

# Regional Economic Update

Texas eyes soft landing as growth slows



Federal Reserve  
Bank of Dallas

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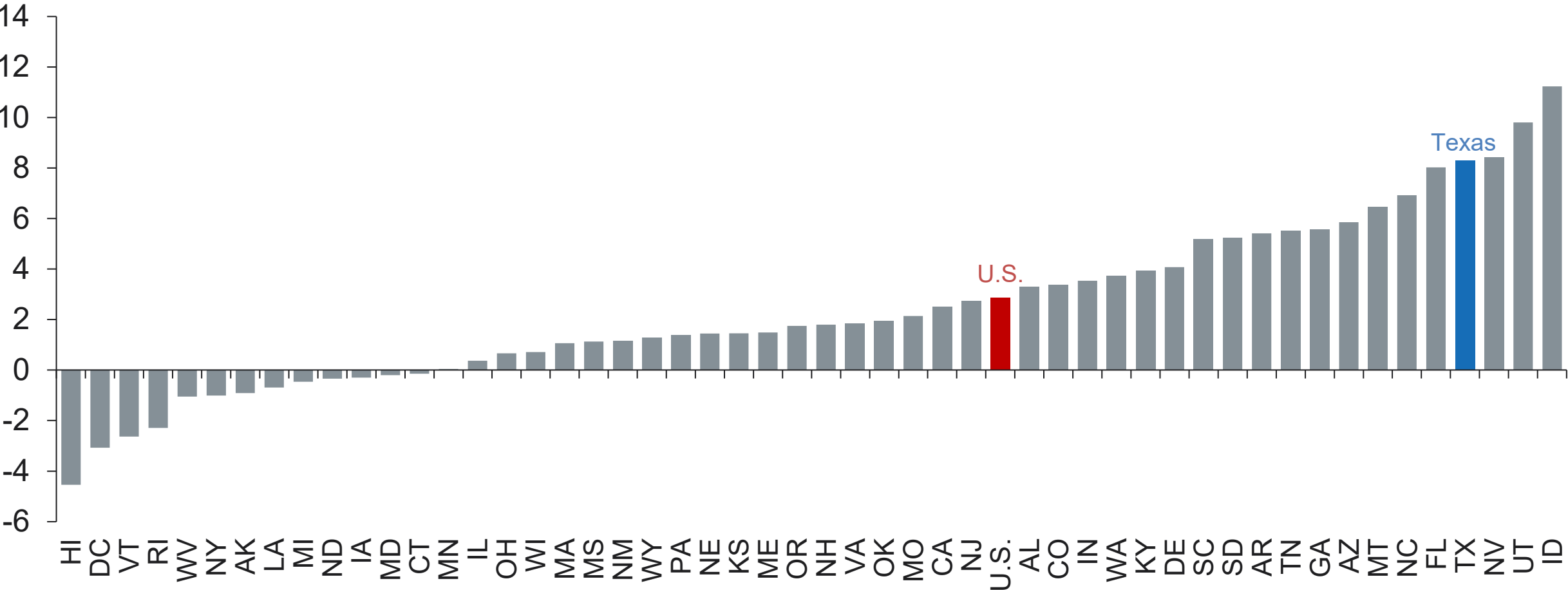
Disclaimer: The views expressed are those of the presenter and do not reflect those of the Federal Reserve Bank of Dallas or the Federal Reserve System.

# 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 (our forecasts missed low)

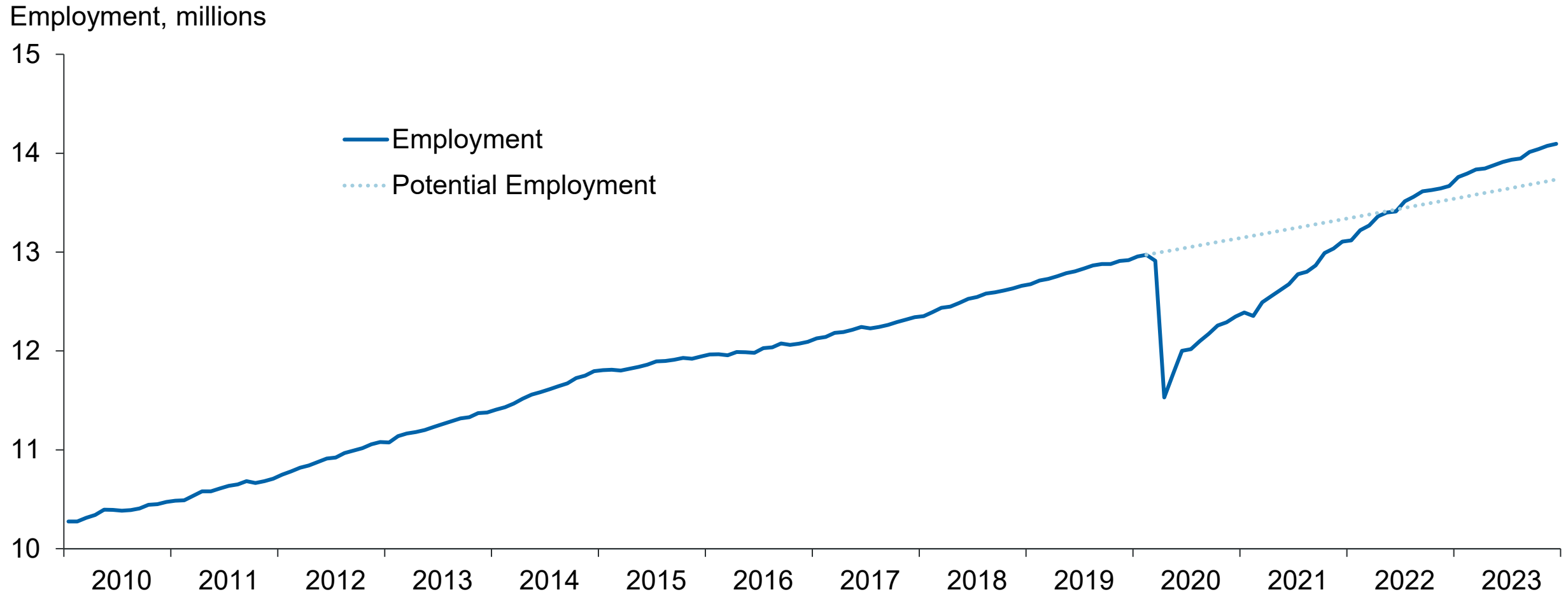
# Texas was one of first states to surpass pre-pandemic employment

Job growth (percent), Dec. 2023/Feb. 2020, SA



NOTES: Data show non-annualized job growth. Texas data are not early benchmarked to facilitate comparison across states.  
SOURCE: Bureau of Labor Statistics.

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

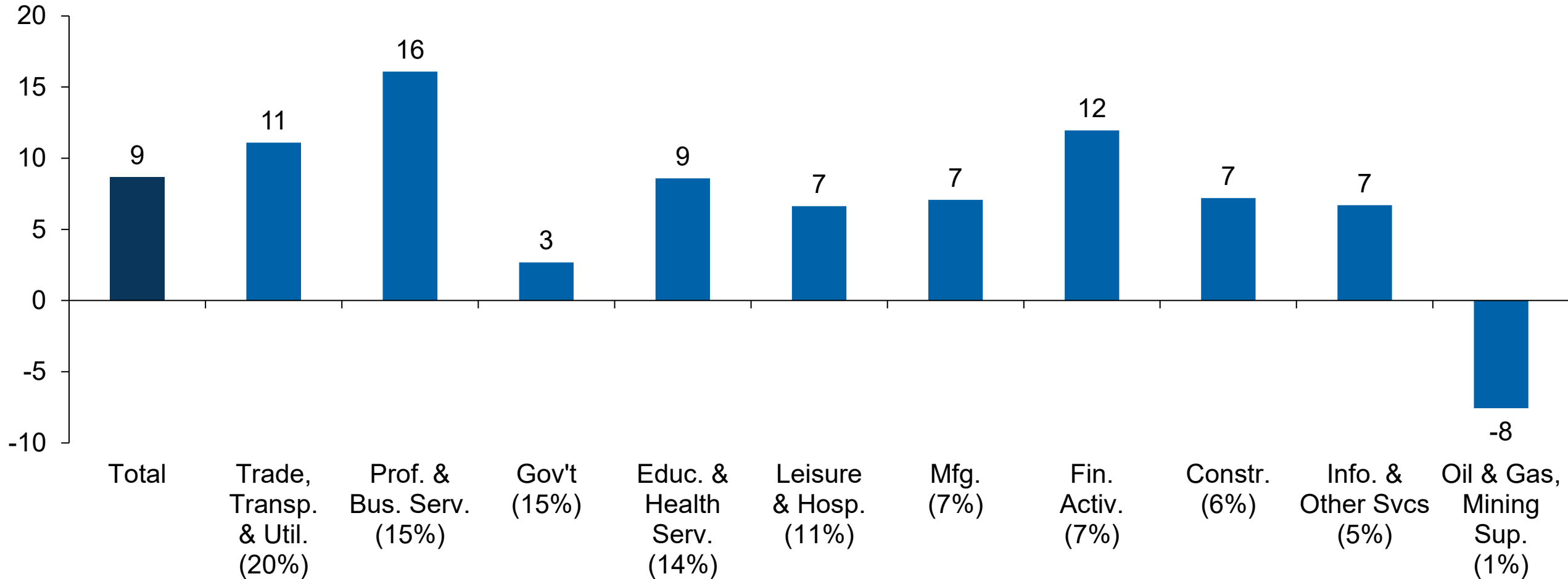


NOTES: Potential employment assumes 1.5% annual growth beginning February 2020. Data through December 2023.

