

# Regional Economic Update

Texas eyes soft landing as growth slows



Federal Reserve  
Bank of Dallas

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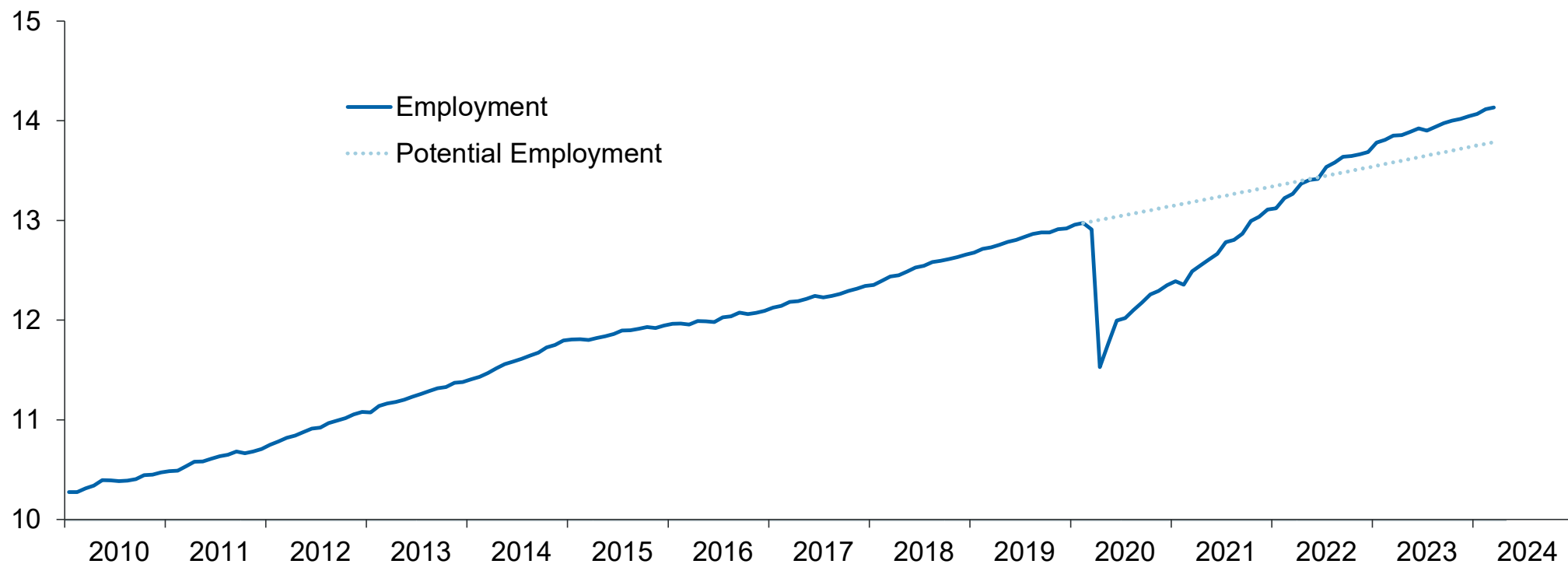
Disclaimer: The views expressed are those of the presenter and do not reflect those of the Federal Reserve Bank of Dallas or the Federal Reserve System.

# Regional Economy Overview

- Growth in the regional economy has slowed but is still healthy
- Texas continues to outperform the nation
  - Texas employment was up 3.1 in 2023, above the nation
  - Job growth forecasted to slow to about 2 percent this year, in line with normal
- Risks to the outlook are mixed...
  - Elevated inflation, ebbing consumer resilience
  - Geopolitical risk, election uncertainty on the rise
  - On the upside, labor force growth and particularly migration are high, and economic growth has been surprisingly strong

# Texas has not only recovered from recession job losses, it is above expected trajectory sans recession

Employment, millions

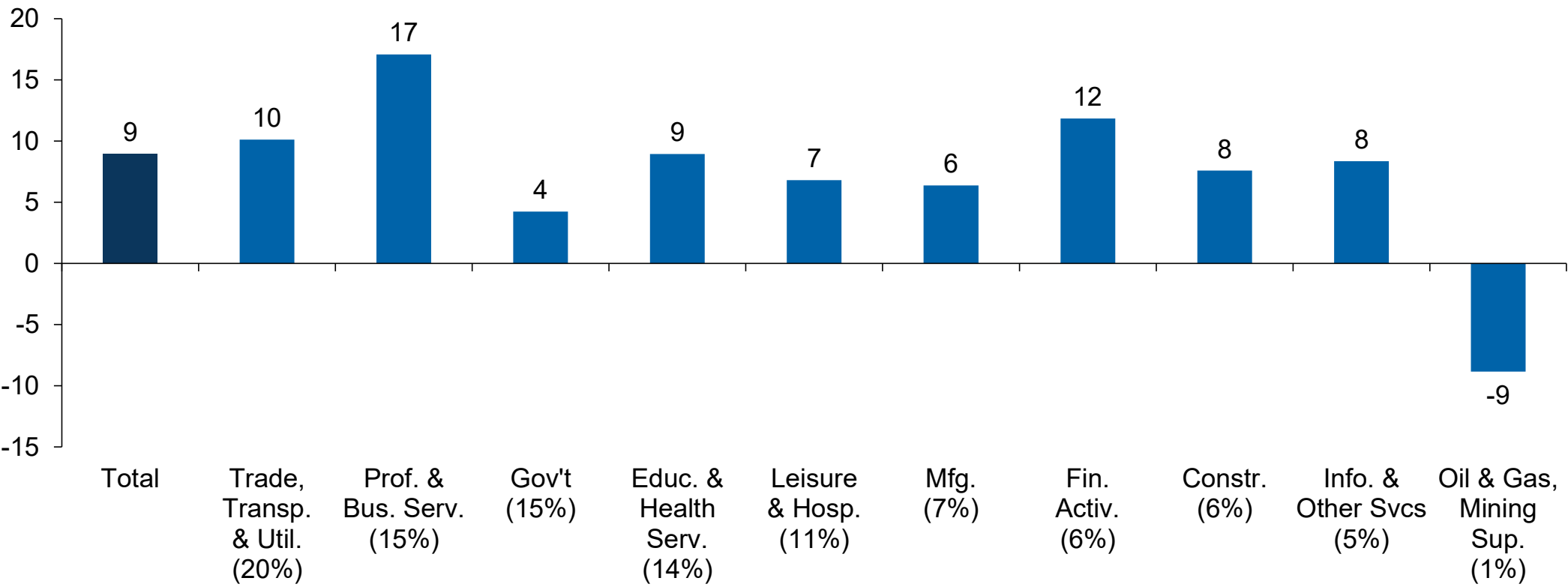


NOTES: Potential employment assumes 1.5% annual growth beginning February 2020. Data through March 2024.

SOURCES: Bureau of Labor Statistics; National Bureau of Economic Research; author's calculations.

