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Bank of Dallas

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# **Texas Economic Performance and Outlook**

## **(July 2023)**

### **“Employment Growth Slows, Inflation Still High”**

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Federal Reserve Bank of Dallas  
7/21/2023

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.

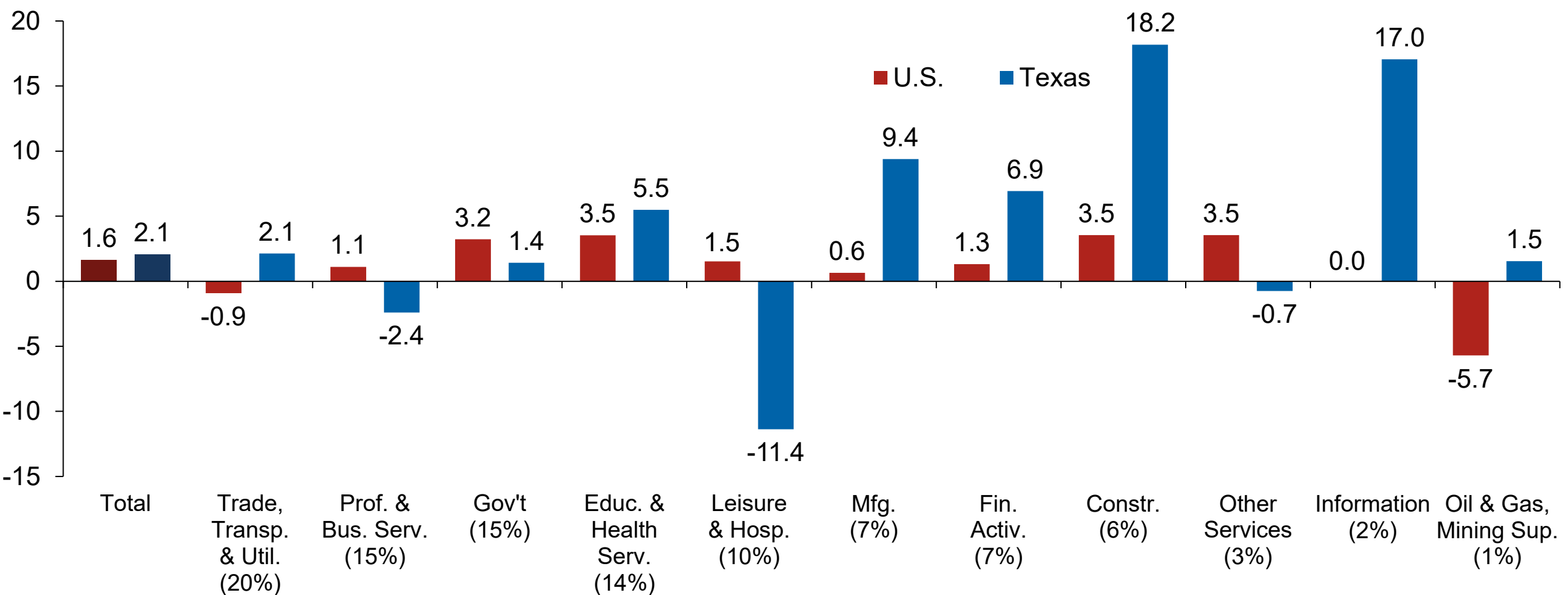
# What's New: Job growth slows in June

- Texas employment grew 2.1 percent in June, while May growth was revised down to 3.2 percent; Year to date growth is 3.2 percent, below 2022 growth of 4.1 percent.
  - Texas is still growing faster than the nation (U.S. job growth was 1.6 percent in June)
- The Dallas Fed's Texas Employment Forecast indicates that jobs will increase 2.5 percent in 2023 (down from 2.8 percent last month).
  - The current forecast implies 1.8 percent growth (annualized) in the rest of the year
- Texas Business Outlook Surveys (TBOS) continue to signal sluggish growth, with contracting manufacturing production and slow service sector revenue growth in June.
- Companies stick to capital expenditure plans despite higher interest rates.
  - Businesses who are reducing investment this year attribute that to economic uncertainty and reduced profits. However, among those who invest, most are focused on updating technology.

# Overall Economic Activity

# Texas employment growth slows in June on weak service sector; construction employment surges

Job growth June 2023/May 2023 (percent)

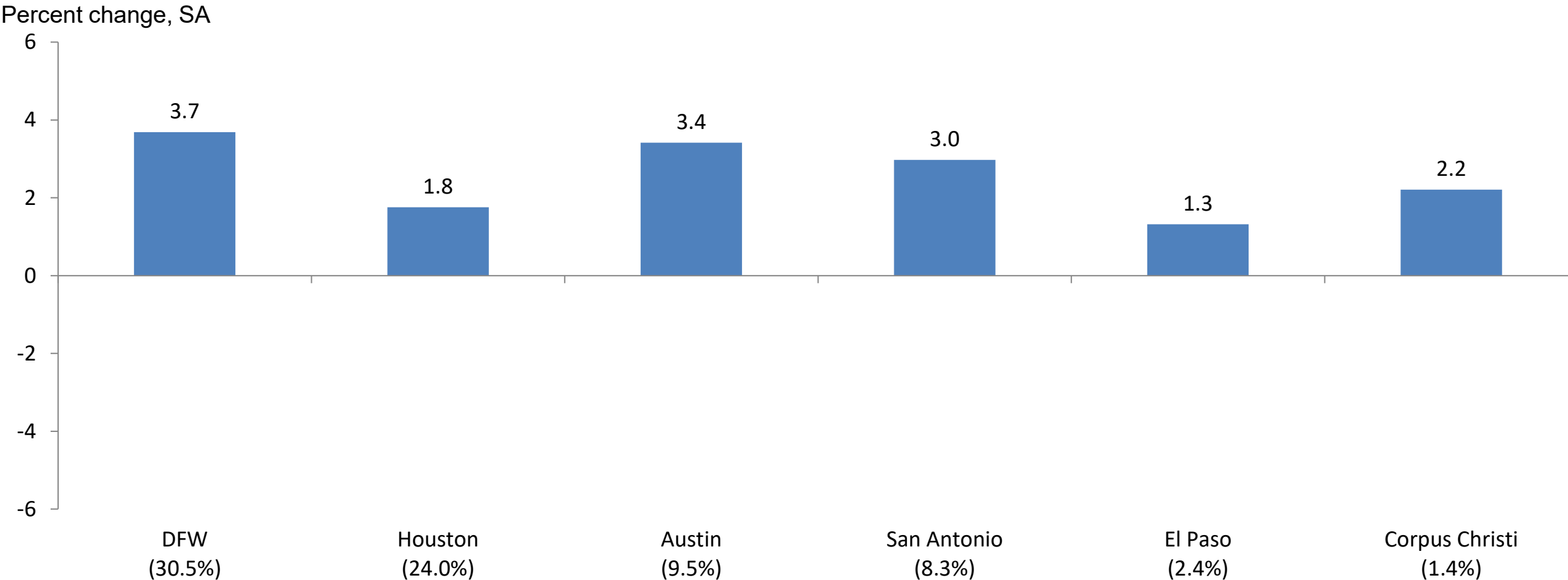


NOTES: Data are seasonally adjusted and rates are annualized. Numbers in parenthesis indicate share of total state employment in June 2023.

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

# DFW leads metro job growth year to date in 2023

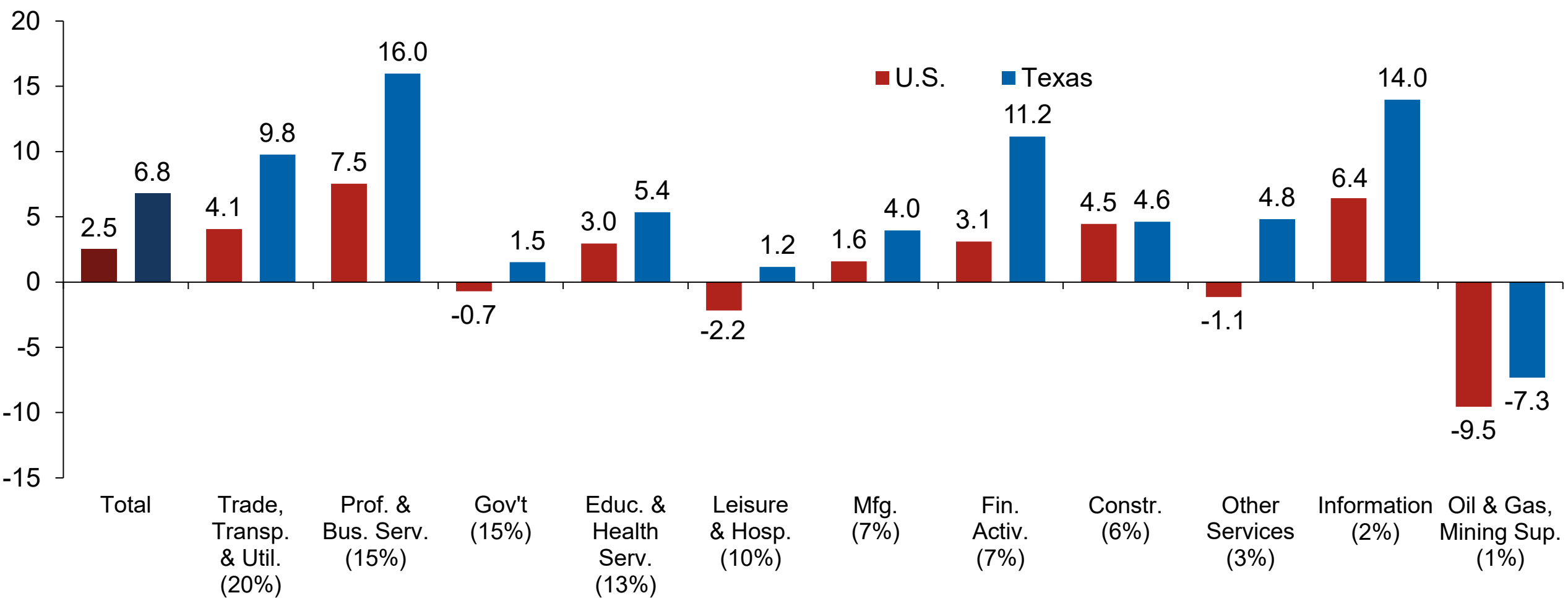
Employment Change by Major Metro (June 2023/Dec. 2022)



