



Federal Reserve
Bank of Dallas

Economic Situation and Inflation: Resilient Texas

Longview Chamber

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The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.

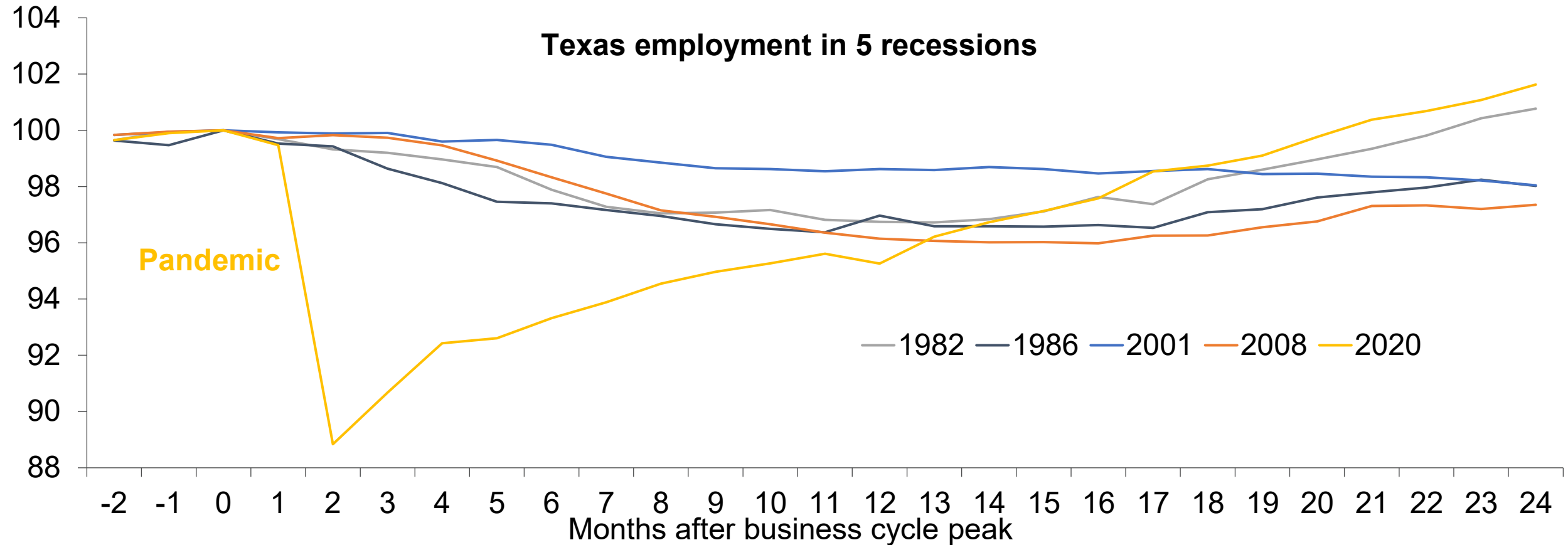
Key points

- U.S. output growth remains solid but more muted than last year
 - Constrained by labor, supply-chain disruptions, rising oil prices, and elevated inflation
- Texas growth has outperformed the nation through pandemic; likely to continue in 2022
 - Growth boosted by migration, and now high oil, gas prices
- U.S. labor market very tight --- even more so in Texas
- Inflation up sharply over past year --- likely to remain elevated but should moderate
- Large uncertainty remains
 - Russia-Ukraine war, oil prices, Covid outbreaks with associated lockdowns (China) and supply disruptions, ...
 - Tightening of financial conditions and slowdown of U.S. aggregate demand

Pandemonics: A Recession (and Recovery) Like No Other

Pandemic recession stands apart from others: much deeper, shorter-lived decline and steeper recovery

Percent of peak employment



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.

Also unusual for a recession, personal income rose

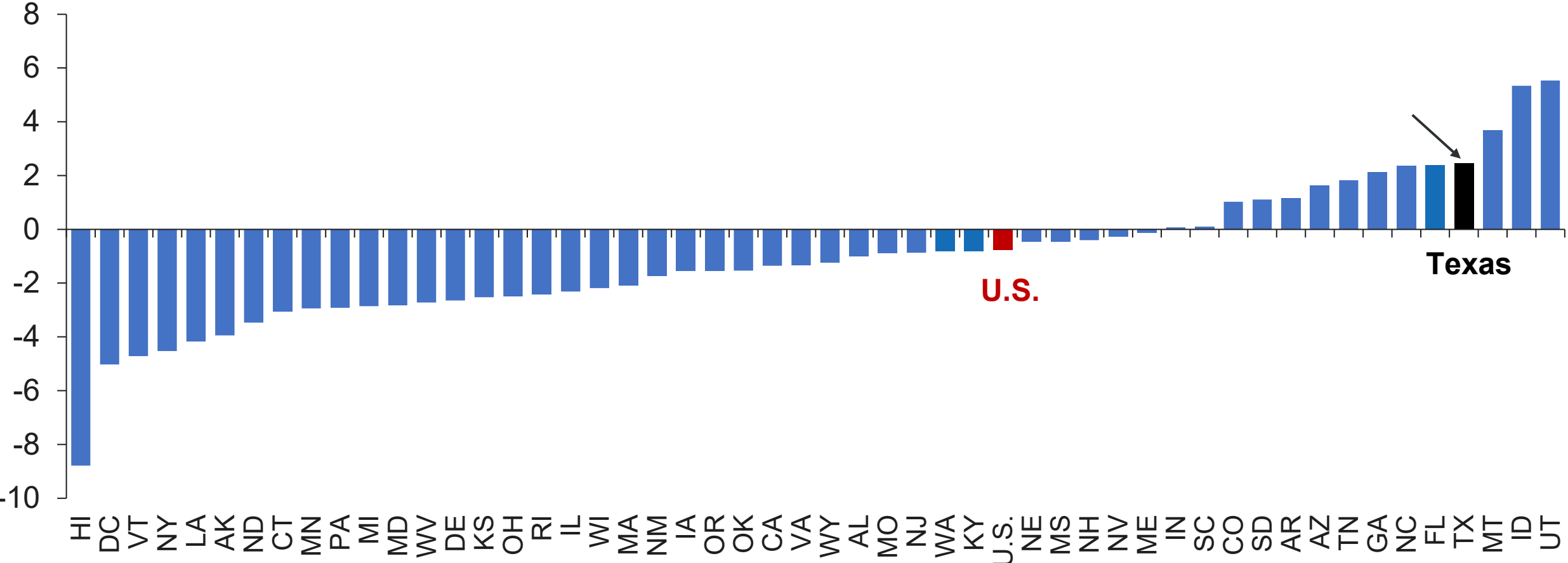


NOTES: Data for Texas. Change in real per capita personal income and wages & salaries, from first quarter to last quarter of recession.
SOURCE: Bureau of Economic Analysis (BEA)

