



Federal Reserve  
Bank of Dallas

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# **Texas Economic Performance and Outlook Amidst the COVID-19 Pandemic**

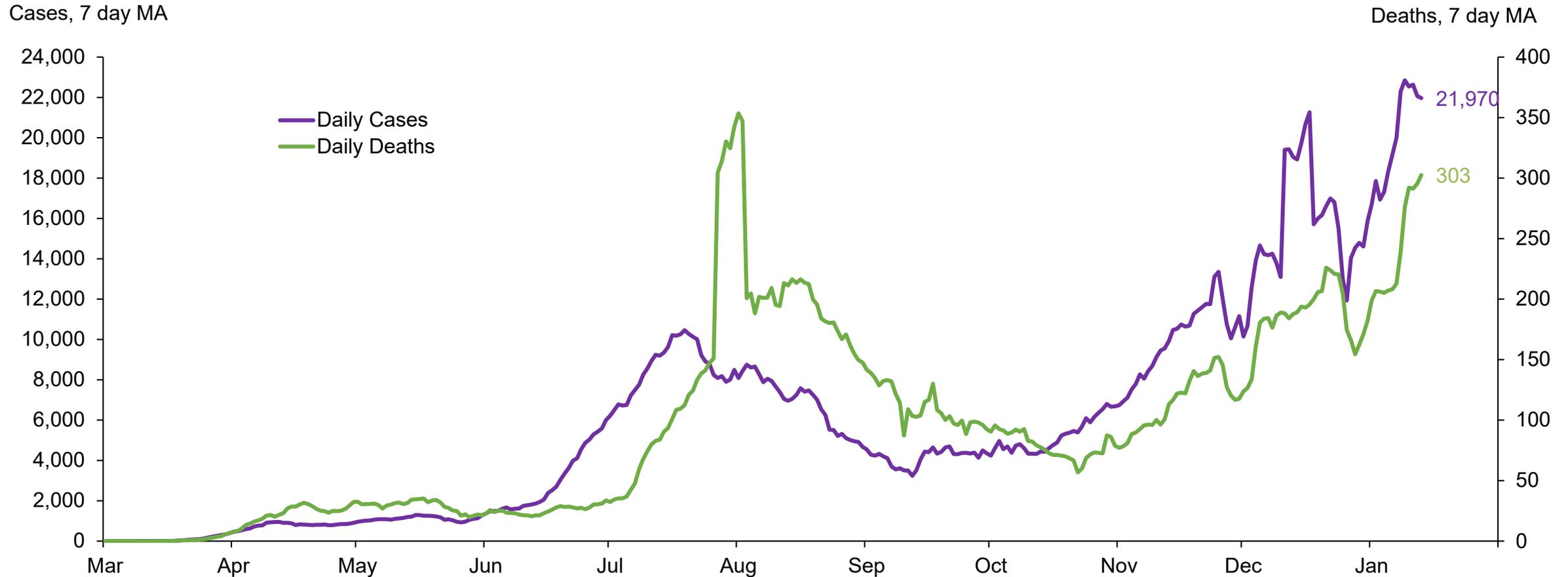
**Pia Orrenius, Vice President & Senior Economist**

Federal Reserve Bank of Dallas

1/15/21

# COVID-19 Update

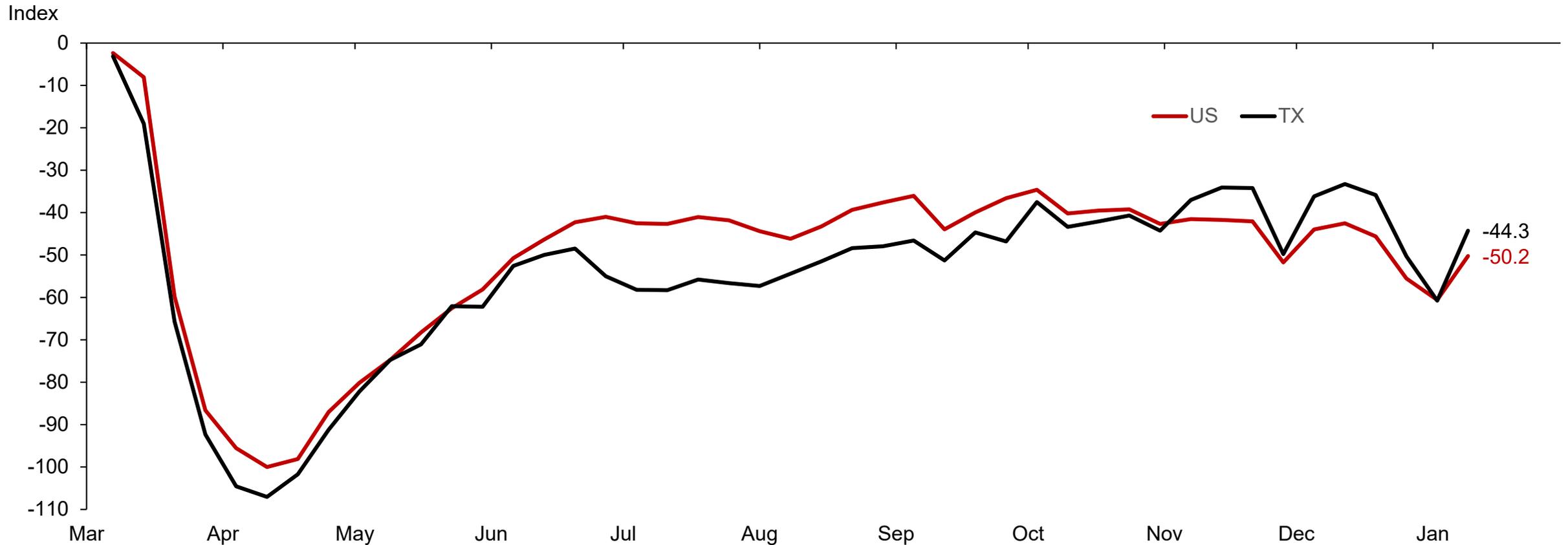
# Texas COVID cases surpass previous high, deaths rising



NOTE: COVID-19 cases and deaths in Texas. Daily data up to Jan. 13, 2020.

SOURCE: New York Times.

# Mobility and Engagement Index still depressed, which hurts the service sector

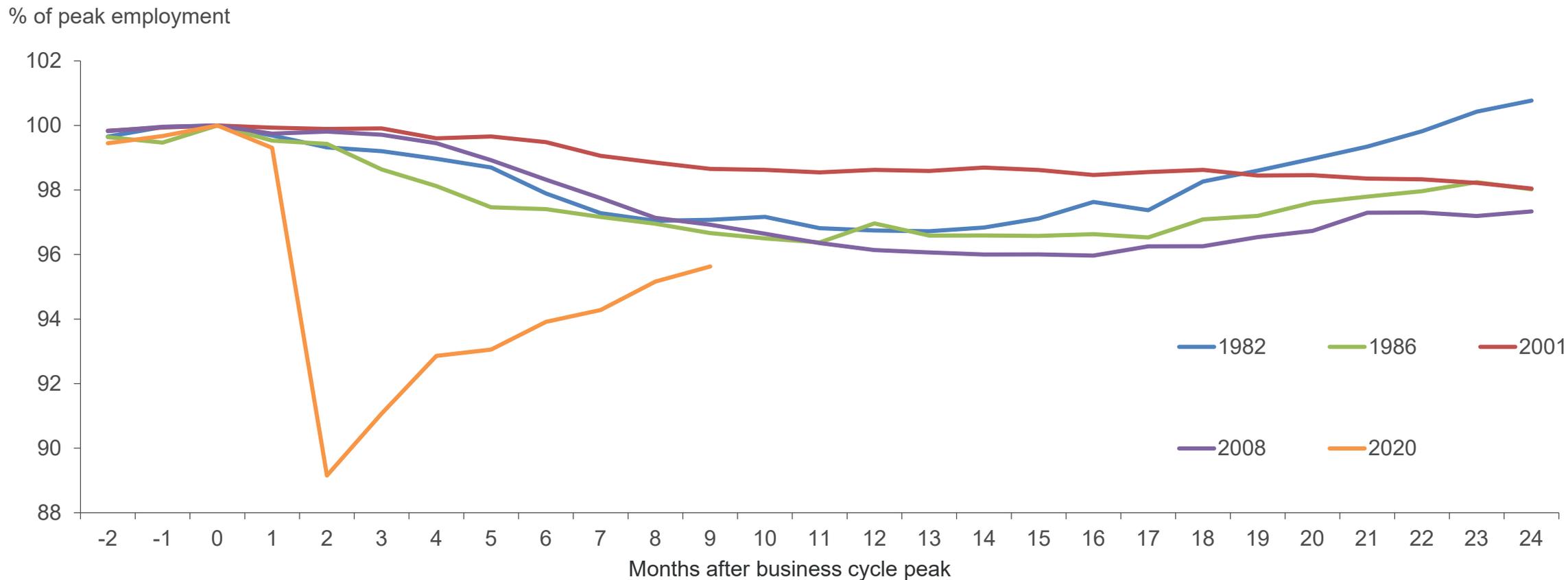


NOTE: Weekly mobility and engagement index up to Jan 9, 2020.

SOURCE: Federal Reserve Bank of Dallas.

