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**KOBY McMEANS**  
RESEARCH INTERN

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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 [info@recenter.tamu.edu](mailto:info@recenter.tamu.edu).

Joshua Roberson and Koby McMeans

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# November 2023

UNEMPLOYMENT RATE

4.1%

ALL-COMMODITY EXPORTS

7.3% MOM

CONSUMER PRICE INDEX

3.1% YOY

TX CONSUMER CONFIDENCE

24% MOM

## Summary

The Texas economy continued feeling the effects of high inflation, with consumer confidence falling. The labor market remained tight, although it began showing signs of growth with the labor force continuing to reach record highs. Mortgage rates fell; however, their elevated level resulted in an affordability problem for first-time homebuyers. Texas trade had a strong month with crude oil exports reporting its fourth straight increase. CPI marginally rose from the previous month, and data are showing economic activity is expanding at a strong rate, making it unlikely that a slowdown is on the horizon.

## CPI Rises as Fed Pauses Rate Hikes

The Consumer Price Index (CPI) marginally rose by 0.1 percent from last month and is up 3.1 percent from November 2022. Similar to last month, the CPI was little changed because higher shelter costs were offset by lower energy costs. Core CPI, which excludes food and energy, rose by 0.3 percent in November. The largest contributors for core price growth were used automobile prices, followed by transportation and shelter prices.

The Fed paused its interest rate hike in its October/November meeting, leaving the Fed Funds target at 5.25 to 5.5 percent. Economic activity has expanded at a strong rate, leading many to believe the rate hike that occurred in July could be the peak as data are showing inflation is cooling but still remains above 3 percent. For rates to remain where they are or for them to eventually decrease, economic activity must stay strong, while inflation must continue to fall.

## Texas Payroll Overcomes the Tight Labor Market

The Texas labor market remained tight but loosened from last month with **total nonfarm employment** growing 0.19 percent. Among the four major metros, Dallas reported the only decrease (1,900 workers) while Houston (3,800 workers) gained the most workers. The state's payroll rebounded from last month's dip, gaining 26,800 workers. Two sectors that had an influence over this month's gains were the construction sector (1.1 percent) and the information sector (0.75 percent). The retail trade sector fell further from last month's lull, dropping by a quarter of a percent.

Texas worker sentiment remains resilient with a high participation rate of 64.2 percent. The **unemployment rate** remained unchanged for the seventh consecutive month at 4.1 percent, and



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continued unemployment claims averaged around 153,105 applications on a weekly basis. Over the past 12 months, Texas attracted 484,894 potential workers, continuing to surpass the record-high total labor force according to the household survey.

## Home Sales Fall Amid Strong Listings

Mortgage rates fell this month, but their elevated level remains problematic for homebuyers as Texas' **total home sales** fell 0.9 percent month over month (MOM) to 25,916 in November (see table). Among the Big Four, Dallas reported the only increase in home sales, rising 2.3 percent to 7,363. Austin fell by 4.4 percent, and San Antonio reported its second straight month of significant decreases, plummeting by 8.9 percent over that time. The gap between Dallas and Houston widened as both continued to move in opposite directions. High mortgage rates have created an affordability problem in the housing market, with people needing to spend more of their total income on a median-priced home.

**Home Sales Volume**

	Oct.	Nov.	Monthly Changes
Texas	26,164	25,916	-0.9%
Austin-Round Rock	2,495	2,384	-4.4%
Dallas-Fort Worth-Arlington	7,196	7,363	2.3%
Houston-The Woodlands-Sugar Land	6,845	6,841	-0.2%
San Antonio-New Braunfels	2,615	2,506	-4.2%

Note: Seasonally adjusted data used for the reported metrics.  
Source: Texas Real Estate Research Center at Texas A&M University

## Merchants' Current Outlook Remains Pessimistic

Service sector activity diminished this month with the revenue index falling over three points to -2.4, signifying the first time this year that this index has fallen below zero. A negative index indicates that more respondents reported decreases than MOM growth. According to the **Dallas Fed's Service Sector Outlook Survey**, the labor market sentiment showed signs of optimism, with the employment index increasing over last month's low point. Outlook about current business conditions strengthened but remained pessimistic, with the general activity index increasing by 6.6. Respondents remained optimistic about future business conditions, especially within the labor market with both the revenue index (28.2) and employment index (17.6) posting strong gains.

Retail payroll lost 3,800 workers this month, bringing the year-over-year (YOY) retail employment change to 1.4 percent. Sales continued to decline as the **Dallas Fed's Retail Outlook Survey** reported the sales index marked its seventh consecutive month in negative territory. The employment index increased by 18 points. The perception of broader business continued to worsen with the general business activity index remaining negative. Expectations for future retail growth wavered as the future general business activity index plummeted deeper into negative territory.

## Global Trade Shows Strong Gains

Texas' **all-commodity exports** rose by 7.3 percent MOM and by 8.2 percent YOY. Demand for the top three manufacturing exports fluctuated but flipped from last month with chemicals posting the only decrease (3.4 percent) this month. Computer/electronics had the largest monthly increase at 13.9 percent, while petroleum/coal increased by 2.3 percent. The material manufacturing industry rebounded from last month's dip, with the most significant contribution being a 75.1 percent rise in wood products. Beverage/tobacco products posted a 13.9 percent decrease from last month. Demand for Texas' **crude oil exports** increased by 6.7 percent, its fourth MOM increase in a row. Ireland, Japan, Brazil, and the UK all increased their exports of crude oil by over 50 percent while Germany and Thailand posted decreases of over 50 percent. Exports to Europe and Asia accounted for over 80 percent of the total crude oil exports by Texas in November.

