

Outlook for the Texas Economy



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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 October 22, 2023

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September 2023

UNEMPLOYMENT RATE

4.1%

TOTAL HOME SALES

0.8% MOM

CONSUMER PRICE INDEX

0.4% MOM

ALL-COMMODITY EXPORTS

6.1% MOM

Summary

Texas' economy continued to feel the effects of high inflation, with consumer confidence falling for the third month in a row. The labor market remained strong despite the Fed pausing interest-rate hikes. The labor force remained steady with its continual increases, surpassing a 3 percent growth in a year. Texas trade exhibited strong growth but was still down from the record setting 2022. The state's housing market saw little change; however, high mortgage rates continue to restrict buyers.

CPI Rises as Fed Pauses Rate Hikes

The Consumer Price Index (CPI) rose 0.4 percent month over month (MOM). According to the Bureau of Labor Statistics, the index for shelter continued to be a significant driver of the overall price index increase, accounting for more than half of the monthly growth. The gasoline index saw its second month of increases following higher demand and oil prices.

The Fed paused its interest-rate hike in September leaving the Fed Funds target at 5.25 to 5.5 percent. The year over year (YOY) change for CPI in September remained at 3.7 percent, which is still above the 2 percent goal the Fed seeks to pursue. Consumer spending is strong and real GDP is exceeding expectations, resulting in the Fed keeping rates high. Holding rates at 5.25 to 5.5 percent allows the Fed to slow down the economy by discouraging consumer spending. As the Fed continues to fight inflation, their eyes will also be on minimizing the negative impact those rate increases have on the labor market in the coming months.

Employment Remains Strong Despite the Tight Labor Market

Despite the tight labor market, **total nonfarm employment** expanded 0.44 percent MOM, with Dallas and Houston contributing 24,400 and 13,600 workers, respectively. The state payroll gained 61,400 new workers in July from the goods-producing sector (up 11,300) and the service-producing sector (up 50,100). Few sectors saw decreases in payroll, marking a strong month of gains for the state overall.

Texas' job market remains resilient with a high participation rate of 64.2 percent. The **unemployment rate** remained unchanged for the fifth consecutive month at 4.1 percent, and continued unemployment claims averaged around 129,500 applications on a weekly basis. Over the course of a year, Texas attracted 445,079 potential workers, continuing to surpass the record-high total labor force.



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Housing Demand Plunges in 2023

Following last month's impressive 9.5 percent MOM growth, Texas' **total home sales** held at a similar 27,175 transactions in September, a deviation of less than 1 percent from August's figures (see table). Monthly sales activities in major metros also remained steady, with deviations of no more than 40 transactions in each area. Despite these minor monthly changes, the housing market is clearly taking a beating from the highest mortgage rates since 2000. Only the most committed buyers remained. Consumer demand has trended strongly downward since December 2021, resulting in a 14.2 percent YOY decline in the state's sales volume.

Home Sales Volume

	Aug	Sep	Monthly Changes
Texas	27,395	27,175	↓ -0.8%
Austin-Round Rock	2,474	2,436	↓ -1.5%
Dallas-Fort Worth-Arlington	7,109	7,089	↓ -0.3%
Houston-The Woodlands-Sugar Land	7,117	7,145	↑ 0.4%
San Antonio-New Braunfels	2,749	2,784	↑ 1.3%

Note: Seasonally adjusted data used for the reported metrics.

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

Merchants Pessimistic about Current Business

Service sector sentiment moderated this month, according to the **Dallas Fed's Service Sector Outlook Survey**. The labor market within the service sector showed signs of slowing, with the employment index falling to its lowest level in five months. Respondents foresee short-term general business conditions worsening. However, they remain positive about the long-term outlook.

Retail payroll gained 4,900 workers this month, bringing the YOY retail employment change to 1.5 percent. Sales continued to decline as the **Dallas Fed's Retail Outlook Survey** reported that the sales index fell by over half a percent, marking its fifth consecutive month of decreases. The labor market within the retail sector showed no change since August. Expectations for future retail growth remained positive with the future company outlook index rising by 10 percent.

Global Trade Showed Strong Increases

Texas' **all-commodity exports** increased by 6.1 percent MOM but still remained down by 11.6 percent YOY. Demand increased MOM for the top three manufacturing exports: petroleum/coal (up 4.7 percent), chemicals (up 5.6 percent), and computer/electronic products (up 4.5 percent). Despite these increases, the YOY change remains down from peaks in 2022. Demand for Texas' **crude oil exports** skyrocketed, increasing 13.3 percent MOM—more than a one billion dollar increase for the month. This increase can be attributed to the increase in demand for crude oil, as countries such as South Korea and Thailand more than doubled their imports from Texas. Exports



to European countries such as France, Netherlands, and the UK experienced a sharp decline from last month's increases.

