

Outlook for the Texas Economy



JOSHUA ROBERSON
LEAD DATA ANALYST

RHUTU KALLUR
RESEARCH INTERN

JUNQING WU
RESEARCH INTERN



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MAY 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, Rhutu Kallur, and Junqing Wu

Data current as of May 10, 2024

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May 2024

UNEMPLOYMENT RATE

4.0%

AVERAGE HOURLY WAGE

0.2% MOM

CONSUMER PRICE INDEX

0.0% MOM

TOTAL NONFARM EMPLOYMENT

0.3% MOM

Summary

The Texas economy has remained resilient despite high interest rates. Most of May's employment growth was in professional and business services as per usual. The unemployment rate has remained unchanged since the beginning of 2024.

Moderate Decline in Inflation

The Consumer Price Index (CPI) was unchanged in May on a seasonally adjusted basis, after rising 0.3 percent in April. Over the last 12 months, all items index increased 3.3 percent before seasonal adjustment. Core inflation, which excludes food and energy prices, grew 0.2 percent month over month (MOM) and 3.4 percent year over year (YOY) in May. At the start of the year, core inflation started at 3.9 percent YOY and gradually decelerated each month.

In May, the key federal funds interest rate remained at approximately 5.38 percent as the Federal Reserve continued to grapple with persistent inflation. Multiple rate cuts were expected earlier in the year, but inflation continued to climb reaching as high as 3.5 percent YOY growth in March. Since then, inflation growth has lessened.

Texas Payroll Growing at Same Slow Rate

The total Texas nonfarm employment increased by 41,800 workers, with a 0.3 percent MOM growth rate, four basis points higher than in April. Dallas and Houston experienced increases of 9,300 (0.2 percent) and 4,900 employees (0.1 percent), respectively. However, there has been a decrease compared to April where Dallas added 15,200 employees and Houston added 12,500. Austin and San Antonio experienced moderate increases of 4,100 and 2,500, respectively. The professional and business services sector added 5,200 workers in May, regaining the lead over the education and health services sector (1,400). Trade, transportation, and utilities maintained an upward trend since April and rose by 0.5 percent from the April base.

Texas worker sentiment remains resilient as in April, with a participation rate of 64.2 percent. **The unemployment rate** remained at 4 percent and has stabilized for ten consecutive months between 3.9 and 4 percent. The continued unemployment claims have averaged around 133,412 applications weekly.



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Texas Home Sales Decline

According to the latest data, Texas had a 4.2 percent decrease in total home sales MOM, resulting in 27,845 homes sold (see table). Austin and Dallas saw modest declines, with Austin decreasing by 4.5 percent (2,731) and Dallas by 2.4 percent (7,920). Conversely, San Antonio and Houston saw slight upticks, with San Antonio increasing by 1.7 percent (3,049) and Houston by 1 percent (7,623).

Table 1. Home Sales Volume

	April	May	MoM Change
San Antonio-New Braunfels	2,997	3,049	1.7%
Houston-Pasadena-The Woodlands	7,550	7,623	1.0%
Dallas-Fort Worth-Arlington	8,113	7,920	-2.4%
Texas	29,077	27,845	-4.2%
Austin-Round Rock-San Marcos	2,859	2,731	-4.5%

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

Service Sector Boost, Retail Slowdown

In May, the Texas service sector experienced a growth of 0.3 percent MOM which is similar to the growth in April. According to the Dallas Fed's Service Sector Outlook Survey, the revenue index, a key measure of state service sector conditions, increased from 0.3 to 6.7, indicating improved positive sentiment. Employment grew modestly, but work hours showed little improvement. The employment index rose from -2.6 to 3.9. However, retail sales continued to decline, with the sales index dropping from -10.4 to -16.4. Retailers also reported deteriorating business conditions, as seen in the general business activity index falling to -28.8, the lowest since December 2022. Although input prices eased, wages and benefits saw a slight increase, with the index rising to 14.1. Labor market indicators suggested a renewed increase in employment levels in May, though there was no noticeable increase in hours reported. Overall, the Texas economy showed modest expansion, driven by the service sector.

Texas Export Growth Slow Without Oil Boost

Texas' all-commodity exports dipped 1.8 percent MOM in May but increased 5.6 percent YOY. In general, demand for Texas oil and natural gas exports, the state's largest export, remains subdued. In May, oil and gas exports were still hovering around \$12 billion and increased by 2.4 percent sequentially from April.



Other top exports also remained relatively unchanged for the year. Petroleum and coal products exports increased 0.5 percent while chemicals decreased by 2.9 percent in May. Neither have shown any major upward or downward trends this year.

