

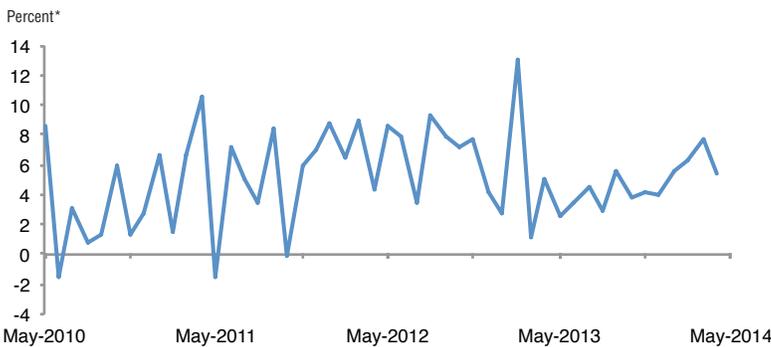
Houston Economic Indicators

DALLAS FED

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Economic Activity

Houston Business-Cycle Index

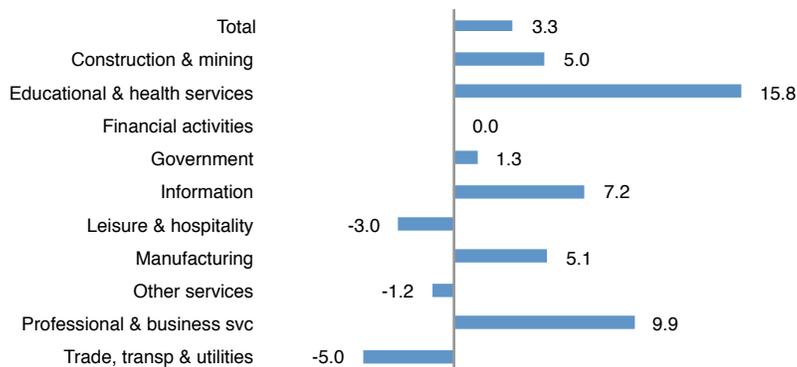


*Annualized month-over-month growth rate.

▶ The Houston Business Cycle Index increased at a slower 5.5 percent in April after climbing a revised 7.7 percent in March. This implies that economic conditions, while still strong, softened slightly in April. Overall employment growth slowed, but indicators for manufacturing activity improved. Service industries posted solid gains, and energy prices declined only slightly. Taken together, these indicators continue to suggest a robust local economy.

Employment

April Employment Growth



NOTE: Chart shows monthly percentage growth by employment supersector. Data are seasonally adjusted and annualized.

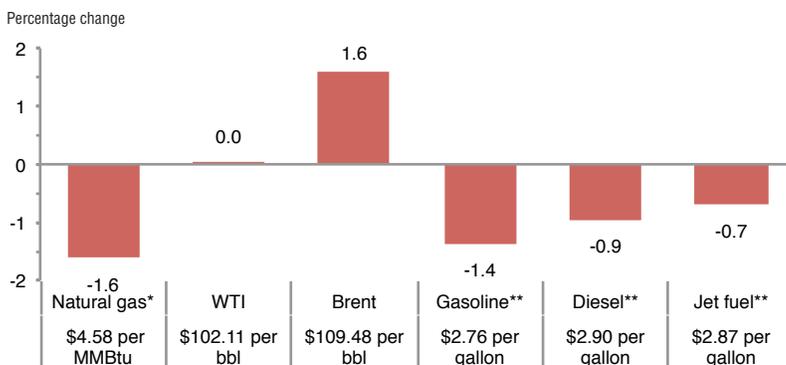
▶ While remaining quite healthy, employment growth slowed in April to a 3.3 percent annual pace, the slowest growth this year. The two broad categories of education and health and professional and business services posted the fastest growth rates, representing an addition of 4,500 and 3,600 jobs, respectively. Trade, transportation and utilities declined the fastest (losing 2,400 jobs).

▶ The Houston area unemployment rate dropped to 5.1 percent in April, compared with the Texas rate of 5.2 percent and the U.S. rate of 6.3 percent.

▶ The Conference Board's Help Wanted OnLine Index for Houston indicated that the number of new job advertisements in the area grew 0.7 percent in May after falling 1.7 percent in April. The total number of job advertisements fell 2.9 percent from April to May.

Energy Prices

Change in Spot Prices, April to May



*Henry Hub natural gas.

**Gulf Coast regional price.

NOTE: Prices on chart are May averages.

