



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook

(September 2023)

“Employment Growth Slows, Core Inflation Remains High”

Pia Orrenius and Luis Torres
Federal Reserve Bank of Dallas
9/15/2023

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.

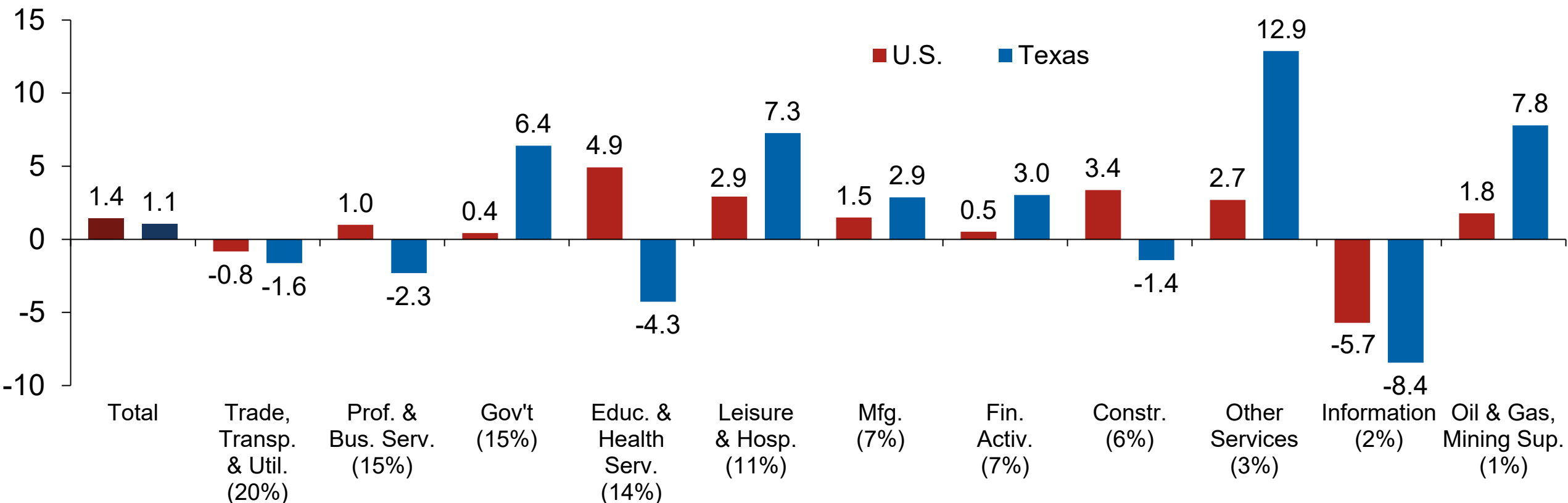
What's New: Job Growth Slows in August

- Texas employment grew 1.1 percent in August, while July growth was revised down to 2.5 percent; Year to date growth is 3.3 percent, below 2022 growth of 4.3 percent.
 - Texas grew slower than the nation (U.S. job growth was 1.4 percent in August).
- The Dallas Fed's Texas Employment Forecast indicates that jobs will increase 2.9 percent in 2023 (slightly down from 3.0 percent last month).
 - The current forecast implies 2.1 percent growth (annualized) in the rest of the year.
- Texas Business Outlook Surveys (TBOS) suggest one-quarter of Texas companies were affected by the recent heat wave. Most (but not all) reported negative effects.
 - Negative effects also varied by industry and leisure and hospitality was hardest hit.
- Companies report continued upward price pressures induced by higher costs and wages, but less severe than earlier in the year.
 - Texas businesses report increasing difficulties passing costs onto consumers in form of higher prices.

Overall Economic Activity

Texas Employment Growth Slows in August; Sees Strong Gains in Gov't, Leisure & Hospitality, Oil & Gas and Other Services

Job Growth August 2023/July 2023 (%)*



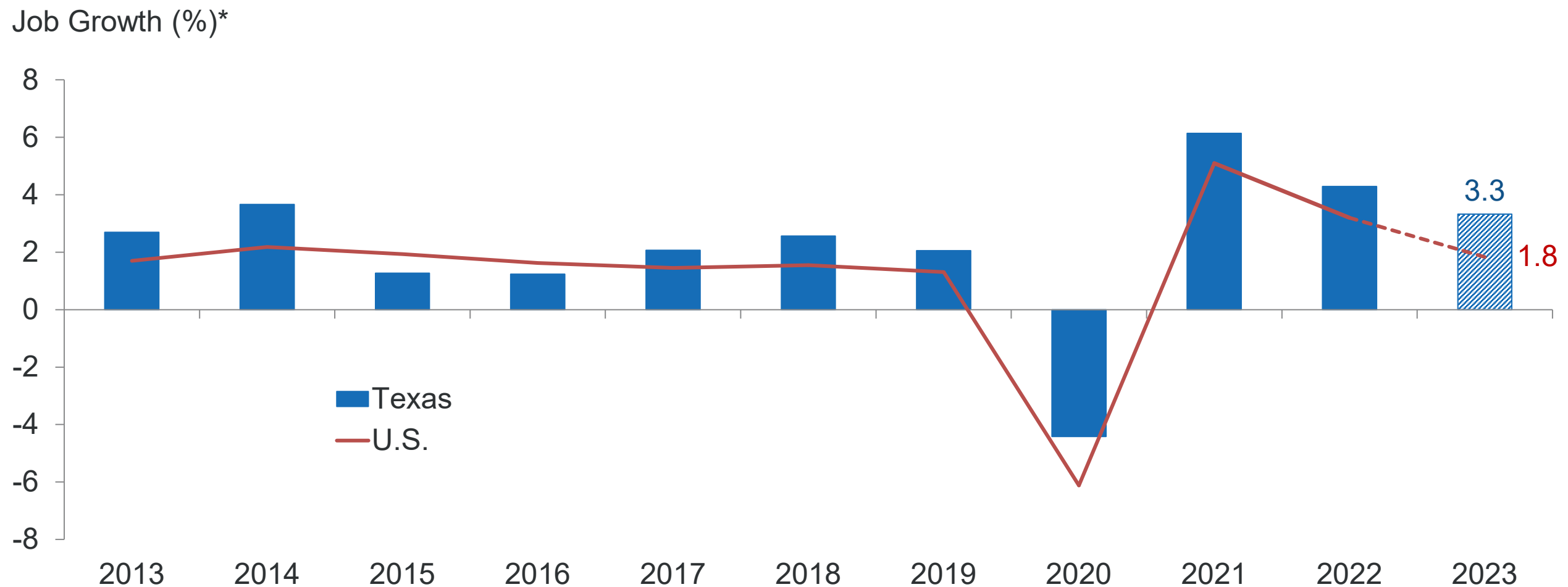
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment in August 2023

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

DATA: [Texas Employment by Industry - Dallasfed.org](https://dallasfed.org/research/texas-employment-by-industry)

Texas Annual Job Growth Remains Ahead of the Nation



*Seasonally adjusted, annualized rate.

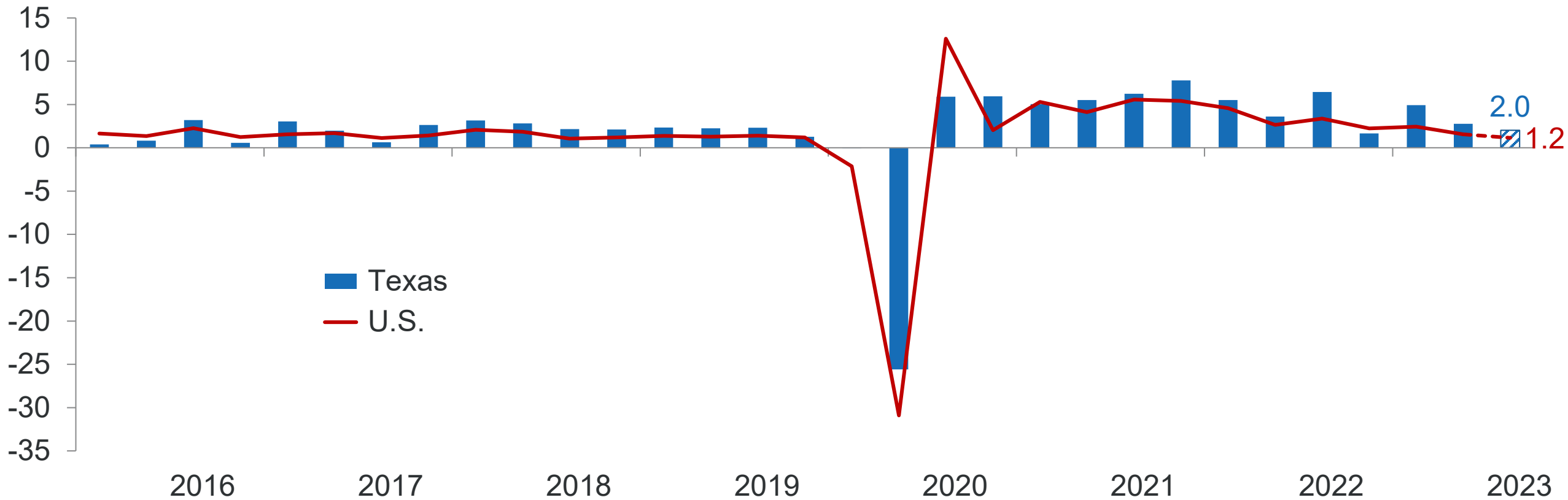
NOTE: Last data points are annualized job growth for Aug. 2023/Dec. 2022. Yearly growth is Dec/Dec.

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

DATA: [Texas Payroll Employment - Total Nonfarm - Dallasfed.org](#)

Texas Job Growth Slows Further at the Middle of Third Quarter

Job Growth (%)*



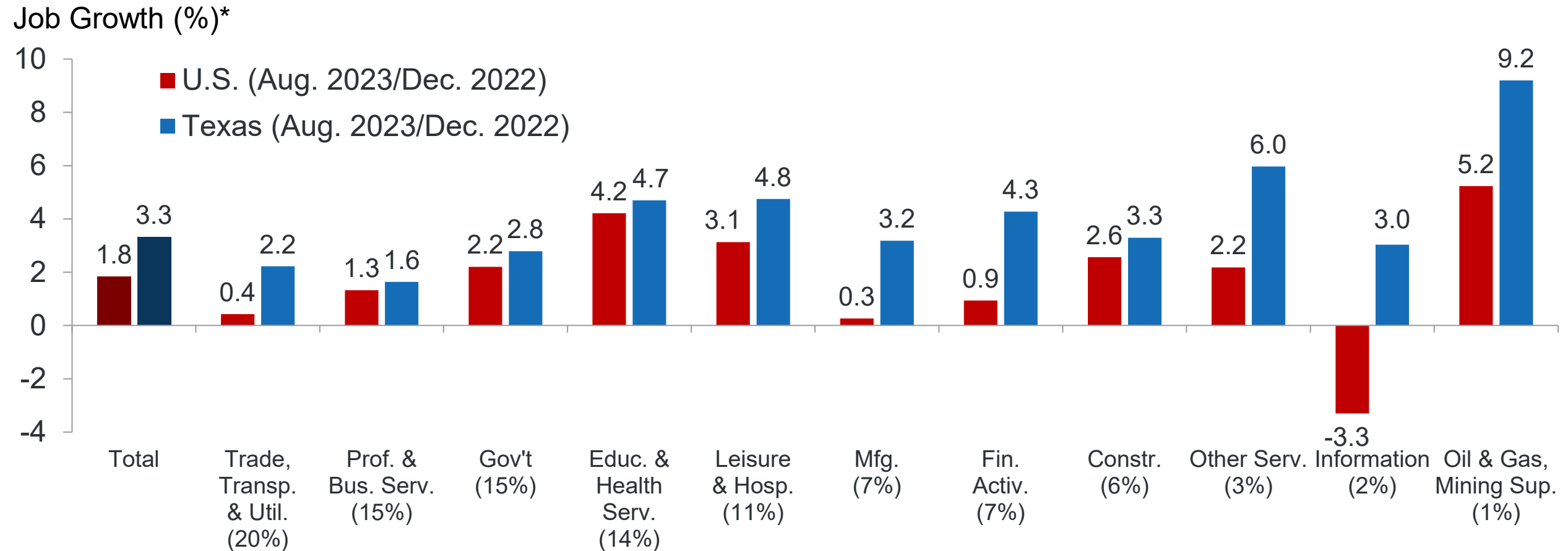
*Seasonally adjusted, annualized rate.

