



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook

(June 2023)

“Job Growth Defies Headwinds, 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.

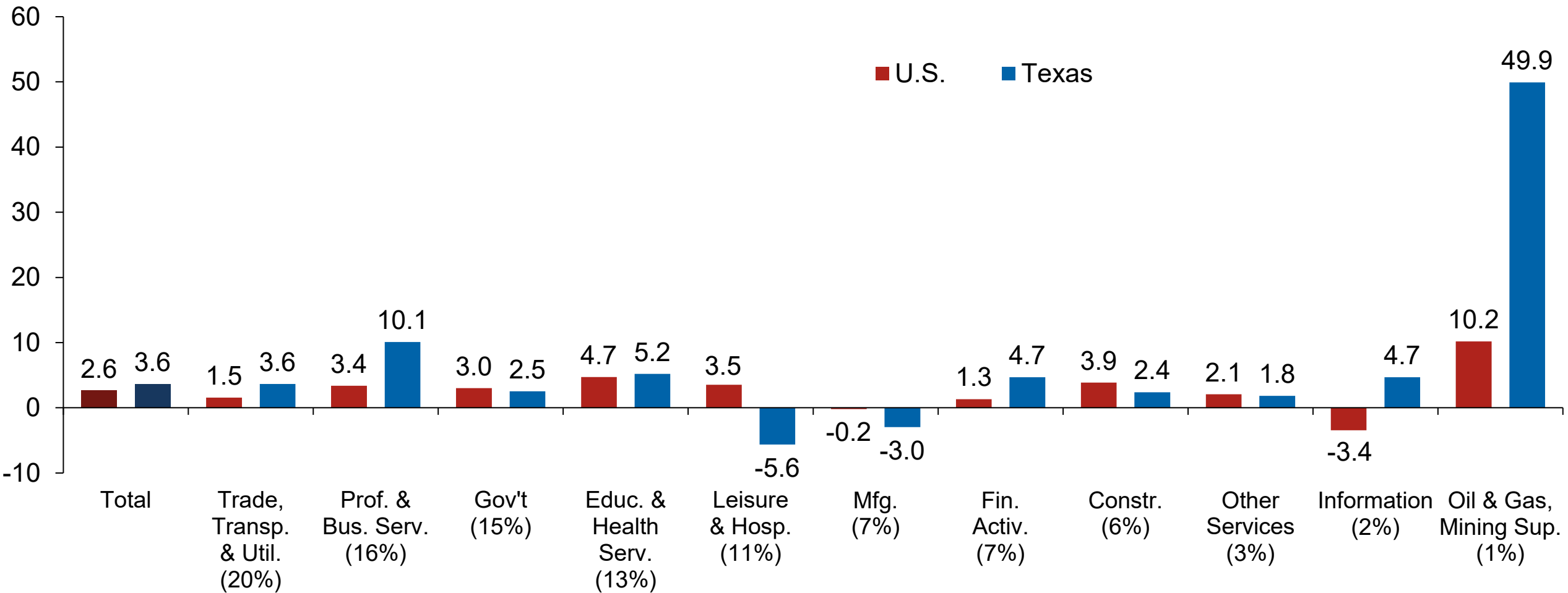
What's New: Job growth defies expectations of slowing

- Texas employment grew 3.6 percent in May, and April growth was revised down to 2.5 percent; for comparison, 2022 state job growth was 4.1 percent.
 - Texas is still growing faster than the nation (U.S. job growth was 2.6 percent in May).
- The Dallas Fed's Texas Employment Forecast indicates that jobs will increase 2.8 percent in 2023 (up from 2.6 percent last month).
 - The current forecast implies 2.2 percent growth (annualized) in the rest of the year.
- Texas Business Outlook Surveys (TBOS) continued to signal sluggish growth, with contracting manufacturing production and slow service sector revenue growth in May.
 - Perceptions of broader business conditions are continuing to worsen, with general business activity and company outlook readings declining.
- Companies are finding it increasingly harder to pass costs onto customers.
 - Businesses are reporting that they cannot raise prices further without affecting consumer demand. Further input costs increases will likely be shouldered by businesses and shrinking margins.

Overall Economic Activity

Texas emp. growth picks up in May with strong growth in Energy and Professional and Business Services

Job growth May 2023/April 2023 (percent)

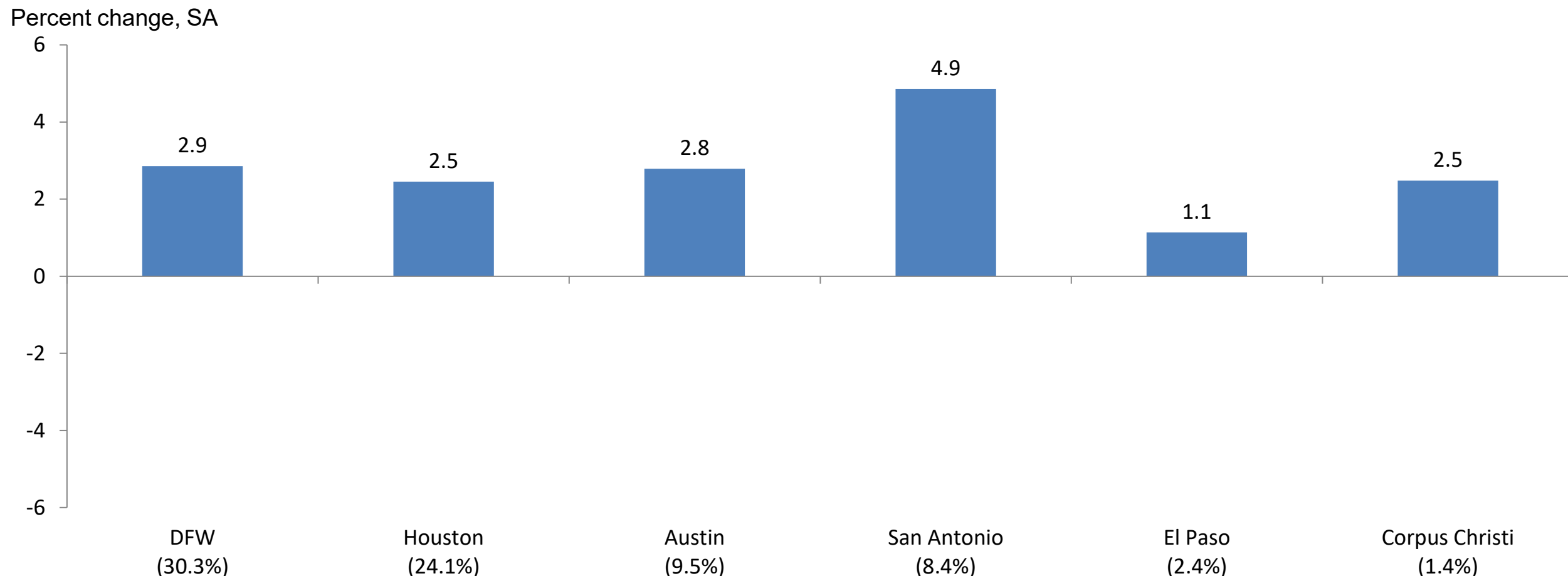


NOTES: Data are seasonally adjusted and rates are annualized. Numbers in parenthesis indicate share of total state employment in May 2023.

