



# Texas Service Sector Outlook Survey



Federal Reserve  
Bank of Dallas

## Overview

Growth in Texas service sector activity accelerated throughout 2024, according to results from the [Texas Service Sector Outlook Survey](#) (*Chart 1*). The revenue index edged down in early 2025 but remains near its average level. Employment growth was fairly muted last year overall, though a pickup was seen at yearend. Hiring has since abated, with the latest survey readings suggesting steady headcounts. Company outlooks had risen notably since November, but optimism faded somewhat in February amid sharply higher uncertainty, particularly surrounding tariffs.

Service sector [price and wage growth](#) continued to cool notably in 2024 (*Chart 2*). Further moderation in wage and input price growth is expected this year, while selling prices are expected to rise more this year than in 2024 as firms try to pass through more of the cost increases they've incurred in recent years.

Inflation concerns are moving up, as higher input costs are now the [primary outlook concern](#) among services companies (*Chart 3*). Domestic policy uncertainty spiked pre-election and retreated afterward, and demand concerns have abated.

Looking beyond the service sector, the Texas economy overall is healthy, but growth slowed more than expected in 2024. Job growth for the year came in at 1.7 percent, below our forecast and below the state's average growth rate of about 2 percent. Growth was strongest in energy, financial activities and construction, while professional and business services continued to underperform.

Going forward, we expect job growth to come in at 1.6 percent this year, roughly in line with what was seen in 2024. We expect a balancing act between the post-election optimism around deregulation and tax cuts and the anticipated negative growth effects from higher tariffs, lower immigration and government spending cuts.

The Dallas Fed's [Texas Economic Outlook 2025](#), presented on Feb. 7, provides a more detailed overview.

**Chart 1: Services revenue growth continues, hiring abates**

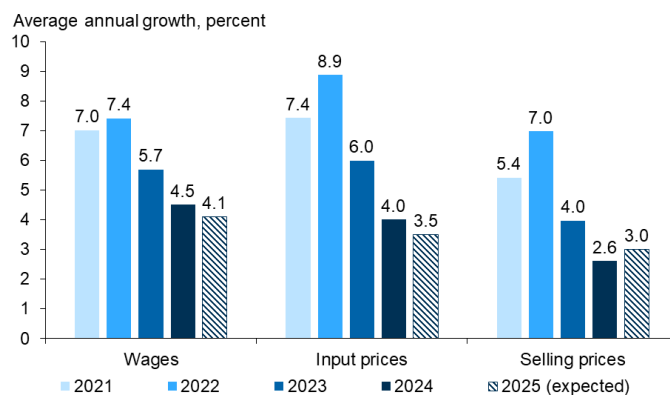


\*Seasonally adjusted and three-month moving average

NOTES: Diffusion index is calculated as the percent noting an increase minus the percent noting a decrease. Positive values indicate expansion, and negative values indicate contraction. Data through February 2025.

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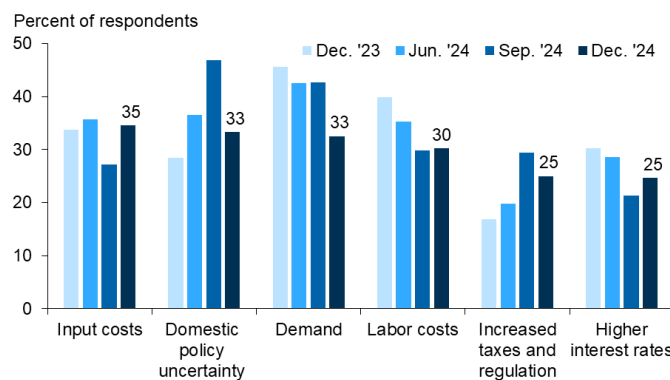
**Chart 2: Services selling price growth expected to pick up**



NOTES: Respondents were asked what annual percent change in wages and prices their firm experienced over the past year and what they expect for the next year. Shown are the trimmed means of responses received.

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**Chart 3: Demand concerns abate, inflation concerns grow**



NOTES: Respondents were asked, "What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three." Not all response choices are shown.

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## Save the Date

The Dallas Fed will host the annual appreciation event for survey respondents on the evening of **September 30**, featuring Lorie K. Logan, president and CEO. We invite you and a guest to join us at the Dallas Fed or one of the three branches in Houston, San Antonio and El Paso for a multi-site reception. Stay tuned for more information.

## We hear you!

Last October we asked you a few special questions about your experience as a survey participant. Some of you suggested a more mobile-friendly survey page—this is something we will prioritize in our upcoming redesign. Others expressed a desire for more events and interactions with the Dallas Fed—great! We will work to make that happen. Also, you should be receiving the published survey results each month; if you are not, please reply to this email, and we'll get that resolved.

## Perspectives from the Dallas Fed

Dallas Fed President & CEO Lorie K. Logan delivered [opening remarks](#) for a panel on 'Future challenges for monetary policy in the Americas' at the Chapultepec Conference in Mexico City on February 6. She spoke on the reconfiguration of global trade patterns and supply chains, the shift to a higher-interest-rate environment, and the need to keep inflation expectations well anchored after the surge in inflation following the pandemic.

President Logan also continues to visit communities all around the Eleventh Federal Reserve District as part of her 360° Listening Tour. Photo essays from each stop can be found [here](#).

**Dallas Fed Economics** features short articles (blogs) with economic analysis and insights on the regional, national and international economy. Recent noteworthy entries include:

2/11/25 [Is inflation still slowing? Early 2025 data pivotal to outlook](#)

2/5/25 [Texas economic sentiment upbeat amid price pressures, uncertainty](#)

1/14/25 [Solar, battery capacity saved the Texas grid last summer; an uncertain future awaits](#)

1/7/25 [As population trends shift, where will future workers come from?](#)

12/31/24 [Inflation stress and concern remain elevated despite stabilizing prices](#)

**Southwest Economy** is a Dallas Fed publication with longer articles and interviews exploring noteworthy trends and developments affecting Texas, northern Louisiana and southern New Mexico. Recent articles include:

3/7/25 [Weighing Texas economic resilience amid tariffs, workforce challenges](#)

2/5/25 [Industrial building boom is bigger in Texas, signaling growth wave](#)

12/6/24 [Electric reliability concerns spur Texas backup generation boom](#)

8/14/24 [Texas community banks grapple with national stresses as elevated rates pose new tests](#)

## In the News

The survey reports continue to garner increasing media attention from an array of news outlets, especially your insights on inflation, tariffs and other prospective policy changes. The media finds your comments as insightful as we do; the news stories often quote your (anonymous) comments. Here are some recent media mentions:

3/3/25: *Marketplace*, ["Mixed data for manufacturing this month suggests uncertainty"](#)

12/4/24: *Investopedia*, ["US Businesses Are Worried About Trump's Proposed Tariffs"](#)

9/30/24: *Dow Jones*, ["Texas Factory Activity Contracts Again as Production Slips — Dallas Fed"](#)

8/27/24: *FOX Business*, ["What sausage sales tell us about the economy: Dallas Fed"](#)