How Texas Fared in Pandemic

Texas is one of fourteen states that have exceeded their pre-pandemic level of employment

Job growth (percent), Apr 2022/Feb 2020, SA

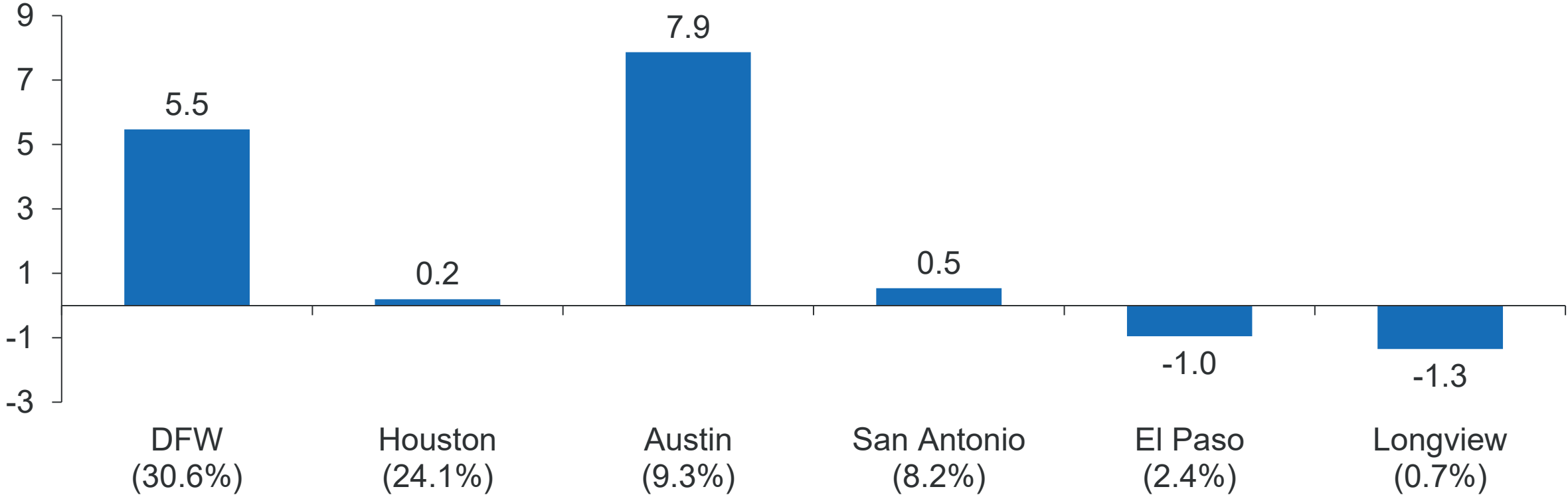


NOTES: Data show non-annualized job growth since beginning of pandemic. Texas data are not early benchmarked to allow comparison across states.
 SOURCES: Bureau of Labor Statistics.

Austin, DFW lead job recovery; other metros catching up

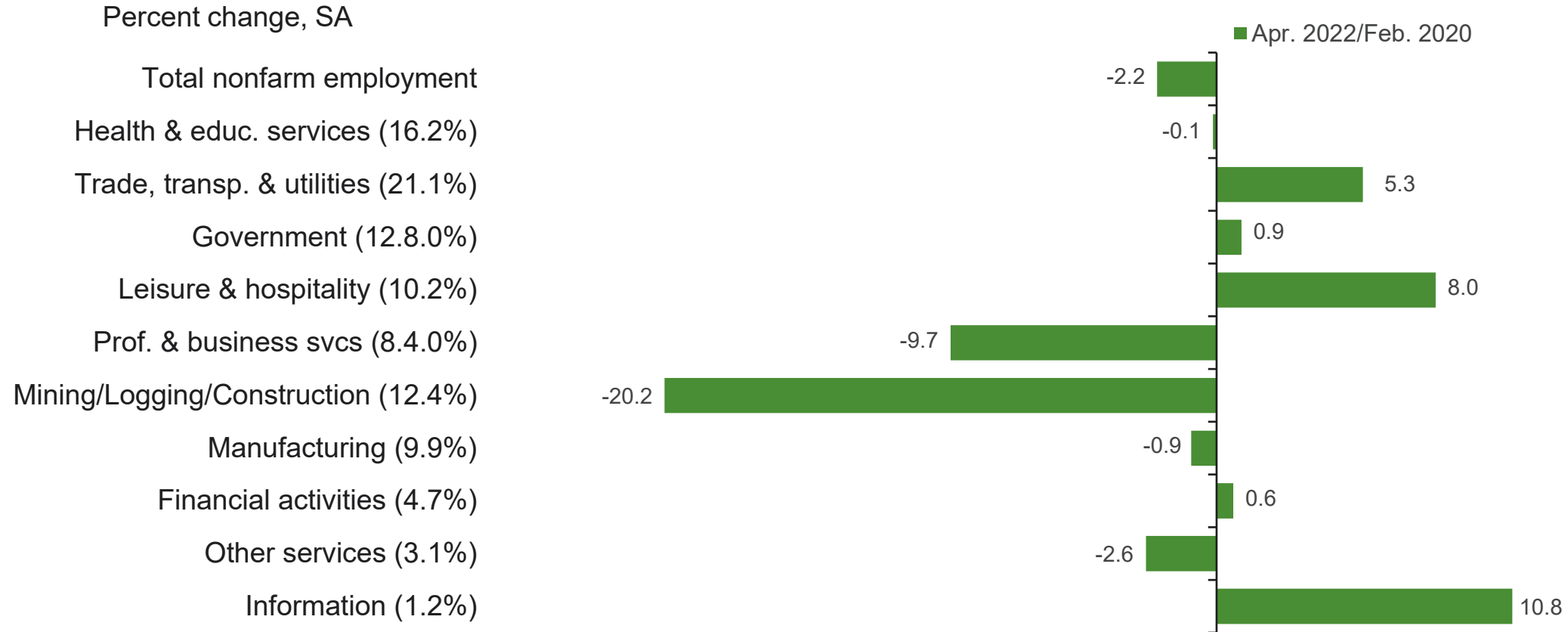
Employment Change by Major Metro (Apr 2022/Feb 2020)

Percent change, SA



NOTES: Data refer Apr. 2022/Feb. 2020 non-annualized job growth. Numbers in parentheses refer to share of state employment in Apr. 2022.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

