



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook

(May 2025)

“Job Growth Accelerates in April”

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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. Any data requests can be addressed to Diego Morales-Burnett at Diego.Morales-Burnett@dal.frb.org.

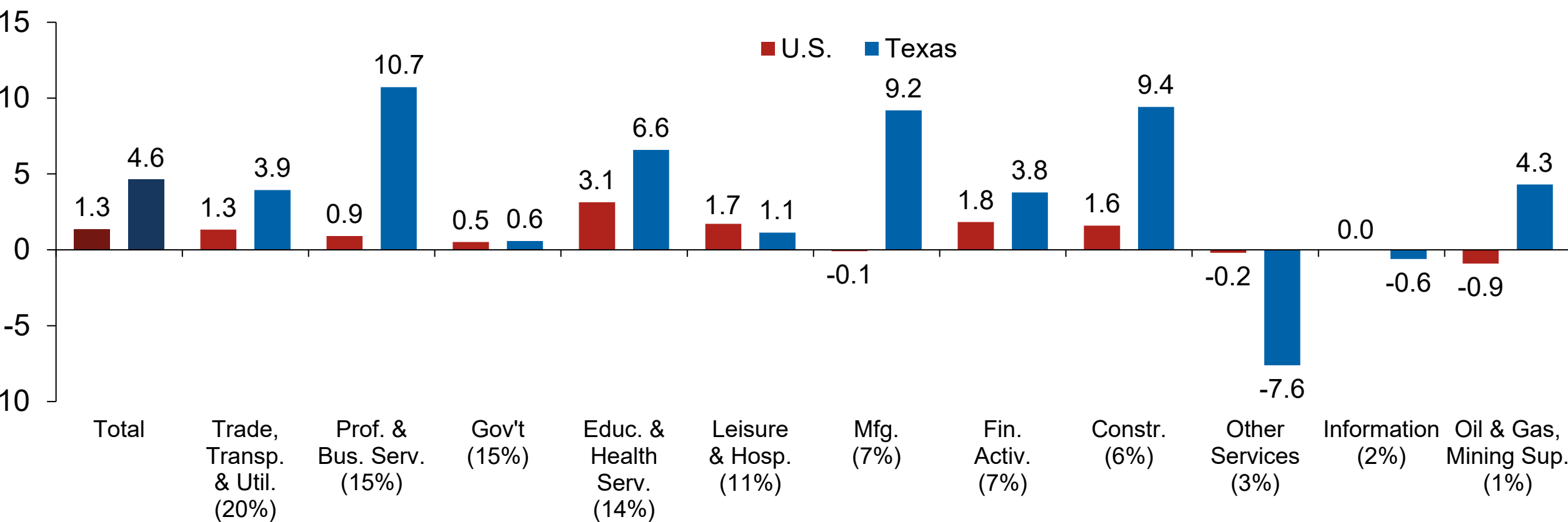
What's New: Job growth picks up in April, but business outlooks weaken

- Texas employment rose 4.6% in April, faster than March's 1.4% increase
 - U.S. job growth was 1.3% in April
- The Dallas Fed's Texas Employment Forecast indicates jobs will increase 1.7 percent in 2025
 - The previous forecast was 1.5 percent
- Texas unemployment held steady at 4.1% in April
 - U.S. unemployment was 4.2% in April
- April Texas Business Outlook Surveys (TBOS) show weak expansion in the service sector and manufacturing sector
 - Nearly 60% of Texas firms expect higher tariffs to negatively impact their business
 - Tariff effect is higher than in 2018-19, with 67% of firms reporting higher costs vs. 44% in 2018
 - Cost pass through is expected to be swift but partial for firms planning to raise prices as a result of tariffs

Overall Economic Activity

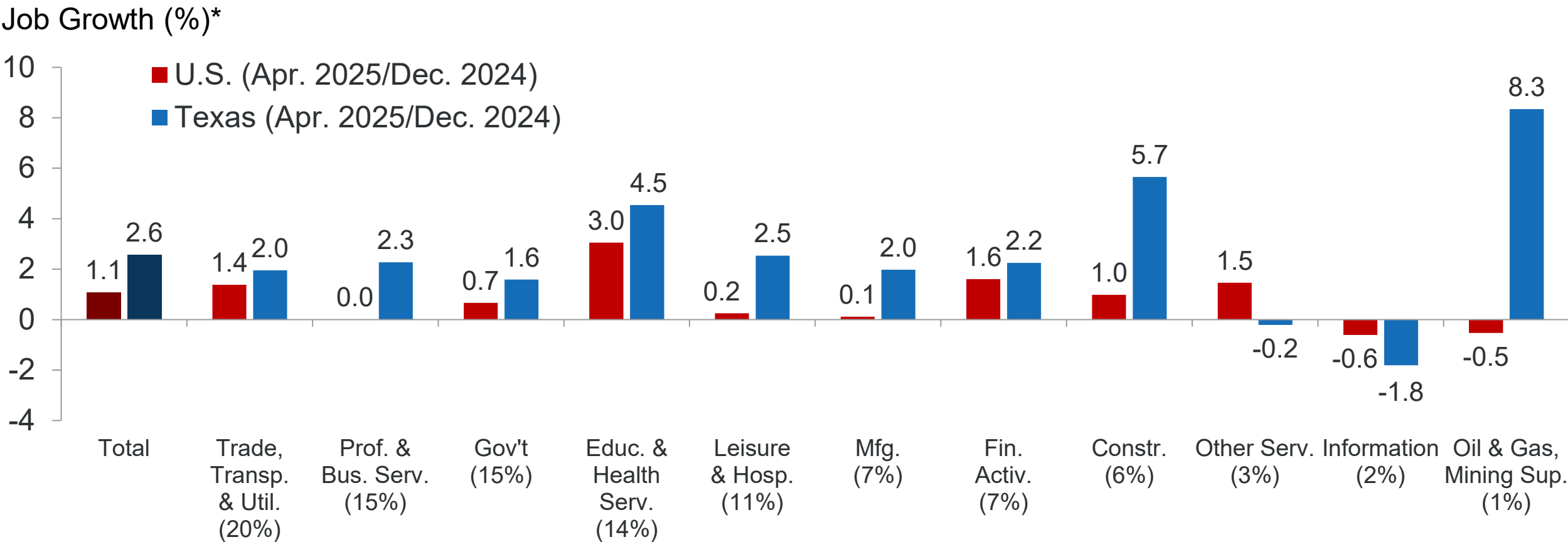
Texas employment growth fastest in professional and business services, manufacturing, and construction in April

Job Growth April 2025/March 2025 (%)*



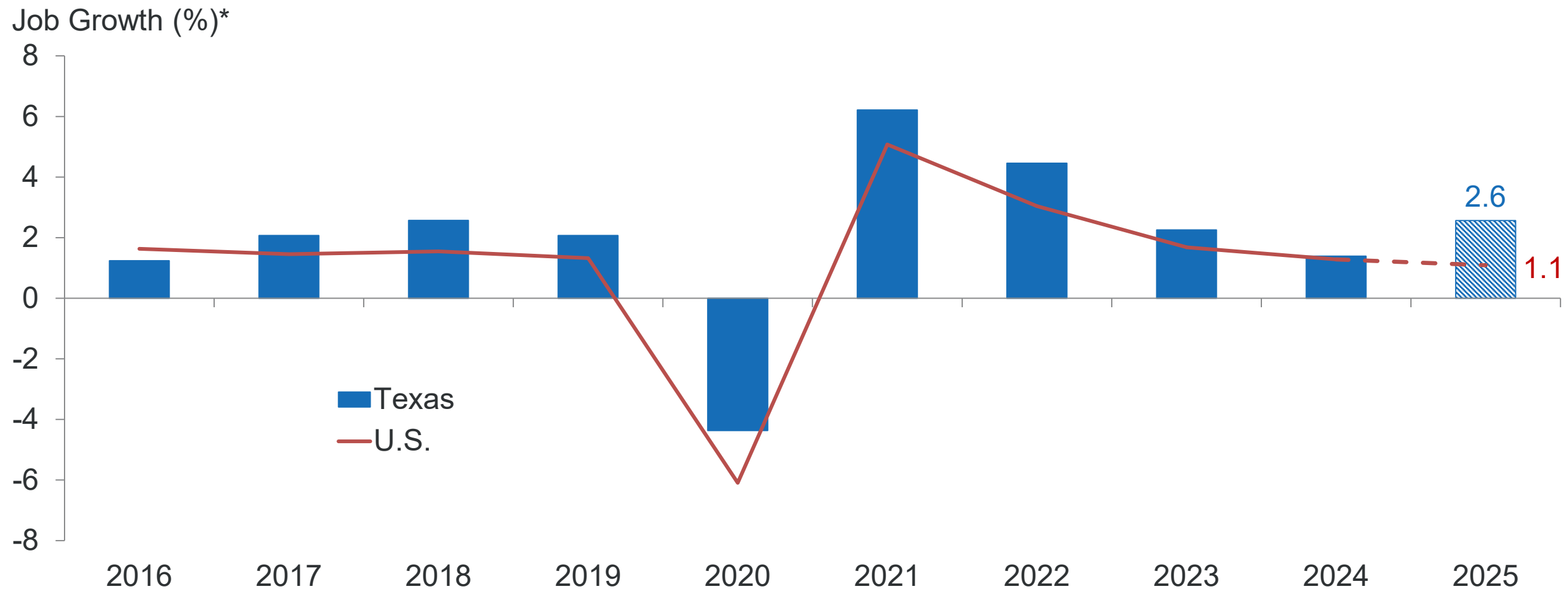
*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of total state employment in April 2025.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.
DATA: [Texas Employment by Industry - Dallasfed.org](#)

Strong YTD employment growth in energy, construction, and education and health



*Seasonally adjusted, annualized rate.
NOTE: Numbers in parentheses indicate share of total state employment for March 2025.
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)

Texas' 2025 job growth outpacing the nation



*Seasonally adjusted, annualized rate.

