

Outlook for the Texas Economy



JOSHUA ROBERSON
DATA SCIENTIST

JUNQING WU
RESEARCH INTERN



TEXAS A&M UNIVERSITY
Texas Real Estate
Research Center

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DECEMBER 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 a one-stop resource for economic indicators. We're always looking for ways to improve the report, so your feedback is appreciated. Send comments and suggestions to info@recenter.tamu.edu.

Joshua Roberson and Junqing Wu

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December 2024 Summary

UNEMPLOYMENT RATE
4.2%

AVERAGE HOURLY WAGE
6.0% YOY

CONSUMER PRICE INDEX
2.9% YOY

TOTAL NONFARM EMPLOYMENT
0.3% MOM

Summary

Texas total nonfarm employment finished the year with strong growth. December's unemployment rate and labor participation rate held steady at November levels. Overall inflation continued to expand. However, core inflation contracted, signaling mixed progress in price growth. Additionally, Texas exports had a strong month due to strong oil and gas exports.

Inflation Continues to Rise

The Consumer Price Index (CPI) grew by 2.9 percent year over year (YoY) before seasonal adjustment. On a seasonally adjusted basis, the CPI rose by 0.4 percent month over month (MoM), up slightly from November's 0.3 percent increase, signaling a modest acceleration in monthly price growth.

Core inflation, which excludes the more volatile food and energy components, decreased by 3.2 percent YoY. Core inflation increased by 0.2 percent MoM, a slower pace than the consistent 0.3 percent increase in prior months. This deceleration suggests a potential easing of underlying inflationary pressures despite persistent challenges in certain sectors.

Texas Employment Finishes Strong

Texas nonfarm employment finished the year strong, expanding by 37,500 jobs in December—a 0.3 percent MOM and 2 percent YoY gain. December was the strongest month for job growth since August, which had a 0.7 percent MoM growth rate. All four major metros saw slight employment growth during the month. Austin led with a 0.3 percent MoM increase, followed by Dallas and San Antonio, both rising by 0.2 percent. Houston remained largely unchanged from November, edging up by just 0.1 percent.

The trade, transportation, and utilities sectors added 10,400 jobs, rebounding from the previous month. The professional and business services sector saw the largest gain, adding 17,800 jobs—a 0.8 percent MoM increase. Meanwhile, the education and health services sector grew by 0.1 percent, maintaining relative stability.

The labor force participation rate held steady at 64.7 percent in December after climbing in September, October, and November. Meanwhile, the unemployment rate remained unchanged at 4.2 percent. Continued unemployment claims averaged approximately 159,099 per week, 1,138 more than in November. This suggests lingering challenges in certain job sectors. However, the stable participation and unemployment rates indicate a resilient labor market, with steady workforce engagement despite minor shifts in jobless claims.

Texas Home Sales Slightly Increased

Total Texas home sales rose by 1.6 percent in December, with 28,868 transactions recorded statewide, signaling a modest recovery in the housing market. However, performance varied significantly across major metro areas. Dallas had the steepest decline, with sales dropping 21 percent to 6,671 transactions. Similarly, Houston recorded a 4.9 percent decline, with 6,804 transactions.

In contrast, Austin posted a 4.9 percent increase, reaching 2,573 transactions. San Antonio remained stable with 3,018 transactions, demonstrating steadier market dynamics than those in other metros. This mixed performance across the state underscores the localized nature of Texas' real estate trends, shaped by varying economic conditions, affordability levels, and demographic shifts in different regions.

Home Sales Volume			
	Nov	Dec	MOM Change
Austin-Round Rock-San Marcos	2,454	2,573	4.9%
Texas	28,399	28,868	1.6%
San Antonio-New Braunfels	3,003	3,018	0.5%
Houston-Pasadena-The Woodlands	7,153	6,804	-4.9%
Dallas-Fort Worth-Arlington	8,445	6,671	-21.0%

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

Service Sector Employment Expands

Texas' service sector activity for December expanded at a faster pace than it did in November. Private service sector employment added 33,400 jobs, resulting in 0.33 percent MoM growth. The increase made up for the prior two months of job-growth stagnation. According to business executives surveyed in the *Texas Service Sector Outlook Survey*, both revenue and company outlook have been growing and are expected to continue growing.

The combination of rising revenue and steady business activity suggests demand in the service sector remains robust. Business executives have reported less concern over uncertainty, which may indicate businesses are gaining clarity on economic conditions, potentially supporting further investment and expansion in the coming months.

Texas Petroleum and Coal Products Exports Boosted

Texas, a key player in U.S. energy exports, saw total commodity exports grow by 3.7 percent MoM and 7.4 percent YoY, reflecting the state's continued dominance in international trade. Leading exports—oil and natural gas—experienced a notable surge of 6.6 percent MoM and 5.5 percent YoY, underscoring the volatility of global energy markets shaped by shifting supply dynamics and geopolitical tensions. Notably, petroleum and coal exports from Texas surged by 10.5 percent MoM and 14.1 percent YoY, showcasing the sector's resilience and growing international demand.

In October 2024, the U.S. achieved record-high crude oil production of 13.5 million barrels per day, signaling an increase in the availability of petroleum products for export in November. This rise in production was driven by improved industry productivity, particularly in the Permian region, and was reflected in a 9 percent YoY increase in crude oil output in November. Completion of the Trans Mountain pipeline and other major projects further bolstered the country's export capacity, enabling greater volumes of petroleum products to reach international markets.

Global factors also played a role in shaping Texas' energy exports. The rise in U.S. coal exports to India, Morocco, and European nations was driven by increased global power demand, with buyers securing cargoes ahead of winter. Meanwhile, imported fuel prices increased in October, likely continuing into November, enhancing the competitiveness of U.S. petroleum exports on the global stage.

Additionally, some Texas refineries resumed production following maintenance shutdowns, contributing to increased petroleum product output. Geopolitical risks also influenced energy markets in November as the possibility of an Iranian attack on Israel from Iraqi territory heightened crude oil prices. This led countries to increase imports to hedge against potential supply disruptions.

These combined factors highlight Texas' pivotal role in meeting global energy needs while emphasizing the ongoing challenges and opportunities presented by volatile energy markets. As global energy demands evolve, maintaining export growth will require Texas to navigate geopolitical uncertainties, adapt to shifting market conditions, and explore emerging opportunities in alternative energy sources.