Select Economic Indicators

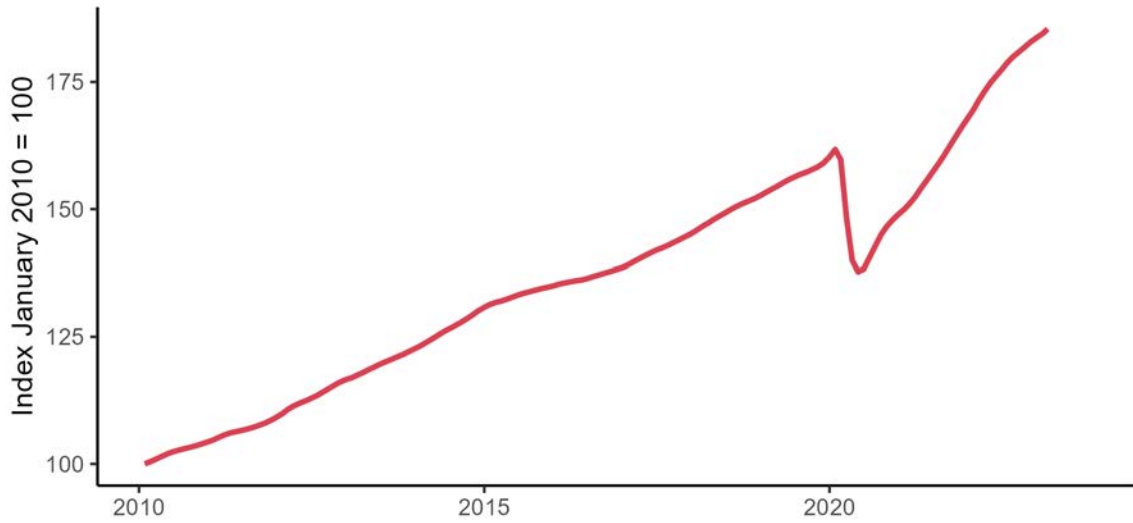
- The Texas Leading Economic Index remained relatively unchanged in September, signaling no major changes in outlook since August.
- Nominal **average hourly earnings rose** just shy of 1 percent MOM to \$31.92, with Houston (\$34.66) remaining the highest of the four major metros.
- Texas consumer confidence fell 12.8 percent to almost 28 percent below the average U.S. consumer's confidence.
- The ten-year U.S. Treasury bond rose 21 basis points to **4.38 percent**.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate increased 13 basis points to **7.2 percent**, continuing a 22-year high.
- The West Texas Intermediate (WTI) crude oil spot price rose 6.14 percent YOY from \$84.26 to \$89.43. The Henry Hub spot price plummeted **67 percent** YOY from \$7.9 to \$2.6 per million British thermal units (BTU).





Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



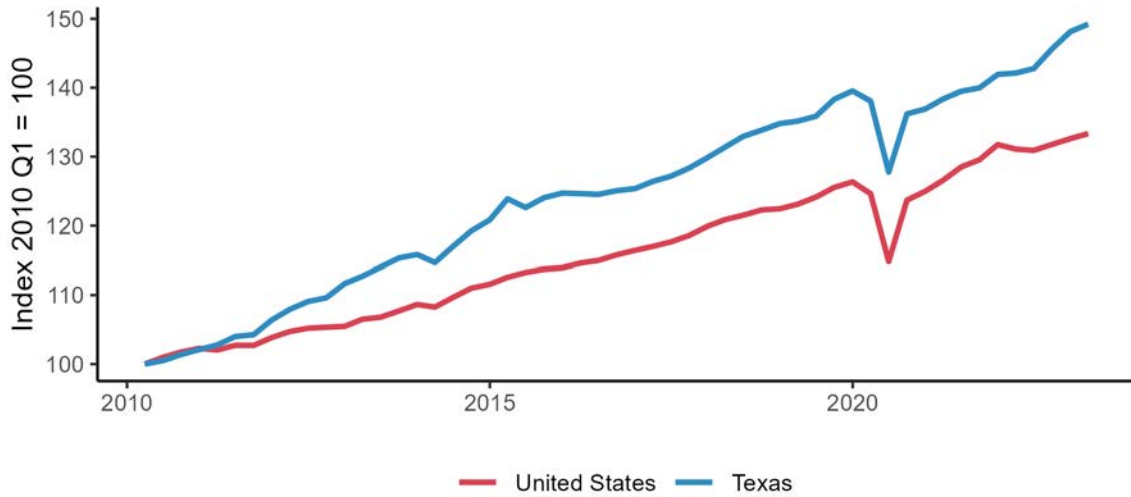
Source: Federal Reserve Bank of Dallas





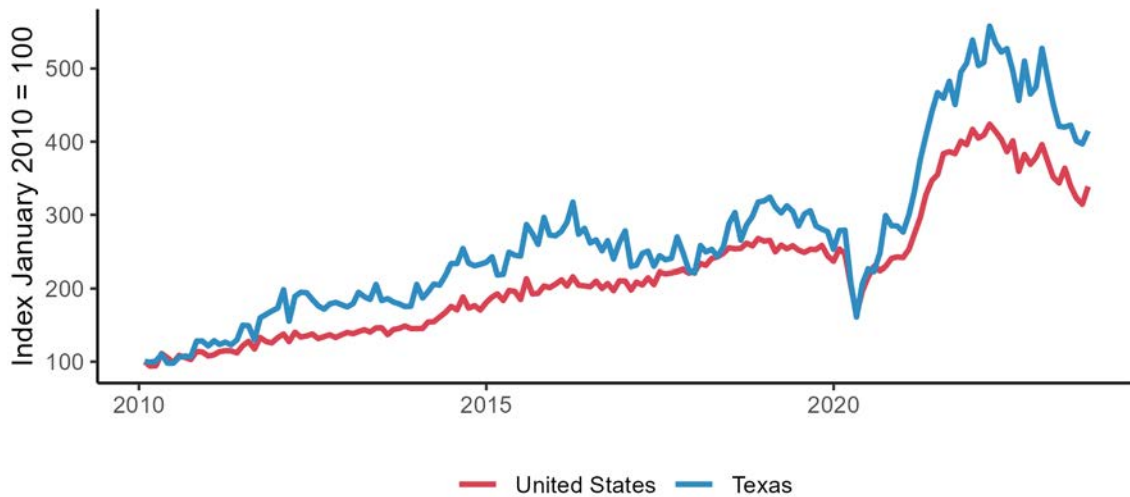
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

