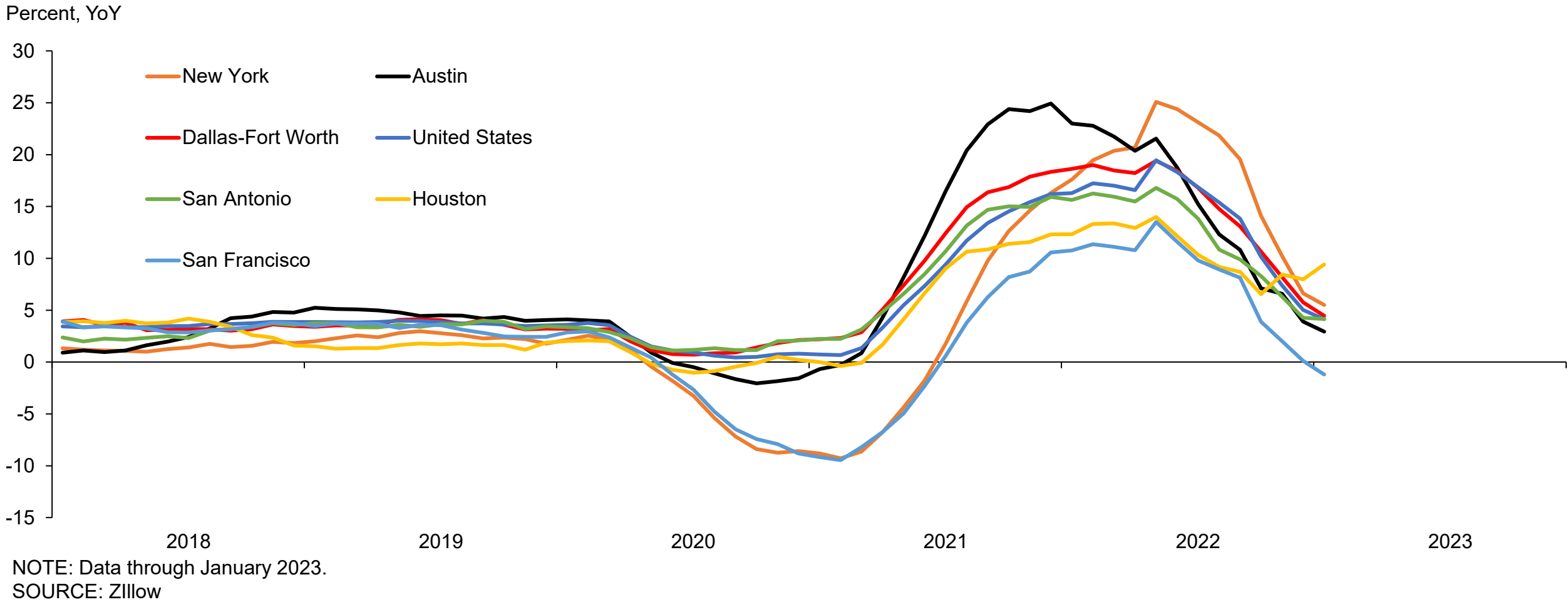
Home price declines paused in January

Thousands of dollars, SA

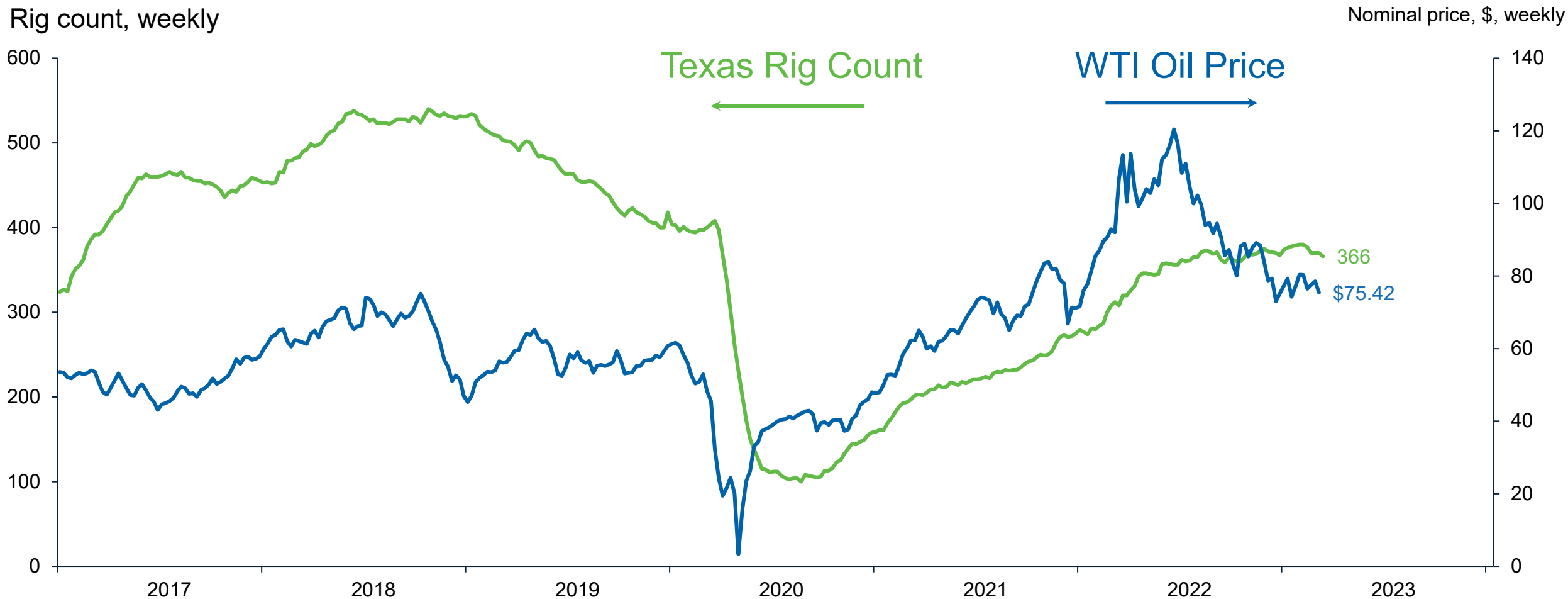


NOTES: Seasonally adjusted sales price, nominal. Data through January 2023.
SOURCES: Multiple Listing Service, seasonal and other adjustments by FRB Dallas.