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 (May 2023/Dec. 2022)

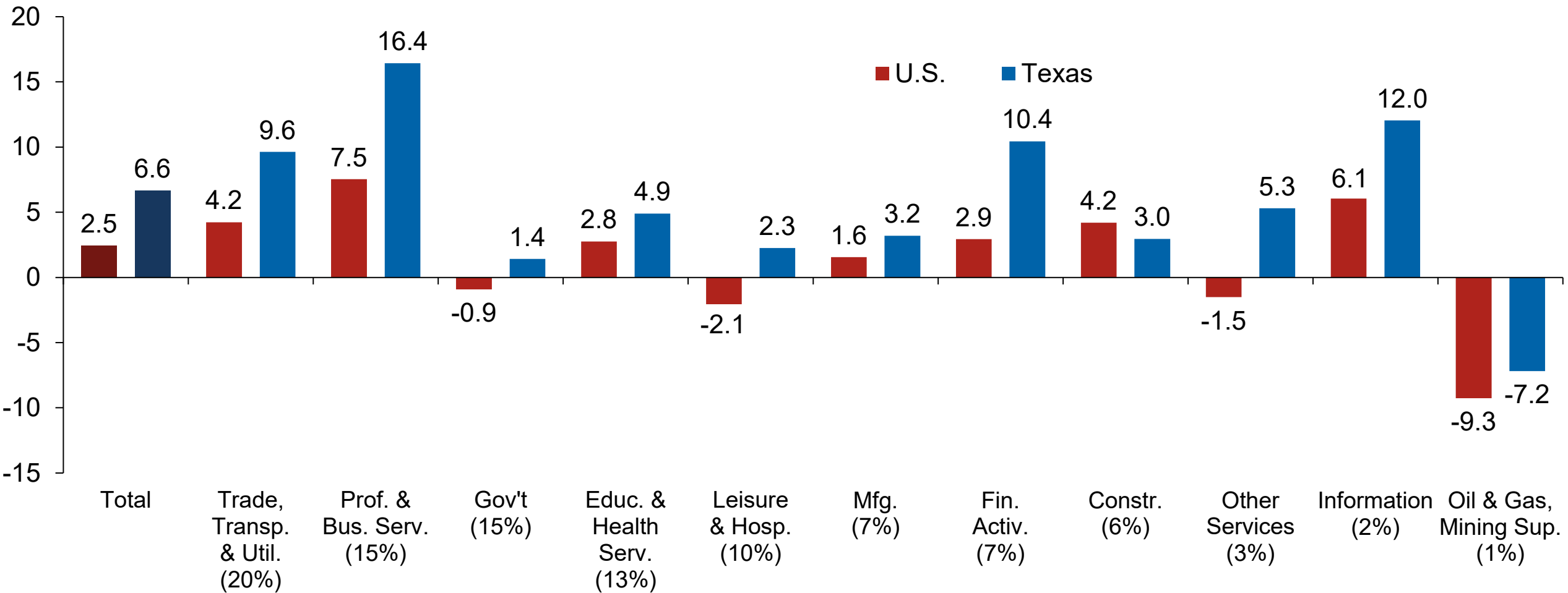


NOTES: Data refer to May. 2023/Dec. 2022 annualized job growth. Numbers in parentheses refer to share of state employment in May 2023.

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

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

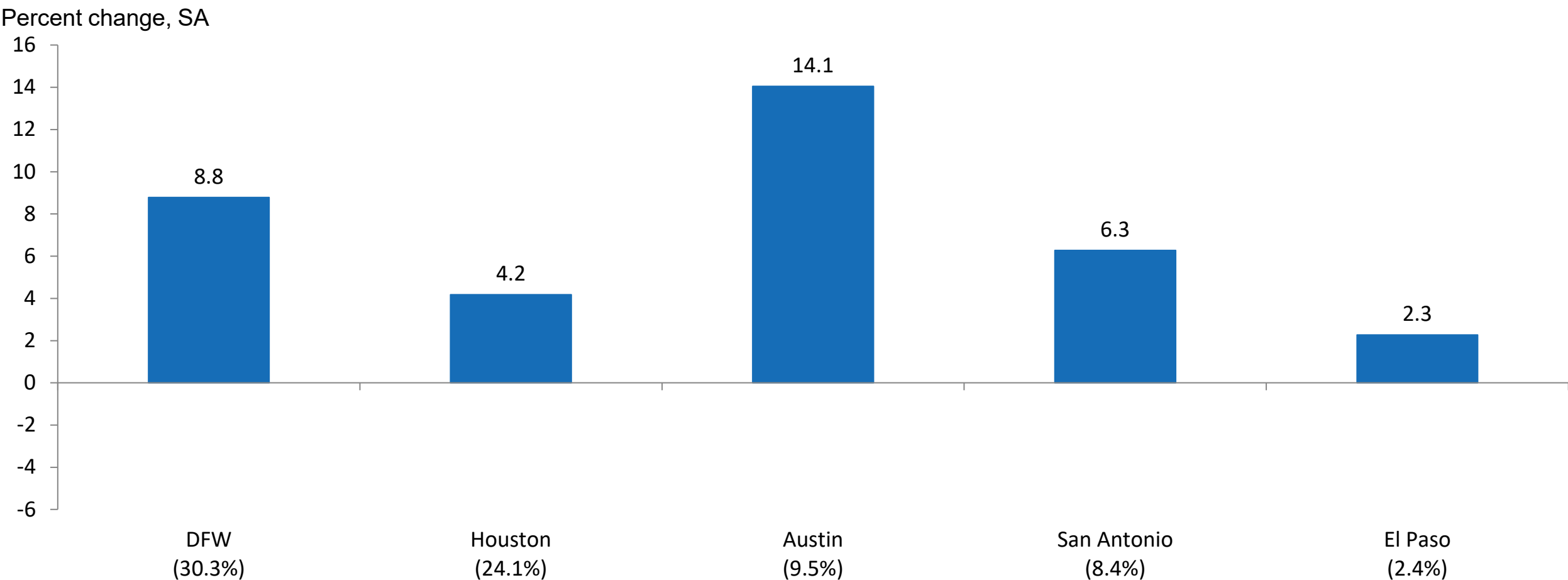
Job growth May 2023/February 2020 (percent)



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

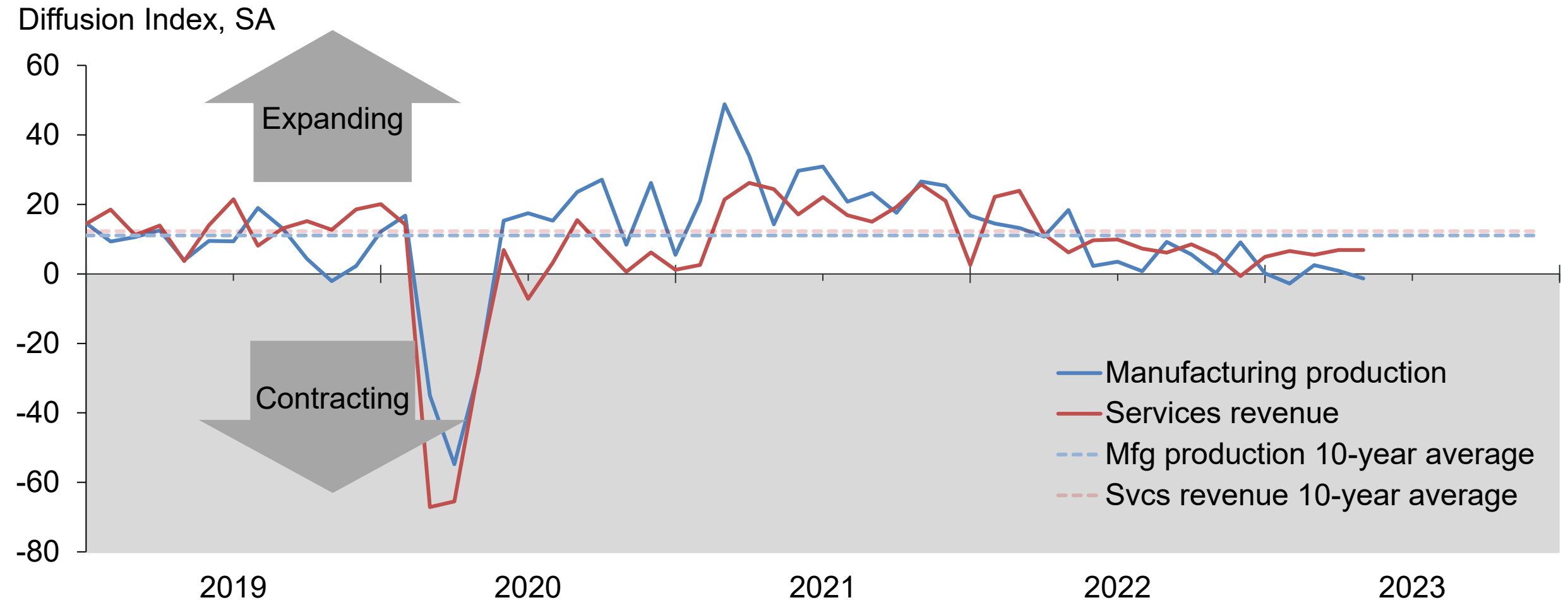
Top 5 Texas metros fully recovered from the pandemic

Employment Change by Major Metro (May 2023/February 2020)