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

# Recovery has not been uniform; energy lags behind

Job growth, percent Dec. 2023/Feb. 2020

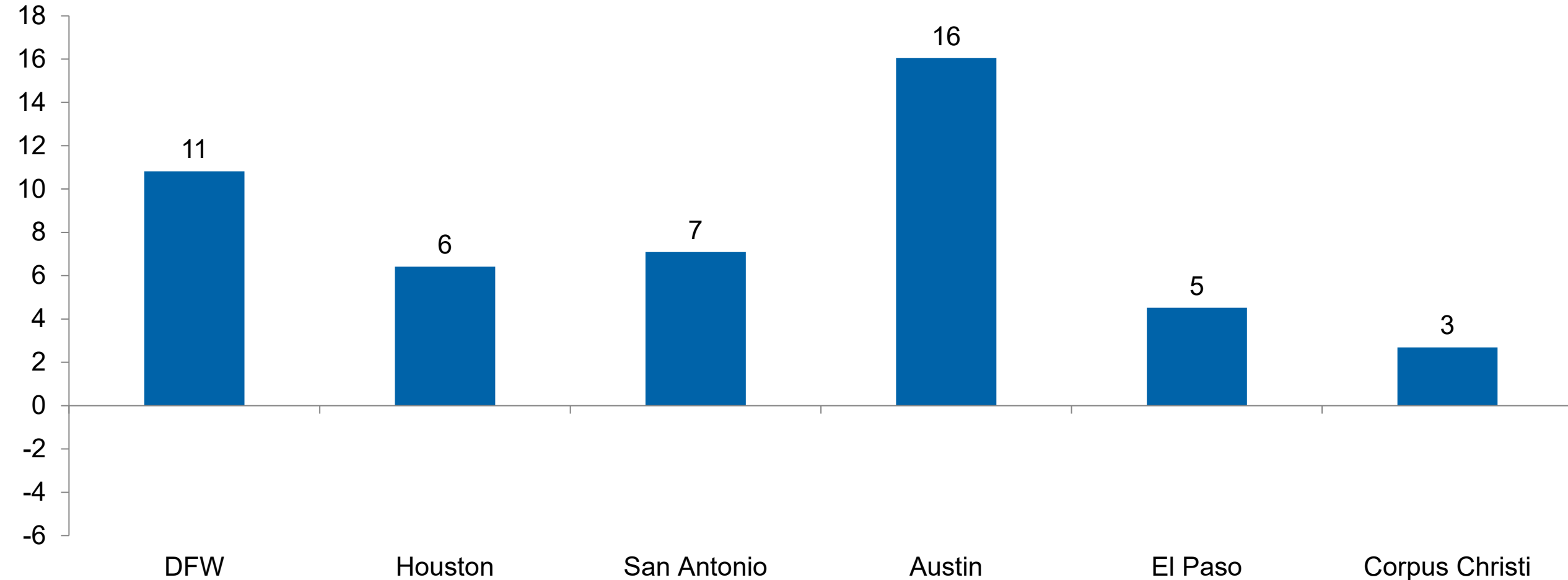


NOTES: Data show Dec. 2023/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment in December.

SOURCES: Texas Workforce Commission; FRB Dallas.

# Recovery has been uneven across metros as well

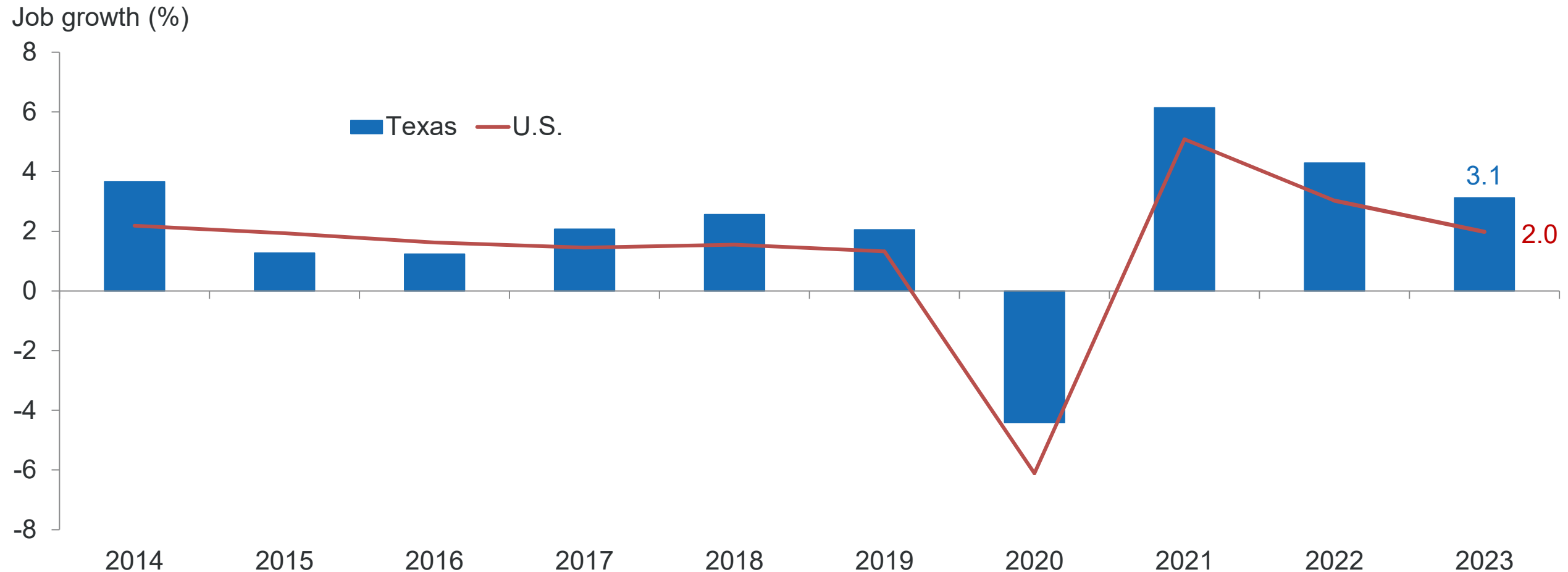
Job growth, percent Dec. 2023/Feb. 2020



NOTES: Data refer to Dec. 2023/Feb. 2020 non-annualized job growth.

