

Outlook for the Texas Economy



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JULY 2024 DATA

TECHNICAL REPORT

About this Report	2
July 2024 Summary	3
Economic Activity	6
Texas Business Cycle Index	6
Texas Leading Index	6
Gross Domestic Product	7
Job Openings	7
Employment	8
Employment Index	8
Unemployment Rate	8
Initial Unemployment Claims	9
Labor Force Participation Rate	9
Energy	10
Crude Oil Price	10
Texas Crude Oil Production	10
Texas Active Rotary Rig Count	11
Oil and Gas Extraction Employment	11
Housing	12
Residential Home Sales	12
Texas Home Price Index	12
U.S. Purchase Mortgage Origination Dollar Volume	13
Single-Family Housing Starts	13
Manufacturing	14
Texas and U.S. Manufacturing Employment Index	14
Texas and U.S. Manufacturing Employee Hourly Earnings	14
Texas Manufacturing Employee Hourly Earnings	15
Manufacturing Outlook Index	15
Services	16
Services Sector Outlook Index	16
Retail Sales Index	16
Trade	17
Texas Export Values by Destination	17
Texas Oil and Gas Exports	17





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.

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Data current as of August 20, 2024

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July 2024 Summary

UNEMPLOYMENT RATE

▲ 4.1%

AVERAGE HOURLY WAGE

▲ 0.2% MOM

CONSUMER PRICE INDEX

▼ 2.9% YOY

TOTAL NONFARM EMPLOYMENT

▼ 0.1% MOM

Summary

Texas total nonfarm employment fell for the second consecutive month. The unemployment rate increased to 4.1 percent after sitting for three months at 4 percent. The rate of inflation continues to make progress with the Consumer Price Index (CPI) dropping to 2.9 percent year over year (YOY) in July from 3 percent YOY in June, and home sales bounced back after a major drop in June.

Moderate Increase in Inflation

Over the past 12 months, the CPI increased 2.9 percent before seasonal adjustment. This was the smallest YOY increase since March 2021, which was at 2.6 percent. After seasonal adjustment, CPI rose 0.2 percent month over month (MOM) in July.

Food prices rose 2.2 percent from July 2023 to July 2024, compared with increases of 4.9 percent from July 2022 to July 2023 and 10.9 percent from July 2021 to July 2022. Consumer prices for energy rose 1.1 percent over the year ending July 2024, while prices for all items except food and energy rose 3.2 percent, marking the smallest 12-month increase for these prices since April 2021.

Texas Payroll Drops for Second Straight Month

In July, Texas nonfarm employment contracted by 14,500 workers, representing a 0.1 percent MOM decline. The state's four largest metropolitan areas continued their downward trends. Houston and Dallas recorded notable job losses of 7,700 and 7,200 positions, respectively, each reflecting a 0.2 percent decrease. San Antonio and Austin experienced more modest declines of 1,400 and 1,800 positions, respectively, both equating to a 0.1 percent reduction.

In July, the trade, transportation, and utilities sector saw a reduction of 7,300 workers, marking a 0.3 percent decline. The professional and business services sector also experienced a significant contraction, losing 14,700 positions, a 0.7 percent decrease. Additionally, the education and health services sector recorded a decline of 9,200 jobs, representing a 0.5 percent reduction.

Worker sentiment in Texas showed modest improvement in July as the labor force participation rate edged up to 64.4 percent, its highest level since early 2024. The unemployment rate saw a slight uptick of 0.1 percentage points from June to July, marking the first increase since April 2024. Meanwhile, continued unemployment claims have averaged around 138,676 per week.



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Texas Home Sales Bounce Back

Texas had a notable 15.4 percent MOM surge in total home sales in July (see table), reaching 27,049 transactions, marking a significant rebound from the substantial declines in June, which had two fewer business days than normal for June. This upward trend was consistent across all Big Four metropolitan areas. Houston led the recovery with a 21.7 percent jump, resulting in 7,500 homes sold. Dallas followed with an 18.1 percent rise, totaling 7,694 transactions. San Antonio saw a 15.4 percent improvement, bringing its sales to 2,807 units. Austin's recovery was more modest by comparison, with a 13.9 percent increase, culminating in 2,378 homes sold. This sharp turnaround contrasts starkly with the pronounced downturns recorded in the previous month, underscoring the strength of July's recovery.

Table 1. Home Sales Volume

	June	July	MoM Change
Houston-Pasadena-The Woodlands	6,163	7,500	21.7%
Dallas-Fort Worth-Arlington	6,516	7,694	18.1%
San Antonio-New Braunfels	2,414	2,807	16.2%
Texas	23,440	27,049	15.4%
Austin-Round Rock-San Marcos	2,087	2,378	13.9%

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

Note: Data are seasonally adjusted

Service Sector and Retail Accelerated

Texas service sector activity accelerated in July compared to the previous month, according to business executives participating in the Texas Service Sector Outlook Survey. The revenue index, a key indicator of service sector conditions, rose to 7.7 in July from 1.9 in June. The employment index fell from 1.8 to -0.2.

Survey respondents expressed greater optimism about future business conditions. The future general business activity index saw a substantial improvement, rising from 3 to 19.1, while the future revenue index increased by five points to 35.7. Other forward-looking service sector indicators, including employment and capital expenditures, remained in positive territory and strengthened, signaling expectations of continued growth over the next six months.

Retail revenues weakened in July, according to business executives surveyed in the Texas Retail Outlook Survey. The revenue index, a key indicator of state retail performance, held steady at -

18.1, signaling that retail sales continued to decline at a similar pace as in the previous month. Retail inventories also contracted, with the inventory index slipping to -7.7 in July.

Despite these challenges, retailers' outlook on future business conditions showed improvement. The future general business activity index shifted into positive territory, rising from -6.4 to 17, while the future sales index climbed to 30.9. However, expectations for other aspects of future retail activity were mixed. The future employment index turned negative for the first time since April 2020, while the future capital expenditures index remained positive.

Texas Export Growth Slow Without Oil Boost

Texas' all-commodity exports declined by 2.7 percent MOM in June but posted a 5.2 percent YOY increase. Although demand for Texas oil and natural gas exports fell by 3.7 percent, these products remain the state's top export, albeit at subdued levels. However, exports of petroleum and coal products rose by 3.5 percent, extending the upward trend that, except for one month, has increased since February of this year.

