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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.

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Texas’ economy was in better shape at the end of the second quarter than the first. Unemployment inched down while job growth continued in June, albeit at a slightly slower pace than the previous month. The energy sector’s payrolls contracted for the fourth consecutive month, although oil prices rallied considerably. The service sector, while still lagging behind pre-pandemic employment levels, added 228,600 jobs. Real retail sales were only half a percent lower than all-time-high levels at the start of the year. Commodity exports, however, remained diminished. In comparison, housing sales rebounded 30 percent and are on track to make a full recovery in July. The Real Estate Center’s Texas weekly leading economic activity index also projected continued improvement, but the path of recovery could be hindered by possible upsurges in COVID-19 cases.

Continued labor-market improvements pushed the Dallas Fed’s Texas Business-Cycle Index up, but the metric remained down 18 percent on a seasonally adjusted annualized rate (SAAR). Among the major metros, the index in North Texas fared the best, yet still fell 16.4 percent in Dallas and 18.6 percent in Fort Worth. Houston’s metric decreased 23.9 percent, while the index sank 24.3 and 24.8 percent in Austin and San Antonio, respectively.

The Texas Leading Economic Index (a measure of future directional changes in the business cycle) improved for the second straight month after reaching a trough in April. Further declines in initial unemployment claims and recovery in the real oil price accounted for most of the increase. The Texas Consumer Confidence Index also continued to rally but remained 30 points below levels at the start of the year.

Ongoing uncertainty stemming from the unceasing spread of the coronavirus pandemic kept interest rates at historically low levels, although increased oil prices slowed the downward slide. The ten-year U.S. Treasury bond yield ticked above 0.7 percent, but the Federal Home Loan Mortgage Corporation’s 30-year fixed-rate sank below 3.2 percent for the first time in series history (starting in 1971). Mortgage applications for home purchases rose 9.8 percent, jumping into positive year-to-date (YTD) growth territory. Refinance activity decreased for the third straight month but remained at levels one-and-a-half times greater than at year-end.

Elevated volumes of mortgage applications corresponded to falling Texas mortgage rates. (For more information, see Finding a Representative Interest Rate for the Typical Texas Mortgagee at)

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In May, the loan-to-value ratio (LTV) constituting the “typical” Texas conventional-loan Texas mortgage decreased slightly after inching up the prior two months, suggesting lending standards may begin to loosen from the height of pandemic-related economic uncertainty. Meanwhile, the median back-end debt-to-income ratio (DTI) and credit score stabilized. On the other hand, both the DTI and LTV of a typical Texas borrower who obtained a loan from a government-sponsored enterprise (GSE) increased for the third straight month. Interest rates, however, slid for the past year and a half, falling to 3.35 and 3.45 percent for non-GSE and GSE loans, respectively.

The state of the housing market was positive overall, with total Texas housing sales rebounding almost 30 percent after three straight monthly declines corresponding to the initial wave of domestic COVID-19 cases. Furthermore, the Center’s single-family housing sales projection suggests a complete recovery in single-family home sales will be reflected in July numbers. The Texas Residential Construction Cycle (Coincident) Index, which measures current construction levels, dipped slightly as construction values fell and hiring slowed. On the other hand, the Residential Construction Leading Index almost reached the post-recessionary high from December as interest rates continued to fall and permits and housing starts picked up, suggesting positive momentum in the next few months. At the metropolitan level, Austin was the only major metro where the leading index decreased, pulled down by multifamily building permits. (For additional housing commentary and statistics, see Texas Housing Insight at www.recenter.tamu.edu.)

The West Texas intermediate (WTI) crude oil spot price averaged $39 per barrel, recovering above March levels. Global demand increased as economies opened up while OPEC production cuts were extended. Nevertheless, Texas’ active rig count fell to an all-time low of 115 as multiple months of below-sustainable price levels put pressure on producers. Crude oil output plummeted to just 4.5 million barrels per day in May. On the natural gas front, the Henry Hub spot price ticked down to a decades-low $1.72 per million British thermal unit (BTU) amid reduced industrial demand. Prices are expected to average less than $2 per BTU in 2020 before rising above $3 per BTU in 2021.

