

THE ECONOMY AT A GLANCE

HOUSTON



GREATER HOUSTON
PARTNERSHIP.
Making Houston Greater.

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BETTER THAN EXPECTED, BUT . . .

'23 began with trepidation, but the year is nearly over. It started with a consensus among economists that the nation would slip into recession, nudged there by rising interest rates, stress in the housing market, and a pullback in consumer spending. While those have all occurred to some degree, the economy has proven to be resilient.

- The nation added 2.4 million jobs through the first 10 months of '23. That would be a healthy *year* for employment growth, and November and December job data have yet to be reported.
- U.S. gross domestic product (GDP) adjusted for inflation grew at 2.0 percent or better all year. The 5.2 percent growth logged in Q3 was the fifth-best rate of the past 20 years.
- Personal consumption expenditures (PCE), the broadest measure of consumer spending, was up 2.2 percent in October compared to a year ago after adjusting for inflation.
- The nation's unemployment rate has wiggled all year but never went above 4.0 percent. Any rate under 5.0 percent reflects a tight labor market.

However, indicators for the month of October point to an American economy that has begun to slow. Employers added only 150,000 jobs in the month, well below the 200,000-pre-pandemic monthly average. Sales of new single-family homes slipped 5.6 percent in October. U.S. consumer spending grew only 0.2 percent that month as well. None of these are signs of imminent peril, but they do suggest a return to a slower, steadier state of activity.

If U.S. growth slows, so will Houston's. Local job gains, home sales, port traffic, and manufacturing activity have slowed in recent months and this trend is likely to continue. Houston will see much slower growth in '24. How much slower?

The Partnership will answer that question on Thursday, December 7, when it presents its Houston Economic Outlook for 2024 at the Royal Sonesta Hotel.

The program begins with registration and networking at 11 a.m. followed by lunch at noon. A discussion among experts attuned to the region's growth begins at 12:30. This year's discussants are:

- Mark Cover, CEO, Southwest Region and Mexico/Central America, Hines
- Hong Ogle, President, Bank of America Houston, Managing Director, SE/SW Division Executive, Private Bank
- Amy Chronis, Vice Chair and Houston Managing Partner, Deloitte

The three will share their insights into real estate, construction, finance, energy, and professional services. Following the discussion, Patrick Jankowski, the Partnership's Chief Economist and Senior Vice President of Research, will share the Partnership's forecast for '24. All attendees will receive a printed copy of the forecast after the event.

To register for the lunch, panel discussion, and forecast, go to the Events section of the Partnership's webpage, www.houston.org, or click [here](#). For more information, contact Rebekah Snodgrass at rsnodgrass@houston.org.



WEAKER DEMAND FOR “MADE IN HOUSTON”

Metro Houston exports fell 13.8 percent in the first half of '23, reflecting weaker commodity prices, slower global growth, and firms burning off excess inventories amassed post-pandemic.

The data comes from the Census Bureau’s origin of movement (OM) series, which tracks the movement of goods based on the metro from which they began their export journey. For example, a valve manufactured in Houston may be trucked to Miami and then loaded onto a plane destined for an oilfield in Latin America. Though the export leaves the U.S. via the Miami International Airport, it began its export journey from Houston. Census records that as a Houston export.

While shipments have fallen off, Houston remains the nation’s top exporting metro, ahead of New York, Los Angeles, and Chicago. The region has ranked as the nation’s top exporting metro nine out of the past 10 years. When complete data for '23 is released, Houston will likely maintain that ranking.

TOP U.S. EXPORTING METROS

	\$ Billions		Change, '22 – '23	
	'23 Jan-Jun	'22 Jan-Jun	\$ Billions	%
Houston	84.0	97.5	-13.5	-13.8
New York	55.0	56.5	-1.4	-2.5
Los Angeles	30.4	31.1	-0.8	-2.4
Chicago	29.3	32.6	-3.2	-9.9
Dallas-Ft Worth	25.7	24.0	1.7	7.2
New Orleans	25.2	23.9	1.2	5.1
Detroit	22.6	19.7	2.9	14.9
Miami	21.4	20.2	1.2	6.0
Boston	18.8	17.0	1.8	10.3
Seattle	17.7	17.4	0.3	2.0
Rest of U.S.	674.9	673.0	1.9	0.3
Total U.S.	1,005.2	1,012.9	-7.7	-0.8

Source: U.S. International Trade Administration

EMPLOYMENT UPDATE

Metro Houston added 16,400 jobs in October. That’s slightly above the normal range (12,000 to 14,000) for the month. Year-to-date, the region has created 53,700 jobs.

