# THE ECONOMY AT A GLANCE
## HOUSTON

GREATER HOUSTON PARTNERSHIP.
Making Houston Greater.

A publication of the Greater Houston Partnership Volume 31 Number 2 – February 2023

### Table of Contents

The Year in Review .....1
Please Participate .....10
Population Outlook.....10
Houston Employment Data.....11

### THE YEAR IN REVIEW

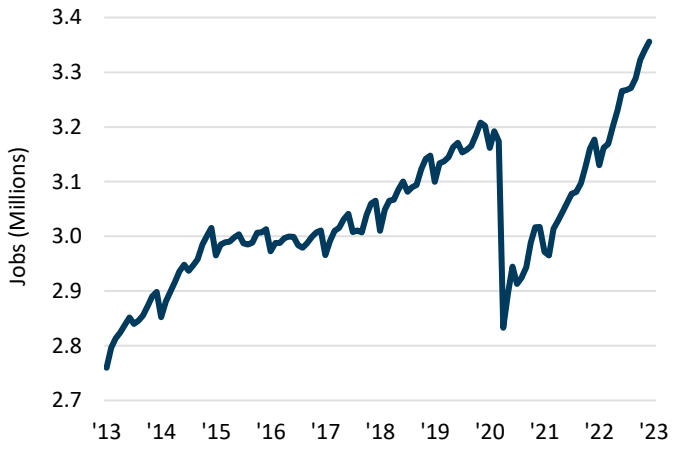
Economic data for the final months of ’22 continue to stream in. With each report, a clearer picture of the year emerges.

Job growth set a record last year. Unemployment fell to a near-historic low. Inflation surged in the spring but began to abate mid-year. Oil prices rose with Russia’s invasion of Ukraine then fell as supply concerns eased. The domestic rig count approached pre-pandemic levels. Commercial construction continued at a torrid pace. Home sales peaked in the spring before rising interest rates pummeled would-be buyers. Only the Class A segment of the apartment market fared well, and lately even that’s showing signs of weakness. The Port of Houston set a record for container traffic. Air passenger traffic continued to recover. And as the year closed, the Houston Purchasing Managers Index indicated growth was slowing but the local economy was not yet in recession. Details on how each sector fared in ’22 follow.

### Employment

The region created 179,000 jobs in ’22, according to the Texas Workforce Commission (TWC). That’s the best year on record for metro Houston. The previous record was set in ’21 when the region created 159,700 jobs. With the December jobs report, payroll employment topped 3,356,000. Total employment now stands at a record high for the region.

**METRO HOUSTON PAYROLL EMPLOYMENT**




Source: Texas Workforce Commission

The numbers should be taken with a grain of salt, however. These are preliminary estimates based on surveys of employers that TWC conducts throughout the year. As with any survey, the results are subject to sampling, non-response, and structural errors. TWC is currently adjusting the estimates by comparing its survey data with unemployment insurance tax records that all employers must file. In March, TWC will issue its annual “benchmark” revisions to the data, adjusting job growth for the past two years. The revisions could be significant.

- Twice the commission overestimated growth by 30,000 or more jobs. The biggest miss was in ’08 when it shaved 36,000 jobs off earlier estimates.
- Three times in the past 20 years, TWC reported growth when the region was contracting.
- Twice, TWC grossly underestimated losses, the biggest gap in ’20 when TWC missed by over 40,000 jobs.
- Five times in the past 20 years the commission has underestimated job growth by 30,000 or more jobs. The biggest miss was in ’05 when TWC low-balled growth by nearly 50,000 jobs.
- Only seven times in the past 20 years has TWC adjusted its estimate by 10,000 or fewer jobs.

**HISTORIC REVISIONS TO PAYROLL EMPLOYMENT, METRO HOUSTON**

| Year | Original Est. | Revision | Difference from Original Est. |
|---|---|---|---|
| '02 | -4,500 | -1,400 | 3,100 |
| '03 | 4,000 | -11,400 | -15,400 |
| '04 | 34,900 | 39,400 | 4,500 |
| '05 | 42,000 | 91,700 | 49,700 |
| '06 | 73,100 | 106,700 | 33,600 |
| '07 | 59,800 | 91,000 | 31,200 |
| '08 | 57,300 | 21,500 | -35,800 |
| '09 | -92,500 | -110,600 | -18,100 |
| '10 | 13,100 | 50,700 | 37,600 |
| '11 | 75,800 | 83,000 | 7,200 |
| '12 | 84,500 | 117,400 | 32,900 |
| '13 | 82,000 | 89,900 | 7,900 |
| '14 | 120,600 | 116,700 | -3,900 |
| '15 | 23,200 | -2,500 | -25,700 |
| '16 | 14,800 | -2,300 | -17,100 |
| '17 | 46,000 | 54,400 | 8,400 |
| '18 | 108,300 | 82,800 | -25,500 |
| '19 | 88,000 | 54,400 | -33,600 |
| '20 | -143,100 | -185,000 | -41,900 |
| '21 | 151,800 | 159,700 | 7,900 |
| '22 | 179,000 | TBD | TBD |

Source: Texas Workforce Commission and Partnership calculations

When TWC issues its benchmark revisions for ’22, the Partnership expects employment gains to be revised downward, perhaps by as much as 50,000 jobs. Even with a substantial revision to the data, the year will be one of the best on record for job creation.

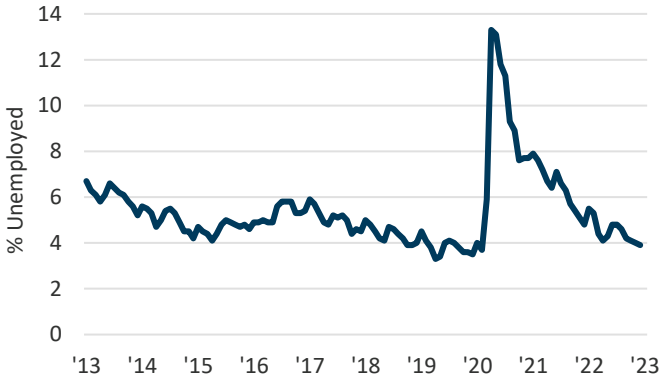
## Unemployment

Metro Houston started ’22 with a 5.5 percent unemployment rate. Robust economic growth and strong demand for workers drove that down to 3.9 percent by December.

Any unemployment rate below 5.0 percent indicates a tight labor market. Below 4.0 percent is an *extremely* tight market. Only 17 times in the past 30 years has the monthly rate dropped below 4.0 percent. The all-time low was in March ’19 when the rate fell to 3.3 percent.

The corollary to the low rate is that initial claims for unemployment benefits, a proxy for layoffs in the region, continue to track at historically low levels. On average, 4,500 workers per week filed claims in December of ’21. That slipped to 3,700 per week in December of ’22.

