

# Outlook for the Texas Economy



**JOSHUA ROBERSON**  
LEAD DATA ANALYST

**WEILING YAN**  
RESEARCH INTERN

**KOBY McMEANS**  
RESEARCH INTERN



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AUGUST 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](mailto:info@recenter.tamu.edu).

Joshua Roberson, Weiling Yan, and Koby McMeans

Data current as of September 22, 2023

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## August 2023

UNEMPLOYMENT RATE

4.1%

TOTAL HOME SALES

9.5% MOM

TX CONSUMER CONFIDENCE

16.3% MOM

CRUDE OIL EXPORTS

3.1% MOM

### Summary

Texas' economy began showing signs of the Federal Reserve's actions, and consumer confidence plummeted from price increases in gasoline. However, Texas' labor market remains strong. Despite the cooling economy, the business outlook for both retail and service sectors remained positive. Crude oil exports rebounded after three months of reduction, and the state's housing market picked up from last month's decrease.

### CPI Rises as Shelter Climbs for 40<sup>th</sup> Month

The Consumer Price Index (CPI) jumped 0.6 percent month over month (MOM). According to the Bureau of Labor Statistics, the index for gasoline contributed over 50 percent of the monthly increase. The shelter index rose for its 40th consecutive month as rents rose. August's CPI changed 3.7 percent year over year (YOY), which is still above the 2 percent goal the Fed seeks to pursue. As the Fed continues to fight inflation, their eyes will also be on minimizing the negative impact those rate increases will have on the labor market in the coming months.

### Employment Balances Amidst Contrasting MSA Employment

**Total nonfarm employment** expanded 0.12 percent MOM, remaining relatively unchanged as Dallas and Houston added 16,900 and 11,300 workers, respectively. The state payroll netted 16,700 new workers in July, helped largely by gains in the government sector (up 12,100) and the service-producing sector (up 11,800). Leisure and hospitality continued into its second month of strong growth while education and health services struggled with 7,300 layoffs.

Job seekers continued to display optimism in the job market, as evidenced by the high participation rate of 64.6 percent. The **unemployment rate** remained unchanged for the fourth month in a row at 4.1 percent, and the continued unemployment claims averaged around 125,100 applications on a weekly basis. Over the course of a year, Texas attracted 432,903 new workers, continuing to surpass the record-high total labor force.

### Rebounded Home Sales Speed up Market Time by Two Days

Amid a slowdown in the real estate industry, Texas' **total home sales** improved from last month's three-year low after reaching over 27,000 transactions in August. The sales activity picked up at an impressive rate of 9.5 percent MOM, but the activity level was still 8 percent lower than last year's



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reading. Sales ticked up uniformly this month in all four major metros, growing between 0.8 percent to 9.7 percent (see table).

### Home Sales Volume

	Jul	Aug	Monthly Changes
Texas	24,928	27,285	↑ 9.5%
Austin-Round Rock	<b>2,282</b>	2,454	↑ 7.5%
Dallas-Fort Worth-Arlington	6,989	<b>7,045</b>	↑ 0.8%
Houston-The Woodlands-Sugar Land	6,766	7,041	↑ 4.1%
San Antonio-New Braunfels	2,493	2,735	↑ 9.7%

Note: Seasonally adjusted data used for the reported metrics.

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

Reduced home sales were mostly reflected by constrained sales of existing homes, while the new construction market hiked in demand. Sales for new construction grew by 20 percent in a year. Correspondingly, the market share of new construction sales climbed five percentage points to 21.7 percent. This indicates that for every five closed listings, one was a new home. Both demand and supply factors contributed to the increasing trend for new homes. The shortage of existing homes is due to current owners' reluctance to give up their homes in exchange for a higher-cost home.

### Merchants are Optimistic about Future Business

Service sector sentiment rose more quickly this month than last, according to the **Dallas Fed's Service Sector Outlook Survey**. The labor market within the service sector continued to grow, with both the employment index and the hours worked index remaining strong. Strong expectations for future general business remained unchanged.

Retail sales saw little growth as the **Dallas Fed's Retail Outlook Survey** remained in negative territory. Retailers' perception of broader business conditions continued to worsen with the outlook uncertainty index falling by eight points. The employment index remained unchanged but strong, indicating employment is continuing to grow. Expectations for future retail growth continued to increase as the future sales index rose over five points. The future general business activity index and the future employment index remained positive.

### Global Trade Showed Little Movement

Texas' **all-commodity exports** moderated at a 0.8 percent MOM increase. Demand for the top three manufacturing exports experienced fluctuations with petroleum/coal rising 3.3 percent MOM, while chemicals and computer/electronic products fell 7.1 percent and 2.8 percent MOM, respectively. Demand for Texas' **crude oil exports** grew 3.1 percent MOM with many European countries such as France, Italy, Ireland, and the UK accounting for most of the increase.



