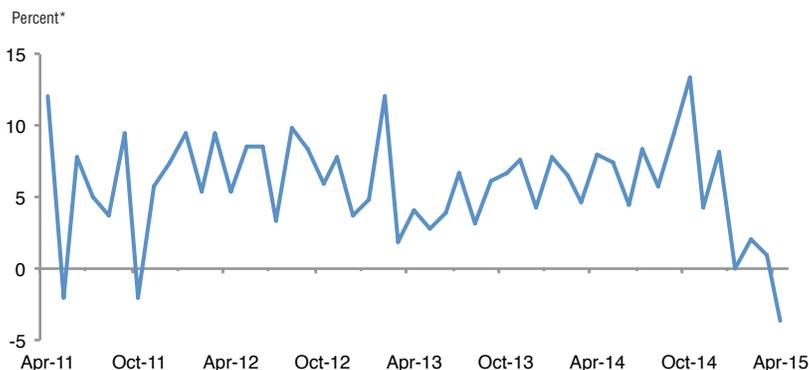


Houston Economic Indicators

DALLAS FED

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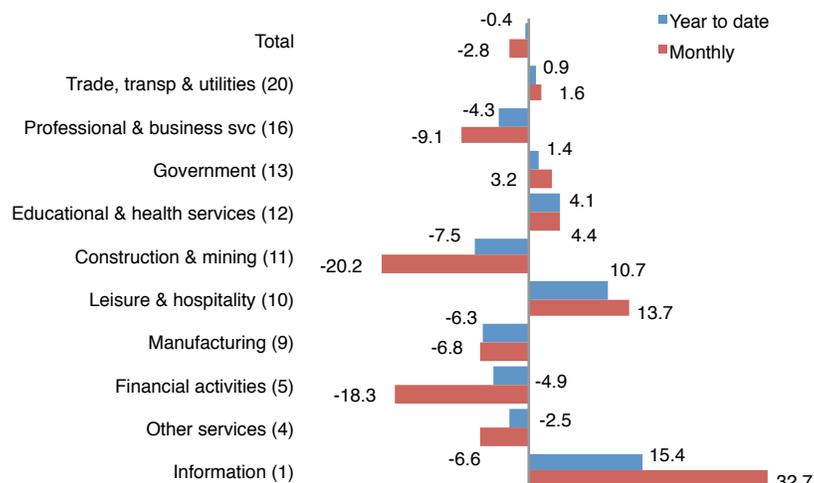
Houston Business-Cycle Index



*Annualized month-over-month growth rate in overall economic activity.

► After five months of slowing from its October 2014 peak, the growth rate of the Houston Business-Cycle Index turned negative in April as the index contracted by an annualized 3.6 percent due to a very weak April employment report. This is the first negative reading since October 2011 and the sharpest decline since November 2009. While weakness in the oil field is arguably spilling over into other sectors, many of the region's nonenergy industries, such as health care and other personal services, are faring better. On balance, the Houston outlook continues to erode in the near term.

Employment Growth

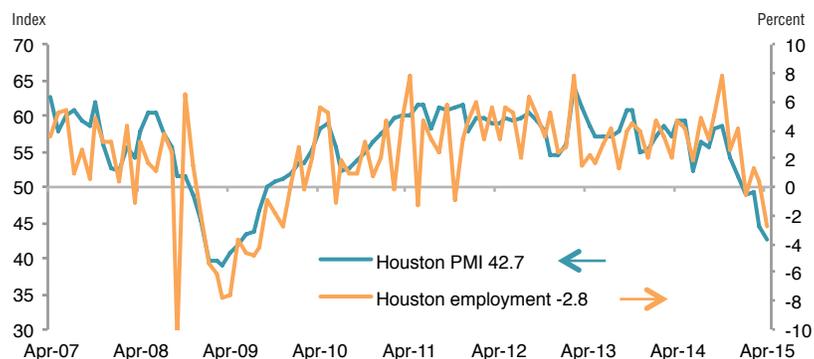


NOTES: Annualized and seasonally adjusted percentage growth by employment supersector. Numbers in parentheses are shares of total Houston nonfarm employment and may not sum to 100 percent due to rounding.