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

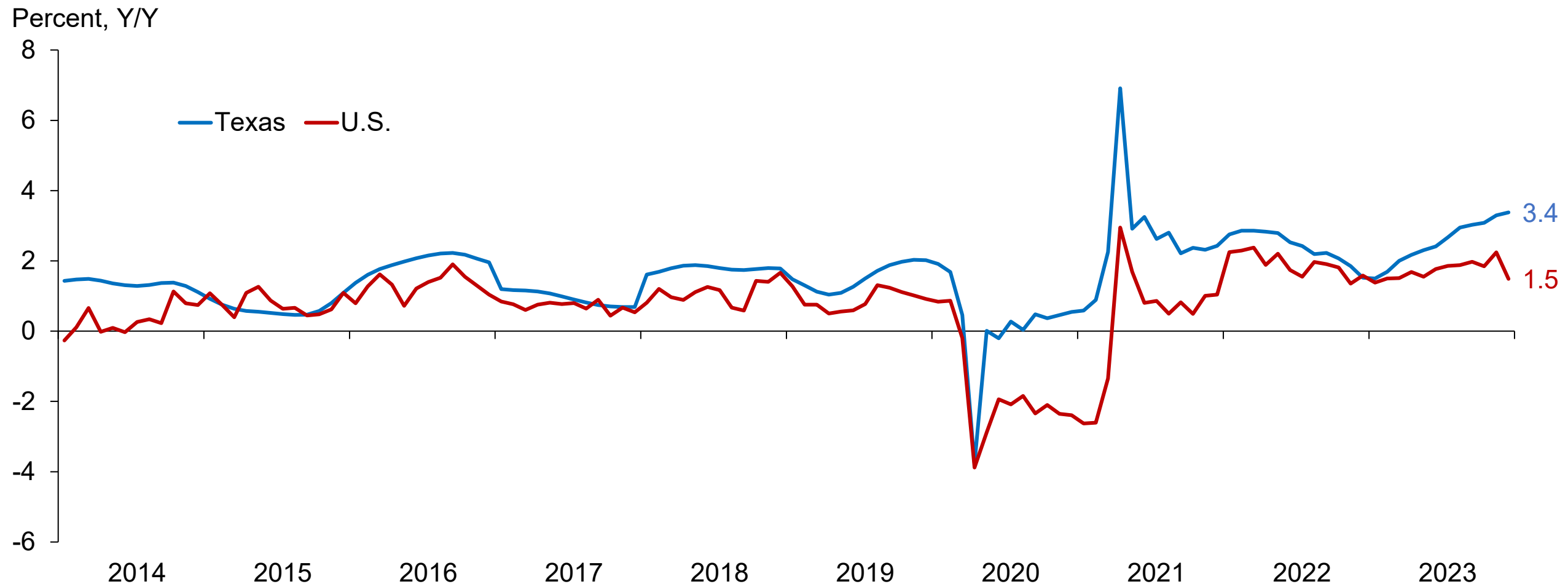
# Economic growth slowing after boom; Texas maintains growth premium over U.S.



NOTE: Shown is yearly (Dec/Dec) seasonally adjusted job growth.

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

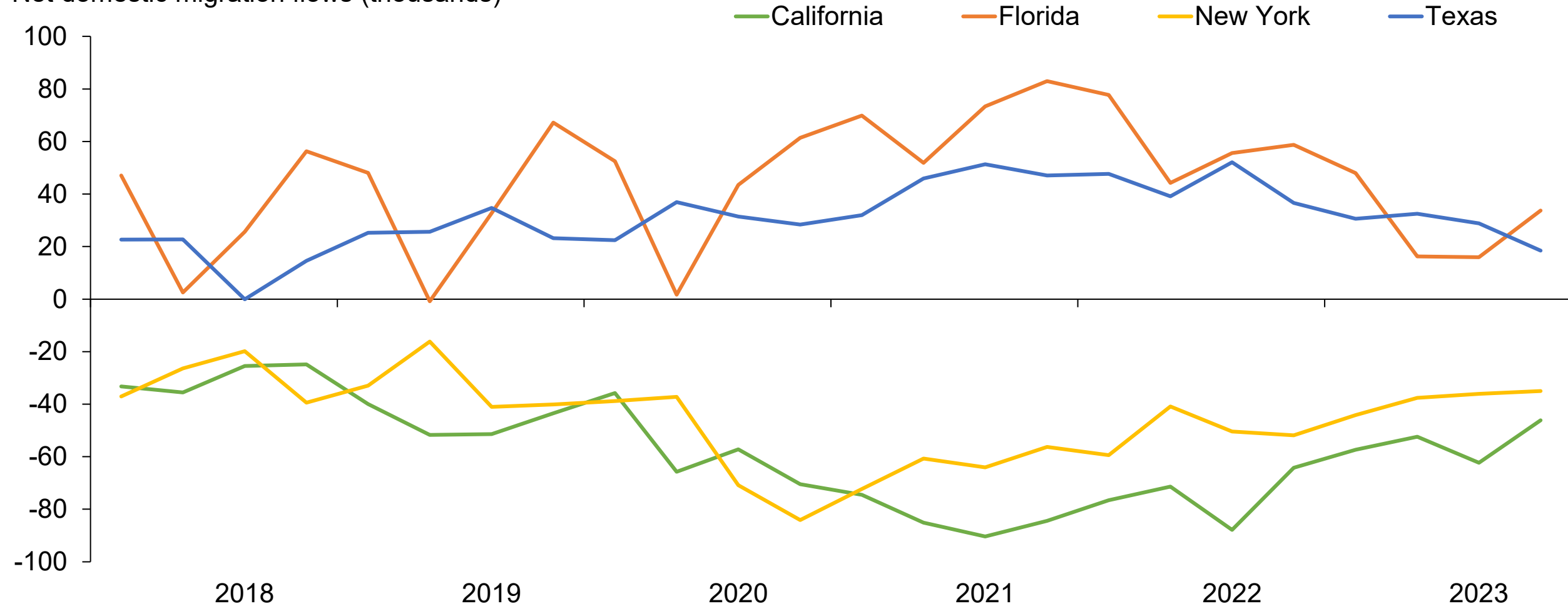


NOTES: Data are monthly through December 2023.  
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.



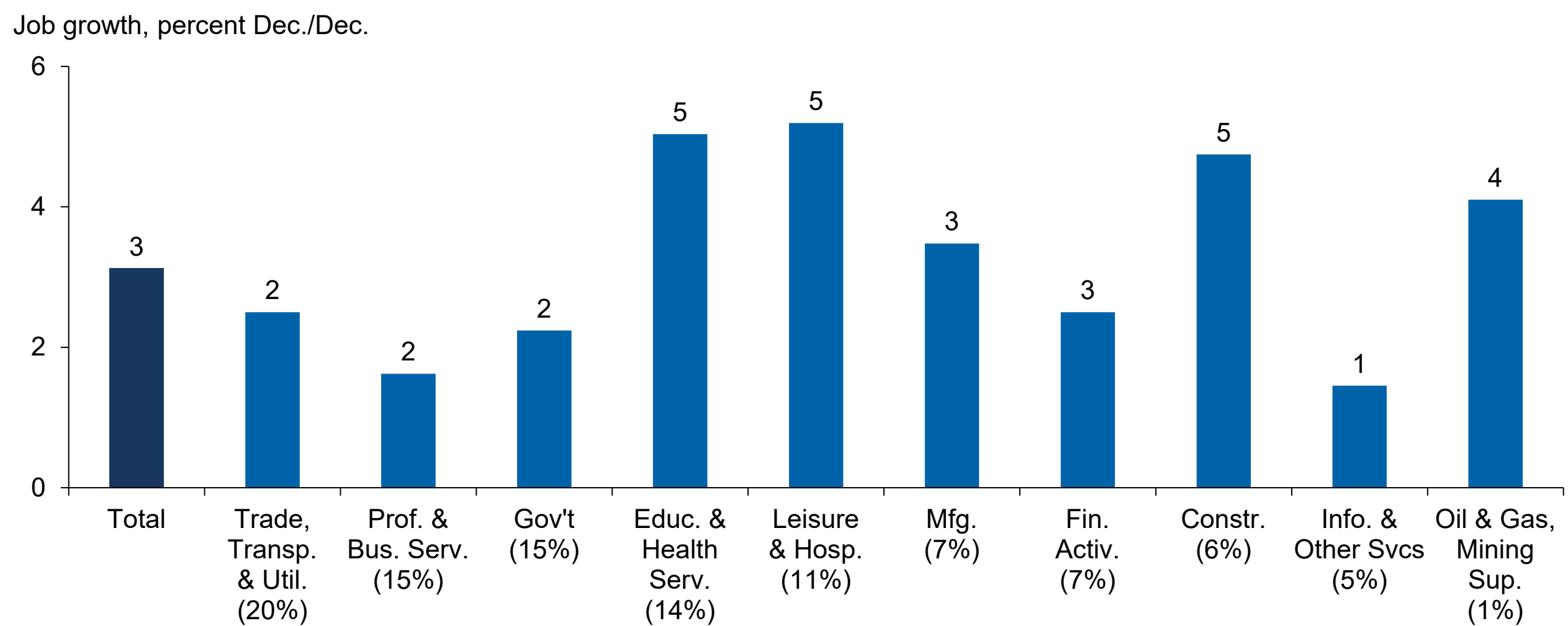
# Texas is a leader in domestic migration

Net domestic migration flows (thousands)



