Texas Economic Performance and Outlook

(July 2026)

“Employment fell in July”

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8/21/2026

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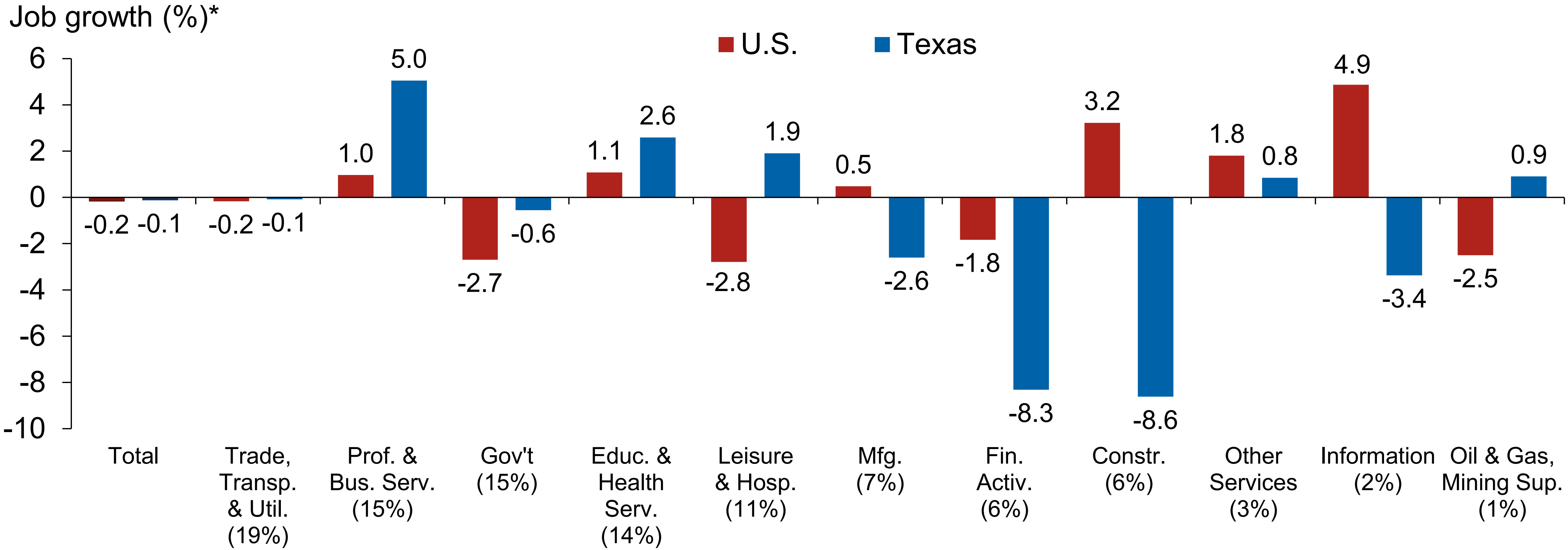
What's New: Headcounts level off in July

- Texas employment declined 0.1% in July. June's employment growth was revised down to 3.3%
  - U.S. employment decreased by 0.2% in July
- The Dallas Fed's Texas Employment Forecast indicates jobs will increase by 1.7% in 2026
- Texas unemployment ticked up to 4.5% in July
  - U.S. unemployment was 4.1% in July
- July Texas Business Outlook Surveys (TBOS) indicate gains and challenges in firms' hiring processes.
  - Half of firms are currently trying to hire.
  - Most firms report impediments to hiring, such as applicant shortages, applicants looking for more pay than offered, and lack of hard skills in hiring pools.
  - Worker retention has improved over the past three months, but fewer firms are reporting improvements in retention compared to the start of the year.

Overall Economic Activity

Declines in Texas for July most pronounced in construction and financial activities



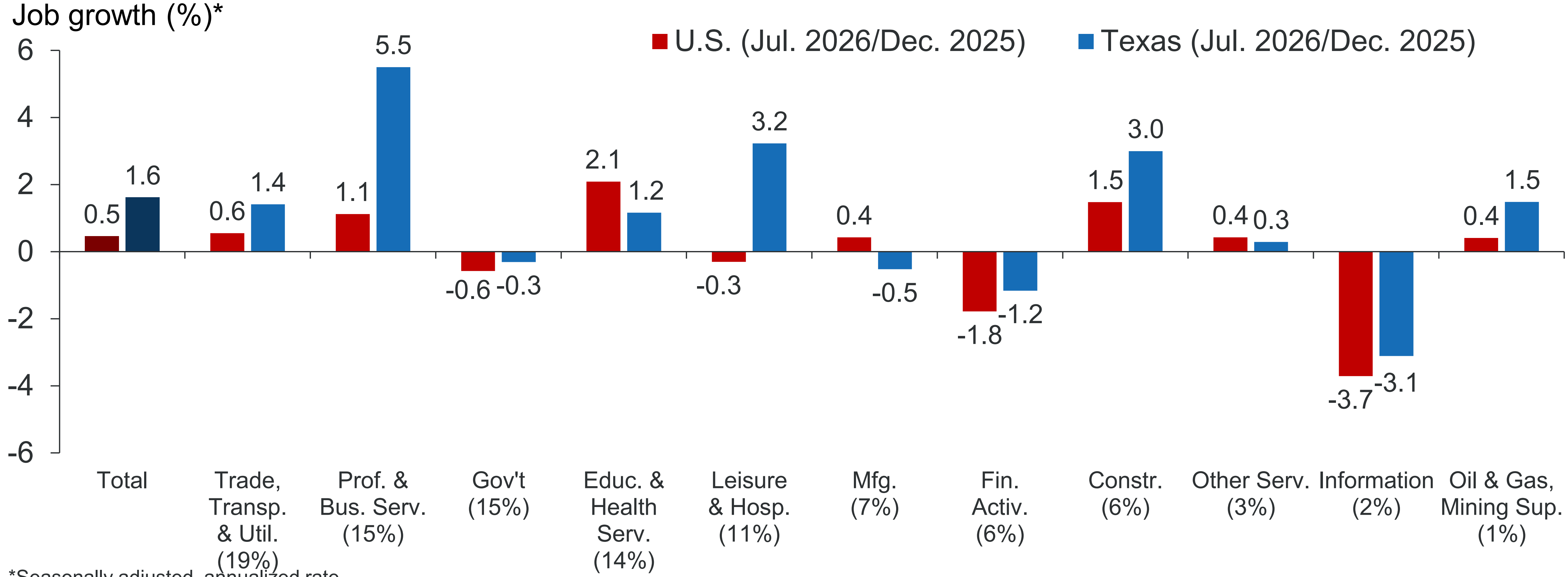
*Seasonally adjusted, annualized rate.

NOTES: Data are Jul. ‘26/Jun. ‘26 employment growth by sector. Numbers in parenthesis indicate share of total state employment in July 2026.

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

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

Texas employment growth YTD is driven by professional and business serv., leisure and hosp. and construction jobs