# A Recession Like No Other

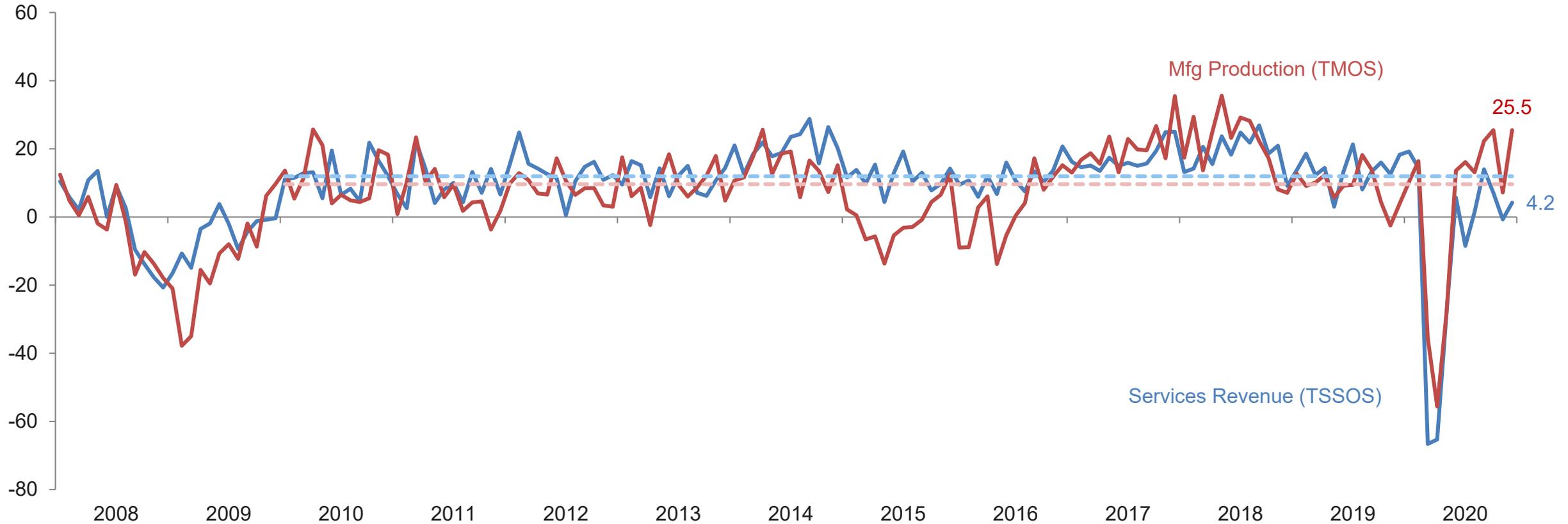
# Pandemic recession is like no other Texas recession, with a much sharper jobs decline and steeper recovery



NOTES: Shown is Texas nonfarm payroll employment. Recessions are indexed to on peak employment: March 1982, January 1986, March 2001, August 2008, and February 2020.  
SOURCE: BLS.

# In pandemic recession, manufacturing activity outperforms services

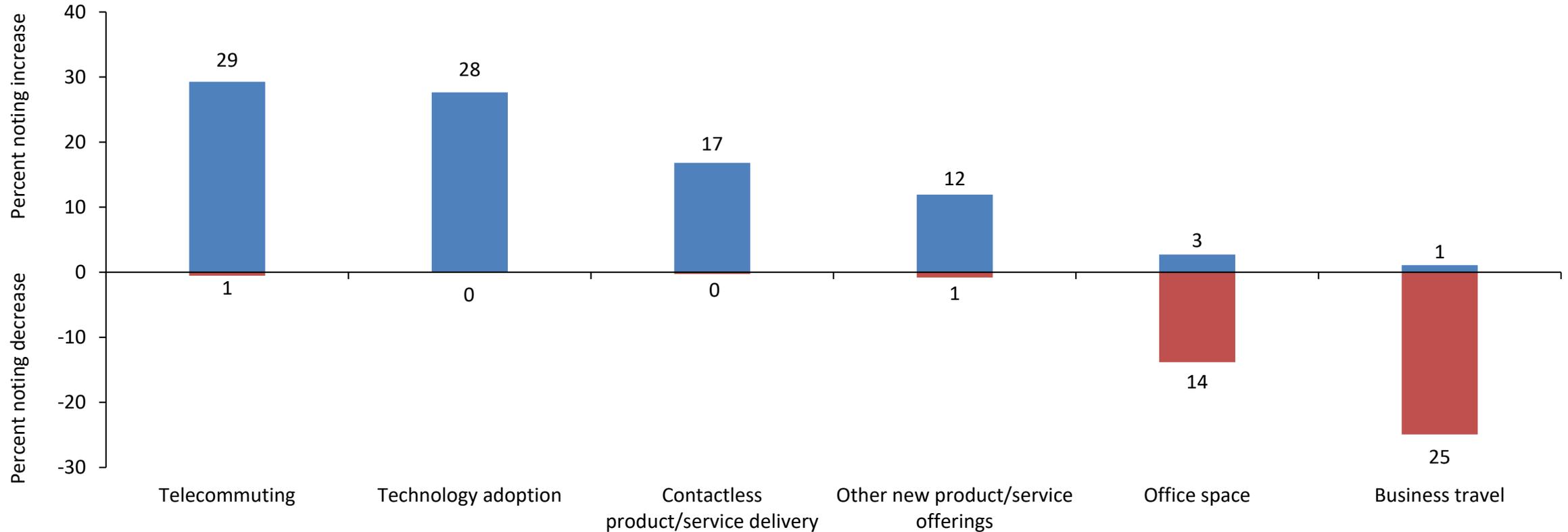
Diffusion index, SA



NOTES: Data through December 2020. Dashed lines are post-recession averages TMOS 9.6; TSSOS 11.9.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys (TBOS).

# Pandemic recession brings permanent structural changes according to Texas businesses



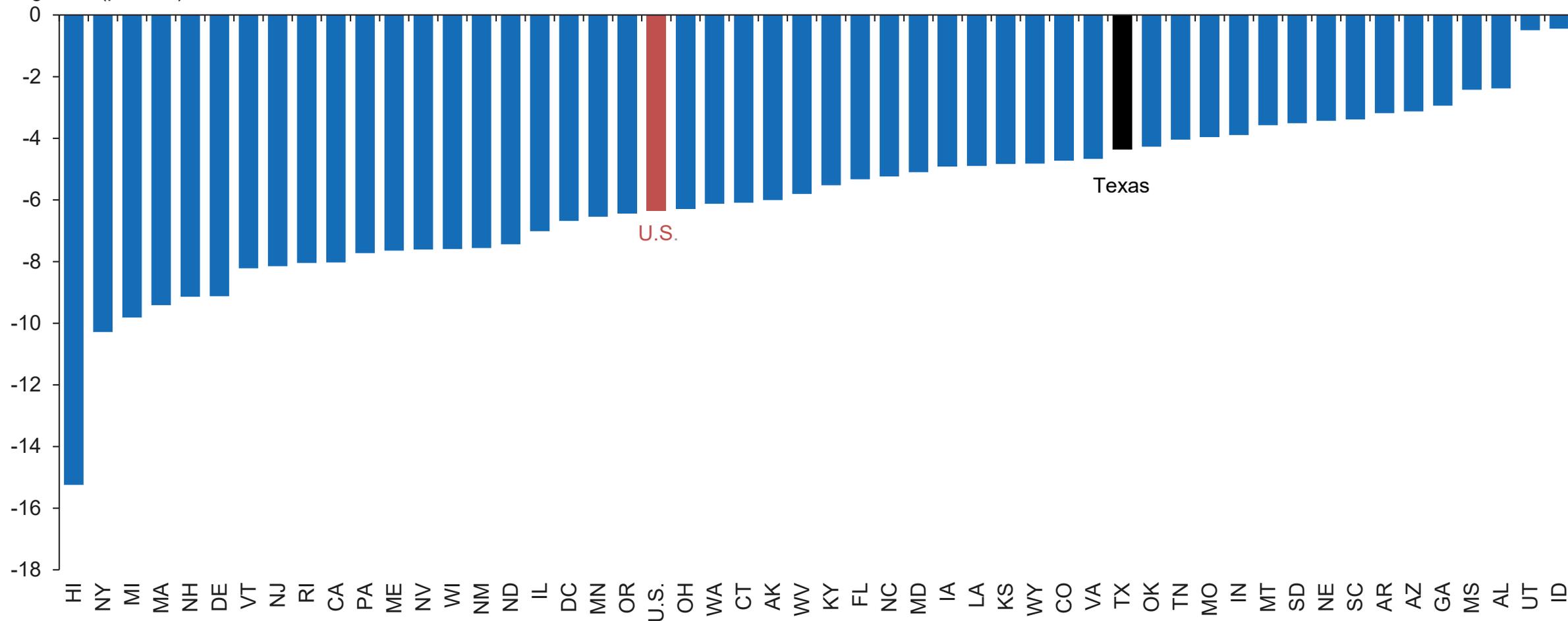
NOTES: 369 respondents. Firms were asked, “Are there structural changes your firm has made or plans to make as a result of the COVID-19 pandemic that you expect to be permanent? If yes, please specify any changes, and whether it is an increase or decrease.

