

THE ECONOMY AT A GLANCE

HOUSTON



GREATER HOUSTON
PARTNERSHIP.
Making Houston Greater.

A publication of the Greater Houston Partnership

Volume 32 Number 7 – July 2024

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MID-YEAR UPDATE

Houston’s economy has performed well so far this year. For example:

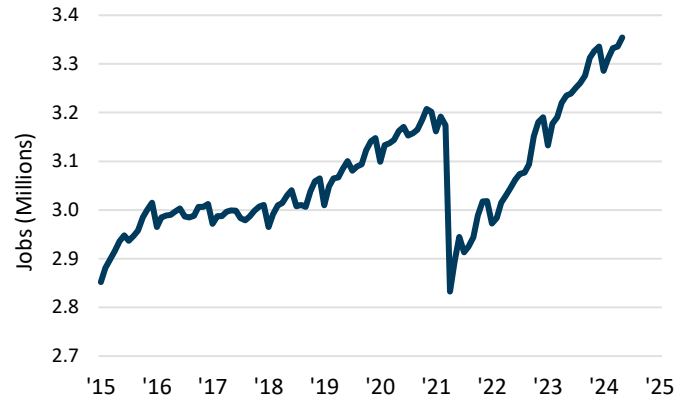
- Payroll employment set a record in May, though the running 12-month total is trending down.
- The unemployment rate continues to track below the long-term average and claims for benefits are holding steady.
- Crude trades higher than it did this time last year, but fewer drilling rigs are operating.
- Readings from the Houston Purchasing Managers Index (PMI) suggest the economy is growing but at a much weaker pace than two years ago.
- Houston’s exports are rising, a trend that should continue based on recent global trade forecasts.
- Construction has picked up, both inside the City of Houston and in the suburbs.
- Inflation has tapered off considerably since last year.
- Airport traffic is setting records.
- Home prices have stabilized.
- The market continues to absorb Class A apartments, but rents have fallen as new supply outpaces demand.
- Sales tax collections are flat in nominal terms and down when adjusted for inflation.
- New vehicle sales are down slightly and this has halted the recent runup in prices.

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

PAYROLL EMPLOYMENT

Metro Houston added 16,100 jobs in May. Total nonfarm payroll employment now stands at 3,452,600, which is 10,500 jobs over the previous record set in December ’23.

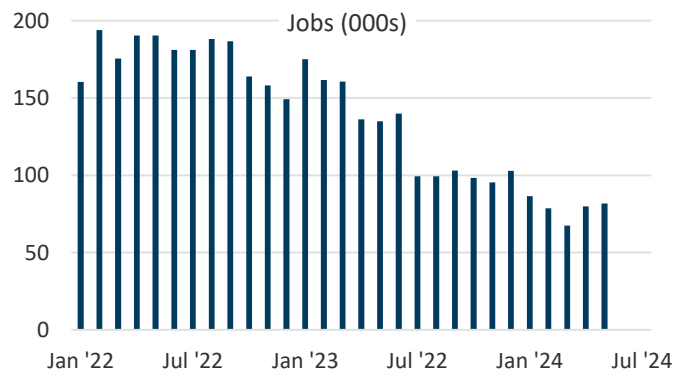
METRO HOUSTON PAYROLL EMPLOYMENT



Source: Texas Workforce Commission

However, the pace of job growth has slowed. The metro area created 81,700 jobs in the 12 months ending May ’24. That compares with 135,000 for the comparable period in ’23. The region benefited from reopening early in the pandemic. After the initial hiring surge, a slowdown in job growth was expected. Recent gains still track above the long-term average of 70,000 jobs per year.

12-MONTH CHANGE IN HOUSTON EMPLOYMENT



Source: U.S. Bureau of Labor Statistics

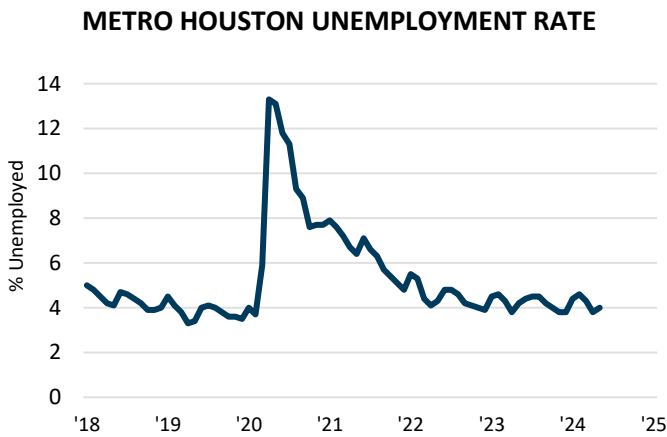
CIVILIAN LABOR FORCE

Metro Houston added 38,000 workers to its labor force in the first five months of the year. Over the past 12 months, 86,000 Houstonians have joined the ranks. The surge includes young adults seeking their first job, long-time Houstonians re-entering the labor market, and residents

new to the region looking for work. In May, Houston’s labor force stood just shy of 3.7 million workers. The metro area now has a larger workforce than 36 states and the District of Columbia.

