

Houston Economic Indicators

DALLAS FED

FEDERAL RESERVE BANK OF DALLAS • MARCH 14, 2016

Summary

Recent data suggest that Houston's economy was slightly stronger than originally estimated in 2015. While the region is still struggling from a moribund oil and gas sector, services—particularly health and leisure and hospitality services—continue to be a source of growth. Taken together, the outlook remains tepid and uncertain.

Business-Cycle Index

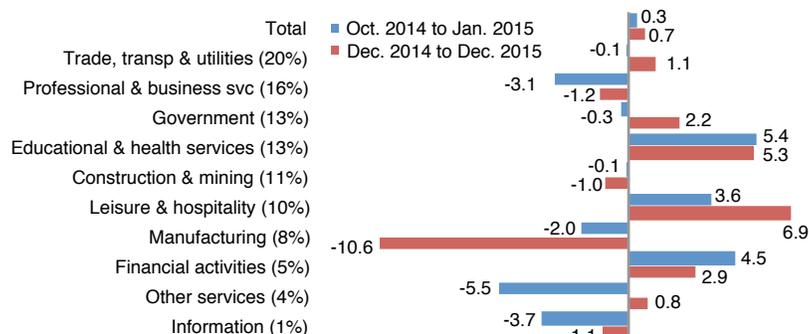


*Annualized month-over-month growth rate.

SOURCE: Dallas Fed.

► The growth rate of the **Houston business cycle index** fell to -1.2 percent in January after rising a revised 1.8 percent in December, suggesting that the region weakened in January. However, revisions to 2015 employment data this month pushed the December 2014 to December 2015 index growth up from 0.5 to 0.8 percent.

Employment Growth



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

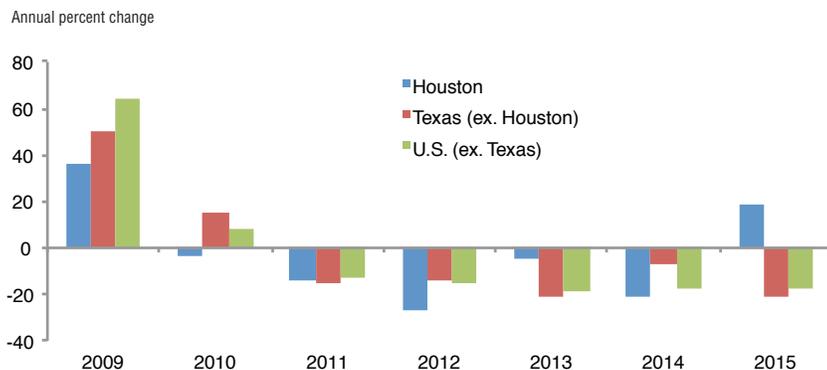
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

► Total nonfarm **employment in Houston** grew an annualized 0.3 percent over the three months ending in January. Educational and health services (4,900 jobs), leisure and hospitality (2,700 jobs) and financial activities (1,700 jobs) were the fastest-growing industry supersectors over that period. Professional and business services (3,700 jobs) and other services (1,500 jobs) led losses.

► Revised 2015 data show Houston jobs grew by a slightly higher 20,600 jobs—as opposed to the 16,900 jobs previously reported—considerably less than the 4.1 percent growth (116,800 jobs) in 2014.

► A decline in the labor force helped the Houston unemployment rate fall to 4.8 percent in January 2016 from 5.0 percent in December 2015. The unemployment rate in January was 4.9 percent in the U.S. and 4.5 percent in Texas.

Business Bankruptcies



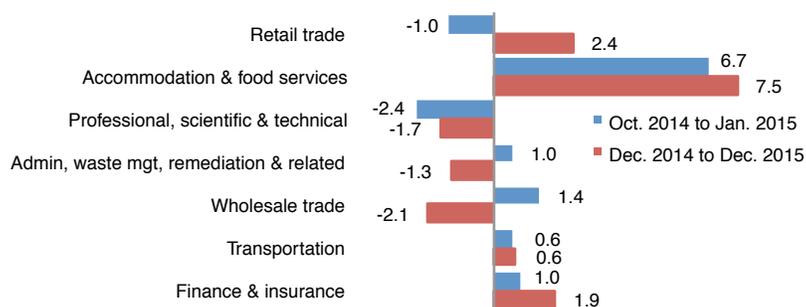
SOURCES: Administrative Office of the U.S. Courts; Haver Analytics.

► Business bankruptcy filings in the Houston Metro area rose 18.8 percent to a total of 500 in 2015—the first increase since 2009. The number of filings fell in the rest of Texas and the U.S. (excluding Texas).

