

# 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 <mailto:info@recenter.tamu.edu>.

Joshua Roberson and Koby McMeans

Data current as of February 7, 2024

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# January 2024

UNEMPLOYMENT RATE

▼ 3.9%

CRUDE OIL EXPORTS

▲ 14.0% MOM

CONSUMER PRICE INDEX

▲ 3.1% YOY

TX CONSUMER CONFIDENCE

▲ 3.3% MOM

## Summary

Texas consumers remained confident in the economy with consumer confidence rising for the second consecutive month. The labor market started the year with slower growth with the Fed pausing rate hikes at a 23-year high. Home sales had a strong increase from the previous month's dip. Mortgage rates fell from their peak value in 2023 but remained elevated and restrictive for first-time homebuyers. Texas trade had strong gains with crude oil showing a double-digit percent gain.

### CPI Rises as Economic Activity Remains Strong

The Consumer Price Index (CPI) rose 0.3 percent from last month and is up 3.1 percent from January 2023. According to the Bureau of Labor Statistics, the index for shelter accounted for over two thirds of this month's increase. The energy index posted monthly losses largely due to the fuel oil index falling 14.2 percent.

The Fed paused interest rate hikes in its January meeting, leaving the Fed Funds target at 5.25 to 5.5 percent. Inflation remains above the long-term goal of 2 percent, but the lower readings in the second half of last year are a sign inflation is moving in the right direction. Economic activity grew at a faster pace in 4Q2023 (3.3 percent) than in 2023 as a whole (3.1 percent), suggesting GDP growth is strong. Interest rates should start to decrease if economic activity remains strong while inflation cools, according to Fed Chairman Jerome Powell.

### Texas Payroll Remains Resilient

Texas total nonfarm employment added 19,400 workers despite a 23-year-high Federal Funds Rate. Houston reported a steady increase of 9,700 while San Antonio experienced a relatively smaller growth of 3,800.

Austin reported insignificant decreases in employment while Dallas (5,300) and San Antonio (3,800) lost workers. The state's payroll continued to climb, gaining 19,400 workers. Two sectors that influenced this month's gains were professional and business services and education and health services, each attracting 10,100 and 4,600 workers, respectively. Trade, transportation, and utilities lost 7,600 workers during the month.



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Texas worker sentiment remains resilient with a high participation rate of 64.1 percent. The **unemployment rate** has been steady at 3.9 percent for eight months, and continued unemployment claims averaged around 157,880 applications weekly.

### Home Sales Skyrocket

According to the latest data, Texas had a 14.6 percent increase in total home sales month over month, resulting in 29,209 homes sold (see table). Notably, all major cities in Texas experienced an upswing in housing sales compared to 4Q2023. The most significant increase was in Houston (37.3 percent) with a surge of over 2,000 additional sales compared to December. The rest of the Big Four experienced strong monthly gains of over 10 percent.

### Home Sales Volume

	December	January	MOM Change
Houston-The Woodlands-Sugar Land	5,772	7,926	↑ 37.3%
Austin-Round Rock	2,467	2,830	↑ 14.7%
Texas	25,493	29,209	↑ 14.6%
Dallas-Fort Worth-Arlington	7,141	8,034	↑ 12.5%
San Antonio-New Braunfels	2,612	2,913	↑ 11.5%

Note: Data is seasonally adjusted.

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

### Merchants' Future Business Outlook Remains Optimistic

Service sector activity declined in January with the revenue index falling from 4.0 in December to -3.6. A negative index indicates more respondents reported negative MOM growth than positive. According to the **Dallas Fed's Service Sector Outlook Survey**, perception of broader business conditions worsened slightly with the general business activity index remaining in negative territory at -9.3. Respondents remained optimistic about future business conditions, with the future general business activity index remaining in positive territory while the future revenue index climbed to 36.7.

Retail payroll decreased by 8,800 workers in January. Despite the month's decrease in payroll, the year-over-year (YOY) retail employment change remains slightly positive at 0.8 percent.

Sales plummeted as the **Dallas Fed's Retail Outlook Survey** reported the revenue index moved from -2.2 to -28.6, signifying sales fell at a rapid pace. The labor market within the retail sector worsened as the employment index fell into negative territory at -8.4. The perception of broader business continued to worsen with the general business activity index falling to -25.4. Expectations for future retail growth wavered with the employment index remaining positive while the future general business activity index fell further into negative territory.



## Global Trade Shows Strong Increases

Texas' all-commodity exports rose 4.6 percent MOM and 2 percent YOY in December. Demand fluctuated MOM for the top three manufacturing exports: computer/electronics (down 4 percent), petroleum/coal (up 17 percent), and chemicals (up 0.6 percent). Industries besides petroleum that influenced the monthly gain were wood products (50 percent) and machinery, except electrical, (31.1 percent). The beverage/tobacco industry fell from December's spike, falling 22.4 percent, but remains positive by 99.1 percent YOY. Demand for Texas' **crude oil exports** rebounded from last month's fall, rising by 14 percent. Europe overtook Asia as the biggest importer of Texas crude oil, sitting at 41 percent to 38 percent of the total market share. Ireland and France both reported strong increases of over 100 percent. Japan and China's imports decreases 90 percent and 65 percent respectively.

