



Federal Reserve  
Bank of Dallas

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# **Texas Economic Performance and Outlook**

## **(June 2025)**

### **“Solid Job Growth in May”**

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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](mailto:Diego.Morales-Burnett@dal.frb.org).

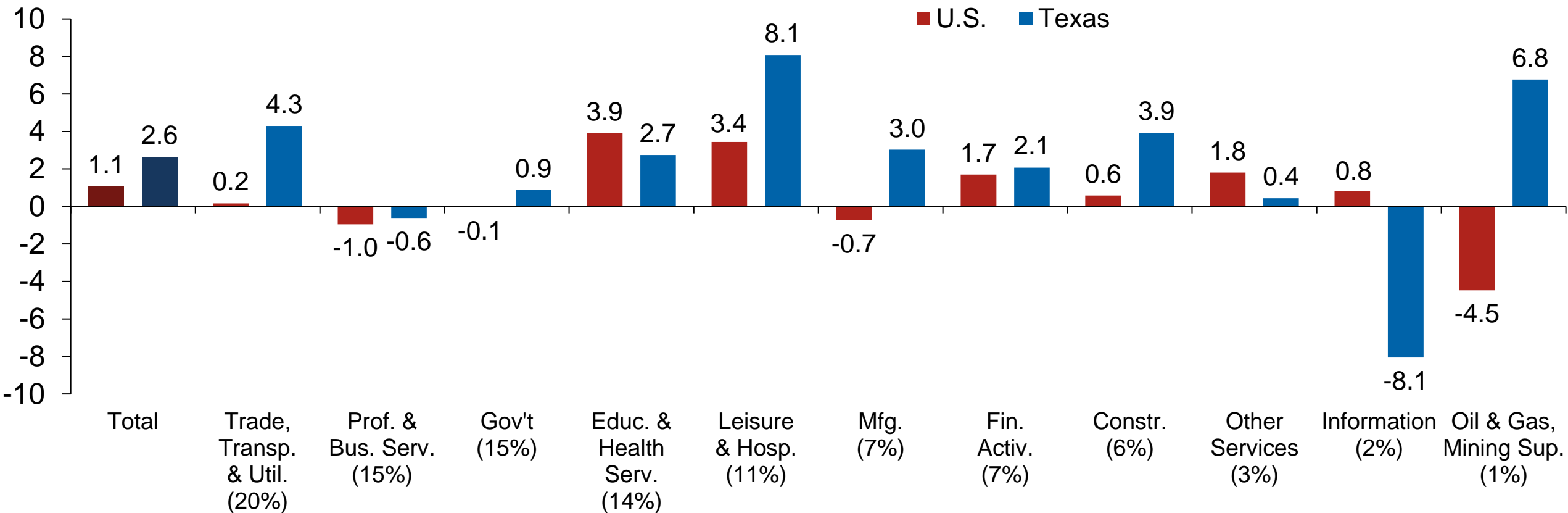
# What's New: Job growth remains solid in May

- Texas employment rose 2.6% in May, slower than April's downwardly revised 4.0% increase
  - U.S. job growth was 1.1% in May
- The Dallas Fed's Texas Employment Forecast indicates jobs will increase 2.0% in 2025
  - The previous forecast was 1.7%
- Texas unemployment held steady at 4.1% in May
  - U.S. unemployment was 4.2% in May
- May Texas Business Outlook Surveys (TBOS) show flat manufacturing output and a mild contraction in the service sector
  - 52% of TBOS firms do not plan on increasing their use of automation/AI in response to tariffs
  - According to TBOS, more firms are using AI relative to last year, primarily for marketing purposes, customer services, and automation
    - Most firms using or planning to use AI cite increased productivity as a key benefit
    - 64% of respondents using generative AI foresee no impact on their need for workers

# Overall Economic Activity

# Texas job growth in May fastest in leisure and hospitality and energy, large declines in information

Job Growth May 2025/April 2025 (%)\*



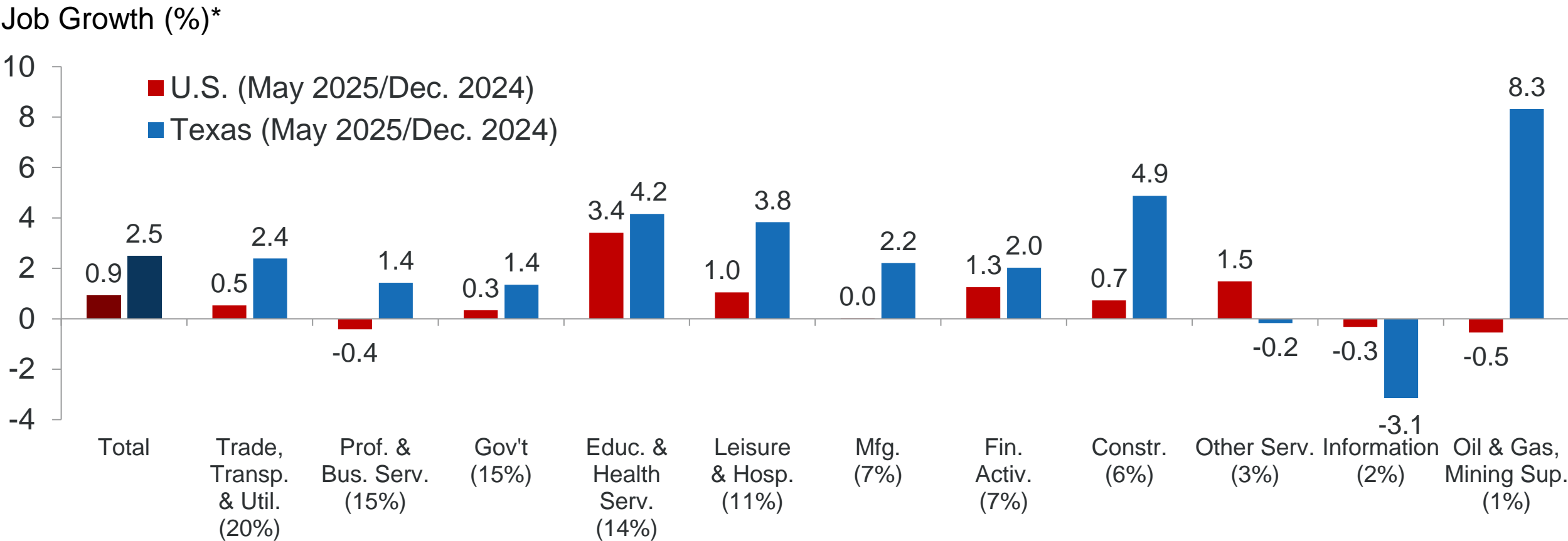
\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment in May 2025.

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

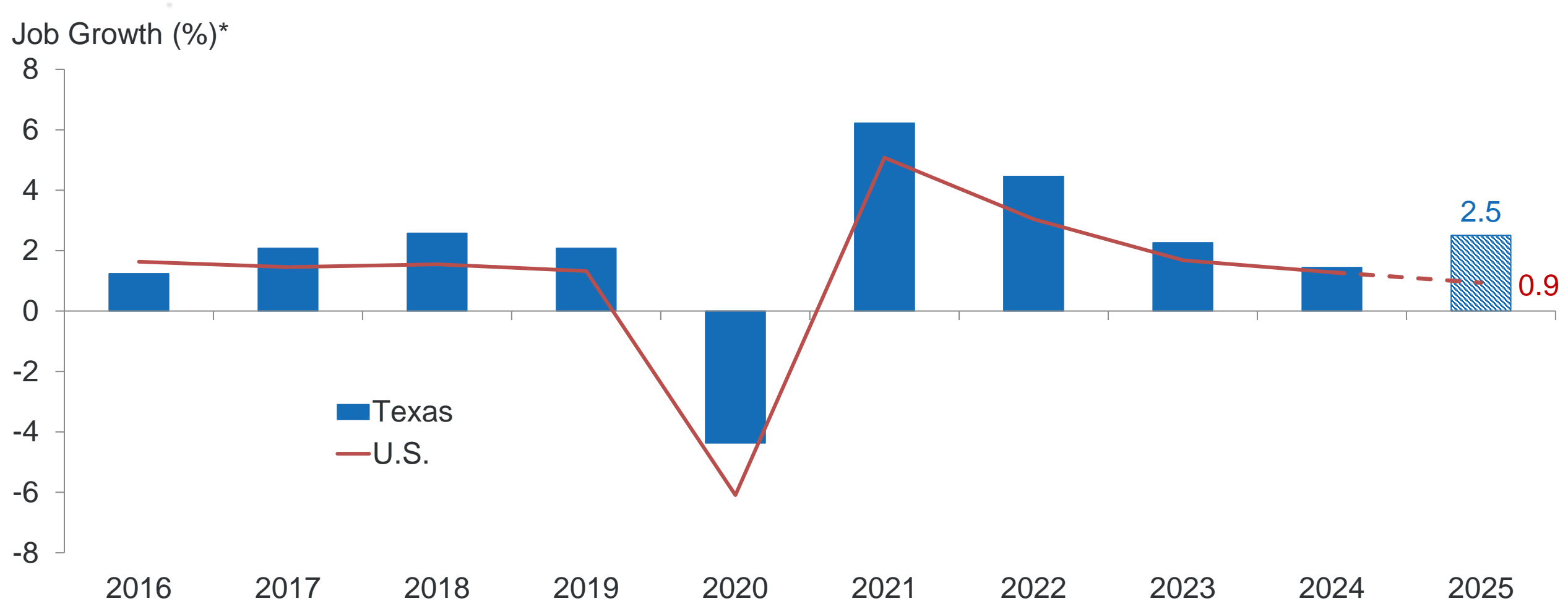
DATA: [Texas Employment by Industry - Dallasfed.org](#)

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



\*Seasonally adjusted, annualized rate.  
NOTE: Numbers in parentheses indicate share of total state employment for May 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](#)

# Texas' 2025 job growth outpacing the nation



\*Seasonally adjusted, annualized rate.