The region typically adds 15,000 to 30,000 jobs in November and December, which would have Houston finish the year with 63,000 to 83,000 jobs. Last December, the Partnership forecast the region would create just under 80,000 jobs if the U.S. avoided a recession. The region is on track to hit the Partnership’s forecast.

Six sectors led job growth in October—health care and social assistance, local public education, professional, scientific, and technical services, retail trade, state public education, and transportation and warehousing. As a group, they added over 19,000 jobs.

Gains were offset by losses in administrative and support services, construction, non-durable goods manufacturing, restaurants and bars, services to buildings and dwellings, and the obscure “management of enterprises” sector.

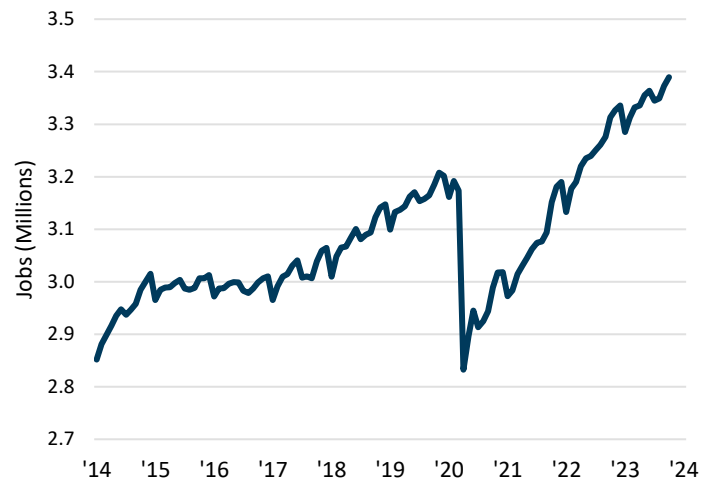
Sectors with the Greatest Gains/Losses, October '23

Sector	Jobs	Sector	Jobs
Health Care	5,500	Restaurants and Bars	-2,100
Local Public Education	5,000	Admin Services	-1,800
Retail	3,400	Construction	-1,100
Transport, Warehousing	2,700	Services to Buildings	-500
Prof, Sci, Tech Services	1,400	Mgmt of Enterprises	-400
Finance and Insurance	600	Non-Durables Mfg	-300

Source: Partnership calculations based on Texas Workforce Commission data

Total payroll employment in Houston now tops 3,389,500. Since the economy reopened in May '20, the region has added 557,000 jobs, recovering 155.0 percent of the 359,300 jobs lost early in the pandemic. Employment will likely top 3.4 million by year’s end, only to lose 40,000 to 50,000 jobs in January if the region follows the typical seasonal pattern. By late '24, employment should surpass 3.4 million again.

METRO HOUSTON PAYROLL EMPLOYMENT



Source: Texas Workforce Commission

Over the 12 months ending October '23, Houston created 76,600 jobs, which ranked sixth among the nation’s major metros, behind New York, Dallas/Fort Worth, Los Angeles, Philadelphia, and Miami.

**JOBS ADDED, MAJOR METROS
12 MONTHS ENDING OCT. '23**

Metro	Jobs	Metro	Jobs
New York	165,300	Phoenix	40,700
Dallas/Ft Worth	148,700	Chicago	39,400
Los Angeles	111,300	Tampa	37,500
Philadelphia	84,900	San Francisco	34,200
Miami	77,500	Baltimore	32,600
Houston	76,600	San Diego	26,500
Boston	73,600	Minneapolis	26,200
Atlanta	64,900	Riverside	23,100
Washington, DC	60,100	Denver	-2,100
Seattle	48,700	Detroit	-2,200

Source: Greater Houston Partnership calculations based on U.S. Bureau of Labor Statistics data

COST OF LIVING COMPARISON

Though the cost of living has increased dramatically in recent years, Houston remains one of the most affordable places to live, work, and build a business. Local living costs are 4.2 percent below the national average and well below those of the nation’s major metro areas, according to the Q3/23 *Cost of Living Index* prepared by the Council for Community and Economy Research (C2ER).

