

THE ECONOMY AT A GLANCE

HOUSTON



GREATER HOUSTON
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Making Houston Greater.

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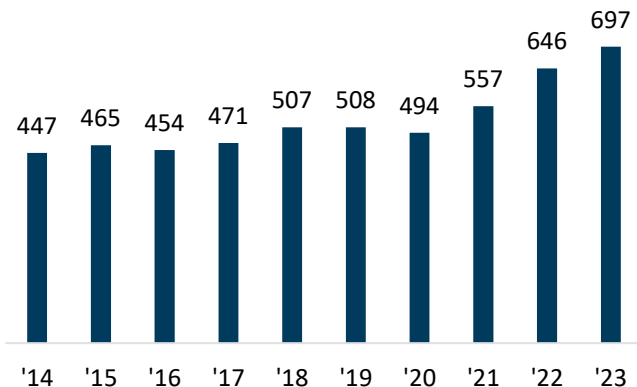
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A DEEPER DIVE INTO HOUSTON’S GDP

As noted in the January issue of *Glance*, Houston’s Gross Domestic Product (GDP), the measure that captures the value of all final goods and services produced in the metro area, experienced solid growth in ’23. The U.S. Bureau of Economic Analysis (BEA) estimates that Houston’s GDP grew by 7.9 percent from \$645.8 billion in ’22 to a record high of \$697.0 billion in ’23.

ANNUAL GDP, METRO HOUSTON
(\$ Billion)



Source: U.S. Bureau of Economic Analysis

Growth has been especially strong since the COVID-19 pandemic began to subside in ’21. In the two years from ’21 to ’23, Houston’s GDP grew by 25.1 percent. That is significantly faster than the U.S. overall, where GDP grew by 16.0 percent during the same period. In fact, among the 20 most populous U.S. metro areas, Houston has had the fastest-growing economy since ’21, as measured by GDP.

20 MOST POPULOUS U.S. METRO AREAS RANKED BY ’21 - ’23 GDP GROWTH RATE

Rank	Metro Area	GDP (\$ Billion)		Growth '21-'23 (%)
		'21	'23	
1	Houston	557.3	697.0	25.1
2	Miami	434.5	533.7	22.8
3	Tampa Bay	198.2	243.3	22.7
4	Dallas	612.2	744.7	21.6
5	Phoenix	329.6	398.1	20.8
6	Denver	260.3	311.9	19.8
7	Atlanta	483.5	570.7	18.0
8	Detroit	282.0	331.3	17.5
9	Seattle	483.6	566.7	17.2
10	Riverside	220.0	256.9	16.7
11	Minneapolis	301.5	350.7	16.3
12	Chicago	770.5	894.9	16.1
13	Philadelphia	481.8	557.6	15.7
14	Washington	618.5	714.7	15.5
15	Baltimore	225.1	259.7	15.4
16	San Diego	273.0	314.9	15.4
17	Los Angeles	1,136.2	1,295.4	14.0
18	Boston	537.6	610.5	13.6
19	New York	2,025.2	2,298.9	13.5
20	San Francisco	703.0	778.9	10.8
U.S. Overall		23,681.2	27,720.7	16.0

Source: U.S. Bureau of Economic Analysis

Even though it’s smaller in absolute terms, Houston’s GDP has grown more than twice as quickly as San Francisco and at nearly double the pace of the largest metro areas of New York and Los Angeles.

GDP by Industry

Five industries – manufacturing, professional/business services, real estate, government, and healthcare/education – are the leading drivers of this growth. Together, they made up more than 50 percent of Houston’s GDP in ’23. Though the BEA withheld Houston-

specific data for wholesale trade in '23, historic data suggest it also likely played a significant role.

