

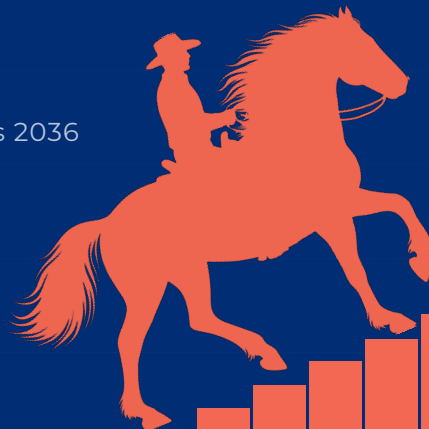
TEXAS 20
36

The Texas Economic Miracle

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INTRODUCTION

Is Texas a genuine economic miracle story?

For years, state policy and business leaders have described Texas as an ascendant, now incumbent, economic powerhouse. Stories about job creation, energy production, corporate migration, and, among others, information technology investments point to this phenomenon.

Governor Abbott's office houses 14 consecutive "Governor's Cup" trophies for Texas' success in attracting the most job-creating business location and expansion projects. Texas has ranked #1 in the U-Haul growth index for seven out of the past ten years as of 2026, as over 200 major corporations – including behemoths such as Chevron, Caterpillar, and Tesla – have relocated towards Lone Star State opportunities since 2020.¹ In addition, the launch of the Texas Stock Exchange – colloquially referenced as "Y'All Street" – sends a bright signal regarding economic and capital growth opportunities here.

Still, and beyond the anecdotal stories, what makes the Texas economic miracle real? By absolute numbers alone, California's \$4.251 trillion economy ranks first in terms of sheer size. Texas ranks second. Further, data from the US Bureau of Economic Analysis (BEA) reveals that every state in the union has experienced some form of economic growth since 2000. Just as Texas saw positive economic gains in the first quarter of the 21st century, so did every other US state.

A deeper analysis of US Bureau of Economic Analysis data from between 2000 and 2025 paints an exceptional, arguably miraculous, story about Texas, however. Over the past 25 years the Texas economy grew in unparalleled magnitude, at extraordinary velocity, and in an amount that materially expanded the state's contribution to US prosperity. In plain language, this is a story about how big Texas' economy grew, how fast, and how this growth expanded the state's economic footprint within the nation's economy.

1. U-Haul, "U-Haul Growth Index: Texas Back on Top as No. 1 Growth State of 2025," January 6, 2026; Jordan Hart and Lakshmi Varanasi, "Major Companies Continue to Relocate to Texas," *Business Insider*, November 14, 2025.

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This report compares Texas' economic performance from 2000 to 2025 with benchmark states. These include the top largest state economies by 2025 GDP, which include California, New York, and Florida, and those states with the fastest growth since 2000, including North Dakota, Utah, and Washington.² In addition, this report compares Texas' performance with the national growth benchmark of US GDP growth.³

These data reveal two distinctive findings about Texas' economy over the past 25 years. First, the size of the state's economy expanded with exceptional magnitude: since 2000, Texas rose to become the second largest state economy while substantially expanding its share of US GDP. And second, Texas grew with exceptional velocity – the fastest of all large economy states – over the same period. Combined, these data findings point to a phenomenon described as the Texas economic miracle.

This analysis examines aggregate state GDP data reported by BEA between 2000 and 2025. The GDP figures used are total output measures in current dollars for each reported year. Other measures of state economic growth, including per-capita GDP, are not included in this analysis. While these metrics also point to a Texas growth story since 2000, and invite different benchmark state comparisons, this analysis centers on nominal GDP data. Based on these data and the analytical methods used within this report, Texas, as an economic unit, achieved phenomenal economic results over the past quarter century.

². The benchmark states used for this analysis include those states with the largest GDPs as of 2025. These states also had the largest absolute growth (2025 GDP – 2000 GDP) from 2000 to 2025.

