The Houston Business-Cycle Index has been volatile in recent years, but recent data suggest acceleration in economic activity from earlier in the year. The index grew at a strong annualized pace of 9 percent in September before slowing in October to 4.5 percent. With an active construction market and a healthy energy industry, Houston-area fundamentals remain robust heading into the end of the year.

Houston payroll employment grew at an annualized pace of 3 percent in October and 2.2 percent over the three months ending in October. Other services (which includes businesses as varied as auto repair shops and pet hotels), and construction and mining were the fastest-growing industries in October. Financial activities dropped sharply. Manufacturing employment, which had virtually ground to a halt over the summer, grew at an annualized pace of 7.6 percent in September and 6.6 percent in October, the fastest rates of the year.

The Houston unemployment rate held at 6.1 percent in October after rising two-tenths of a percent from August to September. The U.S. unemployment rate was up slightly at 7.3 percent in October. The Conference Board’s Help Wanted OnLine Index for Houston indicated the number of new job advertisements rose 10.7 percent in November after falling 10.8 percent in October.

Seasonally adjusted, prices for Gulf Coast on-highway diesel fell 1.2 percent and gasoline at the pump fell 0.9 percent from October to November. The most recent data for residential natural gas indicate that prices fell over the first half of 2013, from 14.61 cents per Mcf in December 2012 to 10.86 cents in May.

In November, energy spot prices were down across the board, with the exception of propane. West Texas Intermediate (WTI) crude fell 6.7 percent to $93.87 per barrel, and Henry Hub natural gas was off 1 percent to $3.62 per MMBtu. Ethane and butane prices fell, while propane increased.

The gap between WTI and other oil prices widened sharply during November when WTI prices fell. The average difference between WTI and Brent crude rose from $4.80 in August to $8.60 in October and reached $14.09 in November. Brent fell 1.1 percent in November to $107.96.
Overall employment in Houston’s services industries increased 2.4 percent on a year-over-year basis in the three months ending in October. The fastest-growing sectors were health care (excluding ambulatory and hospitals) and arts, followed by administrative, waste management, remediation and related employment. The finance and insurance sector showed the largest decline among the services industries and was the driving force behind declines in the financial activities supersector. Hospital employment declined sharply, but growth in other areas of health care and social assistance—the largest services sector—more than offset those losses.

Among the broad occupational categories within the Help Wanted OnLine Index for Houston, sales and office, management, business, and financial and professional and related jobs were the strongest contributors to a rise in total job advertisements in November after postings turned sharply negative in October. All service sector occupational categories saw increases in November.

Area manufacturing employment growth surged in lockstep with the Houston purchasing managers index in September and October. This and other indicators suggest that manufacturing activity is growing more strongly in Houston than the nation, which has also improved over the last five months. The chemical manufacturing activity index from the American Chemistry Council indicates that U.S. chemical production continued to grow year over year (1.8 percent) and quarter over quarter (0.6 percent) in the third quarter, though August and September month-to-month growth numbers were both negative.

From September to October, nondurable manufacturing jobs declined. Within durable-goods manufacturing, jobs in computer and electronic products and chemical manufacturing grew the fastest. Job growth in chemical manufacturing posted its strongest month since December 2012. Subtracting agriculture, construction and mining machinery (a subsector of machinery) from total machinery jobs creates an “other machinery” subsector that accounts for more employment in Houston than petroleum and coal manufacturing (the area’s smallest manufacturing sector). Other machinery jobs grew 20.5 percent in October and have expanded 15.5 percent over the past 12 months.


Contact: For questions or information, contact Jesse Thompson at jesse.thompson@dal.frb.org. Federal Reserve Bank of Dallas, Houston Branch, 1801 Allen Parkway, Houston, TX 77019.