



Federal Reserve  
Bank of Dallas

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## **Texas Economic Performance and Outlook** **(December 2023)**

# **“Employment Growth Solid as Economic Activity Slows ”**

**Pia Orrenius and Luis Torres**

Federal Reserve Bank of Dallas

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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.

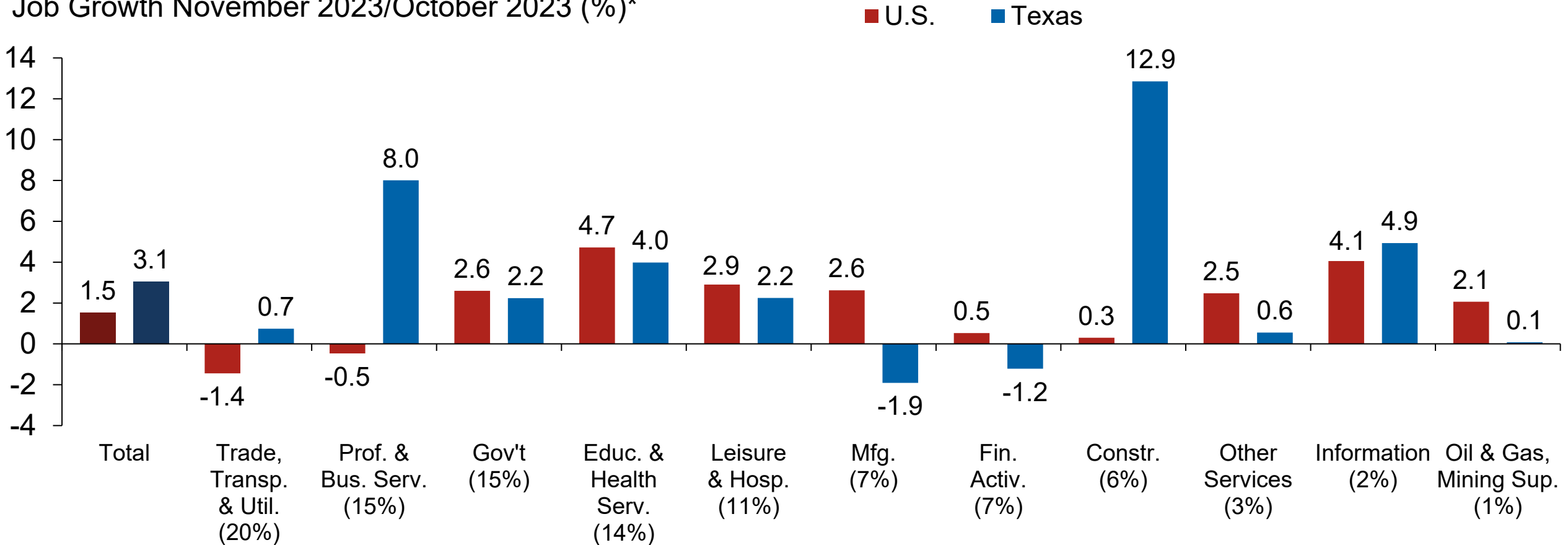
# What's New: Job Growth Accelerates in November

- 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.

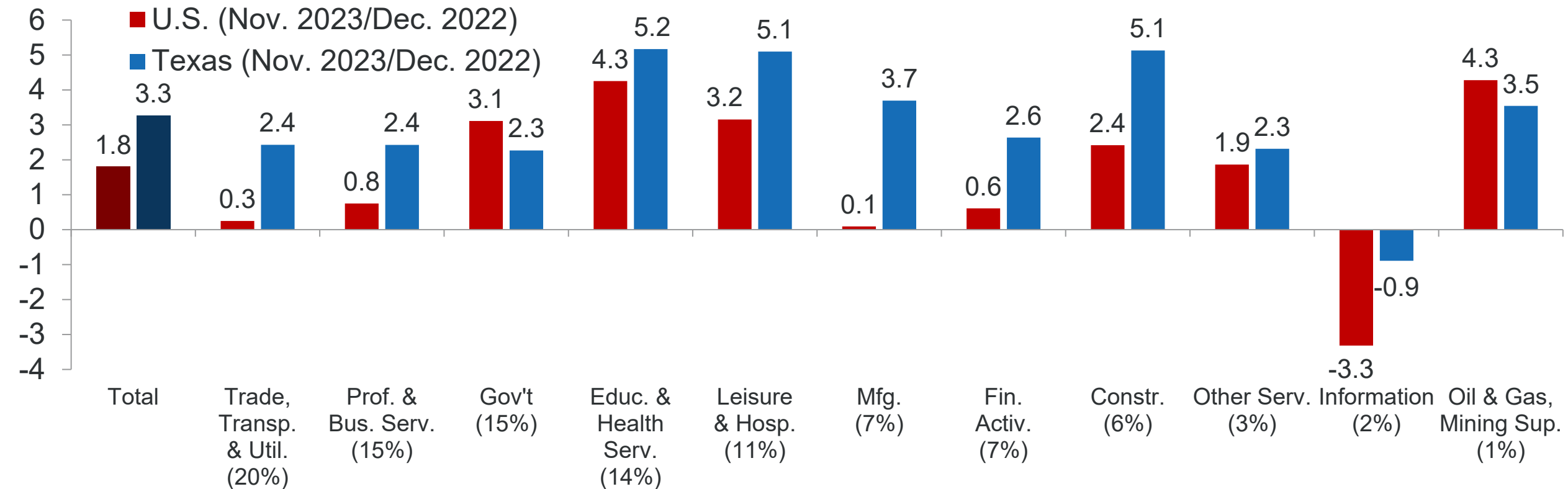
NOTE: Numbers in parenthesis indicate share of total state employment in November 2023

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 year-to-date job growth outperforms U.S. across all private industries except Oil & Gas

Job Growth (%)\*



\*Seasonally adjusted, annualized rate.

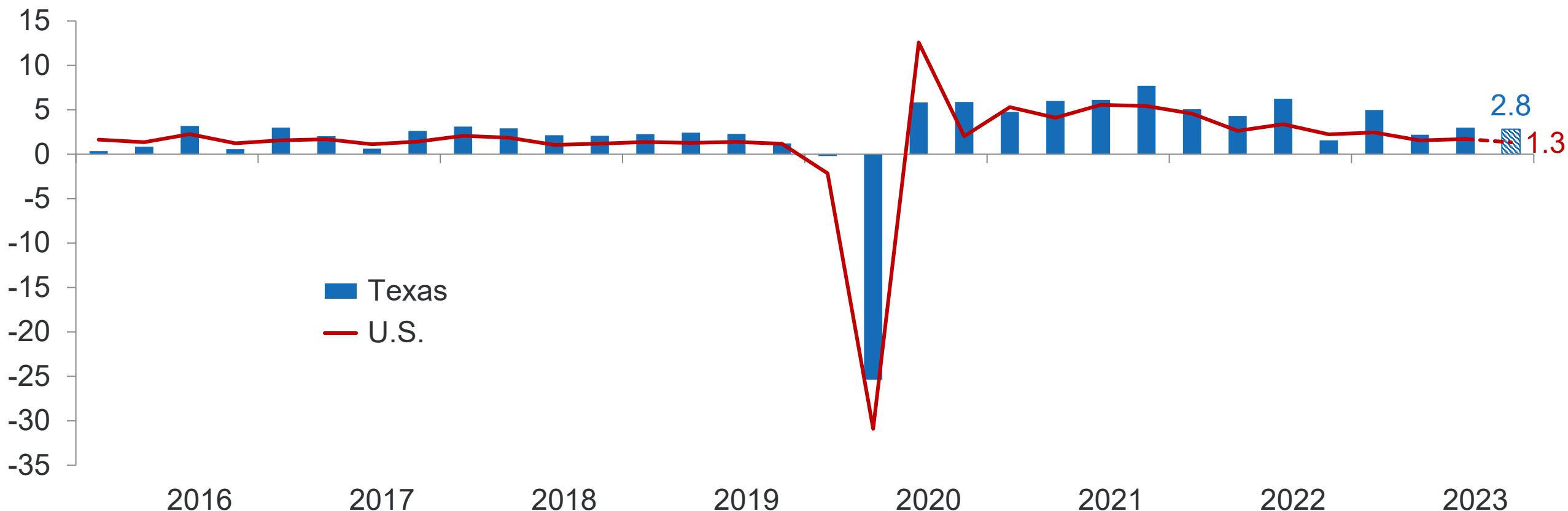
NOTE: Numbers in parentheses indicate share of total state employment for November 2023.