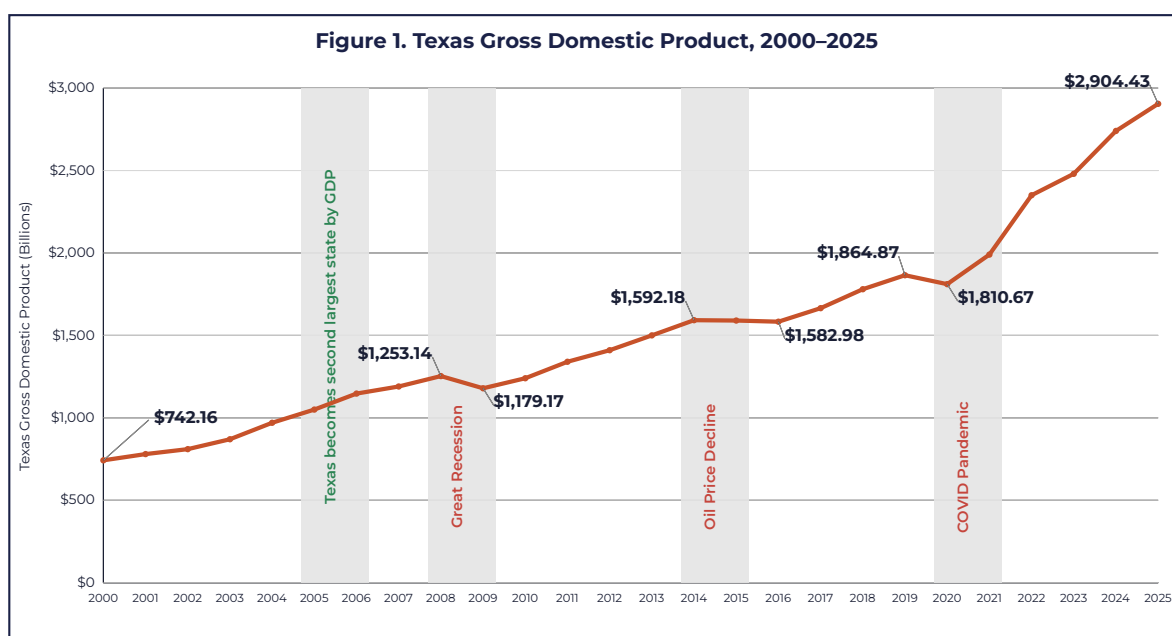
³. All state and national GDP figures are reported in current dollars (nominal) using data from the U.S. Bureau of Economic Analysis.

Texas' economy expanded in exceptional magnitude.

Texas rose from the third- to the second-largest state economy and substantially expanded its share of U.S. GDP — gaining more national share than any other state between 2000 and 2025.

At the dawn of the 21st century Texas was the third largest state by gross domestic product. California and New York led the pack first and second, respectively. In 2006 Texas eclipsed New York to become the second largest state by GDP. Despite several economic shocks since then, including the Great Recession, the oil price decline of the mid-2010s, and the COVID Pandemic, Texas remains as the second largest state by GDP size in the nation.

As depicted in *Figure 1, Texas Gross Domestic Product, 2000–2025*, Texas' GDP equaled \$742.2 billion in 2000. Soon, the scale used to describe the state's economic size changed from billions to trillions of dollars. And by 2025 the state's economy equaled \$2.904 trillion in current (nominal) dollars.⁴



Source: U.S. Bureau of Economic Analysis, state GDP in current (nominal) dollars, 2000–2025.

When compared with the other nine states with the largest GDPs in 2025, Texas' economy expanded substantially relative to other large economy benchmark states. For example, 25 years ago Texas' GDP was 2.4 times greater than Georgia's – then the tenth largest state by GDP. In 2025, Texas GDP was 3.1 times greater than Georgia, which had grown to become the eighth largest US economy.

⁴ U.S. Bureau of Economic Analysis, "SAGDP1 State annual gross domestic product (GDP) summary" (accessed Thursday, April 9, 2026).

A similar pattern appears with Pennsylvania, which consistently ranked sixth over this period: Texas' economy grew from 1.8 times Pennsylvania's in 2000 to 2.7 times in 2025. Over the past 25 years the Texas economy not only got big; it got bigger compared to its peers. In other words, Texas did not just grow; it grew at a magnitude that outpaced all other large state economies.

FINDING · EXCEPTIONAL MAGNITUDE

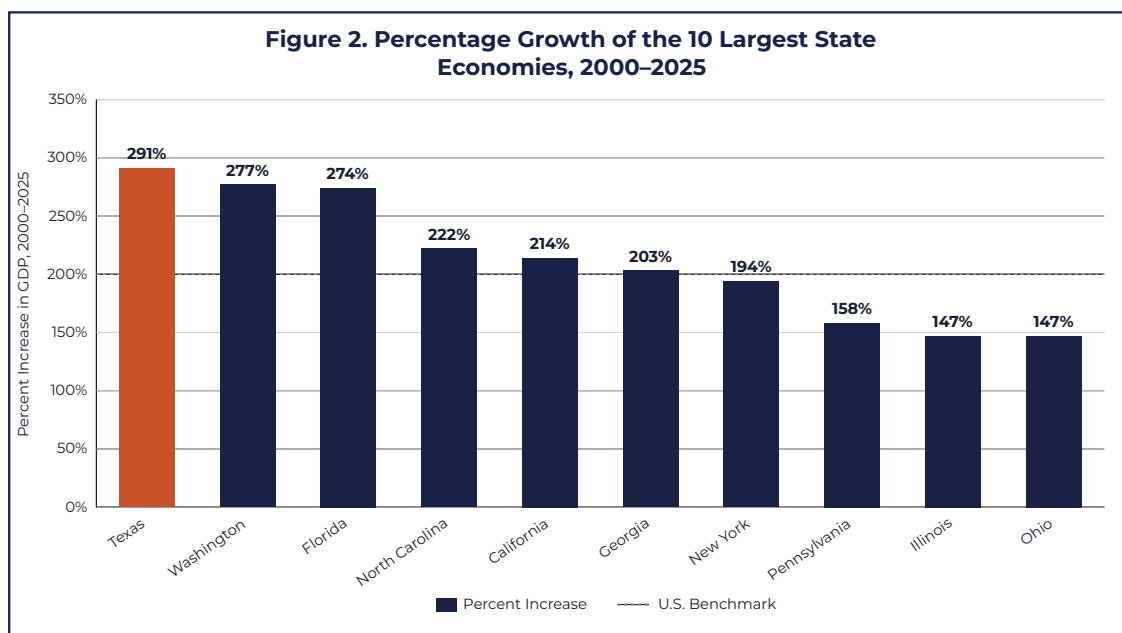
Texas rose from third- to second-largest, gaining more U.S. share than any other state.