Select Economic Indicators

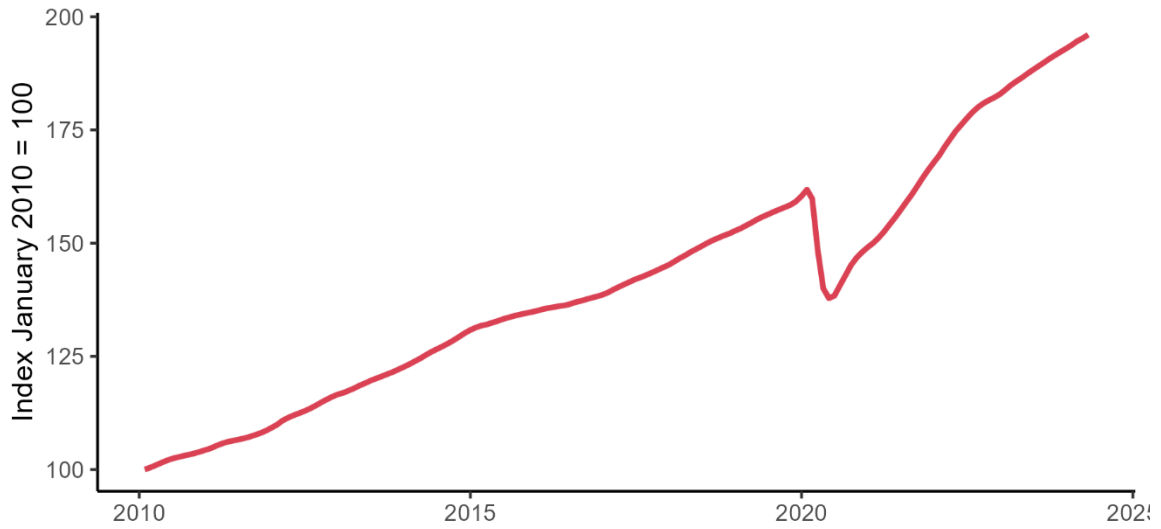
- The Texas Leading Economic Index fell slightly to 128 (1987=100) in May. Over the past six months the leading indicator has not demonstrated a strong positive or negative trend.
- Nominal average hourly earnings increased marginally 0.2 percent MOM to \$32.73 and 5.5 percent YOY.
- Earnings across all four major metros were mixed, with Dallas decreasing by \$0.13, Austin decreasing by \$0.45, San Antonio increasing by \$0.22, and Houston increasing by \$0.08
- Texas consumer confidence rose in May but has been falling since January of 2024.
- The ten-year U.S. Treasury bond fell six basis points, standing at **4.48 percent**.
- The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** rose by seven basis points to 7.06 percent.
- The West Texas Intermediate (WTI) crude oil spot price dipped slightly by **6.1 percent** MOM to \$80.12. The Henry Hub natural gas spot price rose another **32 percent** MOM from \$1.6 to \$2.12 per million British thermal units (BTU).





Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



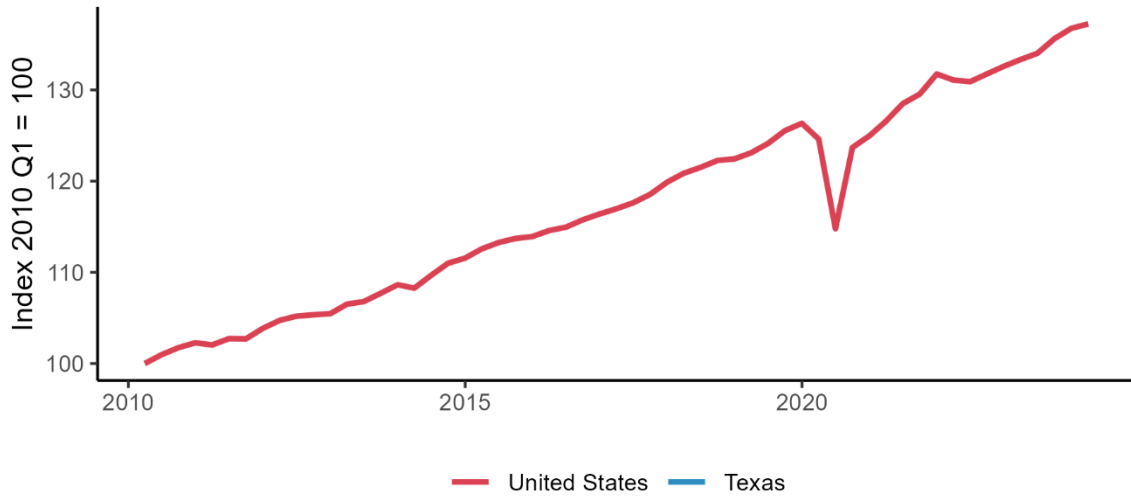
Source: Federal Reserve Bank of Dallas





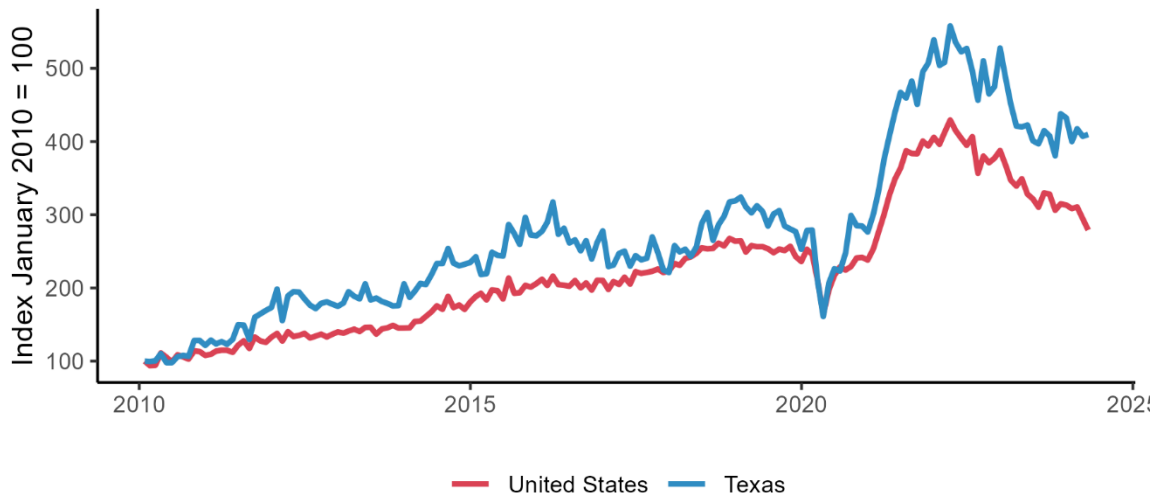
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

