



Federal Reserve  
Bank of Dallas

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# Texas Economic Performance and Outlook

(June 2026)

## “Employment growth slows in May”

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Federal Reserve Bank of Dallas

6/22/2026

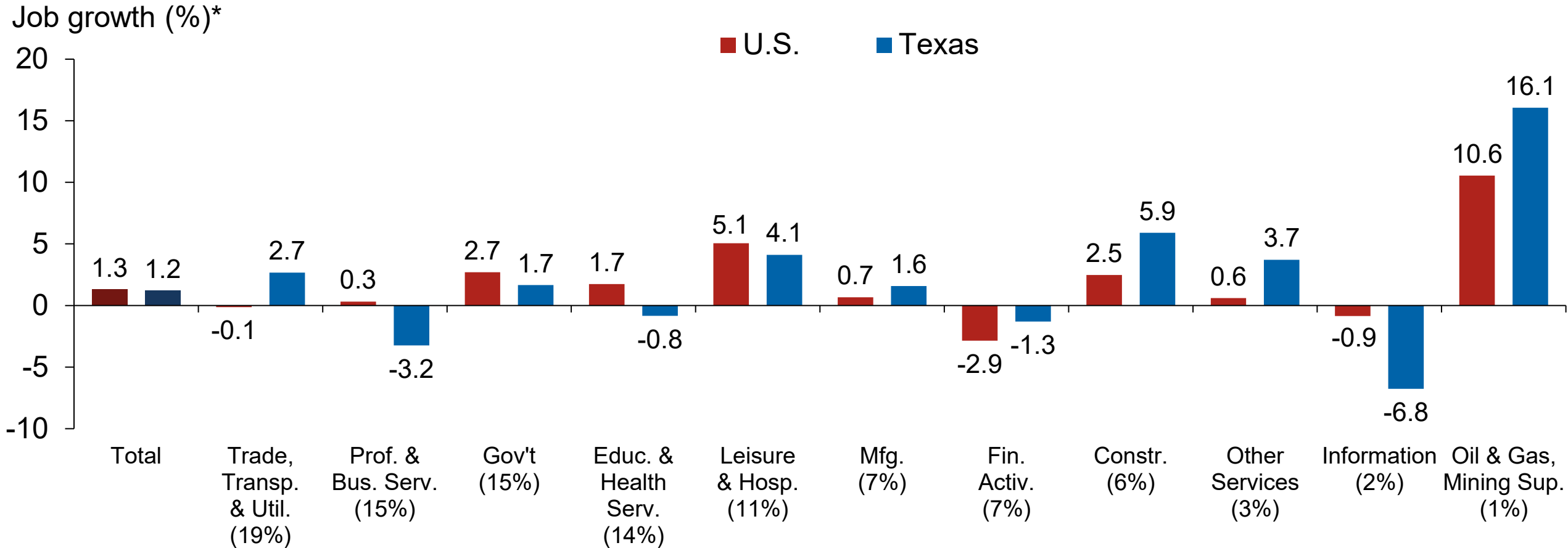
DISCLAIMER: The views expressed are the authors' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System. Data requests can be addressed to Diego Morales-Burnett at [Diego.Morales-Burnett@dal.frb.org](mailto:Diego.Morales-Burnett@dal.frb.org).

# What's New: Job growth decelerates in May

- Texas employment grew 1.2% in May. April's employment growth was revised up to 2.2%
  - U.S. job growth was 1.3% in May
- The Dallas Fed's Texas Employment Forecast indicates jobs will increase by 1.8% in 2026
- Texas unemployment was flat at 4.3% in May
  - U.S. unemployment was 4.3% in May
- May Texas Business Outlook Surveys (TBOS) indicate continued growth in manufacturing production and service sector activity
  - More than 80% of TBOS firms are currently using AI tools or planning on using them over the next 12 months
    - Among firms using AI, about three quarters report employees using AI tools regularly

# Overall Economic Activity

# Texas job growth led by the energy sector in May



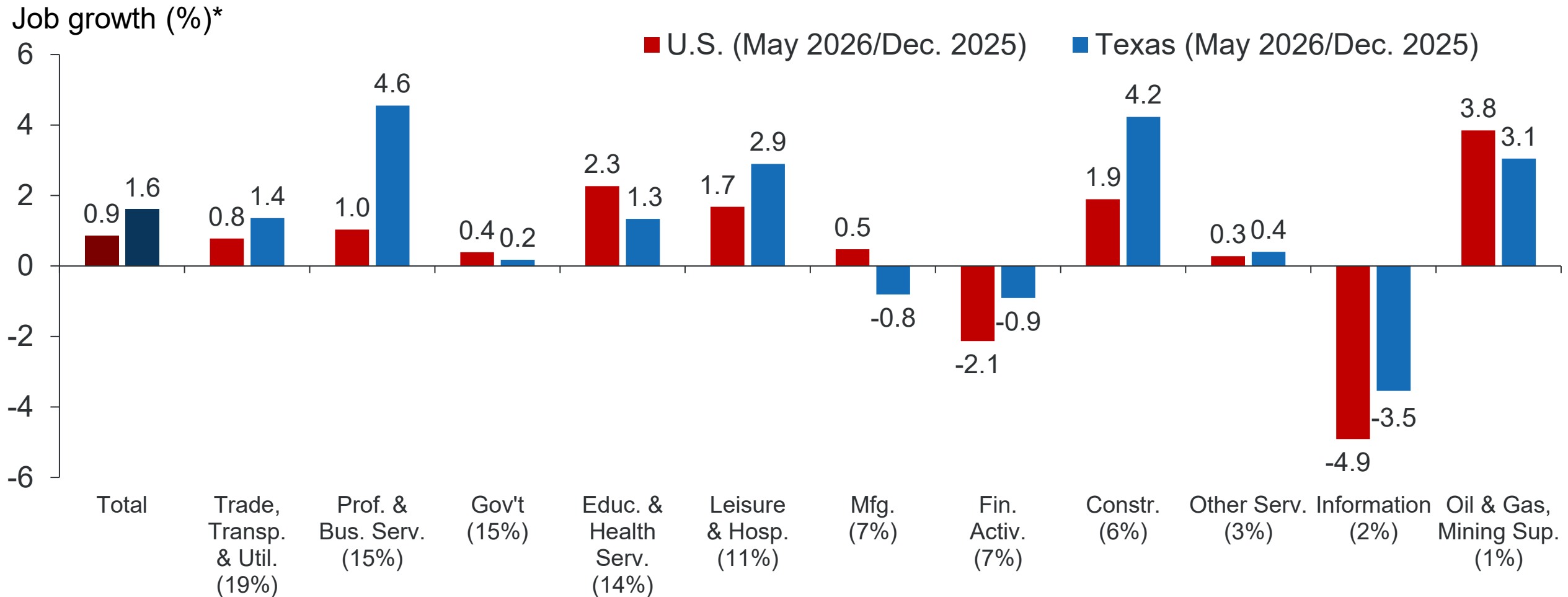
\*Seasonally adjusted, annualized rate.

NOTES: Data are May '26/Apr. '26 employment growth by sector. Numbers in parenthesis indicate share of total state employment in May 2026.

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

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

# Texas employment growth moderate so far



\*Seasonally adjusted, annualized rate.