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

# All sectors except oil & gas recovered from pandemic lows in Texas

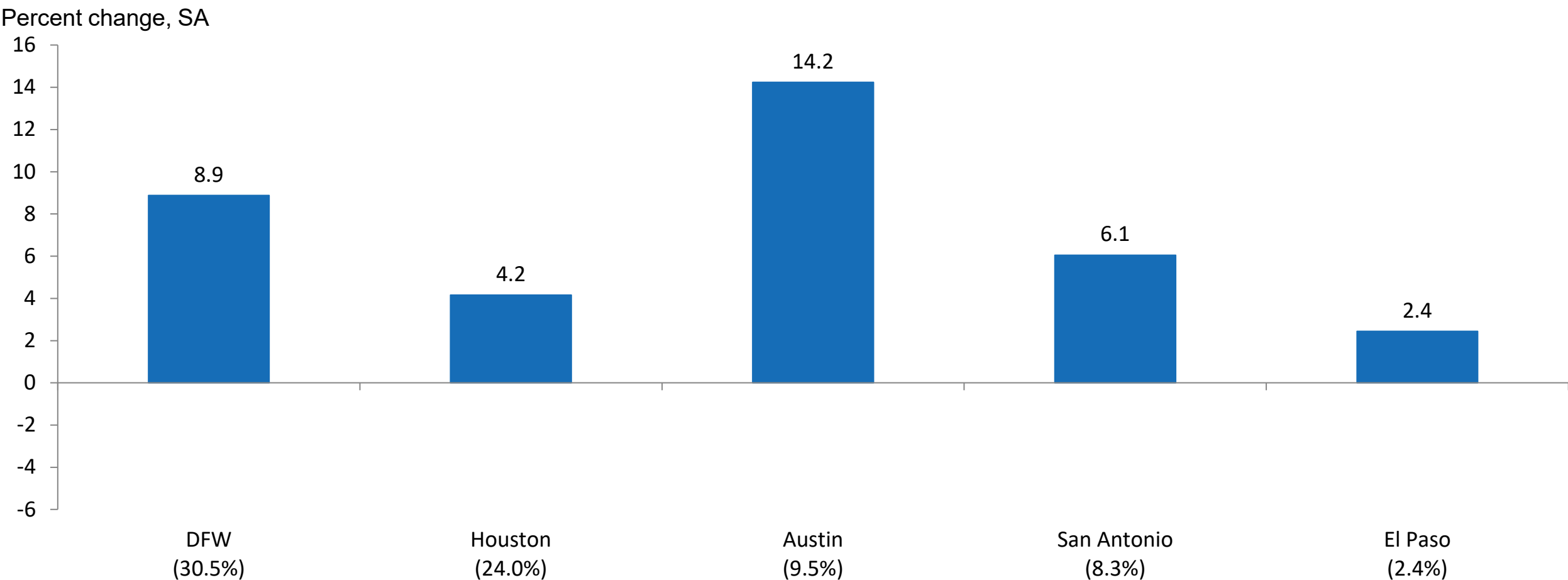
Job growth June 2023/February 2020 (percent)



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

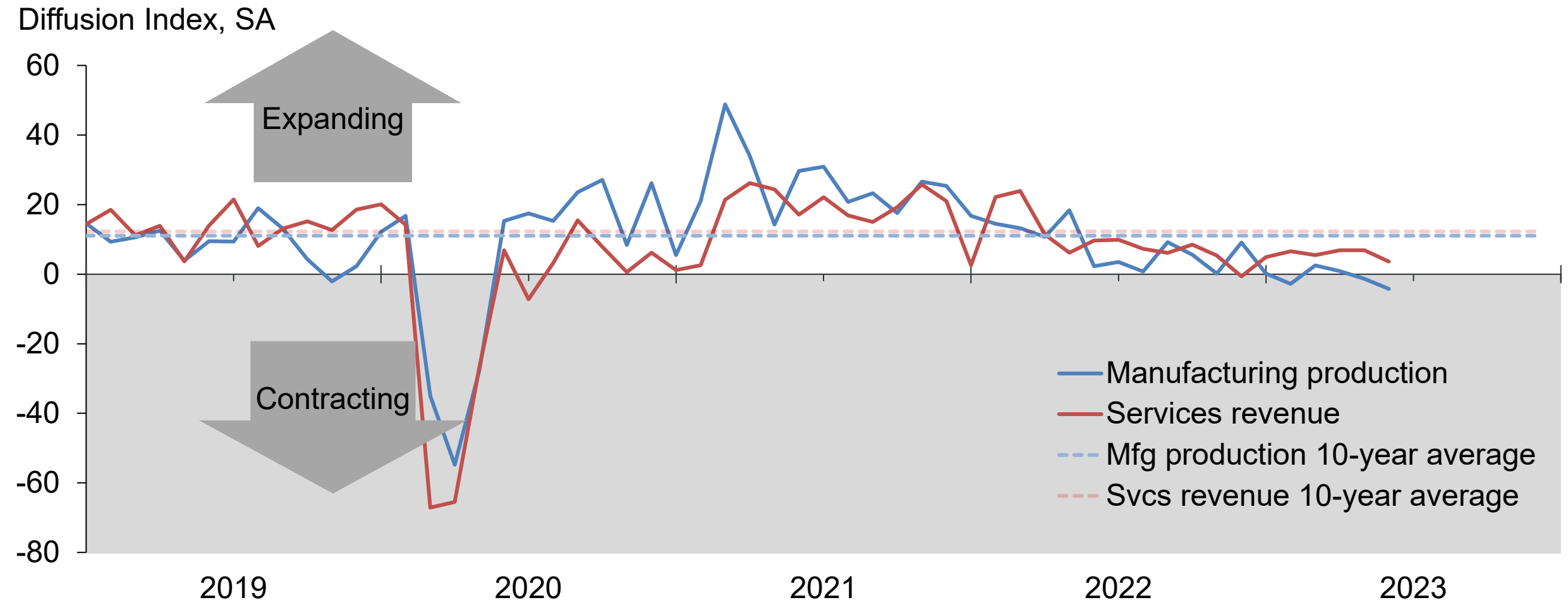
# Top 5 Texas metros fully recovered from the pandemic

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



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

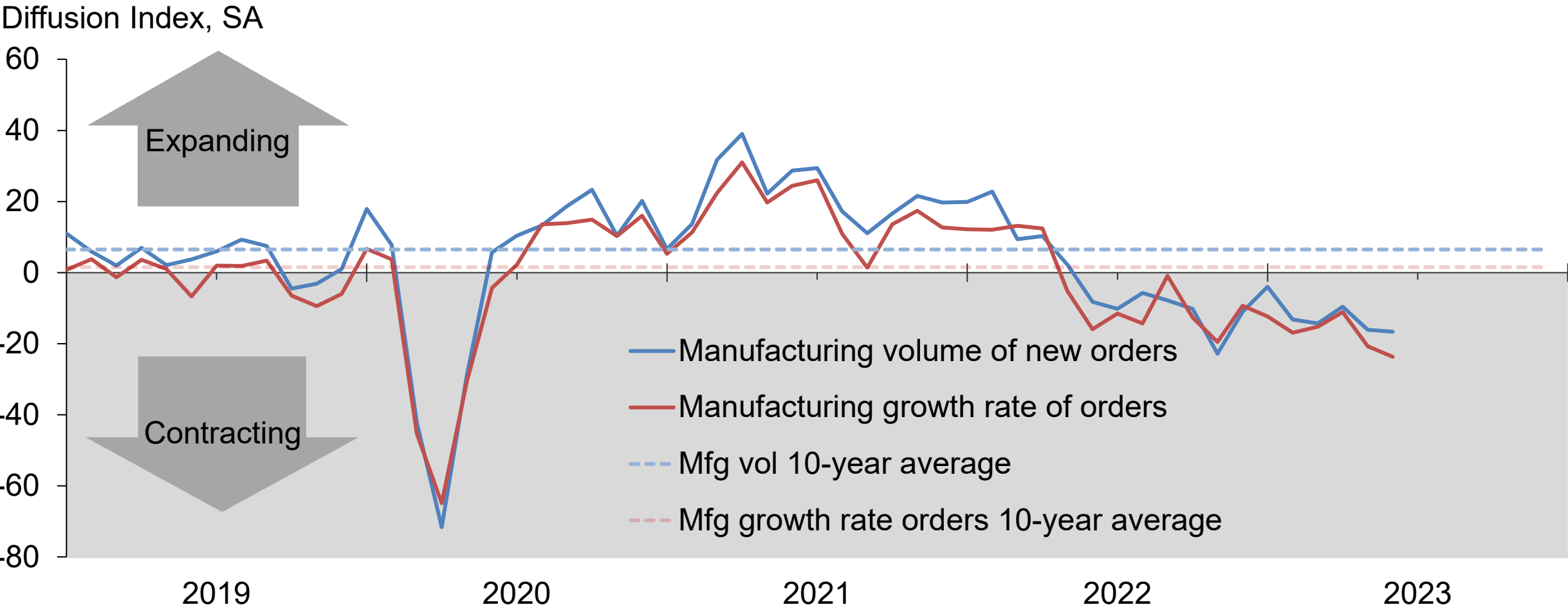
# Texas firms report growth in mfg production turns negative and services revenue growth remains below its long-term average



NOTE: Data through June 2023.