Since 2000, Texas rose from the third- to the second-largest state economy and substantially expanded its share of U.S. GDP — a 2.20-percentage-point gain, more than any other state.

A. The magnitude of Texas' GDP growth since 2000 outpaced all peer states.

Over the past quarter century, the size of Texas' economy nearly quadrupled. Measured as percentage growth—calculated as the change in nominal GDP from 2000 to 2025 divided by the 2000 starting level—Texas' GDP increased by 291% between 2000 and 2025.⁵ As shown in *Figure 2, Percentage Growth of the 10 Largest State Economies, 2000–2025*, this was the largest percentage increase among the large-economy states, indicating that Texas experienced the greatest proportional expansion relative to its 2000 economic base. Washington and Florida also posted substantial gains over the period, but their overall percentage growth was lower than Texas'. North Carolina, Georgia, and New York rounded out the next tier of growth, ranging from 194% to 222%. Notably California recorded the largest absolute (net) increase in GDP between 2000 and 2025. Since California began the period with a larger economy, however, its overall growth rate as percentage change was 77 percentage points lower than Texas'.

5. Each state's percentage growth was determined using the following formula: $((2025 \text{ GDP} - 2000 \text{ GDP}) \div 2000 \text{ GDP}) \times 100$. For Texas, this equation was as follows: $((,904B - $742B) \div $742B) \times 100 = 291\%$. Texas' nominal per-capita GDP grew at 158.5% over the same period, reflecting Texas' 51.4% population increase alongside its economic expansion.



Source: U.S. Bureau of Economic Analysis, state GDP in current (nominal) dollars. States ranked by 2025 GDP and shown by percentage change, 2000–2025.

B. Texas expanded its footprint as a share of the nation's economy.

In 2000, Texas' GDP accounted for 7.24% of US GDP. By 2025, its share of US GDP equaled 9.44%.⁶ Over the course of 25 years the magnitude of the state's economic expansion increased the state's share of the national economy by 2.20 percentage points.⁷ The next-largest share gain was Florida's at 1.18 percentage points, barely more than half of Texas'.

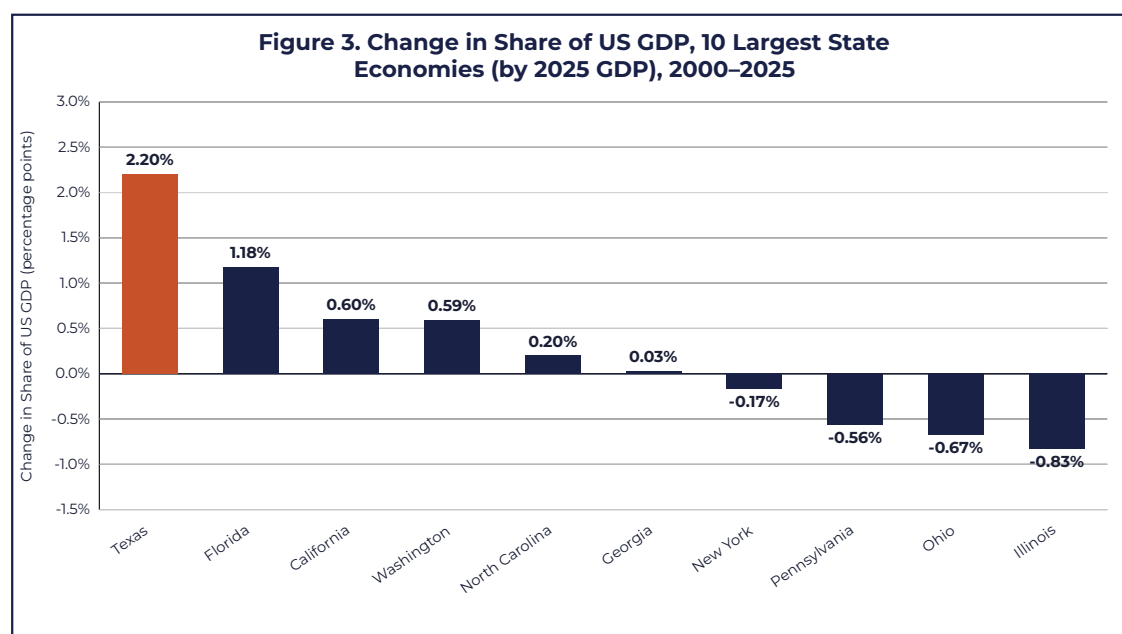
⁶ Each state's share of US GDP was calculated by using this formula: ((State GDP (year)) ÷ (US GDP (year))) × 100. Texas' share of US GDP in 2025 was determined as follows: (2.904B ÷ \$30.762B) × 100 = 9.44%.

