Federal Reserve Bank of Dallas

San Antonio Economic Outlook: Amid High Inflation, Economy is Slowing

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Luis Torres

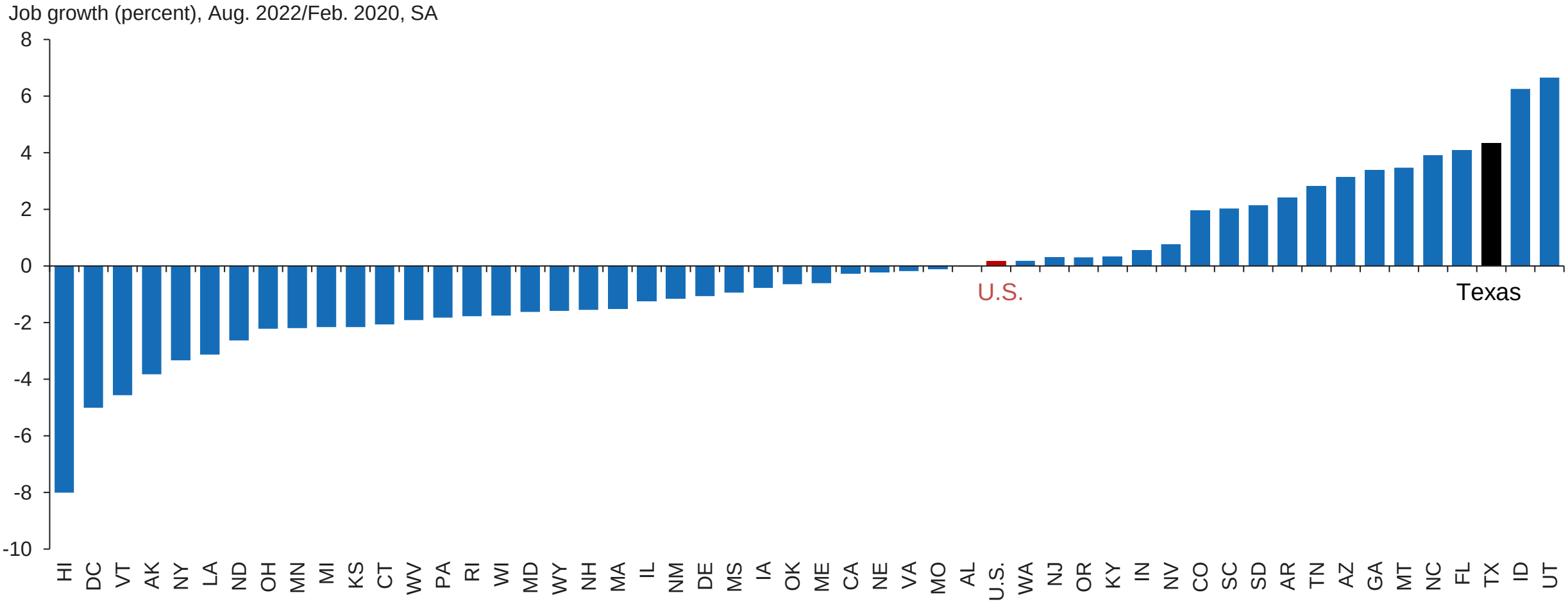
San Antonio Chamber of Commerce Economic Development Council

Overview

- San Antonio's economy slowed in August: employment declined, and unemployment didn't change.
  - Employment is up 5.0 percent year-to-date (-1.4 percent in August)
  - Unemployment rate is 3.7 percent and unchanged
- Signs of slowing are emerging in the region's real economy.
  - Economic activity, new orders, housing and construction
  - Texas leading index
- Outlook suggests Texas and San Antonio will slow in the second half of the year, but still grow above trend. Risks to the outlook include…
  - Russia-Ukraine war and global slowing; Persistent supply-chain constraints
  - Elevated inflation and rising interest rates

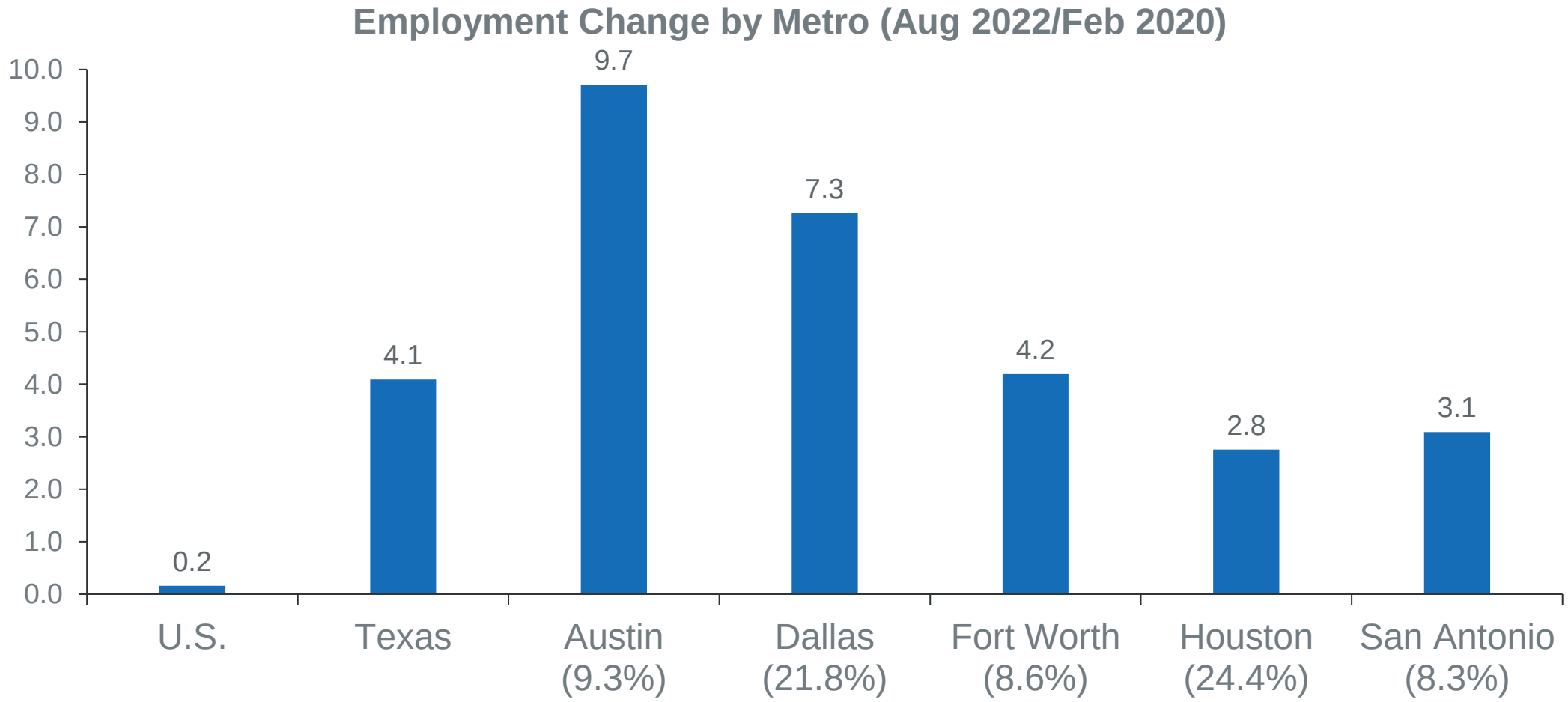
How Texas and San Antonio Fared in Pandemic

Texas is one of nineteen states to exceed pre-pandemic employment level



NOTES: Data show non-annualized job growth. Texas data are not early benchmarked to facilitate comparison across states.
SOURCE: Bureau of Labor Statistics.