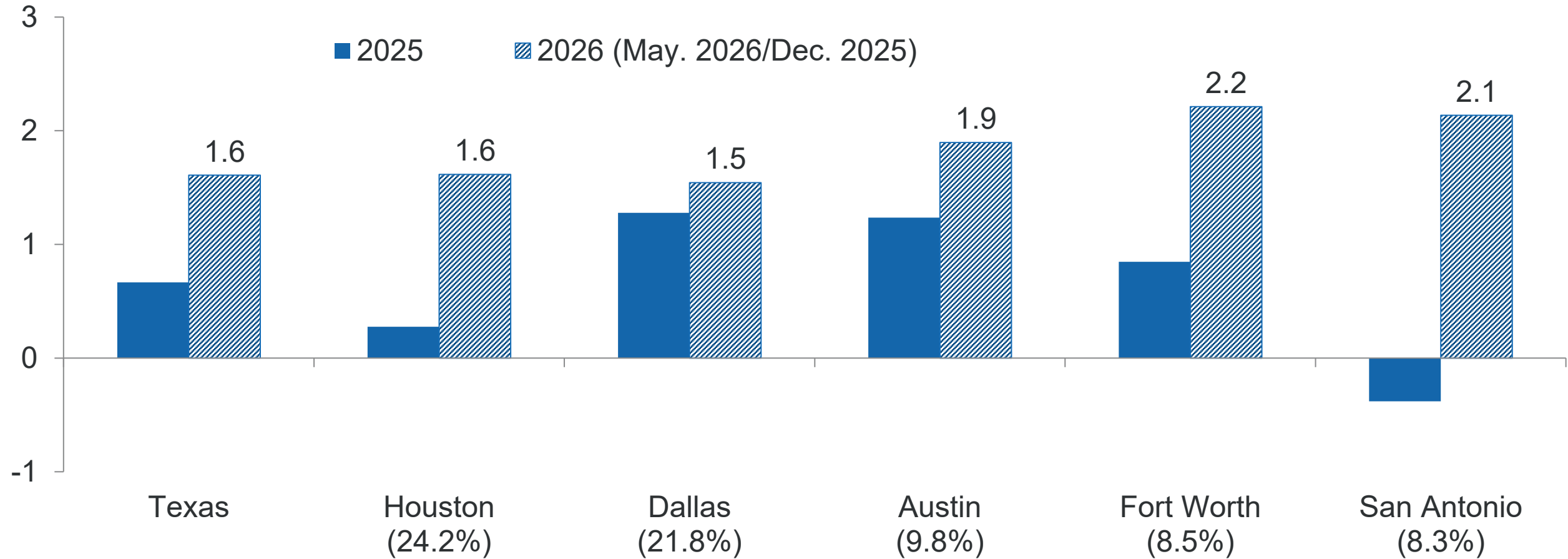
NOTE: Numbers in parentheses indicate share of total state employment for May 2026.

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://dallasfed.org/research-and-data/texas-employment-by-industry)

# 2026 job growth outpacing last year's increases

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



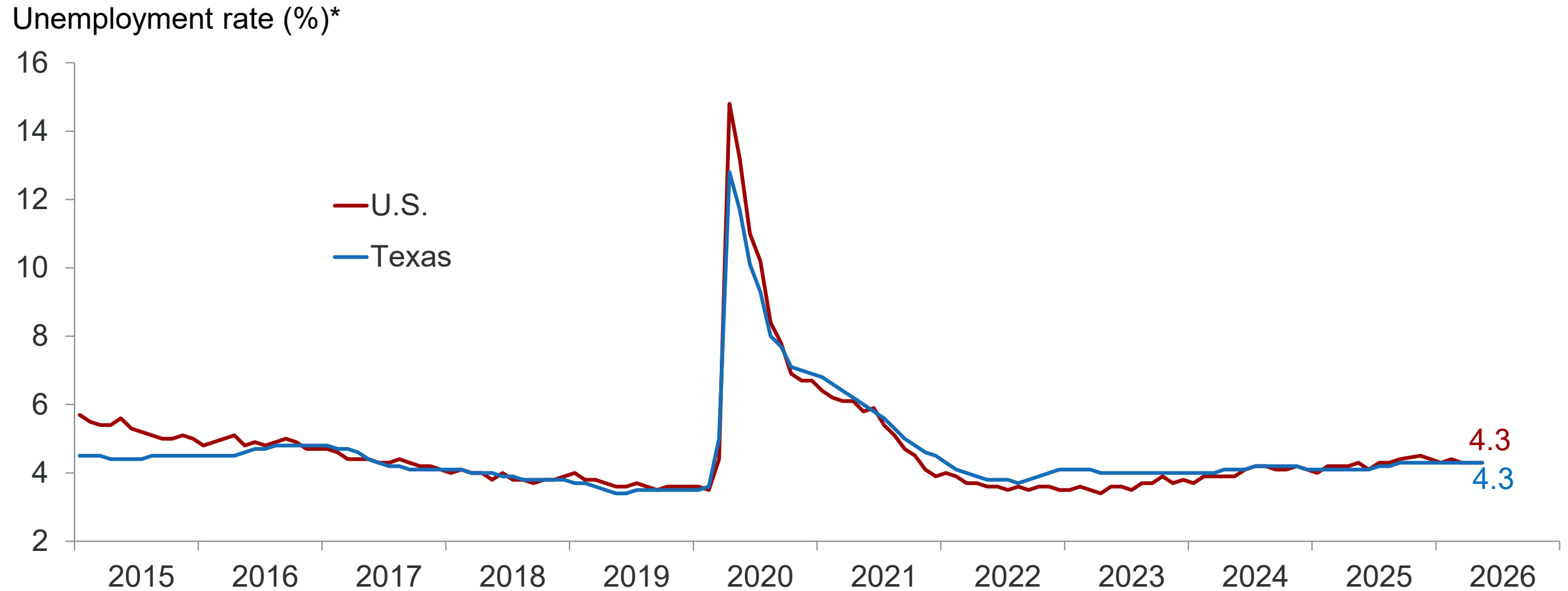
\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for May 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/texas-employment-data)

# Unemployment stable in Texas



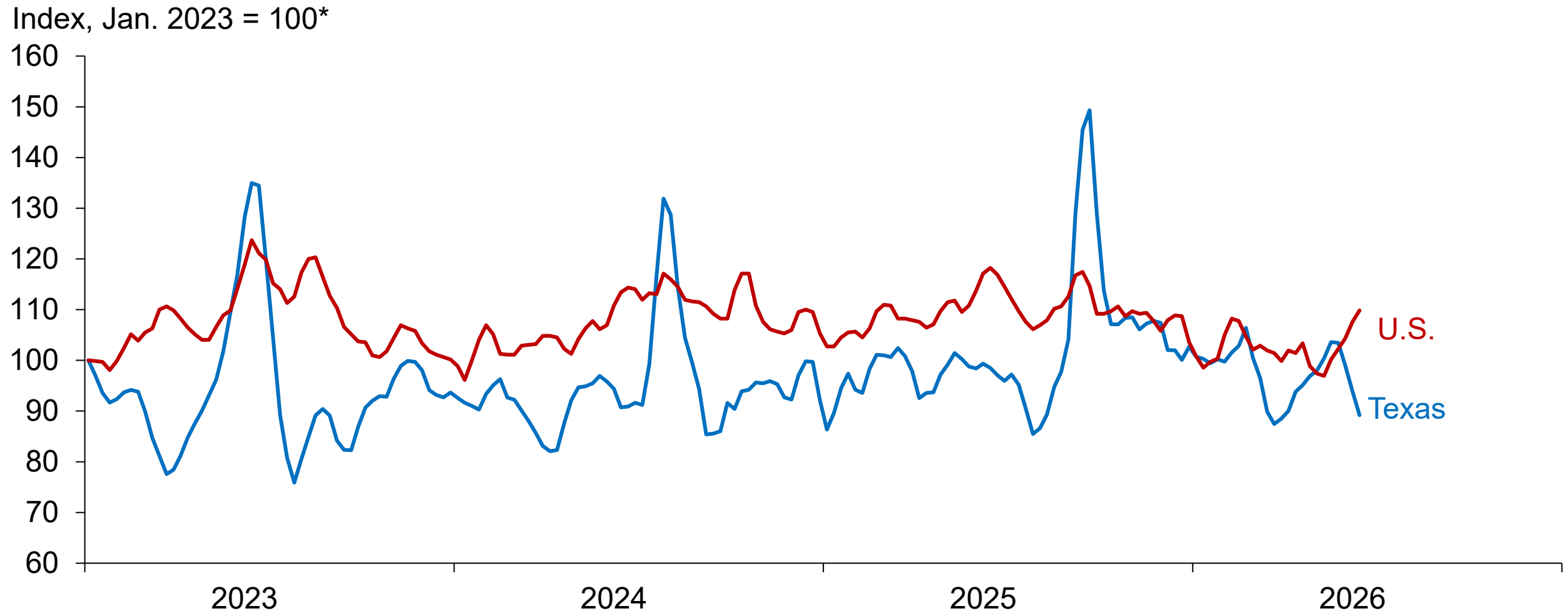
\*Seasonally adjusted.

