



Federal Reserve
Bank of Dallas

Cleared for a Smooth Landing

Texas Economic Outlook

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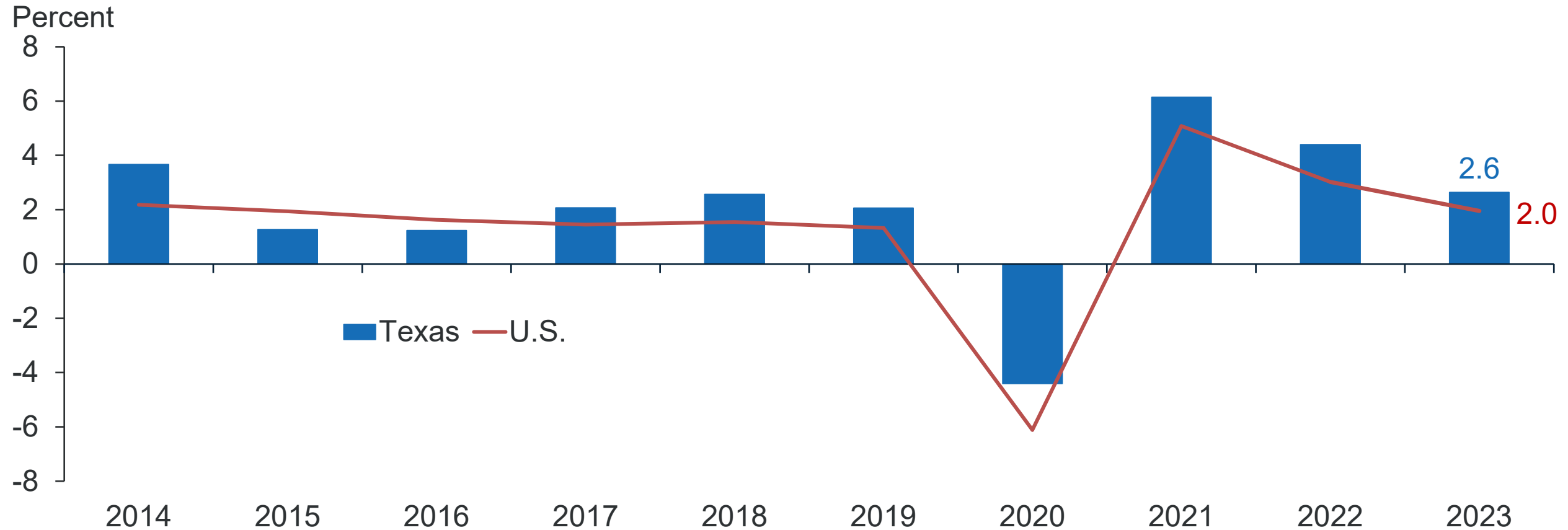
DISCLAIMER: The views expressed are the authors' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.

Overview

- Labor market remains robust
 - Texas employment rose 2.6 percent in 2023, outpacing U.S.
 - YTD job growth is strong
 - Last year, labor force grew at its fastest pace in decades in part due to solid migration
- Economic activity is slowing but positive
 - Manufacturing activity weak, modest growth in services
 - Home sales increasing, but activity in commercial real estate remains sluggish
- Above-trend growth expected in 2024
 - Positive momentum present in early 2024
 - Retail spending remains strong
 - Near term risks to the outlook are somewhat balanced

Labor Markets

Texas' 2023 job growth outpaced US

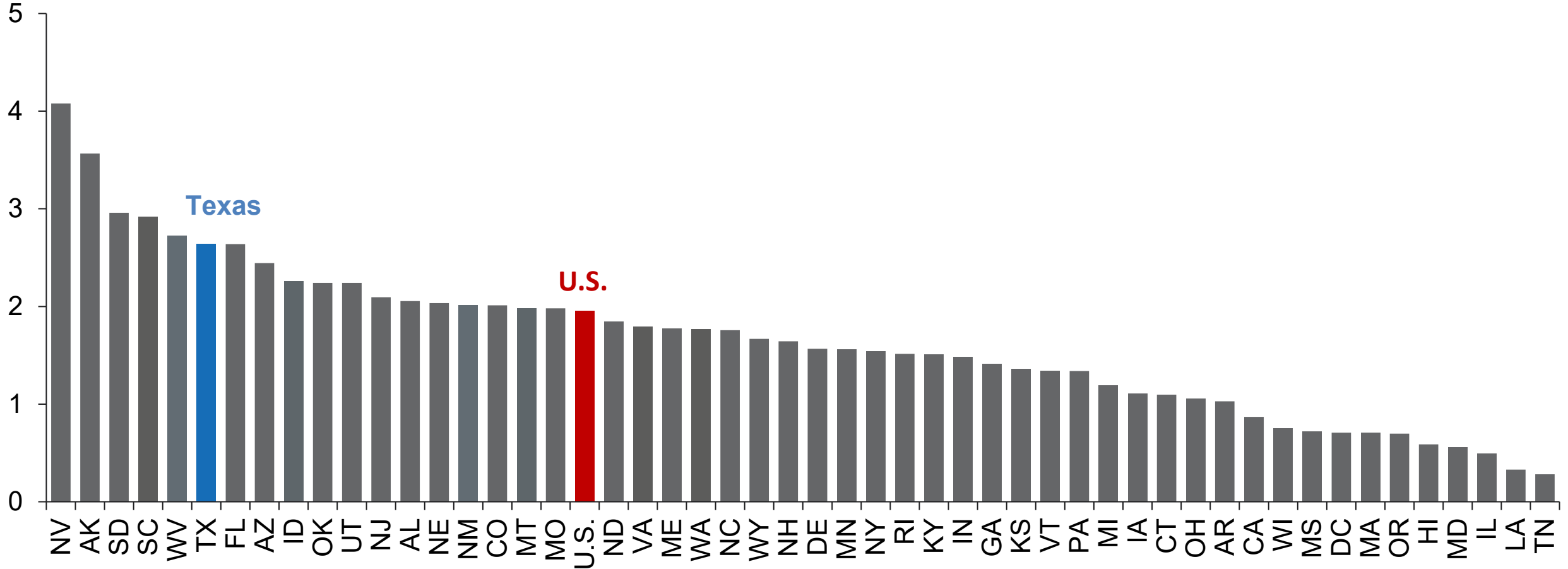


NOTE: Shown is yearly (Dec./Dec.) seasonally adjusted job growth.