## Select Economic Indicators

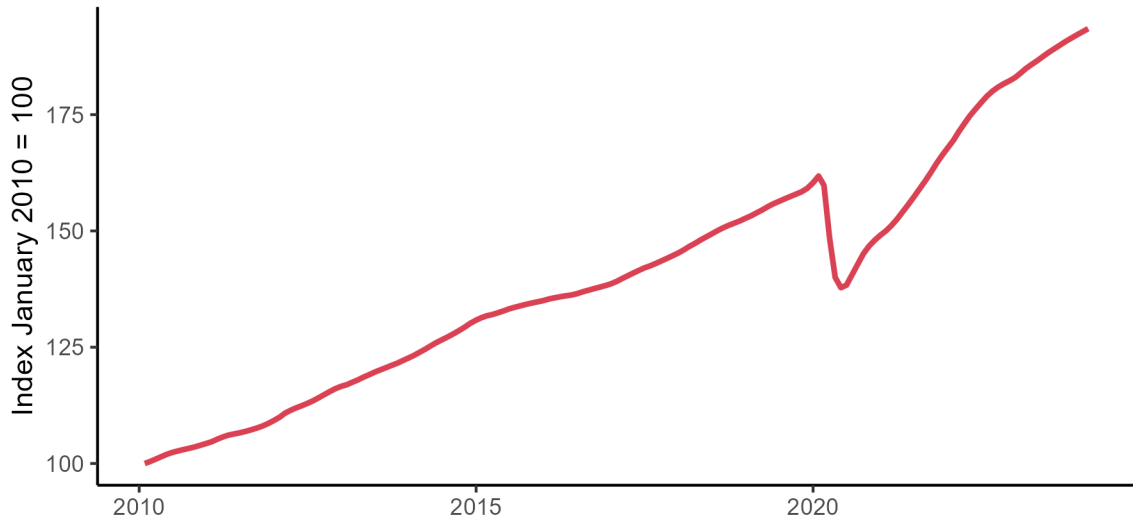
- The Texas Leading Economic Index grew to 128.1 (1987=100), signaling possible economic expansion in the upcoming months.
- Nominal **average hourly earnings** rose 2.0 percent MOM to \$32.87. Earnings across all four major metros increased with Austin (+\$1.06) and Dallas (+\$0.80) showing the greatest change.
- Texas consumer confidence rose 3.2 MOM.
- The ten-year U.S. Treasury bond rose four basis points to **4.06 percent**.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate fell 18 basis points to **6.64 percent**.
- The West Texas Intermediate (WTI) crude oil spot price fell **5.08 percent** YOY from \$78.12 to \$74.15. The Henry Hub natural gas spot price fell 2.75 percent YOY from \$3.27 to \$3.18 per million British thermal units (BTU), coming down from the inflated 2022 values.





