Texas Economic Performance and Outlook
(December 2023)

“Employment Growth Solid as Economic Activity Slows”

Pia Orrenius and Luis Torres
Federal Reserve Bank of Dallas
12/22/2023

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 Accelerates in November

- Texas employment rose 3.1 percent in Nov., while Oct. was revised up notably; YTD growth is 3.3 percent, slightly below 2022’s 4.3 percent
  - Texas grew faster than the nation’s 1.5 percent increase in November

- The Dallas Fed’s Texas Employment Forecast indicates that jobs will increase 3.2 percent in 2023 (same as last month’s forecast)
  - The current forecast implies 2.3 percent growth (annualized) in Dec.

- Nov. Texas Business Outlook Surveys (TBOS) show a modest contraction in both manufacturing and services sector activity; three-month average is positive but indicative of slowing growth

- More Texas firms expect rising vs. falling demand over the next 6 months
  - 38 percent expect increases, 29 percent anticipate a decline
  - However, 39 percent of respondents expect a decline in operating margins over the next six months (30 percent expect an increase)
Overall Economic Activity
Texas job growth accelerated in November; significant gains seen in professional & business services and construction

Job Growth November 2023/October 2023 (%)*

*Seasonally adjusted, annualized rate.

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


DATA: Texas Employment by Industry - Dallasfed.org
Texas year-to-date job growth outperforms U.S. across all private industries except Oil & Gas

Job Growth (%)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Trade, Transp. &amp; Util. (20%)</td>
<td>1.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv. (15%)</td>
<td>0.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Gov't (15%)</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Educ. &amp; Health Serv. (14%)</td>
<td>4.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Leisure &amp; Hosp. (11%)</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>Mfg. (7%)</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Fin. Activ. (7%)</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Constr. (6%)</td>
<td>2.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Other Serv. (3%)</td>
<td>1.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Information (2%)</td>
<td>-0.9</td>
<td>-3.3</td>
</tr>
<tr>
<td>Oil &amp; Gas, Mining Sup. (1%)</td>
<td>-3.3</td>
<td>4.3</td>
</tr>
</tbody>
</table>

*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for November 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
Texas job growth stays solid in Q4 2023

*Seasonally adjusted, annualized rate.
NOTES: Shown is quarterly job growth. Last data points are annualized job growth for Nov. 2023/Sept. 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
Texas’ 2023 job growth on track to exceed 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
Austin again leads major metros in YTD job growth

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Texas</th>
<th>Houston</th>
<th>Dallas</th>
<th>Austin</th>
<th>Fort Worth</th>
<th>San Antonio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>3.3</td>
<td>3.0</td>
<td>3.3</td>
<td>3.5</td>
<td>2.6</td>
<td>2.3</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023 (Nov. 2023/Dec. 2022)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for November 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 modest contraction in manufacturing and service sector activity in Nov.

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

Unemployment Rate (%)*

Seasonally adjusted.
NOTE: Data are through November 2023.
DATA: Texas Employment by Industry - Dallasfed.org
White unemployment rate declines; Black and Hispanic unemployment flat

*Seasonally adjusted.
NOTE: Last data points are November 2023 values.
Housing and Energy Industries
Housing: mortgage rates, single-family building permits, and Texas home sales decline

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

Interest Rate, Monthly Average

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

NOTE: Data are monthly through November 2023.
SOURCES: MLS; A&M Real Estate Center; Freddie Mac Primary Mortgage Market Survey; U.S. Census.

Federal Reserve Bank of Dallas
House prices hold steady

Median Sales Price, 

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

NOTES: Seasonally adjusted sales price, nominal. Data through October 2023 for Houston and November 2023 for the rest.
SOURCES: Multiple Listing Service; seasonal and other adjustments by Federal Reserve Bank of Dallas.
NOTES: Data are monthly, seasonally adjusted through November 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 except for Austin and Dallas

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

NOTE: Data through November 2023.
Credit standards continue to tighten at Texas banks

NOTE: Includes credits and terms. Data are through November 2023.
SOURCES: Federal Reserve Bank of Dallas' Banking Conditions Survey.
Texas oil and gas production exceeds prepandemic peak

NOTE: Shown are crude oil and natural gas marketed production through September 2023.
SOURCE: Energy Information Administration.
High-Frequency Data
Texas jobless claims tick up

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

NOTES: Total (initial and continuing) unemployment claims data through the week ending December 2nd and include states UI and federal PUA, PEUC and EB when available.
SOURCE: Department of Labor.
Rate of business formation in Texas exceeds the nation

Business applications per business establishments

- Texas
- U.S.

