

# Houston Economic Indicators

DALLAS FED

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**Summary** Growth in Houston's economic activity seems to have stabilized in June as total employment picked up slightly. However, recent revisions to employment indicate a substantially weaker first quarter than initially estimated. Construction activity, the value and volume of international trade, and the number of new job ads have all weakened in recent data. Taken together, the outlook for the Houston region is modestly negative for the second half of the year.

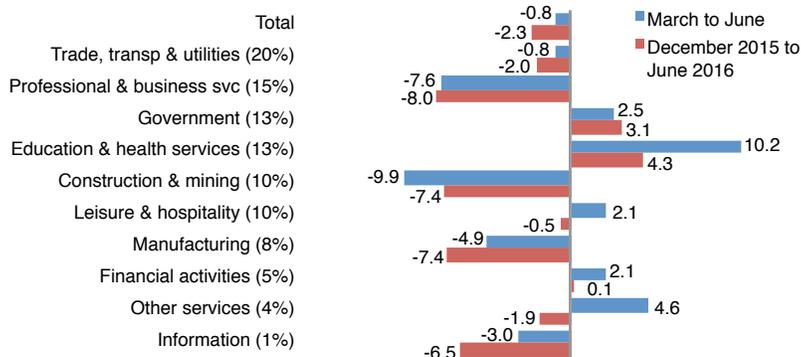
## Business-Cycle Index



\*Annualized month-over-month growth rate.  
SOURCE: Dallas Fed.

► The **Houston Business Cycle Index** rose to an annualized 0.7 percent in June from a revised -3.9 percent in April. However, the year-to-date decline in the index worsened to -3.7 percent due to recent revisions to the data that suggest a substantially weaker first quarter than initially estimated. Spillovers from the impact of low energy prices are becoming more evident in the data.

## Employment Growth



► Total nonfarm **employment** in Houston contracted an annualized 0.8 percent in the three months ending in June. Job losses came primarily from professional and business services (-9,000 jobs) and construction and mining (-7,900) as the rate of job loss in manufacturing has slowed considerably in the last few months. Job gains were concentrated in education and health (9,200) and government (2,400).

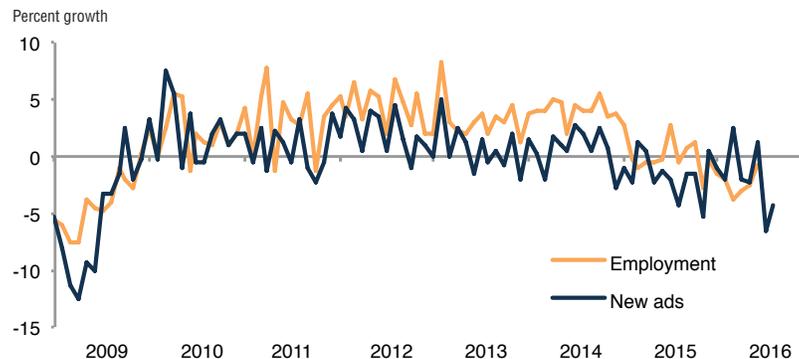
► Year to date, jobs declined at an annual rate of 2.3 percent after sharply negative **revisions**, making the first half of this year the biggest six-month drop since December 2009.

► Houston's **unemployment rate** was 5.3 percent in June and continues to trend up along with the size of the area labor force. The June unemployment rate was 4.9 percent in the **U.S.** and 4.5 percent in **Texas**.

NOTES: Data show seasonally adjusted and annualized percentage employment 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.

## Help Wanted Online



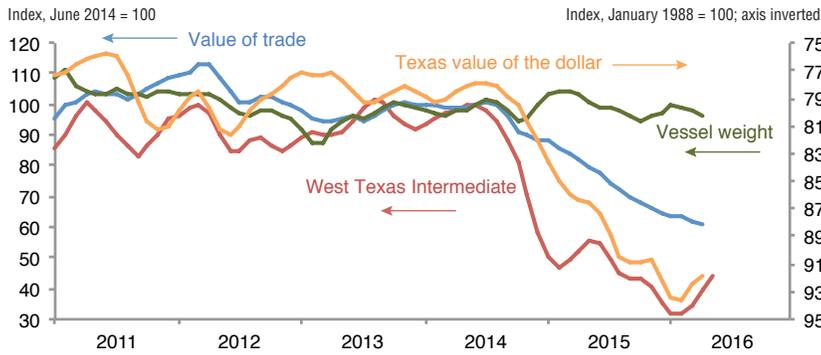
NOTES: Job ad data are statistically optimized weighted moving averages, shifted forward two months. Employment data are annualized.

SOURCES: The Conference Board; Bureau of Labor Statistics; author's calculations.

► The growth rate of the four-month moving average of new job ads plunged to -6.6 percent in May (the sharpest since June 2009) and -4.2 percent in June. The consecutive drops in the number of new ads was spread across all occupational categories, but sales and office occupations saw the largest declines in both months. Fewer new job ads imply weaker employment growth in the Houston area over the next few months.

