

Outlook for the Texas Economy



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OCTOBER 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.

Joshua Roberson and Koby McMeans

Data current as of November 29, 2023

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October 2023

UNEMPLOYMENT RATE

4.1%

TOTAL HOME SALES

3.7% MOM

CONSUMER PRICE INDEX

3.2% YOY

CRUDE OIL EXPORTS

3.2% MOM

Summary

The Texas economy remains resilient but continues to show signs of slowing as employment gains came to a halt in October. Home sales fell amidst high mortgage rates as the 10- and 30-year rates grew substantially. Texas' consumer confidence grew despite decreasing leisure spending. The Fed paused rate hikes for a second consecutive meeting as CPI remains unaltered from September. Data is showing economic activity is expanding at a slower rate making it unlikely that a slowdown is on the horizon. Trade continued to fall from last year's peak.

CPI Remains Unchanged as Fed Pauses Rate Hikes

The Consumer Price Index (CPI) remained unchanged from last month and is up 3.2 percent from October 2022. The CPI remains unchanged largely due to the shelter index being counterbalanced by the energy commodities indexes. According to the Bureau of Labor Statistics, the index for shelter continued its historic rise, climbing by 6.7 percent month over month (MOM), while the fuel oil and gasoline indexes fell by 21.4 and 5.3 percent MOM, respectively.

The Fed paused its interest rate hike in its October/November meeting, leaving the Fed Funds target at 5.25 to 5.5 percent. Economic activity has expanded at a strong rate, leading many to believe the rate hike that occurred in July could be the peak as data is showing inflation is cooling but still remains above 3 percent. For rates to remain where they are or for them to eventually decrease, economic activity must stay strong, while inflation must continue to fall.

Texas Payroll Remains Steady Amidst the Tight Labor Market

With the labor market beginning to show signs of being affected by high interest rates, **total nonfarm employment** remained unchanged from September. San Antonio posted the only increase (2,700 workers) among the four major metros while Dallas had the largest decrease (7,700 workers). The state's payroll lost 1,300 workers in October, while not statistically significant it does allude to slowing in the labor market. This decrease is in large part due to slowed consumer spending, specifically in Accommodations and Food Services, which dropped 8.1 percent. Trade, Transportation, and Utilities had a strong month, increasing by 5.3 percent.

Texas worker sentiment remains resilient with a high participation rate of 64.2 percent. The **unemployment rate** remained unchanged for the sixth consecutive month at 4.1 percent, and continued unemployment claims averaged around 141,500 applications on a weekly basis. Over the



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course of a year, Texas attracted 453,612 potential workers, continuing to surpass the record-high total labor force.

Housing Demand Continues to Plummet

High mortgage rates continue to decrease demand for homebuyers, leading to Texas' **total home sales** falling 3.7 percent MoM to 26,164 sales in October (see table). The Big Four were split with Austin and Dallas experiencing strong gains while Houston and San Antonio fell significantly. Austin had the highest monthly elevation at 2.4 percent while San Antonio plummeted by 6.1 percent. The gap between Dallas and Houston grew as both moved in opposite directions. High mortgage rates continue to increase the entry barrier for first-time homebuyers, leaving only the most committed buyers in the market.

Home Sales Volume

	Sep	Oct	Monthly Changes
Texas	27,175	26,164	↓ -3.7%
Austin-Round Rock	2,436	2,495	↑ 2.4%
Dallas-Fort Worth-Arlington	7,089	7,198	↑ 1.5%
Houston-The Woodlands-Sugar Land	7,145	6,854	↓ -4.1%
San Antonio-New Braunfels	2,784	2,615	↓ -6.1%

Note: Seasonally adjusted data used for the reported metrics.

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

Merchants' Current Outlook Remains Woeful

Service sector activity plateaued this month with the revenue index falling eight points to 0.7. According to the **Dallas Fed's Service Sector Outlook Survey**, the labor market sentiment within the service sector showed signs of pessimism, with the employment index falling to its lowest level in seven months. The general business activity index fell to its lowest level this year, suggesting business conditions will continue to decline. Respondents remained optimistic about future economic growth.

Retail payroll gained 2,600 workers this month, bringing the year-over-year (YOY) retail employment change to 1.7 percent. Sales continued to decline as the **Dallas Fed's Retail Outlook Survey** reported that the sales index marked its sixth consecutive month of being in negative territory. The perception of broader business worsened with the general business activity index falling by double the previous month's amount. Respondents reported that retail growth is expected later this year.



Global Trade Showed Little Movement

Texas' **all-commodity exports** fell by 1.6 percent MOM and by 7.9 percent YOY. Demand fluctuated for the top three manufacturing exports with chemicals showing the only monthly increase (up 5.4 percent), while petroleum/coal and computer/electronics fell by 3 percent and 6.3 percent, respectively. Materials manufacturing industries had significant decreases with wood products down 39.6 percent, plastics and rubbers down 20.5 percent, and metal manufacturing down 25.2 percent. Demand for Texas' **crude oil exports** moderated from last month's spike, increasing 3.2 percent MOM. European countries rebounded from last month's fall with France and Germany, more than doubling their imports of crude oil. The Netherlands also posted strong gains.

