



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook (May 2023)

“Employment Growth Moderates, Inflation Remains High”

Anil Kumar and Luis Torres

Federal Reserve Bank of Dallas

5/19/2023

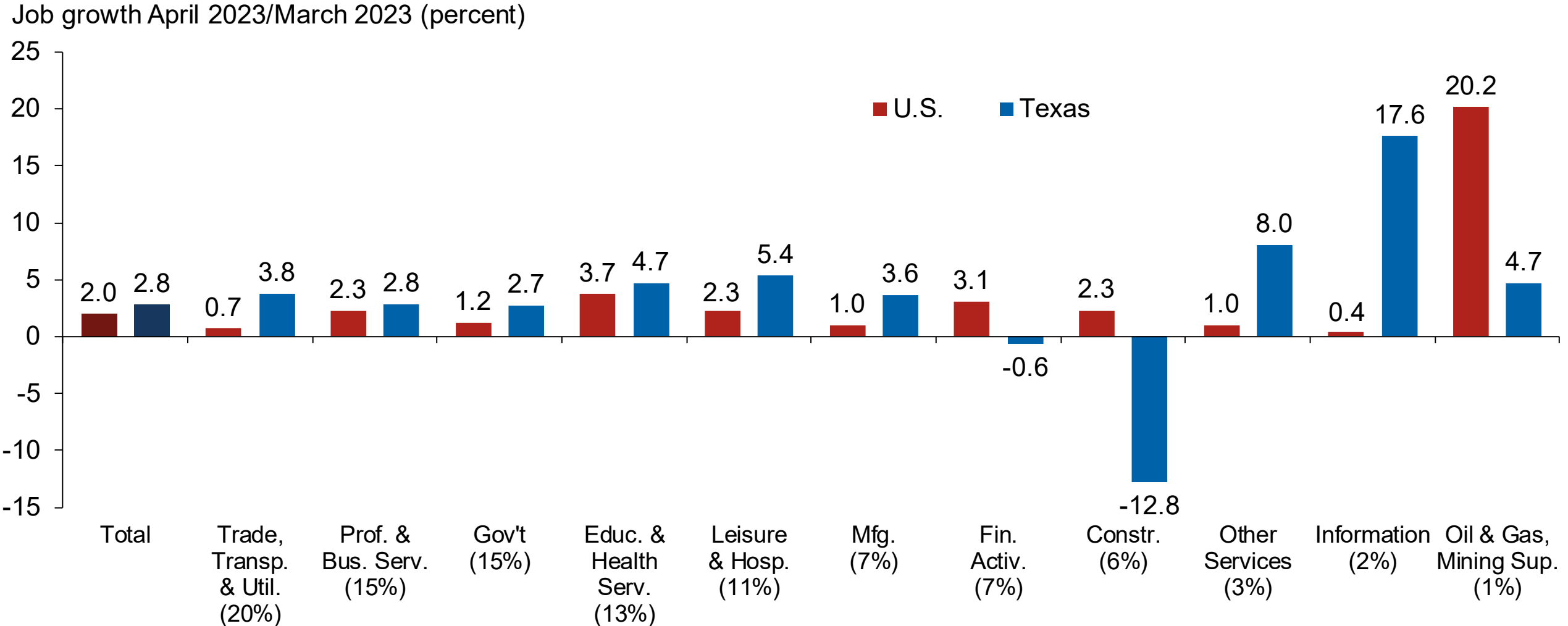
DISCLAIMER: The views expressed are the authors' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.

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

- Texas employment grew 2.8 percent in April, and March growth was revised upward 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 2.0 percent in April)
- The Dallas Fed's Texas Employment Forecast indicates that jobs will increase 2.6 percent in 2023 (up from 2.4 percent last month).
 - The current forecast implies 2.0 percent growth (annualized) in the rest of the year
- Texas Business Outlook Surveys (TBOS) continued to signal sluggish growth, with April showing weak manufacturing growth and modest service sector growth.
 - Responses to TBOS special questions reveal that the availability of job applicants continues to improve, regional banks are their most common source of credit and banking needs, and a slightly greater share of respondents reported difficulty in obtaining credit
- 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 April led by a decline in construction jobs

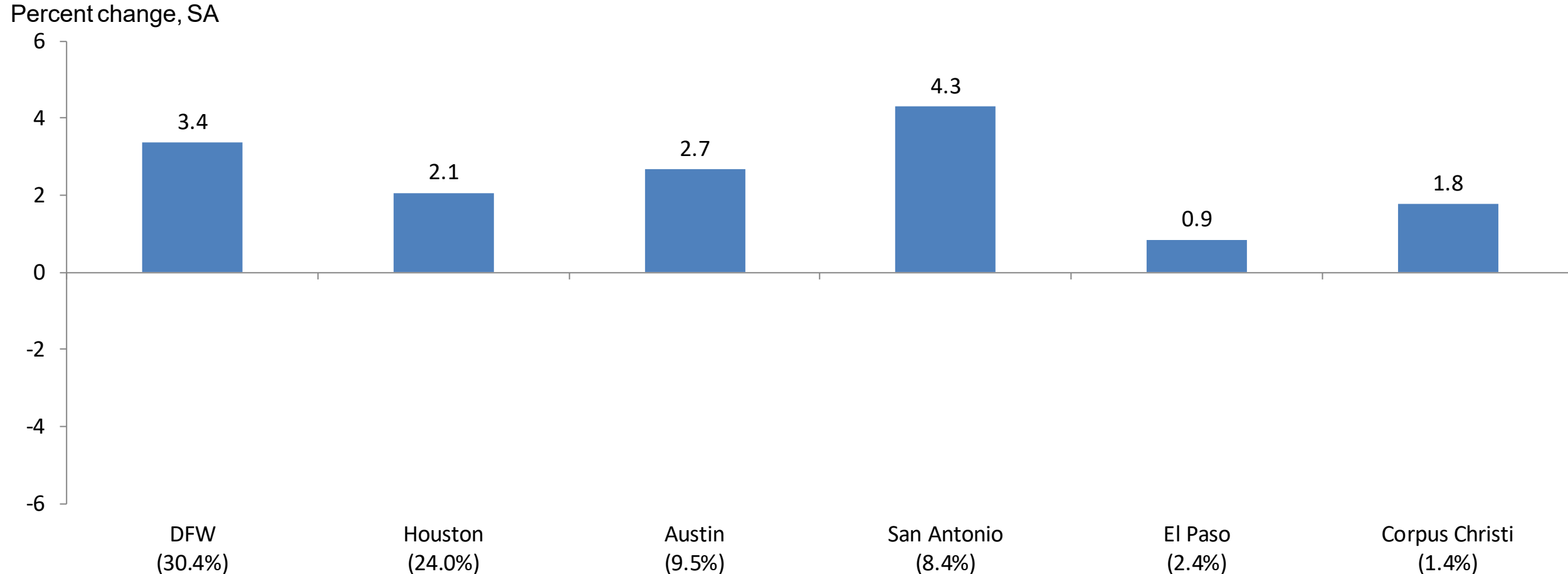


NOTES: Data are seasonally adjusted and rates are annualized. Numbers in parenthesis indicate share of total state employment in April 2023.

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

San Antonio leads metro job growth year to date in 2023

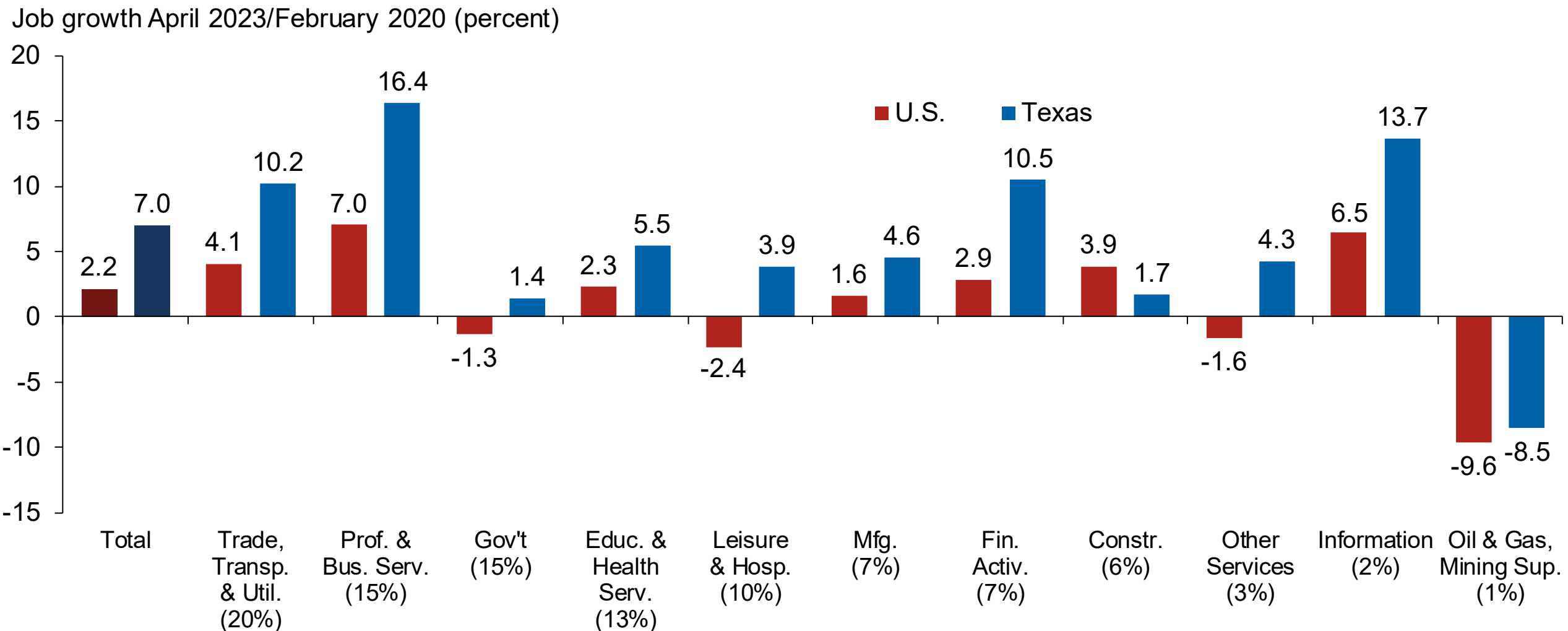
Employment Change by Major Metro (Apr. 2023/Dec. 2022)



