



RAISE

Texas Summit 2023

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at the
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BUILDING AN EQUITABLE
FINANCIAL ECOSYSTEM
FOR TEXANS



SPEED BUMPS AHEAD

Implications of a Slowing Texas Economy



Federal Reserve
Bank of Dallas

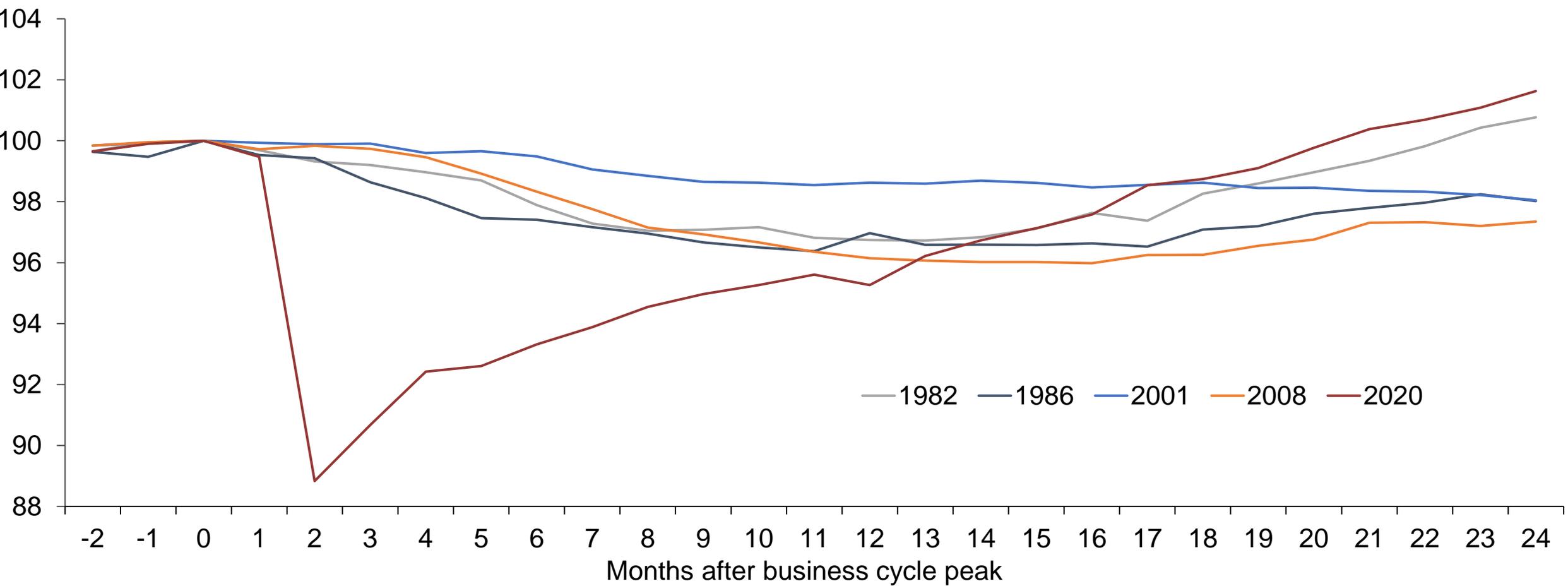
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March 3, 2023

Overview

- Texas (and the US) emerged quickly from pandemic recession
 - Fiscal and monetary stimulus helped
 - But supply and demand imbalances and inflation soon followed
- Economic activity is now slowing
 - High prices, interest rate hikes and waning stimulus are taking a toll on individuals and businesses
 - Supply chain disruptions, while much improved, remain a problem for some
- Soft landing or recession in 2023?
 - Dallas Fed forecast signals below-trend job growth in Texas this year but not contraction
 - Risks to the outlook are to the downside

