



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook

(April 2023)

“Employment Growth Moderates, Inflation Remains High”

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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.

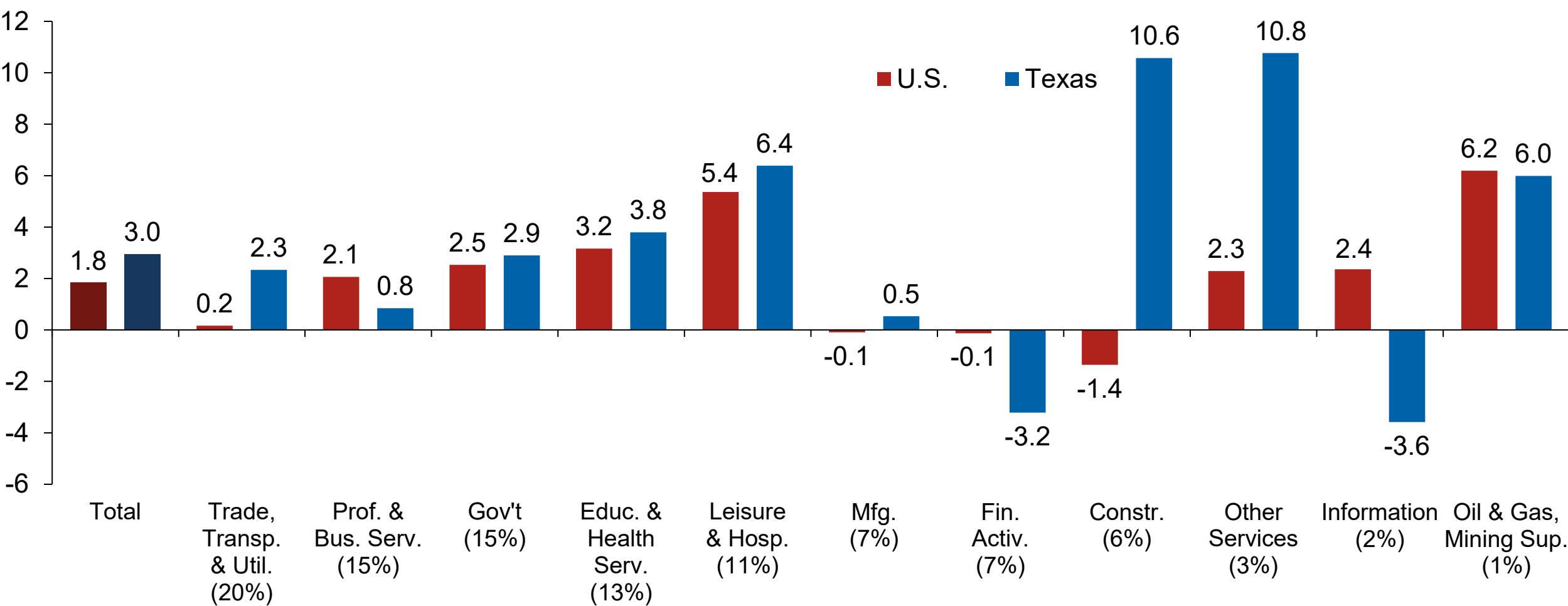
What's New: Job growth moderates and aligns itself with slowing activity in the rest of the economy

- Texas employment grew 3.0 percent in March, and February growth was revised down to 3.2 percent; this is down significantly from 2022 growth at 4.8 percent.
 - Texas is still growing faster than the nation (U.S. job growth was 1.8 percent in March)
- The Dallas Fed's Texas Employment Forecast indicates that jobs will increase 2.4 percent in 2023 (down from 2.8 percent last month).
 - The current forecast implies 1.9 percent growth (annualized) in the rest of the year
- Texas Business Outlook Surveys (TBOS) continued to signal sluggish growth, with March showing weak manufacturing growth and modest service sector growth.
 - 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 or keep rates higher for longer, which will further slow activity and dampen investment and consumer demand

Overall Economic Activity

Texas emp. growth moderates in March led by a downturn in high-wage service sectors and continued weakness in manufacturing

Job growth March 2023/February 2023 (percent)



NOTES: Data are seasonally adjusted and rates are annualized. Numbers in parenthesis indicate share of total state employment in March 2023.

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

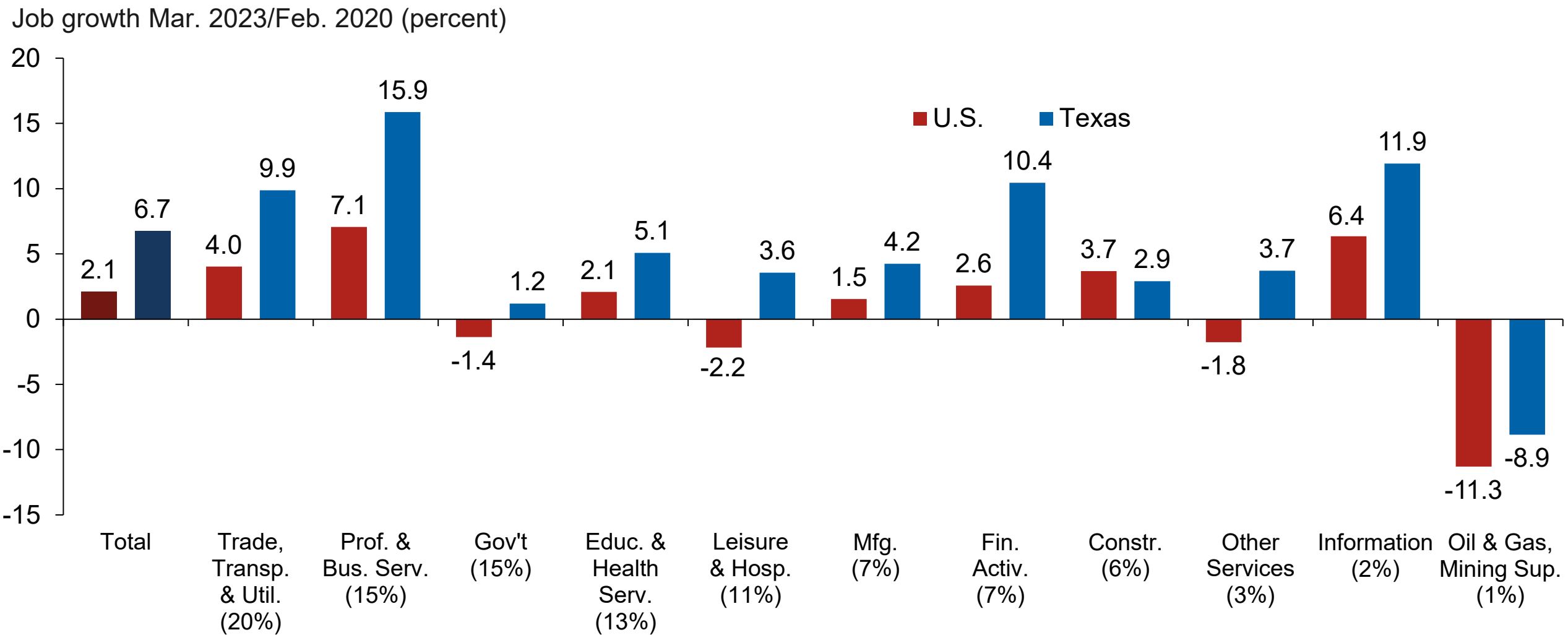
Houston leading metro job growth in early 2023

Employment Change by Major Metro (Mar. 2023/Dec. 2022)