Select Economic Indicators

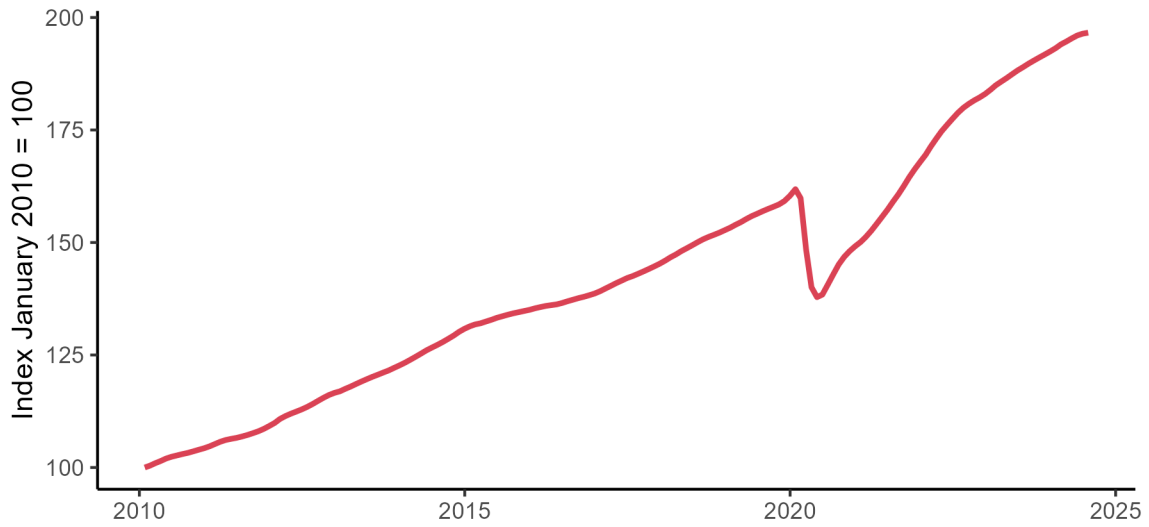
- The Texas Leading Economic Index edged up to 124.2 (1987=100) in July, marking its first increase since April 2024. The index high this year was 128.4 in February. Since then, it has dropped 3.2 percent.
- Nominal average hourly earnings saw a modest MOM increase of 0.2 percent, reaching \$32.91, and a YOY rise of 3.8 percent.
- Earnings rose across all four major metros areas, with DFW increasing by \$0.04, Austin increasing by \$0.46, San Antonio increasing by \$0.28, and Houston increasing by \$0.65.
- Texas consumer confidence increased by 14.1 percent MOM in July, reaching 110.8 and returning to more typical levels. The average index this year has been 112.6, which is slightly higher than last year's average of 106.6, signaling a minor increase in consumer confidence.
- The ten-year U.S. Treasury bond fell 6 basis points, standing at **4.25 percent**.
- The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** fell by 7 basis points to 6.85 percent.
- The West Texas Intermediate (WTI) crude oil spot price rose by 2.5 percent MOM to \$81.80. The Henry Hub natural gas spot price decreased by 18.1 percent MOM from \$2.54 to \$2.08 per million British thermal units (BTU).





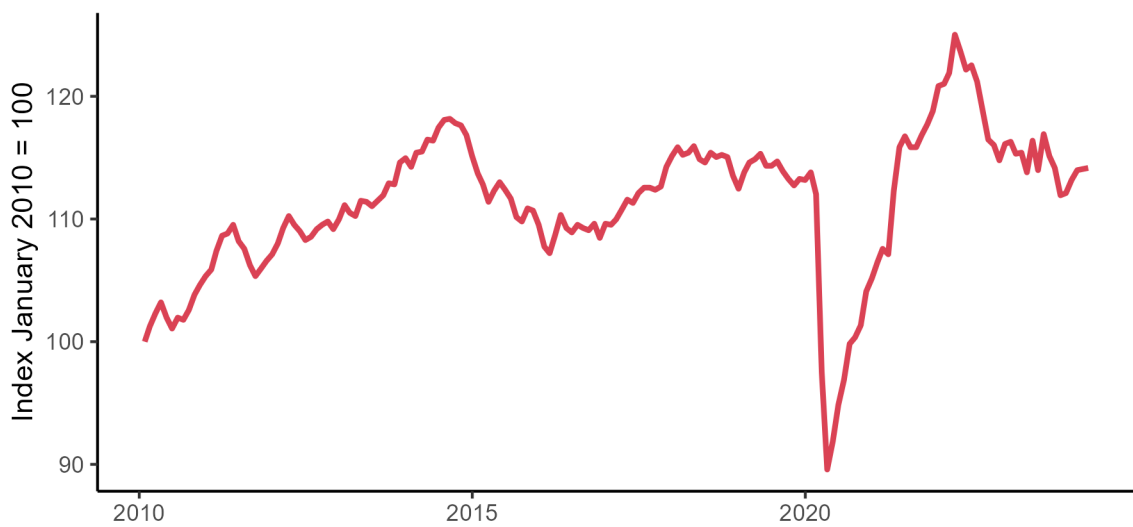
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



