Federal Reserve Bank of Dallas

# Texas Economic Performance and Outlook
## (September 2026)

## “Employment dips in September”

**Laila Assanie, Luis Torres, and Jackie Balanovsky**

Federal Reserve Bank of Dallas

10/19/2026

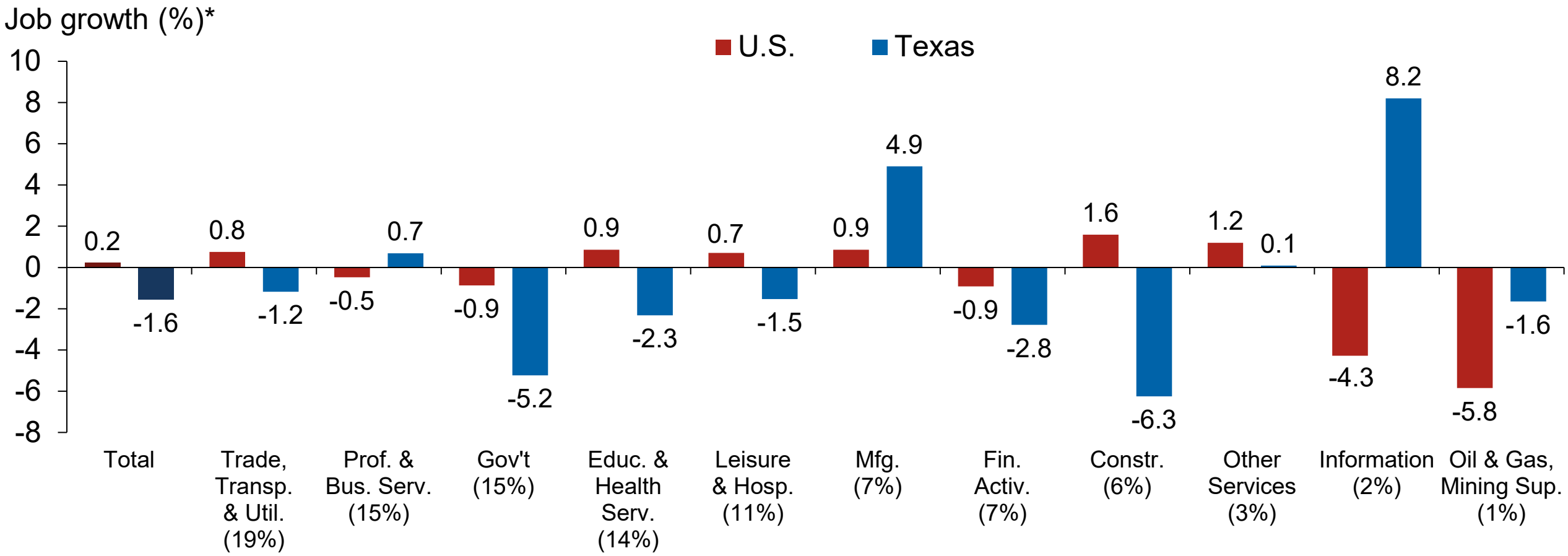
DISCLAIMER: The views expressed are the authors’ and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.
Data requests can be addressed to Jackie Balanovsky at Jackie.Balanovsky@dal.frb.org.

# What's New: Headcounts decline in September

- Texas employment decreased by 1.6% in September. August's employment growth was revised up to 2.3 percent
  - U.S. employment rose by 0.2% in September
- The Dallas Fed's Texas Employment Forecast indicates jobs will increase by 0.9% in 2026
- Texas unemployment remained at 4.4% in September
  - U.S. unemployment was 4.2% in September
- In the September Texas Business Outlook Surveys (TBOS), manufacturing activity accelerated sharply while service sector slowed
  - Input price growth accelerated, while wage and selling price growth remain steady over the past 12 months
  - Wage and price expectations for the next 12 months were up
  - Inflation and geopolitical uncertainty are top outlook concerns for firms

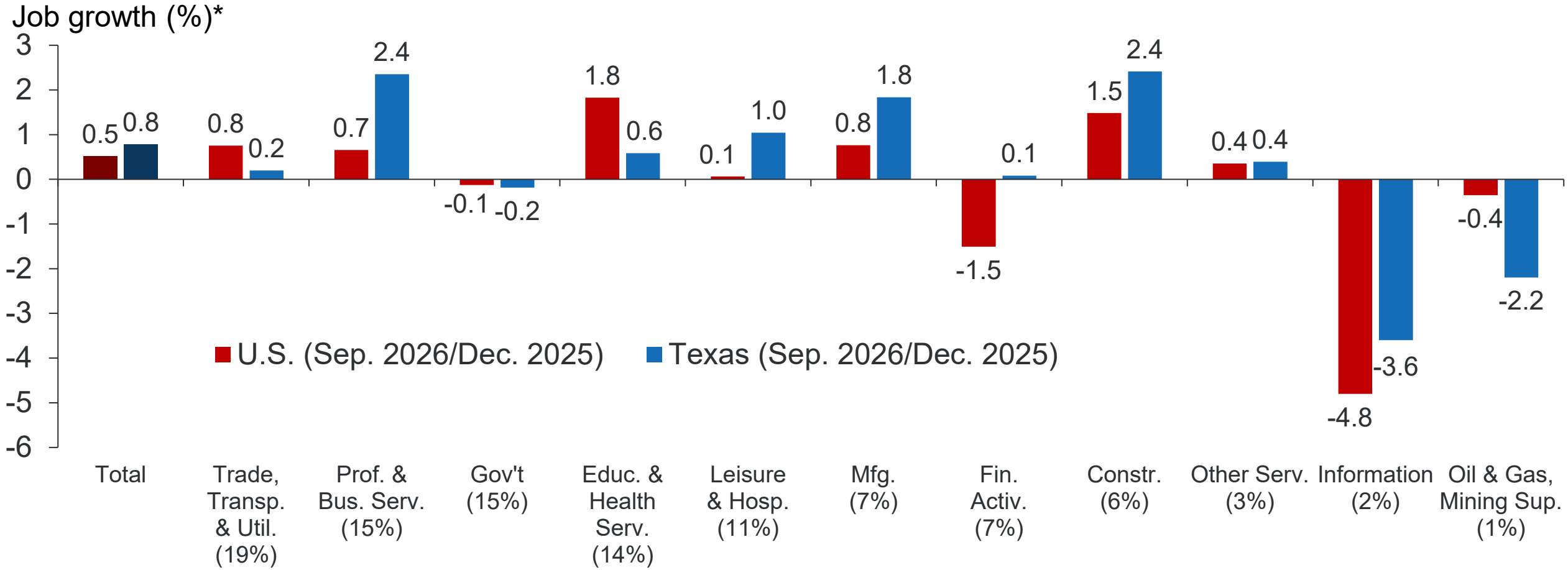
# Overall Economic Activity

# Employment declines in most sectors in September; increases in manufacturing and information




*Seasonally adjusted, annualized rate.
NOTES: Data are September. '26/August. '26 employment growth by sector. Numbers in parenthesis indicate share of total state employment in September 2026.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.
DATA: Texas Employment by Industry - Dallasfed.org