# Recovery has not been uniform; energy lags behind

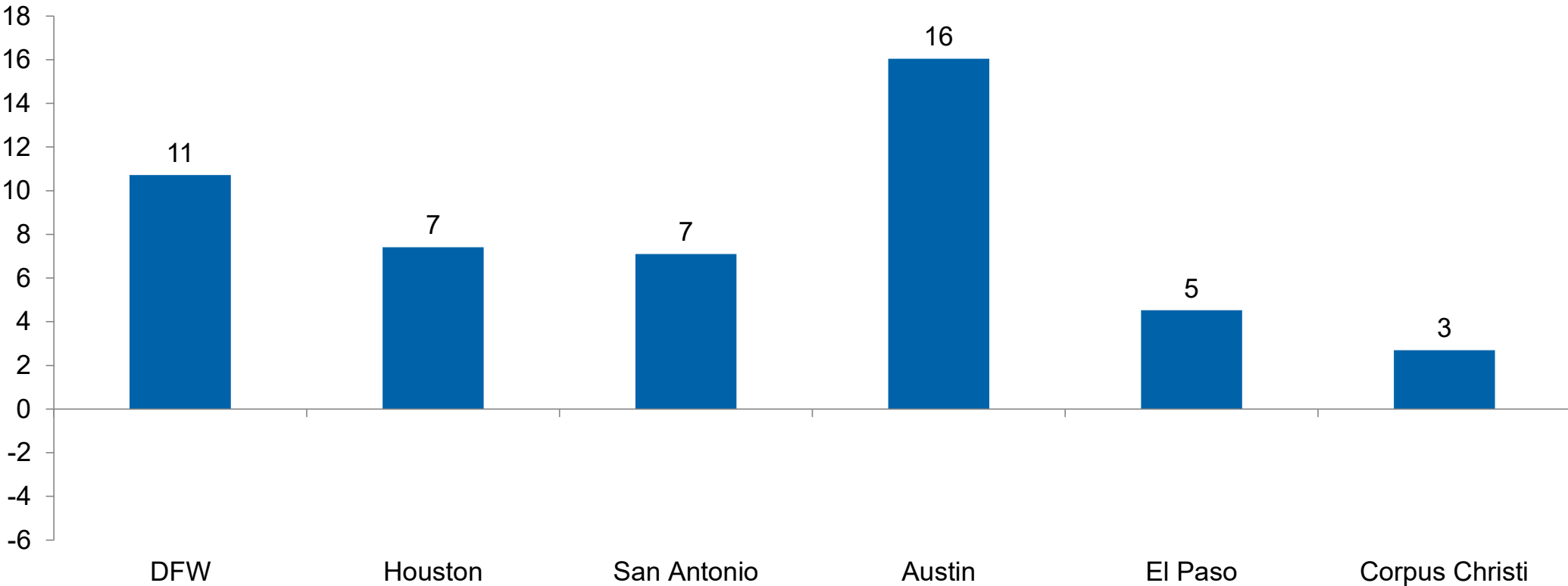
Job growth, percent Mar. 2024/Feb. 2020



NOTES: Data show Mar. 2024/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment in March.  
 SOURCES: Texas Workforce Commission; FRB Dallas.

# Recovery has been uneven across metros as well

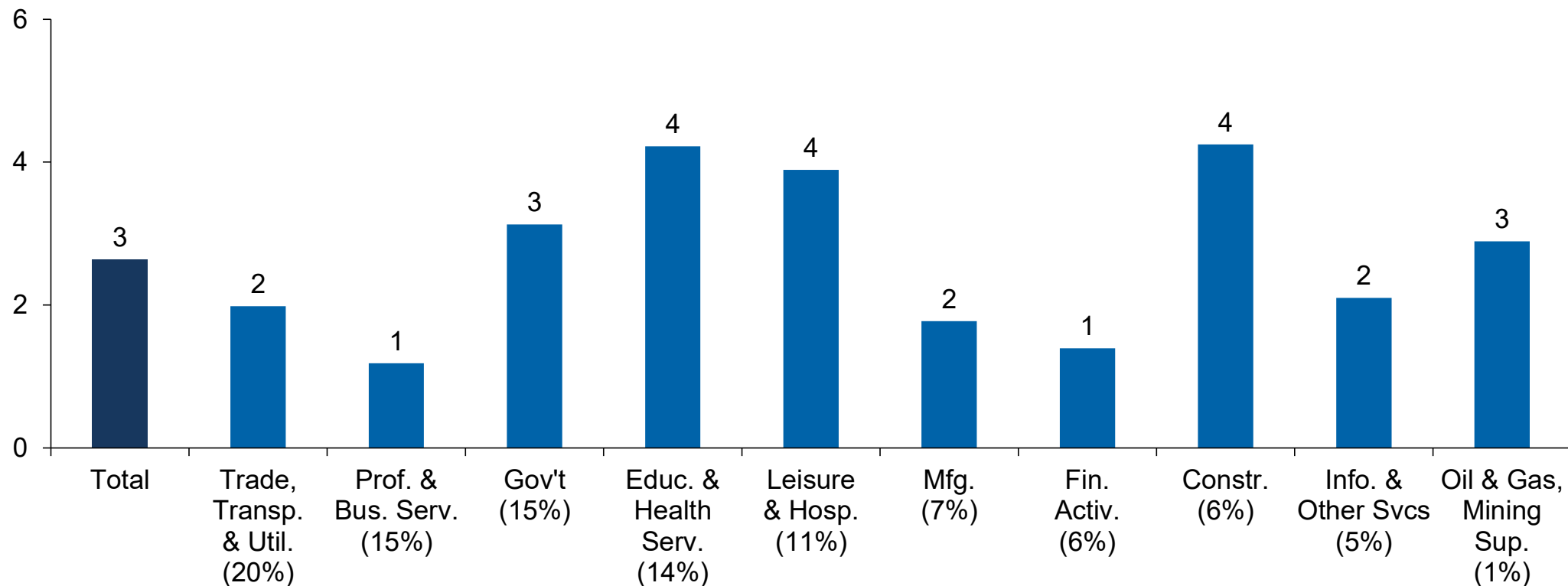
Job growth, percent Mar. 2024/Feb. 2020



NOTES: Data refer to Mar. 2024/Feb. 2020 non-annualized job growth.  
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

# Texas job growth was broad based last year

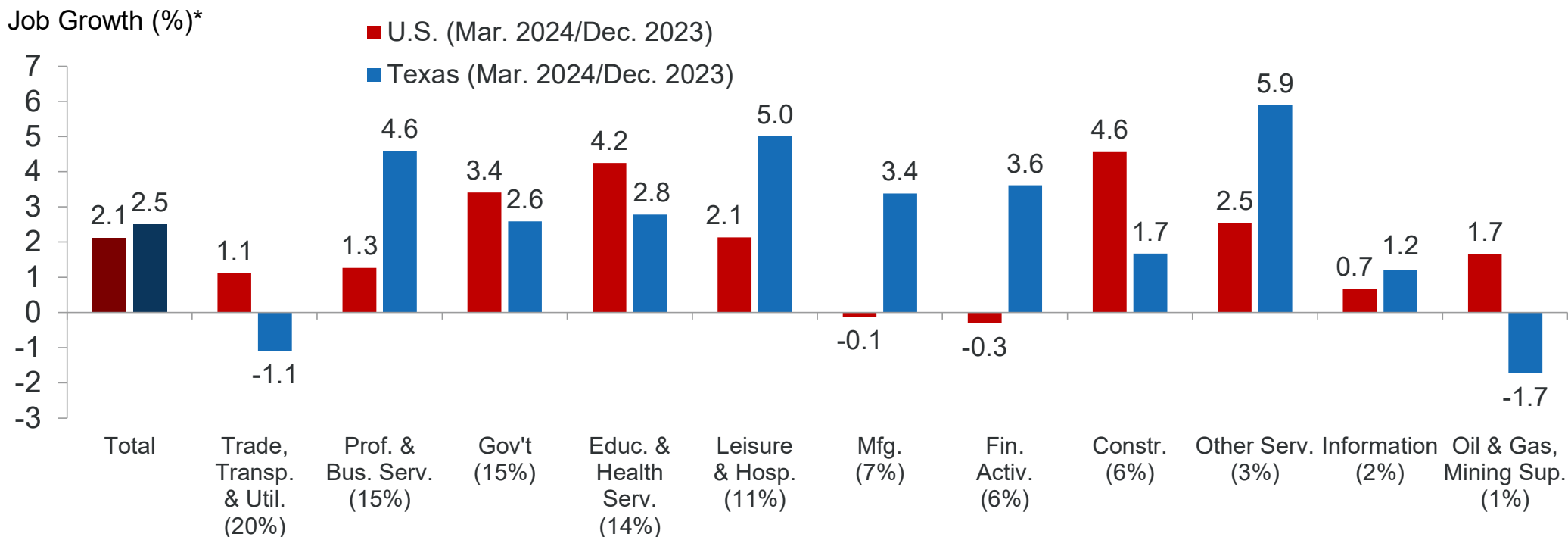
Job growth, percent Dec./Dec.



NOTES: Data show job growth in Dec. 2022–Dec. 2023, seasonally adjusted. Numbers in parentheses indicate share of total state employment in Dec. 2023.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

