

2024 Texas Economic Outlook Report

What are the most promising market opportunities that business leaders in Texas are optimistic about, and what are the biggest challenges that could potentially have a significant impact on our state this year? Explore this research-driven report to gain valuable insights from local leaders on their current perspectives and timely observations regarding the anticipated progress of businesses in Texas.





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The purpose of this joint research project with Texas Capital and The Business Journals was to get a pulse on how business leaders in Texas are feeling about the outlook of the national economy and the state economy of Texas in the coming year while homing in on several areas, including:

- The outlook for the state and national economies for the current year
- Factors that companies are expecting to impact them in the coming year
- Expectations for 2024 regarding such components as revenue, staffing and capital expenditures

The Austin, Dallas, Houston and San Antonio Business Journals conducted an online quantitative survey. Respondents were recruited

through an email campaign targeting business leaders in the four markets. A survey link was sent in an email from each local market publisher. Additional recruitment took place via in-article modules on the publications' websites. The responses were fielded in October 2023.

A total of 716 respondents participated in the research. The population represents a majority of top management business executives with the largest group being business owners. Here is a breakdown of respondents by market:

- Austin — 207 respondents
- Dallas — 193 respondents
- Houston — 190 respondents
- San Antonio — 126 respondents

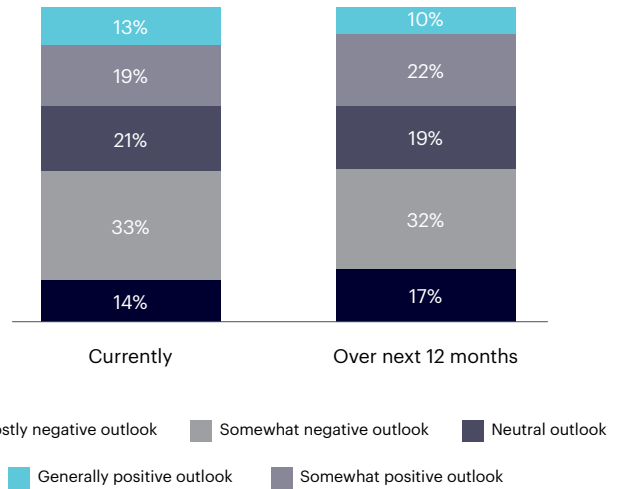


Outlook on the national economy: More pessimistic than that of Texas

In the survey, only 32% of Texas business leaders claimed to have a positive outlook of the national economy in the coming year. For both the Texas and national economies, the number of respondents with a neutral outlook were almost the same (18% versus 21%), compared with the 53% who had a negative view of the national economy.

Austin is the most optimistic about the future state of the national economy with 36% feeling generally positive, while Houston is the least optimistic and least neutral with 32% feeling positively and 54% feeling negative about the coming year.

State of the National Economy



Future State of the National Economy — Breakout by Market

	Austin (A)	Dallas (B)	Houston (C)	San Antonio (D)
NET (Generally/somewhat positive outlook)	35%	30%	30%	30%
Generally positive outlook	10%	9%	9%	11%
Somewhat positive outlook	25%	21%	21%	19%
Neutral outlook	16%	26% ACD	15%	16%
NET (Mostly/somewhat negative outlook)	49%	44%	55% B	54%
Somewhat negative outlook	29%	30%	36%	36%
Mostly negative outlook	20%	14%	19%	18%



