



Federal Reserve  
Bank of Dallas

# Regional Economic Update

## May 23, 2025

Roberto Coronado  
Senior Vice President and Senior Economist

I thank my colleagues Isabel Brizuela and Molly Hubbert-Doyle for their help and support in preparing this presentation.

---

*The views expressed are my own and do not  
necessarily reflect official positions  
of the Federal Reserve System.*

---

# Our Central Bank: The Federal Reserve



Monetary Policy



Consumer Protection &  
Community Development



Bank Supervision  
& Regulation

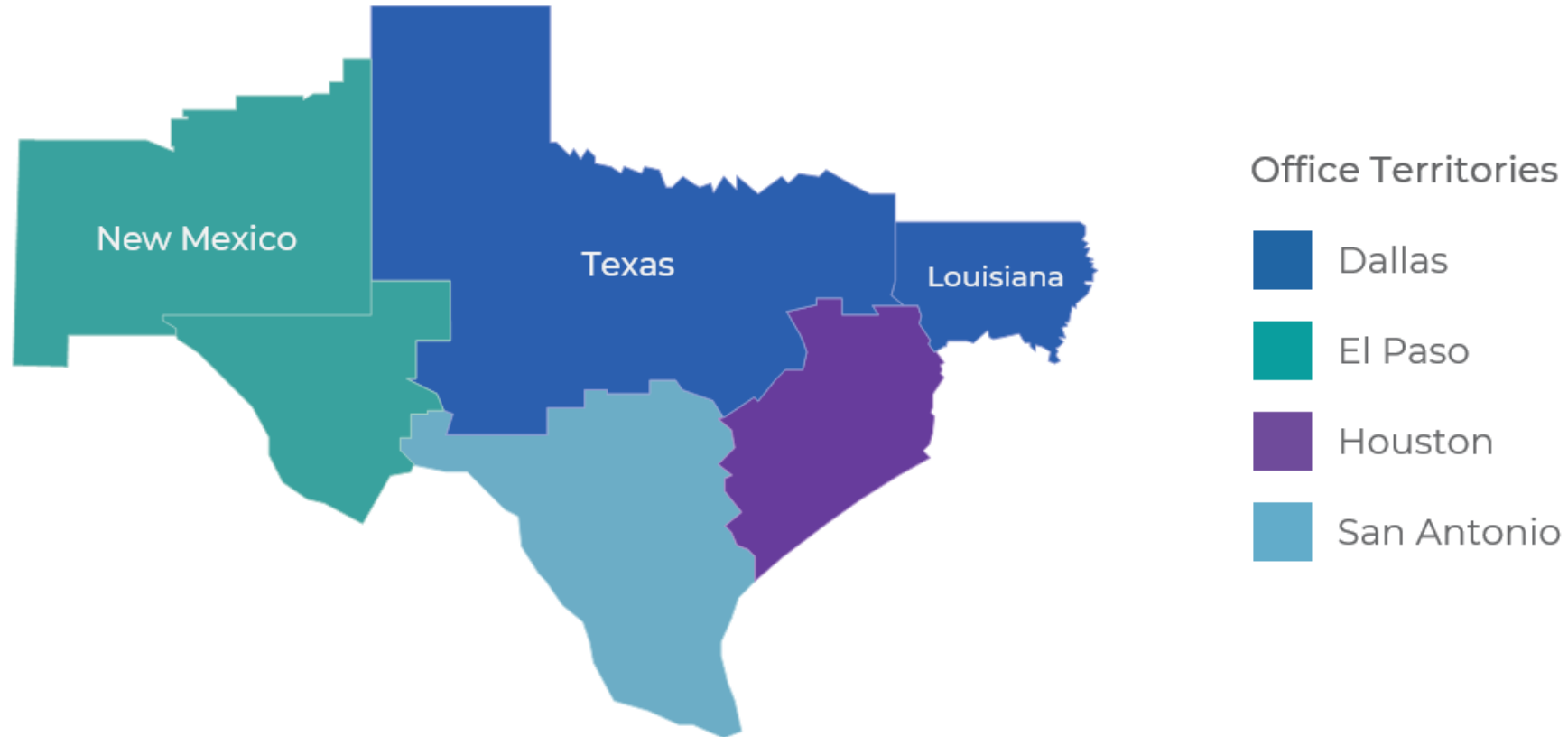


Payment Systems  
Safety & Efficiency



Financial System  
Stability

# Dallas Fed: Serving the Eleventh District





# Community Engagement and Development (CED)

Build relationships | Partner with communities | Elevate influence



## Mission

Inform policy and advance economic development through community engagement and thought leadership.



## Vision

A vibrant economy for the communities we serve.

## CED Disciplines

- **Community Engagement:** Business and community leader outreach and engagement
- **Industry Outreach:** Community banks, energy, fintech and international trade industry engagement
- **Government Relations:** Establish and maintain connections with elected officials
- **Community Development & Education:** Promote economic opportunity for low- and moderate-income communities

# Community Development and Education

Promoting the economic resilience and mobility  
of low- and moderate-income individuals, households, and communities

## Areas of Focus:



### Investments in lower-income individuals & households

#### Human capital development

- Educational attainment
- Workforce development



#### Household financial stability

- Financial education
- Expanding access to credit and savings opportunities



### Investments in lower-income places

#### Development of critical infrastructure

- Broadband
- Energy
- Housing
- Childcare facilities



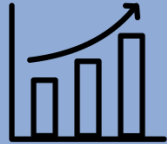
#### Small business development



#### Innovative economic development finance



# Community Development and Education Strategies



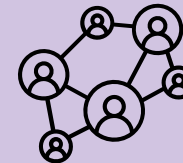
**Research, trend analysis  
and public awareness building**



**Targeted initiatives  
in communities**



**Linking “what works” to capital**



**District-wide outreach**

# Research: Workforce Development

## Short-Term Credentials Series



Investments in lower-income  
individuals & households

### Key findings:

- Connecting young adults back to education and work is a crucial aspect of workforce development. Short-term credentials, as an addition to traditional degrees, provide a new opportunity to achieve this goal.
  - More employers seek credentials in their hiring ads, especially for those holding associate degrees.
  - On average, employers are willing to pay more for workers holding credentials.
- Not all credentials are credentials of value. It is extremely important to acknowledge the nuance within short-term credentials.
- It is important to tailor programs to individual needs of local workforces.





# Targeted Initiative: Workforce Development Advance Together



Investments in lower-income  
individuals & households

Led by the Dallas Fed and partner organizations, Advance Together supports regional cross-sector (public-private-nonprofit) partnerships working to improve education and employment outcomes for lower-income Texans.

