THE ECONOMY AT A GLANCE
HOUSTON

GREATER HOUSTON PARTNERSHIP
Making Houston Greater.

A publication of the Greater Houston Partnership Volume 32 Number 2 – February 2024

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LOOKING BACK AT ’23 - U.S. OVERVIEW

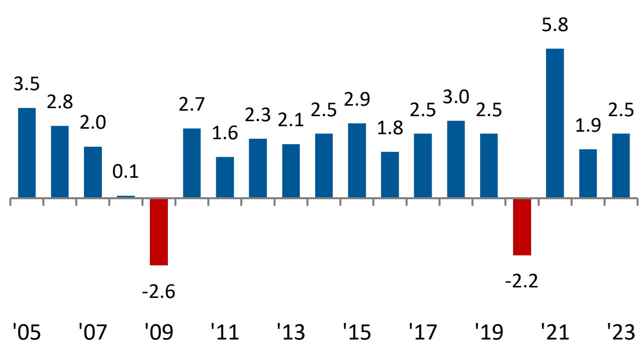
Economic data for ’23 continue to stream in. GDP grew at a healthy pace. Job growth remained strong. Unemployment tracked at historic lows. Labor shortages prevailed. Inflation trended down. Consumer confidence picked up. And the U.S. Federal Reserve paused interest rate hikes.

Gross Domestic Product

Gross domestic product (GDP), the broadest measure of the nation’s economic health, grew 2.5 percent in ’23, adjusted for inflation. If one excludes the boom years (’04, ’05, ’21) and the bust years (’08, ’09, ’20), GDP growth in ’23 was slightly above the 20-year average (2.4 percent).

The year finished strong. U.S. real GDP grew 4.9 percent in Q3/23 and 3.3 percent in Q4/23. Early indications suggest growth has accelerated. As this newsletter went to press, the Atlanta Fed estimated that real GDP was growing at a 4.2 percent annual rate. The official estimate of first quarter GDP won’t be released until late April.

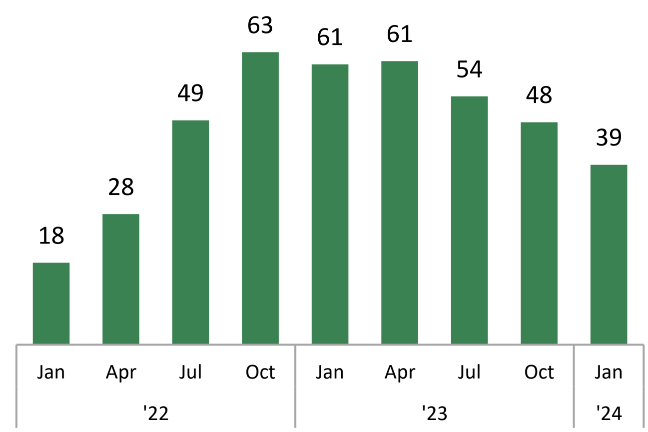
ANNUAL PERCENT CHANGE, U.S. REAL GDP



Source: U.S. Bureau of Economic Analysis

Forecasters have grown more upbeat about the nation’s outlook. This time last year, over half the respondents to a National Association for Business Economics survey put the likelihood of a U.S. recession over the next 12 months at better than 50-50. In a January ’24 survey, only nine percent placed the odds of a recession over the next 12 months that high. Likewise, The Wall Street Journal’s January ’24 survey of economic forecasters placed the probability of a recession in the next 12 months at 39 percent. In October ’22, the group placed the likelihood at just over 63 percent.

% PROBABILITY OF A RECESSION IN THE NEXT 12 MONTHS



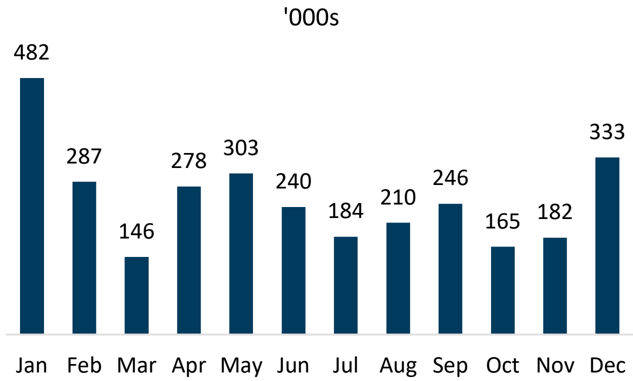
Source: *The Wall Street Journal*

Employment

The nation created 2.7 million jobs in ’23, the fifth-best year of the past two decades. Growth slowed in the fall but picked up in December to finish the year strong. Seasonally adjusted, payroll employment stood at 157.2 million as ’23 closed. The U.S. has 4.8 million more jobs now than it did prior to the pandemic.

All but three sectors added jobs in ’23. Inventory destocking and weakness in wholesale trade impacted transportation and warehousing. Firms had less need for contract workers thus impacting administrative services. The information sector (i.e., traditional media and telecommunications) continues to lose market share to the internet and social media.

MONTHLY U.S. JOB GROWTH, CY '23

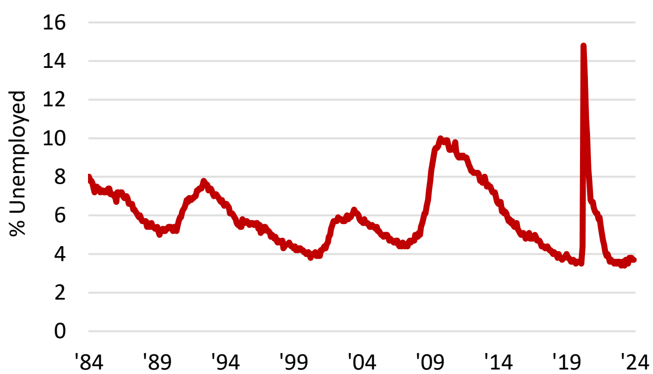


Source: U.S. Bureau of Labor

Unemployment

The year ended with a 3.7 percent unemployment rate, marginally above where it began at 3.4 percent. The rate is low by historic standards. Over the past 40 years, there have only been 24 months when the rate was at 3.7 percent or lower.

UNEMPLOYMENT RATE, U.S. LABOR FORCE



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

Though layoffs at the tech companies and several major banks made headlines, most employers held onto their workers in '23. Initial claims for unemployment benefits ticked up midyear but glided downward in the fall. By the end of the year, the four-week moving average tracked lower than before the pandemic.