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

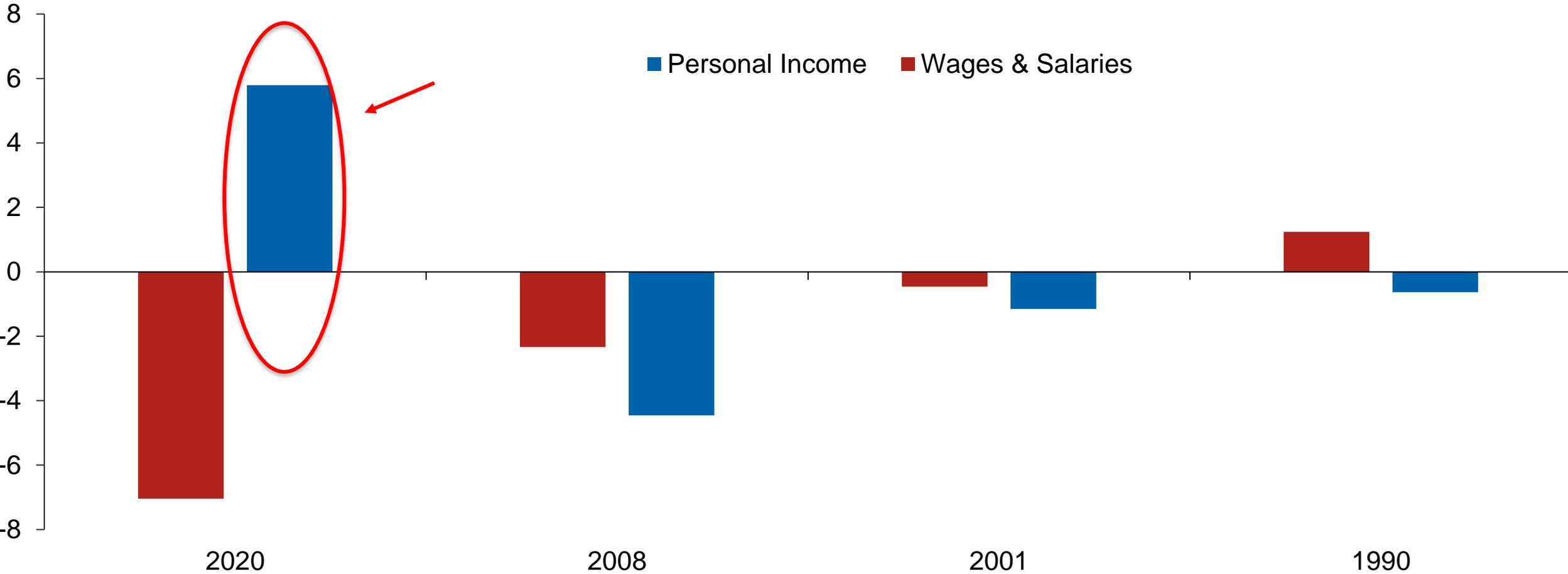
% of peak employment



NOTES: Shown is Texas nonfarm payroll employment. Recessions are indexed to on peak employment.
SOURCE: Bureau of Labor Statistics.