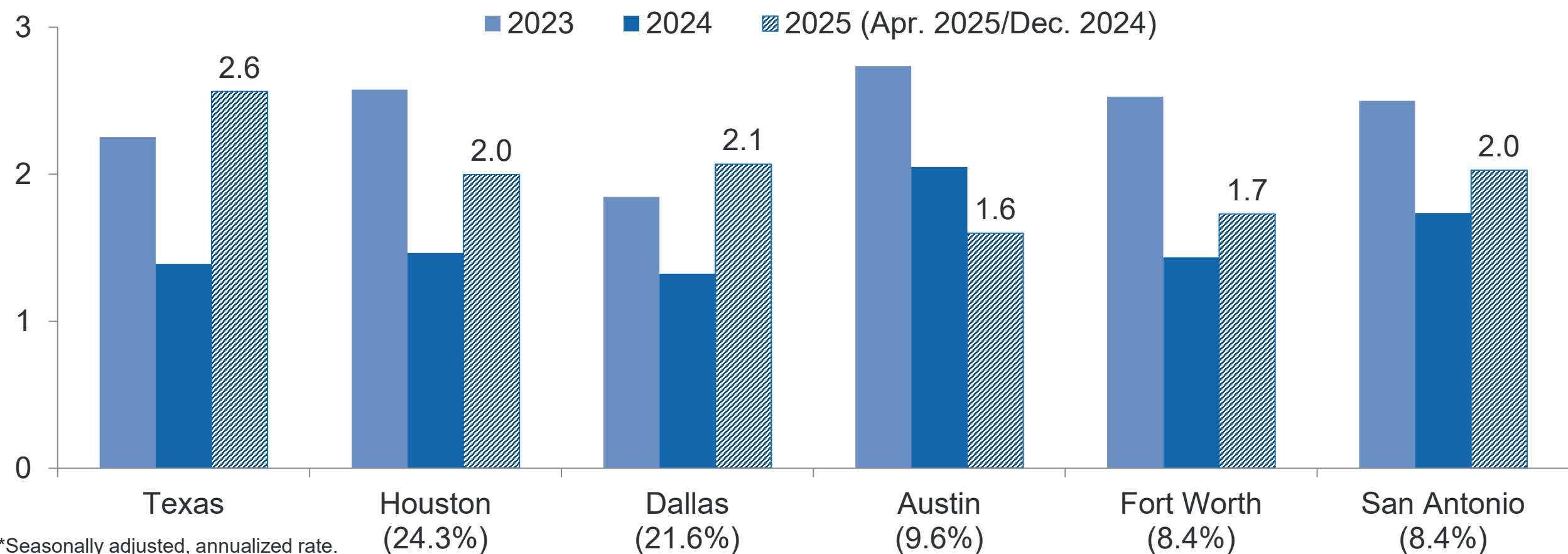
NOTES: Last data points are annualized job growth for Apr. 2025/Dec. 2024. Yearly growth is Dec/Dec.

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](#)

2025 YTD metro growth higher than 2024 and led by Dallas

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



*Seasonally adjusted, annualized rate.

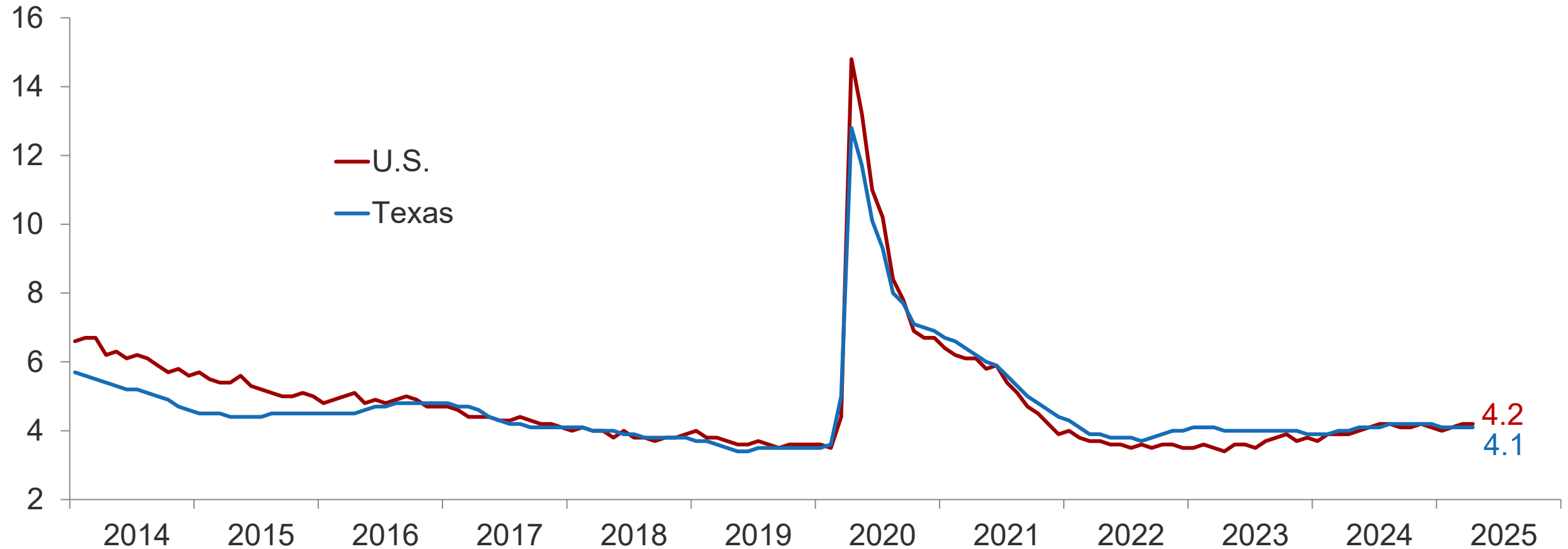
NOTE: Numbers in parenthesis indicate share of state employment for April 2025.

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-data)

Texas unemployment remains at 4.1 percent

Unemployment rate (%)*



*Seasonally adjusted.

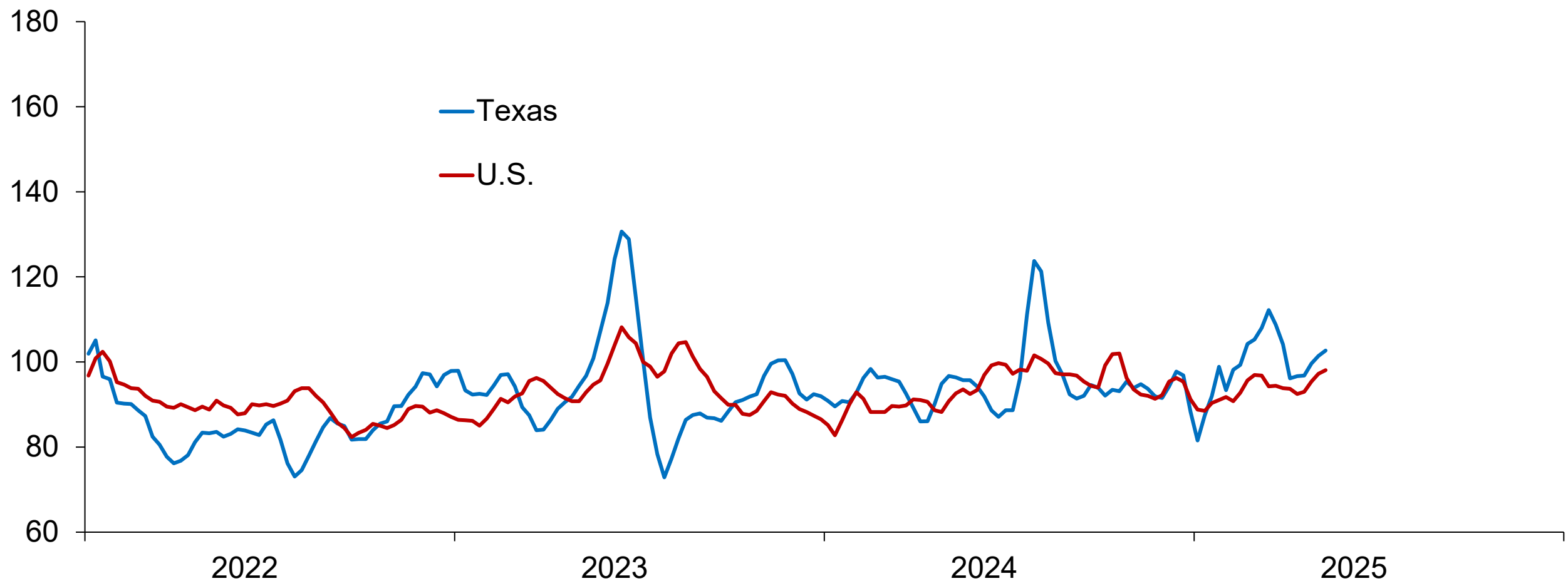
NOTE: Data are through April 2025.