**METRO HOUSTON UNEMPLOYMENT RATE**




Source: Texas Workforce Commission

Just over 105,000 Houstonians joined the local labor force in ’22. Some moved here from overseas or from other parts of the U.S. Others entered after graduating from high school or college. Some returned to work after taking time off to care for family members. Financial need compelled others to seek employment. Houston’s civilian workforce, defined as individuals working, or if not employed actively looking for work, stood at 3,566,000 in December. Early in the pandemic, over 200,000 Houstonians dropped out of the workforce. Since May ’20, when the economy reopened, over 330,000 Houstonians have joined.

## Air Passenger Traffic

Traffic through Houston’s two main airports continues to climb. The Houston Airport System handled over 54.0 million passengers in ’22, a significant improvement from ’21 but 9.3 percent below pre-pandemic levels. Traffic improved despite rising airfares. The U.S. Bureau of Labor Statistics reports that fares rose nearly 30 percent from December ’21 to December ’22.

**HOUSTON AIRPORT SYSTEM PASSENGER TRAFFIC**

| | Millions | | Change, ’21 – ’22 | |
|---|---|---|---|---|
| | ’22 | ’21 | Millions | % |
| Domestic | 43.8 | 37.7 | 3.0 | 16.1 |
| International | 10.3 | 7.3 | 6.0 | 41.4 |
| Total | 54.1 | 45.0 | 9.1 | 20.2 |

Source: Houston Airport System

Ten U.S. airlines and 18 foreign-flag carriers served Bush Intercontinental and Houston Hobby Airports in ’22. United Airlines handled 56.5 percent of all passenger traffic, Southwest Airlines 22.6 percent, and the remaining carriers 20.9 percent.

## Apartment Market

’21 was the strongest year in recent memory for the Houston apartment market. ’22 was the weakest. ’21 saw absorption at nearly three times the normal rate, double-digit rent growth, and occupancy well above 90 percent. Much of that was given back in ’2. This year doesn’t look much better.

**MARKET PERFORMANCE, METRO HOUSTON**

| Year | New Units | Units Absorbed | Overall Occupancy (%) |
|---|---|---|---|
| '13 | 12,314 | 16,051 | 90.4 |
| '14 | 17,482 | 15,792 | 91.0 |
| '15 | 20,679 | 13,304 | 90.4 |
| '16 | 21,704 | 5,023 | 88.3 |
| '17 | 14,093 | 17,401 | 89.3 |
| '18 | 5,655 | 8,777 | 89.6 |
| '19 | 17,905 | 14,395 | 89.3 |
| '20 | 22,555 | 12,013 | 88.4 |
| '21 | 19,611 | 38,296 | 91.5 |
| '22 | 13,657 | 4,439 | 90.6 |

Source: ApartmentData.com

Overall occupancy peaked in the fall of ’22 and has trended down since. The rate was 90.6 percent to start ’23. The market is considered landlord-friendly when occupancy tops 90.0 percent and tenant-friendly when it slips below that.

Class B and C absorption turned negative in January ’22 and remained there most of the year. Class A absorption held strong through mid-summer but softened in the fall. At the current pace of leasing, Houston will suffer weak Class A absorption (~8,000 units) and either negative or marginally positive Class B and C absorption this year.

**ABSORPTION, HOUSTON APARTMENT MARKET, CY ’22**

| | Overall | Class A | Class B | Class C |
|---|---|---|---|---|
| Jan | 639 | 772 | -217 | -19 |
| Feb | 356 | 870 | -339 | -110 |
| Mar | 846 | 1,188 | -314 | -76 |
| Apr | 1,252 | 1,269 | -279 | 214 |
| May | 604 | 1,530 | -600 | -213 |
| Jun | 1,446 | 1,774 | -317 | -64 |
| Jul | 357 | 1,638 | -816 | -320 |
| Aug | 690 | 1,276 | -288 | -303 |
| Sep | -984 | 310 | -456 | -769 |
| Oct | -921 | 430 | -666 | -737 |
| Nov | -130 | 783 | -503 | -353 |
| Dec | 284 | 584 | -166 | -113 |
| **Totals** | **4,439** | **12,424** | **-4,961** | **-2,863** |

Source: ApartmentData.com

From ’10 to ’19, rents rose on average 4.0 percent per year, according to ApartmentData.com. They slipped 0.7 percent in ’20, depressed by economic uncertainty during the pandemic. Rents surged as the economy reopened, with an overall gain of 13.9 percent. As the market cooled in ’22, however, so did rent increases, up only 5.8 percent for the year. That’s for all of ’22 and includes the first six months when the market was tight and the economy boomed. Since then, rents have come down. Class A, B, and C rents peaked in late summer. In Q4/22, overall rents fell 4.0 percent on an annualized basis. If absorption remains weak rents will slip even further.

**HOUSTON APARTMENT MARKET OVERVIEW***

| | Total | Class A | Class B | Class C |
|---|---|---|---|---|
| Units | 720,599 | 191,151 | 261,704 | 197,374 |
| Occupancy | 90.6% | 87.8% | 92.1% | 91.4% |
| Avg. Rent | $1,250 | $1,749 | $1,244 | $956 |

* excludes Class D units

Source: ApartmentData.com

Incentives have crept back into the market. At the start of ’23, 31 percent of all units in Houston offered some form of concession, *i.e.,* free rent, deposit waiver, floorplan upgrade. That’s up from 26 percent in October ’22 yet still below the 50 percent of October ’19.

In January ’23, there were 20,724 units under construction. An industry rule of thumb holds that Houston absorbs one unit for every six jobs created. The region will need to create at least 120,000 jobs to absorb those units. The Partnership does not see a scenario in which that many jobs will be created this year. Occupancy will likely drop near or below 90.0 percent by the summer.

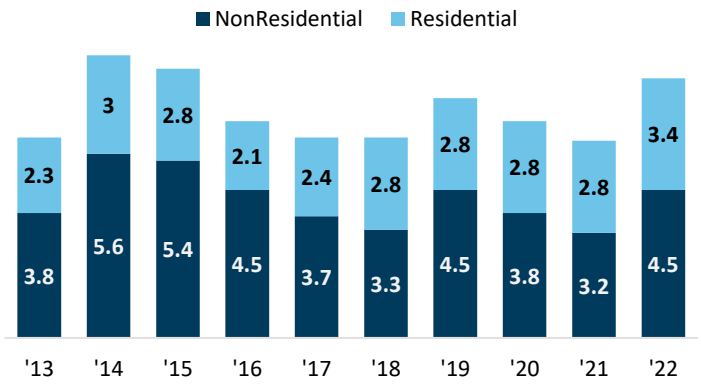
Many owners are starting to feel the quadruple whammy of a softening market, interest rate hikes, property tax increases, and the collapse of the property insurance market. In January, lenders typically pay property taxes from escrow accounts. Normally, when there is a shortfall, it’s minor and the following year’s deposits are adjusted to cover this. The shortfalls are so big this year that lenders are demanding immediate payment and some owners don’t have the funds.

Furthermore, fewer firms are willing to write property insurance. Those willing to do so have dramatically hiked their rates. One owner reports this year’s premiums are nearly triple those of last year. Debt service costs have increased substantially as well. The sector’s inability to raise rents to cover all these cost increases will place further stress on the industry this year.