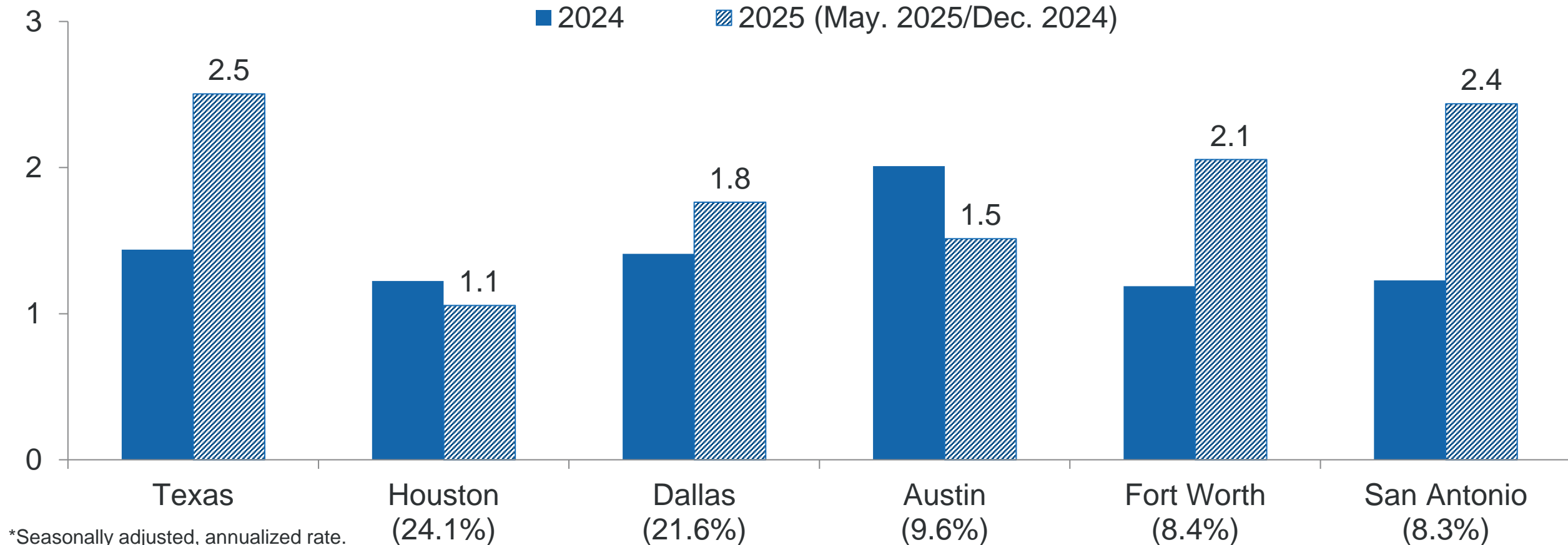
NOTES: Last data points are annualized job growth for May 2025/Dec. 2024. Yearly growth is Dec/Dec.

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 growth moderate in major metros

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



\*Seasonally adjusted, annualized rate.

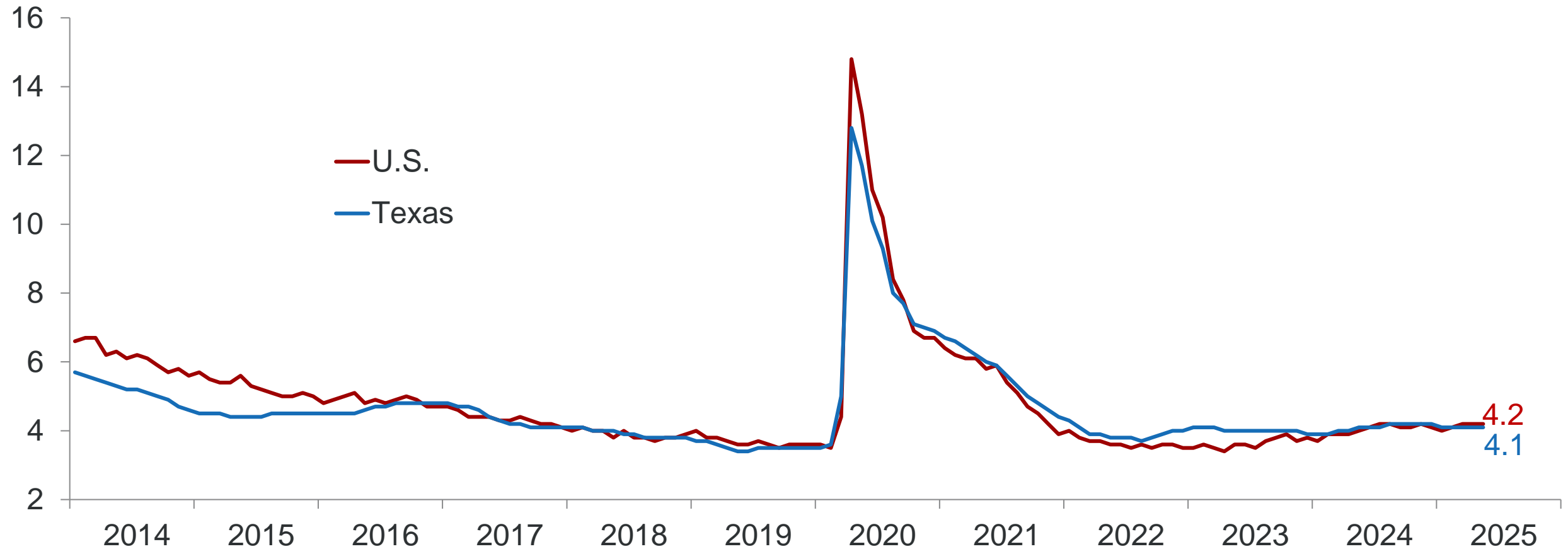
NOTE: Numbers in parenthesis indicate share of state employment for May 2025.

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 May 2025.

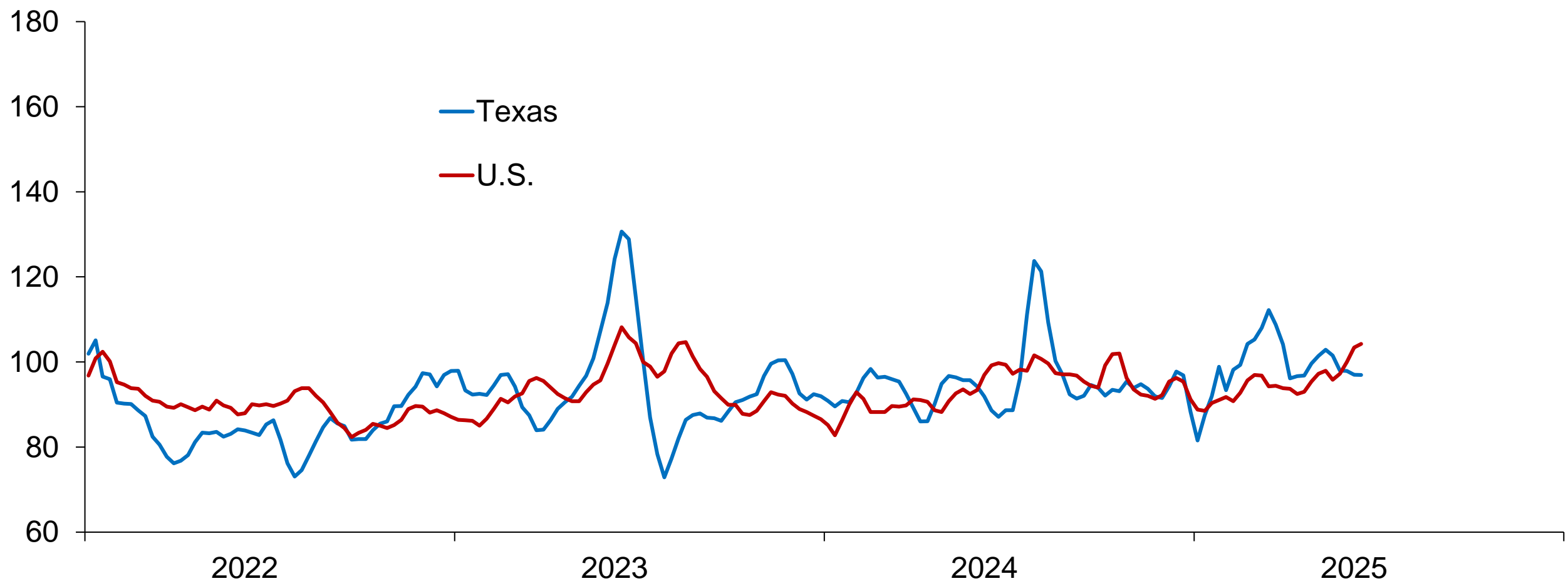
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