Also unusual for a recession, personal income rose

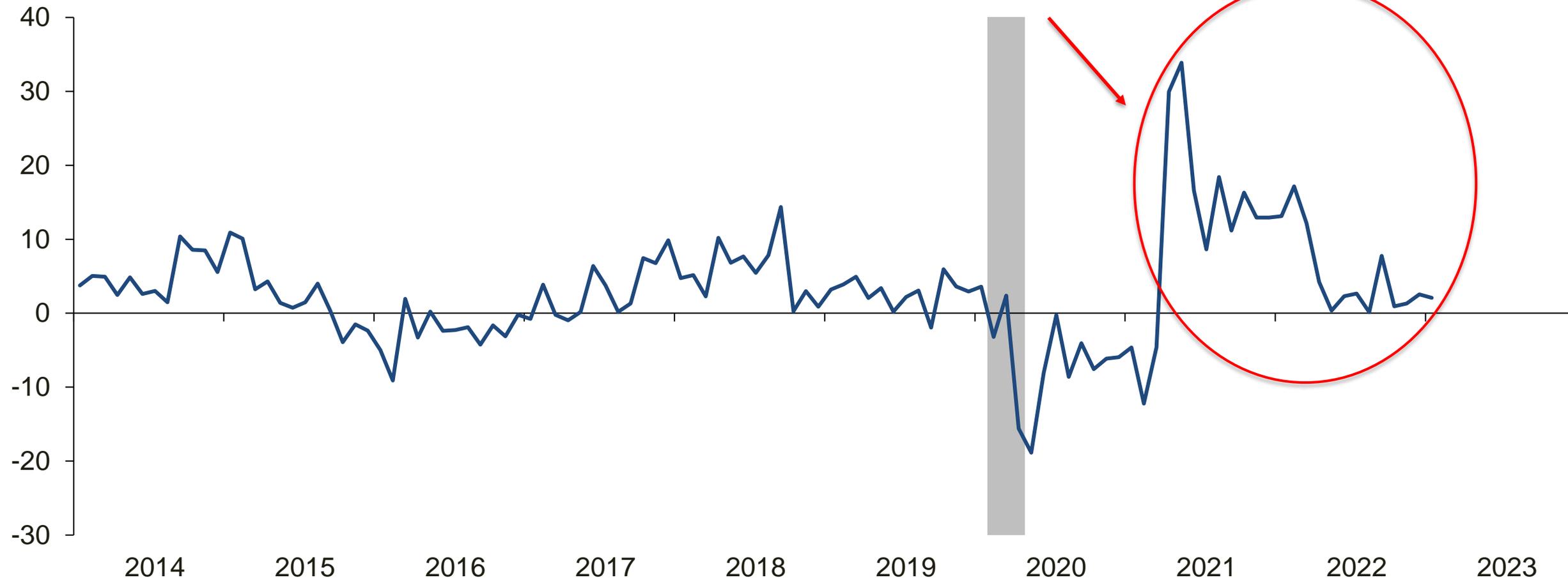
Percent change



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.

Texas sales tax revenue boomed in 2021, implying high consumption growth, then slowed abruptly last year

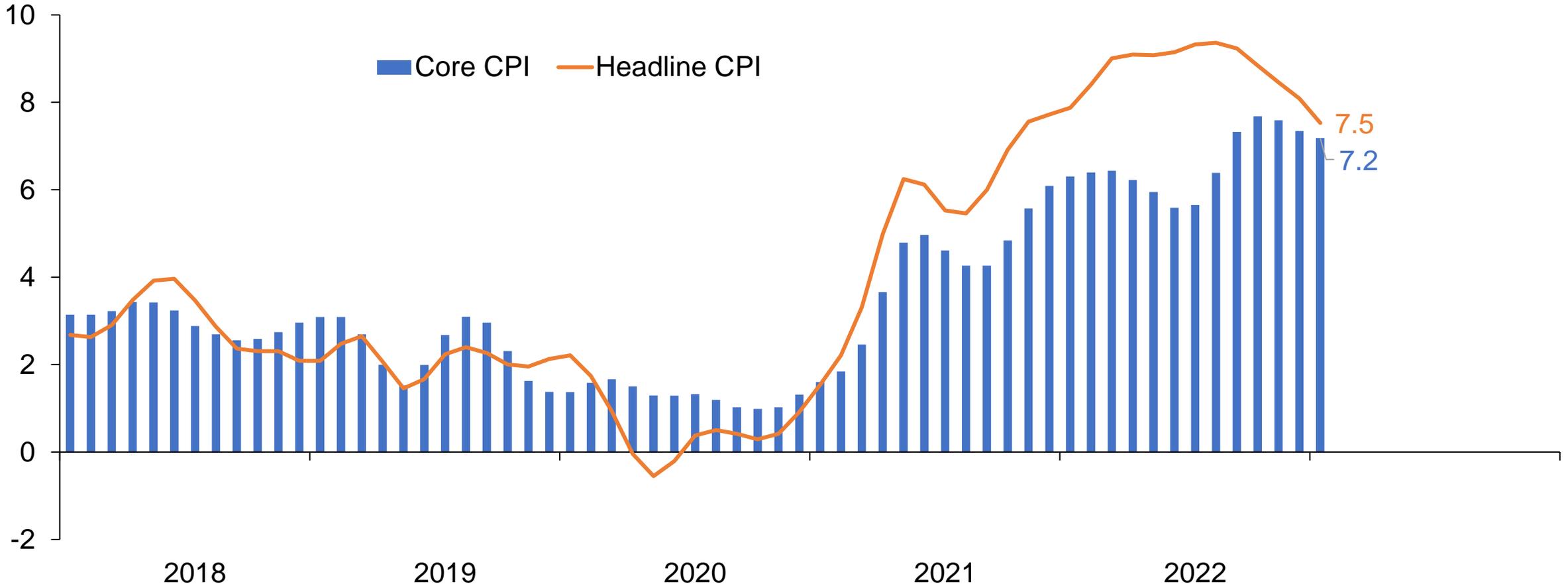
Percent change year/year



NOTE: Real, seasonally adjusted data through January 2023. Gray shading indicates pandemic recession.
SOURCE: Texas Comptroller, Federal Reserve Bank of Dallas.

