Major Metros Manufacturing Employee Hourly Earnings.................................24
Manufacturing Outlook Survey ........................................................................25

**Construction** .................................................................................................26
Construction Employment ..................................................................................26
Construction Employee Hourly Earnings ..........................................................26
Texas Construction Values ..................................................................................27
Major Metros Total Construction Values ..........................................................27

**Services** ...........................................................................................................28
Services Sector Outlook Survey ...........................................................................28
Texas Retail Sector ..............................................................................................28
CPI Inflation Rates ..............................................................................................29
CPI Inflation Rates (Houston Components) ........................................................29

**Trade** ...............................................................................................................30
Real Trade Weighted Value of U.S. Dollar ..........................................................30
Exports (All Commodities) ................................................................................30
Manufacturing Exports ......................................................................................31
Crude Oil Exports ..............................................................................................31
Texas Exports by Country ...................................................................................32
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 Dec. 17, 2020

© 2020, Real Estate Center. All rights reserved.
Summary

Texas’ economy continued to rally in October, recouping 118,100 jobs, more than half of which were in the professional/business services or leisure/hospitality sectors. Nevertheless, unemployment stayed elevated at 6.9 percent statewide and hovered even higher in Houston at 8 percent as the WTI crude oil price flattened at $40 per barrel. On the bright side, hiring in the manufacturing sector was strong amid increased exports, and survey data indicated accelerated production within the industry. Construction payrolls also expanded as residential building activity picked up during a booming housing market. The Real Estate Center’s Texas weekly leading economic index suggested economic activity continued to pick up in November, although a resurgence in the number of COVID-19 cases limited the state’s reopening and economic activity. The pandemic and associated uncertainty remained the greatest headwind to the Lone Star State’s economic recovery. Recent headway in vaccine distribution and congressional agreement on conditions for the second round of federal stimulus, however, contributed to an optimistic outlook heading into the new year.

Labor-market improvements pulled the Dallas Fed’s Texas Business-Cycle Index up 11.9 percent on a seasonally adjusted annualized rate (SAAR). The metric in Dallas matched the state average, while Austin’s index increased 18.3 percent. Economic activity in Fort Worth accelerated during robust hiring, surging 10 percent. The San Antonio and Houston indexes rose at a 9.7 and 7.5 percent pace, respectively.

The Texas Leading Economic Index (a measure of future directional changes in the business cycle) eeked out another modest gain, largely due to increased help-wanted advertising, and declines in the state’s initial unemployment insurance claims. The Texas Consumer Confidence Index also extended an upturn despite a resurgence in COVID-19 cases.

During widespread local and federal foreclosure and eviction moratoria, the national and Texas foreclosure inventories fell to 0.6 and 0.4 percent, respectively, in third quarter 2020. The Federal Housing Finance Agency recently extended the foreclosure moratorium for properties owned by Fannie Mae and Freddie Mac (the Enterprises) until Jan. 31, 2021. This continuation should keep foreclosure rates low through the fourth quarter. Moreover, the nationwide eviction moratorium for qualifying renters through the Centers for Disease Control is still in effect through the end of the

---

1 All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.
year. The relief is available to struggling households earning less than $99,000 annually (or $198,000 if taxes are filed jointly).

Expansionary monetary measures by the Federal Reserve and better-than-expected economic data instilled confidence in the bond market, however modest. The **ten-year U.S. Treasury bond yield** inched up for the third straight month to 0.8 percent\(^2\). On the other hand, persistent uncertainty surrounding the pandemic, due to a dubious timeline for a second round of fiscal stimulus and a resurgence in positive COVID-19 cases, kept interest rates hovering at historically low levels. The **Federal Home Loan Mortgage Corporation’s 30-year fixed-rate** fell to an unprecedented reading below 2.8 percent (series starting in 1971). Mortgage rates also slid to decades-low levels within Texas during September, sinking to 2.92 for both non-GSE and GSE loans. The drop in rates pushed home-purchase applications up 17.5 percent year to date (YTD) in October, while refinance activity advanced 73 percent. (For more information, see *Finding a Representative Interest Rate for the Typical Texas Mortgagee* at [https://www.recenter.tamu.edu/articles/research-article/Finding-Representative-Interest-Rate-2278](https://www.recenter.tamu.edu/articles/research-article/Finding-Representative-Interest-Rate-2278).)

