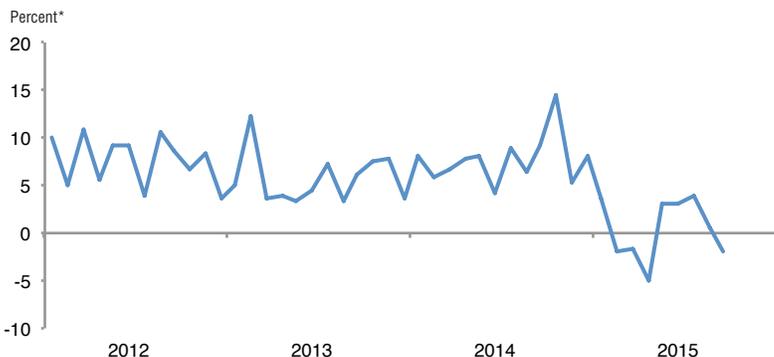


Houston Economic Indicators

DALLAS FED

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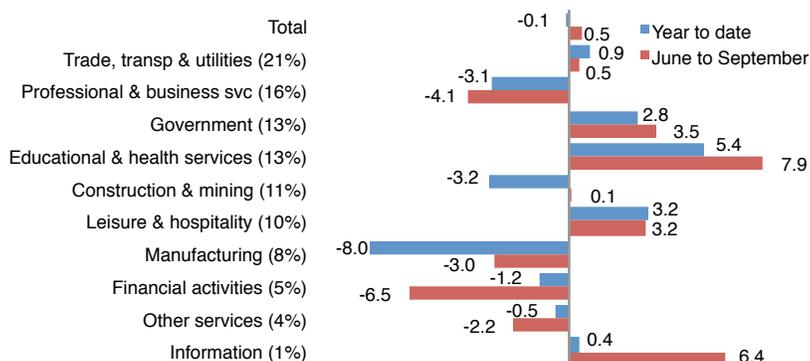
Houston Business-Cycle Index



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

► The Houston Business-Cycle index declined an annualized 1.9 percent in September. That is the first drop since April's 5.1 percent decline. Soft employment and help-wanted advertising data last month were met with real estate metrics that suggest the slowdown in energy so far has only modestly affected a still-healthy real estate market. Altogether, the outlook for Houston remains tepid.

Employment Growth

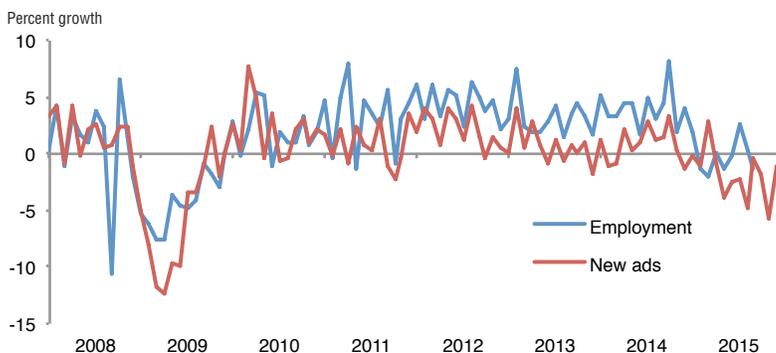


NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector. Numbers in parentheses represent shares of total employment and may not sum to 100 due to rounding.

► Houston added 3,800 jobs over the three months ending in September as slowing losses in goods-producing industries such as manufacturing and mining were accompanied by the softest three-month growth in private service sector jobs since June 2010. Professional and business services showed the greatest number of losses, shedding 4,900 jobs. Strong job growth in health and leisure and hospitality has offset energy-related job losses this year. Total job growth year to date is essentially flat at an annualized -0.1 percent—a net loss of 3,200 jobs based on [recent revisions to the data](#).

► The September unemployment rate in Houston was 4.4 percent, up from 4.3 percent the previous month but down from 4.7 percent in September last year. The recent increase is attributed to a drop in employment and a large, one-month decline in the labor force of 10,000 people. The Houston labor force has fallen by 48,600 people over the past 10 months, the largest decline since the data's introduction in 1990.

Job Advertisements

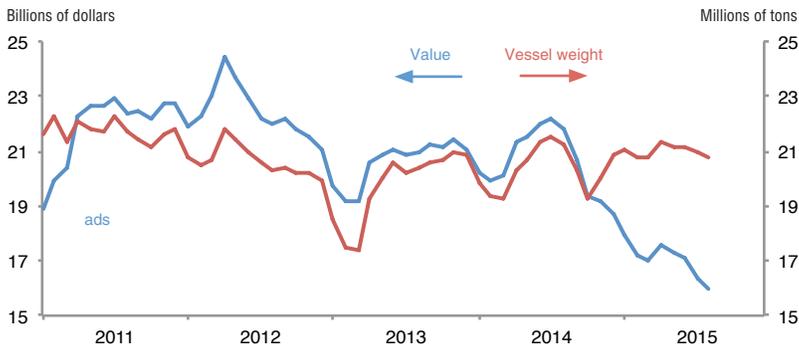


NOTES: Job ad data are statistically optimized weighted moving averages, shifted forward two months.

► Declines in the four-month weighted moving average of new job advertisements in the Houston area slowed in October, according to Help Wanted OnLine data. That change was driven by the strongest one-month increase in job ads since January—mainly from professional and related occupations. This leading indicator of labor demand suggests that monthly employment growth will be slightly negative over the next three months. With year-to-date job growth flat through September, this suggests Houston will end the year with modest December-to-December job losses.

