



Federal Reserve
Bank of Dallas

How Resilient is Current Growth?

Texas Economic Update

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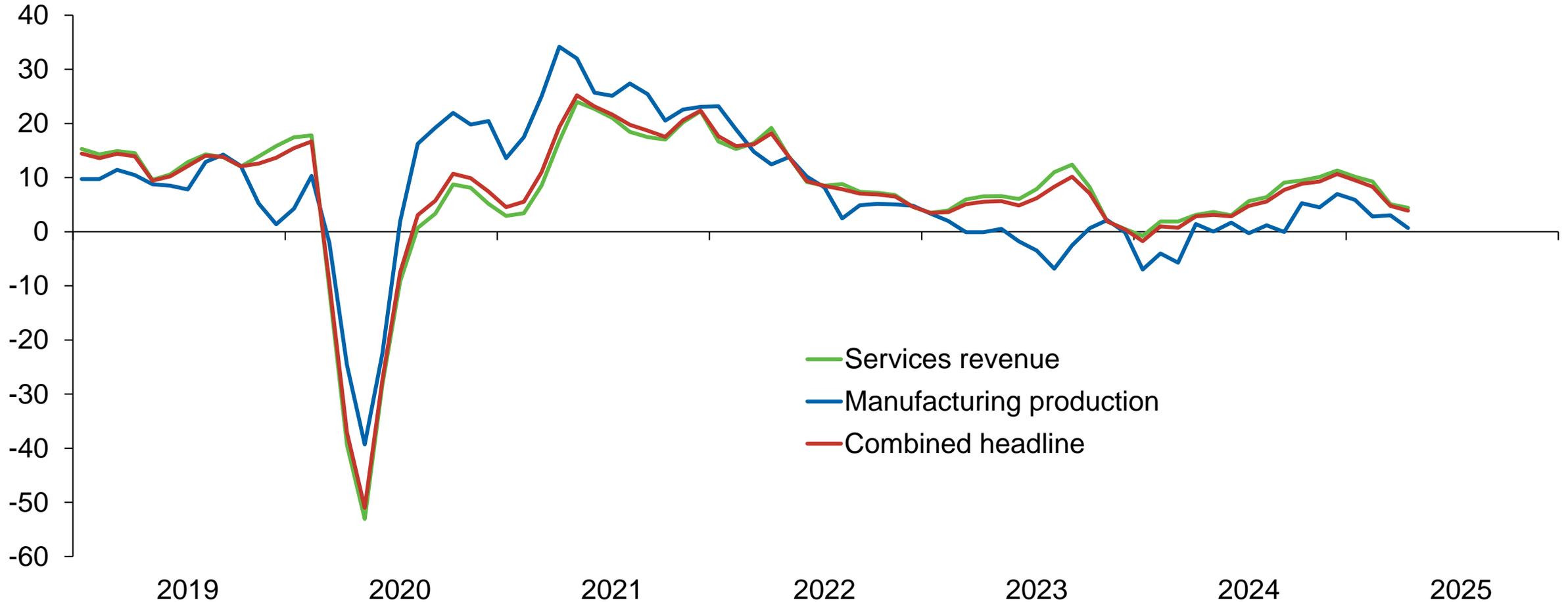
The views expressed are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Dallas or the Federal Reserve System.

Overview

- Texas economy is relatively healthy
 - Job growth has been robust so far in 2025
 - But real-time surveys of Texas businesses point to softening activity
- Growth is likely to slow to below trend in 2025
 - Tariffs and tariff uncertainty will lead to higher prices; consumption and investment will weaken
 - Lower immigration and government spending cuts may lead to additional negative growth effects
 - But tax cuts may boost the economy in the second half; deregulation could also be a tailwind

Texas business outlook surveys suggest activity is slowing

Diffusion index

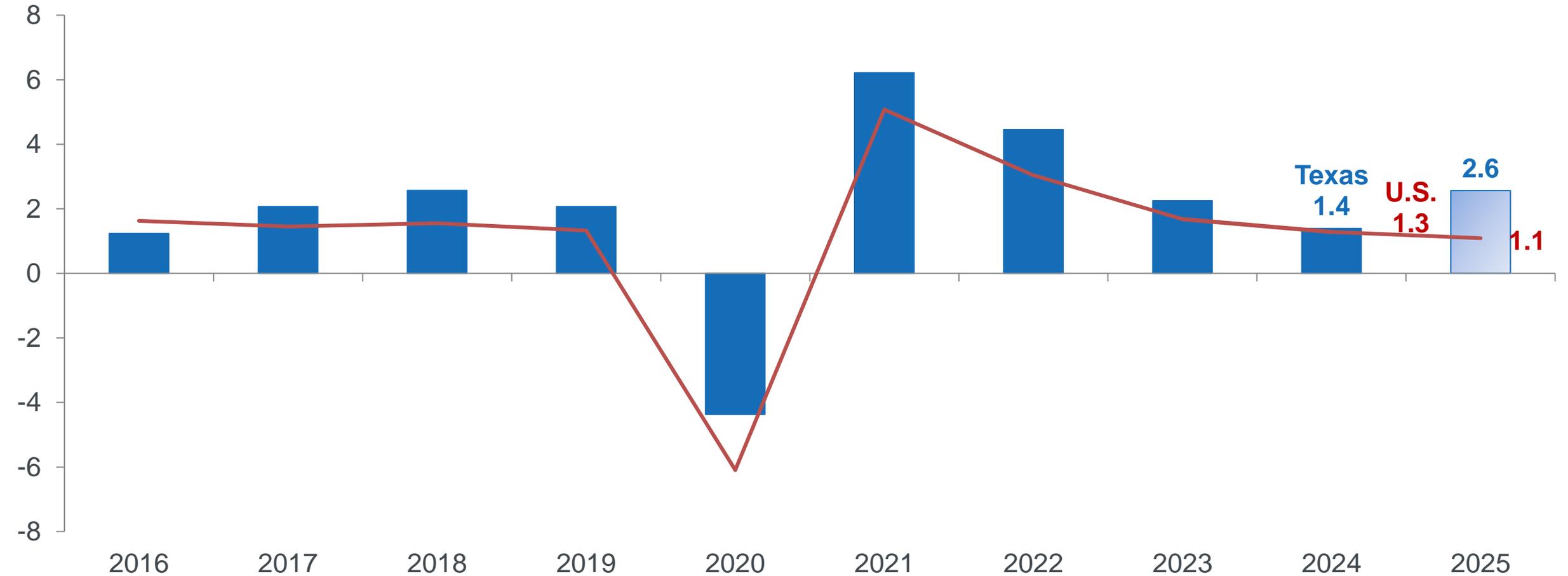


NOTE: Shown are results from TMOS and TSSOS surveys. Data are seasonally adjusted and three-month moving averages. Data are monthly through April 2025.

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

Yet Texas' job growth is robust this year, far better than 2024

Job growth (percent)

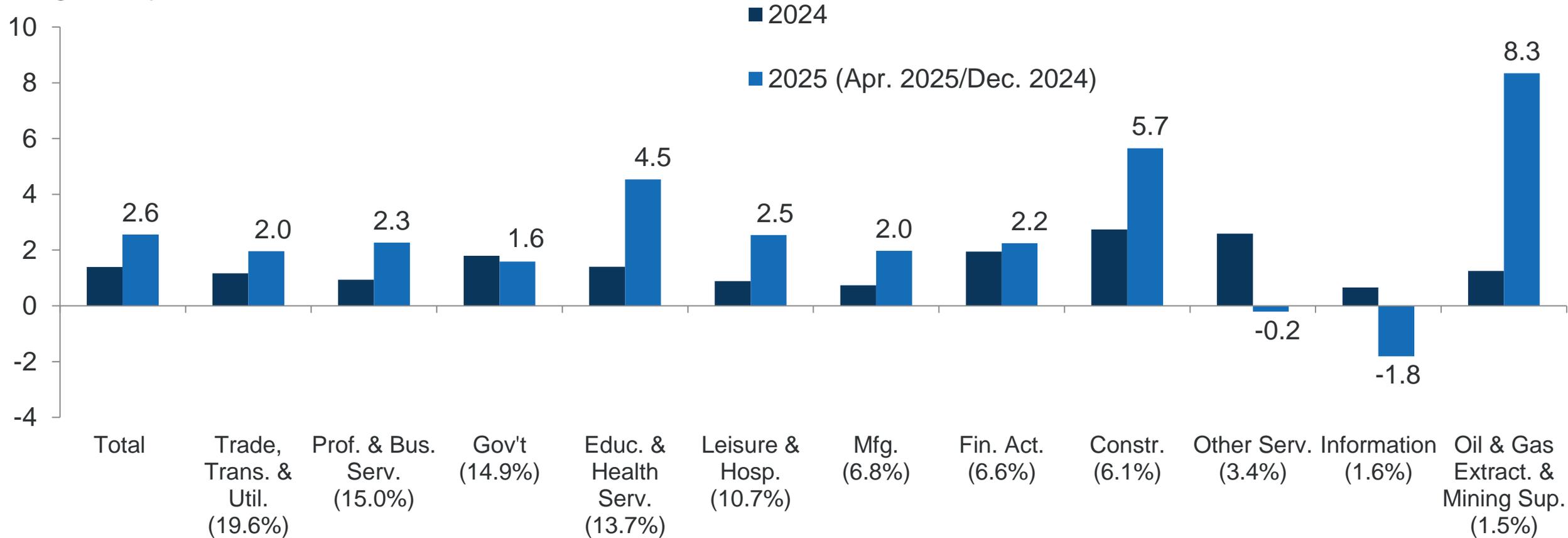


NOTES: Data are Dec./Dec. growth and seasonally adjusted. 2025 data is Apr. '25/Dec. '24 annualized.

