

Outlook for the Texas Economy



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MAY 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 June 25, 2023

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May 2023

UNEMPLOYMENT RATE

▲ 4.1%

CPI

▲ 0.1% MOM

NOMINAL AVERAGE HOURLY EARNINGS

▲ 4.0% YOY

ALL-COMMODITY EXPORTS

▼ 12.5% MOM

Summary

2022 was a record year for Texas net trade. However, the subdued outlook on the global economy pulled Texas exports down by 15 percent in a year. The state's housing and retail market also experienced a cooling effect, as sellers and merchants grappled with uncertainty surrounding the Fed's decisions. Despite these challenges, the data still signaled a resilient economy as the leading index improved and the labor market remained a bright spot in May. Employment continued steady growth, serving as the primary sector that maintained an upbeat outlook.

Labor Market Thrives Amid Recessionary Concerns

Contrary to recessionary speculations, the labor market demonstrated resilience, with **total nonfarm employment** expanding 4 percent year over year (YOY). Major metropolitan areas also exhibited strong payroll growth, ranging from 3.7 percent in Houston to 4.4 percent in San Antonio. The state payroll gained 51,000 additional workers, with growth observed in both the goods-producing sector (up 6,400 workers) and the service-producing sector (up 44,600 workers). Notably, the energy industry and administration/waste management/remediation services had a booming month.

Job seekers in Texas displayed optimism in the job market, as reflected in higher participation rates. The **unemployment rate** remained healthy, ticking up ten basis points to 4.1 percent. As people transitioned between jobs, the weekly average of initial unemployment claims hiked from 14,600 to 18,800 applications. The **Texas labor force participation rate** climbed for the fifth consecutive month, reaching 64.2 percent. Over the course of a year, Texas attracted 338,000 new workers, resulting in a total labor pool of more than 15 million individuals—a historical high for the labor market.

Inflation Moderates Despite Housing and Transportation Holding Back

The Consumer Price Index (CPI) showed easement, decelerating from 0.4 percent month over month (MOM) in April to 0.1 percent in May. The energy index was the major component that led to cost moderation, especially for fuel oil. On the other hand, the index for shelter had been holding back as the index stuck around 0.6 percent due to consistent housing demands, followed by an increase in the index for used cars/trucks.



Housing Market Sees Shortened Sale Time for First Time in 14 Months

Total home sales recovered half of the losses from April's slump and expanded to 28,933 transactions, equivalent to a 5.3 percent MOM increase (Table 1). All four metropolitan areas experienced significant growth in sales volume. Austin showed the highest monthly elevation with a double-digit growth rate, catching up to San Antonio's sales level with over 2,900 transactions. Houston had the second most impressive rate at 8.2 percent, bridging the gap between Dallas' single-family transactions.

Texas' **average days on market (DOM)** retreated for the first time since March 2022, falling three days to 56, straying from historical norms. Before 2020, the five-year DOM average was 59 days. The market is becoming more competitive as buyers across three out of the four major metros recorded a decrease in DOM. Dallas recorded the biggest drop to 51 DOM, over a 7 percent decrease from the previous month. Houston and San Antonio were the only two MSAs that did not record a downtick, as the readings balanced at 52 and 68 days, respectively.

Merchants Hold a Dimmed Outlook on the Economy

Nominal **average hourly earnings** were 4 percent greater than in May 2022 at \$31.29, shying only five cents below Texas' highest average hourly earnings, which occurred in January 2023. Business executives responded to **Dallas Fed's Service Sector Outlook Survey** with positive feedback on the industry revenue. However, they had pessimistic outlooks regarding the broader business conditions due to high interest and inflation rates as the index remained deep in the negative territory.

Retail payroll added another 6,500 workers this month. While retail employment grew 2 percent YOY, retail sales activity reported increased monthly sales revenue as Texas retail sales tax collections rose from \$4.9 billion in May 2022 to \$5 billion in May 2023. However, both retail and wholesale merchants reported declined sales on **Dallas Fed's Retail Outlook Survey** as well as declined inventory buildup. Similar to the service providers, the retailers held a pessimistic view on the general business condition. The future sales index fell amid lower expectations for future retail activities.

Global Trade Wanes after March's Hike

The one-month export burst in April did not persist as **all-commodity exports** lost 12.5 percent MOM and 15 percent YOY, dropping \$5.1 billion in a month. Comparing **manufacturing exports'** YOY performance, petroleum/coal products had the largest net loss of \$2.3 billion, and computer/electronic products followed with \$495.7 million. Beverage/tobacco had the largest percentage loss at 64.9 percent, suggesting that the need for such leisure could diminish with a waning global economy. Demand for Texas' **crude oil exports** slipped nearly 10 percent YOY. The countries that withdrew the most were India, Canada, and Brazil. China, on the other hand, registered a big increase where demand more than doubled from 2022 in the January to April period—a direct result of China's COVID-19 protocol loosening and more drivers on the road.



Economic Overview

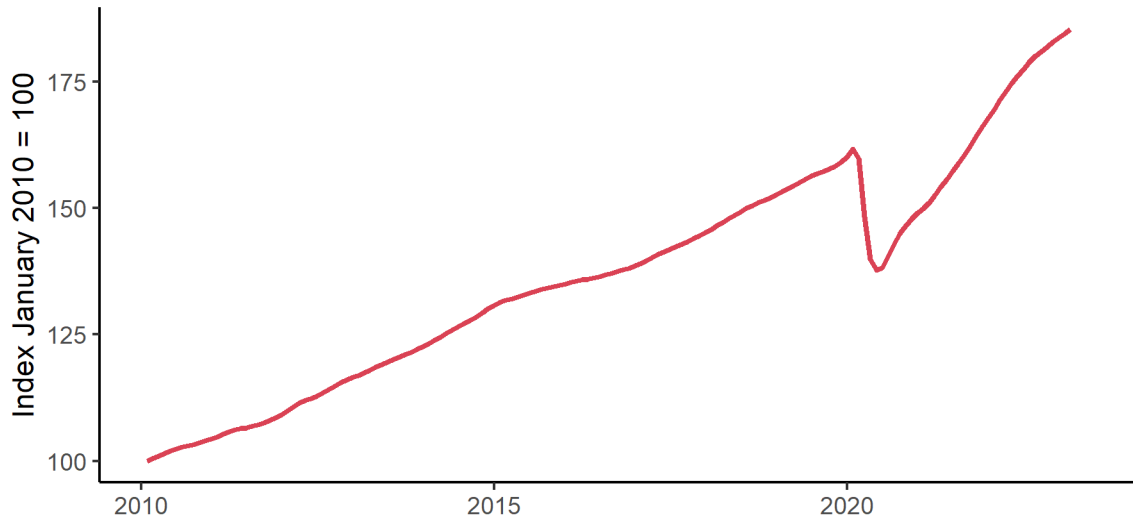
- After data adjustment, the Texas Leading Economic Index had a weaker reading at 102.4 in April, but it advanced to 104.7 in May—the highest reading in the past nine months (2007=100).
- Texas consumers reportedly were 2.6 percent more confident about the economy than the average U.S consumer, due in large part to Texas' strong employment growth rate.
- After a rise of over 10 basis points, the ten-year U.S. Treasury bond rose to **3.57 percent**, increasing investors' confidence for economic growth.
- The cost of buying homes was on the rise as the Federal Home Loan Mortgage Corporation's 30-year fixed-rate rebounded just shy of ten basis points to **6.4 percent**.
- Amidst the decreasing cost of energy bills, The West Texas Intermediate (WTI) crude oil spot price dropped **29.2 percent** YOY from \$110.5 to \$71.8, and the Henry Hub spot price plummeted **67.3 percent** YOY from \$6.6 to \$2.2 per million British thermal units (BTU).