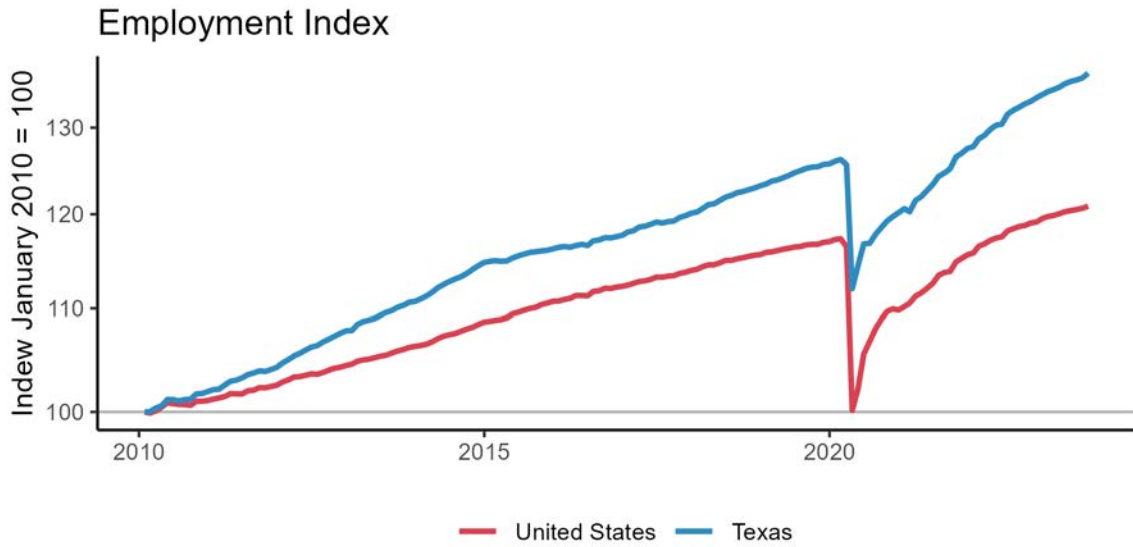


Source: Bureau of Labor Statistics

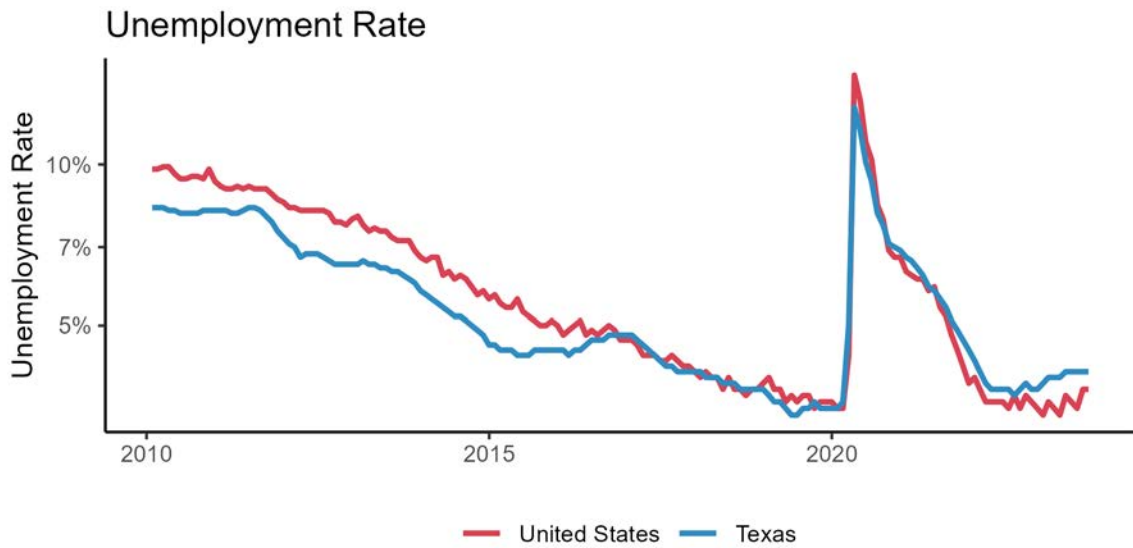




Employment



Source: Bureau of Labor Statistics



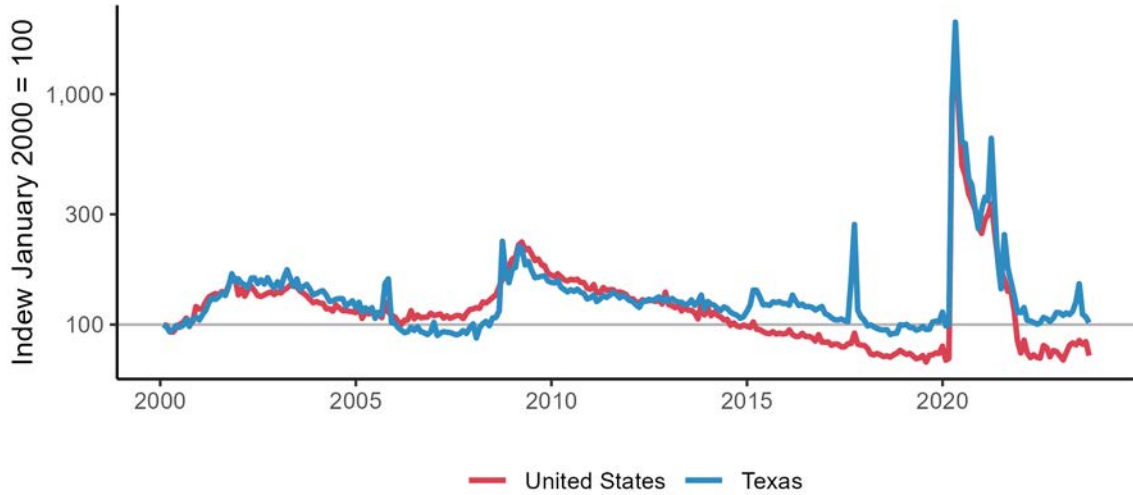
Source: Bureau of Labor Statistics





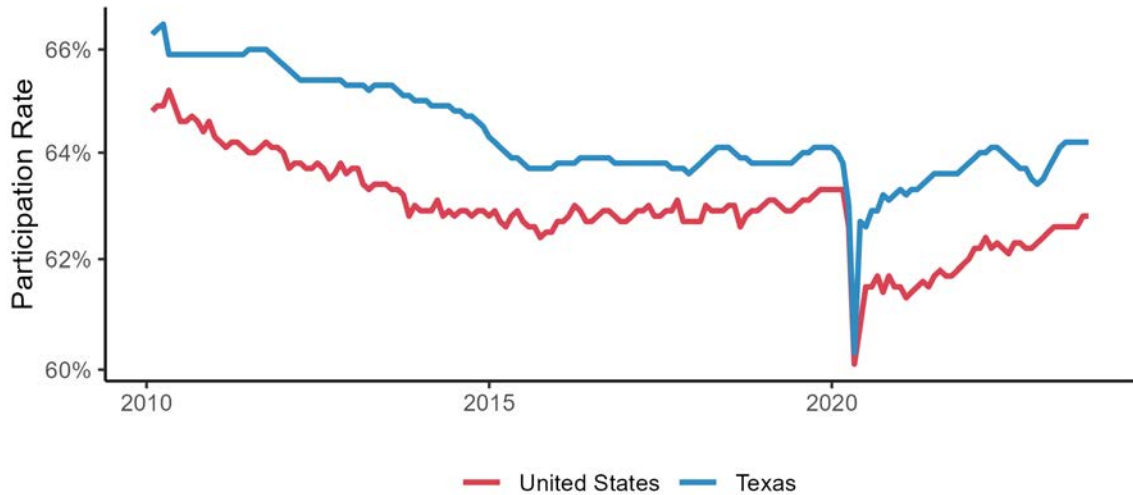
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