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

Texas among states with highest 2023 job growth

Job growth (percent)

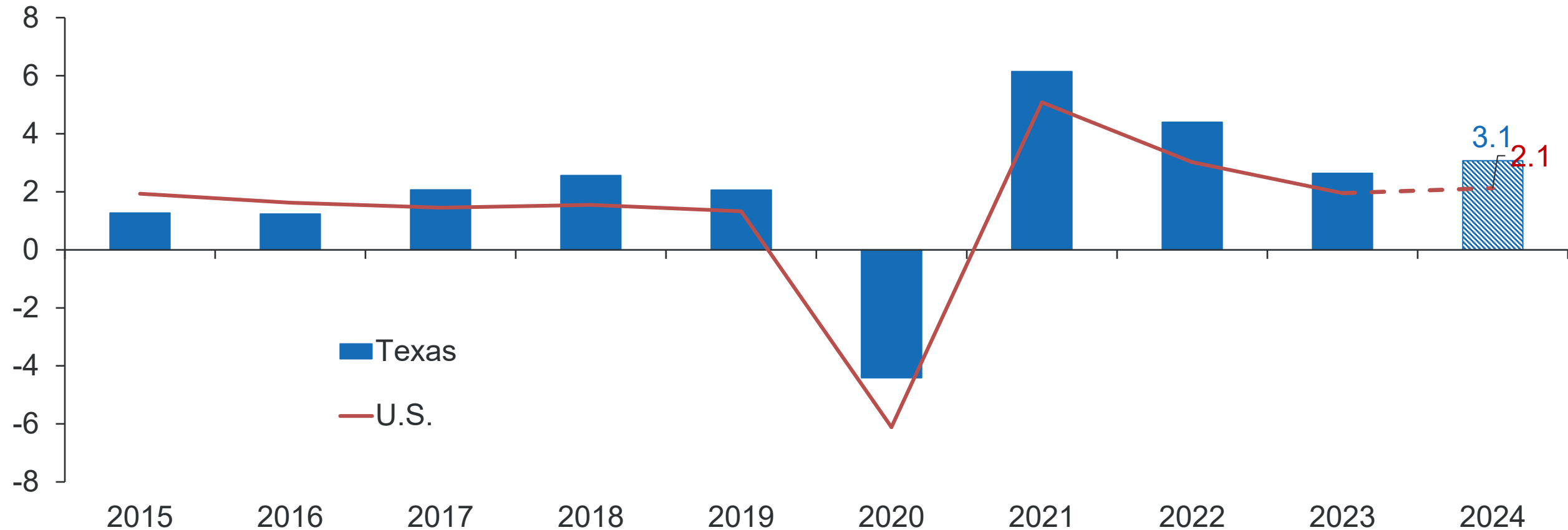


NOTE: Data show 2023 job growth by state.

SOURCE: Bureau of Labor Statistics.

Texas job growth continues to outpace the nation in 2024

Job Growth (%)*



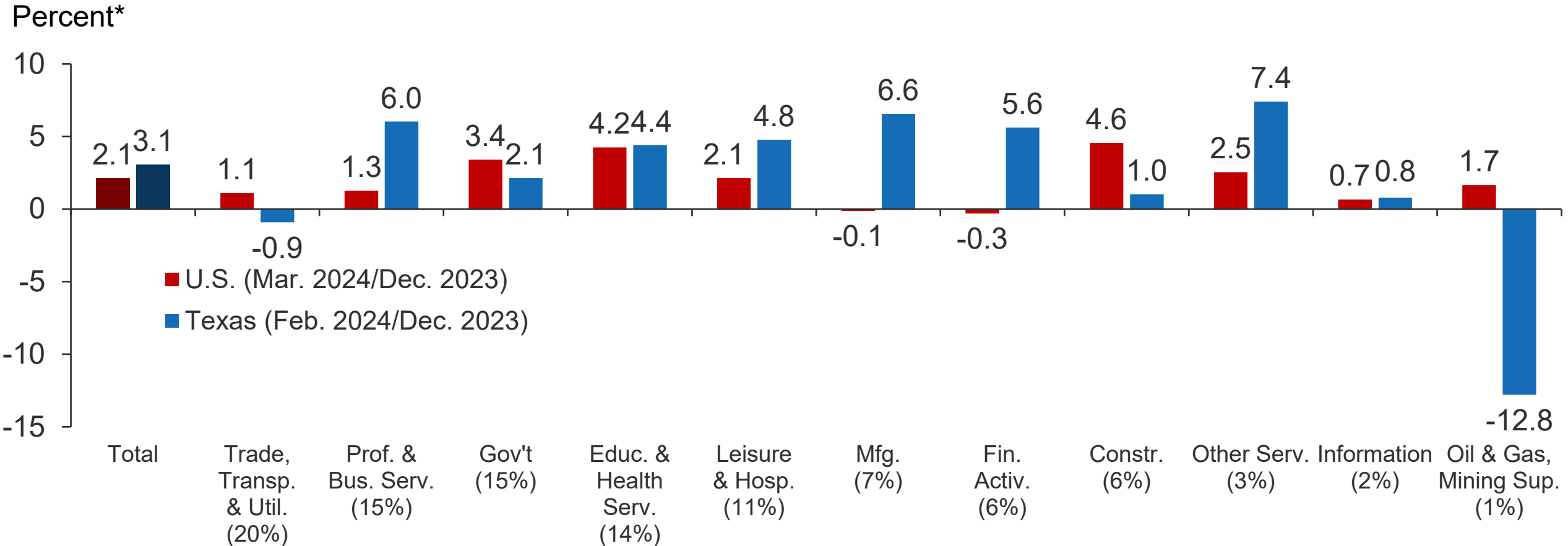
*Seasonally adjusted, annualized rate.

NOTES: Last data points are annualized job growth for Feb. 2024/Dec. 2023 for Texas and Mar. 2024/Dec. 2024 for the U.S. Yearly growth is Dec/Dec.

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

DATA: [Texas Payroll Employment - Total Nonfarm - Dallasfed.org](#)

Texas YTD job growth solid, led by manufacturing and professional and business services



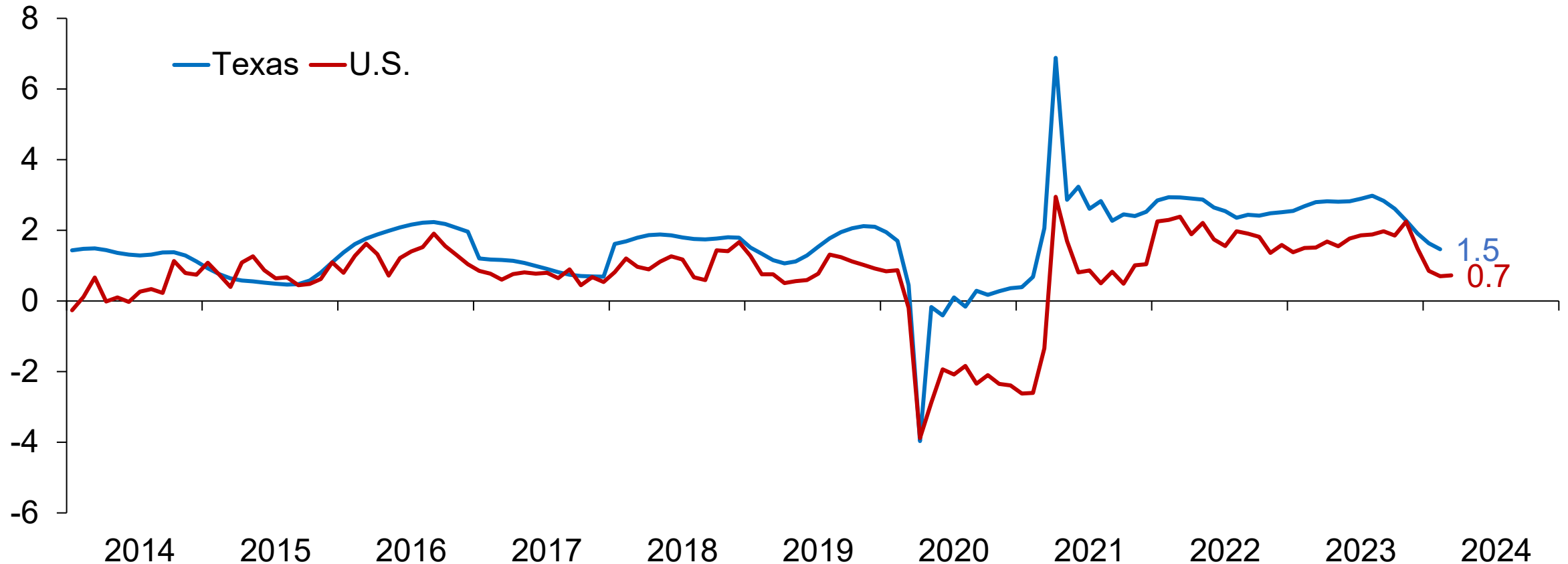
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for February 2024.

