Major Metros Total Construction Values ................................................................. 24
CPI Inflation Rates .................................................................................................. 25
CPI Inflation Rates (Dallas-Fort Worth Components) ............................................. 25
Trade ...................................................................................................................... 26
Real Trade Weighted Value of U.S. Dollar ............................................................. 26
Exports (All Commodities) .................................................................................... 26
Manufacturing Exports ......................................................................................... 27
Crude Oil Exports ................................................................................................. 27
Texas Exports by Country ...................................................................................... 28
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 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, Paige Silva, and Griffin Carter

Data current as of March 20, 2020

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Please note this review does not account for the impacts of the COVID-19 outbreak but reflects the economy through January 2020.

Summary

Texas’ economy maintained positive momentum during January. The job market remained healthy, pushing the foreclosure inventory to a three-decade low. Low mortgage rates supported housing demand while residential construction hovered at cycle highs, boding well for the real estate market. On the other hand, the manufacturing and energy sectors struggled amid slowing global activity and news of China’s coronavirus outbreak, which lowered demand expectations for oil and pulled crude oil prices down. Total export values fell as outgoing shipments of related commodities were affected. The coronavirus has spread around the globe, and the repercussions on the Texas economy are sure to be revealed in the coming months’ data. The depth and duration of the virus’ impacts, however, are yet to be determined. (For more about COVID-19’s impact on the Texas economy, see recenter.tamu.edu/articles/research-article/COVID-19.)

The Lone Star State started the year with strong economic activity as indicated by the Dallas Fed’s Texas Business-Cycle Index, increasing 5.1 percent on a seasonally adjusted annualized rate (SAAR) compared with average growth of 4.4 percent in 2019. Austin led the major metros with its index climbing 7.6 percent, followed by Dallas at 6.2 percent. Fort Worth’s index accelerated 5.9 percent, mostly from labor market improvements. Houston’s and San Antonio’s indices rose at slower paces than the statewide metric but still maintained healthy growth of 3.7 and 4.9 percent, respectively.

The Texas Leading Economic Index, a measure of future directional changes in the business cycle, increased in January amid strength in the national data and decreased initial unemployment claims, suggesting the state economy was projected to flourish prior to the domestic coronavirus outbreak. The Texas Consumer Confidence Index ticked up but stayed well below the record high reached before oil prices slid in October 2018.

Both the national and Texas foreclosure inventories sank in 4Q2019 to levels unseen since the mid-1980s, corroborating the health of both economies prior to the COVID-19 shock. The U.S. foreclosure inventory sank below 0.8 percent while the state hovered just above 0.5 percent. Inventories may rise in the second half of 2020 if coronavirus-induced layoffs and curbed

1 All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.
workweeks are prolonged, but a nationwide moratorium on foreclosures has been approved to assist homeowners struggling to make mortgage payments.

After speculation of a U.S.-China trade truce supported modest increases in interest rates during 4Q2019, U.S.-Iranian military strikes and initial news of the coronavirus outbreak pulled rates down in January. The ten-year U.S. Treasury bond yield fell below 1.8 percent, while the Federal Home Loan Mortgage Corporation’s 30-year fixed-rate decreased to 3.6 percent. After declining the previous month, mortgage applications for home purchases jumped 9.1 percent. Refinance activity stumbled over the month, but the overall trend remained positive considering refinance mortgage applications nearly tripled during 2019.

Texas monthly housing sales flattened just below record levels reached at year end. The Texas Residential Construction Cycle (Coincident) Index, which measures current construction activity, balanced after trending upward for four straight months as construction employment growth slowed. The Residential Construction Leading Index dipped slightly as housing starts declined but hovered around the post-crisis high, suggesting solid levels of construction in the coming months. (For additional housing commentary and statistics, see Texas Housing Insight at recenter.tamu.edu.)

