

Outlook for the Texas Economy



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2046
FEBRUARY 2023 DATA
TECHNICAL REPORT

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About this Report

Texas Real Estate Research Center economists continuously monitor many facets of the global, national, and Texas economies. *Outlook for the Texas Economy* summarizes significant state economic activity and trends. All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month over month, unless stated otherwise.

This publication is designed to be a one-stop resource for economic indicators. We hope you find them as useful as we do. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

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Data current as of April 5, 2023

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February 2023

UNEMPLOYMENT RATE

▲ 4.0%

OVERALL CPI

▼ 6.0%

TEXAS CONSUMER CONFIDENCE

▲ 3.9 points

2022 TEXAS POPULATION

▲ 470,700 residents

Summary

Economic uncertainty continues to creep into the Texas economy due to the Federal Reserve's commitment to combat high inflation. Despite robust employment growth the unemployment rate increased to 4 percent. Housing sales are trending upward but are below pre-pandemic sales levels for this time of year. Trade levels have stalled since the second half of 2022.

Housing Market Follows Seasonal Upward Trend

Housing demand started the new year with an upward trend as sales volume expanded for two consecutive months. **Total home sales** had a strong month-over-month (MOM) boost of 7.8 percent, doubling last month's 3.7 percent growth. Sales gained more than 2,000 transactions in a month, moving upward to a seasonally adjusted rate of 29,728 closings. Austin and Houston, the two metros that had their great rebound in January, stayed flat this month (Table 1). Meanwhile, Dallas and San Antonio spiked. Dallas' 17.1 percent growth brought more than 1,200 additional homes under contract in February.

Texas homeowners' financials are in good standing. Texas' fourth-quarter foreclosure rate inched up from 0.3 to 0.5 percent in the past year. However, this change was not robust considering the five-year average of 0.5 percent. Additionally, the number of all mortgages past due was down 13 percent to 145,800 in a year.

International Migration Returns to Texas

Texas welcomed a big wave of workers last year, including its largest number of international migrants of the past five years. One out of every ten net immigrants chose to reside in Texas. The Lone Star State welcomed 118,614 net international immigrants, a historical high in 2022. These immigrants plus domestic migrants added a net 349,575 residents to **Texas' population**.

Unemployment Grows Despite Robust Employment

February marked the fastest growing month in the Texas labor force levels since the start of the pandemic, resulting in the **labor force participation rate** expanding to 63.7 percent. Despite Texas employment growing by 110,300, the sudden boost in labor force engagement resulted in the unemployment rate rising to 4 percent.

Leisure and hospitality was among the strongest performers for February, adding 10,900 new employees. The goods-producing sector had nominal gains of 3,200 new jobs. Construction had



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strong numbers as well with 7,000 new payroll employees and an increase in **average hourly construction earnings** to \$31.71 per hour compared with \$28.37 per hour three years ago.

Texas' major metros experienced employment growth across the board, though with a large spread between them. Houston and DFW had the largest payroll increases (29,200 and 18,500, respectively). Austin has had a faster growing employment index than all other metros since the pandemic. In February, it gained only 2,500 employees, increasing by much less than the rest of the state. San Antonio's employment levels is the smallest of the four major metros, gaining 10,500 new employees for the month.

Service-Providing Sectors Waned as Uncertainty Swells

General business activity in the service sector continued to grow according to the February **Dallas Fed's Service Sector Outlook Survey**. Revenue inched up while overall employment fell. Outlook uncertainty dipped seven points for February as broader business perceptions followed suit. Future general business activity remained unchanged in negative territory. Consequentially, the future revenue index remained high in positive territory. Mixed feelings about the future of the sector reflect the public's general uncertainty about the economy.

Retail sales fell at a faster pace in February than in recent months, correlating with an increase in inventories as products lingered on store shelves. The **Dallas Fed's Retail Outlook Survey** remains in negative territory as conditions worsened in February. Employment increased along with shorter workweeks, indicating a rise in part-time employment in the industry. The future business activity index was unchanged in negative territory for the month, while capital expenditure and employment indexes were in stark contrast remaining positive. This paints a conflicting outlook for retail in the coming year, with much of it riding on the economy's performance and inflation.

Global Trade Shuttered as Inflation Persists

The **Texas trade-weighted value of the dollar index**¹ had a strong year in 2022, gaining 5.7 percent because of the inflation fight and international investors' perception of U.S. economic stability. Amid the strong dollar value, foreign traders must pay more in their local currency for the same Texas exports. The result has been decreasing order values since the second half of last year. Texas' **all-commodity exports**, which make up one-fifth of the national share, dropped close to 10 percent quarter over quarter (QOQ).

Demand for the top three **manufacturing exports** — petroleum/coal products (24.3 percent), chemicals (19.5 percent), and computer/electronic products (19.1 percent) dwindled. Despite a 45 percent year-over-year (YOY) expansion in 2022, demand for Texas' **crude oil exports** shrank 7.6 percent QOQ.

¹ The release of the trade section is lagging the *Outlook for the Texas Economy* by one month.