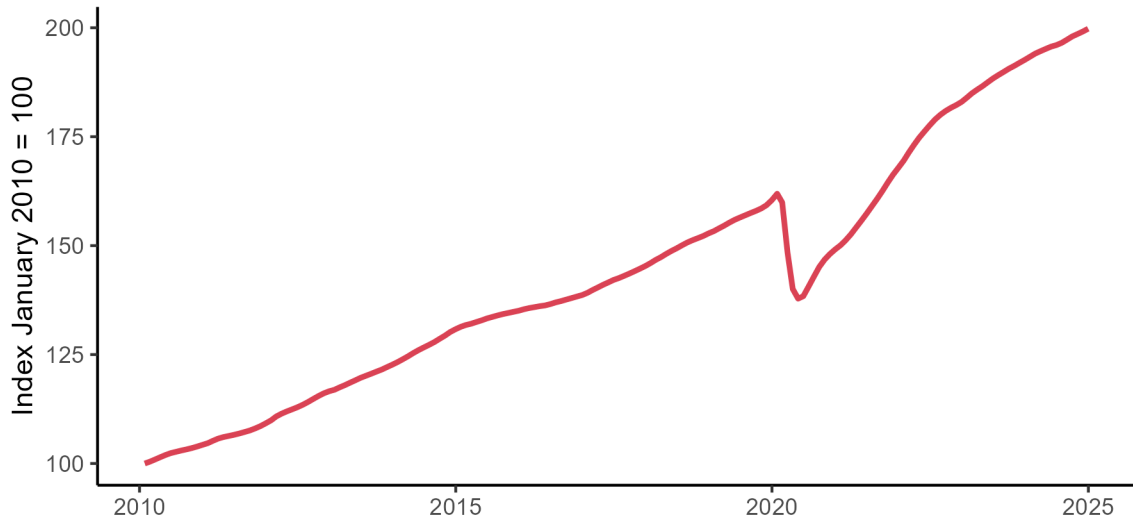
Select Economic Indicators

- In December, the Texas Leading Economic Index rose to 125.9, up from 125.5 in November, marking a 0.4 MoM increase.
- Nominal average hourly earnings increased to \$34.15 in December, reflecting a 6 percent YoY increase.
- Earnings rose across all four major metro areas in December, with Houston leading the gains at \$0.83 per hour. Dallas followed with a \$0.67 increase, while Austin and San Antonio saw more modest wage growth of \$0.53 and \$0.20, respectively.
- Texas consumer confidence increased by 12.2 percent MoM in December, reaching 133.4.
- The ten-year U.S. Treasury bond rose by 3 basis points (bps), standing at 4.39 percent.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate decreased 9 bps to 6.72 percent.
- The West Texas Intermediate (WTI) crude oil spot price increased by 0.2 percent MOM to \$70.12. The Henry Hub natural gas spot price increased by 41.98 percent MoM from \$2.12 to \$3.01 per million British thermal units (BTU).



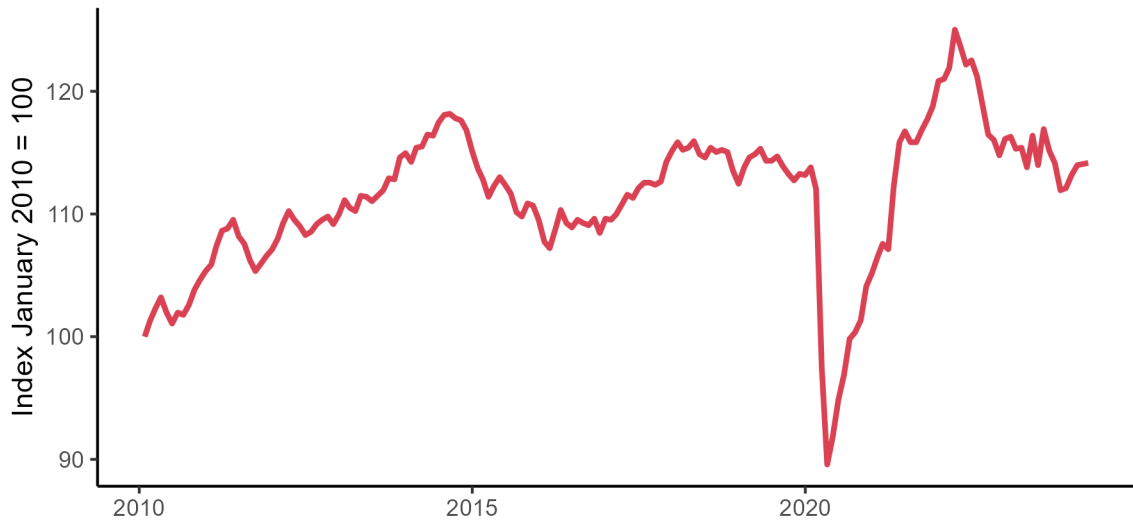
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