NOTES: Data refer to Mar. 2023/Dec. 2022 annualized job growth. Numbers in parentheses refer to share of state employment in March 2023.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

In Texas, only energy has yet to recover all jobs lost in pandemic

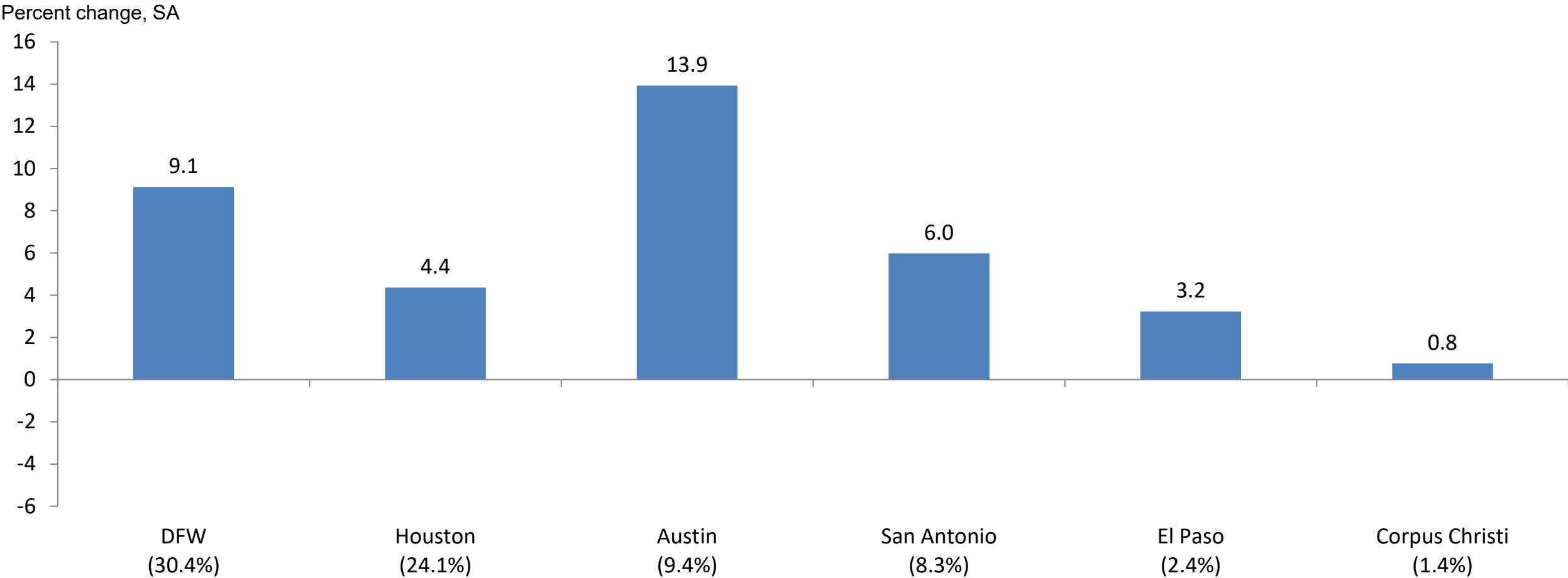


NOTE: Data show Mar. 2023/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment for March.

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

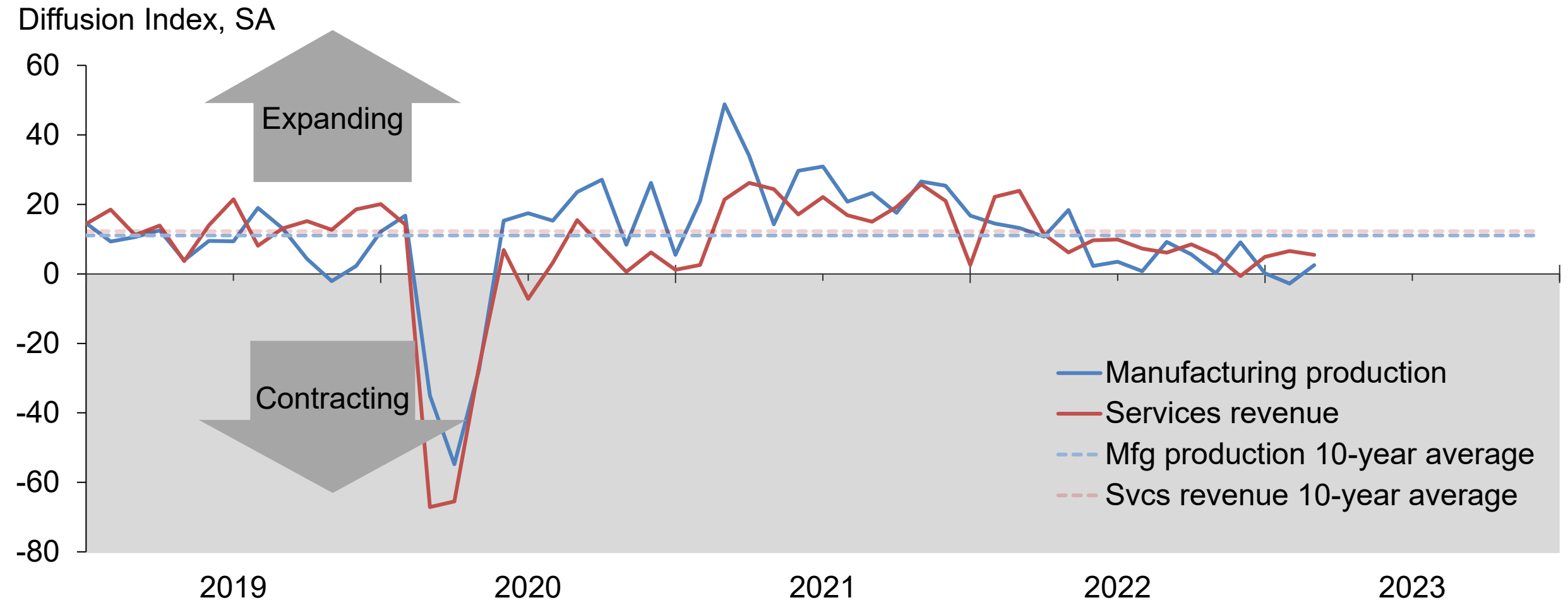
All major TX metros have recovered jobs lost during the pandemic