Inflation surged as prices rose broadly, pushing up the cost of living

Percent change, year/year

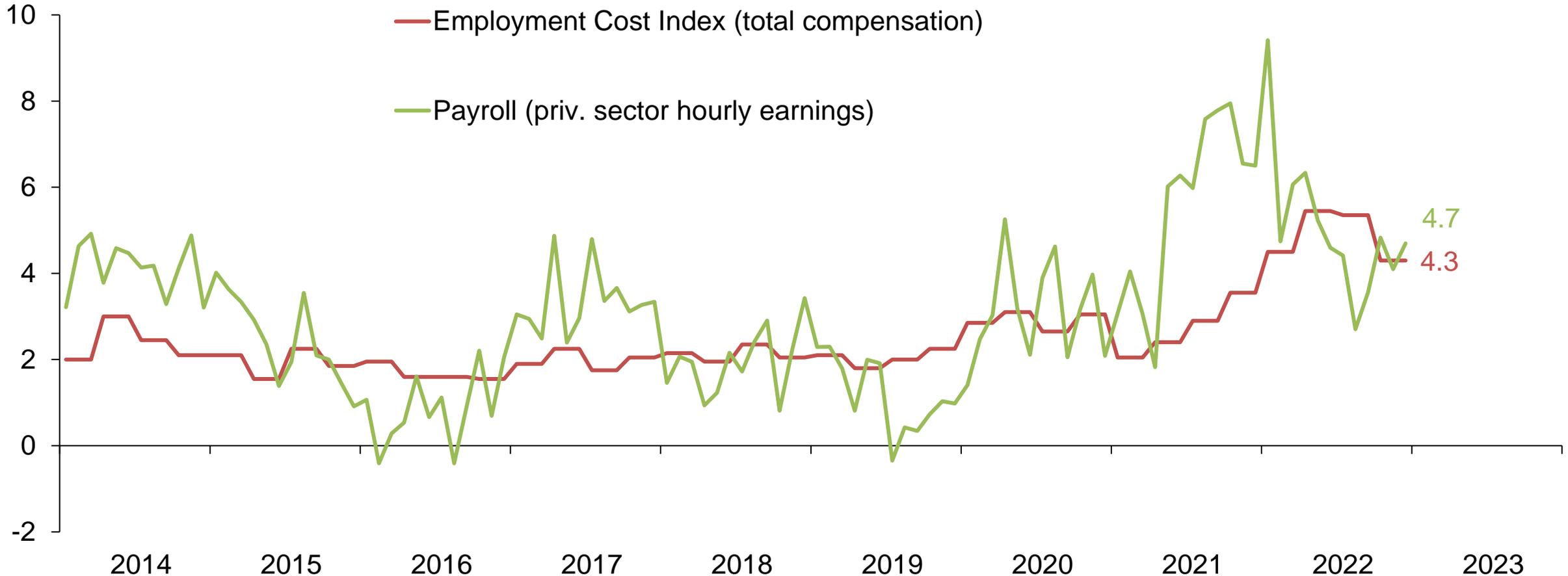


NOTES: Dallas CPI; Data through January 2023.

SOURCE: Bureau of Labor Statistics; adjustments made by the Federal Reserve Bank at Dallas

