The Houston Business-Cycle Index decelerated to 4.3 percent growth in December after rising a revised 5.8 and 7.2 percent in November and October. While slower than the preceding five months, December job growth was still higher than Houston’s historical average. It takes about two to four months for swings in energy prices to affect Houston’s aggregate employment, so the response to lower oil prices probably has not been observed yet. However, the construction boom in refining and petrochemicals, a healthy real estate market and the growing U.S. economy will buttress the region against volatility in energy prices. Thus, the Houston outlook, while substantially softer, remains positive.

The weekly spot price of Gulf Coast fuels fell in December and January, before a small end-of-month bounce brought gasoline and diesel up to $1.35 and $1.56 per gallon. January retail prices for motor fuel on the Gulf Coast reached their lowest levels since September 2010 for diesel and since February 2009 for regular gasoline. Inventories of both gasoline and diesel fuels in the region were higher relative to their five-year average for January.

The West Texas Intermediate (WTI) crude oil price declined steadily from October 2014 through the end of January 2015. WTI ended the month near $45. The average difference between WTI and Brent crude fell $2.37 to $0.56 in January amid increased volatility. The average price of natural gas fell from $3.84 per MMBtu in December to $3 in January. Butane, propane and ethane prices also declined.
A strong dollar and lower oil and refined-product prices took a toll on the value of exports in the last months of the year. The real value of imports coming through the Houston–Galveston customs district fell 14.1 percent from the third quarter to the fourth quarter. Exports fell 10.6 percent over that time. The total value of trade moving through the district fell 12.2 percent. For the year, 2014 saw a decline in imports of 4.5 percent and an increase in exports of 1 percent when compared with 2013.

Over the three months ending in November, contributions to import growth were broad-based compared with the three months ending in August. Contributions to the decline in imports were concentrated in oil and related products, machinery, iron and steel, and articles of iron and steel. Excluding oil and related products, imports declined 6.1 percent. Over that same period, contributions to the declines in exports were concentrated in oil and related products, organic chemicals and plastics. The largest contributor to export growth was electrical machinery. Excluding oil and related products, exports declined 4.9 percent.

Among the top export destinations from the Houston–Galveston customs district in 2014, only exports to Brazil increased for the three-month period September to November compared with the prior three months. The biggest decline was in the value of exports to Canada.

Seasonally adjusted existing-home sales ticked up 1 percent and prices rose 2.1 percent from November to December. A near record 7,195 homes were sold in December, close to levels in early 2005 and 2013. The December median price was $202,111. Inventories remain very tight at 2.7 months. Housing starts increased from the third to the fourth quarter, while permits for new private housing declined. Year-over-year growth rates for both were near pre-housing-boom norms.

Construction and real estate employment had a healthy fourth quarter. 2014 was the strongest year on record for job growth in the construction of buildings subsector (such as residential and industrial buildings). Heavy and civil construction (pipelines, utilities, roads, etc.) also had a strong fourth quarter. Real estate and leasing employment held near 4 percent annualized growth in the fourth quarter, thanks to a December jump.

Houston’s office and industrial real estate markets had vacancy rates of 12.2 percent and 7.3 percent, respectively, and net absorption of 0.32 and 4.45 million square feet in the fourth quarter. In fact, the two categories of commercial real estate saw total absorption in 2014 higher than any year except 2006 and 2005, respectively. Both categories saw prices per square foot rise year over year and quarter over quarter.


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