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



# Texas initial unemployment claims fall below the nation

Index, Jan. 2022 = 100\*

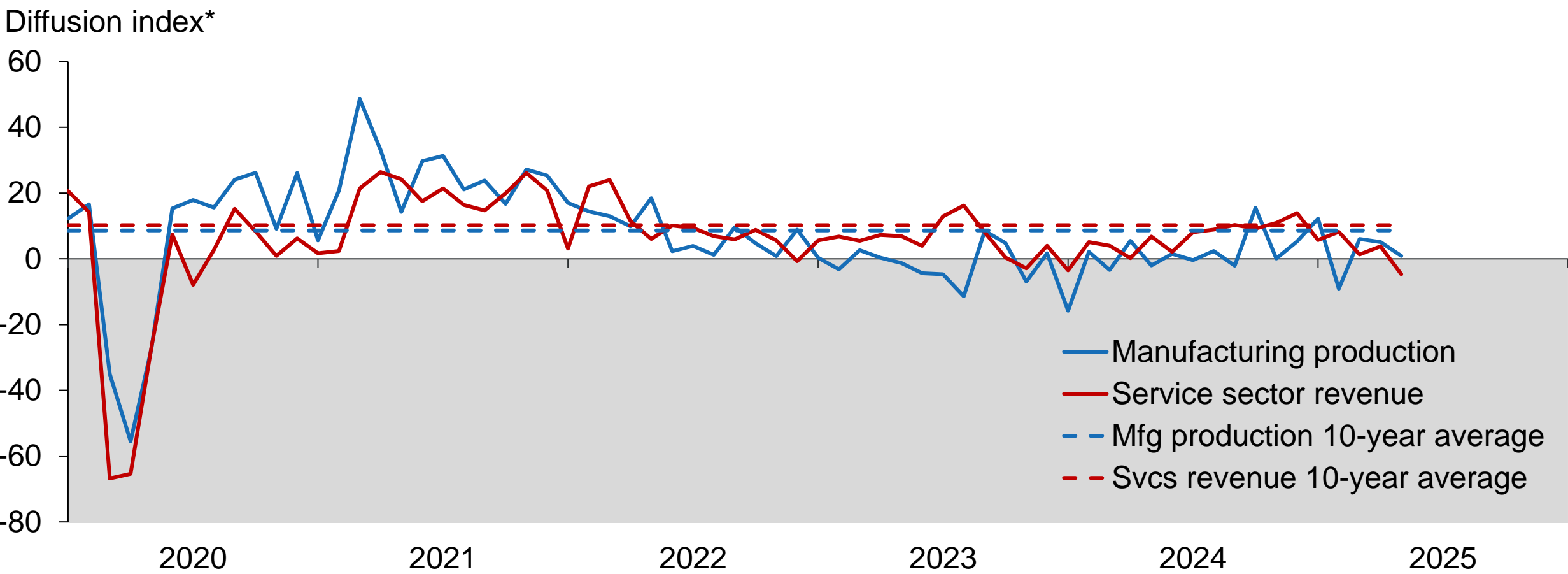


\*Seasonally adjusted, three-week moving average.

NOTE: Data are through the week ending June 14<sup>th</sup>, 2025.

SOURCE: Department of Labor.

# Service sector contracts slightly while manufacturing production flat in May



\*Seasonally adjusted.

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

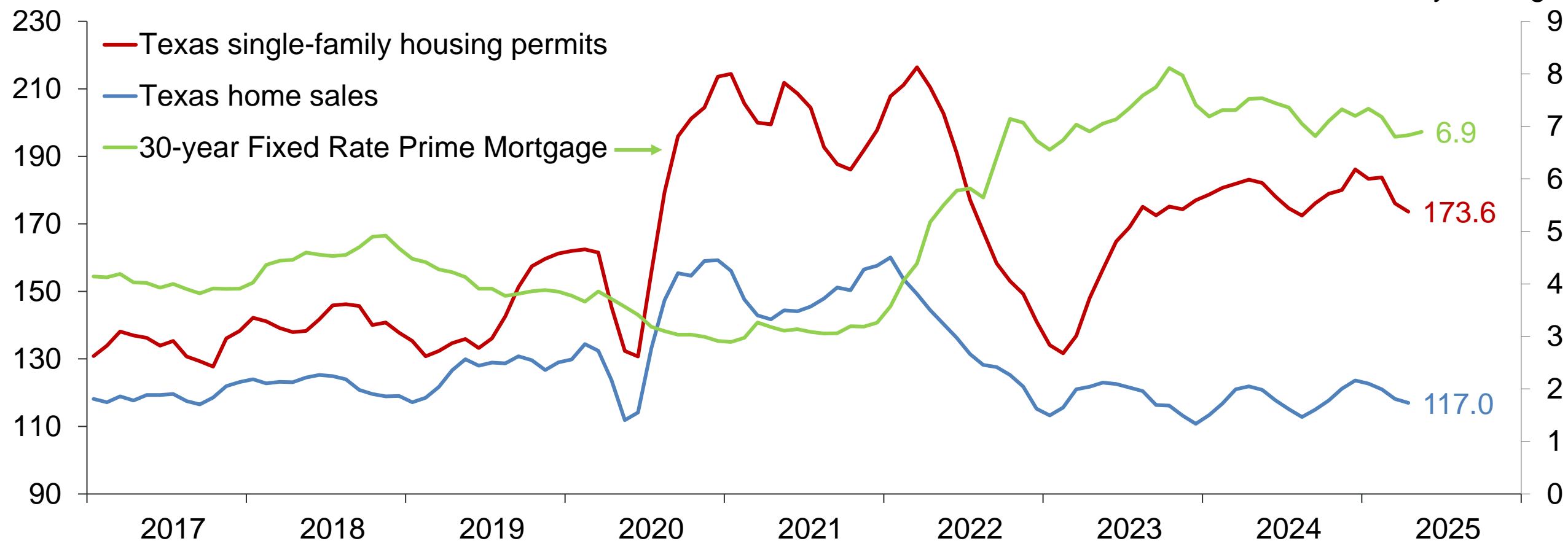
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

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

# Real Estate, Finance and Energy

# Texas housing sales and permits continue to decline in April, mortgage rates tick up in May

Index, Jan. 2013 = 100\*

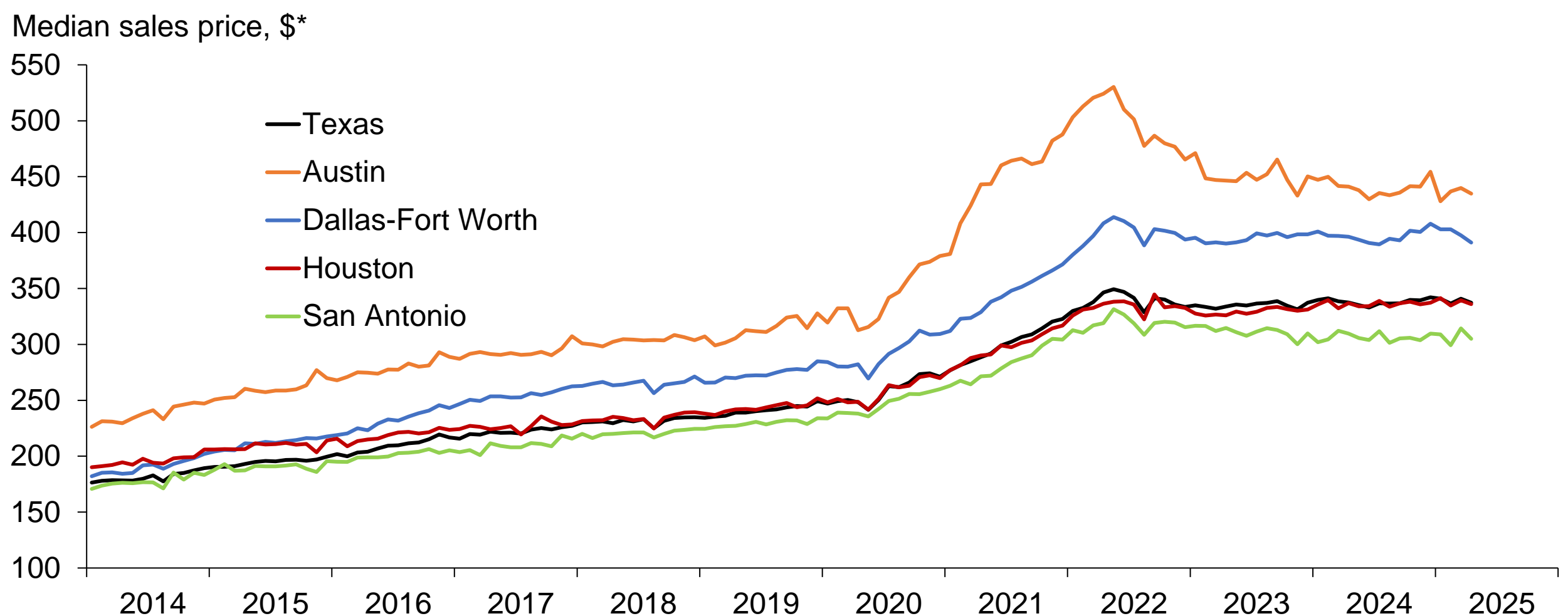


\*Seasonally adjusted, three-month moving average.

