Federal Reserve Bank of Dallas

Texas Economic Performance and Outlook

(October 2025)

"Texas Business Outlook Surveys point toward softer growth in September"

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What's New: TBOS indicates slow growth in September

- Texas employment data, unemployment rate, CPI, and the October forecast will not be updated due to unavailability of data from agencies affected by the federal government shutdown.

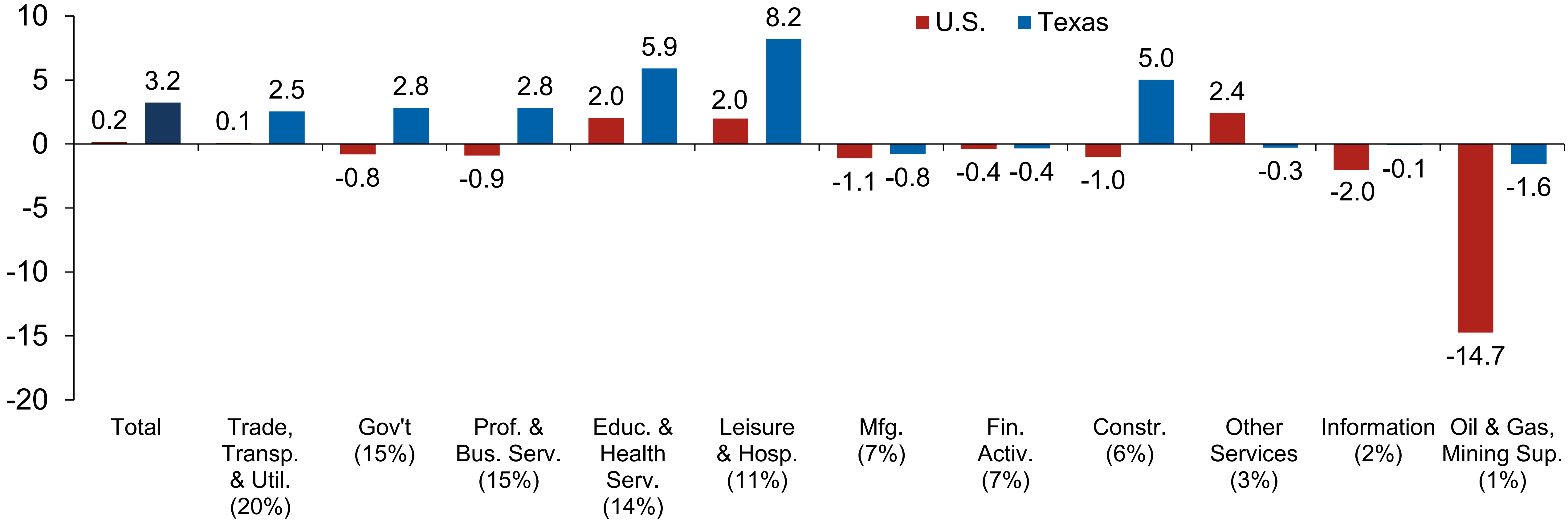
- The September Dallas Fed's Texas Employment Forecast indicated jobs will increase 1.3% in 2025
  - The August forecast was 1.1%

- September Texas Business Outlook Surveys (TBOS) show a slower expansion in manufacturing output and a slight decline in service sector revenue
  - TBOS firms cite faster price and wage growth over the past year
    - Compared to June, expectations for input price growth are unchanged and ticked up for selling prices and wages
  - Mixed expectations from tax provisions in the One Big Beautiful Bill Act on Texas firms over the next year

Overall Economic Activity

Strong Texas job growth in August led by leisure and hospitality, health services, and construction

Job Growth August 2025/July 2025 (%)*



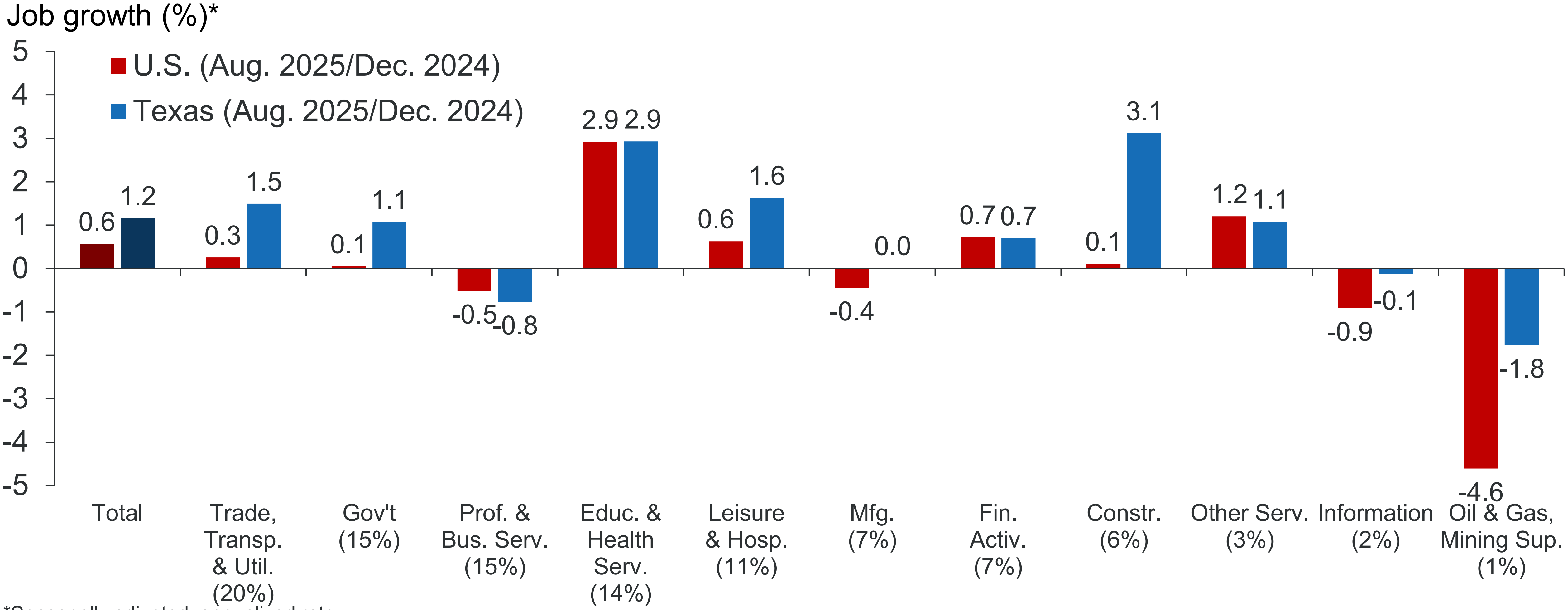
*Seasonally adjusted, annualized rate.

NOTES: Numbers in parenthesis indicate share of total state employment in August 2025. No update due to the federal government shutdown.

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

DATA: Texas Employment by Industry - Dallasfed.org

Total Texas YTD employment growth ahead of the nation's



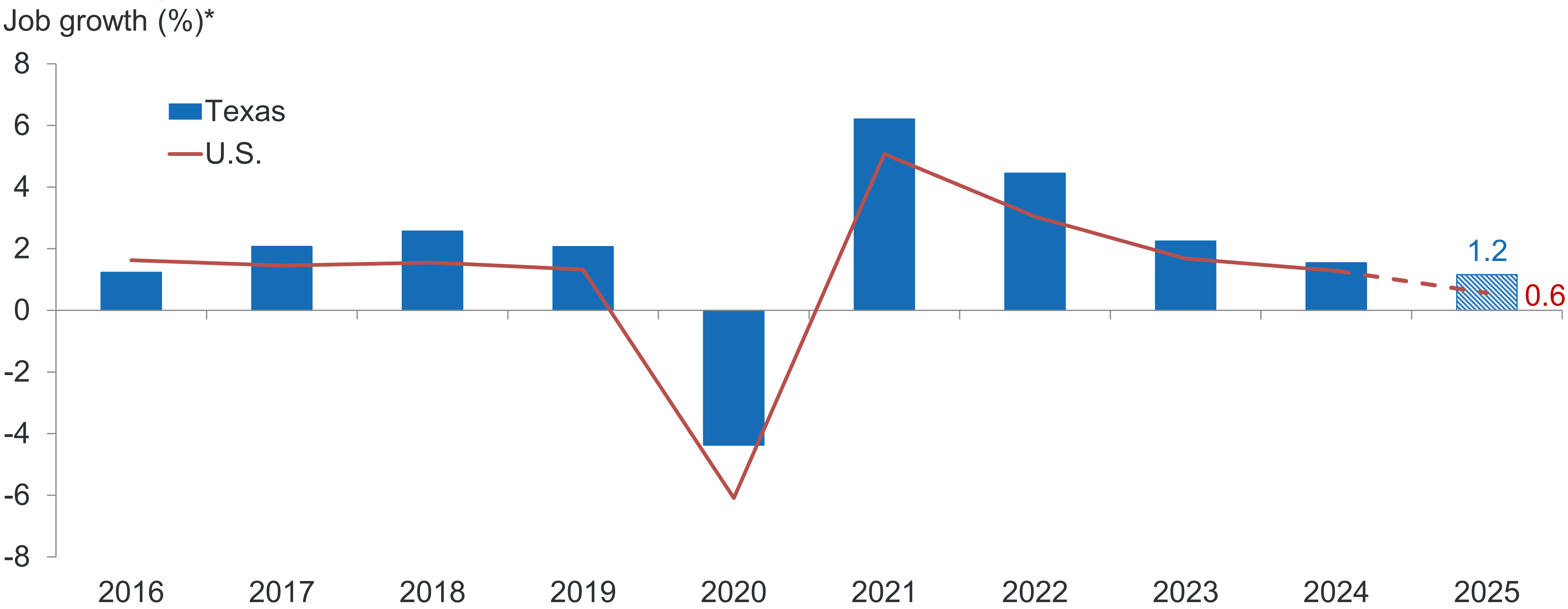
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for August 2025. No update due to the federal government shutdown.