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



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

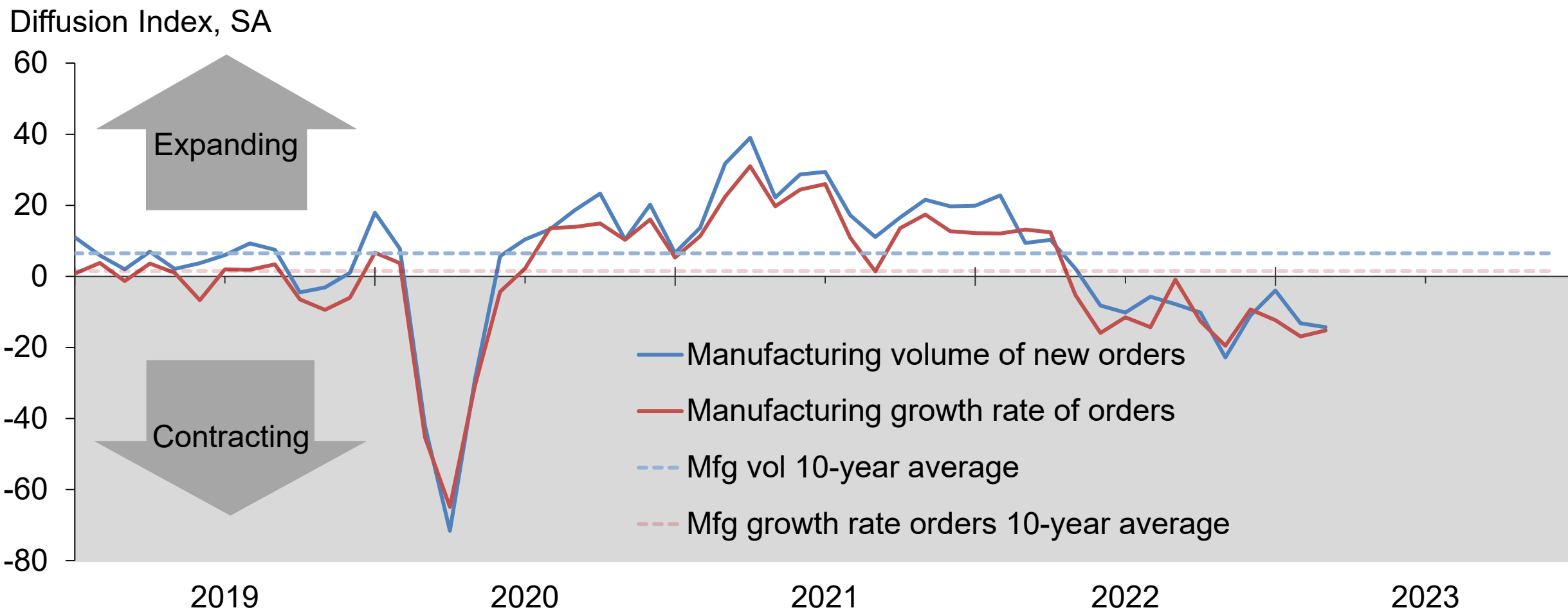
Growth in manufacturing production and services revenue remain below long-term averages, according to Texas businesses



NOTE: Data through March 2023.

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

Texas Manufacturing: New orders continued to decline in March

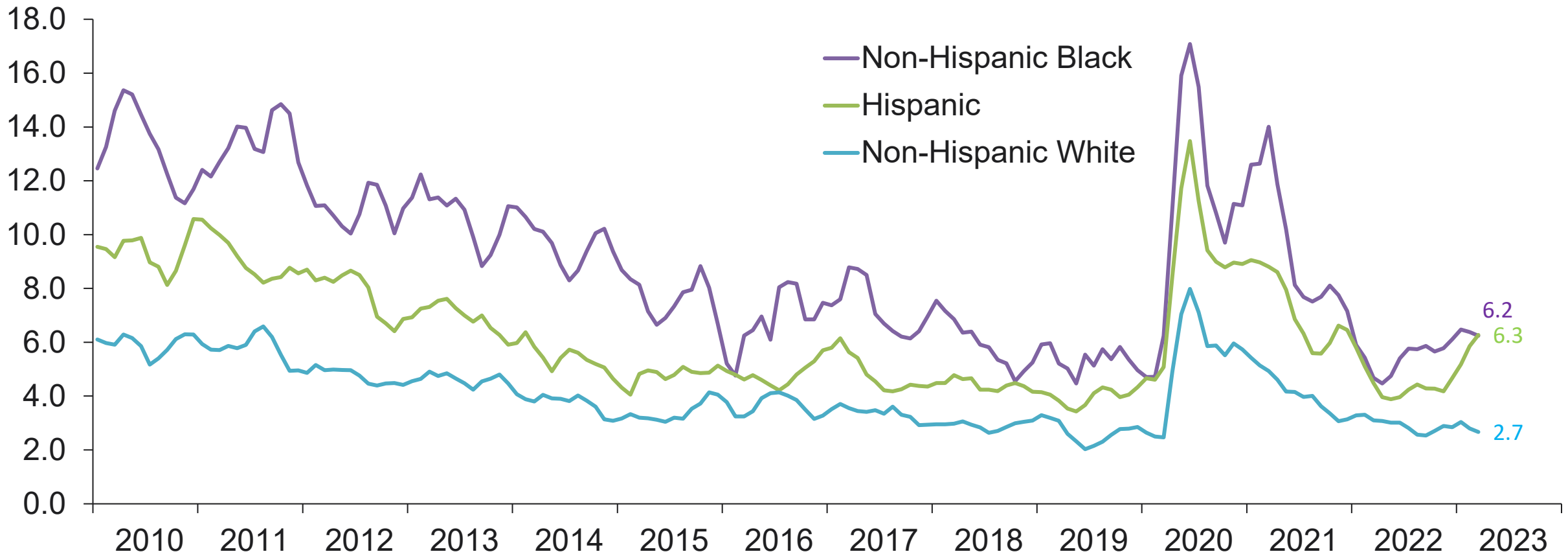


NOTE: Data through March 2023.

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

Unemployment rates trending up among Black and Hispanic workers

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

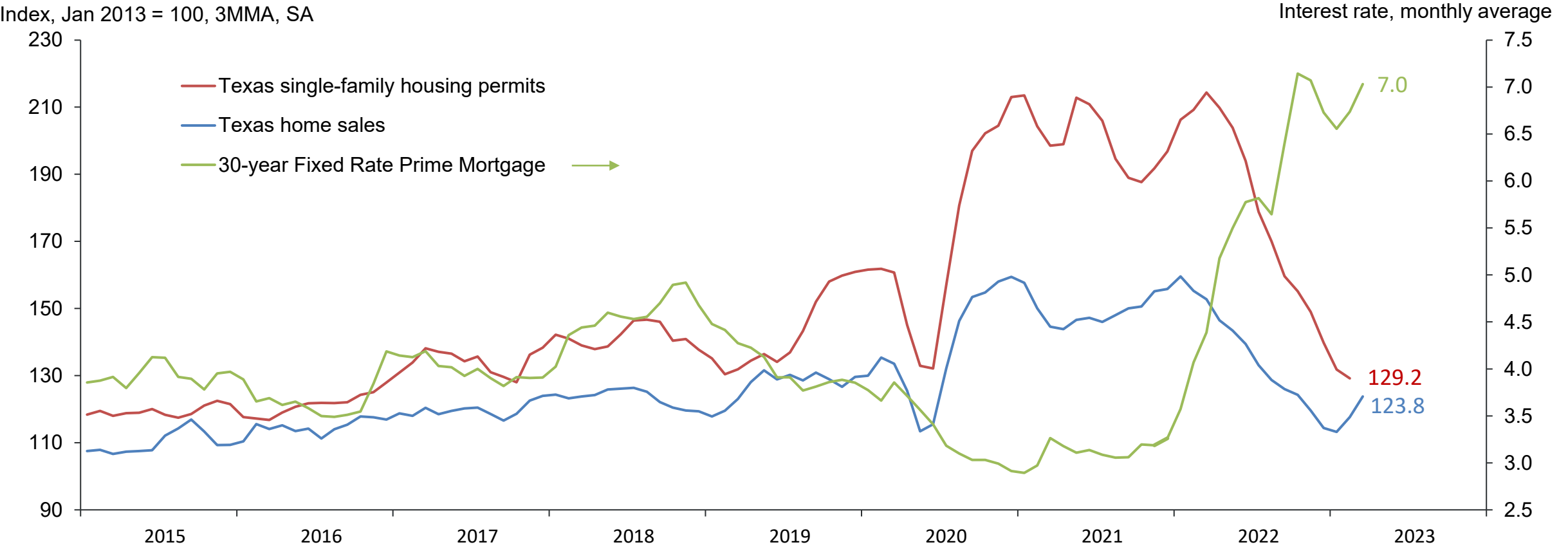


NOTE: Last data point March 2023.