# YTD Texas employment growth led by other services, leisure and hospitality and professional & business services



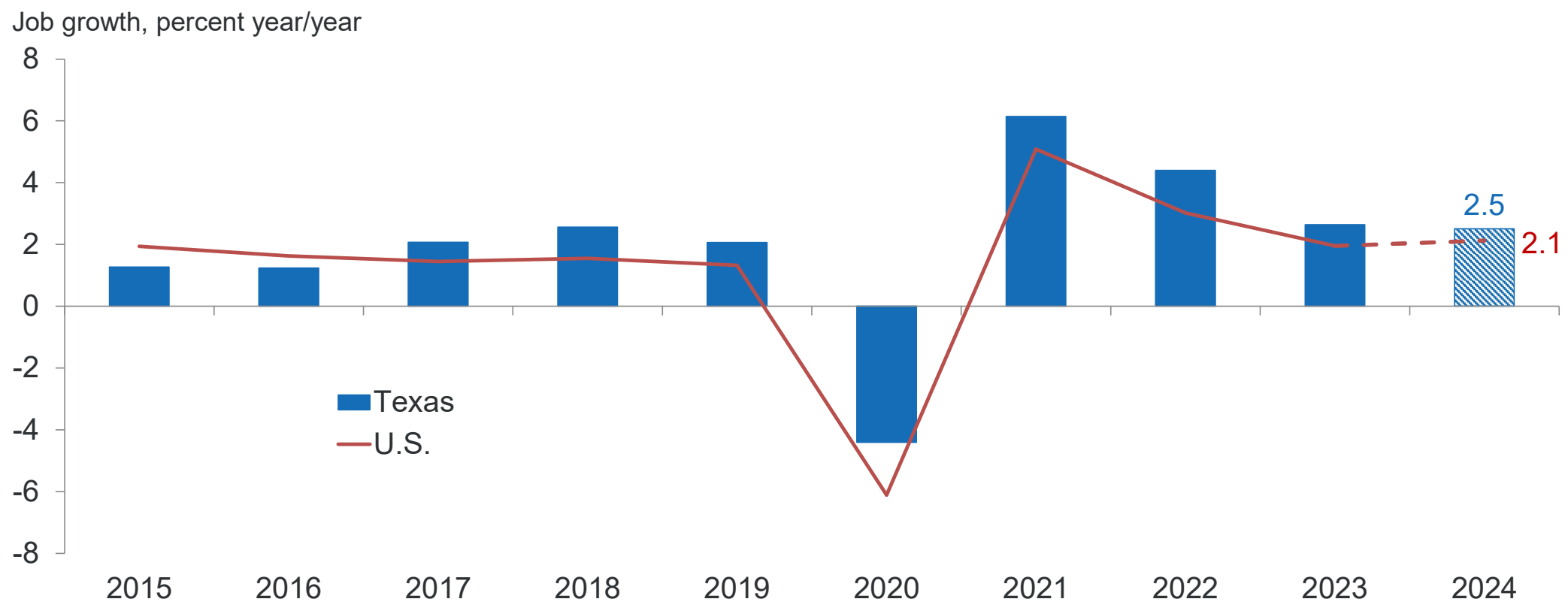
\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for March 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://dallasfed.org/research-and-data/texas-employment-by-industry)

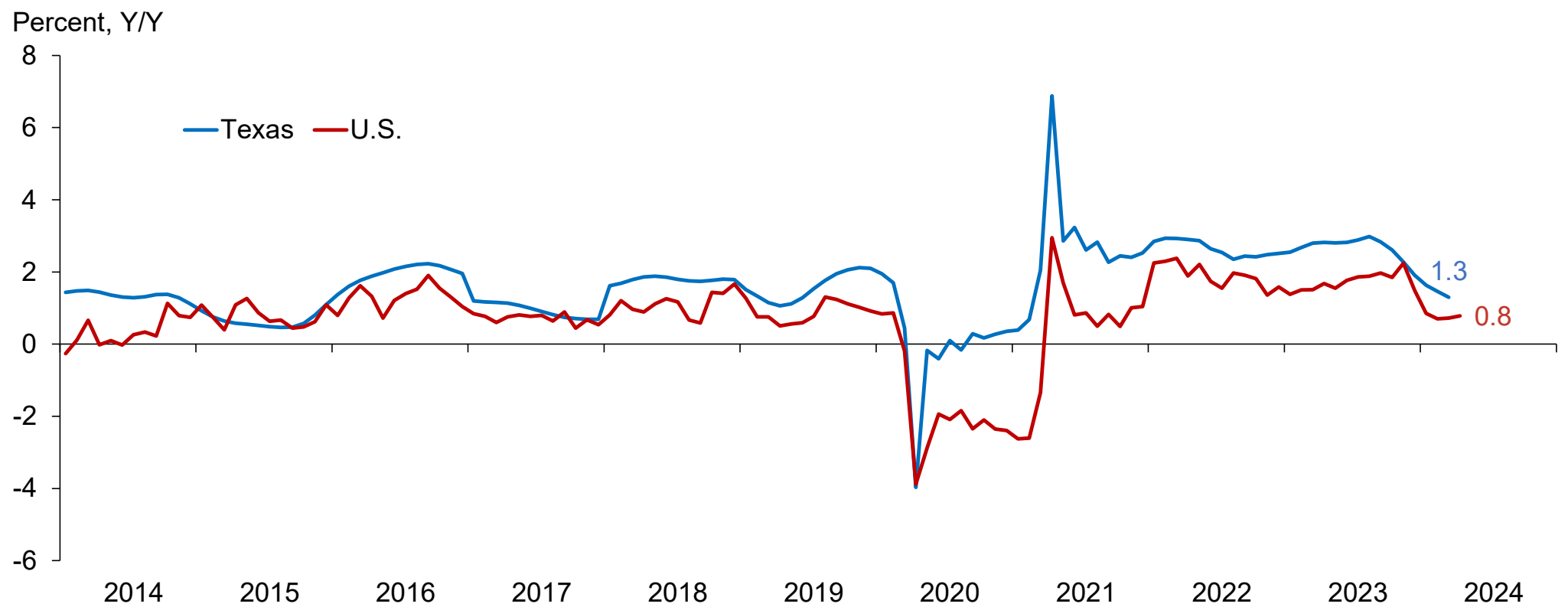
# Texas' 2024 job growth on track to exceed the nation's



NOTES: Last data points are annualized job growth for March. 2024/Dec. 2023. Yearly growth is Dec/Dec.  
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.



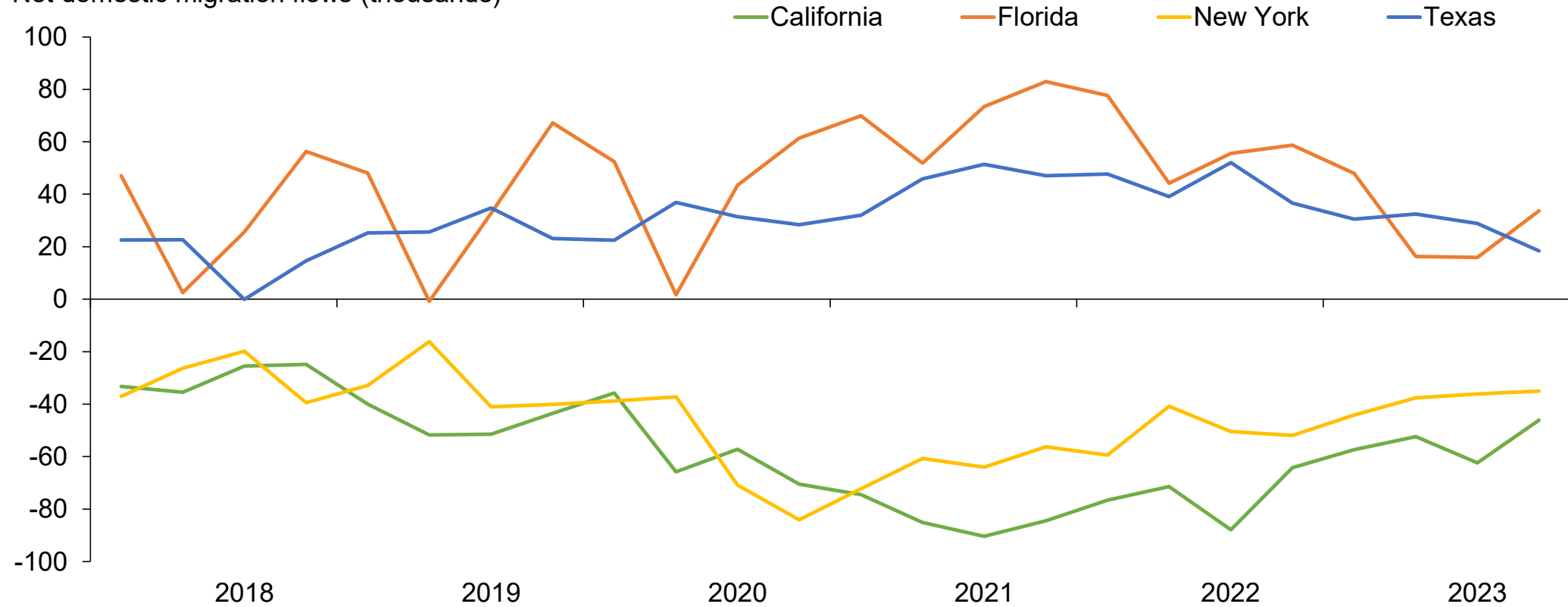
# Faster labor force growth in Texas than the nation



NOTES: Texas data are monthly through March 2024; U.S. data through April 2024. End labels are latest values.  
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.