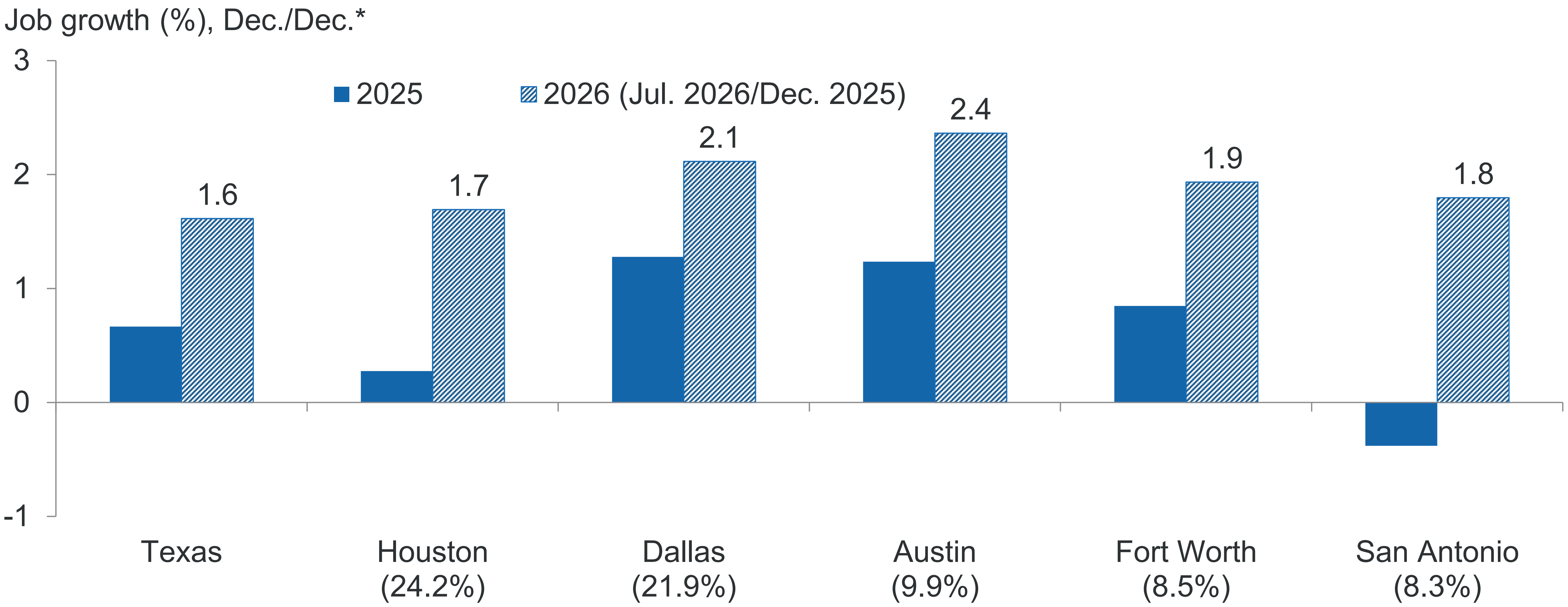
*Seasonally adjusted, annualized rate.

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

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

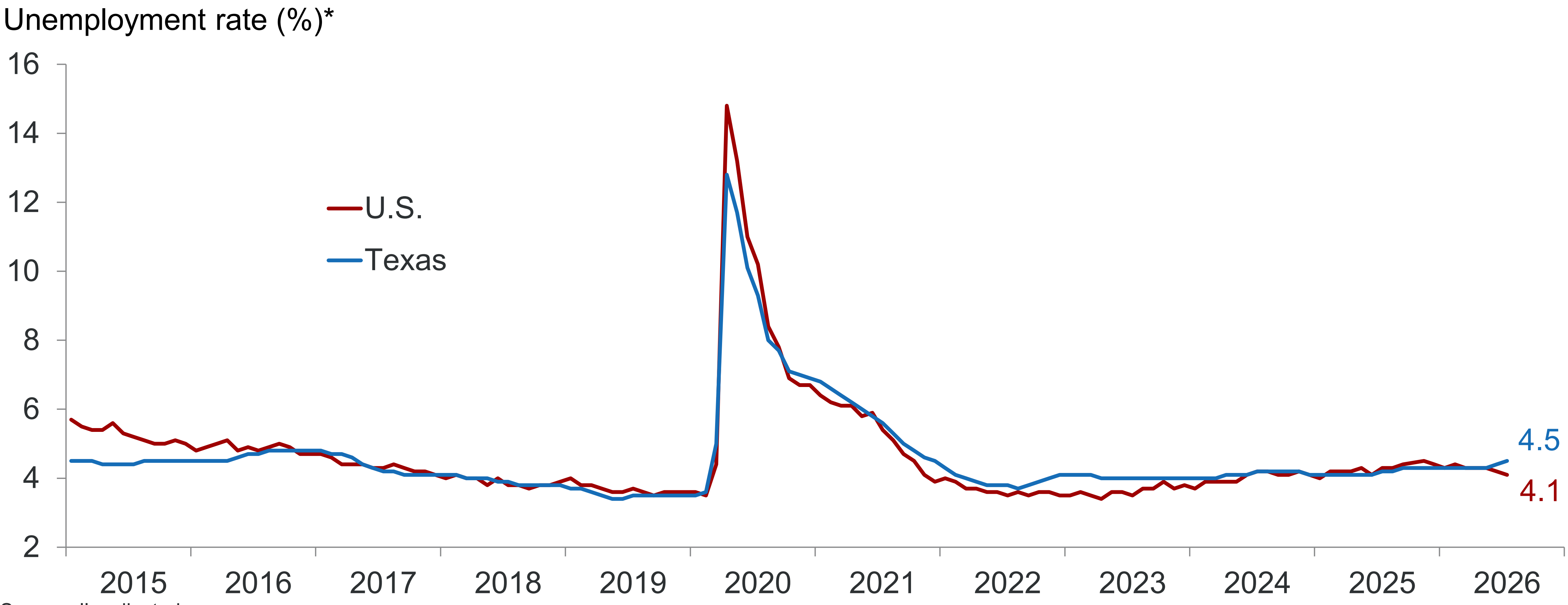
DATA: Texas Employment by Industry - Dallasfed.org

2026 job growth continues to outpace last year's increases



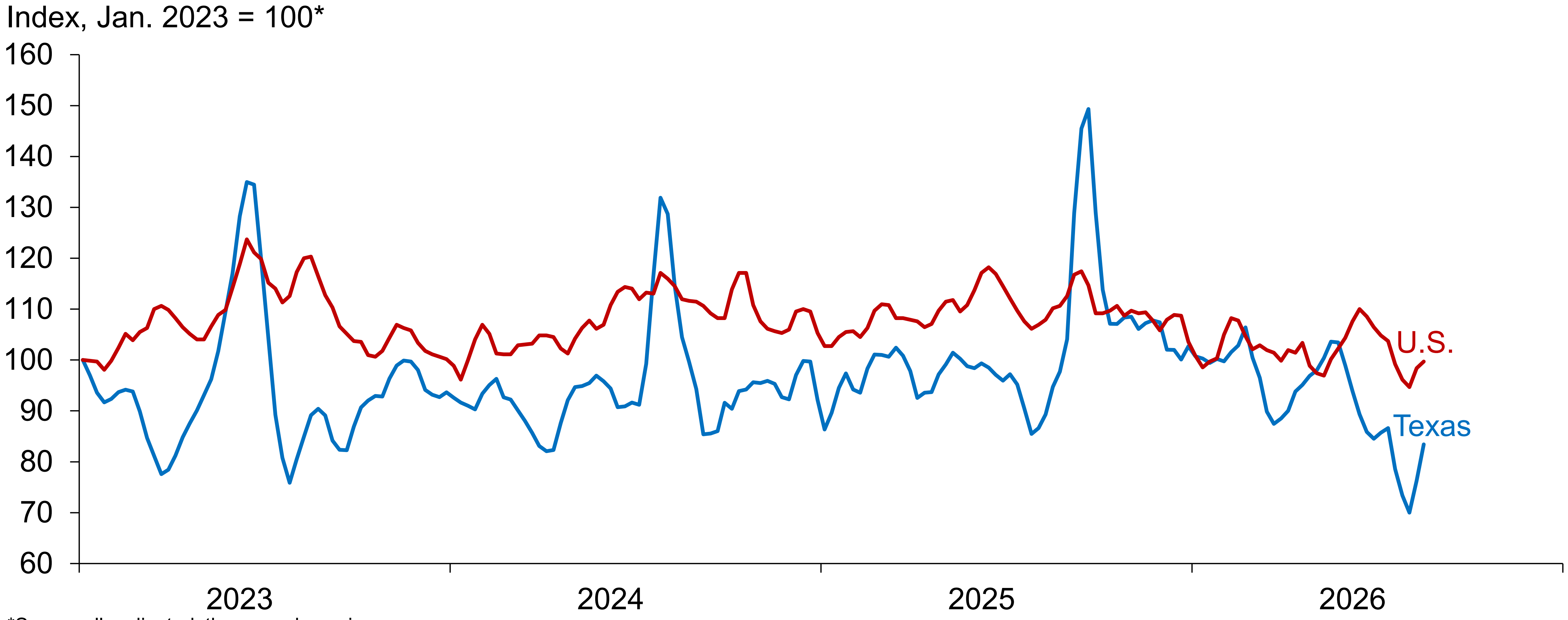
*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of state employment for July 2026.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.
DATA: Texas Employment Data - Dallasfed.org