Select Economic Indicators

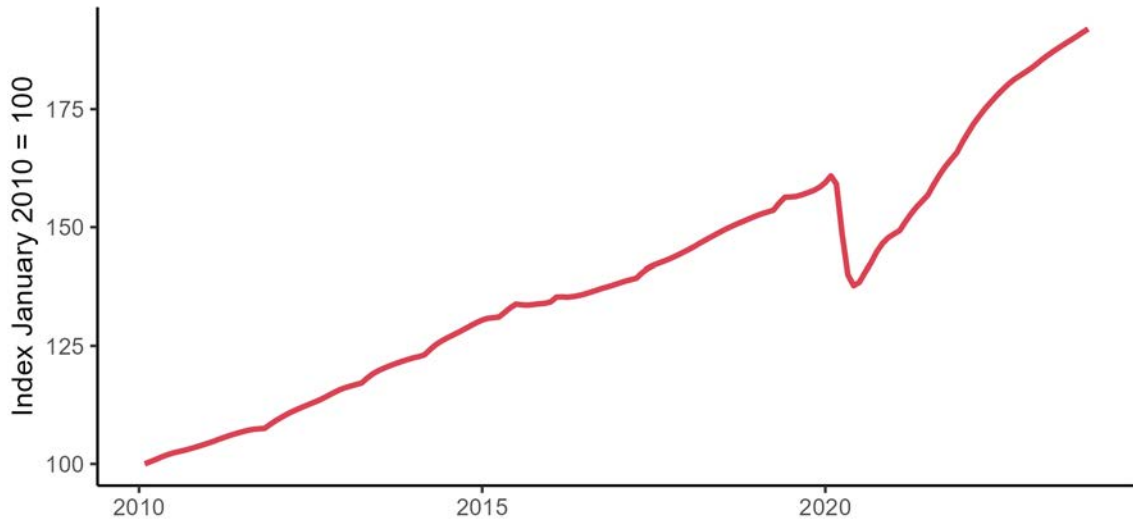
- After data adjustment, the Texas Leading Economic Index fell for the third consecutive month to 101.9 (2007=100), signaling slower economic activity ahead.
- Nominal **average hourly earnings rose** 0.72 percent MOM to \$32.16. Houston's average hourly earnings rose over a dollar to \$34.79, remaining the highest of the four major metros.
- Texas consumer confidence rose by 21.3 percent, outpacing the U.S., which remained unchanged from last month.
- The ten-year U.S. Treasury bond rose for the sixth consecutive month to **4.8 percent**.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate increased 42 basis points to **7.62 percent**, continuing a 22-year high.
- The West Texas Intermediate (WTI) crude oil spot price fell 1.95 percent YOY from \$87.55 to \$85.84. The Henry Hub natural gas spot price plummeted **47 percent** YOY from \$5.70 to \$3 per million British thermal units (BTU).





Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



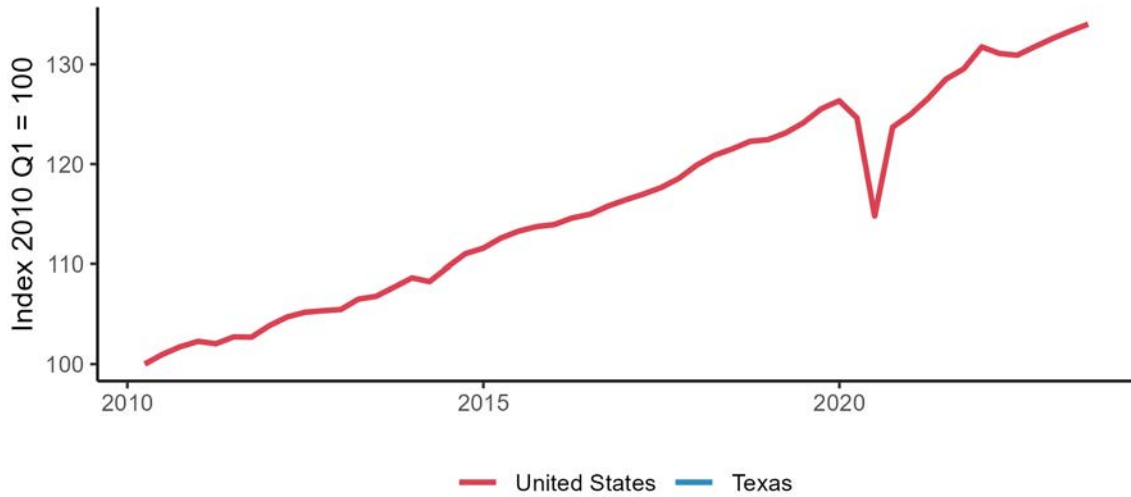
Source: Federal Reserve Bank of Dallas





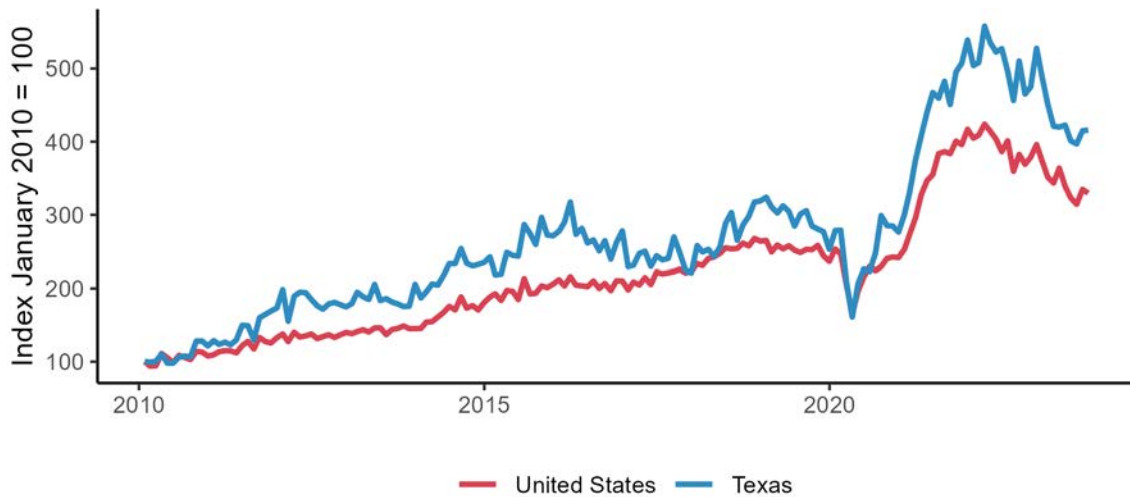
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

