The Houston Business-Cycle Index slowed to a 2.8 percent growth rate in May, down from a revised 7.4 percent in April. Still, energy-related activity and improvement in construction and real estate continue to be dominant forces in the region. Area industry fundamentals remain firm, though not as robust as in much of 2012.

Oil prices were up in June, with West Texas Intermediate (WTI) crude rising to $95.80. WTI remained low compared with Brent, although the average price difference fell to $7.12. U.S. crude oil inventories remained at the top of their 10-year range. Meanwhile, natural gas prices declined 5 percent to $3.82 per MMBtu in June. Gulf Coast regular gasoline retailed for $3.39 per gallon, up from $3.37 the month prior. Gulf Coast on-highway diesel was essentially unchanged at $3.75 per gallon.
The average weekly U.S. rig count edged down by six in June to 1,751. Both gas and oil rig counts were down. Activity levels remain stable despite the slight decrease as operational efficiencies continue to allow firms to drill more wells with each rig. Margins remain tight for oil services. Global activity is healthy and seems unlikely to abate in the near future, although recent weakness in drilling activity in Canada is pulling down otherwise positive expectations for North America as a whole.

Horizontal drilling is still displacing vertical drilling in the Permian Basin as shale-directed activity heats up. Monthly average rig counts in the Eagle Ford area fell slightly in June, but the weekly count recovered by the beginning of July to near May levels. Activity in the Gulf of Mexico is on track to increase significantly. The Gulf rig count was up by four from May to June, and the total U.S. offshore rig count was the highest it has been since February 2009, at 55 rigs.

Growth in energy industry jobs has been slowing since May 2012. The pace remains high for extraction and support activities, at 6.4 percent and 6.6 percent year-over-year, respectively. Pipeline transportation job growth has flattened. Except for the last quarter of 2012, second quarter 2013 represents the sharpest deceleration in year-over-year mining support employment growth since the 2009 collapse of commodity prices.

Refinery operating rates remain healthy at just over 90 percent on the Gulf Coast. Seasonally adjusted Gulf refinery production growth was mixed in the first quarter, down one-half of a percent from fourth quarter 2012. Gulf refining margins climbed to average $7.24 per barrel during first quarter 2013 and are on track to rise further in the second quarter. Margins are near 145 percent of their historical average.

Total gasoline inventories are near the middle of their five-year range for this time of year. Diesel inventory remains low relative to its five-year average. While net exports of petroleum products were down last month compared with June 2012, they rose from May to June as average weekly exports of refined petroleum products increased 125,000 barrels per day and imports fell 300,000.

Chemical industry data were mixed in June, due in part to unplanned outages, a strengthening dollar and what some contacts described as cautious purchasing behavior in Asia and South America. Basic chemical prices climbed in part on unplanned outages on the Gulf Coast, while natural gas and natural gas liquids prices fell in tandem. These data followed May readings that showed slight increases in ethane prices and the highest average propane prices of the year. From the Houston–Galveston customs district, the year-to-date real value of total exports of organic chemicals and plastics was up 6.26 percent through April 2013 compared with the same period in 2012.