

FEDERAL RESERVE BANK OF DALLAS • OCTOBER 31, 2016

Summary

Recent data suggest that Houston may have put the worst of the oil bust behind it, but some lingering effects likely remain. Employment expanded in each of the past four months as growth broadened in services and losses slowed in goods-producing sectors. However, new job ads in the metro continue to decline. Overall,

Houston is shifting from a modestly negative to a flat or even slightly positive trend.

Business-Cycle Index



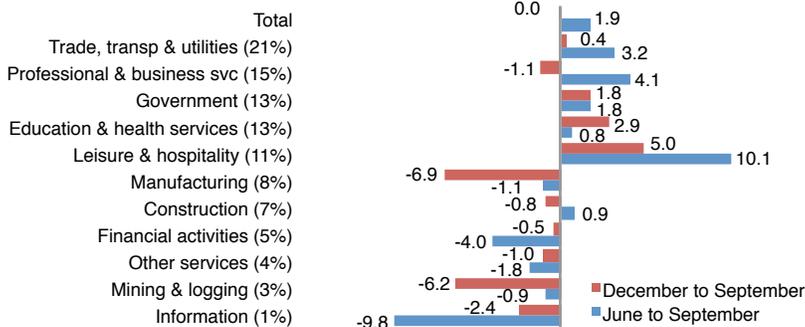
*Annualized month-over-month growth rate.

SOURCE: Dallas Fed.

► The annualized growth rate of the [Houston Business-Cycle Index](#) picked up to 2.9 percent in September—the fourth consecutive month of growth, and the fastest month of growth since July 2015. The index continues to indicate that much of the pain of the oil bust has subsided.

Employment

Employment Growth



NOTES: Data show seasonally adjusted and annualized percentage growth by industry supersector (September/June for the three-month period). Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

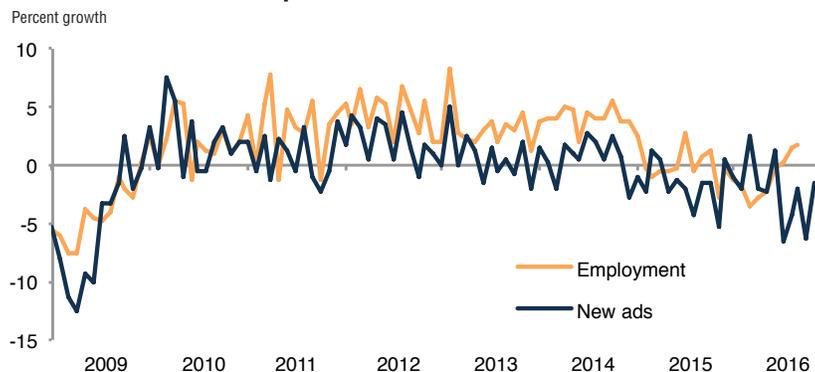
► Total nonfarm employment in [Houston](#) grew an annualized 1.9 percent over the three months ending in September. Job growth came mostly from leisure and hospitality (7,600 jobs), trade, transportation and utilities (4,800) and professional and business services (4,700). Financial activities led job losses (-1,500). Manufacturing and mining experienced their smallest job declines since the oil bust began.

► The decline in jobs between December 2015 and September 2016 is now just below zero, thanks to recent growth and a [positive revision to employment data](#) for the first quarter of the year. This means that the contraction in the local economy in the first half of the year was less pronounced than earlier estimates had suggested.

► Due partly to labor force increases, Houston's unemployment rate rose to 5.1 percent in September from a revised 4.7 percent in August. The unemployment rate was 5.0 percent in the U.S. and 4.8 percent in Texas.

► The four-month moving average of new job advertisements fell 1.6 percent in September, an improvement from a 6.3 percent decline in August. The continued declines in help-wanted advertising suggest weaker job growth for the rest of the year than the most recent job data might indicate. The weakness was spread across all major occupational categories, particularly professional and related jobs. Ads for construction and maintenance occupations have remained flat the past four months.

Help Wanted OnLine Index

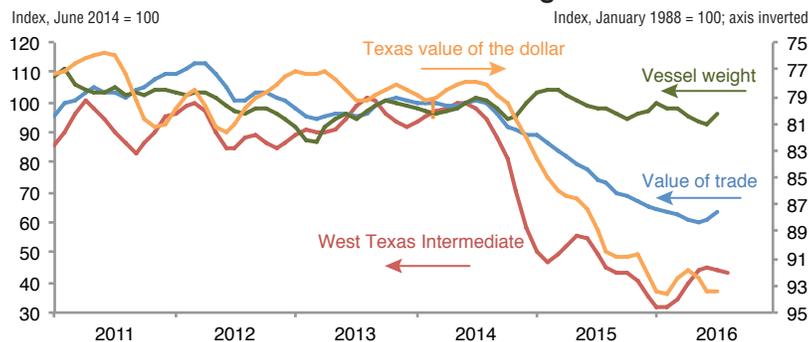


NOTE: The help-wanted index shown here is a statistically optimized weighted moving average, shifted forward two months.

SOURCE: Conference Board data, accessed via Haver.