NOTES: Data refer to Apr. 2023/Dec. 2022 annualized job growth. Numbers in parentheses refer to share of state employment in April 2023.

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

All sectors except oil & gas recover from pandemic lows in Texas

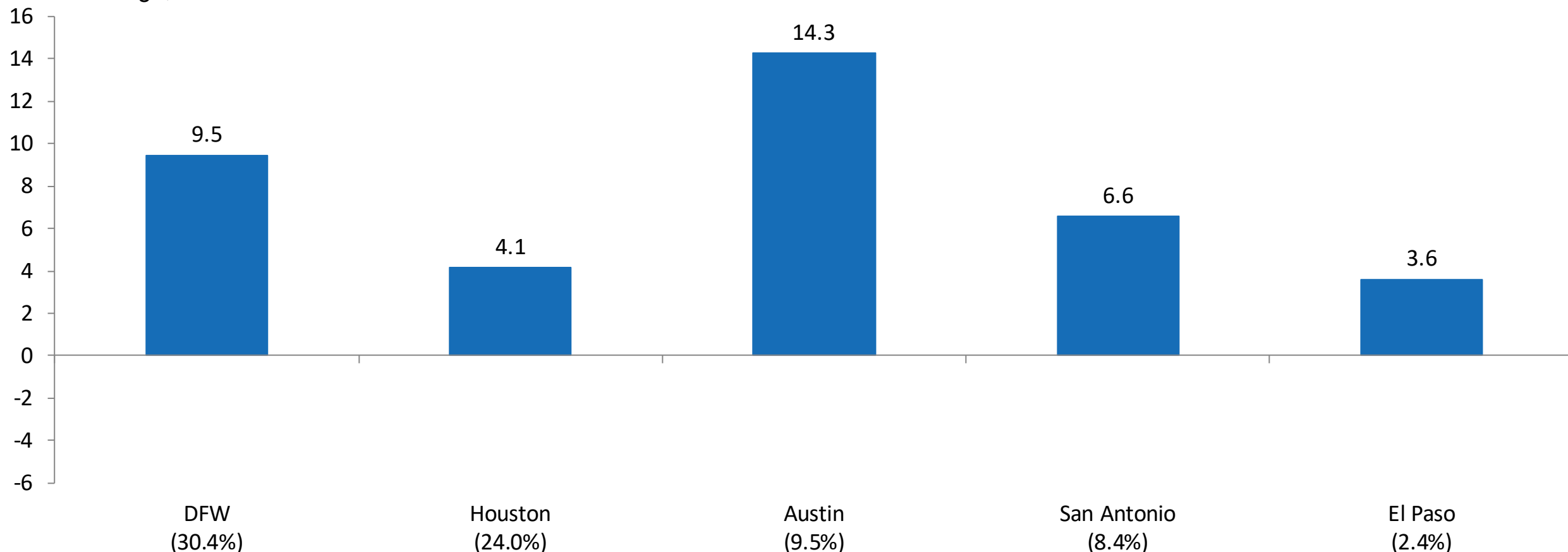


NOTES: Data are seasonally adjusted. Numbers in parenthesis indicate share of total state employment in April 2023.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

Top 5 Texas metros fully recovered from the pandemic

Employment Change by Major Metro (Apr. 2023/February 2020)

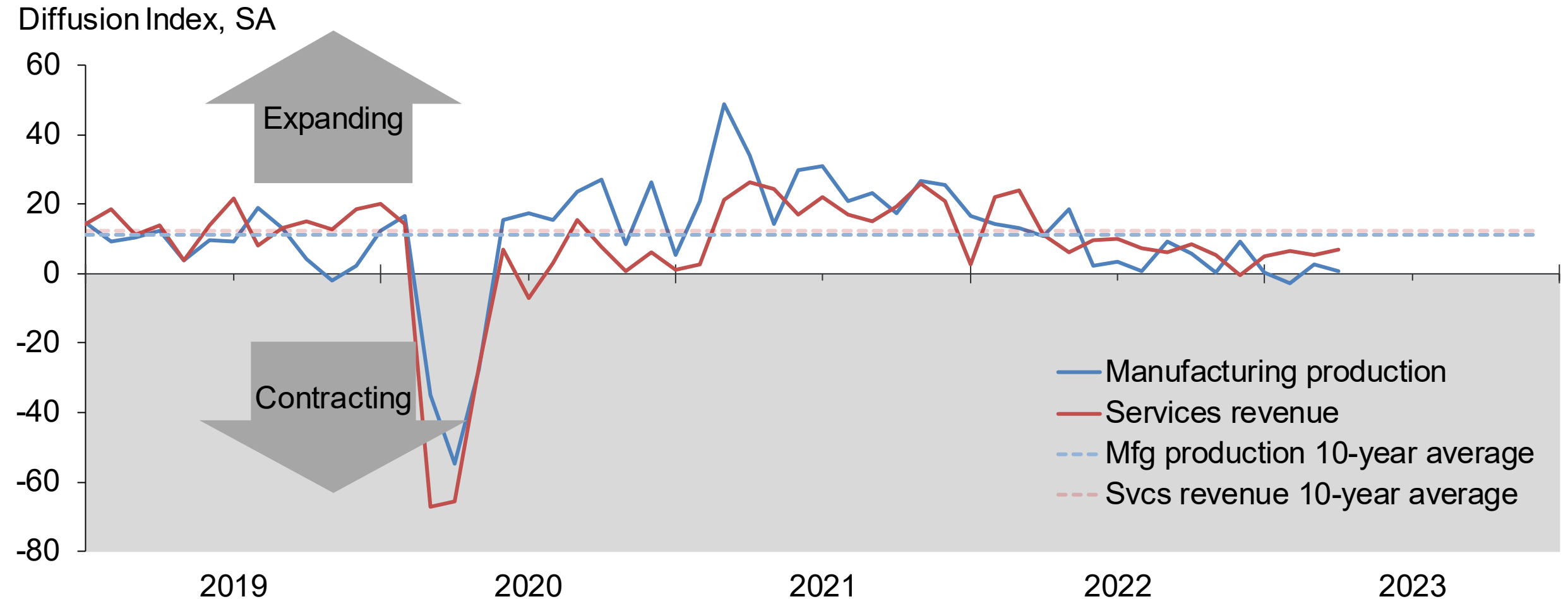
Percent change, SA



NOTES: Data refer to Apr. 2023/Feb. 2020 job growth. Numbers in parentheses refer to share of state employment in April 2023.