**COST OF LIVING INDEX, MAJOR U.S. METROS, Q3/23
U.S. Metro Average = 100.0**

Metro	Index	Metro	Index
New York (Brooklyn)	248.6	Philadelphia	112.9
San Francisco	194.5	Baltimore	110.1
Washington, DC	159.5	Dallas	108.5
Seattle	156.7	Minneapolis	104.9
Boston	151.7	Detroit	104.2
Los Angeles	146.6	Phoenix	101.6
San Diego	140.4	Atlanta	101.6
Chicago	123.8	Tampa	96.6
Miami	115.5	Houston	95.8
Denver	113.1	St. Louis	87.8

Source: Council for Community and Economic Research

The index reflects cost differentials based on typical purchasing patterns of professional and executive households. To create the index, prices for housing, groceries, utilities, health care, and various goods and services are gathered by volunteers, chambers of commerce, and similar organizations, then submitted to C2ER for processing. The Partnership’s research team gathered and submitted the data for metro Houston.

Lower housing expenses help hold Houston’s overall living costs below the national average. Local housing costs are 11.5 percent below the average of the 255 metros in the

Q3/23 survey. While home prices have soared in Houston, they’ve climbed across the U.S. as well. It may be more expensive to rent or own a home in Houston today compared to a year ago, but that burden is lower here than in other metros which have also seen soaring home prices.

**COST OF HOUSING INDEX, MAJOR U.S. METROS
U.S. Metro Average = 100.0**

Metro	Index	Metro	Index
San Francisco	362.2	Baltimore	122.2
New York (Brooklyn)	340.6	Philadelphia	119.5
Washington, DC	275.7	Dallas	113.7
Seattle	239.2	Phoenix	108.4
Boston	232.2	Atlanta	105.0
Los Angeles	230.1	Minneapolis	103.3
San Diego	206.6	Detroit	99.9
Chicago	163.6	Houston	88.5
Miami	142.2	Tampa	87.4
Denver	138.6	St. Louis	70.7

Source: Council for Community and Economic Research (C2ER), Cost of Living Index, '23 Q3 (Data based on a survey of 255 urban areas).

The index does not measure the burden of state and local taxes, which C2ER acknowledges are an integral part of the cost of living. Taxes and assessment procedures vary widely across states, metros, and even within metros, making it unfeasible to reliably calculate those burdens for every metro in the survey, which is why C2ER has chosen not to include them.

THE DALLAS FED SPEAKS

Retail, manufacturing, and service sector activity contracted in November, according to the *Texas Manufacturing Retail*, and *Service Sector Outlook* surveys conducted by Federal Reserve Bank of Dallas.

Retailers reported declining sales, growing inventories, a pickup in hiring, and shorter work weeks in November compared to October. Price pressures eased while wage pressures increased. Expectations for future retail growth were mixed.

Respondents in the services sector reported decreased revenues, an uptick in employment, stable workweeks, continued price pressures, and minimal wage pressures. This was the first time since December '22 that service sector activity contracted. Their expectations regarding future business activity were mixed.


Business conditions in manufacturing worsened in November, with respondents indicating that new orders, capacity utilization, shipments, and capital expenditures were down compared to prior months. Expectations regarding future manufacturing activity were also mixed.


