

THE ECONOMY AT A GLANCE

HOUSTON



GREATER HOUSTON
PARTNERSHIP.
Making Houston Greater.

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MID-YEAR UPDATE

Houston's economy has continued to grow through the first five months of '25 – but at a slower pace than in previous years. This aligns with national trends as the U.S. economy grows but uncertainty and rising material costs are leading businesses to take a cautious posture. Examples of ongoing trends in Houston include:

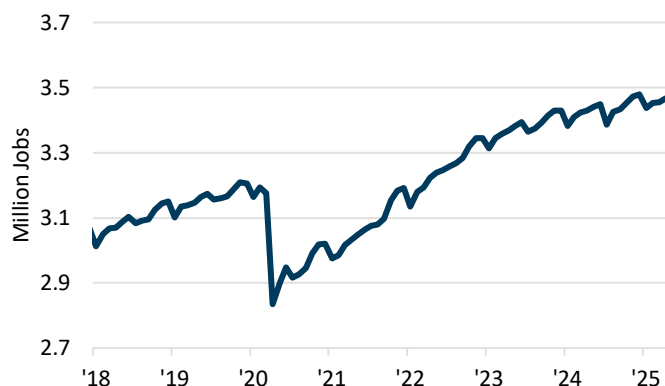
- Payroll employment is down since the start of the year, with tepid hiring and moderate losses in the professional service sector.
- The unemployment rate remains low, but initial jobless claims are on the rise.
- Readings from the Houston Purchasing Managers Index (PMI) suggest the economy is growing at a slower pace.
- Local sales and use tax collections are up, indicating that spending has been robust.
- International trade has declined in dollar terms, though container volume in Port Houston is up.
- Low oil prices are depressing activity in energy.
- Construction contracts and air travel are down compared to last year.
- Home sales and apartment occupancy are up relative to '24.
- New vehicle sales are breaking records.

In the following pages, the Partnership offers its insights into Houston's economy at mid-year.

Employment

Metro Houston added 29,600 jobs between May '24 and May '25. Total non-farm payroll employment now stands at 3,471,300 jobs. This is down from the record high of 3,479,200 in December, meaning the region has lost 7,900 jobs since the start of the year.

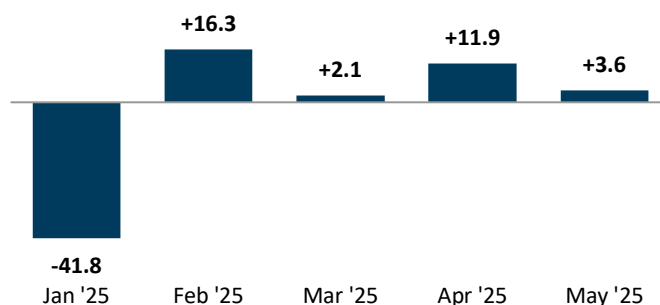
METRO HOUSTON NONFARM EMPLOYMENT



Source: Texas Workforce Commission

Metro Houston shed 41,800 jobs in January as is typical for that month, with temporary holiday employees being let go and annual employment contracts coming to an end. Job growth has been positive but muted since February, with the region averaging fewer than 9,000 new jobs per month.

METRO HOUSTON JOBS ADDED/LOST BY MONTH (000s)



Source: Partnership Analysis of Texas Workforce Commission Data

The slow pace of growth largely reflects national trends. On a seasonally unadjusted basis, the U.S. added just 35,000 jobs year-to-date in May. The national job market has cooled during the past few months as uncertainty and increased costs have led businesses to be cautious and delay long-term hiring decisions.

Houston lands squarely in the middle of the pack for job growth when compared to its peer metros. Among the top

20 largest metros, it ranked 10th in terms of job growth rate, contracting by 0.2 percent from the start of the year. All but six of the top 20 metros have lost jobs in '25.