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

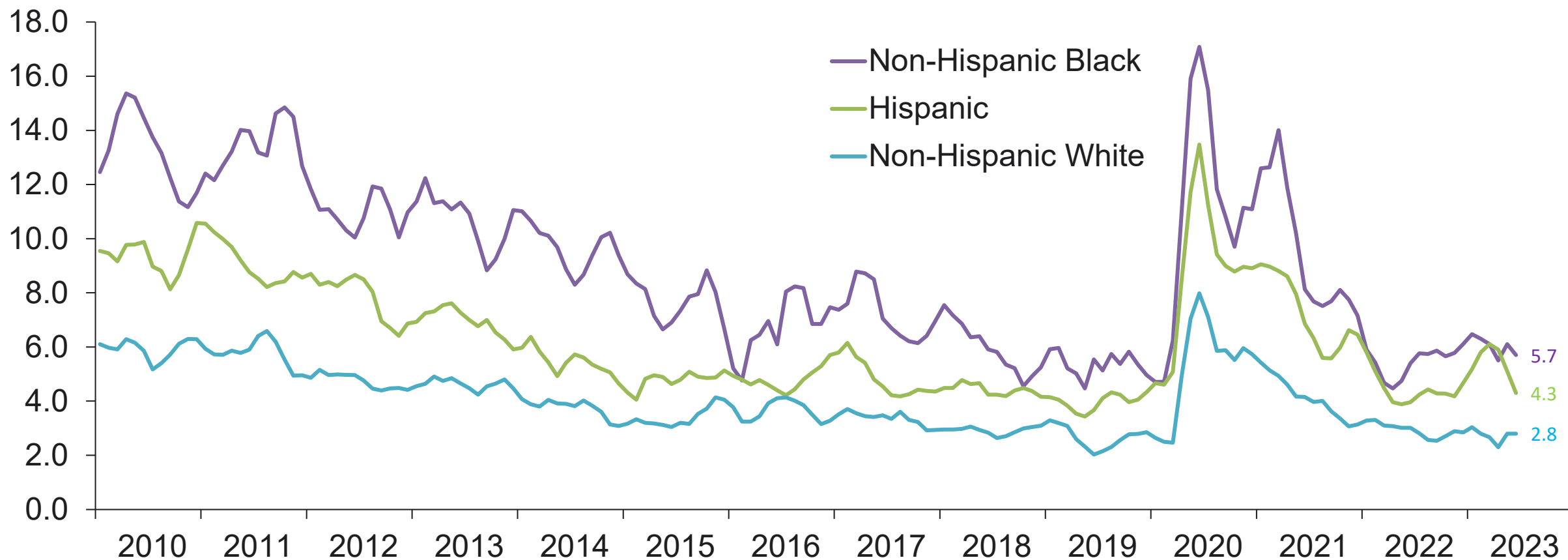
# Texas Manufacturing: New orders continued to decline in June



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

# Unemployment rates stable/falling for Black and Hispanic workers

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



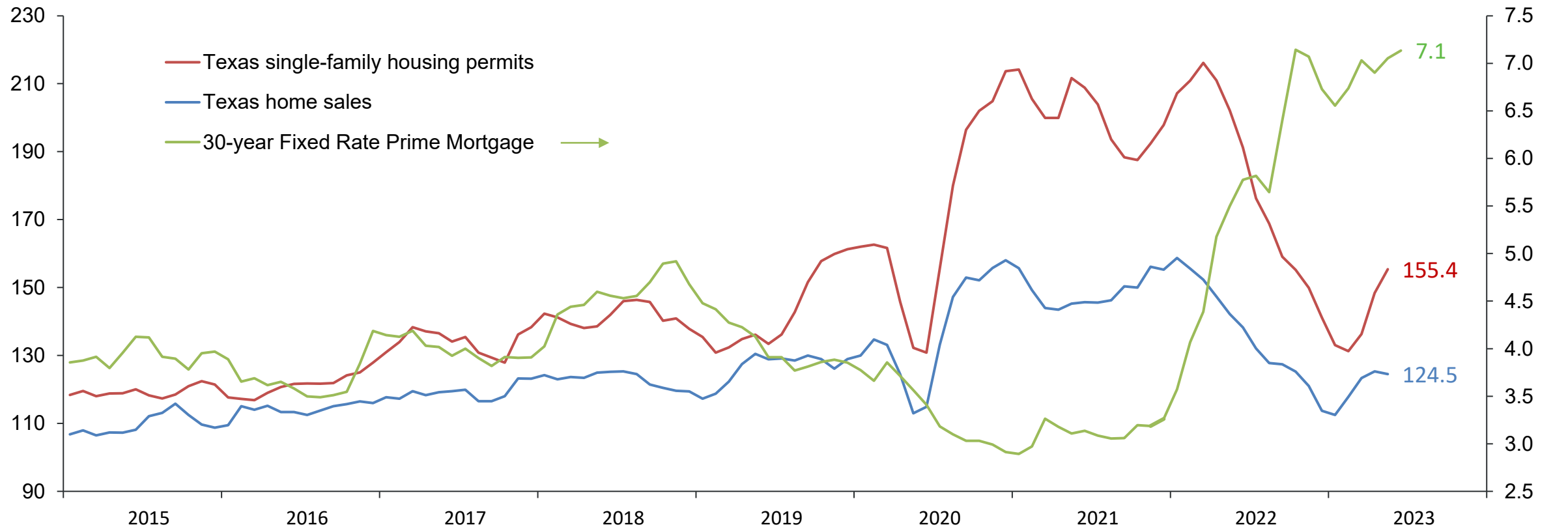
NOTE: Last data point June 2023.

SOURCE: Current Population Survey, authors' calculations.

# Housing and Energy Industries

# Housing: Single-family building permits rebound while existing-home sales stabilize

Index, Jan 2013 = 100, 3MMA, SA

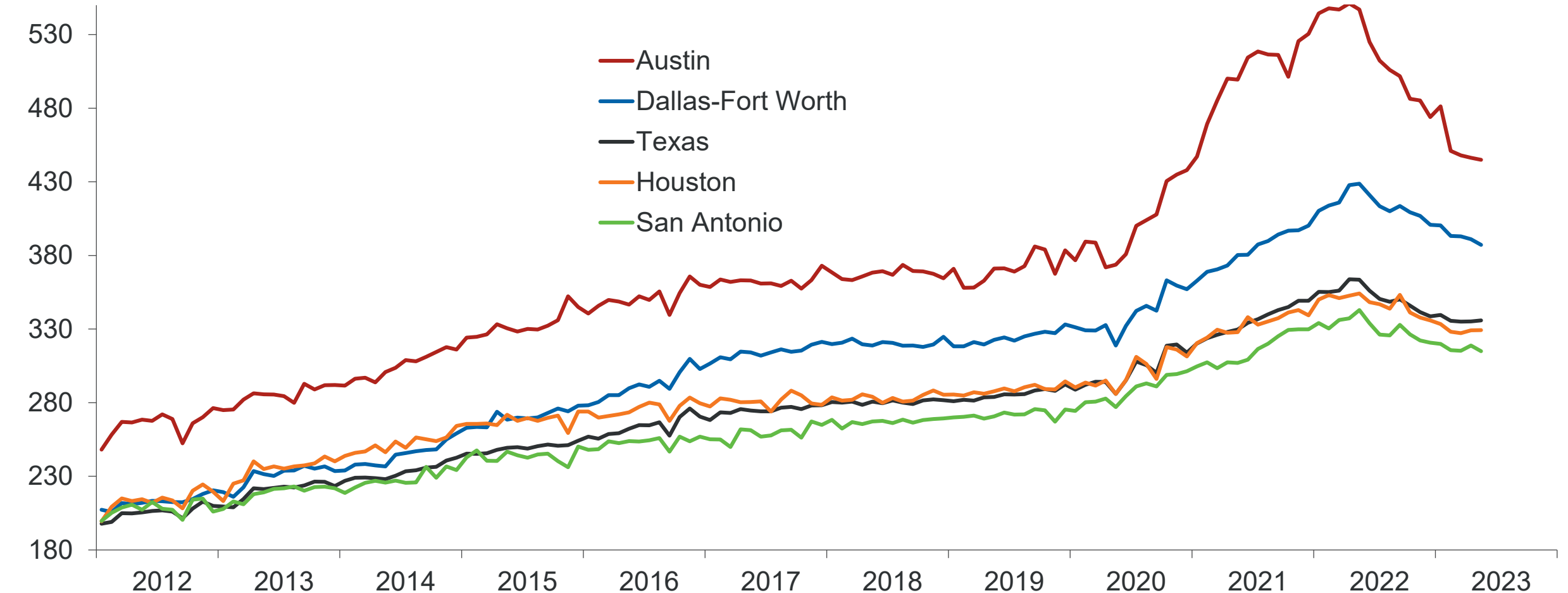


NOTES: Texas single-family housing permits and existing-home sales data through May 2023. Mortgage data through June 2023

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

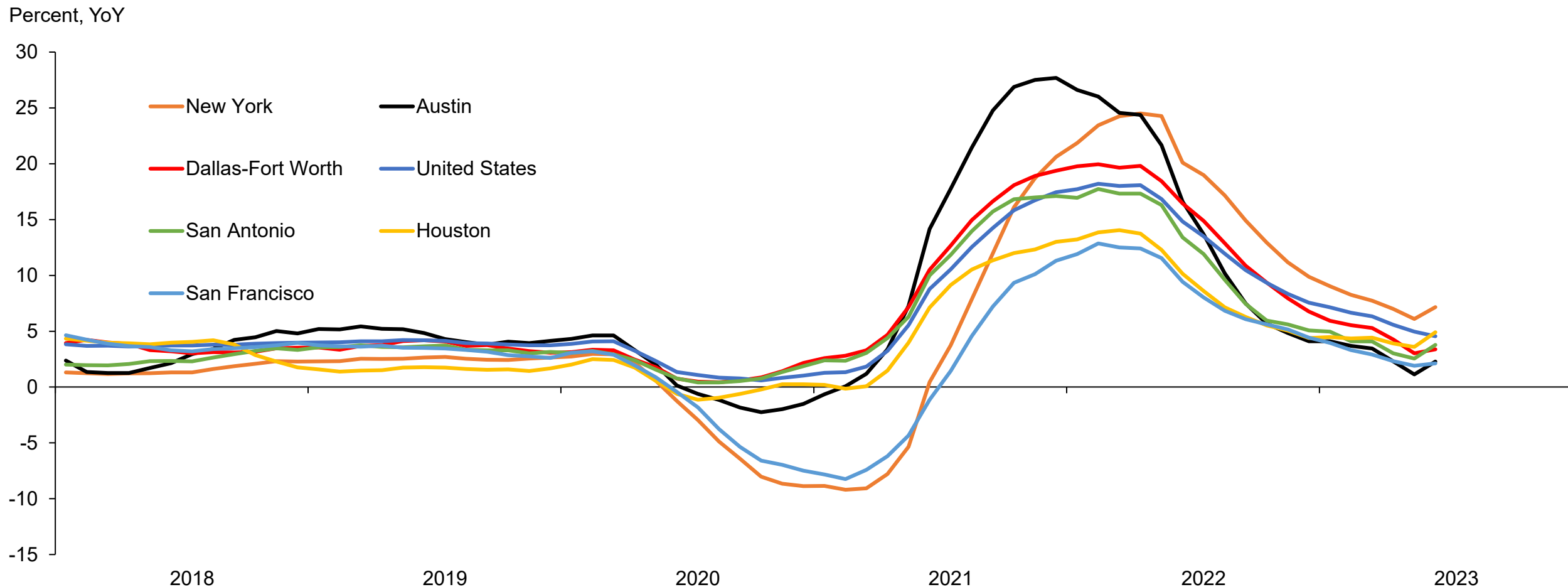
# Texas housing prices stabilize although some metros still see declines