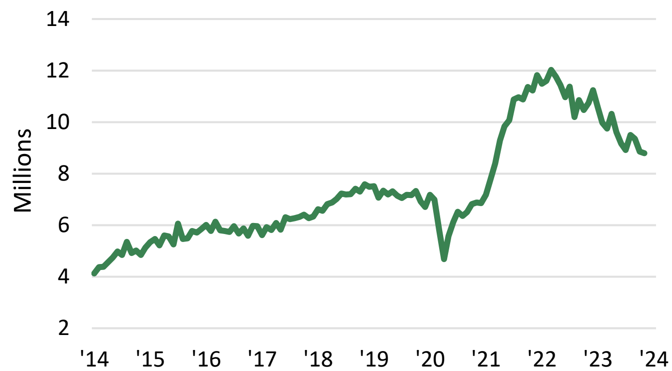
INITIAL CLAIMS FOR UNEMPLOYMENT BENEFITS
4-Week Moving Average, Last Week of December Each Year

Year	Claims	Year	Claims
'14	284,500	'19	235,500
'15	271,000	'20	836,750
'16	253,250	'21	214,500
'17	243,000	'22	209,250
'18	222,750	'23	208,000

Source: U.S. Employment and Training Administration

The Bureau of Labor Statistics (BLS) estimates there were nearly 8.8 million job openings in the U.S. in late November. That's 2.4 million above the pre-pandemic average. With unemployment rates near historic lows, there are few workers available and looking for work, another reason for employers to hold onto their employees even if growth slows.

U.S. JOB OPENINGS, SEASONALLY ADJUSTED



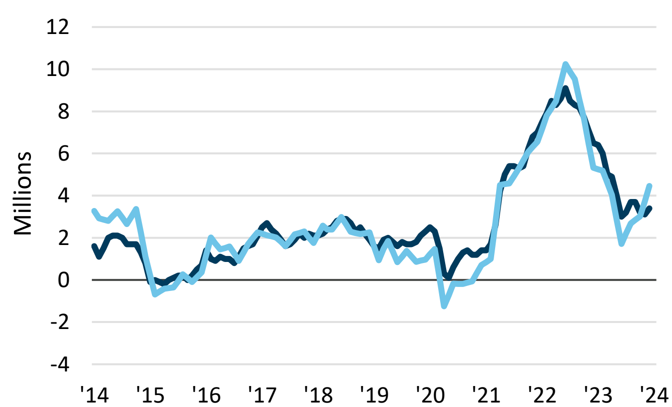
Source: U.S. Bureau of Labor Statistics

Inflation

Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), rose 3.4 percent nationwide in the 12 months ending December '23, down from 6.4 percent over the comparable period in '22.

However, relief from high prices has been slower to arrive in Houston. BLS publishes CPI data for the nation's major metros, and in Houston the inflation rate was 4.5 percent in '23. The region saw significant increases in the cost of apparel, groceries, restaurant meals, housing, and transportation services and saw nominal declines in educational services, gasoline, and medical care.

U.S. & HOUSTON ANNUAL INFLATION RATES



Source: U.S. Bureau of Labor Statistics

Nationwide, core inflation, which excludes volatile food and energy prices, rose 3.9 percent over the year. In

Houston, core inflation rose 5.2 percent. Given that core inflation remains well above the Federal Reserve's 2.0 percent target, the bank is unlikely to lower interest rates before mid-year.

Consumer Confidence

The University of Michigan's Consumer Sentiment Index measured 64.9 early in '23. As the year progressed, worries about a potential recession began to fade and inflation began to cool leading to a boost in consumer confidence. The year ended with the sentiment index at 69.7. Sentiment soared in January, the index hitting 79.0, up 21.7 percent from January last year.

The Conference Board's Consumer Confidence Index hit 114.8 in January, its highest level since December '21. This boost in optimism will continue to drive consumer spending and boost economic growth in '24.

LOOKING BACK AT '23 – HOUSTON

Houston's economy performed well last year, but for nearly every "thumbs up" there was a "thumbs down." The region handled a record number of air passengers in '23, but cargo volumes slipped. New home construction remained elevated, but existing home sales lagged. Auto dealers enjoyed a surge in new car sales, but municipal sales tax collections fell. The U.S. set a record for oil production, but the rig count finished the year well below where it started. Oil prices held steady, but manufacturing struggled. Overriding all indicators, Houston's unemployment rate remained near historic lows and job growth continued, albeit at a slower pace.

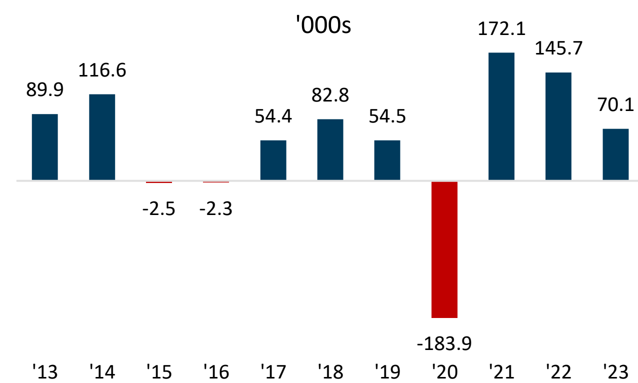
Employment

'23 ended on a soft note. Houston created 3,600 jobs in December. In a non-recession year, however, the region typically adds 6,000 to 16,000 jobs during the month. The long-term average is around 9,300.

December nudged employment gains for the year to 70,100. That's substantially below '21 and '22, but those were the two best years on record. Growth of that magnitude couldn't continue indefinitely. Last year reflects Houston's return to a sustainable pace of growth.

Job gains in '23 aligned with the Partnership's forecast for the year. The forecast called for the region to create 60,800 jobs if the nation endured a mild recession, which many economists saw as inevitable last year. If the nation avoided a recession, which the Partnership saw as a more likely scenario, the forecast called for the region to create 79,200 jobs. With December's jobs report, the region added 70,100 jobs for the year, hitting the mid-range of the Partnership's forecast.

ANNUAL JOB GAINS/LOSSES, METRO HOUSTON, '14 – '23



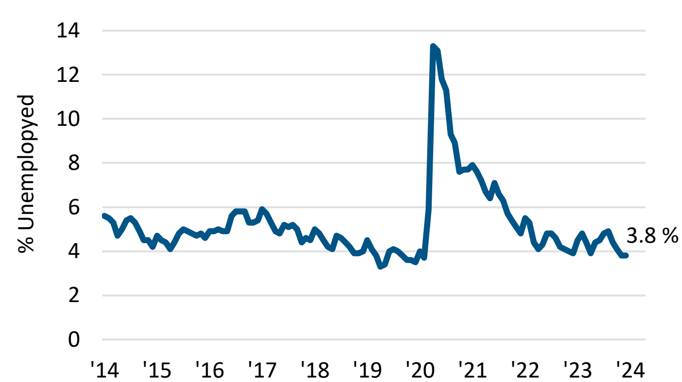
The region saw job gains in 16 sectors and losses in two. Sectors creating the most jobs were health care and social assistance (+22,800), retail (+11,200), and public education (+7,200). Construction lost 5,900 jobs and restaurants and bars 4,800. The year ended with 3.4 million payroll jobs in Houston, a record for the region.