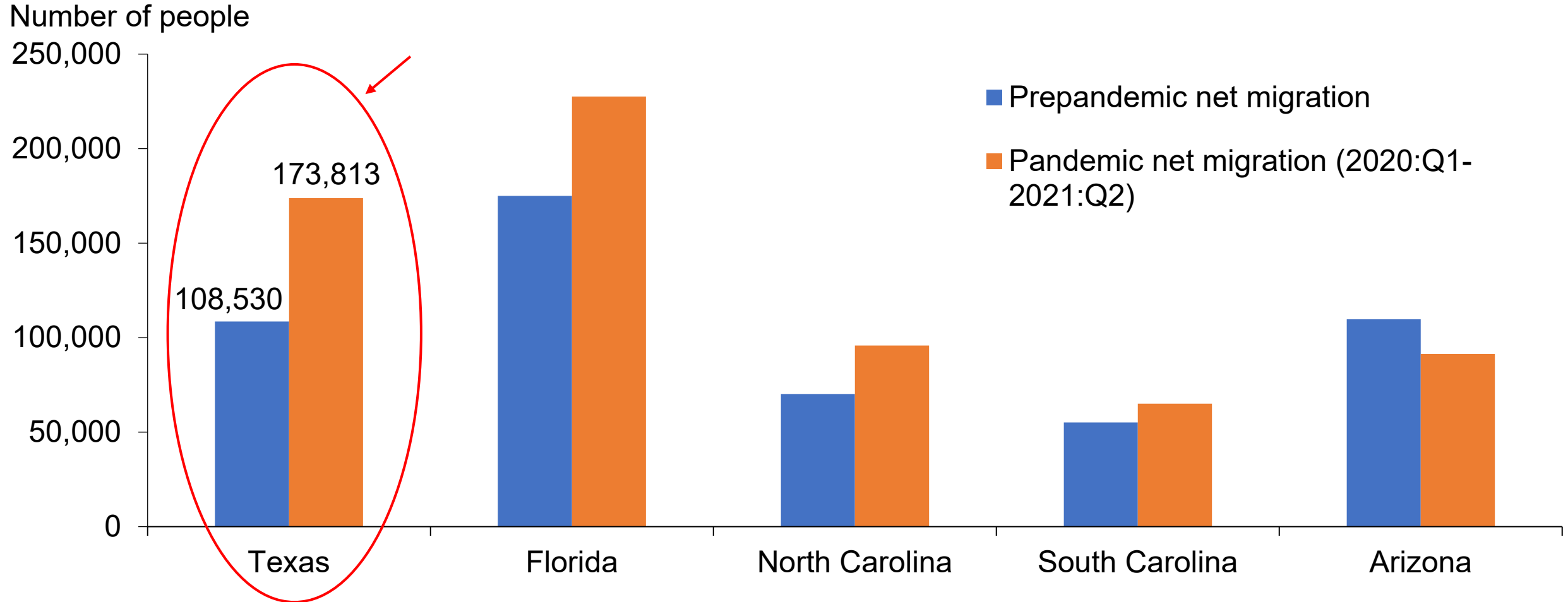
About half of Longview's sectors have recovered all jobs lost in pandemic – mining, logging, and construction still down 20 percent



NOTES: Data show seasonally adjusted and non-annualized percentage employment growth by sector. Numbers in parentheses represent the share of total employment in April 2022. Shares may not sum to 100 due to rounding. Total change differs from prior slide b/c these data are not early benchmarked by Dallas Fed.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission.

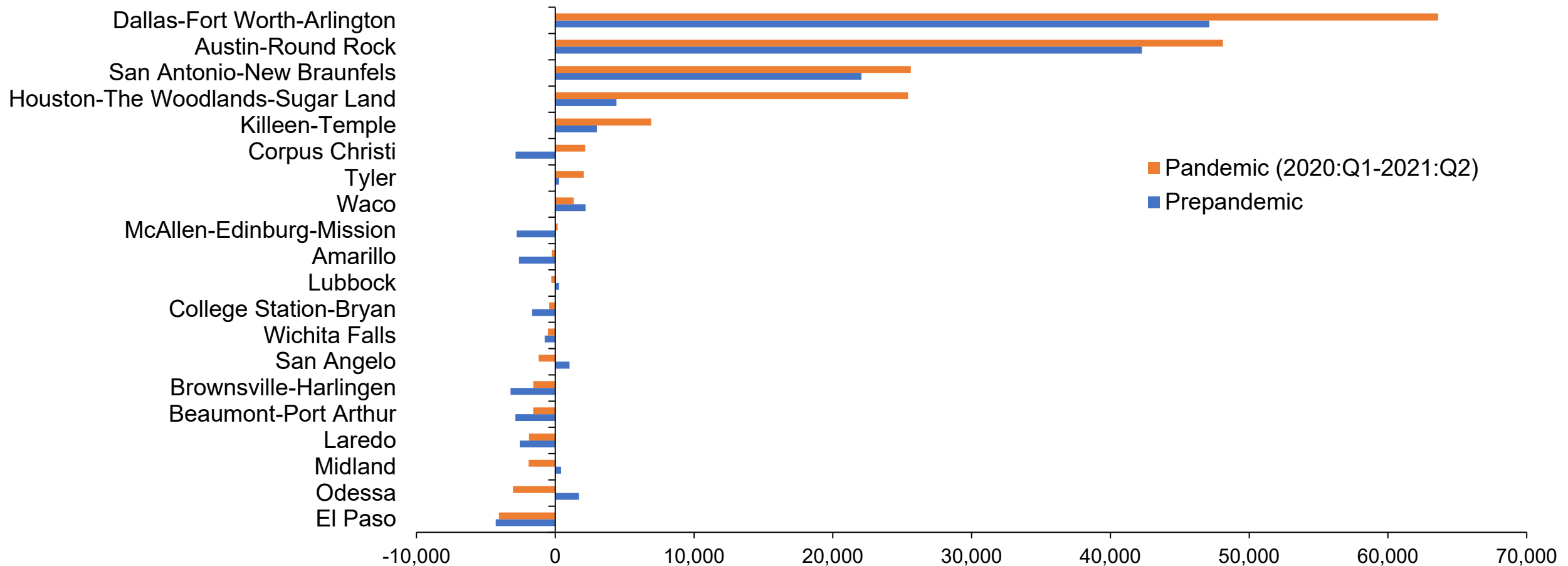
Texas job growth fueled by domestic migration, which accelerated in pandemic



NOTE: Data and analysis from Yichen Su "Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic," *Southwest Economy*, 4th quarter, 2021.

SOURCES: Federal Reserve Bank of New York Consumer Credit Panel, Equifax.