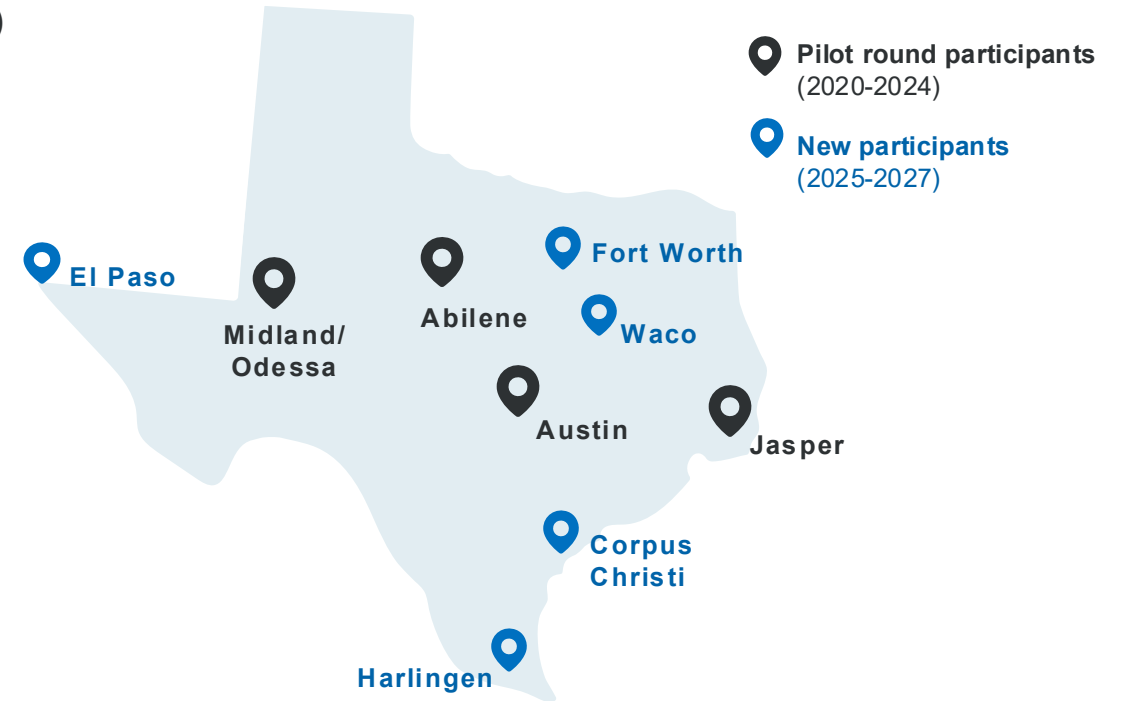
## Support includes:



**Flexible funding\*** through  
philanthropic partners



**Customized technical  
assistance** and a  
**peer learning network**



*\*The Dallas Fed does not provide funding for grants, fundraise, or participate in the selection of grantees.*

# Advance Together: Participant Spotlight

## Big Country Manufacturing Alliance

- Led by Workforce Solutions of West Central Texas, in partnership with local manufacturers, higher ed, the education service center and nonprofits
- Creates accessible pathways into well-paying manufacturing careers through training, recruitment and retention efforts



**Building  
a strong  
economy  
together**

# Texas Economic Update

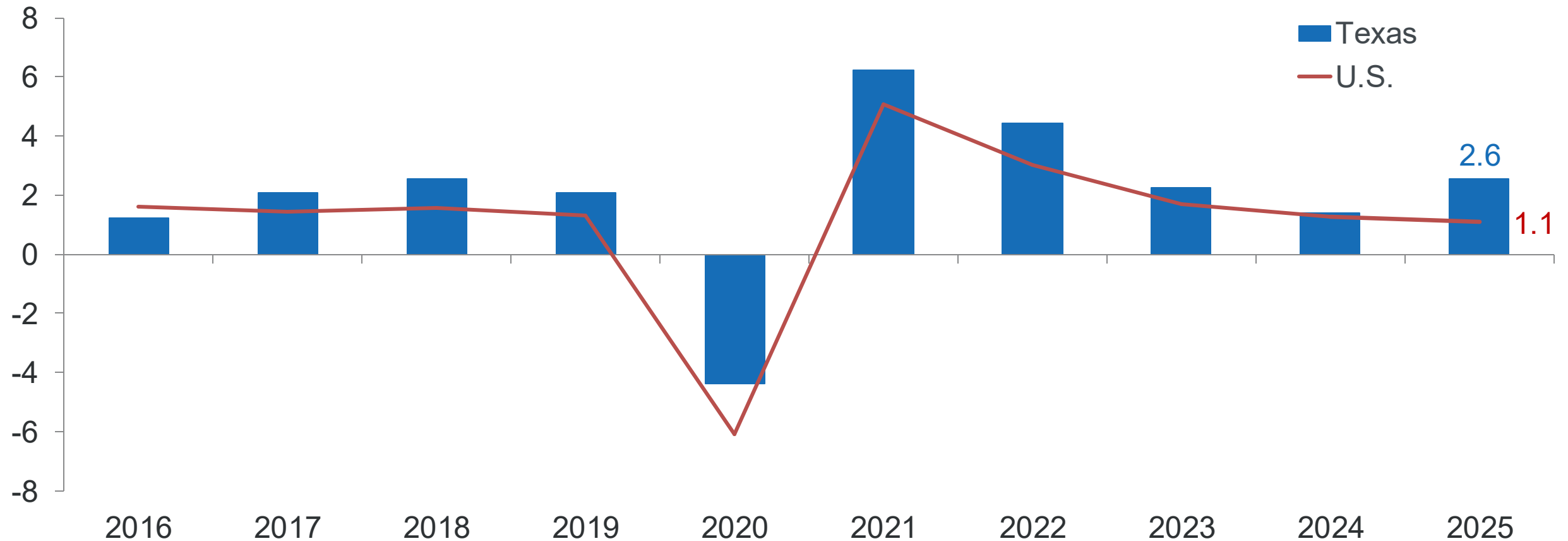
# Overview

- Payroll employment growth in Texas has been robust this year
- However, TBOS surveys suggest slowing activity and outlooks have turned pessimistic
- Heightened uncertainty is weighing on Texas businesses
- A large share of Texas businesses anticipate being negatively impacted by tariffs
- Balancing act going forward:
  - Post-election optimism around deregulation, tax cuts
  - Anticipated negative growth effects of higher tariffs, lower immigration, government spending cuts and lower oil and natural gas prices



# Job growth in Texas outpacing the nation

Job growth (percent)\*



\*Seasonally adjusted, annualized rate.

