

Outlook for the Texas Economy



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DECEMBER 2023 DATA
TECHNICAL REPORT

About this Report	2
December 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 <mailto:info@recenter.tamu.edu>.

Joshua Roberson and Koby McMeans

Data current as of February 7, 2024

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December 2023

UNEMPLOYMENT RATE

▼ 4.0%

CRUDE OIL EXPORTS

▼ 13.6% MOM

CONSUMER PRICE INDEX

▲ 3.4% YOY

TX CONSUMER CONFIDENCE

▲ 10.4% MOM

Summary

The Texas economy remained resilient with consumer confidence rising despite high inflation. The labor market posted strong monthly gains while unemployment fell for the first time since April. Home sales fell alongside the drop in mortgage rates. Texas trade fell after last month's strong showing. CPI marginally rose, and economic activity expanded at a strong rate, suggesting rate cuts may be less likely in 2024.

CPI Impacted by Continued Rise in Shelter Index

The Consumer Price Index (CPI) rose by 0.3 percent from last month and is up 3.4 percent from December 2022. According to the Bureau of Labor Statistics, the index for shelter accounted for over half of this month's increase. The electricity index also posted a strong monthly gain. The fuel oil index posted the largest monthly decrease, falling 5.5 percent.

The Fed paused interest rate hikes in its December meeting, leaving the Fed Funds target at 5.25 to 5.5 percent. Economic activity has slowed over the last quarter of 2023; however, GDP growth remains strong. According to Fed Chairman Jerome Powell, the rate hike that occurred in July has a strong possibility of being the last one we see for this tightening cycle. Inflation is cooling but remains above the target goal of 2 percent. For rates to remain where they are or for them to eventually decrease, economic activity must stay strong while inflation must continue to cool.

Texas Payroll Remains Resilient

The Texas labor market has cooled alongside the Fed keeping rates at a 23 year high with **total nonfarm employment** growing 0.14 percent. Houston (5,000 workers) and San Antonio (6,300 workers) reported strong increases while Dallas and Austin had insignificant changes. The state's payroll continued to climb, gaining 19,100 workers. Two sectors that had an influence over this month's gains were education/health services and leisure/hospitality, both gaining 6,800 workers. The professional/ business services sector offset the previous gain, losing 14,500 workers.

Texas worker sentiment remains resilient with a high participation rate of 64.1 percent. The **unemployment rate** fell for the first time since April, falling to 4 percent, and continued unemployment claims averaged around 157,099 applications weekly. Texas attracted 497,454 potential workers over the past 12 months, continuing to surpass the record-high total labor force according to the household survey.



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Home Sales Continue to Fall

Mortgage rates continued to fall, but their elevated level remains problematic for homebuyers as Texas' **total home sales** fell 1.9 percent month over month (MOM) to 25,430 sales (see table). Among the Big Four, San Antonio reported the only gain in home sales, jumping 7.1 percent to 2,684 sales. Houston's home sales plummeted by 16.6 percent, losing over 1,000 sales in December. Austin and Dallas also experienced losses, falling 9.2 percent and 3.5 percent, respectively. The gap between Houston and Dallas widened as Houston reported poor monthly sales, down almost 17 percent. Despite rates falling, they remain elevated, resulting in an affordability problem for homebuyers.

Home Sales Volume

	Nov.	Dec.	Monthly Changes
Texas	25,916	25,430	↓ -1.9%
Austin-Round Rock	2,384	2,165	↓ -9.2%
Dallas-Fort Worth-Arlington	7,363	7,102	↓ -3.5%
Houston-The Woodlands-Sugar Land	6,841	5,708	↓ -16.6%
San Antonio-New Braunfels	2,506	2,684	↑ 7.1%

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

Merchants' Future Labor Outlook Remains Optimistic

Service sector activity rebounded in December with the revenue index rising from -2.4 in November to 4.3. A positive index indicates more respondents reported positive MOM growth than negative. According to the **Dallas Fed's Service Sector Outlook Survey**, the employment index fell 2 points but remained positive. Outlook for current business conditions remained negative, with the general activity still deep within negative territory at -8.7. Respondents remained optimistic about future economic conditions, especially within the labor market with both the revenue index (34.5) and employment index (23.6) posting strong gains for the second straight month.

Retail payroll increased by 9,800 workers this month, bringing the year-over-year (YOY) retail employment change to 2.2 percent. Sales fell at a slower rate than last month as the **Dallas Fed's Retail Outlook Survey** reported that the sales index remained in negative territory, but jumped from -11.6 to -1.7, indicating retail activity is moving in a positive direction. Employment growth remained unchanged from last month's 4.1. The perception of broader business continued to worsen with the general business activity index falling to -24.1. Expectations for future retail growth wavered, but remained strong within the labor market, with the employment index remaining in positive territory.



Global Trade Falls from Downbeat Activity

Texas' all-commodity exports fell 9.84 percent MOM and 7.6 percent YOY. Demand decreased MOM for the top three manufacturing exports: computer/electronics (down 9.7 percent), petroleum/coal (down 9.2 percent), and chemicals (down 3.6 percent). The beverage/tobacco products industry had a dynamic month, posting the only meaningful increase among manufacturing exports with a 161 percent increase from last month. Demand for Texas' **crude oil exports** fell for the first time since June, falling 13.6 percent. Germany, Thailand, Spain, and Taiwan all increased their imports of crude oil more than 50 percent while Ireland and Japan posted decreases of more than 50 percent. Exports to Europe and Asia account for over 78 percent of the total crude oil exports by Texas.

