



Federal Reserve  
Bank of Dallas

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## Texas Economic Update

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Municipal Advisory Council of Texas  
Irving, Texas  
10/24/2024

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 Jesus Cañas and Isabel Brizuela for their help and support in preparing this presentation.

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**Building  
a strong  
economy  
together**

## Roles of Central Banks Around the World



### Economic Stability

- Establish and conduct monetary policy.
- Strive for low and stable inflation.



### Financial Stability

- Issue banknotes.
- Supervise financial institutions.
- Ensure financial system functions properly.
- Prevent financial panics.

# U.S. Central Bank: Federal Reserve System



## Federal Reserve Banks

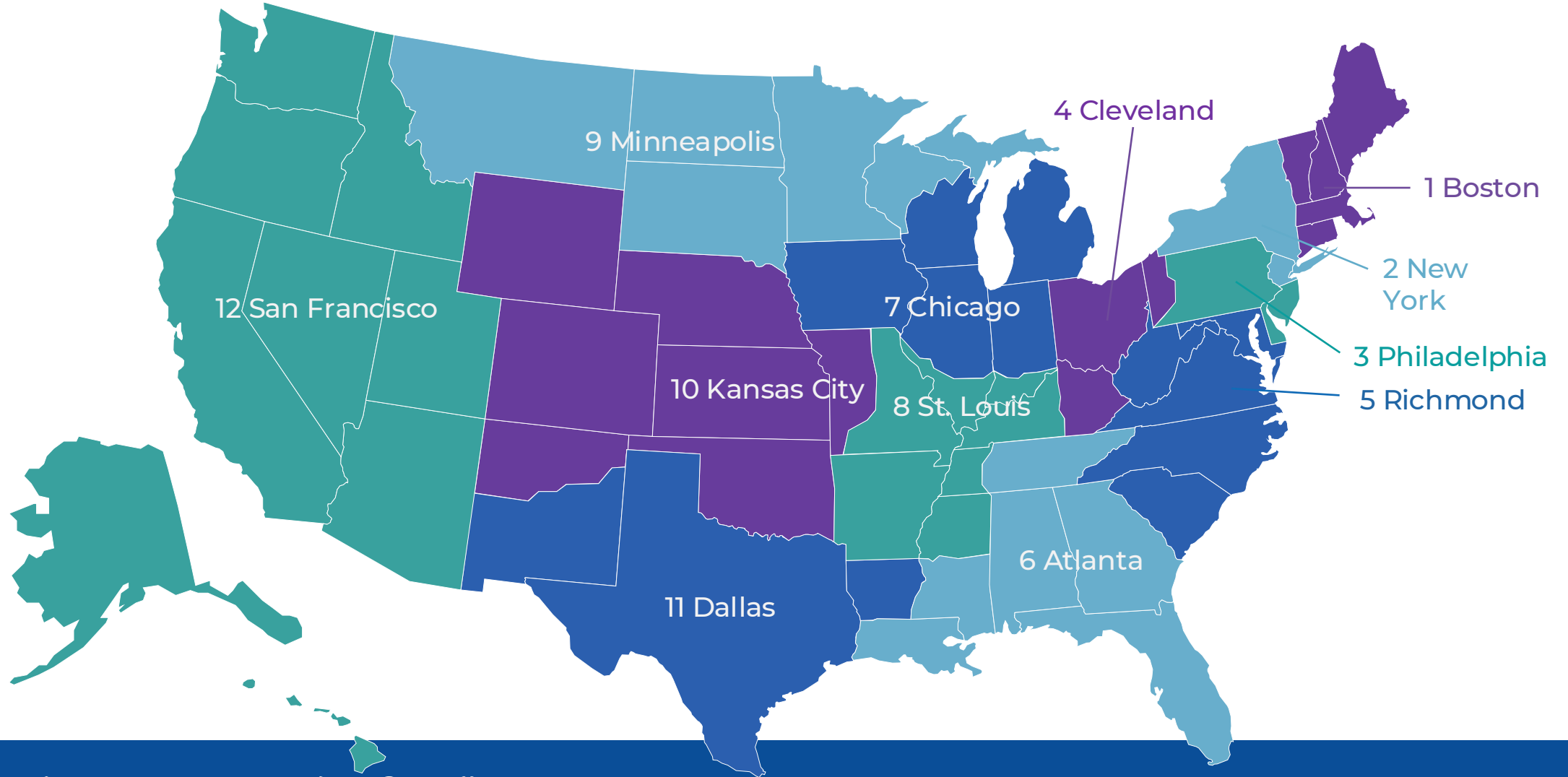
- 12 regional Reserve Banks across the U.S.
- Serve as the operating arms of the Federal Reserve.
- Each has a president and board of directors.
- Commercial banks can be members.



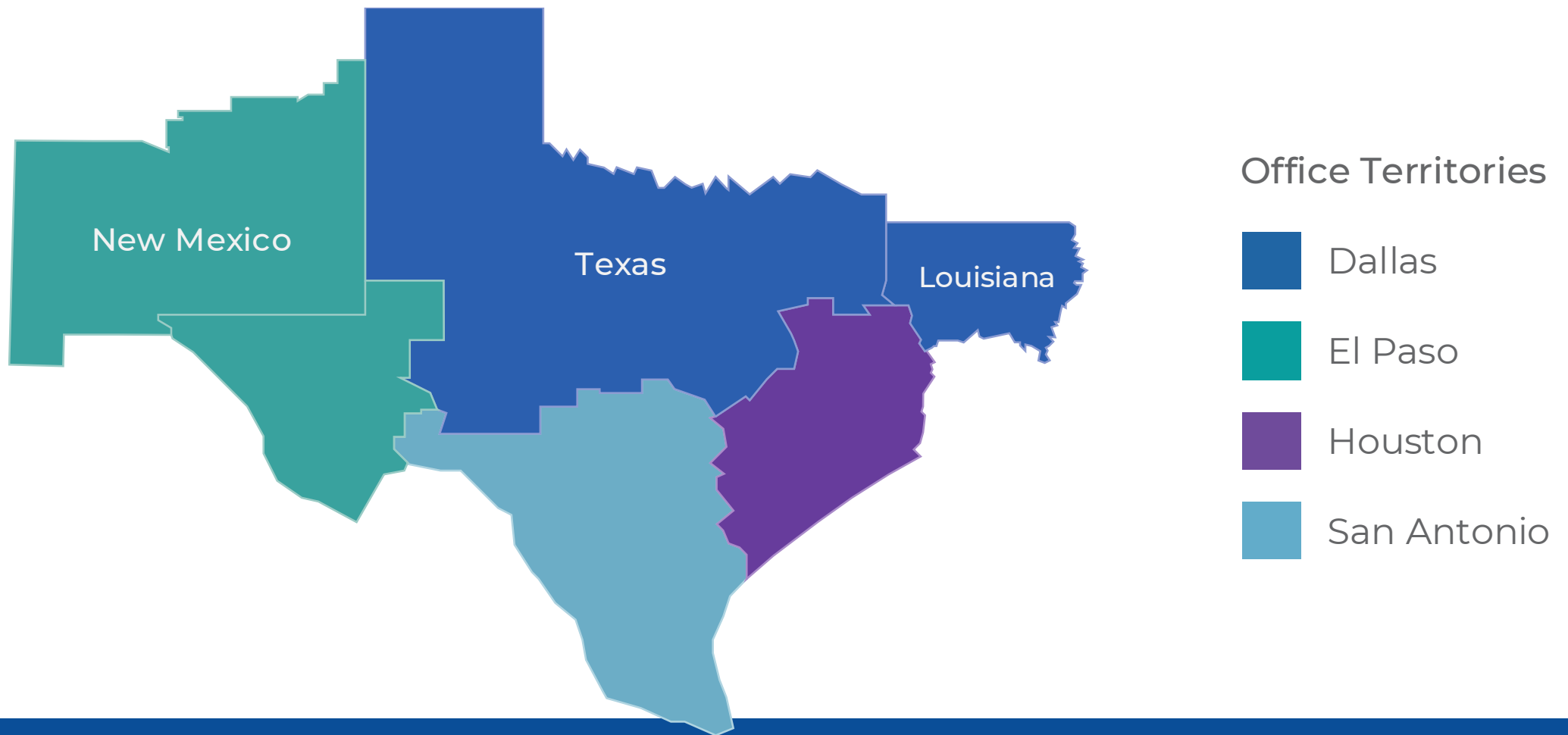
## Board of Governors

- Federal agency in Washington, D.C.
- Provides oversight of the Reserve Banks.
- Governors
  - Nominated by the U.S. President and confirmed by the Senate.
  - Serve 14-year terms.

# Connecting Regional Economies



# Dallas Fed: Serving the Eleventh District



# Fed Responsibilities



Monetary Policy



Bank Supervision  
& Regulation



Financial System  
Stability



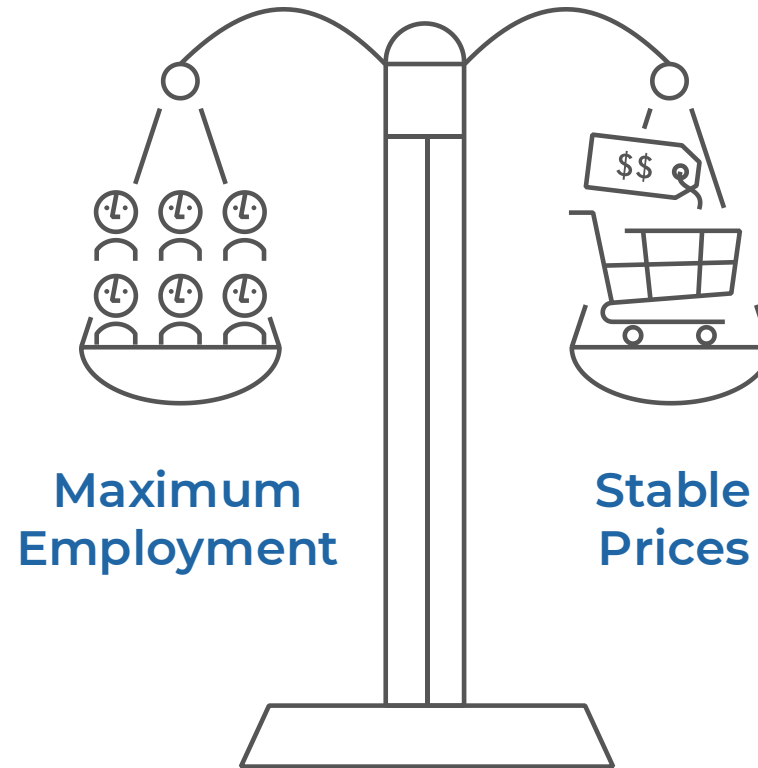
Consumer Protection  
& Community  
Development



Payment Systems  
Safety & Efficiency



# Monetary Policy Dual Mandate



Monetary Policy  
Federal Open Market Committee

7

**Governors**

Vote on policy decisions  
at all FOMC meetings.