# Texas job growth YTD driven by professional and business services, construction and manufacturing



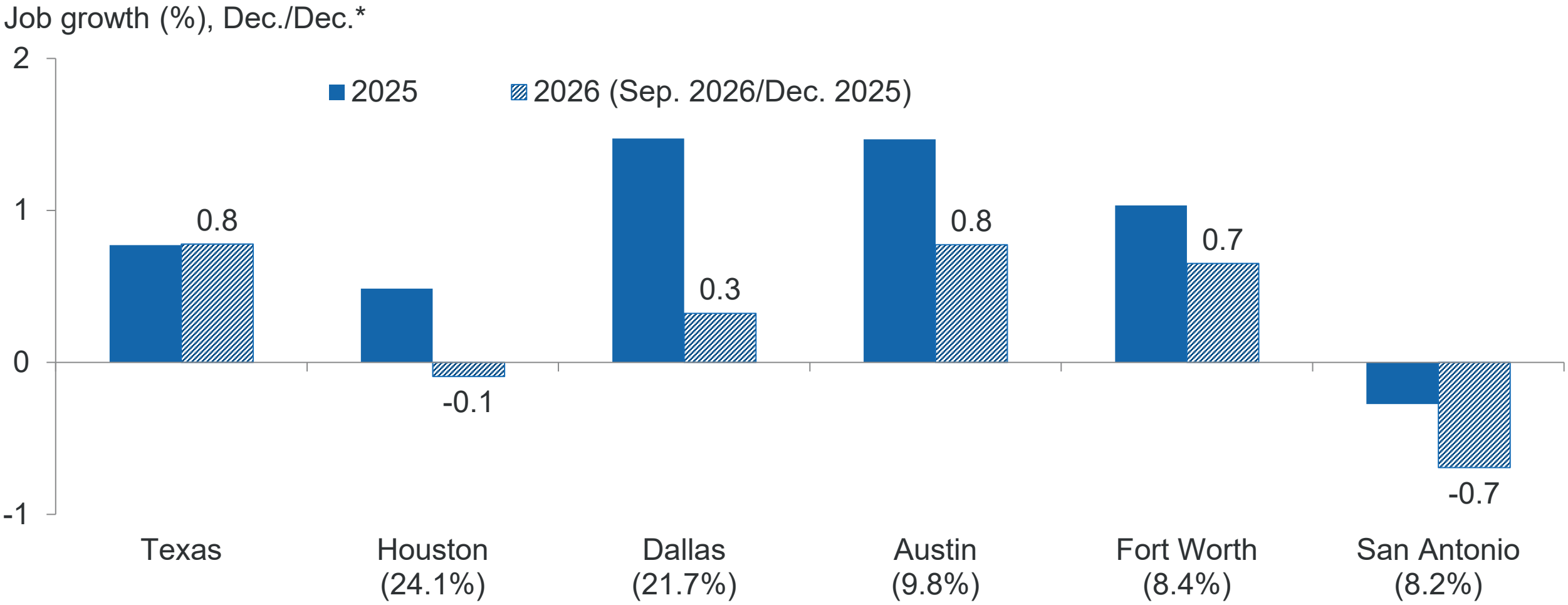

*Seasonally adjusted, annualized rate.

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

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

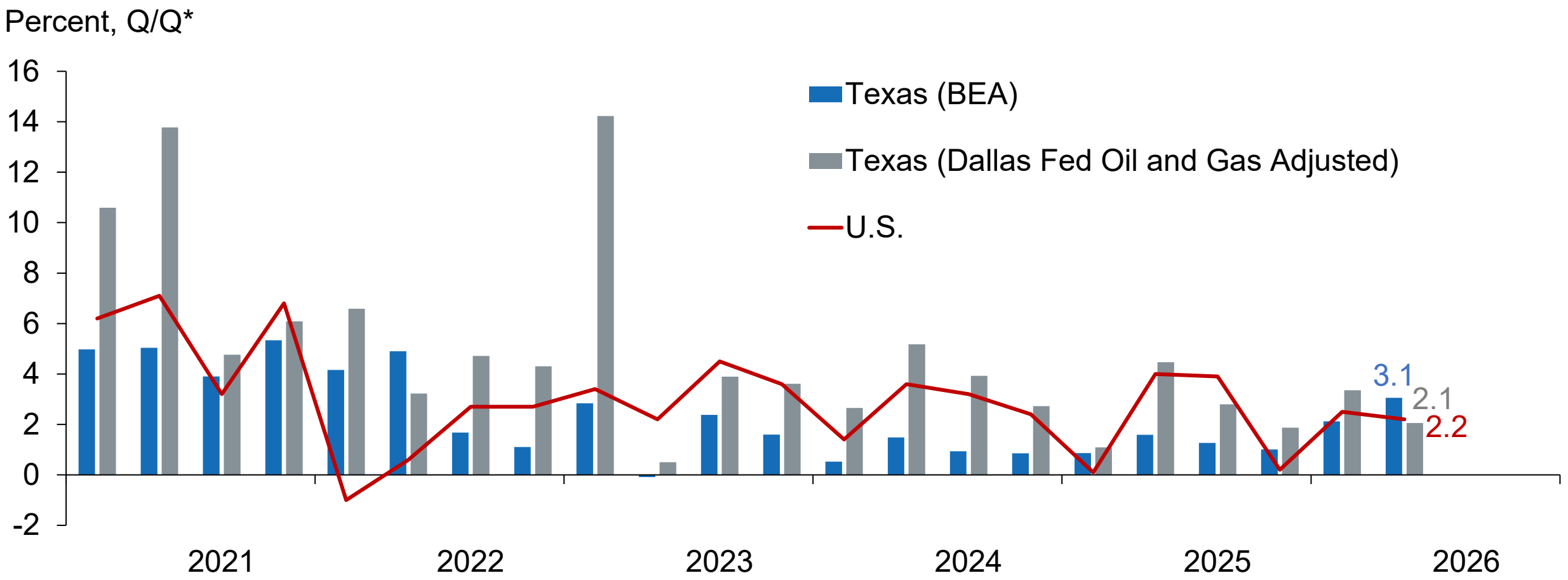
DATA: Texas Employment by Industry - Dallasfed.org

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



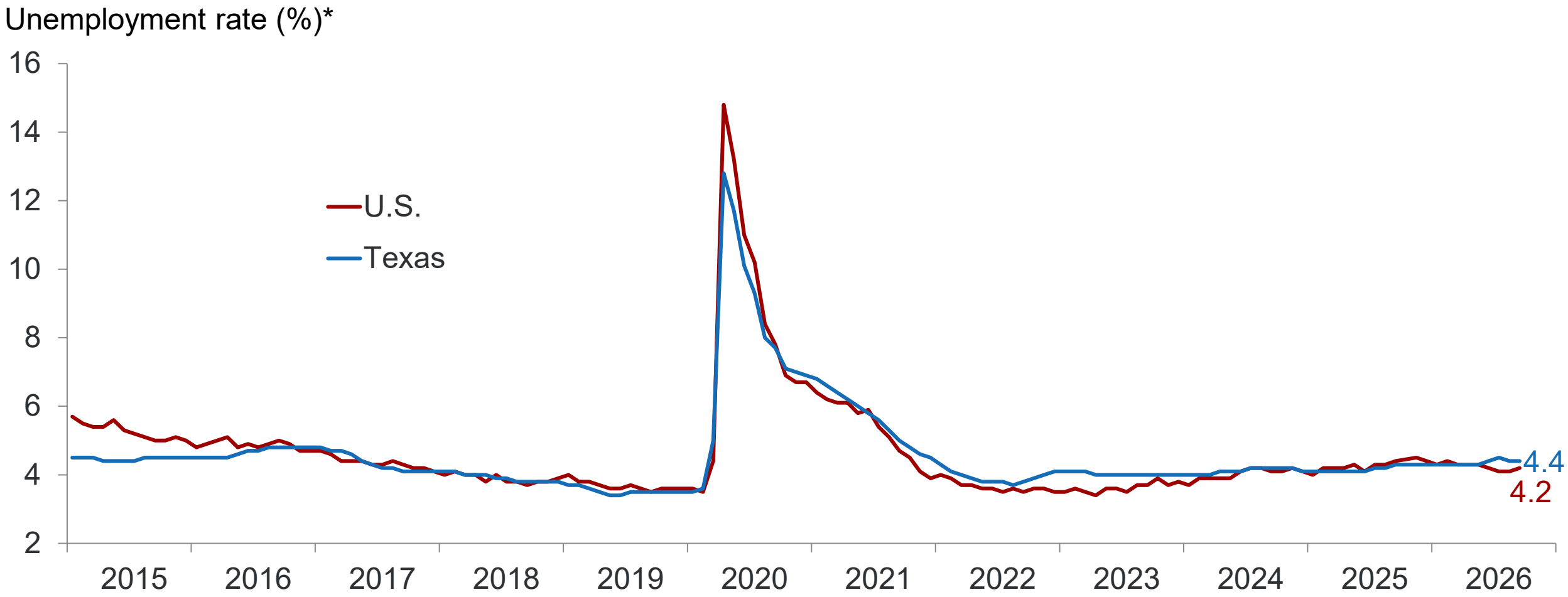

*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of state employment for September 2026.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.
DATA: Texas Employment Data - Dallasfed.org

