



Federal Reserve
Bank of Dallas

Texas Economic Outlook: Employment Growth Slows, Core Inflation Remains High

Luis Torres
16th Annual Thrift Industry Day

09/28/2023

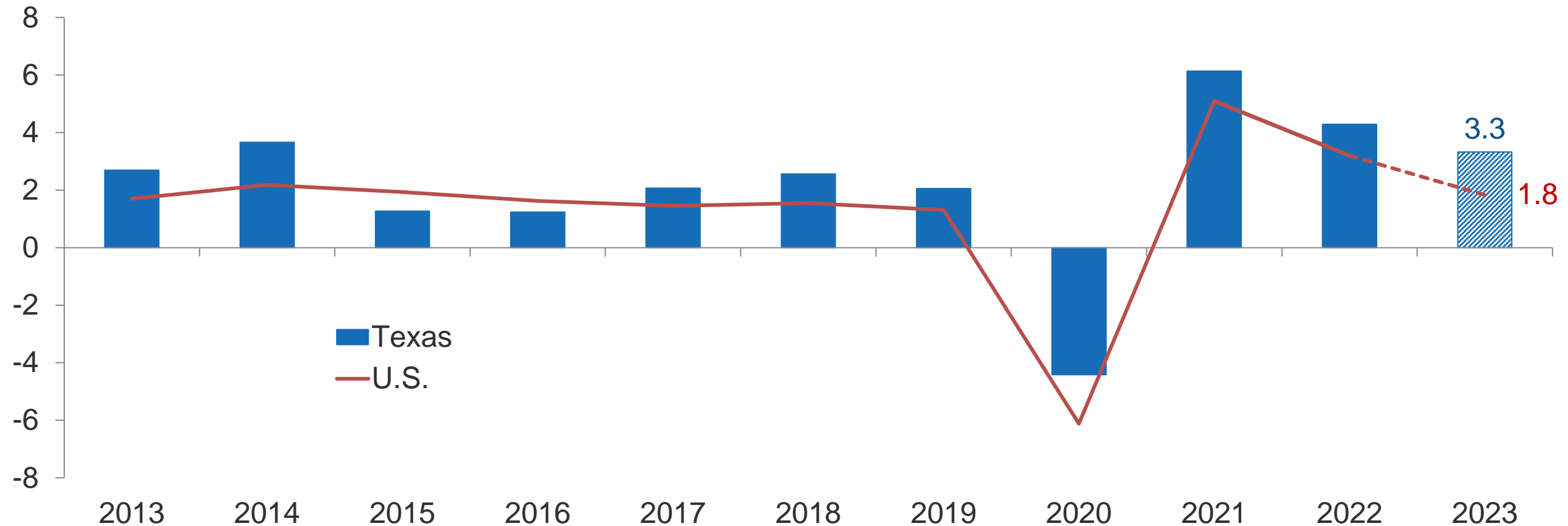
Overview

- Economy has been resilient, and growth remains solid.
- US and Texas job growth is slowing.
- Price and wage pressures have eased in recent months, although they remain elevated.
 - Companies report continued upward price pressures induced by higher costs and wages, but less severe than earlier in the year.
 - Texas businesses report increasing difficulties passing costs onto consumers in form of higher prices.
- Outlook suggests US and Texas will slow in 2023, possibly around trend. Risks to the outlook include...
 - Geopolitical risk and Global slowing;
 - Elevated inflation and rising interest rates.

Recent Economic Performance

Texas Annual Job Growth Remains Ahead of the Nation

Job Growth (%)*



*Seasonally adjusted, annualized rate.

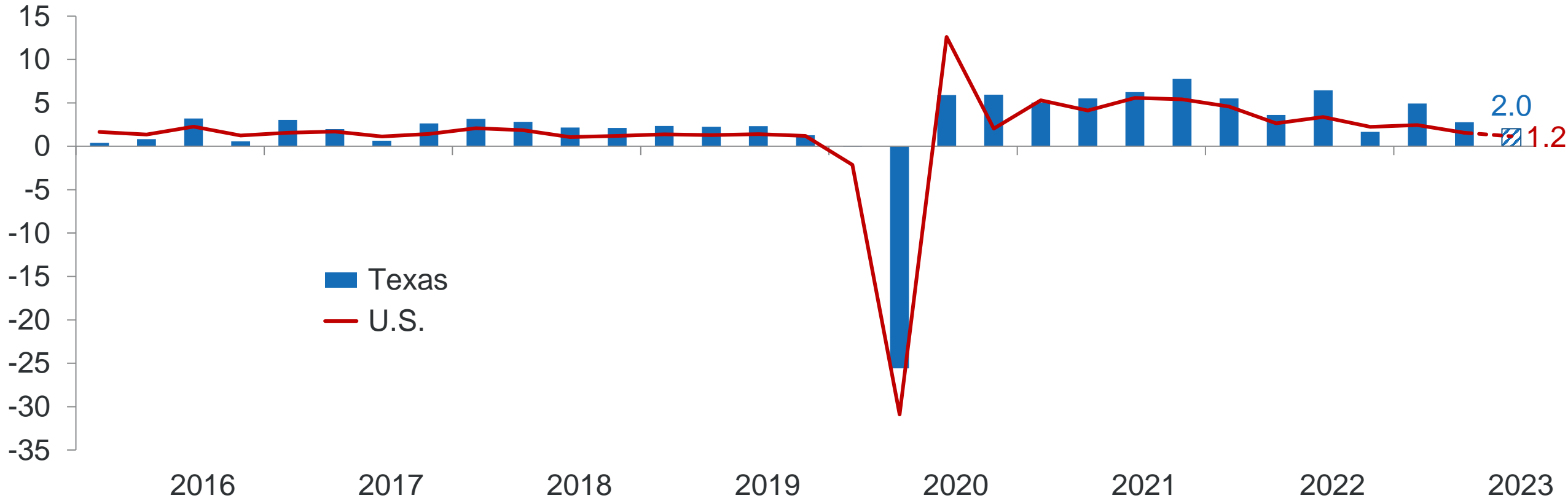
NOTE: Last data points are annualized job growth for Aug. 2023/Dec. 2022. Yearly growth is Dec/Dec.

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 Job Growth Slows Further at the Middle of Third Quarter

Job Growth (%)*



*Seasonally adjusted, annualized rate.

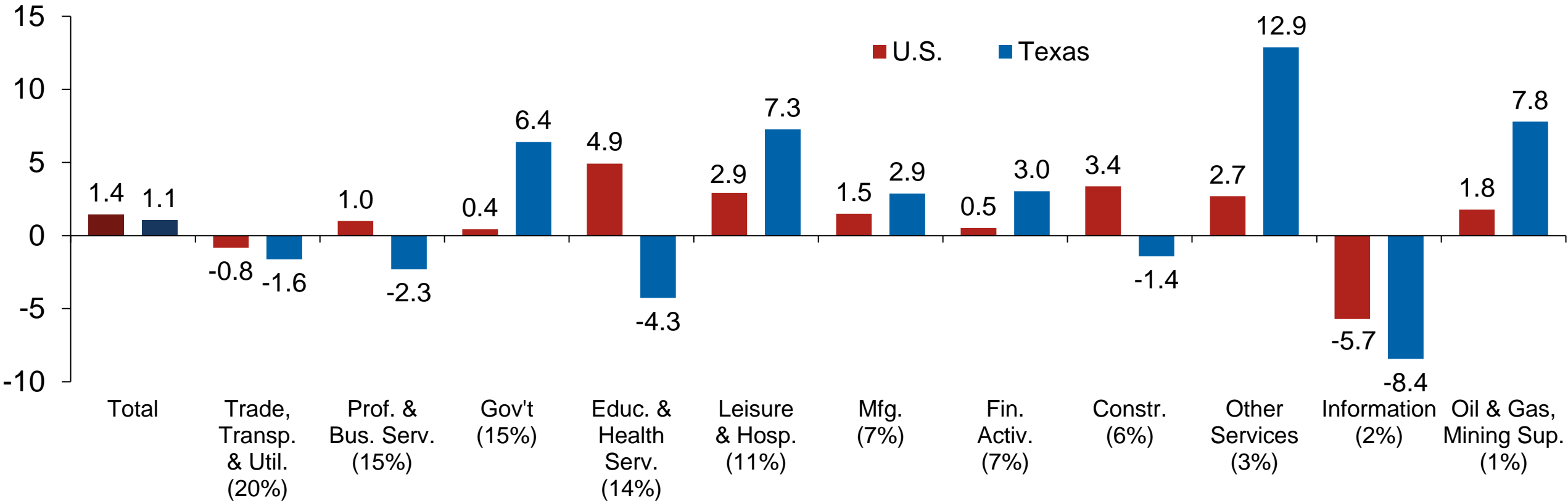
NOTE: Shown is quarterly job growth. Last data points are annualized job growth for Aug. 2023/May. 2023.

