

Texas Economy and Outlook



Federal Reserve
Bank of Dallas

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10/11/2023

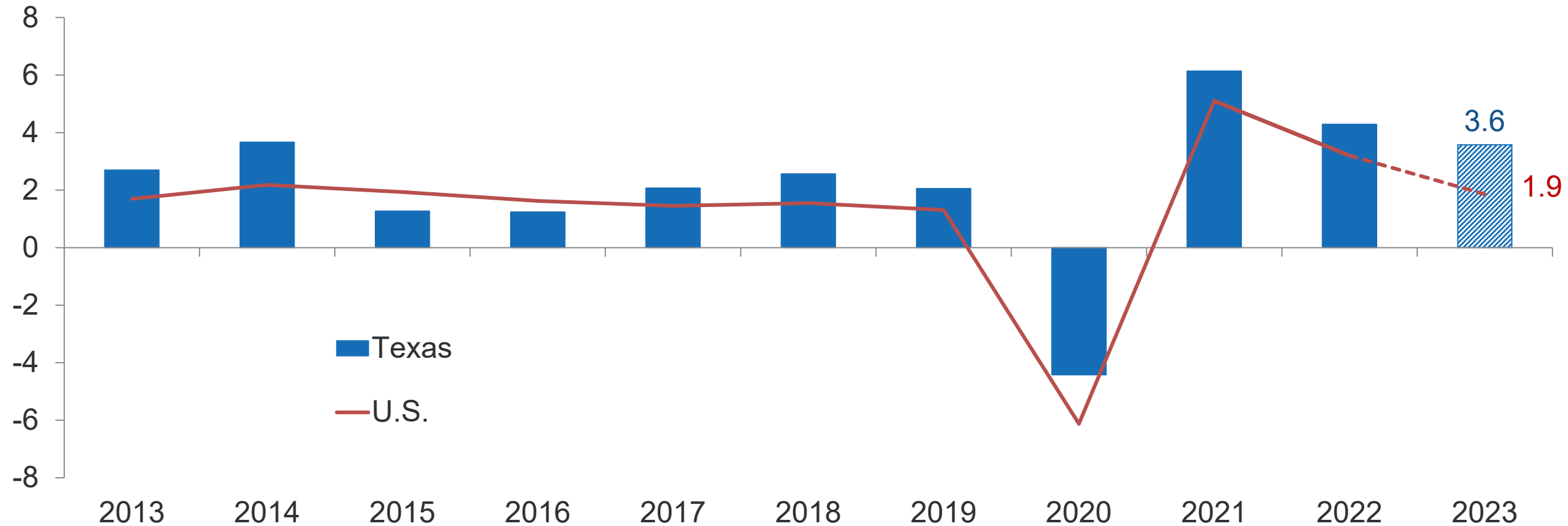
Overview

- Labor market has been surprisingly resilient
 - Texas 2023 jobs forecast revised to 3.3% from 1.4% at the beginning of the year
- Economic activity is solid
 - Has picked up recently after a slowdown in 2022 and first half of 2023
 - Inflation has moderated somewhat
 - Residential real estate mostly stable, though office markets are worrisome
 - Bank lending is down, and loan delinquencies are rising
- Risks to the outlook
 - Tailwinds include in-migration and oil prices, which benefit our region
 - Headwinds - persistently high inflation, high interest rates, and disruptive events like geopolitics, strikes, government shutdowns

Labor market remains solid

2023 job growth robust, outpacing US

Job growth (%)*

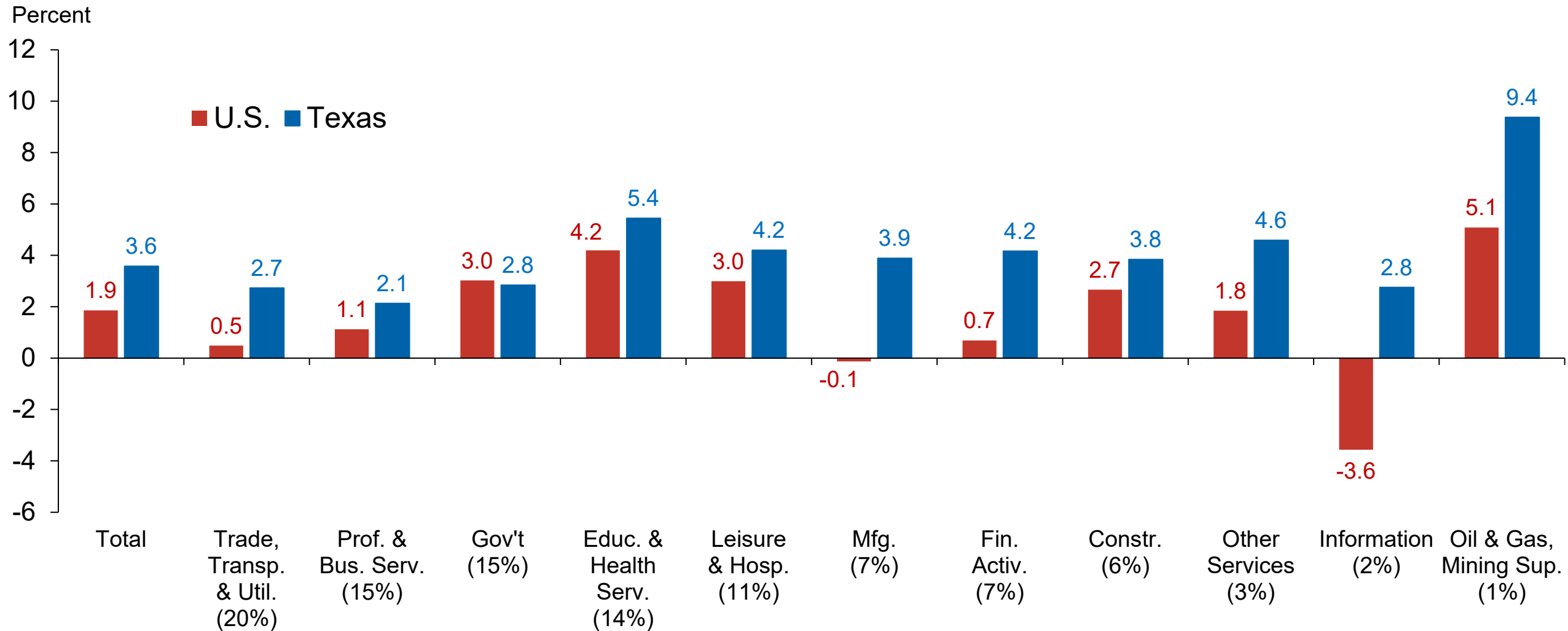


*Seasonally adjusted, annualized rate.

NOTE: Last data points are annualized job growth for Sept.'23/Dec.'22 for Texas and Oct.'23/Dec.'22 for the US. Yearly growth is Dec/Dec.

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

Year-to-date payroll gains broad-based

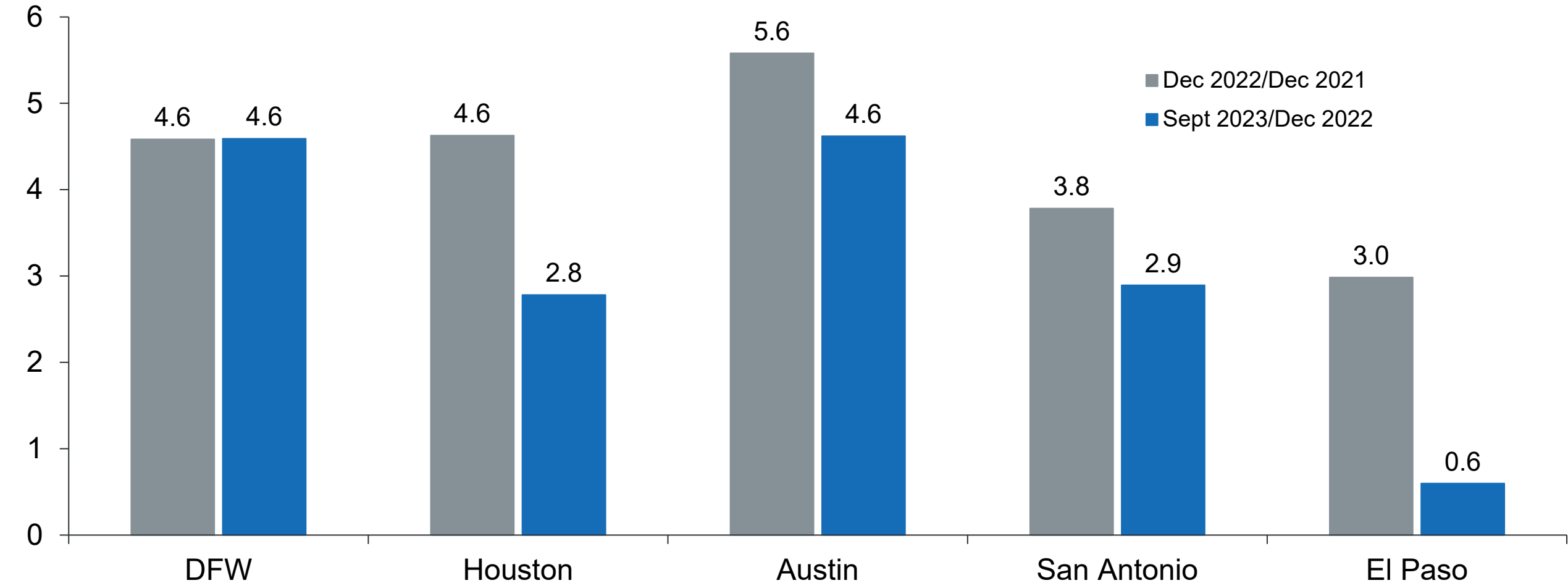


NOTES: Data show Sept.'23/Dec.'22 for Texas and Oct.'23/Dec.'22 for US. Numbers in parenthesis indicate share of Texas employment in September.