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](https://dallasfed.org/research/texas-employment-by-industry)

# Texas job growth stays solid in Q4 2023

Job Growth (%)\*



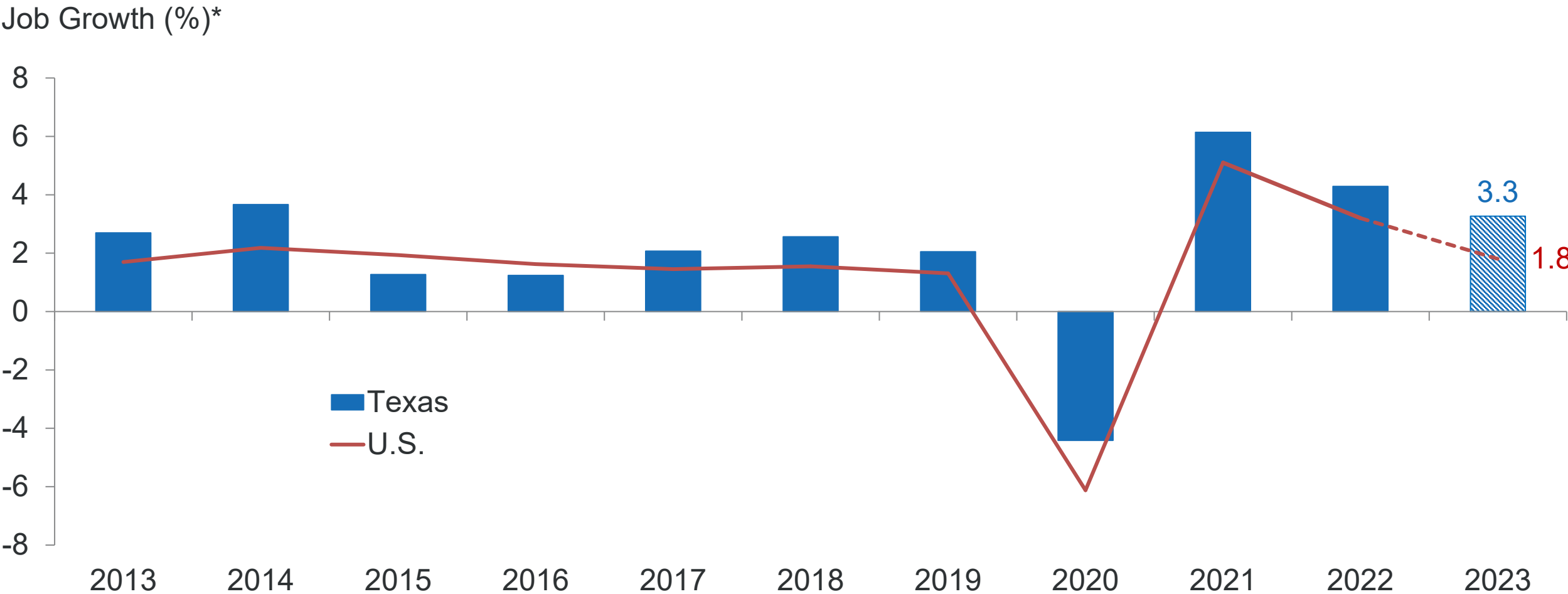
\*Seasonally adjusted, annualized rate.

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](https://dallasfed.org/economic/texas-payroll-employment-total-nonfarm)

# Texas' 2023 job growth on track to exceed the nation



\*Seasonally adjusted, annualized rate.

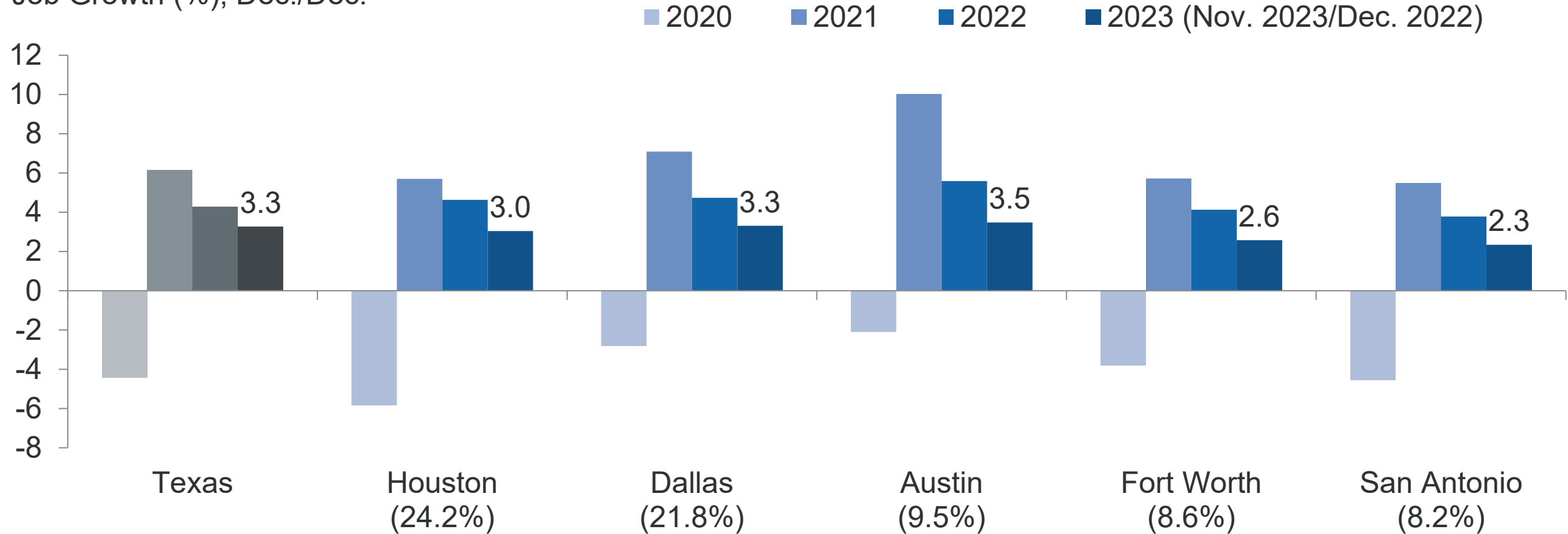
NOTES: Last data points are annualized job growth for Nov. 2023/Dec. 2022. Yearly growth is Dec/Dec.

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](#)

# Austin again leads major metros in YTD job growth

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



\*Seasonally adjusted, annualized rate.

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

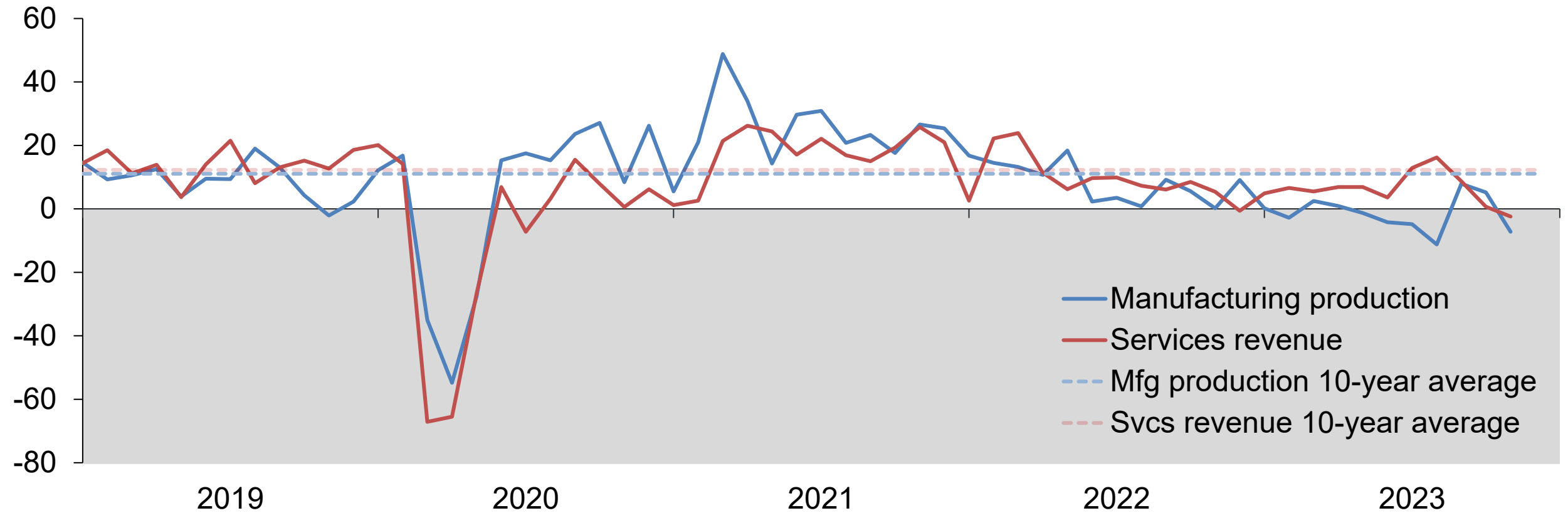
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.