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

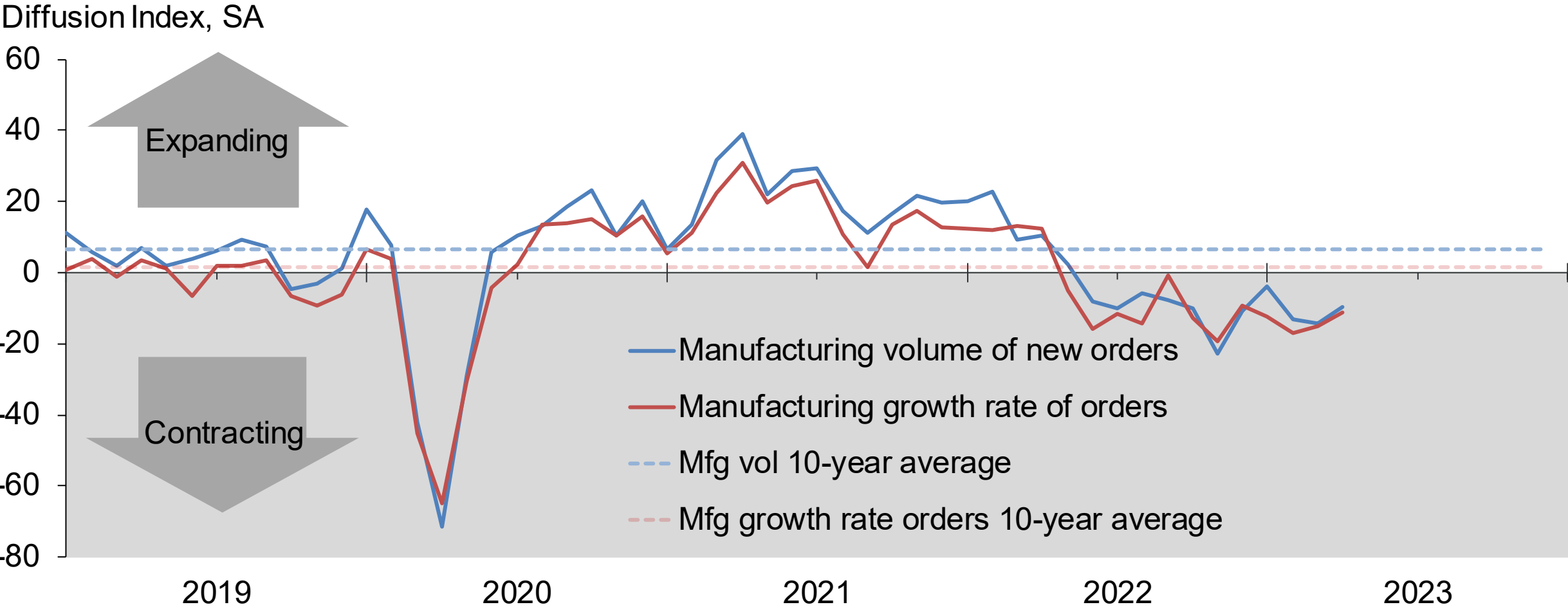
Growth in manufacturing production and services revenue remain below long-term averages, according to Texas businesses



NOTE: Data through April 2023.

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

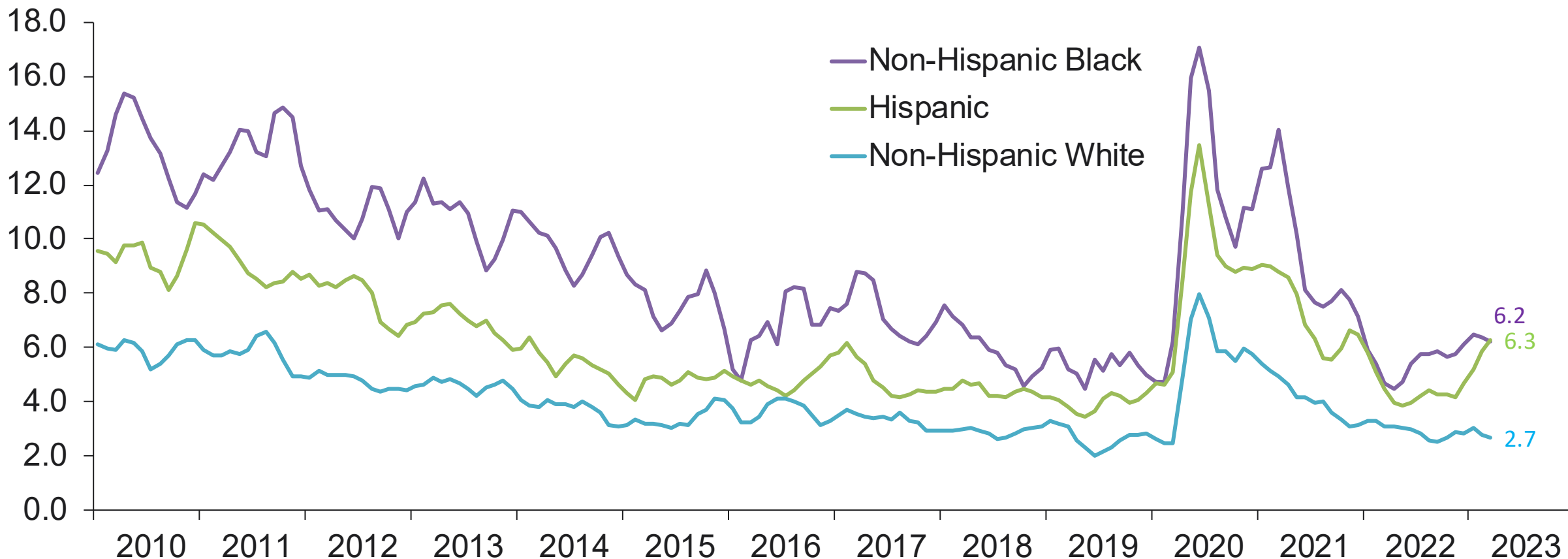
Texas Manufacturing: New orders continued to decline in April



NOTE: Data through April 2023.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys

Unemployment rates trending up for Hispanic workers

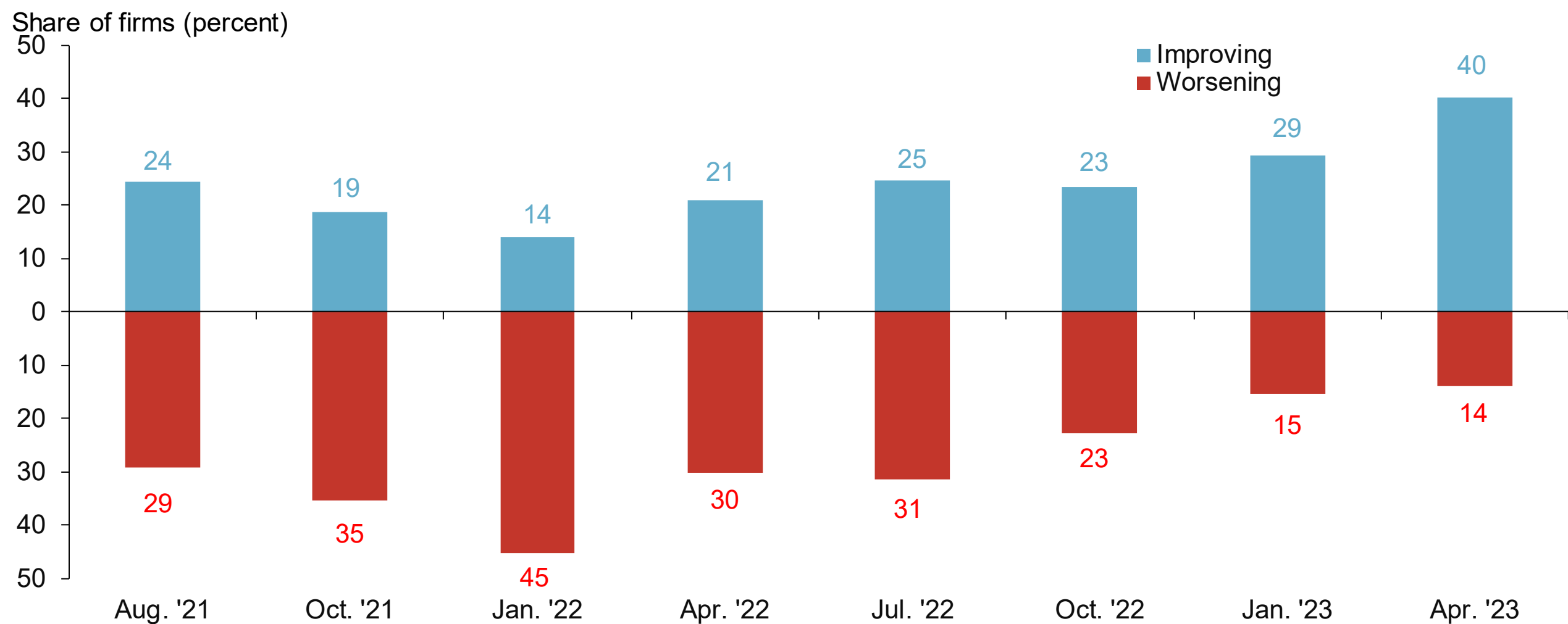
Pct., seasonally adjusted, 3-mo. moving avg.



NOTE: Last data point March 2023.

SOURCE: Current Population Survey, authors' calculations.

