Federal Reserve Bank of Dallas

Texas Economic Performance and Outlook

(August 2026)

“Employment rose in August”

Laila Assanie, Luis Torres, and Jackie Balanovsky

Federal Reserve Bank of Dallas

9/18/2026

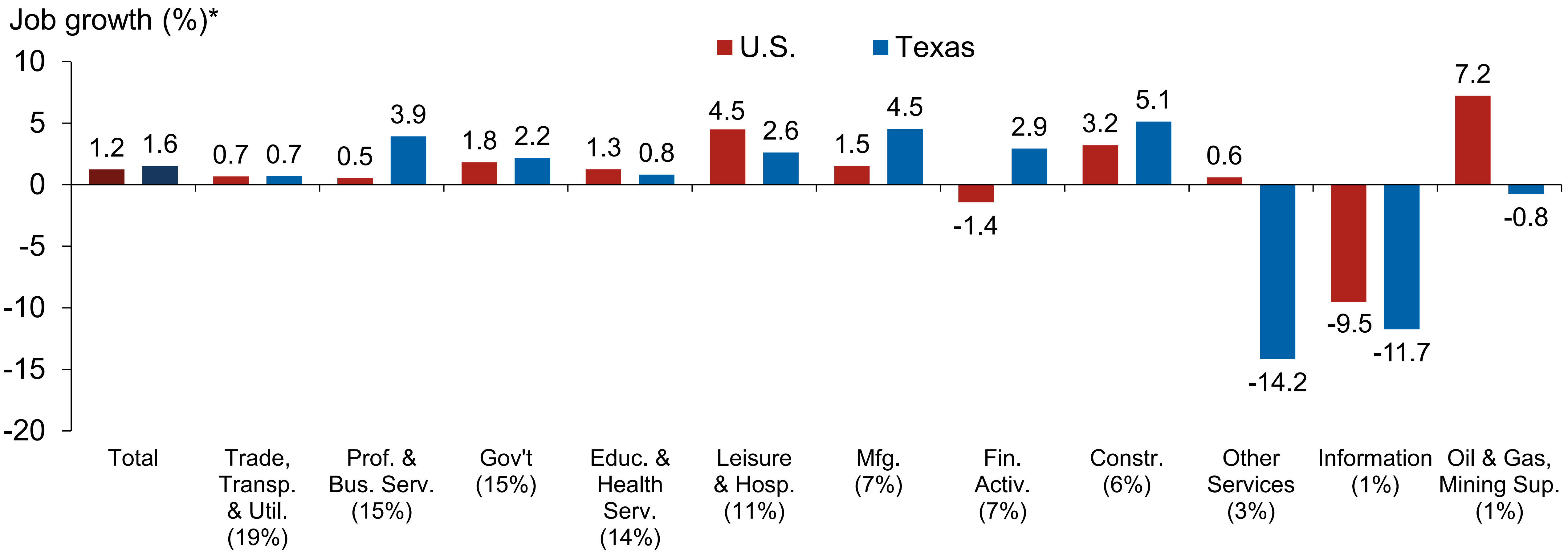
Data requests can be addressed to Jackie Balanovsky at Jackie.Balanovsky@dal.frb.org.

What’s New: Headcounts rise in August

- Texas employment increased 1.6% in August. July’s employment growth remained unchanged at -0.1 percent
  - U.S. employment increased by 1.2% in August
- The Dallas Fed’s Texas Employment Forecast indicates jobs will increase by 1.2% in 2026
- Texas unemployment ticked down to 4.4% in August
  - U.S. unemployment was 4.1% in August
- August Texas Business Outlook Surveys (TBOS) indicate some rising challenges in demand and profit margins
  - Demand expectations among respondents are slightly less bullish than in February
  - More firms said it’s gotten harder to pass price increases on to customers
  - Margin compression persists
  - More respondents expect increases in margins over the next six months

Overall Economic Activity

Employment increases for most sectors in August; declines in smaller sectors



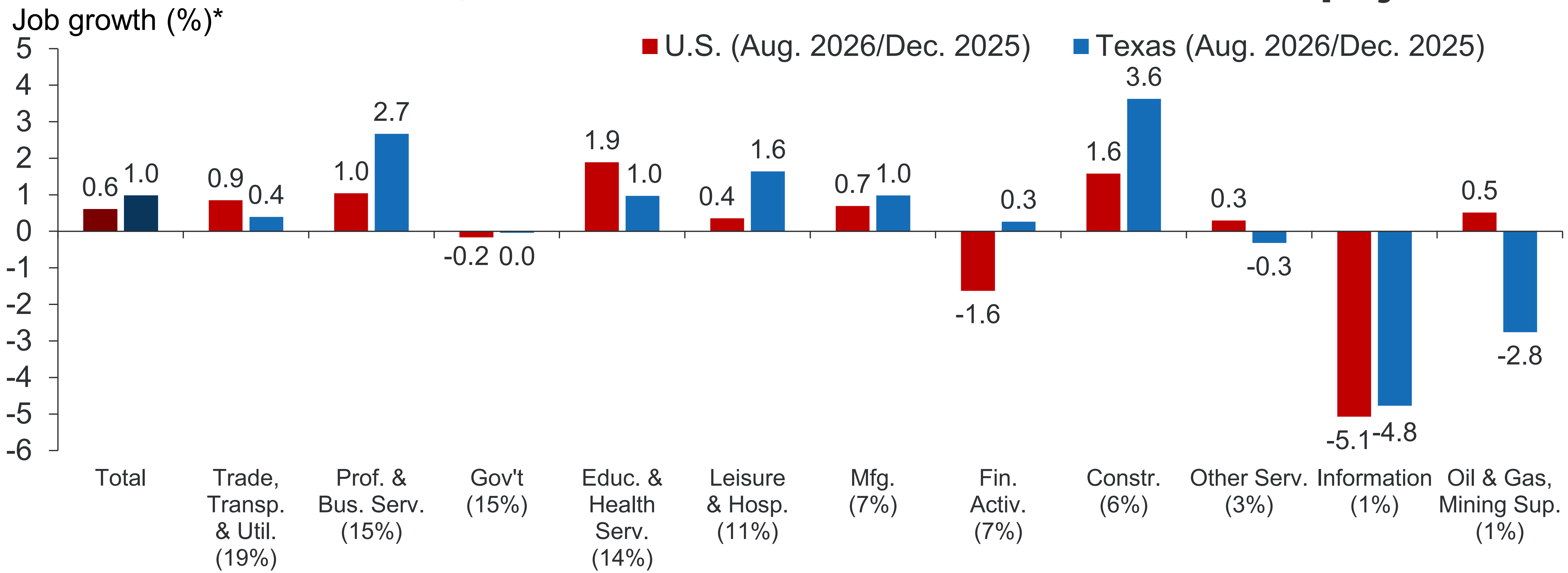
*Seasonally adjusted, annualized rate.

NOTES: Data are August. ‘26/July. ‘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. , construction and leisure and hosp. jobs



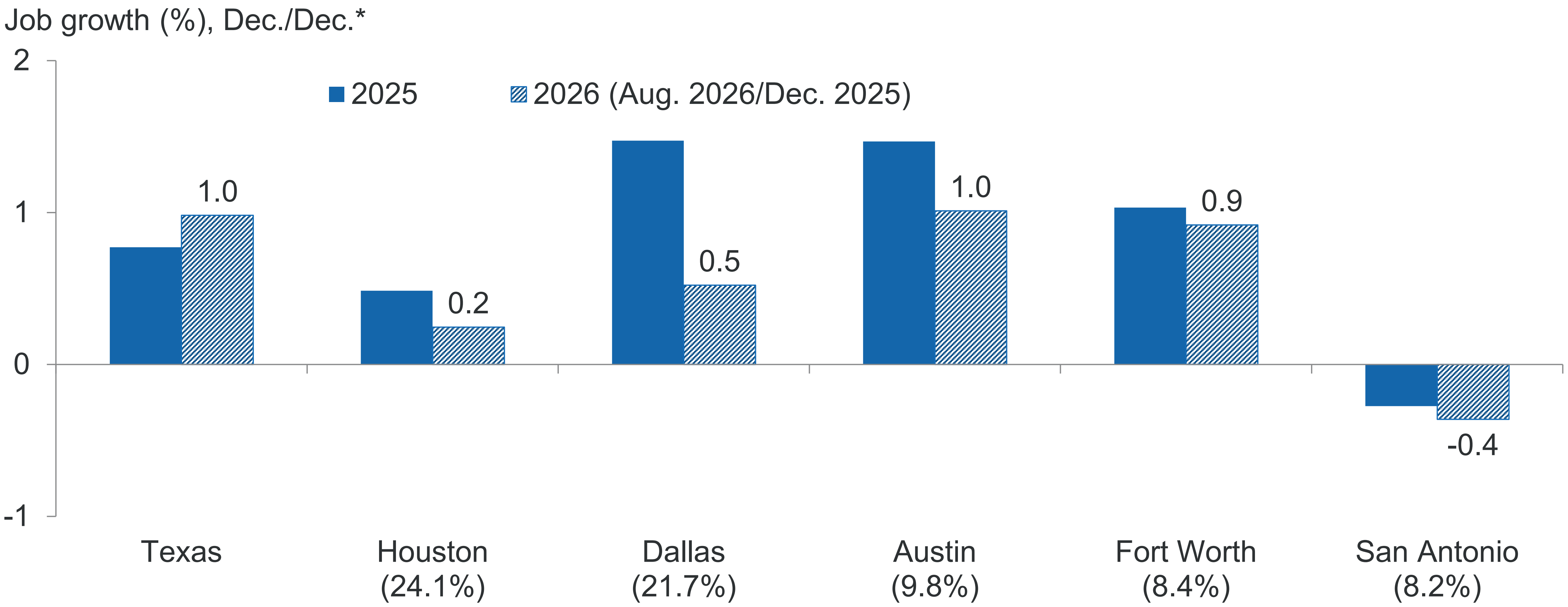
*Seasonally adjusted, annualized rate.

