PRESIDENT'S PERSPECTIVE

Employment in Texas rose 2.3 percent in 2018, as the state ended the year with a record-low unemployment rate of 3.7 percent, and the U.S. is estimated to have grown gross domestic product (GDP) approximately 3.1 percent. Dallas Fed economists expect GDP growth to slow in 2019 primarily due to waning fiscal stimulus, global growth deceleration and slowing job growth due to a tight labor market. There is an unusually high level of uncertainty embedded in our forecast due to trade uncertainties and other geopolitical risks.

Dallas Fed economists expect Texas job growth will slow to between 1.5 and 2 percent in 2019. This slowing is due to a number of uncertainties as well as the impact of a historically tight labor market.

In “Position as Top Exporting State Exposes Texas to Shifting Trade Policy,” Jesus Cañas and Stephanie Gullo assess the state’s rapid export growth by measuring the global market shares of the manufactured goods that Texas exports. Texas has a comparative advantage in energy-related products, including petroleum products and petrochemicals, but also in computer equipment and motor vehicle parts, among others. The authors note that tariffs can make Texas producers less competitive domestically and abroad by driving up the costs of intermediate goods imports used in the production process.

Keith Phillips and Judy Teng note in their economic outlook article that one of the biggest constraints facing Texas in 2019 will likely be the tight labor market. The record-low unemployment rate has led to widespread reports of labor shortages, and our Dallas Fed surveys show that 71 percent of employers who cannot find qualified workers say it’s due to a lack of applicants.

Dallas Fed economists will continue to produce research that explores key economic trends and discusses their implications. This work has critical implications for how we think about economic growth in our region, the U.S. and the global economy.

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Robert S. Kaplan
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