# Economic Activity

## Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

## Texas Leading Index



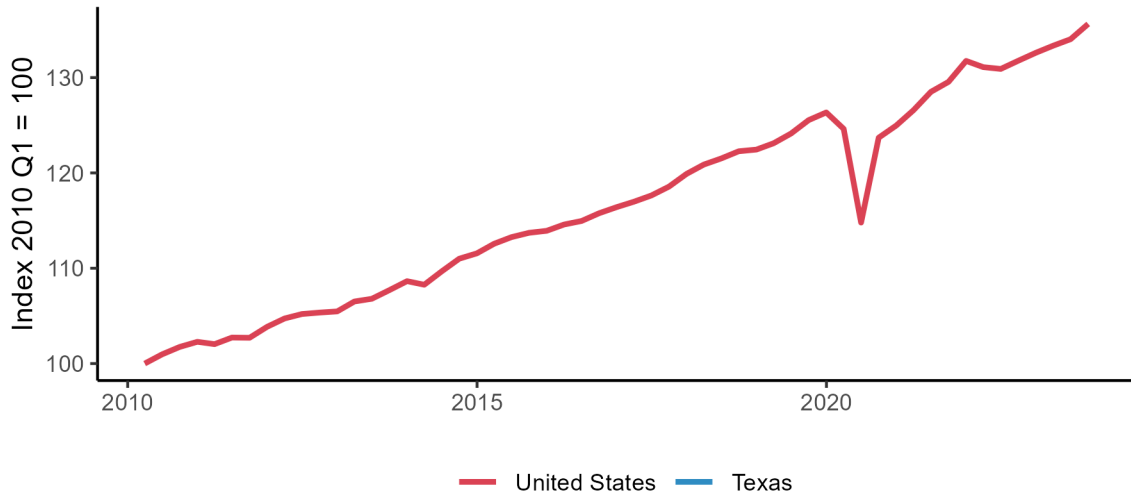
Source: Federal Reserve Bank of Dallas





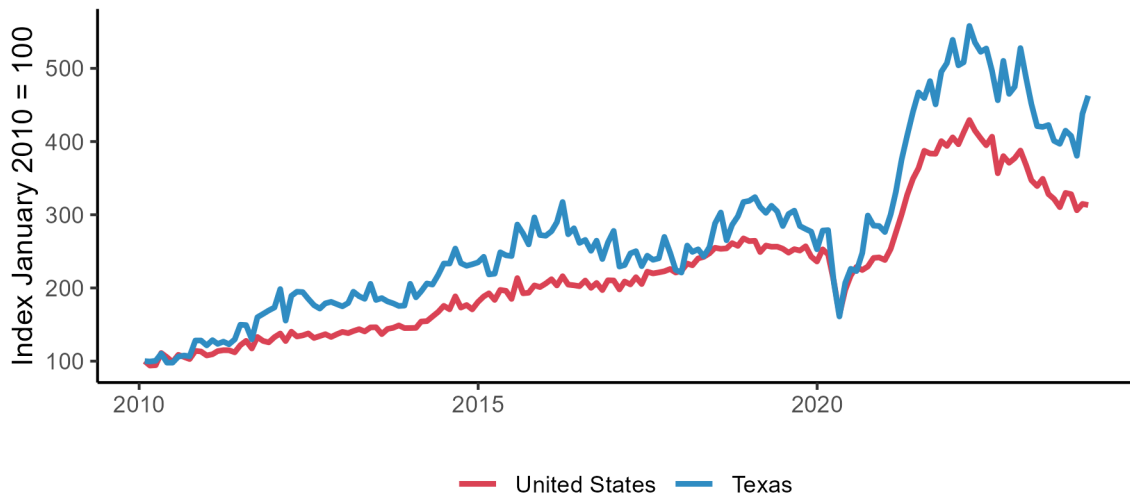
# Economic Activity

## Gross Domestic Product



Source: Bureau of Economic Analysis

## Job Openings



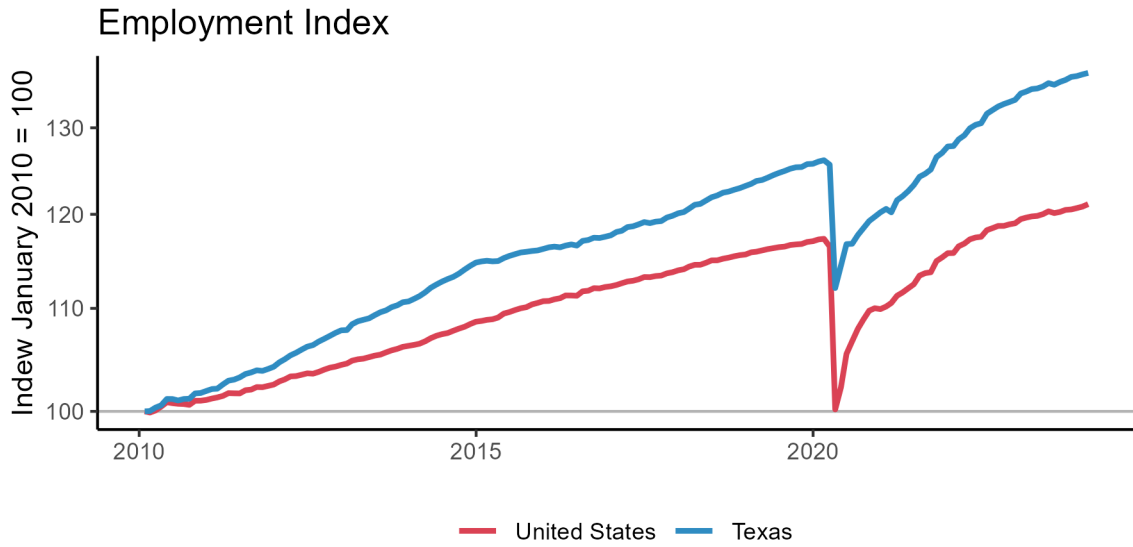
Source: Bureau of Labor Statistics



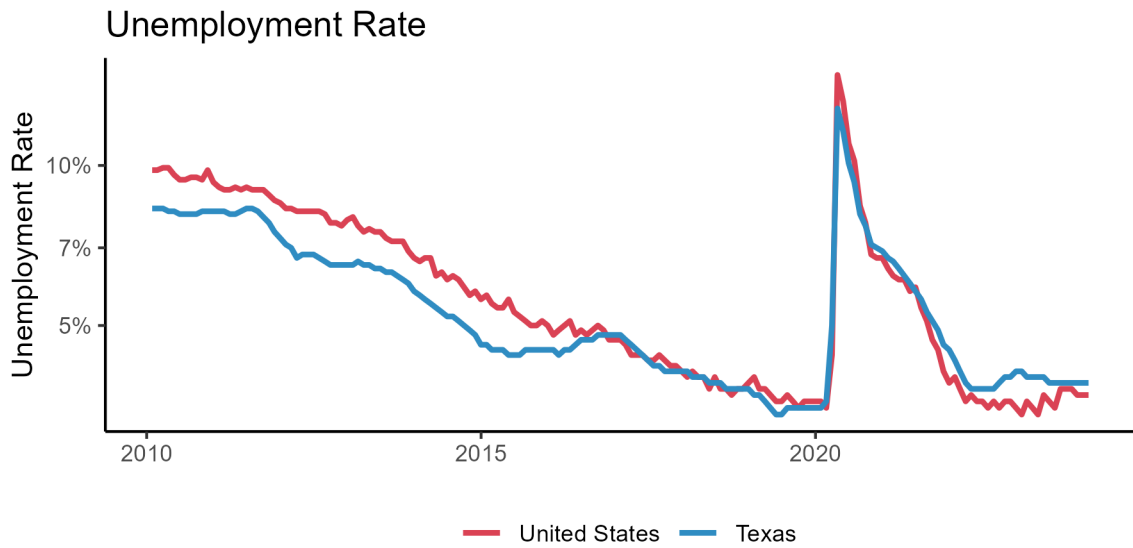




# Employment



Source: Bureau of Labor Statistics