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

Strongest job growth this year is in oil & gas, construction and health

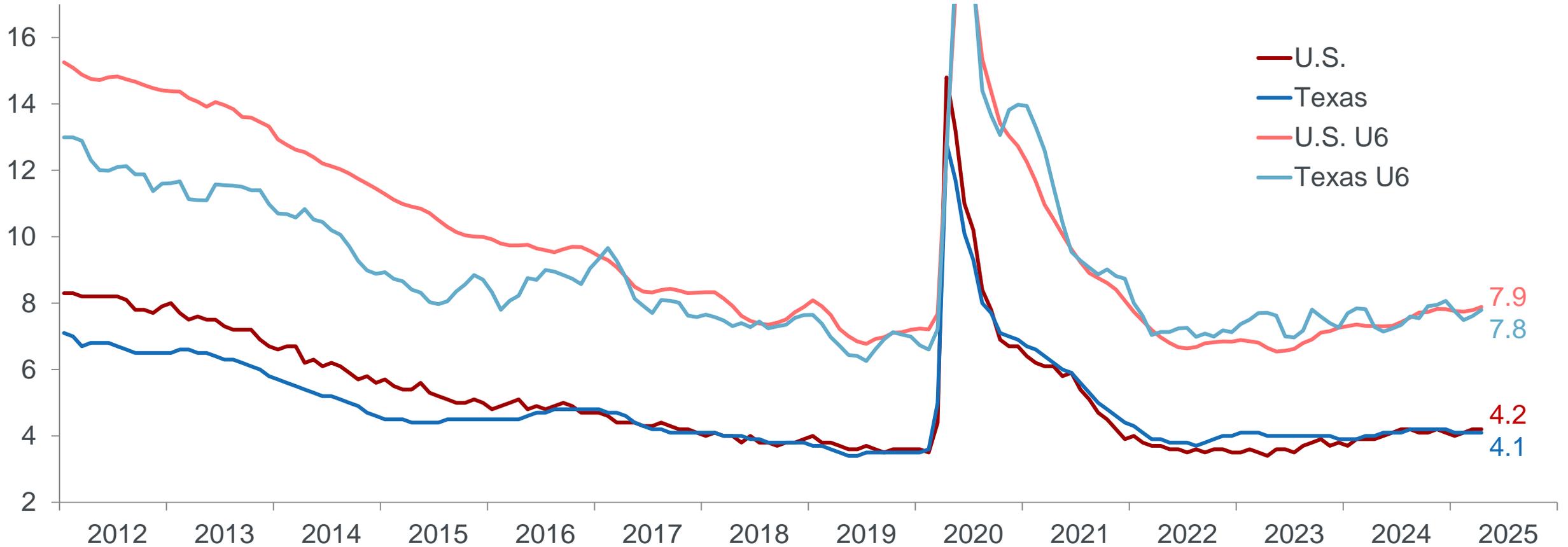
Job growth, percent



NOTE: Numbers in parenthesis indicate share of total state employment for April 2025. Data are seasonally adjusted and annualized. SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

Broader measures of the unemployment rate are on the rise as headline measure remains stable

Unemployment rate (percent)



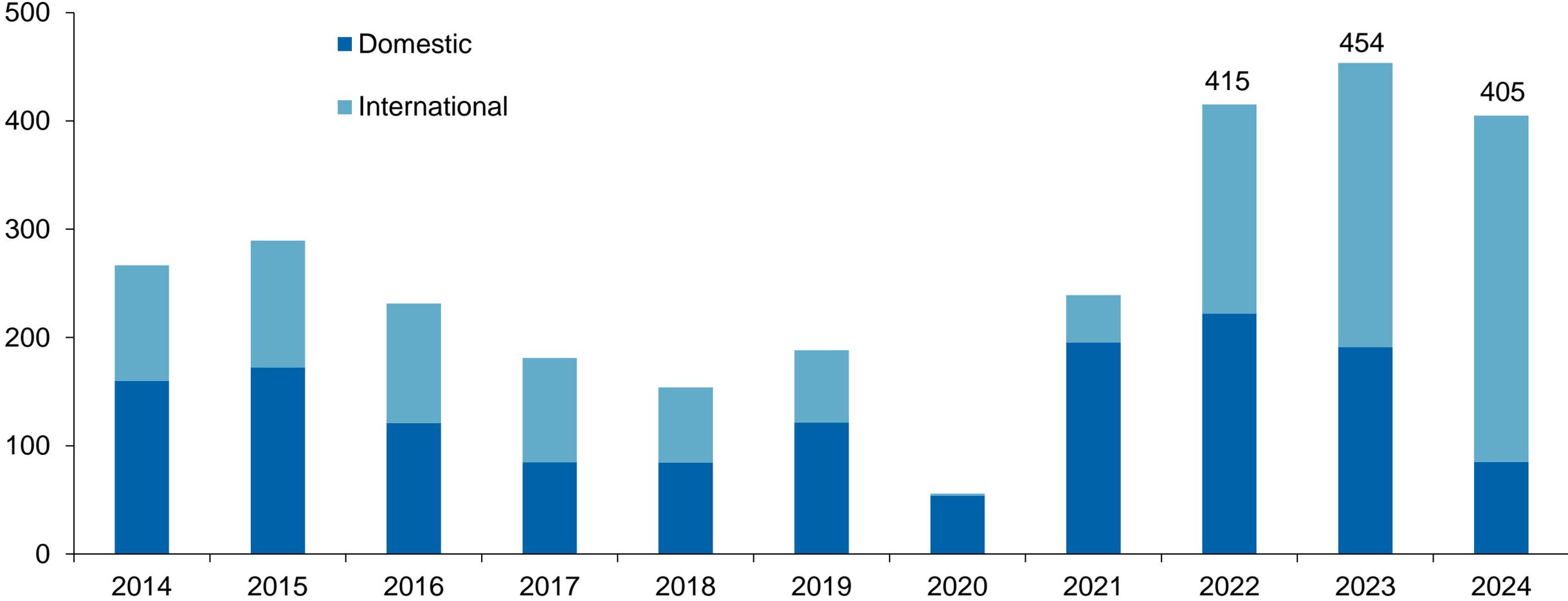
NOTE: Data are seasonally adjusted. Data are monthly through April 2025. Texas U6 is a three-month moving average.