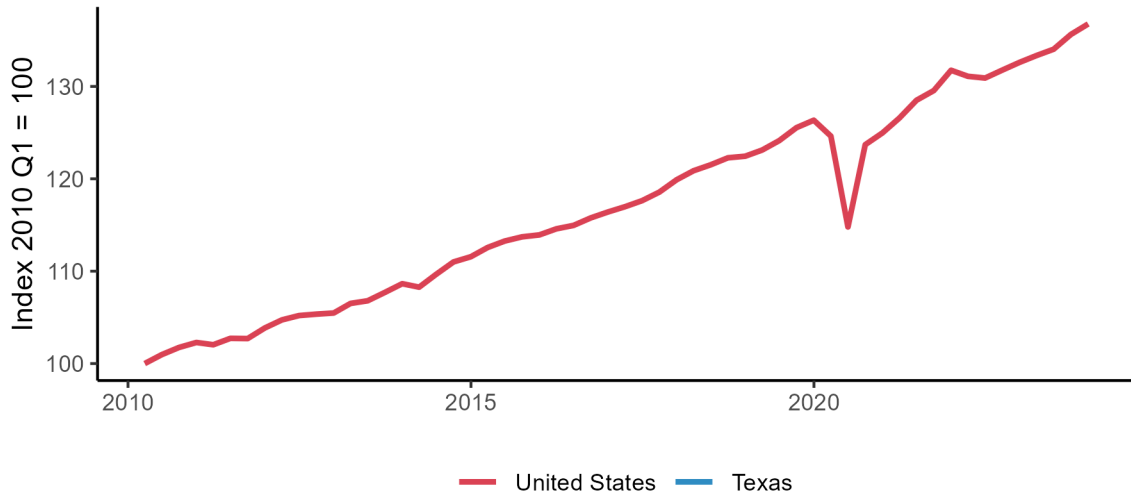
Source: Federal Reserve Bank of Dallas





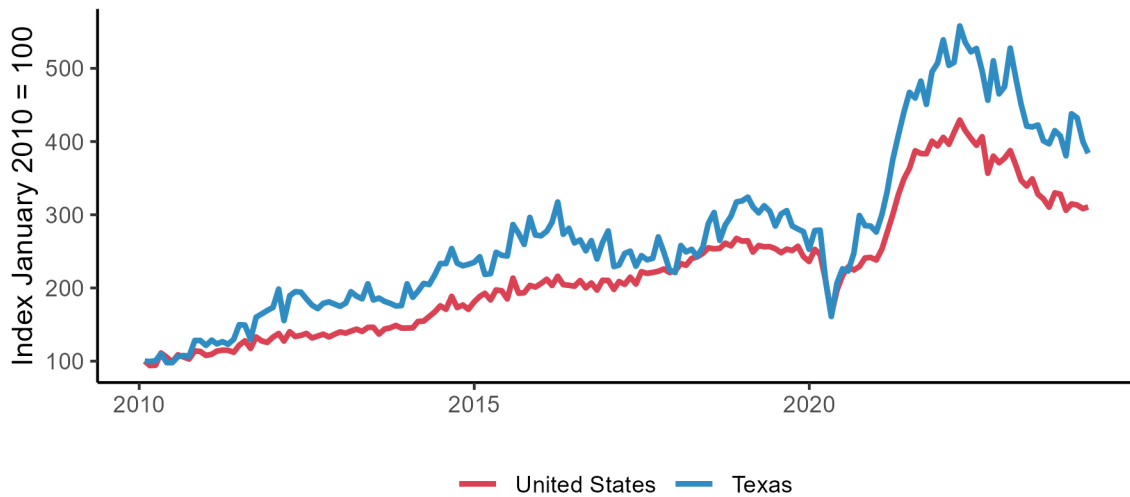
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