# GDP growth remains solid in Texas and U.S.



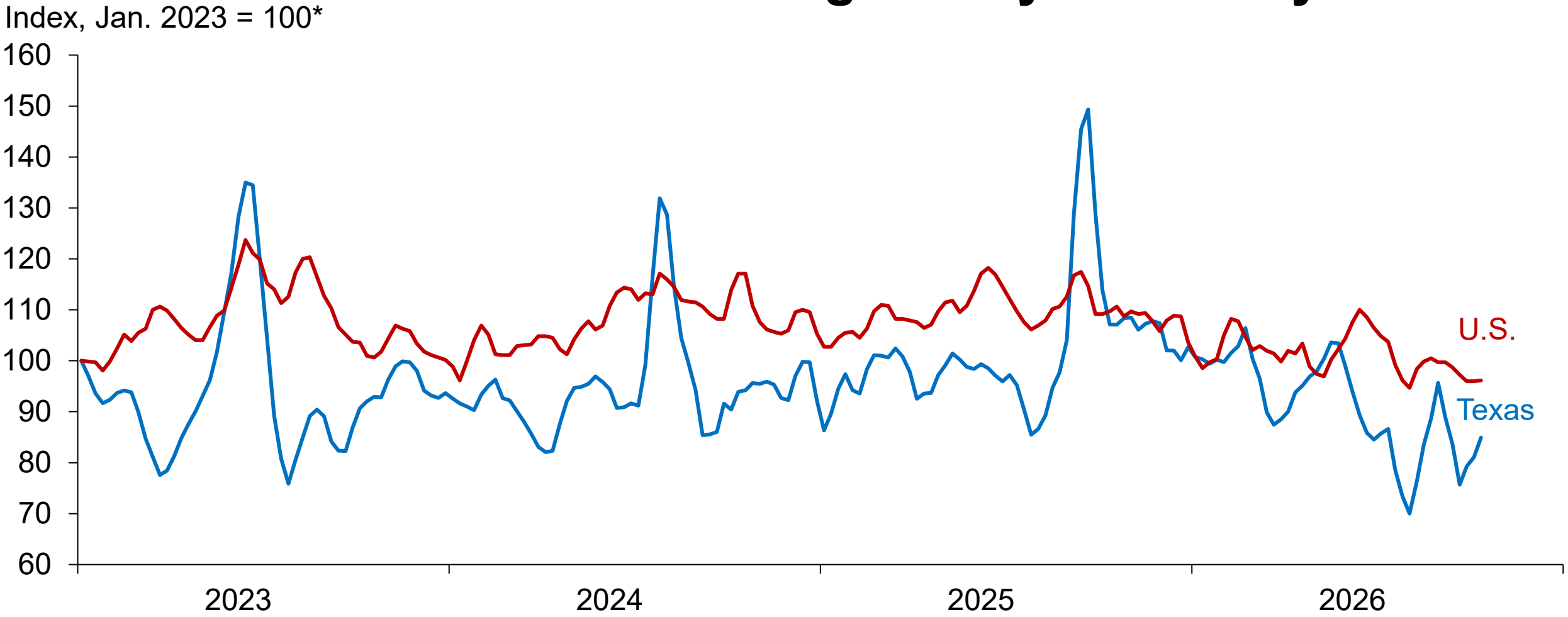

*Seasonally adjusted, annualized rate.
NOTE: Shown are quarterly, real GDP growth for the U.S. and GSP (gross state product) growth. Data are quarterly through Q2 2026.
SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

# Texas unemployment stable



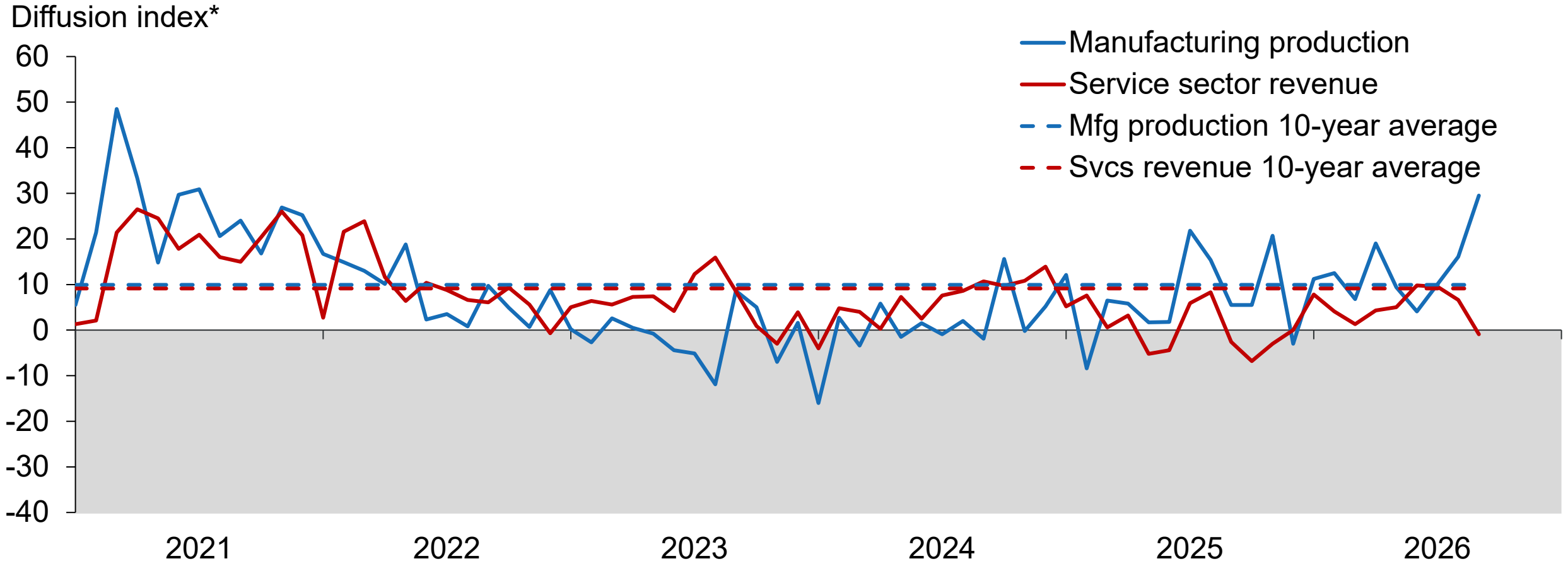

*Seasonally adjusted.
NOTE: Data are through September 2026.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.
DATA: Texas Employment by Industry - Dallasfed.org

# Texas initial unemployment claims rise in recent weeks; claims remain holding steady nationally




*Seasonally adjusted, three-week moving average.
NOTE: Data are through the week ending October 10th, 2026.
SOURCE: Department of Labor.

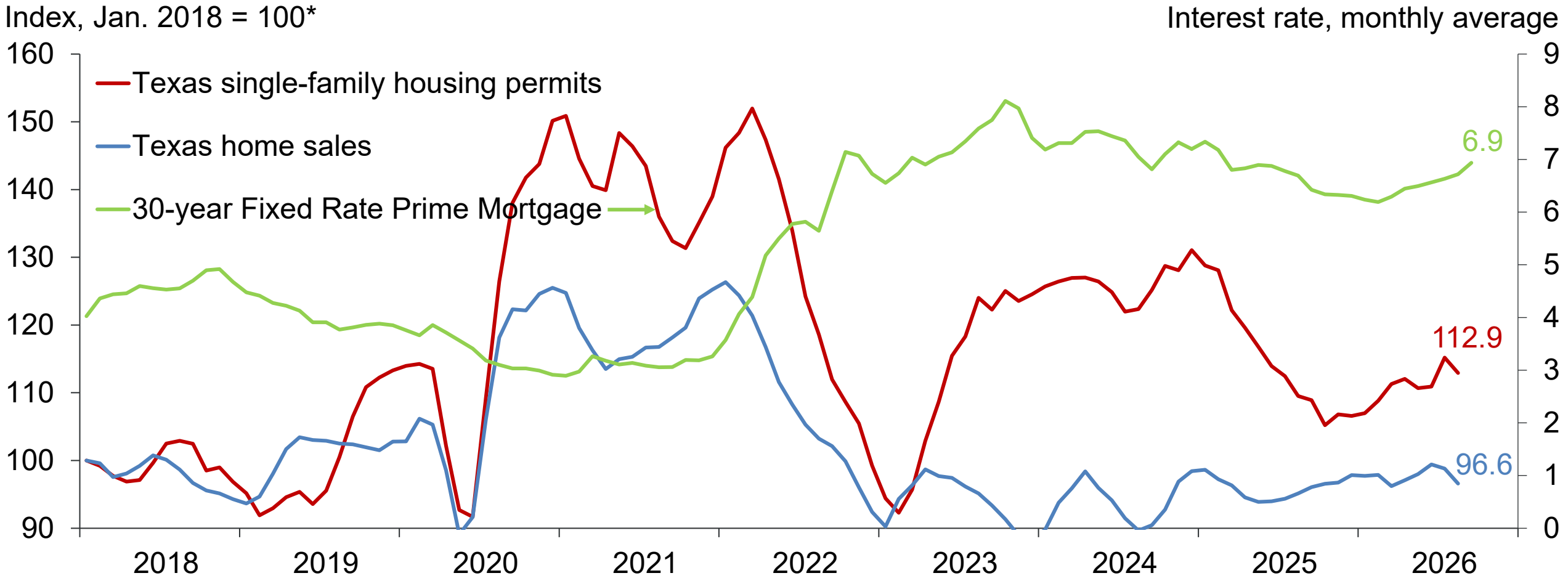
# TBOS points to robust manufacturing activity; service activity slows