Texas firms say availability of applicants continues to improve

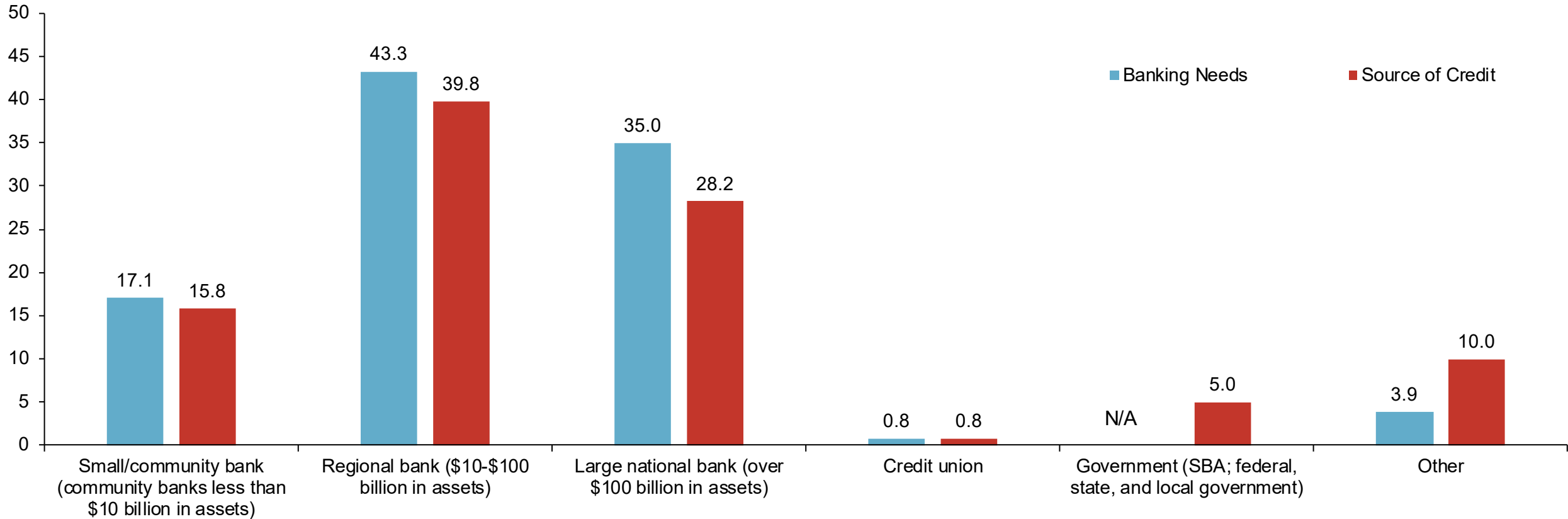


NOTES: Respondents were asked, "How has the availability of applicants changed over the past month?" Share reporting "no change" not shown. 187 responses. This question was only posed to those currently trying to hire or recall workers.

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

TBOS: Regional and national banks most commonly tapped for banking and credit needs

Percent of Respondents



NOTE: Data are for the month of April 2023. Question 3 on Banking needs asked, "What is your firm primarily using for its banking needs?" and had 363 respondents. As one cannot bank with the government, there were no respondents who noted banking with the government. Question 4 asks, "What is your firm primarily using for a source of credit?" and has 241 respondents, as those who did not seek credit (and thus answered "not applicable") were removed.
SOURCE: Texas Business Outlook Surveys.

A slightly greater share of Texas firms report difficulty in obtaining credit

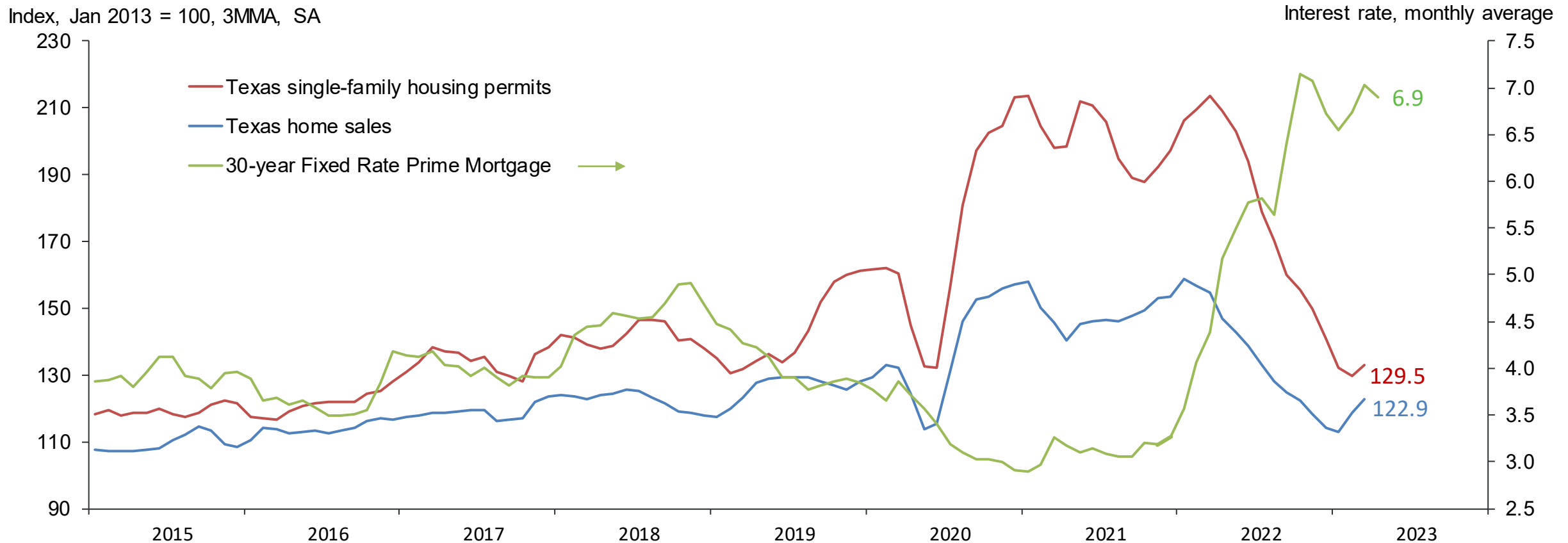
	Short Term Credit		Long Term Credit	
Responses:	Sept. '22	Apr. '23	Sept. '22	Apr. '23
No difficulty	71.1%	66.0%	70.1%	65.2%
Some difficulty	19.1%	25.1%	18.0%	23.3%
Substantial difficulty	6.9%	3.7%	6.6%	5.7%
Extreme difficulty	2.9%	5.1%	5.2%	5.7%

NOTE: For Short term credit, respondents were asked, "To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?" and had 360 respondents. For long term credit, respondents were asked, "To what extent is your business having difficulty obtaining financing for desired long-term uses such as capital expenditures?" and had 361 respondents.

SOURCE: Texas Business Outlook Surveys.

Housing and Energy Industries

Housing: Single-family building permits seem to bottom out as rise in mortgage rates abates; sales post a rebound

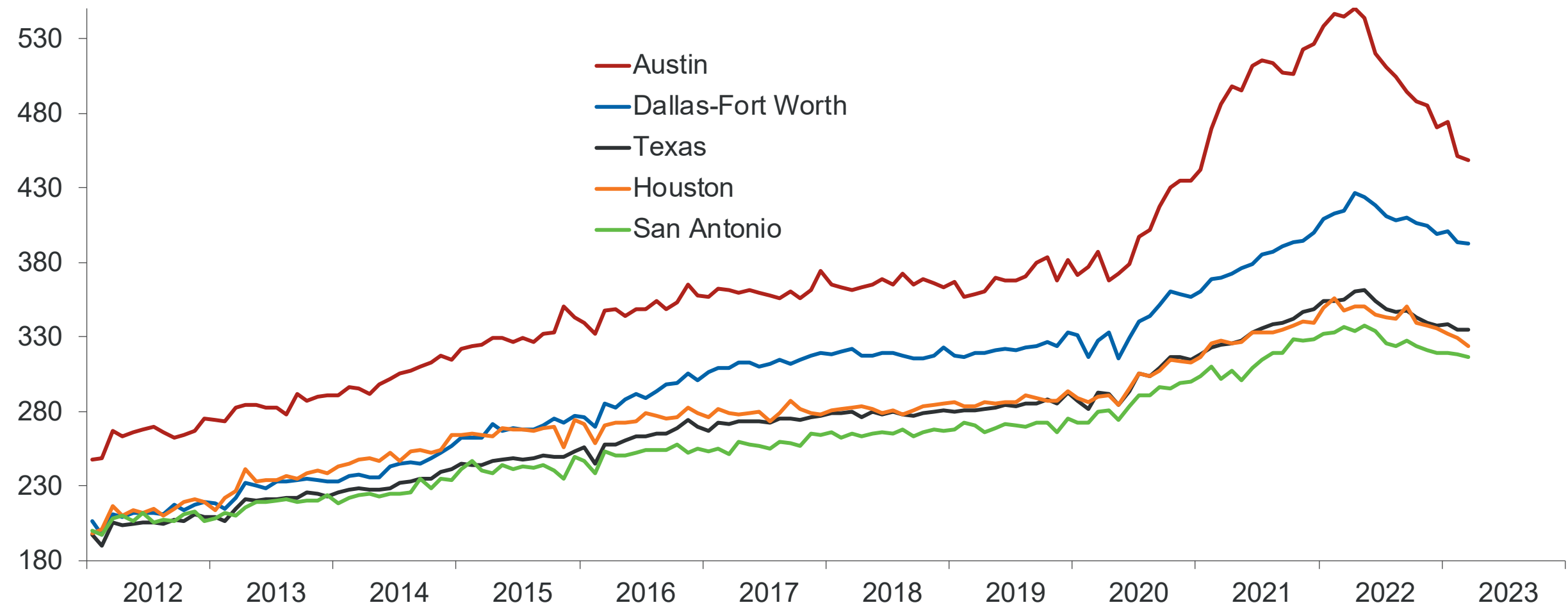


NOTES: Texas single-family housing permits and home sales data through March 2023. Mortgage data through April 2023