Other Economic Indicators

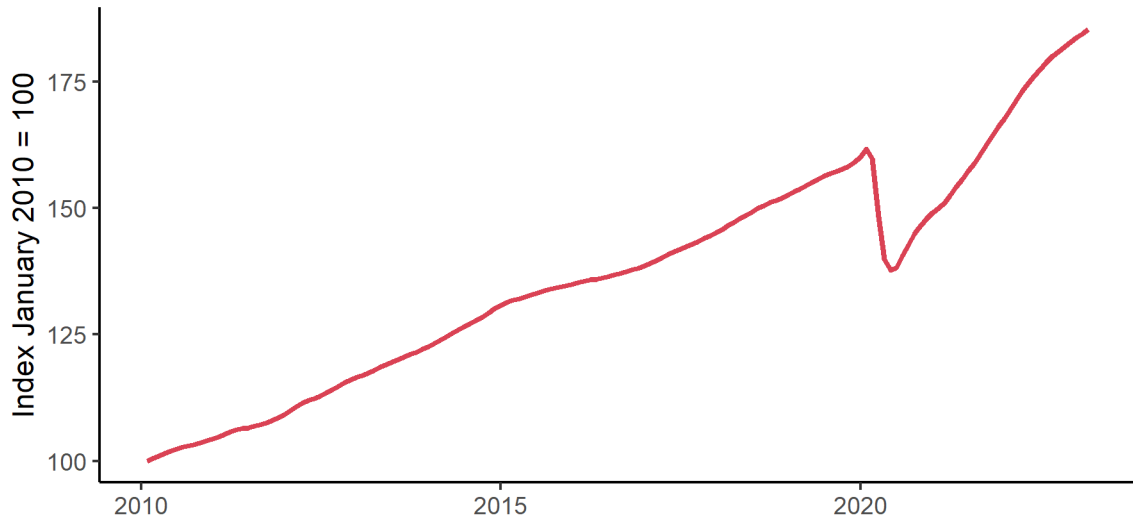
- The Texas Leading Economic Index was balanced at 104 for **five months** (2007=100).
- Texas consumers reported being **4.6 percent more confident** about the economy than average U.S. consumers.
- The Consumer Price Index continues to moderate, decelerating for the eighth month in a row to 6 percent in February. **Rising grocery bills** remained a concern for shoppers; meanwhile, transportation inflation settled.
- Corroborating with the lowered energy bills, the West Texas Intermediate (WTI) crude oil spot price dropped **16.2 percent** YOY to \$76.80, and the Henry Hub spot price plummeted **49.3 percent** YOY to \$2.38 per million British thermal units in December, marking the lowest price in the past two years.
- Texas' crude oil production inched up to **5.2 million barrels** per day in January as active rig count climbed to 379, seven rigs higher than last month.
- The falling ten-year U.S. Treasury bond yield at 3.8 percent suggested investors prefer **lower-risk, lower-reward** investment.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate in February was mostly unchanged from the previous month's **6.3 percent**.





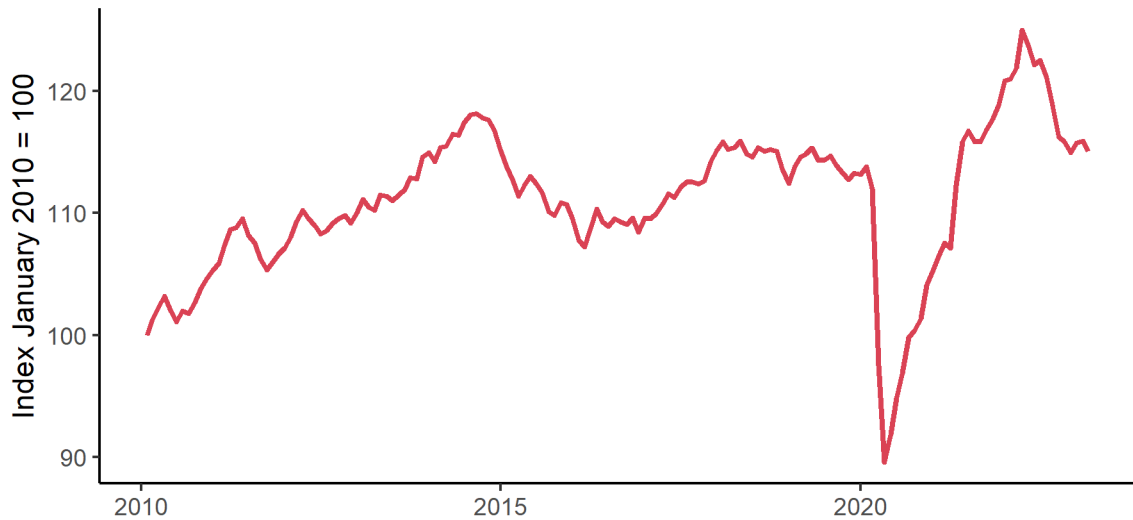
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



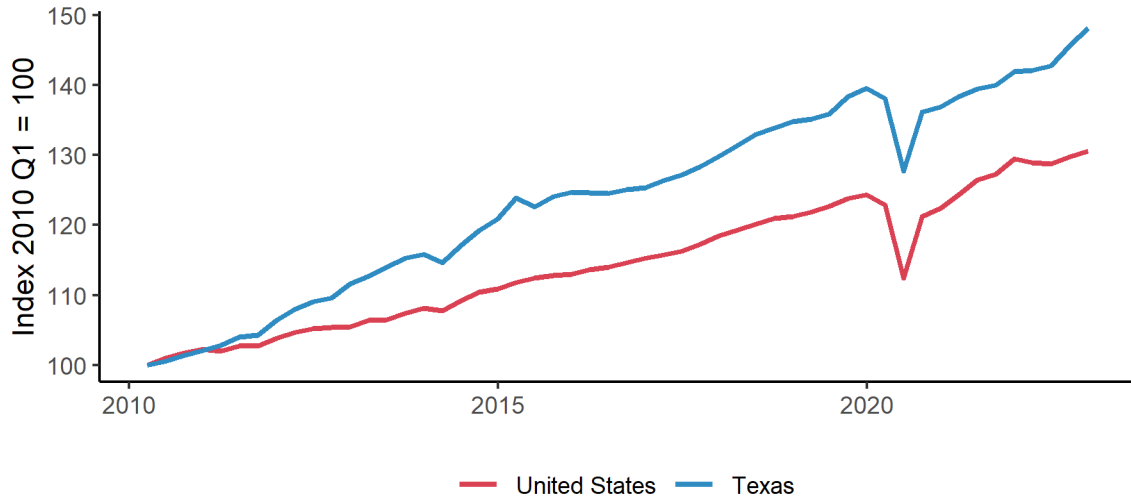
Source: Federal Reserve Bank of Dallas





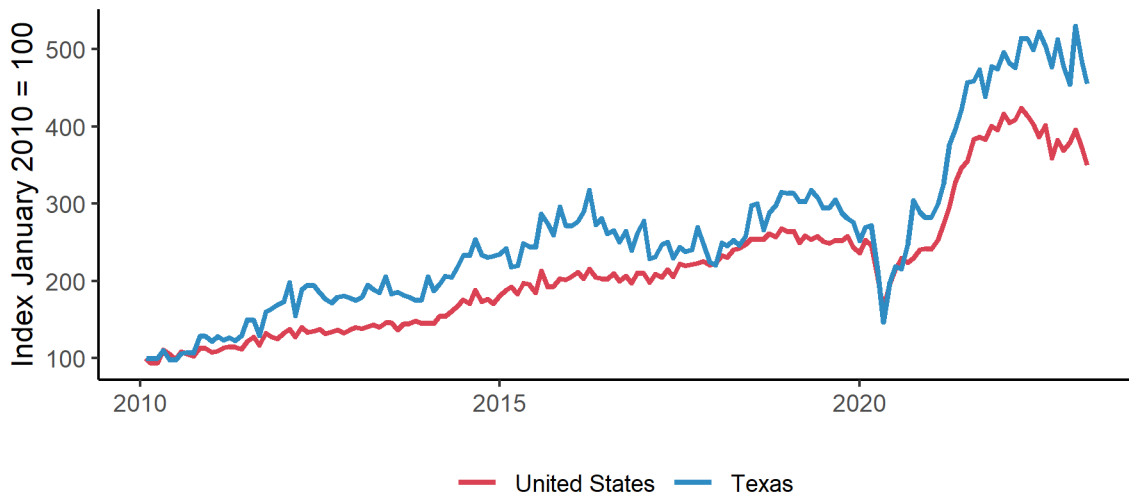
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings



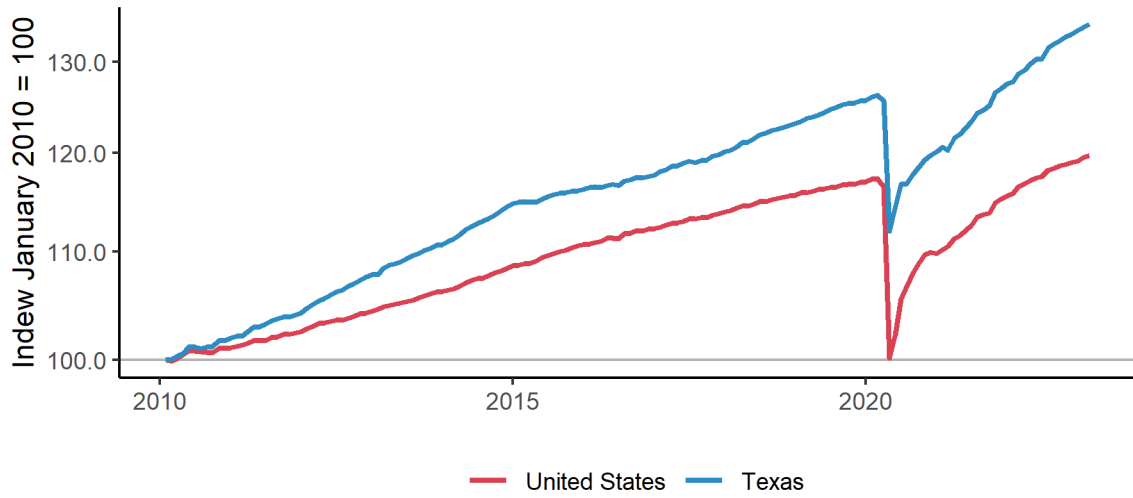
Source: Bureau of Labor Statistics





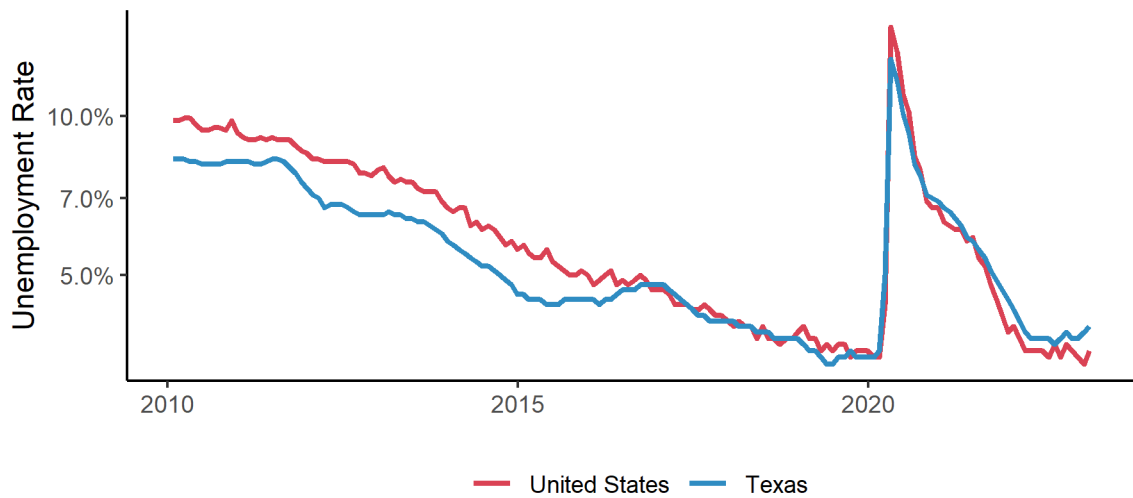
Employment

Employment Index



Source: Bureau of Labor Statistics

Unemployment Rate



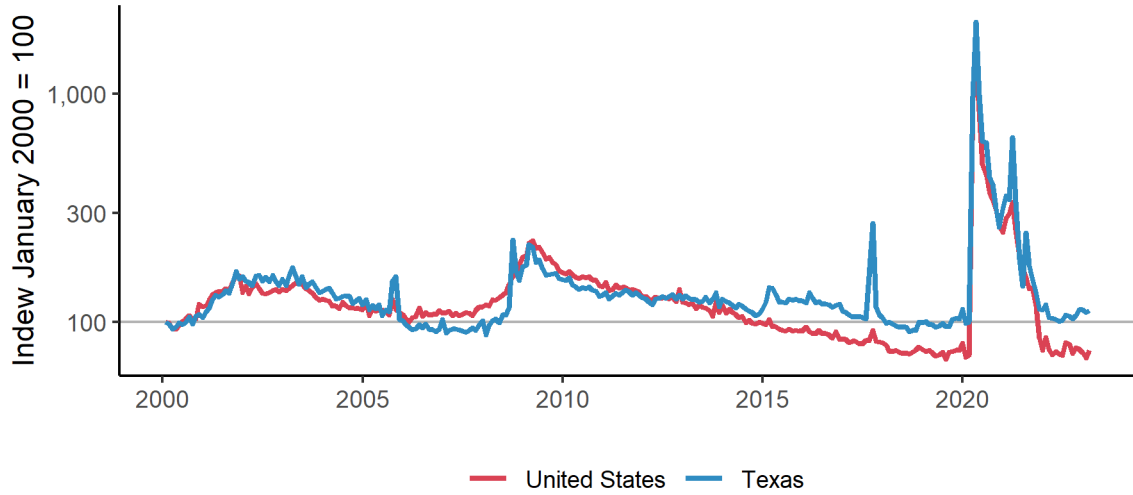
Source: Bureau of Labor Statistics