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

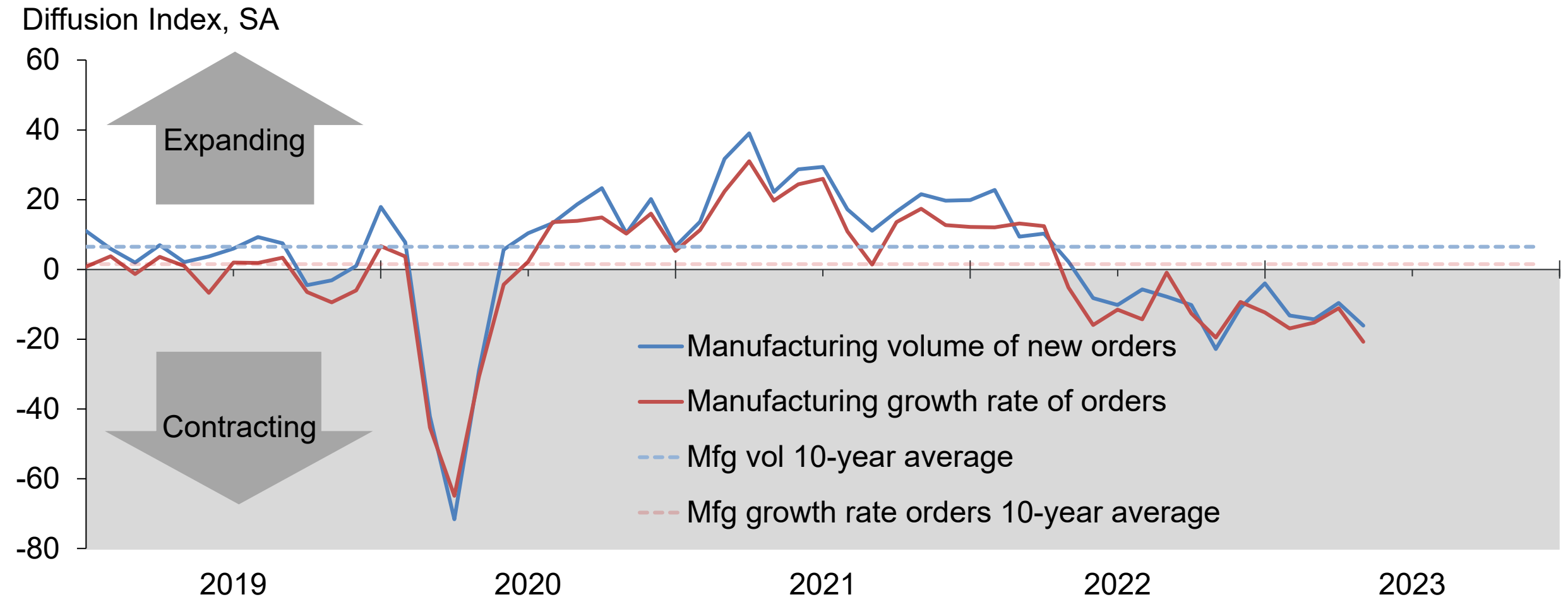
Growth in manufacturing production and services revenue remain below long-term averages, according to Texas businesses



NOTE: Data through May 2023.

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

Texas Manufacturing: New orders continued to decline in May

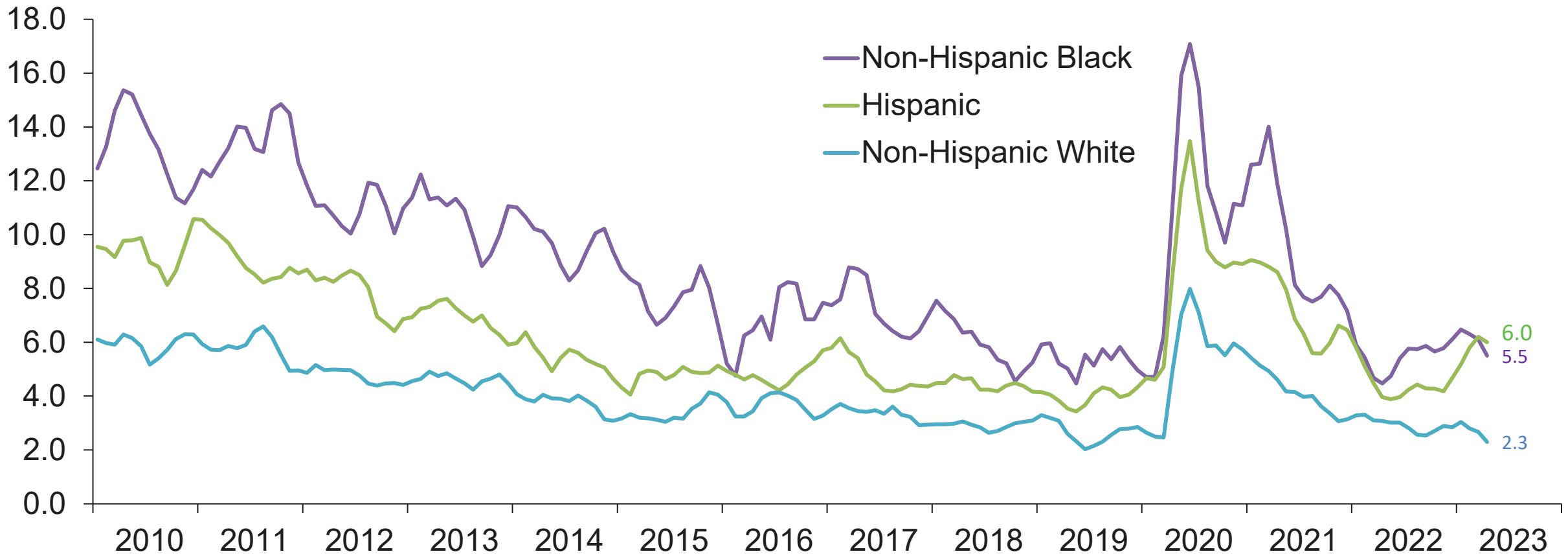


NOTE: Data through April 2023.

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

In Texas, moving average unemployment rates turn down in May for major ethnic/race groups

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



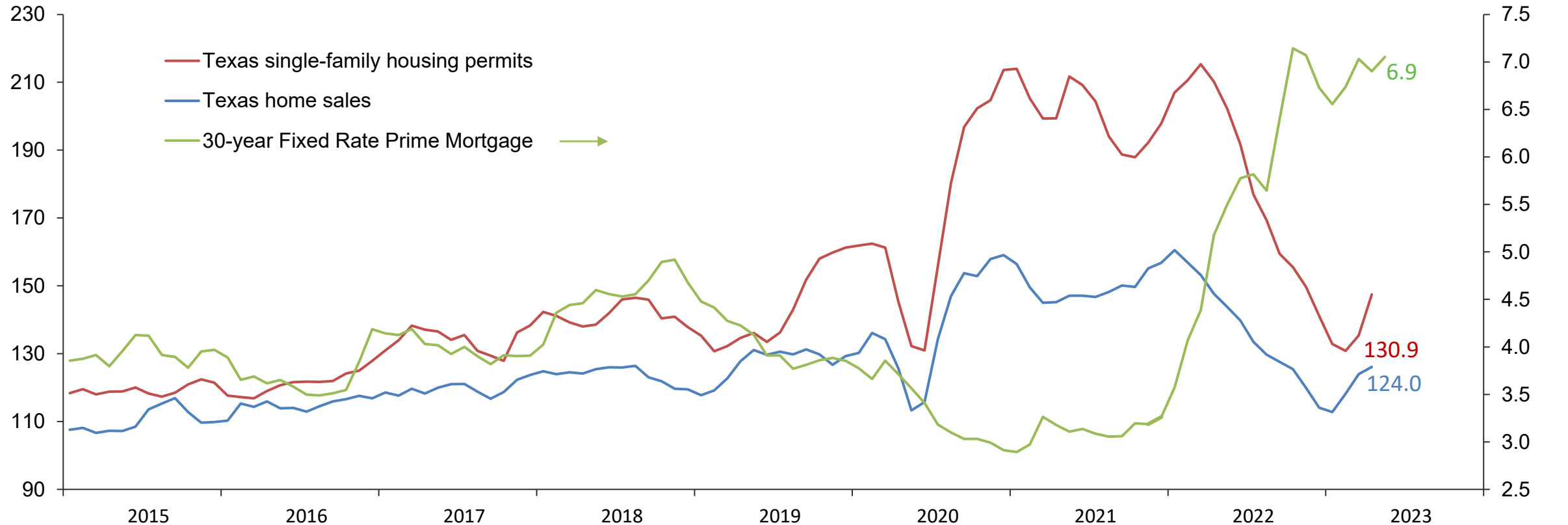
NOTE: Last data point April 2023.

