The Houston Business-Cycle Index slowed to an annual growth rate of 1.8 percent in March from a revised 13.9 percent in February. This implies a deceleration in economic activity in the region, though the index advanced 7.1 percent over the first quarter. While energy-related activities continue to drive the region’s performance, activity is broadening across other industries. The U.S. fiscal and regulatory situations cloud the horizon, but fundamentals in many area industries remain sound.

Total Houston payroll employment was unchanged in March on a seasonally adjusted basis. However, major industry categories varied considerably. Financial activities had a strong reading, with employment up an annualized 6.8 percent in March, whereas leisure and hospitality registered a 7.3 percent decline. Services were mixed in March as professional and business services contracted and health and other services expanded.

Annualized first-quarter total employment growth was 4.1 percent. The fastest-growing sector was professional and business services, up an annualized 8.7 percent.

The Houston unemployment rate fell one-tenth of a percent to 6.2 percent in March. The U.S. and Texas unemployment rates declined to 7.6 and 6.4 percent, respectively. The Conference Board’s Help Wanted OnLine index for Houston indicated the number of job advertisements in the area rose 6.7 percent in April.

Gulf Coast diesel and gasoline prices fell from March to April, with on-highway diesel down 3.7 percent to $3.84 and gasoline pump prices off 4.1 percent to $3.43. The regional refinery utilization rate increased 3.8 percentage points to 87.5 over the same period.

The Henry Hub natural gas spot price averaged $4.16 in April, the highest monthly amount since July 2011. Both ethane and propane prices increased in March.

The average monthly price of West Texas Intermediate and Brent oil declined 1.1 percent and 8.3 percent, respectively, in March.
Year-over-year growth in the value of total trade at the Port of Houston fell 14.5 percent in the first quarter, the steepest decline since the recession, on a sharp pullback in imports in February and March. First-quarter imports were off 26.3 percent due to declines in the value and quantity of imported oil and related products. In January, that category accounted for 57.4 percent of the total value of imports; in March, it was down to 48.9 percent of imports, part of a long-run decline. Export gains in January and February were countered by declines in March, resulting in a slight first-quarter contraction of 0.2 percent compared with a year ago. Declines in exports over the first quarter were broad based, notably counterbalanced by increased exports of inorganic chemicals, organic chemicals, and plastics and related goods.

Six of the top eight export destinations from Houston in the first quarter were in South and Central America. Among them, Peru (57.5 percent to $896 million) and Colombia (47.3 percent to $1.79 billion) saw the most growth relative to the prior-year period. Year-over-year growth in exports to Venezuela (29.1 percent) slowed considerably. Real exports to the Netherlands (13.4 percent), Brazil (6.7) and Chile (4.1) contracted relative to first quarter 2012. Mexico remains Houston’s largest trading partner by far.

Home sales and prices moved higher in the first quarter. Existing-home sales declined 2 percent in February and March but grew 3.4 percent over the quarter due to a strong January. Seasonally adjusted housing inventory fell to 3.6 months in March, the lowest reading since the data were first collected in 1990. A shortage of available lots is keeping upward pressure on the prices of single-family and multifamily housing in the region. Permits and starts for single-family units were up in March. On a quarterly basis, both permits and starts were held back by a soft February.

Commercial real estate continued to do well in the region in the first quarter. Vacancy rates fell both quarterly and year over year, with the industrial rate declining an estimated 4.9 percent and retail down an estimated 7.7 percent. The square footage under construction increased year over year, to 6.4 million for industrial and 600,177 for retail.

Construction jobs were up an annualized 5.9 percent from a year ago in the first quarter. Heavy and civil-engineering construction jobs towered over jobs in other subsectors, growing 12.5 percent in the quarter, owing mostly to robust demand from the energy industry.