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 monthly 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, and Paige Silva

Data current as of September 12, 2019

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Texas’ economy remained robust in the longest U.S. economic expansion on record, reaching 121 consecutive months of growth. Crude oil prices remained low but saw some improvement, while gas prices may rise in the third quarter as pipeline capacity increases. Stable hiring failed to stimulate real earnings, however, unemployment hovered at historical lows. Housing sales trended upward amid healthy economic conditions and falling mortgage interest rates. Real commodity and manufacturing exports improved, but the slowing world economy and escalating trade tensions continue to threaten the Texas economy.

The Dallas Fed’s Texas Business-Cycle Index revealed healthy economic activity, accelerating 5.3 percent on a seasonally adjusted annualized rate (SAAR). Strong labor market conditions upheld growth in the major metros. Both Houston and Fort Worth’s metric matched the statewide measure. The Austin and Dallas indices indicated robust economic conditions, increasing 8.5 and 6.3 percent SAAR growth, respectively. Activity in San Antonio registered 2.4 percent growth amid more moderate hiring.

The Texas Leading Economic Index (a measure of future directional changes in the business cycle) inched up slightly as unemployment claims retreated and oil prices rallied. Moderation in the national economy, however, may dampen state growth in the second half of the year. The Texas Consumer Confidence Index surged 11.6 points to reach the highest level since oil prices slid in October 2018.

The extended business-cycle expansion and relatively strict lending standards kept the national foreclosure inventory below 1 percent in 2Q2019 for the third straight quarter. Texas’ foreclosure inventory hovered around levels unseen since before the oil bust in the 1980s at just 0.6 percent. These conditions corroborate the current health of the economy.

Continued concerns about global economic growth and trade uncertainty, however, pulled interest rates down for the ninth consecutive month, although economic fundamentals at the state and national level remain solid. Interest rates could fall further following the Federal Reserve’s rate cut. The ten-year U.S. Treasury bond yield flattened at a two-and-a-half year low of 2.1 percent, while the Federal Home Loan Mortgage Corporation’s 30-year fixed-rate dropped below 3.8 percent.

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1 All monthly measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.
Texans capitalized on lower rates, pushing mortgage applications for home purchases up 18.1 percent year to date (YTD). Refinance mortgage applications, which are more sensitive to interest rate fluctuations, have doubled since year-end.

Texas housing sales recovered after second quarter declines, trending upward amid lower mortgage interest rates and a robust economy. The Texas Residential Construction Cycle (Coincident) Index, which measures current construction activity, inched up amid ongoing payroll growth in the industry. Higher wages and an upturn in construction values, however, are crucial for the metric’s continued growth. The Residential Construction Leading Index rose to its highest level since the Great Recession as falling interest rates and a rebound in building permits favored a more positive outlook. (For additional housing commentary and statistics, see Texas Housing Insight at recenter.tamu.edu.)

The average West Texas intermediate crude oil spot price rose above $56 per barrel, more than $5 above the December trough. Better than expected U.S. economic data and concerns over oil transportation in the Strait of Hormuz contributed to higher prices. Texas production exceeded five million barrels per day in June for the first time in series history, although the active rig count ticked down for the sixth consecutive month to 455 in July. On the natural gas front, prices remained low as mild weather at the beginning of summer led to built-up inventories, precluding July price hikes as temperatures elevated. The Henry Hub spot price fell to $2.36 per million British thermal unit (BTU), extending a three-year low. In the Permian Basin, insufficient infrastructure kept the West Texas Waha spot price below profitable levels, but production remained steady. Prices are expected to increase moderately as additional pipelines go into service in the third quarter.

Texas nonfarm employment accelerated 3.4 percent SAAR, adding 35,200 jobs on top of upward revisions to June numbers. The updates raised the Dallas Fed’s annual employment growth projection to 2.6 percent. The unemployment rate flattened at a series low of 3.4 percent. On the metropolitan level, joblessness remained low as well. Austin maintained the lowest unemployment rate at 2.6 percent, followed by San Antonio at 3 percent. Unemployment in North Texas ticked down to 3.1 percent. In Houston, the unemployment rate fell to a record low at 3.6 percent. After two straight increases, the number of initial unemployment insurance claims fell to 56,500. Labor force participation inched down to 63.7 percent at the state level, but this may be due more to the aging population than to an increasing number of discouraged workers dropping out of the labor force.