JOB GROWTH RATE, 20 MOST POPULOUS U.S. METROS MAY '25 YTD

Metro	%	Metro	%
1 Minneapolis	1.1	11 Seattle	-0.2
2 Detroit	0.3	12 Dallas	-0.3
3 Philadelphia	0.2	13 Miami	-0.4
4 Orlando	0.2	14 Washington	-0.5
5 Boston	0.0	15 New York	-0.8
6 Denver	0.0	16 Los Angeles	-0.9
7 Chicago	-0.1	17 Phoenix	-1.0
8 Tampa	-0.2	18 Atlanta	-1.0
9 San Diego	-0.2	19 San Francisco	-1.2
10 Houston	-0.2	20 Riverside	-2.1

Source: Partnership Analysis of Bureau of Labor Statistics Data

Job growth has varied by sector. Since the start of the year, hospitality has been the largest driver of hiring, with bars and restaurants adding 9,200 new jobs, arts and entertainment adding 2,800, and hotels adding 1,200. Health care and oil and gas extraction saw significant increases of 6,300 and 2,900 new jobs respectively.

METRO HOUSTON JOBS ADDED/LOST BY SECTOR, MAY '25 YTD

Sector	Dec '24	May '25	Change
1 Restaurants & Bars	294,600	303,800	+9,200
2 Health Care	390,300	396,600	+6,300
3 Oil & Gas Extraction	78,600	81,500	+2,900
4 Arts & Recreation	40,000	42,800	+2,800
5 Hotels	27,500	28,700	+1,200
6 Wholesale	181,700	182,600	+900
7 Public Administration	187,500	188,400	+900
8 Public Education	279,600	280,400	+800
9 Other Services	134,500	135,300	+800
10 Utilities	24,600	24,900	+300
11 Private Education Services	72,300	72,400	+100
12 Real Estate & Equip Rentals	64,500	64,300	-200
13 Information	30,400	29,600	-800
14 Finance & Insurance	117,900	117,100	-800
15 Misc. Business	47,800	46,600	-1,200
16 Manufacturing	240,700	238,700	-2,000
17 Construction	234,700	231,700	-3,000
18 Transport & Warehousing	176,300	173,000	-3,300
19 Prof, Sci & Tech Services	288,000	282,800	-5,200
20 Admin Supp & Waste Mgmt	233,900	228,200	-5,700
21 Retail	333,800	321,900	-11,900

Source: Partnership Analysis of Texas Workforce Commission Data

Growth was moderate with fewer than 1,000 new jobs added in wholesale trade, public administration, public

education, utilities, private education, and miscellaneous services. Every other sector shed jobs, with retail; administrative support and waste management; and professional, scientific, and technical services, each losing more than 5,000 workers.

While retail lost the most jobs at 11,900, that reflects typical seasonal patterns with temporary holiday workers being let go after Christmas. During the previous 10 years, the sector lost an average of roughly 15,000 employees between January and May.

The professional, scientific, and technical service sector and the administrative support sector saw declines of 5,700 and 5,200 jobs respectively. These sectors typically add jobs between January and May, so losses here reflect real economic conditions and not seasonal patterns. Over the past several months, client companies have pulled back on their demand for staffing, consulting, and other support services. This likely reflects the need to tighten belts, with tariffs causing material costs to go up and low oil prices meaning less revenue in the energy sector.

None of this suggests that Houston will lose jobs during the rest of '25. The region has been adding employees since February, and it experienced steeper job losses during the first five months of '15 and '16 before rebounding to end those years with positive growth. However, the number of jobs added by year's end will likely fall below the historical average for the last 15 years of 61,000 jobs.

Unemployment

Unemployment in Houston remains low, fluctuating between 3.9 and 4.5 percent in '25. January and February were at the high end of that range, with holiday workers concluding temporary contracts and beginning to look for new jobs. The unemployment rate was 4.2 percent as of May '25, representing a modest uptick compared to May '24 (4.0 percent) and May '23 (4.1 percent).

METRO HOUSTON UNEMPLOYMENT RATE



Source: Texas Workforce Commission

Houston's unemployment rate in '25 has typically run 0.2 percent higher than the rate for Texas while matching the national rate.