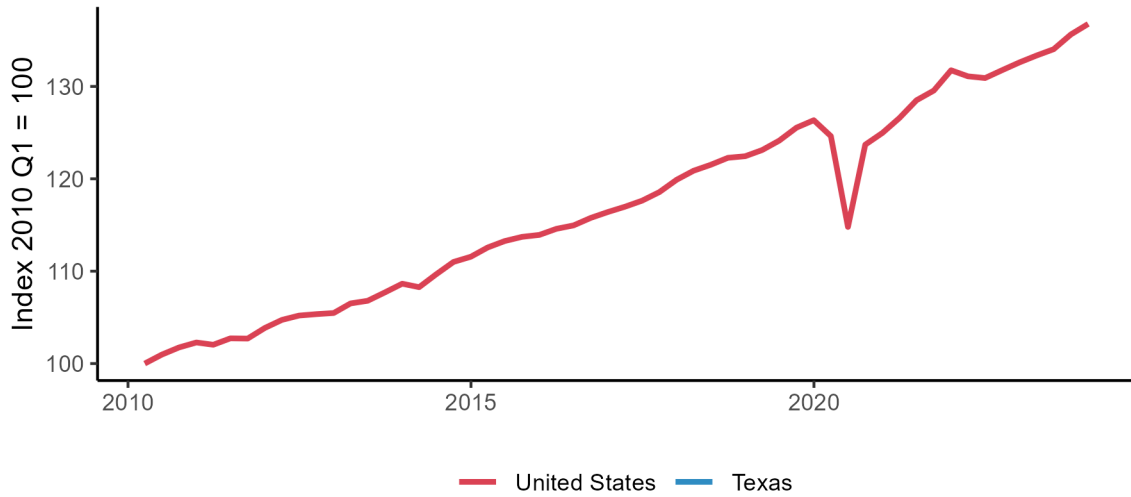
Source: Federal Reserve Bank of Dallas





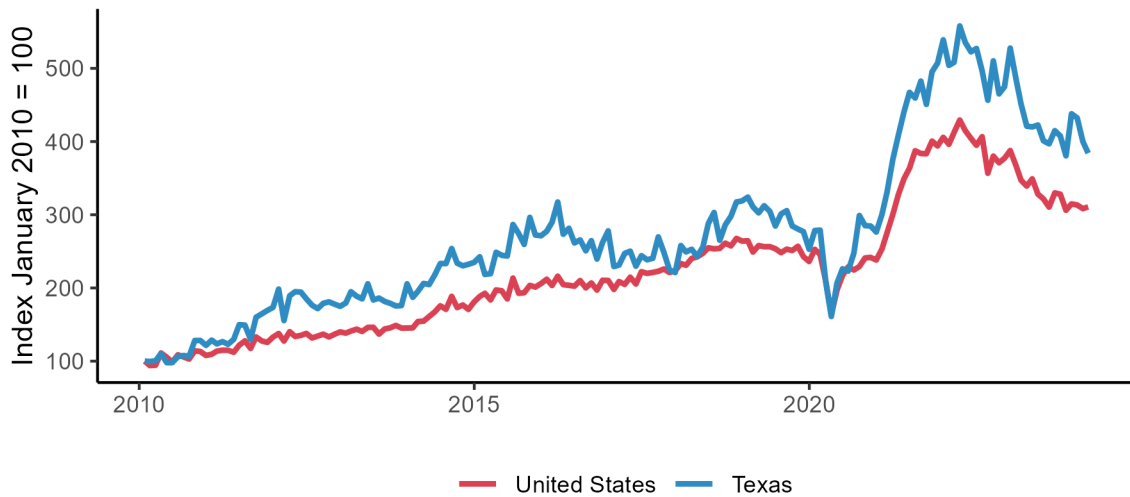
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