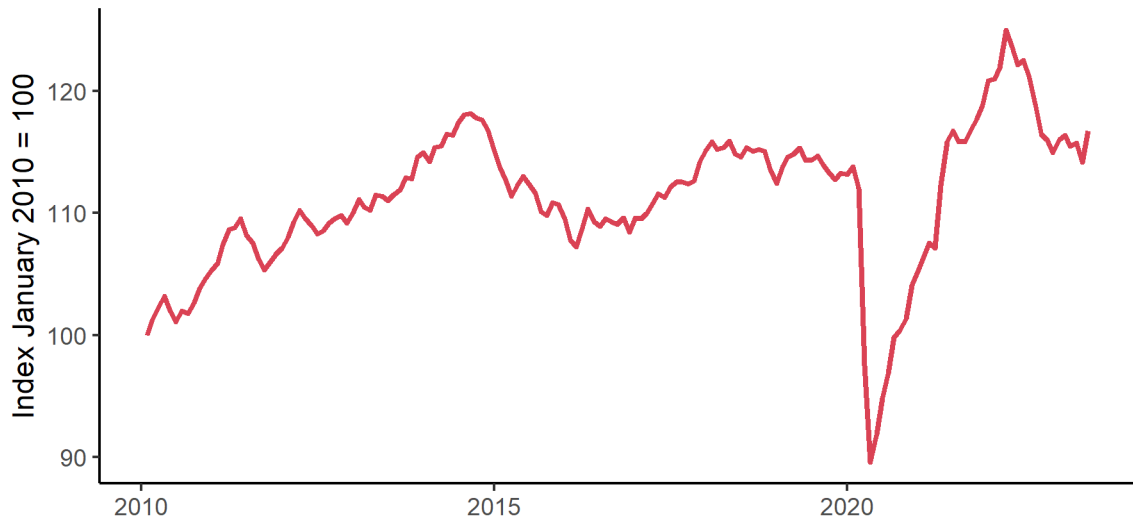
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



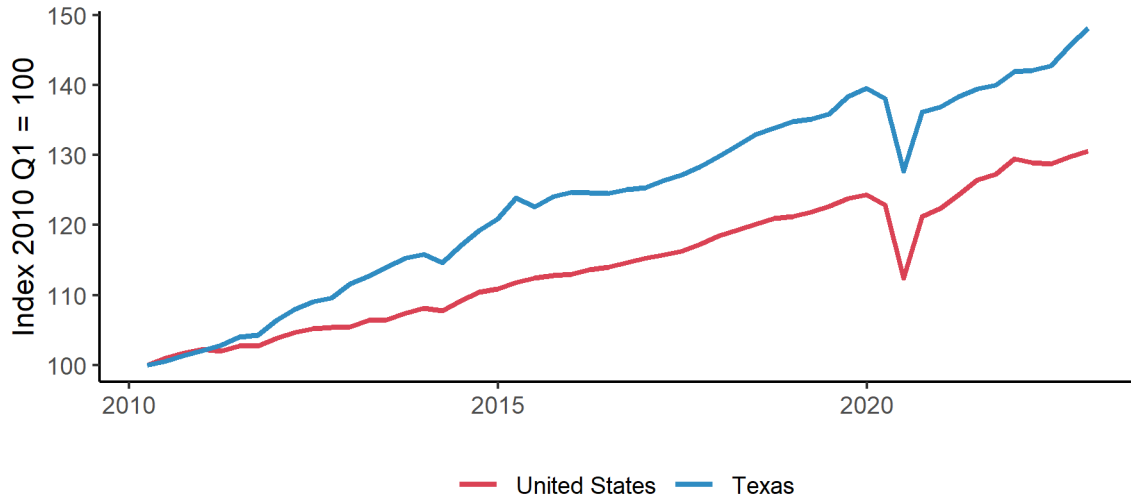
Source: Federal Reserve Bank of Dallas





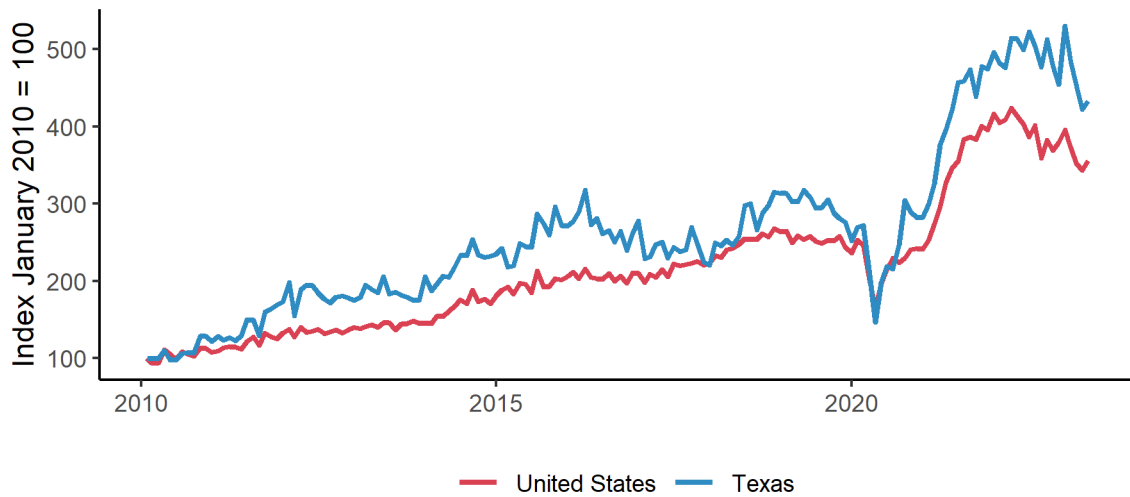
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