UNEMPLOYMENT

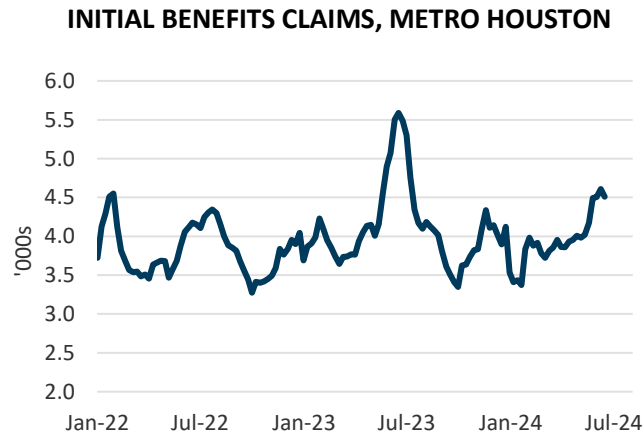
Houston saw a brief surge in unemployment earlier in the year, the rate reaching 4.6 percent in February. That reflected a seasonal pattern, the rate always rises 0.5 to 0.8 percentage points as workers hired for the holidays face layoffs in January and February. The rate has since settled to 4.0 percent this May, compared to 4.2 percent in May of last year. Over the past 20 years, the rate has tracked 4.0 percent or lower only 26 months, or less than 11 percent of the time.



Source: Texas Workforce Commission

INITIAL CLAIMS

Initial claims for unemployment benefits, a proxy for layoffs, have crept up. In January, they averaged 3,500 a week. Late May and early June, they averaged 4,500. Current filings are still below this time last year, when initial claims averaged 5,200 a week, and well below the pandemic peak of 65,000 in late April '20.



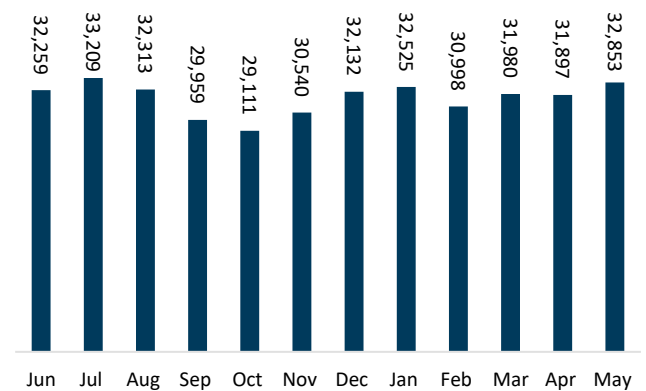
Source: Texas Workforce Commission

The recent uptick reflects a seasonal pattern. Claims creep up every summer as educators whose contracts have expired file for benefits. This summer’s filings account for 0.12 percent of the region’s 3.7 million workers.

CONTINUED CLAIMS

Continued claims filed by workers unemployed for a week or more inched up in May and are 4,300 higher than May '23. However, continued claims remain well below the peak of 276,000 in July '20. The recent bump suggests that workers who lose their jobs are experiencing some difficulty, albeit minor, in finding new employment.

CONTINUED CLAIMS, JUN '23 – MAY '24
Gulf Coast WDA*

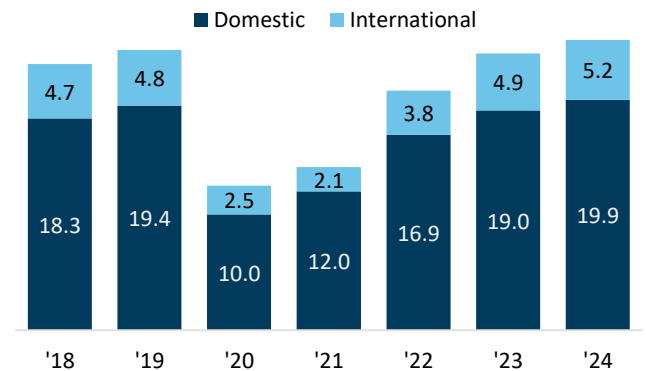


* The Gulf Coast Workforce Development Area includes metro Houston plus Colorado, Matagorda, and Wharton Counties.
Source: Texas Workforce Commission

AVIATION

The Houston Airport System (HAS) handled 25.1 million passengers through the first five months of the year, up 5.5 percent from the comparable period in '23. Passenger traffic has surpassed pre-pandemic levels. HAS handled 60.1 million passengers in '23 and should easily surpass 62 million passengers in '24.

