

Houston Economic Indicators

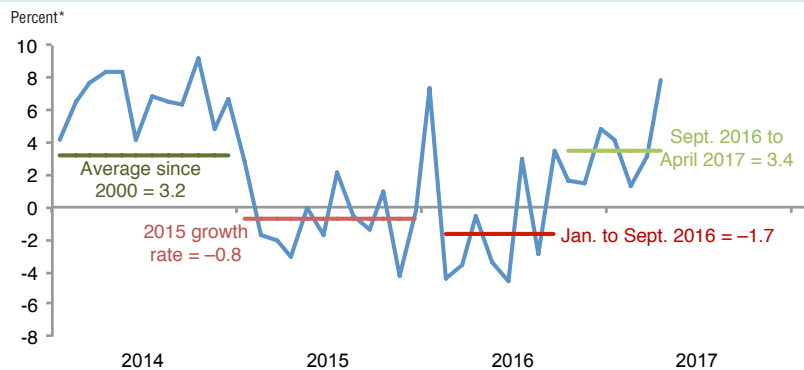
DALLAS FED

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Summary

Data were positive for Houston in April. The business-cycle index continues to signal a modest expansion is underway. Labor market data were healthy, and several leading indicators suggest that employment growth is likely to accelerate. However, recent revisions to data from the end of 2016 suggest that job growth was overestimated at that time. Overall, the outlook for Houston remains cautiously optimistic.

Houston Business-Cycle Index



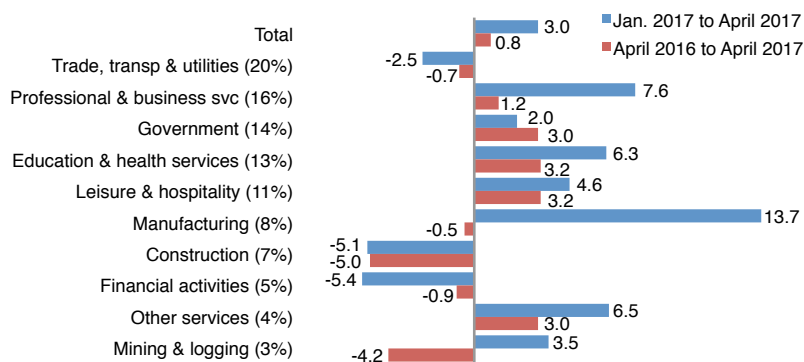
*Annualized month-over-month growth rate.

SOURCE: Dallas Fed.

► The **Houston Business-Cycle Index** jumped in April and is up 3.4 percent since turning more firmly positive in September 2016. That's higher than the 2.8 percent rise over the September-to-March period and above the historical average growth rate of 3.2 percent. While the data since September are still subject to substantial revision, this suggests that the metro economy is on surer footing and will continue to grow.

Employment

Employment Growth



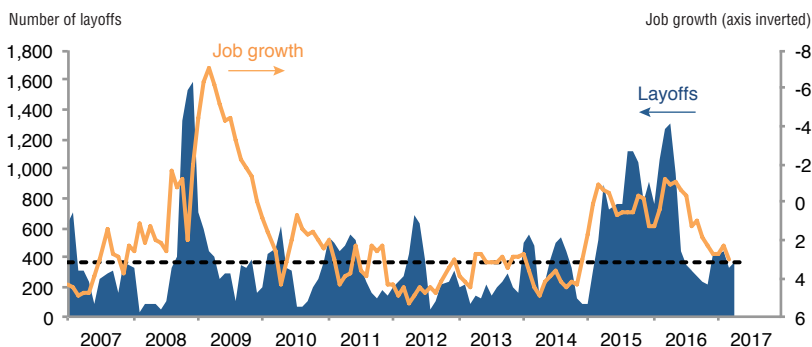
► Total nonfarm employment growth in **Houston** accelerated to an annualized 3 percent between January and April this year. The largest gains came from professional and business services (8,662 jobs) and manufacturing (7,118). Job losses were concentrated in trade, transportation and utilities (3,844), construction (2,764) and financial activities (2,153).

► Recent revisions to fourth quarter 2016 data erased much of the job growth that was reported for the end of the year, leaving Houston essentially flat for 2016. These revisions cut the April 2016 to April 2017 growth rate in half, from 1.5 percent (45,936 jobs) to 0.8 percent (23,773).

► Houston's unemployment rate was 5.5 percent in April, down from 5.8 in March. The labor force grew at an annualized rate of 3.9 percent from January to April, up significantly from the 0.3 percent growth in fourth quarter 2016. The April unemployment rate was 4.4 percent in the U.S. and 5 percent in Texas.

► After surging in 2015 and 2016, the number of layoffs filed with the Texas Workforce Commission under the Worker Adjustment and Retraining Notification Act is normalizing. At an average level of 376 from March to May, monthly filings are close to their historical average for Houston. Current figures are still higher than those observed between 2009 and 2015 but are consistent with a market that is putting the oil bust behind it.

Layoffs

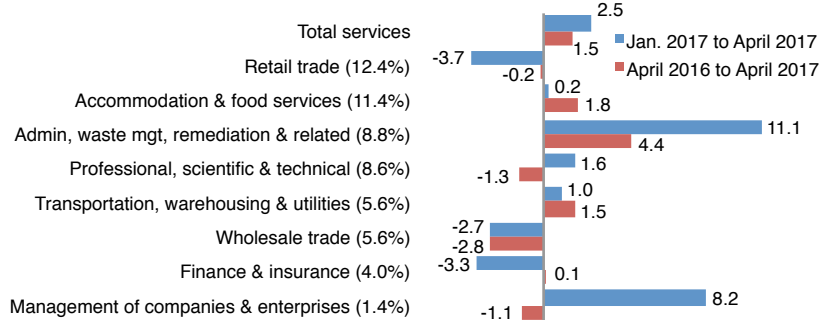


NOTES: Data are centered three-month moving averages. The dashed line is the average level of layoffs since 2004.

