



Federal Reserve  
Bank of Dallas

# How Resilient is Current Growth?

Texas Economic Update

**Pia Orrenius & Robert Leigh**

Research Department

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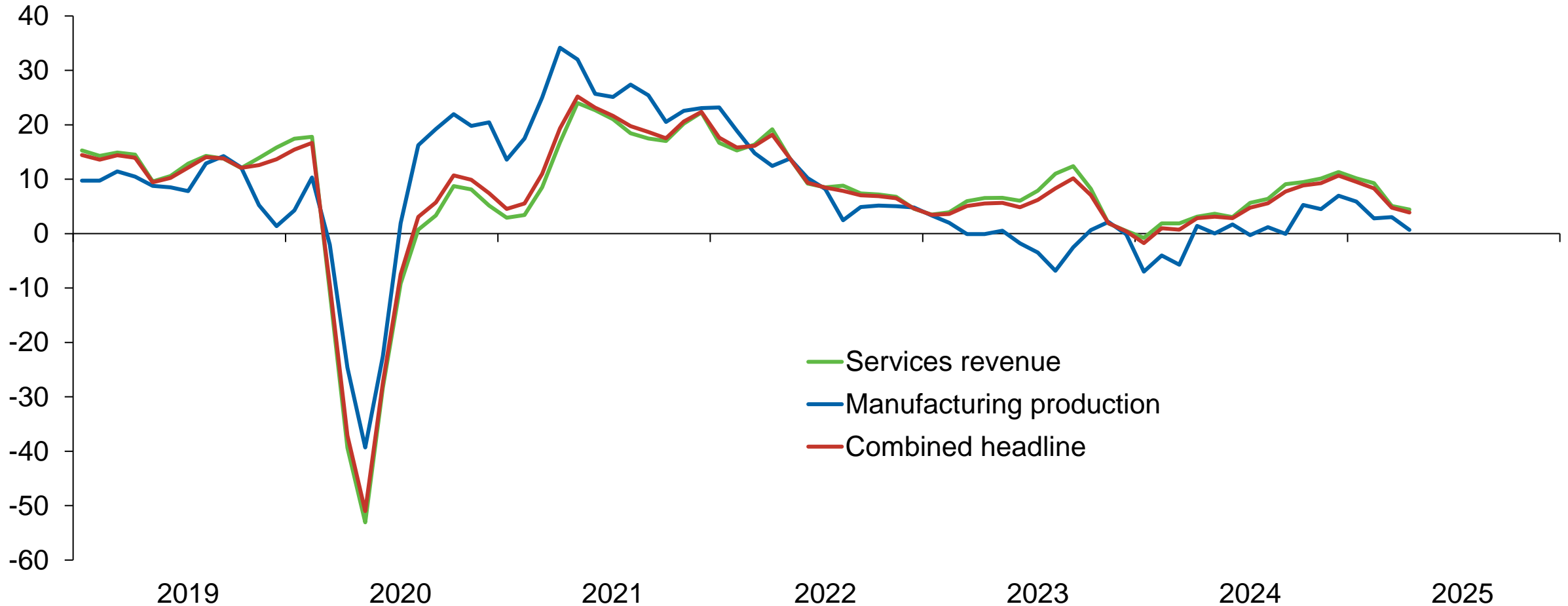
*The views expressed are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Dallas or the Federal Reserve System.*

# 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

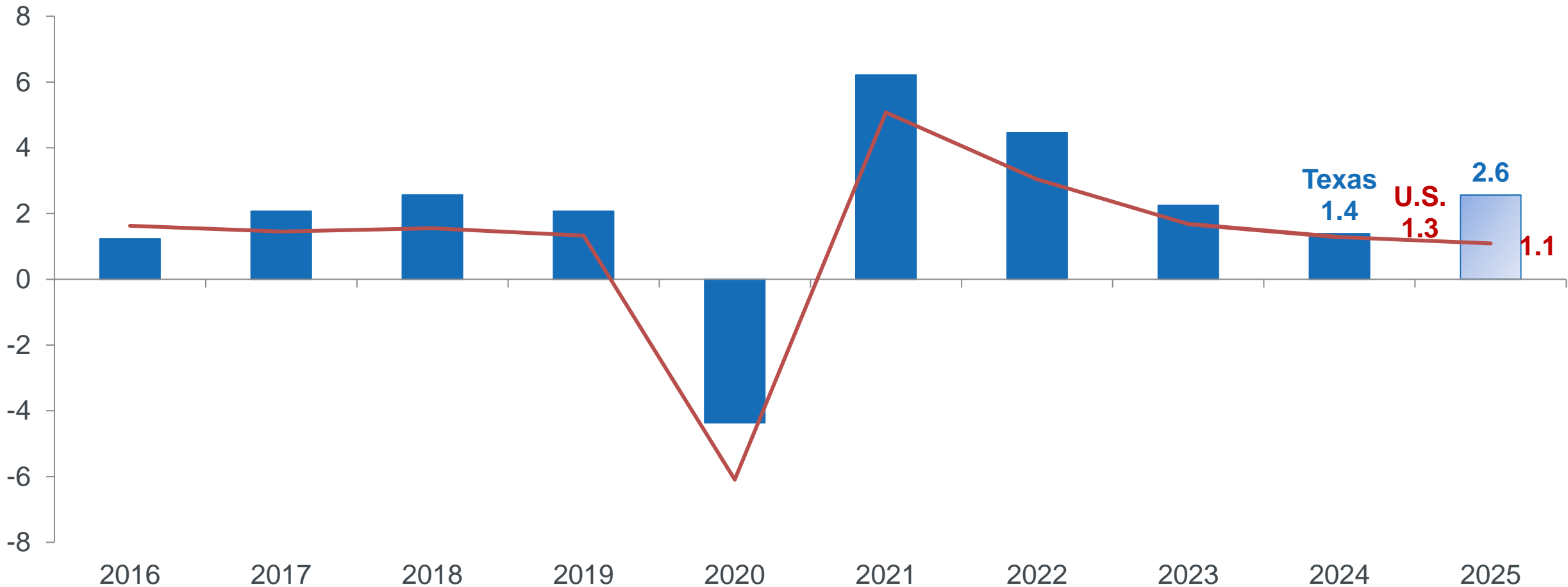


NOTE: Shown are results from TMOS and TSSOS surveys. Data are seasonally adjusted and three-month moving averages. Data are monthly through April 2025.

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

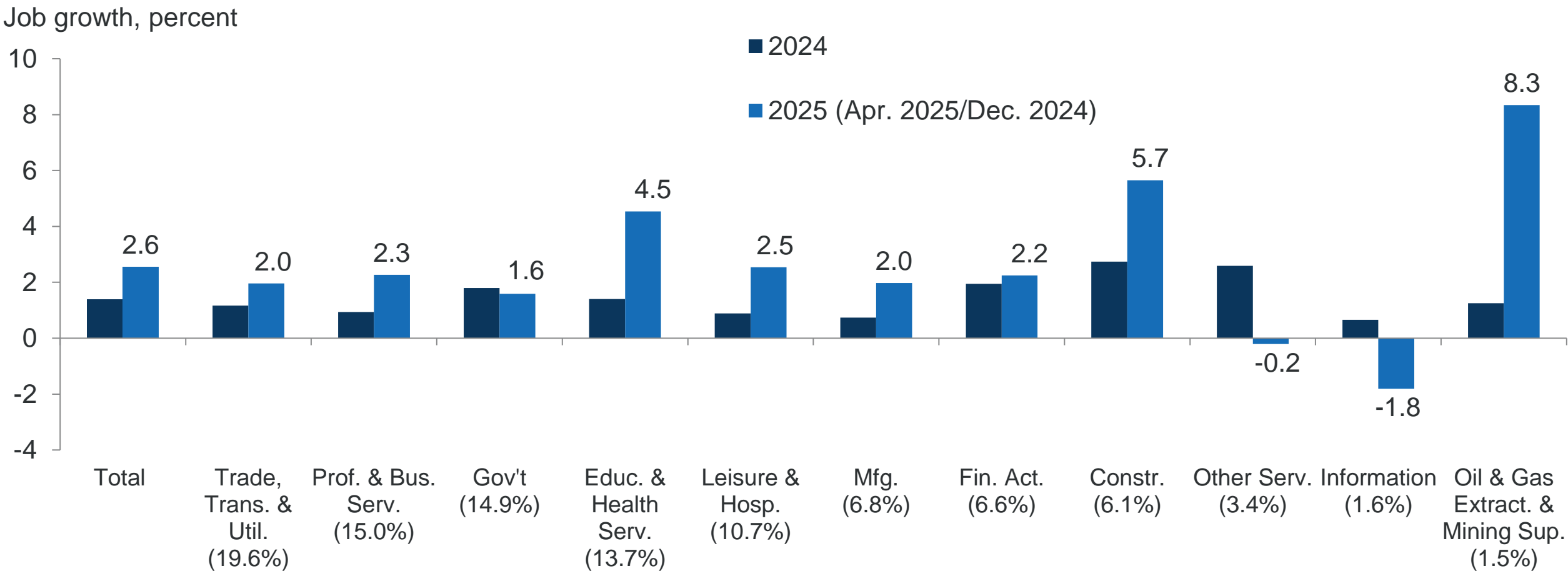
# Yet Texas' job growth is robust this year, far better than 2024

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.