Texas unemployment rises slightly



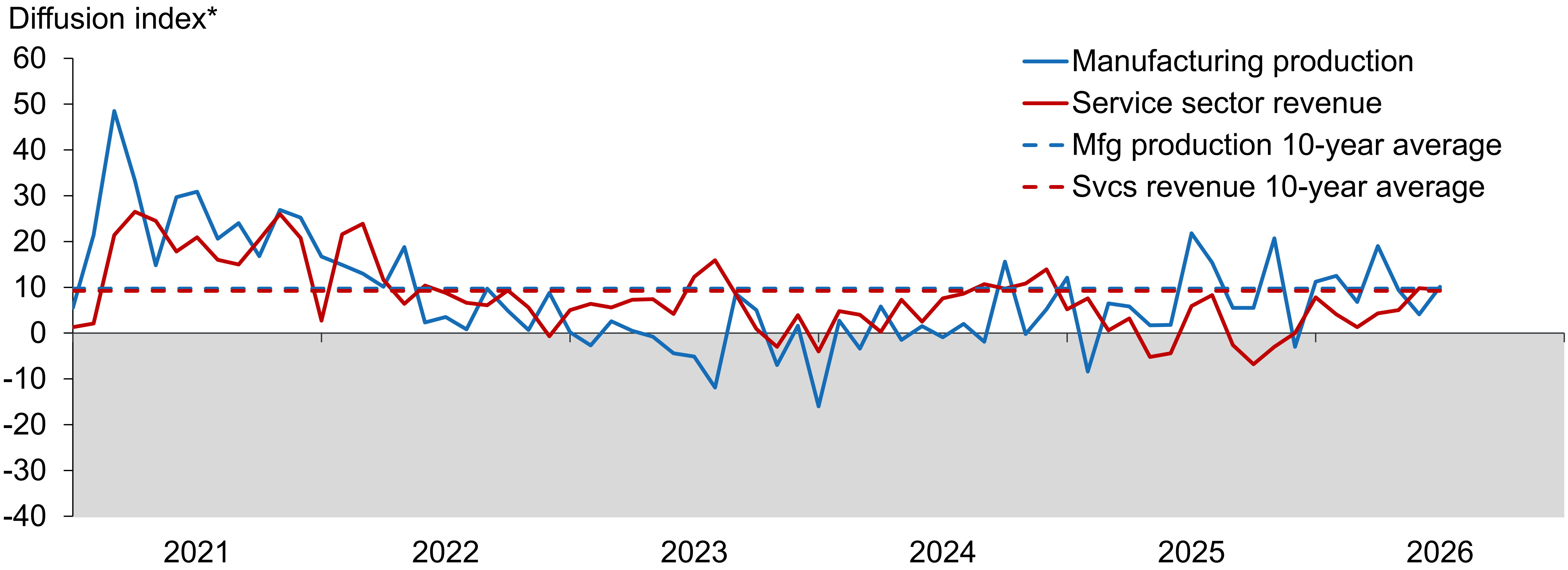
*Seasonally adjusted.
NOTE: Data are through July 2026.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.
DATA: Texas Employment by Industry - Dallasfed.org

Texas initial unemployment claims rise alongside the nation in recent weeks



*Seasonally adjusted, three-week moving average.
NOTE: Data are through the week ending August 15th, 2026.
SOURCE: Department of Labor.

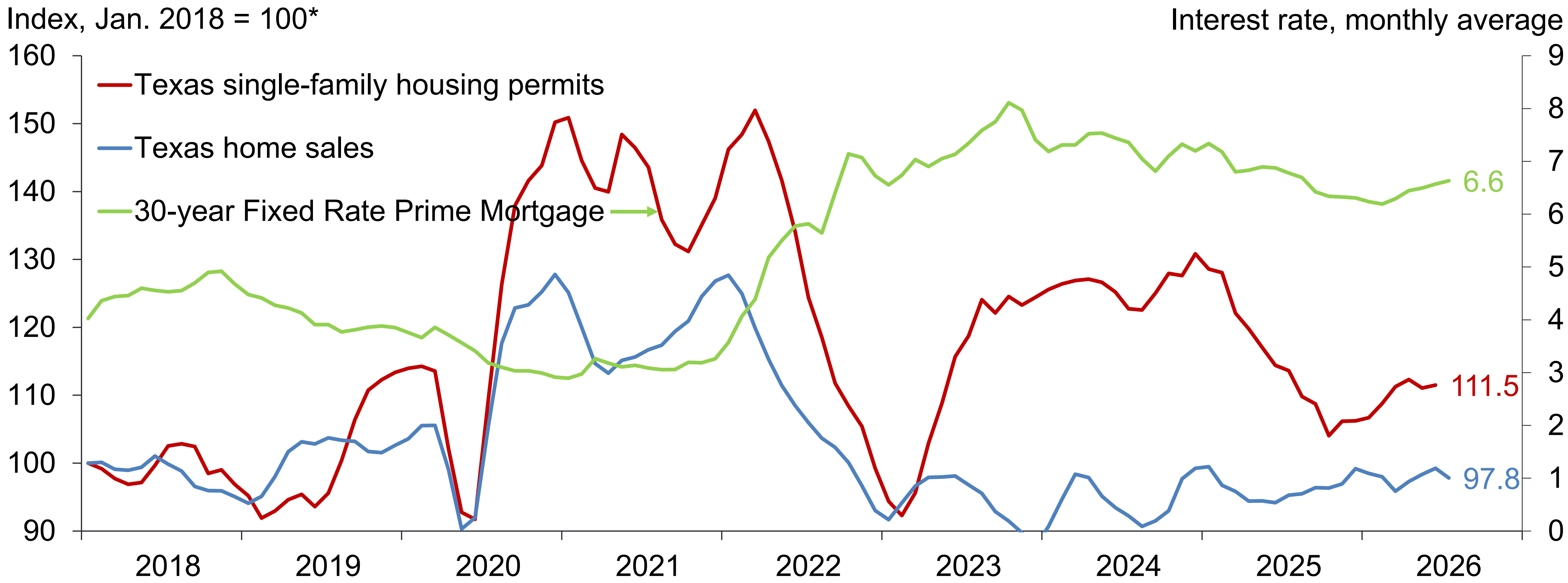
TBOS points to continued economic growth in July



*Seasonally adjusted.
NOTES: Data are through July 2026. Shaded area represents contractionary territory.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.
DATA: Surveys - Dallasfed.org

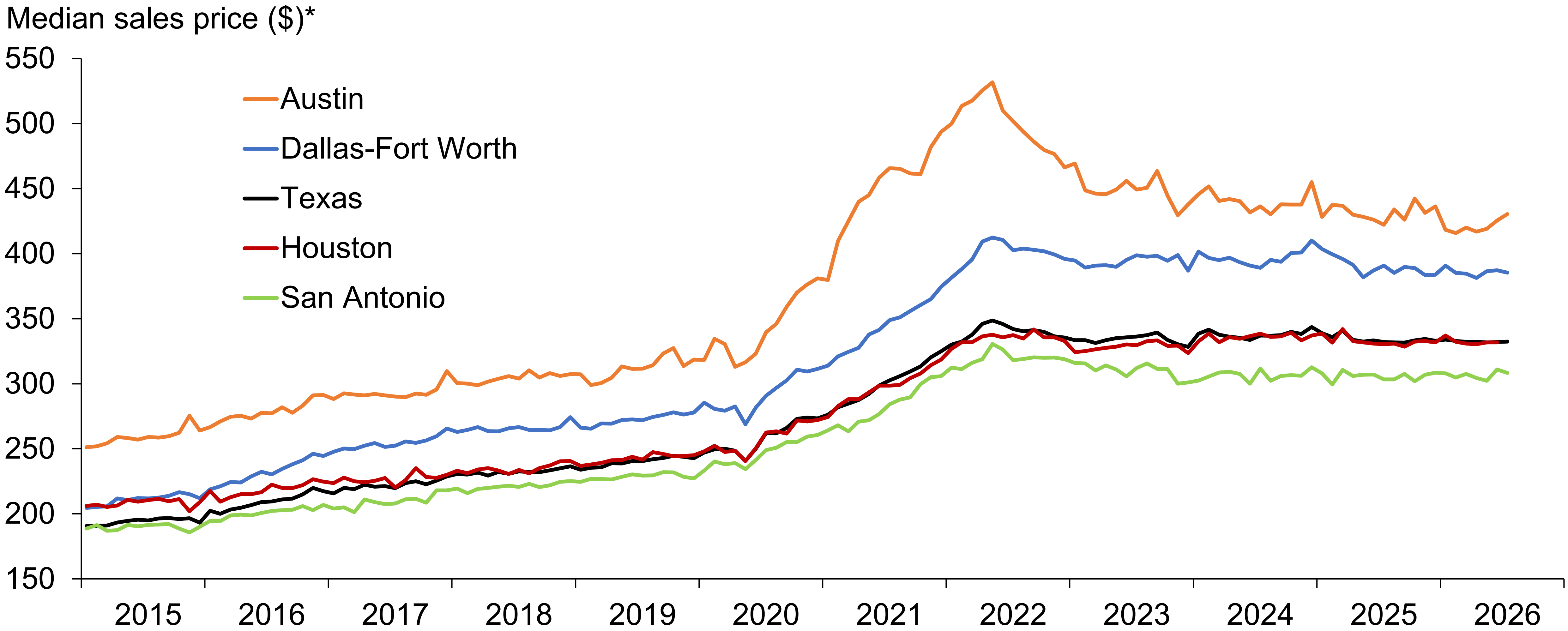
Real Estate, Energy and Finance

Texas housing permits and mortgage rates edge up, sales decline



*Seasonally adjusted, three-month moving average.
NOTES: Permits and home sale data are through June 2026; mortgage rates data are through July 2026.
SOURCES: U.S. Census; Multiple Listing Service; *Wall Street Journal*.

