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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 February 7, 2024

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Summary

The Texas economy remained resilient with consumer confidence rising despite high inflation. The labor market posted strong monthly gains while unemployment fell for the first time since April. Home sales fell alongside the drop in mortgage rates. Texas trade fell after last month’s strong showing. CPI marginally rose, and economic activity expanded at a strong rate, suggesting rate cuts may be less likely in 2024.

CPI Impacted by Continued Rise in Shelter Index

The Consumer Price Index (CPI) rose by 0.3 percent from last month and is up 3.4 percent from December 2022. According to the Bureau of Labor Statistics, the index for shelter accounted for over half of this month’s increase. The electricity index also posted a strong monthly gain. The fuel oil index posted the largest monthly decrease, falling 5.5 percent.

The Fed paused interest rate hikes in its December meeting, leaving the Fed Funds target at 5.25 to 5.5 percent. Economic activity has slowed over the last quarter of 2023; however, GDP growth remains strong. According to Fed Chairman Jerome Powell, the rate hike that occurred in July has a strong possibility of being the last one we see for this tightening cycle. Inflation is cooling but remains above the target goal of 2 percent. For rates to remain where they are or for them to eventually decrease, economic activity must stay strong while inflation must continue to cool.

Texas Payroll Remains Resilient

The Texas labor market has cooled alongside the Fed keeping rates at a 23 year high with total nonfarm employment growing 0.14 percent. Houston (5,000 workers) and San Antonio (6,300 workers) reported strong increases while Dallas and Austin had insignificant changes. The state’s payroll continued to climb, gaining 19,100 workers. Two sectors that had an influence over this month’s gains were education/health services and leisure/hospitality, both gaining 6,800 workers. The professional/ business services sector offset the previous gain, losing 14,500 workers.

Texas worker sentiment remains resilient with a high participation rate of 64.1 percent. The unemployment rate fell for the first time since April, falling to 4 percent, and continued unemployment claims averaged around 157,099 applications weekly. Texas attracted 497,454 potential workers over the past 12 months, continuing to surpass the record-high total labor force according to the household survey.
Home Sales Continue to Fall

Mortgage rates continued to fall, but their elevated level remains problematic for homebuyers as Texas’ total home sales fell 1.9 percent month over month (MOM) to 25,430 sales (see table). Among the Big Four, San Antonio reported the only gain in home sales, jumping 7.1 percent to 2,684 sales. Houston’s home sales plummeted by 16.6 percent, losing over 1,000 sales in December. Austin and Dallas also experienced losses, falling 9.2 percent and 3.5 percent, respectively. The gap between Houston and Dallas widened as Houston reported poor monthly sales, down almost 17 percent. Despite rates falling, they remain elevated, resulting in an affordability problem for homebuyers.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Texas</td>
<td>25,916</td>
<td>25,430</td>
<td>↓ -1.9%</td>
</tr>
<tr>
<td>Austin-Round Rock</td>
<td>2,384</td>
<td>2,165</td>
<td>↓ -9.2%</td>
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<td>Dallas-Fort Worth-Arlington</td>
<td>7,363</td>
<td>7,102</td>
<td>↓ -3.5%</td>
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<tr>
<td>Houston-The Woodlands-Sugar Land</td>
<td>6,841</td>
<td>5,708</td>
<td>↓ -16.6%</td>
</tr>
<tr>
<td>San Antonio-New Braunfels</td>
<td>2,506</td>
<td>2,684</td>
<td>↑ 7.1%</td>
</tr>
</tbody>
</table>

Note: Seasonally adjusted data used for the reported metrics.
Source: Texas Real Estate Research Center at Texas A&M University

Merchants’ Future Labor Outlook Remains Optimistic

Service sector activity rebounded in December with the revenue index rising from -2.4 in November to 4.3. A positive index indicates more respondents reported positive MOM growth than negative. According to the Dallas Fed’s Service Sector Outlook Survey, the employment index fell 2 points but remained positive. Outlook for current business conditions remained negative, with the general activity still deep within negative territory at -8.7. Respondents remained optimistic about future economic conditions, especially within the labor market with both the revenue index (34.5) and employment index (23.6) posting strong gains for the second straight month.

Retail payroll increased by 9,800 workers this month, bringing the year-over-year (Y0Y) retail employment change to 2.2 percent. Sales fell at a slower rate than last month as the Dallas Fed’s Retail Outlook Survey reported that the sales index remained in negative territory, but jumped from -11.6 to -1.7, indicating retail activity is moving in a positive direction. Employment growth remained unchanged from last month’s 4.1. The perception of broader business continued to worsen with the general business activity index falling to -24.1. Expectations for future retail growth wavered, but remained strong within the labor market, with the employment index remaining in positive territory.
Global Trade Falls from Downbeat Activity

Texas’ all-commodity exports fell 9.84 percent MOM and 7.6 percent YOY. Demand decreased MOM for the top three manufacturing exports: computer/electronics (down 9.7 percent), petroleum/coal (down 9.2 percent), and chemicals (down 3.6 percent). The beverage/tobacco products industry had a dynamic month, posting the only meaningful increase among manufacturing exports with a 161 percent increase from last month. Demand for Texas’ crude oil exports fell for the first time since June, falling 13.6 percent. Germany, Thailand, Spain, and Taiwan all increased their imports of crude oil more than 50 percent while Ireland and Japan posted decreases of more than 50 percent. Exports to Europe and Asia account for over 78 percent of the total crude oil exports by Texas.

Select Economic Indicators

- The Texas Leading Economic Index grew for the second consecutive month to 126.8 (1987=100), signaling possible economic expansion in the upcoming months.
- Nominal average hourly earnings rose 1.19 percent MOM to $32.30. Earnings across all four major metros increased with Austin showing the most change at 82 cents gained.
- Texas consumer confidence rose by 6.3 percent since last month as news about interest rate hikes ending becomes prominent.
- The ten-year U.S. Treasury bond fell 48 basis points to 4.02 percent.
- The Federal Home Loan Mortgage Corporation’s 30-year fixed-rate fell 62 basis points to 6.82 percent.
- The West Texas Intermediate (WTI) crude oil spot price fell 5.94 percent YOY from $76.44 to $71.90. The Henry Hub natural gas spot price plummeted 54.43 percent YOY from $5.53 to $2.52 per million British thermal units (BTU).
Economic Activity

Gross Domestic Product

Index 2010 Q1 = 100

Source: Bureau of Economic Analysis

Job Openings

Index January 2010 = 100

Source: Bureau of Labor Statistics
Employment Index

Source: Bureau of Labor Statistics

Unemployment Rate

Source: Bureau of Labor Statistics
Initial Unemployment Claims

Source: Department of Labor

Labor Force Participation Rate

Source: Bureau of Labor Statistics
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
U.S. Purchase Mortgage Origination Dollar Volume
Seasonally Adjusted

Source: Mortgage Bankers Association

Single-Family Housing Starts
Seasonally Adjusted Index

Index January 2013 = 100

Source: Dodge Construction Network - Texas Real Estate Research Center at Texas A&M University
Texas and U.S. Manufacturing Employment Index

Index 100 = January 2010

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

Texas and U.S. Manufacturing Employee Hourly Earnings

Hourly Earnings

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

Index

2010  2015  2020

United States  Texas

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

Retail Sales Index

Index January 2010 = 100

2010  2015  2020

United States  Texas

Source: Census Bureau - Federal Reserve Bank of Dallas
Texas Export Values by Destination

Source: Census Bureau via WISER

Texas Oil and Gas Exports

Source: Census Bureau via WISER
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