Select Economic Indicators

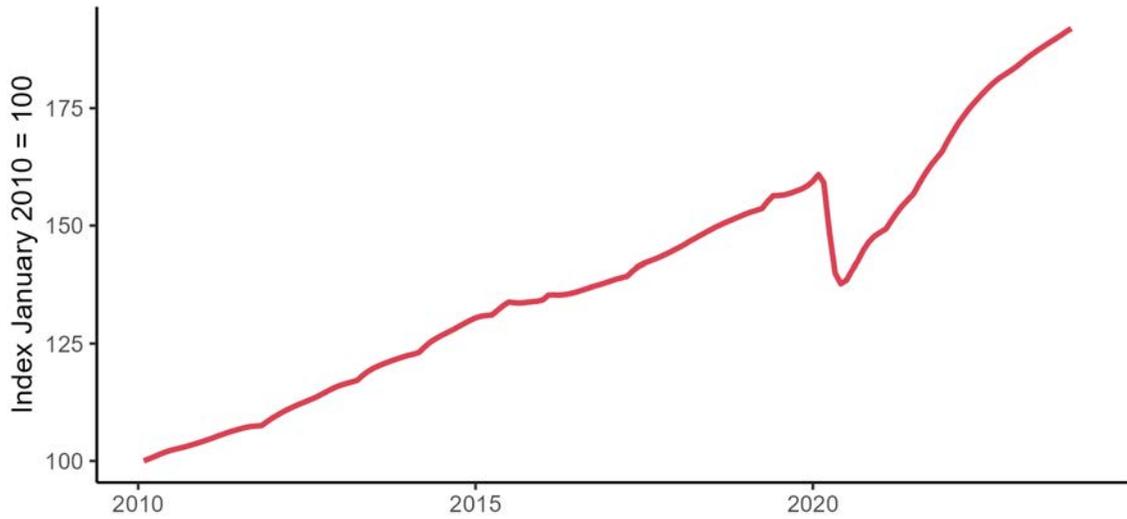
- The Texas Leading Economic Index grew for the second consecutive month to 126.8 (1987=100), signaling possible economic expansion in the upcoming months.
- Nominal **average hourly earnings** rose 1.19 percent MOM to \$32.30. Earnings across all four major metros increased with Austin showing the most change at 82 cents gained.
- Texas consumer confidence rose by 6.3 percent since last month as news about interest rate hikes ending becomes prominent.
- The ten-year U.S. Treasury bond fell 48 basis points to **4.02 percent**.
- The Federal Home Loan Mortgage Corporation's 30-year fixed-rate fell 62 basis points to **6.82 percent**.
- The West Texas Intermediate (WTI) crude oil spot price fell 5.94 percent YOY from \$76.44 to \$71.90. The Henry Hub natural gas spot price plummeted **54.43 percent** YOY from \$5.53 to \$2.52 per million British thermal units (BTU).