HOUSTON AIR PASSENGERS, MAY YTD*, MILLIONS



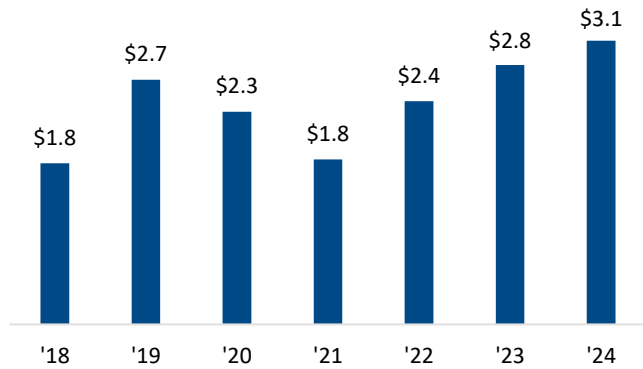
Source: Houston Airport System

Several factors explain the surge. The strong local economy means more Houstonians have the financial wherewithal to travel. Consumers continue to shift from spending on “things” to spending on “experiences.” The slow return of workers to the office has boosted the demand for business travel. Air fares on average are down 5.9 percent compared to June '23. United Airlines, one of the two carriers which dominate the Houston market, continues to add capacity by replacing smaller jets with larger jets.

CONSTRUCTION

City of Houston building permits are up \$268 million (19.5 percent) April YTD compared to last year. Adjusted for inflation, they're up 5.9 percent.

CITY OF HOUSTON BUILDING PERMITS
April YTD, Nominal Dollars, Billions*



Source: Partnership calculations based on City of Houston reports and adjusted using the Consumer Price Index (CPI)

Contract awards, an indicator of future activity, suggest the construction sector has found new strength. For the ten-county metro area, they're up \$7.6 billion (64.3 percent) from last year before adjusting for inflation.

CONSTRUCTION AWARDS, METRO HOUSTON, MAY YTD

	\$ Billions		Change, '23 – '24	
	'24 YTD	'23 YTD	\$ Billions	%
Non-Residential	9.2	4.3	4.8	111.9
Residential	7.1	4.8	2.3	48.9
Non-Building	3.1	2.7	0.4	15.3
Total	19.4	11.8	7.6	64.3

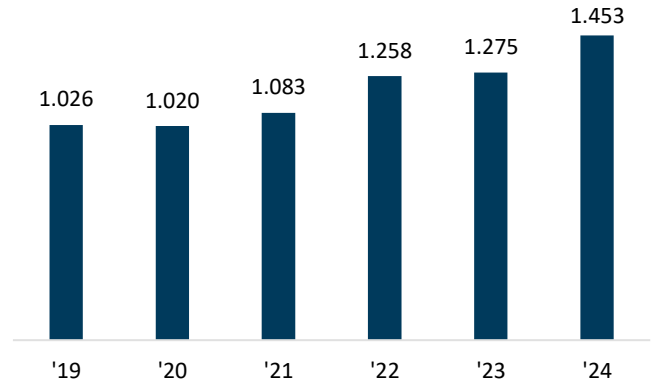
Note: Number may not sum evenly due to rounding.
Source: Dodge Data & Analytics

Activity is up despite higher interest rates and tighter lending standards. Over half of all recent contracts have been for projects in Harris County. Fort Bend garnered the second greatest share of the work, followed by Montgomery. The three comprised 85 percent of all construction activity in the region. The remaining 15 percent was dispersed among the seven other counties.

CONTAINER TRAFFIC

The Port of Houston handled nearly 1.4 million loaded containers over the first five months of '24, up 13.9 percent compared to the same period last year. The port is on track to handle nearly 3.4 million containers this year, which would be a record for the region.

PORT OF HOUSTON CONTAINER TRAFFIC
Loaded Containers, Millions, May YTD



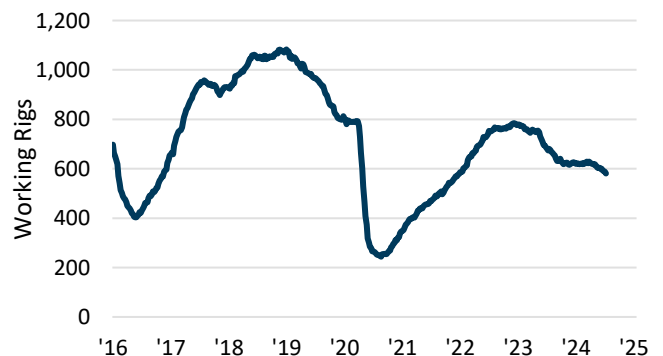
Source: Port of Houston Authority

Imports accounted for 55.3 percent of loaded containers handled by the port, exports for 44.7 percent. The top containerized imports by value were industrial machinery, electrical machinery, furniture, plastics, and steel. The top containerized exports were chemicals, electrical machinery, industrial machinery, plastics, autos and auto parts.

ENERGY

The Baker Hughes count of drilling rigs active in the U.S. slipped to 581 the last week of June, down from 674 the same week in June '23. Given increases in well productivity and the industry's focus on capital discipline, the U.S. is unlikely to see any significant increase in drilling activity this year.

