

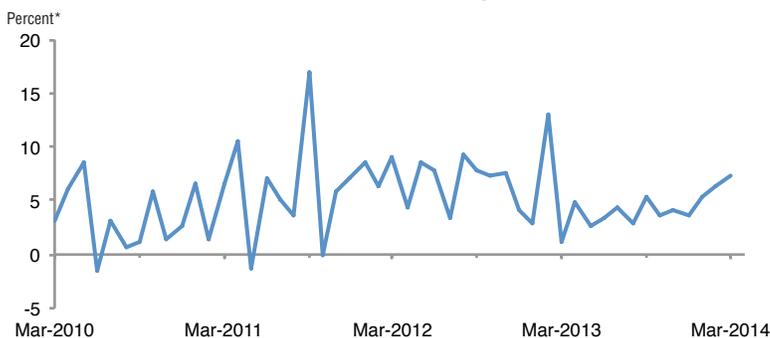
Houston Economic Indicators

DALLAS FED

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Economic Activity

Houston Business-Cycle Index

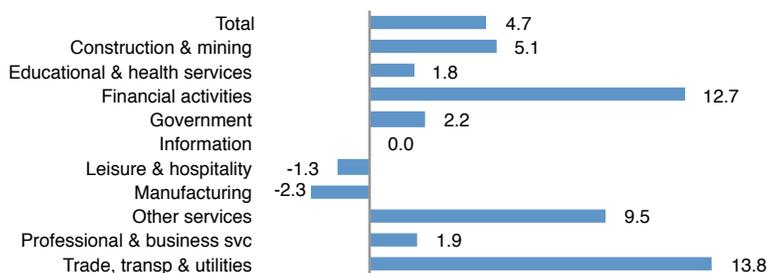


*Annualized month-over-month growth rate.

▶ The Houston Business-Cycle Index advanced 7.4 percent in March after rising a revised 6.3 percent in February on an annualized basis. This was driven by a surprisingly strong surge in employment. Housing and construction show ongoing strength, as does energy, but total trade growth in the region continues to soften. Overall, the outlook for Houston remains healthy.

Employment

March Employment Growth



NOTES: Chart shows monthly percent growth by employment supersector. Data are seasonally adjusted and annualized.

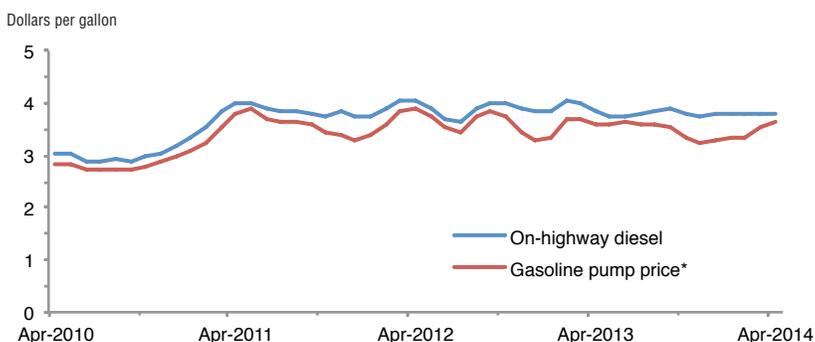
▶ March employment growth was a vigorous 4.7 percent overall. The large trade, transportation and utilities industry grew the fastest, with financial activities close behind. Manufacturing and leisure and hospitality contracted.

▶ The Houston-area unemployment rate dropped to 5.4 percent in March, its lowest level since October 2008. This occurred while the labor force continued to expand. February unemployment was a revised 5.7 percent.

▶ The Conference Board's Help Wanted OnLine Index for Houston indicated the number of new job advertisements in the area fell 1.7 percent in April after declining 1.6 percent in March. However, the total number of job advertisements was essentially unchanged. Management and financial occupations contributed the most advertisements to April numbers but were offset by declines in other service occupations.

Energy Prices

Gulf Coast Fuel Prices



*Regular unleaded.

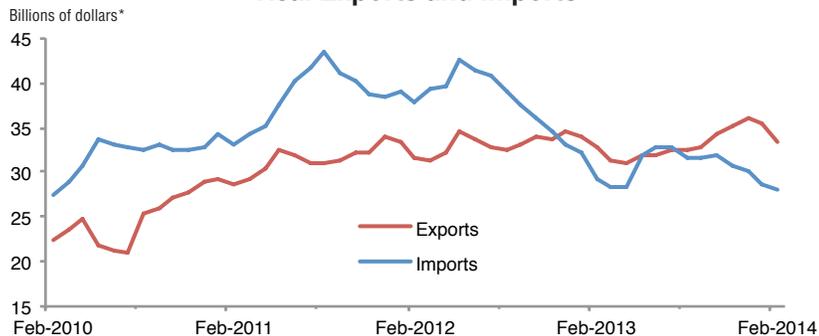
▶ Gulf Coast on-highway diesel prices increased less than a penny to average \$3.80 per gallon in April. The retail price for gasoline increased seasonally to \$3.66. The Gulf Coast refinery utilization rate rose to 93.3 percent in April from 91.6 in March. NGL prices increased very slightly from March to April, though prices remained well below winter levels.

▶ The Henry Hub natural gas spot price averaged \$4.64 in April, a 5.4 percent drop from March, as inventories recovered from winter demand.

▶ The average monthly price of West Texas Intermediate and Brent oil increased 1.2 and 0.3 percent, respectively, to \$102.05 and \$107.78 in April.