NOTE: Shown is quarterly job growth. Last data points are annualized job growth for Aug. 2023/May. 2023.

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

DATA: [Texas Payroll Employment - Total Nonfarm - Dallasfed.org](https://dallasfed.org/research/texas-payroll-employment-total-nonfarm)

Texas Year-to-Date Job Growth Ahead of U.S. in All Industries



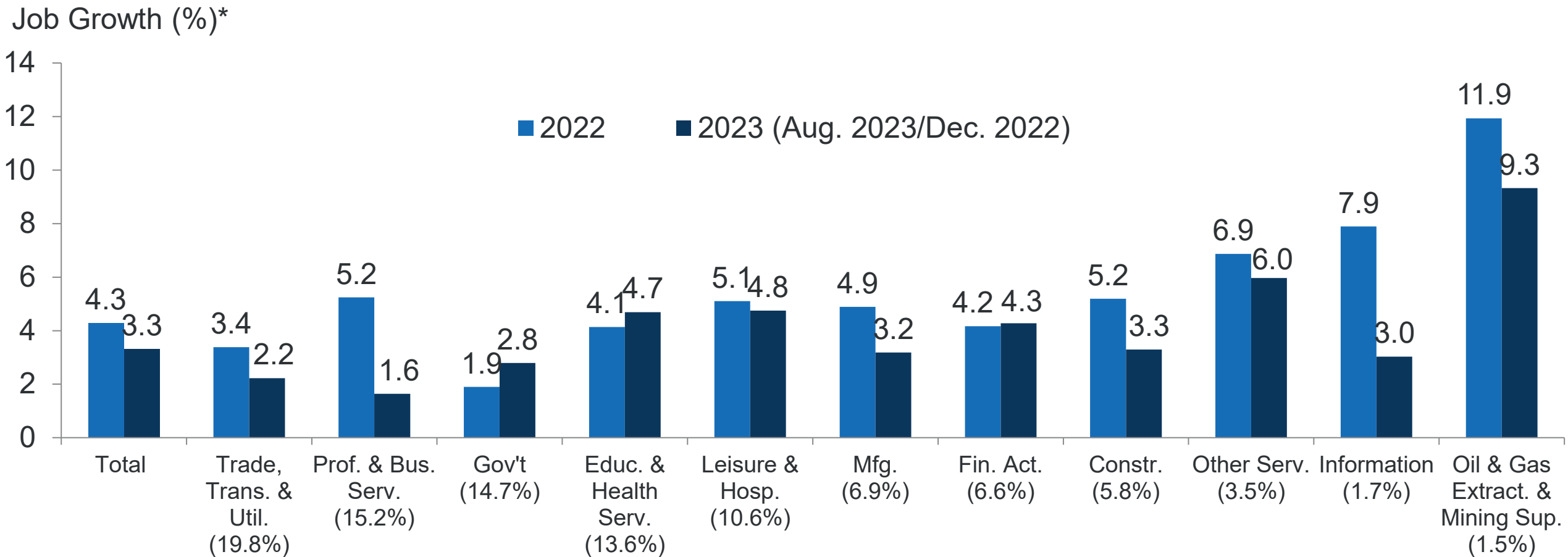
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for August 2023.

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

DATA: [Texas Employment by Industry - Dallasfed.org](https://dallasfed.org/economic/texas/texas-employment-by-industry)

Compared to Last Year, Prof. & Bus. Serv., Mfg., Constr., and Information Have Slowed the Most



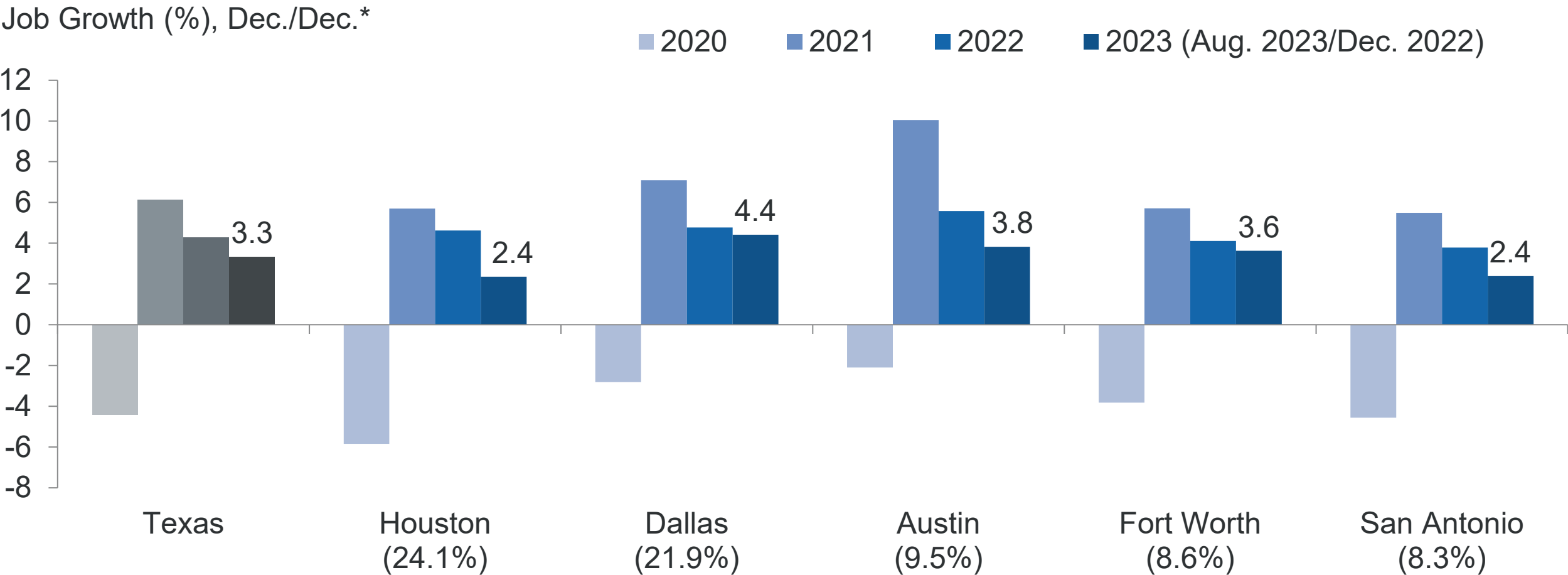
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment for August 2023.

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

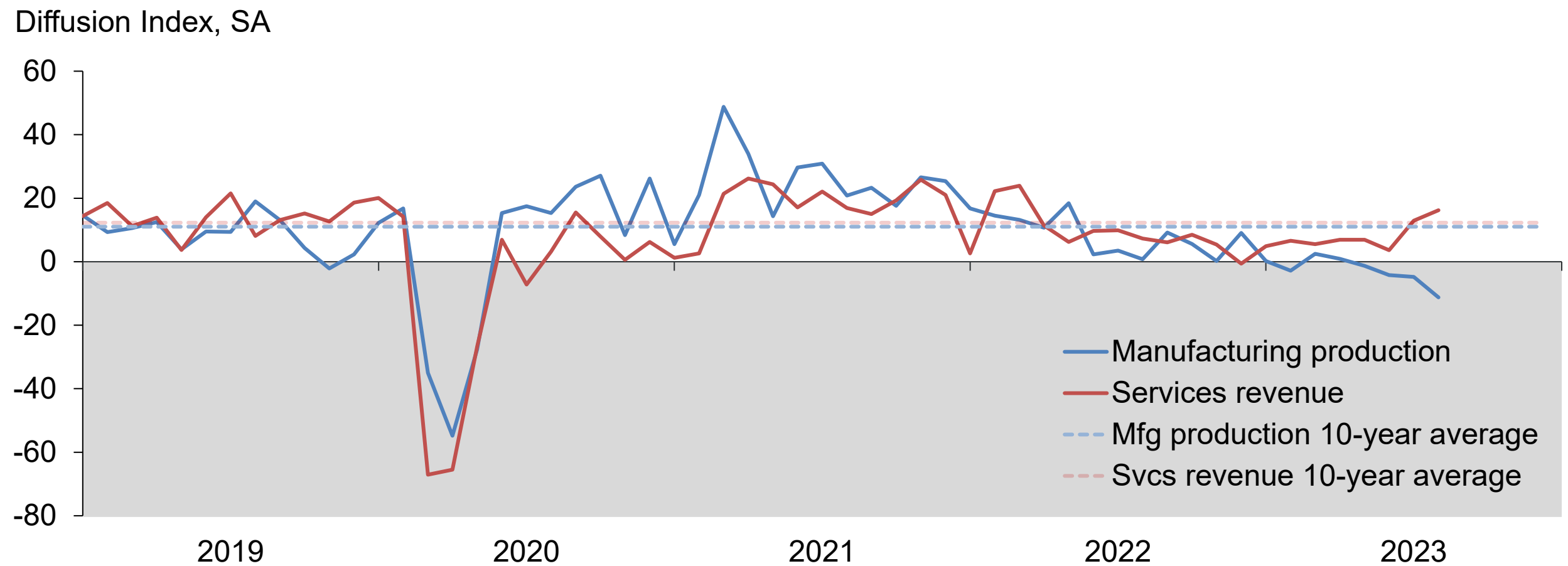
DATA: [Texas Employment by Industry - Dallasfed.org](https://dallasfed.org/economic/texas-employment-by-industry)

Dallas Leads in Year-to-Date Job Growth in 2023



*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of state employment for August 2023.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.
DATA: [Texas Employment Data - Dallasfed.org](https://dallasfed.org/research/texas-employment-data)

Texas Firms Report Faster Growth in Services, Continued Declines in Manufacturing