Initial claims for unemployment benefits, a proxy for layoffs, are up through May '25 when compared to the same period in '24. In January, they averaged 3,250 claims per week but have steadily climbed to over 4,750 by early June. Filings are at their highest level since last August during the aftermath of Hurricane Beryl – but they remain well below the record of 65,000 claims during the peak of the pandemic in April '20.

METRO HOUSTON INITIAL UNEMPLOYMENT CLAIMS



Note: Chart represents a 4-week moving average

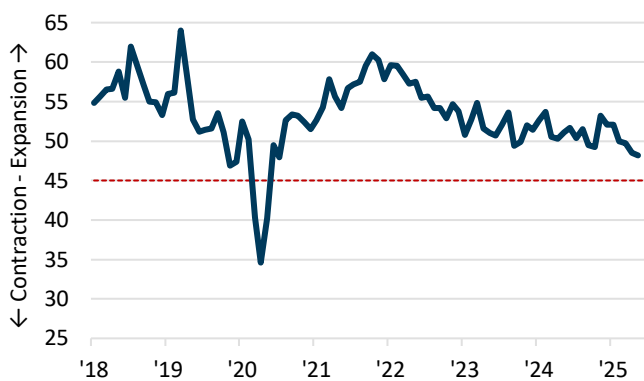
Source: Partnership Analysis of Texas Workforce Commission Data

Seasonal factors played a role in the recent uptick in claims. Claims creep up every summer as the school year wraps up and educators at the end of a contract begin looking for new work. However, underlying economic conditions are also likely causing some layoffs.

Purchasing Managers Index

The Houston Purchasing Managers Index (PMI), at 48.1 in May, is just above the break-even value of 45.0, indicating economic growth.

HOUSTON PURCHASING MANAGERS INDEX



Source: Institute for Supply Management Houston

The implied pace of growth has been declining since the

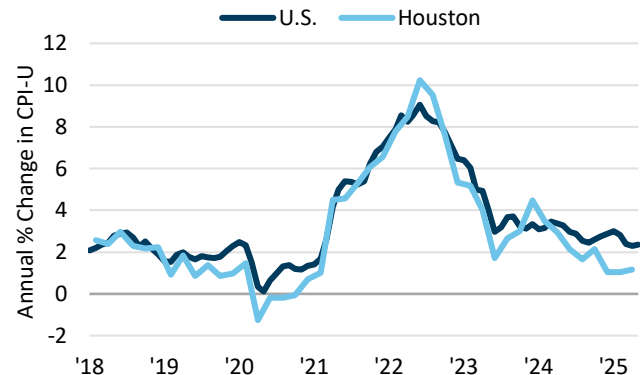
pandemic recovery in fall '21. It slid further since the start of the new year, with declines in sales, production, and employment. Prices paid by businesses have increased (due in part to tariffs), putting downward pressure on the index.

The region's manufacturing PMI contracted sharply in May, falling to 43.4 from 48.9 in April. Non-durable goods (largely related to petrochemicals) are responsible for the drop while the durable goods sector has seen modest growth.

Inflation

Inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), has been muted during the first five months of '25. The U.S. annual inflation rate was at 3.0 percent in January, but it gradually declined to 2.4 percent by May – very near the Federal Reserve's target of 2.0 percent.

U.S. & METRO HOUSTON INFLATION RATES



Source: Partnership Analysis of Bureau of Labor Statistics Data

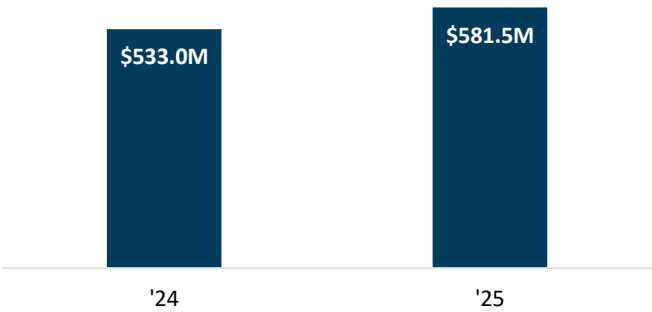
Price increases have been even more muted in the metro region. Houston's inflation rate in April (the most recent data available) came in at 1.2 percent – roughly half of the national rate.