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 below trend but double the nation’s



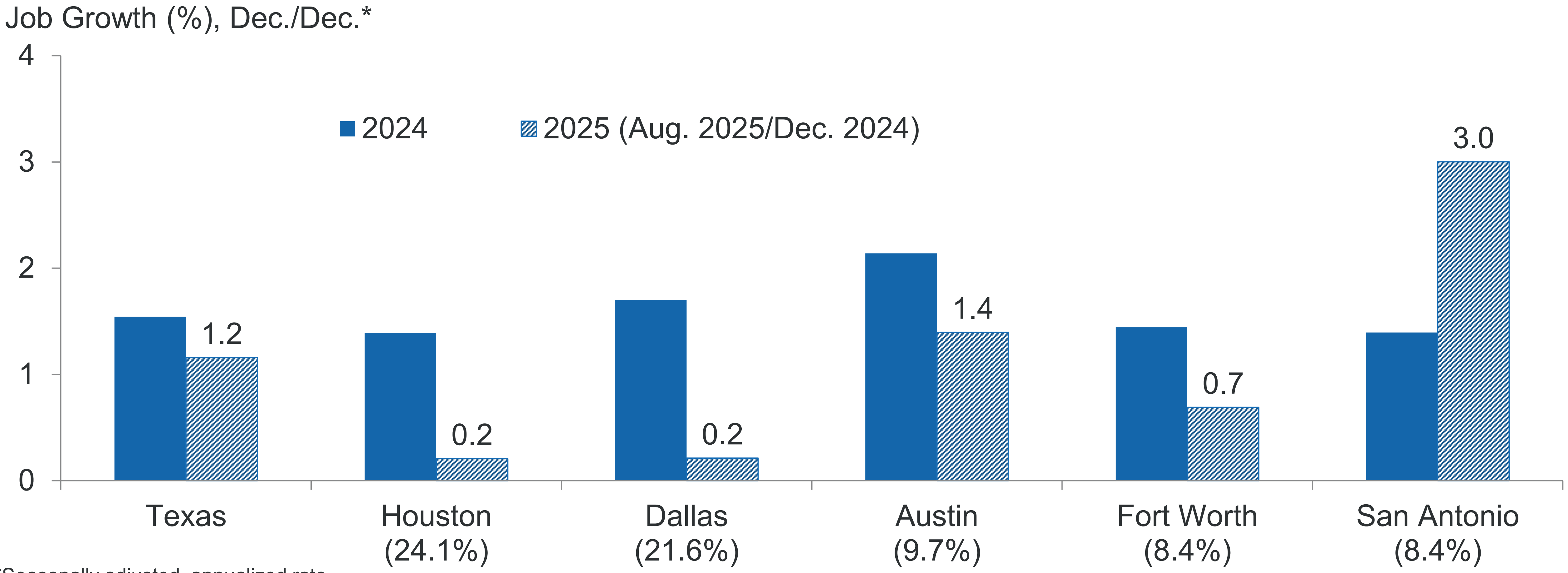
*Seasonally adjusted, annualized rate.

NOTES: Last data points are annualized job growth for Aug. 2025/Dec. 2024. Yearly growth is Dec/Dec. No update due to the federal government shutdown.

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

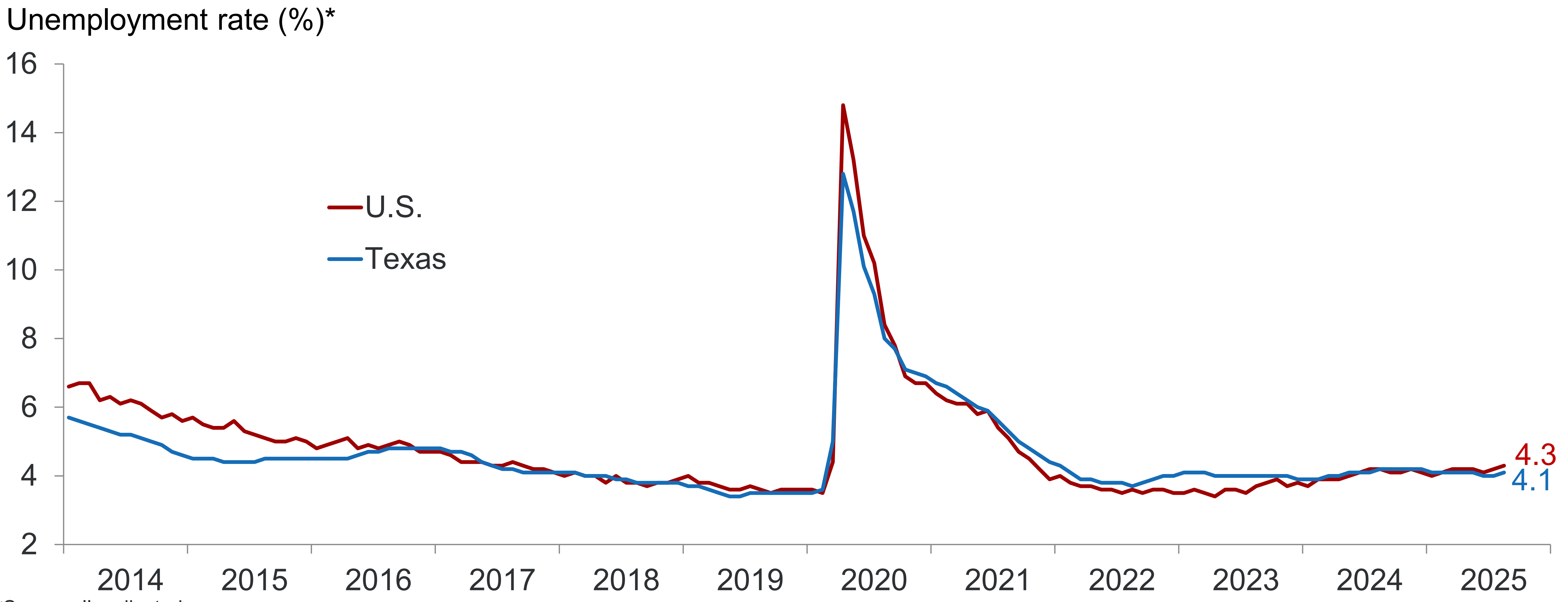
DATA: Texas Payroll Employment - Total Nonfarm - Dallasfed.org

2025 YTD job growth strong in San Antonio, while Houston and Dallas lag behind



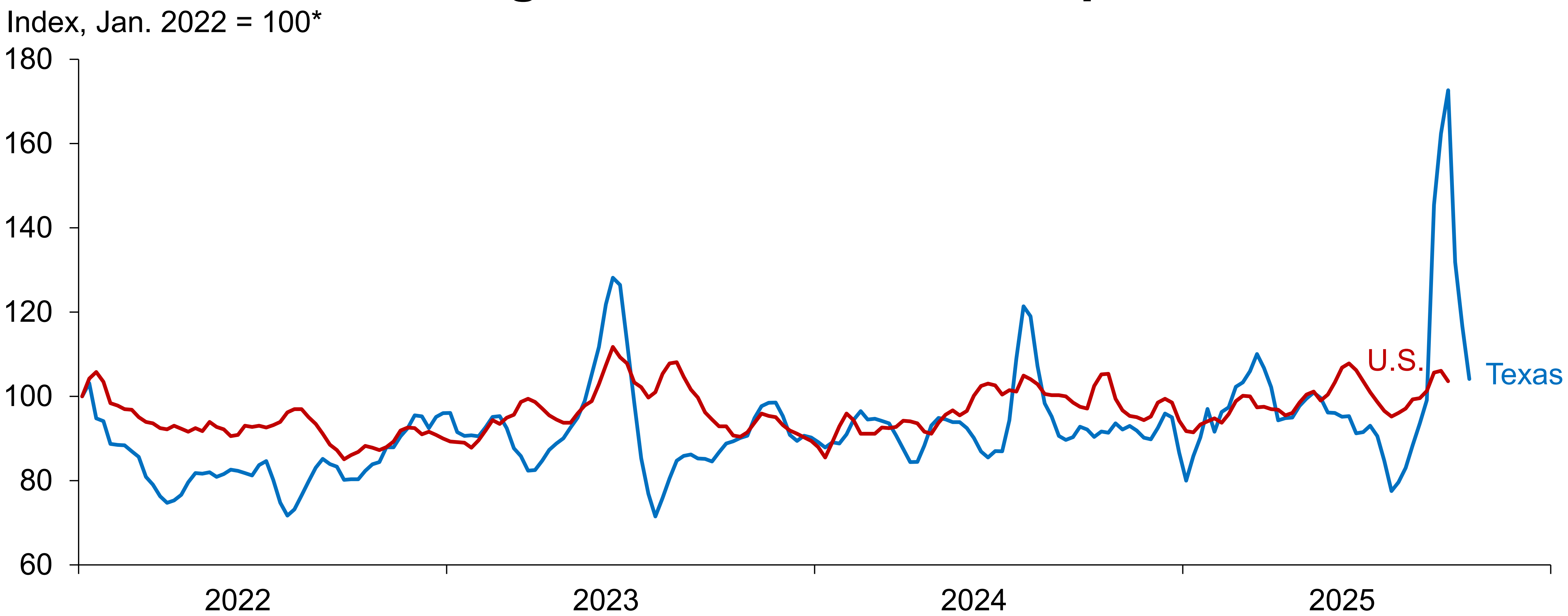
*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of state employment for August 2025. No update due to the federal government shutdown.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.
DATA: Texas Employment Data - Dallasfed.org