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

Texas metro area job growth widespread

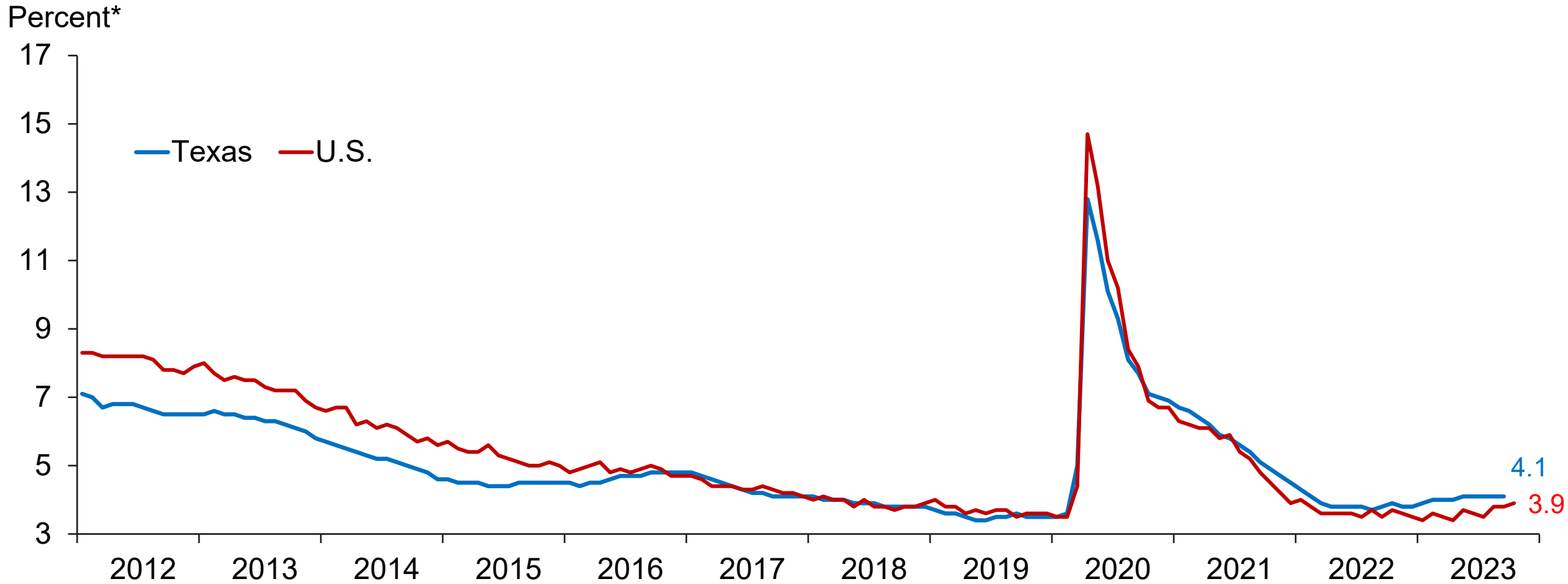
Job growth, percent year/year



NOTE: Data are seasonally adjusted.

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

Unemployment remains low



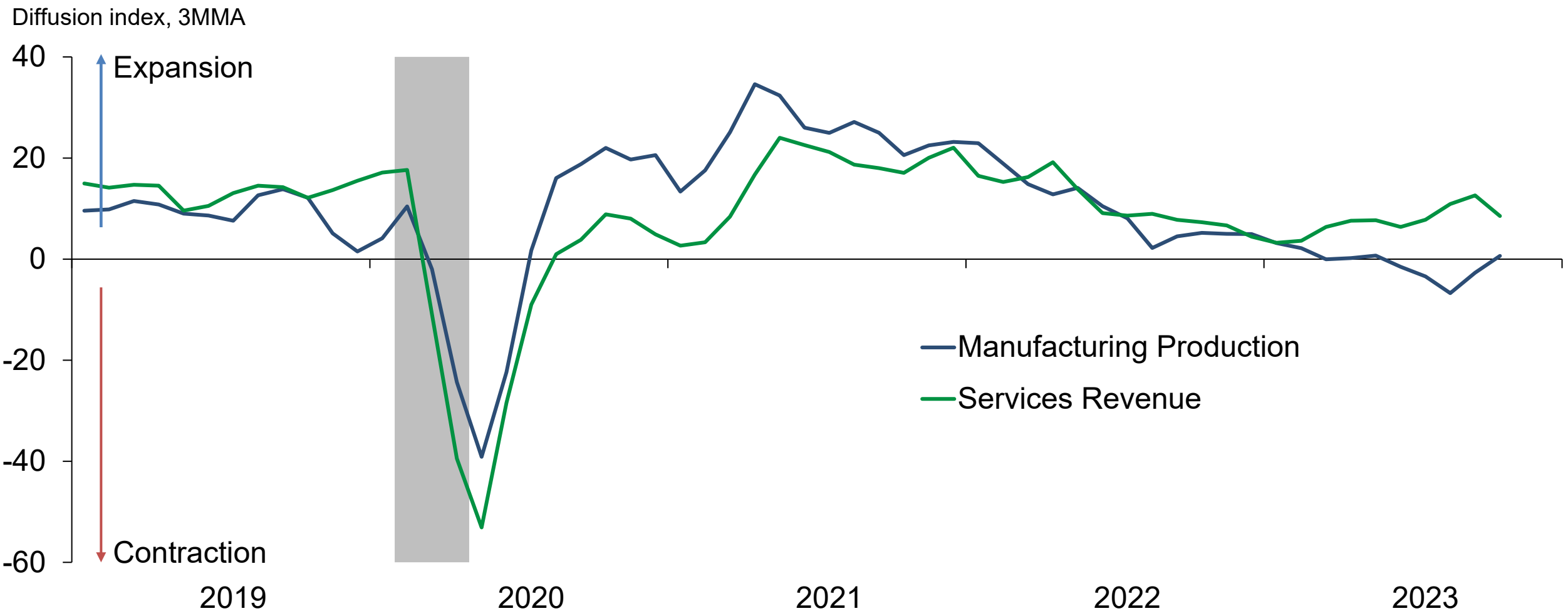
*Seasonally adjusted, monthly.

NOTE: Data are through September 2023 for Texas and October 2023 for US.

SOURCES: Bureau of Labor Statistics; adjustments by the Federal Reserve Bank of Dallas.

Economic activity picks up

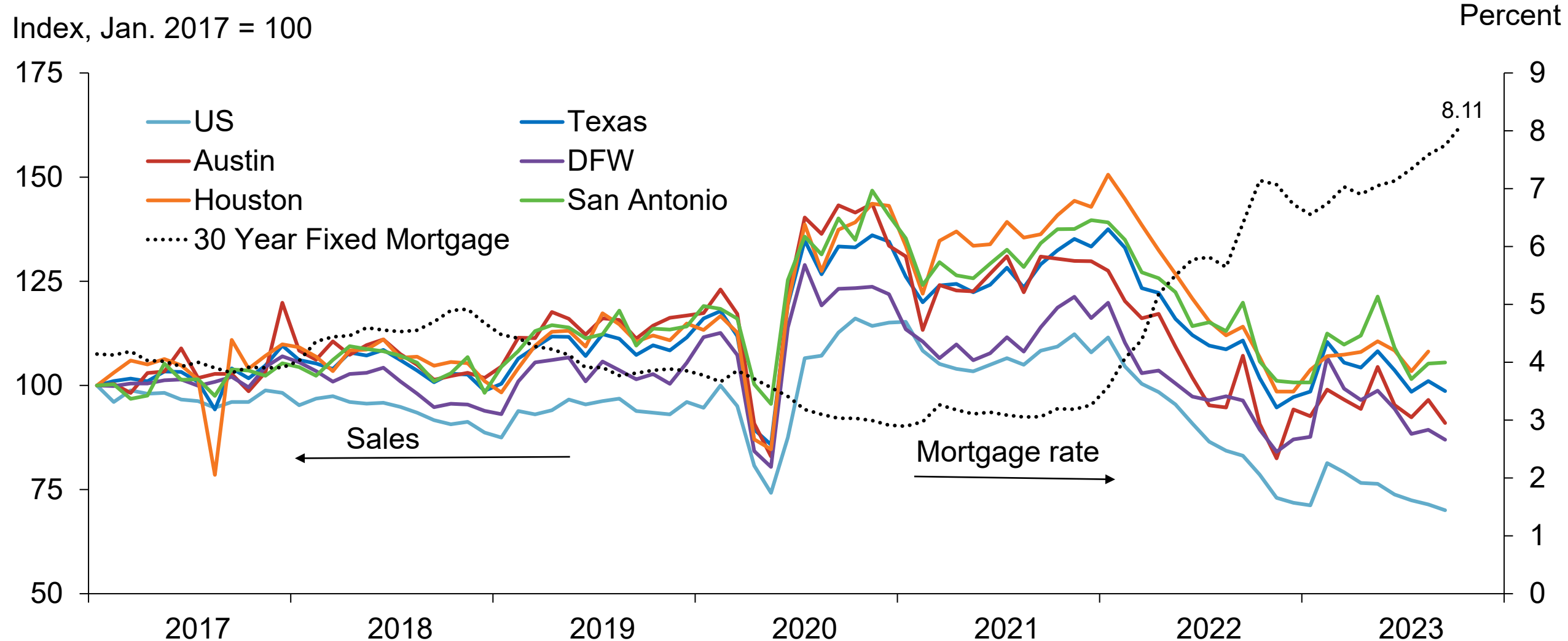
Texas factory output rebounds, service sector revenue growth continues



