



Federal Reserve
Bank of Dallas

Cleared for Landing

2024 Texas Economic Outlook

Pia Orrenius

Vice President and Senior Economist

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Overview

- Economic activity and job growth slowing but still robust
 - Texas employment up 3.1 percent last year, above nation
 - Labor force grew at its fastest pace in decades
 - Domestic migration resilient, international migration increasing
- Return to trend growth likely in 2024
 - Some momentum still present at year end 2023
 - Forecast signals a return to trend job growth this year
 - Near term risks to the outlook are mixed
 - But medium to long run factors still favor the region

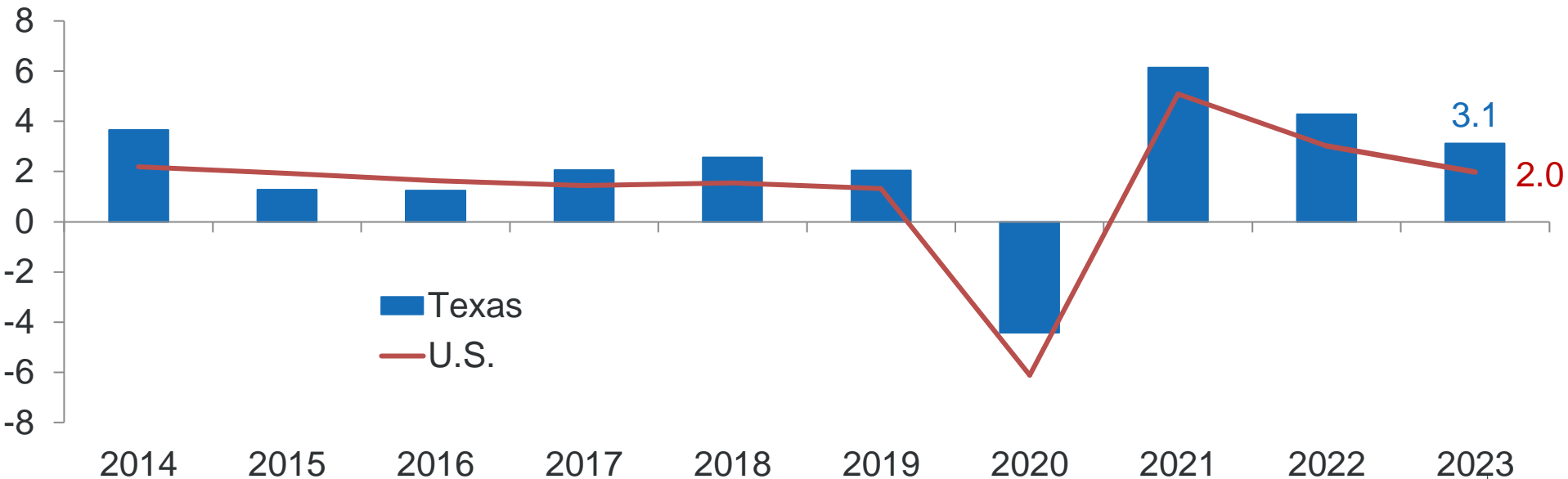




Labor Markets

Texas' 2023 job growth exceeded expectations

Job growth (%)

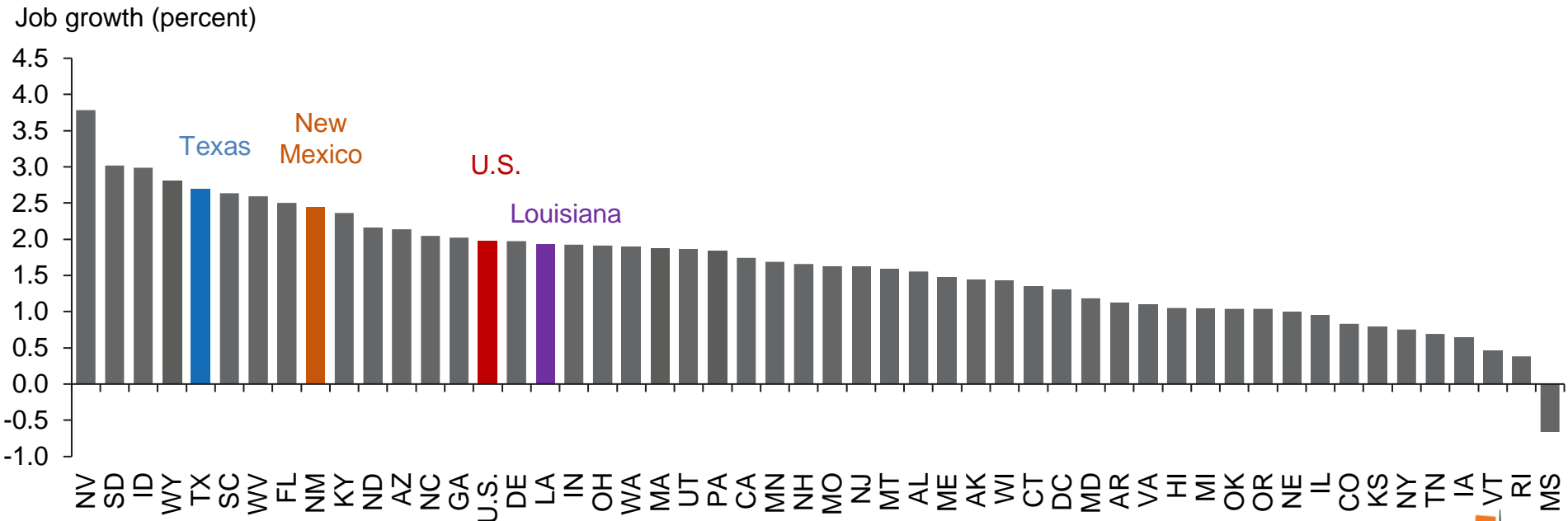


NOTE: Shown are yearly seasonally adjusted job growth.

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



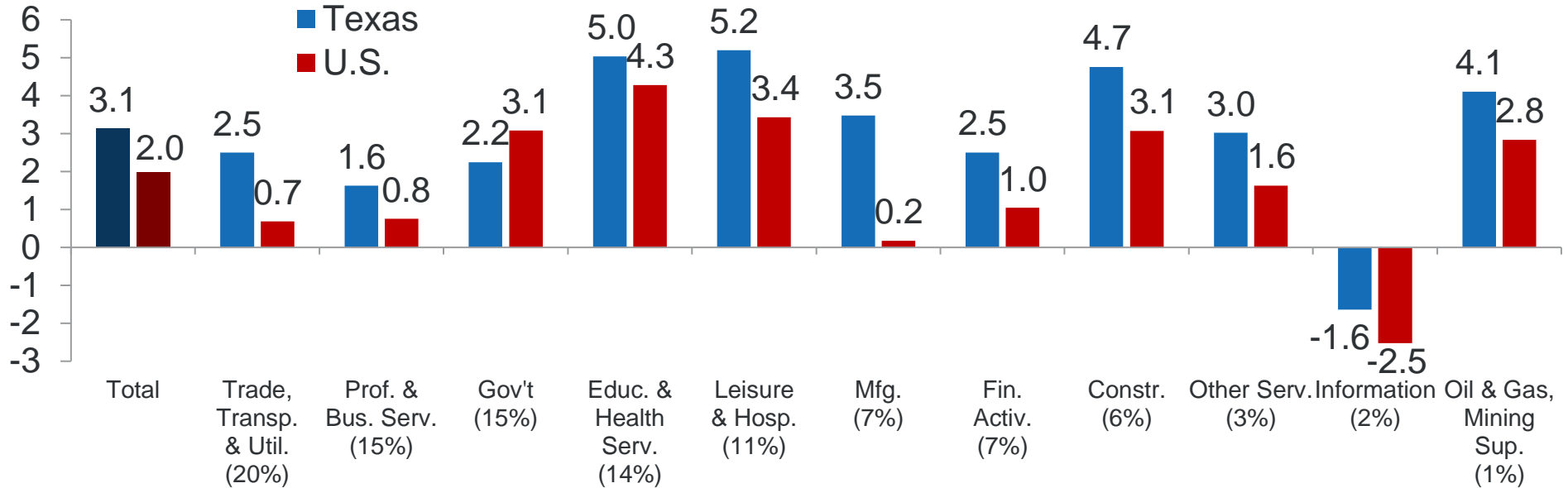
Texas among states with highest 2023 job growth



NOTE: Data show 2023 job growth by state.
 SOURCE: Bureau of Labor Statistics.