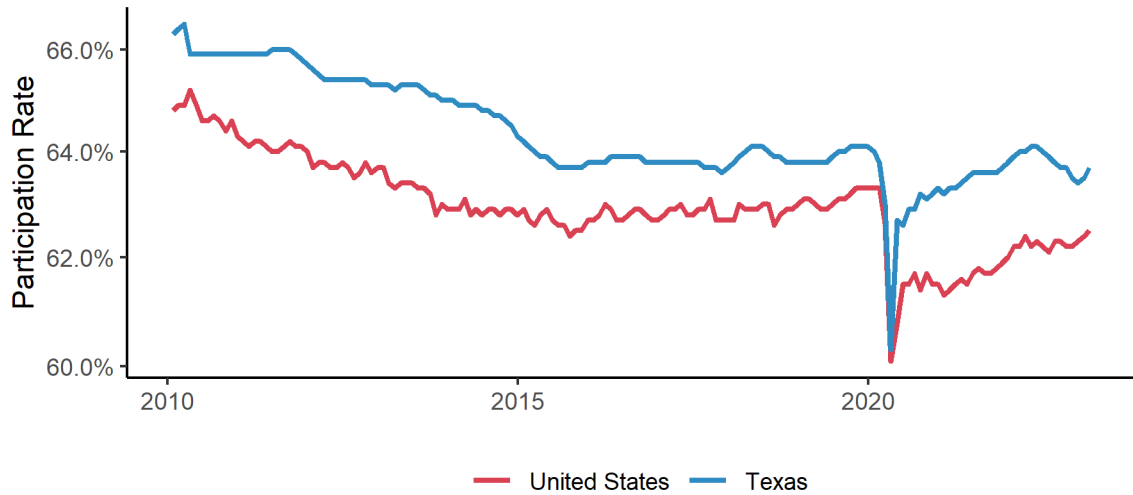
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate

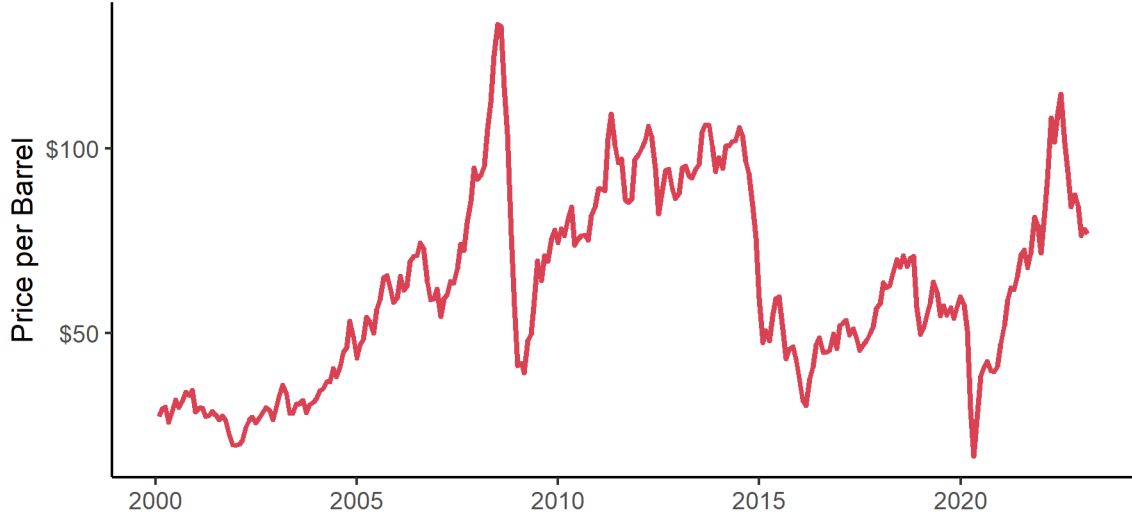


Source: Bureau of Labor Statistics



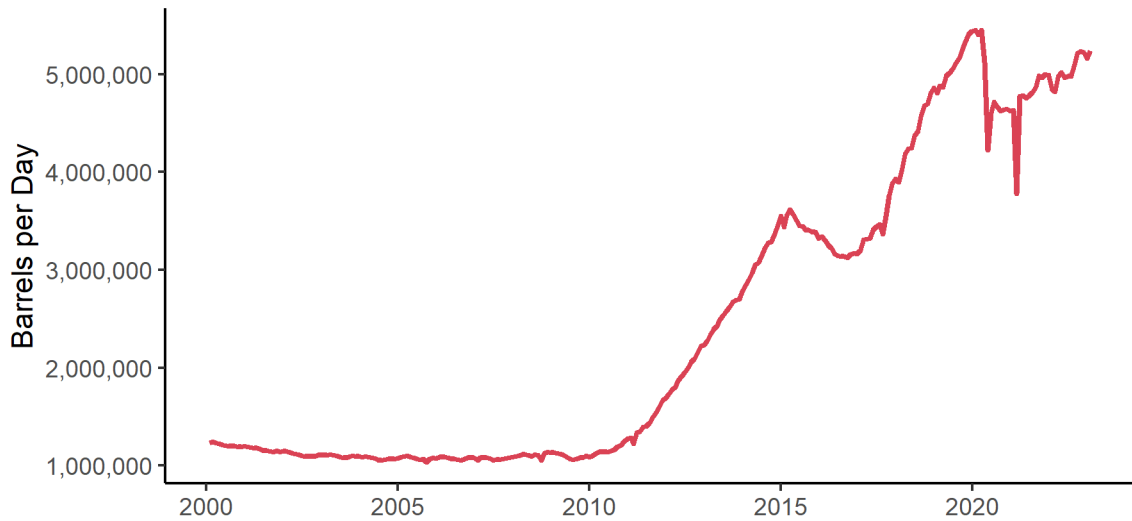
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



