

Outlook for the Texas Economy



JOSHUA ROBERSON
LEAD DATA ANALYST

WEILING YAN
RESEARCH INTERN

JOHN SHAUNFIELD
RESEARCH INTERN



TEXAS A&M UNIVERSITY
Texas Real Estate
Research Center

2 0 4 6

MARCH 2023 DATA

TECHNICAL REPORT

About this Report	2
March 2023 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.

Joshua Roberson, Weiling Yan, and John Shaunfield

Data current as of May 5, 2023

© 2023, Texas Real Estate Research Center. All rights reserved.



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



March 2023

UNEMPLOYMENT RATE

4.0%

ALL-COMMODITY EXPORTS

16.0% MOM

HOME SALES

2.2% MOM

ENERGY INFLATION

6.4% YOY

Summary

Propelled by the bankruptcy of Silicon Valley Bank, Texas business bankruptcy filings hit their highest level since April 2020, showing signs of a cooling economy. While the prospect for general business activity from the Federal Reserve surveys was not high, employment remained strong, adding more than 28,000 new positions. As spring arrived, demand for Texas housing and exports rebounded in March.

Housing Market Has Strong 2023 Start

Housing demand started the year off strong as sales rose month-over-month (MOM) for first quarter 2023. **Total home sales** gained 2.2 percent MOM, equating to an additional 1,300 homes sold over February. Three of the four major metros had gains in monthly home sales, with Dallas being the only one to have a drop, moving 97 fewer homes than the month before. Houston had the largest monthly increase, improving 9.6 percent MOM. Austin and San Antonio lagged with sales of 2,738 and 3,103, respectively. Across the board, these numbers represent stark returns to form for the metros and their seasonal housing trends.

Sales volumes for Dallas, the metro with the most sales in Texas, were consistent with last year across most price cohorts. However, transactions for homes on the two tails—below \$200K and above \$750K—both shrank significantly. Transactions in the upper tail dropped to 805 units in March, falling more than 15 percent year-over-year (YOY).

Labor Market Expands Despite a Spike in Bankruptcy Filings

The Texas **unemployment rate** was 4 percent, ten basis points higher than a year ago. Houston had the highest unemployment rate at 4.3 percent while Austin had the lowest at 3.2. DFW and San Antonio each held the same rate at 3.7 percent. The **Texas labor force participation rate** climbed for the third consecutive month, reaching 63.9 percent. Despite this run, the labor force rate still has not recovered from the drop that began in May 2022. With the inflow of domestic and international migrants, the labor force had 14.9 million workers.

A spike of business bankruptcy filings occurred at both the national and state levels. The Administrative Office of the U.S. Courts reported 1,657 bankruptcy cases, with the number of cases in Texas accounting for over 20 percent. Failed enterprises doubled in Texas in March, reaching 337 filings. The monthly average over the past ten years has been 200.



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

Despite the abnormally high number of failed businesses in March, total **nonfarm employment** grew by 28,600 workers. Professional/scientific services and accommodation added 6,800 and 6,000 new positions, respectively. Construction had strong numbers as well with 5,800 new payroll employees. Alternatively, administrative/waste management/remediation services—one of the sectors in the professional/business industry—had a significant dismissal of 12,300 workers. In this subsector, investigation/security services reported some growth alone, while administrative/support services and employment services made up most of the loss.

Service-Providing Sectors Grind to a Halt

Gradual slowdowns defined the **Dallas Fed's Service Sector Outlook Survey** for March with many aspects of the index declining. The employment index dropped below zero for the first time since summer 2020, the peak of the pandemic lockdowns. This indicated that employment growth has contracted for the first time in nearly two years. General business activity also dipped as outlook uncertainty rose, meaning respondents to the survey are not optimistic about what the future holds. Future general business activity dropped nearly nine points as future revenue fell eight, both correlating with mixed feelings about the future of the sector. This reflects the public's general uncertainty about the economy.

Retail activity stagnated in March as sales remained unchanged from February. The **Dallas Fed's Retail Outlook Survey** remains solidly in negative territory as conditions worsened. Employment and hours worked decreased as the index receded, and both are in negative territory. Future activity expectations are mixed with general business activity remaining staunchly negative, while future employment remains positive. Growth is expected to continue as the year goes on but will likely depend on economic conditions going forward.

Global Trade Pivots as Spring Comes

The **Texas trade-weighted value of the dollar index**¹ had a strong year in 2022, and the February reading sustained the year-ago measurement of 107. Amid the strong trade value, foreign traders must pay more in their local currency for the same basket of goods. Like last year's trend, Texas' exports bounced up 16 percent MOM in spring, as **all-commodity exports** reported a monthly increase of 25.5 billion in March. This marked the first monthly gain in the past five months.

Demand for the top three **manufacturing exports** jumped—petroleum/coal products (23.6 percent MOM), chemicals (19.7 percent MOM), and computer/electronic products (18.7 percent MOM). Demand for Texas' **crude oil exports** rose over one fifth, as demand more than doubled from February in Brazil, China, Netherland, and Spain.

¹ The release of the trade section is lagging the *Outlook for the Texas Economy* by one month.



Economic Overview

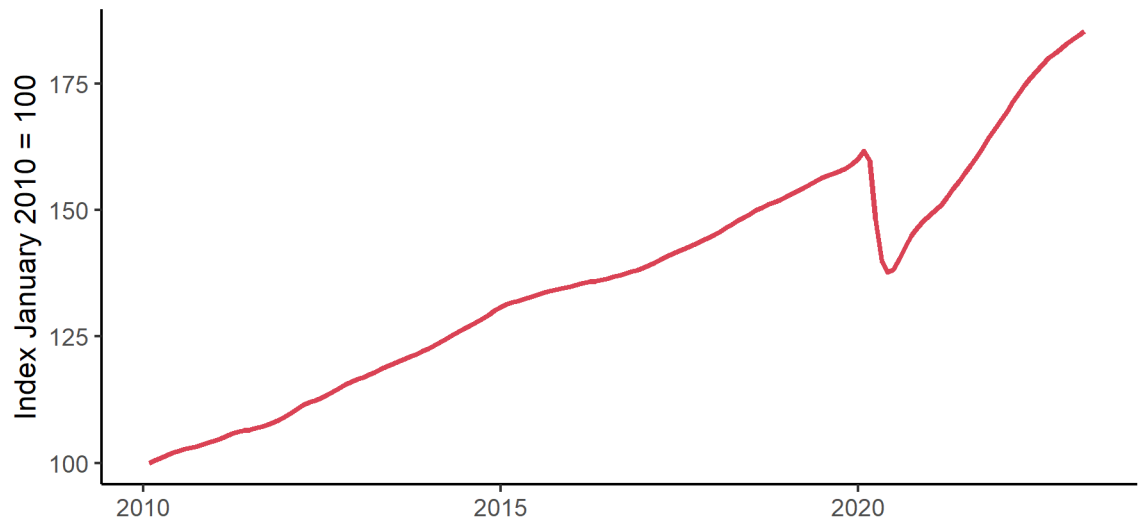
- The Texas Leading Economic Index was balanced at 104 for **four months** (2007=100), showing stable prospects for future overall business activity.
- Texas consumers had been reporting **gradual confidence boosts** since the Federal Reserve first announced the series of interest hikes in June 2022.
- The headline Consumer Price Index (CPI) rate inched up to 5 percent. Food inflation remained stubborn at 8.5 percent, while **energy prices** shrank 6.4 percent due to more affordable fuel oil and gasoline.
- Corroborating with the more affordable energy commodities, the West Texas Intermediate (WTI) crude oil spot price dropped **32.5 percent** YOY from \$108.5 to \$73.3, and the Henry Hub spot price plummeted **52.9 percent** YOY from \$4.9 to \$2.3 per million British thermal units (BTU).
- Texas' crude oil production stayed at **5.3 million barrels** per day in February despite the active rig count dropping to 370, two rigs lower than last month.
- After the uptick at 3.75 percent in February, the ten-year U.S. Treasury bond yield slid to **3.7 percent** in March.
- The cost of buying homes rose again, as the Federal Home Loan Mortgage Corporation's 30-year fixed-rate reached a four-month peak at **6.5 percent**.





