

Overview of Texas's Economy

Overview: Texas's economy took a major blow in March from COVID-19 as it reduced Texans' activity across the state. Then lockdowns by state and local governments in response to the novel coronavirus further exacerbated the economic fallout. The economic data are clear that the labor market, economic outlook, and social mobility remain well below where it was in February. These weaknesses tell the story of how many Texas families and employers are struggling in their lives and livelihoods during this trying time without hope until government reopens the economy.

Texas's Labor Market: The Texas Workforce Commission (TWC) recently released the [Texas jobs report](#) for August 2020 that highlights improvements in the state's [labor market](#) but also notes how many families continue to struggle. For example, Texas's private employment in July is at the lowest level since February 2017 and 730,000 jobs below where it was in February 2020 but is up about 550,000 jobs since April.

The table below provides data comparing the following dates: 1) June 2009 was dated trough of the last U.S. recession, 2) February 2017 matched current private employment, 3) February 2020 was dated peak of the last U.S. expansion, 4) April 2020 is low for most labor market data, and 5) July 2020 is the latest period available.

	June 2009	February 2017	February 2020	April 2020	August 2020
Labor Force Participation Rate	63.9%	63.8%	64.1%	58.4%	64.4%
Employment-Population Rate	61.7%	60.8%	61.9%	50.5%	60.0%
Unemployment Rate (U3)	8.0%	4.7%	3.5%	13.5%	6.8%
Private Nonfarm Employment	8.5M	10.2M	10.9M	9.6M	10.2M



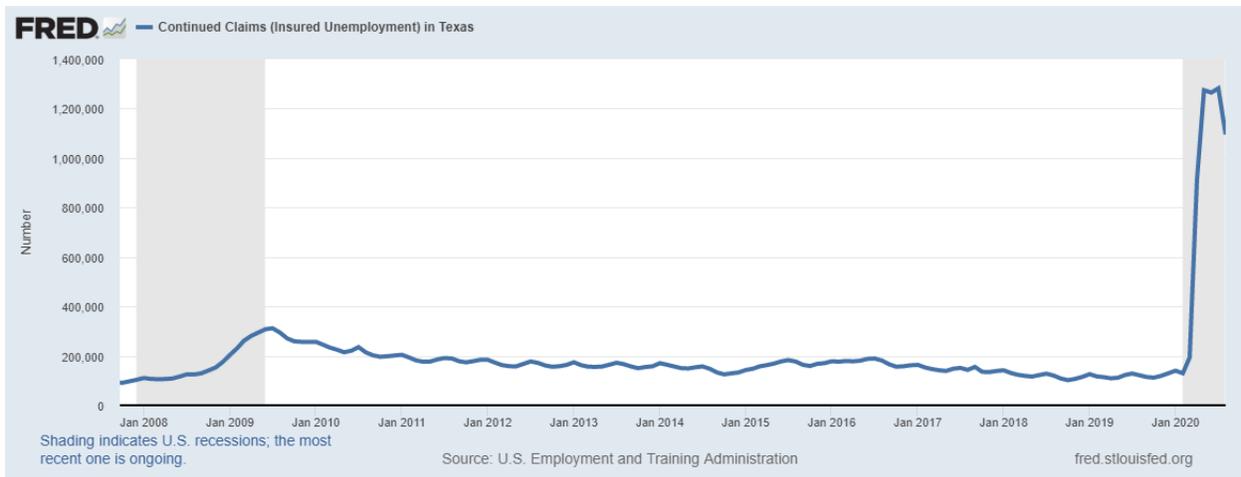


Texas Public Policy Foundation

The chart above for total private payroll employment in Texas shows there was substantial growth in the Texas labor market from the end of the last U.S. recession in June 2009 to the most recent economic peak in February 2020. The labor market across the state weakened from March to April due to the severe and quick recession induced by state and local governments in response to COVID-19. Texas's labor market situation has since started to recover but there is much room for improvement. This is also noted in TWC's data by industry in the table below.

Industry	Aug 2020	Monthly Change	Annual Change	Annual % Change
Total Nonagricultural	12,219,400	106,800	-616,600	-4.8
Private	10,264,900	81,800	-588,000	-5.4
Goods-Producing	1,796,200	1,600	-140,200	-7.2
Mining & Logging	187,300	-2,900	-61,000	-24.6
Construction	739,800	3,300	-39,300	-5.0
Manufacturing	869,100	1,200	-39,900	-4.4
Service-Providing	10,423,200	105,200	-476,400	-4.4
Trade, Transportation & Utilities	2,438,400	28,800	-74,400	-3.0
Information	195,900	1,000	-13,100	-6.3
Financial Activities	809,700	4,500	3,600	0.4
Professional & Business Services	1,778,500	33,200	-23,000	-1.3
Education & Health Services	1,675,100	-2,900	-70,200	-4.0
Leisure & Hospitality	1,147,500	1,300	-247,600	-17.7
Other Services	423,600	14,300	-23,100	-5.2
Government	1,954,500	25,000	-28,600	-1.4

The struggle for Texas families is also noted by the Department of Labor's [reported continued claims](#) (insured unemployment) in the figure below. This measure shows the unemployed who have been approved to receive unemployment insurance and remains near a record high.