Apartment rent growth has fallen to near pre-pandemic levels (new leases), although Houston rents have reversed course



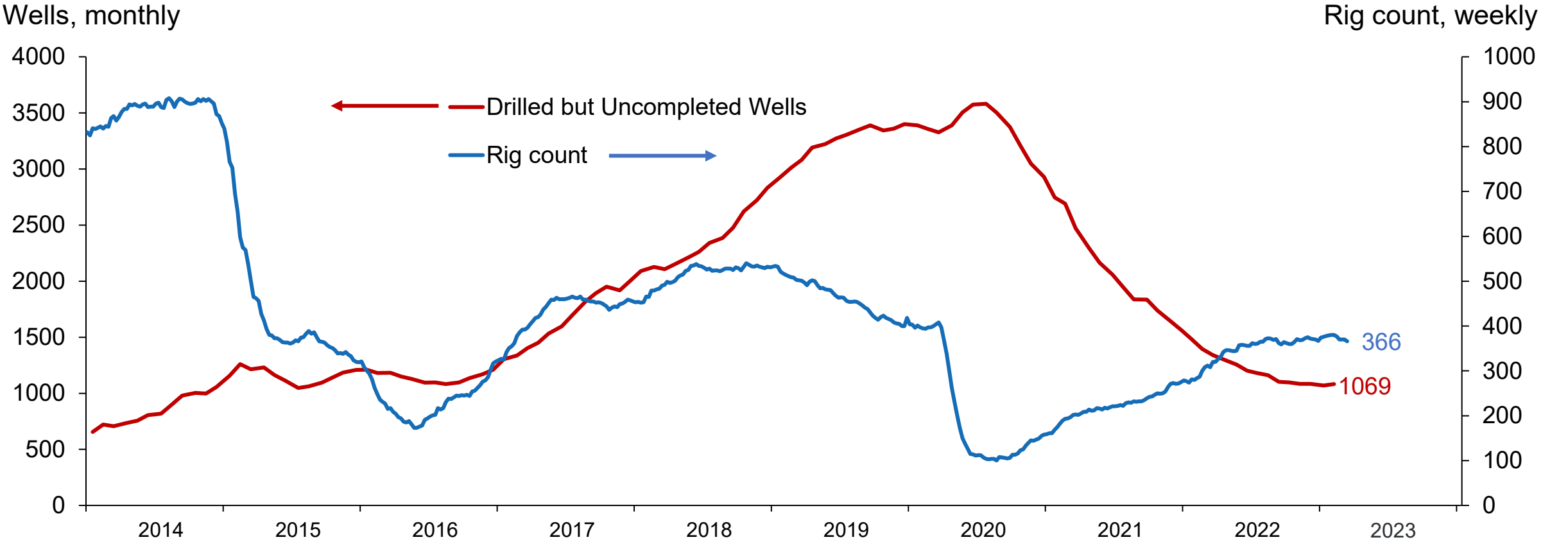
Oil prices and the rig count have flattened out



NOTES: Data are weekly through March 3, 2023.