SOURCE: Current Population Survey, authors' calculations.

Housing and Energy Industries

Housing: Single-family building permits and home sales rebound

Index, Jan 2013 = 100, 3MMA, SA

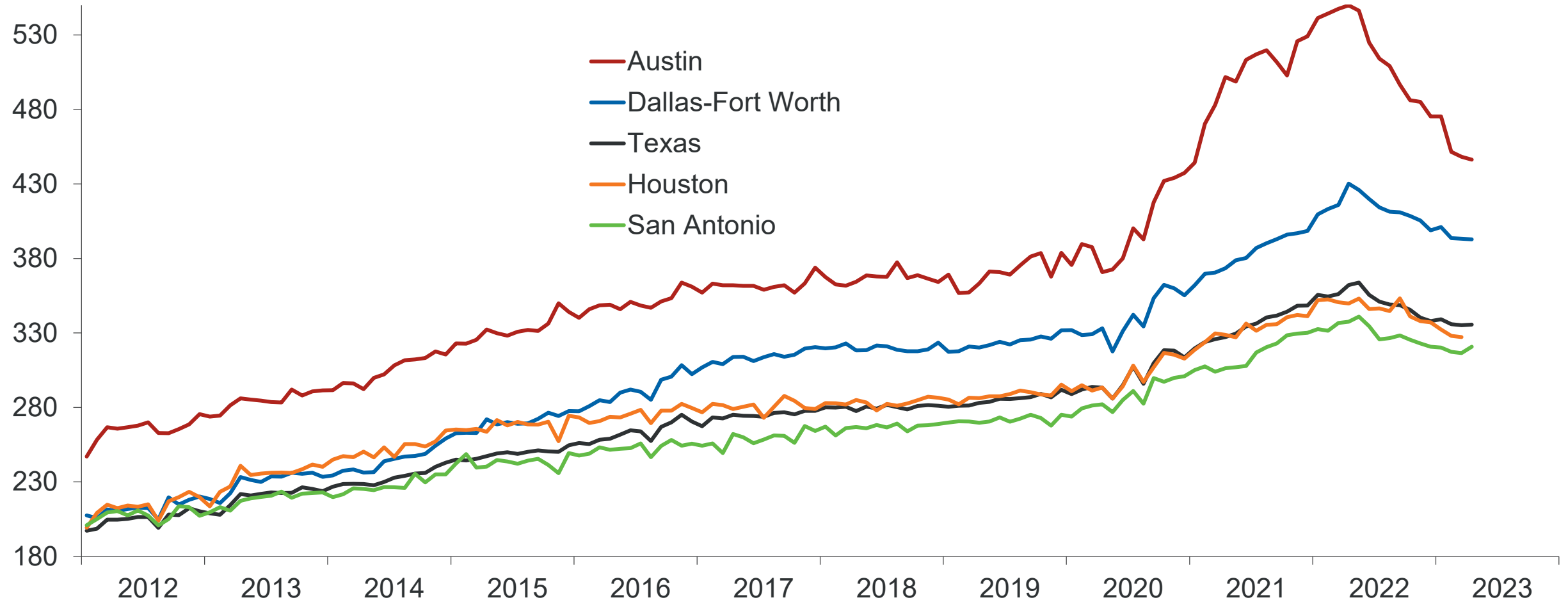


NOTES: Texas single-family housing permits and home sales data through April 2023. Mortgage data through May 2023

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

Major Texas metro housing prices are flat to down in latest data

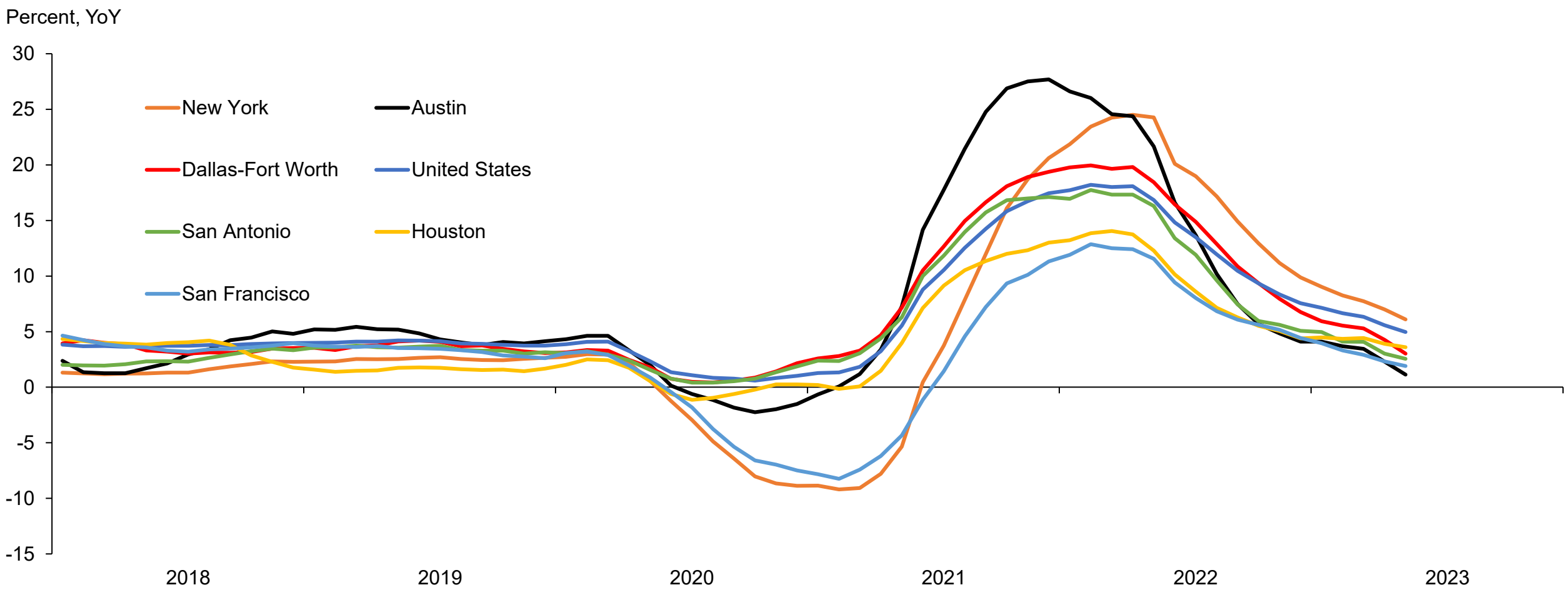
Thousands of dollars, SA



NOTES: Seasonally adjusted sales price, nominal. Data through April 2023.

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

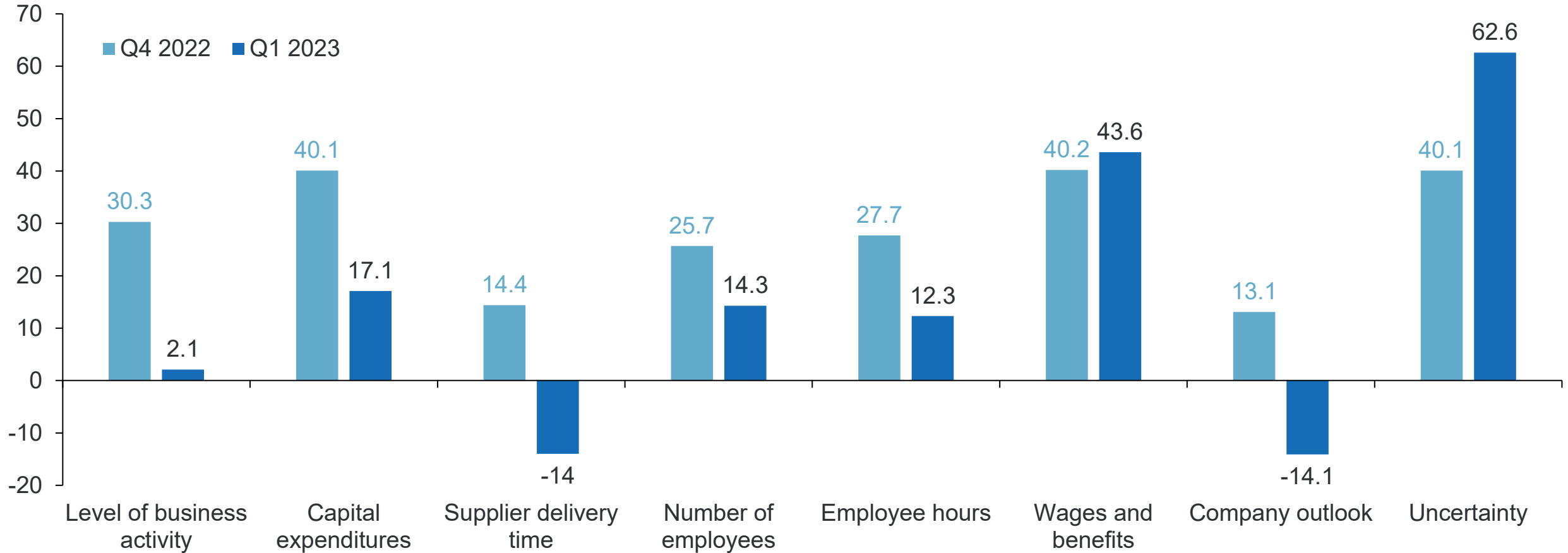
Apartment rent growth in Austin is below pre-pandemic levels (new leases), while in Houston remains above those levels



