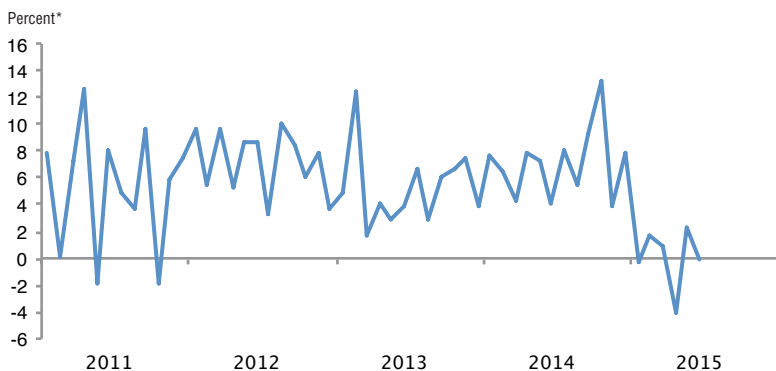


Houston Economic Indicators

DALLAS FED

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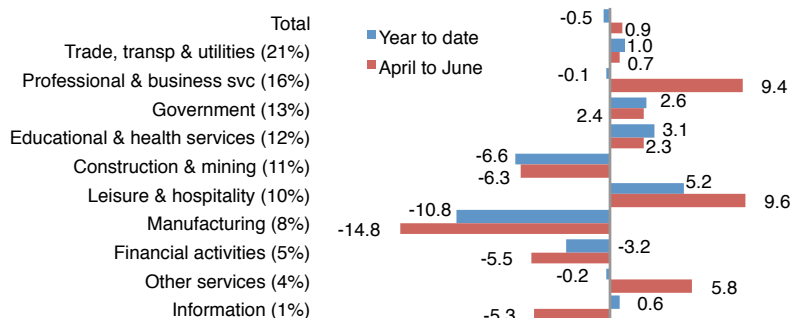
Houston Business-Cycle Index



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

► The Houston Business-Cycle Index was essentially unchanged from May to June, contracting an annualized 0.1 percent. Exports and housing activity proved resilient in recent months even as oil and gas industries suppressed the region's outlook. Job losses in construction and other goods-producing industries have continued to mount since April, while overall employment managed to increase. On the whole, indicators for the region point to further weakness in employment and output.

Employment Growth

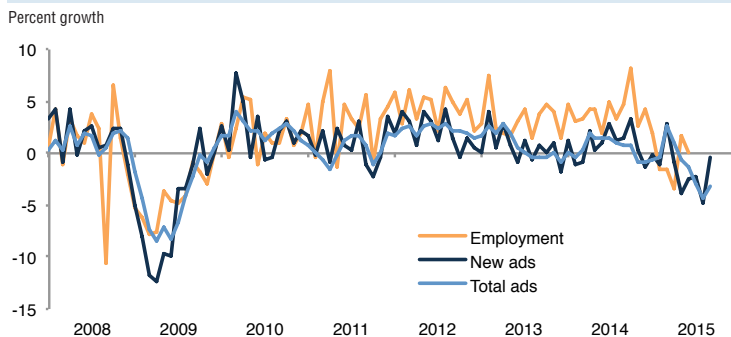


NOTES: Seasonally adjusted and annualized. Numbers in parentheses are shares of total Houston nonfarm employment and may not sum to 100 due to rounding.

► Total nonfarm employment rose an annualized 0.9 percent in the two months after April's negative jobs report, but it wasn't enough to pull year-to-date job growth into positive territory. Growth the past two months has been tied primarily to professional and business services, particularly professional, scientific and technical jobs and employment services (staffing firms). Construction and mining and manufacturing continued to lead decliners. Support activities for mining (oilfield services) and a broad-based fall in manufacturing accounted for the bulk of the job losses.

► The Houston-area unemployment rate fell to 4.1 percent in June due to a contraction in the labor force of 9,700—the largest one-month decline since March. The unemployment rate was 4.2 percent in Texas and 5.3 percent in the U.S.

New and Total Job Ads

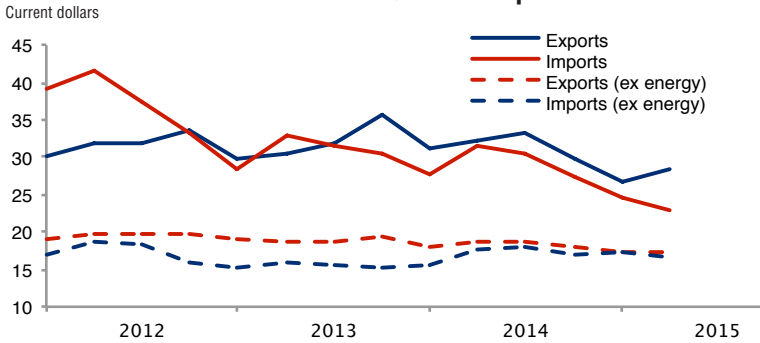


NOTE: Total and new ads are weighted moving averages, shifted forward two months.

► Declines in new and total job advertisements in Houston slowed in July. Based on a weighted four-month moving average, new job ads declined 0.5 percent, while the inventory of job ads fell 3.2 percent. This suggests that monthly employment growth through September will likely remain soft to slightly negative. The principal contributors to declines in total July job ads were professional and related occupations and sales and office occupations. The only category to see job ads grow the past two months was production and transportation occupations.