## City Building Permits

The City of Houston issued $7.8 billion in construction permits in ’22, up from $5.9 billion the year before. That’s the highest level of permitting since ’15 when developers were still breaking ground on new office buildings. Most of the gains came from non-residential activity, which grew throughout the year. Residential activity peaked in the fall and has trended down since.

**CITY OF HOUSTON BUILDING PERMITS, $ BILLIONS**




Source: City of Houston

The City of Houston permitted $2.0 billion in single-family construction last year, up from $1.7 billion in ’21, and another $965.2 million in multi-family projects, up from $736.8 million the year before. Non-residential permits for new construction hit $2.1 billion, up $1.4 billion in ’21. Remodeling, both commercial and residential, topped $2.6 billion, up from $1.9 billion the year before.

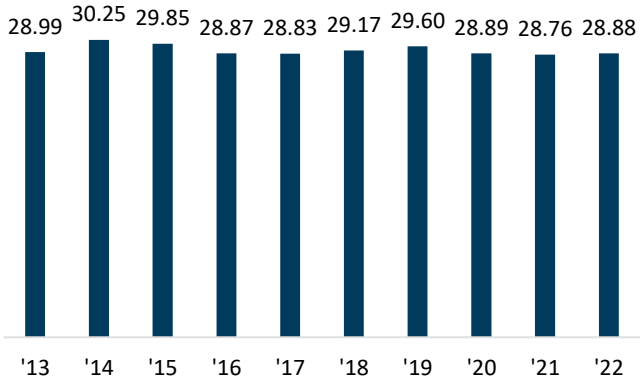
## Commercial Real Estate - Office

The demand for office space continued to wane in ’22. Leasing activity was at 60 percent of ’19 levels, according to JLL. Depending upon which broker report one reads, absorption was marginally negative or barely positive for the year. If positive, that would be for the first time in six years.

Employers continue to “rightsize” their underutilized offices, throwing space back on the market. JLL reports that available sublease space topped 8.6 million square feet in Q4/22, a 28.4 percent increase over Q4/21.

The overall vacancy rate is now between 25 and 30 percent, again depending on the source. That equates to 50 to 72 million square feet of available space. With such a surplus, asking rents remained flat in ’22, as they have been for the past 10 years.

**AVG ASKING RENT, $/SQ FT, HOUSTON OFFICE MARKET**



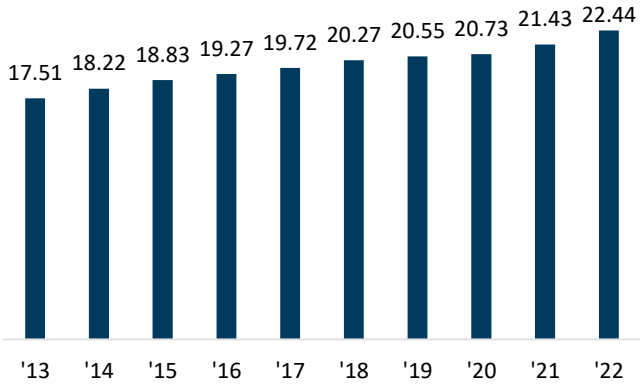

Source: Various brokerage reports

High interest rates, lack of demand, and economic uncertainty weigh on construction. No new office buildings broke ground in Q4/22. Between 900,000 and 2.0 million square feet (msf) of space was underway at the end of ’22.

## Commercial Real Estate - Retail

Retail activity in ’22 hit its highest level since ’16, with 8.6 million square feet (renewals and new) space leased, according to Partners Real Estate. Net absorption topped 5.1 million square feet, on par with ’21. The availability rate (*i.e.,* space currently vacant or soon will be) slipped from 6.6 percent in Q4/21 to 6.1 percent in Q4/22. The market has recorded positive absorption nine of the past ten years. This has supported rent growth over the period.

**AVG ASKING RENT, $/SQ FT, HOUSTON RETAIL MARKET**




Source: Various brokerage reports

Roughly 4.3 million square feet were under construction at the end of ‘22, half a million less than at the end of ’21.

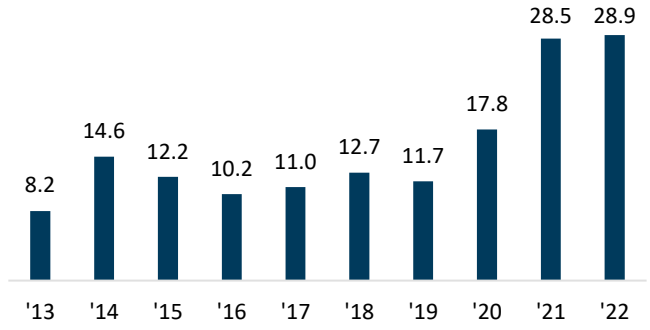
## Commercial Real Estate – Warehouse/Industrial

’22 ended with Houston recording its ninth consecutive quarter of 10 million or more square feet of industrial

leasing activity. Developers delivered 24.2 million square feet of space last year, with another 33.5 million square feet under construction. At the end of Q4/22, another 17.0 million square feet were proposed.

JLL reports that net absorption exceeded deliveries, pushing the vacancy rate down to 5.9 percent, a level not seen since ’19. Between Q4/21 and Q4/22, asking rental rates climbed from $0.51 to $0.55 per square foot. Demand is expected to remain strong well into this year.

**NET ABSORPTION, INDUSTRIAL/WAREHOUSE SPACE MILLION SQUARE FEET**




Source: Various brokerage reports

## Construction Contract Awards

Over $38 billion in construction contracts were awarded in metro Houston in ’22, according to Dodge Data, a $7.4 billion (24.1 percent) increase over ’21. Residential activity began to slip mid-summer and finished marginally below the previous year. Nonresidential activity accelerated mid-summer and finished the year well above ’21.

**CONSTRUCTION CONTRACTS AWARDED, METRO HOUSTON**

| | $ Millions | | Change, '21 - '22 | |
|---|---|---|---|---|
| | '22 | '21 | $ | % |
| **Non-Residential** | **17,566.6** | **9,195.4** | **8,371.2** | **91.0** |
| Commercial | 5,851.5 | 3,954.4 | 1,897.1 | 48.0 |
| Manufacturing | 6,332.5 | 1,100.1 | 5,232.4 | 475.6 |
| Education & Science | 1,915.9 | 2,030.0 | -114.1 | -5.6 |
| Hospital & Health | 2,042.8 | 627.7 | 1,415.1 | 225.4 |
| Public Buildings | 199.7 | 223.7 | -24.0 | -10.7 |
| Amusement | 454.1 | 418.0 | 36.1 | 8.6 |
| Other | 770.1 | 841.5 | -71.4 | -8.5 |
| **Residential** | **14,281.5** | **14,947.6** | **-666.1** | **-4.5** |
| Single-Family | 11,462.3 | 12,762.2 | -1,299.9 | -10.2 |
| Multi-Family | 2,819.2 | 2,185.4 | 633.8 | 29.0 |
| **Non-Building** | **6,279.3** | **6,577.0** | **-297.7** | **-4.5** |
| **Total Awards** | **38,127.4** | **30,720.0** | **7,407.4** | **24.1** |

