

THE GINN ECONOMIC BRIEF

TEXAS ECONOMIC SITUATION JULY 2021 | VANCE GINN, PhD, CHIEF ECONOMIST



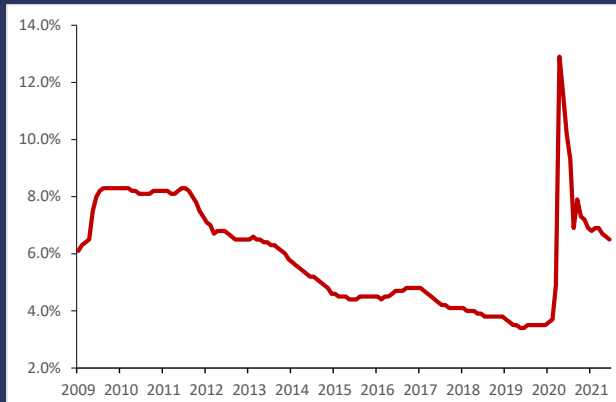
OVERVIEW: Texas's economy is improving after the destruction from the pandemic and forced business shutdowns. The [opening of the economy](#) on March 10, 2021, helped bring some normalcy as many return to work, excessive government restrictions cease, and civil society improves. This normalcy is supported by wins regarding [fiscal and regulatory policy](#) and [paths to opportunity](#) by the 87th Texas Legislature during the recently completed regular session. More successes may be realized during the special session called by Governor Greg Abbott. A key initiative will be to promote more [pro-growth policies](#) that [limit spending and cut property taxes](#) in order to increase prosperity and withstand Washington's [anti-growth policies](#).

How much has unemployment in Texas fallen in the last year?

Click for the answer!

6.5%
TX UNEMPLOYMENT RATE
JUNE 2021

TEXAS UNEMPLOYMENT RATE



LABOR MARKET: The table below notes information from the Texas Workforce Commission's [latest jobs report for June 2021](#). Employment in Texas increased by 55,800 in June 2021, resulting in increased employment in 13 of the last 14 months. This included 54,100 net new jobs in the private sector and 1,700 more jobs in the government sector. From a year ago during the pandemic, total employment was up by 654,200 for an increase of 5.5%, with the [private sector](#) adding 607,600 jobs (6.0% increase) and the government adding 46,600 jobs (2.4% increase). But since pre-pandemic February 2020, the private sector has employed 310,000 fewer people. Compared with June 2018, when private sector employment was also about 10.7 million, Texans face challenges as there is a lower labor force participation rate, lower employment-population rate, and higher unemployment rate.

	JUNE 2009	OCTOBER 2018	FEBRUARY 2020	APRIL 2020	JUNE 2021
Labor Force Participation Rate	66.4%	63.9%	64.0%	60.2%	62.2%
Employment-Population Rate	61.1%	61.5%	61.6%	52.4%	58.2%
Unemployment Rate (U3)	8.0%	3.8%	3.7%	12.9%	6.5%
Private Sector Employment	8.5M	10.7M	11.0M	9.6M	10.7M

Data compare the following: 1) June 2009—Dated trough of the last U.S. recession, 2) October 2018—Near current private sector employment, 3) February 2020—Dated peak of the last U.S. expansion, 4) April 2020—Recent lows for most labor market data, and 5) June 2021—Latest data available.