Outlook on the Texas economy: Optimism abounds

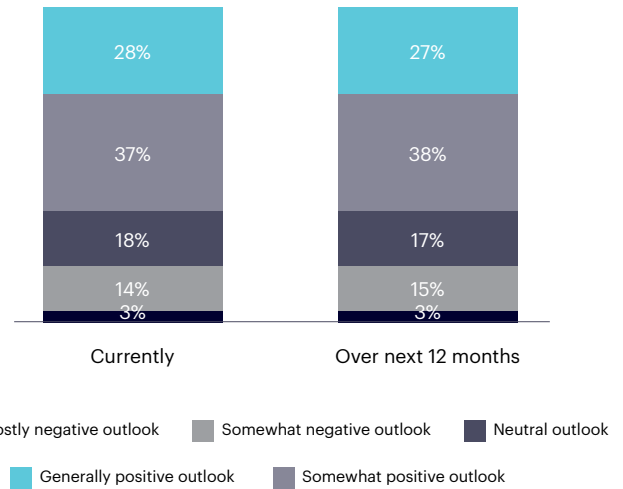


Business leaders in the state’s four largest metropolitan areas agree: The economic outlook for Texas in 2024 is positive — exceeding the outlook for the U.S. Optimism, based on expectations ranging from the opportunity for growth and expansion to businesses moving into the state, is high despite anticipated obstacles such as interest rates, government/political conflicts and the lingering prospect of a recession. Only 20% of business leaders in the state felt negatively about the current Texas economy.

For the next 12 months, the positive view of the Texas economy is nearly the same as for the current economy.

Within the state’s major cities, respondents in Dallas are more positive about the state’s economy than those in Austin, Dallas and Houston. Three-quarters of Dallas business leaders view the state’s economy positively now and for the coming year.

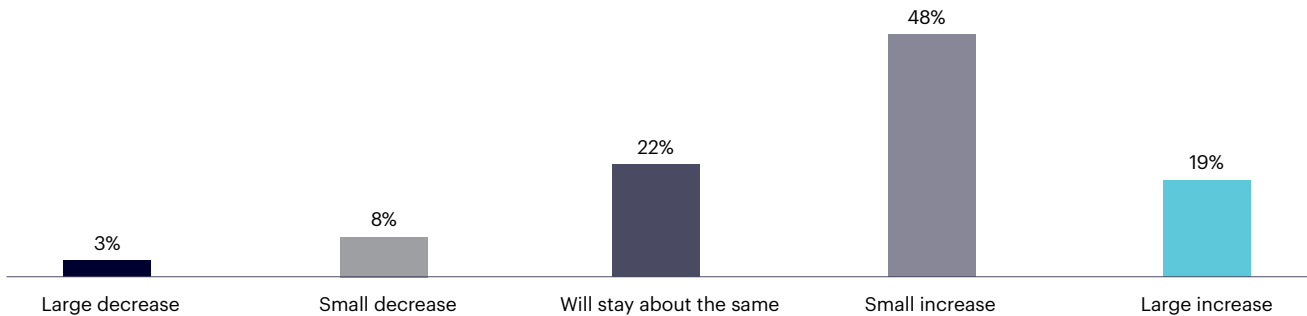
State of the Texas Economy



Future State of the Texas Economy — Breakout by Market

	Austin (A)	Dallas (B)	Houston (C)	San Antonio (D)
NET (Generally/somewhat positive outlook)	61%	73% AD	65%	60%
Generally positive outlook	26%	32% C	22%	30%
Somewhat positive outlook	35%	41% D	43% D	30%
Neutral outlook	17%	13%	15%	21% B
NET (Mostly/somewhat negative outlook)	22% B	14%	19%	19%
Somewhat negative outlook	18%	12%	16%	15%
Mostly negative outlook	4%	2%	3%	4%