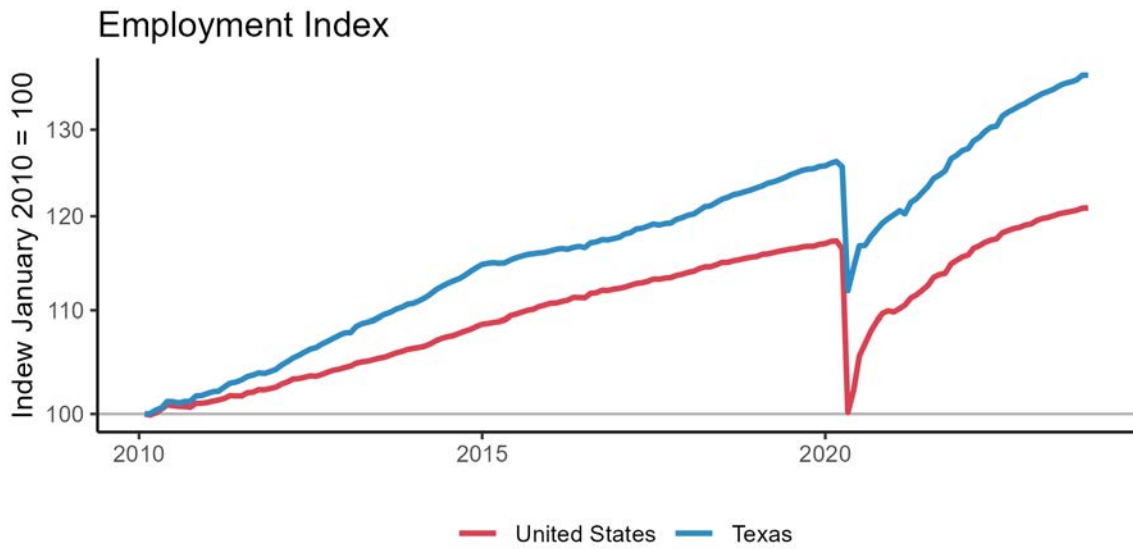


Source: Bureau of Labor Statistics

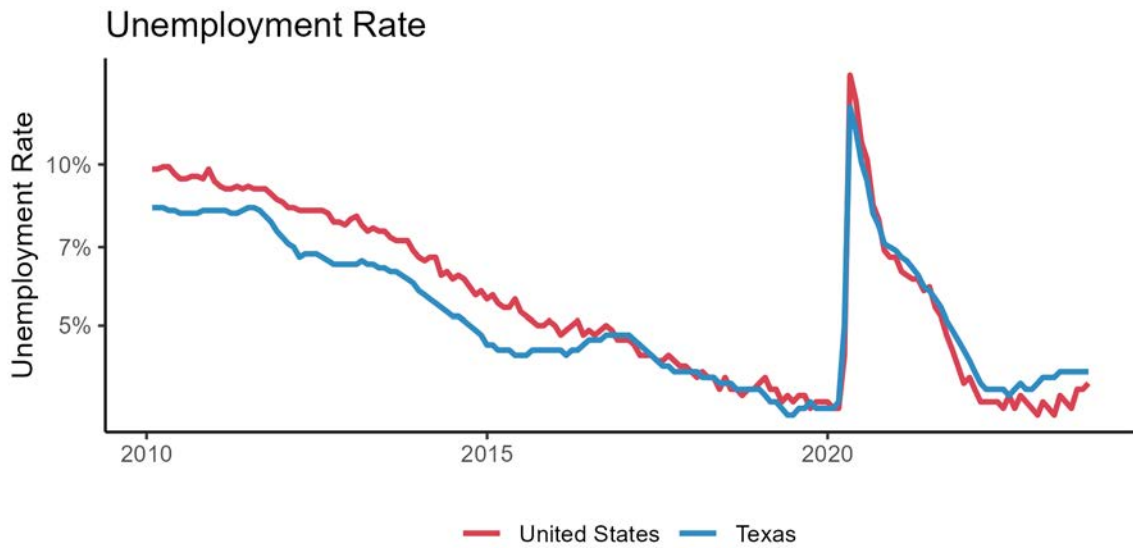




Employment



Source: Bureau of Labor Statistics



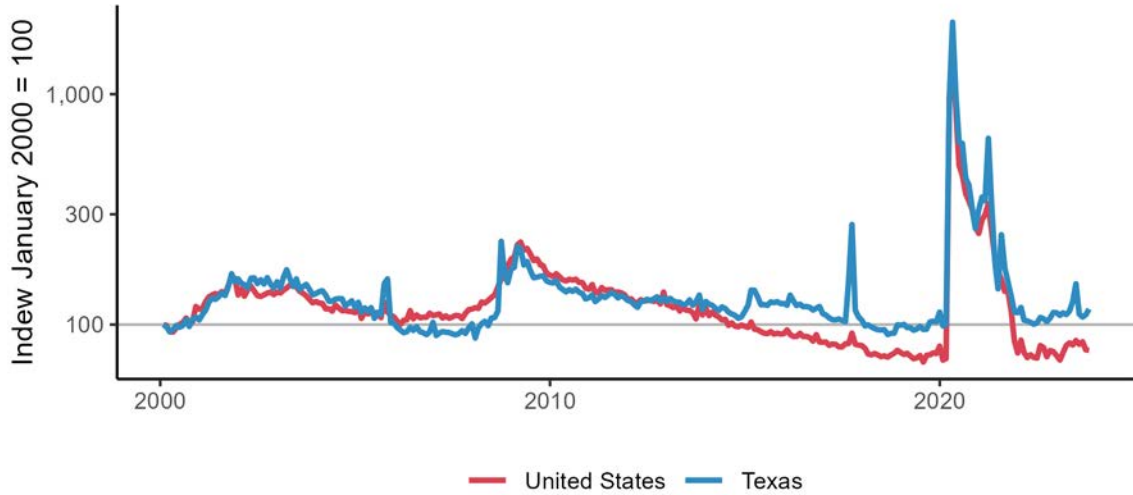
Source: Bureau of Labor Statistics