Total Texas housing sales increased for the second consecutive month, rising 5.1 percent to exceed 38,600 seasonally adjusted transactions. The Texas **Residential Construction Cycle (Coincident) Index**, which measures current construction levels, flattened as industry wages and construction values moderated, offsetting a modest uptick in employment. The **Residential Construction Leading Index** rose for the sixth straight month amid increased housing starts and a decrease in the real ten-year Treasury bill, although multifamily building permits stalled. At the metropolitan level, the leading indices also trended upward. (For additional housing commentary and statistics, see *Texas Housing Insight* at recenter.tamu.edu.)

The **West Texas intermediate (WTI) crude oil spot price** held at $40 as a surge in global coronavirus cases raised concerns regarding demand, aggravating an already slow economic recovery. Nonetheless, Texas’ **active rig count** ticked up for the second straight month to 122 after crude oil production fell below 4.7 million barrels per day in September\(^3\). On the natural gas front, the **Henry Hub spot price** rebounded to $2.20 per million British thermal unit (BTU) amid increased demand. Prices are expected to stay elevated heading into 2021.

**Nonfarm employment** accelerated in October, gaining 118,100 new positions but still dropped 4.3 YTD. The Dallas Fed revised their annual employment projection downward from a 4.2 percent to a 5.6 percent contraction, estimating the jobs recovery will decelerate in the last two months of the year. Texas’ **unemployment rate** sank to 6.9 percent, matching the national metric and reversing the one-and-a-half percentage point increase from the previous month. Joblessness declined across Texas’ major metros, although the size of local labor forces also decreased. Austin maintained the lowest unemployment rate at 5.2 percent. Unemployment in Fort Worth and San Antonio fell to 6.4

---

\(^2\) Bond and mortgage interest rates are nonseasonally adjusted. Loan-to-value ratios, debt-to-income ratios, and the credit score component are also nonseasonally adjusted preliminary data. Texas data typically lags the *Outlook for the Texas Economy* by one month.

\(^3\) The release of crude oil production typically lags the *Outlook for the Texas Economy* by one month.
percent, while dropping to 6.3 percent in Dallas. Houston’s jobless rate hovered slightly higher at 8 percent with more than 200,000 jobs still needed to make a complete recovery to pre-pandemic levels.

The number of Texans filing initial unemployment insurance claims decreased by 39,000 to 178,900 despite three weekly increases (Figures 1 and 2) as COVID-19 cases ramped up. Average weekly continued unemployment insurance claims ticked down throughout the month, falling to 657,000. Although a recent report by the Government Accountability Office has raised concerns about the reliability of the data, total claims were still three times greater than pre-pandemic levels in February. Texas’ labor force participation rate declined for the second consecutive month to 62.9 percent but remained greater than the nationwide average of 61.7 percent.

Texas’ real income per capita increased 3.1 percent year over year (YOY) in 3Q2020, less than the 5.3 percent national improvement. On a quarterly basis, however, the metric fell about three-and-a-half percent in the state and U.S. due to a severe plunge in government transfer payments after the bulk of stimulus checks were sent out during the second quarter. In the three months ending September, growth in the Lone Star State’s earnings were widespread across all industries, led by gains in the health care/social assistance, retail trade, and accommodation/food services sectors.

Recently released 2019 data revealed Austin led the major metros in annual real income per capita growth, rising 2.4 percent. The Houston metric jumped 1.6 percent YOY, followed by DFW at 1.4 percent. San Antonio’s income per capita elevated 1.2 percent in real terms.

Compensation for Texas’ workers continued to climb to start the fourth quarter, as average real private hourly earnings rose 2.3 percent YOY, marking the eighth straight annual increase. High-wage earners have seen an acceleration in wage growth this year, while low-income workers have observed a deceleration, reflecting the fact that low-income earners have faced more economic hardships during the pandemic than their higher-paid counterparts on average. Fort Worth earnings continued to lead the major metros in terms of real YOY growth, climbing 9.1 percent to $28.25. Nevertheless, Austin still paid the highest nominal wage ($30.46) even with a more modest inflation-adjusted improvement of 2.4 percent. Hourly real earnings in the state’s largest areas jumped 3.3 and 2.2 percent in Dallas ($30.30) and Houston ($28.63), respectively. Meanwhile, real wages in San Antonio ($25.09) flattened after adjusting for inflation.

Fort Worth also led the major metros in terms of job growth, increasing 1.8 percent after adding 18,700 workers. Hiring was widespread, but professional/business services, leisure/hospitality, and trade/transportation/utilities posted the largest gains. The same sectors contributed to the 22,400 and 11,600-job expansion in Dallas and Austin, respectively. Employment rose by 19,400 positions in Houston and 8,500 in San Antonio. However, the government sector laid off employees across the Texas Urban Triangle as Census-related duties wound down.

