

Outlook for the Texas Economy



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MARCH 2024 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 <mailto:info@recenter.tamu.edu>.

Joshua Roberson and Rhutu Kallur

Data current as of April 10, 2024

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March 2024

UNEMPLOYMENT RATE

3.9%

CRUDE OIL EXPORTS

▲ 0.6% MOM

CONSUMER PRICE INDEX

▲ 0.4% MOM

TX CONSUMER CONFIDENCE

▼ 2.7% MOM

Summary

The Texas economy has remained resilient despite high inflation rates. Employment has remained steady with professional and business services driving most of the monthly employment gains. The unemployment rate has remained unchanged for the last six months. Inflation has increased by 3 percent and is likely to remain at high levels until later this year.

Inflation Grows Despite Higher Rates

The Consumer Price Index (CPI) rose by 0.4 percent in March, which was the same growth rate as the previous month and is up 3.8 percent from March 2023. The indexes for gasoline and shelter both rose in March and contributed to more than half of the monthly increase. The energy index increased 2.1 percent year-over-year (YOY) while the food index increased by 2.2 percent.

In March, the Federal Reserve maintained its key federal funds interest rate at approximately 5.5 percent as it grappled with persistent economic inflation. Despite a rise in inflation from 3.2 percent in February to 3.5 percent in March, the committee aims to keep the interest rate steady until it gains greater confidence that inflation is consistently moving toward its official 2 percent target. Many speculate that the earliest the Fed might consider reducing interest rates is during its June meeting, with the possibility of two additional rate cuts by year-end, contingent on whether inflation remains above the 2 percent target. The ongoing inflation surge has been influenced by factors such as housing costs, which have yet to decline significantly due to a nationwide housing shortage and higher mortgage interest rates.

Texas Payroll Growing at Slower Rate

Texas total nonfarm employment added 19,100 workers, resulting in a 0.14 percent month-over-month (MOM) gain. Compared to the past ten years, this growth rate falls below the monthly average growth rate of 0.2 percent. None of the Big Four metros experienced major changes. Dallas and San Antonio experienced relatively higher increases of 4,000 and 2,300, respectively. Austin notably reduced by 1,600 employees. Houston had an insignificant increase of 300 employees during this month. For the third straight month the professional and business services and education and health services sectors were the main contributors to the monthly increases, attracting 1,700 and 2,300 workers, respectively. Professional and business services increased for the first two months of 2024, but the growth rate has significantly dropped by 85 percent.



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Texas worker sentiment remains resilient with a participation rate of 64.1 percent. The **unemployment rate** has been steady at 3.9 percent for nine months, and continued unemployment claims averaged around 133,306 applications weekly.

Texas Homes Sales Slowing

According to the latest data, Texas had a 7.1 percent decrease in total home sales MOM, resulting in 27,595 homes sold (see table). Most of the major cities experienced a slight downswing. San Antonio had the biggest fall in home sales volume among the Big Four with a drop of 9.2 percent (2,932) followed by Houston with 6.5 percent (7,343) drop.

	February	March	MoM Change
Dallas-Fort Worth-Arlington	8,191	7,932	-3.2%
Austin-Round Rock	2,932	2,792	-4.8%
Houston-The Woodlands-Sugar Land	7,850	7,343	-6.5%
Texas	29,704	27,595	-7.1%
San Antonio-New Braunfels	3,228	2,932	-9.2%

Source: Data Relevance Project and Texas Real Estate Research Center at Texas A&M University
 Note: Data are seasonally adjusted

Service Sector Executives Show Future Optimism

Texas service-providing employment growth in March was positive but slower than the month before at 0.1 percent MOM. Business executives surveyed through the **Dallas Fed’s Service Sector Outlook Survey** suggested no growth in employment and work weeks. However, service sector activity expanded in March. The sentiment regarding general business activity continues to be more negative than positive, but expectations for future business activity reflected optimism and remains in positive territory. Other future service-sector activities such as capital expenditure remained positive mirroring the expectations for growth in the next six months.

Retail sales activity continued to decline but at a slower rate than the previous month, and the sales index has gone up by 1.9 points. Input price and wage pressure increased by five and ten points, respectively, while the selling price index has not changed.

Texas Export Growth Slow Without Oil Boost

Texas' all-commodity exports in March increased 3.6 percent MOM but fell 5.8 percent YOY. This time last year Texas oil and gas exports temporarily benefited from Russian oil sanctions, which explains the large YOY dip. In general, Texas exports have gradually increased since early 2023 but are far short of export levels from 2022.

Demand for Texas oil and gas, the state's largest export, has been sluggish with export values hovering in the \$12 export value range. The high mark for Texas oil and gas exports was June 2022, when export levels reached \$15.5 billion, with most of the oil going to either Asia or Europe. Export levels have since fallen but remain above the long-term trend.

Petroleum and coal products, the state's number two export commodity, have fared about the same with export levels maintaining around \$6 billion since summer 2023. Unlike oil and gas, this export is concentrated in developing Latin American markets.

