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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, Koby McMeans, and Rhutu Kallur

Data current as of April 10, 2024

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February 2024

UNEMPLOYMENT RATE

3.9%

CRUDE OIL EXPORTS

8.6% MOM

CONSUMER PRICE INDEX

3.2% YOY

TX CONSUMER CONFIDENCE

5.3% MOM

Summary

The Texas economy remains resilient despite high interest rates. Employment skyrocketed and there is still a high participation rate. Home sales increased while the ten- and 30-year rates remained elevated. Texas consumer confidence fell as economic growth was stagnant. Trade levels fell erasing over half of January's gain. Data show that economic activity has remained steady to start the year, indicating that this rate pause may continue well into the back half of this year.

Economic Uncertainty as CPI Continues to Rise

The Consumer Price Index (CPI) rose 0.4 percent from last month and is up 3.2 percent from February 2023. According to the U.S. Bureau of Labor Statistics, the index for shelter and gasoline accounted for over 60 percent of this month's increase. Despite the gasoline index increasing in February, the year-over-year (YOY) change dropped to -3.9 percent.

The Fed paused interest rate hikes in its January meeting, leaving the Fed Funds target range between 5.25 and 5.5 percent. Inflation remains above the long-term goal of 2 percent, but the higher-than-forecasted readings to begin the year are making it less likely this rate cut will occur in June. Economic data, such as inflation and retail sales, that were released were not what was expected, as retail sales were low and inflation remained high. For interest rates to start to decrease, economic activity must remain strong while inflation starts to cool, according to Fed Chairman Jerome Powell.

Texas Payroll Rebounds

Texas total nonfarm employment added 49,800 workers. All four major metros posted monthly increases with Austin reporting the largest increase of 11,400. Dallas (7,800 workers) and Houston (6,900 workers) also had strong increases while San Antonio reported insignificant increases. For the second straight month the professional and business services and education and health services sectors were the main contributors to the monthly increases, attracting 11,900 and 9,300 workers, respectively.

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 nine months, and continued unemployment claims averaged around 153,716 applications weekly.



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Inventory Growth Outpaces Sales Growth

According to the latest data, Texas had a 3.6 percent increase in total home sales month over month (MOM), resulting in 29,999 homes sold (see table). Most of the major cities experienced a slight upswing. The most significant increase was in San Antonio (11.8 percent), with an increase of over 339 additional sales compared to January. Dallas showed an increase of almost 700 homes, an 8.7 percent increase. While Houston experienced remarkable home sales last month, February was uneventful as growth flattened.

Home Sales Volume

	January	February	MOM Change
San Antonio-New Braunfels	2,881	3,220	↑ 11.8%
Dallas-Fort Worth-Arlington	7,982	8,679	↑ 8.7%
Texas	28,946	29,999	↑ 3.6%
Austin-Round Rock	2,753	2,853	↑ 3.6%
Houston-The Woodlands-Sugar Land	7,929	7,951	↑ 0.3%

Note: Data is seasonally adjusted.

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

Merchants' Current Business Outlook Improves

According to the **Dallas Fed's Service Sector Outlook Survey**, perception of broader business conditions, which encompass the overall economic environment for businesses, improved but remained woeful with the general business activity index increasing but remaining in negative territory at -3.9. Respondents remained optimistic about future business conditions, with the future general business activity index climbing to 12 while the future revenue index remained in positive territory. In the same survey, revenues also improved moving from negative to positive territory. A positive index indicates more respondents reported positive MOM growth than negative. Despite the upward movement, the revenue index is still below the long-term trend, indicating more room to grow.

Retail payroll decreased by 2,500 workers in February. Sales continued to fall as the **Dallas Fed's Retail Outlook Survey** reported the sales index moved from -28.6 to -5.3, signifying sales fell at a slower rate than in February. The labor market within the retail sector improved as the employment index climbed into positive territory at 2.4. The perception of the broader business environment continued to worsen with the general business activity index remaining in negative territory at -18. Expectations for future retail growth wavered with the employment index remaining positive while the future general business activity index increased but stayed in negative territory.



Global Trade Falls

Texas' all-commodity exports fell 3 percent MOM but was at about the same level as January 2023. Demand inversely changed MOM for the top three manufacturing exports: computer/electronics (up 3.9 percent), petroleum/coal (down 7.6 percent), and chemicals (down 6.8 percent). Industries besides petroleum and chemicals that influenced the monthly loss were wood products (down 26.8 percent) and furniture/fixtures (down 15.7 percent). The transportation equipment industry rose 22.7 percent MOM and accounted for the largest percent of Texas' exports outside the top three manufacturing exports. Demand for Texas' **crude oil exports** started fluctuating, with this being the fourth straight month of switching between strong increases and decreases. Last month showed double-digit percent increases, and this month demand fell by 8.6 percent. Europe and Asia accounted for over 80 percent of the total market share of Texas crude oil. Germany and Brazil both reported decreases of over 50 percent while Italy increased their imports by over 500 percent.