SOURCE: Current Population Survey, authors' calculations.

Housing and Energy Industries

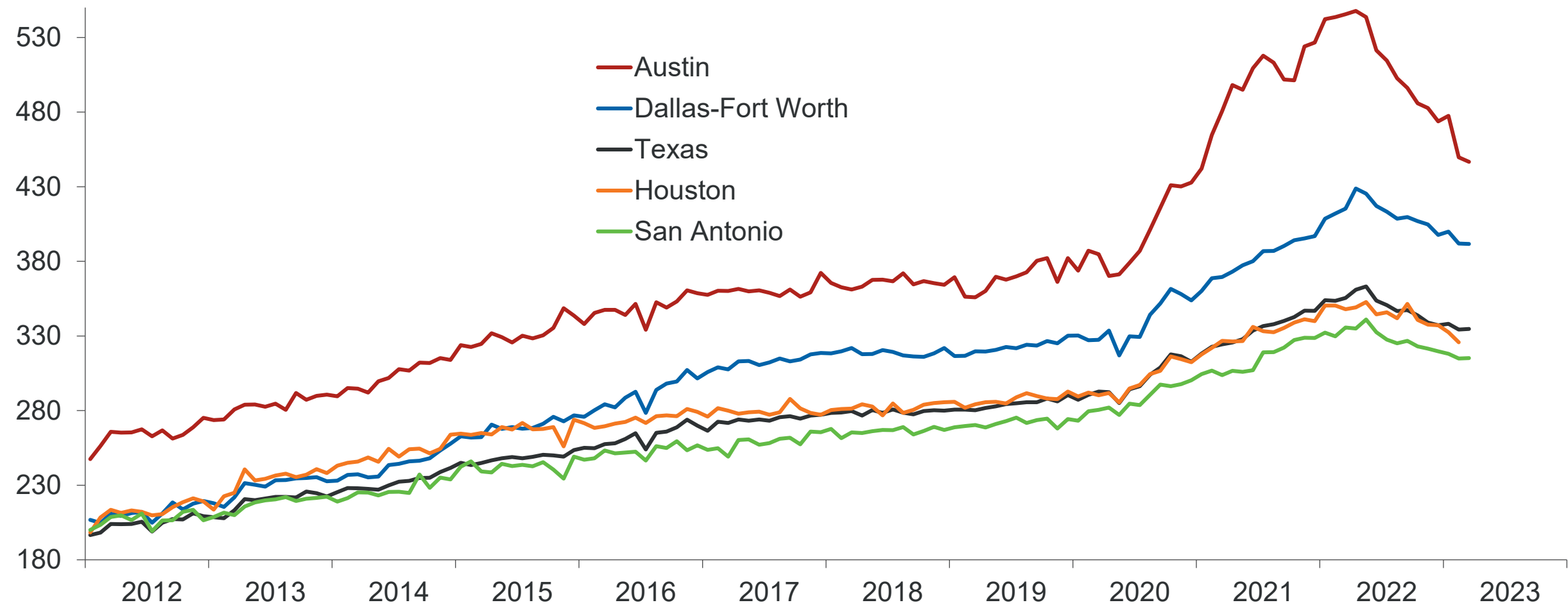
Housing: Single-family building permits continue to decline as mortgage rates rise again; sales post a small rebound



NOTES: Texas single-family housing permits through February 2023, home sales and mortgage data through March 2023.
SOURCES: MLS; A&M Real Estate Center; Freddie Mac Primary Mortgage Market Survey; U.S. Census.

Major Texas metro housing prices trending downwards

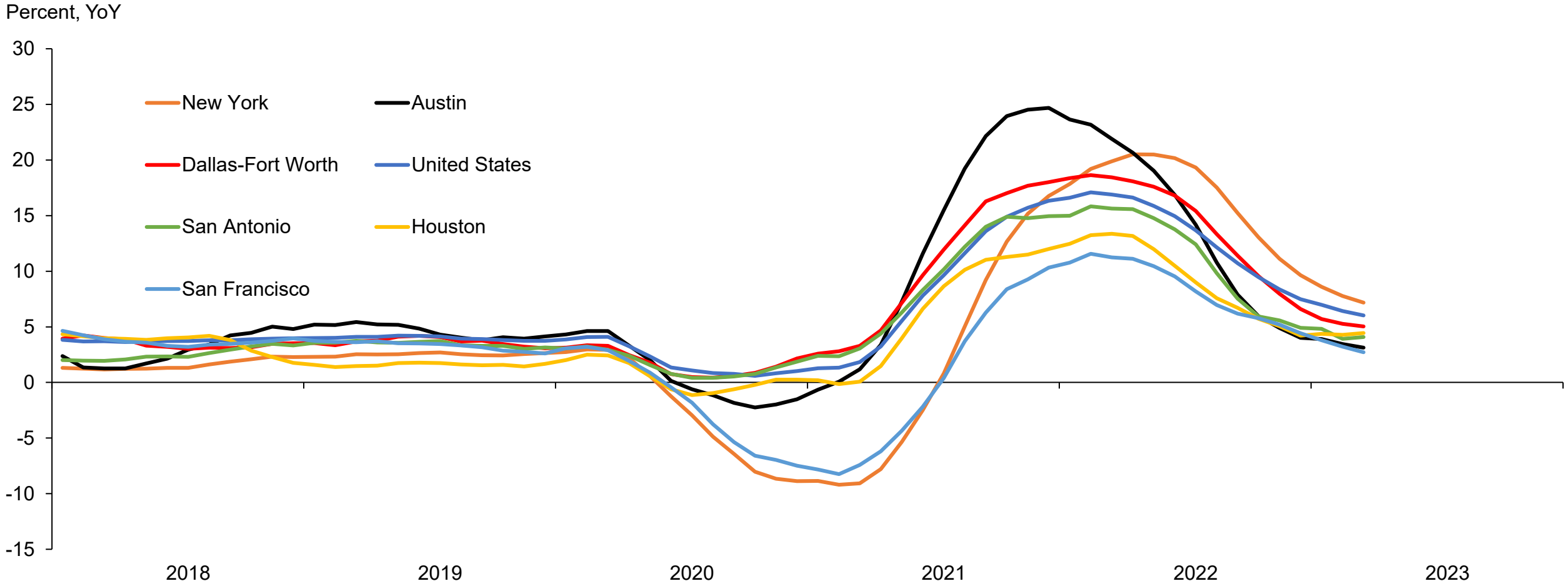
Thousands of dollars, SA



NOTES: Seasonally adjusted sales price, nominal. Houston data through February 2023; all other metro data through March 2023.