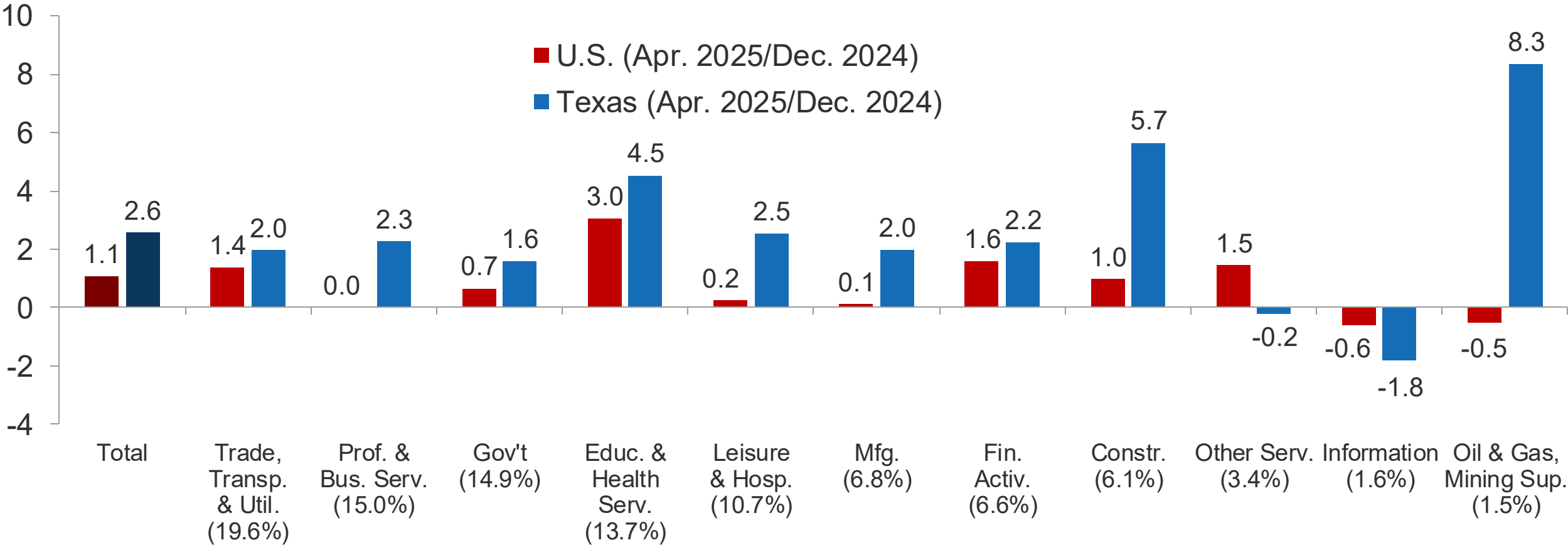
NOTE: Last data point is annualized job growth for Apr. 2025/Dec. 2024

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

DATA: <https://www.dallasfed.org/research/econdata/tae000000.aspx>

# Strong YTD employment growth in energy and construction

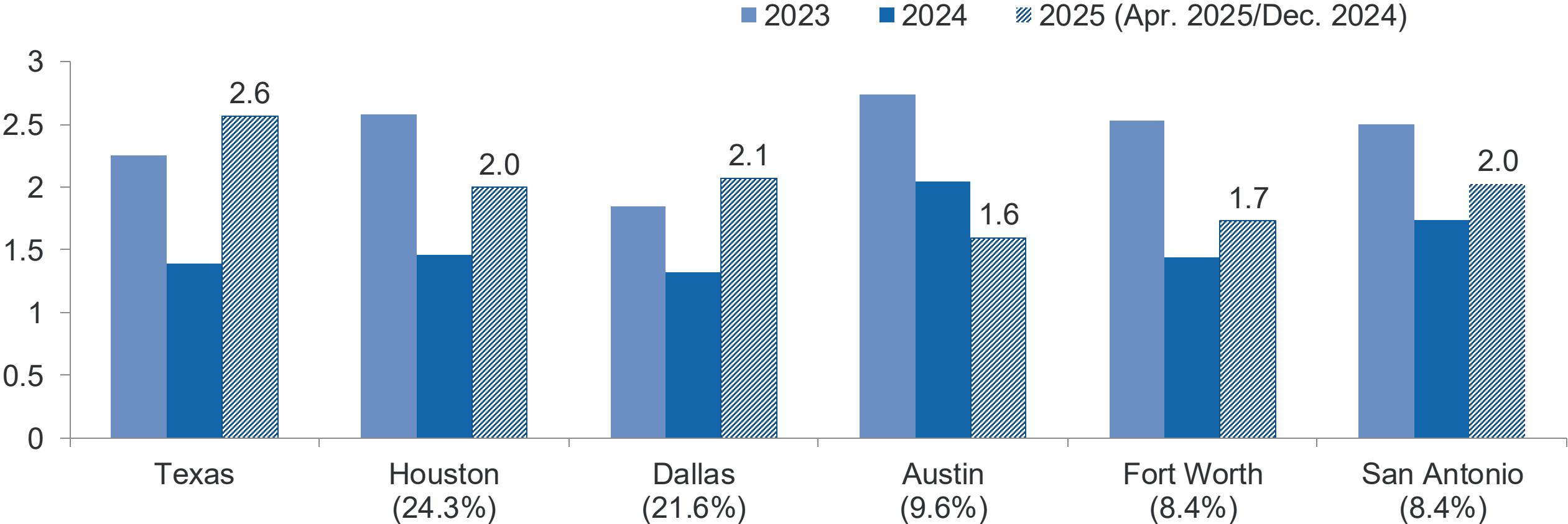
Job Growth (%)\*



\*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>

# Dallas leads major Texas metros in 2025 job growth

Job Growth (%), Dec./Dec.\*



\*Seasonally adjusted, annualized rate.

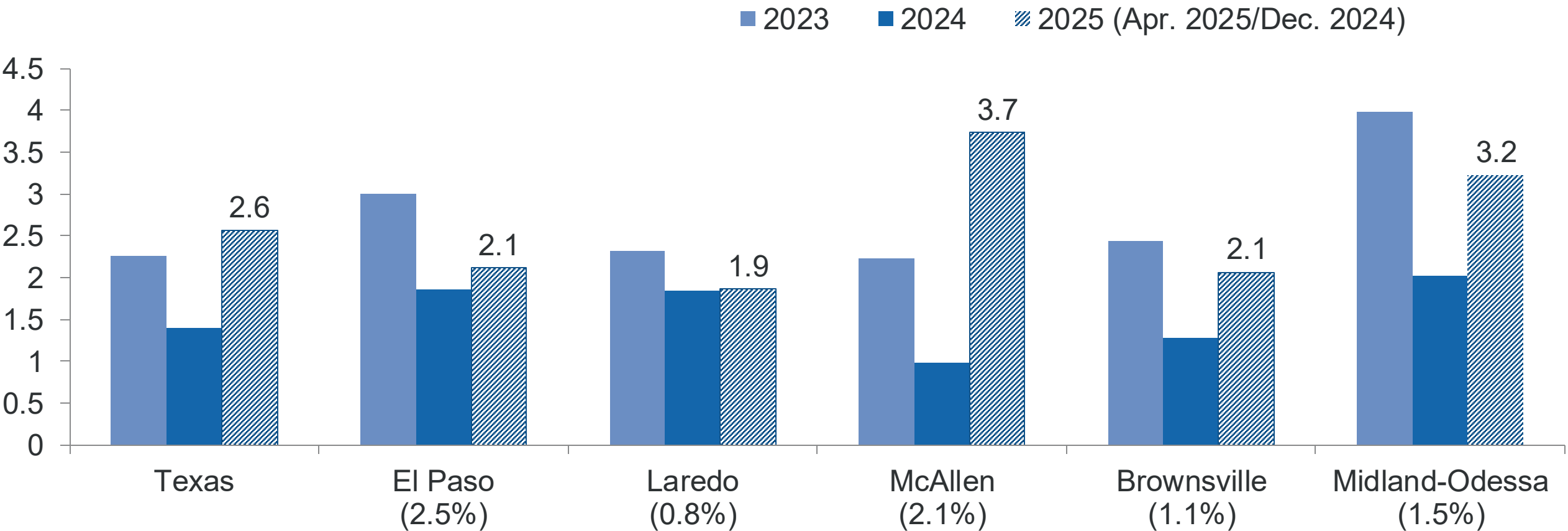
NOTE: Numbers in parenthesis indicate share of state employment for April 2025.

