



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook (December 2025)

“September employment declines”

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Federal Reserve Bank of Dallas

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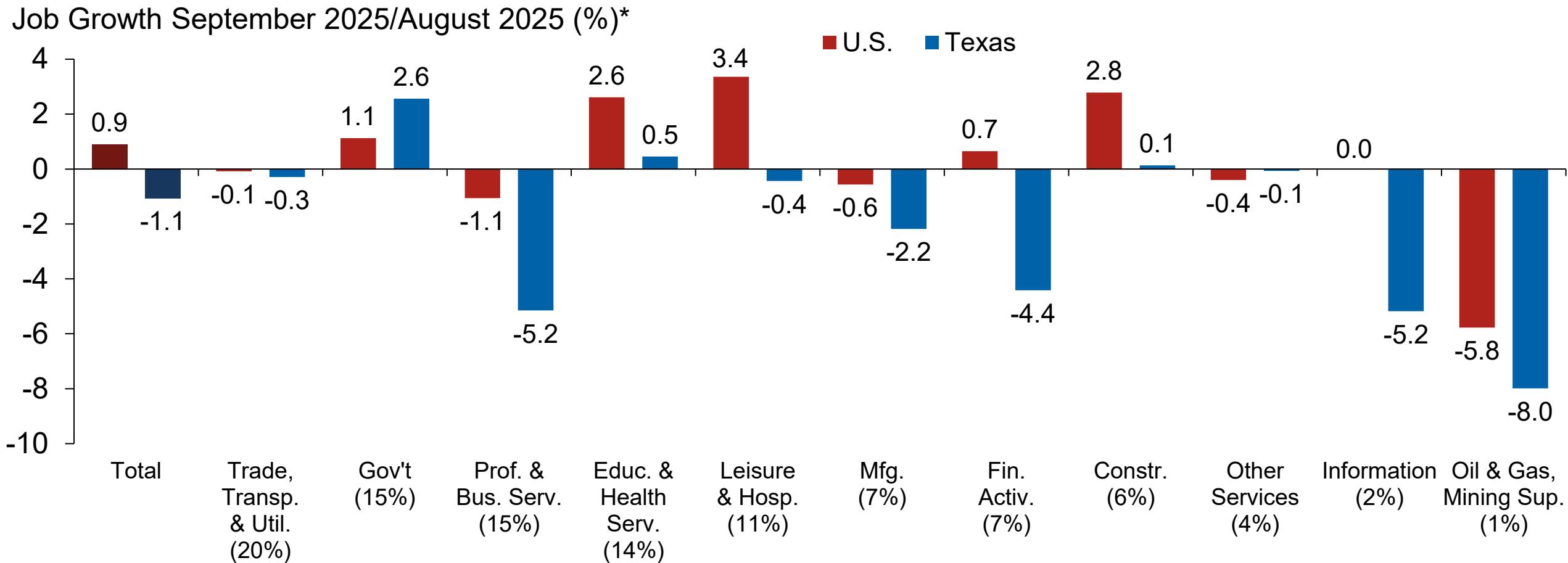
DISCLAIMER: The views expressed are the authors' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System. Data requests can be addressed to Diego Morales-Burnett at Diego.Morales-Burnett@dal.frb.org.

What's New: Payrolls decline in September

- Texas employment fell 1.1% in September. August's employment growth was revised down to 2.8%
 - U.S. job growth was 0.9% in September
- The September Dallas Fed's Texas Employment Forecast indicated jobs will increase 0.9% in 2025
 - The previous forecast was 1.3%
- Texas unemployment remained at 4.1% in September
 - U.S. unemployment ticked up to 4.4% in September
- November Texas Business Outlook Surveys (TBOS) show an expansion in manufacturing output and a slight decline in service sector revenue
 - TBOS firms reporting decreases in margins exceeds the share citing increases, though figures reverse when asked about expectations six months ahead
 - More businesses expect increases in demand than decreases but less optimistic than in February
 - Texas firms intending to hire represent the smallest share since October 2022

Overall Economic Activity

Texas job growth contracts in September except in government and education and health



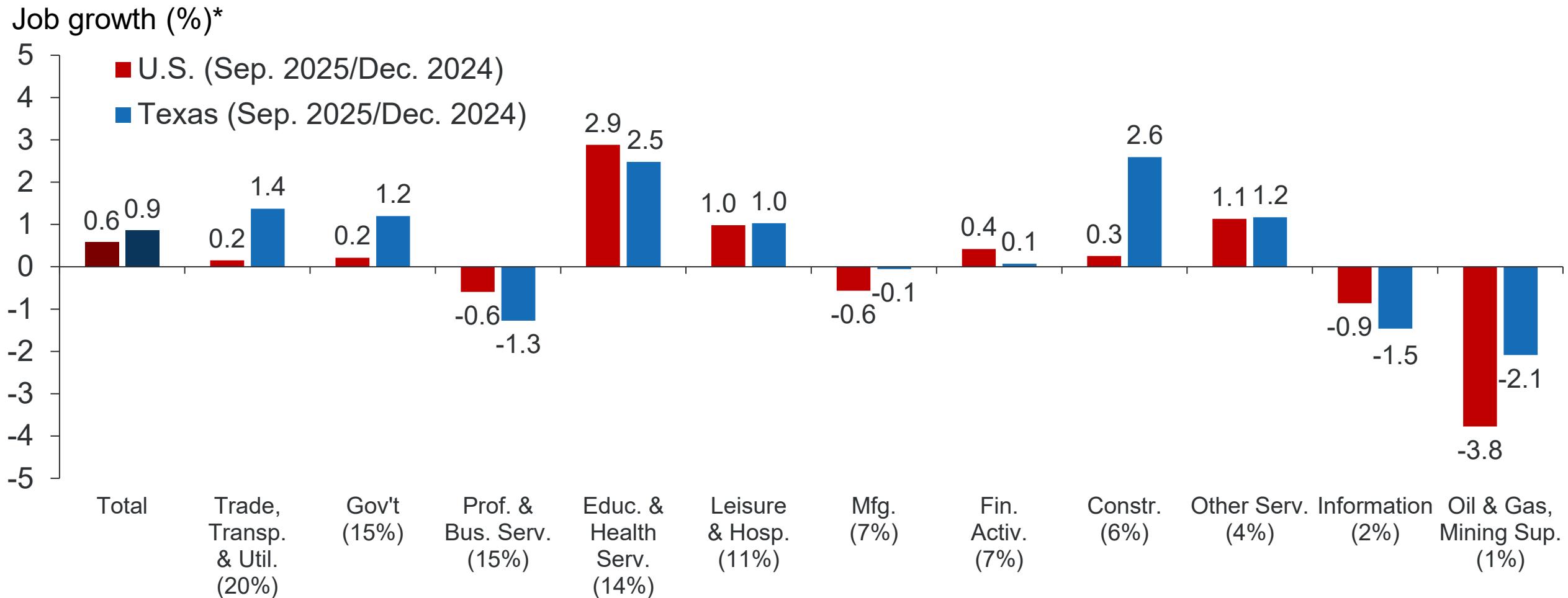
^{*}Seasonally adjusted, annualized rate.

NOTES: Numbers in parenthesis indicate share of total state employment in September 2025.

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

DATA: [Texas Employment by Industry - Dallasfed.org](https://www.dallasfed.org)

