



Federal Reserve  
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## **Rio Grande Valley Economic Outlook:**

### ***Employment Growth Slows, Inflation Remains High***

Roberto Coronado  
Center for Border Economic Studies - CBEST  
The University of Texas Rio Grande Valley  
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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.

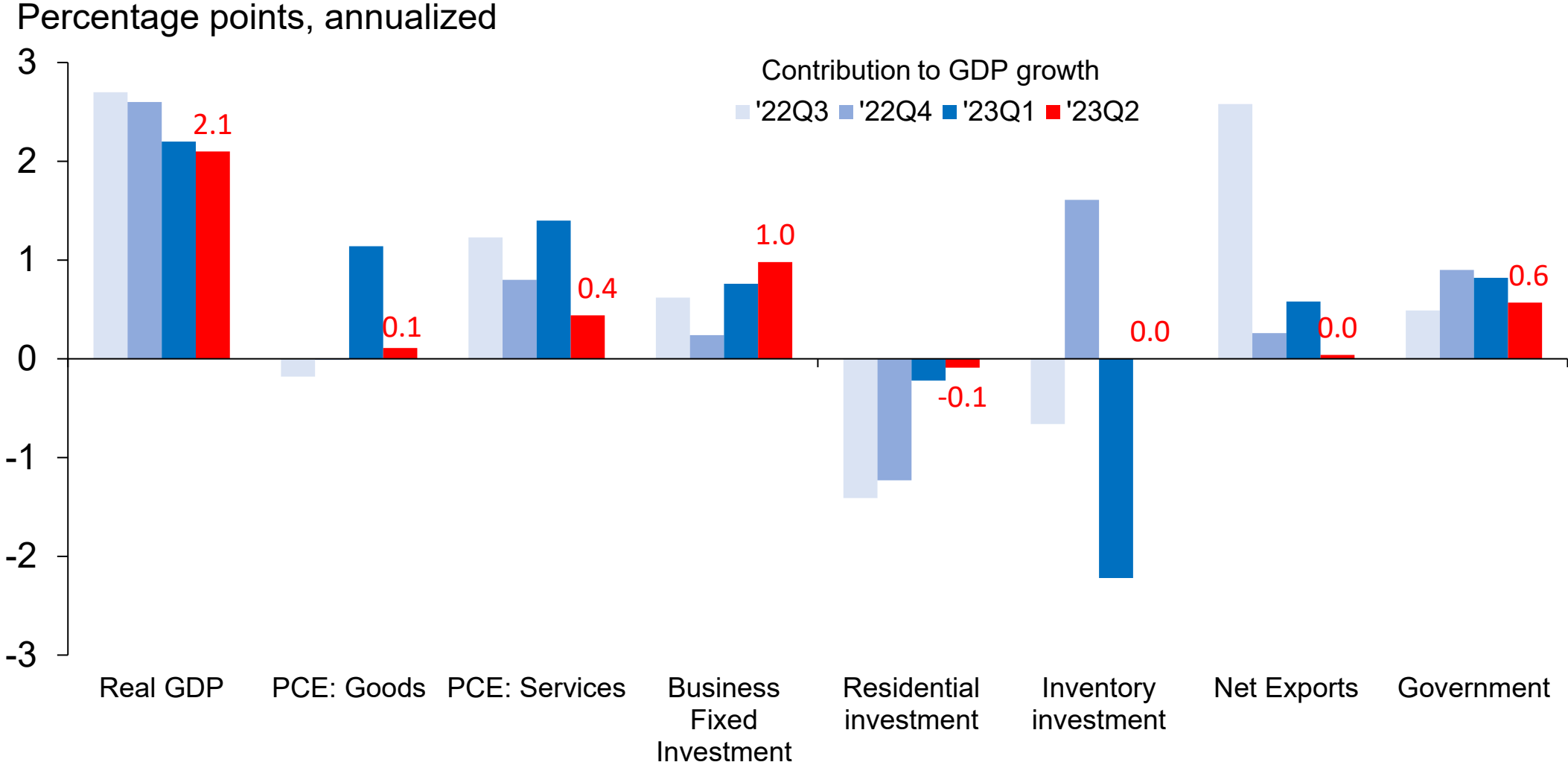
NOTE: I thank my colleagues Luis Bernardo Torres and Aparna V. Jayashankar for their help and support in preparing this presentation.

# Overview

- Economy has been resilient, and growth remains solid.
- U.S., Texas and RGV job growth is slowing.
- Price and wage pressures have eased in recent months, although they remain elevated:
  - Companies report continued upward price pressures induced by higher costs and wages, but less severe than earlier in the year.
  - Texas businesses report increasing difficulties passing costs on to consumers in the form of higher prices.
- Outlook suggests U.S., Texas and RGV will slow in the near term.
- Risks to the outlook include:
  - Geopolitical risk
  - Global slowing
  - Elevated inflation