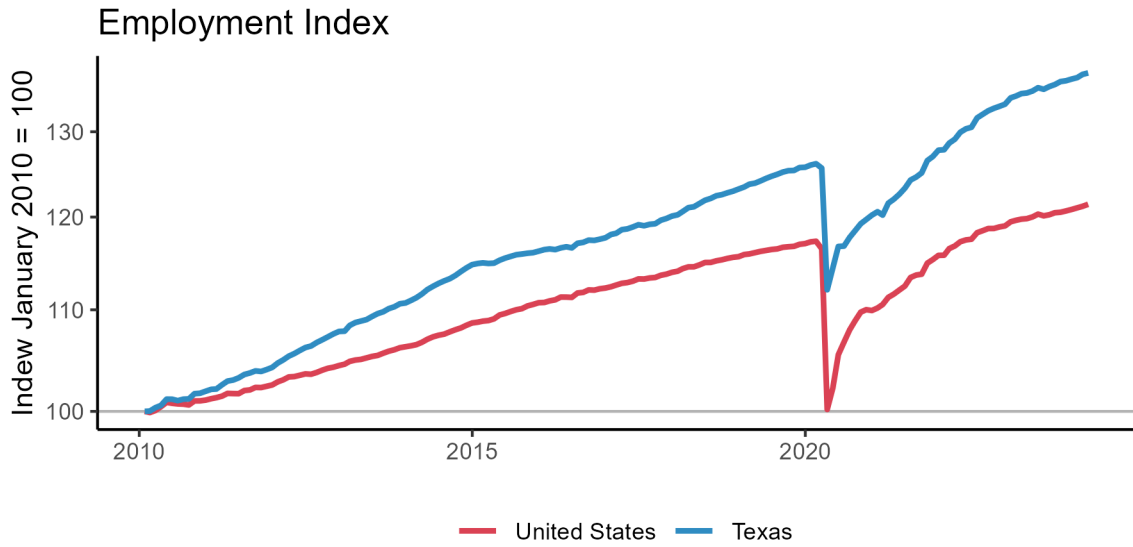


Source: Bureau of Labor Statistics

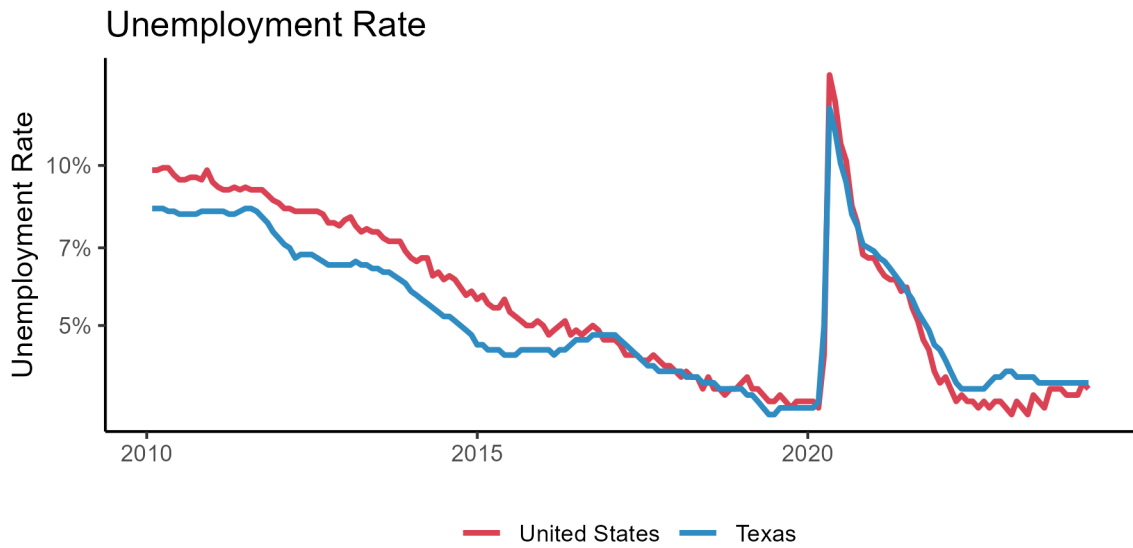




Employment



Source: Bureau of Labor Statistics



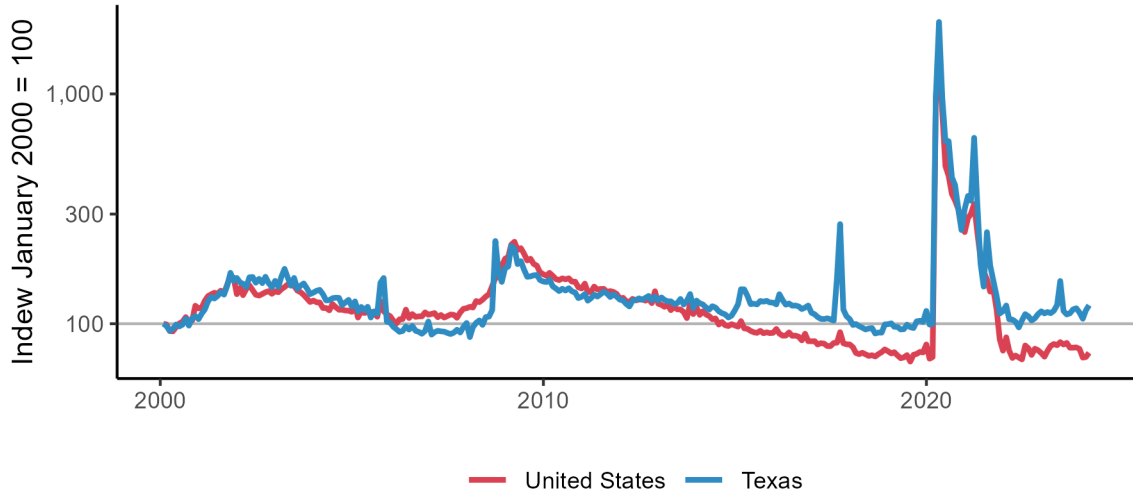
Source: Bureau of Labor Statistics





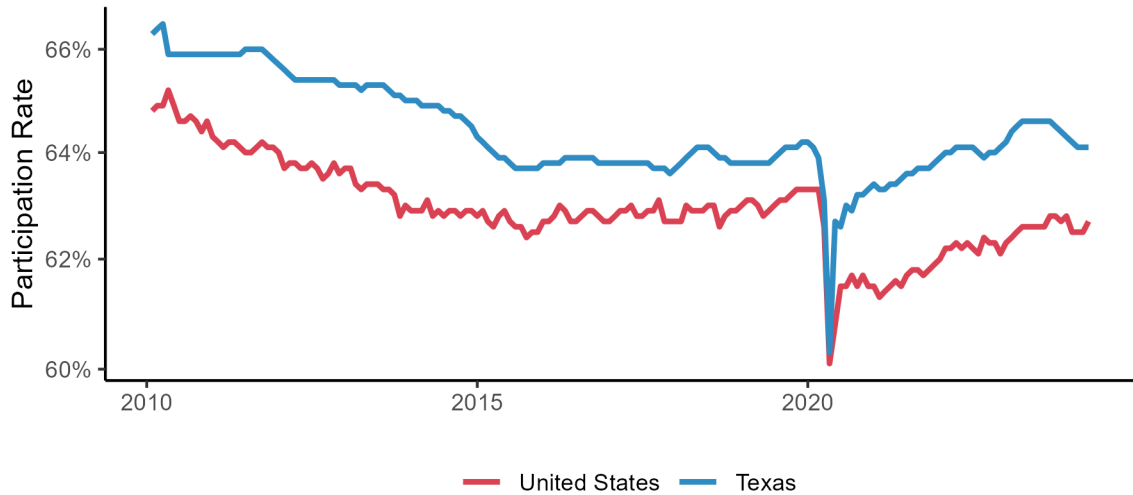
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



Source: Bureau of Labor Statistics





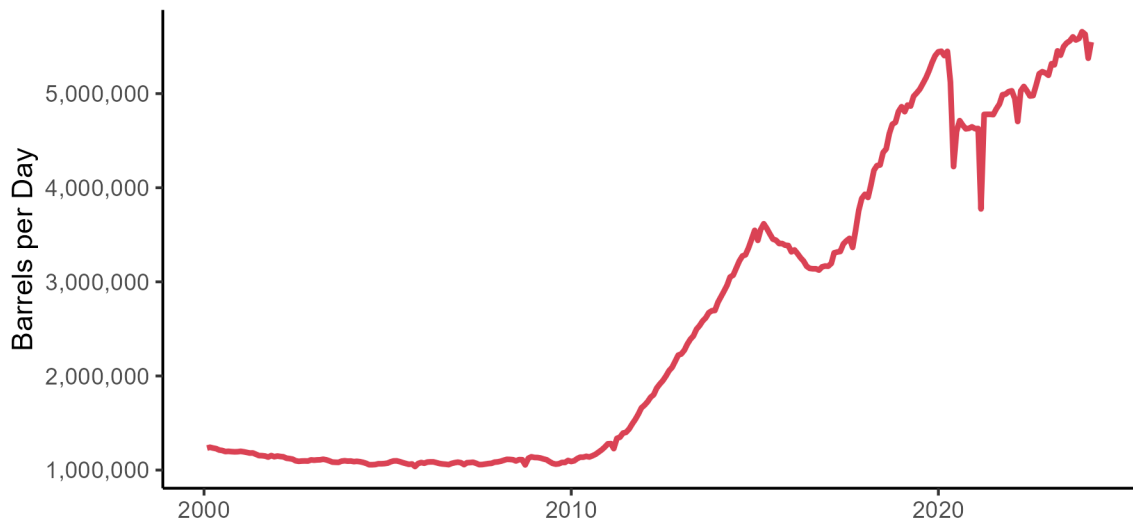
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