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](https://dallasfed.org/research-and-data/texas-payroll-employment-total-nonfarm)

Texas Employment Growth Slows in August; Sees Strong Gains in Gov't, Leisure & Hospitality, Oil & Gas and Other Services

Job Growth August 2023/July 2023 (%)*



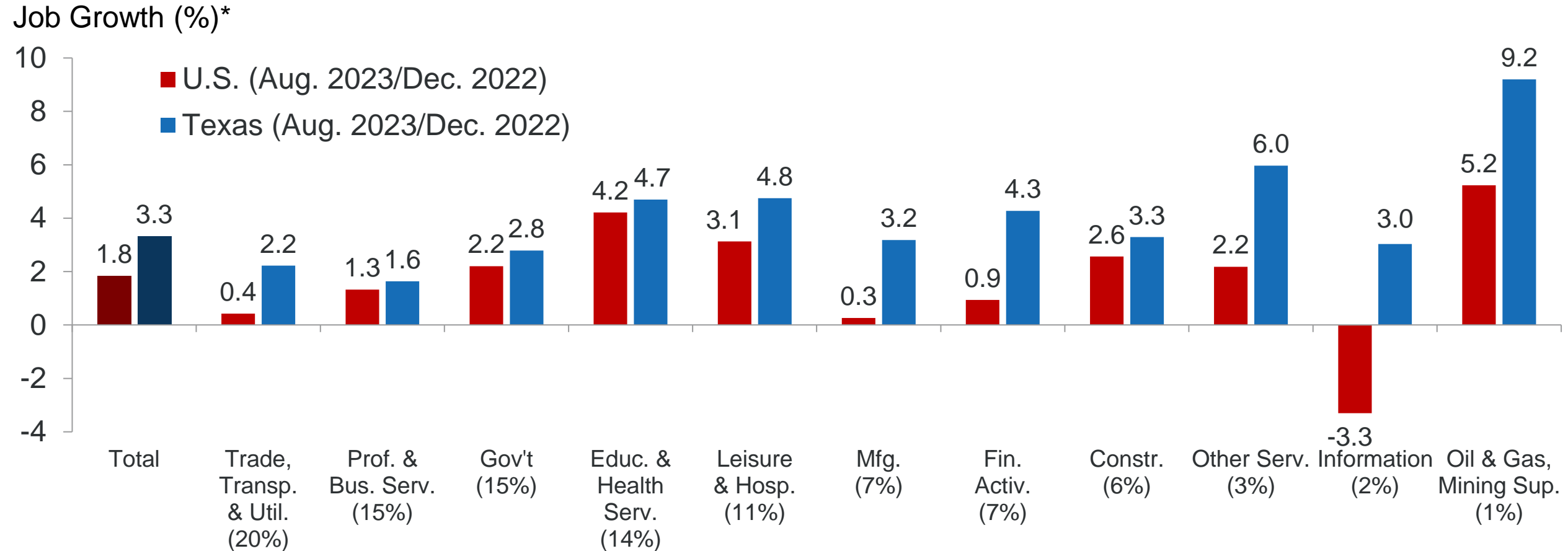
*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment in August 2023

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

DATA: [Texas Employment by Industry - Dallasfed.org](https://www.dallasfed.org/outlook/texas-employment-by-industry)

Texas Year-to-Date Job Growth Ahead of U.S. in All Industries



*Seasonally adjusted, annualized rate.

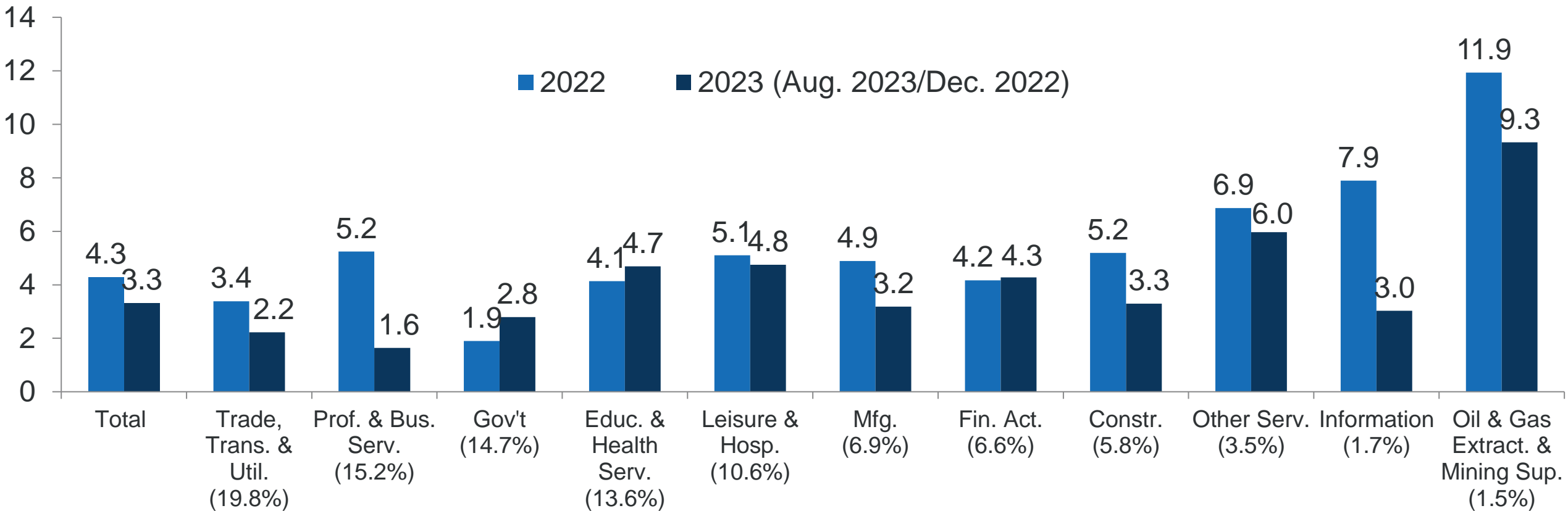
NOTE: Numbers in parentheses indicate share of total state employment for August 2023.

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/economic/texas-employment-by-industry)

Compared to Last Year, Prof. & Bus. Serv., Mfg., Constr., and Information Have Slowed the Most

Job Growth (%)*



*Seasonally adjusted, annualized rate.

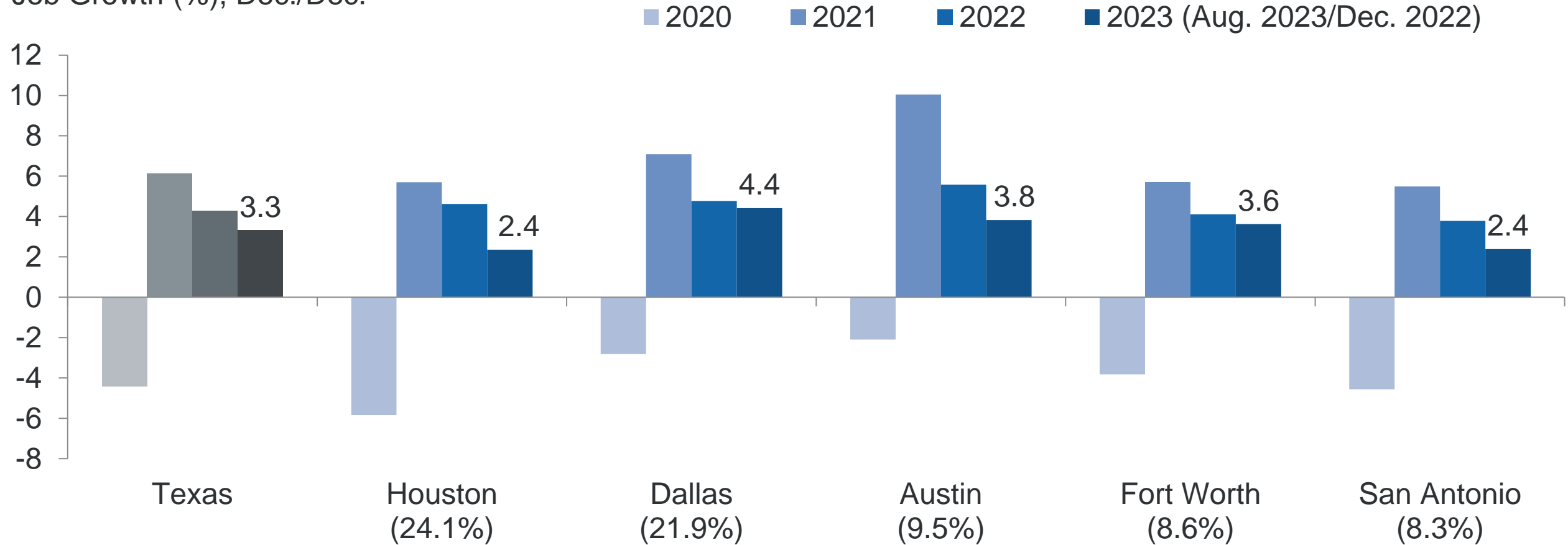
NOTE: Numbers in parenthesis indicate share of total state employment for August 2023.