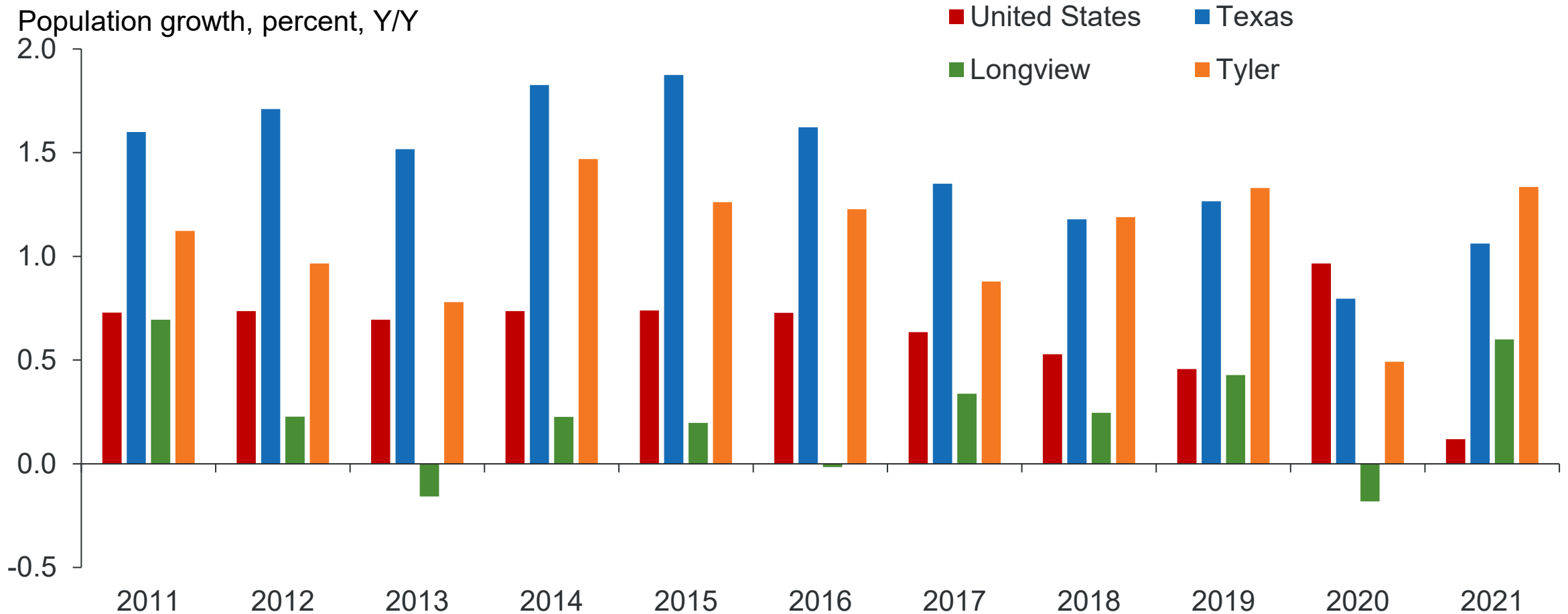
Even though migration flowed mostly to D-FW & Austin, almost all Texas metros enjoyed higher inflows in pandemic



NOTES: Data shown are net in-migration figures for Texas metros from Yichen Su “Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic,” *Southwest Economy*, 4th quarter, 2021.

SOURCES: Federal Reserve Bank of New York Consumer Credit Panel, Equifax.

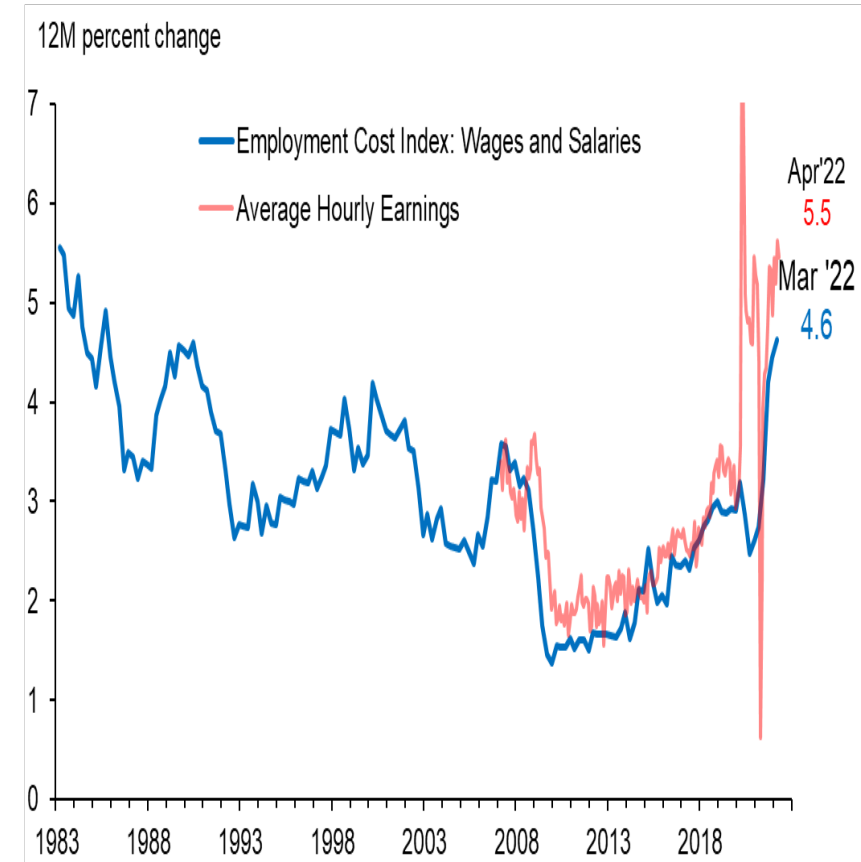
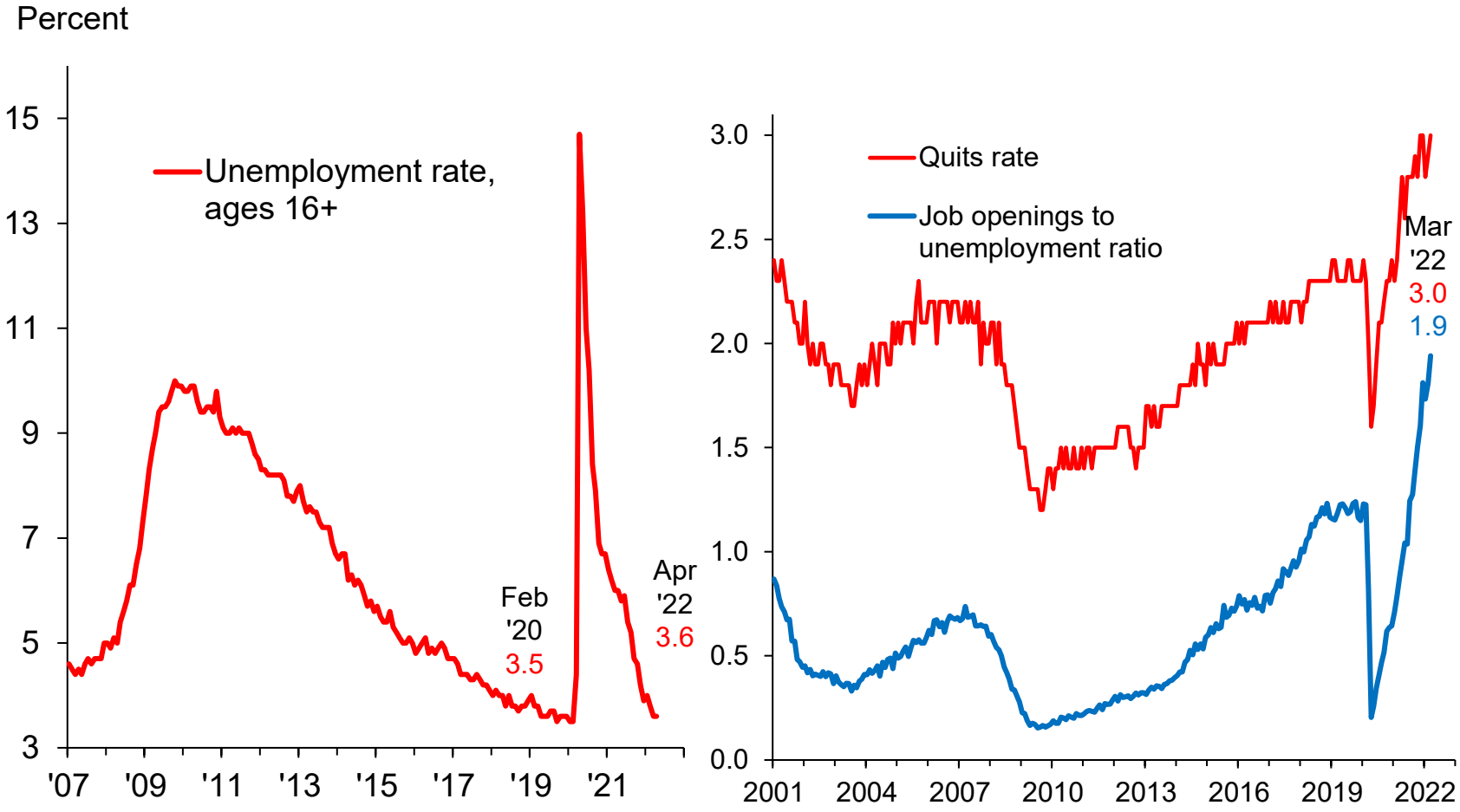
Population growth fastest in Texas, slowest in Longview