Unemployment rate ticks up in Texas and the nation



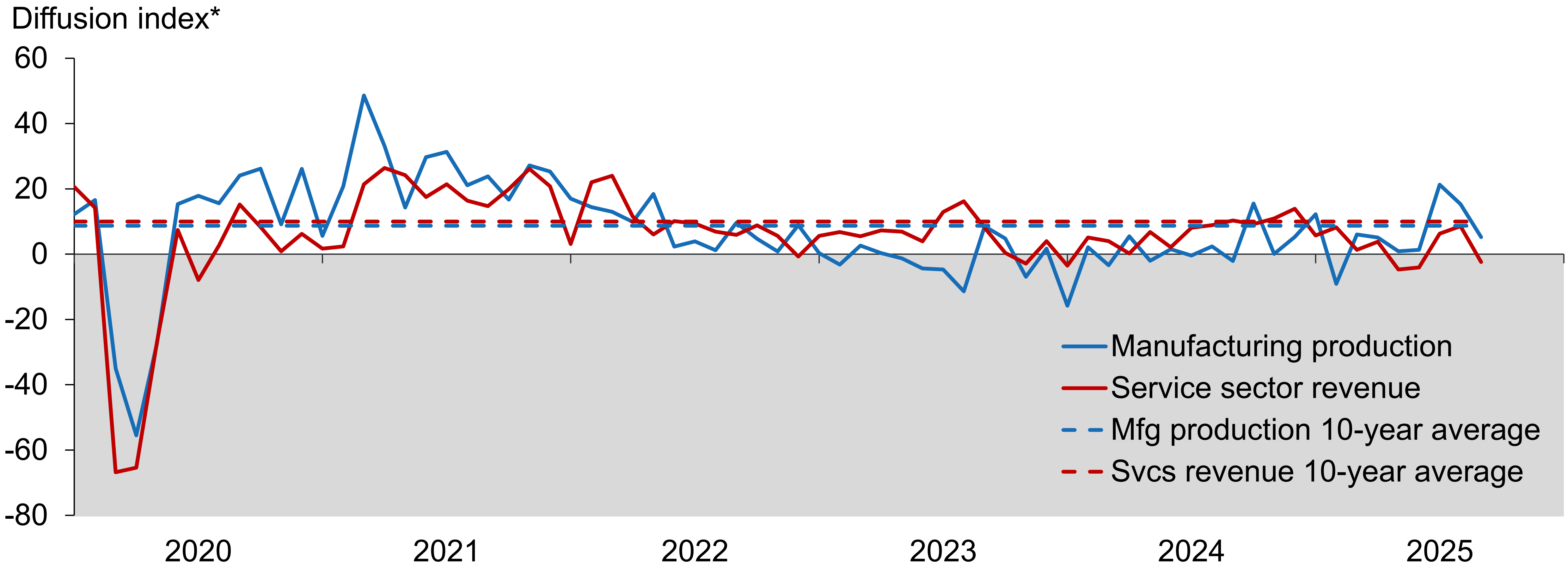
*Seasonally adjusted.
NOTE: Data are through August 2025. No update due to the federal government shutdown.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.
DATA: [Texas Employment by Industry - Dallasfed.org]

Initial unemployment claims normalize in Texas after a surge in fraudulent attempts



*Seasonally adjusted, three-week moving average.
NOTE: Data are through the week ending October 11th, 2025. U.S. data are through the week ending September 20th, 2025.
SOURCE: Department of Labor.

Manufacturing expands, services contracts slightly in September



*Seasonally adjusted.

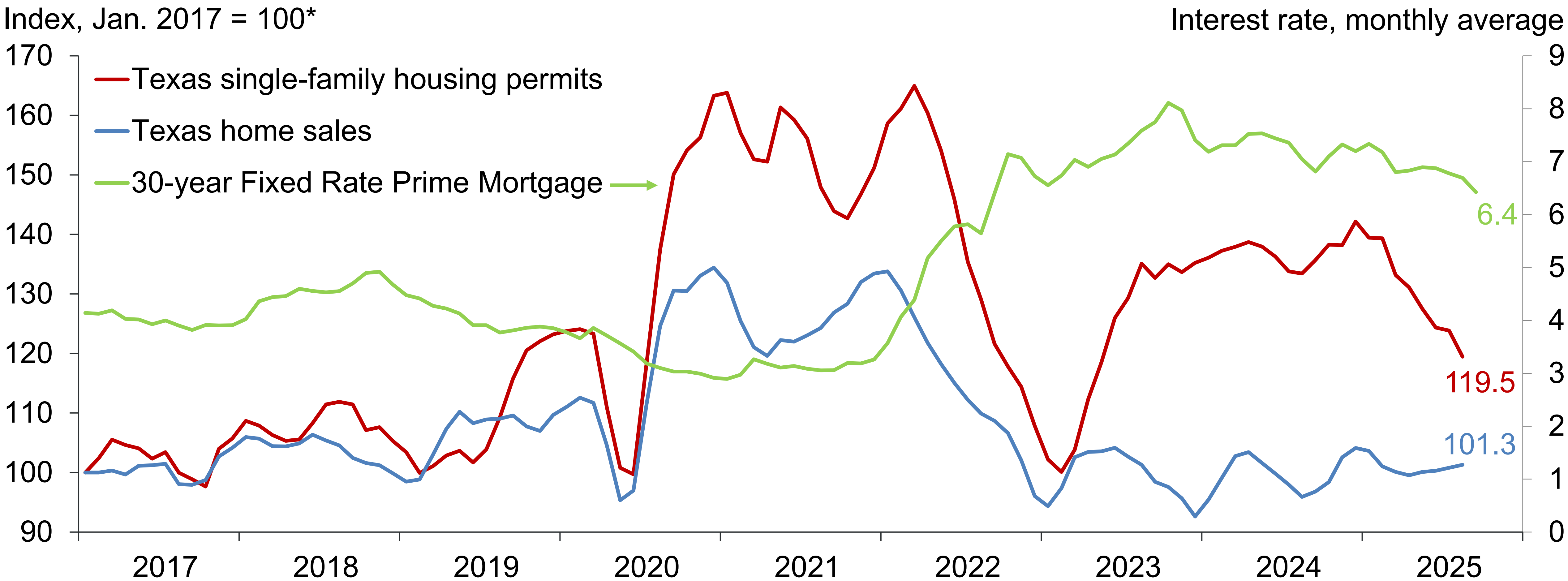
NOTES: Data through September 2025. Shaded area represents contractionary territory.