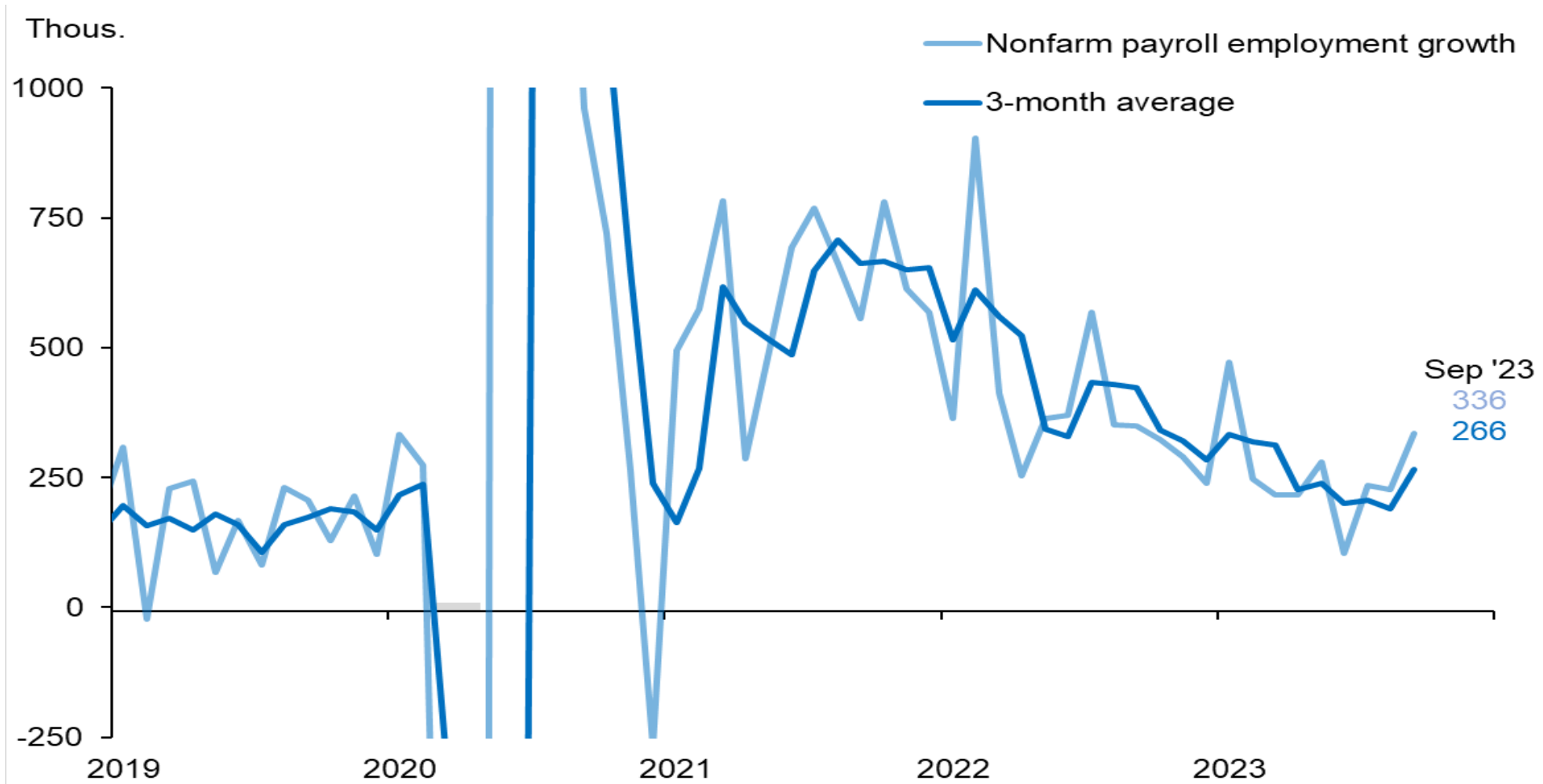
# Recent Economic Performance

# GDP Growth Driven by Consumption and Business Investment



SOURCE: Bureau of Economic Analysis.