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

# Overall Economic Activity

# Texas' overall job loss in pandemic is less than nation and less than other large states

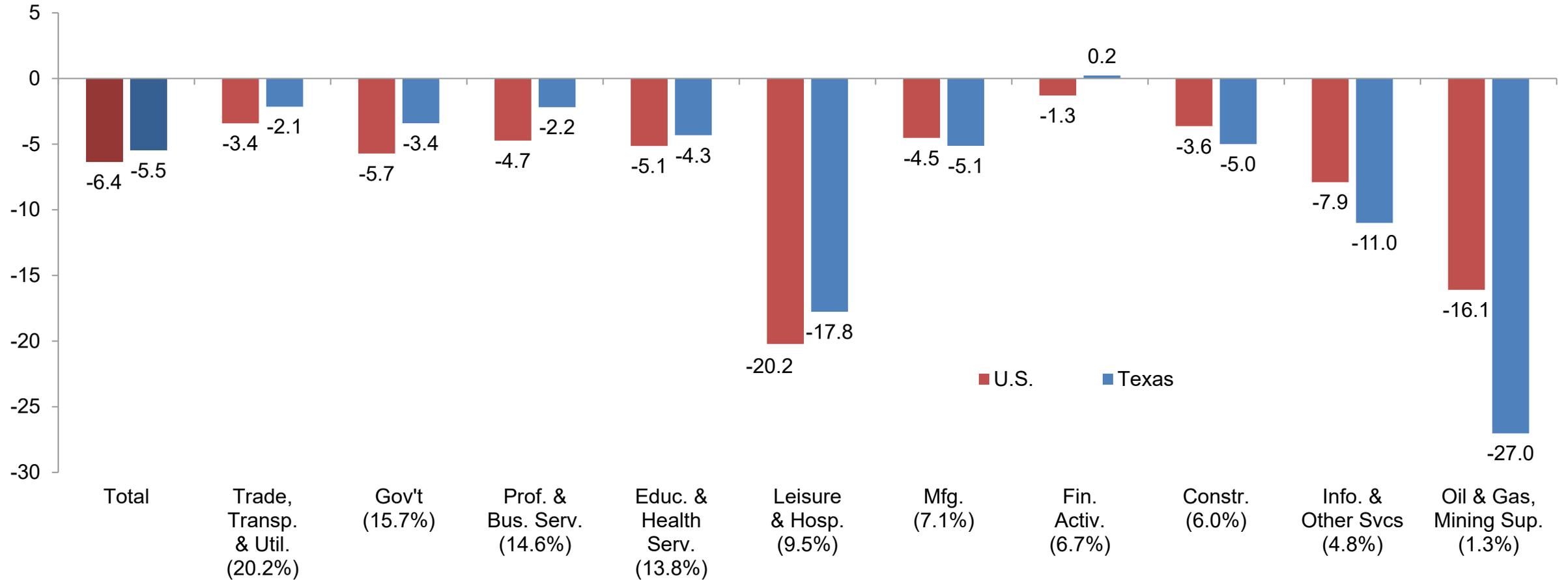
Job growth (percent), November 2020/Feb 2020, SA



SOURCES: Bureau of Labor Statistics.

# Since February, job losses widespread across industries with oil & gas, leisure & hospitality hardest hit

Job growth (percent)



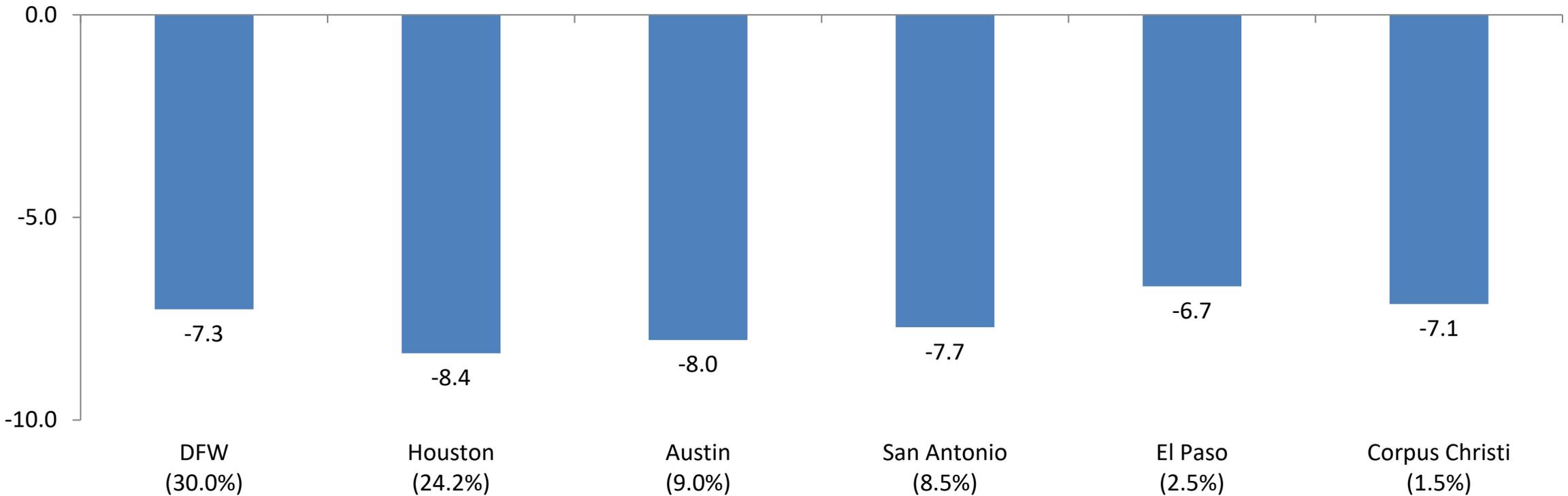
NOTE: Data show November 2020/Feb. 2020 non-annualized growth. Numbers in parenthesis indicate share of total state employment for November. Texas employment early benchmarked through second quarter 2020.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

# All Texas metros hit hard early in pandemic

Employment (June/Feb 2020)

Percent change, SA



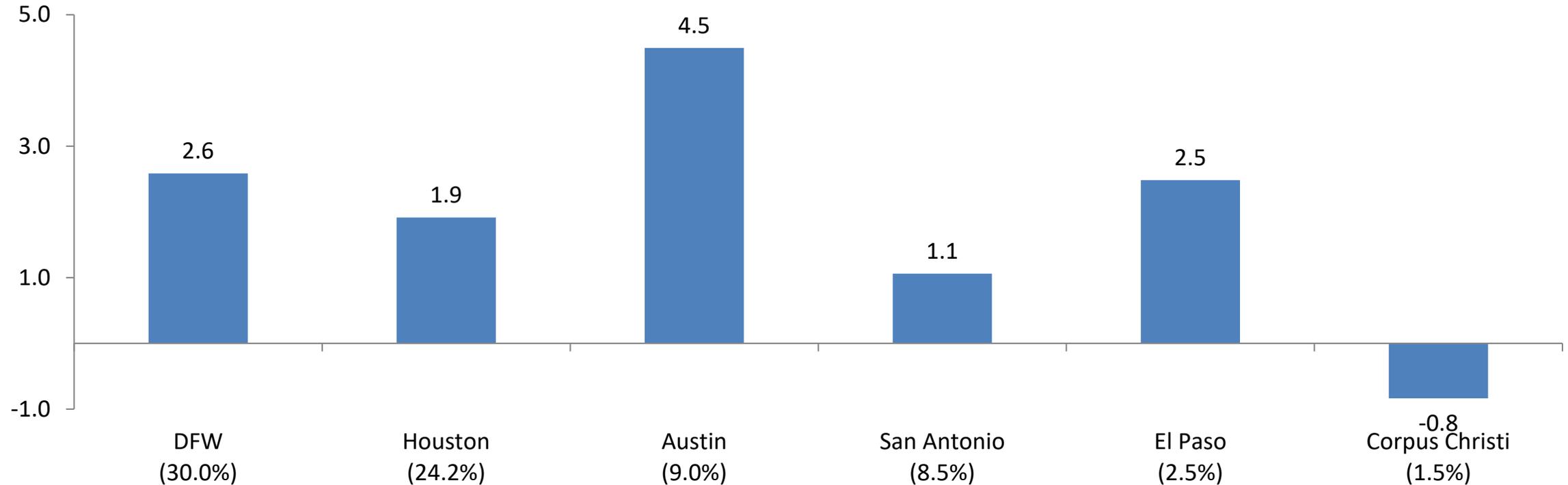
NOTES: Data refer June/Feb 2020 non-annualized job growth. Numbers in parentheses refer to share of state employment in Nov 2020.

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

# Austin improving the most since mid-year

Employment (Nov/June 2020)

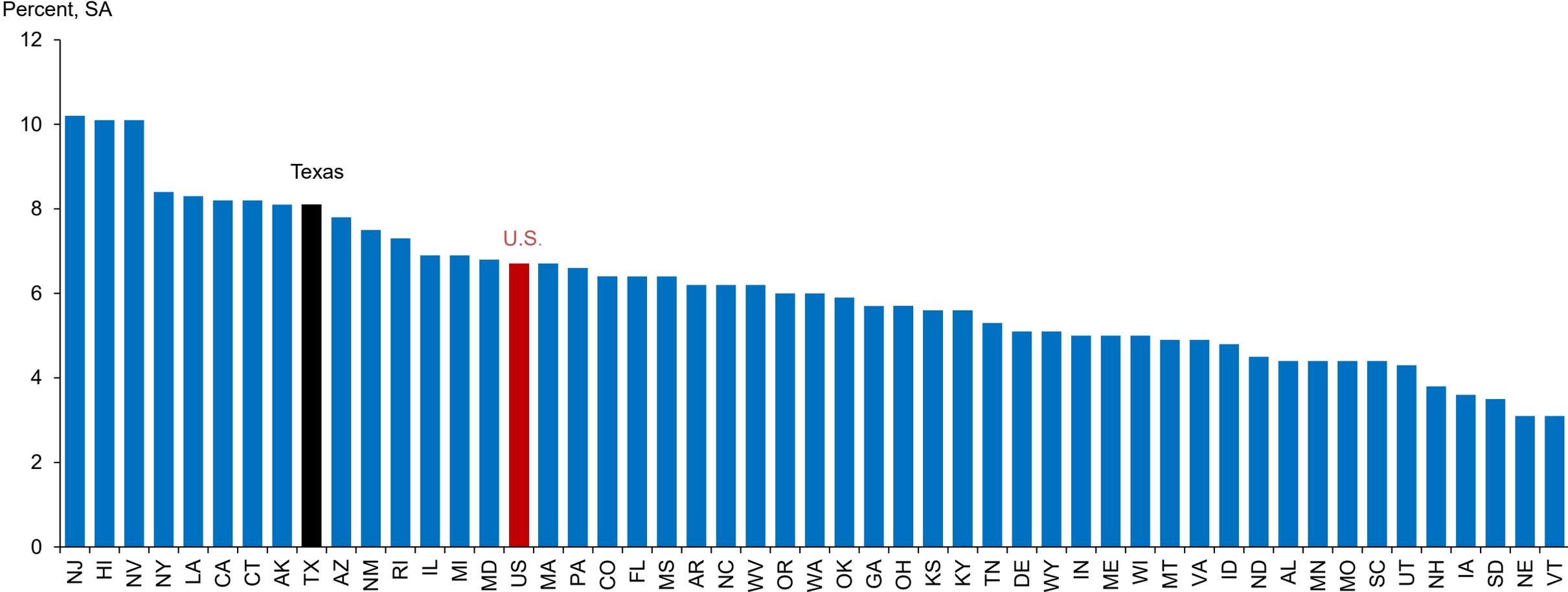
Percent change, SA



NOTES: Data refer Nov 2020/June 2020 non-annualized growth. Numbers in parentheses refer to share of state employment in Nov 2020.