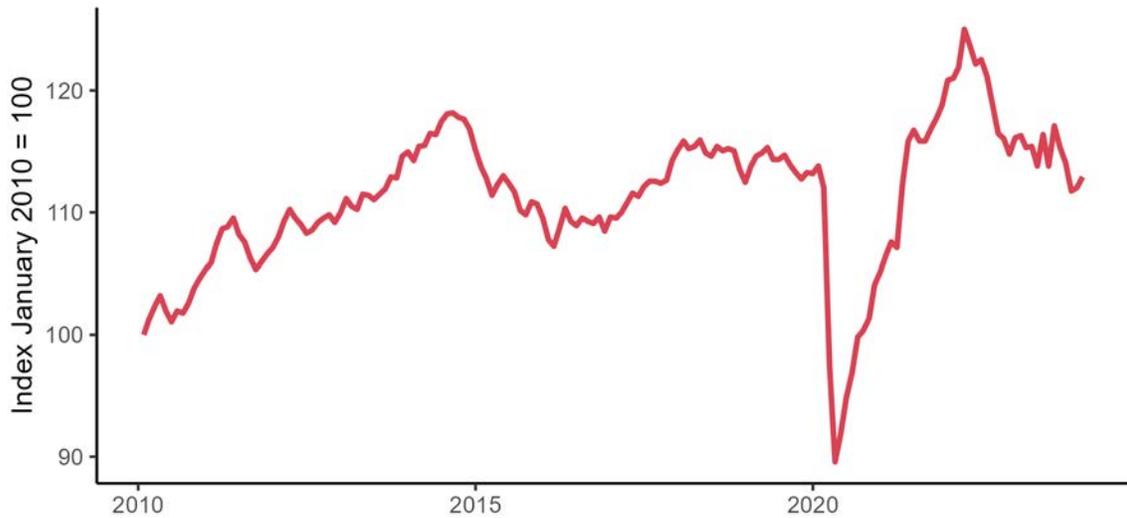
Economic Activity

Texas Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Texas Leading Index



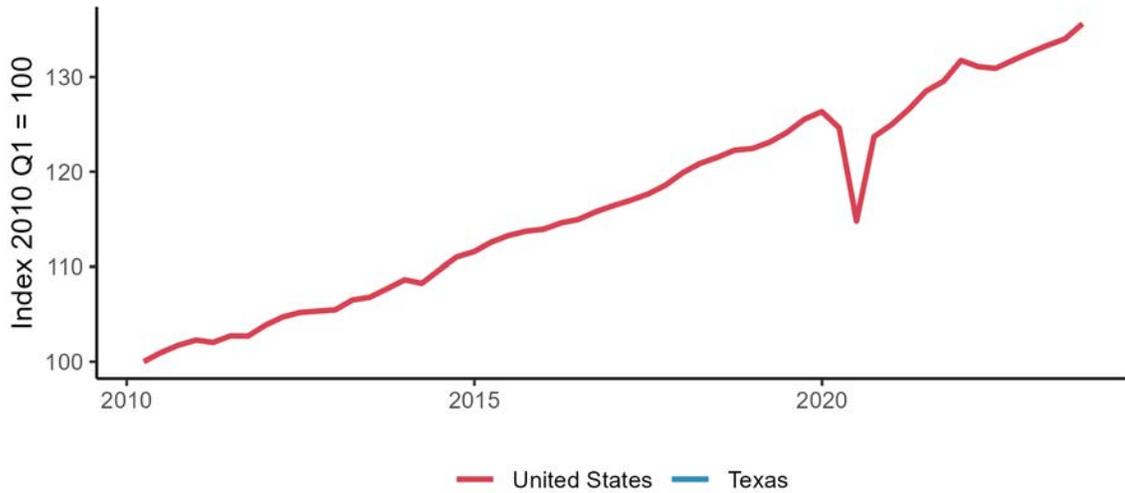
Source: Federal Reserve Bank of Dallas





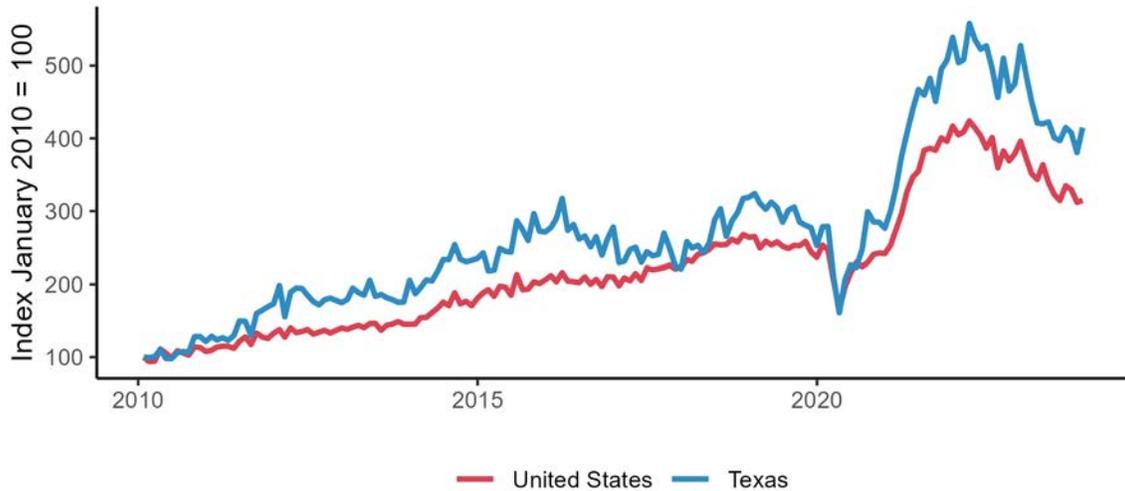
Economic Activity

Gross Domestic Product



Source: Bureau of Economic Analysis

Job Openings