Although nonfarm employment increased by 225,200 in June, hiring slowed after broad improvements the prior month. Jobs remained 6.7 percent below year-end levels. The Dallas Fed revised its annual employment projection from a 3.2 percent to 4.8 percent contraction, ending 2020 with 12.3 million workers. The hiring rebound pulled the unemployment rate down to 8.6 percent. Joblessness in each major metro fell by more than 4 percentage points. Austin’s metric was the lowest at 7.3 percent, while unemployment sank to 8.2 and 8.4 percent in Dallas and Fort Worth, respectively. San Antonio’s jobless rate was 8.3 percent. Only Houston exceeded the state average with 9.6 percent unemployment.

The number of Texans filing initial unemployment insurance claims decreased to 372,200, the lowest number of claims since February, but ticked up the last week of June amid rising new COVID-19 cases (Figures 1 and 2). A backslide in economic activity due to a resurgence in new COVID-19

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2 The release of crude oil production typically lags the Outlook for the Texas Economy by one month.
cases may trigger renewed joblessness. Meanwhile, average weekly **continued unemployment insurance claims** flattened around 1.2 million. Texas’ **labor force participation** rose to 62.1 percent, exceeding the national average (61.5 percent) for the first time this quarter. However, the number of Texans counted in the labor force remained down 2.2 percent YTD, with all the major metros except for DFW worse off in percentage terms (see table).

**Figure 1. Texas Weekly Initial Unemployment Claims and New COVID-19 Cases**

Note: Initial unemployment claims are seasonally adjusted.

**Figure 2. Major Metro Weekly Initial Unemployment Claims**

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
Texas’ real private hourly earnings maintained an upward trajectory, rising 1.4 percent year over year (Y.O.Y) despite registering its second consecutive monthly decline. Compositional changes in the state’s workforce may explain some of the fluctuation as much of the hiring the past two months was concentrated in the lower-paying job sectors, which would pull the average wage down on a monthly basis. However, the proportion of these lower-paying jobs to total jobs was less than year-ago levels, resulting in positive Y.O.Y growth in the average wage. Fort Worth posted the largest Y.O.Y increase in real earnings of 8.6 percent for a nominal wage of $27.39 per hour, followed by Austin ($29.97) and Dallas ($29.79), jumping 1.8 percent each after accounting for inflation. Hourly earnings in San Antonio ($24.61) climbed 1.2 percent, but Houston wages fell Y.O.Y for the second consecutive month, possibly due to layoffs in the higher-paying energy-related industry.

Employment in the major metros recovered at varying paces, but the leisure/hospitality sector still made up the lion’s share of gains across the board. Fort Worth and Austin ranked highest in percentage terms, adding around 30,000 positions each, but the count remained negative 6.0 and 6.9 percent YTD. Job growth accelerated in Dallas, with the workforce gaining 63,300 employees, although it, along with San Antonio payrolls, which expanded by 28,500 jobs, fell short of year-end levels by 5.6 percent. Houston recouped 46,900 positions, but the rate of increase slowed, leaving employment down 6.8 percent YTD. State and local government contracted in all of Texas’ metro areas except Fort Worth as budgets continued to be strained.

Texas’ goods-producing sector shed 3,400 positions in June, although data revisions to Texas’ goods-producing employment revealed 7,200 rather than 4,100 jobs were added the previous month. The mining/logging industry decreased by 6,400 workers, but the decline continued to slow. Hiring in nondurable goods manufacturing stalled, while the durable-goods sector laid off 500 employees. Average hourly manufacturing earnings fell on a monthly basis but climbed 5.3 percent in real terms relative to year-ago levels amid growth in DFW. Nearly every business indicator in the Dallas Fed’s Manufacturing Outlook Survey improved, with respondents reporting increased production, capacity utilization, and new orders. The employment, hours worked, and general business activity indexes remained in negative territory but posted their best readings since the first quarter.

Only the construction industry increased goods-producing payrolls, albeit by a modest 3,500 workers. Average hourly construction earnings ticked up less than 1 percent Y.O.Y after accounting for inflation, providing little improvement after a yearlong slide. Although last month’s downtick was revised upward to a slight gain, total construction values slid behind last year’s pace as activity fell 5.6 percent in June. Residential values backtracked in every major metro except San Antonio, where
the apartment sector’s second straight rise offset decreased single-family construction. In Austin and Houston, both single-family and multifamily investment dropped, although DFW’s apartment values picked up. On the nonresidential side, school construction in Central Texas declined, but various school, office, and hospital building projects in DFW and Houston pulled values up.