**CHANGE IN TEXAS BUSINESS CONDITIONS
NOVEMBER '23 v. OCTOBER '23**


Sales/New Orders	% of Respondents Reporting an . . .		
	Increase	Decrease	No Change
Retail	24.0	35.6	40.5
Services	24.1	26.5	49.5
Manufacturing	19.9	40.4	39.7
Employment			
Retail	13.0	7.6	79.4
Services	16.3	10.6	73.1
Manufacturing	21.6	16.6	61.7
Hours Worked			
Retail	7.3	12.0	80.7
Services	6.9	7.8	85.3
Manufacturing	15.3	20.8	63.9
Capital Expenditures			
Retail	11.6	16.9	71.5
Services	15.8	11.7	72.6
Manufacturing	22.2	18.0	59.8
General Business Conditions			
	Improved	Worsening	No Change
Retail	17.0	28.8	54.2
Services	14.4	26.0	59.6
Manufacturing	12.2	32.1	55.7


Note: Percentages may not sum to 100 due to rounding.
Source: Federal Reserve Bank of Dallas

Key Economic Indicators

 **Aviation** — The Houston Airport System handled 59.5 million passengers in the 12 months ending October '23, up 11.2 percent from 53.5 million over the comparable period in '22. Traffic this October was only 0.1 percent below October of '19.

 **Construction** — The City of Houston issued \$6.145 billion in building permits through the first nine months of '23, down 5.7 percent from \$6.519 billion over the comparable period in '22. Adjusted for inflation, total permits are down 9.1 percent.

 **Energy** — The Energy Information Administration forecasts global crude output to increase by 1.0 million barrels per day in '24. Ongoing OPEC+ production cuts will offset growth from non-OPEC countries and help maintain a relatively balanced global oil market next year.

 **Home Sales** — Houston home sales fell below pre-pandemic levels in October. Prices drifted downward, registering year-over-year declines for the ninth consecutive month. Despite high interest rates, more owners listed their homes for sale, nudging inventories to the highest level in four years.



Inflation — Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), rose 3.7 percent nationwide in the 12 months ending September '23. On a monthly basis, U.S. consumer prices rose 0.4 percent after increasing 0.6 percent in August.



Purchasing Managers Index — The level of economic activity in Houston was relatively unchanged in October. Manufacturing contracted at a moderately faster pace and nonmanufacturing expanded slowly. The overall PMI rose 0.5 points to 49.9 in October, up from 49.4 in September. Readings above 50 indicates overall expansion of the economy, below 50, contraction. October's 49.9 reading indicates overall activity was flat.



Unemployment — The unemployment rates for metro Houston and Texas fell in October while the U.S. rate held steady. Houston's rate slipped from 4.4 percent in September to 4.1 percent in October, Texas' rate from 4.1 percent to 3.8 percent, and the U.S. rate remained flat at 3.6 percent.



Vehicle Sales — Houston-area auto dealers sold 302,951 cars, trucks, and SUVs through the first ten months of '23, a 14.7 percent increase over the 264,140 sold during the comparable period in '22. Sales have surpassed pre-COVID levels but remain short of the Fracking Boom peak.

Patrick Jankowski and Clara Richardson 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)