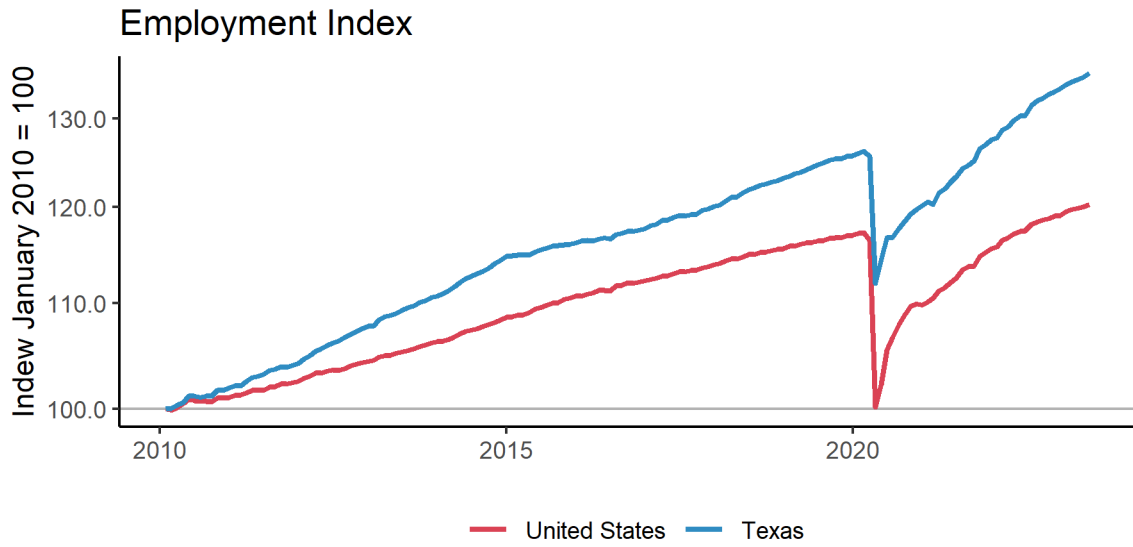


Source: Bureau of Labor Statistics

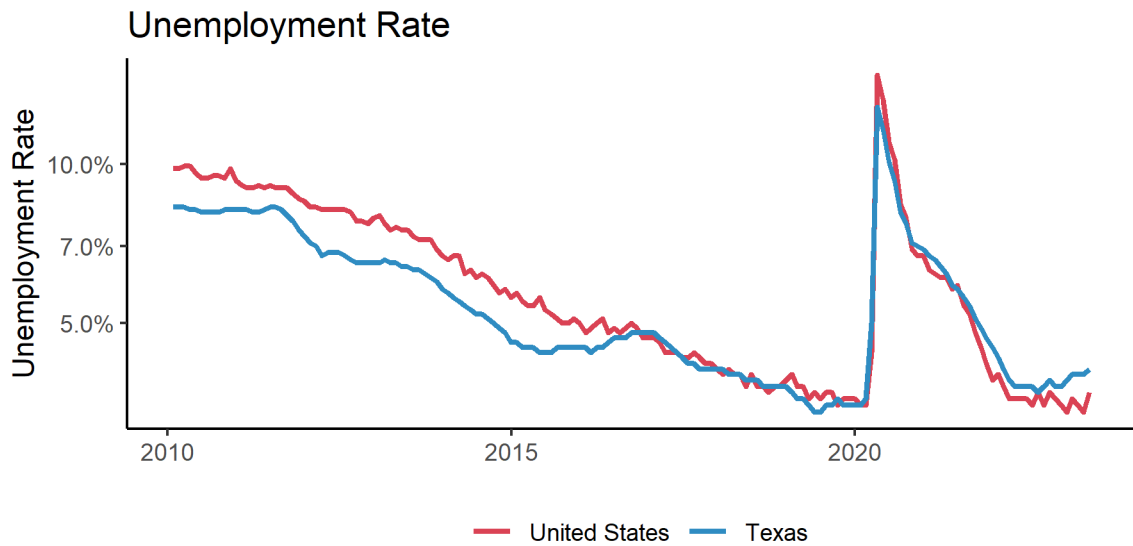




Employment



Source: Bureau of Labor Statistics

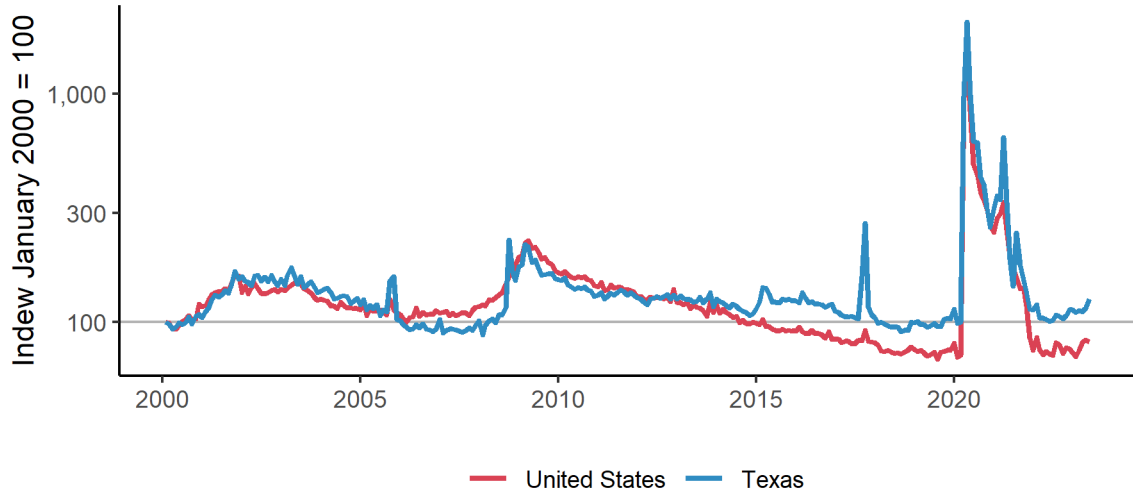


Source: Bureau of Labor Statistics