12

**Reserve Bank  
Presidents**

Participate in all meetings.  
Five serve as voting  
members each year.

8

**Times a Year**

FOMC meets to make  
decisions about monetary  
policy.

# Texas Economic Update

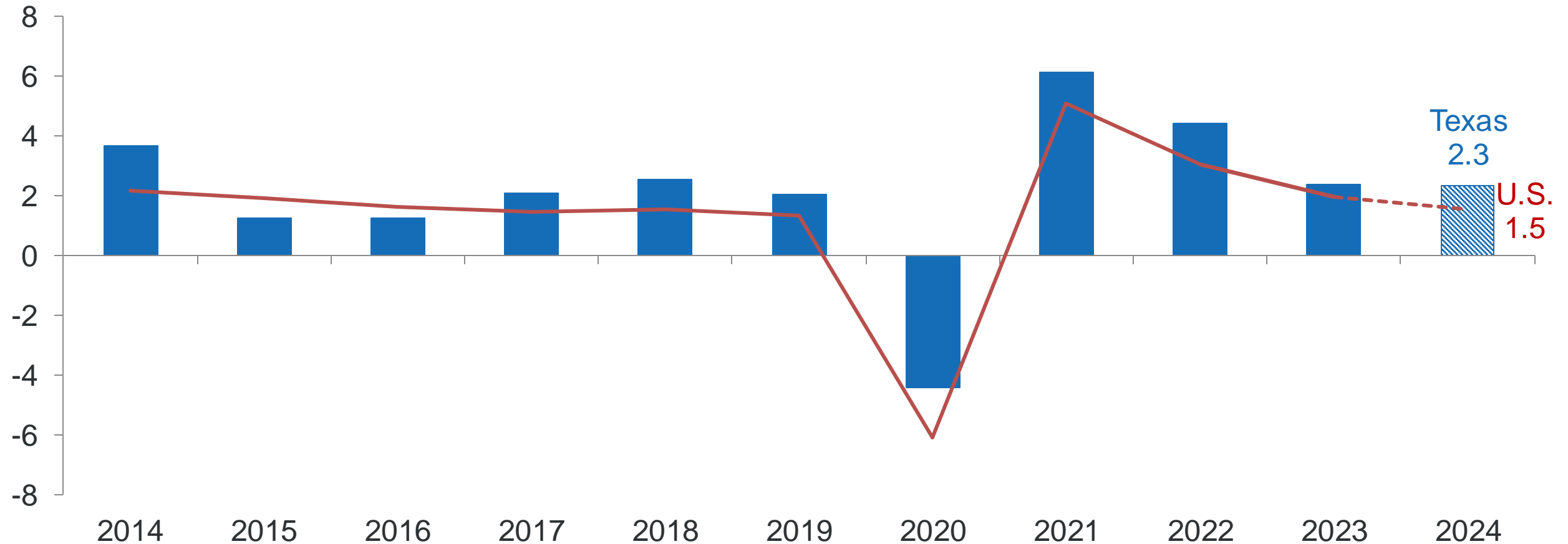
# Overview

- The Texas economy remains healthy, and growth has picked up after slowing in first quarter of this year.
- Year-to-date Texas job growth has exceeded that of the nation, and Texas growth has been generally broad based.
- The Texas Employment Forecast estimates jobs will increase 2.5 percent in 2024.
- Risks to the outlook are mixed.
  - Elevated (albeit improving) inflation, ebbing consumer resilience.
  - Fragility in commercial real estate.
  - Geopolitical risk, election uncertainty are on the rise and clouding the outlook.
  - On the upside, high labor force growth and immigration.

# Recent Economic Performance

# Texas 2024 job growth ahead of the nation

Job growth (percent)\*



\*Seasonally adjusted, annualized rate.

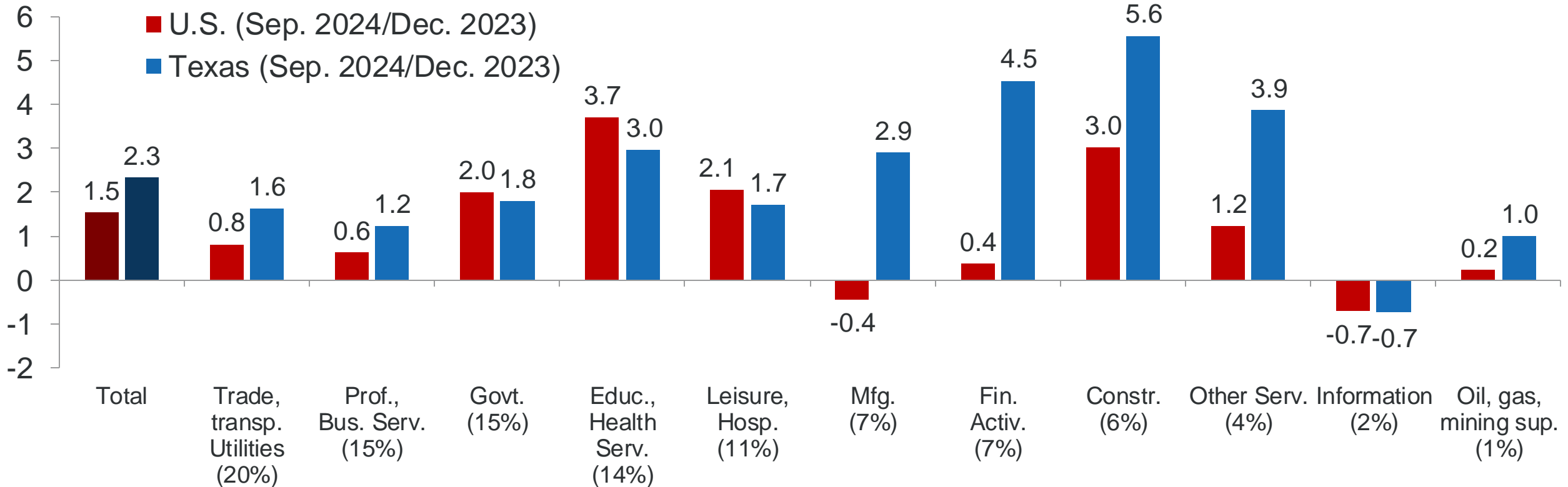
NOTE: Last data points are annualized job growth for September 2024/December 2023.

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 growth generally broad based

Job Growth (percent)\*



\*Seasonally adjusted, annualized rate.

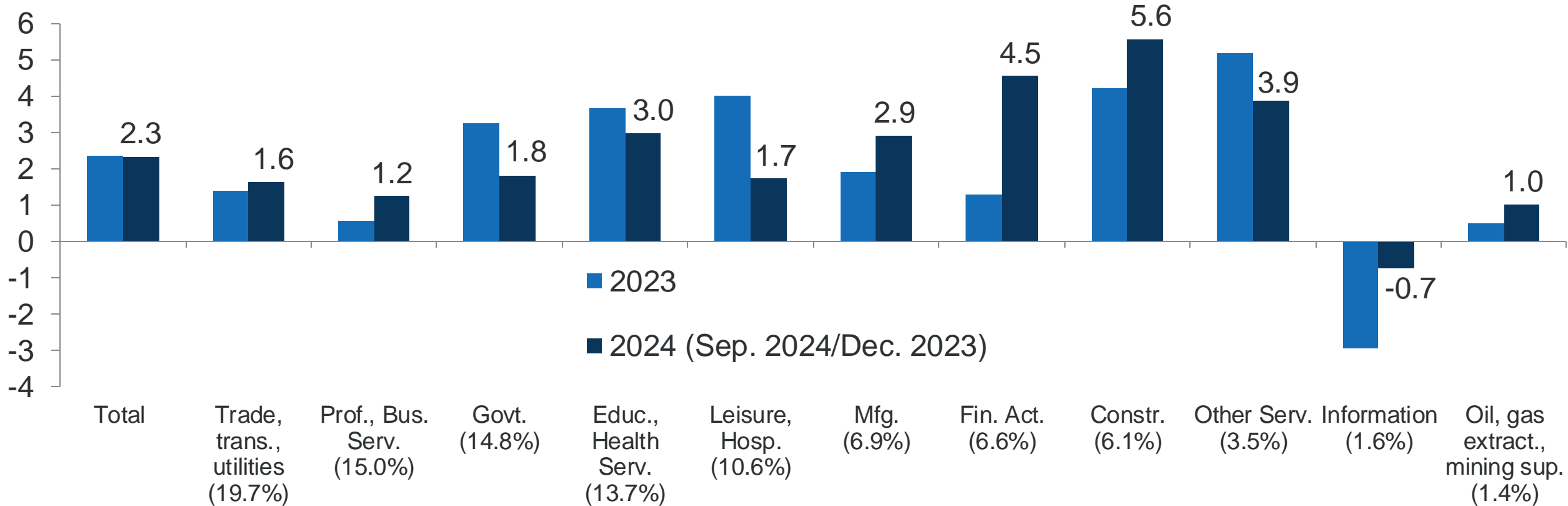
NOTE: Numbers in parentheses indicate share of total state employment for September 2024.

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](https://www.dallasfed.org/economic/employment).

# Texas employment growth strongest in construction

Job growth (percent), Dec./Dec.\*



\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment for most recent monthly data.