Economists worry that inflation may kick up later in the year. Businesses have been facing higher material costs following the tariff announcement in April. Many companies have been able to hold off on raising consumer prices because they stockpiled inventories of imports before tariffs went into effect. Companies have been hesitant to pass on costs to consumers while they still have these inventories since they think tariffs may drop in the future as the administration refines its approach to trade policy and works to negotiate deals with other countries. Months from now if inventories are depleted and tariff rates do not fall, some producers and retailers may have no choice but to pass their costs on to consumers.

Sales & Use Tax Collections

Local sales and use taxes collected by the 122 Houston-area cities that collect them totaled \$581.5 million during the first four months of '25, up 9.1 percent from the \$533.0 million collected over the same period in '24.

SALES AND USE TAX COLLECTIONS APRIL YTD, METRO HOUSTON CITIES



Source: Partnership Analysis of Texas State Comptroller Data

These collections, which cover purchases made by consumers and businesses, are a proxy for spending in the region. The increase suggests that spending has been strong – but it may be due in part to tariff uncertainty pushing consumers and businesses to frontload purchases during the first few months of the year, with spending possibly leveling off later in '25.

International Trade

International trade passing through metro Houston’s six sea and airports – Port Houston, Port Freeport, Port Texas City, Port Galveston, the George Bush Intercontinental Airport, and the Sugar Land Regional Airport – is valued at \$116.2 billion year-to-date through May '25. This represents a 4.2 percent drop from \$121.3 billion over the comparable period in '24.

METRO HOUSTON INTERNATIONAL TRADE, MAY YTD

	\$ Billions		Change '24 - '25	
	'24 YTD	'25 YTD	\$ Billions	%
Imports	\$51.1	\$47.3	-\$3.8	-7.4
Exports	\$70.2	\$69.0	-\$1.2	-1.8
TOTAL	\$121.3	\$116.2	-\$5.0	-4.2

Note: Reflects trade passing through all six ports in metro Houston
Source: Partnership Analysis of U.S. Census Bureau Trade Data

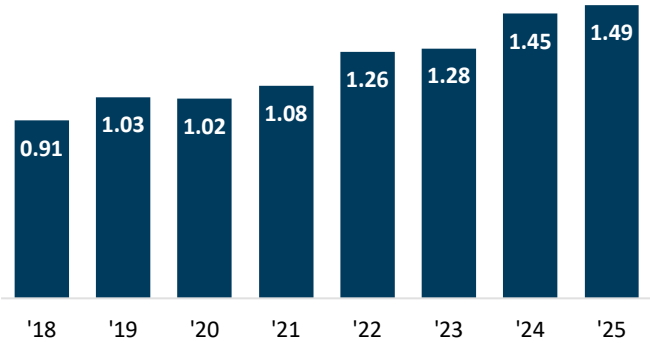
Trade passing through Houston’s ports rose in March and April as businesses and consumers frontloaded import purchases to avoid anticipated tariff costs. But the value of trade dropped in May with \$1.8 billion less in goods and commodities compared to May '24.

Imports have fallen 7.4 percent year-to-date, with tariffs

discouraging new purchases of goods and commodities from abroad. Exports have fallen by 1.8 percent with notable declines in output going to China and Mexico.

Even while the value of trade passing through the metro region has fallen, Port Houston handled a record number of loaded containers during the first five months of '25. The port handled 1.49 million loaded twenty-foot equivalent units (TEUs), a 2.9 percent increase over last year’s 1.45 million TEUs.