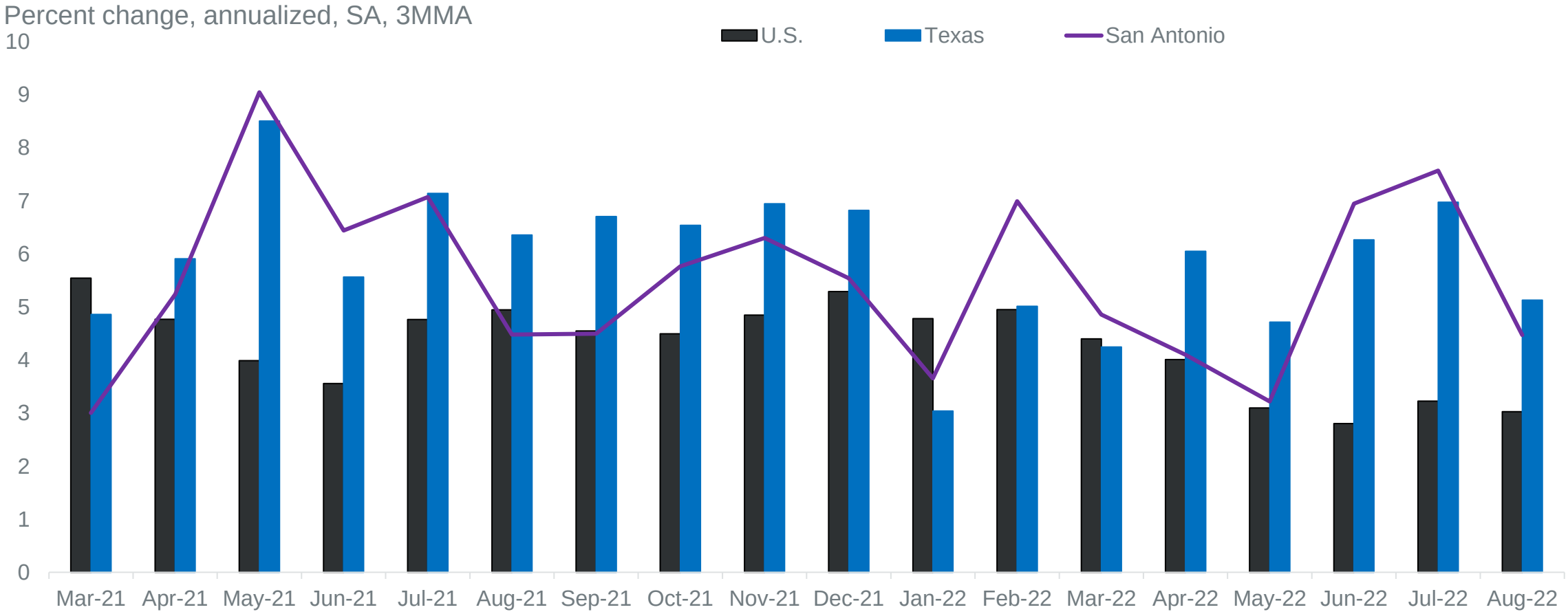
Employment back to pre-pandemic level



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

Recent Economic Performance

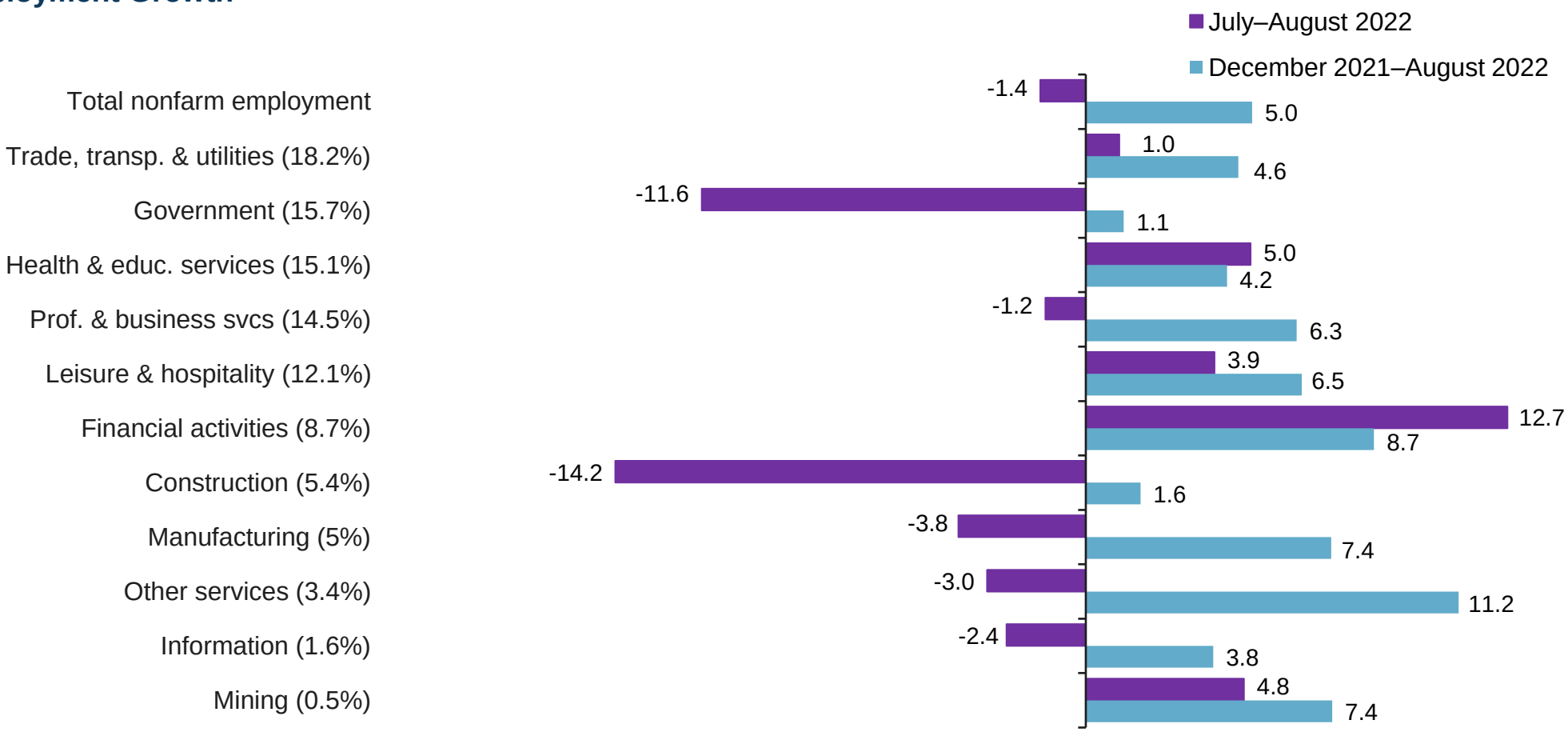
Texas and San Antonio job growth above U.S.