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

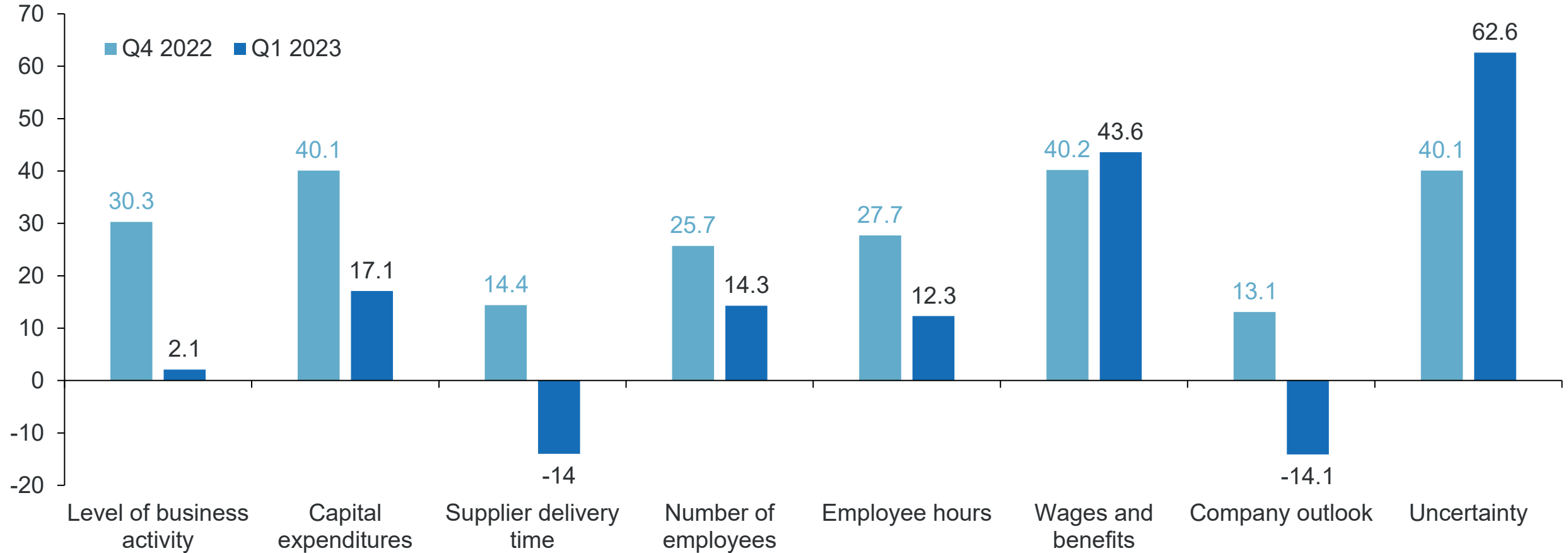
Apartment rent growth in Austin is below pre-pandemic levels (new leases), while in Houston remains above those levels



NOTE: Data are seasonally adjusted and are through March 2023.
SOURCE: Zillow.

Energy activity was sharply weaker in the first quarter of 2023

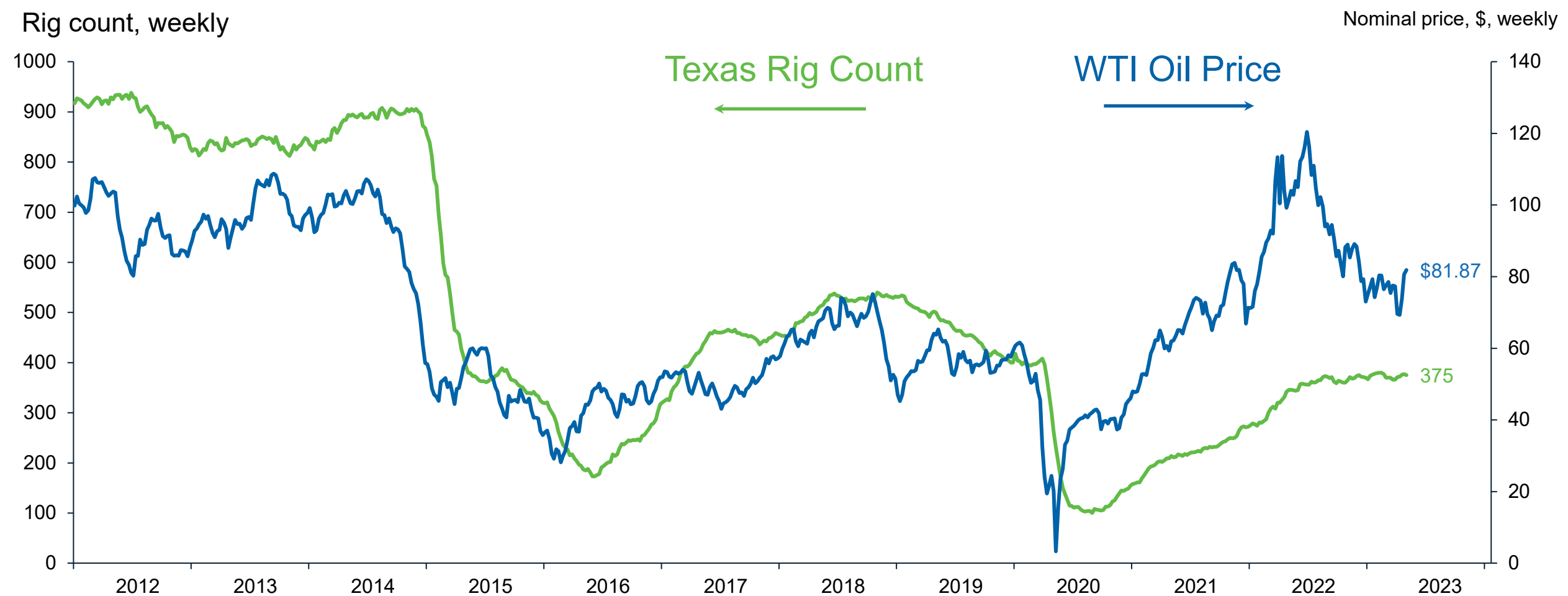
Current index, quarterly



NOTES: Indexes cover changes from the prior quarter. Data are not seasonally adjusted.

SOURCE: Federal Reserve Bank of Dallas Energy Survey.

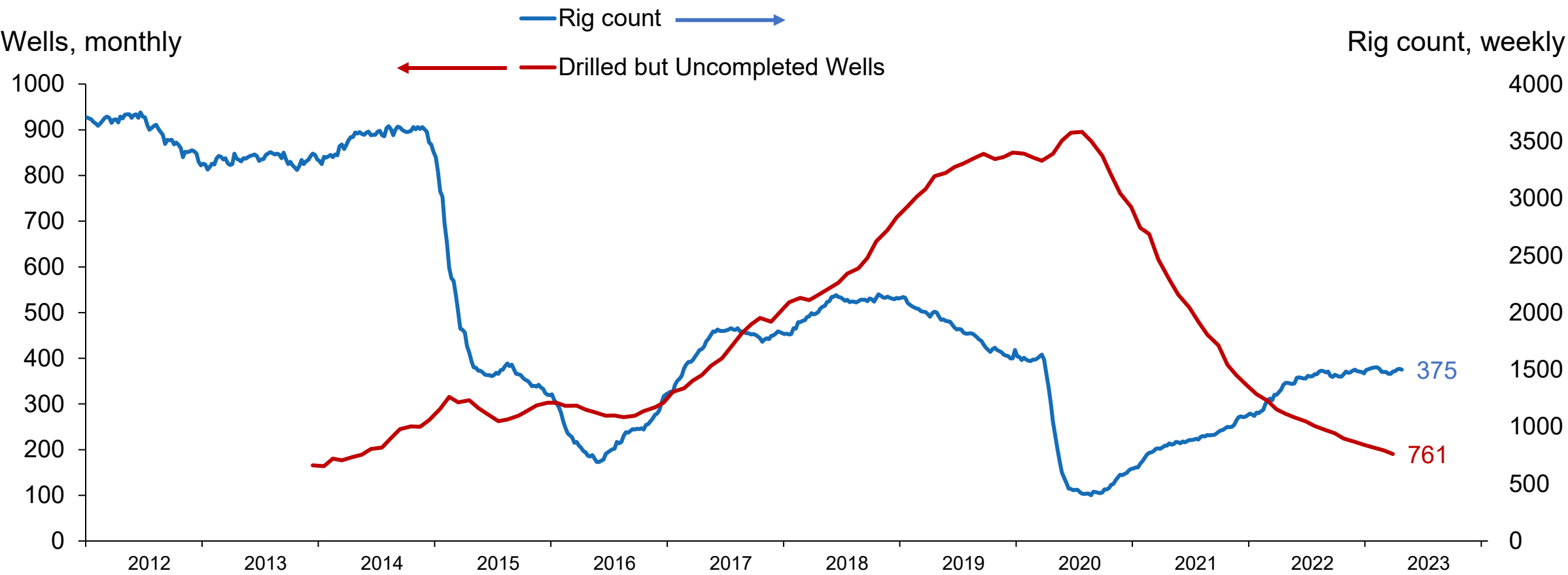
Oil prices turn up but the rig count remains flat



NOTES: Data are weekly through April 14, 2023.