NOTE: Mortgage data are monthly through May 2025; the rest through April 2025.

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

# Median home prices dip across Texas major metros

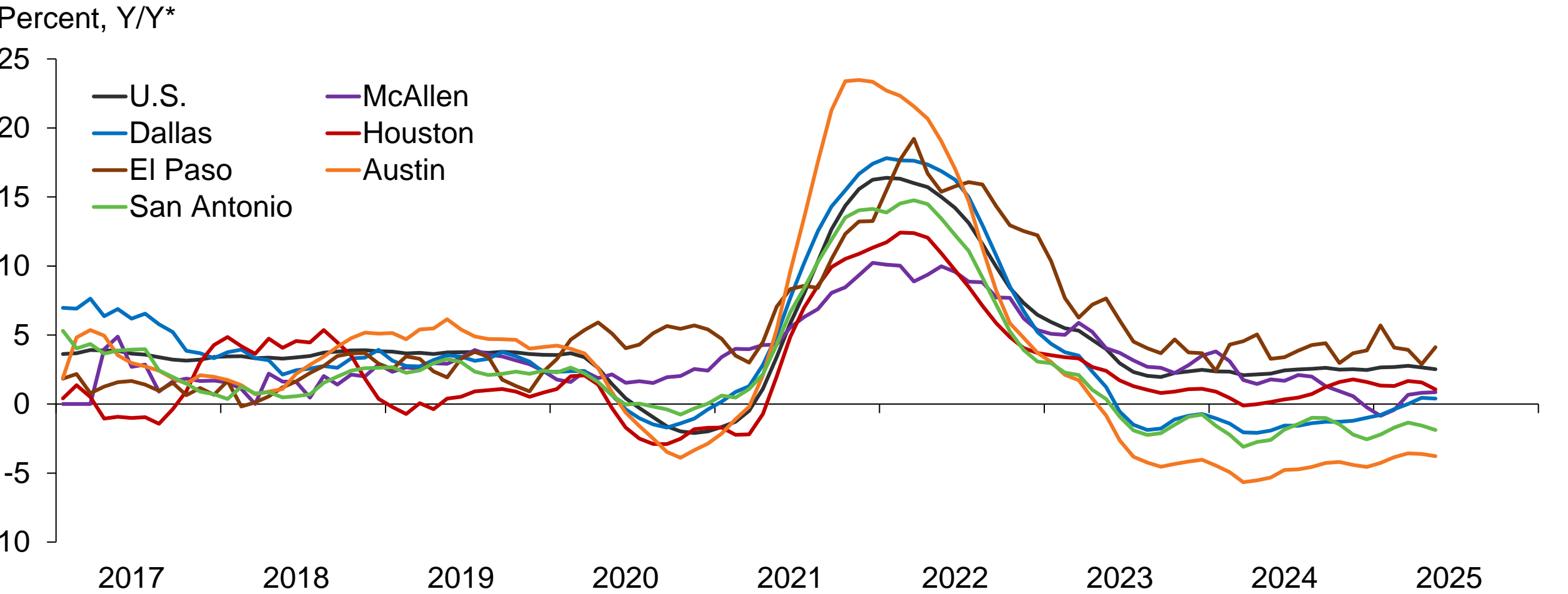


\*Seasonally adjusted.

NOTE: Data are monthly through April 2025.

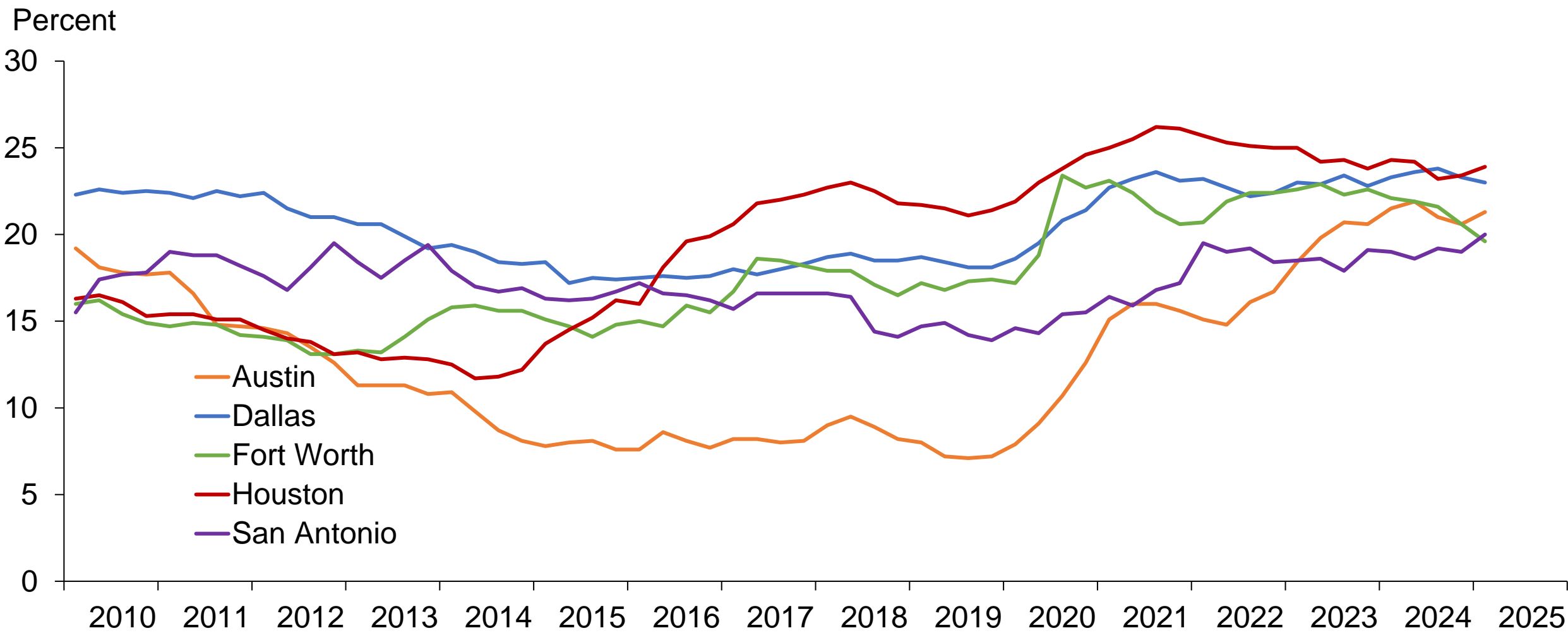
SOURCES: Multiple Listing Service; seasonal and other adjustments by Federal Reserve Bank of Dallas.

# Apartment rent growth down in Austin and San Antonio, flat to up in other major metros



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

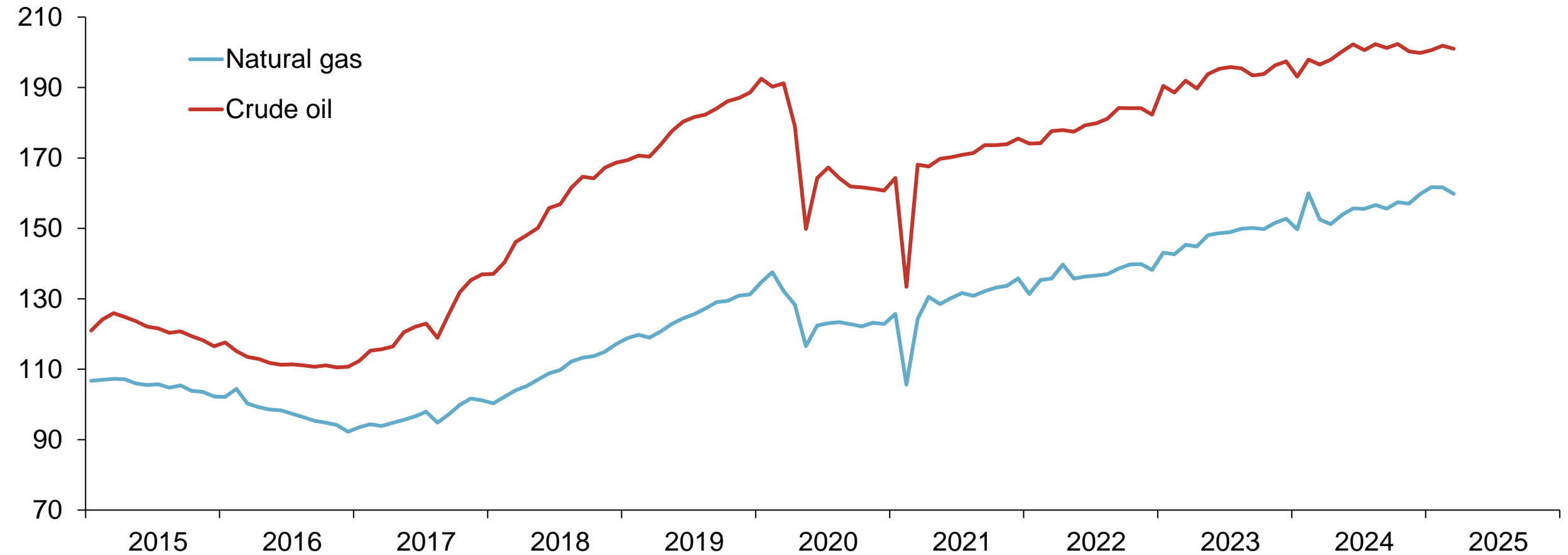
# Office vacancy ticks up in Texas markets, except in DFW



NOTE: Data are quarterly through Q1 2025.  
SOURCE: CBRE Econometric Advisors.