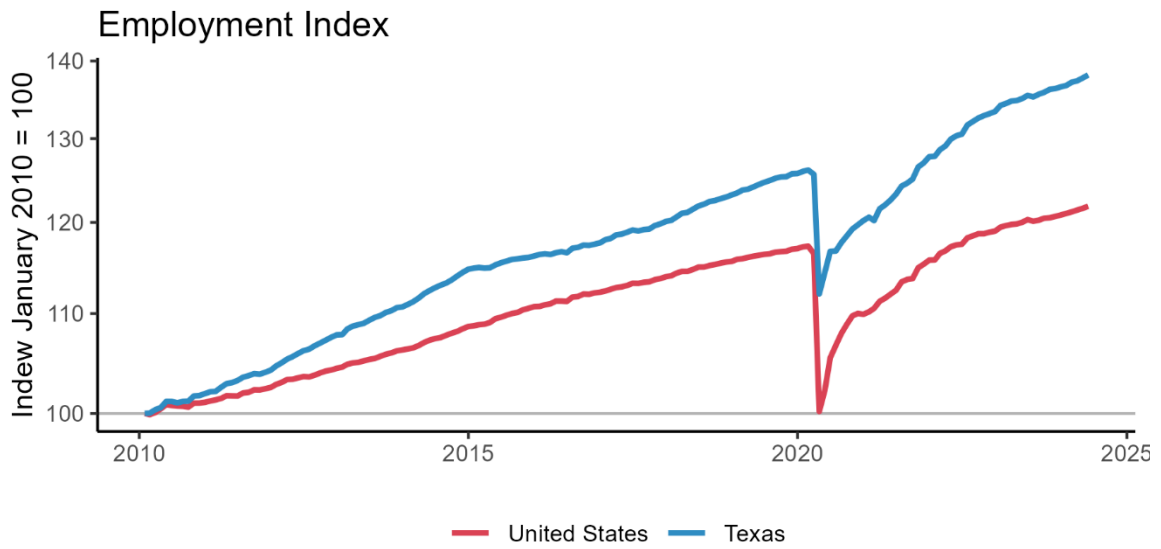


Source: Bureau of Labor Statistics

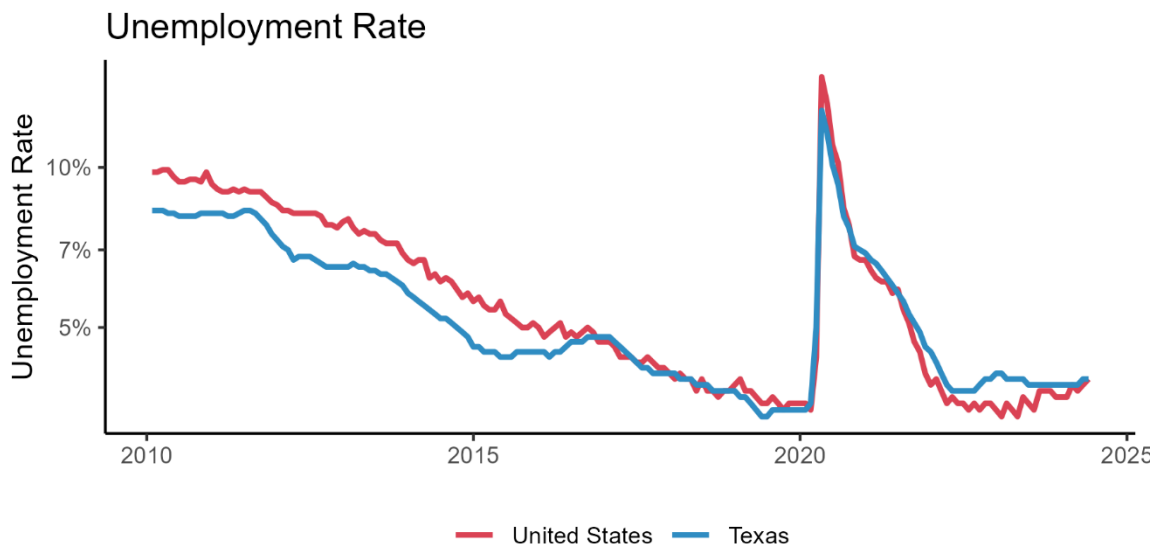




Employment



Source: Bureau of Labor Statistics



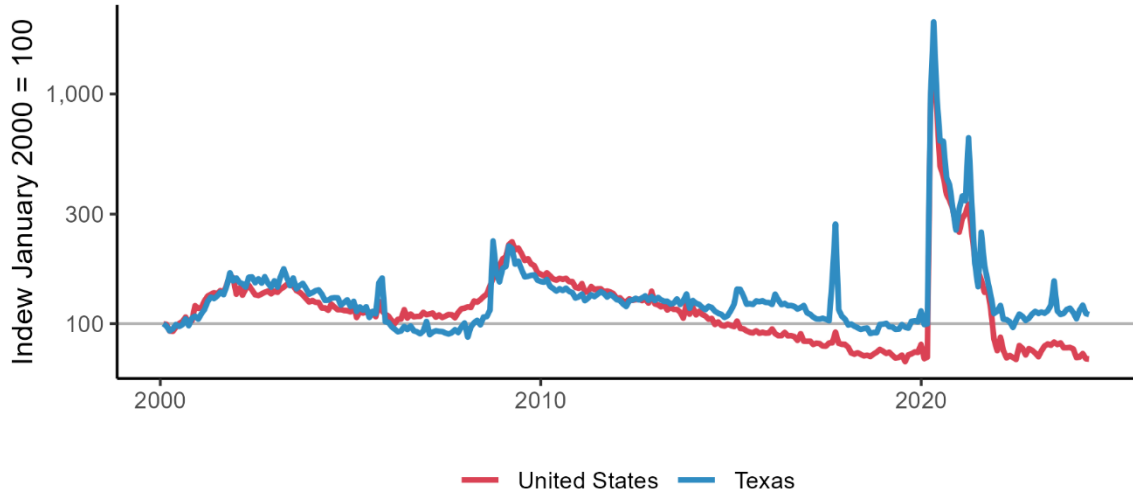
Source: Bureau of Labor Statistics





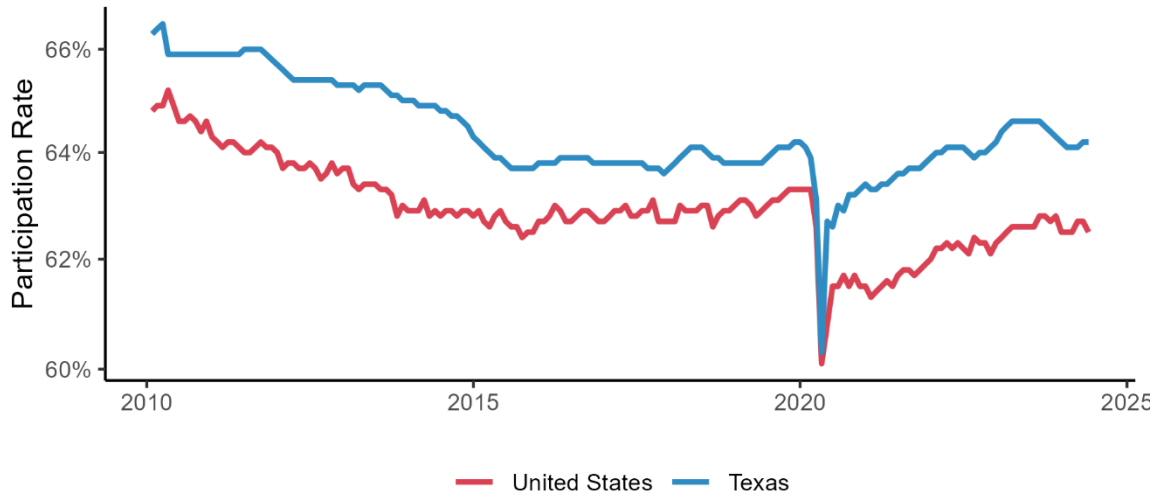