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

Percent, Y/Y

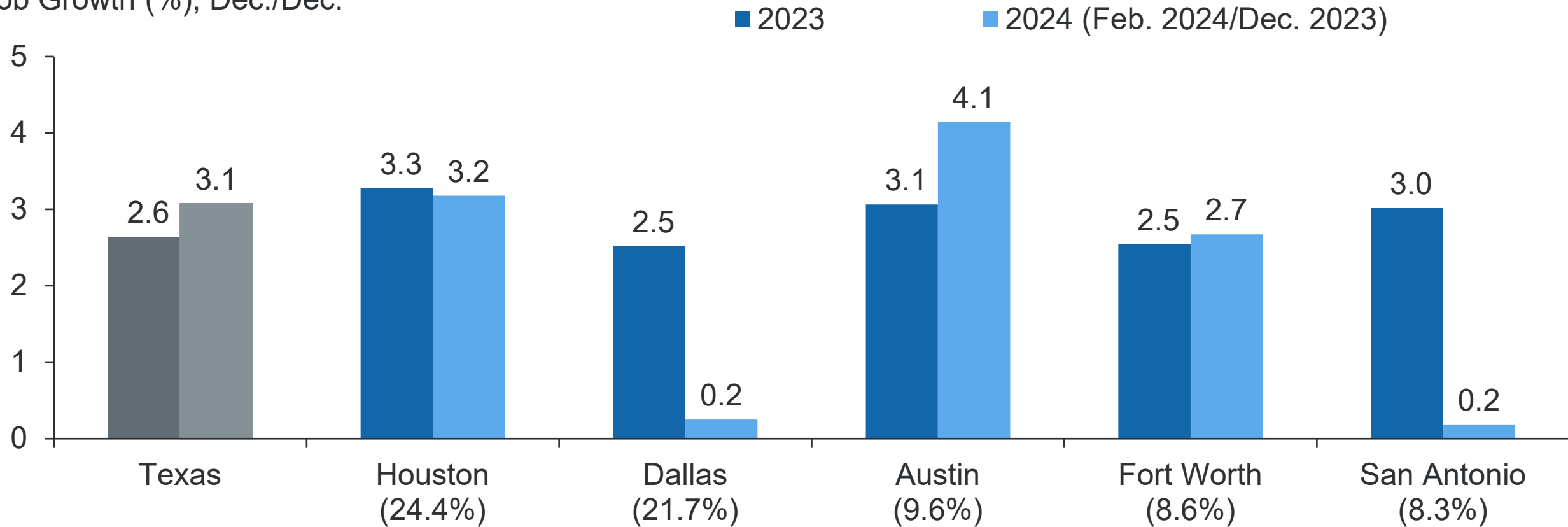


NOTES: Data are monthly through February 2024 for Texas and March 2024 for the U.S.

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

Austin leads large metros in job growth, employment flat in Dallas and San Antonio

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



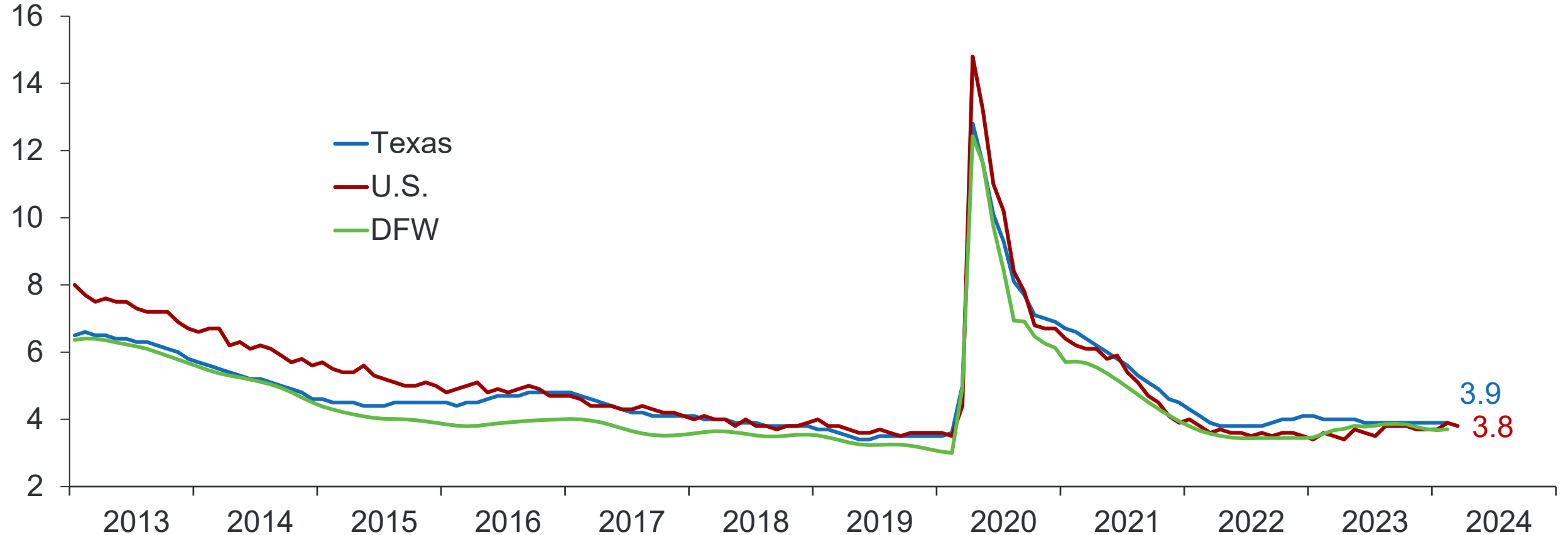
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of state employment for February 2024.

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

Texas' unemployment rate holds steady at 3.9 percent for the ninth straight month

Unemployment rate (%)*



*Seasonally adjusted.

NOTES: Data are through February 2024 for Texas and DFW, and March 2024 for the U.S. DFW unemployment in February 2024 is 3.9.

