

# THE BEACON OUTLOOK TEXAS

Q3-2021

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## HIGHLIGHTS

### TEXAS JOBS RECOVERY OUTPACES NATION

At the depths of the labor market fallout, Texas employers shed 1,452,600 jobs. Following the release of June's figures, 1,106,900 of these positions have been recovered, which is equivalent to 76.2% of the jobs that had been lost. By contrast, the national economy has recovered 69.8% of the jobs lost over the same period.

### TEXAS LEADING POPULATION GAINS

Each year since 2011, population gains in Texas have been between two and three times the rate of population gains in the nation as a whole. As the United States grapples with the specter of declining population, Texas has led the way in population growth.

### HOUSING SUPPLY CONSTRAINTS

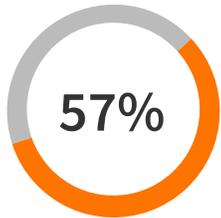
Housing inventory in Texas has fallen to unprecedented levels. Currently, there is only 1.4 months' worth of housing supply available on the market (a balanced market has about 6 months). The lack of supply will continue to place upward pressure on housing prices.

## KEY INDICATORS



### Home Price Surge

The average price of a house in Texas has increased to \$374,240, the highest figure on record in the state, and a 7% increase relative to pre-pandemic levels. Strong demand coupled with low inventory has driven the price jump.



### Fully Vaccinated in Texas

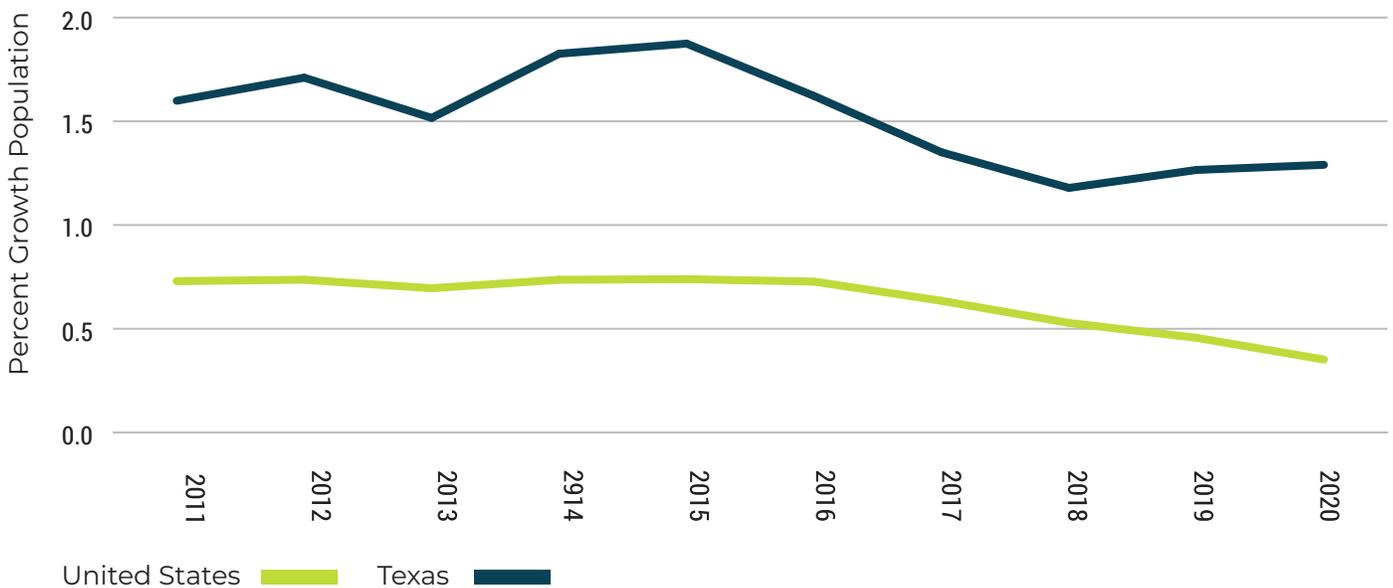
The rate of COVID-19 vaccinations in Texas lags the United States as a whole. Nationally, 72% of all adults have received one vaccine while 62% have been fully vaccinated. In Texas, 68% of adults have received one shot, while 57% have received two shots. Vaccination rates are higher in 27 other states.



