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Real Estate 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 monthly 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.

Dr. Luis Torres, Wesley Miller, and Paige Silva

Data current as of August 2, 2019

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Summary

As June came and went, tying the longest U.S. economic expansion on record, the Lone Star State’s outlook remained positive. Crude oil prices slid but remained elevated above the year-end trough while production and export volumes reached all-time highs. Real earnings stayed suppressed, but employment growth exceeded expectations as unemployment slid to historical lows. Housing sales sank, but interest rate decreases and continued economic expansion support an upward trend. Manufacturing exports declined amid a global industrial contraction, but real commodity exports bounced back in the second quarter. Additional trade pressures and the slowing world economy, however, are challenges to the Texas economy.

Recently released first quarter GDP data for Texas revealed strong economic growth, exceeding 5 percent on a seasonally adjusted annualized rate (SAAR). The Lone Star State ranked second nationally in terms of growth, close on the heels of West Virginia. Energy-related activities accounted for most of Texas’ gains, followed by the finance/insurance, retail, and nondurable goods-manufacturing industries. The government sector was the largest deterrent to growth for both the state and national economies amid the government shutdown in January.

The Dallas Fed’s Texas Business-Cycle Index confirmed healthy economic activity, averaging 5.1 percent SAAR growth during the second quarter compared with 4.3 percent over the first three months of the year. Strong labor market conditions propelled growth in the major metros. Austin’s index balanced at 8 percent SAAR. Dallas and Houston followed, posting 6.4 and 6.3 percent, respectively. The San Antonio index registered 3.4 percent for the third consecutive month while Fort Worth’s metric accelerated to 3.2 percent growth after a weak start to the year.

The Texas Leading Economic Index (a measure of future directional changes in the business cycle), however, stalled during a decrease in oil prices and an uptick in unemployment claims. The Texas Consumer Confidence Index climbed 5.5 points in June, but sentiments remained subdued due to continued concerns about trade uncertainty.

In an atmosphere of slowing global economic growth, interest rates ticked down for the eighth consecutive month. Economic fundamentals at the state and national level, however, remain healthy and stable. Interest rates could fall further after the Federal Reserve’s rate cut. The

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1 All monthly measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.
year U.S. Treasury bond yield fell to a two-and-a-half-year low of 2.1 percent, while the Federal Home Loan Mortgage Corporation’s 30-year fixed-rate dropped to 3.8 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 15.6 percent year to date (YTD). Refinance mortgage applications, which are more sensitive to interest rate fluctuations, have nearly doubled over the past six months.

Texas home sales dropped 10 percent after hovering around record levels in April and May, but should bounce back as we move further into summer. The Texas Residential Construction Cycle (Coincident) Index, which measures current construction activity, inched downward due to sluggish residential construction values and wages in the industry. The Residential Construction Leading Index flattened as a decline in building permits offset lower interest rates. The extended economic expansion, however, continues to bode well for the housing market. (For additional housing commentary and statistics, see Texas Housing Insight at recenter.tamu.edu.)

The average West Texas intermediate crude oil spot price slid below $56 per barrel in the second quarter but remained more than $4 above the December trough. Strained trade relations with China and the slowing world economy contributed to uncertainty regarding future oil demand, weighing down prices. Renewed OPEC production cuts and extended Iran sanctions, however, may sustain prices moving forward. Although the active rig count ticked down for the fifth consecutive month to 468, Texas production balanced just under five million barrels per day in May. Natural gas prices remained low as relatively mild weather at the beginning of summer eased electricity demand. The Henry Hub spot price fell to $2.41 per million British thermal unit (BTU), a three-year low. In the Permian Basin, insufficient infrastructure kept the West Texas Waha spot price below profitable levels, but production remained steady. Prices are expected to stay low until additional pipeline is available later this year.

Texas nonfarm employment accelerated 3.1 percent SAAR during the second quarter, adding nearly 110,000 jobs. June numbers boosted the Dallas Fed’s annual employment growth projection to 2.5 percent. The unemployment rate fell to a series low of 3.4 percent. On the metropolitan level, joblessness posted record levels as well. Austin maintained the lowest unemployment rate at 2.7 percent, followed by San Antonio at 3 percent. Unemployment in North Texas ticked down to 3.2 percent. In Houston, the unemployment rate fell to 3.7 percent. Labor force participation inched down to 63.8 percent at the state level, but this may be due more to the aging population than to an increasing number of discouraged workers dropping out of the labor force. The number of initial unemployment insurance claims, however, approached 60,000 in the wake of a second straight monthly increase.

Texas’ real private hourly earnings have failed to make significant headway over the past five years, widening the spread between the nationwide and state average. Wages in the major metros generally trend higher than the state metric. That gap, however, is narrowing. Dallas fared the best

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2 The release of Texas crude oil production typically lags the Outlook for the Texas Economy by one month.
with nominal earnings averaging $29.04 per hour and inching up YOY for the eighth consecutive month after adjusting for inflation. Real earnings in Austin ($28.62) registered six straight year-over-year (YOY) declines. Inflation-adjusted pay in Houston ($27.66) flattened YOY after falling for three years following the oil bust. Over the past year, Fort Worth real wages ($26.57) posted positive YOY growth, but improvement decelerated in June. In San Antonio, nominal earnings lagged behind the state at $24.20 per hour but increased 2 percent YOY after adjusting for inflation.