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



Source: Bureau of Labor Statistics





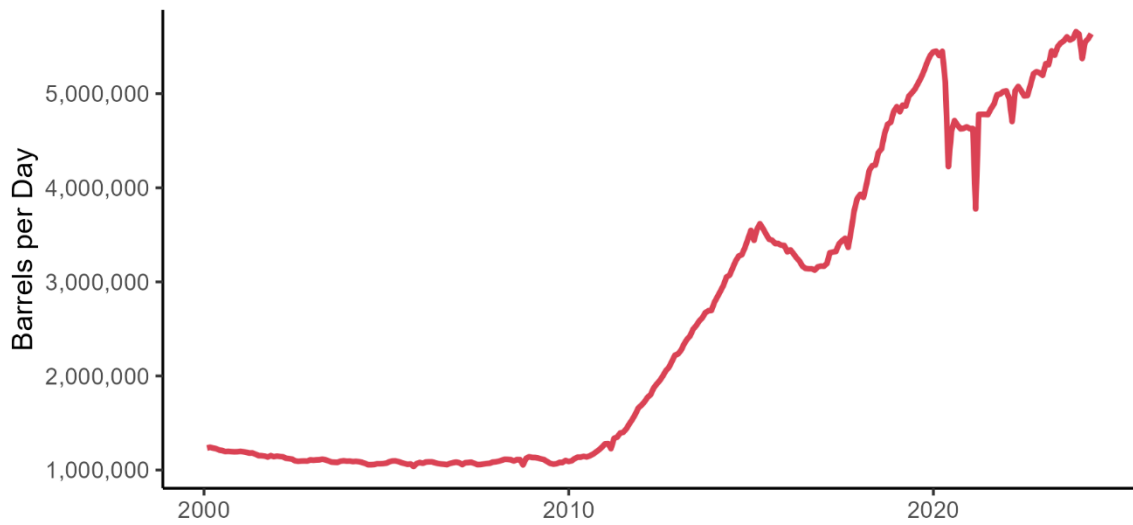
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



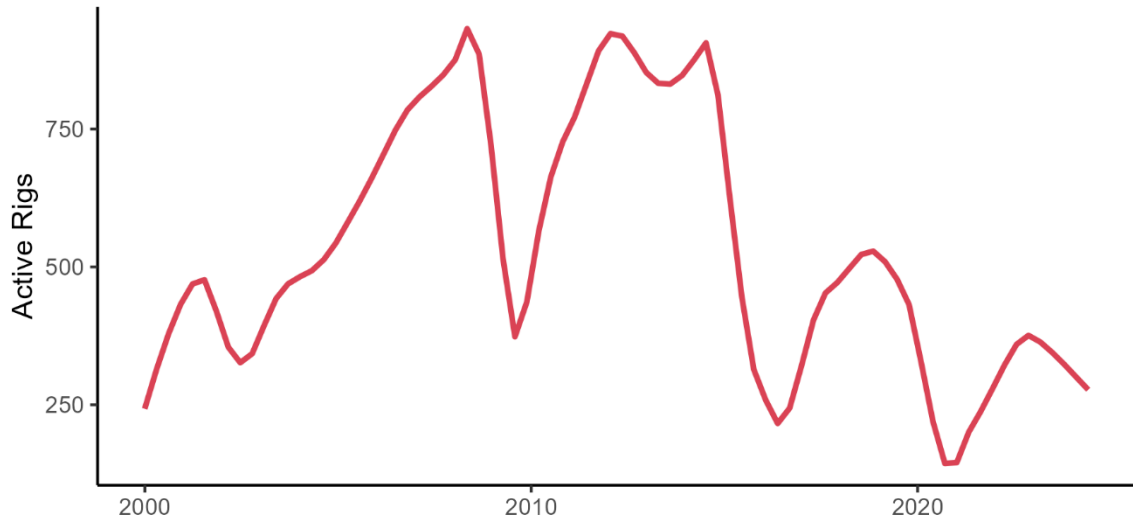
Source: Energy Information Administration