## Economic Overview

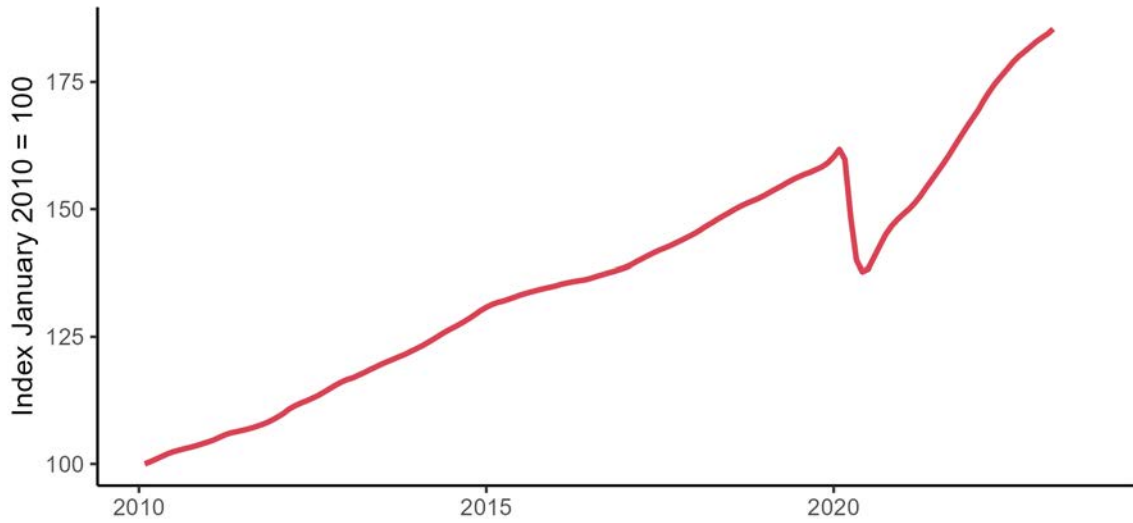
- After data adjustment, the Texas Leading Economic Index fell to 103.9 (2007=100).
- Nominal **average hourly earnings** fell 0.41 percent MOM to \$31.59. Dallas' average hourly earnings fell 70 cents to \$33.79, ending a 51-month run where Dallas was above Houston (\$33.95).
- Consumer confidence plummeted 16.3 percent after last month's peak; however, it remains ten basis points above the U.S. This decline is in large part due to slowed job growth and employment contracting.
- The ten-year U.S. Treasury bond rose 27 basis points to **4.17 percent**, increasing bond investor's confidence in the market.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate increased 23 basis points to **7.07 percent**, a 22-year high.
- The West Texas Intermediate (WTI) crude oil spot price rose to \$84.35, its highest level this year. However, that price is still down **9.5 percent** YOY from \$93.18. The Henry Hub spot price plummeted **71 percent** YOY from \$8.8 to \$2.6 per million British thermal units (BTU).