Total Texas YTD employment growth ahead of the nation's



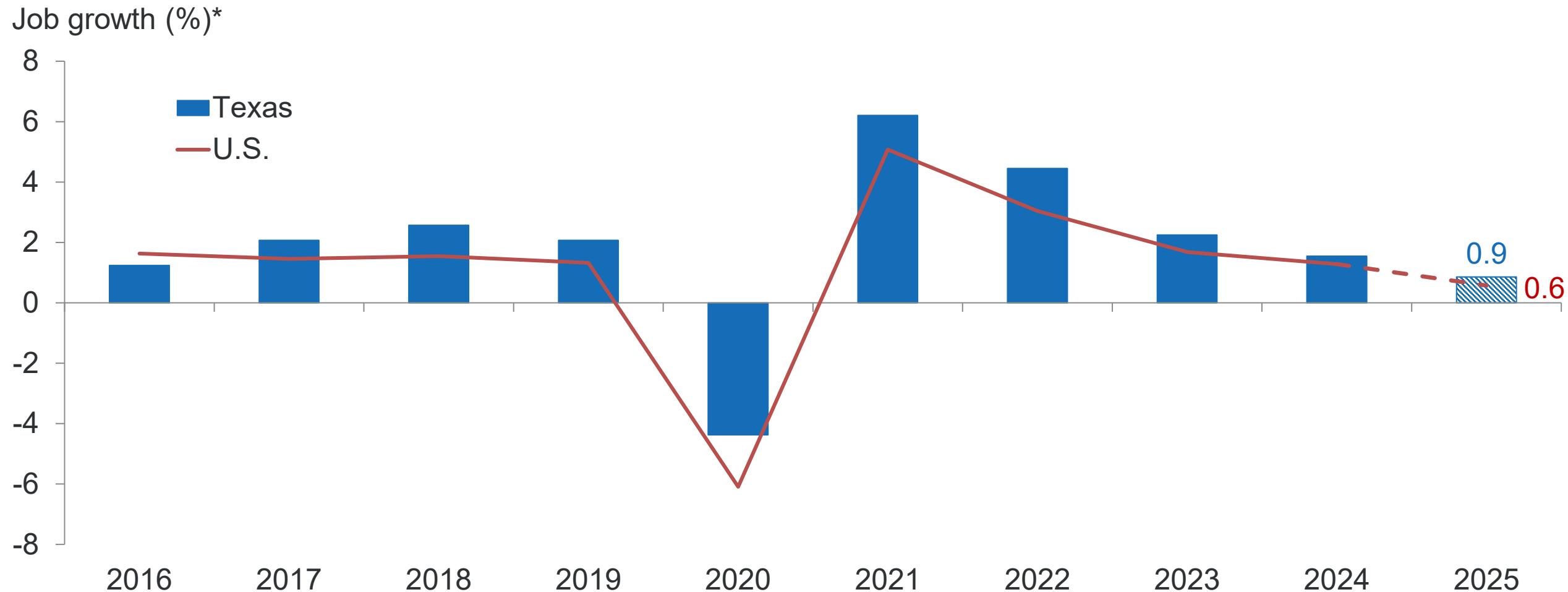
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for September 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://www.dallasfed.org)

Texas' 2025 job growth below trend but ahead of the nation's



*Seasonally adjusted, annualized rate.

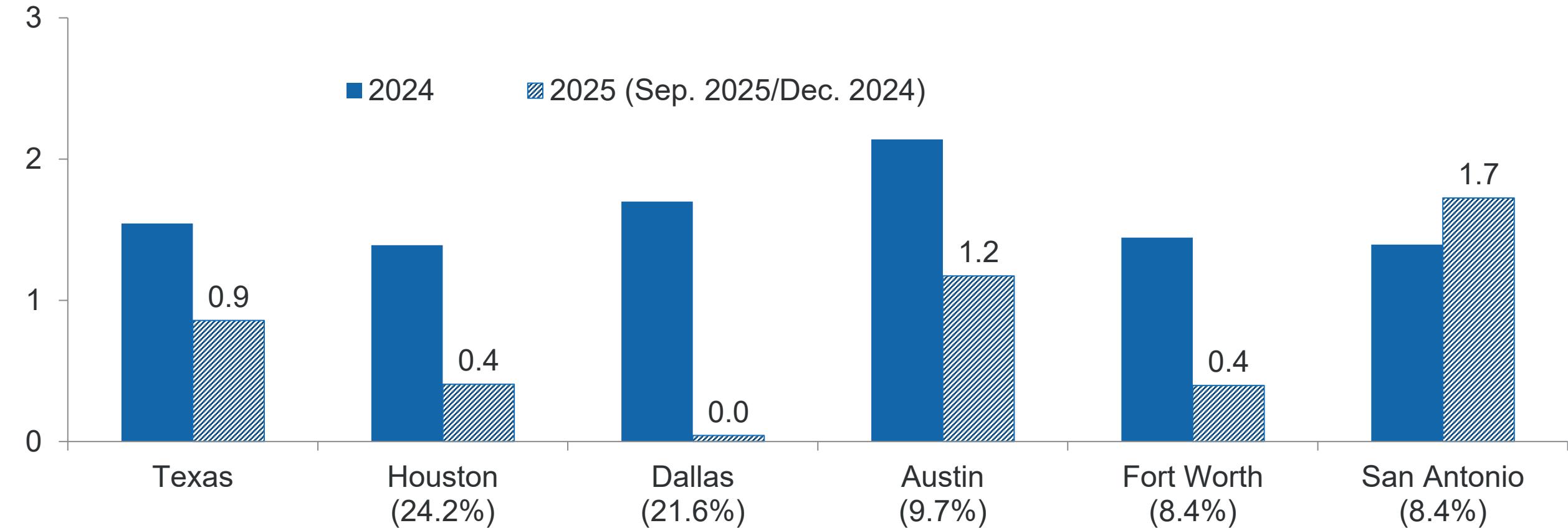
NOTES: Last data points are annualized job growth for Sep. 2025/Dec. 2024. Yearly growth is Dec/Dec.

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](https://www.dallasfed.org)

2025 YTD job growth strongest in San Antonio, while Houston, Fort Worth, and Dallas lag behind

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



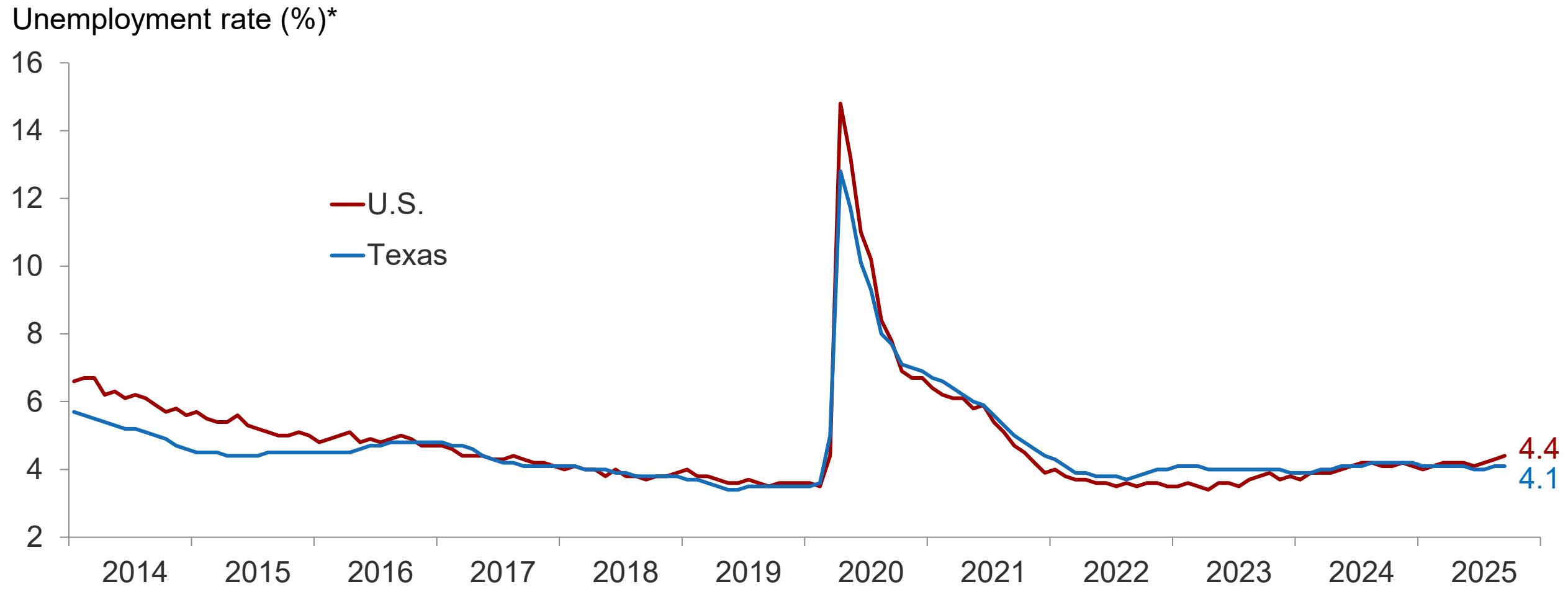
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for September 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)

Unemployment rate flat in Texas, ticks up for the nation



*Seasonally adjusted.