Select Economic Indicators

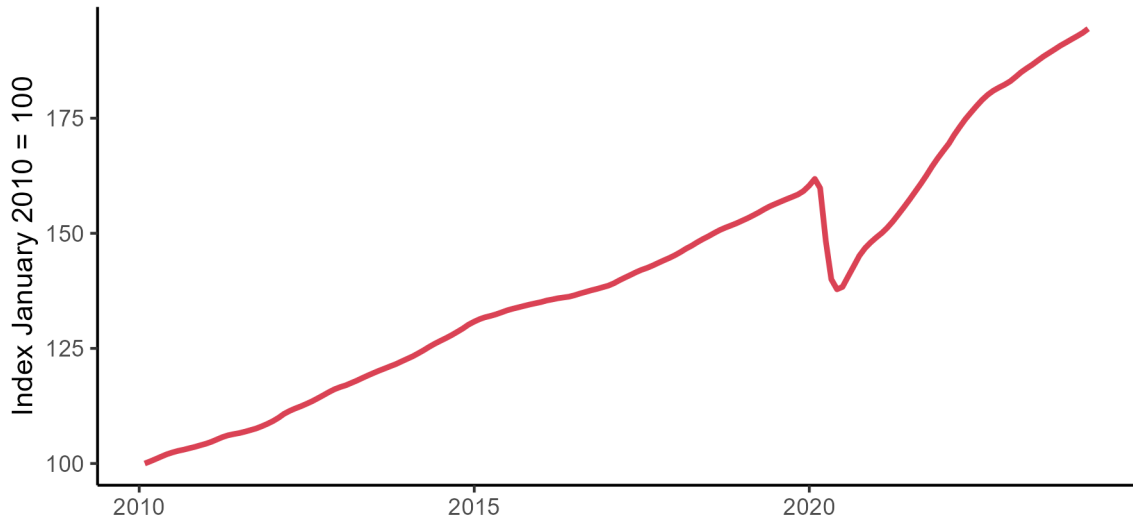
- The Texas Leading Economic Index remained at 128.1 (1987=100), signaling steady economic growth in the upcoming months.
- Nominal **average hourly earnings** marginally declined by 0.8 percent MOM to \$32.60. Earnings across all four major metros were down with Houston (-\$0.83) and Dallas (-\$0.57) decreasing by over half a dollar for the month.
- Texas consumer confidence fell by **5.2 percent** in February, whereas it had been on the rise since September.
- The ten-year U.S. Treasury bond rose 15 basis points to **4.21 percent**.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate rose 24 basis points to **6.64 percent**.
- The West Texas Intermediate (WTI) crude oil spot price slightly rose by **0.6 percent** YOY from \$76.83 to \$77.25, coming down from the inflated 2022 values. The Henry Hub natural gas spot price plummeted **27.7 percent** YOY from \$2.38 to \$1.72 per million British thermal units (BTU).





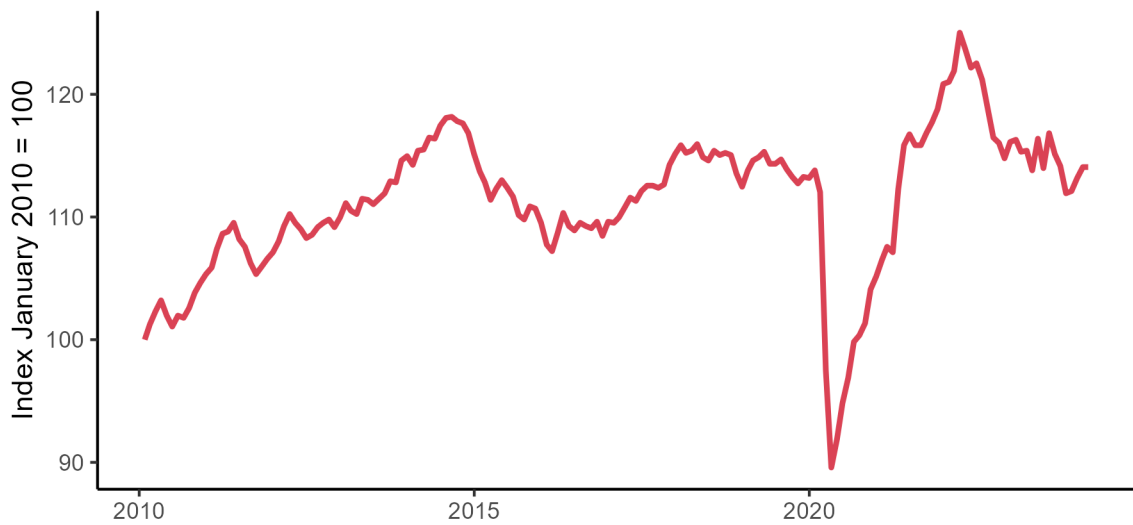
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