NOTE: Data are through May 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)

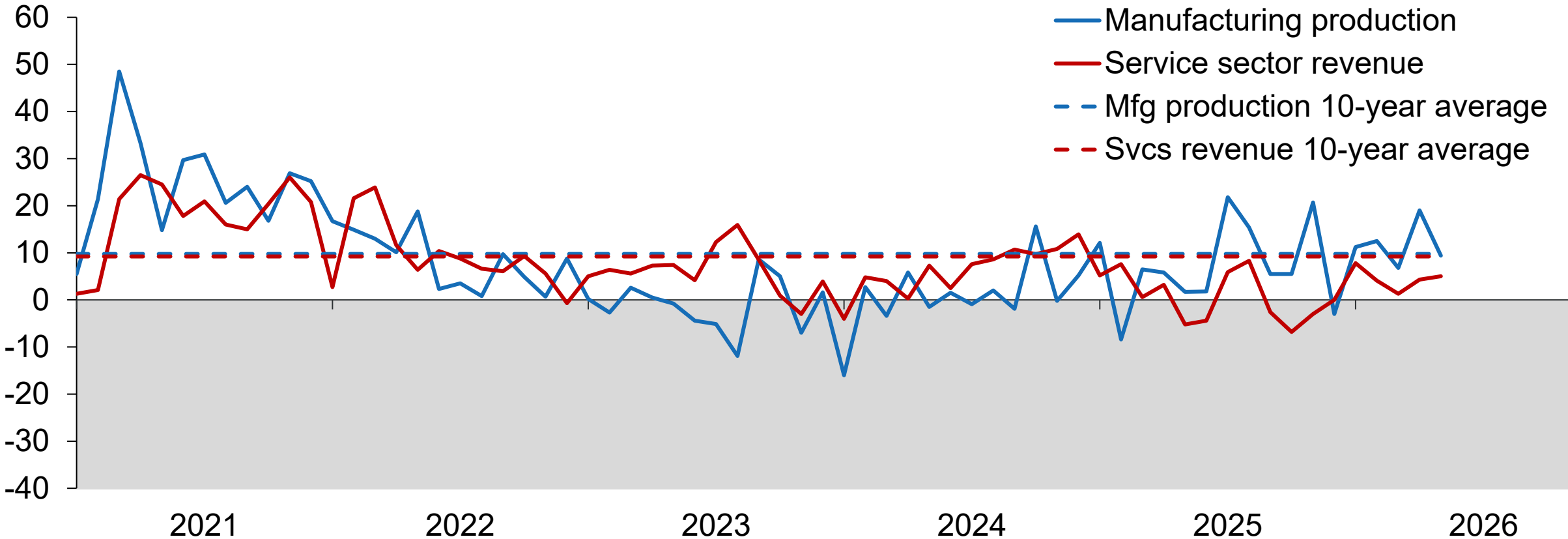
# Texas initial unemployment claims fall while the nation's accelerate in recent weeks



\*Seasonally adjusted, three-week moving average.  
NOTE: Data are through the week ending June 13<sup>th</sup>, 2026.  
SOURCE: Department of Labor.

# TBOS points to expanding economic activity in May

Diffusion index\*



\*Seasonally adjusted.

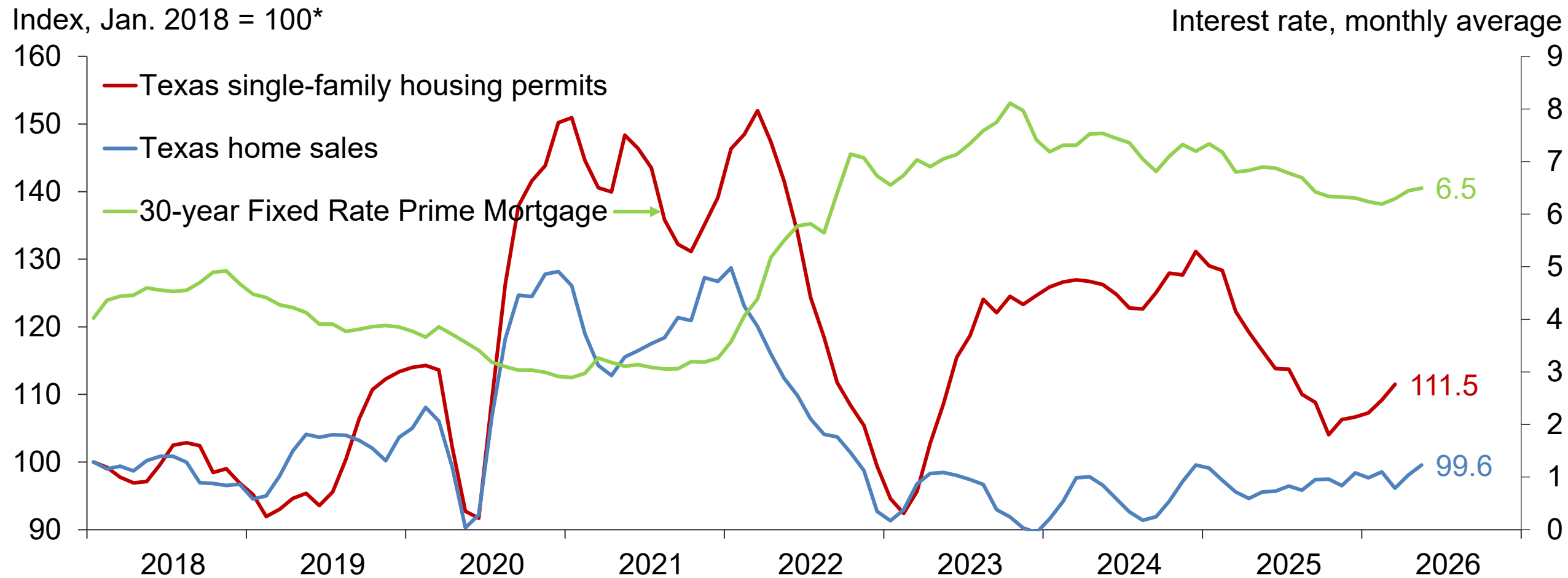
NOTES: Data are through May 2026. Shaded area represents contractionary territory.