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

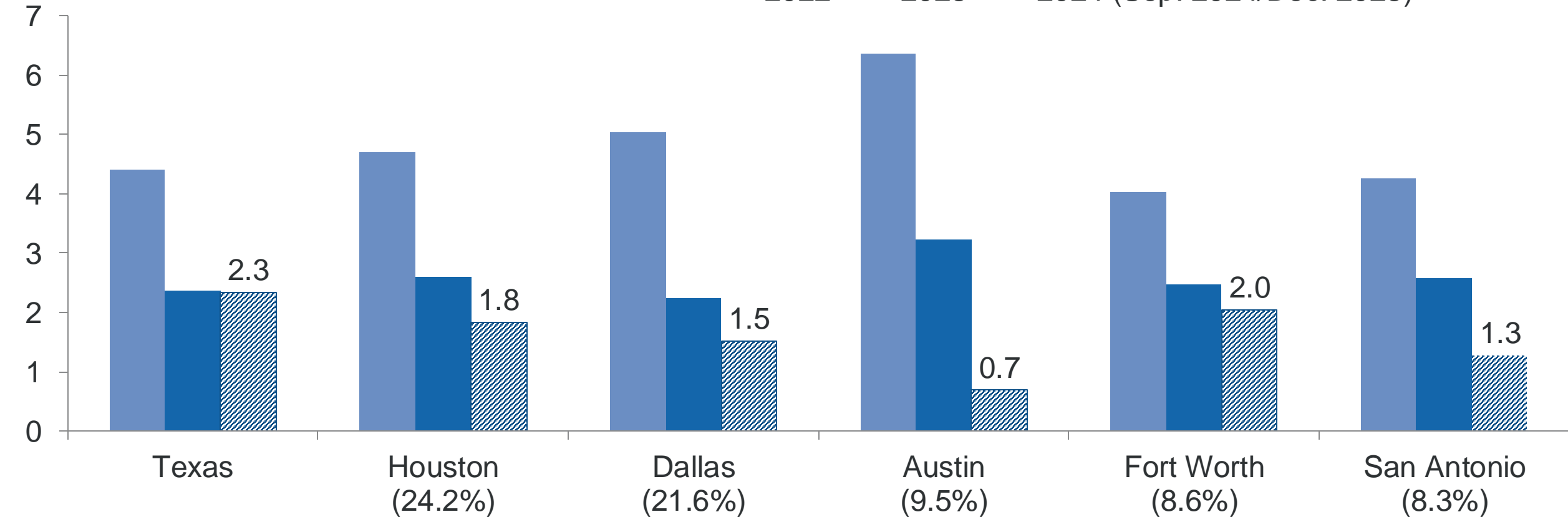
DATA: <https://www.dallasfed.org/research/econdata/tx-emp-ind.aspx>.



# Year-to-date employment growth led by smaller metros

Job growth (percent), Dec./Dec.\*

■ 2022 ■ 2023 ▨ 2024 (Sep. 2024/Dec. 2023)



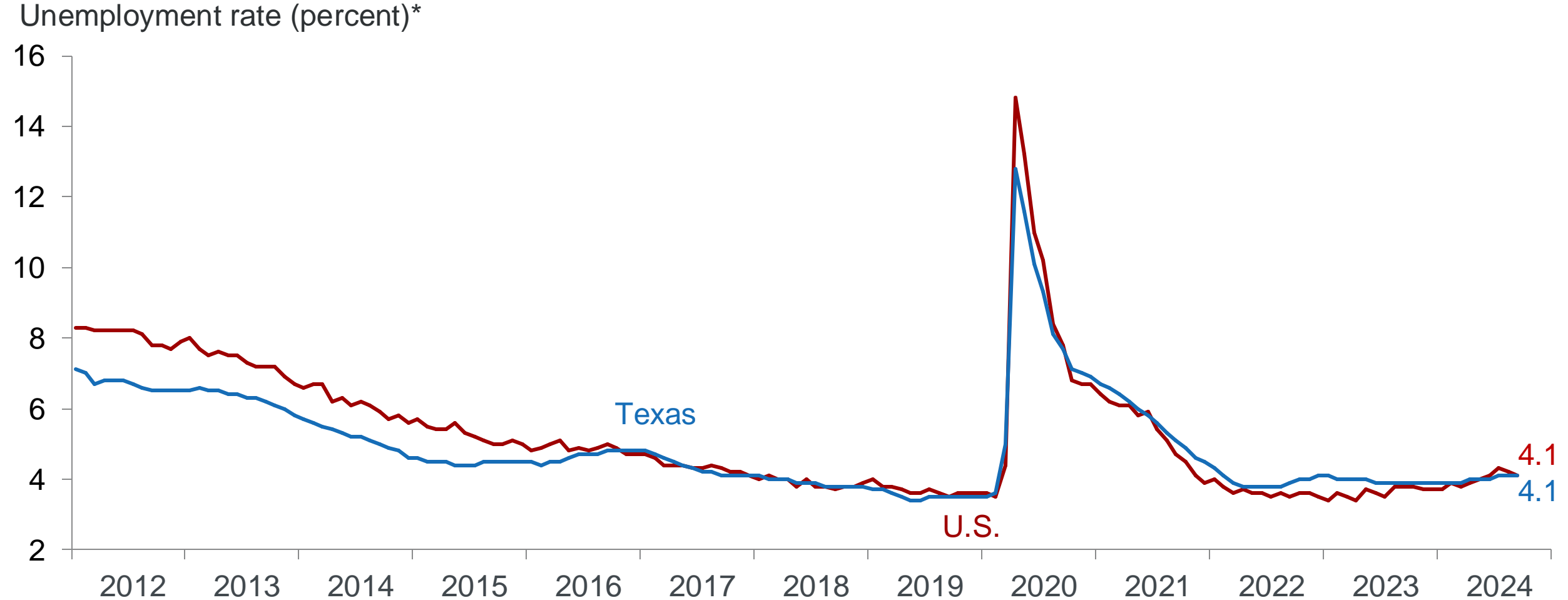
\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for September 2024.

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

DATA: [Texas Employment Data - Dallasfed.org](https://www.dallasfed.org/research/economic-research/texas-employment-data).

# Texas unemployment rate remains historically low



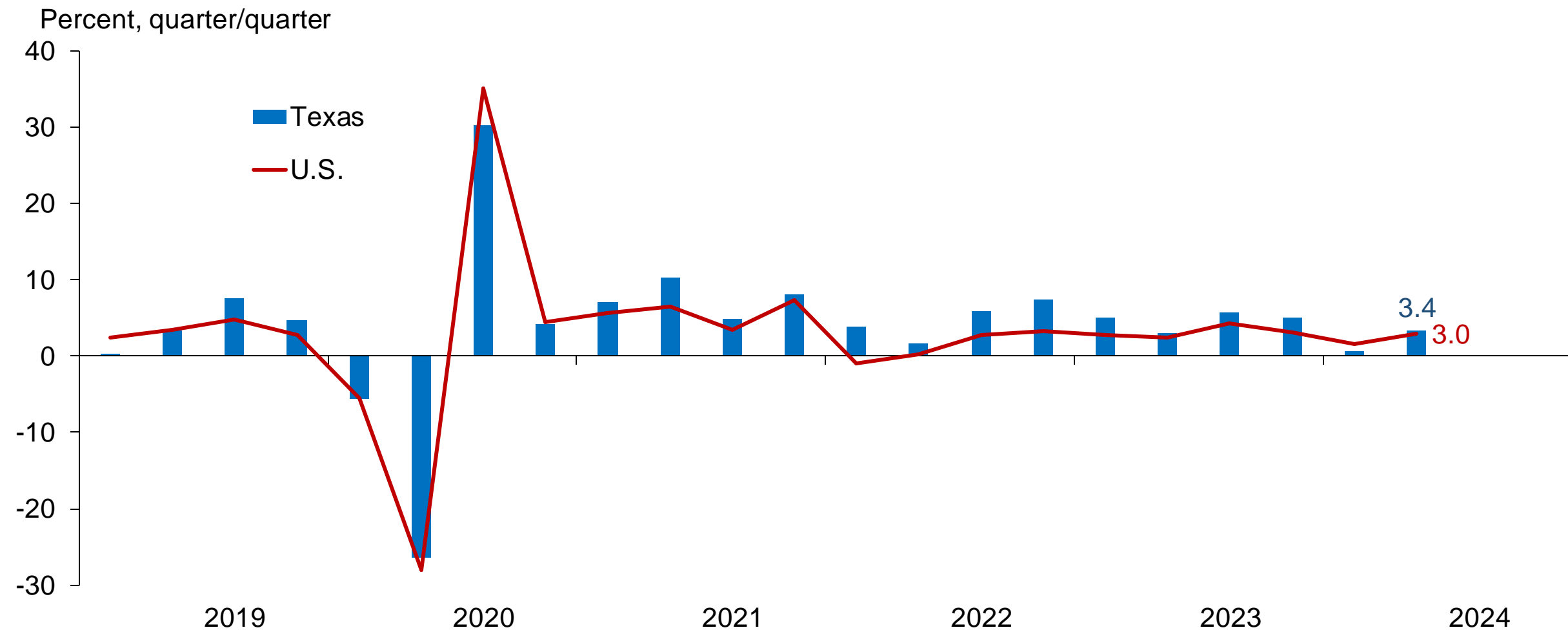
\*Seasonally adjusted.

NOTE: Data are through September 2024.