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

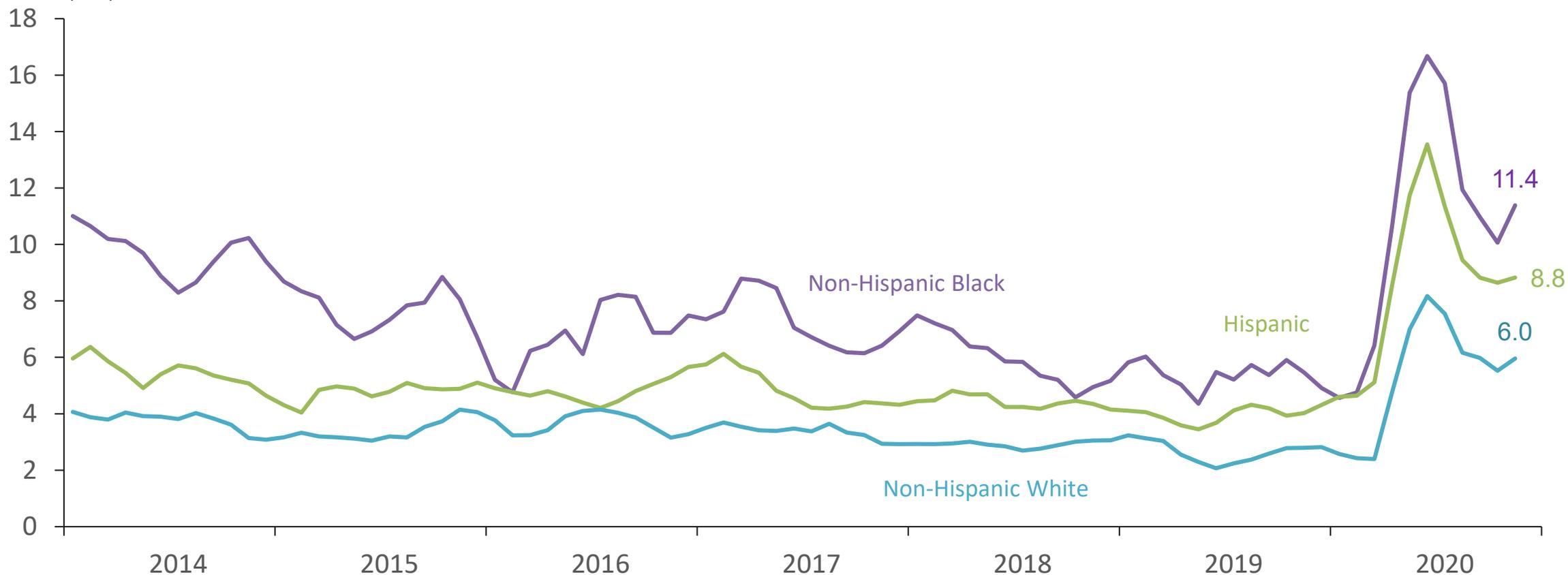
# Texas unemployment rate rises sharply to 8.1 percent in November



NOTE: Data for November 2020.  
SOURCE: Bureau of Labor Statistics.

# Uneven burden of pandemic: Black, Hispanic unemployment rate highest

Percent, SA, 3MMA

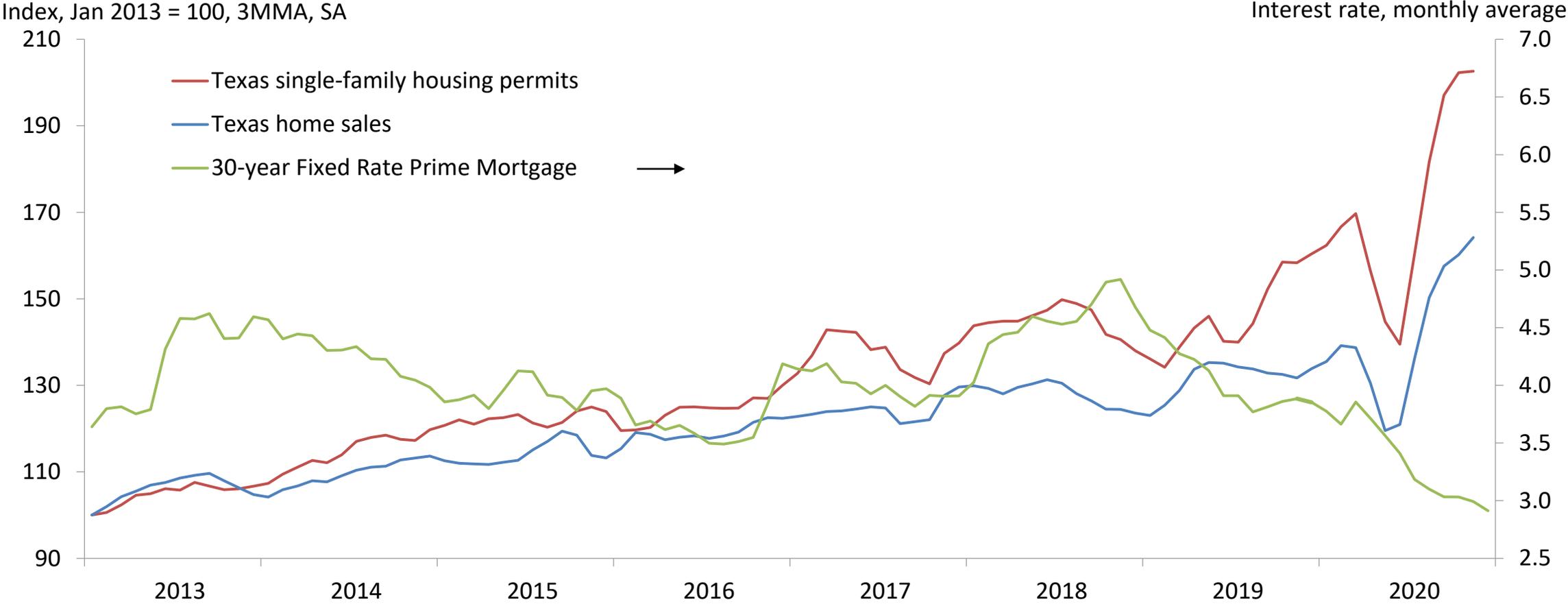


NOTE: Data through November 2020. The average unemployment rate in the raw data for Texas for November is 7.9% due to a different seasonal adjustment methodology.

SOURCE: Current Population Survey.

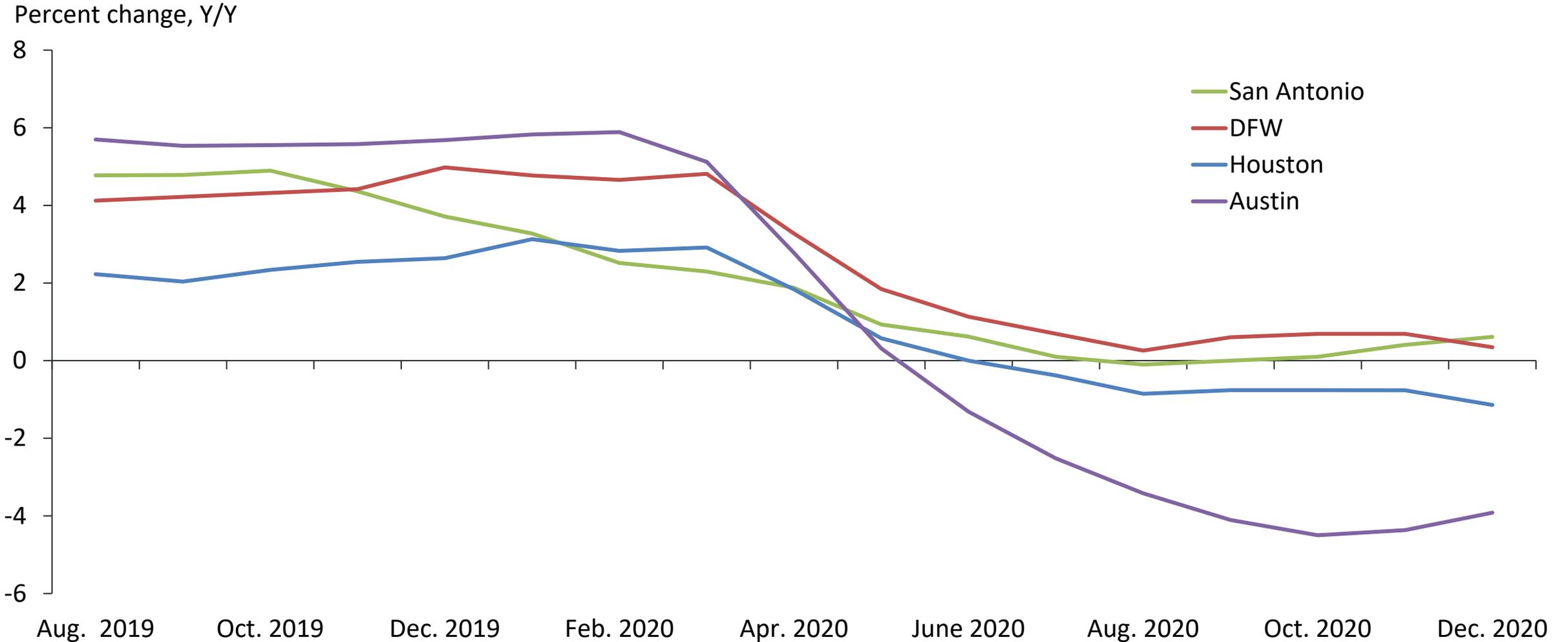
# Housing and Energy Industries

# Single family housing market takes off in pandemic, helped by falling mortgage rates



NOTES: Mortgage rate data through Dec. 2020. Other data through Nov. 2020.  
 SOURCES: MLS; A&M Real Estate Center; Freddie Mac Primary Mortgage Market Survey; U.S. Census.