Select Economic Indicators

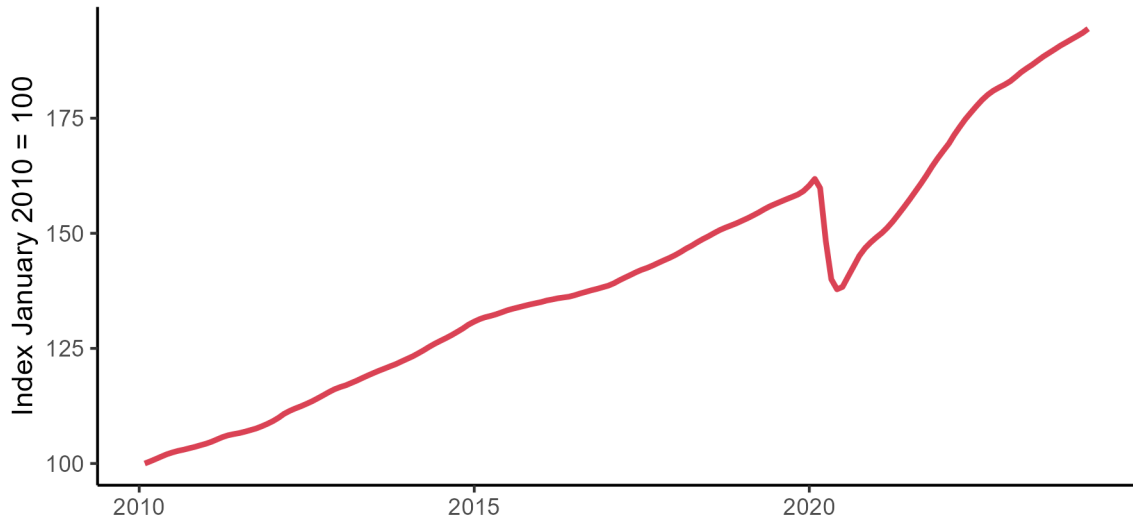
- The Texas Leading Economic Index has remained at 128.2 (1987=100) since the beginning of this year, signaling steady economic growth in the upcoming months.
- Nominal average hourly earnings marginally declined by **0.28 percent** MOM to \$32.54 and increased by **4.5 percent** YOY. This is 19 percent less than the YOY increase of 2023. Earnings across all four major metros were down with San Antonio declining by \$0.20 and Houston by \$0.13.
- Texas consumer confidence fell by **2.7 percent** in March, whereas it had been on the rise since September.
- The ten-year U.S. Treasury bond did not change from February standing at **4.21 percent**.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate rose four basis points to **6.82 percent**.
- The West Texas Intermediate (WTI) crude oil spot price slightly rose by **10.9 percent** YOY from \$77.64 to \$78.01. The Henry Hub natural gas spot price plummeted **35.5 percent** YOY from \$2.54 to \$2.41 per million British thermal units (BTU).





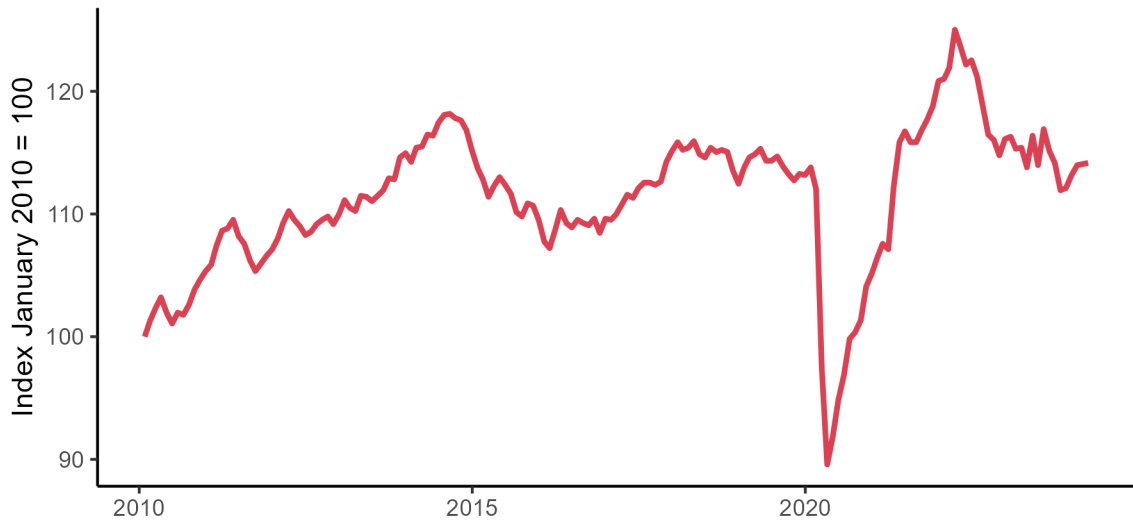
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