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 and home sales rise, mortgage rates flat



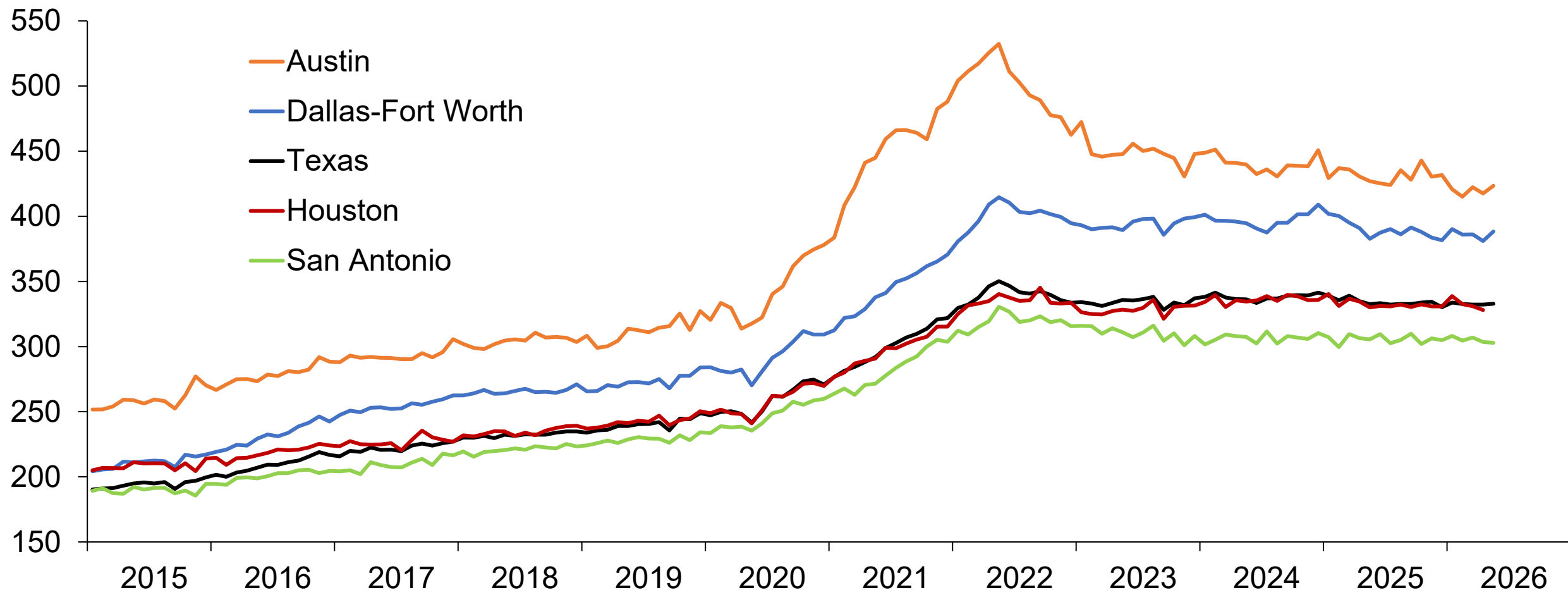
\*Seasonally adjusted, three-month moving average.

NOTES: Permits data are through March 2026; home sales and mortgage rates data are through May 2026.

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

# Texas median home prices flat in May

Median sales price (\$)\*

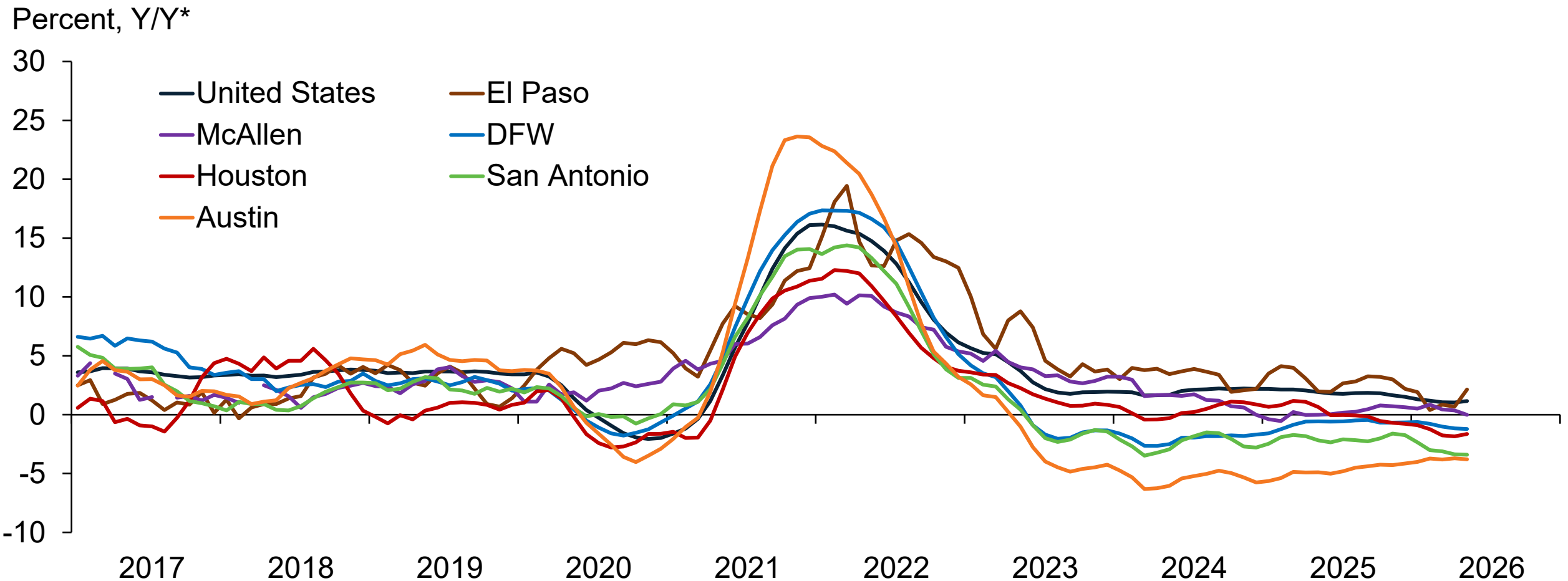


\*Seasonally adjusted.

NOTES: Data are monthly through April 2026 for Houston; May 2026 for the rest.