NOTES: Seasonally adjusted, three-month moving average, and annualized percentage employment growth. Data through August 2022.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

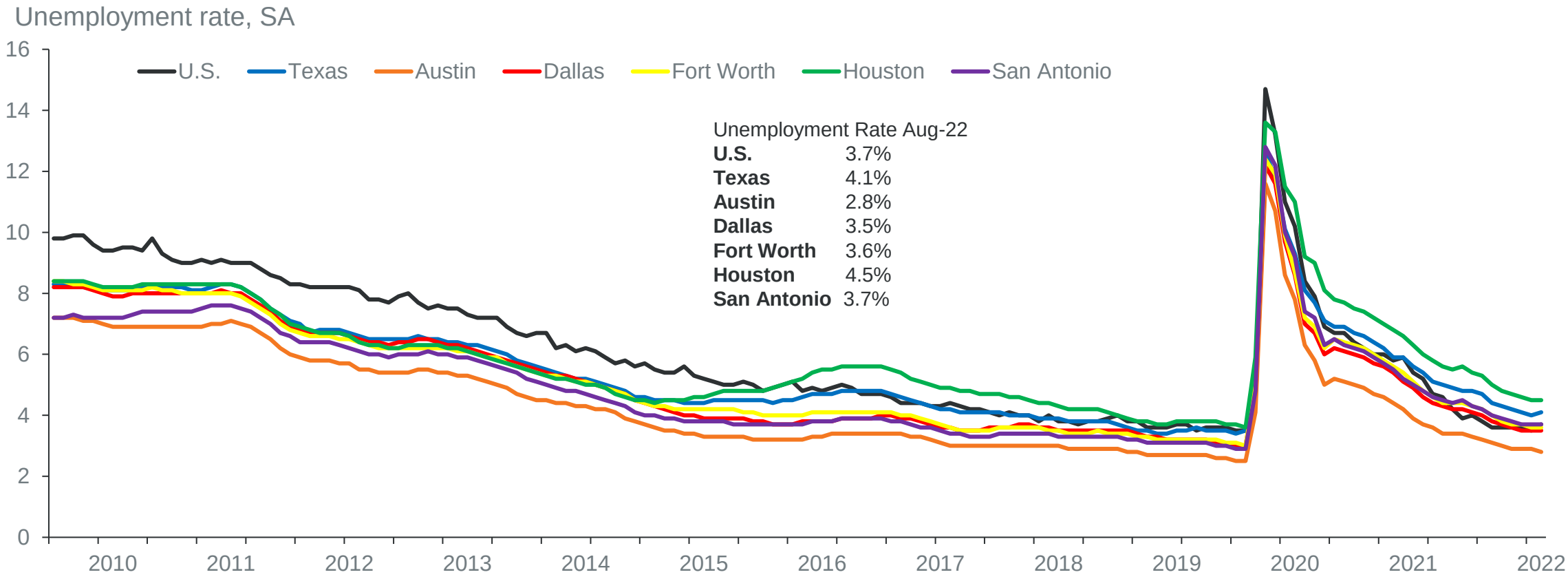
San Antonio employment declines in August, but broad-based growth year-to-date

Employment Growth



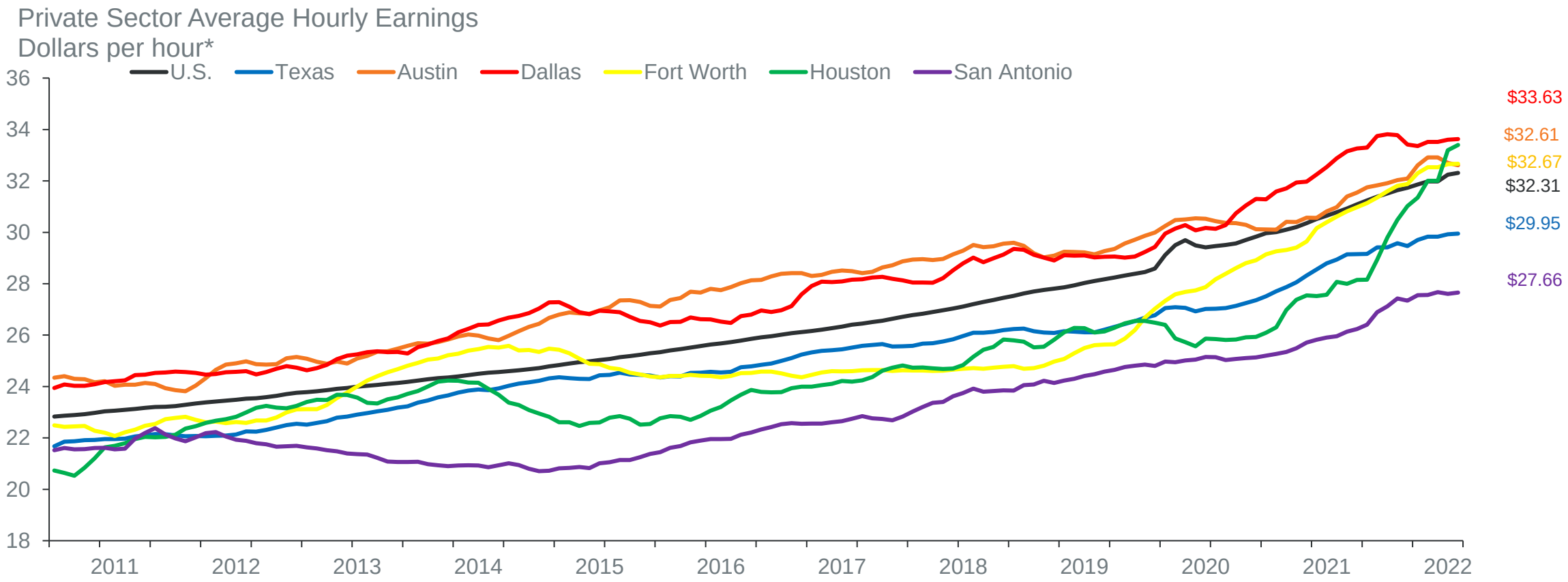
NOTE: Data show seasonally adjusted and annualized percentage employment growth by sector. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.
SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

U.S. and Texas unemployment rates increased while San Antonio's unchanged



NOTES: Monthly data is seasonally adjusted. Data are through August 2022.
SOURCE: Bureau of Labor Statistics; Author's calculations.