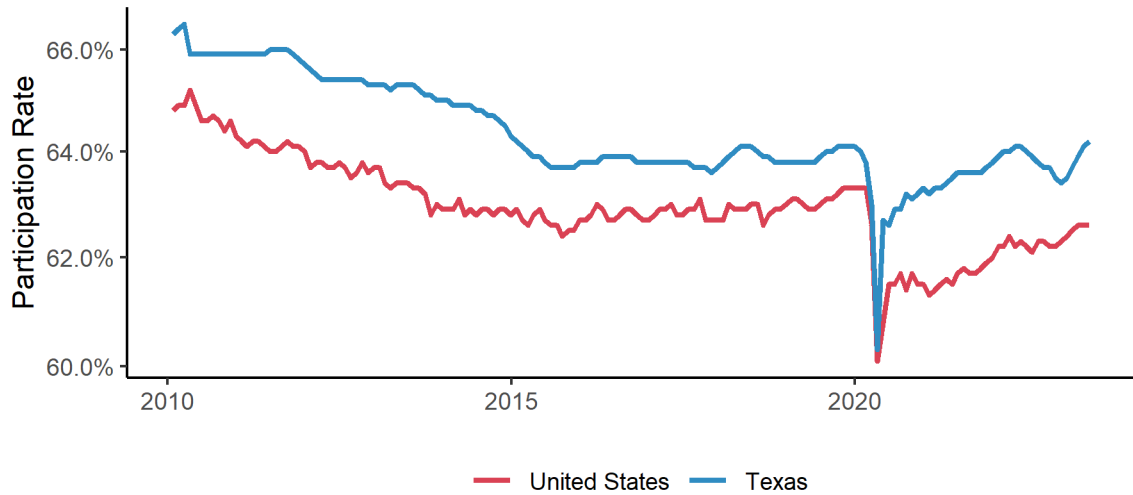
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



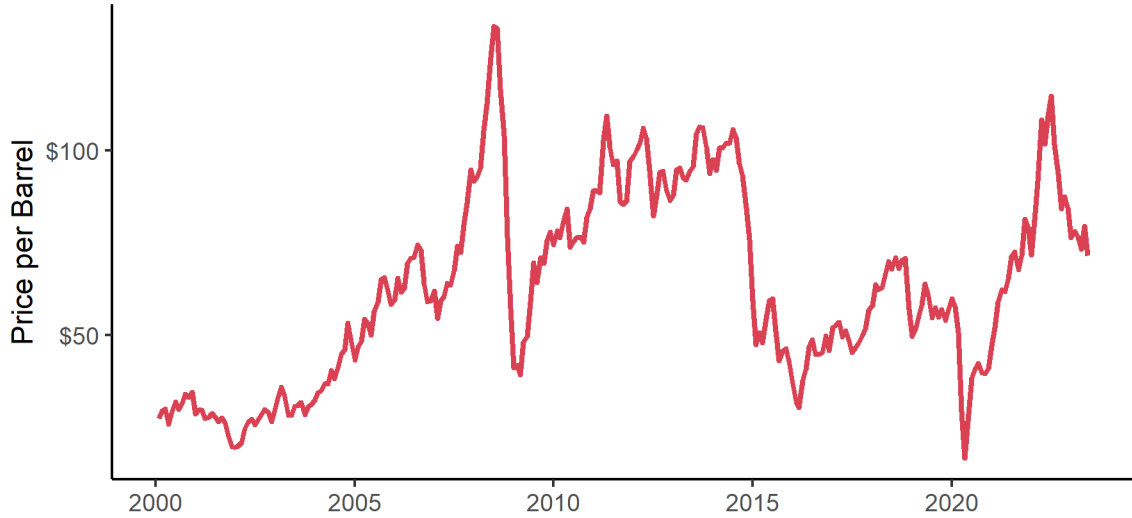
Source: Bureau of Labor Statistics





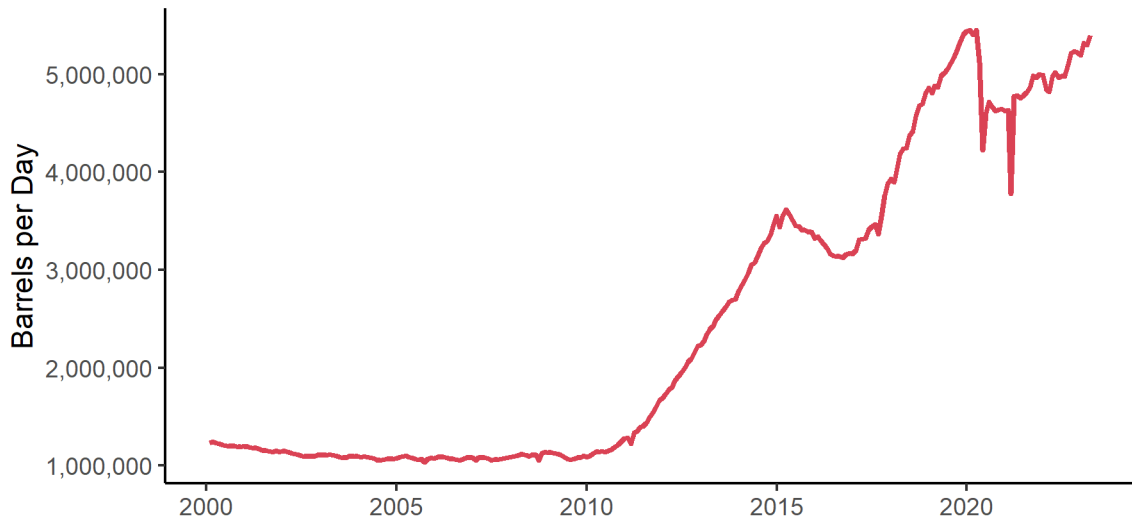
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