NOTES: Data are quarterly through Q2 2023. Business applications data are missing for the first week of January 2021.
SOURCE: U.S. Census Bureau.
Outlook for 2023
The Texas employment forecast indicates a 3.2 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 moves sideways

% Reporting Increase

- Wages and Benefits
- Prices Received for Finished Goods/Selling Prices

NOTE: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares. Data through November 2023.
Texas headline CPI trends up since July; core CPI trending down but high

Y/Y % Change

NOTES: CPI data through October 2023.
Survey Special Questions
More Texas firms expect rising vs. falling demand over the next 6 months

Percent

<table>
<thead>
<tr>
<th></th>
<th>Feb. '23</th>
<th>Nov. '23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase substantially</td>
<td>8.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Increase slightly</td>
<td>34.7</td>
<td>34.0</td>
</tr>
<tr>
<td>Remain the same</td>
<td>30.4</td>
<td>33.4</td>
</tr>
<tr>
<td>Decrease slightly</td>
<td>20.4</td>
<td>22.4</td>
</tr>
<tr>
<td>Decrease substantially</td>
<td>6.5</td>
<td>6.1</td>
</tr>
</tbody>
</table>

NOTES: Participants were asked, "How do you expect demand for your firm's goods and/or services over the next six months to compare with the past six months, aside from normal seasonal variation?" 363 responses in Nov. '23. In Feb. '23 the question asked about 2023 versus 2022.

Firms expecting demand increases cite industry-specific conditions

<table>
<thead>
<tr>
<th>General economic conditions</th>
<th>Industry-specific conditions</th>
<th>Factor(s) unique to our firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.3%</td>
<td>39.3%</td>
<td>27.4%</td>
</tr>
</tbody>
</table>

NOTES: In the Nov.'23 TBOS participants were asked, "Is this expected increase in demand primarily attributable to changes in general economic conditions, conditions specific to your industry, or a factor unique to your firm?" 135 responses. This question was only posed to firms reporting an expected increase in question 1. SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.
Firms expecting a slowdown attribute it to general economic conditions

NOTES: In the Nov.'23 TBOS participants were asked, "Is this expected decrease in demand primarily attributable to changes in general economic conditions, conditions specific to your industry, or a factor unique to your firm?" 103 responses. This question was only posed to firms reporting an expected decrease in question 1. 
About half of businesses on net report operating margins declined over the past six months.

<table>
<thead>
<tr>
<th></th>
<th>Nov. '22</th>
<th>Feb. '23</th>
<th>Nov. '23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased substantially</td>
<td>3.5</td>
<td>5.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Increased slightly</td>
<td>21.8</td>
<td>24.5</td>
<td>22.8</td>
</tr>
<tr>
<td>Remained the same</td>
<td>25.3</td>
<td>23.3</td>
<td>26.7</td>
</tr>
<tr>
<td>Decreased slightly</td>
<td>34.4</td>
<td>32.0</td>
<td>32.9</td>
</tr>
<tr>
<td>Decreased substantially</td>
<td>14.9</td>
<td>14.8</td>
<td>15.6</td>
</tr>
</tbody>
</table>

**NOTES:** Participants were asked, "How has your firm’s operating margin, defined as earnings before interest and taxes (EBIT) as a share of total revenue, changed over the past six months?" 359 responses in Nov. '23.

**SOURCE:** Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.
More firms expect operating margins to decline vs. increase in the next six months

NOTES: Participants were asked, "How do you expect your firm’s operating margin, defined as earnings before interest and taxes (EBIT) as a share of total revenue, to change over the next six months?" 359 responses in Nov. '23.

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