Job growth was broad based outside high tech

Job growth (%)



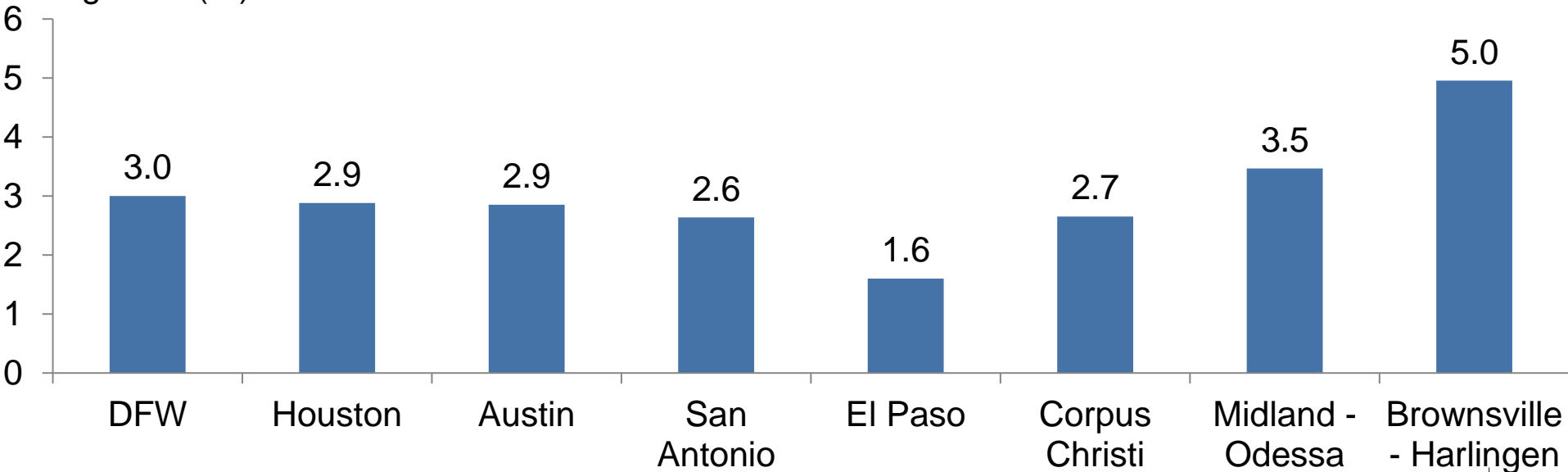
NOTES: Data are seasonally adjusted 2023 job growth by sector. Numbers in parentheses indicate share of total state employment for December 2023.

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



Among metros, Austin fell from top due to high tech woes and Brownsville moved into lead

Job growth (%)



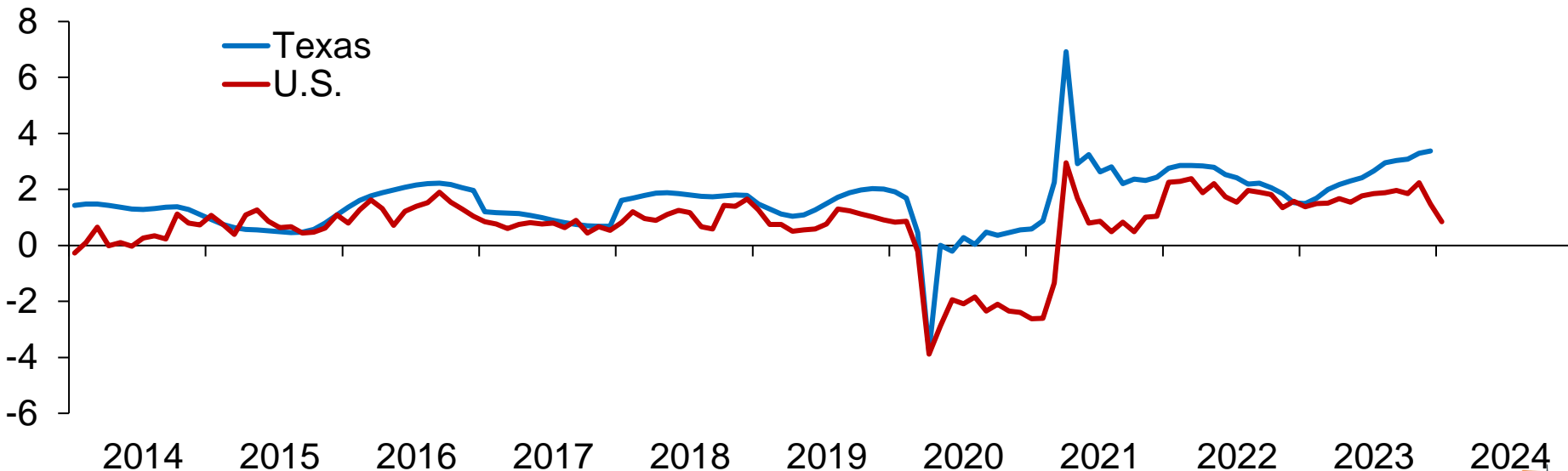
NOTE: Data are seasonally adjusted and refer to 2023 job growth.

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

Percent, Y/Y



NOTES: Data are monthly through December 2023 for Texas and January 2024 for U.S.