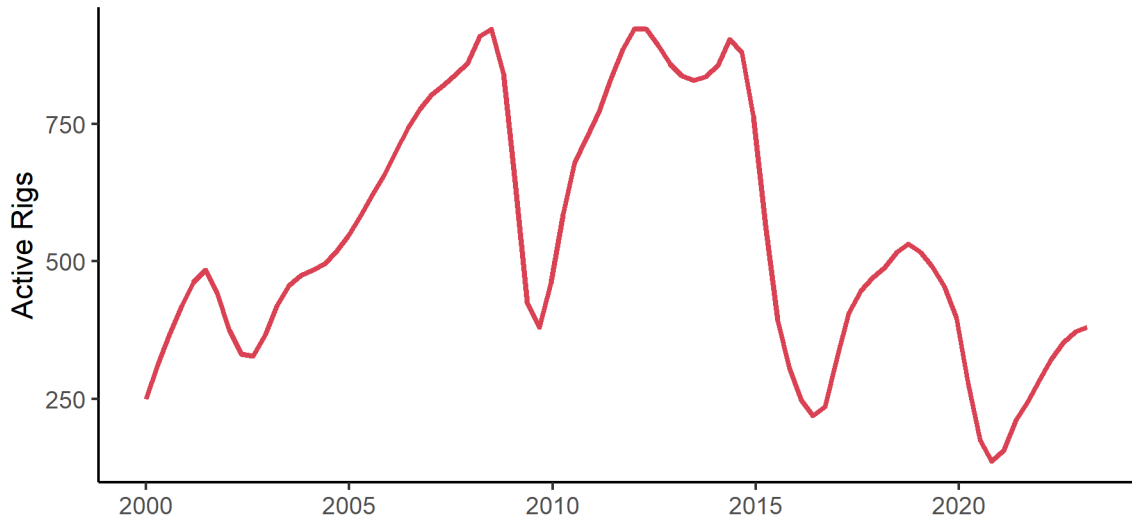
Source: Energy Information Administration





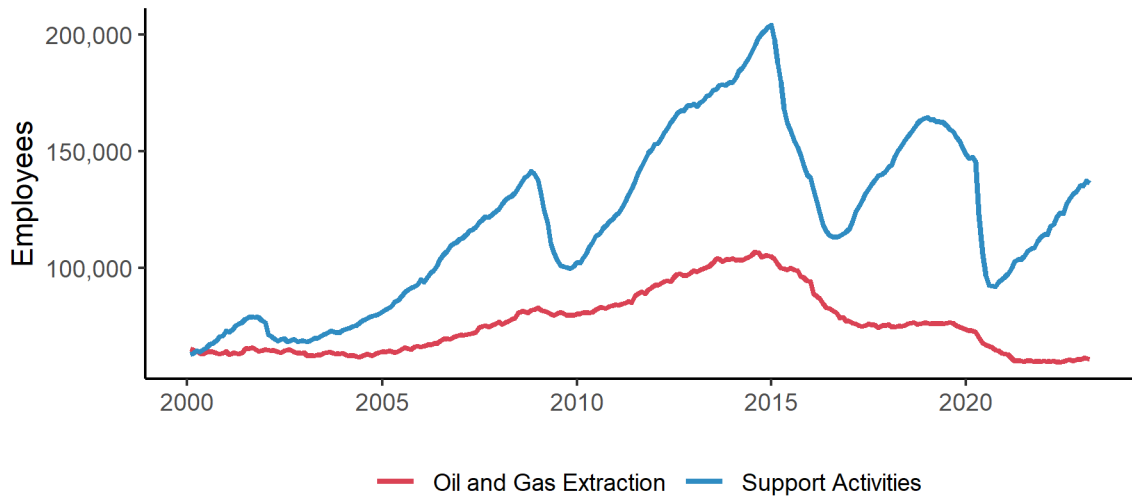
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics

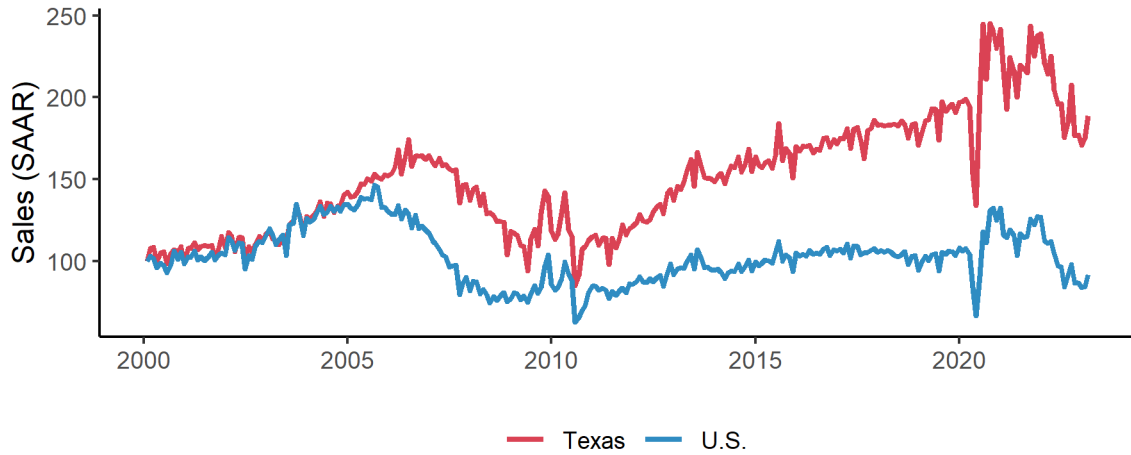




Housing

Residential Home Sales

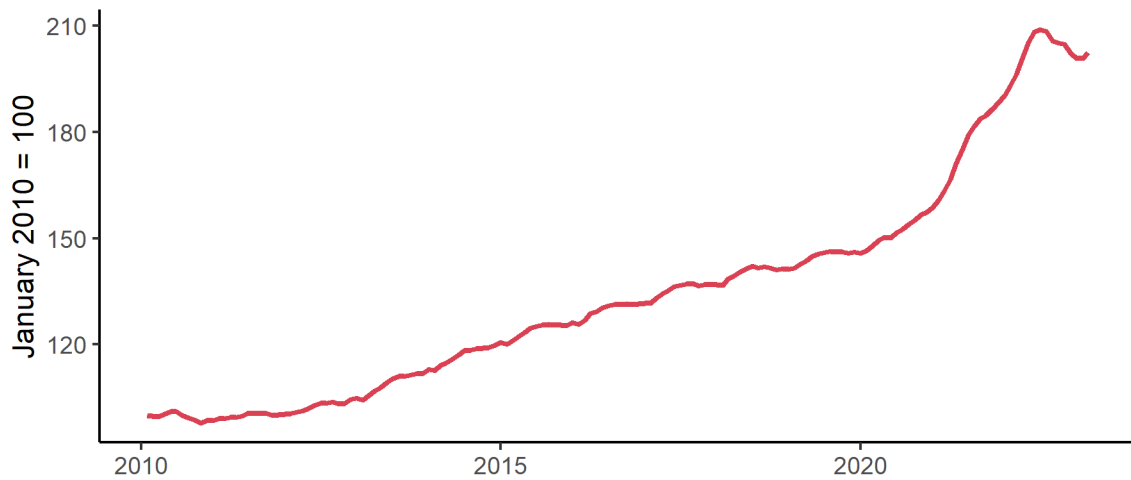
Seasonally Adjusted Annualized Rate



Source: National Association of Realtors - Texas Real Estate Research Center at Texas A&M University