### Building Permits Issued

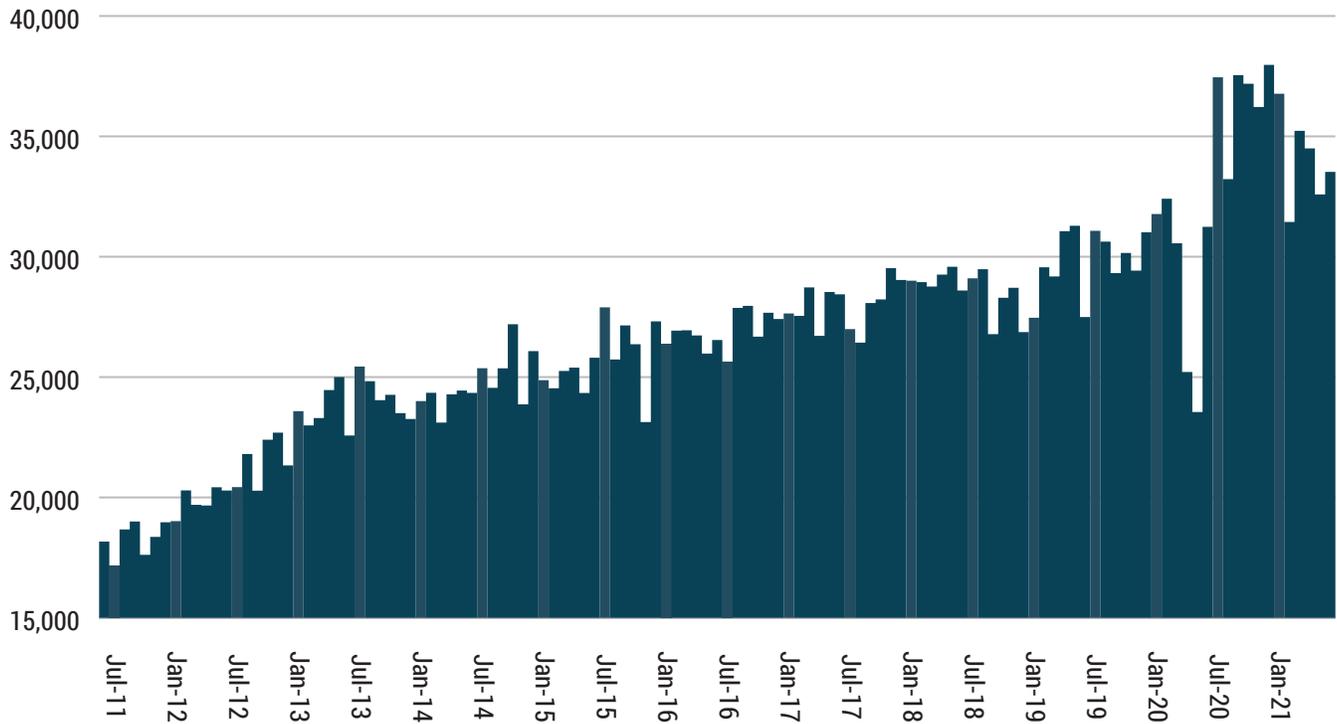
From the 3rd quarter of 2020 to the 1st quarter of 2021, 44,497 single family building permits were issued in the state, the highest three-quarter average in the past 10 years.

## POPULATION GROWTH, TEXAS VS. U.S.



Source: U.S. Census Bureau; Analysis by Beacon Economics

## HOME SALES, TEXAS



Source: Texas Real Estate Research Center at Texas A&M University; Analysis by Beacon Economics