Total Trade

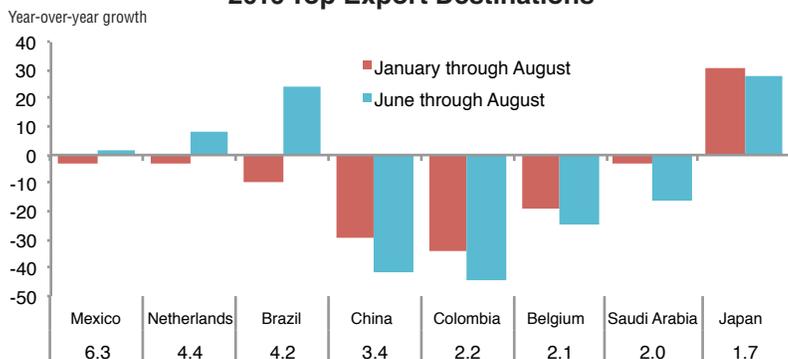
Trade Value and Vessel Weights



NOTE: Data displayed are centered three-month moving averages, seasonally adjusted where appropriate.

SOURCES: Census Bureau; Dallas Fed; Energy Information Agency.

2016 Top Export Destinations

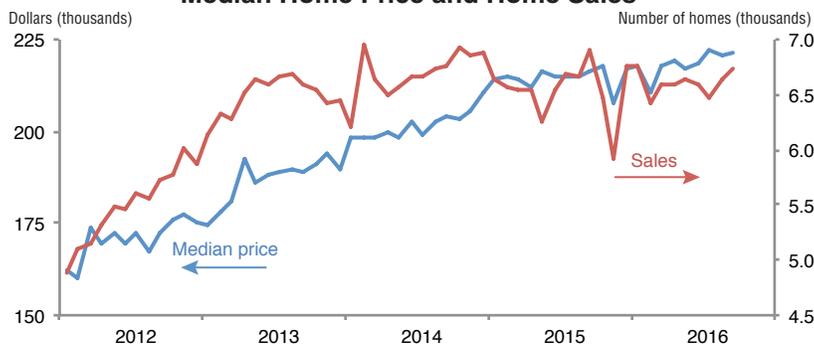


NOTE: Countries are listed in order by value of 2016 exports through August; figures are in billions of nominal dollars.

SOURCE: Census Bureau data accessed through the International Trade Commission.

Construction and Real Estate

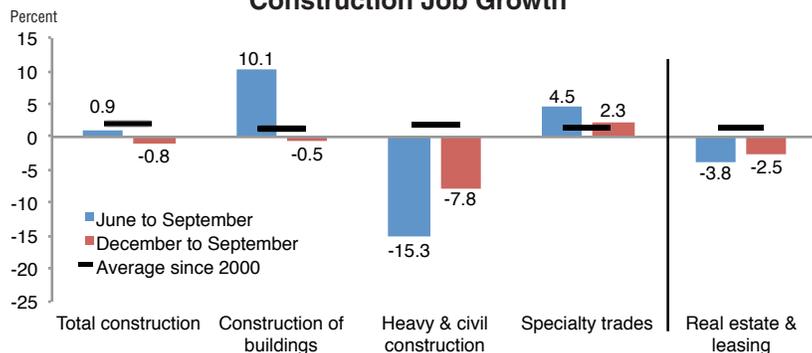
Median Home Price and Home Sales



NOTES: Data are seasonally adjusted.

SOURCE: Houston Association of Realtors.

Construction Job Growth



NOTE: Real estate and leasing is not a subsector of construction.

SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

▶ The average nominal value of trade and vessel weights moving through the Houston–Galveston customs district ticked up over the three months ending in August—the first three-month rise since summer 2014. This was driven primarily by an increase in the value and volume of imports, particularly oil. Higher oil prices should help push up the value of trade moving through Houston. The rise of the **Texas dollar** (axis in chart is inverted) has been a headwind to exports over the past two years. A stable or falling dollar should help the value of exports from Houston rise.

▶ The nominal value of exports from the customs district to Japan, Brazil, the Netherlands and Mexico increased over the summer months. Crude oil and liquefied natural gas were major drivers of the growth in exports to Mexico, Japan and the Netherlands. Petroleum products and grain and oilseeds led the growth in exports to Brazil.

▶ Sales of existing homes grew to 6,726 in September on a seasonally adjusted basis. That's the highest number since January, but it's in line with the generally flat trend that began in the second half of 2013. The median existing-home price continued to trend higher after pausing in 2015, ticking up to \$221,200 in September.

▶ The office vacancy rate climbed to 20.9 percent in the third quarter, and the apartment vacancy rate rose to 6.9 percent.

▶ Construction employment grew over the three months ending in September. A surge in building construction jobs (e.g., framers and roofers) and a pickup in the specialty trades (electricians, plumbers and welders) helped offset accelerating losses in heavy and civil construction. Real estate and leasing services jobs continued to decline.

▶ Construction job growth is expected to be weak going forward as commercial and multifamily activity wind down. Heavy industrial construction associated with petrochemical plants is near a peak and will likely be a future headwind to construction employment.

NOTE: Data may not match previously published numbers due to revisions.

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