SOURCES: Energy Information Administration; Baker Hughes.

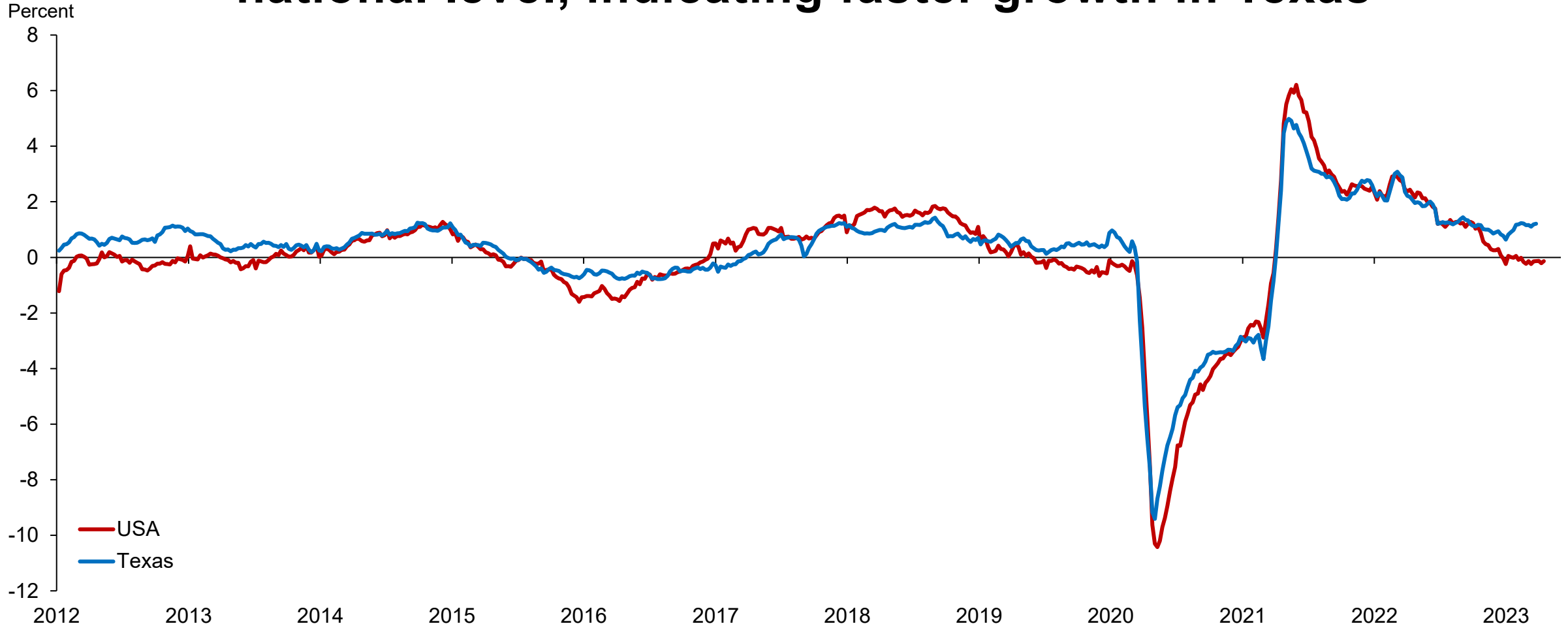
DUC declines seem to have reached a trough as rig count flattens



NOTES: Well data through March 2023. Rig count data through April 14, 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, indicating faster growth in Texas



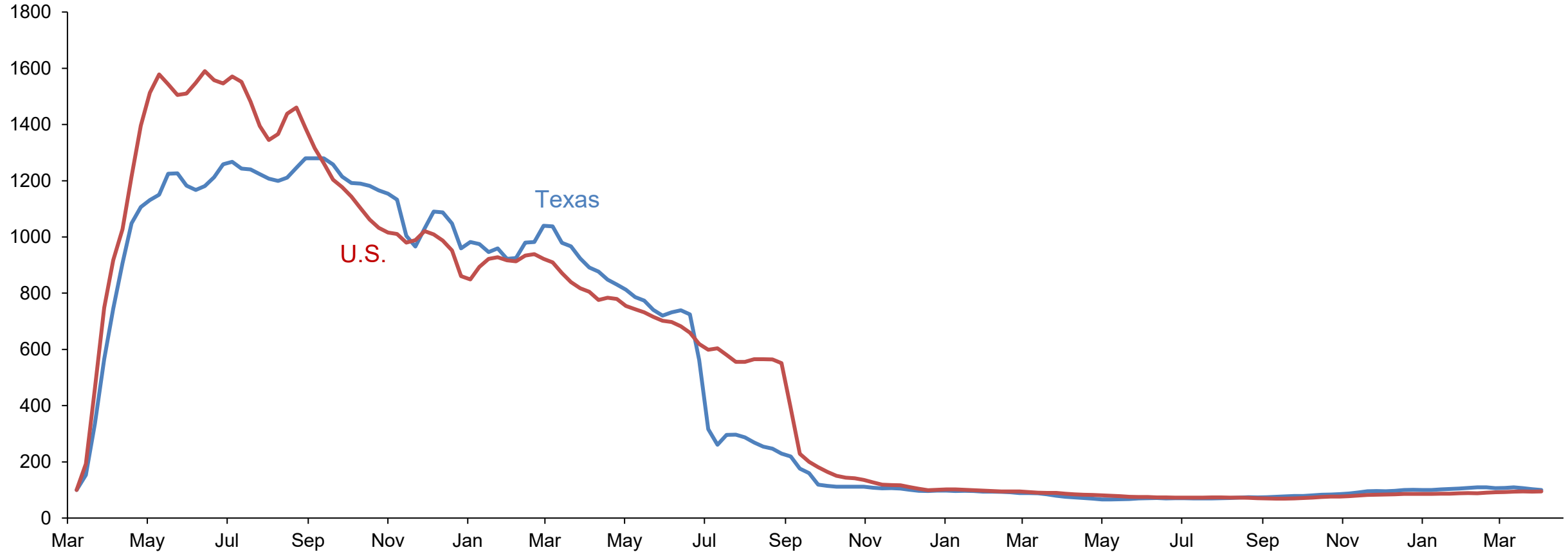
NOTES: Texas data through March 25, US data through April 15.