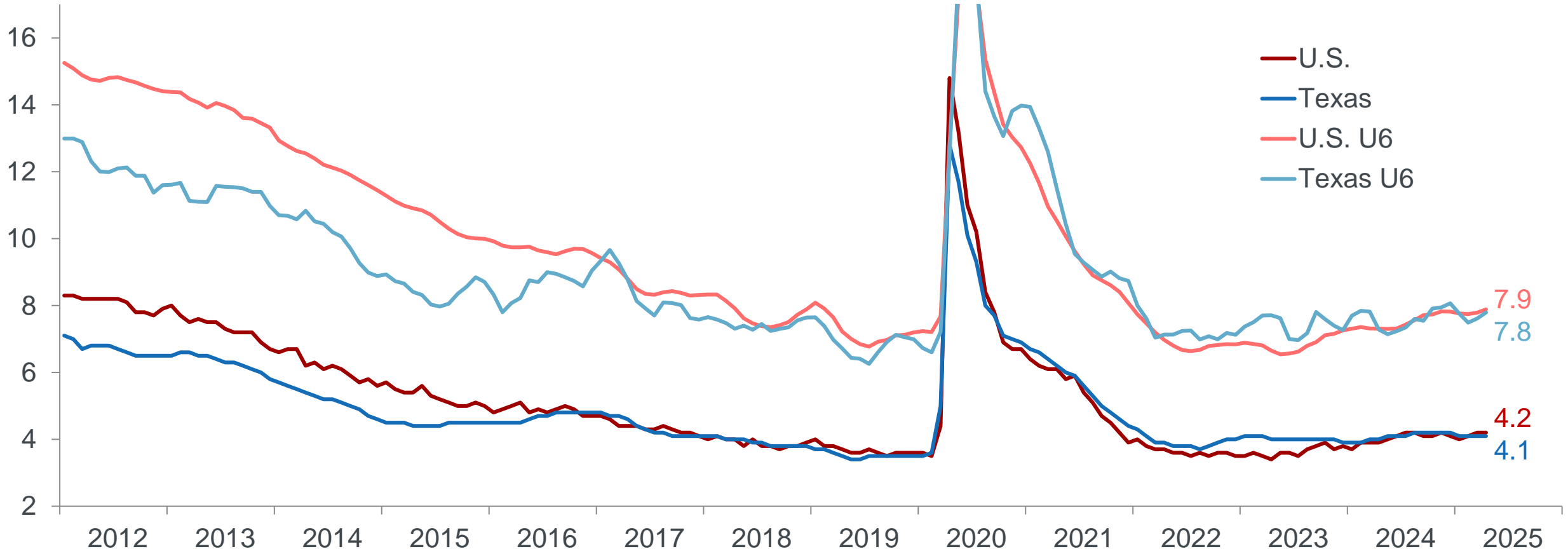
# Strongest job growth this year is in oil & gas, construction and health



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)



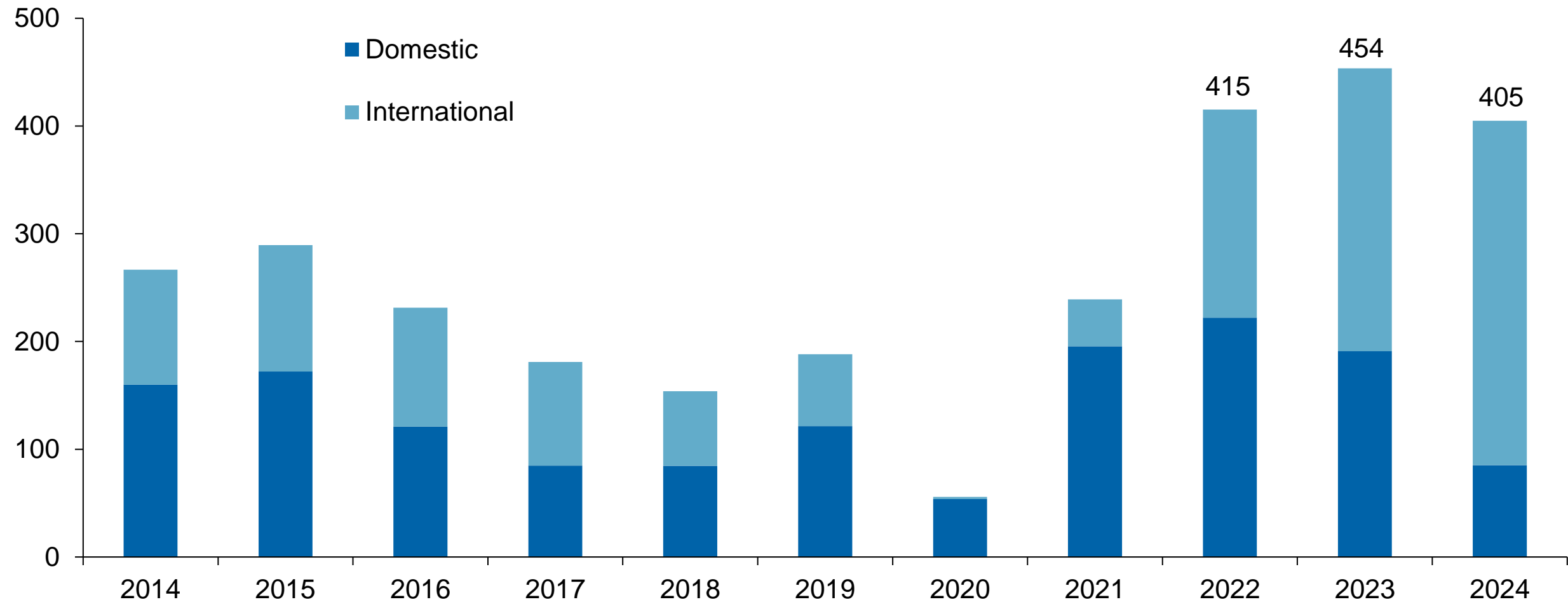
NOTE: Data are seasonally adjusted. Data are monthly through April 2025. Texas U6 is a three-month moving average.