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

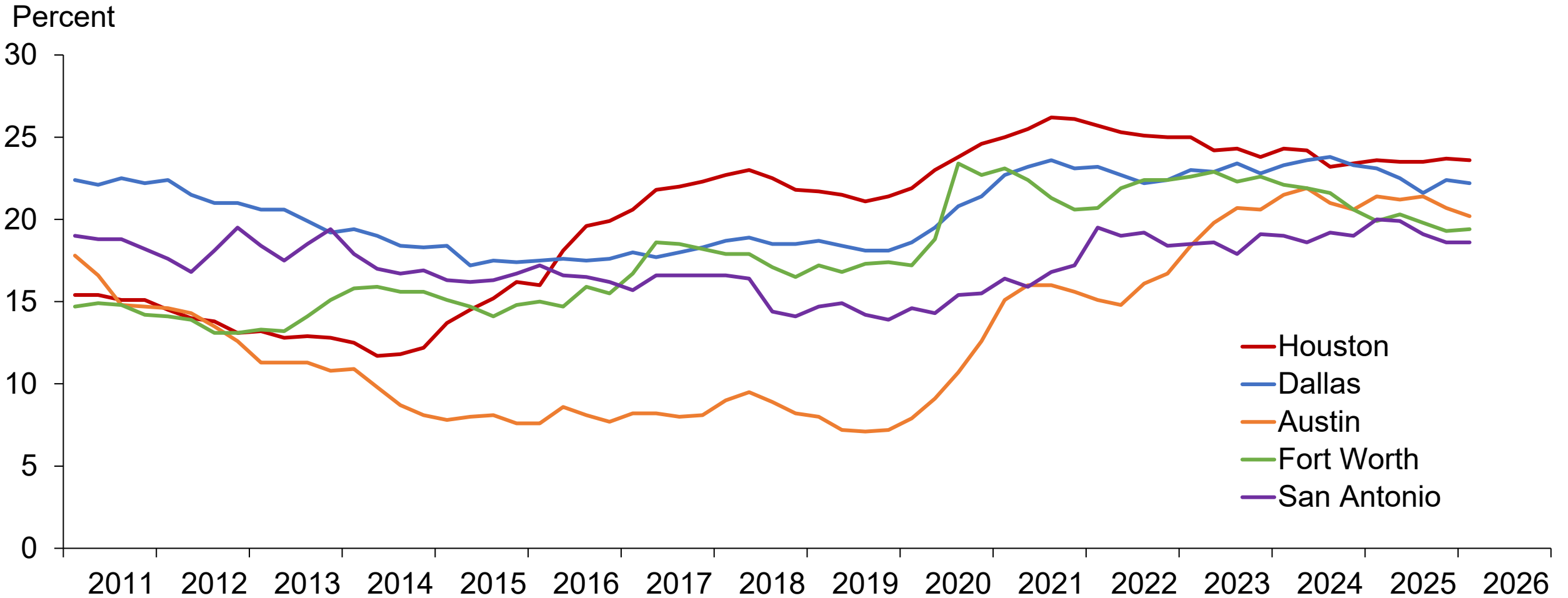
# Apartment rents continue falling across most Texas major metros



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

# Office vacancy rates flat to down in Texas major metros

(Q1 2026)

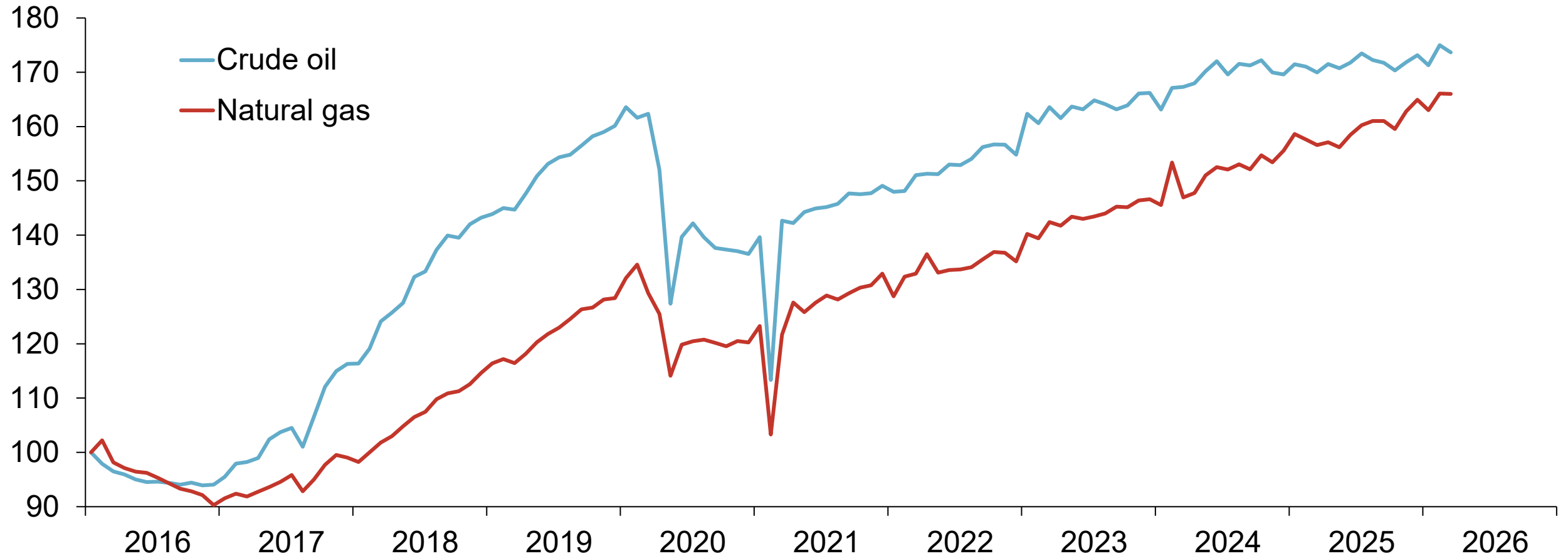


NOTE: Data are quarterly through Q1 2026.

SOURCE: CBRE Econometric Advisors.

# Texas oil and gas production ticks down in March

Index, Jan. 2016 = 100\*



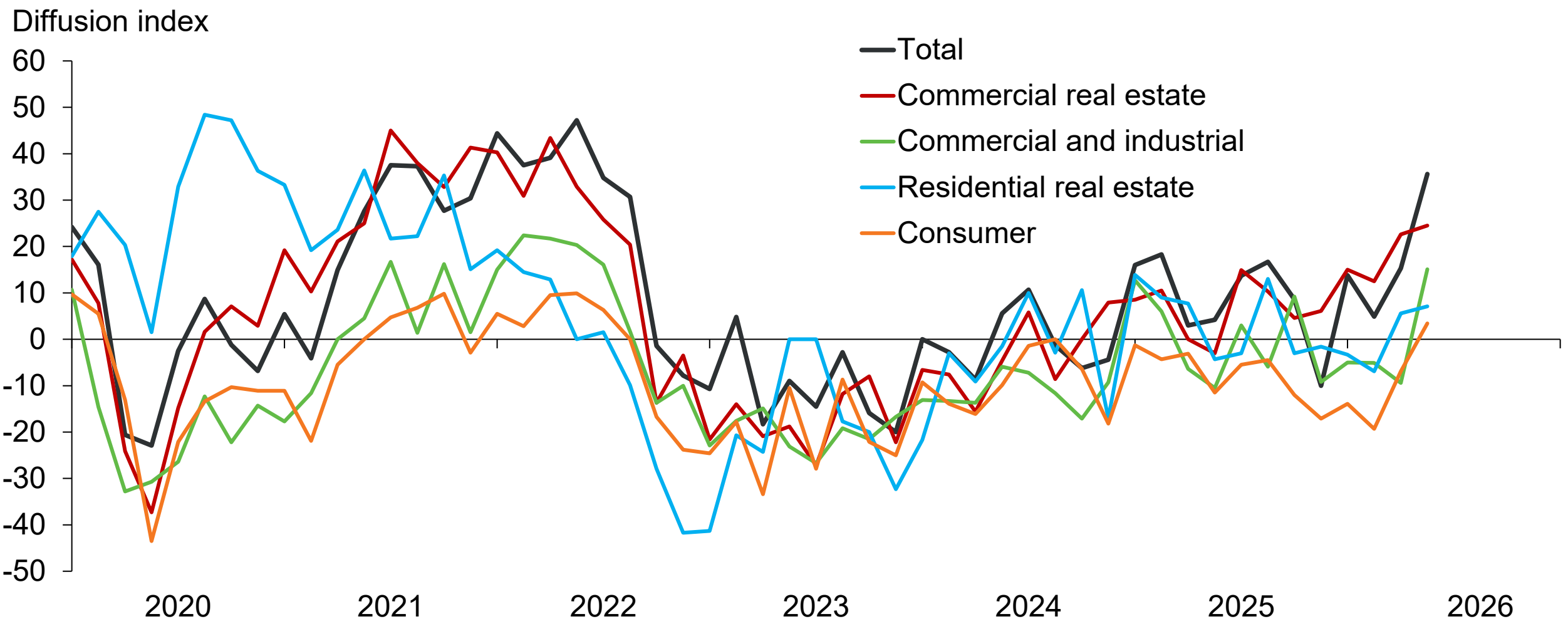
\*Seasonally adjusted.