Texas’ goods-producing employment increased by 19,400 workers, but an additional 113,100 jobs are still needed to attain pre-pandemic levels. Energy-related hiring ticked up for the second straight month, recovering 2,100 positions, although industry jobs were down 18.2 percent YTD. The manufacturing sector expanded by 3,600 and 4,300 employees in durable-goods and non-
durable goods, respectively, with the latter tipping into positive YTD growth territory. According to the Texas Manufactured Housing Survey, production of manufactured homes remained elevated as manufacturers scrambled to chip away at a backlog built up over the summer. The outlook was still favorable as supply-chain disruptions are expected to subside in coming months. As hiring continued, average hourly manufacturing earnings climbed 8.9 percent YOY after accounting for inflation. Real industry wages in North Texas extended an upward trajectory, while San Antonio posted strong annual growth of 23.4 percent after falling for a year-and-a-half. Houston earnings improved on a monthly basis but decreased 5.1 percent YOY. The Dallas Fed’s Manufacturing Outlook Survey corroborated the employment data, with more than a third of respondents reporting net hiring. However, growth rates for the labor-market indexes decelerated. On the other hand, many other business indicators reported stronger activity. Only the finished goods inventories metric declined as surveyed executives noted robust demand for products.

The construction industry accelerated hiring, adding 9,400 new employees for its third consecutive monthly increase. The jobs added were unlikely higher-paying positions though, as average hourly construction earnings fell 2.9 percent annually in real terms. Total construction values rose 3.1 percent in October but flattened YTD compared to the same period last year. Residential activity rebounded 6.6 percent from a slowdown the previous month as DFW and Houston apartment construction picked up. Monthly single-family values fell across the board yet remained positive YTD relative to year-ago levels. On the other hand, the nonresidential sector posted its fourth straight decline due to decreased office and hospital investment in Austin and North Texas. San Antonio office values also contracted, but elevated warehouse and hospital construction supported overall improvement.

Employment in the service-providing industry rose by 98,700 workers in October, almost triple the number of personnel hired the prior month. Professional/scientific/technical services added 12,800 jobs, exceeding pre-pandemic payrolls. Even though accommodation/food services and health care/social assistance recovered 21,500 and 11,900 positions, respectively, employment in the two hardest-hit sectors remained well below year-end levels. The Dallas Fed’s Service Sector Outlook Survey somewhat contradicted employment data with more respondents revealed net contractions in the workforce rather than expansions. Revenue growth slowed, although general business activity accelerated slightly. Outlook uncertainty ticked up with comments focused on the election outcome, but the company outlook index remained in positive growth territory despite decelerating, indicating attitudes were overall optimistic heading into the fourth quarter and new year.

The number of Texas retailers inched up by a mere 1,600 employees as building material/garden equipment/supplies dealers employment contracted for the first time in six months. Miscellaneous store retailers also laid off workers; payroll expansions in the general merchandise stores, electronics/appliance stores, motor vehicle and parts dealers, and clothing/clothing accessories stores subsectors, however, contributed to the overall positive monthly reading. Inflation-adjusted retail sales ticked up in October but plummeted 7.3 percent YOY. The Dallas Fed’s Retail Outlook Survey indicated slower sales activity compared with the previous month, while the labor-market
indexes decreased. Perceptions of future business activity remained upbeat, although slightly less so than during the previous month.

The U.S. Consumer Price Index (CPI) increased 1.2 percent YOY, but the growth rate slowed as the annual decline in transportation costs steepened. Core inflation rose 1.6 percent, persisting below the Fed’s 2 percent target. Similar slowdowns in the Houston CPI components pulled the metric even with its year-ago reading.

The Texas trade-weighted value of the dollar⁴ ticked down again in September, making domestic goods more affordable to the foreign buyer relative to the prior month. Annual increases, however, calmed to 2.8 percent since the second quarter when the metric exceeded double-digit growth. Texas’ real commodity exports rose 2.4 percent in October yet still plummeted 16.6 percent YTD. Manufacturing exports accelerated 4.4 percent with the improvement attributed to elevated chemicals, computer/electronic products, and transportation equipment values. On the other hand, crude oil exports dropped 28.3 percent as outgoing shipments to Germany, South Korea, Singapore, France, and China declined.