SOURCE: Texas Workforce Commission.

Selected Services and Health

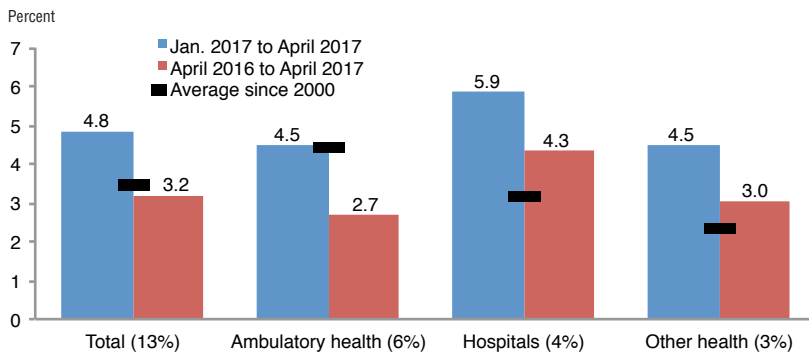
Job Growth—Selected Service Industries



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



NOTES: Data show seasonally adjusted and annualized percentage employment growth. Numbers in parentheses represent share of total service sector employment.

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

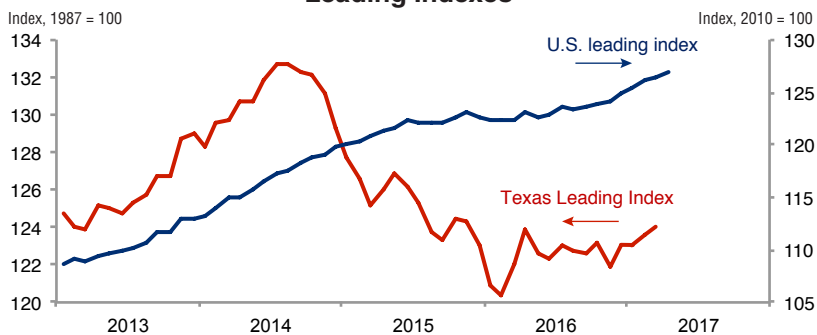
▶ Job growth in service sector industries was an annualized 2.5 percent from January to April, a slight acceleration relative to the past year. Administrative waste management, remediation and related services (5,700) was the fastest-growing sector, driven almost entirely by employment services such as staffing firms. Job losses from January to April were concentrated in retail trade (2,900).

▶ Total service sector jobs grew 1.5 percent (36,492) from April 2016 to April 2017, below their long-run average of 2 percent. The majority of that growth came from employment services (10,624) and health services (10,273).

▶ Health services posted strong growth in April, bringing its January-to-April rate up to 4.8 percent (3,889 jobs)—double the rate over the previous three months. That acceleration was spread across all health-related categories.

Leading Indicators

Leading Indexes



NOTE: Texas Leading Index data point for April is an estimate.

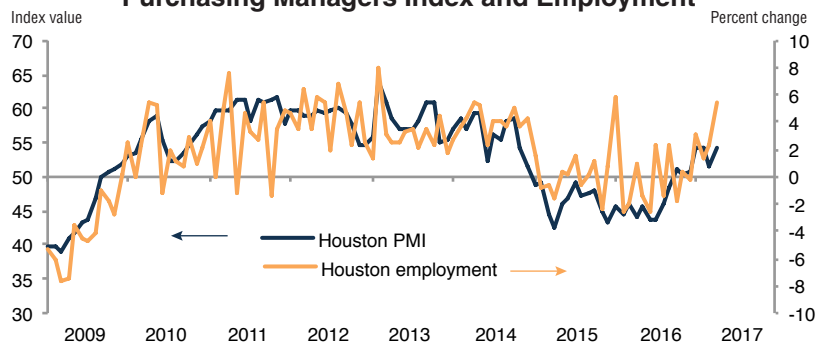
SOURCES: The Conference Board; Dallas Fed.

▶ Major leading indicators for Houston are sending positive signals for the trajectory of the metro's economy.

▶ The U.S. leading index has steepened since November 2016, growing substantially faster than its historical average rate. Houston has deepened its connections to the national economy over the past 30 years (see the *Southwest Economy* article "[Diversified Houston Spared Recession ... So Far](#)"), and the pickup in the U.S. leading index portends a tailwind for Houston job growth over the next several months.

▶ Houston should also get a boost from the Texas economy. The *Texas Leading Index* has logged three consecutive months of growth for the first time since summer 2014. This also suggests improved job growth in the months ahead for Houston.

Purchasing Managers Index and Employment



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

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

▶ The Houston Purchasing Managers Index (PMI) ticked back up to 54.1 in April from 51.4 in March. The PMI is strongly correlated with future changes in Houston job growth, and the recent pickup suggests accelerating job growth three to four months ahead.

▶ Recent changes in other leading indicators such as stock values, single-family permits, chemical production, home sales and job advertisements are—in aggregate—supportive of a modest pickup in employment growth in the months ahead.

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

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