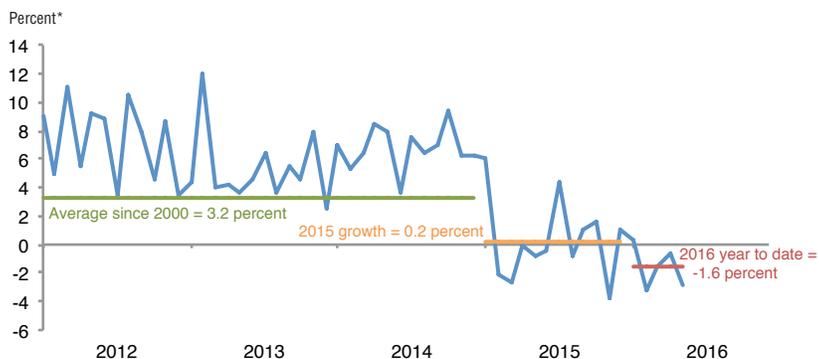


FEDERAL RESERVE BANK OF DALLAS • JUNE 27, 2016

## Summary

Recent data suggest that Houston's economy has continued to soften. Higher oil prices may have begun to provide some aid to the still-ailing mining industry, but it's too soon to tell. Meanwhile, spillovers from the energy industry to service sectors continue to grow. Refining and petrochemicals, health and government continue to add jobs, but the overall outlook remains weak.

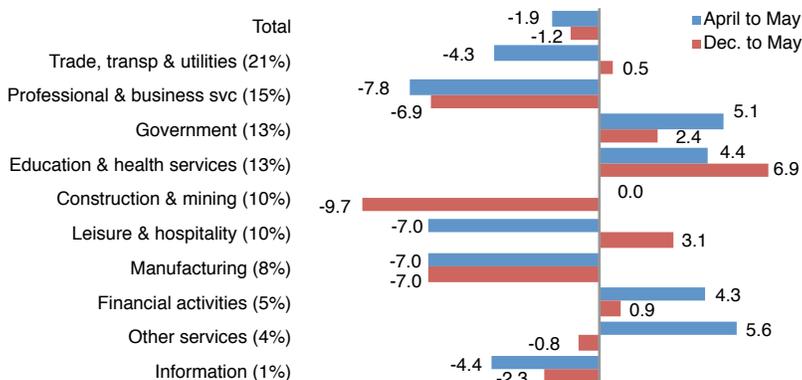
### Business-Cycle Index



\*Annualized month-over-month growth rate.  
SOURCE: Dallas Fed.

► The growth rate of the [Houston Business Cycle Index](#) fell to an annualized  $-2.9$  percent in May from a revised  $-0.6$  in April. It was the fourth consecutive month of decline. The index has fallen a cumulative 1.6 percent since December 2015—the biggest five-month drop since December 2009. Losses have been driven by recent job data, increases in unemployment, and a revision incorporating real retail sales and wage data in fourth quarter 2015.

### Employment Growth



NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

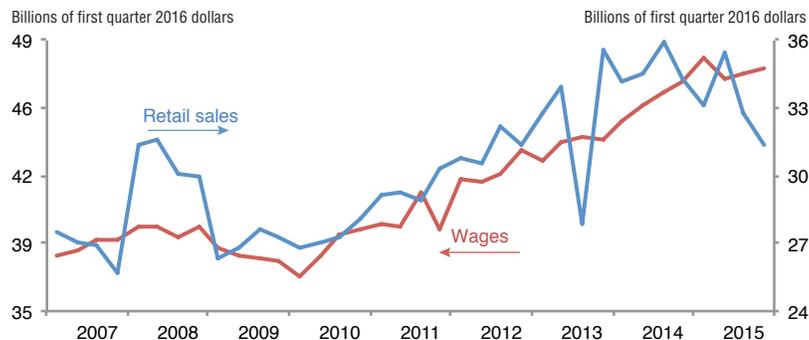
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

► [Total nonfarm employment](#) in Houston contracted an annualized 1.9 percent (4,800 jobs) from April to May. Professional and business services (3,100 jobs) had the steepest (and largest) decline. Trade, transportation and utilities (2,300) and leisure and hospitality (1,900) also declined. Job growth came primarily from government (1,600 jobs) and education and health services (1,400).

► Houston's [unemployment](#) rate dropped from 5.3 percent in April to 5 percent in May. This was driven by the largest one-month drop in the size of the labor force (8,600 people) since December 2014. Even so, the unemployment rate is still trending upward.

► The May unemployment rate was 4.7 percent in the U.S. and 4.4 percent in Texas.

### Real Wages and Retail Sales



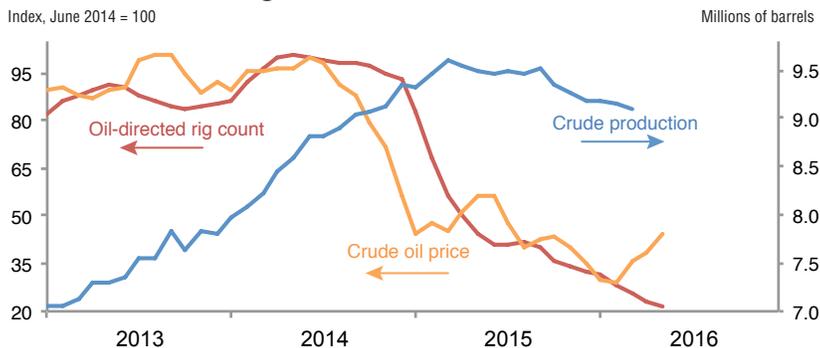
SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

► A third-quarter plunge in real retail sales continued through the end of 2015, for a cumulative annualized decline of 21.9 percent, the second-largest such decline since 2009. Total real wages paid in Houston rose at an annual rate of 1.9 percent in the second half of 2015—two-thirds the average annual rate since 2000 but substantially stronger than the  $-5.7$  percent rate during Houston's 2008–09 recession.