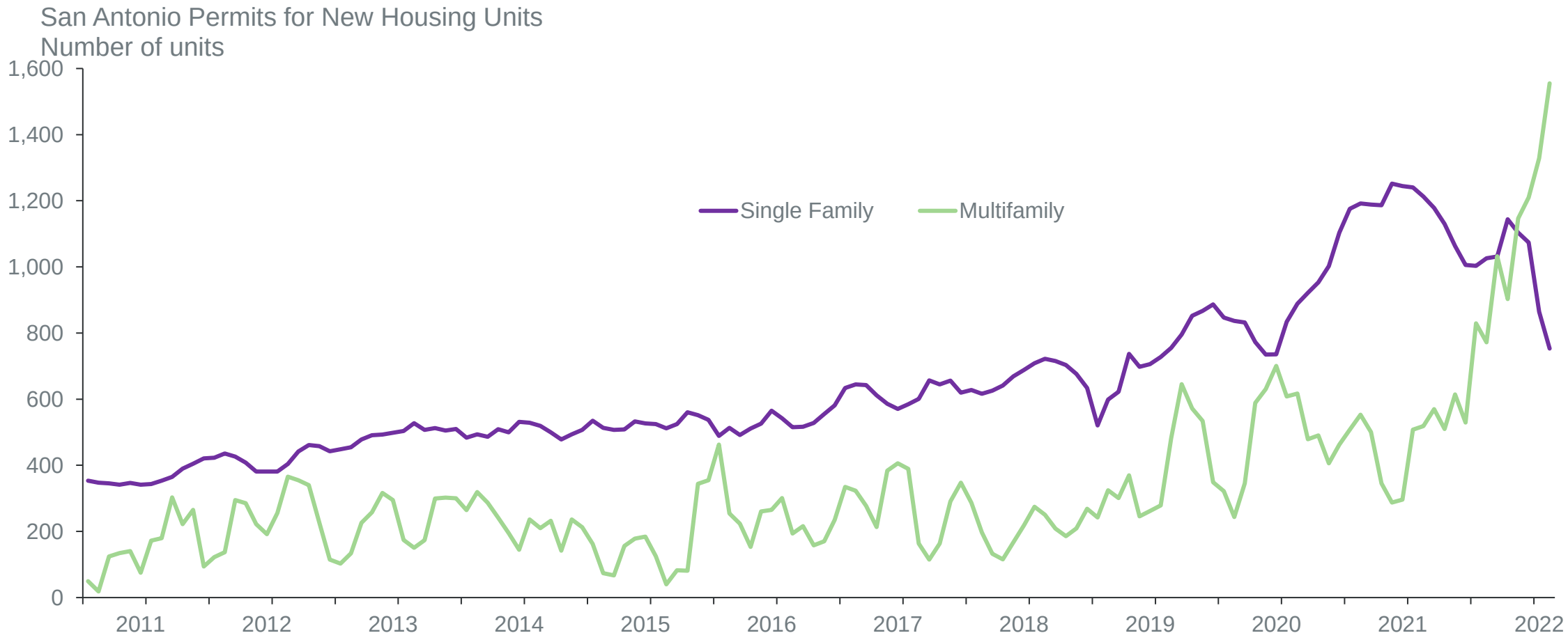
Wage growth strong in pandemic, but now slowing



*Seasonally adjusted, three-month moving average.
NOTE: Data are through August 2022.
SOURCE: Bureau of Labor Statistics; adjustments by the Dallas Fed.

Housing Market Update

New single-family home construction falls, while multifamily remains strong

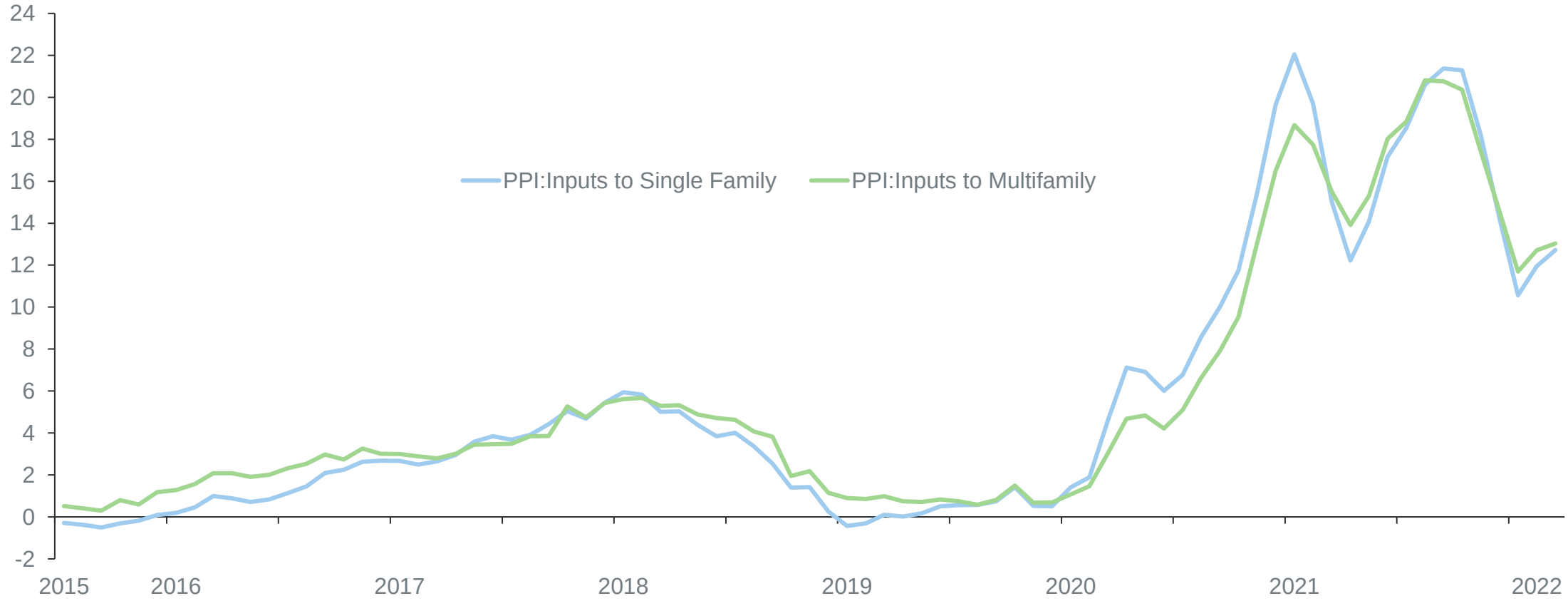


NOTES: Data are seasonally adjusted three-month moving averages. Data are through August 2022.

SOURCE: Census Bureau.

High input costs have eased, but remain major headwind

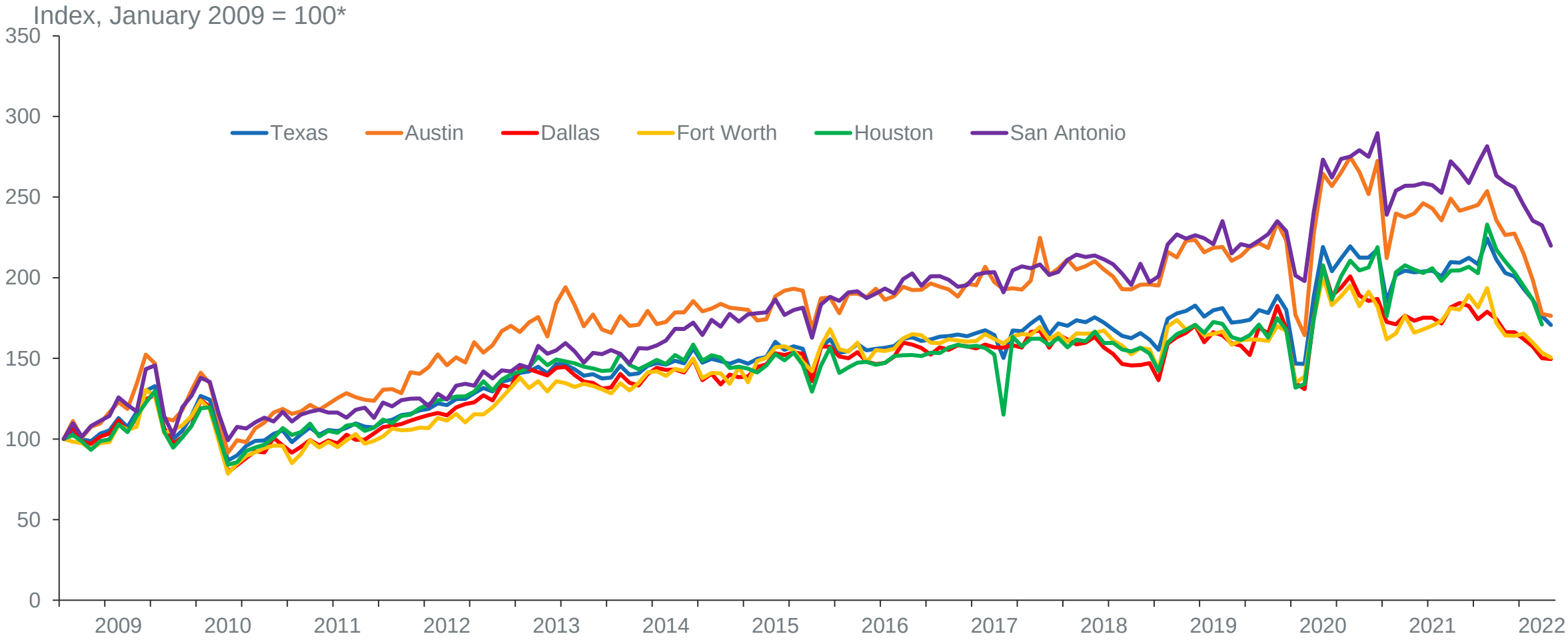
PPI: Inputs to Single-Family and Multifamily Construction, excluding Food & Energy Dec14=100, y-o-y (%)