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://dallasfed.org/economic/texas/texas-employment-data)

# ... while McAllen and Midland-Odessa lead smaller metros

Job Growth (%), Dec./Dec.\*



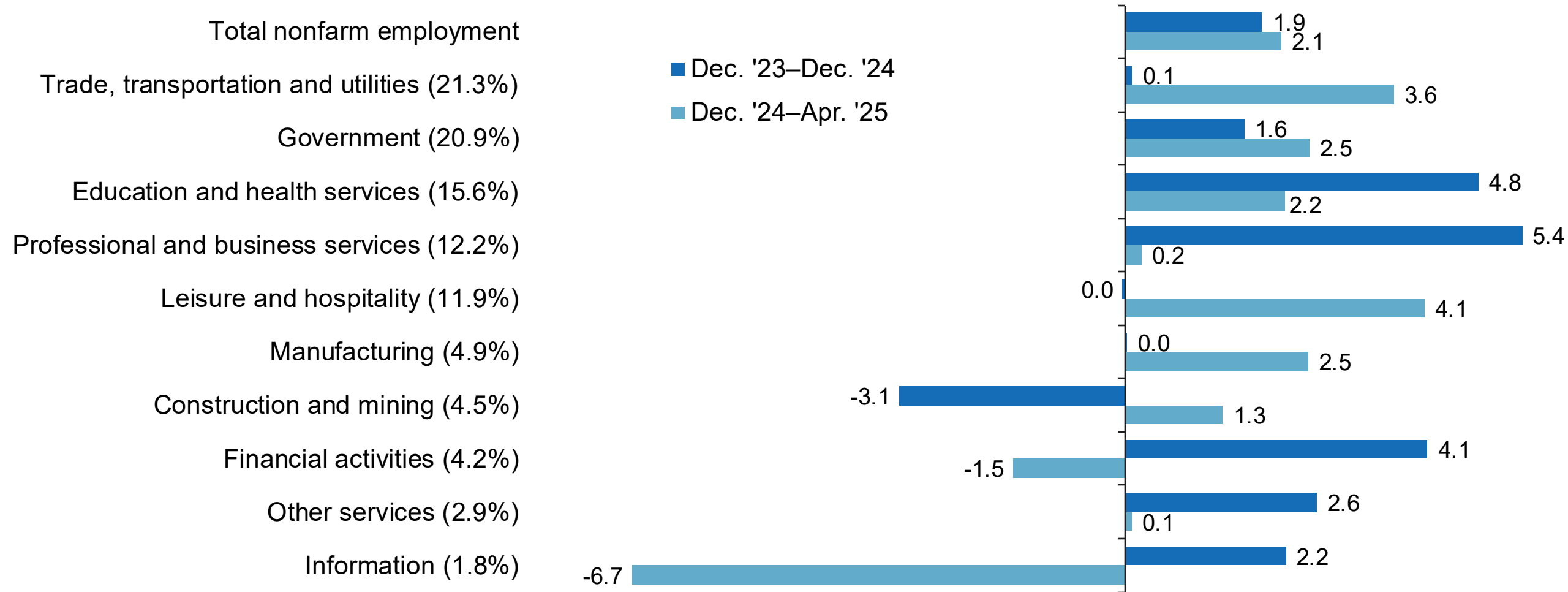
\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for April 2025.

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://dallasfed.org/research/texas-employment-data)

# El Paso employment growth strong this year



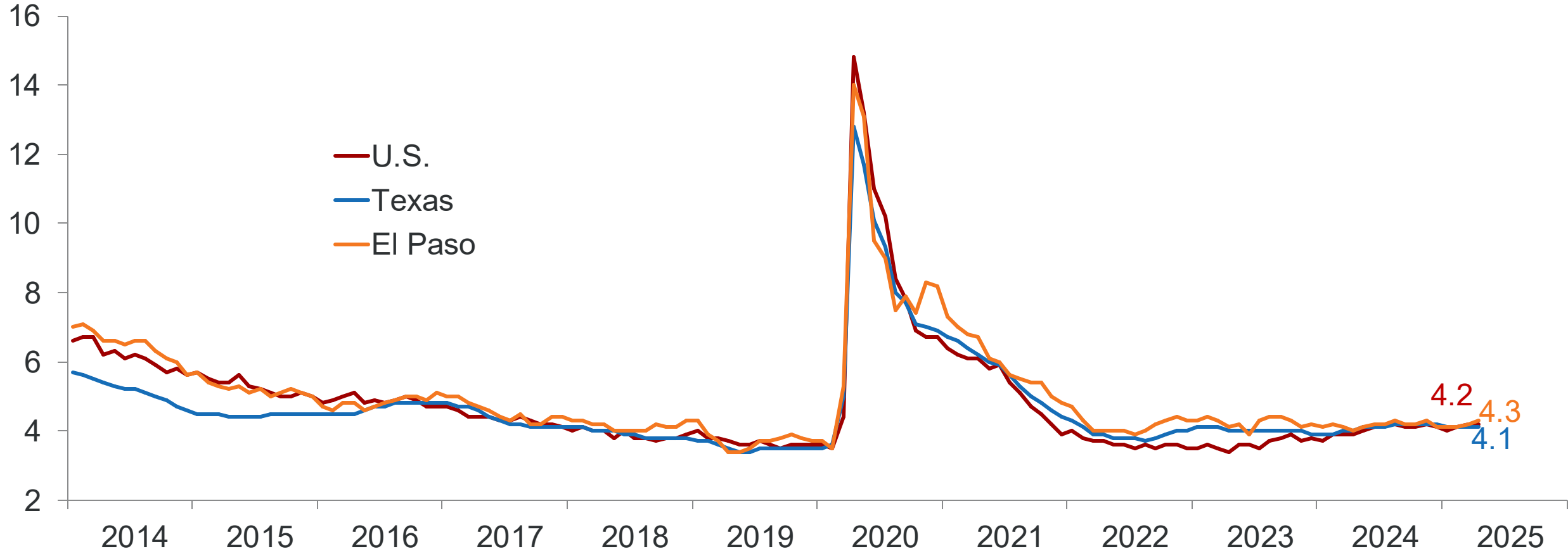
NOTE: Data show seasonally adjusted and annualized percentage employment growth by sector. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; adjustments by the Dallas Fed.