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

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

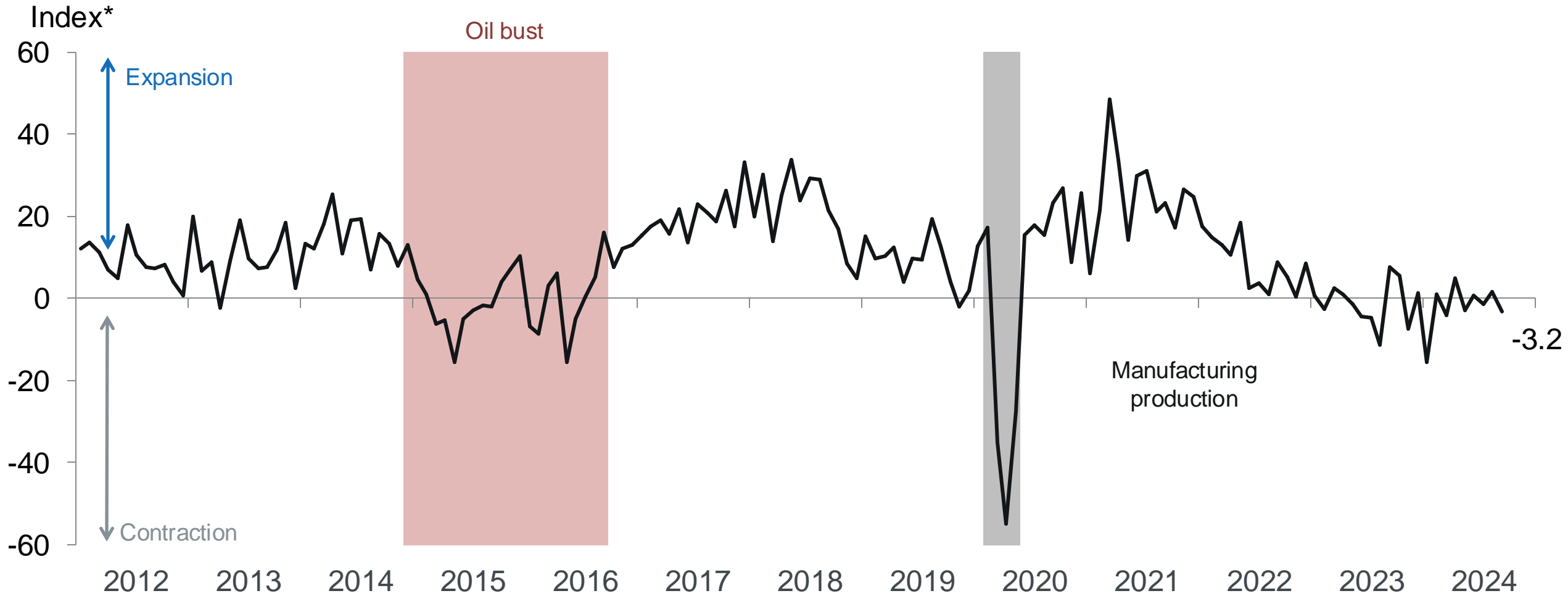
# Texas GDP growth picks up in Q2 2024



NOTES: Shown are quarterly, real GDP growth for the U.S. and mining-adjusted real gross state product growth. Growth rates are seasonally adjusted and annualized. Data are through Q2 2024.

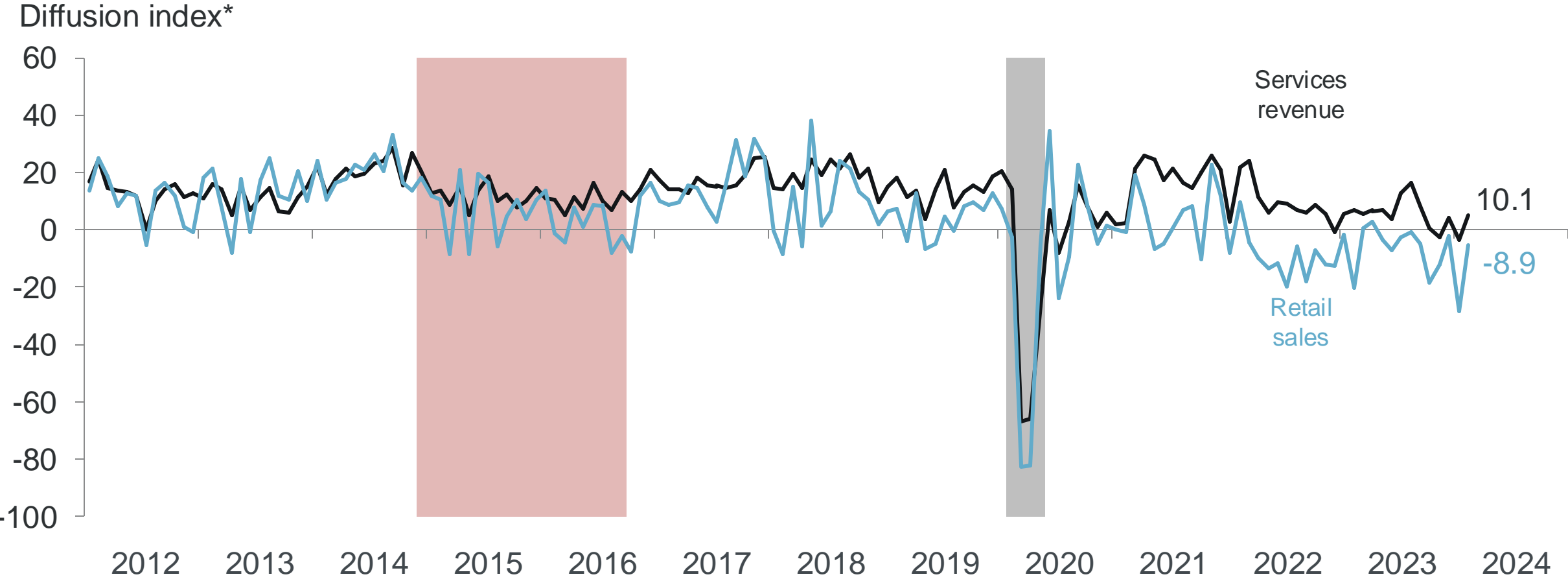
SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

# Texas manufacturing output declines slightly in September



\*Seasonally adjusted.  
NOTE: Data are through September 2024. The grey bar represents recession.  
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.  
DATA: <https://www.dallasfed.org/research/surveys/tmos>.

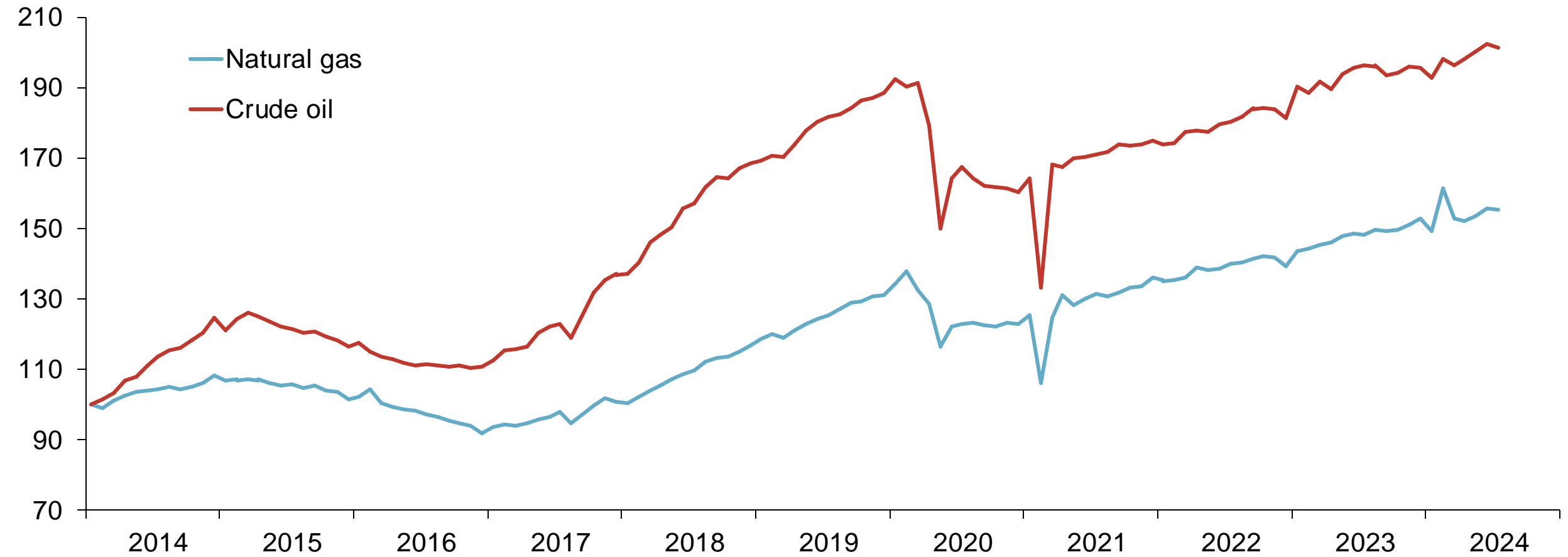
# Texas service sector revenue expands mildly



\*Seasonally adjusted.  
NOTE: Data are monthly through September 2024.  
SOURCES: Texas Service Sector Outlook Surveys; Texas Retail Outlook Surveys.

# Texas oil and gas production increases in July

Index, January 2014 = 100\*



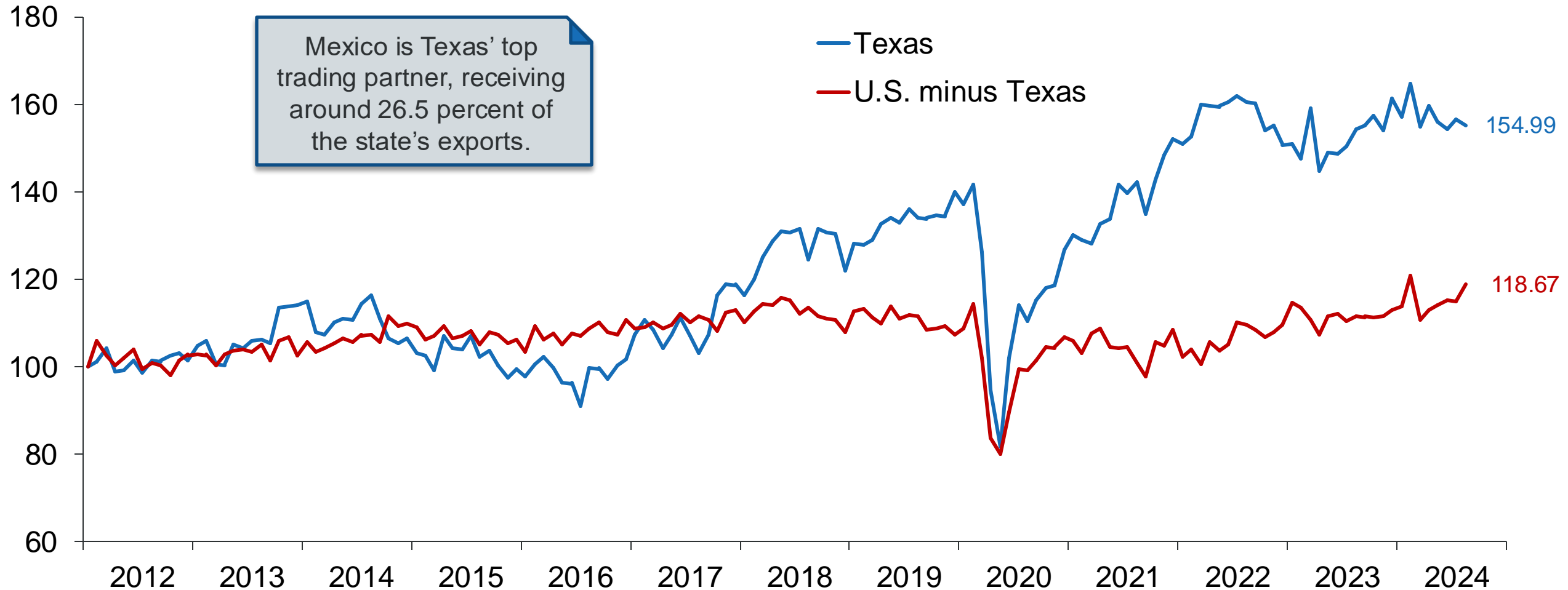
\*Seasonally adjusted.