The West Texas Intermediate (WTI) crude oil spot price averaged more than $59 per barrel in January as tensions between the U.S. and Iran ignited temporary concerns over longer-term risks of conflict. Prices fell at month end, however, as global demand expectations were revised downward amid news of the coronavirus outbreak in China, the world’s biggest oil importer. Oil prices are expected to reach critically low levels as the virus affects countries worldwide and as the Saudi-Russian price war continues. Texas crude oil production neared 5.3 million barrels per day in December, while the active rig count dropped to 401, the lowest since 2017. On the natural gas front, the Henry Hub spot price sank to a three-and-a-half-year low of $1.93 per million British thermal unit (BTU) as warmer-than-average weather contributed to built-up inventories. In the Permian, the West Texas Waha spot price dipped into negative territory as pipelines began to fill, diminishing exit capacity. The bottleneck may loosen since natural gas output in West Texas, a by-product of oil-directed wells, is expected to decline as oil prices decrease.

Texas’ nonfarm employment grew by 19,500 jobs in January after adding an average 23,900 positions each month in 2019 for SAAR growth of 2.7 percent. The unemployment rate held at 3.5 percent for the sixth consecutive month. On the metropolitan level, joblessness hovered at post-recessionary lows. Austin maintained the lowest unemployment rate at 2.6 percent, while San Antonio and Dallas held steady at 3.0 and 3.1 percent, respectively. Fort Worth joblessness was 3.2 percent, while Houston’s rate flattened after ticking up to 3.7 percent at year end. The state’s labor force participation stabilized at 64.1 percent while initial unemployment insurance claims fell below 58,000 after picking up in the fourth quarter.

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2 The release of crude oil production typically lags the Outlook for the Texas Economy by one month.
Texas’ **real private hourly earnings** continued to fall year over year (YOY) following a negative trend through the second half of 2019. The aging workforce may explain some sluggishness in the average earnings, as older workers generally experience less wage growth. Austin was the highest-paying metro with average nominal wages reaching $30 per hour for the first time in series history; but after adjusting for inflation, earnings fell 1 percent YOY. Real earnings in Dallas ($29.39) and Houston ($27.94) decreased 2.7 and 2.5 percent YOY, respectively, but declines showed signs of slowing. On a positive note, Fort Worth ($26.60) and San Antonio ($25.12) wages reached all-time highs, improving 4.1 and 2.5 percent, respectively, in real terms.

Data revisions for 2019 employment were recently released. The table summarizes the changes for Texas and the major MSAs, all of which were revised downward except for Austin and Fort Worth. These amended numbers are considered in the Real Estate Center’s analysis.

### Data Revisions to 2019 Texas and Major MSA Employment

<table>
<thead>
<tr>
<th>MSA</th>
<th>Preliminary Jobs Added</th>
<th>Preliminary Percentage Change</th>
<th>Revised Jobs Added</th>
<th>Revised Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>342,800</td>
<td>2.7</td>
<td>286,600</td>
<td>2.3</td>
</tr>
<tr>
<td>Austin-Round Rock</td>
<td>36,600</td>
<td>3.4</td>
<td>39,800</td>
<td>3.6</td>
</tr>
<tr>
<td>Dallas-Plano-Irving</td>
<td>107,800</td>
<td>4.1</td>
<td>93,700</td>
<td>3.5</td>
</tr>
<tr>
<td>Fort Worth-Arlington</td>
<td>18,200</td>
<td>1.7</td>
<td>28,300</td>
<td>2.6</td>
</tr>
<tr>
<td>Houston-The Woodlands-Sugar Land</td>
<td>90,000</td>
<td>2.9</td>
<td>62,800</td>
<td>2.0</td>
</tr>
<tr>
<td>San Antonio-New Braunfels</td>
<td>33,200</td>
<td>3.1</td>
<td>24,300</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Note: Both the number of jobs added and percentage change calculations are computed from December 2018 and December 2019 employment.

