

THE ECONOMY AT A GLANCE

HOUSTON



GREATER HOUSTON
PARTNERSHIP.
Making Houston Greater.

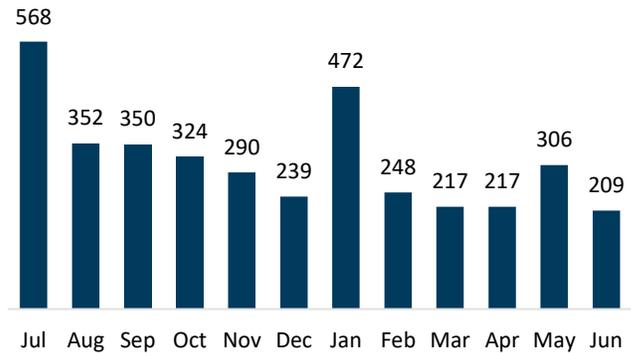
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CHANGE IN U.S. PAYROLL EMPLOYMENT, 000s



Source: U.S. Bureau of Labor Statistics

Future gains will depend on increases in the labor force participation rate (LFPR) and economic growth. The LFPR was 62.6 in June, an improvement from 61.5 percent last June but below the 63.3 percent prior to the pandemic.

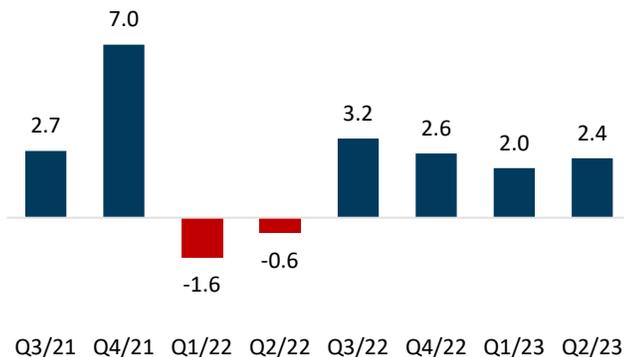
The unemployment rate was 3.6 in June. Any rate below 5.0 suggests a tight labor market. It has tracked 4.0 percent or lower for 19 consecutive months.

THE “R” WORD REVISITED

“Resilient” is a better word than “recession” to describe the U.S. economy, as recent indicators show.

Gross domestic product (GDP) grew at a 2.4 percent annual rate in Q2/23 adjusted for inflation, well above the 2.0 percent that many economists had expected.

% CHANGE IN U.S. REAL GROSS DOMESTIC PRODUCT Compounded Annual Rate, Seasonally Adjusted



Source: Bureau of Economic Analysis

Growth was driven by increases in consumer spending (+1.6 percent), business investment (+4.9 percent), and government outlays (+2.6 percent). Drops in exports and new home construction offset these gains, or growth would have been stronger.

The U.S. added 209,000 jobs in June. Though weaker than in recent months, the gain aligns with the monthly average (189,000) in the years between the Great Recession and the Covid Recession.

U.S. UNEMPLOYMENT RATE*



* Seasonally adjusted
Source: U.S. Bureau of Labor Statistics

There were 9.8 million job openings in May, down from 11.4 million May '22 but well above the 6.4 million monthly average prior to the pandemic. These are jobs for which work is available, can be started within 30 days, and the employer is active recruiting for the position.

U.S. JOB OPENINGS



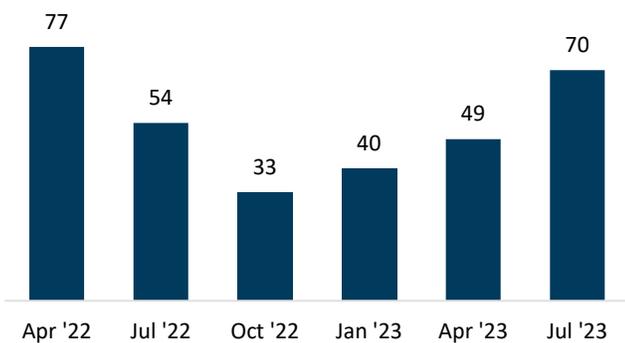
Source: U.S. Bureau of Labor Statistics

The tight labor market has boosted wages, offsetting losses in purchasing power due to inflation. Over the past 12 months, average hourly earnings have increased 4.4 percent, according to the U.S. Bureau of Labor Statistics (BLS). Inflation, as measured by changes in the Consumer Price Index (CPI), was 3.0 percent in the 12 months ending June '23.

