Summary  The Texas economy continues to expand, with the Texas Business-Cycle Index increasing at a 4.1 percent annual rate in December. Texas single-family construction permits and existing-home sales increased in January, while housing starts declined. Texas exports ticked up slightly in the fourth quarter of 2012. Manufacturing activity increased but at a slower pace in February, according to the Texas Manufacturing Outlook Survey.

Texas Business-Cycle Index

Growth in the Texas Business-Cycle Index was strong in early 2012 before weakening in the summer months. Growth accelerated again in the latter part of 2012 and surpassed 4 percent throughout the fourth quarter. The index increased 4.1 percent in December.

The index combines movements in employment, the unemployment rate and state real gross domestic product to provide a broader view of the state’s economic health. Periods of negative change in the index indicate recessions in Texas.

Texas House Price Index

The house price index (purchase only) for Texas, published by the Federal Housing Finance Agency (FHFA), rose 1.7 percent in the fourth quarter of 2012 and is up 6.6 percent from last year.

Single-family housing construction permits increased 5.1 percent from December to January after two months of declines. Texas housing starts decreased 1 percent in January, while Texas existing-home sales rose 3.2 percent.

Home inventories edged down to 4.6 months of available supply seasonally adjusted in January, pushing further below the six-month-supply marker signaling a tight market and rising prices.

Quarterly Texas Exports

Quarterly Texas exports increased 0.7 percent in the fourth quarter of 2012. The fourth-quarter level of exports was 2.9 percent higher than a year earlier.

Exports to Mexico, Texas’ largest trading partner, increased by 2.1 percent, while exports to Asia fell 2.2 percent in the fourth quarter. Exports to China rose sharply by 22.2 percent after three quarters of decline, and exports to the European Union fell 1.5 percent, marking a fourth consecutive quarter of decrease.
The West Texas Intermediate crude oil price rose 0.7 percent to $95.32 per barrel in February but was down 6.8 percent year over year.

Natural gas prices edged up to $3.34 per million Btu in February, a 0.3 percent increase from the January level. The price was 33.1 percent higher than in February 2012.

The Texas rig count rose to 833 in February from 821 in January, the first increase in 8 months, but was down 8.9 percent year over year.

The Texas Leading Index, which uses key economic indicators to forecast employment growth, rose 0.9 percent from October to December.

Texas factory activity expanded in February, according to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, came in at 6.2, suggesting growth continued but at a slower pace than in January.

The Dallas Fed conducts the monthly Texas Manufacturing Outlook Survey to obtain a timely assessment of the state’s factory activity.

NOTE: Data may not match previously published numbers due to data revisions.
Housing: FHFA; Multiple Listing Service; U.S. Census Bureau; Bank of Tokyo-Mitsubishi UFJ. All housing data are seasonally adjusted.
Exports: U.S. Census Bureau; World Institute for Strategic Economic Research; seasonal and other adjustments by Federal Reserve Bank of Dallas.
Texas Leading Index: Federal Reserve Bank of Dallas. Data are seasonally adjusted.
Texas Manufacturing Production Index: Federal Reserve Bank of Dallas. Data are seasonally adjusted.

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