SOURCE: U.S. Census Bureau.

Recent Economic Performance

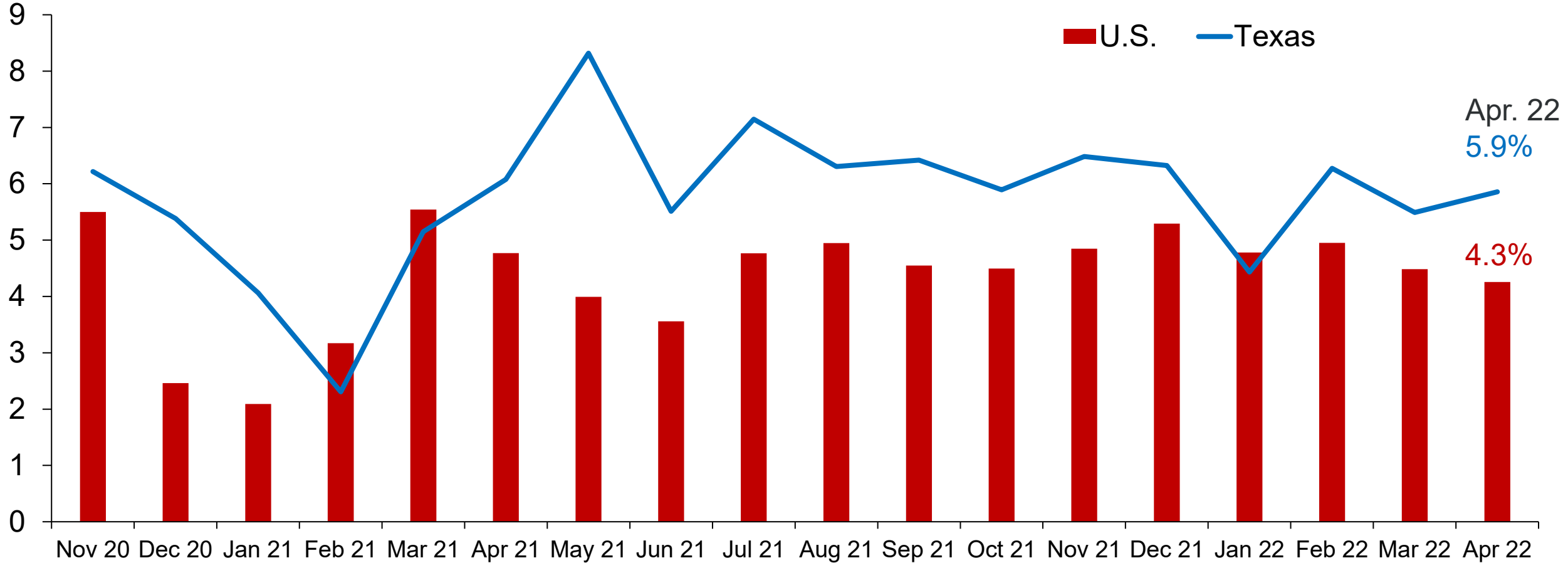
The U.S. labor market is extremely tight, wage growth is rapid