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

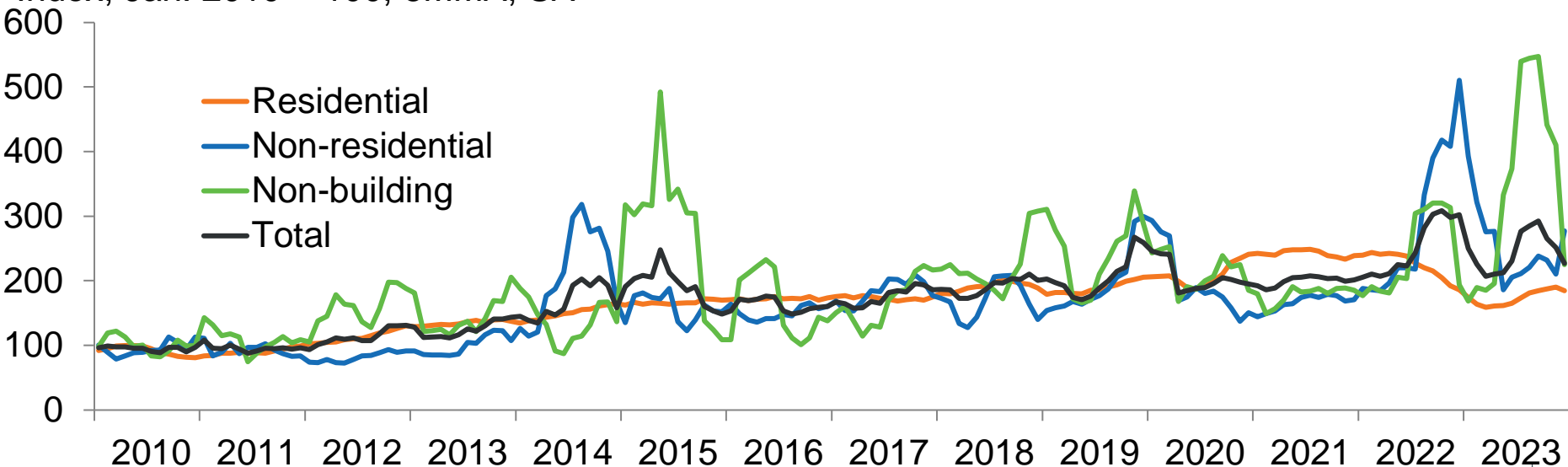




Construction and Real Estate

Construction robust in 2023 despite high interest rates, moderating now

Index, Jan. 2010 = 100, 5MMA, SA

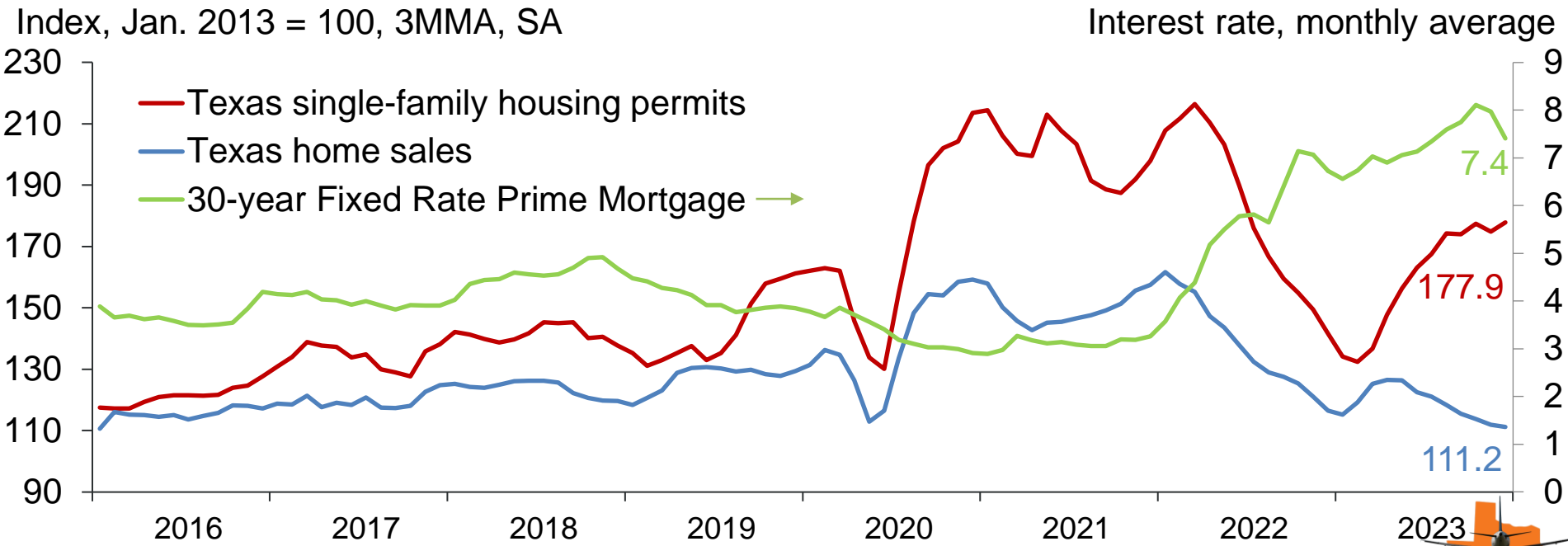


NOTE: Data are monthly contract values through December 2023.

SOURCES: F.W. Dodge; Federal Reserve Bank of Dallas.



Housing: Construction permits recover in 2023, but overall sales retreat



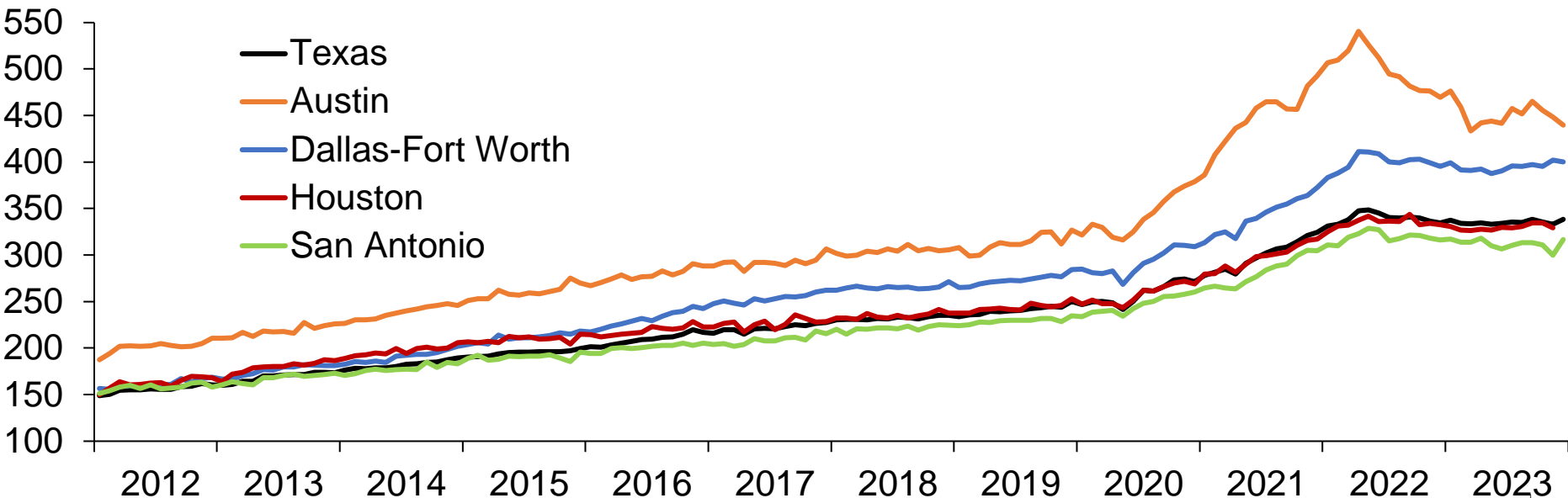
NOTE: Data are monthly through December 2023.

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



House prices hold steady

Median sales price, \$



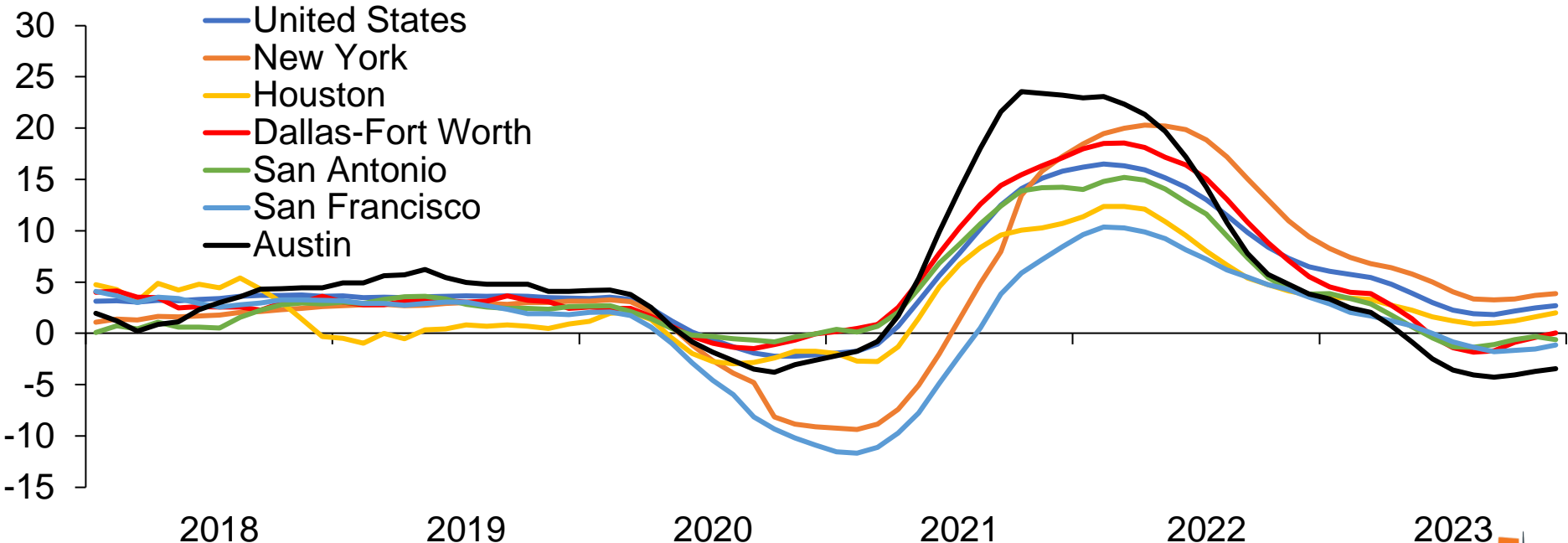
NOTES: Seasonally adjusted nominal price. Data through November 2023 for Houston and December 2023 for the rest.