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

# Migration

# International migration surged further in 2024, but domestic dropped

Thousand persons

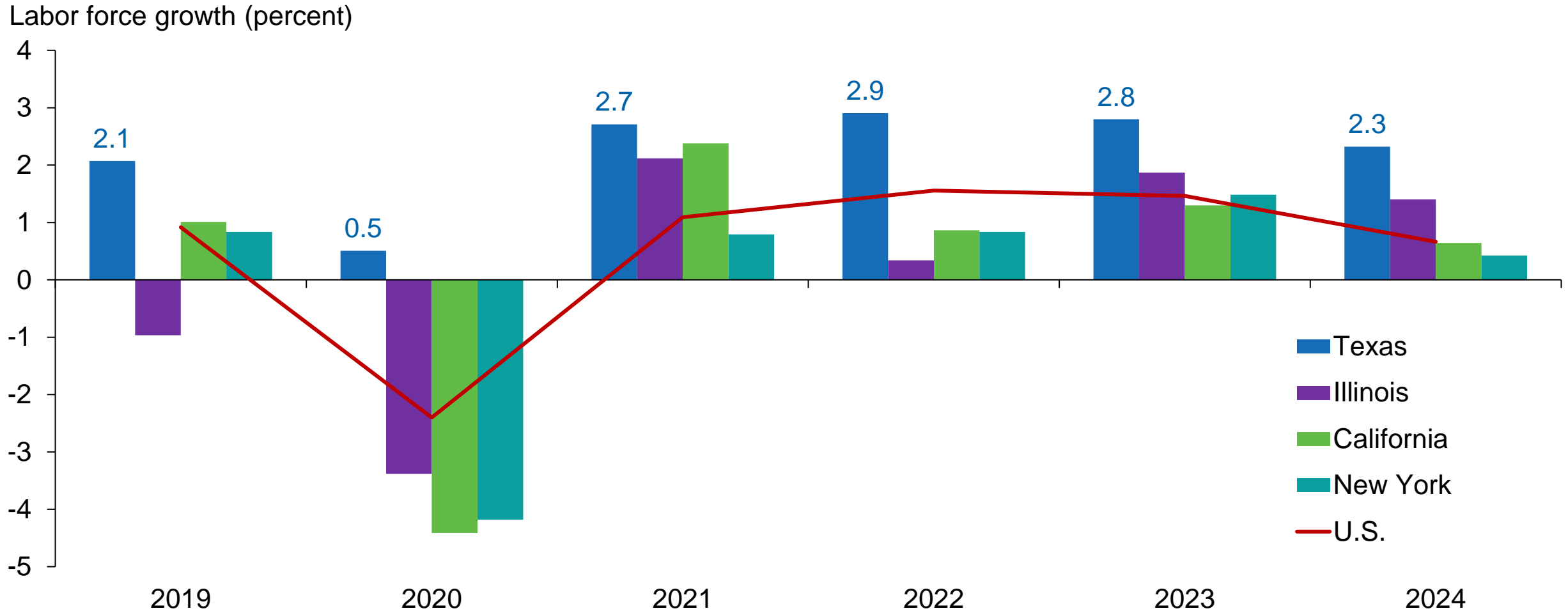


NOTES: Shown are net domestic and net international migration into Texas annually.

SOURCE: Census Bureau.

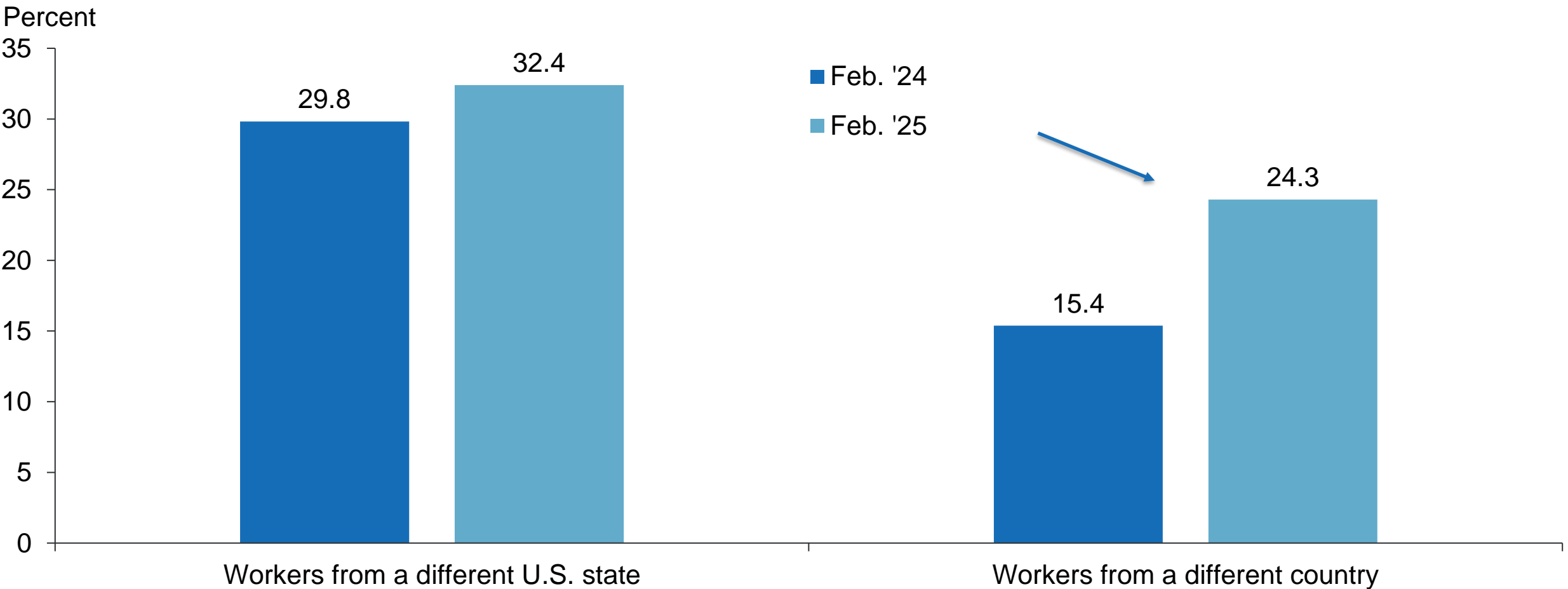


# Texas consistently leads in labor force growth among large states, US



NOTES: Shown are labor force growth rates (Dec./Dec.). Data are seasonally adjusted.  
SOURCE: Bureau of Labor Statistics.

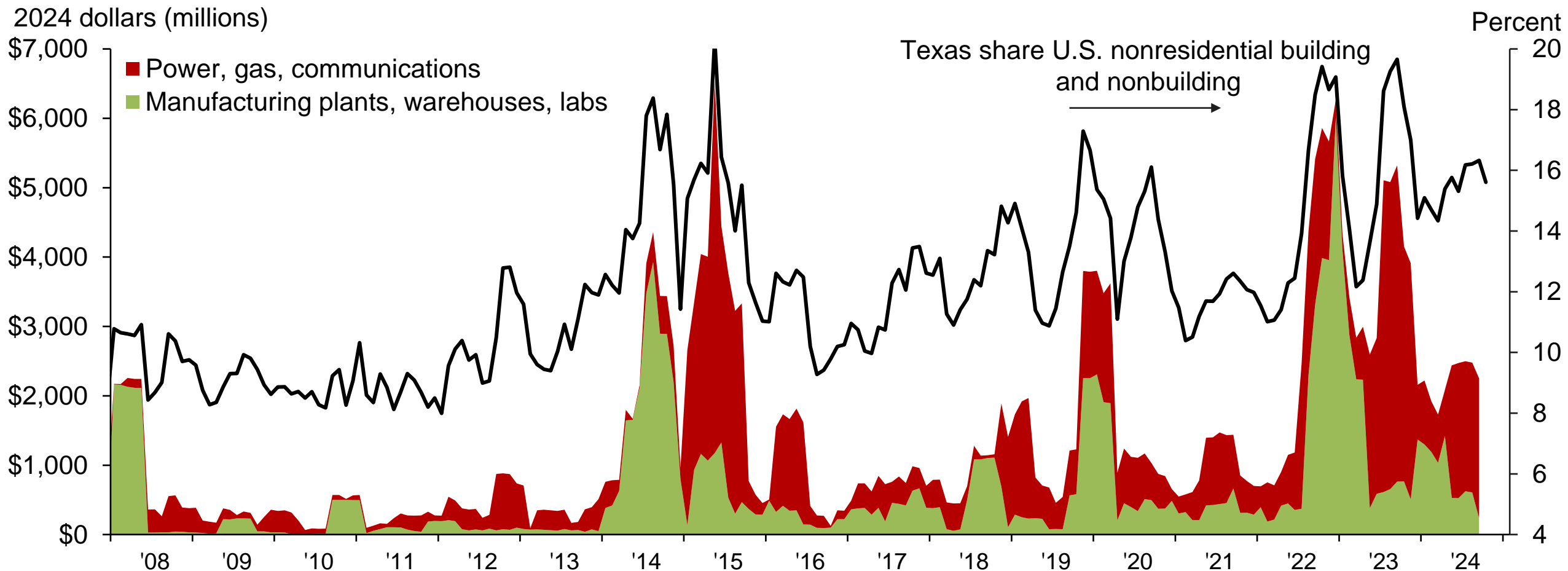
# Texas firms' increasing reliance on immigrant workers



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.