⁷ Over the same period Texas' share of the US population gained 1.86 percentage points (from 7.42% to 9.28%). The growth in Texas' share of US GDP and share of US population track closely, with Texas' per capita economic activity growing modestly faster than the national average.

When compared to the other nine states with large economies, as illustrated in *Figure 3, Change in Share of US GDP, 10 Largest State Economies, 2000–2025*, Texas outperformed its peers.⁸ This shift indicates that Texas did more than grow in absolute terms: it captured a larger portion of national output, even as the US economy expanded.

Other large economy peer states either saw their share of US GDP increase by less than Texas or saw their share decline. For example, California's share rose from 13.22% in 2000 to 13.82% in 2025. Despite its larger size, the Golden State's footprint within the national economy increased by 0.60 percentage points.

Remarkably, four of the large economy benchmark states saw their share of US GDP decline. Illinois posted the steepest decline during this period. In 2000, Illinois' GDP accounted for 4.74% of US GDP. By 2025 the state's economic footprint within the national economy had diminished by 0.83 percentage points to 3.91% of US GDP.



Note: Bar values represent percentage-point changes in each state's share of US GDP. For example, Texas' share rose from 7.24% to 9.44%, a 2.20 percentage-point increase.

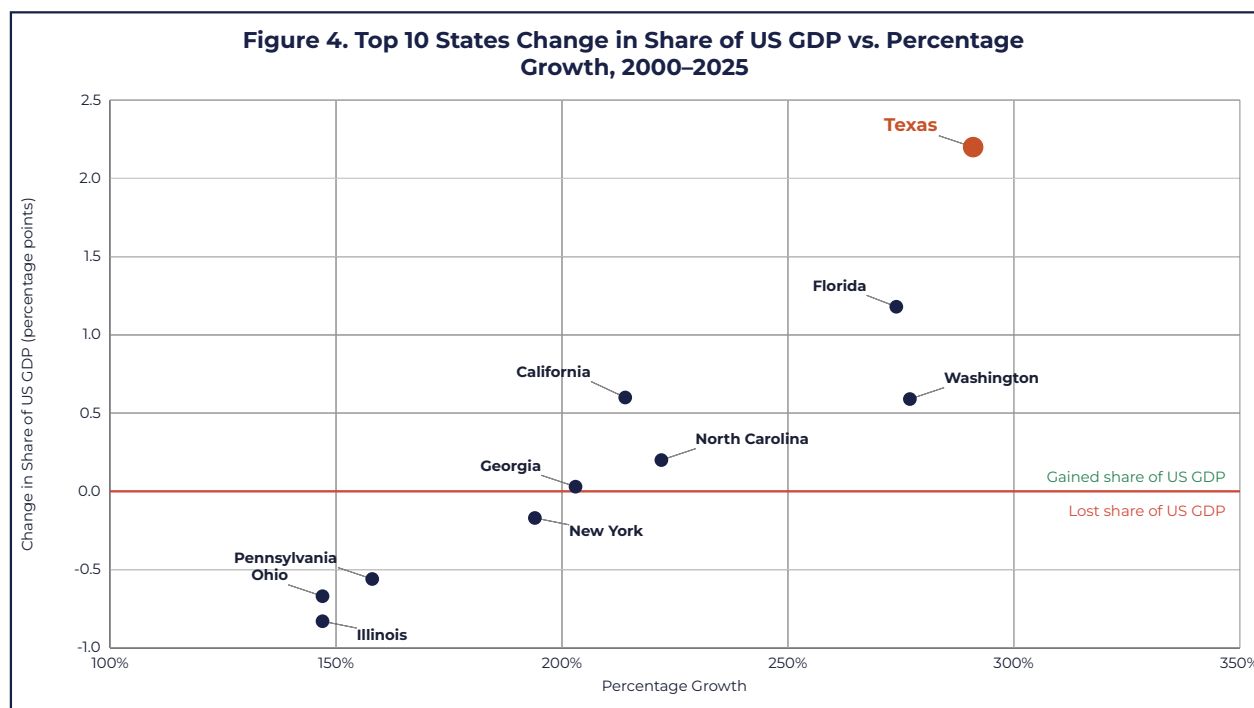
Source: U.S. Bureau of Economic Analysis.