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



Apartment rent growth bottoming out

Percent, Y/Y

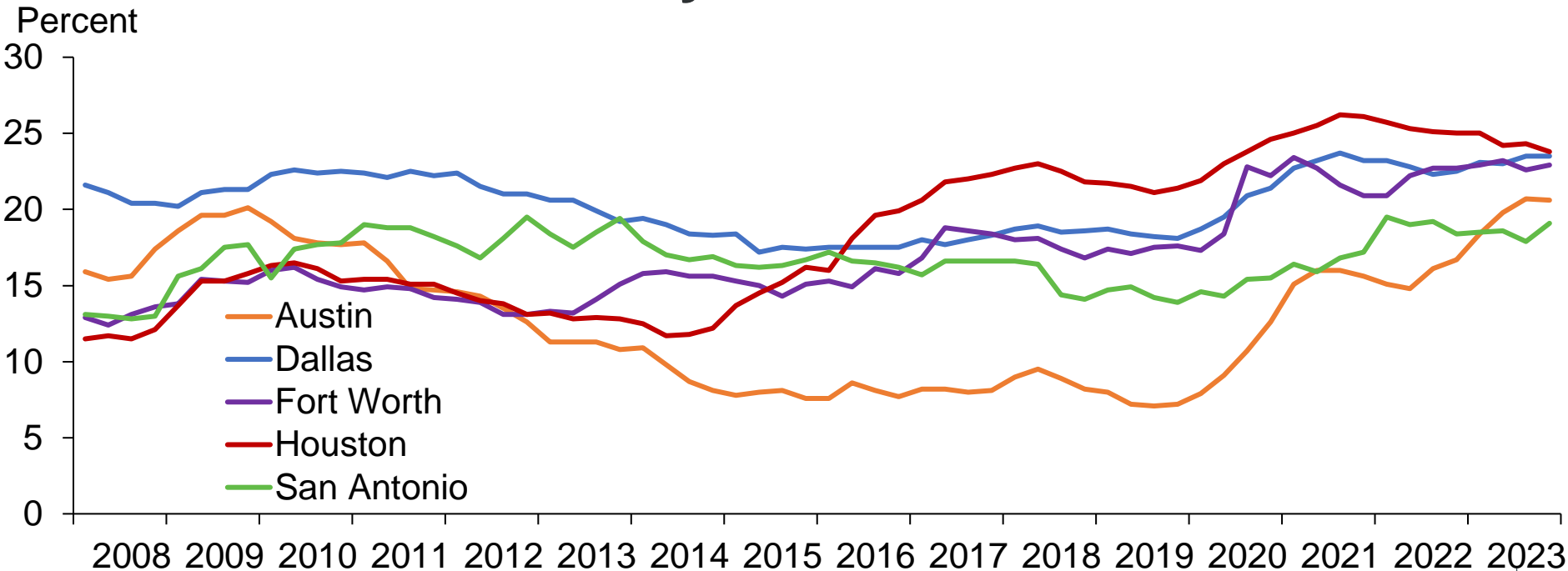


NOTES: Data are monthly, seasonally adjusted through December 2023. New York is missing March through September 2020 data. San Francisco is missing June through October 2020 data. Missing data are linearly interpolated.

SOURCE: Zillow.



Office vacancy rates stabilize in Q4

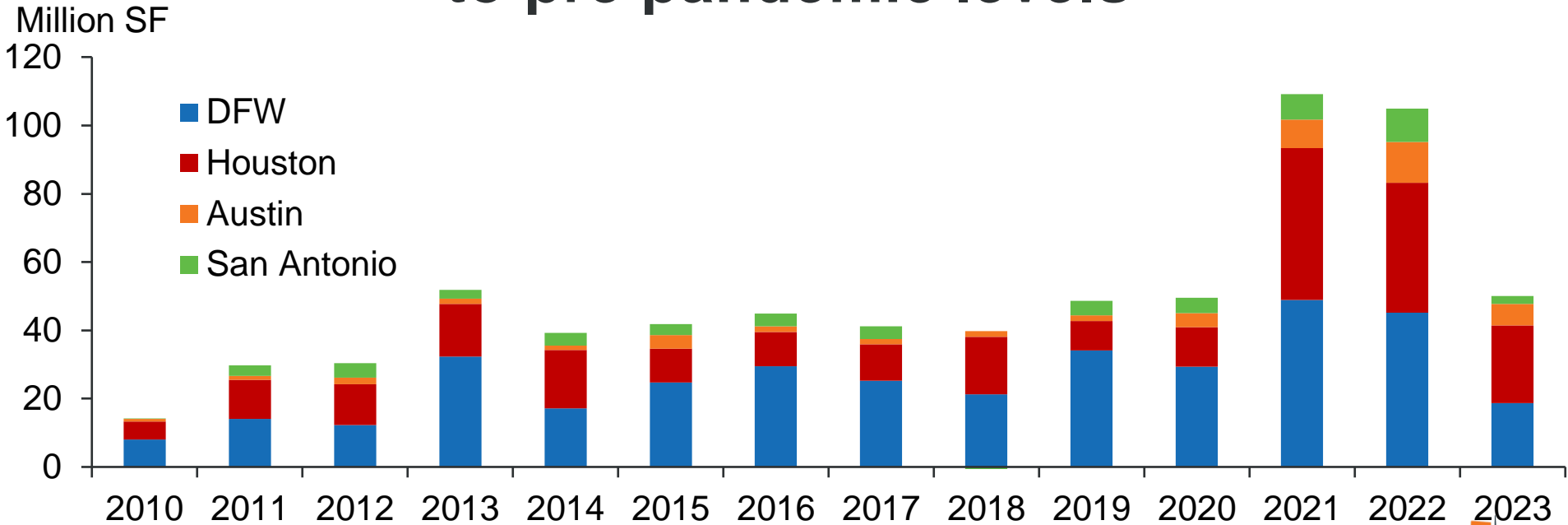


NOTE: Data through Q4 2023.

SOURCE: CBRE Econometric Advisors.



Industrial demand slows from record highs, back to pre pandemic levels

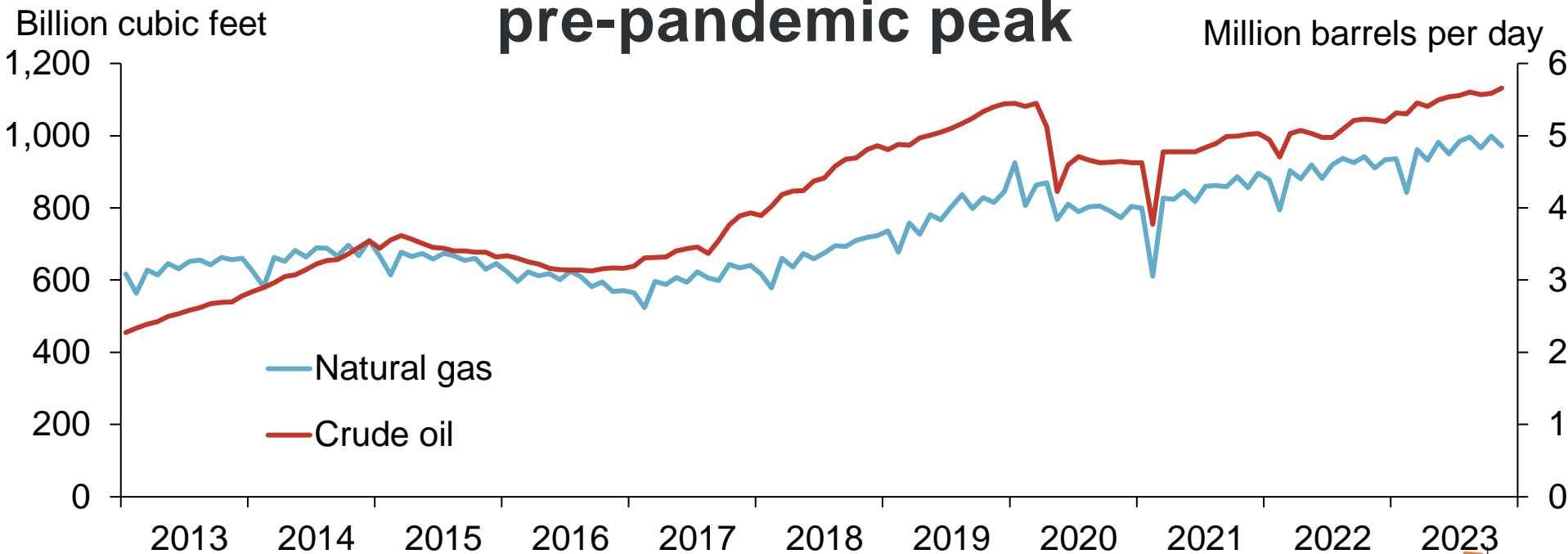


NOTES: Absorption. Data through Q4 2023.
 SOURCE: CBRE Econometric Advisors.