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

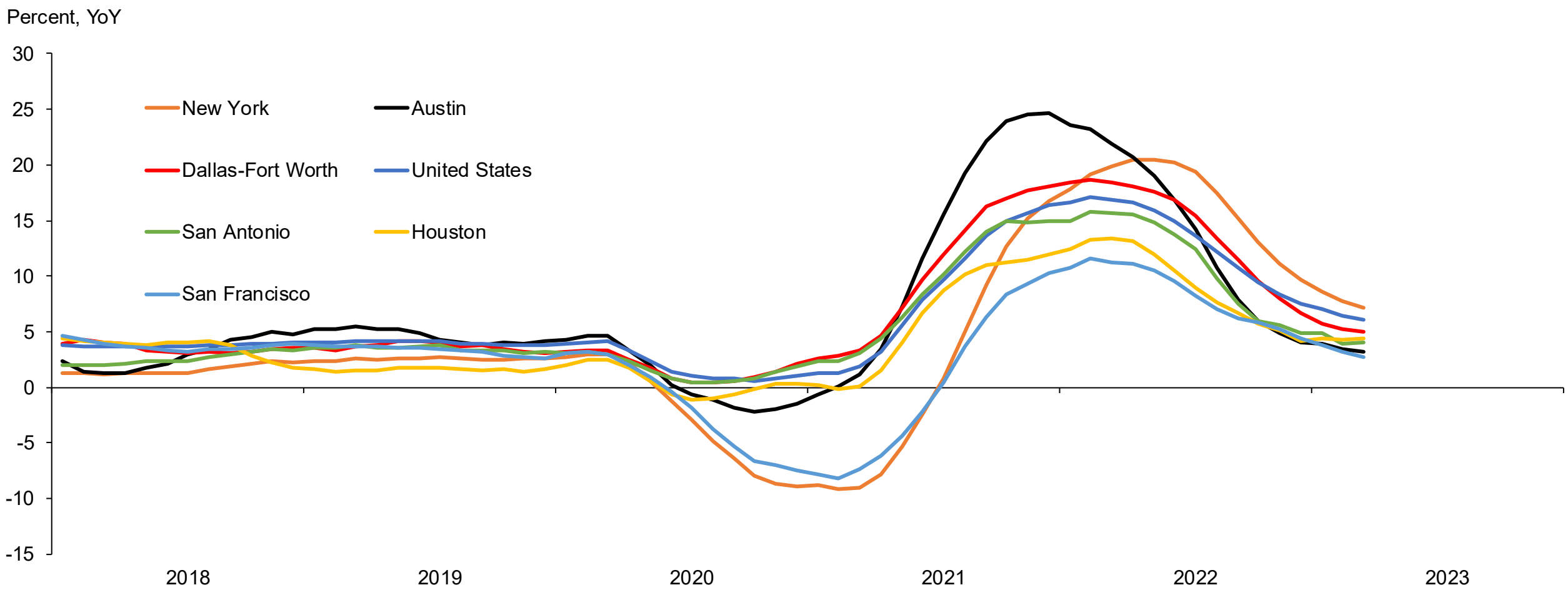
Major Texas metro housing prices trending downwards

Thousands of dollars, SA



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

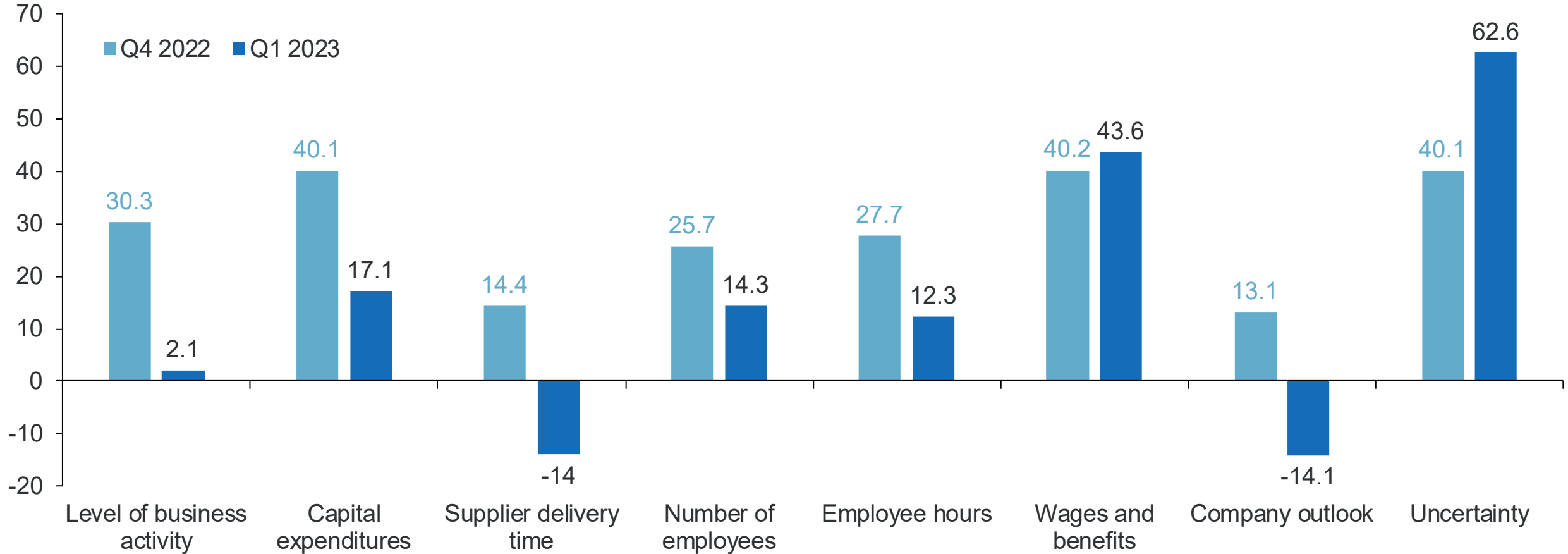
Apartment rent growth in Austin is below pre-pandemic levels (new leases), while in Houston remains above those levels



