



Federal Reserve
Bank of Dallas

Texas Economic Performance and Outlook

(May 2026)

“Strong employment growth in March”

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Federal Reserve Bank of Dallas

5/1/2026

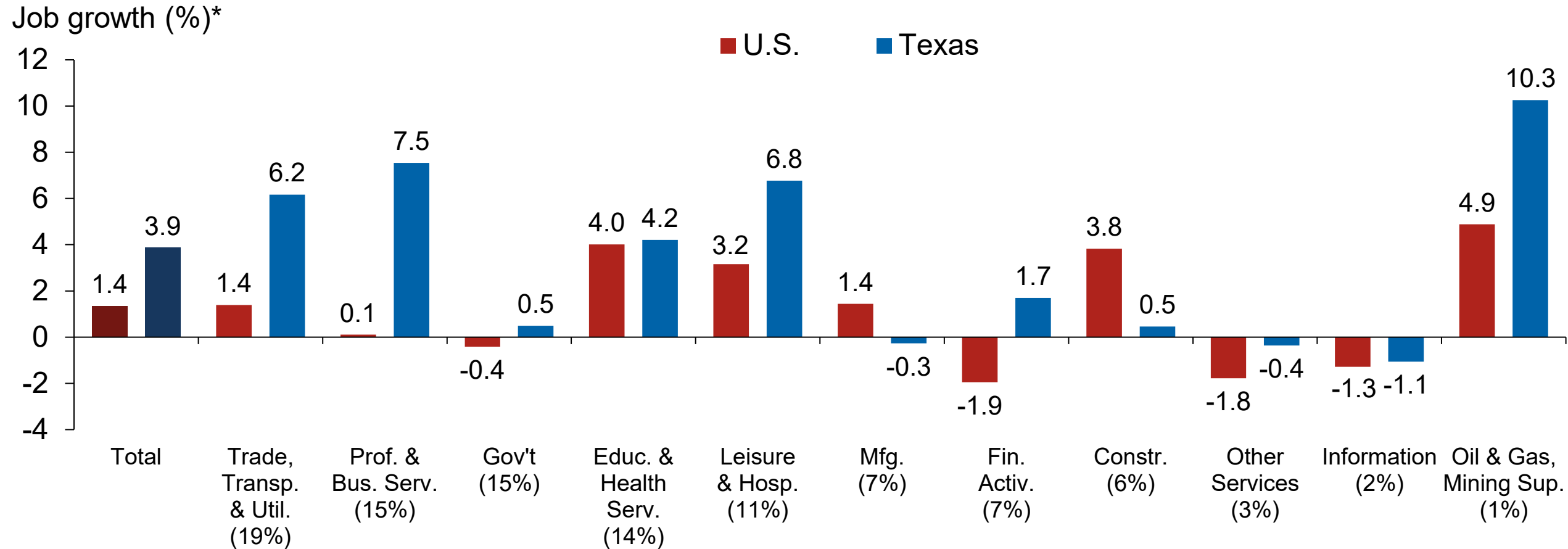
DISCLAIMER: The views expressed are the authors' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System. Data requests can be addressed to Diego Morales-Burnett at Diego.Morales-Burnett@dal.frb.org.

What's New: Payrolls accelerate in March

- Texas employment grew 3.9% in March. February's employment growth was 0.2%
 - U.S. job growth was 1.4% in March
- The Dallas Fed's Texas Employment Forecast indicates jobs will increase by 1.8% in 2026
 - We expect job growth to be more in line with the low end of the forecast range (1.2%)
- Texas unemployment was flat at 4.3% in March
 - U.S. unemployment ticked down to 4.3% in March
- April Texas Business Outlook Surveys (TBOS) record accelerating growth in manufacturing production and a slight rise in service sector activity
 - 47% of firms noted a negative impact from the Iran war, primarily citing rising transportation costs, elevated uncertainty and reduced demand
 - Respondents are delaying or reducing hiring and capital investments
 - 46% of firms noted not being affected by the Iran war

Overall Economic Activity

Texas job growth rebounds strongly in March



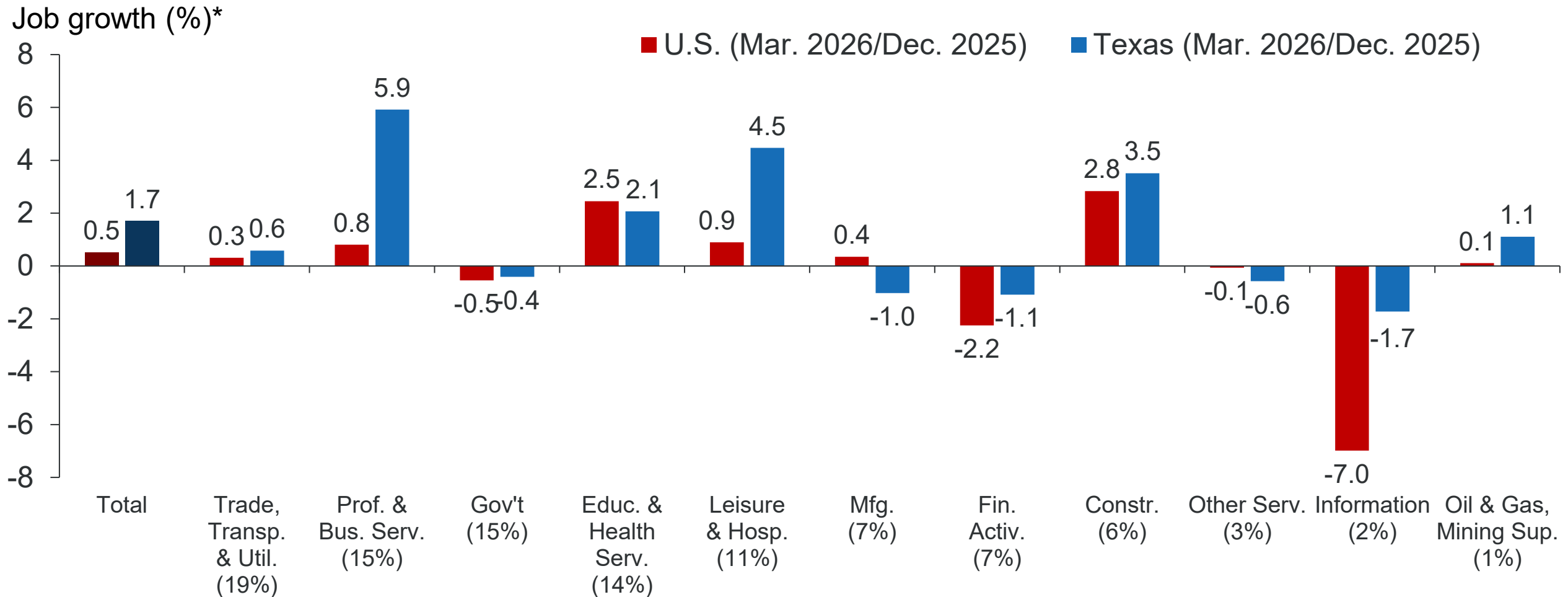
*Seasonally adjusted, annualized rate.

NOTES: Numbers in parenthesis indicate share of total state employment in March 2026.

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

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

2026 Texas employment growth below trend



*Seasonally adjusted, annualized rate.