## Select Economic Indicators

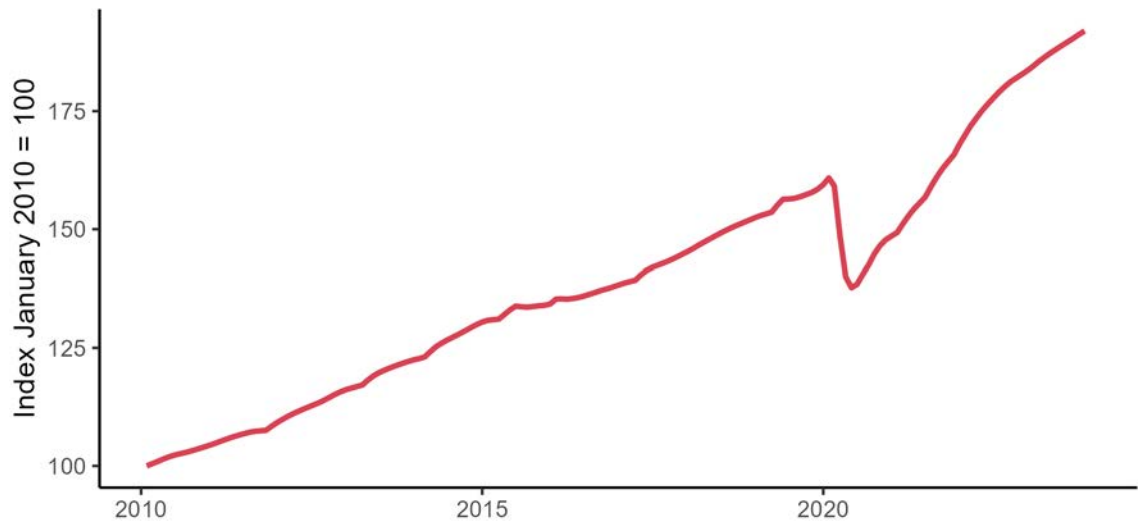
- The Texas Leading Economic Index did not change from October to November, indicating no change in the overall future outlook.
- Nominal **average hourly earnings** fell 0.96 percent MOM to \$31.88. Earnings across all four major metros decreased with San Antonio showing the most change at 78 cents lost.
- Texas consumer confidence fell 2.4 percent as consumer confidence in the labor market waned.
- The ten-year U.S. Treasury bond fell 30 basis points to **4.5 percent**, decreasing investors' confidence in economic growth.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate fell 18 basis points to **7.44 percent**.
- The West Texas Intermediate (WTI) crude oil spot price fell 7.92 percent YOY from \$84.37 to \$77.69. The Henry Hub natural gas spot price plummeted **50.28 percent** YOY from \$5.45 to \$2.71 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



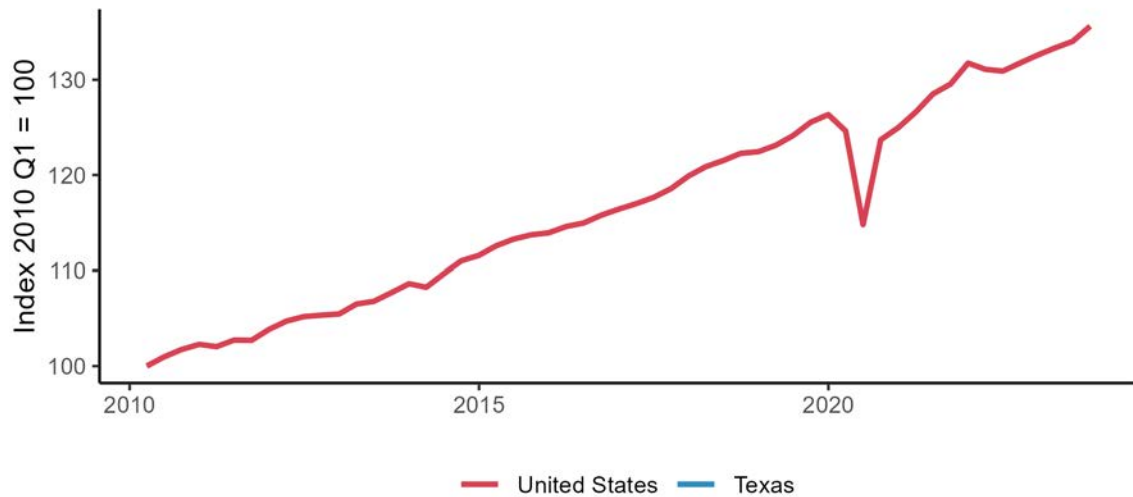
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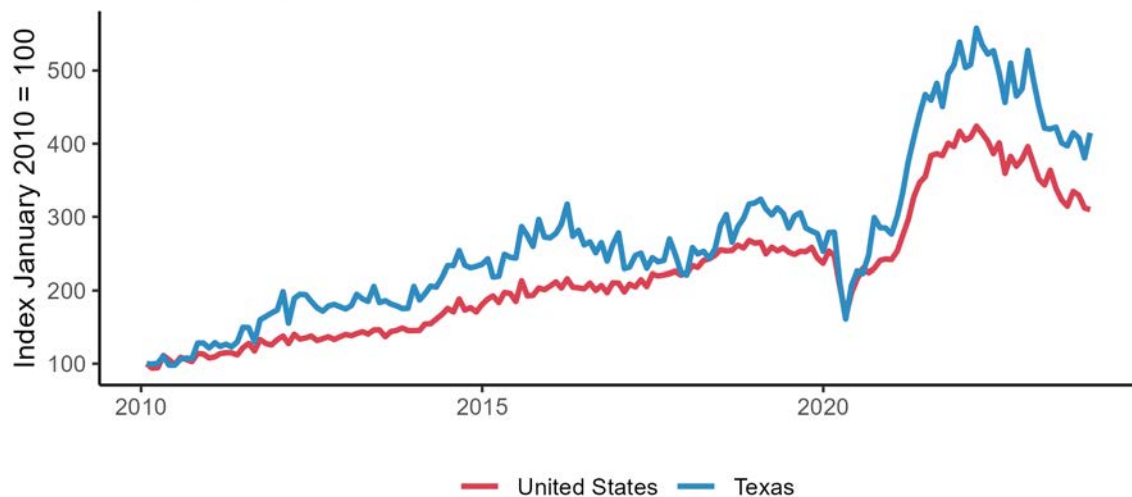
## Economic Activity