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

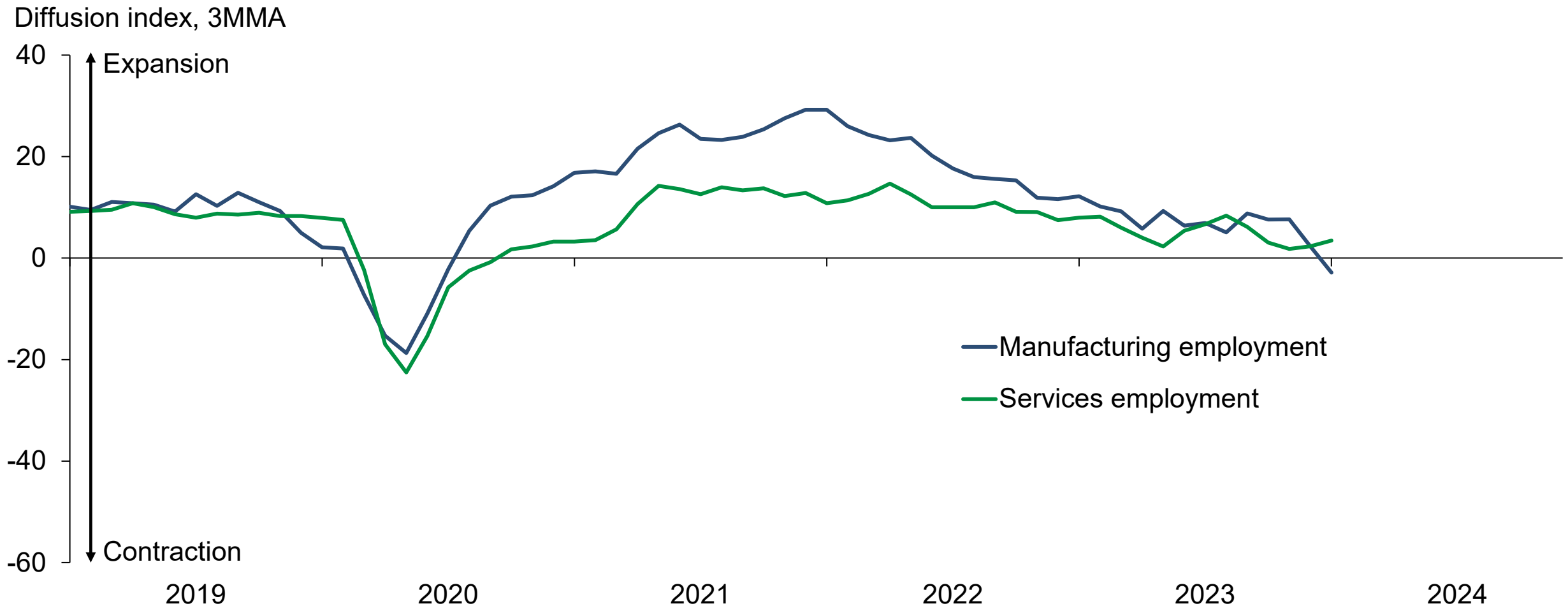
# Texas job growth was broad based last year



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.

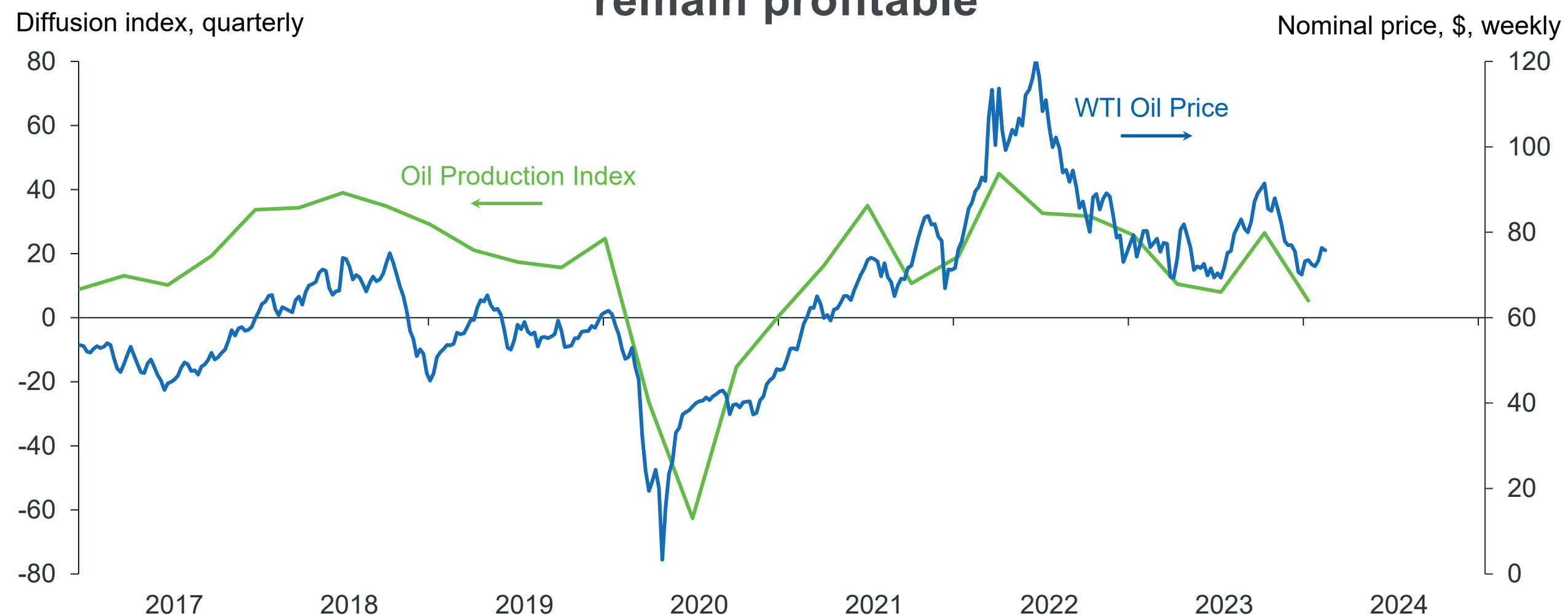
# Dallas Fed surveys show recent weakness in manufacturing, while service sector holding up better



NOTE: Data through January 2024.

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

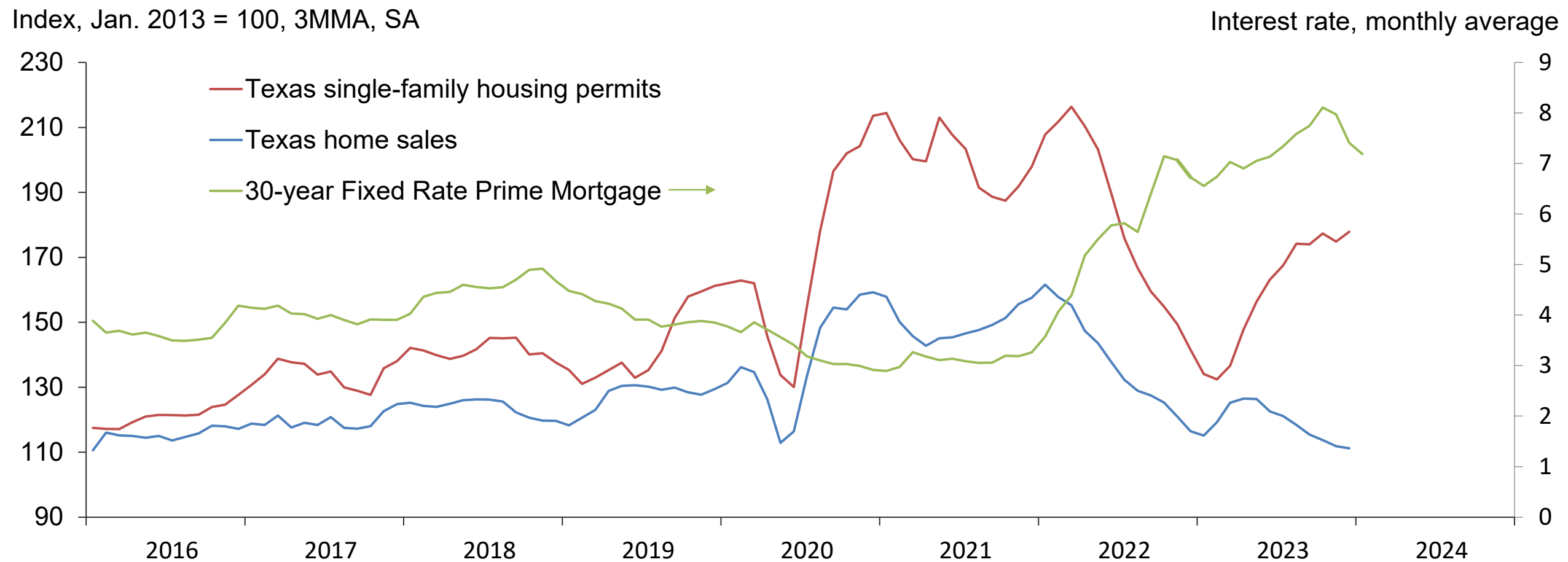
# Energy activity likely to continue expanding as oil prices remain profitable



NOTES: Production index is a diffusion index asked of E&P firms is quarterly through Q4 2023. WTI oil price is weekly through the week of February 2<sup>nd</sup>, 2024.