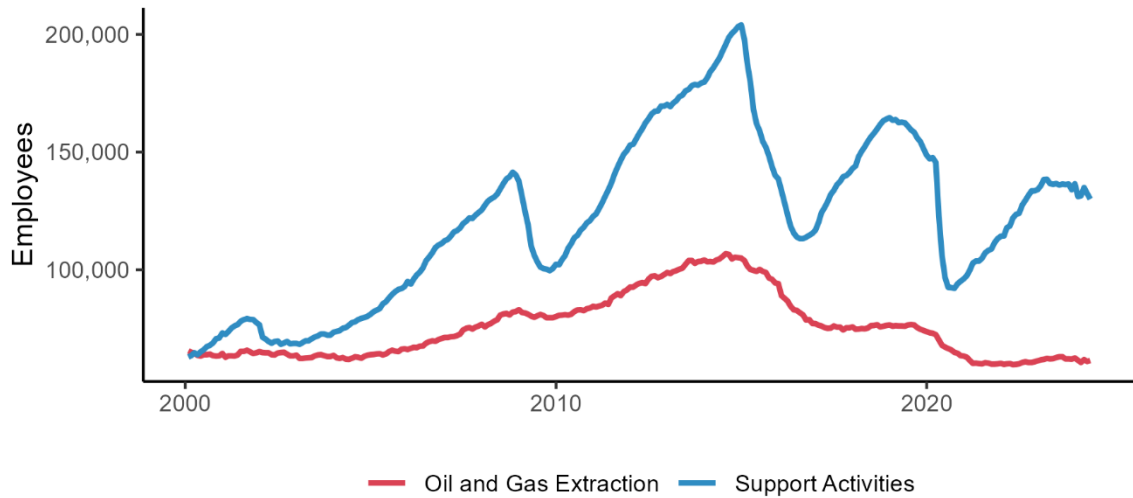
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics





Housing

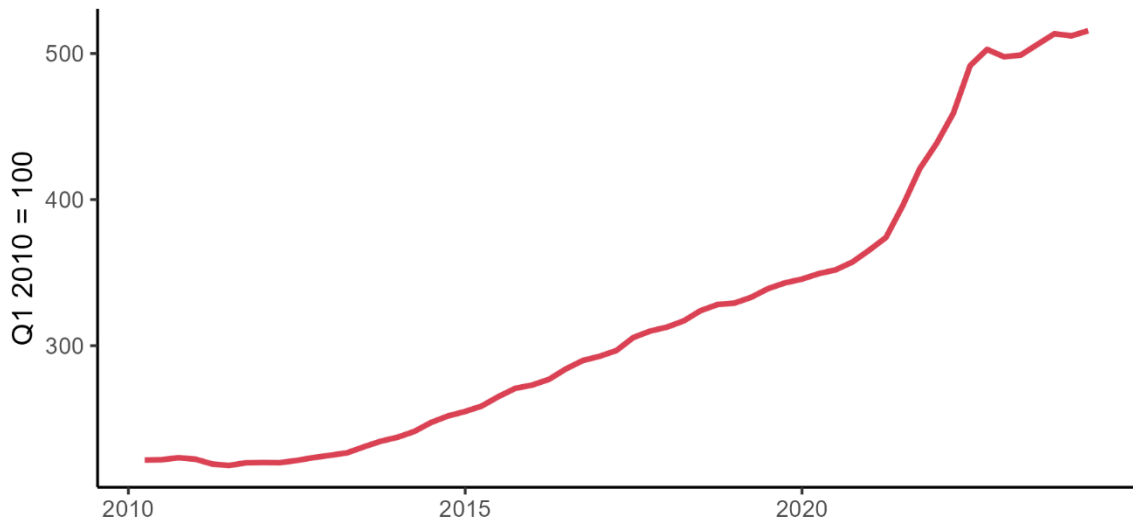
Residential Home Sales

Seasonally Adjusted Annualized Rate



Source: National Association of Realtors - Texas Real Estate Research Center at Texas A&M University