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

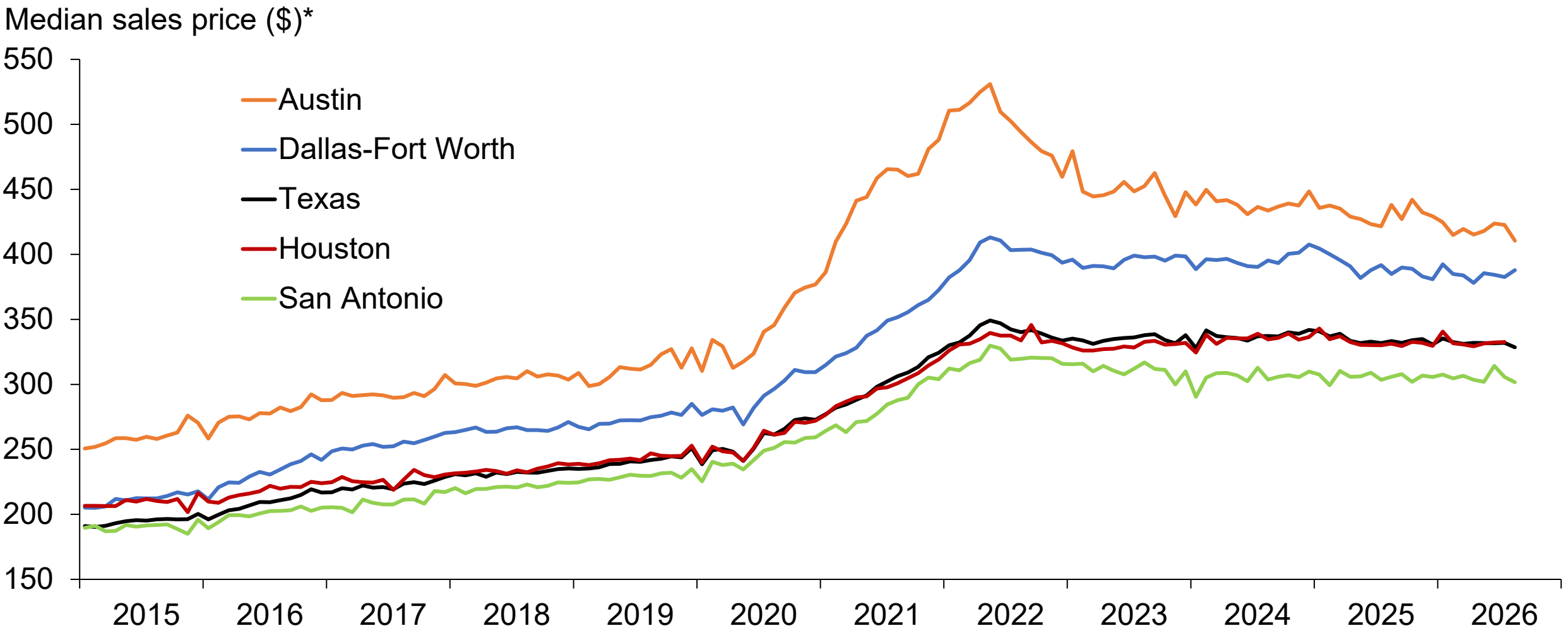
# Real Estate, Energy and Finance

# Texas home sales and permits dip as mortgage rates rise



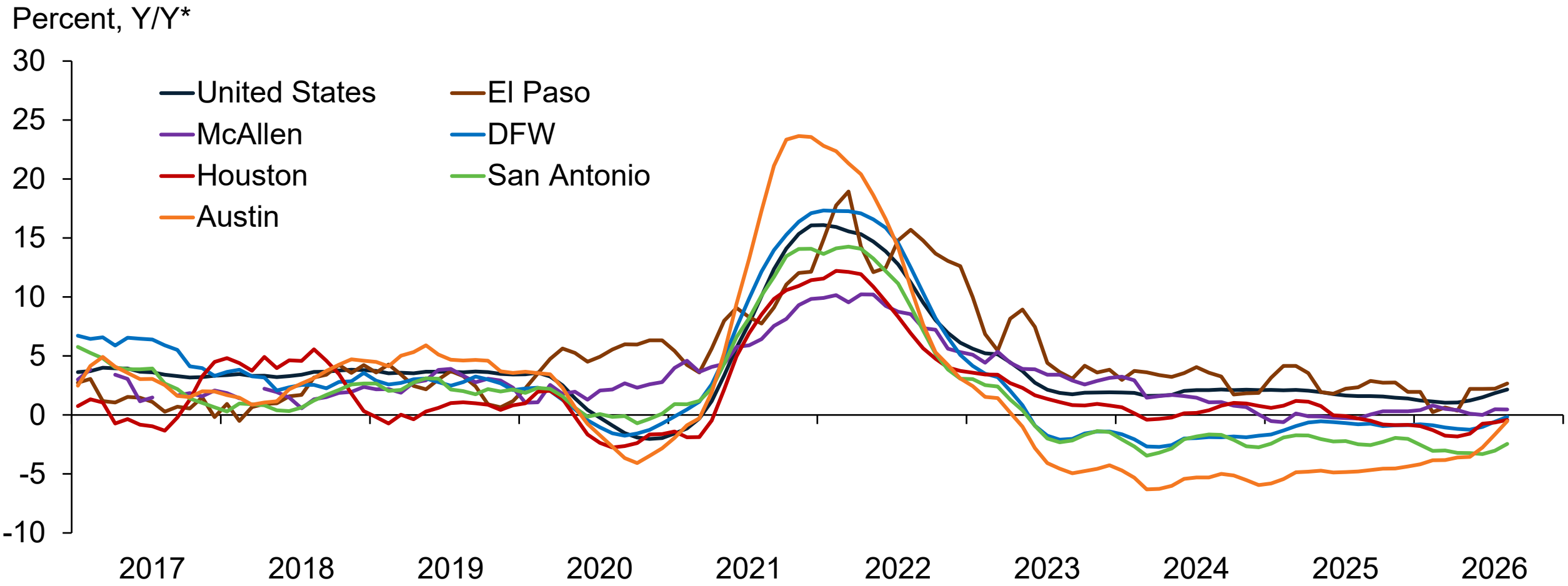

*Seasonally adjusted, three-month moving average.
NOTES: Permits and home sale data are through August 2026; mortgage rates data are through September 2026.
SOURCES: U.S. Census; Multiple Listing Service; *Wall Street Journal*.

# Texas median home prices dip in August




*Seasonally adjusted.
NOTES: Data are monthly through July 2026 for Houston; August 2026 for the rest.
SOURCES: Multiple Listing Service; seasonal and other adjustments by Federal Reserve Bank of Dallas.