The U.S. Federal Reserve may achieve its soft-landing for the economy, *i.e.*, reducing inflation without spiking unemployment. Employers remain reluctant to cut staff fearing they won't be able to rehire them when demand picks back up. Forty-two percent of respondents to a National Association for Independent Business (NFIB) survey reported they had job openings they could not fill. The difficulty in filling open positions is most acute in the manufacturing, construction, and transportation sectors.

More economists see the U.S. avoiding a recession altogether. Seventy-one percent of respondents to a National Association of Business Economics (NABE) survey rated the probability of a recession over the next 12 months at 50 percent or less. That's a dramatic improvement over the last four surveys.

% RESPONDENTS RATING PROBABILITY OF RECESSION WITHIN 12 MONTHS AT 50 PERCENT OR LESS



Source: National Association for Business Economics survey

AHEAD OF LAST YEAR'S PACE

Through June of this year, 142 companies have announced they plan to establish operations, relocate headquarters, or expand operations in metro Houston. That's up from 96 during the same period in '22, according to the Partnership's New Business Announcements (NBA) database.

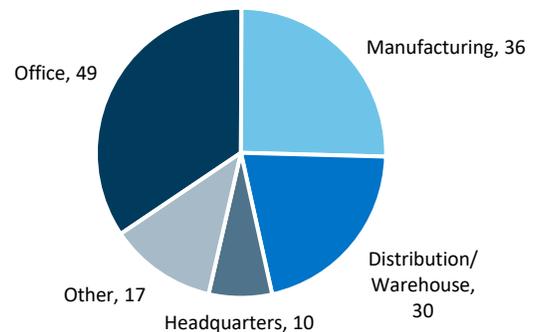
To be included in the NBA, a company must meet at least one of three criteria:

- Create 20 or more jobs,
- Absorb 20,000+ square feet of commercial space, or
- Invest \$1 million or more in the region.

The Partnership gathers this information from press releases, news stories, databases, real estate brokerages, and websites. The database captures headquarters, back-office operations, data centers, distribution centers, call centers, and research and development facilities. Retail, educational, government, and non-commercial facilities are not included.

Office-related projects account for the bulk of the announcements YTD, followed by manufacturing, then warehouse/distribution.

'23 YTD BUSINESS ANNOUNCEMENTS BY TYPE



Source: Partnership New Business Announcements database

Among the many uses of the NBA database is the Partnership's annual submission to *Site Selection Magazine*. The publication gathers similar data across the U.S. and then ranks metros based on the number of announcements during the prior year. In '22, Houston with 255 qualifying projects finished third, behind Chicago with 448 and Dallas/Fort Worth with 422. Houston has finished second or third in nine of the past 10 years.

A list of the announcements can be found at the Partnership's website. To submit a project, contact Margaret Barrientos at mbarrientos@houston.org

WE'RE AN UPBEAT LOT

Houstonians tend to have a positive view of the local economy, expect their financial health to remain stable or improve over the next few months, and would likely recommend Houston to someone looking to relocate to a new city. Those are the results of a survey conducted by Morning Consult on behalf of the Partnership during the first half of '23. Respondents were registered voters in Harris, Fort Bend and Montgomery Counties and they were contacted in January, March, and July of this year. The questions and their response rates follow. Note: Some percentages won't sum to 100 due to rounding errors.

Q: How confident are you, if at all, in the strength of the Houston region's economy?

Response Options	% Respondents by Month		
	Jul	Mar	Jan
Very confident	21	25	18
Somewhat confident	50	48	47
Not too confident	19	19	24
Not confident at all	5	4	6
No opinion	4	5	5

Houstonians are more optimistic about the economy today than they were at the start of the year. There's been a slight decline in those who have a less-favorable outlook.