► Total nonfarm employment fell an annualized 2.8 percent in April, making it the weakest payroll report since November 2009. Year-to-date job growth declined at an annual rate of 0.4 percent. Professional and business services, financial activities and other services joined manufacturing, construction and mining employment in negative territory for the year. Sharp April losses in construction and mining were concentrated in support activities for mining. All other supersectors picked up steam in April.

► The Houston-area unemployment rate was down slightly at 4.2 percent in April after March was revised up to 4.3 percent. The labor force contracted by another 4,500 workers as well, bringing the total drop since November to 35,300, the largest five-month decline since May 2000. The unemployment rate was 4.2 percent in Texas and 5.4 percent in the U.S.

Purchasing Managers Index

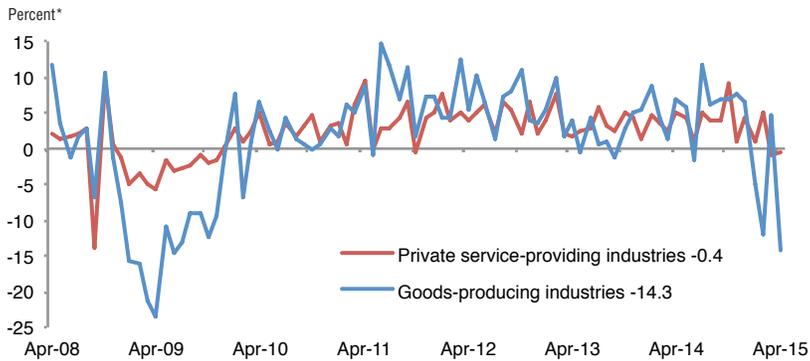


NOTES: Purchasing Managers Index (PMI) values greater than 50 indicate expansion. Monthly employment growth rates are annualized and seasonally adjusted.

► The Houston Purchasing Managers Index fell to 42.7 in April, marking the fourth consecutive month below 50. The index is a strong leading indicator of changes in employment growth and the timing of recessions. Values below 50 are associated with a contracting economy, and the most recent data suggest further employment declines in the next few months. The chief contributors to the PMI survey's April decline were responses pertaining to purchases by firms, new orders for goods and services, employment and lead times. However, there is a divergence in the outlook between firms tied to the oil industry and all others. Firms in health, construction and nondurable manufacturing had positive outlooks, while firms selling to oil and gas production industries had negative outlooks. This is consistent with comments from the Dallas Fed's Texas Manufacturing Outlook Survey and the national PMI.

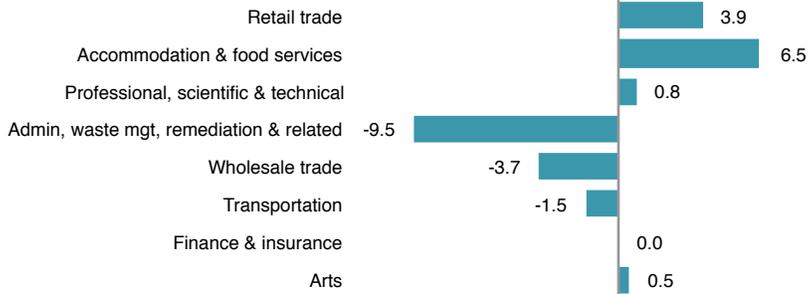
Goods and Services

Employment Growth



*Monthly growth rates, seasonally adjusted and annualized.