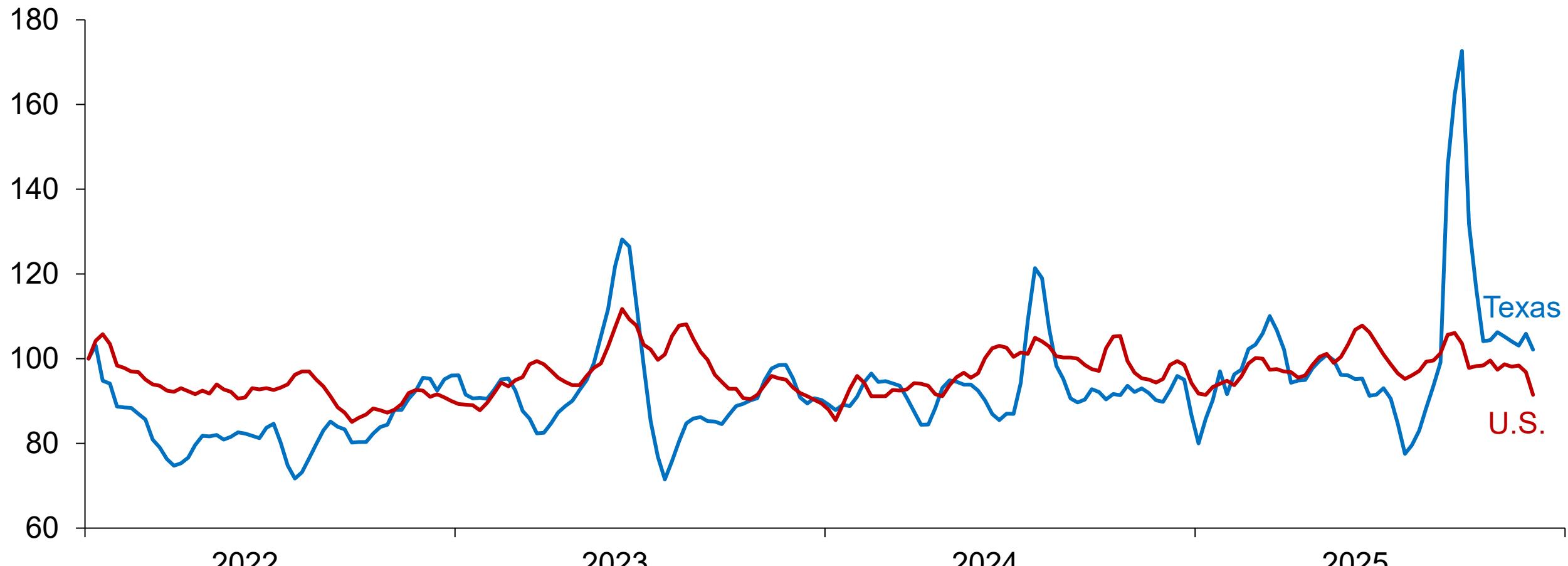
NOTE: Data are through September 2025.

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

DATA: [Texas Employment by Industry - Dallasfed.org](https://www.dallasfed.org)

Initial unemployment claims fall at the end of November

Index, Jan. 2022 = 100*

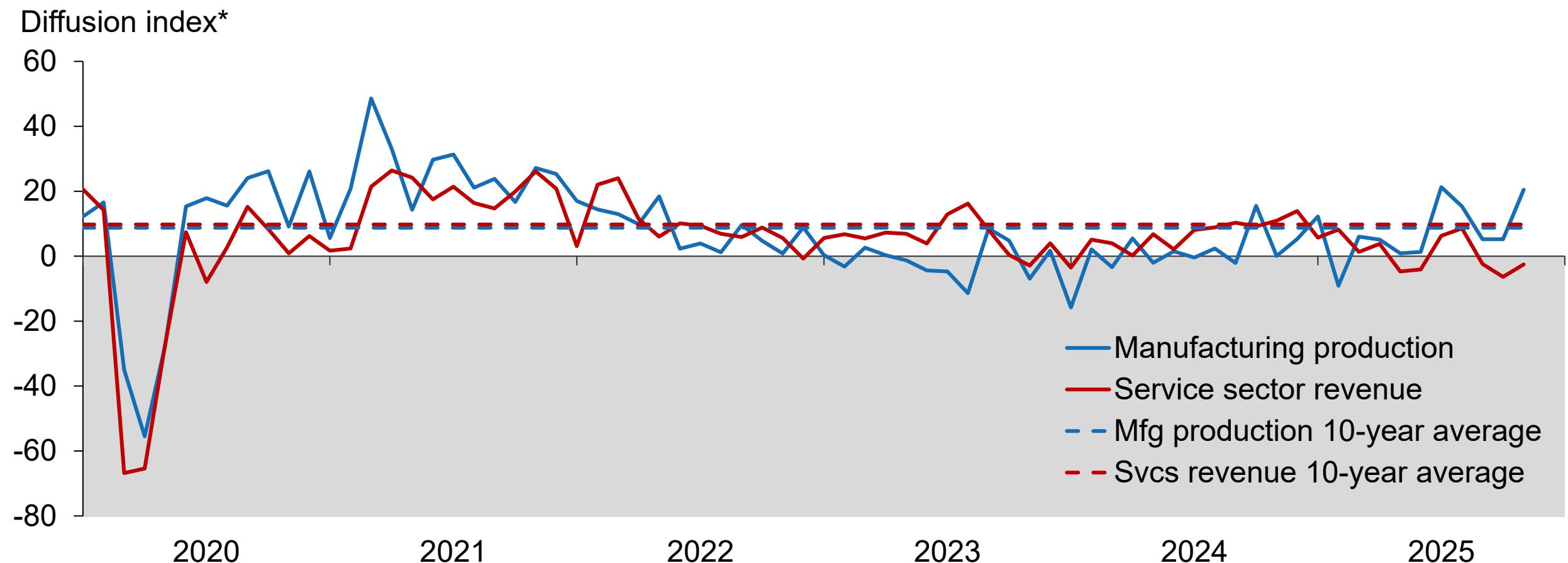


*Seasonally adjusted, three-week moving average.

NOTE: Data are through the week ending November 29th, 2025.

SOURCE: Department of Labor.

Manufacturing expands, services contracts slightly in November



*Seasonally adjusted.

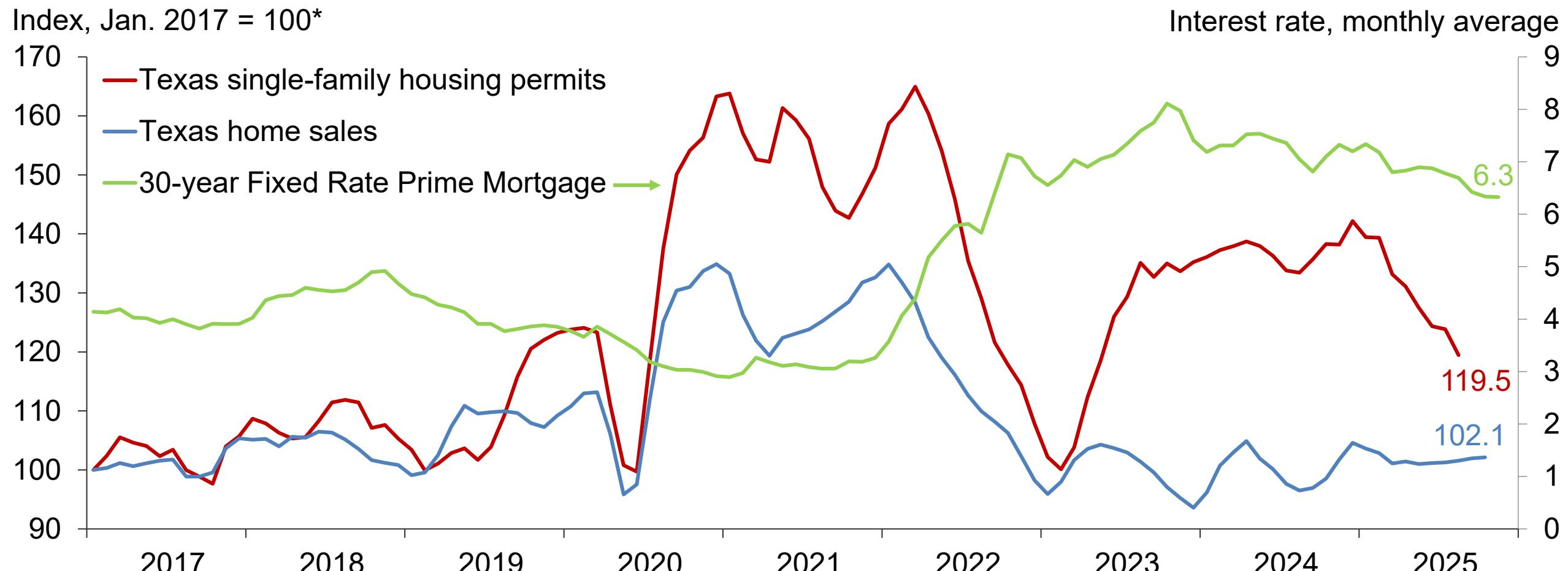
NOTES: Data through November 2025. Shaded area represents contractionary territory.