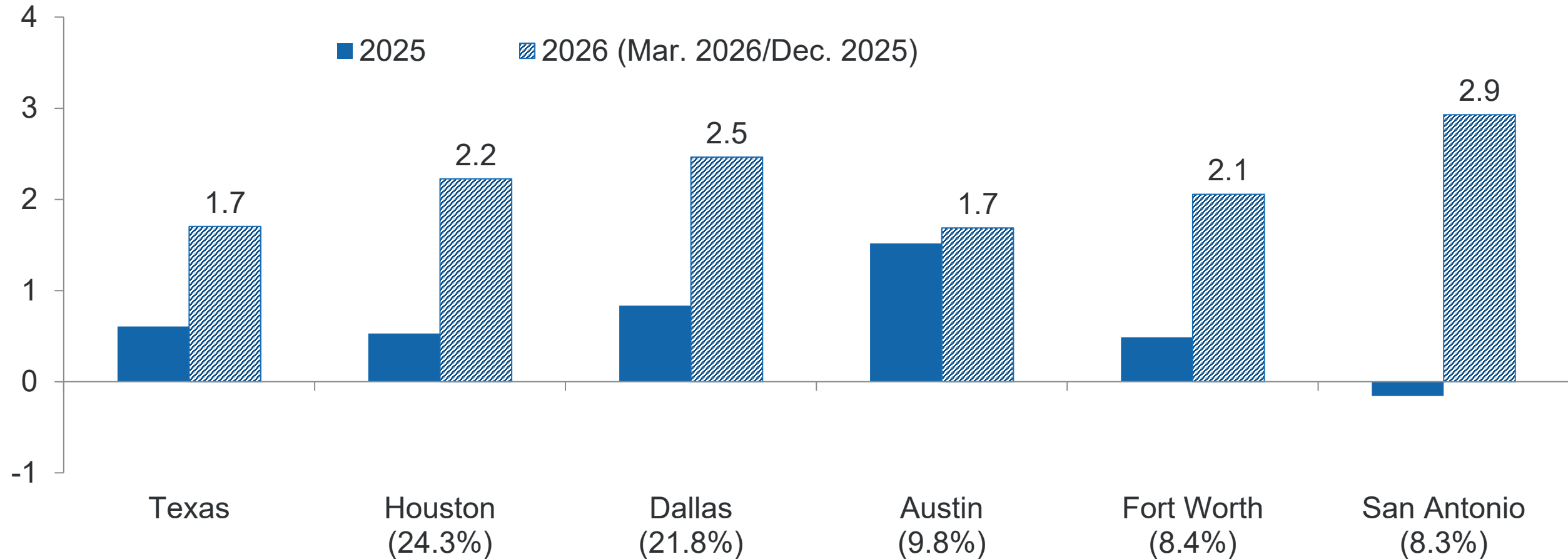
NOTE: Numbers in parentheses indicate share of total state employment for March 2026.

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/topics/employment)

2026 job growth outpacing last year's increases

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



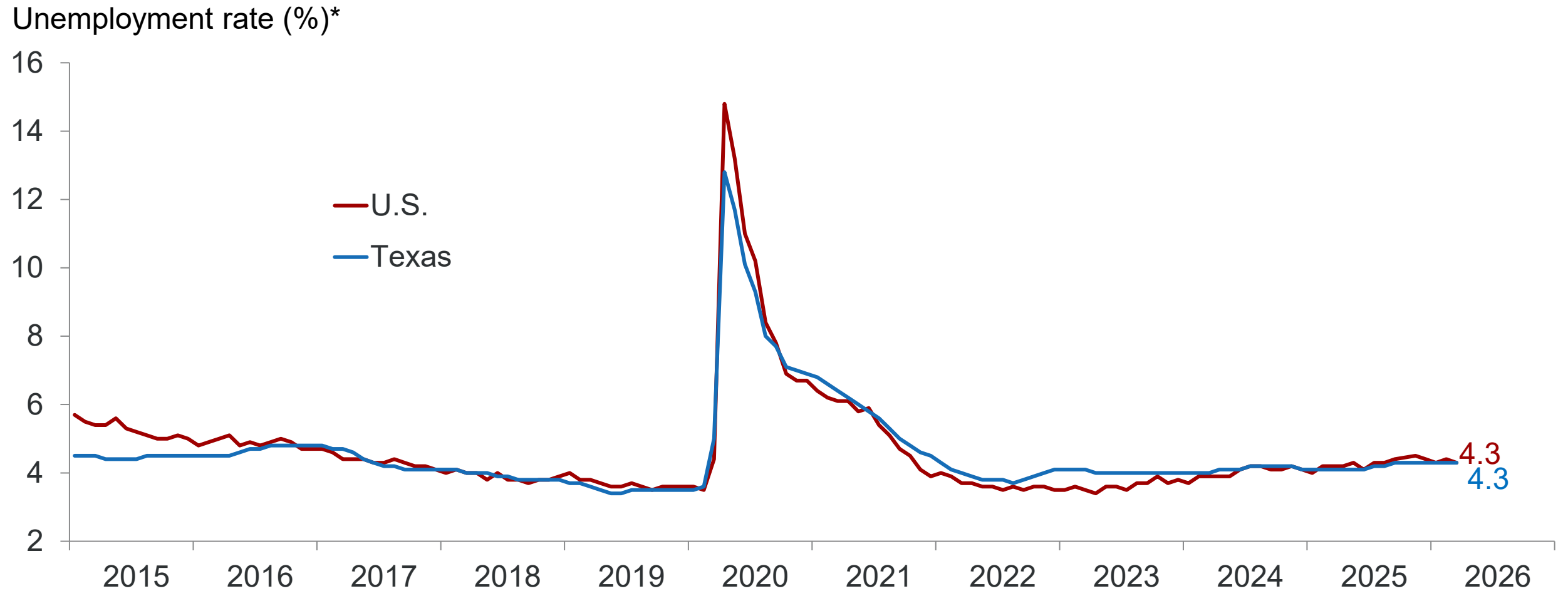
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for March 2026.

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/economic-research/texas-employment-data)

Unemployment stable in Texas



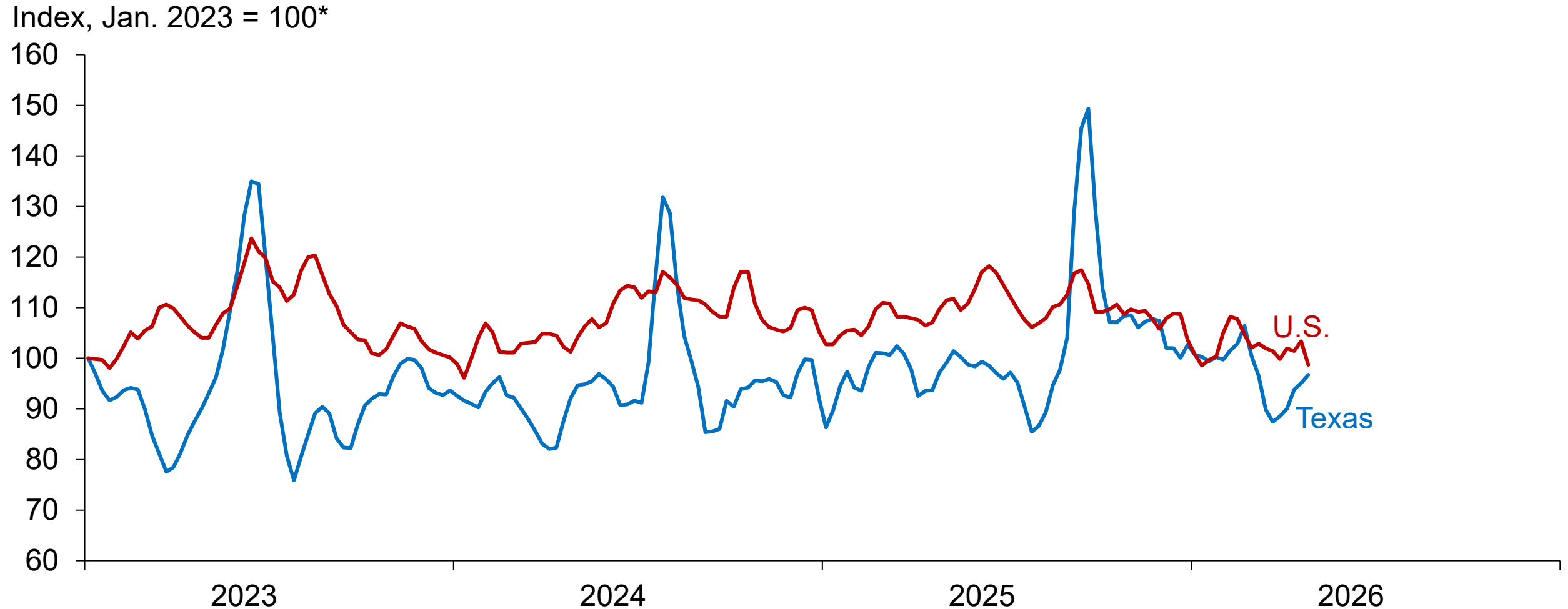
*Seasonally adjusted.

