Texas Economic Performance and Outlook
(March, 2023)
“Texas Employment Surges in January ”

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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

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.


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)

<table>
<thead>
<tr>
<th>Metro</th>
<th>Percent change, SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFW</td>
<td>8.9</td>
</tr>
<tr>
<td>Houston</td>
<td>3.6</td>
</tr>
<tr>
<td>Austin</td>
<td>13.5</td>
</tr>
<tr>
<td>San Antonio</td>
<td>5.2</td>
</tr>
<tr>
<td>El Paso</td>
<td>3.6</td>
</tr>
<tr>
<td>Corpus Christi</td>
<td>0.2</td>
</tr>
</tbody>
</table>

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

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

NOTE: Last data point January 2023.
Housing and Energy Industries
Housing: single-family building permits and sales continue to decline as mortgage rates remain between 6 and 7 percent

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


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

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

SOURCE: Indeed.
New business applications increased sharply during the pandemic, remain elevated.
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.

NOTE: Percent reporting increase was constructed by weighing the respective component of TMOS, TSSOS, and TROS according to GDP shares. Data through Feb. 2023.

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?"

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).
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?”

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