Dallas led the state in terms of SAAR employment growth, increasing 4.2 percent. The professional/scientific/technical services and health care/social assistance sectors contributed to 28,800 new jobs over the past three months. In Fort Worth, leisure/hospitality employment contracted for the second straight quarter. Mining/logging/construction, however, rebounded after staggering to start the year, bolstering a 5,800-job expansion. Houston payrolls added 29,300 positions as the construction, transportation/utilities, and accommodation/food services industries corrected after first-quarter losses. Austin employment’s quarterly increase was 10,900, with growth concentrated in professional/business services and mining/logging/construction. On the other hand, payroll expansion in San Antonio slowed as the metro added only 3,700 new jobs since March. Losses in leisure/hospitality and construction weighed on professional/business services gains.

Texas’ goods-producing employment surged, creating 23,800 jobs. The energy sector corrected upward after sliding oil prices late last year led to first-quarter contractions. Construction payrolls added 16,400 positions, the greatest quarterly increase in series history. Real hourly construction earnings, however, continued to drop YOY despite solid demand. Total construction values increased in June but extended a downward trend. Much of the improvement is due to a pickup in apartment and hotel activity across all the major metros, particularly in Houston. Single-family private construction values, however, flattened after a sharp decline in the second half of 2018.

The weakening global economy and ongoing trade tensions weighed on the state’s manufacturing sector. Hiring in the industry slowed, adding only 1,500 new jobs in the past three months. After a strong start to the year, Houston manufacturing employment posted a net loss in both May and June. Austin registered negative growth during five out of six months this year, shedding nearly 1,000 manufacturing jobs YTD. Fort Worth payrolls lifted out of negative YTD territory, but improvement remained minimal. On the bright side, manufacturing employment remained strong in Dallas, and rose in San Antonio after two straight quarters of decline.

For the second consecutive month, real hourly manufacturing earnings decreased YOY across the state except in Fort Worth. Wages in Houston averaged less than the nationwide metric during the second quarter for the first time since the peak of the oil bust in 2016. The Dallas Fed’s Manufacturing Outlook Survey corroborated these trends with the employment and wage indices slowing. On the other hand, over a fourth of respondents indicated increased production, capacity utilization, and new orders as the G20 summit in June promoted a more positive outlook on trade. Recent developments in the U.S.-China trade negotiations, however, may exacerbate present supply chain disruptions.
Texas’ service-providing sector created 85,900 positions during the second quarter, setting a four-year record. Professional/scientific/technical services added 15,700 jobs, followed by leisure/hospitality with 13,200. Consistent with the data, the Dallas Fed’s Service Sector Outlook Survey revealed an increase in the number of respondents who reported accelerated hiring. Outlook uncertainty remained strong amid tariff concerns, but 30 percent of businesses declared increases in revenue.

Falling energy prices pulled the U.S. Consumer Price Index (CPI) below 1.7 percent YOY. Core inflation, however, achieved the Fed’s 2 percent benchmark. The interest rate decrease at the end of July may boost inflation in the upcoming months. In Houston, declines in transportation costs since year-end pulled the local CPI below 0.9 percent YOY growth.

During modest depreciation in the Texas trade-weighted value of the dollar\(^3\), Texas’ real commodity exports rose 2.3 percent quarter over quarter (QOQ) while national exports dropped 1.7 percent through the same period. State manufacturing exports fell for the second straight quarter as decreases in petroleum/coal products, computer/electronic products, and transportation equipment offset rebounds in the chemical and machinery sectors. Crude oil exports recorded an all-time high, reaching 39.4 percent YTD.

The total trade value for the U.S.’ top three trading partners (Canada, Mexico, and China) in June was $149 billion, down $12 billion from the record-high set in July 2018. Two-thirds of this decrease is due to declining U.S.-China trade. Texas export values to China have improved in the past three months as energy and agricultural deliveries increased, but have yet to recover pre-tariff levels. Exports to Mexico have faltered on the state level with the wane in manufacturing. Meanwhile, oil/gas shipments to Canada accelerated.

\(^3\) The release of Texas retail sales and trade-weighted value of the dollar data typically lags the Outlook for the Texas Economy by one month.
Current Expansion

Texas Employment Change

March 1991 to March 2001 expansion
19,900 jobs created per month over 120 months

November 2001 to December 2007 expansion
15,000 jobs created per month over 73 months

Current expansion
June 2009 to present
20,800 jobs created per month over 121 months

Note: Seasonally adjusted
Sources: Bureau of Labor Statistics, National Bureau of Economic Research, and Real Estate Center at Texas A&M University

Austin Employment Change

March 1991 to March 2001 expansion
2,400 jobs created per month over 120 months

November 2001 to December 2007 expansion
1,500 jobs created per month over 73 months

Current expansion
June 2009 to present
2,700 jobs created per month over 121 months