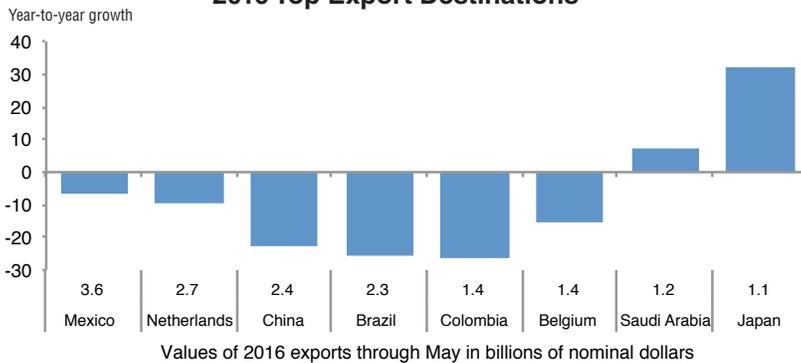
## Trade

### Houston–Galveston Port Activity



NOTE: Data displayed are centered three-month moving averages, seasonally adjusted where appropriate.  
SOURCES: Census Bureau; Energy Information Agency; Dallas Fed.

### 2016 Top Export Destinations



SOURCE: Census Bureau.

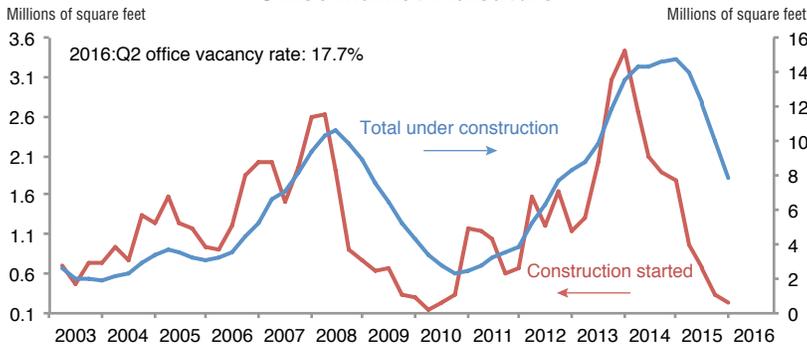
▶ The **trade-weighted value of the Texas dollar** and low prices for West Texas Intermediate crude oil (and related goods) continue to weigh on the value of trade moving through the Houston–Galveston customs district. The combined value of imports and exports declined 4.9 percent in the three months ending in May compared with the prior three months.

▶ Total average vessel weight fell 3.7 percent in the three months ending in May compared with the prior three months but remains at a healthy level. Trade volumes have been stable compared with values over the past year as export prices have fallen with energy prices. Also, strong export volumes have helped offset softening import volumes.

▶ The value of goods shipped to Houston’s chief export destinations was broadly down in the first five months of 2016 compared with the same period in 2015. The exceptions were Saudi Arabia, which saw a surge in exports of autos and light vehicles from Houston, and Japan, which saw sharp increases in exports of liquefied natural gas.

## Construction and Real Estate

### Office Market Indicators

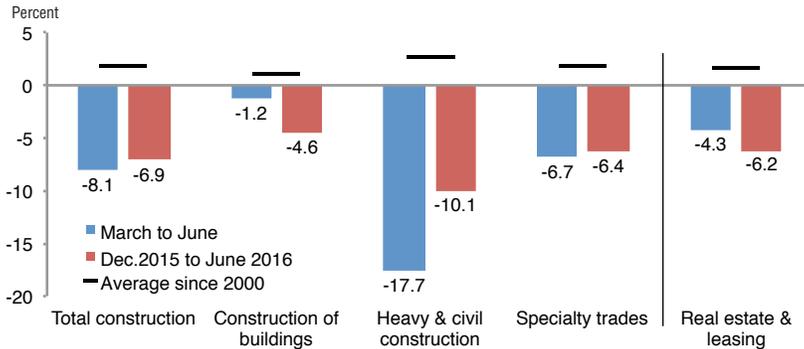


NOTE: Square feet of construction started is a centered three-quarter moving average.  
SOURCE: CBRE-EA.

▶ The number of square feet of office space under construction continued to plummet in second quarter 2016 as projects were completed and few new projects were begun. The total office vacancy rate rose to nearly 18 percent in the second quarter as newly completed projects joined rising sublease space from a beleaguered energy industry.

▶ The decline in office construction has contributed in part to weakness in construction employment in Houston. Year-to-date job growth is down substantially across all construction employment sectors, particularly heavy and civil. Real estate and leasing services, which prior to the **first-quarter early benchmark** had shown growth, now also show substantial declines in 2016.

### Job Growth–Construction



NOTES: Real estate and leasing is not a subsector of construction. Data are seasonally adjusted and annualized.  
SOURCE: Bureau of Labor Statistics; adjustments by the Dallas Fed.

▶ Seasonally adjusted existing-home sales in May ticked up—for the third consecutive month—to 6,671 units. Both sales and home prices have generally been flat over the past 18 months. At the current sales rate, the inventory of homes on the market would last 3.6 months on a seasonally adjusted basis. That’s the highest number of months of homes inventory since February 2013, but it is still indicative of low housing inventories.

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

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