Source: Bureau of Labor Statistics

January data revealed North Texas led the state in terms of SAAR employment growth, increasing 4.4 percent in Fort Worth as its monthly job expansion exceeded that of the 2019 average. The metropolitan division’s education and health, leisure and hospitality, and other services sectors supported the 2,900-job rebound after an overall contraction at year end. In Dallas, job growth accelerated 4.1 percent, although hiring slowed as both wholesale and retail trade registered net losses. Data revisions revealed Houston added only 62,800 jobs in 2019 compared with the preliminary estimate of 90,000. The metro, however, gained 7,600 employees in January, accelerating 2.8 percent SAAR as education and health services expanded. On the other hand, Houston’s manufacturing and mining and logging sectors laid off a combined 4,300 jobs to start the year and may see additional pressures in the coming months during energy industry disruptions. Austin employment maintained 3.2 percent growth as strength in the leisure and hospitality sector offset downward corrections in professional and business services, which added a record 3,500 jobs during the month of December 2019. San Antonio’s employment growth eased to 3.5 percent after creating 1,500 new positions, three-quarters the number of monthly hires averaged in 2019. Financial activities was the largest deterrent, shedding 800 jobs after growing for five consecutive months.
Texas’ service-providing sector supported overall job growth, generating 23,700 positions. On the subsector level, accommodation and food services expanded by 7,800, followed by religious/grantmaking/civic/professional organizations, which increased for the sixth consecutive month, adding 5,800 employees. Similarly, the Dallas Fed’s Service Sector Outlook Survey suggested steady hiring and improved revenues. The part-time employment and hours worked indices, however, slowed and may be expected to struggle in the second quarter as coronavirus effects are revealed in the data. Company outlook and business activity remained above their respective series averages, but uncertainty increased. Survey participants noted the presidential election as a concern, although an initial trade agreement with China somewhat eased tariff uncertainty.

After adding 15,200 retail jobs in 4Q2019, industry employment decreased by 1,600 in January, flattening relative to year-ago levels. Real retail sales rose 4.1 percent YOY in January after falling during 4Q2018, but rate of change slowed. The Dallas Fed’s Retail Outlook Survey corroborated the data with the revenue, full and part-time employment, and hours-worked indices decelerating from December. Company outlook weakened while the general business activity metric dipped into negative territory, indicating more respondents reported worsening, rather than improving, conditions. Nonetheless, perceptions of future retail activity were optimistic.

Goods-producing employment dragged on the Texas economy, falling for the second consecutive month. Mining and logging contracted by 1,700 on top of net losses nearly every month in 2019, while durable goods manufacturing shed 2,800 positions. On the bright side, hourly manufacturing earnings ventured into positive YOY growth territory for the first time since March 2019, rising 2.4 percent after accounting for inflation. Dallas was the only major metro to register an improvement, although Houston’s downhill slide decelerated. The Dallas Fed’s Manufacturing Outlook Survey confirmed slower hiring and higher wages, but the hours worked index fell, indicating a net shift to a shorter workweek. Despite the production and capacity utilization measures maintaining positive momentum, the business activity index contracted for the fourth straight month.

Construction hiring, which increased 4.8 percent annually in 2019, came to a halt in January with slowdowns in every major metro. The industry’s inflation-adjusted wages extended a flat trend following a year-and-a-half period of improvement in 2017-18. Total construction values dropped 12.3 percent YOY after adjusting for inflation, but the trend remained on an upward trajectory following an 11.4 percent surge during 4Q2019. In Austin and Houston, both residential and nonresidential values retreated. Austin’s decrease was mostly due to a downward correction in the office/bank building sector after reaching a record high at year end. In Houston, multifamily construction showed signs of normalizing to pre-Hurricane Harvey levels. School construction was an exception to Houston’s nonresidential decline. The same sector in San Antonio, however, was mostly responsible for the metro’s reduced overall values. DFW’s warehouse sector rebounded after a sluggish fourth quarter, but drawbacks in hospital and residential construction offset industrial improvement.