NOTES: Shown are crude oil and natural gas marketed production through March 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 strongly in May 2026

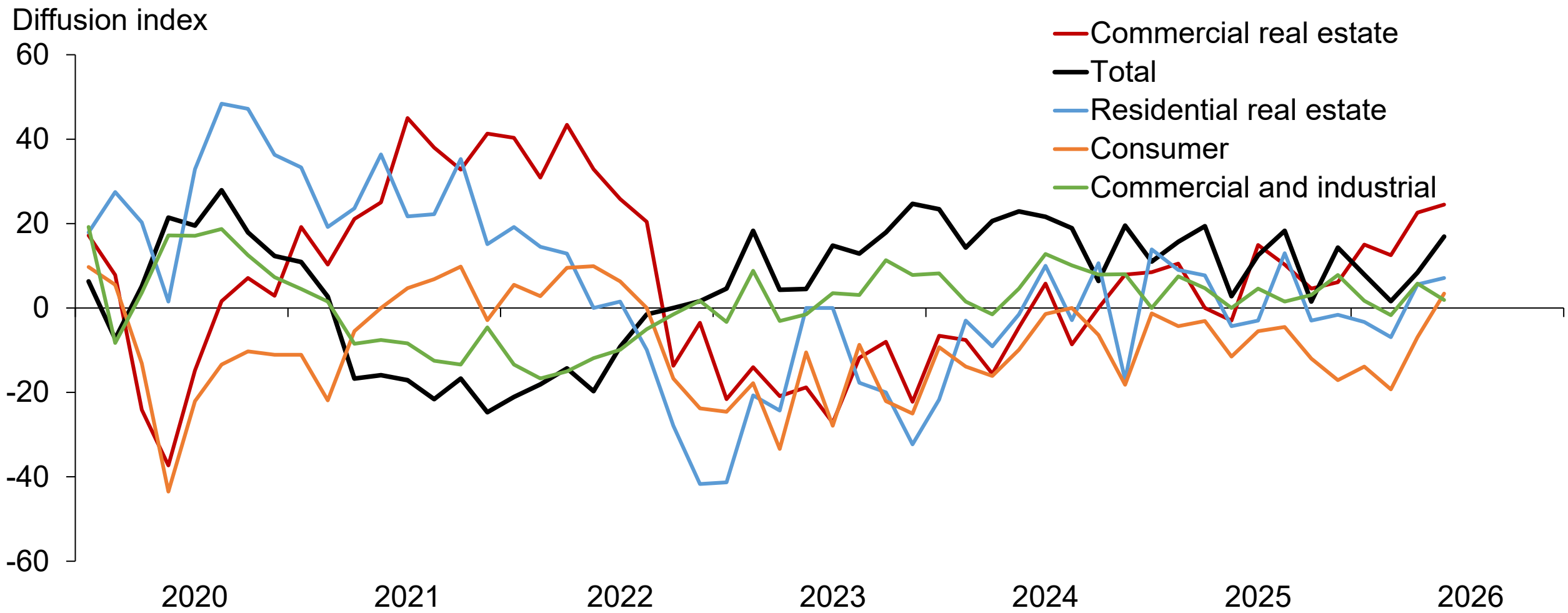
(11<sup>th</sup> District banks)



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

# Nonperforming loan volumes rise in May 2026

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

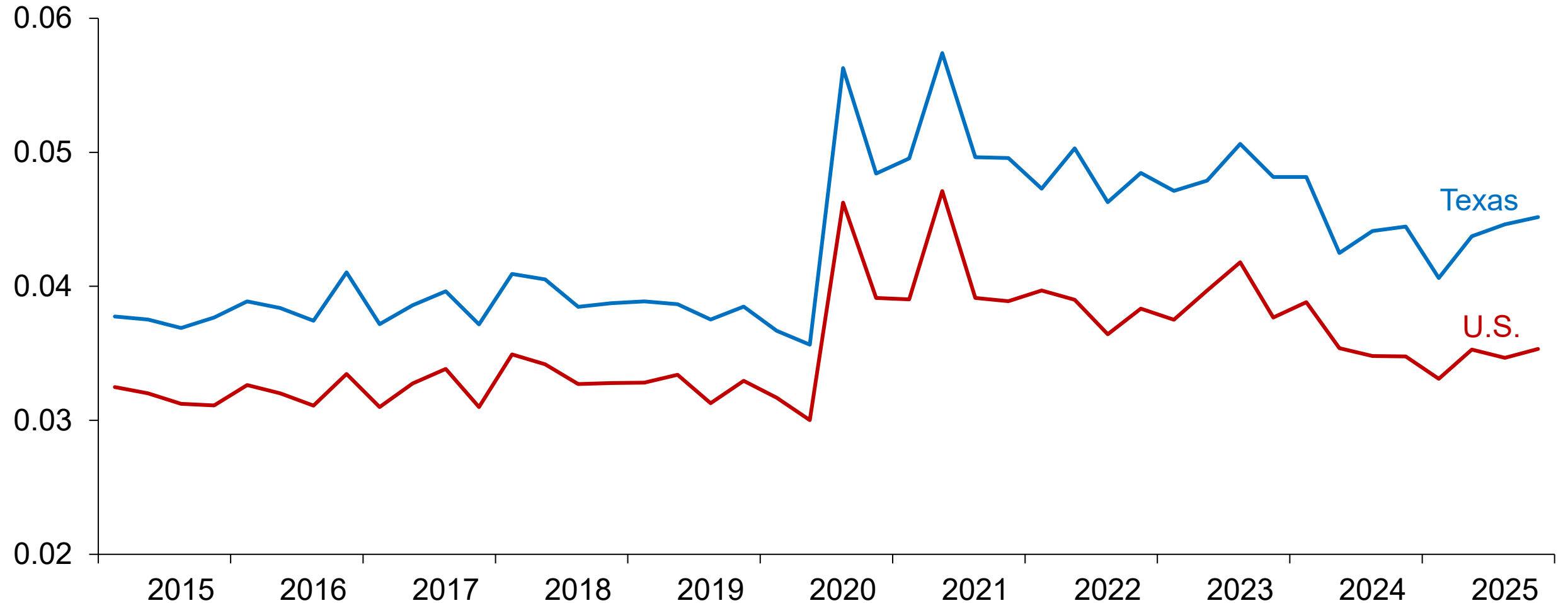


NOTE: Data through May 2026.  
SOURCE: Federal Reserve Bank of Dallas Banking Conditions Survey.