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

DATA: Surveys - Dallasfed.org

Real Estate, Energy and Finance

Texas home sales rise steadily, permits and mortgage rates tick down

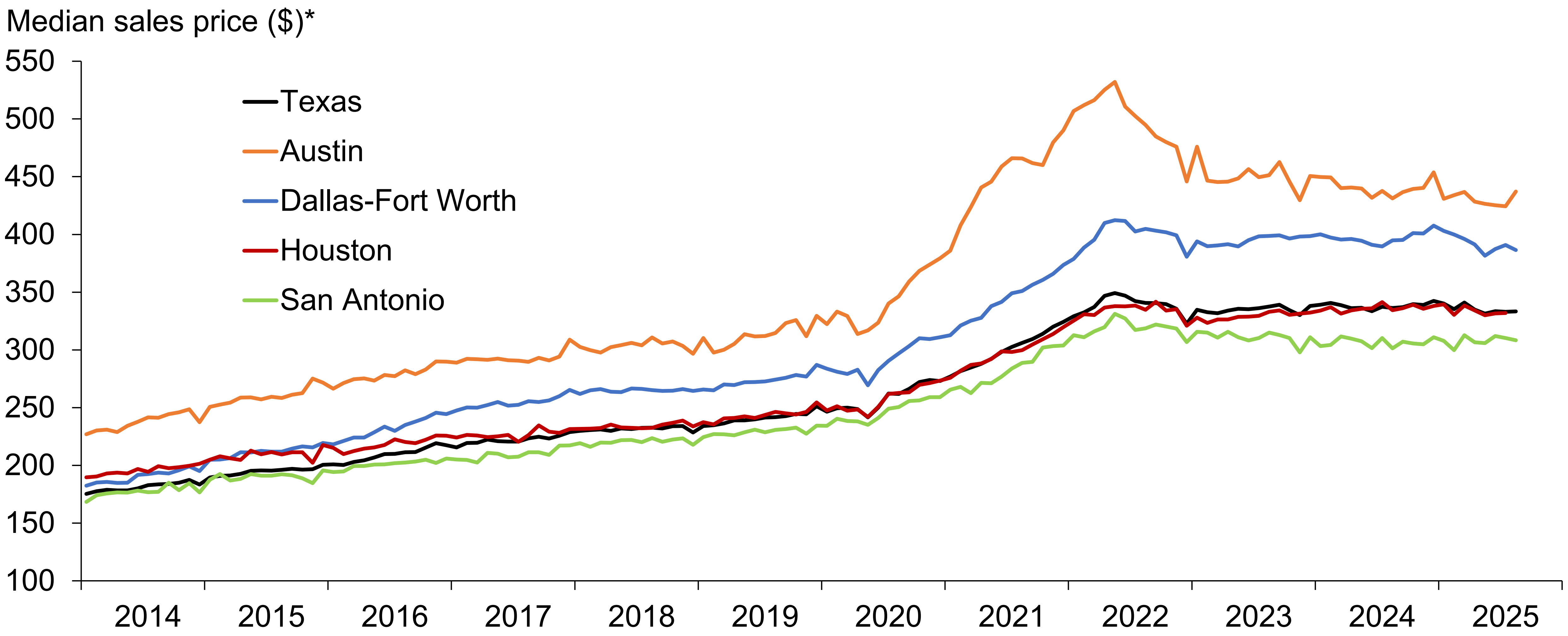


*Seasonally adjusted, three-month moving average.

NOTE: Mortgage data are monthly through September 2025; the rest through August 2025.

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

Texas median home prices flat in August, except in Austin

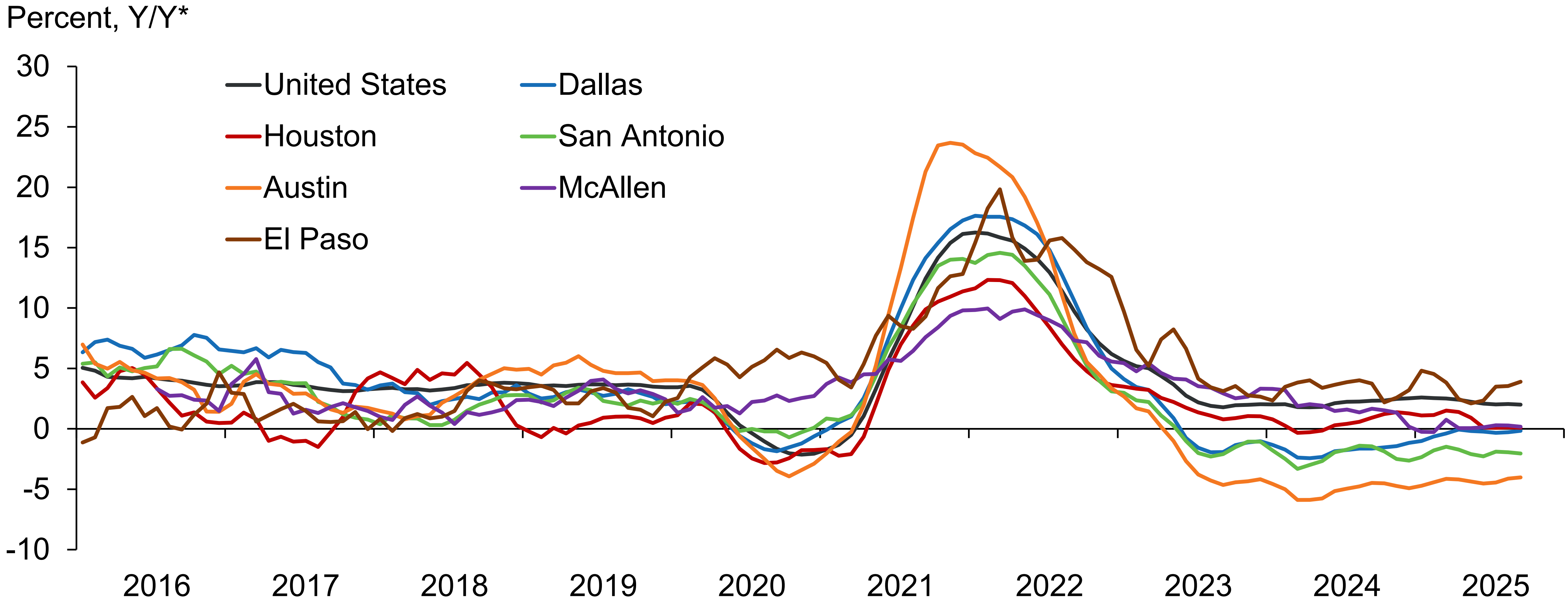


*Seasonally adjusted.

NOTE: Data are monthly through July 2025 for Houston; August 2025 for the rest.

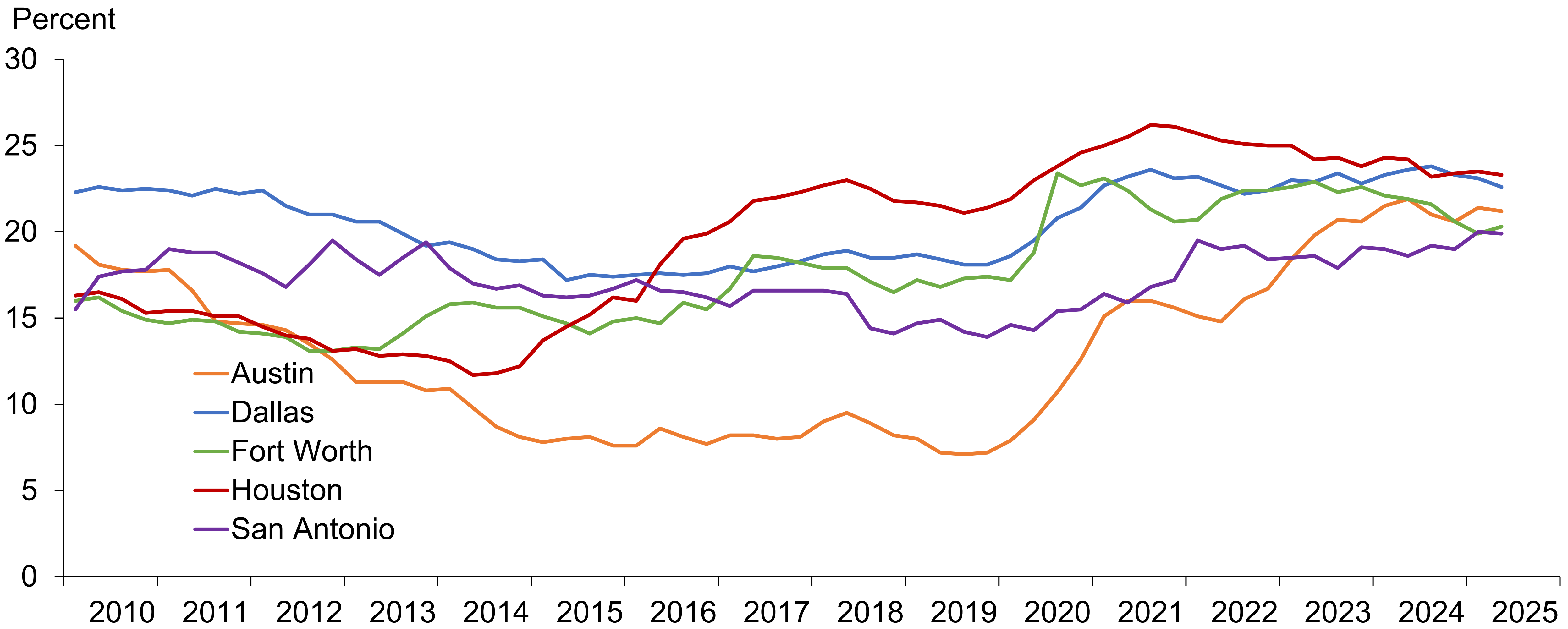
SOURCES: Multiple Listing Service; seasonal and other adjustments by Federal Reserve Bank of Dallas.

