Outlook for the Texas Economy

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April 2023 Data
Technical Report
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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 and Weiling Yan
Summary

Despite signs of a cooling economy indicated by gross domestic product (GDP) and retail activity, the robust labor market and the upturn in exports suggested otherwise. Key economic indicators for April, including the leading index and the business cycle index, remained mostly consistent, while consumer confidence slipped to a six-month low. In response to sluggish retail activities, online merchants implemented return policies aimed at reducing return rates and boosting profitability.

First Quarter GDP Signals Slowdown in Business Investment

Real GDP growth decelerated from 2.6 percent in 4Q2022 to 1.3 percent in 1Q2023. The Bureau of Economic Analysis explained the slower growth rate was due to the rise in consumer spending, offset by the decrease in businesses’ inventory investment. Consumer spending was driven by motor vehicles/parts sales and health care/food/accommodation/financial services, while business investment slowed in wholesale trade/manufacturing/housing.

Housing Demand Softens as Sales Slump Over 10 Percent

The state’s seasonally adjusted total home sales dipped to 27,154 single-family houses in April, resulting in a 12 percent month-over-month (MOM) decrease. Monthly home sales declines across metros ranged from 6.1 percent to 15.3 percent. Among the four major metropolitan areas, sales declined least in Austin, the priciest metro. However, Austin sales volume has fallen 18.8 percent in the past year, down from 3,180 transactions in 2022.

Sales fell across all price cohorts in Dallas and Houston except for homes priced above $750K, which saw slight increases of 6.1 percent and 4.2 percent MOM, respectively. However, compared with a year ago, sales in this price category fell more than one-fifth in all metros due to higher mortgage rates. Overall home sales in Texas cooled 16.4 percent year over year (YOY) in April.

Labor Market Flourishes Despite Mixed Employment Sector Growth

The unemployment rate remained balanced at 4 percent, which was 20 basis points higher than a year ago. As in March, Houston had the highest unemployment rate at 4.3 percent, while Austin had the lowest at 3.2. DFW and San Antonio had the same rate of 3.7 percent. The Texas labor force participation rate climbed for the fourth consecutive month, reaching 64.1 percent. Over the course of a year, Texas attracted 318 thousand net workers, accumulating nearly 15 million total
available workers in the state’s labor pool. This marks a historical high for the labor market, and the number is expected to keep rising.

Total nonfarm employment added 33,300 workers in April, with the private sector (27,900) and public sector (5,400) both expanding. While the service sector expanded at an upbeat pace, the goods sector dismissed by 6,000 workers. Demand for construction workers in Houston was significantly reduced, as the industry let go of nearly 7,000 workers, marking the second wave of layoffs this year.

**Online Retailers Tighten Return Policies amid Restricted Sales**

Retail payroll added 5,400 workers in April. However, while retail employment grew 1.5 percent YOY, retail sales activity reported 11 monthly losses in 2022. The April 2023 index reading rebounded positively to 3.2 after stagnant sales in March. The Dallas Fed’s Retail Outlook Survey noted a smaller inventory buildup and a modest growth in employment. Retailers’ confidence in the general economy worsened as price pressures from wages and input costs persisted.

The U.S. Census Bureau’s Quarterly Retail E-Commerce Sales announced a 3 percent increase from 4Q2022, indicating a growing role for e-commerce in the overall retail sector. As e-commerce continues to grow, high return rates and associated costs with online orders continue to eat away profits according to a Wall Street Journal report. To discourage unnecessary returns, businesses have implemented strategies like shorter return windows, charging return fees, and providing discounts to shoppers who agreed not to return items.

**Global Trade Pivots as Spring Comes**

The Texas trade-weighted value of the dollar index had a strong year in 2022, and the March reading closely aligned with the year-ago measurement of 108. Amid the strong trade value, foreign traders must pay more in their local currency for the same basket of goods. Continuing 2022’s trend, Texas’ exports saw an 18.7 percent MOM in spring, with all-commodity exports reporting a monthly increase of 6.4 billion in March. Notably, China ($2.7 billion), Mexico ($11.8 billion), and the Netherlands ($2.7 billion) significantly boosted their order volume by over $1 billion in March, marking the first monthly gain for Texas exports in the past five months.

Demand for the top three manufacturing exports increased—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, the Netherlands, and Spain.

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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 the fifth month (2007=100). As suggested by the stable leading index for future overall business activity, the Texas Business Cycle Index improved.

- Texas consumer confidence slipped to a six-month low, reporting the second confidence setback since the Federal Reserve’s series of interest hikes in June 2022.

- Inflation continued to moderate. The U.S. Consumer Price Index (CPI) rate fell below 5 percent, while Houston’s CPI dropped to 4 percent—the lowest reading since the pandemic.

- Amid moderating consumer price growth, the ten-year U.S. Treasury bond retreated from a historical high of almost 4 percent in October 2022, still attracting long-term investors with a high yield of 3.46 percent.

- The Federal Home Loan Mortgage Corporation’s 30-year fixed-rate continued the downward course to 6.3 percent, down from 6.9 percent in October 2022.

- Nominal average hourly earnings picked up at $34.4 from $33 in April 2022. After accounting for inflation, the real earnings remained the same as a year ago.

- The West Texas Intermediate (WTI) crude oil spot price dropped 21.9 percent YOY from $101.8 to $79.5, and the Henry Hub spot price plummeted 67.3 percent YOY from $6.6 to $2.2 per million British thermal units (BTU).

- Texas’ crude oil production improved efficiency, producing 5.4 million barrels per day in March despite the active rig count dropping to 370, two rigs lower than last month.

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2 The release of the crude oil production is lagging the Outlook for the Texas Economy by one month.
Initial Unemployment Claims

Index January 2000 = 100

- United States
- Texas

Source: Department of Labor

Labor Force Participation Rate

- United States
- Texas

Source: Bureau of Labor Statistics
Crude Oil Price

Price per Barrel


Source: Energy Information Administration

Texas Crude Oil Production

Barrels per Day


Source: Energy Information Administration
Texas Active Rotary Rig Count

Source: Baker Hughes

Oil and Gas Extraction Employment

Source: Bureau of Labor Statistics
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
### U.S. Purchase Mortgage Origination Dollar Volume

Seasonally Adjusted

![Graph showing U.S. Purchase Mortgage Origination Dollar Volume](image)

Source: Mortgage Bankers Association

### Single-Family Housing Starts

Seasonally Adjusted Index

![Graph showing Single-Family Housing Starts](image)

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

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**Texas Real Estate Research Center**
Manufacturing

Texas and U.S. Manufacturing Employment Index

Index 100 = January 2010

2010 2015 2020

United States  Texas

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

Texas and U.S. Manufacturing Employee Hourly Earnings

$28

$20

2014 2016 2018 2020 2022

United States  Texas

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

Index January 2010 = 100

Source: Census Bureau - Federal Reserve Bank of Dallas