# Texas oil and gas production tick down in March

Index, Jan. 2014 = 100\*



\*Seasonally adjusted.

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

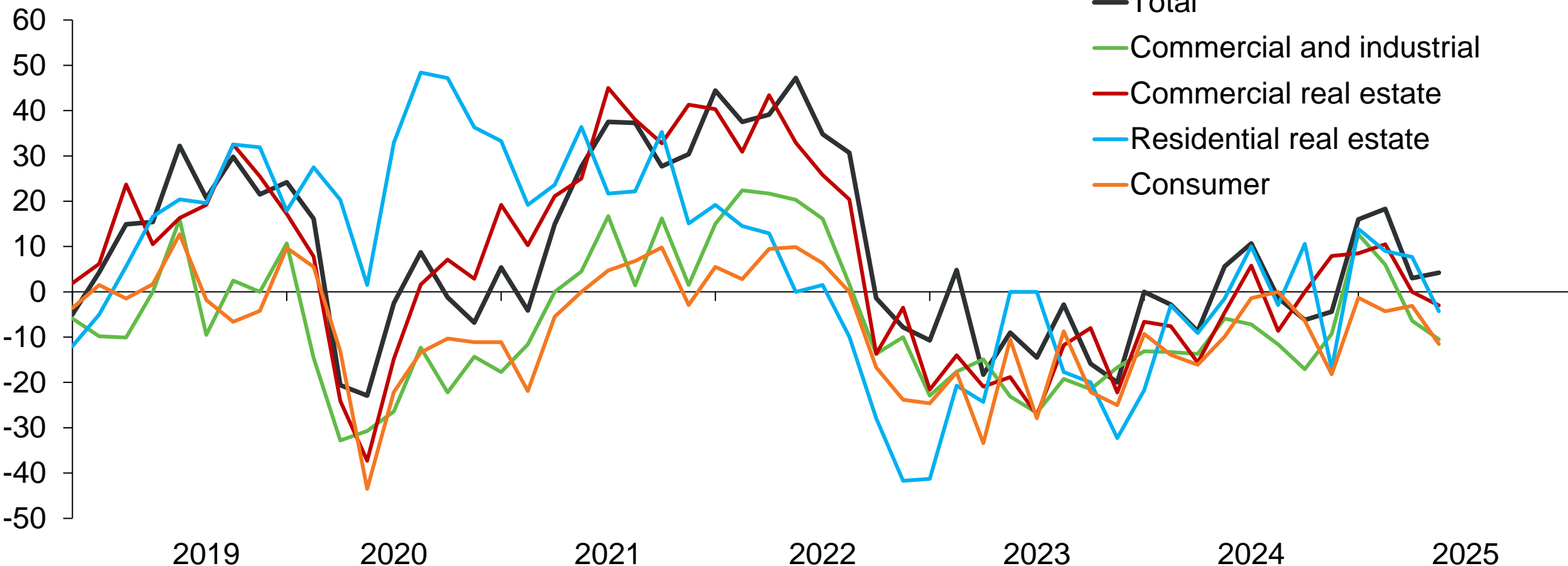
SOURCE: Energy Information Administration.



# Total loan volumes expand slightly

## (11<sup>th</sup> District banks)

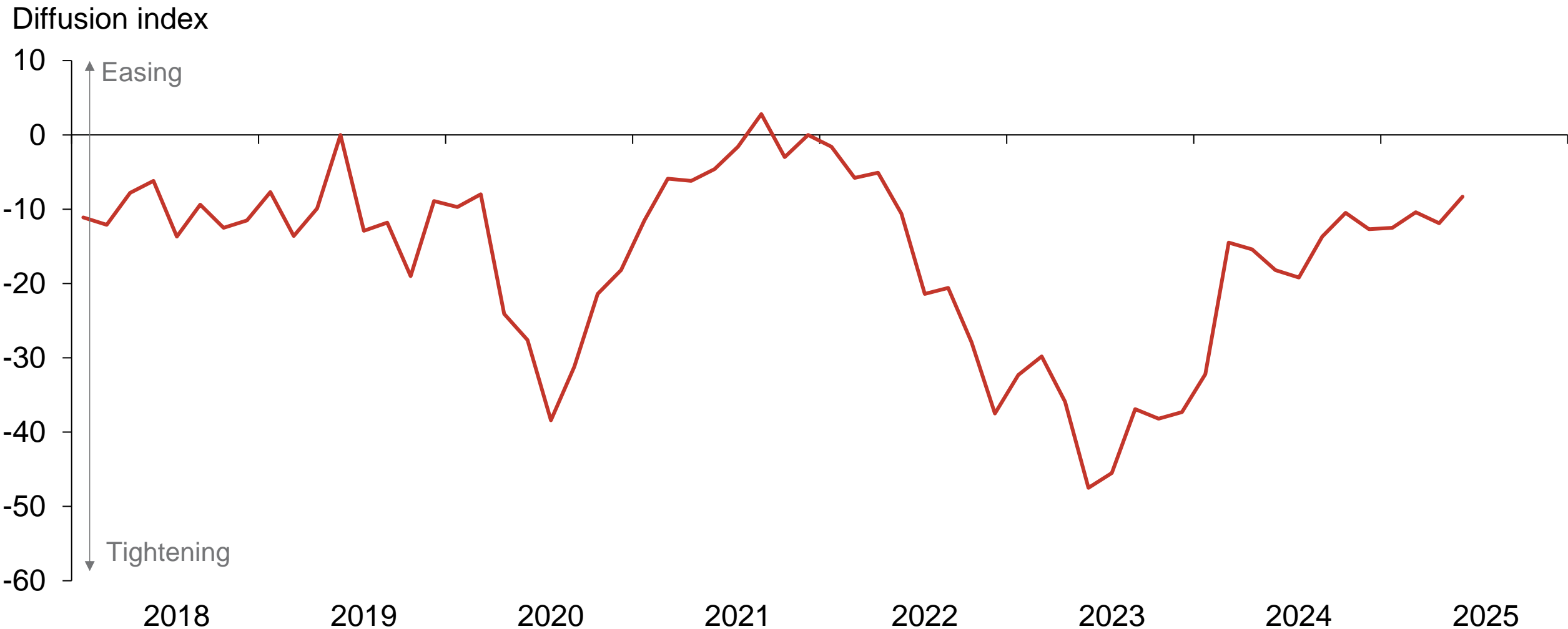
Diffusion index



NOTE: Data through May 2025.

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

# Texas banks report continued credit tightening

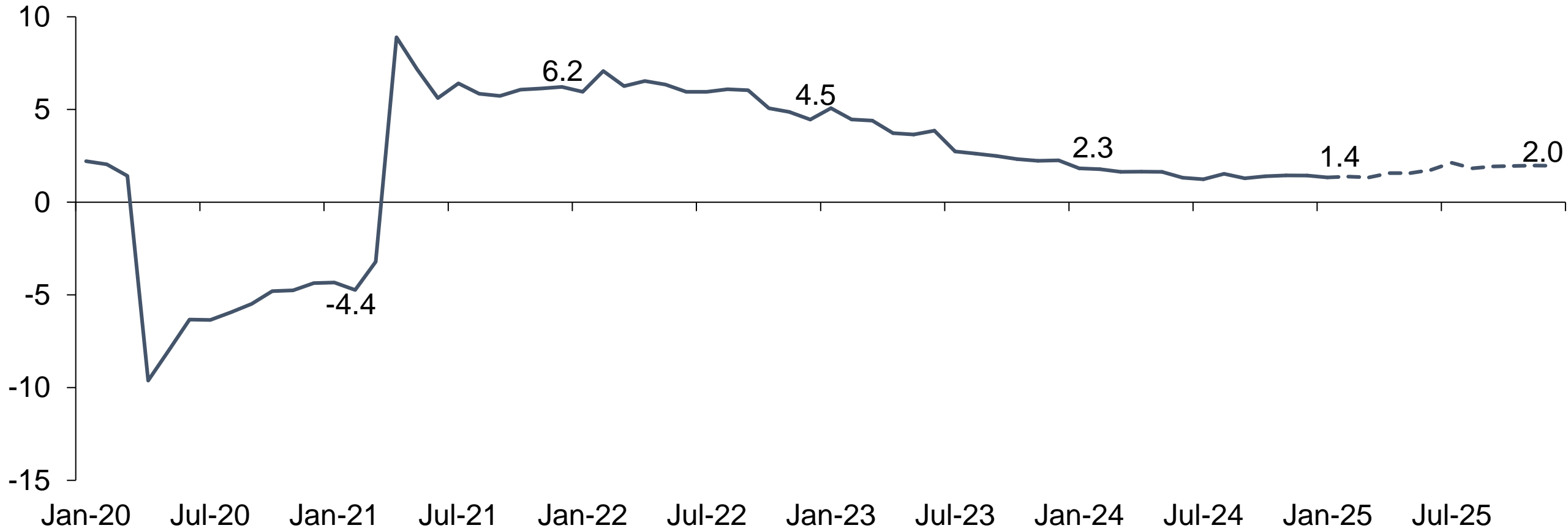


NOTES: Includes credits and terms. Data are through May 2025.  
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