Thousands of dollars, SA



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

# Apartment rent growth ticks up (new leases)

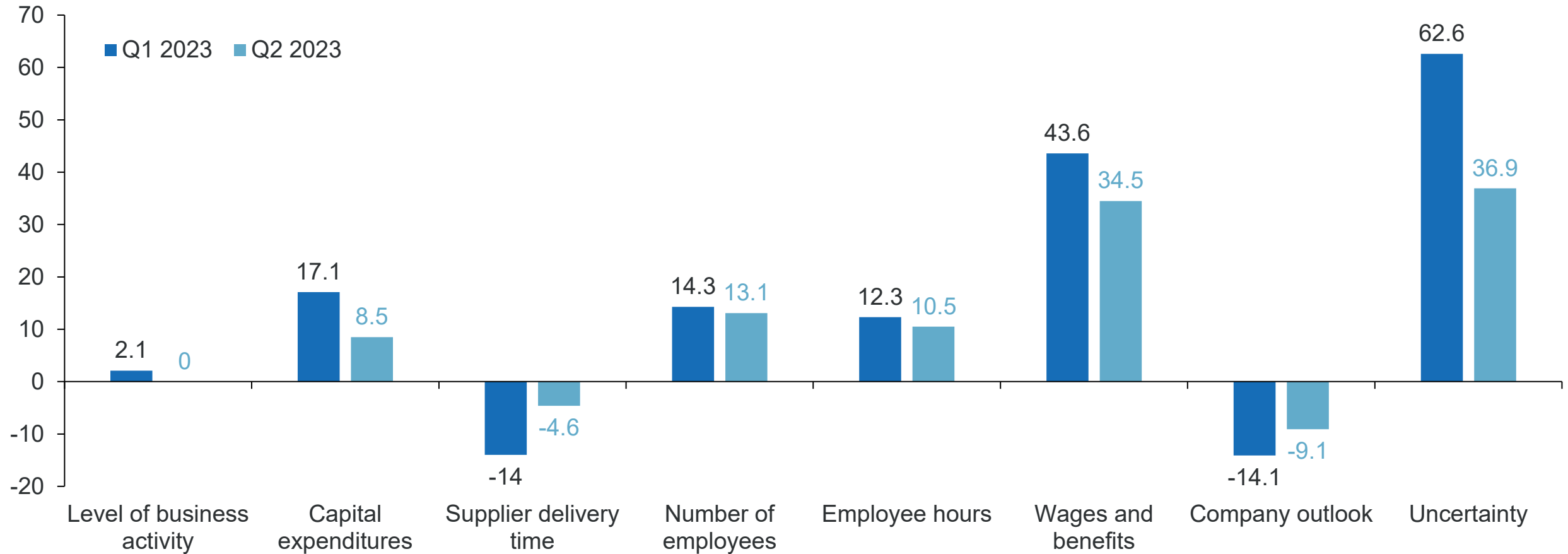


NOTE: Data are seasonally adjusted and are through May 2023.

SOURCE: Zillow.

# 11<sup>th</sup> District energy activity weaker in 2nd quarter 2023

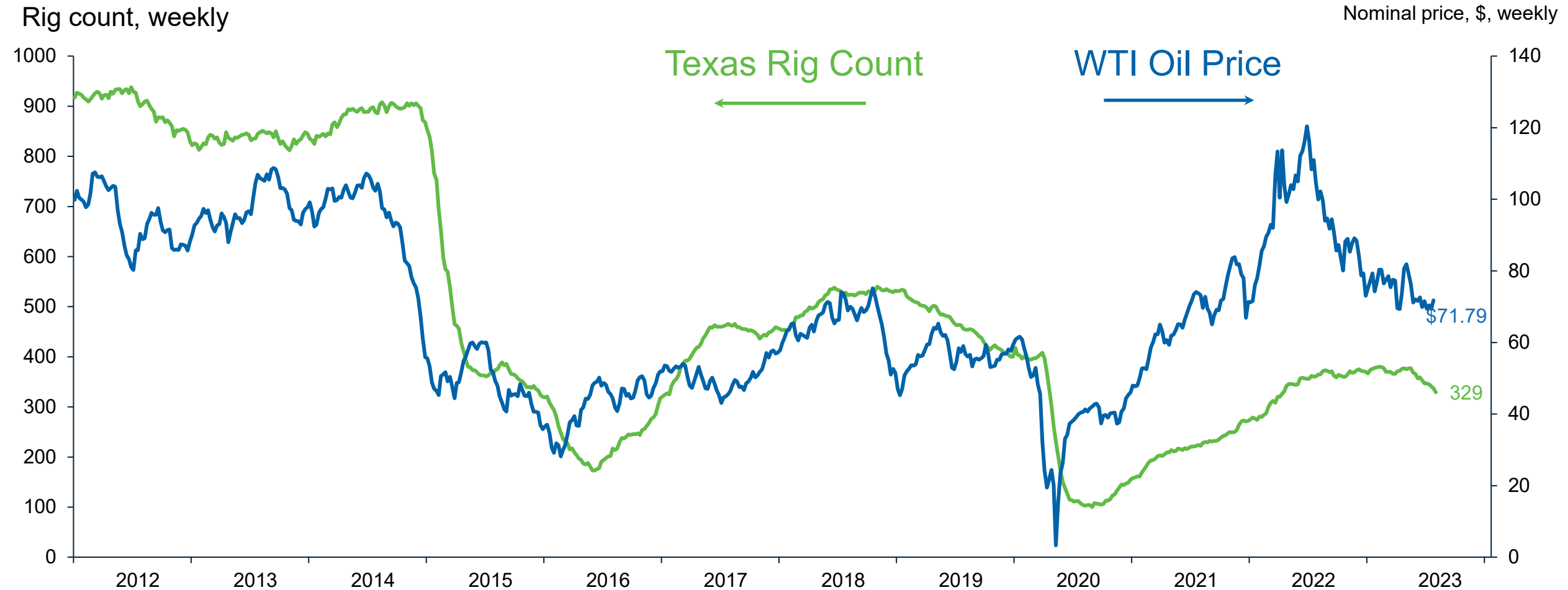
Current index, quarterly



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

SOURCE: Federal Reserve Bank of Dallas Energy Survey.

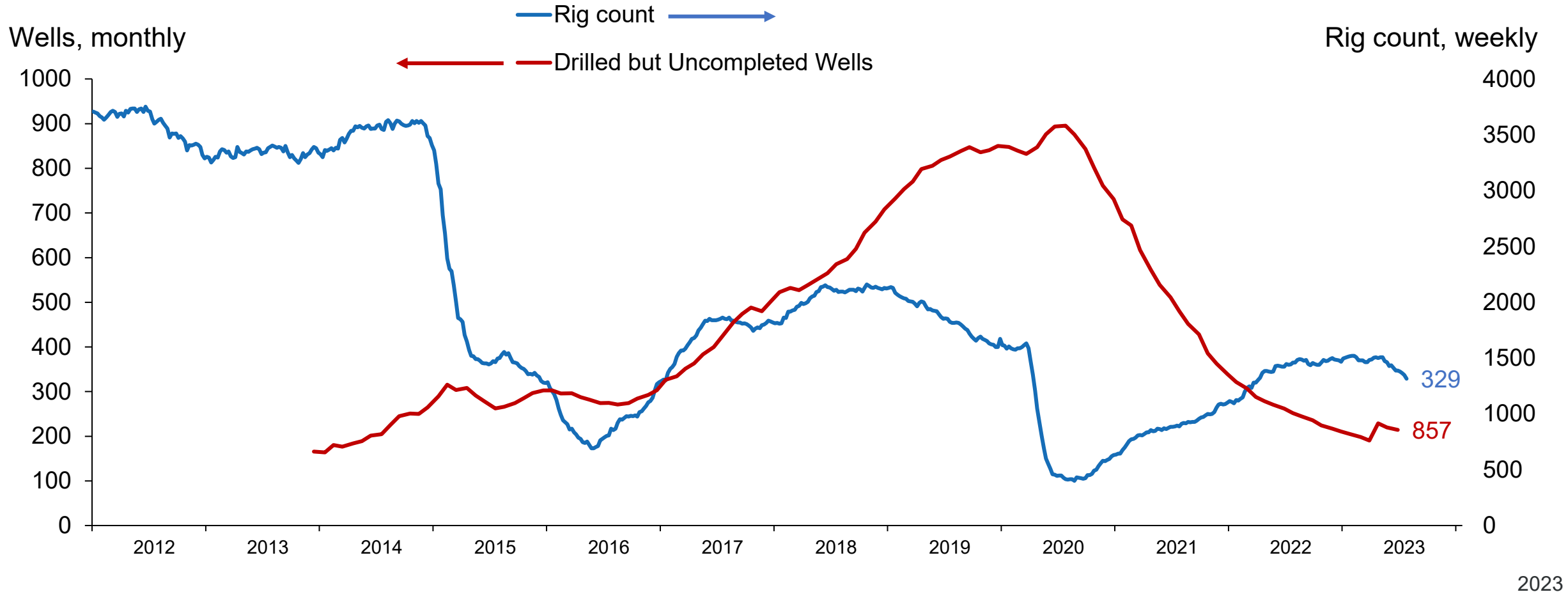
# Rig count falls but oil prices stabilize



NOTES: Data are weekly through July 14th, 2023.

SOURCES: Energy Information Administration; Baker Hughes.