NOTE: Data are through March 2026.

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

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

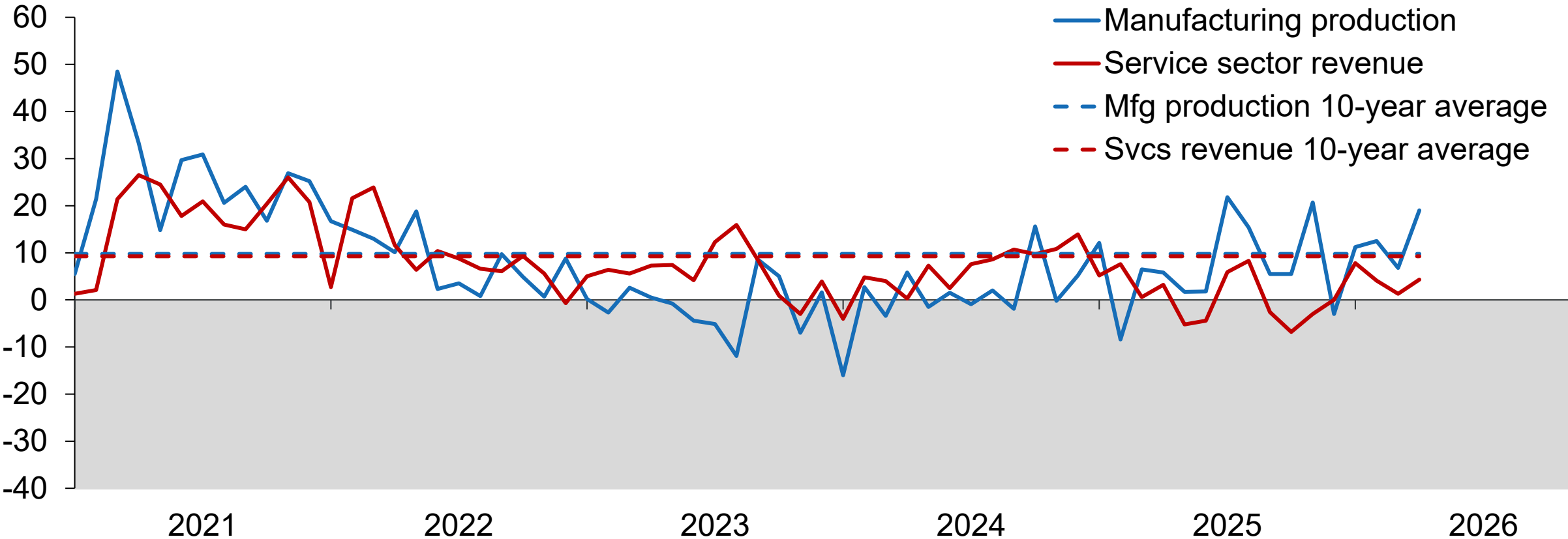
Texas initial unemployment claims rise in April



*Seasonally adjusted, three-week moving average.
NOTE: Data are through the week ending April 25th, 2026.
SOURCE: Department of Labor.

TBOS points to rising economic activity in April

Diffusion index*



*Seasonally adjusted.

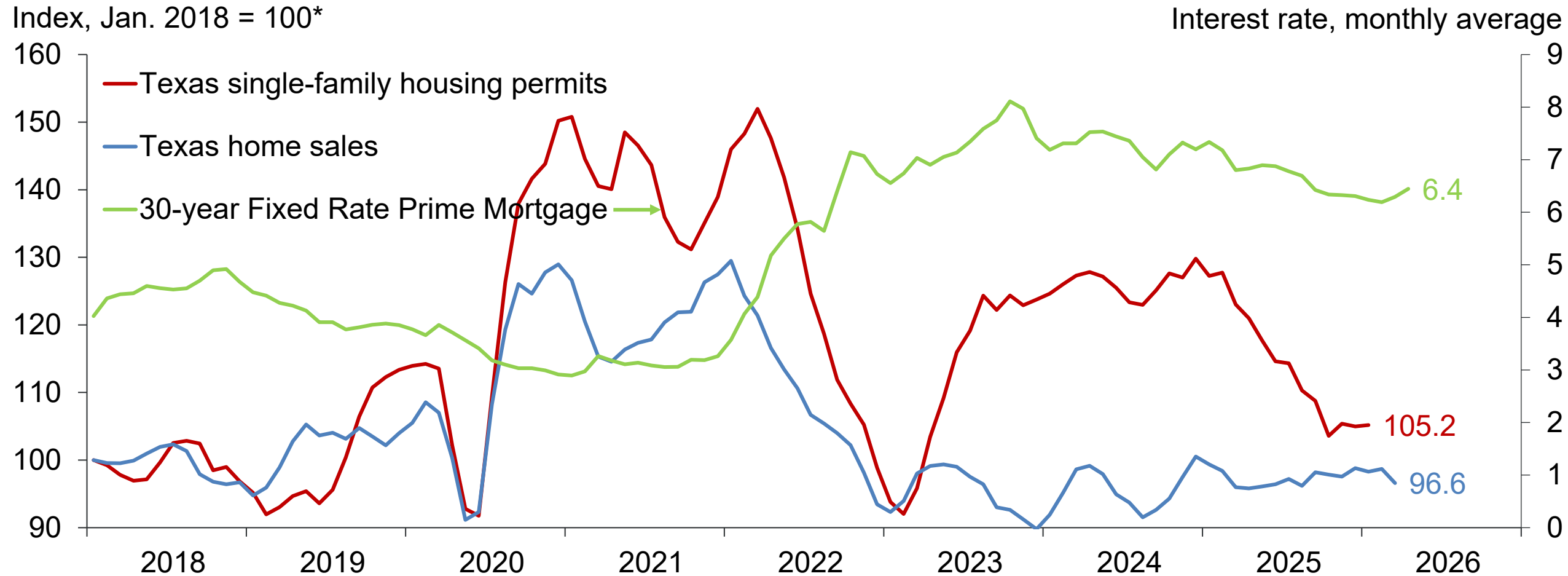
NOTES: Data are through April 2026. Shaded area represents contractionary territory.