	October 23	September 23	October 22	Change from		% Change from	
				September 23	October 22	September 23	October 22
Total Nonfarm Payroll Jobs	3,389.5	3,373.1	3,312.9	16.4	76.6	0.5	2.3
<i>Total Private</i>	<i>2,935.7</i>	<i>2,925.7</i>	<i>2,868.5</i>	<i>10.0</i>	<i>67.2</i>	<i>0.3</i>	<i>2.3</i>
<i>Goods Producing</i>	<i>522.9</i>	<i>523.3</i>	<i>523.3</i>	<i>-0.4</i>	<i>-0.4</i>	<i>-0.1</i>	<i>-0.1</i>
<i>Service Providing</i>	<i>2,866.6</i>	<i>2,849.8</i>	<i>2,789.6</i>	<i>16.8</i>	<i>77.0</i>	<i>0.6</i>	<i>2.8</i>
<i>Private Service Providing</i>	<i>2,412.8</i>	<i>2,402.4</i>	<i>2,345.2</i>	<i>10.4</i>	<i>67.6</i>	<i>0.4</i>	<i>2.9</i>
Mining and Logging	70.4	70.1	67.2	0.3	3.2	0.4	4.8
Oil & Gas Extraction	29.8	29.7	29.1	0.1	0.7	0.3	2.4
Support Activities for Mining	38.9	38.7	36.5	0.2	2.4	0.5	6.6
Construction	217.5	218.6	229.0	-1.1	-11.5	-0.5	-5.0
Manufacturing	235.0	234.6	227.1	0.4	7.9	0.2	3.5
Durable Goods Manufacturing	146.1	145.4	138.9	0.7	7.2	0.5	5.2
Nondurable Goods Manufacturing	88.9	89.2	88.2	-0.3	0.7	-0.3	0.8
Wholesale Trade	179.4	179.2	175.0	0.2	4.4	0.1	2.5
Retail Trade	322.9	319.5	316.8	3.4	6.1	1.1	1.9
Transportation, Warehousing and Utilities	199.8	197.1	189.2	2.7	10.6	1.4	5.6
Utilities	20.8	20.5	20.0	0.3	0.8	1.5	4.0
Air Transportation	20.8	20.7	19.6	0.1	1.2	0.5	6.1
Truck Transportation	31.6	31.3	31.0	0.3	0.6	1.0	1.9
Pipeline Transportation	13.2	13.1	12.6	0.1	0.6	0.8	4.8
Information	33.4	33.1	32.9	0.3	0.5	0.9	1.5
Telecommunications	11.9	11.8	11.9	0.1	0.0	0.8	0.0
Finance & Insurance	117.1	116.5	115.3	0.6	1.8	0.5	1.6
Real Estate & Rental and Leasing	71.9	71.6	68.4	0.3	3.5	0.4	5.1
Professional & Business Services	561.0	561.7	551.7	-0.7	9.3	-0.1	1.7
Professional, Scientific & Technical Services	277.0	275.6	266.1	1.4	10.9	0.5	4.1
<i>Legal Services</i>	<i>33.2</i>	<i>32.8</i>	<i>31.5</i>	<i>0.4</i>	<i>1.7</i>	<i>1.2</i>	<i>5.4</i>
<i>Accounting, Tax Preparation, Bookkeeping</i>	<i>28.6</i>	<i>28.6</i>	<i>27.6</i>	<i>0.0</i>	<i>1.0</i>	<i>0.0</i>	<i>3.6</i>
<i>Architectural, Engineering & Related Services</i>	<i>78.7</i>	<i>77.5</i>	<i>71.4</i>	<i>1.2</i>	<i>7.3</i>	<i>1.5</i>	<i>10.2</i>
<i>Computer Systems Design & Related Services</i>	<i>44.1</i>	<i>44.0</i>	<i>42.3</i>	<i>0.1</i>	<i>1.8</i>	<i>0.2</i>	<i>4.3</i>
Admin & Support/Waste Mgt & Remediation	237.5	239.2	240.1	-1.7	-2.6	-0.7	-1.1
<i>Administrative & Support Services</i>	<i>223.3</i>	<i>225.1</i>	<i>227.1</i>	<i>-1.8</i>	<i>-3.8</i>	<i>-0.8</i>	<i>-1.7</i>
<i>Employment Services</i>	<i>85.4</i>	<i>85.5</i>	<i>90.0</i>	<i>-0.1</i>	<i>-4.6</i>	<i>-0.1</i>	<i>-5.1</i>
Private Educational Services	73.9	73.5	72.6	0.4	1.3	0.5	1.8
Health Care & Social Assistance	386.1	380.6	362.8	5.5	23.3	1.4	6.4
Arts, Entertainment & Recreation	40.9	40.8	36.3	0.1	4.6	0.2	12.7
Accommodation & Food Services	307.0	309.3	304.7	-2.3	2.3	-0.7	0.8
Other Services	119.4	119.5	119.5	-0.1	-0.1	-0.1	-0.1
Government	453.8	447.4	444.4	6.4	9.4	1.4	2.1
Federal Government	33.6	33.6	32.7	0.0	0.9	0.0	2.8
State Government	96.3	95.2	94.5	1.1	1.8	1.2	1.9
<i>State Government Educational Services</i>	<i>54.7</i>	<i>53.6</i>	<i>53.9</i>	<i>1.1</i>	<i>0.8</i>	<i>2.1</i>	<i>1.5</i>
Local Government	323.9	318.6	317.2	5.3	6.7	1.7	2.1
<i>Local Government Educational Services</i>	<i>225.5</i>	<i>220.5</i>	<i>220.8</i>	<i>5.0</i>	<i>4.7</i>	<i>2.3</i>	<i>2.1</i>

SOURCE: Texas Workforce Commission