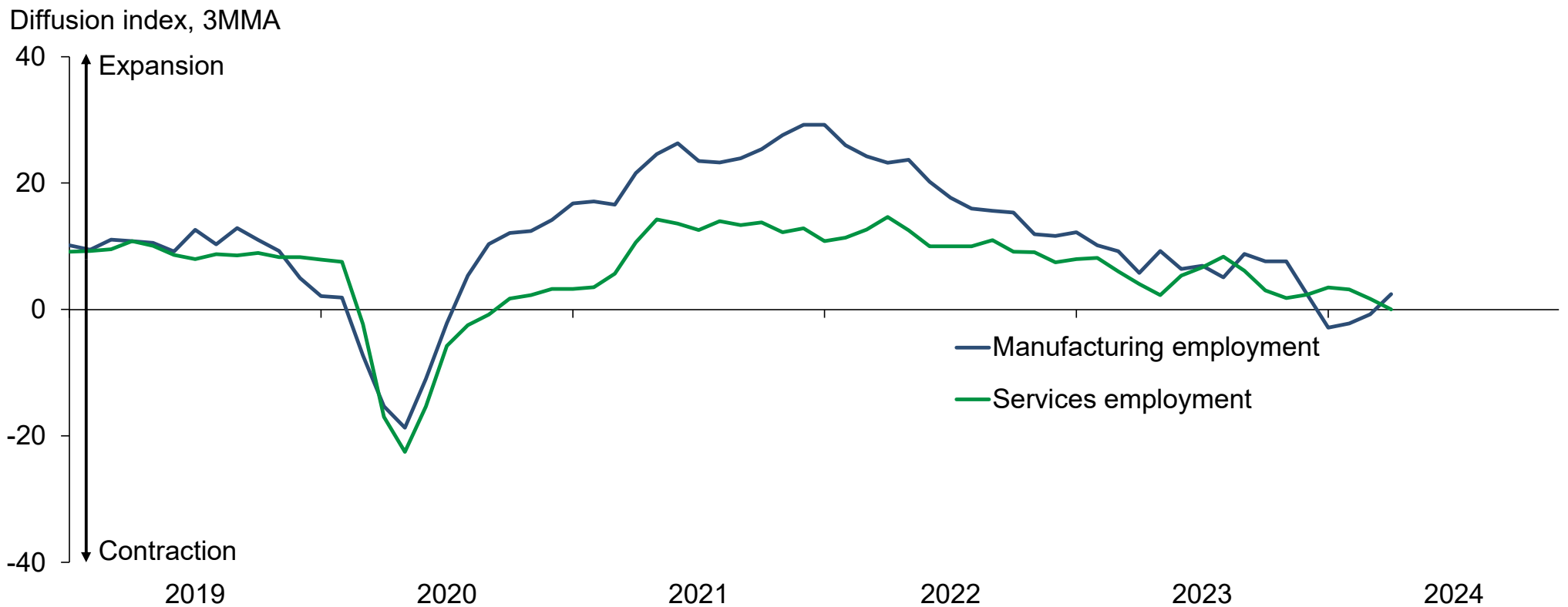
# Texas is a leader in domestic migration

Net domestic migration flows (thousands)



NOTE: Data is quarterly through Q4 2023.  
SOURCE: Equifax Consumer Credit Panel.

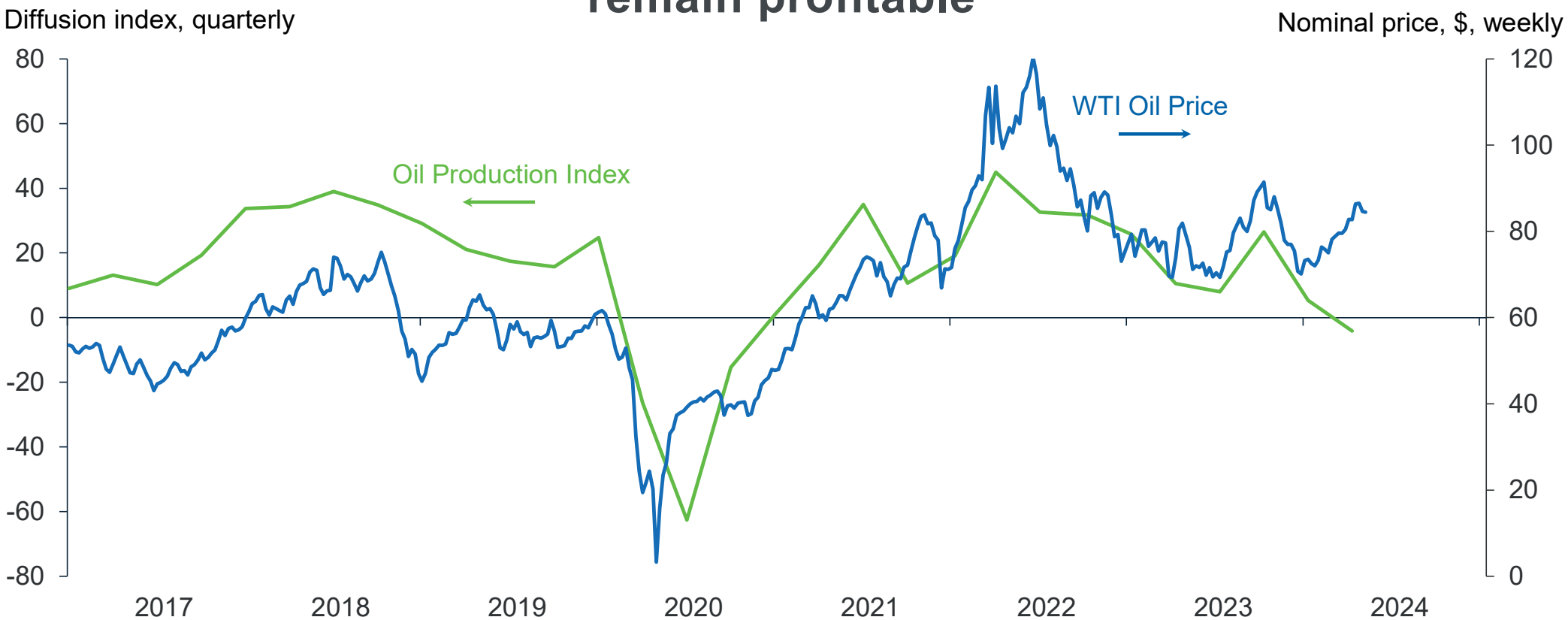
# Dallas Fed surveys show recent weakness in manufacturing, while service sector holding up better



NOTE: Data through April 2024.

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

# Energy activity likely to continue expanding as oil prices remain profitable

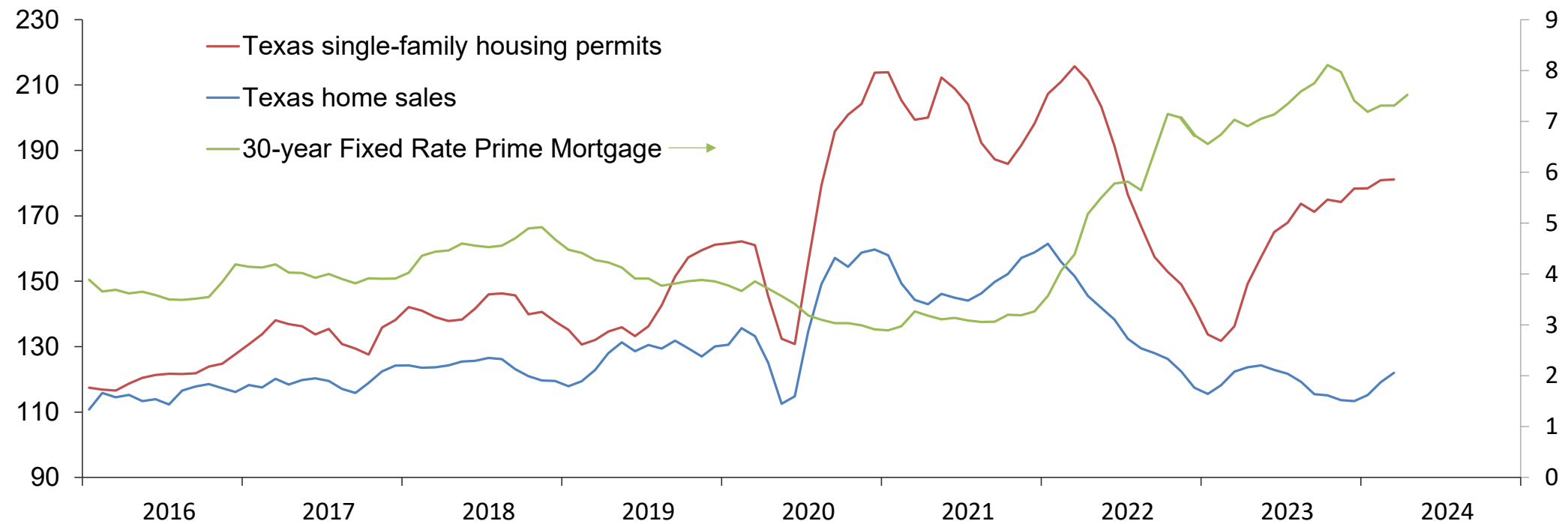


NOTES: Oil production index is a diffusion index asked of E&P firms and is quarterly through Q1 2024. WTI oil price is weekly through the week of April 26<sup>th</sup>, 2024.  
SOURCES: Energy Information Administration; Federal Reserve Bank of Dallas' Dallas Fed Energy Survey.