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

DATA: Surveys - Dallasfed.org

Real Estate, Energy and Finance

Texas home sales and mortgage rates flat, permits tick down

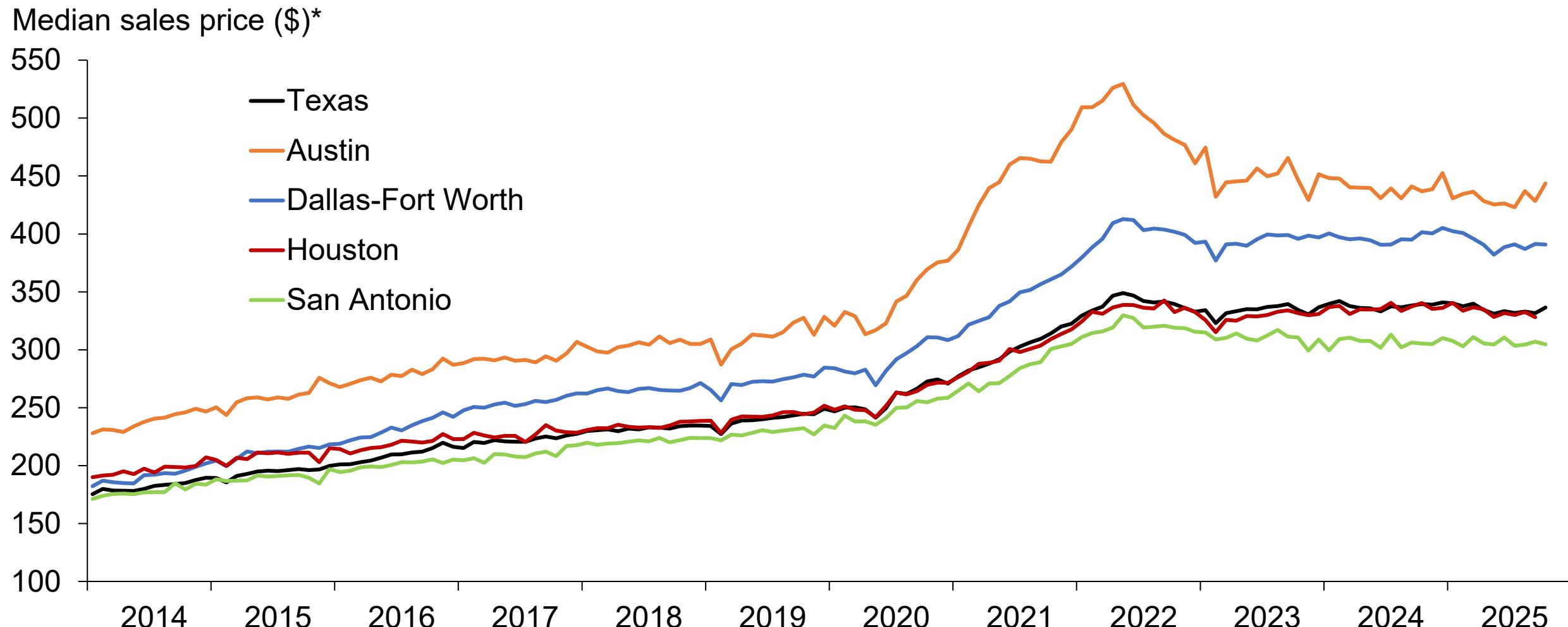


*Seasonally adjusted, three-month moving average.

NOTES: Mortgage data are monthly through November 2025; home sales data are through October 2025; and permits data are through August 2025.

SOURCES: U.S. Census; Multiple Listing Service; *Wall Street Journal*.

Texas and Austin median home prices tick up in October

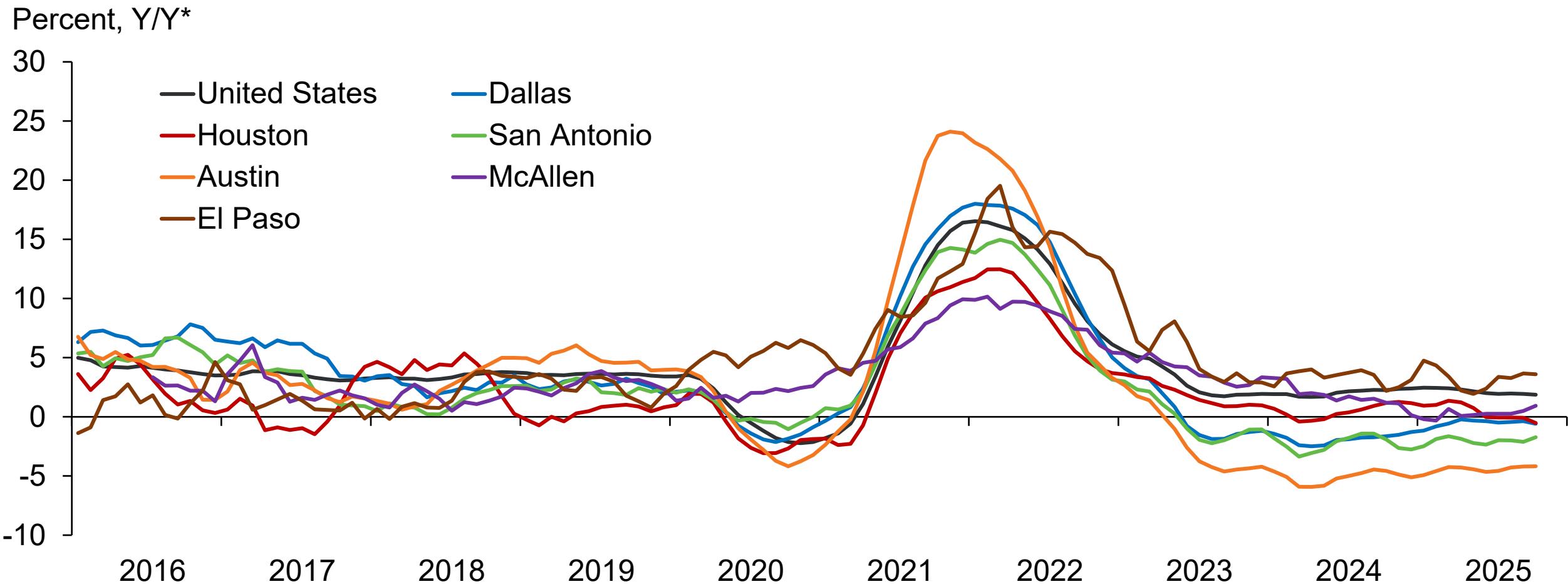


*Seasonally adjusted.

NOTES: Data are monthly through September 2025 for Houston; October 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

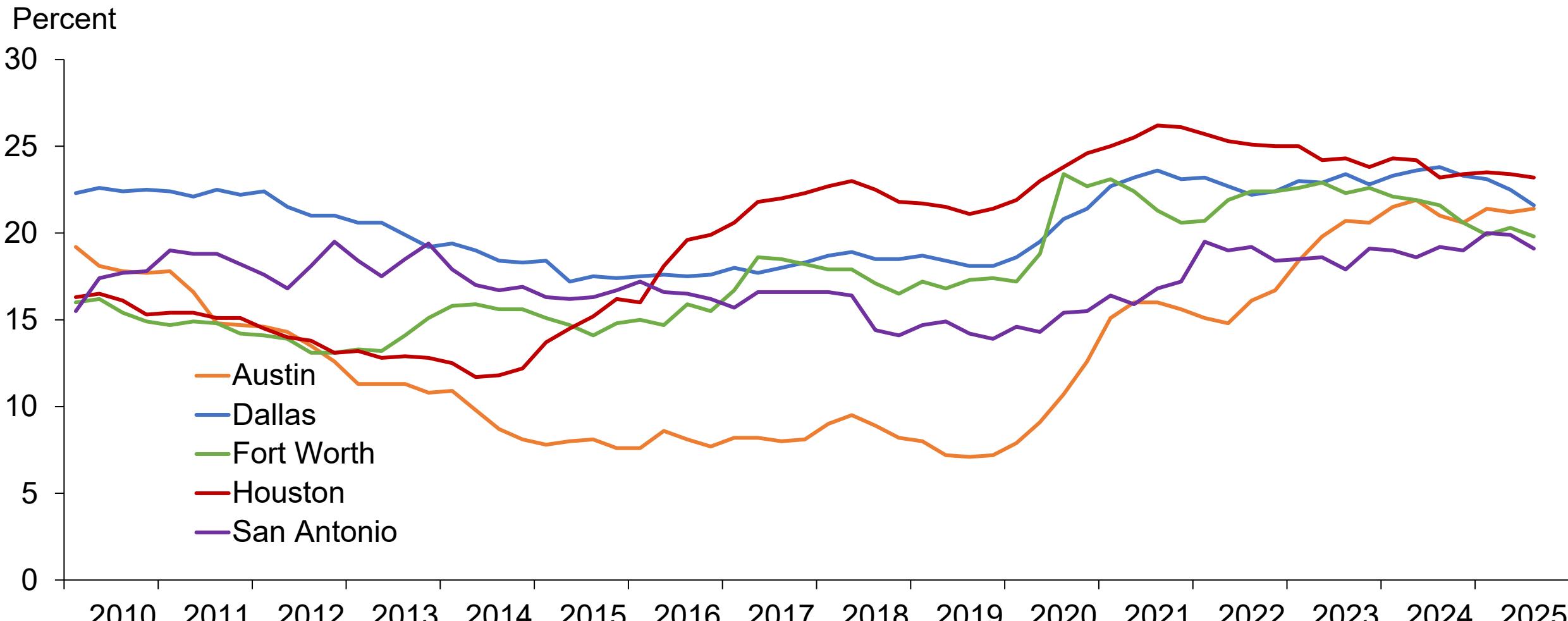


*Smoothed and seasonally adjusted.

