



Texas Service Sector Outlook Survey



Federal Reserve Bank of Dallas

Overview

Growth in Texas service sector activity softened in 2025, according to results from the [Texas Service Sector Outlook Survey \(Chart 1\)](#). The revenue index rebounded in early 2026 from contractionary territory but still remains below average. Service sector firms reported little to no employment growth last year and the latest survey readings suggest continued flat headcounts. Company outlooks deteriorated throughout most of 2025, and uncertainty remained elevated.

Service sector [price and wage growth](#) continued to cool in 2025 ([Chart 2](#)). Further moderation in wage and input price growth is expected this year, while selling prices are expected to rise slightly more this year than in 2025 as firms try to pass through more of the cost increases they've incurred, in part from tariffs.

Weakening demand continued to be the [primary outlook concern](#) among services companies ([Chart 3](#)). Domestic policy uncertainty and higher input costs have been of increasing concern over the past year.

Looking beyond the surveys, Texas job growth slowed dramatically last year while GDP growth remained solid and unemployment stayed low. A number of factors contributed to the hiring slowdown, including drastically lower immigration, sharply higher tariffs, declining residential construction, falling oil prices and tremendous policy uncertainty.

Going forward, we see reasons for cautious optimism for the Texas economy this year. We expect modest job growth in Texas to resume in 2026, although labor availability will continue to be a challenge. Bullish forecasts for national GDP growth, optimism around deregulation and tax cuts, and booming non-residential construction activity will provide crucial momentum. Also, Texas is poised to continue receiving an outsized share of AI-related investment, including the construction of data centers.

The Dallas Fed's [Texas Economic Outlook 2026](#), presented on Feb. 7, provides a more detailed overview.

Chart 1: Service sector revenue growth slows, employment flat

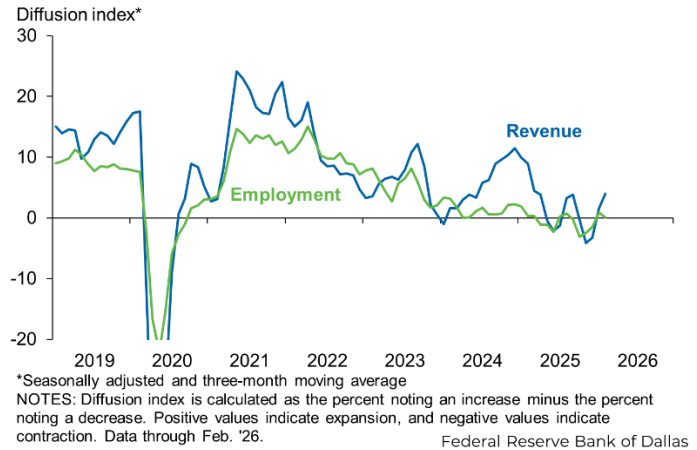


Chart 2: Services wage and price growth fell further in 2025

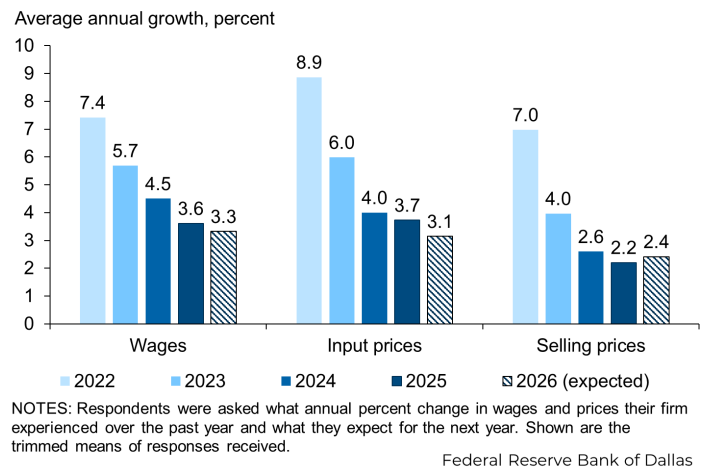
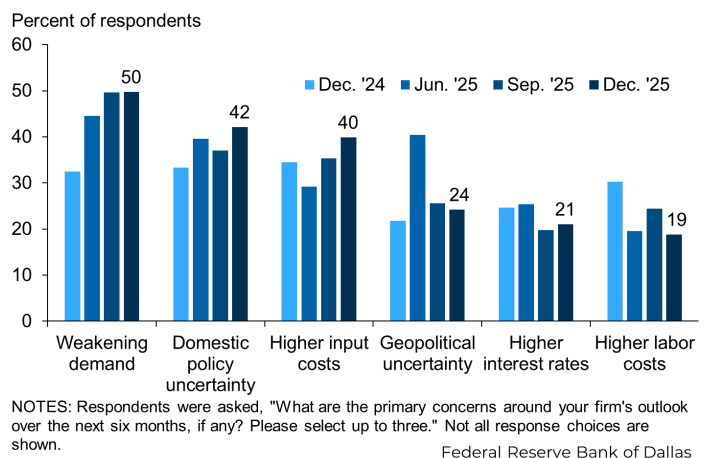


Chart 3: Demand remains a top concern





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In Case You Missed It

The Dallas Fed hosted its annual Texas Economic Outlook event on February 6, featuring Pia Orrenius, vice president and senior economist, releasing the forecast for Texas employment growth for the year and sharing details on factors likely to influence the Texas economy in 2026. If you missed the event, a recording of the presentation is available [here](#).

Save the Date

The Dallas Fed will host the annual appreciation event for survey respondents on the evening of **October 1**, featuring Lorie K. Logan, president and CEO. Stay tuned for more information.

Perspectives from the Dallas Fed

Dallas Fed President & CEO Lorie K. Logan delivered a [speech](#) on the outlook for the economy and monetary policy at the FIA-SIFMA Asset Management Derivatives Forum in Austin on February 10. She spoke on inflation progress, greater balance in the labor market, risks to economic activity, and monetary policy implementation.

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:

2/24/2026 [AI is simultaneously aiding and replacing workers, wage data suggest](#)

1/15/26 [Real-time house price model shows U.S. housing market firming](#)

1/13/26 [New data show intensifying unauthorized immigration decline, with large local variations](#)

11/25/25 [Consumption concentration may be up, adding slightly to economic fragility](#)

[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:

2/20/26 [Texas job growth expected to pick up following flat 2025](#)

2/7/26 [Higher interest rates transform housing market, Texas real estate workforce](#)

11/10/25 [Has the opioid crisis peaked in Texas and the U.S.?](#)

10/17/25 [Immigration crackdown likely contributing to weak Texas job growth](#)

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 immigration 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:

11/19/25: [Dallas Morning News](#), “Dallas Fed analysis shows Texas economy is cooling”

8/25/25: [CNN](#), “‘Tariff Bingo is tough.’ Texas manufacturers sweat Trump’s tariffs, high interest rates”

5/5/25: [Dow Jones](#), “How are companies handling tariffs? Exactly like we predicted”

8/1/25: [KERA](#), “Dallas Fed survey finds some businesses impacted by the Trump Administration’s immigration policy”

Your Voice Matters More Than Ever

Interest in the Texas Business Outlook Surveys reached new heights in 2025, with web traffic to our manufacturing and service sector survey pages surging more than 40 percent over the previous year. As economic uncertainty continues, policymakers, analysts, and the public are turning to your frontline insights to understand the real-time conditions shaping our economy. Your participation makes a difference. Thank you!