The Houston Business-Cycle index jumped up from a revised growth rate of 5.4 percent in December to 9.5 percent in January. This implies a very robust acceleration in economic improvement in the region. Direct contributions of energy industries to growth have recently slowed somewhat, but indirectly, energy-related activity is spurring other area industries, sustaining activity. While some stresses from the global economy have dissipated, continued fiscal and regulatory uncertainty clouds the horizon. Overall, Houston area fundamentals remain healthy.

Oil prices were up again in February, although they fell in early March. Pipeline bottlenecks in Cushing, Okla., are suppressing the price of West Texas Intermediate crude compared with Brent and other oil prices. The average price difference was largely unchanged near $20 in February. Natural gas prices climbed slightly to average $3.37 per MMBtu last month. Fuel prices also rose, due in large part to seasonal factors. Natural gas inventories remain seasonally high but have continued to fall below year-ago levels since early January.

Houston payroll employment grew 5.8 percent in January and 3.2 percent over the last three months. Trade, transportation and utilities; financial activities; and educational and health services were the main drivers of that growth. Information industry jobs also spiked up, but represent a small portion of employment.

The Houston unemployment rate rose three-tenths of a percent to 6.5 percent in January as more workers joined the labor force. The U.S. unemployment rate fell to 7.7 percent in February. The Conference Board’s Help Wanted OnLine index for Houston indicated the number of job advertisements in the area climbed 5 percent in February, after falling 2.1 percent in January.

Gasoline $2.87/gal
Diesel $3.18/gal
Jet fuel $3.21/gal
HHNG* $3.37/Mcf
WTI $95.33/bbl
Brent $115.32/bbl

NOTE: Prices listed are one-month averages.
Houston services employment grew an annualized 2 percent over the last three months, seasonally adjusted, and there was considerable variation within the group. The fastest growing subsector, employment services, posted an 11.2 percent gain and can be thought of as a leading indicator for labor demand. Architectural, engineering and related service jobs came in second with 7.3 percent growth, owing to both strength in the local real estate markets and demand from robust activity in energy and manufacturing industries.

Health care and social assistance, the largest single subsector, has posted strong year-over-year growth rates since May 2012. Ambulatory health care and employment services had the next largest numbers of jobs added in January. Health services jobs posted steadily accelerating growth throughout most of 2012.

Among the broad occupational categories within the Conference Board’s Help Wanted OnLine index for Houston, services jobs have consistently shown the greatest labor demand growth while retaining the largest share of ads for new jobs.

The Houston Purchasing Managers Index (PMI) improved in January to 55.8. The U.S. manufacturing PMI climbed to 54.2 in February. The chemical manufacturing activity index from the American Chemistry Council indicates Gulf Coast regional activity improved both month to month and year to year. These measures indicate improving manufacturing activity ahead and are leading indicators for the trajectory of economic conditions.

High demand for energy-industry-related durable goods continues to drive manufacturing employment in Houston. The fabrication, machinery and mining sectors combined for 10 percent growth in January. Growing investment in new facilities and consolidation of existing workforces into the area from other parts of the country by chemical firms pushed up chemical manufacturing employment growth as high as 4.4 percent in 2012 before slowing to 2 percent this January. The chemical sector had spent most of the last decade in contraction.

Despite strong steady employment growth within the sector, firms largely retain longer than normal backlogs of work, and contacts continue to report persistent shortages of skilled labor throughout the industry and the region.


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