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

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

Real Estate, Energy and Finance

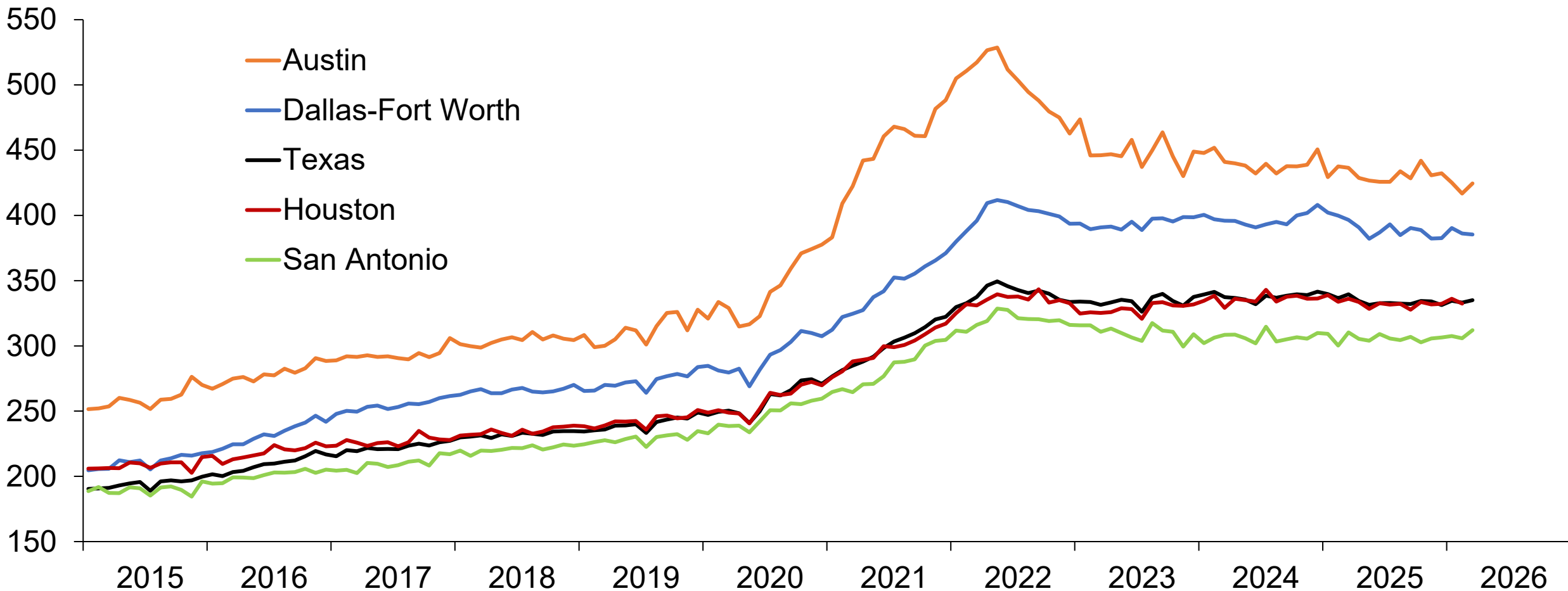
Texas permits flat in January, home sales down in March, mortgage rates tick up in April



*Seasonally adjusted, three-month moving average.
 NOTES: Permits data are through January 2026; home sales data are through March 2026; mortgage rates data are through April 2026.
 SOURCES: U.S. Census; Multiple Listing Service; *Wall Street Journal*.

Median home prices mostly tick up across the state in March

Median sales price (\$)*



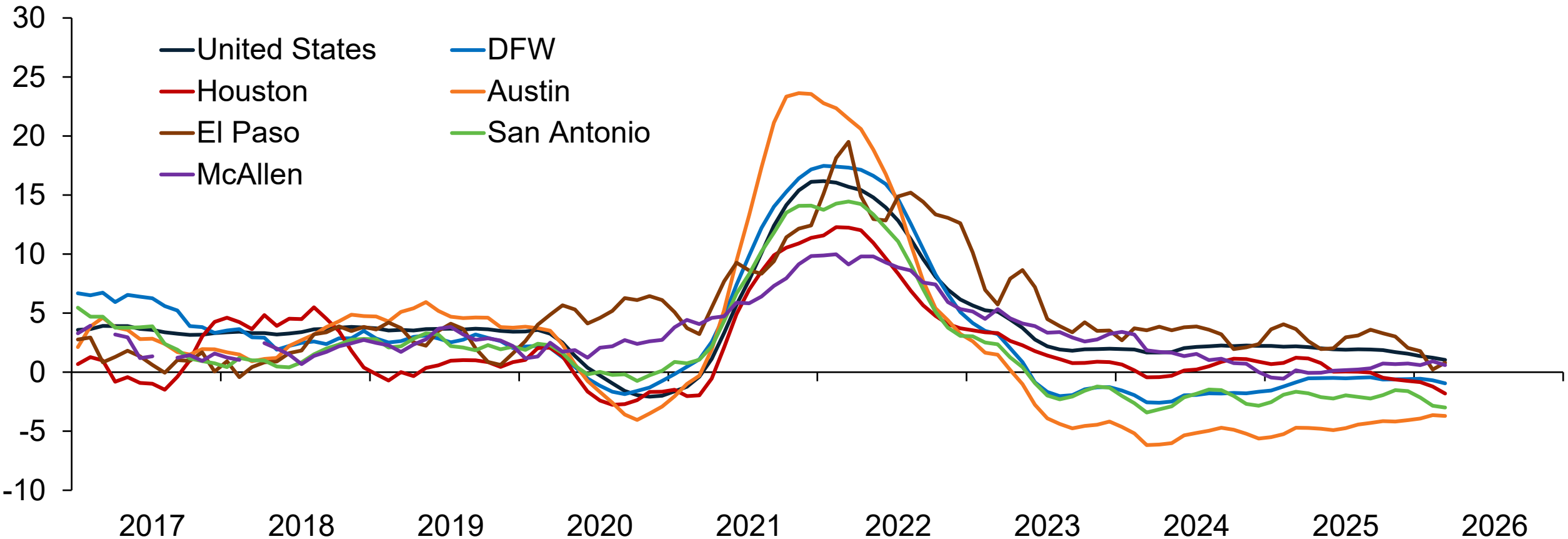
*Seasonally adjusted.

NOTES: Data are monthly through February 2026 for Houston; March 2026 for the rest.

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

Apartment rents continue falling across most Texas major metros

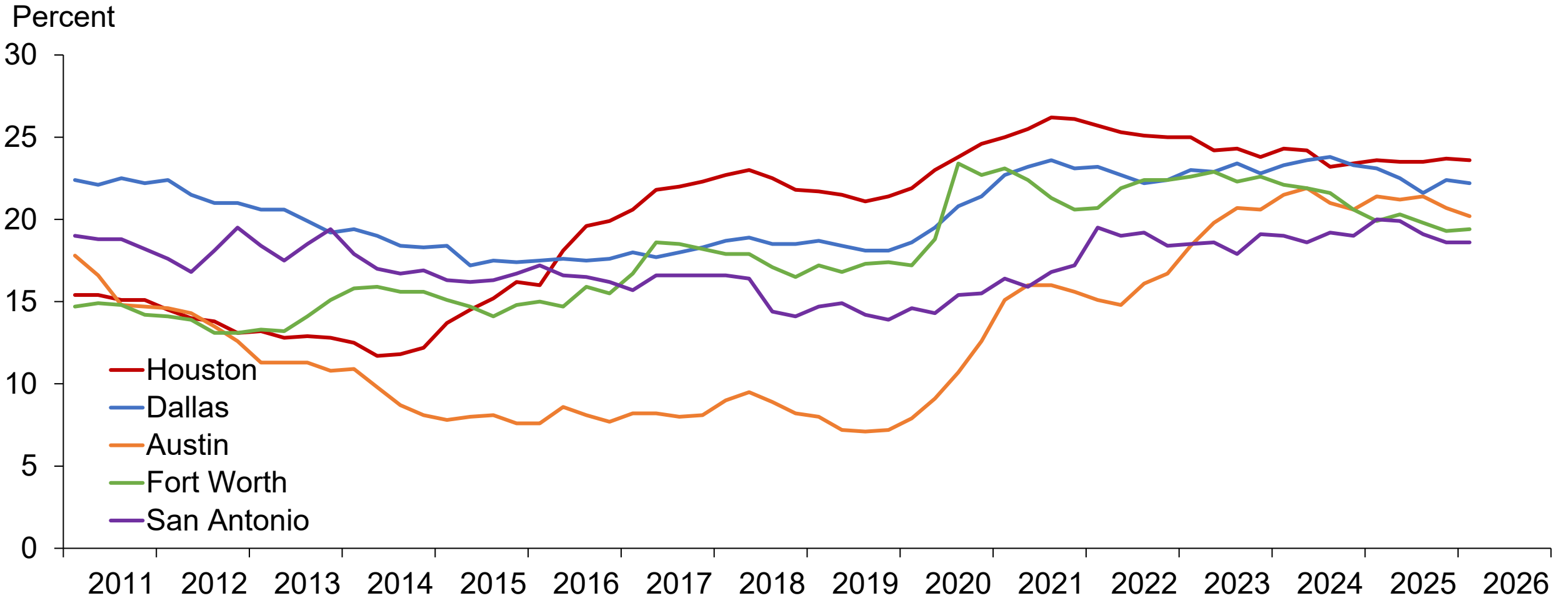
Percent, Y/Y*



*Smoothed and seasonally adjusted.
NOTE: Data are monthly through March 2026.
SOURCE: Zillow.

