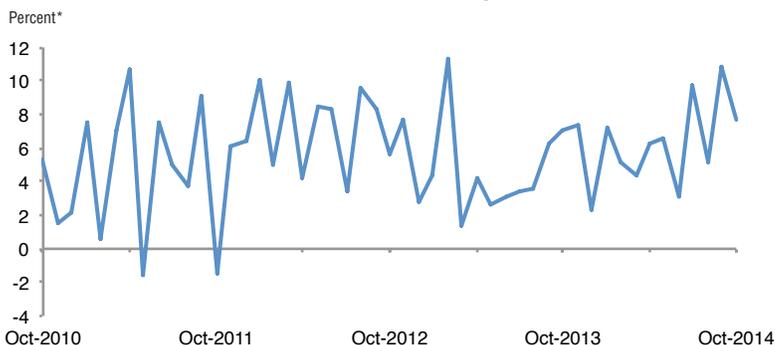


Economic Activity

Houston Business-Cycle Index

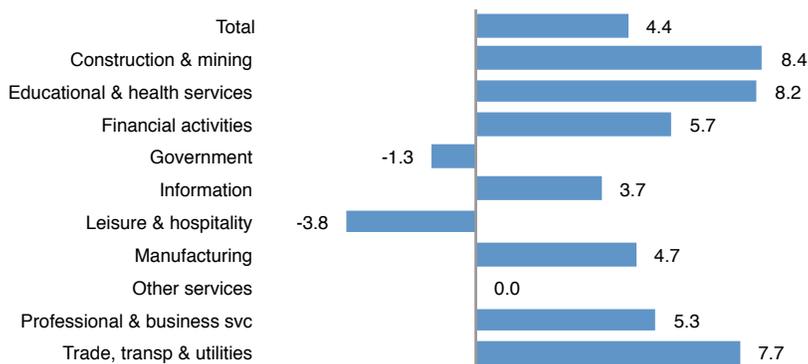


*Annualized month-over-month growth rate.

► The Houston Business-Cycle Index increased 7.7 percent in October after climbing a revised 10.8 percent in September. Indicators for manufacturing and service industries improved. Energy prices have continued to ease since July but haven't taken the steam out of Houston's economic engine. In the context of positive national indicators, recent data suggest that the Houston economy is growing rapidly as it heads into the holiday season.

Employment

October Employment Growth



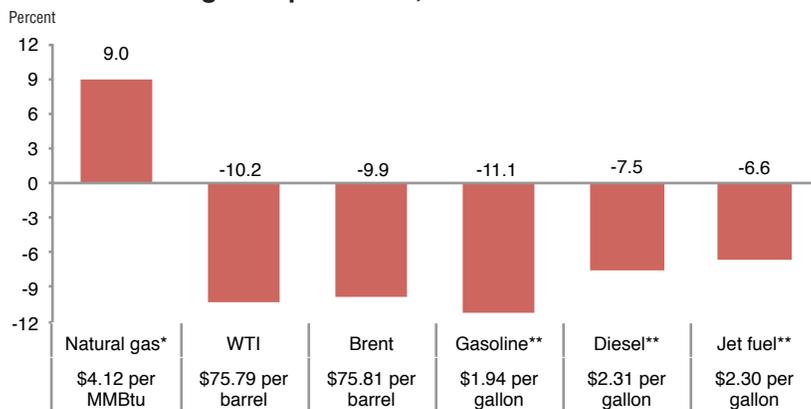
NOTES: Chart shows monthly percentage growth by employment supersector. Data are seasonally adjusted and annualized.

► Employment increased at an annualized rate of 4.4 percent in October, compared with 6.4 percent in September. In October, the two fastest-growing industries were construction and mining, which added 2,200 jobs, and educational and health services, which added 2,400. Government and the leisure and hospitality industry lost a combined 1,300 jobs. The Houston-area unemployment rate fell two-tenths of a percent to 4.8 in October, the lowest reading since July 2008. The rate was 5.1 percent in Texas and 5.8 percent in the U.S.

► The number of new job advertisements in the area increased 8.5 percent in November after rising 3.1 percent in October, according to the Conference Board's Help Wanted OnLine Index for Houston. Total job advertisements rose 4.8 percent from October to November, and all occupational categories contributed to the increase. Year to date, total advertisements are 3.3 percent higher on average than in the same period in 2013.

Energy Prices

Change in Spot Prices, October to November



*Henry Hub natural gas; price in million British thermal units.