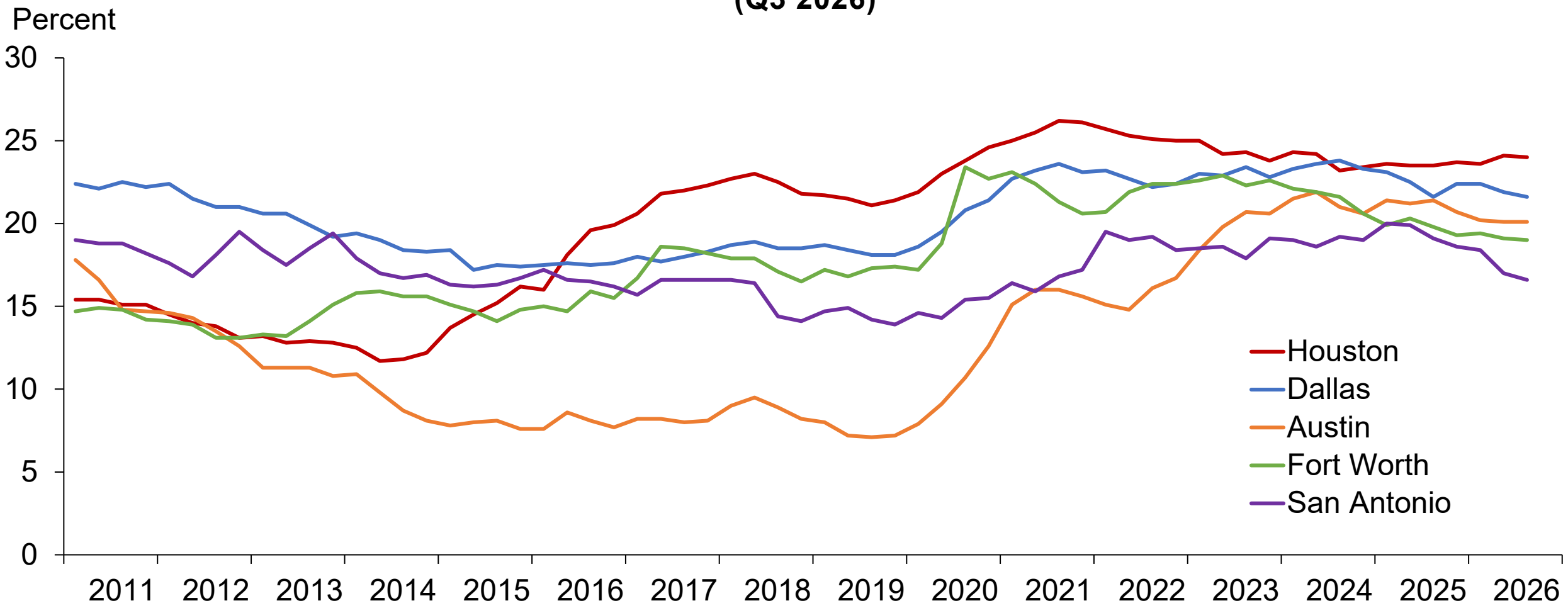
# Apartment rents down to flat year-over-year in most Texas major metros




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

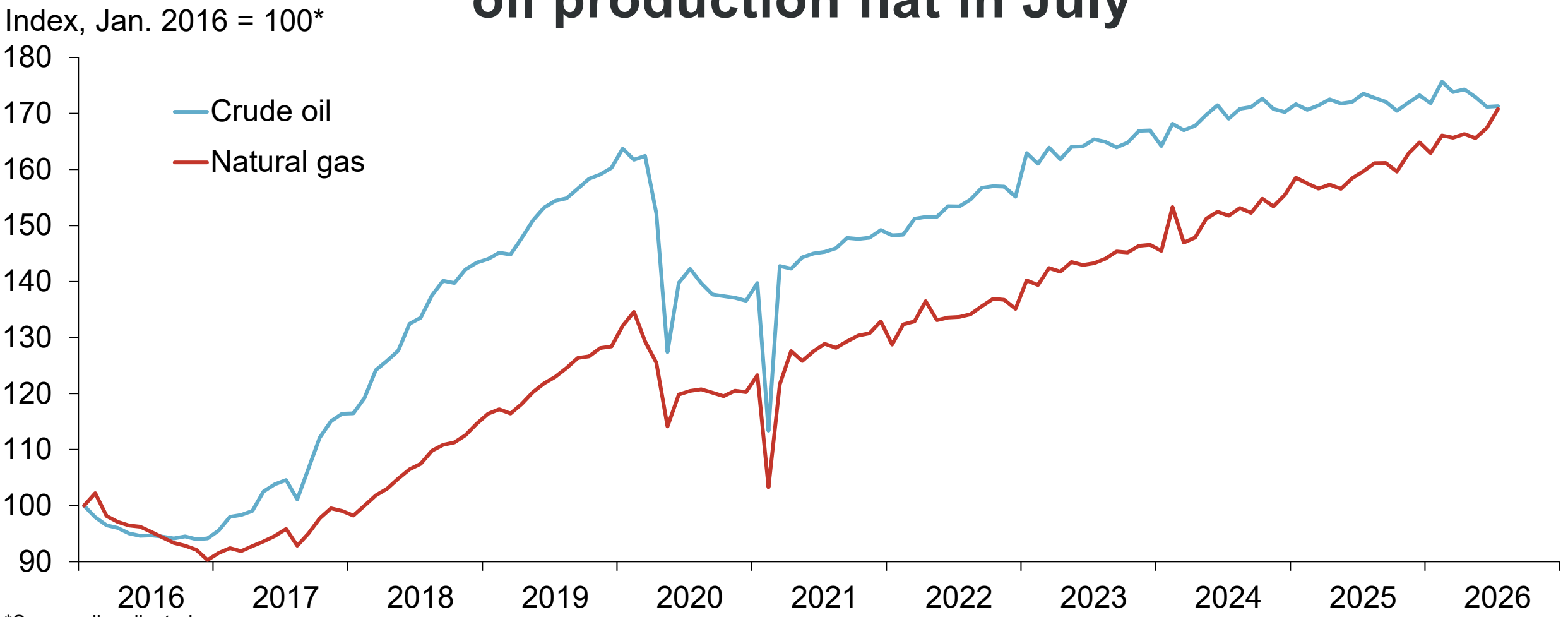
# Office vacancy rates from flat to down in Texas major metros

**(Q3 2026)**




NOTE: Data are quarterly through Q3 2026.
SOURCE: CBRE Econometric Advisors.

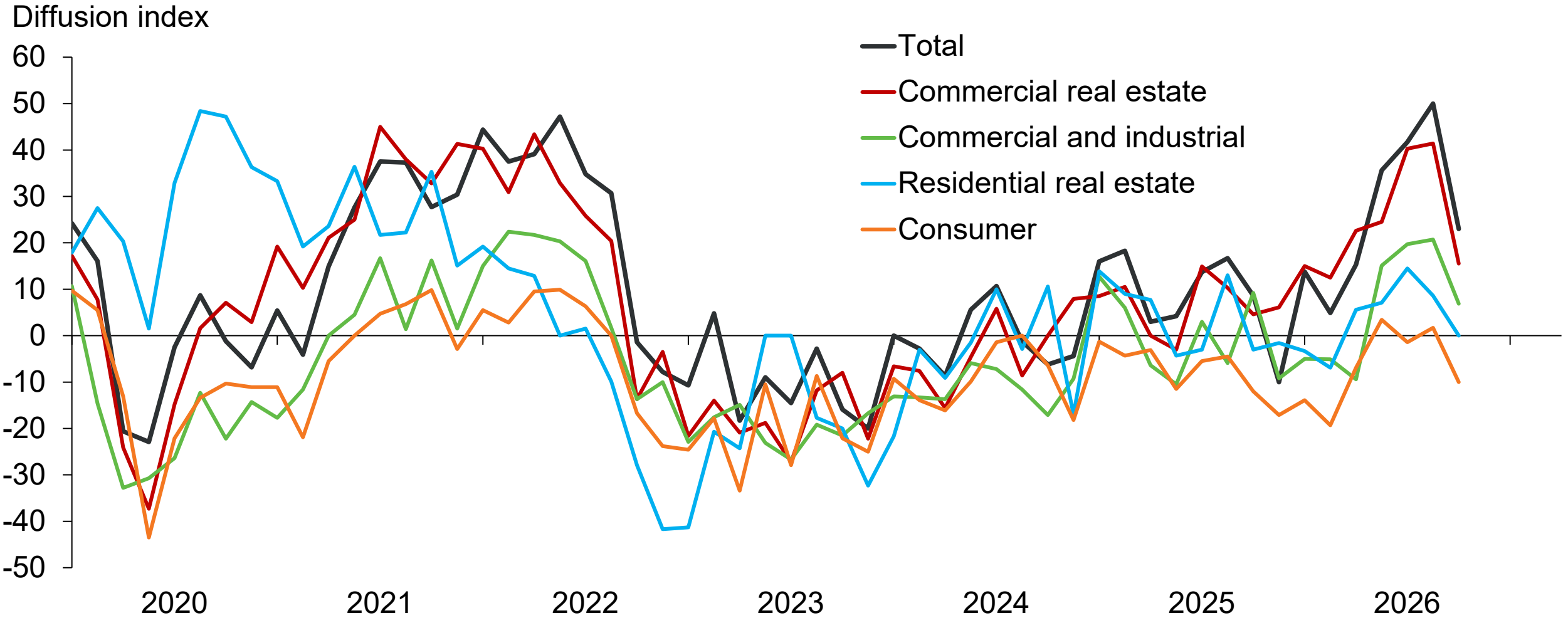
# Texas natural gas production increases, oil production flat in July




*Seasonally adjusted.
NOTES: Shown are crude oil and natural gas marketed production through July 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.