Office vacancy rates flat to down in Texas major metros

(Q1 2026)

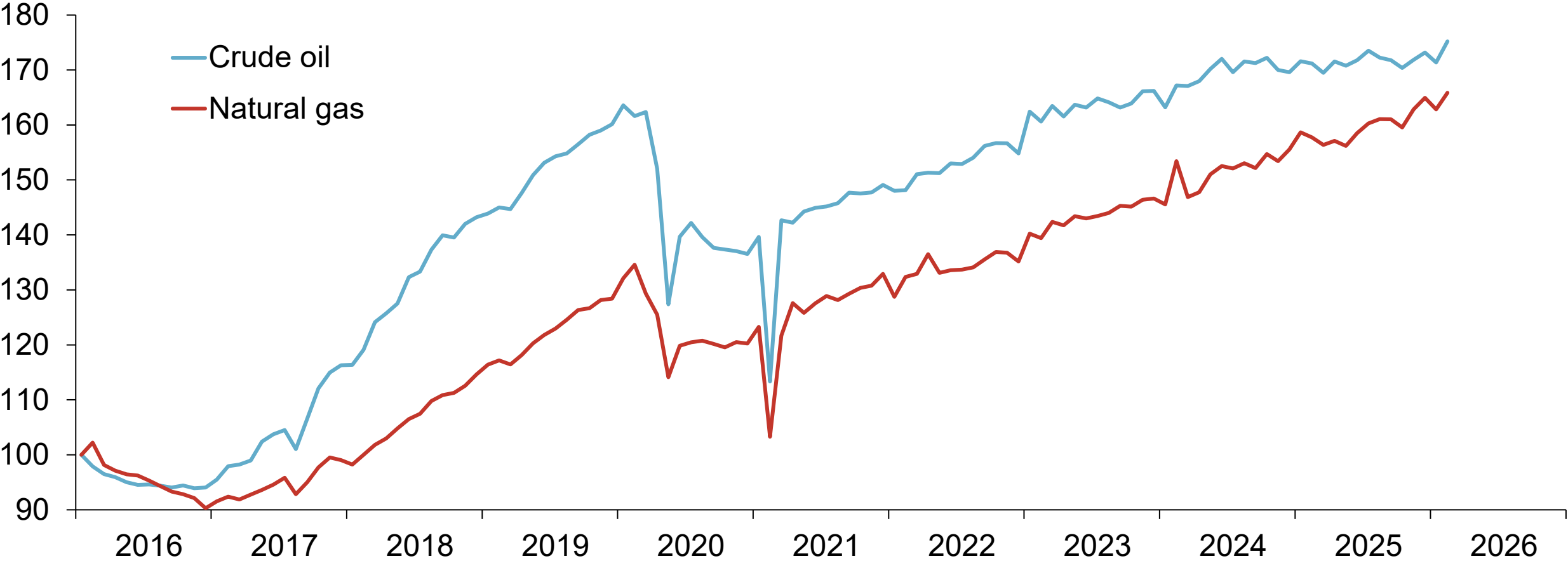


NOTE: Data are quarterly through Q1 2026.

SOURCE: CBRE Econometric Advisors.

Texas oil and gas production ticks up in February

Index, Jan. 2016 = 100*



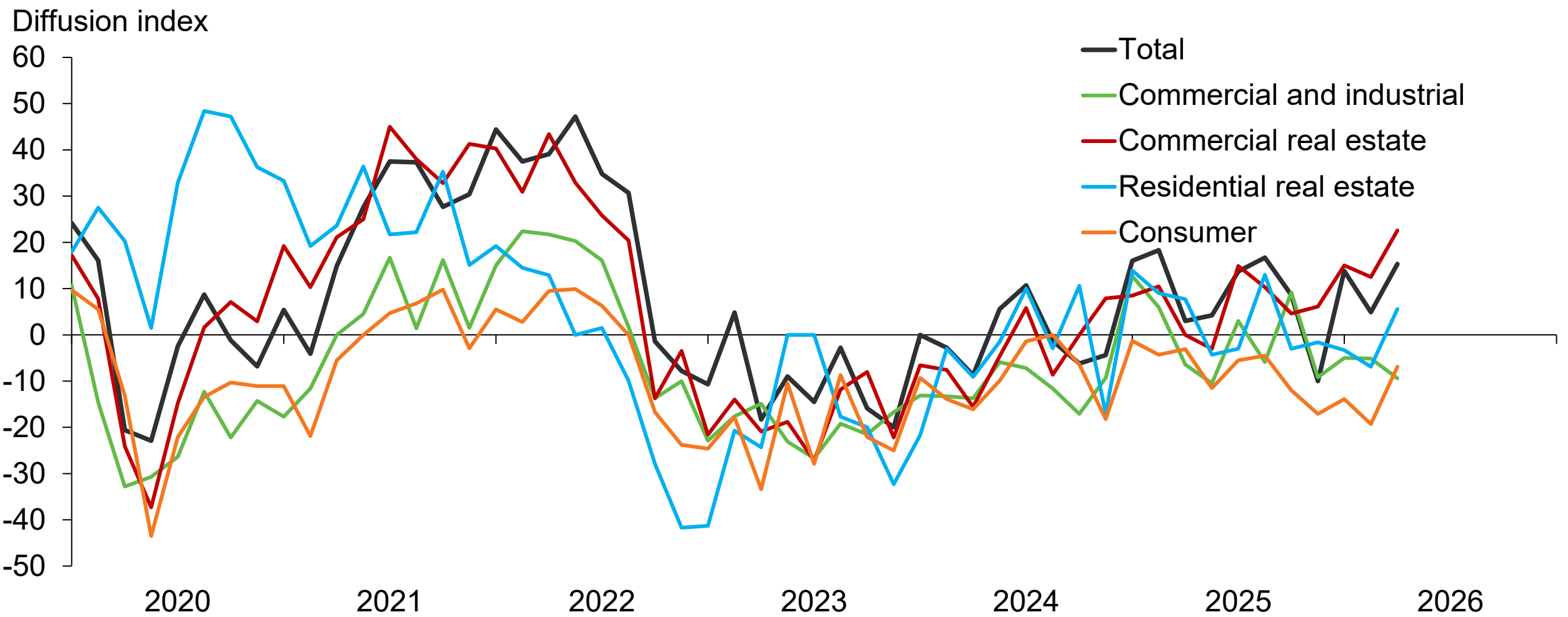
*Seasonally adjusted.