As Texas’ real private hourly earnings have failed to make significant headway over the past five years, the spread between the nationwide and state average reached the greatest differential yet. The nominal gap widened to $1.85. Wages in the major metros faltered in July as well. Austin registered nominal earnings of $28.26 per hour; however, the metro’s real wages fell 5.4 percent.

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2 The release of crude oil production typically lags the Outlook for the Texas Economy by one month.
year over year (Y.O.Y.). This marks the capital’s seventh consecutive decline. Following eight months of improvement, payment in Dallas ($28.65) and San Antonio ($24.15) sank 2.9 and 1.0 percent Y.O.Y., respectively, after adjusting for inflation. Houston’s real earnings declined 2.5 percent Y.O.Y., the fourth decrease in the past five months while nominal earnings ticked down to $27.29 per hour. Fort Worth was the exception as hourly wages surpassed $27 for the first time in series history, rising 1.8 percent Y.O.Y. after adjusting for inflation.

In an environment of stagnant wages, payrolls expanded in all the major metros. Austin and Dallas led in terms of SAAR employment growth, accelerating 4.5 percent. Austin added 3,500 positions in July, with more than half of the new jobs belonging to either the retail trade or leisure/hospitality industry. Payrolls expanded by 14,200 in Dallas, bolstered by gains in the professional/business services and financial activities sectors. San Antonio employment inched up 2 percent SAAR, creating 3,100 jobs. More than half of the positions added were education/health related. The same sector expanded in Fort Worth, which, along with wholesale trade, supported a 4,300-job increase. Houston payrolls increased by only 2,900 but maintained 3.7 percent SAAR. Mining/logging and service sectors losses weighed on professional/business services and leisure/hospitality expansions.

Although Houston’s energy sector shed jobs, Texas’ goods-producing employment created 6,700 positions as construction payrolls upheld steady growth. Real hourly construction earnings, however, declined Y.O.Y. for the sixth straight month. This may be due to employers hiring more low-skilled workers as the demand for higher-paid tradesmen remain largely unfilled. **Total construction values** extended a downward trend following a 3Q2018 peak in activity. The nonresidential sector continued to drag as office building activity took a step back in DFW and Austin. Residential values leveled after declining at year-end and through 1Q2019. Increased apartment building in San Antonio offset much of the reduction in Houston. Single-family private construction values remained suppressed across the state.

Texas’ manufacturing employment increased by 3,500 jobs in July after a sluggish start to the year. The industry added 3,500 new jobs, the greatest monthly change since December. Forty percent of the gains, however, compensated for Austin’s four-month reduction. North Texas payrolls added 1,000 and 700 jobs in Dallas and Fort Worth, respectively. Industry employment in San Antonio continued to grow steadily, adding more than 500 jobs YTD.

**Real hourly manufacturing earnings** decreased Y.O.Y. on a statewide basis for the third consecutive month. Houston wages stabilized after a five-month decline but paid less than the nationwide average. Earnings in Dallas and San Antonio trended down while Fort Worth’s hourly wages showed signs of moderating growth after seven straight increases. The **Dallas Fed’s Manufacturing Outlook Survey** corroborated these trends as the employment index accelerated with nearly a quarter of respondents reporting increased hiring. Fewer survey participants, however, reported rising wages and benefits compared with June. On the other hand, production, capacity utilization, number of new orders, and the growth rate of new orders rose despite increasing input prices. Escalations in U.S.-China trade tensions may inhibit growth in the coming months.
Employment growth in Texas’ service-providing sector remained strong, registering 28,500 new positions. Accommodation/food services accounted for over a fifth of the monthly increase despite comprising only 10 percent of the nonfarm workforce. The health care/social assistance sector followed, adding 6,500 new employees. Consistent with the data, the Dallas Fed’s Service Sector Outlook Survey revealed acceleration in the employment (full-time and part-time) and number of hours worked indices. Outlook uncertainty remained strong amid tariff concerns, but more than a third of businesses declared increases in revenue.

Increased energy prices and strong consumer spending lifted the U.S. Consumer Price Index (CPI) above 1.8 percent YOY. Core inflation, however, achieved the Fed’s 2 percent benchmark for the second straight month. Inflation may rise further in the third quarter as the interest rate decrease at the end of July takes effect. Slight improvement in the transportation sector coupled with rebounding housing costs pulled the Dallas CPI up 2.3 percent YOY.