### Gross Domestic Product



Source: Bureau of Economic Analysis

### Job Openings



Source: Bureau of Labor Statistics



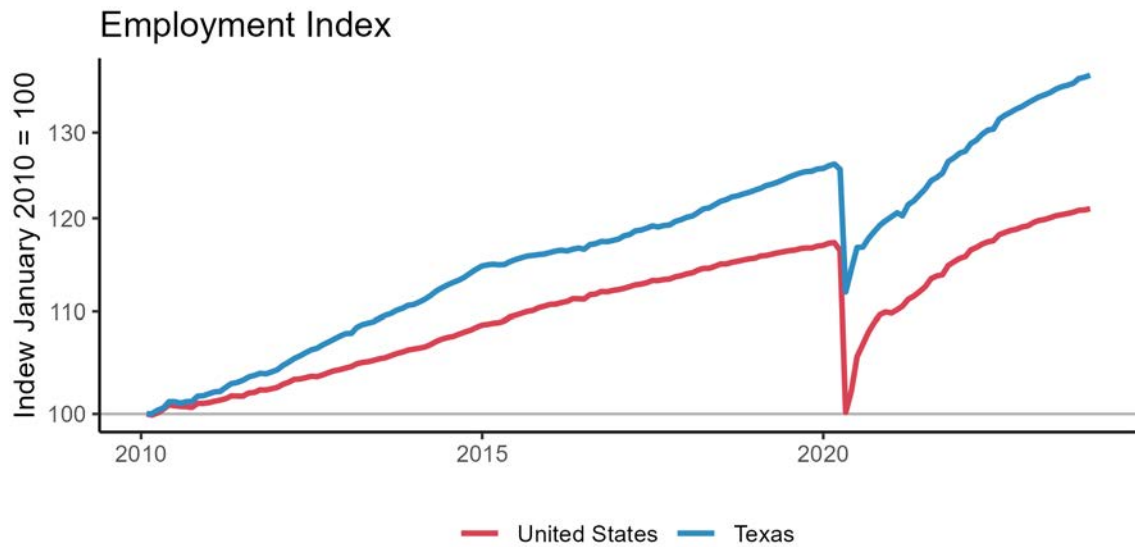
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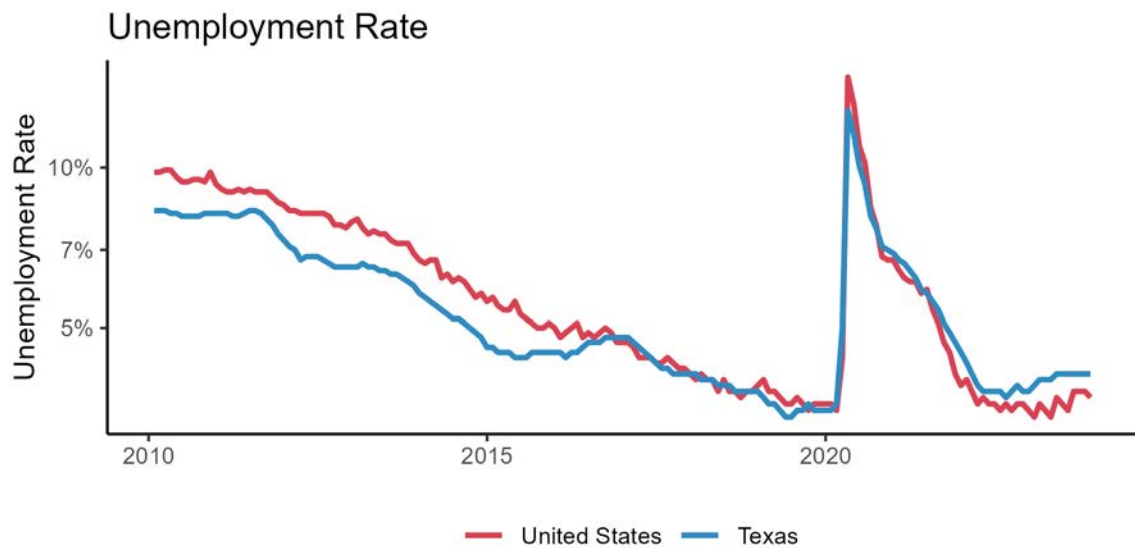