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

Migration

International migration surged further in 2024, but domestic dropped

Thousand persons

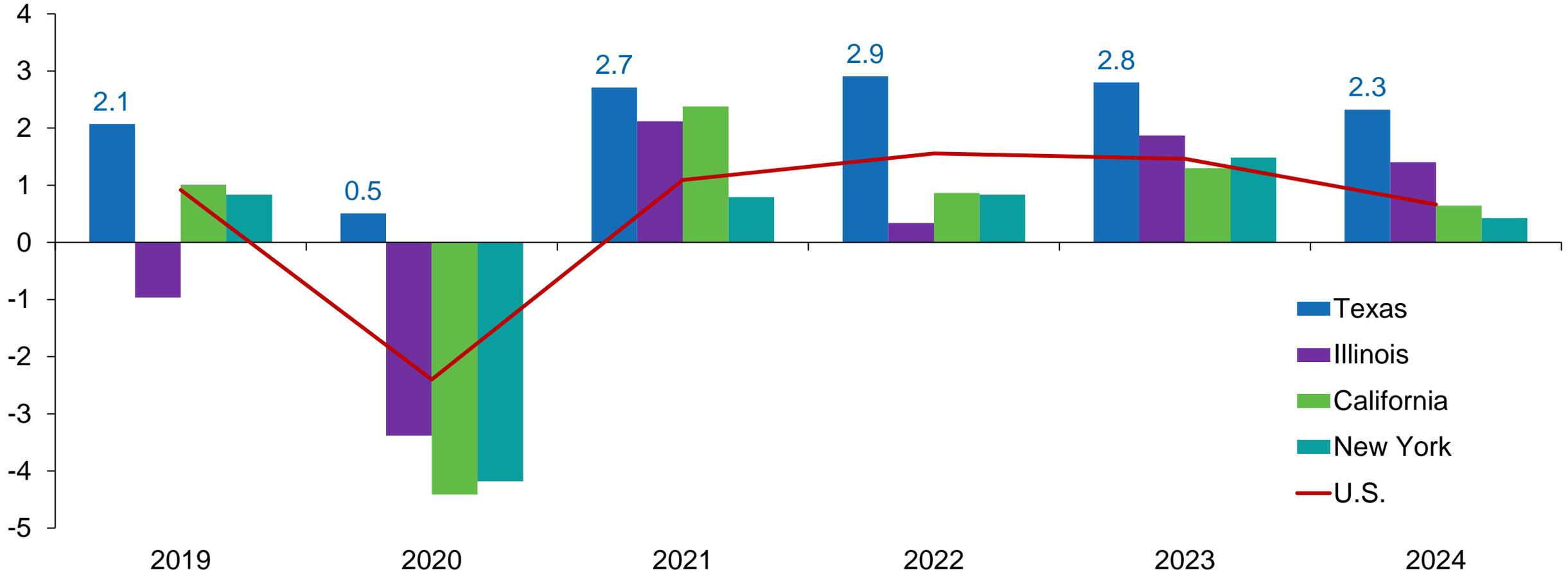


NOTES: Shown are net domestic and net international migration into Texas annually.

SOURCE: Census Bureau.

Texas consistently leads in labor force growth among large states, US

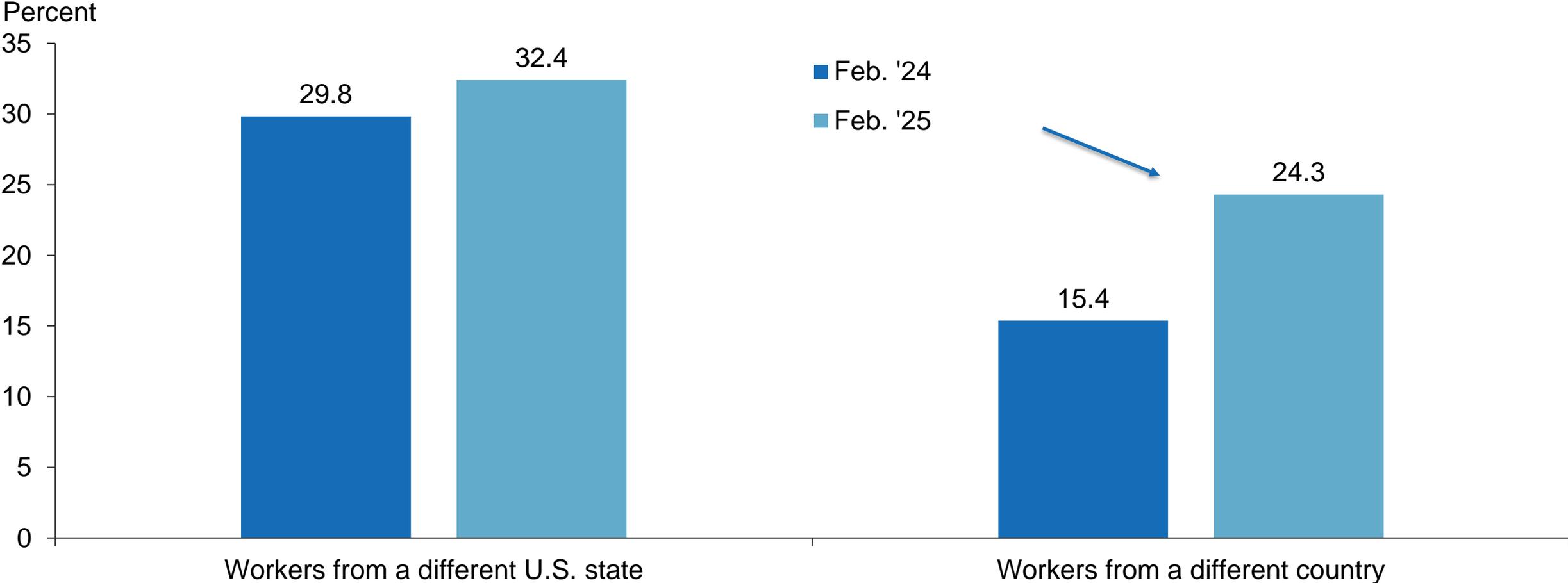
Labor force growth (percent)



NOTES: Shown are labor force growth rates (Dec./Dec.). Data are seasonally adjusted.

SOURCE: Bureau of Labor Statistics.

Texas firms' increasing reliance on immigrant workers

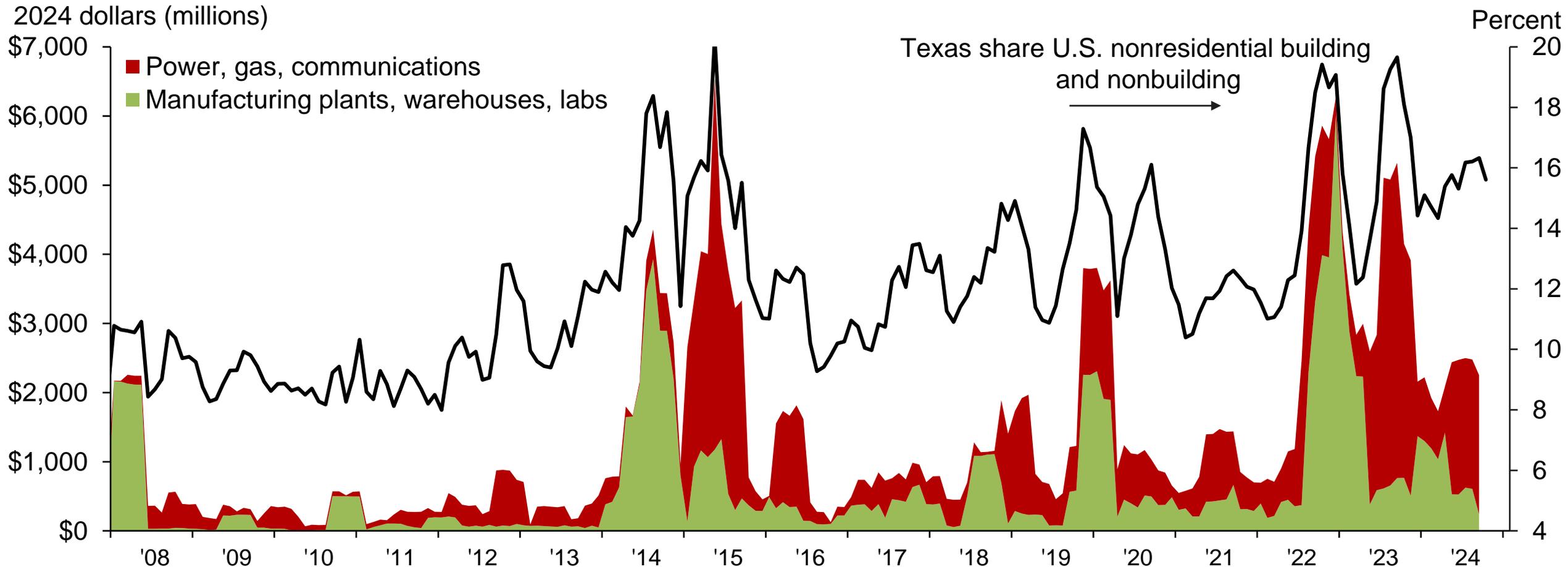


NOTES: Firms were asked, "Over the past year, to what extent has your firm relied on hiring workers who moved to Texas from either a different U.S. state or a different country?" N = 302 responses in February 2025. Shown are the percent who answered "Significant reliance" or "Some reliance."