Total exports to Mexico climbed for the fifth consecutive month, rising 3.2 percent and accounting for much of the global increase. A huge upturn in energy-related shipments to Japan also contributed to the overall boost in monthly export values, although the nation still received less than 4 percent of the state’s total deliveries. Meanwhile, Canada and China each claimed around 8 percent of Texas’ outgoing shipments.

The Center created a Texas weekly leading index to predict turning points in the Texas economy. (For more information, see COVID-19 Impact Projections on Texas Economy at https://www.recenter.tamu.edu/articles/special-report/COVID-19-Impact-Projections.) After weekly declines the prior month, the index increased during all but one week of November (Figure 3). The metric’s overall upward trend indicates that the state’s economy is still on the path to recovery. Initial unemployment claims trended downward, while the real WTI oil price inched up, offsetting upticks in the real rate for the ten-year Treasury bill (which continues to exhibit a negative return in real terms). Although new business applications decreased, overall numbers were elevated, signaling that business activity remained firm. A resurgence in the number of COVID-19 cases, however, limited the state economy’s reopening and mobility. Containment of the virus is essential in the recovery to pre-pandemic levels of consumer behavior and business activity.

⁴ The release of the Texas trade-weighted value of the dollar data typically lags the Outlook for the Texas Economy by one month.
Note: Initial unemployment claims are seasonally adjusted.

Figure 1. Texas Weekly Initial Unemployment Claims and New COVID-19 Cases (2020)

Note: Seasonally adjusted.
Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Real Estate Center at Texas A&M University calculations.
Figure 3. Texas Weekly Leading Index
(Index 1/7/2006 = 100)

Note: Data updated through November 28, 2020.
Source: Real Estate Center at Texas A&M University
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
**Financial Activity**

**Mortgage Foreclosure Inventory (End of Period)**

(Percent)

Note: Seasonally adjusted.
Source: Mortgage Bankers Association

**30-Year Mortgage Rate and Ten-Year Bond Yield**

(Percent)

Note: Nonseasonally adjusted.
Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board
Texas Mortgage Applications
(Year-over-Year Percentage Change)

Note: Seasonally adjusted.
Source: Mortgage Bankers Association

Fixed 30-Year Mortgage Rates
(Percent)

Note: Nonseasonally adjusted. The data for the most recent origination month is preliminary.
Sources: Federal Home Loan Mortgage Corporation and TrueStandings Servicing
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
Note: Trend-cycle component.
Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas
Note: Trend-cycle component. For more information, see Crude Oil and Natural Gas Prices.
Source: U.S. Energy Information Administration received from Thomson Reuters.

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. October 2020 is preliminary. For more information, see Employment Growth Rate. Source: Bureau of Labor Statistics

Unemployment Rate
(Percent)

Note: Seasonally adjusted. October 2020 is preliminary. For more information, see Unemployment Rate. Source: Bureau of Labor Statistics
Note: Seasonally adjusted. October 2020 is preliminary. 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
Note: Seasonally adjusted. Average weekly continued claims.
Source: Department of Labor/Haver Analytics

Note: Seasonally adjusted. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics
Note: Seasonally adjusted quarterly annualized rate.
Source: Bureau of Economic Analysis

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

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

Manufacturing Employment
(Quarter-over-Quarter Percent Change)

Major Metros Manufacturing Employment
(Quarter-over-Quarter Percent Change)
Notes: Inflation adjusted, seasonally adjusted. October 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
Note: Seasonally adjusted, three-month moving average. October 2020 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

Notes: Inflation adjusted, seasonally adjusted. October 2020 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Texas Construction Values
(Index Jan 2007 = 100)

Major Metros Total Construction Values
(Index Jan 2007 = 100)

Source: Dodge Analytics
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
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

Exports (All Commodities)
(Year-over-Year Percent Change)

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
Manufacturing Exports
(Year-over-Year Percent Change)

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

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

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
ADVISORY COMMITTEE

TROY ALLEY, JR. CHAIRMAN
DeSoto

ALVIN COLLINS, VICE CHAIRMAN
Andrews

RUSSELL CAIN
Port Lavaca

TED NELSON
Houston

JJ CLEMENCE
Sugar Land

DOUG ROBERTS
Austin

DOUG JENNINGS
Fort Worth

C. CLARK WELDER
Fredericksburg

BEKA MARTIN
Boerne

JAN FITE-MILLER, EX-OFFICIO
Dallas

DIRECTOR

GARY W. MALER