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

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

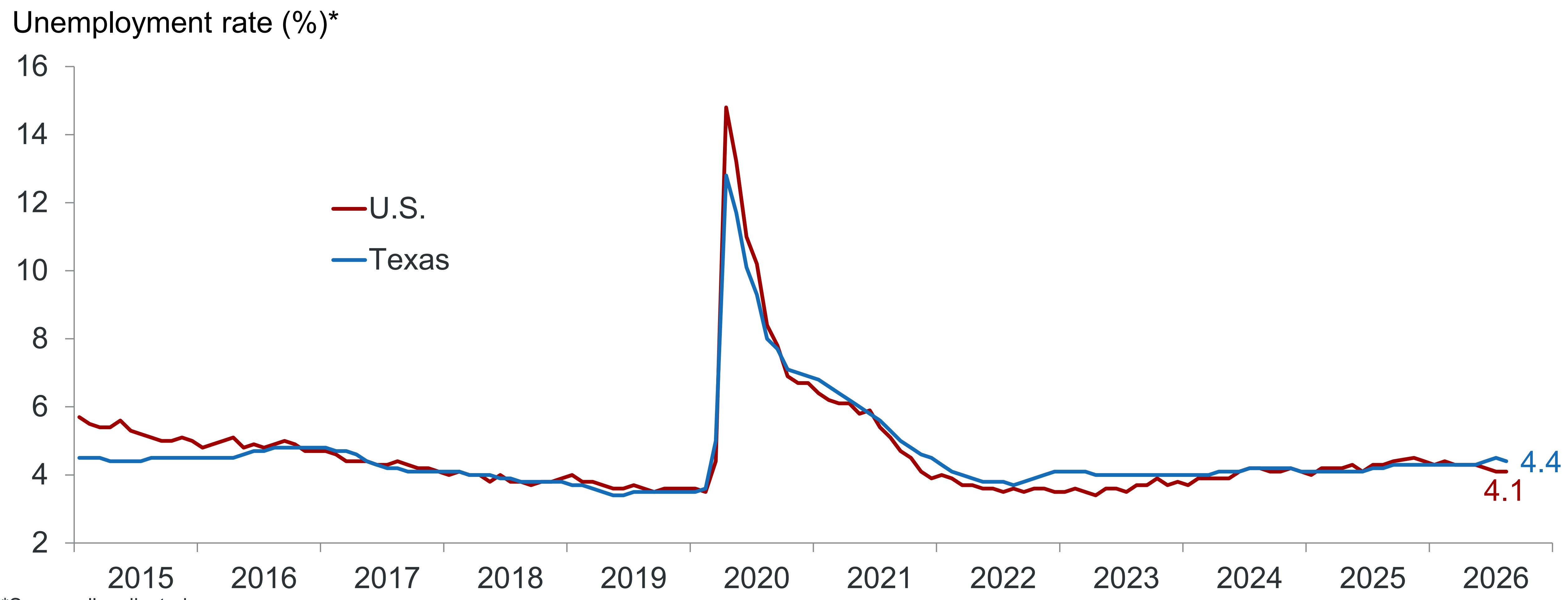
DATA: Texas Employment by Industry - Dallasfed.org

2026 job growth lags last year's increases in major metros



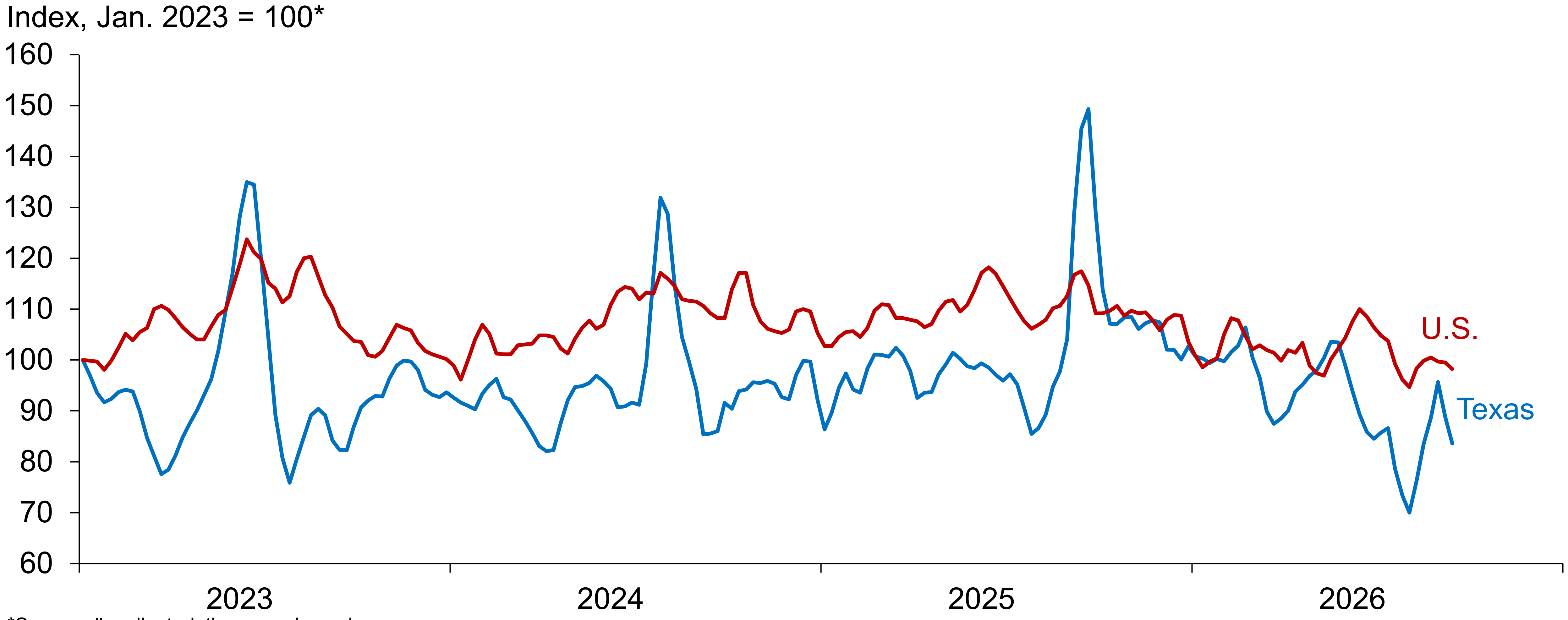
*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of state employment for August 2026.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.
DATA: Texas Employment Data - Dallasfed.org

