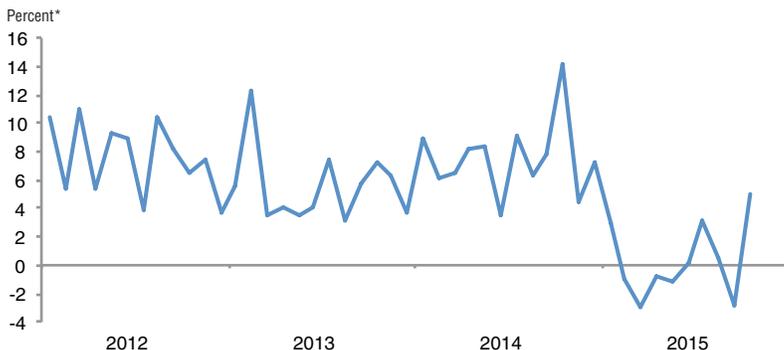


Houston Economic Indicators

DALLAS FED

FEDERAL RESERVE BANK OF DALLAS • DECEMBER 10, 2015

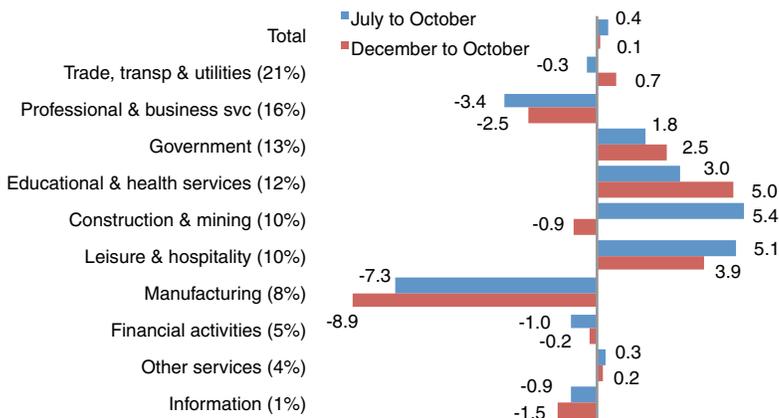
Business-Cycle Index



*Annualized month-over-month growth rate.

- ▶ Employment in health, restaurants and bars, and construction-related sectors continues to offset the negative impacts of low oil prices on the region's economy. With low fuel prices, population growth, an improving U.S. economy and ongoing weakness in oil and gas drilling, the outlook for the region remains mixed but tepid overall.
- ▶ The Houston Business-Cycle Index spiked in October to an annualized 5 percent growth rate from a downward revised September reading of -2.79 percent. This hike was driven by a strong one-month improvement in job growth.

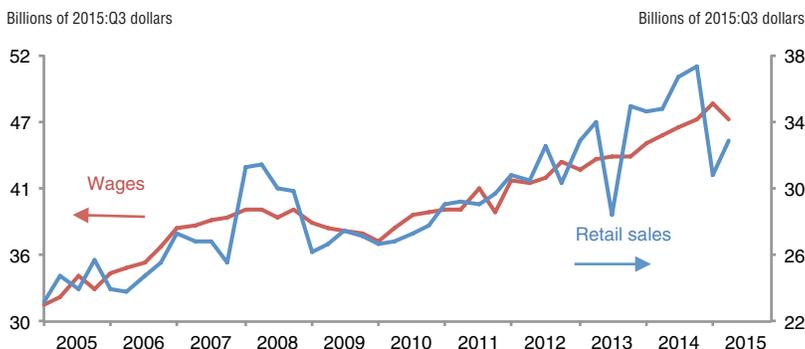
Employment Growth



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

- ▶ Houston added 3,900 jobs over the three months ending in October thanks in part to a very large October gain in construction employment. Professional and business services and financial activities continue to lose ground year to date. However, health employment and leisure and hospitality continue to improve despite a still-eroding goods sector.
- ▶ Year-to-date employment growth remains essentially flat for 2015. The metro area managed to add 3,500 jobs from December to October.
- ▶ The Houston unemployment rate rose modestly to 4.6 percent in October from 4.4 percent in September as the number of people in the labor force increased. The rate has increased persistently since reaching a trough of 4.1 percent in June. The October unemployment rate was 4.4 percent in Texas and 5 percent nationally.

Retail Sales and Wages

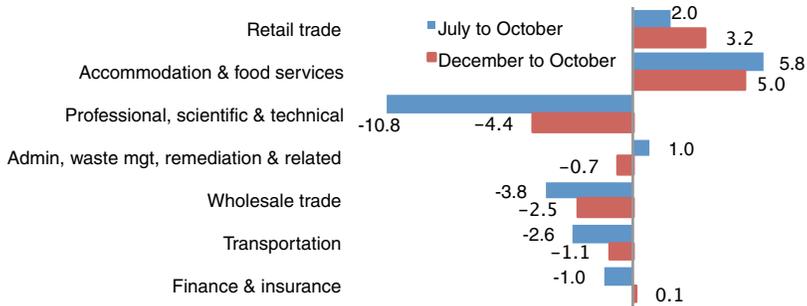


NOTE: Data are adjusted for inflation and seasonally adjusted using the Texas consumer price index.

- ▶ Inflation-adjusted wages in the Houston area fell 2.4 percent from the first to the second quarter of 2015 after having risen 2.6 percent in the first quarter. This is likely due to a sharp drop in energy-related jobs—which tend to be high paying—in the second quarter.
- ▶ Inflation-adjusted retail sales grew 6.8 percent in the second quarter after falling 17.7 percent in the first. Lower drilling and manufacturing activity and soft economic expectations may be contributing to lower retail sales in 2015. Conversely, low fuel prices and population growth are probably pushing up retail sales by increasing disposable income in the region.