NOTES: Shown are crude oil and natural gas marketed production through February 2026. 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 in first quarter 2026

(11th District banks)

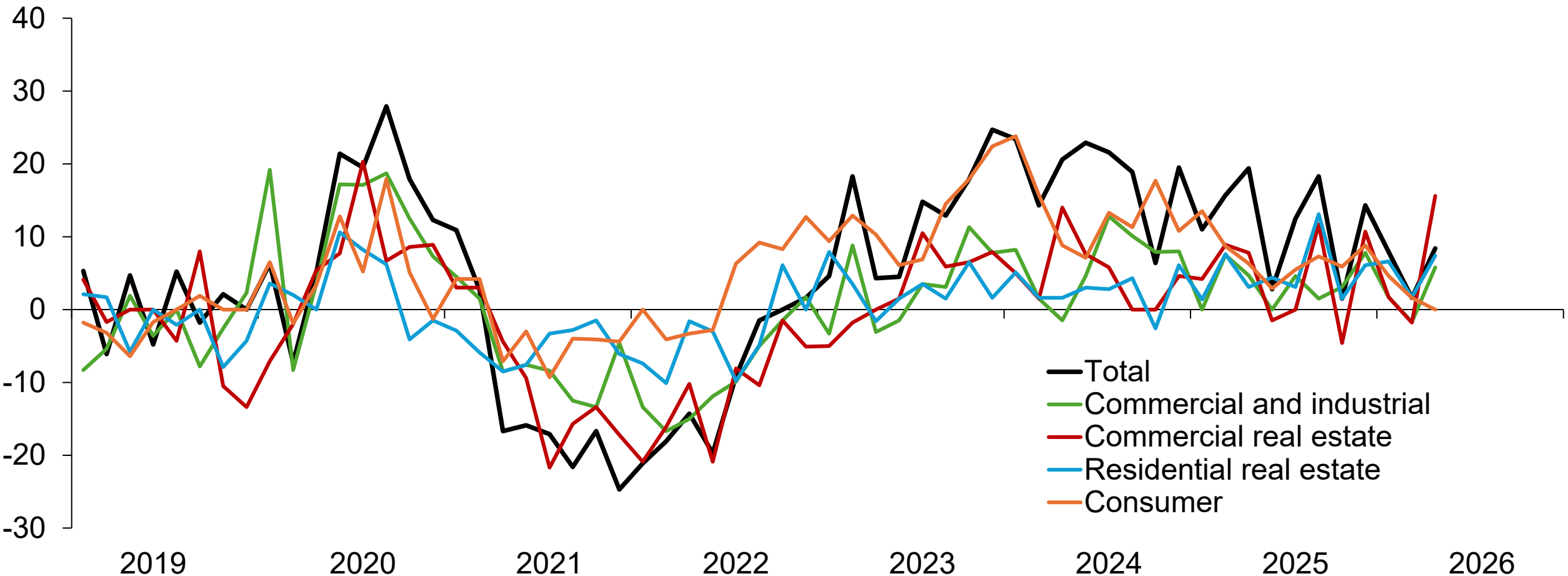


NOTE: Data through March 2026.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

Nonperforming loan volumes rise in first quarter 2026

(11th District banks)

Diffusion index

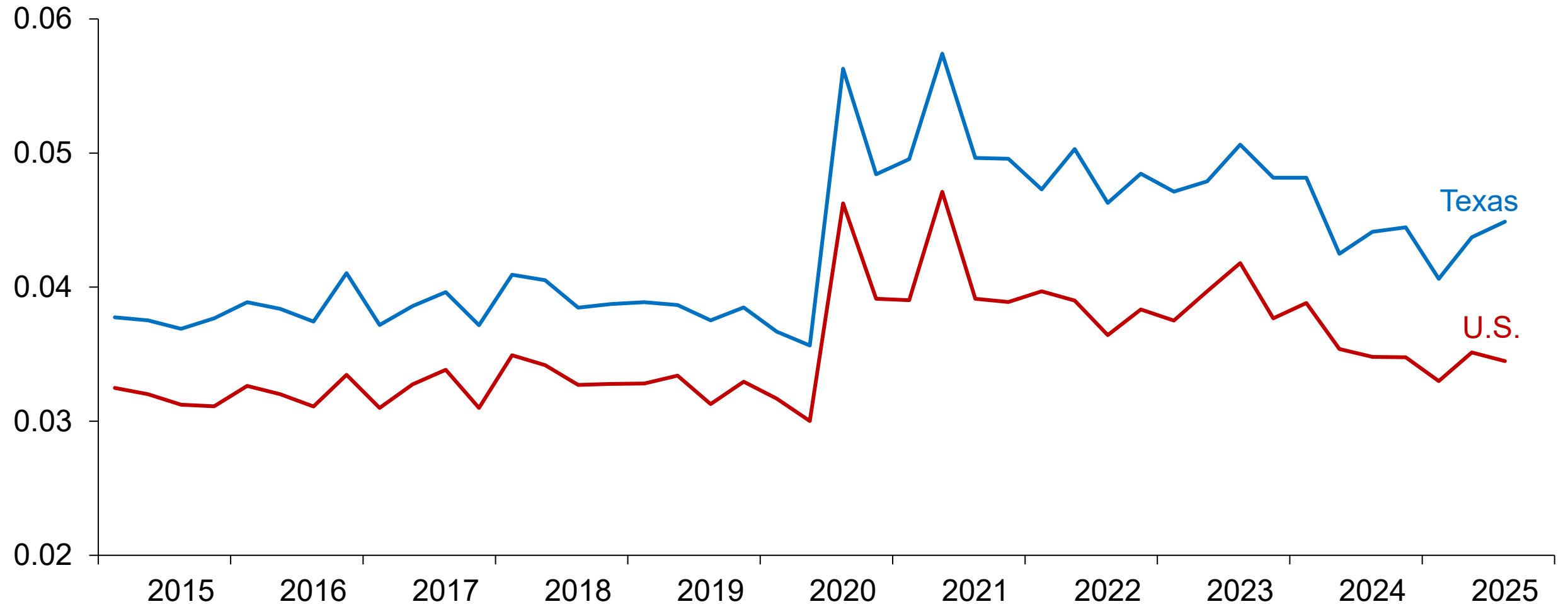


NOTE: Data through March 2026.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

Outlook

Rate of business formation picks up in Q3 2025

Business applications per business establishments

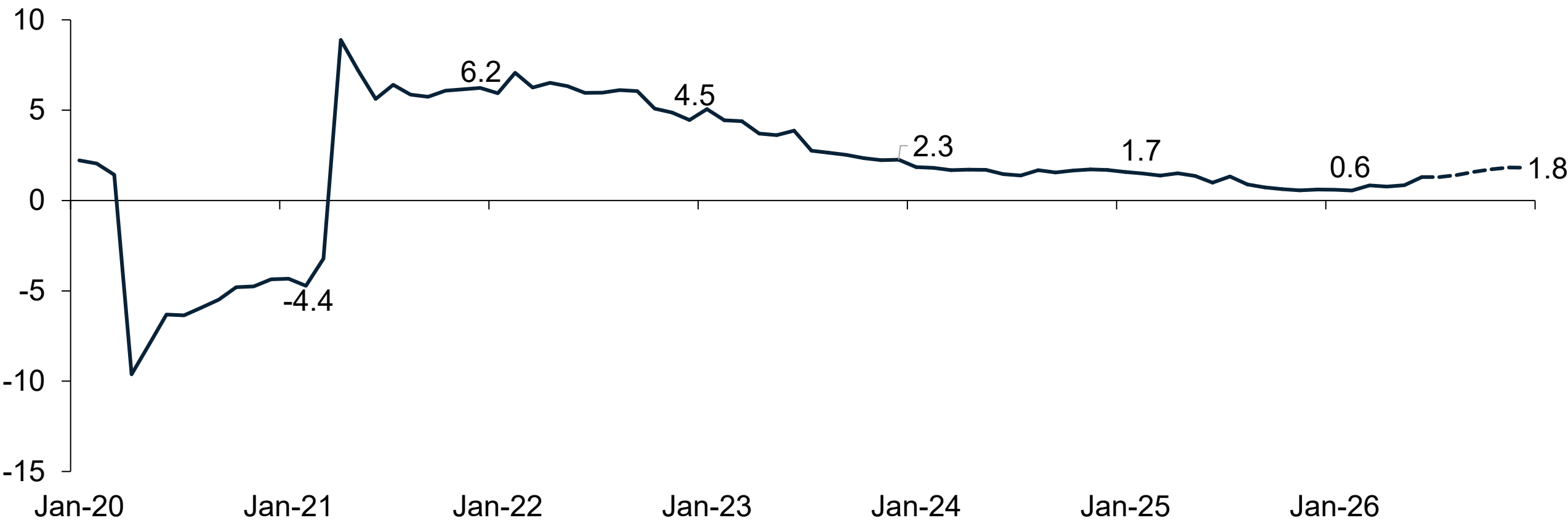


NOTES: Data are quarterly through Q3 2025. Business applications data are missing for the first week of January 2021.

SOURCE: U.S. Census Bureau.

