The Houston Business-Cycle index slowed to a 1.1 percent growth rate in August, down from a revised 3.6 percent rate in July. The slowdown in economic activity was centered in a decline in jobs. While energy-related activity and construction and real estate have slowed in recent months, they continue to be dominant forces in the region’s economy.

Houston payroll employment fell from July to August. Declines were led by financial activities and government, but construction and mining also fell. Offsetting some of this weakness, jobs grew in leisure and hospitality; trade, transportation and utilities; and professional and business services. During the three months ending in August, employment grew at an annualized rate of 0.7 percent, down from 1.1 percent in the prior three-month period ending in May.

The Houston unemployment rate fell one-tenth of a percent in August to 5.9 percent, marking the first time since December 2008 that the number has been below 6 percent. July’s unemployment rate was revised down from 6.1 to 6 percent. The U.S. rate was 7.3 percent in August, and the Texas rate was 6.4 percent. The Conference Board’s Help Wanted OnLine Index for Houston indicated the number of new job advertisements in the area rose 2.1 percent in September.

Oil prices were essentially flat from August to September. The price spread between Brent and West Texas Intermediate (WTI) crude increased by $2 to $5.40 per barrel. WTI averaged $106.29 in September. U.S. crude oil inventories remain at the top of their 10-year range. Natural gas inventories have climbed relative to recent years but remain below where they were last year at this time. Natural gas prices increased 5.8 percent to $3.62 per MMBtu in September. Gulf Coast regular gasoline retail for $3.35 per gallon in September, down slightly from $3.37 the month prior. The Gulf Coast on-highway diesel price increased from $3.83 per gallon in August to $3.86 in September.
The average weekly U.S. rig count fell by 21 to 1,760 from August to September. September marked the fourth month of decline in oil-directed rigs (down 43 from May) and the third month of increases in gas-directed rigs (up 37 from June). The number of wells drilled has been fairly stable despite the fall in rigs as operational efficiencies allow firms to drill more wells for each rig. Margins are tight for oil services. Global drilling activity remains healthy.

Horizontal drilling now accounts for over 41 percent of rigs in the Permian Basin as shale-directed activity grows there. Monthly average rig counts in the Eagle Ford were essentially flat over the last two months. The Gulf average rig count was up by four from August to September, and the total U.S. offshore rig count increased to 65, the highest since December 2008.

Monthly growth in Houston energy extraction and oilfield services jobs has been slowing since 2011, when natural gas prices collapsed. The growth rate was 5.2 percent for oil and gas services in August and 7.5 percent for extraction. Monthly pipeline transportation job growth seems to have accelerated this year, rising as high as 8.7 percent in July. August saw 1.2 percent growth. Overall, data suggest that energy sector jobs continue to grow faster than jobs in most other sectors of the economy, although the rate is slower than in 2011 and 2012.

Refinery operating rates remained healthy in August at 92 percent on the Gulf Coast. Seasonally adjusted Gulf Coast refinery production steadily increased through the second quarter, rising 2.3 percent from the first quarter, and July production registered the second-largest increase of the year. Gulf Coast refiner margins fell in August to $5.95 per barrel from $6.38 in July. This was after a 13 percent drop from the first to second quarter.

Total gasoline inventory is near the top of its five-year range for this time of year, whereas diesel inventory remains low. Net exports of petroleum products are up, mostly due to an increase in exported products, particularly distillate fuel oils like diesel.

Chemical industry data were mixed in September. Although Gulf Coast production is up year to date, according to the American Chemistry Council, production growth has steadily slowed. The softening global economy and a slight rise in the dollar have made the export of many products more difficult. The pipeline-delivered spot price for ethylene was 57 cents per pound in June. The U.S. natural gas liquids composite price ticked up slightly in July (the most recent data available) to $9.57 per MMBtu. In the first half of this year, the real value of exports of plastic and rubber products from Texas was up 11.5 percent compared with the same period in 2012. Texas inflation-adjusted exports of organic and inorganic chemicals were down 1.3 percent in the first half.