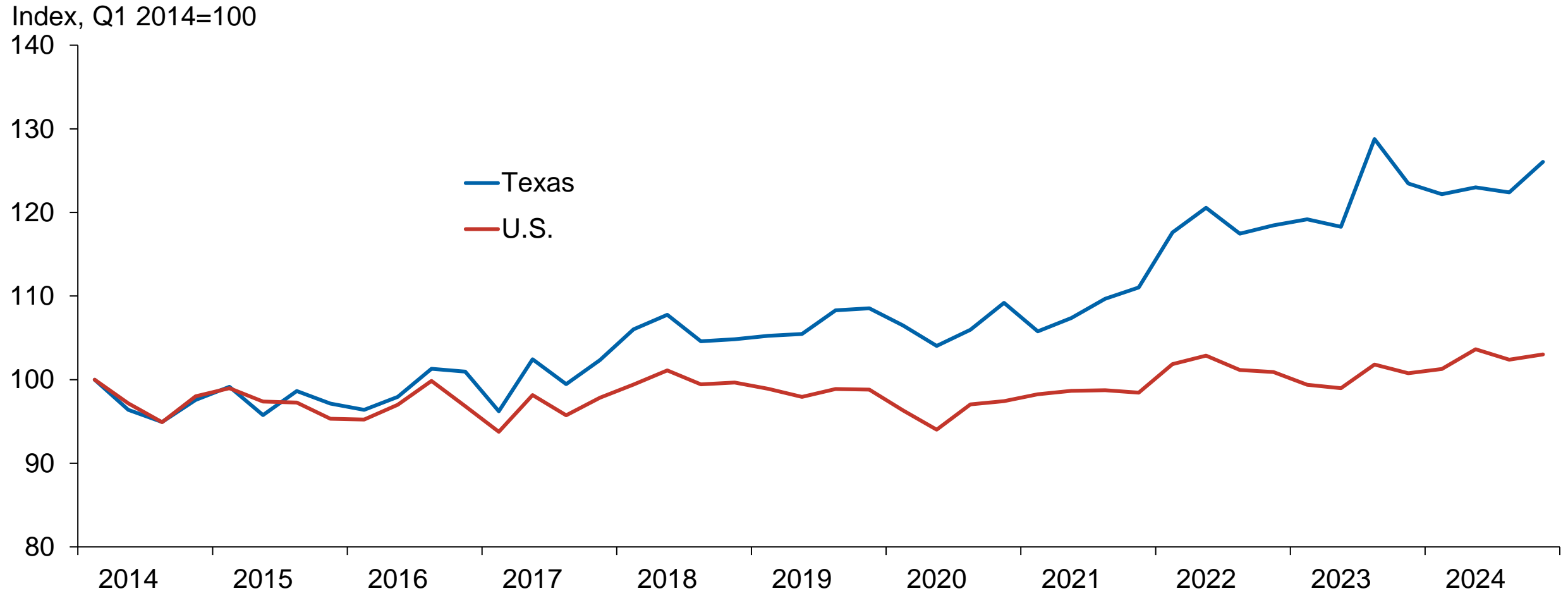
# Construction and real estate

# 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.

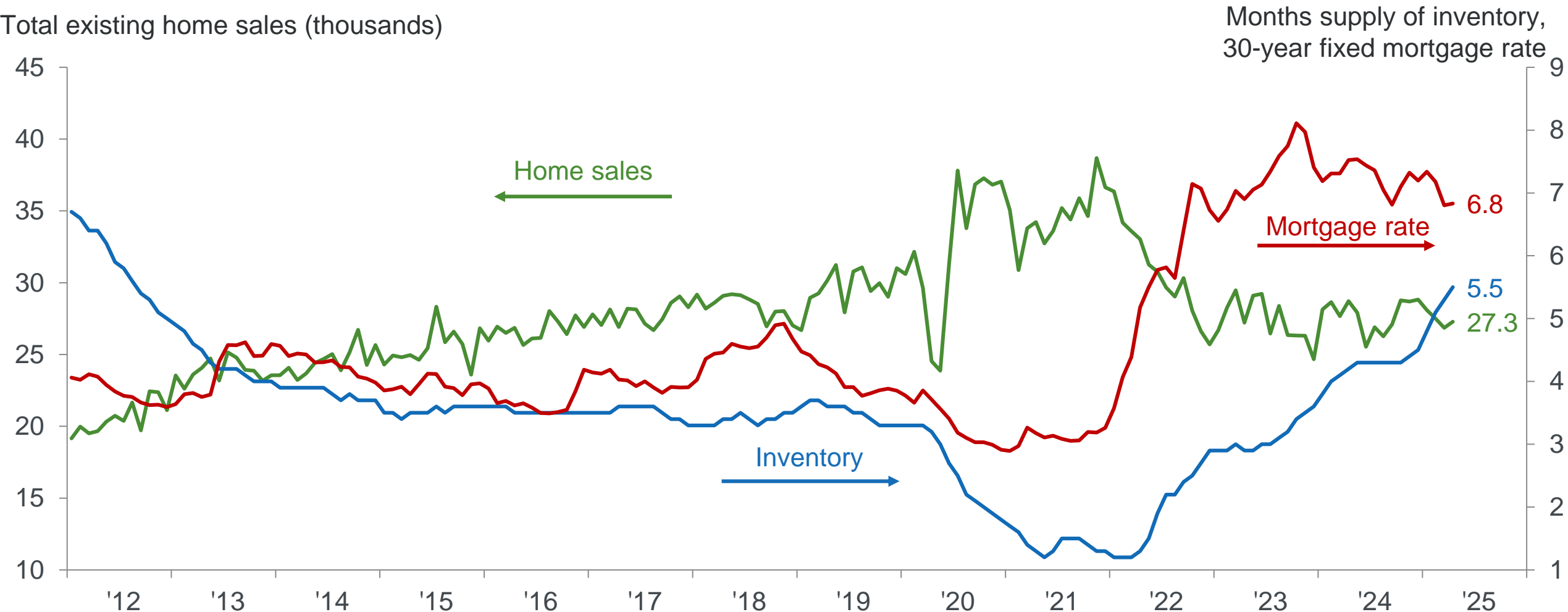
# Economic growth, hot weather and electrification are boosting electricity consumption in Texas more than in US



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.

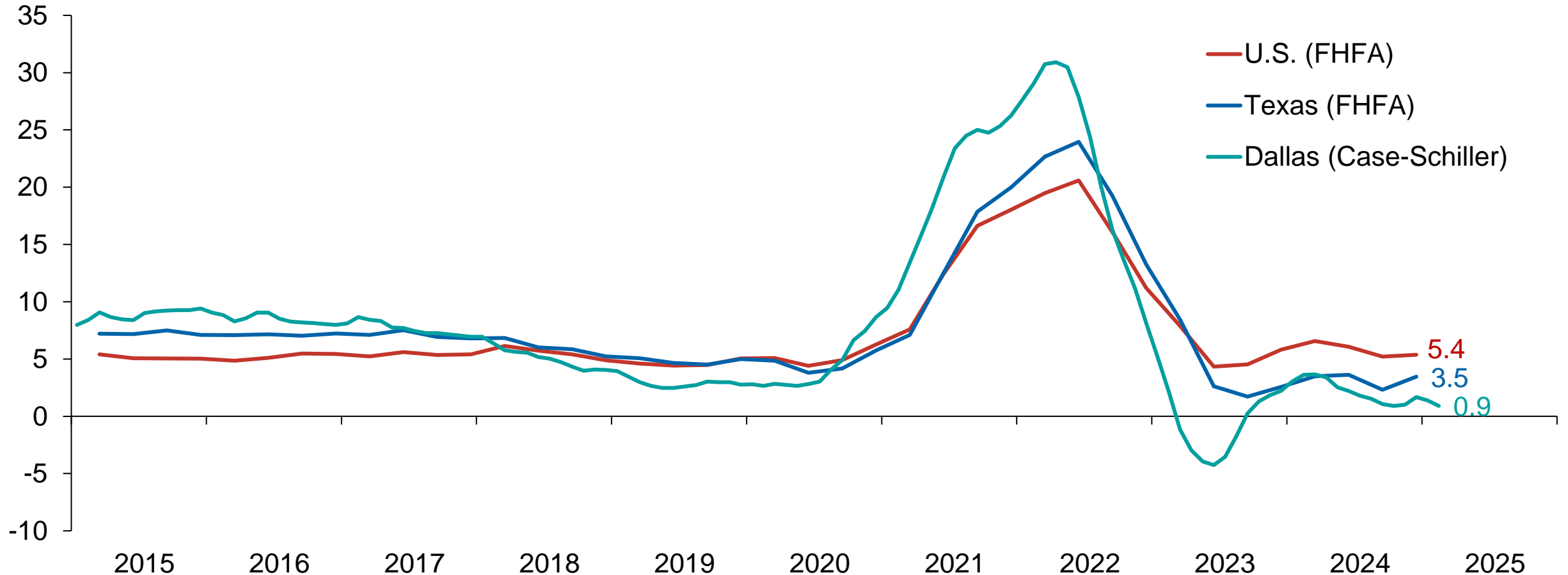
# Existing home sales are low, inventories rising



