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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.

Joshua Roberson and Weiling Yan

Data current as of May 30, 2023

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April 2023

UNEMPLOYMENT RATE

4.0%

U.S. GDP

1.3% QOQ

HOUSTON CORE CPI

4.0%

ALL-COMMODITY EXPORTS

18.7% MOM

Summary

Despite signs of a cooling economy indicated by gross domestic product (GDP) and retail activity, the robust labor market and the upturn in exports suggested otherwise. Key economic indicators for April, including the leading index and the business cycle index, remained mostly consistent, while consumer confidence slipped to a six-month low. In response to sluggish retail activities, online merchants implemented return policies aimed at reducing return rates and boosting profitability.

First Quarter GDP Signals Slowdown in Business Investment

Real GDP growth decelerated from 2.6 percent in 4Q2022 to 1.3 percent in 1Q2023. The Bureau of Economic Analysis explained the slower growth rate was due to the rise in consumer spending, offset by the decrease in businesses' inventory investment. Consumer spending was driven by motor vehicles/parts sales and health care/food/accommodation/financial services, while business investment slowed in wholesale trade/manufacturing/housing.

Housing Demand Softens as Sales Slump Over 10 Percent

The state's seasonally adjusted **total home sales** dipped to 27,154 single-family houses in April, resulting in a 12 percent month-over-month (MOM) decrease. Monthly home sales declines across metros ranged from 6.1 percent to 15.3 percent. Among the four major metropolitan areas, sales declined least in Austin, the priciest metro. However, Austin sales volume has fallen 18.8 percent in the past year, down from 3,180 transactions in 2022.

Sales fell across all price cohorts in Dallas and Houston except for homes priced above \$750K, which saw slight increases of 6.1 percent and 4.2 percent MOM, respectively. However, compared with a year ago, sales in this price category fell more than one-fifth in all metros due to higher mortgage rates. Overall home sales in Texas cooled 16.4 percent year over year (YOY) in April.

Labor Market Flourishes Despite Mixed Employment Sector Growth

The **unemployment rate** remained balanced at 4 percent, which was 20 basis points higher than a year ago. As in March, Houston had the highest unemployment rate at 4.3 percent, while Austin had the lowest at 3.2. DFW and San Antonio had the same rate of 3.7 percent. The **Texas labor force participation rate** climbed for the fourth consecutive month, reaching 64.1 percent. Over the course of a year, Texas attracted 318 thousand net workers, accumulating nearly 15 million total



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available workers in the state's labor pool. This marks a historical high for the labor market, and the number is expected to keep rising.

Total **nonfarm employment** added 33,300 workers in April, with the private sector (27,900) and public sector (5,400) both expanding. While the service sector expanded at an upbeat pace, the goods sector dismissed by 6,000 workers. Demand for construction workers in Houston was significantly reduced, as the industry let go of nearly 7,000 workers, marking the second wave of layoffs this year.

Online Retailers Tighten Return Policies amid Restricted Sales

Retail payroll added 5,400 workers in April. However, while retail employment grew 1.5 percent YOY, retail sales activity reported 11 monthly losses in 2022. The April 2023 index reading rebounded positively to 3.2 after stagnant sales in March. The **Dallas Fed's Retail Outlook Survey** noted a smaller inventory buildup and a modest growth in employment. Retailers' confidence in the general economy worsened as price pressures from wages and input costs persisted.

The U.S. Census Bureau's Quarterly Retail E-Commerce Sales announced a 3 percent increase from 4Q2022, indicating a growing role for e-commerce in the overall retail sector. As e-commerce continues to grow, high return rates and associated costs with online orders continue to eat away profits according to a [Wall Street Journal report](#). To discourage unnecessary returns, businesses have implemented strategies like shorter return windows, charging return fees, and providing discounts to shoppers who agreed not to return items.

Global Trade Pivots as Spring Comes

The **Texas trade-weighted value of the dollar index**¹ had a strong year in 2022, and the March reading closely aligned with the year-ago measurement of 108. Amid the strong trade value, foreign traders must pay more in their local currency for the same basket of goods. Continuing 2022's trend, Texas' exports saw an 18.7 percent MOM in spring, with **all-commodity exports** reporting a monthly increase of 6.4 billion in March. Notably, China (\$2.7 billion), Mexico (\$11.8 billion), and the Netherlands (\$2.7 billion) significantly boosted their order volume by over \$1 billion in March, marking the first monthly gain for Texas exports in the past five months.

Demand for the top three **manufacturing exports** increased—petroleum/coal products (23.6 percent MOM), chemicals (19.7 percent MOM), and computer/electronic products (18.7 percent MOM). Demand for Texas' **crude oil exports** rose over one-fifth as demand more than doubled from February in Brazil, China, the Netherlands, and Spain.

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

Economic Overview

- The Texas Leading Economic Index was balanced at 104 for the **fifth month** (2007=100). As suggested by the stable leading index for future overall business activity, the Texas Business Cycle Index improved.
- Texas consumer confidence slipped to a **six-month low**, reporting the second confidence setback since the Federal Reserve's series of interest hikes in June 2022.
- Inflation continued to moderate. The U.S. Consumer Price Index (CPI) rate fell below 5 percent, while **Houston's CPI** dropped to 4 percent—the lowest reading since the pandemic.
- Amid moderating consumer price growth, the ten-year U.S. Treasury bond retreated from a historical high of almost 4 percent in October 2022, still attracting long-term investors with a **high yield of 3.46 percent**.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate continued the **downward course** to 6.3 percent, down from 6.9 percent in October 2022.
- Nominal **average hourly earnings** picked up at \$34.4 from \$33 in April 2022. After accounting for inflation, the real earnings remained the same as a year ago.
- The West Texas Intermediate (WTI) crude oil spot price dropped **21.9 percent** YOY from \$101.8 to \$79.5, and the Henry Hub spot price plummeted **67.3 percent** YOY from \$6.6 to \$2.2 per million British thermal units (BTU).
- Texas' crude oil production² improved efficiency, producing **5.4 million barrels** per day in March despite the active rig count dropping to 370, two rigs lower than last month.