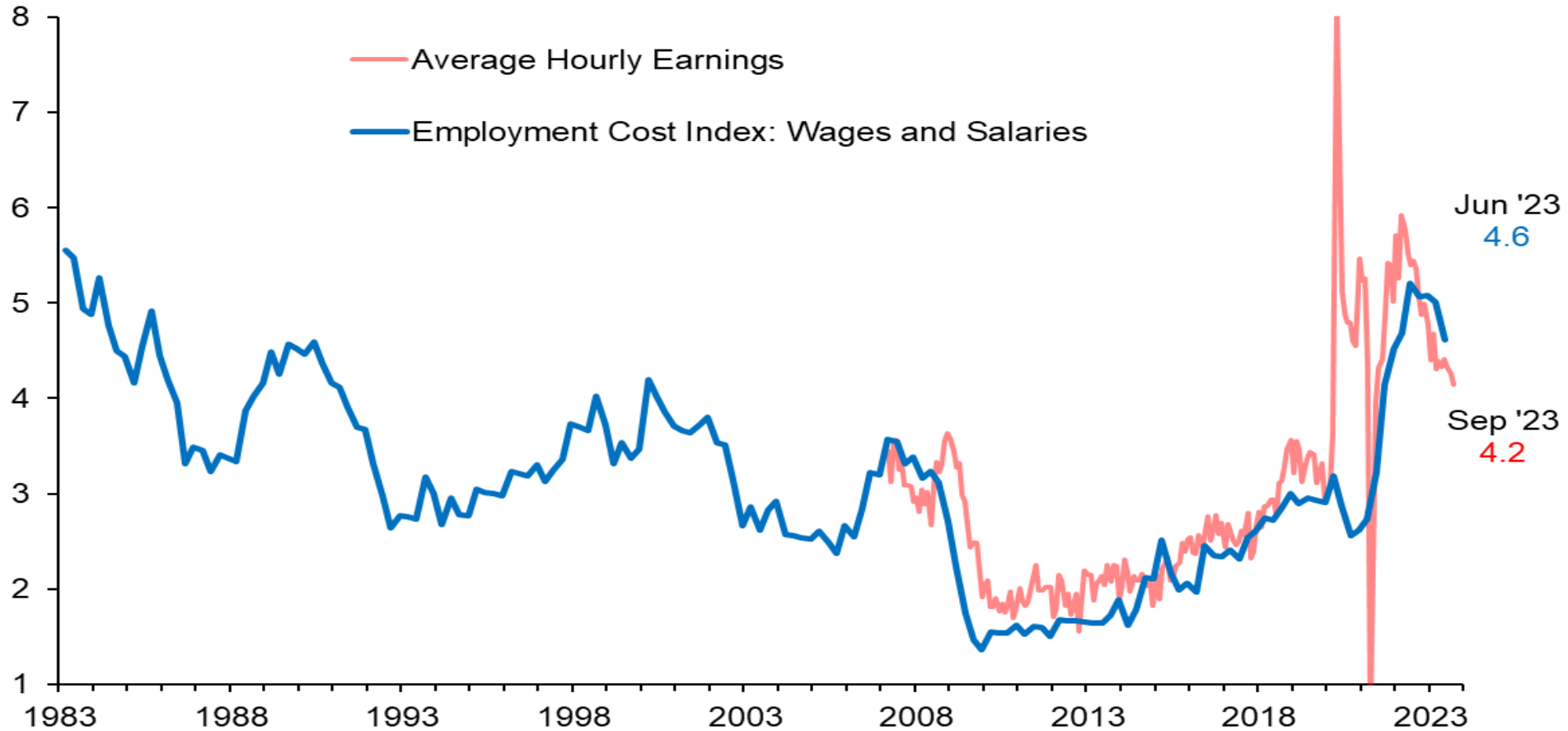
# Job Growth Picks Up in Recent Months



SOURCE: Bureau of Labor Statistics.

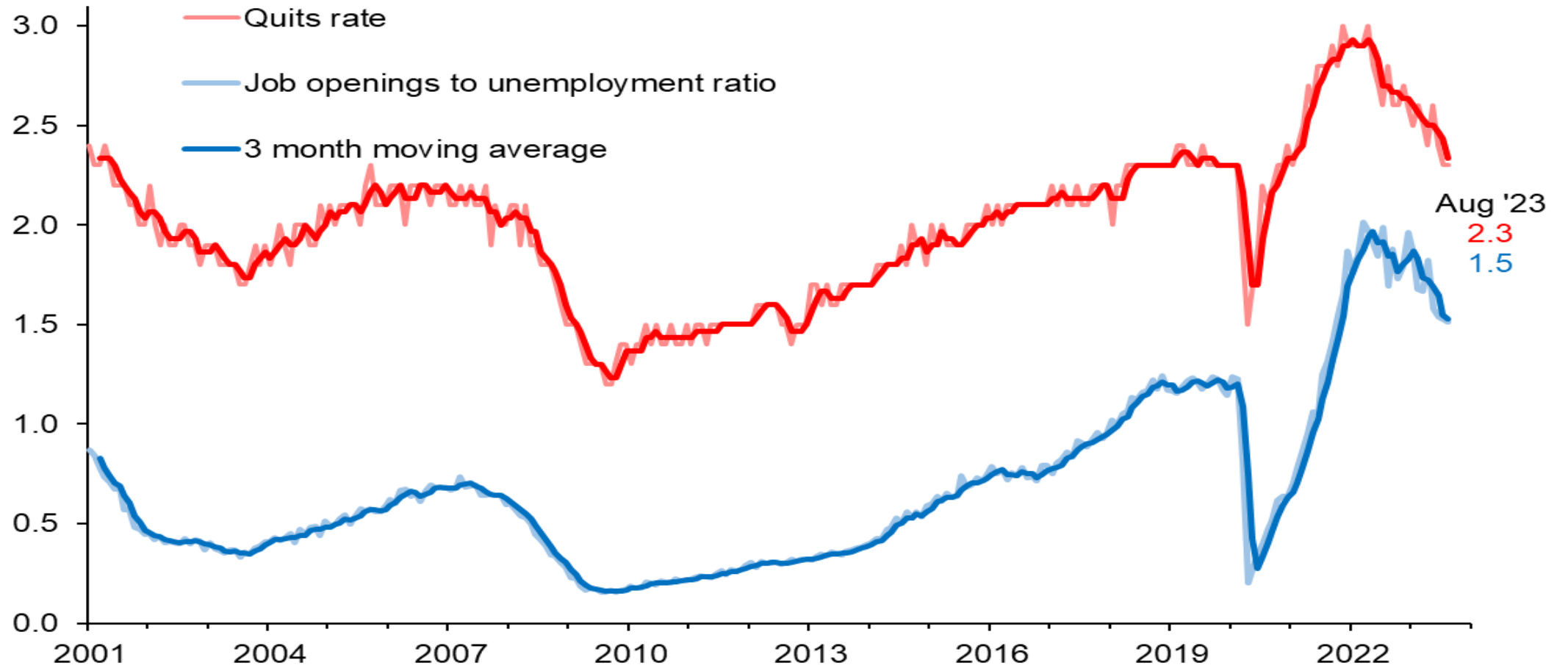
# Wage Growth Slows Recently, Tempering Concerns About Fast Job Growth