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

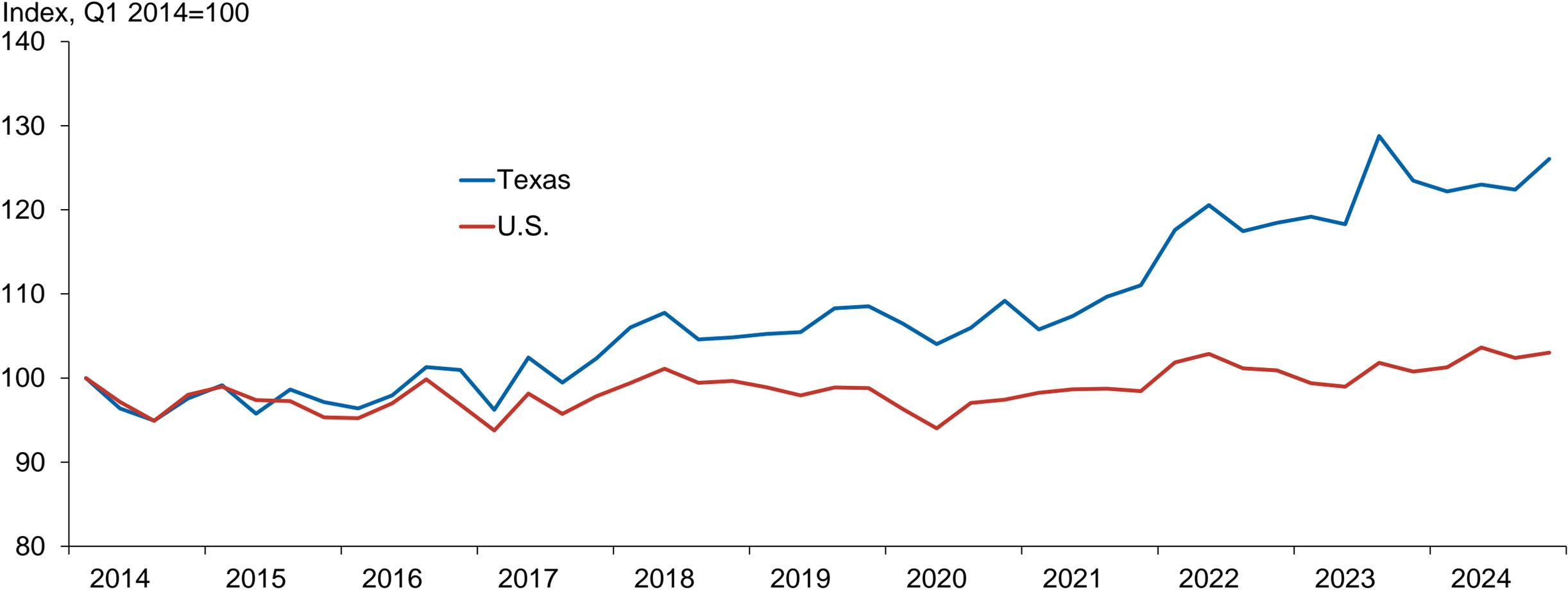
Construction and real estate

Texas' share of construction activity rose post-pandemic amid national construction boom



NOTES: Data are five-month trailing averages. Texas construction contract values are adjusted using October 2024 Consumer Price Index data and presented as stacked areas. SOURCES: Dodge Construction; Census Bureau; Bureau of Labor Statistics.

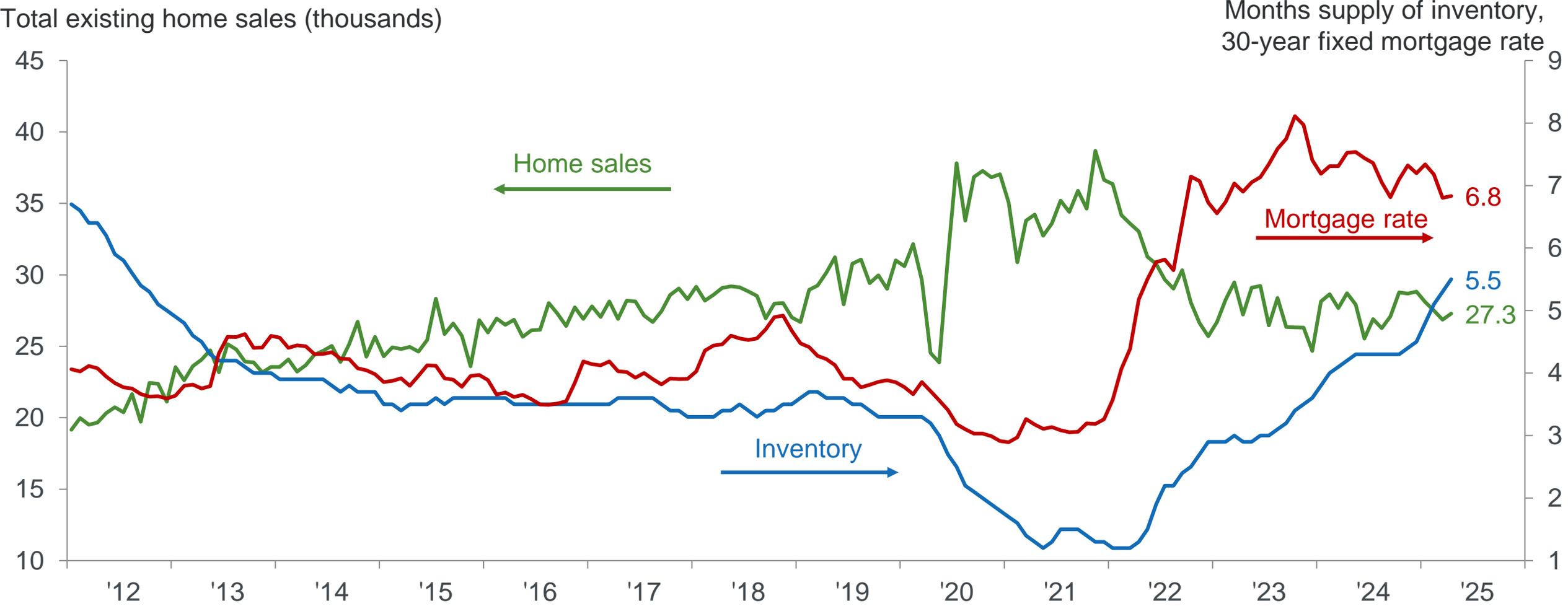
Economic growth, hot weather and electrification are boosting electricity consumption in Texas more than in US



NOTE: Shown are seasonally adjusted retail sales of electricity for all sectors in KWH. Data are quarterly through Q4 2024.

SOURCE: U.S. Energy Information Administration.

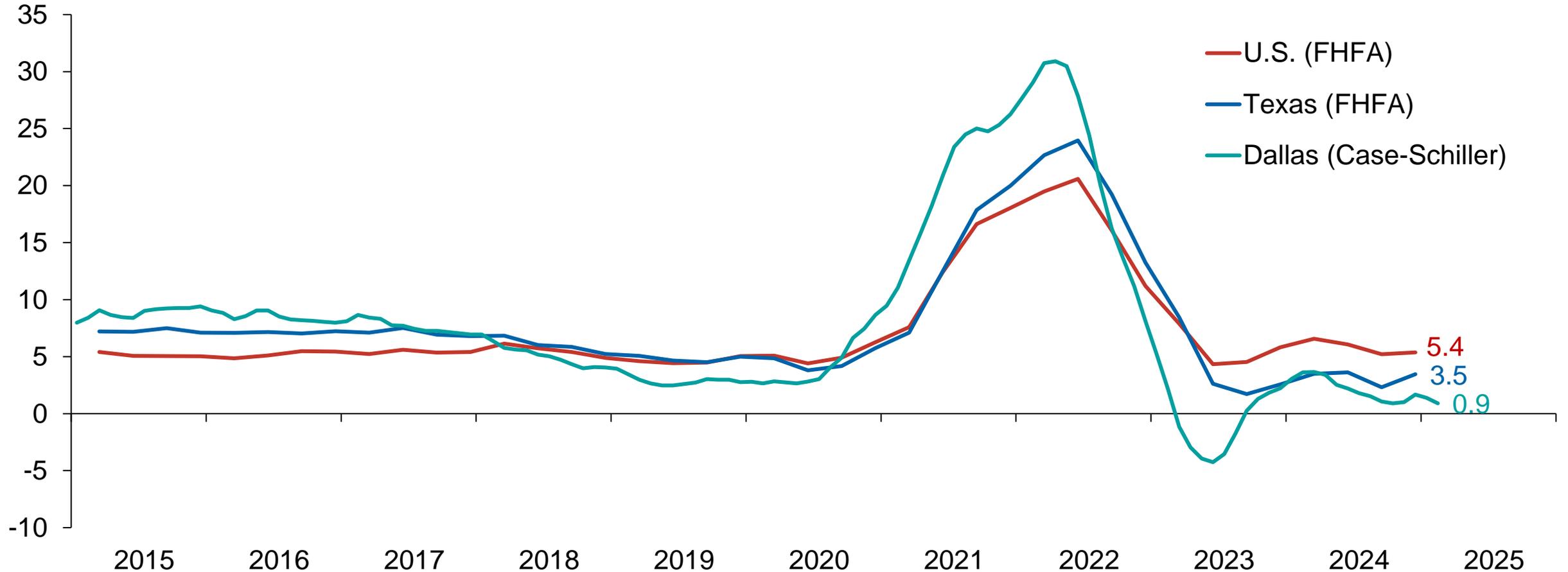
Existing home sales are low, inventories rising



NOTE: Data are seasonally adjusted and monthly through April 2025.
SOURCES: Multiple Listings Service; seasonal and other adjustments by FRB Dallas.