DATA: [Texas Employment Data - Dallasfed.org](https://www.dallasfed.org/research/texas-employment)



# Texas firms report modest contraction in manufacturing and service sector activity in Nov.

Diffusion Index, SA



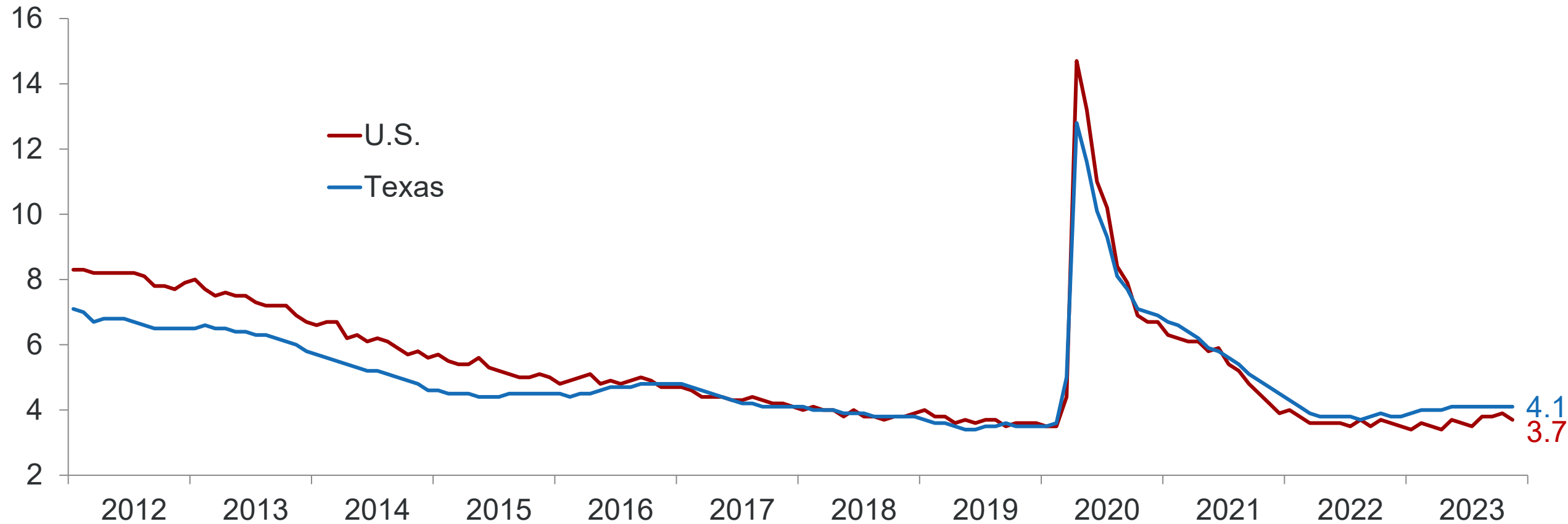
NOTES: Data through November 2023. Shaded area represents contractionary territory.

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 November

Unemployment Rate (%)\*



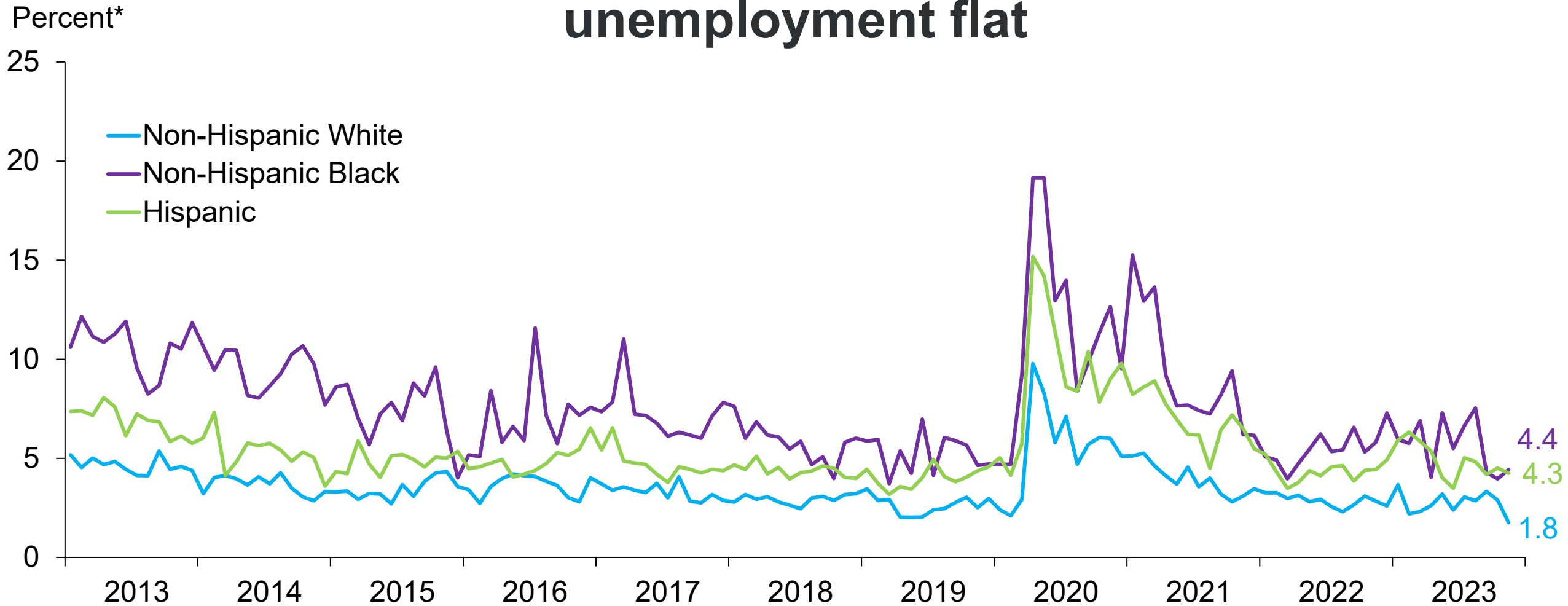
\*Seasonally adjusted.

NOTE: Data are through November 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)

# White unemployment rate declines; Black and Hispanic unemployment flat



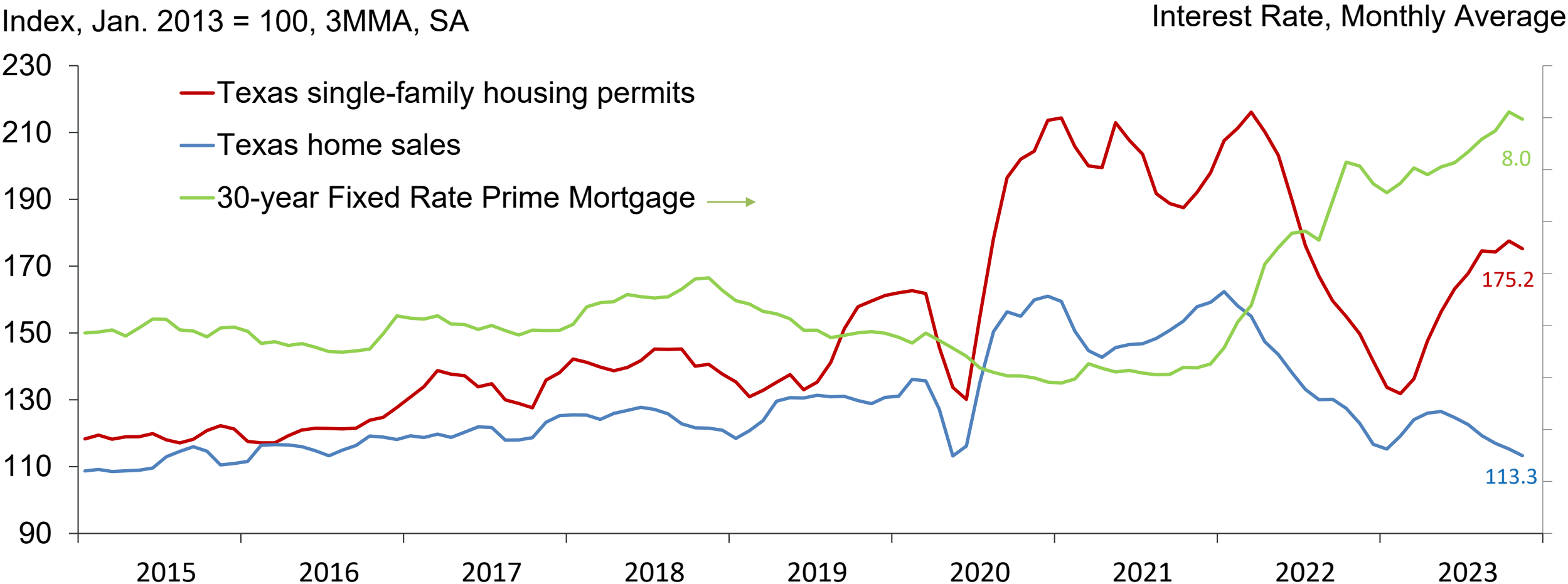
\*Seasonally adjusted.

NOTE: Last data points are November 2023 values.

SOURCE: Current Population Survey, authors' calculations.

# Housing and Energy Industries

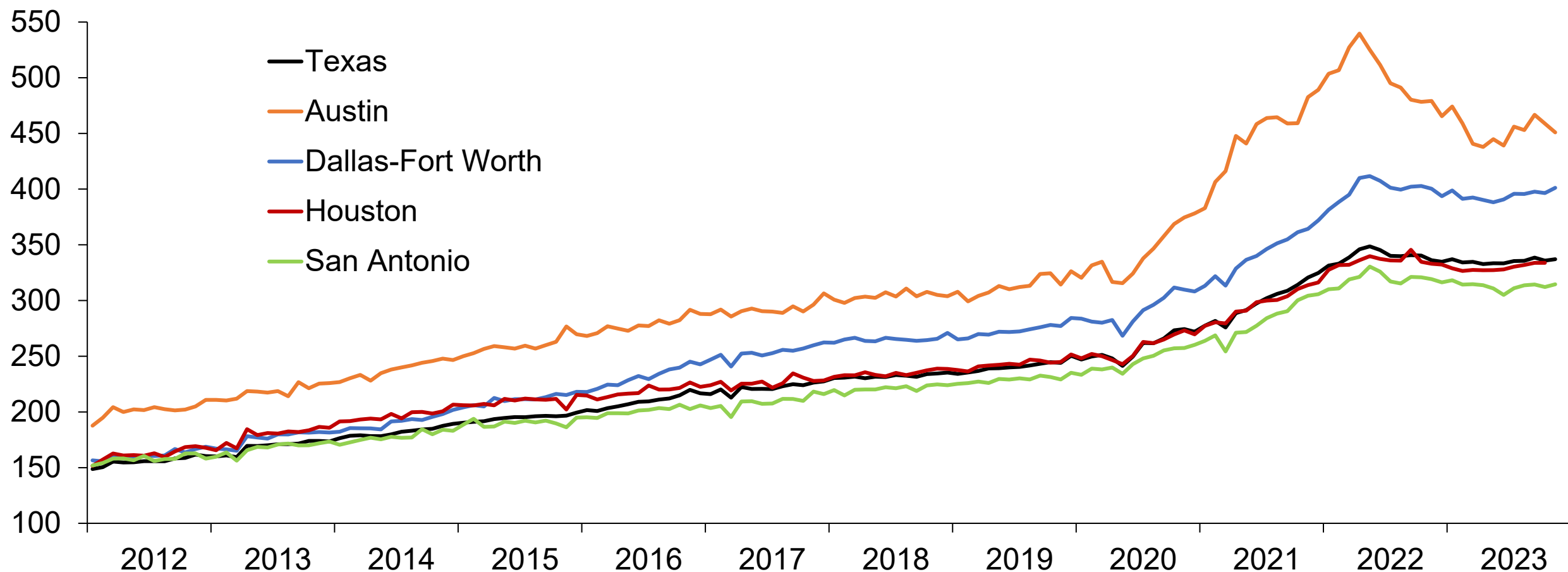
# Housing: mortgage rates, single-family building permits, and Texas home sales decline