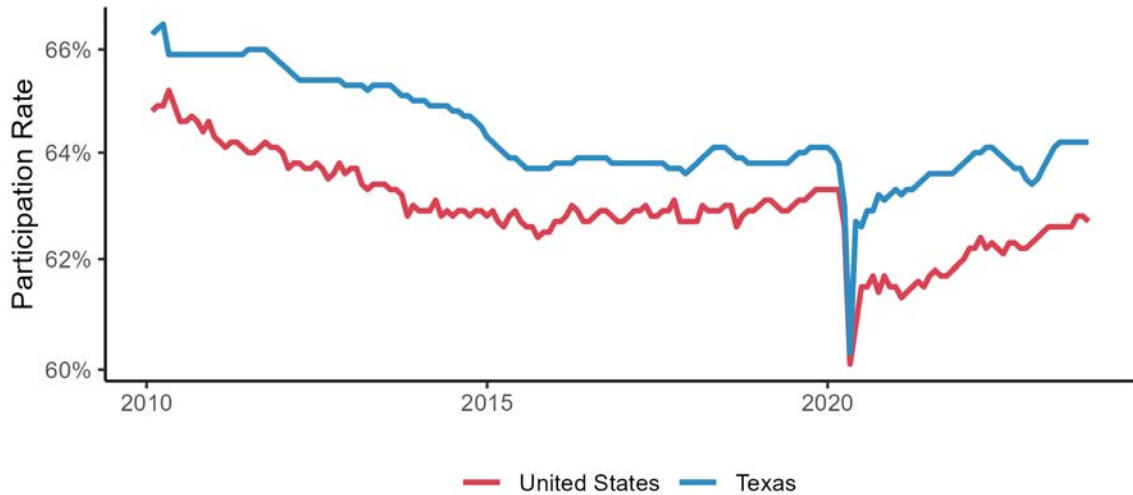
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



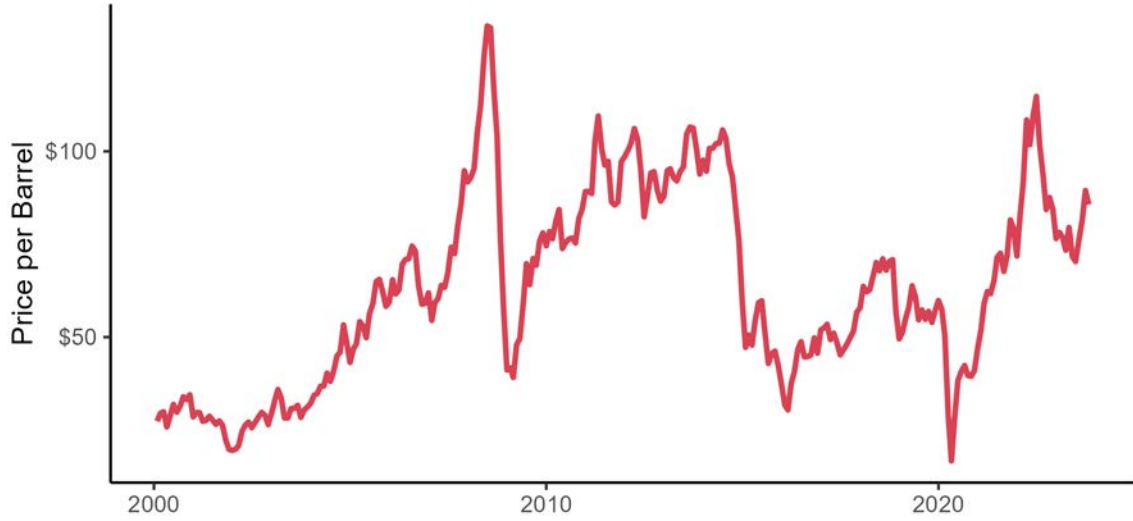
Source: Bureau of Labor Statistics





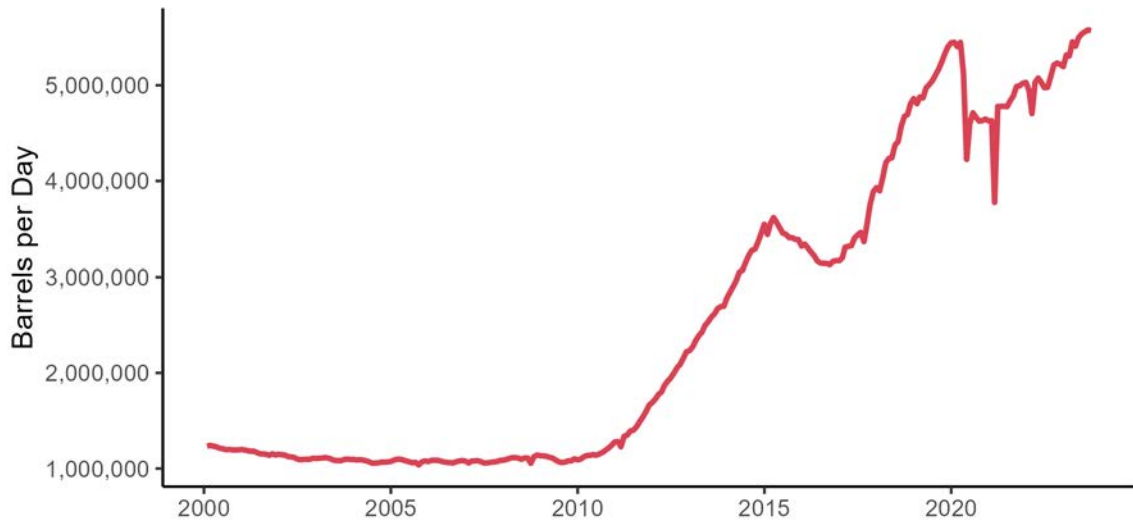
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



