The Dallas Fed’s Houston business-cycle index indicated that economic activity in the Houston metropolitan area accelerated to an annualized rate of 8.5 percent in September. Strong employment growth for September and continued health in key area industries are pushing up activity despite eroding international expectations. Real estate markets are improving, energy prices are mostly in healthy territory and retail indicators are positive.

Seasonally adjusted nonfarm payroll employment accelerated in October to a 5.3 percent annual rate from 4 percent in September. Employment in construction and mining was robust in October, particularly in heavy and civil construction jobs. With the labor force growing, the seasonally adjusted Houston unemployment rate rose from 6.2 percent in September to 6.3 in October. The U.S. unemployment rate rose slightly to 7.9 in October. The Help Wanted OnLine index from the Conference Board indicated that the number of unemployed per job posting fell to 2.2 in Houston, the lowest level since before the recession.

Home sales continued to rise in September. Year to date, Houston existing-home sales are up over 20 percent. Single-family housing permits and starts were up from already strong positions. Industrial vacancy rates fell to 5.2 percent in the third quarter, a decline both year to year and from the second quarter, and CBRE reported 3.8 million square feet under construction. Office space has continued to outperform, with nearly 1 million square feet absorbed each quarter to date in 2012, pushing vacancy rates down to 13.6 percent. Industrial, office and multifamily lease rates all continued to rise year to year.

* Seasonally adjusted, three-month moving average.
The average daily prices of West Texas Intermediate and Brent crude oil were $89.57 and $111.92 a barrel, respectively, in October. The Henry Hub average spot price of natural gas moved up to $3.31. The October average weekly U.S. rig count was down at 1,834, and the number of active rigs in the Gulf of Mexico fell slightly to average 44. Both oil and gas rigs declined, and oil now accounts for 76.7 percent of all rig activity. Declining production of gas, increased substitution away from coal in electricity generation, and the onset of cooler weather have been putting upward pressure on natural gas prices. Inventories of crude oil and natural gas were both at high levels.

September Gulf Coast refiner margins remained very high—the highest since March 2006—as did utilization rates. Gulf Coast conventional gasoline and diesel spot prices fell in October to average $2.82 and $3.15, respectively. NGL prices (for ethane, propane and butane) have recovered from midyear bottoms but remain very low. The Gulf pipeline-delivered spot price for ethylene, a central plastics building block, fell throughout October to average 55.5 cents per pound. Polymer spot prices were flat to down in September. Gulf Coast chemical production was up slightly in October year to year, but U.S. production fell as the nation braced for Superstorm Sandy.

Inflation-adjusted total imports and exports at the Houston–Galveston Customs District declined 4.6 percent on a year-over-year basis through June, due in part to drops in the price of petroleum. Steel imports were down, but chemicals, plastics resins, and refined products like gasoline and diesel continued to be drivers of observed export growth.