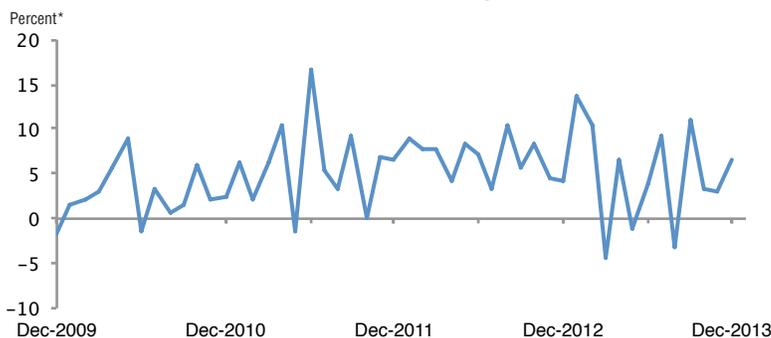


Economic Activity

Houston Business-Cycle Index

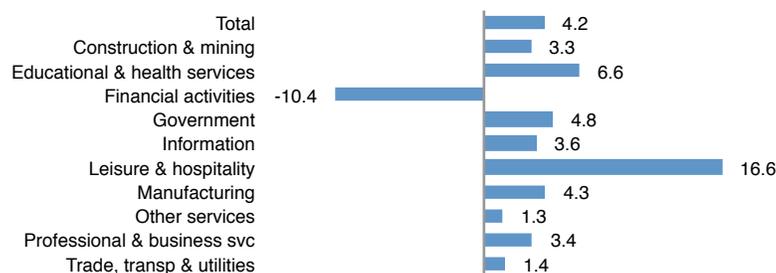


*Month-over-month growth rate.

▶ The Houston Business Cycle Index surged 6.7 percent in December after rising a revised 2.9 percent in November. A solid jobs report and ongoing strength in housing and construction continue to signal a robust economy, although import and export growth in the region have flattened out. Overall, the outlook for Houston remains healthy.

Employment

December Employment Growth



NOTE: Chart shows monthly percent growth by employment supersector; data are seasonally adjusted and annualized.

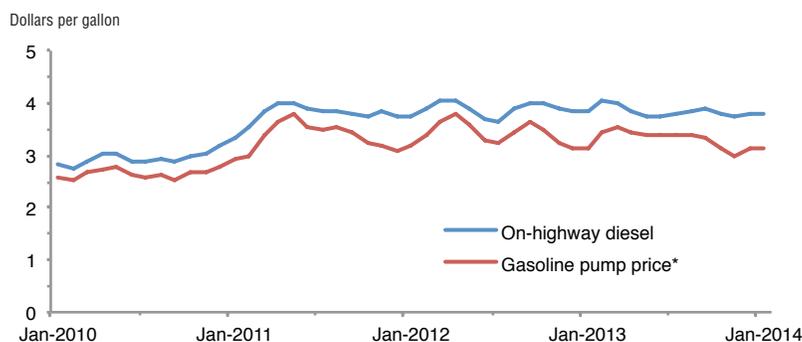
▶ December employment growth was a vigorous 4.2 percent overall. Leisure and hospitality posted the fastest growth rate, while financial activities had a sharply negative month. Education and health accelerated in December due to strong gains in health services.

▶ The Houston-area unemployment rate dropped to 5.8 percent in December, its lowest level since December 2008. This occurred while the labor force continued to expand. November unemployment was a revised 6 percent.

▶ The Conference Board's Help Wanted OnLine Index for Houston indicated the number of new job advertisements in the area fell 2.1 percent in December after rising 10.7 percent in November. While new job advertisements fell from November to December, total job advertisements continued to climb. Professional and related occupations added the most to this measure of employment demand in December, with management, business and financial occupations coming in a close second.

Energy Prices

Gulf Coast Fuel Prices



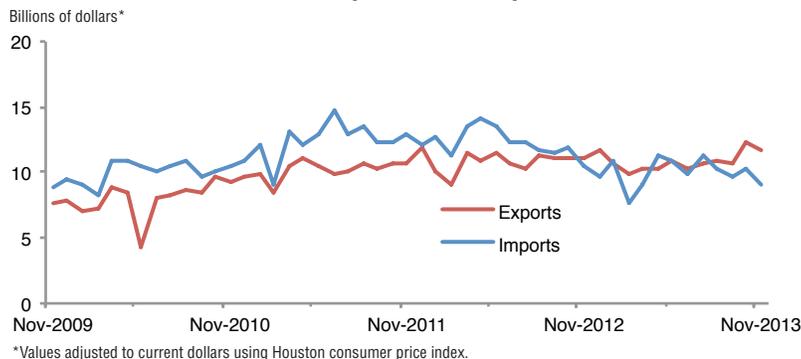
*Regular unleaded.

▶ Gulf Coast on-highway diesel prices were flat from December to January at \$3.78. The price for gasoline at the pump was also flat at \$3.11. The Gulf Coast refinery utilization rate increased to 94 percent in December from 90.1 in November. A jump in exports of gasoline and propane contributed to increases in ethane and propane prices in December and January.