# Apartment rents flat to down in major Texas metros



NOTE: Data through December 2020.

SOURCE: ApartmentData.

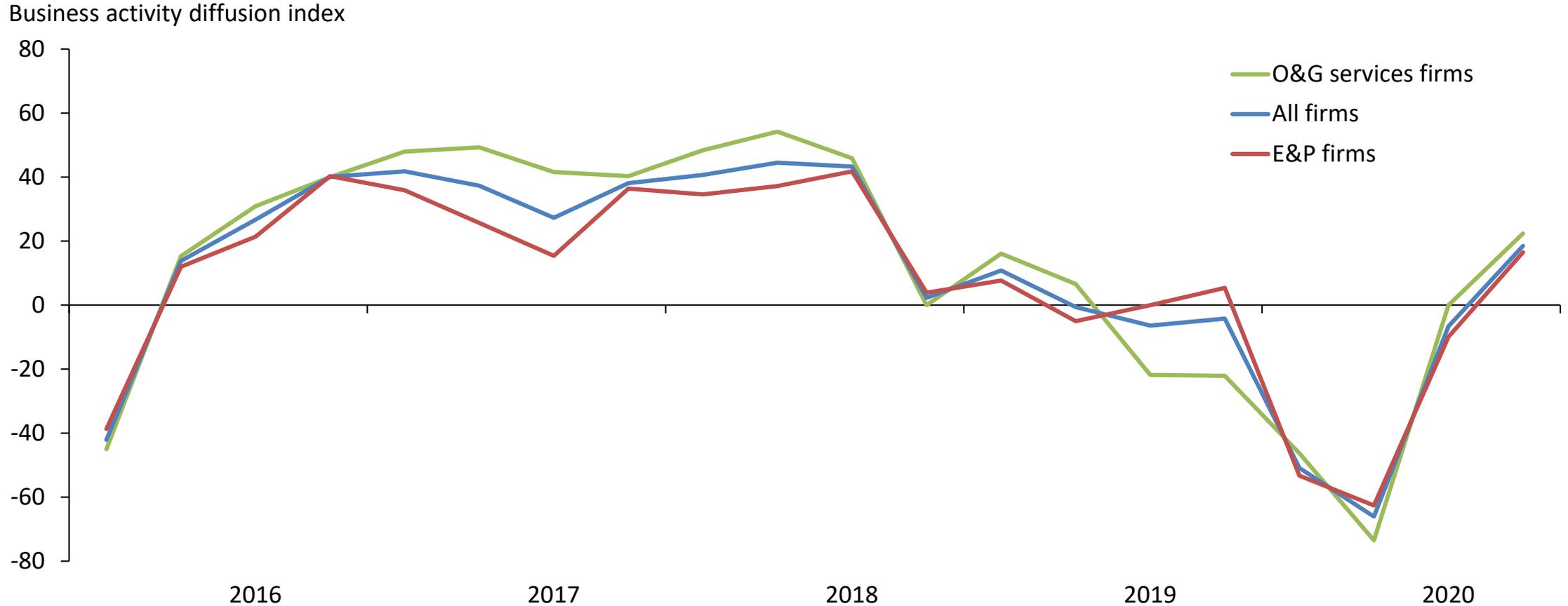
# Energy: Rig count low but increasing, rising oil prices helpful



NOTES: Data are weekly. Data through the week of Jan. 8, 2021.

SOURCES: Oil and Gas Journal; Baker Hughes.

# District energy sector resumes growth in fourth quarter, according to Dallas Fed Energy Survey

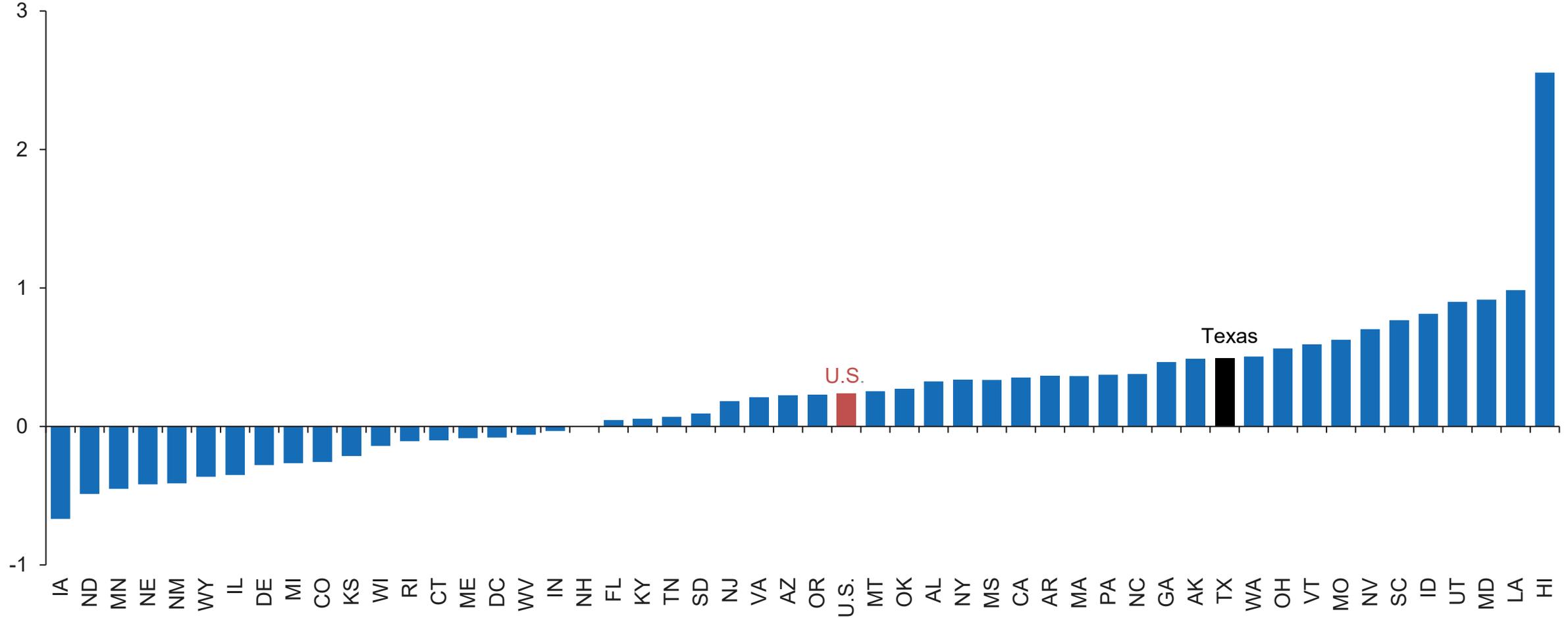


NOTE: Data through Q4 2020.  
SOURCE: Dallas Fed Energy Survey.

# Recent Economic Activity

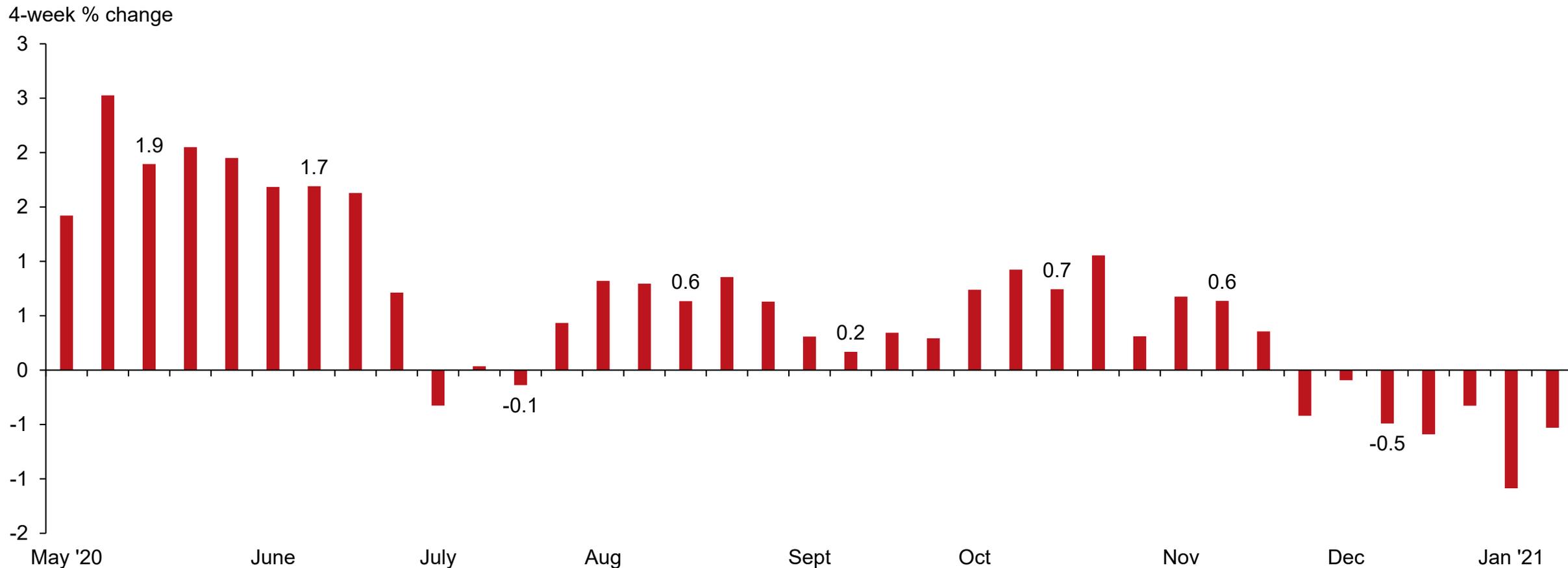
# Texas' job growth slows in November, but remains in top quarter of states