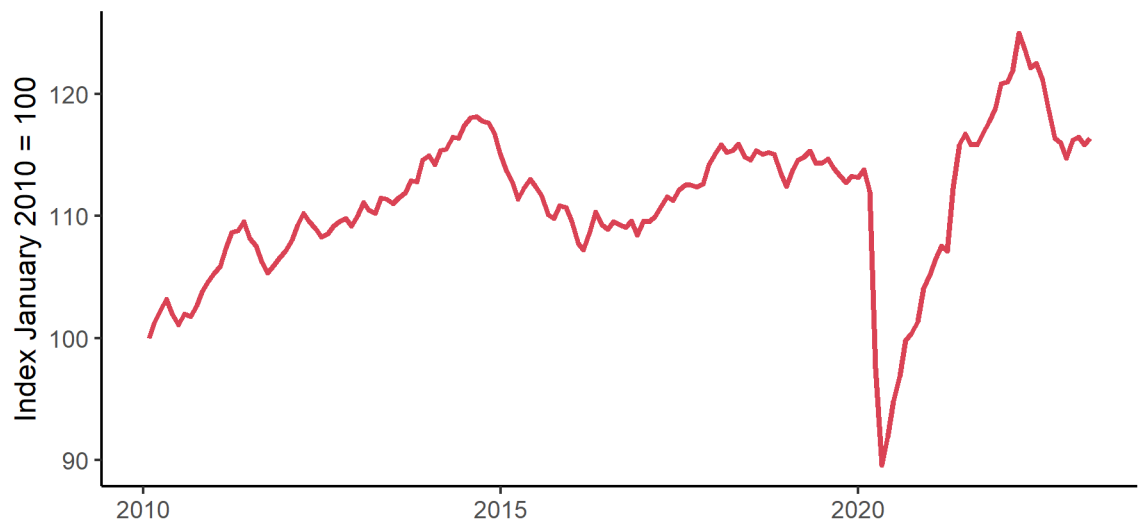
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



Source: Federal Reserve Bank of Dallas



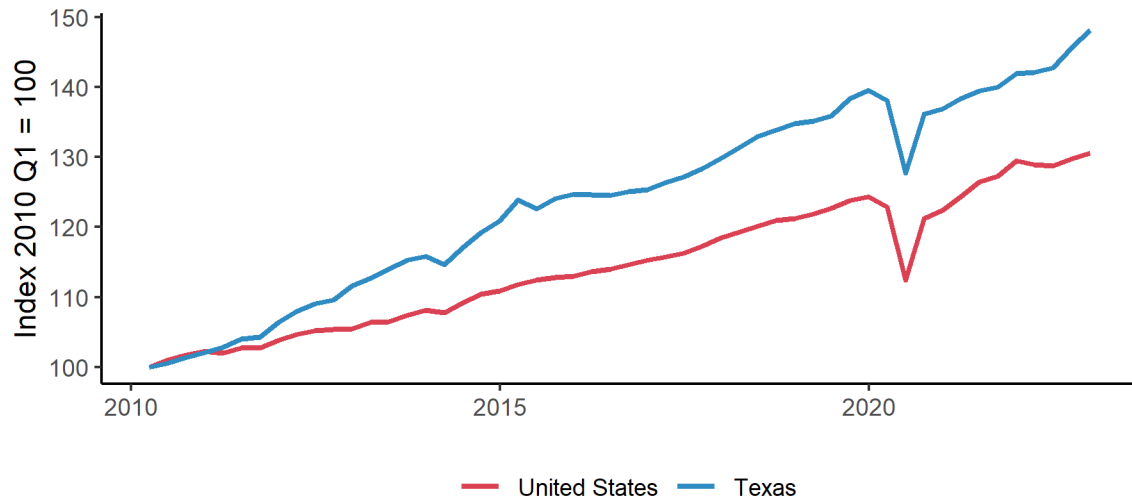
TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



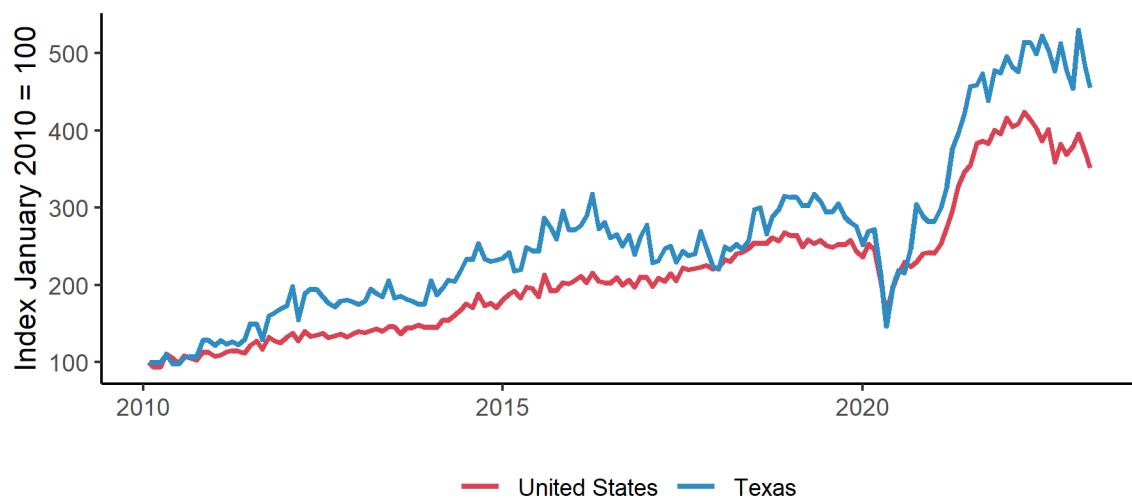
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings



Source: Bureau of Labor Statistics

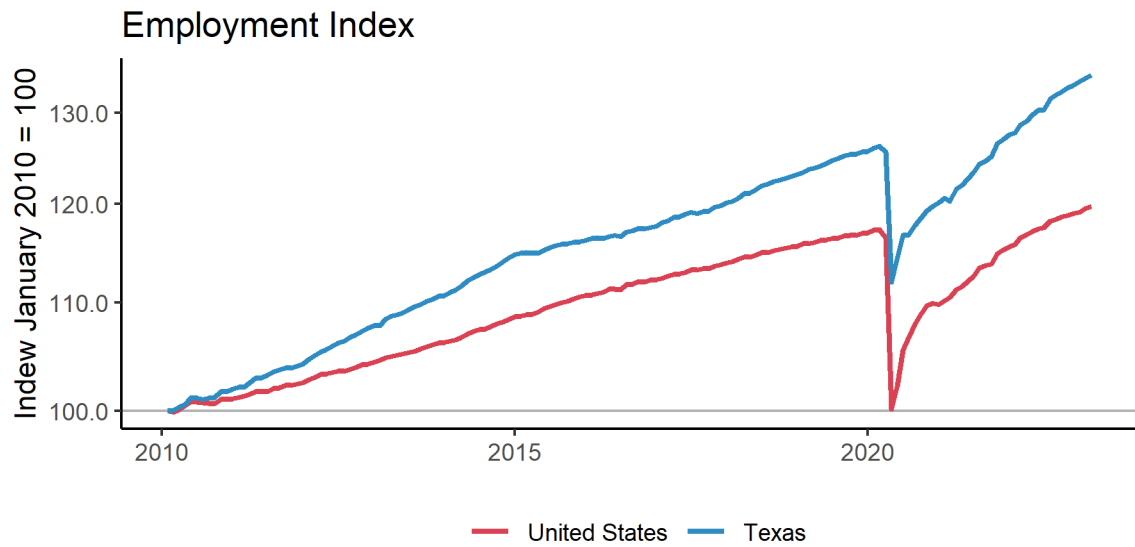


TEXAS A&M UNIVERSITY

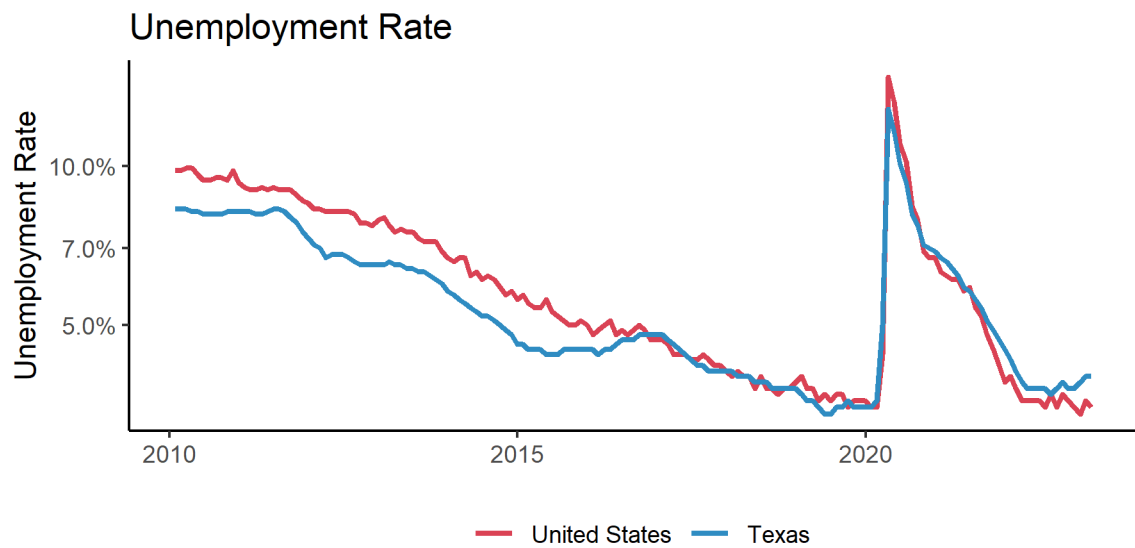
Texas Real Estate Research Center



Employment



Source: Bureau of Labor Statistics



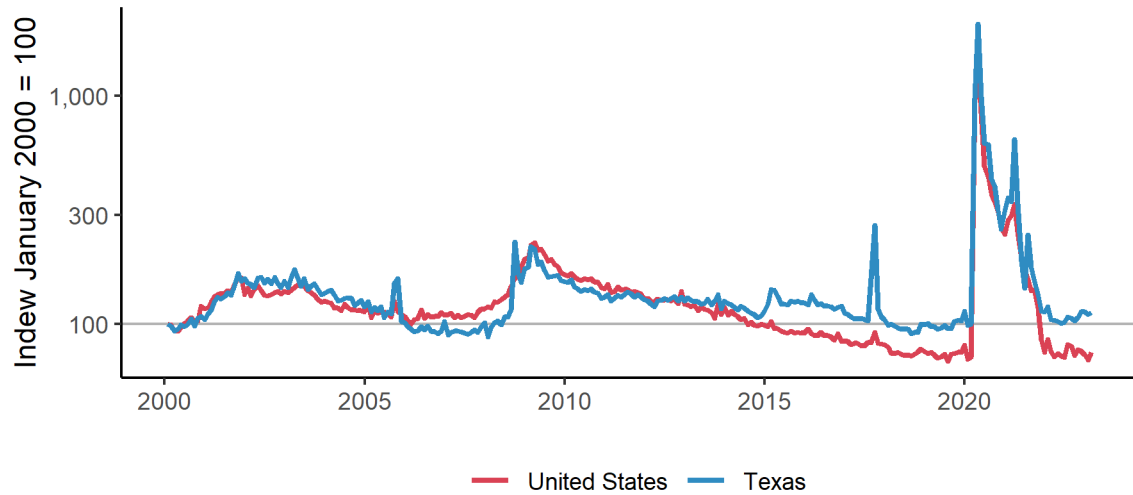
Source: Bureau of Labor Statistics





