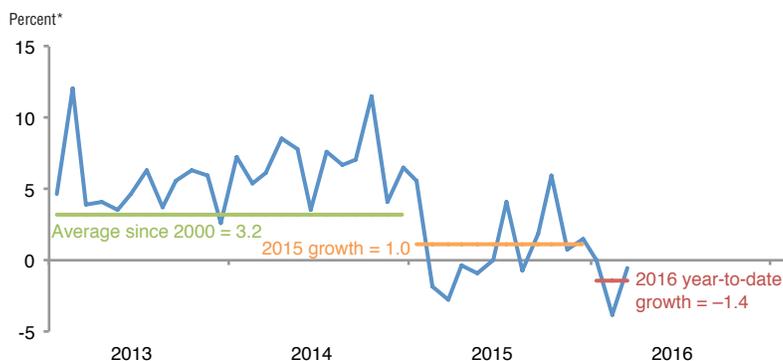


FEDERAL RESERVE BANK OF DALLAS • APRIL 26, 2016

Summary

Revised data suggest that Houston's economy was slightly weaker than originally estimated at the end of 2015 and that it has weakened since. Port activity and industries driven by local demand, such as health care, are holding up but may begin losing steam as losses in the energy sector mount. With leading indicators still weak, the outlook for Houston is modestly negative.

Business-Cycle Index

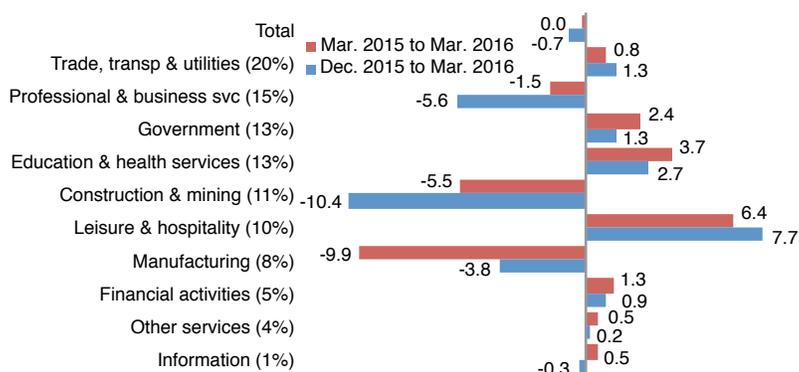


*Annualized month-over-month growth rate.

SOURCE: Dallas Fed.

▶ The **Houston Business-Cycle Index growth rate** rose to an annualized -0.5 percent in March from a revised rate of -3.8 percent in February. The weak numbers came primarily from job losses. Cumulatively, the index is down an annualized 1.4 percent in 2016, the weakest three-month change since April 2015 (-1.7) and, before that, December 2009 (-2.3).

Employment Growth



NOTES: Data show seasonally adjusted and annualized percentage growth by industry supersector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

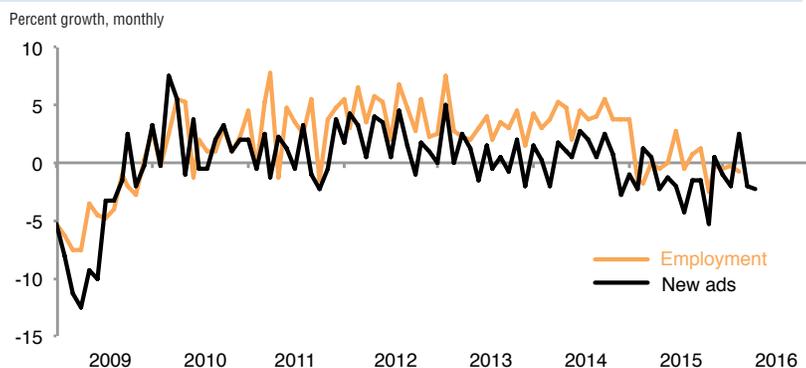
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

▶ **Total nonfarm employment** contracted an annualized 0.7 percent over the three months ending in March. Construction and mining (-6,042 and -1,259 jobs, respectively), manufacturing (-2,228) and professional and business services (-6,807) led decliners. Job growth came mostly from leisure and hospitality (5,712), education and health services (2,542) and trade, transportation and utilities (1,969).

▶ Year-over-year growth in total employment was a tepid -0.04 percent in March, up from -0.14 percent in February. The weaker job numbers come after recent **revisions by the Dallas Fed** reveal Houston touched on negative year-over-year employment growth in January.

▶ Houston's unemployment rate rose from 4.7 percent in February to 5 percent in March. Despite overall weakness in the local economy, the labor force has continued to grow this year. The unemployment rate was 5 percent in the U.S. and 4.3 percent in Texas in March.

Help Wanted Online



NOTE: Job ad data are statistically optimized weighted moving averages, shifted forward two months.

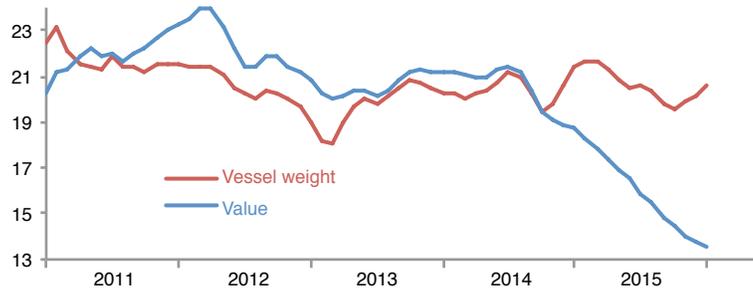
SOURCES: Conference Board; Bureau of Labor Statistics; adjustments by the Dallas Fed.