# Employment



Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics



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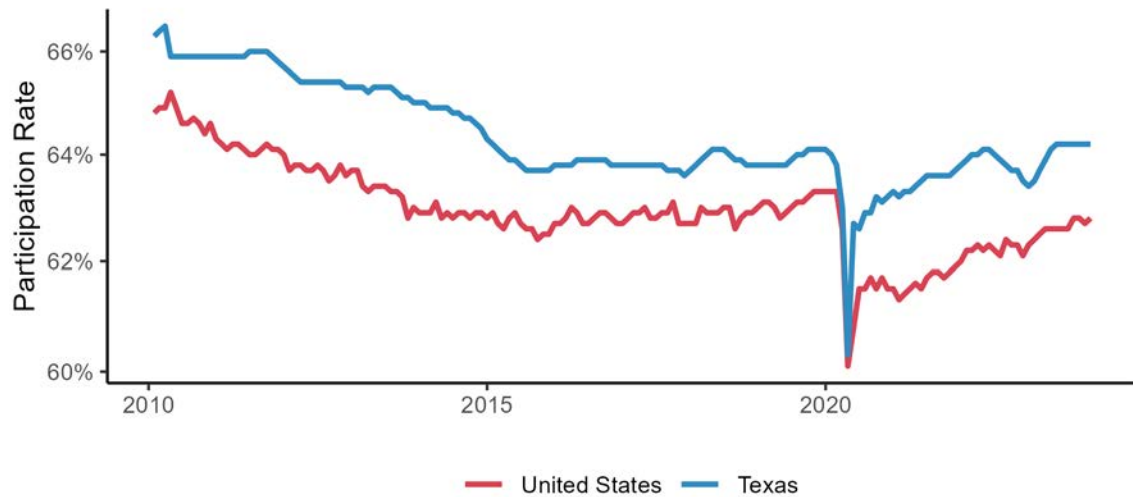
# Employment

## Initial Unemployment Claims



Source: Department of Labor

## Labor Force Participation Rate



Source: Bureau of Labor Statistics



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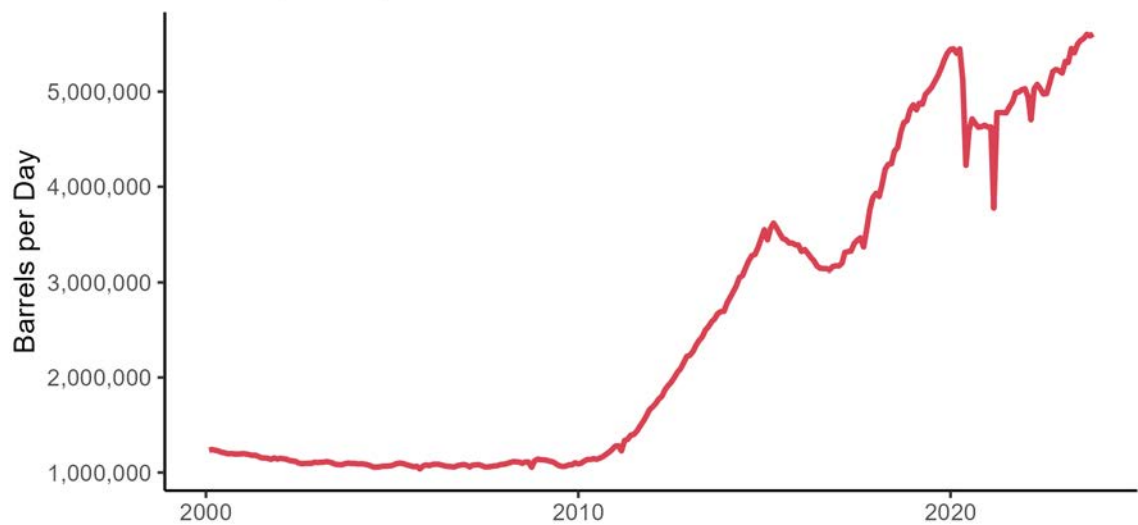
## Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