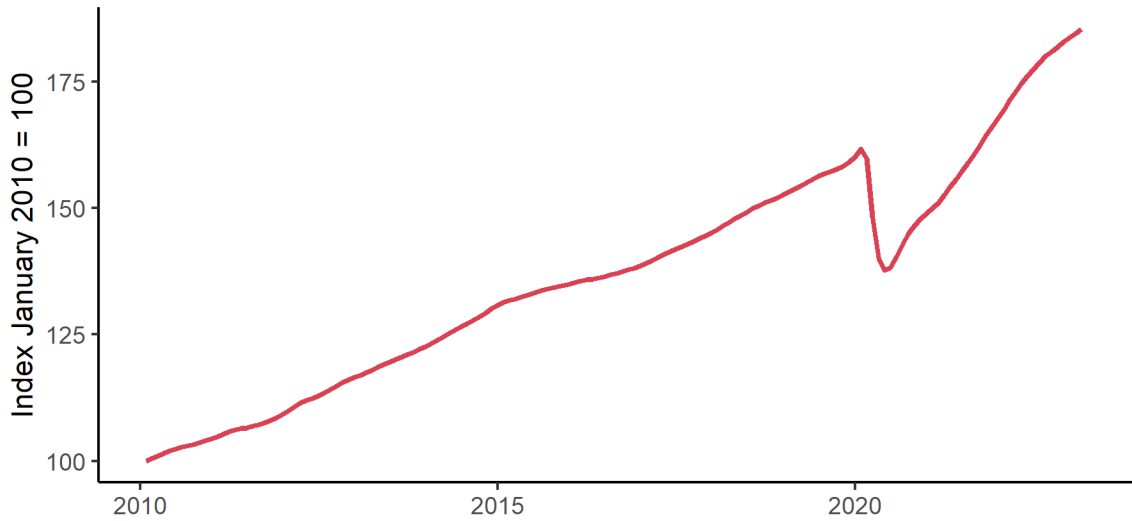
² The release of the crude oil production is lagging the *Outlook for the Texas Economy* by one month.





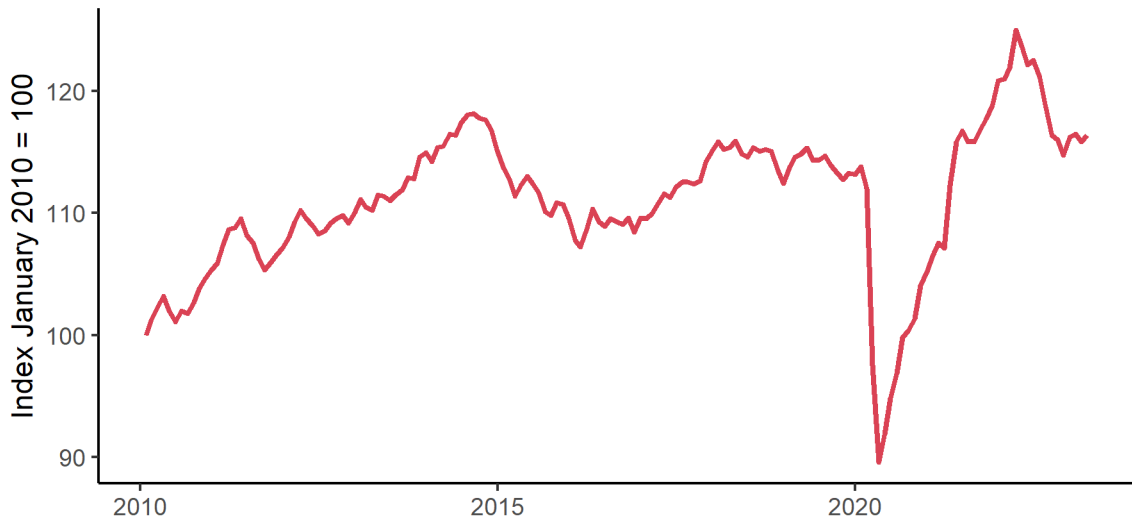
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



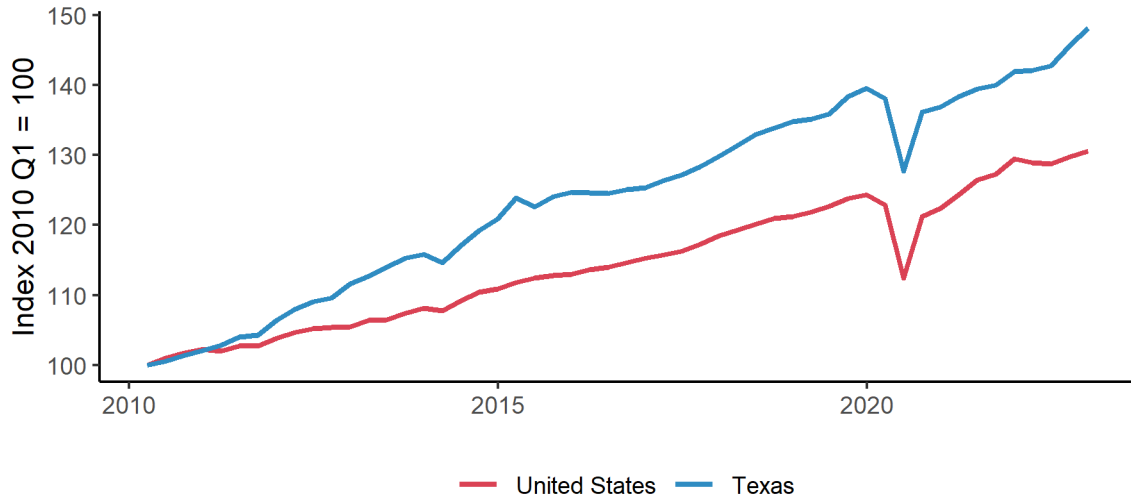
Source: Federal Reserve Bank of Dallas





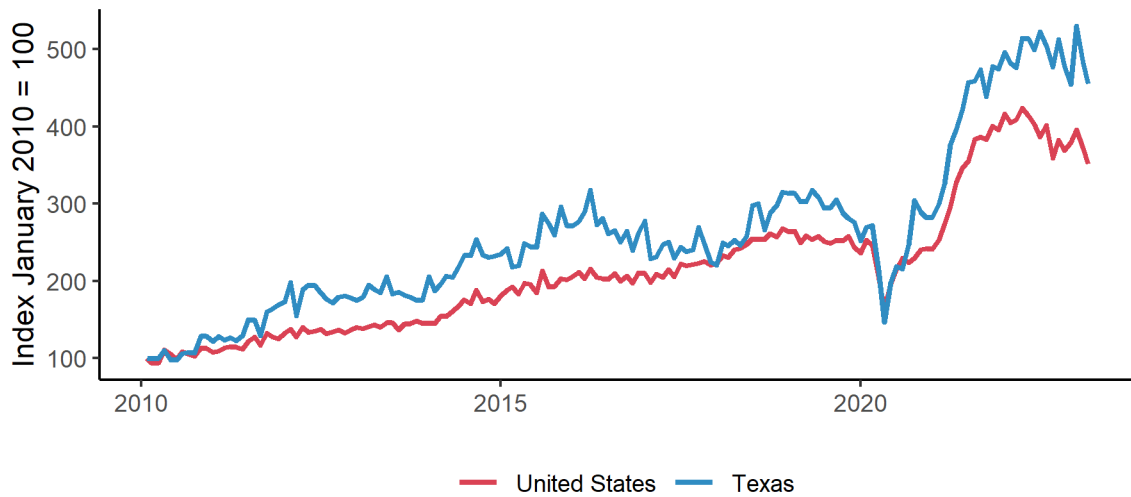
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings



