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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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Data current as of January 10, 2020

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Summary¹

Texas’ economy remained robust in the longest national economic expansion on record. Stable hiring in an environment of historically low unemployment pushed real income per capita upward in the third quarter. However, compositional changes in the Texas workforce pulled down average real wage growth. Low mortgage rates and ongoing strength in the state economy supported housing sales while residential construction activity accelerated. Energy prices rose, with oil much above the commonly considered break-even price of $50 per barrel. Export values increased as the dollar depreciated, and steps were taken to ratify the U.S.-Mexico-Canada Agreement (USMCA) and resolve the U.S-China trade dispute. Political and trade-related uncertainty are the greatest headwinds to Texas’ economic growth in 2020.

Third quarter GDP data revealed Texas was the fastest growing state in the nation, increasing 4 percent on a seasonally adjusted annualized rate (SAAR). Improvement was widespread with the largest gains in nondurable goods manufacturing, retail trade, energy-related activities, and professional/scientific/technical services. The utilities, finance/insurance, and government sectors took a step back but had minimal effects on overall growth.

Solid economic conditions continued into the fourth quarter, pushing the Dallas Fed’s Texas Business-Cycle Index up 4.6 percent SAAR in November, the highest growth rate this year. Payroll expansions in Fort Worth raised the index 4.9 percent, while Central Texas grew 6.1 and 5.6 percent in Austin and San Antonio, respectively. Ongoing decreases in inflation-adjusted wages hampered the Dallas and Houston indices, which decelerated to 4.4 and 3.9 percent growth, respectively, but otherwise remained strong.

The Texas Leading Economic Index (a measure of future directional changes in the business cycle), increased for the second straight month, indicating healthy growth to start the new decade. A decline in the Texas value of the dollar, making domestic goods relatively less expensive, was the largest contributor pulling the index up. The Texas Consumer Confidence Index dipped amid unresolved trade uncertainty, but sentiments stayed above the 2019 trough that occurred in May.

Speculations of a U.S.-China trade truce and continued strength in the national economic data slowed the downward slide in interest rates. Long-term rates were above those for short-term

¹ All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.
instruments for the second straight month following a four-month yield curve inversion, signaling increased confidence in the long-run growth prospective. Concerns of a recession lessened as current economic fundamentals at the state and national levels remain healthy and stable. The **ten-year U.S. Treasury bond yield** rose above 1.8 percent, while the **Federal Home Loan Mortgage Corporation’s 30-year fixed-rate** balanced at 3.7 percent. After falling the previous month, mortgage applications for home purchases climbed nearly 30 percent YTD. Refinance mortgage application activity accelerated as rates were relatively low, almost tripling since year end.

Texas housing sales stabilized in November after reaching a record high the previous month as steady employment growth and low mortgage interest rates continued to support housing demand. The Texas **Residential Construction Cycle (Coincident) Index**, which measures current construction activity, ticked up with industry wage improvements. The **Residential Construction Leading Index** rose to its highest level since the Great Recession as housing starts increased, suggesting higher levels of construction in the coming months. (For additional housing commentary and statistics, see [Texas Housing Insight](http://recenter.tamu.edu) at recenter.tamu.edu.)

The average **West Texas intermediate (WTI) crude oil spot price** rose $5 to $59 per barrel amid optimism regarding the U.S.-China trade deal and talks of OPEC deepening production cuts at their December meeting. Disruptions in the Middle East are expected to temporary boost oil prices to start 2020; however, abundant U.S. oil production has lessened supply shortage concerns, lowering the WTI price ceiling in the long-term. Texas crude oil production neared 5.3 million barrels per day in October\(^2\), while the **active rig count** decreased to 418, the lowest since 2017. On the natural gas front, the **Henry Hub spot price** increased to $2.48 per million British thermal unit (BTU) as November’s temperatures were colder than the ten-year average. The **West Texas Waha spot price** lessened its discount to the Henry Hub as the Permian Basin price strengthened.