Texas unemployment declines



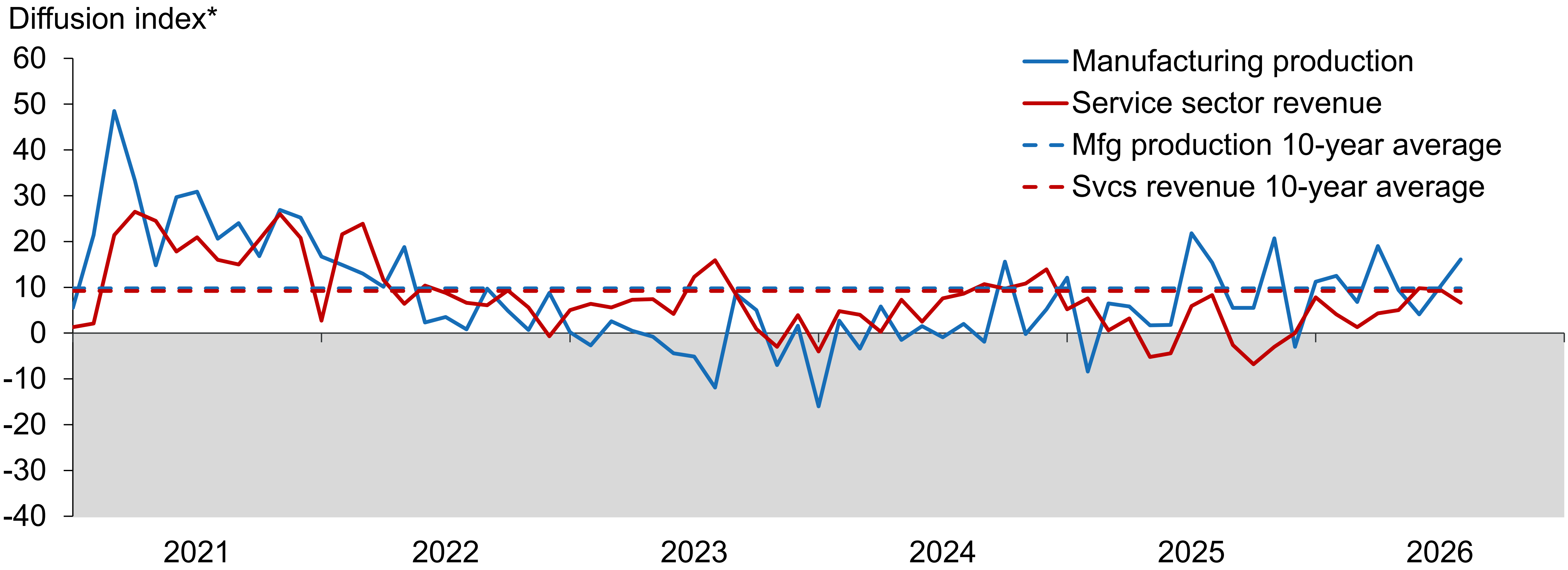
*Seasonally adjusted.
NOTE: Data are through August 2026.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.
DATA: Texas Employment by Industry - Dallasfed.org

Texas initial unemployment claims fall alongside the nation in recent weeks



*Seasonally adjusted, three-week moving average.
NOTE: Data are through the week ending September 12th, 2026.
SOURCE: Department of Labor.

TBOS points to economic activity growth in August



*Seasonally adjusted.

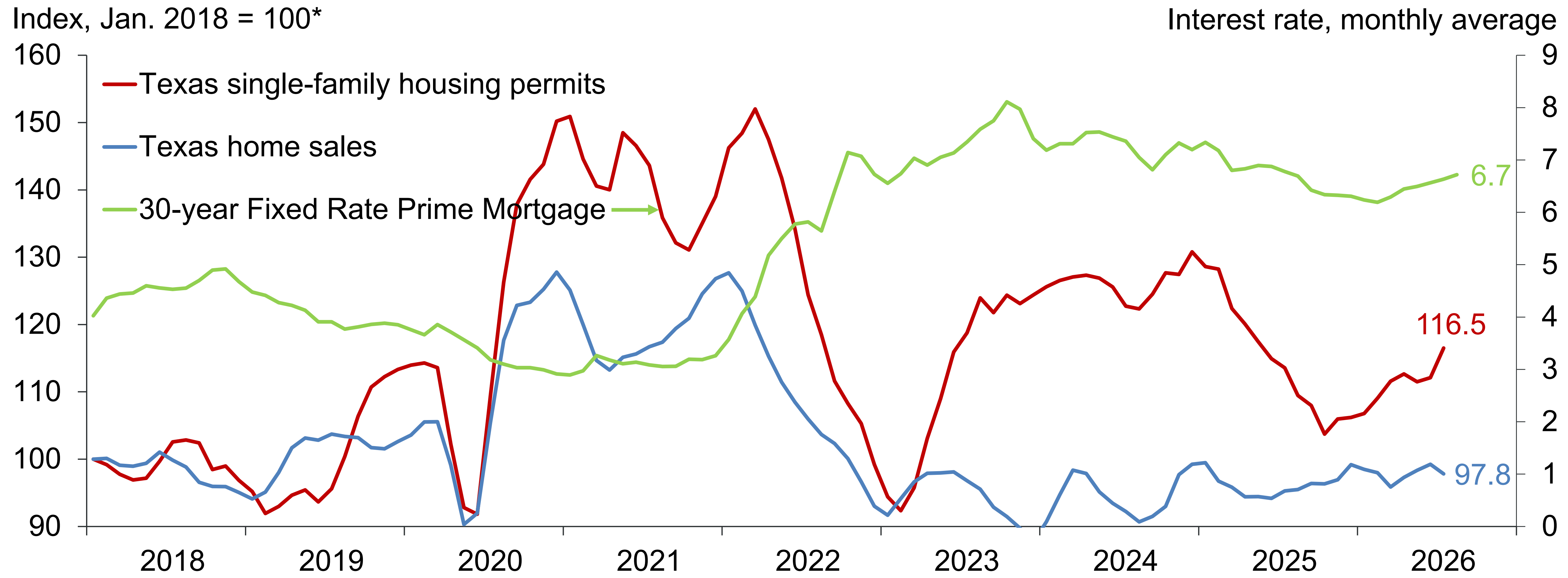
NOTES: Data are through August 2026. Shaded area represents contractionary territory.

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 tick up, sales decline

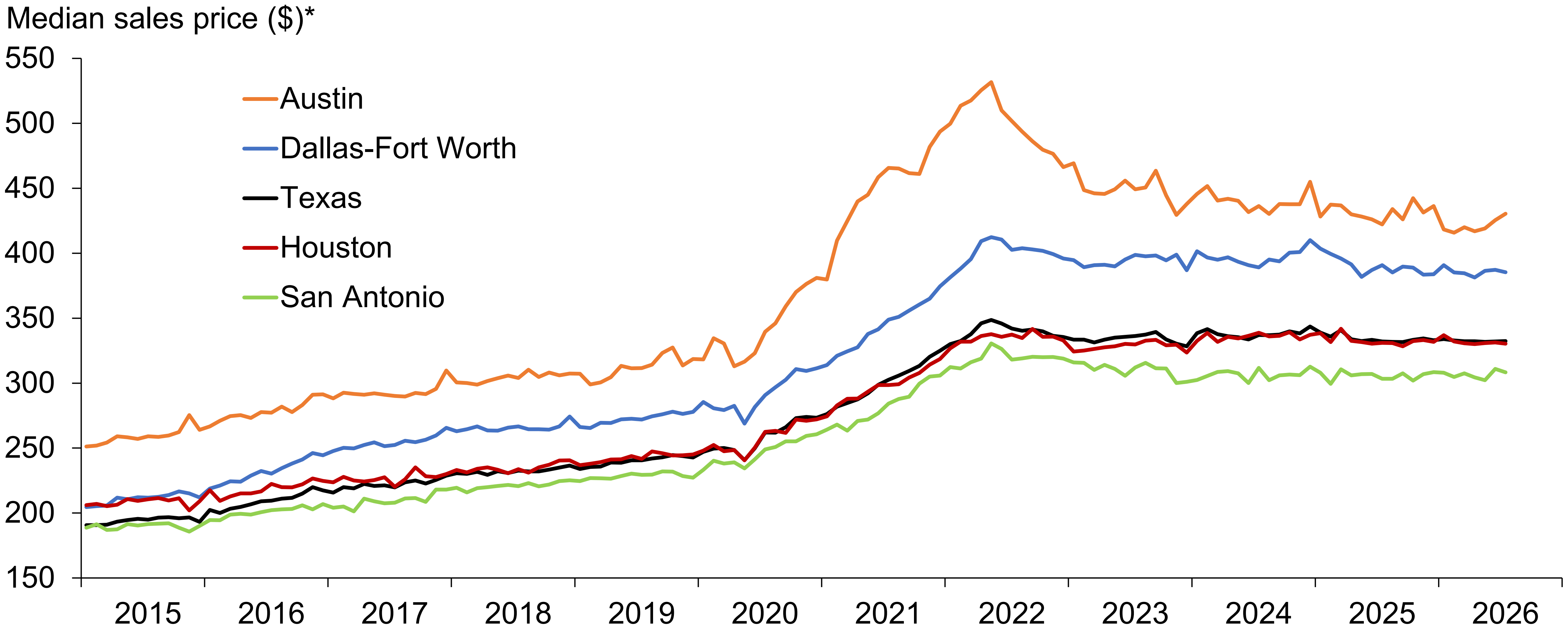


*Seasonally adjusted, three-month moving average.