Texas Home Price Index

Seasonally Adjusted Annualized Rate



Source: Texas Real Estate Research Center at Texas A&M University



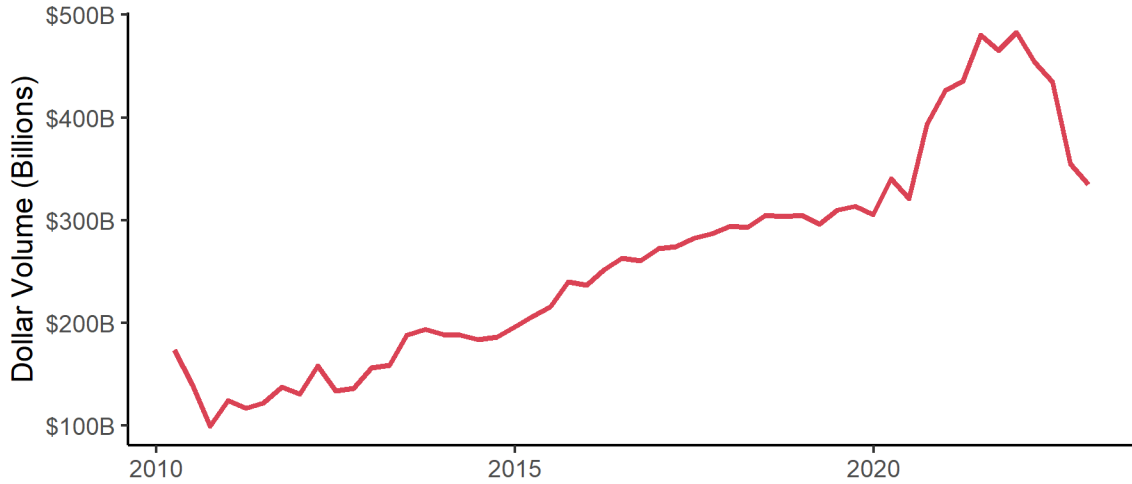
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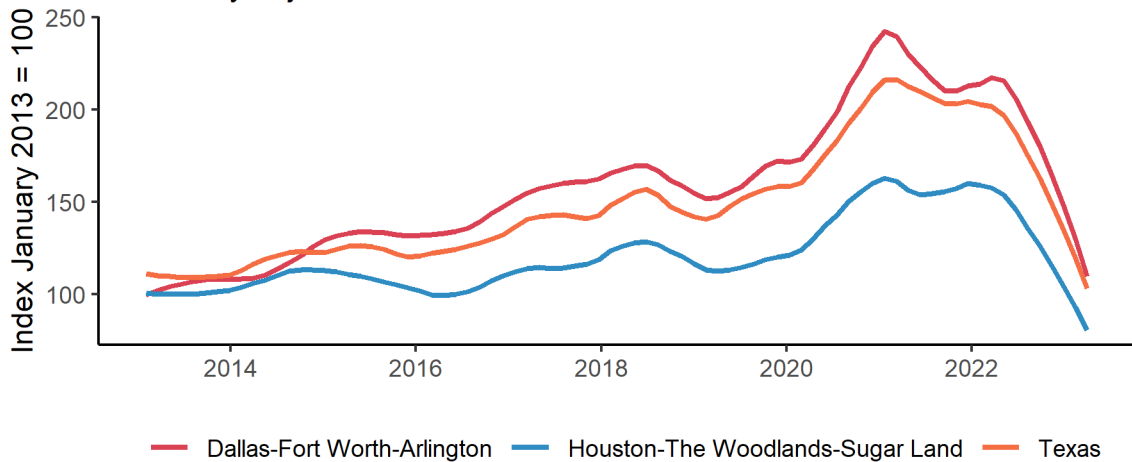
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Index



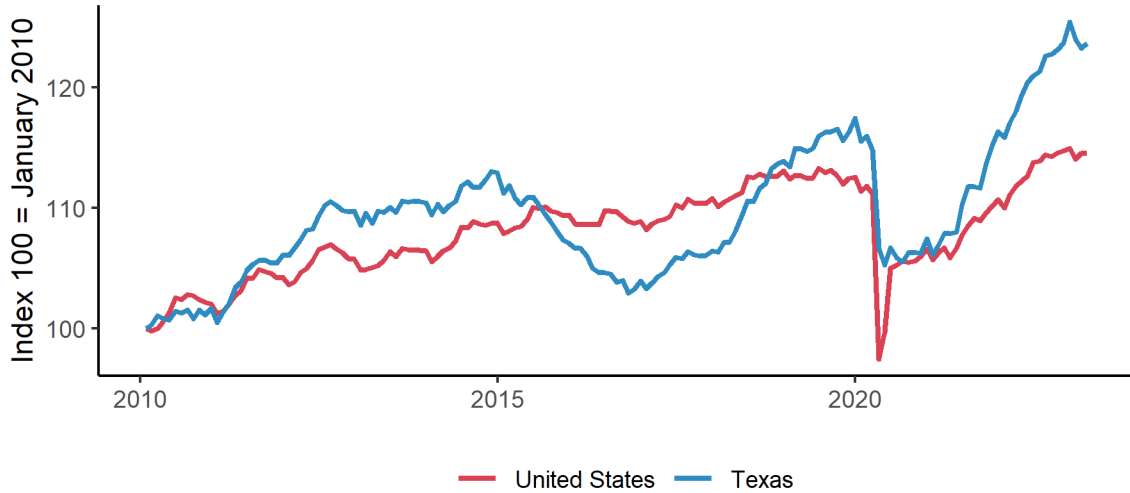
Source: Dodge Data & Analytics - Texas Real Estate Research Center at Texas A&M University