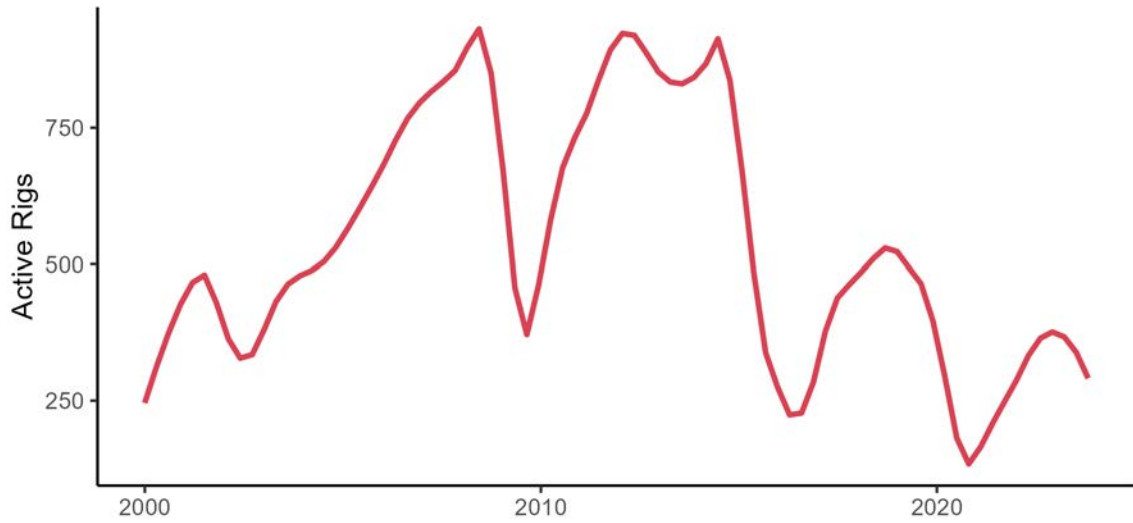
Source: Energy Information Administration





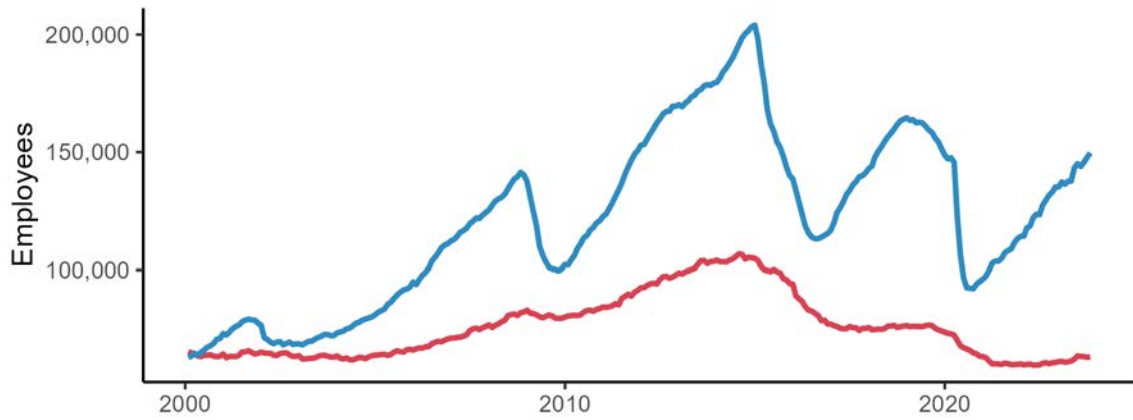
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