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

Energy activity was sharply weaker in the first quarter of 2023

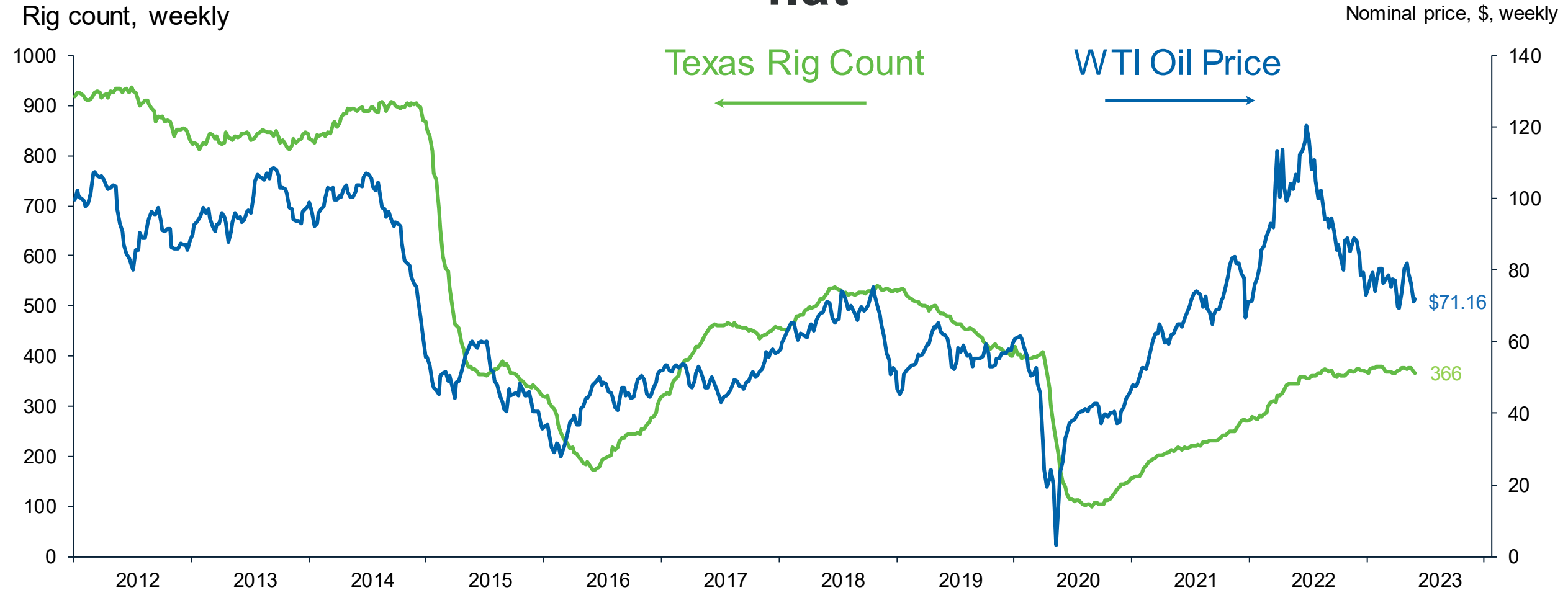
Current index, quarterly



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

SOURCE: Federal Reserve Bank of Dallas Energy Survey.

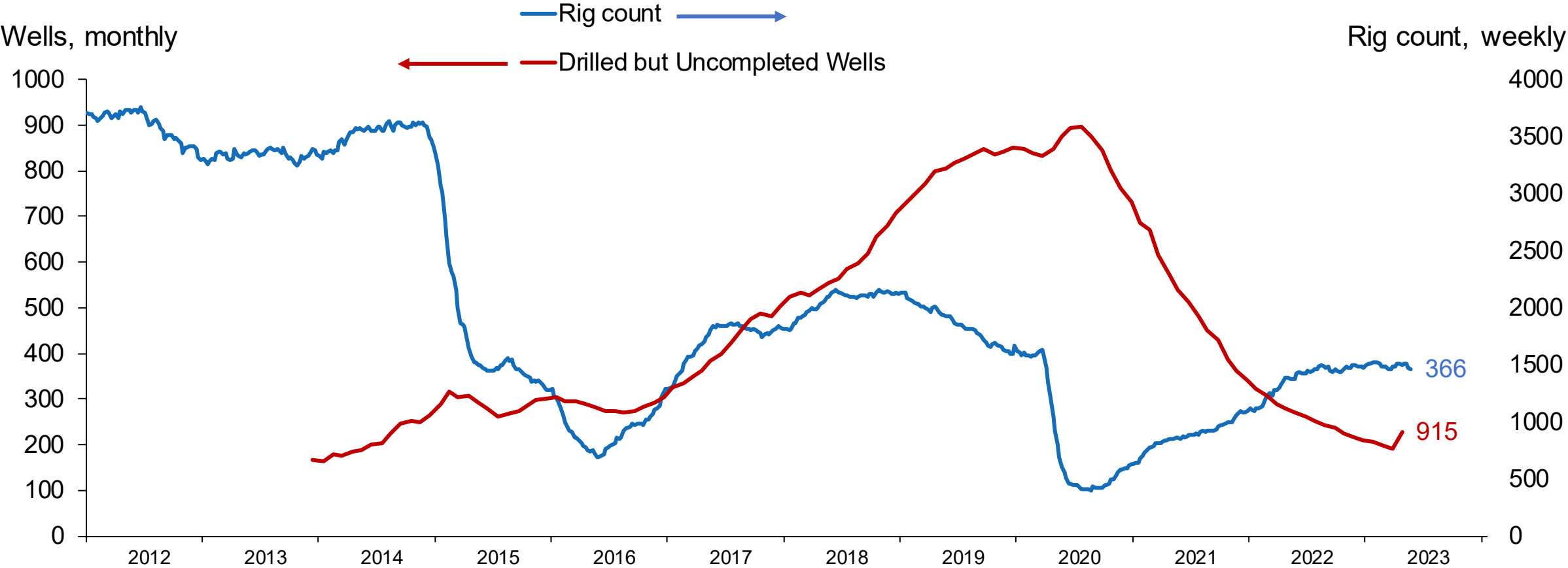
Oil prices seem to have plateaued as the rig count remains flat



NOTES: Data are weekly through May 12th, 2023.

SOURCES: Energy Information Administration; Baker Hughes.

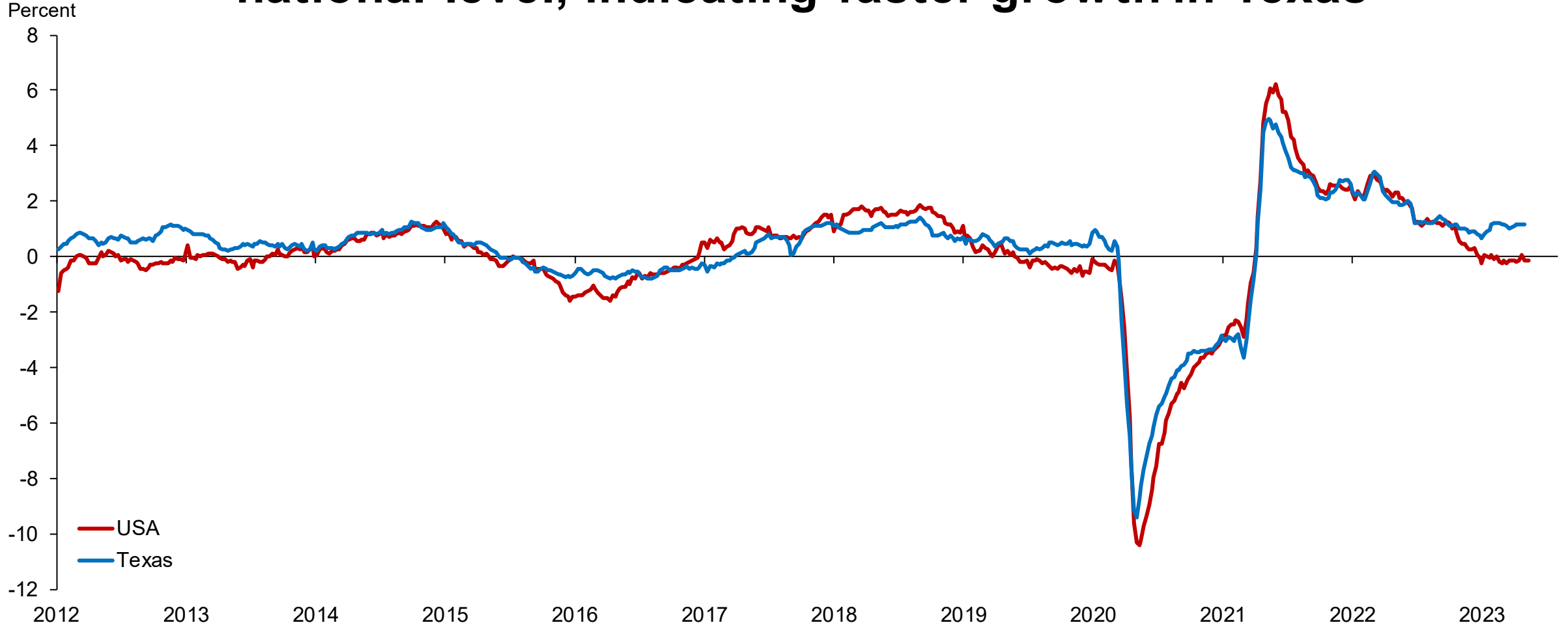
DUC rebound as rig count flattens



NOTES: Well data through April 2023. Rig count data through May 12th, 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