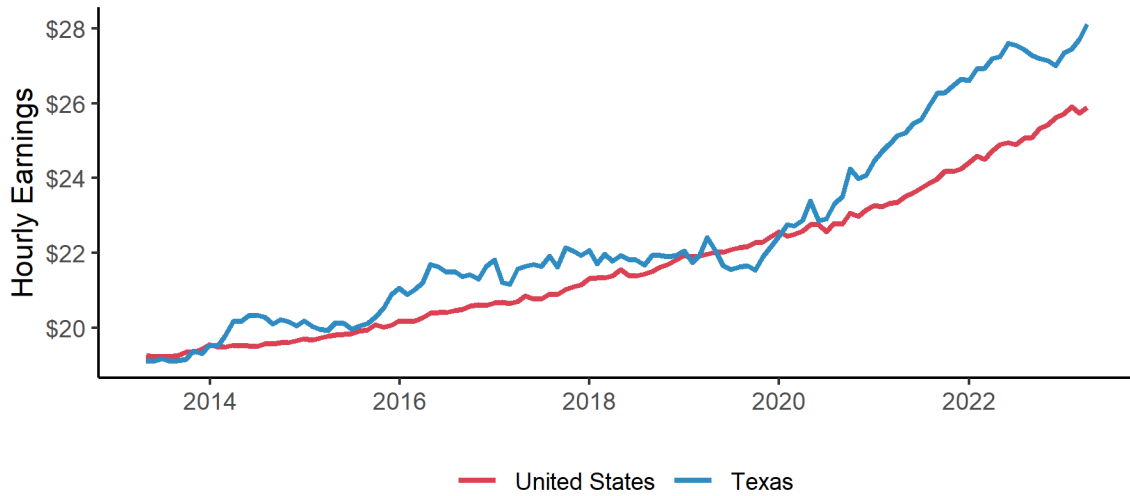
Manufacturing

Texas and U.S. Manufacturing Employment Index



Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University

Texas and U.S. Manufacturing Employee Hourly Earnings



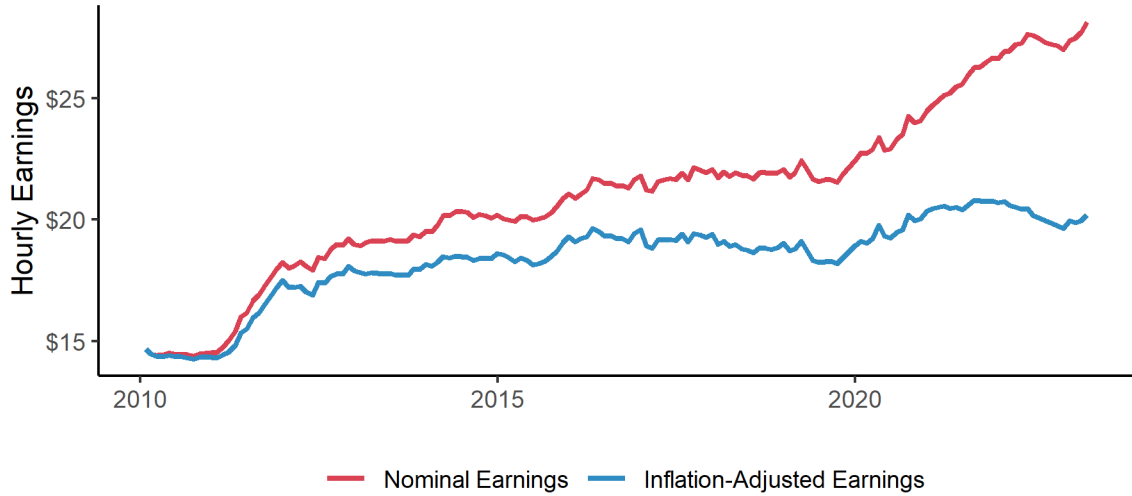
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

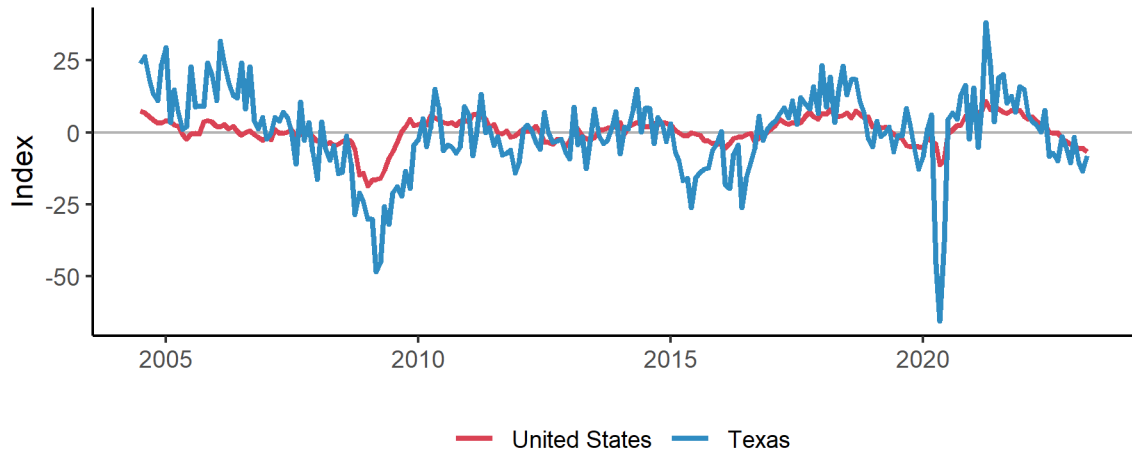
Texas Manufacturing Employee Hourly Earnings



Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University

Manufacturing Outlook Index

0+ = Expansion



Source: Institute for Supply Management - Federal Reserve Bank of Dallas

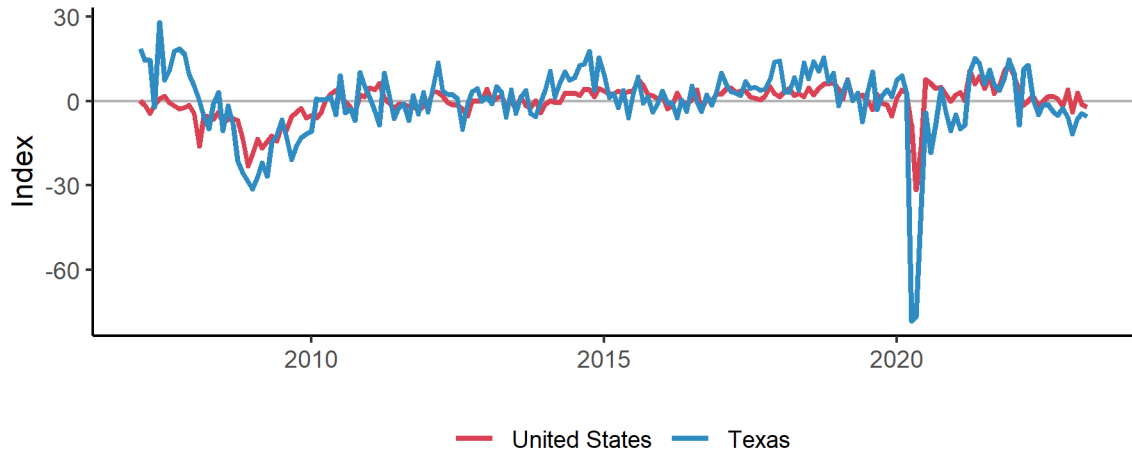




Services

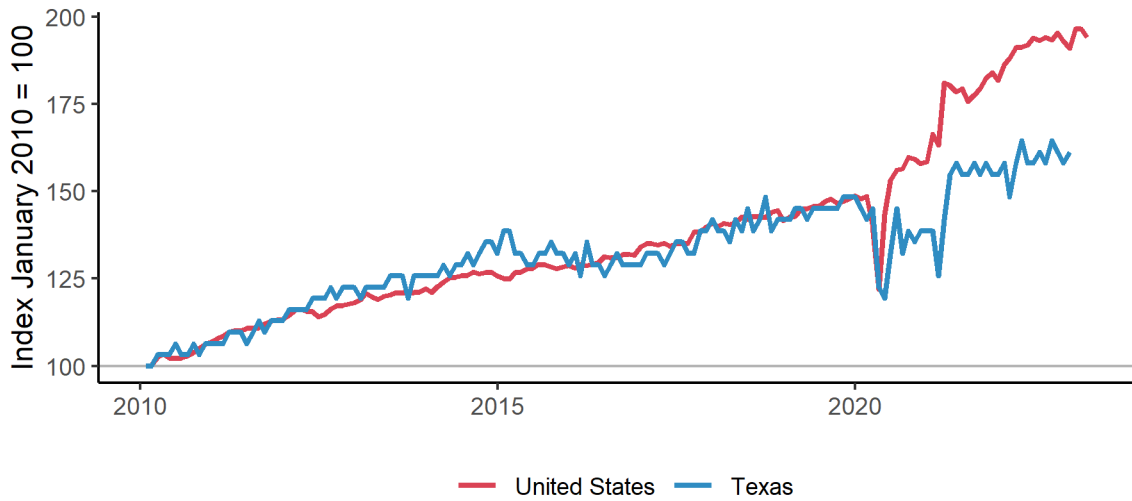
Services Sector Outlook Index

0+ = Expansion



Source: Institute for Supply Management - Federal Reserve Bank of Dallas

Retail Sales Index



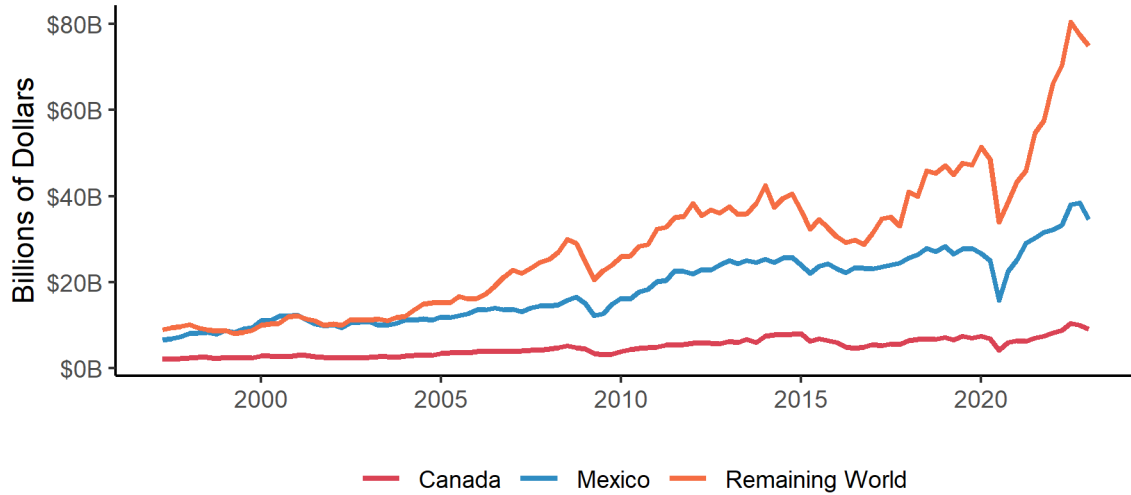
Source: Census Bureau - Federal Reserve Bank of Dallas





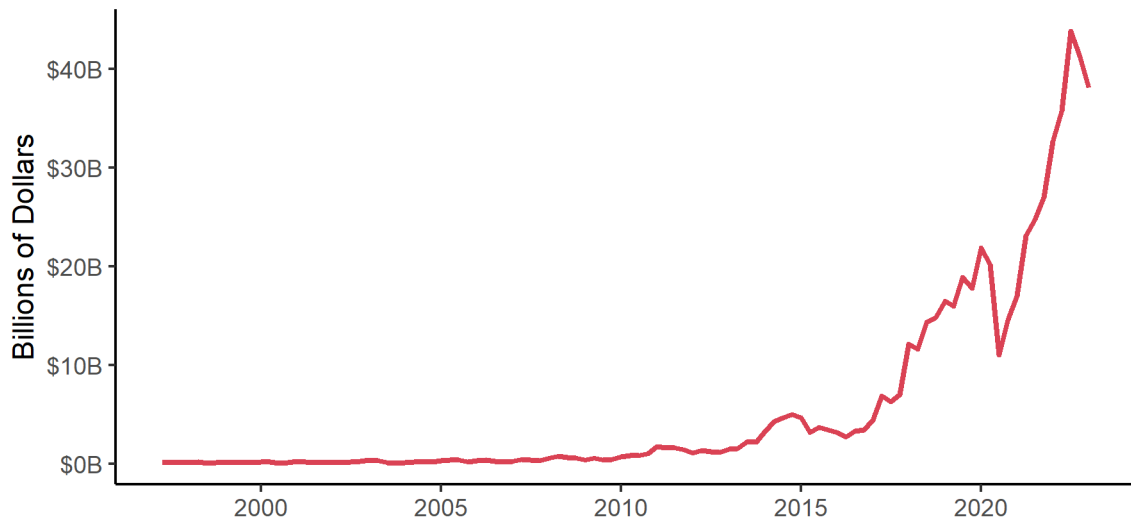
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER



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