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TEXAS TRENDS: SALES TAX & ECONOMIC DRIVERS
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Overview

Texas's economy continued to expand in 3Q2025, though at a slower and more moderate pace, according to the Federal Reserve Bank of Dallas (Dallas Fed). Employment growth remained positive but below long-term averages, with the Dallas Fed forecasting about 1.3% job growth for the year. The unemployment rate edged up to roughly 4.1%, still slightly below the national level, reflecting a labor market that remains healthy but less tight than in prior years. Job gains were strongest in education, health services, and construction, while energy-related employment showed mixed trends amid ongoing volatility in oil and gas activity.

Housing and construction conditions continued to cool across much of the state. The Texas median home price in 3Q2025 was about $335,000, down modestly from a year earlier, as higher interest rates constrained affordability and demand. Residential construction activity remained subdued, though non-residential and infrastructure projects provided support for construction employment. Energy production continued to contribute to the state's economy, but uncertainty around prices and investment tempered growth expectations. Overall, Dallas Fed indicators suggest Texas will maintain steady but slower economic growth through the remainder of 2025.

Statewide Sales Tax Trends

The Texas Comptroller collected $3.97B in state sales tax revenue in September 2025, marking a 3.2% increase from September 2024. This revenue growth is primarily based on sales made in July and remitted to the agency in September.

Total sales tax revenue for the three months ending in September2025 was up 5.3% compared with the same period a year ago. Sales tax is the largest source of state funding for the state budget, accounting for 58% of all tax collections. In September 2025, approximately $1.3B in sales tax allocations were distributed to cities ($796.6M), transit systems ($259.3M), counties ($76.39M), and special purpose taxing districts ($128.5M). This represents a 6.4% increase from September 2024. Motor vehicle sales and rental taxes in Texas generated $651M in tax revenue in September 2025, up 10% from September 2024. Hotel occupancy taxes generated $59M in revenue in September 2025, down 4% from September 2024. Alcoholic beverage taxes generated $150M, up 1% from September 2024.

Energy

In 3Q2025, the average West Texas Intermediate (WTI) crude oil spot price decreased year over year (YOY) from $76.43 in 3Q2024 to $65.78 3Q2025. The Henry Hub natural gas spot price increased YOY from an average of $2.11 to $3.03 per million British thermal units (BTU). The number of active U.S. oil rigs averaged 417 over the same period, down 66 rigs from 3Q2024. Motor fuel taxes generated in September 2025 were up 2% from September 2024. Oil production was down 14%, while tax revenue generated by natural gas increased by 13% from September 2024.

Texas's energy sector in 3Q2025 featured strong oil and gas production alongside rapid growth in solar power and rising electricity demand.

Table 1 presents tax amounts generated by fuel type.

Source: U.S. Energy Information Administration and Texas Comptroller

Table 1. Taxes Generated by Fuel Type in 3Q2025.

Type	Tax Amount Generated
Motor fuel	$341M
Oil production	$444M
Natural gas production	$224M

Source: Texas Comptroller

Service

According to business executives responding to the Texas Service Sector Outlook Survey, The revenue index, a key measure of state service sector conditions, fell 11 points to -2.4.

Labor market measures suggested employment declines and slight change in hours worked this month. The employment index edged down to -3.6 from 1.2 in August. The part-time employment index improved to -0.6 from -2.7, while the hours worked index fell six points to -1.0, with near-zero reading signaling slight change in the length of workweeks over the period.

Perceptions of broader business conditions worsened in September, and uncertainty rose. The general business activity index dropped 12 points to -5.6, and the company outlook index fell seven points to -2.6. The outlook uncertainty index increased 11 points to 22.5.

Input price and wage pressures eased slightly, while selling prices were stable. The input prices index fell to 24.4 from 27.9, and the wages and benefits index edged four points to 11.9. The selling prices index was relatively unchanged at 1.6.

