Recent changes in the Houston Business-Cycle Index suggest acceleration in economic activity from earlier in the year. The index increased from a revised June growth rate of 1.5 percent to 6 percent in July. Strong activity in the energy industry continues to spur growth in affected areas of the Houston economy. Overall, Houston-area fundamentals remain healthy.

Houston payroll employment grew at an annualized pace of 3.2 percent in July and 1.6 percent over the three months ending in July. Construction and mining and financial activities were the main industries contributing to job growth. Information grew a blistering 30 percent, but it is a small industry. Manufacturing employment, which has been declining since March, contracted 2.4 percent from June to July.

The Houston unemployment rate fell one-tenth of a percent to 6.1 percent in July as employment growth outpaced labor force growth. The U.S. unemployment rate held at 7.3 percent in August. The Conference Board’s Help Wanted OnLine Index for Houston indicated the number of new job advertisements climbed 7.2 percent in August after falling a revised 10.6 percent in July.

Energy prices were mostly up in August. Seasonally adjusted, prices for Gulf Coast on-highway diesel rose 2 percent and gasoline at the pump rose 0.6 percent from July to August.

The gap between West Texas Intermediate (WTI) crude and other oil prices widened during August but remains tight. The average difference between WTI and Brent crude rose from $3.37 in July to $4.77 in August and continued to climb in early September. WTI was up 1.9 percent to $106.57 per barrel from July to August, while Brent rose 3.2 percent to $111.34.

The most recent data indicate the average price of residential natural gas fell slightly on a seasonally adjusted basis.
Employment growth in Houston’s services industries was broadly based in July compared with a year ago. The fastest-growing occupation was architectural, engineering and related services. Health care and social assistance, the largest occupation within the services sector, has been growing at a healthy rate. Within health care, hospital employment growth has accelerated, while ambulatory services has slowed. Ambulatory health services accounts for half of all health care jobs.

The second quarter saw a steady slowing of private sector jobs growth overall relative to the same period in 2012. Looking at all of 2013, nearly every services industry has steadily slowed on a year-over-year basis.

Among the broad occupational categories within the Help Wanted OnLine Index for Houston, job postings for professional and related, services, and office and sales occupations have consistently been the greatest contributors to total job advertisement growth. However, despite last month’s uptick in new job advertisements, new and total job postings for all occupational categories have been slowing on a seasonally adjusted basis, both month to month and year over year.

While Houston manufacturing employment has declined in recent months, the Houston purchasing managers index (PMI) suggests that manufacturing activity has been stronger than in the nation. The Houston PMI held at 57.1 for the third straight month. The U.S. manufacturing PMI rose in August to 55.7 from 55.4 in July (numbers above 50 indicate expanding manufacturing activity). The chemical manufacturing activity index from the American Chemistry Council indicates that U.S. chemical production continued to grow (1 percent) year over year in August.

Machinery jobs continue to lead the way, driven by agriculture, construction and mining machinery, a category that accounts for three-quarters of total machinery jobs. Year-over-year growth in key manufacturing sectors has steadily slowed in 2013, with the exception of petroleum and coal manufacturing, which has accelerated.


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