► Soft retail sales and wage data likely persisted into the first half of 2016 as the metro area lost higher-paying jobs and added lower-wage ones—a trend that extends beyond Houston.

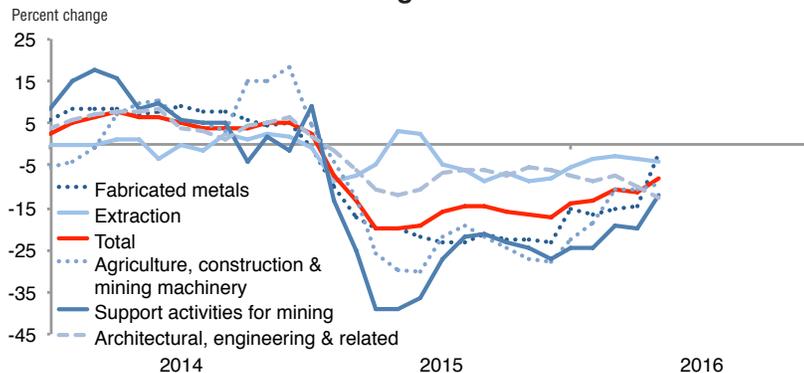
## Oil and Gas

### Rig Counts and Production



NOTES: Rig count and crude production are seasonally adjusted. Rig count and nominal oil price are indexed to June 2014.  
SOURCE: Energy Information Administration.

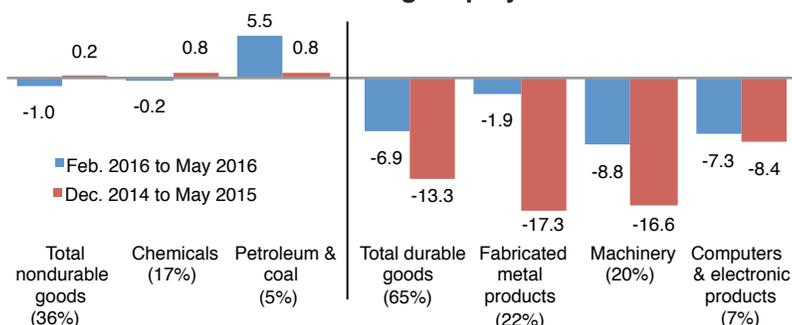
### Selected Mining-Related Jobs



NOTE: Data are three-month annualized percent changes.

SOURCES: Bureau of Labor Statistics; seasonal and other adjustments by the Dallas Fed.

### Manufacturing Employment

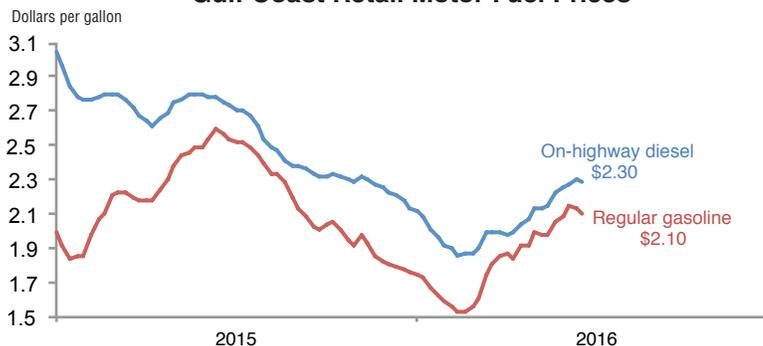


NOTE: Data show seasonally adjusted and annualized percentage employment growth by industry supersector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

## Refining and Petrochemicals

### Gulf Coast Retail Motor Fuel Prices



SOURCE: Energy Information Agency.

▶ U.S. crude production was 524,000 barrels per day lower in March (the most recent estimate) than at its peak a year prior. Although inventories remain robust, falling U.S. production has helped West Texas Intermediate prices rise to near \$50 in May and June.

▶ The U.S. active rig count continued its long decline in May, reaching a historic low of 404 rigs in the back half of the month. Since May, the weekly count has climbed by 17, due mostly to increased drilling in Texas, where drilling tends to be more profitable.

▶ Mining-related job losses in Houston decelerated in the three months ending in May, falling an annualized 8.2 percent (5,100 jobs)—the smallest three-month decline since February 2015. Among core energy sectors (extraction, support, selected manufacturing and selected professional services), architectural, engineering and related jobs declined the most.

▶ Nearly one in five jobs in Houston's core energy sectors (58,300) has been shed since employment in these sectors peaked in December 2014.

▶ Mining-related job losses decelerated largely because of manufacturing. Over the past three months, machinery jobs have declined by 1,000 and fabricated metals jobs by 250—their smallest three-month declines since February 2015 and December 2014, respectively.

▶ The retail price of gasoline rose 37 percent from mid-February's lows to \$2.10 in the week ending June 20. On-highway diesel rose 23 percent over that time to \$2.30. Higher prices reflect rising crude oil prices and strong seasonally adjusted domestic demand for gasoline.

▶ Gulf Coast refining margins softened slightly in May but remain 25 percent above February's lows. Refining margins are down 28 percent from this time last year.

▶ Capacity utilization remains high at both refineries and chemical plants. Gulf Coast refinery utilization dropped slightly to a healthy 91 percent in May on a seasonally adjusted basis. Chemical capacity utilization in the U.S. was 74 percent in May, and it has been climbing fairly steadily since early 2014.

NOTE: Data may not match previously published numbers due to revisions.

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