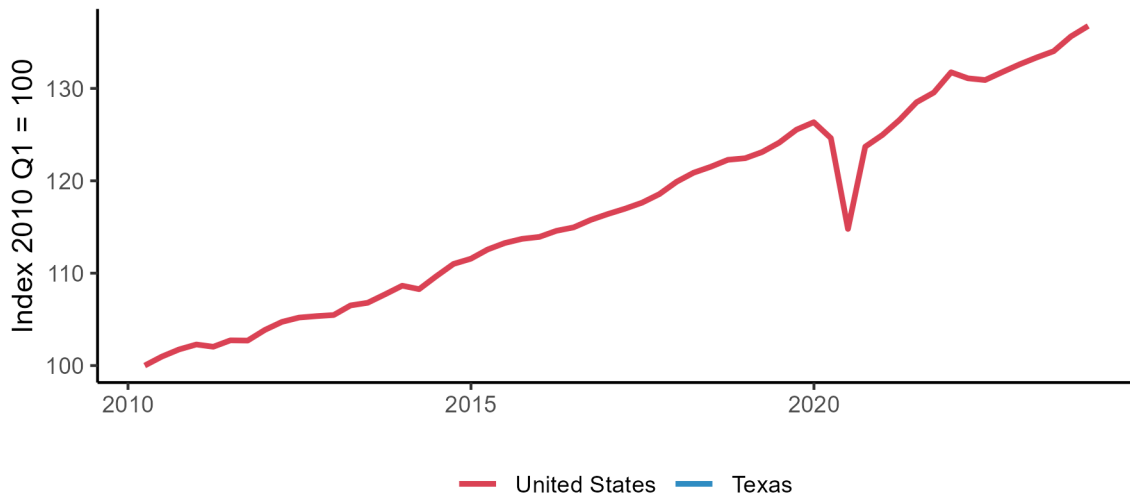
Source: Federal Reserve Bank of Dallas





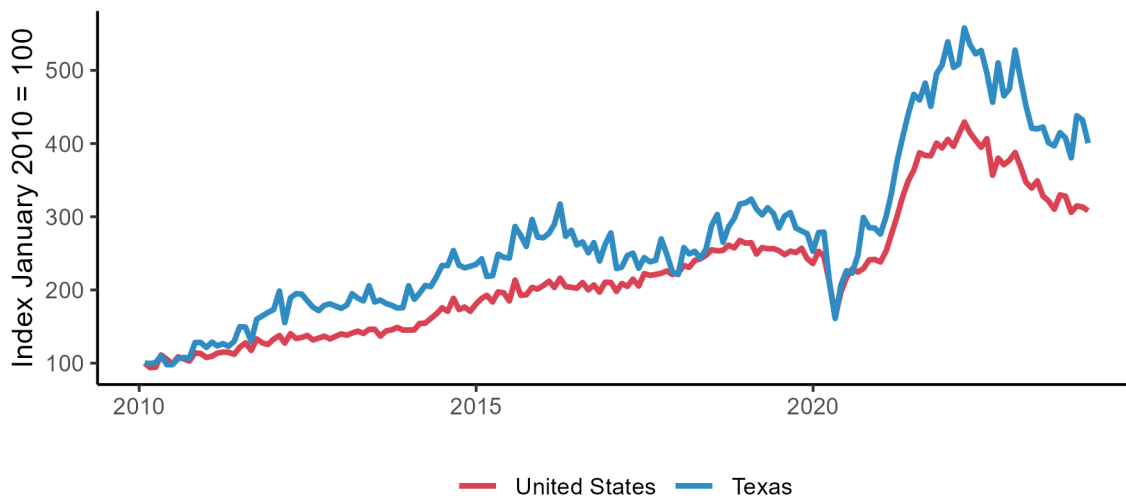
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