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)

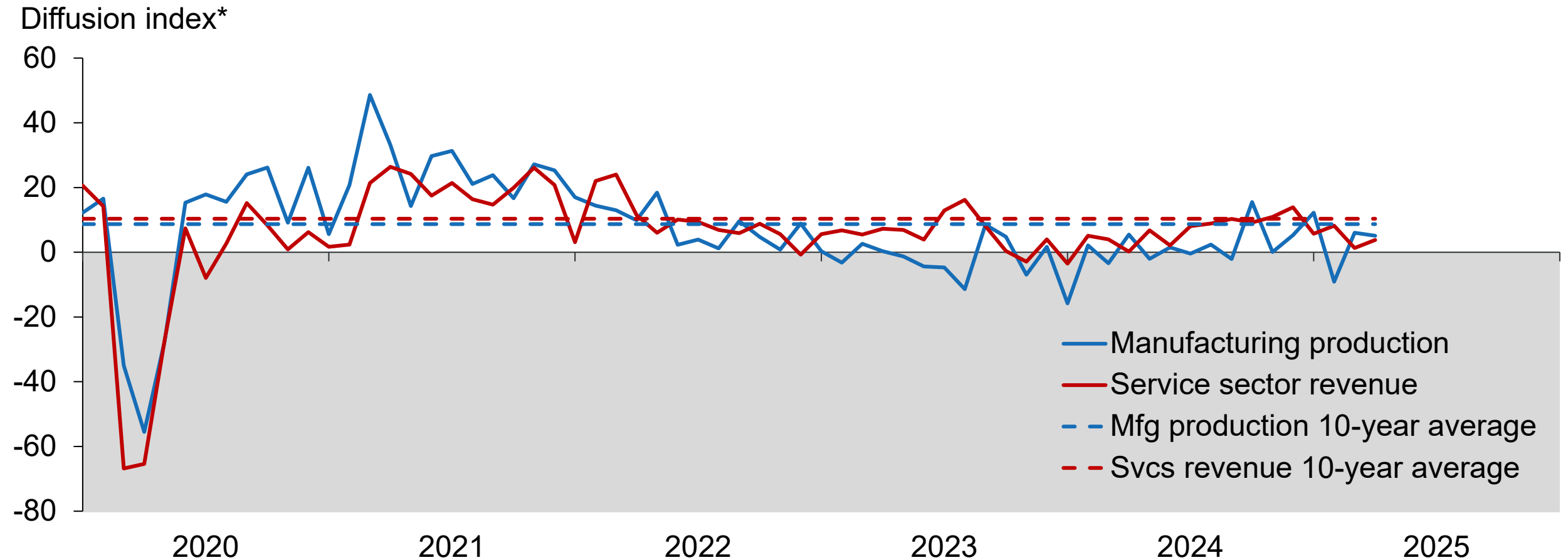
Texas initial unemployment claims rise slightly in mid-May

Index, Jan. 2022 = 100*



*Seasonally adjusted, three-week moving average.
NOTE: Data are through the week ending May 10th, 2025.
SOURCE: Department of Labor.

Expansion in manufacturing and service sector remains sluggish according to TBOS



*Seasonally adjusted.

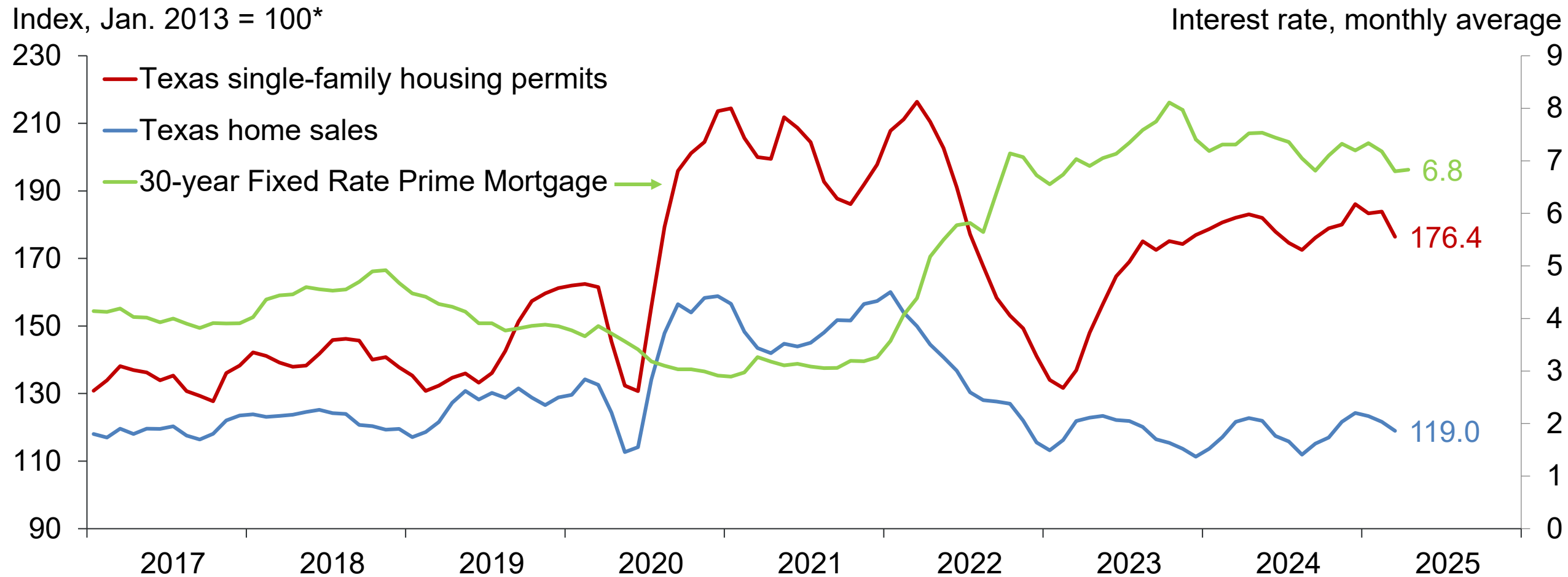
NOTES: Data through April 2025. Shaded area represents contractionary territory.