SOURCES: Energy Information Administration; Federal Reserve Bank of Dallas' Dallas Fed Energy Survey.

# Home sales stabilizing, homebuilding strong

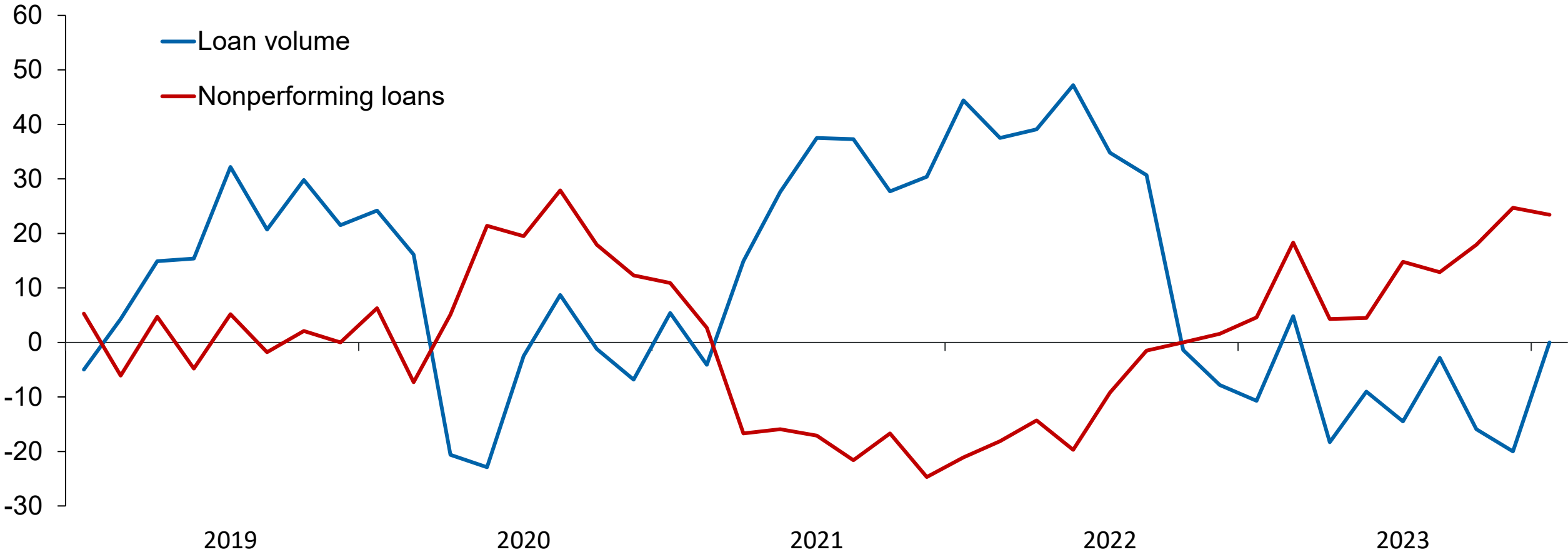


NOTES: Texas single-family housing permits and existing-home sales data through December 2023. Mortgage data through January 2024.

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

# Loan volumes stabilizing, according to 11<sup>th</sup> District bankers

Diffusion index

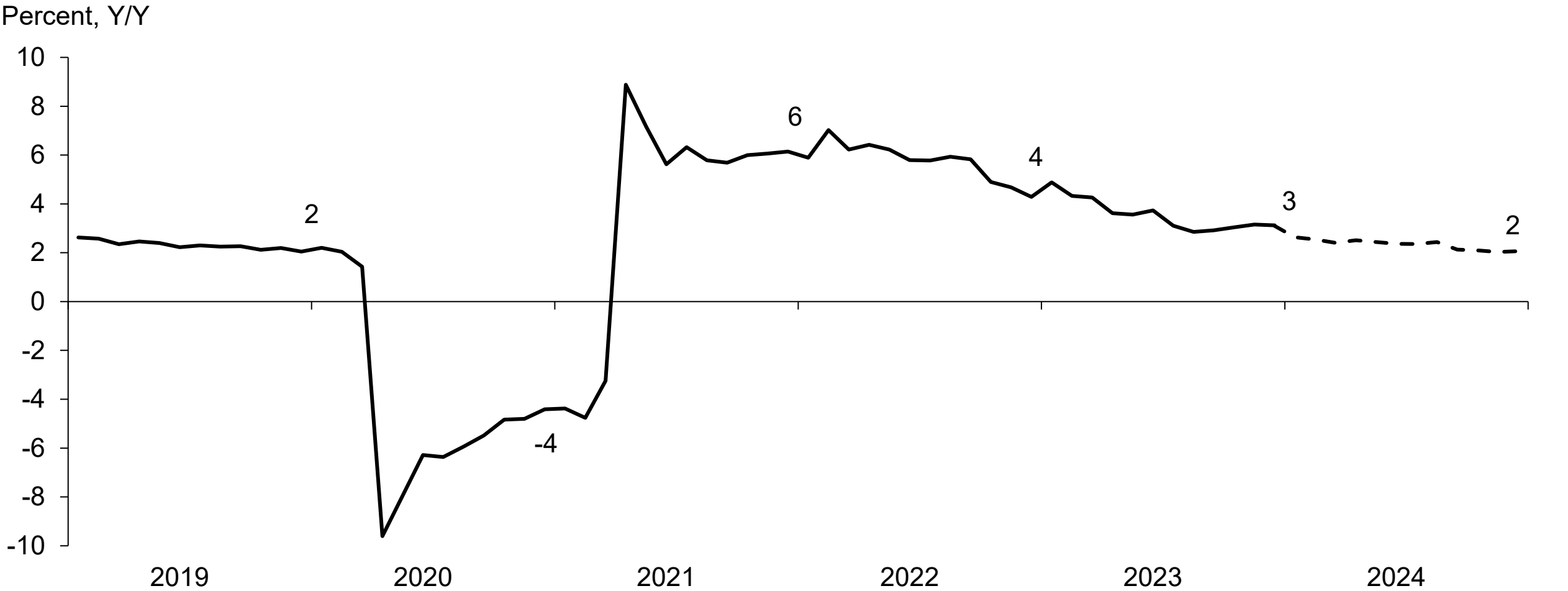


NOTE: Data through December 2023.  
SOURCE: Federal Reserve Bank of Dallas, Banking Conditions Survey.



# 2024 Outlook

# Texas employment forecast indicates 2 percent growth in 2024



NOTES: Solid line reflects actual monthly values for Texas employment growth. Dashed line reflects predicted Texas employment growth. Actual data is monthly through December 2023. Predicted data is monthly from January through December 2024.