Energy and Exports

Texas oil and gas production finally reaches pre-pandemic peak



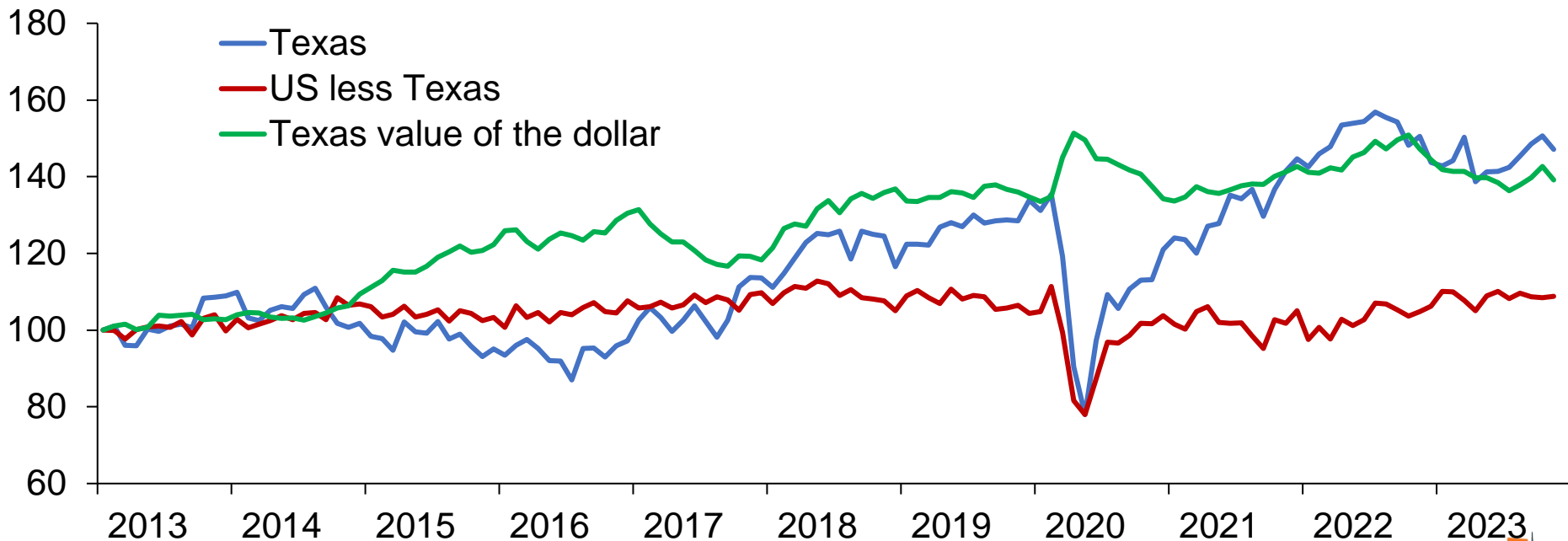
NOTE: Shown are crude oil and natural gas marketed production through November 2023.

SOURCE: Energy Information Administration.



Texas exports rise, US exports flat in 2023

Index, Jan. 2013=100, SA



NOTE: Shown are real exports through November 2023.

SOURCES: Federal Reserve Bank of Dallas; U.S. Census Bureau.

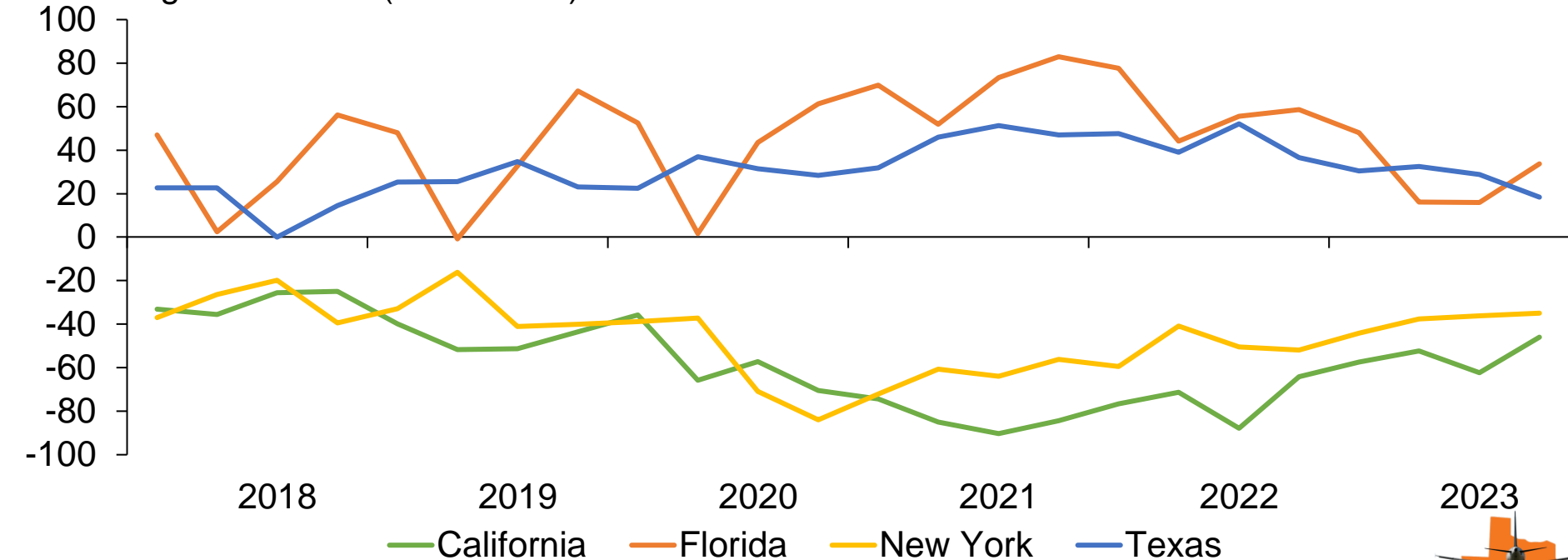




Outlook for 2024

Migration to Texas off its highs

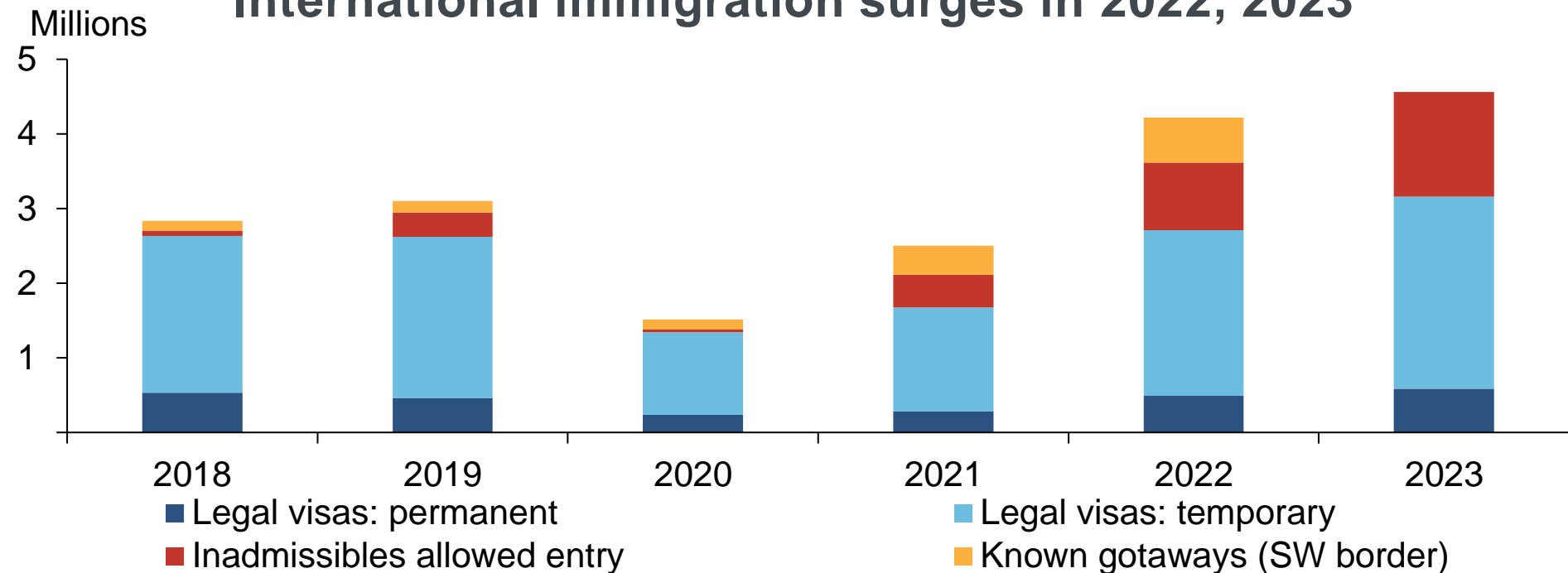
Net In-Migration Flows (Thousands)