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

# House prices hold steady

Median Sales Price, \$

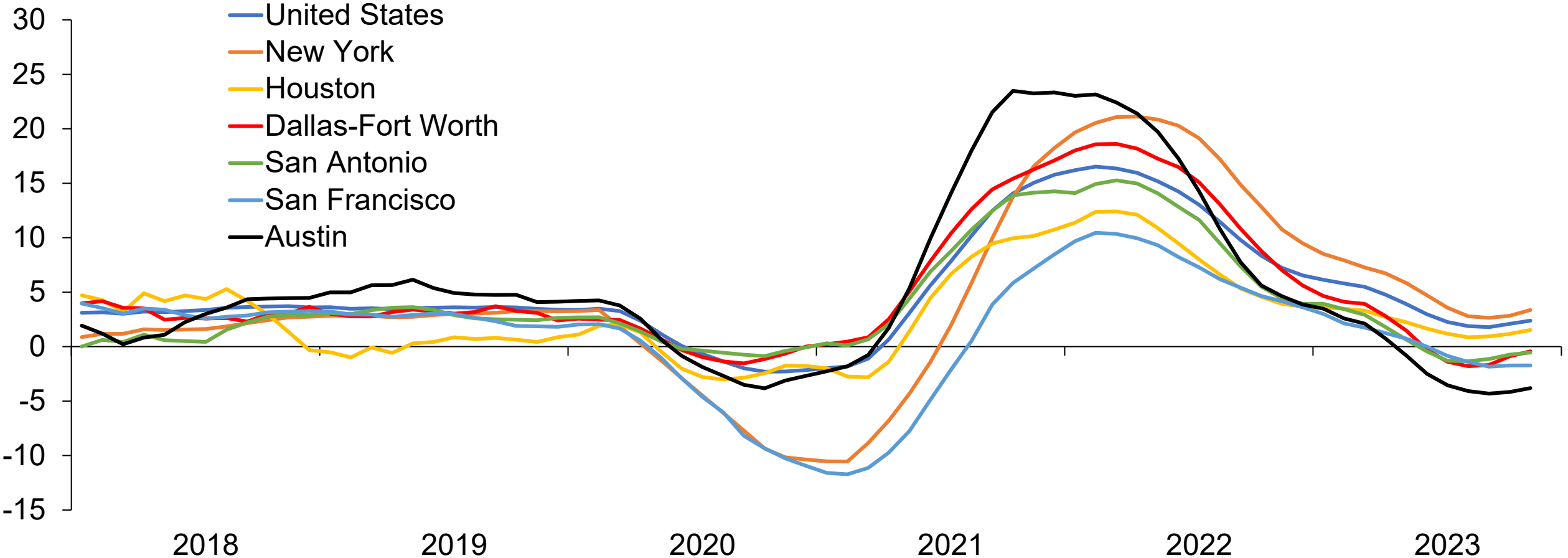


NOTES: Seasonally adjusted sales price, nominal. Data through October 2023 for Houston and November 2023 for the rest.

SOURCES: Multiple Listing Service; seasonal and other adjustments by Federal Reserve Bank of Dallas.

# Apartment rents little changed

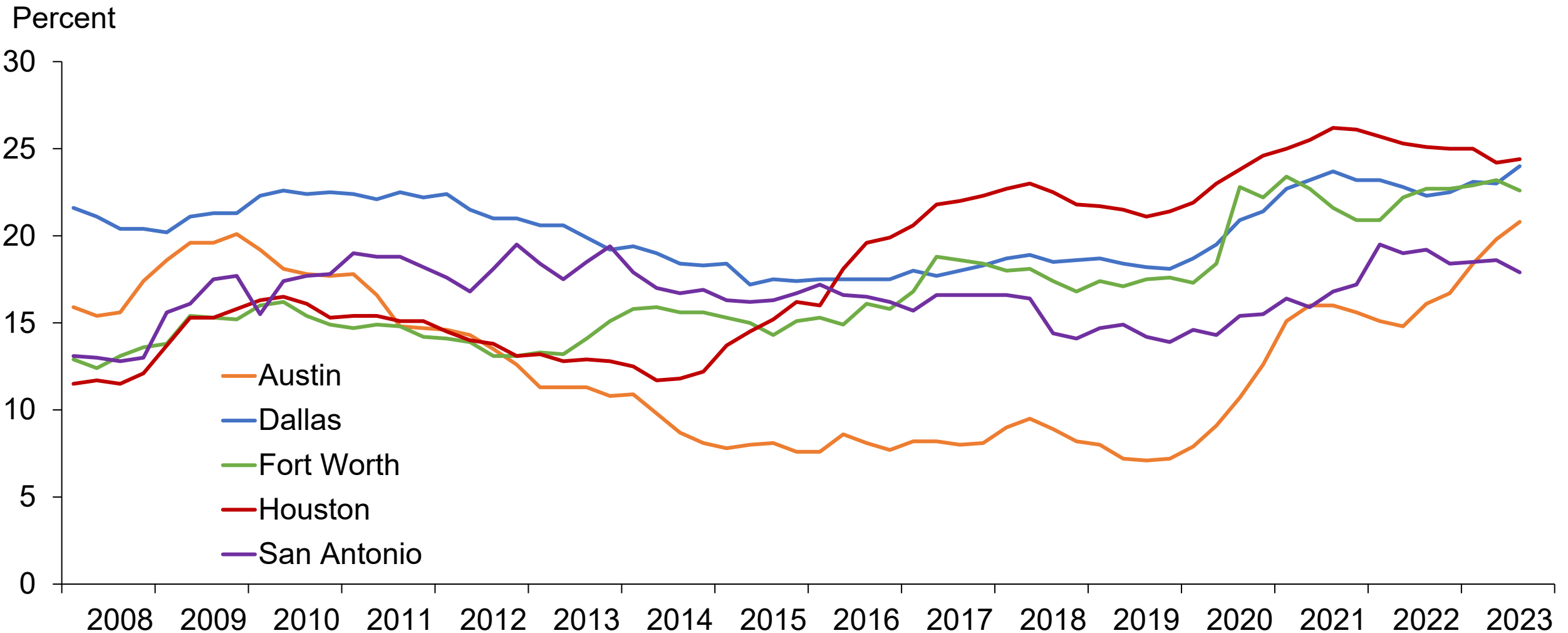
Percent, Y/Y



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

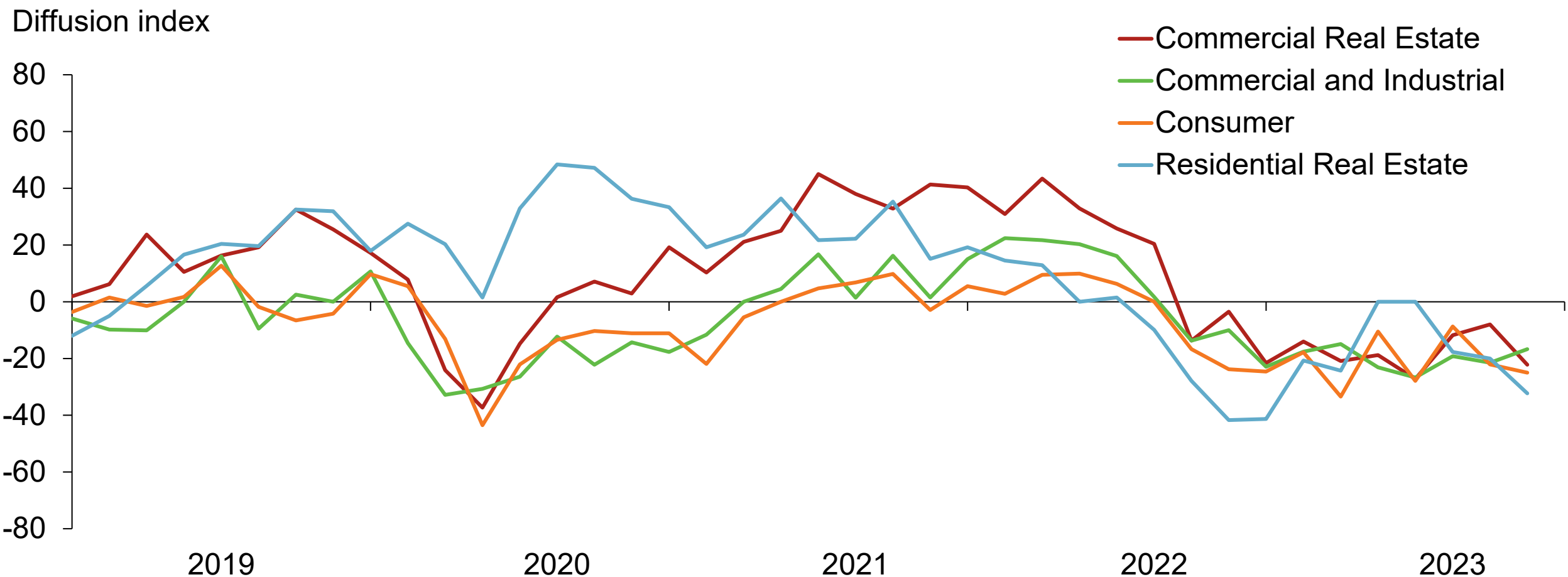


NOTE: Data through Q3 2023.

