

Houston Economic Indicators

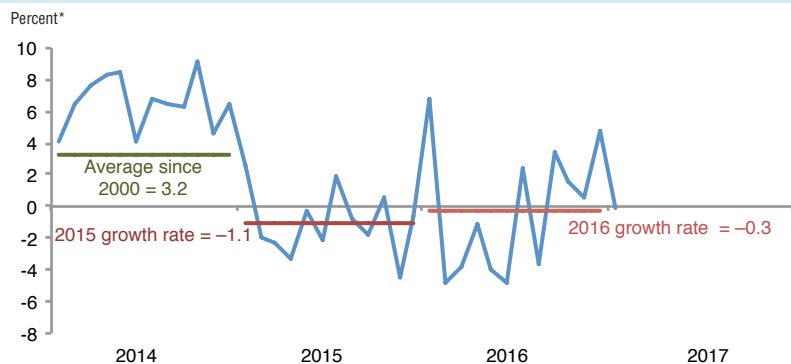
DALLAS FED

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Summary

While uncertainties remain, a number of indicators point toward a stronger Houston economy in 2017. Service sector job growth is broad based, and business bankruptcy data and mining job growth suggest improvement in the oil and gas sector. Three major leading indicators are also sending positive signals. Overall, the outlook for Houston remains moderately positive.

Houston Business-Cycle Index

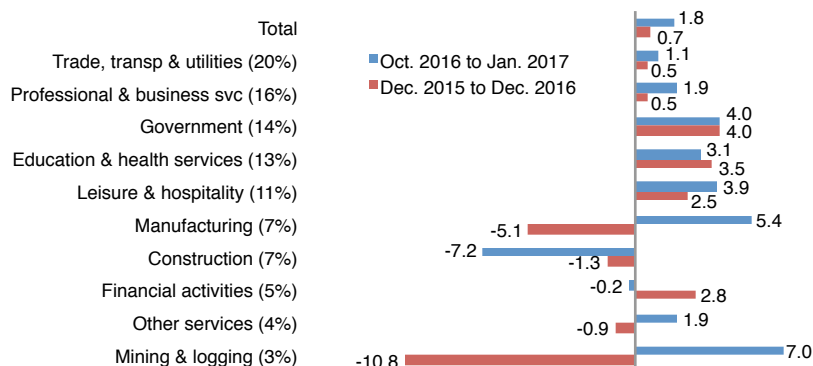


*Annualized month-over-month growth rate.

SOURCE: Dallas Fed.

▶ The **Houston Business-Cycle Index** contracted 1.1 percent in 2015, and 0.3 percent in 2016 after accounting for recent annual revisions to employment data from the Bureau of Labor Statistics this month. Current data indicate that the second half of 2016, particularly December, was much stronger than originally estimated. This continues to suggest the economy is beginning to pick up, although monthly growth is likely to remain volatile.

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.

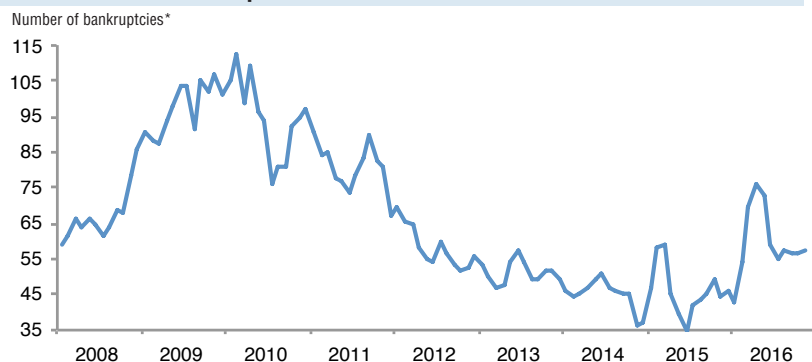
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

▶ Recently revised nonfarm employment in **Houston** grew an annualized 1.8 percent from October 2016 to January 2017. While mining and logging had the fastest growth rate, the largest gains came from government (4,016 jobs), leisure and hospitality (2,998) and education and health services (2,905). Job losses over this period came almost entirely from construction (-4,025).

▶ Revisions pushed Houston's job growth in 2016 up to 0.7 percent (13,438 jobs). That's an increase from the 0.2 percent rate, based on data that were available in **January**. However, further revisions remain.

▶ Houston's unemployment rate jumped to 5.7 percent in January from 5.4 percent in December. The metro's unemployment rate in 2016 was revised up to an average 5.2 percent. The area labor force grew a modest 1 percent in 2016—half its historical average. The January unemployment rate was 4.8 percent for both the U.S. and Texas.

Business Bankruptcies



*Seasonally adjusted, centered three-month average.

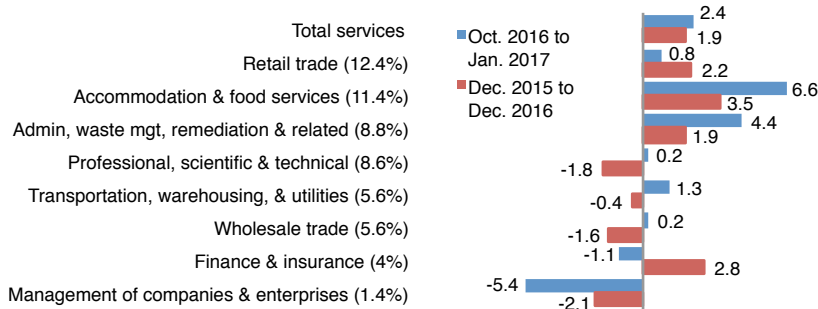
SOURCE: Administrative Office of the U.S. Courts.