Source: Energy Information Administration



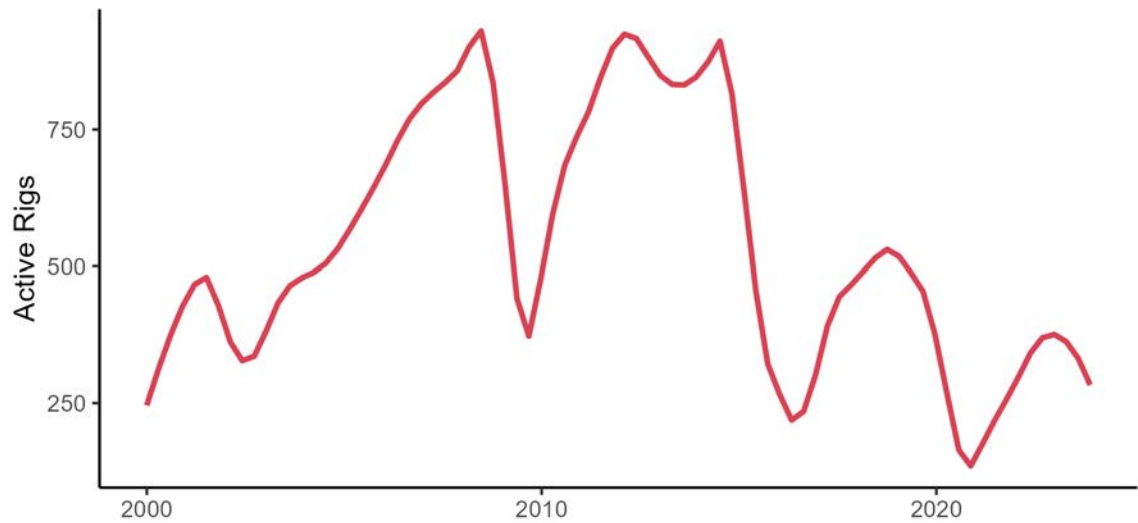
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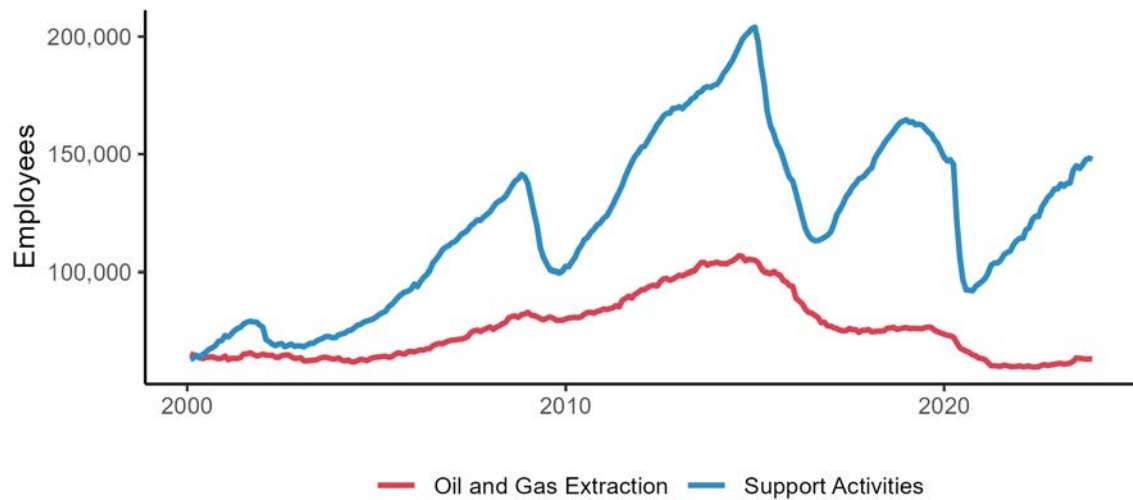
## Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