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://www.dallasfed.org/economic/texas-employment-by-industry)

Dallas Leads in Year-to-Date Job Growth in 2023

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



*Seasonally adjusted, annualized rate.

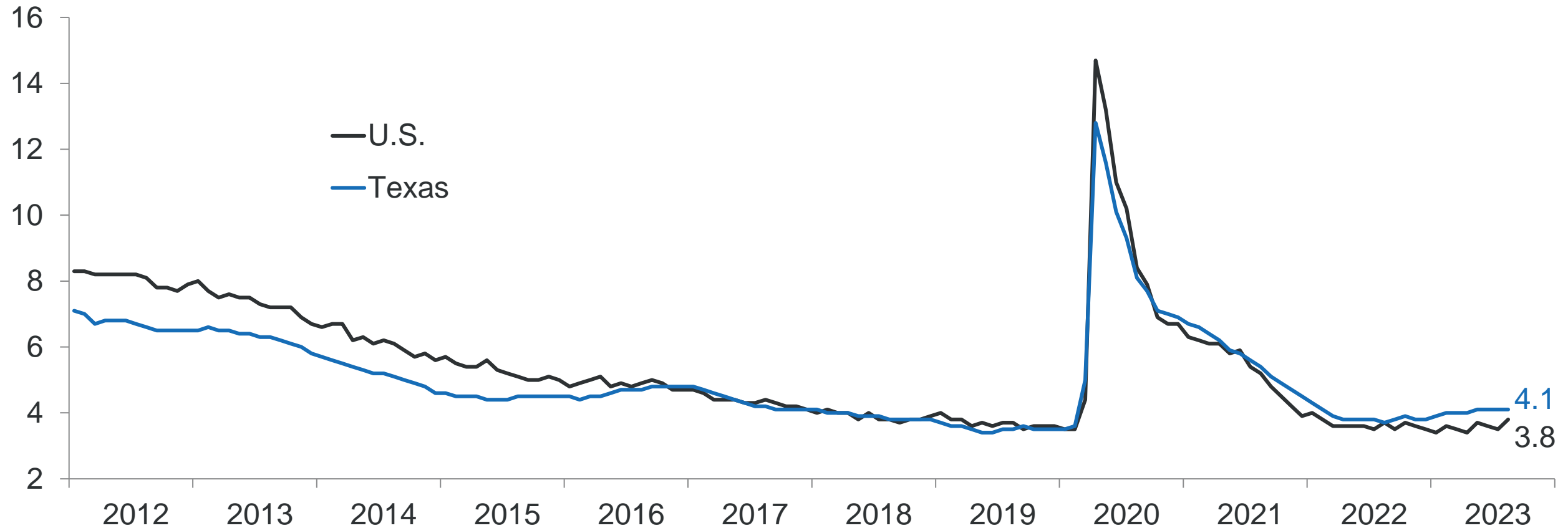
NOTE: Numbers in parenthesis indicate share of state employment for August 2023.

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

DATA: [Texas Employment Data - Dallasfed.org](https://www.dallasfed.org/economic/texas/employment)

Texas Unemployment Rate Holds at 4.1 Percent in August

Unemployment Rate (%)*



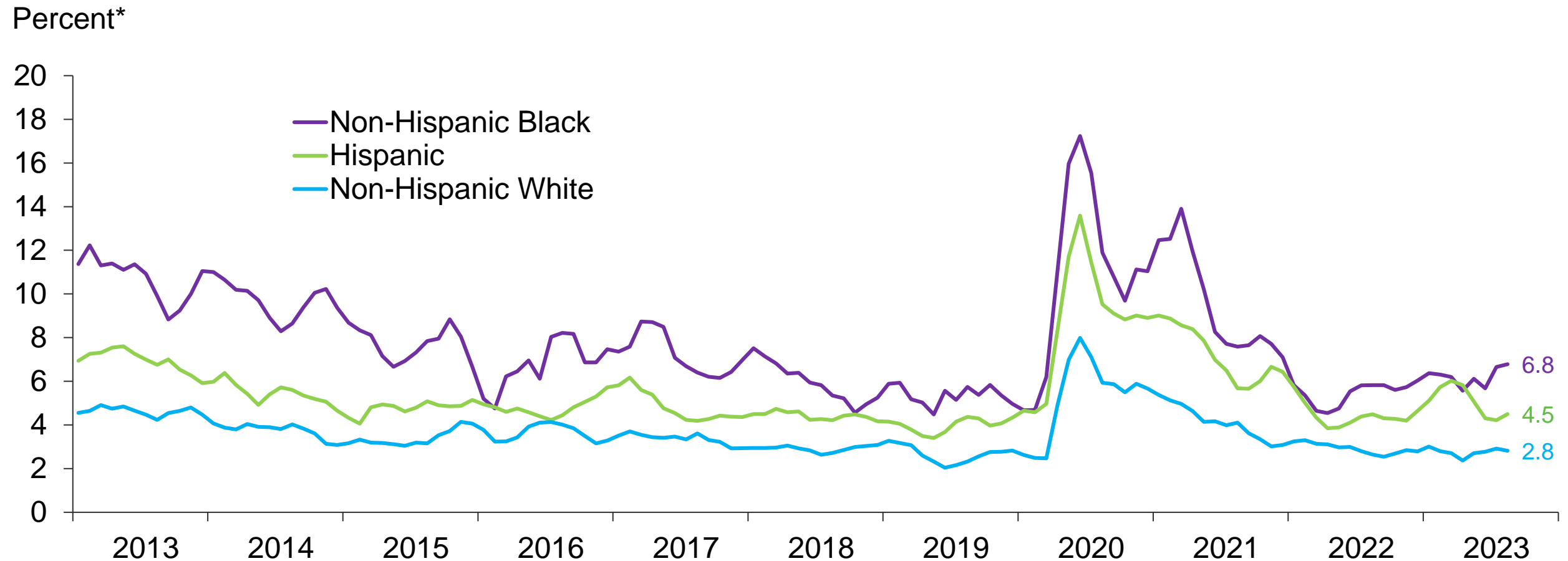
*Seasonally adjusted.

NOTE: Data are through August 2023.

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)

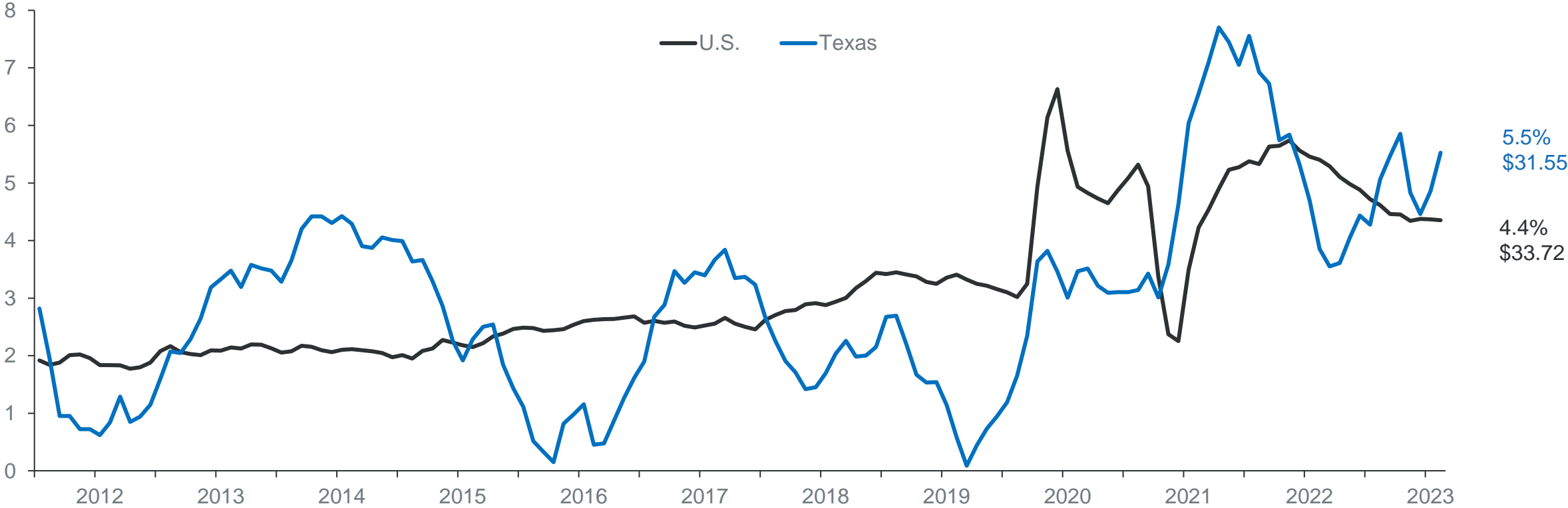
Unemployment Rates Stable Across Race/Ethnic Groups



*Seasonally adjusted, three-month moving average.
NOTES: Last data points are August 2023 values.