Source: Dodge Data & Analytics

## Energy

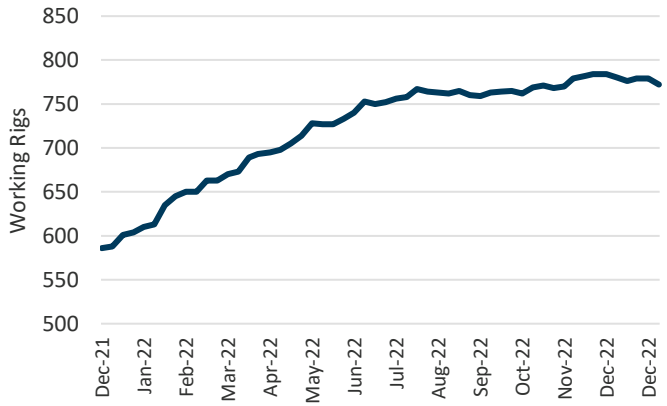
’22 opened with West Texas Intermediate, the U.S. benchmark for light sweet crude, trading near $76 per barrel on the spot market. Russia invaded Ukraine in February and concerns about supply shortages sent prices soaring above $120 per barrel by June. As fear of shortages dissipated and economists worried more about slowing global growth, prices began to slip. WTI closed just near $80 per barrel on December 30, 2022, only $4 above where it started the year.

**SPOT PRICE, WEST TEXAS INTERMEDIATE, CY ’23**

Source: U.S. Energy Information Administration

The Baker Hughes count of active domestic rotary rigs averaged 780 in December ’22, a 34.7 percent increase from 579 in December the prior year. That’s well above the nadir of 250 in August ’20 and somewhat below the December ’19 average of 804 prior to the pandemic. Russia’s invasion of Ukraine did not lead to a surge in exploration activity. Rather than ratchet up drilling, the industry continued to embrace capital discipline, reduce debt, and pay dividends to shareholders.

**U.S. ACTIVE RIG COUNT, CY ’23**




Source: Baker Hughes

The data is sending mixed signals as to whether drilling activity in Texas will pick up in ’23. The Texas Railroad Commission (TRC) issued 2,600 more drilling permits in ’22 than it did in ’21, and 200 more in Q4/22 than Q4/21, but the number of wells spudded (*i.e.,* begun drilling), dropped in Q4 compared to the same quarter in earlier years. This could have been due to weather, crew shortages, or firms having spent their entire ’22 drilling budget.

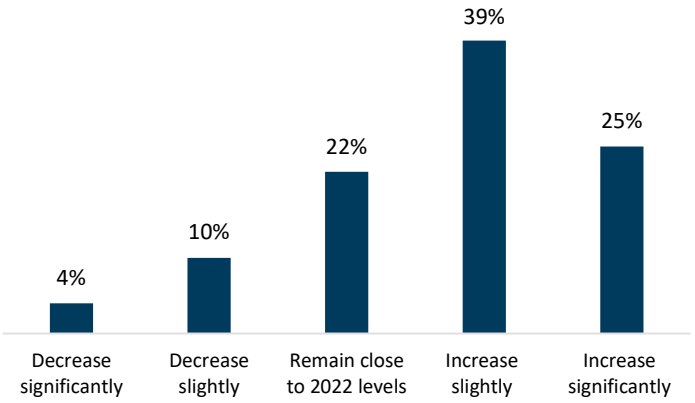
**TEXAS EXPLORATION ACTIVITY**

| | Drilling Permits Issues | | Wells Spudded | |
|---|---|---|---|---|
| Yr | Q4 | CY | Q4 | CY |
| '18 | 2,295 | 10,504 | 3,505 | 14,451 |
| '19 | 2,148 | 9,445 | 3,138 | 13,483 |
| '20 | 1,086 | 5,094 | 1,574 | 6,313 |
| '21 | 1,981 | 7,049 | 2,315 | 8,523 |
| '22 | 2,201 | 9,635 | 1,751 | 8,605 |

Source: Texas Railroad Commission

A recent survey by the Federal Reserve Bank of Dallas paints a brighter picture. Most respondents indicated they will increase spending on exploration in ’23, albeit some only marginally.

**EXPECTATIONS FOR CAPITAL SPENDING IN ’23 V ’22?**




* Based on a survey of executives from 95 exploration and production firms and 53 oil and gas support services firms conducted December ’22.

Source: Federal Reserve Bank of Dallas

## Foreign Trade

The four ports in the metro area—Freeport, Galveston, Houston, and Texas City—handled over 225 million metric tons of cargo in the first 11 months of ’22, a nearly nine percent increase over the same period in ’21. That cargo was valued at over $257 billion, a 45 percent increase over the prior year. Full-year data won’t be available until mid-March.

**HOUSTON AREA PORT TRAFFIC, NOVEMBER YTD**

| | Exports | | Imports | |
|---|---|---|---|---|
| | Value Billions | Tonnage Millions | Value Billions | Tonnage Millions |
| Nov '22 YTD | 147.1 | 161.8 | 110.8 | 63.6 |
| Nov '21 YTD | 106.1 | 147.0 | 77.4 | 59.9 |
| *Dif '22 v '21* | 41.0 | 14.9 | 33.5 | 3.6 |
| *% Change* | 38.6 | 10.1 | 43.3 | 6.1 |

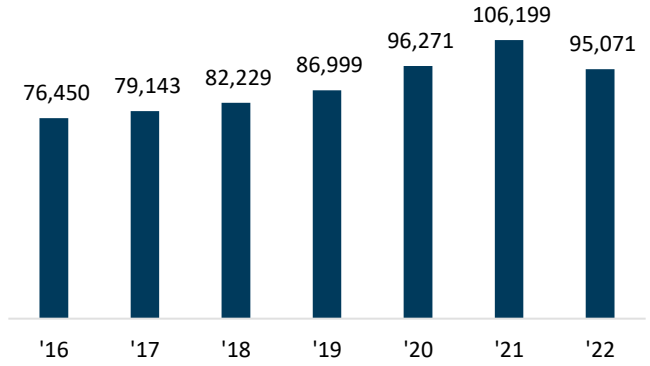
*Source: WISERTrade*

The main commodities handled in ’22 were agricultural products, chemicals, crude, electrical equipment, industrial machinery, iron and steel, plastic, refined products, and vehicles. They accounted for 92 percent of the tonnage and 81 percent of the value handled by the region’s ports.

## Single-Family Home Sales

The once-hot single-family housing market has cooled. Brokers closed on 11,000 fewer homes in ’22 than they did in ’21, a 10.5 percent drop from the previous year.