SOURCE: CBRE Econometric Advisors.

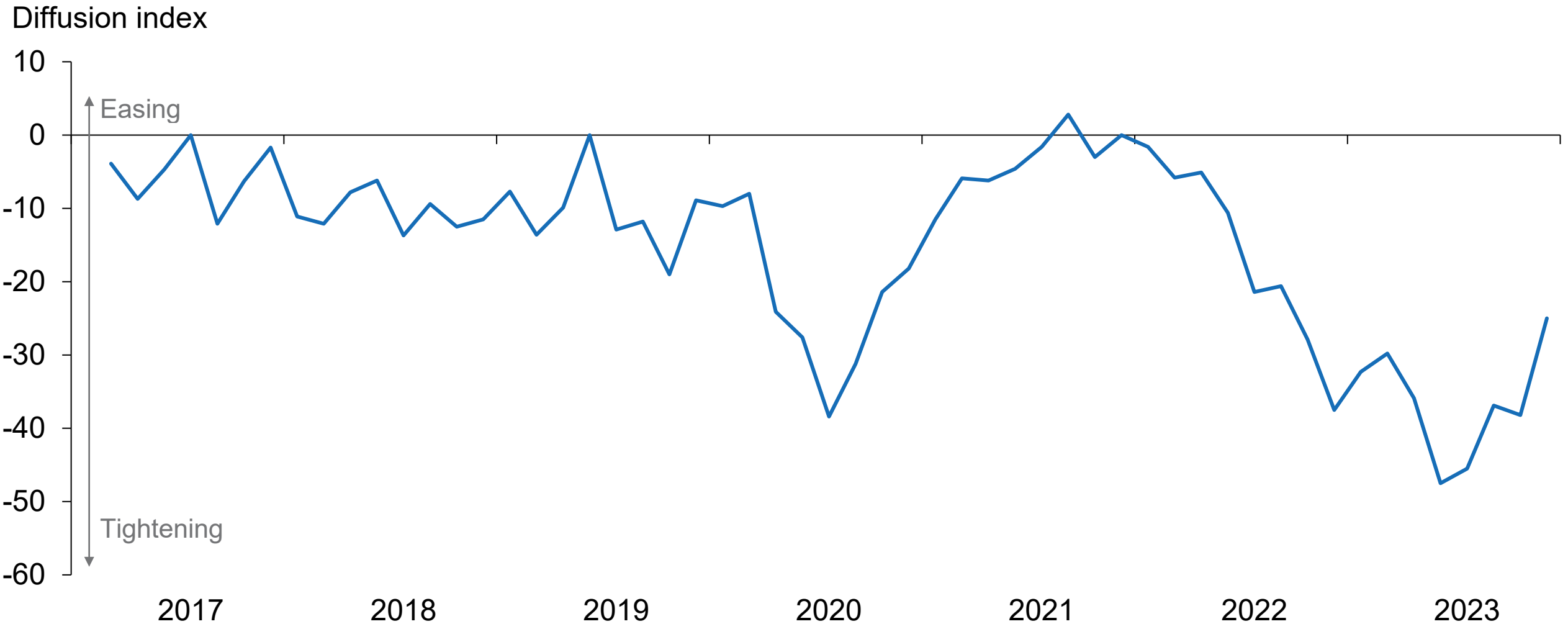


# Loan volumes decline further, according to 11<sup>th</sup> District bankers

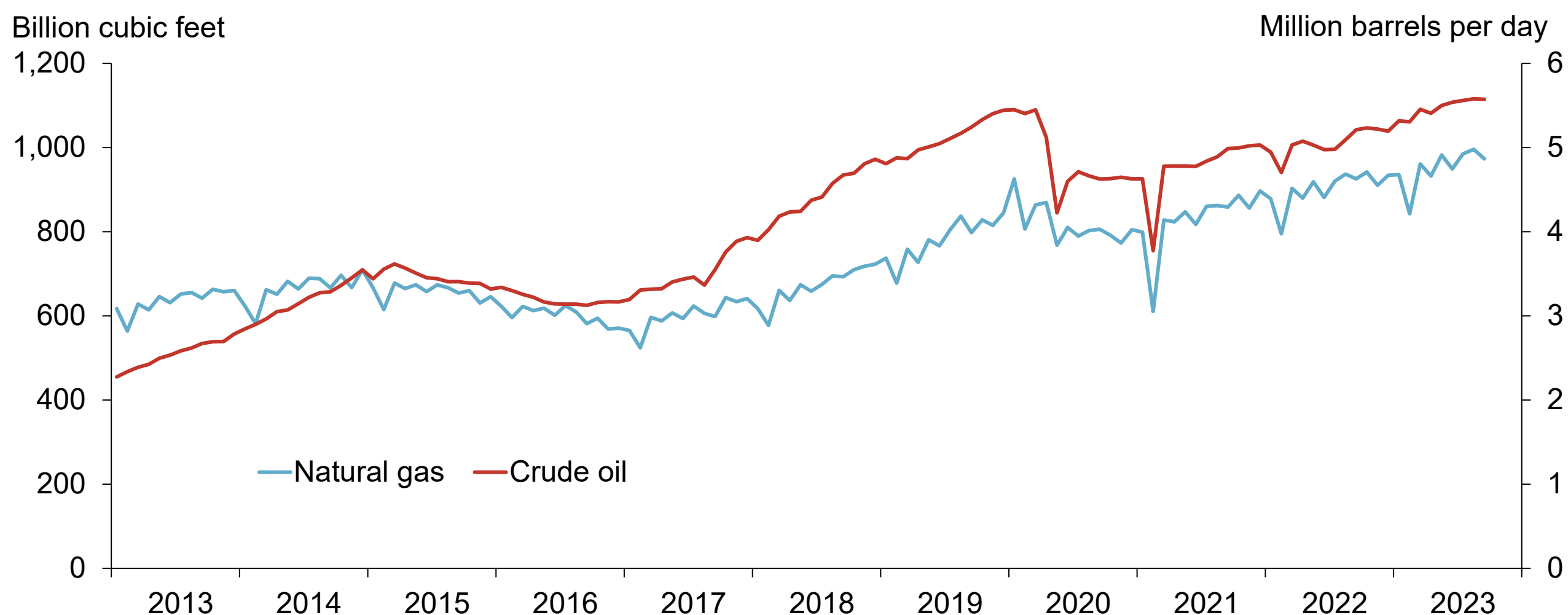


NOTE: Data through November 2023.  
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

# Credit standards continue to tighten at Texas banks



# Texas oil and gas production exceeds prepandemic peak



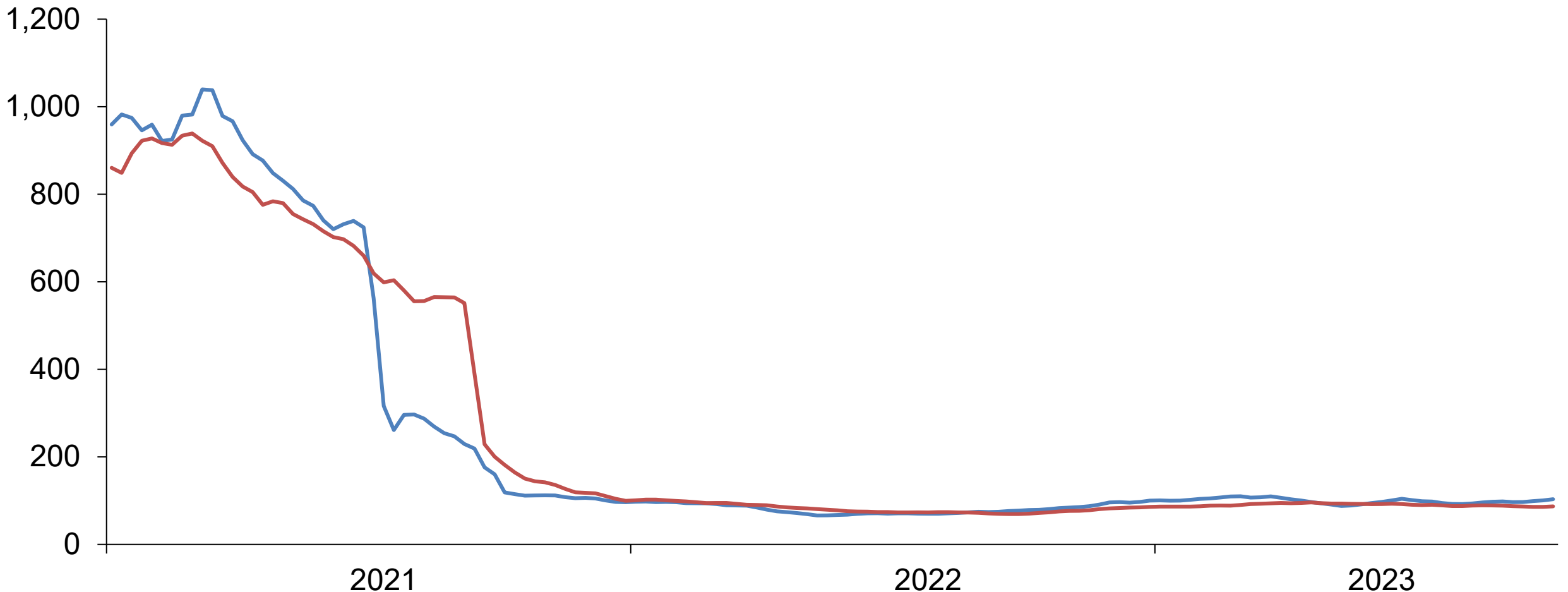
NOTE: Shown are crude oil and natural gas marketed production through September 2023.