SOURCES: Energy Information Administration; Baker Hughes.

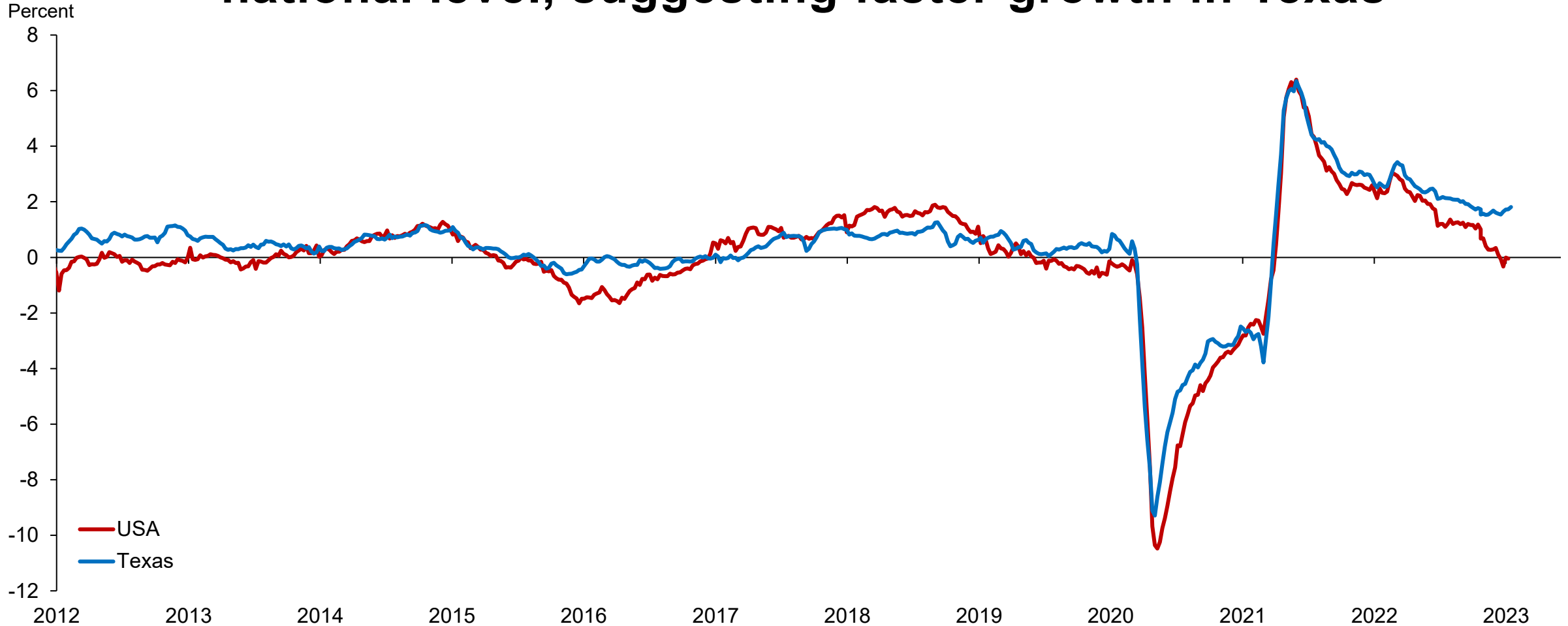
Oil and gas producers turned to DUCs in pandemic recovery but now DUC count is low; unclear if rigs will rise as a result



NOTES: Well data through January 2023. Rig count data through Mar 3, 2023. Rig count is for Texas, drilled but uncompleted wells are for Permian Basin.
SOURCES: Energy Information Administration; Baker Hughes.

High-Frequency Data

Texas weekly economic conditions index remains above national level, suggesting faster growth in Texas