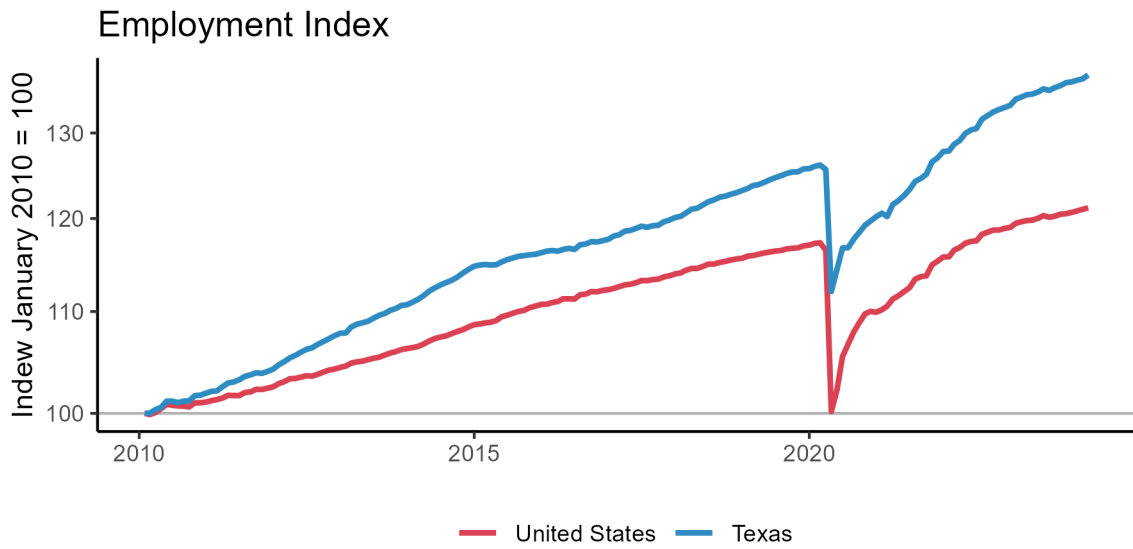


Source: Bureau of Labor Statistics

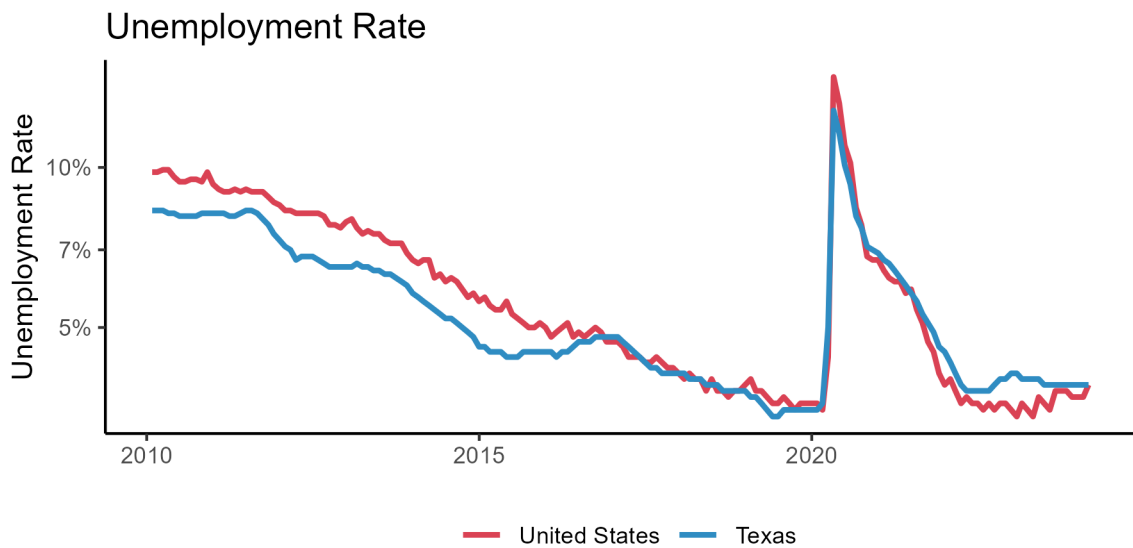




Employment



Source: Bureau of Labor Statistics



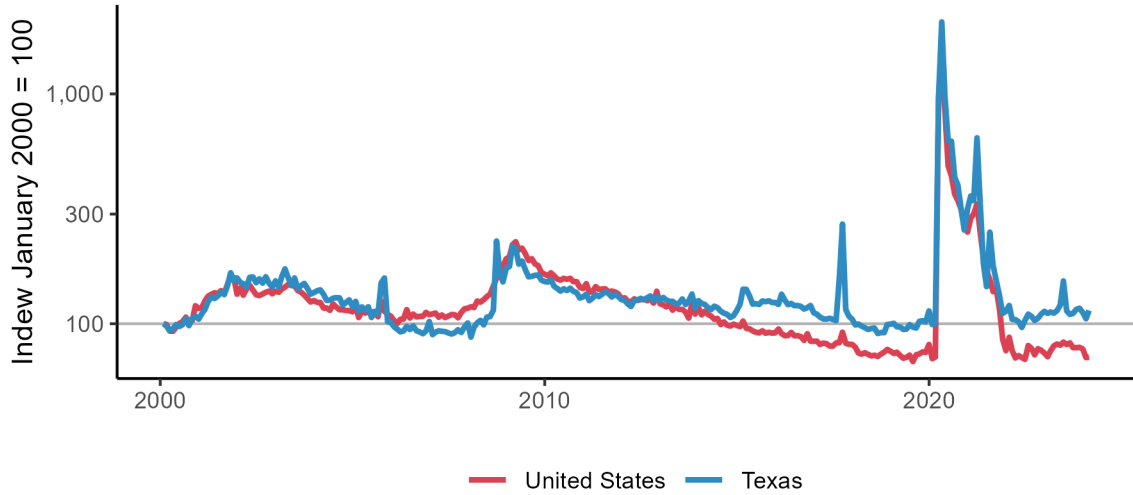
Source: Bureau of Labor Statistics





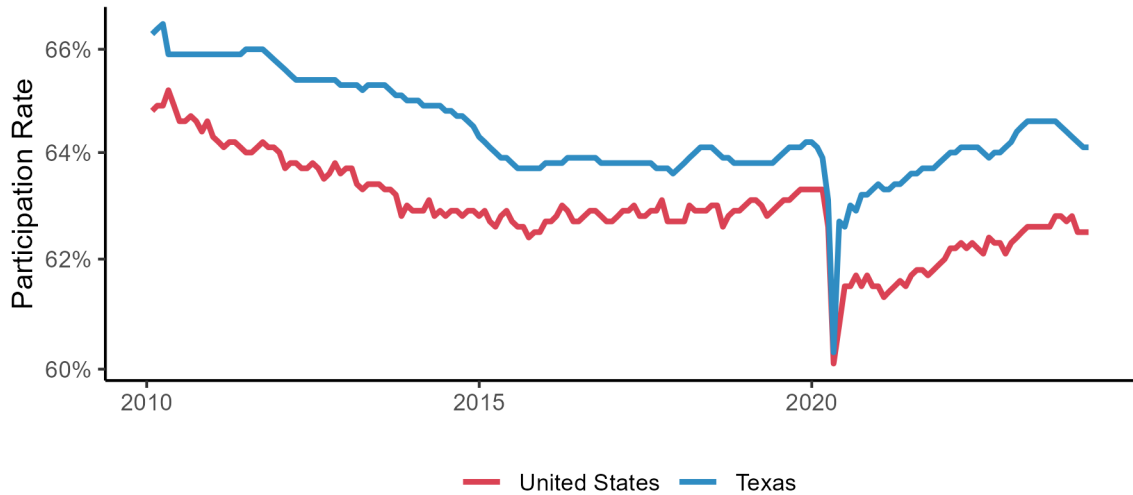
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



Source: Bureau of Labor Statistics



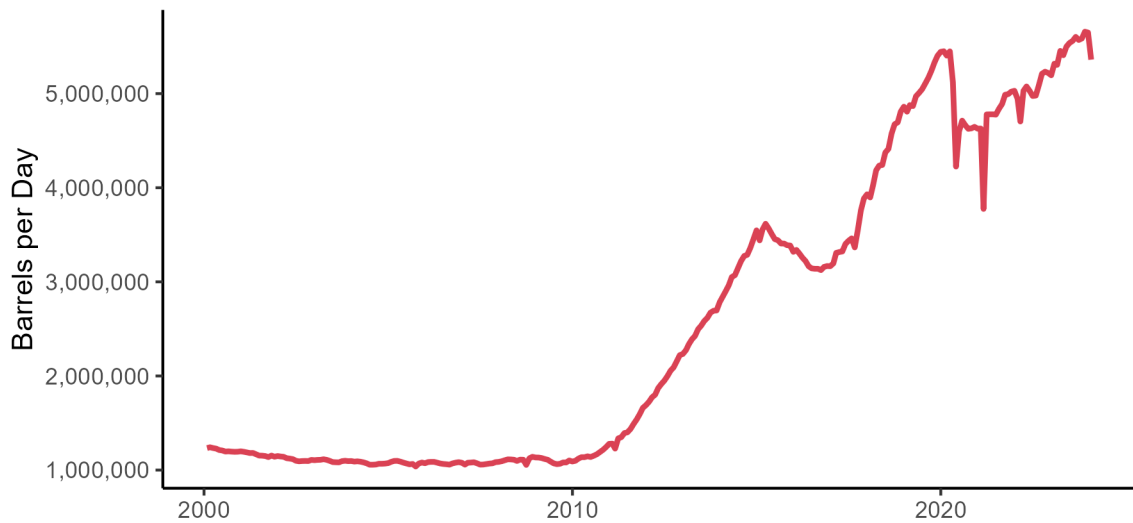
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



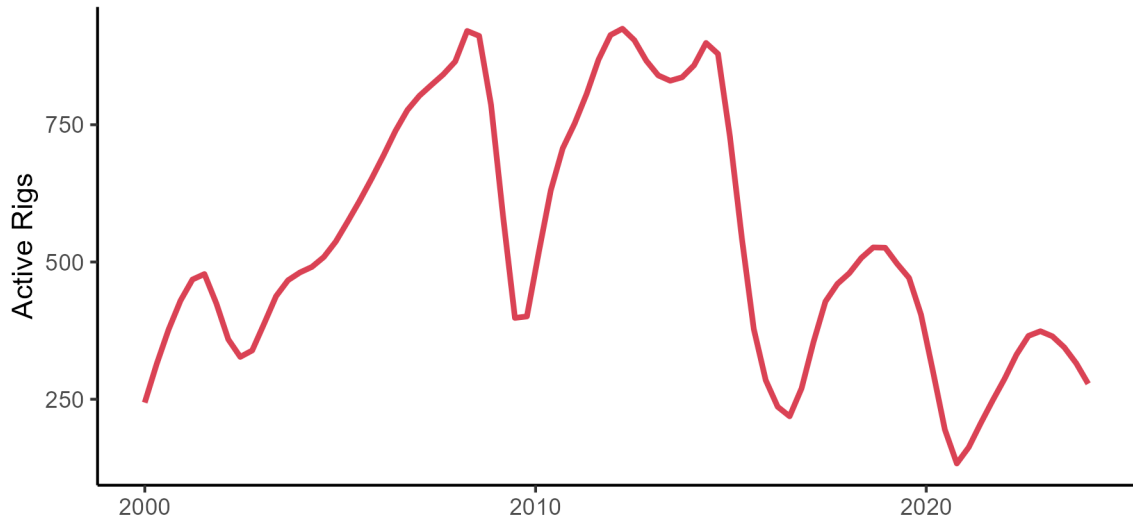
Source: Energy Information Administration