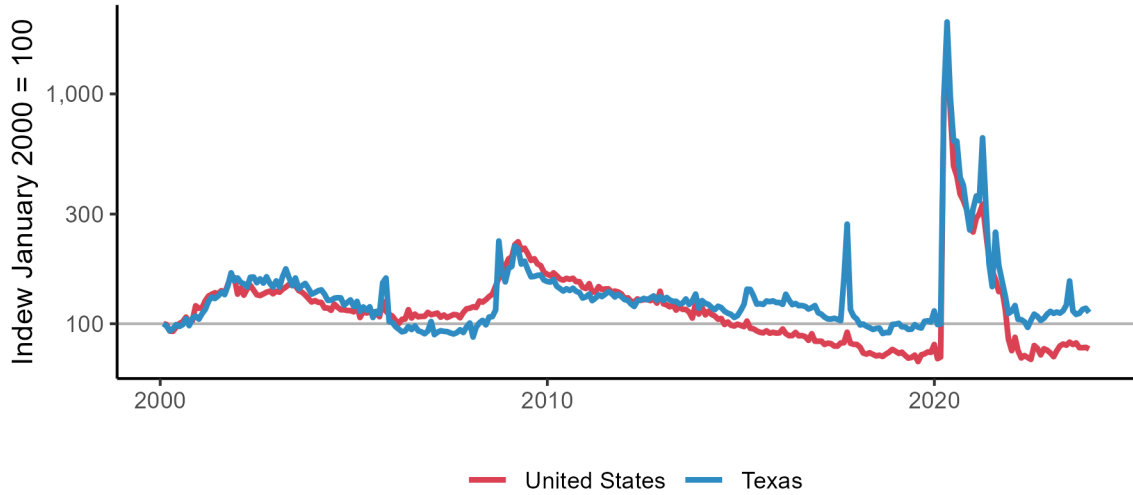
Source: Bureau of Labor Statistics





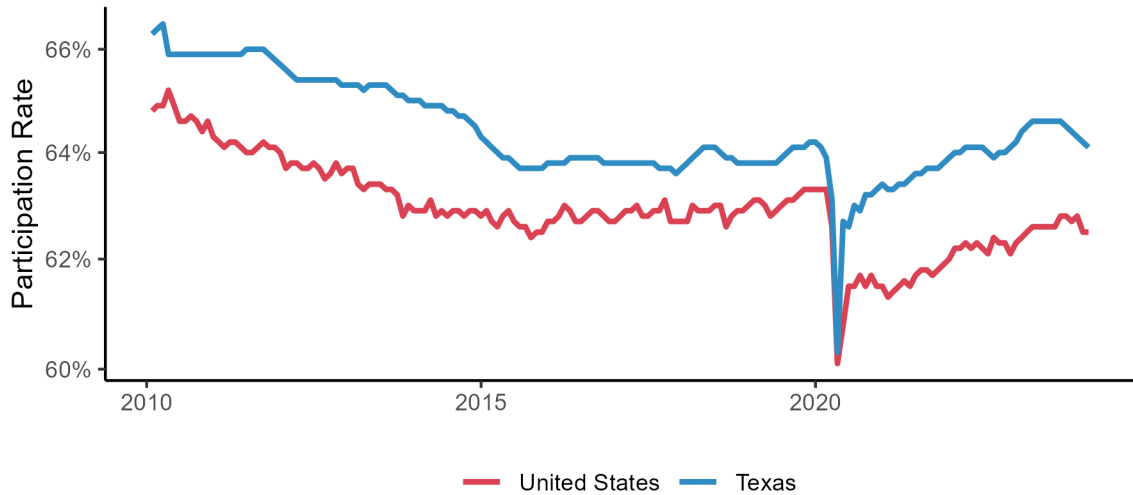
# Employment

## Initial Unemployment Claims



Source: Department of Labor

## Labor Force Participation Rate



Source: Bureau of Labor Statistics





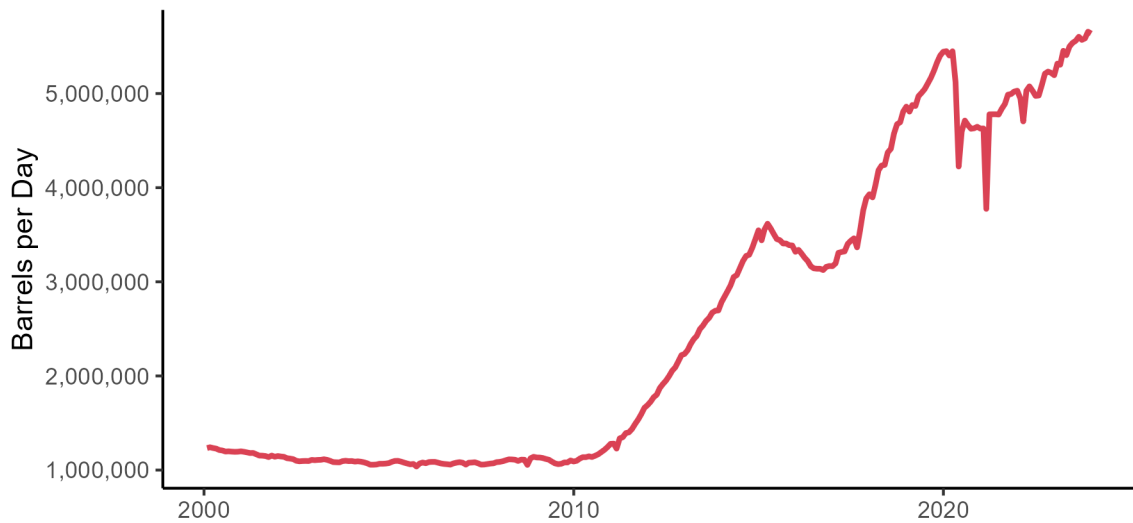
# Energy

### Crude Oil Price



Source: Energy Information Administration

### Texas Crude Oil Production



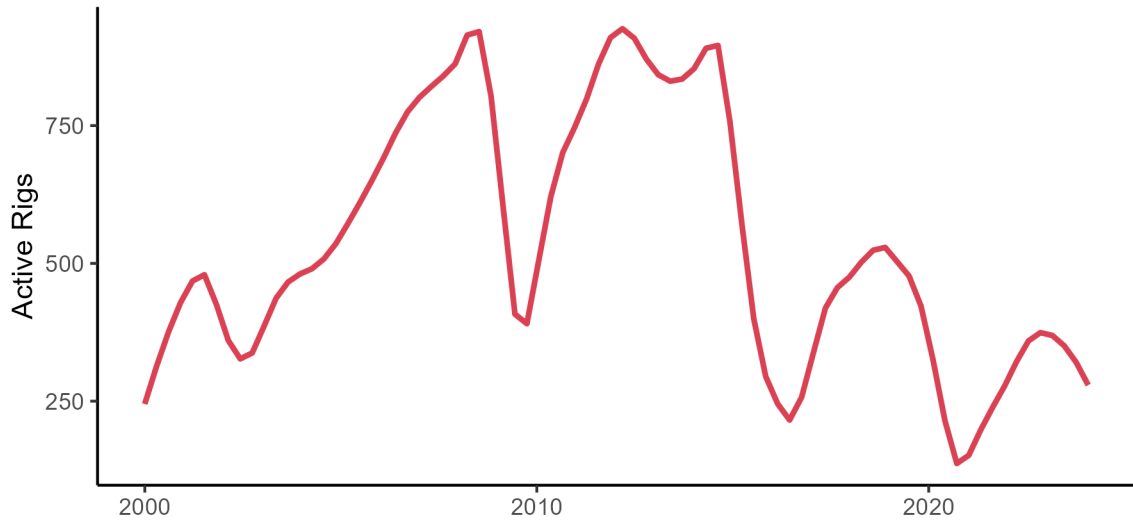
Source: Energy Information Administration