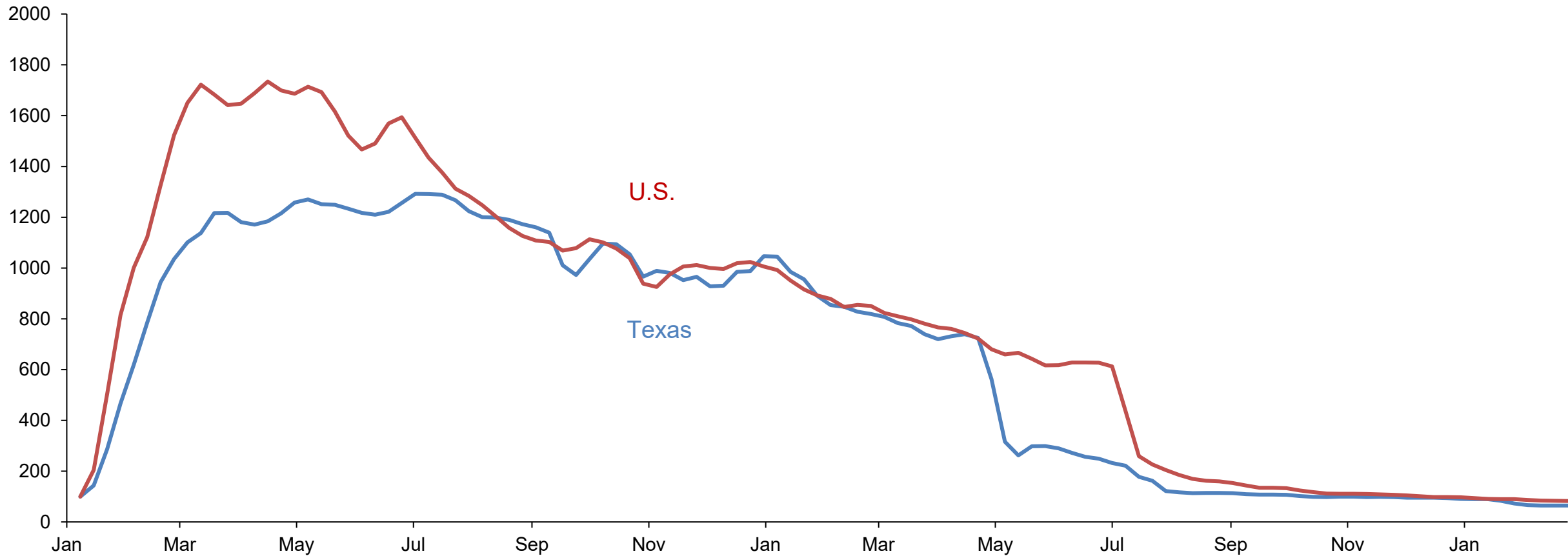
NOTES: Texas data through Jan 28, US data through Feb 11

SOURCE: University of Notre Dame

Total jobless claims still below pre-pandemic level in Texas

Total claims, initial and continuing

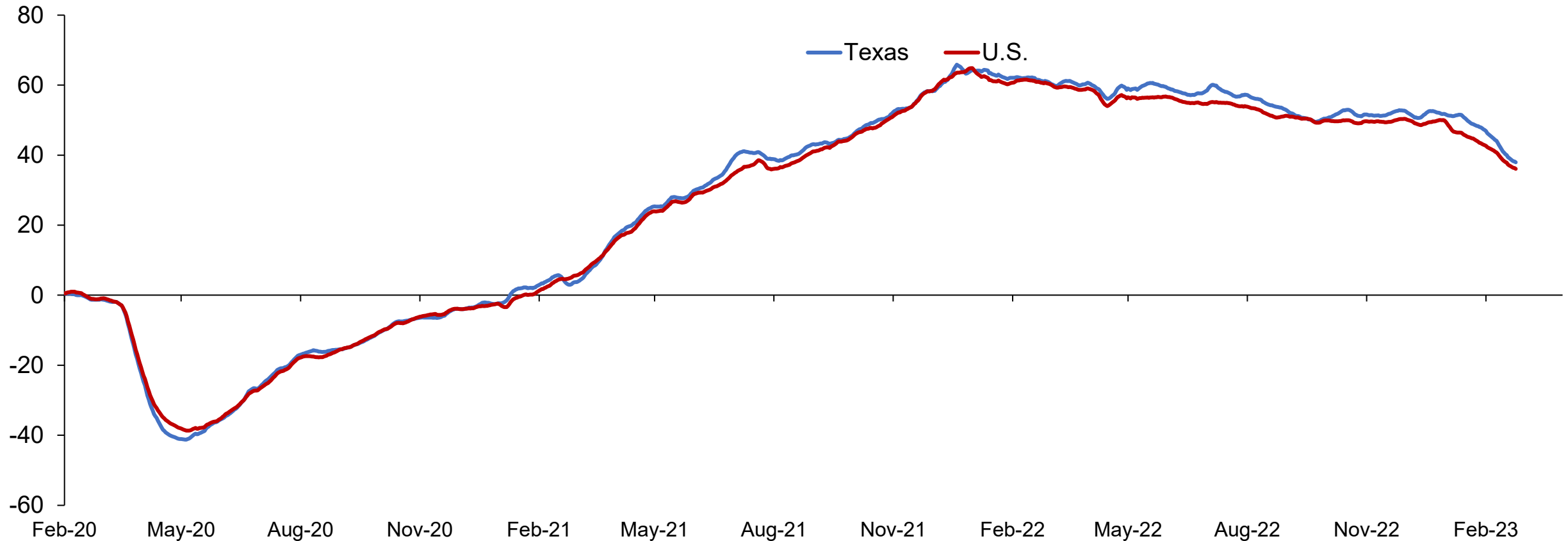
2 week moving average, Index, second week of March = 100



NOTES: Unemployment claims data through the week ending February 25 and include states UI and federal PUA, PEUC and EB when available.
SOURCES: Department of Labor.