NOTES: Permits and home sale data are through July 2026; mortgage rates data are through August 2026.

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

Texas median home prices stable in July

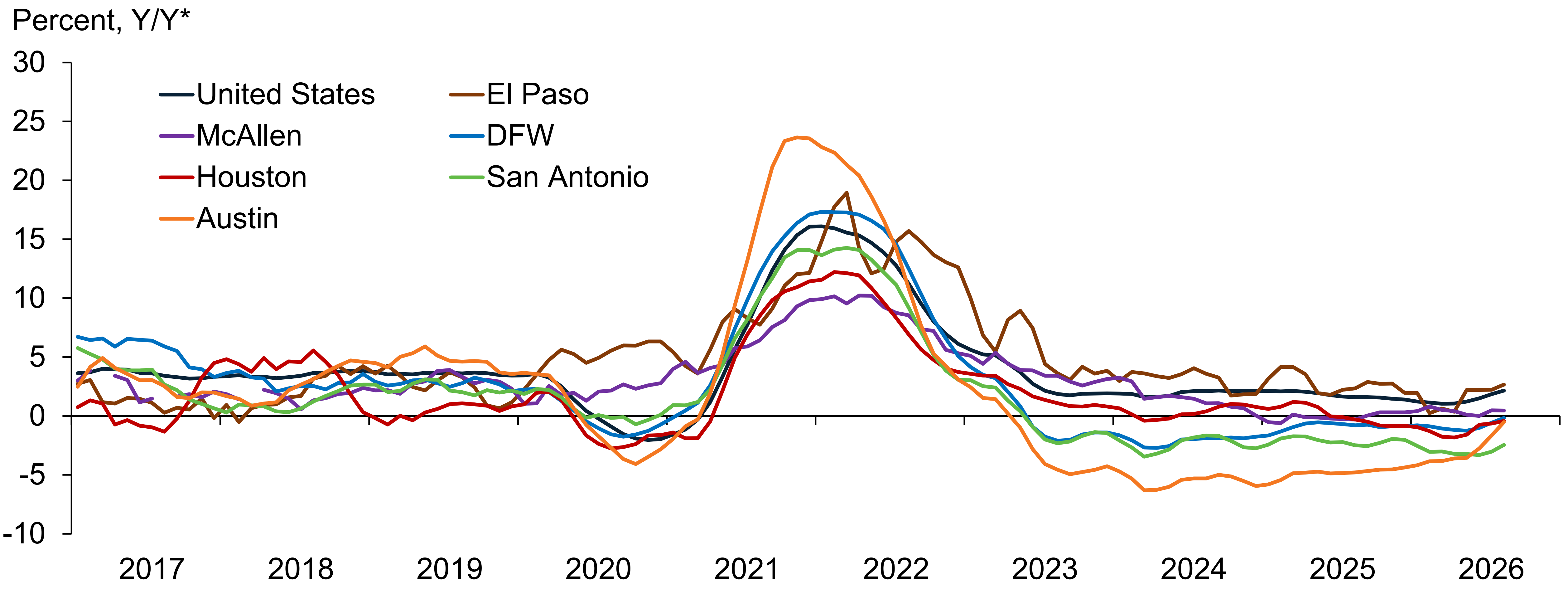


*Seasonally adjusted.

NOTES: Data are monthly through July 2026.

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

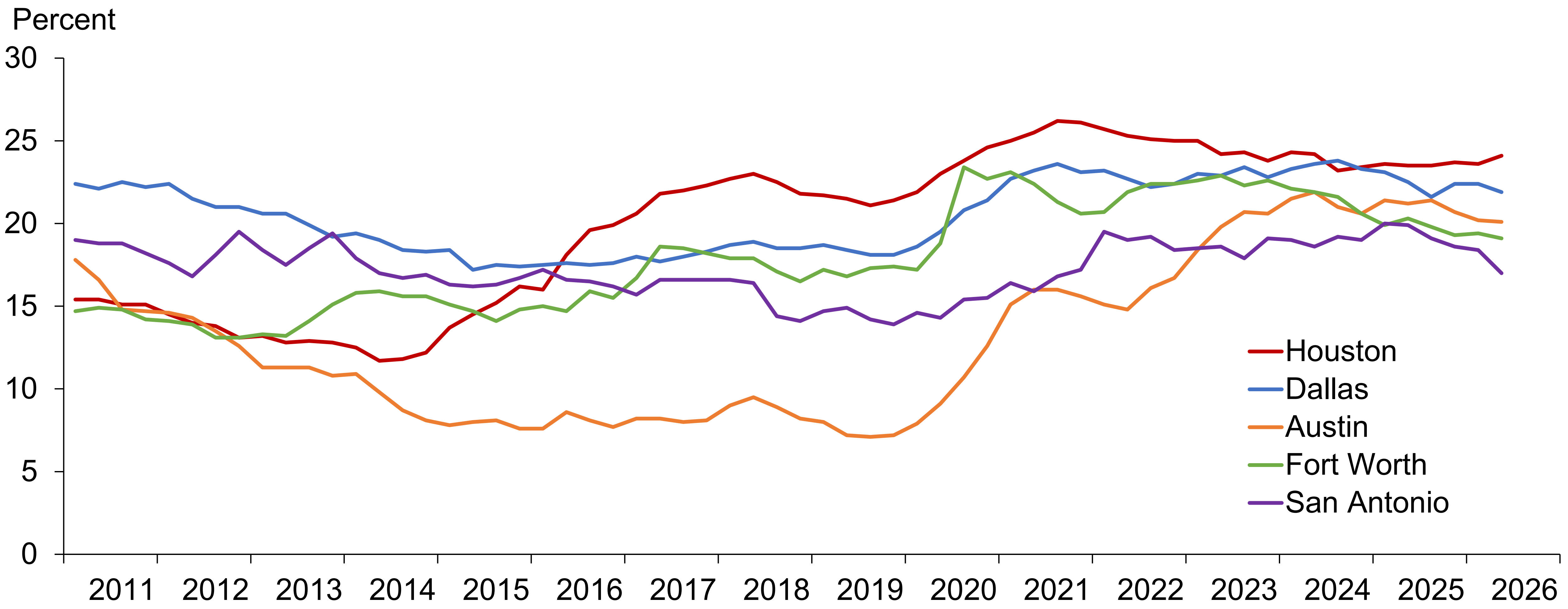
Apartment rents flat to up in most Texas major metros



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

Office vacancy rates tick up in Houston, down elsewhere

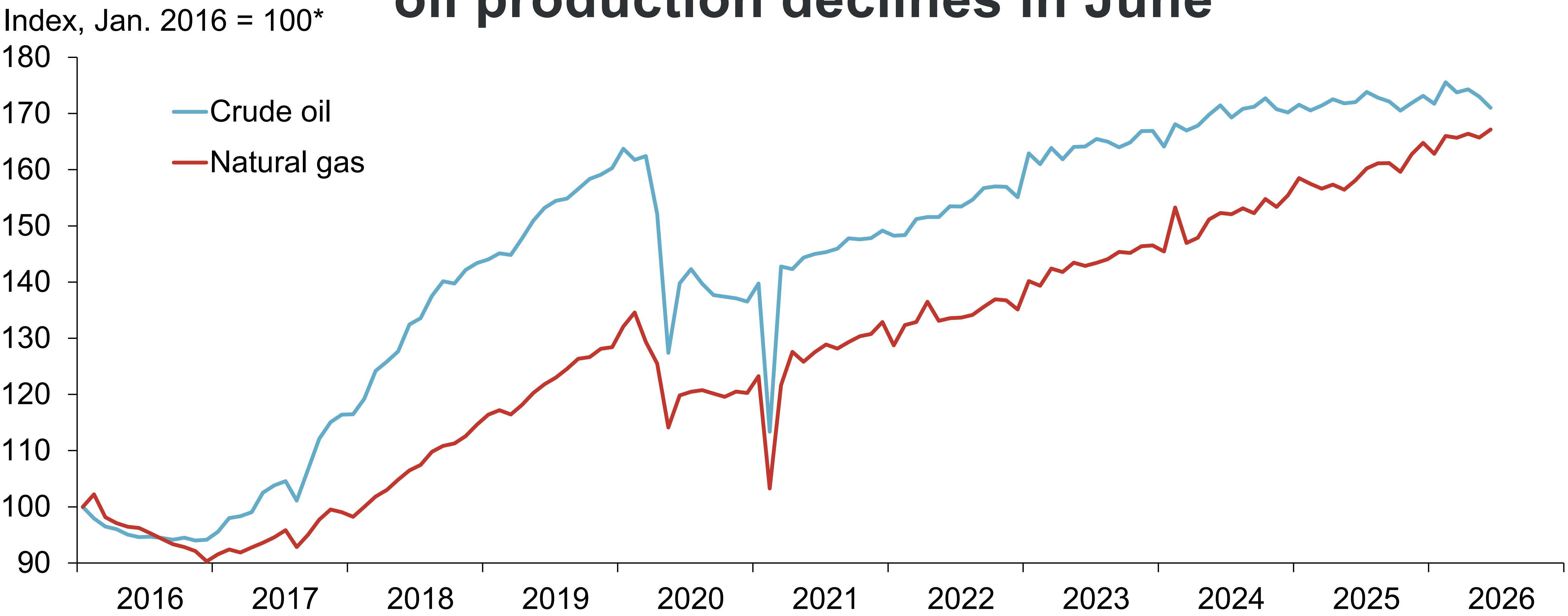
(Q2 2026)



NOTE: Data are quarterly through Q2 2026.