# Pace of total loan volume expansion slows in September

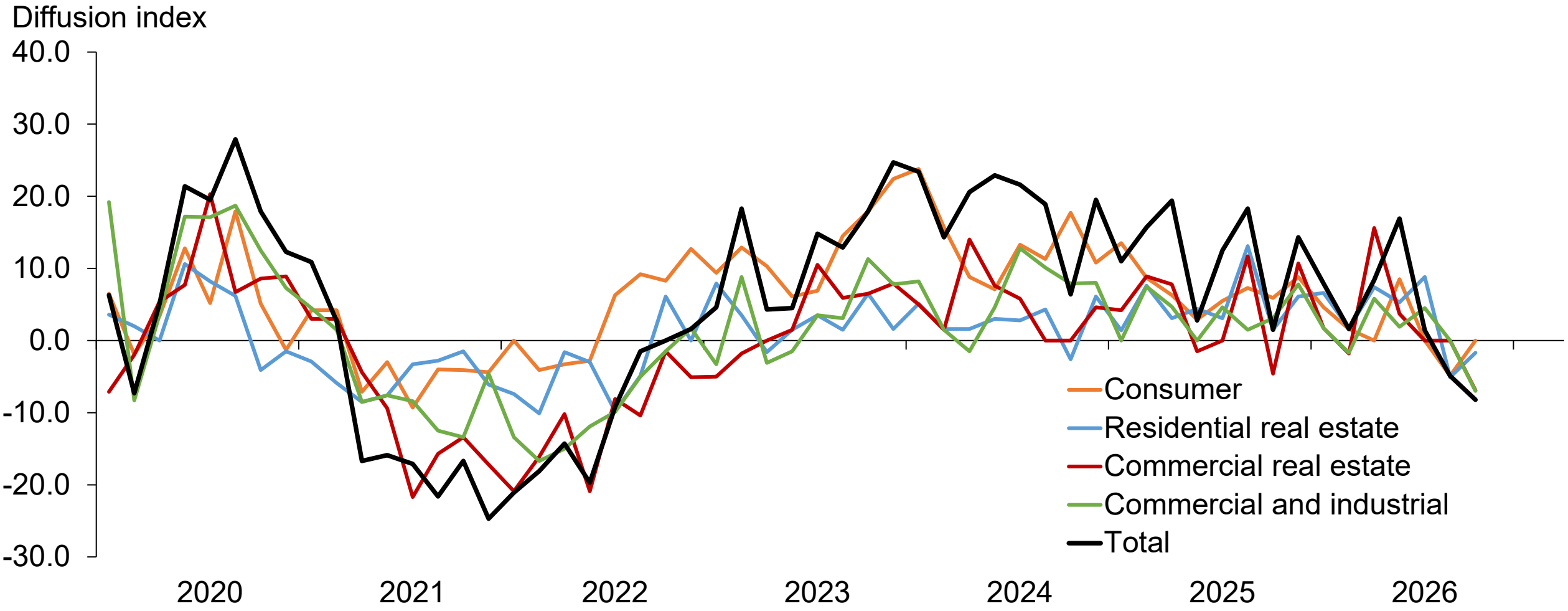
## (11th District banks)




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

# Total nonperforming loan volumes decline in September

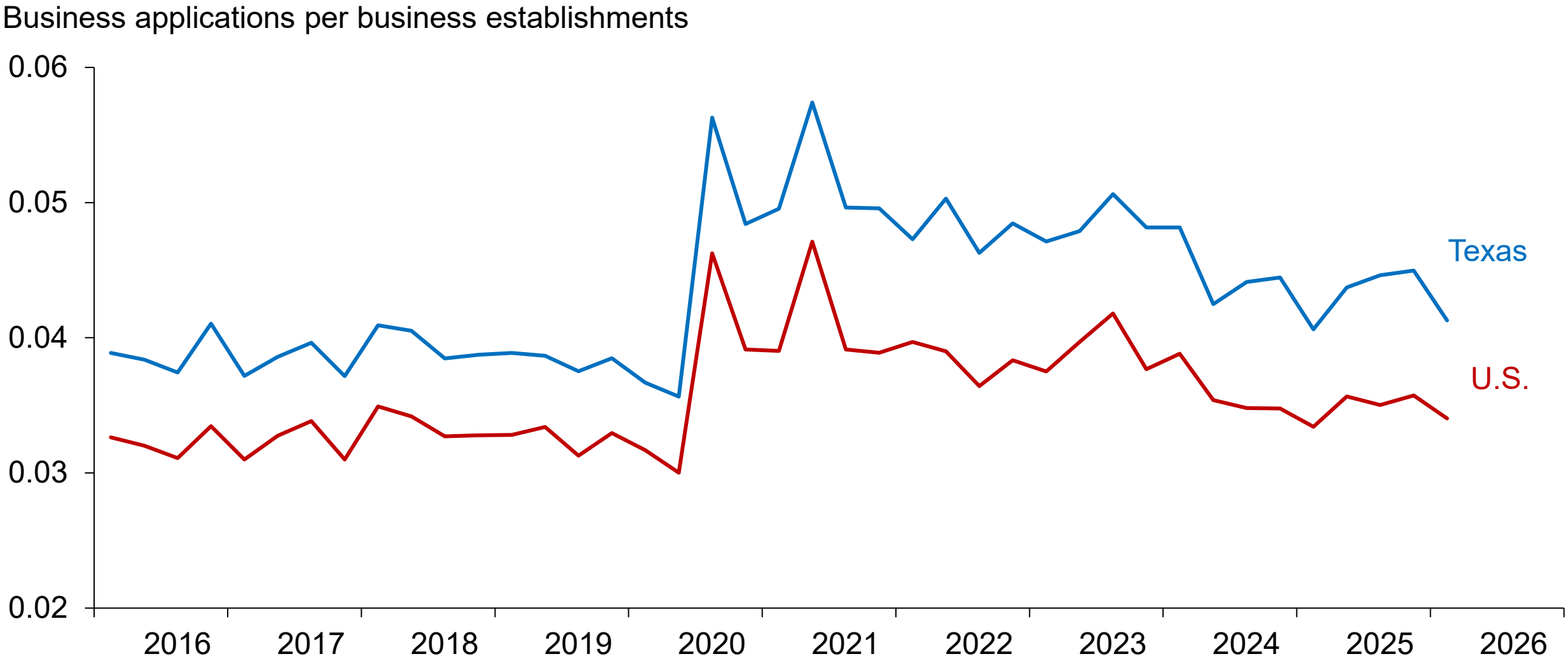
## (11th District banks)