Readers are cautioned that the jobs data reflects TWC's preliminary estimates for '23. The commission is currently reviewing its work and in March will release revised estimates for '22 and '23. Those revisions will be discussed in detail in the April issue of this newsletter.

Unemployment

Metro Houston began the year with a 3.9 percent unemployment rate and finished at 3.8 percent. The rate dropped nominally even though over 82,000 residents joined the workforce. The unemployment rate has been lower only six times in the past 20 years. This indicates both a tight and balanced market.

METRO HOUSTON UNEMPLOYMENT RATE*

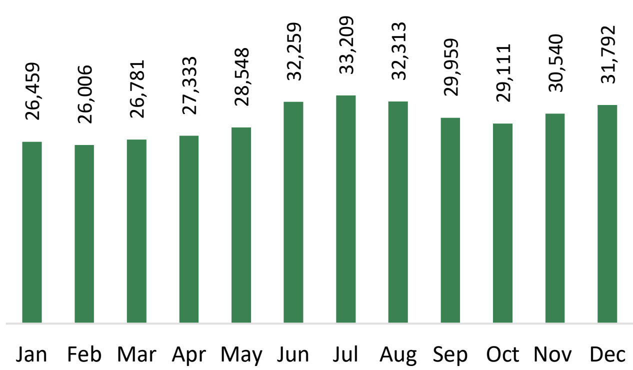


* Not seasonally adjusted
Source: Texas Workforce Commission

Claims for unemployment benefits fluctuated during the year but never spiked. In January '23, claims averaged 3,900 per week. In January '24, they averaged 3,400. This suggests layoffs have declined in recent months.

Continued claims filed by workers unemployed for a week or more inched up mid-'23, slipped going into the fall, and ticked up again toward year's end. The 31,782 claims filed in December '23 represented less than 0.8 percent of the region's total workforce.

CONTINUED CLAIMS FOR BENEFITS, CY '23



Source: Texas Workforce Commission

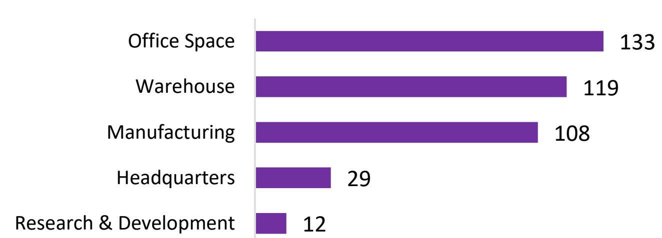
Business Expansions

The Greater Houston Partnership has identified 415 relocation, expansion, or start-up projects for the region in '23. That represents a 109 percent increase over '22 when 199 projects were announced. The jump reflects a surge in business activity as well as improvements in methodologies for identifying project announcements.

The bulk of activity (252 projects) involved the expansion of existing operations, a 183 percent increase over '22. These companies already had operations in Houston and either expanded their real estate footprint or added a significant number of jobs. New facilities accounted for 161 announcements, a 53 percent increase over '22. The Partnership was unable to determine the nature of the remaining projects.

Office operations accounted for the largest share of project announcements, followed by warehousing operations, then manufacturing.

'23 NEW BUSINESS ANNOUNCEMENTS BY FACILITY TYPE



Source: Greater Houston Partnership New Business Announcements database

The announcements covered 14 industries, with manufacturing accounting for one-third of all projects, followed by professional services, then wholesale trade.

'23 NEW BUSINESS ANNOUNCEMENTS BY INDUSTRY

Industry	Projects	Industry	Projects
Manufacturing	131	Real Estate	17
Professional Services	67	Retail	16
Wholesale	35	Utilities	14
Other	27	Health Care	13
Transport/Warehousing	25	Finance/Insurance	13
Mining	24	Admin Services	12
Construction	21	***Total Projects***	***415***

Source: Greater Houston Partnership New Business Announcements database

To qualify as a "new business announcement," a project must disclose at least one of the following: jobs created, capital investment, and/or footage of office or industrial space leased. Only a small fraction of the 415 projects disclosed more than one of these values. As a result, the Partnership's analysis of capital investment, employment, and square footage, represents a conservative estimate of new business activity. Of the 415 announcements, 40 provided information on employment (8,211 jobs total), 39 on capital investment ($4.0 billion), and 369 on space occupied (34.6 million square feet).

Aviation

The Houston Airport System (HAS) handled 60.1 million passengers in '23, a record for the region. Traffic grew significantly at Houston Intercontinental Airport (IAH) and marginally at Houston Hobby (HOU).

HOUSTON AIRPORT SYSTEM – CY '23 vs. '22

	IAH	HOU	Total
International			
'23	11,589,918	974,099	12,564,017
'22	9,542,373	913,404	10,455,777
# Change	388,511	-179,492	209,019
% Change	4.1	-19.7	2.0
Domestic			
'23	34,602,221	12,934,367	47,536,588
'22	31,436,449	12,200,473	43,636,922
# Change	3,165,772	733,894	3,899,666
% Change	10.1	6.0	8.9
Total			
'23	46,192,139	13,908,466	60,100,605
'22	40,978,822	13,113,877	54,092,699
# Change	3,554,283	554,402	4,108,685
% Change	8.7	4.2	7.6

Source: Houston Airport System

Domestic traffic as well as traffic to Mexico, the Middle East, and Pacific Rim destinations now exceeds pre-pandemic levels. Traffic to Asia, Canada, the Caribbean, Europe, and Latin America has yet to recover.