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Figure 1

State Unemployment Rates by Political Representation, June 2021

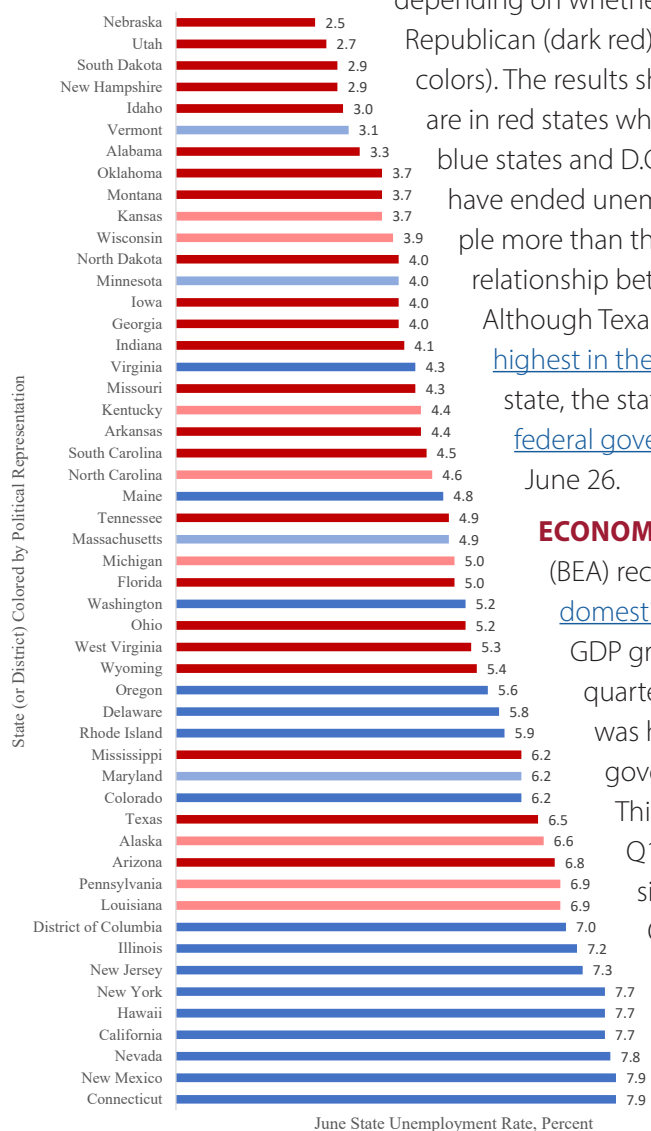


Figure 1 compares the unemployment rate in red states and blue states depending on whether both chambers of the legislature and governor are Republican (dark red), Democrat (dark blue), or some combination (lighter colors). The results show that 20 of the 25 lowest unemployment rates are in red states while the 9 highest unemployment rates are in dark blue states and D.C. This graph is useful because almost all red states have ended unemployment bonus payments that frequently pay people more than they earned while working, demonstrating a strong relationship between sound labor policy and low unemployment. Although Texas's 6.5% unemployment rate in June ranks [10th highest in the nation](#) and is the second-highest rate for a dark red state, the state's labor market should improve with the [end of the federal government's unemployment bonus](#), which stopped on June 26.

ECONOMIC GROWTH: The U.S. Bureau of Economic Analysis (BEA) recently released the [state-level report on real gross domestic product](#) (GDP) for Q1:2021. Texas had the lowest GDP growth rate of 4.3% on an annualized basis in the first quarter, well below the 6.4% U.S. average, as the state was hit by another wave of the pandemic and had harsh government restrictions on businesses in response. This followed Texas's GDP growth declines of 6.2% in Q1:2020 and 29% in Q2 during the depths of the recession but then increases of 29.7% in Q3 and 7.5% in Q4 for a total decline of 3.5% in 2020—matching the U.S. average decline. It was the state's first annual decline since 2009 and ranked 23rd among states, with slower growth than the other large states of California (-2.8%) and Florida (-2.9%).

BOTTOM LINE: As Texas reaches herd immunity from [recoveries and vaccinations](#) and removes government barriers, the [economic outlook](#) for Texans should improve more quickly to at least recover the tangible prosperity experienced in February 2020.

The [Texas Model](#) was fortunately strengthened by the regular session of the 87th Legislature that followed much of the Foundation's [Responsible Recovery Agenda](#) of [less government spending, taxing, and regulating](#). And the [labor market will likely continue to improve](#) after the recently [rejected new federal unemployment bonus](#) of about \$1,200 per month stopped.

RECOMMENDATIONS

The recent fiscal successes during the regular session should be improved upon during a special session by using most if not all the [\\$7.85 billion in the state's surplus](#) as a down payment to [eliminating nearly half of property taxes soon](#). Also, the funds sent by the U.S. Congress through the America Rescue Plan Act (ARPA) should be used [responsibly, if they are used at all](#), considering the expansion of government and the many strings attached. If we follow free-market capitalism, which best supports human flourishing, Texans will recover more quickly, better resist D.C.'s overreach, and see improved prosperity for generations to come.



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