NOTES: Shown are crude oil and natural gas marketed production through July 2024. Production of natural gas is based on billion cubic feet while crude oil is based on million barrels per day.

SOURCE: Energy Information Administration.

# Texas exports fall

Index, January 2012=100\*



\*Seasonally adjusted, real dollars.

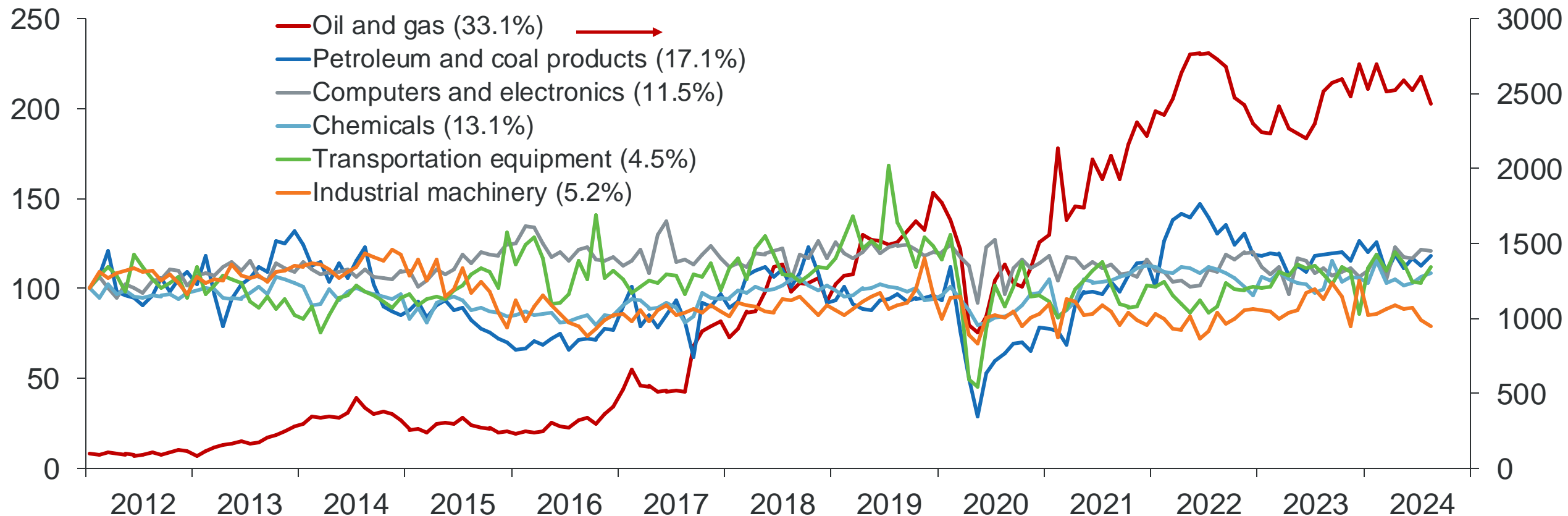
NOTES: Data are through August 2024.

SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by Federal Reserve Bank of Dallas.

# Fall in exports driven by industrial machinery, oil and gas

Index, January 2012 = 100\*

Index, January 2012 = 100\*



\*Seasonally adjusted, real dollars.

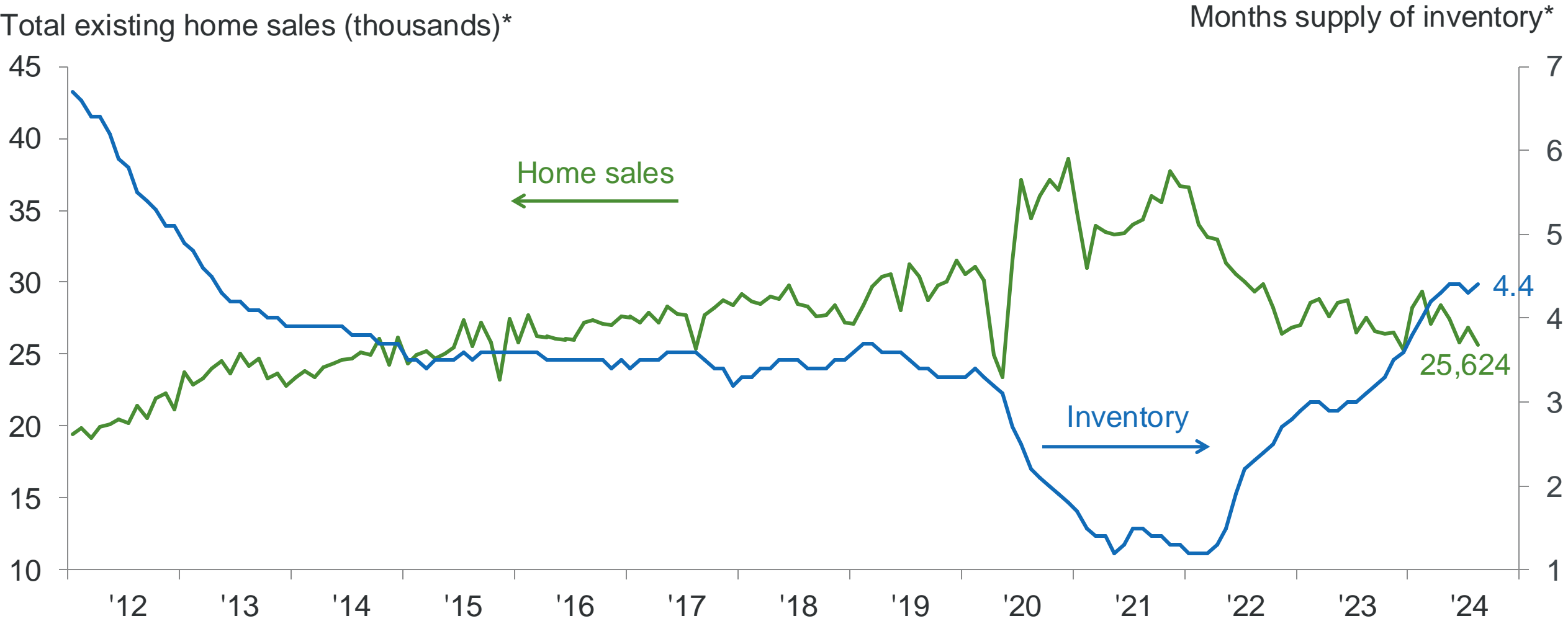
NOTES: Data are through August 2024. Shares of 2023 exports are in parentheses.

SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by Federal Reserve Bank of Dallas.



# Construction and Real Estate

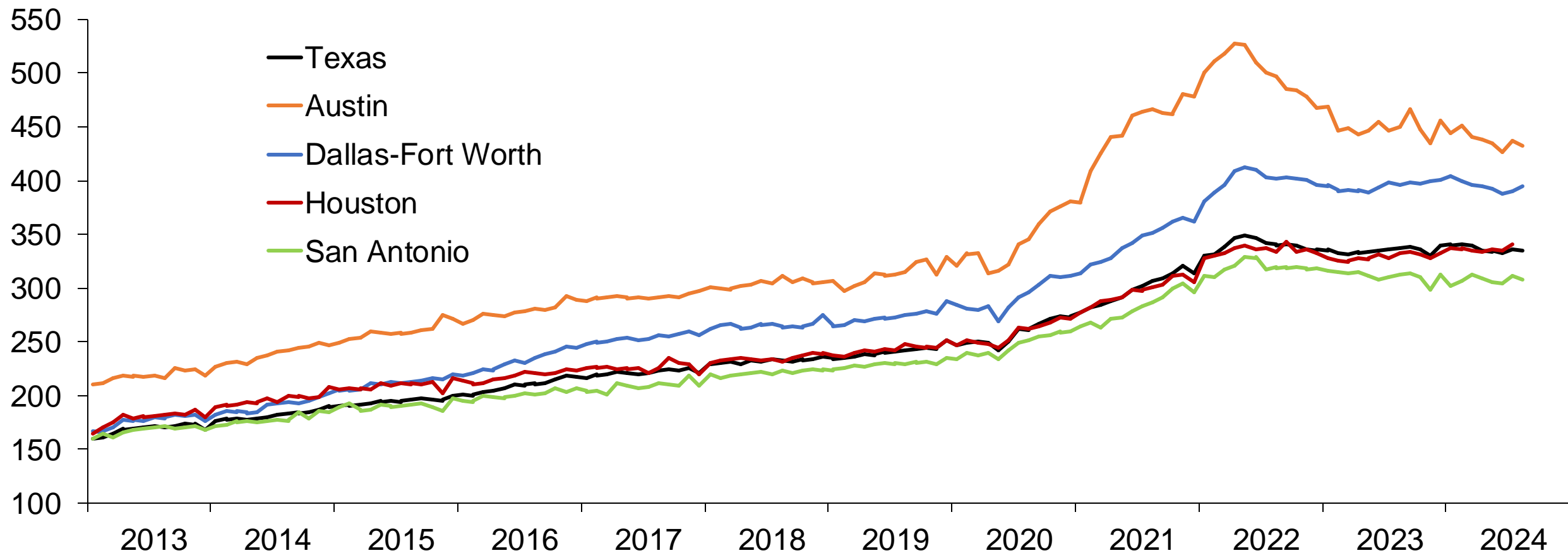
# Inventories continue to increase from historic lows



\*Seasonally adjusted.  
NOTE: Data are monthly through August 2024.  
SOURCES: Multiple listings service; seasonal and other adjustments by Federal Reserve Bank Dallas.