US Wage Growth is Slowing, but Texas remains high

Private Sector Average Hourly Earnings
Percent change year-over-year, 3MMA

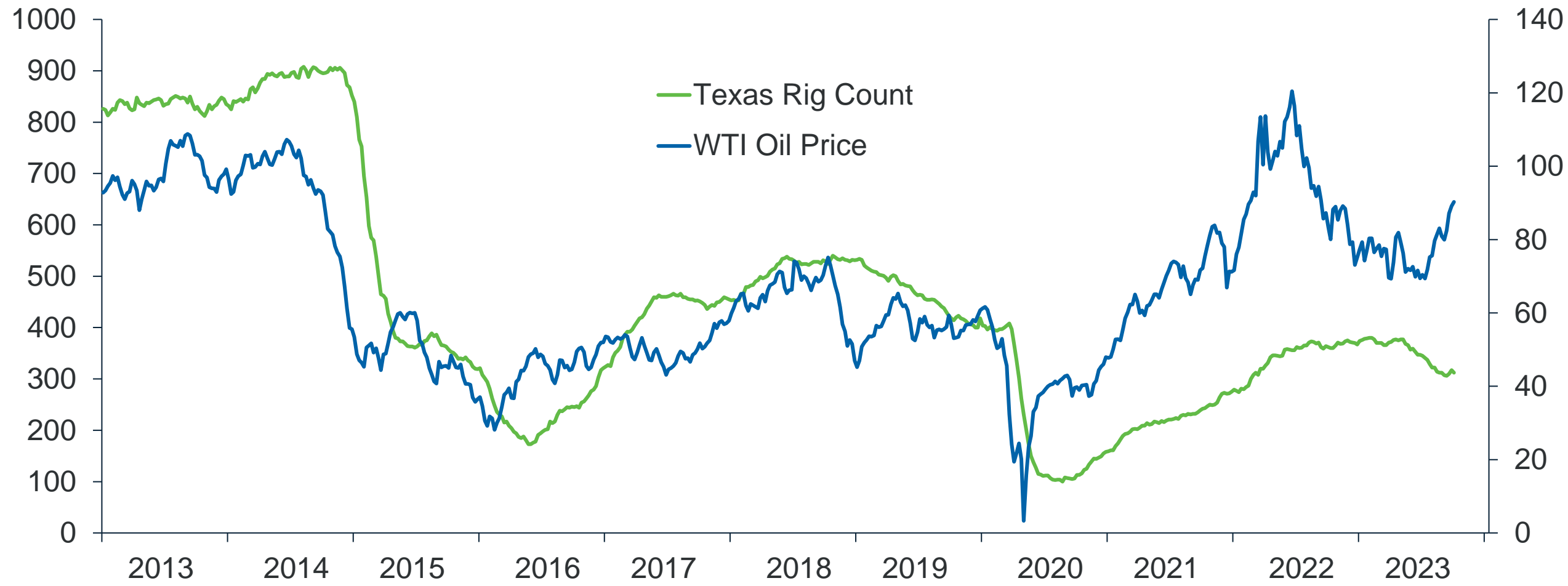


*Seasonally adjusted, three-month moving average.
NOTE: Data for Texas and MSAs are through August 2023.
SOURCE: Bureau of Labor Statistics; adjustments by the Dallas Fed.

Rig Count Down as Oil Prices Rise

Rig Count, Weekly

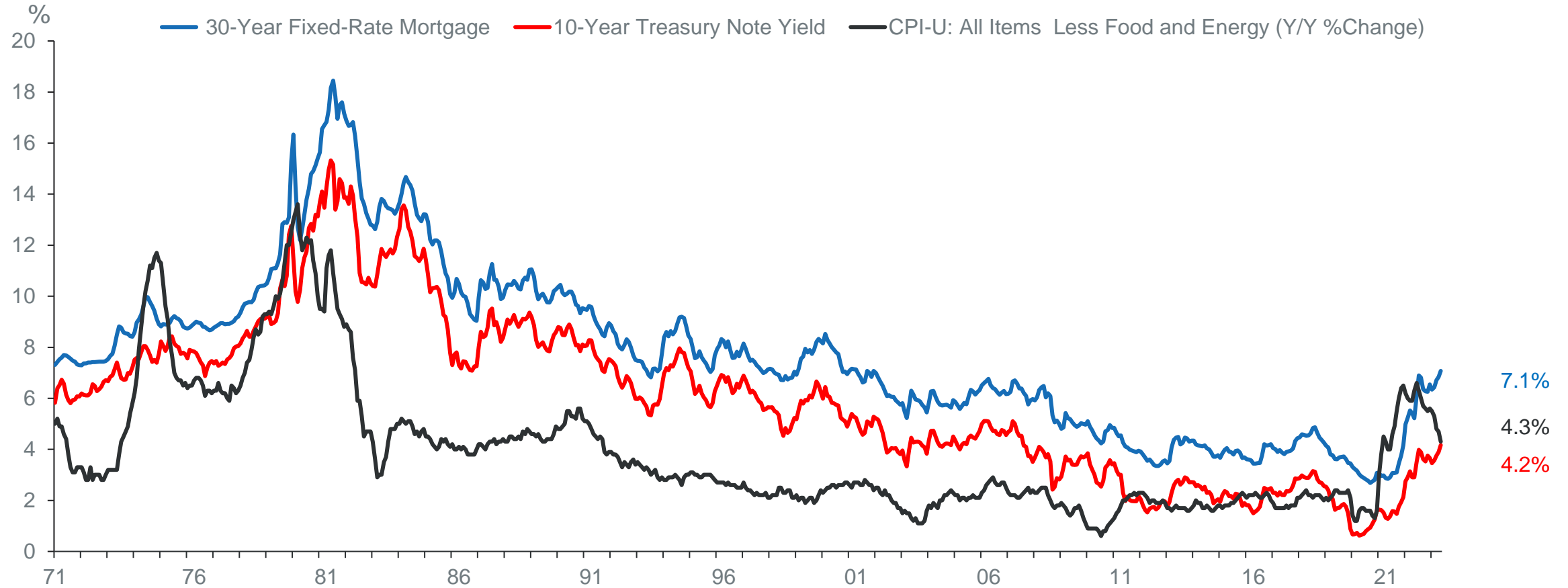
Nominal Price, \$, Weekly



NOTES: Data are weekly through September 22, 2023.
SOURCES: Energy Information Administration; Baker Hughes.

Housing Market Update

High Mortgage Rates Hinder Housing Demand, Especially for Existing-Homes

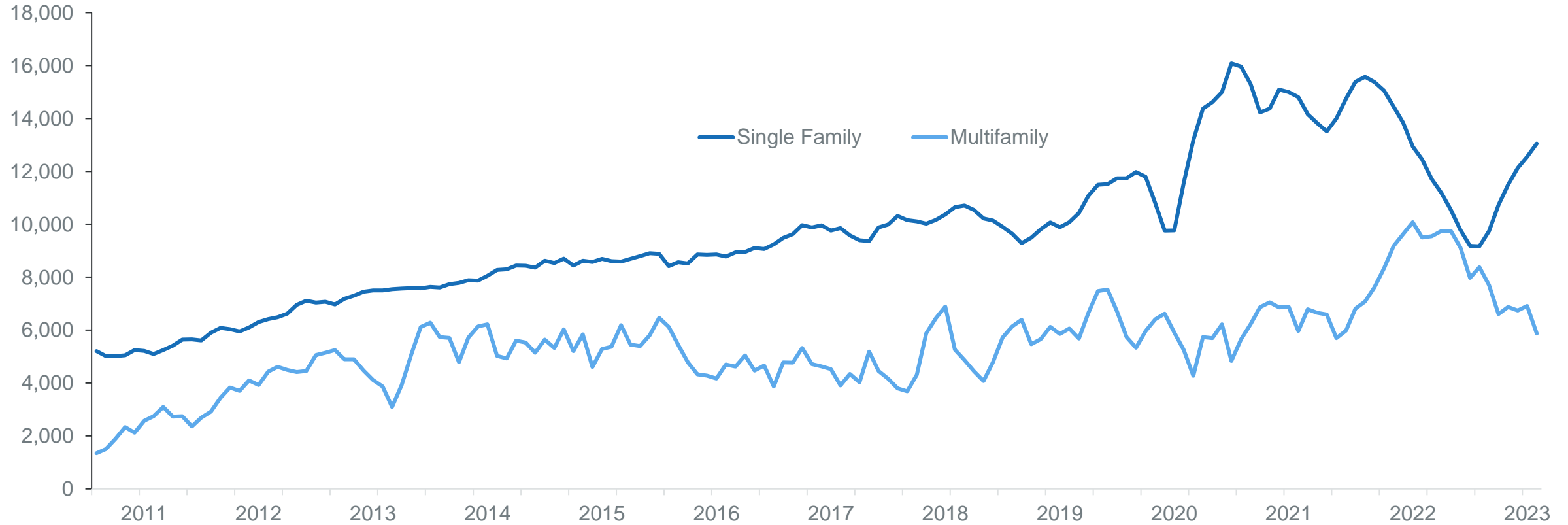


NOTES: Seasonally adjusted. CPI All Items Less Food and Energy 1982-84=100. Data are through August 2023.