Texas’ **nonfarm employment** added 37,500 jobs on top of data revisions correcting October’s employment upward to the tune of 16,500 jobs, pushing SAAR growth to 2.4 percent. The Dallas Fed’s annual employment growth projection, however, was modified downward. The **unemployment rate** held at 3.4 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 Dallas and Houston held steady at 3.1 and 3.6 percent, respectively. Fort Worth and San Antonio unemployment flattened after ticking up to 3.2 and 3.0 percent, respectively in October but remained at historically low levels. The state’s **labor force participation** inched up to 63.9 percent as 48,600 Texas entered the labor market, the greatest monthly change in the post recessionary period. **Initial unemployment insurance claims** stabilized at 59,000 after falling in the third quarter, indicating a slightly softer labor market.

Recently released third-quarter data revealed a 2.3 percent year-over-year (YOY) increase in Texas’ **real income per capita**, suggesting a moderation in growth after second-quarter improvement was revised from 3.2 to 2.5 percent. 3Q2019 marked the fifth consecutive quarter when the nationwide

\(^2\) The release of crude oil production typically lags the *Outlook for the Texas Economy* by one month.
average (2.4 percent in the third quarter) exceeded Texas growth. Construction, professional/scientific/technical services, and health care/social assistance contributed the largest gains, although growth in the latter, along with energy-related sectors and finance/insurance, decelerated considerably.

Meanwhile, Texas’ real private hourly earnings fell year over year (Y0Y) for the sixth straight month. 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 nominal wages of $29.49 per hour. After adjusting for inflation, earnings fell Y0Y but showed signs of flattening after declining every month in 2019. Real earnings in Dallas ($29.29) and Houston ($27.75) registered steep decreases, falling 2.4 and 2.5 percent Y0Y, respectively. Fort Worth ($26.44) inflation-adjusted wages confirmed a downturn following a 15-month improvement. On the bright side, San Antonio ($24.71) real earnings increased 3.4 percent Y0Y.

Central Texas’ employment growth slowed after high levels in October. After adding a record-breaking 9,000 jobs, San Antonio employment grew by a modest 500 SAAR, remaining strong at 4.7 percent. Continued hiring in leisure/hospitality and goods-producing sectors offset losses in professional/business services and retail trade. Austin shed 100 jobs after a 6,800-job expansion the previous month as multiple service-providing sectors corrected for elevated levels of hiring. North Texas added 7,600 and 8,600 jobs in Dallas and Fort Worth, respectively. Education/health services and trade were the largest contributors to growth in Dallas, while the resolution of the General Motors strike in Arlington recovered more than 4,600 durable-goods manufacturing jobs in Fort Worth. Transportation/utilities and leisure/hospitality expanded the western metropolitan division’s payrolls by an additional 1,800 and 2,400 positions. Houston employment increased by 9,400, driven by gains in education/health and wholesale trade.

Texas’ goods-producing payrolls added 11,500 jobs with construction and manufacturing hiring eclipsing a 600-job loss in the energy sector. Despite 6,300 positions being added back to the manufacturing workforce, however, the sector’s employment growth slowed to 1.5 percent SAAR. Hourly manufacturing earnings improved on a monthly basis but decreased Y0Y for the seventh consecutive month after accounting for inflation, although the decline slowed. On the metro level, only DFW registered positive real wage growth. The Dallas Fed’s Manufacturing Outlook Survey corroborated these trends as the wages and benefits index was mostly unchanged, while the employment index decelerated as more respondents reported net layoffs than in the previous month. Business activity contracted for the second straight month as the production index turned negative for the first time in 40 months, and new orders declined. Survey participants noted political and trade-related uncertainty as primary concerns.

Construction employment added 5,800 jobs in November, increasing 7.5 percent SAAR. Although real hourly industry earnings continued to fall on an annual basis, albeit at a slower rate, inflation-adjusted wages ticked up for the fourth consecutive month. Total construction values climbed 13.6 percent to a record high after accounting for inflation, confirming the strength of the Texas economy. School construction in Dallas drove an increase in nonresidential values amid the completion of the Texas A&M University’s College of Dentistry Clinic and Education Building. In
Austin, hospital-building investment skyrocketed as construction started on the Austin State Hospital, while new apartment projects boosted multifamily values. Single-family construction in Houston and San Antonio took a step back but maintained an upward trend.