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

% change from Feb. '20



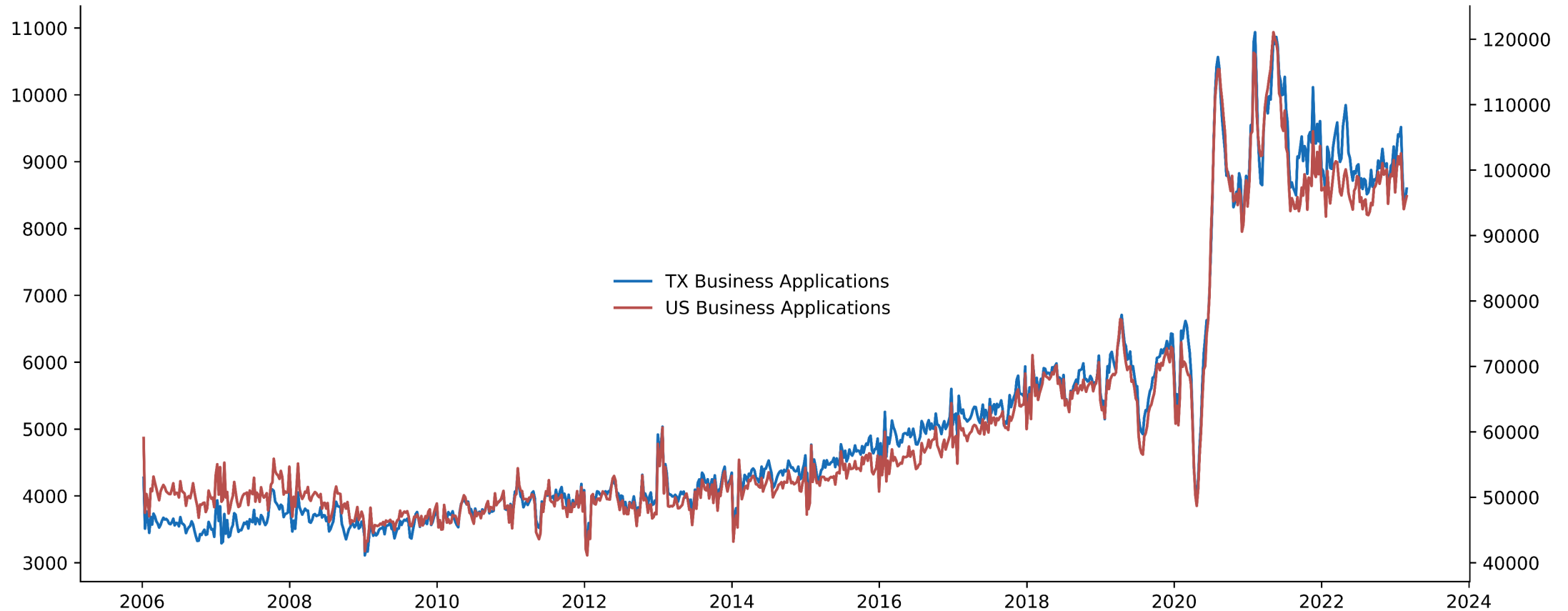
NOTE: U.S. and Texas data daily through February 25th, 2023.

SOURCE: Indeed.