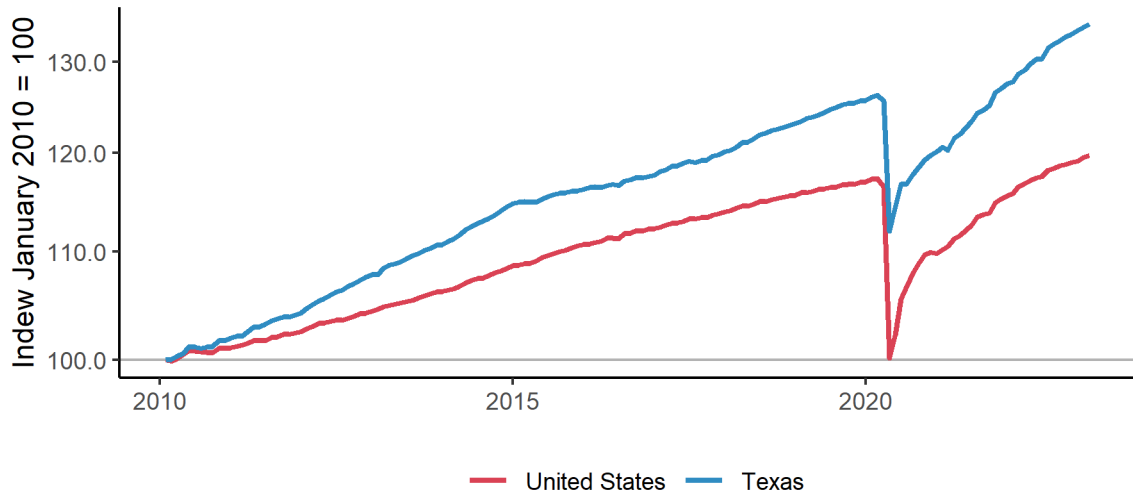
Source: Bureau of Labor Statistics





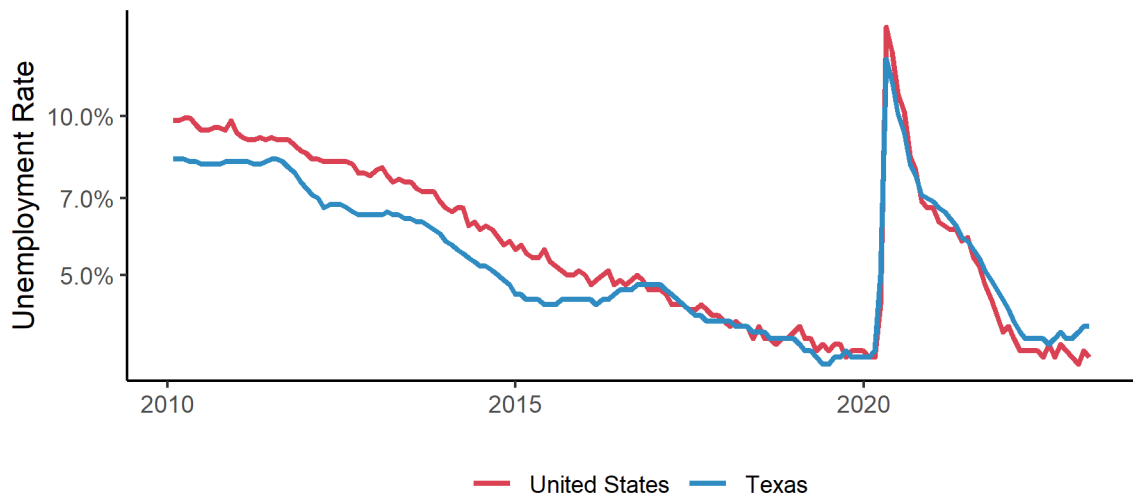
Employment

Employment Index



Source: Bureau of Labor Statistics

Unemployment Rate



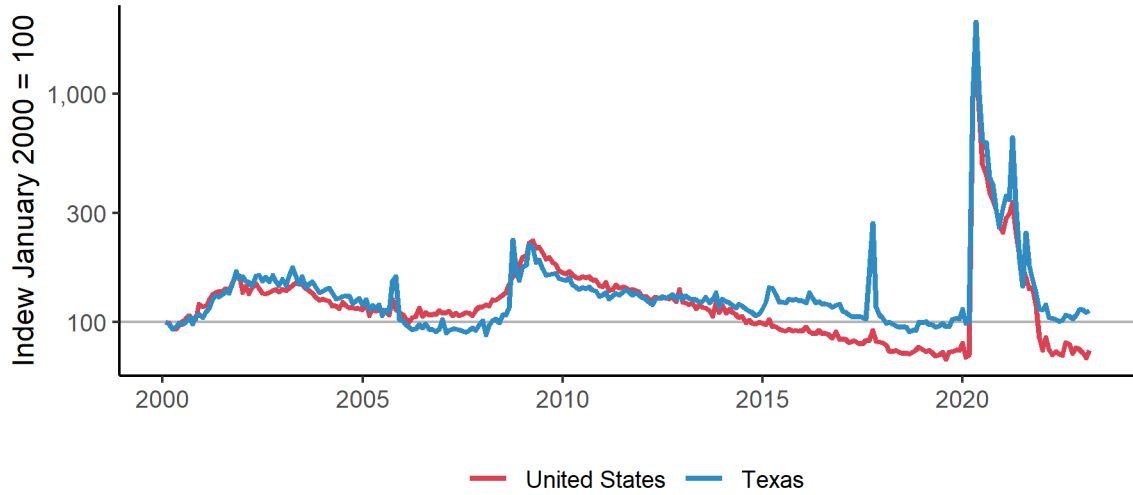
Source: Bureau of Labor Statistics