Q: Would you recommend living in the Houston region to someone looking to move to a new city?

Response Options	% Respondents by Month		
	Jul	Mar	Jan
Definitely	26	24	27
Probably	44	46	47
Probably not	23	24	17
Definitely not	7	5	9

Seven out of ten Houstonians would recommend living here to a friend. The recent uptick since January in those who would not recommend Houston may reflect weather concerns. The question was first asked mid-winter. The most recent question was asked mid-July in the midst of the summer heatwave.

Q: How likely or unlikely are you to continue to live in the Houston region over the next year?

Response Options	% Respondents by Month		
	Jul	Mar	Jan
Very likely	65	71	70
Somewhat likely	22	18	17
Somewhat unlikely	5	5	7
Very unlikely	5	4	3
Don't know/No opinion	3	3	4

Houstonians have put down roots. Nine out of 10 don't plan to leave the region anytime soon. Only a fraction of current residents plan to relocate in the near future.

Q: Thinking ahead to two months from now, do you think you will be better off, about the same, or worse off financially?

Response Options	% Respondents by Month		
	Jul	Mar	Jan
Much better off	12	18	12
Somewhat better off	20	21	22
About the same	52	42	50
Somewhat worse off	12	14	11
Much worse off	3	5	5

Eighty-five percent of respondents expect their financial situations to hold or improve in coming months, down from March but unchanged from January. Fewer expect their finances to worsen.

Q: How stable is your job?

Response Options	% Respondents by Month		
	Jul	Mar	Jan
Very stable	51	57	49
Somewhat stable	37	36	36
Not too stable	8	4	10
Not stable at all	4	2	4
Don't know/No opinion	0	1	1

The vast majority of Houstonians view their employment situation as stable. Only a handful of Houstonians feel insecure about their jobs.

Q: Have you or a close family member been laid off from a job in the past two months?

Response Options	% Respondents by Month		
	Jul	Mar	Jan
Yes	15	10	11
No	82	87	87
Don't know/Unsure	3	2	2

The share of Houstonians impacted by a layoff, either directly or indirectly, has ticked up in recent months. However, most respondents have been unaffected.

HOME SWEET HOME

Higher interest rates continue to impact the housing market. Sales volumes have fallen for 15 consecutive months. The inventory of homes for sale has grown to its highest level in three years, helping to stabilize prices. Though prices have stabilized they remain well above pre-pandemic levels. And it's taking longer to sell a home than a year ago.

The interest rate on a 30-year fixed rate mortgage averaged 6.8 percent in July, up from 5.4 percent same month last year. The rate has been 6.0 percent or higher since September of last year.

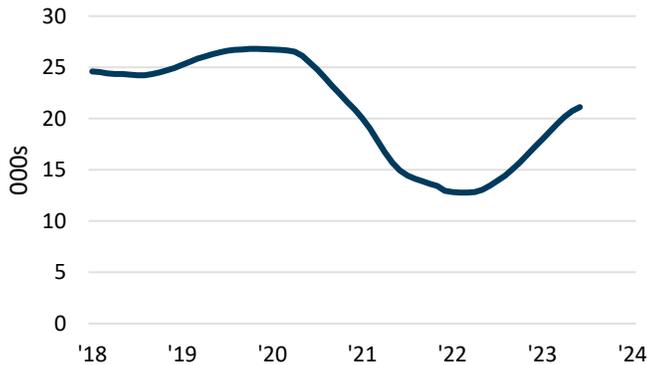
AVERAGE INTEREST, 30-YEAR FIXED RATE MORTGAGE



Source: Freddie Mac

Inventory has improved steadily since fall of '21. Single-family listings in June '23 are up 27.0 percent compared to June '22 and 75.6 percent compared to June of '21.