INDUSTRY SHARES OF METRO HOUSTON GDP IN '23

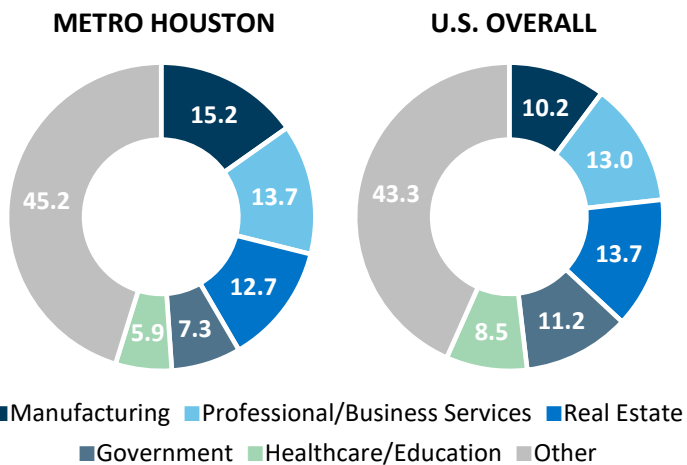
Rank	Industry	\$ Billion	% GDP
1	Manufacturing	106.1	15.2
2	Professional and Business Services	95.4	13.7
3	Real Estate	88.2	12.7
4	Government	51.1	7.3
5	Healthcare and Education	41.2	5.9
6	Construction	37.5	5.4
7	Transportation and Warehousing	36.9	5.3
8	Retail	36.9	5.3
9	Finance and Insurance	32.2	4.6
10	Oil and Gas Extraction	25.5	3.7
11	Food Service, Hotels, Arts, and Entertainment	22.9	3.3
12	Utilities	11.1	1.6
	Other*	112.0	16.1
	Total	697.0	100.0

*Includes miscellaneous services plus wholesale trade and information where data have been suppressed for confidentiality.

Source: U.S. Bureau of Economic Analysis data

Compared to the U.S. overall, manufacturing and professional/business services make up larger shares of Houston's GDP, while real estate, government, and healthcare/education play a comparatively smaller role.

INDUSTRY SHARES OF GDP IN '23 (%)



Source: U.S. Bureau of Economic Analysis

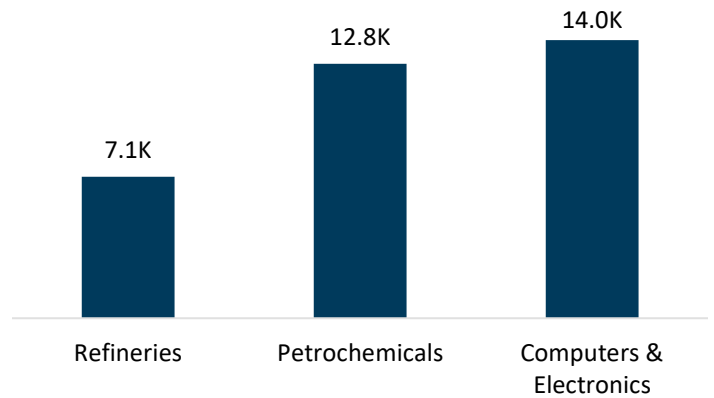
Manufacturing

Manufacturing has a substantially greater impact on Houston's economy compared to the U.S. economy as a whole. Nationwide, it accounts for 10.2 percent of GDP and

is the fourth-largest industry behind real estate, professional/business services, and government. In Houston, manufacturing is the leading industry, comprising 15.2 percent of the region's GDP.

Historically, much of Houston's manufacturing has been in non-durable goods, especially refined petroleum and petrochemicals. Despite the common perception, Houston also has a history as a tech hub and continues to attract high-tech manufacturing. While GDP is not broken out for these subsectors, data from the Bureau of Labor Statistics show that computer and electronics manufacturers employed more workers in metro Houston than either petroleum refineries or petrochemical plants in '23.

