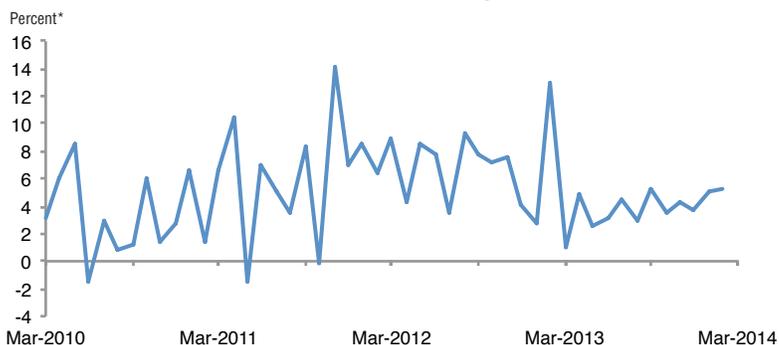


## Economic Activity

### Houston Business-Cycle Index

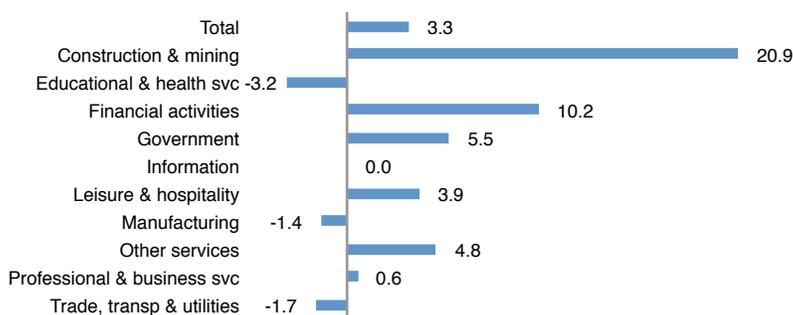


\* Annualized month-over-month growth rate.

▶ The Houston Business-Cycle Index accelerated slightly to a 5.2 percent growth rate in February from an already robust 5.1 percent rate in January. The oil and gas industry posted strong job gains, and industry fundamentals remain healthy. Refining and plastics continue to perform well, and overall labor market conditions remain positive. Taken together, these indicators continue to imply healthy economic conditions in Houston.

## Employment

### February Employment Growth



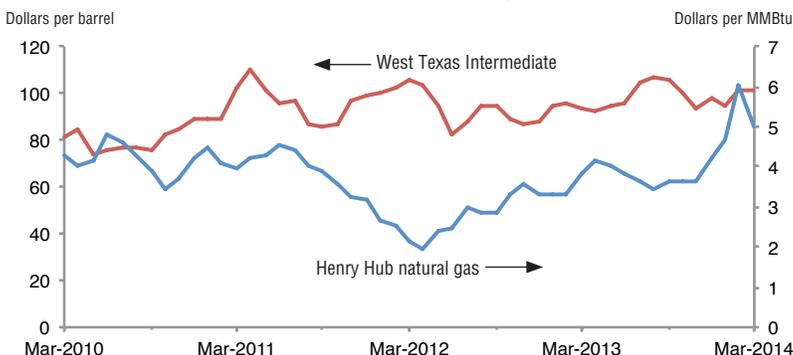
▶ Houston payroll employment grew at an annualized rate of 3.3 percent from January to February. Gains were particularly strong in the construction and mining, and financial activities industries, with the latter ending a six-month streak of consecutive losses. Health care drove the education and health category down in February, though manufacturing and trade, transportation and utilities also registered losses. Over the three months ending in February, employment grew at an annualized rate of 3 percent.

▶ The Houston unemployment rate rose modestly to 5.7 percent in February with an increase in the labor force. The U.S. rate was 6.7 percent in March. The Conference Board's Help Wanted OnLine Index indicated the number of new job advertisements in the Houston area declined 1.6 percent in March.

NOTE: Data show monthly percent growth, annualized and seasonally adjusted.

## Energy Prices

### Crude and Natural Gas Spot Prices



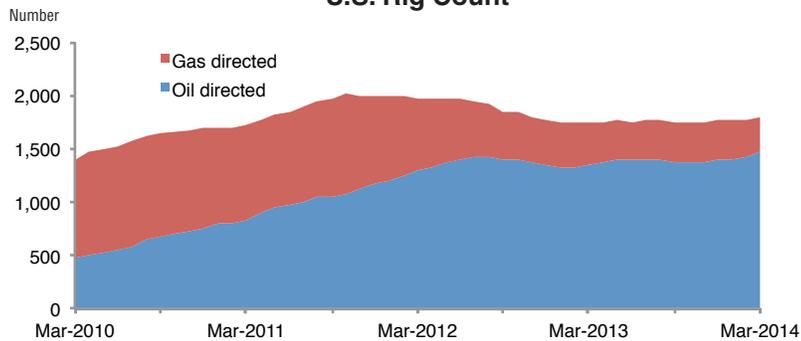
▶ The average spot price of West Texas Intermediate (WTI) crude fell 3 cents in March to \$100.79. Prices moved as high as \$105.34 on March 3 and as low as \$98.29 on March 12. Other crudes—such as Brent and Louisiana Sweet—declined in March, allowing the spread between them and WTI to shrink.

▶ The average natural gas price retreated from February to March, falling from \$6 to \$5, although the price did briefly spike up to \$7.76 in early March.

▶ The Gulf Coast average spot price of conventional regular gasoline increased 2 cents to \$2.71 from February to March. The average Gulf Coast spot price of diesel fuel decreased 6 cents to \$2.92.