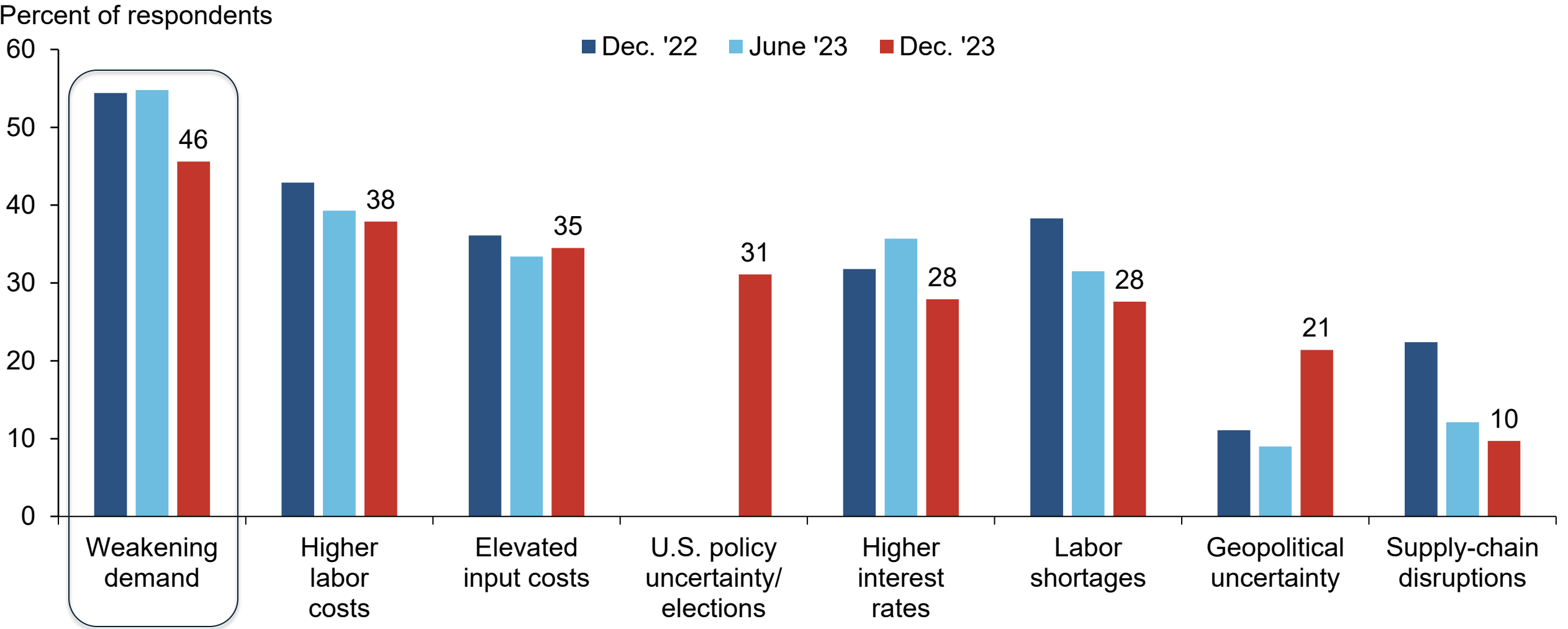
SOURCE: Federal Reserve Bank of Dallas' Texas Employment Forecast.





**Risks to the outlook are mixed**

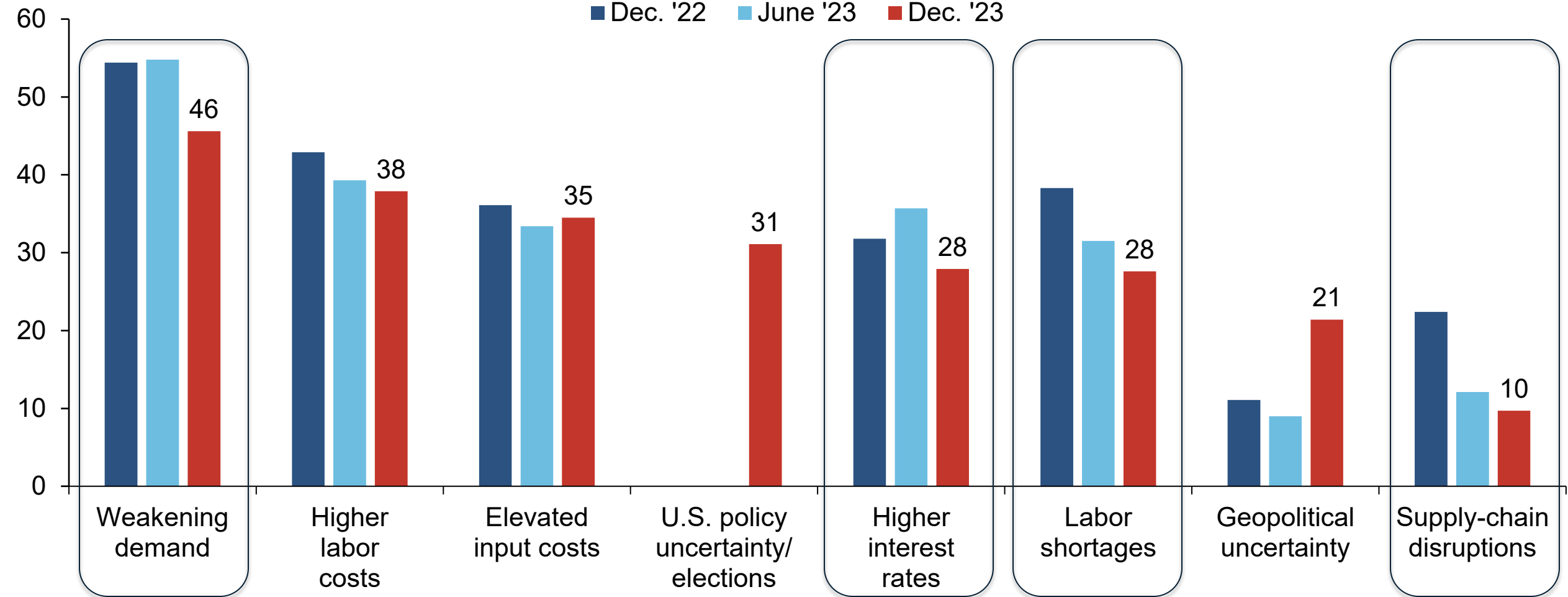
# Weakening demand still tops list of outlook concerns



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 = 351 in December 2023, 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...

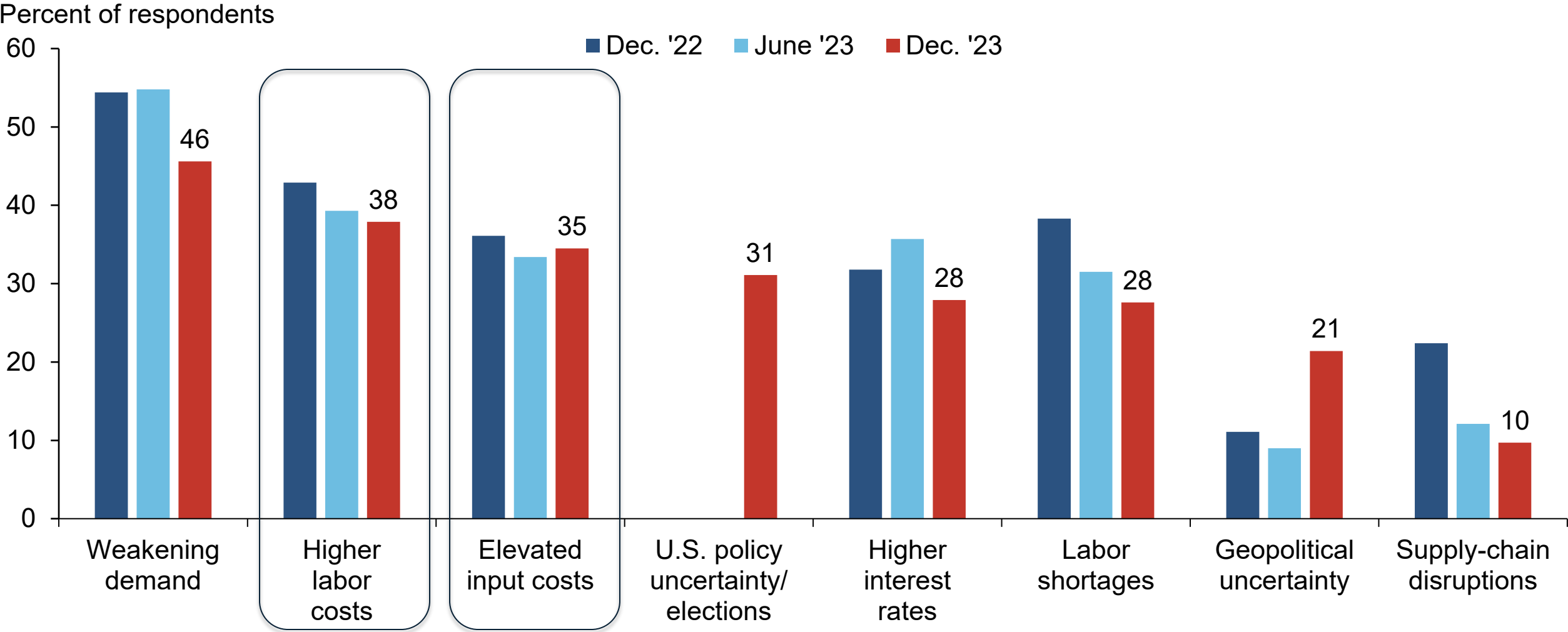
Percent of respondents



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 = 351 in December 2023, 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.