NOTES: Data is not seasonally adjusted. Producer price index inputs to single-family and multifamily construction, excluding food & energy, December 2014=100. Data are through August 2022.

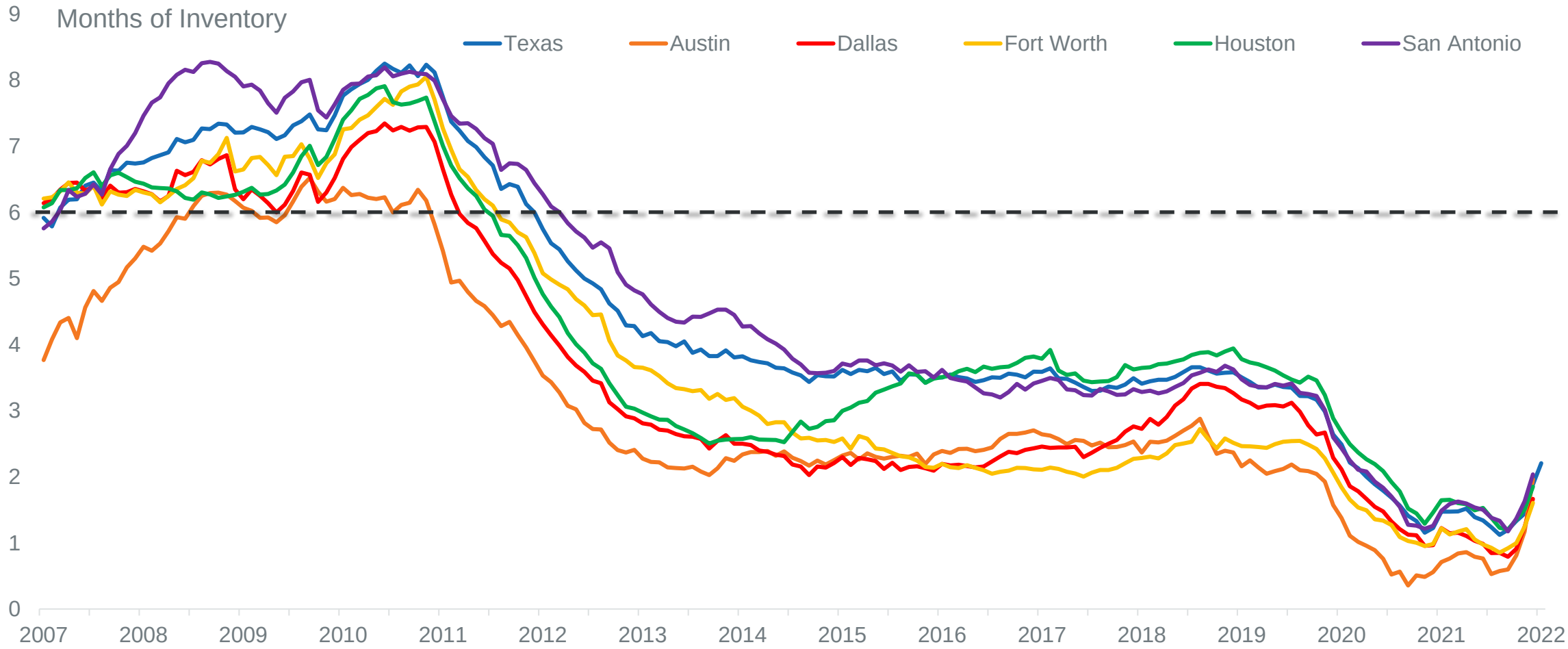
SOURCE: Bureau of Labor Statistics.

Home sales are declining



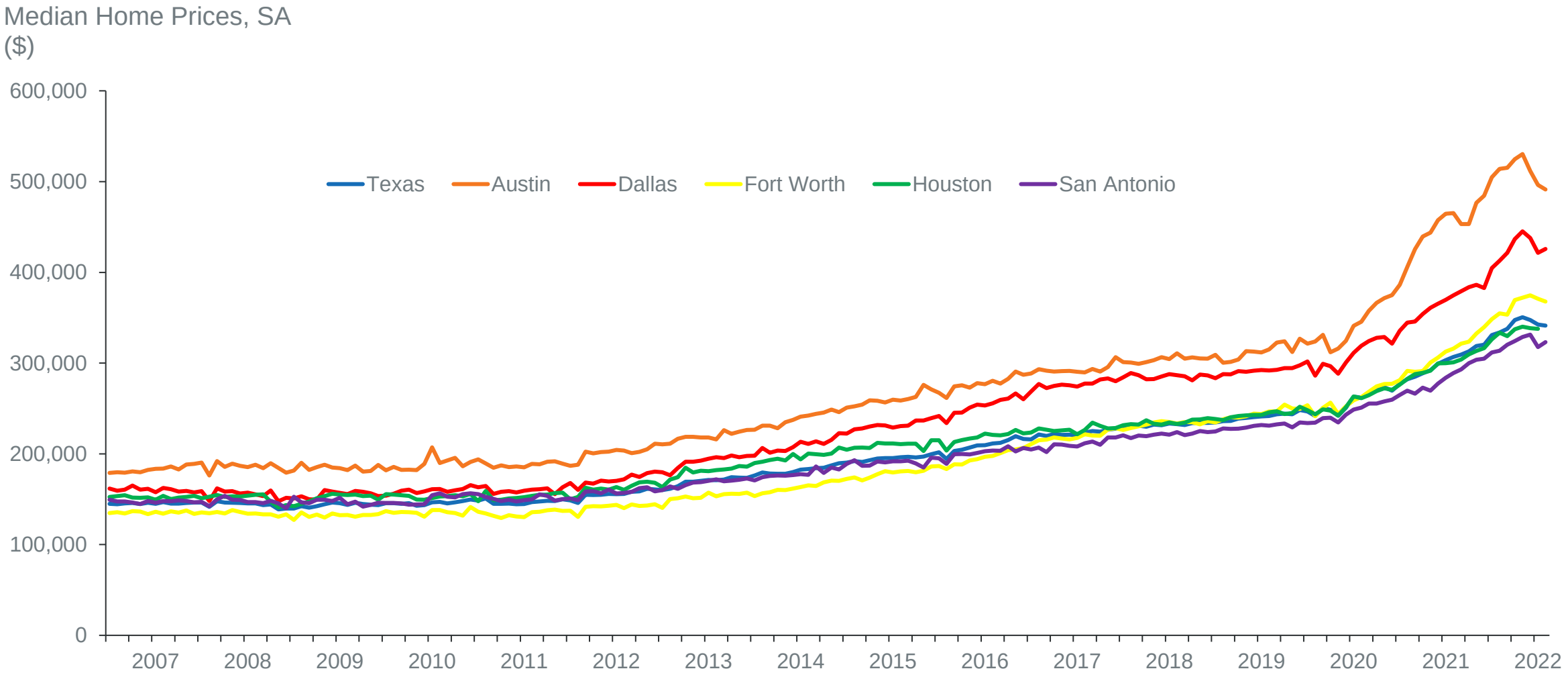
*Seasonally adjusted.
NOTE: Data measure sales of residential units (single-family homes, condominiums and townhomes). Existing-Home sales. Data are through August 2022
SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Inventory is improving due to slowdown