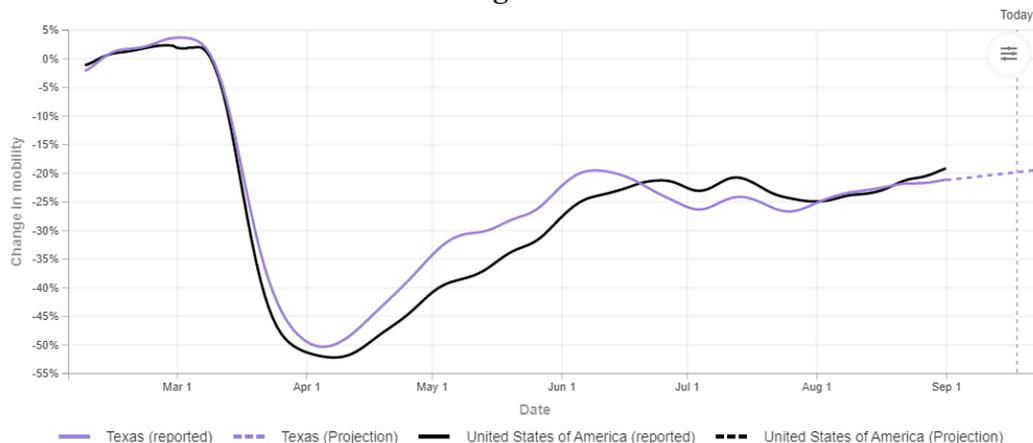
Texas’s Economic Outlook: The Federal Reserve Bank of Dallas’s measure of the [Texas Leading Index](#) summarizes the future of the state’s economy in one composite measure based on eight leading indicators: Texas value of the dollar, U.S. leading index, real oil price, well permits, initial claims for unemployment insurance, Texas stock index, help-wanted index, and average weekly hours worked in manufacturing.



While this measure has been increasing recently from a low of 100.5 in April to 112.6 in August, this is the lowest since January 2010 and is well below the 125.7 of February 2020 before COVID-19 hit and the subsequent lockdowns. This is likely to quickly improve after reopening.

The [change in mobility in Texas](#) remains subdued since February 2020, indicating there is room for increased economic activity from reopening, which was the case after the initial reopening but slowed when that reopening was rolled back. This measure of social distancing by the Institute for Health Metrics and Evaluation (IHME) below is based on anonymous cellphone data made available by several technology companies for the purposes of fighting COVID-19.

IHME’s Social Distancing Measure for Texas and U.S.



Bankruptcies: [Chapter 11 bankruptcy filings in Texas](#) have been on the rise since COVID-19 rocked the state in March. According to reporting by MoneyGeek and noted in the two tables below, chapter 11 business and personal bankruptcy filings in Texas are up due to the COVID-19 economic situation.

Rates of COVID-19 Chapter 11 Filings by State

Rank	State	COVID-19 Rate per 10K Businesses* ▼	COVID-19 Filings	Change in Filings YoY
1	Texas	14.18	852	462
2	New York	10.73	587	153
3	Nevada	8.25	56	30
4	Virginia	7.46	151	111
5	Mississippi	6.58	39	27

States with the Most COVID-19 Personal Bankruptcies

Rank	State	COVID-19 Filings per 100K ▲	COVID-19 Bankruptcies	August Filings
51	Alaska	16.5	121	17
50	Massachusetts	27.1	1,867	235
49	Vermont	30.3	189	34
48	District Of Columbia	30.9	218	38
47	Maine	34.9	469	58
46	Texas	36.8	10,661	1,577

Texas has the most chapter 11 business bankruptcies per 10,000 businesses in the nation and has more than twice the number of filings since the same period last year. While Texas ranks as the 5th lowest state in chapter 11 personal bankruptcies per 100,000 personal filings, there have been 10,661 bankruptcies since February, with 1,577 bankruptcies in August alone. These are substantial costs to the livelihoods of Texans that could largely be addressed by reopening the economy.

Recommendations: The Foundation’s [Recovery Agenda](#) would protect individual liberties and prevent the expansion of government so Texans can flourish.

- Safely reopen society by ending state and local government-mandated lockdowns and focus on targeting resources to populations most vulnerable to the effects of COVID-19.
- Cover government budget shortfalls with savings from reducing non-essential programs.
- Enforce state property tax reforms with the goal of reducing taxes.
- Eliminate regulations not necessary for public health and safety.