▶ Business bankruptcy filings in Texas' southern district (mostly filings in Houston) surged from March 2016 to June 2016 in the wake of the collapse in crude prices earlier that year. While business filings remain elevated relative to the period from 2012 to 2014, they have fallen substantially since mid-2016 and are near historical averages.

▶ Bankruptcies are a late-moving indicator and tend to lag behind changes in the broader economy.

Selected Services and Health

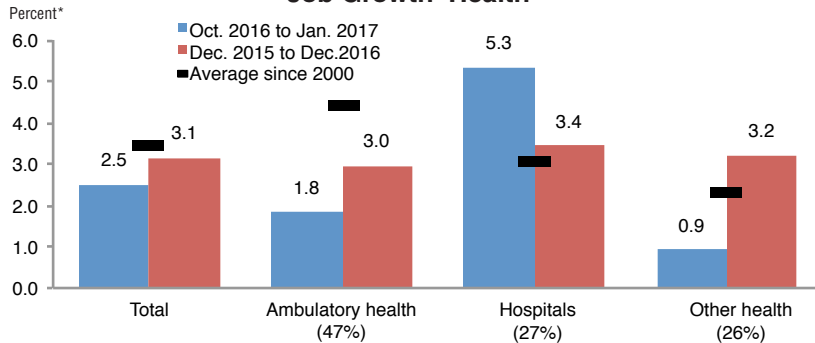
Job Growth—Selected Service Industries



NOTES: Data are annualized and seasonally adjusted percent changes. Numbers in parentheses represent share of total service-sector employment.

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

Job Growth—Health



*Seasonally adjusted and annualized percentage employment growth.

NOTE: Numbers in parentheses represent share of total health employment and may not sum to 100 due to rounding.

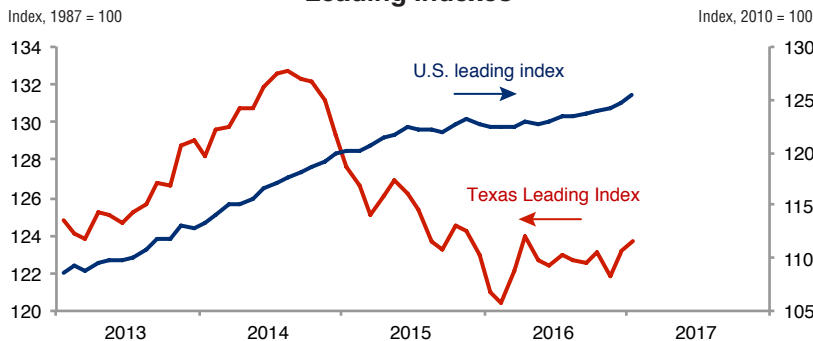
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

► Job growth in most service sectors accelerated in the three months ending in January, likely aided by the Super Bowl, which helped push up accommodation and food services job growth (4,500 jobs). Administration (2,400) also picked up steam around the turn of the year, driven entirely by a large increase in employment services jobs (e.g., staffing firms). Strong employment services growth is typically associated with stronger total job growth in the months that follow; however, some of those gains may have been temporary jobs related to the Super Bowl.

► Health employment growth (2,000) continued to slow in the three months ending in January. Ambulatory (family physicians, dentists) and other health jobs (assisted-living facilities, chiropractors) both slowed compared with their 2016 average growth rate. Hospital employment growth, however, accelerated.

Leading Indicators

Leading Indexes

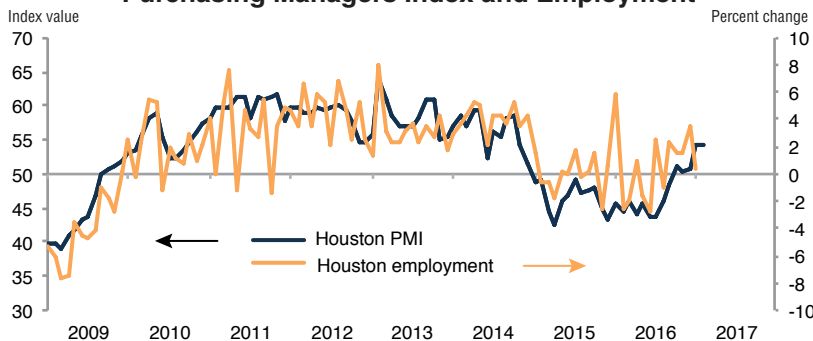


SOURCES: Conference Board; Dallas Fed.

► Forward-looking data have been signaling a healthier outlook over the last few months. Growth in the index of U.S. leading indicators accelerated in December and January, logging five consecutive months of increases. These improvements suggest stronger employment growth is in store for Houston in mid-year 2017.

► The Texas index of leading indicators improved slightly in December and January after signaling moderate employment growth throughout the second half of 2016. The recent improvement suggests stronger job growth in Houston in the first and possibly second quarter 2017.

Purchasing Managers Index and Employment



NOTES: Employment growth is a monthly, seasonally adjusted annual rate. Composite index values greater than 50 indicate expansion, and index values less than 50 indicate contraction.

SOURCES: Institute for Supply Management; Bureau of Labor Statistics; Dallas Fed.

► The Houston Purchasing Managers Index has logged four months above 50, with two months at a healthy 54. (Values above 50 indicate an expanding economy, and values below 50 indicate contraction.) The recent data suggest accelerating job growth numbers in the first four months of 2017. All industry subgroups within the survey are indicating neutral to positive growth prospects and increased optimism.

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

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