The Houston Business-Cycle Index accelerated to a 13.1 percent growth rate in February from a January reading that was revised down to 6.7 percent. February marks the largest one-month increase in the index since 1996. Energy-related activity and improvement in construction and real estate continue to be dominant forces in the region. Area industry fundamentals seem more firm than at the end of 2012.

Houston payroll employment grew 7.9 percent from January to February. Year to date, 27,400 jobs have been added, 18.6 percent more than at the same time last year. Construction and mining along with professional and business services led employment growth in February.

The Houston unemployment rate fell two-tenths of a percent to 6.3 percent in February amid a slight increase in the area labor force, while the U.S. rate fell slightly to 7.7 percent. The Conference Board Help Wanted OnLine index for Houston indicated the number of new job advertisements in the area fell 6.9 percent in March, the largest one-month decline since August of last year and the second-largest decline of the past 12 months. Declines were concentrated in services occupations.

Oil prices were down in March. The average price of West Texas Intermediate (WTI) crude remained low compared with Brent, although the average price difference fell to $16.72. WTI averaged $93.31 in March. U.S. crude oil inventories remain at the top of their 10-year range. Natural gas inventories remain seasonally high but have stayed below year-ago levels through the first quarter due to increases in electric utility consumption and the return of winter weather. Natural gas prices increased 11.4 percent to $3.71 per MMBtu from February to March. Gulf Coast regular gasoline retailed for $3.54 per gallon in March, up from $3.47 the month prior. Gulf Coast on-highway diesel was essentially unchanged in March at $4 per gallon.
- The average weekly U.S. rig count fell by 6 rigs in March to 1,756 rigs. Losses in the gas rig count offset the increases in oil-directed rigs. Activity levels remain high despite a falling rig count as operational efficiencies have allowed firms to drill more wells with each rig, and margins remain tight for oil services. Global activity remains very healthy and seems unlikely to abate in the near future.

- Firms are continuing to focus on oil-rich plays. Horizontal drilling is displacing vertical drilling in the Permian Basin as shale-directed activity heats up. Eagle Ford rig counts have been flat the past few weeks, but drilling within the Eagle Ford could begin to shift into areas with greater concentrations of natural gas if the price stays above $4. Activity in the Gulf is on track to increase significantly, particularly in the second half of the year, according to multiple contacts.

- Although growth in energy industry jobs has been slowing since May 2012, growth rates remain high for extraction and support activities, at 7.3 percent and 10.5 percent growth year-to-year, respectively. Pipeline transportation job growth has been slowing as well and actually turned negative last August, recent data revisions show.

- Refinery operating rates remain very healthy near 90 percent. Increases in seasonally adjusted Gulf Coast refinery production occurred throughout fourth quarter 2012, though January production was down 0.1 percent month-to-month. Refiner margins on the Gulf Coast fell to average $10.42 per barrel during the fourth quarter, still above the longer-run nominal average of $5.35. February margins were $8.42 per barrel, seasonally adjusted.

- Total U.S. gasoline inventories have fallen near to the five-year average for this time of year, while diesel supply is much tighter. Refined product consumption is similar to that of last year at this time but near a 10-year low. Production of gasoline grew at the end of 2012 but remains in a longer-run trend of slight decline. Diesel production continues to grow, and the product is dominating exports of petroleum product from Houston.

- Chemical industry data were mixed last month due in part to seasonal factors, a strengthening dollar and softer-than-expected demand in Asia for some products. Spot and contract ethylene and polyethylene prices climbed, and ethane prices increased slightly. Margins for U.S. firms remain healthy, with ethane and propane prices hovering near 15-year lows, thanks to shale-driven inventory builds. First-quarter real domestic export values for organic chemicals and plastics from the Houston-Galveston customs district were down 2.4 percent relative to 2012.


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