NOTES: Data through October 2023. Gray shading indicates pandemic recession.

SOURCES: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys; National Bureau of Economic Research.

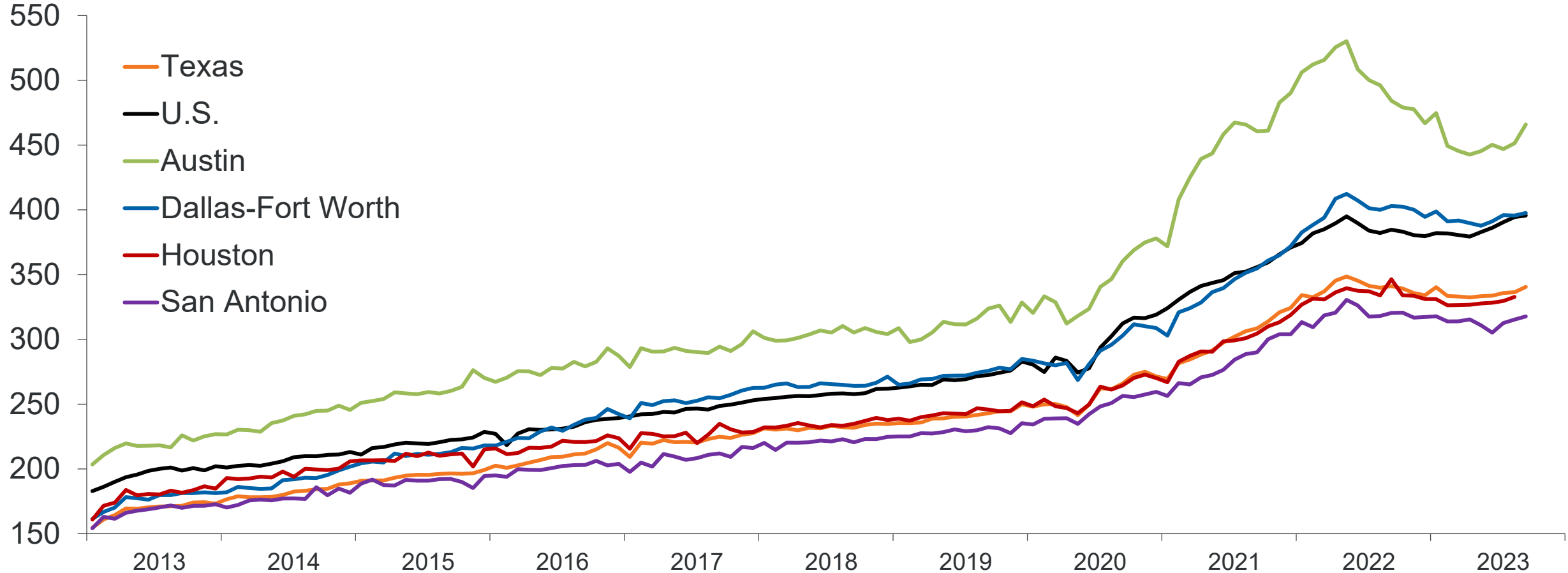
Existing-home sales soften due to high mortgage rates



NOTES: Mortgage rates are monthly aggregates of weekly 30-year-fixed mortgages rates through October 2023. The rest are through September 2023.
 SOURCES: Multiple Listing Service; Federal Reserve Bank of Dallas; *The Wall Street Journal*.

Home prices have stabilized after falling in second half of 2022

Thousands of dollars, SA

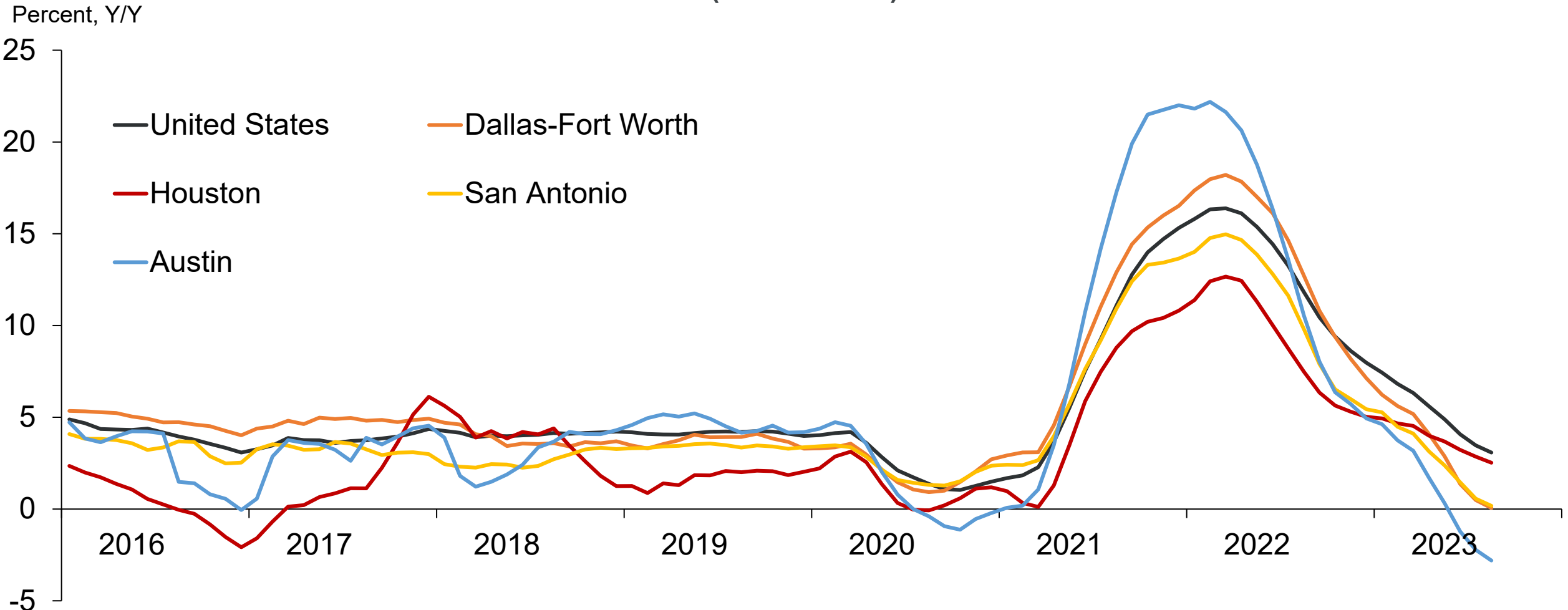


NOTES: Seasonally adjusted price in nominal dollars. Data through August 2023 for Houston and September 2023 for the rest. Labels show percent decline from peak, nonannualized.