BAKER HUGHES DOMESTIC RIG COUNT



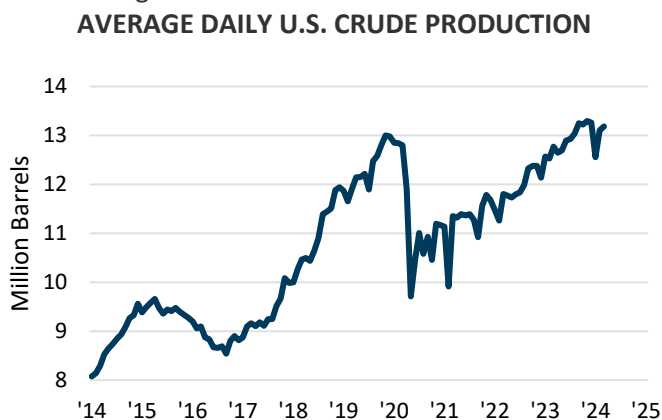
Source: Baker Hughes

West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, traded between \$73 and \$83 per barrel in June. Last June, WTI traded for \$67 to \$73 per barrel. Prices have fallen significantly from two years ago when Russia's invasion of Ukraine raised concerns about the global oil supplies and sent prices above \$120 per barrel.



Source: U.S. Energy Information Administration

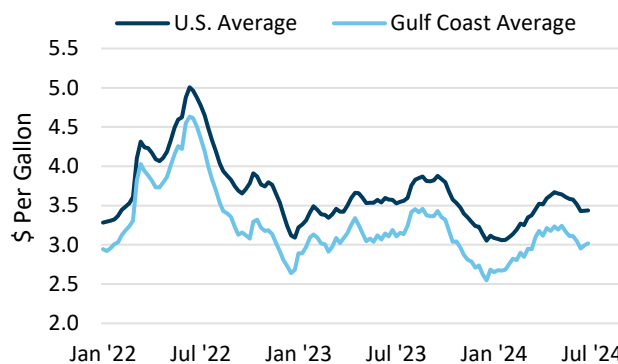
U.S. crude production totaled 13.18 million barrels per day (b/d) in March (latest data available), down marginally from the November '23 peak of 13.30 million barrels. EIA forecasts U.S. production will average 13.24 million b/d in '24 and 13.70 million b/d in '25. The Permian Basin, Eagle Ford Sale region, and the Gulf of Mexico will account for most of the growth.



Source: U.S. Energy Information Administration

In mid-June, the retail price of gasoline was \$3.43 per gallon nationwide and \$3.00 per gallon on the Gulf Coast. That's down from \$3.58 and \$3.11, respectively, last year. Prices have fallen considerably since June '22 when concerns over Russia's invasion of Ukraine drove up feedstock costs, which account for 57 percent of the price of a gallon of gasoline. Refining costs account for 18 percent, state and federal taxes account for 13 percent, and distribution and market costs for 12 percent. EIA forecasts the U.S. average to peak at \$3.52 per gallon in July and trend down through the end of the year.

RETAIL GASOLINE PRICES

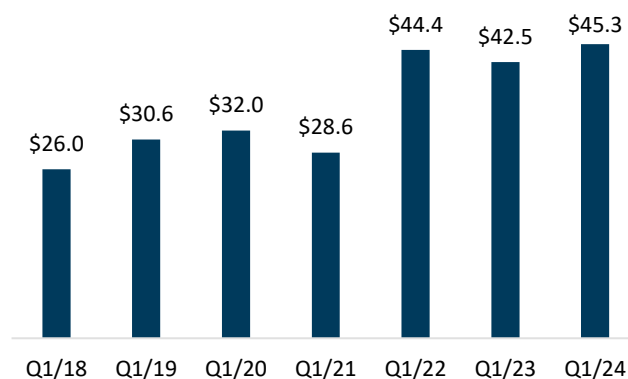


Source: U.S. Energy Information Administration

EXPORTS

Commodity prices have ticked up and global growth proved stronger than forecast this time last year, helping to lift Houston exports. In nominal terms, exports are up 6.6 percent. Adjusted for inflation, they're up 3.1 percent.

METRO HOUSTON EXPORTS, BILLIONS



Source: U.S. Census Bureau

The data comes from the U.S. Census Bureau's Origin of Movement (OM) series, which reflects where a good or commodity began its export journey, not the port from where it was shipped.

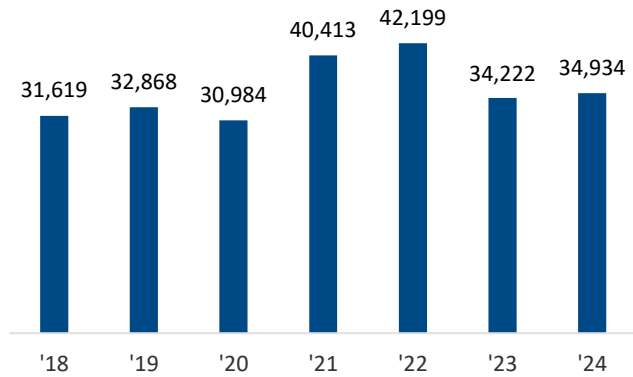
Houston's leading exports are chemicals, computers and peripheral equipment, crude, fabricated metal products, fuels and refined products, plastics, oil field equipment, synthetic rubber, and energy-related activities. The top export destinations for Houston's exports are Brazil, Canada, China, Japan and Mexico.

