# THE GINN ECONOMIC BRIEF

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

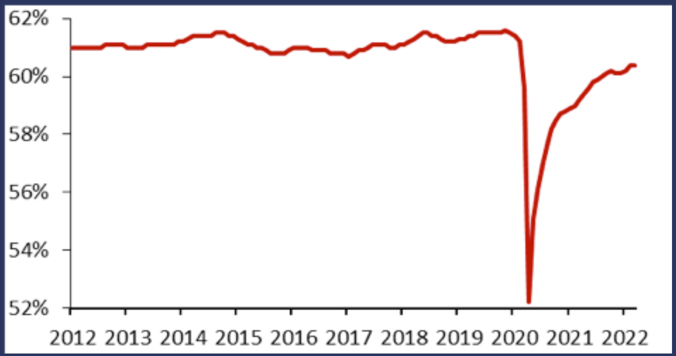
**OVERVIEW:** Texas is a leader in the economic recovery from the severe spring 2020 shutdown recession. Texans have overcome many challenges especially since the state was fully opened in March 2021, without statewide mask, closure, or vaccine mandates since then—as these should be voluntary. The 87th Texas Legislature supported the recovery with the passage of many pro-growth policies like the nation's strongest state spending limit, 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 remain an economic leader, support more opportunities to prosper, and withstand bad policies from D.C.

**60.4%**
**TX EMPLOYMENT-POPULATION RATIO IN MARCH 2022**

**Texas has set employment records in five straight months**

*Click for details!*

**TEXAS EMPLOYMENT-POPULATION RATIO**




**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 state's labor market for March 2022. Net nonfarm jobs in Texas increased by 30,100 last month, resulting in increases for 22 of the last 23 months and the fifth consecutive month of record-high employment to 13.2 million. Compared with a year ago, total employment was up by 731,600 (+5.9%) with the private sector adding 699,100 jobs (+6.6%) and the government adding 32,500 jobs (+1.7%). The labor force participation rate is now the same as in February 2020, before the shutdowns, which is not the case for most other states, and the private sector now employs 265,900 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 | MARCH 2022 |
|---|---|---|---|---|
| Labor force participation rate | 66.4% | 63.4% | 59.8% | 63.4% |
| Employment-population ratio | 61.1% | 61.2% | 52.2% | 60.7% |
| Unemployment rate (U3) | 8.0% | 3.5% | 12.6% | 4.4% |
| Private sector employment | 8.5M | 11.0M | 9.6M | 11.2M |

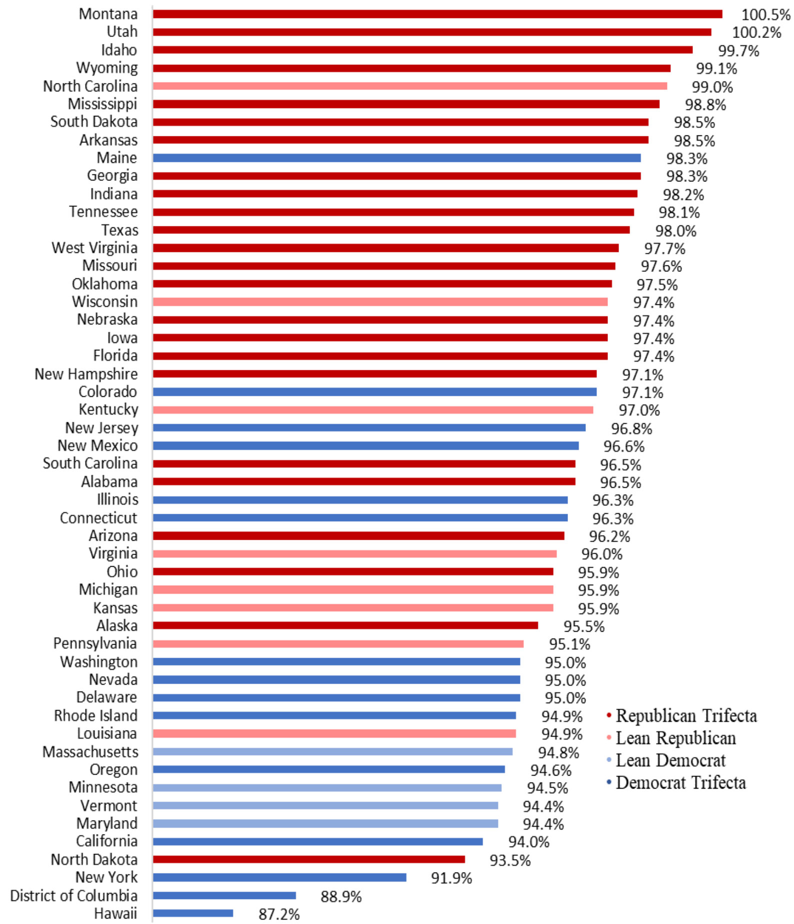
Data compare the following: 1) June 2009—Dated trough of that U.S. recession, 2) February 2020—Dated peak of the last U.S. expansion, 3) April 2020—Dated trough of the last U.S. recession, and 4) March 2022—Latest data available.

**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, 21 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 before they expired. 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. This result is similar in 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 4.4% unemployment rate could be full employment, the employment-population ratio is 0.5 percentage points below the pre-shutdown ratio.

**Figure 1**

*Ratios of Current Private Jobs to Pre-Shutdown Forecast of Private Jobs by Place and Political Representation, March 2022*




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

**ECONOMIC GROWTH:** The U.S. Bureau of Economic Analysis (BEA) recently 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 recovers 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:

- Passing pro-growth policies to lower government spending, improve workforce development, remove barriers to work, reform safety nets, and start eliminating local property taxes by 2033.
- Strengthening the Texas Model will help Texans recover more quickly, better resist D.C.'s overreach, and flourish more for generations to come.