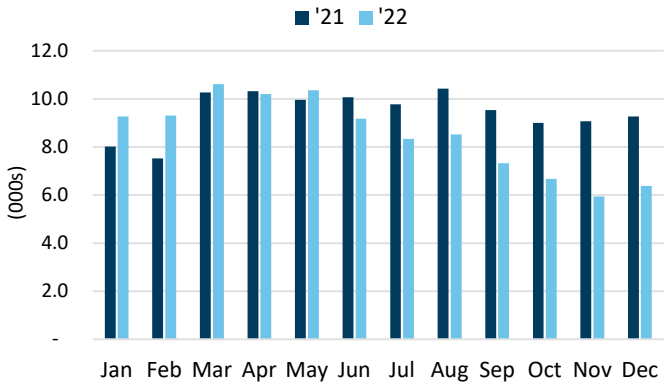
**SINGLE-FAMILY HOMES SALES, METRO HOUSTON**




Source: Houston Association of Realtors

Three factors impacted sales—higher interest rates, higher prices, and increasing economic uncertainty. The year began with the interest rate on a 30-year conventional mortgage at 3.2 percent, but that climbed to over six percent in June. Over the same period, the median price of a single-family home rose from $310,000 to $355,000, a 14.5 percent increase. And more economists warned of an impending recession. In late ’21, *The Wall Street Journal* placed the probability of a recession in ’22 at 16 percent. By June, that had shot up to 44 percent. As a result, home sales peaked in May, then decelerated through the end of the year.

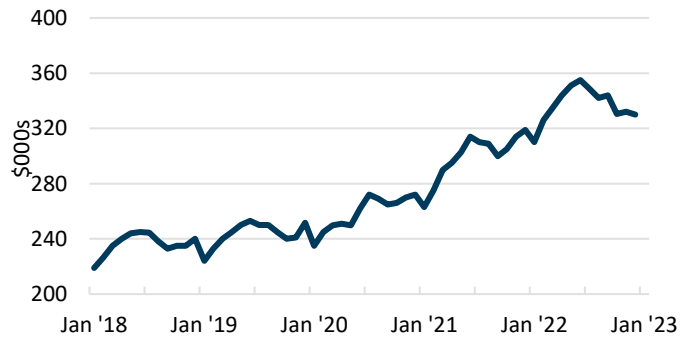
**EXISTING SINGLE-FAMILY HOME SALES BY MONTH**




Source: Houston Association of Realtors

The drop in sales marginally impacted prices. The median price for a single-family home in Houston was $330,000 in December, down from a June ’22 peak of $353,995, marginally above December ’21 ($317,791), but well above December ’20 ($272,125).

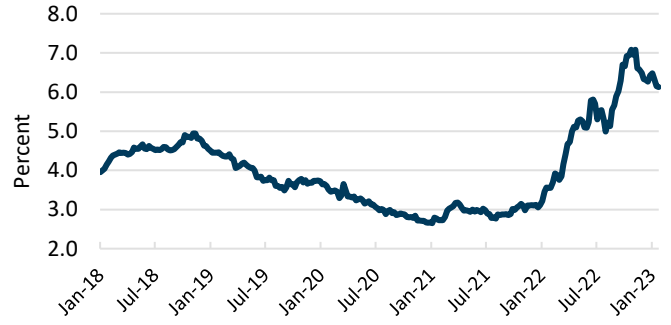
**MEDIAN PRICE, SINGLE-FAMILY HOME, METRO HOUSTON**




Source: Houston Association of Realtors

Mortgage rates have eased somewhat. The interest on a 30-year fixed rate mortgage peaked at 7.1 percent in early November and as of mid-January averaged 6.3 percent. The slip has had little impact on sales, though. They continue to trend downward.

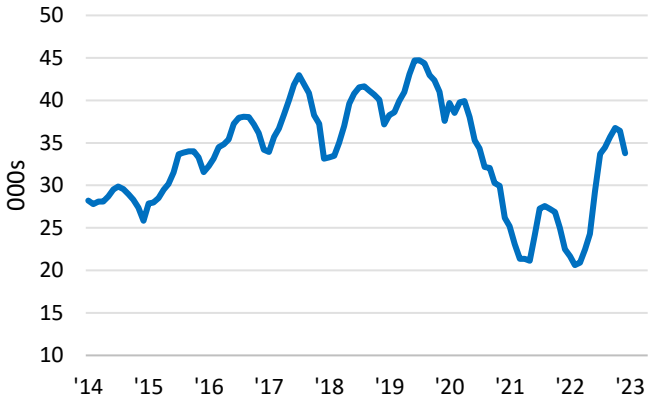
**AVERAGE INTEREST RATE, 30-YEAR MORTGAGE**




Source: Freddie Mac

For all of ’21 and much of ’22, the market suffered from a lack of inventory. Homes often sold within days of hitting the market. Sometimes they sold the day they hit the market. As interest rates climbed and monthly payments grew more expensive, closings fell, and inventory rose. From a low of 20,620 units in February ’22, listings of single-family homes, duplexes, condos, and townhomes in the Houston Association of Realtors database climbed to 36,751 in October. Inventory has slipped since, coming in at 33,776 in December. Owners are reluctant to list their homes in a high interest rate environment. If they bought prior to ’22, they likely have a rate under 5.0 percent. If they purchased a new home, they’d face a higher rate and a higher monthly payment.

**ACTIVE LISTINGS, MULTIPLE LISTING SERVICE**




* Includes single-family homes, townhomes, duplexes, condos, and lots.
Source: Houston Association of Realtors (HAR)

The decline in home sales is likely to continue into this year. Pending sales of single-family homes at the end of December ’22 were 27.0 percent below December ’21 and 68.1 percent below their March ’21 peak. Pending sales for townhomes and high rises show similar declines.

## Inflation

Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), rose 6.5 percent nationwide in the 12 months ending December ’22. That was the smallest 12-month increase since October ’21. The annual inflation rate peaked at 9.1 in June and has trended down since.

In Houston, prices rose 5.3 percent over the year, a significant improvement over the 10.2 percent recorded in June. The U.S. core inflation rate, which excludes volatile food and energy, was 5.7 percent. Houston’s core rate was 5.2 percent.

