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## Still Among the Country's Best Performing State Economies

Following very strong economic growth of 3.9% in 2024, nearly a percentage point above the national rate, Texas' expansion is set to moderate in 2025, but still handsomely outpace the national economy's. Job growth is likely to moderate slightly as well, with slower in-migration leading to cooler growth of Texas' labor force. The energy industry will remain a bright spot, as ongoing geopolitical tensions keep oil prices elevated. High energy production in the state, with upside potential from favorable policies for fossil fuels, is anticipated to support high-wage employment and incomes.

Texas has been a big beneficiary of trends that swept the US economy since the pandemic. Its major cities are magnets for population growth and business relocations, fueling robust job creation, household income growth, and rising consumer spending, as well as booming property markets. The energy industry's rebound reinforces these trends in Texas. But that boom moderated in 2024, and another step down towards Texas's long-term trend growth rate is expected in 2025.

Employment is expected to grow moderately and near the same pace as in 2024, but personal income growth will likely cool as less turnover in the job market translates into slower income growth. Consumer spending is likely to soften on the back of high interest rates and cost of living pressures as well as moderating income growth.

Residential construction is anticipated to rebound in 2025 on the back of modestly lower mortgage rates, as well as resilient growth of demand, fueled by rising metro populations, jobs, and incomes. Growth will be largely in the single-family segment. Rising rental vacancy rates and tightened lending standards for multifamily lending will likely restrain growth of multifamily building. House price increases are expected to moderate on the back of higher supply in the year ahead. High property taxes and soaring homeowners' insurance premiums are key downside risks to Texas' housing sector.

<b>Texas Economic Outlook</b>											
	1Q'24a	2Q'24a	3Q'24f	4Q'24f	1Q'25f	2Q'25f	3Q'25f	4Q'25f	2023a	2024f	2025f
<b>State Output</b>											
Real GDP (Chained 2017 Billions \$)	2,145	2,160	2,194	2,213	2,223	2,248	2,265	2,285	2,097	2,178	2,255
<b>Percent Change Annualized</b>	<b>0.2</b>	<b>2.8</b>	<b>6.3</b>	<b>3.5</b>	<b>1.9</b>	<b>4.6</b>	<b>3.0</b>	<b>3.7</b>	<b>7.4</b>	<b>3.9</b>	<b>3.5</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Millions)	14.1	14.2	14.2	14.3	14.4	14.4	14.5	14.6	13.9	14.2	14.5
<b>Percent Change Annualized</b>	<b>2.1</b>	<b>2.5</b>	<b>1.8</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>3.3</b>	<b>2.1</b>	<b>1.9</b>
Unemployment Rate (Percent)	3.9	4.0	4.1	4.2	4.2	4.1	4.0	3.9	4.0	4.1	4.1
Population (Millions)	30.8	30.9	31.0	31.1	31.1	31.2	31.3	31.4	30.5	30.9	31.3
<b>Percent Change Annualized</b>	<b>1.7</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.9</b>	<b>1.6</b>	<b>1.1</b>
<b>Personal Income</b>											
Total Personal Income (Nominal Billions \$)	2,078	2,100	2,132	2,152	2,171	2,204	2,229	2,260	1999	2116	2216
<b>Percent Change Annualized</b>	<b>8.1</b>	<b>4.4</b>	<b>6.2</b>	<b>3.8</b>	<b>3.5</b>	<b>6.2</b>	<b>4.7</b>	<b>5.6</b>	<b>6.4</b>	<b>5.8</b>	<b>4.7</b>
<b>Housing</b>											
Housing Starts (Thousands, Annual Rate)	217.5	218.6	220.3	221.8	224.6	227.0	229.8	231.8	218.0	219.5	228.3
<b>Percent Change Annualized</b>	<b>-8.4</b>	<b>1.9</b>	<b>3.2</b>	<b>2.8</b>	<b>5.2</b>	<b>4.3</b>	<b>4.9</b>	<b>3.5</b>	<b>-9.5</b>	<b>0.7</b>	<b>4.0</b>
Single-Family Housing Starts (1,000s Units, Annual Rate)	162.1	162.9	164.3	165.4	168.0	170.2	172.8	174.6	148.7	163.7	171.4
Multi-Family Housing Starts (1,000s Units, Annual Rate)	55.4	55.7	56.0	56.4	56.7	56.9	57.0	57.1	69.3	55.9	56.9
House Price Index, FHFA (1991 Q1=100, SA)	443	443	446	447	450	451	456	456	435	445	453
<b>Year/Year Percent Change</b>	<b>3.2</b>	<b>2.1</b>	<b>1.8</b>	<b>1.6</b>	<b>1.7</b>	<b>2.0</b>	<b>2.1</b>	<b>1.9</b>	<b>3.1</b>	<b>2.2</b>	<b>1.9</b>

a = actual p=provisional f = forecast

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