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

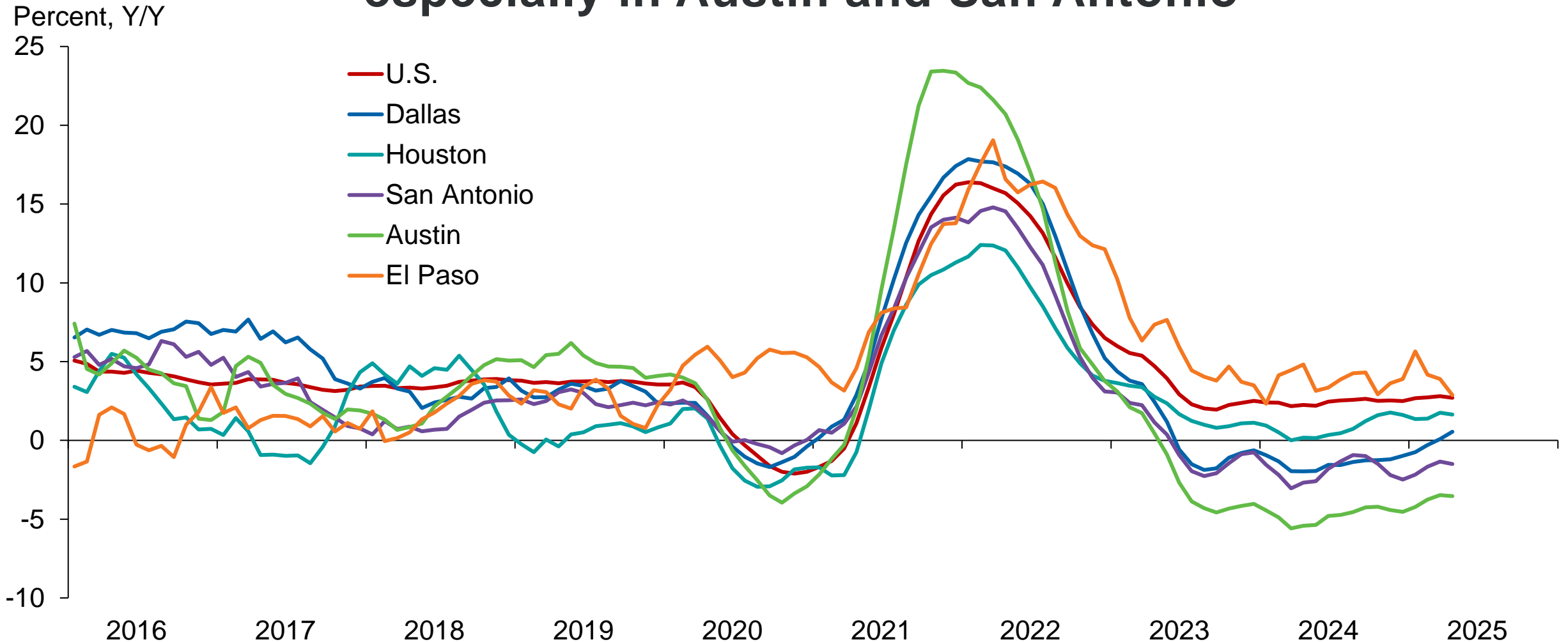
Percent, Y/Y



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



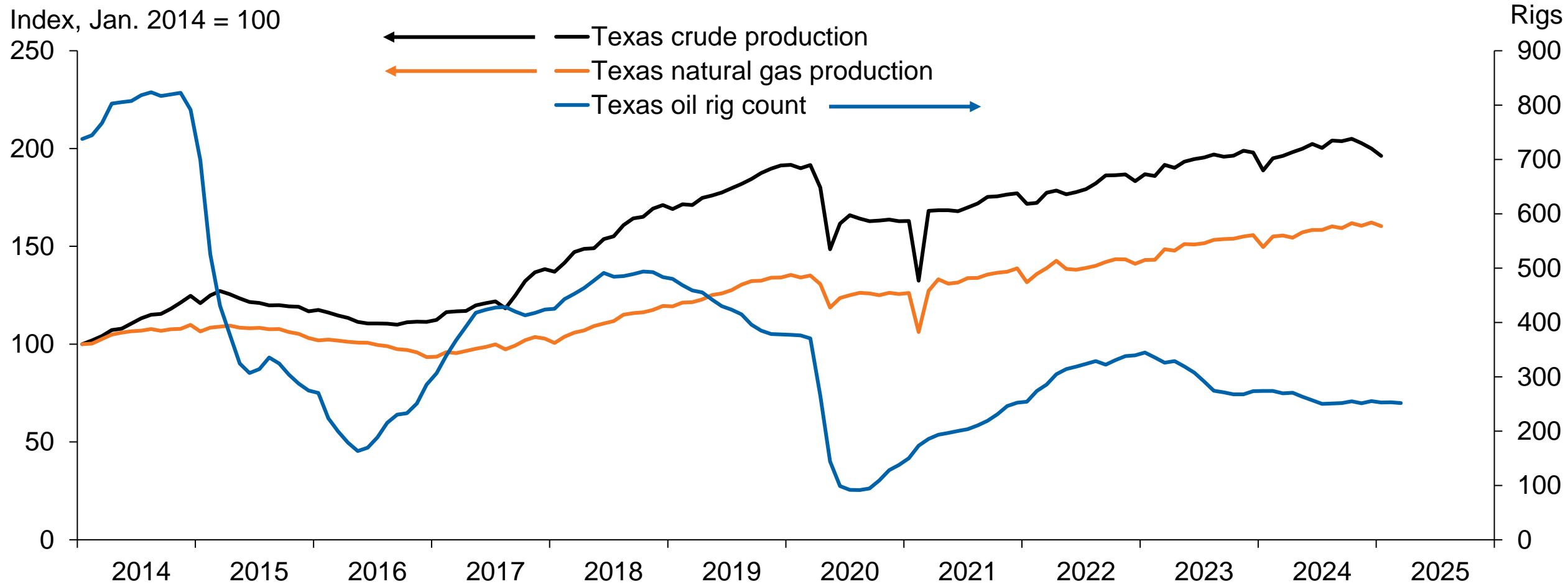
NOTES: Data are smoothed, seasonally adjusted, and monthly through April 2025.

SOURCE: Zillow.