12M percent change



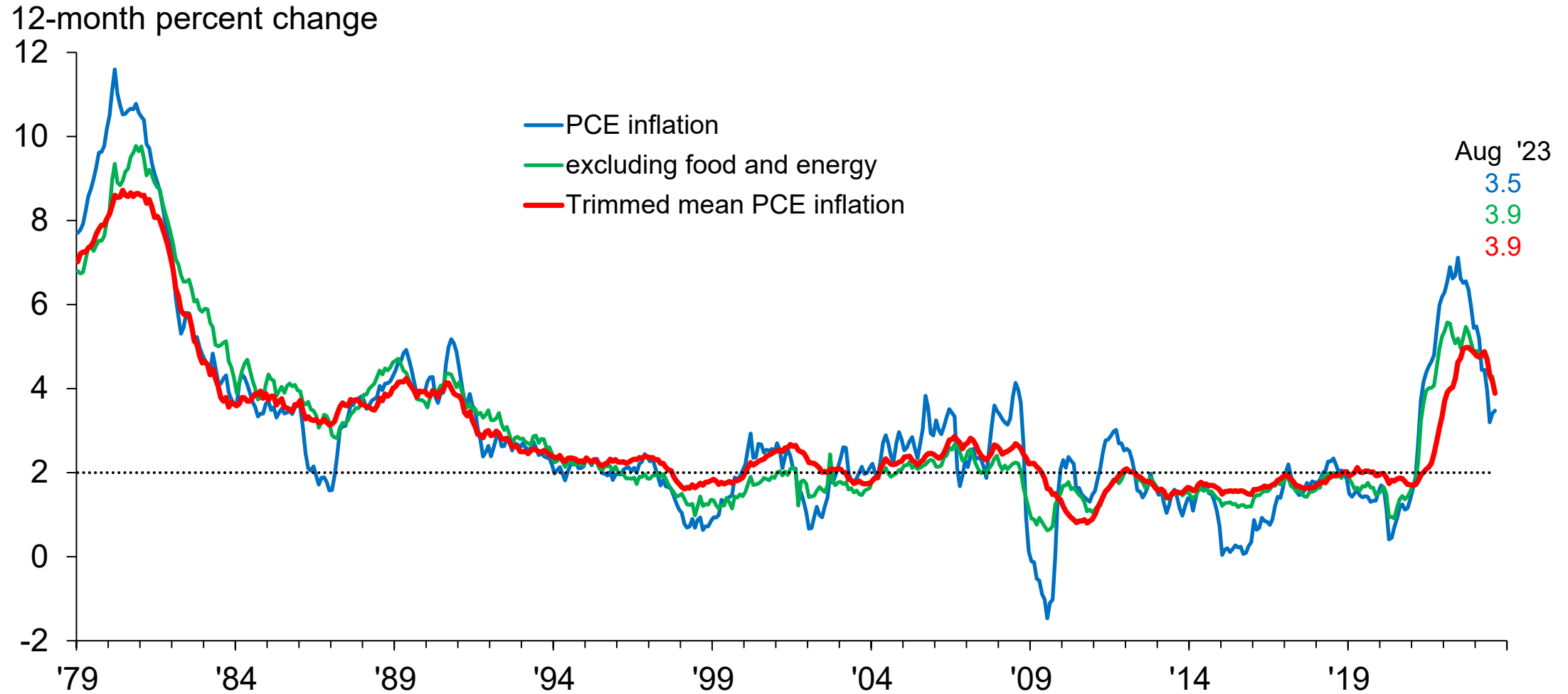
SOURCE: Bureau of Labor Statistics.

# Mixed Evidence on the Degree of Labor Market Cooling



SOURCE: Bureau of Labor Statistics.