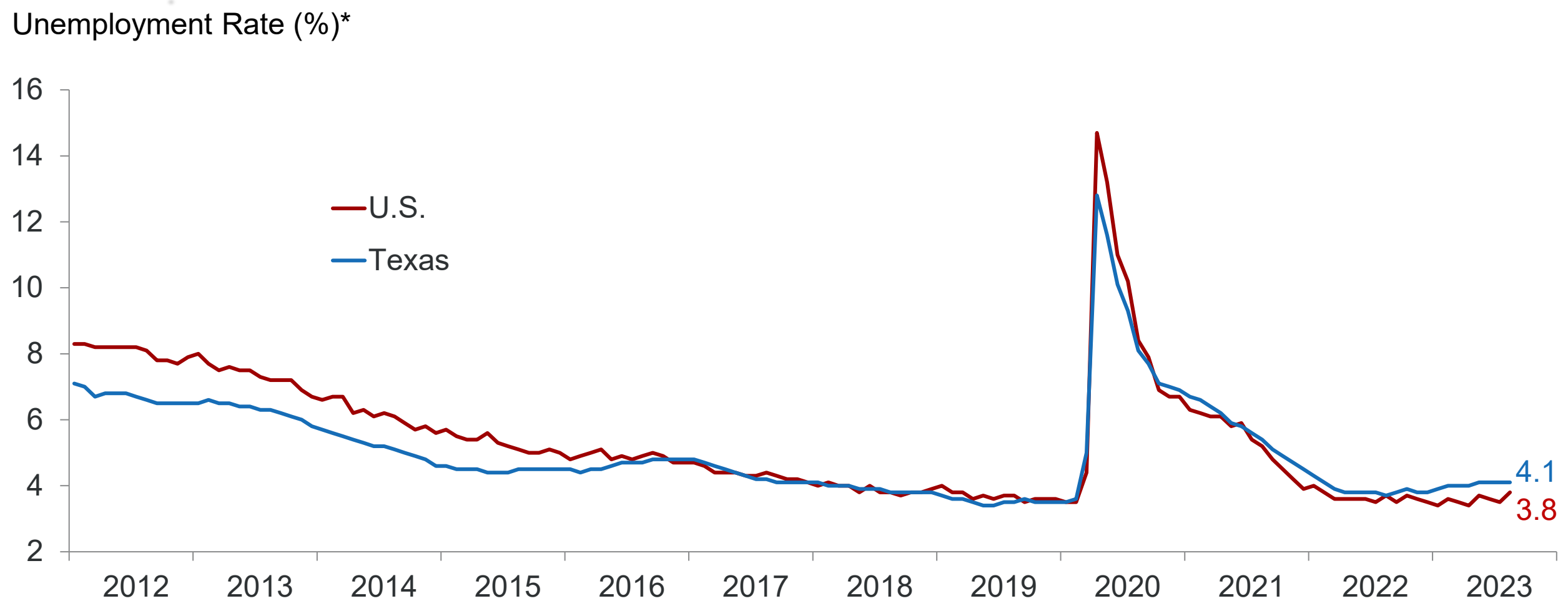


NOTES: Data through August 2023. Shaded area represents contractionary territory.

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

DATA: [Surveys - Dallasfed.org](https://surveys.dallasfed.org)

Texas Unemployment Rate Holds at 4.1 Percent in August



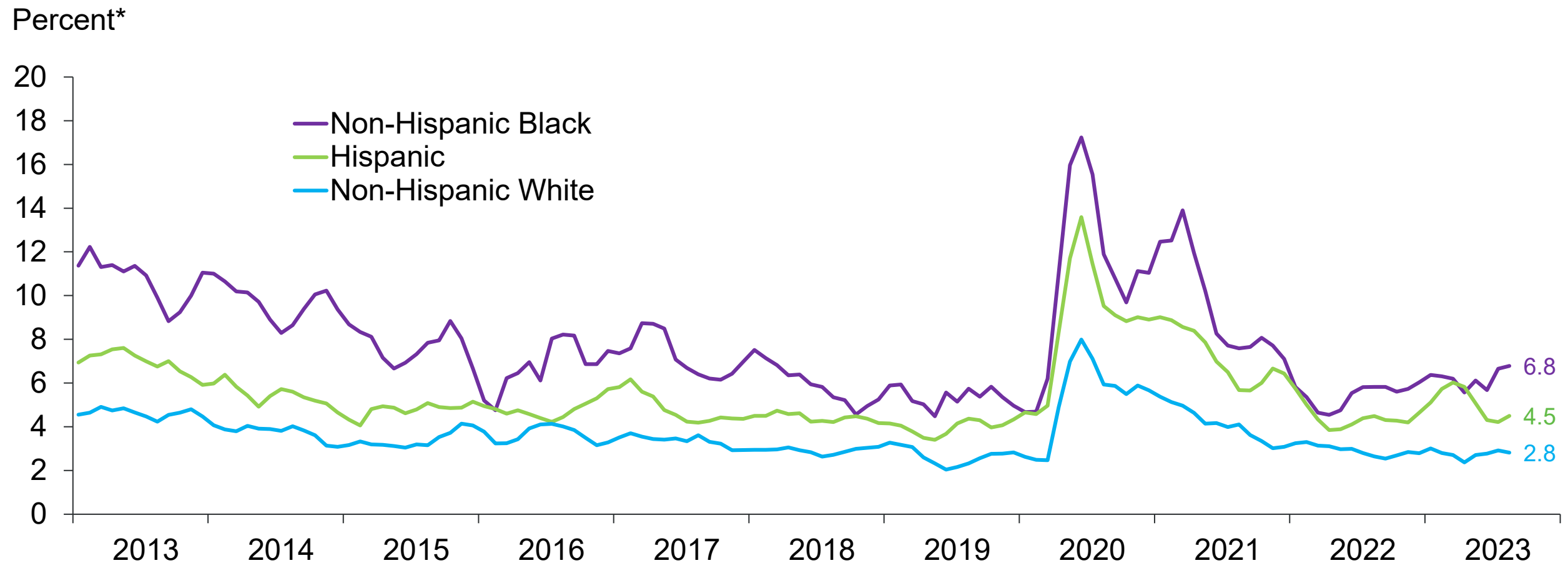
*Seasonally adjusted.

NOTE: Data are through August 2023.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

DATA: [Texas Employment by Industry - Dallasfed.org](https://dallasfed.org/research/texas-employment-by-industry)

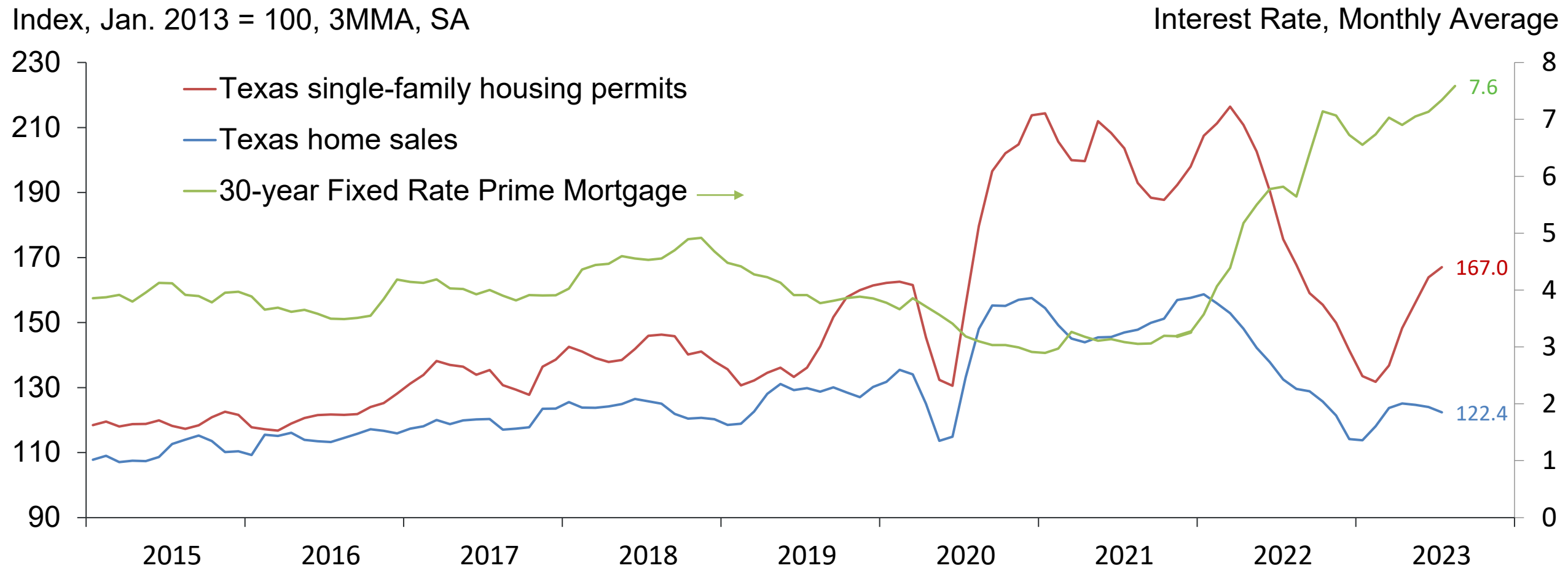
Unemployment Rates Stable Across Race/Ethnic Groups



*Seasonally adjusted, three-month moving average.
NOTES: Last data points are August 2023 values.

Housing and Energy Industries

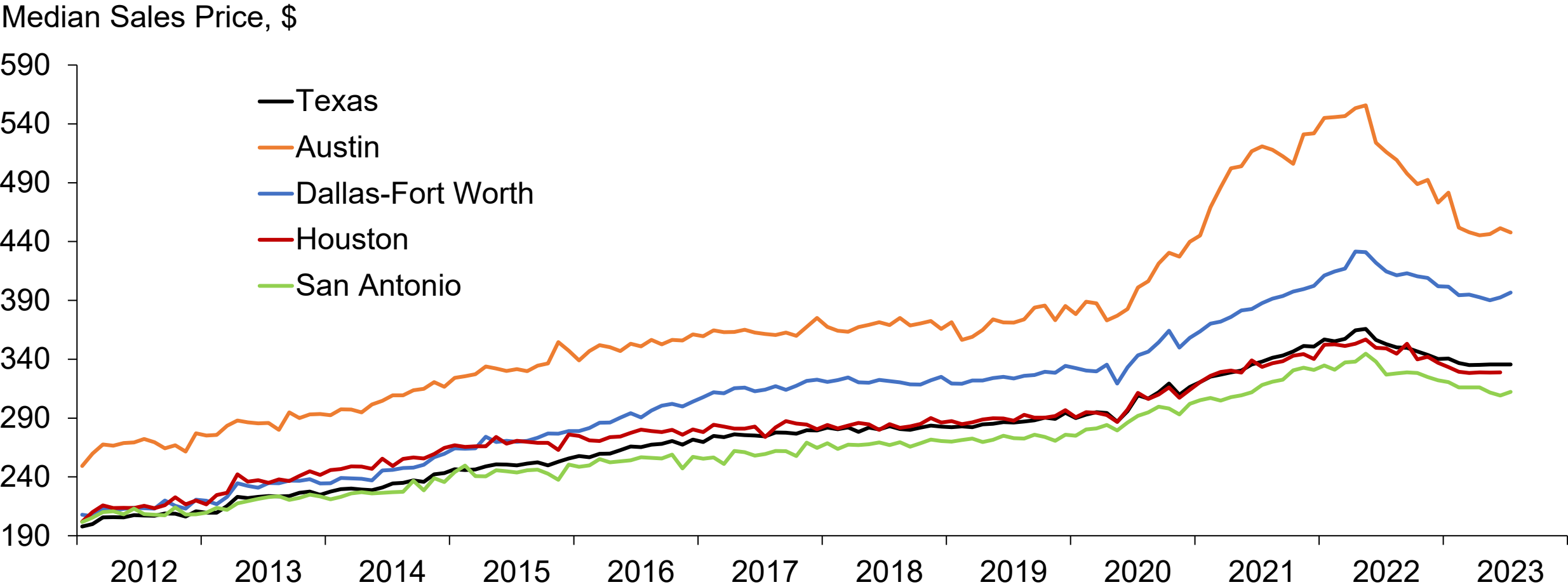
Housing: Single-Family Building Permits Rising While Existing-Home Sales Turn Down