SOURCE: Energy Information Administration.

# High-Frequency Data

# Texas jobless claims tick up

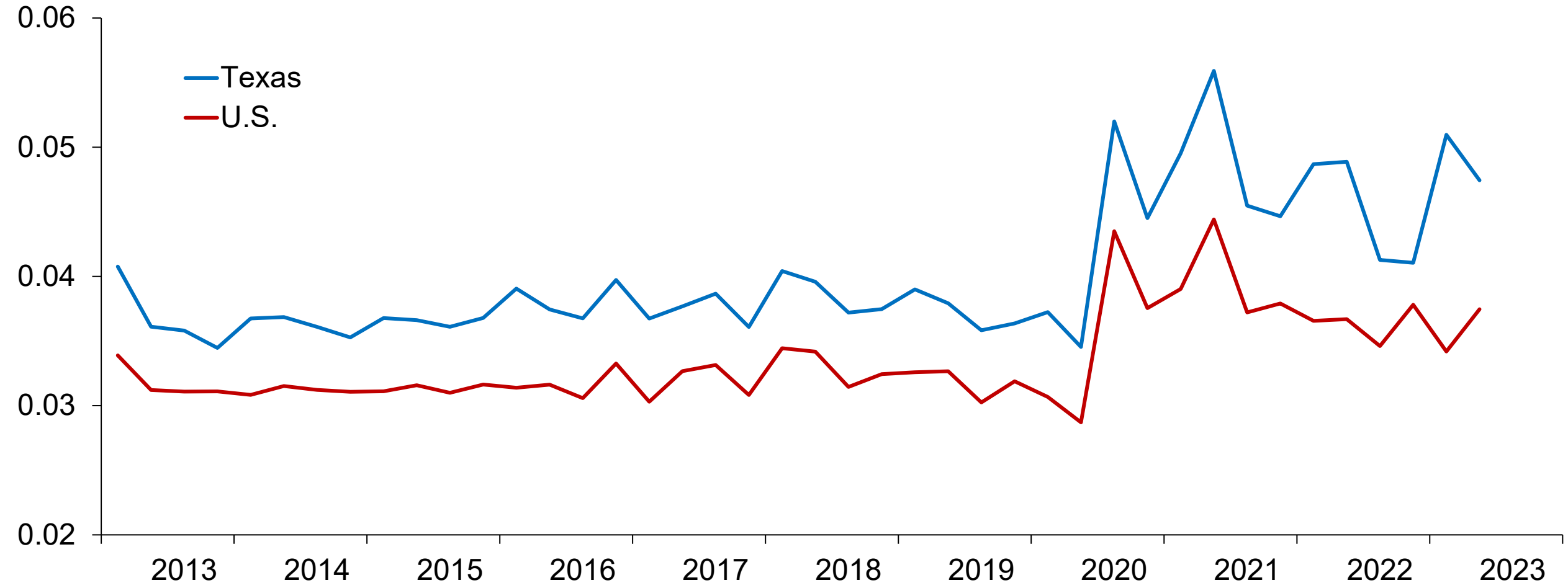
2-Week Moving Average, Index, Second Week of Mar. 2020 = 100



NOTES: Total (initial and continuing) unemployment claims data through the week ending December 2<sup>nd</sup> 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



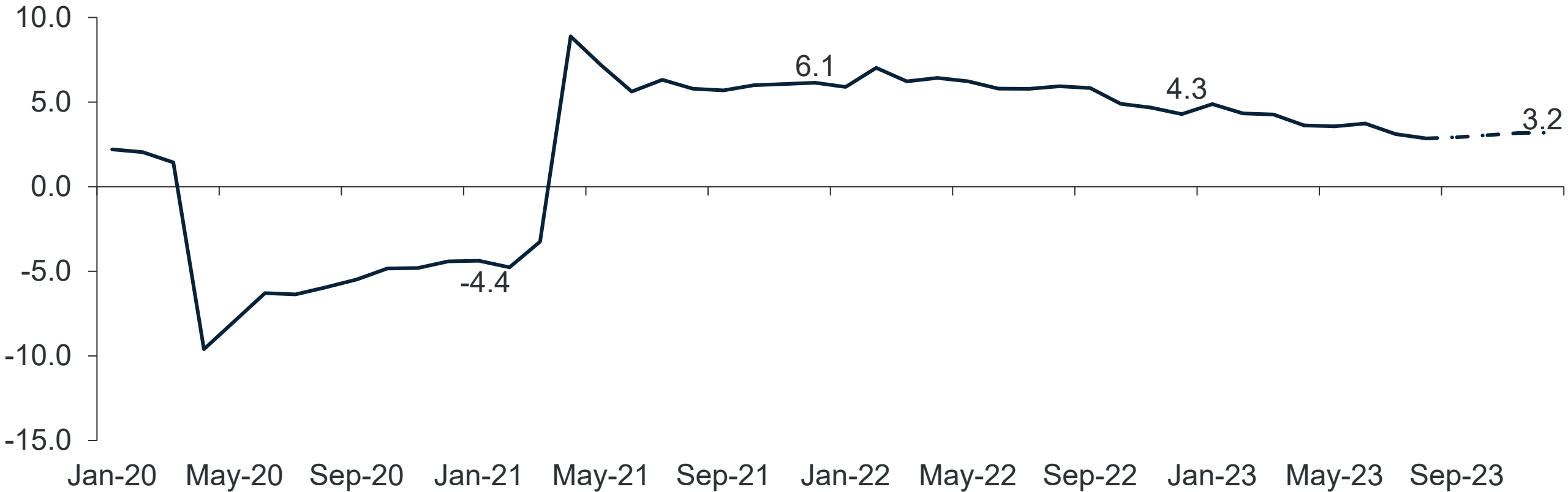
NOTES: Data are quarterly through Q2 2023. Business applications data are missing for the first week of January 2021.

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

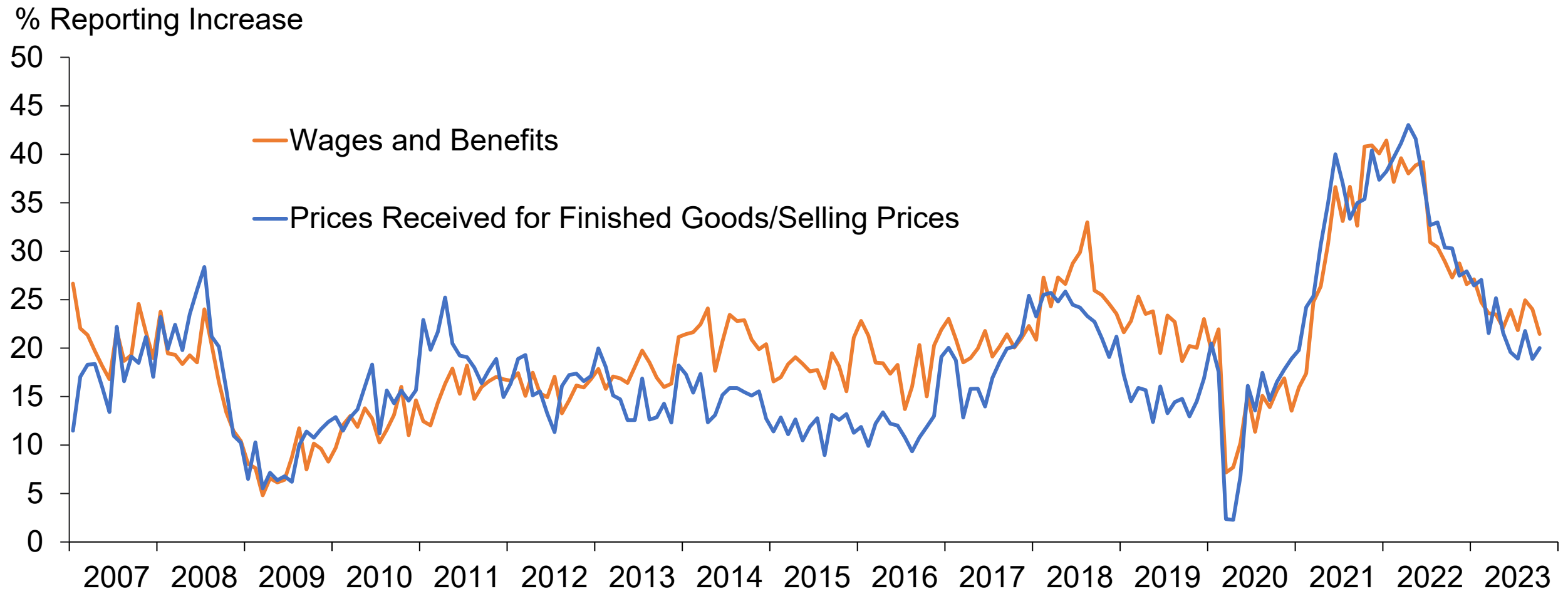
Percent, Y/Y



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).