# DUCs are low too, won't make up for lagging rig count



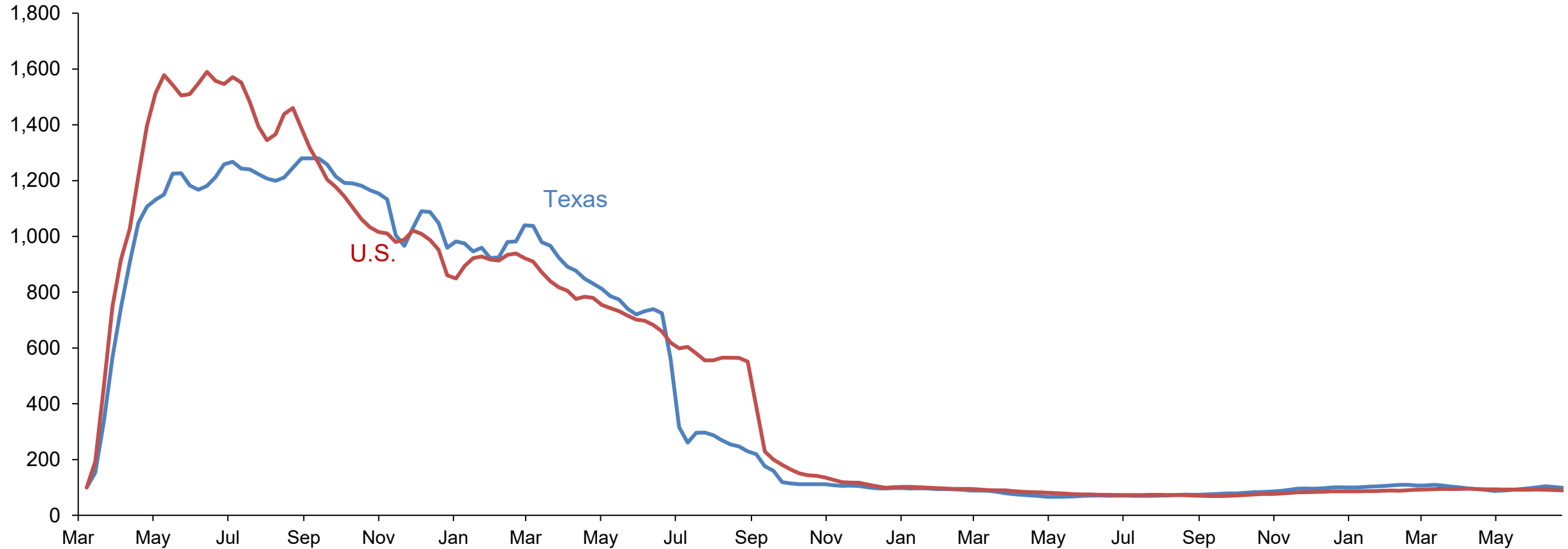
NOTES: Well data through June 2023. Rig count data through July 14th, 2023. Rig count is for Texas, drilled but uncompleted wells are for Permian Basin.  
SOURCES: Energy Information Administration; Baker Hughes.

# High-Frequency Data

# Total jobless claims still below pre-pandemic level in Texas

## Total claims, initial and continuing

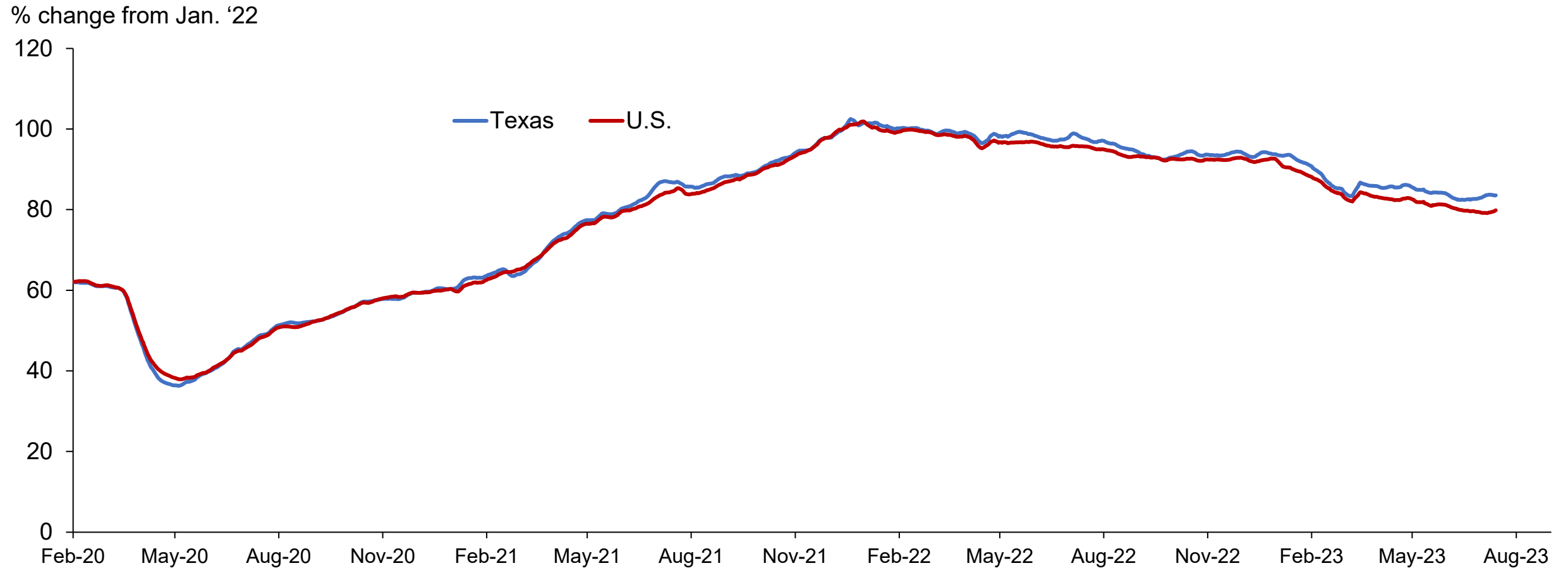
2 week moving average, Index, second week of March 2020 = 100



NOTES: Unemployment claims data through the week ending July 8<sup>th</sup> and include states UI and federal PUA, PEUC and EB when available.

SOURCES: Department of Labor.

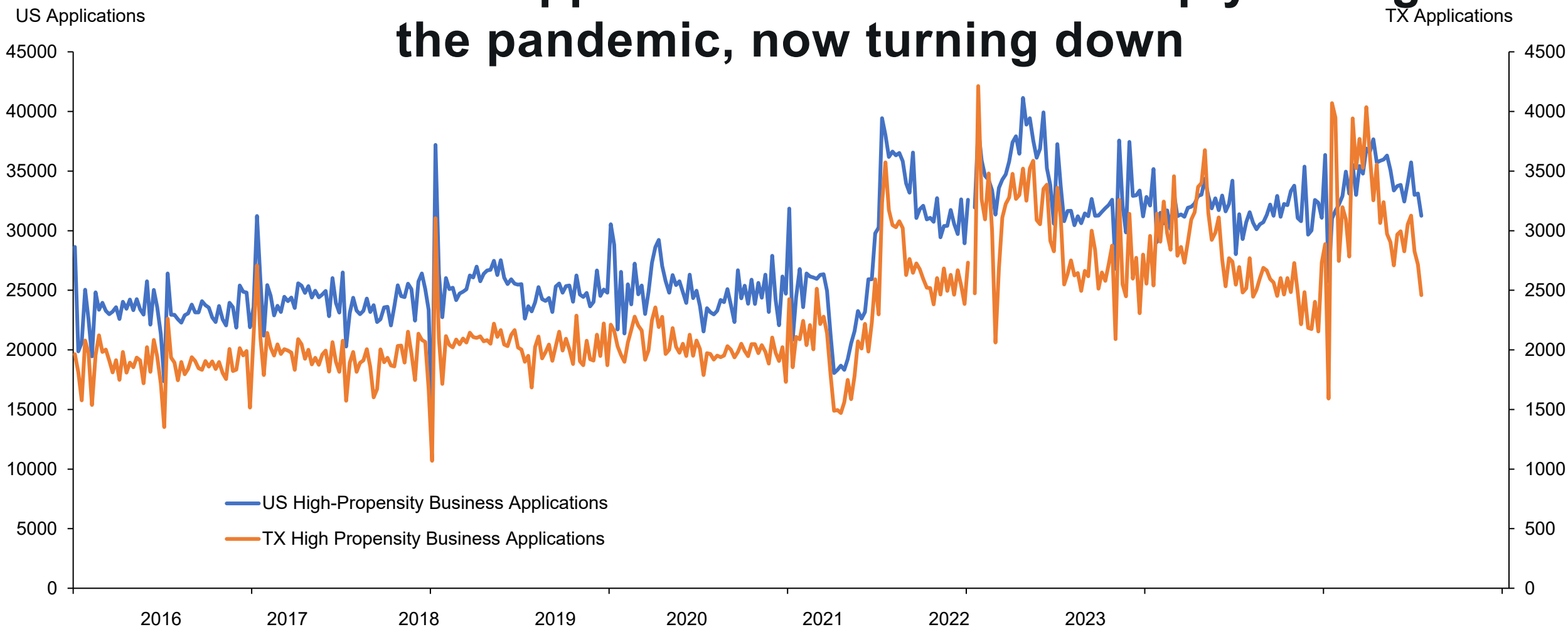
# Texas and US job postings trending down



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

SOURCE: Indeed.