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 2020 = 100

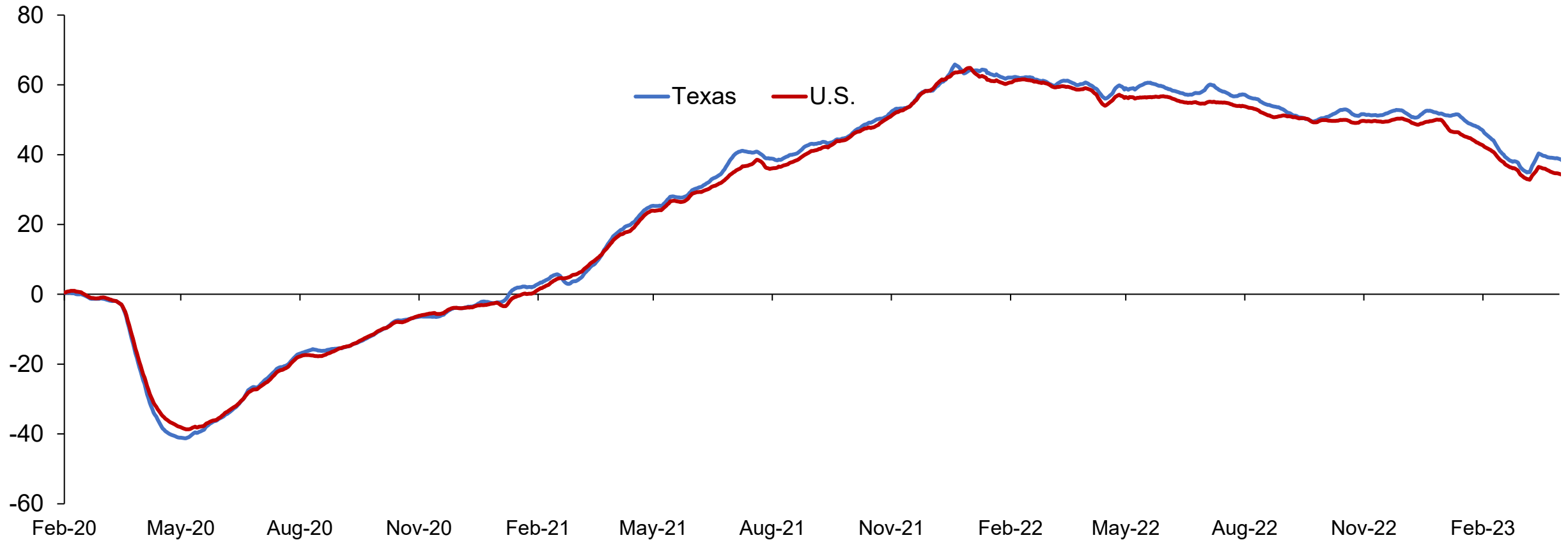


NOTES: Unemployment claims data through the week ending April 8 and include states UI and federal PUA, PEUC and EB when available.

SOURCES: Department of Labor.

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

% change from Feb. '20



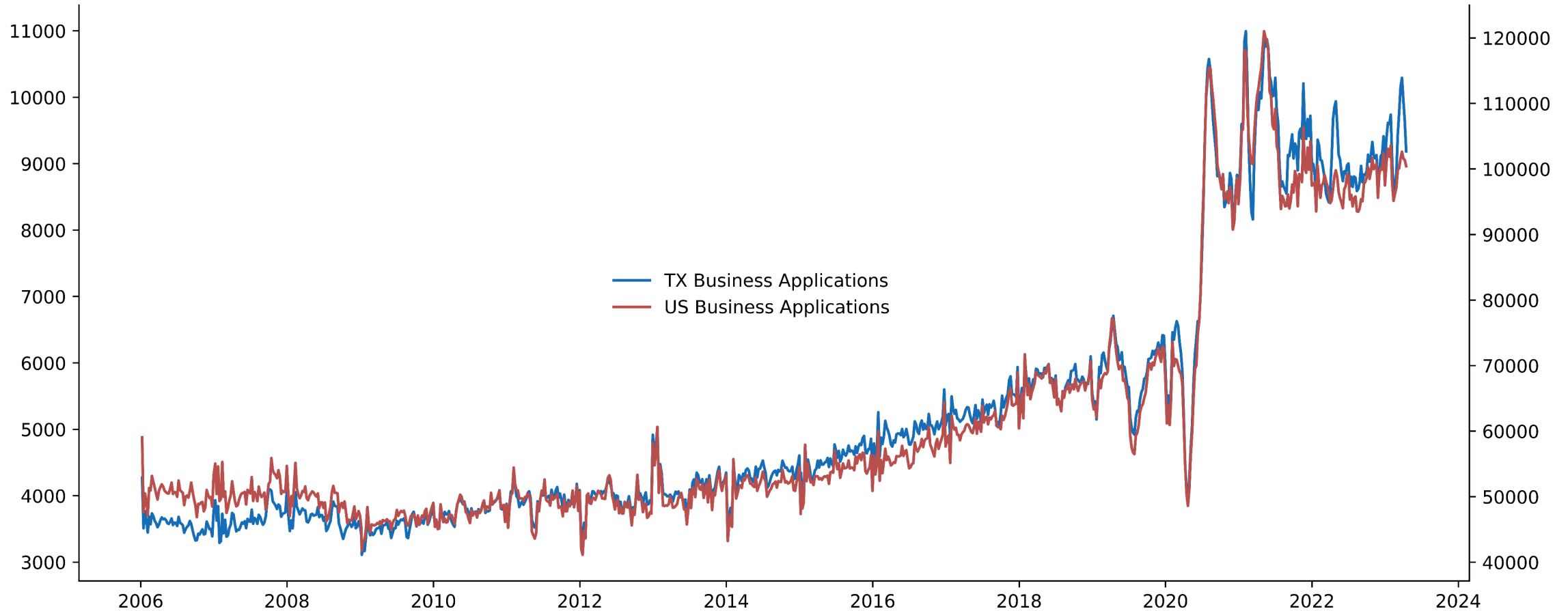
NOTE: U.S. and Texas data daily through April 14th, 2023.

SOURCE: Indeed.