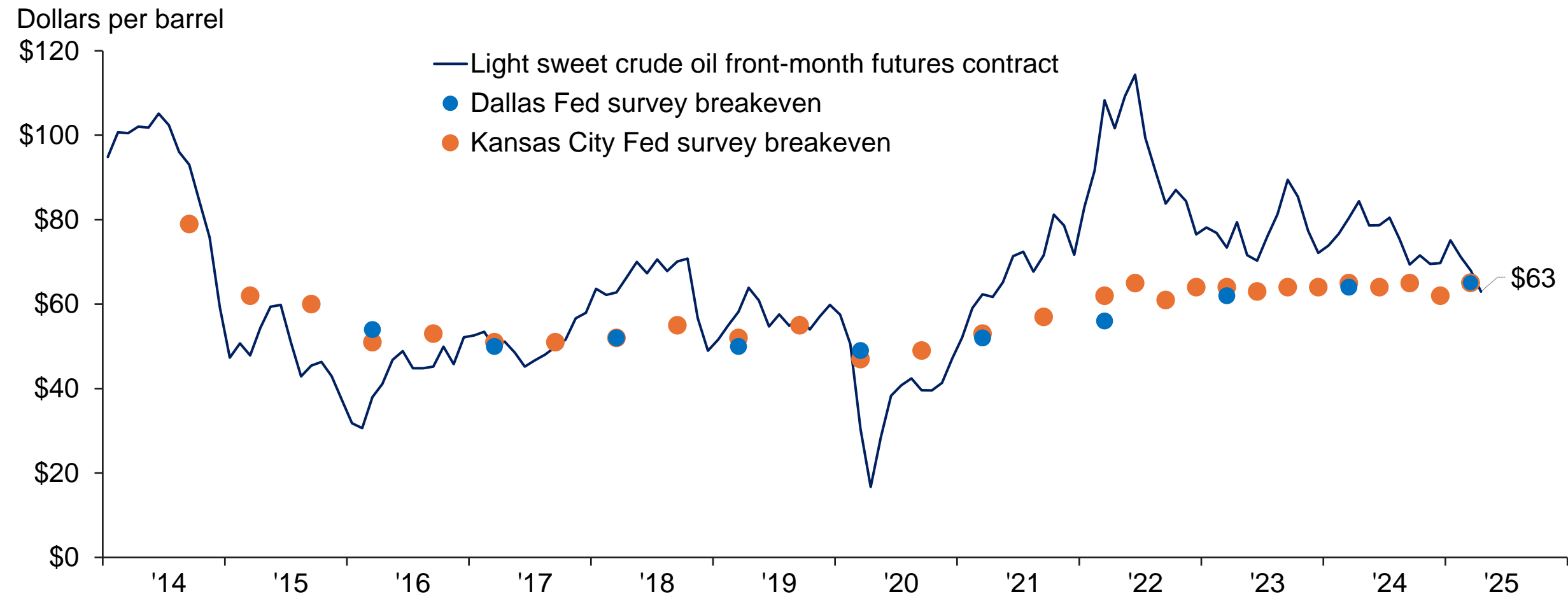
# Energy

# 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



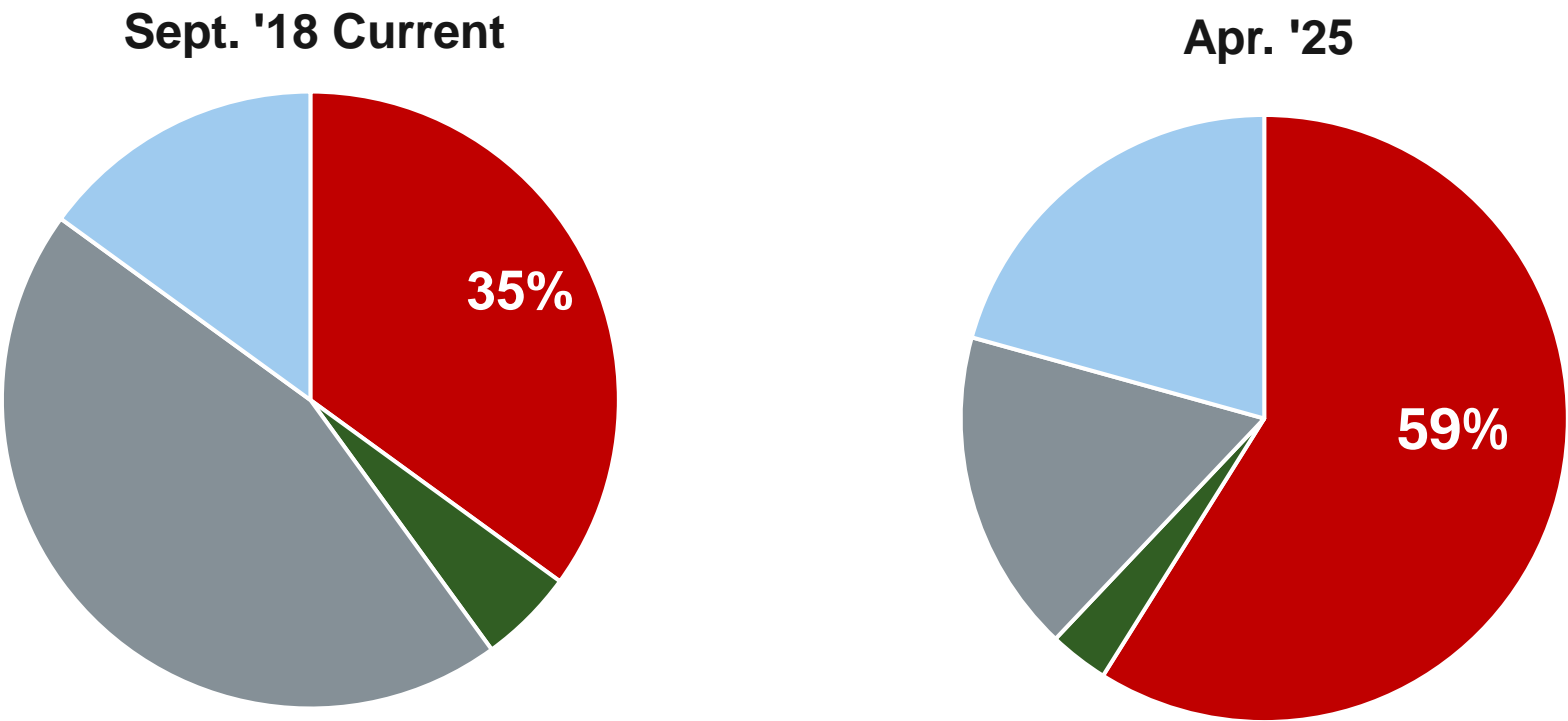
NOTE: Prices are monthly averages. Breakeven price is the minimum oil price needed to profitably drill a new well.

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?*

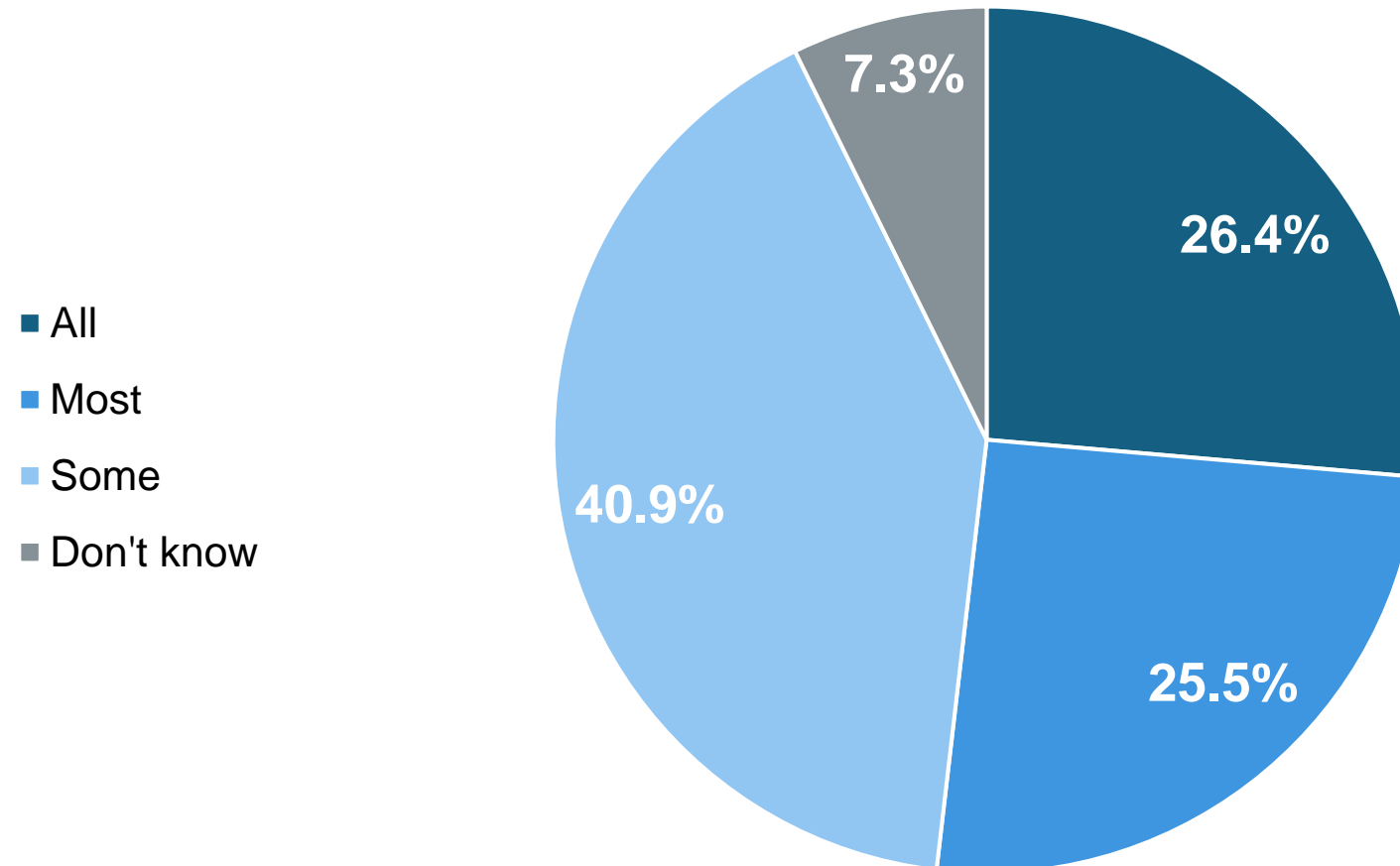


NOTES: N=348. Survey collection period was Apr 15-23. In Sept. 2018 the question was, “What net impact have higher U.S. and foreign tariffs had on your firm, and what do you expect for the longer term (next two years)?”