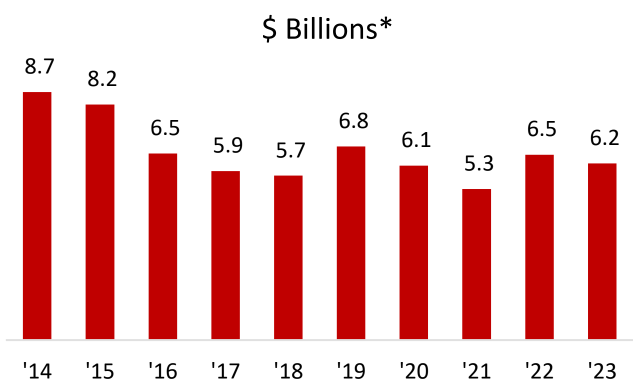
HAS handled 534,128 metric tons of air freight in ’23, down 3.4 percent from 552,968 tons the year before. Domestic cargo accounted for nearly two-thirds (62.9 percent) of all freight handled at Houston’s airports last year, international cargo for one-third (37.1 percent). That mix has shifted over time. As recently as ’17, the split was almost 50-50.

Building Permits

The City of Houston issued $7.8 billion in building permits in ’23, down 3.0 percent from $8.0 billion in ’22. Adjusted for inflation, construction permits fell 4.7 percent.

- Non-residential permits totaled $1.226 billion, down 44.0 after adjusting for inflation.
- Residential permits (single-family and apartments) totaled $3.485 billion, up 9.2 percent after adjusting for inflation.
- Permits for additions and alterations, both residential and nonresidential, totaled $3.041 billion, up 5.0 percent after adjusting for inflation.

CITY OF HOUSTON BUILDING PERMITS



* ’14 Constant dollars
Source: Partnership calculations using City of Houston reports

Commercial Real Estate

The Houston office market showed slight improvement in ’23. Depending on which brokerage report one reads, net absorption was either nominally positive or marginally negative for the year. New construction has tumbled. Over the next few quarters, it’s possible that not a single new building will break ground. However, given the difficulty in bringing employees back to the office full-time and employers continue to assess their space needs, the office market will continue to struggle.

HOUSTON OFFICE MARKET OVERVIEW

	Q4/23	Q4/22
Inventory	249.4 MSF	247.2 MSF
% Vacant (Direct + Sublet)	27.3%	25.7%
Net Absorption (4 Qtr Total)	0.6 MSF	-0.3 MSF
Activity (Leases, 4 Qtr Total)	3,209	3,874
Space Delivered (4 Qtr Total)	2.2 MSF	0.8 MSF
Under Construction (MSF)	1.5 MSF	3.5 MSF
Average Base Rent (SF/YR)	$21.17	$20.97

Source: CoStar and Partnership calculations

The recent boom in industrial construction and leasing is winding down. The market saw fewer deals, less absorption, and a drop in construction. However, the market remains healthy, with Q4 vacancy rates holding steady and asking rents up over the previous year.

HOUSTON INDUSTRIAL MARKET OVERVIEW

	Q4/23	Q4/22
Inventory	753.1 MSF	718.9 MSF
% Vacant (Direct + Sublet)	8.8%	8.8%
Net Absorption (4 Qtr Total)	18.4 MSF	32.1 MSF
Activity (Leases, 4 Qtr Total)	1,933	2,237
Space Delivered (4 Qtr Total)	34.1 MSF	24.7 MSF
Under Construction (MSF)	21.5 MSF	37.1 MSF
Average NNN Rent (SF/YR)	$9.32	$8.57

Source: CoStar and Partnership calculations

Unlike office, the retail market is not overbuilt. Net absorption nearly matched deliveries in ’23. Population, employment, and income growth plus new housing developments in the suburbs are tailwinds to retail growth.

HOUSTON RETAIL MARKET OVERVIEW

	Q4/23	Q4/22
Inventory	397.3 MSF	393.2 MSF
% Vacant (Direct + Sublet)	5.1%	5.0%
Net Absorption (4 Qtr Total)	3.7 MSF	5.5 MSF
Activity (Leases, 4 Qtr Total)	2,192	2,621
Space Delivered (4 Qtr Total)	4.2 MSF	3.9 MSF
Under Construction (MSF)	3.1 MSF	4.6 MSF
Average NNN Rent (SF/YR)	$20.32	$19.47

Source: CoStar and Partnership calculations

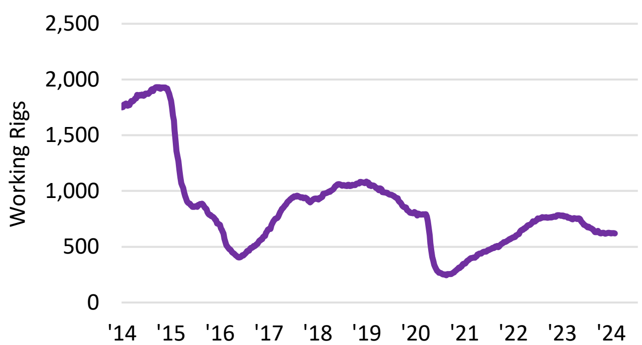
Construction Contracts

Contract awards (which reflect activity in the near future) plummeted last year. Just over $33.7 billion in construction contracts were awarded in metro Houston in ’23, down 15.2 percent from $39.8 billion in ’22. Adjusted for inflation, construction activity is down 18.1 percent. Most categories saw a decline, but the drop in manufacturing projects—$4.7 billion or 77.4 percent—was the greatest.

Energy

The domestic rig count closed the year 150 below where it started in January. The rig count has endured a series of losses, the first associated with the Fracking Bust ('16 – '17), the second when investors forced "capital discipline" on the industry (starting in '18), and a third when the pandemic ('20 – '21) dramatically reduced crude consumption. Entering '24, the industry has two-thirds fewer rigs working than it did ten years ago.

DOMESTIC RIG COUNT

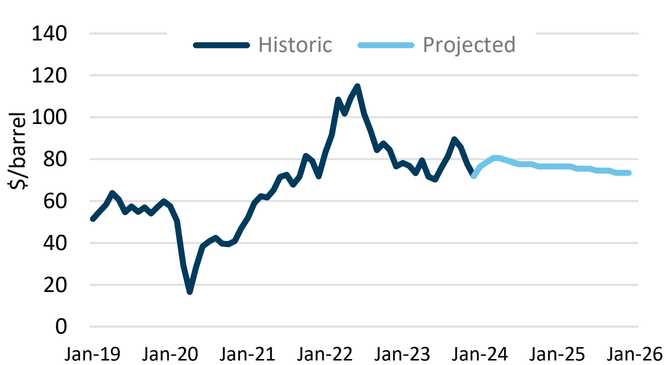


Source: Baker Hughes, Inc.

Despite the drop in the rig count, output continues to climb. The U.S. Energy Information Administration (EIA) estimates U.S. production averaged 12.9 million barrels per day (b/d) in '23, up from 11.9 million (b/d) in '22. More efficient drilling techniques, longer laterals (the horizontal portion of a well) and improved well productivity have helped the industry increase output. EIA forecasts U.S. production to reach 13.2 million b/d in '24 and 13.4 million b/d in '25.