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

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

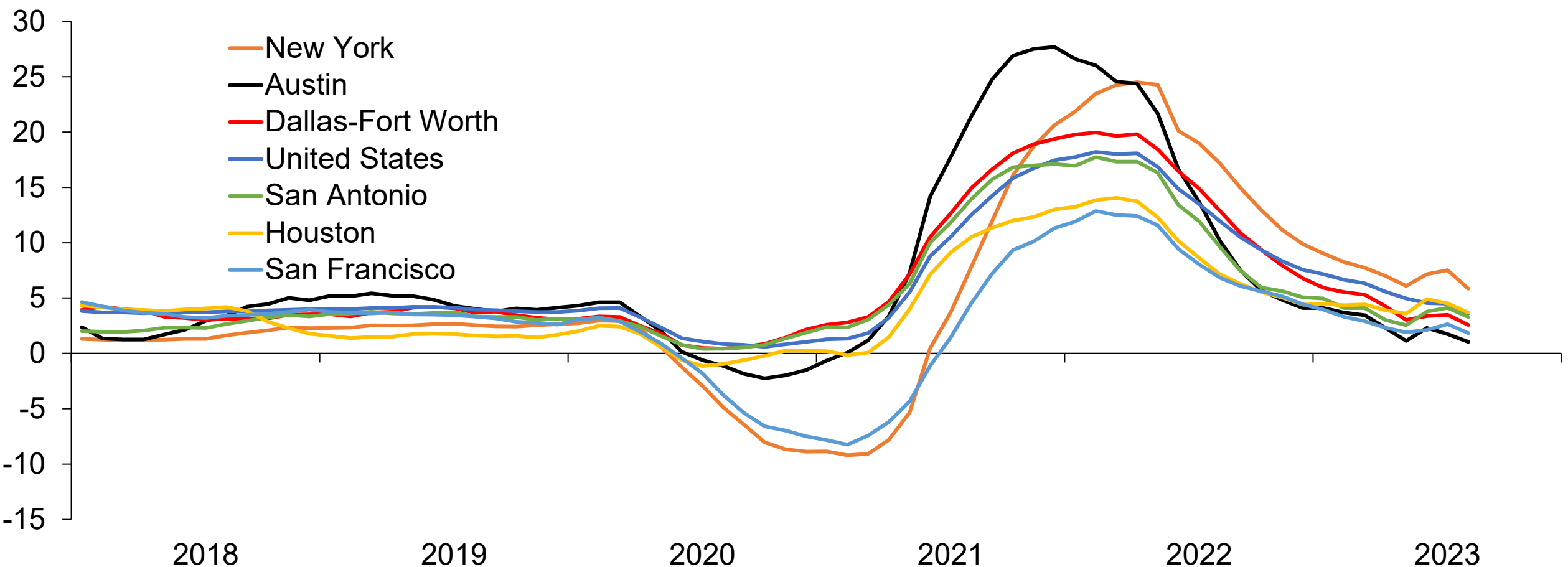
Slight Uptick in Dallas-Forth Worth and San Antonio House Prices in August



NOTES: Seasonally adjusted sales price, nominal. Data through June 2023 for Houston. July 2023 for the rest.

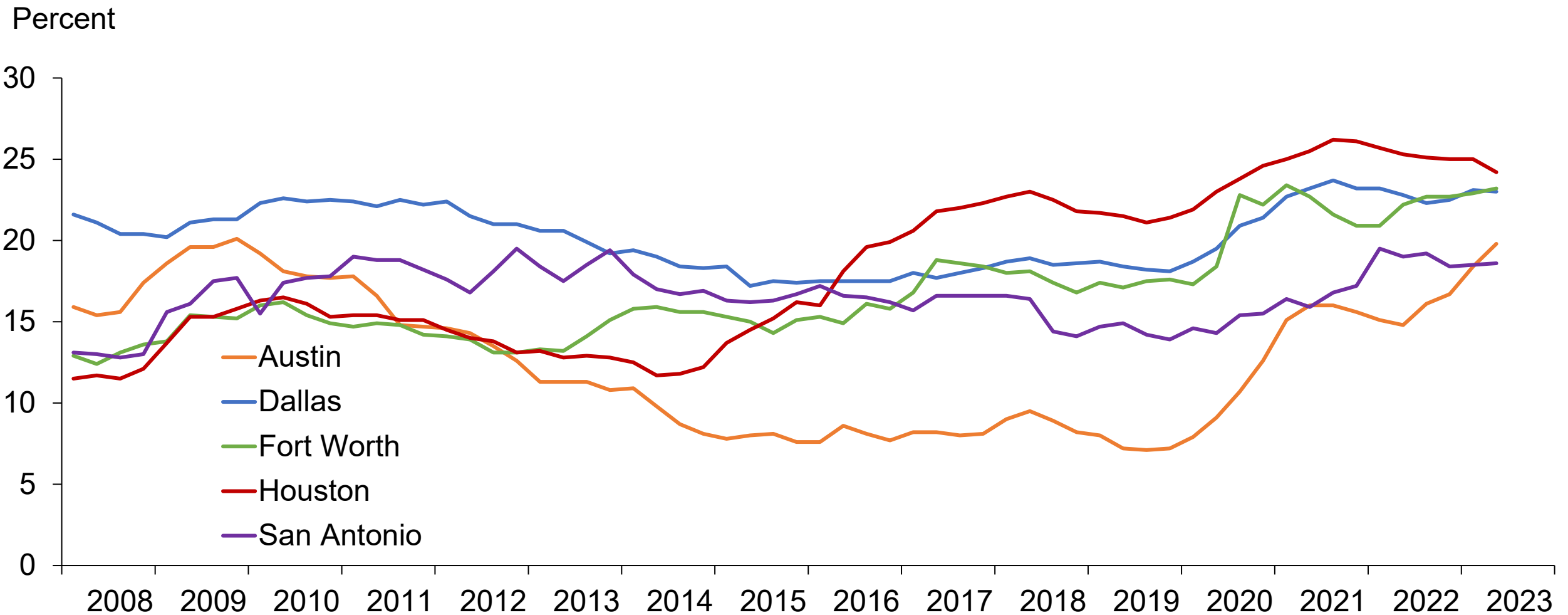
Apartment Rent Growth Down Across the Country

Percent, Y/Y



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

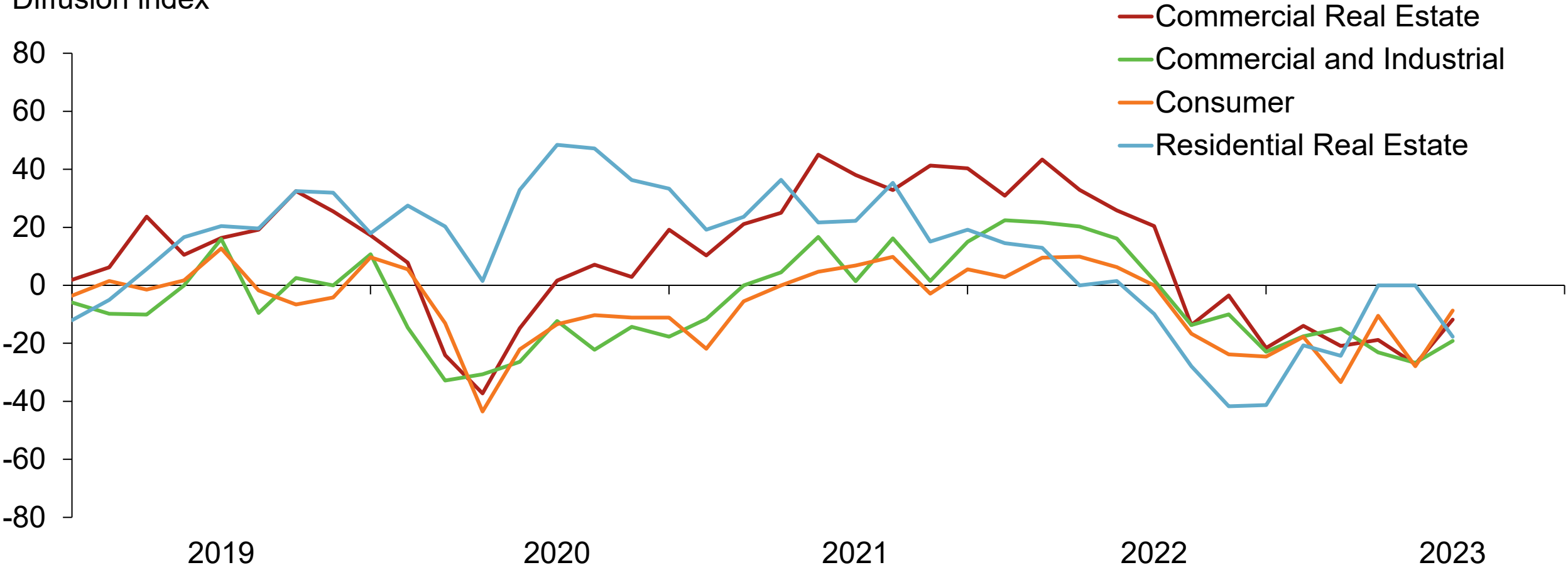
Office Vacancy Stabilizes But Not In Austin



NOTE: Data through Q2 2023.
SOURCE: CBRE Econometric Advisors.

Loan Volumes Declining, According to 11th District Bankers

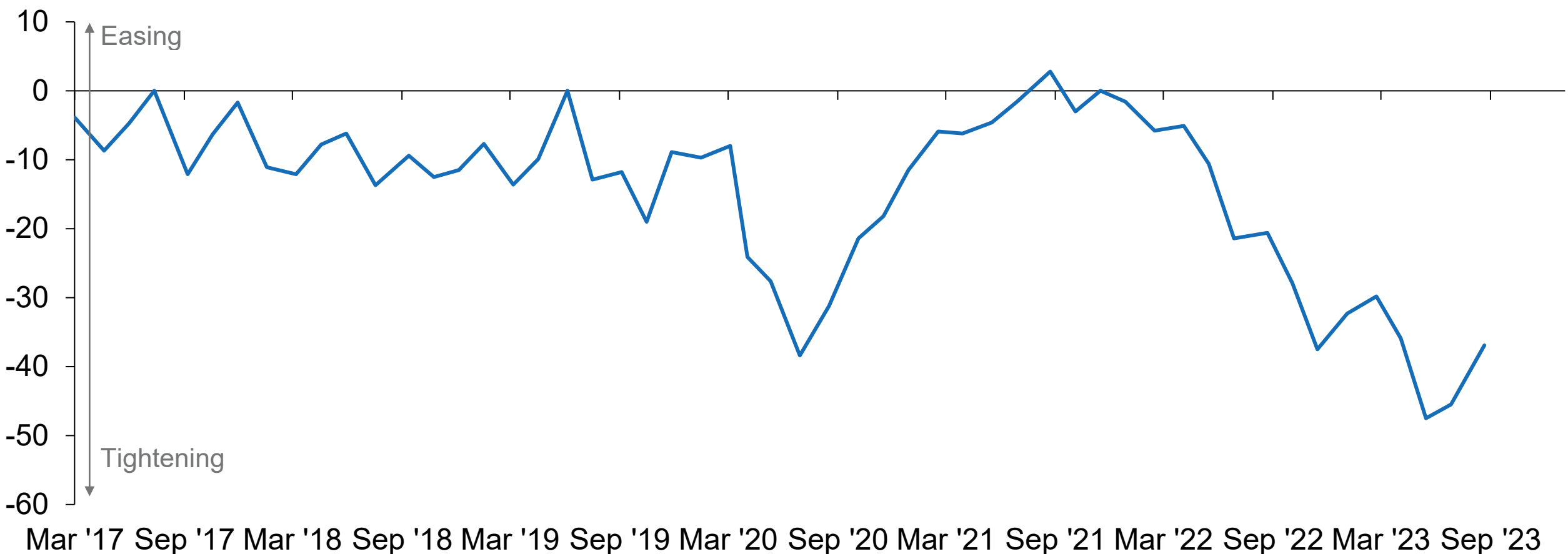
Diffusion index



NOTE: Data through August 2023.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