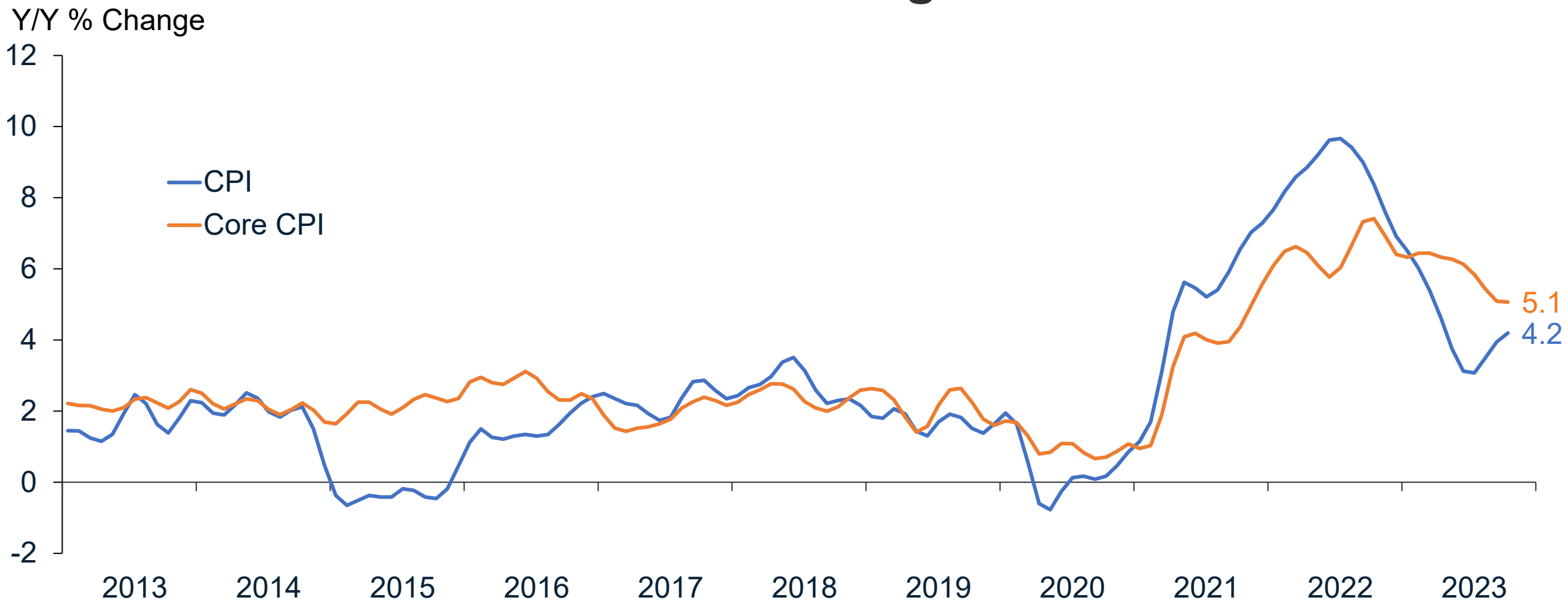


# Share of Texas firms raising prices and wages moves sideways



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

# Texas headline CPI trends up since July; core CPI trending down but high

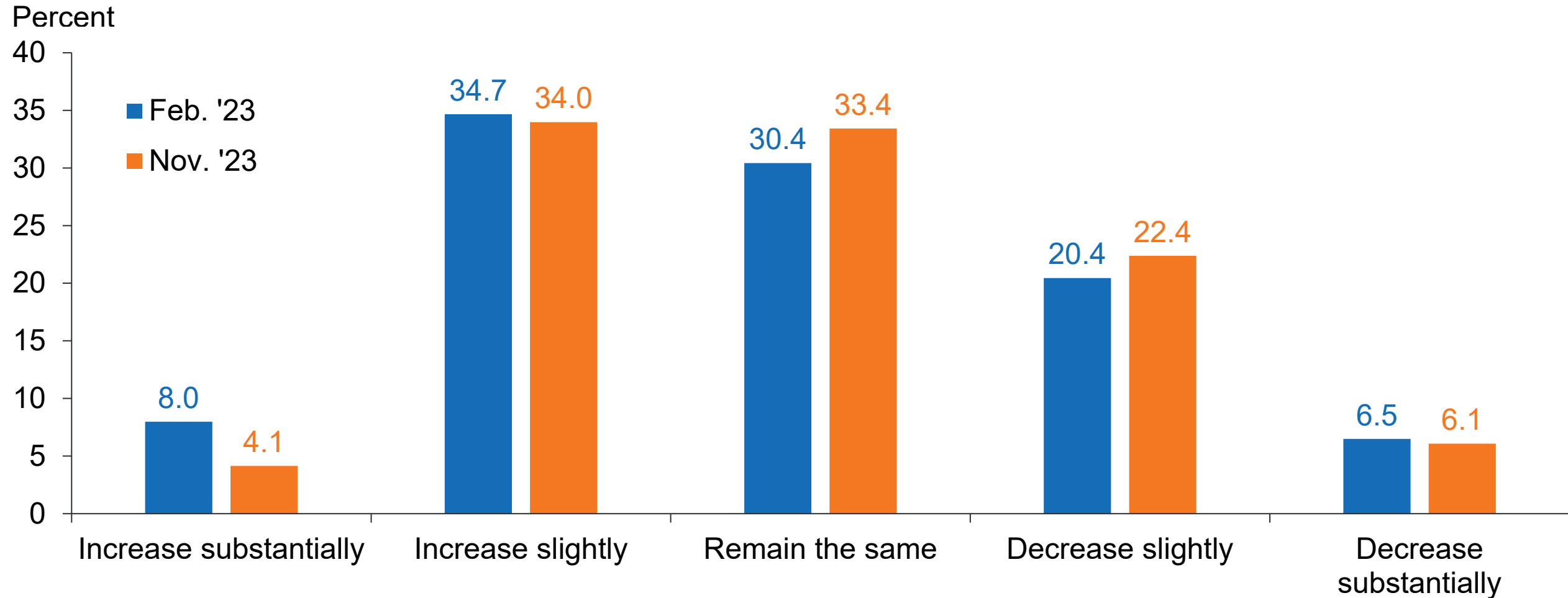


NOTES: CPI data through October 2023.

SOURCES: Bureau of Labor Statistics.

# Survey Special Questions

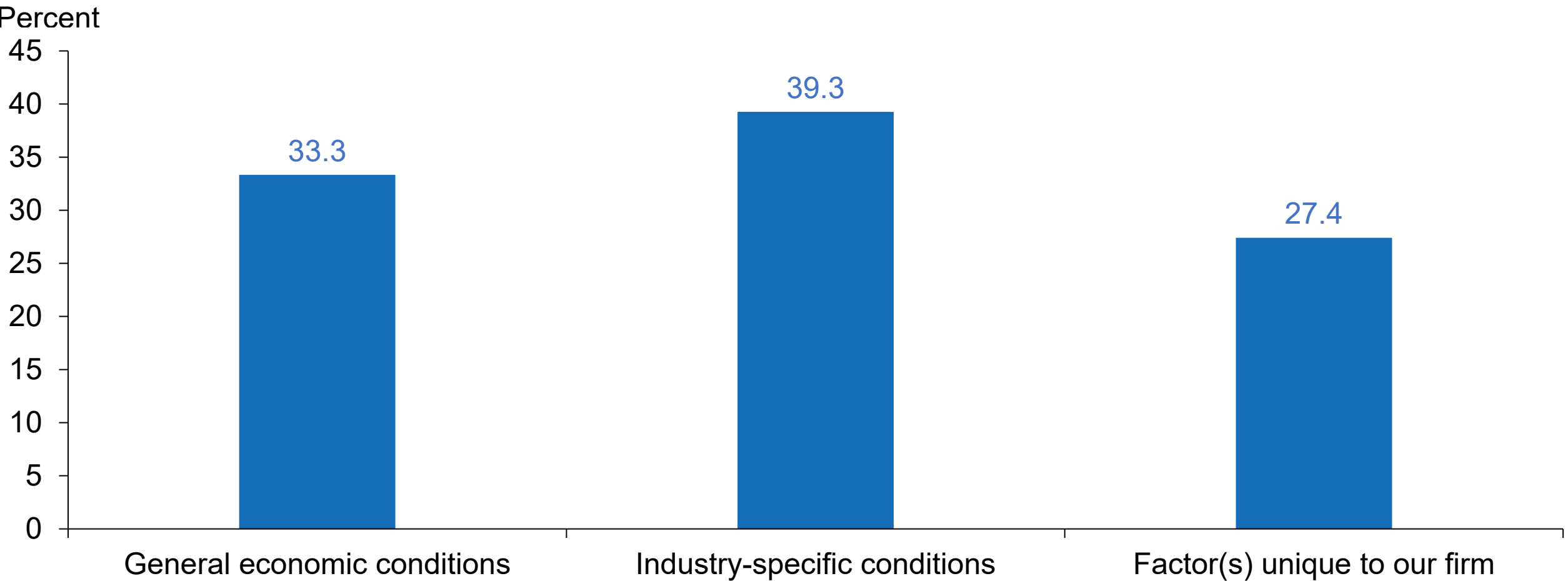
# More Texas firms expect rising vs. falling demand over the next 6 months



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.