Source: Bureau of Labor Statistics





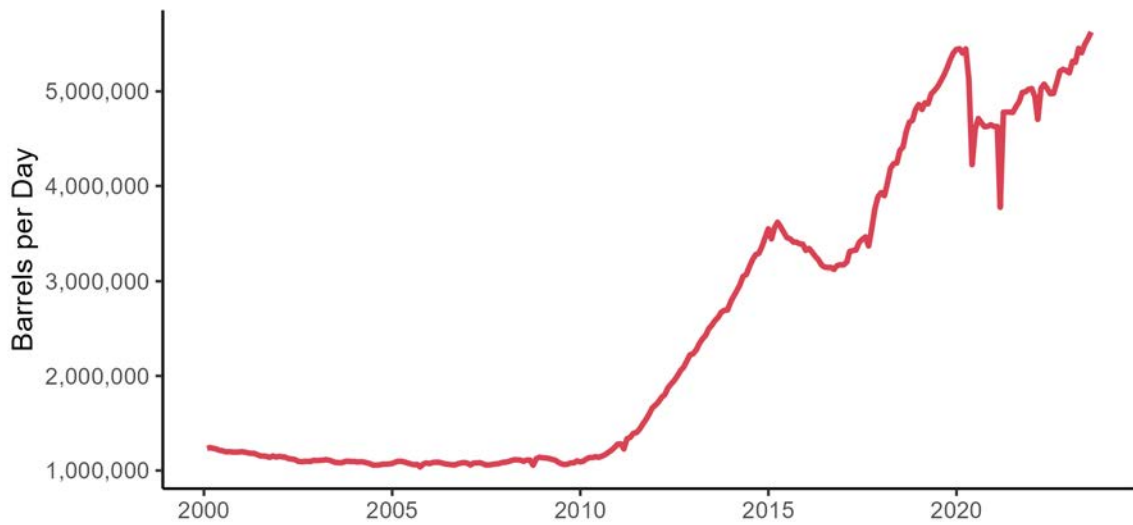
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



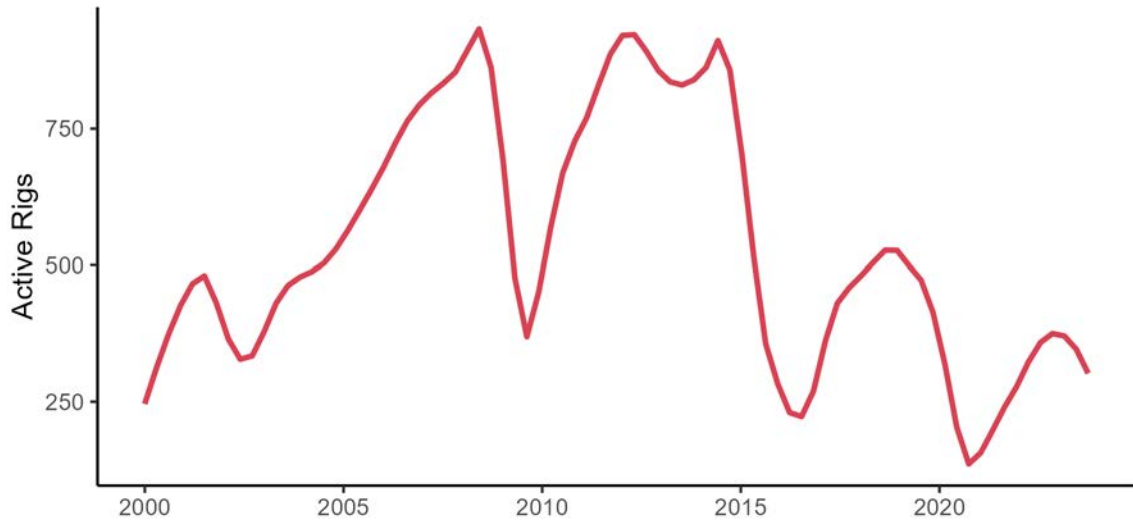
Source: Energy Information Administration





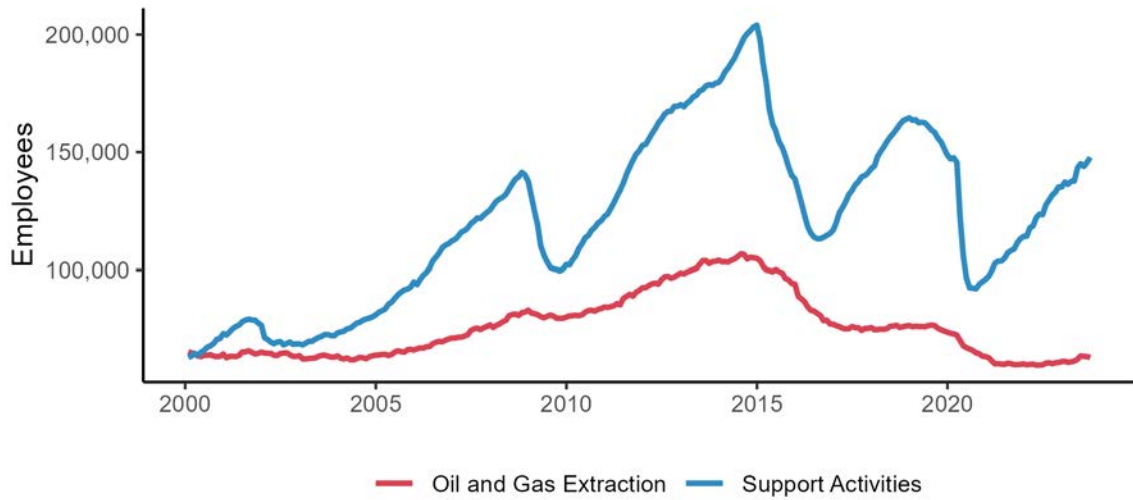
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics





Housing

Residential Home Sales

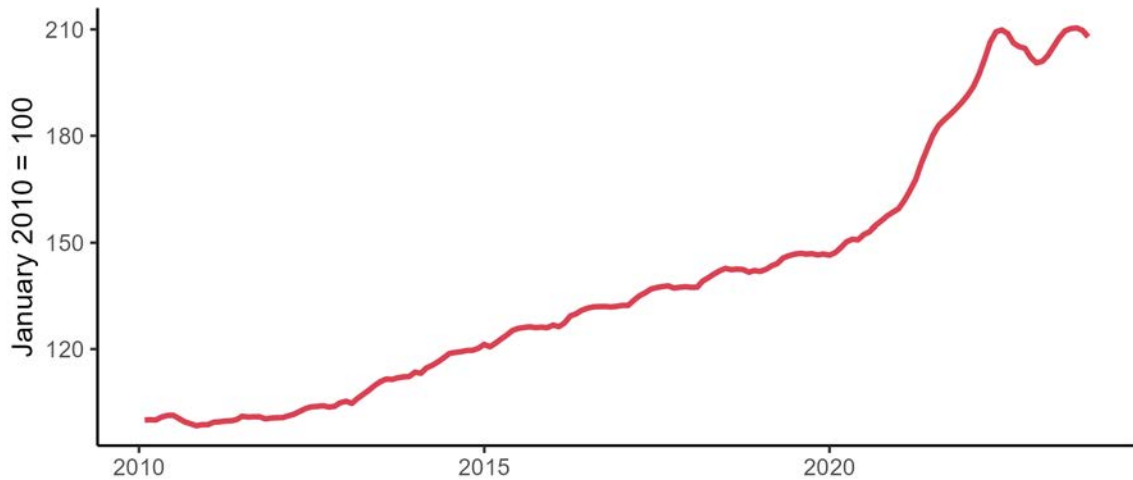
Seasonally Adjusted Annualized Rate



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



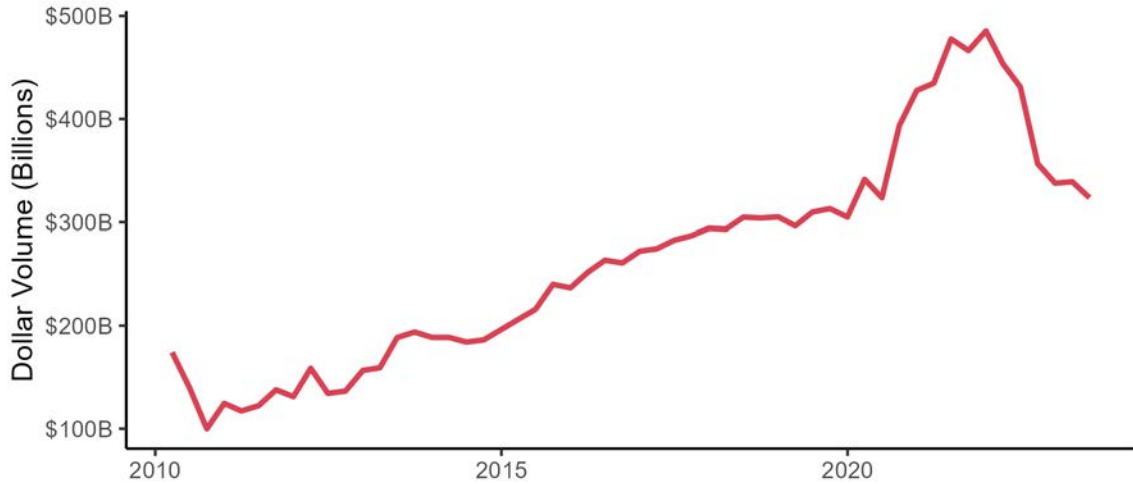
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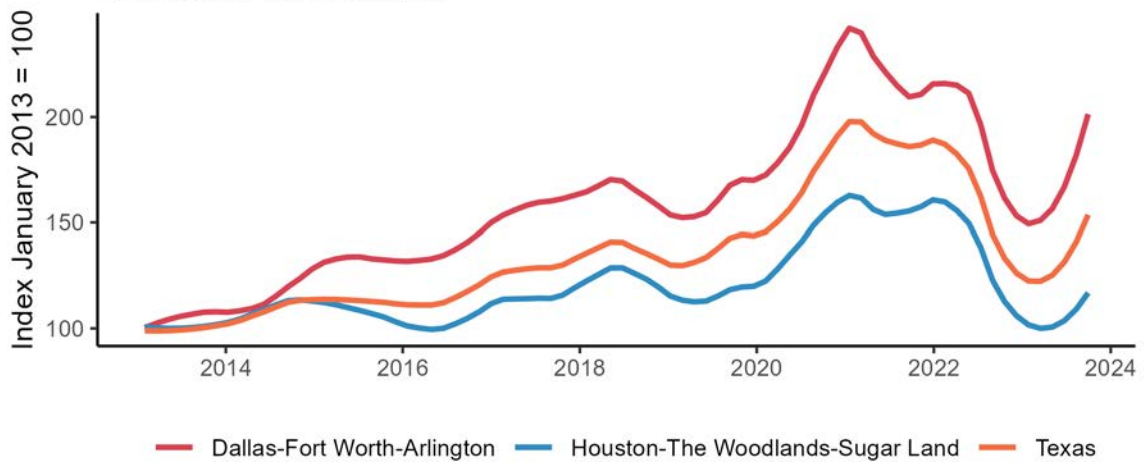
Housing