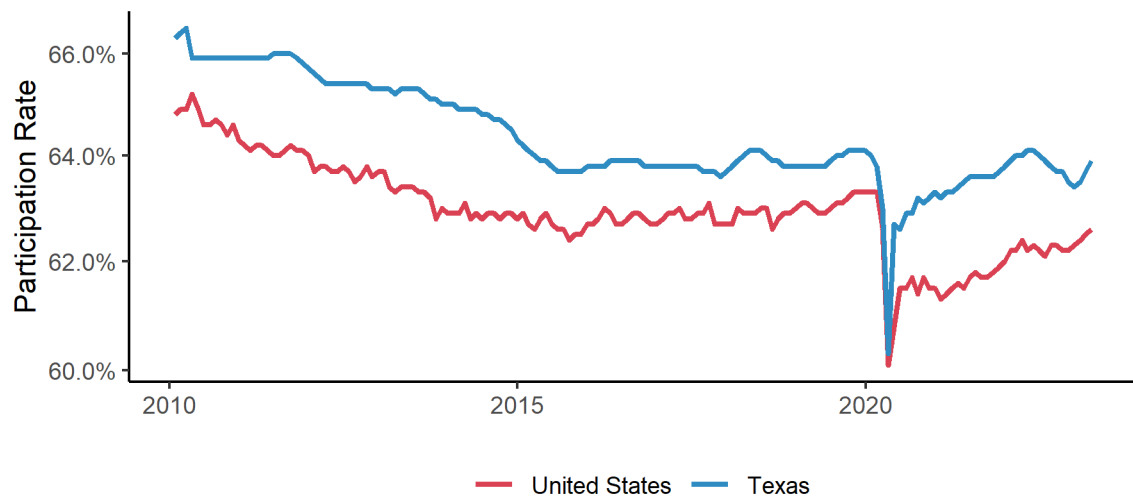
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



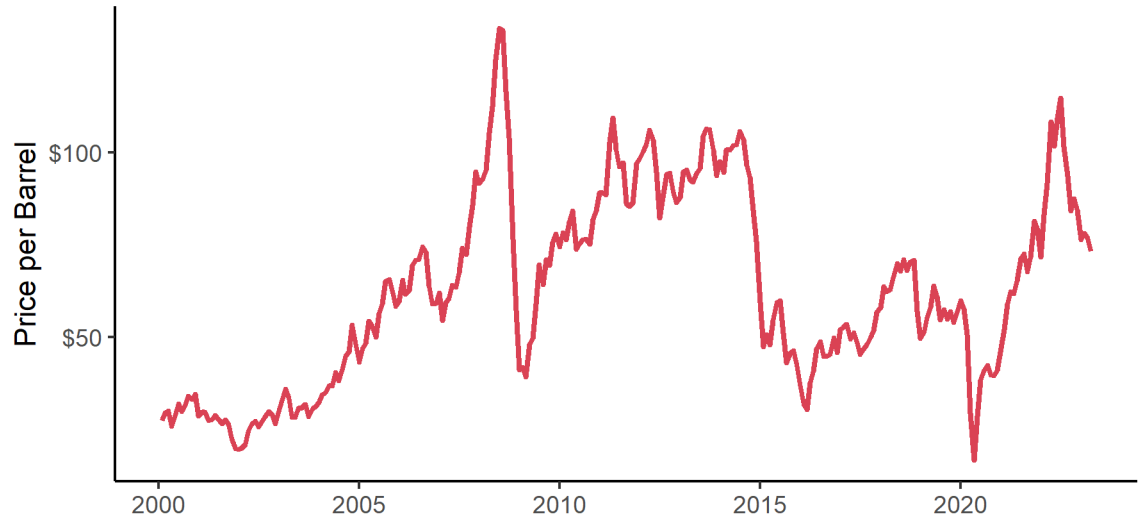
Source: Bureau of Labor Statistics





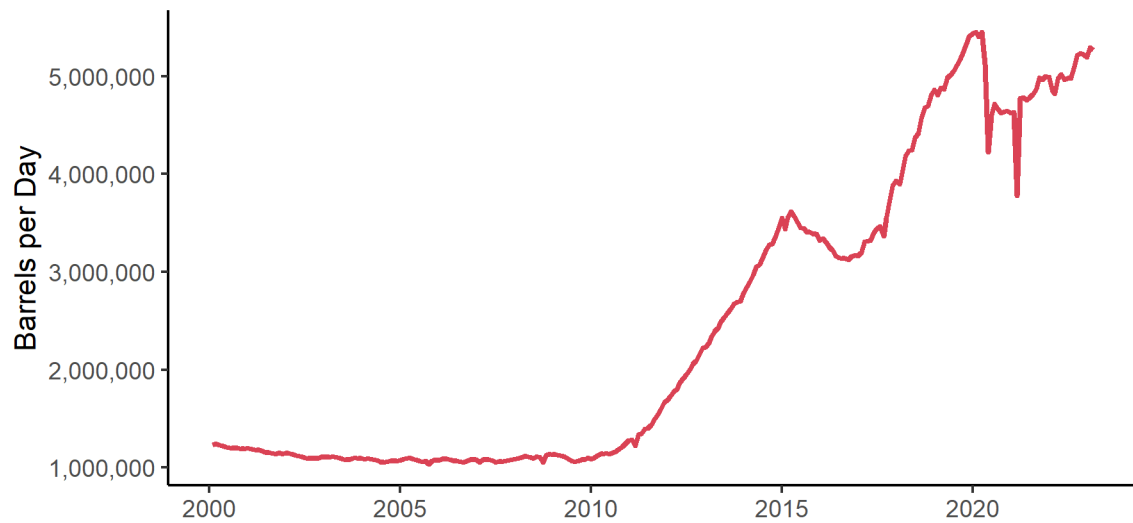
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