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

Energy activity was sharply weaker in the first quarter of 2023

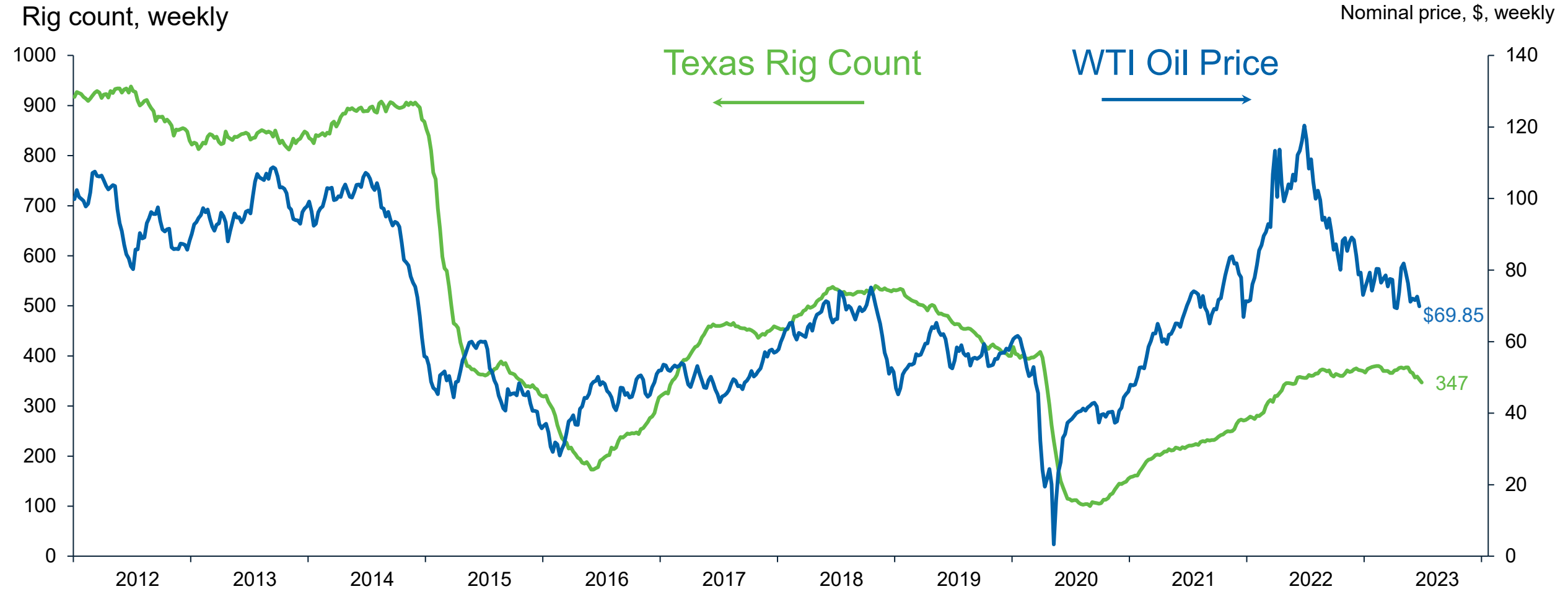
Current index, quarterly



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

SOURCE: Federal Reserve Bank of Dallas Energy Survey.

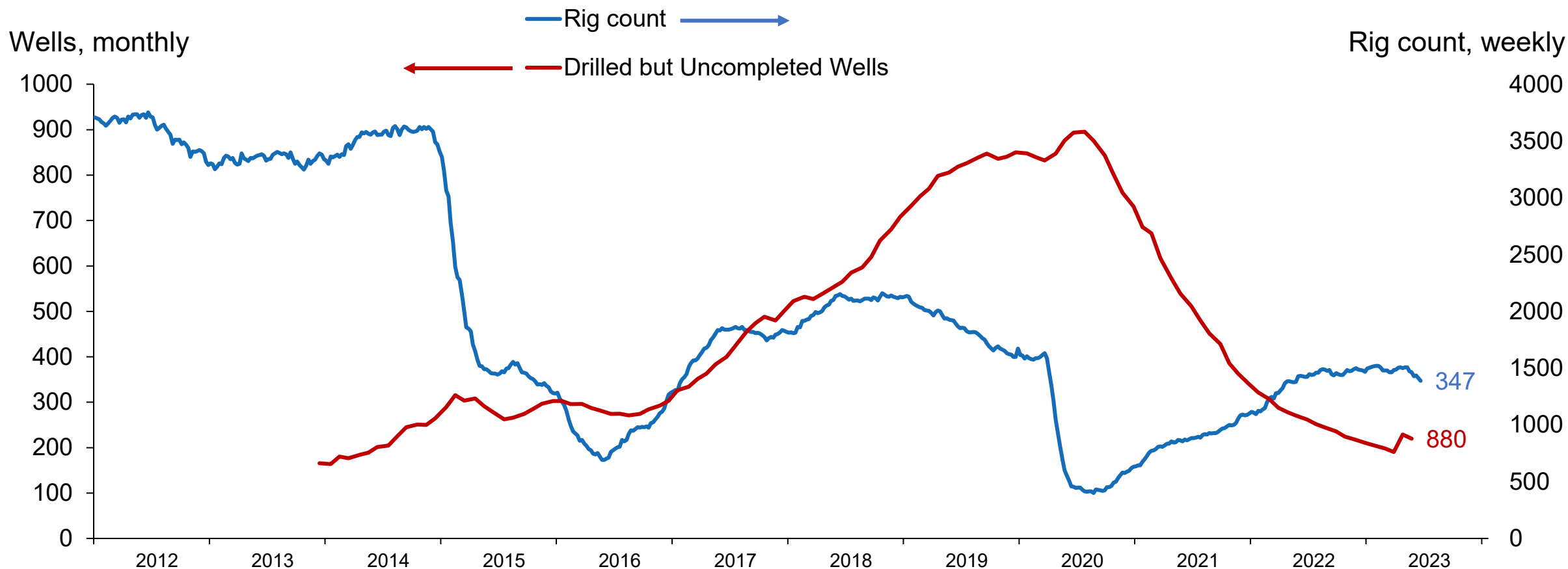
Oil prices trend down and the rig count falls



NOTES: Data are weekly through June 9th, 2023.

SOURCES: Energy Information Administration; Baker Hughes.