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

Apartment rent growth generally decelerating

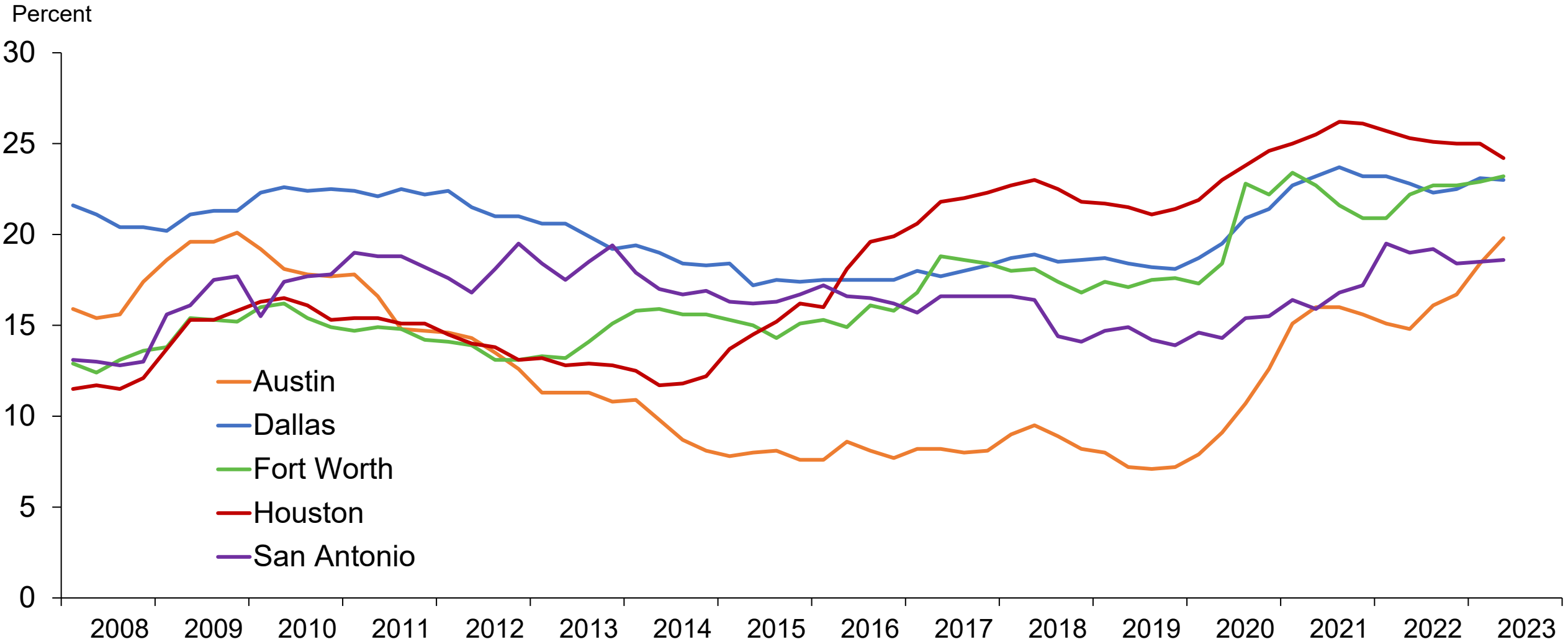
(new leases)



NOTE: Data through August 2023.

SOURCE: Zillow.

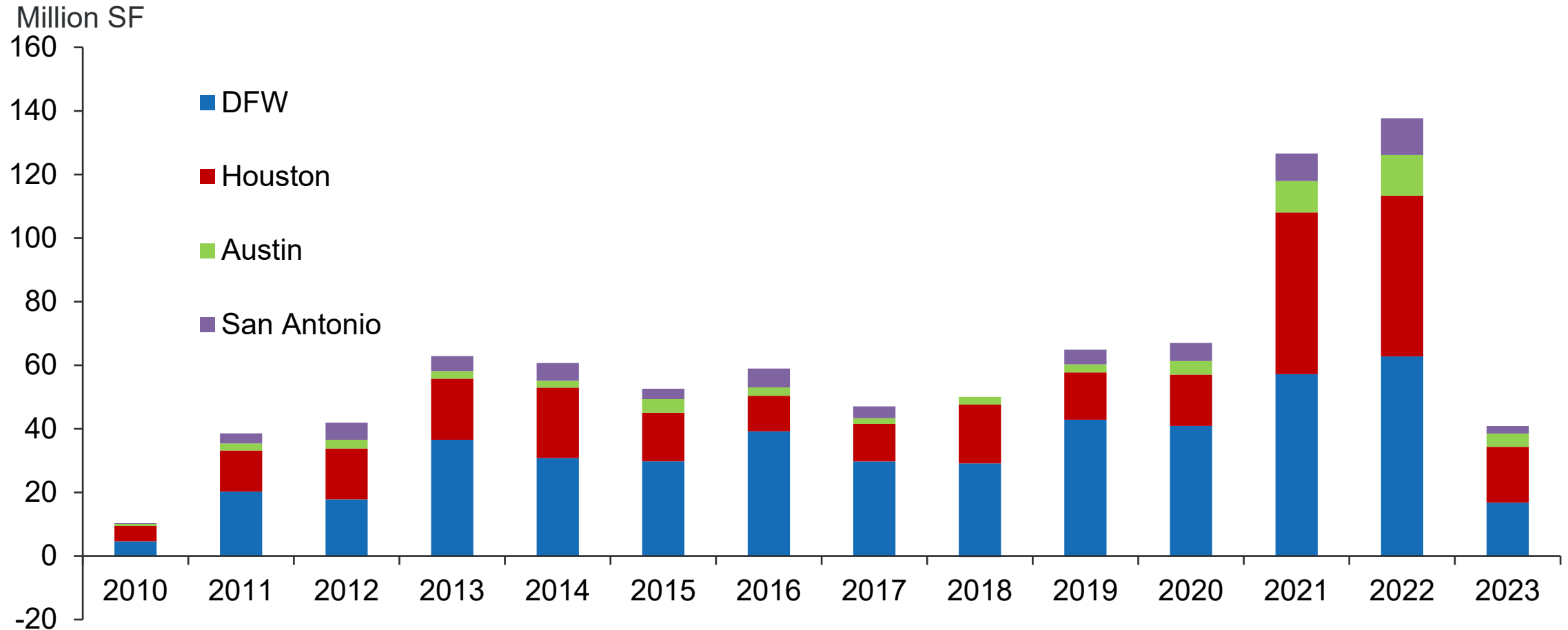
Office vacancy flat but not in Austin



NOTE: Data through Q2 2023.

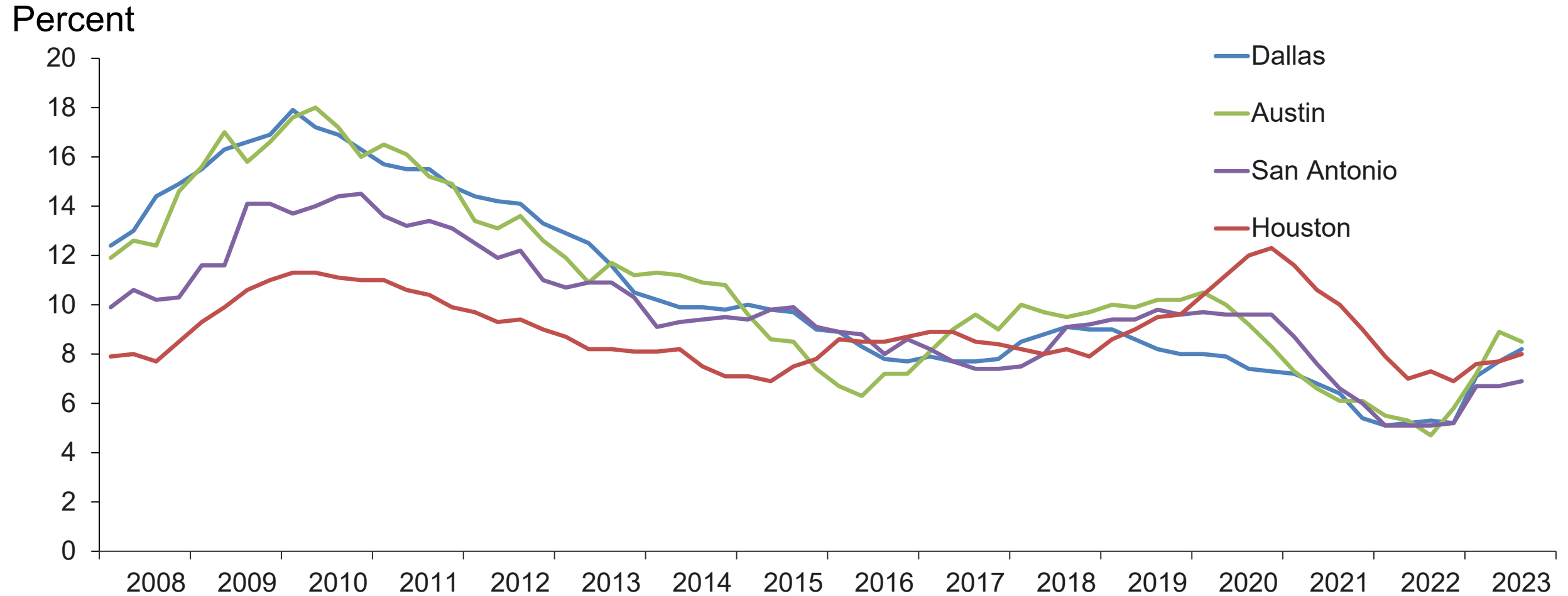
SOURCE: CBRE Econometric Advisors.

Industrial demand moderates from record highs



NOTES: Data through third quarter 2023.
SOURCE: CBRE Econometric Advisors.