Change in Revenue over Next 12 Months



Change in Revenue over Next 12 Months — Breakout by Market

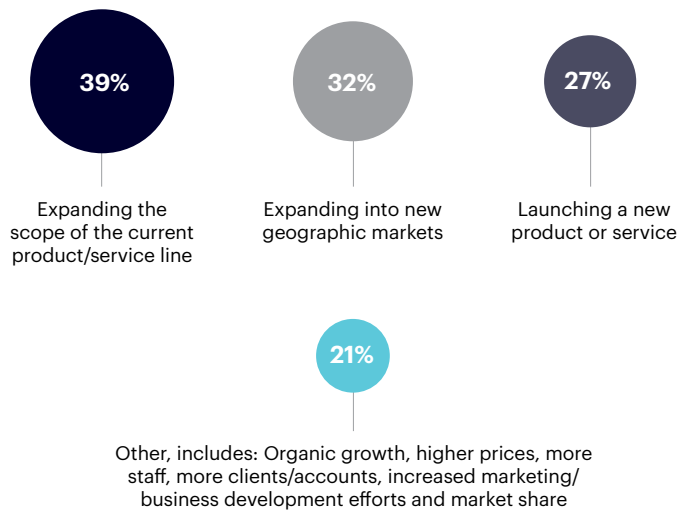
	Austin (A)	Dallas (B)	Houston (C)	San Antonio (D)
NET (Large/small increase)	62%	69%	75% A	64%
Large increase	25% B	12%	21%	18%
Small increase	37%	57% A	54% A	46%
Will stay about the same	26%	19%	18%	25%
NET (Large/small decrease)	12%	12%	7%	11%
Small decrease	9%	9%	5%	11%
Large decrease	3%	3%	2%	0%

Two-thirds of Texas business leaders expect their revenue to increase over the next 12 months, including 48% who expect a small increase and 19% who anticipate a large increase.

Houston leaders were the most optimistic, followed by those in Dallas, but more than six of 10 respondents from all four cities expect an increase.

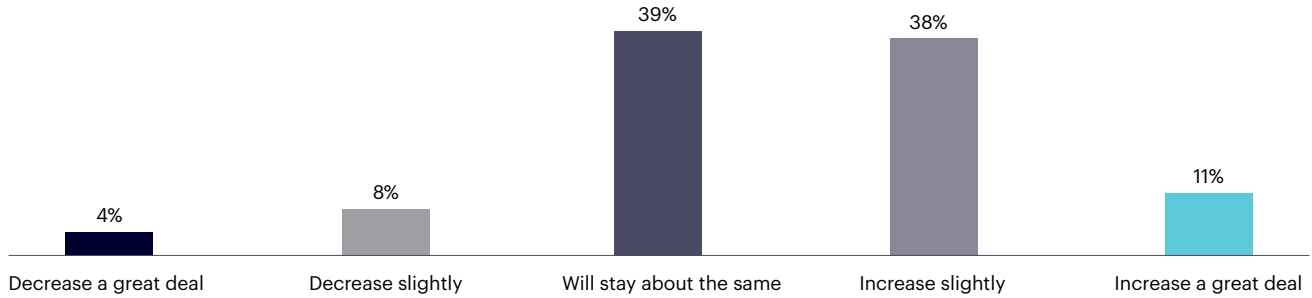
Austin respondents more often cited expanding the scope of the current product/service line as the reason for revenue growth, while San Antonio business leaders listed expanding into new geographic markets as the primary driver in growing revenue.

Reasons for Expected Revenue Increase





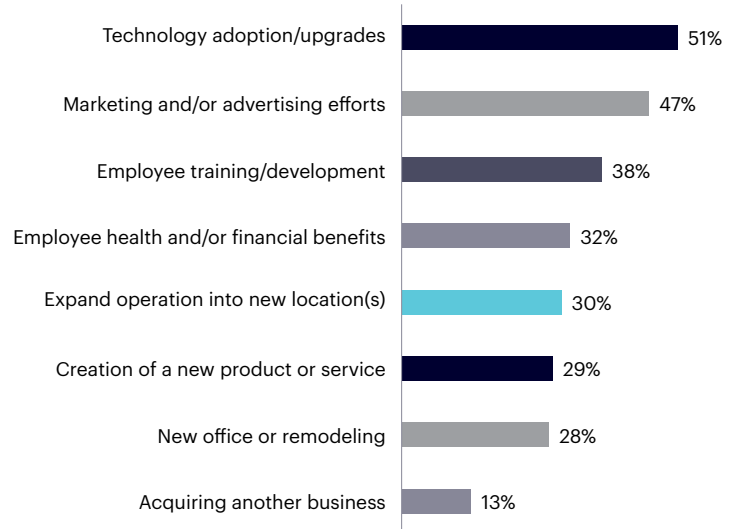
Change in Company's Capital Expenditures in the Coming Year