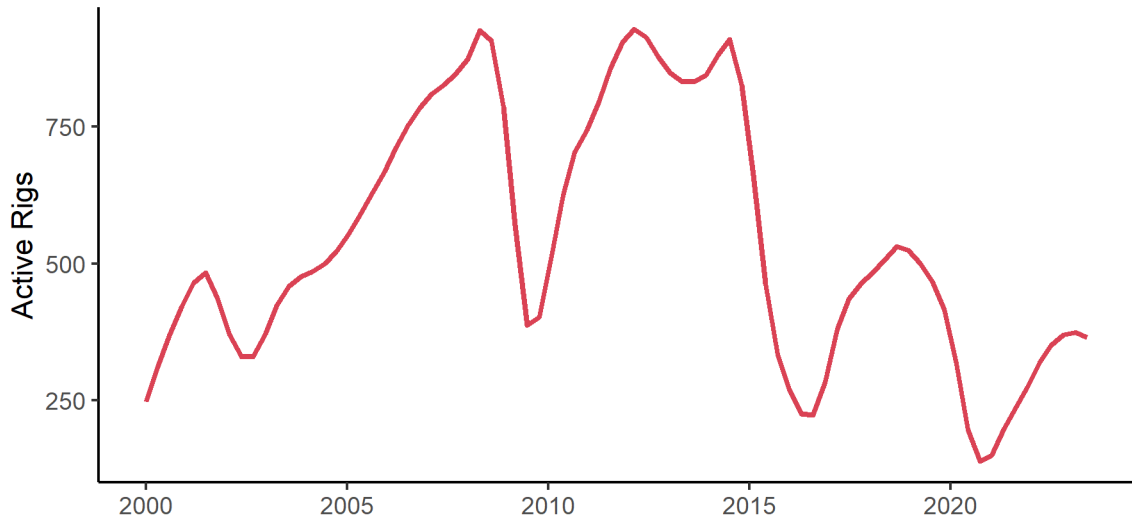
Source: Energy Information Administration





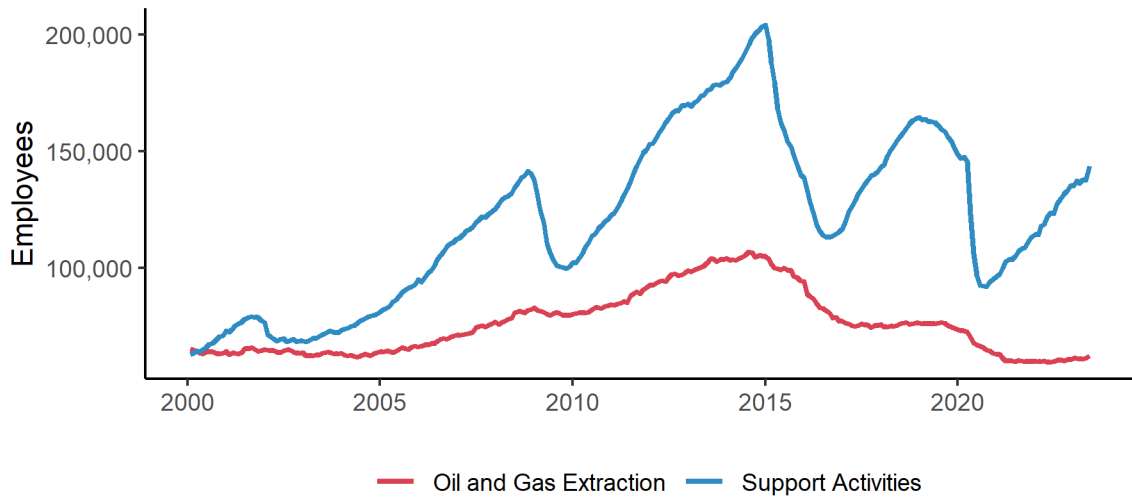
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics

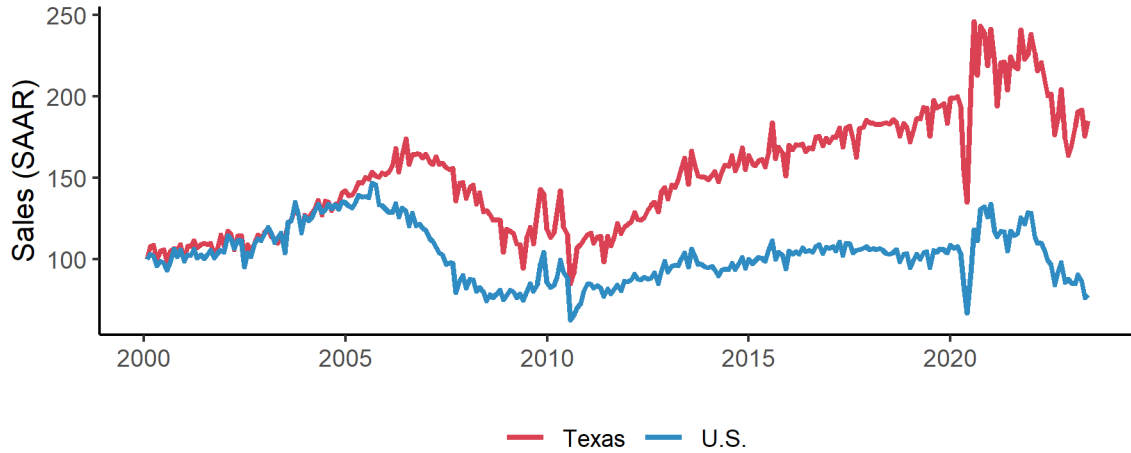




Housing

Residential Home Sales

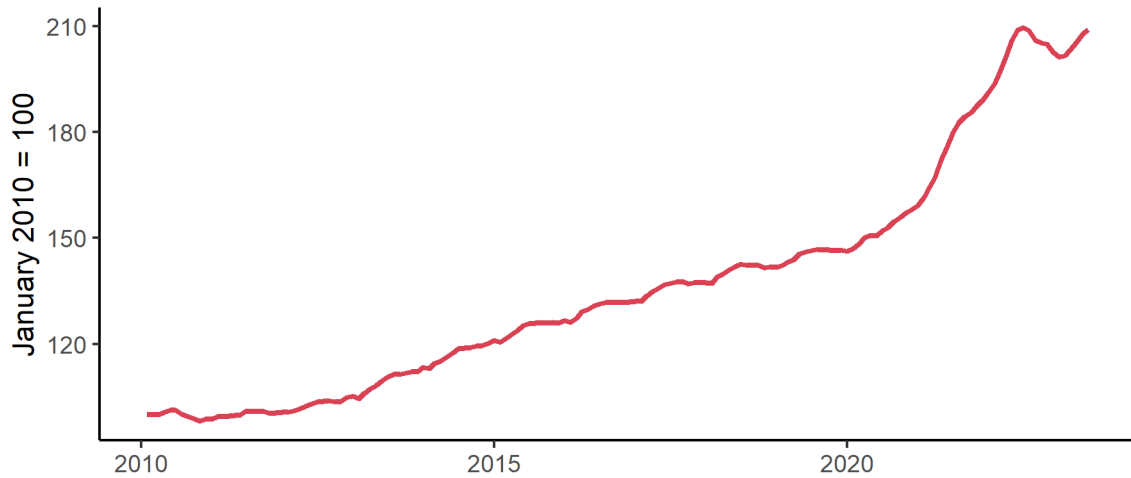
Seasonally Adjusted Annualized Rate



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



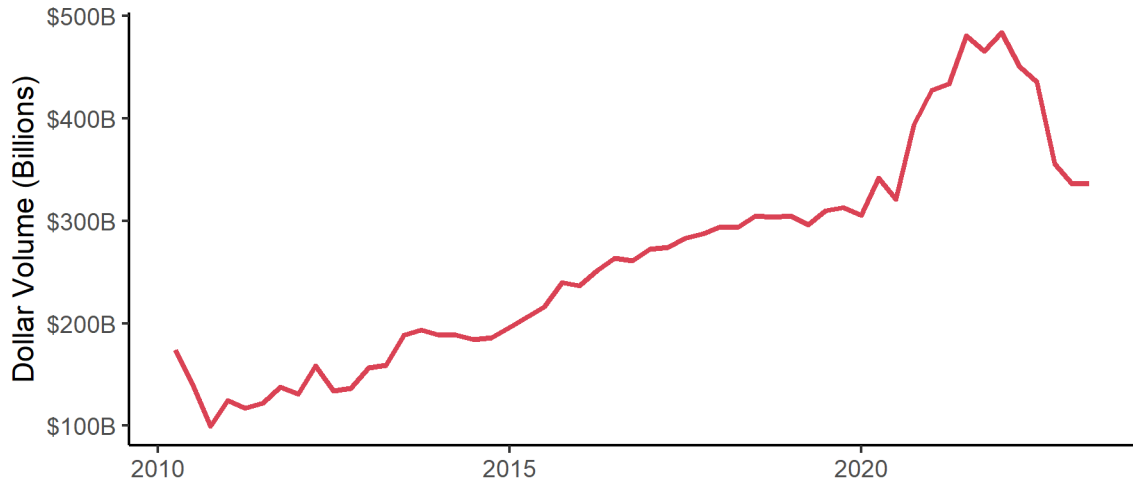
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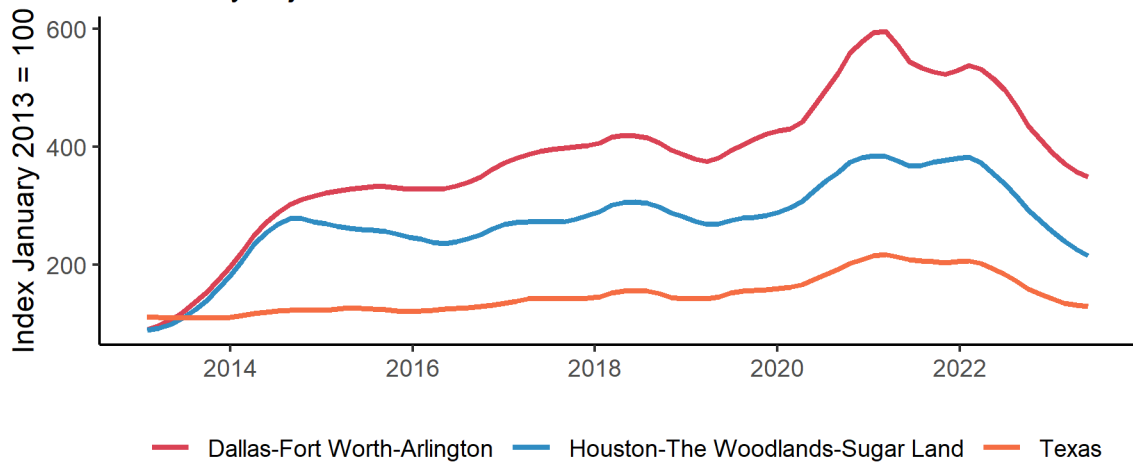
Housing

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

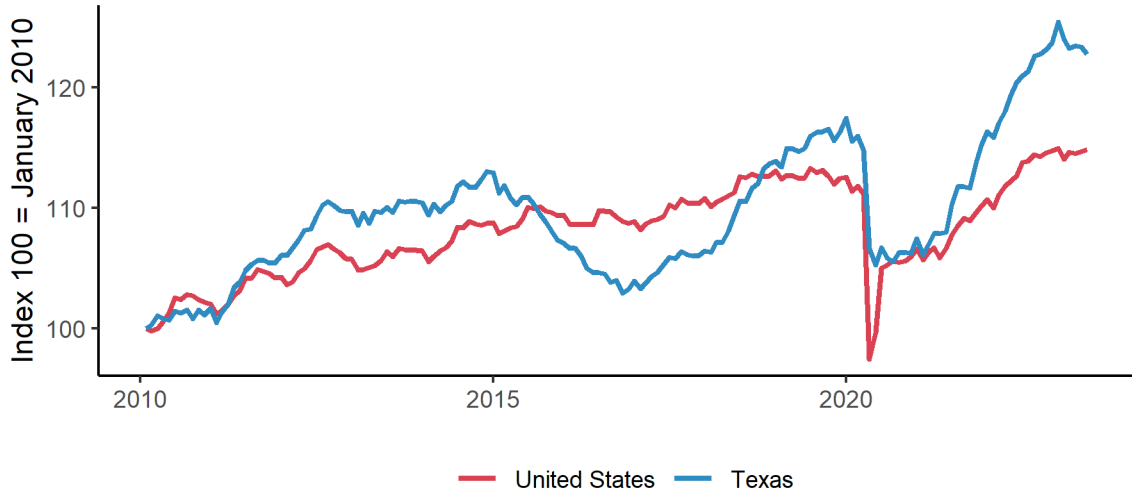
Source: Dodge Data & Analytics - Texas Real Estate Research Center at Texas A&M University