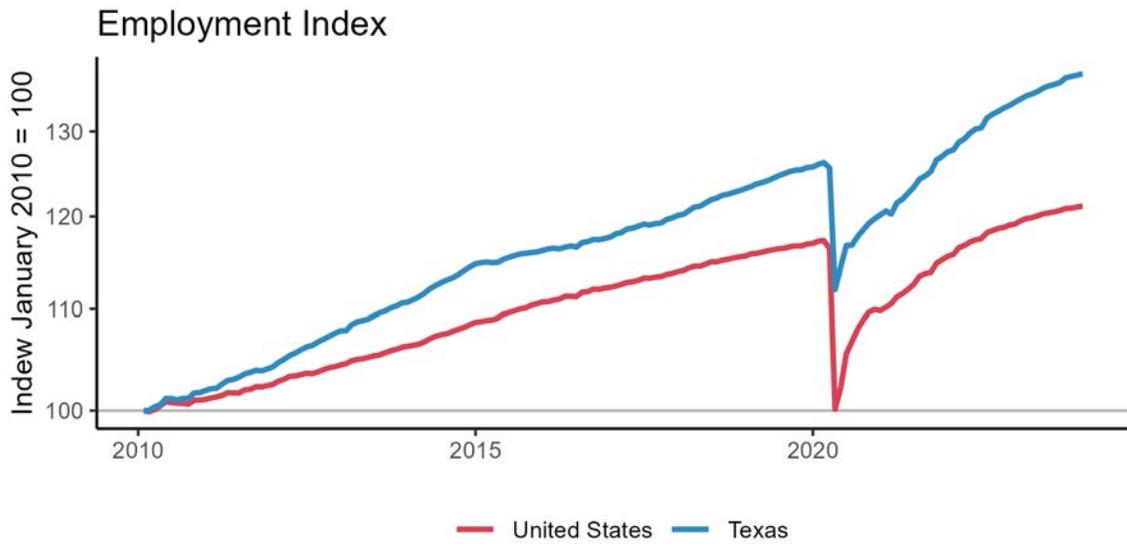


Source: Bureau of Labor Statistics

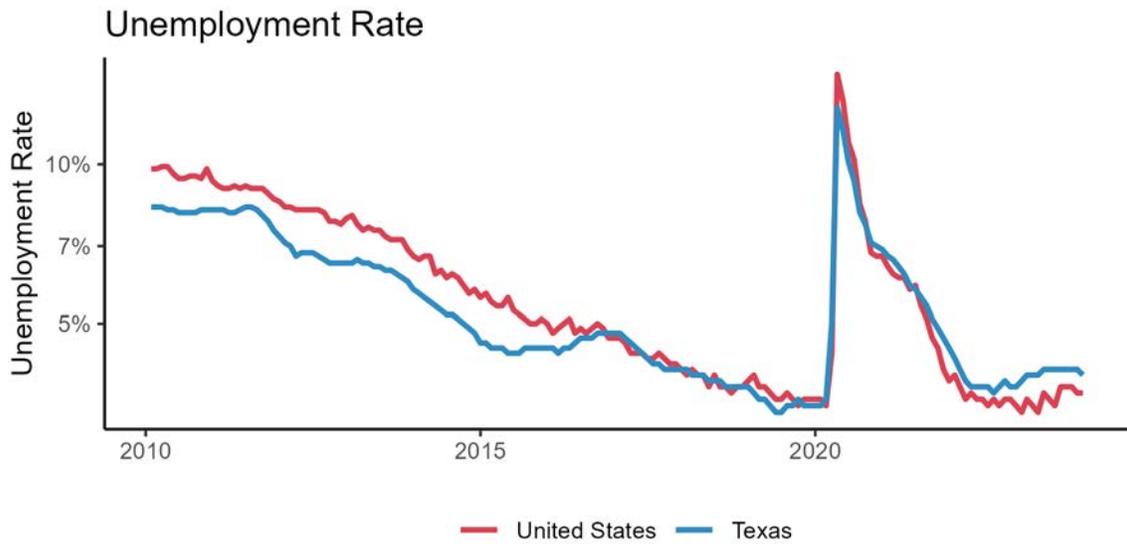




Employment



Source: Bureau of Labor Statistics



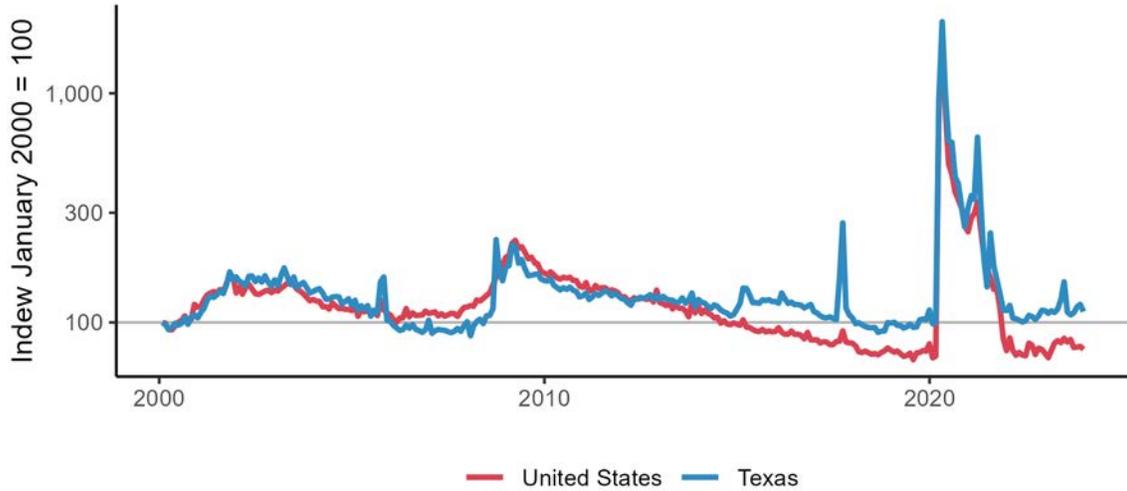
Source: Bureau of Labor Statistics





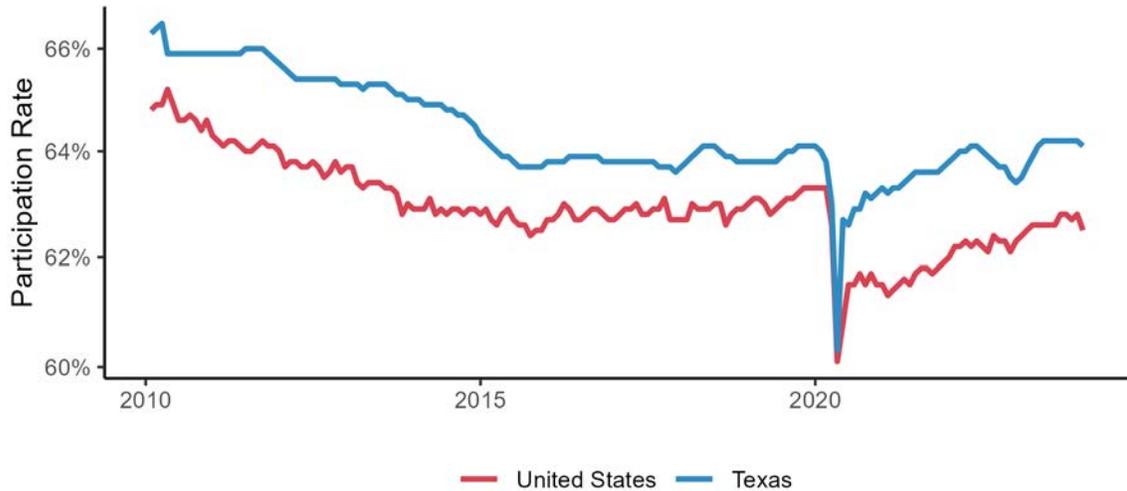
Employment

Initial Unemployment Claims