— Oil and Gas Extraction — Support Activities

Source: Bureau of Labor Statistics





Housing

Residential Home Sales

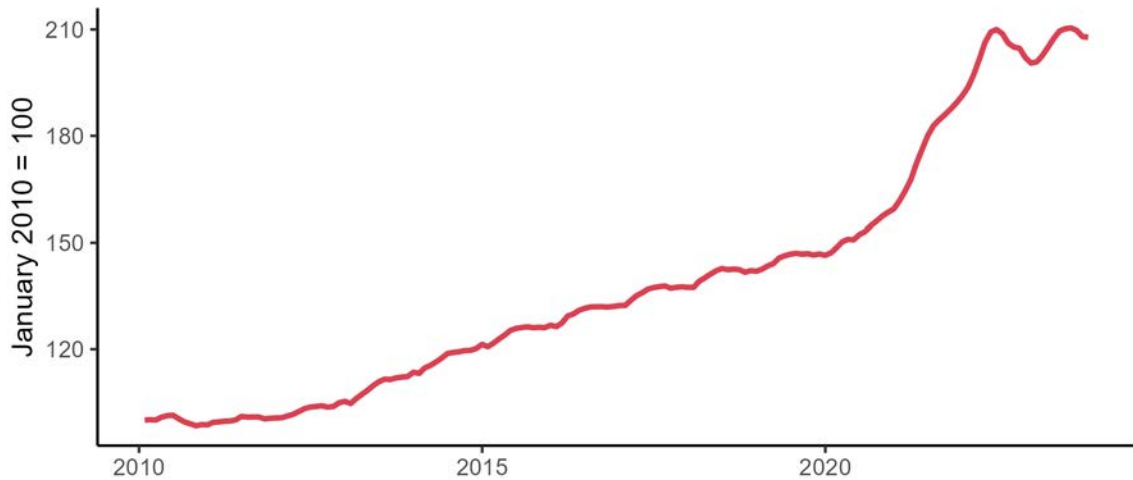
Seasonally Adjusted Annualized Rate



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



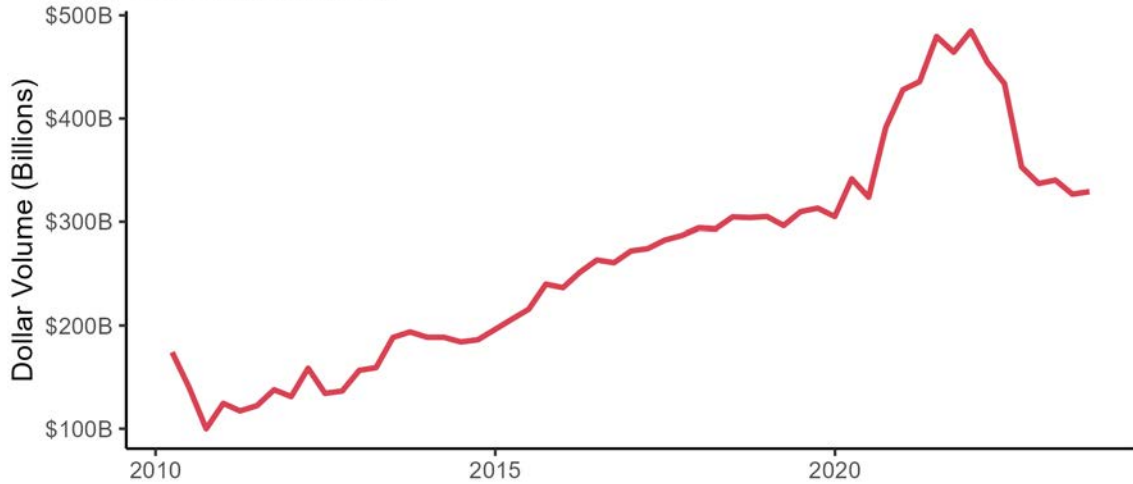
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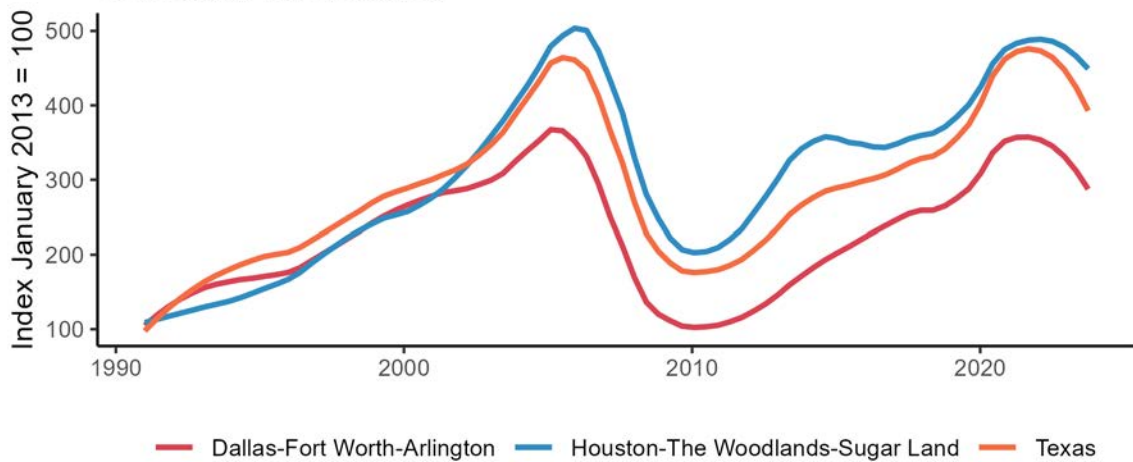
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Index



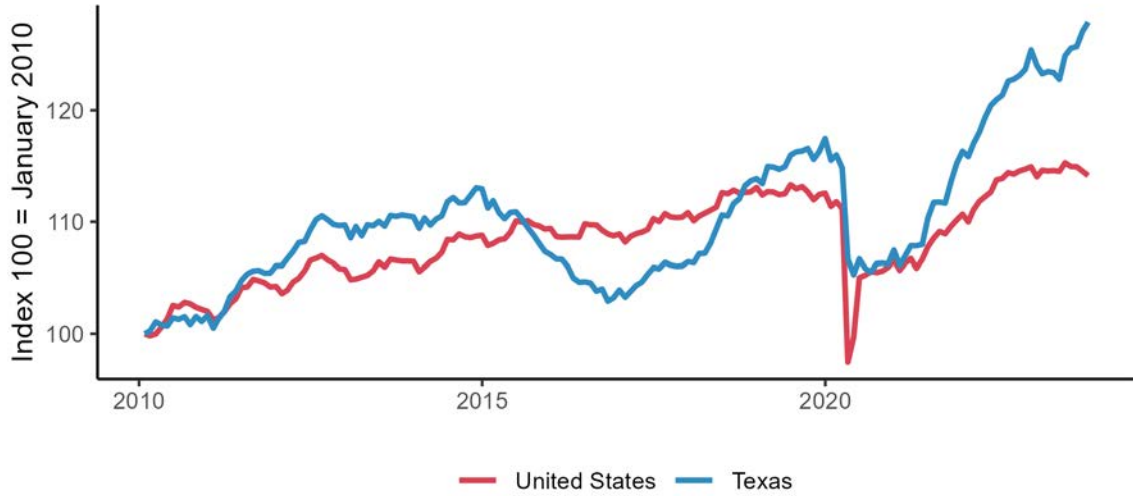
Source: Dodge Construction Network - Texas Real Estate Research Center at Texas A&M University