Source: Bureau of Labor Statistics





# Housing

## Residential Home Sales

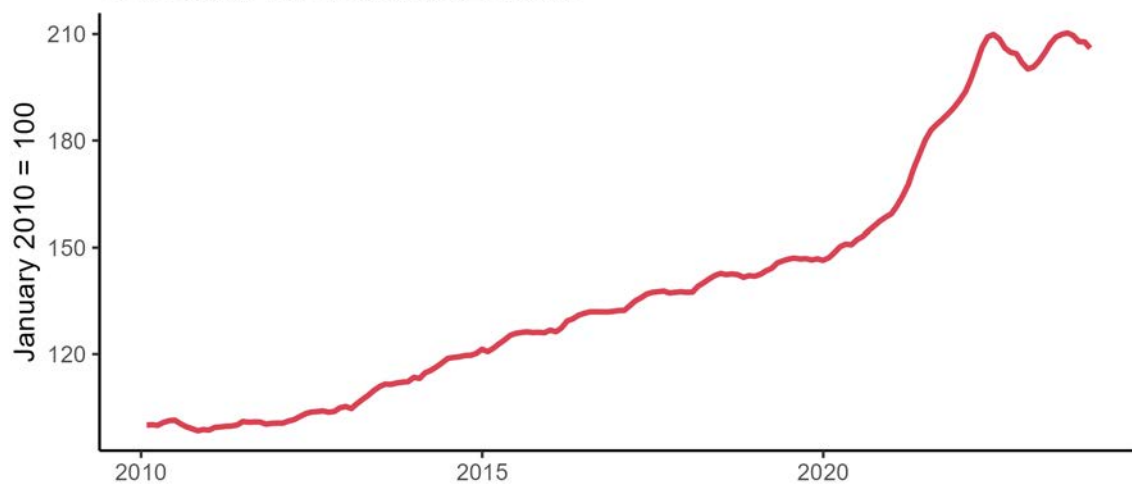
Seasonally Adjusted Annualized Rate



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

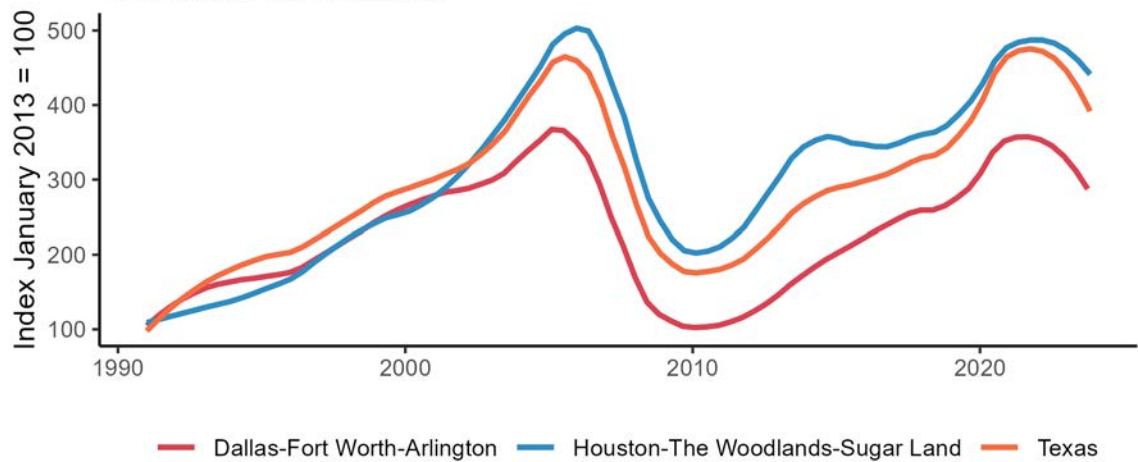
Seasonally Adjusted



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



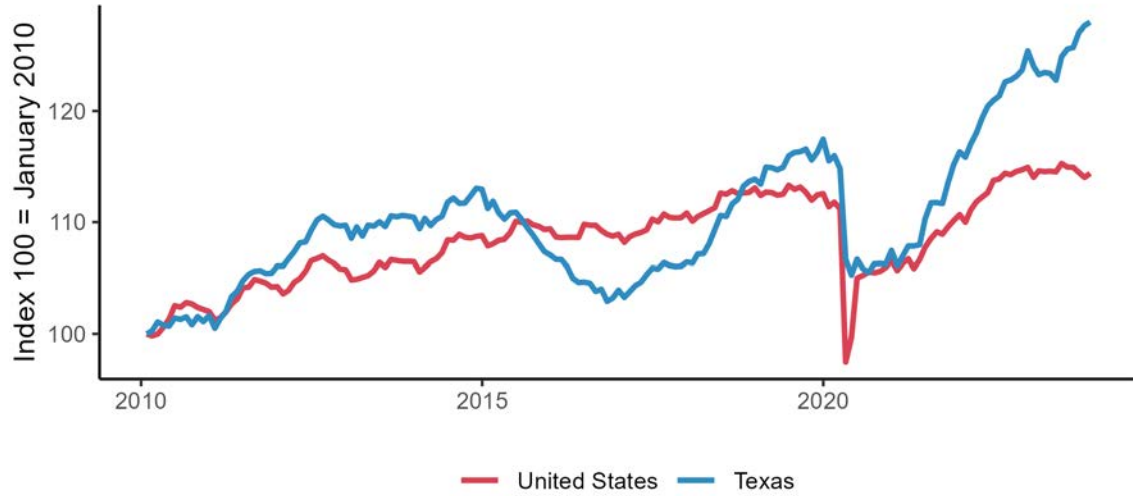
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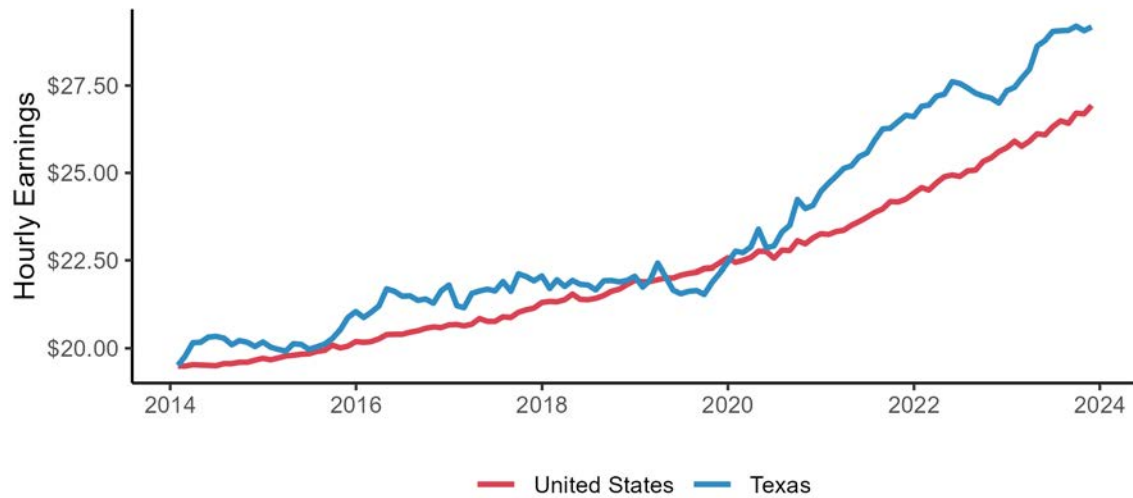
# Manufacturing

