

THE GINN ECONOMIC BRIEF

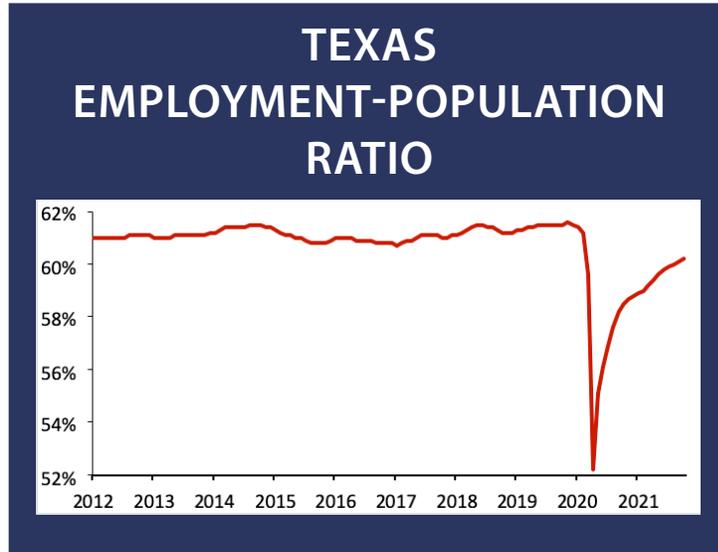
TEXAS ECONOMIC SITUATION MARCH 2022 | VANCE GINN, Ph.D., CHIEF ECONOMIST



OVERVIEW: Texans are recovering from the severe spring 2020 shutdown recession. There have been many challenges, but the Texas economy has persevered as the state was fully opened on March 10, 2021, without statewide mandates of masks, closures, or vaccines since then—as these should always be voluntary. The 87th Texas Legislature helped support the recovery with passage of many sound policies like the strongest state spending limit in the nation, but there were missed opportunities like permanent, broad-based property tax relief. Given other states are drastically cutting or eliminating taxes, Texas must make bold reforms so it can support more opportunities to prosper, remain an economic leader, and withstand bad policies out of Washington.

60.4%
TX EMPLOYMENT-POPULATION
RATIO IN FEBRUARY 2022

Texas had the fastest real
GDP growth in Q4:2021
[Click for details!](#)



LABOR MARKET: The best path to prosperity is a job, as work brings dignity, hope, and purpose to people by allowing them to earn a living, gain skills, and build social capital that endures. The table below shows the [latest state jobs report](#) for Texas for February 2022. Net employment in Texas increased by 77,800 that month, resulting in increases for 21 of the last 22 months. Compared to February 2021, total employment was up by 832,200 (+6.7%) with the private sector adding 801,300 jobs (+7.7%) and the government adding 30,900 jobs (+1.6%). The labor force participation rate has rebounded back to where it was in February 2020 before the shutdowns, and the private sector now employs 243,300 more people than it did then. Texans still face challenges with a worse employment-to-population ratio and unemployment rate, and nonfarm employment is 2% below its [pre-shutdown trend](#) (Figure 1).

	JUNE 2009	FEBRUARY 2020	APRIL 2020	FEBRUARY 2022
Labor force participation rate	66.4%	63.4%	59.8%	63.4%
Employment-population ratio	61.1%	61.2%	52.2%	60.4%
Unemployment rate (U3)	8.0%	3.5%	12.6%	4.7%
Private sector employment	8.5M	11.0M	9.6M	11.2M

Data compare the following: 1) June 2009—Dated trough of that U.S. recession, 2) February 2020—Dated peak of the last U.S. expansion, 3) April 2020—Dated trough of the last U.S. recession, and 4) February 2022—Latest data available.

Figure 1 compares the ratio of current private employment to pre-shutdown forecast levels in red states and blue states if both chambers of the legislature and the governor are Republican (dark red), Democrat (dark blue), or some combination (lighter colors). The results show a clear distinction between red states and blue states, with the [stringency of restrictions by governments](#) during the pandemic along with pro-growth policies before and after the shutdowns playing key roles. Specifically, 23 of the 25 states with the best (highest) ratios are in red states while 13 of the 15 states and D.C. with the worst (lowest) ratios are in blue places.

Figure 1 is informative because only Republican governors, with the one exception of Louisiana, ended the supplemental unemployment payments that contributed to some people receiving more than while working. These data indicate a strong relationship between sound policy and more job creation. Texas stopped the unemployment bonus on June 26, 2021—well before the scheduled date of September 6—which helped support a faster job recovery rate thereafter, which aligns with other states that ended these extra payments early. Multiple indicators should be considered as the unemployment rate is a rather weak signal of the labor market. While the labor force participation rate in Texas matches where it was before the shutdowns, and the 4.7% unemployment rate could be full employment, the employment-population ratio is 0.8 percentage points below the pre-shutdown ratio. And the latest data in January show Texas had [885,000 job openings](#) and 688,000 unemployed, yielding 197,000 more job openings than unemployed.