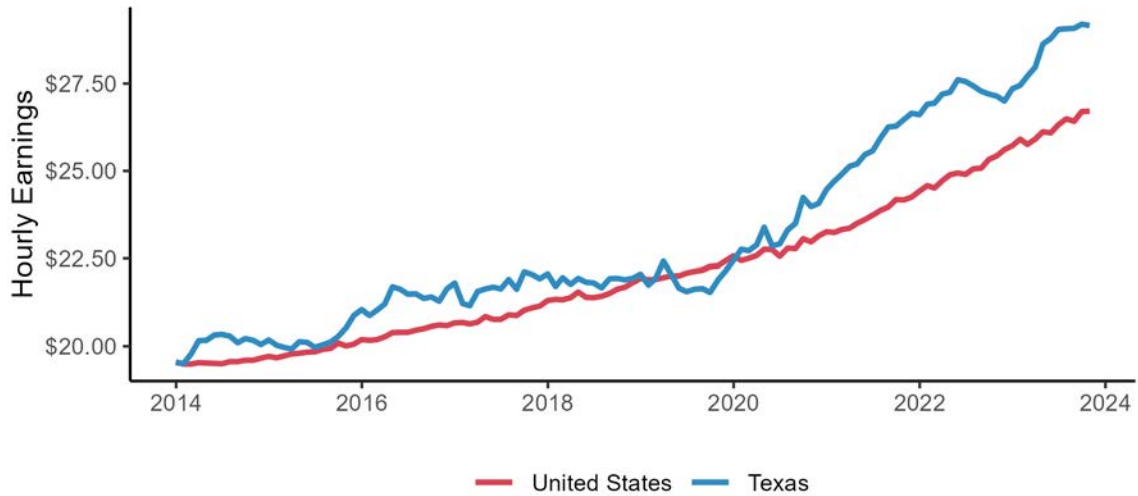
Manufacturing

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



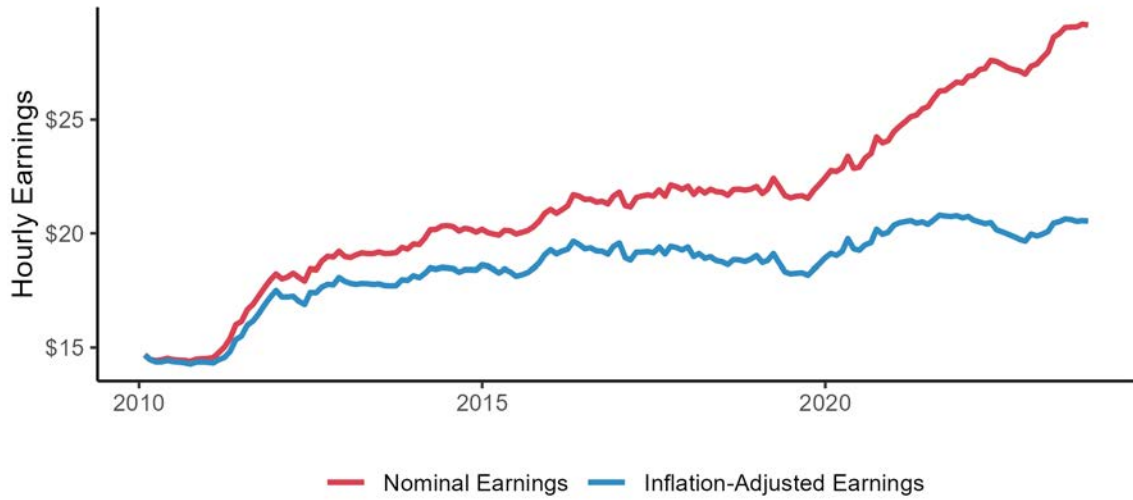
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

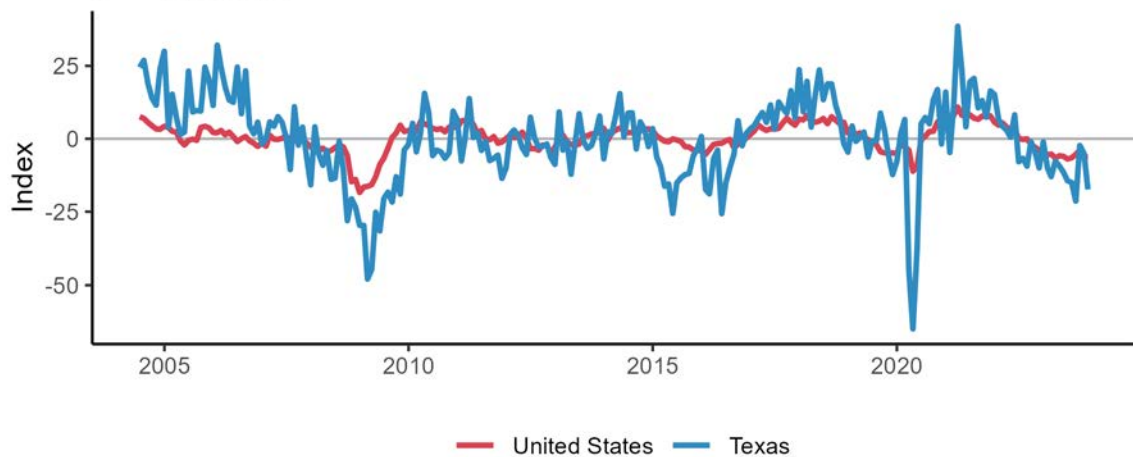
Texas Manufacturing Employee Hourly Earnings