PORT HOUSTON CONTAINER TRAFFIC, MAY YTD
MILLION LOADED TEUs



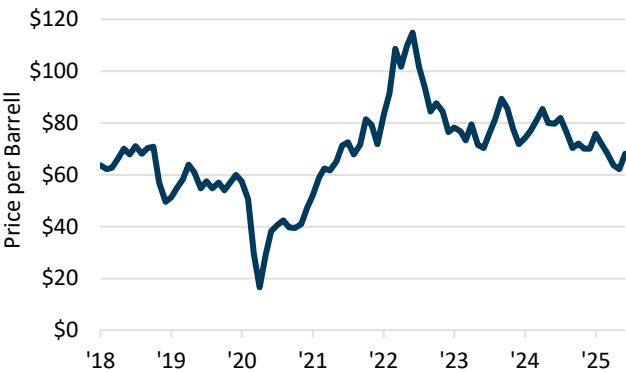
Source: Partnership Analysis of Port Houston Data

Much of this increase reflects frontloading prior to tariffs coming into effect. But the number of loaded containers handled in May ticked down just 5.6 percent from April’s elevated level, while remaining above the number handled in May '24. It is still possible that the Port hits a new record for containers handled by the end of '25.

Energy

West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude traded at an average of \$62.17 per barrel in May. This represents a 17.9 percent drop from the recent high of \$71.74 in January.

WEST TEXAS INTERMEDIATE, AVERAGE SPOT PRICE



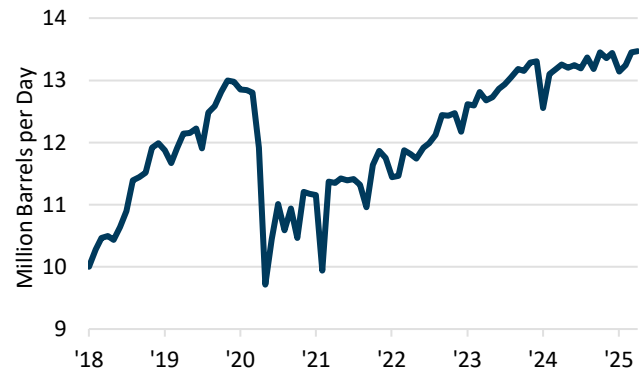
Source: U.S. Energy Information Administration

Since February, the combined blows of moderating global

demand and OPEC’s announcement that it will begin ramping up production have pushed prices down. Prices briefly jumped in mid-June following U.S.-Israeli military actions in Iran with fears that Iran may retaliate by closing the Strait of Hormuz to choke off Middle Eastern oil exports. However, these fears largely dissipated with the announcement of a ceasefire late last month.

If prices fall further, U.S. crude production could stagnate in the months ahead. Production has increased slightly since the start of the year, going from 13.1 million barrels per day in January to 13.5 million in May. A recent survey by the Federal Reserve Bank of Dallas shows that, on average, Texas producers require WTI to sell for \$65 a barrel to break even on new oil wells. So, exploration and drilling may slow if prices do not recover.

U.S. DAILY CRUDE OIL PRODUCTION

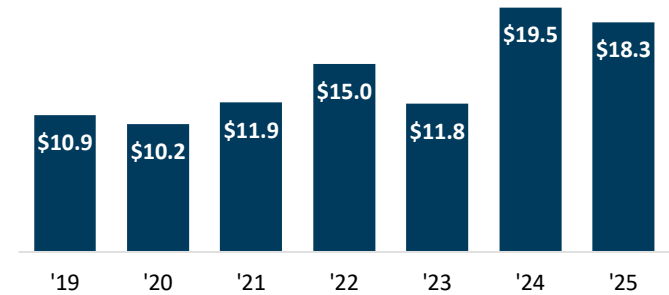


Source: U.S. Energy Information Administration

Construction

Construction contract awards, an indicator of future building activity, came in at \$18.3 billion during the first five months of '25. This represents a 6.2 percent decrease from last year’s record \$19.5 billion over the same period.

METRO HOUSTON CONSTRUCTION AWARDS, MAY YTD
\$ Billions



Source: Dodge Data & Analytics

Most of the gap is due to non-residential building contracts, which are down by 21 percent compared to last

year. But road and other non-building contracts are up by 32 percent over the same time, offsetting some of those losses.