# Texas unemployment remains at 4.1 percent

Unemployment rate (%)\*



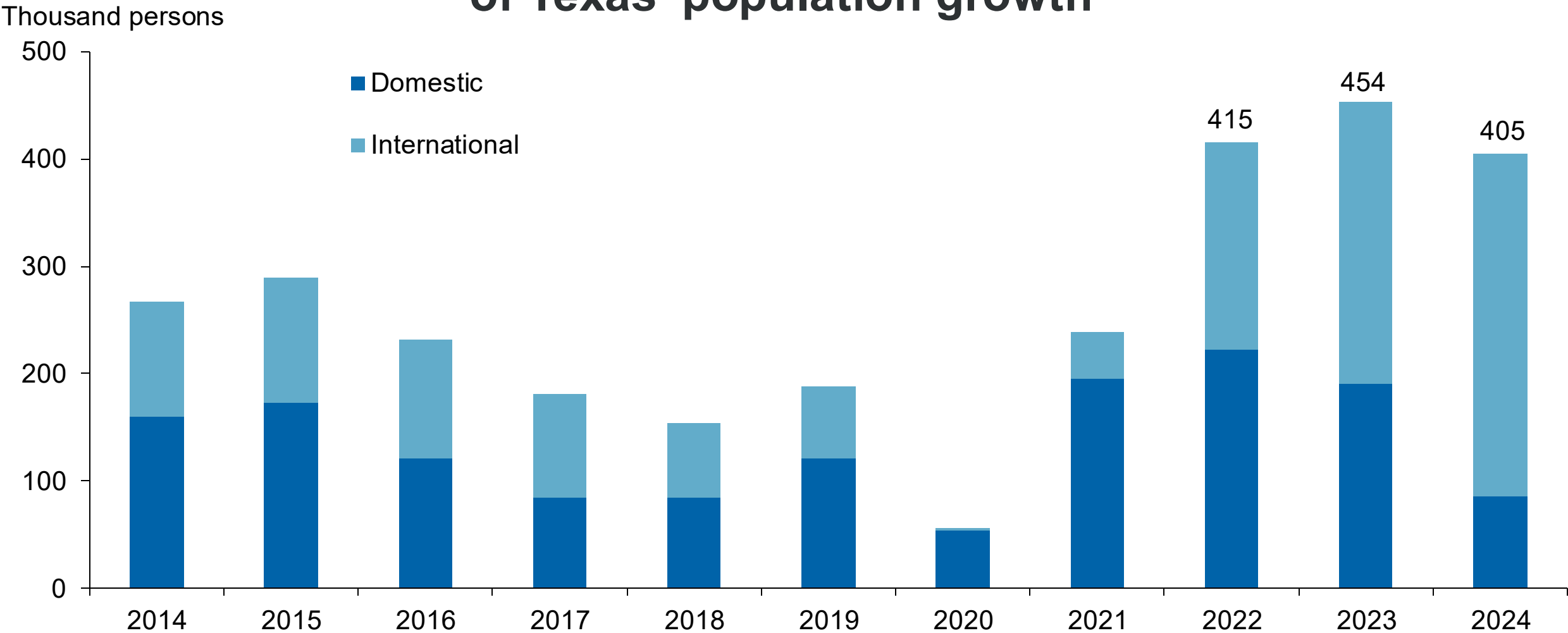
\*Seasonally adjusted.

NOTE: Data are through April 2025.

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

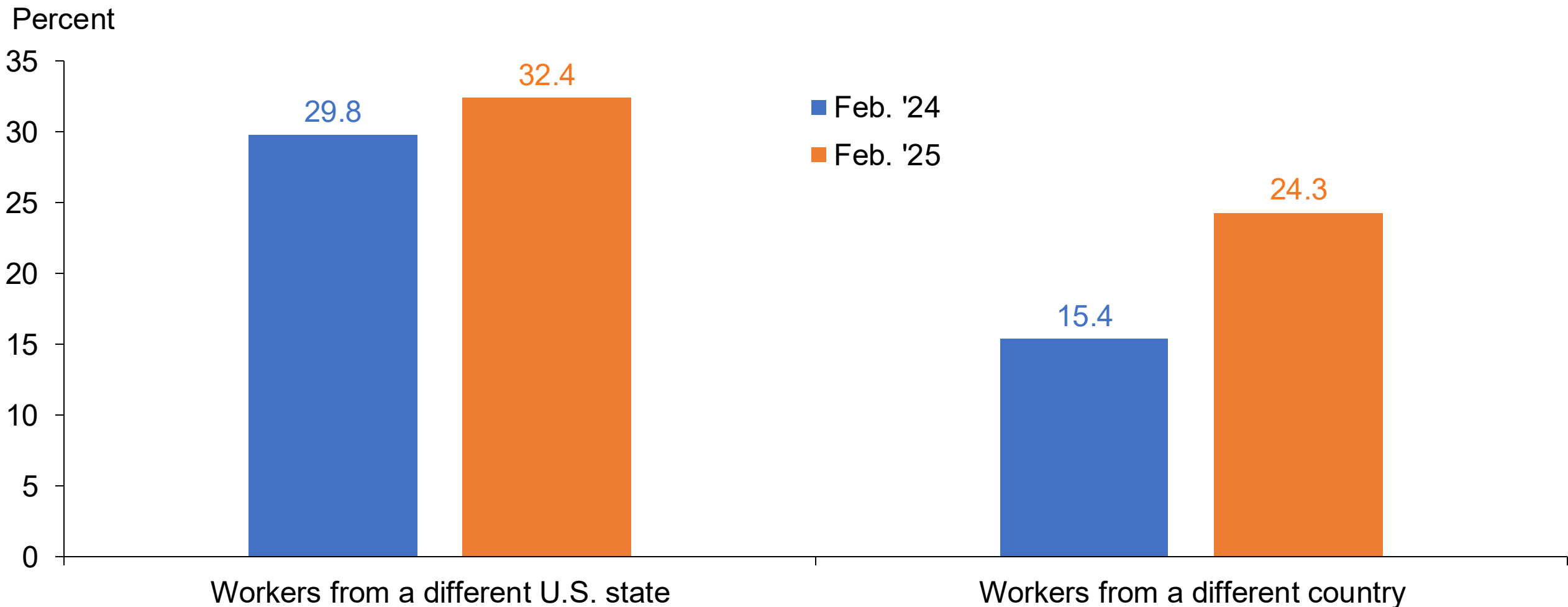
DATA: [Texas Employment by Industry - Dallasfed.org](https://dallasfed.org/research/texas-employment-by-industry)

# International migration surged further in 2024, accounting for the bulk of Texas' population growth



NOTES: Shown are net domestic and net international migration into Texas annually.  
SOURCE: Census Bureau.

