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Subject: Texas economy, job growth slowing amid trade war and immigration crackdown, Dallas fed report says
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Texas economy, job growth slowing amid trade war and immigration crackdown, Dallas fed report says

Increasing tariffs on foreign goods and the impact of deportations on the work force cited as job growth slows in Texas.

The Texas Tribune

By [Paul Cobler](#)

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An 18-wheeler travels on U.S. Highway 281 in Pharr. Credit: Reynaldo Leal for The Texas Tribune

All signs point to a slowdown of the Texas economy as job growth slows, construction declines and inflation ticks up, according to a Monday report by the Federal Reserve Bank of Dallas.

The report on the Fed's recent Texas Business Outlook Surveys — recurring surveys of Texas business executives across industries — was published as President Donald Trump attempts to reshape the U.S. economy through aggressive immigration and trade policies through the first six months of his second term in office.

Texas industries rely heavily on immigrants to fill jobs and international trade to sell their goods. Uncertainty surrounding Trump's tariffs is giving investors pause and increasing costs for consumers while tough immigration enforcement is affecting the ability of businesses to recruit and retain employees, according to the report.

"Certainly from the private sector, this volatility obviously creates uncertainty," said Ed Hirs, an economist and energy fellow at the University of Houston. "I would delay any investments, and really anything I'm doing. It's pretty clear the economy is on a path to recession. It's pretty clear the economy is on a path to inflation. The numbers are there."

Job growth dropped by 1.3% month-over-month in June, and year-to-date job growth

was 1.8%, according to the report.

Immigration enforcement may be contributing to the slowdown in the job market, as surveyed businesses reported workforce disruptions caused by changes to immigration policy, according to the report.

Ray Perryman, a longtime Texas economist, said as much as half of the agricultural workforce, 40% of construction workers and 30% of hospitality workers are undocumented immigrants. It is difficult to gather data on undocumented workers, but the strict immigration policy is almost certainly an impact on the labor force, Perryman said.

“If you want to build anywhere, grow anywhere or go anywhere, you really need these folks,” Perryman said.

The state’s economy remains resilient compared to other states. Texas’ slowing rate of job growth is still higher than the national average of 0.7% month-over-month in June, and the state’s unemployment rate continued to decline to 4%.

Luis Torres, a senior business economist with the Dallas Fed and author of the report, said the diversity of the state’s economy is its strength, allowing it to weather economic downturns better than the nation as a whole.

“We have all of these things that are in favor of the Texas economy... and that gives way to higher levels of economic growth than the rest of the country,” Torres said.

Tariff-driven inflation has not skyrocketed like many economists in opposition to Trump’s trade policy predicted at the start of his term, but the report cited data indicating what “could be the beginning of tariff pass-through.”

The Texas consumer price index increased in May after falling for much of last year and through the start of 2025, according to the report. The core consumer price index, which excludes the volatile prices of food and energy, rose 1.1%.

While the report said the inflation level is low, it called the lack of significant tariff-driven price increases “concerning and puzzling.” The nation’s effective tariff rate has risen to 17.5% from 2.4% at the beginning of the year. While businesses may decide not to pass on the entire cost of tariffs to consumers, “they will likely pass on some,” according to

the report.

The report speculated that consumers simply are not buying as much, causing businesses to avoid hiking prices over fears of losing customers. Companies stockpiling goods throughout the winter and spring ahead of expected tariff increases may also be allowing business to absorb some of the increased costs in the short term, according to the report.

At the same time, construction is decreasing across the state, with construction contract values dropping 26% from a recent peak in January. The housing market is also weakening, with a 7% drop in value since January, according to the report.

The report cites the Association of General Contractors of America's findings in June that uncertainty around trade is driving the cancellation or delay of new construction contracts.

"A pullback in many types of private nonresidential projects, as well as a sharp drop in homebuilding, contributed to the latest drop in construction spending," Ken Simonson, chief economist of the Associated General Contractors of America, said in a news release. "Ever-changing announcements about tariffs on key construction inputs, along with potential retaliatory measures by U.S. trading partners, are making owners hesitant to commit to new projects."

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