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



International immigration surges in 2022, 2023

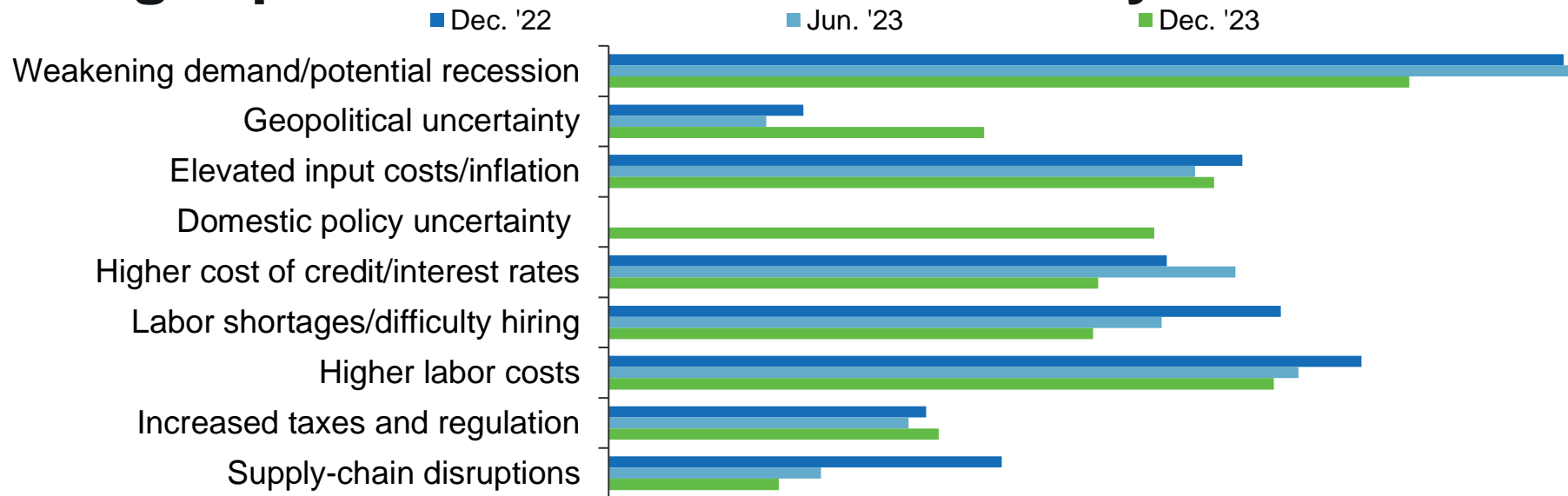


NOTES: Permanent visas are all immigrant visas issued in a given year. Temporary visas are a sum of the non-immigrant visas issued, excluding class A (for staff of foreign governments) and class B (travelers for business or pleasure). Inadmissibles allowed entry are taken from CBP reports of encounters at the southern border ending in release into the U.S. or transfer to HHS. Known gotaways are from Homeland Security and CBP and are through 2022.

SOURCES: U.S. State Department; Customs and Border Protection; U.S. Department of Homeland Security.



Texas firms less concerned about recession, but geopolitical/election uncertainty on the rise



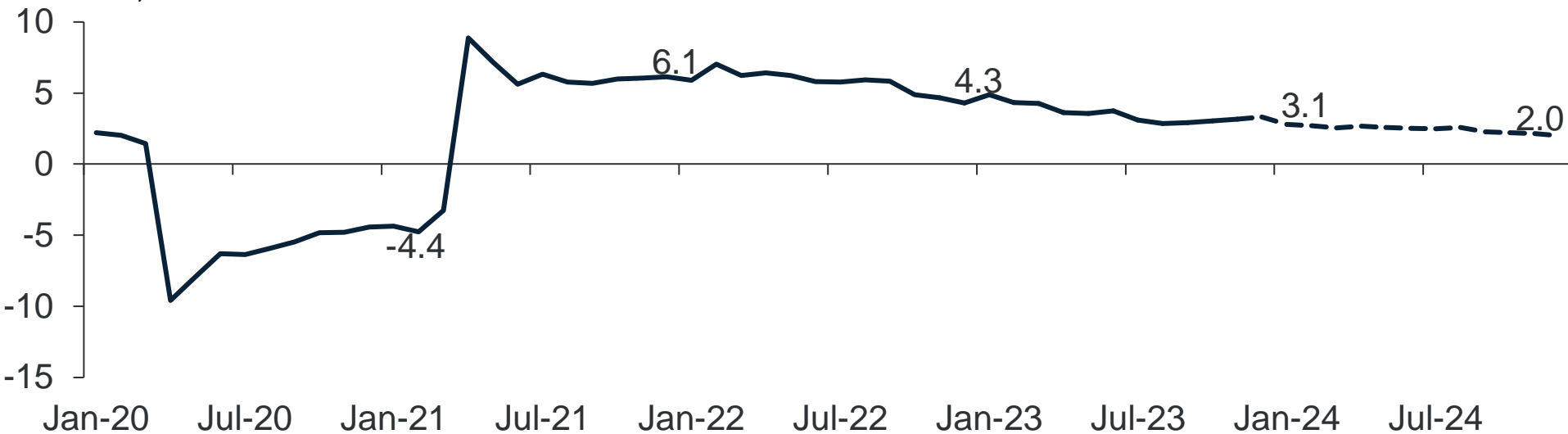
NOTES: Respondents were asked "What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three." Shown is the percent of respondents citing each concern. 351 responses in Dec. 2023. Domestic policy uncertainty question added in December 2023 includes national elections.

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



The Texas employment forecast is for 2.0 percent job growth in 2024

Percent, Y/Y



SOURCE: Dallas Fed's Texas Employment Forecast.

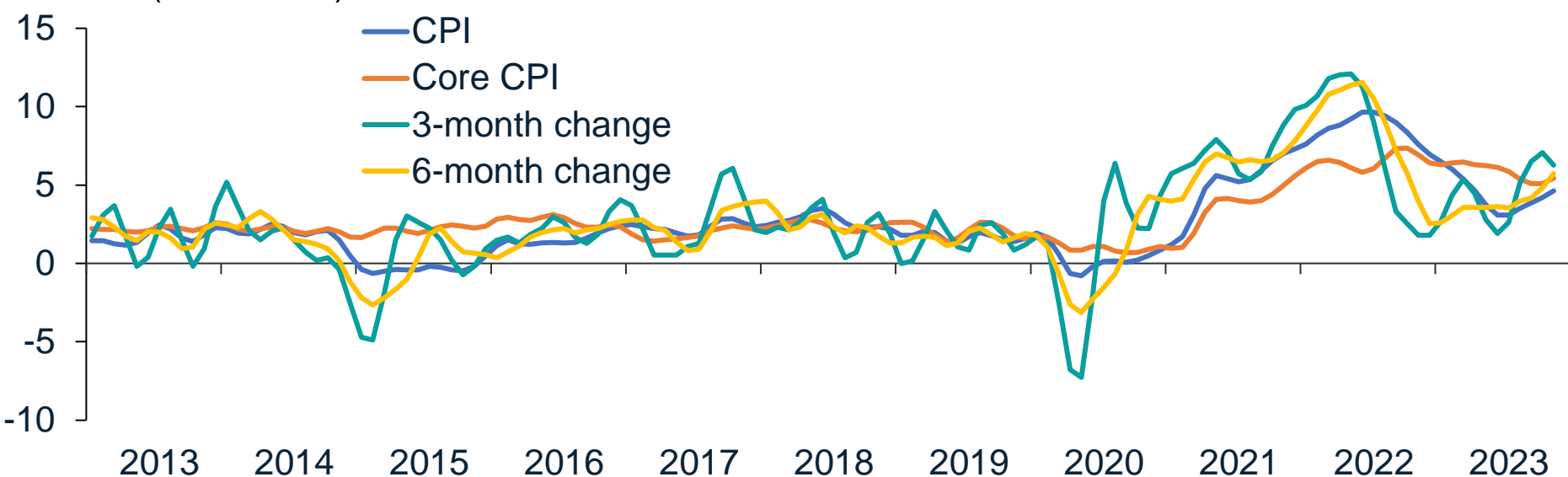




Risks to the Outlook

Texas CPI too high and moving in the wrong direction

Percent (annualized)



