

Houston Economic Indicators

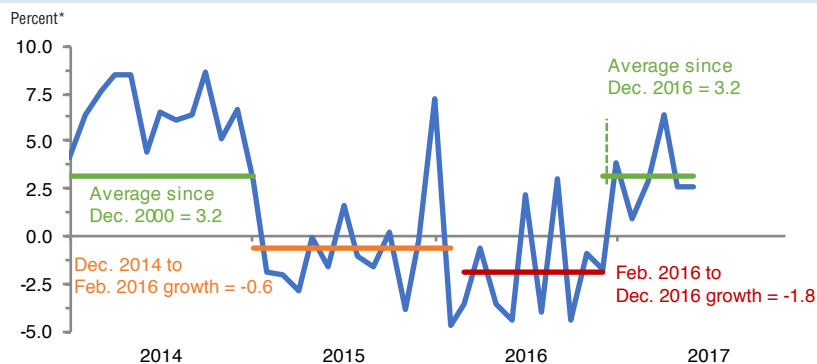
DALLAS FED

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Summary

June data were generally positive for Houston, pointing toward a healthy economy. The metro business-cycle index expanded at its historical average pace, employment growth was very strong and job ads continued to climb. Construction data were less optimistic. Single-family housing activity was steady, but commercial activity and construction employment were down.

Houston Business-Cycle Index



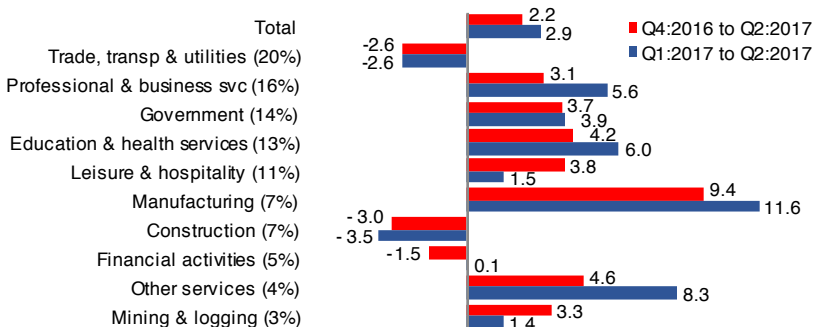
*Annualized month-over-month growth rate.

SOURCE: Dallas Fed.

► The **Houston Business-Cycle Index** has expanded at an average annual rate of 3.2 percent so far in 2017, on par with its historical average and substantially better than the 1.8 percent annualized decline throughout most of 2016. Though data since December remain subject to substantial revision, movements in the index suggest that the Houston economy is expanding again after nearly two years of modest contraction.

Employment

Employment Growth



► Total nonfarm employment growth in **Houston** accelerated in the second quarter to an annualized 2.9 percent. The largest gains came from professional and business services (6,400 jobs), manufacturing (6,100) and education and health services (5,700). Job losses were concentrated in trade, transportation and utilities (4,000) and construction (1,900).

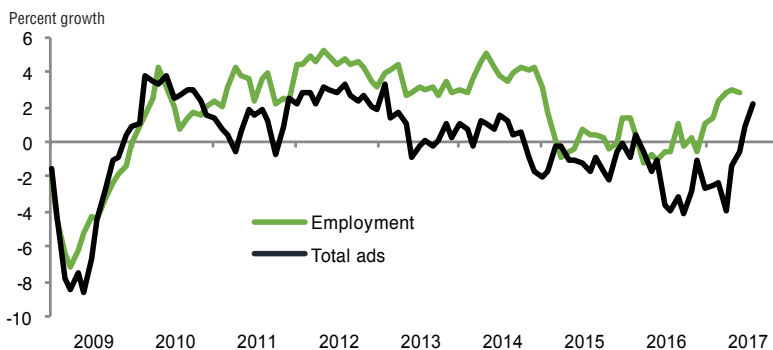
► Houston jobs were up an annualized 2.2 percent (33,175) from fourth quarter 2016 to second quarter 2017.

► The Houston unemployment rate was 5.1 percent in June, up from a revised 5.0 in May but below its year-to-date average of 5.4 percent. The June unemployment rate was 4.4 percent in the U.S. and 4.6 percent in Texas.

NOTES: Data show seasonally adjusted and annualized percentage growth by sector. 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 Advertising



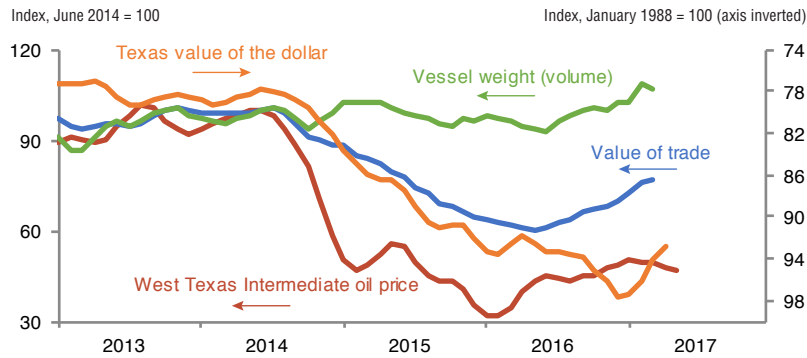
► Growth in total job ads in the greater Houston area turned positive in May before surging in June. Job ads, one of the last remaining leading indicators of employment growth to reach positive territory, were negative for 31 of the prior 32 months. Taken as an implicit forecast, the indicator suggests healthy employment growth in Houston through September.