# Inflation Is Declining, but Too Soon to Have Confidence 2% Will be Achieved in a Timely Manner

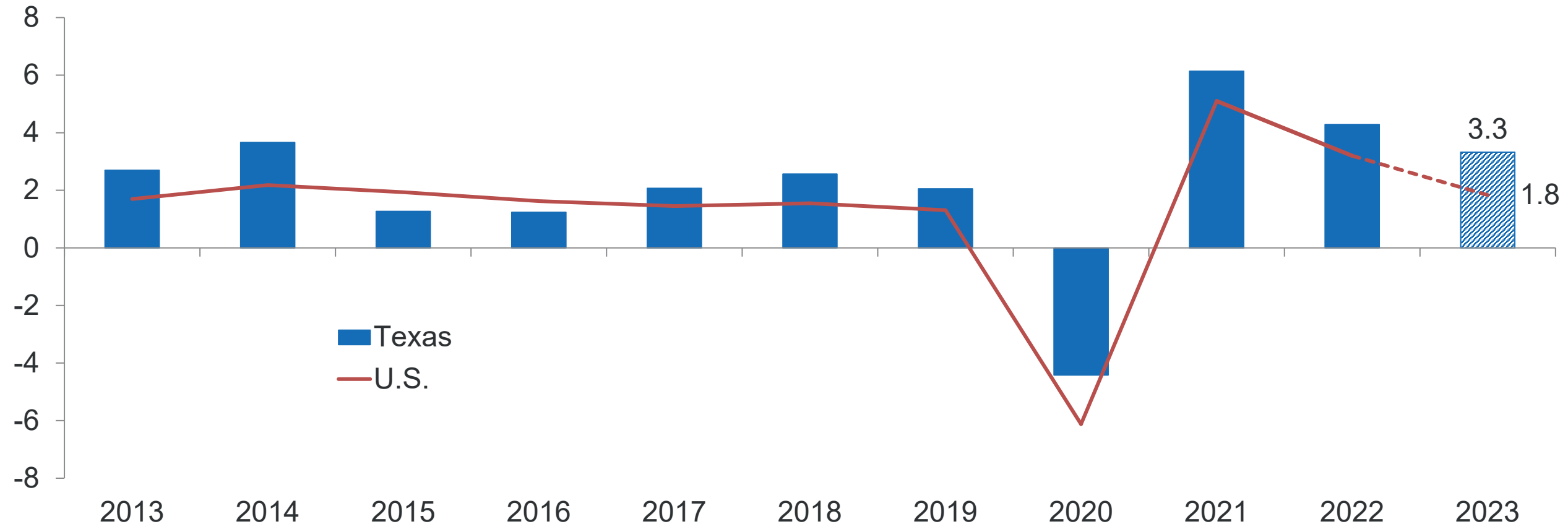


SOURCE: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.



# Texas Annual Job Growth Remains Ahead of the Nation

Job growth (percent)\*



\*Seasonally adjusted, annualized rate.

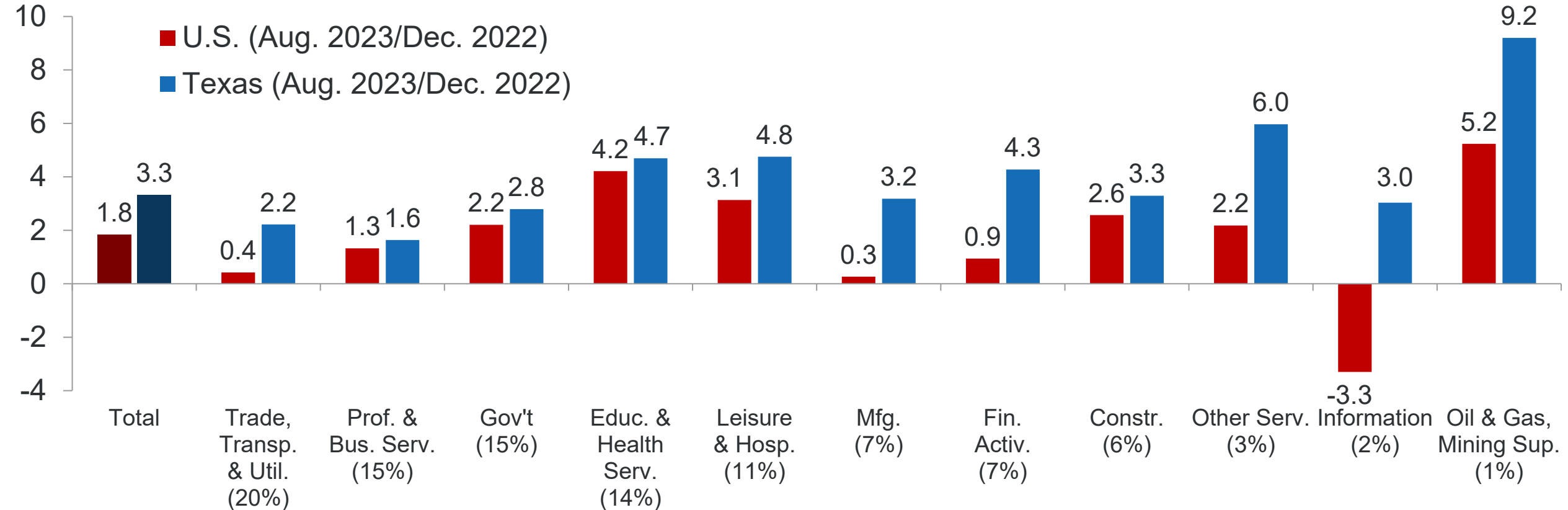
NOTE: Last data points are annualized job growth for Aug. 2023/Dec. 2022. Yearly growth is Dec./Dec.

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

DATA: [Texas Payroll Employment - Total Nonfarm - Dallasfed.org](https://dallasfed.org/research-and-data/texas-payroll-employment-total-nonfarm)

# Texas Year-to-Date Job Growth Ahead of U.S. in All Industries

Job growth (percent)\*



\*Seasonally adjusted, annualized rate.