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

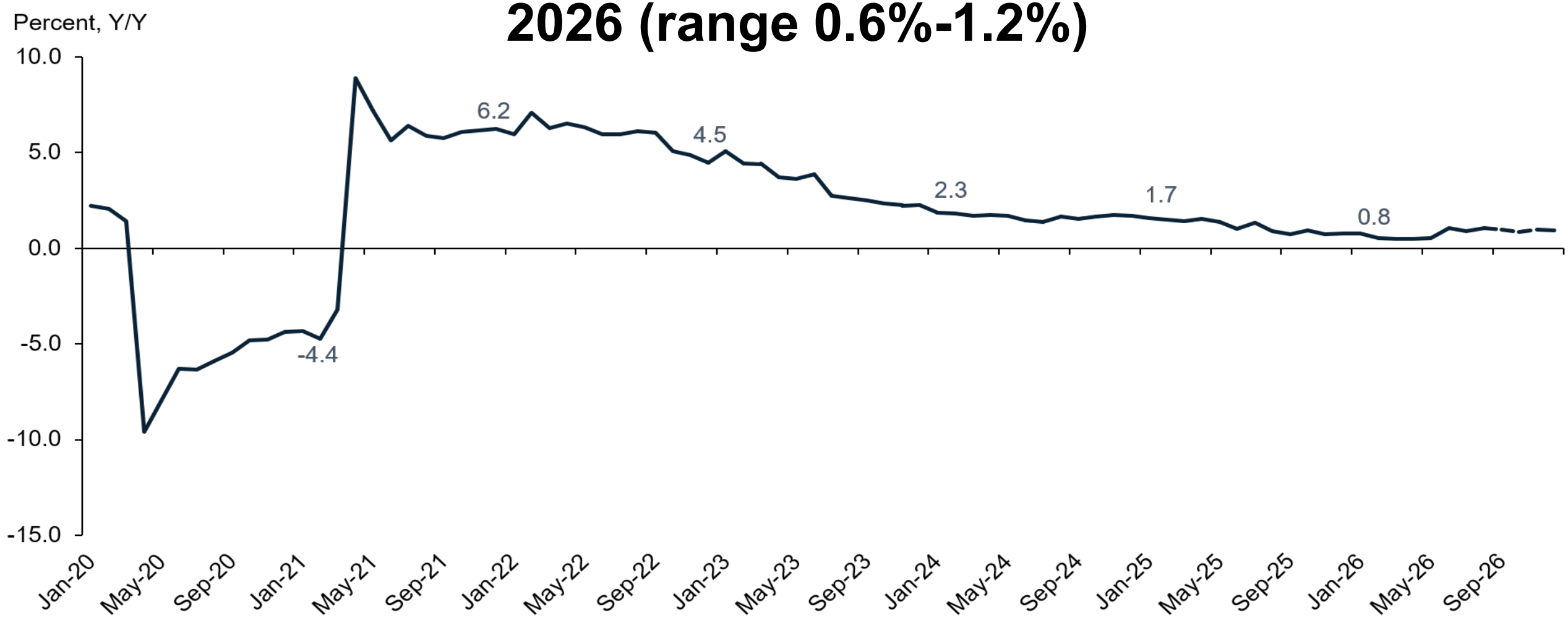
# Outlook

# Rate of business formation declined in Q1 2026



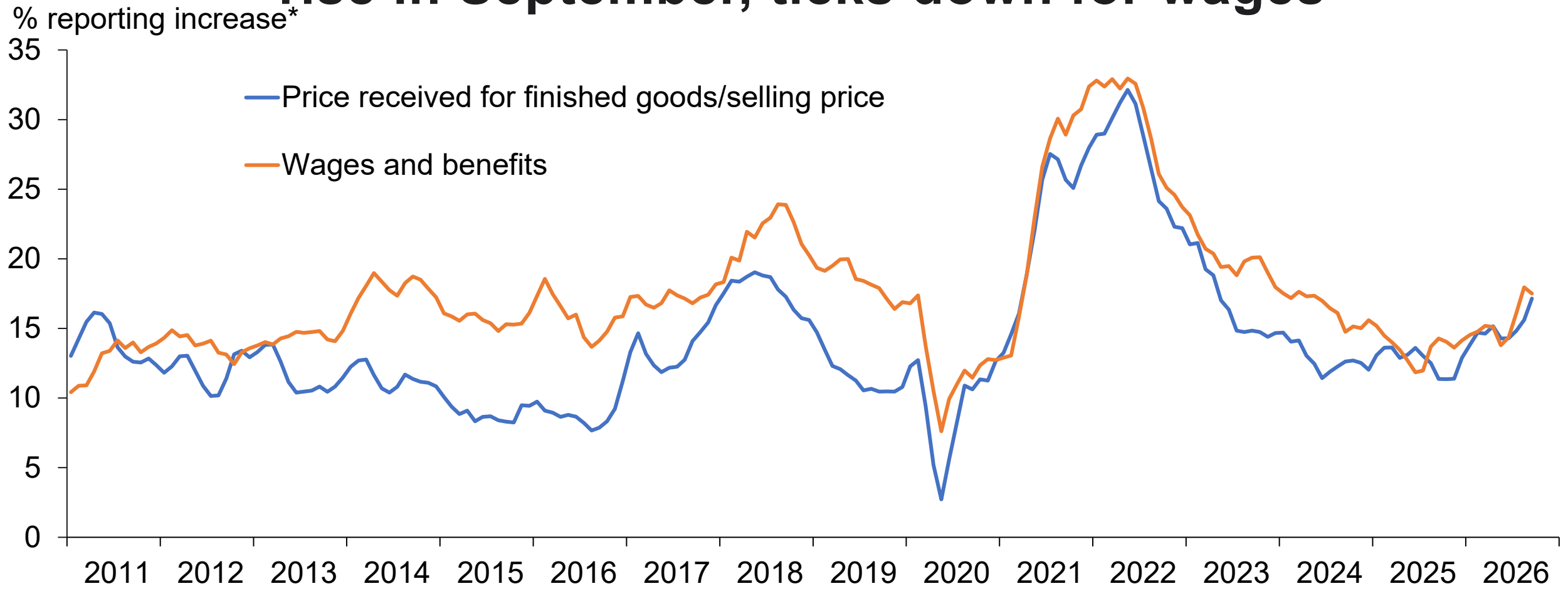

NOTES: Data are quarterly through Q1 2026. Business applications data are missing for the first week of January 2021.
SOURCE: U.S. Census Bureau.

# The Texas employment forecast indicates 0.9% growth in 2026 (range 0.6%-1.2%)




NOTE: The Dallas Fed Texas Employment Forecast (December/December) 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). Solid line shows actual employment growth through September 2026, and dashed line shows forecasted employment growth through December 2026.

# Share of Texas firms reporting an increase in selling prices rise in September, ticks down for wages

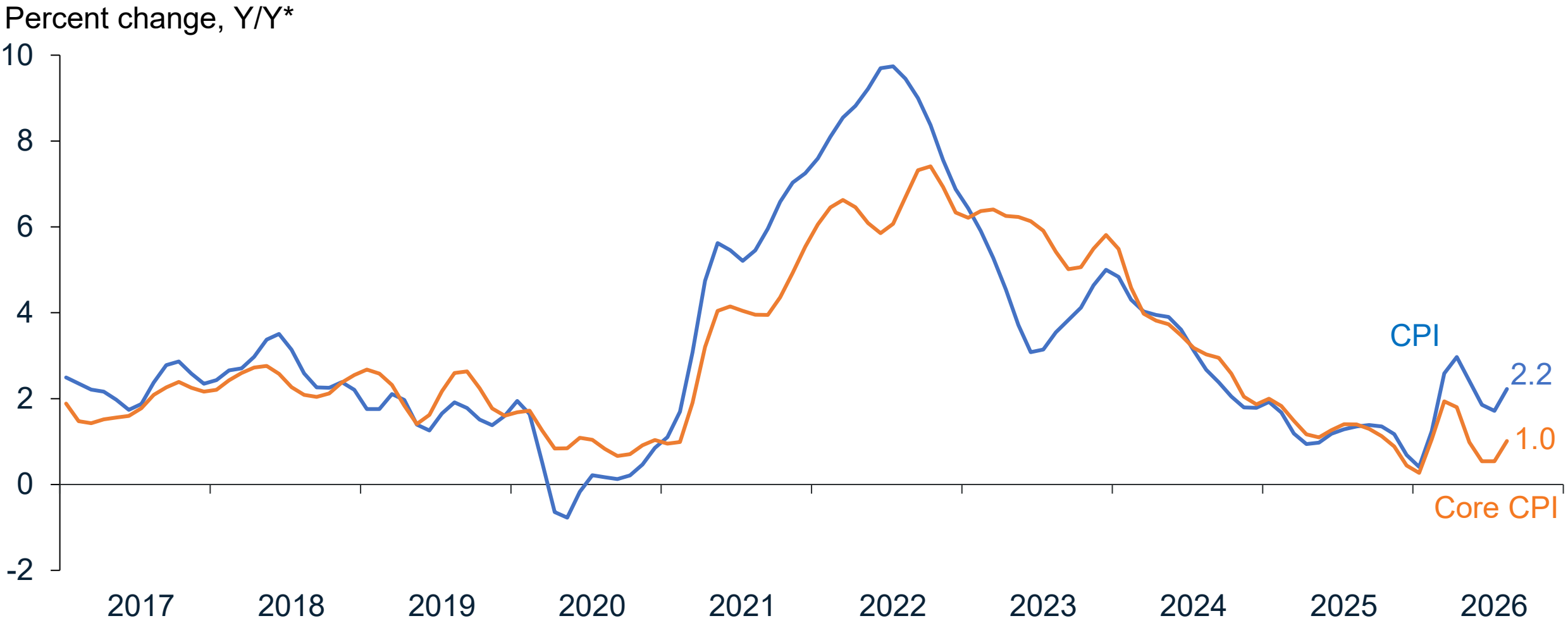



*Seasonally adjusted, three month-moving average.