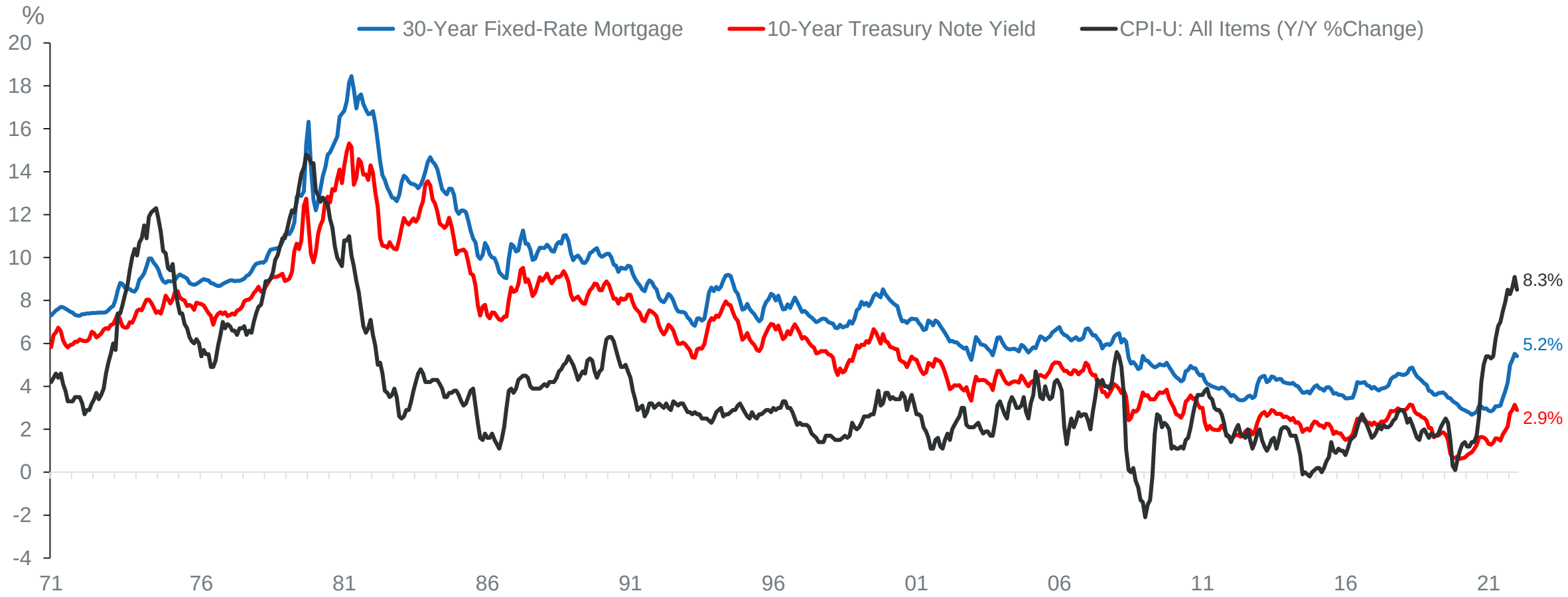
NOTES: Data are through August 2022.
SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; seasonal and other adjustments by the Dallas Fed.

Weaker demand slowing home price growth



NOTES: Data are through August 2022.
SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; seasonal and other adjustments by the Dallas Fed.

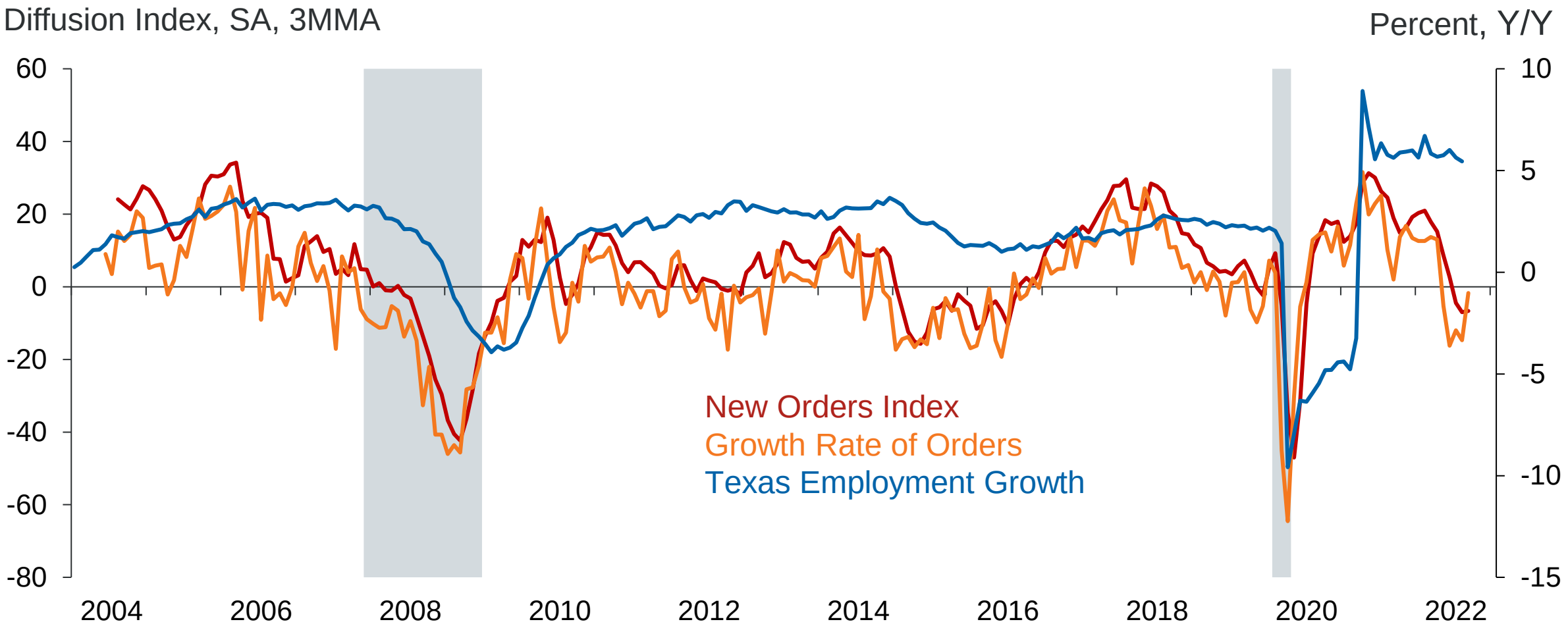
Increasing mortgage rates hinders housing demand



NOTES: Seasonally adjusted. CPI All Urban Consumers 1982-84=100. Data are through August 2022.
SOURCES: Bureau of Labor Statistics, Federal Home Loan Mortgage Corporation and Federal Reserve Board, adjustments by the Dallas Fed.