New business applications increased sharply during the pandemic, remain elevated

TX Applications, SA, 4WMA

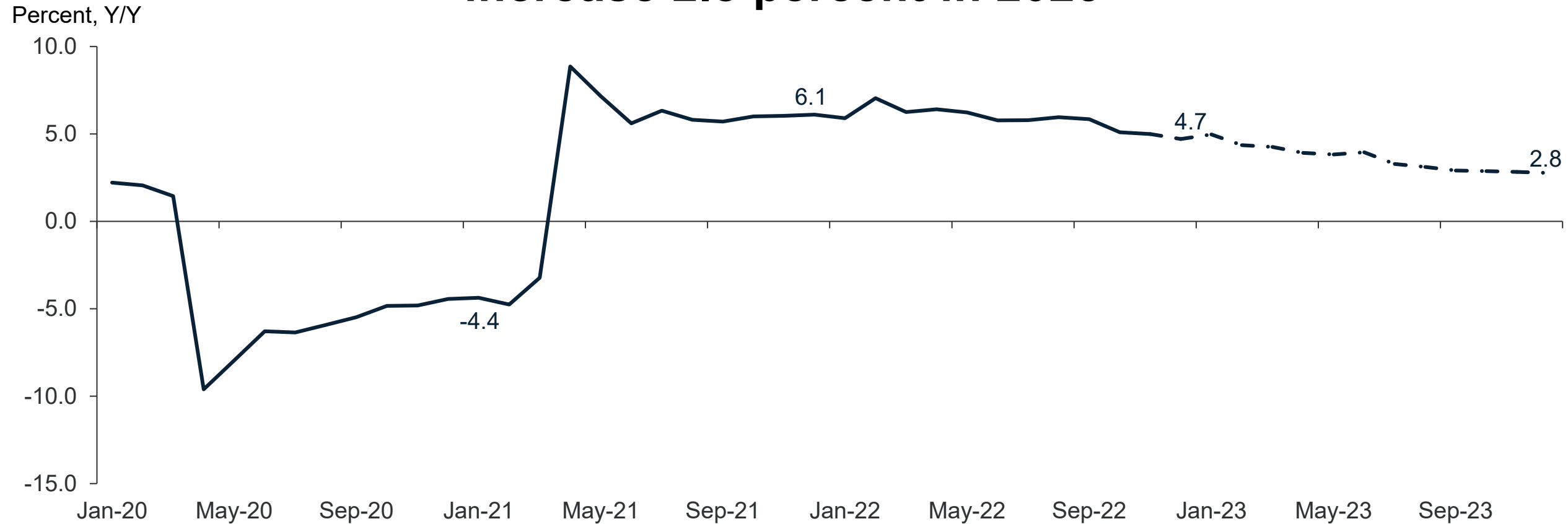
US Applications, SA, 4WMA



NOTE: Data through February 26.
SOURCES: U.S. Census Bureau.

Outlook for 2023

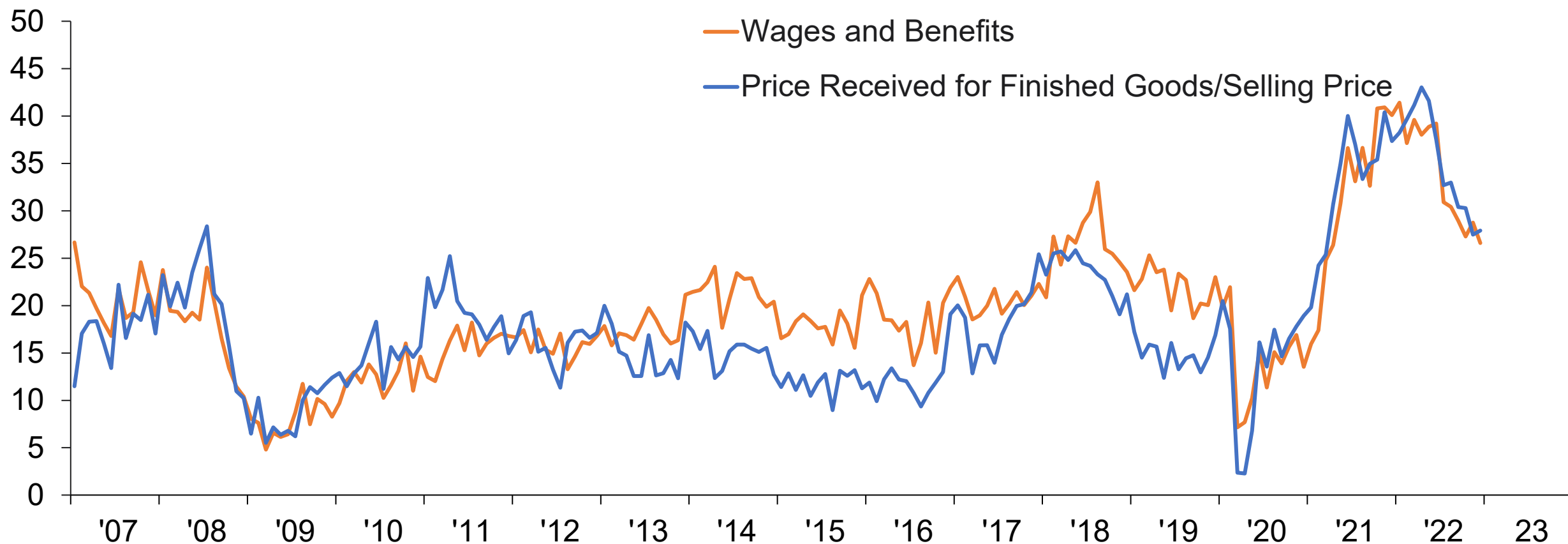
The Texas Employment Forecast indicates that jobs will increase 2.8 percent in 2023



NOTE: 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 lags of payroll employment, expectations for U.S. GDP growth, 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.

