March 11, 2019

Texas economic indicators improved in January. The state posted solid job growth that was broad based across metros but mixed among sectors. Growth in the business-cycle index continued to decelerate but remained above its long-term trend. The Texas Business Outlook Surveys' headline indexes suggested continued output growth in January and February, and the surveys' general business activity indexes and company outlook indexes improved in both months. However, exports dipped in December. Home inventories edged up in January, and existing-home sales dipped, suggesting some easing in the tight housing market.

Labor Market

Employment Growth Solid and Broad Based Across Metros

Texas employment expanded an annualized 2.6 percent in January, following 2018 growth of 2.3 percent (Chart 1). The Dallas Fed’s Texas Employment Forecast predicts 1.5 percent job growth in 2019 (December/December), with an 80 percent confidence band of 0.1 percent to 2.9 percent. The Texas unemployment rate ticked up to 3.8 percent after holding steady at 3.7 percent since August, while the U.S. rate inched up in January and then dropped to 3.8 percent in February. Both are well below their long-run averages, indicating continued labor market tightness.

Employment growth was widespread across Texas' major metros in January. All major metros except Fort Worth added jobs in the month, following expansion in all the major metros in 2018. San Antonio's 7.0 percent January growth rate outpaced the other major metros, and its three-month growth was a solid 3.6 percent. Fort Worth shed jobs in January, and its three-month growth was 0.1 percent.
Employment Gains Mixed Across Sectors

While employment in all major sectors rose in 2018, several sectors shed jobs in January while others added to payrolls at a robust pace (Chart 2). Though oil and gas employment expanded the most sharply in January, the trade, transportation and utilities sector added the most jobs in the month. Construction employment contracted the most, followed by manufacturing.

Texas Business-Cycle Index

The Texas Business-Cycle Index, a composite of state payroll employment, the unemployment rate and gross state product, measures underlying economic activity in the state. The index increased an annualized 4.0 percent in January (Chart 3). Its growth rate has slowed for seven consecutive months after rising for more than two straight years.
Texas Business Outlook Surveys

The Dallas Fed’s business outlook surveys pointed to output growth in January and February (Chart 4). The three-month moving averages of the services and retail surveys’ headline indexes dipped but remained positive in February, and the three-month moving average of the manufacturing survey's headline index inched up in the month. The three-month moving averages of the three indexes were near their postrecession averages (January 2010 to December 2018).

![Chart 4](image)

The manufacturing, services and retail surveys’ general business activity indexes all rebounded in February, suggesting that business sentiment improved, though the retail index remained negative. The three company outlook indexes all improved for the second month after turning negative in December.

Exports

Texas exports totaled $315.3 billion in 2018, 15.3 percent higher than 2017 levels, despite dipping 7.5 percent in December (Chart 5). The state’s mining exports (almost all oil and gas) have been expanding rapidly since the end of the oil exports ban in late 2015, and they rose 72.3 percent in 2018. Manufactured goods represent the bulk of Texas exports—78.5 percent in 2018—and they expanded 7.8 percent in 2018. Petroleum and coal products exports, the state’s largest category of manufactured goods exports in 2018, strengthened 22.0 percent. Exports of agricultural goods, which represented only 1.8 percent of the state’s 2018 exports, dipped 7.6 percent in 2018.
Housing

Texas existing-home inventories edged up to 3.8 months in January (Chart 6). Home inventories in the U.S., Austin, Dallas, Fort Worth and Houston also ticked up but were flat in San Antonio. While inventories across major Texas metros and in the U.S. trended upward during 2018, they are still significantly below the six-month supply considered balanced and below their long-run (January 1990–December 2018) averages.

Texas existing-home sales fell 2.4 percent in January, and the five-month moving average edged down 0.5 percent. The state’s median home sales price inched up 0.2 percent in the month and was 0.5 percent above year-ago levels.

NOTE: Data may not match previously published numbers due to revisions.
About Texas Economic Indicators

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