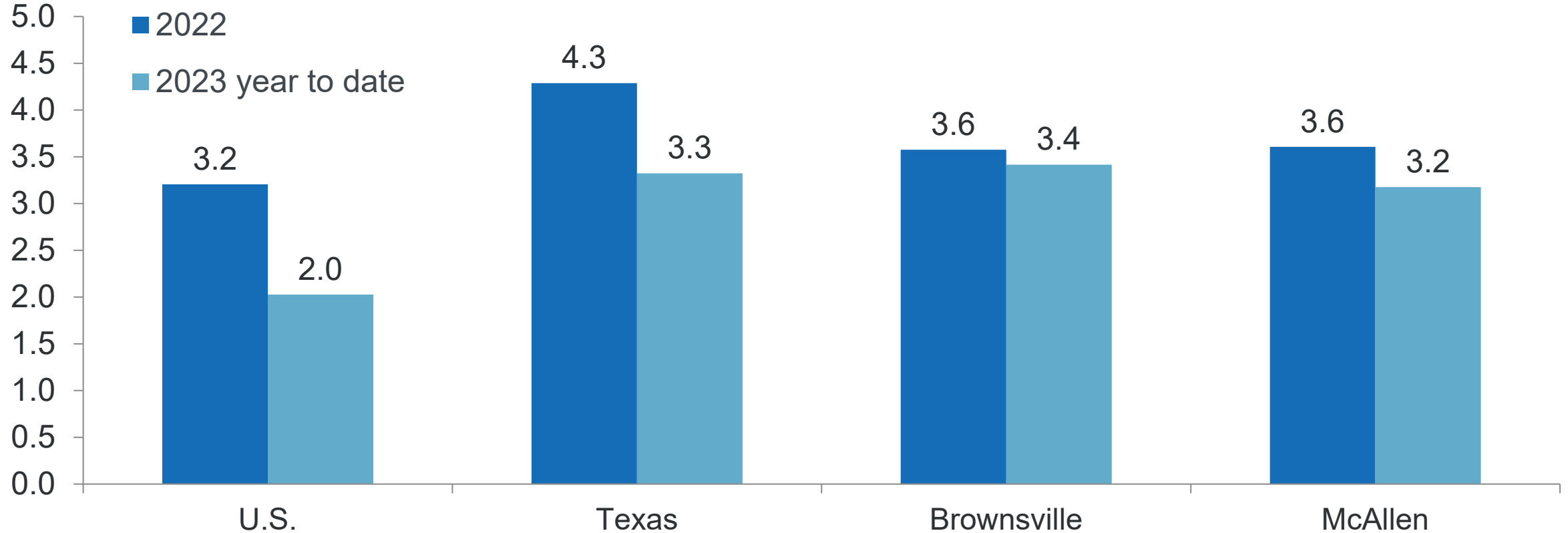
NOTE: Numbers in parentheses indicate share of total state employment for August 2023.

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

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

# Job Growth Has Slowed in 2023

Job growth (percent)\*



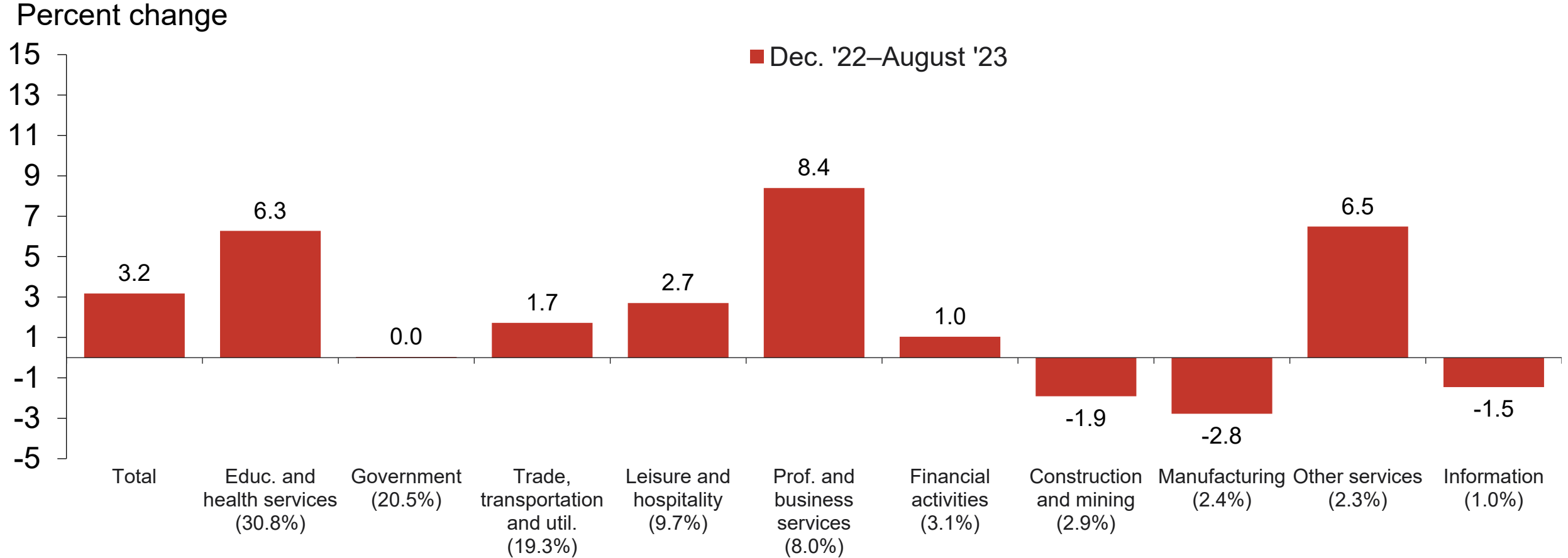
\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for most recent monthly data. U.S. data are through September; Texas and metro data are through August.