⁸ Each state's share change in US GDP was determined by subtracting the state's percentage share of US GDP in 2000 from its percentage share in 2025. The results are measured in percentage points.

c. Texas outclassed all large economy states in total percentage growth and change in share of U.S. GDP.

This analysis finds two distinguishing features regarding the magnitude of Texas' growth story for the first quarter of the 21st century. First, Texas had the highest GDP growth percentage among the top large economy states during this period. Second, Texas' economic footprint as a proportion of US GDP expanded at a rate significantly greater than that of its peer states.

Figure 4, *Change in Share of US GDP vs. Percentage Growth, 10 Largest State Economies, 2000–2025*, synthesizes the data from Figures 2 and 3 to illustrate the relationship between overall GDP growth and changes in states' shares of the nation's economy. Texas' high percentage growth (291%) combined with its growing share of US GDP (2.2 percentage point increase) differentiates and distinguishes the state from its peers. The gap between Texas and its peers underscores the exceptional magnitude of the state's economic growth since 2000.



Source: U.S. Bureau of Economic Analysis.

Florida ranks second within this matrix. Between 2000 and 2025, the Sunshine State's GDP increased by 274% as Florida's share of US GDP grew by 1.18 percentage points. Illinois qualifies as the least performing state within the top 10 cohort in this analysis. During this period Illinois' GDP grew by only 147% (the same proportion as Ohio's) as the state's share of US GDP declined by 0.83 percentage points.

Lastly, although California achieved the highest absolute GDP growth among US states between 2000 and 2025, adding \$2.896 trillion, the state's performance falls short of Texas in both percentage growth and overall contribution to the national economy.

Texas' economy expanded with extraordinary velocity.

Texas posted the fastest compound annual growth of any top-ten state economy — and the third-fastest of all 50 states.

The previous section of this report described the magnitude of Texas' economic growth in the context of those states with the largest gross domestic product as of 2025. This section explores the rate of Texas' growth relative to benchmark states and that of the nation. The compound annual growth rate, or CAGR, serves as the key metric for this analysis. The compound annual growth rate equals the constant annual rate that would have produced the same cumulative growth from between 2000 to 2025. Using CAGR as a benchmark for comparative analysis allows statistical smoothing of volatility – each state economy had significant growth years (e.g. the post-COVID pandemic boom) and substantial down years (e.g. the Great Recession) – enabling the robust comparison of growth rates across the 2000-2025 period.

5.61%

TEXAS CAGR
2000–2025

4.49%

U.S. CAGR
2000–2025

+1.12 pts

POINTS ABOVE U.S.
Compound annual

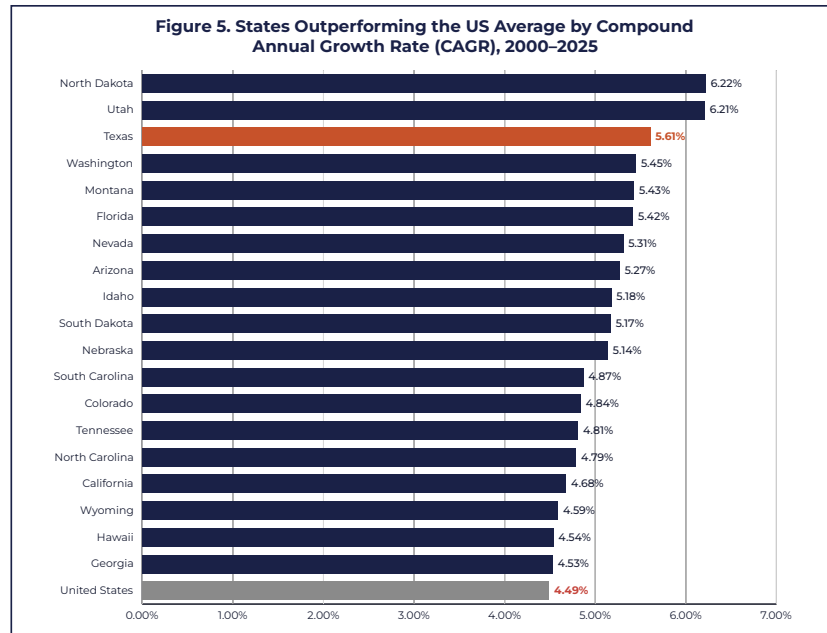
A. Texas' CAGR outpaced the United States' and that of 47 other states.