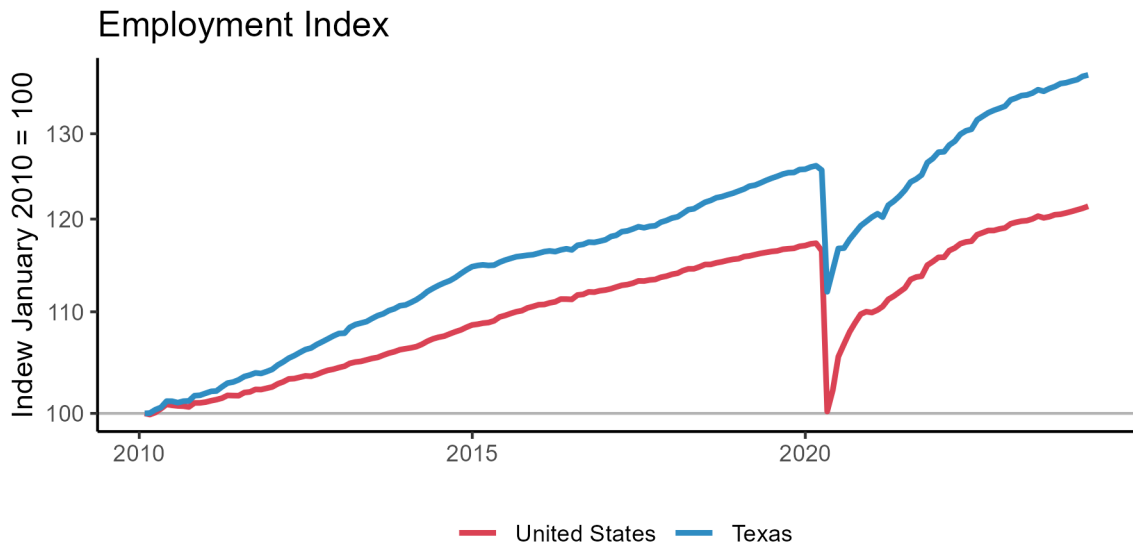


Source: Bureau of Labor Statistics

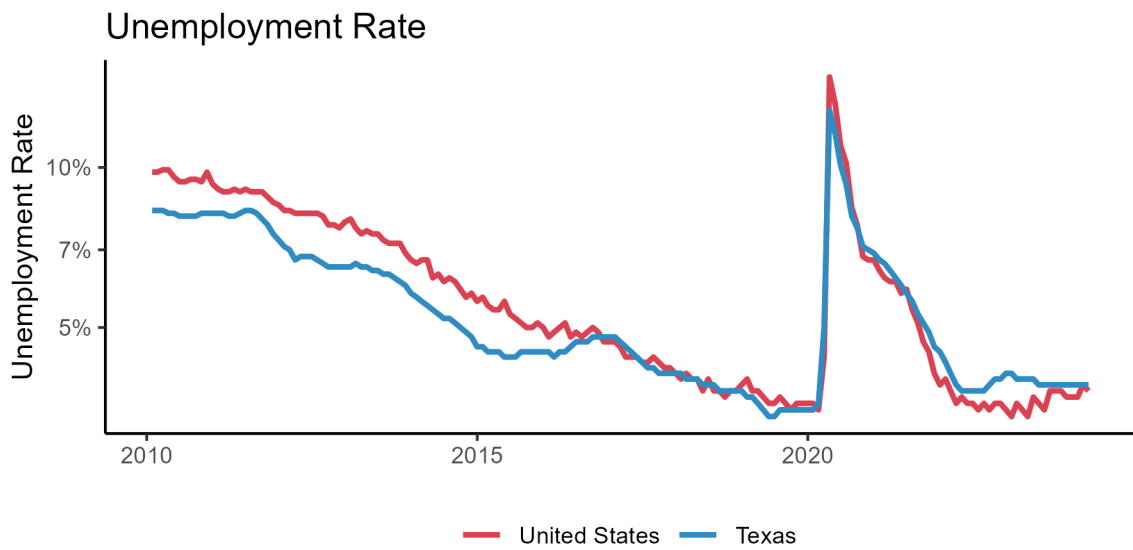




Employment



Source: Bureau of Labor Statistics



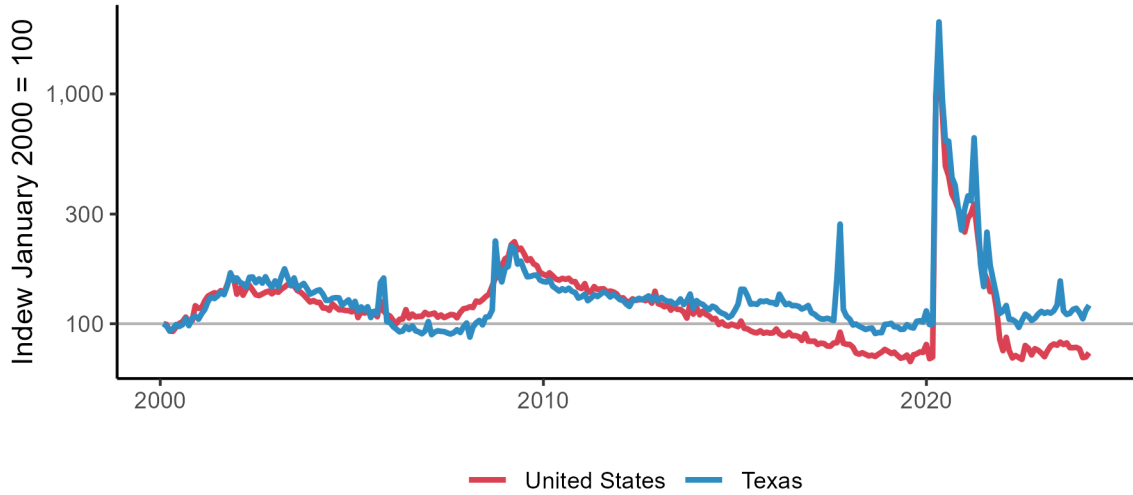
Source: Bureau of Labor Statistics





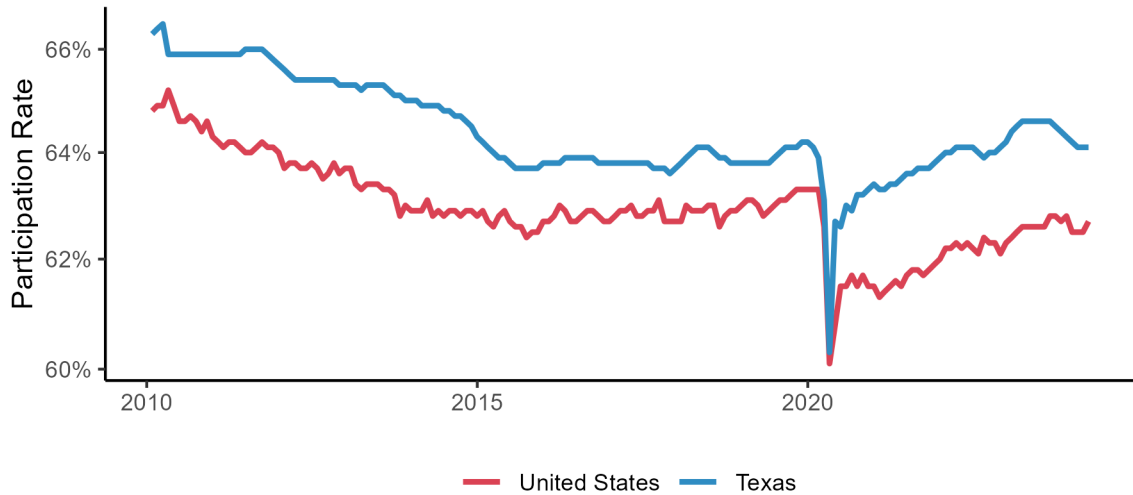
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



Source: Bureau of Labor Statistics





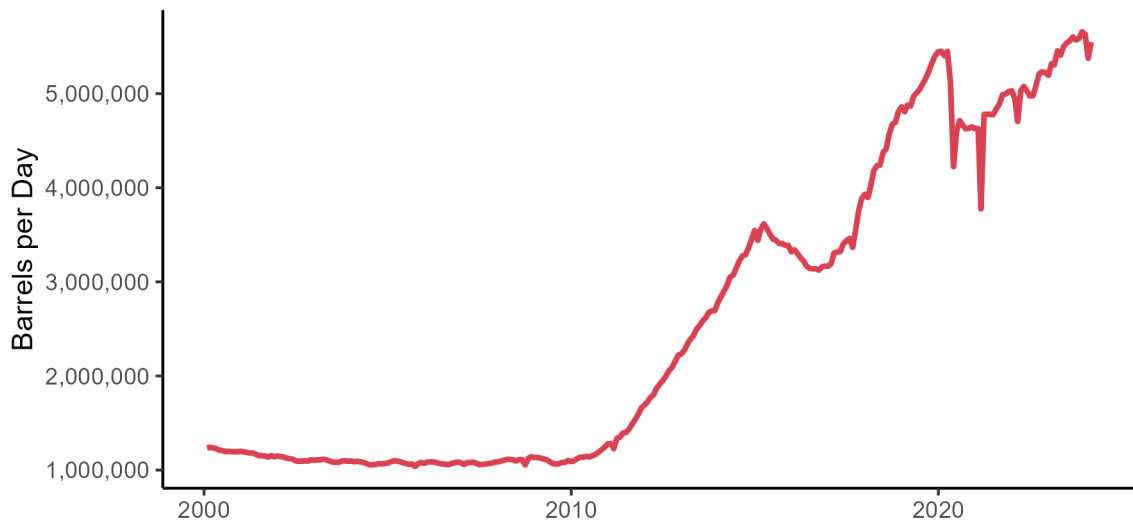
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