The World Trade Organization (WTO) forecasts merchandise trade to grow 2.6 percent in '24 and 3.3 percent in '25. The International Monetary Fund (IMF) is more optimistic, forecasting global trade to grow 3.0 percent in '24 and 3.3 percent in '25. Both forecasts bode well for those sectors of Houston's economy that depend on global trade.

HOME SALES

Brokers closed nearly 35,000 single-family homes in the first five months of '24, a 2.1 percent increase over last year and a more sustainable pace than the market experienced in '21 and '22.

SINGLE-FAMILY CLOSINGS, HOUSTON AREA, MAY YTD

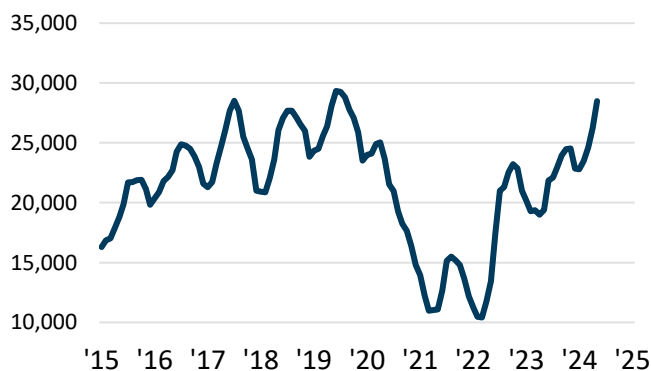


Source: Houston Association of Realtors

Home prices are up marginally compared to last year. The median price of a single-family home was \$345,000 in May, a \$5,000 bump (1.5 percent) over May '23. During the height of the sales boom, prices rose between 15 and 20 percent annually. The median-priced home now sells for nearly \$100,000 more than it did five years ago.

Inventory levels have improved dramatically. There were 28,481 single-family homes for sale through the Houston Association of Realtors Multiple Listing Service (MLS) in May, up 48.6 percent over last year. Listings are up 175 percent from their low point of 10,412 in May '22.

LISTINGS, SINGLE-FAMILY HOMES, METRO HOUSTON



Source: Houston Association of Realtors

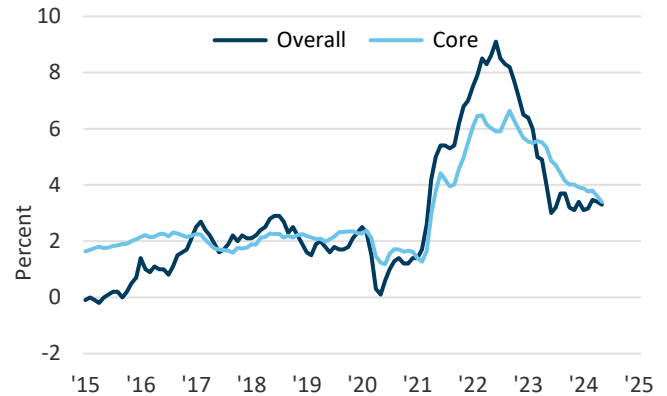
May's listings translate into 4.0 months of inventory, up from 2.7 months last May. That's how long it will take to deplete current inventory based on the prior 12 months' sales activity. A 3.5- to 4.0-month supply is considered a balanced market, where neither seller nor buyer has an

advantage. Inventory was at its lowest in March of '22 when there was only a 1.1-month supply.

INFLATION

Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), was flat in April and up 3.3 percent nationwide in the 12 months ending May '24. Core inflation, which excludes the volatile food and energy categories, rose 0.2 percent from April and 3.4 percent over the year. The CPI numbers are not seasonally adjusted.

U.S. INFLATION RATE



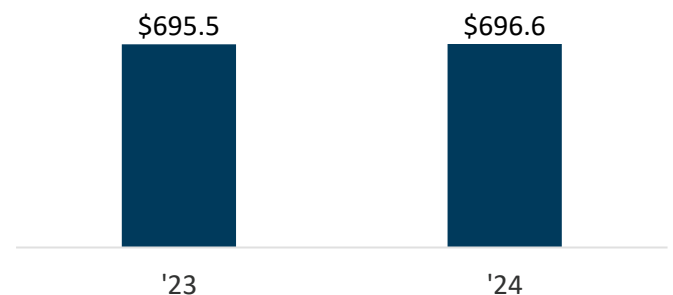
Source: U.S. Bureau of Labor Statistics

The Federal Reserve's preferred inflation indicator, the core Personal Consumption Expenditures price index, which excludes food and energy components, rose less than 0.1 percent in May and only 2.6 percent over the year. This is closer to the Fed's inflation target of 2.0 percent, which raises hope that the bank will lower interest rates later in the year.