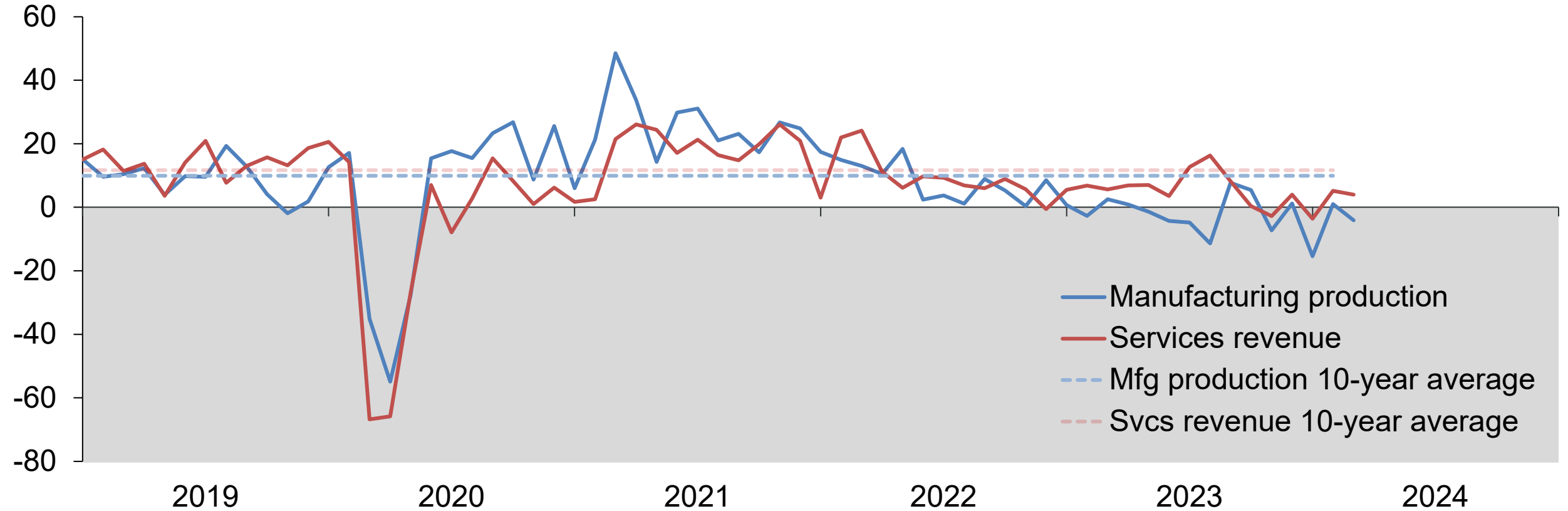
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

DATA: [Texas Employment by Industry - Dallasfed.org](https://www.dallasfed.org/economic/employment/unemployment)

Economic Activity

Texas manufacturing activity remains weak, service sector growing modestly

Diffusion Index, SA



NOTES: Data through March 2024. Shaded area represents contractionary territory.

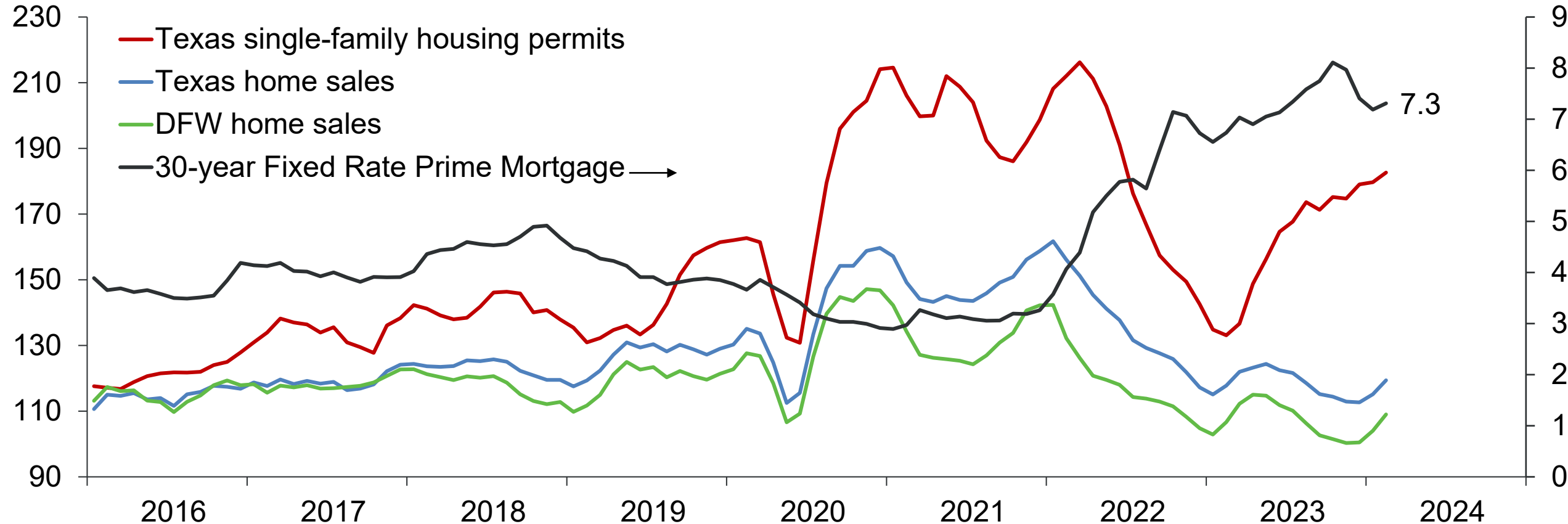
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

DATA: [Surveys - Dallasfed.org](https://www.dallasfed.org/outlook/surveys)

Texas home sales rebound and housing permits rising despite high mortgage rates

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

Interest rate, monthly average

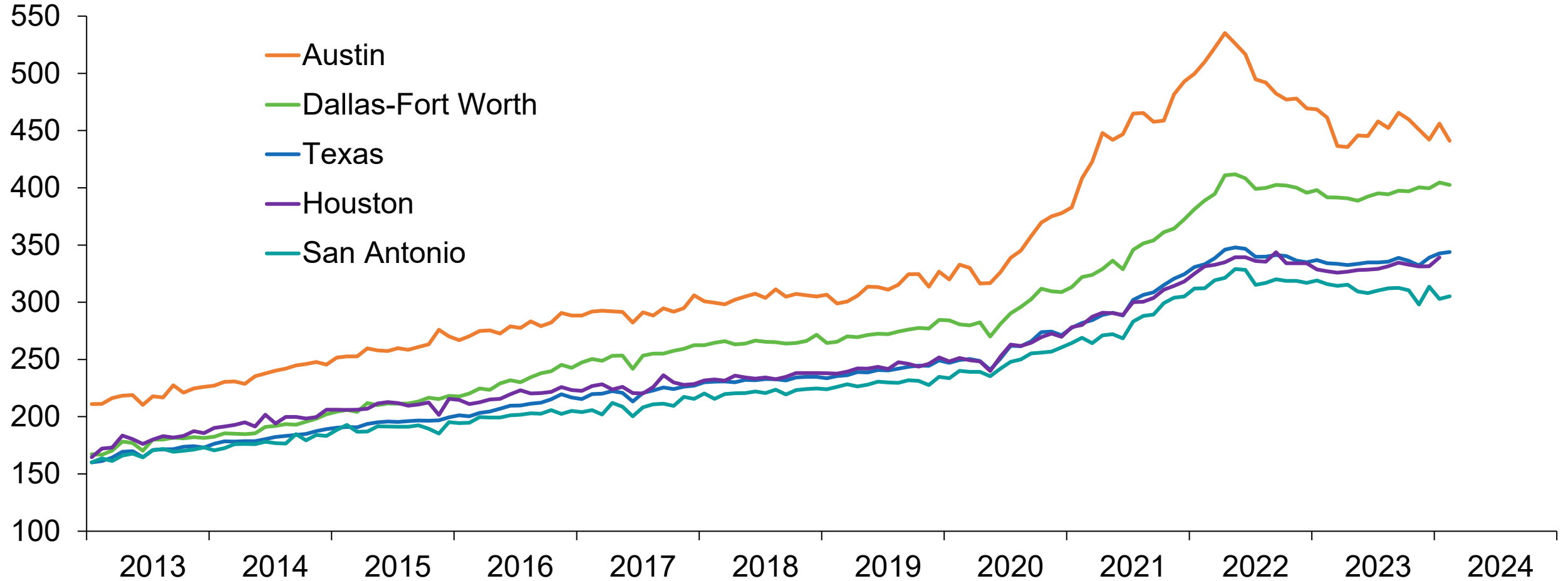


NOTE: Data are monthly through February 2024.