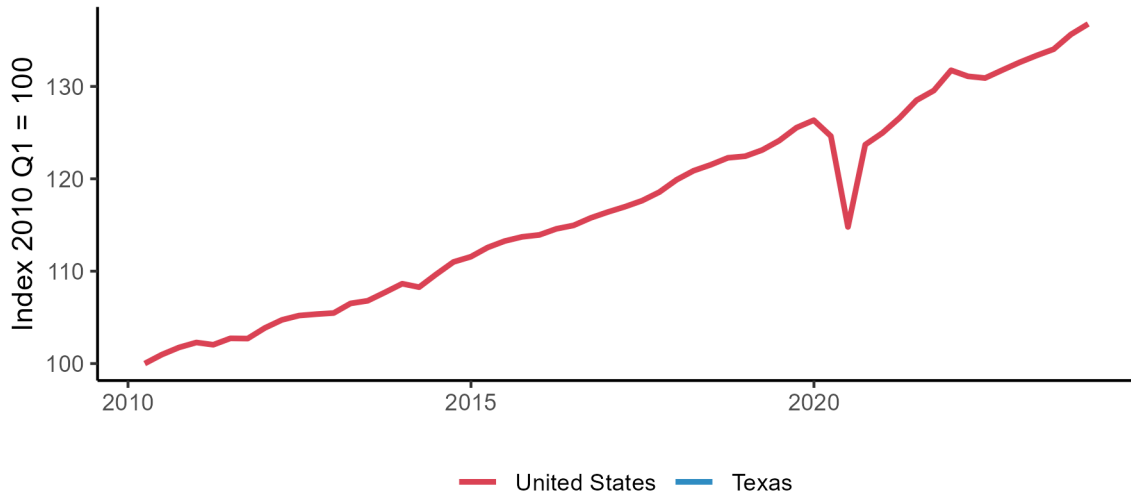
Source: Federal Reserve Bank of Dallas





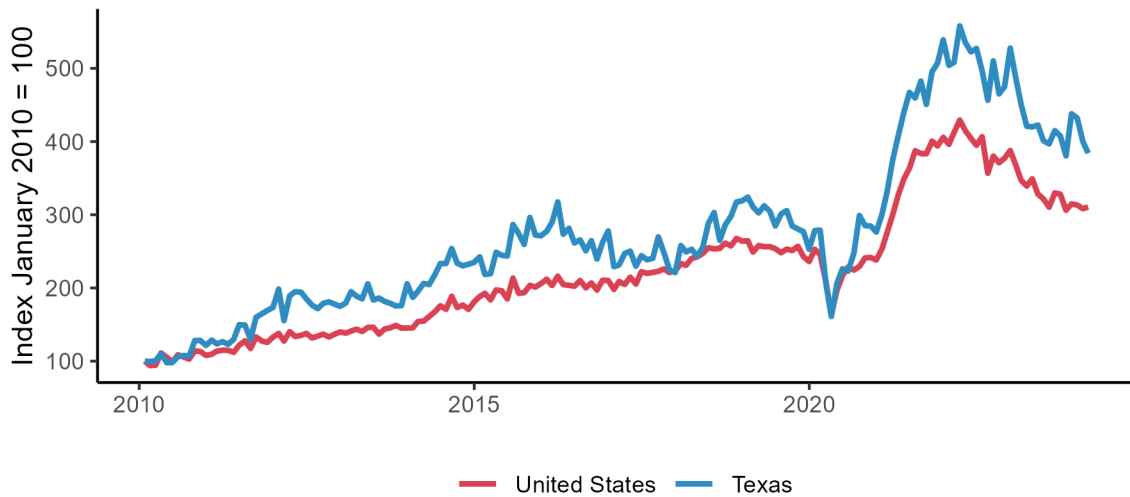
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

