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.

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April 2019 Summary

Entering the ninth year of the business cycle expansion, Texas’ economic activity remained healthy and diverse. Crude oil prices trended upward and supported solid production and export volumes. Payroll employment grew at a steady pace, and unemployment remained historically low. Headline wage numbers, however, were disappointing despite labor-market tightness. Low interest rates supported commercial investment and pushed housing sales to a record high. Commodity exports recovered from the first quarter despite unfavorable currency fluctuations. Political tension, trade uncertainty, and a slowdown in the global economy present the greatest challenges to extending the current expansion.

The Dallas Fed’s Texas Business-Cycle Index balanced above 4.3 percent on a seasonally adjusted annualized rate (SAAR), slightly below the 2018 average. Recent employment growth suggests an acceleration into the summer, but stagnant wages weighed on individual purchasing power and could negatively affect consumption. At the metropolitan level, Austin’s index boomed above 7.3 percent SAAR with steady payroll expansions and historically low unemployment. Dallas and Houston posted solid SAAR growth at 5.9 and 6.1 percent, respectively. Economic activity was more modest in San Antonio, where the index increased from 3.4 to 3.7 percent. The Fort Worth index improved slightly to 1.7 percent SAAR growth, but wavering payrolls stunted local activity.

The Texas Leading Economic Index (a measure of future directional changes in the business cycle) inched forward for the fourth consecutive month amid labor-market strength and rising oil prices. The increased Texas value of the dollar, however, limited export growth by making goods more expensive to international buyers. The improved outlook lifted the Texas Consumer Confidence Index two points after a sharp drop in March. Consumer confidence has yet to recover from the October 2018 peak before oil prices slid at year end.

Continued concerns of global economic growth and trade uncertainty pulled interest rates down for the sixth consecutive month. The ten-year U.S. Treasury bond yield fell to an annual low of 2.5 percent, while the Federal Home Loan Mortgage Corporation’s 30-year fixed-rate dropped below 4.2 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 17.8 percent YTD. These data corroborate the uptick in sales activity across the state, particularly in affordability constrained markets. Refinance mortgage applications, which are more sensitive to interest rate fluctuations, increased 38.2 percent over the same period.

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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.
Lower mortgage rates and the healthy labor market pushed **Texas housing sales** to record highs and spurred demand across the price spectrum. The **Residential Construction Cycle (Coincident) Index**, however, faltered as construction values trended downward, indicating sluggish contemporaneous supply activity. Developments upstream in the construction cycle (e.g., permit issuance) pushed the **Residential Construction Leading Index** up for the fourth consecutive month, suggesting an acceleration into the summer. (For additional housing commentary and statistics, see *Texas Housing Insight* at recenter.tamu.edu.)

The average **West Texas intermediate crude oil spot price** surpassed a six-month high of $62.80, increasing 23.8 percent since the December trough. U.S. sanctions on Iran and continued oilfield disruptions in Libya supported higher prices. Texas production balanced above 4.8 million barrels per day in March as the industry focus shifted from exploration activity to generating cash flow.²

The **active rig count** ticked down for the third consecutive month to 502. Natural gas prices extended a seven-month stretch of volatility. The **Henry Hub spot price** fell from $3.18 to $2.80 per million British thermal unit (BTU) and has fluctuated widely since October. Rampant crude oil production in the Permian Basin pulled the **West Texas Waha spot price** into negative territory per BTU. Pipeline shortages contributed to clearance pricing.

Texas’ **nonfarm employment** growth exceeded 2 percent SAAR for the first time this year, resulting in 28,900 new jobs after a sluggish first quarter. The Dallas Fed revised their annual employment growth projection to 2.3 percent, on par with last year’s levels, but labor shortages hindered additional expansions. The record-low **unemployment rate** (3.7 percent) and falling initial **unemployment insurance claims** corroborated the lack of slack in the labor market. **Labor force participation**, however, held at 64 percent as stagnant wages failed to attract discouraged Texans back to the workforce. Labor shortages were more pronounced in the major metros. Austin maintained the lowest unemployment rate at 2.9 percent, followed by San Antonio at 3.2 percent. Unemployment in Dallas-Fort Worth ticked down to 3.4 percent. Houston was the exception with unemployment above the statewide level at 4.0 percent but trended toward historically low levels.

Despite labor shortages, Texas’ **real private hourly earnings** fell 0.8 percent YOY and fell $1.69 short of the national average in nominal terms. This is the largest U.S.-Texas average wage gap in more than a decade. Austin paid the highest wages out of the major Texas metros at $29.16 per hour but posted a 2.6 percent YOY decline after accounting for inflation. Houston’s hourly earnings ($27.81) dropped 0.9 percent YOY after stabilizing in the first quarter. Dallas and San Antonio earnings were unchanged from last year, settling at $28.71 and $24.35 per hour, respectively. In Fort Worth, however, wages continued to ascend from a four-year stagnation, reaching a record high of $26.84 per hour.