# Home prices stabilize

Median sales price, (thousands of dollars)\*

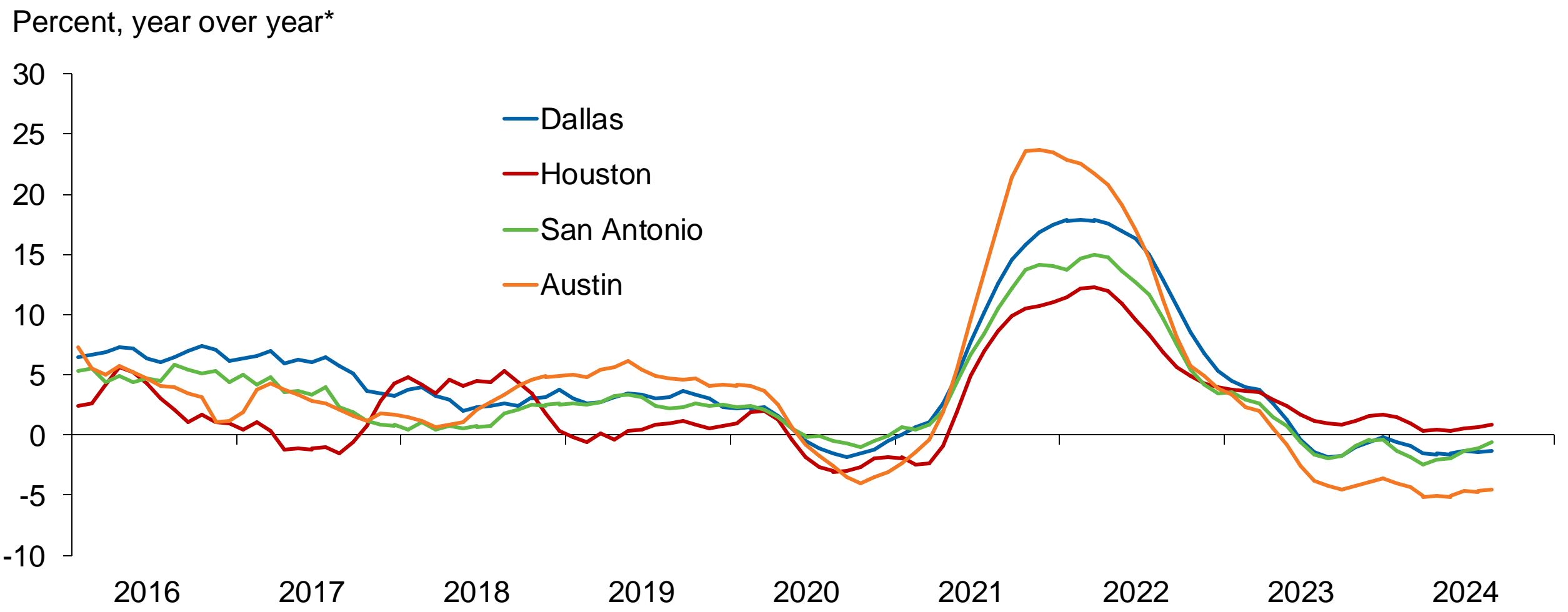


\*Seasonally adjusted.

NOTE: Data are monthly through August 2024.

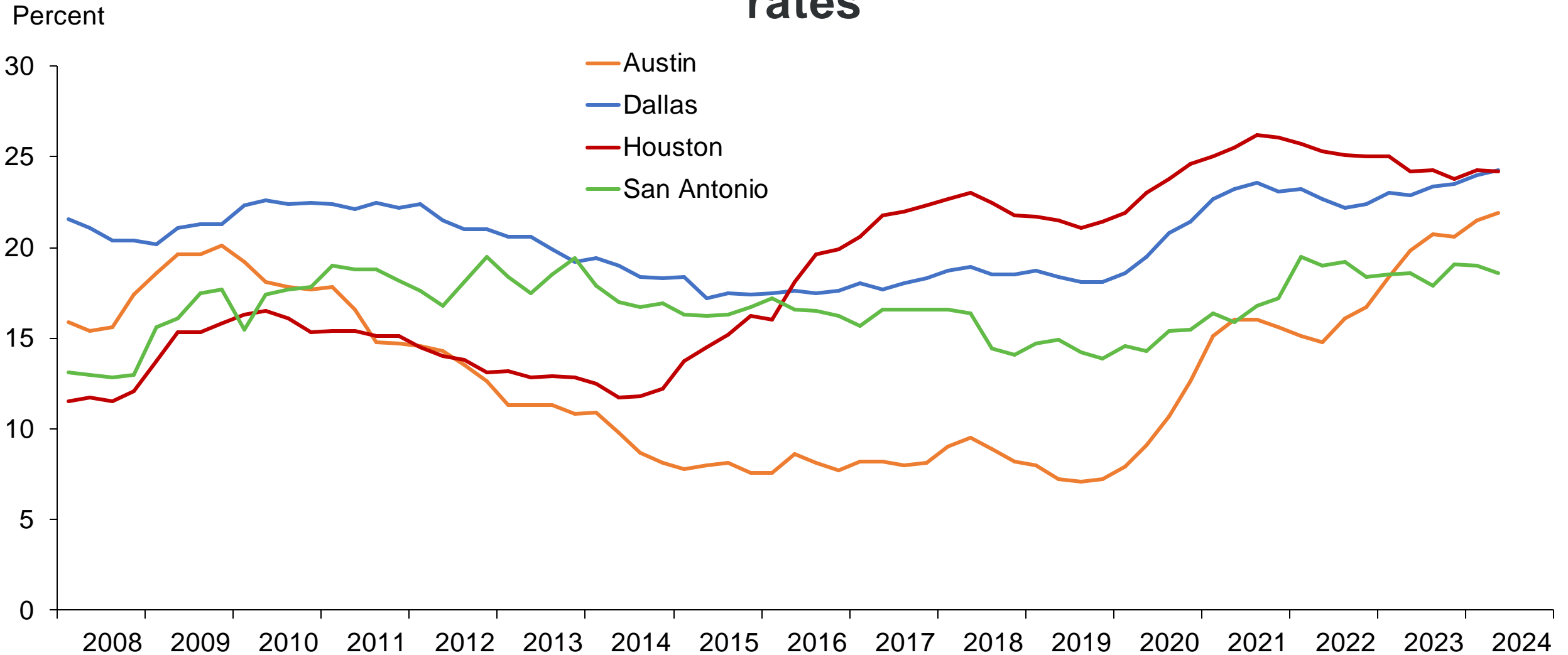
SOURCES: Multiple listing service; seasonal and other adjustments by Federal Reserve Bank of Dallas.

# Apartment rents dipped in most Texas markets



\*Smoothed and seasonally adjusted  
NOTES: Data are monthly through August 2024.  
SOURCE: Zillow.

# Aside from Austin, office vacancy stabilize at elevated rates



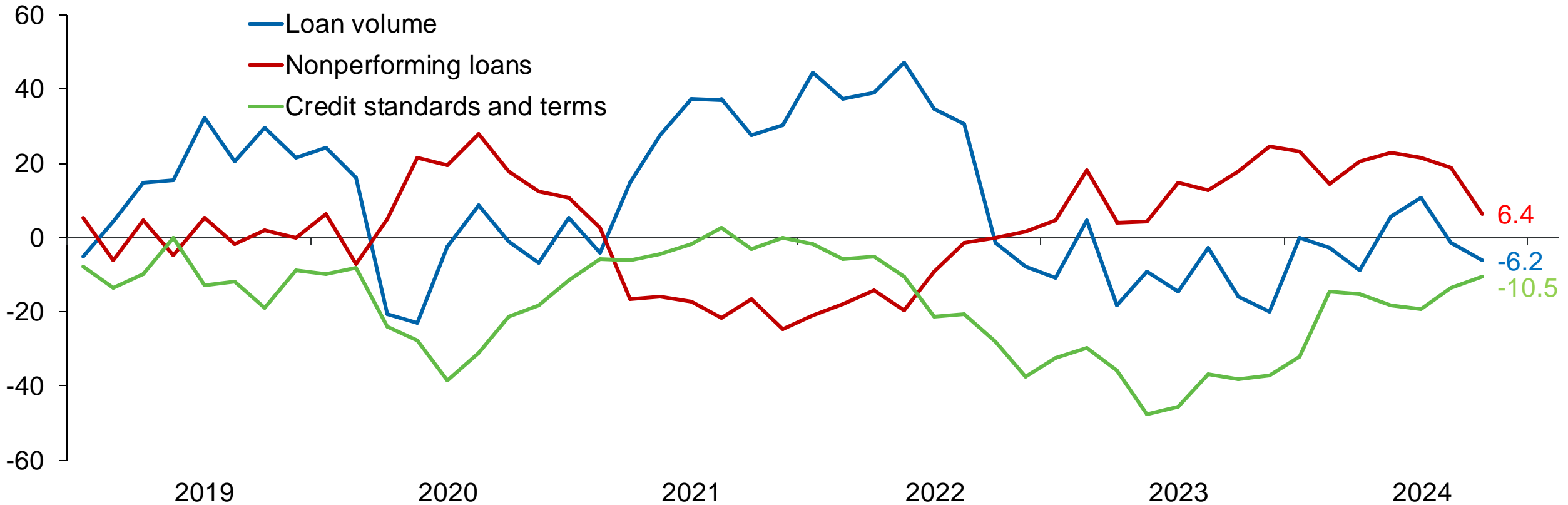
NOTE: Data are through the second quarter of 2024.

SOURCE: CBRE Econometric Advisors.