METRO HOUSTON AVERAGE EMPLOYMENT IN '23, SELECT MANUFACTURING SECTORS

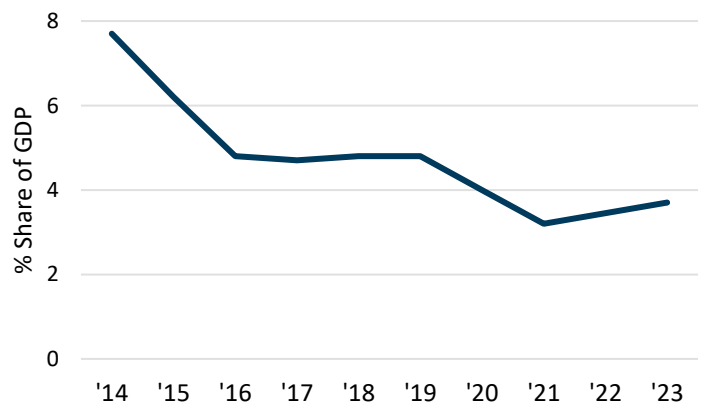


Source: U.S. Bureau of Labor Statistics

Energy

While Houston remains the energy capital of the world, its economy has greatly diversified since the Fracking Bust of '14. The direct contribution of oil and gas extraction to Houston's GDP has fallen by more than half since the bust, sliding from 7.7 percent in '14 to 3.7 percent in '23.

OIL AND GAS EXTRACTION SHARE OF METRO HOUSTON GDP



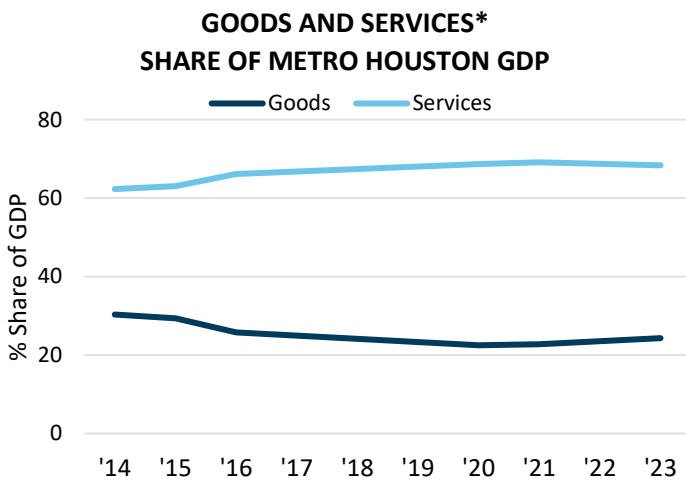
Source: U.S. Bureau of Economic Analysis

This does not capture the full picture of Houston’s energy sector; it omits important subsectors like electric transmission, petroleum refining, and alternative energy sources. However, the decline highlights the diversification of Houston’s economy as other industries expand.

Goods and Services

Houston’s service sector, a broad category that combines all service-providing industries above, has continued to grow in importance. In ’14, the sector produced \$278.7 billion in value, representing 62.3 percent of overall GDP. In ’23, it grew to produce \$476.5 billion in value representing 68.4 percent of the total.

The value of goods-producing industries also increased, climbing from \$135.6 billion in ’14 to \$169.4 billion in ’23. Despite this growth in value, the sector’s share of overall GDP slid from 30.3 to 24.3 percent as it could not keep pace with the growth in services.



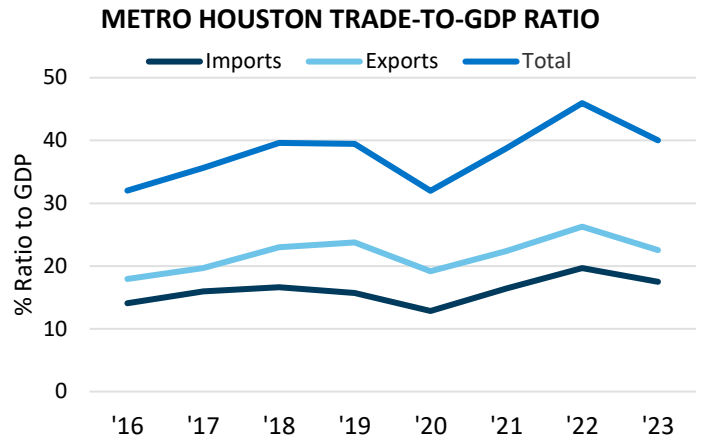
*Represents goods-producing and service-providing industries.
Source: U.S. Bureau of Economic Analysis

