



# Economics Group

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## Texas Payrolls Jump in October

**Nonfarm employers added 118,100 new jobs during the month. The jobless rate dropped to 6.9%. Hiring appears to be gaining momentum, although the re-emergence of COVID represents a downside risk in the months ahead.**

### Payrolls Begin to Pick up from Summer Slump

Total nonfarm employers added 118,100 net new jobs during October. The monthly gain was the strongest since June when the state employers were still recalling many of the workers who had been furloughed or let go in the immediate aftermath of the early-spring lockdown measures. After several months of substantial gains, hiring hit a stumbling block as COVID cases surged across the state for much of the summer.

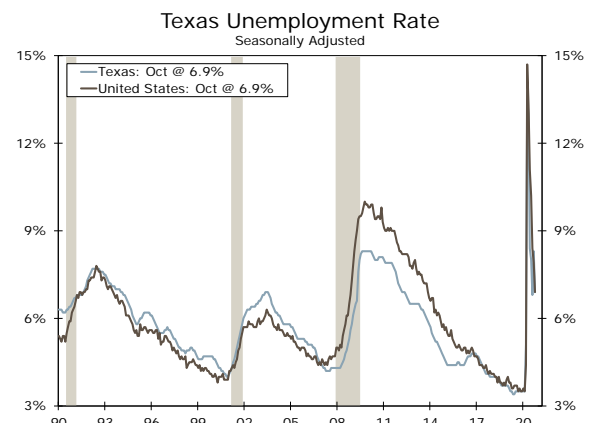
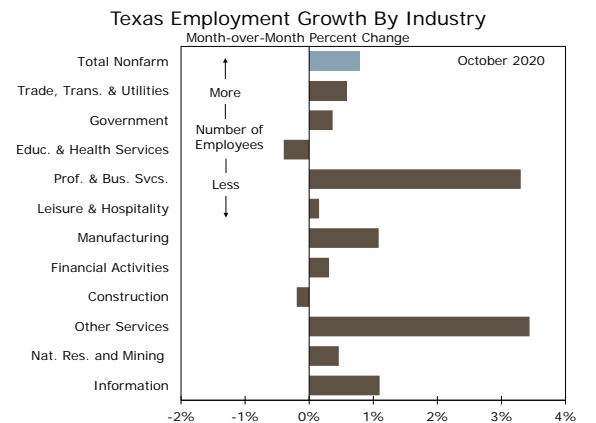
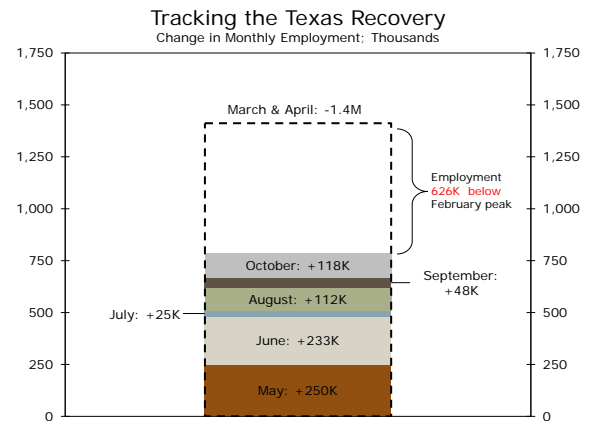
October's payroll additions brings the state economy closer to recouping the jobs lost to the COVID suppression efforts. On an overall basis, employment fell by 1.4 million jobs in March and April, and since 786,000 (56%) of those jobs have been regained. Excluding government payrolls, the monthly gain looks even stronger. Private sector payrolls rose an even better 136,300 jobs. Falling federal, state & local government headcounts subtracted 18,200 jobs from the topline number. The drop on the public side was likely the result of temporary Census workers coming off the books.

Within the robust private sector gain, nearly every major industry added jobs in October. Administration and waste services, a subcategory of professional & business services, saw a 29,300 increase. The gain may be an indication businesses are preparing for a return to more "normal" operations. This diverse sector includes office administrators, waste management, travel agencies, employment placement and other support services.

On balance, the Texas services sector accounted for the bulk of October's gain. Leisure & hospitality recouped an additional 27,000 jobs, although payrolls in this beleaguered industry remain 14.7% below prior year levels. Hotels, bars and restaurants saw an increase of 21,500 jobs, while arts, entertainment & recreation added 6,200. Trade, transportation, warehousing & utilities advanced by 19,300. Education & health services rose 11,900, while financial activities increased by 5,700.

Similarly, goods-producing industries saw hiring pick-up over the month. Construction and manufacturing payrolls rose by 9,400 and 7,900, respectively. The mining and logging industry, which captures oil and gas drilling headcounts, expanded by 2,100, the second straight monthly gain.

We have updated our economic forecast for the state of Texas (see page 2). We still anticipate a fairly sharp 4.1% contraction in state-level real GDP growth for 2020 as a whole, with most of the weakness now well behind us. Considering the somewhat faster pace of recovery we have seen more recently, we now expect economic growth to bounce-back 3.2% in 2021. Along similar lines, employment will likely fall 3.5% in 2020, which amounts to a loss of 451,000 net jobs. Next year, payrolls should return to positive territory with the addition of 290,000 jobs. Similarly, the unemployment rate will likely continue its gradual descent and end 2022 at around 4.7%.



**Texas Economic Outlook**

	Actual			Forecast		
	2017	2018	2019	2020	2021	2022
Real Gross Domestic Product by State, \$ Millions	1,651,330	1,715,231	1,764,357	1,692,019	1,746,163	1,821,248
Annual Rate	2.8%	3.9%	2.9%	-4.1%	3.2%	4.3%
Nominal Personal Income, \$ Millions	1,369,329	1,463,962	1,531,346	1,604,851	1,577,500	1,632,000
Nominal Personal Income, Percent Change	7.1%	6.9%	4.6%	4.8%	-1.7%	3.4%
Real Median Household Income, \$	62,672	60,868	67,444	69,500	67,800	68,900
Population, Thousands	28,295	28,629	28,996	29,315	29,696	30,112
Change in thousands	381	333	367	319	381	416
Percent Change	1.4%	1.4%	1.2%	1.1%	1.3%	1.4%
Nonfarm Employment, Thousands	12,228	12,519	12,801	12,350	12,640	13,050
Change in thousands	214	291	282	(451)	290	410
Percent Change	1.8%	2.4%	2.3%	-3.5%	2.3%	3.2%
Unemployment Rate, Annual Average	4.3%	3.8%	3.5%	7.8%	5.4%	4.7%
Total Housing Permits	169,885	188,161	203,317	203,500	205,000	208,000
Single-Family Permits	114,094	123,249	126,959	135,500	143,500	152,000
Multi-Family Permits	55,791	64,912	76,358	68,000	61,500	56,000
FHFA Home Price Index, Percent Change	7.5%	6.4%	5.3%	5.5%	5.8%	5.6%

Forecast as of: November 20, 2020

Source: National Association of Realtors, Federal Housing Finance Authority, U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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