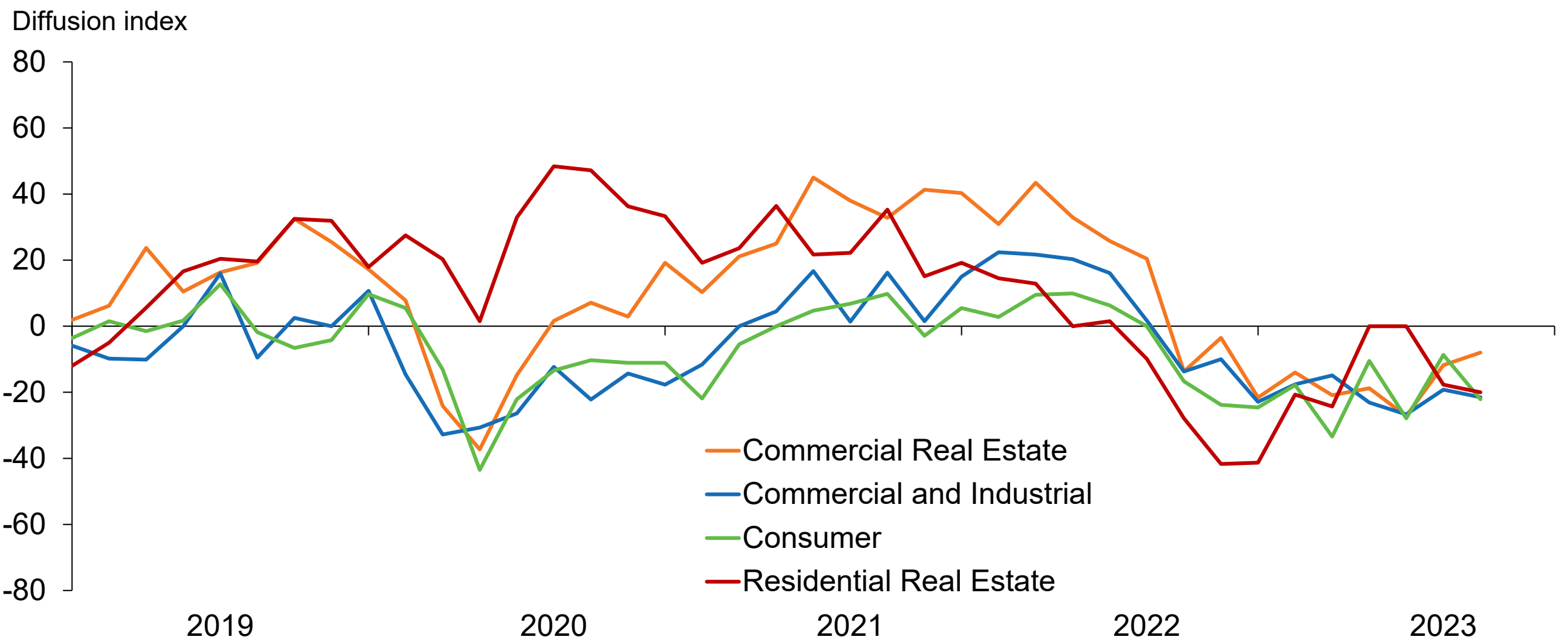
Industrial availability rises



NOTES: Data through third quarter 20223.

SOURCE: CBRE Econometric Advisors.

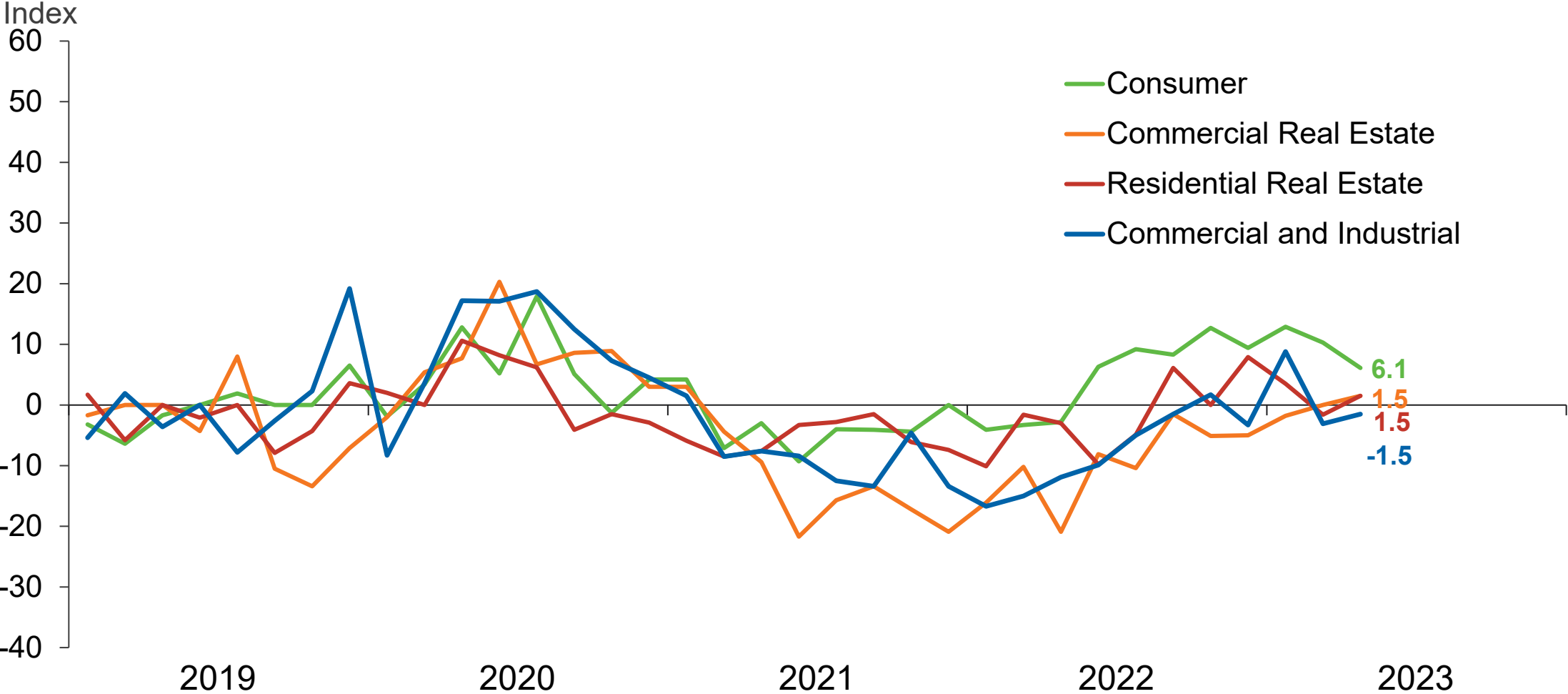
Loan volumes declining, according to 11th District bankers



NOTE: Data through October 2023.

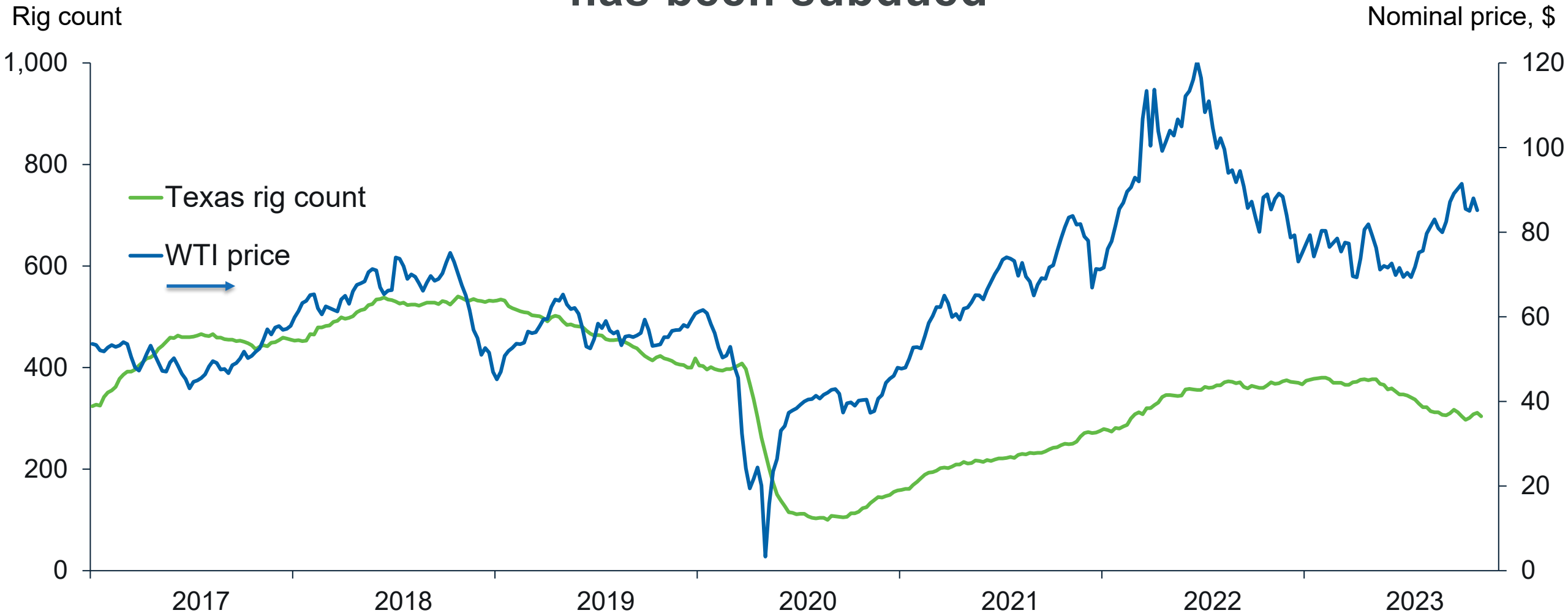
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

Loan nonperformance rises, particularly for consumer loans



NOTE: Data through October 2023.
SOURCE: Federal Reserve Bank of Dallas' Banking Conditions Survey.