Apartment rents falling in Austin and San Antonio, flat to up in other major metros



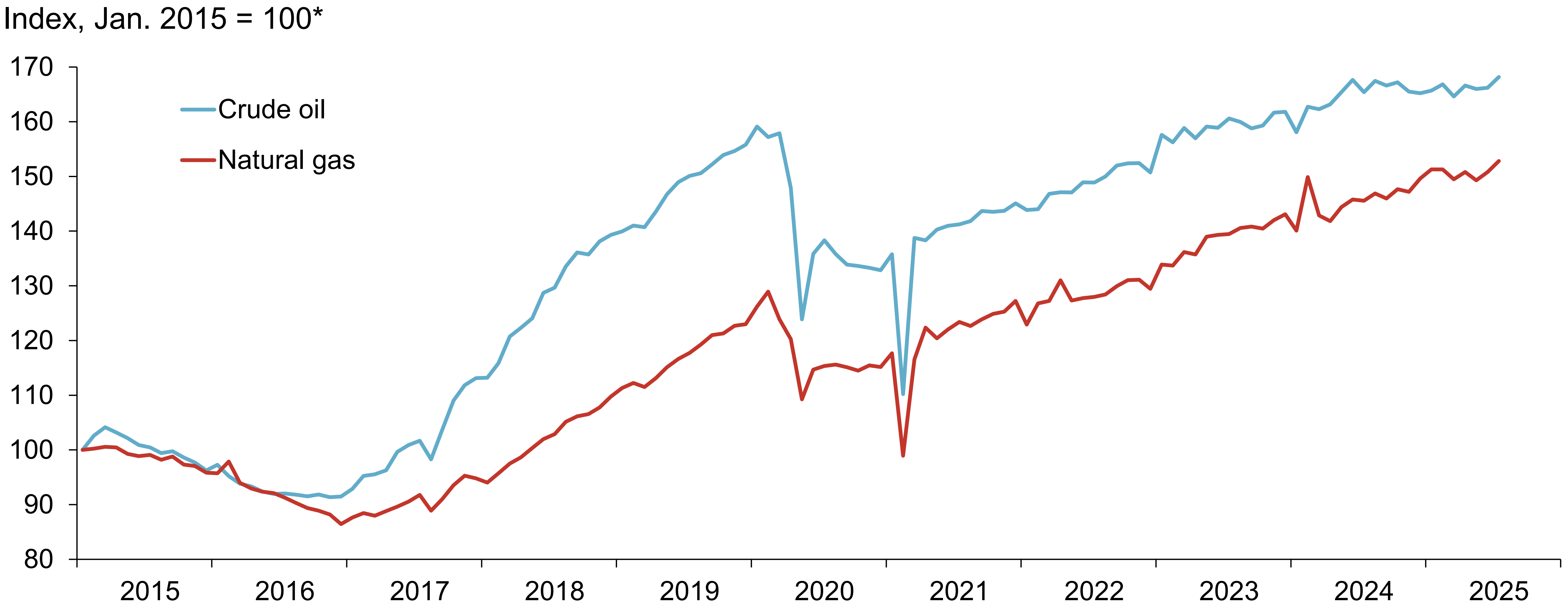
*Smoothed and seasonally adjusted.
NOTE: Data are monthly through September 2025.
SOURCE: Zillow.

Office vacancy ticks down in most Texas markets except in Fort Worth



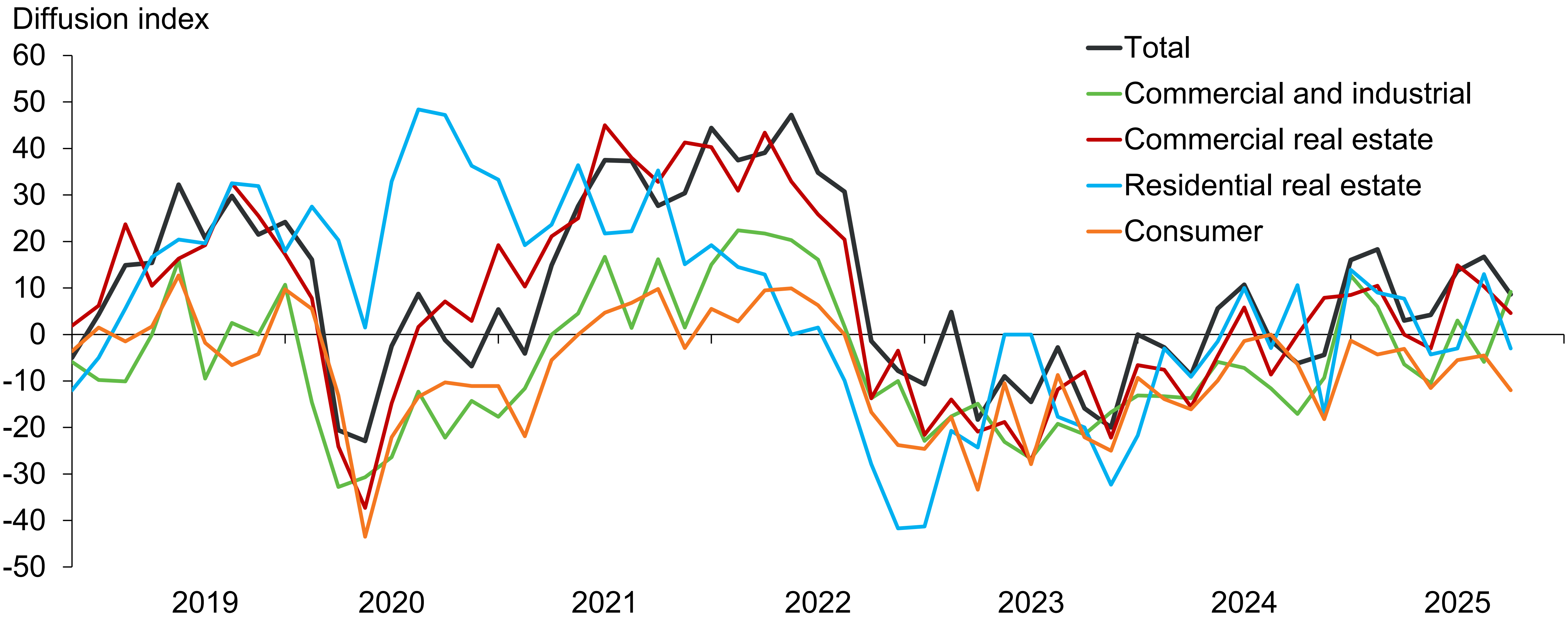
NOTE: Data are quarterly through Q2 2025.
SOURCE: CBRE Econometric Advisors.

Texas oil and gas production increases in July



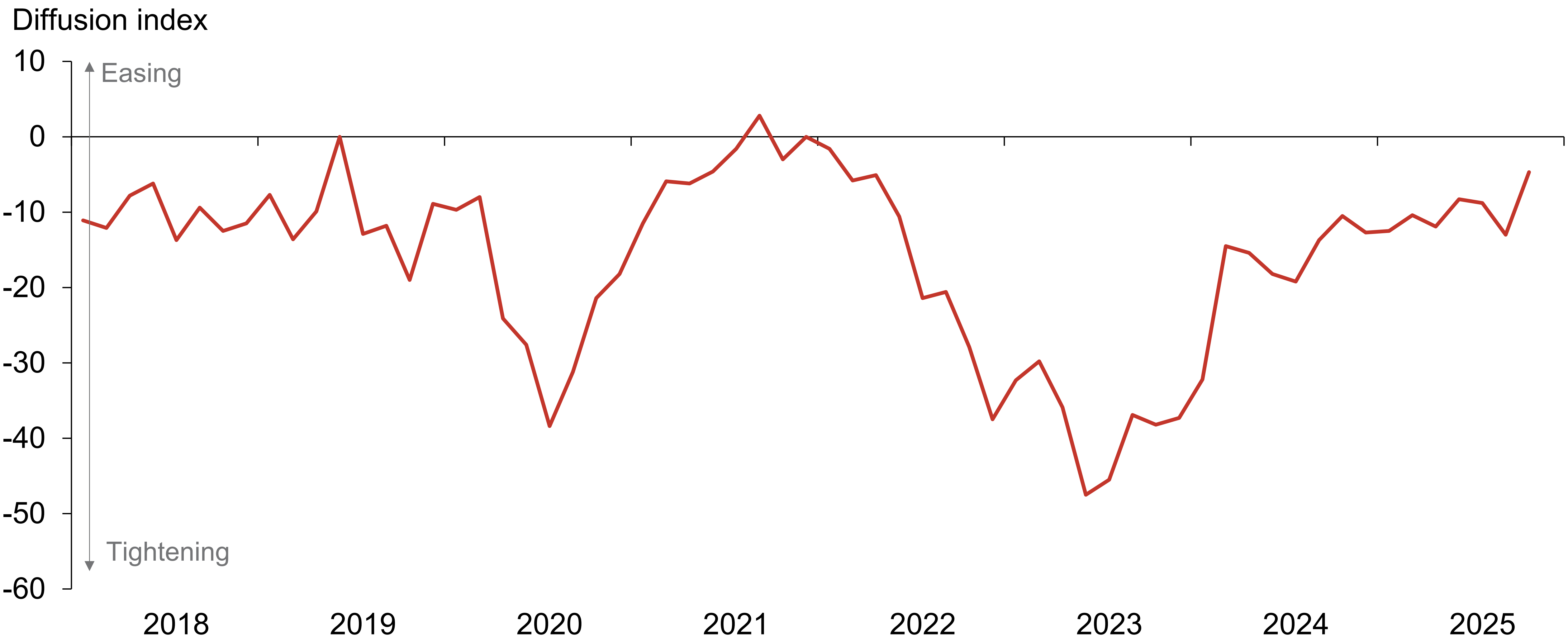
*Seasonally adjusted.
NOTES: Shown are crude oil and natural gas marketed production through July 2025. Production of natural gas are based on billion cubic feet while crude oil is based on million barrels per day.
SOURCE: Energy Information Administration.