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





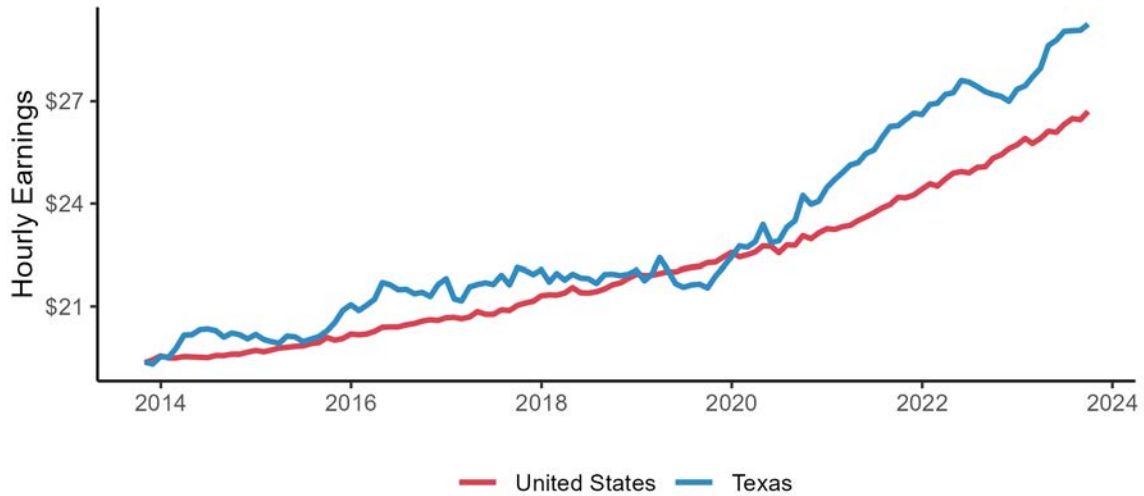
Manufacturing

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

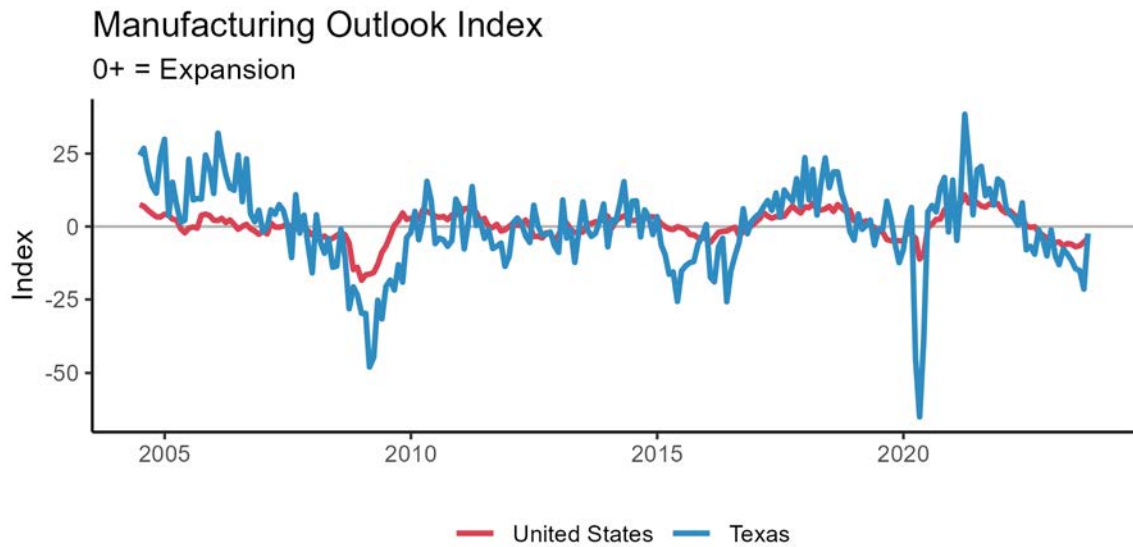




Manufacturing



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



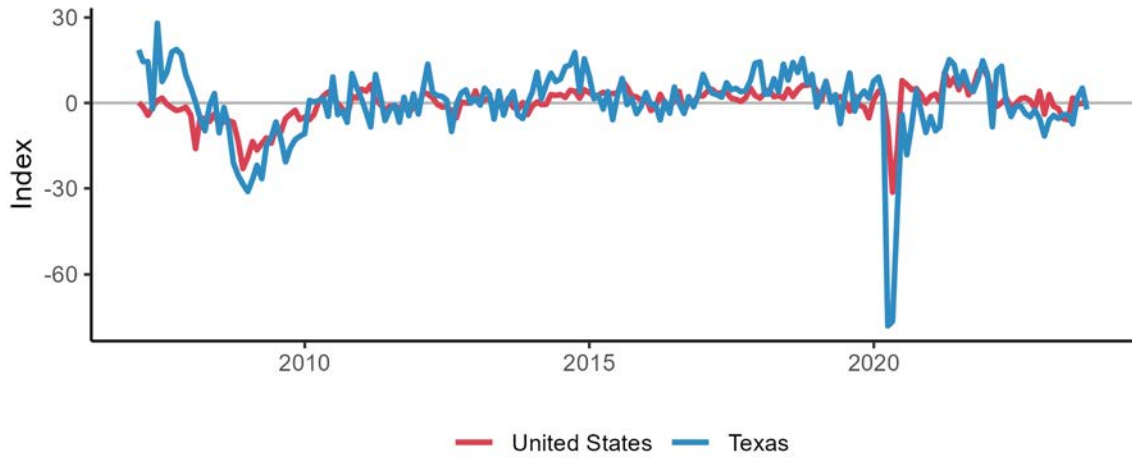