NOTE: Data are monthly through October 2025.

SOURCE: Zillow.

Office vacancy ticks down in most Texas markets except in Austin

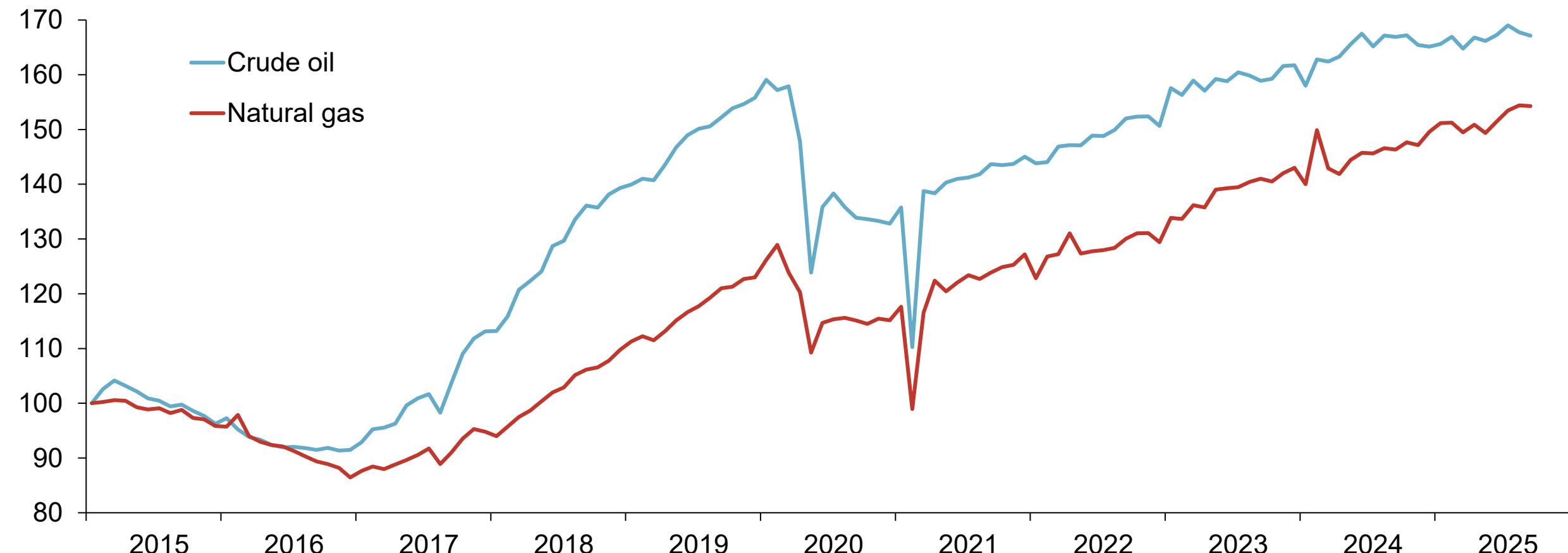


NOTE: Data are quarterly through Q3 2025.

SOURCE: CBRE Econometric Advisors.

Texas oil and gas production ticks down in September

Index, Jan. 2015 = 100*



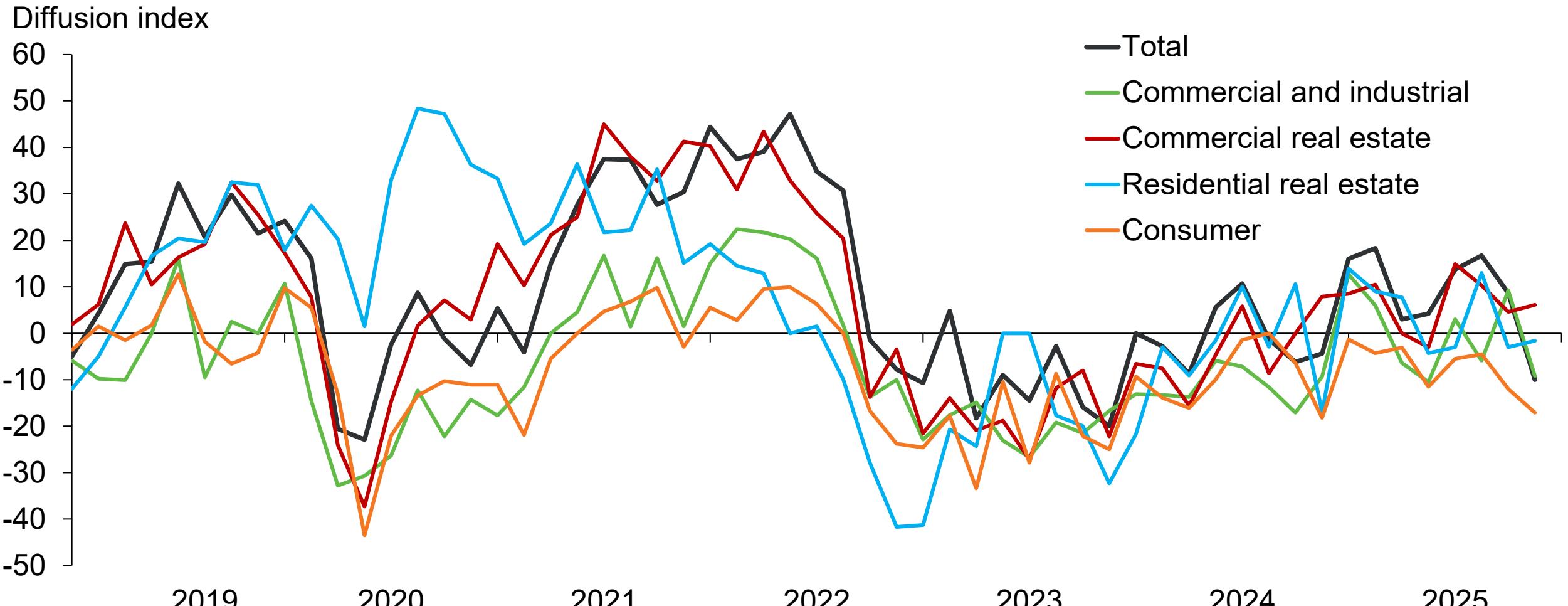
*Seasonally adjusted.

NOTES: Shown are crude oil and natural gas marketed production through September 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 decline further in November

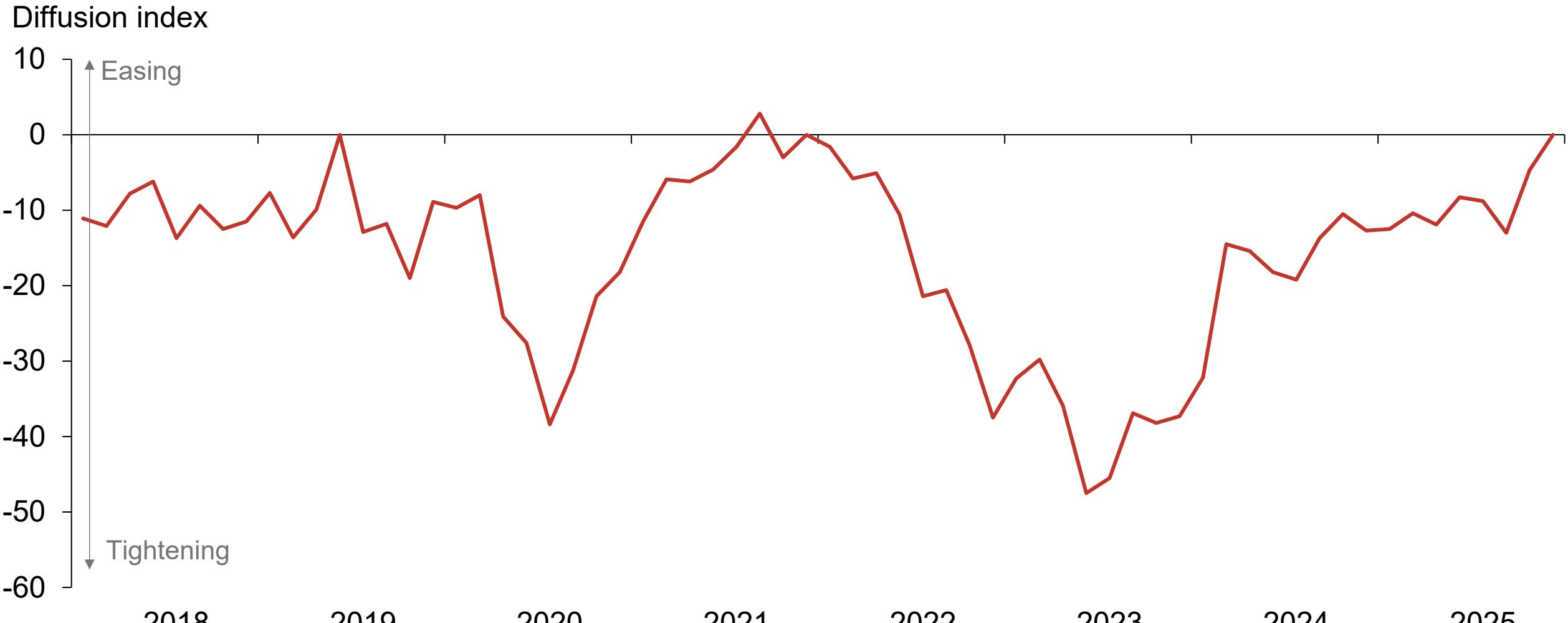
(11th District banks)