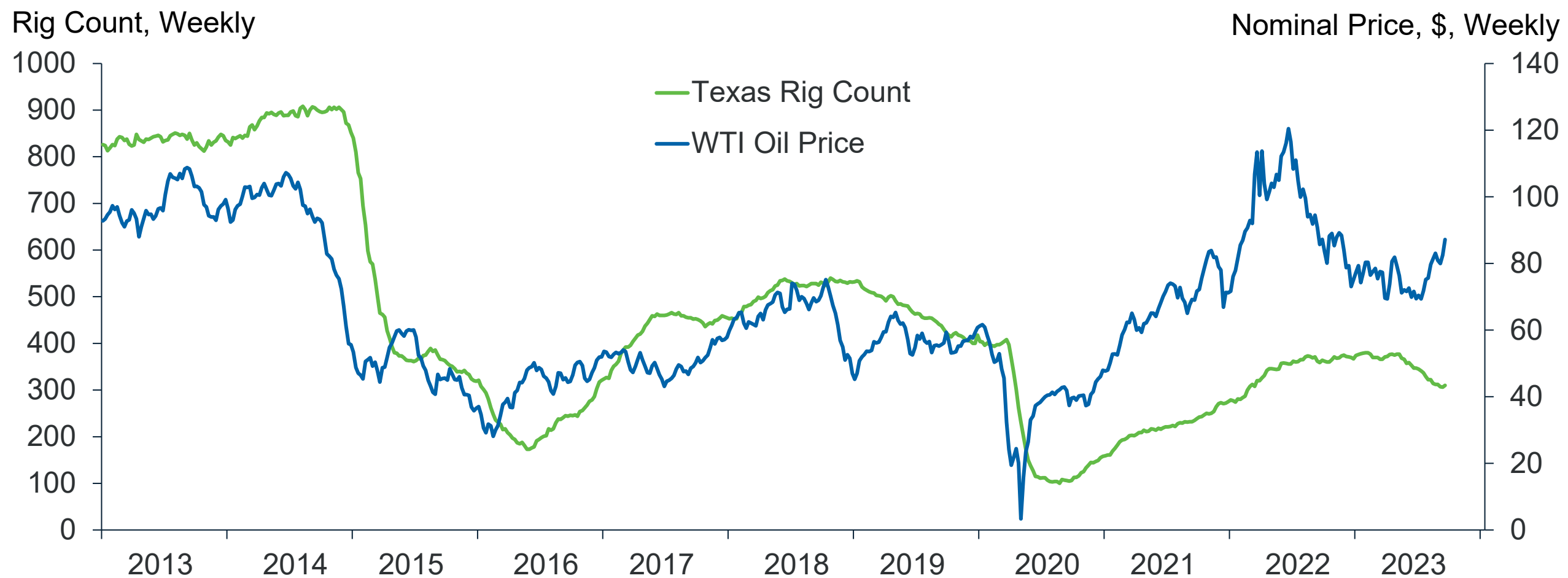
Texas Banks Keep Tightening Credit Standards

Diffusion index



NOTE: Includes credits and terms, and data through August 2023.
SOURCS: Federal Reserve Bank of Dallas' Banking Conditions Survey.

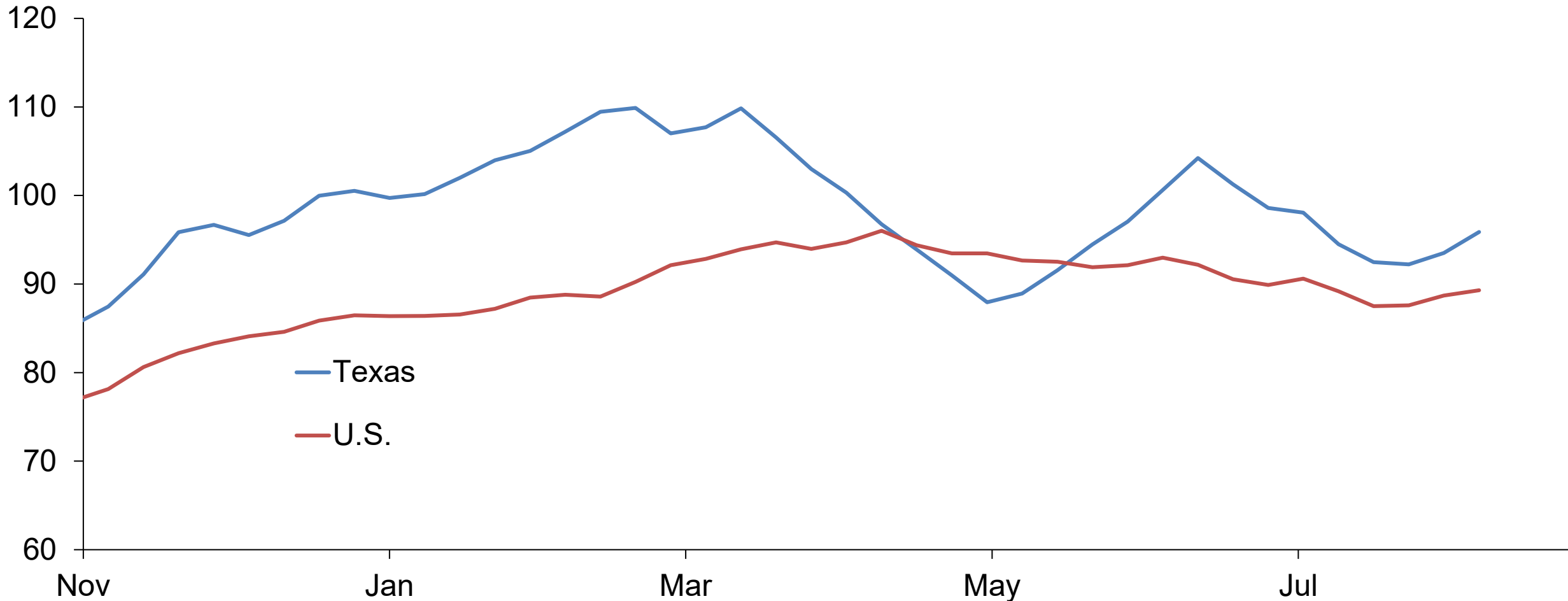
Rig Count Down as Oil Prices Rise



High-Frequency Data

Texas Total Jobless Claims Continue to Flatten

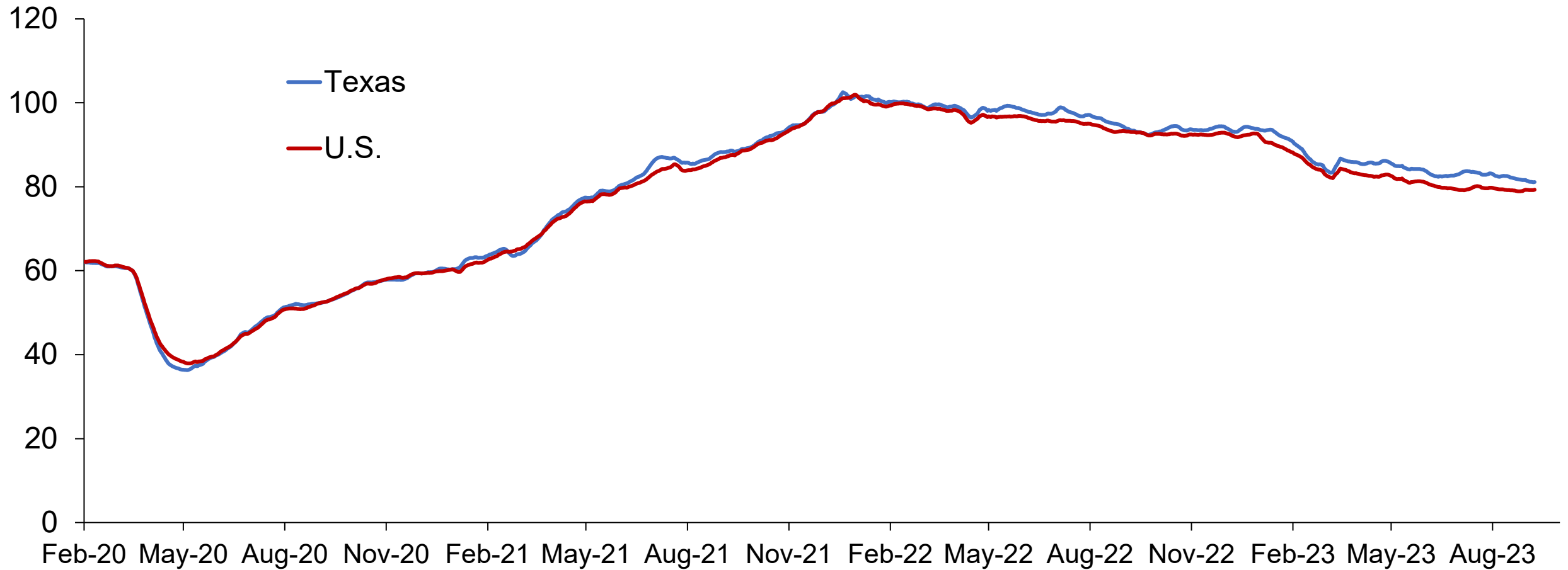
2-Week Moving Average, Index, Second Week of Mar. 2020 = 100



NOTES: Total (initial and continuing) unemployment claims data through the week ending September 2nd and include states UI and federal PUA, PEUC and EB when available.
SOURCE: Department of Labor.

Texas and U.S. Job Postings Keep Falling

% Change from Jan. 2022

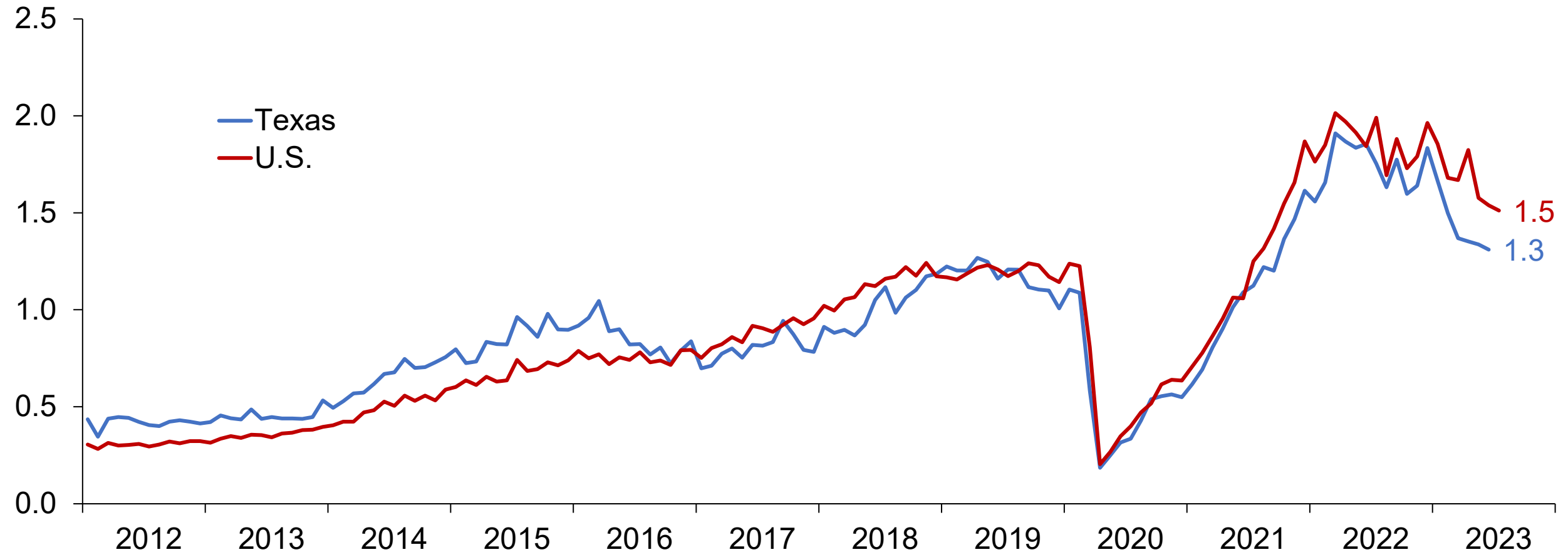


NOTE: U.S. and Texas data daily through September 8th, 2023.