# Economic Activity

## Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

## Texas Leading Index



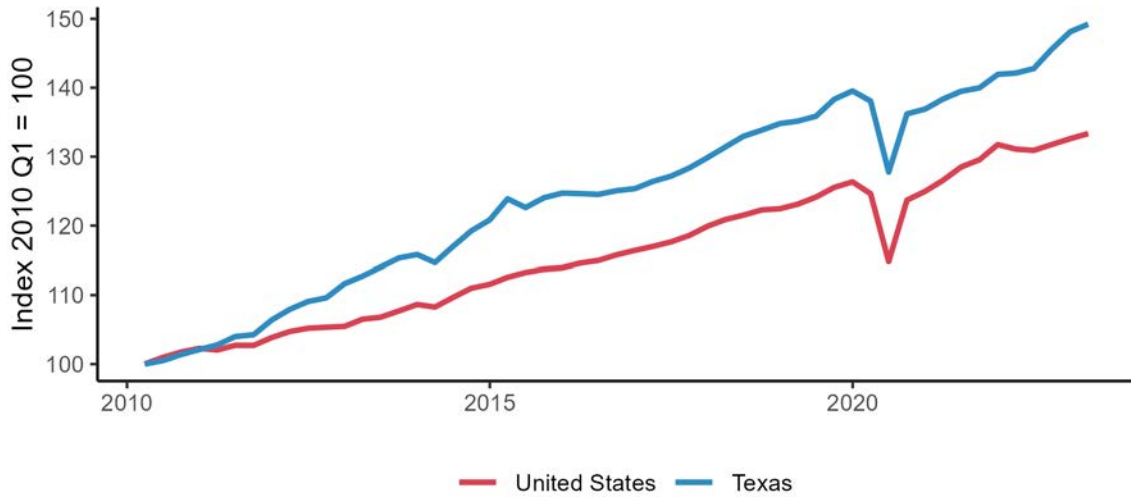
Source: Federal Reserve Bank of Dallas





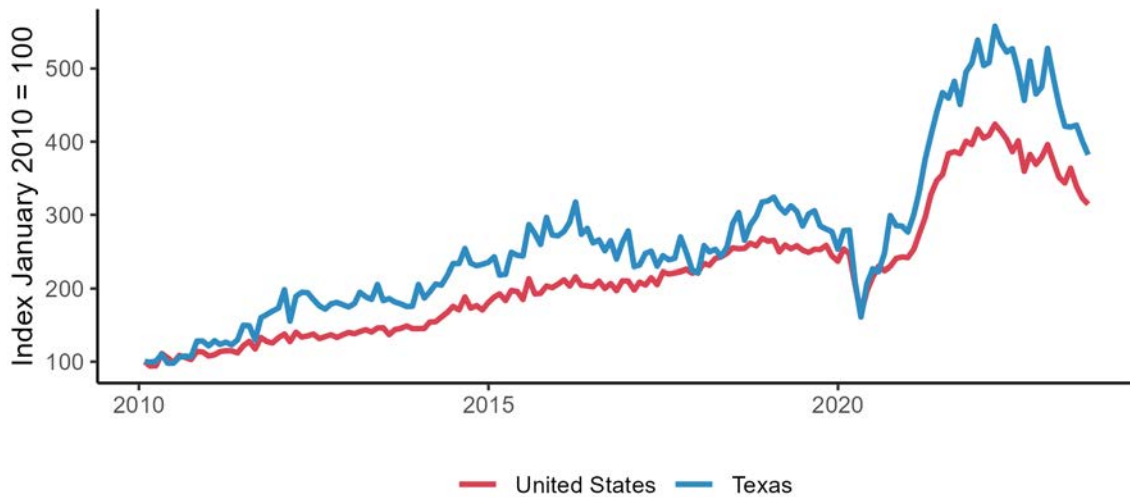
# Economic Activity

## Gross Domestic Product



Source: Bureau of Economic Analysis