Higher energy prices than in January 2019 supported upward pressure on the U.S. Consumer Price Index (CPI), which increased 2.5 percent YOY. Meanwhile, core inflation steadied at 2.3 percent
YOY growth for the fourth consecutive month. The CPI in DFW rose 2.2 percent YOY as local transportation and housing costs accelerated.

Despite a fourth quarter decrease in the Texas trade-weighted value of the dollar\(^3\), which makes domestic goods less expensive to the foreign consumer, Texas’ real commodity exports declined 2.3 percent. Manufacturing exports fell by the same magnitude after adjusting for inflation, mostly due to reduced aerospace products/parts and machinery shipments. Crude oil exports corrected downward 21 percent after a massive surge in outgoing shipments at year end, especially to Europe and Singapore. Nevertheless, the inflation-adjusted value of crude oil exports exceeded the 2019 monthly average.

The U.S.’ northern and southern neighbors remained Texas’ largest trading partners, receiving more than 40 percent of the state’s outgoing shipments combined. Exports to Mexico flattened, but those destined for Canada increased by 11.6 percent amid an upsurge in energy-related purchases. The ratification of the U.S.-Mexico-Canada Agreement by all three countries should reaffirm trade relationships in the coming months. Although China was Texas’ third top destination for exports less than three years ago, the country received just over 2 percent of outgoing shipments after a reduction in machinery exports. A phase-one trade deal was officially signed between the U.S. and China on January 15\(^{th}\), providing some relief to the rampant trade uncertainty underlying supply-chains for the past year-and-a-half. Unfortunately, the worldwide spread of the coronavirus outbreak is expected to make meeting the agreement’s provisions difficult for both countries. Many facets of the Texas economy are being affected by the disease, most notably the trade industry.

The data reported here indicate the strength of the overall U.S. and Texas economies prior to the COVID-19 outbreak. February data will no doubt continue to indicate a relatively strong economic condition, but clearly the events of the past two weeks and the expectations for the next several months may make all of this insignificant. Texas faces a double-whammy with oil prices falling to lows not seen in decades. Early projections for the first quarter of the year have been drastically revised from a modest increase to a severe decline in GDP growth. The first quarter is practically over, so the statistical impact will not be nearly as severe as what the second and third quarter growth rates will be. The U.S. and Texas are headed into, if not already in, a recession. How bad it will be is yet to be seen.

\(^3\) The release of the Texas trade-weighted value of the dollar data typically lags the Outlook for the Texas Economy by one month.
Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas
Note: Trend-cycle Component.
Source: Conference Board
Mortgage Foreclosure Inventory (End of Period)

Note: Seasonally adjusted.
Source: Mortgage Bankers Association

30-Year Mortgage Rate and Ten-Year Bond Yield

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

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**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
Note: Seasonally adjusted, three-month moving average. January 2020 is preliminary.
For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

Note: Seasonally adjusted. January 2020 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics
Note: Seasonally adjusted. January 2020 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
Note: Seasonally adjusted. For more information, see Unemployment Insurance Claims: Initial Applications.
Source: Department of Labor

Notes: Inflation adjusted, seasonally adjusted. January 2020 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Notes: Inflation adjusted, seasonally adjusted. January 2020 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics

Note: Seasonally adjusted, three-month moving average. January 2020 is preliminary.
For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics
Services

Services Sector Outlook Survey
(Index)

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)

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
Manufacturing Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, three-month moving average. January 2020 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. January 2020 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics
Notes: Inflation adjusted, seasonally adjusted. January 2020 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics

Notes: Inflation adjusted, seasonally adjusted. January 2020 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
Construction Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, 3-month moving average. January 2020 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, seasonally adjusted. January 2020 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics
Note: Seasonally adjusted. For more information, see CPI Inflation Rates.
Source: Bureau of Labor Statistics

Note: The Dallas-Fort Worth 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
Real Trade Weighted Value of U.S. Dollar
(Index Jan 2007 = 100)

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