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

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

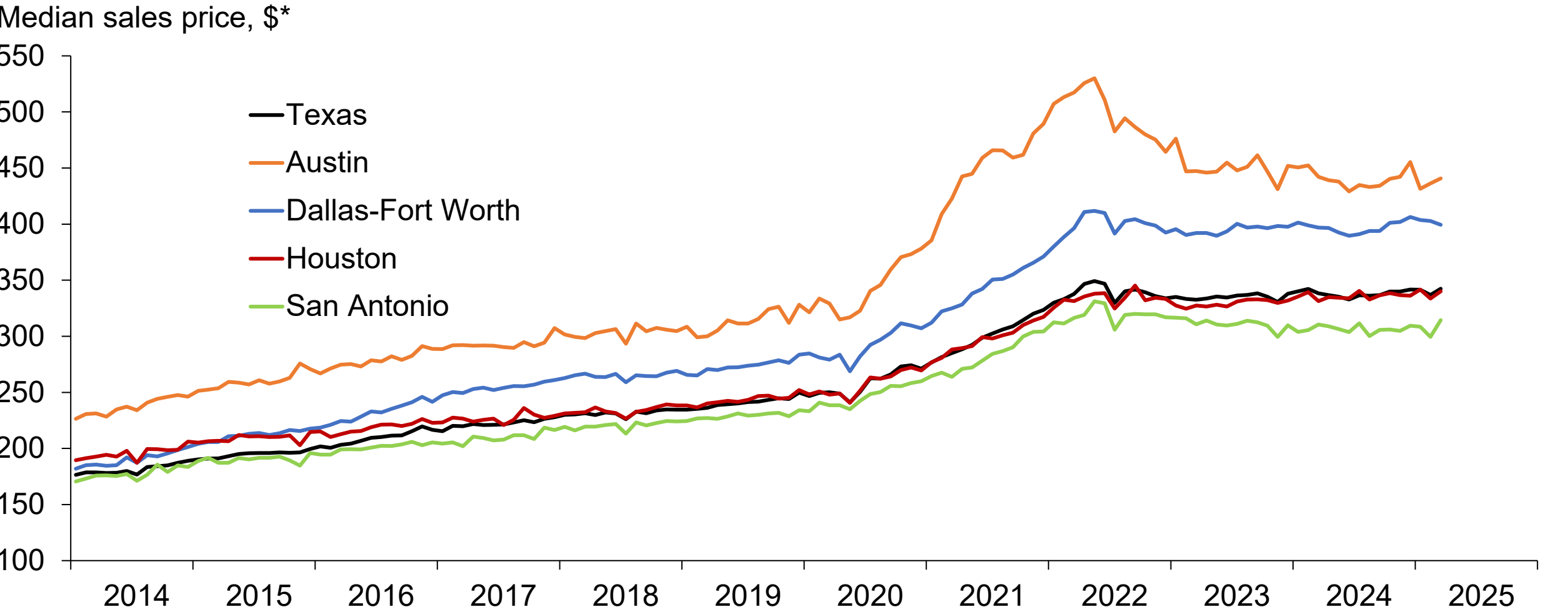
Real Estate, Finance and Energy

Texas housing sales and permits decline in March, mortgage rates steady in April



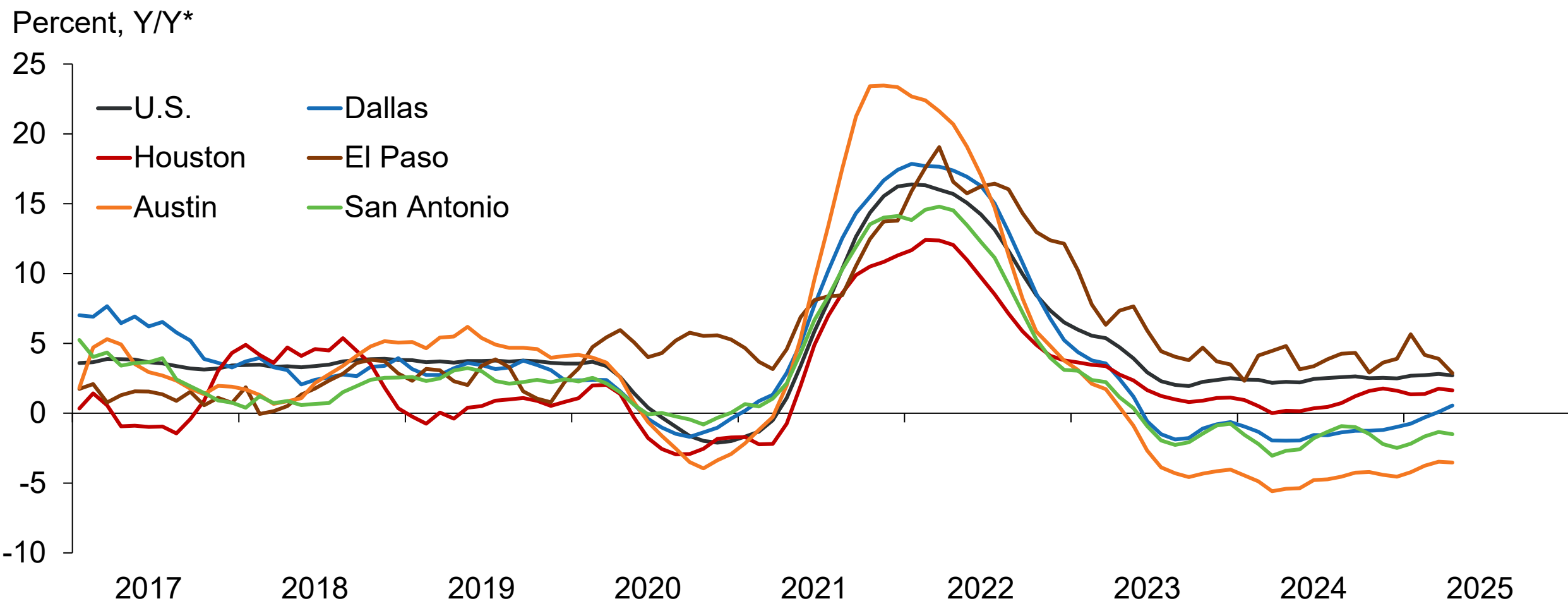
*Seasonally adjusted, three-month moving average.
NOTE: Mortgage data are monthly through April 2025; the rest through March 2025.
SOURCES: MLS; A&M Real Estate Center; Freddie Mac Primary Mortgage Market Survey; U.S. Census.

Median home prices little changed across Texas major metros



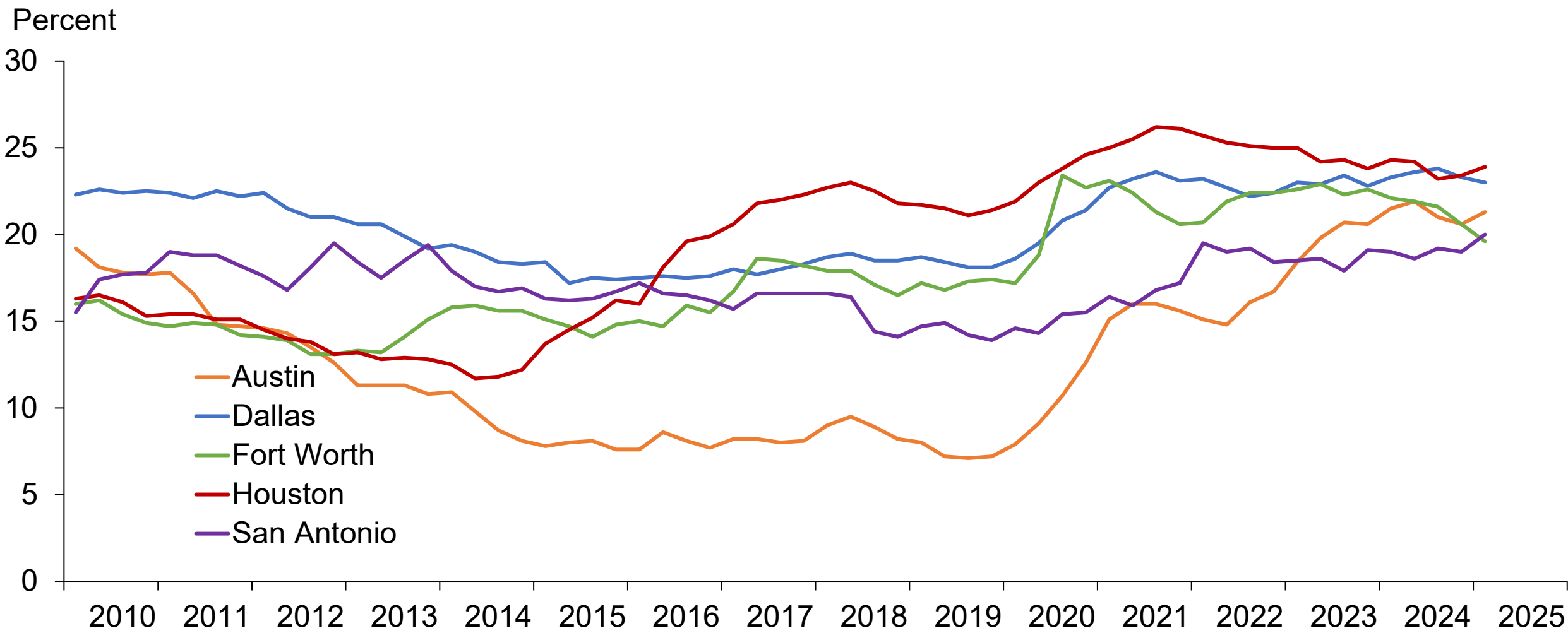
*Seasonally adjusted.
NOTE: Data are monthly through March 2025.

Apartment rents rising in Houston, El Paso and Dallas, down in Austin and San Antonio



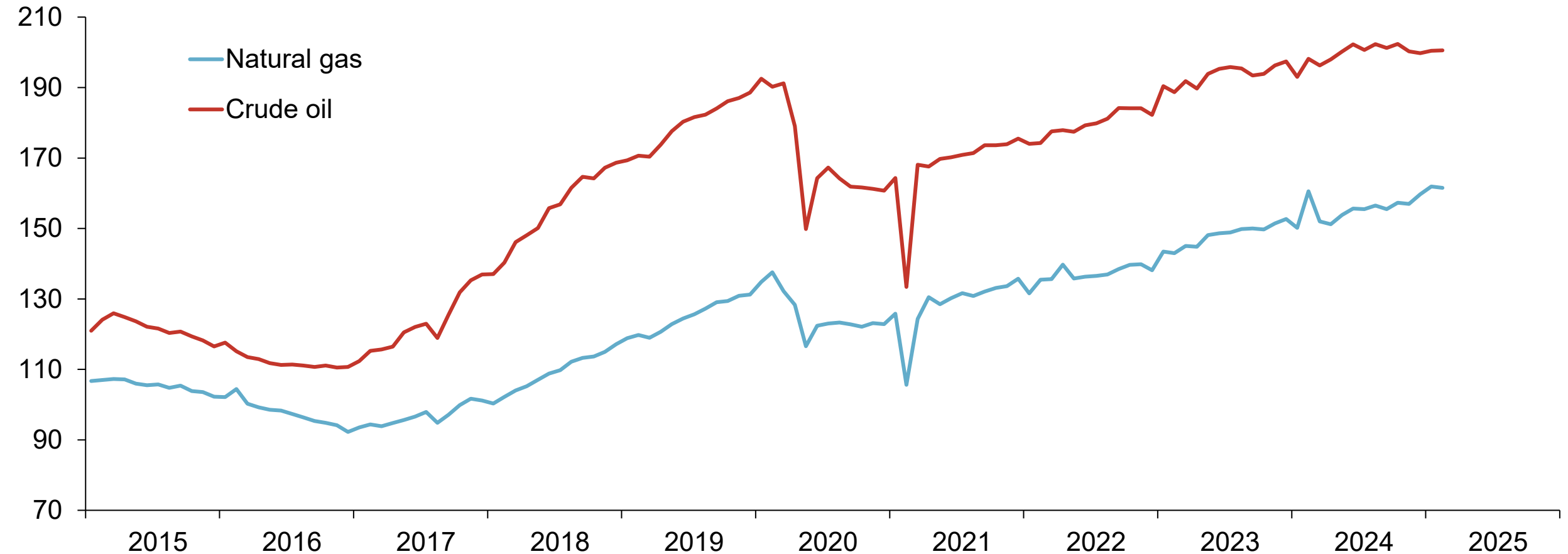
*Smoothed and seasonally adjusted
NOTES: Data are monthly through March 2025.
SOURCE: Zillow.