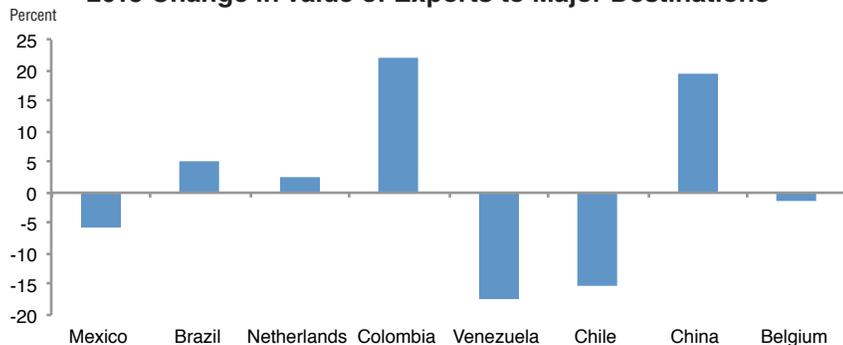
▶ The Henry Hub natural gas spot price reached its highest monthly average since June 2010 at \$4.69 in January (a 10.5 percent increase over November) as harsh winter weather drove up demand. The average monthly price of West Texas Intermediate and Brent oil declined 3.2 and 2.3 percent, respectively, to \$94.64 and \$108.11 in December.

International Trade

Real Exports and Imports



2013 Change in Value of Exports to Major Destinations



▶ The most recent trade data indicate that the real value of imports and exports both declined from October to November (12.6 and 4.1 percent, respectively).

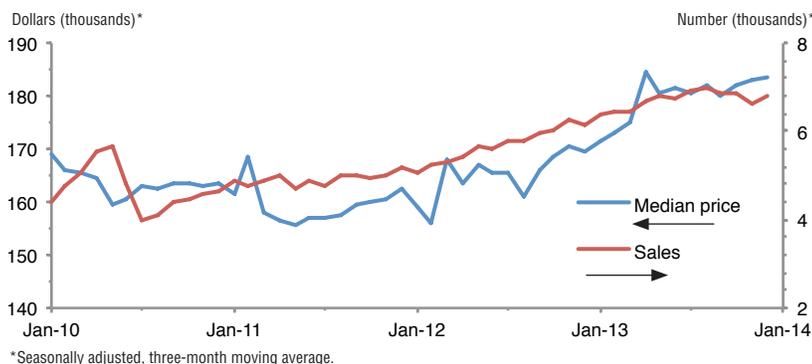
▶ Comparing the January to November real value of trade coming through the Houston-Galveston customs district with the same period in 2012, exports were flat and imports declined. The largest positive contributor to import growth in 2013 was organic chemicals (7.8 percent), while the largest category subtracting from imports was oil and related (down 23.5 percent).

▶ On the export side, the largest contributor was oil and related products (up 4.3 percent), while the largest category subtracting from exports was vehicles excluding rail and related (down 23.3). The latter was moved by a strong drop in vehicles for transporting goods. Excluding the outsized impact oil and petroleum products have on Houston trade, imports and exports both declined, imports by 5 percent and exports by 1.6 percent.

▶ Among the top export destinations from the port of Houston in 2013 (January to November), Colombia and China were the fastest growing when compared with the same period in 2012. Exports to Mexico, the largest destination, weakened. Exports to Venezuela declined sharply almost entirely because of a falloff in exports of certain naphthas, an oil derivative.

Construction and Real Estate

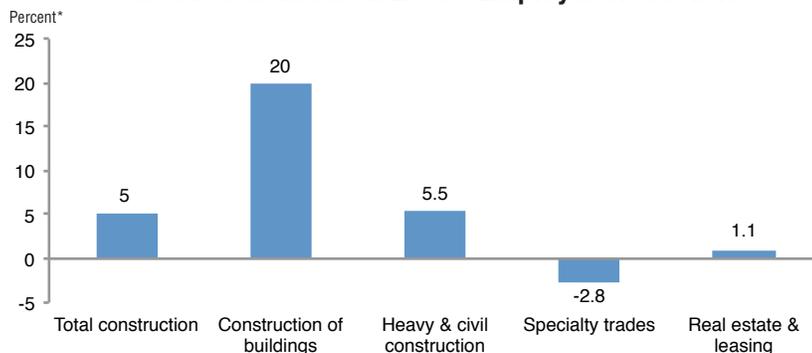
Median Home Price and Home Sales



▶ Home sales and prices moved higher in December. Existing-home sales grew 2 percent from November to December but contracted 2.3 percent from the third to fourth quarter. The median home price was \$183,500 in December, up slightly from November. Seasonally adjusted housing inventory fell to 2.9 months in December, a record low. A shortage of available lots continues to keep upward pressure on the prices of single-family and multifamily housing. Permits and starts for single-family units were up in December, but the year-over-year growth rates slowed sharply to near zero in the fourth quarter.

▶ Commercial real estate continued to do well in the fourth quarter, according to CBRE. Vacancy rates were 5.3 percent for industrial, 7.4 percent for retail and 11.8 percent for office real estate. Lease and rental asking rates were higher for all categories in the fourth quarter when compared with both the third quarter and the same period in 2012. The square footage under construction in the fourth quarter was 7.8 million for industrial, 1.9 million for retail and 14.2 million for office space.

Construction and Real Estate Employment Growth



▶ In December, construction jobs increased across all sectors except specialty trades. Jobs in building construction towered over other subsectors, growing 20 percent. Feedback from the community indicates a shortage of skilled construction labor.

SOURCES: Business-cycle index: Federal Reserve Bank of Dallas; employment: Bureau of Labor Statistics and Federal Reserve Bank of Dallas; energy prices: U.S. Energy Information Agency and *Oil and Gas Journal*; trade: Census Bureau and Wisertrade; home sales and prices: Houston Association of Realtors; construction: Bureau of Labor Statistics and Current Employment Statistics.

CONTACT: For questions or information, contact Jesse Thompson at jesse.thompson@dal.frb.org. Federal Reserve Bank of Dallas, Houston Branch, 1801 Allen Parkway, Houston, TX 77019.