METRO HOUSTON AWARDS BY SECTOR, MAY YTD

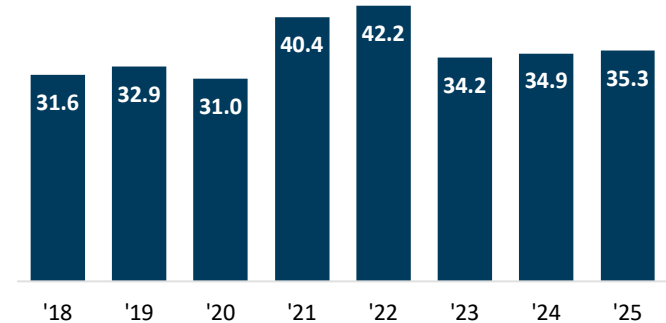
	\$ Billions		Change '24 - '25	
	'24 YTD	'25 YTD	\$ Billions	%
Residential	\$7.1	\$6.8	-\$0.3	-4.6
Non-Residential	\$9.1	\$7.2	-\$1.9	-21.0
Non-Building	\$3.3	\$4.3	+\$1.0	+32.0
TOTAL	\$19.5	\$18.3	-\$1.2	-6.1

Source: Dodge Data & Analytics

Home Sales

Brokers closed on 35,332 single-family homes year-to-date through May '25. This represents a 1.2 percent increase compared to the same period in '24, with buyers taking advantage of stable prices and a growing number of homes on the market.

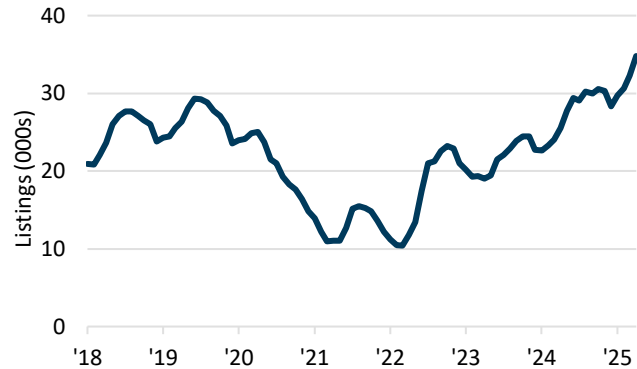
METRO HOUSTON SINGLE-FAMILY HOME SALES, MAY YTD
(000s)



Source: Houston Association of Realtors

The number of single-family homes listed for sale through the Houston Association of Realtors hit 37,455 in May '25, a 35.0 percent increase over May '24. This is near an all-time high and indicates that the market is becoming more buyer-friendly.

METRO HOUSTON SINGLE-FAMILY HOME LISTINGS

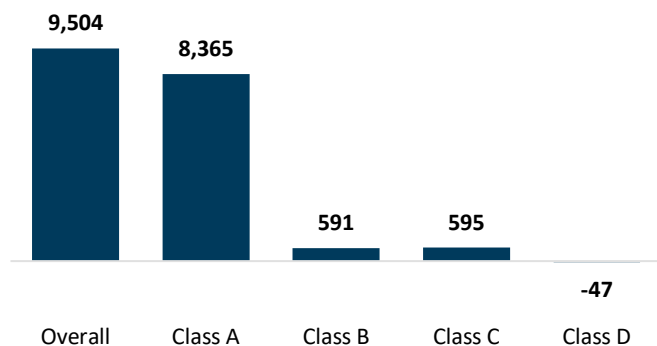


Source: Houston Association of Realtors

Apartments

The health of Houston's multifamily market has changed little from last year. The region continues to quickly absorb Class A units, i.e., the newest apartments with the highest levels of amenities. Class B and C units are being absorbed at a moderate pace, while Class D (the oldest most basic units) is shedding tenants.