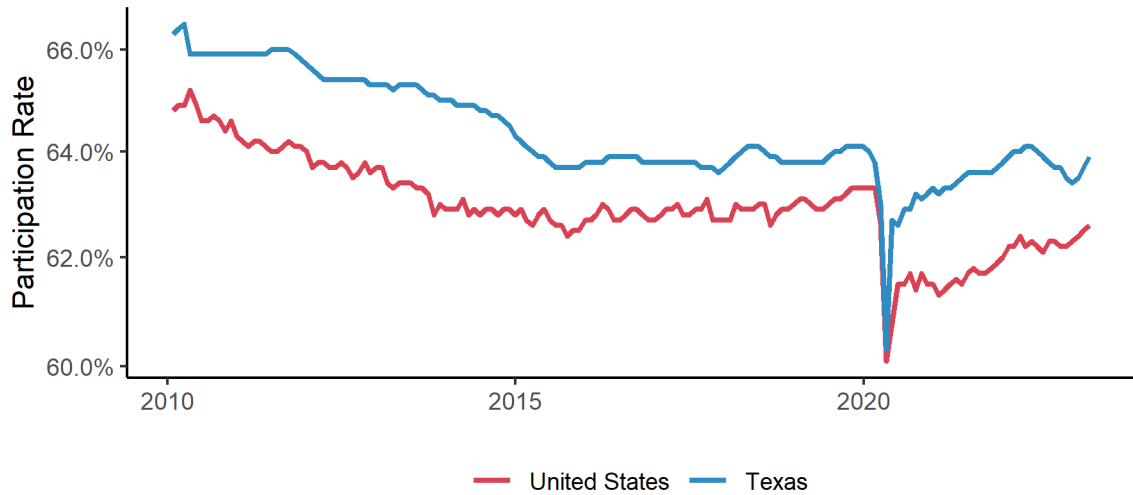
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



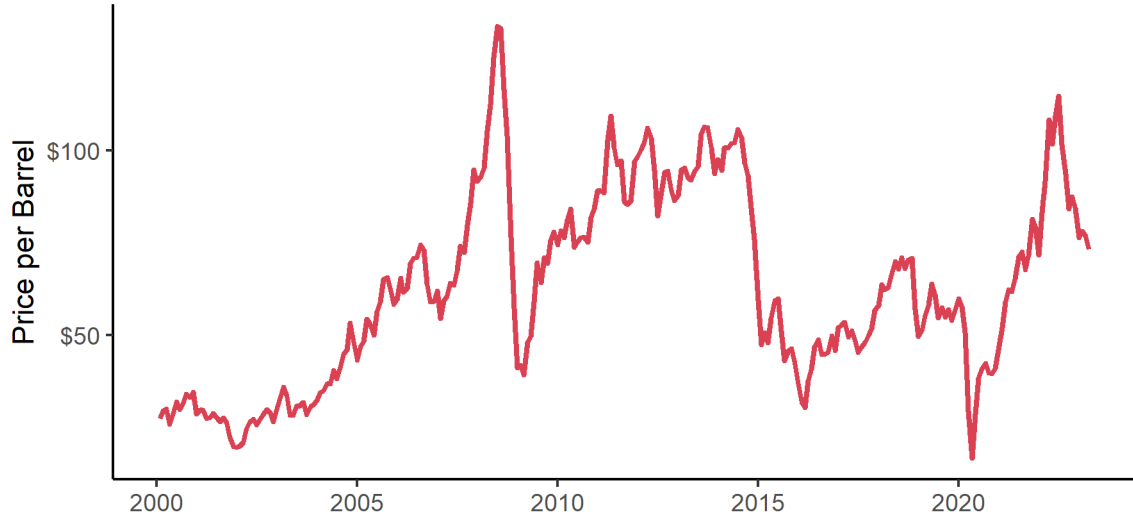
Source: Bureau of Labor Statistics





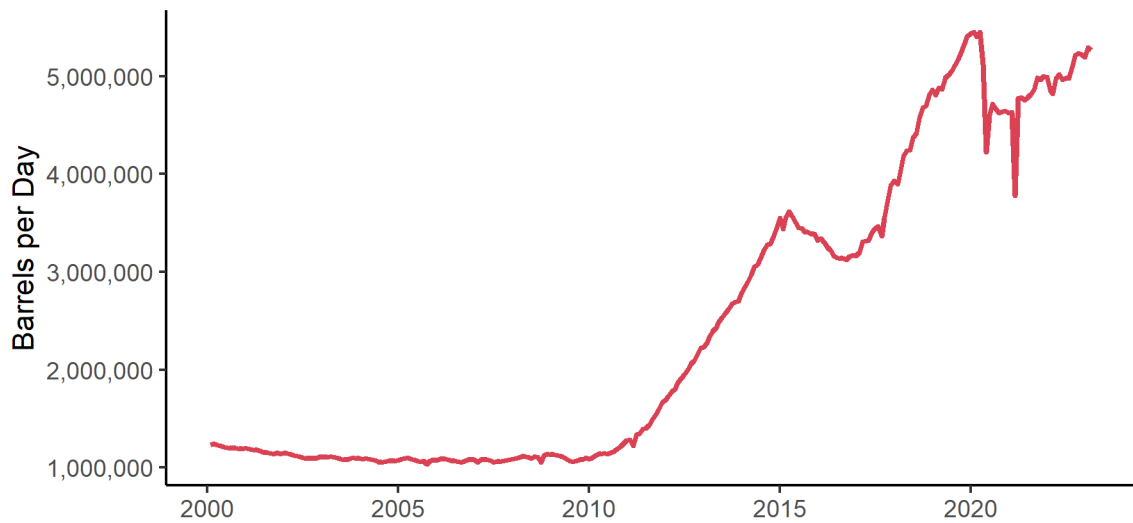
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