## Job Openings



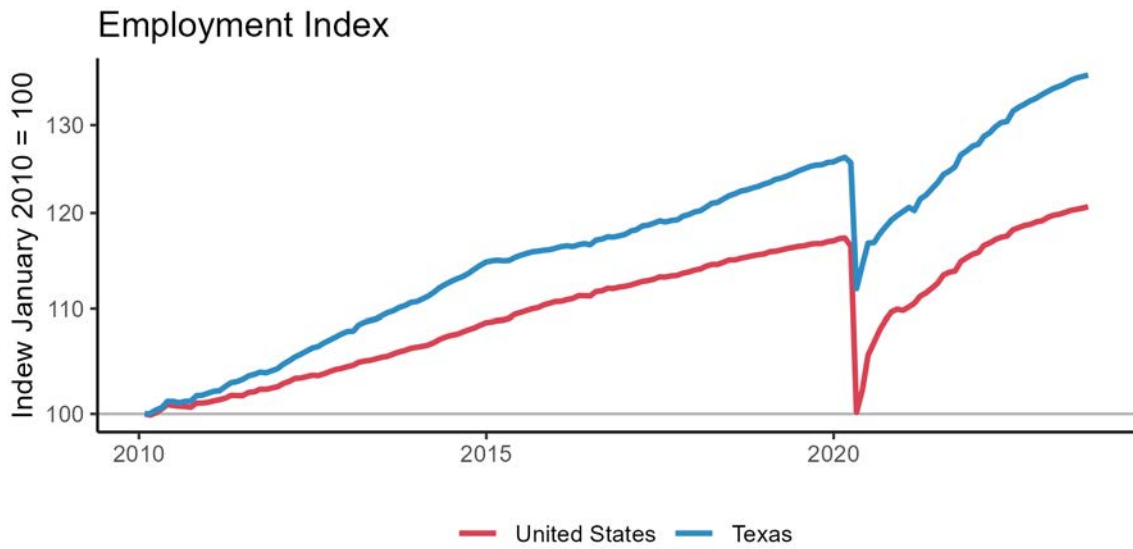
Source: Bureau of Labor Statistics



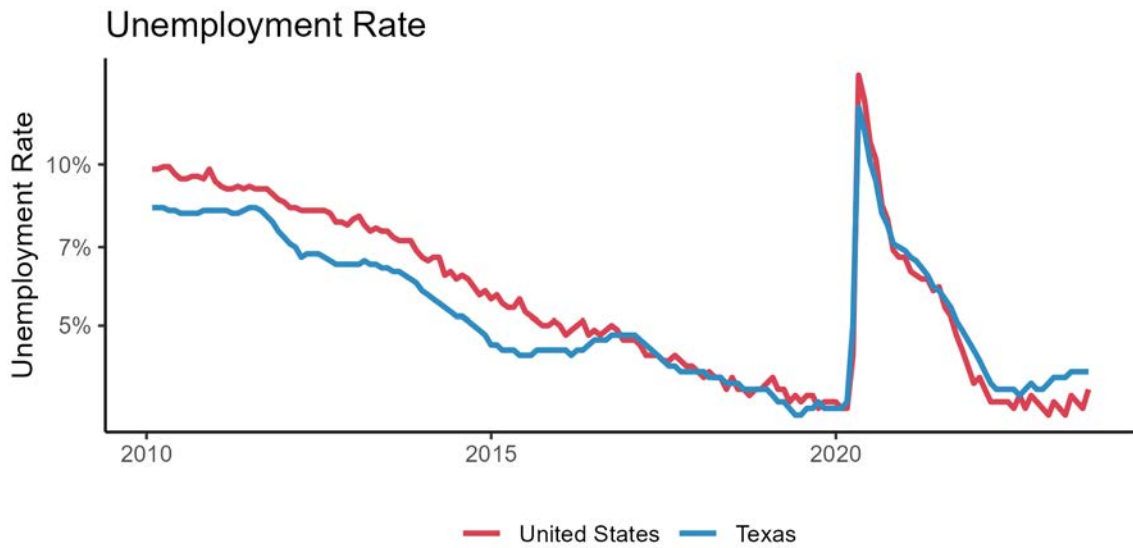




# Employment



Source: Bureau of Labor Statistics



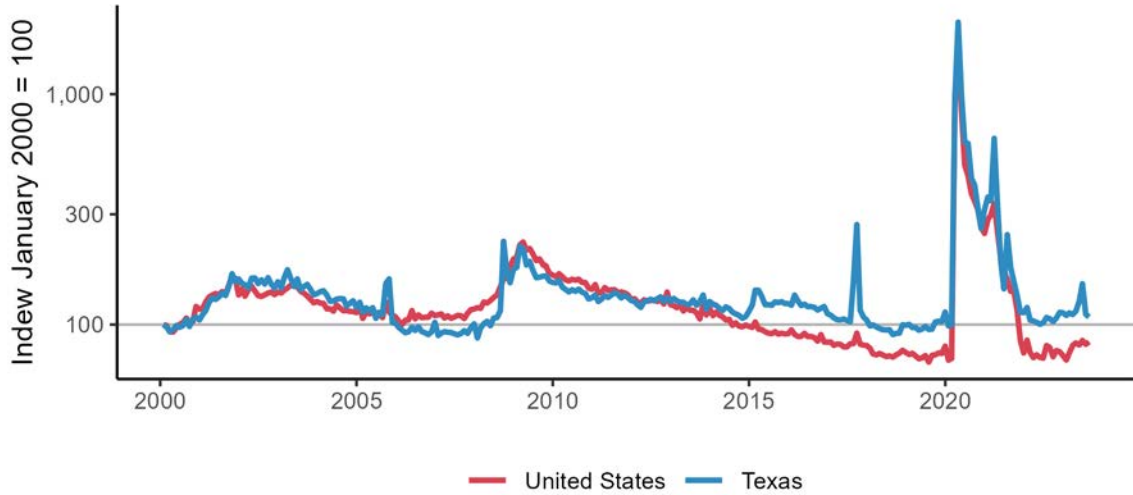
Source: Bureau of Labor Statistics





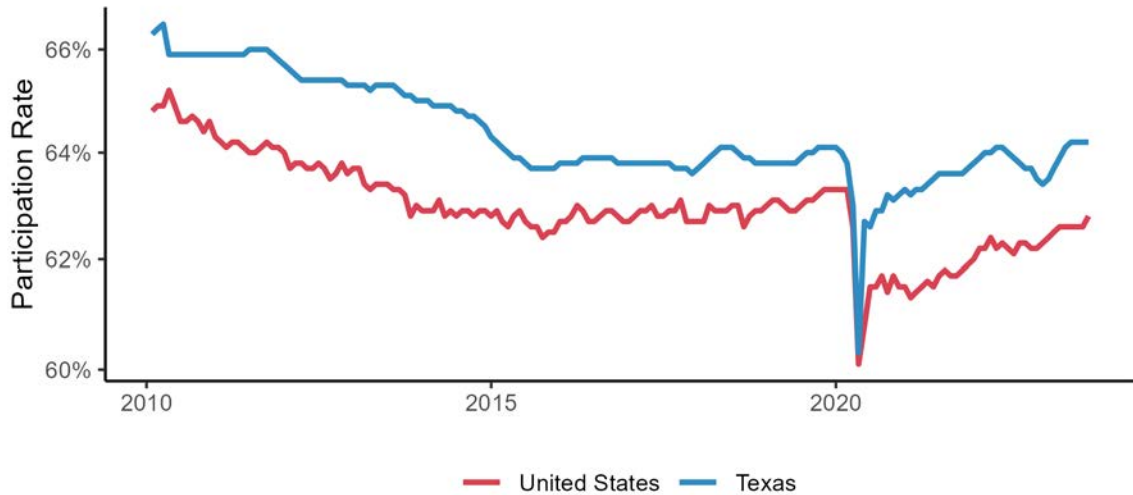
# Employment

## Initial Unemployment Claims



Source: Department of Labor