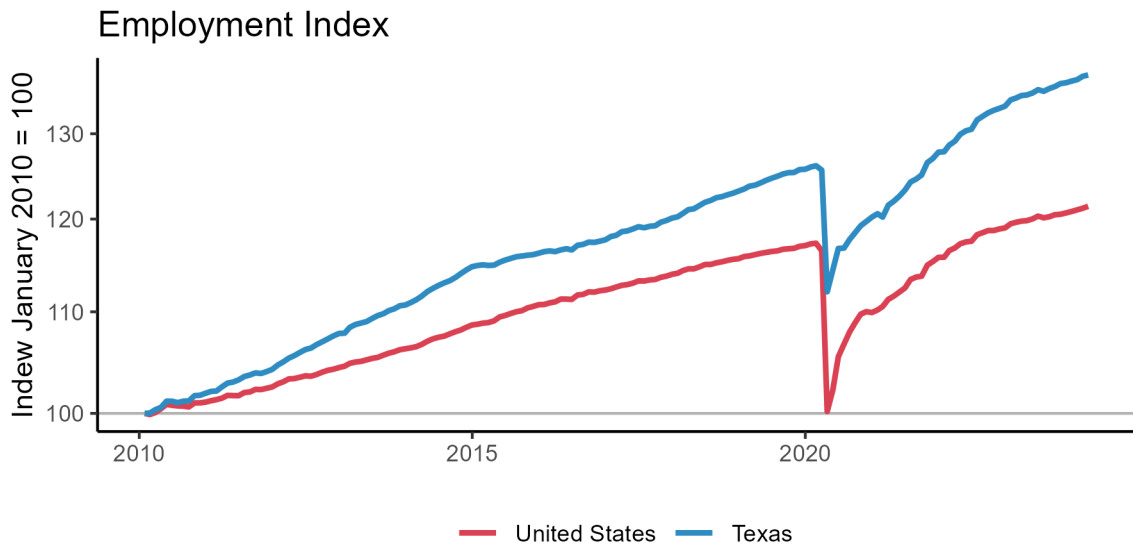


Source: Bureau of Labor Statistics

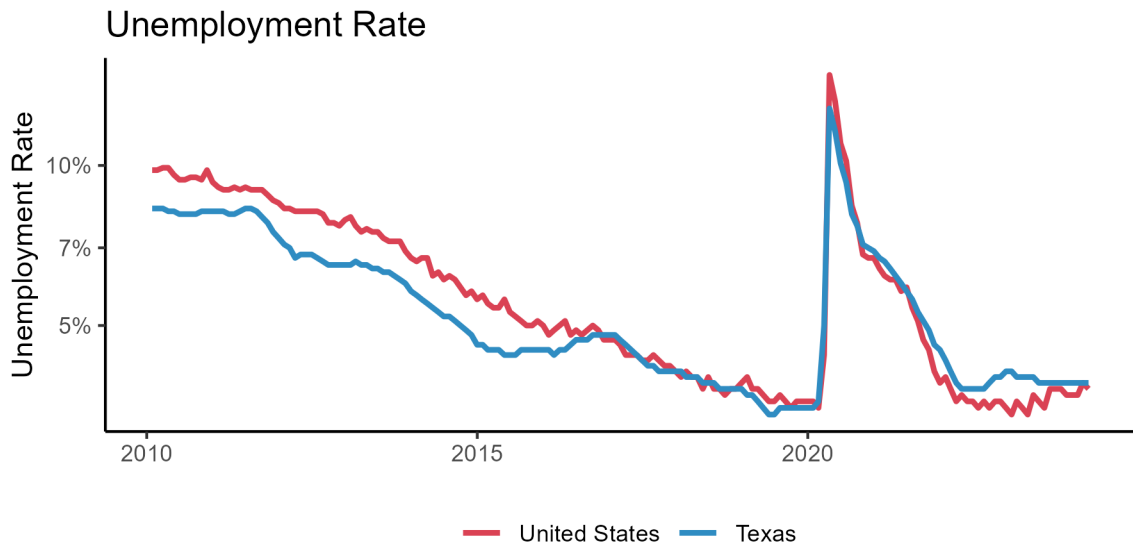




Employment



Source: Bureau of Labor Statistics



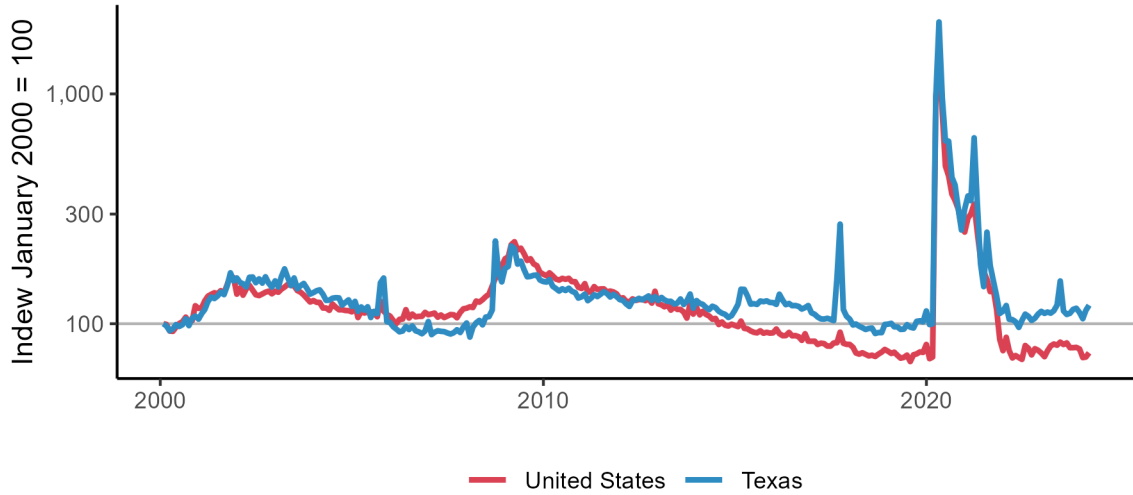
Source: Bureau of Labor Statistics





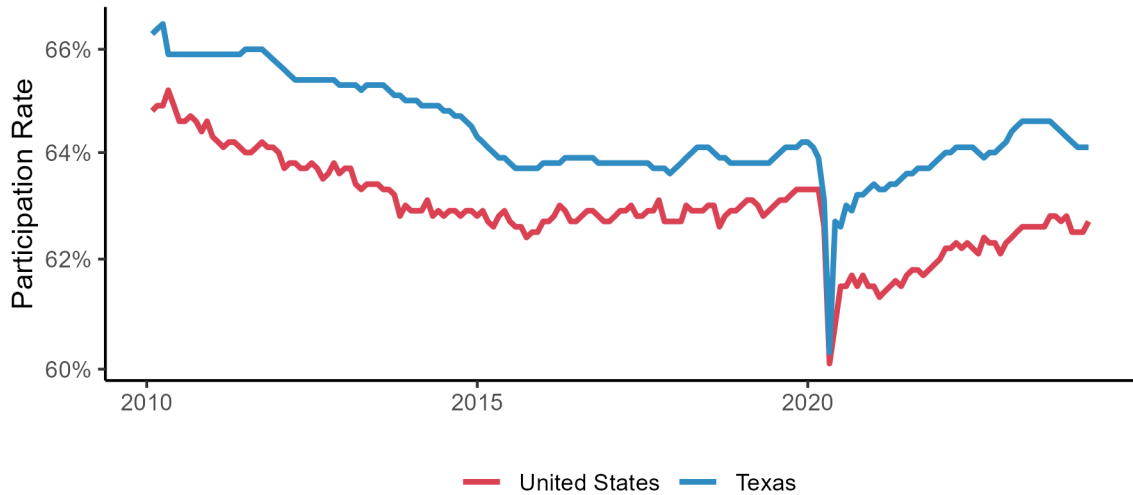
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



Source: Bureau of Labor Statistics





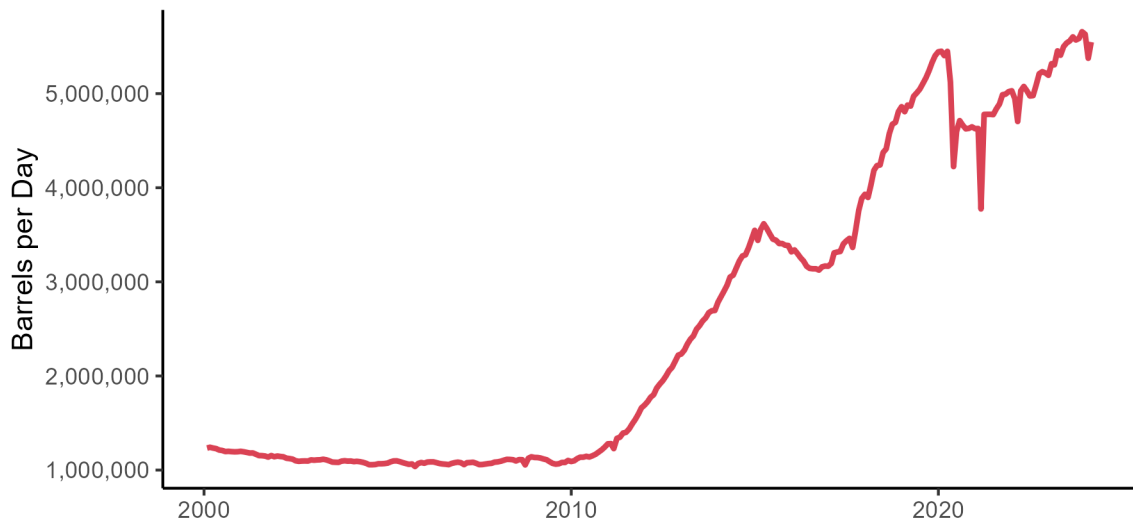
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



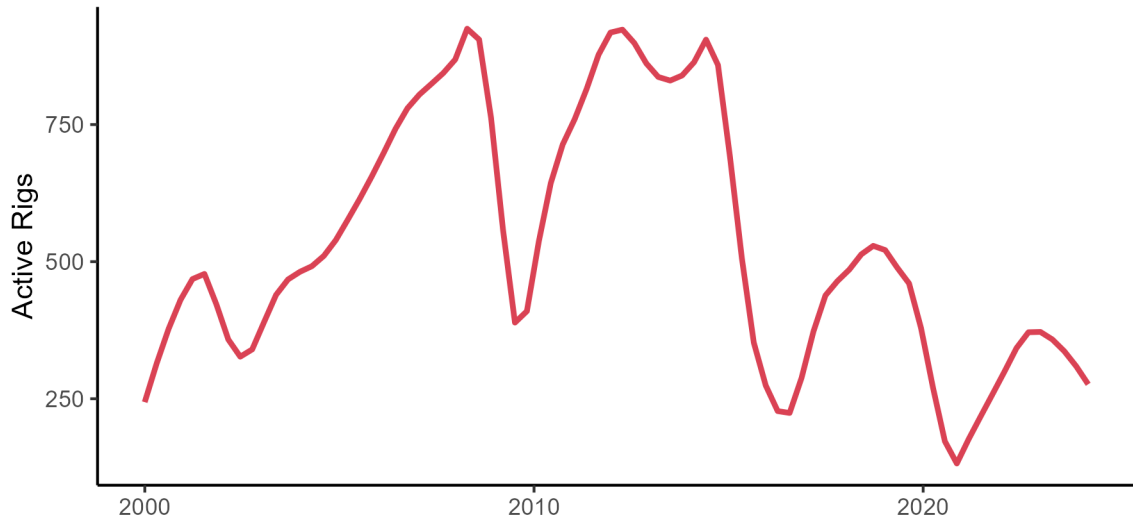
Source: Energy Information Administration