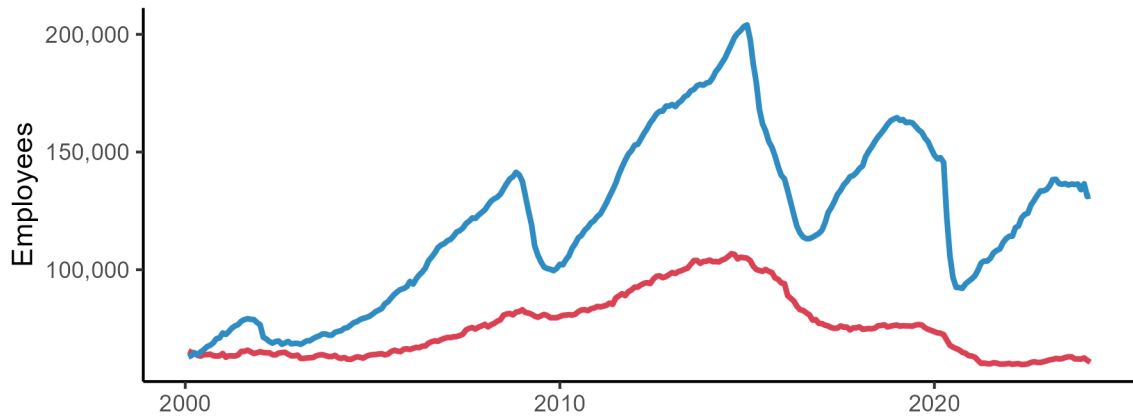
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