SALES AND USE TAX COLLECTIONS

Sales and use tax collections in the 121 Houston-area cities that collect the tax were up 0.2 percent in Q1/24 compared to Q1/23 but down 3.5 percent after adjusting for inflation.

SALES AND USE TAX COLLECTIONS, MARCH YTD Metro Houston Cities, \$ Millions



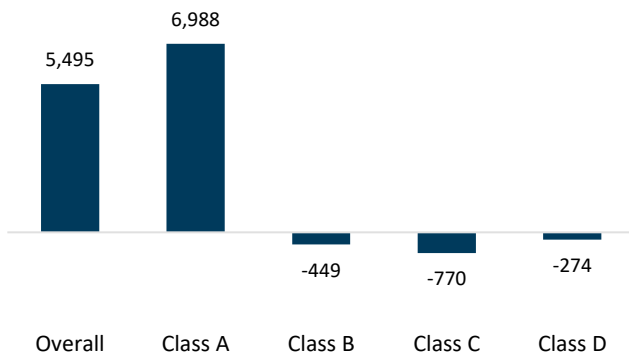
Source: Partnership calculations based on Texas State Comptroller data.

Collections are a proxy for economic activity in the region. Both businesses and consumers pay sales taxes on their purchases and the pace of collections tends to track the business cycle. The recent drop in collections (after adjusting for inflation) suggests some weakness in local spending.

MULTIFAMILY

The health of Houston’s multifamily market has changed little from last year. The region continues to absorb Class A units, i.e., the newest apartments with the highest levels of amenities, while Class B, C, and D properties shed tenants. The latter are weighing on overall absorption.

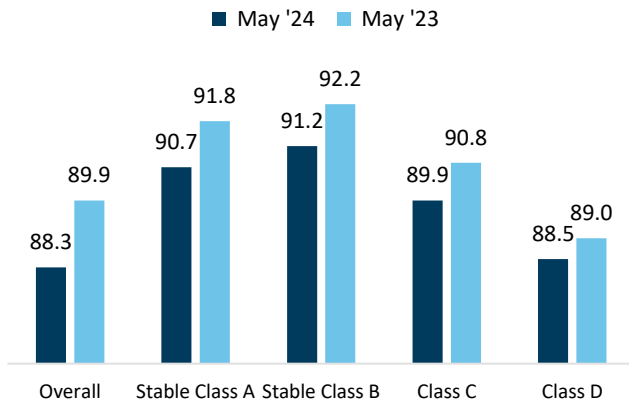
APARTMENT UNITS ABSORBED, MAY YTD



Source: MRI Apartment Data

Occupancy across all classes has trended down over the past two years, shifting Houston from a landlord friendly to a tenant friendly market.

HOUSTON APARTMENT OCCUPANCY BY CLASS - %



Source: MRI Apartment Data

Rents typically appreciate 4.0 percent per year in Houston. But overbuilding has thrown more units onto the market than can be absorbed. This has placed downward pressure on rents across all property types.

AVERAGE MONTHLY RENT, METRO HOUSTON

Property Type	May '24	May '23	Change
Class A	1,743	1,788	-\$45
Class B	1,265	1,279	-\$14
Class C	988	990	-\$2
Class D	764	774	-\$10

Source: MRI Apartment Data

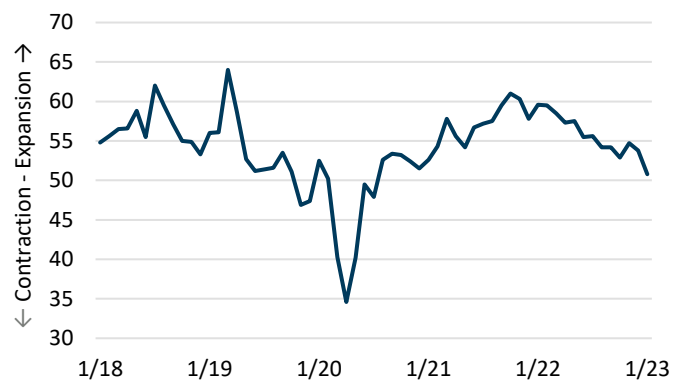
Rents will continue to fall as developers overbuild. Roughly 19,000 apartment units, virtually all Class A, were under construction as of June 1. Another 33,000 were proposed or in the planning stages. An industry rule of thumb holds that Houston absorbs one apartment unit for every six jobs created. At the current pace of construction, Houston will need to create roughly 114,000 jobs to absorb what’s currently under construction. The Partnership’s forecast calls for Houston to create half that many jobs (57,000) this year.

PURCHASING MANAGERS INDEX

The Houston Purchasing Managers Index (PMI) shows that Houston’s economy continues to grow but at a much slower pace than two years ago. Readings above 50 indicate overall expansion in Houston’s economy, below 50, contraction. In May ’22, the Houston PMI was at 57.5. This May, the PMI was at 51.1.

On a sector basis, this May’s manufacturing PMI slipped from 49.2 to 46.6. The non-manufacturing PMI rose from 50.5 to 52.0.