West Texas Intermediate (WTI) closed the year at $73.52 per barrel on the spot market, about where it began the year ($74.27). Prices briefly cleared $90 per barrel over concerns conflicts in the Middle East would disrupt supplies but quickly settled down. EIA forecasts WTI to average $77.99 in '24 as global supply outpaces demand.

SPOT PRICE, WEST TEXAS INTERMEDIATE



Source: Baker Hughes, Inc.

The spot price for natural gas at the Henry Hub averaged $2.53 per million British thermal units (MMBtu) in '23, down from $6.45 in '22. The previous year's run-up in prices was driven by colder-than-normal winter temperatures in the U.S., utilities limited ability to switch from gas to coal, and Russia cutting off exports to Europe.

Slowing production growth and increased exports will result in nominal price increases this year. EIA expects the spot price for natural gas to average $2.70 per million British Thermal Units (MMBtu) in '24 and $3.00 per MMBtu in '25.

Foreign Trade

The four ports in the metro area—Freeport, Galveston, Houston, and Texas City—handled over 231.8 million metric tons of cargo in the first 11 months of '23, a nearly 3.5 percent increase over the same period in '22. That cargo was valued at over $239.3 billion, an 8.0 percent decrease from the prior year. Full-year data for '23 won't be available until late February.

HOUSTON AREA PORT TRAFFIC, NOVEMBER YTD

	Exports		Imports	
	Value Billions	Tonnage Millions	Value Billions	Tonnage Millions
Nov '23 YTD	133.2	172.0	59.8	105.2
Nov '22 YTD	148.2	160.5	63.6	110.7
Dif '23 v '22	*-15.0*	*11.5*	*-3.8*	*-5.5*
% Change	*-10.1*	*7.2*	*-6.0*	*-5.0*

Source: WISERTrade

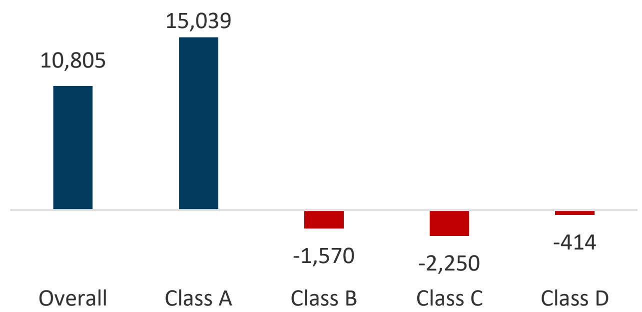
Primary exports by value in '23 were chemicals, crude, electrical equipment, industrial machinery, iron and steel, plastic and rubber, refined products, and vehicles. They accounted for 91.2 percent of the export value handled by the region's ports.

Primary imports by value in '23 were chemicals, crude, electrical equipment, furniture, industrial machinery, iron and steel, plastic and rubber, refined products, toys, and vehicles. They accounted for 77.5 percent of the import value handled by the region's ports.

Multifamily

Houston's multifamily market logged an uneven performance in '23. The region absorbed Class A units (i.e., the newest apartments with high levels of amenities) while Class B, C, and D properties recorded negative absorption. Positive absorption occurs when more units are occupied than vacated, negative when more are vacated than occupied.

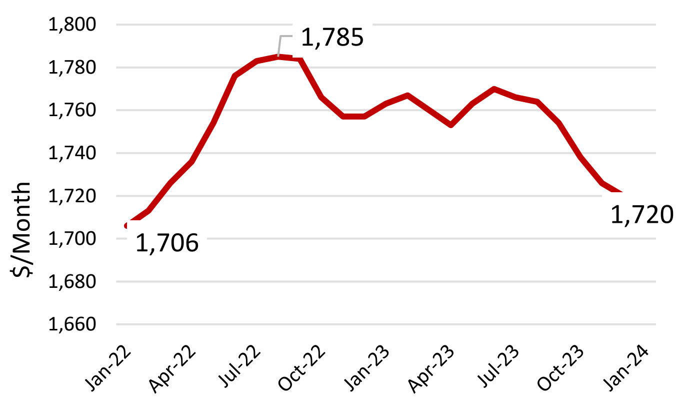
MULTIFAMILY UNITS ABSORBED IN '23, METRO HOUSTON



Source: MRI Apartment Data

Developers added 22,250 Class A units to the market, roughly 6,900 more than the region absorbed. This overbuilding weighed on occupancy and rental rates. Class A occupancy fell from 86.5 percent in December ’22 to 84.4 percent in December ’23. The average rent on a Class A apartment fell from $1,757 in December ’22 to $1,720 in December ’23. Class A rents are down $65 (3.6 percent) from their August ’22 peak.

AVERAGE CLASS A RENT, METRO HOUSTON



Source: MRI Apartment Data

Despite the negative absorption, Class B and C occupancies remain above 90 percent. That’s a critical threshold. Rates above 90 percent reflect a landlord-friendly market, below 90 percent a tenant-friendly market. Occupancies for all classes of properties are trending down, however, putting pressure on rents.

Occupancy rates for Class A properties in lease-up (open less than 13 months) have fallen by double digits and average rents by well over $100 in the past year. This has impacted occupancy rates and monthly rents for stable properties (those open 13 months or more), though the drops have been nominal.

Incentives have crept back into the market. At the start of ’24, 35 percent of all units in Houston offered some form of concession, i.e., free rent, deposit waiver, floorplan upgrade. That’s up from 31 percent at the start of ’23.

OCCUPANCY AND RENT, HOUSTON APARTMENT MARKET

	Average Occupancy (%)			Average Rent ($/Month)		
	Dec ’23	Dec ’22	Change	Dec ’23	Dec ’22	Change
Total	89.0	90.3	-1.3	$1,261	$1,254	$7
Class A	84.4	86.5	-2.1	1,720	1,757	-37
Class B	91.5	92.1	-0.6	1,244	1,247	-3
Class C	90.2	91.2	-1	973	959	14
Class D	88.8	89.4	-0.6	763	766	-3

Source: MRI Apartment Data

In January ’24, there were 21,857 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 131,000 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 continue to fall in ’24.

New Home Construction

Rising interest rates, flagging consumer confidence, and belief that a recession was just around the corner caused new home sales to spiral downward late in ’22. Developers expected that momentum to carry into ’23, with volumes forecast to drop by 20 -25 percent by year’s end.