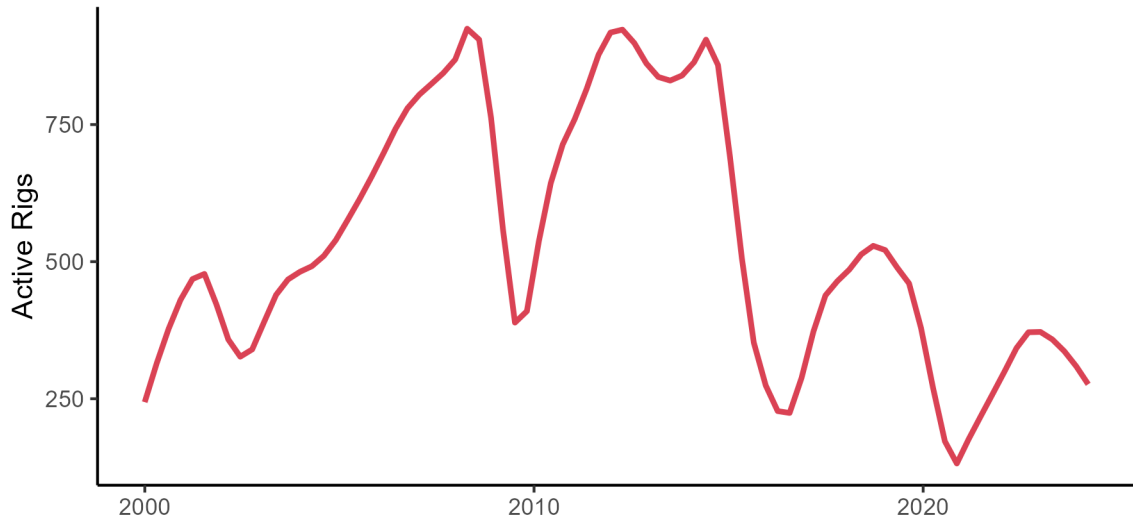
Source: Energy Information Administration





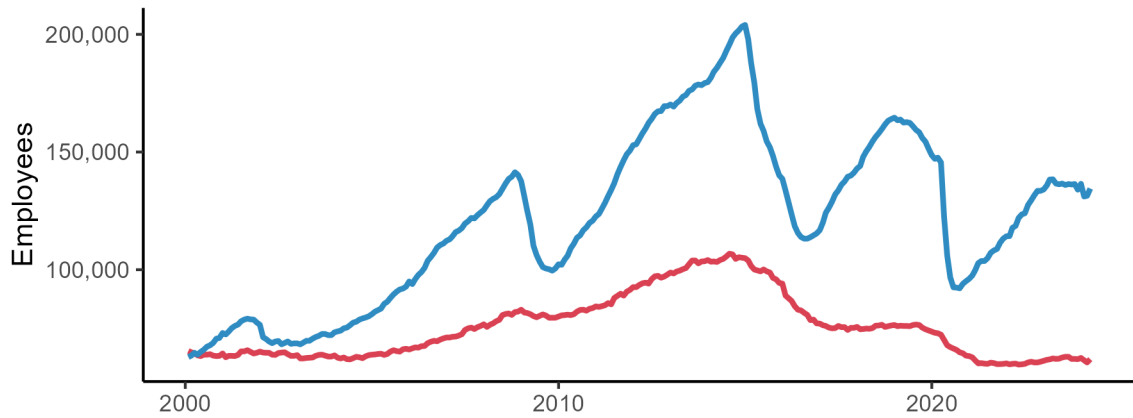
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