Source: Department of Labor

Labor Force Participation Rate



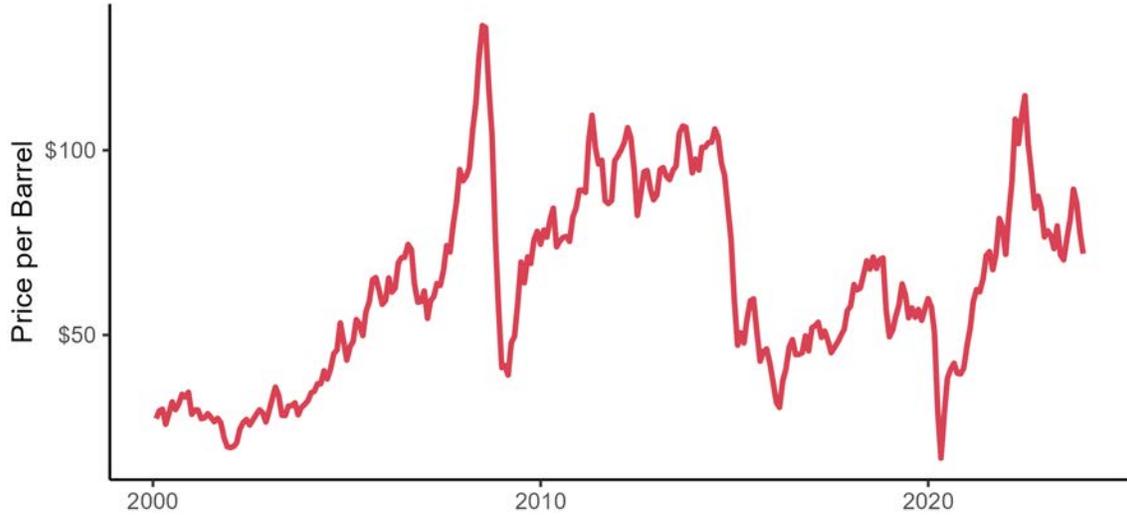
Source: Bureau of Labor Statistics





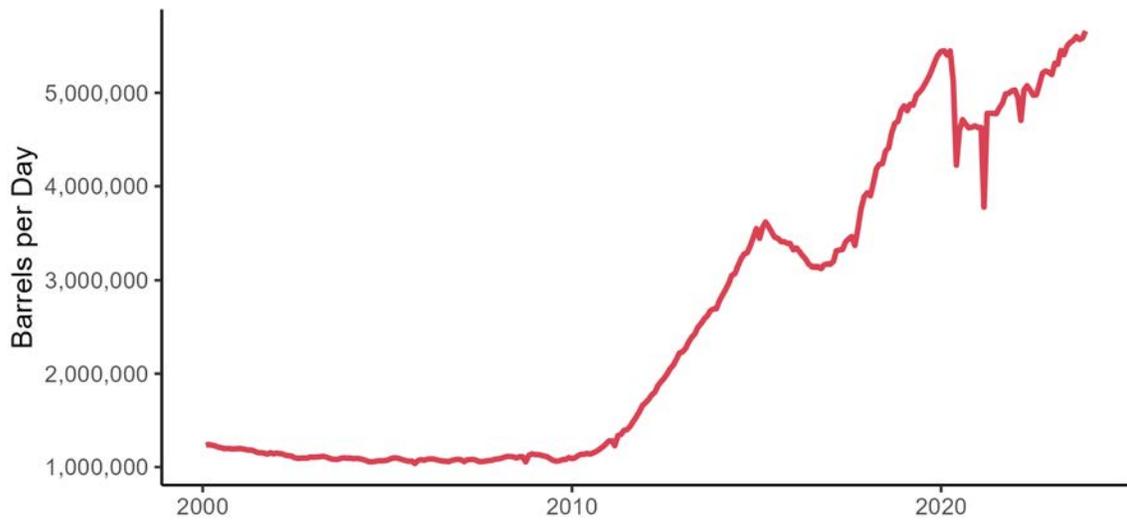
Energy

Crude Oil Price



Source: Energy Information Administration

Texas Crude Oil Production



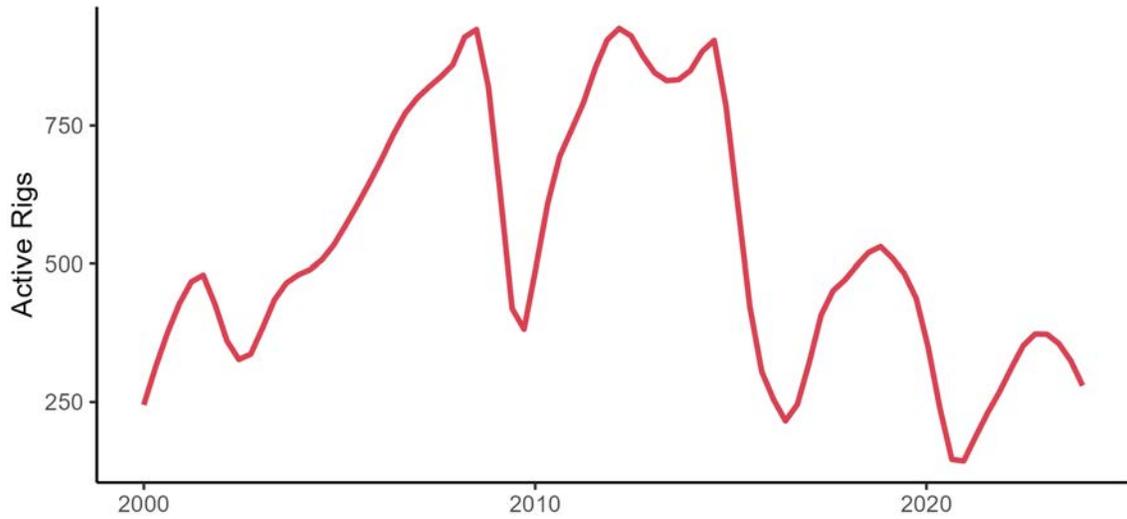
Source: Energy Information Administration