Wages rose too... although not as much as prices on average

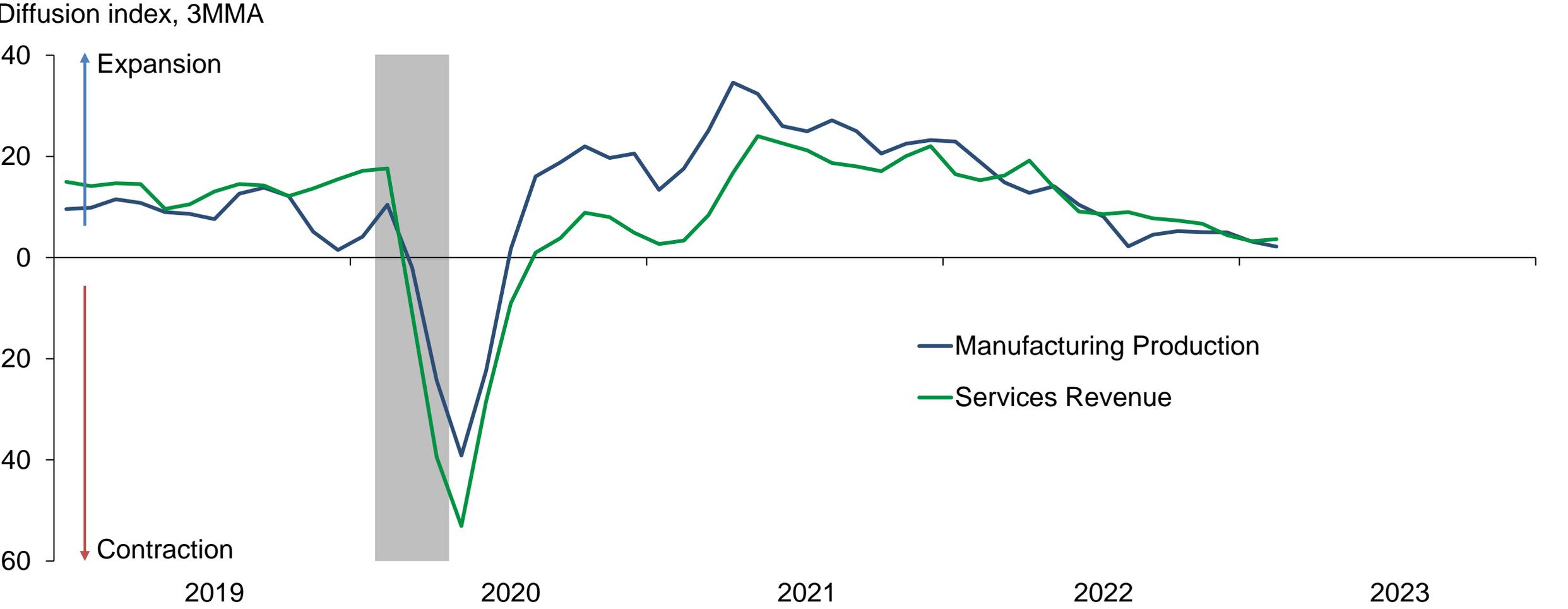
Percent growth, year/year



NOTE: TBOS data through Jan. 2023, payroll data through December 2022, and ECI data through Q4 2022. Texas ECI is an average of Dallas-Fort Worth and Houston ECIs. TBOS and ECI measure total compensation, while payroll is private sector hourly earnings. Numbers listed are last observations.

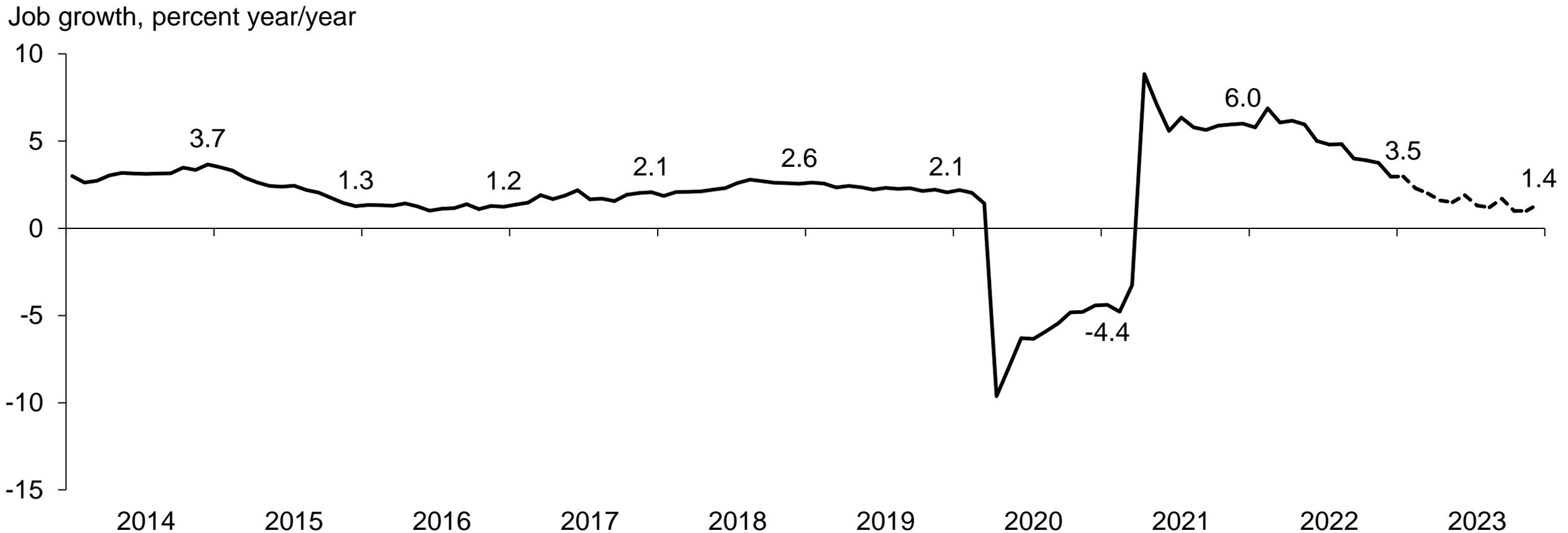
SOURCE: Federal Reserve Bank of Dallas: Texas Business Outlook Surveys; Bureau of Labor Statistics;

Slowing growth is apparent in Texas manufacturing output, service sector revenue growth



NOTE: Data through February 2023. Gray shading indicates pandemic recession.
 SOURCE: Texas Business Outlook Surveys, Federal Reserve Bank of Dallas; National Bureau of Economic Research.