— Oil and Gas Extraction — Support Activities

Source: Bureau of Labor Statistics

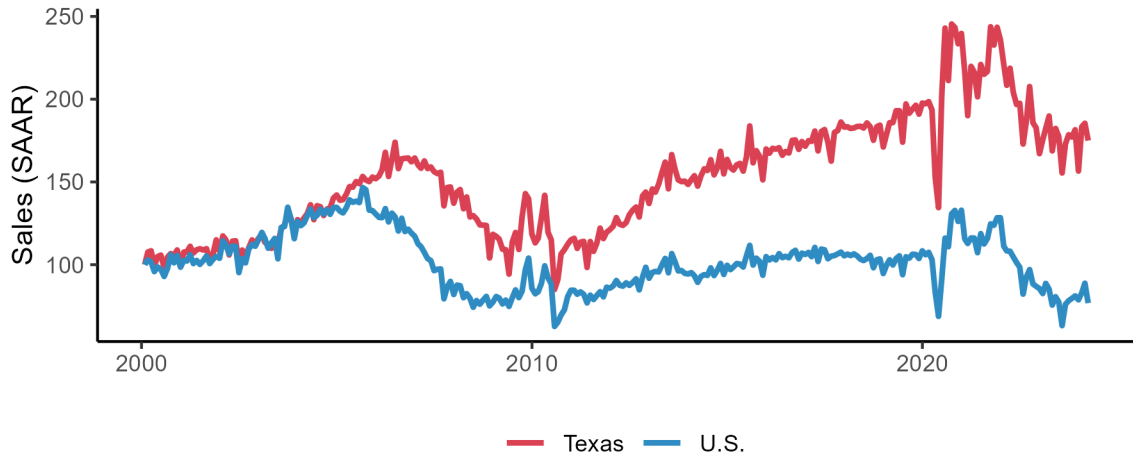




Housing

Residential Home Sales

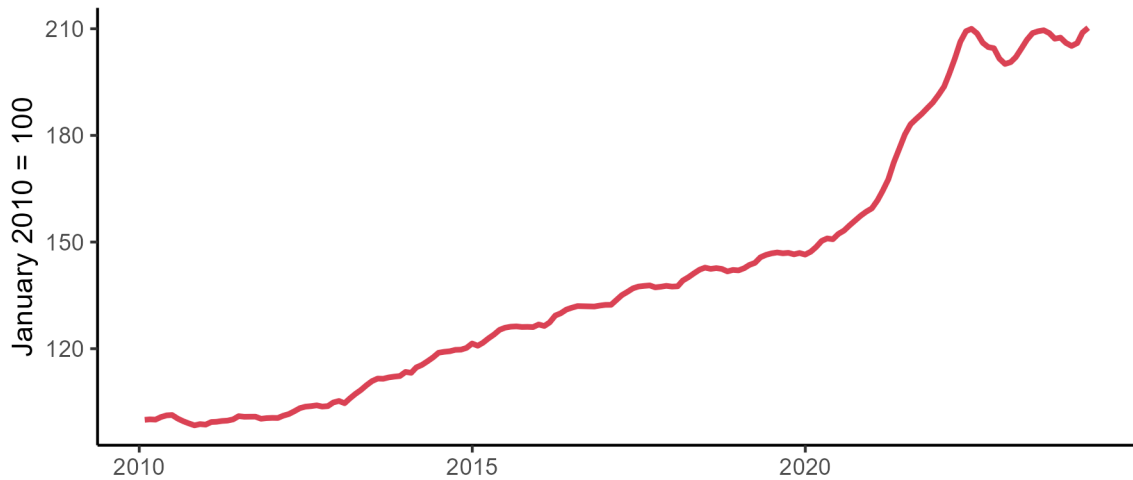
Seasonally Adjusted Annualized Rate



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



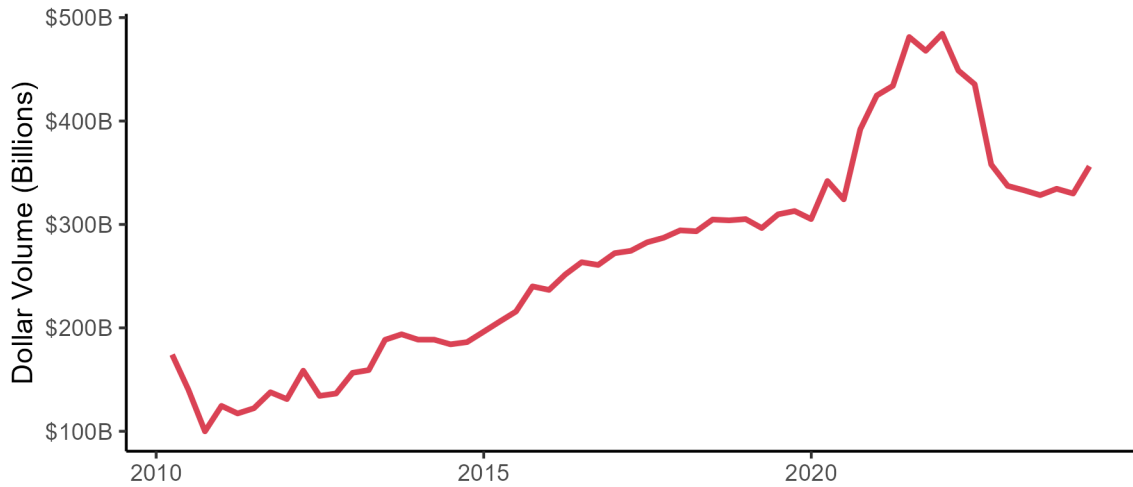
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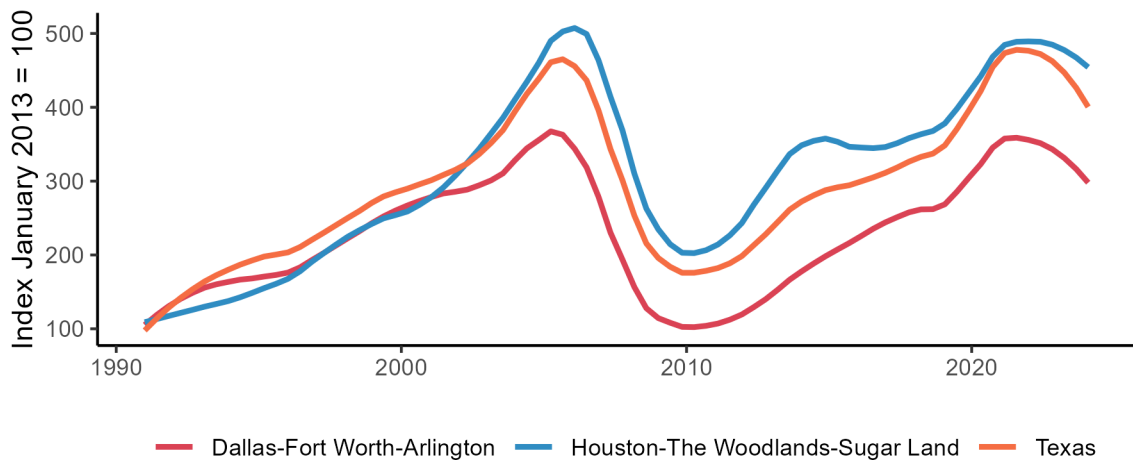
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Index



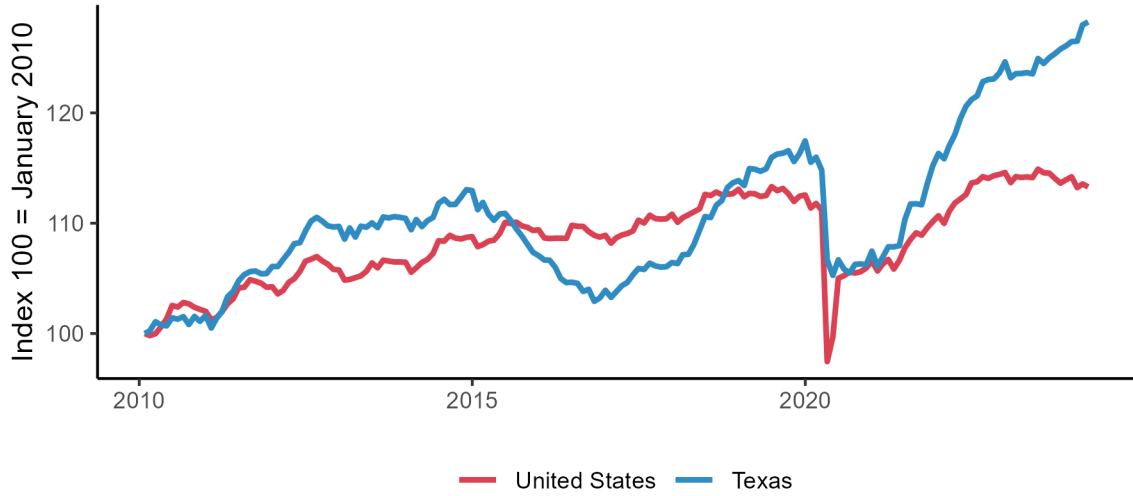
Source: Dodge Construction Network - Texas Real Estate Research Center at Texas A&M University