Texas house price growth trails nation, real prices falling

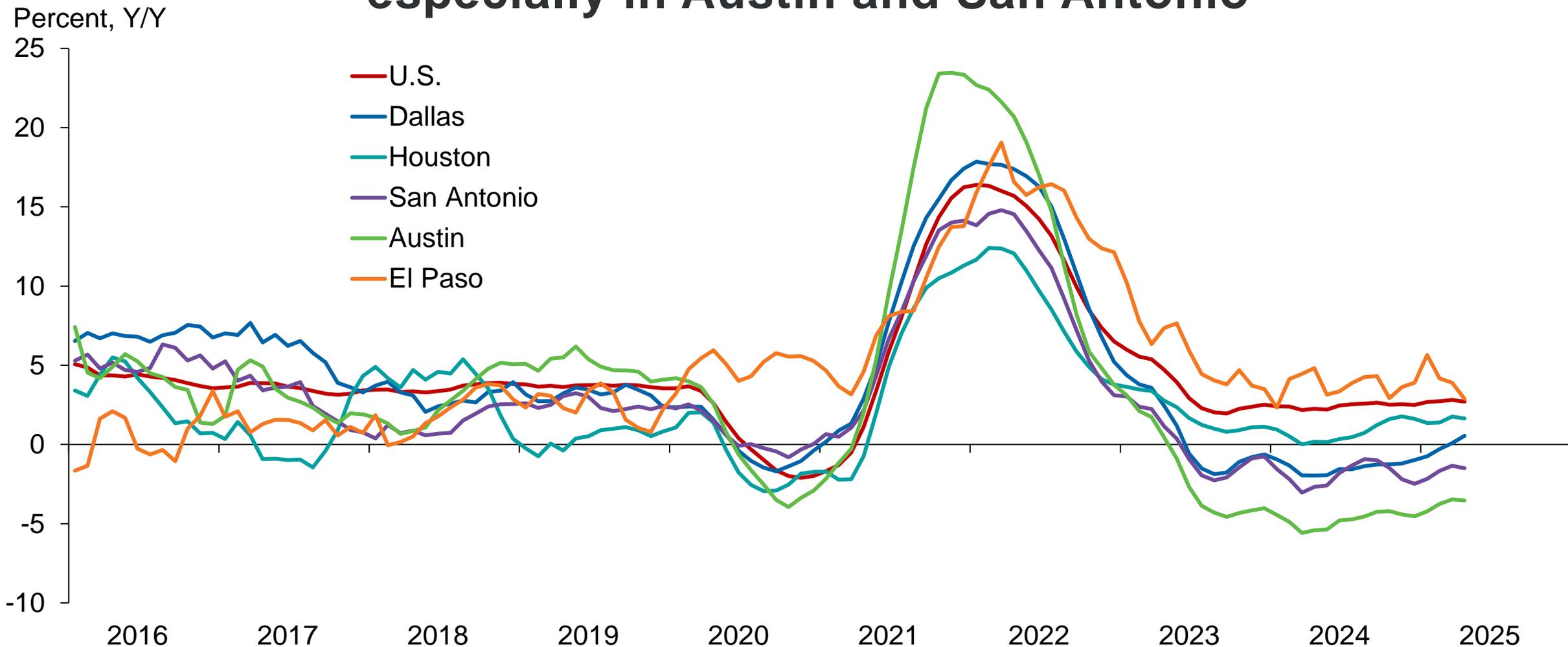
Percent, Y/Y



NOTES: Shown are home price indices. FHFA indices are quarterly through Q4 2024. Case-Schiller index is monthly through February 2025.

SOURCES: S&P Core Logic; Federal Housing Finance Agency.

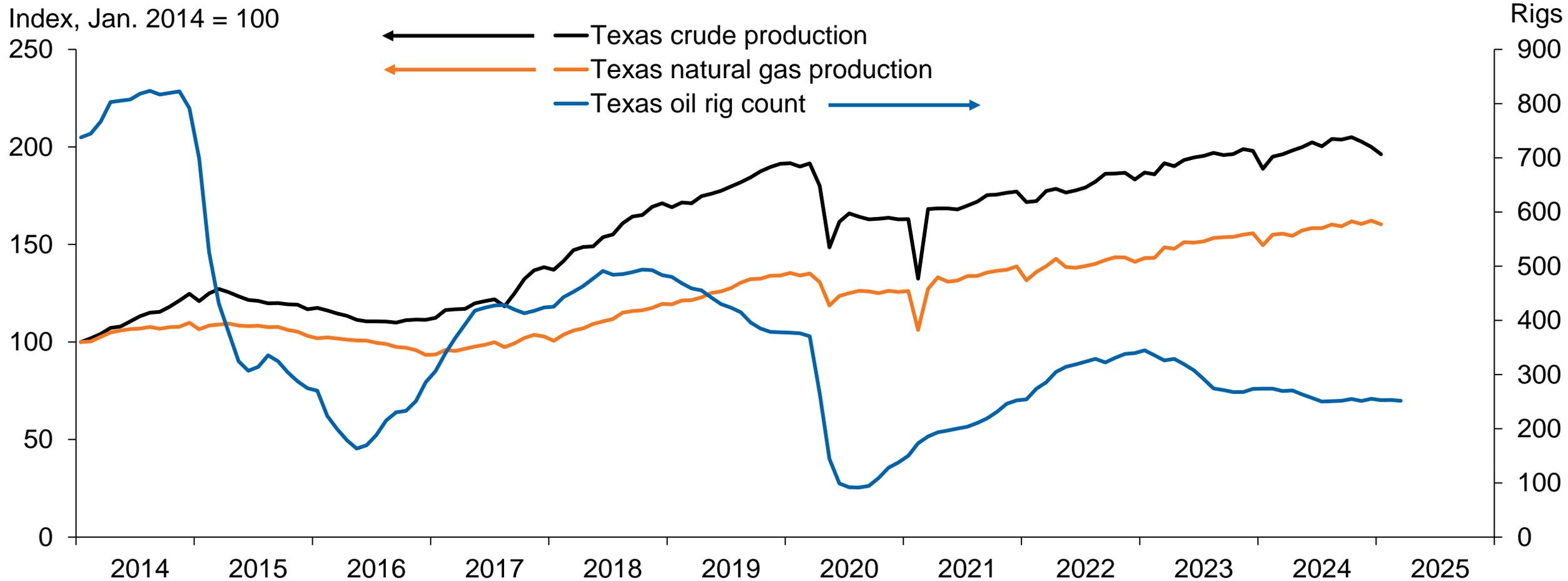
Apartment rents are still under pressure, especially in Austin and San Antonio



NOTES: Data are smoothed, seasonally adjusted, and monthly through April 2025.
SOURCE: Zillow.