## TEXAS FORECAST

### TEXAS FORECAST - KEY INDICATORS

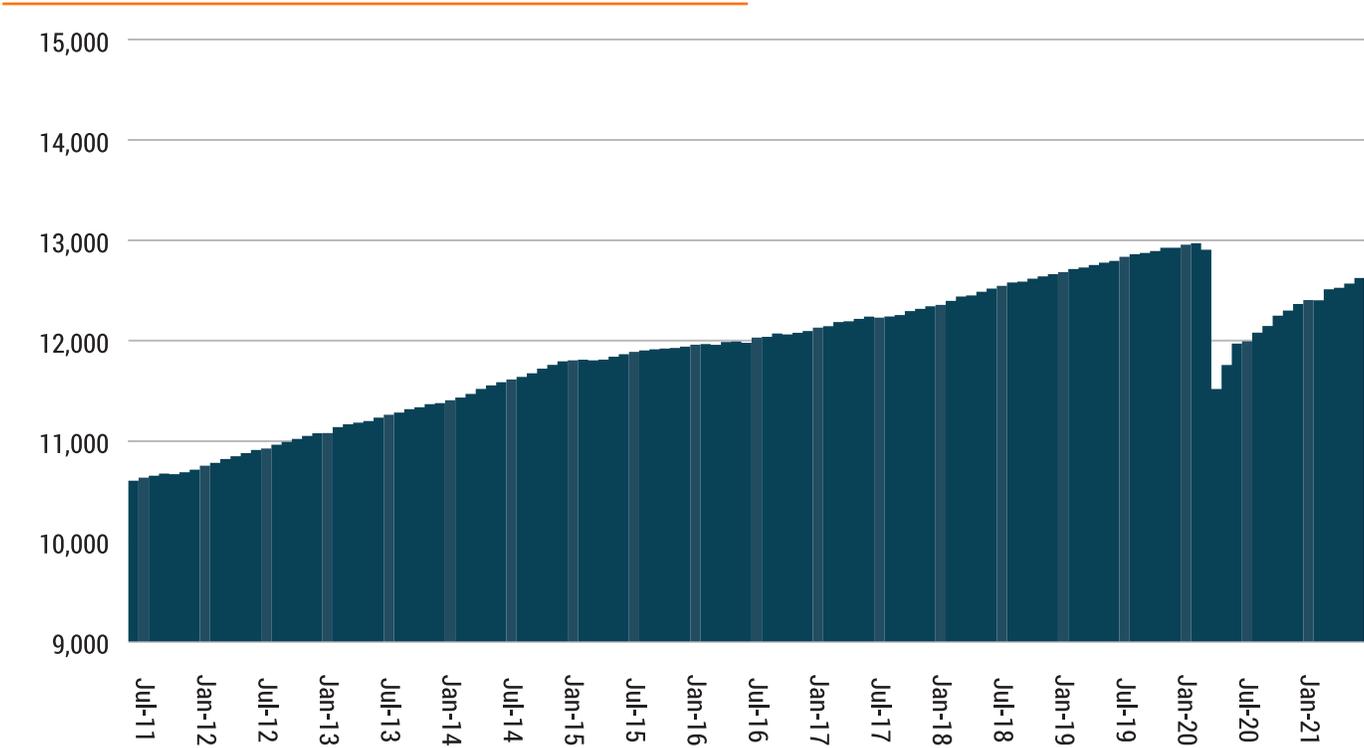
	Actual	Forecast			
	Q2-21	Q3-21F	Q4-21F	Q1-22F	Q2-22F
Real GDP (Millions 2012\$, SAAR)	<b>1,795,105.0</b>	1,832,344.0	1,865,505.0	1,893,504.0	1,923,251.0
Nonfarm Payrolls (000s, SA)	<b>12,221.6</b>	12,402.9	12,711.2	13,058.7	13,351.3
Unemployment Rate (% , SA)	<b>6.2</b>	5.9	5.8	5.5	5.4
Home Prices (\$, SA)	<b>270,323.1</b>	272,940.4	275,472.6	282,419.0	287,313.9

Source: U.S. Bureau of Economic Analysis, Texas Workforce Commission, Texas Real Estate Research Center at Texas A&M University; Forecast by Beacon Economics

# TEXAS ECONOMY HITS PRE-COVID LEVELS AS LABOR MARKET LAG CONTINUES

Many aspects of Texas’s economy have recovered to their pre-pandemic levels, with the labor market being the primary indicator that continues to lag the rest of the economy. After falling by approximately 10% from the fourth quarter of 2019 to the second quarter of 2020, economic output in Texas recovered to within 1% of pre-pandemic levels by the first quarter of 2021 (the most recent data available). Given the growth that occurred in output nationally in the second quarter of 2021 (U.S real output grew by 6.5% in Q2), it’s safe to assume that Texas’s economy is now producing as much output as it did prior to the pandemic.

## TOTAL NONFARM EMPLOYMENT, TEXAS



Source: Texas Workforce Commission; Analysis by Beacon Economics



The Texas economy has indeed been among the most resilient in the United States throughout the pandemic. The state's nonfarm employment contracted just 2.7% from February 2020 to June 2021 compared to a 4.4% contraction nationally. Still, Texas's labor market recovery has slowed this year compared to last. Nationally, employment has expanded 2.1% in 2021 compared to 1.5% in Texas.

One area of future concern is that at present, only 57% of adults in Texas have been fully vaccinated, compared to 62% nationally. As the spread of COVID-19 re-intensifies, the state's relatively low vaccination rate could represent a potential restraint on job growth as fall approaches. However, rather than business closures, the biggest impact of the continued spread of the virus could be on labor supply.

If parents, for example, are reticent to send children to school, that could place a constraint on labor supply. Additionally, workers in industries that have a high degree of person-to-person contact could withdraw from (or remain out of) the labor market in the short-term, further exacerbating immediate labor supply issues. Overall, while the Texas economy could be influenced by the coronavirus in the third quarter, it would amount to a slight slowing of growth rather than an economic contraction.

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