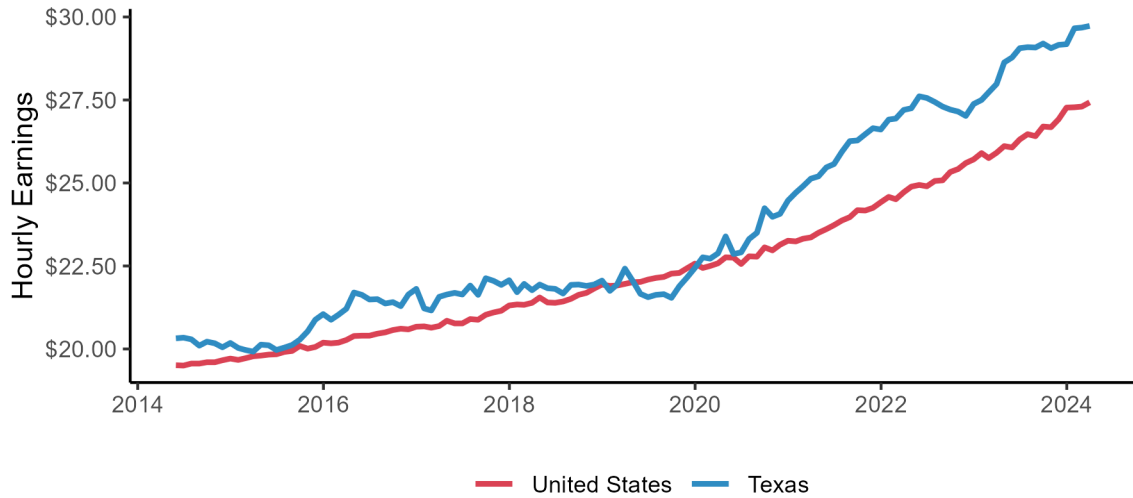
Manufacturing

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



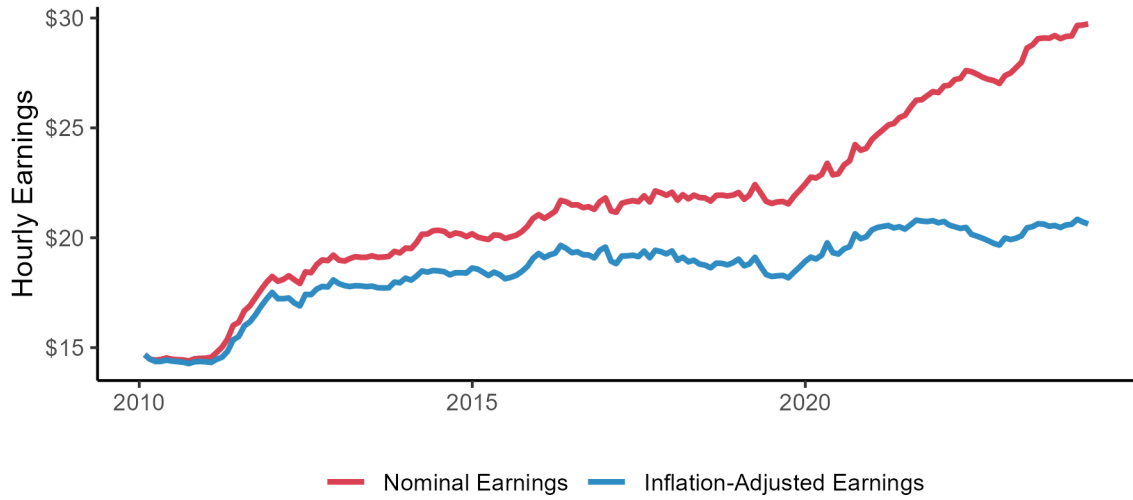
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

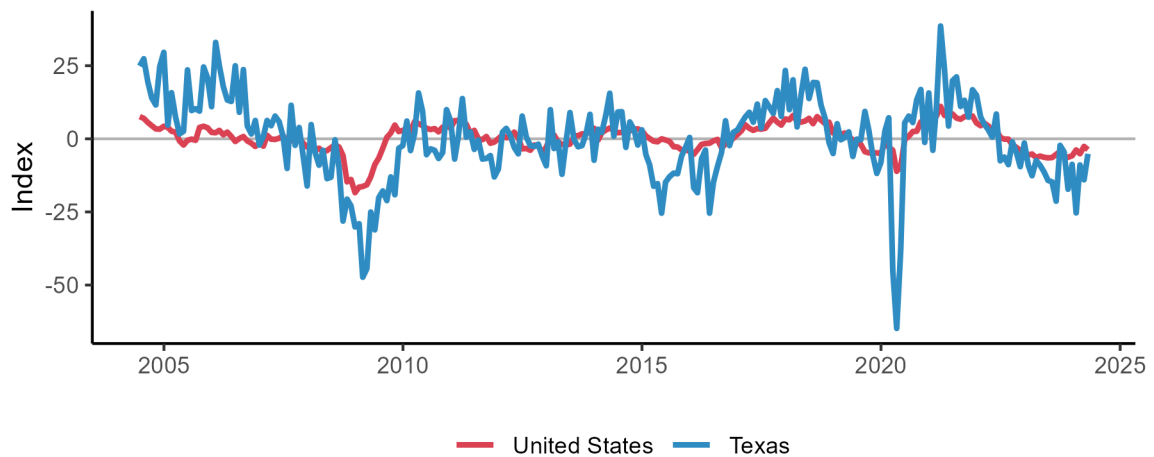
Texas Manufacturing Employee Hourly Earnings



