

Houston Economic Indicators

DALLAS FED

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Summary

The broader economy of Houston continues to struggle as the 2015–16 oil bust matures. The service sector is gradually slowing, and goods producers—particularly those tied to energy—continue to hemorrhage jobs.

Leading indicators of the regional economy are mixed but continue to point toward a modestly negative outlook in the near term.

Business-Cycle Index

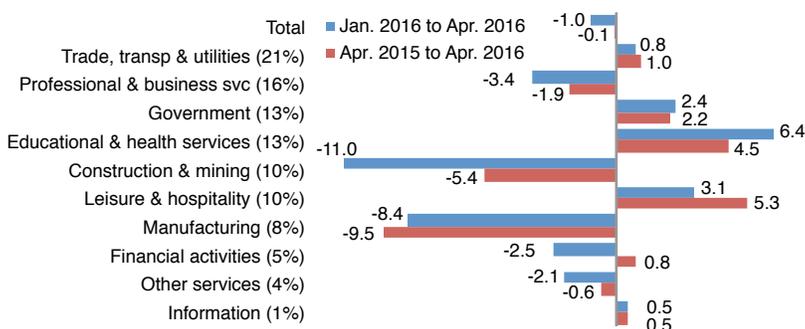


*Annualized month-over-month growth rate.

SOURCE: Dallas Fed.

► The **Houston business cycle index** improved to an annualized -0.7 percent in April from a revised rate of -1.3 percent in March. The weak numbers were driven primarily by job losses. Cumulatively, the index is down an annualized 1.4 percent in 2016. Though further data revisions to the index will come, it is now sending a clearer signal of modest contraction in the region's economy.

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.

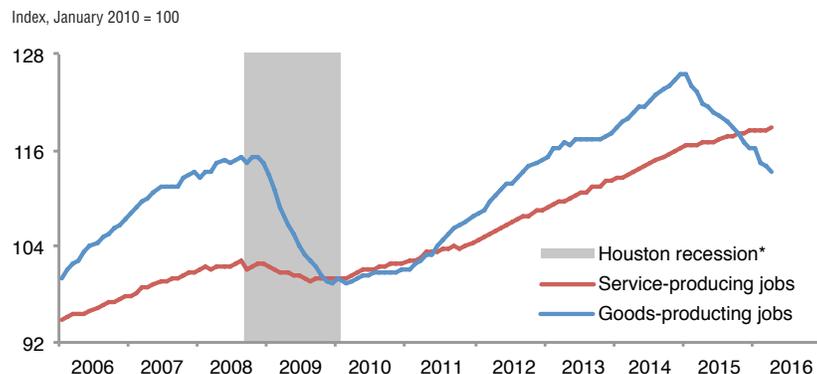
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

► Total **nonfarm employment** in Houston contracted an annualized 1 percent over the three months ending in April. Construction and mining ($-4,082$ and $-2,868$ jobs, respectively), manufacturing ($-5,086$) and professional and business services ($-3,985$) led decliners. Job growth came mostly from private educational and health services ($5,897$), leisure and hospitality ($2,388$), and government ($2,300$).

► Year-over-year growth in total employment was just under -0.1 percent in April, marking the fourth consecutive month of year-over-year contraction.

► Houston's unemployment rate rose from 5.1 percent in March to 5.2 percent in April, its highest level since March 2014. Despite weakness in the local labor market, Houston's labor force has continued to grow this year. The unemployment rate was 5 percent in the U.S. and 4.4 percent in Texas in April.

Houston Private Goods & Services



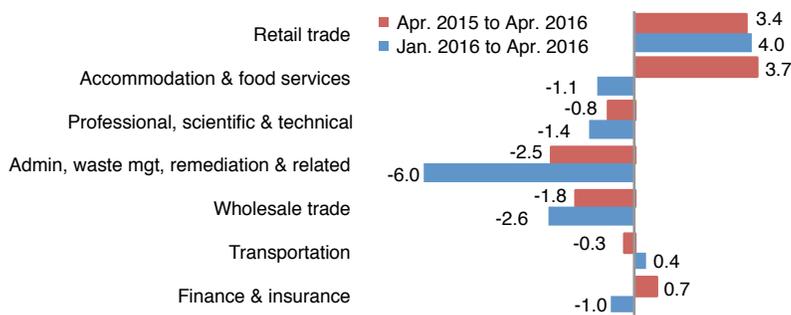
*Recession dates defined using final data for the Houston Business-Cycle Index.

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

► Jobs in goods-producing industries are far more cyclical than the service sector and have taken the brunt of the oil bust. The private service sector is still expanding. However, the growth rates for both goods and services have been falling since last summer as the oil bust deepened and the impact of lower oil prices spilled into other industries in Houston.