## Oil and Gas Extraction

### U.S. Rig Count

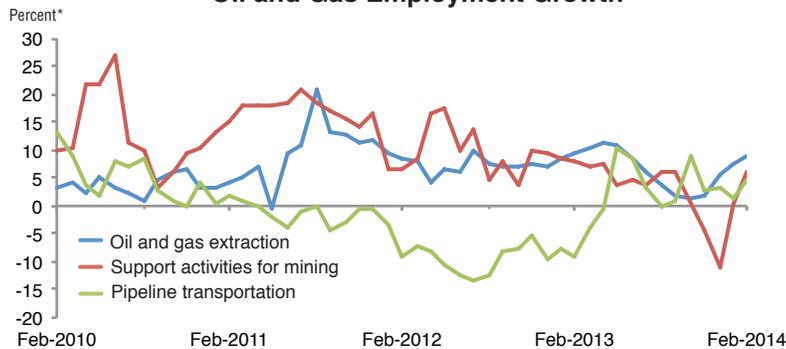


▶ The average weekly U.S. rig count climbed by 34 to 1,803 from February to March. Gas-directed rigs were down by eight, while oil-directed rigs were up by 42. The bulk of the net increase in drilling accrued to Texas due to oil-directed drilling in the Permian Basin. Offshore drilling was little changed at 51 rigs.

▶ The Permian Basin averaged 512 rigs in March, 25 more than in February. Horizontal drilling accounts for more than 53 percent of rigs in the Permian Basin. The average rig count in the Eagle Ford rose by three in March to 222.

▶ Growth in Houston energy extraction and oilfield service jobs had been slowing since natural gas prices collapsed in 2011, but it has picked up steam in early 2014. Over the three months ending in February, oil and gas extraction jobs grew at an annual rate of 9.2 percent, while support activities grew 6 percent and pipeline transportation jobs were up 4.5 percent. Overall, data suggest that energy-related employment has expanded strongly so far this year, and industry product prices and outlooks point to healthy fundamentals for the next several months.

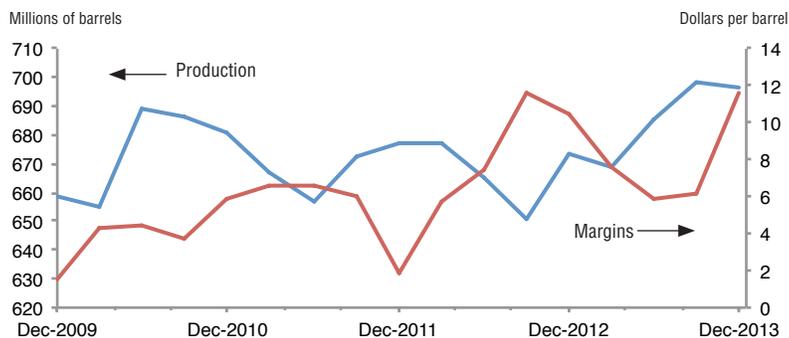
### Oil and Gas Employment Growth



\*Seasonally adjusted; annualized three-month percent change.

## Refining and Petrochemicals

### Gulf Coast Refineries

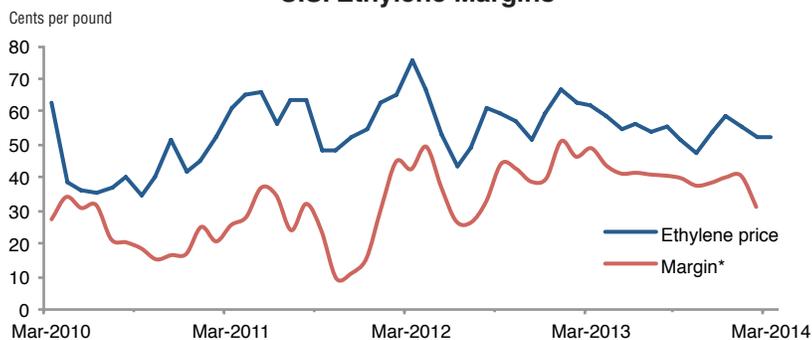


NOTE: Data are seasonally adjusted.

▶ Seasonally adjusted Gulf Coast refinery production decreased 0.3 percent from the third to fourth quarter of 2013—the most recent data available. Seasonally adjusted Gulf Coast refiner margins were strong in the fourth quarter but are looking weaker in the first quarter based on a \$3 decline in January and February. Gulf Coast refinery operating rates declined in January and February to 89.6 and 87.2 percent, respectively, due mostly to seasonal factors.

▶ Gulf Coast gasoline inventories declined from February to March but remain near the top of the five-year range. Diesel inventories also fell, to levels seen only twice since 2005. U.S. exports of petroleum products softened from March to April, led by motor fuels.

### U.S. Ethylene Margins



\*Based on ethane feedstock.

▶ Ethylene plant margins fell to 31.12 cents per pound in February (based on ethane), while the price of ethylene fell to 52.65 cents per pound. Ethylene prices fell further in March to 52.15 cents per pound. Although total U.S. production grew year over year, Gulf Coast production slipped, according to the American Chemistry Council. Ethane, propane and butane prices softened in the recent data after they had been pushed up by heating demand during the long winter. The real value of exports of plastics and rubber products from Texas increased at an annualized rate of 27.3 percent from the third to the fourth quarter of 2013, and chemical exports grew 15.9 percent over the same period.

SOURCES: Business-cycle index: Federal Reserve Bank of Dallas; employment: Bureau of Labor Statistics and Dallas Fed; energy prices: U.S. Energy Information Administration; rig count: Baker-Hughes; oil and gas employment growth: Bureau of Labor Statistics; Gulf Coast refineries: Muse, Stancil and Co.; petrochemical margins: Muse, Stancil and Co. and Bloomberg.

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