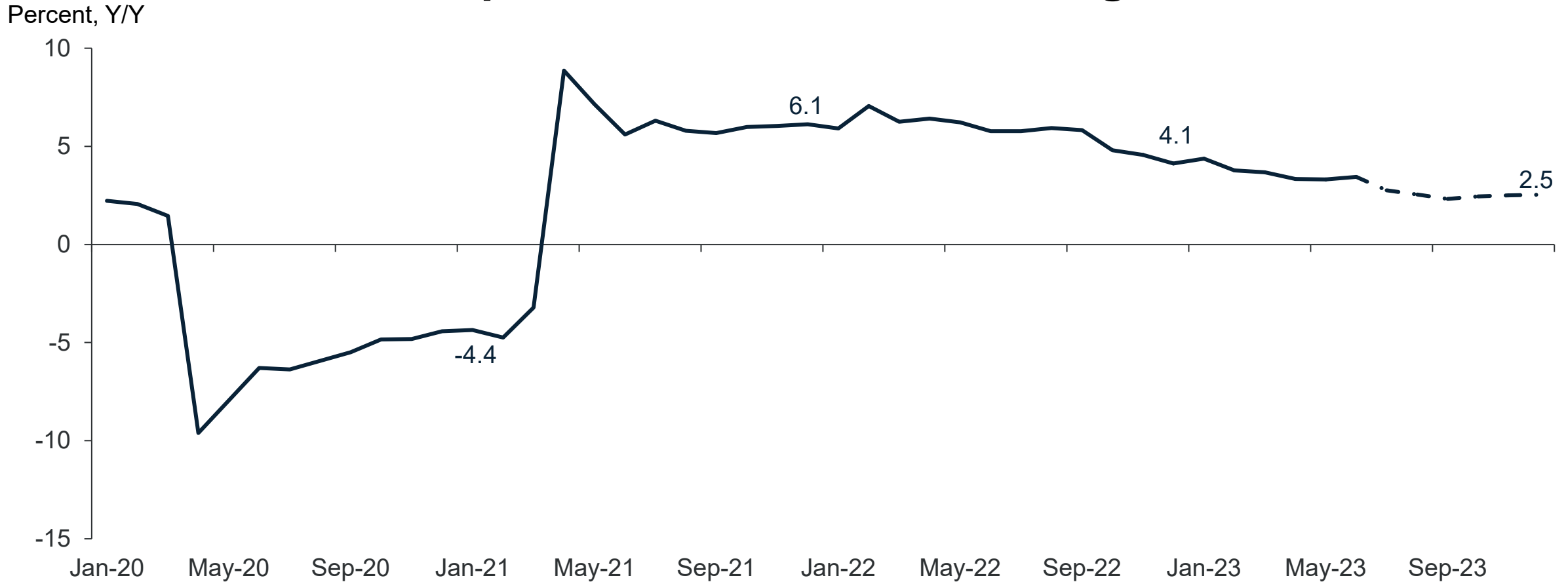
# New business applications increased sharply during the pandemic, now turning down



NOTE: Data through July 14th.  
SOURCE: U.S. Census

## **Outlook for 2023**

# The Texas Employment Forecast indicates that jobs will increase 2.5 percent in 2023 after rising 4.1 in 2022

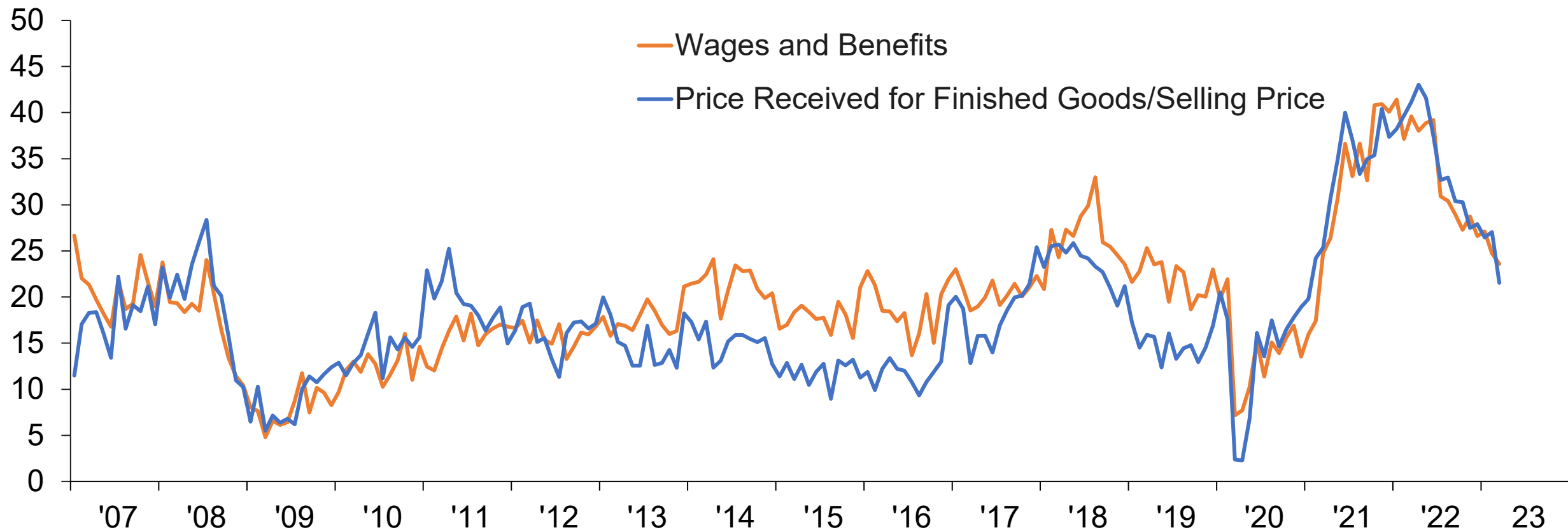


NOTE: The Dallas Fed Texas Employment Forecast is based on the average of four models. Three models are VARs where Texas payroll employment is regressed on WTI oil prices, the US leading index and the Texas leading index, respectively. The fourth model is a regression of payroll employment on lags of payroll employment, expectations for U.S. GDP growth, WTI oil prices, and four COVID-19 dummy variables (March-June 2020).

SOURCE: Texas Workforce Commission; Bureau of Labor Statics; Federal Reserve Bank of Dallas.

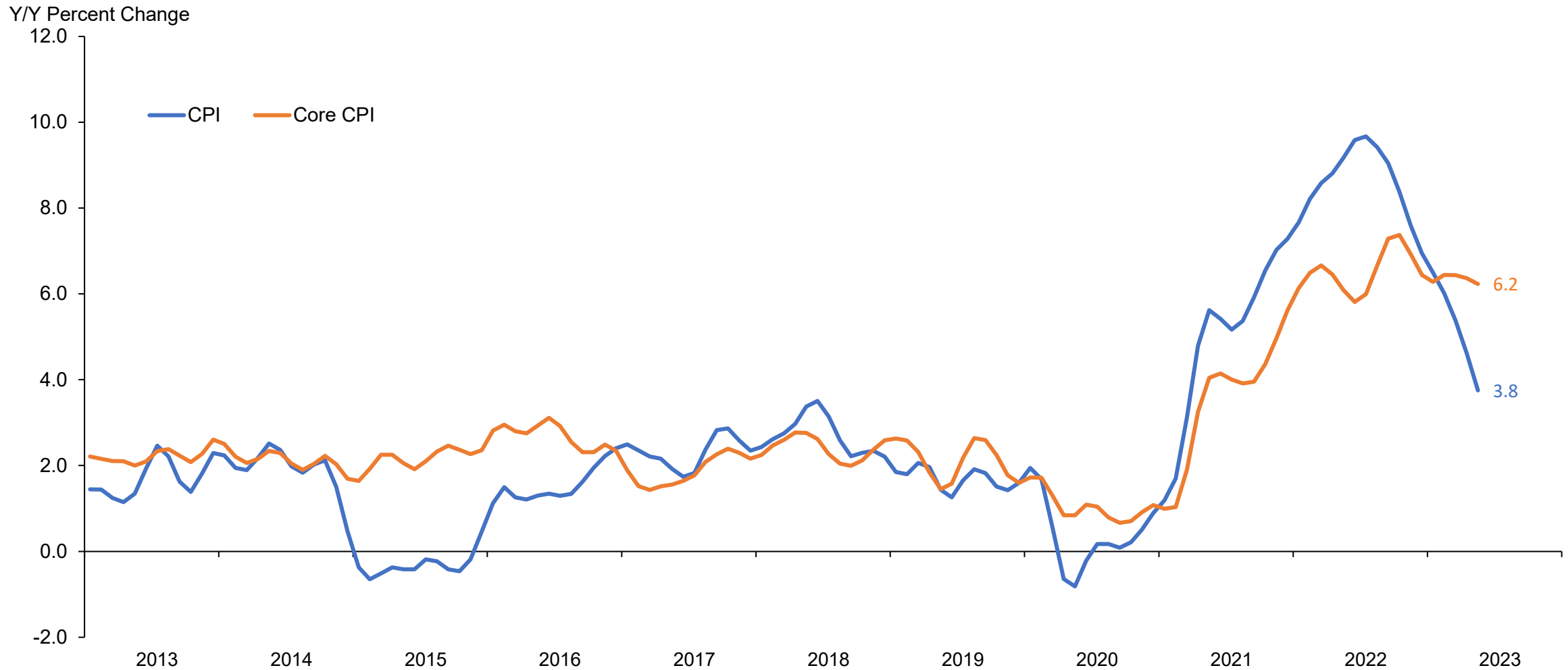
# A high but shrinking share of Texas firms is raising prices and wages