# Outlook

# Rate of business formation picked up in Q4 2025

Business applications per business establishments

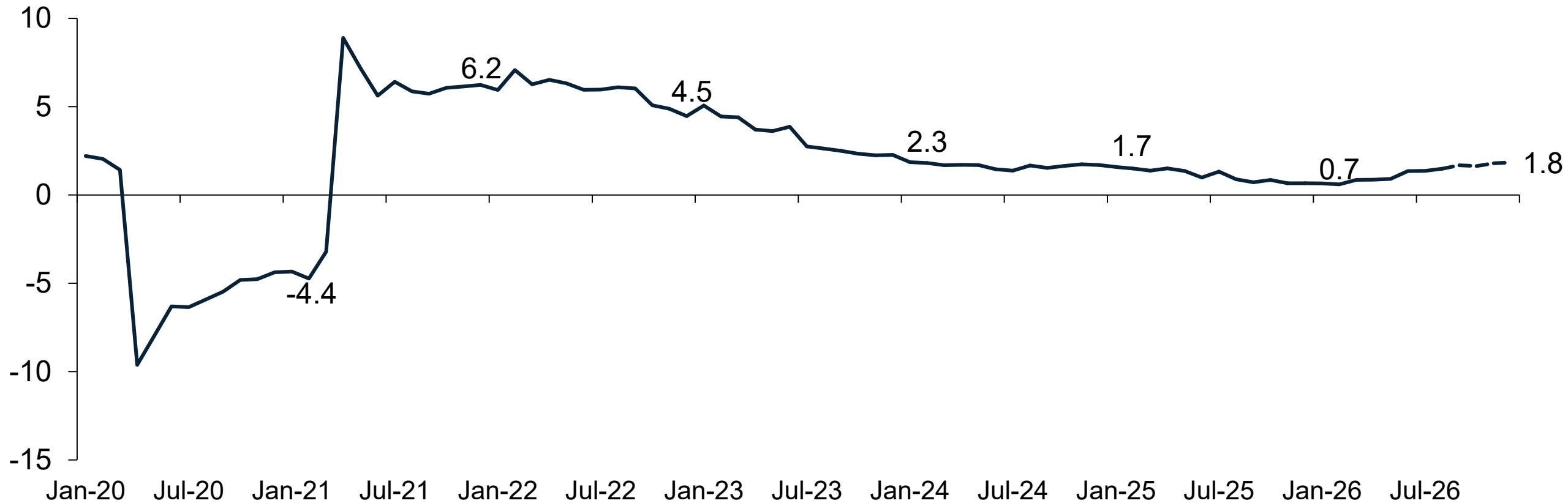


NOTES: Data are quarterly through Q4 2025. Business applications data are missing for the first week of January 2021.

SOURCE: U.S. Census Bureau.

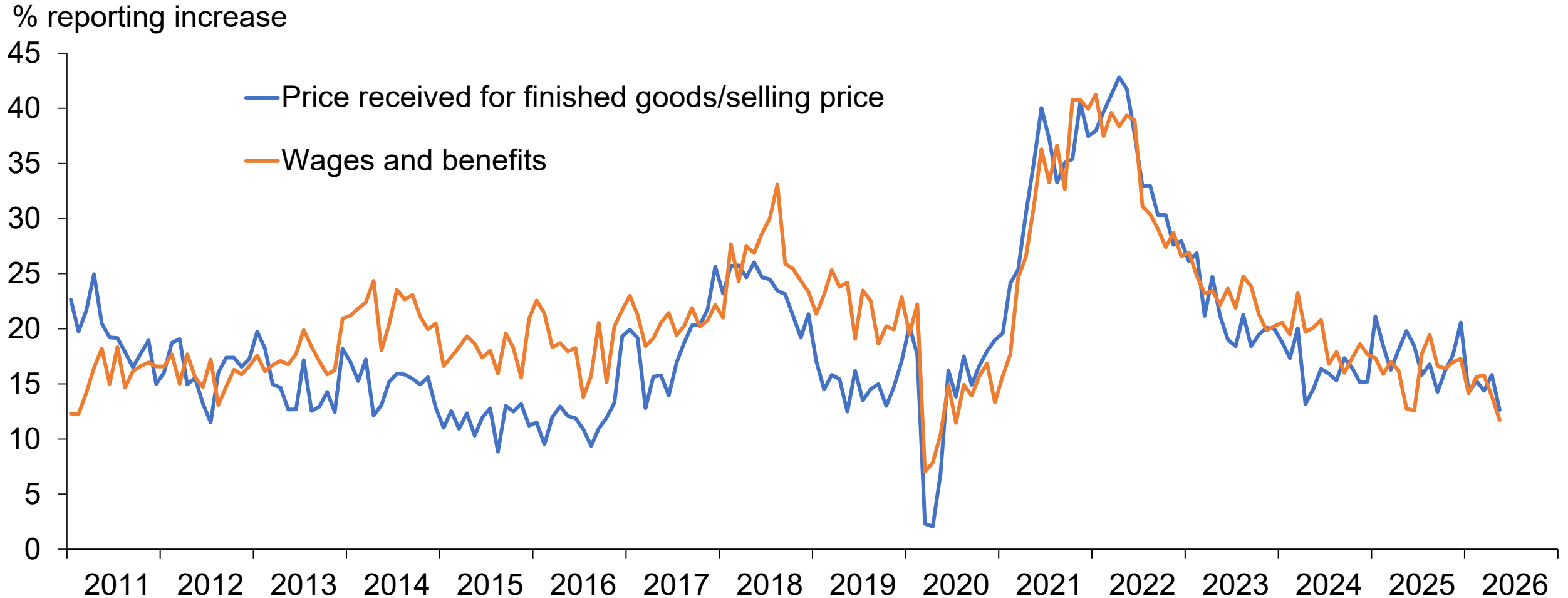
# The Texas employment forecast indicates 1.8% growth in 2026 (range 1.2%-2.4%)

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).

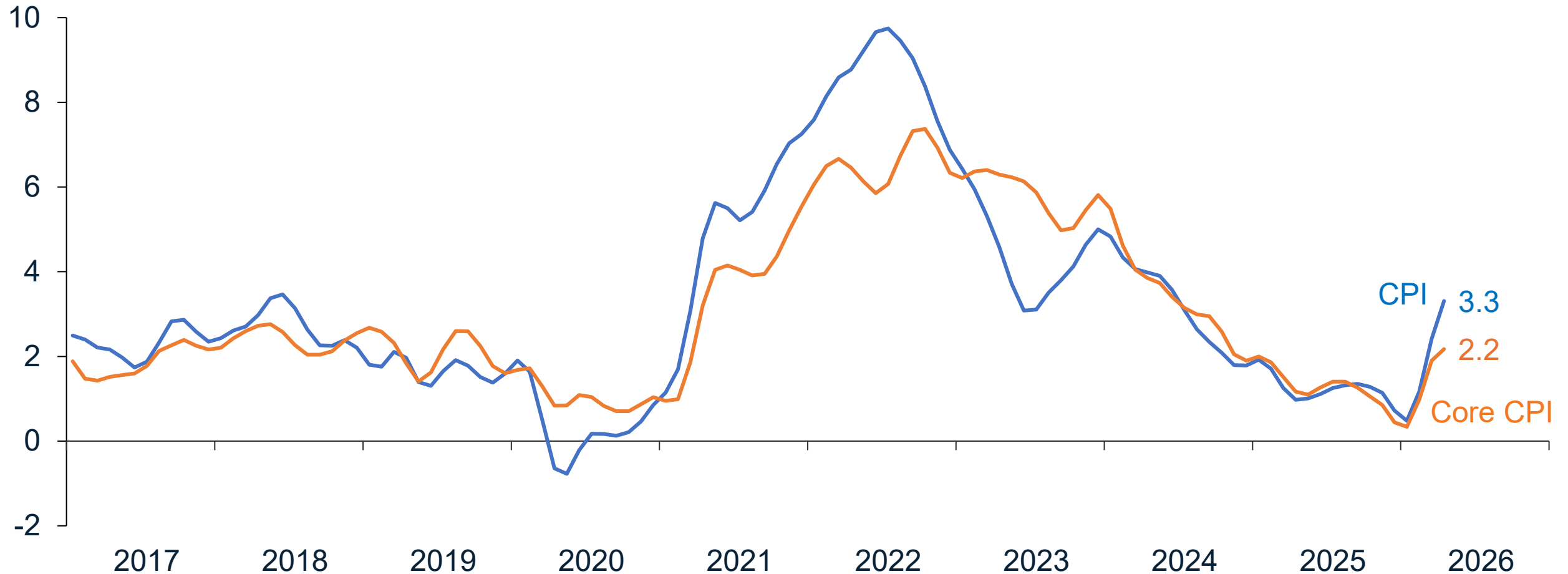
# Share of Texas firms reporting an increase in selling prices ticks down in May