DUCs tick up in May but remain at low levels

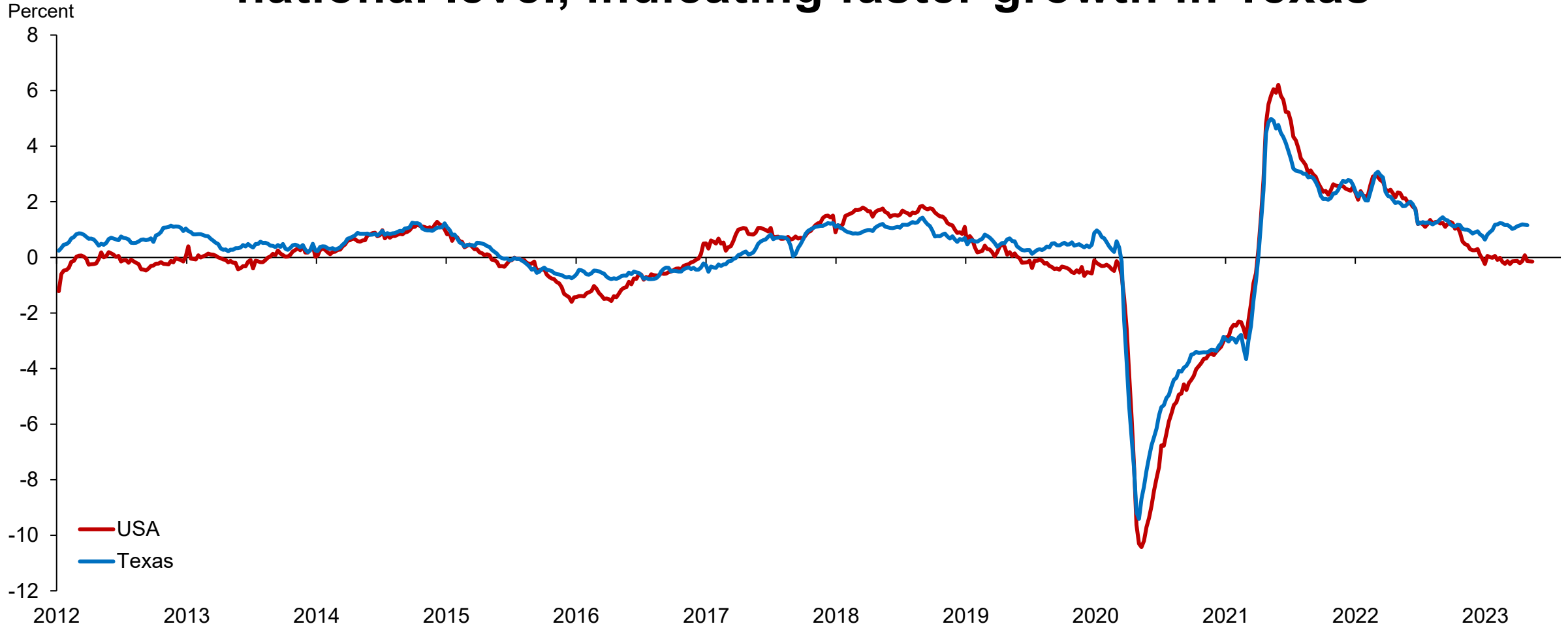


NOTES: Well data through May 2023. Rig count data through June 9th, 2023. Rig count is for Texas, drilled but uncompleted wells are for Permian Basin.

SOURCES: Energy Information Administration; Baker Hughes.

High-Frequency Data

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



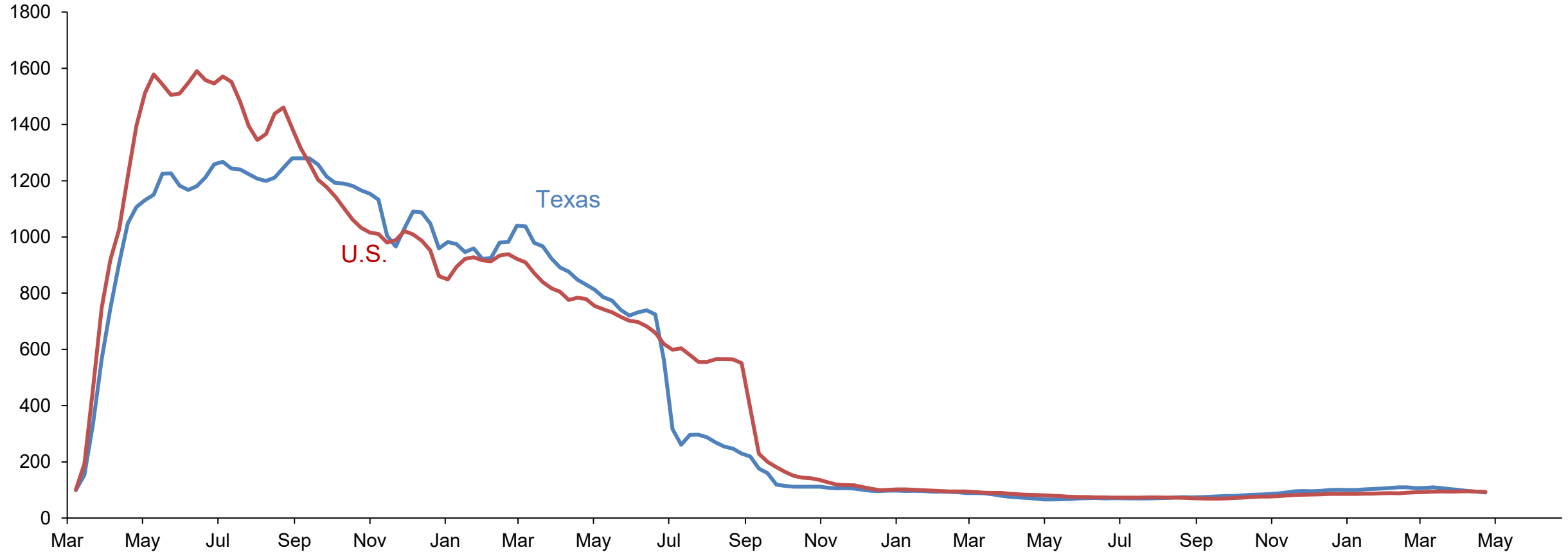
NOTES: Texas data through April 29, US data through May 12.

SOURCE: University of Notre Dame.

Total jobless claims still below pre-pandemic level in Texas

Total claims, initial and continuing

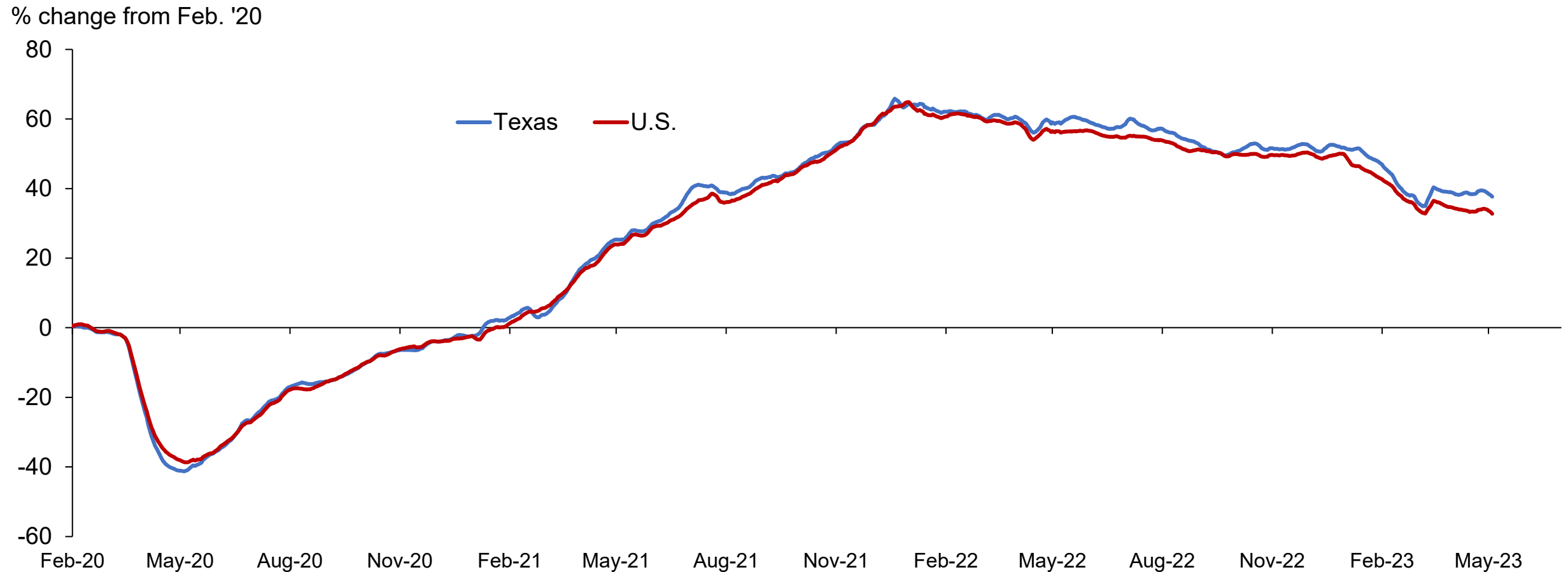
2 week moving average, Index, second week of March 2020 = 100



NOTES: Unemployment claims data through the week ending June 6th and include states UI and federal PUA, PEUC and EB when available.