Texas median home prices stable in July

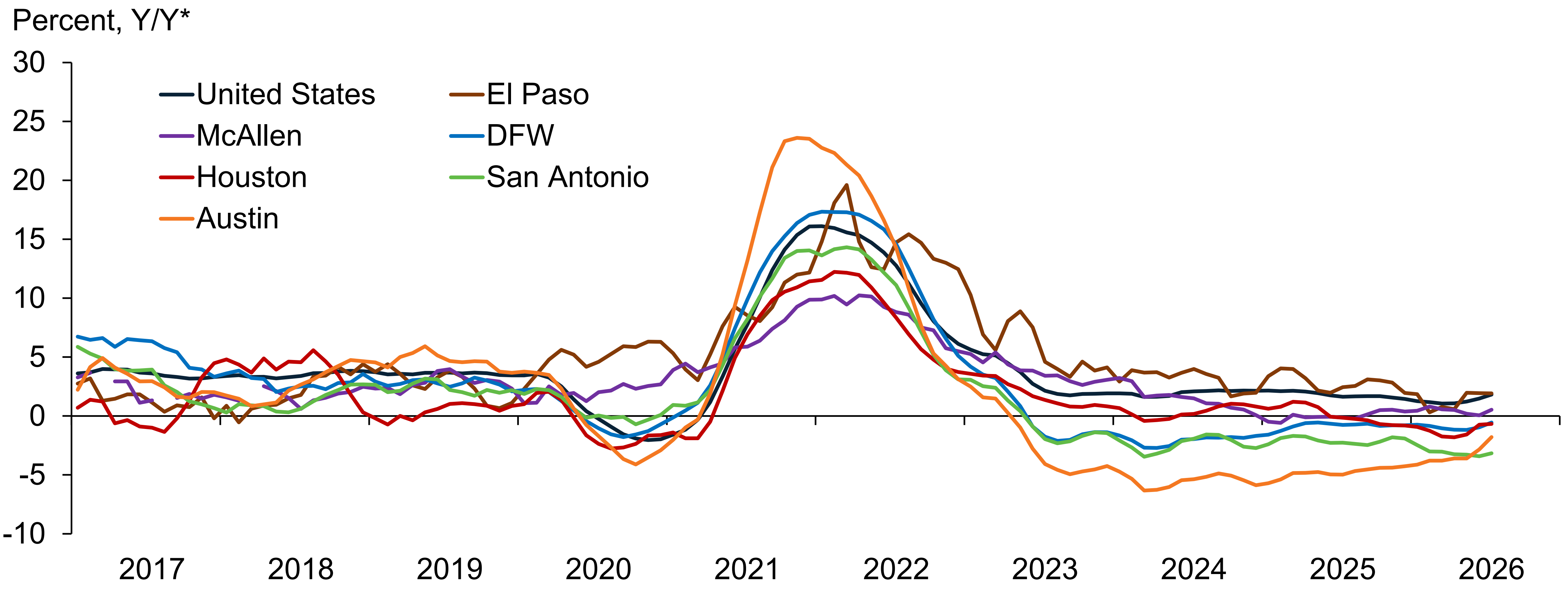


*Seasonally adjusted.

NOTES: Data are monthly through June 2026 for Houston; July 2026 for the rest.

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

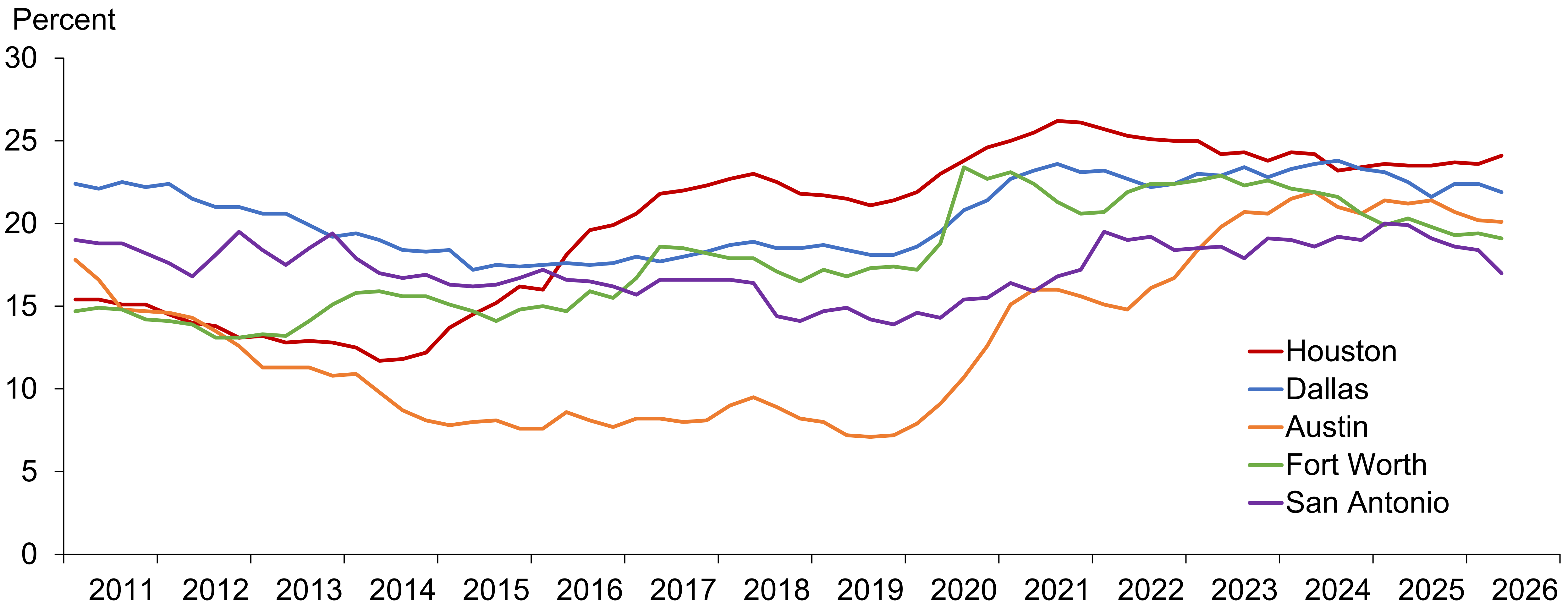
Apartment rents continue to fall across most Texas major metros