— Oil and Gas Extraction — Support Activities

Source: Bureau of Labor Statistics

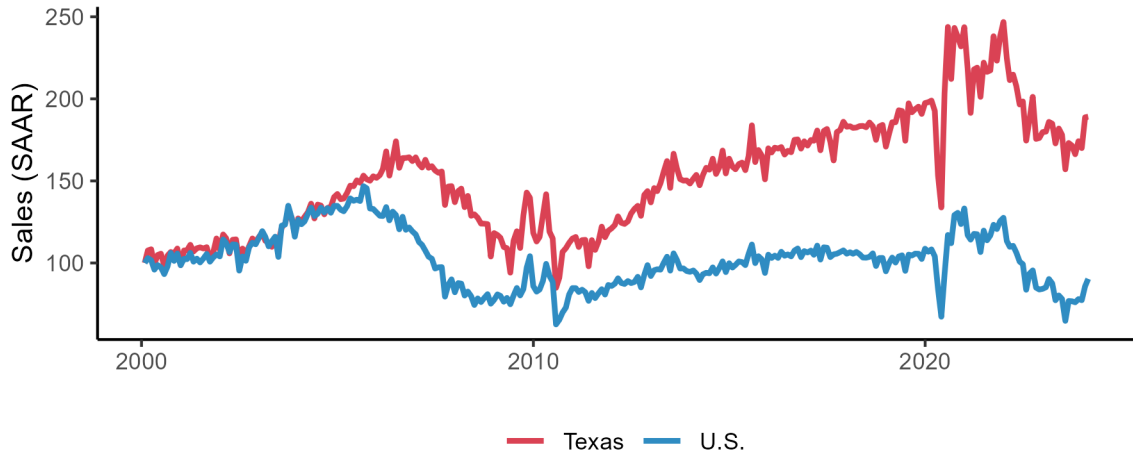




Housing

Residential Home Sales

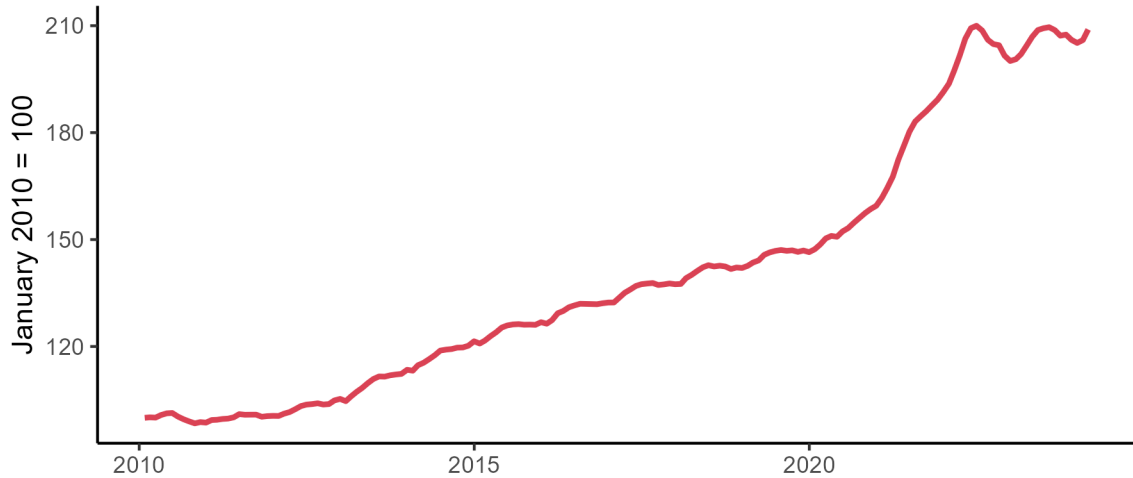
Seasonally Adjusted Annualized Rate



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



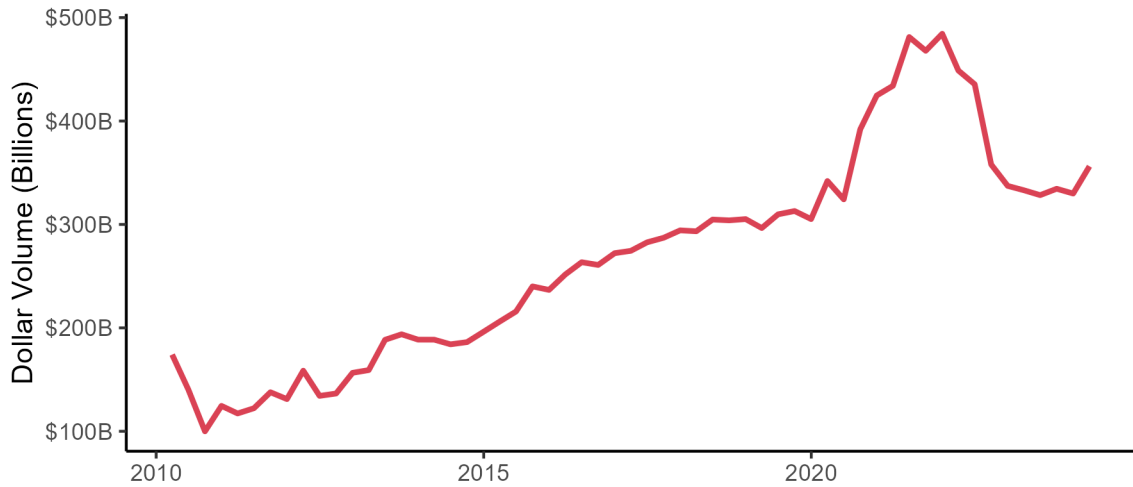
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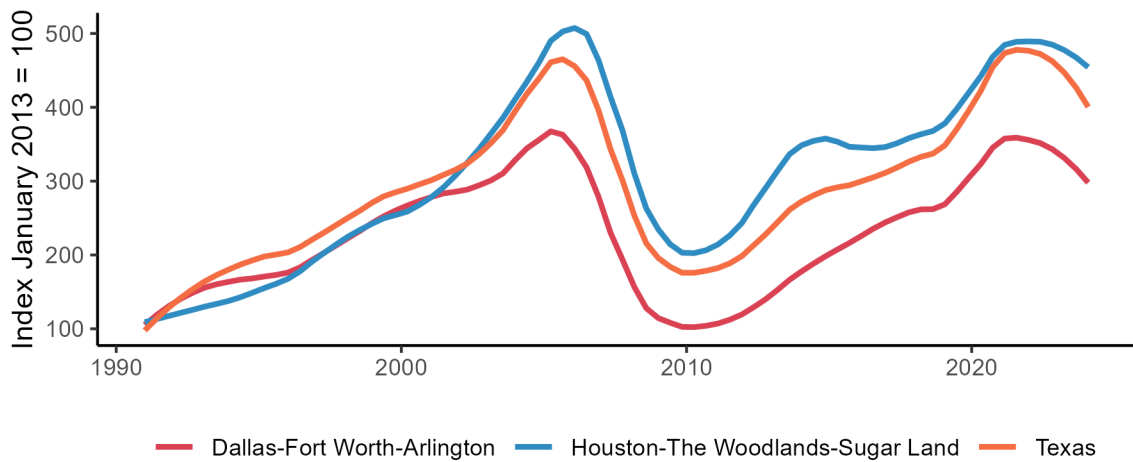
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Index



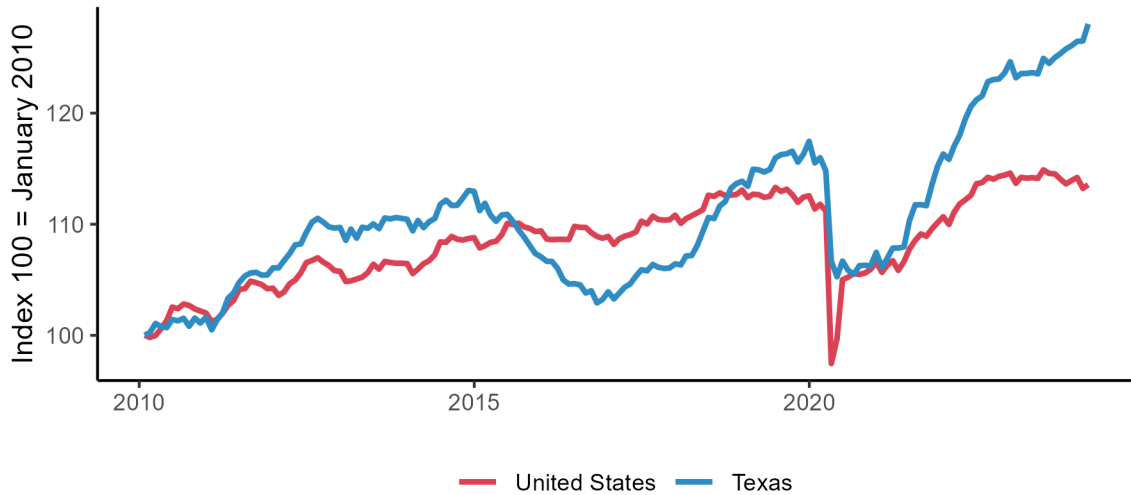
Source: Dodge Construction Network - Texas Real Estate Research Center at Texas A&M University