ECONOMIC GROWTH: The U.S. Bureau of Economic Analysis (BEA) [released](#) the real gross domestic product (GDP) by state for Q4:2021. Texas had the fastest GDP growth rate of 10.1% on an annualized basis (above 6.9% U.S. average), with an increase of 5.6% in 2021 (less than 5.7% U.S. average). These followed Texas' GDP growth declines of 7.0% in Q1:2020 and 28.5% in Q2 during the depths of the recession, but GDP rebounded in Q3 and Q4 yet declined overall in 2020 by 2.9% (less than 3.4% decline of U.S. average). The BEA also [reported](#) recently that personal income in Texas grew the fastest by 9.2% in Q4:2021 (above 2.4% U.S. average), with an increase of 8.9% in 2021 (above 7.4% U.S. average).

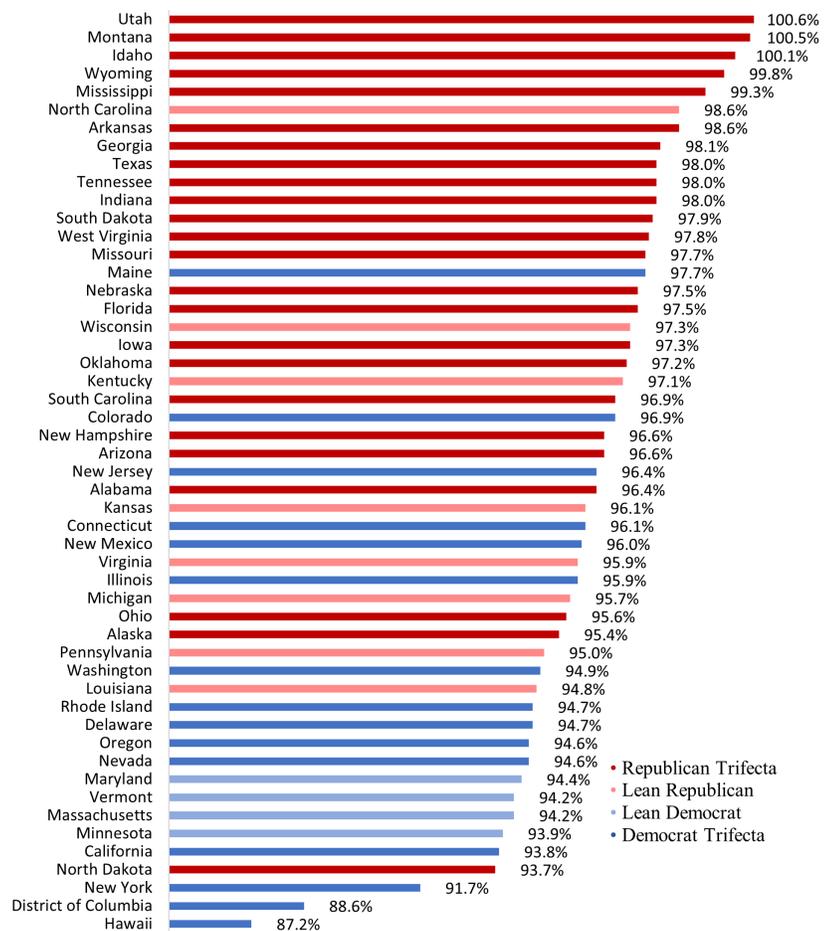
BOTTOM LINE: As Texas keeps recovering from the shutdown recession, the economic outlook for Texans should improve more quickly. The [Texas Model](#) was fortunately strengthened by the 87th Legislature that followed much of the Foundation's recommendations of less government spending, taxing, and regulating, but more improvements are needed to sustain it.

RECOMMENDATIONS

In 2023, the Texas Legislature should improve upon its past efforts by further [lowering government spending](#), [improving workforce development](#), [removing barriers to work](#), [reforming safety nets](#), and start the process of [eliminating property taxes by 2033](#). If Texas strengthens its economic institutions built on free-market capitalism that best lets people prosper, Texans will recover more quickly, better resist D.C.'s overreach, and flourish more for generations to come.

Figure 1

State Ratios of Current Private Jobs to Pre-Shutdown Forecast of Private Jobs by Political Representation, February 2022



Sources: U.S. Department of Labor, Calculations by Erik Randolph at Georgia Center for Opportunity