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

Office vacancy rates tick up in Houston, down elsewhere

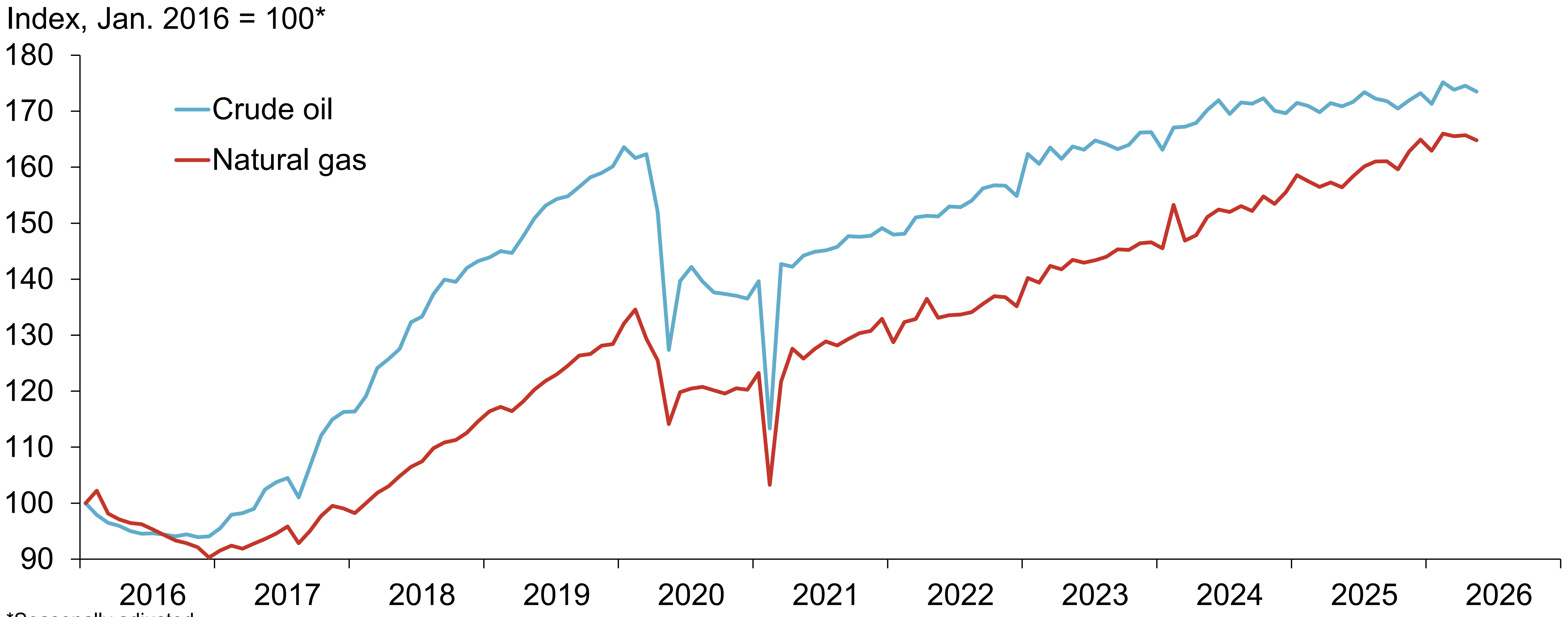
(Q2 2026)



NOTE: Data are quarterly through Q2 2026.

SOURCE: CBRE Econometric Advisors.

Texas oil and gas production dips slightly in May



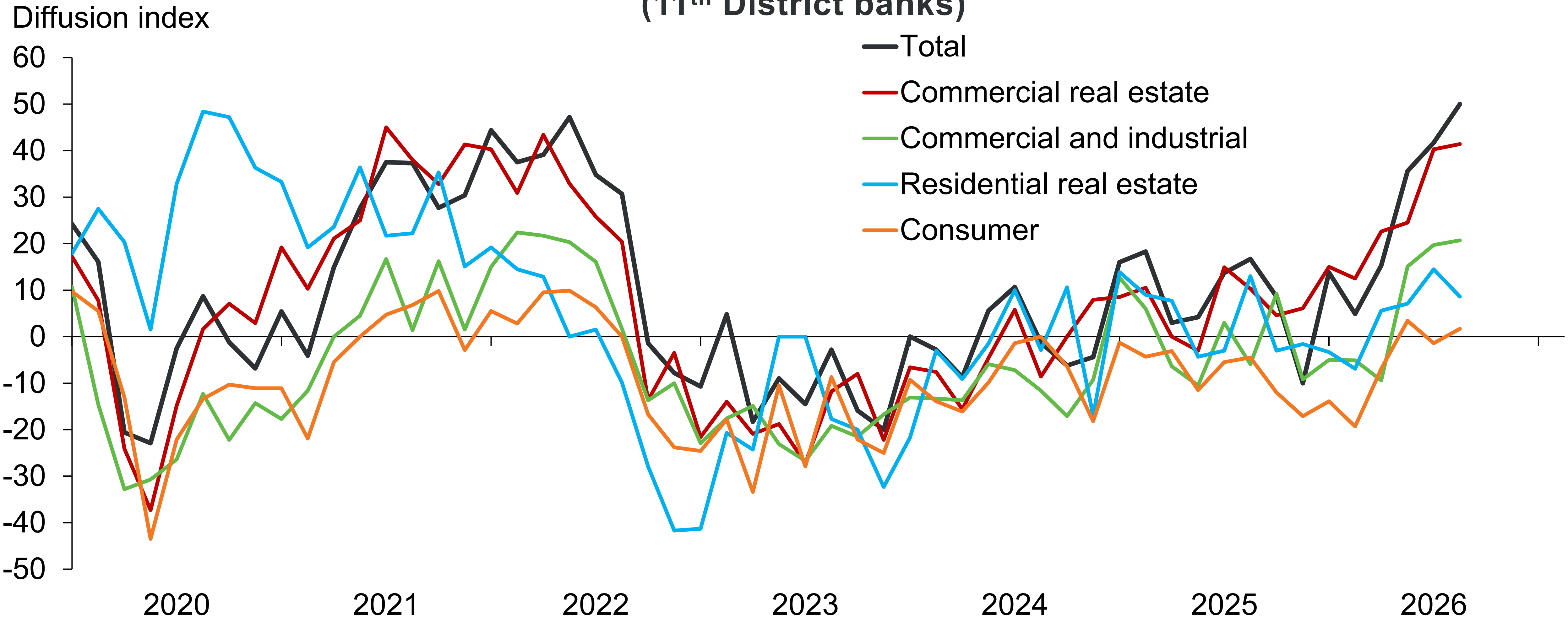
*Seasonally adjusted.

NOTES: Shown are crude oil and natural gas marketed production through May 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, residential real estate loan volumes slow in August 2026

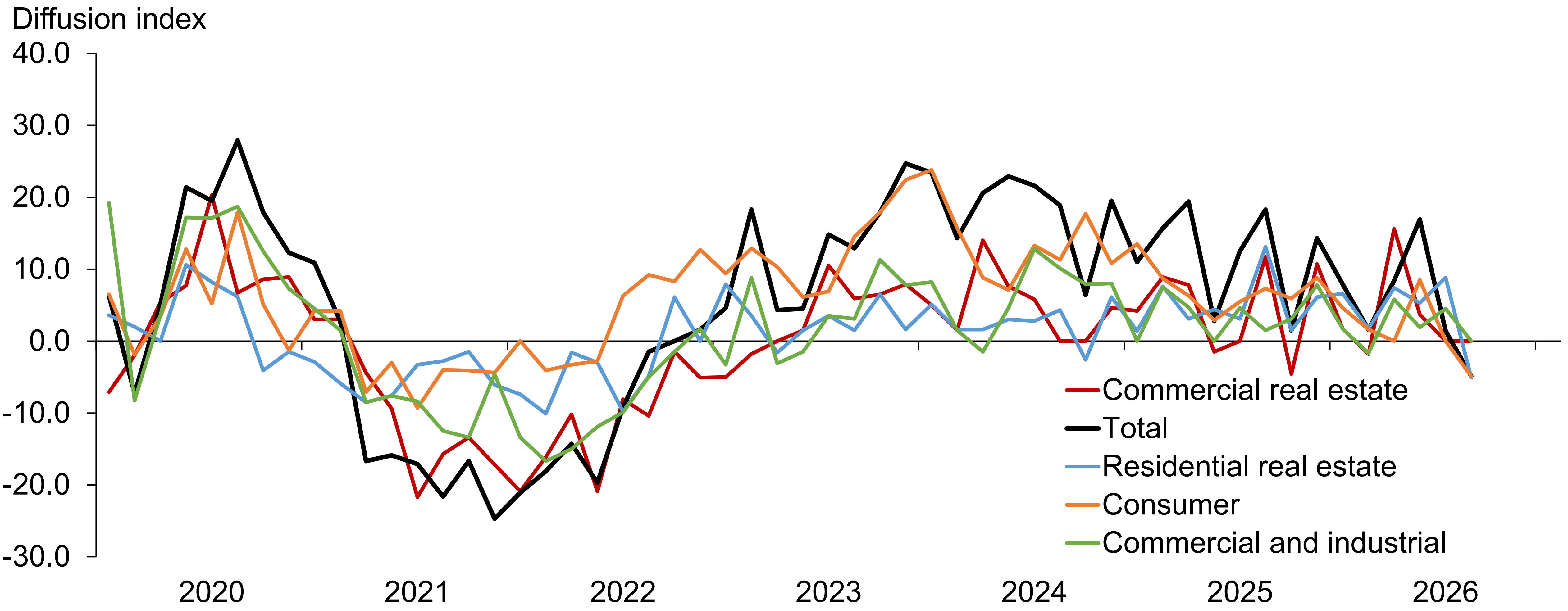
(11th District banks)