Texas Home Price Index



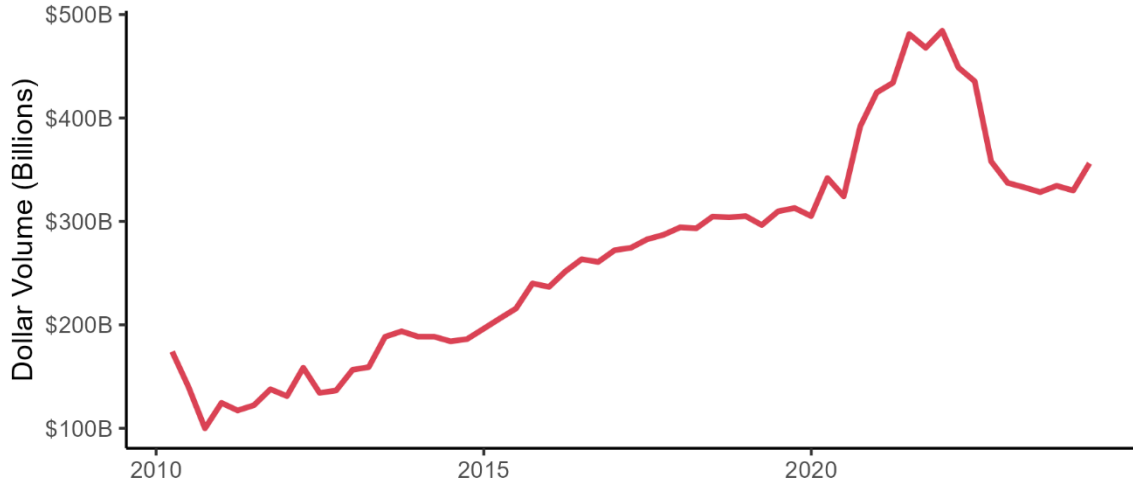
Source: Federal Housing Finance Agency





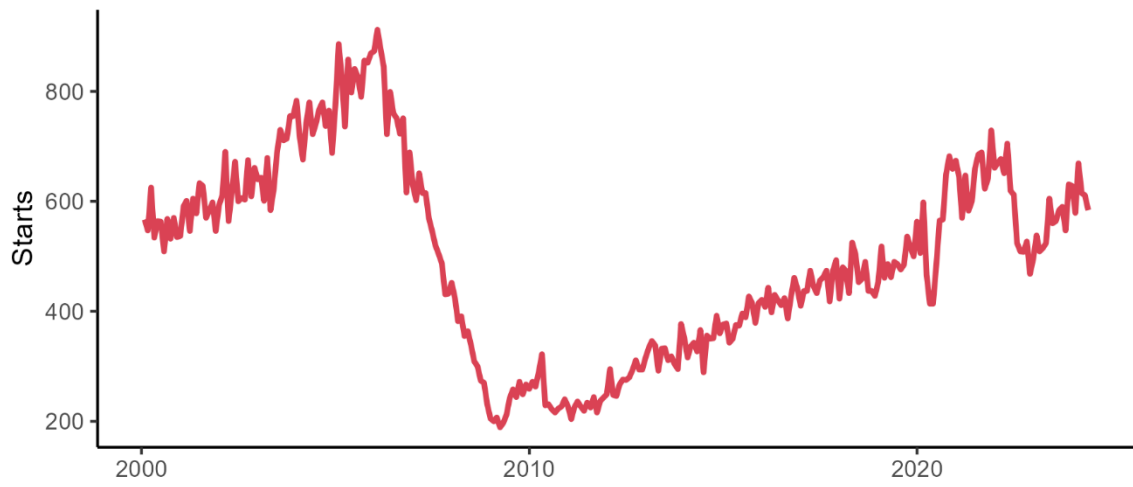
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Annualized Rate