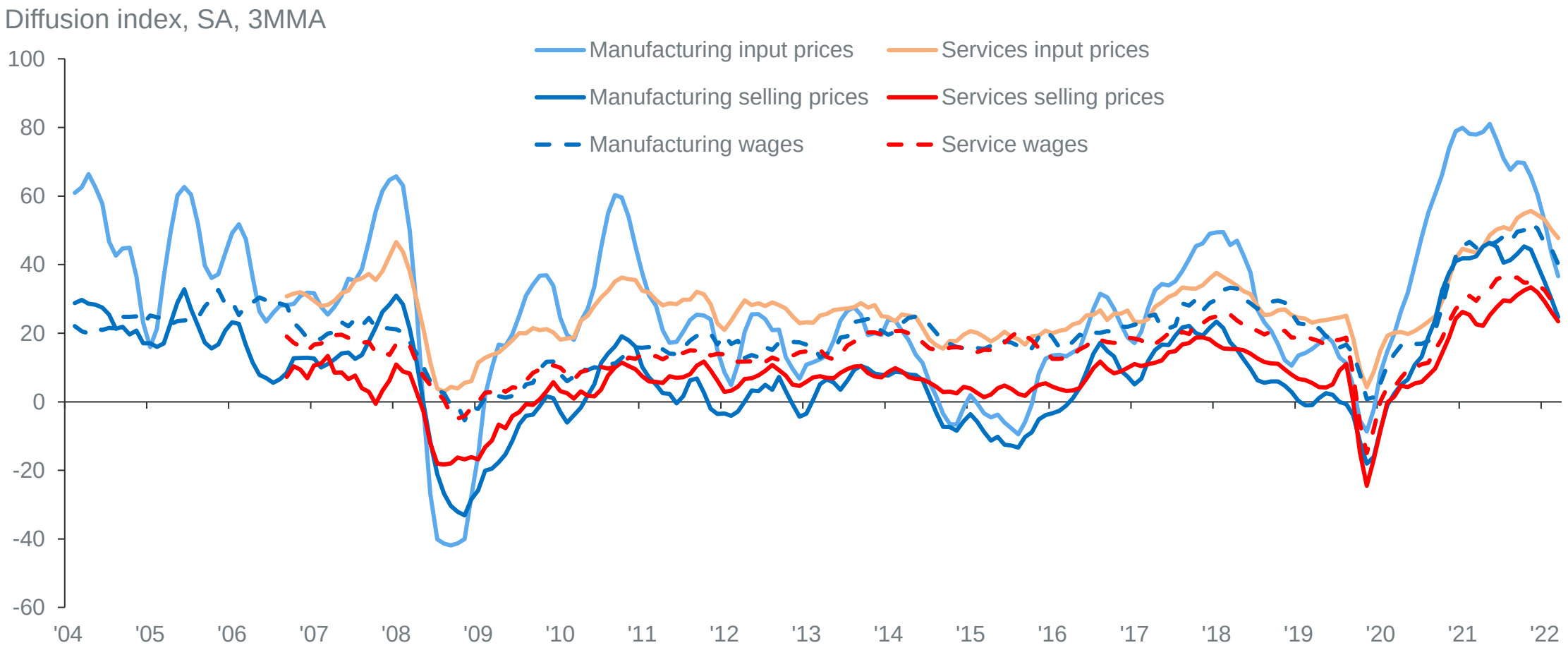
Signs of Slowing

Sustained declines in new orders, growth rate of orders lead Texas slowdowns and recession



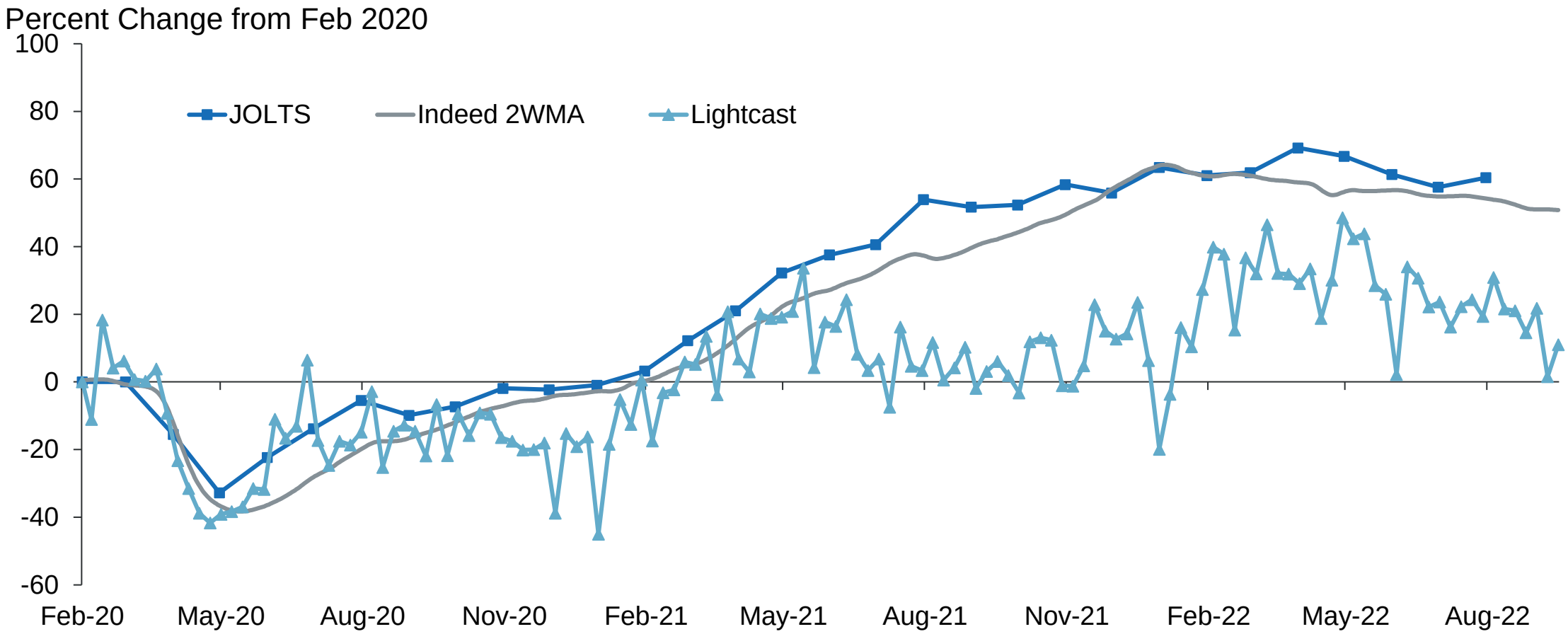
NOTE: Employment data through August 2022. TBOS indexes through September 2022.
SOURCES: BLS; Texas Workforce Commission; Bloomberg; Energy Information Administration; seasonal and other adjustments by FRB

Price and wage growth has slowed among TBOS firms



Note: Data through September 2022.
SOURCE: Federal Reserve Bank of Dallas Texas Businees Outllook Surveys.