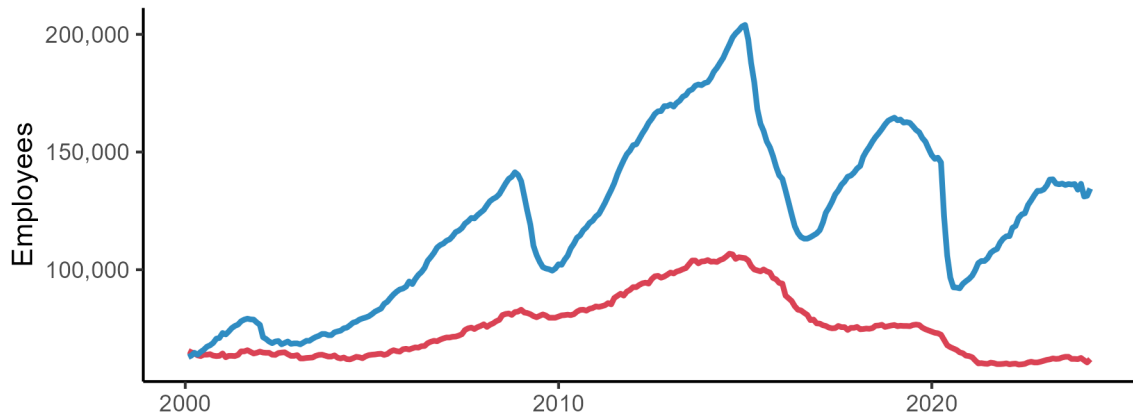
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