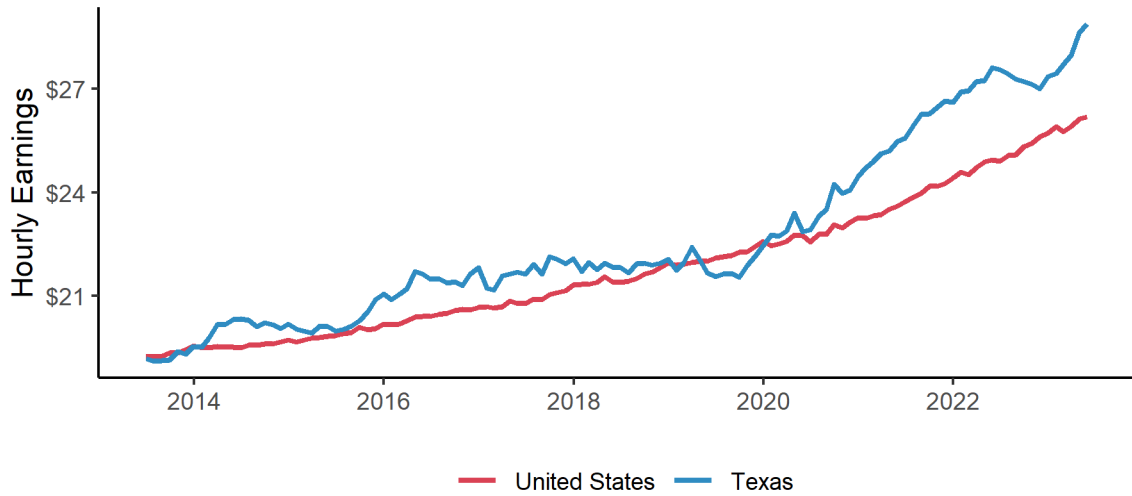
Manufacturing

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



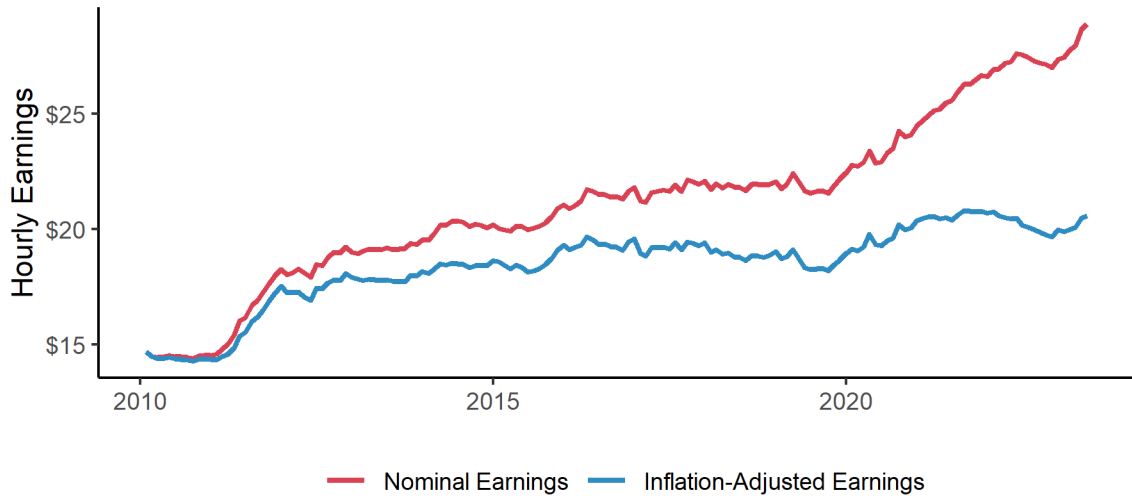
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

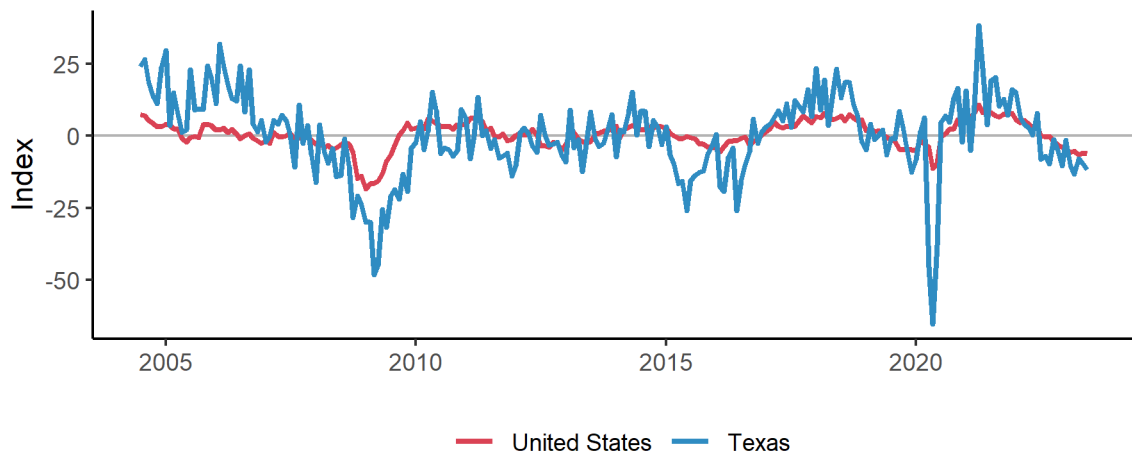
Texas Manufacturing Employee Hourly Earnings