# Banks

# Regional bankers say loan volumes declined in October

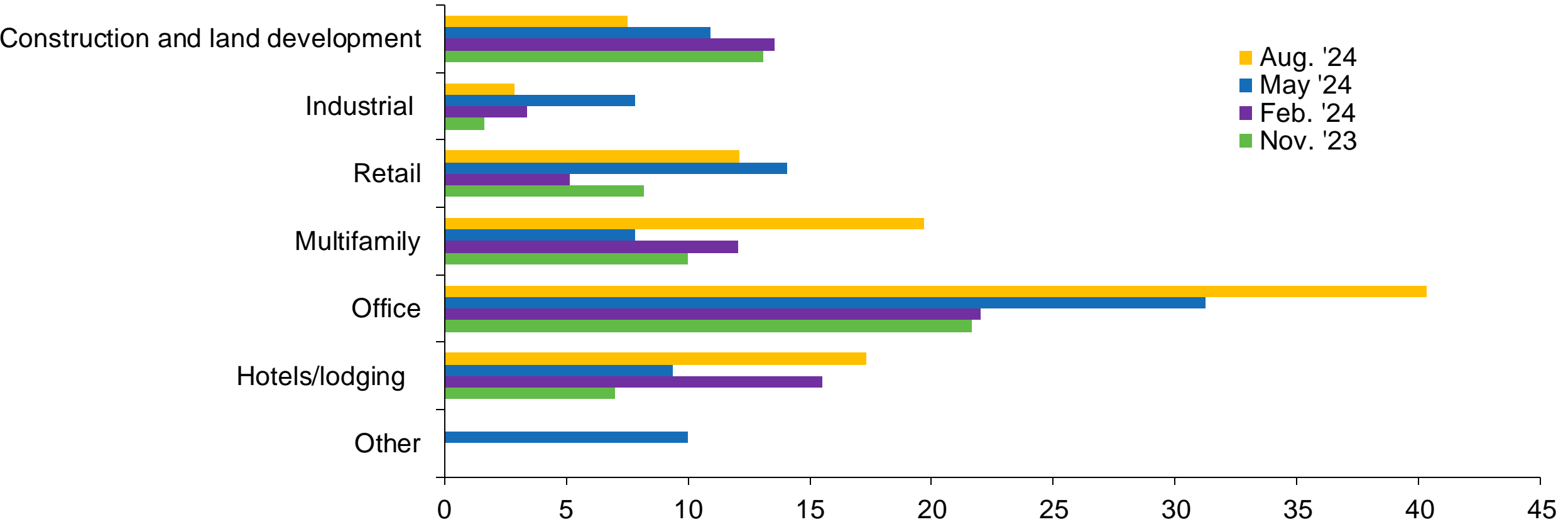
Diffusion index



NOTE: Data are through October 2024.

SOURCE: Federal Reserve Bank of Dallas, Banking Conditions Survey.

# CRE loan performance: Texas bankers most concerned about office and multifamily loans



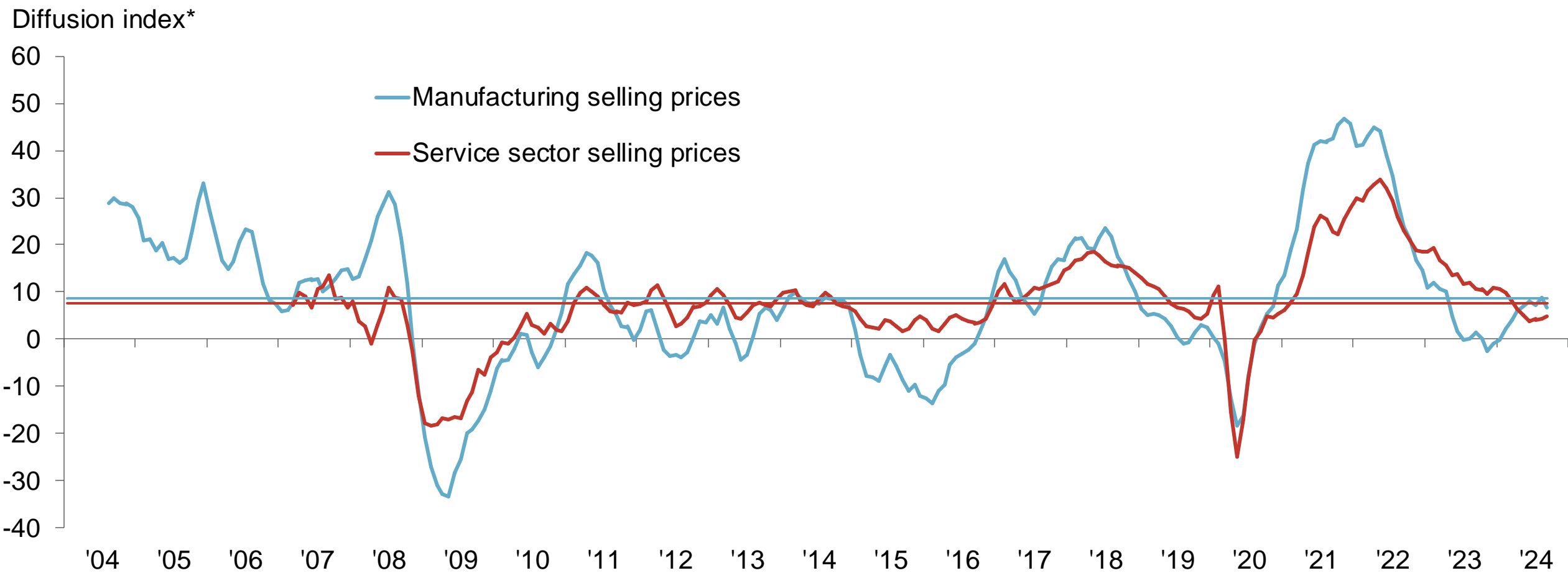
NOTES: Shown are the percent of respondents who answered 4 or 5 to "How concerned are you about the performance of the following categories in your commercial real estate (CRE) loan portfolio, on a scale of 1 (not concerned at all) to 5 (extremely concerned)?" "Other" was not a category of CRE loan prior to May '24 and has a value of 0 in Aug. '24. N=68 in Aug. '24.

SOURCE: Federal Reserve Bank of Dallas' Banking Conditions survey



# Inflation

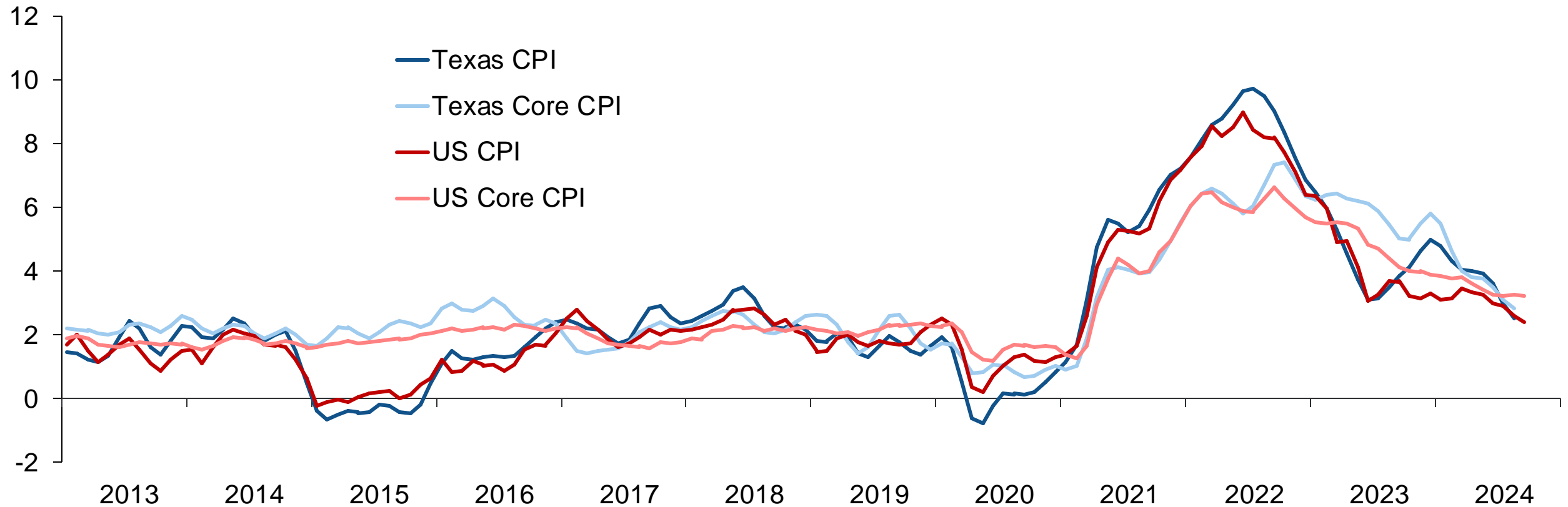
# Price pressures slightly below long-term average



\*Three-month moving average.  
NOTES: Dashed lines denote series averages. Data are monthly through September 2024.  
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

# Texas inflation is coming down, but still too high

Percent, year over year



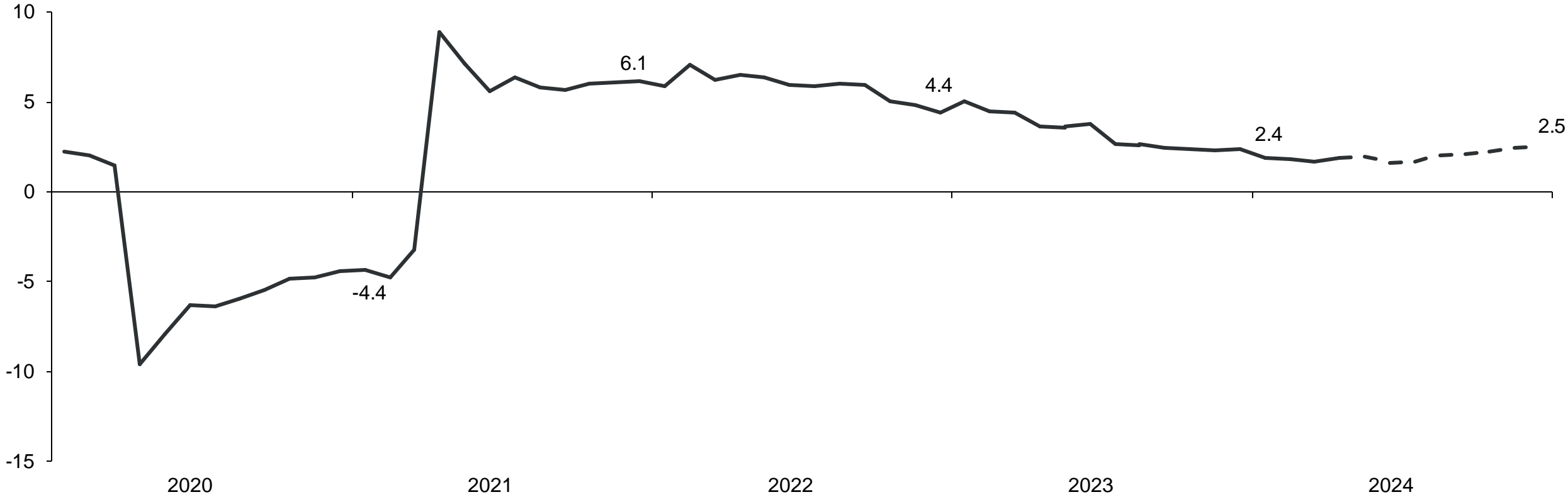
NOTE: U.S. CPI data through September 2024. Texas CPI data through August 2024.