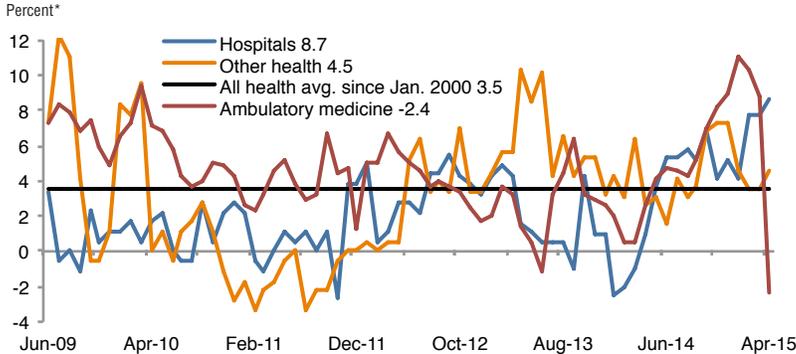
Growth in Selected Service Sectors



NOTES: Data show the annualized year-to-date change in seasonally adjusted employment through April. Sectors are sorted from largest to smallest industry.

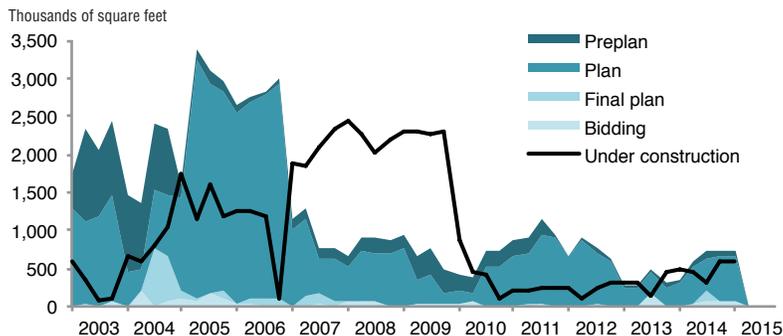
Health and Medical

Employment Growth by Sector



*Three-month growth rate, seasonally adjusted and annualized.

Medical Office Planning and Construction



► The divergence between goods-producing industries and private service-providing industries reported in the PMI is clear when looking at employment growth. As early as January, goods-producing jobs like manufacturing were contracting at rates not seen since the recession and were down 14.3 percent as a group from March to April. Service industry employment growth contracted only slightly in March (down 0.8 percent) and April (down 0.4 percent).

► Looking within several sectors of service-producing jobs, losses year to date were concentrated within the administrative, waste management, remediation and related sector, in which employment services contracted by 6,900 jobs. This subsector is watched by many as a leading indicator for total employment growth, and most of the losses observed occurred in February and March. Year-to-date gains were primarily in accommodation and food services, in which food and drink-related employment grew by 5,200 jobs, almost entirely in April.

► Job advertisements for services occupations (excluding transportation) were flat in May after three consecutive months of decline.

► Employment in all health industry categories began growing above trend in the second half of 2014 until April, when ambulatory medicine (physician offices, dentist offices, outpatient care centers) plunged an annualized 2.4 percent. While increased Medicaid eligibility under the Affordable Care Act may have played a role in the 2014 acceleration, a larger trend of expansion in the industry is underway as construction projects ramp up and the demands of a rapidly growing and broadly distributed population place strains on the system.

► The square footage of medical office space under construction began to tick up in 2014 and in first quarter 2015. The volume of square footage in some stage of planning—a figure associated with future construction—has also risen. Hospital construction (not included in the chart) is also on the rise and is often cited by contacts as a sector that is helping offset declines in construction activity tied to the oil industry. Large, new hospital projects and renovations totaling in the millions of square feet have been announced or are underway at the Texas Medical Center and in the Woodlands and other suburban business districts.

SOURCES: **Business-cycle index:** Dallas Fed; **employment:** Bureau of Labor Statistics (BLS) and Dallas Fed; **purchasing managers index:** Institute for Supply Management; **services:** BLS and Dallas Fed; **health and medical:** BLS, Dallas Fed and CBRE.

CONTACT: For questions or information, contact Jesse Thompson at jesse.thompson@dal.frb.org. Federal Reserve Bank of Dallas, Houston Branch, 1801 Allen Parkway, Houston, TX 77019.