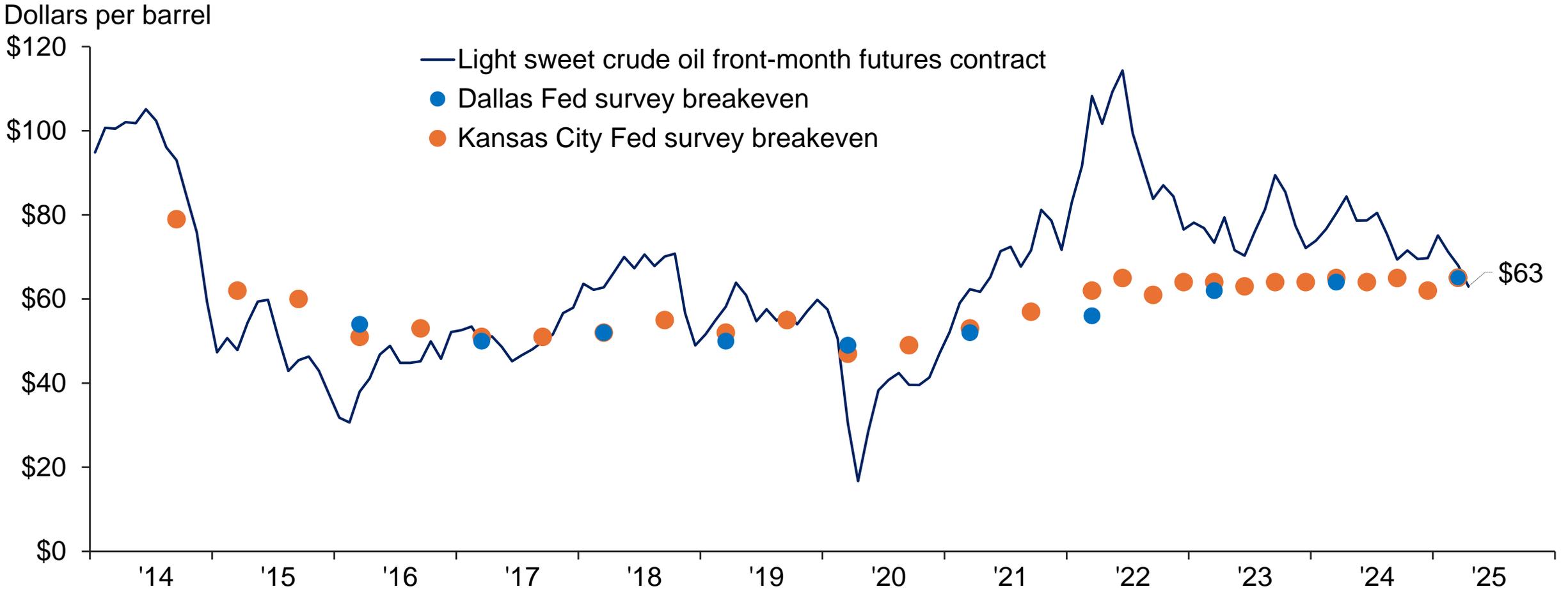
Energy

Oil production turns down on lower prices



NOTES: Texas crude oil and natural gas production is monthly through January 2025. Texas rotary oil rig count is averaged from the weekly level through March 2025.
SOURCES: Energy Information Administration; Baker Hughes.

WTI oil price is testing average breakeven price



NOTE: Prices are monthly averages. Breakeven price is the minimum oil price needed to profitably drill a new well.

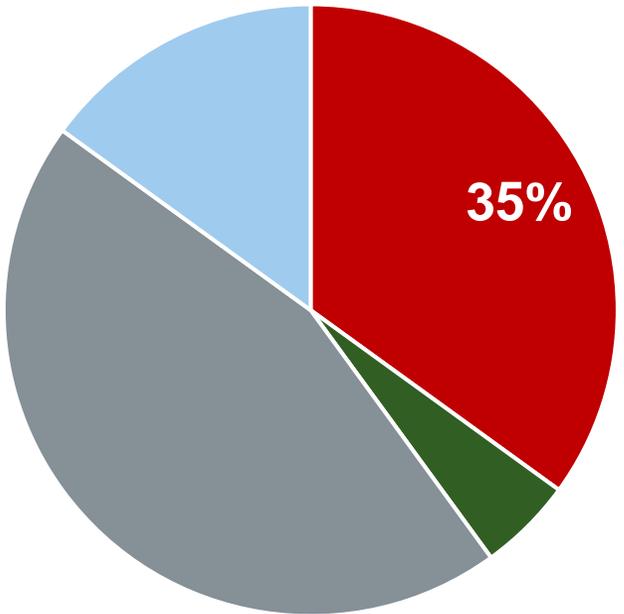
SOURCE: Bloomberg; Bureau of Labor Statistics; Federal Reserve Banks of Dallas and Kansas City; Energy Information Administration.

International Trade

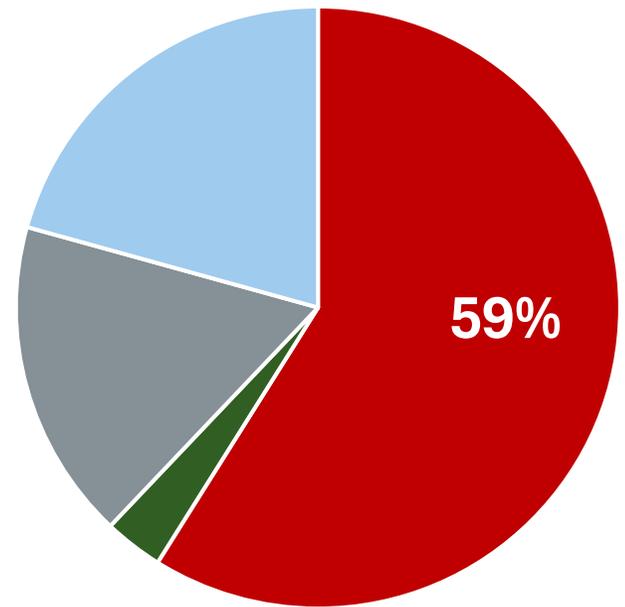
Among Texas firms, tariff effects this year are likely to be greater than last time (2018)

Do you expect higher tariffs to impact your business this year?

Sept. '18 Current



Apr. '25

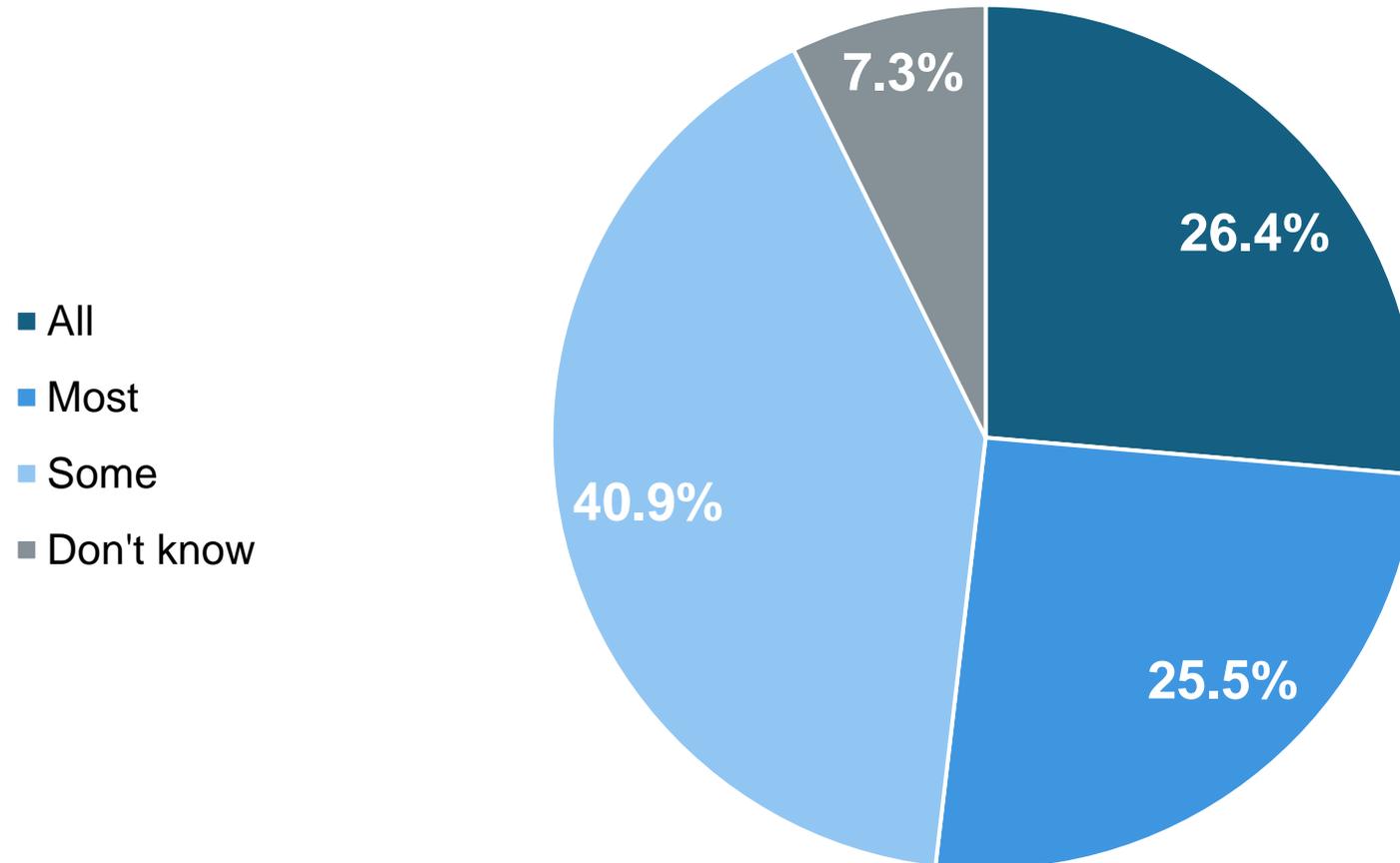


NOTES: N=348. Survey collection period was Apr 15-23. In Sept. 2018 the question was, “What net impact have higher U.S. and foreign tariffs had on your firm, and what do you expect for the longer term (next two years)?”