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

House prices move sideways

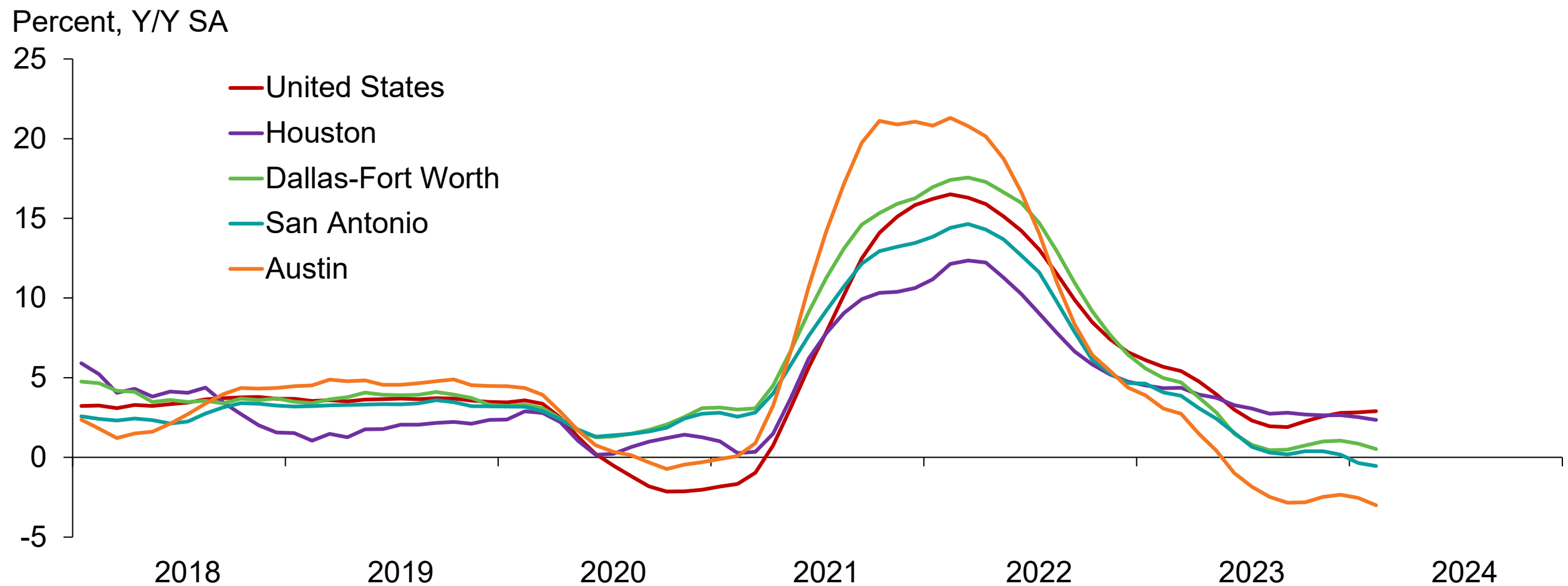
Median sales price, \$ SA



NOTES: Data through January 2024 for Houston and February 2024 for the rest.

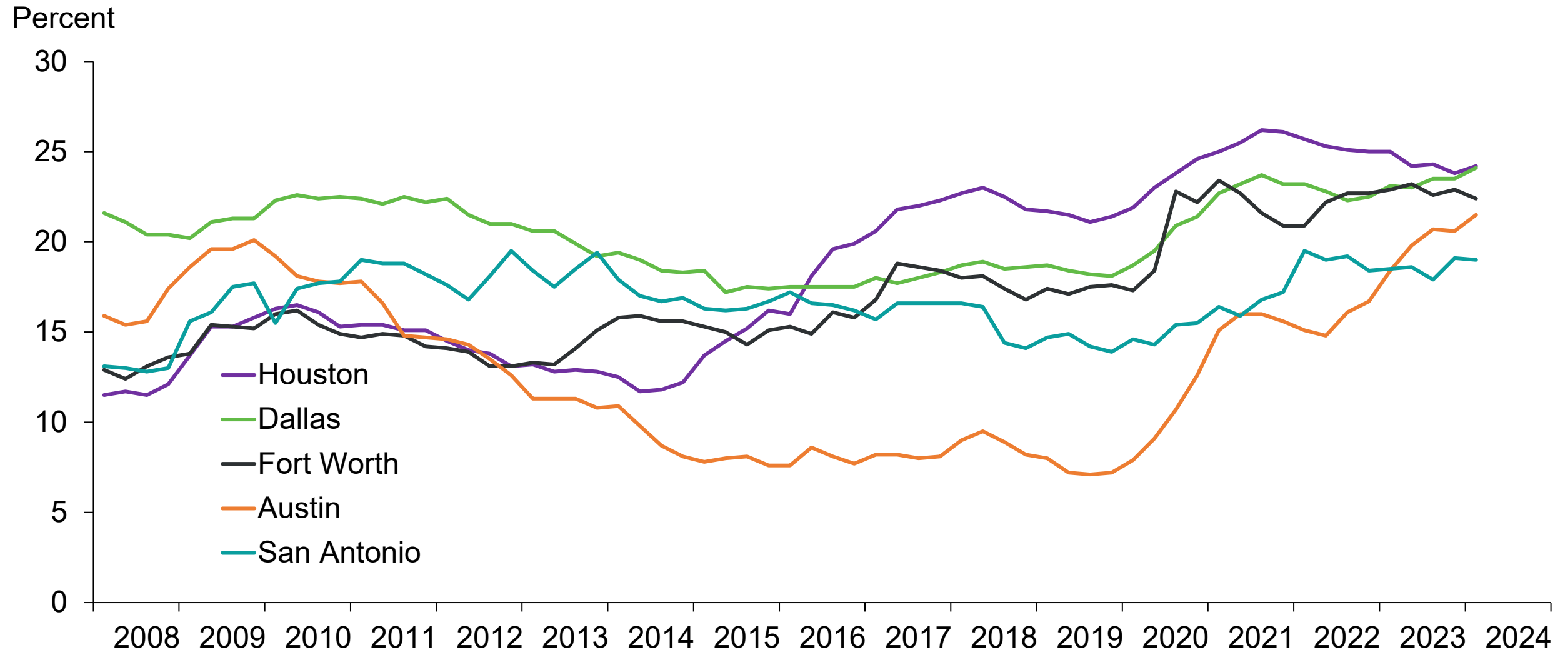
SOURCES: Multiple Listing Service; seasonal and other adjustments by Federal Reserve Bank of Dallas.

Apartment rents flat to down in most Texas markets



NOTES: Data are monthly, seasonally adjusted through February 2024.
SOURCE: Zillow.