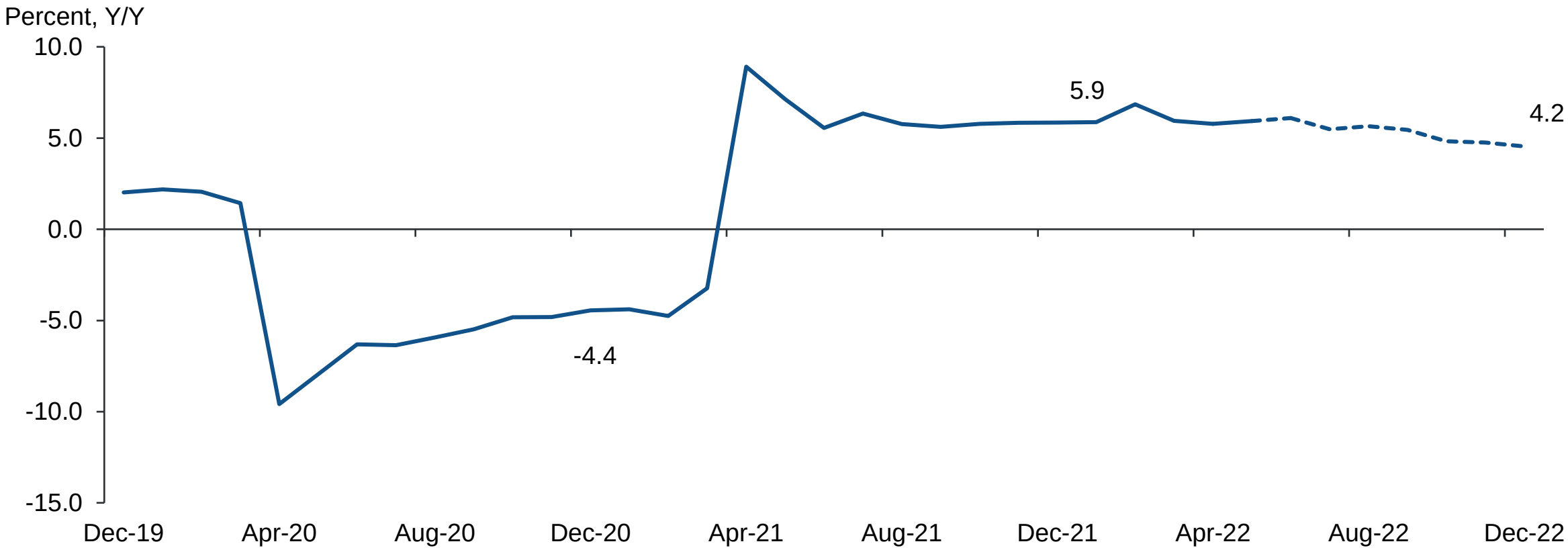
Job openings are declining, signals easing of labor market tightness



NOTES: Indeed data is a 2 week moving average. JOLTS Until July 31, Lightcast until Sep 16, Indeed until Sep 16.
SOURCES: Indeed, JOLTS, Lightcast, Haver Analytics.

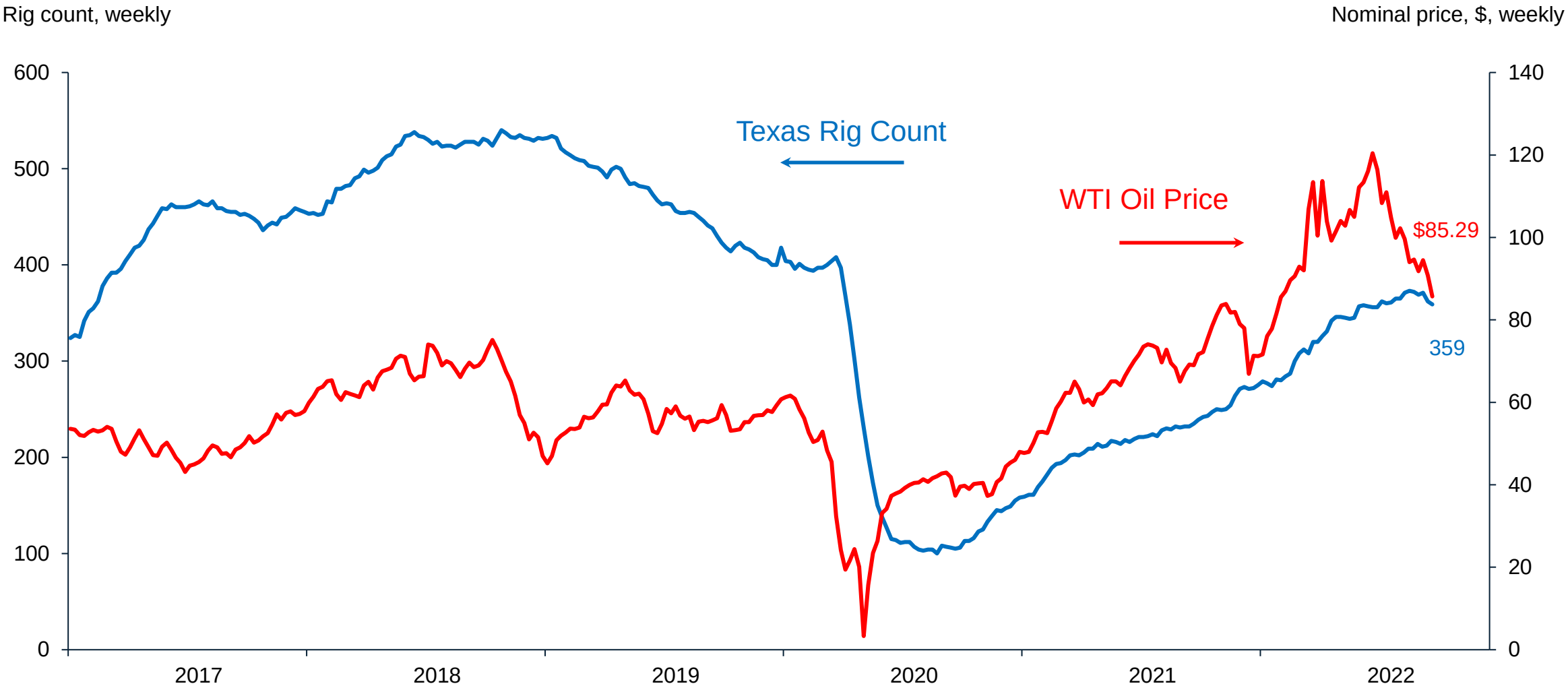
Outlook with Risks

Dallas Fed 2022 Texas jobs forecast falls to 4.2 percent; 2021 employment grew 5.9 percent



NOTE: Forecast scenario estimates for 2022 Texas payroll employment are based on IHME monthly hospitalization projections for COVID-19 in Texas, direct COVID-19 impacts in March-June 2020, US GDP growth estimates for 2022, and WTI prices following the futures contract curve as of 8/22/22.

Drilling activity slow to rise despite higher oil prices



NOTES: Data are weekly through September 9, 2022.
SOURCES: Energy Information Administration; Baker Hughes.

Summary

- Texas employment forecast to grow between 3.7 and 4.8 percent in 2022—more slowly than 2021 and first half of 2022, but still above trend and nation
- San Antonio is expected to register solid employment growth.
- Signs of slowing are spreading to our region and the real economy
  - Interest-rate sensitive sectors, like housing and construction, will be most impacted
  - Leading sectors, like manufacturing, will slow before services
- Price pressures likely to remain elevated
- Growth could slow further if larger rate hikes needed

Upcoming Research Conference

Thursday, October 20, 2022

8 a.m. – 3 p.m.

San Antonio, TX

In person and virtual options available

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Texas Weekly Employment Estimate
Weekly Economic Index

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