Half of Texas business leaders expect their capital expenses to increase slightly or a great deal over the next 12 months, nearly 40% anticipate them being flat and only 12% expect to spend less on capital expenses than in 2022.

Business leaders in Austin and San Antonio ranked highest in being most likely to increase capital spending in 2024 by “a great deal,” with one in five projecting such a boost. Respondents in Austin led in saying they plan to spend more on technology adoption/upgrades, while San Antonio was most likely to increase spend in creating new products/services. Dallas’ and Houston’s plans for spending were about the same, at 40% and 45% respectively.

Areas Where Company's Capital Expenditures Will Increase



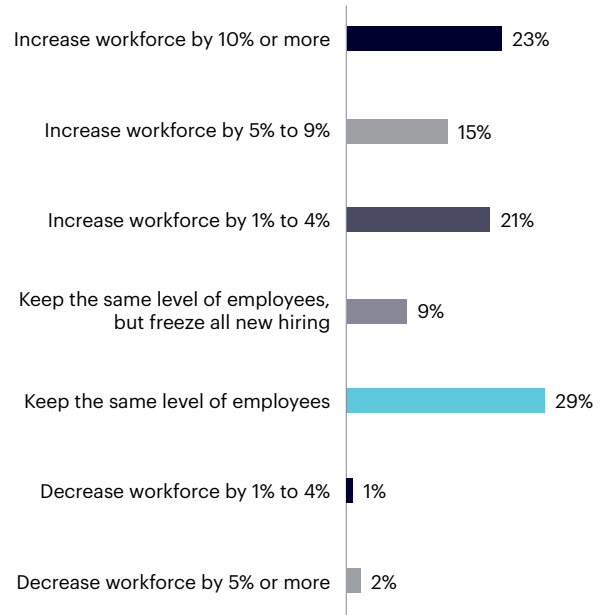


Regardless of how they view the current employee talent market, more than six in 10 plan to increase the number of employees in the year ahead, and only 3% plan a decrease.

Austin business leaders led in hiring more with 63% planning to add employees, including 18% who plan to increase by 5% to 9% from current levels. Not far behind are Dallas (59%) and San Antonio (60%). Houston business leaders were less optimistic, with 54% projecting they would increase their total employment.

Business leaders nationwide have been challenged in finding and keeping quality employees, an issue that hasn't bypassed Texas. Although four out of 10 respondents say they have had little or no difficulty finding or retaining talent over the past 12 months, six out of 10 said they have found it significantly or extremely difficult.

Talent Acquisition Plans over the Next Year



Conclusion

The next 12 months present challenges for Texas businesses. They are not immune from issues all businesses in the U.S. are facing. Interest rates and inflation are dominant concerns, especially in Houston and San Antonio.

In San Antonio, business owners are significantly more concerned about rising cost of labor and real estate in 2024.

Looking ahead, most executives anticipate rising interest rates, inflation and a looming economic recession to have a fairly large impact on their businesses.

Nearly 25% of Texas business leaders are excited about not only the state's economic growth and

expansion but their businesses' as well. The number of businesses moving to Texas — which naturally plays a role in economic growth — is another reason for the optimistic outlook among the state's business executives.

But the confidence Texas business leaders have in revenue growth, the investments they plan to grow their businesses with, and their plans to increase their employment to accommodate growth are why they expect the Texas economy to easily outperform the national economy.

To learn more about how Texas Capital can support your company's goals in 2024, visit us at: www.texascapitalbank.com/commercial-banking



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