Office vacancy stabilizes at year-end 2023

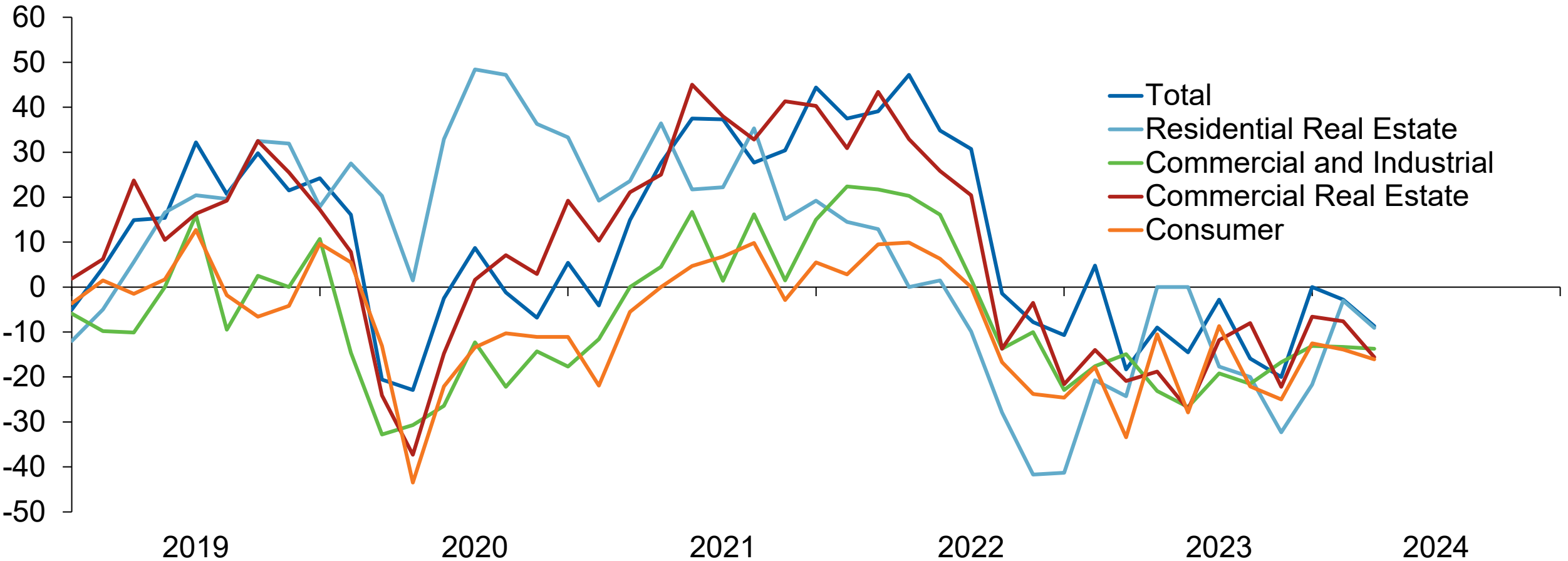


NOTE: Data through Q1 2024.

SOURCE: CBRE Econometric Advisors.

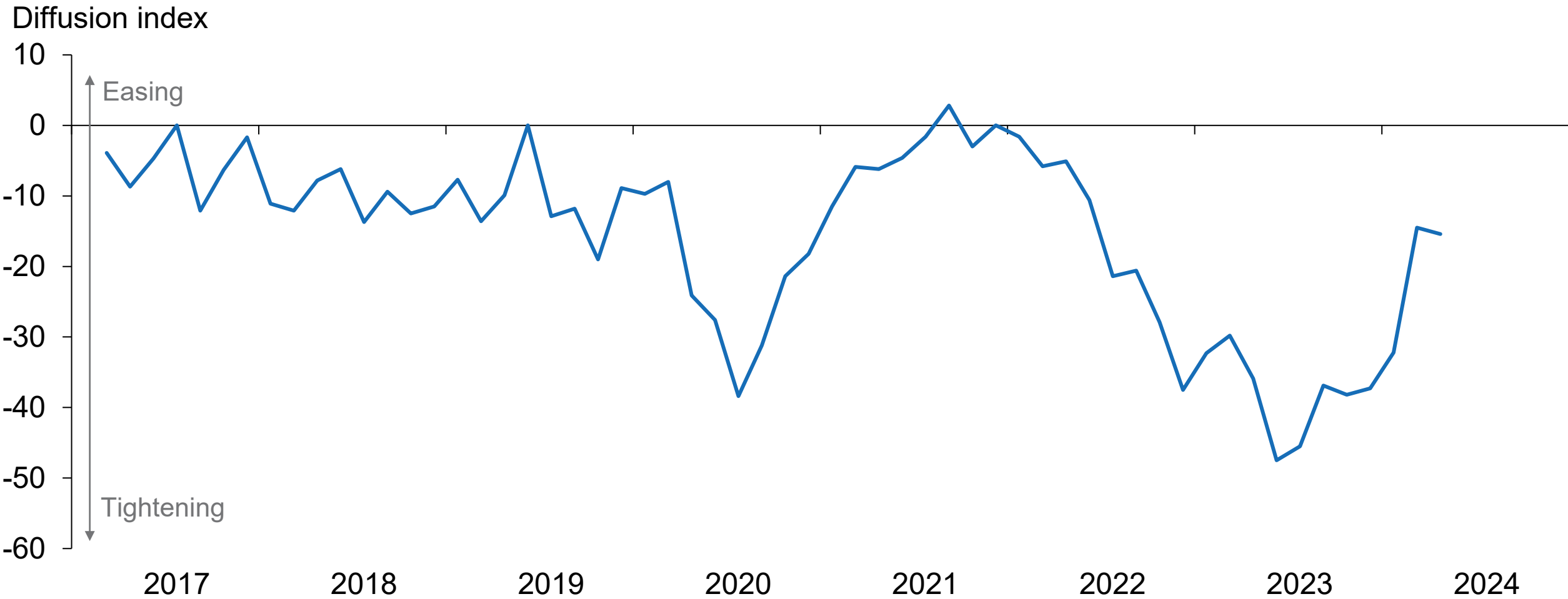
11th District bankers note broad-based declines in loan volumes