SOURCE: CBRE Econometric Advisors.

Texas natural gas production increases, oil production declines in June

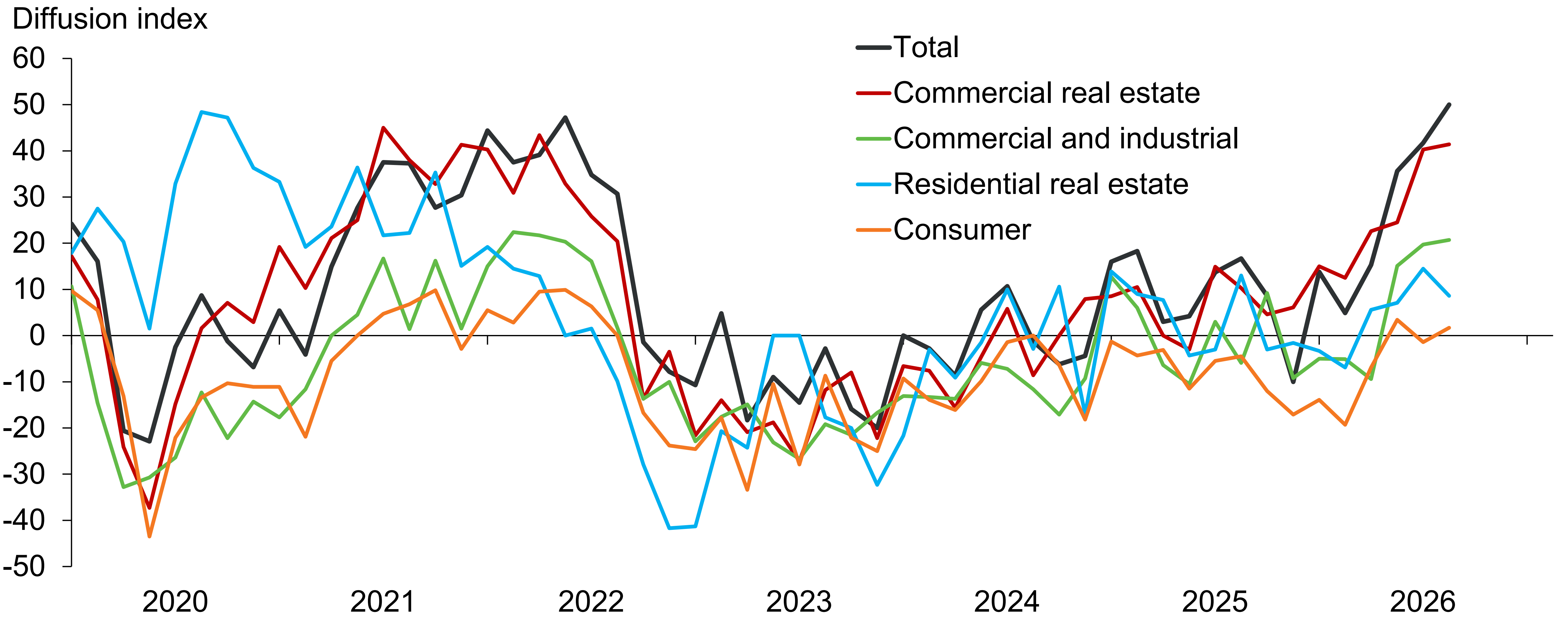


*Seasonally adjusted.

NOTES: Shown are crude oil and natural gas marketed production through June 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.

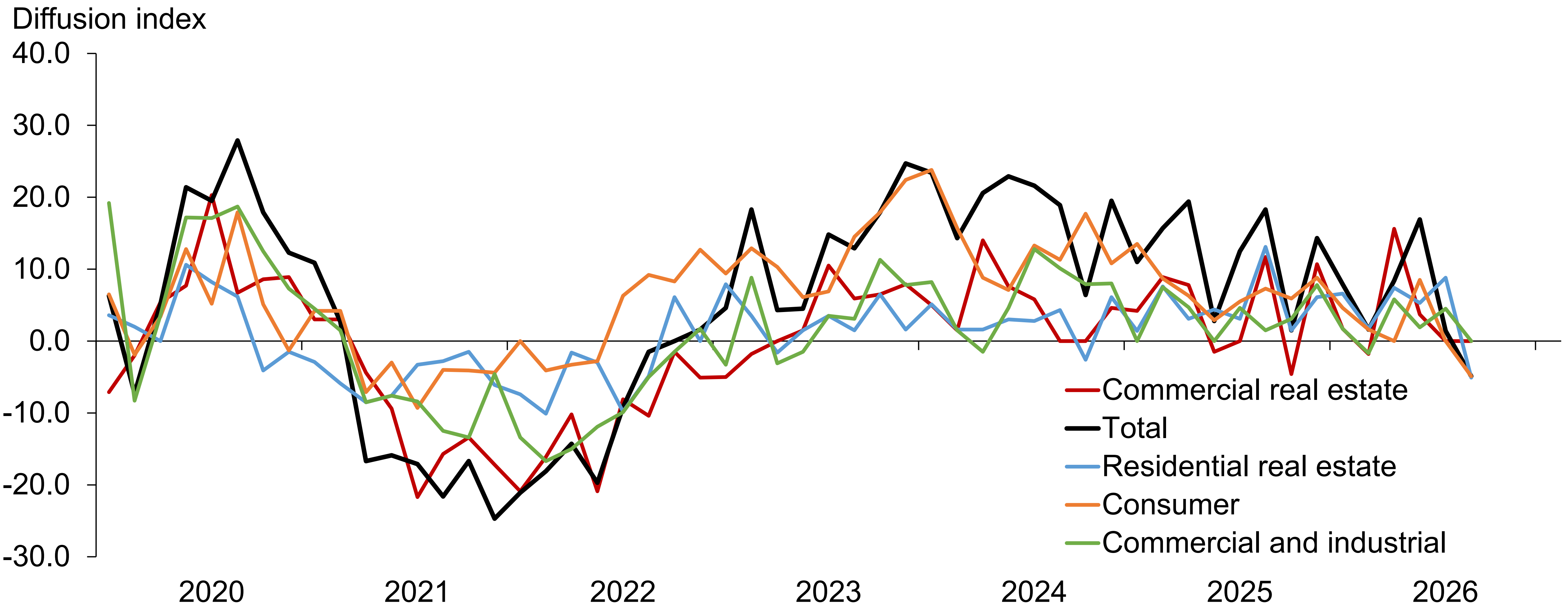
Total loan volumes expand in August 2026
(11th District banks)