Respondents' expectations regarding future business activity improved. The future general business activity index and the future revenue index were relatively unchanged at 11.6 and 35.3, respectively. Other future service sector activity indexes, such as employment and capital expenditures, remained in positive territory and increased, reflecting expectations for continued growth in the next six months.

Source: Texas Comptroller and Federal Reserve Bank of Dallas

Retail Trade

Retail sales continued to decline in September 2025, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, dropped 15 points to -17.2. Retailers' inventories remained unchanged, with an index reading of -0.3, signaling slight change in inventories in September.

Labor market indicators reflected a contraction in retail employment and hours worked. The employment index dipped to -3.0 from -2.0, while the part-time employment index increased to -3.9 from -15.5. The hours worked index retreated five points to -8.2.

Perceptions of broader business conditions worsened in September. The general business activity index dropped 17 points to -14.7, while the company outlook index fell six points to -5.4. The outlook uncertainty index increased 18 points to 26.6.

Input prices and wage pressures held steady while selling price pressures increased slightly this month. The input prices index was unchanged at 22.0, while the selling prices index edged up five points to 9.2. The wages and benefits index remained stable at 12.6.

Expectations for future retail activity were less bullish in September. The future general business activity index fell nine points but remained in positive territory at 4.7, while the future sales index fell three points to 26.6. Other future retail activity indexes, such as employment and capital expenditures, remained in positive territory.

Source: Federal Reserve Bank of Dallas

National & Statewide Economic Drivers

U.S. Real Gross Domestic Product (GDP) Growth

Gross domestic product (GDP) is a comprehensive measure of U.S. economic activity. It is the value of the final goods and services produced in the United States (without double counting the intermediate goods and services used to produce them). Real gross domestic product (GDP) increased at an annual rate of 4.3% in 3Q2025, according to the initial estimate released by the U.S. Bureau of Economic Analysis. In the second quarter, real GDP increased 3.8%.

Compared to the second quarter, the acceleration in real GDP in the third quarter reflected a smaller decrease in investment, an acceleration in consumer spending, and upturns in exports and government spending. Imports decreased less in the third quarter.

Source: Bureau of Economic Analysis

U.S. Unemployment

In 3Q2025, the U.S. labor market showed clear signs of softening compared with a year earlier. The unemployment rate averaged about 4.3% — slightly higher than the roughly 4.2% rate in 3Q2024 — as measured by Bureau of Labor Statistics surveys and quarterly data trends. In September 2025 alone, the unemployment rate stood at 4.4%, with about 7.6M people unemployed nationwide, up from roughly 6.9M a year earlier when the rate was around 4.1%. This increase reflects a combination of slower job growth, more individuals reentering the labor force, and an accumulation of job seekers relative to vacant positions, contributing to the broad narrative of a "cooling" labor market.

Long-term unemployment (those unemployed for 27 weeks or more) also remained elevated in 3Q2025. In September, there were approximately 1.8M long-term unemployed workers, accounting for about 23.6% of all unemployed people — a persistently high share that has risen over the past year as job creation stagnated. Compared to the same period in 2024, this represented a notable increase in the duration of joblessness, underscoring the challenges many workers faced in securing employment even as the unemployment rate stayed low.

Source: Bureau of Labor Statistics

Texas Unemployment

In 3Q2025, Texas' unemployment rate held around 4.1%, reflecting continued labor market stability as the civilian labor force reached record highs. According to the Texas Workforce Commission (TWC) and Bureau of Labor Statistics data, total unemployed Texans were about 656,000 out of a civilian labor force above 16M as of late summer/September 2025, with employment rising to new records alongside job creation of 168,000 over the year ending September. This 4.1% rate was slightly lower than a year earlier, when the unemployment rate stood closer to 4.2% in 3Q2024, indicating a modest tightening of the labor market over the year. Across metro and regional labor markets, unemployment trends varied, but the statewide figure remained below or near pre-pandemic norms in 2025.

While exact statewide long-term unemployment is issued with a lag and not yet published for 3Q2025, quarterly historical patterns suggest long-term unemployment remained lower than its post-pandemic peak and likely comparable or slightly below year-ago levels in 3Q2024.