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

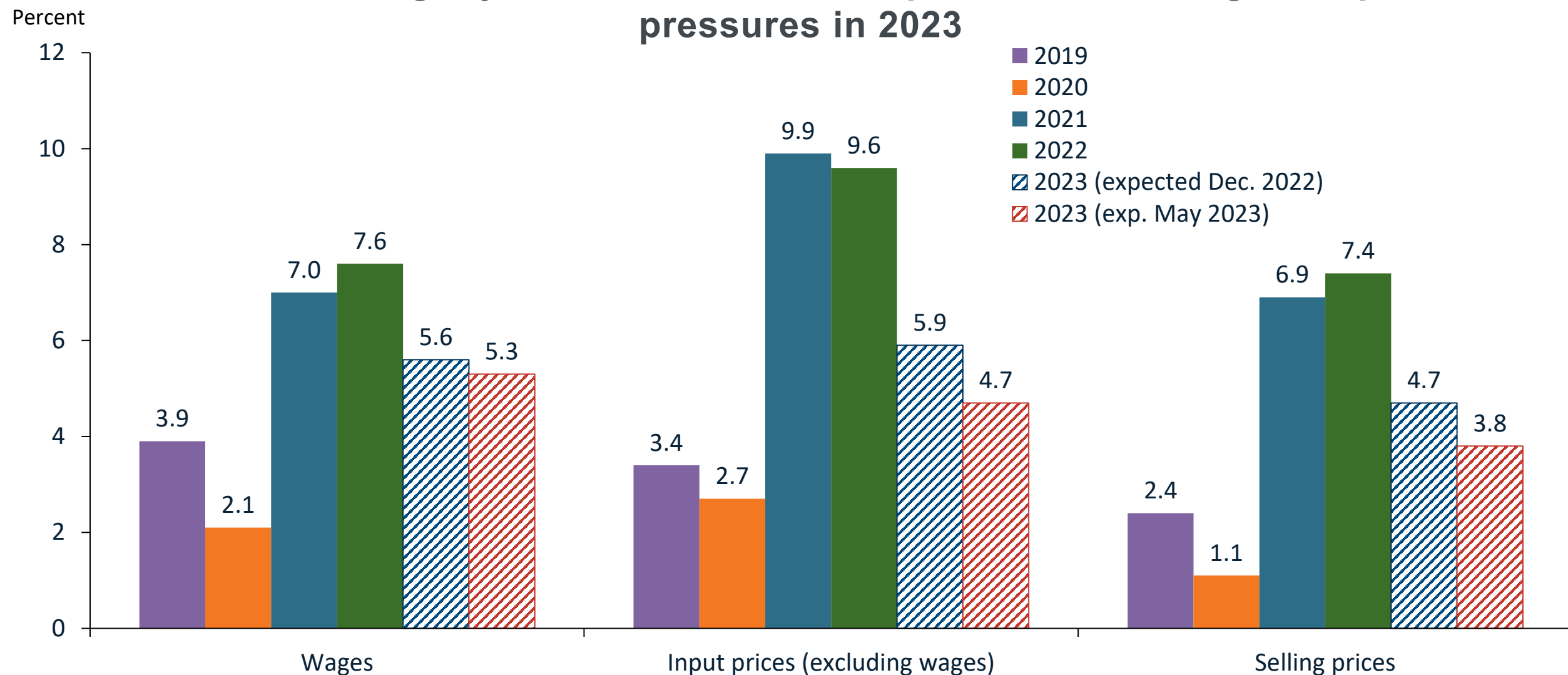
# CPI Inflation in Texas is falling fast but core CPI is not



NOTES: Texas CPI data through May 2023.

SOURCES: Bureau of Labor Statistics.

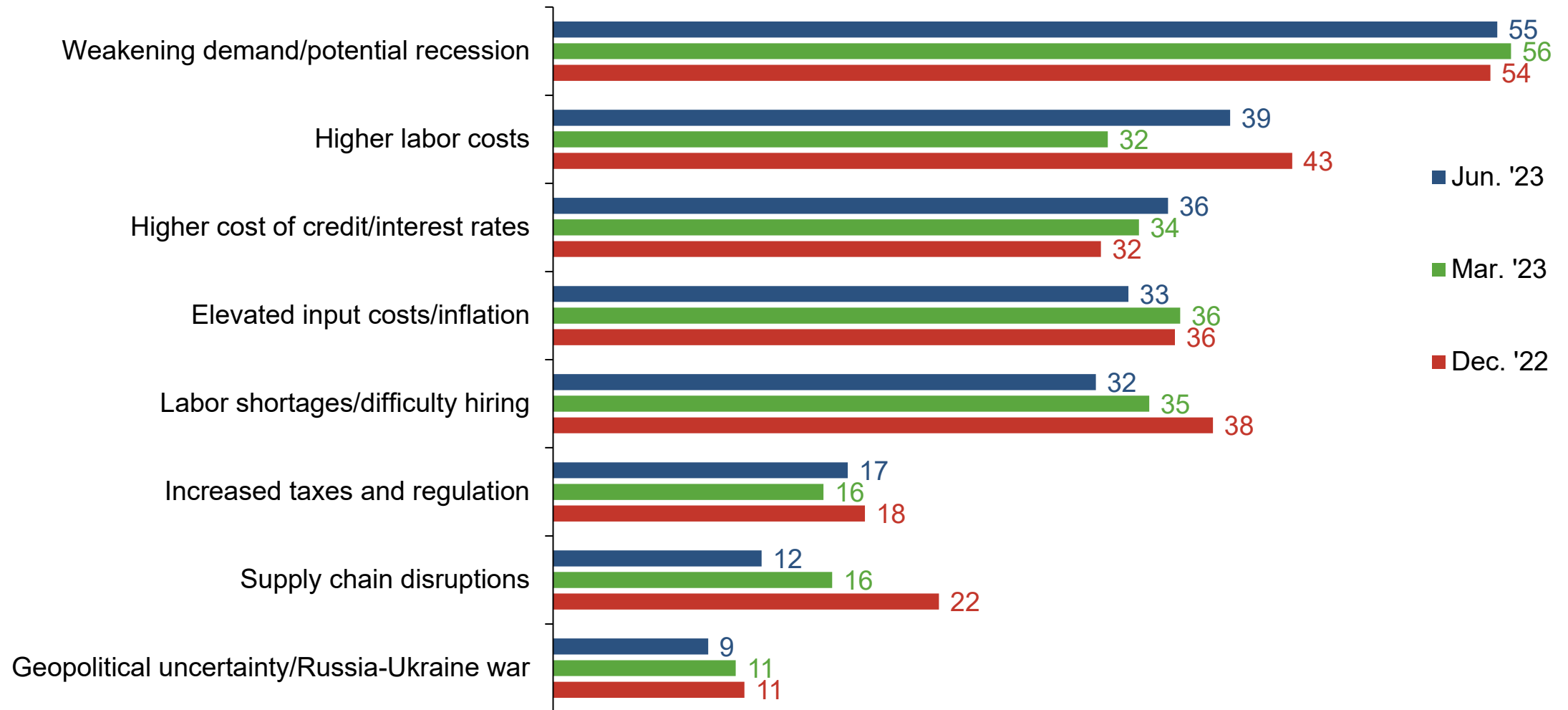
# Firms have slightly revised down their expectations for wage and price pressures in 2023



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.

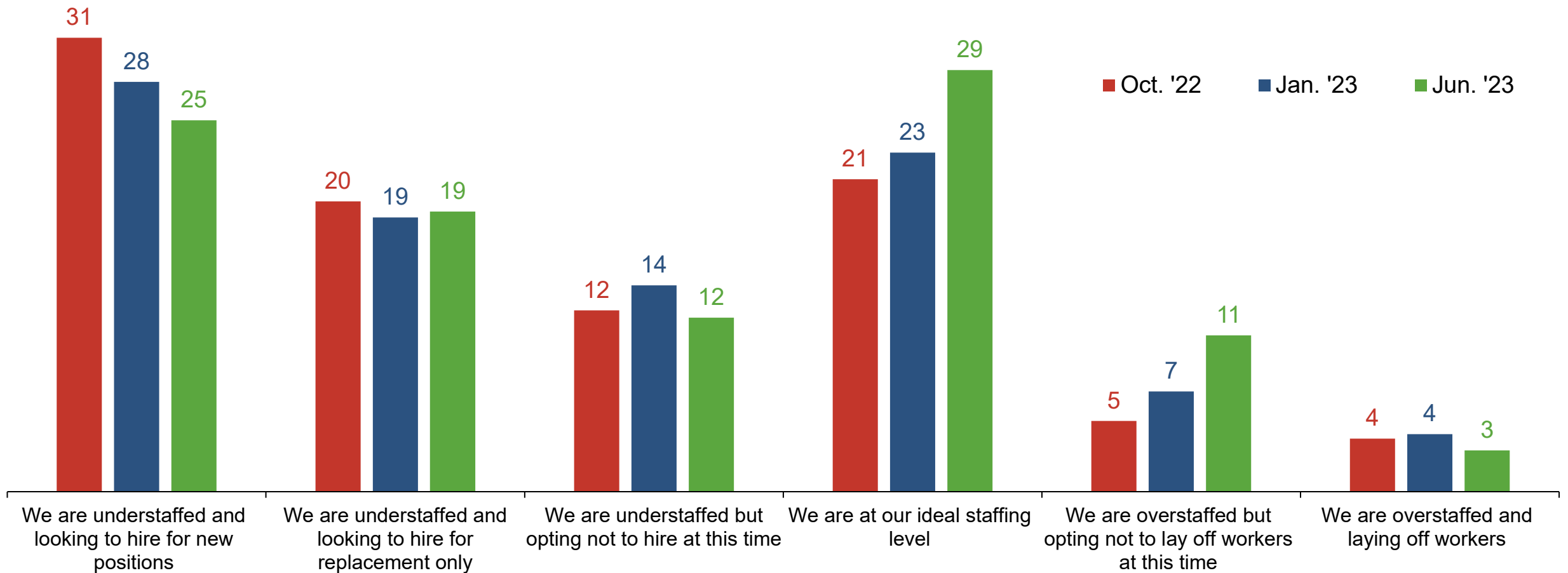
# Firms fear potential recession, high labor costs above other factors



NOTE: Participants were asked, "What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three." N = 356 in June.