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

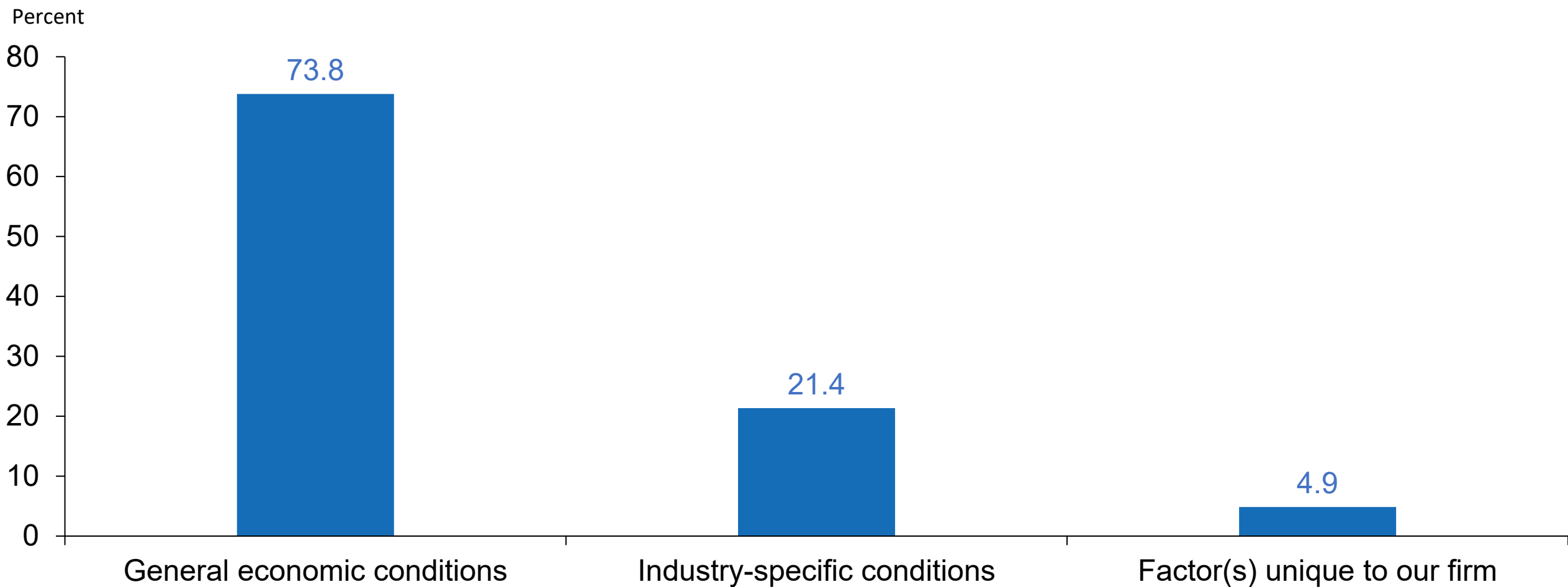
# Firms expecting demand increases cite industry-specific conditions



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.

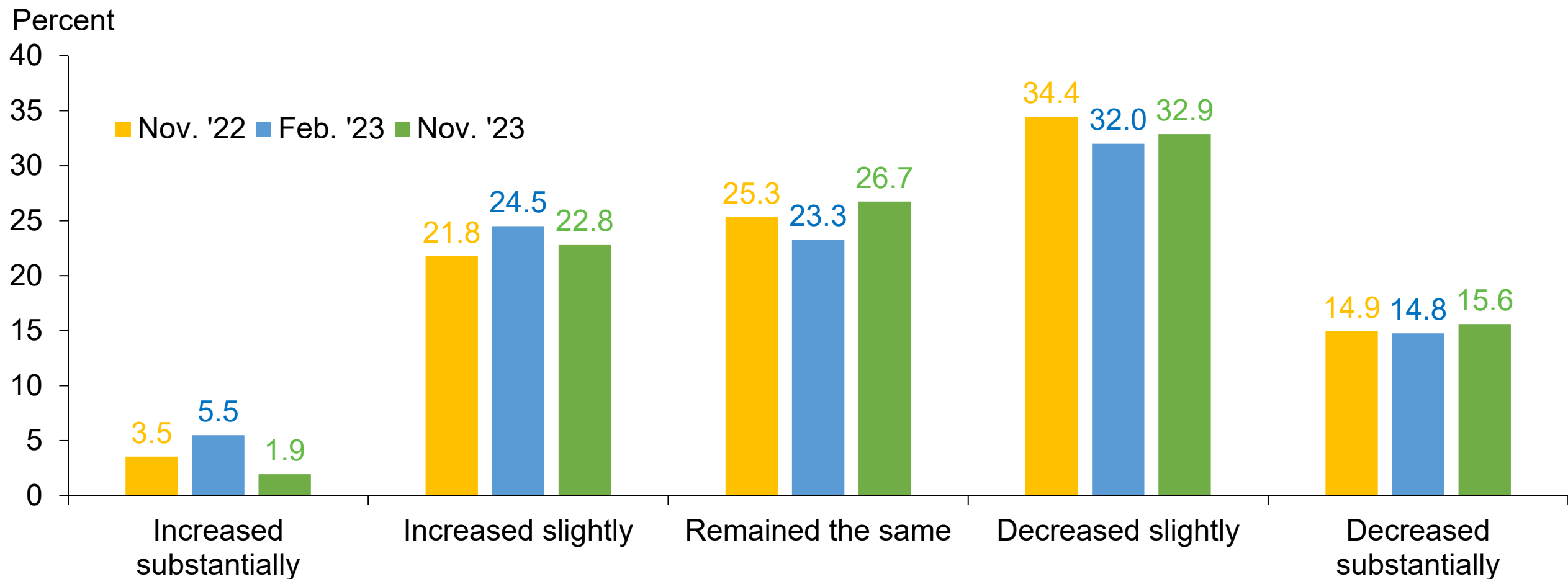
# Firms expecting a slowdown attribute it to general economic conditions



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.

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

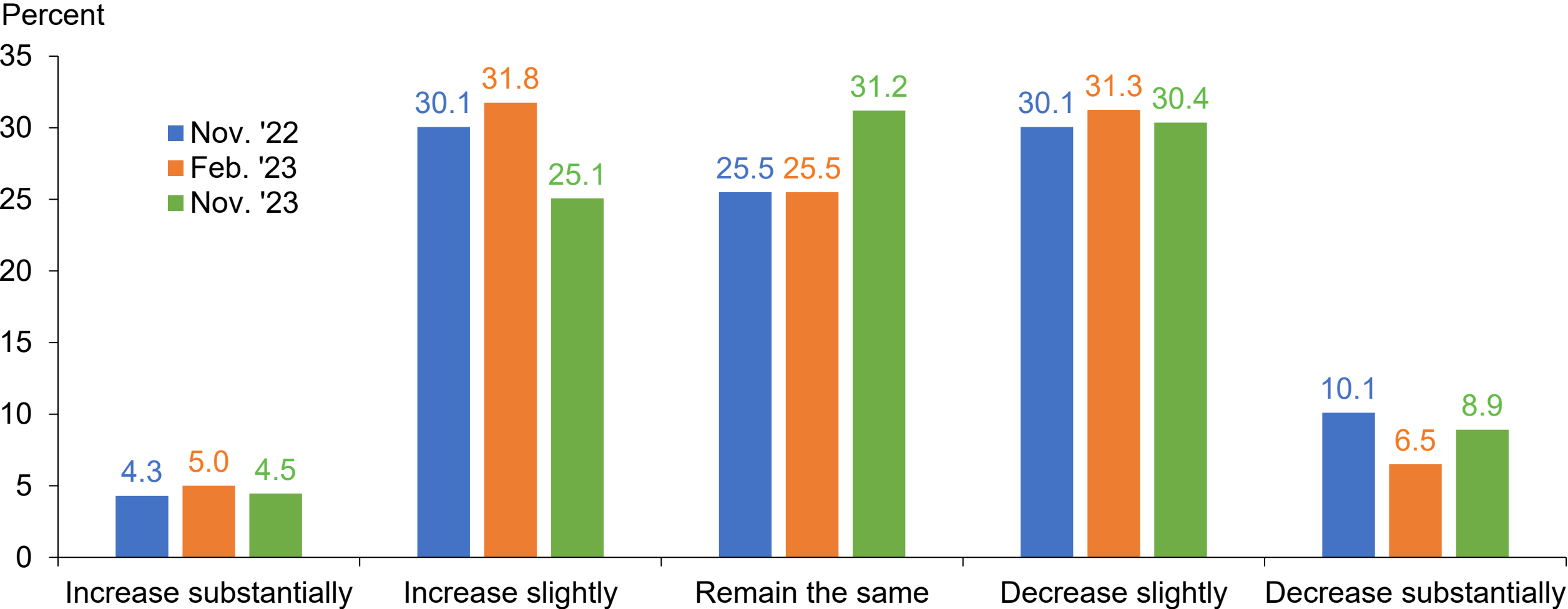
# About half of businesses on net report operating margins declined over the past six months



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



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