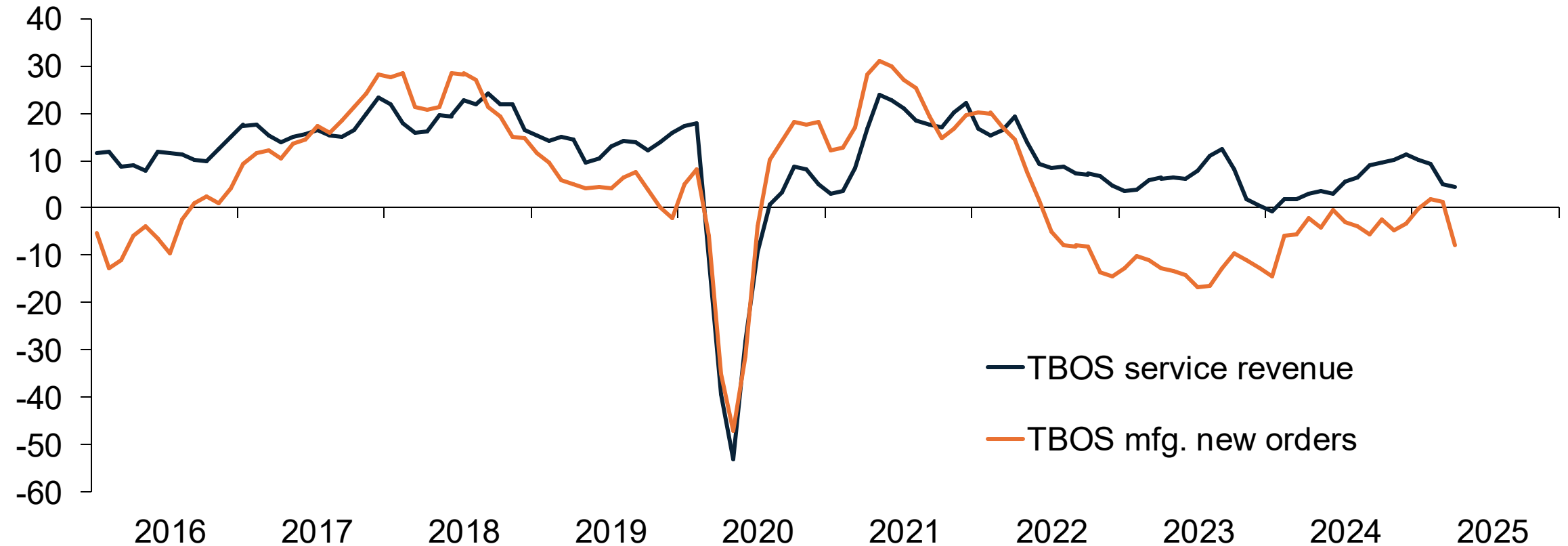
# Higher share of Texas firms report reliance on immigrant workers in 2025 vs. 2024



NOTES: Firms were asked, "Over the past year, to what extent has your firm relied on hiring workers who moved to Texas from either a different U.S. state or a different country?" N = 302 responses in February 2025. Shown are the percent who answered "Significant reliance" or "Some reliance."  
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

# Texas business outlook surveys suggest activity is slowing

Index, 3MMA

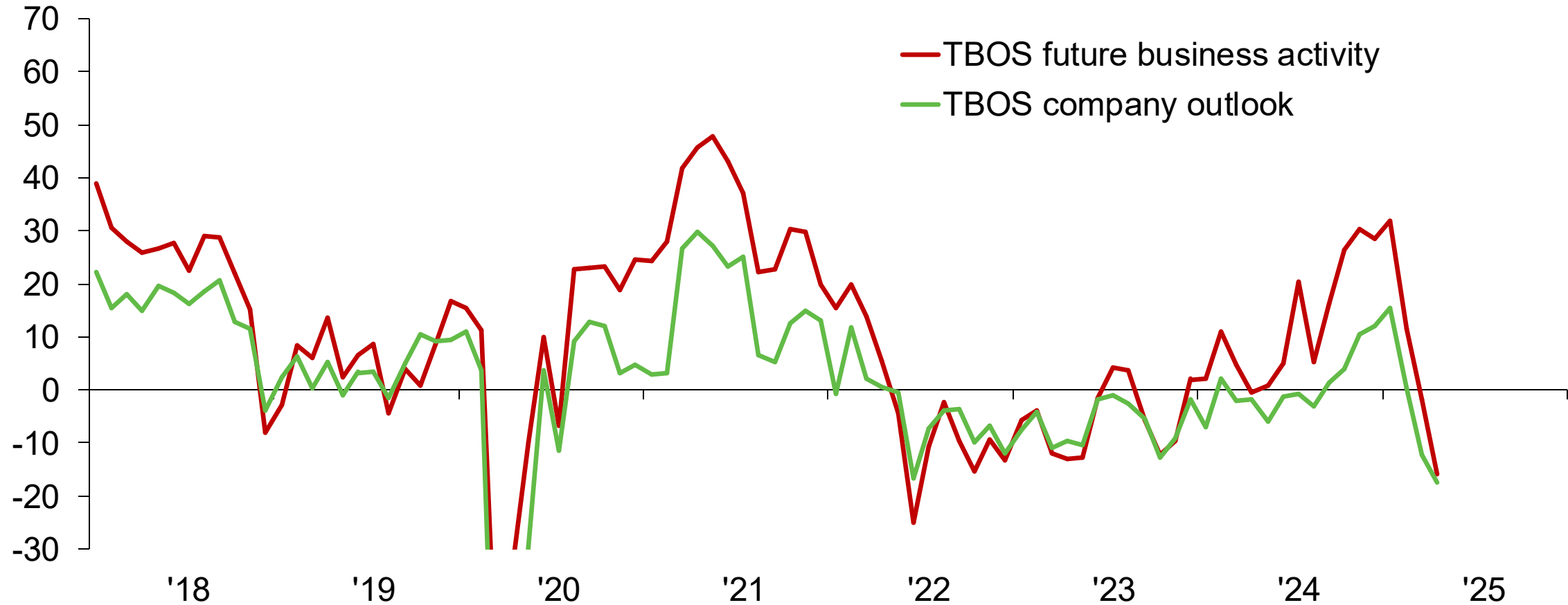


NOTES: Seasonally adjusted, 3 month moving average. Data are monthly through April 2025.