Dallas Fed Texas job growth forecast: 1.4 percent in 2023

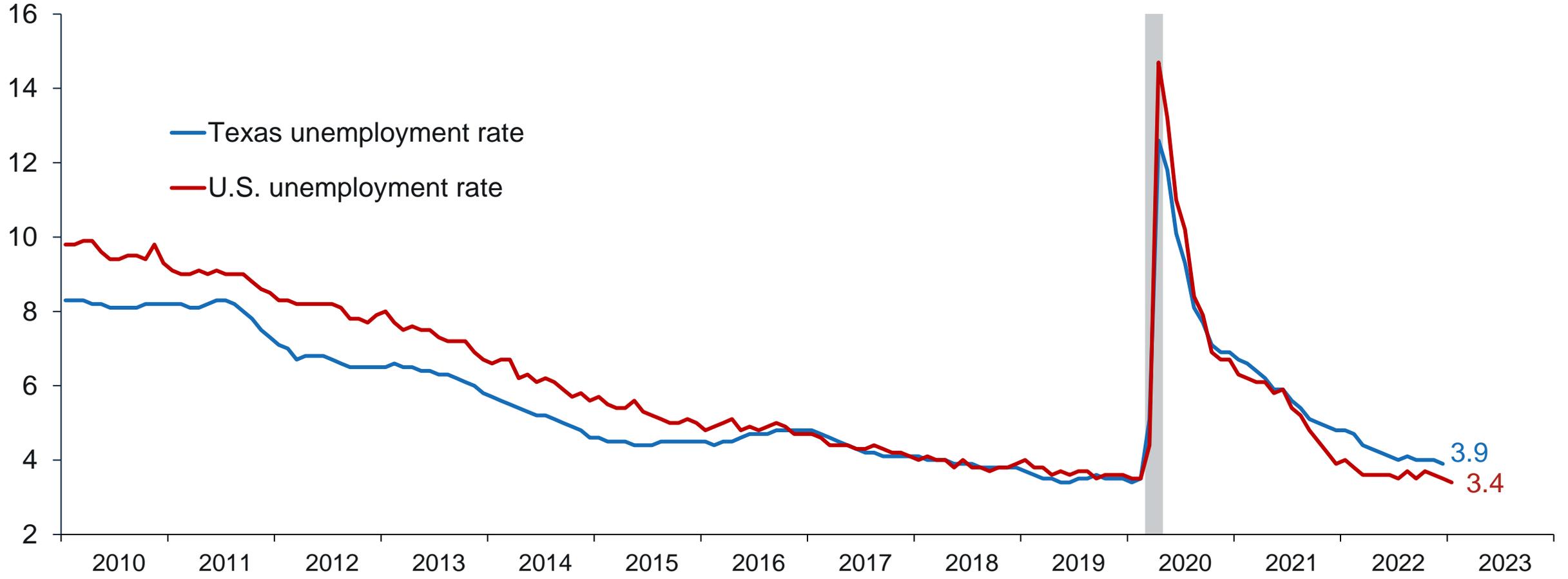


NOTE: The forecast is the average of four models that regress payroll employment on a number of indicators including lags of employment, oil prices, US leading index, Texas leading index, expectations for U.S. GDP growth, and Texas COVID-19 hospitalizations. The models incorporate forecasted revisions to 3rd and 4th quarter 2022 employment data. Dashed line indicates forecast.

SOURCES: Dallas Fed; Bureau of Labor Statistics; Institute for Health Metrics and Evaluation.

Texas and US unemployment at very low levels...