Hiring in service-providing employment decelerated, adding 228,600 jobs but falling 14,000 short of the prior month’s growth. Most of the slowdown is attributed to ambulatory health care services and food services/drinking places. On the other hand, arts/entertainment/recreation payrolls expanded by 28,500 positions after three monthly contractions followed by a standstill in May. The Dallas Fed’s Service Sector Outlook Survey revealed the employment and wages and benefits indexes improved, although the former remained in negative territory. On the bright side, more respondents reported an increase in revenues than a decrease or no change in sales. Outlook uncertainty moderated and perceptions of future general business activity strengthened, although the pandemic remained a concern.

On the bright side, 42,000 retail employees were called back to work, a greater improvement relative to the previous month. Recovery was widespread with only miscellaneous store retailers and nonstore retailers taking a step back after modest increases in May. Inflation-adjusted retail sales continued to compensate for the economic shutdown two months prior, rebounding 1.8 percent on both a monthly and yearly basis. More than half of the participants of the Dallas Fed’s Retail Outlook Survey recorded gains in sales and wages and benefits, but hiring flattened, contrasting the data. The company outlook and general business activity indexes were positive, and surveyees were cautiously optimistic about future conditions even with uncertainty rampant.

The U.S. Consumer Price Index (CPI) increased just 0.7 percent annually as transportation costs dropped 8 percent YOY in June. Core inflation stabilized at 1.2 percent growth, while the CPI in Houston fell flat due to similar movements in local transportation prices, but with less buoyant food/beverage, housing, and medical expenses.

After the Texas trade-weighted value of the dollar\(^3\) fell 2.6 percent following a two-month upturn, Texas’ real commodity exports increased 24.4 percent but still remained nearly 30 percent below year-end levels. Manufacturing exports recovered similarly in percentage terms with petroleum/coal products, computer/electronic products, and transportation equipment accounting for most of the improvement. The value of crude oil exports shot up 50 percent amid rebounds in shipments to India and Taiwan but was still less than half its measure in December.

Exports to Mexico and Canada accelerated more than 50 percent each, lifting the two countries’ combined share of outgoing shipments more than 41 percent but only reached three-quarters the value six months ago. Both recorded elevated purchases of the aforementioned manufacturing goods. The implementation of the United States-Mexico-Canada Agreement should reaffirm the North American trade relationships. On the other hand, exports to China accounted for only 7.2 percent of Texas’ international sales after declining 16.2 percent following three consecutive monthly

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\(^3\) The release of the Texas trade-weighted value of the dollar data typically lags the Outlook for the Texas Economy by one month.
increases. The decrease is almost wholly due to a return to normal oil/gas purchases after China ramped up buying when oil prices plummeted. Agricultural products exports continued to rise under the U.S.-China phase-one agreement, but the pandemic and renewed tensions between the two countries create uncertainty regarding future trade.

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 www.recenter.tamu.edu/articles/special-report/COVID-19-Impact-Projections.) The index increased during June, although at a slower rate, indicating economic activity continues to improve and the state’s economy is on the path to recovery (Figure 3). The upsurge in the number of COVID-19 cases hindered the re-opening of the Texas economy, causing an increase in the number of people filling for unemployment in two separate weeks. In contrast, growth in new business applications, a higher real price of WTI oil, and a decrease in the real rate for the ten-year Treasury bill contributed to the increase in the weekly index during June. Based on both the Texas weekly leading index and national employment, which rose 1.3 percent in July relative to June, Texas nonfarm employment could grow 1.0 percent, amounting to 121,000 jobs, in July. Further waves of infections can reverse increased mobility and spending, affecting the path to recovery.

![Figure 3. Texas Weekly Leading Index (Index 1/7/2006 = 100)](chart.png)

Note: Data updated through August 1, 2020.
Source: Real Estate Center at Texas A&M University
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 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
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

Crude Oil
Natural Gas (Right Axis)

$/million BTU

Texas Production of Crude Oil and Rig Count

(Number of rigs)

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

(Millions of barrels per day)

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

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

Unemployment Rate
(Percent)

Note: Seasonally adjusted. June 2020 is preliminary. For more information, see Unemployment Rate. Source: Bureau of Labor Statistics
Note: Seasonally adjusted. June 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
**Unemployment Insurance Claims: Continued Applications**

Note: Seasonally adjusted. Average weekly continued claims.
Source: Department of Labor/Haver Analytics

**Labor Force Participation Rate**

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

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