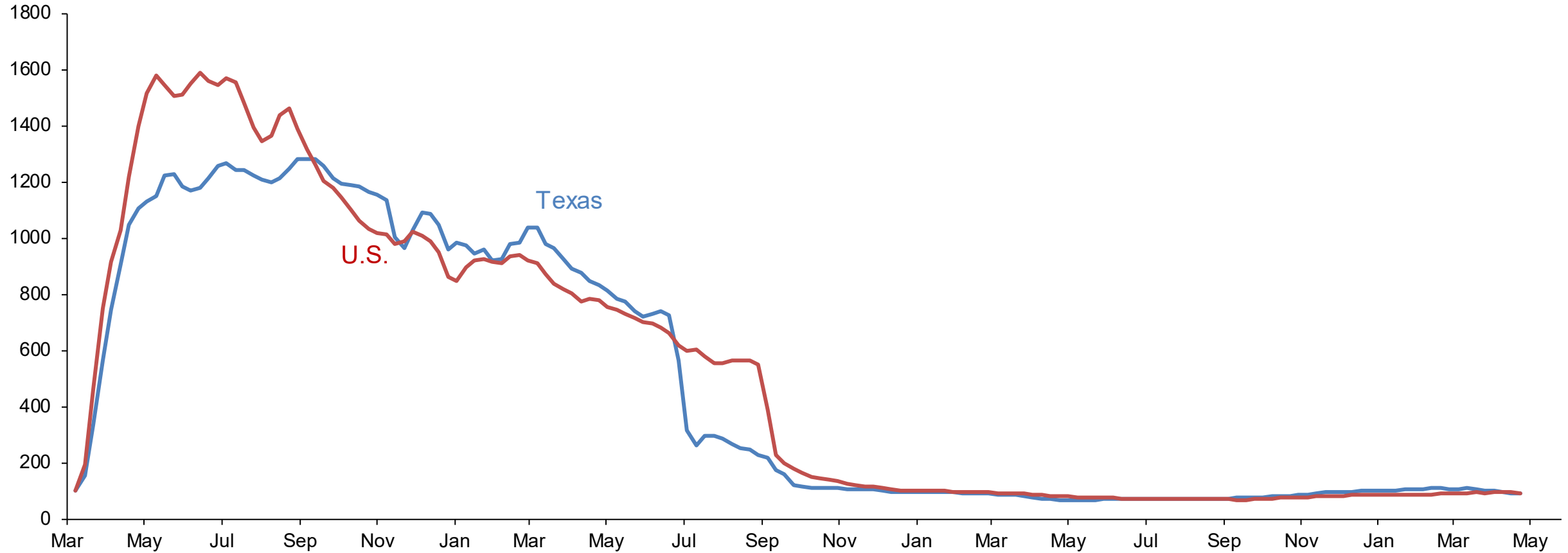
NOTES: Texas data through April 29, US data through May 12.

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

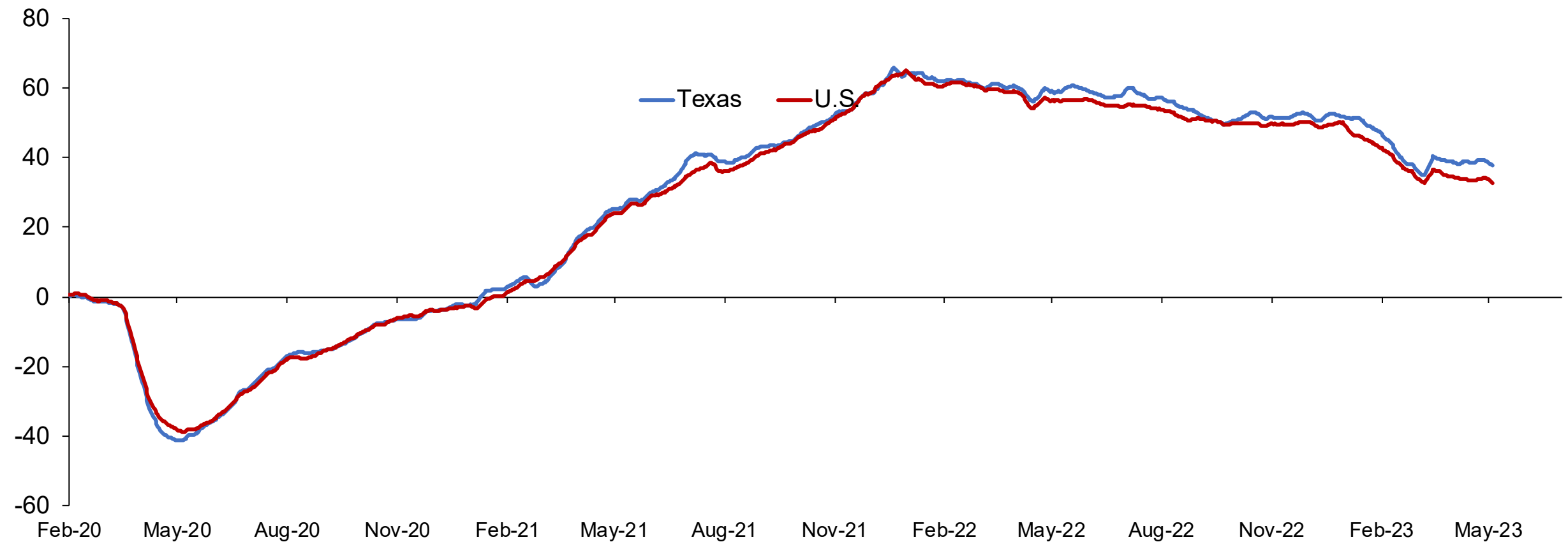


NOTES: Unemployment claims data through the week ending May 13 and include states UI and federal PUA, PEUC and EB when available.

SOURCES: Department of Labor.

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

% change from Feb. '20

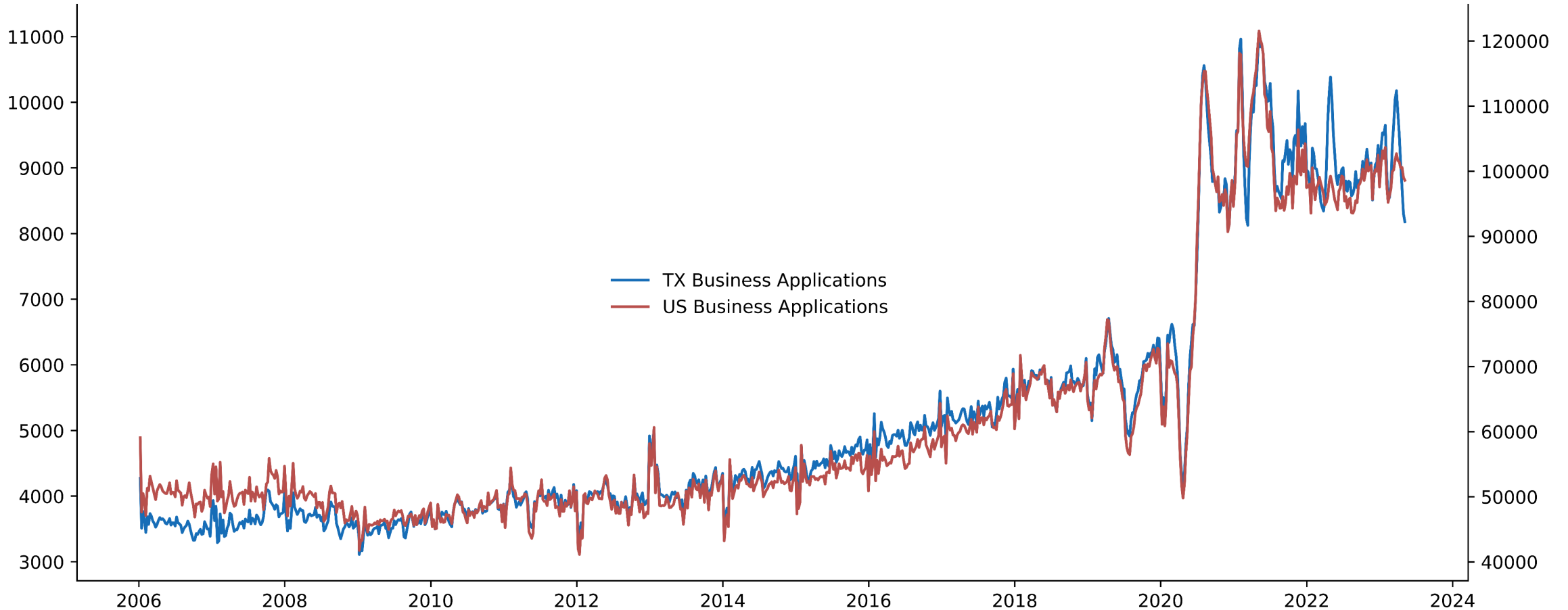


NOTE: U.S. and Texas data daily through May 14th, 2023.
SOURCE: Indeed.