But builder incentives, stronger than expected economic growth, easing inflation, and a drop in interest rates brought homebuyers back to the market. There were 35,637 new home starts in ’23, down only five percent from ’22, according to market research firm Zonda. Closings totaled 34,632, down 11 percent from the prior year.

Interest rates have drifted downward in recent months. The media is flooded with upbeat economic news. The S&P 500 reached a record high in early February. Inflation, though stubborn, continues to trend downward. Consumer confidence has rebounded. Home construction should hold steady this year. John Burns, a real estate consulting firm, forecasts new homes sales to hit 38,000 this year, below the peak but in line with recent trends.

SINGLE-FAMILY CLOSINGS, HOUSTON MARKET

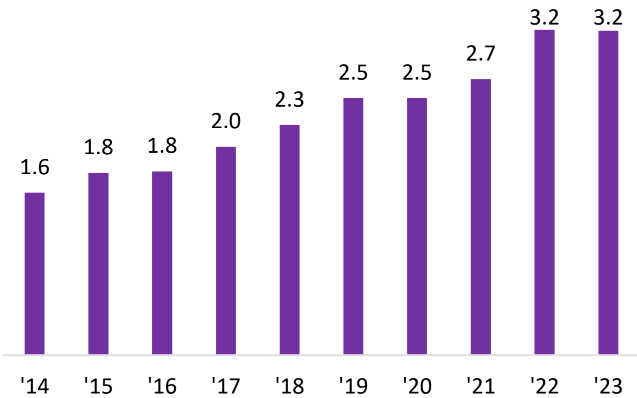
Year	Closings
’19	34,344
’20	39,122
’21	42,904
’22	41,106
’23	37,200
’24	38,000

Source: John Burns Research & Consulting

Port Container Traffic

Container traffic through the Port of Houston slipped marginally in ’23. The Bayport and Barbours Cut terminals handled nearly 3,175,543 loaded TEUs (twenty-foot-equivalent units), roughly 10,000 fewer than it handled in ’22, which was a record year for the port.

PORT OF HOUSTON CONTAINER TRAFFIC, MILLION TEUs



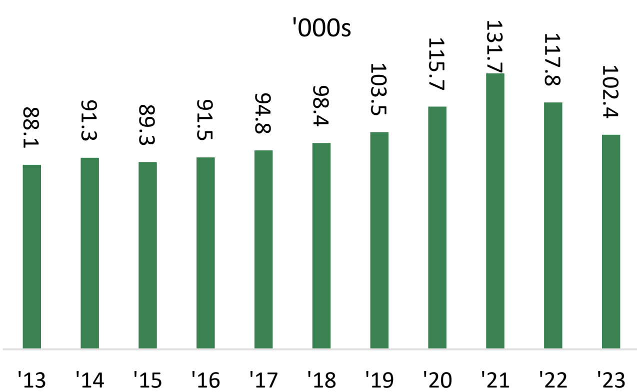
Source: Port of Houston Authority

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.

Home Sales - Existing

Houston realtors closed on 102,389 homes (single-family, duplexes, triplexes, condos, and townhomes) in ’23, the slowest level of sales since ’18. The recent peak was in ’21 when realtors sold 131,678 homes.

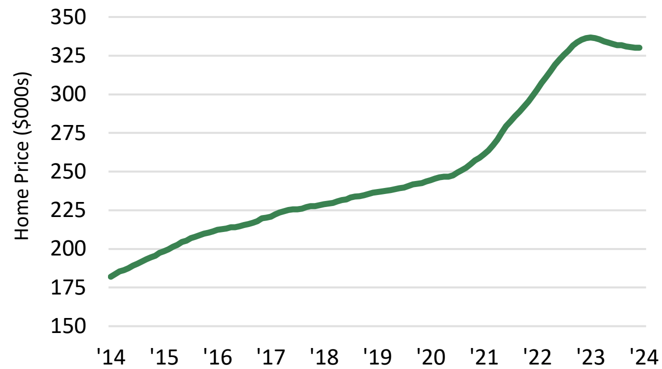
METRO HOUSTON HOME SALES, ALL TYPES



Source: Houston Association of Realtors

The rapid escalation in home prices which began late in ’20 reversed itself in ’23. Year-over-year price changes turned negative in February and continued along that path through much of ’the year. The median price for a single-family home in metro Houston was $330,000 in December ’23, down from a peak of $354,000 in June ’22. However, that’s still well above the median price of $240,000 in December ’18.

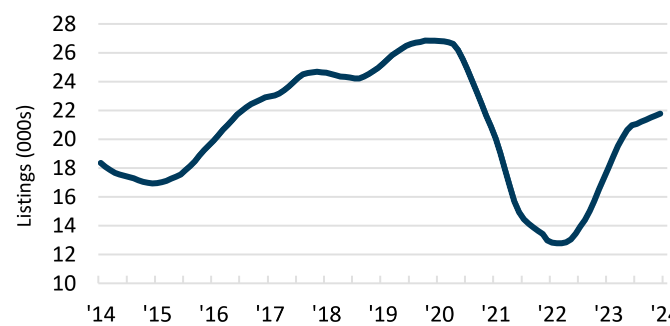
MEDIAN PRICE, SINGLE-FAMILY HOME, METRO HOUSTON*



* To smooth out monthly volatility, chart reflects the 12-month moving average.
Source: Houston Association of Realtors Source: Houston Association of Realtors

The inventory of homes on the market has improved over the past year. At the lowest point (March ’22), there were only 10,412 single-family homes listed for sale in the Houston Association of Realtors (HAR) Multiple Listing Service (MLS) database. That equated to a 1.1-month supply, i.e., the time it would take to deplete those listings based on the prior 12 months' sales activity. Since then, listings have more than doubled, and months of supply more than tripled. At the end of December, there were 23,072 single-family homes listed for sale with HAR, or a 3.3-month supply, based on recent sales activity.