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

Texas businesses split about the extent of pass through of tariff increases to prices

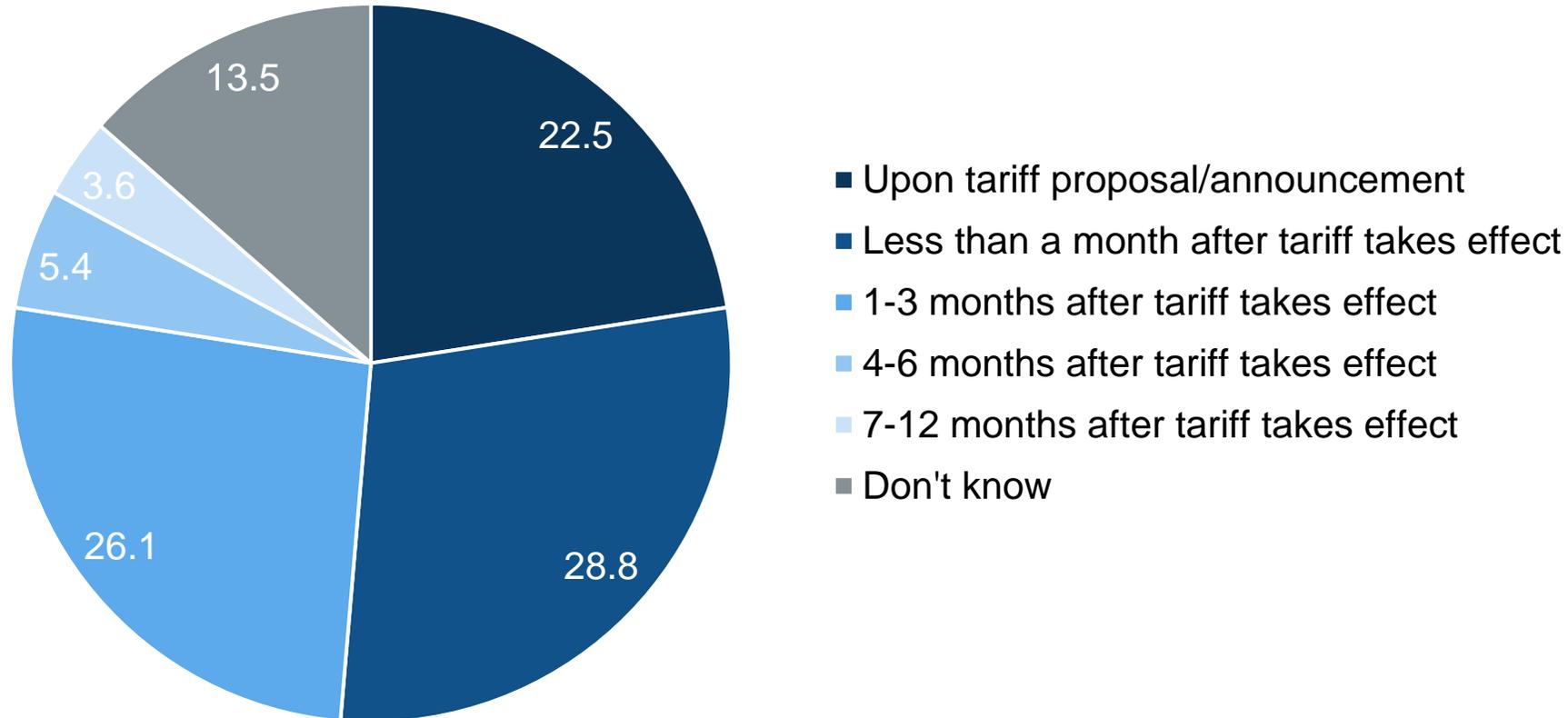
What share of tariff cost increases do you expect to pass through to customers?"



NOTES: N=110. This question was only posed to those passing cost increases through to customers. Survey collection period was Apr. 15-23.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Texas businesses signal quick price adjustments in response to tariffs

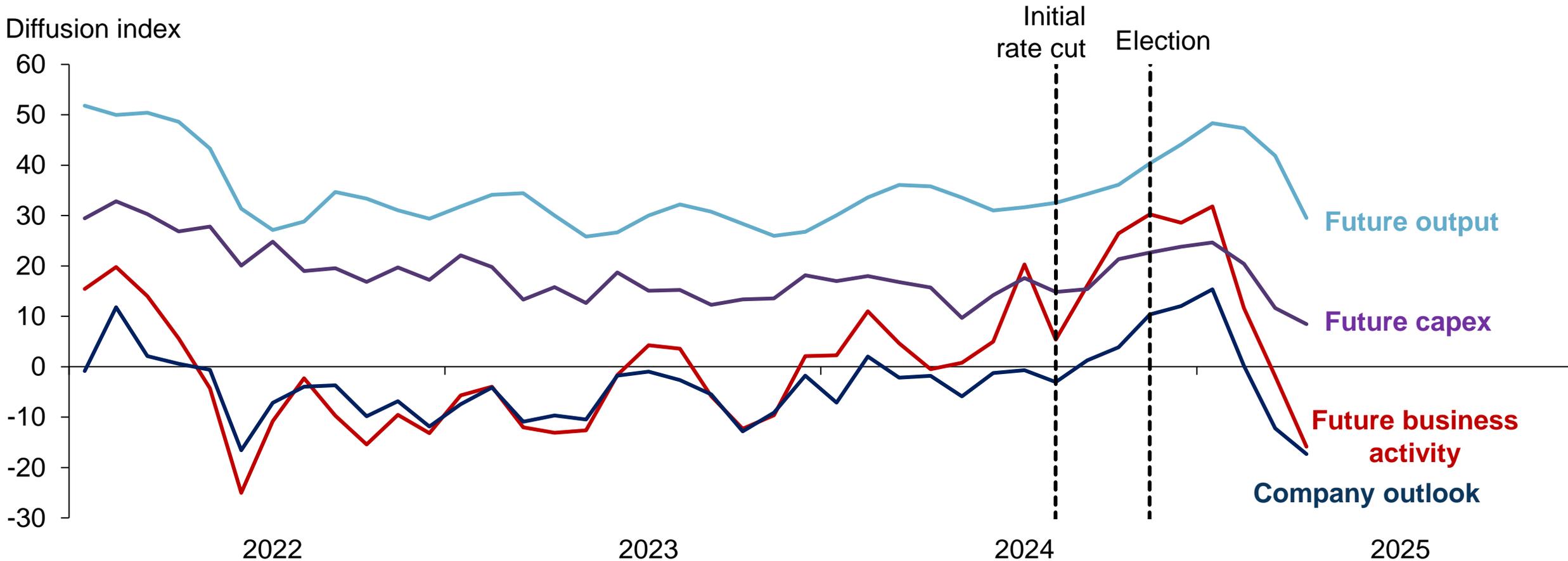
What is the timeframe for passing through tariff cost increases to customers?



NOTES: Shown are percentages. N=111. This question was only posed to those passing cost increases through to customers. Survey collection period was Apr. 15-23.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Outlook