New business applications increased sharply during the pandemic, remain elevated

TX Applications, SA, 4WMA

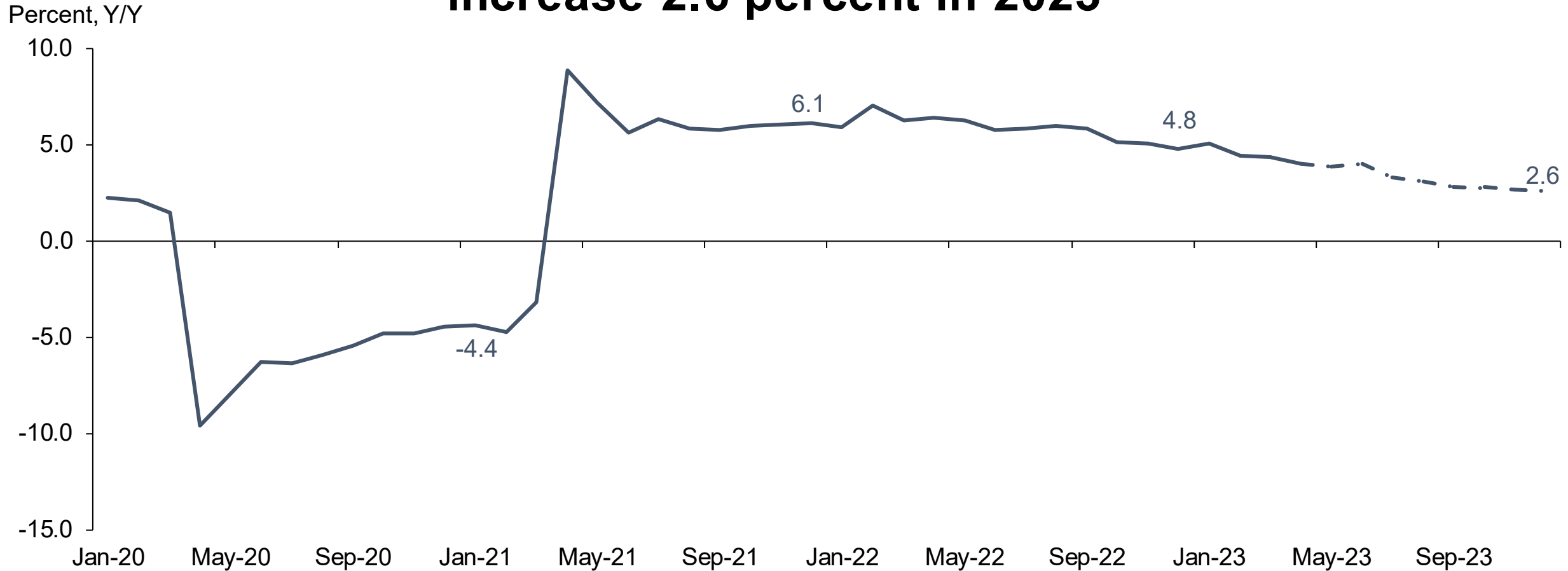
US Applications, SA, 4WMA



NOTE: Data through May 07.
SOURCES: U.S. Census Bureau.

Outlook for 2023

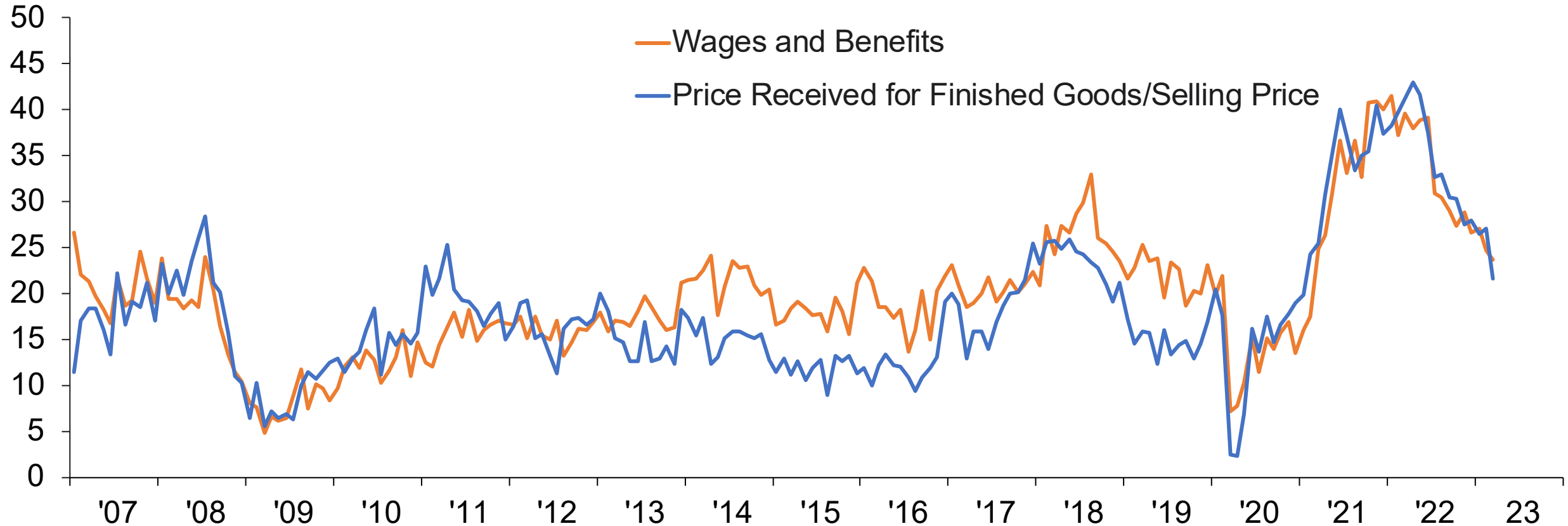
The Texas Employment Forecast indicates that jobs will increase 2.6 percent in 2023



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).

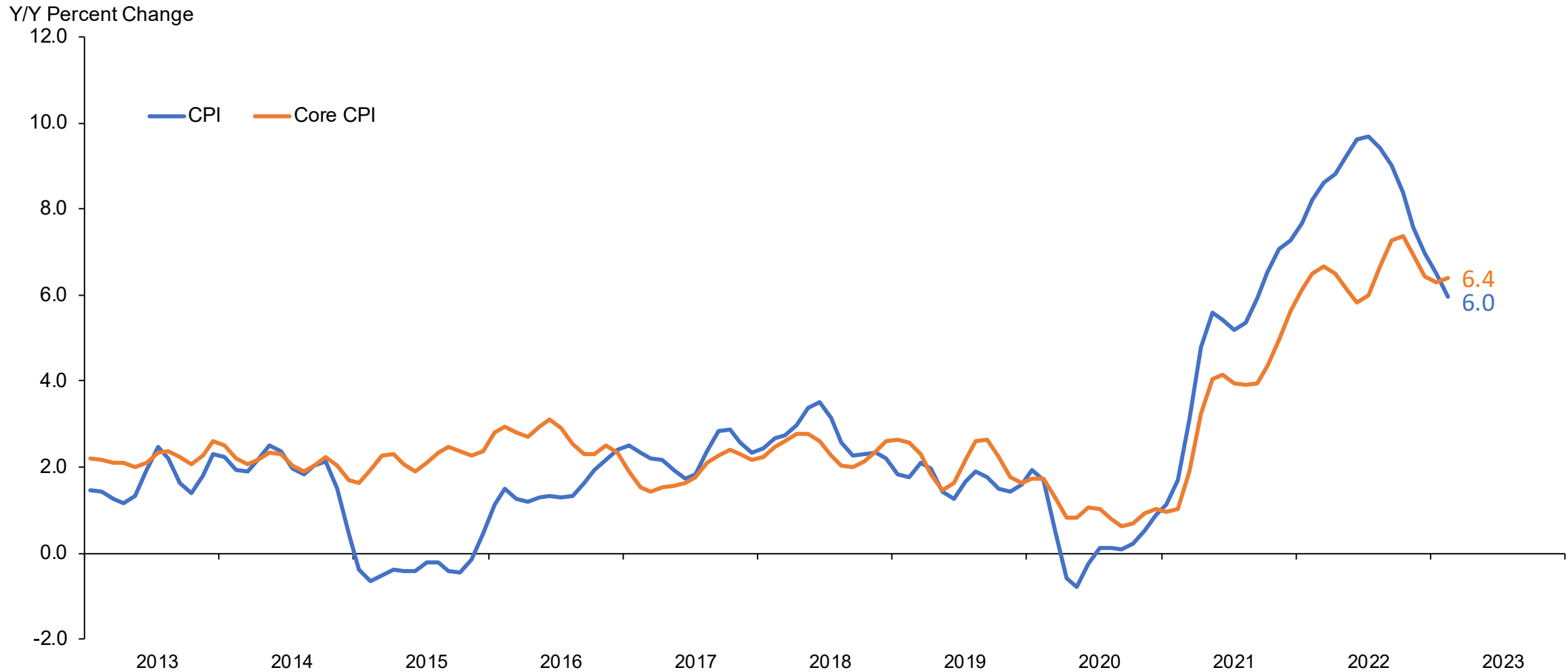
While a shrinking share of Texas firms are raising prices and wages, it is still far above average, pointing to continued high inflation

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 March 2023.

SOURCES: Bureau of Labor Statistics.

Thank you!
**Please visit dallasfed.org for more
information**



Dallas Fed Publications

Dallas Fed Economics

Texas Economic Indicators

Texas Business Outlook Surveys

Southwest Economy

Special Reports

Texas Employment Forecast

Weekly Economic Index