**CHANGE IN CONSUMER PRICES, METRO HOUSTON**
**12 MONTHS ENDING DECEMBER '22**

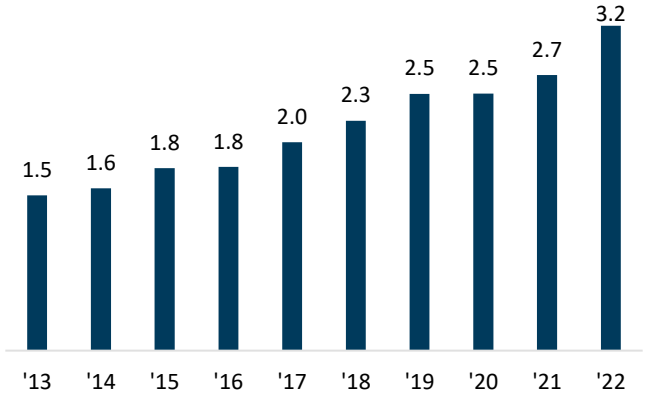
| Good/Service | % Change | Good/Service | % Change |
|---|---|---|---|
| Food and Beverages | 11.6 | Furnishings | -2.0 |
| Food | 11.9 | Apparel | -3.4 |
| Groceries | 14.9 | New Vehicles | 4.9 |
| Dining Out | 9.0 | Used Vehicles | -8.2 |
| Alcoholic Beverages | 6.0 | Gasoline | -6.5 |
| Housing | 5.7 | Medical Care | 0.9 |
| Fuels and Utilities | -2.8 | Recreation | 9.8 |
| Electricity | -12.3 | Communications | -2.7 |
| Natural Gas | 47.8 | Other Goods/Srvcs | 0.8 |

Source: U.S. Bureau of Labor Statistics

## Port Container Traffic

Container traffic through the Port of Houston set a record in '22. The Bayport and Barbours Cut terminals handled nearly 3.2 million loaded TEUs (twenty-foot-equivalent units), nearly half a million more than the prior year.

**PORT OF HOUSTON CONTAINER TRAFFIC, MILLION TEUs**



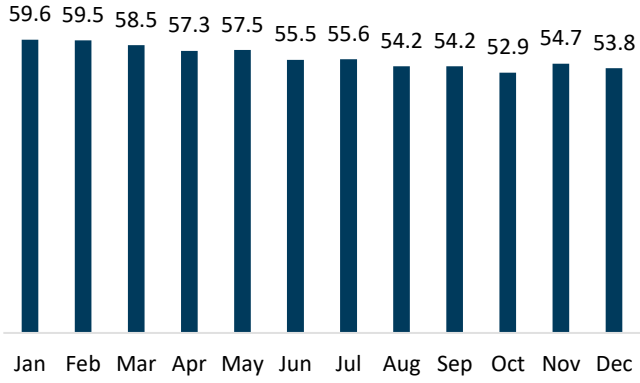

Source: Port of Houston Authority

Primary containerized imports included aluminum, chemicals, electrical machinery, furniture, industrial machinery, iron and steel, plastics, rubber products, toys, and vehicles. Primary containerized exports included chemicals, cotton, electrical machinery, fuel oils, industrial machinery, pharmaceuticals, plastics, rubber products, and vehicles.

## Purchasing Managers Index

The year began with the Houston Purchasing Managers Index signaling strong economic growth. Last January's reading of 59.6 was the highest reading in nearly three years. Readings above 50 signal Houston's economy is expanding and will likely continue to do so over the next three to four months. The PMI began to trend down in early spring, signaling a cooling of Houston's economy. By December, the PMI still signaled growth, though less robust than at the start of the year.

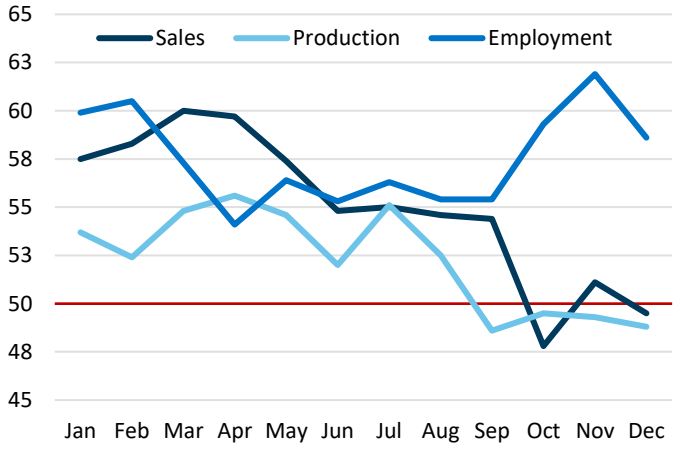
**HOUSTON PURCHASING MANAGERS INDEX**
**+50 = Expansion, -50 = Contraction**




Source: Institute for Supply Management-Houston

While the overall PMI signals growth, two subcomponents are worrisome. Sales slipped below 50 in December. Production slipped below 50 in September and has stayed there since. The employment subcomponent continues to track above 50, however, signaling local firms continue to hire.

**HOUSTON PMI SUBCOMPONENTS**
**>50 = Expansion, <50 = Contraction**




Source: Institute for Supply Management-Houston

On an industry-specific basis:

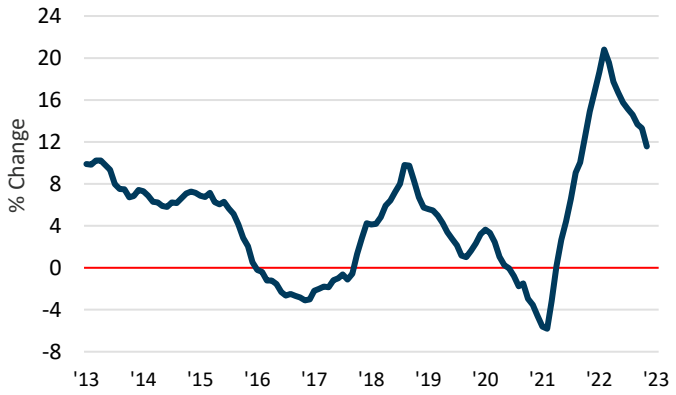
- Professional and management services, construction, oil and gas, leisure and hospitality, and health care reported continued expansion in December.
- Manufacturing, trade, and transportation/warehousing reported near neutral.
- Real estate reported significant contraction.

## Sales Tax Collections

Sales tax collections provide insight into the general direction of the economy. Both consumers and businesses pay sales taxes, consumers on household items, clothing, electronics, etc., and businesses on office supplies, equipment, etc. Research by the Institute for Regional Forecasting has shown that business purchases tend to be more volatile than consumer purchases and closely track the local business cycle.

Sales collections were up in ’22, even after adjusting for inflation. However, the rate of growth has slowed in recent months. At the start of the year, collections were growing at a nearly 20 percent annual rate. The year closed with collections up around 12 percent. This suggests that the region is entering the latter stages of an expansion.

**% CHANGE IN SALES TAX COLLECTIONS, 12-MONTH TOTAL MOST POPULOUS METRO CITIES**

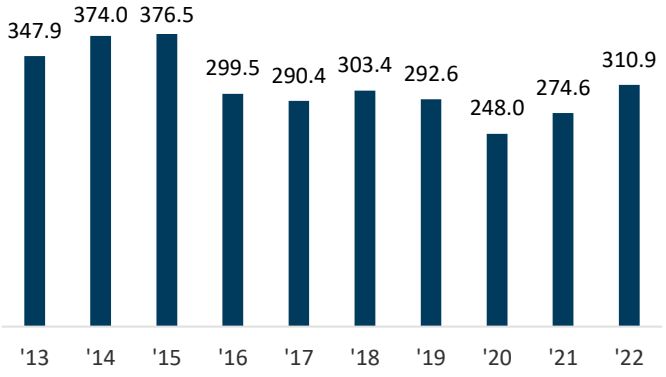



Source: Texas Comptroller of Public Accounts

## Vehicle Sales

Vehicle sales rose 13.2 percent in ’22 compared to ‘21, according to TexAuto Facts, published by InfoNation.