► The industry breakdown of Houston's rise is unclear, but data from Haynes and Boone, LLP indicate that of 81 oil and gas bankruptcies in 2015, 12 were in the Texas South Federal Court District (which includes Houston).

Service Sector Jobs

Job Growth—Selected Service Industries



NOTES: Data are annualized and seasonally adjusted percent changes. Sorted from largest to smallest industry.
SOURCES: Bureau of Labor Statistics; Dallas Fed.

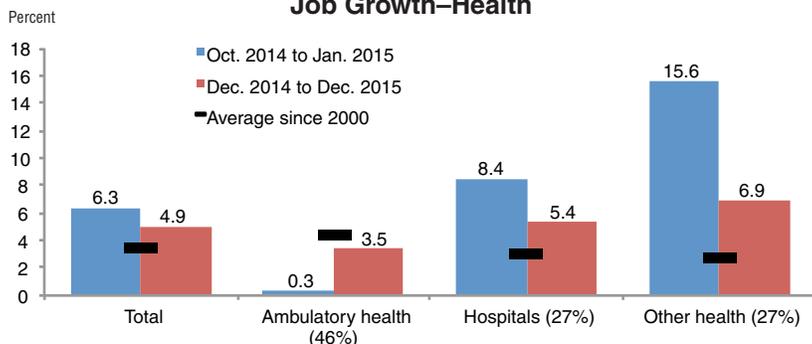
► Accommodation and food services was the growth leader among services in 2015 (19,600 jobs). Retail trade also grew substantially (7,200 jobs). The loss leaders in 2015 were professional scientific and technical (3,700 jobs) and wholesale trade (3,000 jobs).

► From October 2014 to January 2015, wholesale trade, particularly durable goods, reversed course growing 1.4 percent. However, retail trade flipped, contracting 1.4 percent over that time—mostly from clothing and clothing accessory stores.

► Health employment added 14,900 jobs in 2015, which were spread fairly evenly across major health sectors.

► Over the three months ending in January, hospital and other health employment growth rates surged, adding 1,700 and 3,100 jobs respectively. Ambulatory health, which includes physicians' offices, home health and dentists, slowed considerably.

Job Growth—Health



NOTES: Data show seasonally adjusted and annualized percentage employment growth. Numbers in parentheses represent share of total health employment and may not sum to 100 due to rounding.
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed

Leading Indicators

Texas Leading Index and U.S. Leading Index



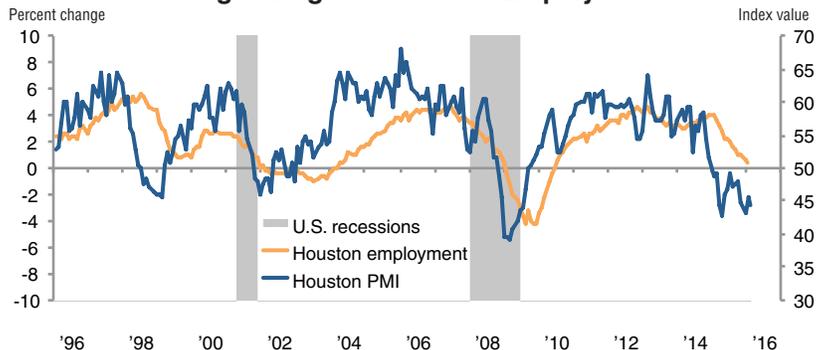
NOTE: January Texas Leading Index data point is an estimate.
SOURCES: The Conference Board; Dallas Fed.

► The [Texas Leading Index](#) ticked down in December, and is likely to do so again in January as headwinds from falling real oil prices and a strengthening trade-weighted value of the Texas dollar persisted.

► Growth in the U.S. leading index flattened out over the three months ending in January. The primary drivers were large declines in stock prices and rising initial claims for unemployment.

► Since Houston is heavily influenced by both the U.S. and Texas economies, these indexes suggest continued weak job data ahead for Houston.

Purchasing Managers Index and Employment Growth



NOTE: Employment growth is a monthly year-to-year percent change.
SOURCES: Institute for Supply Management; National Bureau of Economic Research; Bureau of Labor Statistics; Dallas Fed.

► The Houston Purchasing Managers Index fell to 44.5 in February, its 14th consecutive month in contractionary territory (values below 50). While health- and durable goods-related industries continue to do well, oil and gas remains a source of weakness. The index still suggests there will be weak job growth ahead.

► The only period where the index was comparably weak (below 50 for eight months) without substantial contraction in Houston jobs was in the Asian financial crisis of 1997-99. Similar to the present, it was characterized by a downturn in oil prices and drilling, a strong dollar, a growing U.S. economy and a substantial slowdown in emerging markets.

NOTE: Data may not match previously published numbers due to revisions.

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