# Outlook

# The Dallas Fed's Texas employment forecast suggests 2.0% growth in 2025, in line with the 2% long-run trend

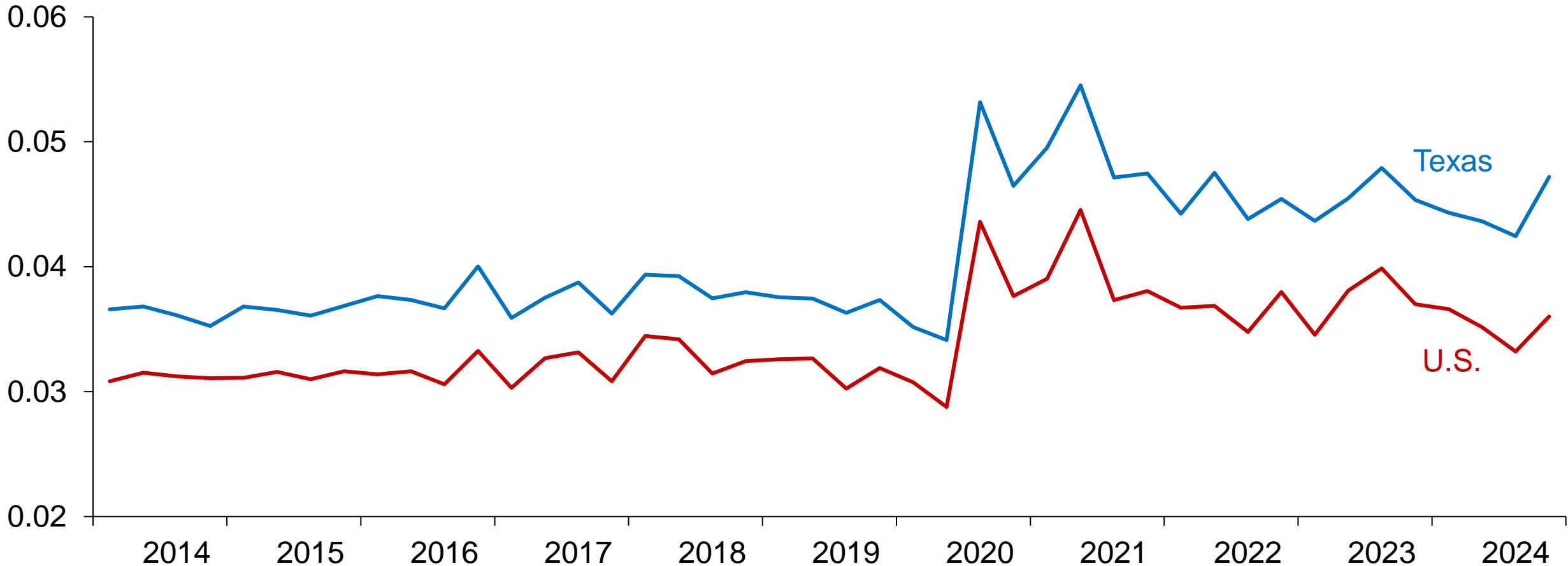
Percent, Y/Y



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).

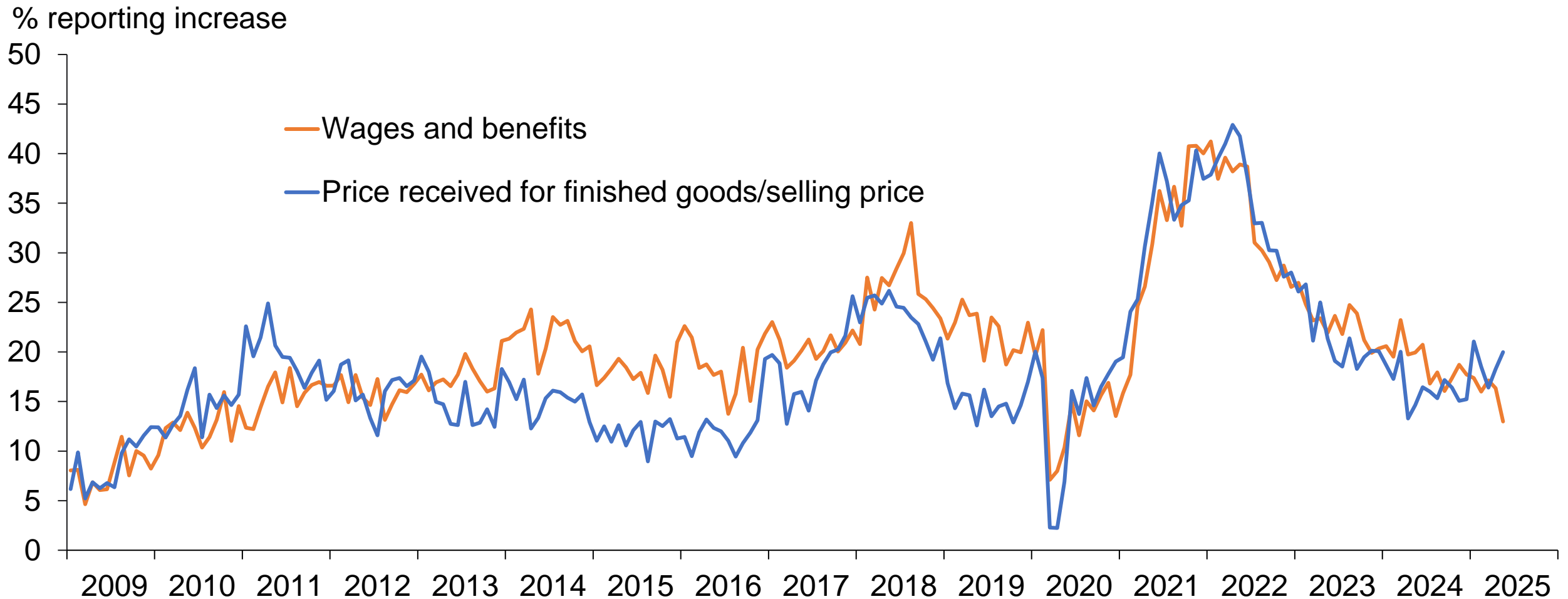
# Rate of business formation in Texas picked up in Q4 2024, continues to outpace the nation

Business applications per business establishments



NOTES: Data are quarterly through Q4 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 wages and benefits dips in May

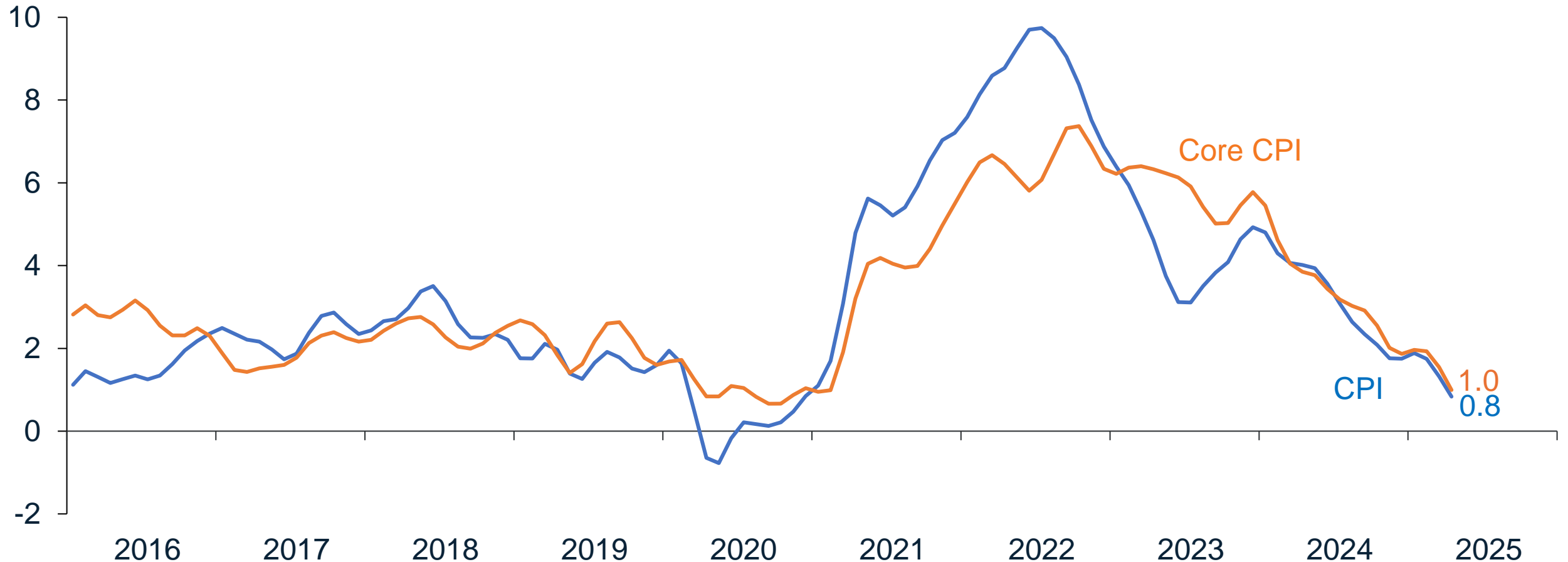


NOTES: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares. Data through May 2025.