SOURCES: Bureau of Labor Statistics, Federal Home Loan Mortgage Corporation and Federal Reserve Board, adjustments by the Dallas Fed.

Single-Family Permits Rising, while Multifamily Continue to Decline

Texas Permits for New Housing Units
Number of units

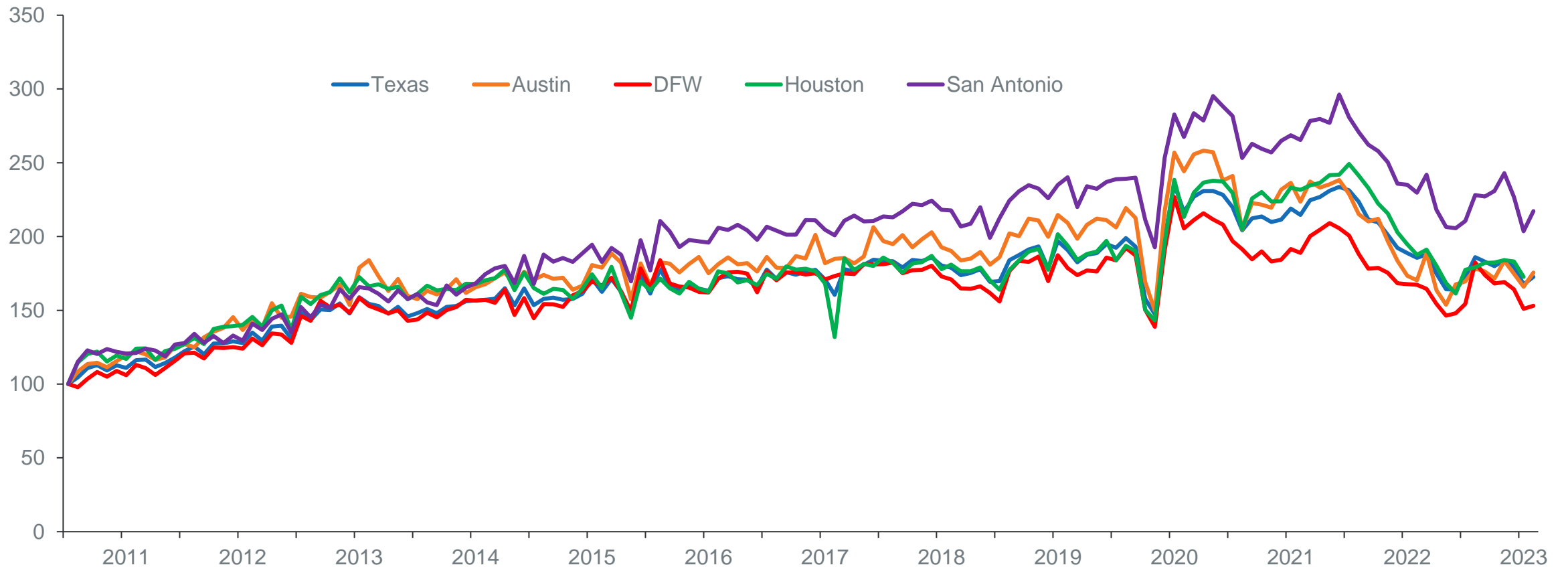


NOTES: Data are seasonally adjusted three-month moving averages. Data are through August 2023.

SOURCE: Census Bureau.

Existing-home sales stabilize

Index, January 2011=100*



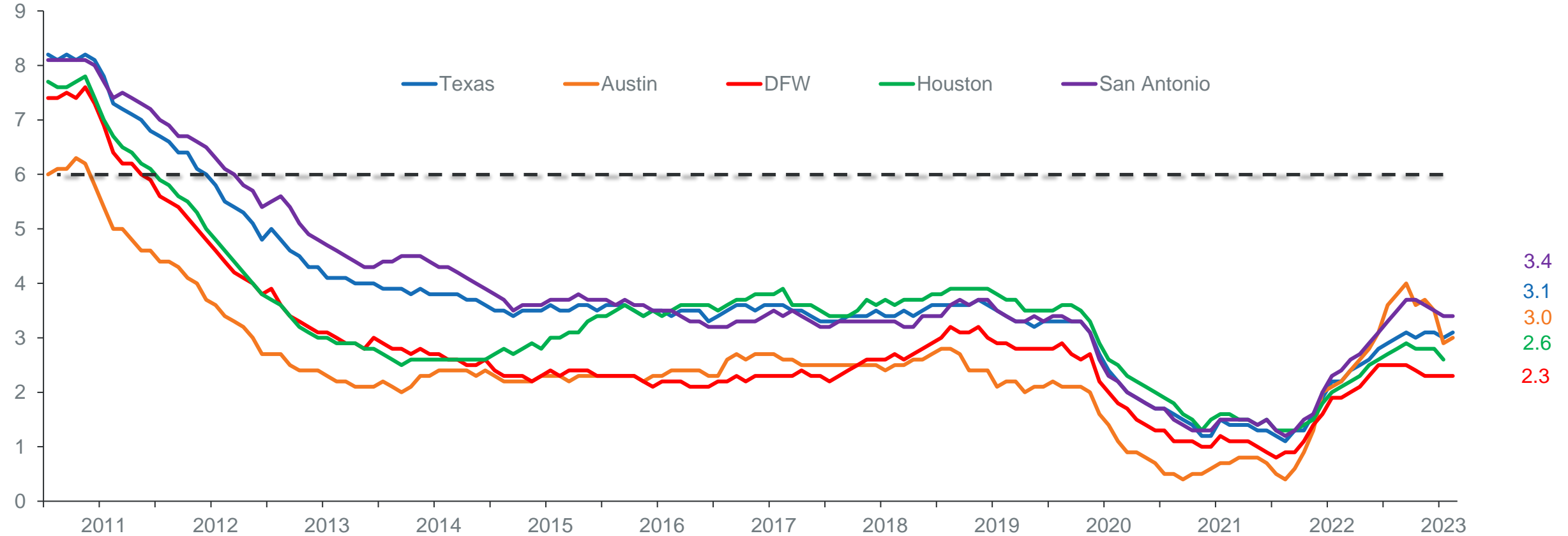
*Seasonally adjusted.

NOTE: Data measure sales of residential units (single-family homes, condominiums and townhomes). Existing-Home sales. Data are through August 2023, except Houston is through July.

SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Inventory for sale remains low

Months of Inventory, SA
(#)

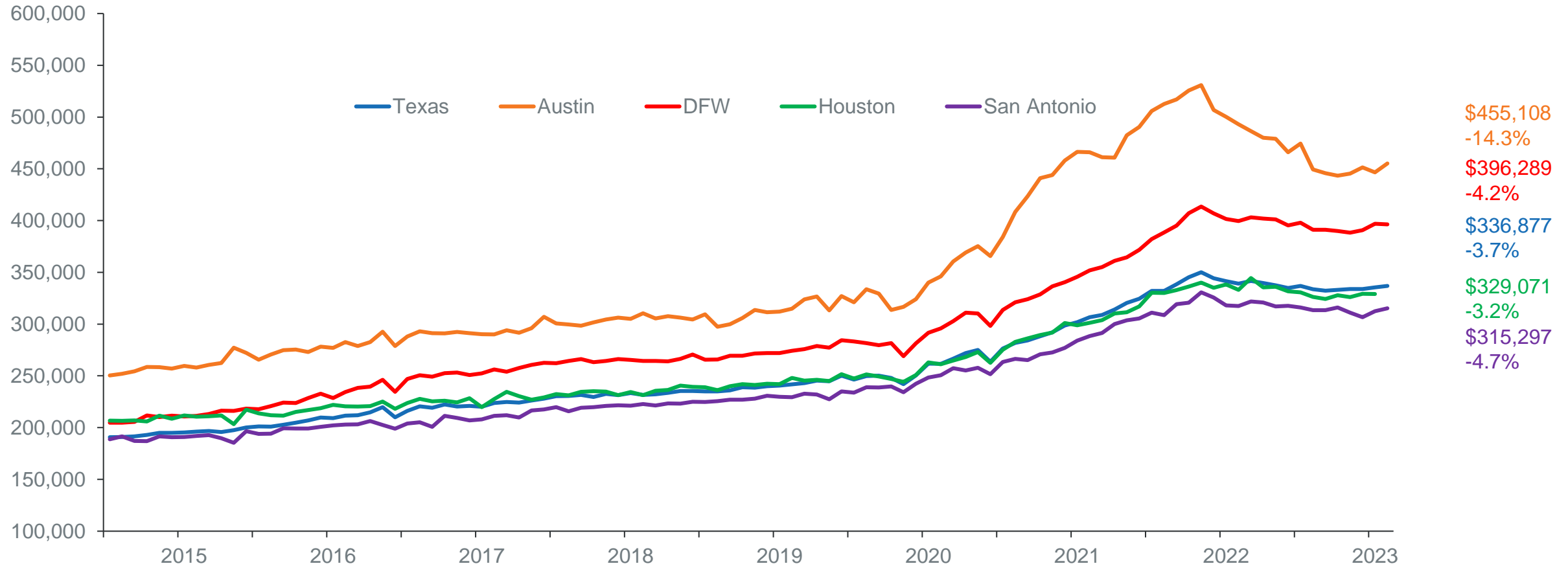


NOTES: Data are through August 2023, except Houston is through July.

SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; seasonal and other adjustments by the Dallas Fed.

Home price growth stabilizes

Median Home Prices, SA
(\$)

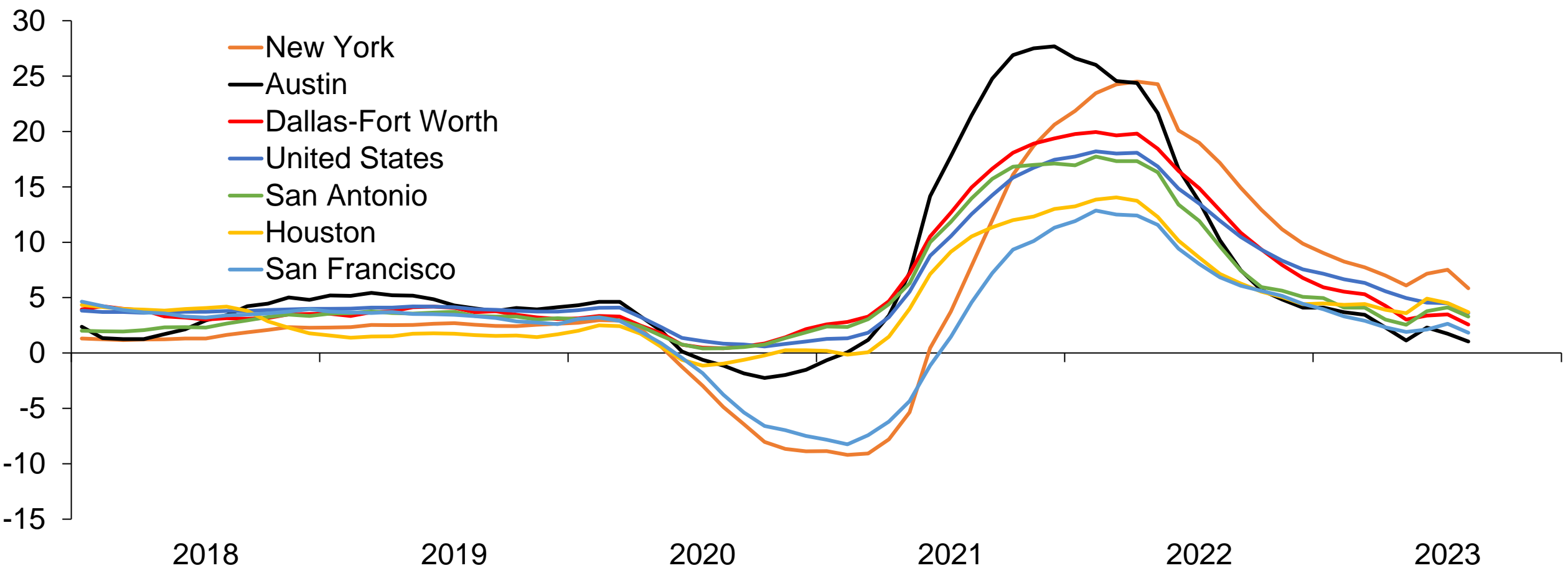


NOTES: Data are through August 2023, except Houston is through July. Existing home median home prices reached a peak in May-22.

SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; seasonal and other adjustments by the Dallas Fed.

Apartment Rent Growth Down Across the Country

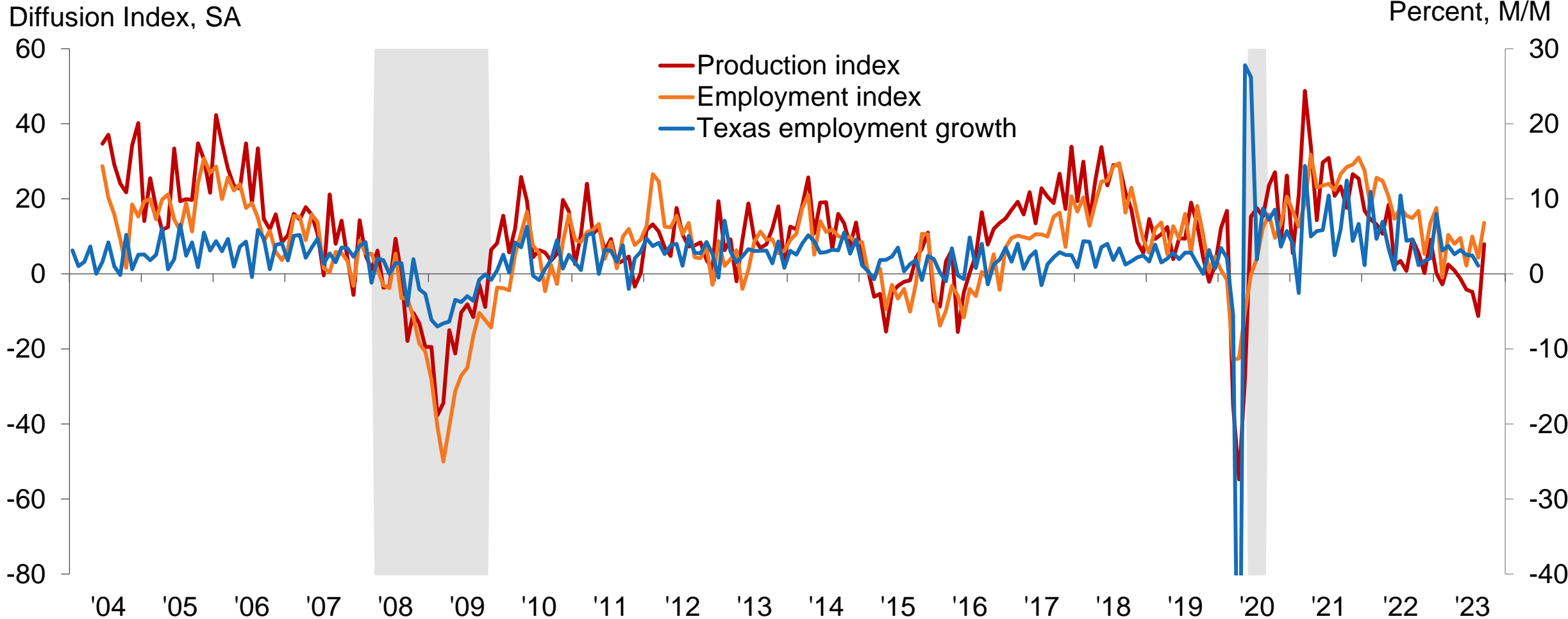
Percent, Y/Y



NOTE: Data are seasonally adjusted and are through August 2023.
SOURCE: Zillow.