SOURCES: Department of Labor.

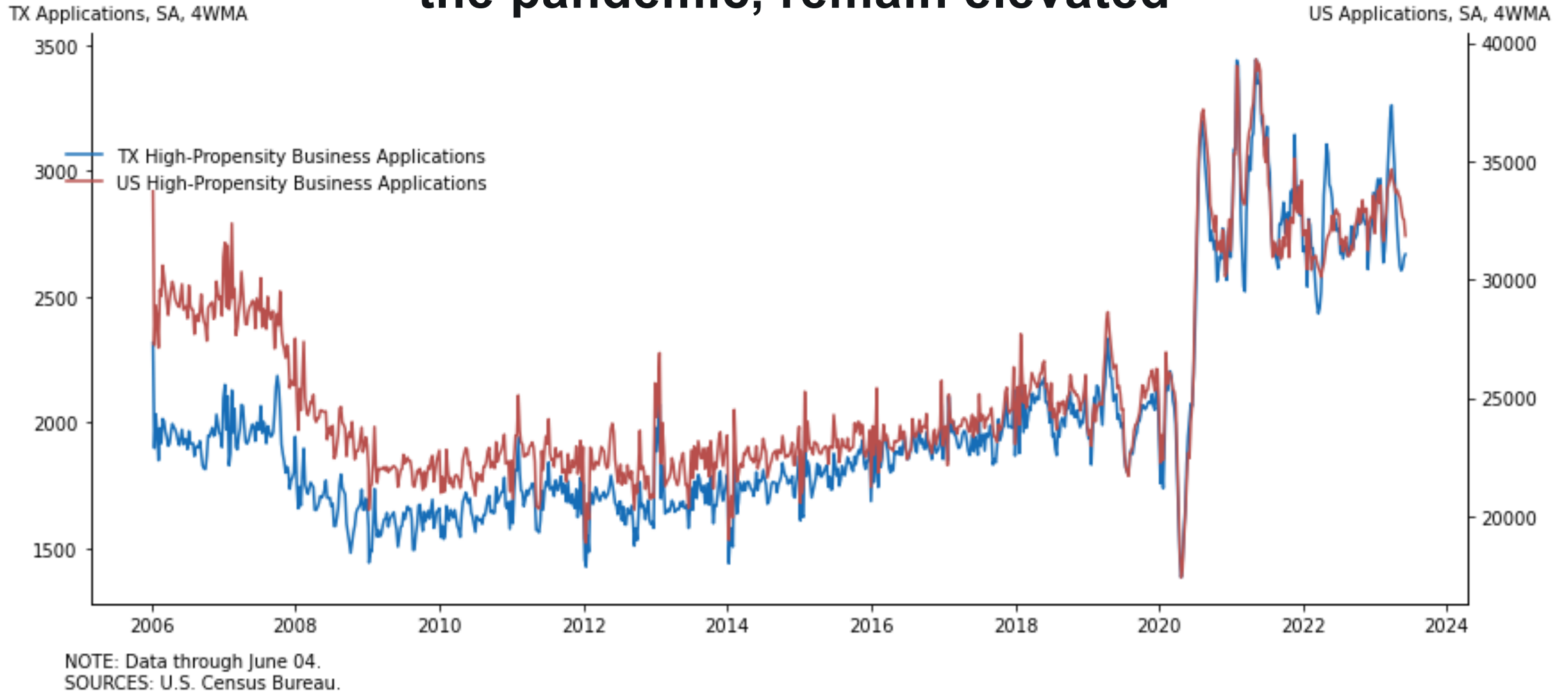
Texas job postings trending down slightly but remain well above pre-pandemic levels



NOTE: U.S. and Texas data daily through June 6th, 2023.

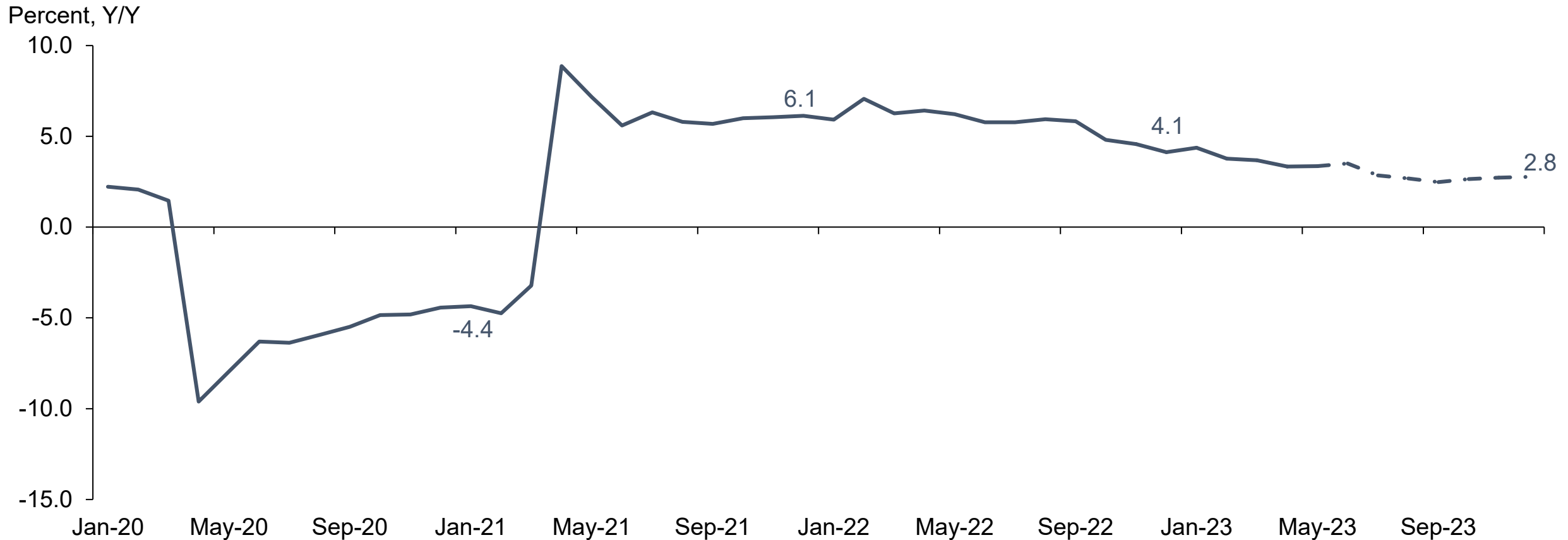
SOURCE: Indeed.

New business applications increased sharply during the pandemic, remain elevated



Outlook for 2023

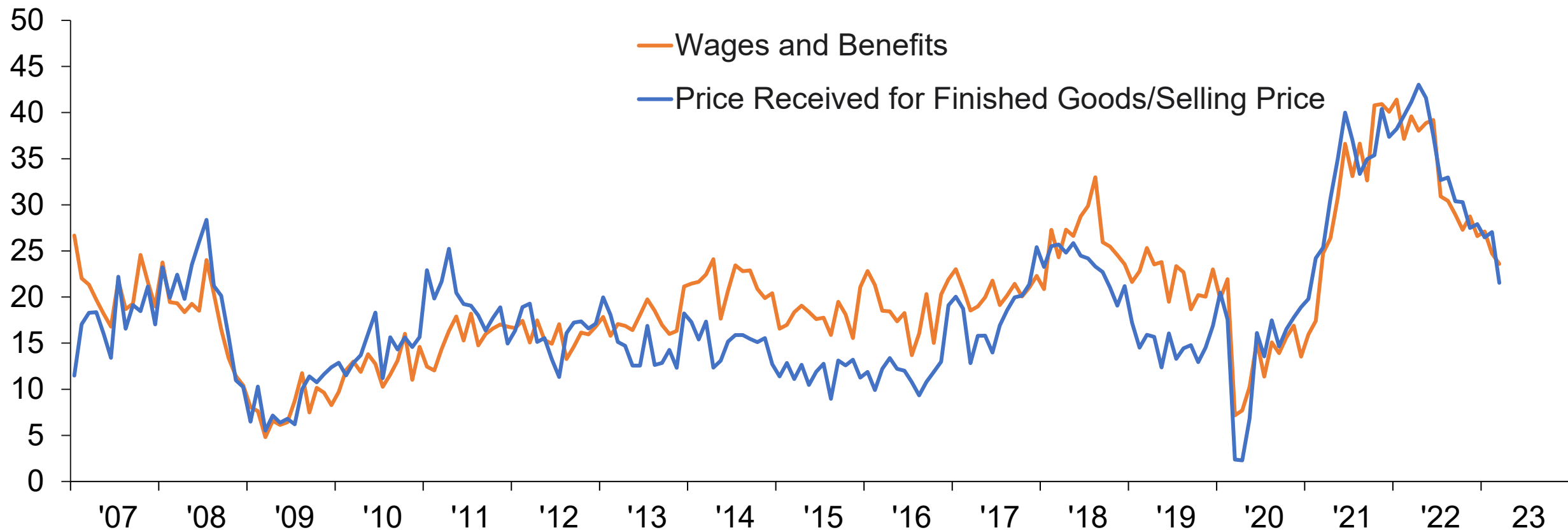
The Texas Employment Forecast indicates that jobs will increase 2.8 percent in 2023