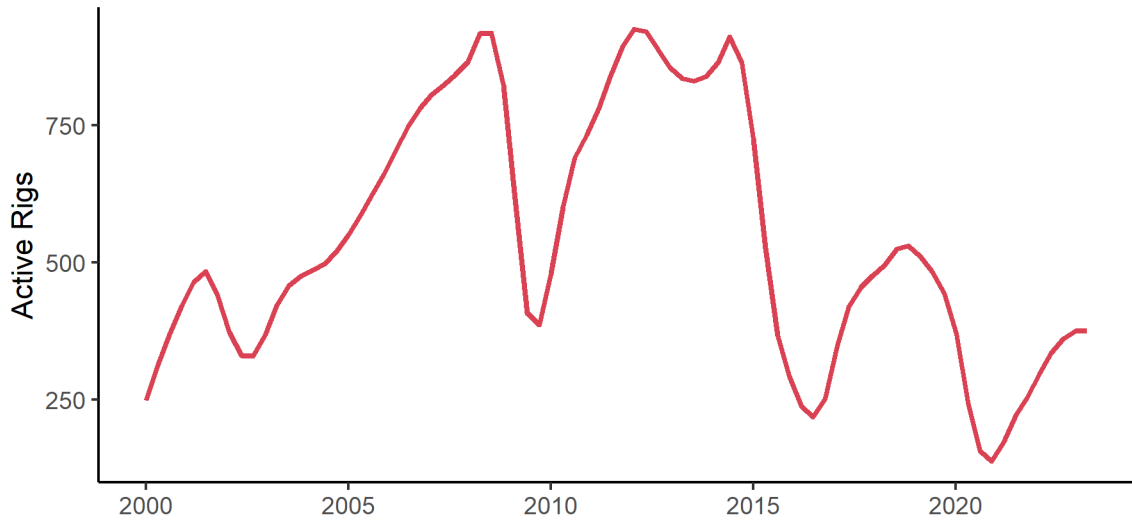
Source: Energy Information Administration





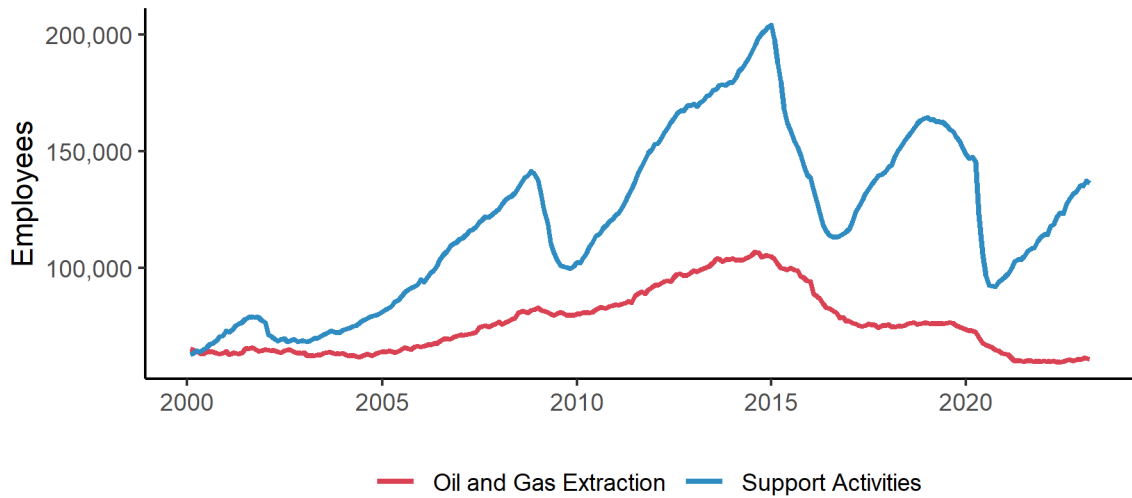
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics

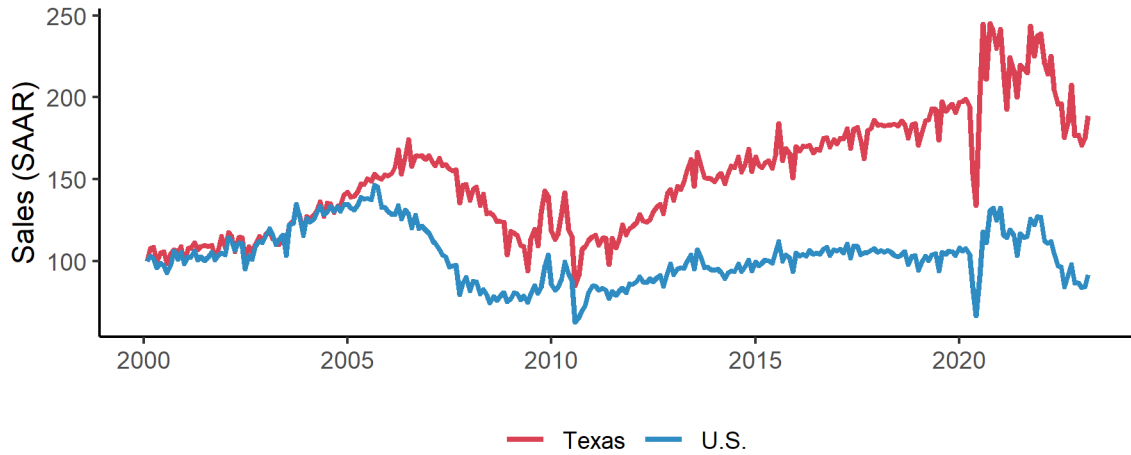




Housing

Residential Home Sales

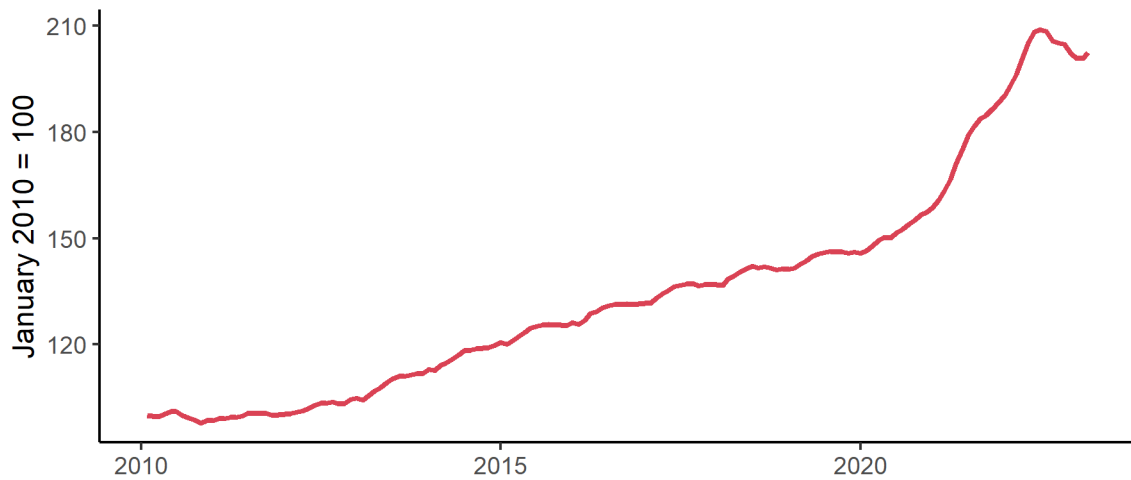
Seasonally Adjusted Annualized Rate



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



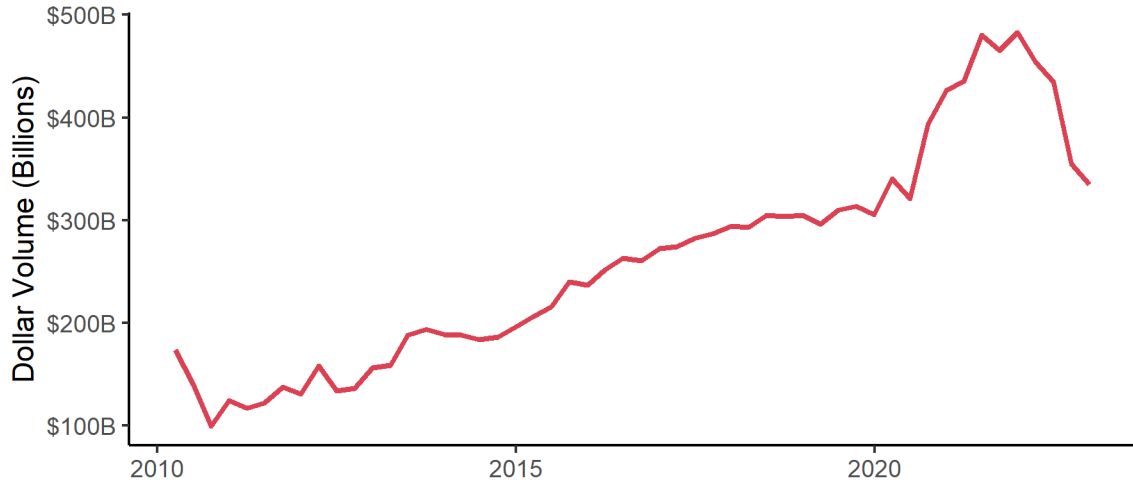
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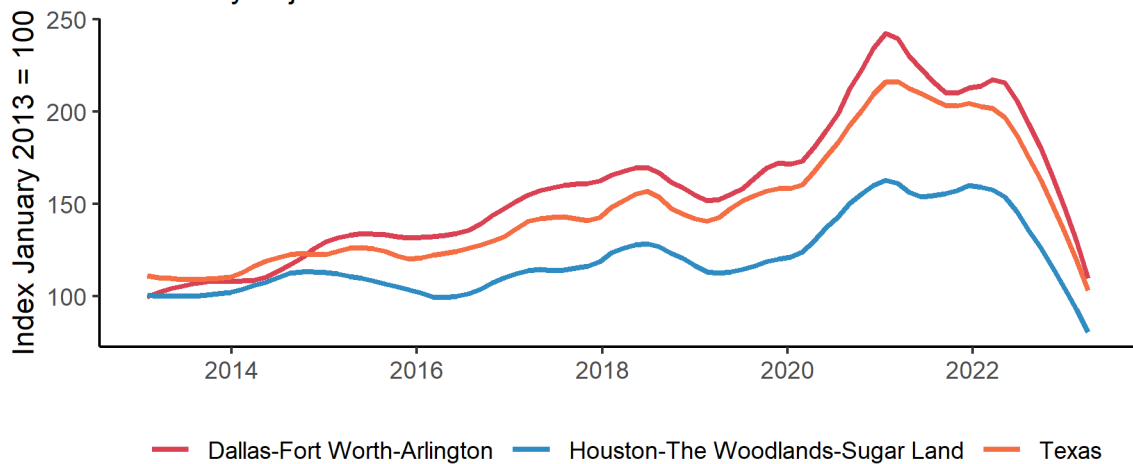
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Index



— Dallas-Fort Worth-Arlington — Houston-The Woodlands-Sugar Land — Texas

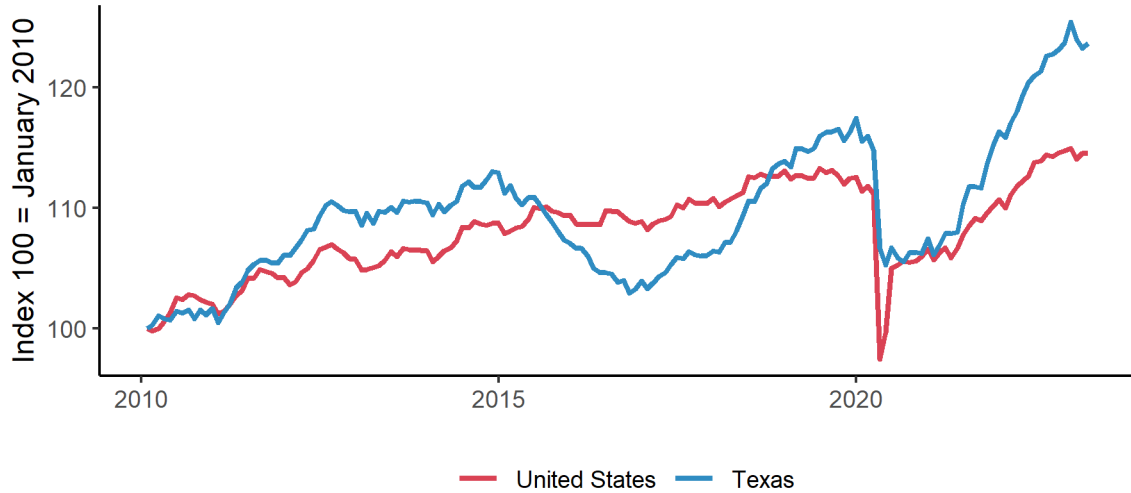
Source: Dodge Data & Analytics - Texas Real Estate Research Center at Texas A&M University