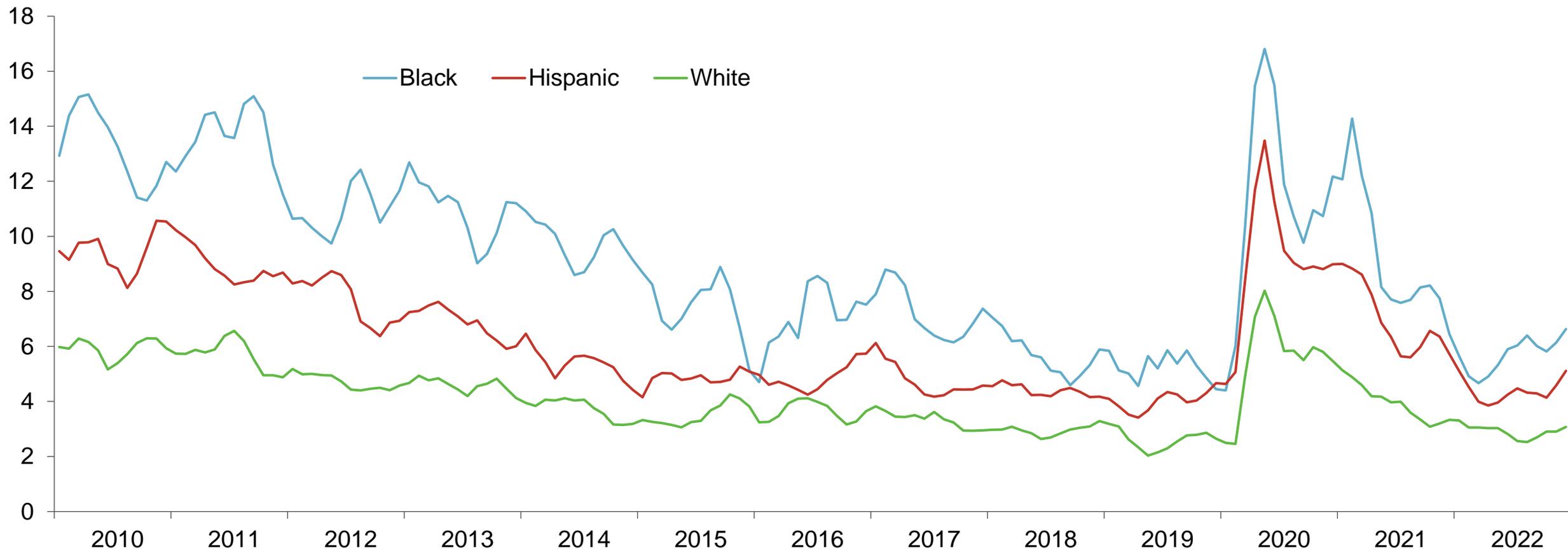
Rate, percent



NOTE: Texas data through December 2022; U.S. data through January 2023.
SOURCE: Bureau of Labor Statistics.