As the Texas trade-weighted value of the dollar3 exhibited modest depreciation for the second consecutive month, Texas’ real commodity exports rose 1.4 percent to a record-high. Most of the change is due to increased energy-related, chemical, and computer/electronic product shipments to Mexico. National exports climbed 3.7 percent but remained below May 2018 peak levels before U.S.-China tariffs escalated. State manufacturing exports registered a third monthly increase after adjusting for inflation, rising 2.3 percent. Crude oil exports fell 6.3 percent from the previous month’s all-time high as exports to China backtracked. The YTD record, however, registered 32.2 percent growth.

The value of total Texas exports to China increased 32.3 percent YTD but remained more than 40 percent below the pre-tariff high in October 2017. At that time, exports to China comprised 7.7 percent of world exports. Presently, less than 4 percent of exports from Texas are sent to China, ranking fourth behind Mexico (33.1 percent), Canada (8.2 percent), and South Korea (5.7 percent) as crude oil exports to the latter increased.

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3 The release of Texas retail sales and trade-weighted value of the dollar data typically lags the Outlook for the Texas Economy by one month.
Texas Business Cycle Index and Leading Index
(Index Jan 2007 = 100)

Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas

Major Metros Business Cycle Index
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas
Consumer Confidence Index
(Index Jan 2011 = 100)

Note: Trend-cycle Component.
Source: Conference Board
30-Year Mortgage Rate and 10-Year Bond Yield
(Percent)

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

Texas Mortgage Applications
(Year-over-Year Percentage Change)

Source: Mortgage Bankers Association
Mortgage Foreclosure Inventory (End of Period)
(Percent)

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

$/Barrel

$/million BTU

Crude Oil
Natural Gas (Right Axis)


Note: Trend-cycle component. For more information, see Crude Oil and Natural Gas Prices.
Source: U.S. Energy Information Administration received from Thomson Reuters

Texas Production of Crude Oil and Rig Count

(Number of rigs)

(Millions of barrels per day)

Production of Crude Oil (Right Axis)
Number of Operating Rigs


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
Unemployment Rate
(Percent)

Note: Seasonally adjusted. July 2019 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics

Unemployment Insurance Claims: Initial Applications
(Year-over-Year Percentage Change)

Note: Seasonally adjusted. For more information, see Unemployment Insurance Claims: Initial Applications.
Source: Department of Labor
Major Metros Unemployment Rate
(Percent)

Note: Seasonally adjusted. July 2019 is preliminary. For more information, see Unemployment Rate. Source: Bureau of Labor Statistics

Labor Force Participation Rate
(Percent)

Note: Seasonally adjusted. For more information, see Unemployment Rate. Source: Bureau of Labor Statistics
Total Private Employee Hourly Earnings
(Year-over-Year Percent Change)

United States
Texas

Notes: Inflation adjusted. July 2019 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics

Major Metros Total Private Employee Hourly Earnings
(Year-over-Year Percent Change)

Notes: Inflation adjusted. July 2019 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Employment Growth Rate
(Quarter-over-Quarter Annualized Percent Change)

Note: Seasonally adjusted, three-month moving average. July 2019 is preliminary. For more information, see Employment Growth Rate. Source: Bureau of Labor Statistics

Major Metros Employment Growth Rate
(Quarter-over-Quarter Annualized Percent Change)

Note: Seasonally adjusted, three-month moving average. July 2019 is preliminary. For more information, see Employment Growth Rate. Source: Bureau of Labor Statistics
Manufacturing Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, three-month moving average. July 2019 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. July 2019 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics
Notes: Inflation adjusted. July 2019 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.
Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics
Construction Employment
(Quarter-over-Quarter Percent Change)

Construction Employee Hourly Earnings
(Year-over-Year Percent Change)

Notes: Seasonally adjusted, 3-month moving average. July 2019 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

Notes: Inflation adjusted. July 2019 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
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

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
Note: Seasonally adjusted. For more information, see CPI Inflation Rates.
Source: Bureau of Labor Statistics

Note: The Dallas 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
Exports (All Commodities)
(Year-over-Year Percent Change)

Manufacturing Exports
(Year-over-Year Percent Change)

Note: 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: 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
Crude Oil Exports
(Year-over-Year Percentage Change)

Note: 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.

Real Trade Weighted Value of U.S. Dollar
(Index Jan 2007 = 100)

Note: For more information, see Real Trade Weighted Value of U.S. Dollar. Sources: Federal Reserve Bank of Dallas and Federal Reserve Bank of St. Louis.
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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