The Houston Business-Cycle Index jumped up from a revised March growth rate of 2 percent to 8.9 percent in April. This implies a sudden acceleration in the pace of economic expansion in the region and may underscore a reversal of the slight decelerating trend that dominated the latter half of 2012. Directly and indirectly, energy-related activity continues to spur other area industries. Some stresses from the global economy have dissipated, but continued fiscal and regulatory uncertainties remain the largest clouds on the horizon. Overall, Houston-area fundamentals remain healthy.

Houston payroll employment grew at an annualized pace of 5.2 percent in April and 4.5 percent over the past three months. Construction, leisure and hospitality, and financial activities were the fastest-growing sectors. Manufacturing, which has added 900 jobs year to date, contracted 3.4 percent from March to April.

The Houston unemployment rate rose one-tenth of a percent to 6.3 percent in April as the area labor force continued to expand. The U.S. unemployment rate held at 7.5 percent in May. The Conference Board’s Help Wanted OnLine Index for Houston indicated the number of new job advertisements climbed 6.7 percent in April after falling 6.9 percent in March.

Energy prices were mostly down in May. Seasonally adjusted prices fell for both Gulf Coast on-highway diesel (4.9 percent) and gasoline at the pump (6.2 percent) from April to May. The most recent data indicate the average residential price of natural gas in Texas edged down from February to March on a seasonally adjusted basis.

The gap between West Texas Intermediate (WTI) crude and other oil prices has narrowed the last few months as new pipeline capacity has begun to alleviate bottlenecks in Cushing, Okla. The average price difference between WTI and Brent crude slipped 34 percent from April to May to $8.18. The price of WTI climbed 1.3 percent to $94.12 per barrel, while Brent fell 2.9 percent to $102.27.
Employment growth in Houston’s services industries was broadly based over the three months ending in April. The fastest-growing sector was employment services at an 8.6 percent pace. The sector is often thought of as a leading indicator for labor demand. Architectural, engineering and related jobs came in second, with 8.1 percent growth, owing to strength in local real estate markets and energy and manufacturing industries. Ambulatory health care services was next, with growth of 7.5 percent.

Health care and social assistance, the largest single subsector within the services industry, continued to post strong year-over-year growth at 5.7 percent, one-tenth of a percent faster than three months ago. Health services jobs saw steadily accelerating growth throughout most of 2012.

Among the broad occupational categories within the Help Wanted OnLine Index for Houston, job postings for professional and related occupations have consistently shown the greatest year-over-year demand growth. However, the growth rates of new and total job postings for all occupational categories have been slowing both on a month-to-month and year-over-year basis in 2013.

In April, the Houston manufacturing purchasing managers index (PMI) declined to 58.4. The U.S. manufacturing PMI fell in April to 50.7 and continued falling in May to 49—the second reading below 50 since the end of the recession (numbers below 50 indicate contracting manufacturing activity).

The chemical manufacturing activity index from the American Chemistry Council indicated that chemical production continued to grow year-over-year in April both in the U.S. (0.5 percent) and at the Gulf Coast (1 percent). Gulf Coast production in the first three months of the year was revised down significantly. These measures, which are leading economic indicators, point to flattening manufacturing activity nationally.

Year-over-year comparisons of total manufacturing employment remain favorable at 4.5 percent growth. Machinery and the subsector including mining machinery continue to lead the way with 9.3 and 9 percent growth, respectively, a slightly slower pace than in the three months ending in January. Total manufacturing employment growth has steadily slowed over the year. Annualized, seasonally adjusted quarterly growth has fallen from a rate of 5.5 percent in fourth quarter 2012 to 2.6 in the three months ending in January, and to 1.8 percent for the three months ending in April.


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