SOURCE: Indeed.

U.S. Labor Market Tighter than Texas'

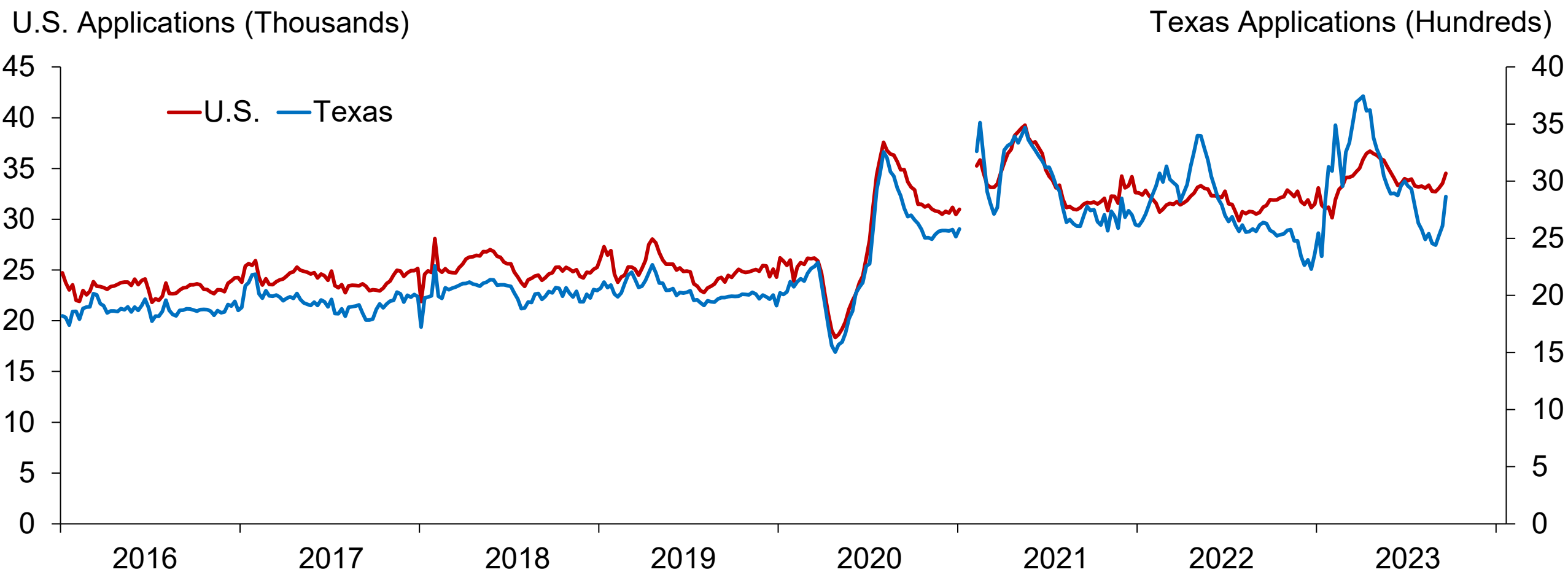
Vacancies per unemployed, SA



NOTES: Shown are job vacancies over counts of unemployed. Data through June 2023 for Texas; July 2023 for U.S.

SOURCE: Bureau of Labor Statistics.

New Business Applications Tick Up in Texas, US

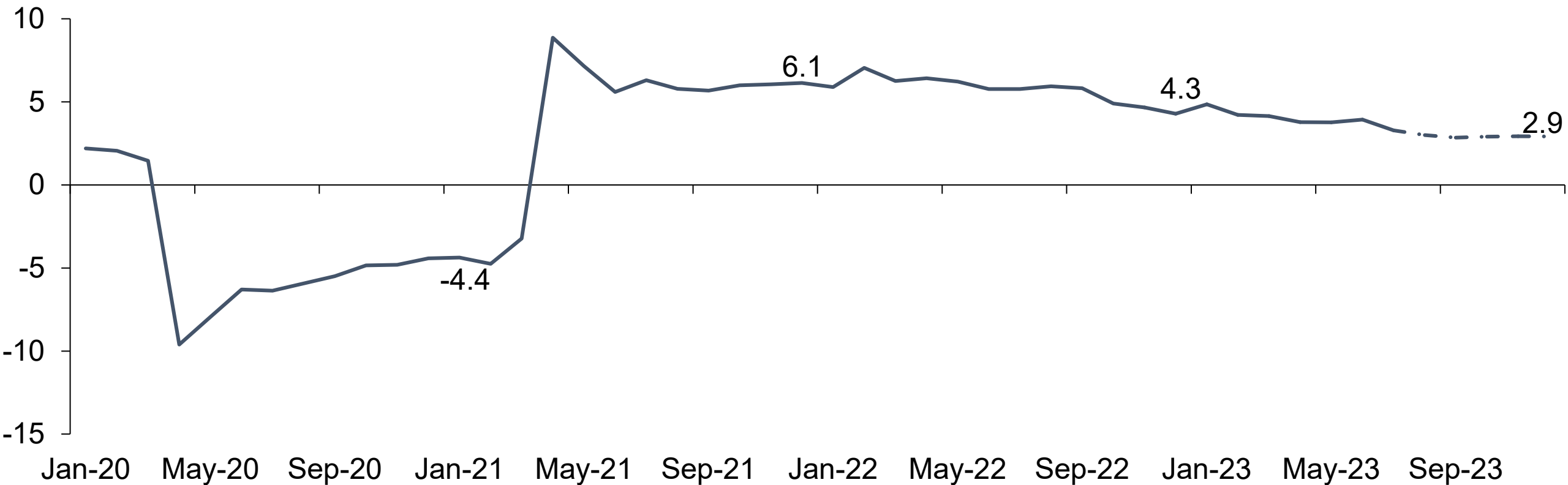


NOTE: Data through September 9th.
SOURCE: U.S. Census

Outlook for 2023

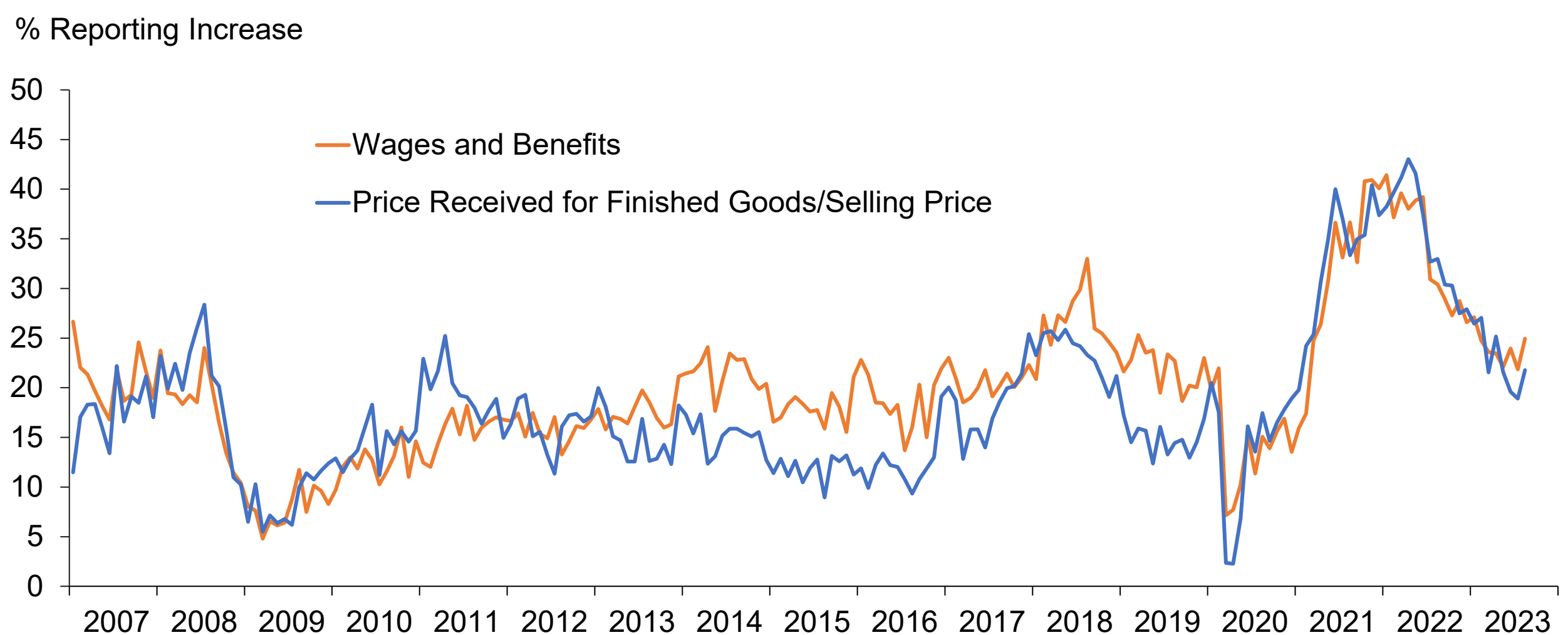
The Texas Employment Forecast Indicates That Jobs Will Increase 2.9 Percent in 2023 After Rising 4.3 in 2022

Percent, Y/Y



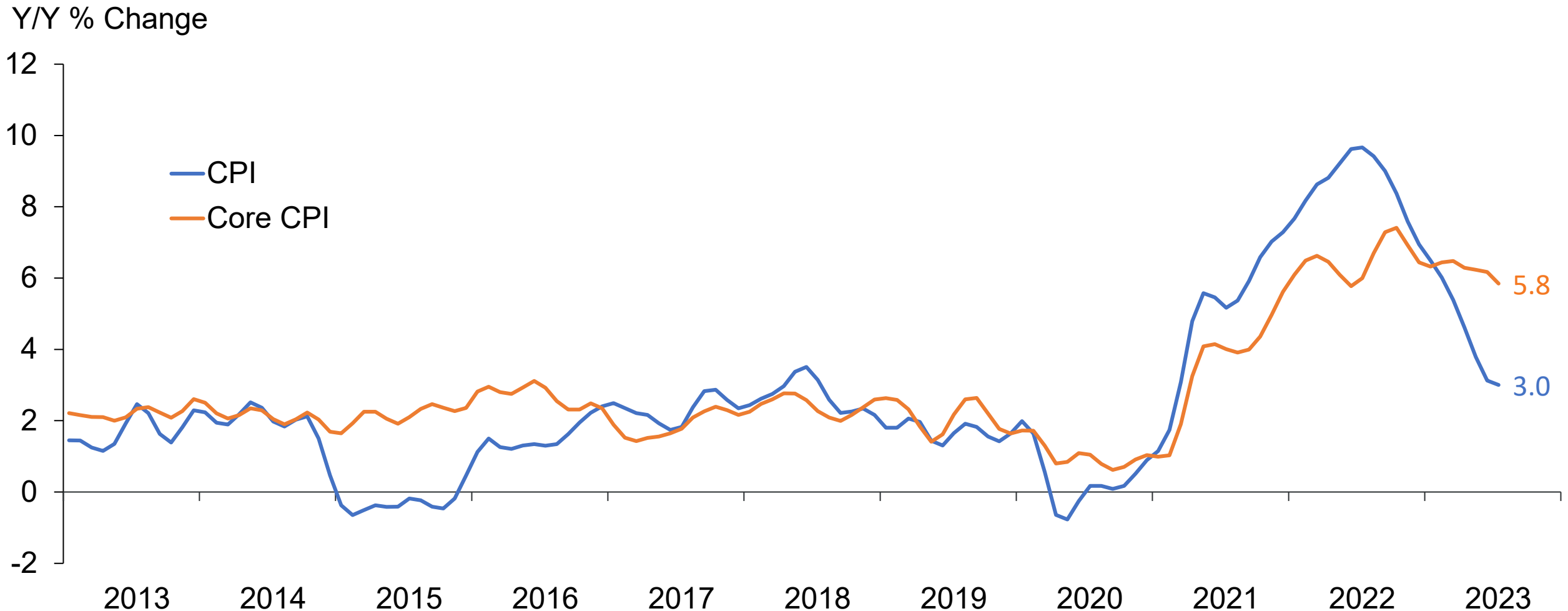
NOTE: The Dallas Fed Texas Employment Forecast is based on the average of four models. Three models are VARs where Texas payroll employment is regressed on WTI oil prices, the US leading index and the Texas leading index, respectively. The fourth model is a regression of payroll employment on lags of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