Note: Seasonally adjusted
Sources: Bureau of Labor Statistics, National Bureau of Economic Research, and Real Estate Center at Texas A&M University
San Antonio Employment Change

March 1991 to March 2001 expansion
1,800 jobs created per month over 120 months

November 2001 to December 2007 expansion
1,400 jobs created per month over 73 months

Current expansion
June 2009 to present
1,900 jobs created per month over 121 months

Note: Seasonally adjusted

Sources: Bureau of Labor Statistics, National Bureau of Economic Research, and Real Estate Center at Texas A&M University
Economic Activity

Gross State Product
(Quarter-over-Quarter Percent Change)

Texas Business Cycle Index and Leading Index
(Index Jan 2007 = 100)

Note: Seasonally adjusted annualized rate.
Source: Bureau of Economic Analysis

Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas
Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas

Note: Trend-cycle Component.
Source: Conference Board
30-Year Mortgage Rate and 10-Year Bond Yield
(Percent)

Note: Seasonally adjusted.
Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

Texas Mortgage Applications
(Year-over-Year Percentage Change)

Source: Mortgage Bankers Association
Note: Trend-cycle component. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes. For more information, see Housing Sales.

Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University

Note: Trend-cycle component.

Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas
Crude Oil and Natural Gas Prices

Note: Trend-cycle component. For more information, see Crude Oil and Natural Gas Prices.
Source: U.S. Energy Information Administration received from Thomson Reuters.

Texas Production of Crude Oil and Rig Count

Note: Trend-cycle component. For more information, see Texas Production of Crude Oil and Rig Count.
Sources: Baker Hughes and U.S. Energy Information Administration.
Unemployment Rate
(Percent)

Note: Seasonally adjusted. June 2019 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics

Unemployment Insurance Claims: Initial Applications
(Year-over-Year Percentage Change)

Note: Seasonally adjusted. For more information, see Unemployment Insurance Claims: Initial Applications.
Source: Department of Labor
Note: Seasonally adjusted. June 2019 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics

Note: Seasonally adjusted. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics
Notes: Inflation adjusted. June 2019 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Employment Growth Rate
(Quarter-over-Quarter Annualized Percent Change)

Note: Seasonally adjusted, three-month moving average. June 2019 is preliminary.
For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

Major Metros Employment Growth Rate
(Quarter-over-Quarter Annualized Percent Change)

Note: Seasonally adjusted, three-month moving average. June 2019 is preliminary.
For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics
Manufacturing Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, three-month moving average. June 2019 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

Major Metros Manufacturing Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, three-month moving average. June 2019 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics
Notes: Inflation adjusted. June 2019 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics

Notes: Inflation adjusted. June 2019 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Note: Seasonally adjusted. For more information, see Manufacturing Outlook Survey. United States index is adjusted -50 to be on scale with Texas index.
Sources: Federal Reserve Bank of Dallas and Institute for Supply Management.
Texas Construction Values
(Index Jan 2007 = 100)

Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics

Major Metros Total Construction Values
(Index Jan 2007 = 100)

Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics
Construction Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, 3-month moving average. June 2019 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

Construction Employee Hourly Earnings
(Year-over-Year Percent Change)

Notes: Inflation adjusted. June 2019 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Services Sector Outlook Survey

(Index)

United States

Texas

Note: Seasonally adjusted. For more information, see Services Sector Outlook Survey. United States index is adjusted -50 to be on scale with Texas index.

Sources: Federal Reserve Bank of Dallas and Institute for Supply Management.

Texas Retail Sector

(Index; Year-over-Year Percent Change)

Year-over-Year Percent

Note: Seasonally adjusted and inflation adjusted. For more information, see Texas Retail Sector.

Sources: Retail Sector Outlook Survey from the Federal Reserve Bank of Dallas, Retail Sales from Texas Comptroller of Public Accounts.
Note: Seasonally adjusted. For more information, see CPI Inflation Rates.
Source: Bureau of Labor Statistics

CPI Inflation Rates (Houston Components)
(Year-over-Year Percent Change)

Note: The Houston CPI is composed of the following major groups: Food and Beverages, Housing, Apparel, Transportation, Medical Care, Recreation, Education and Communication, and Other Goods and Services. The four major components are included in the graph above.
Source: Bureau of Labor Statistics
Note: Inflation adjusted with Bureau of Labor Statistics export indices. For more information, see Exports.
Sources: International Trade Administration, Foreign Trade Division, and U.S. Census Bureau

Note: Inflation adjusted with Bureau of Labor Statistics export indices. For more information, see Manufacturing Exports.
Sources: International Trade Administration, Foreign Trade Division, and U.S. Census Bureau
Note: Inflation adjusted and de-trended with Bureau of Labor Statistics export indices. For more information, see Crude Oil Exports.
Sources: International Trade Administration, Foreign Trade Division, and U.S. Census Bureau

Note: For more information, see Real Trade Weighted Value of U.S. Dollar.
Sources: Federal Reserve Bank of Dallas and Federal Reserve Bank of St. Louis
Texas Exports by Country
(Percent)

Note: Trend-cycle component. For more information, see Exports.
Sources: International Trade Administration, Foreign Trade Division, and U.S. Census Bureau
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