Houston led the state with 6,000 jobs created in April with large gains in the service-providing sector. On the other hand, steady manufacturing and construction activity in Dallas contributed to

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² The release of Texas crude oil production typically lags the *Outlook for the Texas Economy* by one month.
a net increase of 5,400 jobs. While still positive, employment creation decelerated in the metropolitan division after a record-breaking first quarter. Austin added 2,900 positions as the professional/business services subsector rebounded after a six-month stall. San Antonio payrolls moderated and added just 900 jobs. In Fort Worth, contractions in leisure/hospitality and education/health services pulled employment down by 500 jobs.

Texas’ goods-producing sector added a YTD-high 8,800 jobs after a sluggish start to the year. Most of the payroll expansion occurred in construction, but real wages in the industry fell 2.6 percent YOY. Office-building investment helped stabilize Texas’ total construction values after faltering in the first quarter. In North Texas, hospital construction trended upward and offset declines in stores and restaurants. School and library building increased in Austin and San Antonio, while Houston warehousing continued to surge.

In the remaining goods-producing subsectors, the energy industry recovered its losses over the past two months with 2,700 jobs, while manufacturing stalled amid a weakening global economy. Houston manufacturing employment contracted for the first time in over a year, and Fort Worth’s losses surpassed 800 jobs YTD. On a positive note, Dallas added 1,520 new jobs, while Austin and San Antonio added 650 and 290, respectively.

Hourly manufacturing earnings stagnated across the state except in Fort Worth, where wages rose 5.5 percent YOY in real terms after an 18-month slide. The metro’s current payroll trimming may be concentrated at the lower end of the skill/wage spectrum, thereby pushing average wages upward. This would represent a distributional shift rather than meaningful growth in earnings. The Dallas Fed’s Manufacturing Outlook Survey corroborated a softening trend with fewer businesses hiring, but nearly a third paid higher wages and benefits. Production, capacity utilization, and new orders remained positive despite increased uncertainty. The upcoming presidential election and U.S.-China trade tensions, however, weighed on manufacturer sentiment.

In Texas’ service-providing sector, payrolls expanded by 20,100 positions on top of a solid first quarter. Professional/scientific/technical services led the way with a record-level 7,000 jobs, followed by finance/insurance with 3,400. Accommodation/food services and health/social assistance maintained positive hiring activity. Trade-related industries, however, suffered with declines in wholesale trade as well as in the transport/warehousing/utilities subsector. The Dallas Fed’s Service Sector Outlook Survey indicated a mixture of confidence and concern. Nearly a third of respondents reported revenue increases, but the employment and wage indices were mostly unchanged due to political uncertainty and the shortage of skilled workers.

Higher oil and gasoline prices pushed the U.S. Consumer Price Index (CPI) up to the Fed’s 2 percent YOY benchmark. Core inflation hovered around that level and could elevate amid renewed tariff talks. Modest gains in food/beverage and transportation prices held Houston’s CPI below 1.9 percent, but medical costs continued to rise at a rapid clip.
Despite constant appreciation in the real trade weighted value of the dollar\textsuperscript{3}, real commodity exports increased 3.2 percent while national exports declined. Texas’ manufacturing exports, however, fell 2.6 percent YTD amid decreased shipments in transportation equipment. Crude oil exports increased 24.7 percent YTD and approached February’s record level.

Exports to Mexico fell for the fourth time in five months with steady declines in chemicals, machinery, and computer/electronic products. Trade volumes could fall further depending on new tariff threats. On the Chinese front, Texas exports balanced after a tumultuous 2018. Rebounding agricultural and machinery exports offset fewer shipments in oil/gas, petroleum, and chemical products. Many of these products have been redirected to other trade partners, but restricting access to the Chinese market limits the selling power of Texas’ producers. Furthermore, increased trade friction with Mexico hinders the state’s global competitiveness given the large degree of supply-chain interdependence with our southern neighbor.

\textsuperscript{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.
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

Residential Construction Coincident Indicator
(Index Jan 2007 = 100)

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
Labor Force Participation Rate
(Percent)

Unemployment Rate
(Percent)

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

Note: Seasonally adjusted. April 2019 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics
Note: Seasonally adjusted. April 2019 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics
Notes: Inflation adjusted. April 2019 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Note: Seasonally adjusted, three-month moving average. April 2019 is preliminary. For more information, see Employment Growth Rate. Source: Bureau of Labor Statistics
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Notes: Inflation adjusted. April 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.
Texas Construction Values
(Index Jan 2007 = 100)

Residential    Non-residential    Total Value


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

Austin-Round Rock    Dallas-Fort Worth-Arlington    Houston-The Woodlands-Sugar Land    San Antonio-New Braunfels


Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics
Construction Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, 3-month moving average. April 2019 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. April 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.
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
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
(Index Dec 2015 = 100)

Texas
United States

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

United States
Texas

Note: Inflation adjusted and de-trended 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: 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
Texas Exports by Country
(Percent)

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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