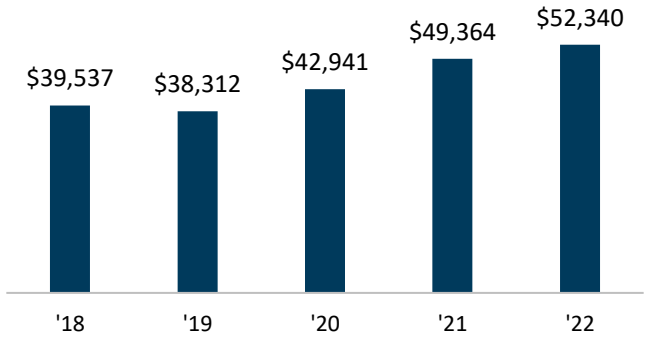
**VEHICLE SALES, METRO HOUSTON, 000s**




Source: TexAuto Facts

The average price paid for a vehicle in metro Houston rose throughout the year and finished 6.0 percent above December ’21 and 21.9 percent above December ’20.

**AVG DECEMBER SALES PRICE, ALL VEHICLE TYPES**




Source: TexAuto Facts

Trucks and sport utility vehicles (SUVs) dominated the market, accounting for three out of every four vehicles sold in Houston last year. The average price for a truck/SUV in December was $54,722; the average price for a car was $43,797.

## Quarterly Retail Sales

The Texas Comptroller of Public Accounts provides data on retail sales by sector. Unfortunately, there’s a nine- to 12-month lag between when the data is collected and when it’s released to the public. Data for Q1/22 was released just last month. Though a bit dated, the data does show how strongly retail sales in Houston have rebounded from the depths of the pandemic.

**METRO HOUSTON RETAIL SALES, Q1/22 V Q1/21**

| | $ Billions | | Change | |
|---|---|---|---|---|
| | Q1/22 | Q1/21 | $ | % |
| Motor Vehicles | 6,526.9 | 6,760.3 | -233.5 | -3.5 |
| Home Furnishings | 1,000.2 | 1,046.1 | -45.9 | -4.4 |
| Electronics/Appliance | 1,174.2 | 1,125.1 | 49.2 | 4.4 |
| Building Materials | 3,062.8 | 2,595.2 | 467.6 | 18.0 |
| Food and Beverage | 5,900.5 | 5,051.8 | 848.7 | 16.8 |
| Health and Personal | 1,606.1 | 1,575.7 | 30.4 | 1.9 |
| Gasoline Stations | 8,975.7 | 5,551.6 | 3,424.0 | 61.7 |
| Clothing Stores | 1,537.8 | 1,547.4 | -9.7 | -0.6 |
| Sport/Hobby/Books | 611.3 | 609.1 | 2.3 | 0.4 |
| General Merchandise | 3,776.7 | 3,253.8 | 523.0 | 16.1 |
| Miscellaneous Stores | 2,954.7 | 2,571.8 | 382.9 | 14.9 |
| Nonstore, Other | 1,418.4 | 1,260.8 | 157.6 | 12.5 |
| TOTAL RETAIL TRADE | 38,545.2 | 32,948.6 | 5,596.6 | 17.0 |

Source: Texas Department of Public Accounts

## PLEASE PARTICIPATE

Businesses in metro Houston have begun receiving the *'22 Economic Census* forms from the U.S. Census Bureau. Conducted every five years, the economic census is the most comprehensive measure available of the U.S. economy.

The census was launched at the end of October with a mailing to small businesses. The majority of the 2022 Economic Census will be mailed at the end of January and due by March 15th. The economic census is conducted online, and responses are kept confidential.

The upcoming economic census will gather '22 year-end figures on over eight million employer business locations, with approximately four million coming from direct data collection. Please note that to reduce the burden on the business community, not all businesses receive the economic census.

The economic census gathers information on America's industries, its workforce, and trillions of dollars of sales by product and service type. Data from the economic census serve as the foundation for our nation's gross domestic product, or GDP, and other leading economic indicators. It gives businesses, trade associations, economic development organizations, and state, local, and tribal governments the information they need to make informed decisions. Please complete the form if you receive one.

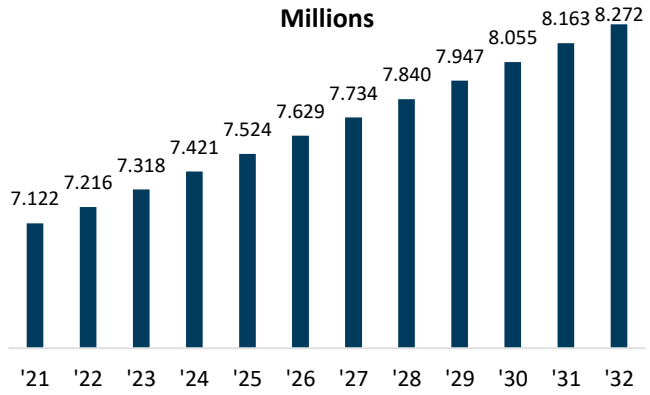
## POPULATION OUTLOOK

Over the next 10 years, the nine-county metro Houston area will add another one million residents, according to the latest projections from The Texas Demographic Center (TDC). In '22, the region had 7.216 million residents. By '31, the region's population will top 8.271 million.

In TDC's *Scenario 1.0 Forecast*, the region experiences the same level of migration in future years as it did from '10 to '20. In its *Scenario 0.5 Forecast*, migration drops to half the level of the past decade. The weaker migration scenario has Houston adding slightly over 675,000 residents over the next 10 years.

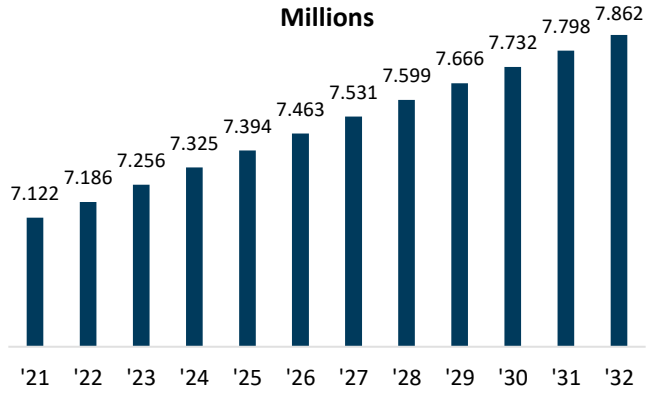
In both scenarios, the center assumes a slight increase in fertility rates among Asians, no change for Blacks, and a slip in rates for Whites, Hispanics, and other ethnic groups. The fertility assumptions were based on recent national data. Assumptions about future mortality rates were based on recent national trends.