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

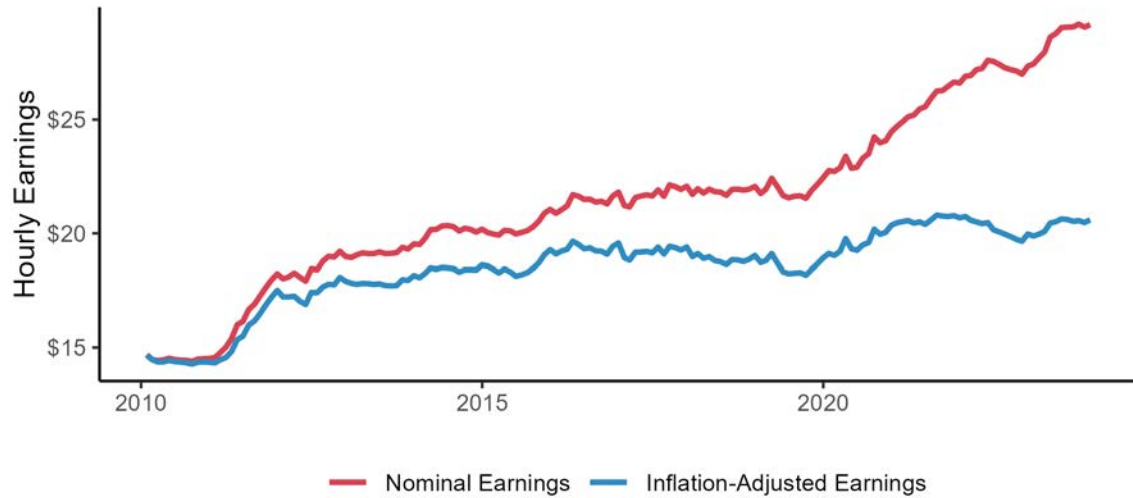






# Manufacturing

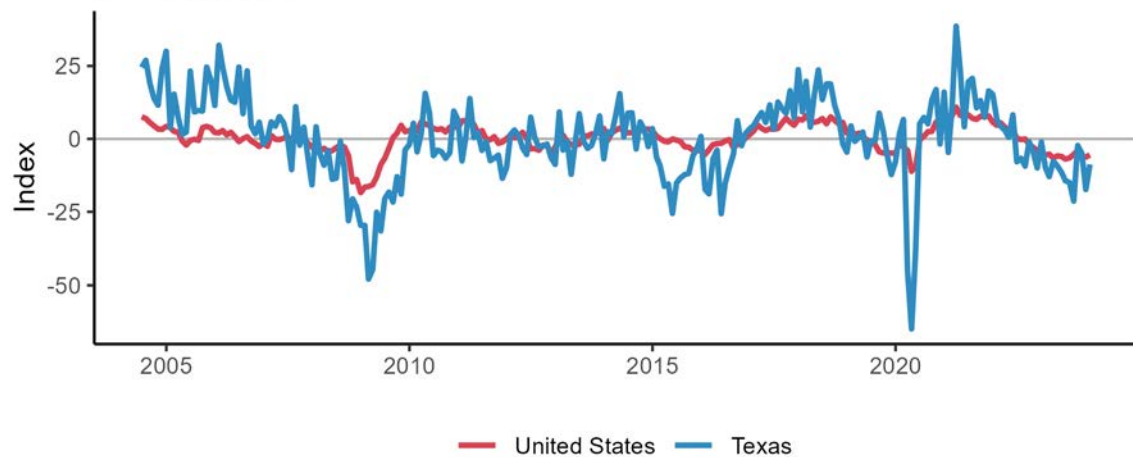
Texas Manufacturing Employee Hourly Earnings



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



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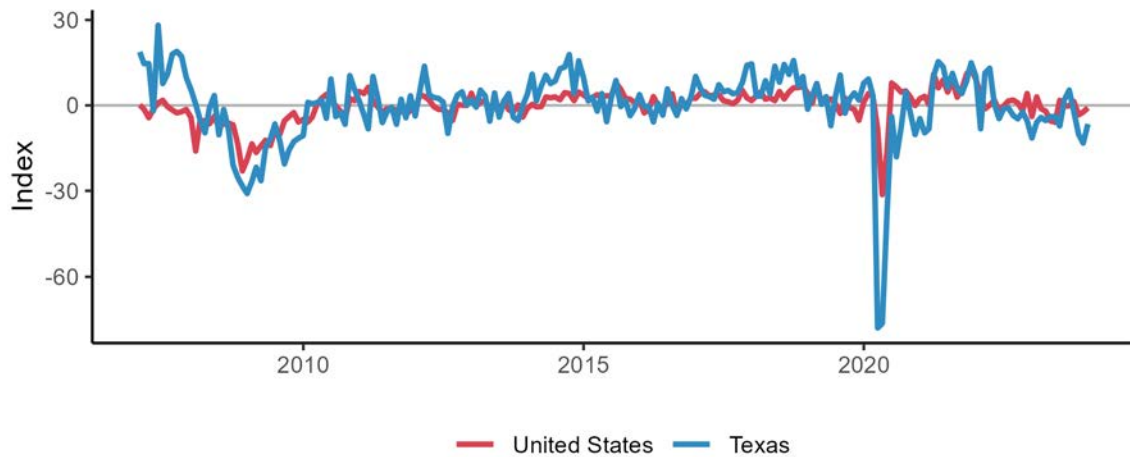