SOURCE: Bureau of Labor Statistics

Texas job growth strong, consistently above U.S. rate

Percent change, annualized, SA, 3MMA

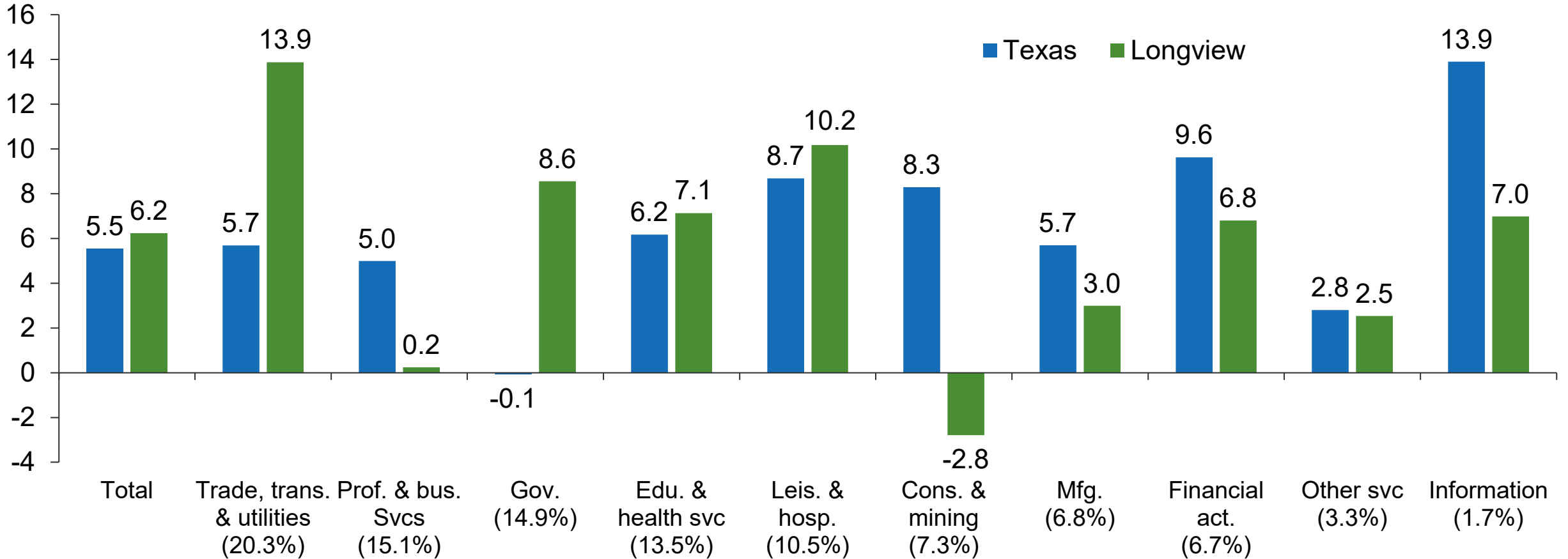


NOTES: Data through April 2022.

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

Longview job growth has been rapid and broad based this year

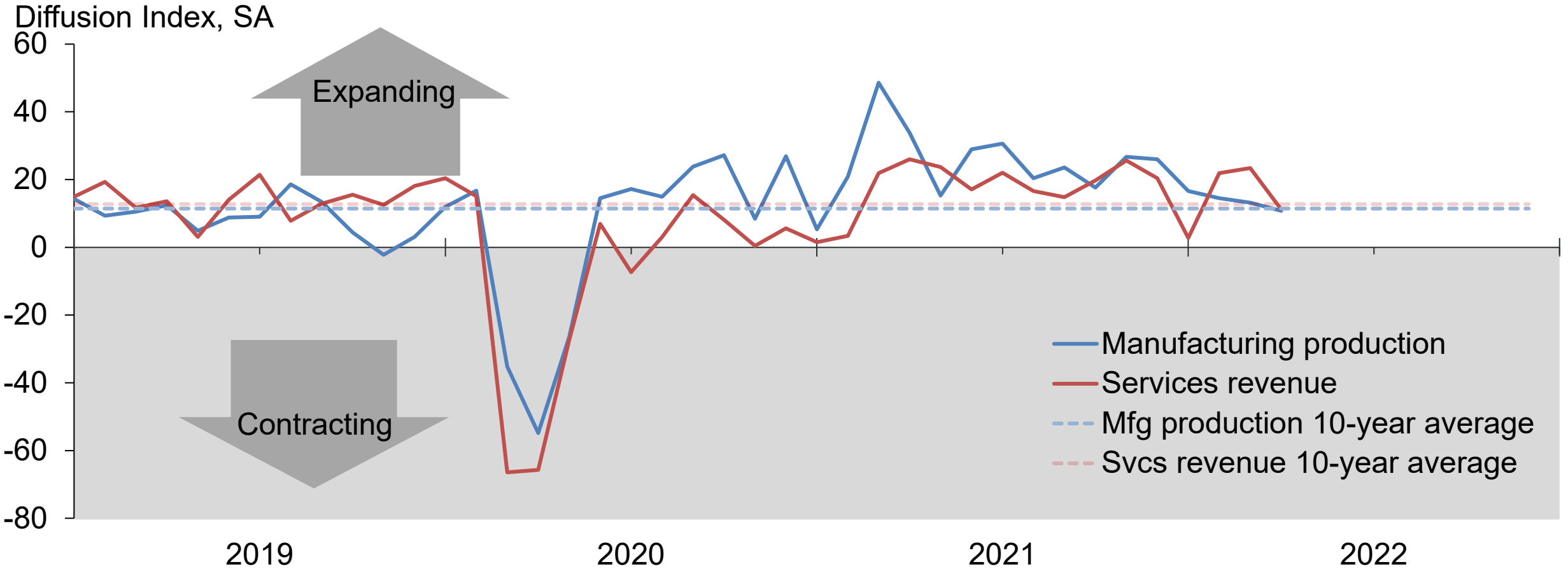
Job growth, Apr 2022/Dec 2021 (percent)



NOTE: Data show Apr. 2022/Dec. 2021 non-annualized growth. Numbers in parentheses indicate share of total state employment for April.

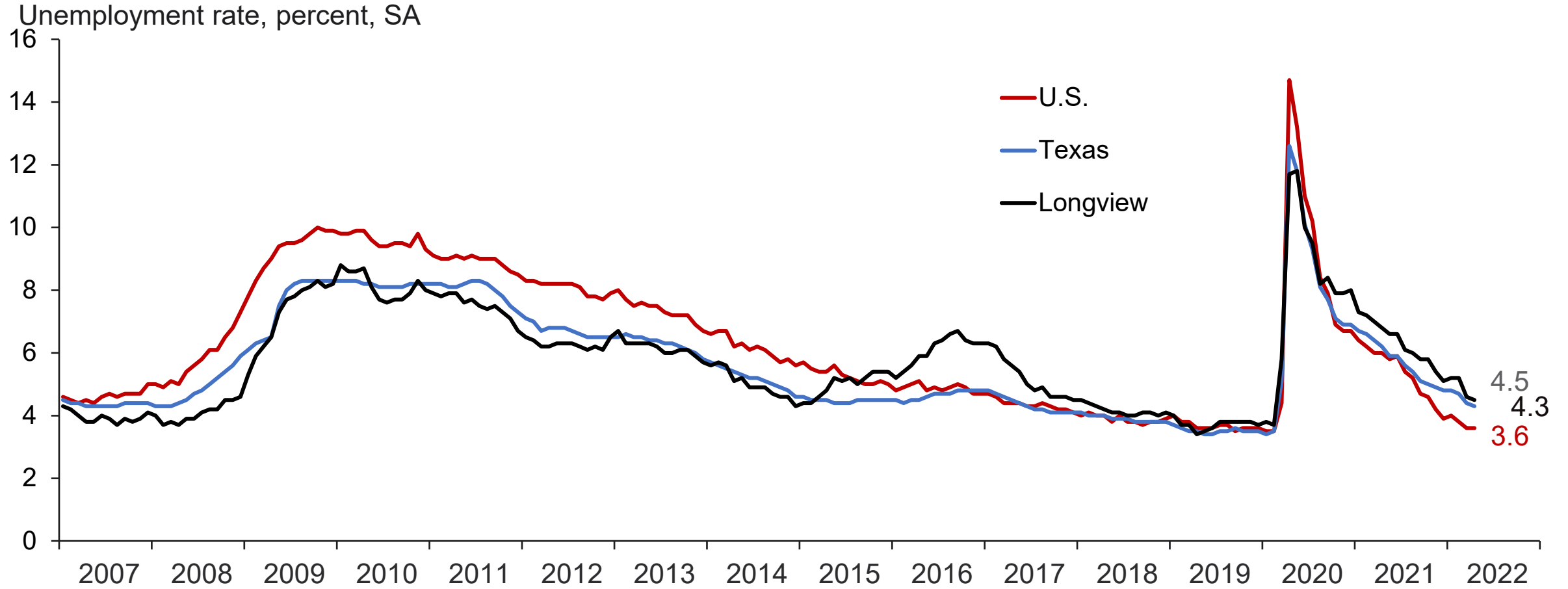
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