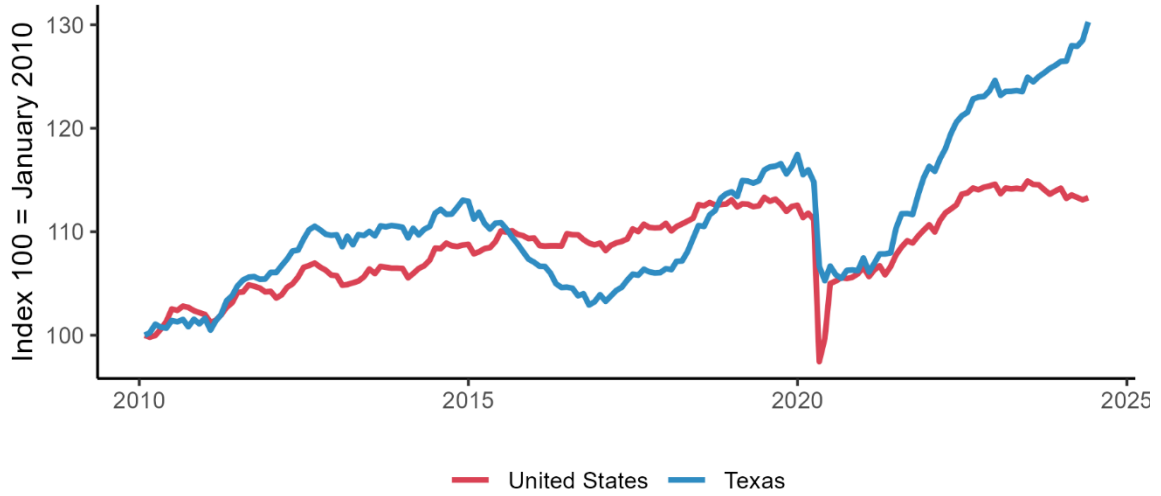
Source: Census Bureau





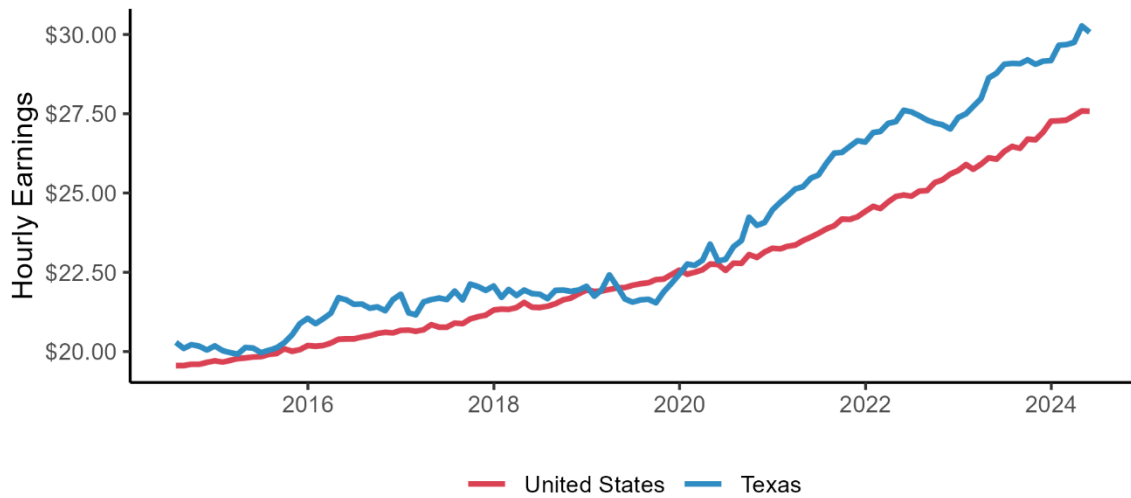
Manufacturing

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



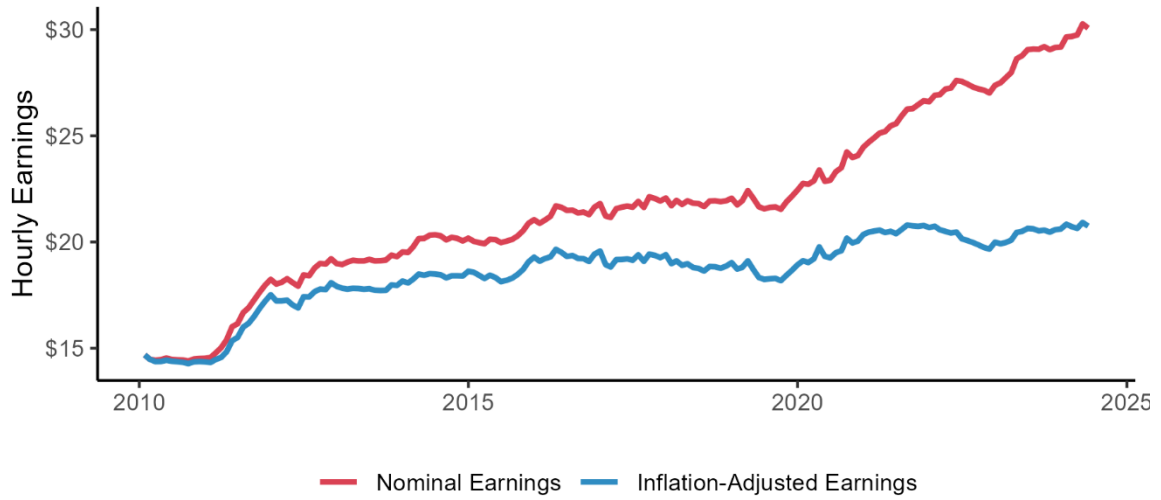
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

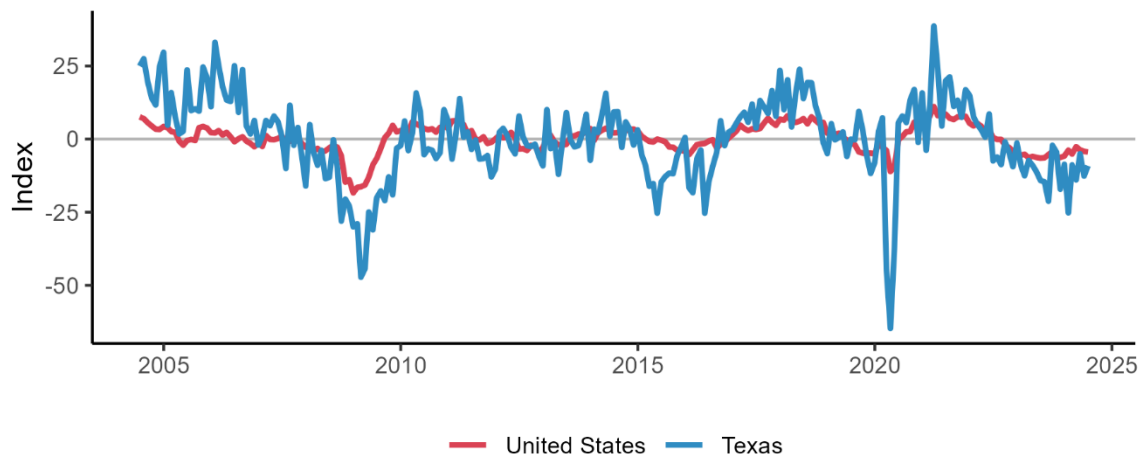
Texas Manufacturing Employee Hourly Earnings