## Services

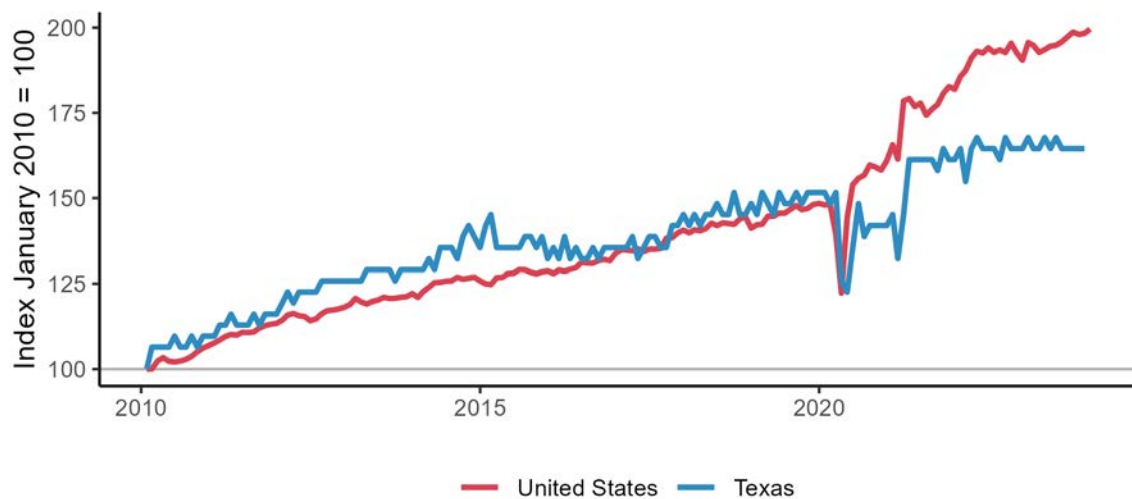
### Services Sector Outlook Index

0+ = Expansion



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

### Retail Sales Index



Source: Census Bureau - Federal Reserve Bank of Dallas



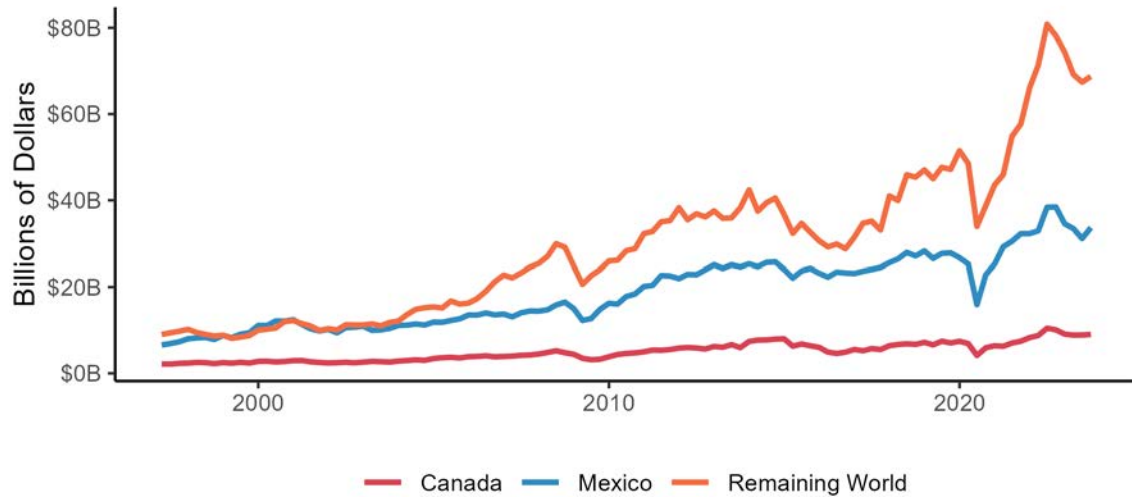
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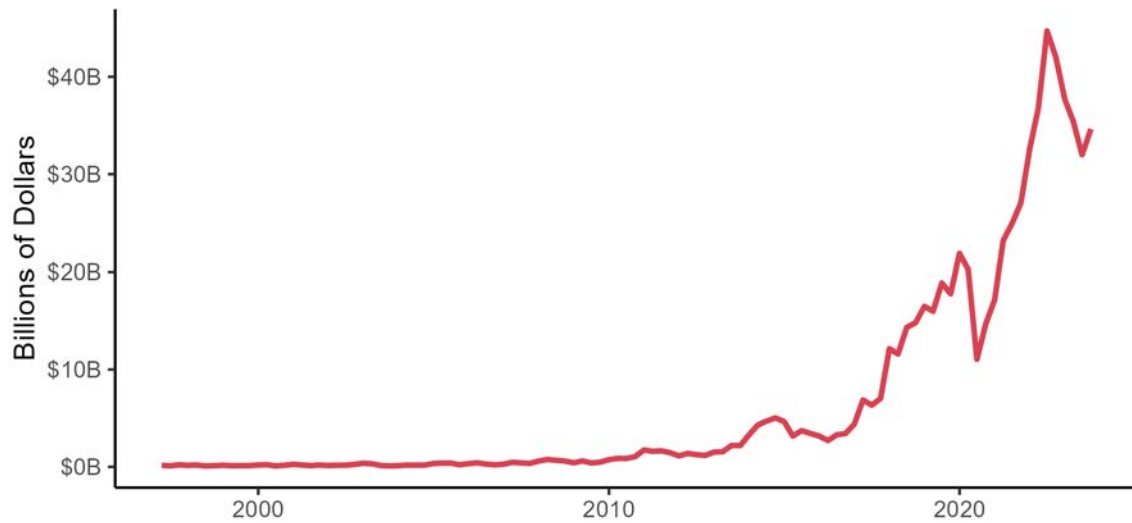
## Trade

### Texas Export Values by Destination



Source: Census Bureau via WISER

### Texas Oil and Gas Exports



Source: Census Bureau via WISER



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