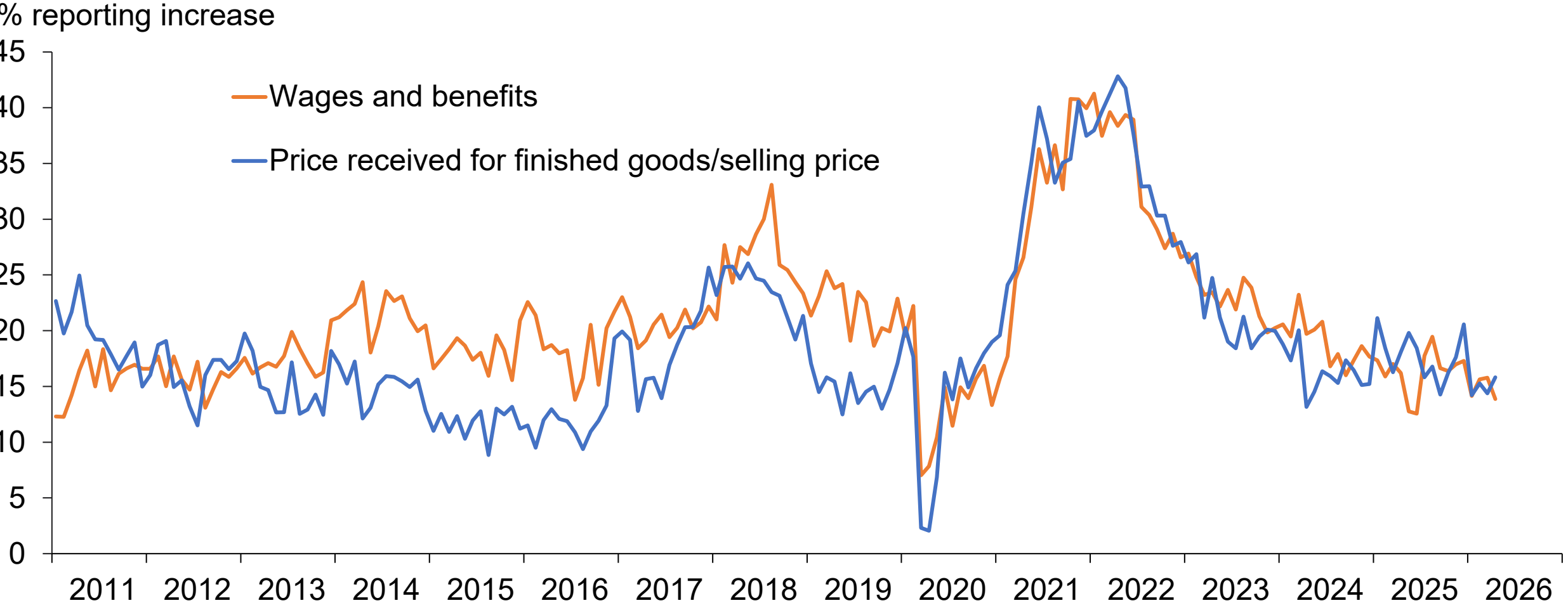
The Texas employment forecast indicates 1.8% growth in 2026 (range 1.2-2.4), with risks to the downside

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).

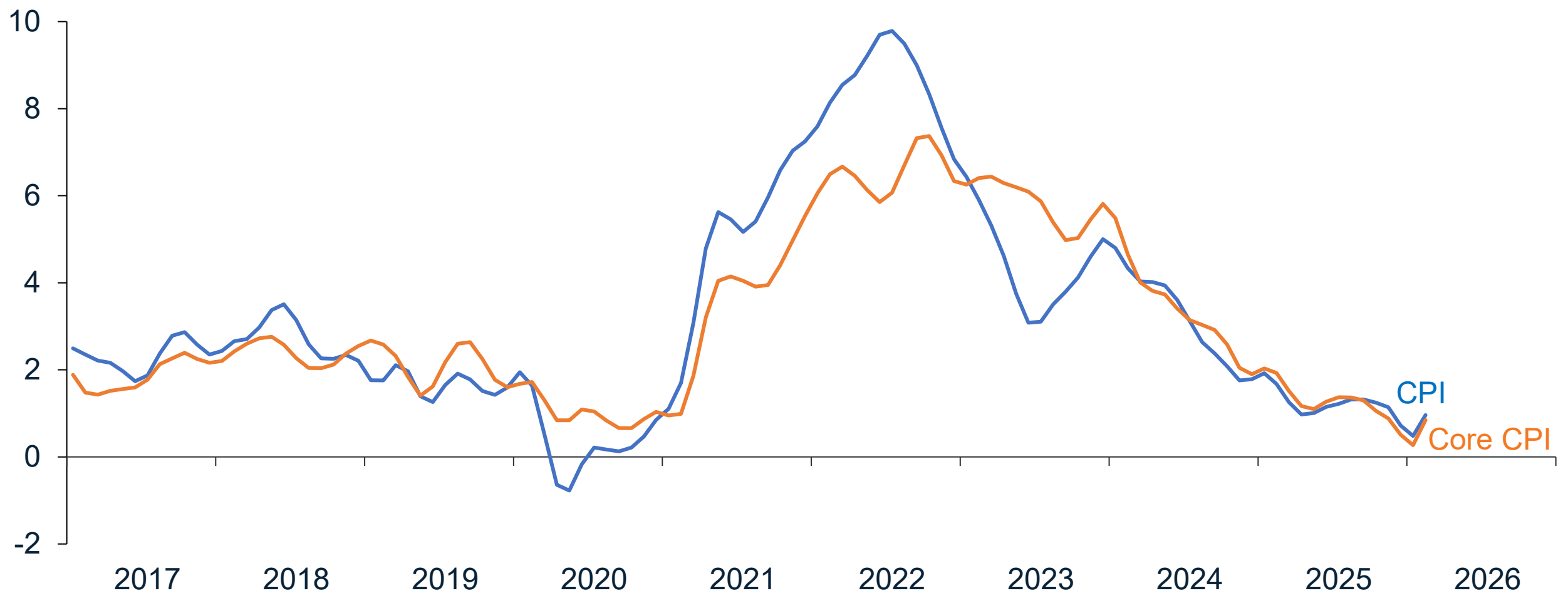
Share of Texas firms reporting an increase in selling prices ticks up in April



NOTES: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares. Data through April 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Growth in Texas CPI picks up in February

Percent change, Y/Y*



*Seasonally adjusted.

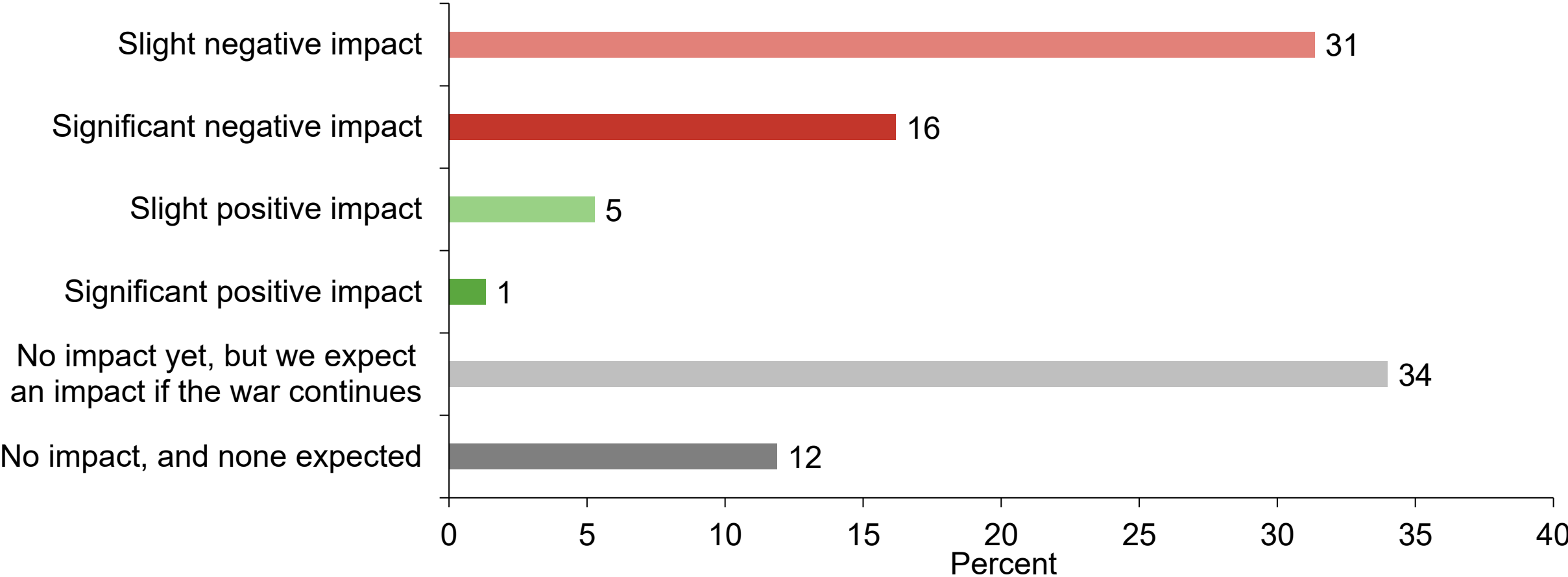
NOTE: CPI data through February 2026.