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

# In April, Texas CPI dipped to its lowest reading since 2020

Percent change, Y/Y\*



\*Seasonally adjusted.

NOTE: CPI data through April 2025.

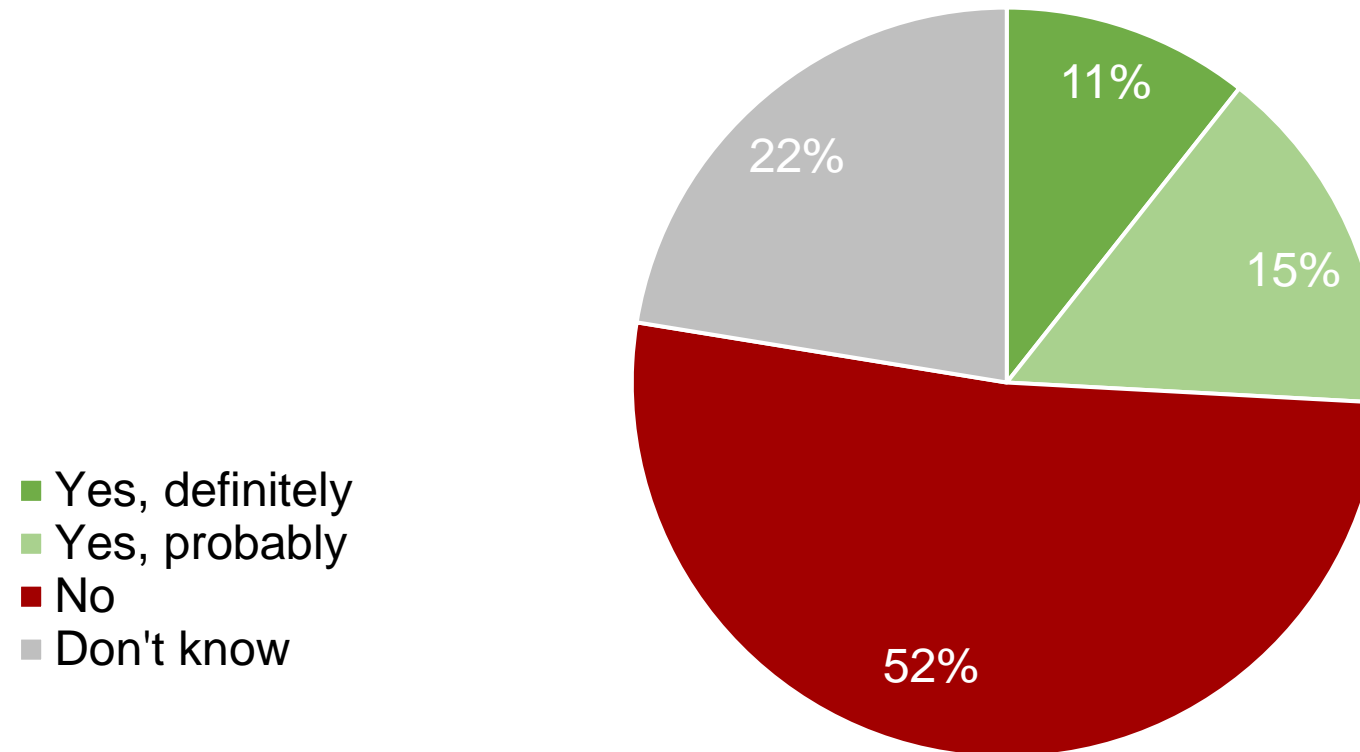
SOURCE: Bureau of Labor Statistics.

# **Texas Business Outlook Surveys Special Questions**



# Half of TBOS firms are not planning on increasing automation in response to tariffs

*“If your firm is, or expects to be, impacted by higher tariffs, are you planning to increase the use of automation and/or artificial intelligence in response?”*

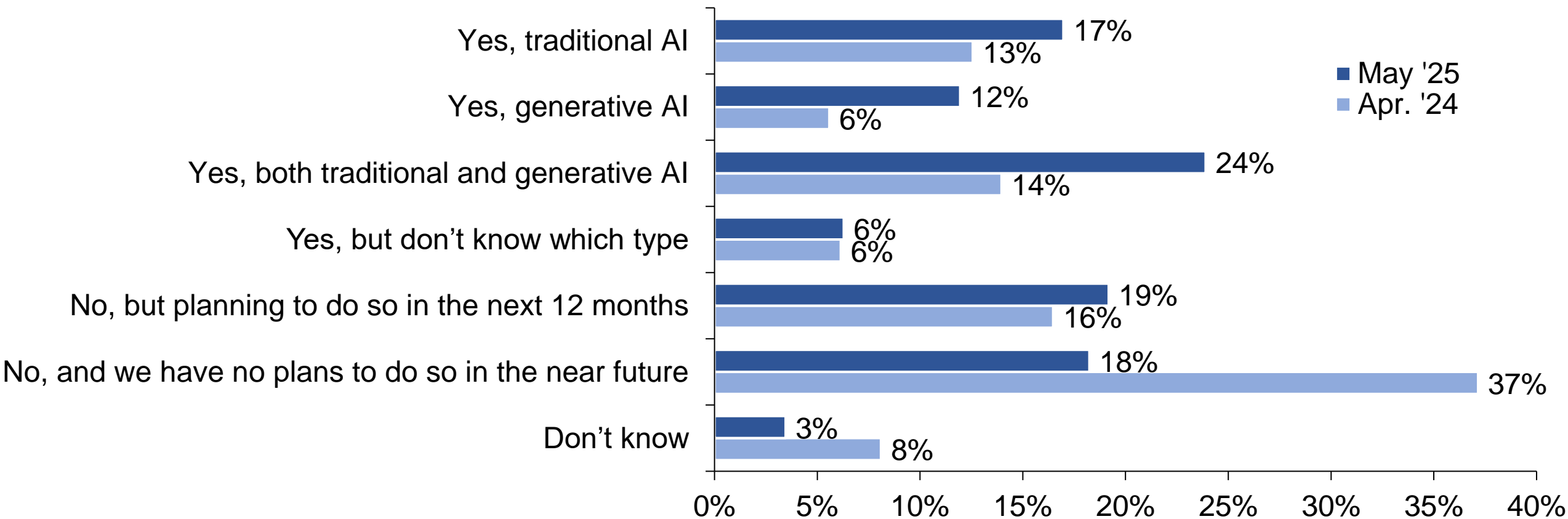


NOTE: Executives from 263 Texas businesses answered this question during the survey collection period, May 13-21, 2025.

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

# Over the last year, both traditional and generative AI usage has increased among TBOS firms

*“Is your firm currently using AI?”*

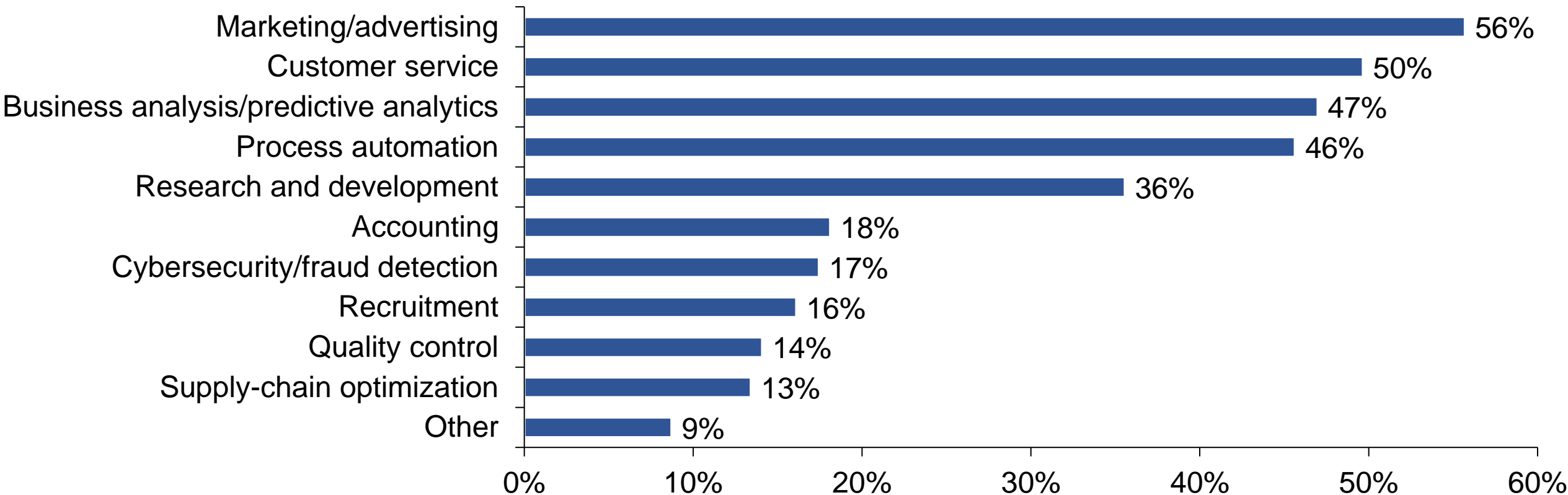


NOTES: Executives from 318 Texas businesses answered this question during the survey collection period, May 13-21, 2025. Executives from 358 Texas businesses answered this question during the prior survey collection period, April 16–24, 2024.