Diffusion index



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

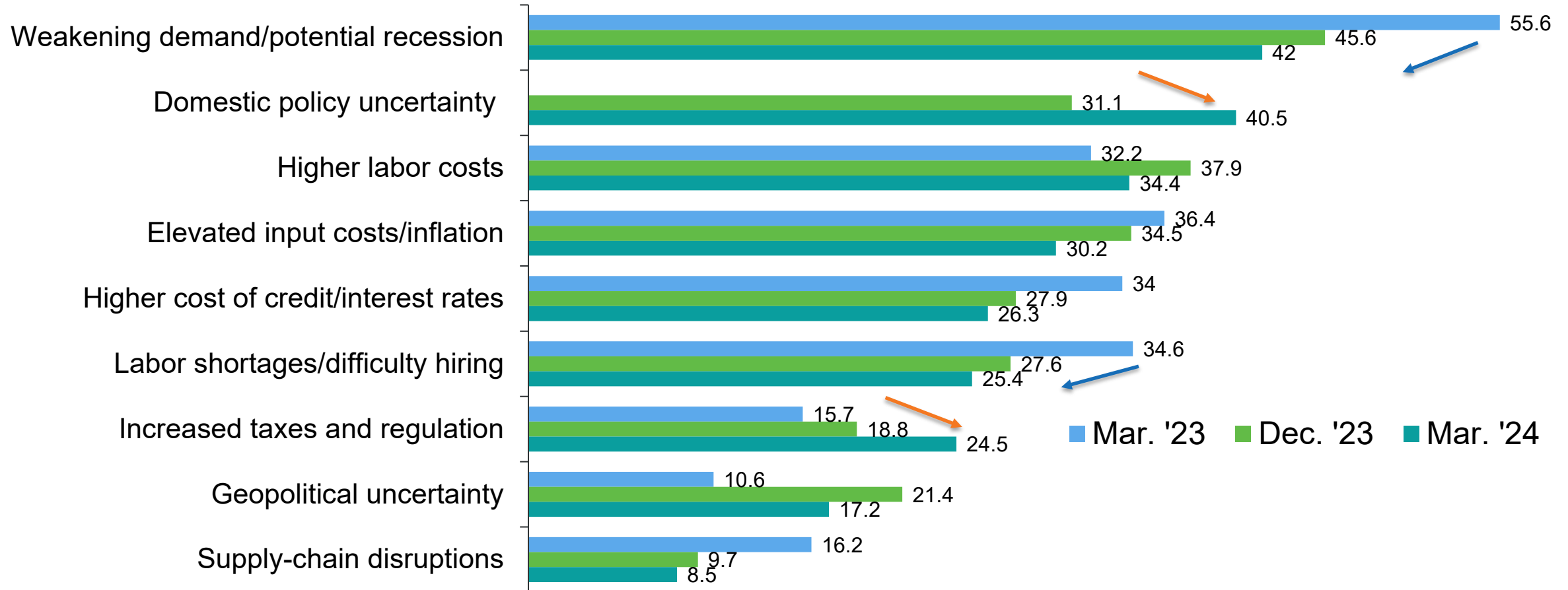
11th District banks report tightening credit standards albeit at a slower pace than in 2023



NOTES: Includes credits and terms. Data are through March 2024.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

Outlook for 2024

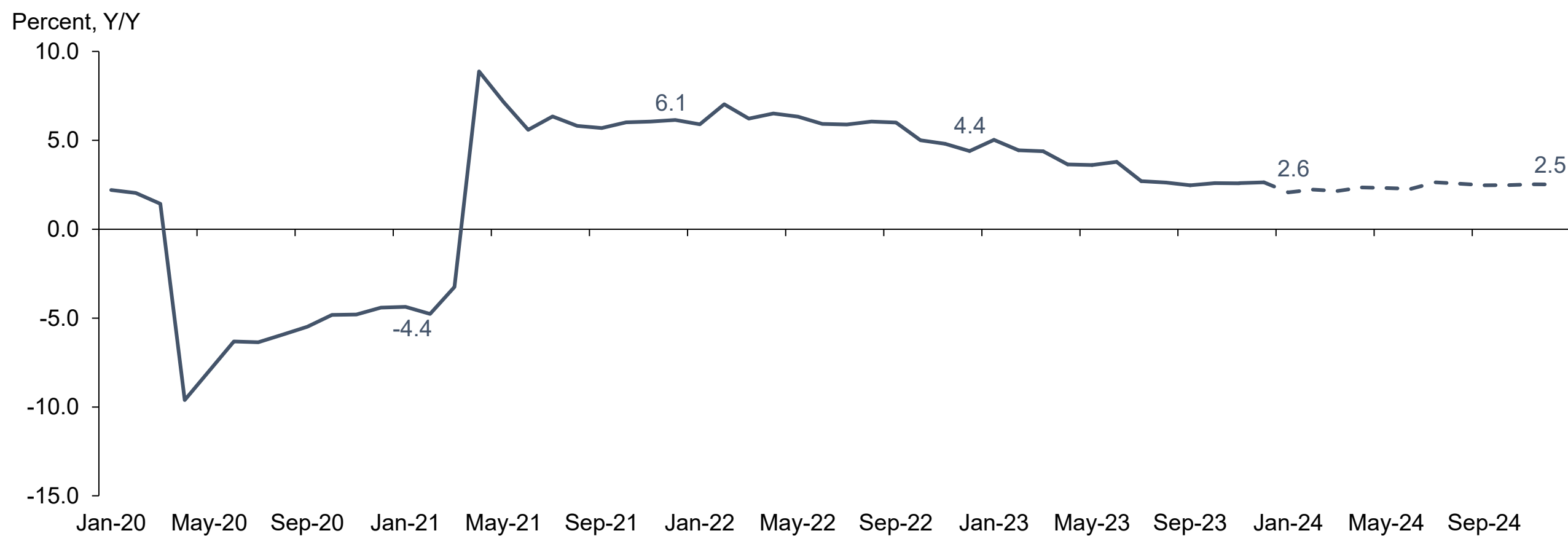
Texas firms less concerned about recession and labor shortages, but domestic policy uncertainty and tax/regulation concerns rising



NOTES: Respondents were asked "What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three." Shown is the percent of respondents citing each concern. 331 responses in Mar. 2024. Domestic policy uncertainty question added in December 2023 includes national elections.

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

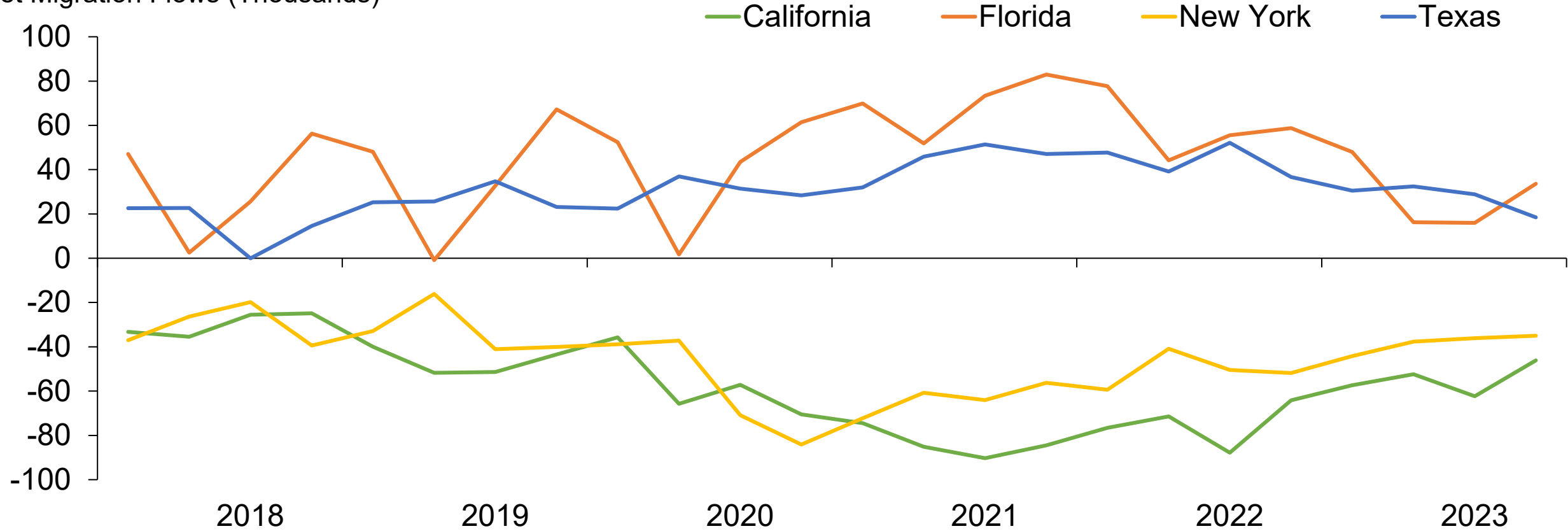
The Texas employment forecast indicates 2.5% growth in 2024 after rising 2.6% in 2023



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).

