Texas Economic Performance and Outlook
(October 2023)
“Employment Growth Rebounds, Inflation Turns Up”

Pia Orrenius and Luis Torres
Federal Reserve Bank of Dallas
10/20/2023

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 Strengthens in September

- Texas employment grew 5.4 percent in September, while August growth was revised up to 1.3 percent; Year to date growth is 3.6 percent, below 2022 growth of 4.3 percent.
  - Texas grew faster than the nation (U.S. job growth was 2.6 percent in September).

- The Dallas Fed’s Texas Employment Forecast indicates that jobs will increase 3.3 percent in 2023 (up from 2.9 percent last month).
  - The current forecast implies 2.5 percent growth (annualized) in the rest of the year.

- September Texas Business Outlook Surveys (TBOS) indicate a manufacturing production rebound along with continued service sector growth, albeit at a slower pace.

- The proportion of Texas companies reporting price and wage increases is moving sideways. And Texas headline CPI turned up in August.

- On federal industrial policy, 80 percent of companies surveyed report no/unknown impact from Federal IRA, CHIPS, and IIJA acts.
  - Of those that were impacted, 60 percent reported positive effects.
Overall Economic Activity
Texas employment growth accelerated in September; significant gains in education & health, manufacturing and professional business services

Job Growth September 2023/August 2023 (%)*

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Trade, Transp. &amp; Util. (20%)</td>
<td>1.9</td>
<td>7.7</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv. (15%)</td>
<td>1.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Gov't (15%)</td>
<td>0.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Educ. &amp; Health Serv. (14%)</td>
<td>3.3</td>
<td>10.4</td>
</tr>
<tr>
<td>Leisure &amp; Hosp. (11%)</td>
<td>0.6</td>
<td>7.1</td>
</tr>
<tr>
<td>Mfg. (7%)</td>
<td>1.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Fin. Activ. (7%)</td>
<td>0.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Constr. (6%)</td>
<td>1.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Other Services (3%)</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Information (2%)</td>
<td>-2.0</td>
<td>-1.4</td>
</tr>
<tr>
<td>Oil &amp; Gas, Mining Sup. (1%)</td>
<td>-5.3</td>
<td></td>
</tr>
</tbody>
</table>

*Seasonally adjusted, annualized rate.

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


DATA: Texas Employment by Industry - Dallasfed.org
Texas annual job growth continues ahead of the nation

Job Growth (%)*

*Seasonally adjusted, annualized rate.


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
Third quarter Texas job growth accelerates

*Seasonally adjusted, annualized rate.
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 year-to-date job growth in the private sector ahead of U.S.

Job Growth (%)*

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<td>2.7</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv. (15%)</td>
<td>1.2</td>
<td>2.1</td>
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<tr>
<td>Gov't (15%)</td>
<td>3.2</td>
<td>2.8</td>
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<td>Educ. &amp; Health Serv. (14%)</td>
<td>4.1</td>
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</tr>
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*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for September 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)
Dallas still leading year-to-date job growth in 2023

Job Growth (%), Dec./Dec.*

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Texas</td>
<td>3.6</td>
<td>2.8</td>
<td>5.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Houston</td>
<td></td>
<td></td>
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<tr>
<td>(24.1%)</td>
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<tr>
<td>Dallas</td>
<td></td>
<td></td>
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<tr>
<td>(22.0%)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Austin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(9.6%)</td>
<td></td>
<td></td>
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<tr>
<td>Fort Worth</td>
<td></td>
<td></td>
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<tr>
<td>(8.6%)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>San Antonio</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>(8.3%)</td>
<td></td>
<td></td>
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</tr>
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NOTE: Numbers in parenthesis indicate share of state employment for September 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
Texas firms report manufacturing rebound, continued growth in services

NOTES: Data through September 2023. Shaded area represents contractionary territory.
DATA: Surveys - Dallasfed.org
Texas unemployment rate holds at 4.1 percent in September

*Unemployment Rate (%)*

*Seasonally adjusted.
NOTE: Data are through September 2023.
DATA: Texas Employment by Industry - Dallasfed.org
Housing and Energy Industries
Housing: single-family building permits rising while existing-home sales decline further