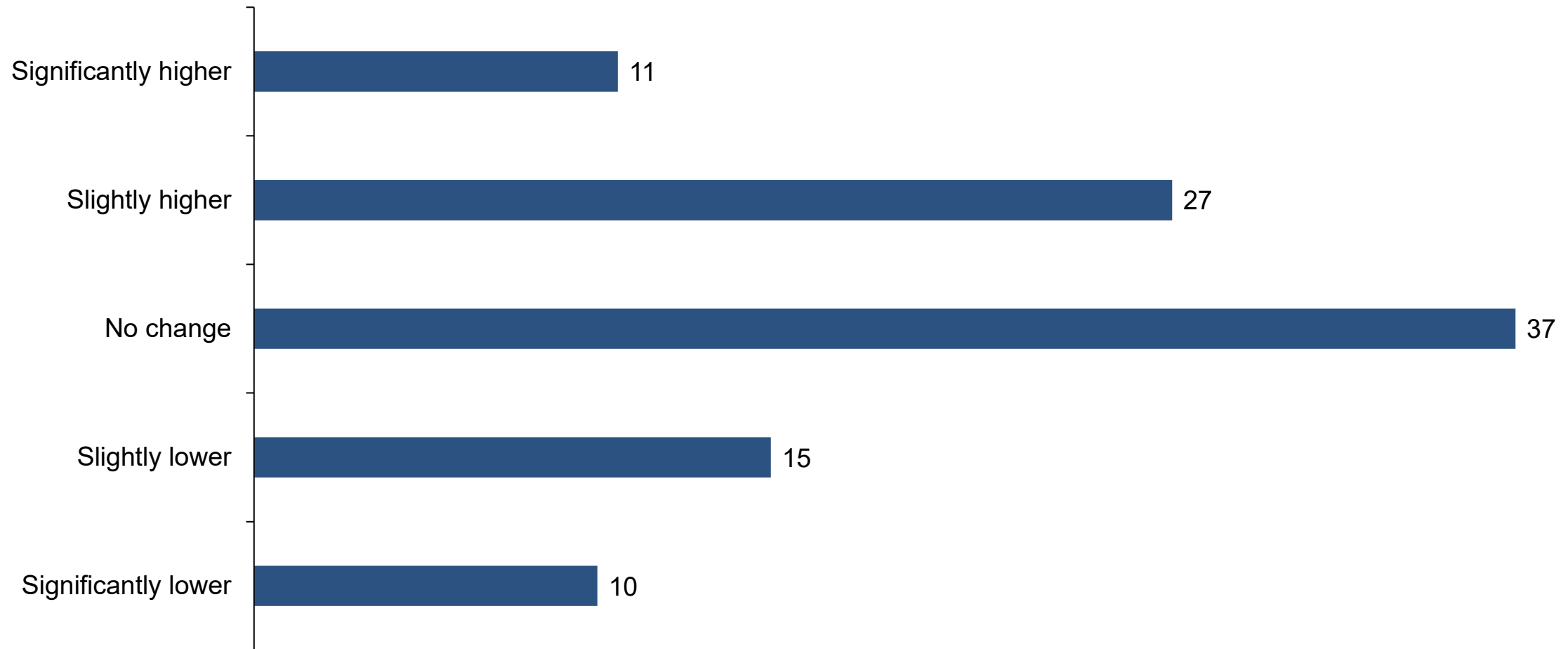
SOURCE: Dallas Fed's Texas Business Outlook Surveys.

# Most firms are still understaffed; among those who are overstaffed, most are hanging on to their workers



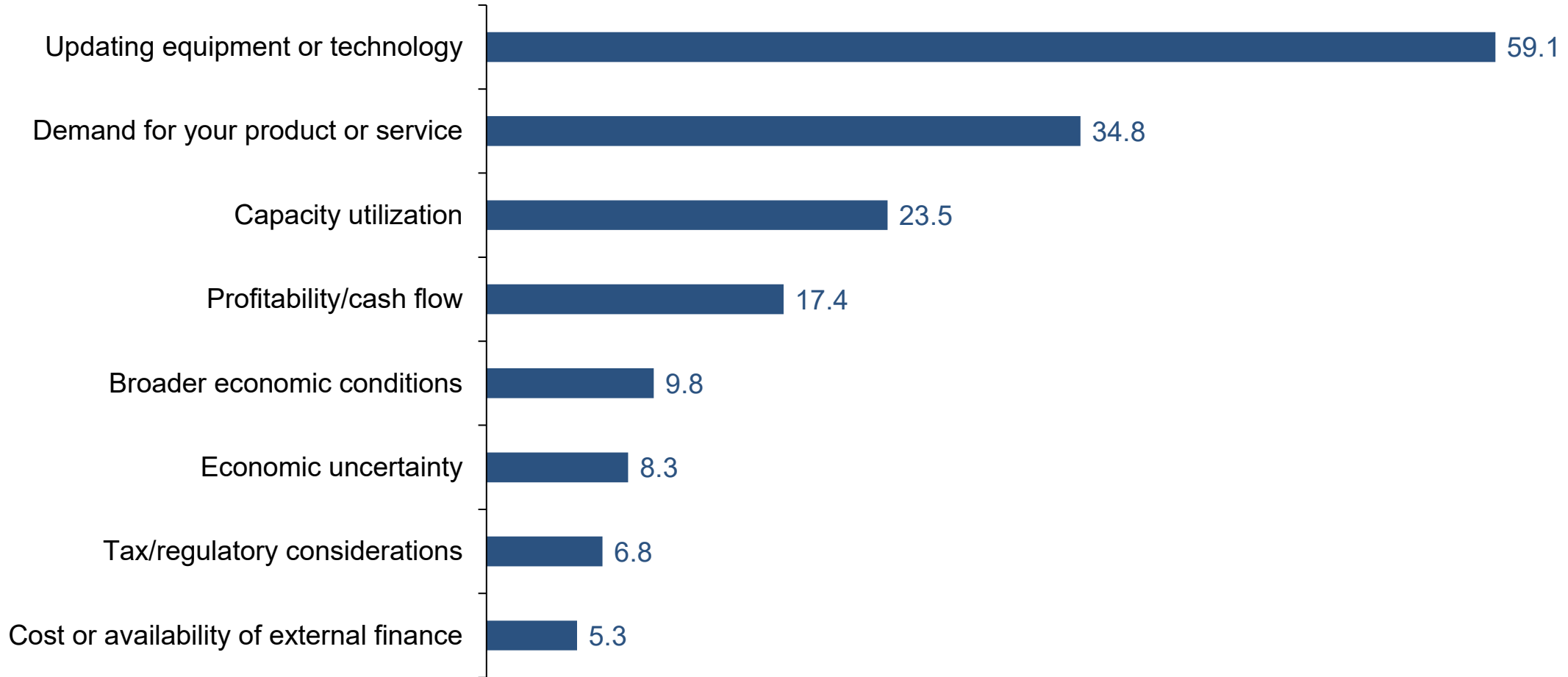
NOTE: Participants were asked, "What is your assessment of your firm's current employment situation in light of your six-month outlook?" N = 357 in June.  
SOURCE: Dallas Fed's Texas Business Outlook Surveys.

## Despite high rates, most firms stick to their capital expenditure plans



NOTE: Participants were asked, "What are your firm's expectations for capital expenditures in 2023 compared to last year?" N = 356 in June.  
SOURCE: Dallas Fed's Texas Business Outlook Surveys.

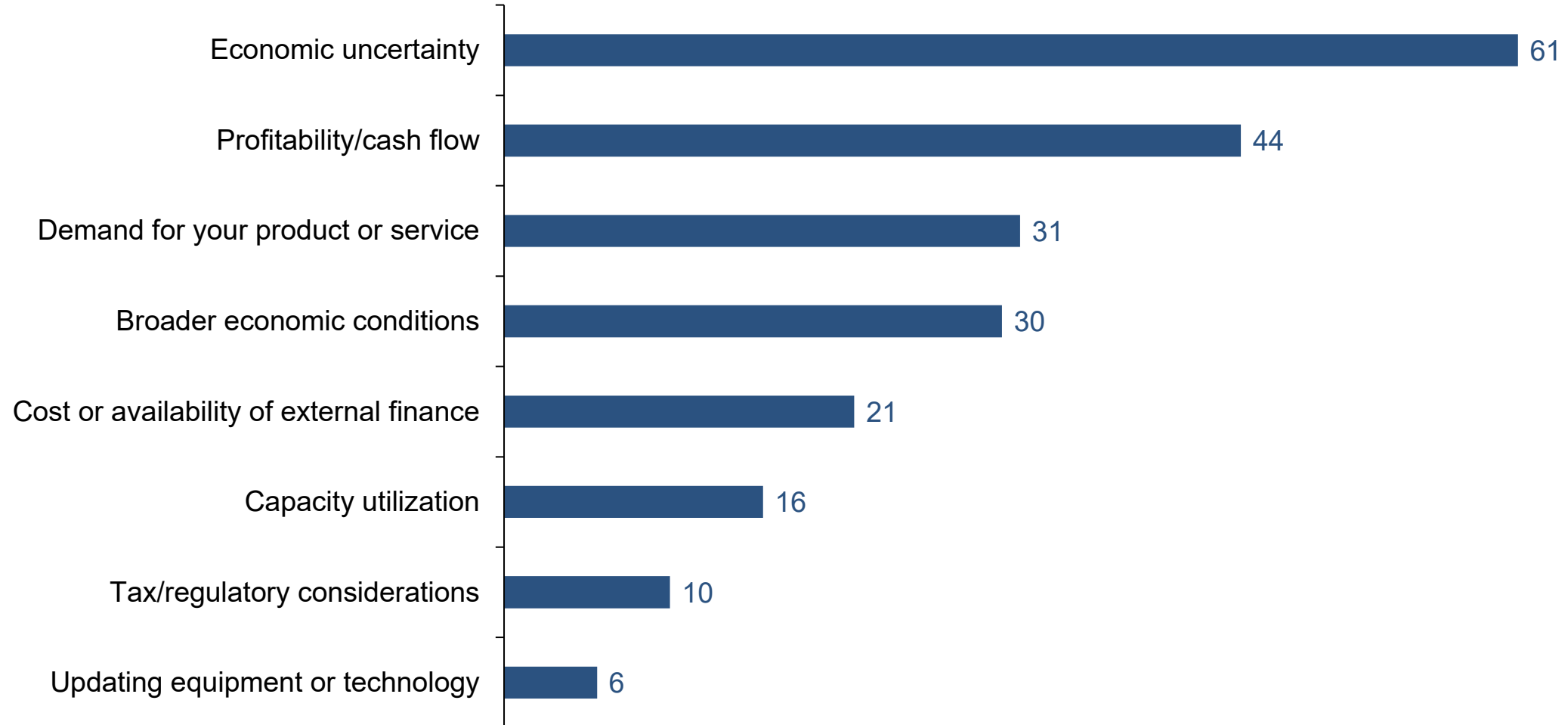
## Recent capital expenditures focus on updating technology



NOTE: Participants were asked, "What are the primary factors behind the increase in your capital expenditures this year? Please select up to three." This question was only posed to those expecting higher capital expenditures this year. N = 132 in June.

SOURCE: Dallas Fed's Texas Business Outlook Surveys.

## Lower profits and economic uncertainty weigh on investment



NOTE: Participants were asked, "What are the primary factors behind the decrease in your capital expenditures this year? Please select up to three." This question was only posed to those expecting lower capital expenditures this year. N = 90 in June.

SOURCE: Dallas Fed's Texas Business Outlook Surveys.

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