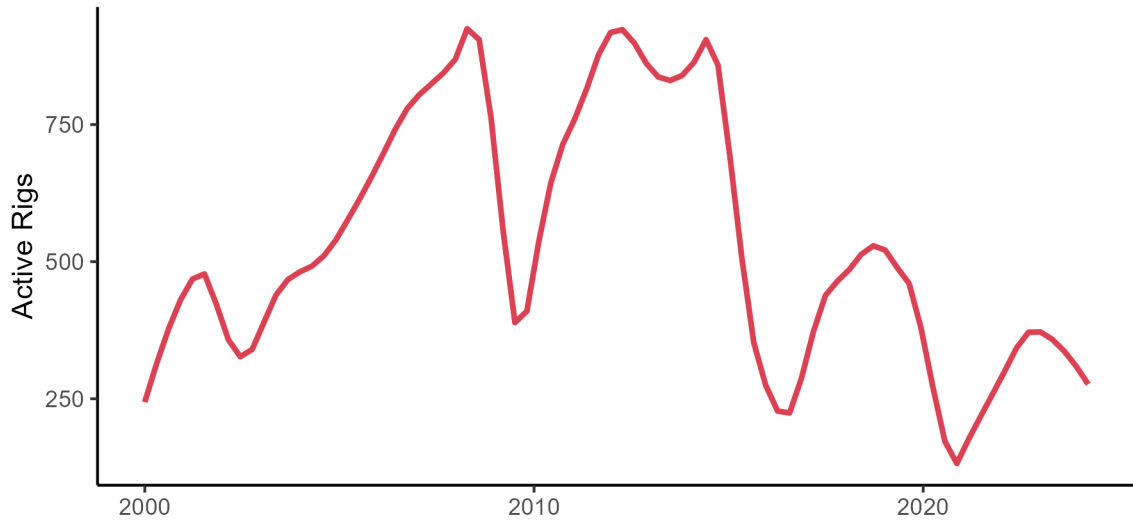
Source: Energy Information Administration





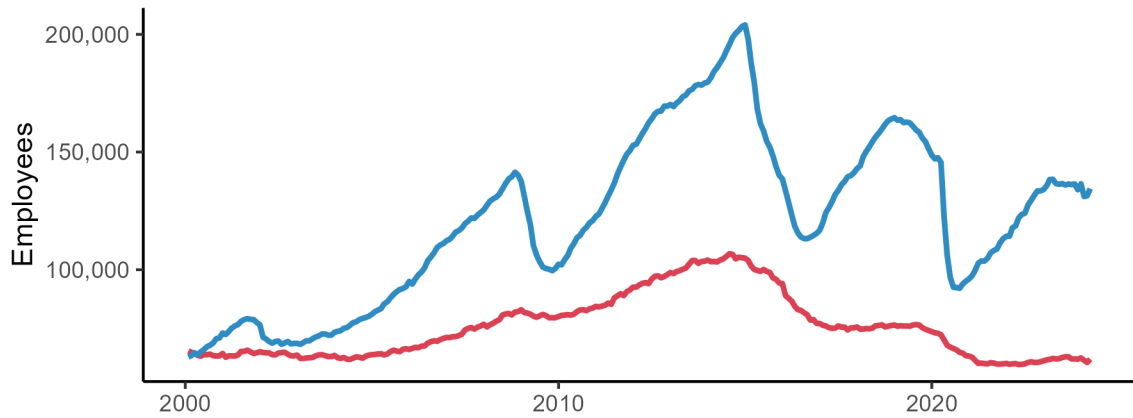
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Oil and Gas Extraction Support Activities