HOUSTON PURCHASING MANAGERS INDEX



Source: Institute for Supply Management-Houston

The three indicators with the strongest positive correlation with economic expansion registered above 50 in May. However, they were marginally above 50, suggesting weaker growth ahead. Sales/new orders slipped from 54.1 to 50.1. Lead times rose from 48.4 to 50.3. Employment jumped from 48.1 to 52.4.

On an industry-specific basis, construction and professional and business services reported modest to strong expansion in May. Oil and gas along with durable goods manufacturing continue to report significant weakness. All other sectors came in near neutral.

CUSTOMS DISTRICT TRAFFIC

Trade through the four Houston-area seaports—Freeport, Galveston, Houston, and Texas City—was valued at \$89.7 billion through April '24 (latest data available), a 2.4 percent increase from \$87.6 billion over the comparable period in '23.

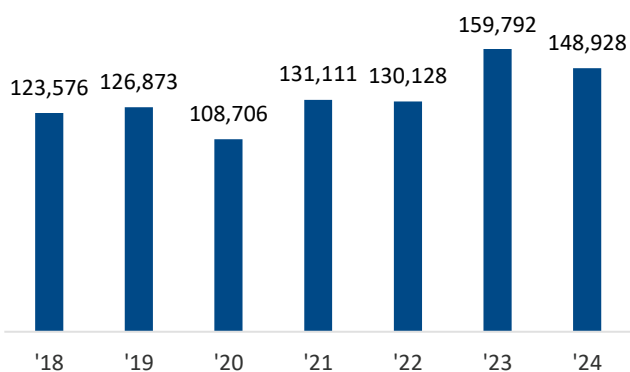
- Exports totaled \$52.8 billion, up 10.4 percent.
- Imports totaled \$36.9 billion, down 7.2 percent.

Year to date, Houston has exported more crude, plastics, and organic chemicals and imported small volumes of crude, steel and organic chemicals than it did last year.

VEHICLES

Houston-area dealers sold 148,928 new cars, trucks, and SUVs in the first five months of '24, a 6.8 percent drop from the 159,792 sold over the comparable period in '23, according to TexAuto Facts, published by InfoNation, Inc.

METRO HOUSTON NEW VEHICLE SALES



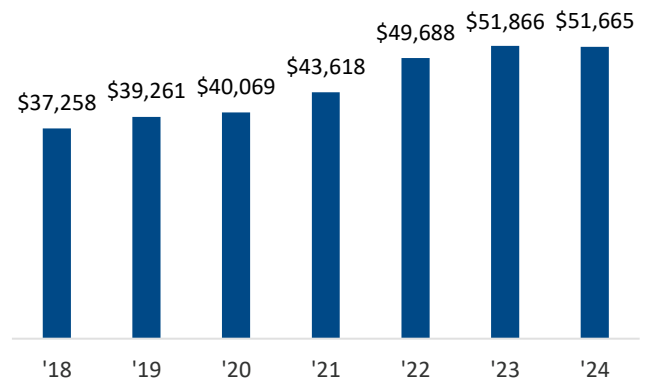
Source: TexAuto Facts Report by InfoNation

Vehicle prices in Houston are down slightly from this time last year.

- The average retail price in May was \$51,665, down 0.4 percent from \$51,866 last year.
- The average for a new car was \$41,056, down 2.9 percent from \$42,291 in May '23.
- The average for a new truck/SUV was \$54,639, down 0.4 percent from \$54,852 last year.

Trucks and sport utility vehicles dominate the market, accounting for 78.9 percent of all new vehicles sold in May, cars accounted for 21.1 percent.

AVERAGE MAY SALES PRICE, ALL VEHICLE TYPES



Source: TexAuto Facts Report by InfoNation

SAVE THE DATE

Mark your calendars for Wednesday, August 7, when the Partnership releases *Houston Facts*, its catalog of answers to the most frequently asked questions about Houston. The publication covers in detail Houston's demographics, the local economy, key industrial sectors, government, education, infrastructure, communications and media, and life in Houston.

Partnership Chief Economist Patrick Jankowski 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](#).

Patrick Jankowski, Clara Richardson, and Leta Wauson 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](#).

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The Partnership sends updates for the most important economic indicators each month. If you would like to opt-in to receive these updates, please click [here](#).

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)