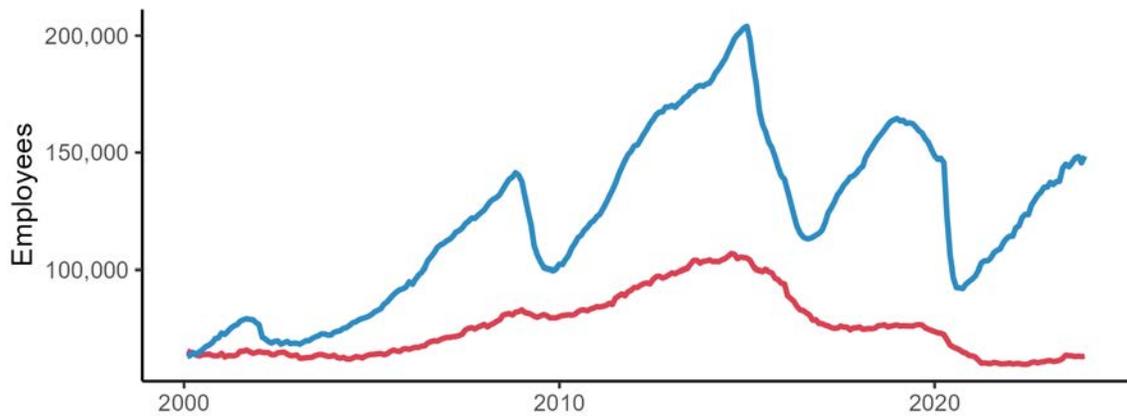
Energy

Texas Active Rotary Rig Count



Source: Baker Hughes

Oil and Gas Extraction Employment



— Oil and Gas Extraction — Support Activities

Source: Bureau of Labor Statistics

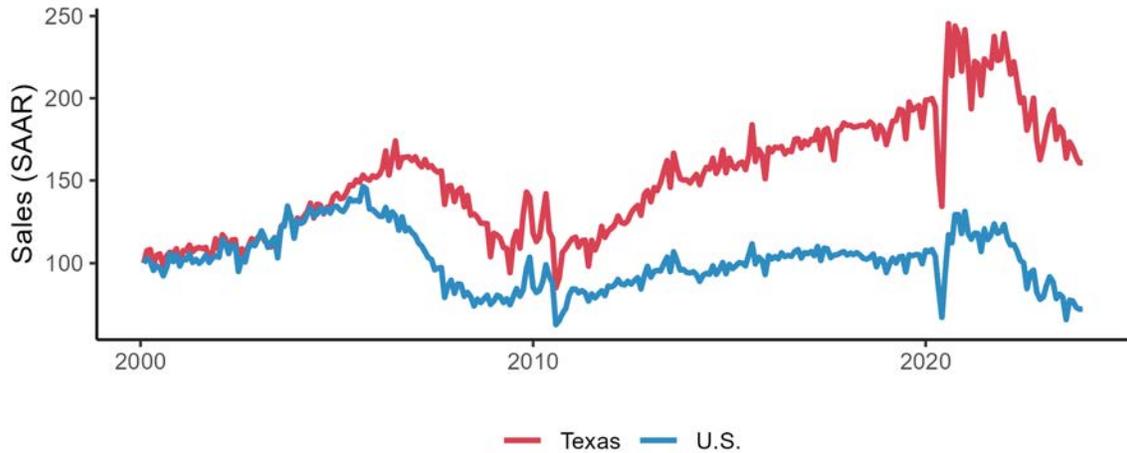




Housing

Residential Home Sales

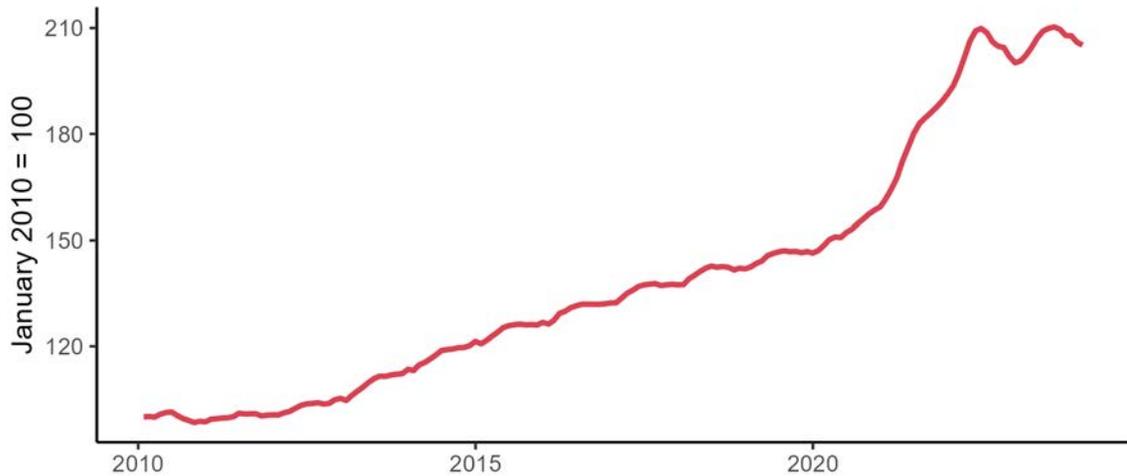
Seasonally Adjusted Annualized Rate