# Home sales ticking up, homebuilding strong

Index, Jan. 2013 = 100, 3MMA, SA

Interest rate, monthly average



NOTES: Permits and sales through March 2024; interest rate through April.

SOURCES: MLS; A&M Real Estate Center; Freddie Mac Primary Mortgage Market Survey; U.S. Census.

# But loan volumes falling again after stabilizing according to 11<sup>th</sup> District bankers

Diffusion index



NOTE: Data through March 2024.  
SOURCE: Federal Reserve Bank of Dallas, Banking Conditions Survey.

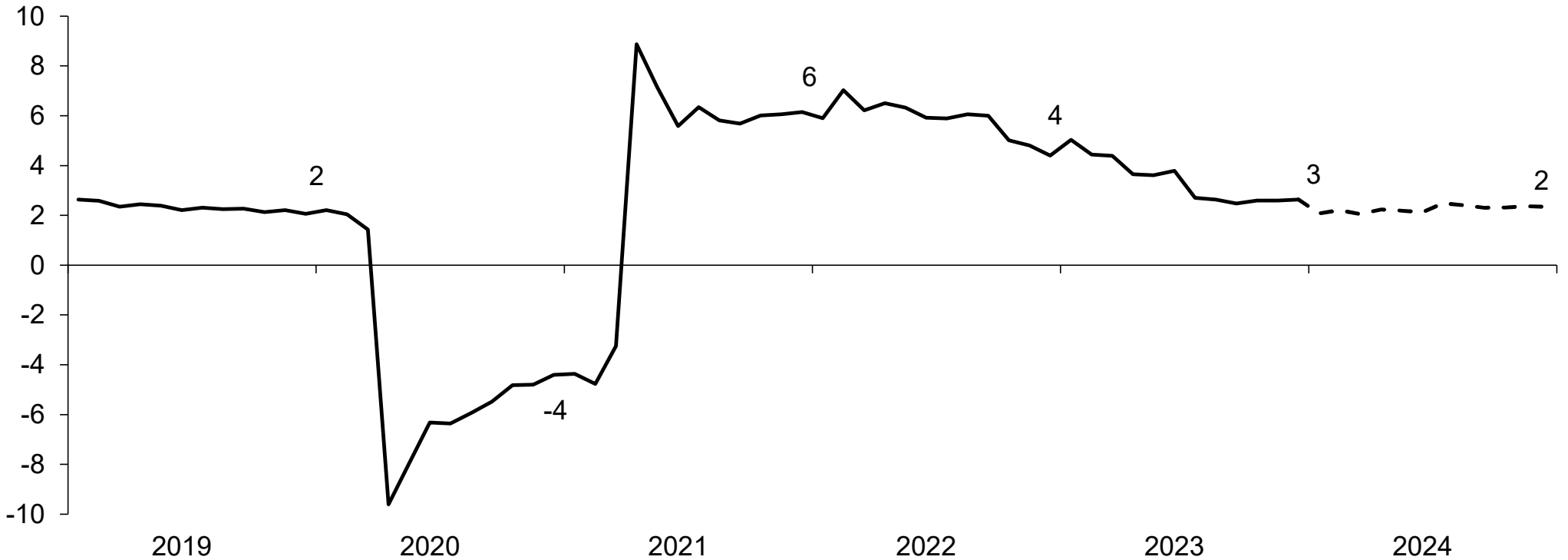


# 2024 Outlook

Federal Reserve Bank of Dallas

# Texas employment forecast indicates 2 percent growth in 2024

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 March 2024. Predicted data is monthly from April through December 2024.

SOURCE: Federal Reserve Bank of Dallas' Texas Employment Forecast.



A hot air balloon with a pattern of light-colored vertical stripes is illuminated from below, floating over a desert landscape at night. The sky is dark blue with a visible band of the Milky Way galaxy. The ground below is a vast, flat desert with some sparse vegetation and distant mountains.