International Trade

Houston–Galveston Port Activity

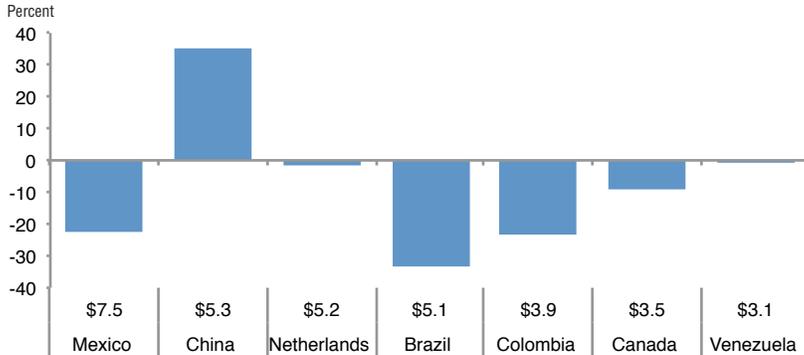


NOTE: Data displayed are centered three-month moving averages.

▶ The total value of trade moving through the Houston–Galveston port district through September this year plunged 20.2 percent from the level in 2014 as energy prices collapsed. Meanwhile, total trade as measured by metric tons grew 2.3 percent. This suggests that the decline in trade values over the past year has been due principally to changes in prices.

▶ The value of trade heading to Houston’s top export destinations in the first nine months of 2015 fell compared with 2014 values. Exports to Brazil declined the fastest, while the value of exports to China surged due to oil and gas (and related products) and oilseeds and grains. Exports to Mexico, Houston’s largest trade partner, declined \$2.18 billion.

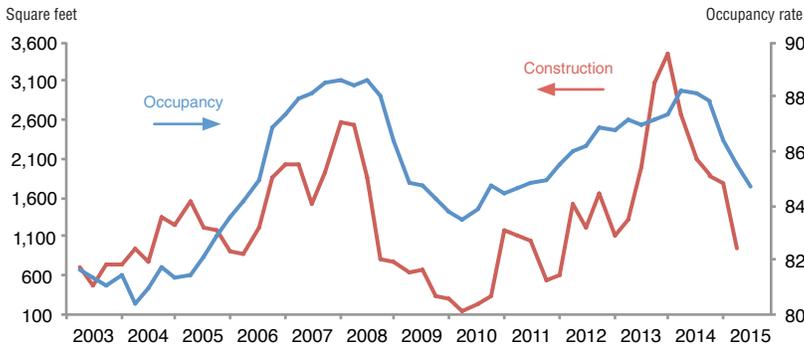
Export Growth to Top Destinations



*Dollar figures are year-to-date 2015 export values in billions of current dollars.

Construction and Real Estate

Office Market Indicators

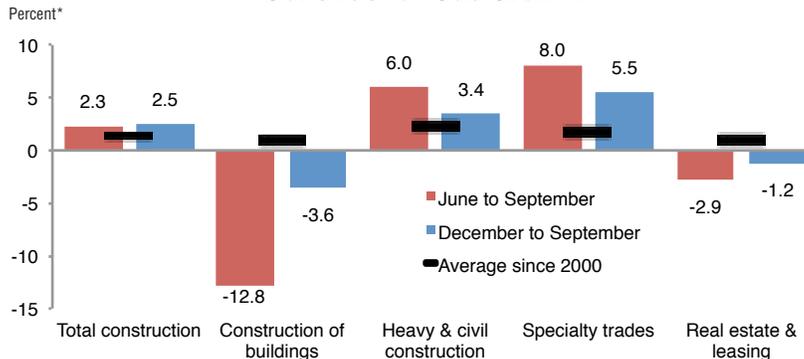


NOTE: Square feet of construction started is a centered three-quarter moving average.

▶ The commercial office occupancy rate fell to 84.7 percent in third quarter 2015. That is the fifth consecutive quarterly drop as newly completed projects enter a softer market. The occupancy rate also fell as the space available for sublease by existing tenants (mostly energy firms) more than doubled. Office construction starts fell over the year to an average of 950,000 square feet in the first three quarters of 2015. In the third quarter alone, construction starts were at 335,000, the lowest quarterly level since the end of 2012.

▶ However, construction jobs continue to increase. Total construction employment was up from June to September and year to date, driven by specialty trades (such as electricians and plumbers) and jobs in heavy and civil construction (such as utilities, roads and land development). Despite a slowing office market, construction activity is flat to improving, thanks to chemical plant construction and other areas of commercial real estate, such as medical, warehouse, hotels, retail and residential.

Construction Job Growth



*Real estate and leasing is not a subsector of construction.

▶ Existing-home sales rose to a healthy seasonally adjusted 7,221 homes in September. At that sales rate, the inventory of existing homes would last only 3.3 months. The median home price also increased to \$210,500 from \$209,300.

SOURCES: **Business-cycle index:** Dallas Fed; **employment growth:** Bureau of Labor Statistics (BLS) and Dallas Fed; **job advertisements:** Conference Board; **international trade:** Census Bureau and International Trade Commission; **construction and real estate:** CBRE, BLS, Dallas Fed and Multiple Listing Service.

CONTACT: For questions or information, contact Jesse Thompson at jesse.thompson@dal.frb.org.