Texas business outlooks improved post-election, but have since fallen

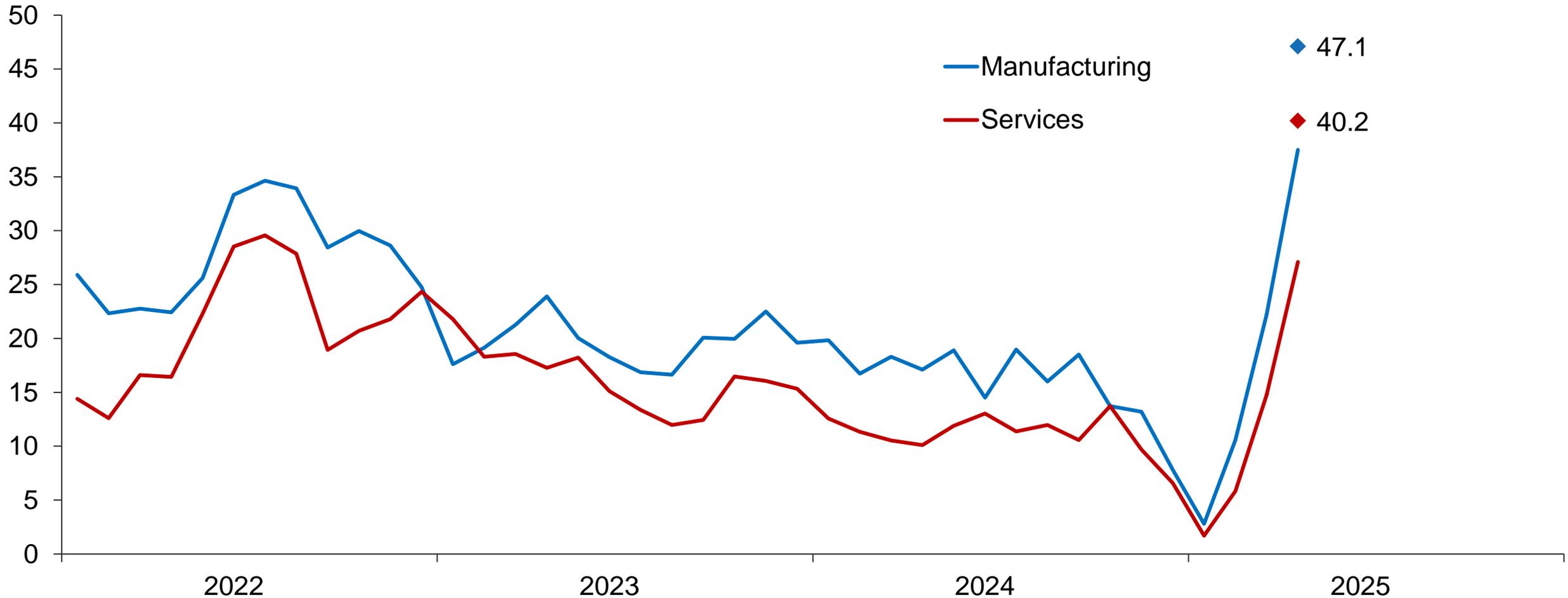


NOTE: TBOS indexes are state GDP-weighted averages of TSSOS and TMOS data. Data are seasonally adjusted, three-month moving average, and monthly through April 2025.

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

Among Texas businesses, uncertainty spiking to new highs

Diffusion index. 3MMA

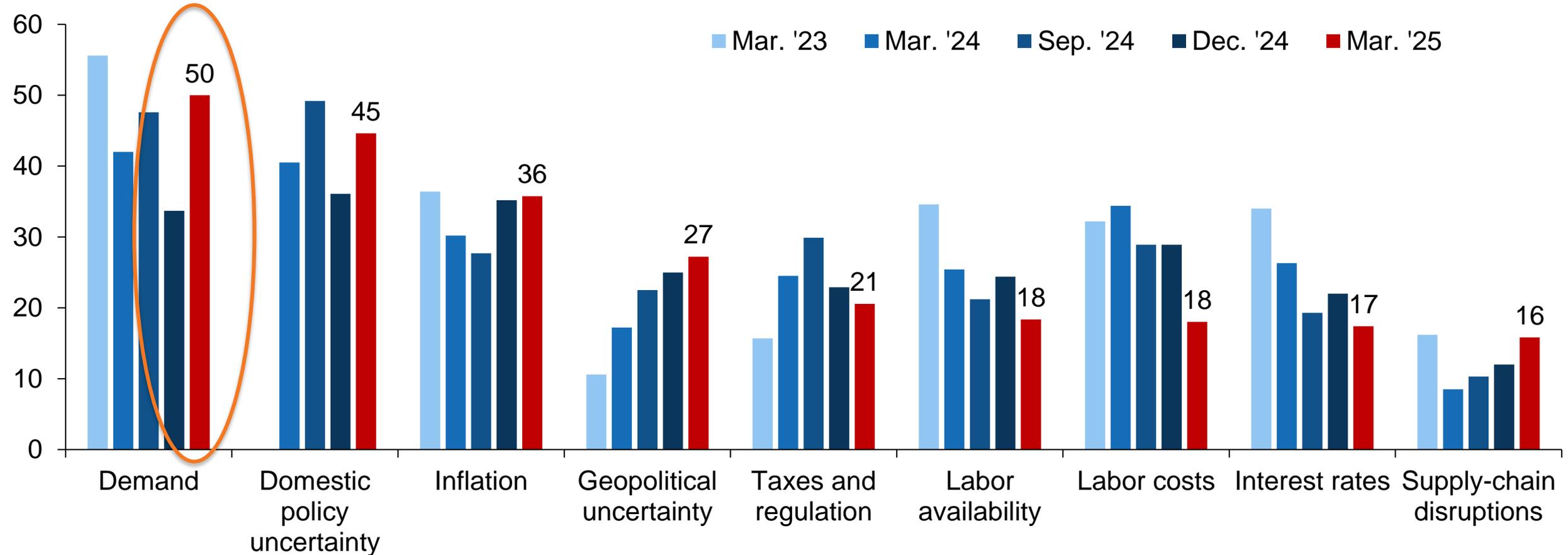


NOTES: Data are three-month moving averages through April 2025. Diamonds represent April 2025 readings. Data are not seasonally adjusted.

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

Recession concerns top the list of worries among Texas businesses

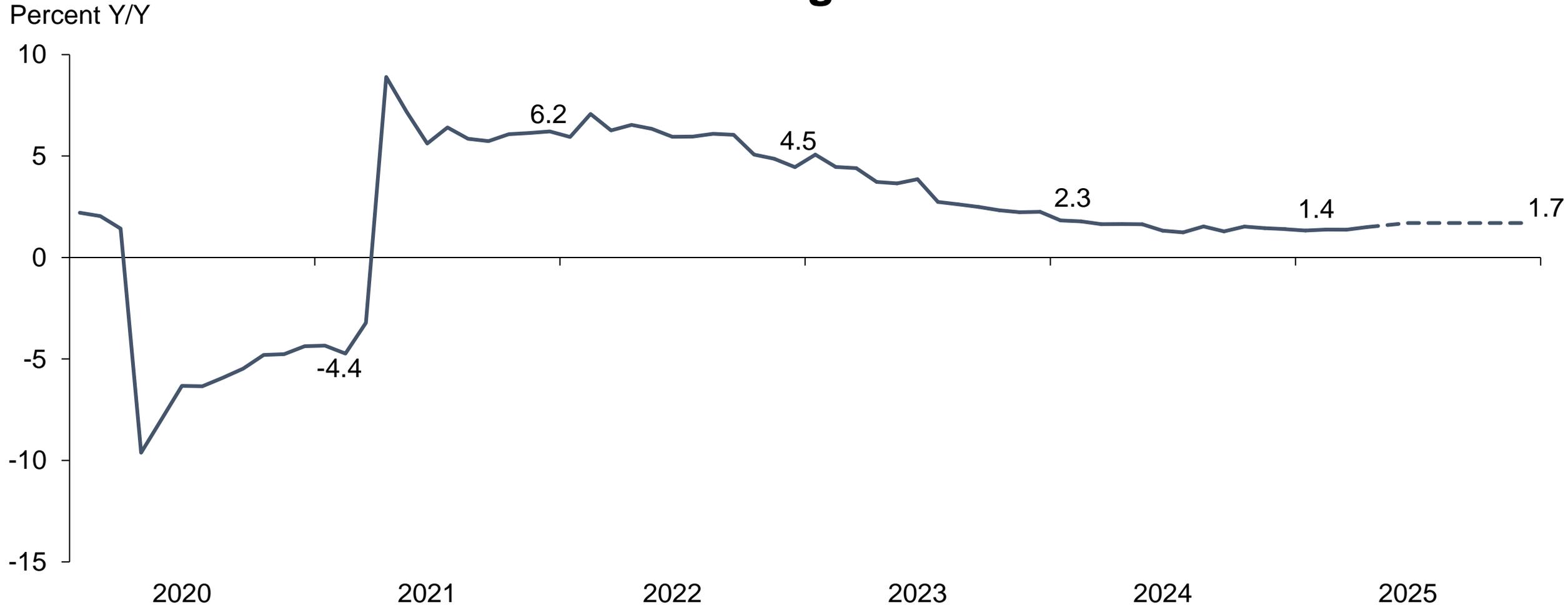
Percent of respondents citing as top three outlook concern



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 = 316 in Mar. '25. Domestic policy uncertainty was added as a response choice in Dec. '23.

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

The Texas employment forecast indicates 1.7% growth in 2025, below 2% long-run trend



NOTES: Actual data is through April 2025. Dashed line indicates predicted job growth through December 2025.

SOURCE: Federal Reserve Bank of Dallas.

Summary

- Job growth is robust, but sentiment-based measures are waning
 - Business leader optimism has faded, and economists have revised their forecasts down
- Progress on inflation has slowed, and recession probability has risen
 - Inflation expectations are up
 - Consumer confidence is down
- In Texas, resilient growth is baseline case with risks tilted to the downside
 - Headwinds include tariffs, sharply lower immigration, rollback of federal government spending, lower oil prices
 - Tailwinds are deregulation, tax cuts and—for Texas—the state’s robust business climate and budget surplus

Thank you!