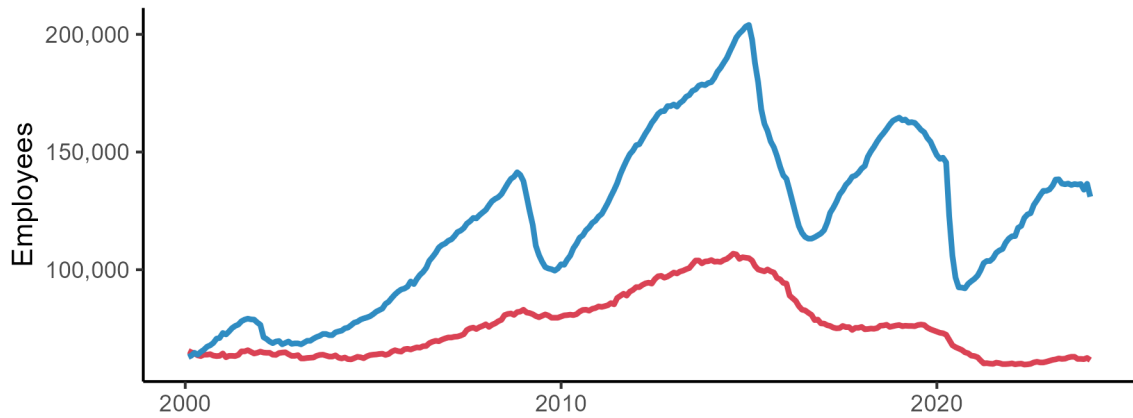
# Energy

### Texas Active Rotary Rig Count



Source: Baker Hughes

### Oil and Gas Extraction Employment



Oil and Gas Extraction Support Activities

Source: Bureau of Labor Statistics

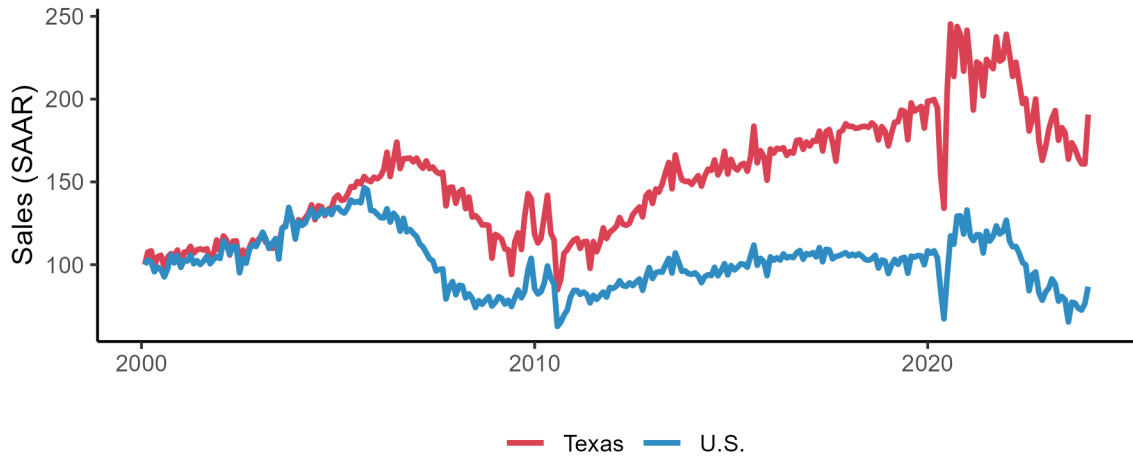




# Housing

## Residential Home Sales

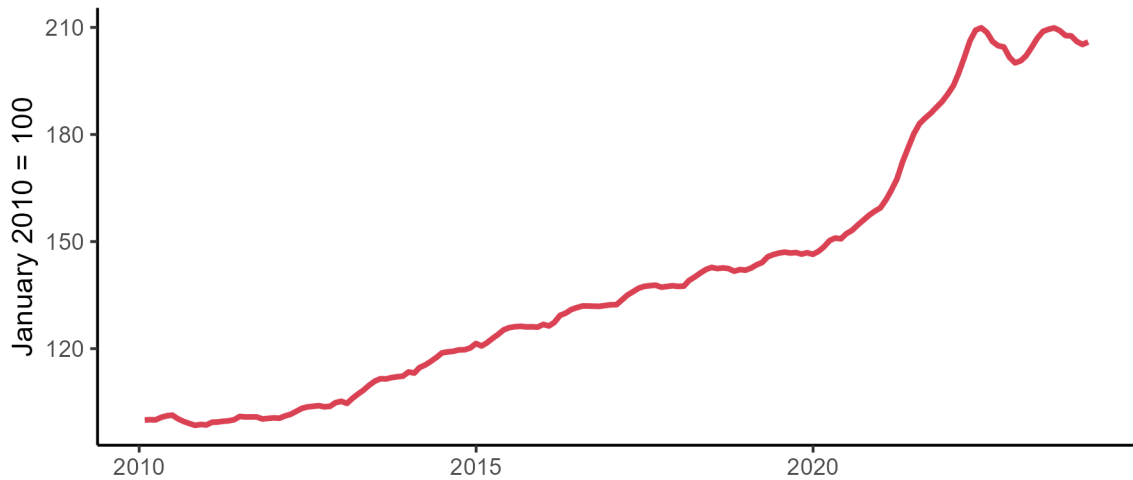
Seasonally Adjusted Annualized Rate



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