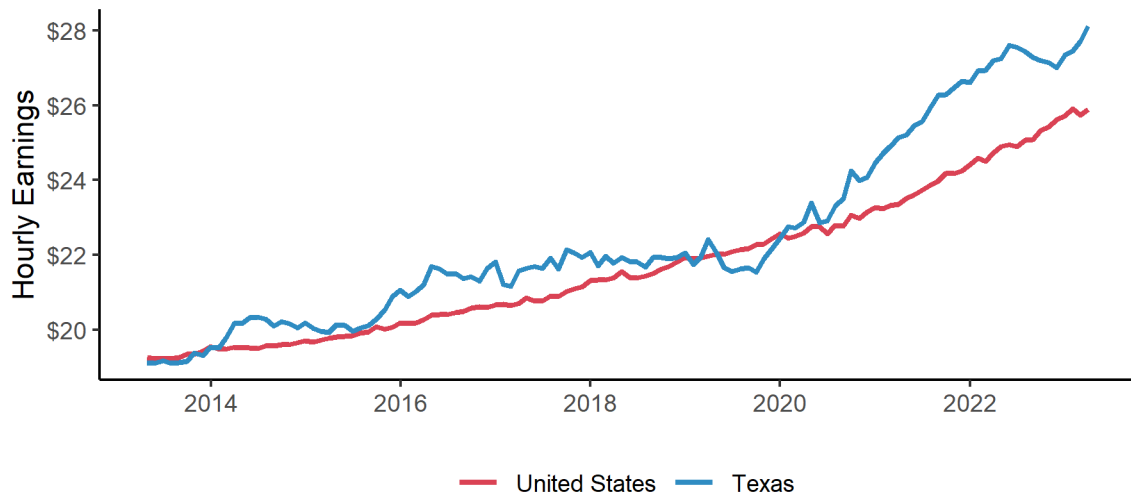
Manufacturing

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



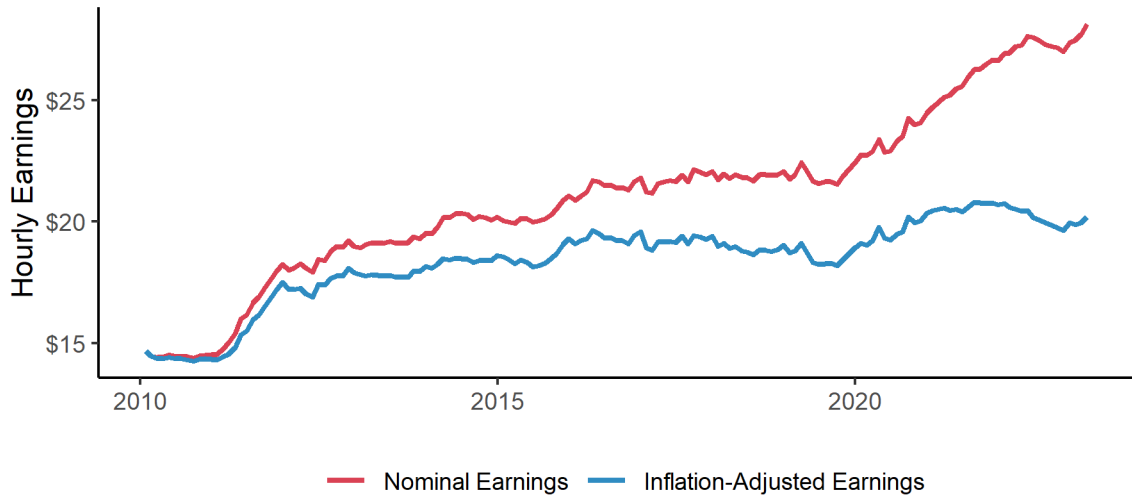
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

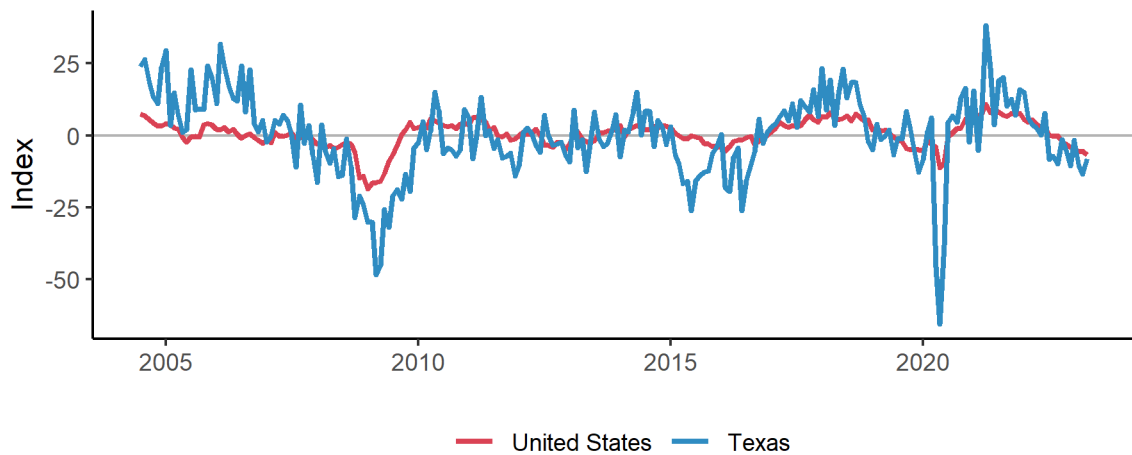
Texas Manufacturing Employee Hourly Earnings