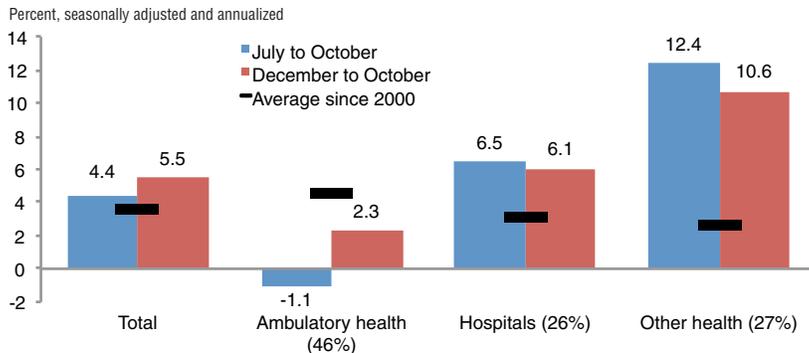
Service Sector Jobs

Job Growth—Selected Service Industries



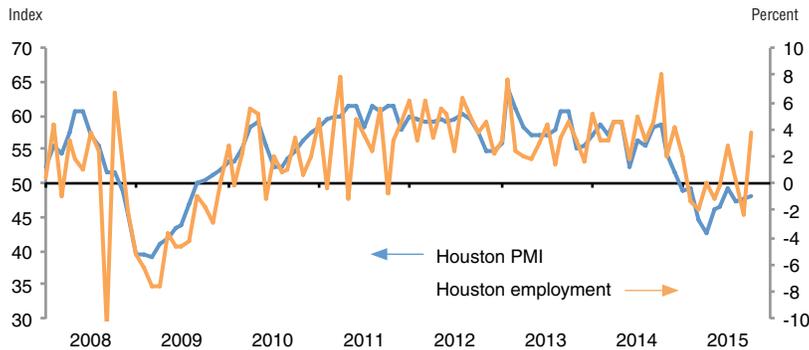
NOTES: Data show seasonally adjusted and annualized percentage growth. Sorted from largest to smallest industry.

Job Growth—Health



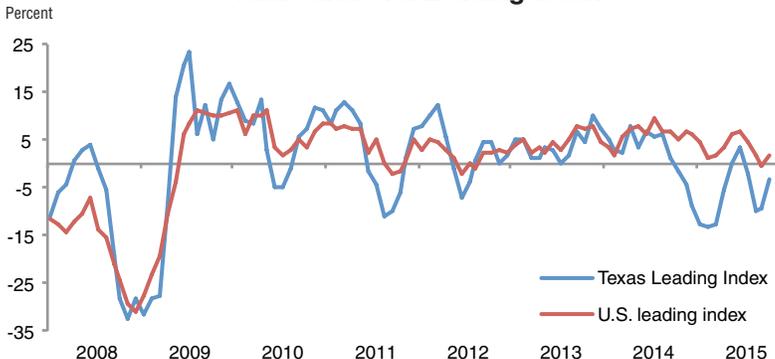
Leading Indicators

Purchasing Managers Index



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

Texas and U.S. Leading Index



NOTE: Data are three-month percent changes.

► Accommodation and food services (particularly restaurants and bars) led service industry gains from July to October, adding 3,800 jobs (10,700 jobs year to date). Retail trade followed, adding 1,300 jobs over that same period (8,000 jobs year to date). These are both industries that would tend to benefit from population growth and lower gasoline prices.

► Professional, scientific and technical services (such as legal and engineering) was the loss leader among service sectors from July to October, shedding 6,200 jobs (down 8,200 year to date). Wholesale lost 3,000 jobs the last three months, and transportation lost 900.

► Health employment continued to add jobs at an above-average pace of 4.4 percent (3,400 jobs) over the three months ending in October. The category has added 13,800 jobs to the region since December.

► Hospital employment growth has been above average in 2015. Other health (nursing homes, mental health, social assistance) job growth picked up in the second half of the year, adding two-thirds of its 7,000 year-to-date job gains from June to October.

► The Houston Purchasing Managers Index registered a very modest improvement from 47.6 in September to 48 in October. Index values below 50 indicate a contracting economy, while values above 50 indicate an expanding economy.

► The November PMI (not depicted in the graph) declined to 44.9. This marks the 11th consecutive month with values below 50 and suggests that the metro area should experience net job losses over the next two to four months.

► Growth in the U.S. leading index rose to an annualized 2 percent from July to October after flattening out since mid-year. This suggests a slight improvement in employment growth over the next three to five months. Changes in this index are predictive of changes in Houston job growth, particularly in service industries.

► The three-month decline in the Texas Leading Index moderated in October. This suggests that employment in Houston will decline slightly over the next three to five months. Changes in this index are associated with changes in Houston job growth, particularly in the goods sector.

SOURCES: **Houston Business-Cycle Index:** Dallas Fed; **employment growth:** Bureau of Labor Statistics (BLS) and adjustments by the Dallas Fed; **retail sales and wages:** Texas State Comptroller and adjustments by the Dallas Fed; **service sector jobs:** BLS and adjustments by the Dallas Fed; **Purchasing Managers Index:** Institute for Supply Management, BLS and employment adjustments by the Dallas Fed; **Texas and U.S. leading index:** The Conference Board and the Dallas Fed.

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