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

Total nonperforming loan volumes decline in August

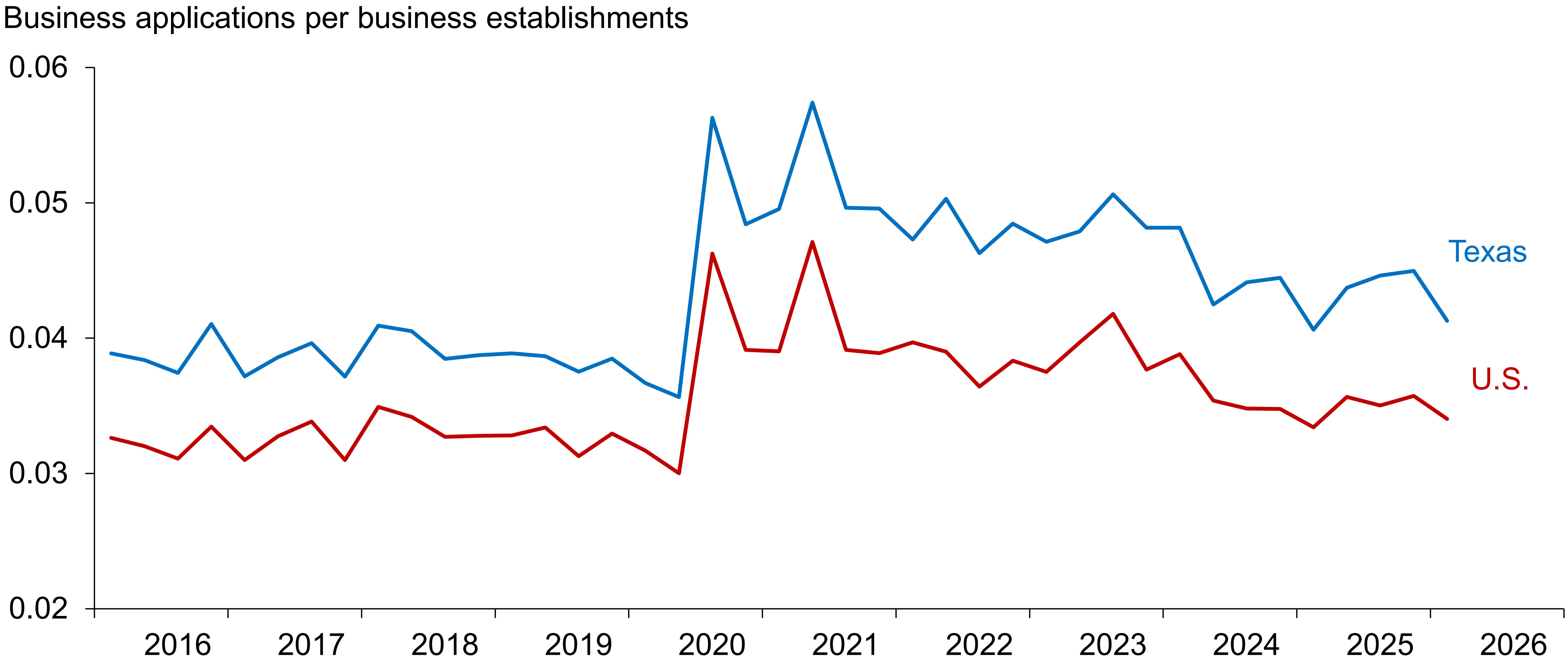
(11th District banks)



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

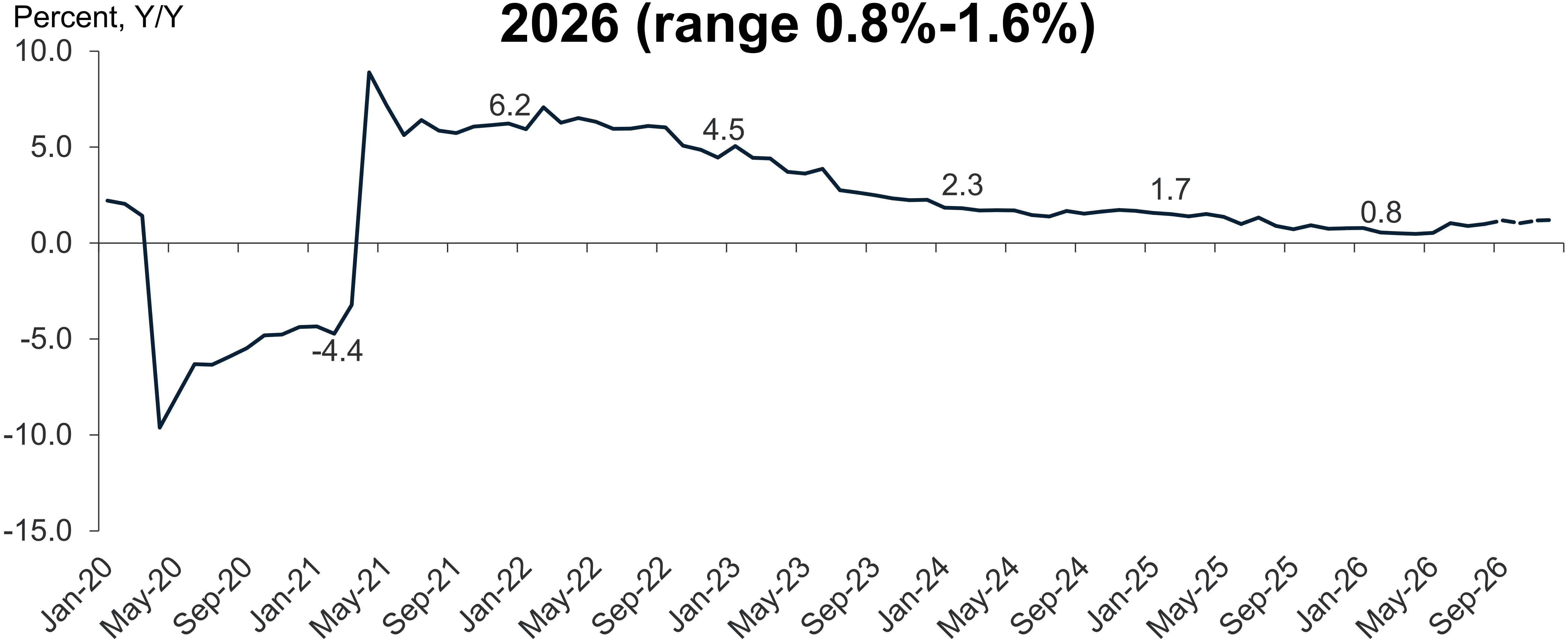
Outlook

Rate of business formation declined in Q1 2026



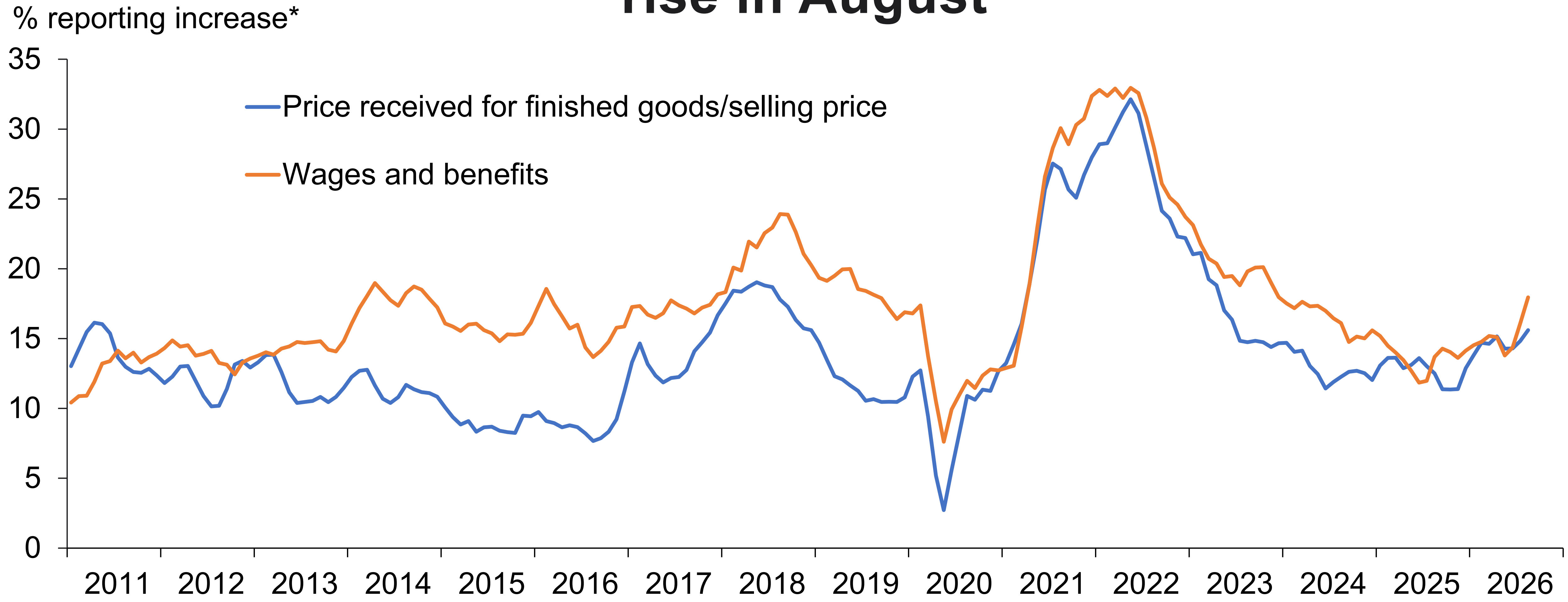
NOTES: Data are quarterly through Q1 2026. Business applications data are missing for the first week of January 2021.
SOURCE: U.S. Census Bureau.