Source: Bureau of Labor Statistics/Texas Workforce Commission

U.S. Median Home Price

According to the National Association of REALTORS® (NAR), in 3Q2025, national U.S. median existing single-family home prices remained elevated, with the median price reaching approximately $426,800, marking a 1.7% year-over-year increase compared with the same period in 2024. This continued a modest but persistent upward trend in home prices despite broader market headwinds and inventory constraints. According to NAR's quarterly report, 77% of the 230 metropolitan markets tracked posted year-over-year price increases in 3Q2025, reflecting broad but uneven price appreciation across the country.

Regionally, price performance varied significantly in 3Q2025. The Northeast recorded some of the strongest annual gains, with a median existing-home price around $540,100, up roughly 6.0% YOY — the highest regional growth rate among the U.S. regions. In the Midwest, the median price was about $331,100, increasing 4.2%, while the South saw more modest gains to around $372,800 (+0.5%). In contrast, the West's median price remained the highest overall at about $633,900, though it was flat or slightly down YOY (-0.1%), reflecting some regional cooling in expensive Western markets.

Source: The National Association of REALTORS®

Texas Median Home Price

In 3Q2025, the statewide median home price in Texas was $335,000, representing a 1.5% YOY decline from 3Q2024, according to the Texas Quarterly Housing Report compiled with Texas Real Estate Research Center (TRERC) and Texas REALTORS® data. This marked a modest cooling compared with previous years, driven in part by higher inventory and a slow shifting balance between buyers and sellers. The price distribution across the state showed a broad range: a small share of homes were under $100,000 at the low end, while luxury and high-end segments (above $1M) comprised roughly 4.4% of transactions.

Regional and Metropolitan Variations: Major Texas metros exhibited notable variation in median prices. Austin continued to record the highest median home prices in the state during 3Q2025, reflecting its strong tech-sector demand and constrained supply relative to other markets. Wichita Falls stood at the opposite end with the lowest median price, offering one of the most affordable markets among Texas MSAs in the period. Other large markets such as Dallas-Fort Worth and Houston saw more moderate pricing: Dallas-Fort Worth maintained robust price points compared with statewide averages, while Houston's median hovered near or slightly above state levels, with some reports indicating slight price softening over the year as inventory rose. (NAR metropolitan median price data continues to show broad price resilience in many markets despite cooling pressures).

NAR's broader housing statistics for 2025 show that median home prices nationally remained elevated—with record or near-record figures in many U.S. regions—but Texas's median home price was below the national median, highlighting relative affordability compared with many coastal and high-cost areas. Elevated inventory and a slower pace of price growth tempered Texas home price increases, aligning with TRERC's observations of buyer-friendly conditions in 3Q2025. Despite the slight statewide price decline, around half of Texas metros still posted modest price increases YOY, underscoring varied local market dynamics across the state.

Source: Texas REALTORS® and Texas Real Estate Research Center

U.S. Building/Construction

In 3Q2025, U.S. building and construction activity operated in a "steady-but-tight" environment: supply chains for many inputs were more predictable than earlier in the decade, but contractors still managed pockets of volatility tied to trade policy and specific commodities. Mortenson's 3Q2025 Construction Cost Index described stabilizing supply chains and easing volatility across many trades yet still reported nonresidential costs rising +1.16% quarter-over-quarter and +6.60% YOY, reflecting continued (if less erratic) escalation.

On materials availability and cost, conditions improved in the sense that lead times were less uniformly disruptive, but pricing risk didn't disappear. DPR Construction's 3Q2025 Market Conditions Report highlighted the practical reality of tariff-related "price increase requests" and lead-time impacts flowing through supplier networks, including commentary that structural steel lead times could extend (e.g., moving from ~6 to ~14 weeks in one example). The same report also noted that manufacturers were seeing higher energy prices and higher costs for inputs used to make construction products—factors that can filter into construction bids even when jobsite logistics are running smoothly.