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

DATA: <https://www.dallasfed.org/research/econdata/tx-emp.aspx#tab3>

# McAllen's Strong Employment Growth in 2023 led by Prof. and Business Services, Other Services, and Educ. and Health

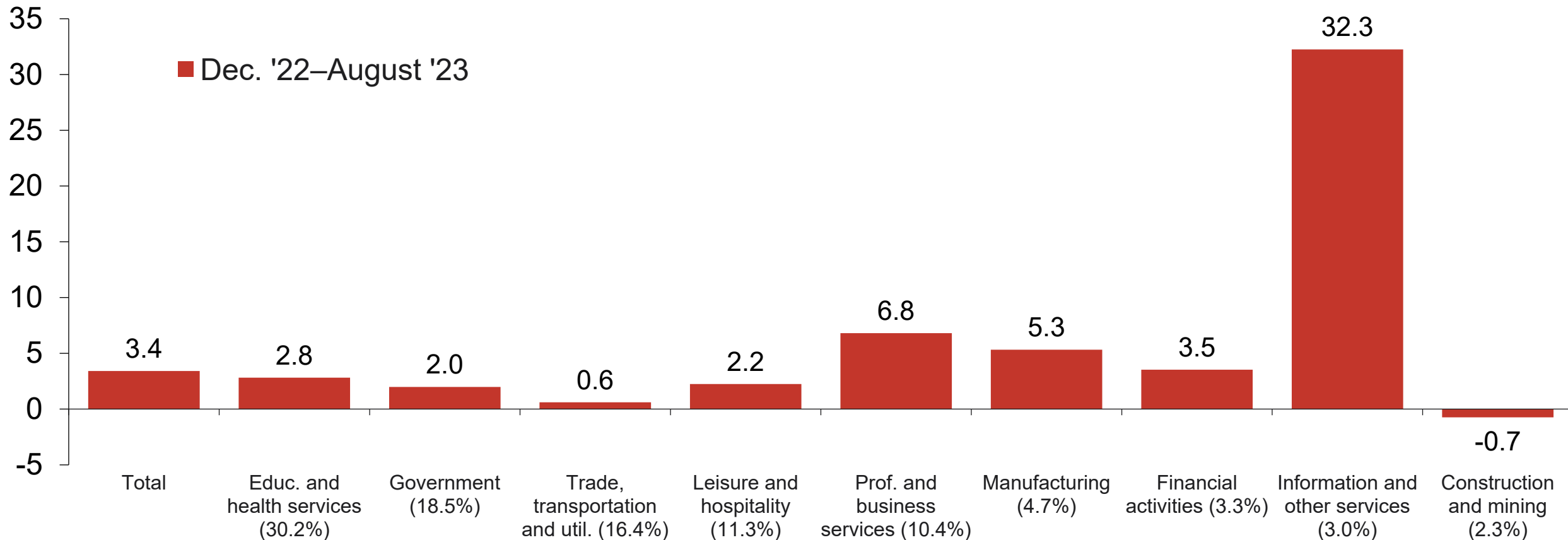


NOTE: Data show seasonally adjusted and annualized percentage employment growth by sector. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; adjustments by the Federal Reserve Bank of Dallas.