International Trade

Real Exports and Imports



*Values adjusted to current dollars using Houston consumer price index.

NOTES: Data reflect three-month moving sum to smooth volatility. March data unavailable at time of writing.

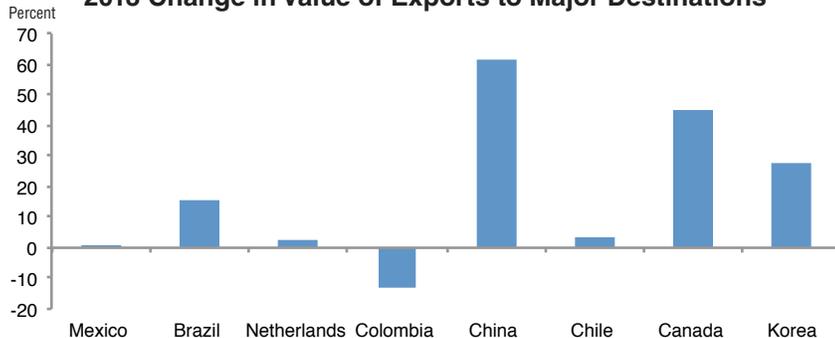
▶ The most recent trade data indicate that the real value of imports and exports coming through the Houston–Galveston customs district declined from January to February, down 3.1 percent and 18.3 percent, respectively. However, when comparing December through February trade values with the same period a year prior, imports declined 4.3 percent while exports grew 1.7 percent.

▶ The largest positive contributor to imports was electrical machinery, sound and television image recorders and related (up 58 percent), while the largest category subtracting from imports was oil and related (down 9.7 percent). On the export side, the largest contributor was oil and related products (up 10 percent), while the largest category subtracting from exports was organic chemicals (down 6.4 percent).

▶ Oil and petroleum products' share of total imports was 48 percent in the three months ending in February, and its share of total exports was 43 percent. Excluding oil and petroleum products, imports grew 1.3 percent, while exports declined 3.7 percent.

▶ Among the top export destinations from the port of Houston for the three months ending in February, China and Canada were the fastest growing when compared with the same period a year prior. Exports to Mexico, the largest export destination, were little changed. Exports to Colombia declined.

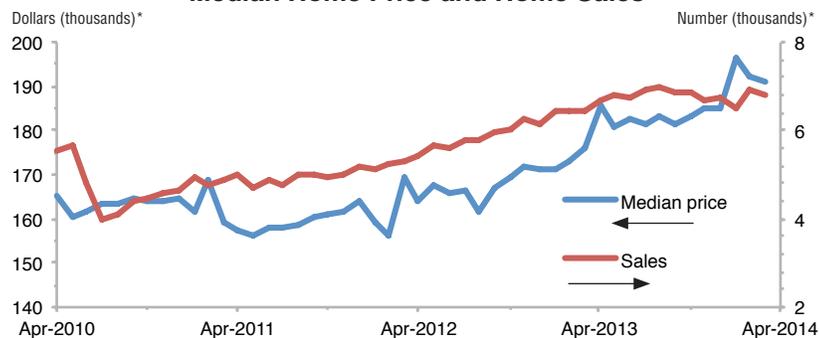
2013 Change in Value of Exports to Major Destinations



NOTES: Growth is December 2013 to February 2014 vs. the same period a year prior. Countries are in order of total value of exports.

Construction and Real Estate

Median Home Price and Home Sales

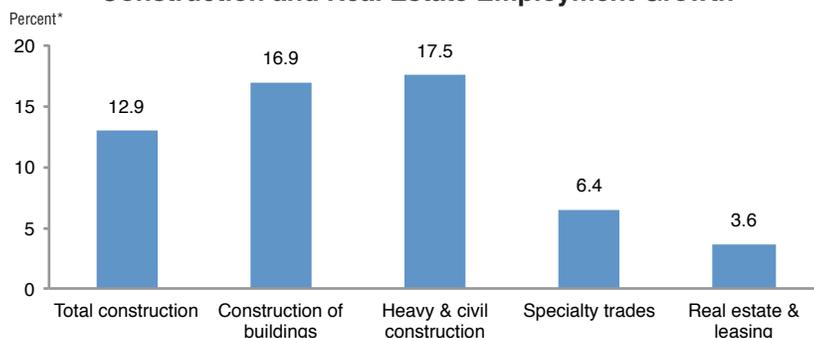


*Seasonally adjusted, three-month moving average.

▶ Home sales and prices dropped in March. Existing-home sales slowed 1.3 percent from February to March. The median home price was \$190,800, down 0.6 percent from February. Seasonally adjusted housing inventory fell to 2.7 months in both February and March, 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 year over year, but both slowed in the most recent data.

▶ According to data from CBRE, 2 million square feet of retail and 15.8 million square feet of office space are under construction in Houston. Nearly 1 million square feet of office space per quarter continues to be absorbed.

Construction and Real Estate Employment Growth



*Annualized quarter-over-quarter growth rate; seasonally adjusted.

▶ Data indicate that March was a brutal month for construction employment following phenomenal numbers in February. Looking at the quarterly change to smooth out the volatility, the construction industry saw robust job growth from fourth quarter 2013 to first quarter 2014, and construction jobs increased across all sectors. Industry contacts say that shortages of skilled construction workers are putting upward pressure on wages and construction costs.

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 Wisetrade; home sales and prices: Houston Association of Realtors; construction: Bureau of Labor Statistics.

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