NOTES: Percent reporting increase was constructed by weighting the respective component of TMOS and TSSOS according to GDP shares for selling prices and employment for wages. Data through September 2026.

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

# Texas CPI rises in August




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

# Texas Business Outlook Surveys Special Questions

# Input price growth accelerates, while wage and selling price growth remains largely unchanged

*What percent change in wages, input prices and selling prices did your firm experience over the past 12 months?*

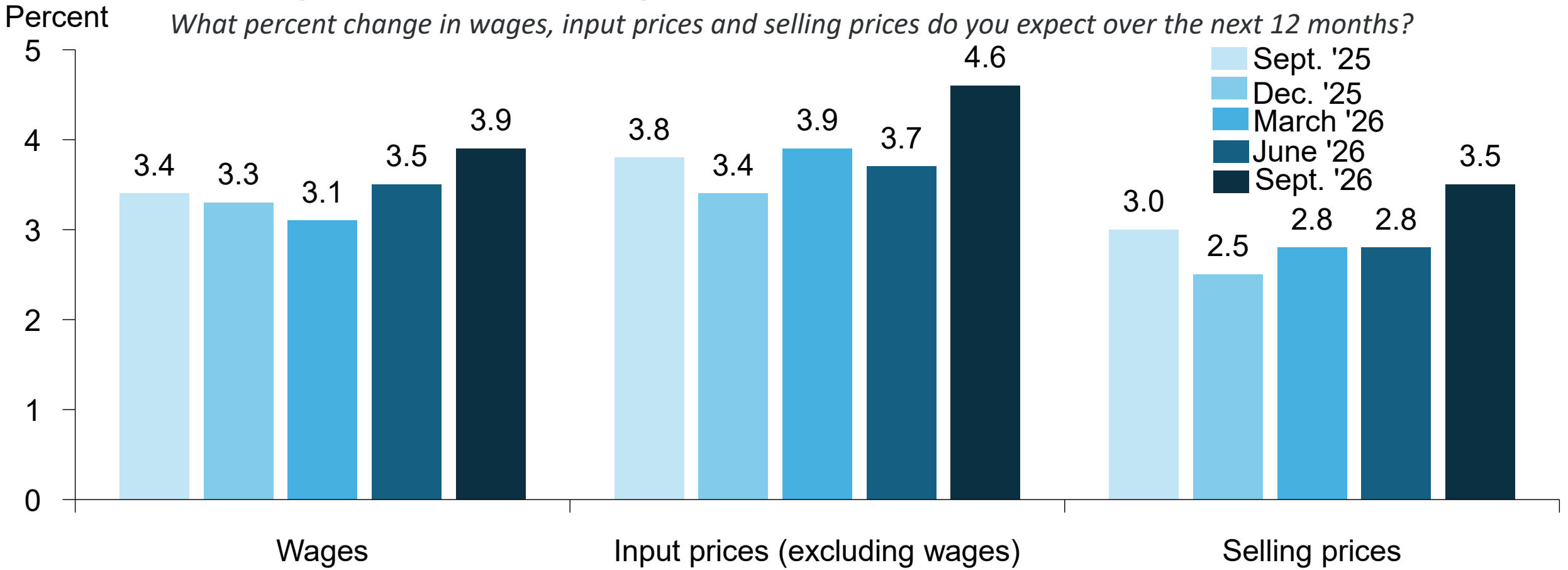



NOTES: Executives from 267 Texas businesses answered this question during the survey collection period, September 15-23, 2026. Shown are averages, calculated as trimmed means with the lowest and highest 5 percent of responses omitted.

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

# Wage and price growth expectations increase

*What percent change in wages, input prices and selling prices do you expect over the next 12 months?*

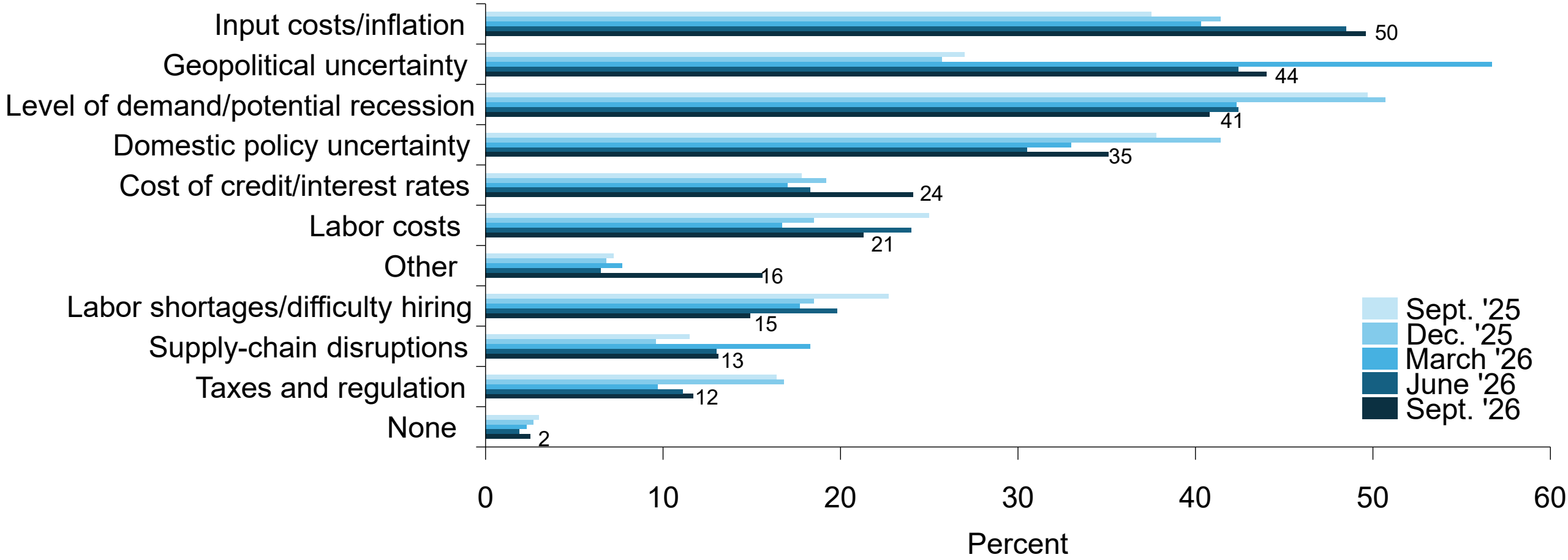



NOTES: Executives from 267 Texas businesses answered this question during the survey collection period, September 15-23, 2026. Shown are averages, calculated as trimmed means with the lowest and highest 5 percent of responses omitted.

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

# Inflation remains the top outlook concern for TBOS firms

*What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three.*




NOTE: Executives from 282 Texas businesses answered this question during the survey collection period, September 15-23, 2026.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

**Thank you!**
**Please visit dallasfed.org for more information**



# Dallas Fed Publications

[Dallas Fed Economics]

[Texas Economic Indicators]

[Texas Business Outlook Surveys]

[Southwest Economy]

[Special Reports]

[Texas Employment Forecast]

[Weekly Economic Index]