In Texas’ service-providing sector, employment added 26,000 new positions, matching the long-term average SAAR growth rate. Health care/social assistance was the largest contributor, accounting for 7,600 jobs. Similarly, the Dallas Fed’s Service Sector Outlook Survey suggested stable employment and revenues. The company outlook index remained above the series average while the business activity index increased and outlook uncertainty decelerated, implying improved service sector conditions.

Retail trade employment growth accelerated, rising 2.8 percent, while statewide retail sales increased 3.8 percent YOY after accounting for inflation. The Dallas Fed’s Retail Outlook Survey confirmed hiring trends, although the hours-worked index flattened. Uncertainty was widespread, however, as general business activity surged.

A deceleration in energy-related price decreases enabled the U.S. Consumer Price Index (CPI) to reach the Fed’s 2 percent benchmark for the first time this year. Core inflation steadied at 2.3 percent YOY growth amid increasing housing and medical care expenditures. In DFW, the CPI rose 1.8 percent YOY as local housing costs grew at a less rapid clip.

After the Texas trade-weighted value of the dollar decreased for the first time since May, making domestic goods less expensive to the foreign consumer, Texas’ real commodity exports improved 1.6 percent. Manufacturing exports increased by 18.4 percent after adjusting for inflation, led by agriculture/construction/mining machinery shipments. Crude oil exports, however, fell 10.1 percent, in part due to a reduction in outgoing deliveries to the Netherlands. The country’s share of total exports from Texas fell to 3.2 percent, while Brazil’s portion rose to a record-breaking 5.8 percent, supported by rising machinery sales.

Mexico and Canada received 40.9 percent of Texas’ outgoing shipments, a slight improvement from the previous month but still hovering around historical lows. Recent progress, however, has been made regarding the USMCA as the U.S. House of Representatives officially approved the trade pact, although ratification by the senate is still underway. Rebounds in computer/electronic and energy-related exports pushed China’s share above 3 percent, although the recovery was meager compared to the nearly 8 percent reached in 2017. A tentative “phase-one agreement” was reached in the U.S.-China trade dispute in December but will not be signed until January 15, 2020. Uncertainty still undermines the Texas trade environment, which remains an integral part of the state’s economy.

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

Note: Trend-cycle Component.
Source: Conference Board
Financial Activity

30-Year Mortgage Rate and 10-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


150 125 100 75 50 25 0

Crude Oil
Natural Gas (Right Axis)

$/million BTU


0 2 4 6 8 10 12

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)


1,200 1,000 800 600 400 200 0

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

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

Unemployment Rate
(Percent)

Note: Seasonally adjusted. November 2019 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics
Note: Seasonally adjusted. November 2019 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
**Unemployment Insurance Claims: Initial Applications**

*(Year-over-Year Percentage Change)*

- United States
- Texas

Note: Seasonally adjusted. For more information, see Unemployment Insurance Claims: Initial Applications.
Source: Department of Labor

**Real Personal Income Per Capita**

*(Year-over-Year Percentage Change)*

- United States
- Texas

Note: Seasonally adjusted quarterly annualized rate.
Source: Bureau of Economic Analysis
Total Private Employee Hourly Earnings
(Year-over-Year Percent Change)

United States
Texas

Notes: Inflation adjusted, seasonally adjusted. November 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)

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

Notes: Inflation adjusted, seasonally adjusted. November 2019 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Note: Seasonally adjusted, three-month moving average. November 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. November 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. November 2019 is preliminary. For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics
Notes: Inflation adjusted, seasonally adjusted. November 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
Construction Employment
(Quarter-over-Quarter Percent Change)

Note: Seasonally adjusted, 3-month moving average. November 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, seasonally adjusted. November 2019 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 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: 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)

![Graph showing manufacturing exports from 2007 to 2019 for the United States and Texas.](image)

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

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**Crude Oil Exports**

(Year-over-Year Percentage Change)

![Graph showing crude oil exports from 2016 to 2019 for the United States and Texas.](image)

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
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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