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

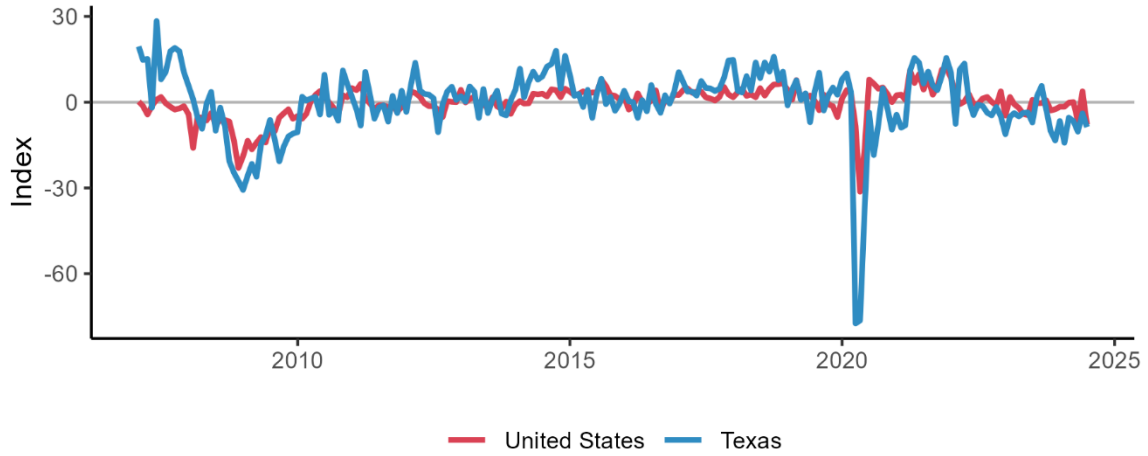




Services

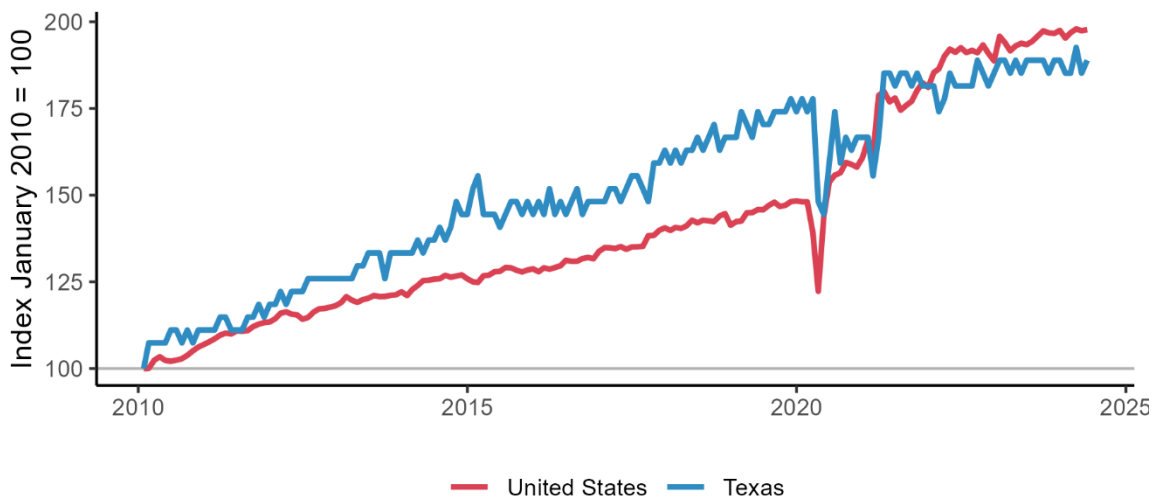
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



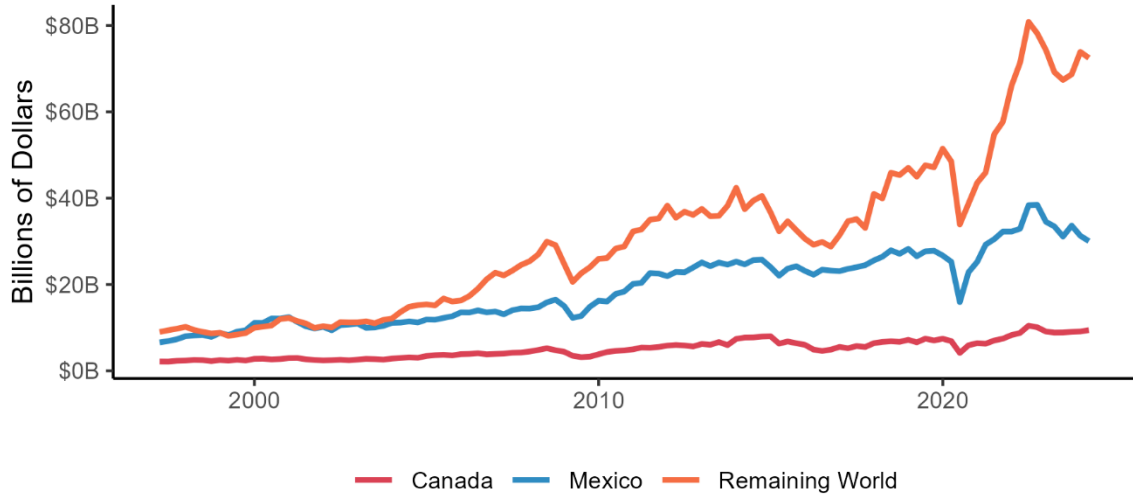
Source: Census Bureau - Federal Reserve Bank of Dallas





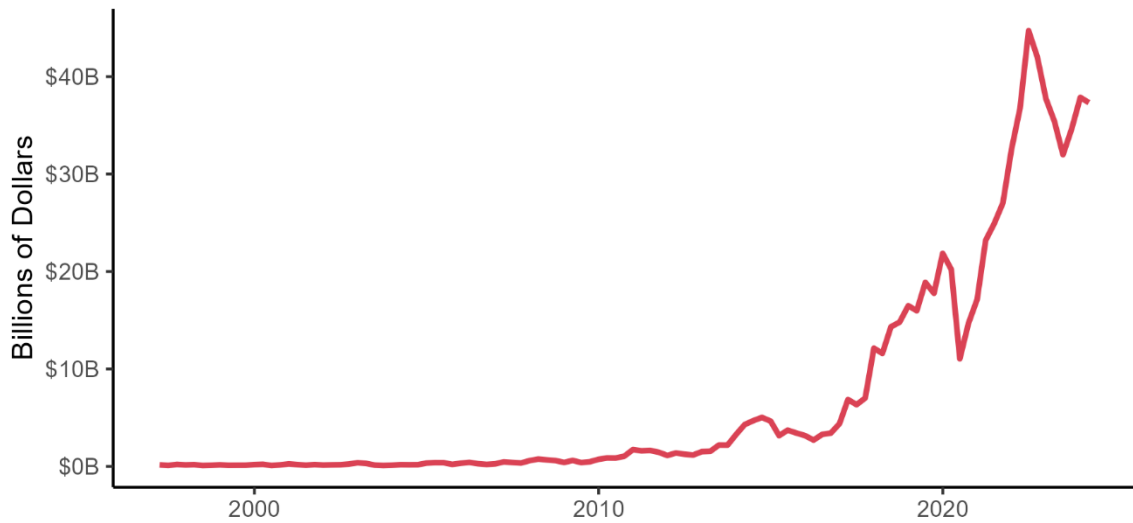
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER





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Texas Real Estate Research Center

DIVISION OF RESEARCH

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<https://trerc.tamu.edu/>
979-845-2031

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PAMELA CANON

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