► While ads in all occupational categories have grown the past few months, gains have been driven principally by professional and related occupations and management, business and financial jobs.

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

SOURCE: Conference Board data, accessed via Haver.

International Trade



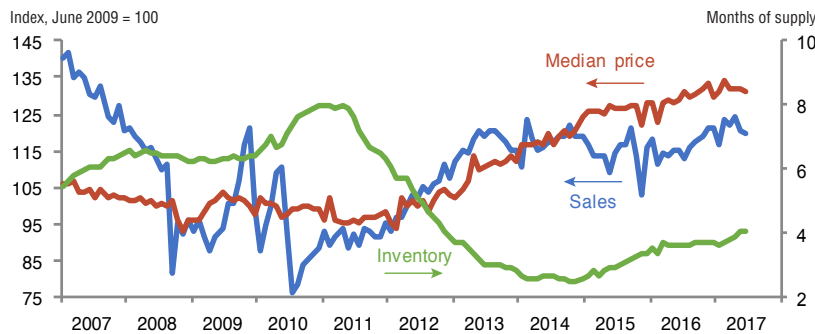
NOTE: Data displayed are centered three-month moving averages, seasonally adjusted where appropriate.
SOURCES: Census Bureau; Dallas Fed; Energy Information Agency.

▶ The tonnage of goods imported and exported through the Houston–Galveston customs district fell slightly in April after reaching its highest level since February 2011 in March. The value and volume of trade began to grow in the last half of 2016, driven in part by rising exports of crude oil, related products and plastics. Available data for the first half of 2017 indicate the trend has continued.

▶ The value of the U.S. dollar has been falling relative to that of Texas’ trade partners in 2017, providing a bit of a tailwind to the value and volume of Houston exports. Conversely, a moderate weakening of oil prices during 2017 is putting downward pressure on the value of Houston exports (oil and related products account for a large share of total trade).

Real Estate and Construction

Existing-Home Sales, Median Price and Inventory

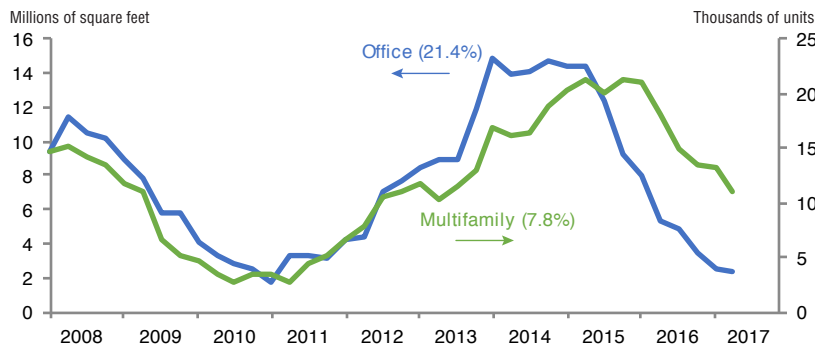


NOTES: Home sales are population-adjusted. Data are seasonally adjusted.
SOURCE: Houston Association of Realtors.

▶ Houston existing-home sales slipped slightly in May and June but remained near the high end of the range that has persisted since the start of 2013. April was the strongest month for per-capita sales since November 2007, on a seasonally adjusted basis. The inventory of homes for sale remained fairly flat for most of 2016 but rose from 3.6 months of supply in January 2017 to 4.1 months in May and June. The median price of homes sold has also been generally flat since reaching a high in this past February. Together, these readings suggest a modest cooling in a healthy Houston housing market.

▶ Commercial construction activity is declining in the Houston area, particularly for office space (down over 12 million square feet since its peak in 2015) and multifamily (down by more than 10,000 units since its peak in 2016). These declines are reducing demand for construction workers.

Commercial Real Estate Under Construction

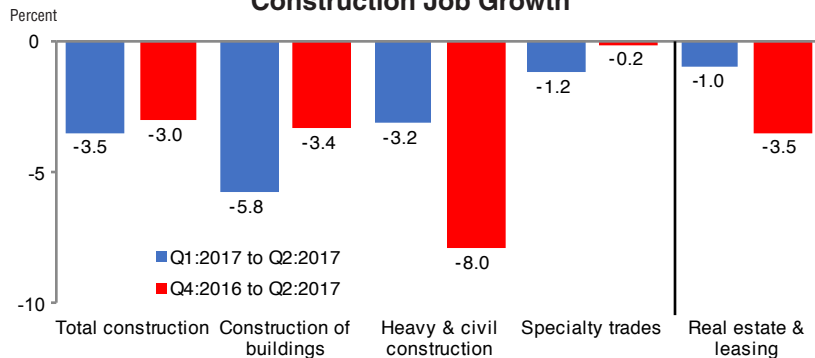


NOTES: Data are quarterly. Percentages in parentheses are vacancy rates; the multifamily vacancy rate is for apartments. Second quarter 2017 construction values are estimates.
SOURCE: CBRE Economic Advisors.

▶ Meanwhile, vacancy rates are rising. CBRE reports that the office vacancy rate was 21.4 percent in the second quarter, the highest it has been since second quarter 1993. The apartment vacancy rate dropped slightly to 7.8 in second quarter 2017 but was up from 6.4 percent a year ago.

▶ Construction employment fell across the board in the second quarter, declining at a slightly faster pace than in the first. With commercial construction activity still in decline and the petrochemical construction boom beginning to wind down, the outlook for construction jobs in Houston remains weak.

Construction Job Growth



NOTE: Real estate and leasing is not a subsector of construction.
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

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

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