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

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

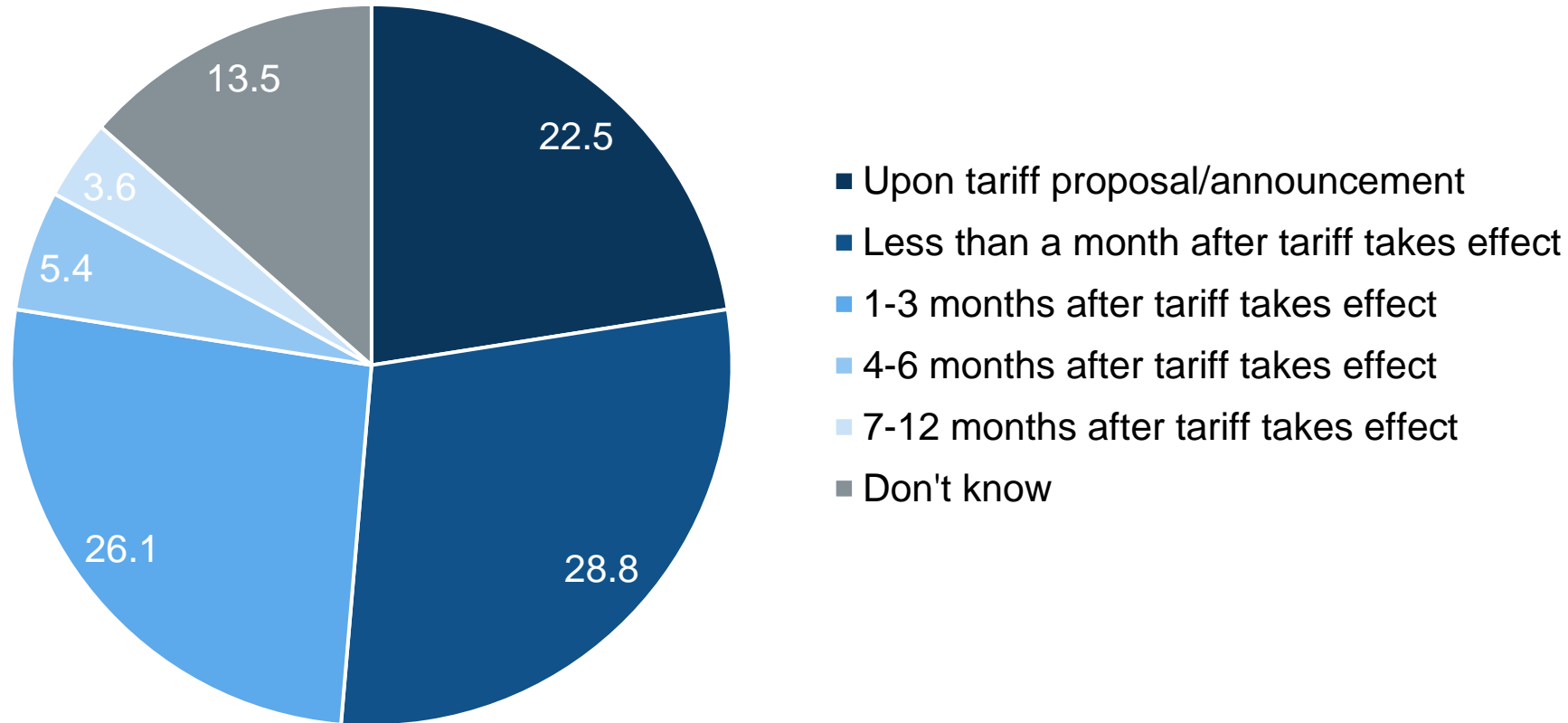
*What share of tariff cost increases do you expect to pass through to customers?"*



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?*

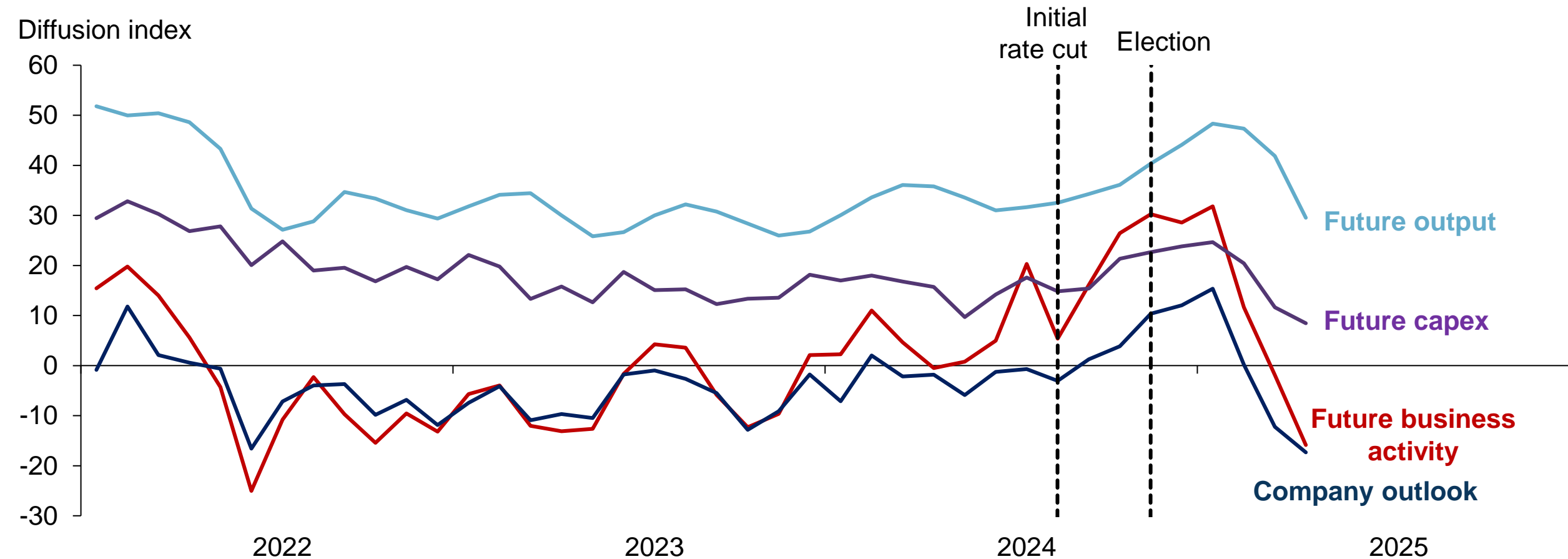


NOTES: Shown are percentages. N=111. This question was only posed to those passing cost increases through to customers. Survey collection period was Apr. 15-23.  
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