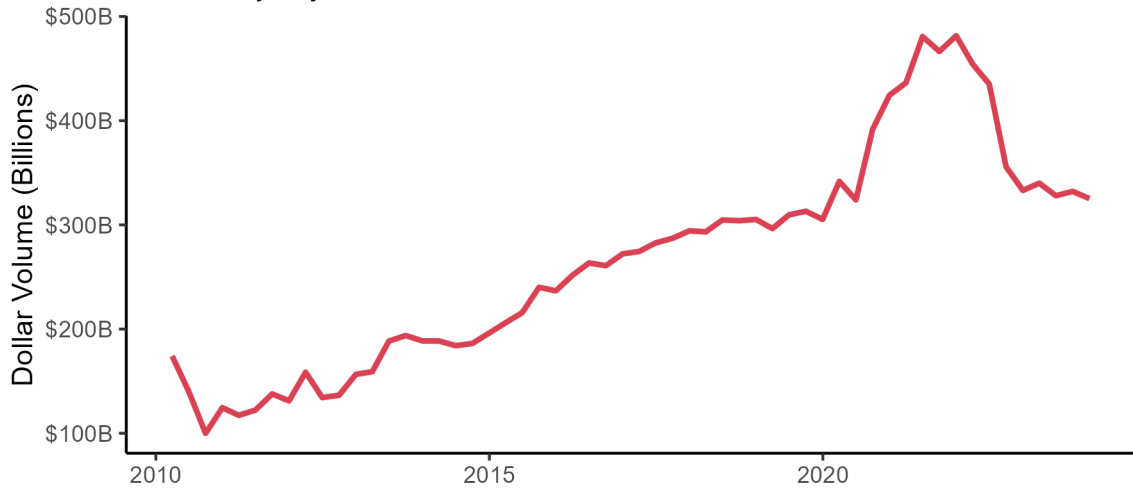
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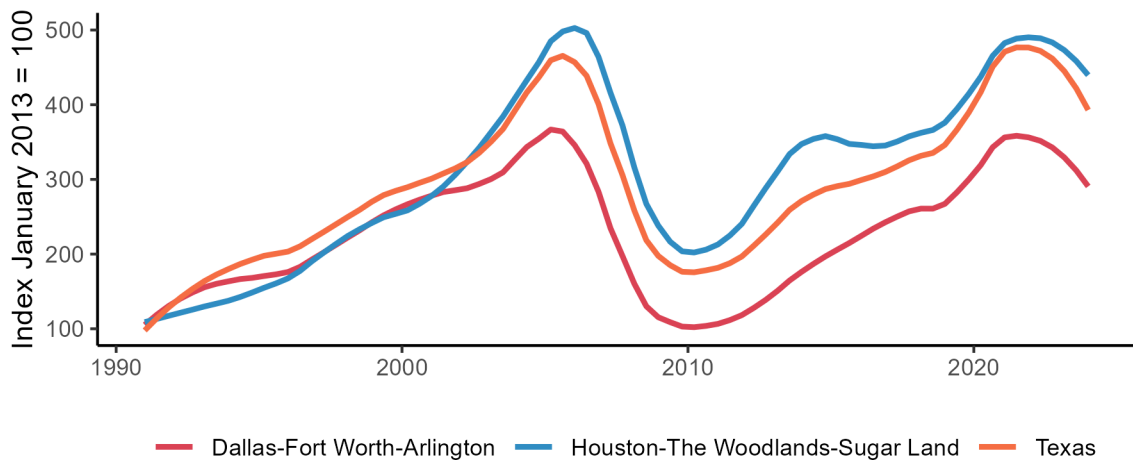
# Housing

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



Source: Mortgage Bankers Association

### Single-Family Housing Starts Seasonally Adjusted Index



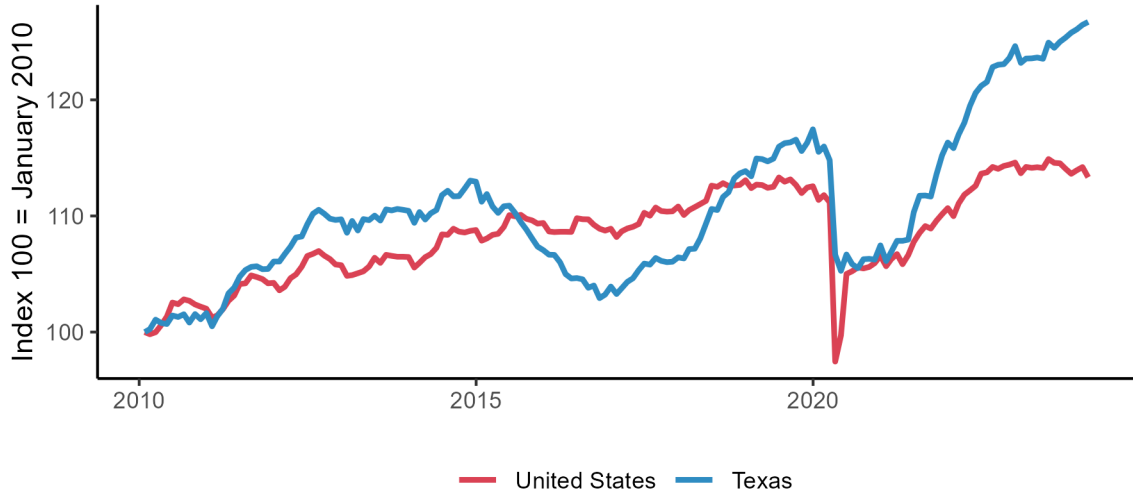
Source: Dodge Construction Network - Texas Real Estate Research Center at Texas A&M University