Source: Bureau of Labor Statistics

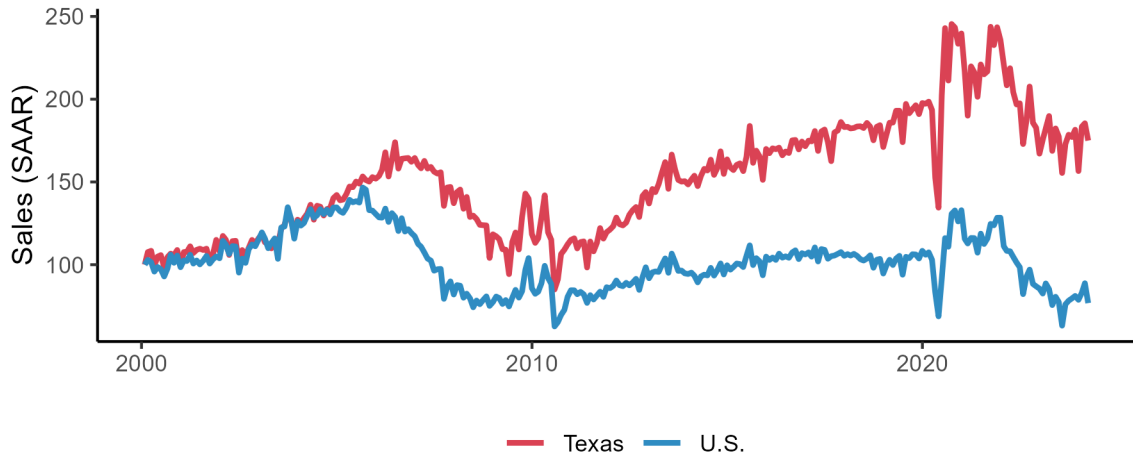




Housing

Residential Home Sales

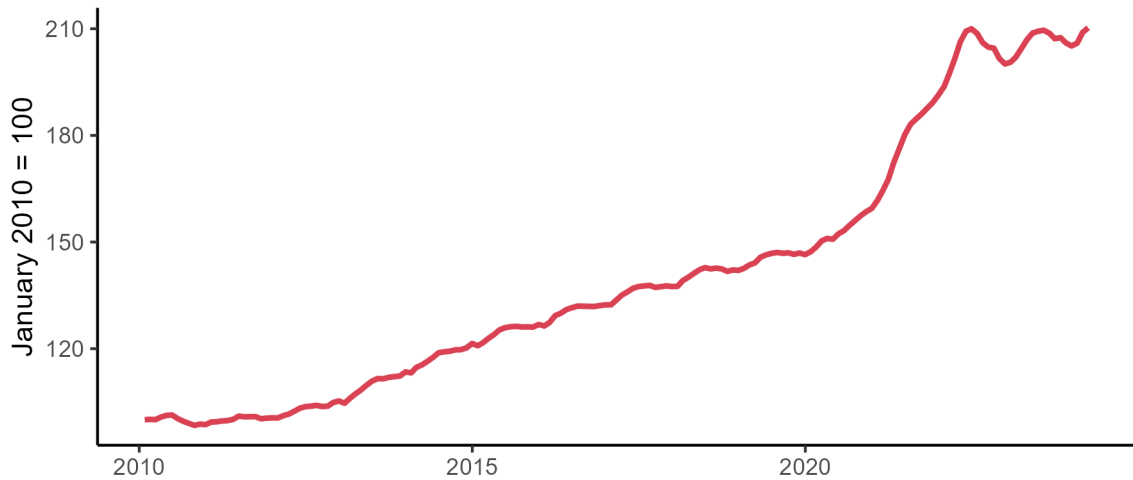
Seasonally Adjusted Annualized Rate



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



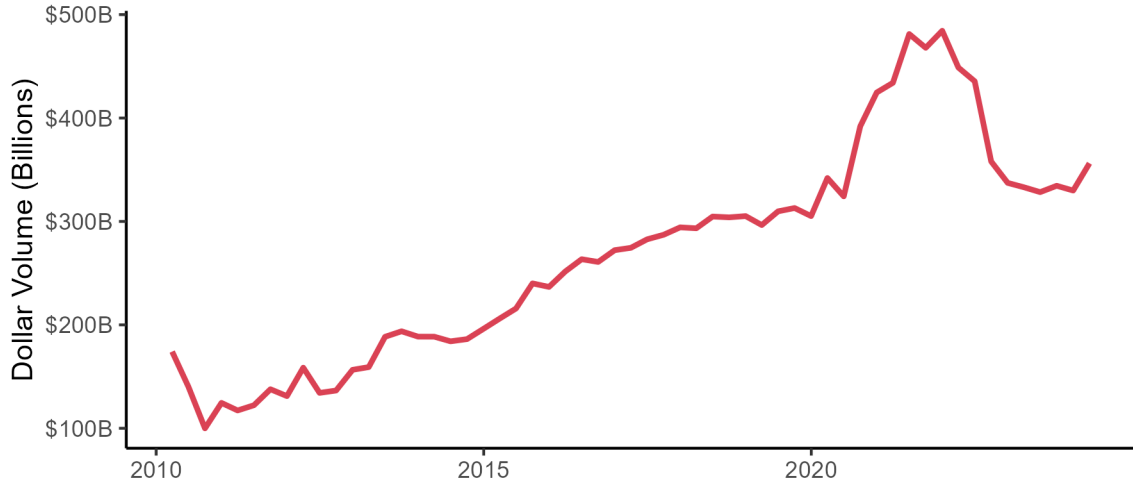
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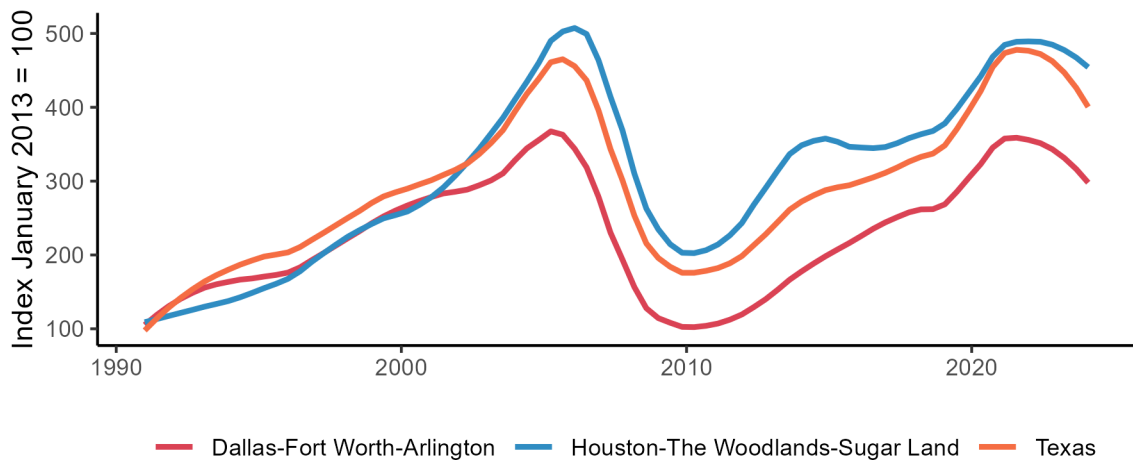
Housing

U.S. Purchase Mortgage Origination Dollar Volume Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts Seasonally Adjusted Index



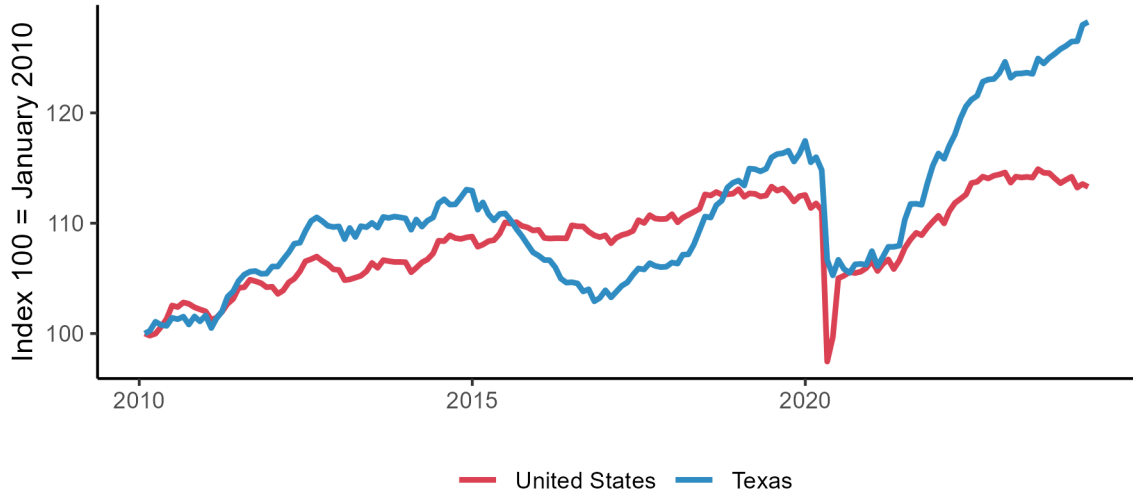
Source: Dodge Construction Network - Texas Real Estate Research Center at Texas A&M University