NOTE: Data through November 2025.

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

Texas banks report unchanged credit standards

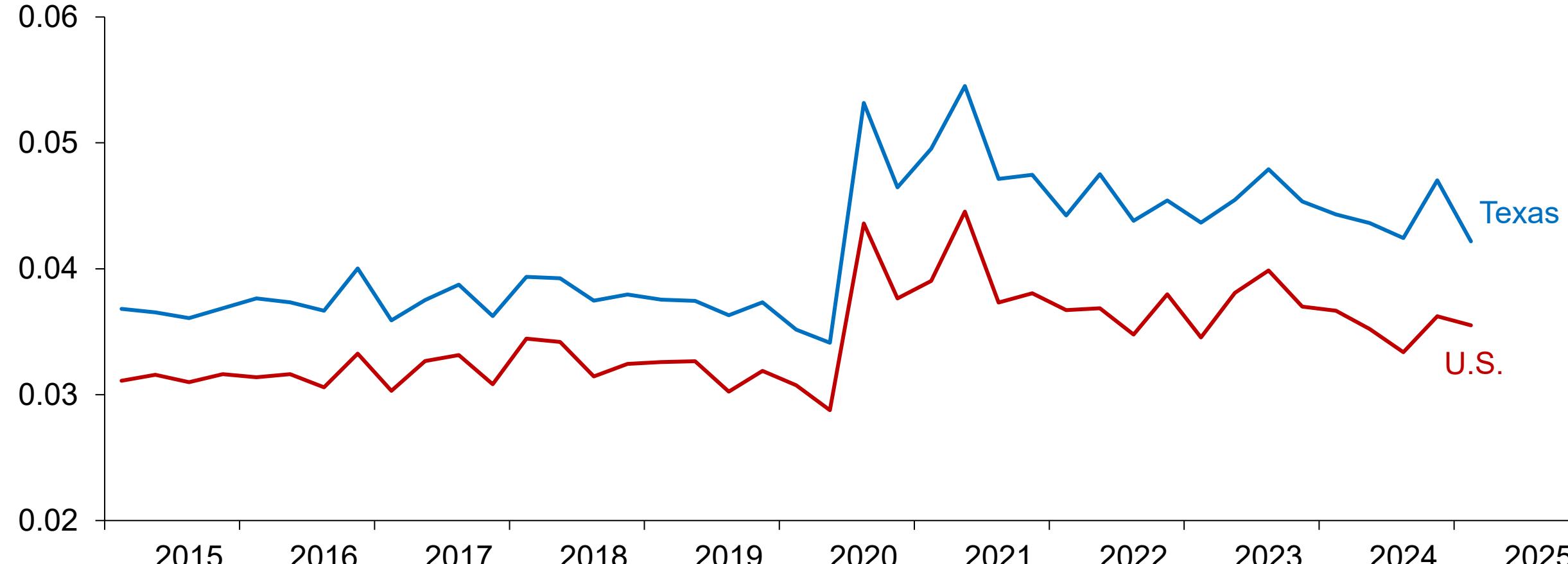


NOTES: Includes credits and terms. Data are through November 2025.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

Outlook

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

Business applications per business establishments



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

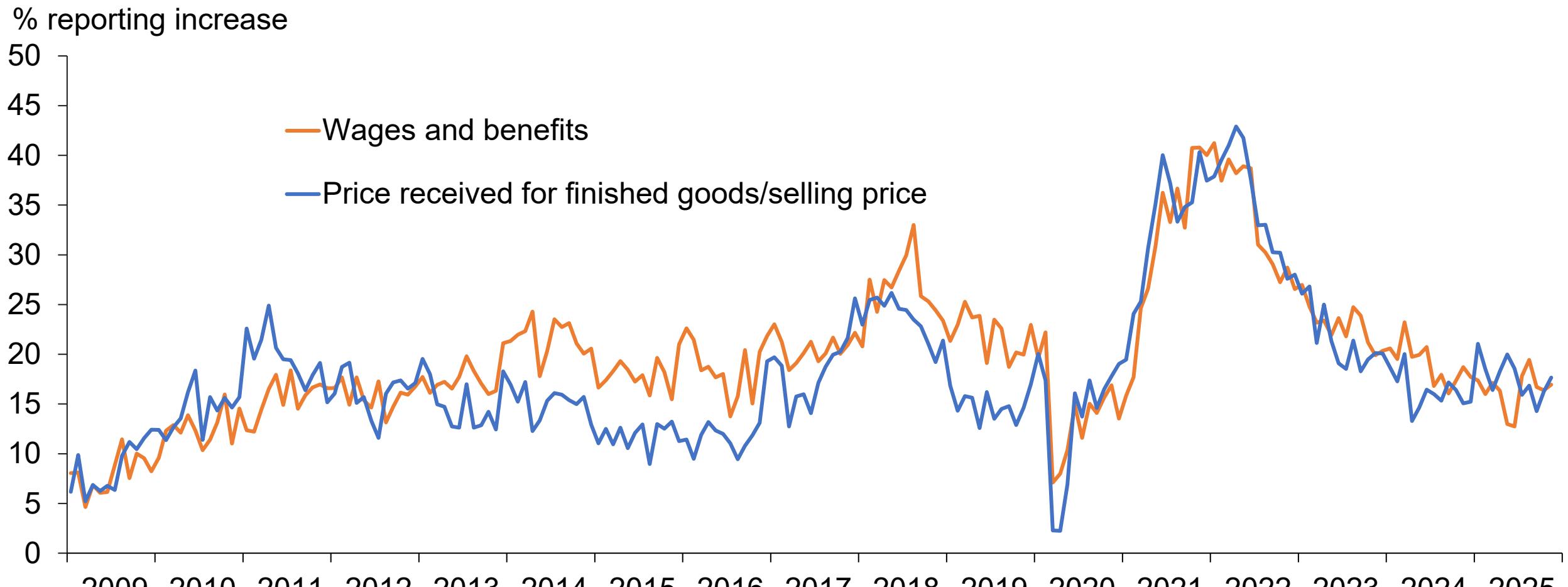
SOURCE: U.S. Census Bureau.

The Dallas Fed's Texas employment forecast suggests 0.9% 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).