Source: Energy Information Administration



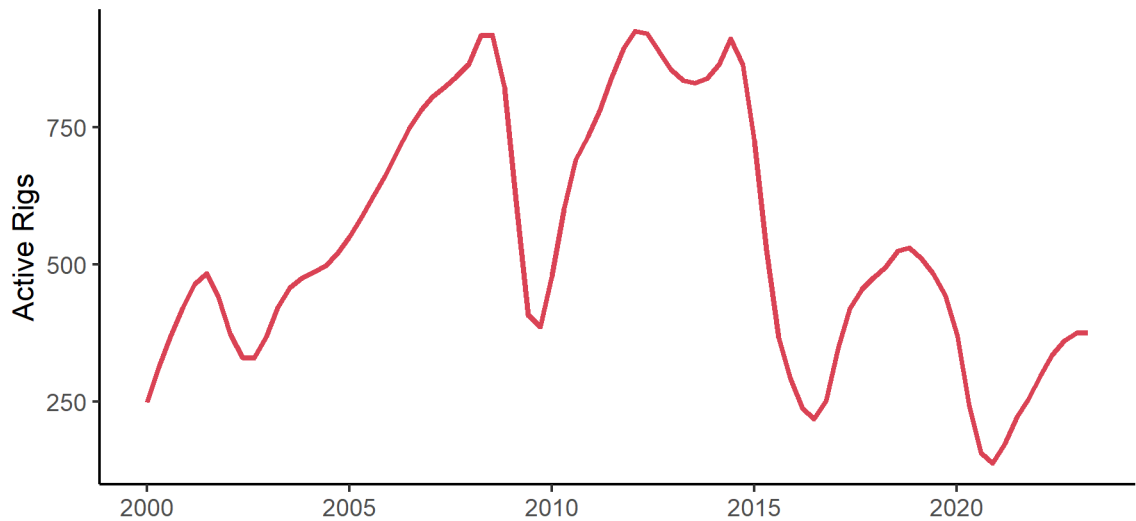
TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



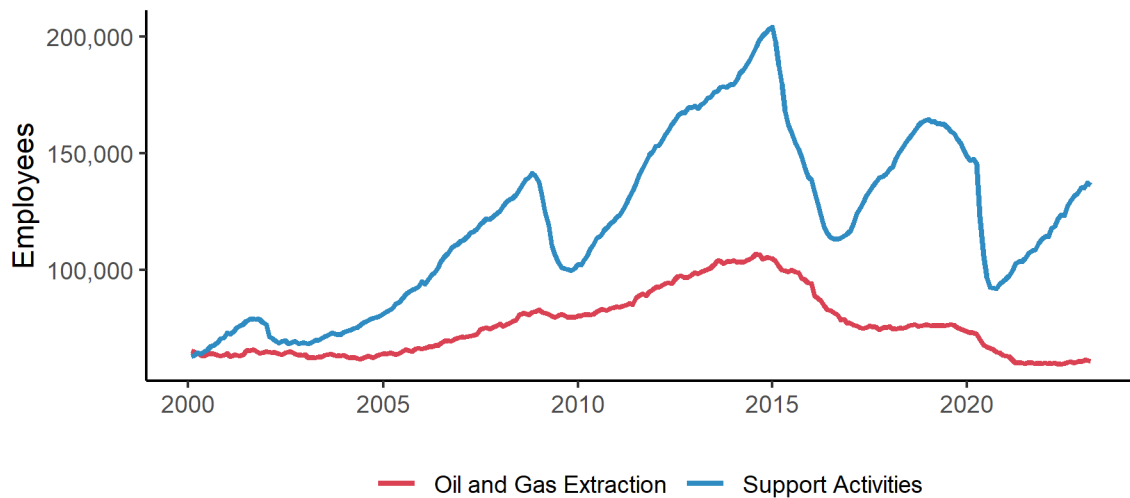
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics



TEXAS A&M UNIVERSITY

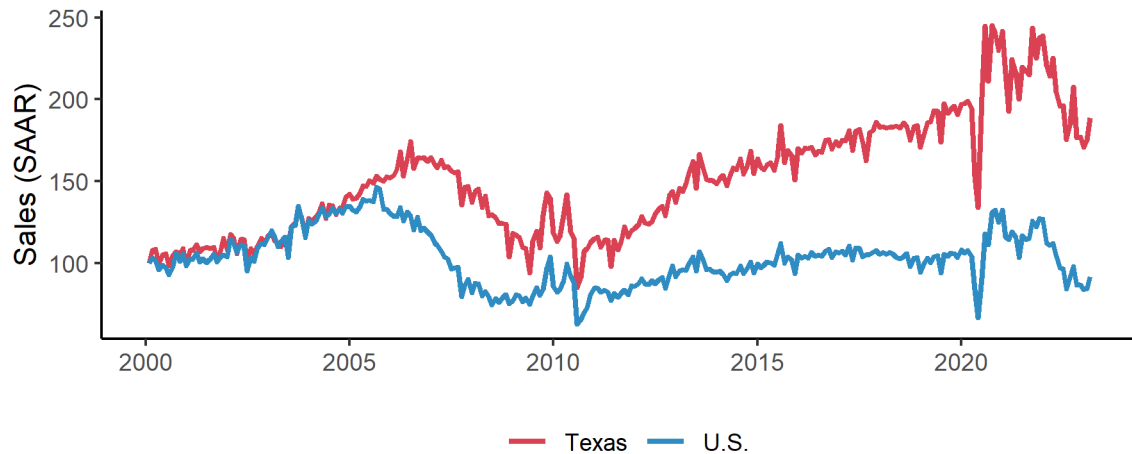
Texas Real Estate Research Center



Housing

Residential Home Sales

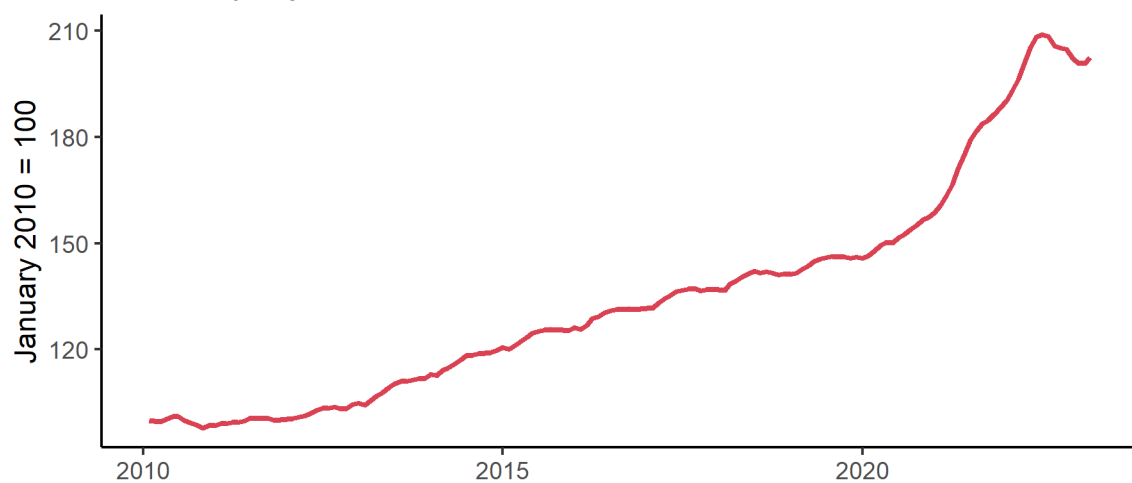
Seasonally Adjusted Annualized Rate



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



TEXAS A&M UNIVERSITY

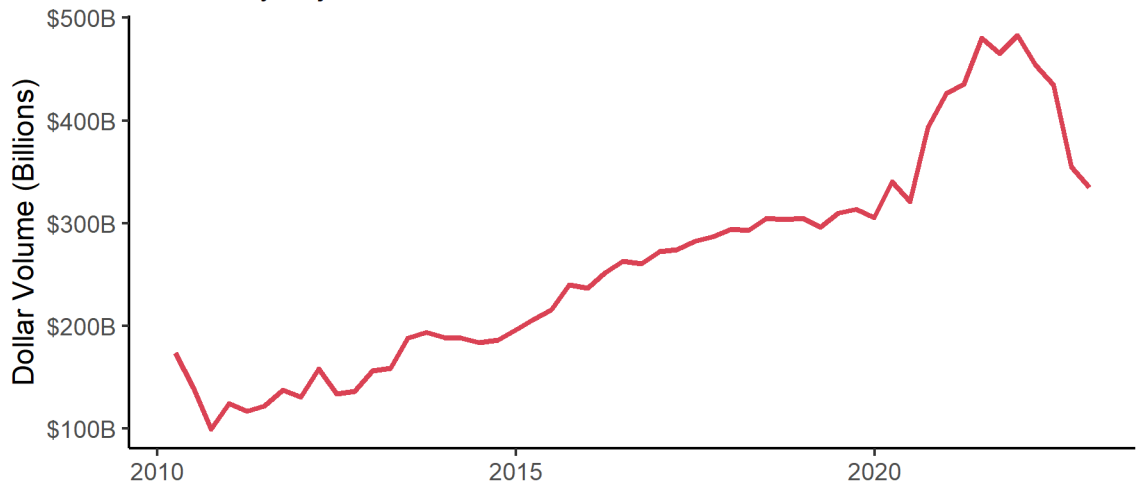
Texas Real Estate Research Center



Housing

U.S. Purchase Mortgage Origination Dollar Volume

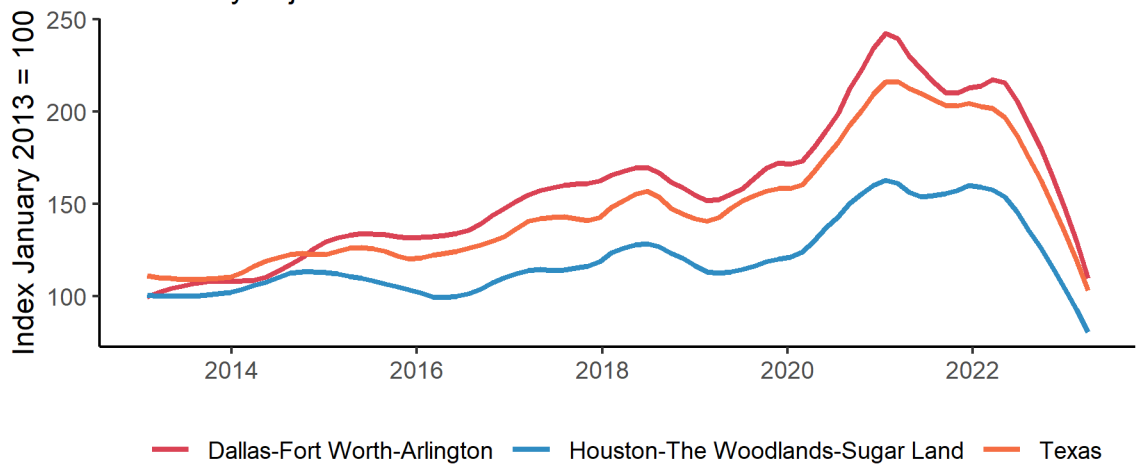
Seasonally Adjusted



Source: Mortgage Bankers Association

Single-Family Housing Starts

Seasonally Adjusted Index



Source: Dodge Data & Analytics - Texas Real Estate Research Center at Texas A&M University



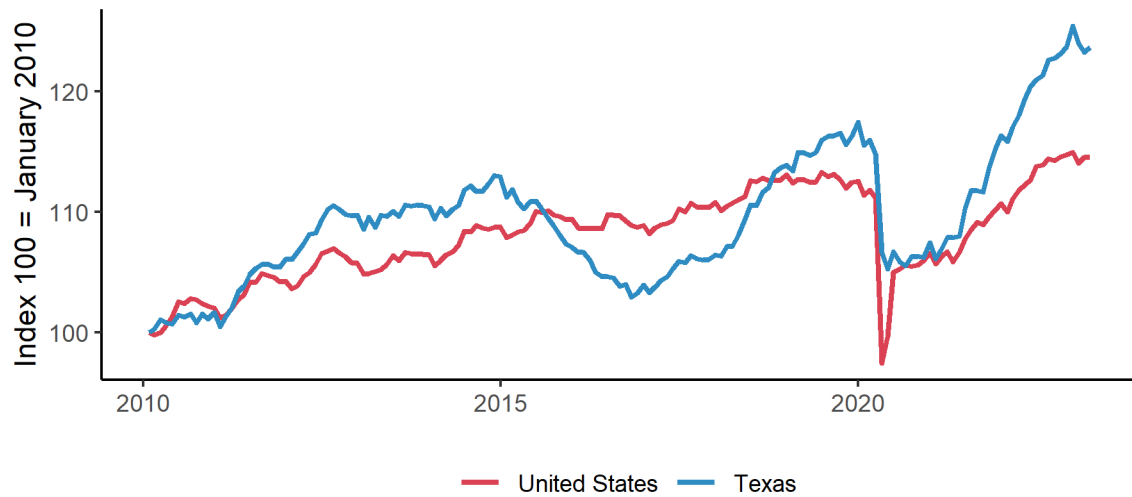
TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