Office vacancy ticks up in Texas markets, except in DFW



Texas oil and gas production little changed in February

Index, Jan. 2014 = 100*



*Seasonally adjusted.

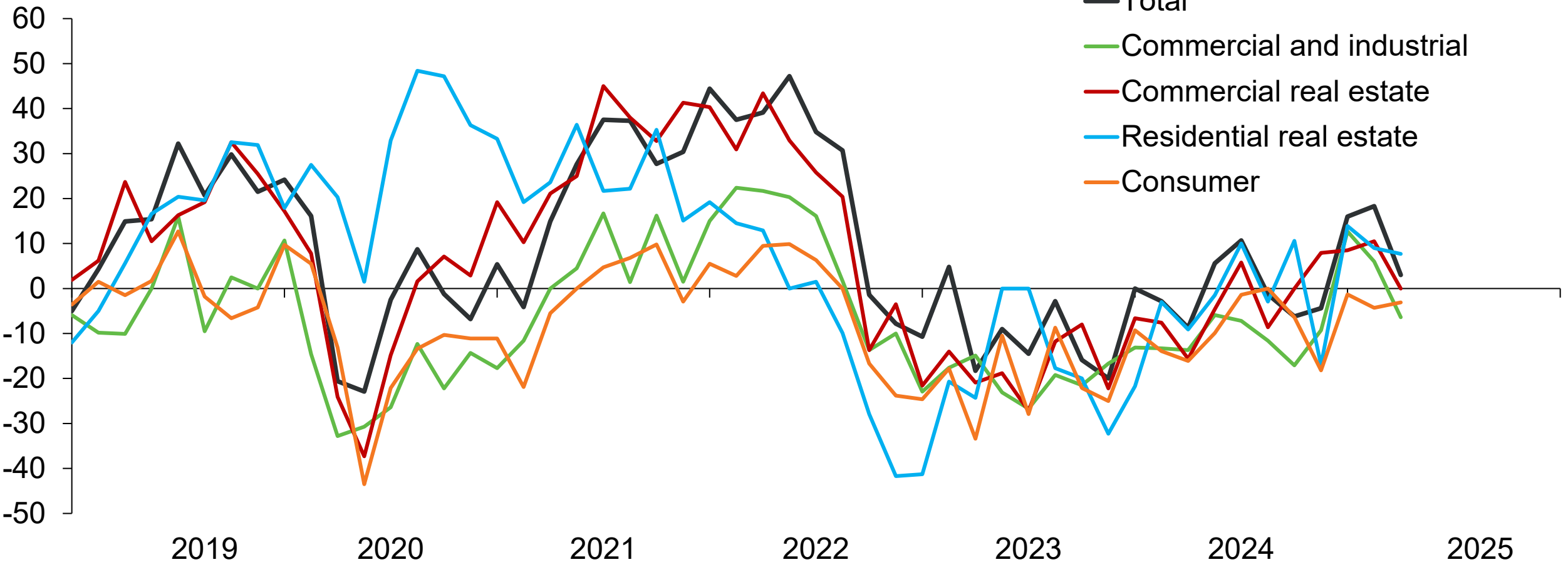
NOTES: Shown are crude oil and natural gas marketed production through February 2025. Production of natural gas are based on billion cubic feet while crude oil is based on million barrels per day.

SOURCE: Energy Information Administration.

Total loan volumes expand slightly, while commercial and industrial and consumer lending contract

(11th District banks)

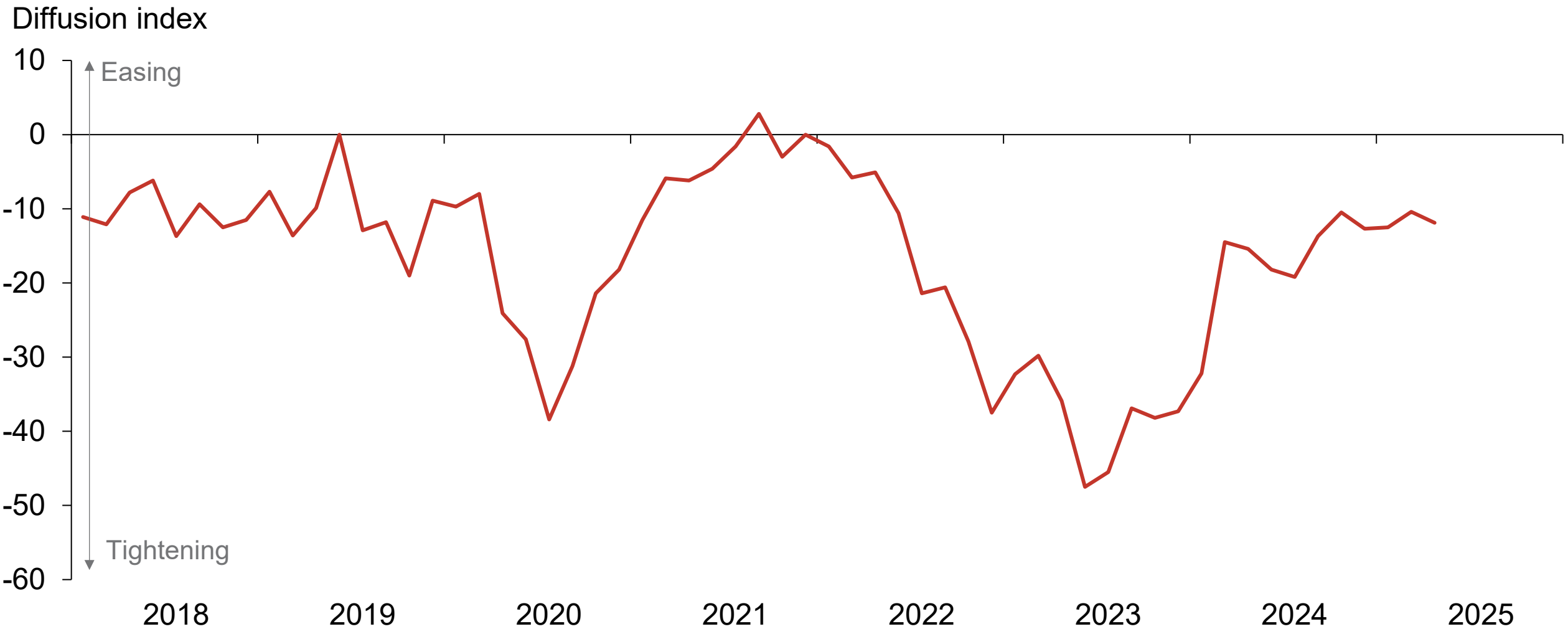
Diffusion index



NOTE: Data through April 2025.

SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

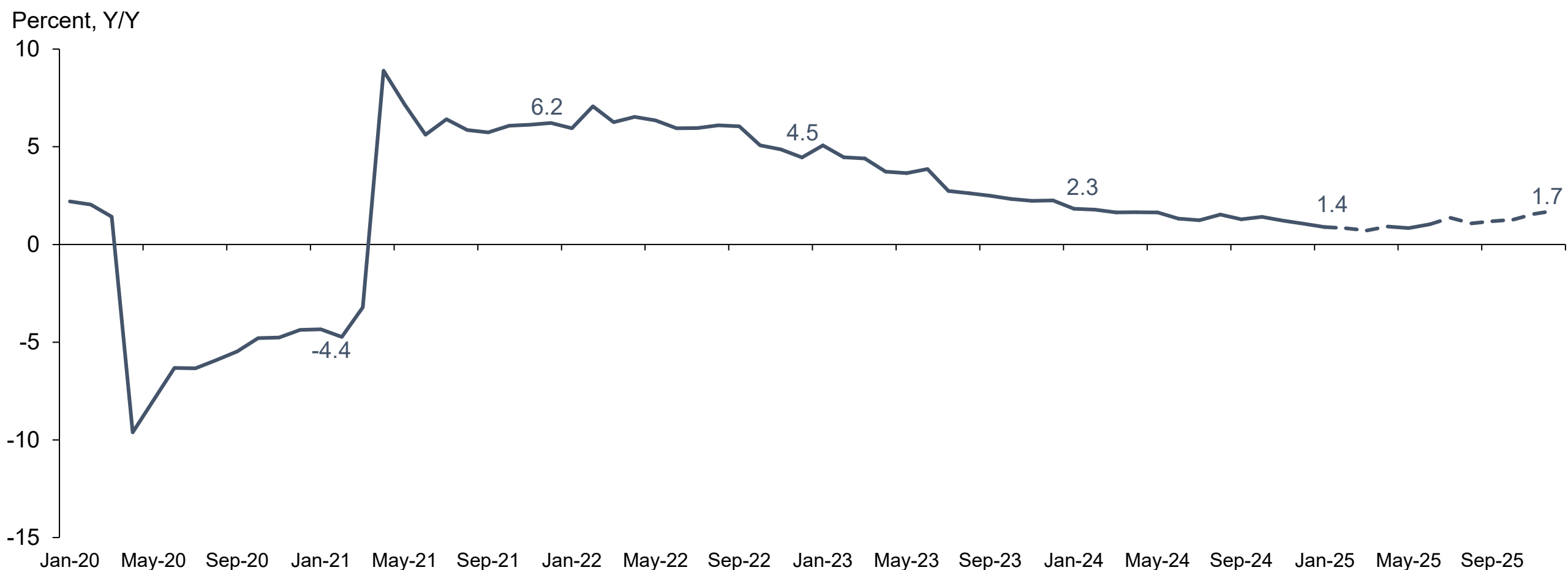
Texas banks report continued credit tightening