The Texas employment forecast indicates 1.2% growth in 2026 (range 0.8%-1.6%)



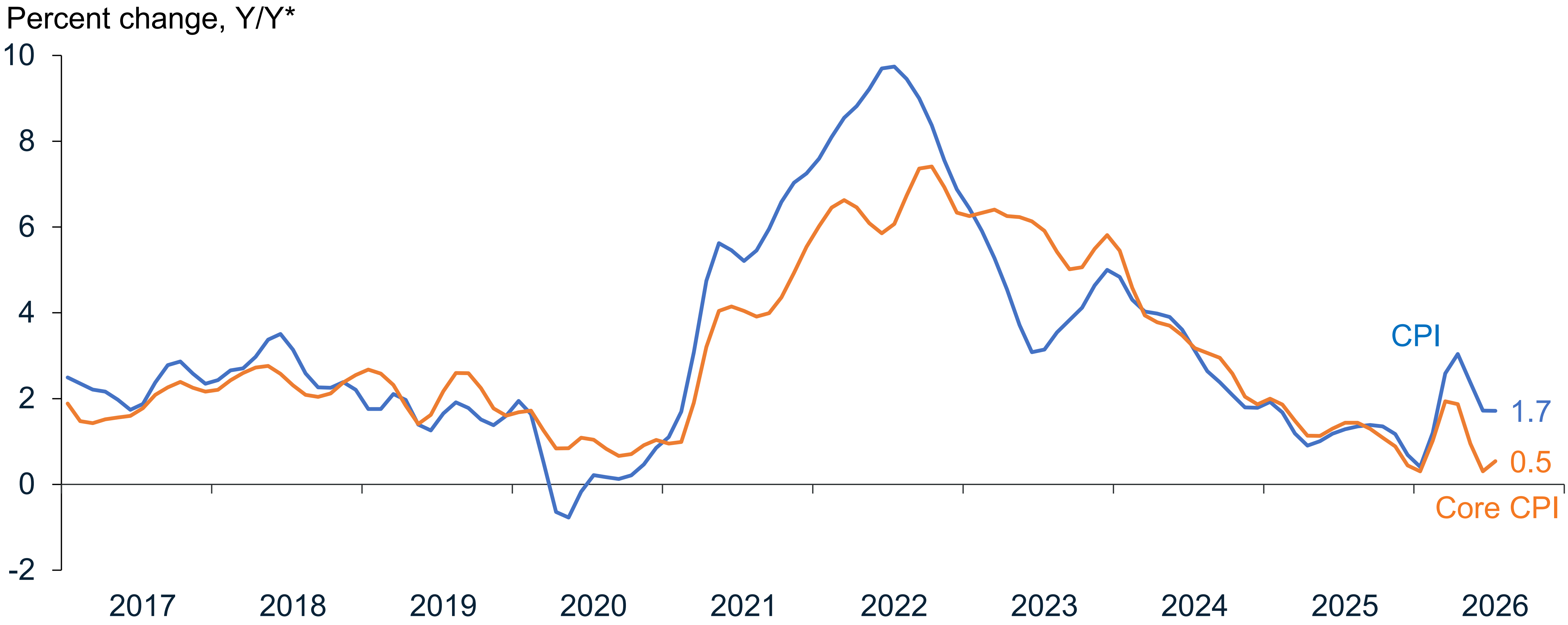
NOTE: The Dallas Fed Texas Employment Forecast is based on the average of four models. Three models are VARs where Texas payroll employment is regressed on WTI oil prices, the US leading index and the Texas leading index, respectively. The fourth model is a regression of payroll employment on lags of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



*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 August 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Texas Core CPI ticks up in July

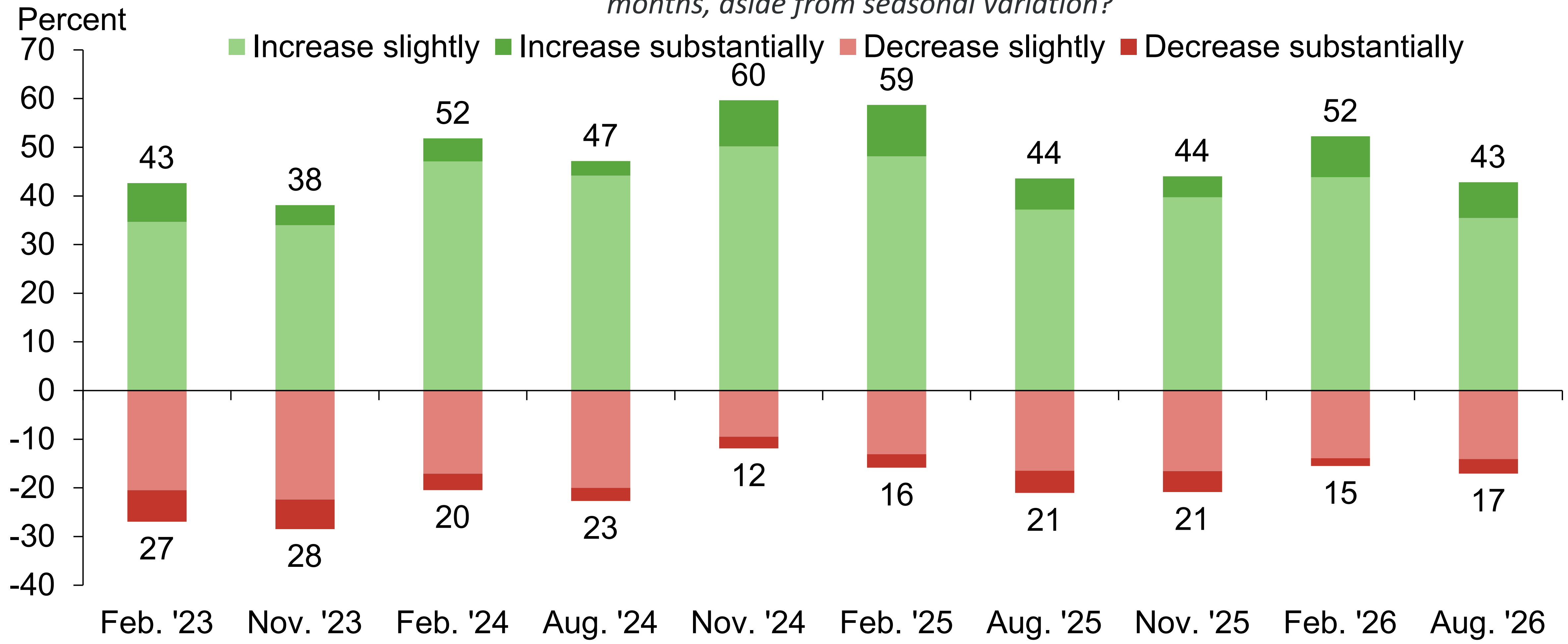


*Seasonally adjusted.
NOTE: CPI data through June 2026.
SOURCE: Bureau of Labor Statistics.

Texas Business Outlook Surveys Special Questions

Demand expectations among Texas businesses are slightly less bullish than in February.

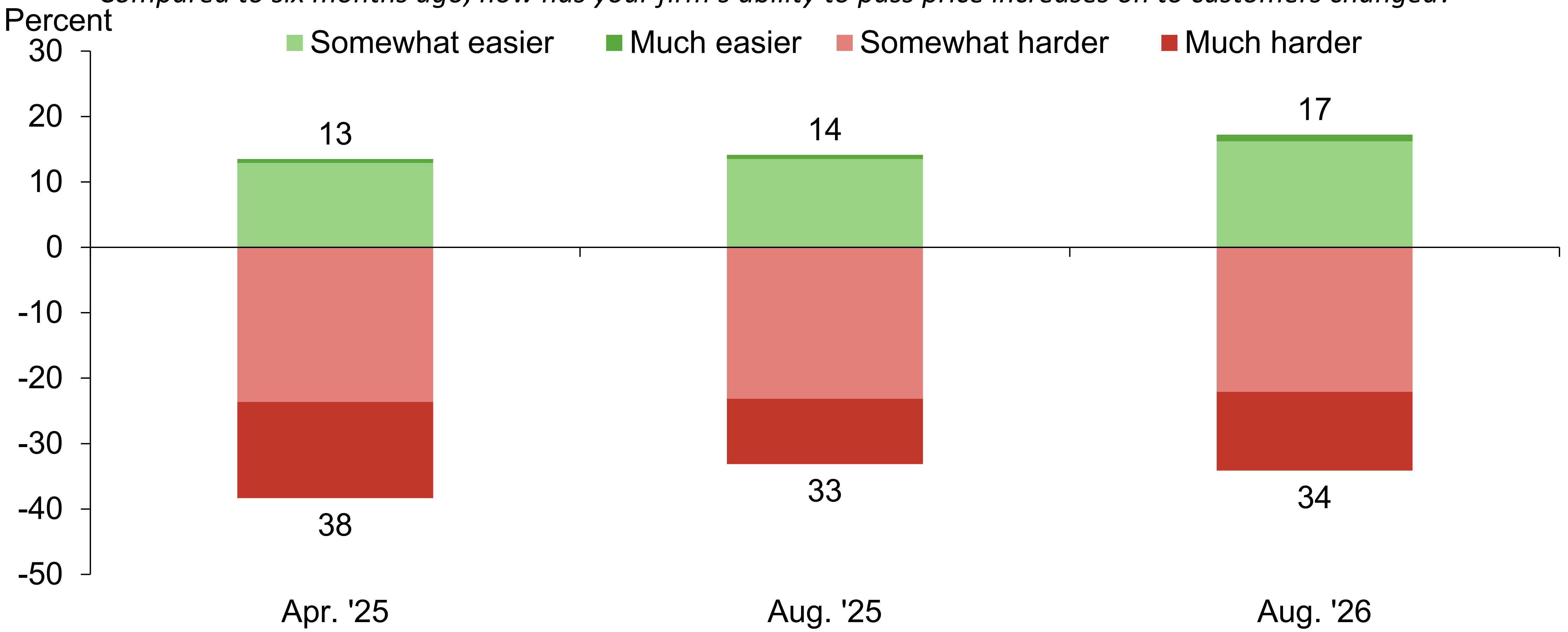
How do you expect demand for your firm's goods and/or services over the next six months to compare with the past six months, aside from seasonal variation?



