Texas Economic Outlook: Despite COVID Waves and Ukraine War, Economy on Track for Strong Growth in 2022

Christopher Slijk
Associate Economist
Federal Reserve Bank of Dallas
6/21/2022

Disclaimer: The views expressed are the author’s and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or the Federal Reserve System.
Overview

- Texas economy saw significant shock with COVID-19:
  - In Texas, pandemic initially destroyed 1.4 million Texas jobs but these have all been recovered while U.S. employment remains below pre-pandemic levels.
- Recovery has not been uniform across industries, and many sectors have yet to catch back up.
- Texas economy currently in expansion, growing faster than nation.
- Despite overall positive outlook for 2022, downside risks for the state and national economy remain:
  - Continued supply chain disruptions due to war in Ukraine, international COVID-related shutdowns
  - Tightness in labor markets
  - High rate of inflation and policy response
This recession stands apart from others: much sharper, shorter-lived decline and steeper recovery.


SOURCE: BLS.
Texas one of fourteen states that have regained pre-pandemic employment levels

Job growth (percent), May 2022/Feb 2020, SA

NOTES: Data show non-annualized job growth since beginning of pandemic. Texas data are not early benchmarked to allow comparison across states.
Texas Job Growth Strong in 2nd Quarter 2022

Job growth (percent), quarter/quarter*

*Seasonally adjusted, annualized rate. Partial quarter data is represented with a shaded bar/dashed line.

NOTE: Last data points are annualized job growth for Texas (May 2022/Mar. 2022) and U.S. (May 2022/Mar. 2022).

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

DATA: https://www.dallasfed.org/research/econdata/tae000000.aspx
Texas employment faring better than U.S. across most industries

Job growth May 2022/Feb. 2020 (percent)

- Total: -0.5
- Trade, Transp. & Util. (20.3%): 2.9
- Prof. & Bus. Serv. (15.1%): -2.7
- Gov’t (14.9%): 6.9
- Educ. & Health Serv. (13.5%): 3.8
- Leisure & Hosp. (10.5%): 0.6
- Mfg. (6.9%): 9.9
- Fin. Activ. (6.6%): -7.9
- Constr. (5.7%): 0.8
- Info. & Other Svcs (5.0%): 0.9
- Oil & Gas, Mining Sup. (1.4%): 0.5
- Total: -12.8
- Total: -15.4

NOTE: Data show May 2022/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment for March.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.
Texas unemployment rate declining but still elevated compared to U.S. rate

Unemployment rate, percent, SA

NOTE: Texas and U.S. data through May 2022.
Manufacturing output remains robust, services revenue growth moderating from last year’s above-average pace

NOTE: Data through May 2022.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Survey
Drilling activity slow to rise despite soaring oil price

Texas active rig count

Rig Count

Oil price

$120.46

356

NOTES: Data is weekly through June 10th, 2022.
SOURCES: Oil and Gas Journal; Baker Hughes, EIA.
Texas exports picked up to new high in April

Index, Jan. 2008=100*

*Seasonally adjusted, real dollars.
NOTE: Data through April 2022.
SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by FRB Dallas.
Texas home sales remain elevated as inventories near record lows

*Seasonally adjusted.
NOTE: Data through Apr. 2022.
SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.
All major Texas metros see accelerating in-migration relative to pre-pandemic rates

Four Largest Texas Metros Dominate as Migration Destinations

- Dallas–Fort Worth–Arlington
- Austin–Round Rock
- San Antonio–New Braunfels
- Houston–The Woodlands–Sugar Land
- Killeen–Temple
- Corpus Christi
- Tyler
- Waco
- McAllen–Edinburg–Mission
- Amarillo
- Lubbock
- College Station–Bryan
- Wichita Falls
- San Angelo
- Brownsville–Harlingen
- Beaumont–Port Arthur
- Laredo
- Midland
- Odessa
- El Paso

Top Source States of Inbound Immigrants

- California
- New York
- Illinois
- Louisiana
- New Jersey

Top Destination States of Outbound Migrants

- Idaho
- Colorado
- Montana
- Arkansas
- Oklahoma

NOTES: Data shown are net in-migration (out-migration) figures for Texas metros. Residents living in micropolitan areas or rural areas are dropped due to the quality of the geocoding in the data.


Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic - Dallasfed.org, by Wenli Li and Yichen Su

Federal Reserve Bank of Dallas
Supply chain disruptions and staffing shortages are firms’ top revenue constraints

Share of firms (percent)

- Supply-chain disruptions: 17% (Jul. ‘20), 41% (Aug. ‘21), 44% (Dec. ‘21), 50% (Mar. ‘22)
- Limited operating capacity due to staffing shortages: 21% (Jul. ‘20), 32% (Aug. ‘21), 46% (Dec. ‘21), 39% (Mar. ‘22)
- Weak demand: 57% (Jul. ‘20), 57% (Aug. ‘21), 57% (Dec. ‘21), 57% (Mar. ‘22)
- Reduced productivity due to alternative work arrangements: 15% (Jul. ‘20), 15% (Aug. ‘21), 15% (Dec. ‘21), 15% (Mar. ‘22)
- Limited operating capacity due to state/local restrictions: 21% (Jul. ‘20), 5% (Aug. ‘21), 4% (Dec. ‘21), 2% (Mar. ‘22)

NOTES: Respondents were asked to select up to three primary factors restraining revenues.
High-Frequency Data
Texas restaurant reservations remain above pre-pandemic levels

% of 2019, 7dma

NOTES: Dining out data up to June 15, 2022.
SOURCES: OpenTable.