# Outlook



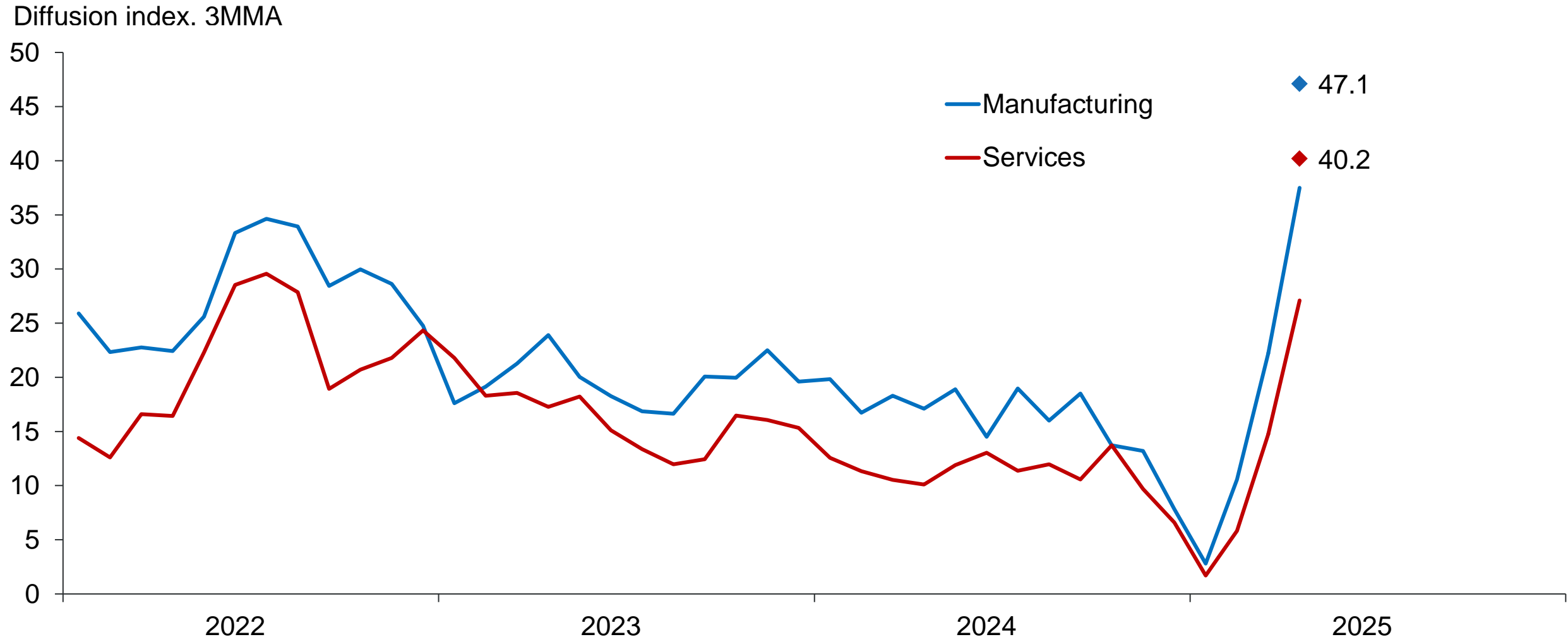
# Texas business outlooks improved post-election, but have since fallen



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

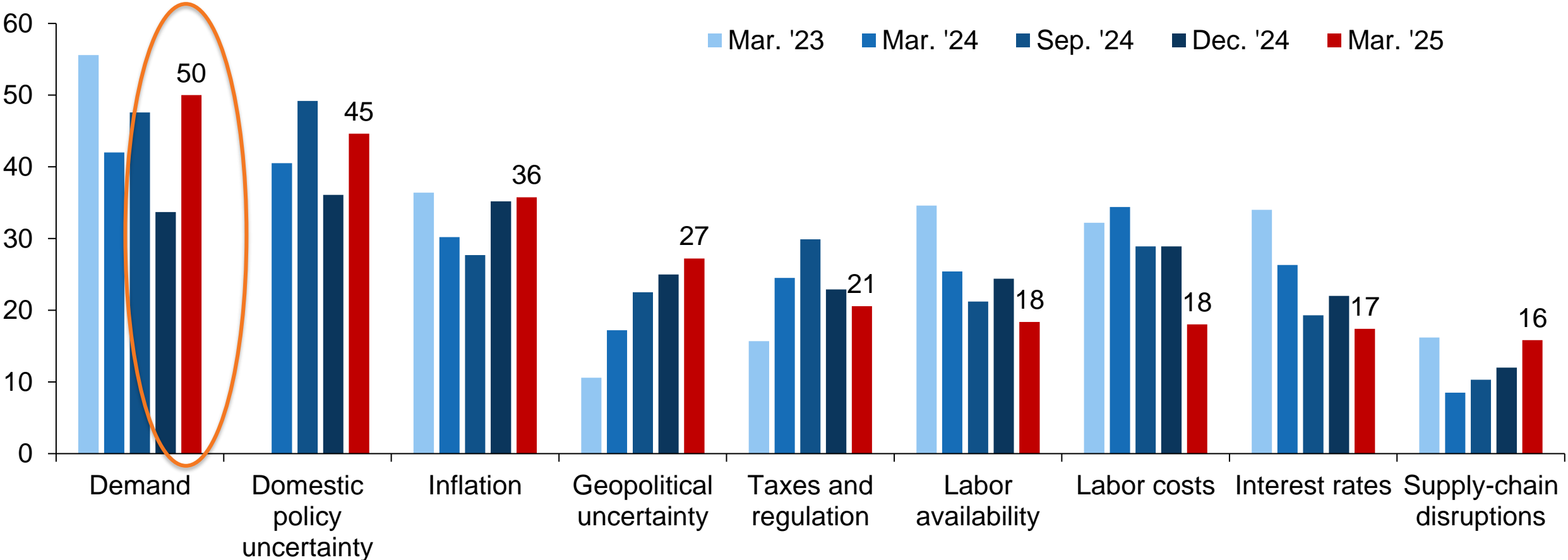


NOTES: Data are three-month moving averages through April 2025. Diamonds represent April 2025 readings. Data are not seasonally adjusted.

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

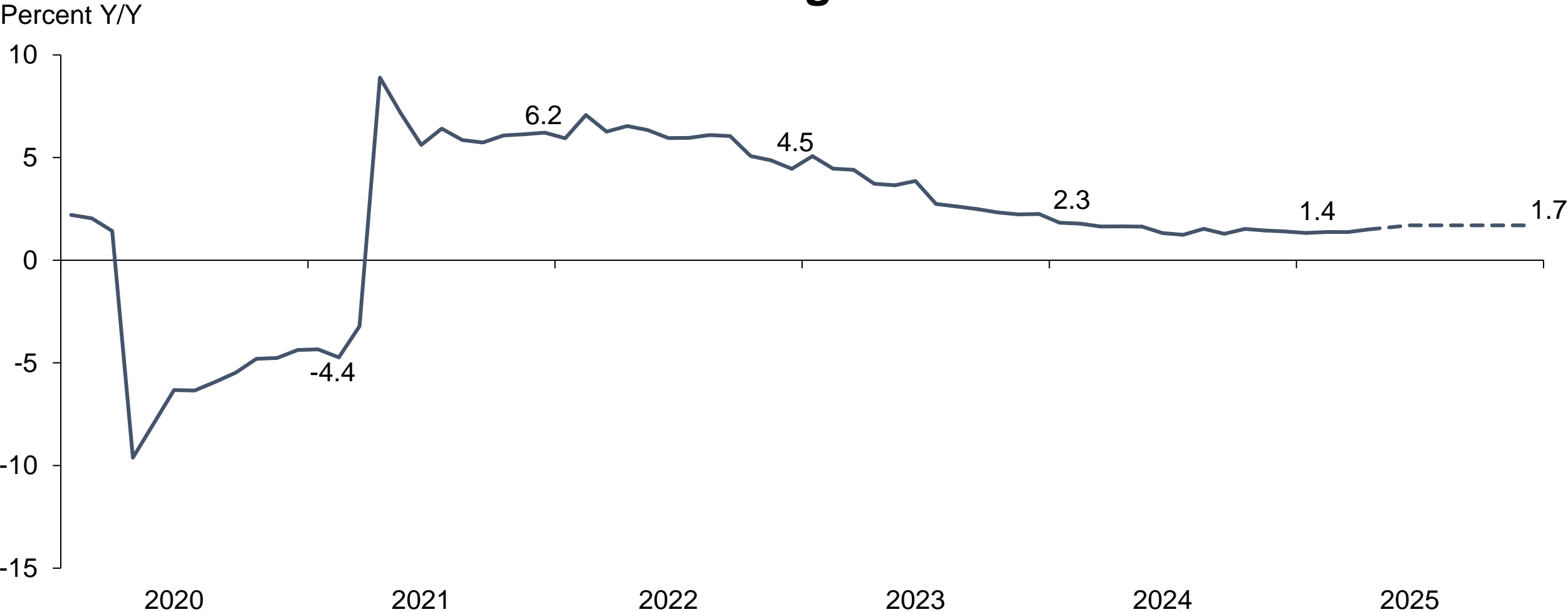
# Recession concerns top the list of worries among Texas businesses

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!**