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

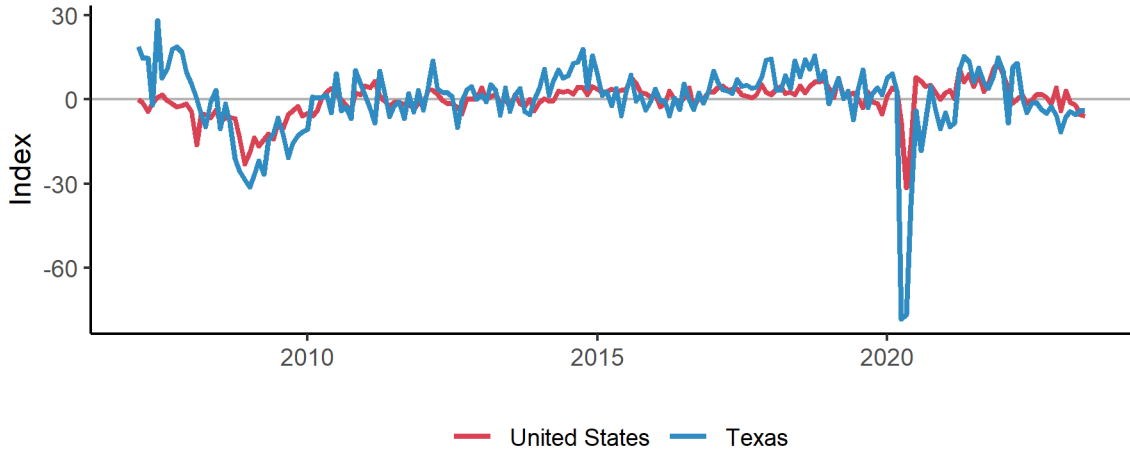




Services

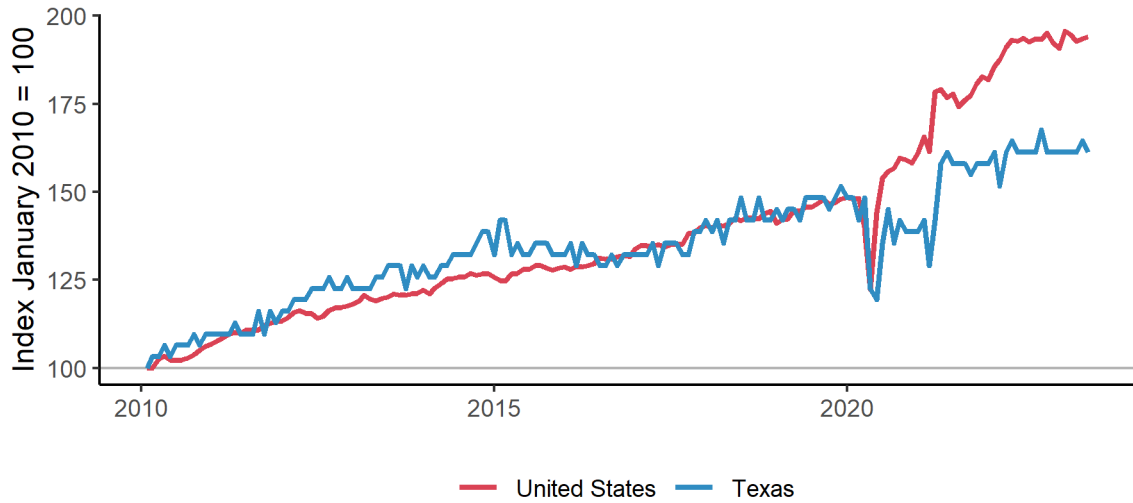
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



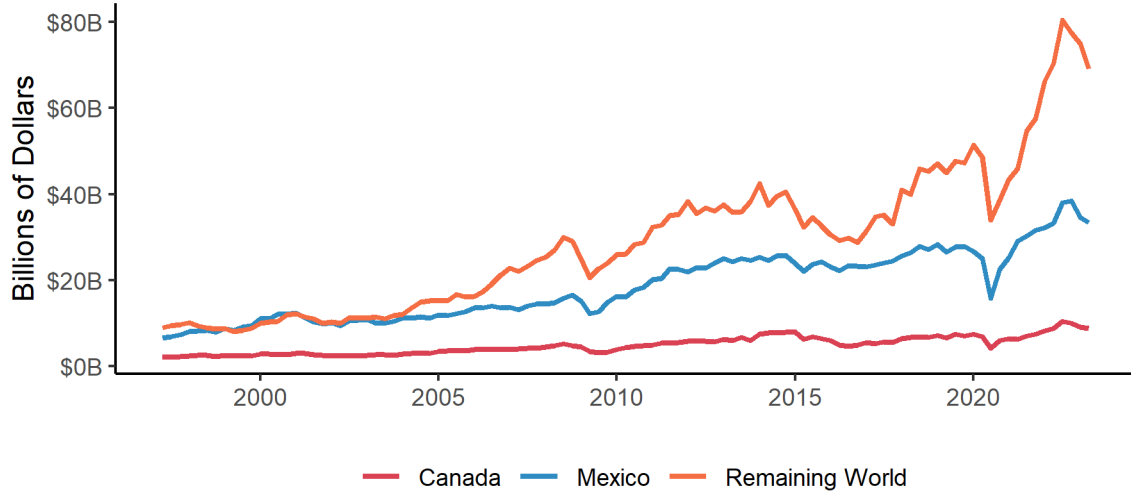
Source: Census Bureau - Federal Reserve Bank of Dallas





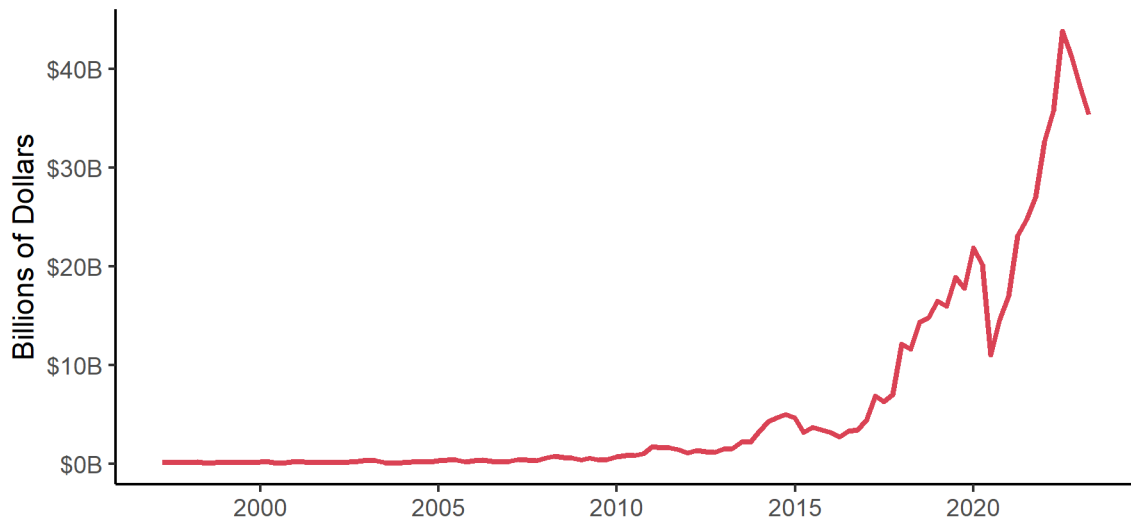
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER





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