SOURCE: Bureau of Labor Statistics.

Texas Business Outlook Surveys Special Questions

Nearly half of surveyed firms cite a negative impact from the Iran war

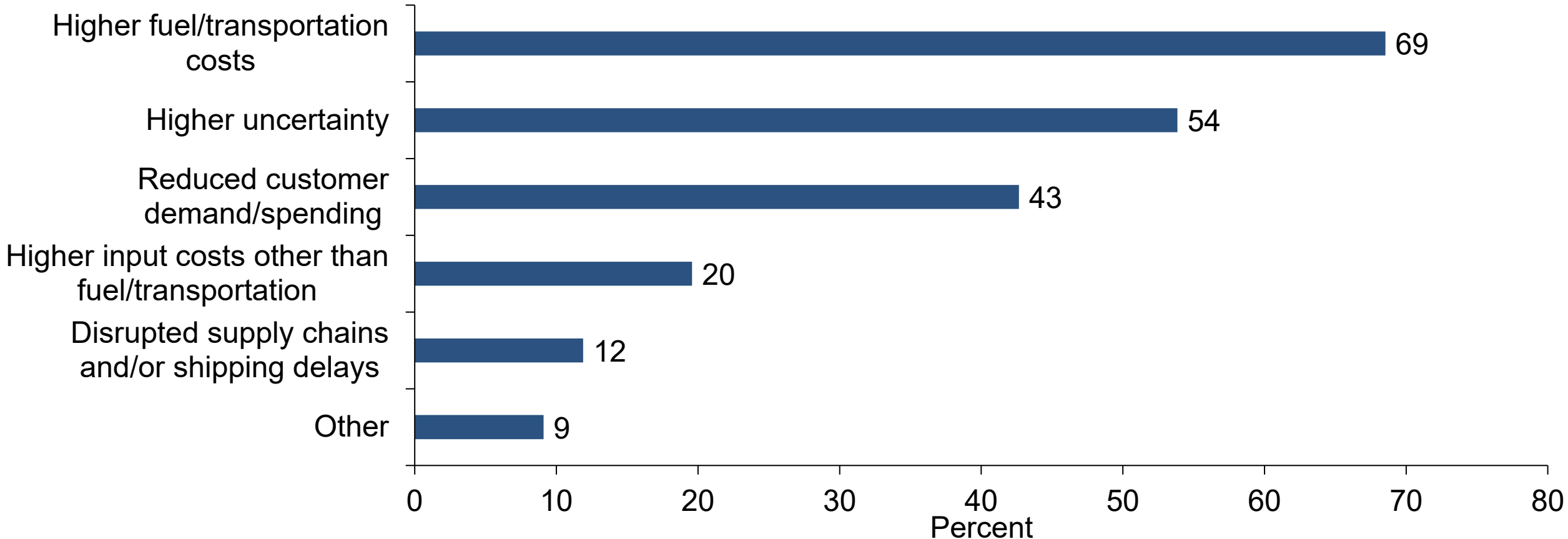
“How has the Iran war affected your firm, on net?”



NOTE: Executives from 303 Texas businesses answered this question during the survey collection period, April 14-22, 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Higher fuel costs are the most cited negative impact

“In which of the following ways has the Iran war negatively affected your firm? Please select all that apply.”

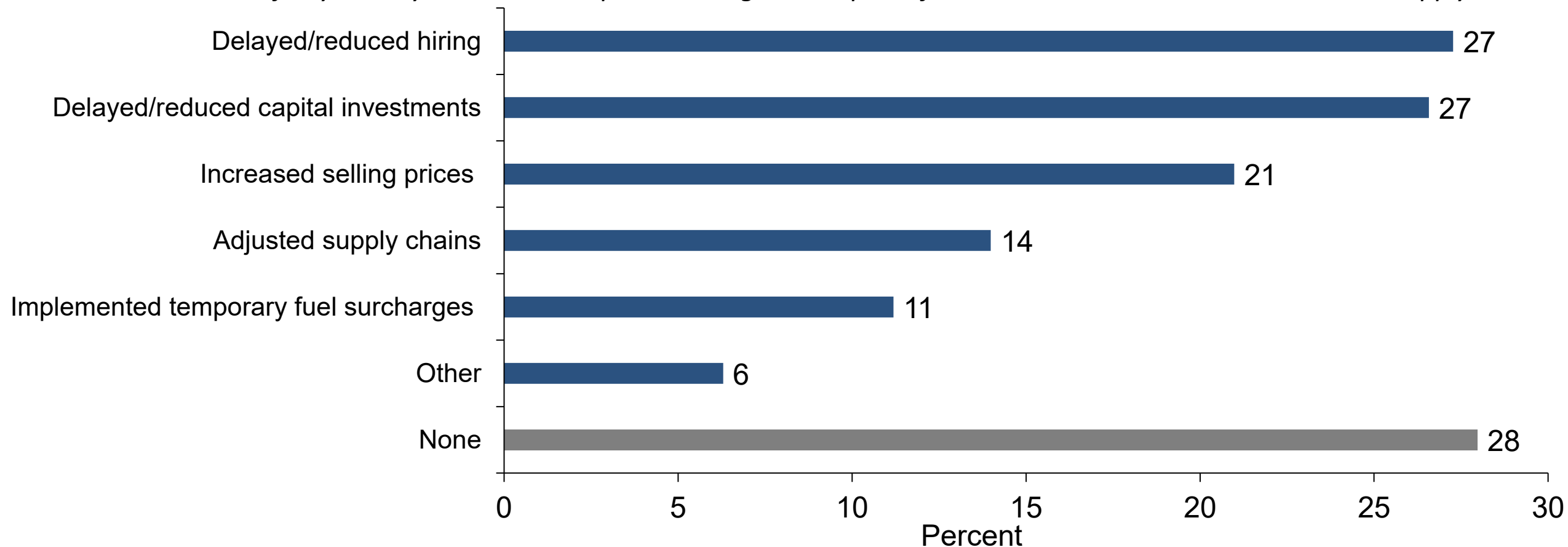


NOTES: Executives from 143 Texas businesses answered this question during the survey collection period, April 14-22, 2026. This question was only posed to those negatively impacted by the Iran war.

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

Pullbacks in hiring and capital spending are the most common actions taken by firms negatively affected

“What actions, if any, have you taken in response to negative impacts from the Iran war? Please select all that apply.”



NOTES: Executives from 143 Texas businesses answered this question during the survey collection period, April 14-22, 2026. This question was only posed to those negatively impacted by the Iran war.

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

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