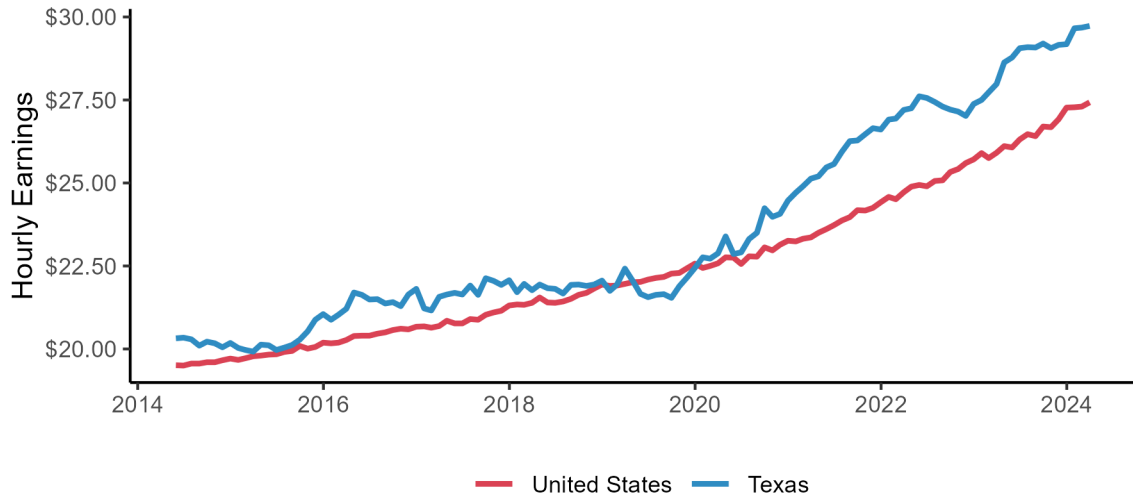
Manufacturing

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



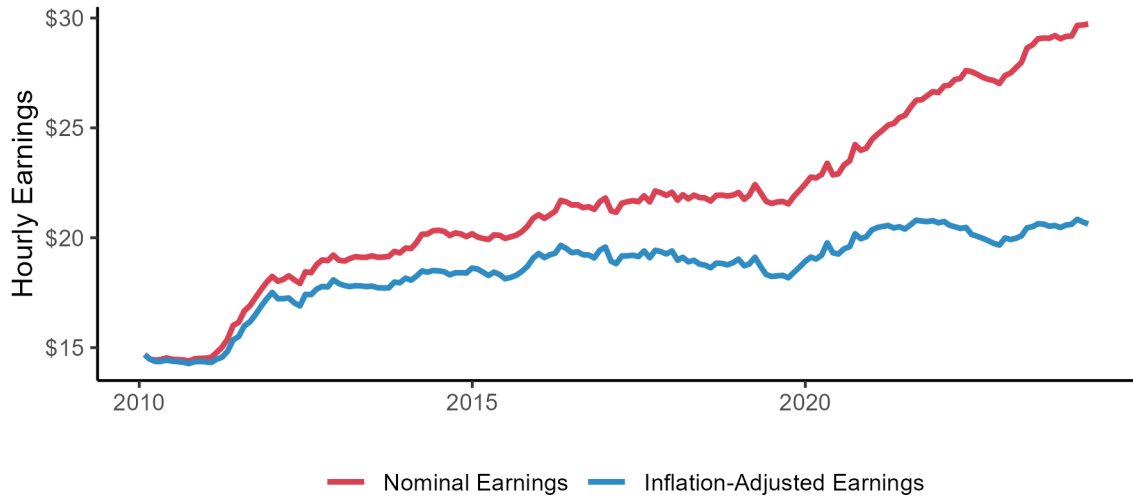
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

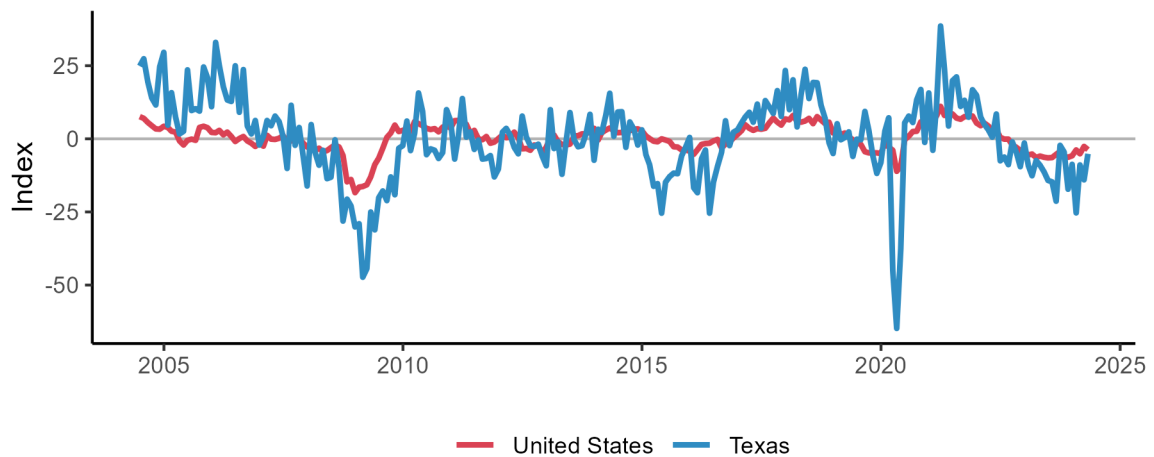
Texas Manufacturing Employee Hourly Earnings