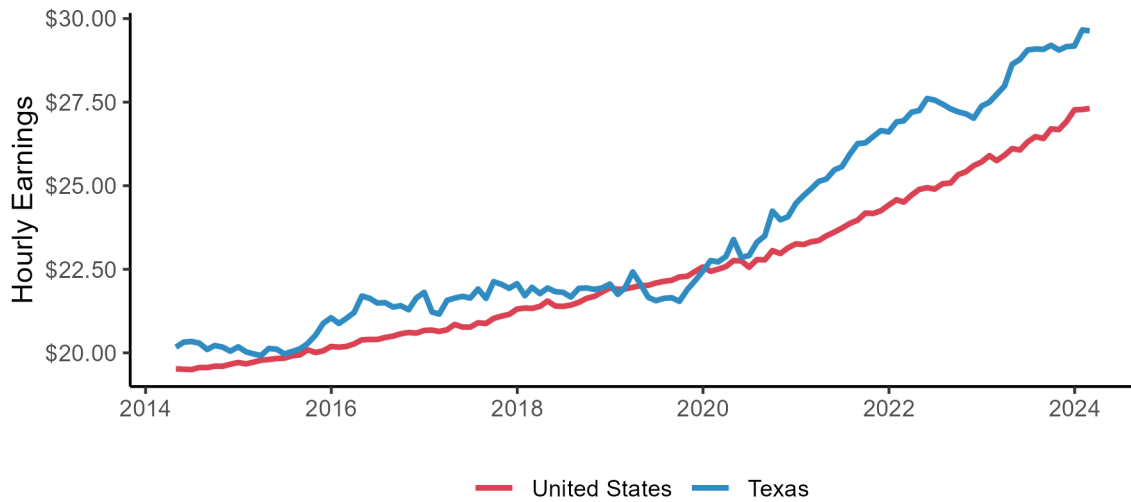
Manufacturing

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



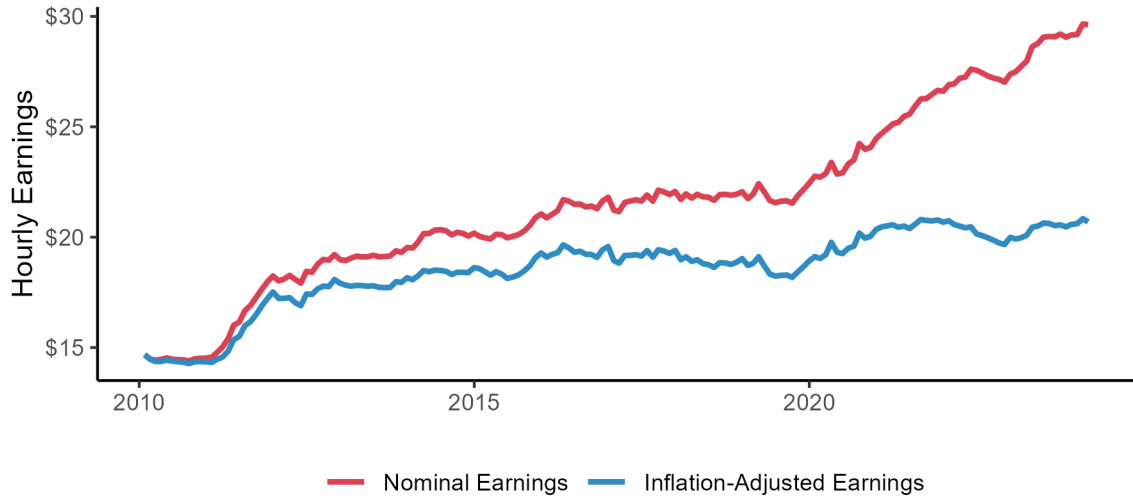
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

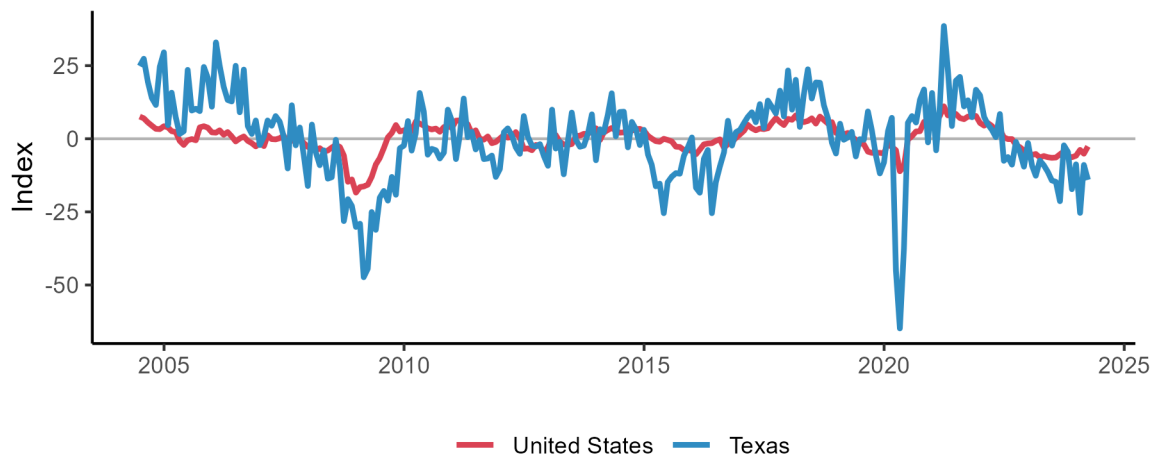
Texas Manufacturing Employee Hourly Earnings