Source: Institute for Supply Management - Federal Reserve Bank of Dallas



Services

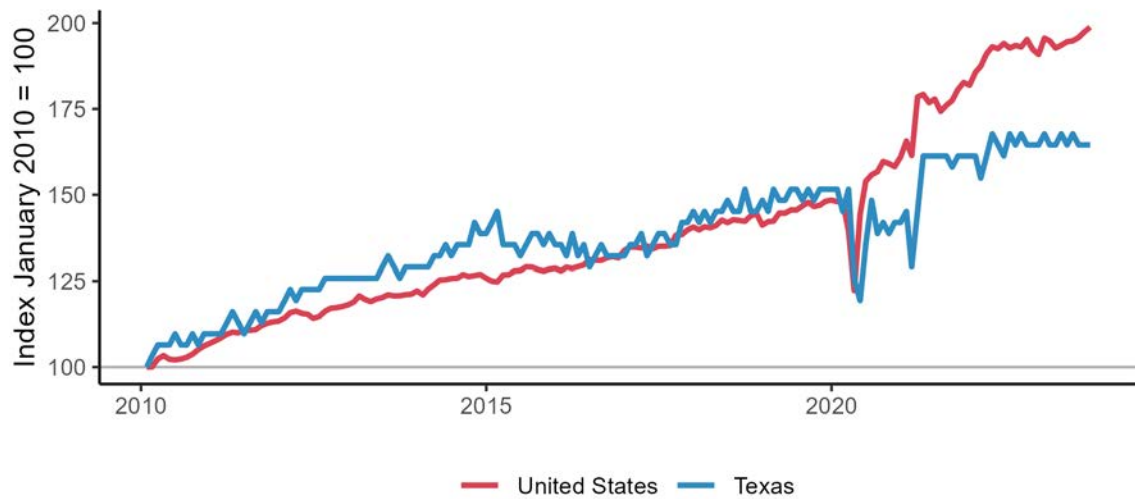
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



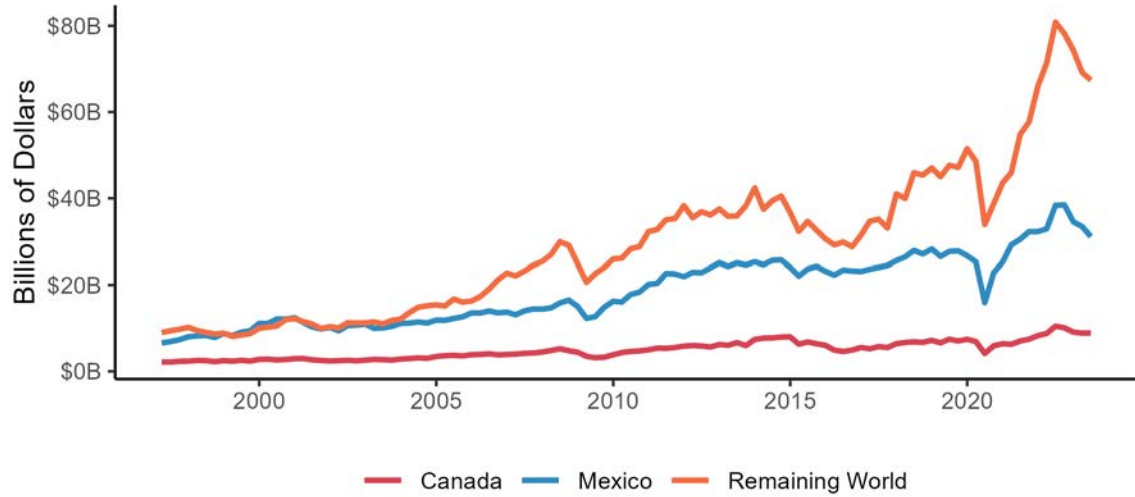
Source: Census Bureau - Federal Reserve Bank of Dallas





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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