Share Texas Firms Raising Prices, Wages Ticks Up in Aug



NOTE: Percent reporting increase was constructed by weighing the respective component of TMOS, TSSOS, and TROS according to GDP shares. Data through August 2023.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Both Texas CPI and Core CPI Trend Downwards, But Core Inflation Remains High

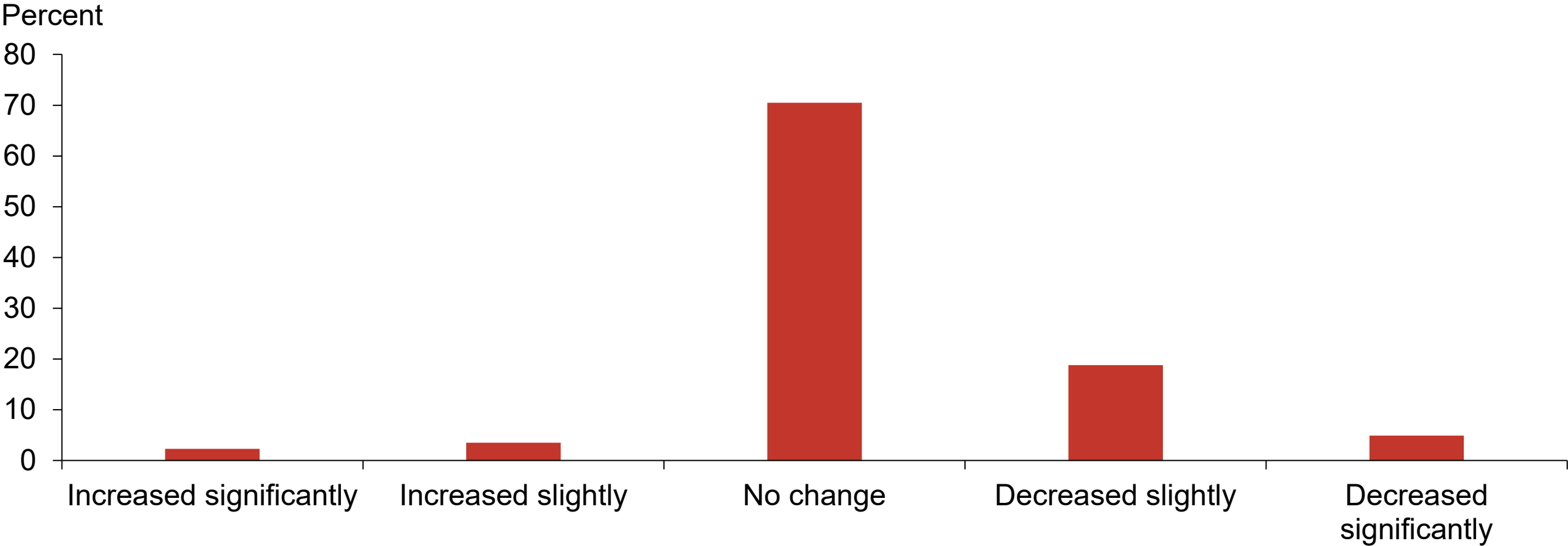


NOTES: Texas CPI data through July 2023.

SOURCES: Bureau of Labor Statistics.

Survey Special Questions

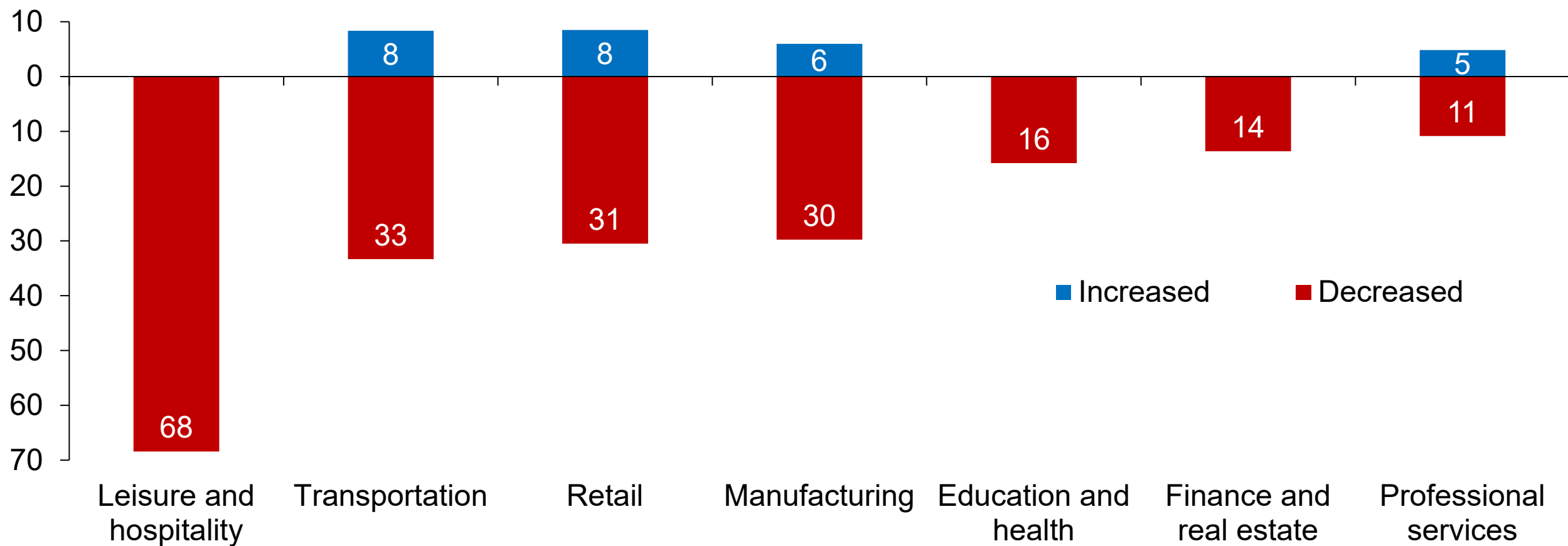
About One-Quarter of Firm Report Effects from Heat Wave



NOTE: Participants were asked, "How has your firm's revenue and production been impacted by the recent heat wave?" N = 346 in August.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

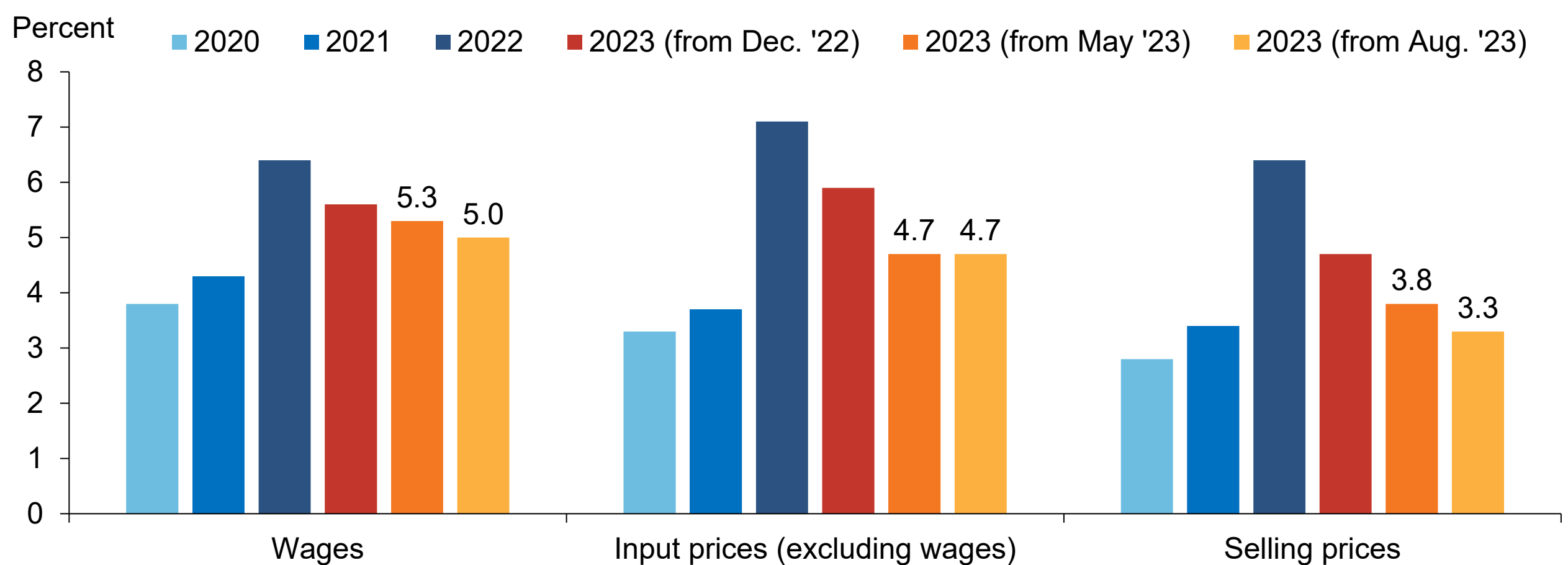
Leisure and Hospitality Hit Hardest by Recent Heat Wave

Percent of respondents



NOTES: Participants were asked, "How has your firm's revenue/production been impacted by the recent heat wave?" N = 346 responses in August 2023.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