Total loan volumes expand further in September
(11th District banks)



NOTE: Data through September 2025.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

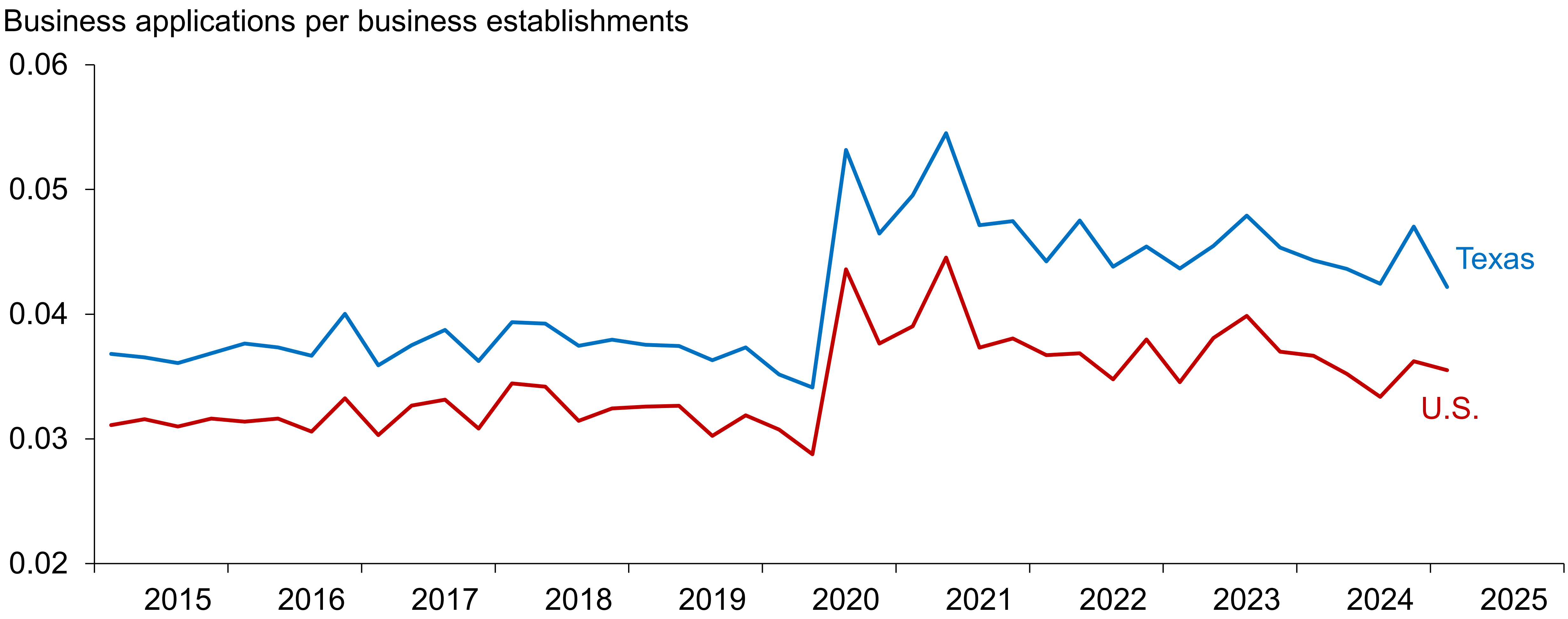
Texas banks report less credit tightening



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

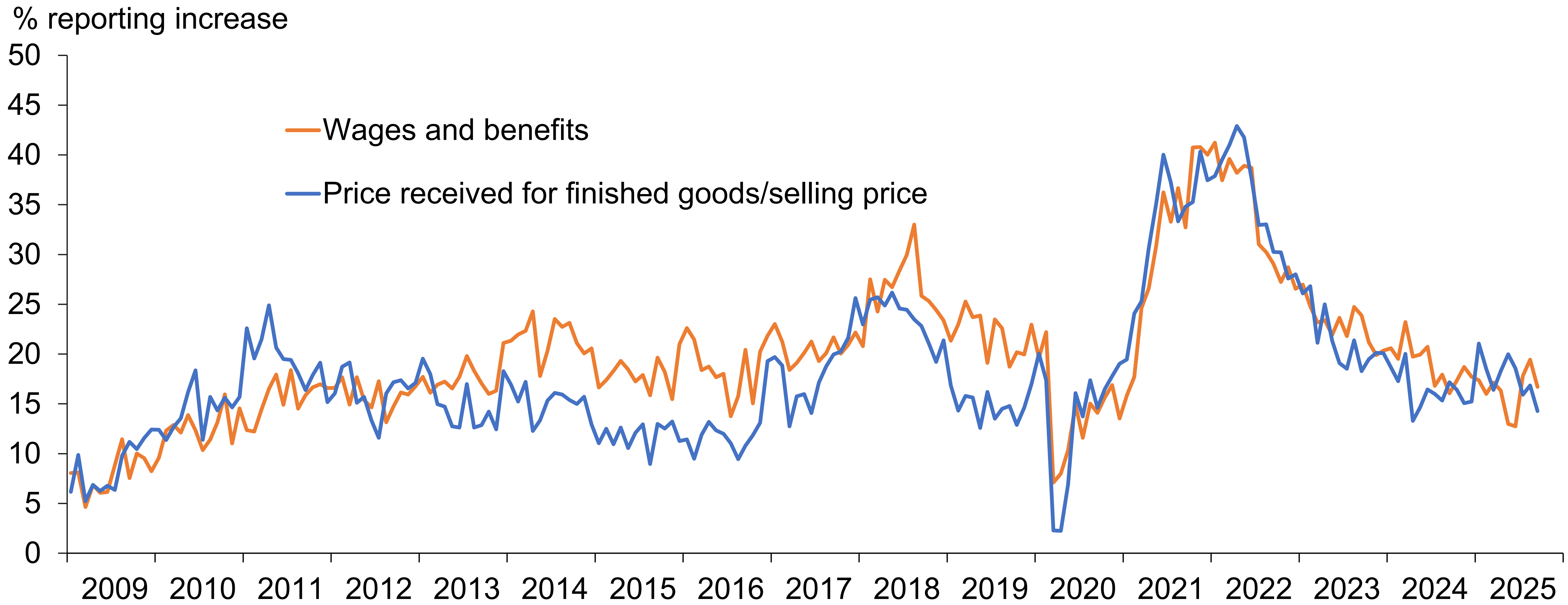
Outlook

Rate of business formation in Texas ticked down in Q1 2025, continues to outpace the nation



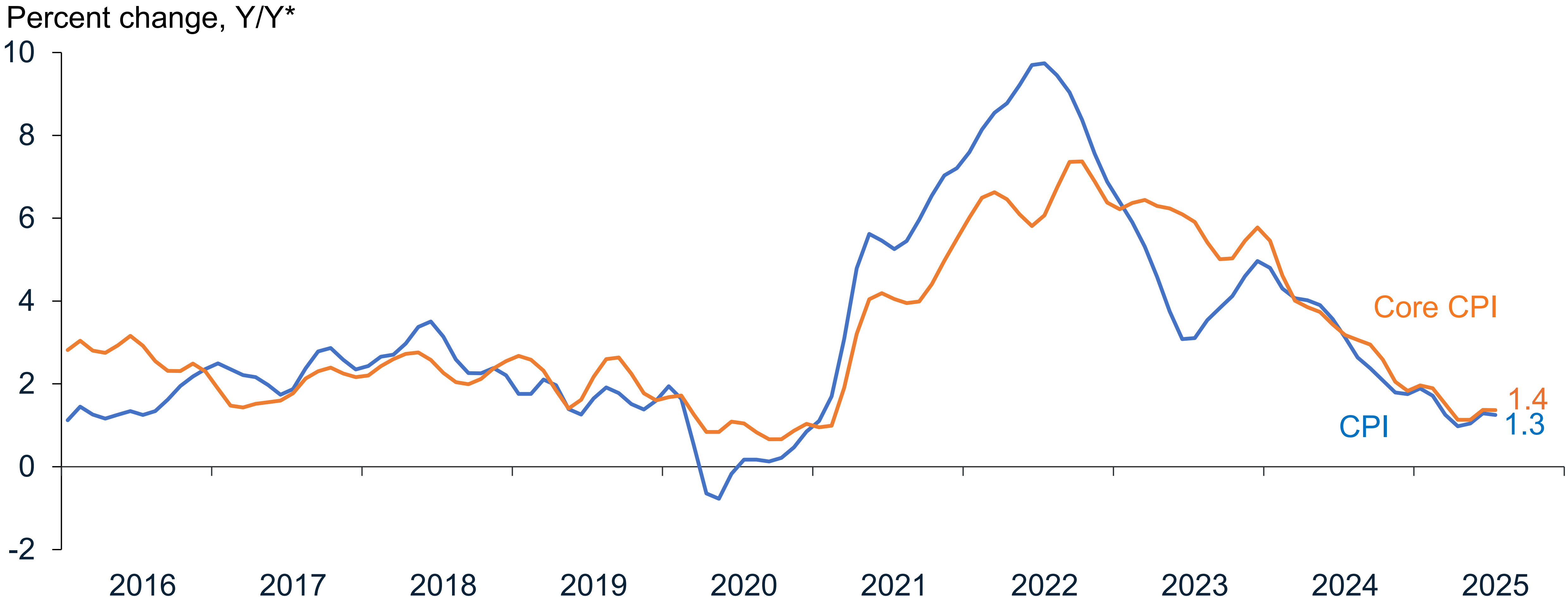
NOTES: Data are quarterly through Q1 2025. Business applications data are missing for the first week of January 2021.
SOURCE: U.S. Census Bureau.