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

Total nonperforming loan volumes decline in August

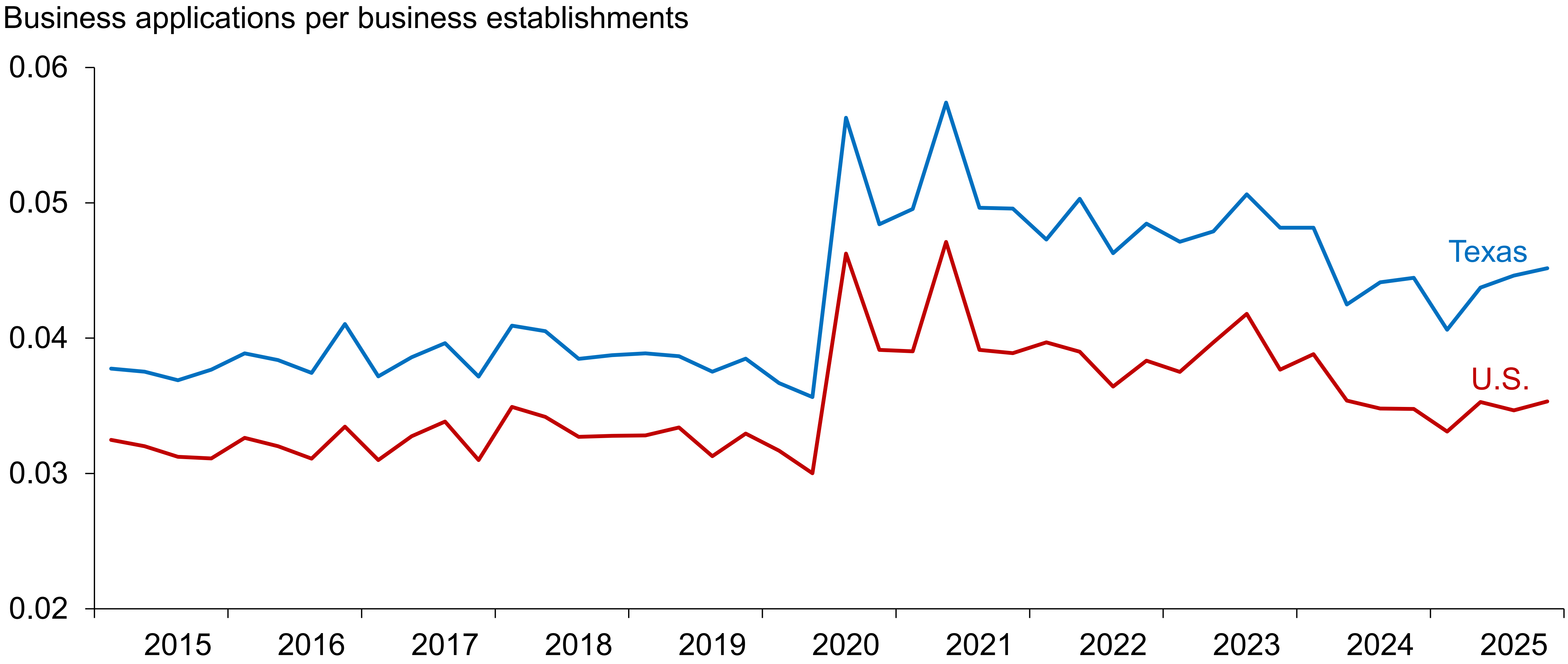
(11th District banks)