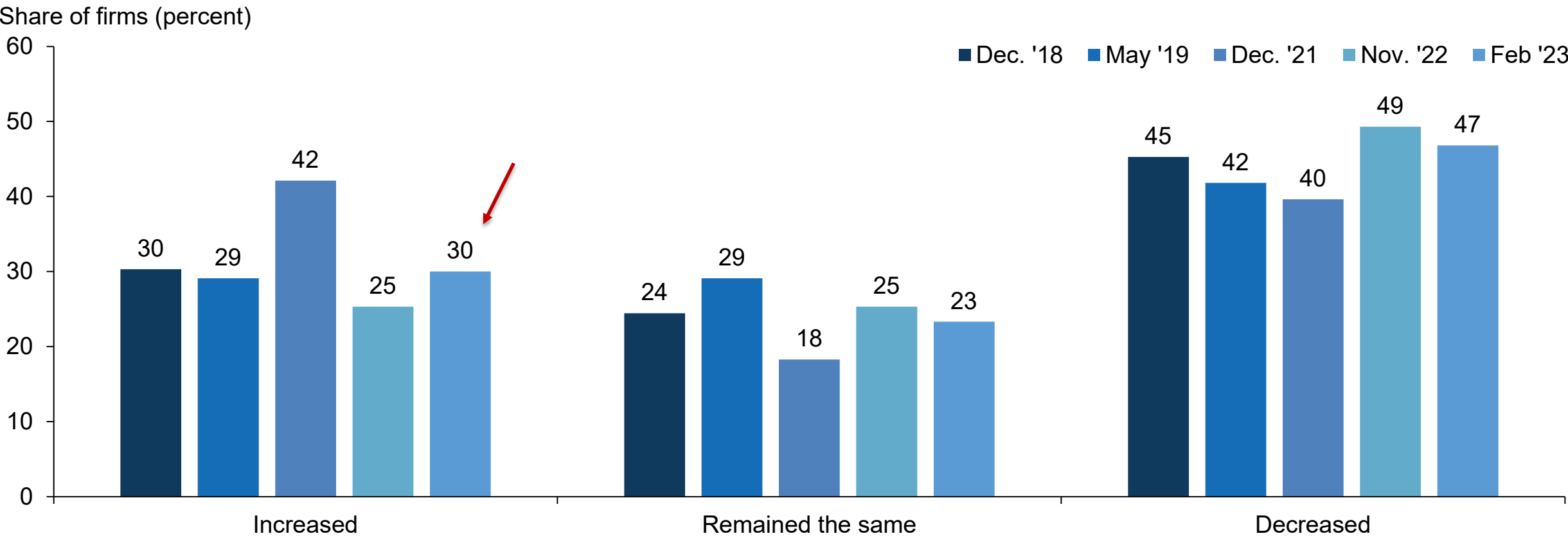
While a smaller share of Texas firms is raising prices and wages, it is still far above average, pointing to high inflation

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 Feb. 2023.
SOURCE: Texas Business Outlook Surveys, Federal Reserve Bank of Dallas.