NOTES: Includes credits and terms. Data are through April 2025.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

Outlook

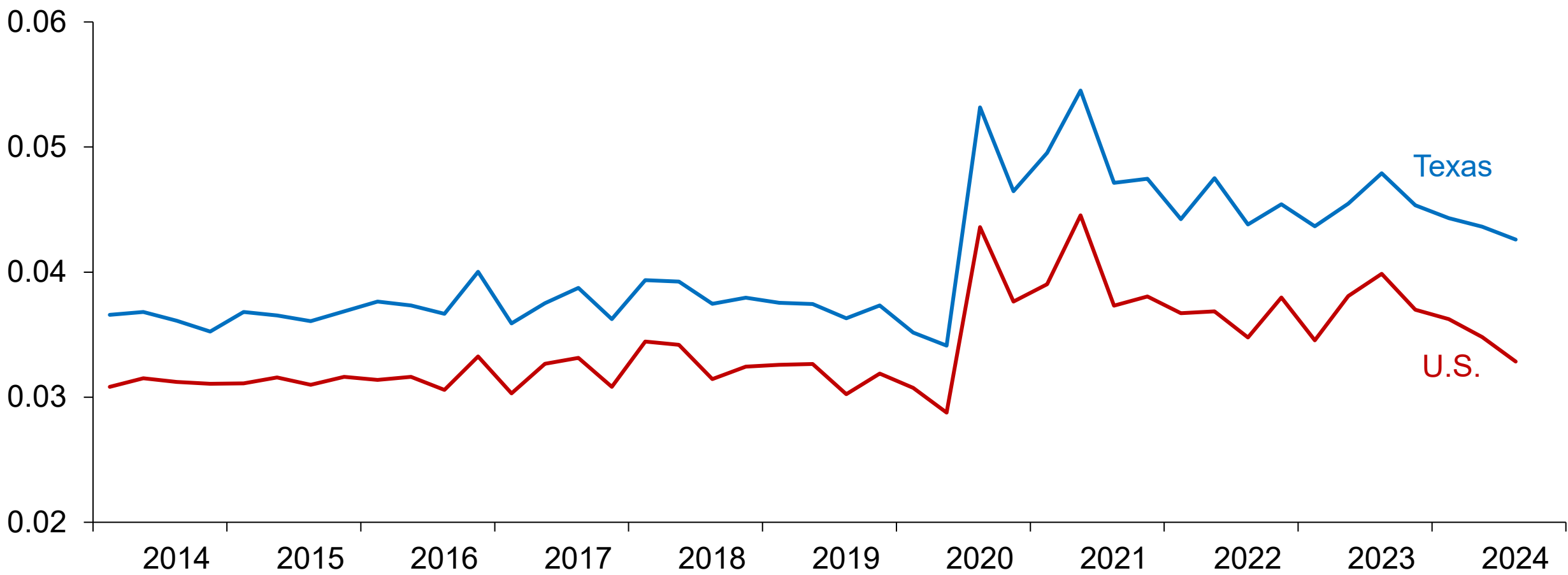
The Dallas Fed's Texas employment forecast suggests 1.7% growth in 2025, below the 2% long-run trend



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).

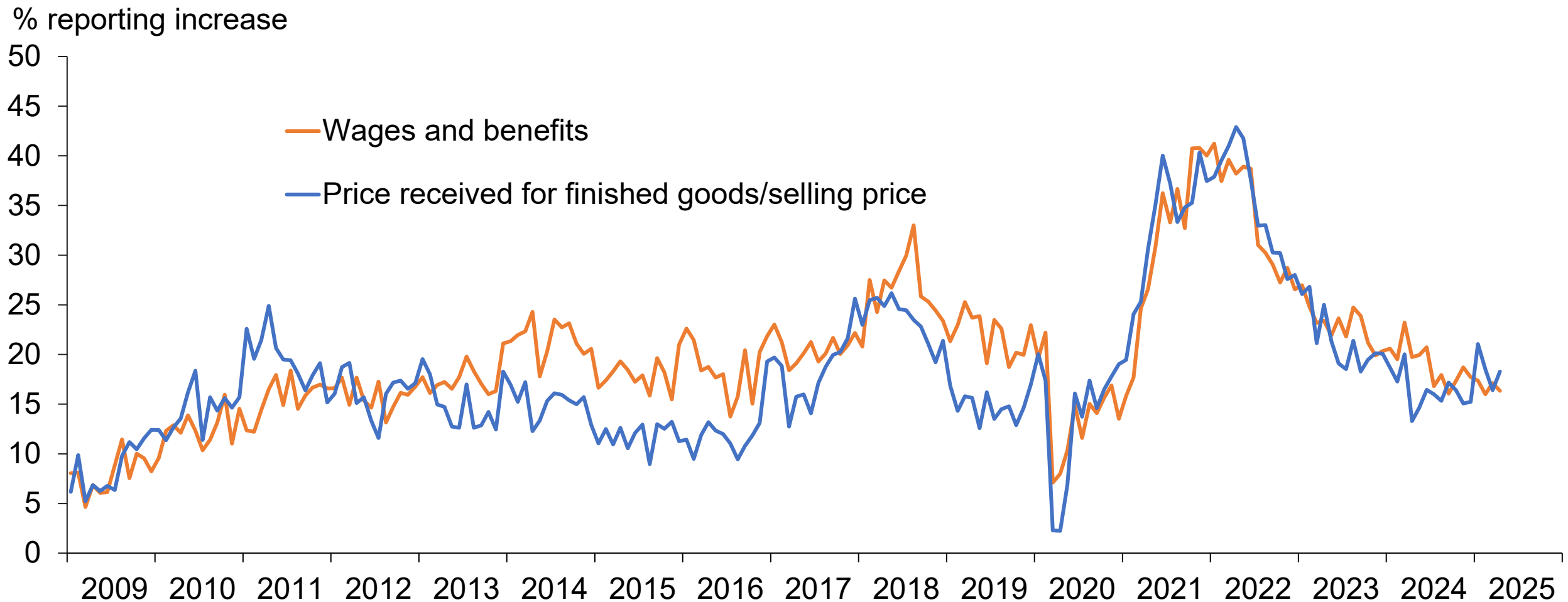
Rate of business formation in Texas slows but continues to outpace the nation

Business applications per business establishments



NOTES: Data are quarterly through Q3 2024. Business applications data are missing for the first week of January 2021.
SOURCE: U.S. Census Bureau.

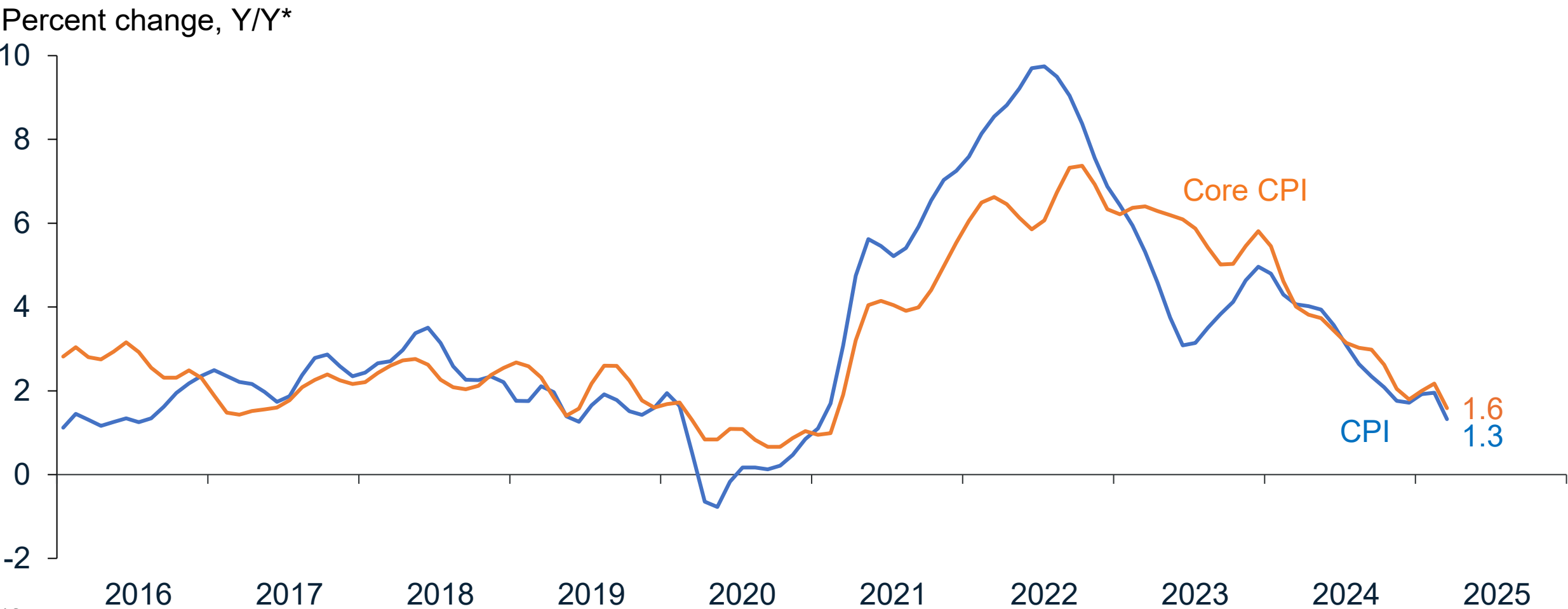
Share of Texas firms reporting an increase in selling prices ticks up in April



NOTES: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares. Data through April 2025.

