THE GINN ECONOMIC BRIEF

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

OVERVIEW: Since the severe spring 2020 shutdown recession, Texas has been a leader in economic recovery. This includes reaching new record highs in total nonfarm employment for 7 straight months, leading exports of technology products for 20 consecutive years, and being home to 54 of the Fortune 500 companies. Fortunately, 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 is more to do to remove barriers placed by state and local governments for Texans to reach their full potential. Solutions include governments passing responsible budgets and returning surplus tax dollars collected to taxpayers by reducing maintenance and operations property taxes until they are eliminated. Given the laboratory of competition in the U.S. system of federalism, other states are cutting, flattening, and phasing out taxes, so Texas must make bold reforms to support more opportunities for people to prosper, lower the rapidly rising costs of living, and withstand bad economic effects from policies out of D.C.

61.1%

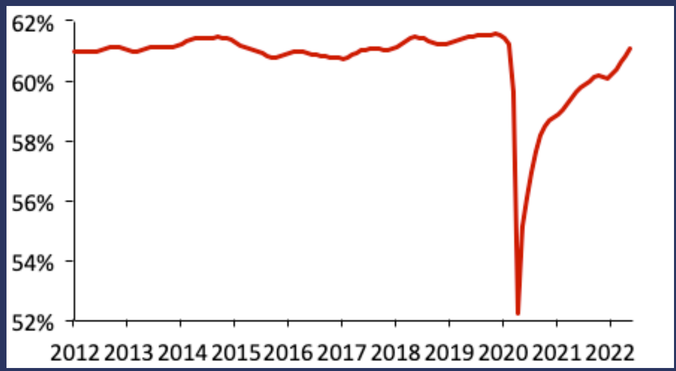
HIGHEST TX EMPLOYMENT-POPULATION RATIO SINCE FEB. 2022

LINK HERE

TX sets employment record for seventh straight month

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 May 2022. Net nonfarm jobs in Texas increased by 74,200 last month, resulting in increases for 24 of the last 25 months and the 7th consecutive month of record-high employment at 13.3 million. Compared with a year ago, total employment was up by 762,400 (+6.1%) with the private sector adding 733,900 jobs (+6.9%) and the government adding 28,500 jobs (+1.5%). The labor force participation rate is now higher than it was in February 2020 but below June 2009 at the trough of the Great Recession. The employment-population ratio is nearly back to where it was in February 2020, and the private sector now employs 410,000 more people. Texans still face challenges with a worse unemployment rate, though historically low, and nonfarm private employment is 1.1% below its pre-shutdown trend (Figure 1).

	JUNE 2009	FEBRUARY 2020	APRIL 2020	MAY 2022
Labor force participation rate	66.4%	63.4%	59.8%	63.7%
Employment-population ratio	61.1%	61.2%	52.2%	61.1%
Unemployment rate (U3)	8.0%	3.5%	12.6%	4.2%
Private sector employment	8.5M	11.0M	9.6M	11.4M

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) May 2022—Latest data available.

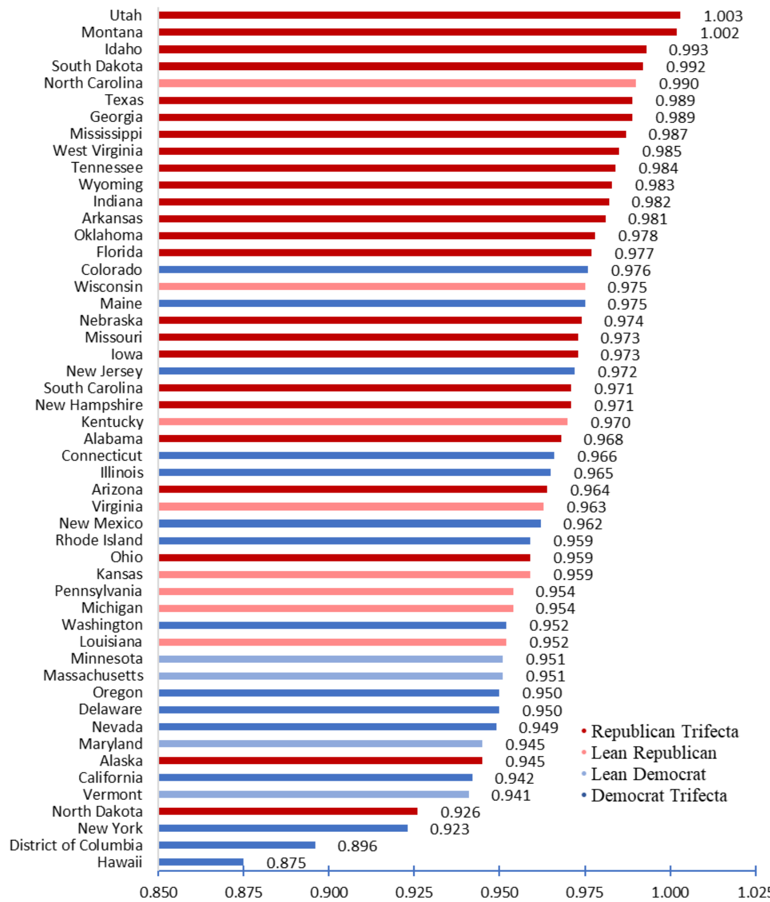
Texas Public Policy Foundation

901 Congress Avenue | Austin, Texas 78701 | (512) 472-2700 | www.TexasPolicy.com

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, 22 of the 25 states with the best (highest) ratios are in red states while 12 of the 14 states and D.C. with the worst (lowest) ratios are in blue places.

Figure 1 is informative because only Republican governors, with the exception of Louisiana, ended the [supplemental unemployment payments] that contributed to some people receiving more than while working before the payments 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. In addition, 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 exceeds where it was before the shutdowns, and the 4.2% unemployment rate could be full employment, the employment-population ratio is 0.1 percentage points above the pre-shutdown ratio.

Figure 1
Ratios of Current Private Jobs to Pre-Shutdown Forecast of Private Jobs by Place and Political Representation, May 2022



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

ECONOMIC GROWTH: The U.S. Bureau of Economic Analysis (BEA) [provided] 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. 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] that personal income in Texas grew at an annualized pace of 4.6% in Q1:2022 (below 4.8% U.S. average) as many federal safety-net payments without work requirements expired and more people found well-paid jobs.

BOTTOM LINE: As Texas recovers from the shutdown recession and faces an uncertain future with the U.S. economy experiencing stagflation now and a likely recession happening now or soon, Texans need substantial relief to make ends meet. While the [Texas Model] was strengthened by the 87th Legislature last year, which followed much of the Foundation's recommendations of less government spending, taxing, and regulating, more is needed to provide limited government at the state and local levels.

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].
- Strengthening the Texas Model will help Texans better resist D.C.'s overreach—which has resulted in stagflation and a likely deep recession in the U.S. economy—and flourish more for generations to come.