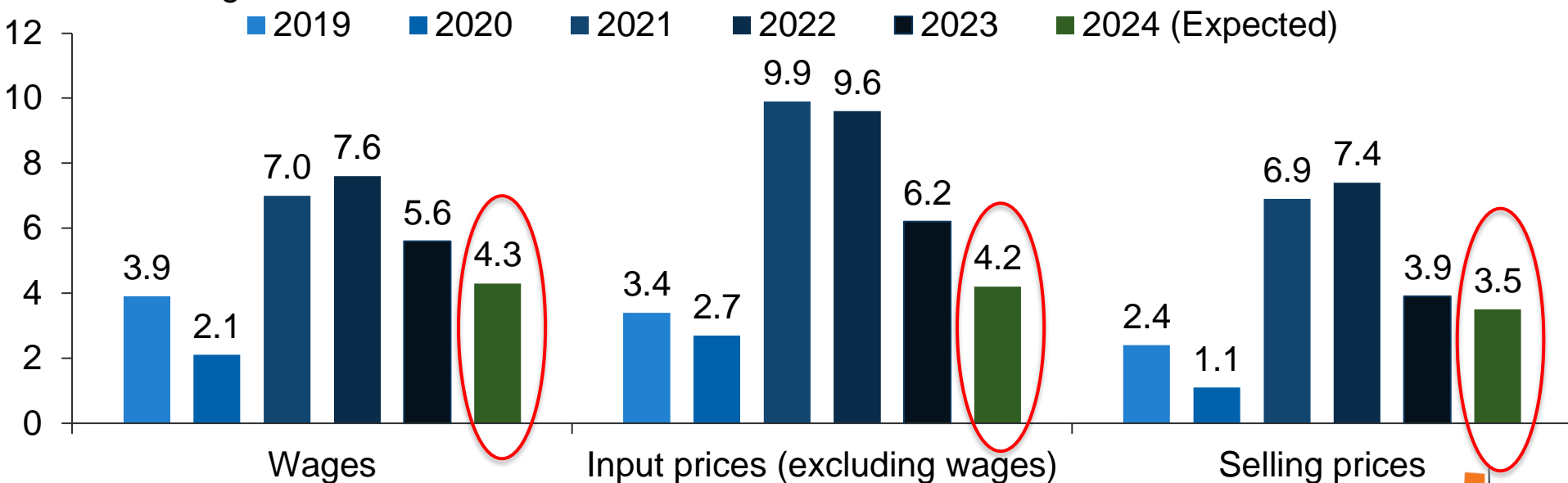
NOTES: CPI data through November 2023. 3- and 6-month change is based on headline CPI.

SOURCE: Bureau of Labor Statistics.



Texas firms: Price, wage growth expected to moderate this year, but remain elevated

Percent change

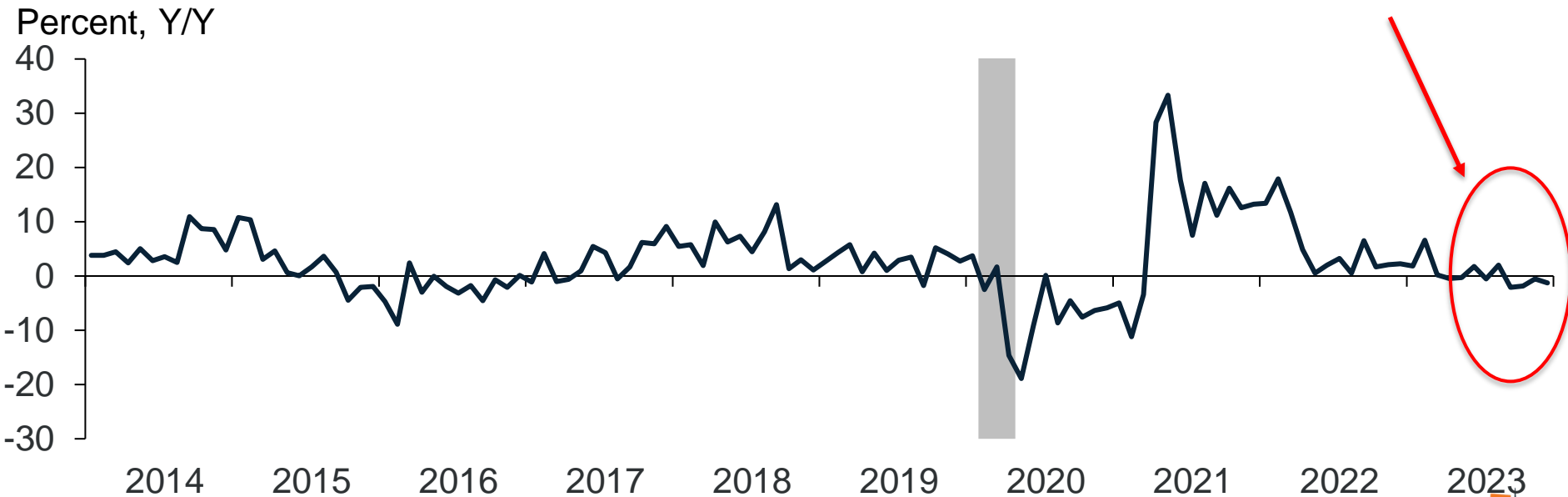


NOTES: Shown are the trimmed mean actual percent changes in wages, input prices, and selling prices reported by TBOS respondents in Dec. of each year. Shaded bars indicate forecasted changes in prices for 2024, as of December 2023.

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



Despite wage growth, sales tax revenue points to falling consumption growth



NOTES: Real, seasonally adjusted data through December 2023. Gray shading indicates pandemic recession.
SOURCES: Texas Comptroller of Public Accounts; Federal Reserve Bank of Dallas.



Summary

- Economy had a surprisingly strong year
 - Forecast indicates Texas ‘landing’ at trend growth in 2024
- Downside risks to the outlook
 - Persistent inflation may cause Fed to put off rate cuts
 - Consumer resilience may be ebbing; CRE still fragile
 - Geopolitical risk, election uncertainty on the rise
- Upside risks include financial conditions easing, migration remaining unusually high and forecast being wrong (again!)
 - Also uncertain when medium to long run factors that favor the region will play out, including nearshoring and industrial policy