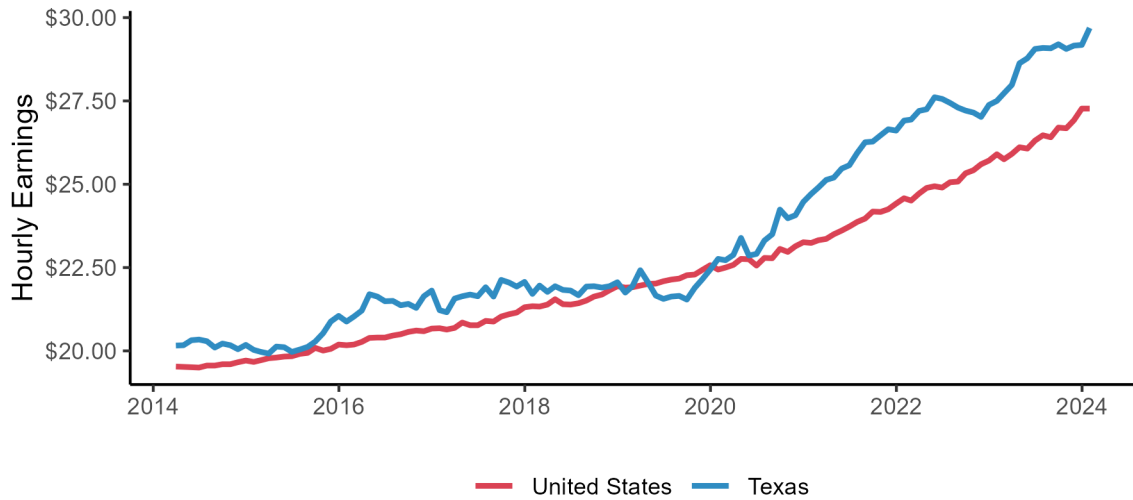
# Manufacturing

### 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



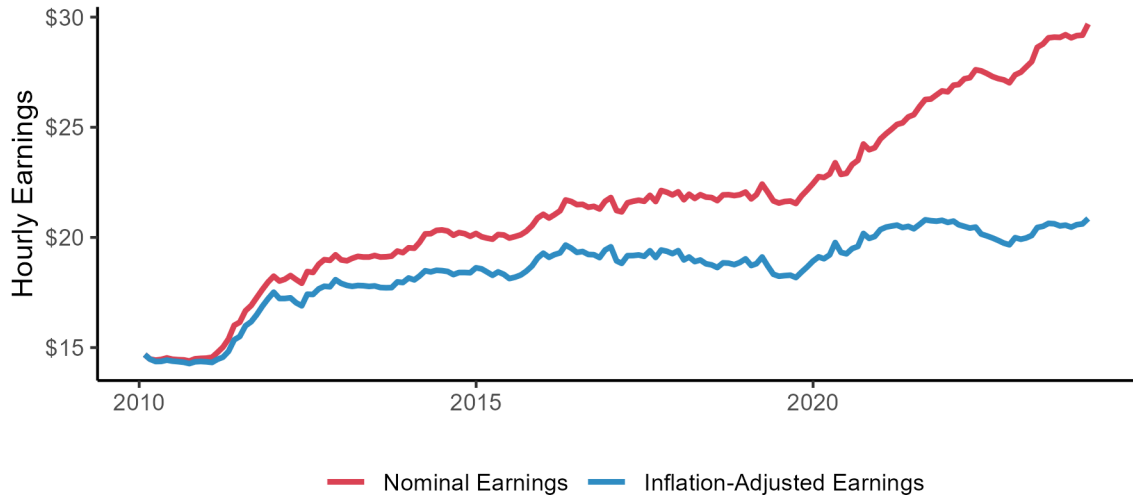
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





# Manufacturing

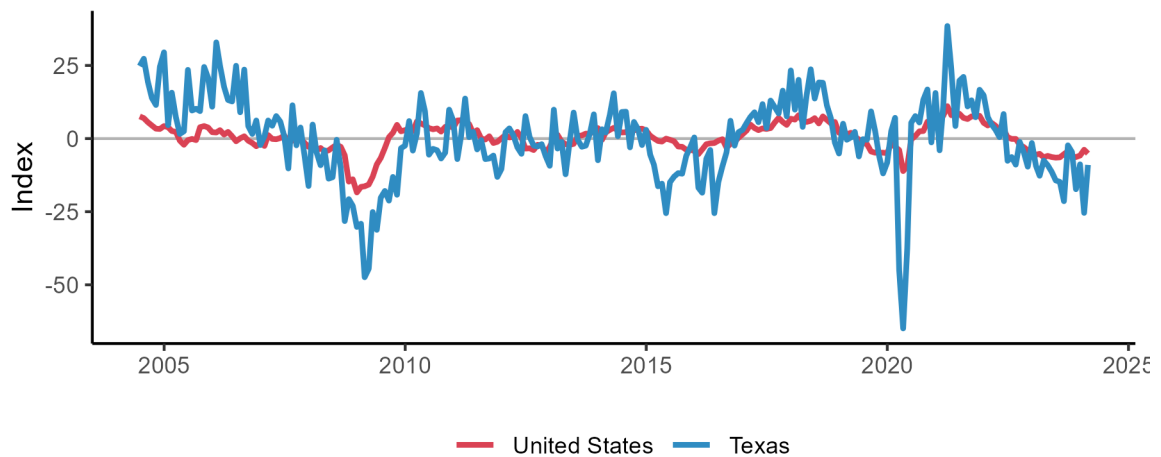
### Texas Manufacturing Employee Hourly Earnings