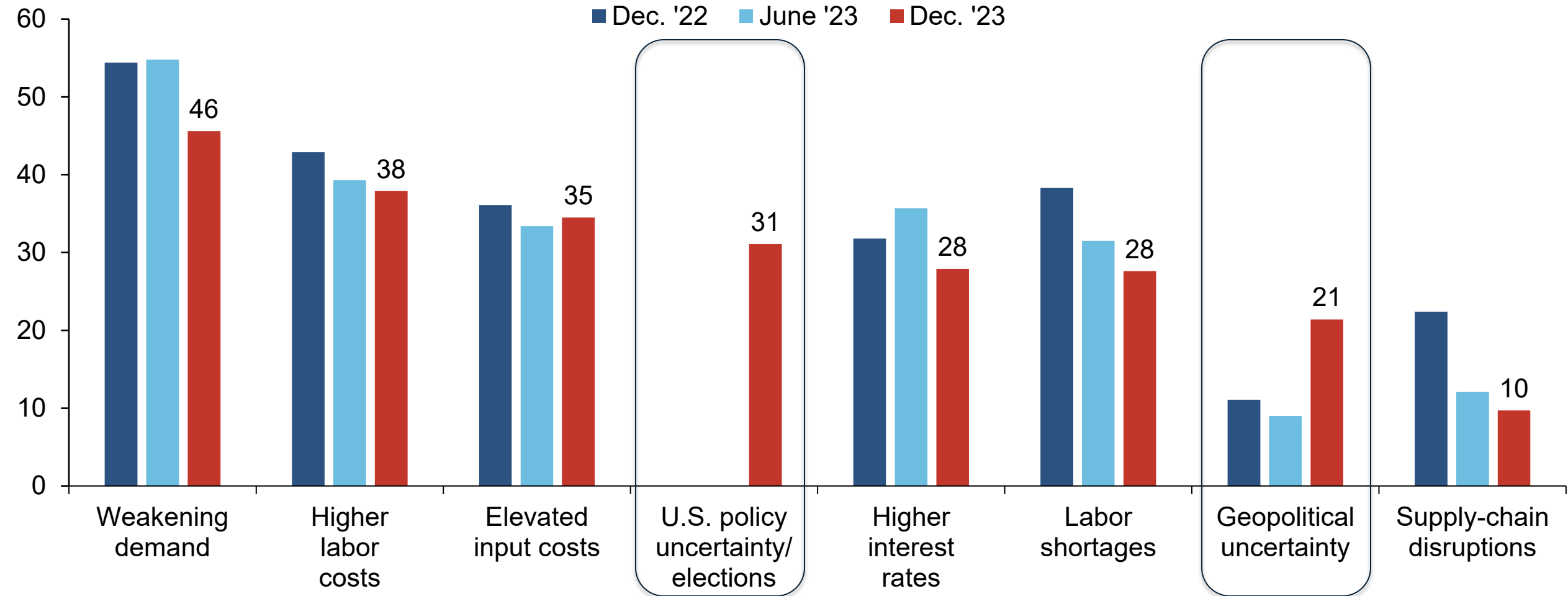
# ...while others are more stubborn...



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 = 351 in December 2023, 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.

## ...and some are gaining steam

Percent of respondents

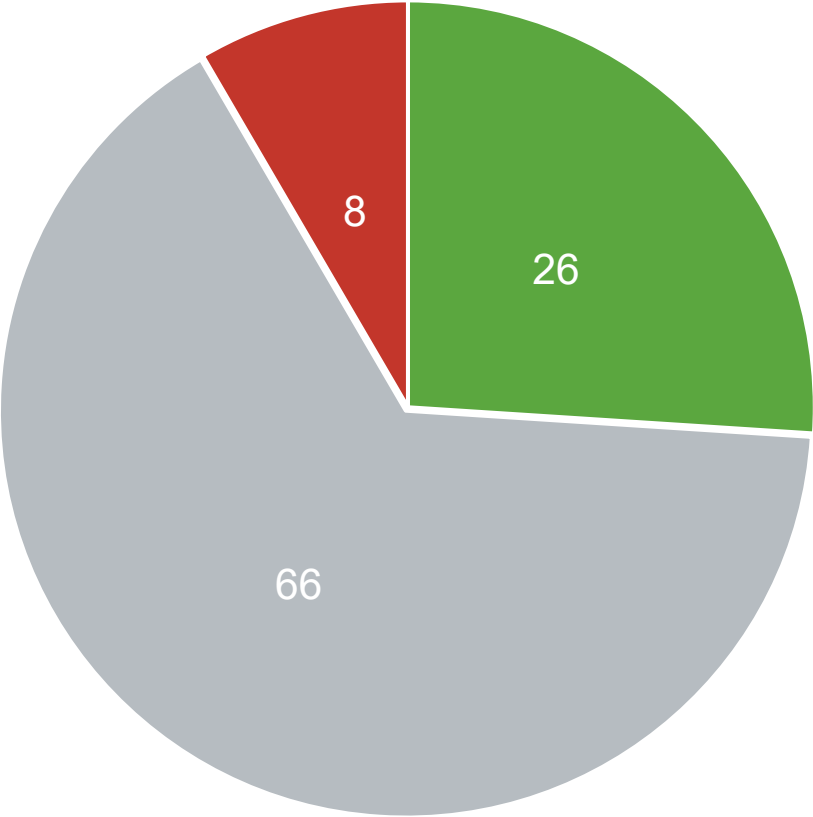


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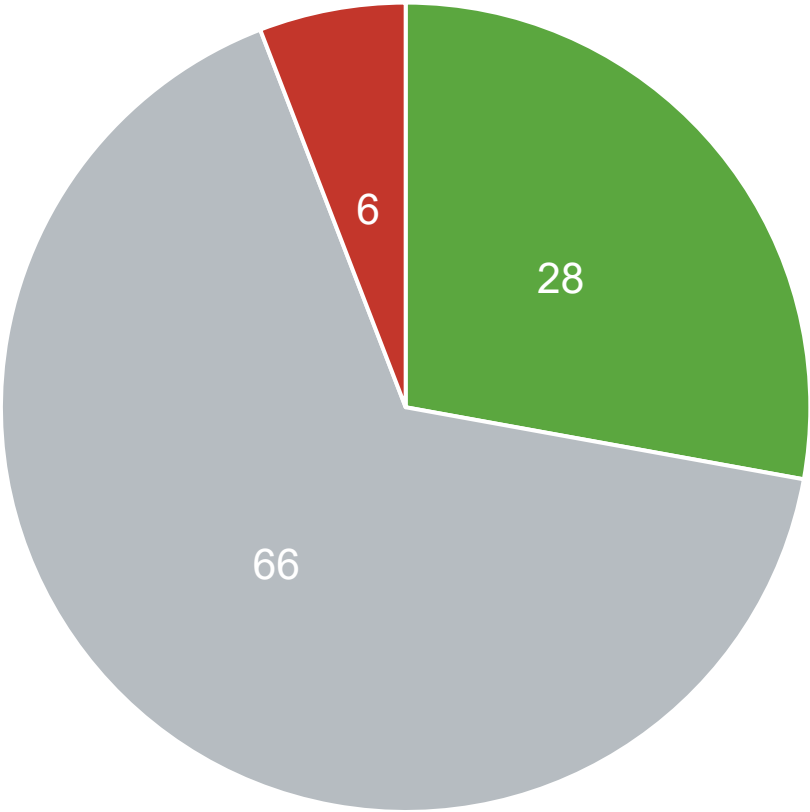
SOURCE: Dallas Fed's Texas Business Outlook Surveys.