Share of Texas firms reporting an increase in prices and wages ticks down in September



NOTES: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares. Data through September 2025.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

In July, Texas CPI moves sideways

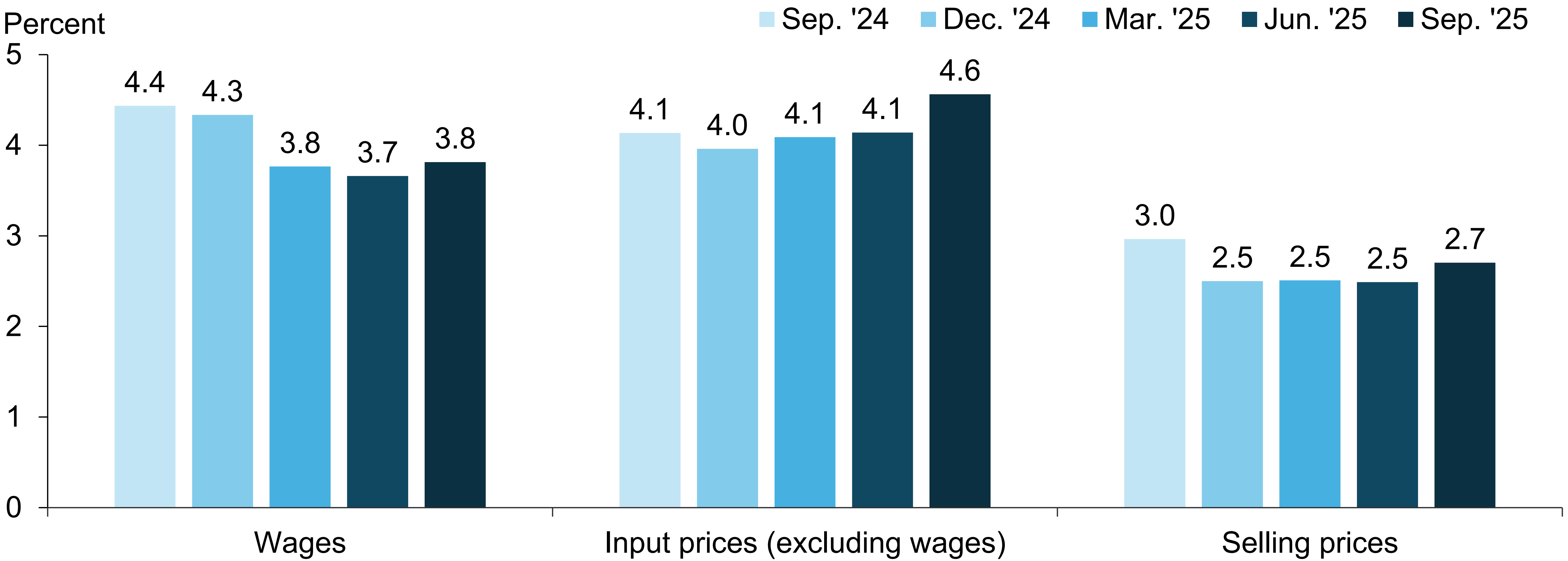


*Seasonally adjusted.
NOTE: CPI data through July 2025. No update due to the federal government shutdown.
SOURCE: Bureau of Labor Statistics.

Texas Business Outlook Surveys Special Questions

TBOS firms report a tick up in price and wage growth in September

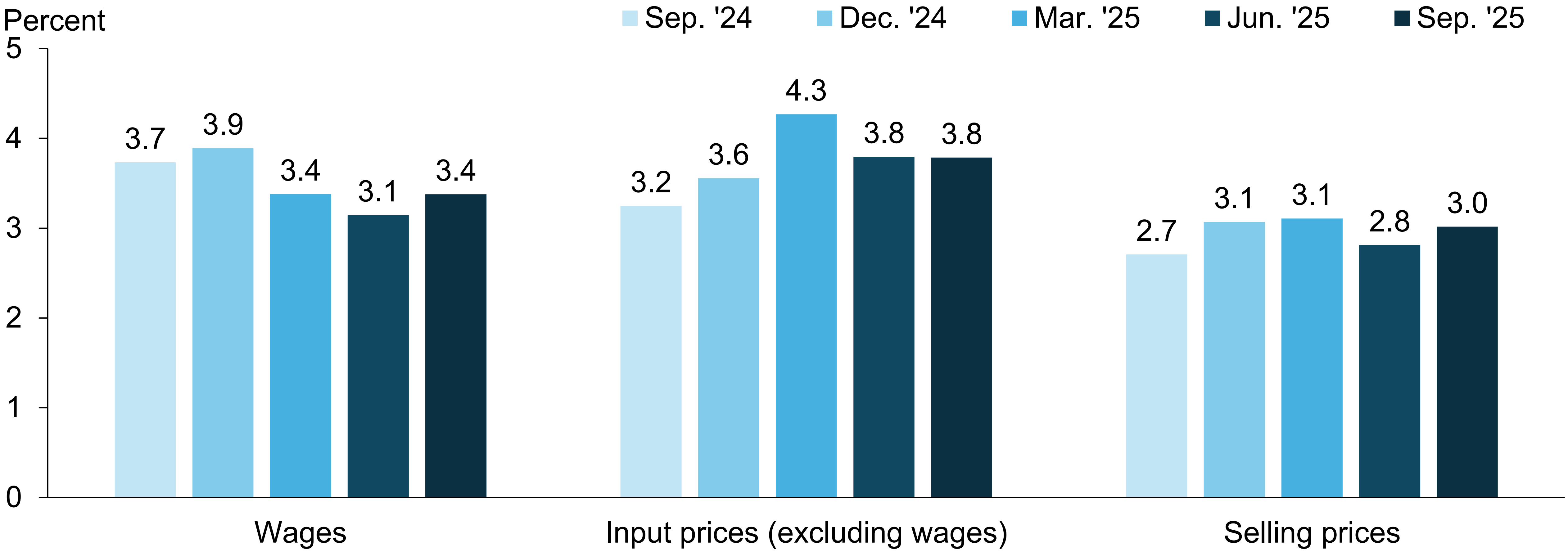
“What percent change in wages, input prices and selling prices did your firm experience over the past 12 months?”



NOTES: Executives from 279 Texas businesses answered this question during the survey collection period, September 16-24, 2025. Shown are averages, calculated as trimmed means with the lowest and highest 5 percent of responses omitted.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Firms expect flat growth in input prices a year from now

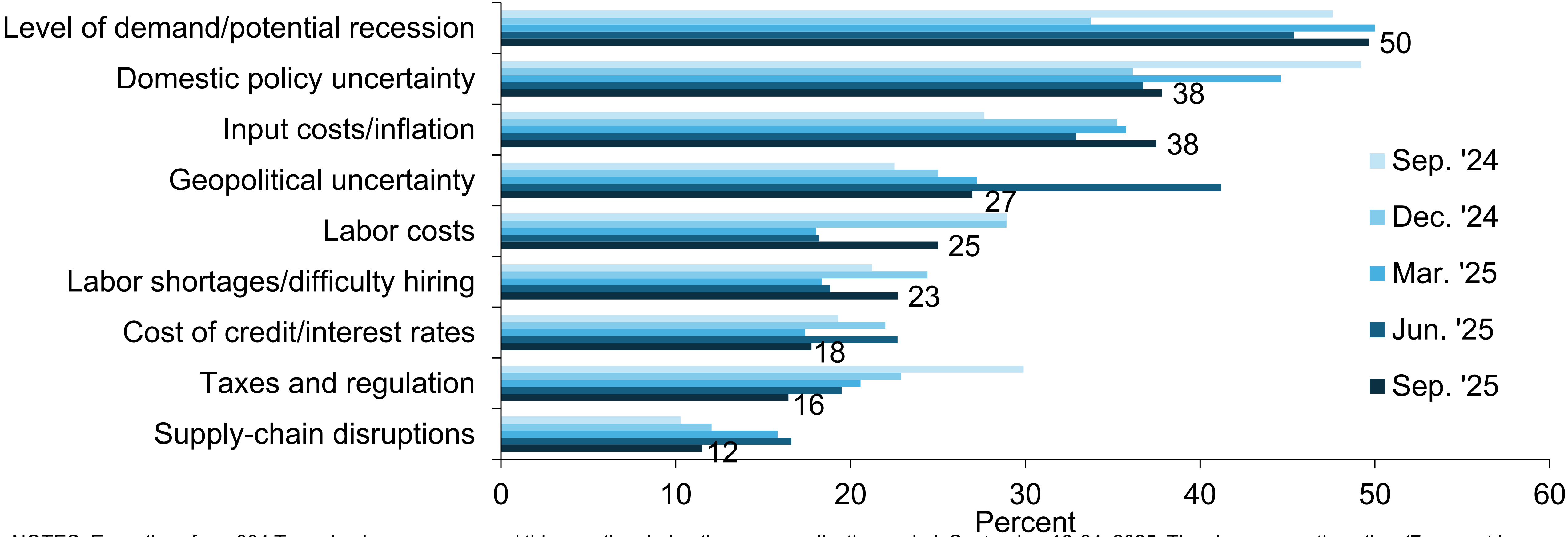
"What percent change in wages, input prices and selling prices does your firm expect over the next 12 months?"