Federal Reserve Bank of Dallas
New business applications increased sharply during the pandemic, remain elevated

NOTE: Data through June 11. SOURCES: U.S. Census Bureau.
Total jobless claims below pre-pandemic level in Texas

Total claims, state and federal (initial and continuing)

2 week moving average, Index, second week of March = 100

NOTES: Unemployment claims data through the week ending May 28 and include state UI and federal PUA, PEUC and EB when available.
SOURCES: Department of Labor.
Texas job postings edge up in May, remain well above pre-pandemic levels

% change from Feb. '20

Texas
U.S.

SOURCE: Indeed.
Inter-State movers still favor Texas:
Share of home switchers by destination (net)

Percent, 4-week moving average

Texas
Florida
Georgia
California
New York

NOTE: Data through the week of May 24, 2022. Data are shown as year-over-year change in relocations by state.
SOURCE: Cuebiq.
Texas borrower still looks healthy on average: Loan delinquencies are mostly flat

NOTES: Seriously delinquent loans (90+ days). Data through March 2022.
SOURCE: FRBNY Consumer Credit Panel.
Outlook
Dallas Fed 2022 Texas jobs forecast rises to 4.0 percent; 2021 employment grew 5.9 percent

Share of Texas firms raising prices near record; share raising wages remains elevated

Percent Reporting Increase

- **Wages and Benefits**
- **Price Received for Finished Goods/Selling Price**

![Graph showing trends in wages and prices from 2007 to 2022.](image)

**NOTE:** Percent reporting increase was constructed by weighing the respective component of TMOS, TSSOS, and TROS according to GDP shares. Data through May 2022.

**SOURCE:** Texas Business Outlook Surveys, Federal Reserve Bank of Dallas.
Timeline for supply-chain normalization continually delayed since last year

NOTES: Results are shown as a weighted average of responses to the question "When do you expect your supply chain to return to normal?", with the survey vintage shown on the vertical axis and the patterned bars representing the intervening time between each survey.

SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.
Supply-chain disruptions far more prevalent among firms dependent on international suppliers

Share of firms experiencing supply-chain disruptions (percent)

- Firms that depend on international suppliers: 87%
- Firms that do not depend on international suppliers: 42%

NOTES: Data from May 2022. Firms were asked, "Are you currently experiencing any supply-chain disruptions or delays?" and the data was sorted based on answers so the question, "Does your supply chain depend on international suppliers? Please include both direct and indirect linkages."

Lack of applicants tops list of hiring impediments

- Lack of available applicants/no applicants: 76
- Workers looking for more pay than is offered: 52
- Lack of technical competencies (hard skills): 41
- Lack of experience: 39
- Lack of workplace competencies (soft skills): 34
- Inability to pass drug test and/or background check: 16
- Lack of child care, including school interruptions: 8
- Fear of COVID-19 infection: 3

NOTES: Respondents were asked, “Are there any impediments to hiring or recalling workers? Please select all that apply.”
More than a third of employees working remotely, expectations for remote arrangements to continue in future

Share of employees working remotely (percent)

<table>
<thead>
<tr>
<th>Period</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. '20</td>
<td>8</td>
</tr>
<tr>
<td>Aug. '20</td>
<td>35</td>
</tr>
<tr>
<td>Feb. '21</td>
<td>35</td>
</tr>
<tr>
<td>Apr. '22</td>
<td>39</td>
</tr>
<tr>
<td>Future</td>
<td>36</td>
</tr>
</tbody>
</table>

Work arrangements as of Apr. '22 (average across firms)

- Fully Remote: 16%
- Onsite: 61%
- Hybrid: 24%

NOTE: Firms were asked, “What share of your employees were working remotely in February 2020 (pre-COVID-19), and what share are currently working remotely? What share do you expect to work remotely after the pandemic ends?” Shown are averages among responding firms.

Wage and price pressures surged in 2021 and are expected to remain elevated in 2022

NOTES: Respondents were asked about annual percent changes in wages, input prices and selling prices at their firm for the prior year as well as expectations for the year ahead. Values are trimmed means with the lowest and highest 5 percent of responses omitted.
Summary

- Texas economy continuing recovery from COVID-19 shock, though uneven across industries.
- As direct COVID shocks have lessened in 2022, indirect effects of labor shortages and supply-chain disruptions have become more prevalent.
- Texas economy forecast to grow more slowly in 2022 than in 2021, but still well above trend.
  - Supply-chain disruptions and labor shortages expected to be a continued drag on growth.
  - Inflation is running high, and expectations are for price pressures to remain elevated through 2022.
Dallas Fed Publications

Dallas Fed Economics
Texas Economic Indicators
Texas Business Outlook Surveys
Southwest Economy
Special Reports
Texas Employment Forecast
COVID-19 Updates
Weekly Economic Index
Mobility and Engagement Index
Thank you!
Please visit dallasfed.org for more information
Questions? Christopher.Slijk@dal.frb.org