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

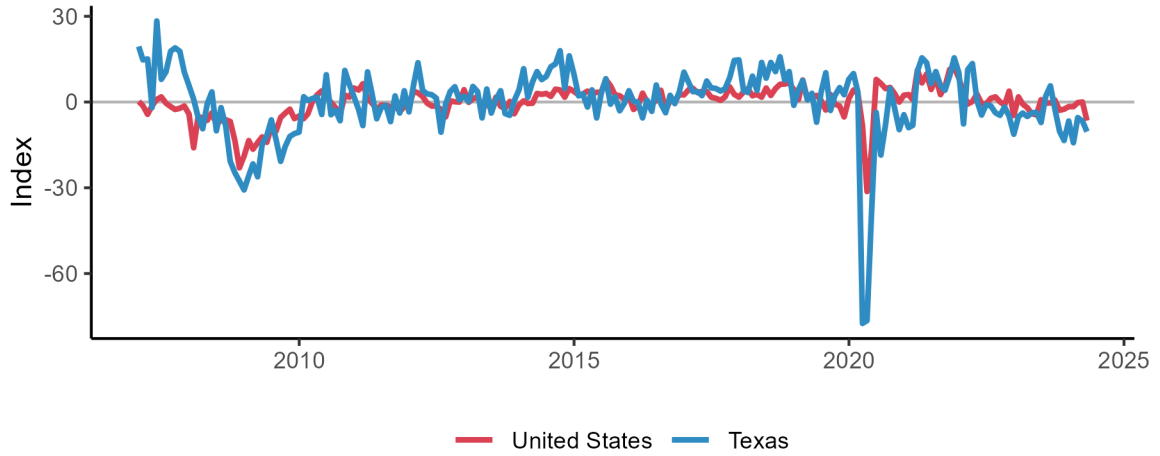




Services

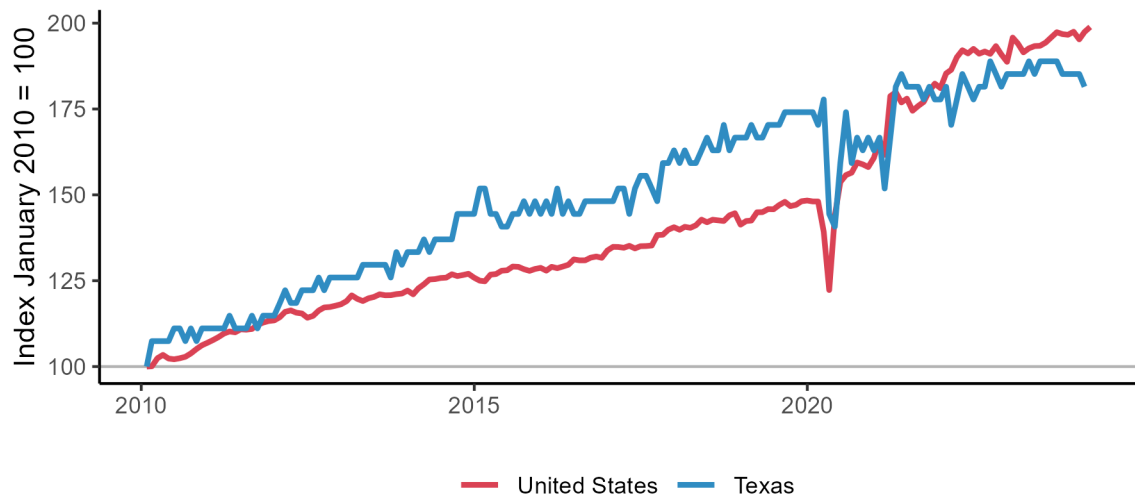
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



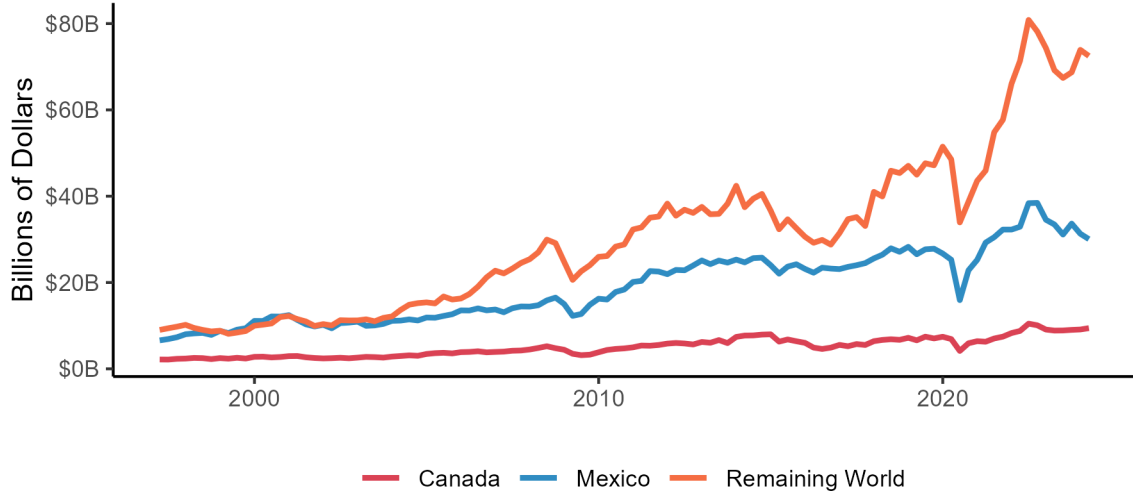
Source: Census Bureau - Federal Reserve Bank of Dallas





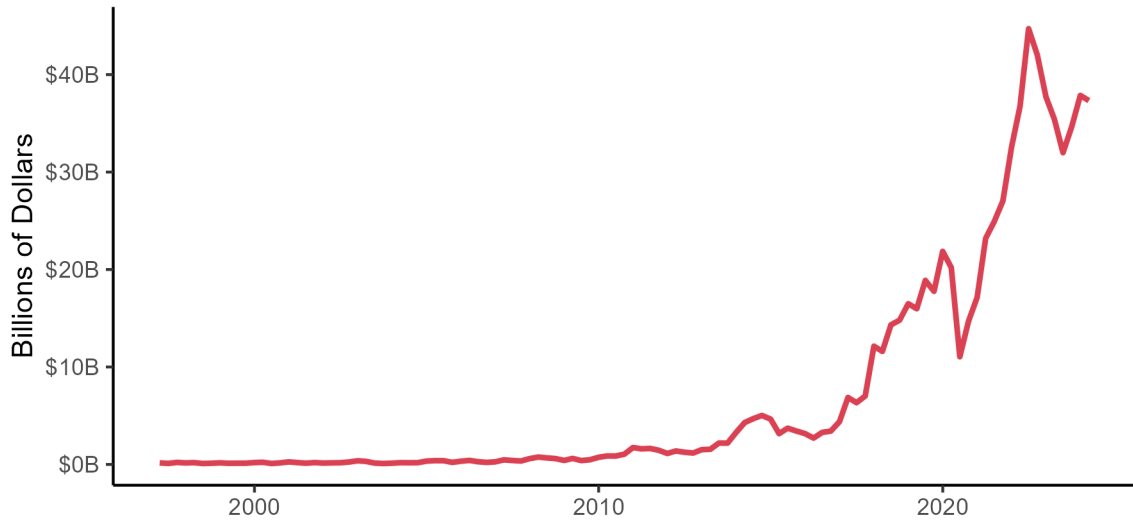
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER





TEXAS A&M UNIVERSITY

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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