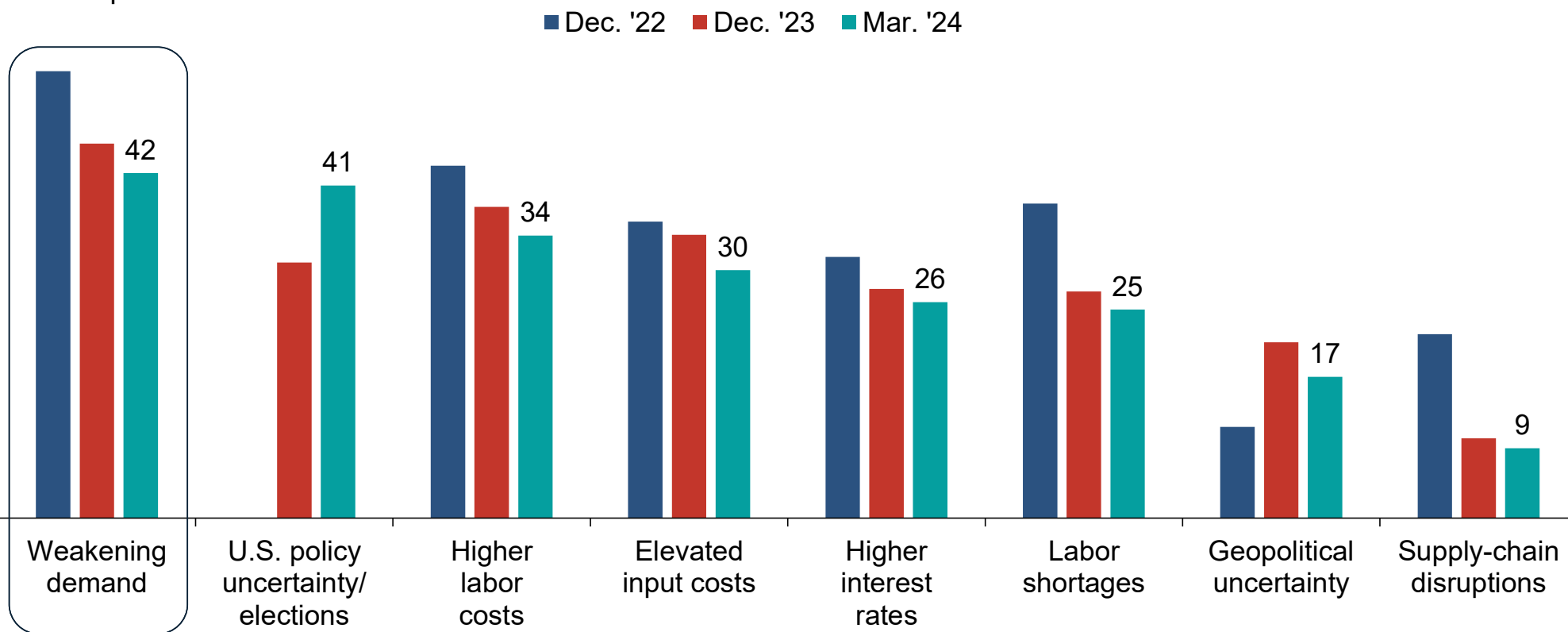
**Risks to the outlook are mixed**

Federal Reserve Bank of Dallas

# Weakening demand still tops list of outlook concerns

Percent of respondents

■ Dec. '22 ■ Dec. '23 ■ Mar. '24

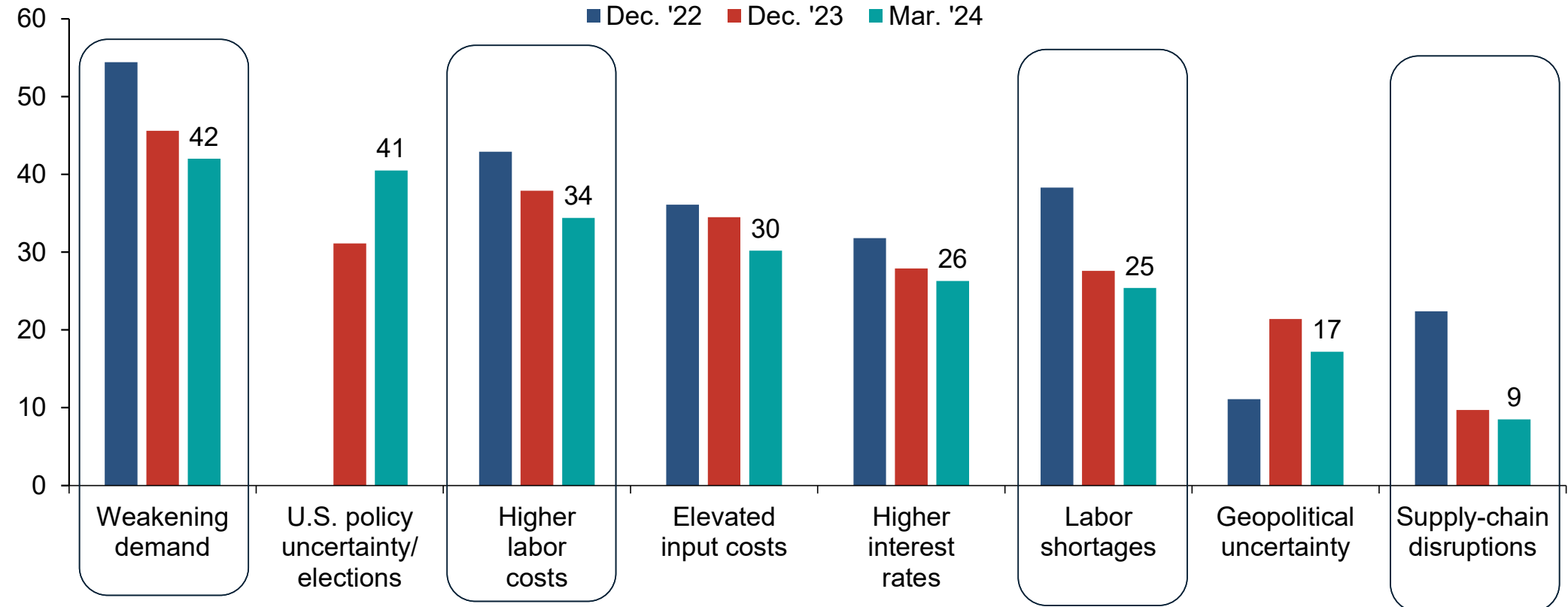


NOTES: Firms were asked, "What are the primary concerns around your firm's outlook over the next six months, if any?" and could select up to three concerns. N = 331 in March 2024, and not all possible responses are shown. "U.S. policy uncertainty/elections" was added as a response choice in December 2023.

SOURCE: Dallas Fed's Texas Business Outlook Surveys.

## Some factors are retreating concerns...

Percent of respondents

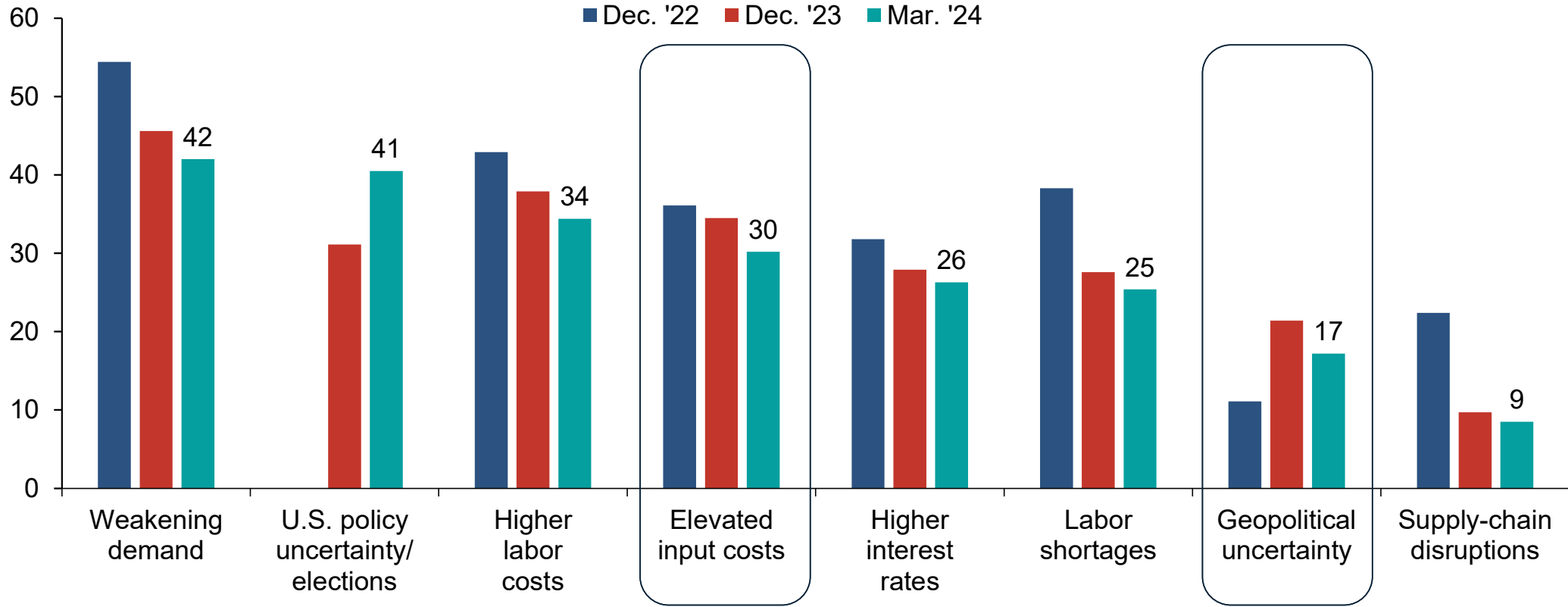


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SOURCE: Dallas Fed's Texas Business Outlook Surveys.

# ...while others are more stubborn...

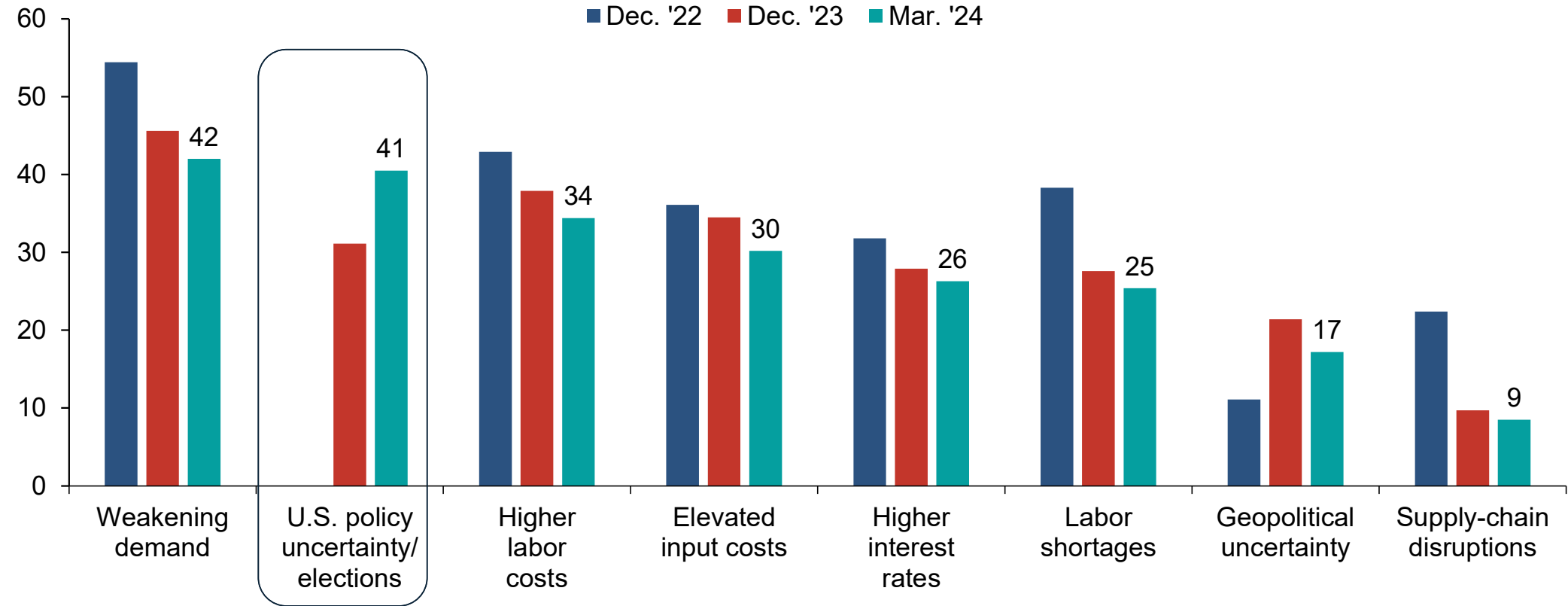
Percent of respondents



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 SOURCE: Dallas Fed's Texas Business Outlook Surveys.