Job growth (percent), November 2020/October 2020, SA (not annualized)



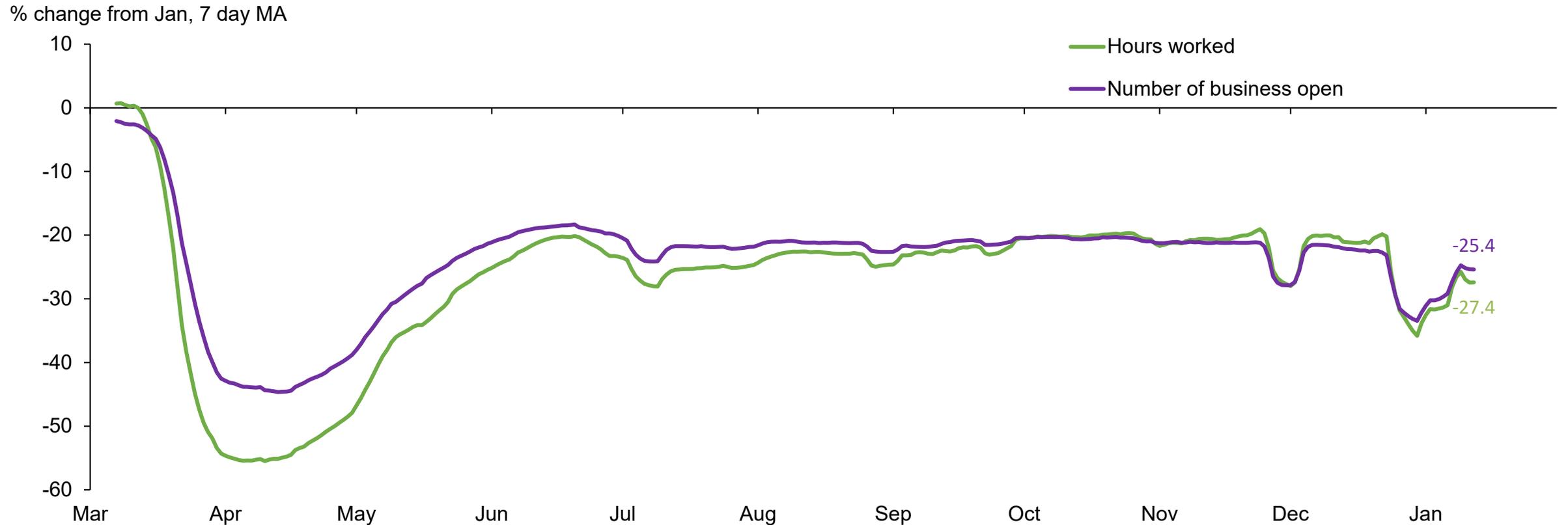
SOURCES: Bureau of Labor Statistics.

# The Texas Weekly Employment Estimate suggests job growth slowed further in December and January



SOURCE: Federal Reserve Bank of Dallas.

# Homebase open businesses and hours worked in Texas show no improvement after holiday



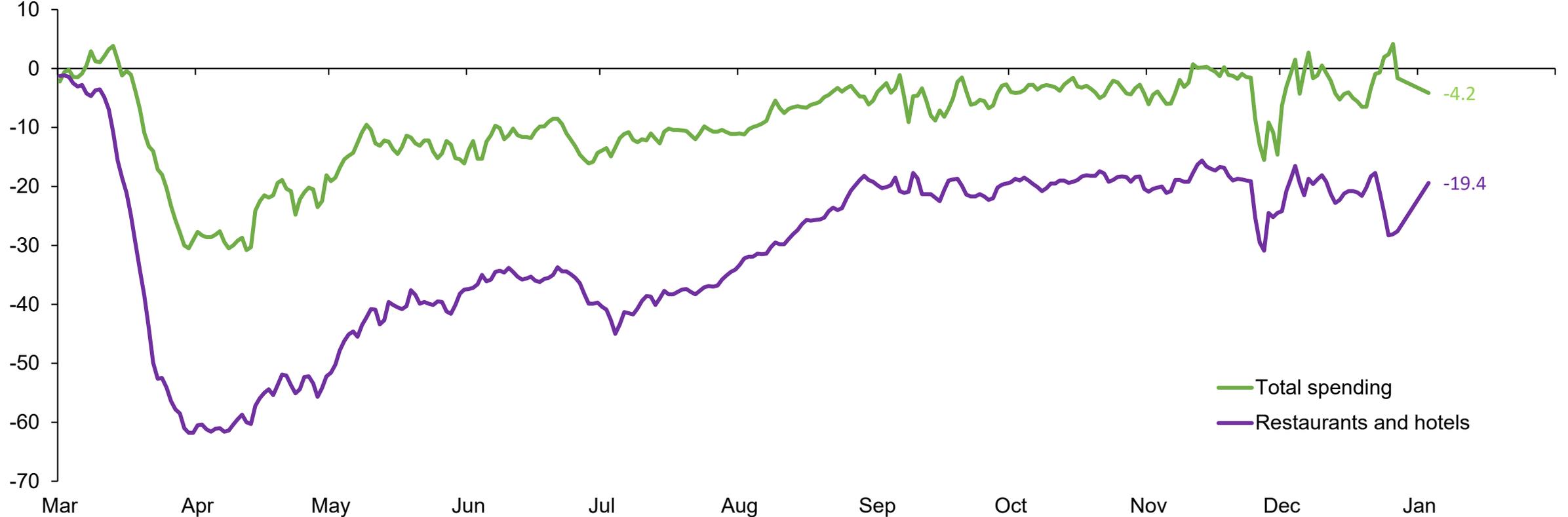
NOTE: Texas data up to Jan 12, 2020.

SOURCE: Homebase.

# Consumer spending in Texas slips in early January

Debit/Credit Consumer Spending in Texas

% change from Jan '20, 7 day MA

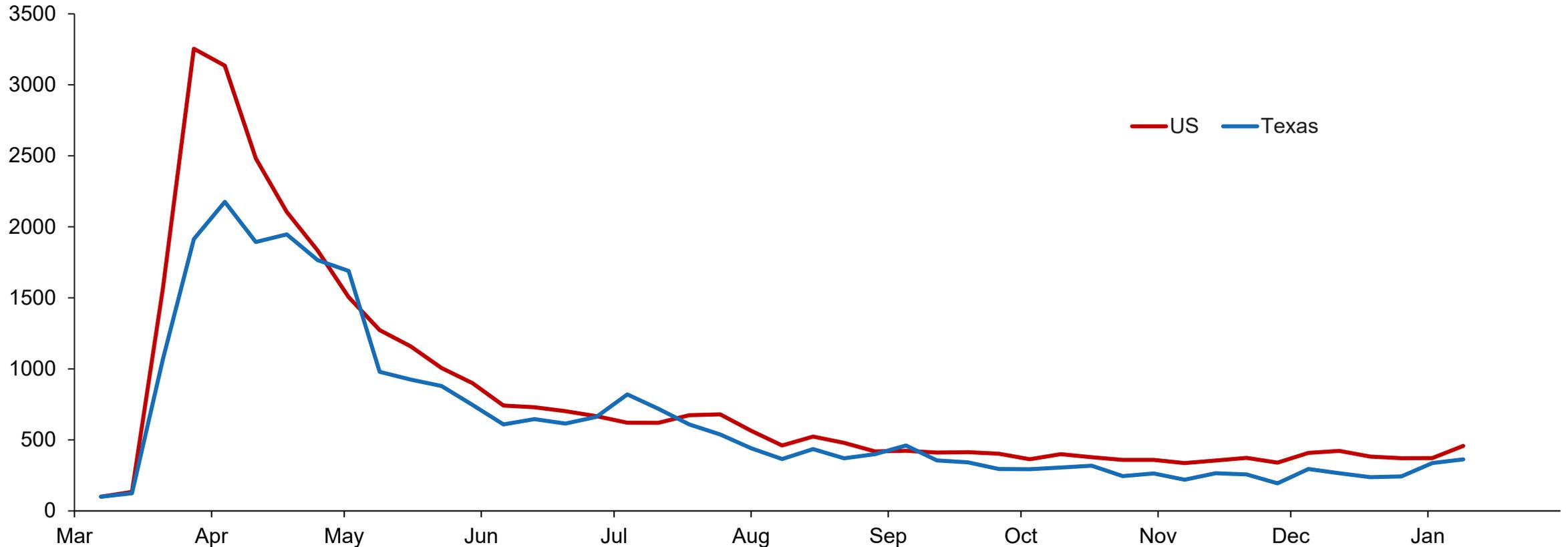


NOTE: Texas data up to Jan 3, 2020.