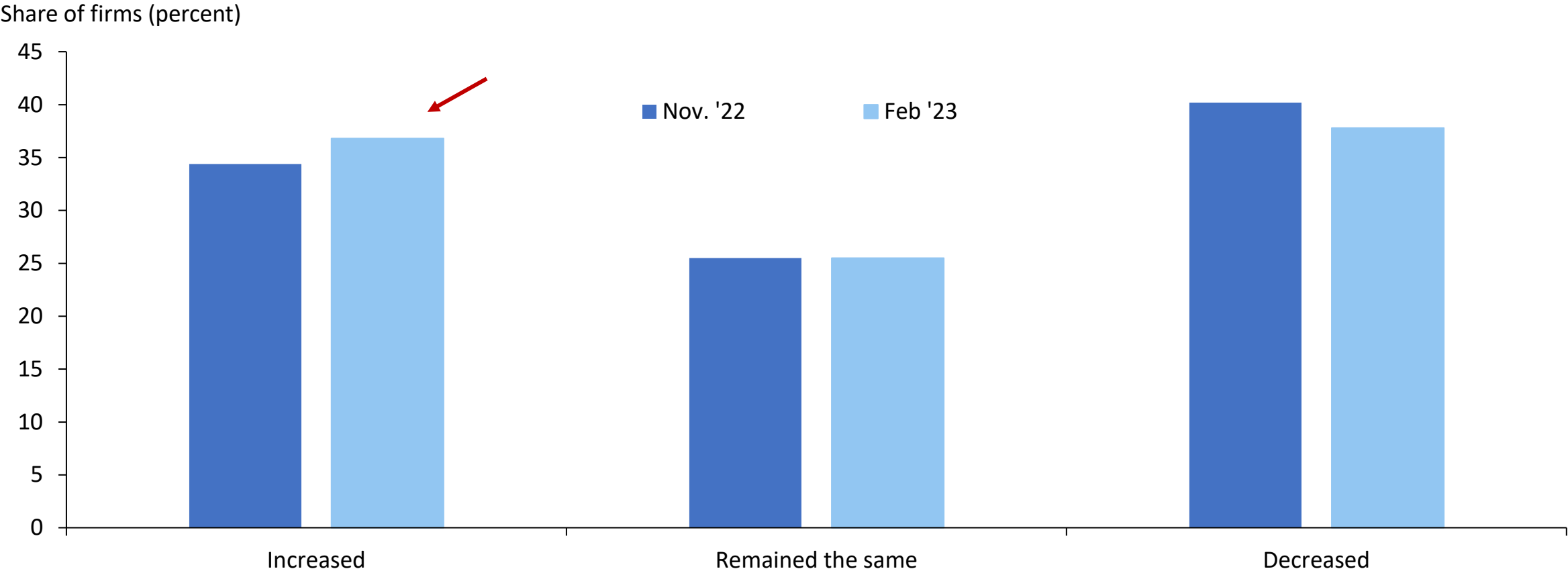
Share of Texas firms reporting an increase in operating margins rose in the past six months



NOTE: Respondents were asked, "How has your firm's operating margin, defined as earnings before interest and taxes (EBIT) as a share of total revenue, changed over the past six months?"

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

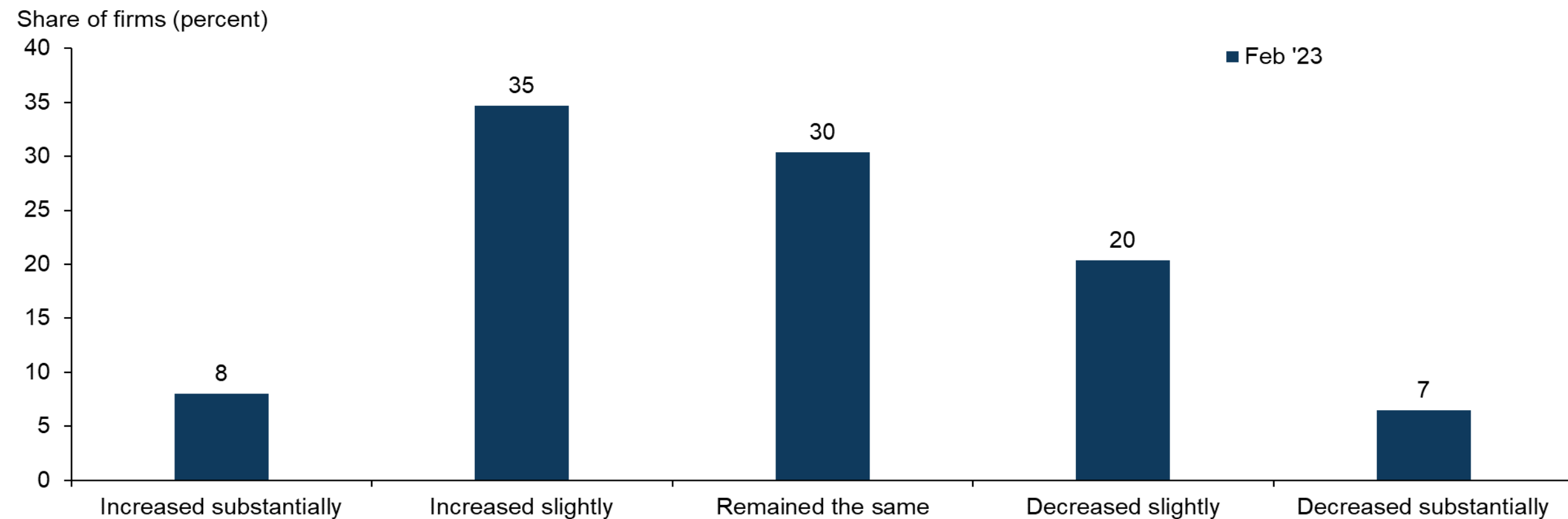
Share of Texas firms expecting an increase in operating margins in the next six months rose



NOTE: 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?" (n=400).

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

What recession? Texas firms are expecting an increase in demand in 2023



NOTE: Respondents were asked, "How do you expect demand for your firm's goods and/or services this year to compare with 2022?"

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

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