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

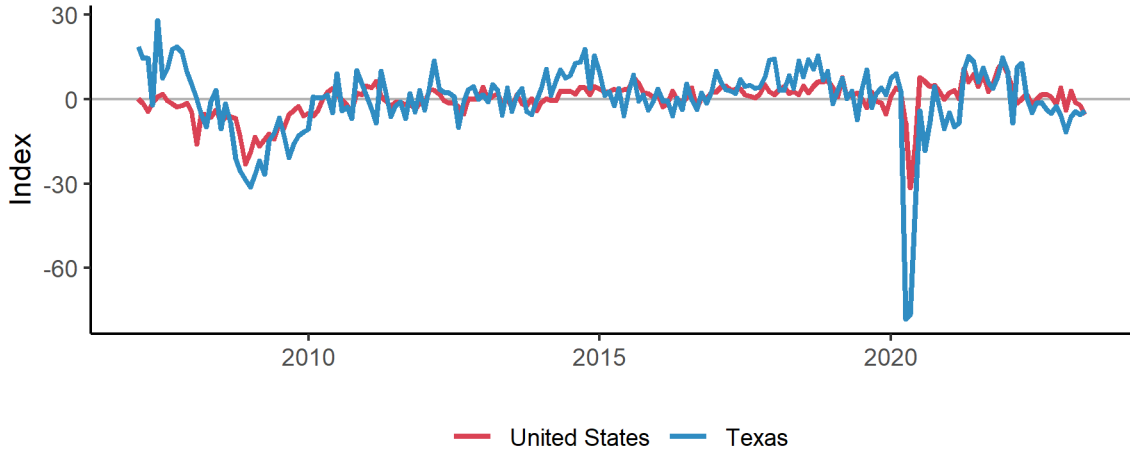




Services

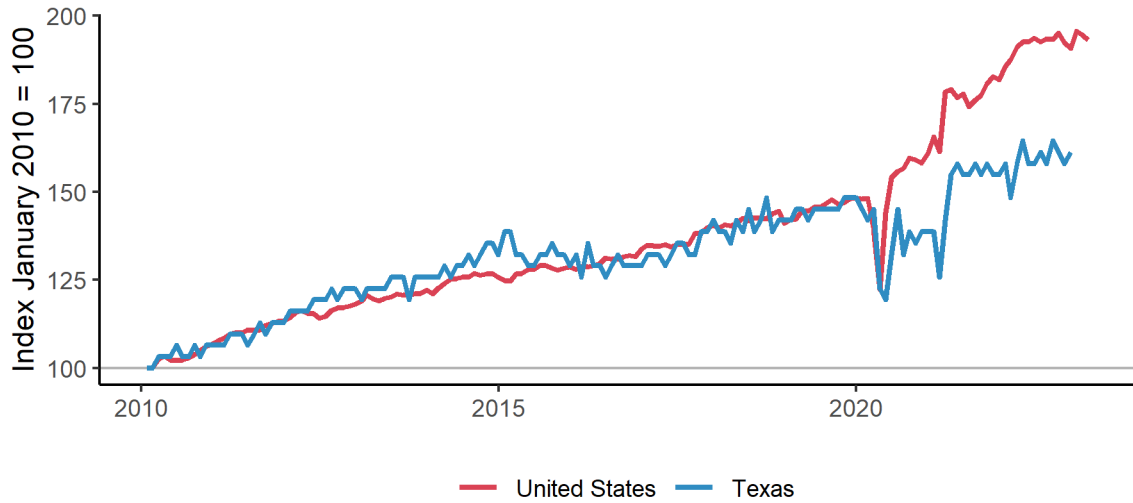
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



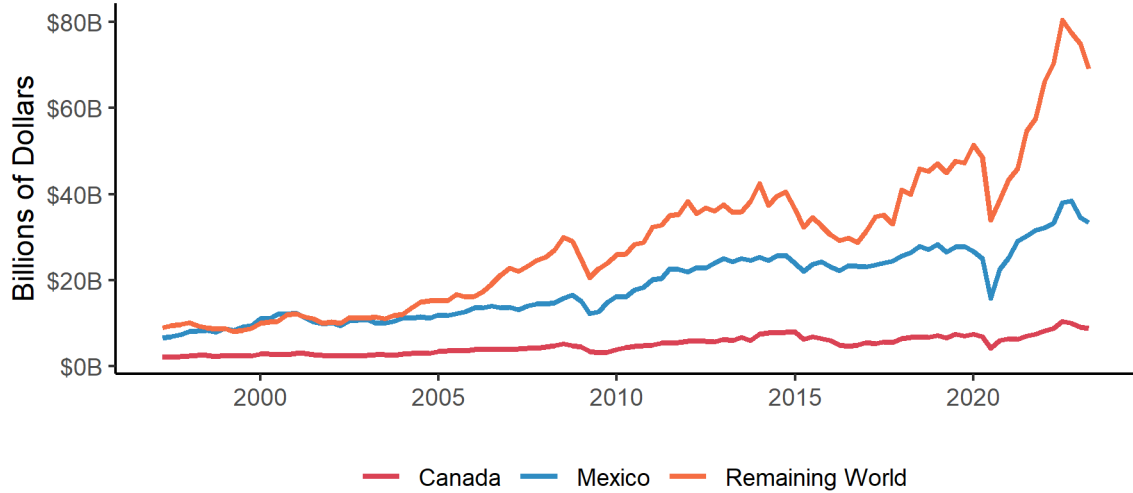
Source: Census Bureau - Federal Reserve Bank of Dallas





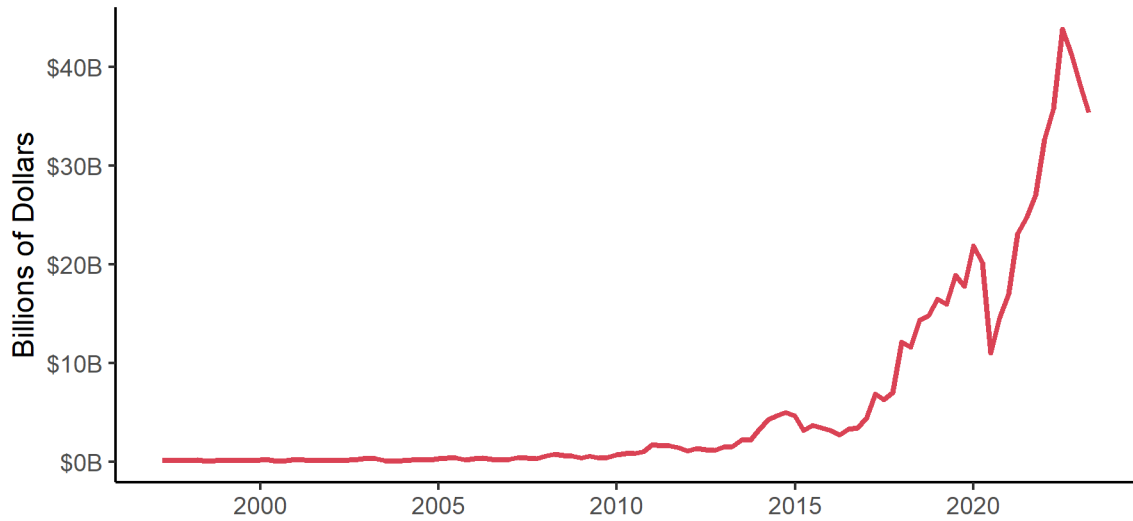
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER



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