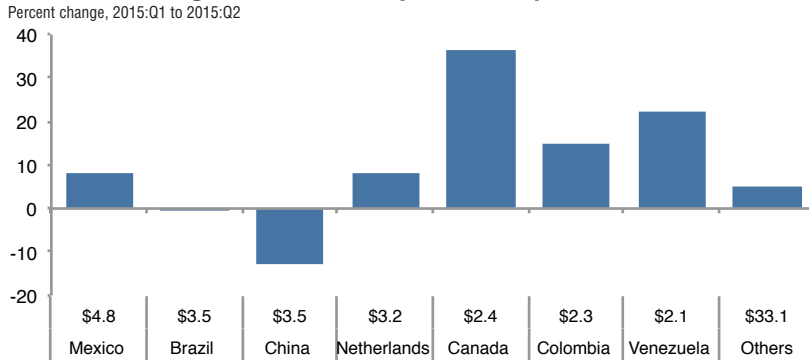
Trade

Second Quarter Exports



NOTE: Houston-Galveston customs district data, adjusted using chained Consumer Price Index.

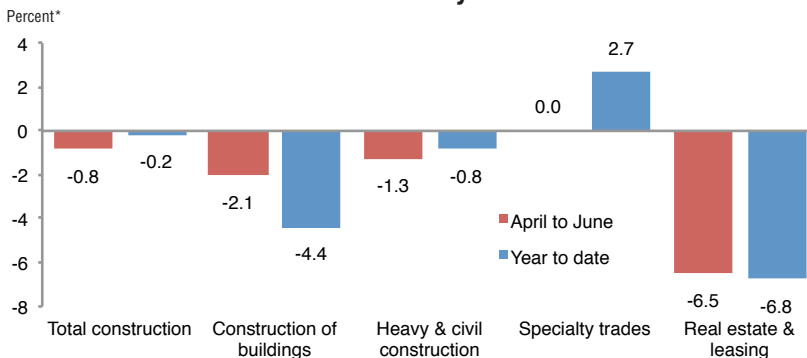
Change in Value of Exports to Top Destinations



NOTE: Dollar figures are year-to-date value of exports in billions of current dollars. Specific countries are in order of greatest to least exports.

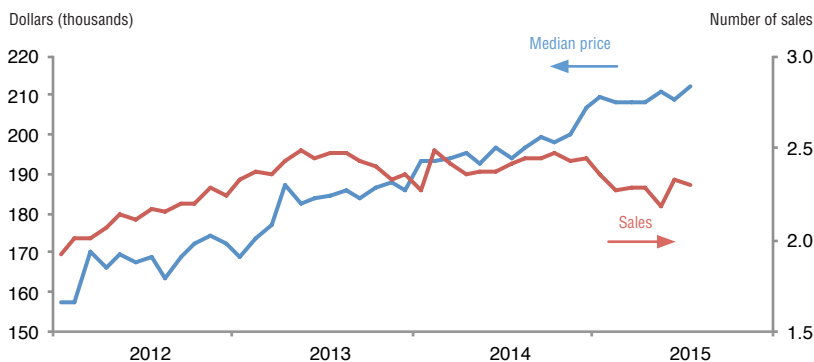
Construction and Real Estate

Job Growth by Sector



*Annualized growth rate.

Median Home Price and Home Sales



NOTE: Data are seasonally adjusted. Sales are per the six-month moving average of payroll employment.

▶ The real value of goods exported through the Houston-Galveston customs district grew 6.1 percent from first to second quarter 2015. Oil-related products were responsible for the lion's share of improvement in exports, contributing 7 percentage points. Organic chemicals contributed 2.2 percentage points. Declines were modest and broad based, but the principal category to contract was machinery related, subtracting 1.3 percentage points from total exports. The category has been hampered by both the strong dollar and global declines in drilling activity.

▶ The total value of imports slipped 7.1 percent from the first to second quarter. Declines in imported iron, steel and related products combined to subtract 4.8 percentage points from the value of imports. Oil-related imports and organic chemicals together subtracted 5.2 percentage points from total imports.

▶ The biggest export destinations from Houston saw more products from the region in the second quarter of 2015. The exception was China, whose large first-quarter increase in cereal exports dissipated in the second quarter. The dominant contributor to growth in each destination was oil-related goods.

▶ Employment losses in construction accelerated the past two months to an annual decline of 0.8 percent, but they are down only slightly year to date. Construction of buildings (office and some industrial) and real estate and leasing registered the greatest employment declines the past two months. Specialty trades, a category that includes electricians and plumbers, remained flat over that time and is the only subsector of construction to grow year to date.

▶ Real median home prices rose to a seasonally adjusted value of \$212,147 in July. At least three factors are sustaining that trend. Sales of existing homes have weakened somewhat since peaking in October 2014, but the uptick the past two months suggests demand in the market remains healthy. The inventory of homes has been stuck near three months of supply since June 2013, the lowest and most persistent trough on record. This is because a shortage in the number of lots available for housing development is keeping a lid on the delivery of new supply. Also, data from the Houston Association of Realtors indicate a decline in the share of lower-priced homes sold in recent months.

▶ Commercial real estate data were mixed. The vacancy rate for industrial space continued to be low at 7.1 percent in the second quarter. However, vacancy rates for office space increased to 14.5 percent in the second quarter from 11.4 percent in fourth quarter 2014. The uptick is due in part to an increase in space available for sublease by the energy industry.

SOURCES: **Business-cycle index:** Dallas Fed; **employment:** Bureau of Labor Statistics (BLS) and Dallas Fed; **help wanted:** Conference Board and author's calculations; **trade:** International Trade Commission; **construction and real estate:** BLS, Houston Association of Realtors, seasonal and other adjustments by the Dallas Fed.

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