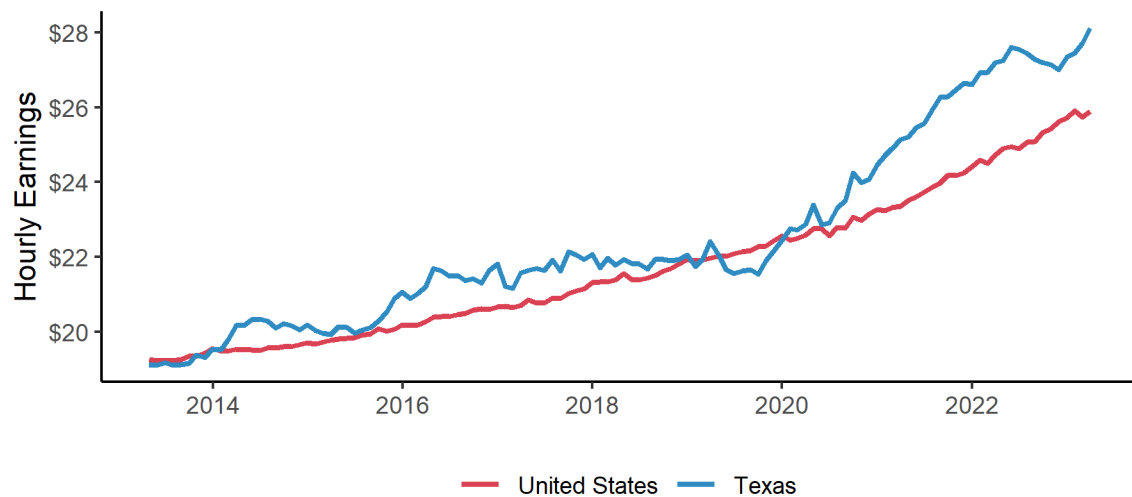
Manufacturing

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



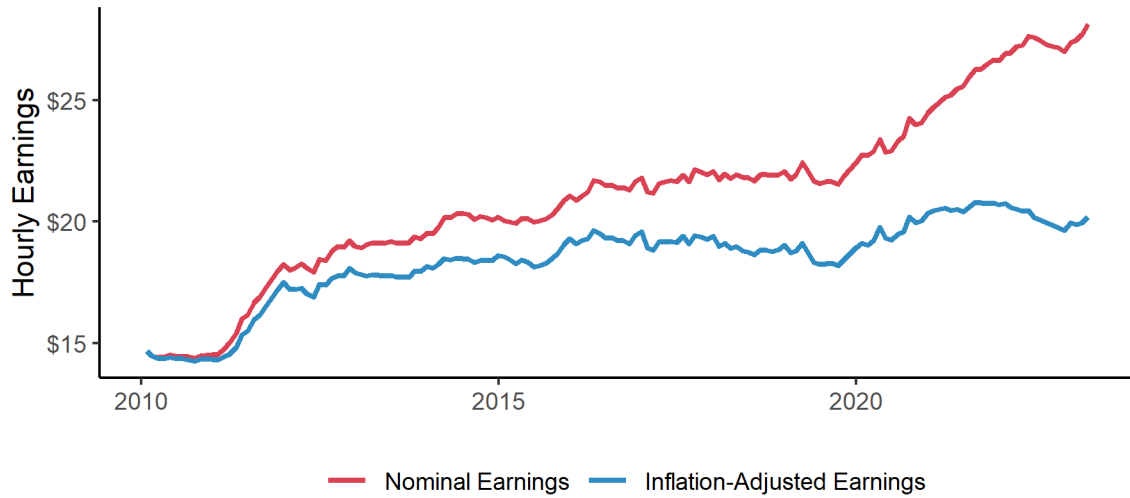
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University





Manufacturing

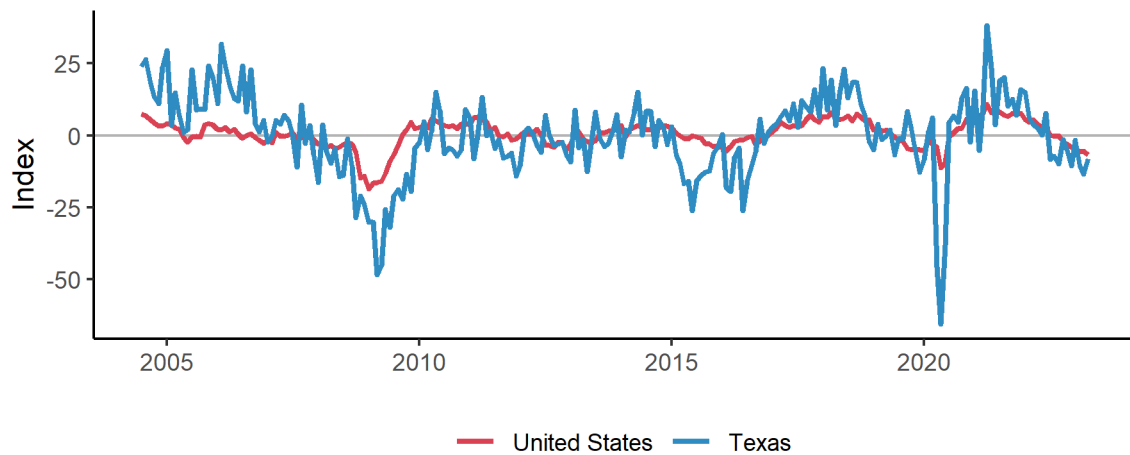
Texas Manufacturing Employee Hourly Earnings