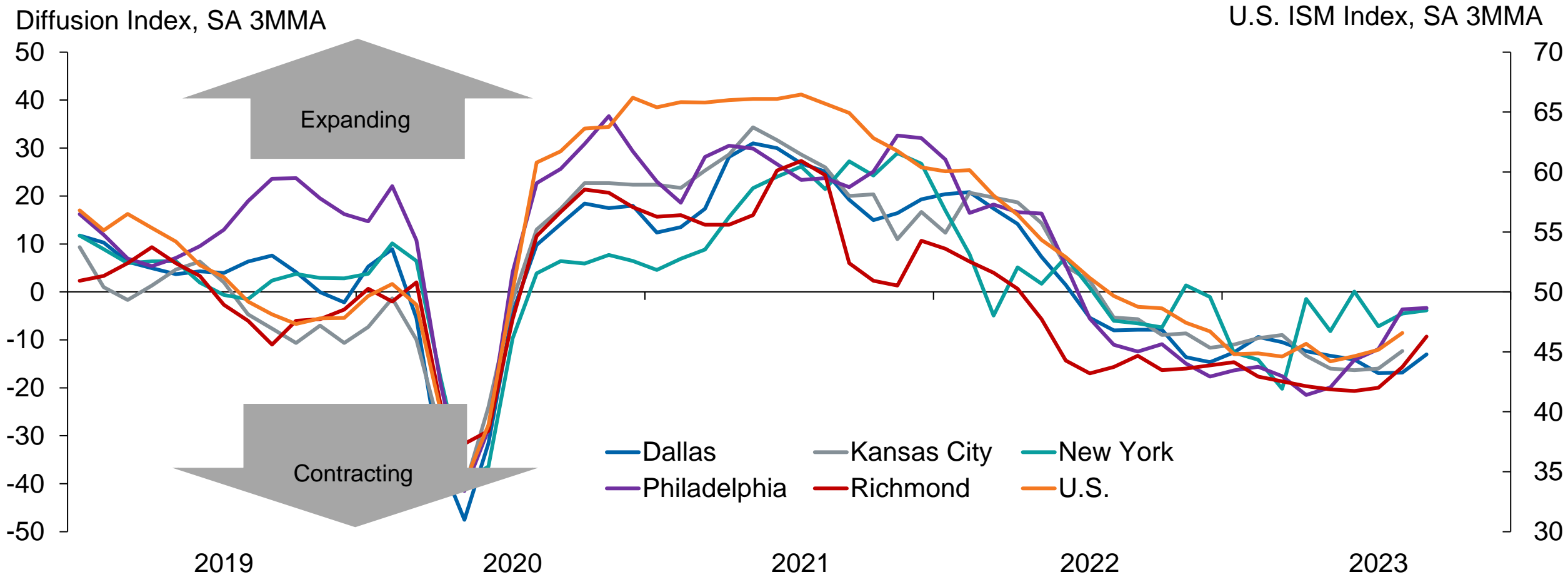
Inflation Easing and Output Slowing

TMOS output rebounds and employment growth stays strong



NOTE: TMOS data through September 2023; Texas employment data through August 2023. Grey bars indicate recessions.
SOURCES: BLS; Texas Workforce Commission; Bloomberg; Energy Information Administration; seasonal and other adjustments by FRB Dallas. Texas Business Outlook Survey, Federal Reserve Bank of Dallas.

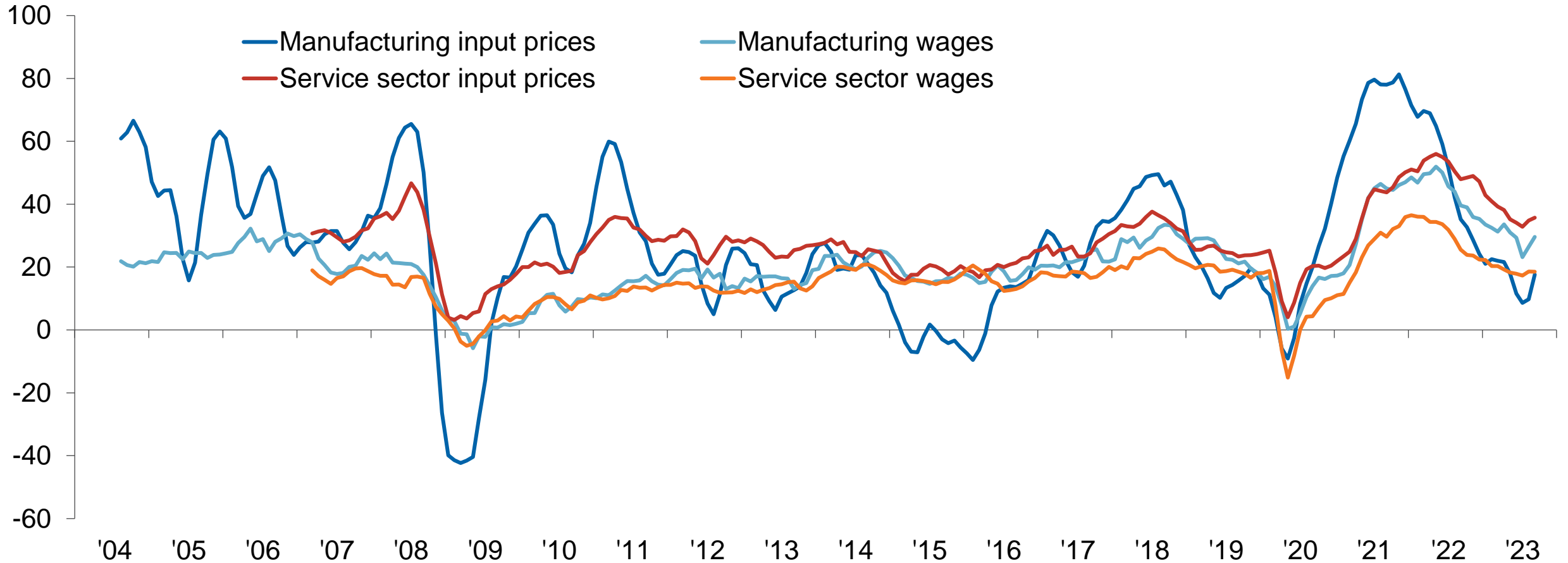
Texas Manufacturing Outlook Survey(TMOS) tracks other Federal Reserve surveys



NOTE: Presented are 3-month moving averages of the new orders indices. Data are through September 2023; Kansas City and U.S. data are through August 2023.
 SOURCES: Dallas Fed's Texas Manufacturing Outlook Survey; Kansas City Fed Manufacturing Survey; Empire State Manufacturing Survey; Philly Fed Manufacturing Business Outlook; Richmond Fed Manufacturing Survey, Institute of Supply Management.

Cost pressures tick up in manufacturing and service sectors

Diffusion index, 3MMA

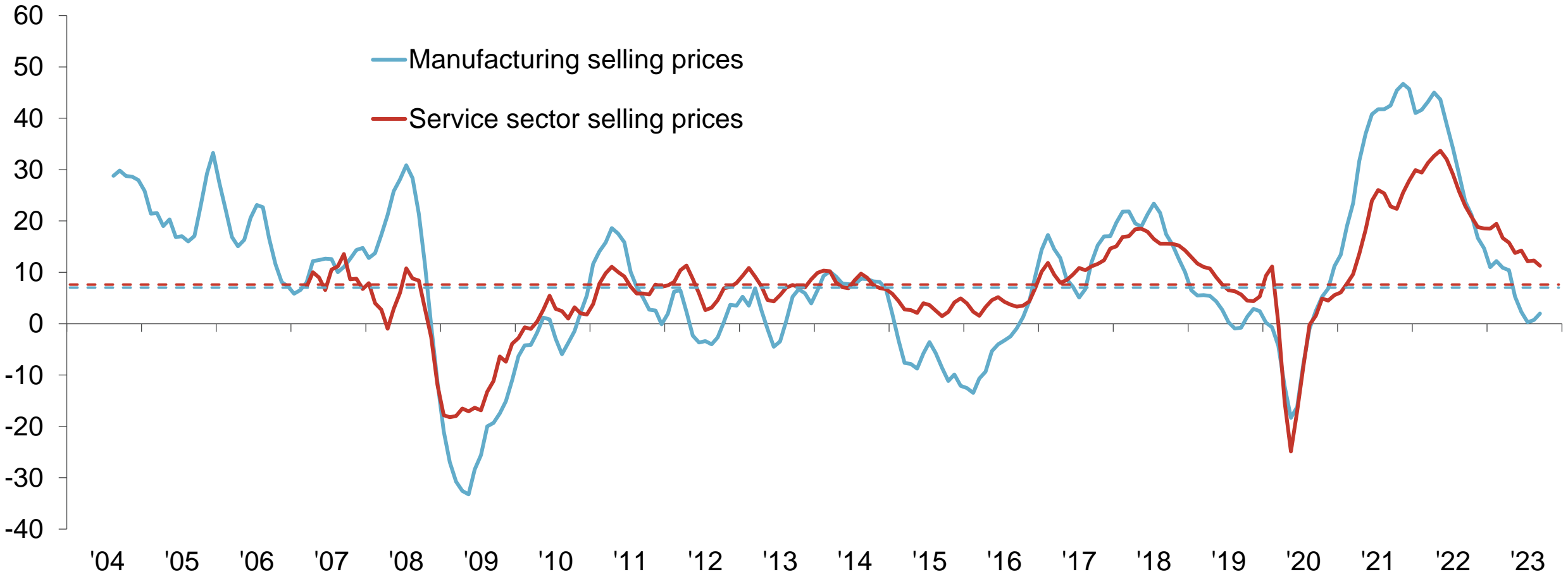


NOTE: Data through September 2023.