# Positive Employment Growth Across All Brownsville Sectors in 2023 but Construction and Mining

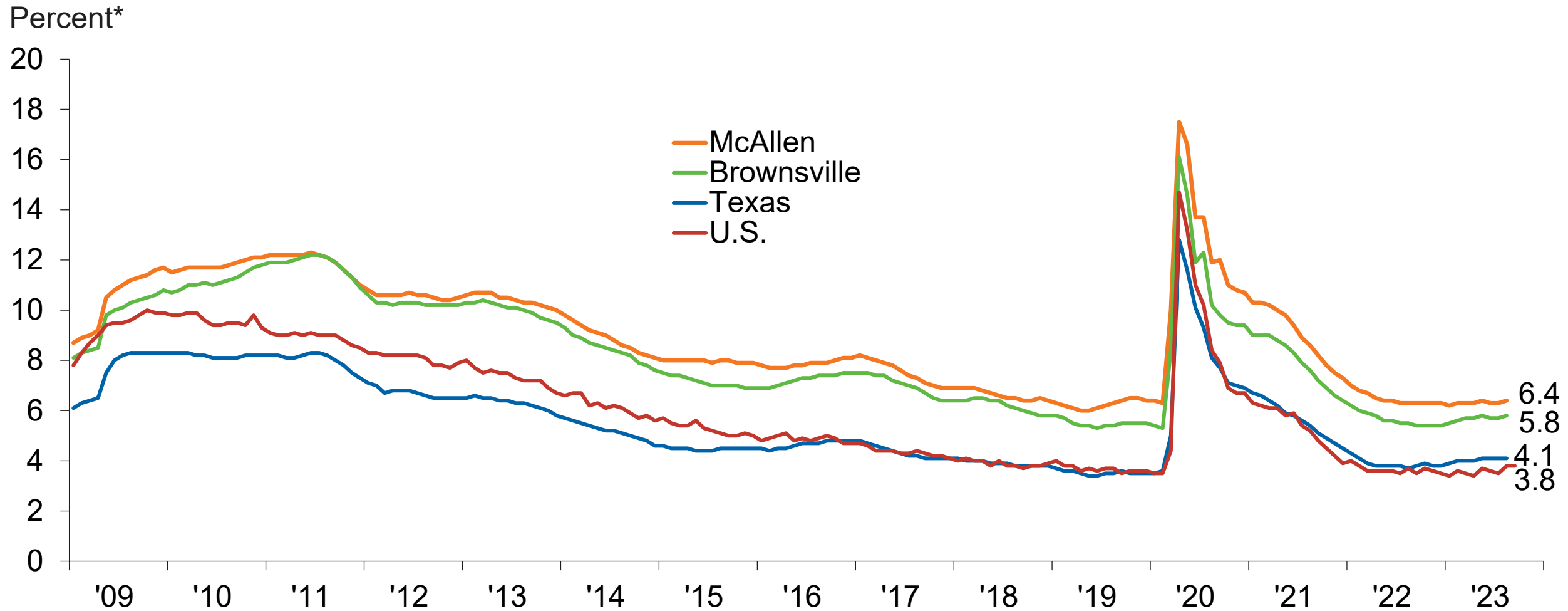
Percent change



NOTE: Data show seasonally adjusted and annualized percentage employment growth by sector. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; adjustments by the Federal Reserve Bank of Dallas.

# McAllen and Brownsville Unemployment Rates Far Exceed Texas and U.S.



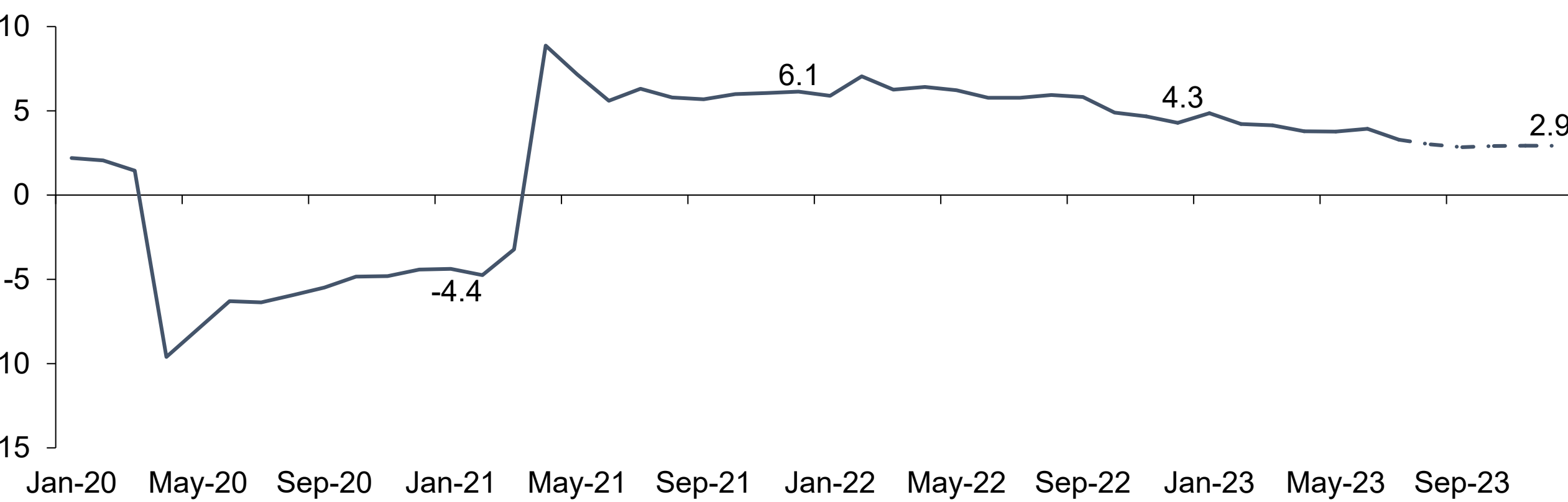
\*Seasonally adjusted, monthly.

SOURCE: Federal Reserve Bank of Dallas.

# Outlook

# Texas Employment Forecast Indicates That Jobs Will Increase 2.9 Percent in 2023 After Rising 4.3 Percent in 2022

Percent, year/year



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 West Texas Intermediate (WTI) oil prices, the U.S. 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).



# Outlook:

## 2023 GDP Revised Up, Expected to be Somewhat Slow in 2024, Gradual Return to 2.0 Percent Inflation

		FOMC Sept.	Blue Chip forecasters
GDP Q4/Q4	2023	2.1	2.1
	2024	1.5	0.9
Unemployment Q4	2023	3.8	3.8
	2024	4.1	4.3
Core PCE inflation Q4/Q4	2023	3.7	3.6
	2024	2.6	2.4

NOTE: Federal Open Market Committee (FOMC) projection materials median forecasts for Sept. 20, 2023.  
SOURCES: Blue Chip Economic Indicators; FOMC.

# Summary

- 2023 economic growth higher than expected:
  - Expected growth to slow next year.
- Labor markets are slowing:
  - Gradual increase in unemployment.
- Inflation not expected to be fully back to 2 percent through 2024.
- Texas employment forecast around 2.9 percent for 2023.
- Growth in McAllen and Brownsville is expected to slow and gravitate toward long-term trend growth levels.

**Thank You!**

The background of the slide features a low-angle shot of a modern skyscraper with a grid of windows, partially obscured by a semi-transparent blue overlay. Two American flags are visible, one in the foreground and another slightly behind it, both waving. The overall color palette is dominated by various shades of blue.

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