Manufacturing output growth and service sector revenue both slowing



NOTE: Data through April 2022.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Survey

Unemployment rate in Longview similar to state

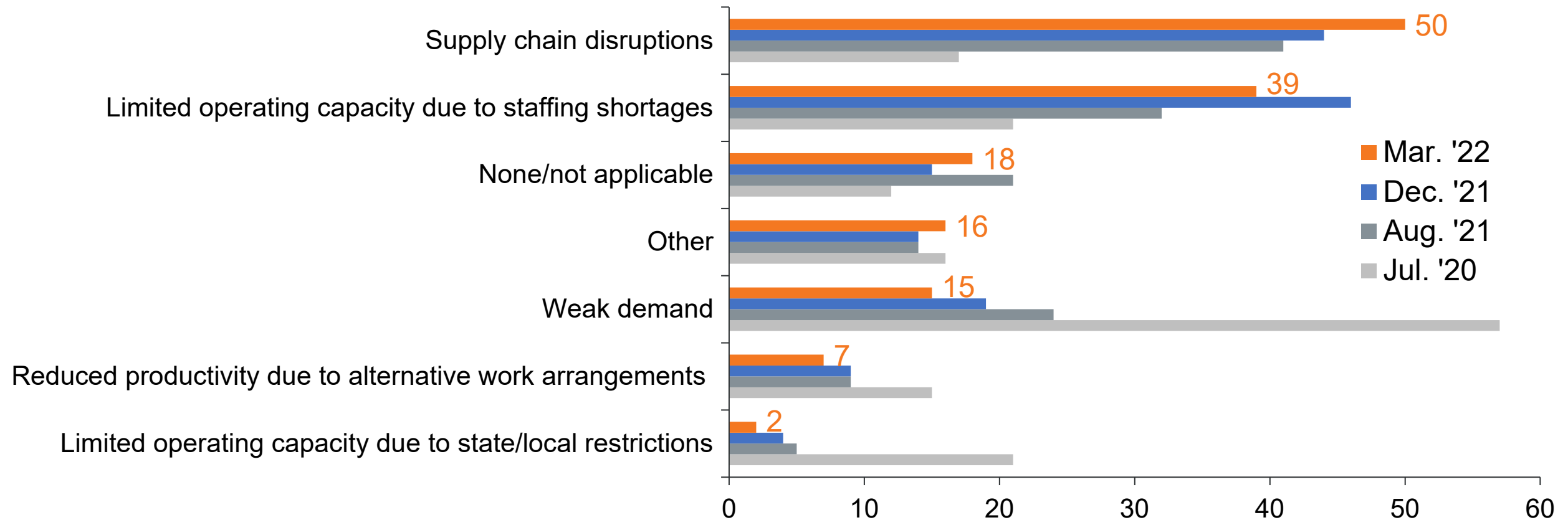


NOTE: Data through April 2022.

SOURCE: Bureau of Labor Statistics.