## ...and some are gaining steam

Percent of respondents

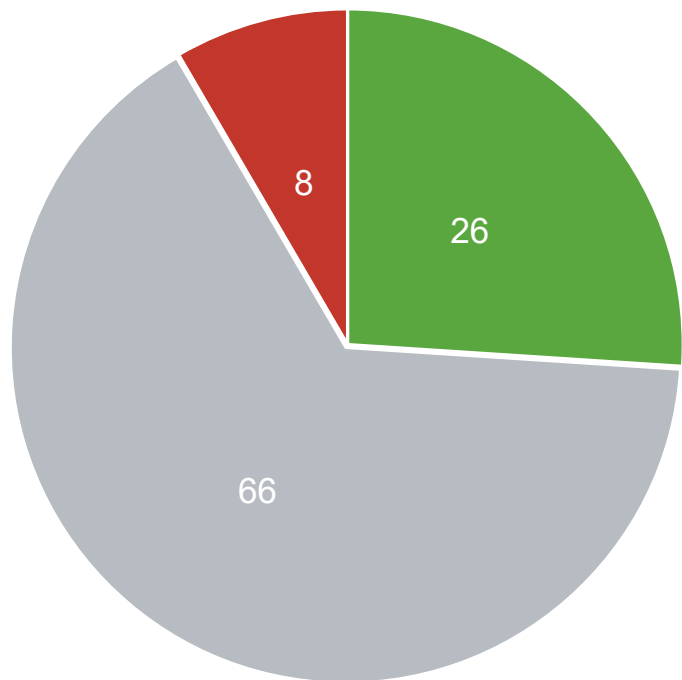


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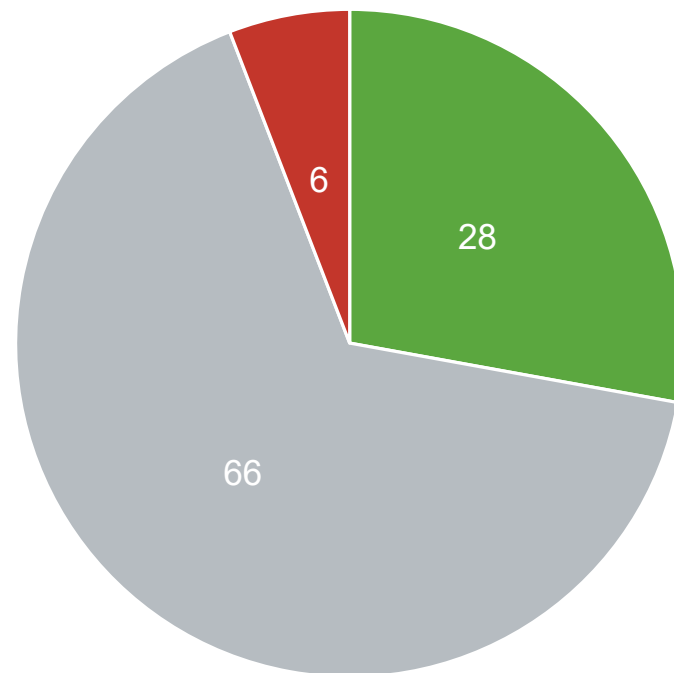
SOURCE: Dallas Fed's Texas Business Outlook Surveys.

# Applicant availability improving, as is ability to retain workers

*How has applicant availability changed?*



*How has your ability to retain workers changed?*



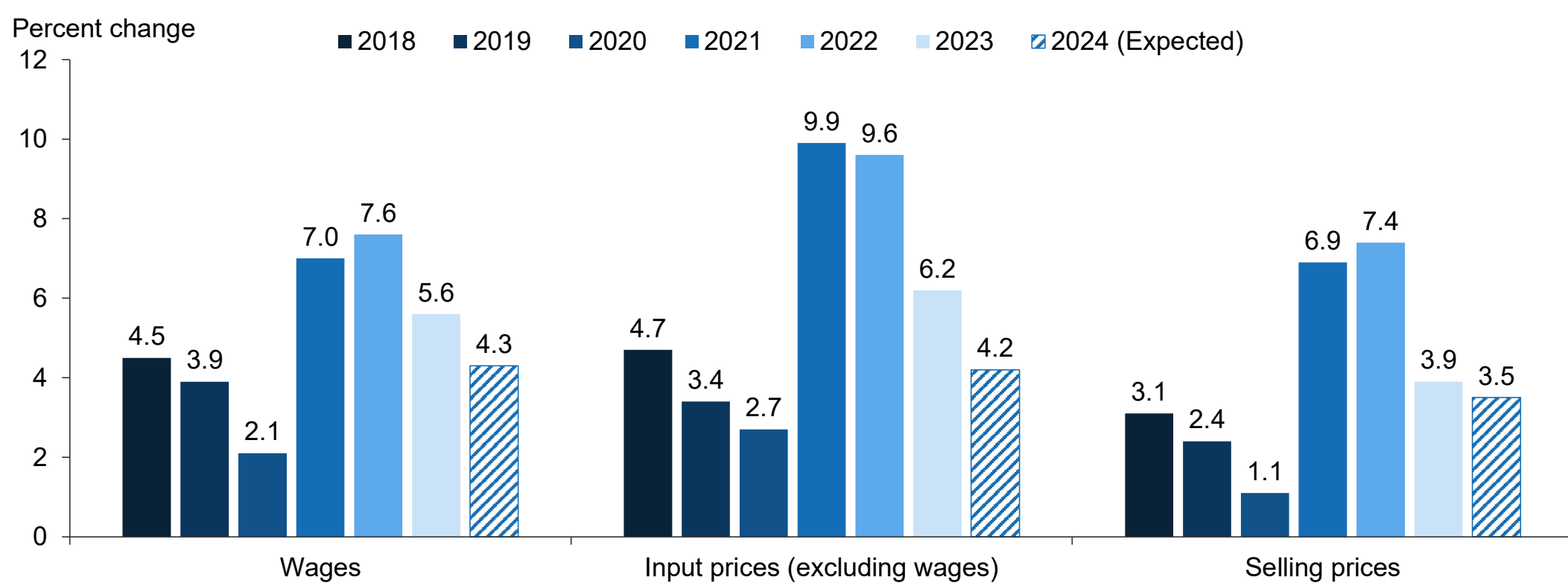
Percent of respondents

- Improved
- No change
- Worsened

NOTES: Respondents were asked, "How has the availability of applicants changed over the past month?" and "How has your ability to retain workers changed over the past month?" Data are from January 2024.

SOURCE: Dallas Fed's Texas Business Outlook Surveys.

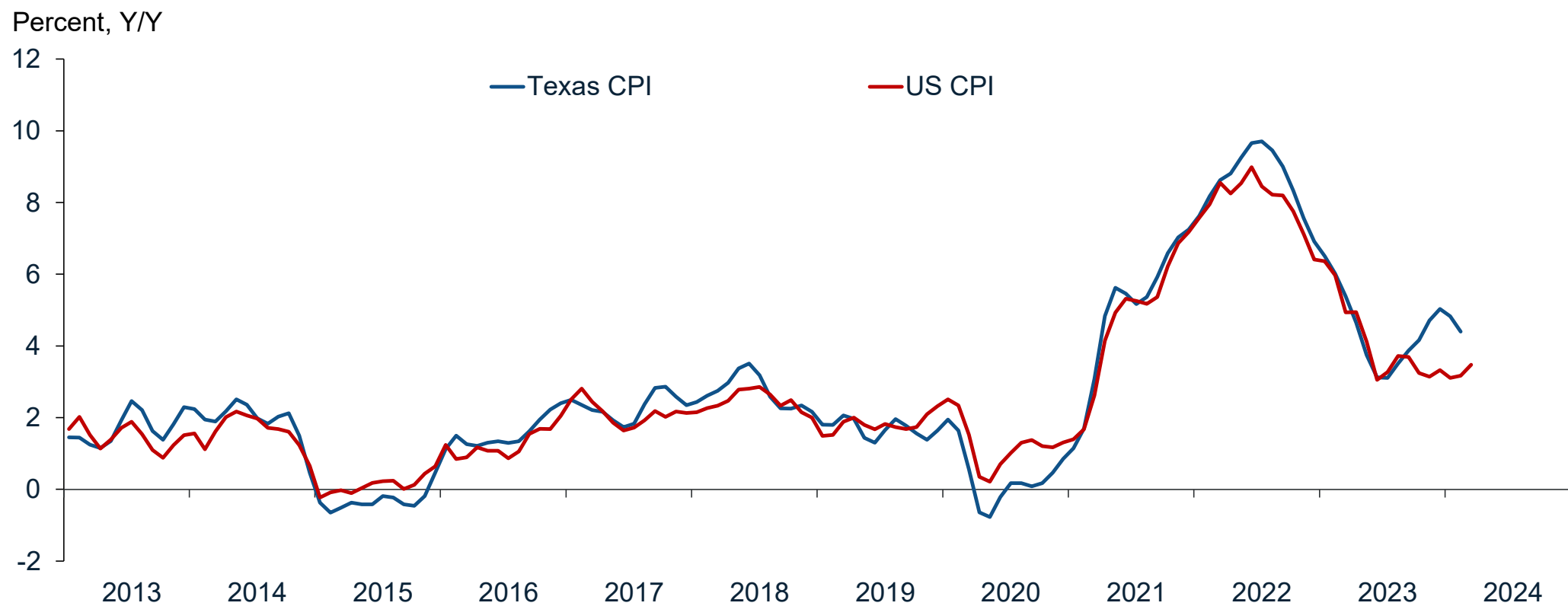
# Texas firms: selling price growth remaining elevated