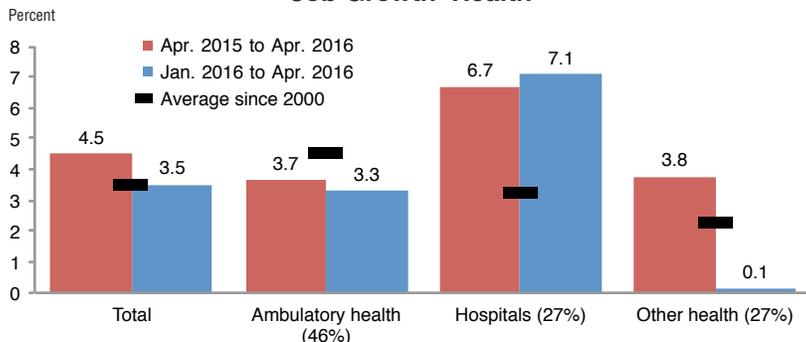
Service Sector Jobs

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; adjustments by the Dallas Fed.

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.

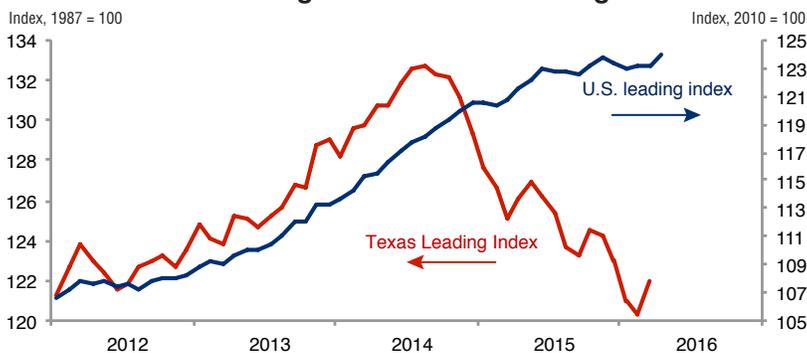
▶ Service sector growth has softened unevenly in the three months ending in April. While job growth in retail trade (2,700) accelerated slightly over that time, most other sectors and subsectors slowed. Administrative and related jobs slowed sharply, declining at an annual rate of 6 percent (-3,500 jobs), which was concentrated in employment service firms.

▶ Accommodation and food services was another sector to slow substantially. While it is up strongly year to year, it contracted slightly (-771 jobs) from January to April, its first three-month decline since February 2011. The recent decline was centered in restaurants and bars.

▶ Private health employment growth slowed in recent months despite a pickup in hospitals, which added 1,500 jobs from January to April. Robust hospital construction activity suggests that both public and private hospital employment growth will likely remain healthy in the coming months.

Leading Indicators

Texas Leading Index and U.S. Leading Index



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

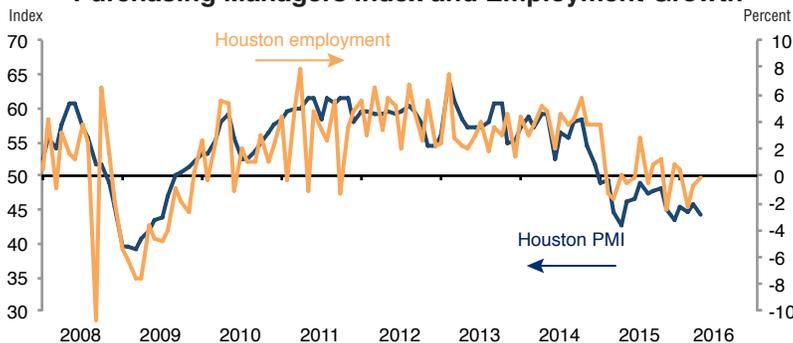
▶ The **Texas Leading Index** ticked up in March and April as all of the index components improved. This not only suggests a better outlook for the state of Texas ahead, but suggests that the growth rate of employment in Houston should recover slightly over the next three to four months.

▶ The Leading Economic Index for the U.S. also perked up in April on the back of a broad improvement in its components. This implies better employment growth numbers in Houston six months from now—more so for service-producing industries than goods-producing.

▶ The Houston Purchasing Managers Index was 44.2 in April—remaining in the mid-40s. A powerful leading indicator for employment in Houston, this indicates that employment growth over the next three months will likely remain tepid.

▶ However, the sales and production components of the index have risen markedly in 2016 and may indicate that the overall index will soon improve.

Purchasing Managers Index and Employment Growth



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

SOURCES: Institute for Supply Management; Bureau of Labor Statistics; Dallas Fed.

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

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