Migration to Texas off its highs by year-end '23

Net Migration Flows (Thousands)

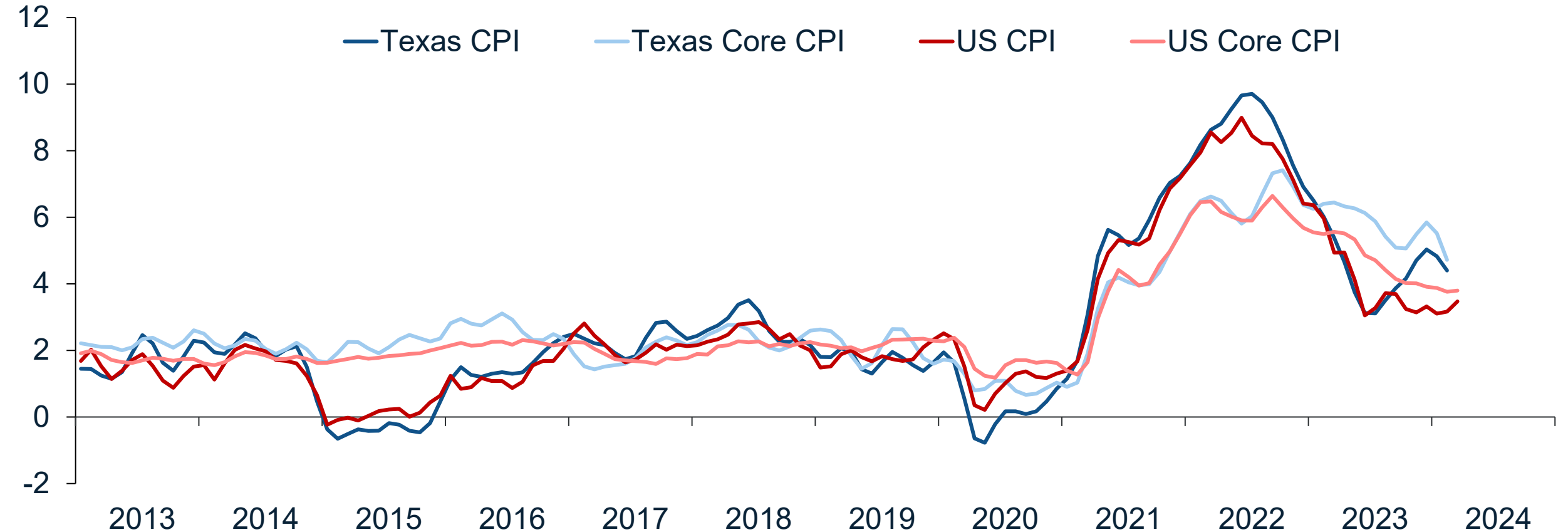


NOTE: Data is quarterly through Q4 2023.
SOURCE: Equifax Consumer Credit Panel.

Risks to the Outlook

Texas CPI remains high, but headed in the right direction

Percent, Y/Y



NOTES: CPI data through February 2024 for Texas and March 2024 for US.
SOURCE: Bureau of Labor Statistics.

Texas firms: Cost and wage growth expected to moderate, though no reprieve in selling price increases

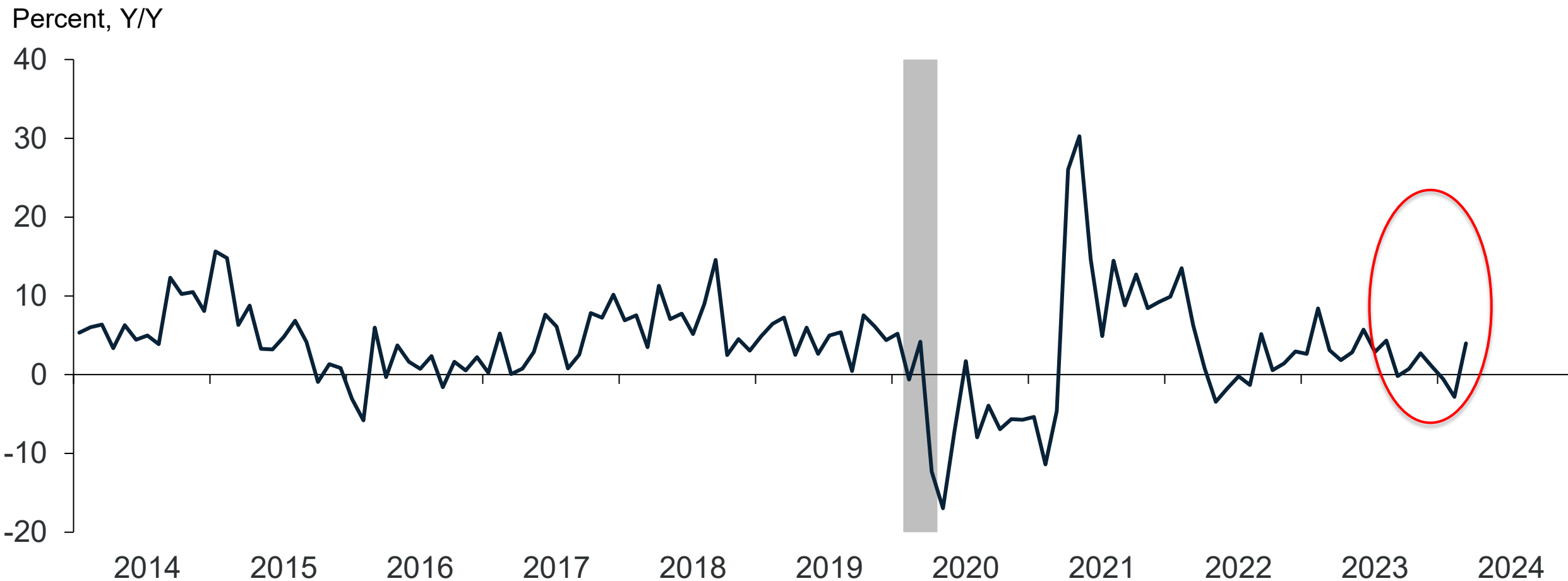
Percent change



NOTES: Shown are the trimmed mean actual percent changes in wages, input prices, and selling prices reported by TBOS respondents in March 2024.

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

Sales tax revenue rebounds in March



NOTES: Real, seasonally adjusted data through March 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 just above trend growth in 2024
- Downside risks to the outlook
 - Inflation resurgence
 - CRE still fragile
 - Geopolitical risks, election uncertainty on the rise
- Upside risks include
 - Consumer resilience may boost aggregate demand
 - Financial conditions easing
 - Migration remaining unusually high
 - Medium to long run factors still favorable, including nearshoring and industrial policy

Thank you!
**Please visit dallasfed.org for more
information**