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

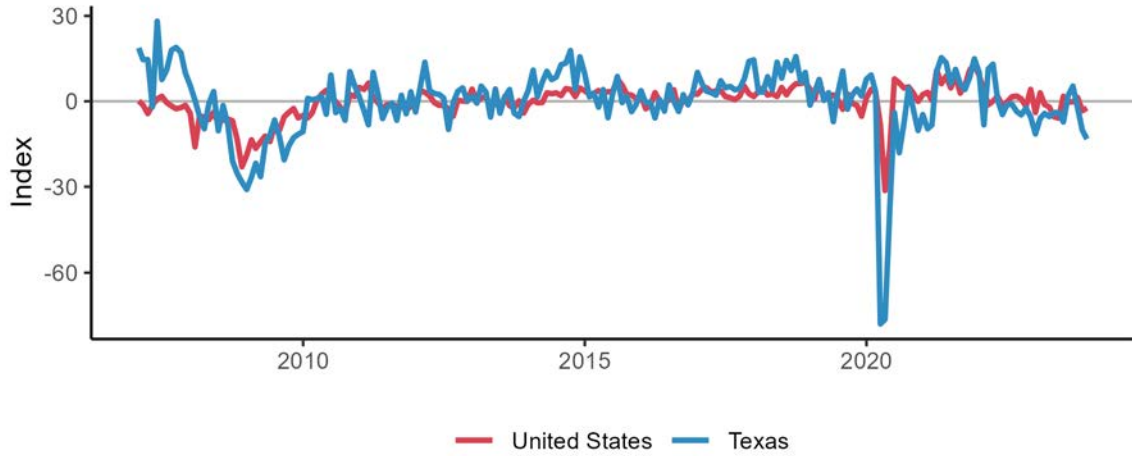




Services

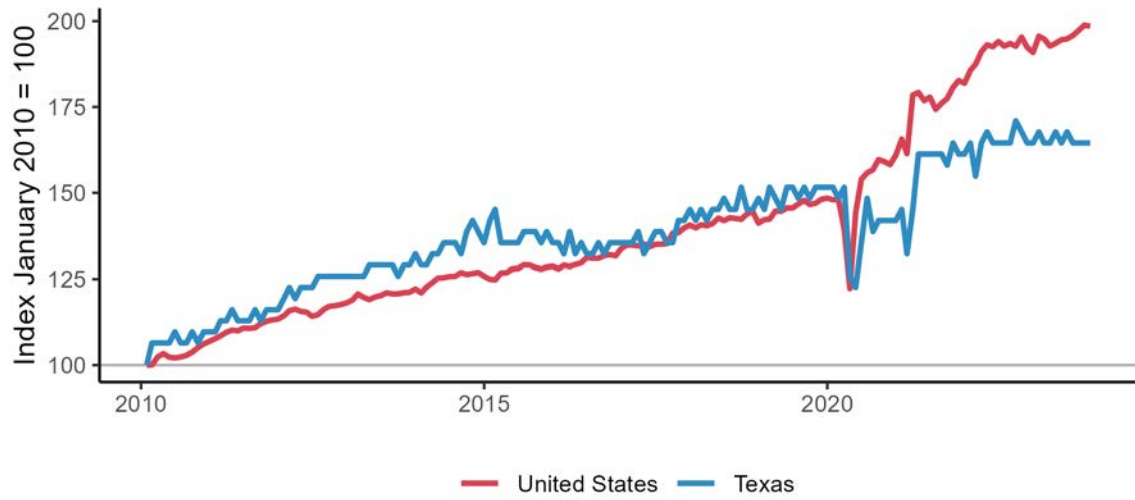
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



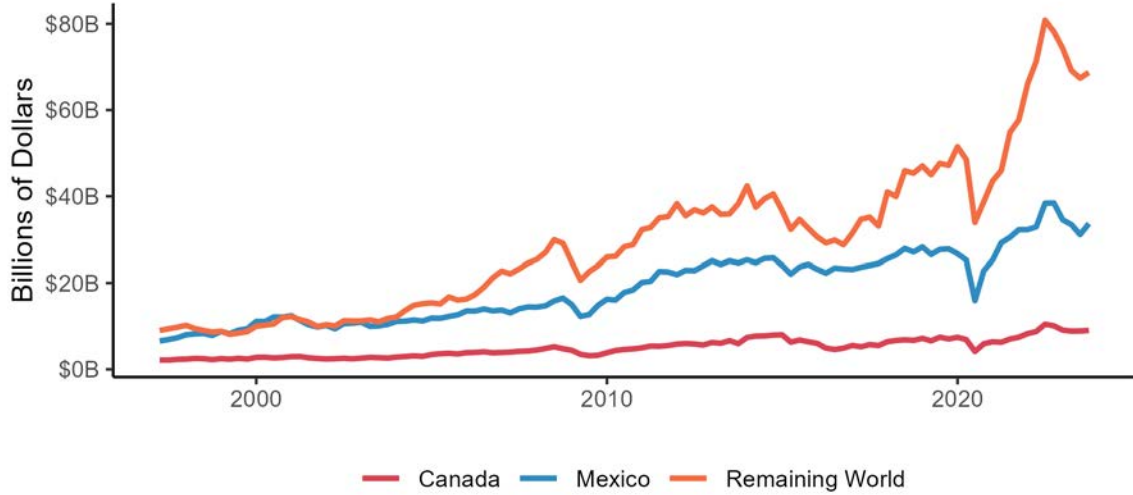
Source: Census Bureau - Federal Reserve Bank of Dallas





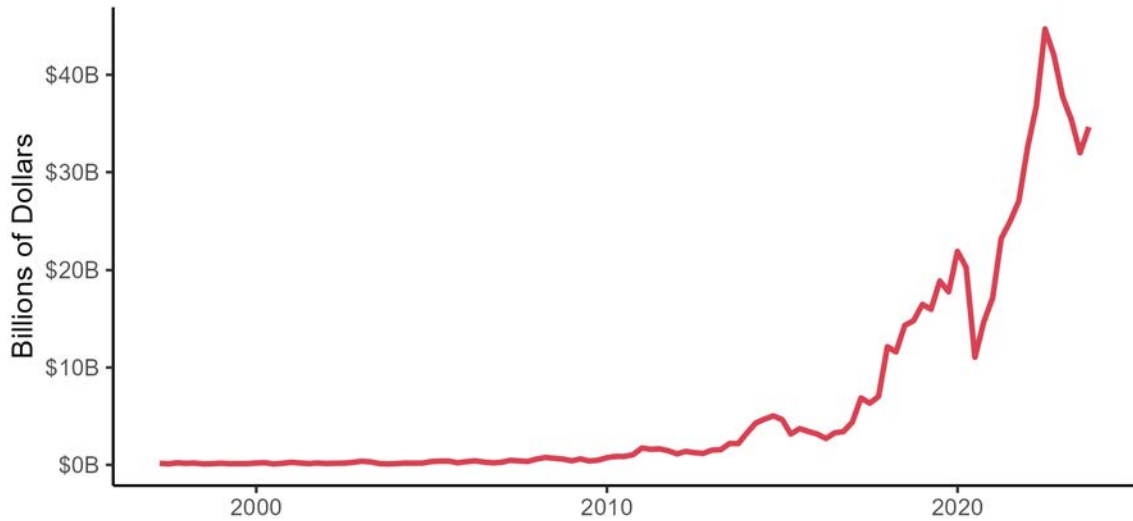
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER





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