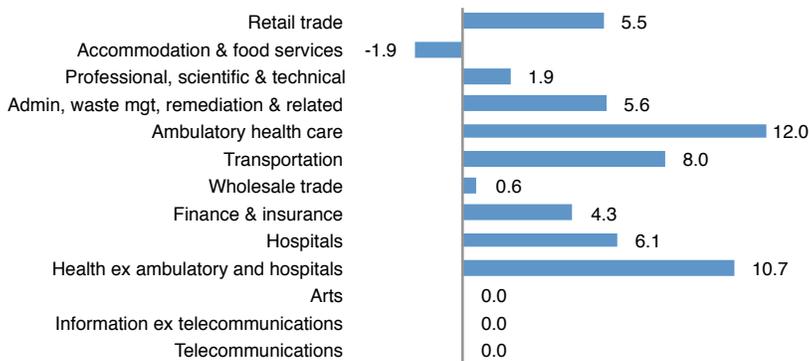
**Gulf Coast regional price.

NOTE: Dollar figures represent November average prices.

► Spot prices of oil and Gulf Coast fuels fell across the board in November, largely due to a decision by the Organization of the Petroleum Exporting Countries to keep production levels constant despite falling prices. Gasoline and West Texas Intermediate crude oil saw the sharpest declines. Natural gas prices moved higher, averaging more than \$4 per million British thermal units for the first time since July. Natural gas liquids prices declined slightly from October to November.

Services

Services Employment Growth



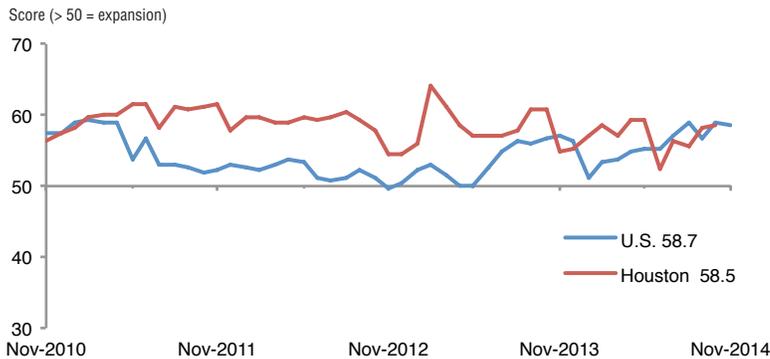
NOTES: Data show the annualized and seasonally adjusted three-month change ending in October. Sorted from largest to smallest industries.

▶ The fastest-growing services subsector for the three months ending in October was ambulatory health care, which added 4,300 jobs. In fact, three of the top four categories over that period were health related. Health care excluding ambulatory and hospital employment was next, with an increase of 2,000 jobs. Transportation was the third-fastest-growing category, adding 2,700 jobs, mostly in trucking. Hospitals rounded out the top four. Accommodation and food services was the only industry to contract (by 1,200 jobs). The smallest services categories (arts, information excluding telecommunications, and telecommunications) were flat. Services industries have added 78,700 jobs in 2014 through October, an annualized rate 4.2 percent—the fastest 10-month growth rate since December 1998.

▶ The largest contributors to the rise in total advertisements in the Help Wanted OnLine Index for October and November were the management, business and financial, and sales and office categories. This would imply faster hiring over the next quarter.

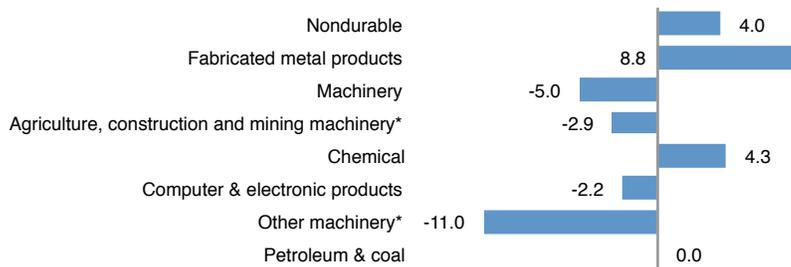
Manufacturing

Purchasing Managers Index



Score (> 50 = expansion)

Manufacturing Employment Growth



* Subsector of machinery.

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

▶ The Houston Purchasing Managers Index (PMI) ticked up to 58.5 in October from 58.1 in September. The higher reading was driven by purchases and production, and the employment index improved for the third consecutive month. U.S. PMI improved from September to October as well before falling in November. Gulf Coast chemical production saw year-over-year growth for the third consecutive month. U.S. production grew 3.5 percent in the three months ending in October when compared to the same period in 2013.

▶ The manufacturing sector as a whole has added 3,700 jobs in Houston over the past 12 months. The fabricated metal products manufacturing subsector had the fastest growth rate over the three months ending in October, equating to 1,400 jobs. Machinery lost 700 jobs, mostly in “other machinery,” a broad category that includes products like industrial valves, optical instruments and refrigeration equipment. In the past 10 months, machinery employment has declined at an annual rate of 1.9 percent. It’s the second-lowest growth rate since April 2010.

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, BLS and Dallas Fed.

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