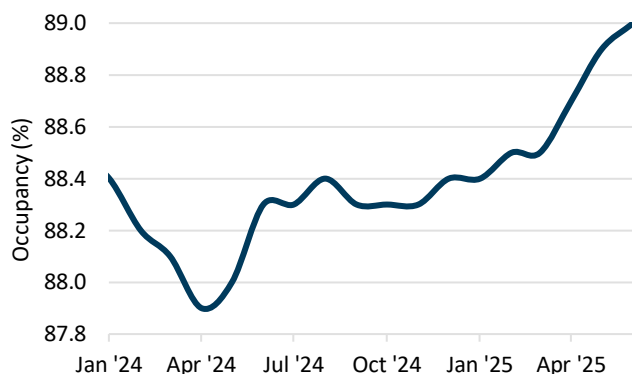
METRO HOUSTON APT UNITS ABSORBED, JUNE YTD



Source: MRI Apartment Data

Occupancy across all classes has trended up by about one percent since April '25. This suggests a market where landlords are gaining leverage, but rents have remained stable, with the average unit costing \$1,277 per month in June.

METRO HOUSTON APARTMENT OCCUPANCY RATE



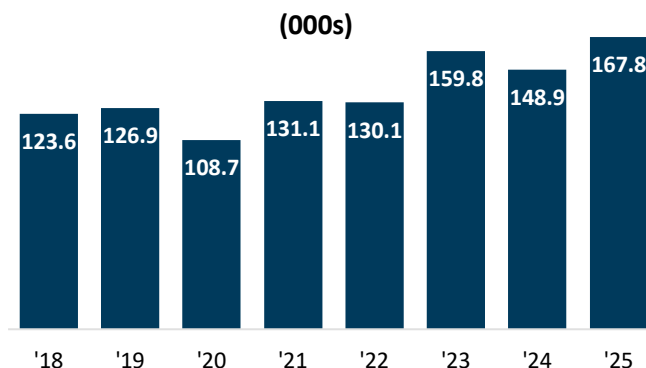
Source: MRI Apartment Data

Vehicle Sales

Houston-area dealers sold a record 167,766 new cars, trucks, and SUVs during the first five months of '25, a 12.7 percent increase from the 148,928 sold over the comparable period in '24.

March had the most single-month vehicle sales on record (44,581), with consumers likely front-loading purchases before anticipated tariff hikes. Prices are up relative to last year, with the cost of an average vehicle growing from \$51,665 in May '24 to \$51,910 in May '25.

METRO HOUSTON NEW VEHICLES SOLD, MAY YTD

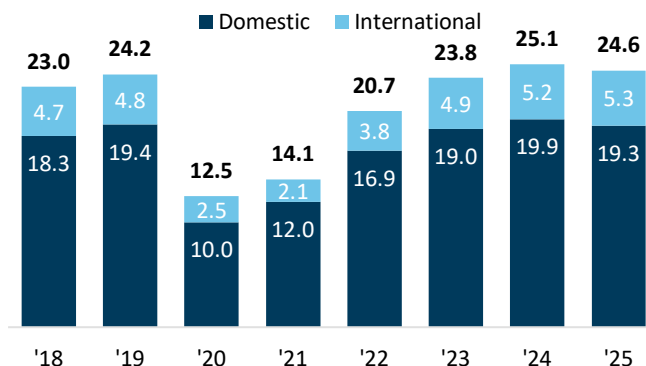


Source: TexAuto Facts Published by InfoNation, Inc.

Aviation

The Houston Airport System (HAS) handled 24.6 million passengers through the first five months of the year, down 2.3 percent from the comparable period in '24. The number of domestic passengers has ticked down, but international travel is on pace for a new record. Passenger traffic remains above pre-pandemic levels.

HOUSTON AIRPORTS, MILLION PASSENGERS, MAY YTD



Source: Houston Airport System

SAVE THE DATE

Mark your calendars for Wednesday, August 6, when the Partnership releases *Houston Facts*, its catalog of answers to the most frequently asked questions about Houston. The publication covers Houston's demographics, the local economy, key industrial sectors, government, education, infrastructure, communications and media, and life in Houston.

Partnership Manager of Economic Research Colin Baker will also provide an update on the current economic outlook for Houston. To register, go to the events page of the Partnership's website or click [here](#).