**METRO HOUSTON POPULATION FORECAST, SCENARIO 1.0**




Source: The Texas Demographic Center

**METRO HOUSTON POPULATION FORECAST, SCENARIO 0.5**




Source: The Texas Demographic Center

*Patrick Jankowski and Clara Richardson contributed to this issue of Houston: The Economy at a Glance.*

**STAY UP TO DATE**

For past issues of **Economy at a Glance**, click here and scroll to the bottom.

If you're a not a member of the Greater Houston Partnership and would like to subscribe to **Economy at a Glance**, please click here and enter your email address. For information about joining the Partnership, call Member Engagement at 713-844-3683.

The Key Economic Indicators are **updated whenever any data change** — typically, ten or so times per month. If you would like to receive these updates by e-mail, usually accompanied by commentary, click here.

## HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

| | | | | Change from | | % Change from | |
|---|---|---|---|---|---|---|---|
| | December 22 | November 22 | December 21 | November 22 | December 21 | November 22 | December 21 |
| **Total Nonfarm Payroll Jobs** | **3,356.0** | **3,340.0** | **3,177.0** | **16.0** | **179.0** | **0.5** | **5.6** |
| ***Total Private*** | ***2,912.1*** | ***2,896.6*** | ***2,739.8*** | ***15.5*** | ***172.3*** | ***0.5*** | ***6.3*** |
| ***Goods Producing*** | ***533.8*** | ***531.2*** | ***497.9*** | ***2.6*** | ***35.9*** | ***0.5*** | ***7.2*** |
| ***Service Providing*** | ***2,822.2*** | ***2,808.8*** | ***2,679.1*** | ***13.4*** | ***143.1*** | ***0.5*** | ***5.3*** |
| ***Private Service Providing*** | ***2,378.3*** | ***2,365.4*** | ***2,241.9*** | ***12.9*** | ***136.4*** | ***0.5*** | ***6.1*** |
| Mining and Logging | 69.3 | 69.1 | 63.6 | 0.2 | 5.7 | 0.3 | 9.0 |
| Oil & Gas Extraction | 33.4 | 33.2 | 30.2 | 0.2 | 3.2 | 0.6 | 10.6 |
| Support Activities for Mining | 34.4 | 34.2 | 31.1 | 0.2 | 3.3 | 0.6 | 10.6 |
| Construction | 235.1 | 234.1 | 216.3 | 1.0 | 18.8 | 0.4 | 8.7 |
| Manufacturing | 229.4 | 228.0 | 218.0 | 1.4 | 11.4 | 0.6 | 5.2 |
| Durable Goods Manufacturing | 142.8 | 141.8 | 134.9 | 1.0 | 7.9 | 0.7 | 5.9 |
| Nondurable Goods Manufacturing | 86.6 | 86.2 | 83.1 | 0.4 | 3.5 | 0.5 | 4.2 |
| Wholesale Trade | 179.1 | 180.1 | 164.7 | -1.0 | 14.4 | -0.6 | 8.7 |
| Retail Trade | 332.1 | 329.1 | 324.1 | 3.0 | 8.0 | 0.9 | 2.5 |
| Transportation, Warehousing and Utilities | 182.7 | 178.6 | 179.6 | 4.1 | 3.1 | 2.3 | 1.7 |
| Utilities | 18.1 | 17.9 | 17.4 | 0.2 | 0.7 | 1.1 | 4.0 |
| Air Transportation | 19.6 | 19.4 | 18.2 | 0.2 | 1.4 | 1.0 | 7.7 |
| Truck Transportation | 29.2 | 29.3 | 27.7 | -0.1 | 1.5 | -0.3 | 5.4 |
| Pipeline Transportation | 13.0 | 12.9 | 12.4 | 0.1 | 0.6 | 0.8 | 4.8 |
| Information | 32.8 | 32.6 | 31.2 | 0.2 | 1.6 | 0.6 | 5.1 |
| Telecommunications | 12.4 | 12.4 | 12.2 | 0.0 | 0.2 | 0.0 | 1.6 |
| Finance & Insurance | 112.7 | 111.2 | 109.3 | 1.5 | 3.4 | 1.3 | 3.1 |
| Real Estate & Rental and Leasing | 65.3 | 65.2 | 61.8 | 0.1 | 3.5 | 0.2 | 5.7 |
| Professional & Business Services | 548.6 | 548.5 | 515.7 | 0.1 | 32.9 | 0.0 | 6.4 |
| Professional, Scientific & Technical Services | 270.0 | 265.4 | 245.3 | 4.6 | 24.7 | 1.7 | 10.1 |
| *Legal Services* | *31.4* | *31.3* | *29.7* | *0.1* | *1.7* | *0.3* | *5.7* |
| *Accounting, Tax Preparation, Bookkeeping* | *27.5* | *27.3* | *26.4* | *0.2* | *1.1* | *0.7* | *4.2* |
| *Architectural, Engineering & Related Services* | *80.1* | *77.2* | *67.2* | *2.9* | *12.9* | *3.8* | *19.2* |
| *Computer Systems Design & Related Services* | *40.3* | *40.3* | *38.4* | *0.0* | *1.9* | *0.0* | *4.9* |
| Admin & Support/Waste Mgt & Remediation | 233.1 | 237.8 | 226.9 | -4.7 | 6.2 | -2.0 | 2.7 |
| *Administrative & Support Services* | *222.3* | *226.9* | *214.9* | *-4.6* | *7.4* | *-2.0* | *3.4* |
| *Employment Services* | *86.7* | *88.3* | *86.6* | *-1.6* | *0.1* | *-1.8* | *0.1* |
| Educational Services | 75.2 | 75.8 | 70.3 | -0.6 | 4.9 | -0.8 | 7.0 |
| Health Care & Social Assistance | 369.8 | 369.0 | 354.1 | 0.8 | 15.7 | 0.2 | 4.4 |
| Arts, Entertainment & Recreation | 38.0 | 38.1 | 31.0 | -0.1 | 7.0 | -0.3 | 22.6 |
| Accommodation & Food Services | 330.0 | 326.2 | 287.9 | 3.8 | 42.1 | 1.2 | 14.6 |
| Other Services | 112.0 | 111.0 | 112.2 | 1.0 | -0.2 | 0.9 | -0.2 |
| Government | 443.9 | 443.4 | 437.2 | 0.5 | 6.7 | 0.1 | 1.5 |
| Federal Government | 32.6 | 32.5 | 32.6 | 0.1 | 0.0 | 0.3 | 0.0 |
| State Government | 96.6 | 96.6 | 94.6 | 0.0 | 2.0 | 0.0 | 2.1 |
| *State Government Educational Services* | *56.0* | *56.1* | *54.9* | *-0.1* | *1.1* | *-0.2* | *2.0* |
| Local Government | 314.7 | 314.3 | *310.0* | 0.4 | 4.7 | 0.1 | 1.5 |
| *Local Government Educational Services* | *220.1* | *219.8* | *216.1* | *0.3* | *4.0* | *0.1* | *1.9* |

*SOURCE: Texas Workforce Commission*