According to the business-cycle index produced by the Federal Reserve Bank of Dallas, economic activity in the Houston metropolitan area grew at an annualized rate of 1.9 percent in December. While Europe continues to be of concern, emerging economies are expected to continue to drive global growth, albeit at a slower pace. Houston’s connection to that global economy has been to be a buoy to local activity. The region continues to display signs that the shadows of recession have mostly faded away, and the road ahead remains bright.

Seasonally adjusted nonfarm payroll employment declined at an annualized monthly rate of less than 1 percent in December, bringing the three-period-average growth rate down to 2.9 percent. The Houston unemployment rate was unchanged in December from the previous month, which was revised down to 7.7 percent, while the U.S. December unemployment rate of 8.5 percent fell to 8.3 in January. The Gulf Coast Workforce Development Area initial claims for unemployment insurance fell an average of 1.8 percent over the last three months and continues to indicate a leveling off of the general downward trend observed since the trough of the Houston’s business cycle in December 2009.

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**Upstream**

The average daily price of West Texas Intermediate (WTI) crude oil was $100.24 a barrel in January, and the Henry Hub average spot price of natural gas was $2.67. On an energy-equivalent basis, oil was 6.5 times the price of gas. Louisiana Light Sweet crude oil ended October at $110.63. The average weekly U.S. rig count was 2,003 in January. Oil activity is still displacing gas as producers chase higher prices. Eagle Ford and other shale regions remain major sources of activity as they are comparatively rich in the valuable oils and gas liquids used for such industries as petrochemicals and as fuel-blending elements. While oil and gas extraction and services continue to be a good source of job and wage growth for Houston, skill shortages across the industry spectrum continue to be an issue.

**Downstream**

The margins of refiners and petrochemical companies remain in healthy territory. Gasoline prices rose in January to average $3.44 despite seasonal factors contributing to declines in consumption. The price of diesel declined slightly to $3.83 but has been resilient due to a sound export market for distillates. January saw a new high in U.S. petroleum product exports of 2,884 thousand barrels per day. Lower feedstock costs offset price declines for petrochemicals caused in part by weakness in domestic markets, softening exports and seasonal factors. The Gulf pipeline-delivered spot price index for ethylene, a primary petrochemical product precursor, rose 10.7 percent in January to $59.25.

**Trade and Autos**

The real value of imports and exports at the Houston–Galveston customs district maintained a solid positive year-over-year trend. According to the Port of Houston Authority, oil exploration and production-related activities, refined petroleum products and plastic resins continue to be key drivers of the observed growth. According to information from InfoNation Inc., Houston auto sales surpassed expectations in December, rising a dramatic 25 percent over November and 8.6 percent year over year for the strongest one-month performance since 2007. The average retail price of new vehicles sold set a new high of $33,429. With truck/SUV sales leading the way, December saw the highest sales numbers since 2007.