The Perryman Group
The Economic Outlook for Texas and Its Major Metro Areas: Recovery Slows, but Continues
October 2020

The most recent employment data indicates that the pace of hiring in Texas has slowed. In September, 40,700 net new jobs were added, compared to 111,900 in August. Moreover, the unemployment rate rose and is now higher than the national level. While this slowing is not good news, it was not unexpected.

Texas employment peaked in February 2020 at about 13.0 million. By April, 1.4 million jobs had been lost to the pandemic. As of September, Texas employment stood at almost 12.3 million, down from over 12.8 million in September 2019. Although over 660,000 jobs have been regained, that number is not quite half of the number lost since before the pandemic. In addition, all growth that would otherwise have occurred has been foregone. Thus, the losses from where the state should be are even greater.

Slower hiring at this point in the state's economic recovery is not surprising. The first few months of opening the economy involved resumption of businesses such as retail stores and restaurants which involve large numbers of employees. Essentially, those jobs were the low-hanging fruit. It is also not surprising to see the pattern of recovery in Texas be somewhat different from other states or the nation. The timing and severity of outbreaks and reopening decisions have varied widely across states.

OUTLOOK FOR THE STATE OF TEXAS

The Perryman Group's most recent projections indicate that Texas real gross product is expected to decline by -4.27% this year on a year-over-year basis, with +4.04% growth in 2021. Job losses are projected to

Texas Major Metropolitan Area Outlook through 2021
Wage & salary employment by metropolitan area

Metropolitan Area	Loss in 2020		Recovery in 2021	
	Absolute	Percent	Absolute	Percent
Austin-Round Rock-Georgetown MSA	-42,507	-3.82%	+28,153	+2.63%
Dallas-Plano-Irving MD	-93,091	-3.34%	+69,876	+2.60%
El Paso MSA	-13,268	-3.70%	+7,900	+2.29%
Fort Worth-Arlington-Grapevine MD	-40,982	-3.77%	+22,846	+2.19%
Houston-The Woodlands-Sugar Land MSA	-137,746	-4.23%	+77,345	+2.48%
McAllen-Edinburg-Mission MSA	-10,943	-3.83%	+6,857	+2.49%
San Antonio-New Braunfels MSA	-46,040	-4.04%	+27,806	+2.54%
State of Texas	**-548,883**	**-4.13%**	**+315,402**	**+2.47%**

Source: US Multi-Regional Econometric Model, The Perryman Group

Notes: "MSA" refers to Metropolitan Statistical Areas and "MD" refers to Metropolitan Divisions.

be -548,883 through 2020, with a recovery of +315,402 jobs next year.

OUTLOOK FOR MAJOR METROPOLITAN AREAS

The Perryman Group's latest projections for Texas' largest metropolitan areas indicate notable losses for 2020 but a return to growth next year. On a year-over-year basis, the decline in employment for 2020 is projected to range from 3.34% in the Dallas-Plano-Irving area to 4.23% in the Houston-The Woodlands-Sugar Land area. Recovery in 2021 is expected to be strongest in the Austin-Round Rock-Georgetown, Dallas-Plano-Irving, and San Antonio-New Braunfels areas.

CONCLUSION

The recovery is going to be uneven at best and will likely not fully occur until there are effective vaccines and/or treatments which are widely available. In the interim, it is important that federal, State, and local governments do everything possible to minimize disruptions to families, businesses, and the economy. Unless hospitalizations or other aspects of the pandemic require additional restrictions, however, the economy should continue to improve.

METHODS AND ASSUMPTIONS

These projections are based on The Perryman Group's forecasting system, the US Multi-Regional Econometric Model, which provides detailed industry-level projections for the various regions and metropolitan areas within the United States. It is formulated in an internally consistent manner and is designed to permit the integration of relevant global, national, state, and local factors into the projection process. The model is the result of more than four decades of continuing research in econometrics, economic theory, statistical methods, key policy issues, and behavioral patterns, as well as intensive, ongoing study of all aspects of the economy. It is extensively used by scores of federal and State governmental entities on an ongoing basis, as well as hundreds of major corporations.

The firm's US Multi-Regional Impact Assessment System was also integrated in this dynamic analysis of COVID-19's effects on the outlook for the US and Texas. The Perryman Group developed a scenario for estimating the effects of COVID-19 which reflects a variety of public and private source materials including, among others, data from sectors that have been particularly affected, information from areas where the pandemic spread earlier (as well as prior pandemics and natural disasters), performance patterns in other economic downturns and recoveries, and historical responses to oil price fluctuations. Reasonable measures of potential direct effects by detailed industrial category were developed and used as inputs to the impact assessment system. The anticipated effects of the virus going forward and recent and expected monetary and fiscal policy actions were incorporated into projections of economic indicators.

These systems have been developed, maintained, and expanded by The Perryman Group over the past four decades. They have been used in thousands of applications, including numerous crisis situations (including several natural disasters), major health care issues (such as cancer and diabetes), pressing social concerns (such as hunger, child maltreatment, homelessness, and indigent health care), and substantial disruptions in global energy markets.

THE PERRYMAN GROUP

The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

Our in-house professionals bring expertise in **economics**, **finance**, **statistics**, **mathematics**, **real estate**, **valuation**, **systems analysis**, **engineering**, **technical communications**, and **marketing**. Dr. Ray Perryman, President and CEO, has 40 years of experience in developing systems, analyzing complex problems, and communicating effectively. We have considerable pride in what we do. Our enthusiasm is both unbridled and contagious; every day brings a new opportunity for us to tackle a different problem or create a product or service specifically tailored to our clients.

OUR SERVICES

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We have developed and continually maintain an extensive set of economic impact evaluation models that can be applied in a variety of contexts.

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We help clients analyze and communicate complex information in common-sense terms through comprehensive, objective analyses and clear, concise expert reports and presentations.

FORECASTING

We are at the cutting edge of econometrics and other advanced statistical methods and have provided innovative approaches for many complex applications.

SPEECHES

Dr. Perryman addresses dozens of audiences throughout the world every year, catering to a wide variety of events.

M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.

He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.

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