SOURCE: Bureau of Labor Statistics.

# Outlook and risks

# The Texas employment forecast indicates 2.5% growth in 2024, above 2% long-run trend

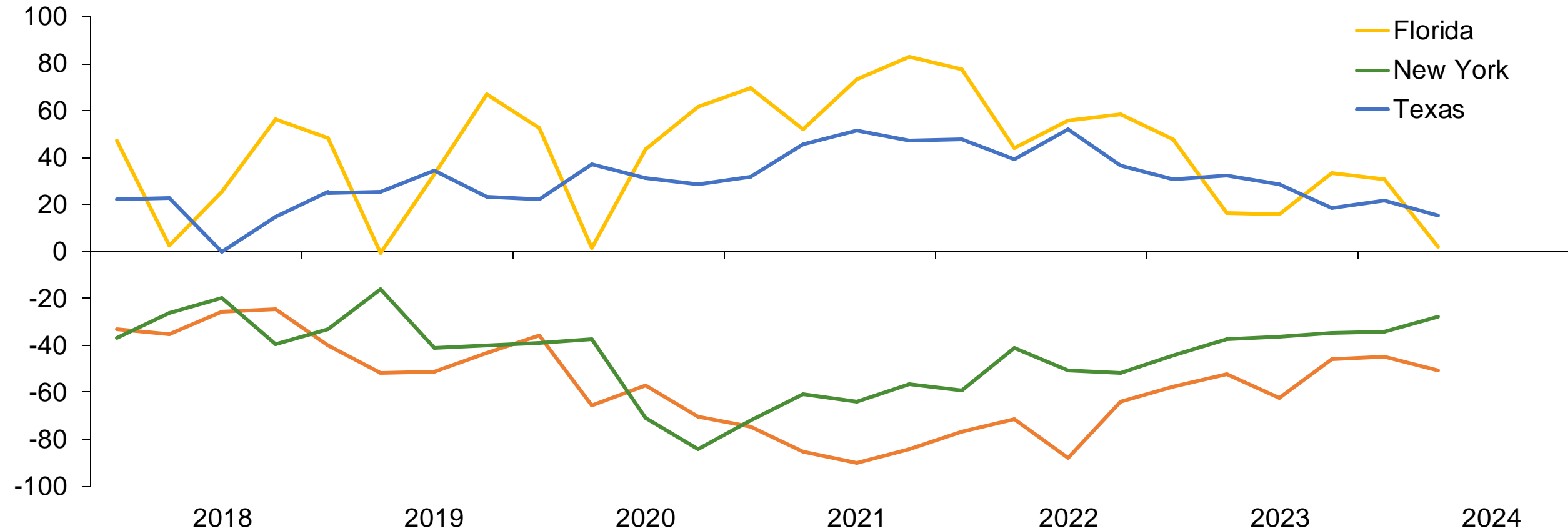
Percent, Y/Y



NOTES: Solid line reflects actual monthly values for Texas employment growth. Dashed line reflects predicted Texas employment growth. Actual data is monthly through September 2024. Predicted data is monthly from October through December 2024.  
SOURCE: Federal Reserve Bank of Dallas' Texas Employment Forecast.

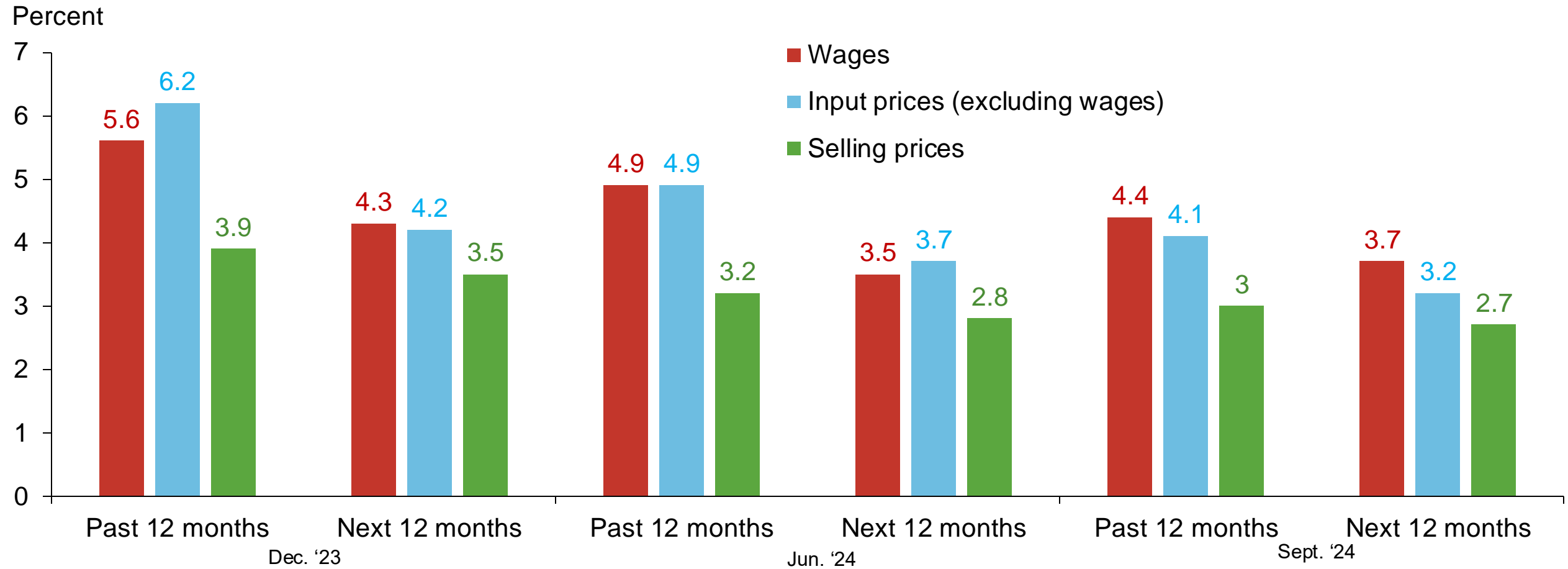
# Migration to Texas healthy but slower

Net domestic migration flows (thousands)



NOTE: Data are quarterly through the second quarter of 2024.  
SOURCE: Equifax Consumer Credit Panel.

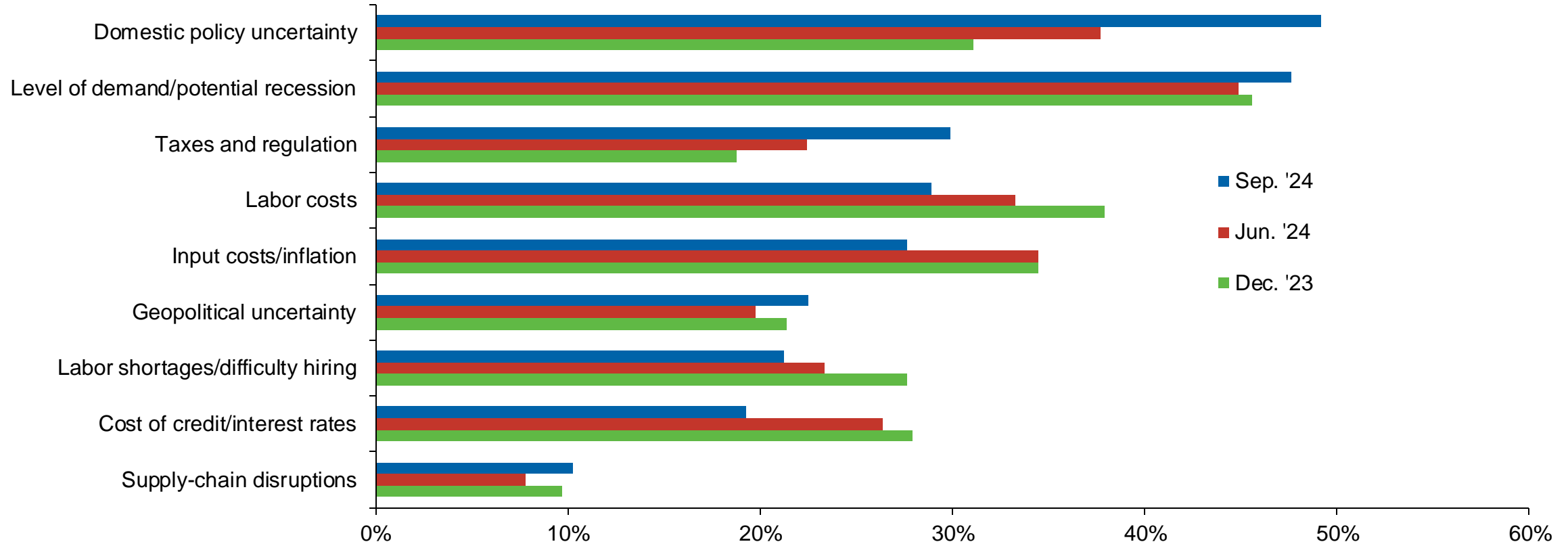
# Texas firms expect slower price and wage growth



NOTES: Respondents were asked, "What percent change in wages, input prices and selling prices did your firm experience over the past 12 months, and what do you expect over the next 12 months?" N = 290 in September 2024. 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.

# Policy concerns grow as inflation worries subside



NOTES: Shown are the percent of respondents that selected each category in response to: “What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three.” N = 311 in September 2024.

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



# Outlook

- Texas job growth is robust, and growth for the year is forecasted to slightly surpass the long-run trend.
- There are pockets of weakness, but nothing broad based or systemic.
- Headwinds persist, with inflation and domestic and geopolitical uncertainty.

**Thank you**

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policy making.*



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Texas **Service Sector**  
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