NOTES: Executives from 279 Texas businesses answered this question during the survey collection period, September 16-24, 2025. Shown are averages, calculated as trimmed means with the lowest and highest 5 percent of responses omitted.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Level of demand, domestic policy uncertainty and inflation among top concerns

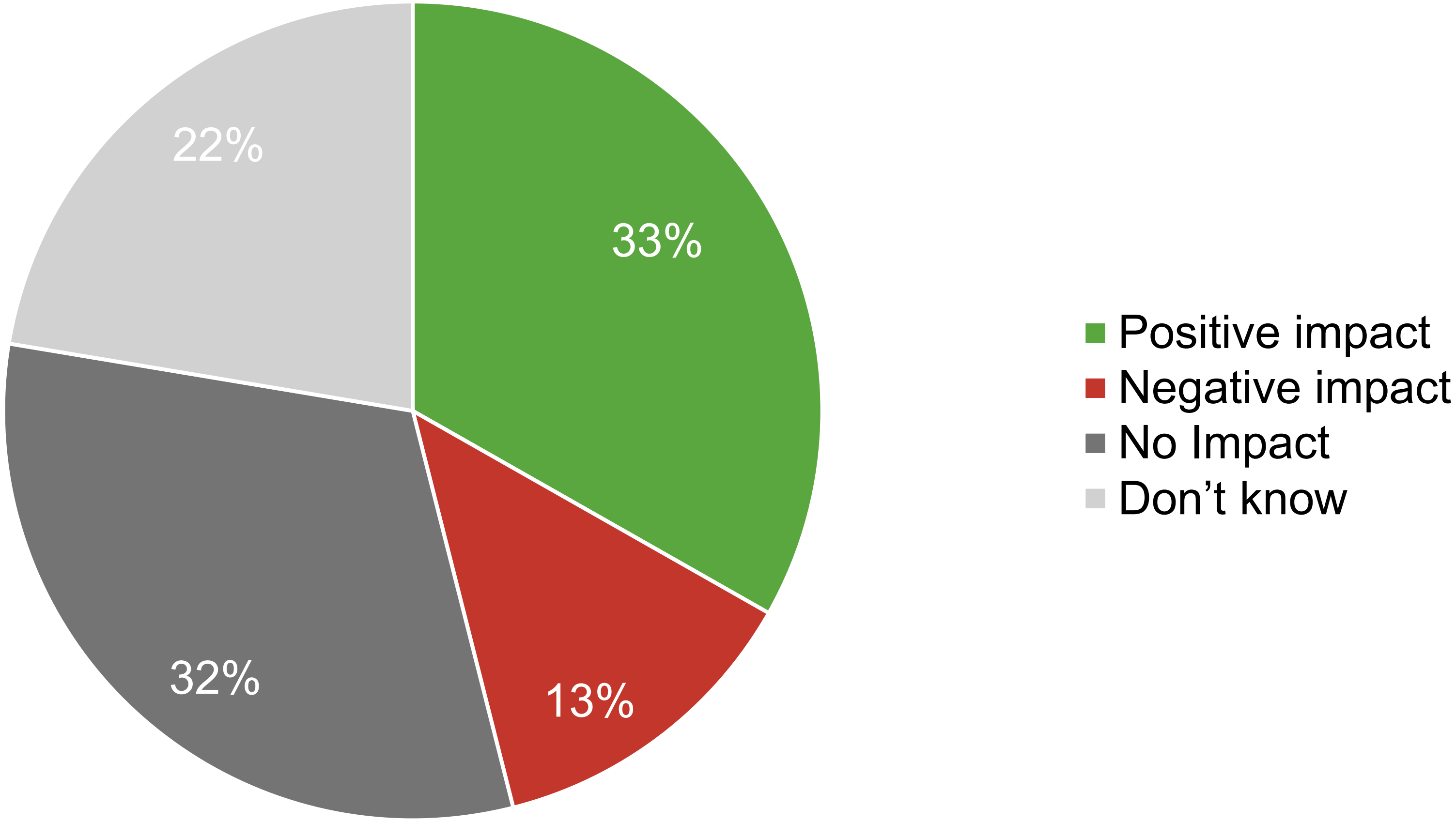
“What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three.”



NOTES: Executives from 304 Texas businesses answered this question during the survey collection period, September 16-24, 2025. The shares reporting other (7 percent in September '25) and none (3 percent) are not shown.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys

A third of TBOS firms expect positive impact from the OBBBA

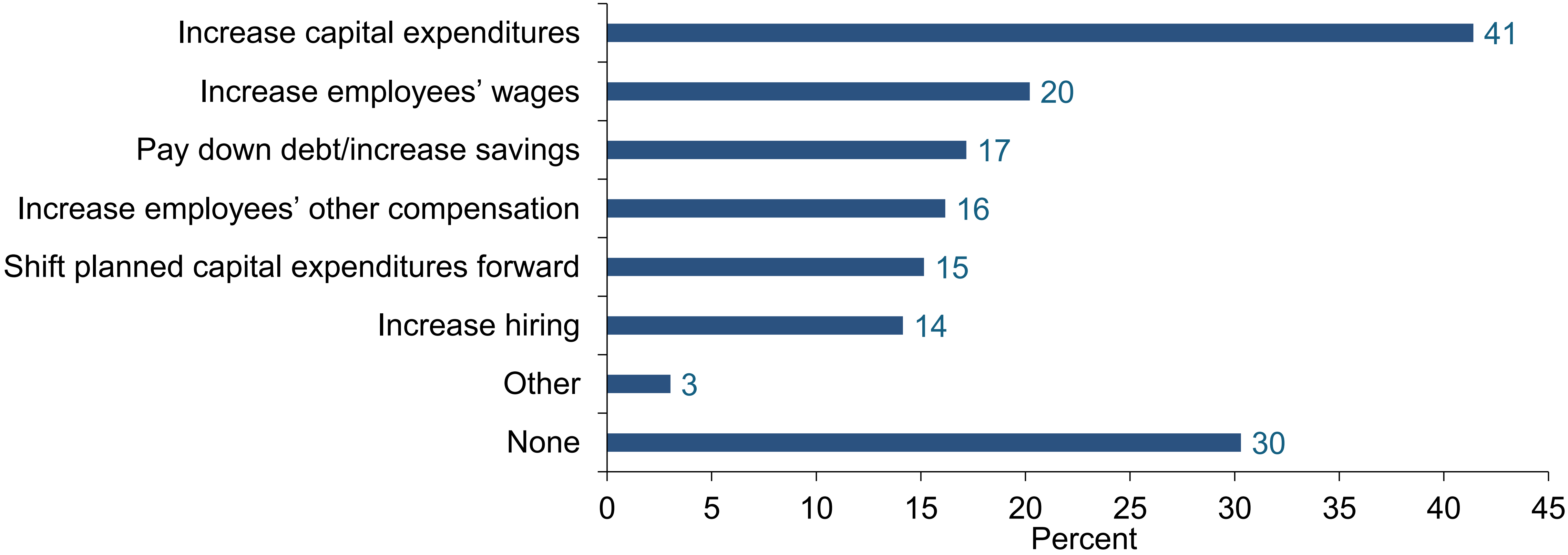
"How do you expect the tax provisions in the One Big Beautiful Bill Act to impact your firm over the next year, on net?"



NOTES: Executives from 304 Texas businesses answered this question during the survey collection period, September 16-24, 2025.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

40 percent of firms cite increasing capital expenditures as top response to the tax provisions from OBBBA

"What actions have you taken and/or do you plan to take in response to the tax provisions in the One Big Beautiful Bill Act that you weren't otherwise planning to do, if any? Please select all that apply."



NOTES: Executives from 99 Texas businesses answered this question during the survey collection period, September 16-24, 2025. This questions was only posed to firms expecting a positive impact from the tax provisions.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

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