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Texas Maintains Its Position Among the Country's Best Performing State Economies

Following very strong economic growth of 3.6% in 2024, nearly a percentage point above the national rate, Texas' economic expansion is set to moderate in 2025, but still outpace the national economy's. More stringent immigration enforcement and slower interstate migration are leading to less labor force growth in Texas. Energy trade deals, such as the agreement with the European Union, which pledged to purchase \$750 billion of U.S. energy over the next three years, will boost the Lone Star State's energy industry and support employment. Texas' defense manufacturers will also get a notable lift from increased defense spending legislated in the One Big Beautiful Bill Act (OBBBA) as well as from rearmament spending by NATO allies. Job growth is expected to rise at around last year's pace, while the unemployment rate is expected to hold roughly steady in both 2025 and 2026. Total personal incomes of Texan households are projected to increase by around 5% in 2025 and 2026, a solid notch faster than inflation.

Trade deals will have cross-cutting effects on Texas's economy. Manufacturers who compete against imports will benefit from tariffs; Texas will likely win an outsize share of reshoring investment in coming years. Manufacturers that are tightly integrated into global supply chains face big transition costs. Construction and service-providing businesses will pay higher prices for inputs, pressuring margins.

Residential construction is anticipated to decline again in 2025 as high mortgage rates and high home prices strain affordability. A sharp uptick in existing home listings, especially in Texas' major population centers, is another headwind for builders. Homebuilders are anticipated to break ground on around 150,000 single-family houses and 50,000 multi-family units in 2026. House prices are forecast to fall modestly in year-over-year terms in the second half of 2025 and first half of 2026, then begin to rise again in the latter half of next year as falling mortgage rates bring homebuyers off the sidelines.

Texas Economic Outlook											
	1Q'25a	2Q'25f	3Q'25f	4Q'25f	1Q'26f	2Q'26f	3Q'26f	4Q'26f	2024a	2025f	2026f
State Output											
Real GDP (Chained 2017 Billions \$)	2,145	2,160	2,194	2,213	2,223	2,248	2,265	2,285	2,172	2,219	2,271
Percent Change Annualized	0.2	2.8	6.3	3.5	1.9	4.6	3.0	3.7	3.6	2.1	2.4
Labor and Demographics											
Payroll Jobs (Millions)	14.1	14.2	14.2	14.3	14.4	14.4	14.5	14.6	14.1	14.3	14.5
Percent Change Annualized	2.1	2.5	1.8	2.1	1.9	1.7	1.7	1.7	1.5	1.5	1.1
Unemployment Rate (Percent)	4.1	4.1	4.2	4.2	4.1	4.1	4.0	4.0	4.1	4.2	4.1
Population (Millions)	30.8	30.9	31.0	31.1	31.1	31.2	31.3	31.4	31.3	31.7	32.0
Percent Change Annualized	1.7	1.7	1.5	1.4	1.1	1.1	1.1	1.1	1.7	1.1	1.0
Personal Income											
Total Personal Income (Nominal Billions \$)	2,199	2,223	2,243	2,260	2,290	2,319	2,350	2,392	2,127	2,231	2,338
Percent Change Annualized	8.3	4.3	3.6	3.2	5.4	5.0	5.5	7.3	5.2	4.9	4.8
Housing											
Housing Starts (Thousands, Annual Rate)	205.9	202.1	201.6	200.7	203.2	208.3	214.9	218.3	208.5	202.6	211.2
Percent Change Annualized	-14.9	-7.2	-1.0	-1.8	5.1	10.3	13.4	6.5	-6.0	-2.8	4.2
Single-Family Housing Starts (1,000s Units, Annual Rate)	158.1	152.8	150.5	148.3	150.5	153.9	158.5	161.2	159.8	152.4	156.0
Multi-Family Housing Starts (1,000s Units, Annual Rate)	47.8	49.3	51.1	52.4	52.7	54.4	56.5	57.1	48.7	50.2	55.2
House Price Index, FHFA (1991 Q1=100, SA)	449	445	441	444	442	440	443	447	444	445	443
Year/Year Percent Change	1.6	0.5	-0.5	-1.1	-1.6	-1.1	0.3	0.9	2.5	0.1	-0.4
a = actual f = forecast											

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