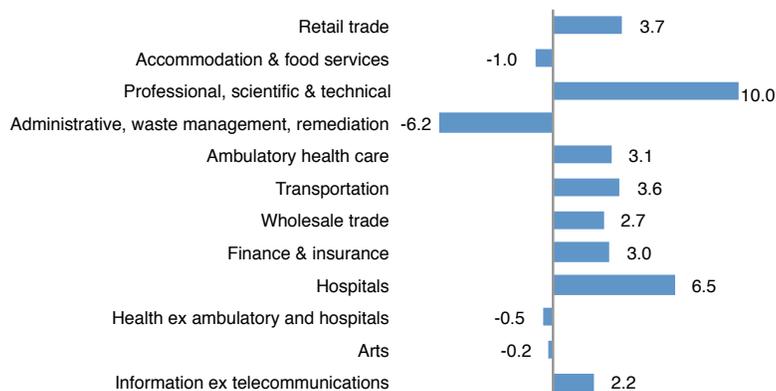
▶ Gulf Coast spot diesel prices fell 0.9 percent and gasoline fell 1.4 percent from April to May. The price of jet fuel declined 0.7 percent. West Texas Intermediate crude oil (WTI) was essentially unchanged over that period, averaging \$102.11 last month.

▶ Natural gas and natural gas liquids prices declined slightly from April to May. Henry Hub natural gas fell 1.6 percent to average \$4.58 per million British thermal unit (MMBtu) in May.

▶ With the price of WTI flat, the rise in Brent crude oil prices to \$109.48 pushed the gap between the two oils slightly wider. The average difference between WTI and Brent crude rose from \$5.71 in April to \$7.40 in May.

Services

Services Employment Growth



NOTES: Data show the annualized and seasonally adjusted three-month change. Sorted from largest to smallest industries.

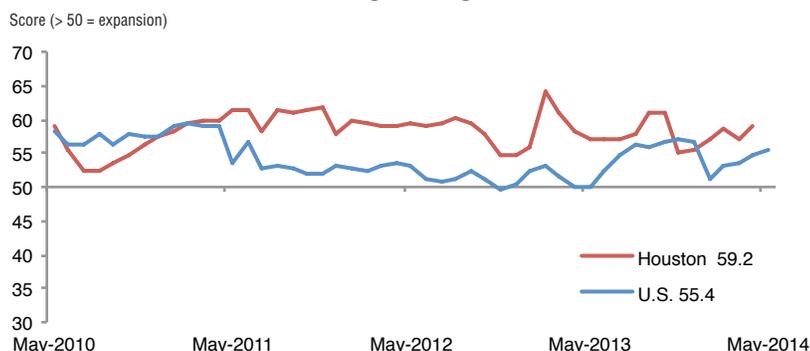
► From January to April, the fastest-growing services sector was professional, scientific and technical services, which increased by 5,300 jobs; 3,100 of those jobs were attributed to architectural firms. Hospitals saw the second-fastest job growth, clocking in at 1,300 jobs. Over that time, the administrative, waste management, remediation and related sector showed the largest percentage decline among the services industries (down 3,100 jobs), with the bulk of those losses attributed to administrative positions.

► Altogether, the services industries combined to add 20,700 jobs from January to April (an annualized pace of 3.6 percent).

► While employment growth in services has been vigorous this year, a recent decline in help-wanted advertising for service jobs suggests that demand may be slowing somewhat. Among the broad occupational categories within the Help Wanted OnLine Index for Houston, “professional and related,” “management, business and financial” and “sales and office” job advertisements were the largest contributors to a decline in total job advertisements.

Manufacturing

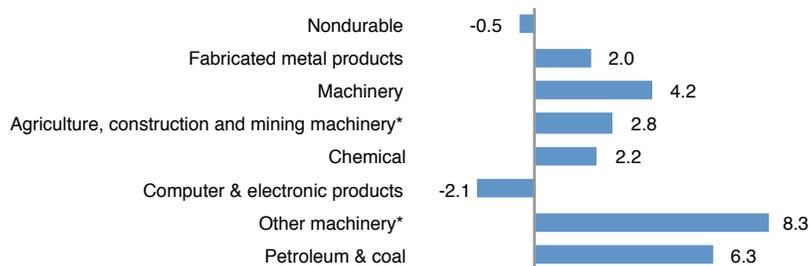
Purchasing Managers Index



► The Houston Purchasing Managers Index ticked up to 59.2 in April, well above the U.S. value. The April increase was dominated by improvement in employment and purchases by businesses for production. The chemical manufacturing activity index from the American Chemistry Council indicates that U.S. chemical production growth accelerated both monthly and year to year over the last few months.

► Petroleum and coal and machinery were the two fastest-growing manufacturing sectors over the course of the three months ending in April, adding 200 and 600 jobs, respectively. Computer and electronic product manufacturing saw the biggest percentage decline, followed by nondurable manufacturing, each losing 100 jobs.

Selected Manufacturing Employment Growth



* Subsector of machinery.

NOTES: Data show the annualized and seasonally adjusted three-month change. Sorted from largest to smallest industries.

► The machinery manufacturing sector can be divided into two subsectors: “agriculture, construction and mining” and “other machinery.” Employment in other machinery is only one-third the size of the former, but both subsectors added 300 jobs from January to April.

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 Administration; services: Bureau of Labor Statistics; manufacturing: Institute for Supply Management, American Chemistry Council, Bureau of Labor Statistics and Federal Reserve Bank of Dallas.

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