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



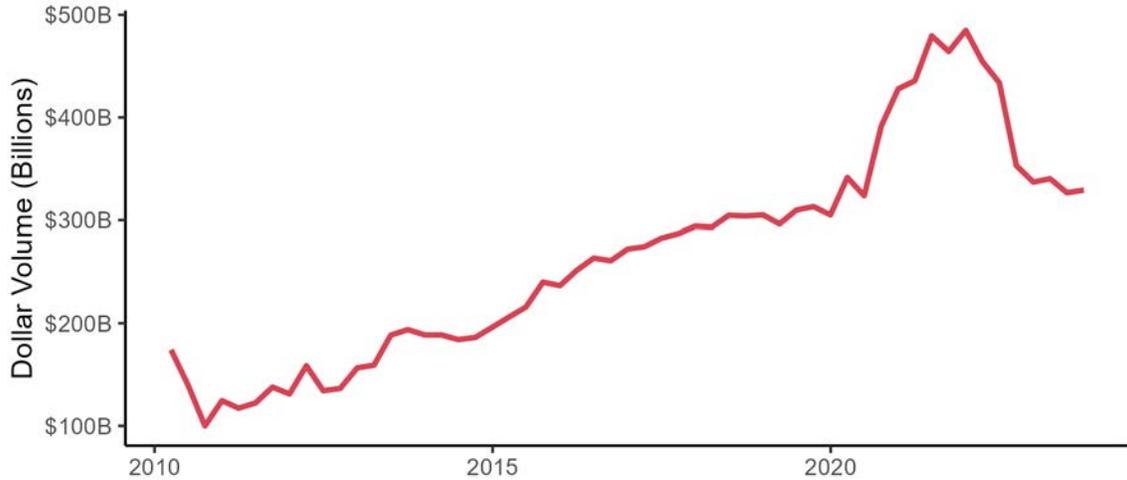
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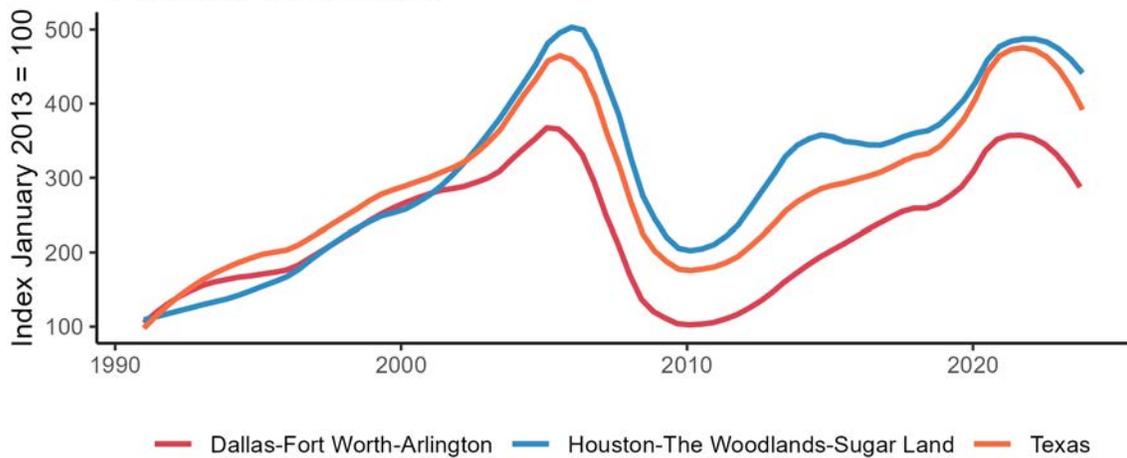
Housing

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



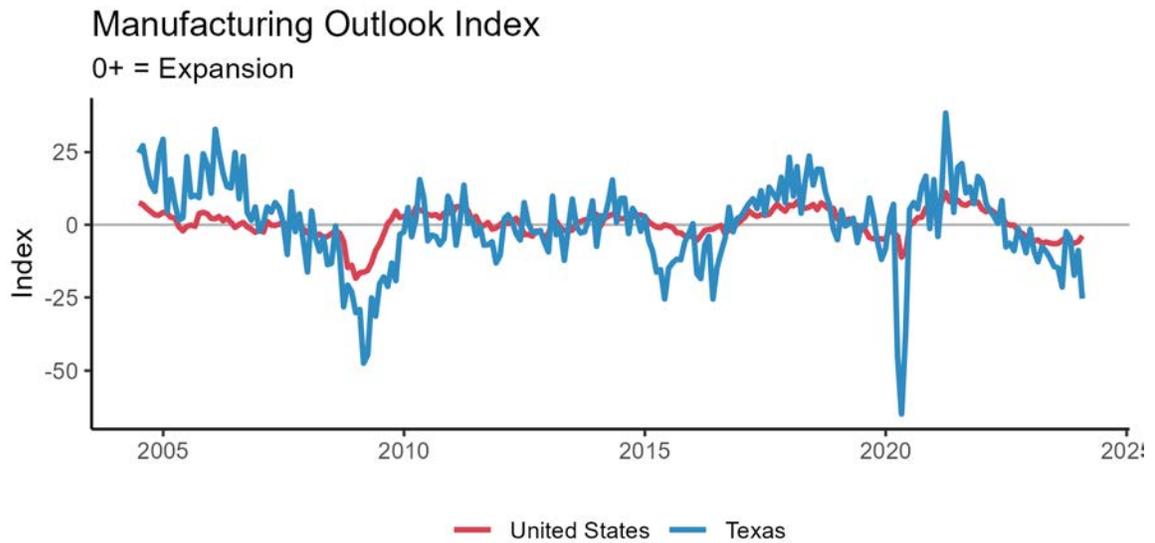
Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University