Between 2000 and 2025 the United States' gross domestic product increased from \$10.251 to \$30.762 trillion. The nation's compound annual growth rate (CAGR) for this period equaled 4.49%.⁹ This figure provides a benchmark for measuring the performance of each state. Those with CAGRs above 4.49% outpaced national growth, while those with rates below the national benchmark underperformed.

Only 19 states had CAGRs between 2000 and 2025 that outperformed the United States'. These states are depicted within *Figure 5, States Outperforming the US Average by Compound Annual Growth Rate (CAGR), 2000–2025*. Texas achieved a compound annual growth rate of 5.61% during this period, outpacing the national growth rate by 1.12 percentage points, and ranking as the third highest by CAGR. Only Utah and North Dakota – states with substantially smaller economies relative to Texas' – achieved higher growth velocities.

⁹ Compound annual growth rates are calculated using the following formula: $\left(\frac{(2025 \text{ GDP})}{(2000 \text{ GDP})}\right)^{1/n} - 1 \times 100$. The n value represents the number of years for which the growth rate is calculated. The US CAGR was calculated as follows: $\left(\frac{(\$30,762\text{B})}{(\$10,250\text{B})}\right)^{1/25} - 1 \times 100 = 4.49\%$.

Notably, 31 states had a CAGR below the national average, indicating that these economies underperformed US growth during this period. Several of these include Texas' peers in the large state economy cohort.



Source: U.S. Bureau of Economic Analysis.

FINDING · EXTRAORDINARY VELOCITY

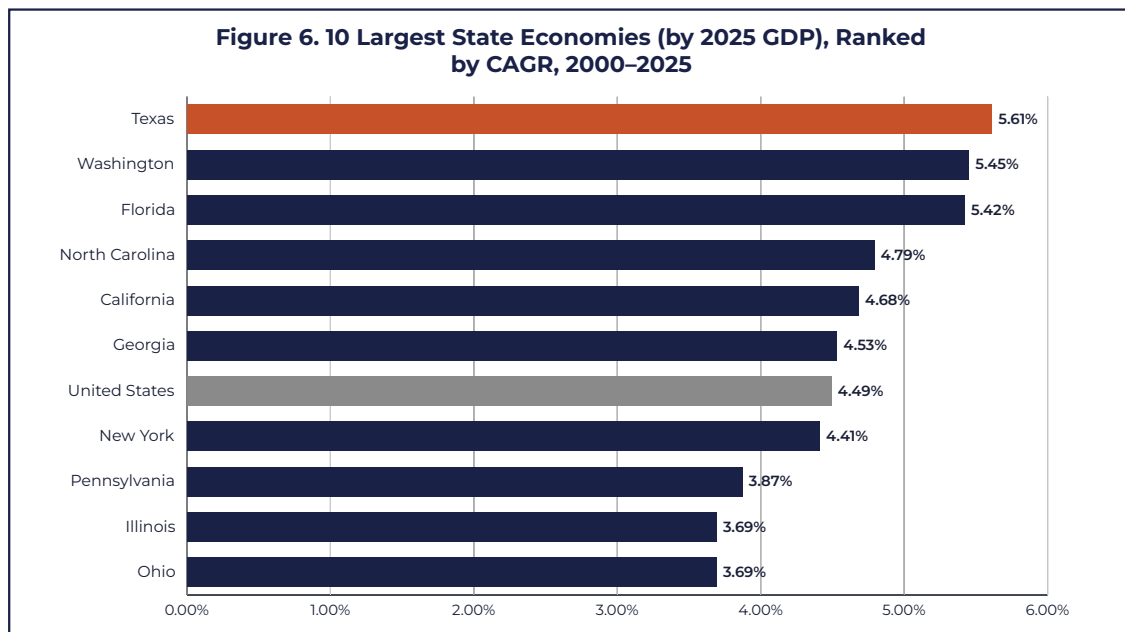
Texas posted the fastest CAGR of any top-ten economy.

Texas posted a 5.61% compound annual growth rate from 2000 to 2025 — the fastest of all top-ten state economies and the third-fastest among all 50 states.

B. Texas outperformed its peer states in growth velocity.

Texas had the highest CAGR out of all the top ten states by GDP size in 2025.¹⁰ As depicted in *Figure 6, Largest State Economies (by 2025 GDP), Ranked by CAGR, 2000–2025*, only six states in this cohort had growth rates that outperformed the nation. Four states, including New York, Pennsylvania, Illinois, and Ohio, underperformed the national average. The substantial difference between Texas’ CAGR and New York’s explains why Texas overtook New York to become the second largest state by GDP during this period.