## Labor Force Participation Rate



Source: Bureau of Labor Statistics





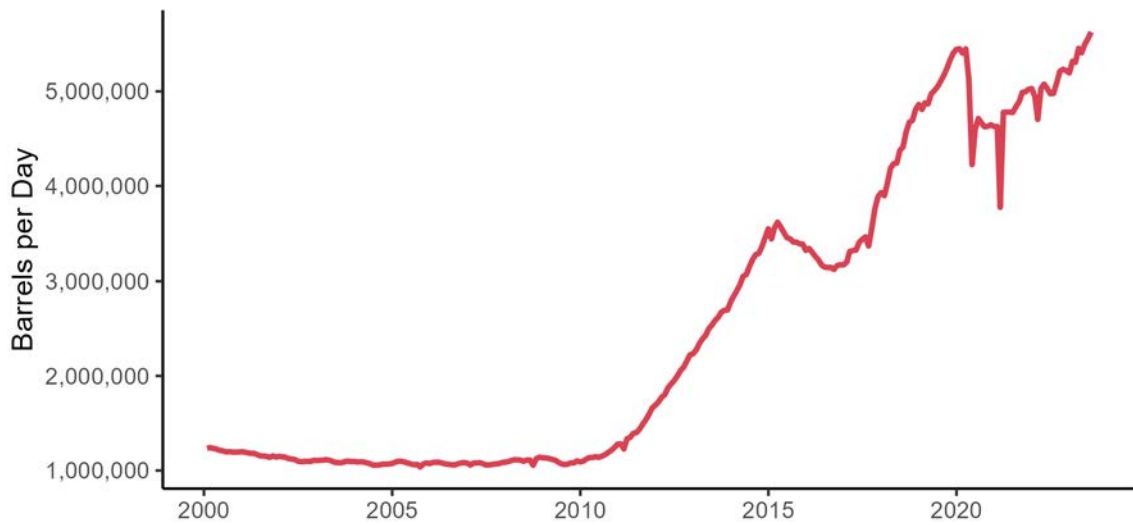
# Energy

### Crude Oil Price



Source: Energy Information Administration

### Texas Crude Oil Production



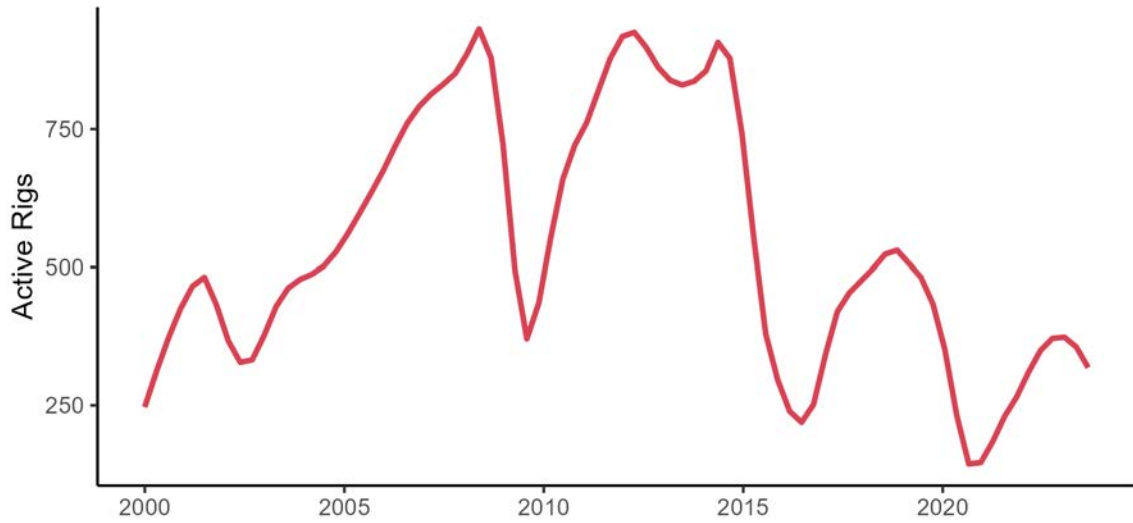
Source: Energy Information Administration