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

# Texas CPI accelerates in April, driven by rising energy prices

Percent change, Y/Y\*



\*Seasonally adjusted.

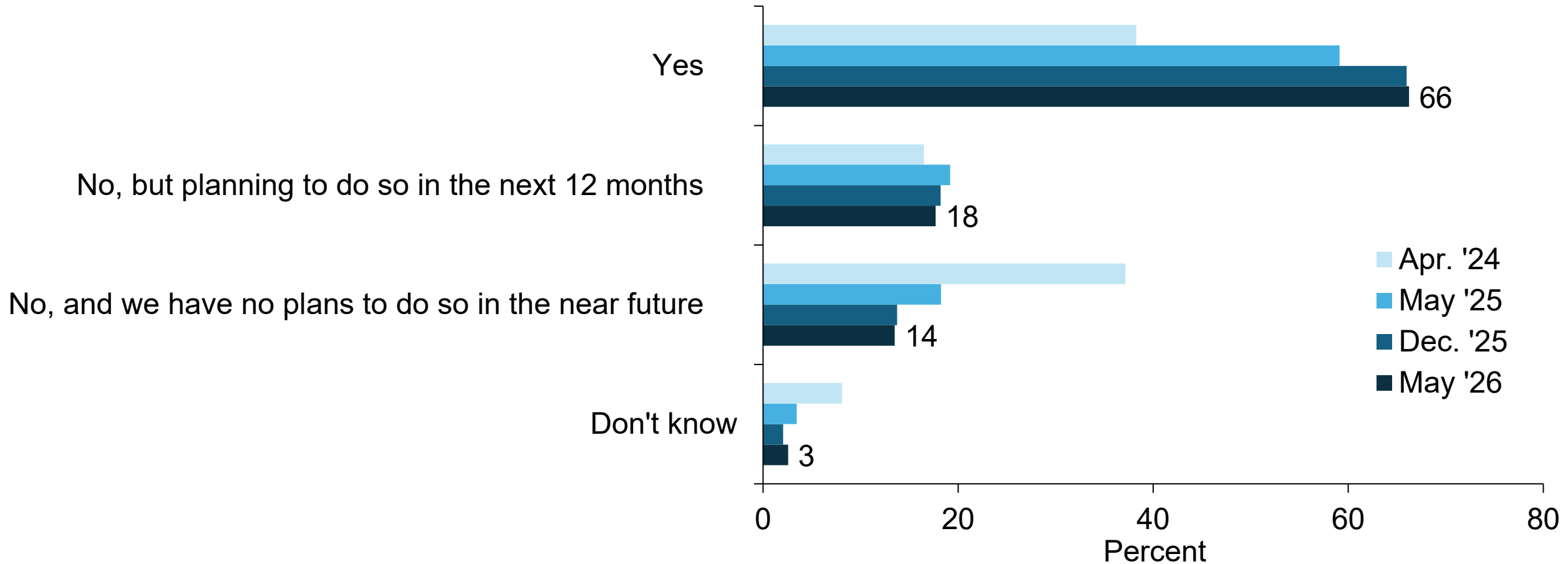
NOTE: CPI data through April 2026.

SOURCE: Bureau of Labor Statistics.

# Texas Business Outlook Surveys Special Questions

# 80% of Texas firms report using AI currently or plan to do so in the next year

*“Is your firm currently using AI?”*



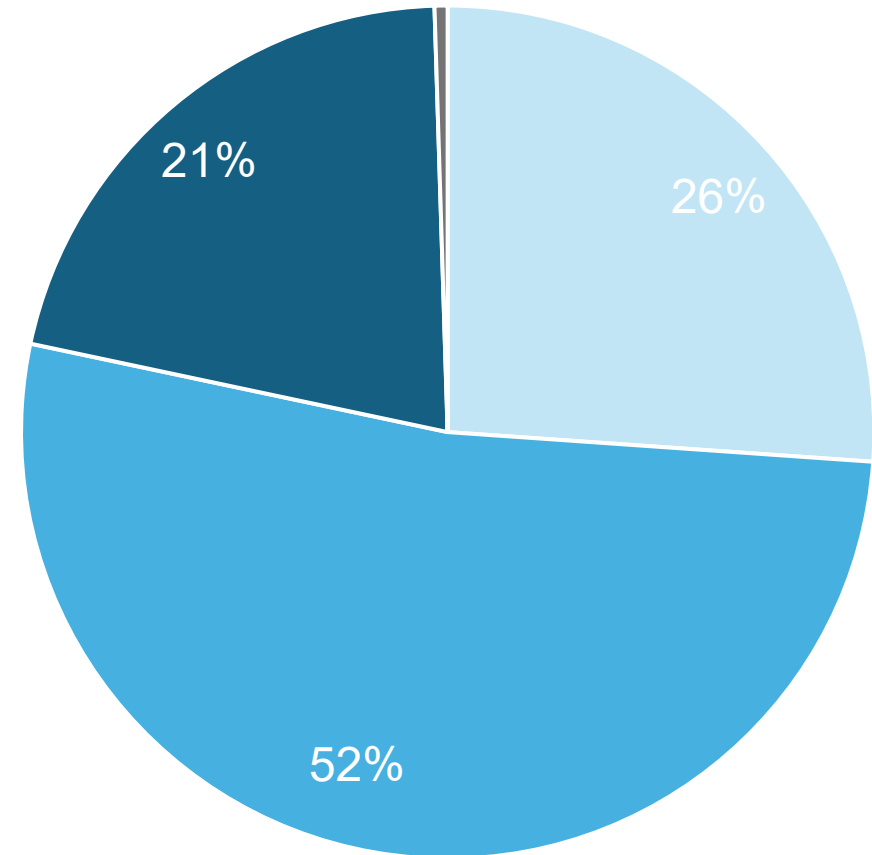
NOTE: Executives from 311 Texas businesses answered this question during the survey collection period, May 12-20, 2026.

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

# Among firms using AI, nearly 75% report regular use

*“Which statement best describes the current use of AI at your firm?”* 0.5%

- AI tools are being tested or piloted, but not used regularly
- AI tools are used regularly by a small share of employees
- AI tools are used regularly by many employees
- Don't know



NOTES: Executives from 203 Texas businesses answered this question during the survey collection period, May 12-20, 2026. This question was only posed to those currently using AI.

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

**Thank you!**  
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