Manufacturing



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



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

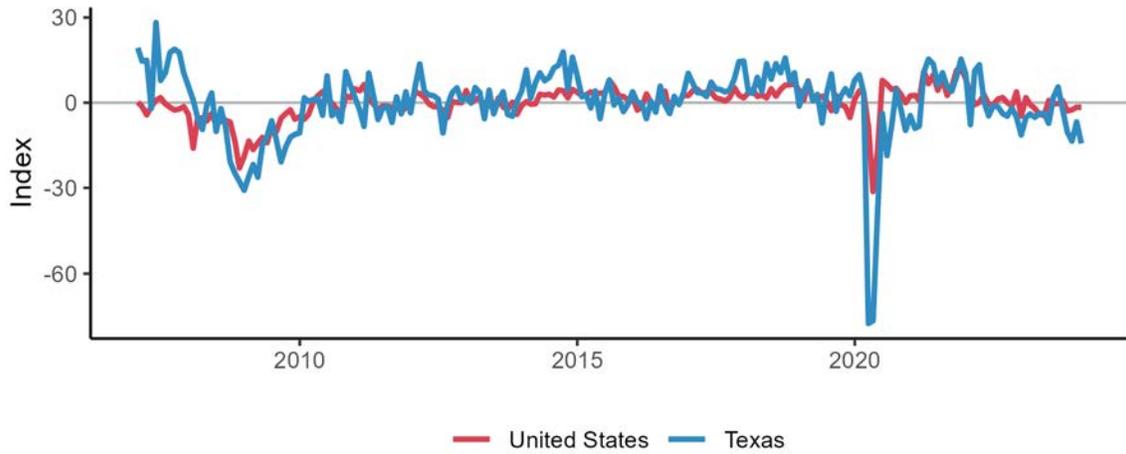




Services

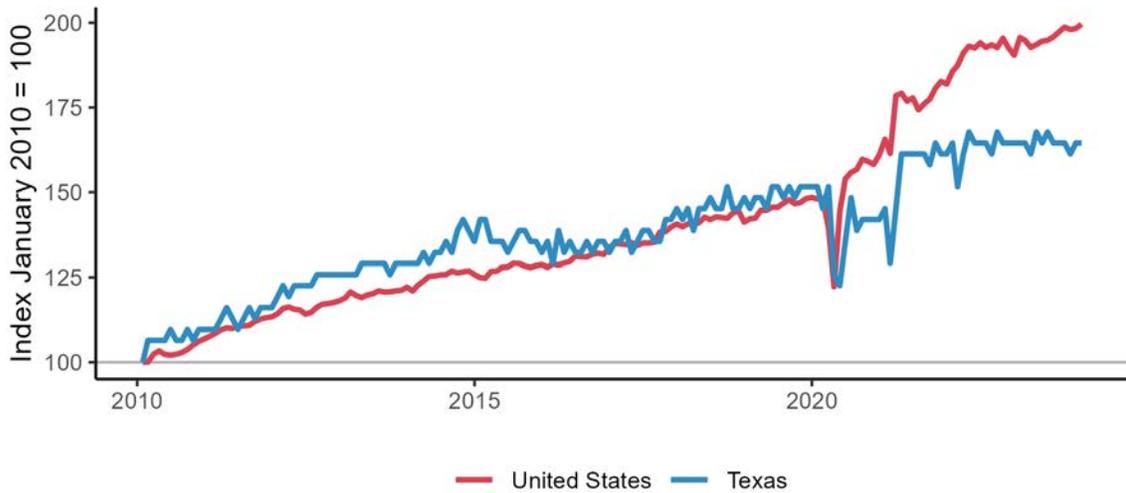
Services Sector Outlook Index

0+ = Expansion



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

Retail Sales Index



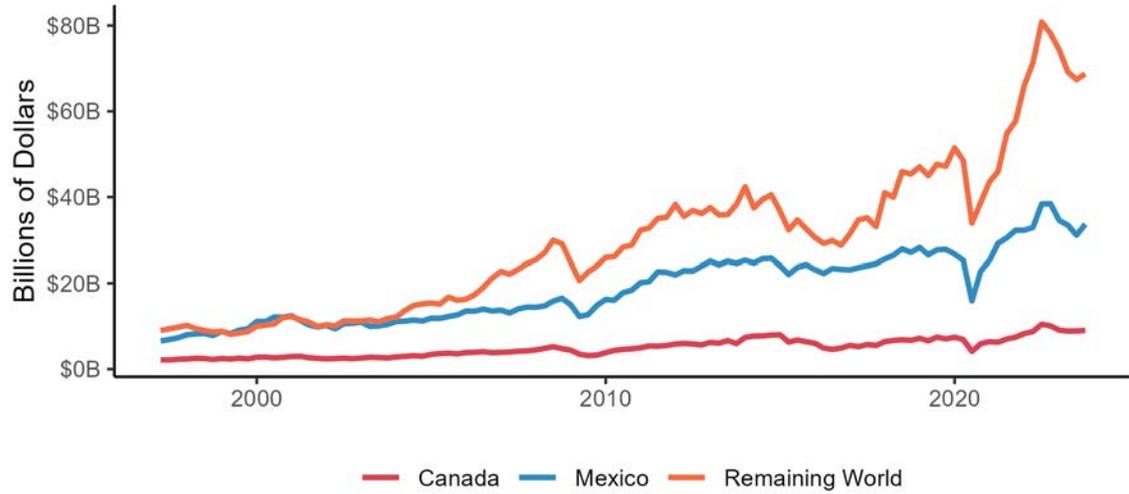
Source: Census Bureau - Federal Reserve Bank of Dallas





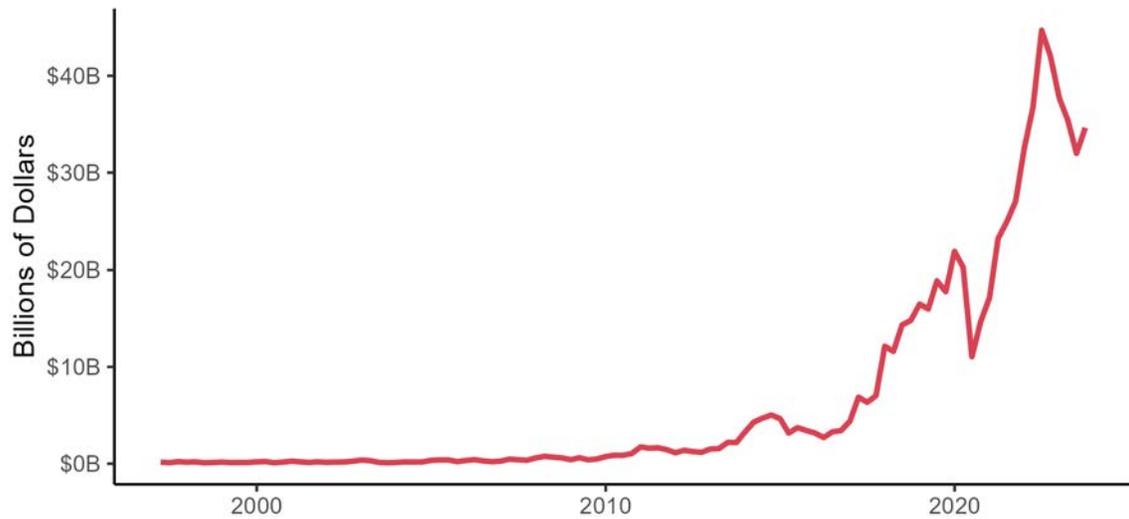
Trade

Texas Export Values by Destination



Source: Census Bureau via WISER

Texas Oil and Gas Exports



Source: Census Bureau via WISER



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