— Oil and Gas Extraction — Support Activities

Source: Bureau of Labor Statistics

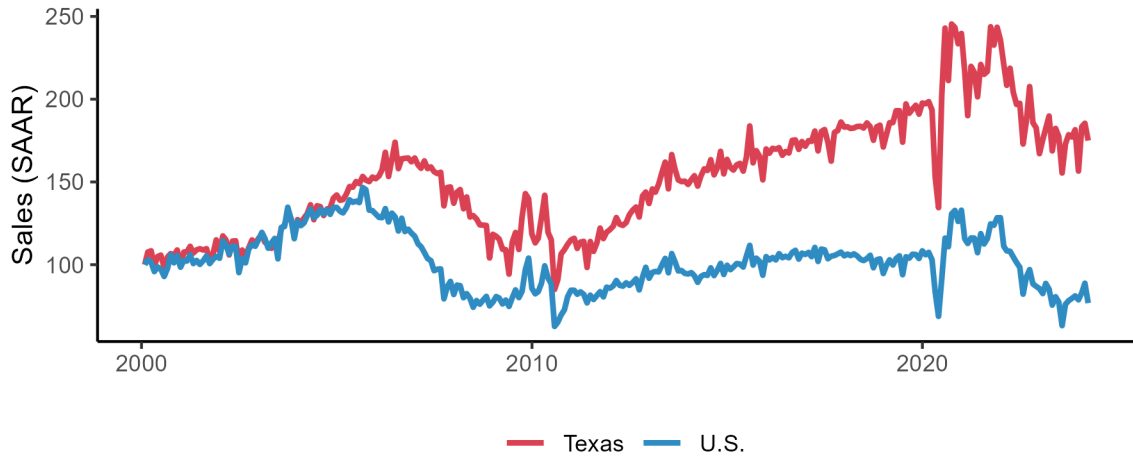




Housing

Residential Home Sales

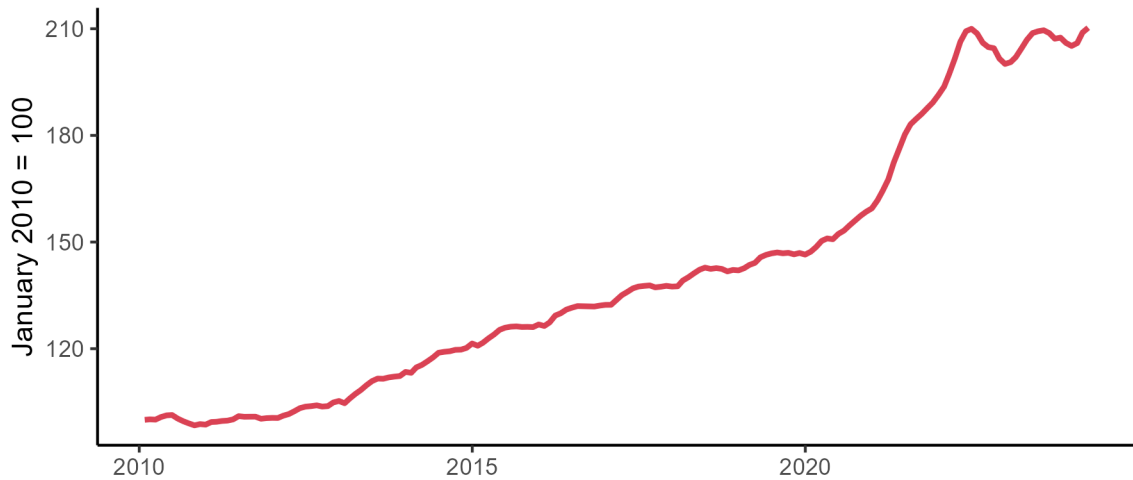
Seasonally Adjusted Annualized Rate



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



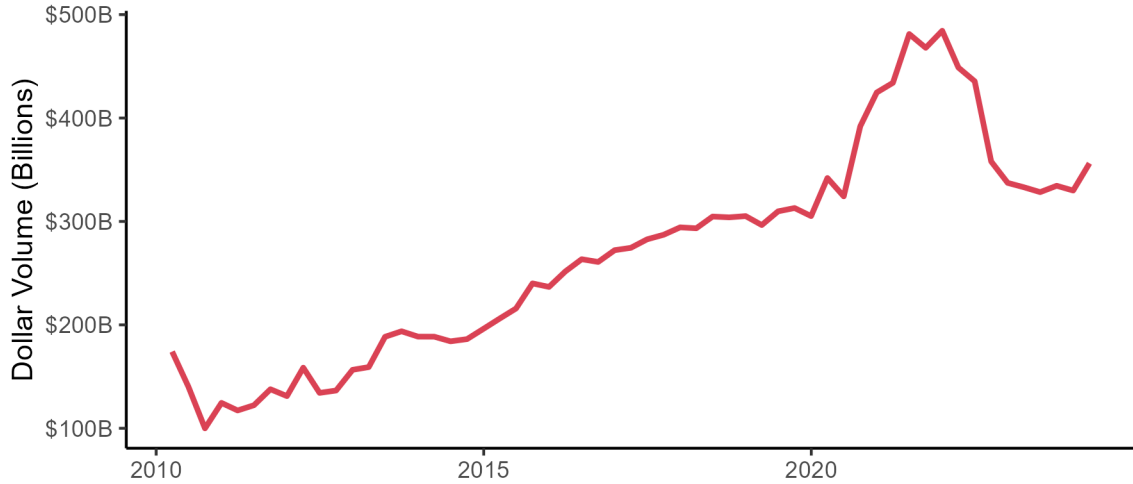
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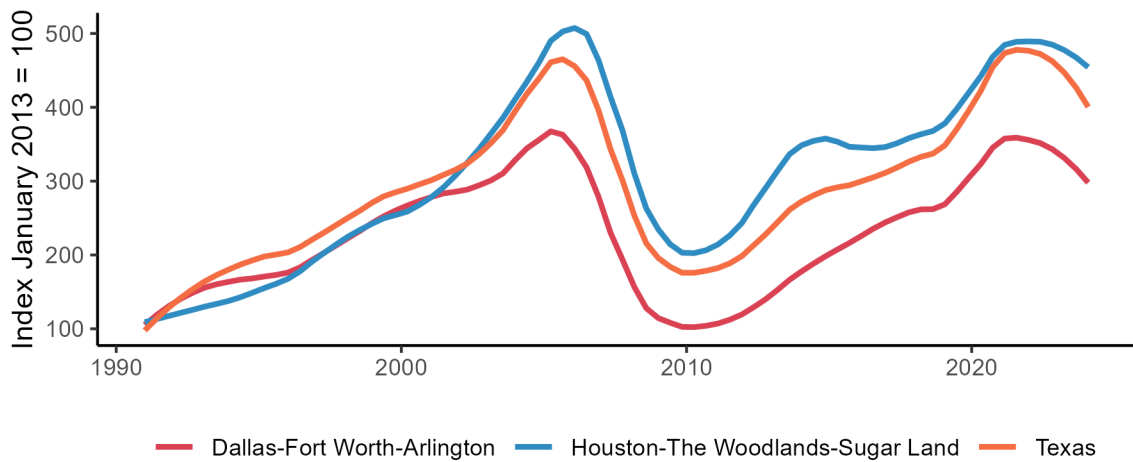
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Index



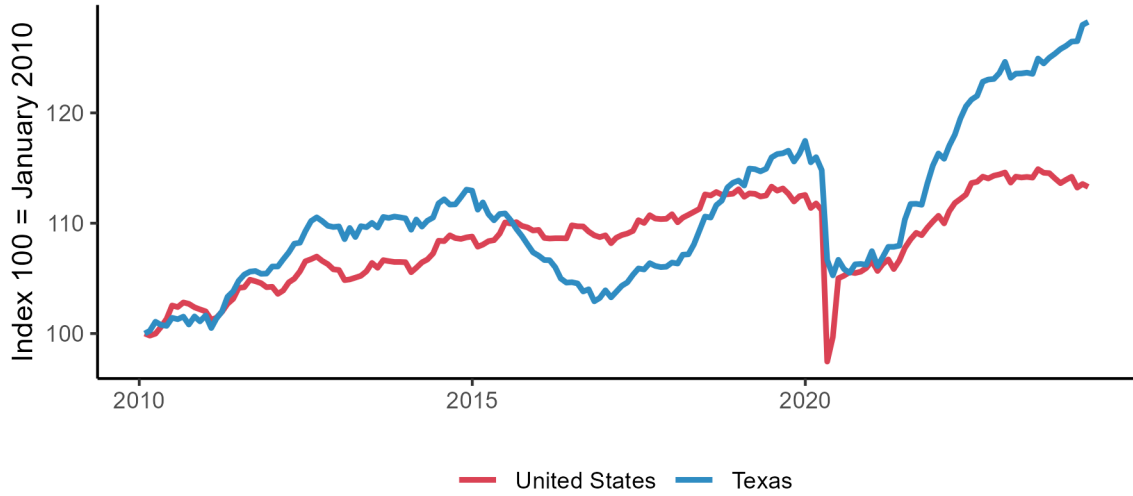
Source: Dodge Construction Network - Texas Real Estate Research Center at Texas A&M University