SOURCE: Tracktherecovery.org

# Initial jobless claims rising slightly in January in Texas, US

Index, Mar. 2020 = 100

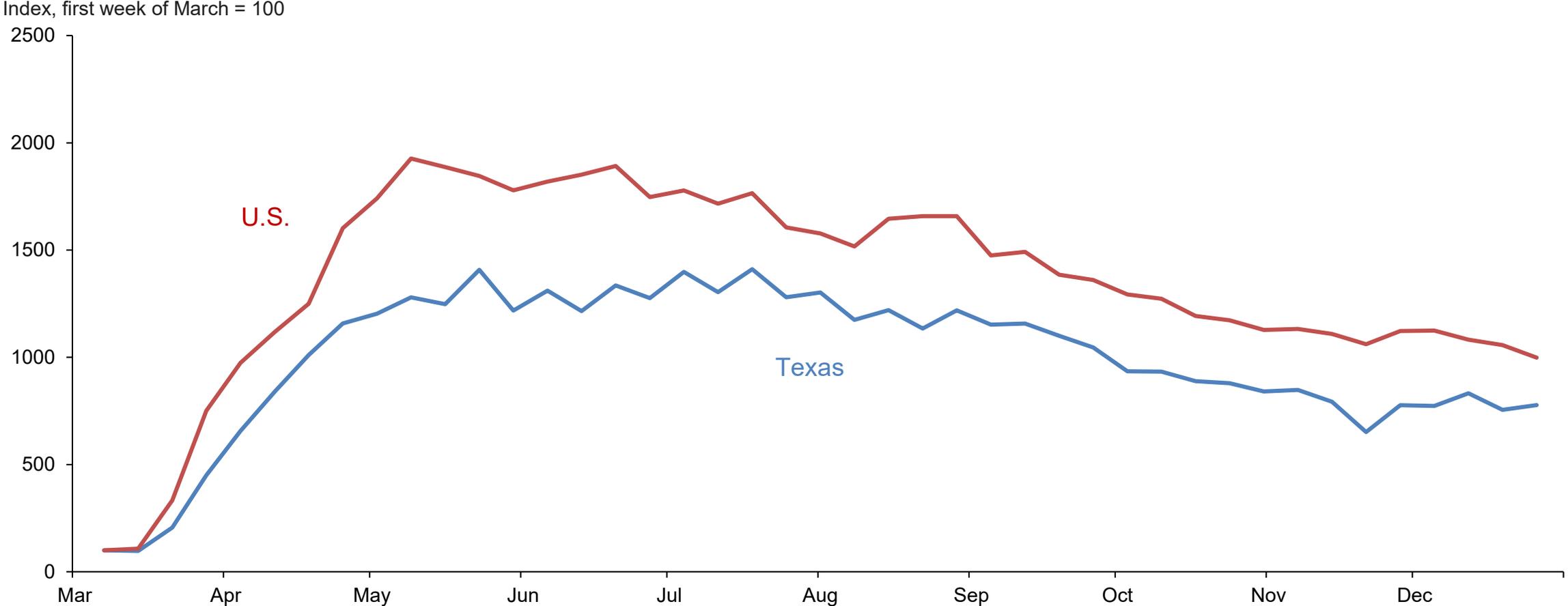


NOTE: State jobless claims. Data through the week ending January 9, 2020.

SOURCE: Department of Labor.

# And total jobless claims moving sideways

## Total claims (state UI and federal PUA, PEUC and EB)

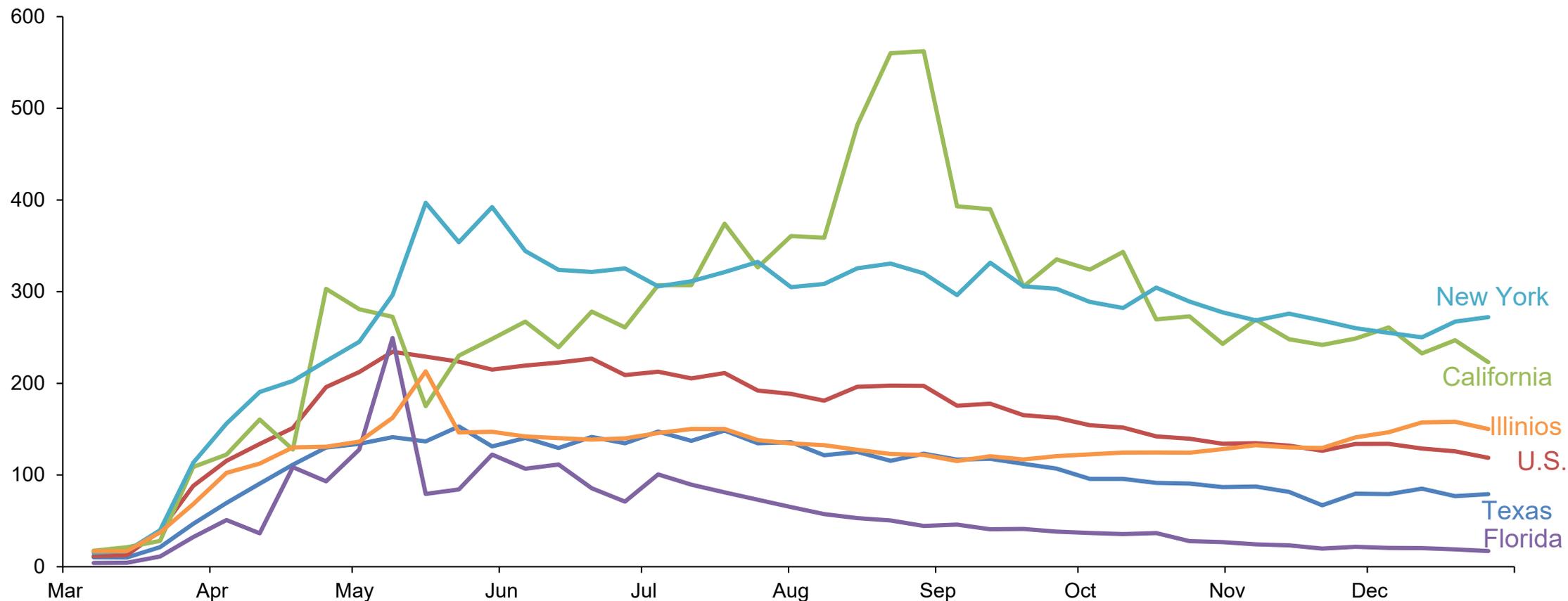


NOTES: Unemployment claims data through the week ending December 26.  
SOURCES: Department of Labor.

# Still, Texas total jobless claims per worker lower than most other large states

## Total claims (state UI and federal PUA, PEUC and EB)

Claims per 1,000 workers



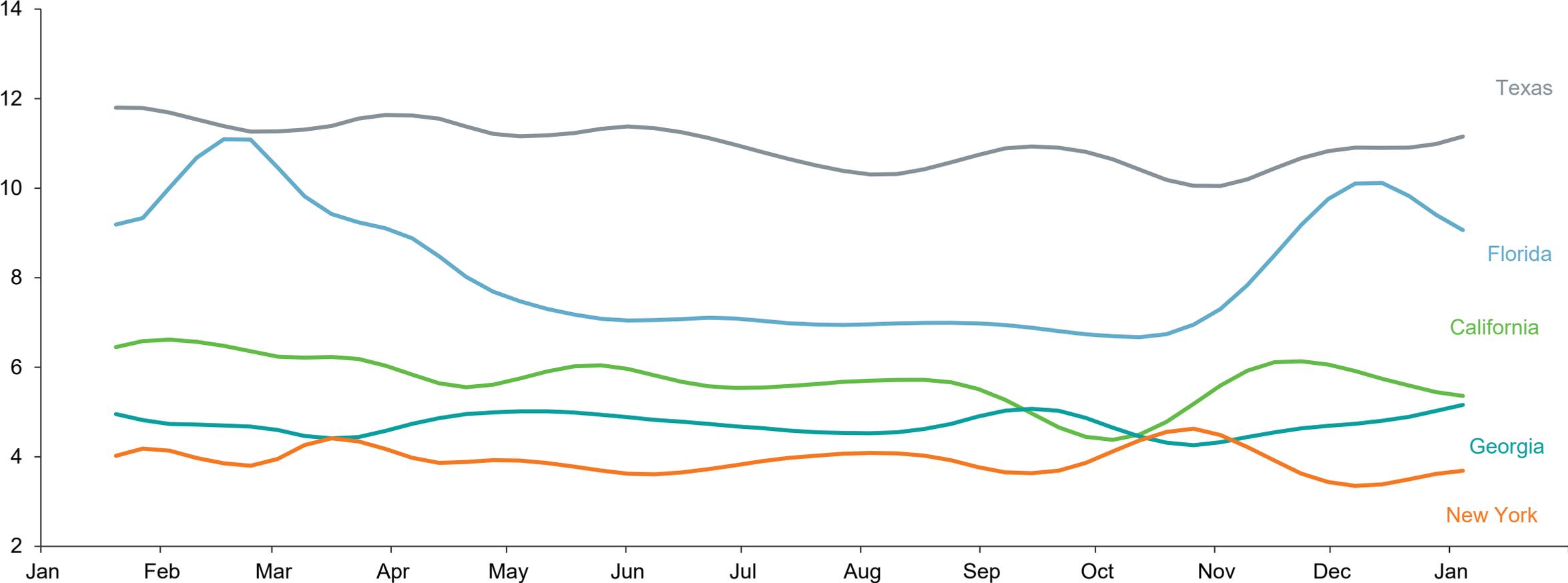
NOTES: Unemployment claims data through the week ending December 26.

SOURCES: Department of Labor; Bureau of Labor Statistics.