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



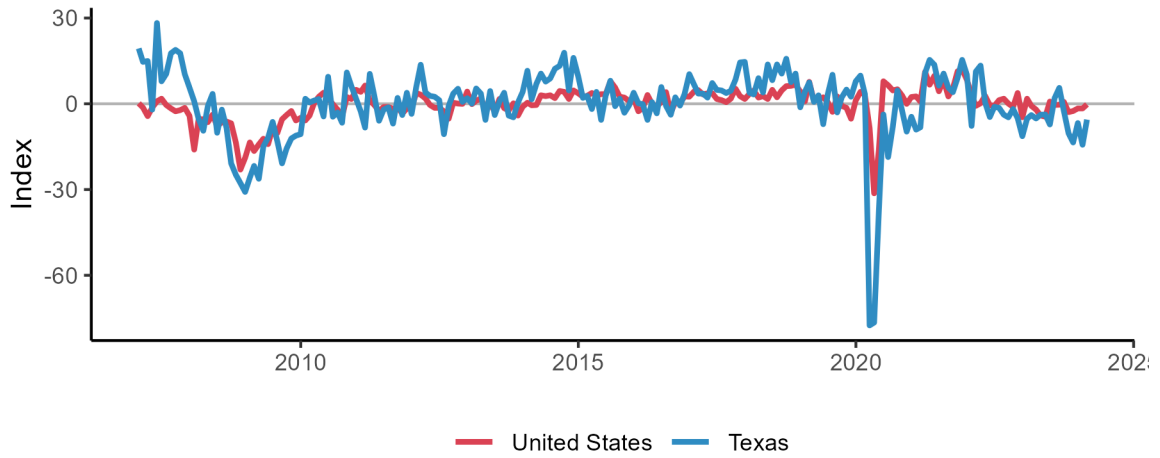




# Services

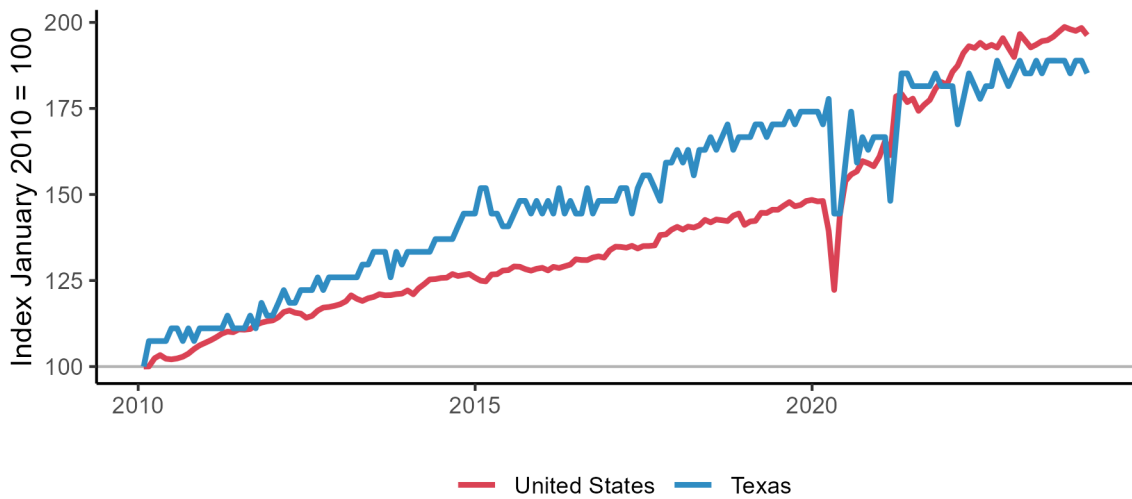
## Services Sector Outlook Index

0+ = Expansion



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

## Retail Sales Index



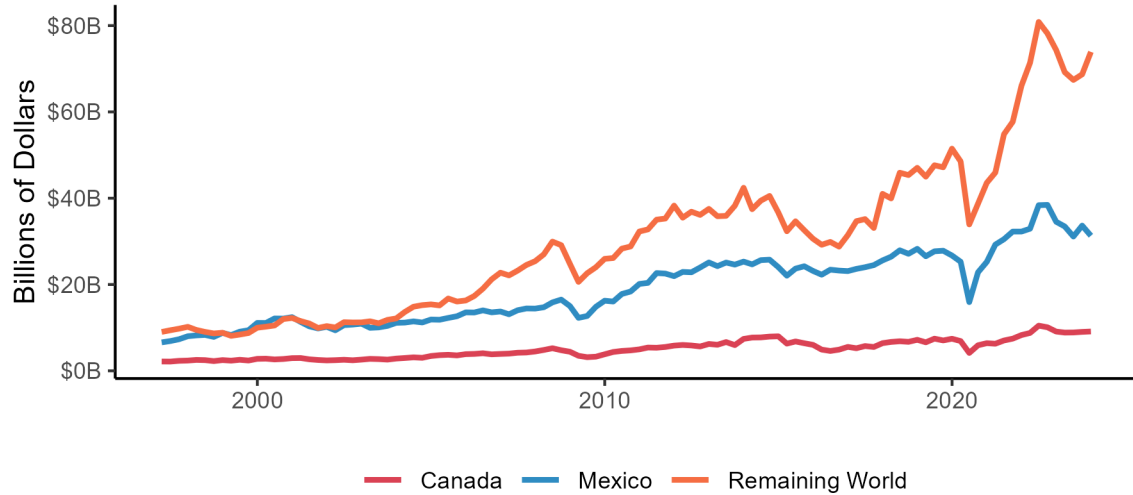
Source: Census Bureau - Federal Reserve Bank of Dallas





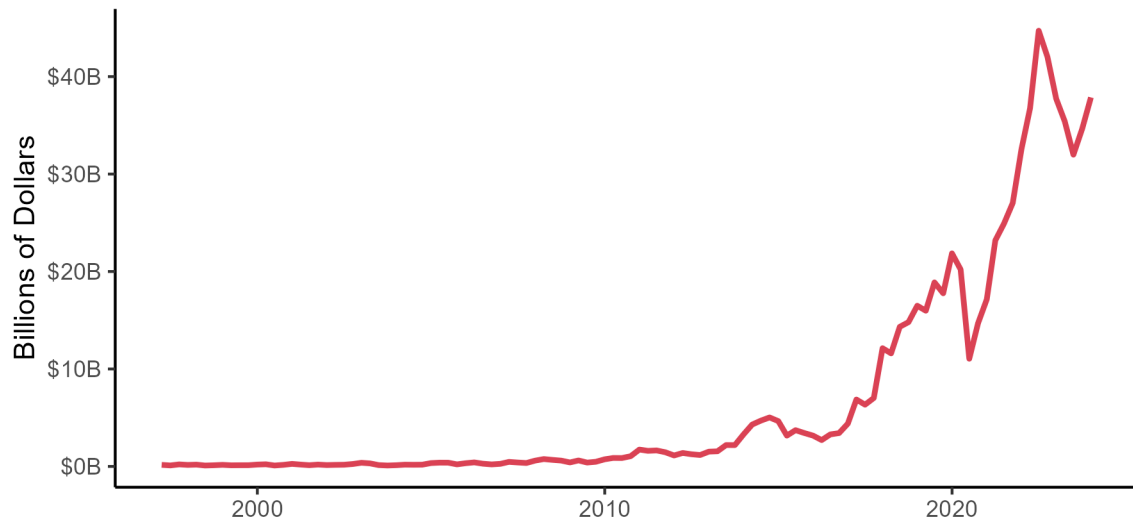
# Trade

### Texas Export Values by Destination



Source: Census Bureau via WISER

### Texas Oil and Gas Exports



Source: Census Bureau via WISER





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