Energy: Drilling response to robust oil and gas prices has been subdued

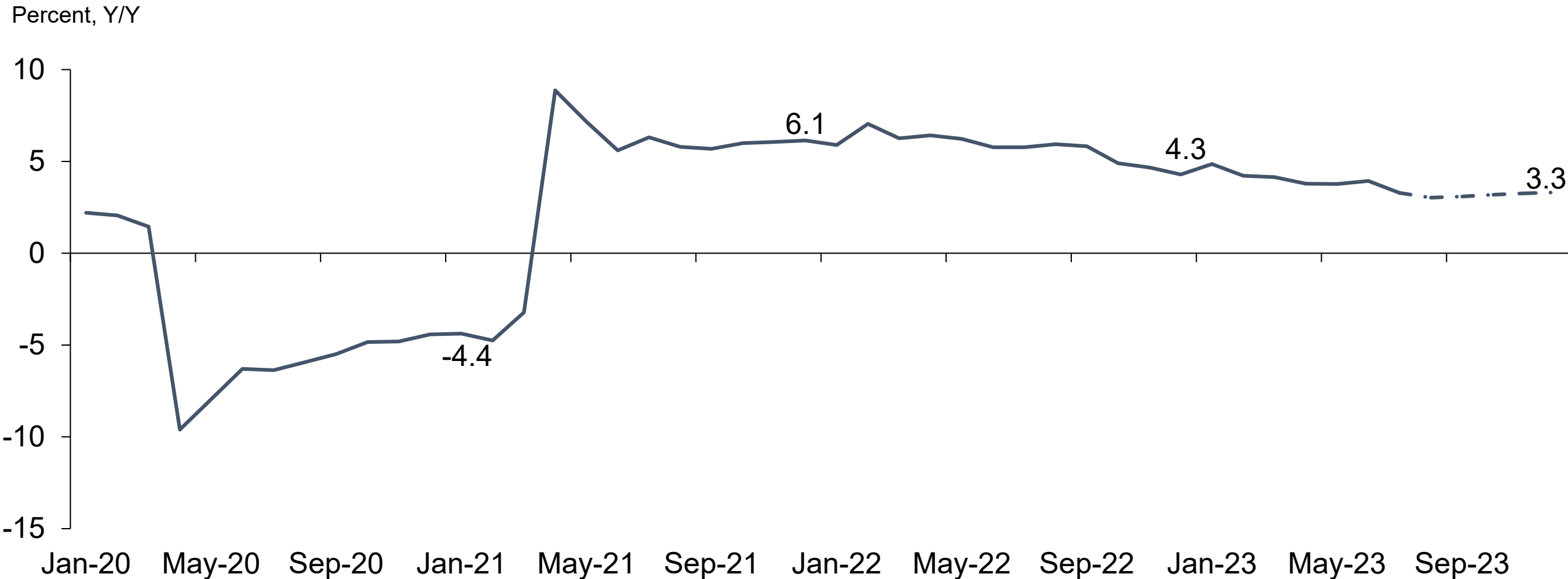


NOTE: Data are weekly through November 3, 2023 for rig count and October 27th, 2023 for oil prices.

SOURCES: Energy Information Administration; Baker Hughes.

**Forecast for continued growth but there are
headwinds**

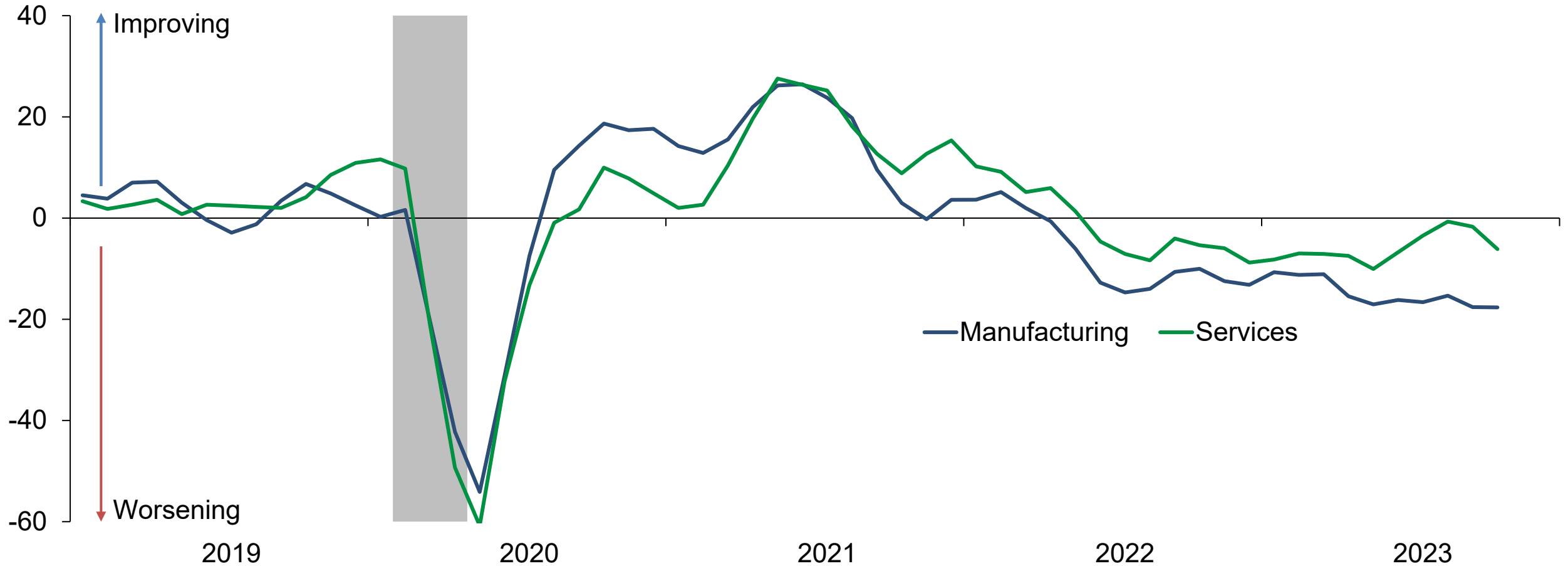
The Texas employment forecast is for 3.3% growth in 2023



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).

Company outlooks remain weak

Diffusion index, 3MMA

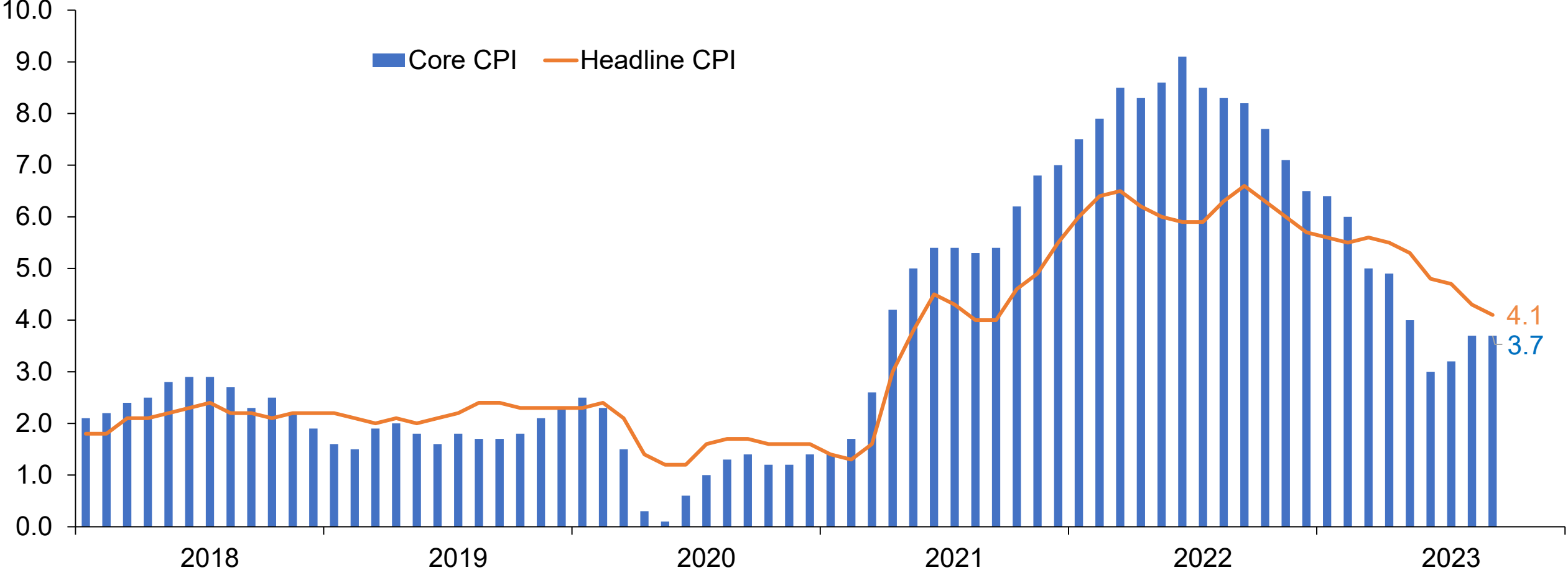


NOTE: Data through October 2023. Gray shading indicates pandemic recession.

SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys; National Bureau of Economic Research.

Inflation remains elevated

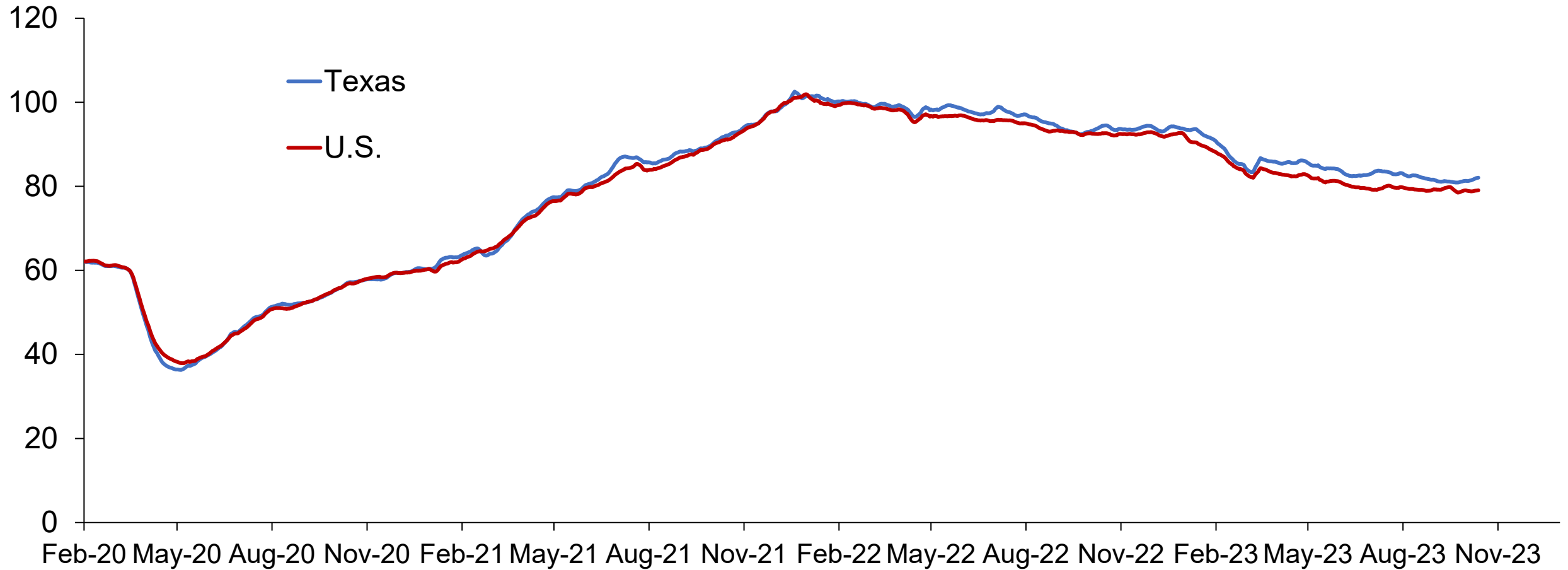
Percent change, year/year



NOTE: Data through September 2023.
SOURCES: Bureau of Labor Statistics; adjustments made by the Federal Reserve Bank at Dallas

Texas and U.S. job postings trend down

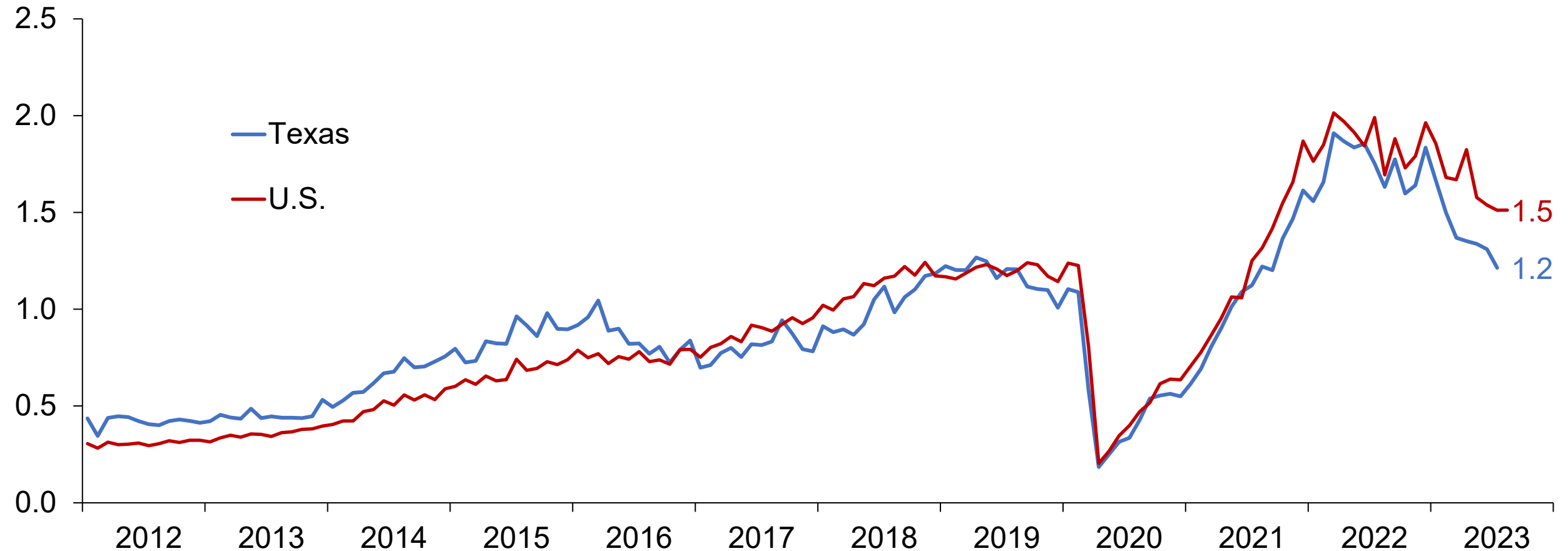
% Change from Jan. 2022



NOTE: U.S. and Texas data daily through October 13th, 2023.
SOURCE: Indeed.