ACTIVE LISTINGS, SINGLE-FAMILY HOMES 12-Month Moving Average



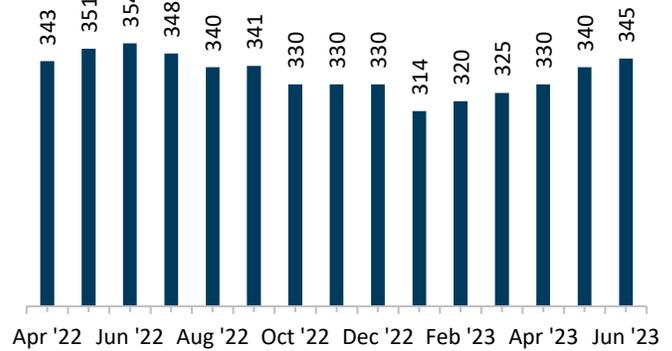
Source: Houston Association of Realtors

The increase in listings and slower sales pace translates to a 3.1-month inventory. That's how long it would take to exhaust June listings at the current rate of sales. This time last year, inventory stood at 1.9 months. It had fallen as low as 1.3 months early in '22. Nationally, inventory sits at a 2.9-month supply. A 4.0- to 6.0-month supply has long been regarded as reflecting a "balanced market" in which neither the buyer nor the seller has the upper hand.

Another sign the market is normalizing—it now takes longer to sell a home. Days on market, or the actual time it took to sell a home, increased from 28 to 45 days.

The growth in inventory has limited price increases. The median price for an existing single-family home has not fluctuated much over the past 15 months. The median is the figure at which half of the properties in Houston closed at a higher price and half at a lower price. However, the median price is up \$92,000 since June '20.

MEDIAN SALES PRICE, SINGLE-FAMILY HOME, \$000s



Source: Houston Association Realtors

WHERE'S EVERYONE COMING FROM?

Nearly 600,000 people moved to Texas in '21. They came from every state, the District of Columbia and Puerto Rico. Over one in four (28.9 percent) moved to the state from abroad, according to data recently released by the U.S. Census Bureau.

California, Florida, and New York ranked among the top five states supplying new residents. They rank first, third and fourth in overall population, so they are more likely to supply Texas with new residents than states, like Delaware, West Virginia, and Vermont, but those states also lost residents to Texas.

Over the years, Louisiana has consistently ranked among the top five sources of immigration to Texas. That makes sense considering the two share a common border and have close ties to the oil and gas industry.

ORIGINS PEOPLE WHO MOVED TO TEXAS IN '21

Place of Origin	New Residents	Place of Origin	New Residents
Foreign Country	171,045	Georgia	16,781
California	107,546	Oklahoma	16,116
Florida	31,023	Virginia	15,079
Colorado	30,262	Arkansas	13,613
Louisiana	28,130	New Mexico	13,456
New York	24,951	Ohio	11,942
Washington	23,438	Missouri	11,369
Illinois	20,819	Kansas	11,039
North Carolina	20,142	New Jersey	10,916
Arizona	17,609	Indiana	10,573

Source: U.S. Census Bureau

METRO EMPLOYMENT UPDATE

Metro Houston created 5,400 jobs in June, according to the Texas Workforce Commission (TWC). That's one of the weakest Junes on record. In boom times (e.g., '12-'14),

Houston creates 12,000 to 18,000 jobs in June. When Houston struggles (e.g., '01-'03), job growth slips to 3,500 to 5,500. During recessions (e.g., '09, '15-'16), growth is flat to slightly negative. This year's report suggests either a slowing economy or glitches in the data-gathering process. Three examples:

- Dodge Data reports drops of 11 and 24 percent in commercial and residential construction year-to-date, yet TWC reports the sector added 6,500 jobs in June.
- Employment in leisure and hospitality typically peaks in the summer, yet TWC reports the sector lost 6,000 jobs in June.
- State, local, and private education always sheds jobs in June as the school year ends. Since '14, those losses have averaged 5,400. Given the overall strength of the economy, this year's losses (-9,000) seem excessive.

Several sectors performed well, however, adding a 1,000 or more jobs. These were the construction (+6,500), transportation/warehousing (+2,800), manufacturing (+2,400), administrative support (+2,100), professional, scientific, and technical services (+2,000), retail (+1,700), and ambulatory health care (+1,100).

Only three sectors shed a thousand or more jobs, the aforementioned local education (-6,200), private education (-2,200), and restaurants and bars (-5,600).