# Outlook for 2021

# Inter-State movers still favor Texas: Share of home switchers by destination

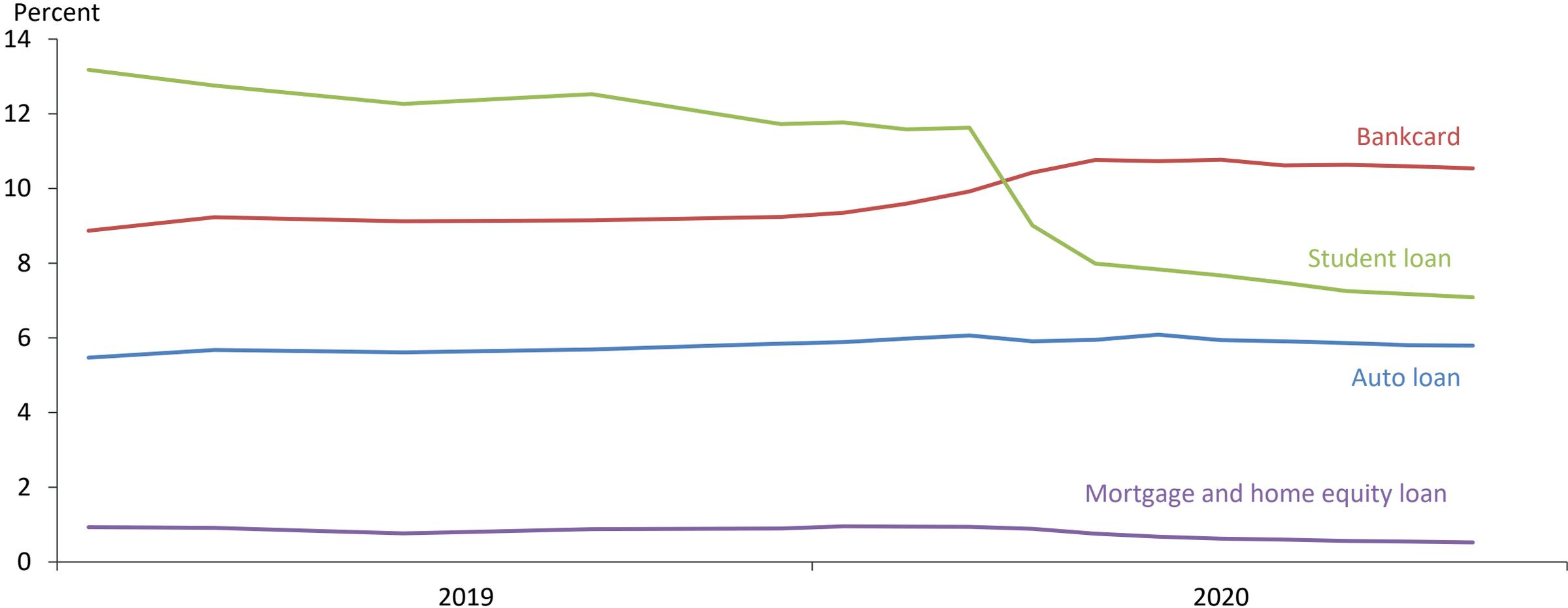
Percent, 4 WKMA



NOTE: Data through the week of January 4, 2020.

SOURCE: Cuebiq.

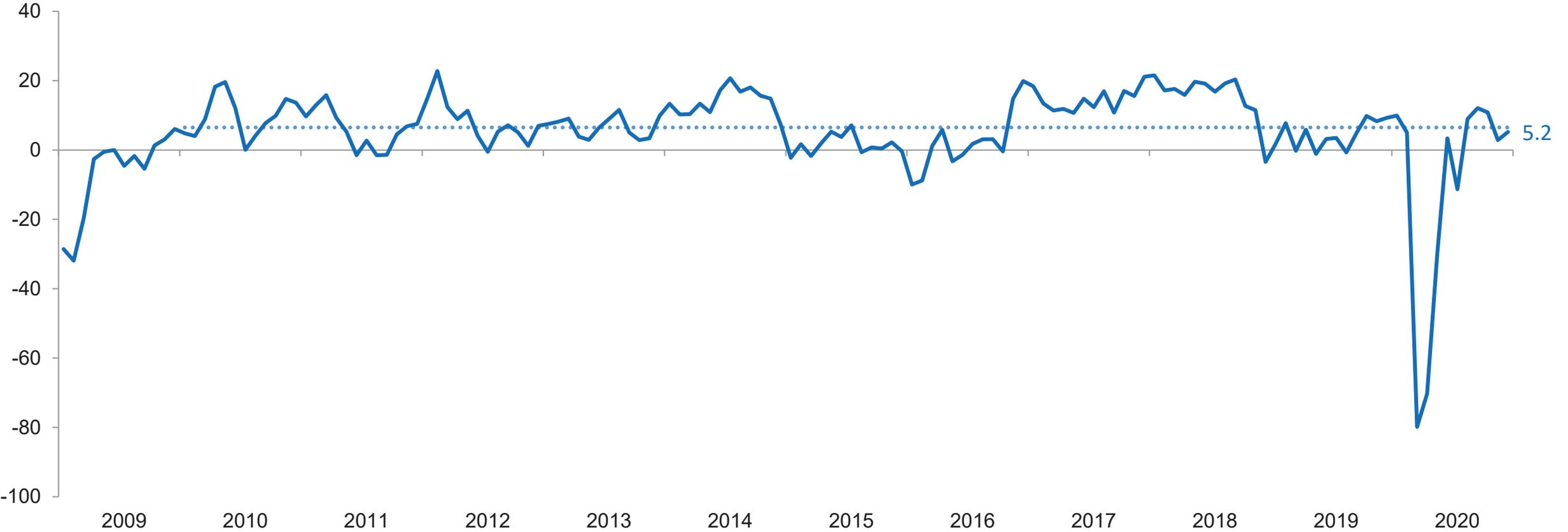
# Texas consumer loans holding up: Delinquencies are mostly flat to down



NOTES: Seriously delinquent loans (90+ days). Data through November 2020.  
SOURCE: FRBNY Consumer Credit Panel.

# Texas Business Outlook Surveys: Company outlook modestly positive at yearend 2020

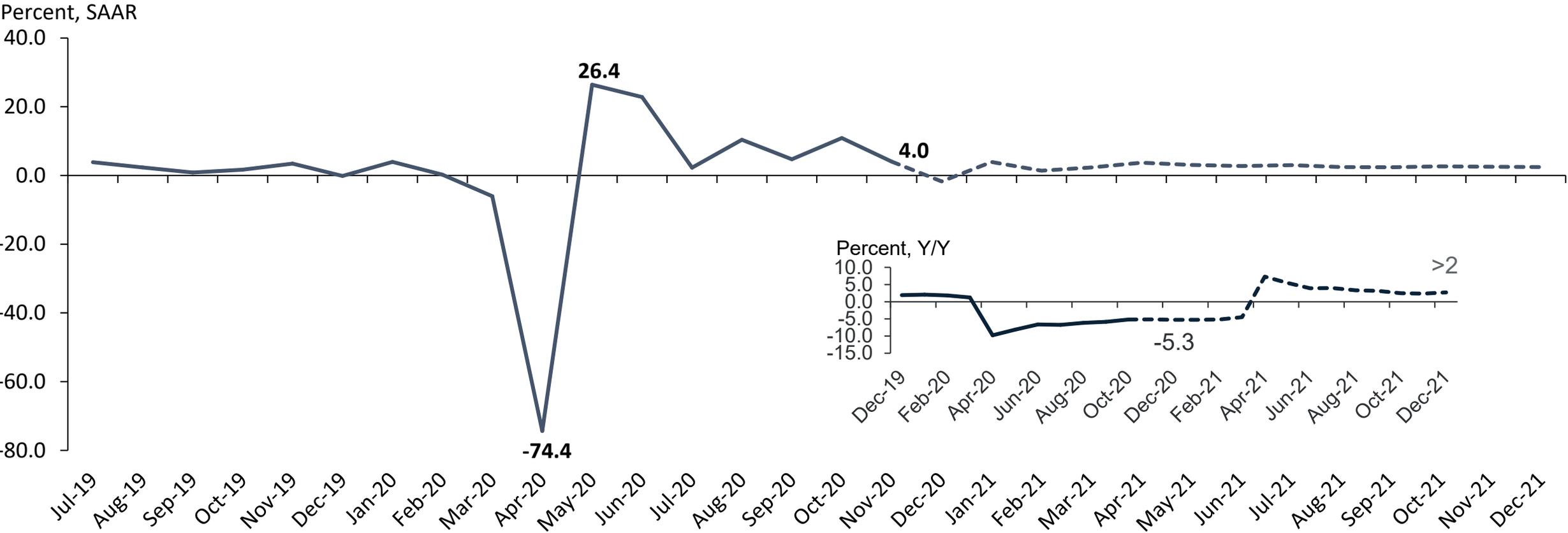
Diffusion index, SA



NOTES: Data through December 2020. Indexes from the manufacturing, retail and services surveys are aggregated weighting by sector using GDP. Dashed line is post-recession average.

SOURCE: Federal Reserve Bank of Texas Business Outlook Surveys (TBOS).

# Dallas Fed jobs forecast projects some weakness over next few months with growth picking up in Q2 and above trend growth in 2021 overall



NOTE: Forecast scenario estimates Texas payroll employment from November to December 2020 are based on a Texas Weekly Employment Estimate of -1.7% in December, a US GDP growth estimate of 4.7% for 2021, direct COVID-19 impacts in March and April, and WTI prices following the futures contract curve as of 1/7.

# Summary

- Pandemic destroyed 1.2 million Texas jobs, less than half had been recovered by November
- Dallas Fed Forecasts
  - 2020: 5.3 percent job loss for the year (Dec/Dec)
  - 2021: > 2 percent growth (Dec/Dec), but unlikely all lost jobs will be recovered by year-end
- Risks to the outlook are to the downside in the first quarter due to COVID but there are tailwinds too
  - New stimulus package(s) should boost consumption, help small business
  - Energy sector turn-around also a slight positive
- Vaccines boosting the longer-term outlook, but slow going
  - Business contacts expect conditions to improve by mid-year 2021

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