On skilled workers, the labor picture remained the industry's most persistent constraint. Associated Builders and Contractors (ABC) estimated the industry would need to attract ~439,000 net new workers in 2025 to meet demand, warning that failure to do so would intensify labor-cost pressures. ABC's state-by-state analysis of BLS data also reported a national construction unemployment rate of 3.8% in September 2025, alongside commentary that higher material costs and a shortage of skilled workers were weighing on the industry—consistent with reports from contractors that staffing constraints varied by region and trade even when bidding activity remained solid.

Finally, technology and energy were increasingly intertwined with construction execution and costs in 3Q2025. Construction Dive's year-end roundup points to AI-driven workflows, data centers, robotics, and alternative materials (e.g., mass timber and 3D printing) as major themes shaping the sector's productivity push and project mix.

Source: Construction Dive/Mortenson/DPR Construction/ABC

U.S. Total Nonfarm Employment Growth

Total nonfarm payroll employment edged up by 119,000 in September but has shown little change since April, the U.S. Bureau of Labor Statistics reported in September. The unemployment rate, at 4.4%, changed little in September. Employment continued to trend up in health care, food services and drinking places, and social assistance. Job losses occurred in transportation and warehousing, and in the federal government.

In September, healthcare added 43,000 jobs, about the same as the average monthly gain of 42,000 over the prior 12 months. Over the month, employment gains occurred in ambulatory health care services (+23,000) and hospitals (+16,000). Employment in food services and drinking places continued to trend up in September (+37,000).

In September, social assistance employment continued to trend up (+14,000), reflecting continued job growth in individual and family services (+20,000).

Employment in transportation and warehousing declined by 25,000 in September as job losses occurred in warehousing and storage (-11,000) and couriers and messengers (-7,000).

Federal government employment continued to decline in September (-3,000) and is down by 97,000 since peaking in January. Employees on paid leave or receiving ongoing severance pay are counted as employed in the establishment survey.

Employment showed little or no change over the month in other major industries, including mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; retail trade; information; financial activities; professional and business services; and other services.

Source: Bureau of Labor Statistics

Texas Total Nonfarm Employment Growth

During 3Q2025, Texas' labor market continued to expand, although at a more moderate pace than earlier in the year. By September 2025, seasonally adjusted total nonfarm employment in Texas reached approximately 14,343,800 jobs, marking a new high and reflecting continued job creation throughout the quarter. Over the year ending in September 2025, the state added an estimated 168,000 jobs, translating to an annual growth rate of approximately 1.2%, outpacing the overall U.S. growth rate.

Within the goods-producing sectors during 3Q2025, the construction industry had the largest private sector over-the-month increase in September after adding 4,300 jobs. Manufacturing and mining-related employment, although not exhibiting major quarterly spikes, showed stability following earlier fluctuations, particularly in energy-related activities.

On the service-providing side, several sectors supported Texas' job expansion in 3Q2025. Trade, transportation, and utilities added roughly 2,000 jobs in September, sustained by ongoing consumer spending and logistics demand tied to Texas' major ports and distribution hubs. Other services, which include personal and repair services, accounted for approximately 1,500 jobs during the month, indicating broad but modest momentum in the service sector. Over the year, sectors such as leisure and hospitality exhibited among the highest annual growth rates among major categories, illustrating resilience in consumer-oriented industries such as dining, tourism, and entertainment.

Finally, the professional and public sectors also played important roles in the quarter's employment dynamics. Government employment continued to provide stability with steady additions at local and state levels, even as federal government jobs remained relatively flat. While professional and business services and education and health services continued their long-term upward trajectories on an annual basis, they did not contribute outsized monthly gains in 3Q2025. These trends reinforce a broader pattern seen across 2025: Texas' service-oriented industries remain key drivers of job growth, while goods-producing and cyclical sectors provide a steadier but less dynamic contribution as the state's economy navigates a slower national employment environment.

Source: Texas Workforce Commission