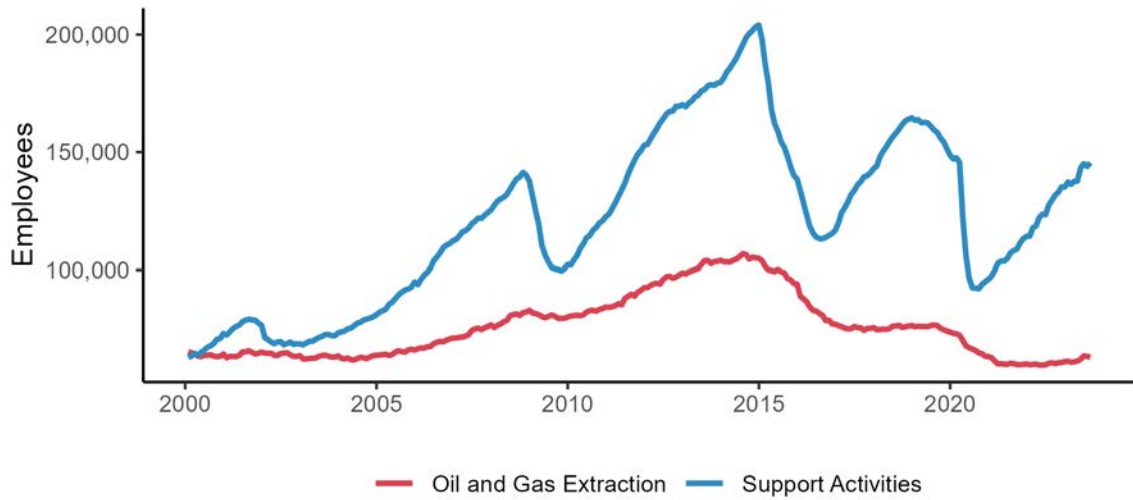
# Energy

### Texas Active Rotary Rig Count



Source: Baker Hughes

### Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics





# Housing

## Residential Home Sales

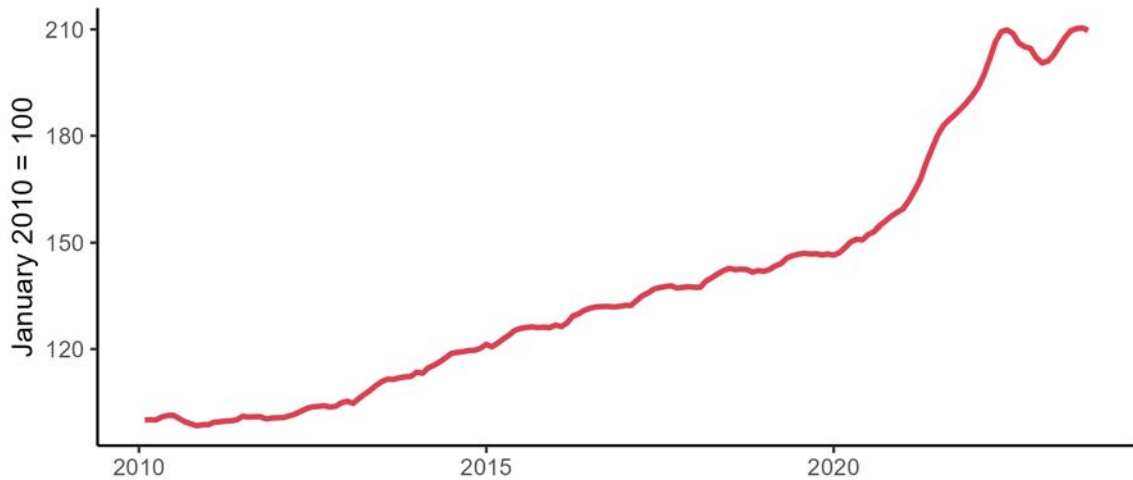
Seasonally Adjusted Annualized Rate



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



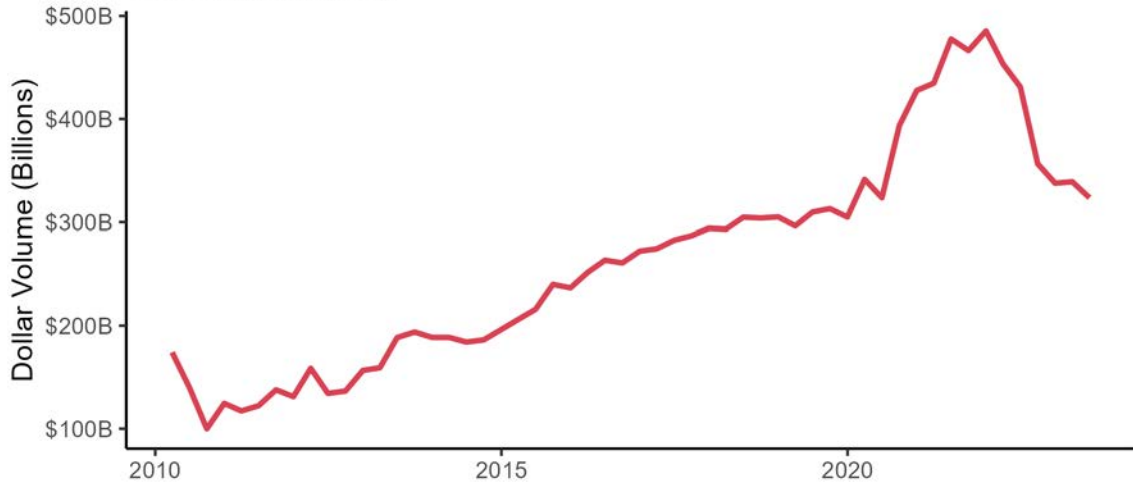
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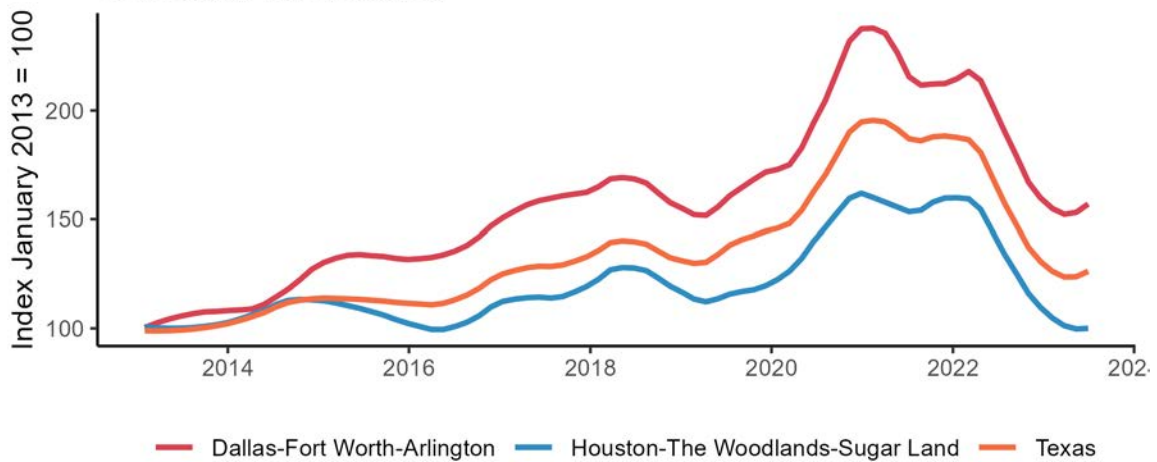
# Housing

