**Houston Economic Indicators**

**Houston Business-Cycle Index**

- Annualized monthly economic growth, as measured by the Federal Reserve Bank of Dallas business-cycle index, accelerated to 9.5 percent in October—the highest rate since January of this year. Energy-related activities, real estate and international trade continue to propel growth. However, regulatory uncertainty, the U.S. fiscal situation and stresses in the global economy continue to cloud the horizon.

**Employment**

- Total seasonally adjusted nonfarm payroll employment climbed to more than 2.71 million in October, an annualized monthly growth rate of 5.3 percent. Monthly and year-over-year employment growth rates have averaged 4 and 3.5 percent, respectively, so far in 2012. In the last 22 years, only 1997 and 2006 have seen higher average rates of job growth. Construction, health care and leisure and hospitality led October growth. The Houston unemployment rate inched up a tenth of a percent to 6.3 percent in October with a slight increase in the local labor force, while the U.S. unemployment rate rose to 7.9 percent, also with a rise in the labor force.

**Real Estate**

- Seasonally adjusted home sales grew 2.5 percent in October on a moving-average basis, and the nominal median home price recovered some of the last two months’ declines. Higher-value homes continue to drive sales growth, while lower-priced homes registered slightly slower growth. Seasonally adjusted housing months-in-inventory declined to just under 4.5 months, and land costs reportedly continued to rise on supply pressures. The foreclosure share of all property sales declined to 15.5 percent, and year-over-year foreclosure sales were down. New single-family starts and permits picked up steam in November, and both remain solidly on positive year-over-year growth trends.
The average weekly U.S. rig count fell by 50 to 1,809 in November on nearly equal declines in oil- and gas-directed drilling. More than 76 percent of those rigs are now seeking oil because natural gas liquids and natural gas prices remain distressingly low, though the latter has recovered somewhat the last two months. Activity will likely remain high as the labor intensity per rig reportedly continues to climb. Firms continued to focus on areas that have heavier liquids, such as the Permian Basin and the Bakken, but the Eagle Ford may see a temporary pullback in drilling as lower product prices, rising costs and fierce competition squeeze margins. The average daily spot prices of Henry Hub natural gas and West Texas Intermediate crude in November were up at $3.54 and $86.66, respectively. Inventories of both oil and gas remain near 10-year highs.

Despite tight inventories of diesel, its price declined along with that of gasoline. November Gulf Coast average daily diesel and gasoline spot prices fell to $2.99 and $2.52, respectively. Refined product consumption climbed last month, in part on seasonality, but remained well below levels in recent years. Gulf Coast refineries resumed running at over 90 percent of capacity in November, but Gulf Coast refiner margins, while still very healthy, fell to their lowest level this year. Polymer contract prices were largely flat in November compared with October, though spot ethylene prices declined both months.

Inflation-adjusted total imports and exports at the Houston–Galveston Customs District declined 2.5 percent on a year-over-year basis in October, due in part to drops in the price and tonnage of petroleum and other liquids imported to the region. A soft dollar and lower input costs continue to benefit petroleum and chemical commodities coming out of the port. Both imports and exports fell in the third quarter from second-quarter levels.