



▶ *If the current pace of growth continues, the Texas economy will add nearly 300,000 jobs in 2019. While this is good news, a number of headwinds impact the outlook.*

Texas employment grew at a rate of 2.3 percent through April, about the same pace as last year and above the state's historical average growth rate of 2.1 percent. If the current pace of growth continues, the Texas economy will add nearly 300,000 jobs in 2019.

While this is good news, a number of headwinds impact the outlook. Our May Texas Business Outlook Surveys of over 350 Texas firms indicate slowing growth and a spike in uncertainty. Business executives express heightened concern regarding trade policy as well as exceptionally tight labor markets.

In "Texas Facing Historically Tight Labor Markets, Constraining Growth," Christopher Slijk notes how low unemployment in many parts of the state is curbing hiring and pressuring wages. The Texas workforce has been growing more slowly in recent years, and migration into the state appears to have slowed since 2015. Smaller Texas metropolitan areas with relatively lower wage rates face some of the greatest difficulties in attracting and retaining workers.

In "Eleventh District Banks Have Performed Well Despite Rising Funding Costs, Nonbank Competition," Kelsey Reichow and Amy Chapel show that our region's banks outperformed national banks in 2018 in terms of higher profitability and fewer nonperforming loans. They also note that slower loan growth and the higher cost of funds remain challenges to the outlook.

In "Texas Industrial Building Booms as Economy, Population Grow," Laila Assanie and Michael Weiss document the industrial building boom that the state has experienced since 2014. They note the increased construction related to e-commerce and the new warehousing needed to locate inventories closer to customers in order to achieve faster shipping times.

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

A handwritten signature in black ink that reads "Robert S. Kaplan". The signature is written in a cursive, slightly slanted style.

Robert S. Kaplan
President and Chief Executive Officer
Federal Reserve Bank of Dallas