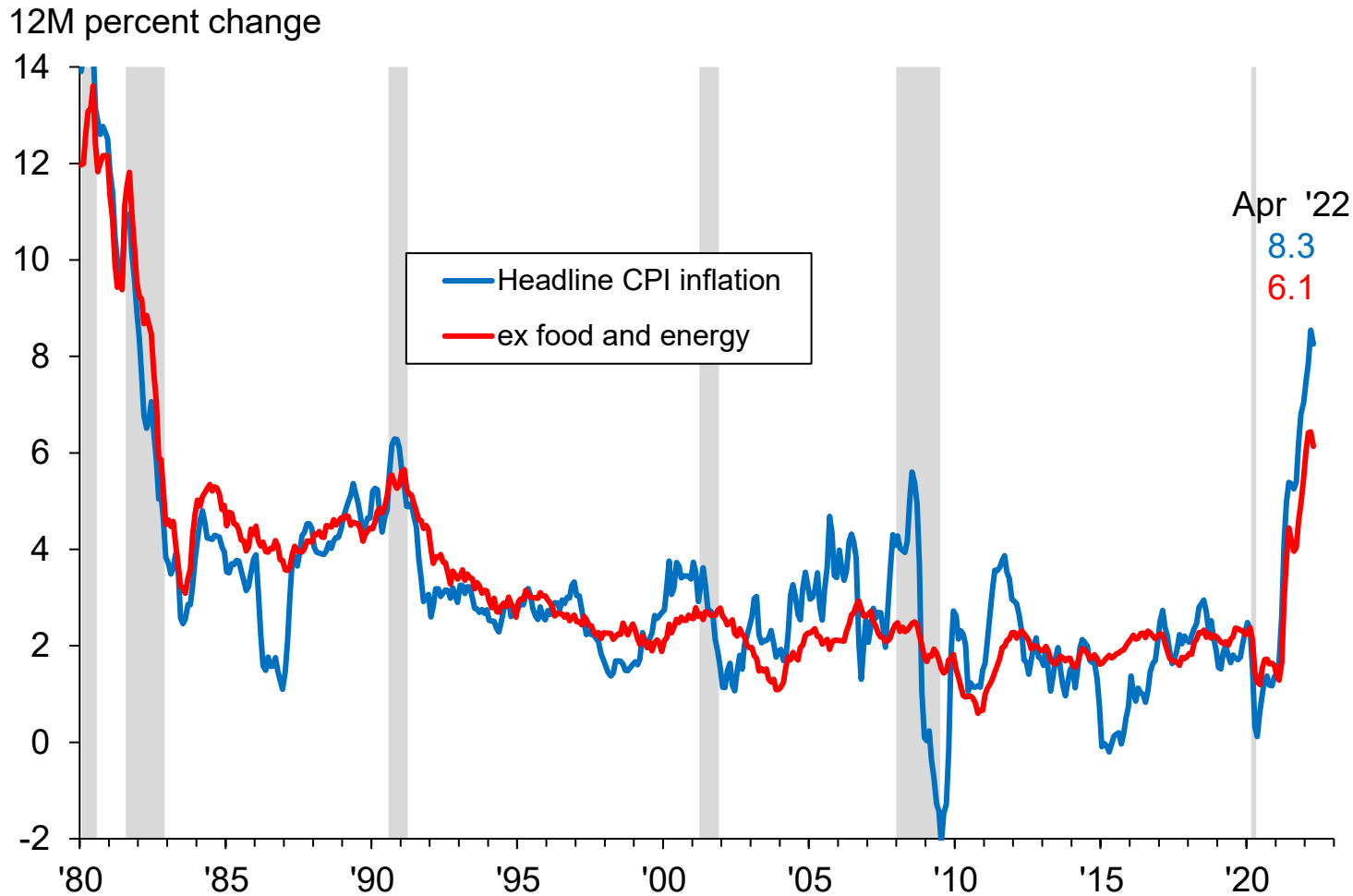
Risks to the Outlook

Supply chain problems, staffing shortages are firms' top revenue constraints in March



SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Survey Special Questions.

U.S. CPI inflation highest since 1982

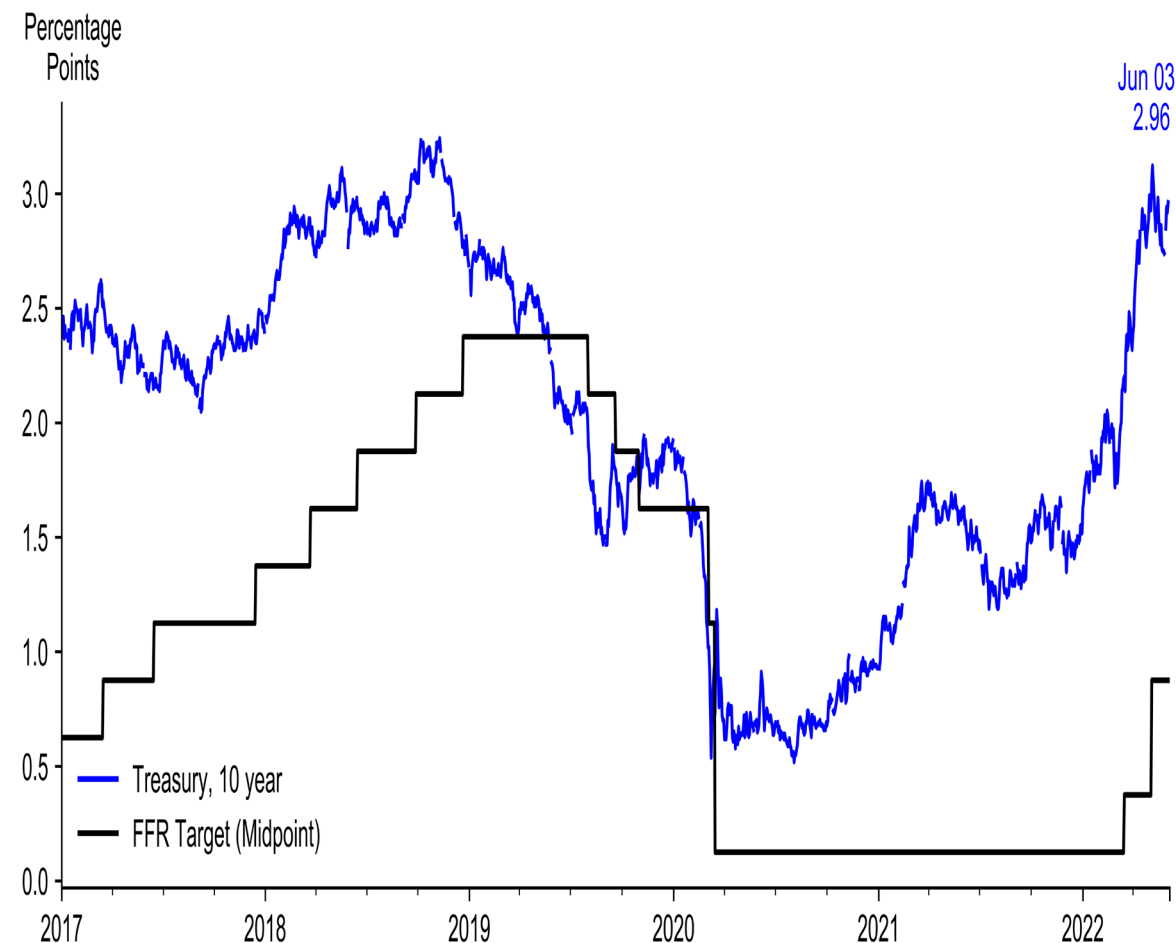


- Covid-19 had initially a disinflationary effect, through February 2021
- But sharp inflation increases since March 2021
- Initially due to:
 - Disrupted supply chains, bottlenecks
 - Supply/demand imbalances in:
 - Energy goods, semiconductors, construction materials, metals, food commodities
 - Strong demand fueled by fiscal and monetary stimulus
- Now also due to tight labor market and further rising oil prices

Monetary Policy: Tightening of financial conditions

Federal Open Market Committee (FOMC):

- Dec. 2021:
 - All participants project a liftoff of the federal funds rate in 2022
- January 2022:
 - “expects it will soon be appropriate to raise the target range for the federal funds rate”
- March 2022:
 - Raises interest rate target range to 0.25–0.50%.
 - Reduce its holdings of Treasury securities and agency debt and agency mortgage-backed securities at a coming meeting
- May 2022:
 - Raises interest rate target range to 0.75–1.00%.
 - Begins reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities on June 1.



SOURCE: Federal Reserve Board.

Conclusion

- Texas employment forecast to grow between 3 and 4 percent in 2022—more slowly than in 2021, but still well above trend and nation
- Texas growth: boosted by migration, high oil and gas prices
- Supply-chain disruptions expected to be a continued drag on growth through end of year
- Inflation likely to remain elevated but should moderate as monetary policy removes accommodation, demand slows, supply constraints start easing
- Large uncertainty remains
 - Russia-Ukraine war, oil prices, Covid outbreaks with associated lockdowns (China) and supply disruptions, ...
 - Tightening of financial conditions and slowdown of U.S. aggregate demand

We need your input!

*Be part of a survey
that gauges regional
business activity and
informs monetary
policy making.*



Texas **Manufacturing**
Outlook Survey



Texas **Service Sector**
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Texas **Retail**
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