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



TEXAS A&M UNIVERSITY

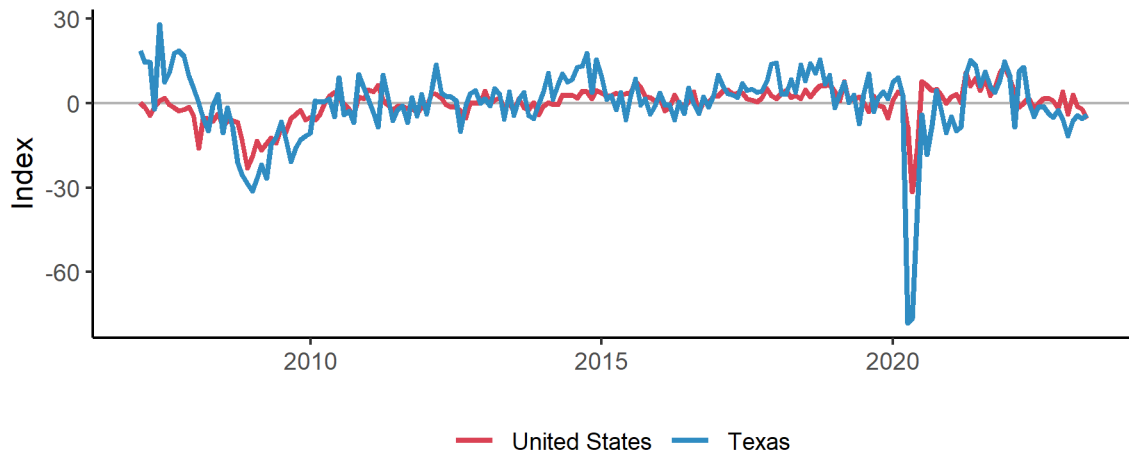
Texas Real Estate Research Center



Services

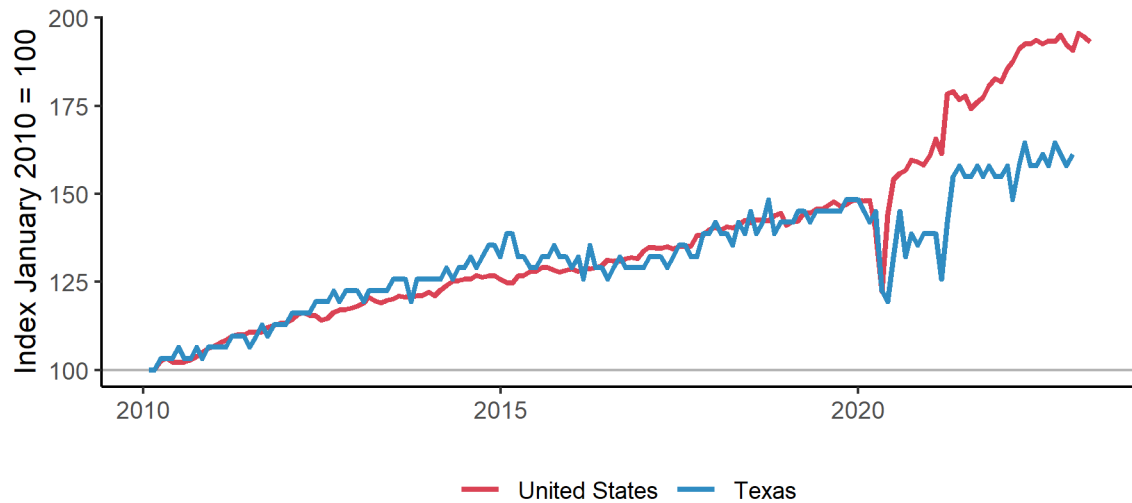
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



Source: Census Bureau - Federal Reserve Bank of Dallas



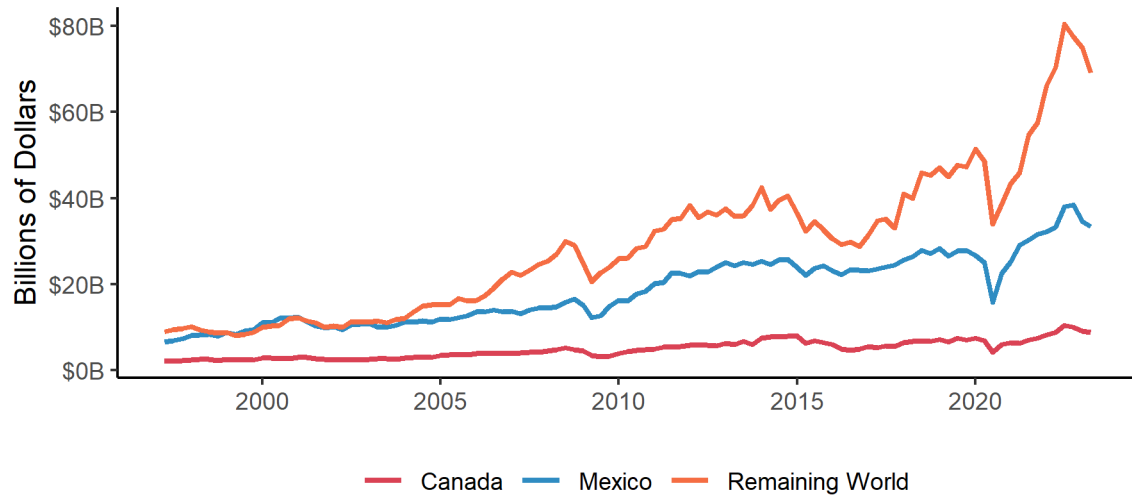
TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



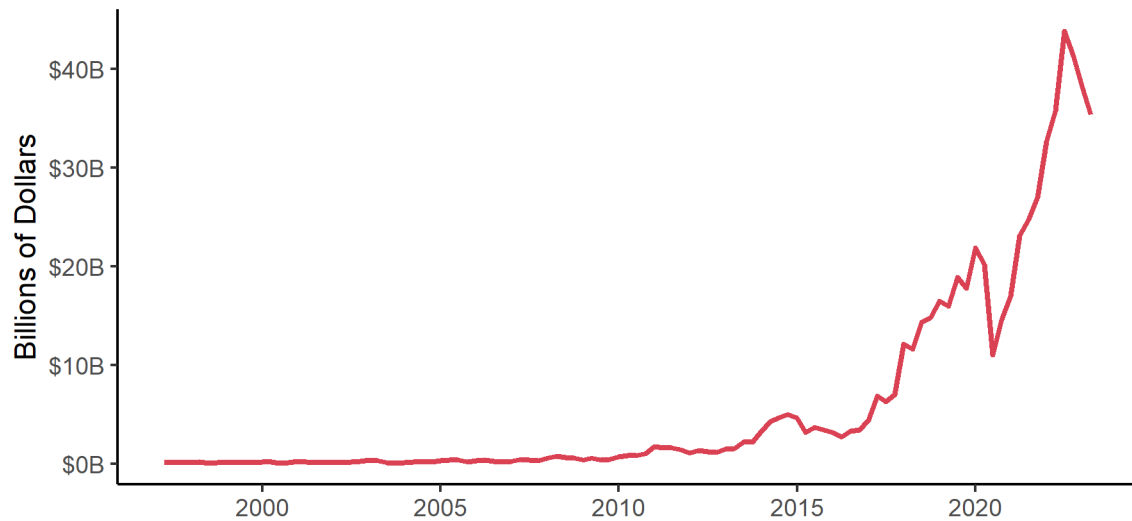
Trade

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



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

DIVISION OF ACADEMIC AND STRATEGIC COLLABORATIONS

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

<http://recenter.tamu.edu>
979-845-2031

EXECUTIVE DIRECTOR

GARY W. MALER

ADVISORY COMMITTEE

DOUG JENNINGS, CHAIRMAN Fort Worth	DOUG FOSTER, VICE CHAIRMAN Lockhart
TROY ALLEY, JR. DeSoto	PATRICK GEDDES Dallas
RUSSELL CAIN Port Lavaca	BESA MARTIN Boerne
VICKI FULLERTON The Woodlands	BECKY VAJDAK Temple
BARBARA RUSSELL, EX-OFFICIO Denton	



LinkedIn
[linkedin.com/company/recentertx](https://www.linkedin.com/company/recentertx)



Instagram
[instagram.com/recentertx](https://www.instagram.com/recentertx)



YouTube
[youtube.com/@recentertx](https://www.youtube.com/@recentertx)



Facebook
[facebook.com/recentertx](https://www.facebook.com/recentertx)



Twitter
[twitter.com/recentertx](https://www.twitter.com/recentertx)