Labor markets in US tighter than in Texas

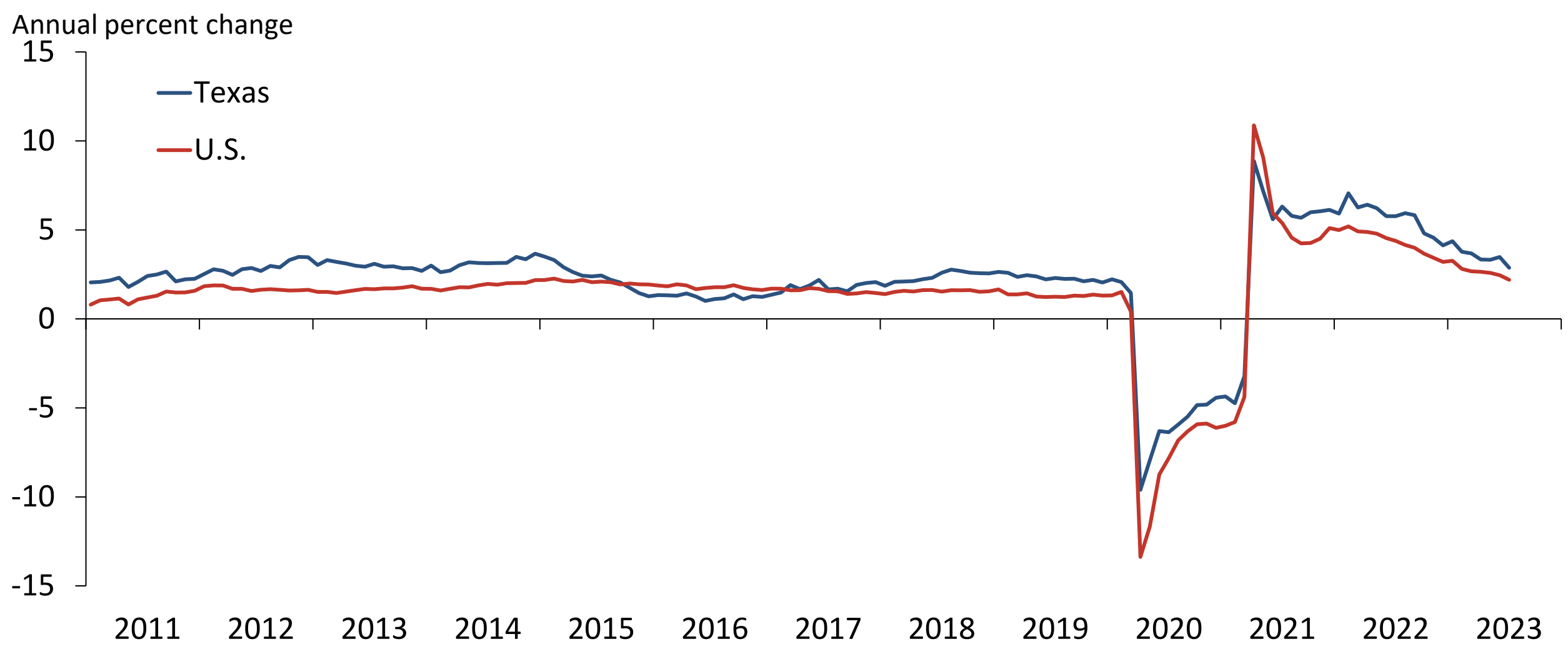
Vacancies per unemployed, SA



NOTES: Shown are job vacancies over counts of unemployed. Data through July 2023 for Texas; August 2023 for U.S.

SOURCE: Bureau of Labor Statistics.

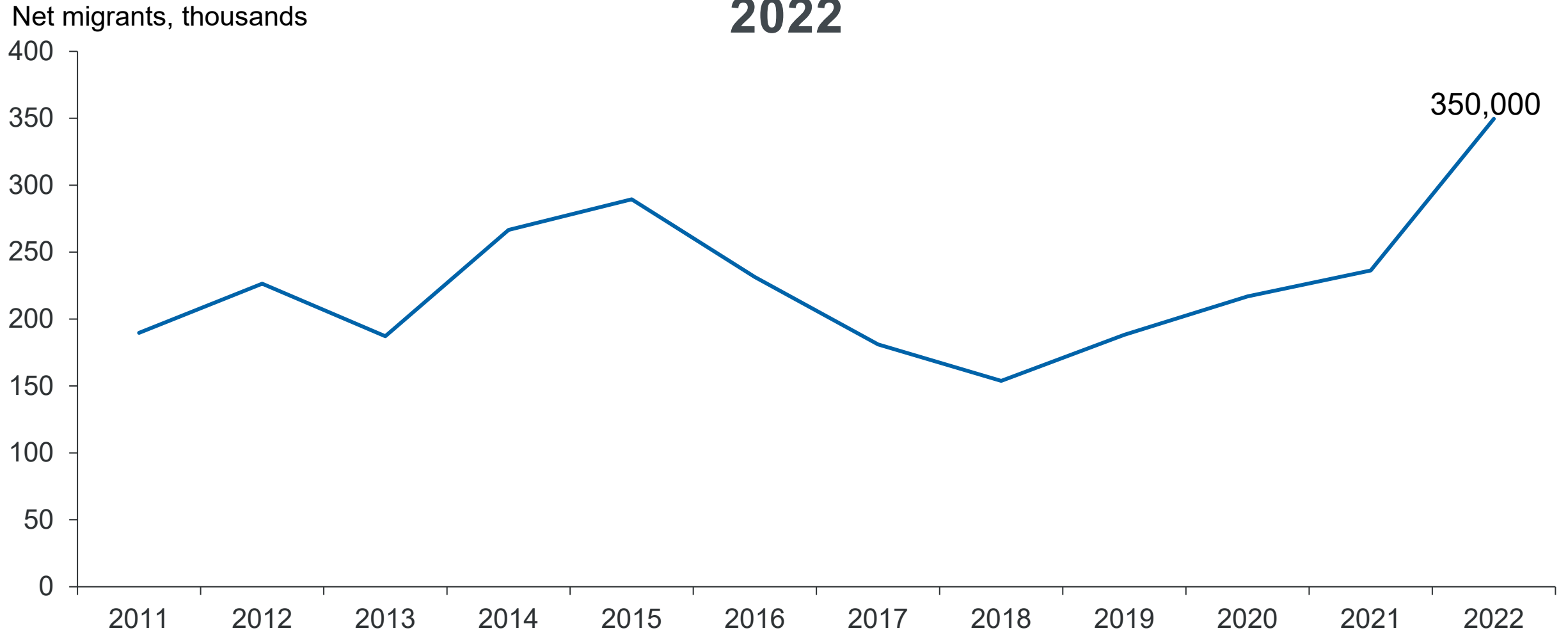
Texas tends to have higher job growth than rest of US



NOTE: Data through Sept. 2023 for Texas and Oct. 2023 for US and show year over year growth.

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

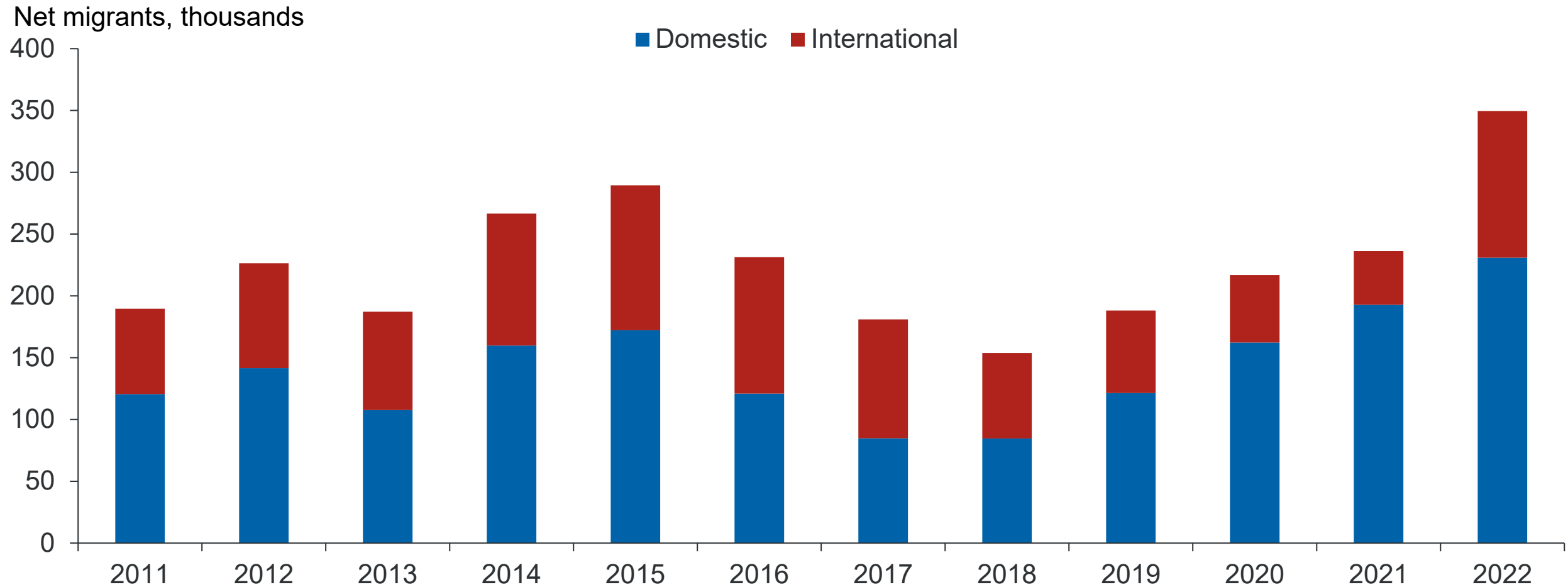
Total net migration to Texas reached near-record high in 2022



NOTES: Shown is net migration (inflows less outflows). Data are from July of the previous year to June of the year indicated.

SOURCE: U.S. Census Bureau.

Rising domestic migration to Texas offset falling international migration during pandemic



NOTES: Shown is net migration (inflows less outflows). Data are from July of the previous year to June of the year indicated.

SOURCE: U.S. Census Bureau.

Summary

- Labor markets are robust and fundamentals mostly healthy
 - Service sector growing and manufacturing activity has rebounded
 - Home sales slowing and prices stable
 - Texas better poised for soft landing than nation given faster labor supply growth and high oil prices
- While expectations are for a soft landing, there are some headwinds
 - Inflation remains high
 - Delinquencies are rising
 - Impact of higher interest rates, including on commercial real estate

Thank you!