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

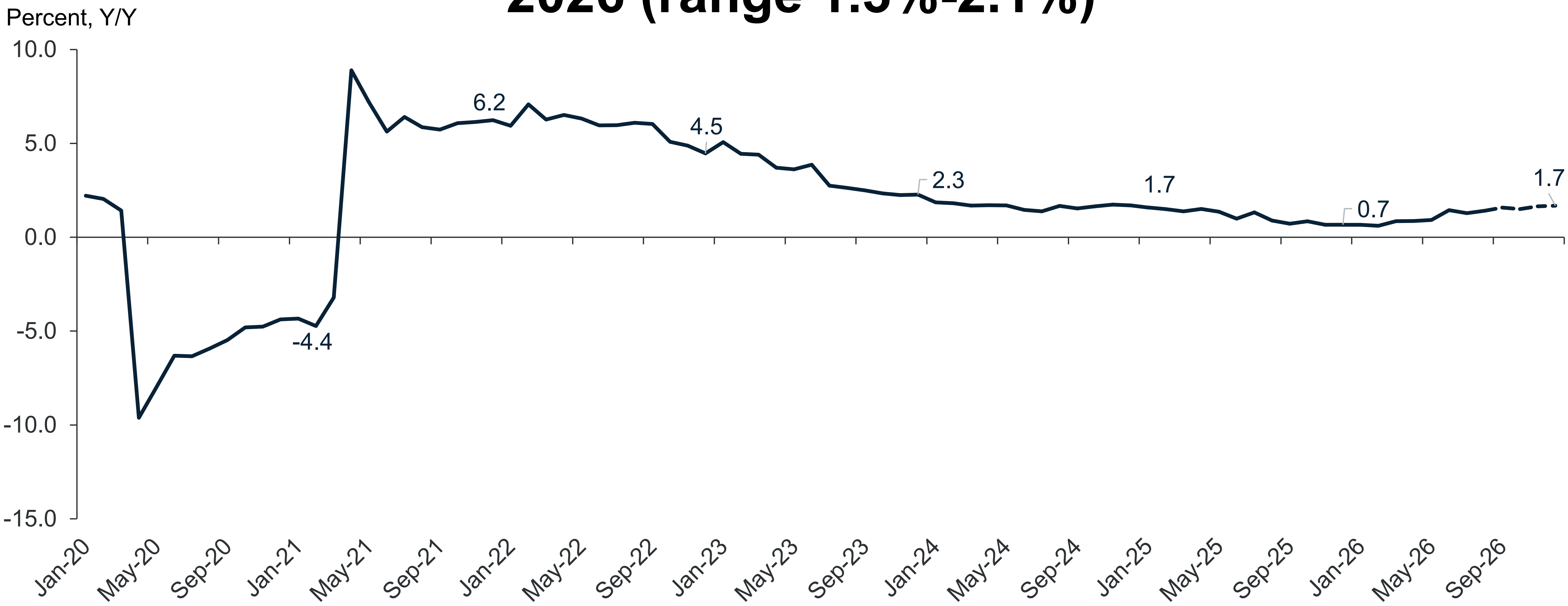
Outlook

Rate of business formation picked up in Q4 2025



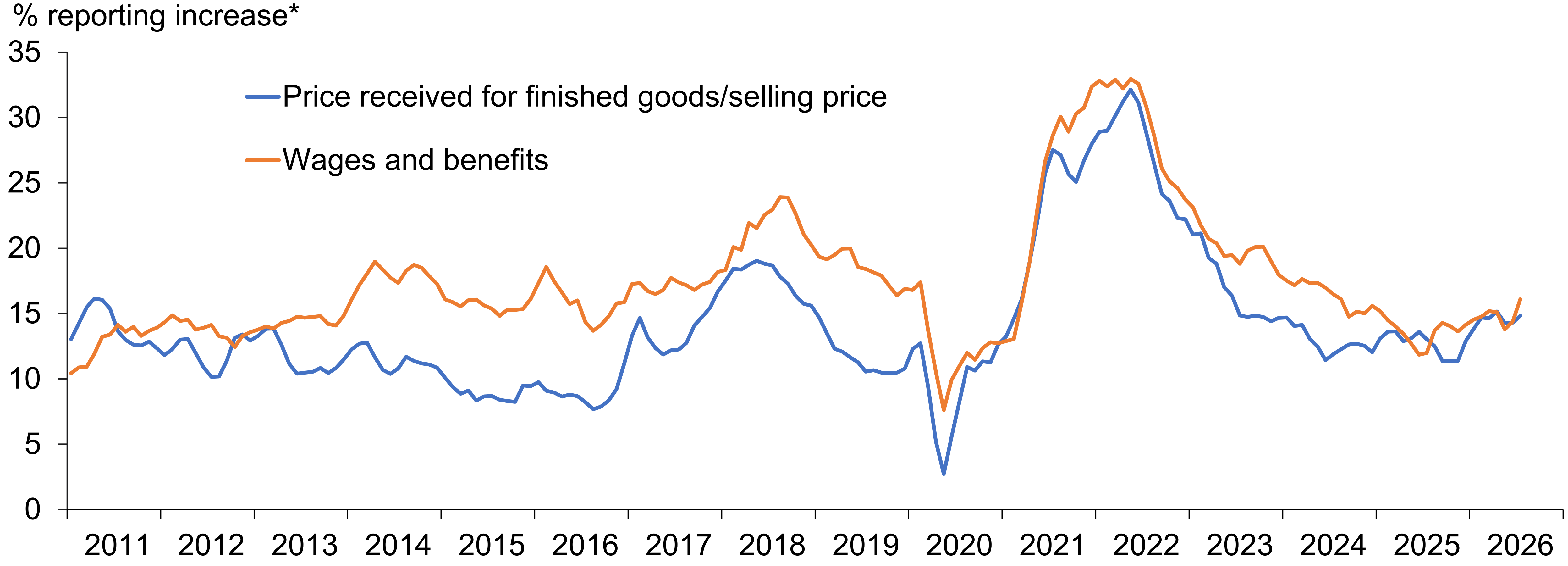
NOTES: Data are quarterly through Q4 2025. Business applications data are missing for the first week of January 2021.
SOURCE: U.S. Census Bureau.

The Texas employment forecast indicates 1.7% growth in 2026 (range 1.3%-2.1%)



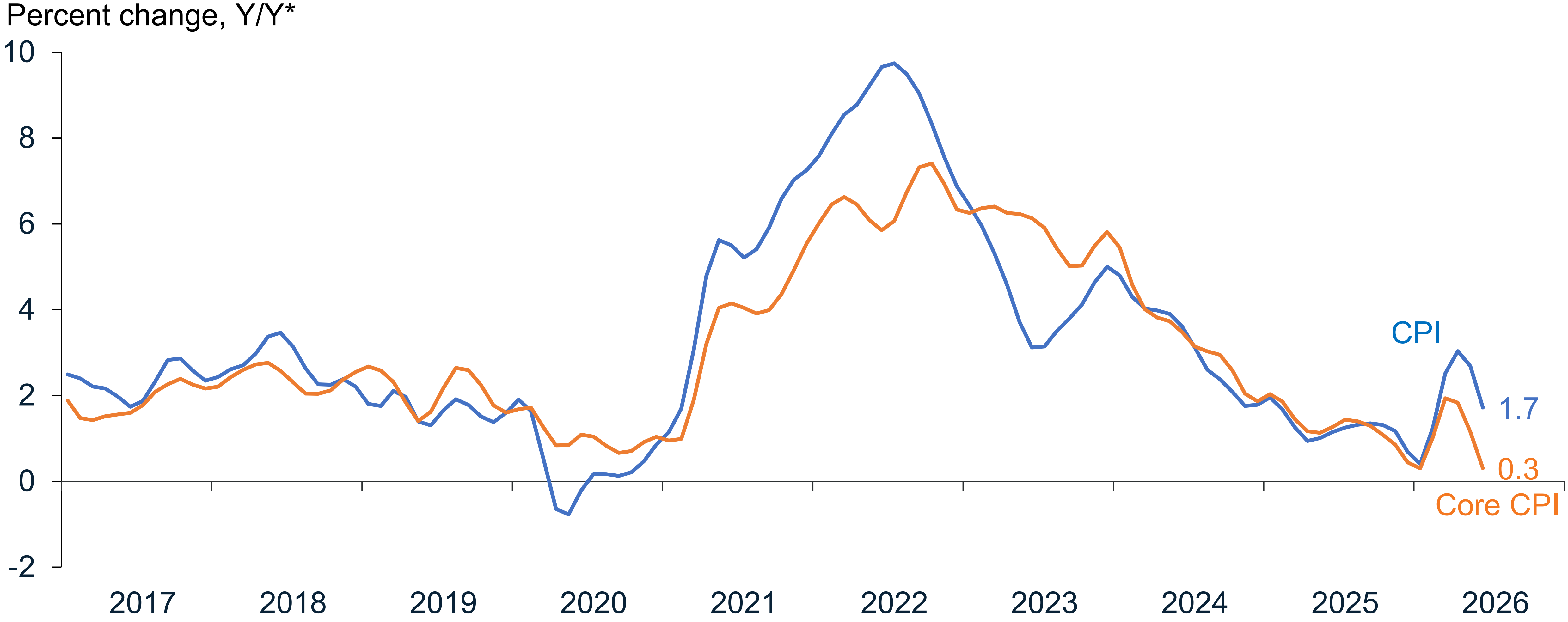
NOTE: The Dallas Fed Texas Employment Forecast is based on the average of four models. Three models are VARs where Texas payroll employment is regressed on WTI oil prices, the US leading index and the Texas leading index, respectively. The fourth model is a regression of payroll employment on lags of 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 tick up in July



*Seasonally adjusted, three month-moving average.
NOTES: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares. Data through July 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

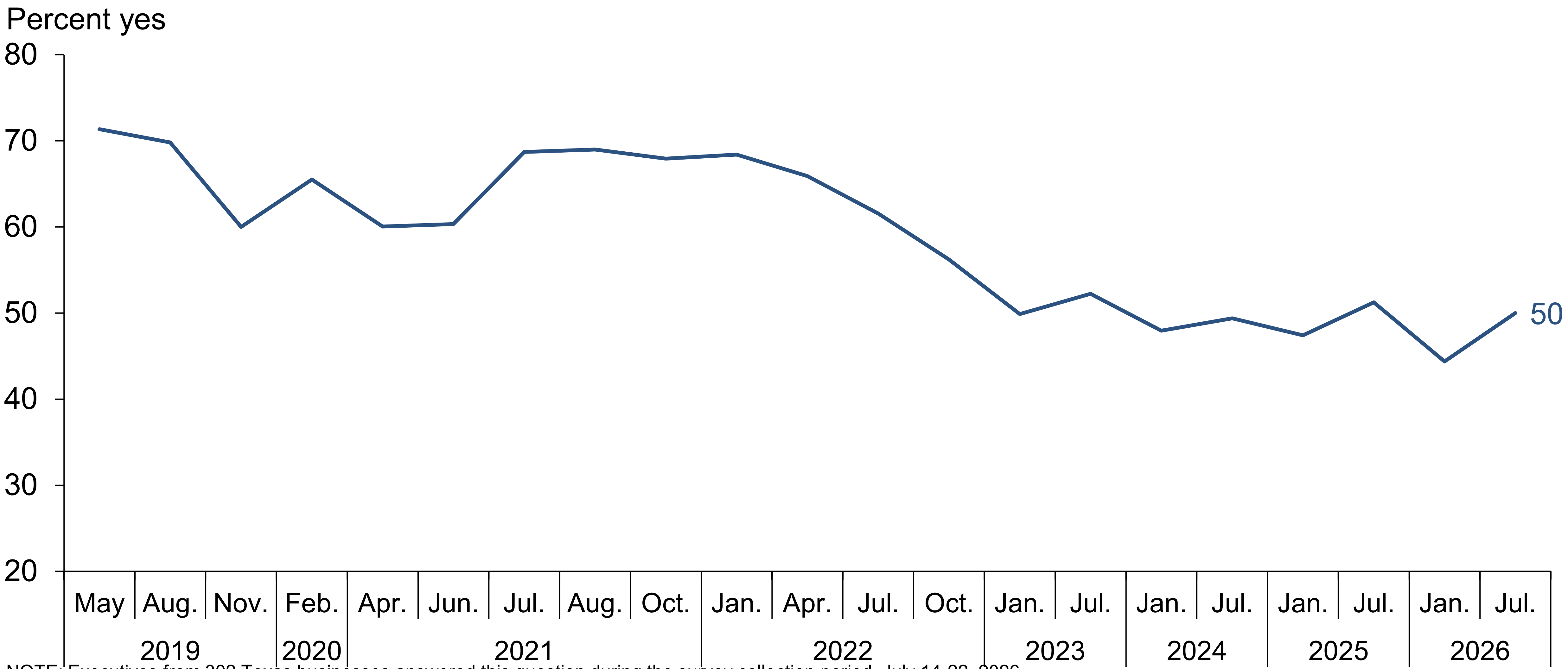
Texas CPI continues to slow in June



*Seasonally adjusted.
NOTE: CPI data through June 2026.
SOURCE: Bureau of Labor Statistics.