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

# Firms note primarily using AI for marketing, customer services, and automation

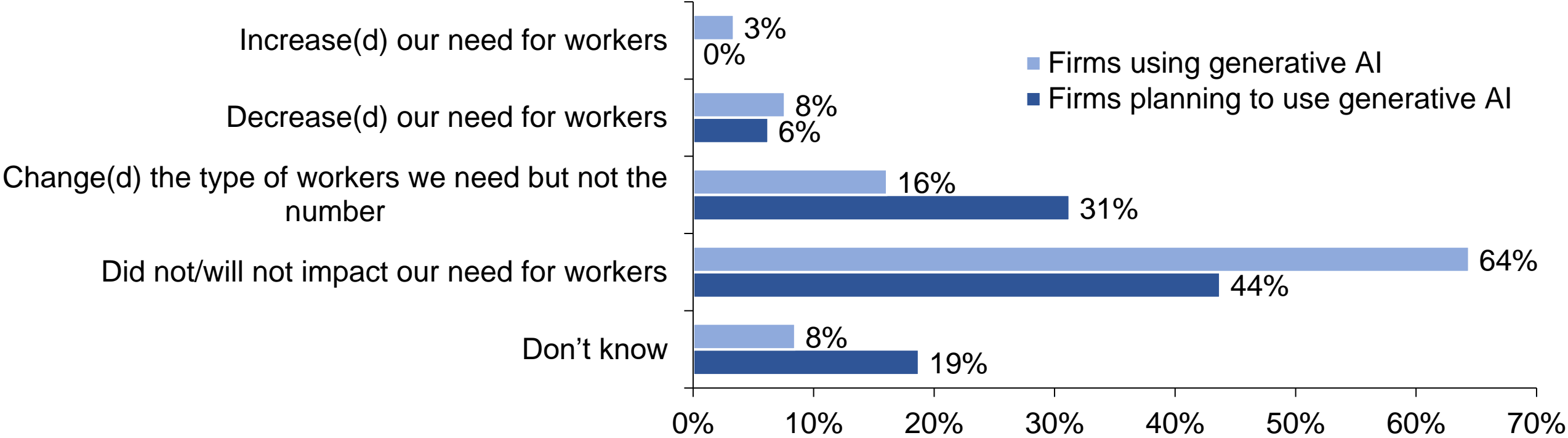
*“How is your firm using/panning to use generative AI? Please select all that apply.”*



NOTES: Executives from 149 Texas businesses answered this question during the survey collection period, May 13-21, 2025. This question was only posed to respondents who said they currently use generative AI or are planning to use it in the next 12 months.  
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

# Most firms using/planning to use generative AI expect no change in their demand for labor

*“On net, how has the use of generative AI affected employment at your firm, or how do you expect it to?”*

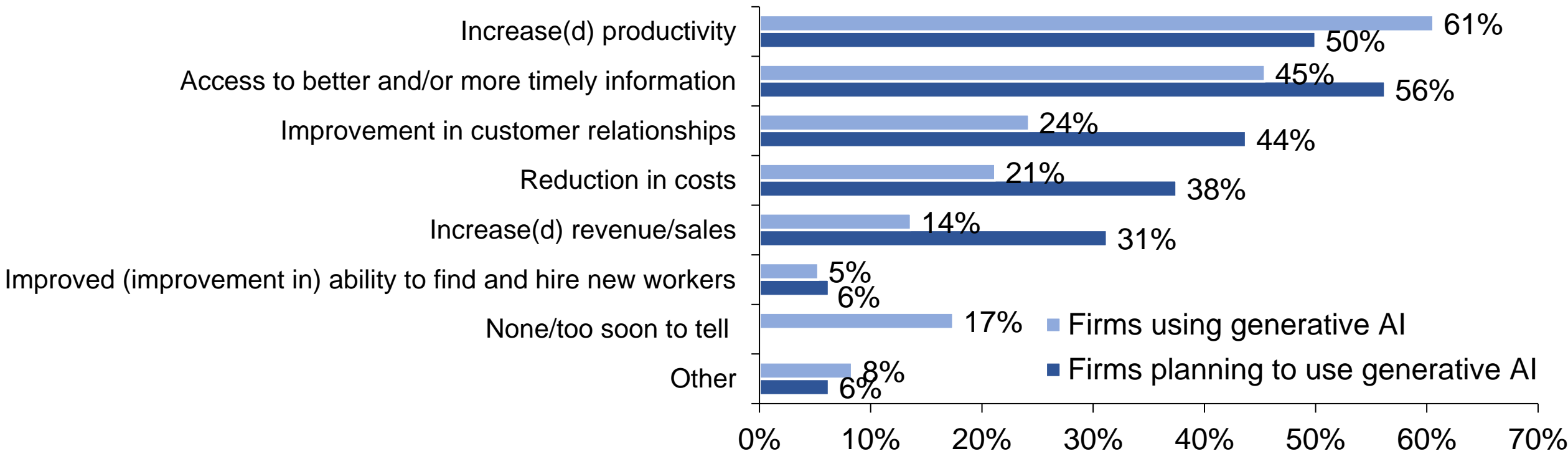


NOTES: Executives from 148 Texas businesses answered this question during the survey collection period, May 13-21, 2025. This question was only posed to respondents who said they currently use generative AI or are planning to use it in the next 12 months. Respondents currently using generative AI were asked, "How has the use of generative AI affected employment at your firm?" and response choices were in past tense. Respondents planning to use generative AI in the next 12 months were asked, "How do you expect the use of generative AI to affect employment at your firm?" and response choices were in future tense. Results are displayed separately as well as combined.

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

# TBOS firms cite increase in productivity and access to information as top benefits from using generative AI

*“What benefits has your firm experienced or does your firm expect to experience from using generative AI?”*

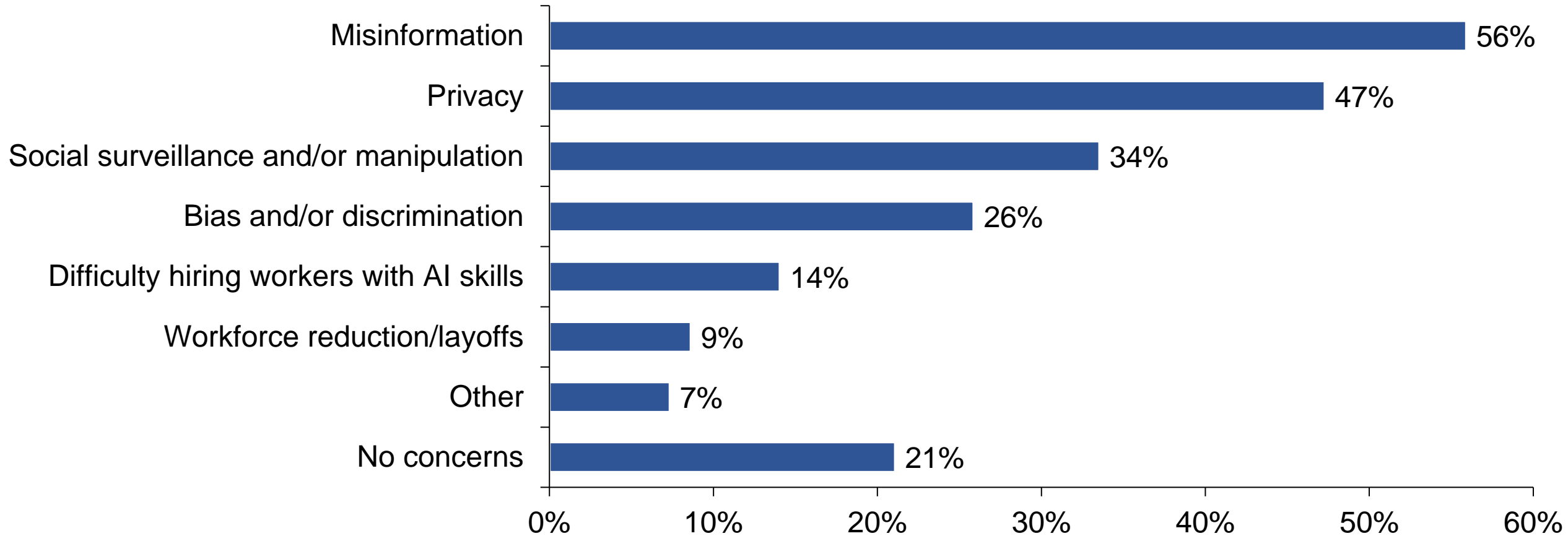


NOTES: Executives from 148 Texas businesses answered this question during the survey collection period, May 13-21, 2025. This question was only posed to respondents who said they currently use generative AI or are planning to use it in the next 12 months. Respondents currently using generative AI were asked, "What benefits has your firm experienced from using generative AI?" and response choices were in past tense. Respondents planning to use generative AI in the next 12 months were asked, "What benefits does your firm expect to experience from using generative AI?" and response choices were in future tense. Results are displayed separately as well as combined.

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

# Misinformation and privacy reported as top concerns from generative AI use

*“What concerns do you have regarding the use of generative AI, if any?”*



NOTE: Executives from 313 Texas businesses answered this question during the survey collection period, May 13-21, 2025.  
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

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