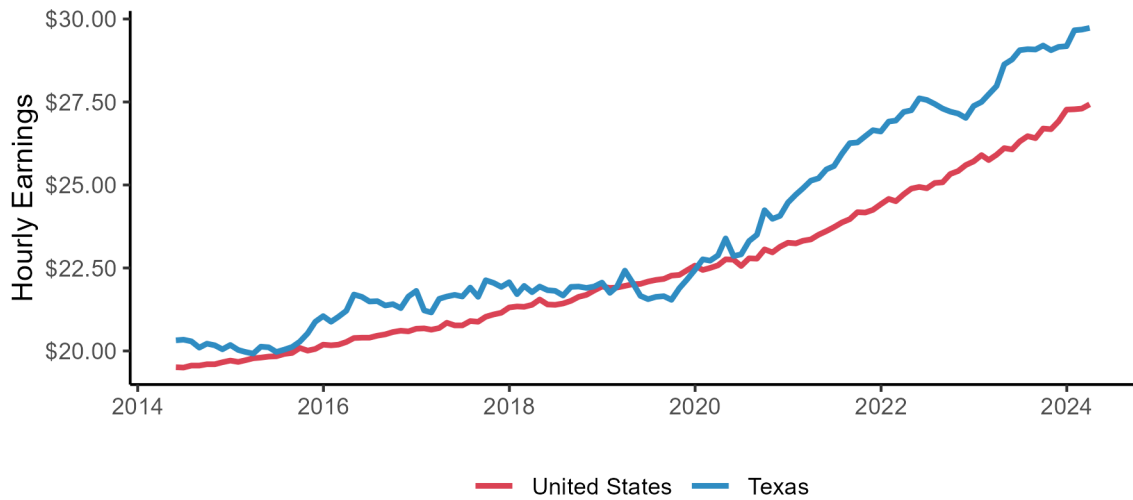
Manufacturing

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



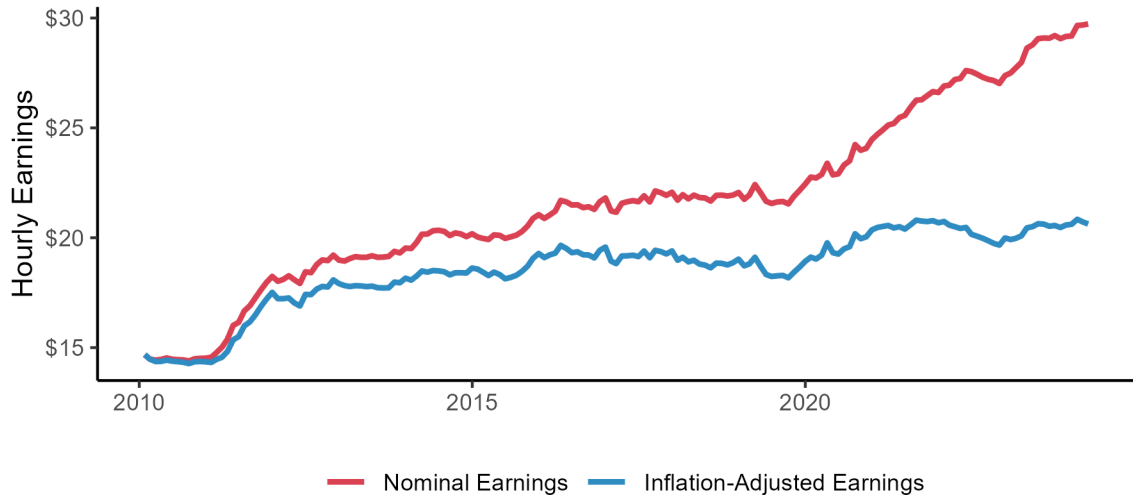
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

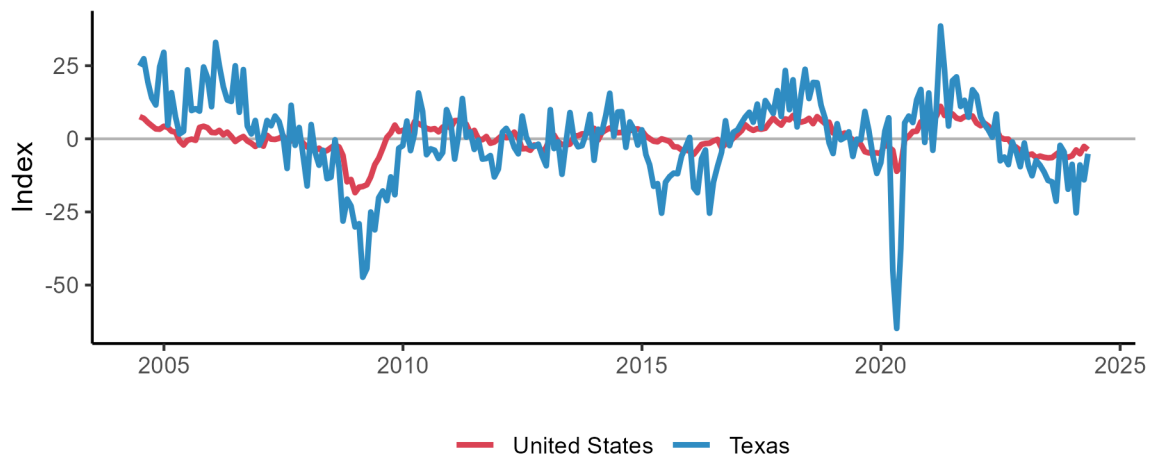
Texas Manufacturing Employee Hourly Earnings