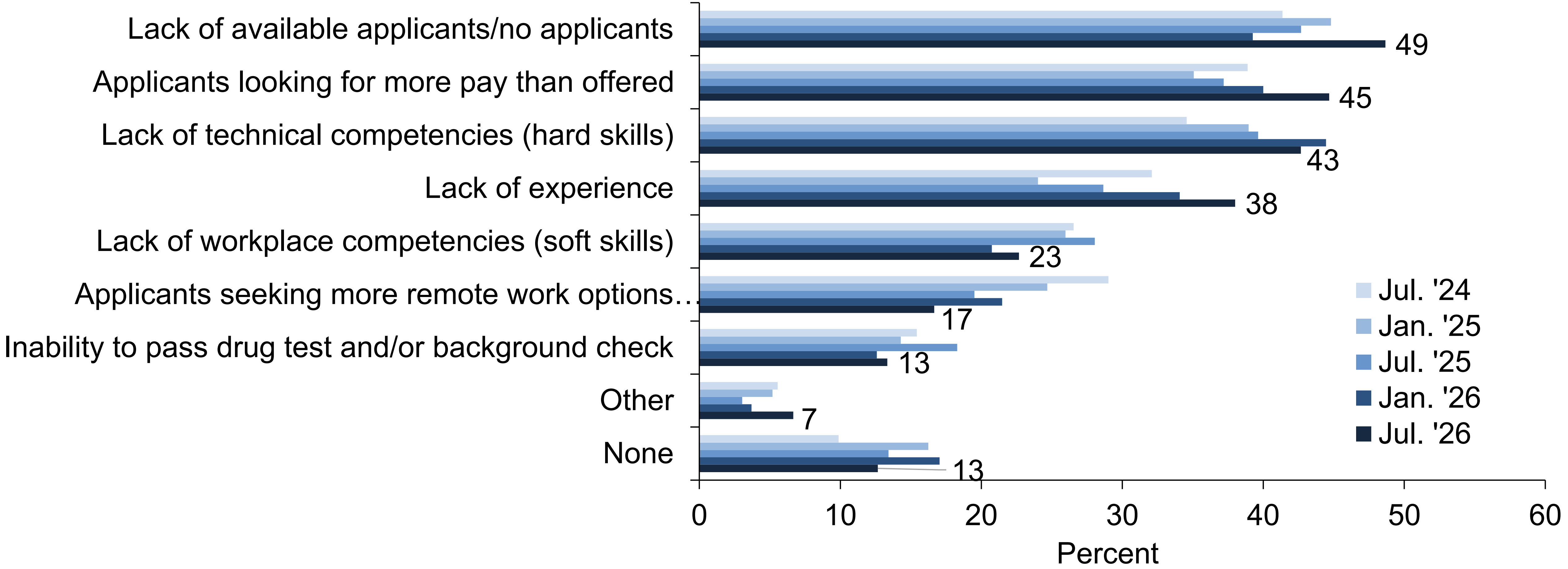
Texas Business Outlook Surveys Special Questions

Half of TBOS firms are currently trying to hire



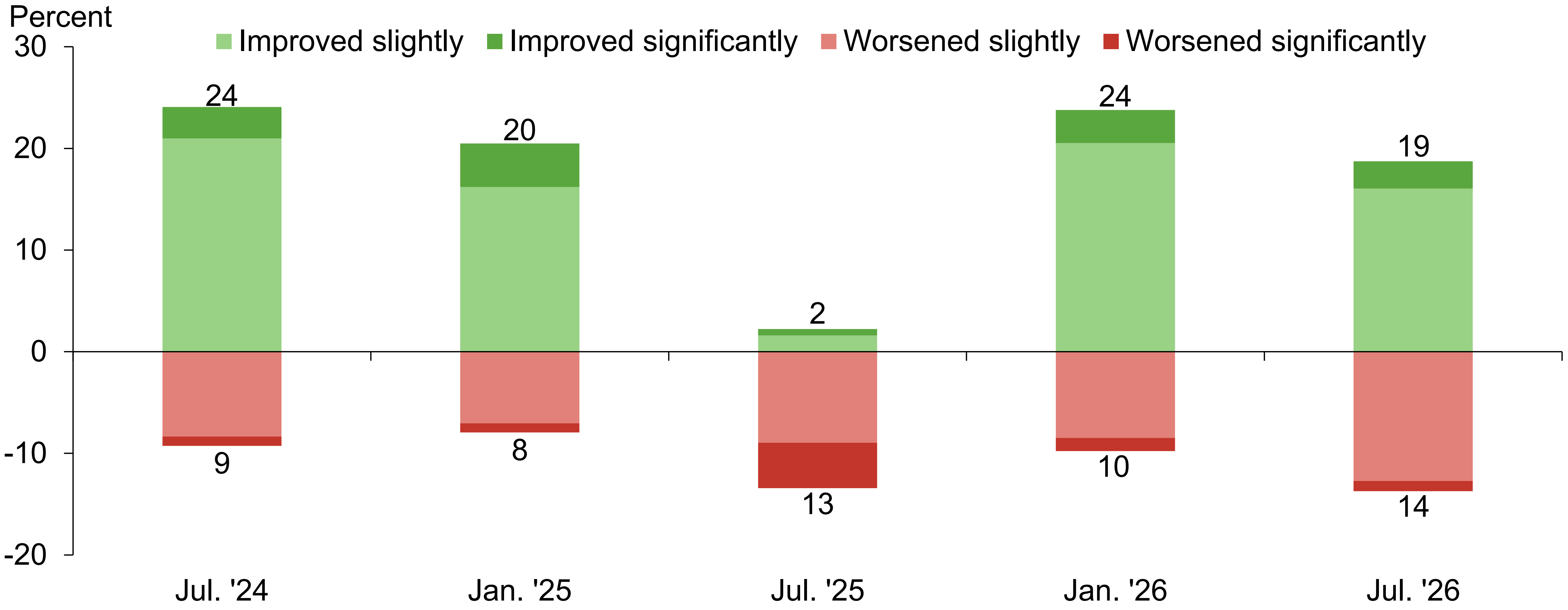
NOTE: Executives from 302 Texas businesses answered this question during the survey collection period, July 14-22, 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Applicant shortages and calls for more pay than offered are the top impediments to hiring



NOTES: Executives from 150 Texas businesses answered this question during the survey collection period, July 14-22, 2026. This question was only posed to those currently trying to hire workers.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Worker retention has become easier, but fewer firms are reporting improvements in retention compared to the start of the year



NOTES: Executives from 299 Texas businesses answered this question during the survey collection period, July 14-22, 2026. Prior to Jul. '25, the question asked about the change over the past month. Share reporting no change not shown.

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

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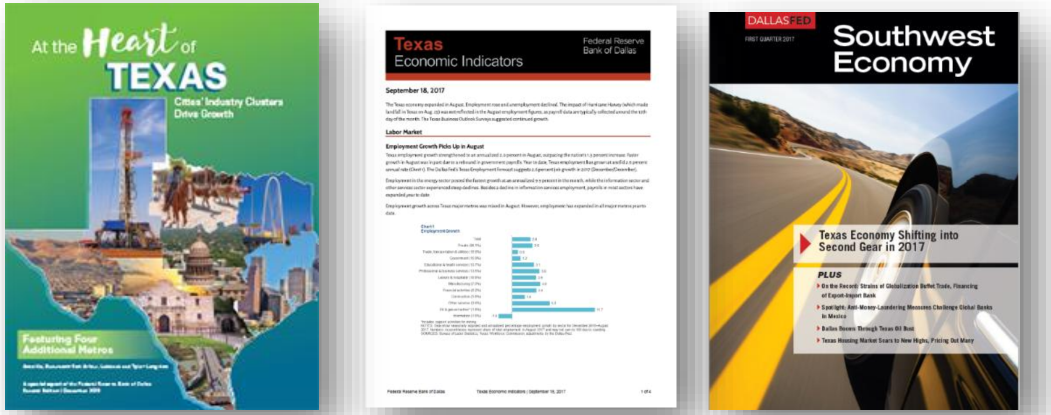

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