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

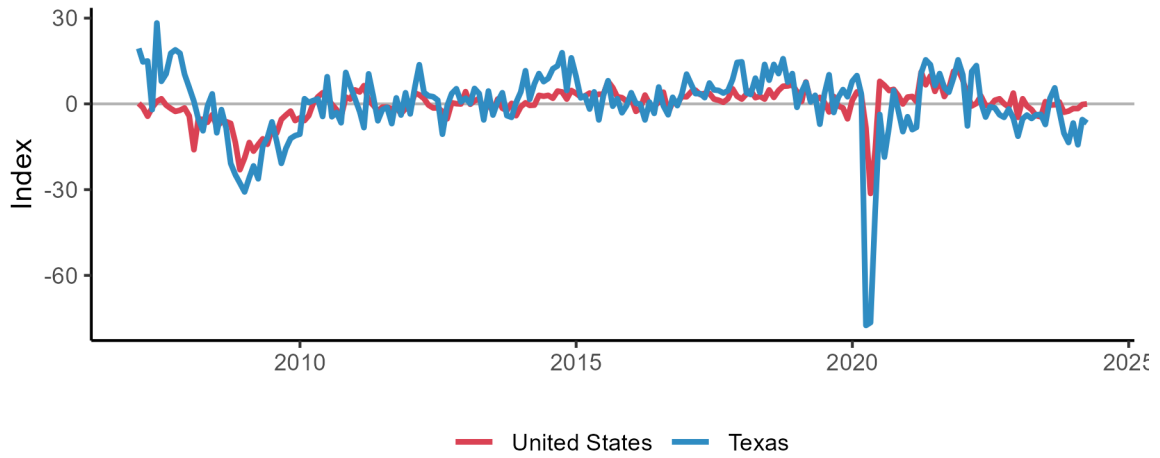




Services

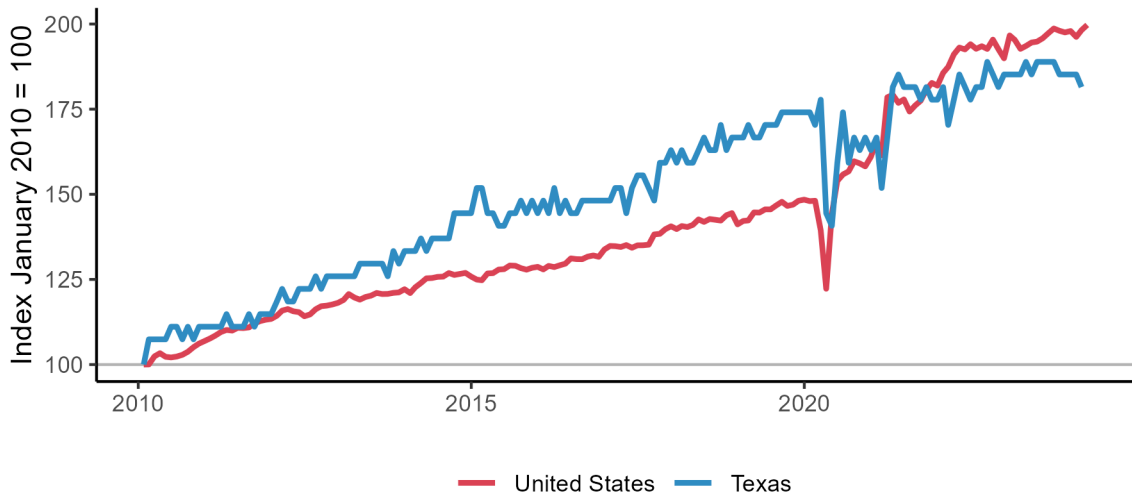
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



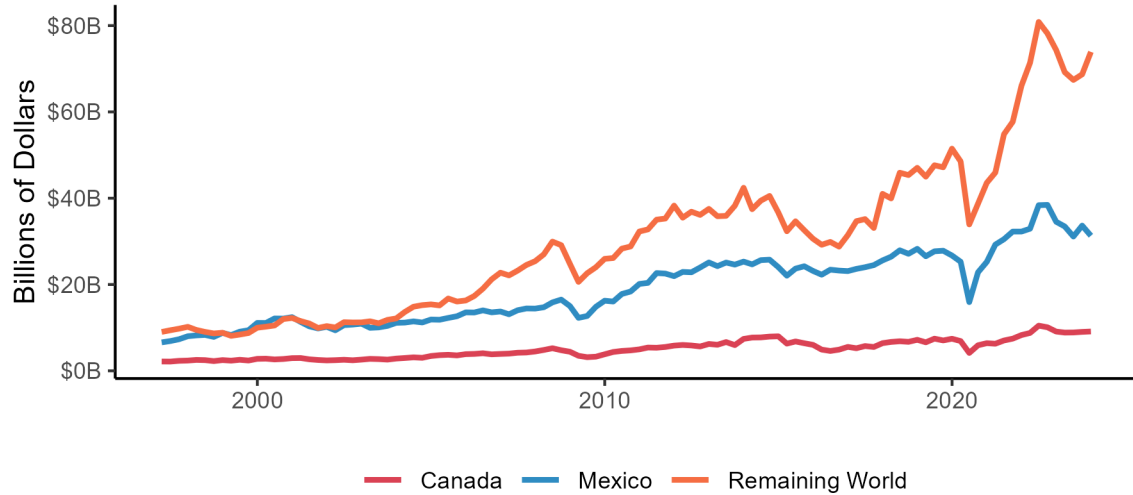
Source: Census Bureau - Federal Reserve Bank of Dallas





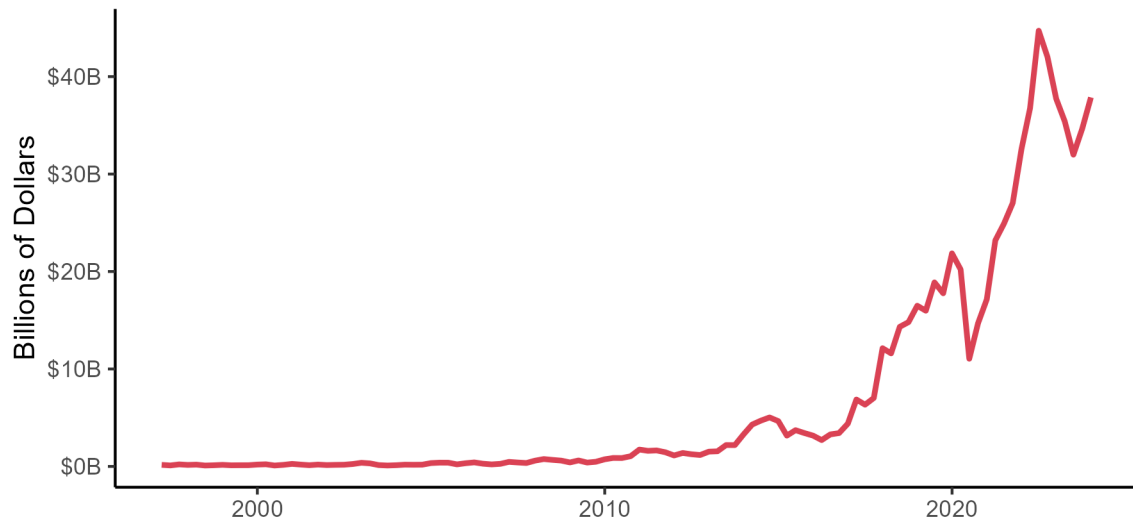
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER





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