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

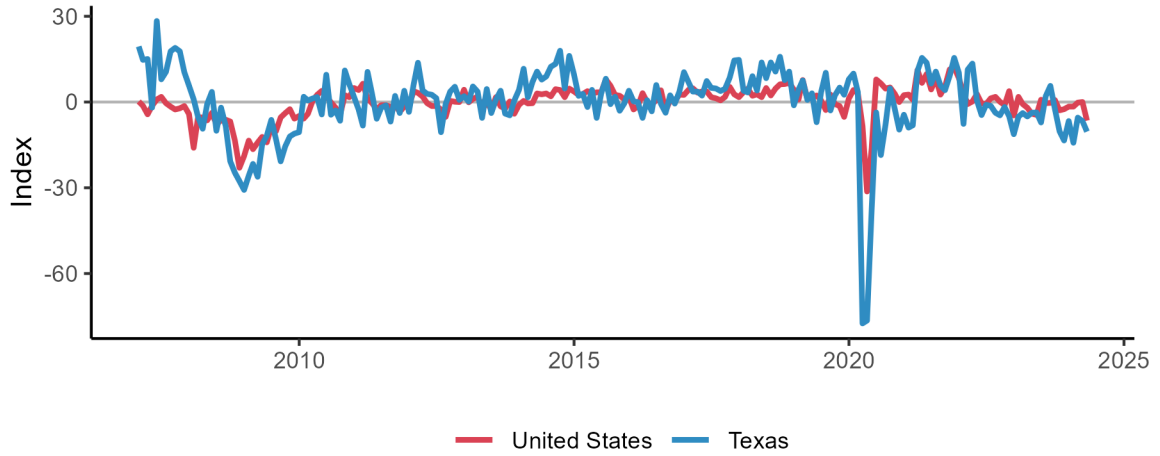




Services

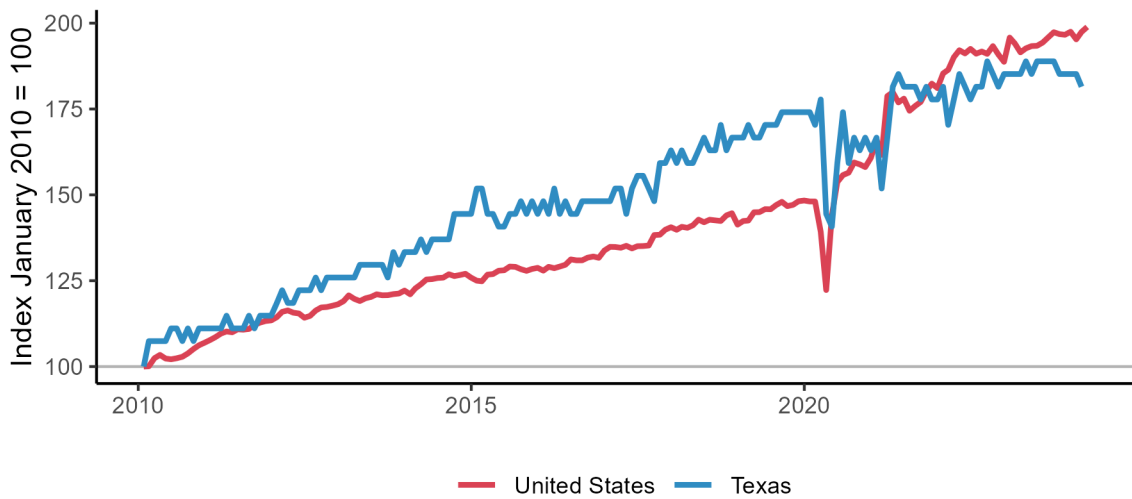
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



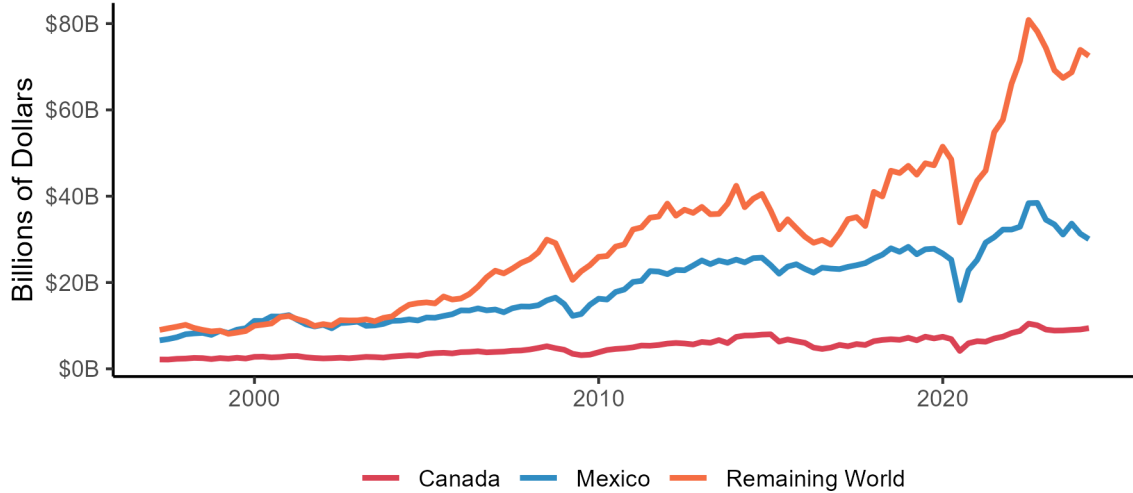
Source: Census Bureau - Federal Reserve Bank of Dallas





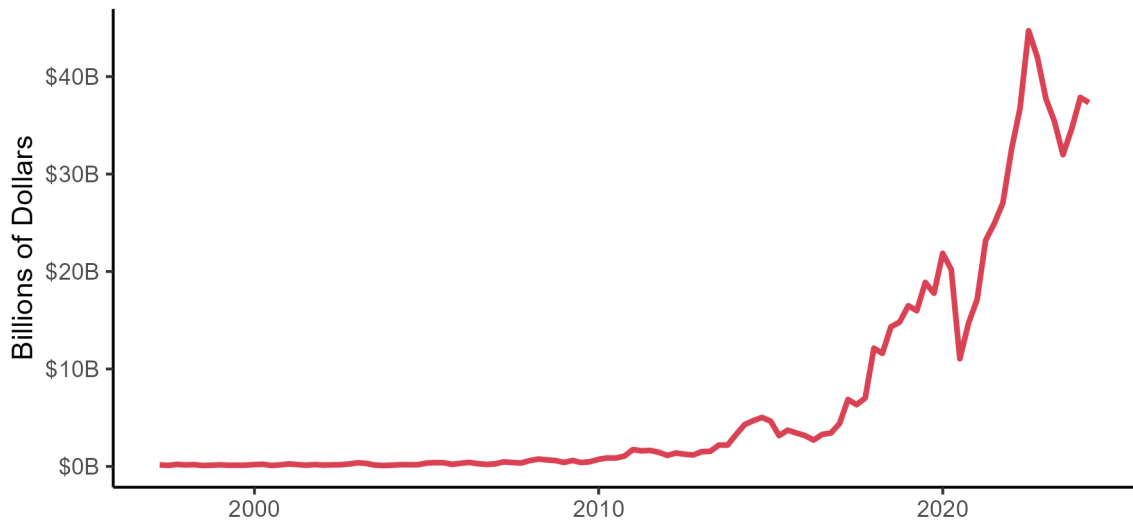
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER





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