Despite the uncertainty, metro employment hit a record 3,360,800 in June. Since reopening in May '20, Houston's economy has added 528,300 jobs, or 147.0 percent of the 359,300 lost in the pandemic. If seasonal patterns hold, growth should accelerate in the fall and local employment should top 3.4 million by the end of the year.

METRO HOUSTON PAYROLL EMPLOYMENT



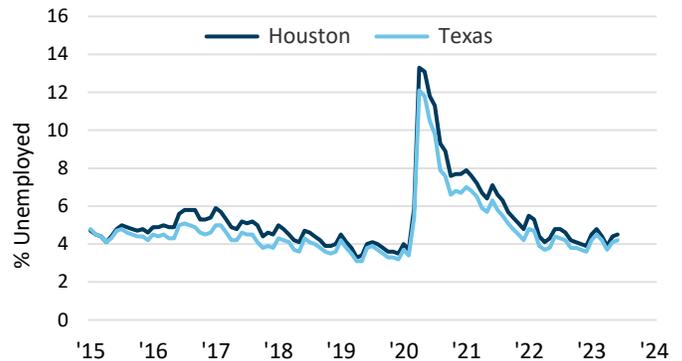
Source: Texas Workforce Commission

UNEMPLOYMENT

The unemployment rates for Houston and Texas inched up in June. Houston's rate rose from 4.4 percent in May to 4.5 percent in June, Texas' from 4.1 to 4.2 percent.

The increases reflect a seasonal pattern, with students seeking summer employment and educators without contracts counted among the unemployed. When both return to school in the fall, the rates should drop.

TEXAS AND HOUSTON UNEMPLOYMENT RATES

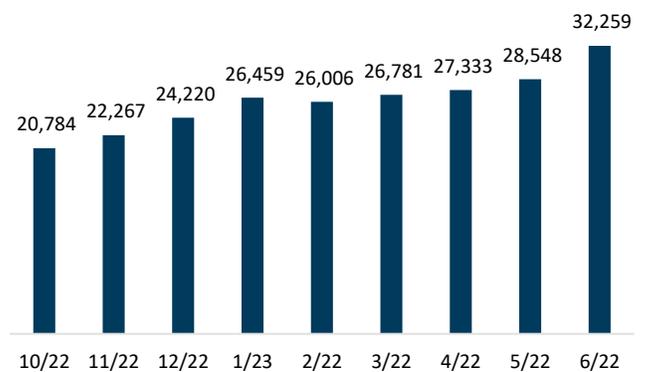


Source: Texas Workforce Commission

Initial claims filed for unemployment benefits, a proxy for layoffs in the region, peaked at 5,563 (four-week average) in mid-June and have since fallen to 4,326 in mid-July.

Continued claims filed by workers unemployed for a week or more continue to trend up, suggesting laid-off workers are having some difficulty finding new employment.

CONTINUED CLAIMS FOR BENEFITS, GULF COAST WDA*



Source: Texas Workforce Commission

There were 160,913 Houstonians unemployed and looking for work in June, marginally above the 157,960 the same month last year. The all-time high was April '20 when the pool of unemployed workers peaked at 454,548.

SELECTED ECONOMIC INDICATORS

Clicking on the hyperlinks provides additional details.



Aviation — The Houston Airport System (HAS) handled 57.8 million passengers in the 12 months ending June '23, up 111.1 percent from 52.0 million handled over the comparable period in '22. While a substantial improvement over last year, Passenger traffic remains 1.7 million passengers (2.9 percent) below June of '19.

HAS handled 538,181 metric tons of air cargo over the period, a 3.7 drop from last year. Cargo volumes peaked last September, trending down for eight consecutive months before leveling off in May and June.



Construction — The City of Houston issued \$4.114 billion in building permits through the first six months of '23, up from \$3.788 billion over the comparable period in '22.

Contract awards (which reflect activity in the future) dropped significantly in the nine-county metro area. Dodge Data reports \$16.8 billion in contracts were awarded in the first six months of '23, a 7.6 percent drop from \$18.2 billion over the comparable period in '22.