▶ The growth rate in the four-month moving average of new job ads fell to -2.3 percent in March after briefly climbing to 2.6 in January. Declines the past four months were driven primarily by professional occupations, but all sectors contributed, with the exception of services occupations, which were flat. This indicator suggests weak employment demand over the next three months—an interpretation supported by the job losses in professional and business services, which were centered on employment services (e.g., staffing firms).

Trade

Houston–Galveston Port Activity

Billions of dollars, millions of metric tons

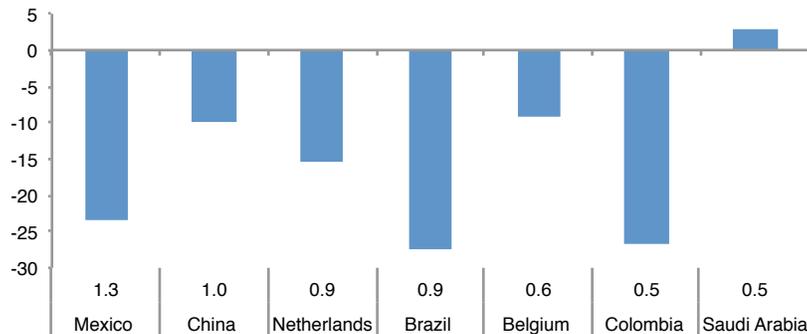


NOTE: Data displayed are centered three-month moving averages, seasonally adjusted.

SOURCES: Census Bureau.

2016 Top Export Destinations

Year/year growth



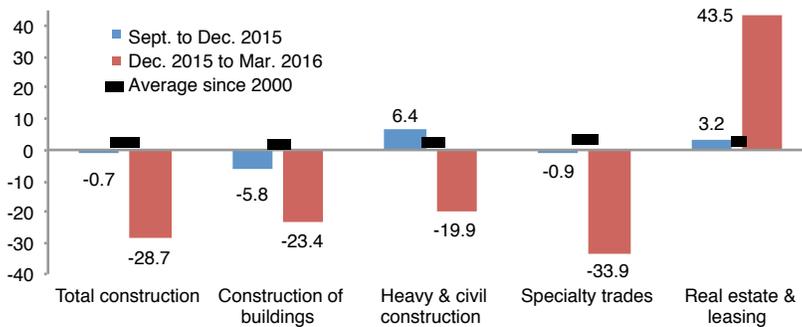
NOTE: Figures in axis are values of 2016 exports through February in billions of dollars.

SOURCES: Census Bureau.

Construction and Real Estate

Job Growth–Construction

Percent

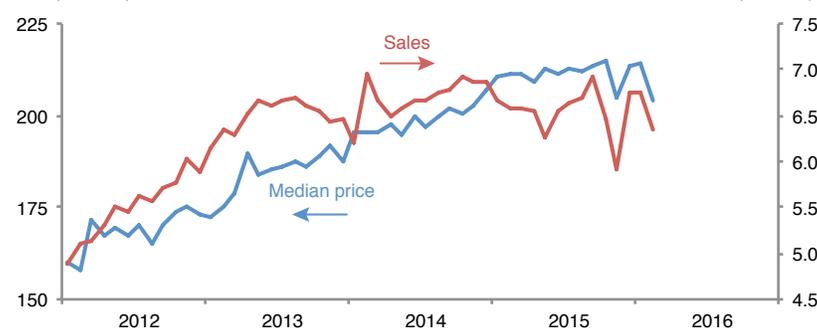


NOTE: Real estate and leasing is not a subsector of construction.

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

Median Home Prices and Home Sales

Dollars (thousands)



NOTES: Data are seasonally adjusted. Sales are per the six-month moving average of payroll employment.

SOURCE: Houston Association of Realtors.

▶ Monthly declines in the total value of trade moving through the Houston–Galveston customs district continued unabated in January as oil and natural gas prices (and their derivatives) were testing new lows. However, the amount of product moving in and out of the region climbed for the third consecutive month.

▶ Year-to-year declines in the value of products shipped to Houston’s top export destinations in January and February was uneven. Brazil saw the largest percentage decline in the value of exports from Houston. The value of exports to Mexico—which lost its spot as Houston’s top trade partner in 2015 to China—saw the largest absolute decline.

▶ Those year-over-year declines in export values were driven principally by falling prices for commodities like petroleum and coal, chemicals, oil and gas, and agricultural products. Machinery and fabricated metals products also contributed strongly to declines, due in no small part to a **strong dollar**. The chief sector adding to the value of exports was transportation equipment.

▶ Recent revisions to 2015 construction employment erased a large anomalous surge in construction jobs from the September 2015 to December 2015 period, indicating that the industry instead contracted a slight 0.7 percent over that time.

▶ Since December, construction employment losses have accelerated dramatically across all sectors. However, there hasn’t been a corresponding decline in construction activity, although anecdotes and data from CBRE suggest that project backlogs across commercial and residential real estate are hollowing out.

▶ Growth in real estate and leasing—which belongs to the financial activities industry, not construction—has accelerated since December 2015.

▶ Median home prices and home sales moved in lockstep through the second half of 2015 and both declined from January to February. Sales declines have been concentrated in luxury homes and, thus, have had an outsized impact on median home prices.

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

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