Texas’ CAGR for this period reveals three key findings. First, the state’s economy enjoyed sustained economic outperformance relative to its peer states and the nation over the past 25 years. Second, Texas has the largest state economy with the fastest growth. And lastly, Texas narrowed the proportional gap with California for the largest state economy in the nation.

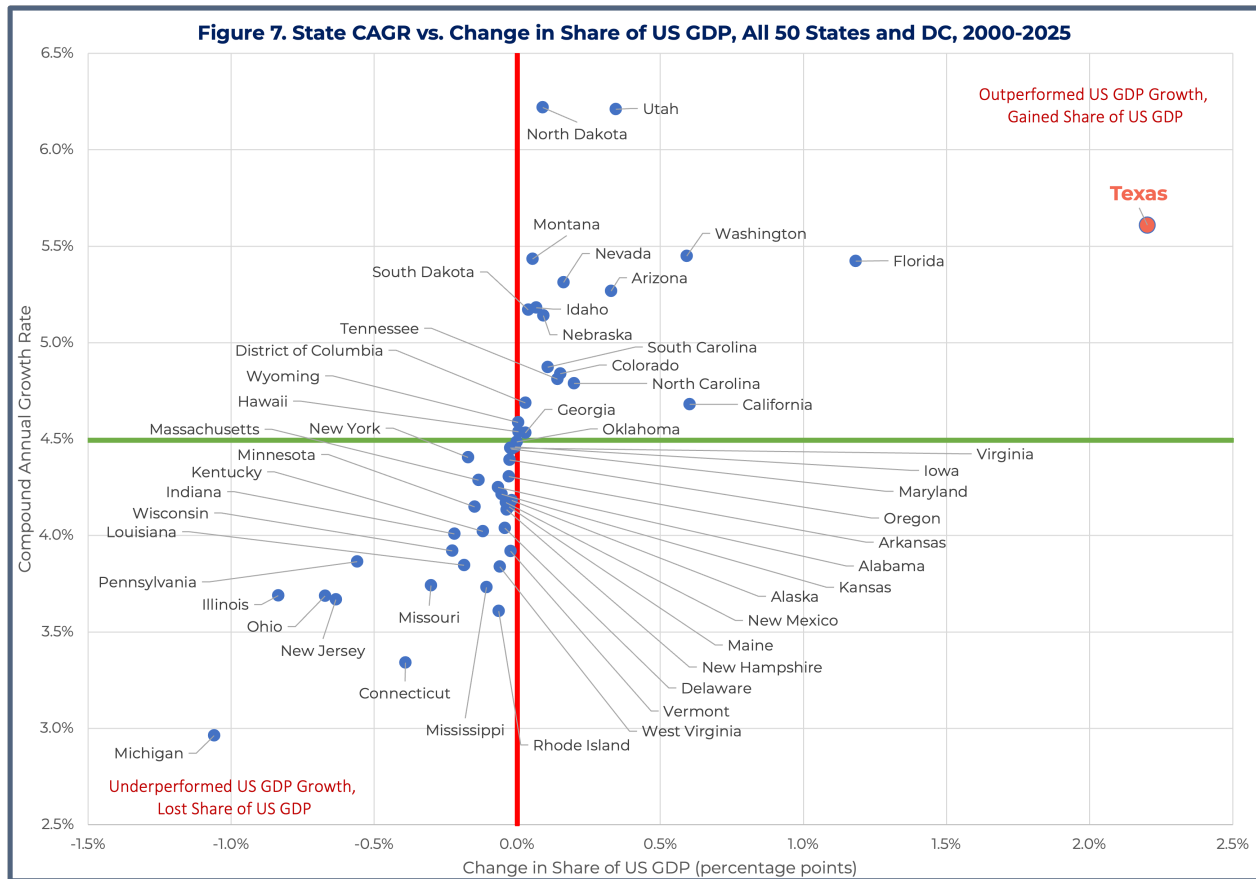


Source: U.S. Bureau of Economic Analysis.

¹⁰ On a per capita basis, Texas ranks fourth within the 10 largest state economies cohort. New York, California, and Washington posted higher per capita growth over the same period, reflecting their slower population growth alongside continued economic expansion.

c. Texas grew rapidly while expanding its share of the national economy more than any other state.

Between 2000 and 2025 Texas had the third highest CAGR out of all 50 states and the largest increase in state share of US GDP. *Figure 7, State CAGR vs. Change in Share of US GDP, All 50 States and DC, 2000–2025*, depicts the CAGR and change in share of US GDP for all 50 states and the District of Columbia. The horizontal green line on the y-axis indicates the US CAGR of 4.49%. States above this line outperformed the US economy, while those below underperformed. The vertical red line on the x-axis divides those states that gained share of US GDP and those that lost. States to the right of this line expanded their economic footprint as a part of the nation’s economy, while those on the left contracted. Based on these metrics, and as depicted in Figure 7, no other state matches Texas on both dimensions.