Share of Texas firms reporting an increase in prices and wages ticks up in November

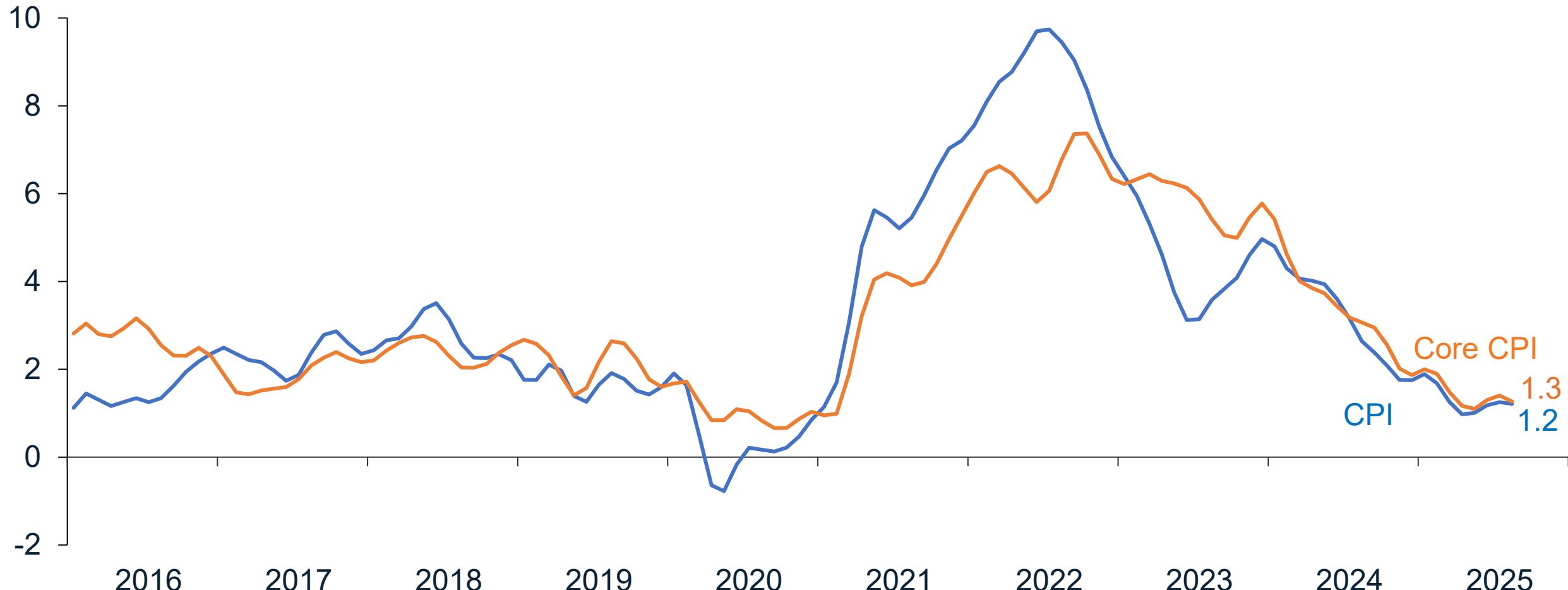


NOTES: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares. Data through November 2025.

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

In August, Texas CPI moves sideways

Percent change, Y/Y*



*Seasonally adjusted.

NOTE: CPI data through August 2025.

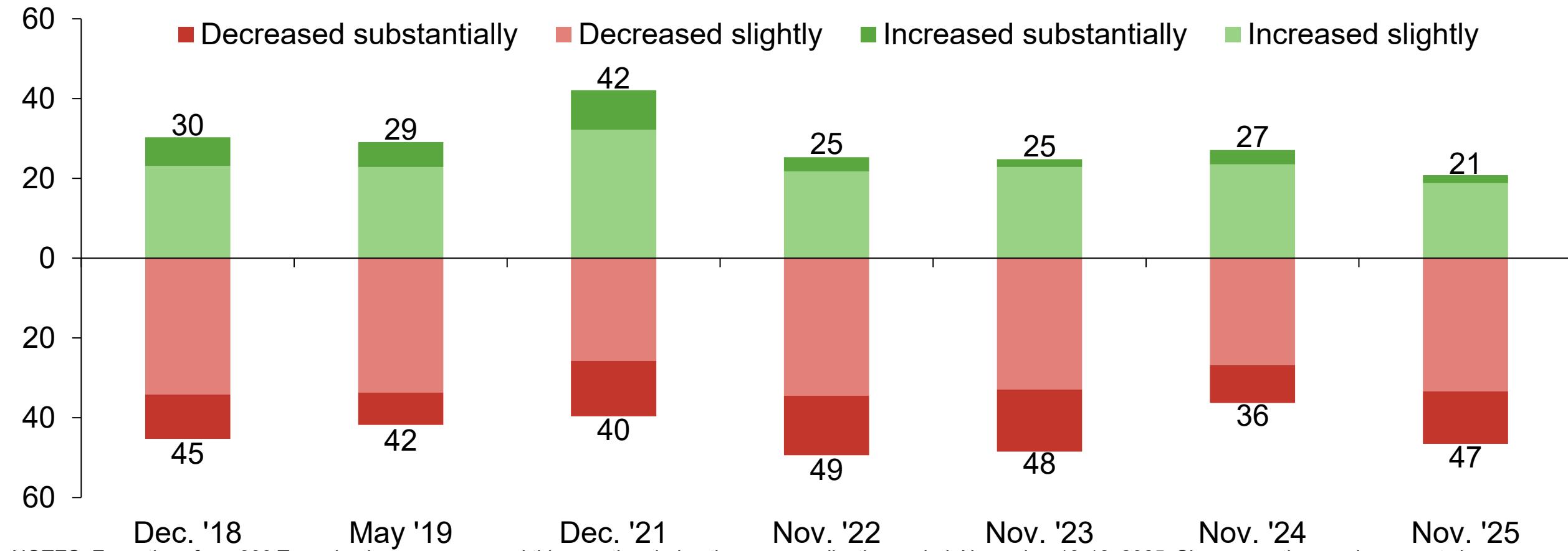
SOURCE: Bureau of Labor Statistics.

Texas Business Outlook Surveys Special Questions

TBOS reports operating margin declines are more widespread than a year ago

"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?"

Percent

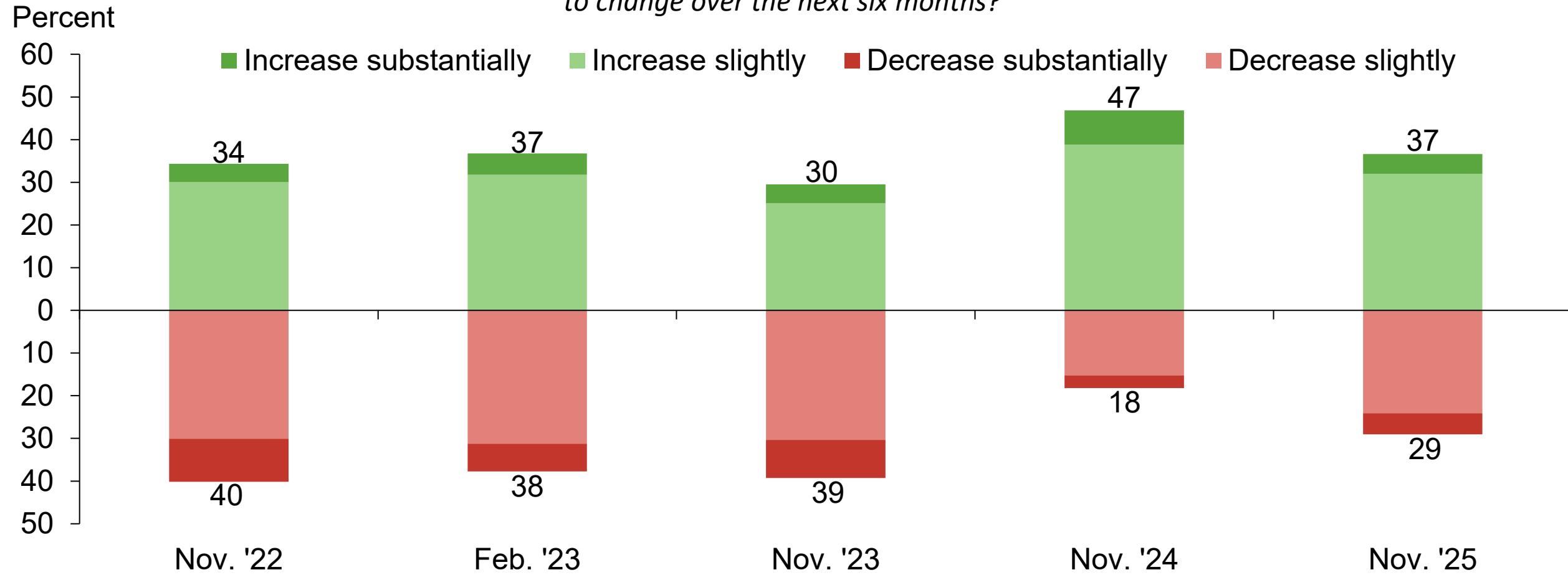


NOTES: Executives from 303 Texas businesses answered this question during the survey collection period, November 10-18, 2025. Share reporting no change not shown.

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

More Texas businesses expect increases in operating margins over the next six months than decreases

"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?"