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

# Forward-looking sentiment is deteriorating

Diffusion index, SA



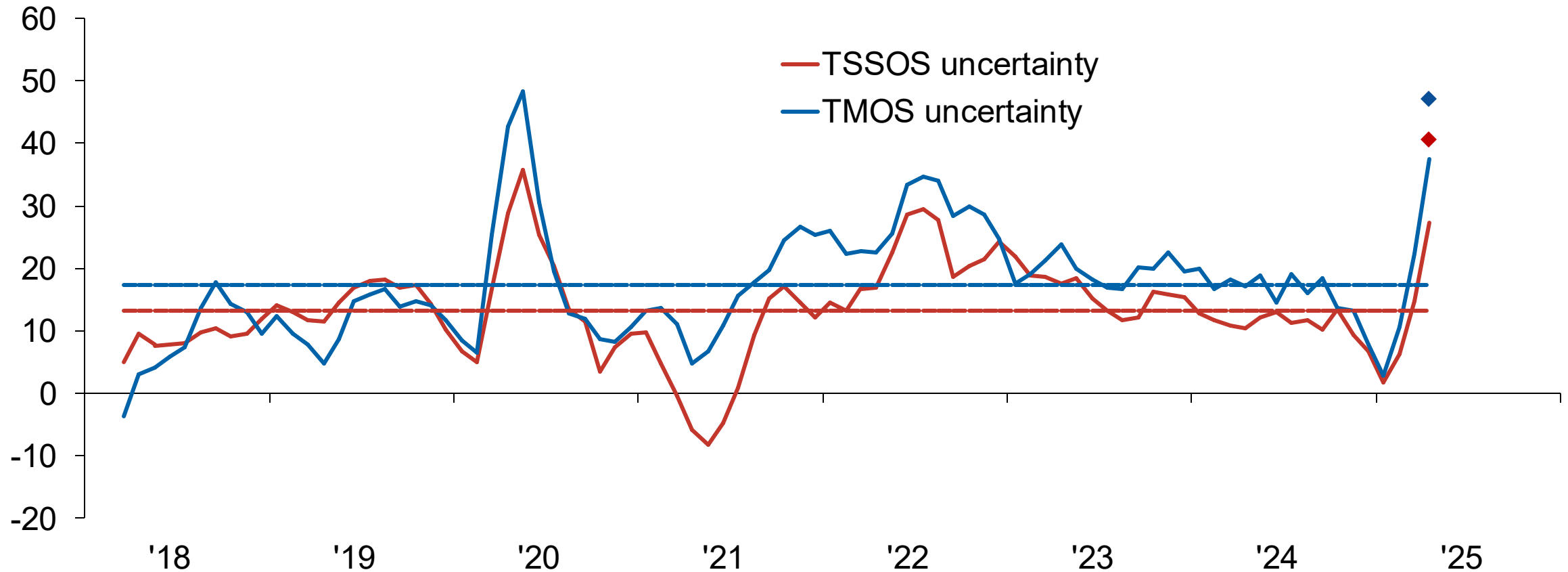
NOTE: TBOS indexes are state GDP-weighted averages of TSSOS and TMOS data. Data are through April 2025.

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



# Uncertainty spikes among Texas businesses

Diffusion index, SA 3MMA

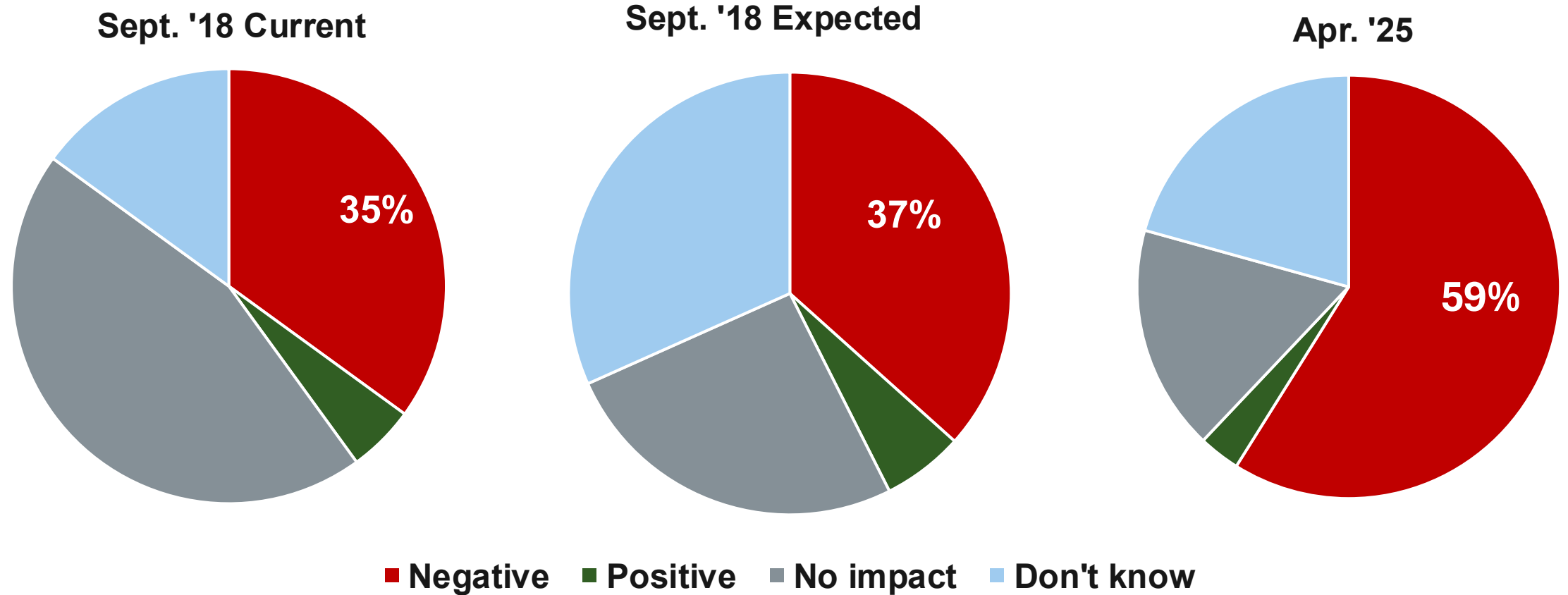


NOTES: Texas Business Outlook Surveys data are monthly through April 2025. In a diffusion index, readings exceeding zero indicate an increase and those below zero indicate declines. Dashed lines are 7-year averages. Data shown in diamonds are April results.

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

# Worries surpass prior tariff hikes

*Do you expect higher tariffs to impact your business this year?*



NOTES: N=348. Survey collection period was Apr 15-23. In Sept. 2018 the question was, "What net impact have higher U.S. and foreign tariffs had on your firm, and what do you expect for the longer term (next two years)?"