ACTIVE LISTINGS, SINGLE-FAMILY HOMES METRO HOUSTON



* To smooth out monthly volatility, chart reflects the 12-month moving average.
Source: Houston Association of Realtors

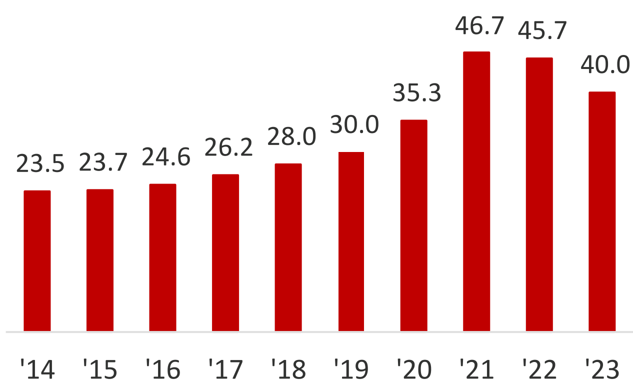
Mortgage rates have eased somewhat. The interest on a 30-year fixed rate mortgage peaked at 7.8 percent in October and in early February averaged 6.6 percent. The slip has had little impact on sales, though. In December, sales of single-family homes were down 6.2 percent versus the same month in ’22

AVERAGE INTEREST RATE, 30-YEAR MORTGAGE

Source: Freddie Mac

The drop in prices and closings weighed on overall volumes last year. Home sales totaled $39.9 billion in ’23, down from a peak of $46.7 billion in ’21. Transaction values peaked in June ’21 when sales over the previous 12 months totaled $50.0 billion.

TOTAL TRANSACTIONS, ALL HOME TYPES, $ BILLIONS



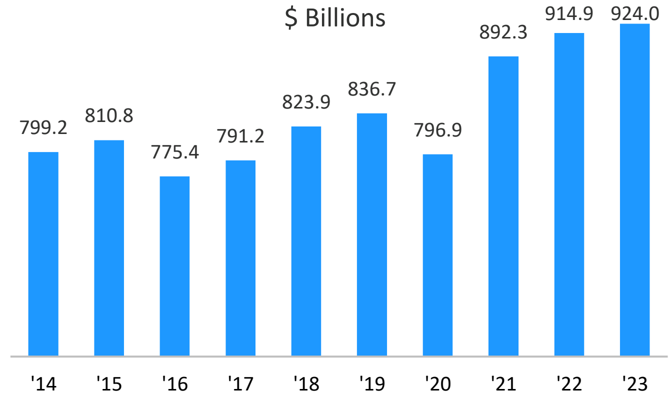
Source: Houston Association of Realtors

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. Businesses pay sales taxes on office supplies, equipment, building materials, 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 4.5 percent through the first 11 months of ’23. After adjusting for inflation, sales tax collections were up 1.0 percent. In December of ’22, they were up 2.5 percent after adjusting for inflation. In December ’21, they were up 12.0 percent. Clearly, economic activity in the region has slowed.

INFLATION-ADJUSTED SALES TAX COLLECTIONS, NOVEMBER YTD, 12 MOST POPULOUS METRO CITIES*



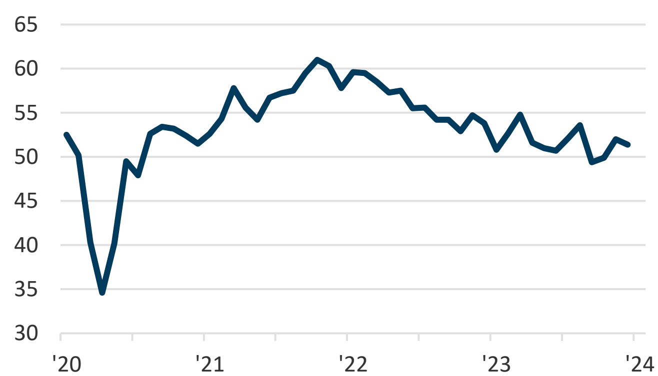
* ’14 constant dollars

Source: Partnership calculations based on Texas Comptroller of Public Accounts data

Purchasing Managers Index

The Houston Purchasing Managers Index (PMI) began the year at 50.8, briefly fell below 50, but finished at 51.4. Readings above 50 signal Houston’s economy is expanding, below 50 that it’s contracting. The current PMI underscores that growth in Houston has slowed considerably from its October ’21 peak when the PMI hit 61.0.

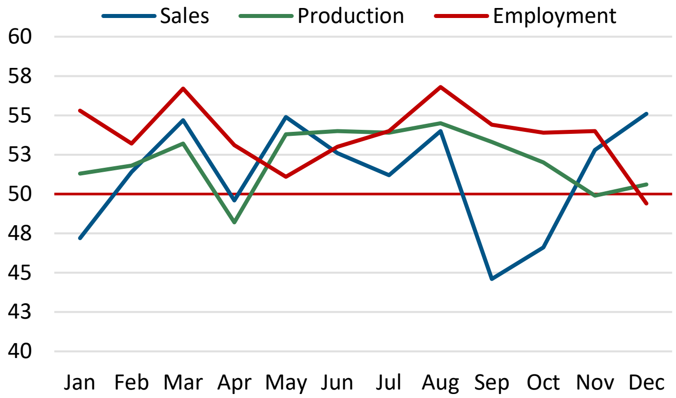
HOUSTON PURCHASING MANAGERS INDEX
+50 = Expansion, -50 = Contraction



Source: Institute for Supply Management-Houston

Only one of the three sub-indicators with a strong positive correlation with the Houston economy, sales/new orders, pointed to expansion at year’s end. The other two, employment and lead times, indicated potential contraction. The sales/new orders index rose to 55.7. The employment index fell to 49.4 ending a 34-month expansion trend. The lead times index was 49.5 giving a modest signal for contraction. The finished goods inventory index, the underlying indicator that has the strongest inverse correlation with economic activity, fell 1.7 points to 47.7 signaling potential economic expansion.

HOUSTON PMI SUBCOMPONENTS, CY ’23
>50 = Expansion, <50 = Contraction



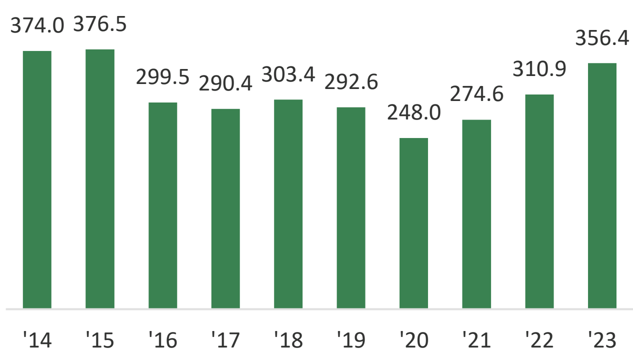
Source: Institute for Supply Management-Houston

On an industry-specific basis construction, energy, and professional and management services reported expansion in December. Health care and manufacturing reported weakness.

Vehicle Sales

Local dealers sold 356,437 new cars, trucks, and sport utility vehicles (SUVs) in ’23, a 14.6 percent increase over ’22, and the third best year for sales of the past ten years, according to TexAuto Facts, published by InfoNation.