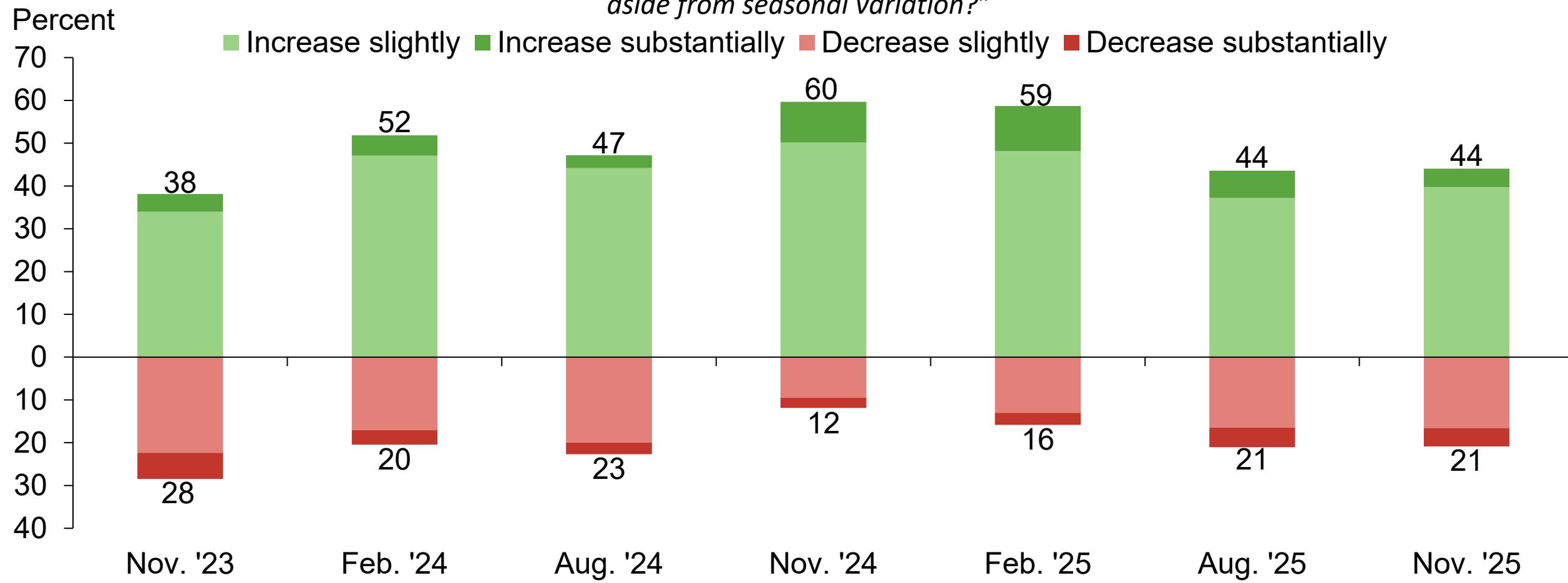


NOTES: Executives from 303 Texas businesses answered this question during the survey collection period, November 10-18, 2025. Share reporting no change not shown.

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

Demand expectations among Texas firms remain bullish

"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 seasonal variation?"

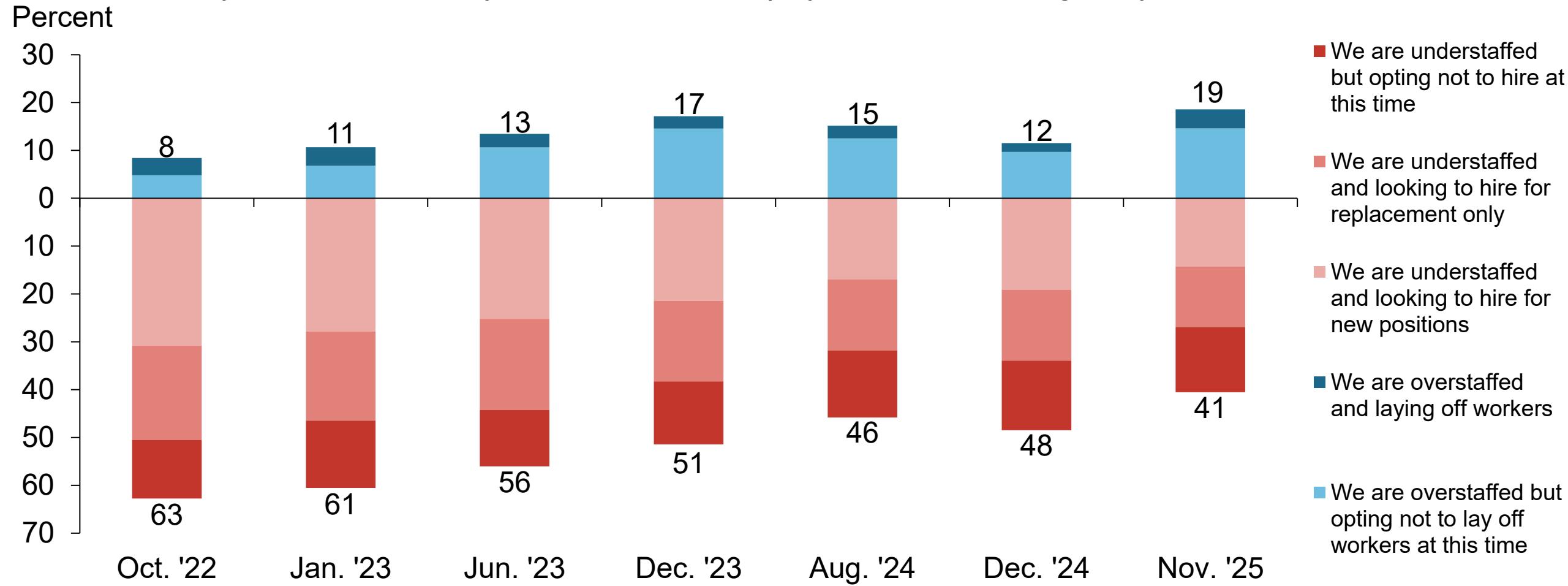


NOTES: Executives from 302 Texas businesses answered this question during the survey collection period, November 10-18, 2025. Share reporting no change not shown.

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

About 40 percent of Texas businesses say they are currently understaffed, with 27 percent intending to hire

“What is your assessment of your firm’s current employment situation in light of your six-month outlook?”



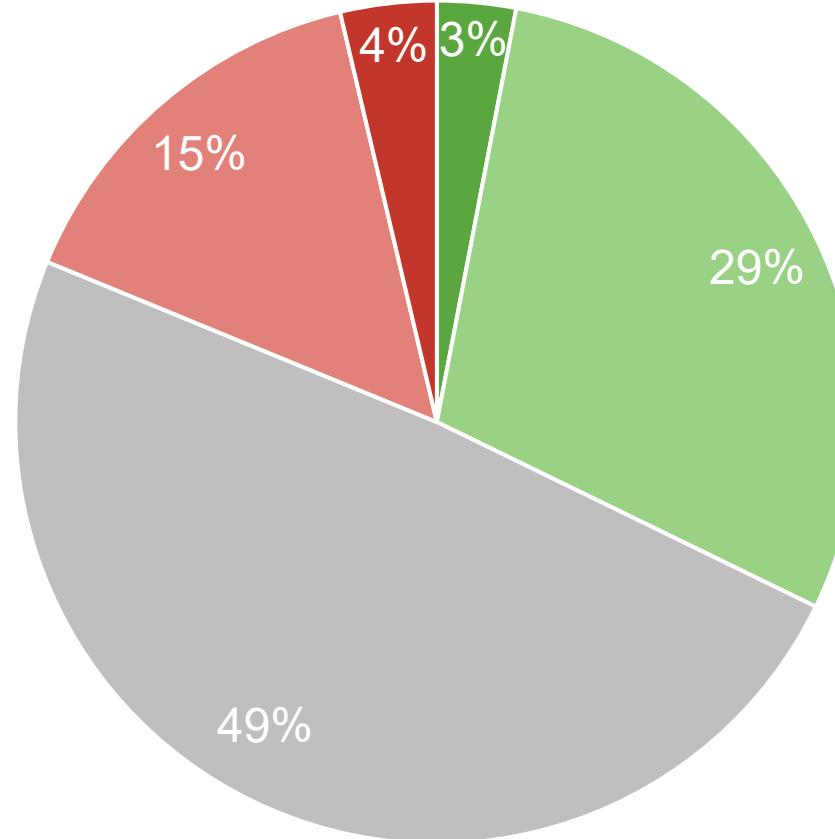
NOTES: Executives from 301 Texas businesses answered this question during the survey collection period, November 10-18, 2025. Share reporting "Other" not shown.

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

Worker productivity has increased for nearly a third of responding Texas businesses and declined for just under 20 percent

“Compared with a year ago, how has the productivity of your workers (output per hours worked) changed, on average?”

- Increased substantially
- Increased slightly
- Remained the same
- Decreased slightly
- Decreased substantially



NOTES: Executives from 298 Texas businesses answered this question during the survey collection period, November 10-18, 2025. These calculations exclude the 1.3 percent of respondents selecting "Don't know."

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

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