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

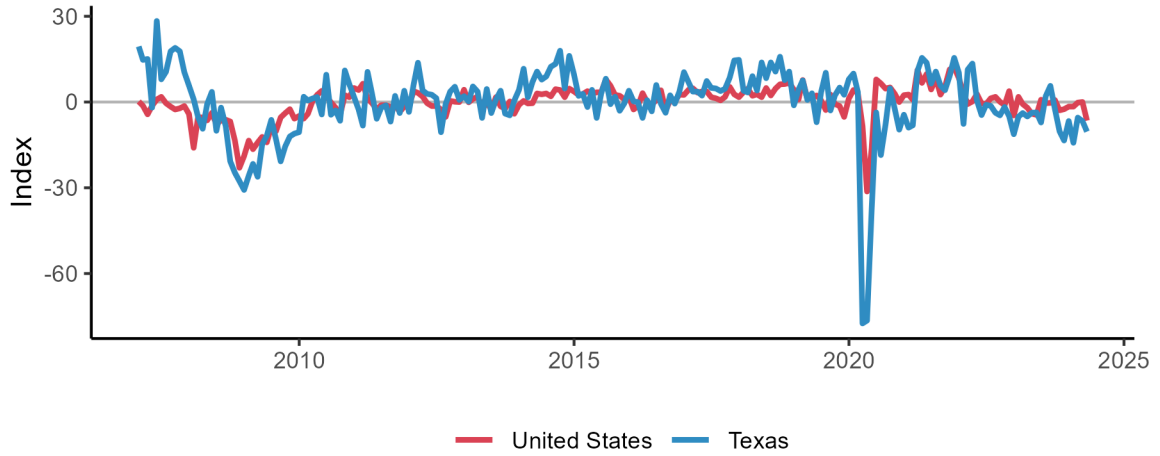




Services

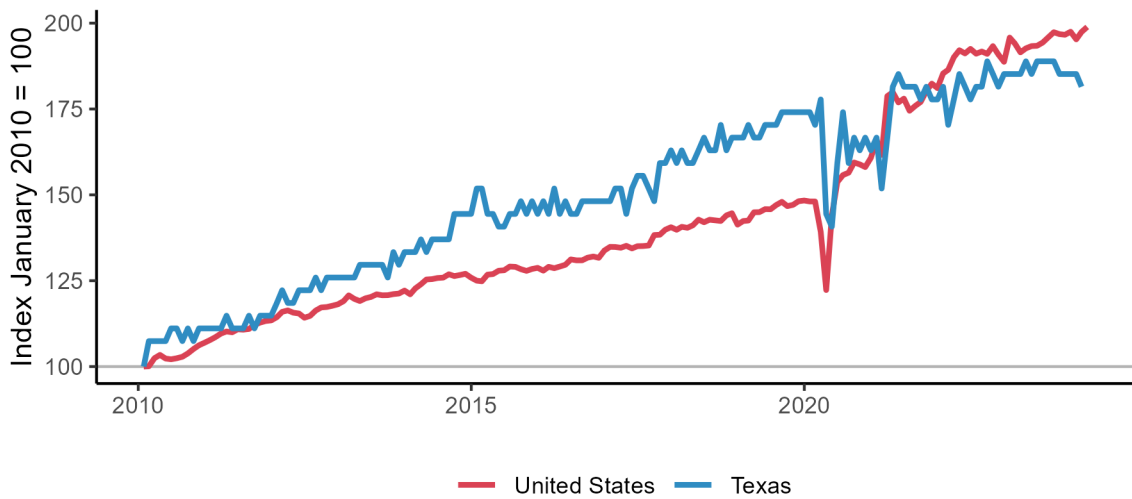
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



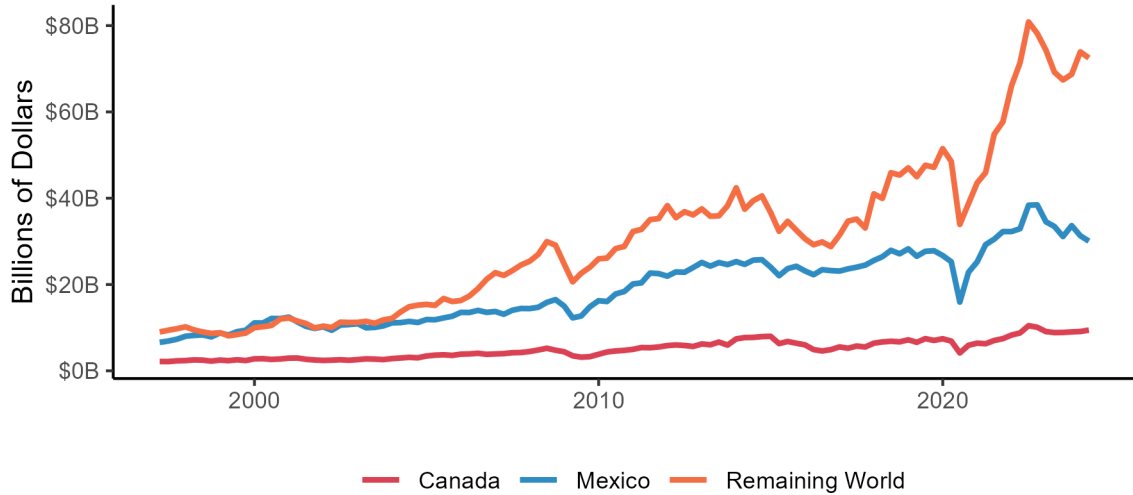
Source: Census Bureau - Federal Reserve Bank of Dallas





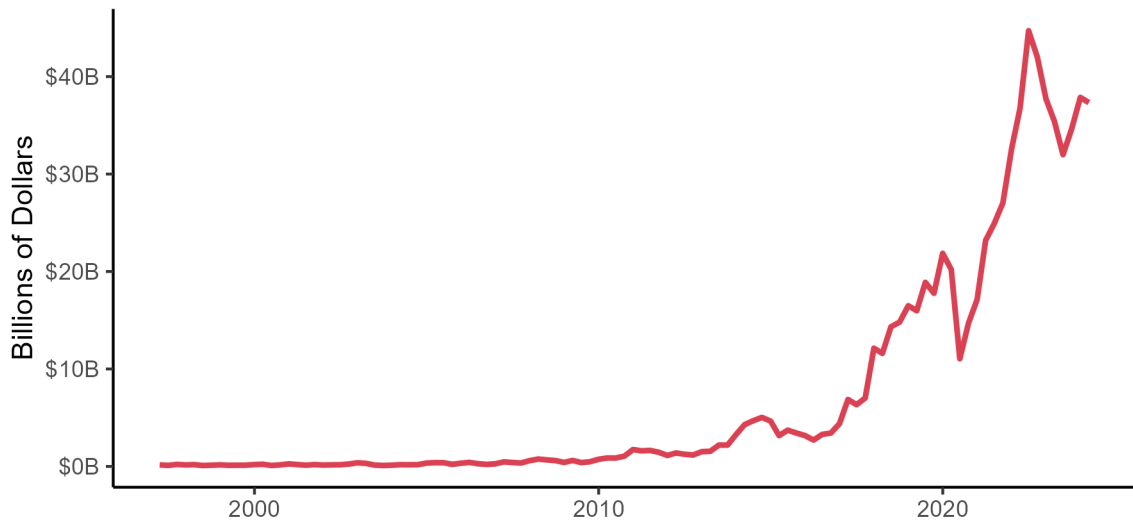
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER





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