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

# Less than 6% of Texas firms are looking to relocate production or services to the U.S. amid higher tariffs

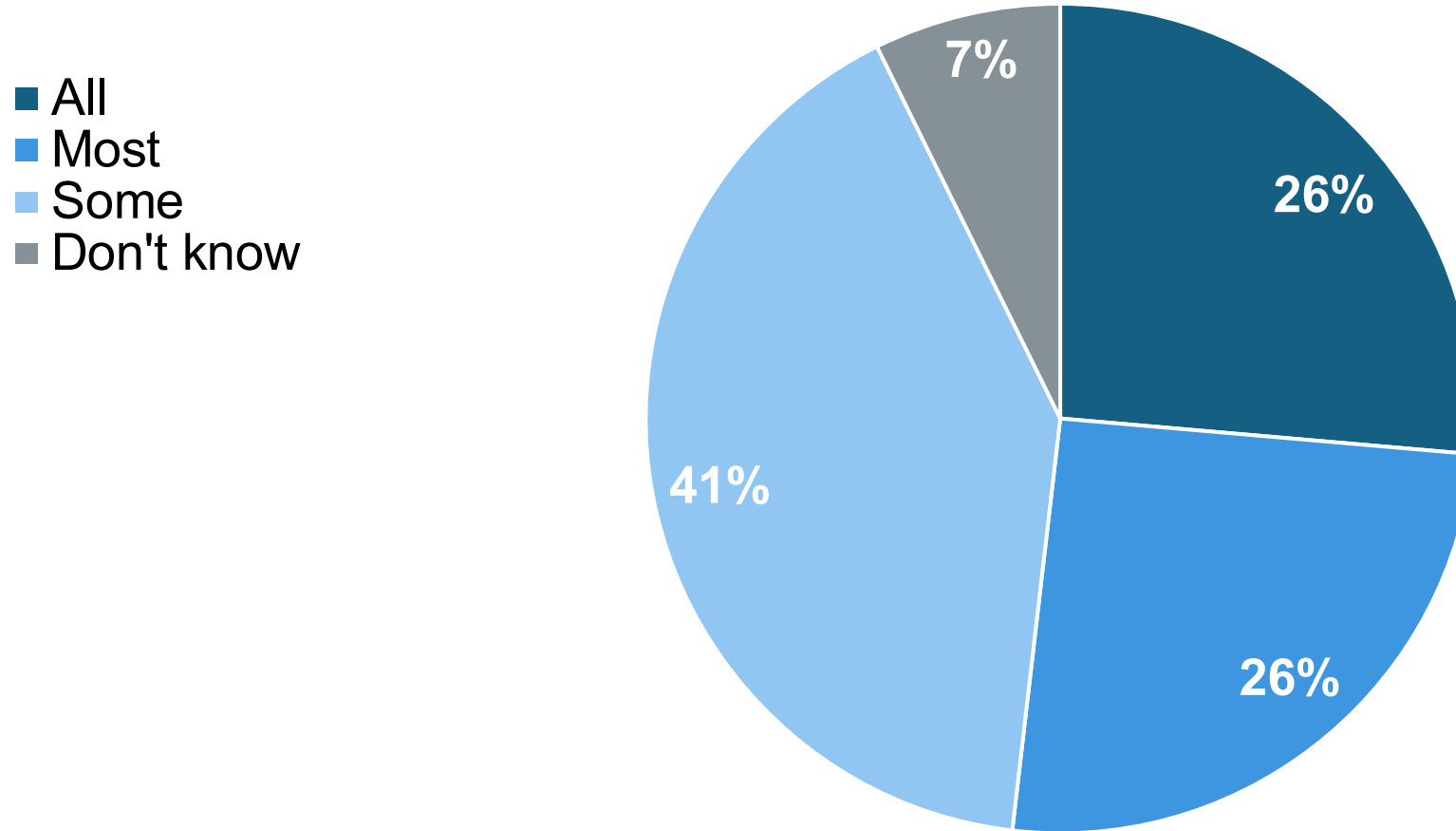


NOTES: Participants were asked, "What actions, if any, are you taking (or planning to take) in response to higher tariffs? Please select all that apply" N = 201 in Apr. '25. This question was only posed to those answering "Yes, negative impact" to question "Do you expect higher tariffs to impact your business this year?". "Other" is excluded.

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

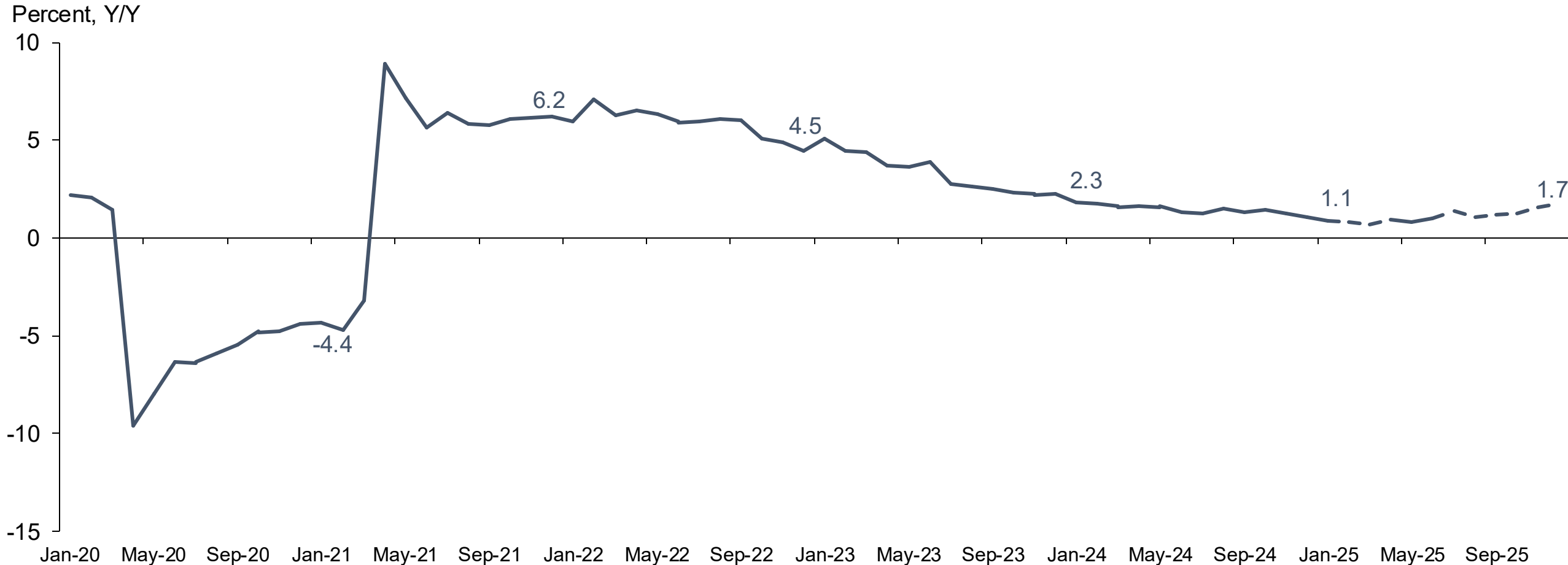
# Texas businesses split on extent of tariff pass through to prices

*What share of tariff cost increases do you expect to pass through to customers?"*



NOTES: N=110. This question was only posed to those passing cost increases through to customers. Survey collection period was Apr. 15-23.  
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

# Texas employment forecast suggests 1.7% growth in 2025, below the 2% long-run trend



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).



# Summary

- YTD job growth has been robust
- However, TBOS surveys suggest business activity is slowing
- Risks to the outlook include tariffs, sharply lower immigration, rollback of federal government spending
- Potential tailwinds are deregulation, tax cuts and the state's robust business climate



# We need your input!

*Be part of a survey  
that gauges regional  
business activity and  
informs monetary  
policy making.*



Texas **Manufacturing**  
Outlook Survey



Texas **Service Sector**  
Outlook Survey



Texas **Retail**  
Outlook Survey

# Explore our resources at [dallasfed.org](https://dallasfed.org)

Economy

Banking

Communities

Education



Federal Reserve  
Bank of Dallas