	May 24	April 24	May 23	Change from		% Change from	
				April 24	May 23	April 24	May 23
Total Nonfarm Payroll Jobs	3,452.6	3,436.5	3,370.9	16.1	81.7	0.5	2.4
<i>Total Private</i>	<i>2,989.1</i>	<i>2,973.7</i>	<i>2,924.4</i>	<i>15.4</i>	<i>64.7</i>	<i>0.5</i>	<i>2.2</i>
<i>Goods Producing</i>	<i>549.3</i>	<i>544.8</i>	<i>534.6</i>	<i>4.5</i>	<i>14.7</i>	<i>0.8</i>	<i>2.7</i>
<i>Service Providing</i>	<i>2,903.3</i>	<i>2,891.7</i>	<i>2,836.3</i>	<i>11.6</i>	<i>67.0</i>	<i>0.4</i>	<i>2.4</i>
<i>Private Service Providing</i>	<i>2,439.8</i>	<i>2,428.9</i>	<i>2,389.8</i>	<i>10.9</i>	<i>50.0</i>	<i>0.4</i>	<i>2.1</i>
Mining and Logging	71.9	71.2	70.2	0.7	1.7	1.0	2.4
Oil & Gas Extraction	32.3	31.7	31.1	0.6	1.2	1.9	3.9
Support Activities for Mining	38.3	38.1	37.7	0.2	0.6	0.5	1.6
Construction	239.8	237.0	231.4	2.8	8.4	1.2	3.6
Manufacturing	237.6	236.6	233.0	1.0	4.6	0.4	2.0
Durable Goods Manufacturing	171.2	171.2	171.2	0.0	0.0	0.0	0.0
Nondurable Goods Manufacturing	88.1	87.9	88.8	0.2	-0.7	0.2	-0.8
Wholesale Trade	179.4	179.1	177.1	0.3	2.3	0.2	1.3
Retail Trade	317.0	317.0	318.3	0.0	-1.3	0.0	-0.4
Transportation, Warehousing and Utilities	191.5	188.5	188.2	3.0	3.3	1.6	1.8
Utilities	23.1	23.1	21.5	0.0	1.6	0.0	7.4
Air Transportation	22.6	22.6	22.2	0.0	0.4	0.0	1.8
Truck Transportation	30.1	30.0	30.5	0.1	-0.4	0.3	-1.3
Pipeline Transportation	14.2	14.1	13.5	0.1	0.7	0.7	5.2
Information	32.6	32.5	33.5	0.1	-0.9	0.3	-2.7
Telecommunications	11.3	11.4	11.5	-0.1	-0.2	-0.9	-1.7
Finance & Insurance	120.8	120.4	118.3	0.4	2.5	0.3	2.1
Real Estate & Rental and Leasing	66.8	66.8	67.6	0.0	-0.8	0.0	-1.2
Professional & Business Services	561.2	561.0	554.4	0.2	6.8	0.0	1.2
Professional, Scientific & Technical Services	277.9	279.0	272.6	-1.1	5.3	-0.4	1.9
<i>Legal Services</i>	<i>32.2</i>	<i>32.1</i>	<i>31.1</i>	<i>0.1</i>	<i>1.1</i>	<i>0.3</i>	<i>3.5</i>
<i>Accounting, Tax Preparation, Bookkeeping</i>	<i>28.7</i>	<i>29.8</i>	<i>29.5</i>	<i>-1.1</i>	<i>-0.8</i>	<i>-3.7</i>	<i>-2.7</i>
<i>Architectural, Engineering & Related Services</i>	<i>75.4</i>	<i>75.5</i>	<i>72.1</i>	<i>-0.1</i>	<i>3.3</i>	<i>-0.1</i>	<i>4.6</i>
<i>Computer Systems Design & Related Services</i>	<i>40.9</i>	<i>41.1</i>	<i>42.4</i>	<i>-0.2</i>	<i>-1.5</i>	<i>-0.5</i>	<i>-3.5</i>
Admin & Support/Waste Mgt & Remediation	236.4	235.4	235.2	1.0	1.2	0.4	0.5
<i>Administrative & Support Services</i>	<i>223.5</i>	<i>222.5</i>	<i>222.5</i>	<i>1.0</i>	<i>1.0</i>	<i>0.4</i>	<i>0.4</i>
<i>Employment Services</i>	<i>80.7</i>	<i>80.1</i>	<i>83.5</i>	<i>0.6</i>	<i>-2.8</i>	<i>0.7</i>	<i>-3.4</i>
Private Educational Services	74.4	75.8	71.5	-1.4	2.9	-1.8	4.1
Health Care & Social Assistance	393.2	392.9	374.9	0.3	18.3	0.1	4.9
Arts, Entertainment & Recreation	41.9	40.6	41.0	1.3	0.9	3.2	2.2
Accommodation & Food Services	326.6	321.6	319.4	5.0	7.2	1.6	2.3
Other Services	134.4	132.7	125.6	1.7	8.8	1.3	7.0
Government	463.5	462.8	446.5	0.7	17.0	0.2	3.8
Federal Government	34.2	34.5	33.2	-0.3	1.0	-0.9	3.0
State Government	97.5	97.3	94.0	0.2	3.5	0.2	3.7
<i>State Government Educational Services</i>	<i>53.3</i>	<i>53.3</i>	<i>52.0</i>	<i>0.0</i>	<i>1.3</i>	<i>0.0</i>	<i>2.5</i>
Local Government	331.8	331.0	319.3	0.8	12.5	0.2	3.9
<i>Local Government Educational Services</i>	<i>230.1</i>	<i>230.1</i>	<i>220.9</i>	<i>0.0</i>	<i>9.2</i>	<i>0.0</i>	<i>4.2</i>

SOURCE: Texas Workforce Commission