# Applicant availability improving, as is ability to retain workers

*How has applicant availability changed?*



*How has your ability to retain workers changed?*



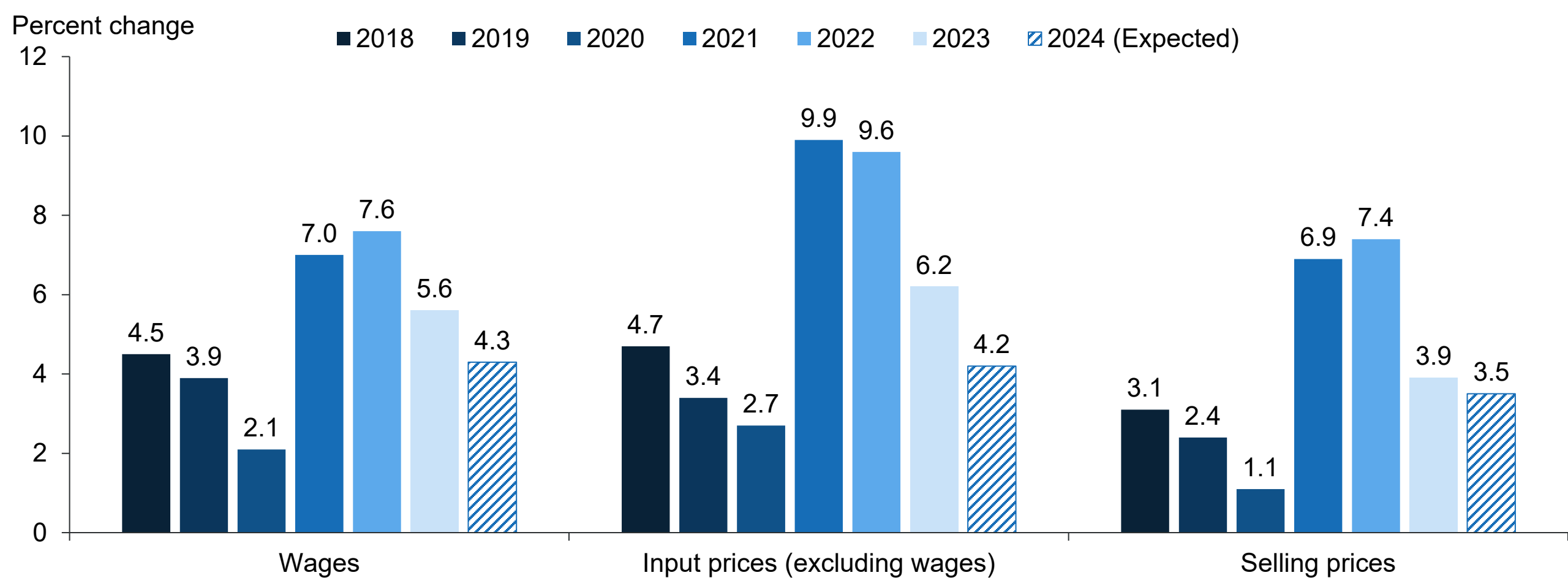
Percent of respondents

- 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.

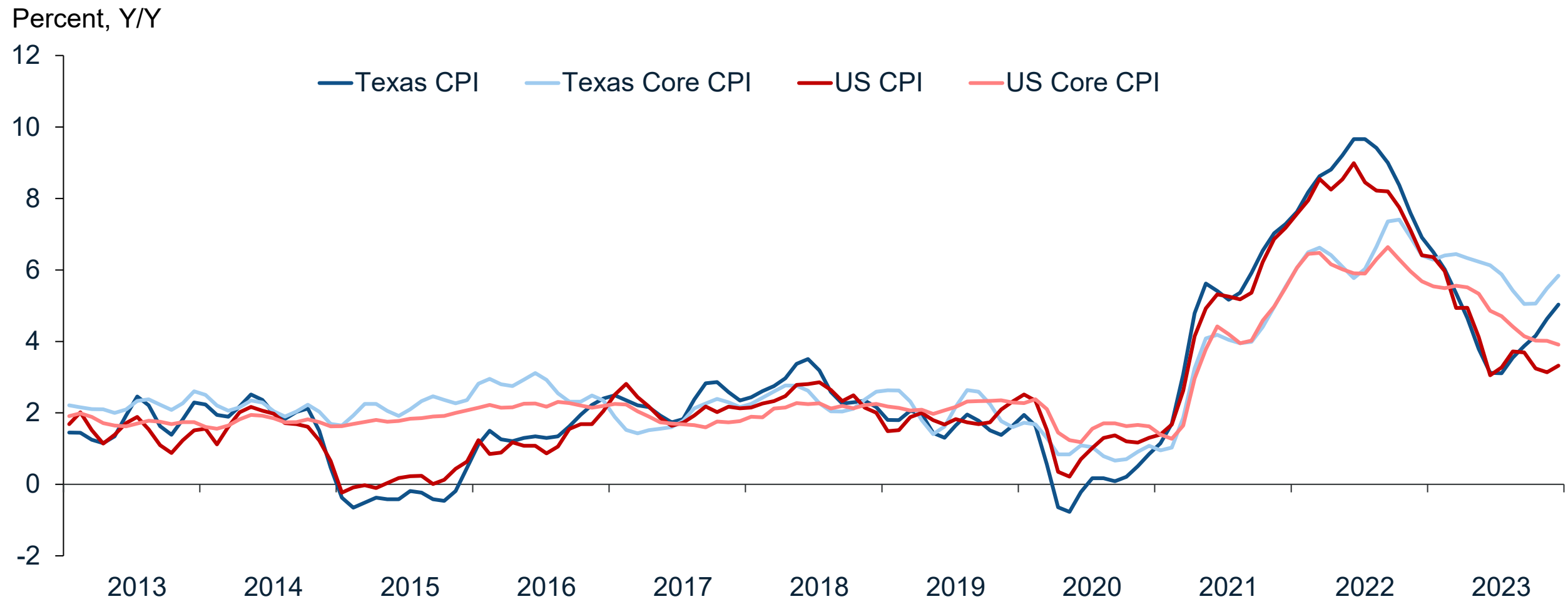
# Texas firms: selling price growth remaining elevated



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 and moving in the wrong direction



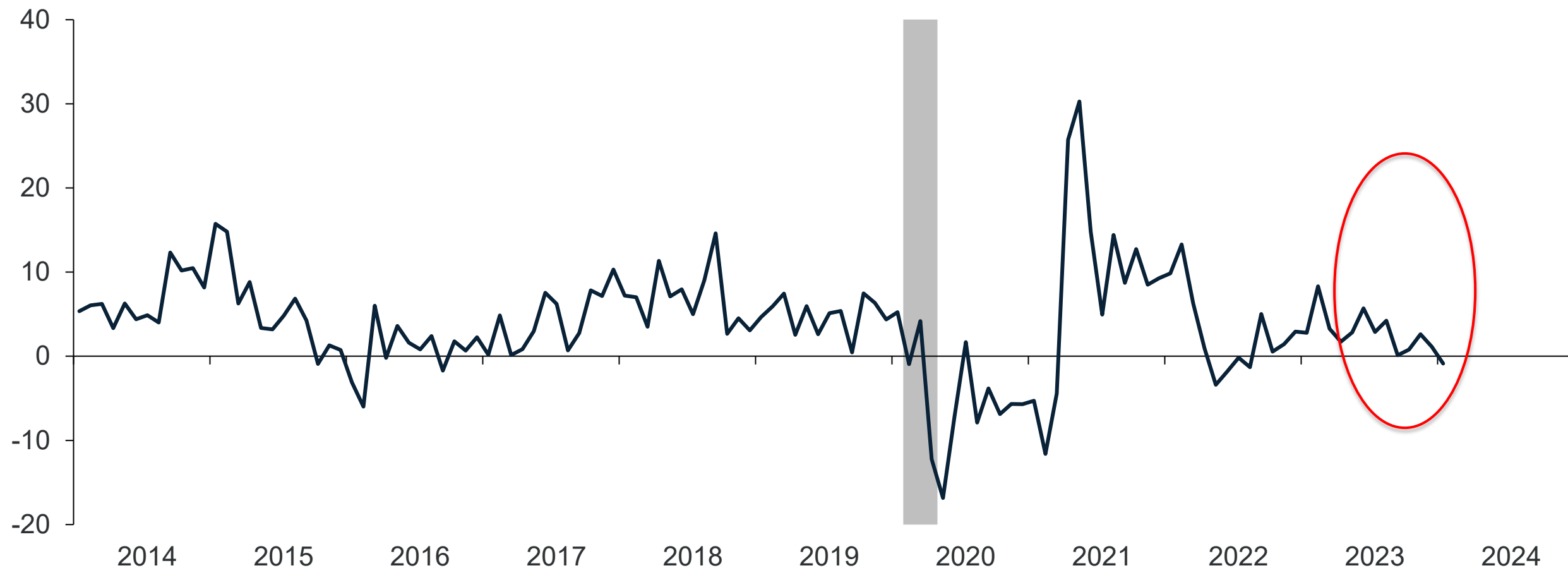
NOTES: CPI data through December 2023.

SOURCE: Bureau of Labor Statistics.



# Sales tax revenue points to falling consumption growth

Percent, Y/Y



NOTES: Real, seasonally adjusted data through January 2024. Gray shading indicates pandemic recession.

SOURCES: Texas Comptroller of Public Accounts; Federal Reserve Bank of Dallas.

# 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?**



# We need your input!

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business activity and  
informs monetary  
policy making.*



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Outlook Survey



Texas **Service Sector**  
Outlook Survey



Texas **Retail**  
Outlook Survey