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Growth to Moderate, But Still Well Outpace the Rest of the US in 2024

Following very strong economic growth of 5.7% in 2023, well over twice the national rate, the Texan economy is set to moderate in 2024. Even then, the state economy is expected to handsomely outpace the national economy, growing twice as much this year. The energy industry continues to remain a bright spot, as oil prices remain elevated on the back of global geopolitical tensions. High energy production in the state is anticipated to be a support to employment and incomes. Job growth is likely to moderate in 2024 as sharp interest rate increases, high inflation, and softer U.S. and global economies restrain hiring by Texan employers.

Texas was a big beneficiary of trends that swept the US economy in the early years of the pandemic. Americans moved from big coastal cities to Sunbelt suburbs, where businesses expanded and added jobs, household incomes and spending rose, and property markets boomed. The energy industry’s rebound reinforced these trends in Texas.

Most of the abovementioned positives are expected to provide less support to growth in 2024. Consumer spending is likely to soften on the back of higher interest rates and cost of living pressures. The Fed’s tighter monetary policy rippled through to more expensive mortgages and construction loans and is contributing to weak homebuilding and sales in 2024. Even so, residential construction is anticipated to rebound moderately in 2024 on the back of resilient demand from population, job, and income growth. Single-family residential construction is projected to rise over the forecast horizon, as high rental vacancy rates and tighter lending standards for multifamily home builders weigh on multifamily construction. Despite the strains on affordability, demand for housing is expected to exceed supply and contribute to house price appreciation.

Texas Economic Outlook											
	1Q'24p	2Q'24f	3Q'24f	4Q'24f	1Q'25f	2Q'25f	3Q'25f	4Q'25f	2023a	2024f	2025f
State Output											
Real GDP (Chained 2017 Billions \$)	2,097	2,114	2,131	2,148	2,166	2,185	2,202	2,222	2033	2122	2194
Percent Change Annualized	3.9	3.4	3.1	3.4	3.4	3.4	3.3	3.5	5.7	4.4	3.4
Labor and Demographics											
Payroll Jobs (Millions)	14.1	14.2	14.3	14.4	14.5	14.6	14.6	14.7	13.9	14.3	14.6
Percent Change Annualized	3.0	2.6	2.5	2.5	2.4	2.4	2.3	2.3	3.3	2.5	2.4
Unemployment Rate (Percent)	4.3	4.2	4.3	4.4	4.5	4.5	4.4	4.4	4.0	4.3	4.5
Population (Millions)	30.8	30.9	31.0	31.1	31.2	31.2	31.3	31.4	30.5	30.9	31.3
Percent Change Annualized	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.5	1.2	1.2
Personal Income											
Total Personal Income (Nominal Billions \$)	2,071	2,105	2,137	2,169	2,200	2,231	2,260	2,291	1996	2120	2245
Percent Change Annualized	7.8	6.8	6.2	6.1	5.8	5.8	5.4	5.5	6.2	6.3	5.9
Housing											
Housing Starts (Thousands, Annual Rate)	222.6	222.9	223.9	225.5	227.3	229.1	231.2	232.4	218.0	223.7	230.0
Percent Change Annualized	0.6	0.4	1.8	2.9	3.4	3.1	3.8	2.2	-9.5	2.6	2.8
Single-Family Housing Starts (1,000s Units, Annual Rate)	162.1	162.9	164.3	165.4	166.9	168.2	169.9	170.7	148.7	163.7	168.9
Multi-Family Housing Starts (1,000s Units, Annual Rate)	60.6	60.0	59.6	60.1	60.5	60.9	61.3	61.8	69.3	60.1	61.1
House Price Index, FHFA (1991 Q1=100, SA)	446	451	455	455	461	466	468	466	436	452	466
Year/Year Percent Change	3.5	4.2	3.7	3.4	3.3	3.3	2.9	2.6	3.2	3.7	3.0

a = actual p=provisional f = forecast

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