Note: State-level GDP estimates from BEA do not sum exactly to national GDP. The remaining 0.5% reflects federal activities and statistical residuals not allocated to individual states.

Source: U.S. Bureau of Economic Analysis. Each point represents one state or D.C. Coral dashed line = zero share change; green dashed line = U.S. CAGR (4.49%).

The outperforming, GDP share gaining states in the top right quadrant of Figure 7 played a key role in the nation's economic expansion between 2000 and 2025. In 2000, these 19 states and the District of Columbia accounted for 43.7% of US GDP. Twenty-five years later, their combined GDP equaled 50.1% of national gross domestic product while accounting for 49.2% of US population. Moreover, the absolute (net) GDP growth of these states during this period accounted for 53.3% of absolute US GDP growth.

Texas drove an outsized share of the outperforming cohort's in Figure 7. Between 2000 and 2025 Texas' share of this cohort's GDP increased from 16.6% to 18.9%. Further, the absolute growth of Texas' GDP accounted for 19.8% of the group's net growth during this period.

In contrast, the remaining 31 underperforming states found in the lower left quadrant of Figure 7 accounted for 49.4% of US GDP in 2025 while generating 46.2% of domestic absolute growth since 2000. These states had 50.8% of the US population according to US Census Bureau estimates.

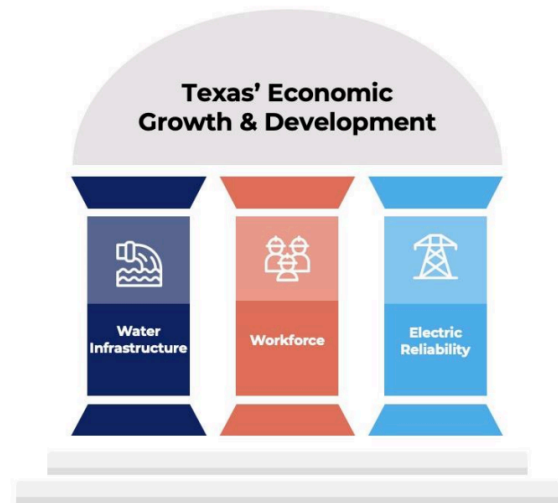
CONCLUSION

A miracle built on key foundations.

A confluence of several factors, including population growth, sector diversification, energy production, and state tax and regulatory policies are associated with Texas' growth story.

The exceptional magnitude and velocity of Texas' GDP growth could not have occurred without attracting people, businesses, and capital. Consequently, the structural salience of Texas to American prosperity, as evidenced by the state's growing share of national economy to where Texas accounted for nearly 9.5% of US GDP in 2025, materially increased.

This miracle story occurred on the structural foundations of a qualified workforce, dependable electricity grid, and reliable water infrastructure, however. While each of these foundations has received considerable policymaker attention over the past few years, their integrity remains essential to the continuation of Texas' economic miracle story. This is particularly true for state water and energy policy. A growing state economy needs greater energy and water resources. The challenges associated with accelerating load (electrical demand) growth, increasing water demands, and the ever-present specter of drought and its impact on water supplies, demand long-term, lasting policy solutions that ensure electric reliability and continuous water service. The continuation of Texas' economic miracle depends on it.



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The continuation of Texas' economic miracle depends on long-term, lasting policy solutions that ensure electric reliability and continuous water service.

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ABOUT

Texas 2036

Texas 2036 is a non-partisan, non-profit public policy organization building long-term, data-driven strategies to secure Texas' prosperity through the state's bicentennial in 2036 and beyond. The organization conducts research, develops policy recommendations, and engages with civic and business leaders on the structural challenges and opportunities facing the state — including infrastructure, water, energy, education, health, and government performance.

Jeremy B. Mazur serves as Director, Infrastructure and Natural Resources, at Texas 2036.

METHODOLOGY & SOURCES

About this analysis

METHODOLOGY

This analysis examines aggregate state GDP data reported by the U.S. Bureau of Economic Analysis between 2000 and 2025. All values are total output in current (nominal) dollars. Compound annual growth rate (CAGR) is the constant annual rate that would have produced the cumulative growth observed between the two endpoint years. Percentage growth is the change from 2000 nominal GDP divided by the 2000 starting level. Share of U.S. GDP is computed against national GDP for the same year.

DATA SOURCES

U.S. Bureau of Economic Analysis (BEA), SAGDP and national income and product accounts, 2000–2025. U.S. Census Bureau population estimates. All figures retrieved 2026. State-level GDP estimates from BEA do not sum exactly to national GDP; the residual reflects federal activities and statistical residuals not allocated to individual states.

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