VEHICLE SALES, METRO HOUSTON, 000s

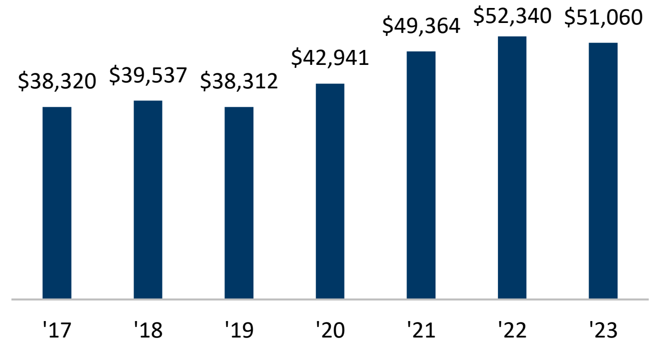


Source: TexAuto Facts

During the early stages of the pandemic, when manufacturers scaled back production due to parts shortages, new vehicle prices rose at double-digit rates. With many supply chain issues resolved, supply has caught up with demand and prices have stabilized.

The average price paid for a vehicle in metro Houston was 2.4 percent below that of December ’22. The average for a truck/SUV was $53,818, down 1.7 percent from $54,722 in December ’22. The average price for a car was $41,575 down 5.1 percent from $43,797 the same month the year prior.

AVERAGE 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.

SAVE THE DATE

The Partnership has set the dates for the seven events it will host annually on the region’s economy. Those dates for ’23 are:

- *Economy Webinars*: March TBD, June 5, September 18, October 16
- *Global Houston*: May 2
- *Houston Facts*: August 2
- *Houston Region Economic Outlook*: December 12

Additional details about times, ticket prices, and location will be provided in future newsletters and at the Partnership’s website in the weeks leading up to each event.

Patrick Jankowski, Margaret Barientos, 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.

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

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)

	December 23	November 23	December 22	Change from November 23	Change from December 22	% Change from November 23	% Change from December 22
Total Nonfarm Payroll Jobs	**3,405.9**	**3,402.3**	**3,335.8**	**3.6**	**70.1**	**0.1**	**2.1**
Total Private	***2,948.3***	***2,944.7***	***2,889.4***	***3.6***	***58.9***	***0.1***	***2.0***
Goods Producing	***522.5***	***523.0***	***521.7***	***-0.5***	***0.8***	***-0.1***	***0.2***
Service Providing	***2,883.4***	***2,879.3***	***2,814.1***	***4.1***	***69.3***	***0.1***	***2.5***
Private Service Providing	***2,425.8***	***2,421.7***	***2,367.7***	***4.1***	***58.1***	***0.2***	***2.5***
Mining and Logging	70.2	69.7	67.4	0.5	2.8	0.7	4.2
Oil & Gas Extraction	30.1	29.8	29.2	0.3	0.9	1.0	3.1
Support Activities for Mining	38.6	38.4	36.5	0.2	2.1	0.5	5.8
Construction	218.7	219.1	224.6	-0.4	-5.9	-0.2	-2.6
Manufacturing	233.6	234.2	229.7	-0.6	3.9	-0.3	1.7
Durable Goods Manufacturing	144.5	145.4	140.2	-0.9	4.3	-0.6	3.1
Nondurable Goods Manufacturing	89.1	88.8	89.5	0.3	-0.4	0.3	-0.4
Wholesale Trade	179.8	179.5	173.1	0.3	6.7	0.2	3.9
Retail Trade	336.5	329.4	326.4	7.1	10.1	2.2	3.1
Transportation, Warehousing and Utilities	200.6	201.4	197.2	-0.8	3.4	-0.4	1.7
Utilities	21.1	21.1	20.4	0.0	0.7	0.0	3.4
Air Transportation	20.8	20.9	19.9	-0.1	0.9	-0.5	4.5
Truck Transportation	31.5	31.6	30.8	-0.1	0.7	-0.3	2.3
Pipeline Transportation	13.3	13.2	12.8	0.1	0.5	0.8	3.9
Information	33.2	33.2	33.4	0.0	-0.2	0.0	-0.6
Telecommunications	11.7	11.8	11.8	-0.1	-0.1	-0.8	-0.8
Finance & Insurance	116.7	116.6	116.4	0.1	0.3	0.1	0.3
Real Estate & Rental and Leasing	71.5	71.6	67.0	-0.1	4.5	-0.1	6.7
Professional & Business Services	560.8	563.3	554.7	-2.5	6.1	-0.4	1.1
Professional, Scientific & Technical Services	279.2	279.7	274.6	-0.5	4.6	-0.2	1.7
Legal Services	*33.5*	*33.7*	*31.6*	*-0.2*	*1.9*	*-0.6*	*6.0*
Accounting, Tax Preparation, Bookkeeping	*29.2*	*29.2*	*28.2*	*0.0*	*1.0*	*0.0*	*3.5*
Architectural, Engineering & Related Services	*79.1*	*79.7*	*76.3*	*-0.6*	*2.8*	*-0.8*	*3.7*
Computer Systems Design & Related Services	*44.4*	*44.7*	*42.5*	*-0.3*	*1.9*	*-0.7*	*4.5*
Admin & Support/Waste Mgt & Remediation	234.6	236.7	234.2	-2.1	0.4	-0.9	0.2
Administrative & Support Services	*220.5*	*222.5*	*221.6*	*-2.0*	*-1.1*	*-0.9*	*-0.5*
Employment Services	*83.5*	*85.4*	*87.7*	*-1.9*	*-4.2*	*-2.2*	*-4.8*
Private Educational Services	74.7	74.1	72.8	0.6	1.9	0.8	2.6
Health Care & Social Assistance	388.9	387.4	366.1	1.5	22.8	0.4	6.2
Arts, Entertainment & Recreation	40.3	40.5	34.8	-0.2	5.5	-0.5	15.8
Accommodation & Food Services	304.5	306.2	309.1	-1.7	-4.6	-0.6	-1.5
Other Services	118.3	118.5	116.7	-0.2	1.6	-0.2	1.4
Government	457.6	457.6	446.4	0.0	11.2	0.0	2.5
Federal Government	34.2	34.3	33.1	-0.1	1.1	-0.3	3.3
State Government	96.7	96.8	94.9	-0.1	1.8	-0.1	1.9
State Government Educational Services	*55.0*	*55.2*	*54.2*	*-0.2*	*0.8*	*-0.4*	*1.5*
Local Government	326.7	326.5	318.4	0.2	8.3	0.1	2.6
Local Government Educational Services	*228.0*	*228.0*	*221.6*	*0.0*	*6.4*	*0.0*	*2.9*

SOURCE: Texas Workforce Commission