NOTES: Shown are the trimmed mean actual percent changes in wages, input prices, and selling prices reported by TBOS respondents in Dec. of each year. Shaded bars indicate forecasted changes in prices for 2024, as of December 2023.

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

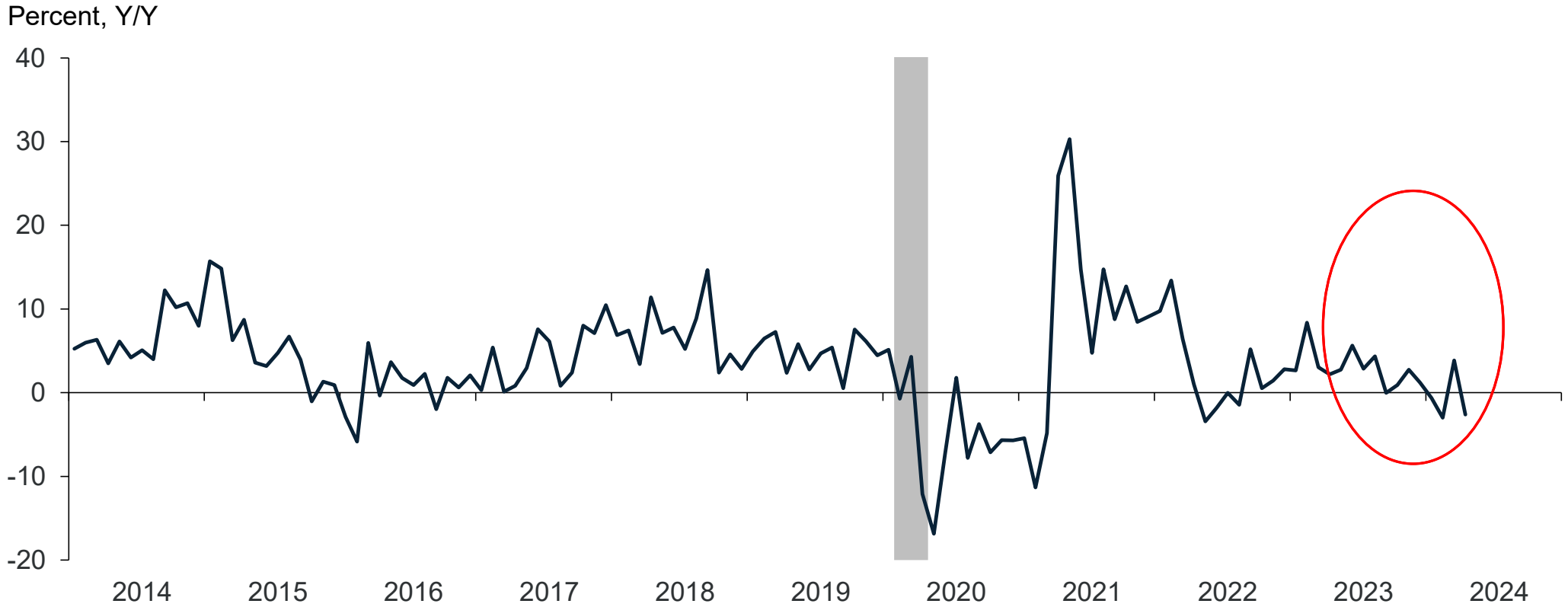
## Texas CPI too high but in the right direction



NOTES: Texas CPI data through February 2023; U.S. CPI through March 2024.  
SOURCE: Bureau of Labor Statistics.

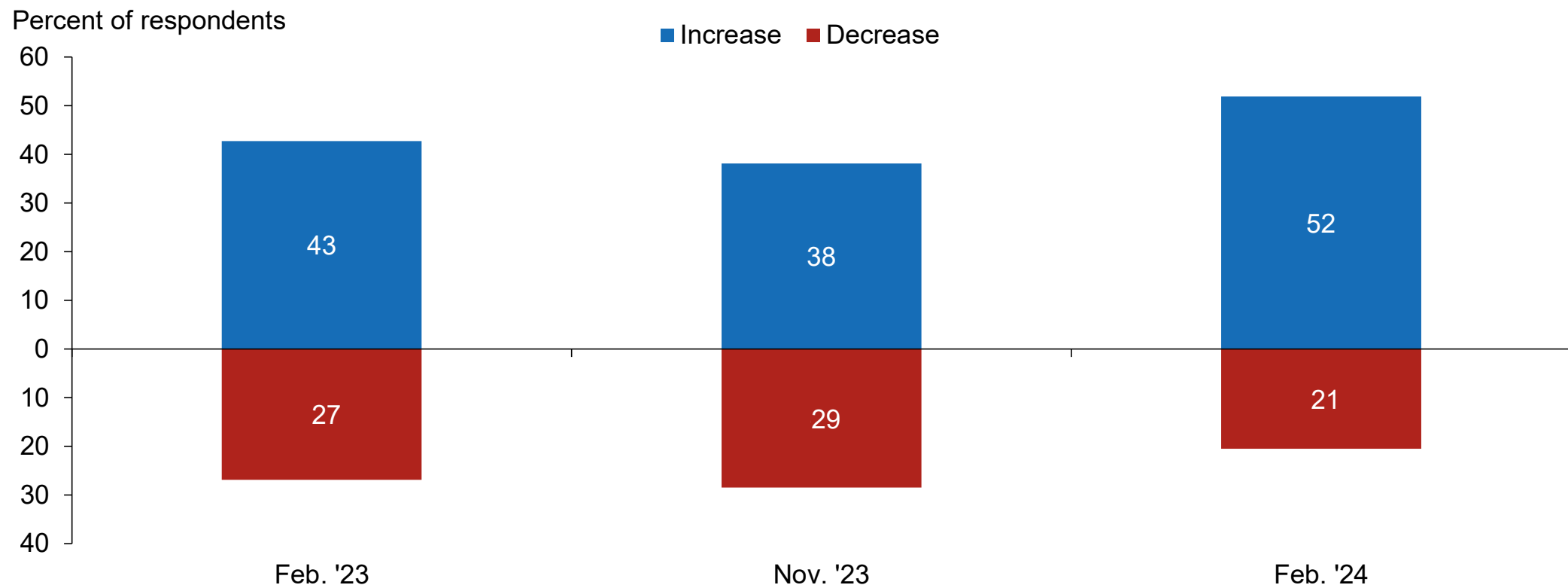


# Sales tax revenue points to falling consumption growth



NOTES: Real, seasonally adjusted data through April 2024. Gray shading indicates pandemic recession.  
SOURCES: Texas Comptroller of Public Accounts; Federal Reserve Bank of Dallas.

# Demand expected to pick up in 1H:2024



NOTE: Respondents were asked, "How do you expect demand for your firm's goods and/or services over the next six months to compare with the past six months, aside from normal seasonal variation?" N = 357 in Feb. 2024.

SOURCE: Dallas Fed's Texas Business Outlook Surveys.

# Summary

- Economy had a surprisingly strong year in 2023
- Forecast indicates Texas 'landing' at trend growth this year
- There are some signs of weakness, but overall growth remains healthy
- There are both downside and upside risks to the outlook



**Thank you!**

**Questions?**



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business activity and  
informs monetary  
policy making.*



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Outlook Survey



Texas **Service Sector**  
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Texas **Retail**  
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