Unemployment relatively low but now increasing among Black and Hispanic Texans

Unemployment rate, 3MMA

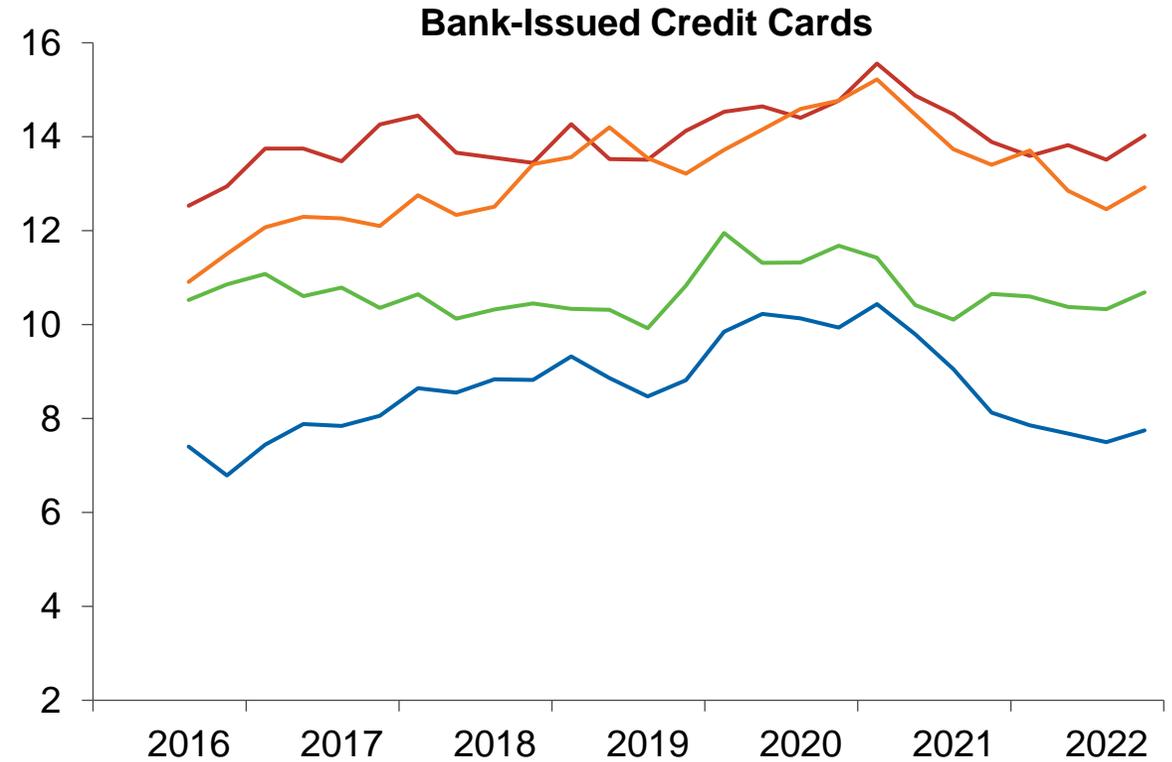
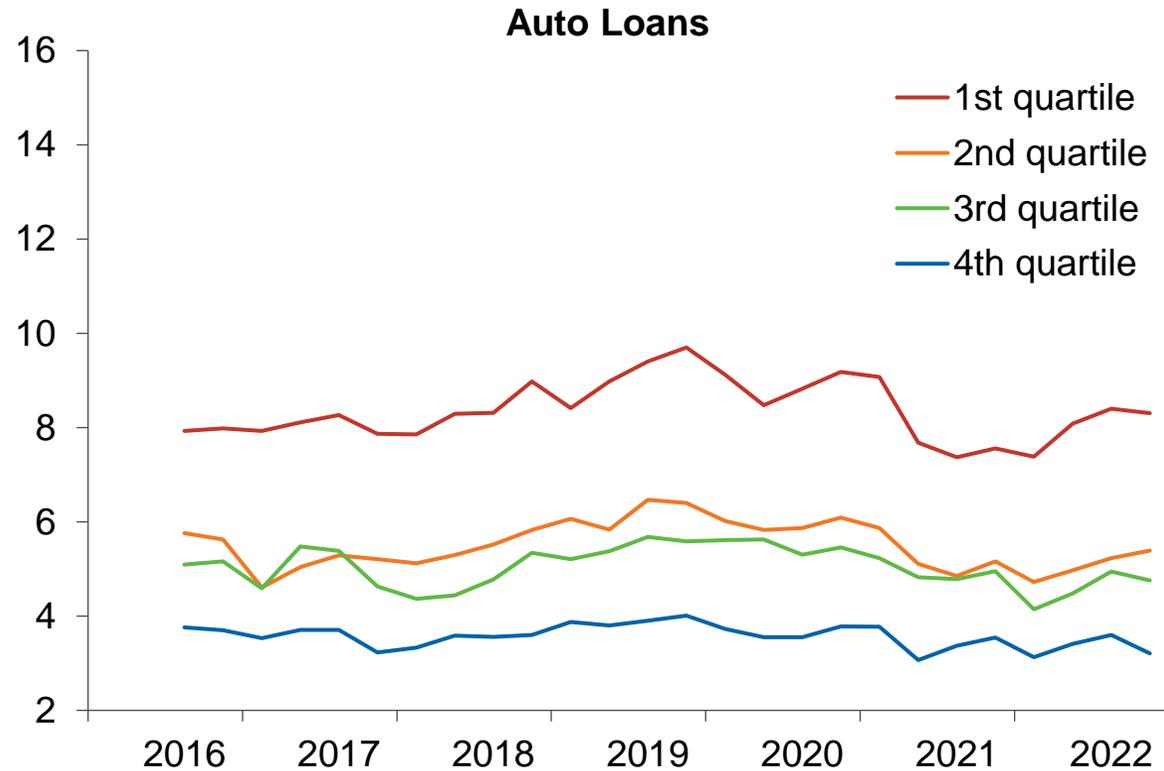


NOTE: Data are seasonally adjusted and are through Dec. 2022.

SOURCES: Current Population Survey (CPS); adjustments by Dallas Fed.

Loan delinquency edged up in 2022 but remains at low levels, even in low-income areas

Delinquency by income quartile



NOTE: The NY Fed Consumer Credit Panel/Equifax is a nationally representative anonymous random sample from Equifax credit files. It tracks all consumers with a US credit file residing in the same household from random, anonymous sample of 5% of US consumers with a credit file. Delinquency is defined as the share of balance adjusted by joint account that are 30+ day past due in the total adjusted balance. Equifax data assets are used as a source but all calculations, findings, assertions are that of the author. Income quartiles are based on the average total income from the 2020 IRS Statistics of Income at Zip Code level.

SOURCE: 10% of NY Fed Consumer Credit Panel/Equifax, IRS 2020 Statistics of Income.

Summary: Beware of speed bumps ahead

- Texas economy forecast to grow more slowly this year, likely below trend
 - Healthy fundamentals boost Texas' prospects
 - Typically grows faster than the nation
 - Energy sector robust
 - In-migration of workers, companies continues
 - Lower taxes, less regulation and more flexible labor markets
 - But a smaller safety net!