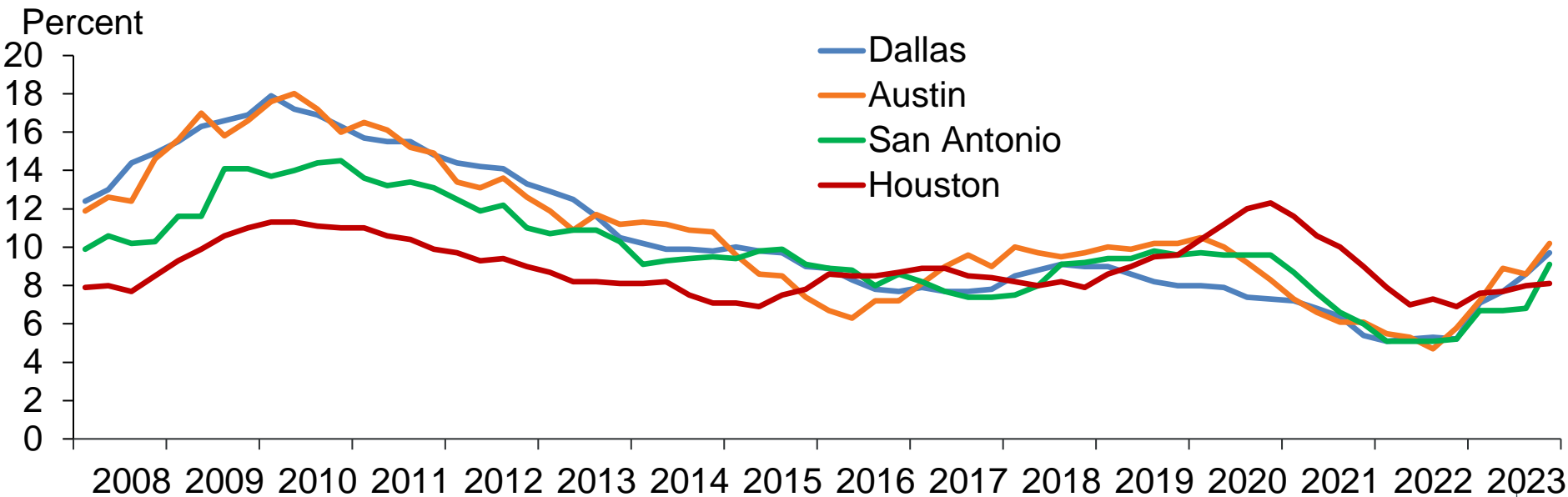




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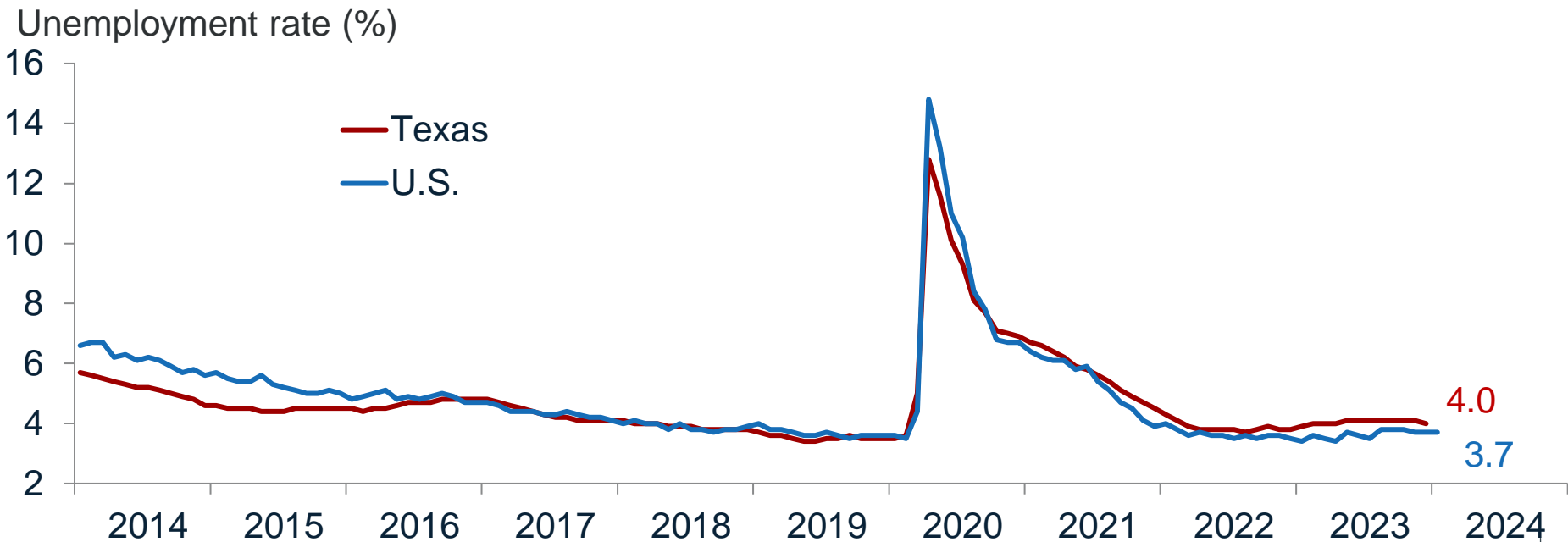
Building a strong economy together

Industrial availability rises as demand slows and supply remains elevated



NOTE: Data through Q4 2023.
SOURCE: CBRE Econometric Advisors.

Official Tx unemployment rate little changed in '23

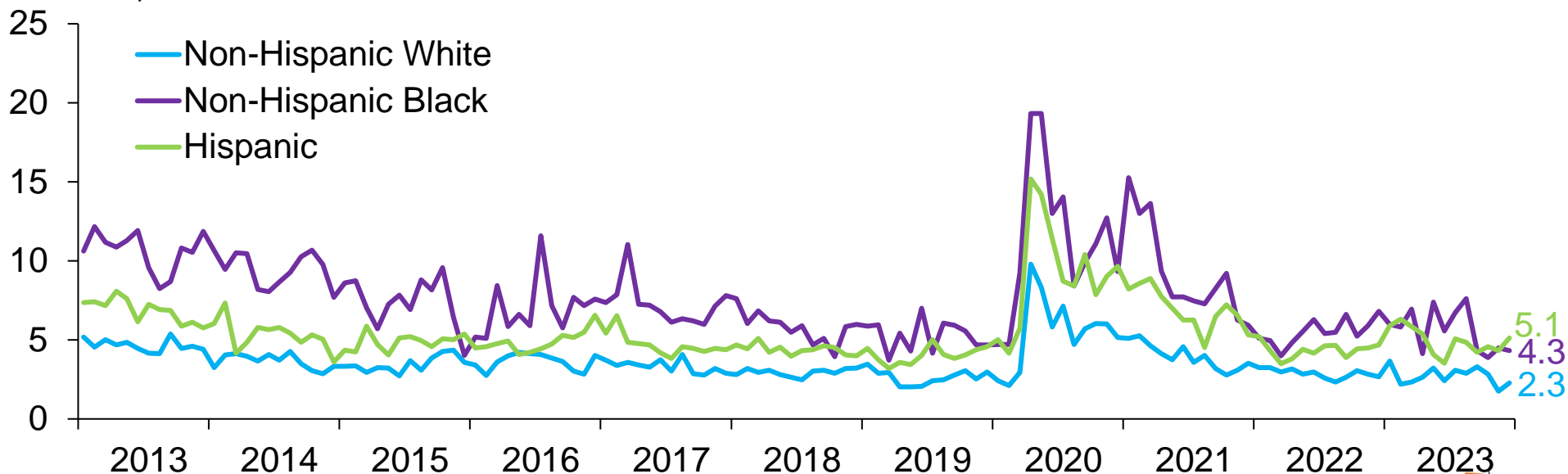


NOTE: Data are seasonally adjusted through December 2023 for Texas and through January 2024 for U.S.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.



But our calculations suggest unemployment rate fell for all groups in 2023

Percent, SA

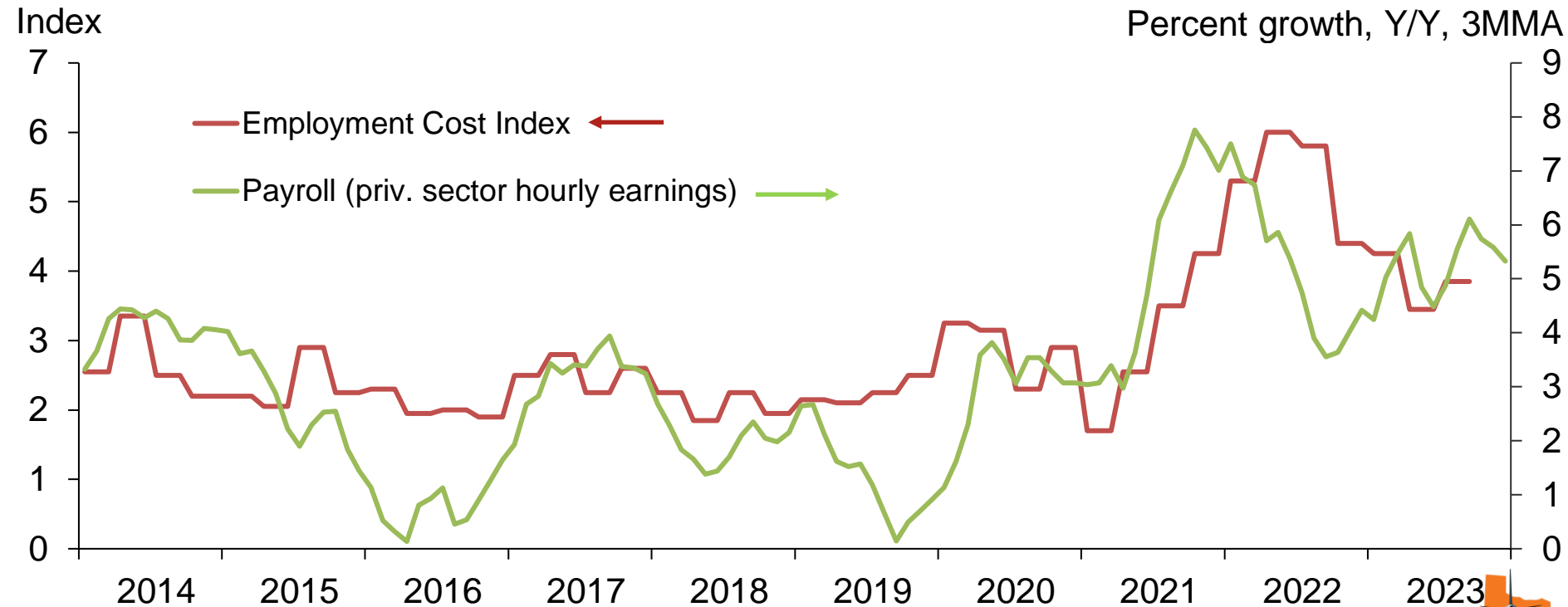


NOTE: Last data points are December 2023 values.

SOURCE: Current Population Survey, authors' calculations.



Wage growth still high, moving sideways



NOTES: Payroll data is through December 2023. ECI data through Q3 2023.
SOURCE: Bureau of Labor Statistics.