### U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

### Single-Family Housing Starts Seasonally Adjusted Index



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





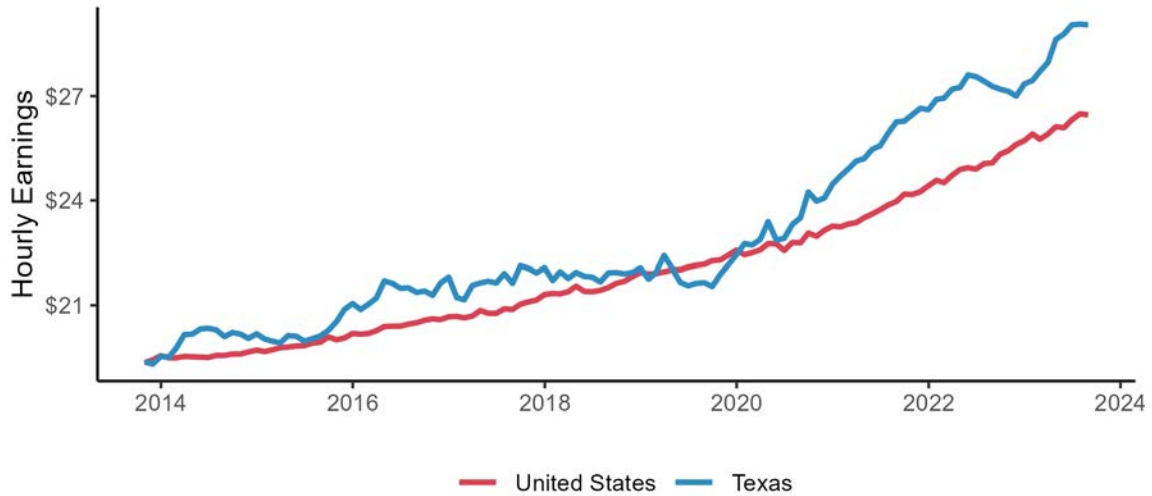
# Manufacturing

### 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



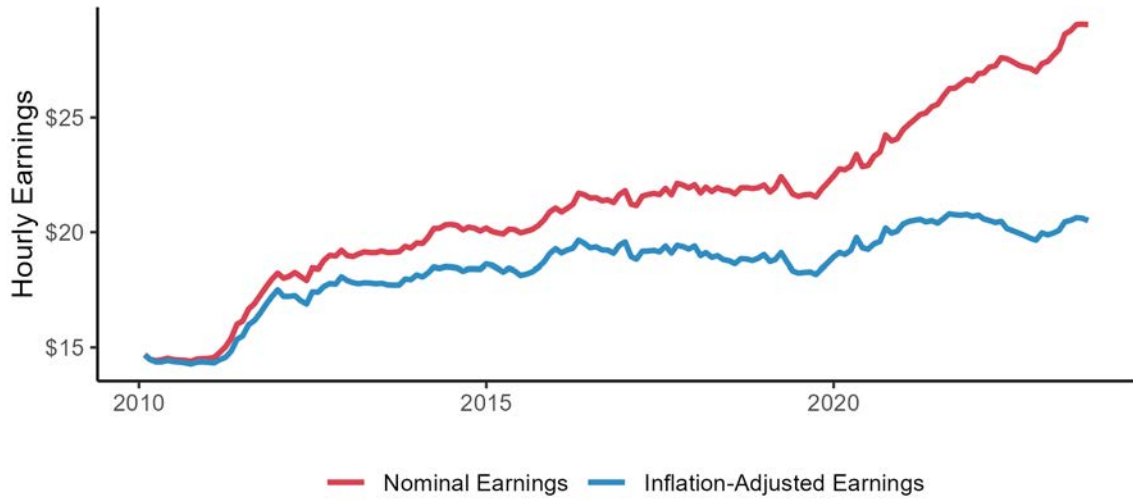
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





# Manufacturing

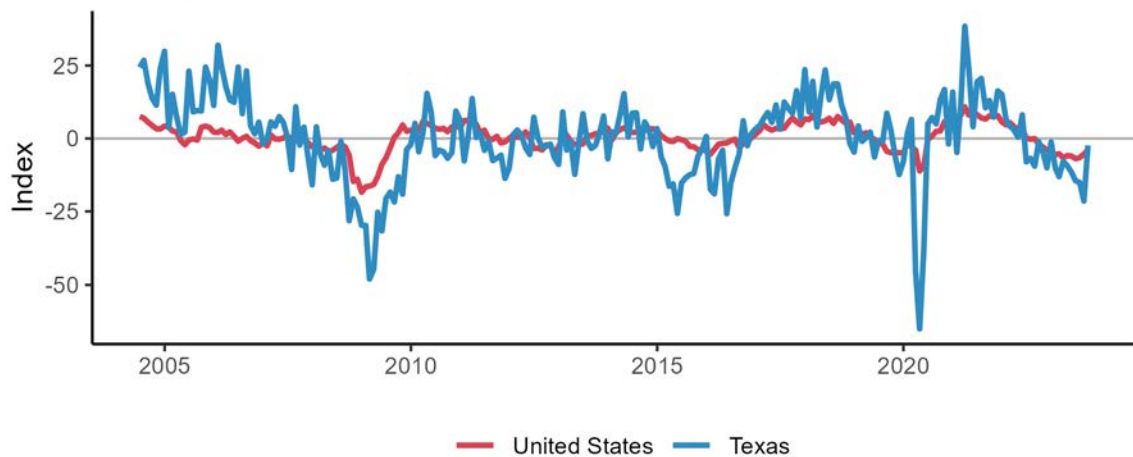
### Texas Manufacturing Employee Hourly Earnings