Index, Jan. 2013 = 100, 3MMA, SA

- Texas single-family housing permits
- Texas home sales
- 30-year Fixed Rate Prime Mortgage

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

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

Federal Reserve Bank of Dallas
House prices move sideways across Texas

Median Sales Price, $

- **Texas**
- **Austin**
- **Dallas-Fort Worth**
- **Houston**
- **San Antonio**

NOTES: Seasonally adjusted sales price, nominal. Data through July 2023 for Houston. August 2023 for the rest.
SOURCES: Multiple Listing Service; seasonal and other adjustments by Federal Reserve Bank of Dallas.
Apartment rent growth down across the country

NOTES: Data are monthly, seasonally adjusted through August 2023. New York is missing March through September 2020 data. San Francisco is missing June through October 2020 data. Missing data are linearly interpolated.

SOURCE: Zillow.
Office vacancy stabilizes but not in Austin

NOTE: Data through Q3 2023.
SOURCE: CBRE Econometric Advisors.
Loan volumes keep declining, according to 11th District bankers

NOTE: Data through October 2023.
Tight credit standards continue in Texas banks

NOTE: Includes credits and terms. Data are through October 2023.

SOURCS: Federal Reserve Bank of Dallas' Banking Conditions Survey.
Oil prices tick down from recent high while rig count falls

NOTES: Data are weekly through October 13th, 2023.
SOURCES: Energy Information Administration; Baker Hughes.
High-Frequency Data
Texas jobless claims turn up

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

NOTES: Total (initial and continuing) unemployment claims data through the week ending September 30th and include states UI and federal PUA, PEUC and EB when available.

SOURCE: Department of Labor.

Federal Reserve Bank of Dallas
Texas and U.S. job postings trend down

% Change from Jan. 2022

SOURCE: Indeed.
New business applications tick down in Texas and US

U.S. Applications (Thousands)

Texas Applications (Hundreds)

NOTE: Data are weekly through October 7th.
SOURCE: U.S. Census

Federal Reserve Bank of Dallas
Outlook for 2023
The Texas employment forecast indicates a 3.3 percent rise in 2023 after rising 4.3 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).
Share of Texas firms raising prices and wages may have bottomed for now

% Reporting Increase

- Orange line: Wages and Benefits
- Blue line: Price Received for Finished Goods/Selling Price

NOTE: Percent reporting increase was constructed by weighing the respective component of TMOS, TSSOS, and TROS according to GDP shares. Data through August 2023.
Texas headline CPI turns up in August; core CPI high but trending down

Y/Y % Change

NOTES: CPI data through August 2023.
Survey Special Questions
A third of Texas workers are still working remotely post-pandemic

NOTES: 335 responses. Shown are averages, calculated as the mean of received responses. Prior to Apr. '22 respondents were not asked to break out fully remote versus hybrid, and responses could be lower as a result if respondents had in mind only workers working mostly remotely. Responses for Feb. '20 are from an Aug. '20 question asking, "What share of your employees were working remotely in February (pre-COVID-19)?"

One-quarter of Tx firms see lower productivity due to remote work, while 9 percent see higher productivity

NOTES: 181 responses. These calculations exclude respondents that answered “Not applicable; our share of remote employees has not increased,” which represented 47.5 percent of responses. Participants were asked, “If the share of remote employees has increased since prior to the pandemic, how has it affected your firm’s productivity overall?”

Industrial policy: One-fifth of Texas firms are impacted by recent federal government legislation

NOTES: 353 responses. Participants were asked, "Has your firm been impacted, or do you expect to be impacted, by recent federal government legislation, including the IRA (Inflation Reduction Act), CHIPS Act (Creating Helpful Incentives to Produce Semiconductors and Science), or the IIJA (Infrastructure Investment and Jobs Act)?"

Mixed impacts from recent legislation on industrial policy

NOTES: 68 responses. Participants were asked, "On net, is the impact on your firm positive or negative?" This question was only posed to those who answered "Yes" to the previous question.
Thank you!
Please visit dallasfed.org for more information