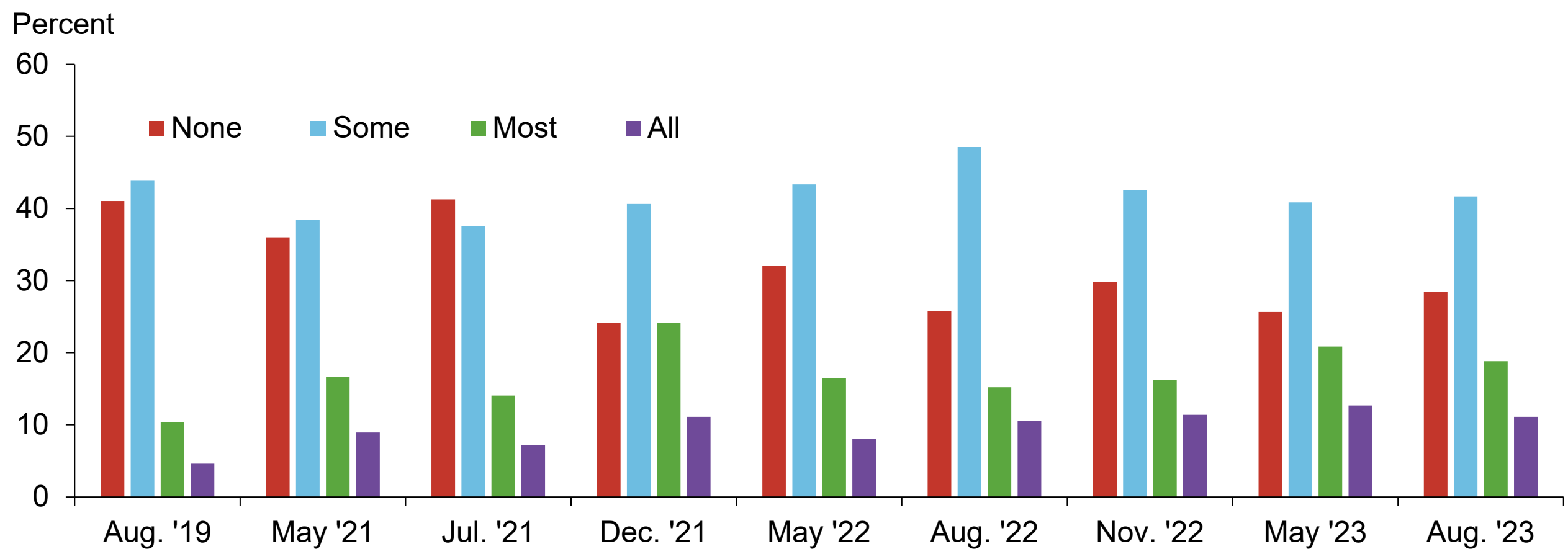
Firms revise down expectations for 2023 price and wage growth



NOTES: Shown are trimmed means of firms' expectations for changes in wages and prices for the coming/current year. Participants were asked, "What annual percent change in wages and inputs prices do you expect this year and next, and by how much do you expect to change selling prices?"

SOURCES: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

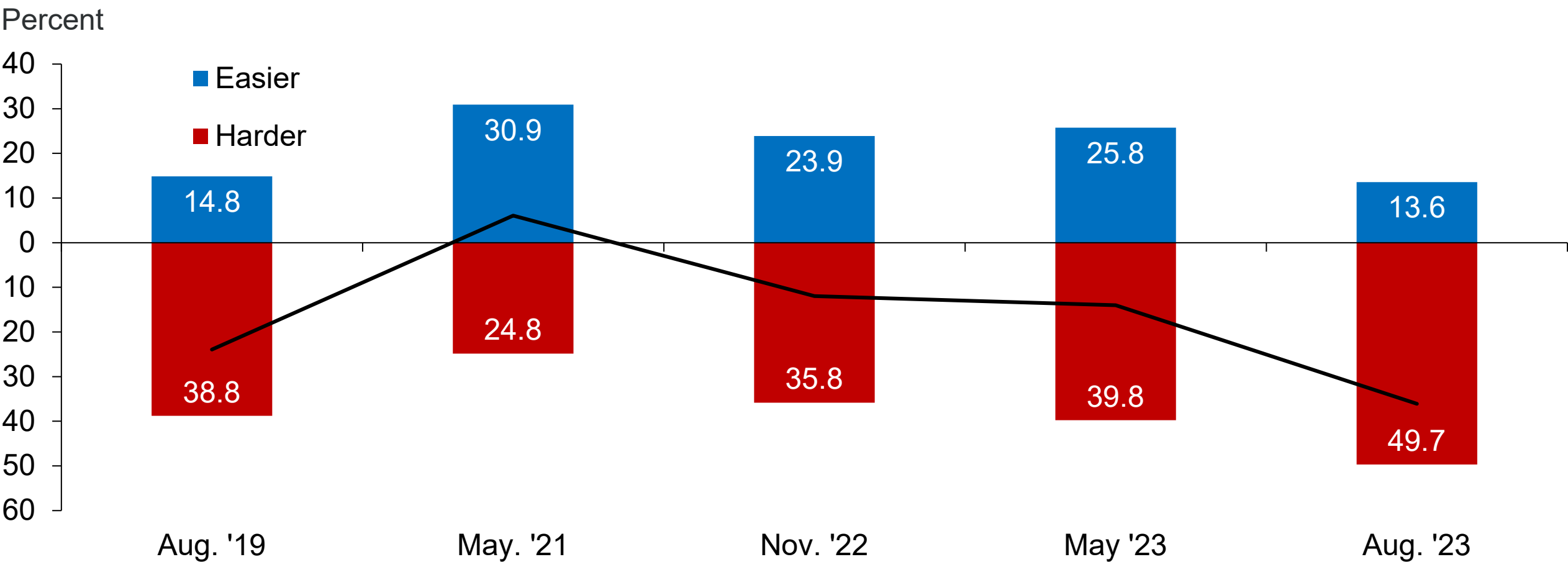
Firms Have Grown More Reluctant to Pass on Higher Costs to Customers



NOTES: Participants were asked, "If costs are increasing, to what extent are you passing the higher costs on to customers in the way of price increases?" N = 344 responses in August 2023.

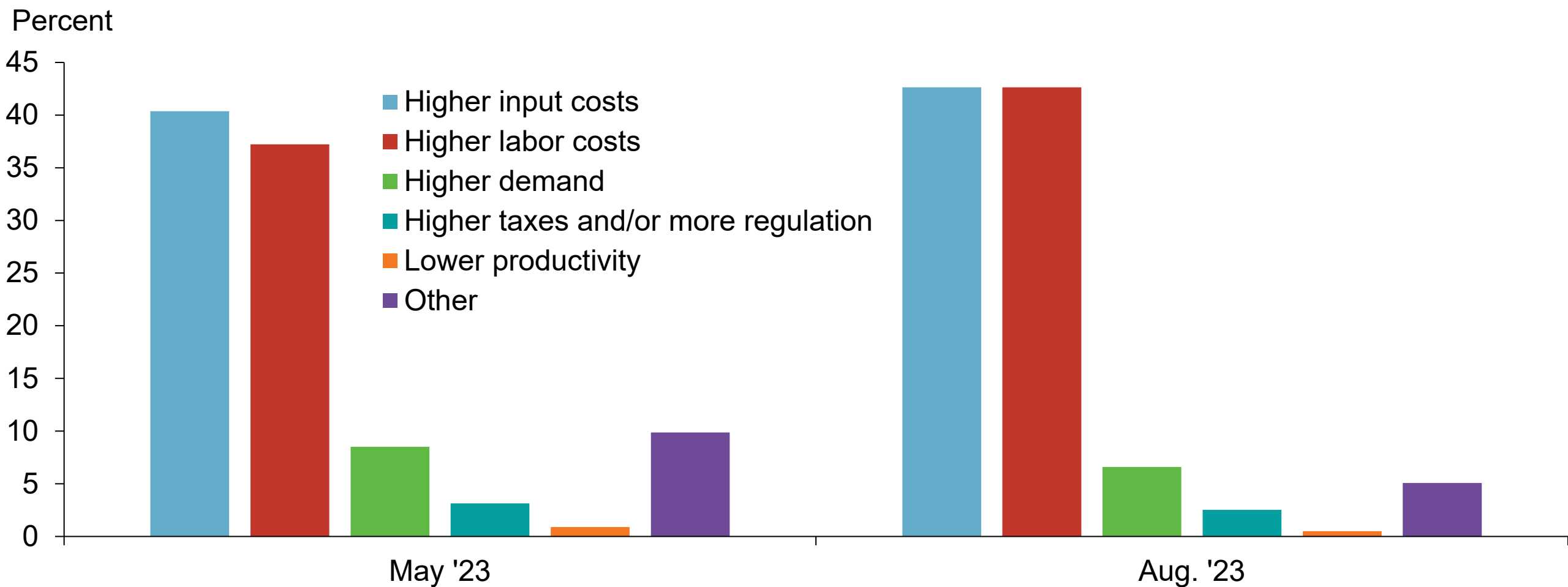
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Firms Say It's Hard to Pass on Higher Costs to Customers



NOTES: Participants were asked, "If costs are increasing, how has your firm's ability to pass those increases on to customers changed over the past three months?" N = 340 responses in August 2023. Black diamonds represent the net difference between respondents who answered "easier" and respondents who answered "harder" in a given date. SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

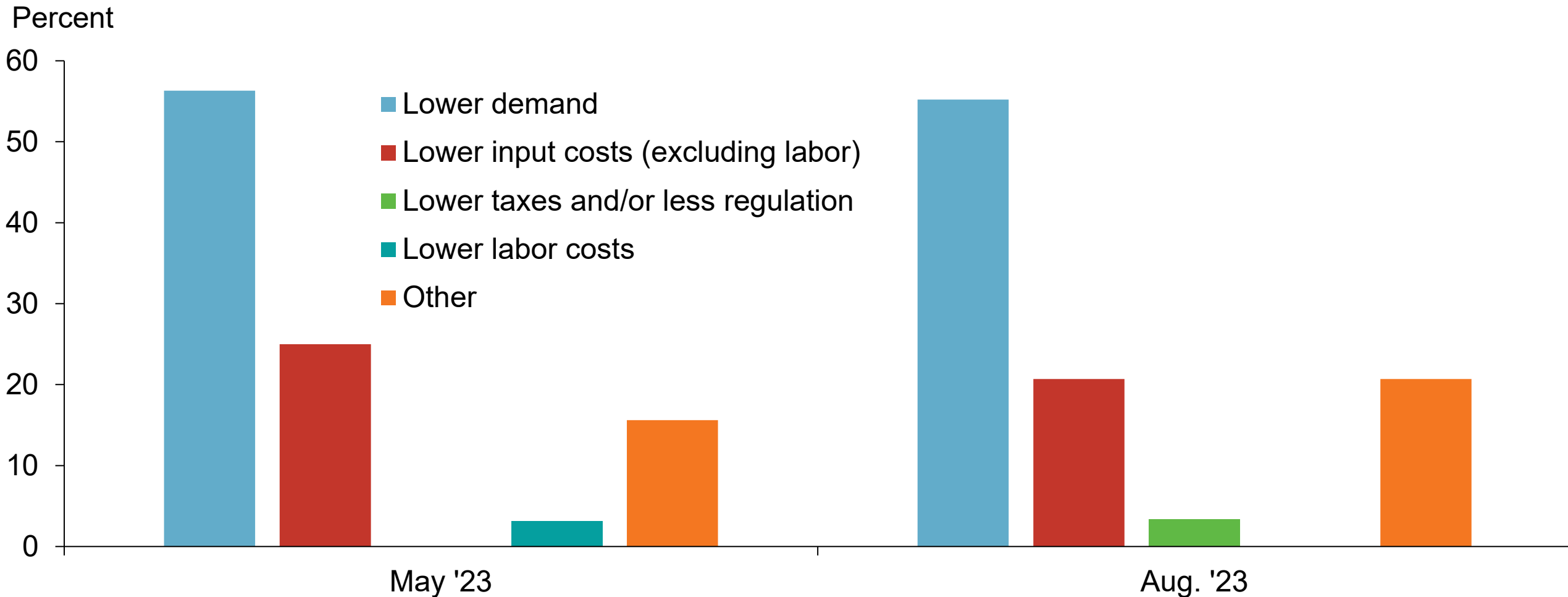
Firms that Raise Prices are Recouping Higher Input and Labor Costs



NOTES: Participants were asked, "What is the primary driver of the increase in selling prices?" N = 197 in August 2023. This question was only posed to those expecting an increase in selling prices this year.

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

Firms that Lower Prices are Facing Lower Demand



NOTES: Participants were asked, "What is the primary driver of the decrease in selling prices?" N = 29 in August 2023. This question was only posed to those expecting an decrease in selling prices this year.

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

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