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

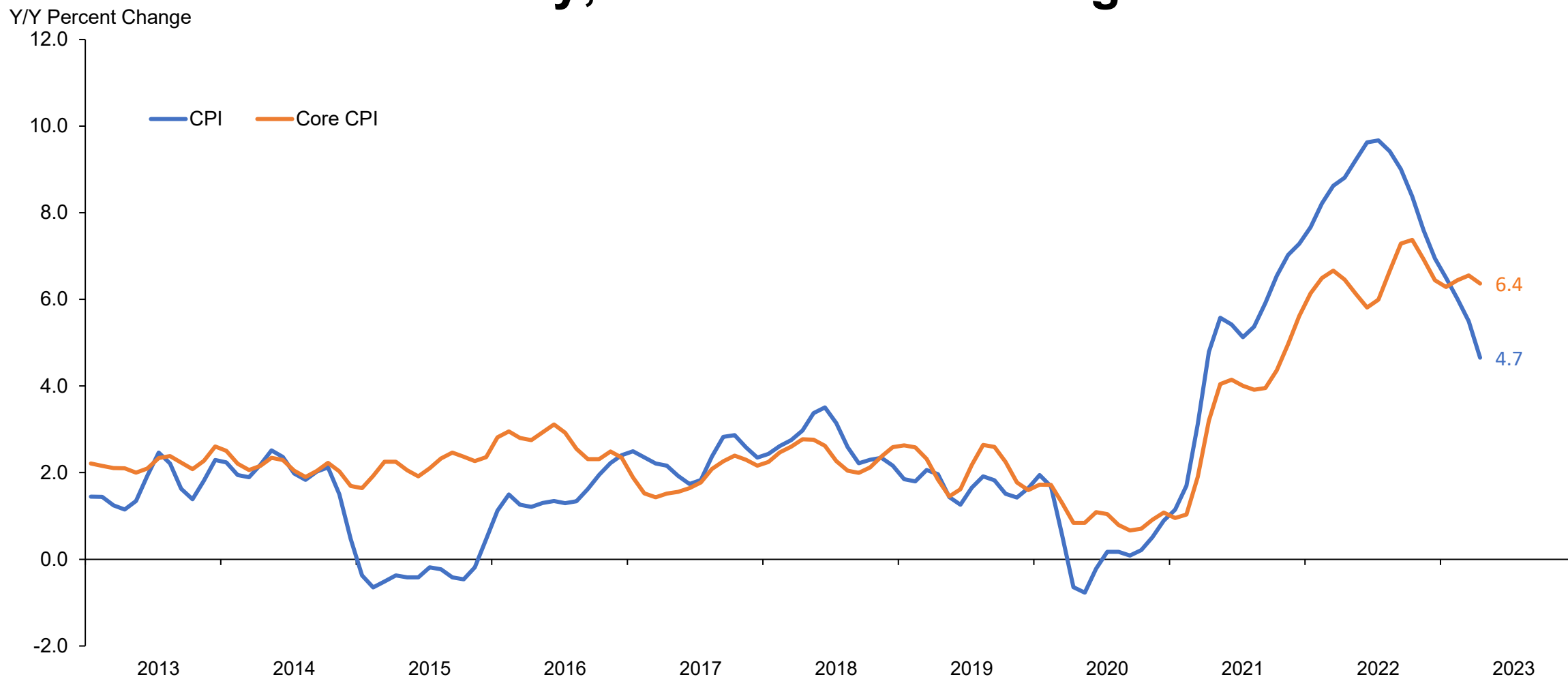
While a shrinking share of Texas firms are raising prices and wages, it is still above average, pointing to continued high inflation

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

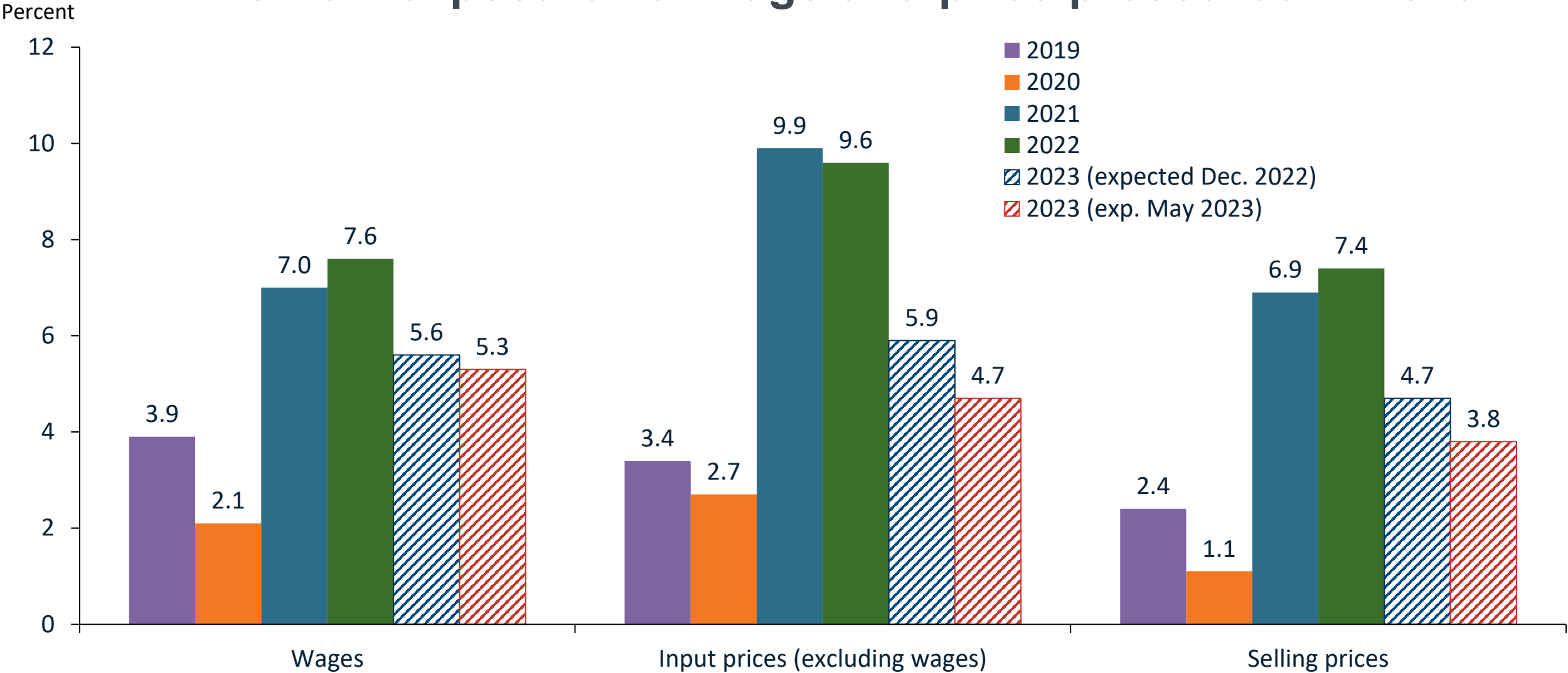
Headline CPI inflation in Texas declining but core measure is sticky; both are still too high



NOTES: Texas CPI data through May 2023.

SOURCES: Bureau of Labor Statistics.

Firms now expect lower wage and price pressures in 2023



NOTES: Shown are trimmed means with the lowest and highest five percent of responses omitted.

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

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