Energy — The spot price for West Texas Intermediate (WTI) averaged \$75.74 per barrel in July, down from \$101.62 in July of '22. Prices began trending up toward in July with WTI trading above \$80 per barrel as the month closed.

The Baker Hughes count of active domestic rotary rigs slipped to 664 the last week of July, down 103 rigs (13.4 percent) from the same week in July '22. The rig count has declined 22 of the last 30 weeks. Since late May, losses have averaged five rigs per week. The count now stands at level it was in March of '22.



Inflation — Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), rose 3.0 percent nationwide in the 12 months ending June '23. This was the smallest 12-month increase since the period ending March '21.



Purchasing Managers Index — Economic activity in Houston expanded at slower pace in June, with manufacturing contracting faster and nonmanufacturing expanding more slowly than in the month prior, according to the June Houston Purchasing Managers Index. The overall PMI slipped 0.3 points to 50.7, down from 51.0 in May. Readings above 50 indicate Houston's economy is expanding, below 50, contracting.

On an industry specific basis, trade, transportation and warehousing, construction, oil and gas, professional and management services, and health care reported modest expansion in June. Manufacturing, leisure and hospitality, and real estate reported low to moderate contraction.



Trade — Foreign trade through Houston's ports (Freeport, Galveston, Houston, and Texas City) was valued at \$108.8 billion through May '23, a 5.0 percent drop from \$113.8 billion over the comparable period in '22. Exports are off by \$7.8 billion (11.7 percent). Imports are up by \$2.1 billion (3.1 percent).

The drop in exports reflects lower crude and refined products prices and a reduction in the chemical, vehicle, and alcohol exports. Increases in electrical machinery, industrial machinery, and vehicle shipments accounted for the bump in imports.



Vehicle Sales — Houston-area dealers sold 185,435 cars, trucks, and SUVs through the first six months of '23, a 16.6 percent increase over the 159,060 sold during the comparable period in '22. That's the strongest start to the year since the height of the Fracking Boom.

The average price for a new vehicle sold in Houston fell from \$52,854 in January to \$51,770 in June, a 2.1 percent drop. Trucks and sport utility vehicles (SUVs) continue to dominate the market, accounting for 78.2 percent of all new vehicles sold in June.

Patrick Jankowski, Margaret Barrientos, Clara Richardson, and Leta Wauson contributed to this issue of Houston: The Economy at a Glance.

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The Partnership also posts short videos updating viewers on the latest U.S. and local economic trends. You can find those videos on the Partnership's [LinkedIn](#) page.

HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	June 23	May 23	June 22	Change from		% Change from	
				May 23	June 22	May 23	June 22
Total Nonfarm Payroll Jobs	3,360.8	3,355.4	3,239.2	5.4	121.6	0.2	3.8
<i>Total Private</i>	<i>2,917.4</i>	<i>2,904.5</i>	<i>2,809.9</i>	<i>12.9</i>	<i>107.5</i>	<i>0.4</i>	<i>3.8</i>
<i>Goods Producing</i>	<i>525.2</i>	<i>515.9</i>	<i>512.1</i>	<i>9.3</i>	<i>13.1</i>	<i>1.8</i>	<i>2.6</i>
<i>Service Providing</i>	<i>2,835.6</i>	<i>2,839.5</i>	<i>2,727.1</i>	<i>-3.9</i>	<i>108.5</i>	<i>-0.1</i>	<i>4.0</i>
<i>Private Service Providing</i>	<i>2,392.2</i>	<i>2,388.6</i>	<i>2,297.8</i>	<i>3.6</i>	<i>94.4</i>	<i>0.2</i>	<i>4.1</i>
Mining and Logging	70.2	69.8	64.7	0.4	5.5	0.6	8.5
Oil & Gas Extraction	29.8	29.6	28.7	0.2	1.1	0.7	3.8
Support Activities for Mining	38.5	38.3	34.5	0.2	4.0	0.5	11.6
Construction	222.2	215.7	223.7	6.5	-1.5	3.0	-0.7
Manufacturing	232.8	230.4	223.7	2.4	9.1	1.0	4.1
Durable Goods Manufacturing	142.9	141.5	136.9	1.4	6.0	1.0	4.4
Nondurable Goods Manufacturing	89.9	88.9	86.8	1.0	3.1	1.1	3.6
Wholesale Trade	177.5	177.7	167.8	-0.2	9.7	-0.1	5.8
Retail Trade	321.0	319.3	312.6	1.7	8.4	0.5	2.7
Transportation, Warehousing and Utilities	194.4	191.6	180.9	2.8	13.5	1.5	7.5
Utilities	20.4	20.2	19.6	0.2	0.8	1.0	4.1
Air Transportation	20.5	20.4	19.9	0.1	0.6	0.5	3.0
Truck Transportation	30.9	31.0	30.3	-0.1	0.6	-0.3	2.0
Pipeline Transportation	13.0	12.9	12.1	0.1	0.9	0.8	7.4
Information	33.1	33.3	33.0	-0.2	0.1	-0.6	0.3
Telecommunications	11.8	11.8	11.6	0.0	0.2	0.0	1.7
Finance & Insurance	114.9	114.6	113.5	0.3	1.4	0.3	1.2
Real Estate & Rental and Leasing	69.8	69.3	64.7	0.5	5.1	0.7	7.9
Professional & Business Services	565.2	559.4	537.1	5.8	28.1	1.0	5.2
Professional, Scientific & Technical Services	276.1	274.1	256.5	2.0	19.6	0.7	7.6
<i>Legal Services</i>	<i>33.0</i>	<i>32.2</i>	<i>31.3</i>	<i>0.8</i>	<i>1.7</i>	<i>2.5</i>	<i>5.4</i>
<i>Accounting, Tax Preparation, Bookkeeping</i>	<i>28.7</i>	<i>28.5</i>	<i>27.6</i>	<i>0.2</i>	<i>1.1</i>	<i>0.7</i>	<i>4.0</i>
<i>Architectural, Engineering & Related Services</i>	<i>77.2</i>	<i>77.5</i>	<i>68.0</i>	<i>-0.3</i>	<i>9.2</i>	<i>-0.4</i>	<i>13.5</i>
<i>Computer Systems Design & Related Services</i>	<i>44.0</i>	<i>43.8</i>	<i>40.8</i>	<i>0.2</i>	<i>3.2</i>	<i>0.5</i>	<i>7.8</i>
Admin & Support/Waste Mgt & Remediation	240.7	238.6	236.0	2.1	4.7	0.9	2.0
<i>Administrative & Support Services</i>	<i>226.7</i>	<i>225.0</i>	<i>223.3</i>	<i>1.7</i>	<i>3.4</i>	<i>0.8</i>	<i>1.5</i>
<i>Employment Services</i>	<i>85.7</i>	<i>86.6</i>	<i>89.8</i>	<i>-0.9</i>	<i>-4.1</i>	<i>-1.0</i>	<i>-4.6</i>
Private Educational Services	70.6	72.8	67.0	-2.2	3.6	-3.0	5.4
Health Care & Social Assistance	375.6	374.7	353.4	0.9	22.2	0.2	6.3
Arts, Entertainment & Recreation	40.8	41.2	40.9	-0.4	-0.1	-1.0	-0.2
Accommodation & Food Services	310.3	315.9	308.1	-5.6	2.2	-1.8	0.7
Other Services	119.0	118.8	118.8	0.2	0.2	0.2	0.2
Government	443.4	450.9	429.3	-7.5	14.1	-1.7	3.3
Federal Government	33.3	33.3	31.7	0.0	1.6	0.0	5.0
State Government	95.0	95.5	90.6	-0.5	4.4	-0.5	4.9
<i>State Government Educational Services</i>	<i>53.6</i>	<i>54.2</i>	<i>50.6</i>	<i>-0.6</i>	<i>3.0</i>	<i>-1.1</i>	<i>5.9</i>
Local Government	315.1	322.1	307.0	-7.0	8.1	-2.2	2.6
<i>Local Government Educational Services</i>	<i>218.3</i>	<i>224.5</i>	<i>210.9</i>	<i>-6.2</i>	<i>7.4</i>	<i>-2.8</i>	<i>3.5</i>

SOURCE: Texas Workforce Commission