New business applications increased sharply during the pandemic, remain elevated

TX Applications, SA, 4WMA

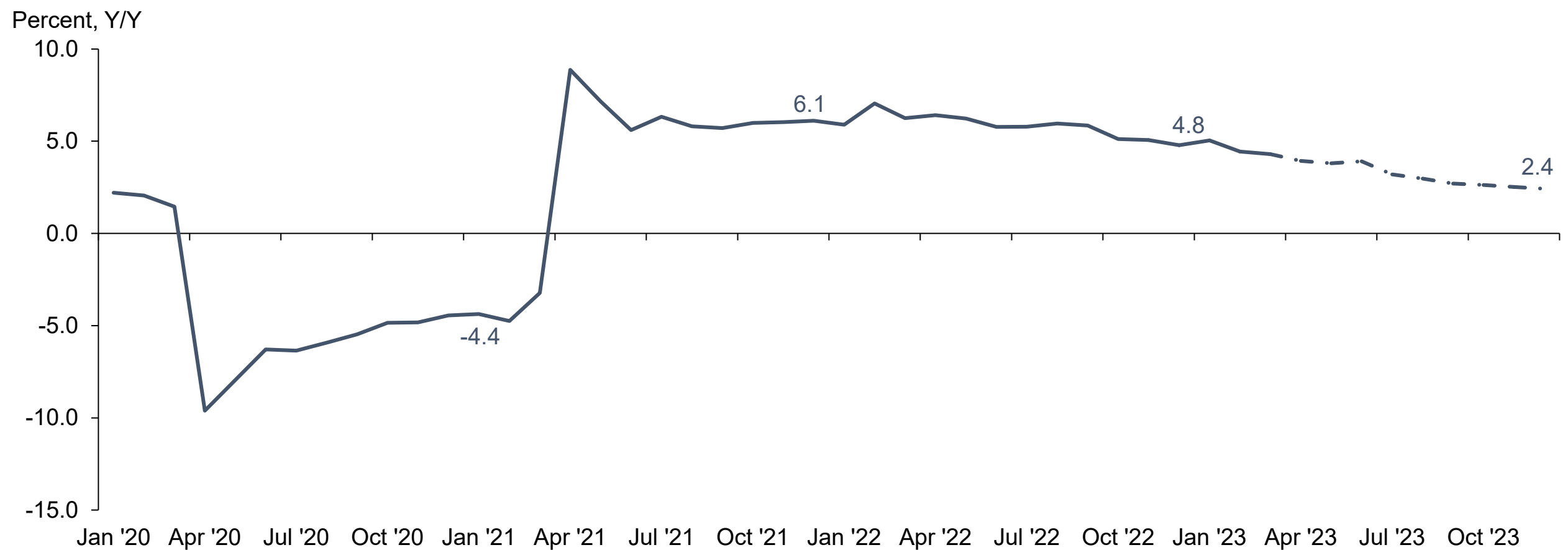
US Applications, SA, 4WMA



NOTE: Data through April 16.
SOURCES: U.S. Census Bureau.

Outlook for 2023

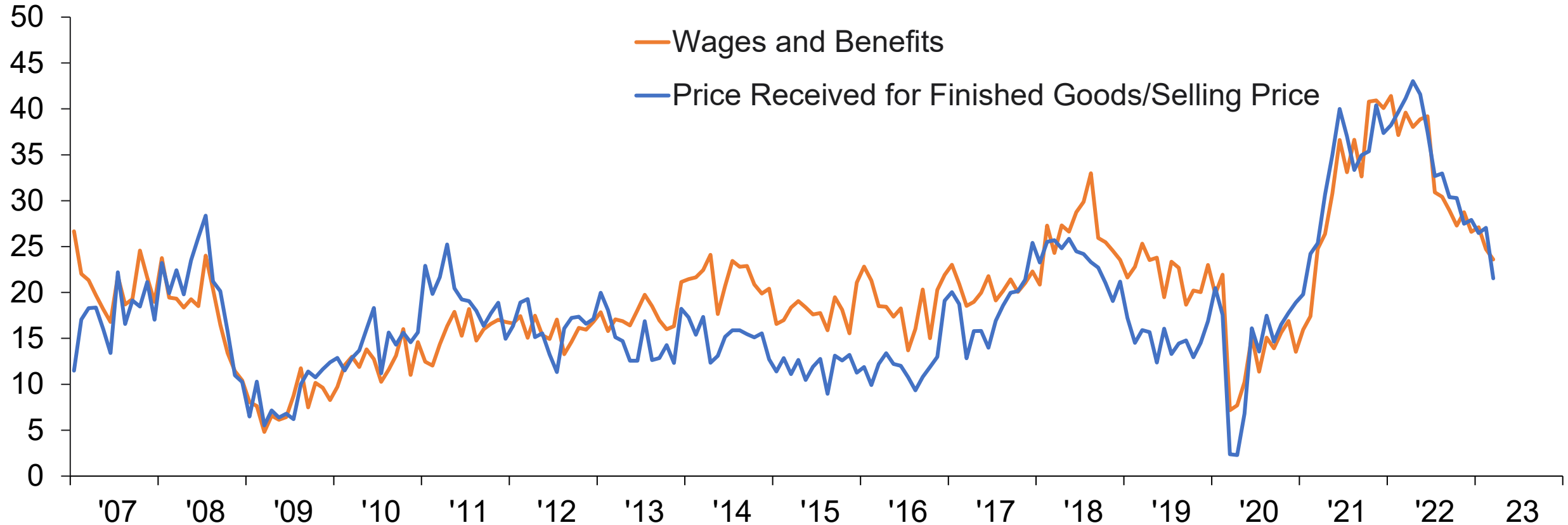
The Texas Employment Forecast indicates that jobs will increase 2.4 percent in 2023



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, and four COVID-19 dummy variables (March-June 2020).

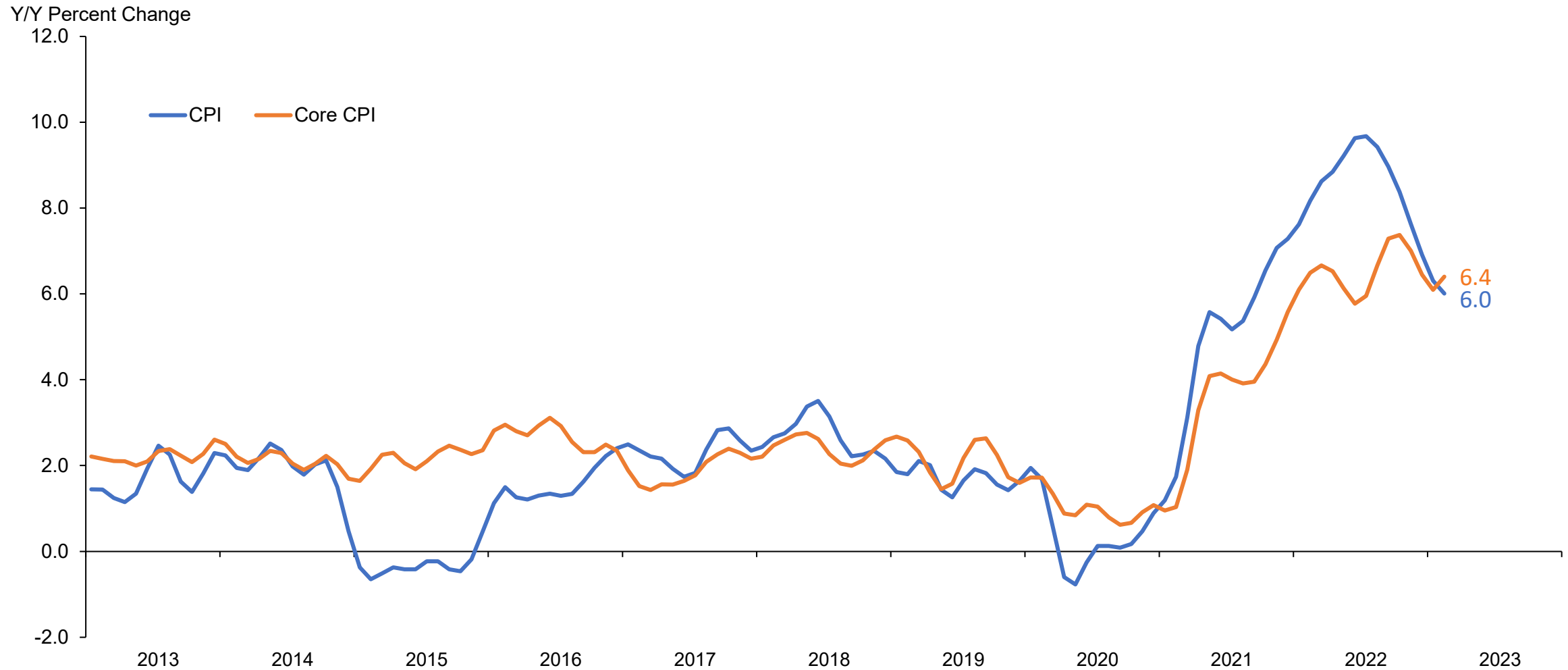
While a shrinking share of Texas firms are raising prices and wages, it is still far above average, pointing to continued high inflation

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

CPI Inflation in Texas declining but still too high



NOTES: Texas CPI data through February 2023.

SOURCES: Bureau of Labor Statistics.

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