SOURCE: Texas Business Outlook Surveys, Dallas Fed.

Price pressures moderate, particularly in manufacturing

Diffusion index, 3MMA



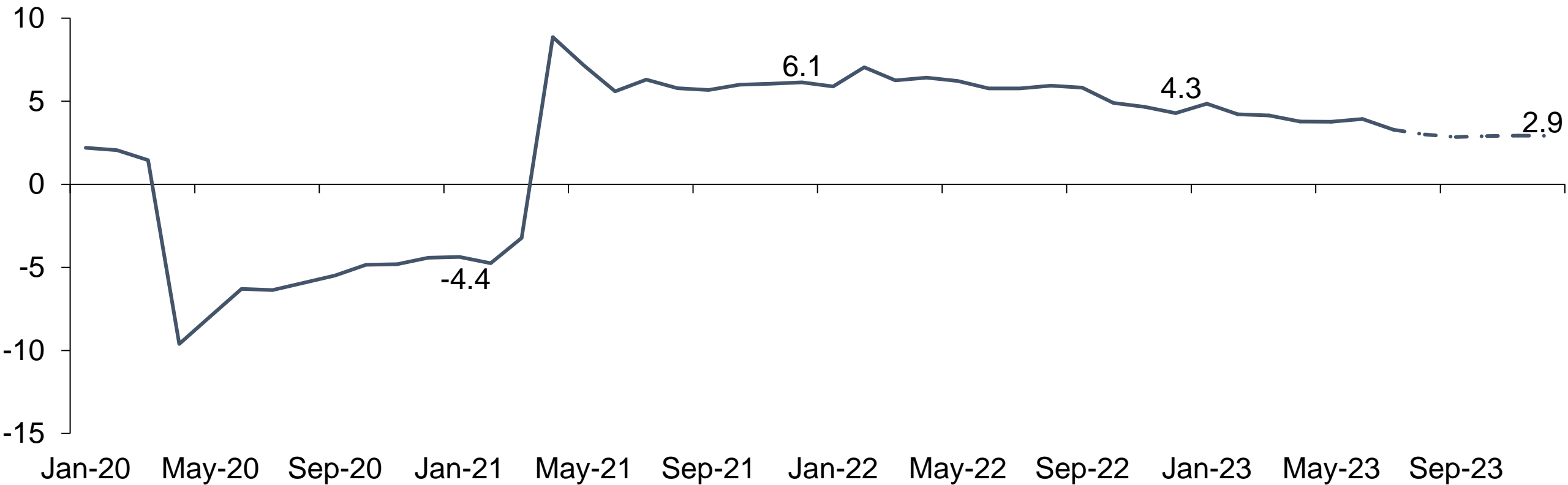
NOTE: Dashed lines denote series averages. Data through September 2023.

SOURCE: Texas Business Outlook Surveys, Dallas Fed.

Outlook with Risks

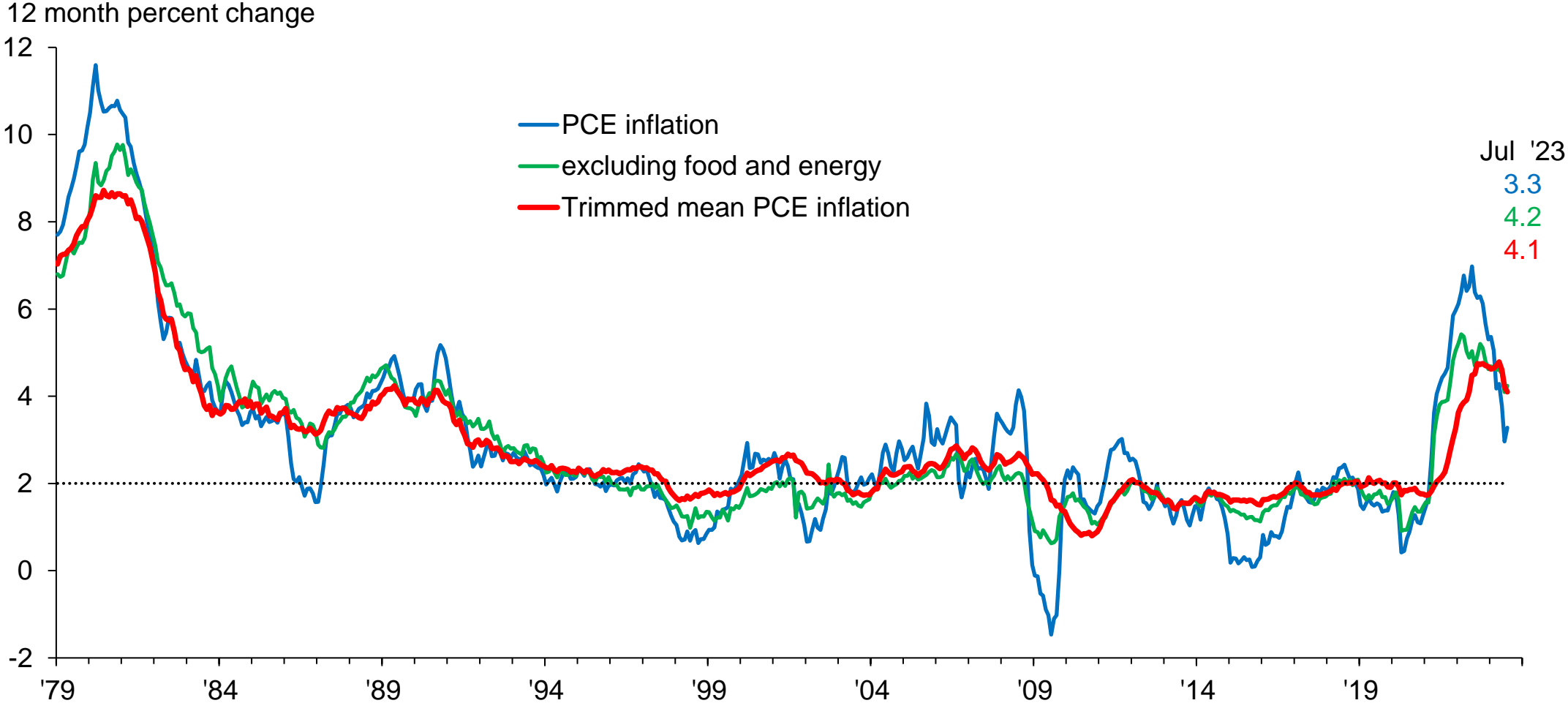
The Texas Employment Forecast Indicates That Jobs Will Increase 2.9 Percent in 2023 After Rising 4.3 in 2022

Percent, Y/Y



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).

There has been small progress in slowing medium-term trend inflation



SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas

Outlook: slow growth, moderate increase in unemployment and gradual inflation improvement

		Blue Chip Sep. 11	FOMC Sep. 20
GDP Q4/Q4	2022 (actual)	0.9	
	2023	1.9	2.1
	2024	0.9	1.5
Unemployment Q4	2022 (actual)	3.6	
	2023	3.9	3.8
	2024	4.4	4.1
Core PCE inflation Q4/Q4	2022 (actual)	4.8	
	2023	3.6	3.7
	2024	2.4	2.6

NOTE: Federal Open Market Committee (FOMC) projection materials median forecasts for September 20, 2023.
SOURCES: Blue Chip Economic Indicators and FOMC

Summary

- Labor markets are slowing
- Manufacturing output has stalled
- Service sector activity remains solid
- Price and wage pressures weaken but remain elevated
- Texas employment forecast around 2.9 percent for 2023
- Growth could slow further if larger rate hikes needed

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Outlook

The logo for ITEXAS Economic Outlook, featuring the word 'ITEXAS' in a bold, orange, sans-serif font. The 'I' is composed of three vertical bars of increasing height in teal, green, and orange. To the right of 'ITEXAS' are the words 'Economic Outlook' in a smaller, black, sans-serif font.

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[Real-Time Population Survey](#)

[Texas Weekly Employment Estimate](#)

[Weekly Economic Index](#)