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



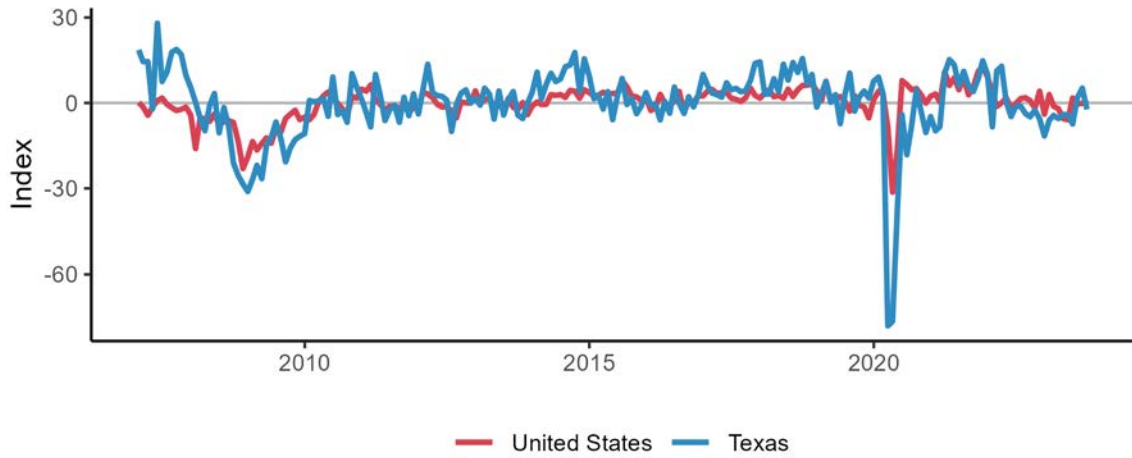




# Services

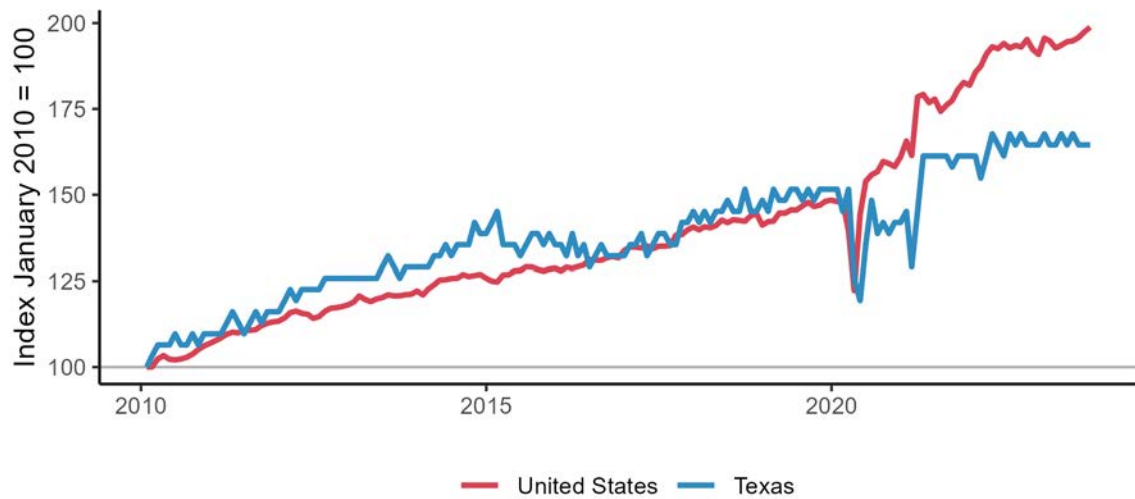
## Services Sector Outlook Index

0+ = Expansion



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

## Retail Sales Index



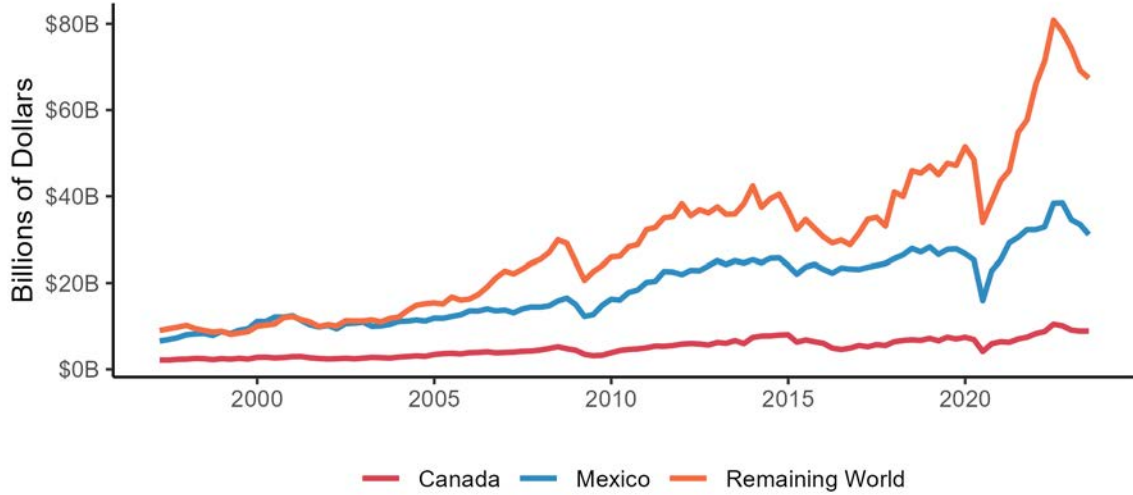
Source: Census Bureau - Federal Reserve Bank of Dallas





# 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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DIVISION OF ACADEMIC AND STRATEGIC COLLABORATIONS

Texas A&M University  
2115 TAMU  
College Station, TX 77843-2115

<http://recenter.tamu.edu>  
979-845-2031

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