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

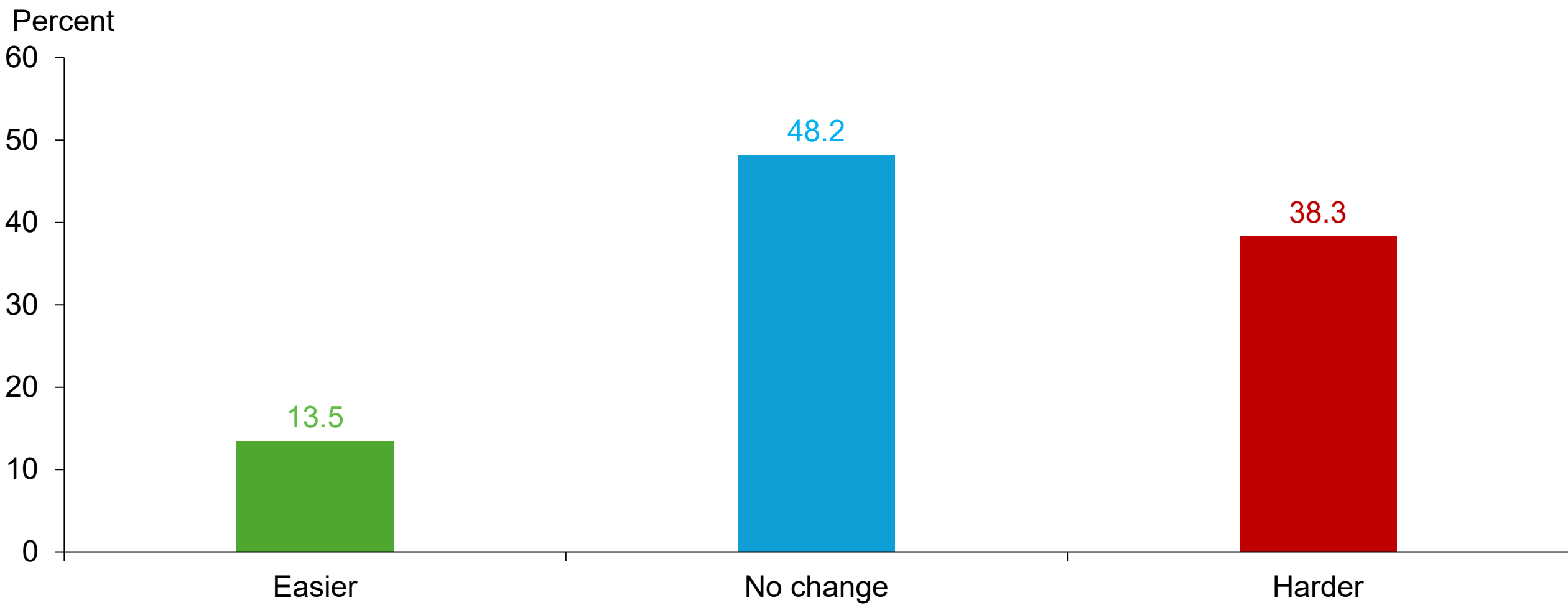
In March, Texas CPI dipped to its lowest reading since 2021



*Seasonally adjusted.
NOTE: CPI data through March 2025.
SOURCE: Bureau of Labor Statistics.

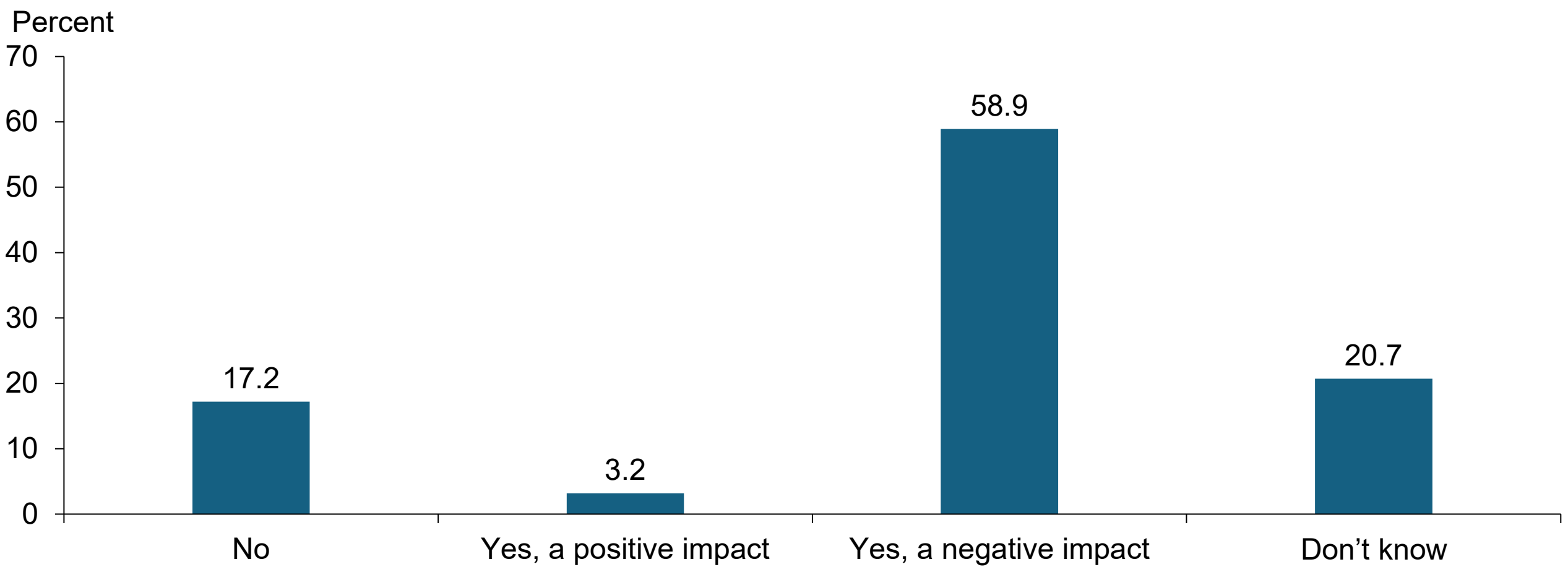
Texas Business Outlook Surveys Special Questions

Over the last three months, Texas firms appear to have less pricing power



NOTES: Participants were asked, "Compared to three months ago, how has your firm's ability to pass price increases on to customers changed?" N = 349 in Apr. '25.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Nearly 60% of Texas firms expect higher tariffs to negatively impact their business



NOTES: Participants were asked, "Do you expect higher tariffs to impact your business this year?" N = 348 in Apr. '25. We asked a similar question in April 2018, Sept. 2018, June 2019 and Dec. 2019 after tariffs were implemented by the first Trump administration.

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

Texas firms expect a greater impact from tariffs in 2025 vs. 2018-2019

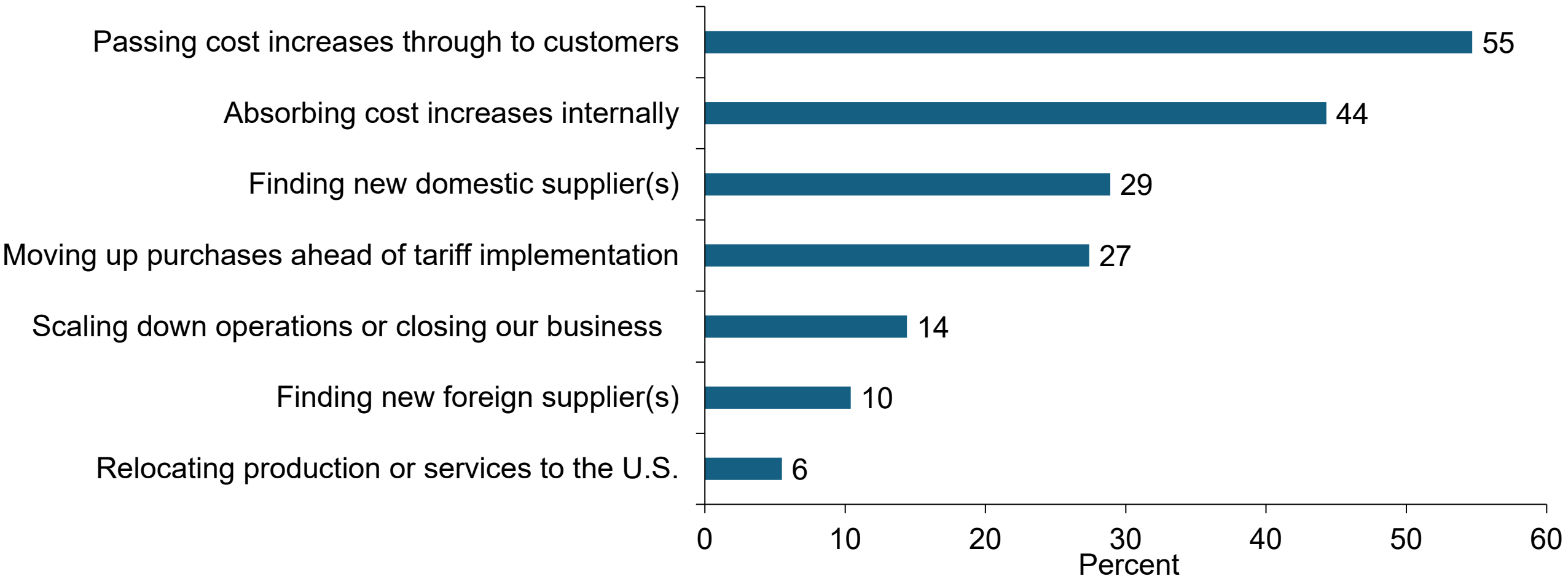
What net impact do you expect higher tariffs to have on the following aspects of your firm's business this year?