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

HOUSTON MSA NONFARM PAYROLL EMPLOYMENT

	May '25	April '25	May '24	Change From		% Change From	
				April '25	May '24	April '25	May '24
Total Nonfarm Payroll Jobs	3,471,300	3,467,700	3,441,700	3,600	29,600	0.1	0.9
Total Private	3,002,500	2,995,900	2,976,100	6,600	26,400	0.2	0.9
Goods Producing	551,900	553,200	549,000	-1,300	2,900	-0.2	0.5
Service Providing	2,919,400	2,914,500	2,892,700	4,900	26,700	0.2	0.9
Private Service Providing	2,450,600	2,442,700	2,427,100	7,900	23,500	0.3	1.0
Mining & Logging	81,500	81,100	77,900	400	3,600	0.5	4.6
Oil & Gas Extraction	38,600	38,300	37,100	300	1,500	0.8	4.0
Support Activities for Mining	41,300	41,200	39,400	100	1,900	0.2	4.8
Construction	231,700	232,600	233,000	-900	-1,300	-0.4	-0.6
Manufacturing	238,700	239,500	238,100	-800	600	-0.3	0.3
Durable Goods Manufacturing	147,100	148,000	148,200	-900	-1,100	-0.6	-0.7
Nondurable Goods Manufacturing	91,600	91,500	89,900	100	1,700	0.1	1.9
Wholesale Trade	182,600	181,700	178,100	900	4,500	0.5	2.5
Retail Trade	321,900	321,400	319,800	500	2,100	0.2	0.7
Transportation, Warehousing & Utilities	197,900	196,300	193,700	1,600	4,200	0.8	2.2
Utilities	24,900	24,700	24,000	200	900	0.8	3.8
Air Transportation	22,100	22,000	21,800	100	300	0.5	1.4
Truck Transportation	31,200	31,100	30,800	100	400	0.3	1.3
Pipeline Transportation	14,500	14,400	13,700	100	800	0.7	5.8
Information	29,600	29,300	30,100	300	-500	1.0	-1.7
Telecommunications	10,500	10,500	11,300	0	-800	0.0	-7.1
Finance & Insurance	117,100	116,800	116,800	300	300	0.3	0.3
Real Estate & Rental & Leasing	64,300	64,200	63,600	100	700	0.2	1.1
Professional & Business Services	557,600	560,800	564,900	-3,200	-7,300	-0.6	-1.3
Professional, Scientific & Technical Services	282,800	284,500	278,700	-1,700	4,100	-0.6	1.5
Legal Services	33,600	33,600	32,500	0	1,100	0.0	3.4
Accounting, Tax Preparation & Bookkeeping	27,500	28,600	27,800	-1,100	-300	-3.8	-1.1
Architectural, Engineering & Related Services	78,500	79,000	75,300	-500	3,200	-0.6	4.2
Computer Systems Design & Related Services	42,600	42,800	43,700	-200	-1,100	-0.5	-2.5
Admin & Support, Waste Mgt & Remediation	228,200	229,500	238,500	-1,300	-10,300	-0.6	-4.3
Administrative & Support Services	215,900	217,200	225,800	-1,300	-9,900	-0.6	-4.4
Employment Services	75,600	76,600	82,100	-1,000	-6,500	-1.3	-7.9
Private Educational Services	72,400	73,200	72,200	-800	200	-1.1	0.3
Health Care & Social Assistance	396,600	395,800	386,900	800	9,700	0.2	2.5
Arts, Entertainment & Recreation	42,800	41,500	42,600	1,300	200	3.1	0.5
Accommodation & Food Services	332,500	326,400	326,300	6,100	6,200	1.9	1.9
Other Services	135,300	135,300	132,100	0	3,200	0.0	2.4
Government	468,800	471,800	465,600	-3,000	3,200	-0.6	0.7
Federal Government	36,900	37,700	36,700	-800	200	-2.1	0.5
State Government	101,900	102,000	98,400	-100	3,500	-0.1	3.6
State Government Educational Services	55,400	55,400	54,100	0	1,300	0.0	2.4
Local Government	330,000	332,100	330,500	-2,100	-500	-0.6	-0.2
Local Government Educational Services	225,000	227,200	228,300	-2,200	-3,300	-1.0	-1.4

Source: Texas Workforce Commission