NOTE: Executives from 299 Texas businesses answered this question during the survey collection period, August 18-26, 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Pricing power has declined on net over the past six months

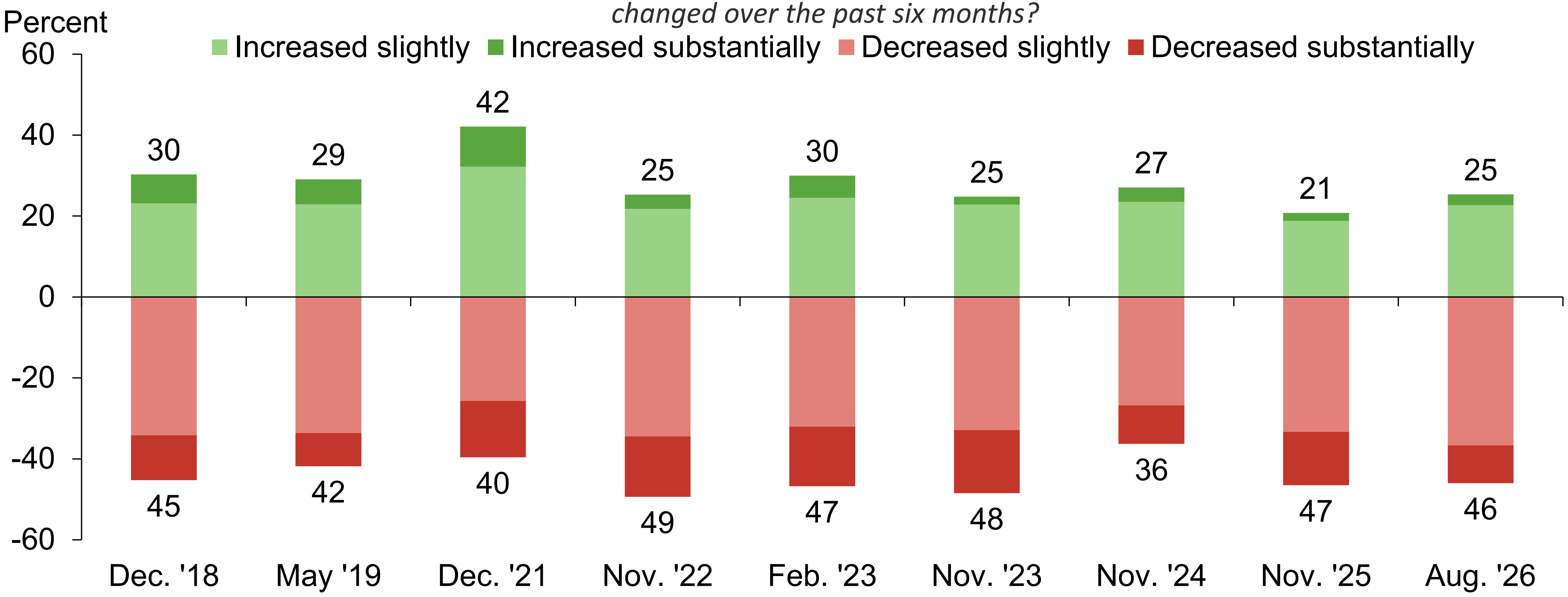
Compared to six months ago, how has your firm's ability to pass price increases on to customers changed?



NOTES: Executives from 290 Texas businesses answered this question during the survey collection period, August 18-26, 2026. Prior to Aug. '26, the question asked compared to three months ago.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Margin compression continues on net

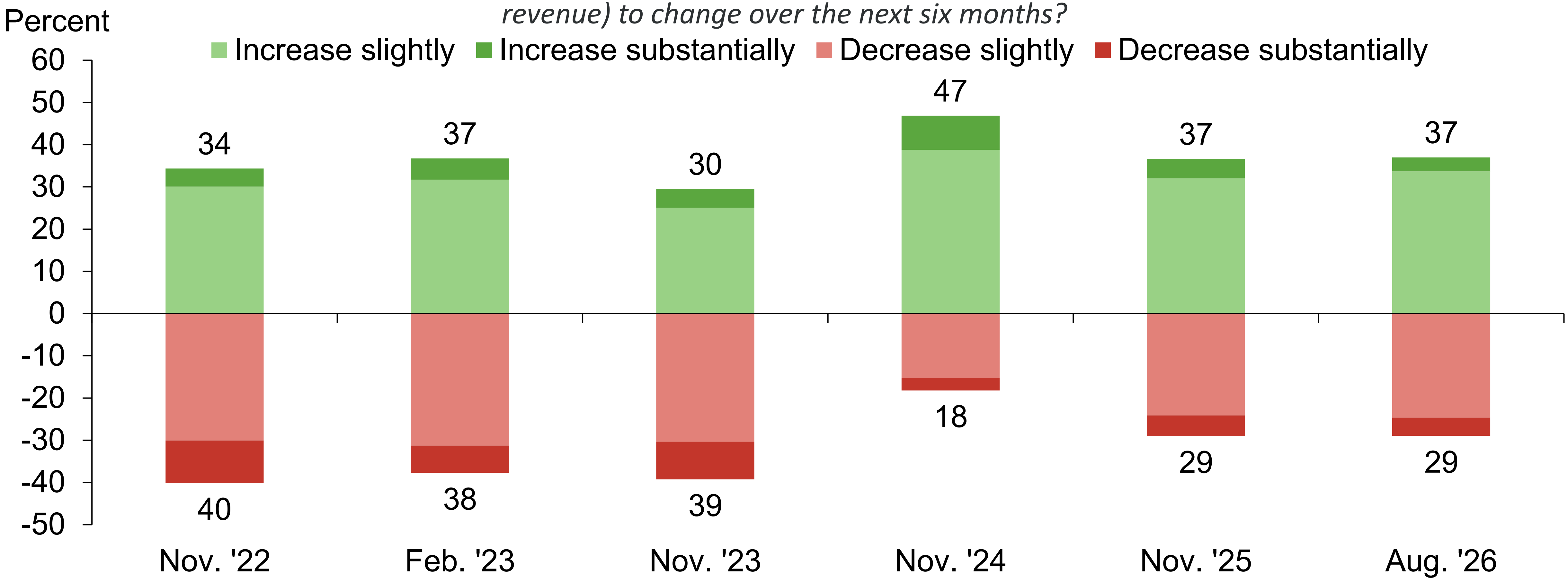
How has your firm's operating margin (defined as earnings before interest and taxes, or EBIT, as a share of total revenue) changed over the past six months?



NOTE: Executives from 300 Texas businesses answered this question during the survey collection period, August 18-26, 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

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

How do you expect your firm's operating margin (defined as earnings before interest and taxes, or EBIT, as a share of total revenue) to change over the next six months?



NOTE: Executives from 300 Texas businesses answered this question during the survey collection period, August 18-26, 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Thank you!
Please visit dallasfed.org for more information

[Dallas Fed Economics](#)

[Texas Economic Indicators](#)

[Texas Business Outlook Surveys](#)

[Southwest Economy](#)

[Special Reports](#)

[Texas Employment Forecast](#)

[Weekly Economic Index](#)

Dallas Fed Publications