	Sept. '18	Jun. '19	Apr. '25
Increase in input costs	44%	36%	67%
Increase in selling prices	28%	22%	47%
Decrease in profit margins	N/A	29%	58%
Increase in supplier delivery time	20%	18%	30%
Decrease in production/revenue	19%	17%	41%
Decrease in employment	8%	10%	31%
Decrease in capital spending	14%	18%	40%
Decrease in company outlook	20%	28%	60%

NOTES: N=271. Survey collection period was Apr. 15-23. The question in 2018-19 asked about the realized impact.

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

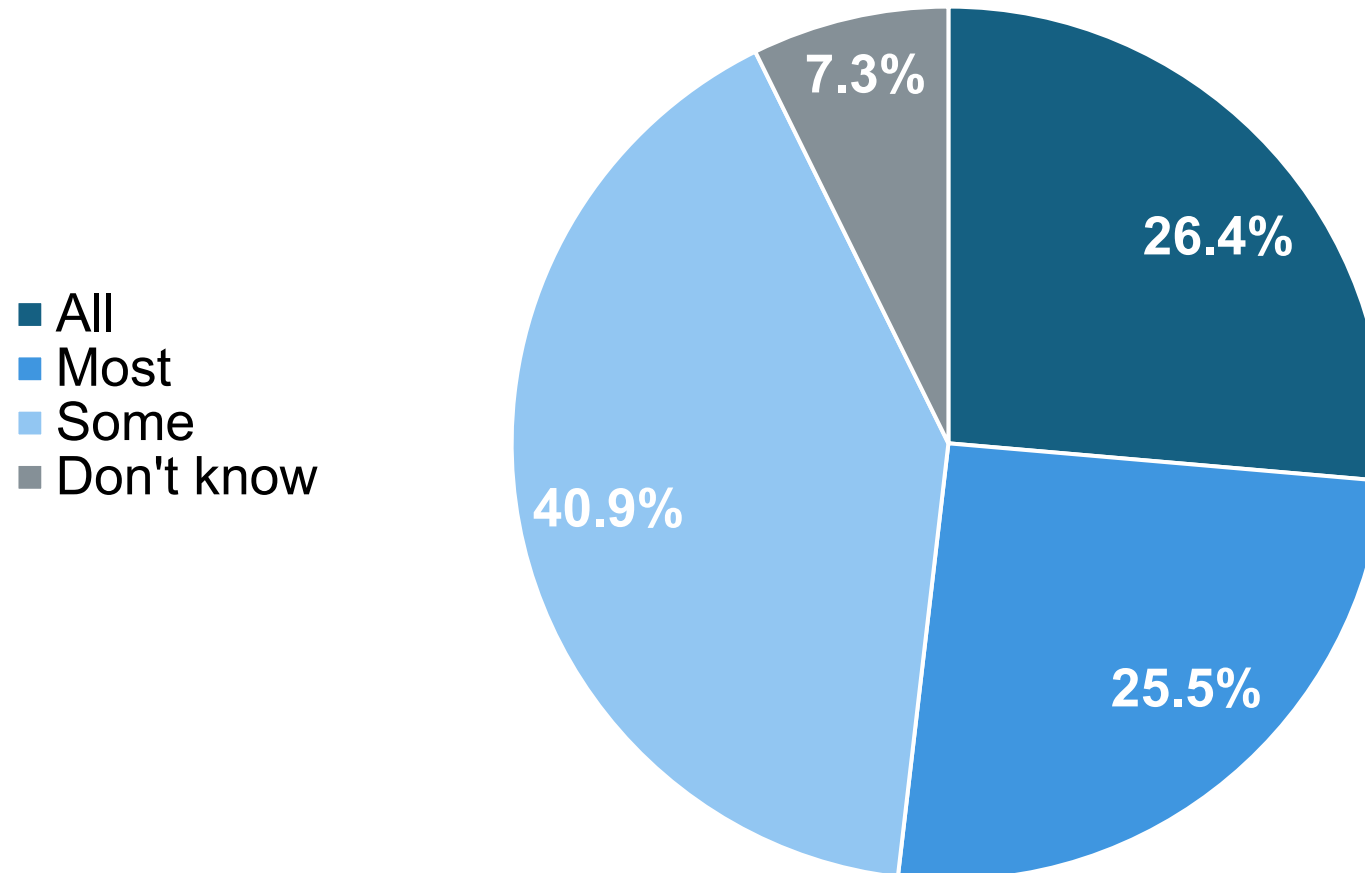
Majority of Texas firms impacted by tariffs plan to pass on higher costs to customers



NOTES: Participants were asked, "What actions, if any, are you taking (or planning to take) in response to higher tariffs? Please select all that apply" N = 201 in Apr. '25. This question was only posed to those answering "Yes, negative impact" to question "Do you expect higher tariffs to impact your business this year?". "Other" and "None" are excluded.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Texas businesses split about the extent of pass through of tariff increases to prices

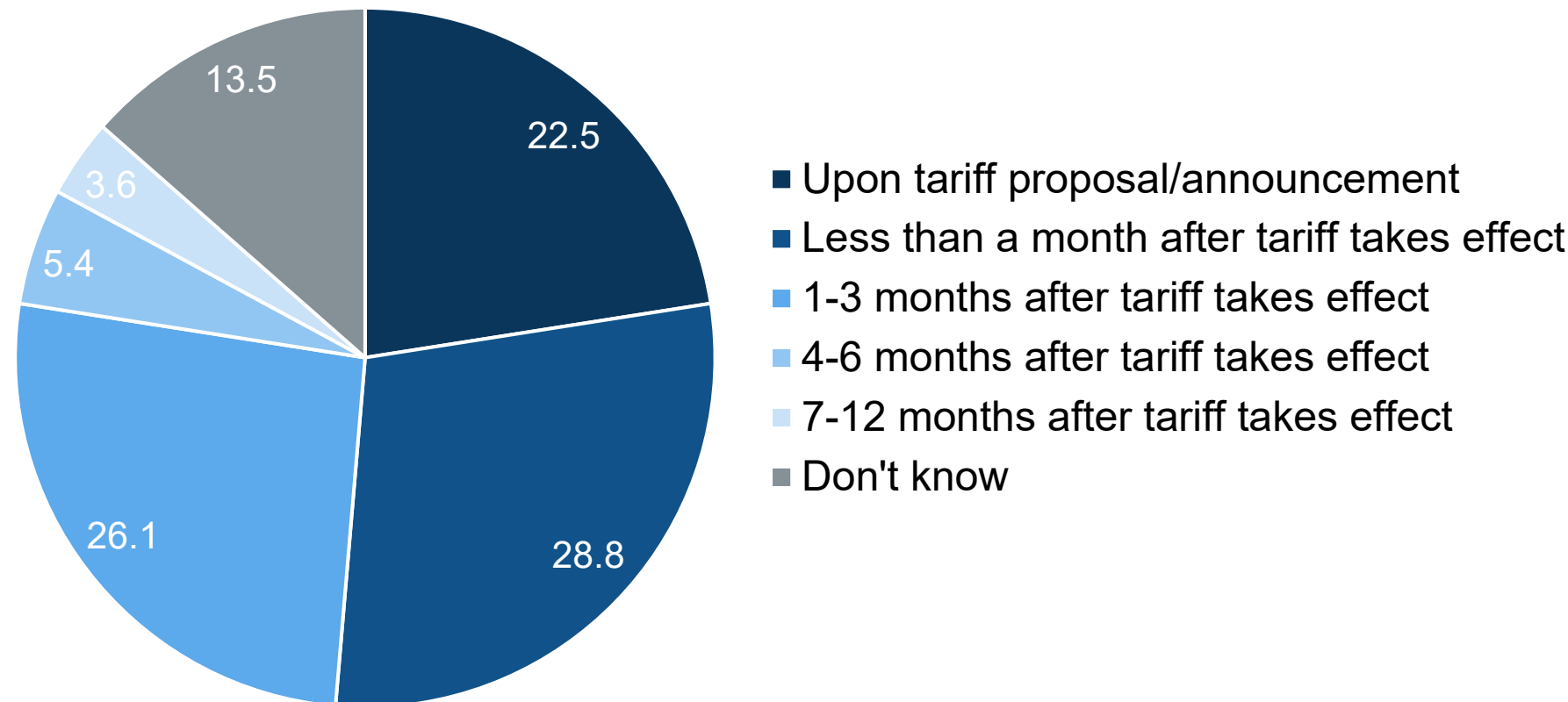
What share of tariff cost increases do you expect to pass through to customers?"



NOTES: N=110. This question was only posed to those passing cost increases through to customers. Survey collection period was Apr. 15-23.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Texas businesses signal quick price adjustments in response to tariffs

What is the timeframe for passing through tariff cost increases to customers?



NOTES: Shown are percentages. N=111. This question was only posed to those passing cost increases through to customers. Survey collection period was Apr. 15-23.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

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