International Trade

Trade has grown in importance for Houston, and the region ranks first among U.S. metro areas for exports by value. BEA data do not directly provide the economic impact of trade on GDP, but they can be combined with U.S. Census Bureau trade data to calculate a trade-to-GDP ratio. This calculation does not represent trade’s absolute contribution to Houston’s GDP, but it does provide a valuable measure of its relative importance to the economy.

Houston’s overall trade-to-GDP ratio has grown, expanding from 32.0 percent in ’16 to 45.9 percent in ’22, before

settling down to 40.0 percent in ’23. Imports and exports both grew during that time, with their ratios relative to GDP increasing by 3.4 and 4.6 percent respectively.

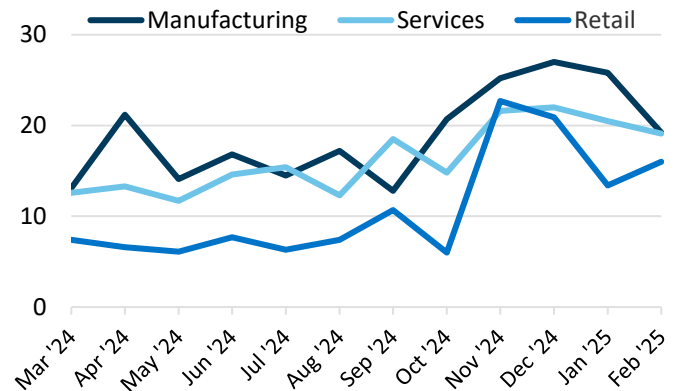


*Represents the value of international trade handled by sea and airports in the metro Houston area.
Source: Partnership analysis based on BEA and Census Bureau

TEXAS BUSINESS UPDATE

New survey results from the Federal Reserve Bank of Dallas (i.e. the Dallas Fed) show that Texas business executives in key industries are more optimistic about the future than they were 12 months ago. In three separate industry surveys, a growing share of executives report that their company’s outlook has improved. Between March ’24 and February ’25, the share of executives reporting an improved company outlook jumped from 13.1 to 19.2 percent in manufacturing, from 12.6 to 19.1 percent in services, and from 7.4 to 16.0 percent in retail.

PERCENTAGE OF TEXAS EXECUTIVES REPORTING AN IMPROVED COMPANY OUTLOOK

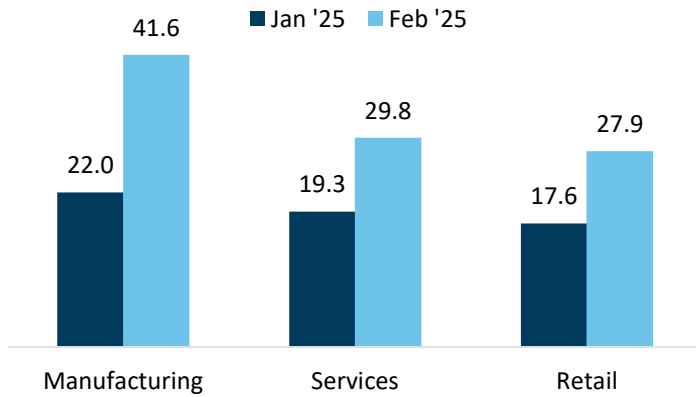


All values are seasonally adjusted.
Source: Partnership analysis based on Dallas Fed industry survey data

While these numbers are up over the year, they are down over the previous few months due to a surge in uncertainty. In the last month alone, the share of

executives reporting that they are more uncertain about their company outlook climbed by over 10 percent in services and retail and by almost 20 percent in manufacturing.

PERCENTAGE OF TEXAS EXECUTIVES REPORTING INCREASED UNCERTAINTY ON COMPANY OUTLOOK



All values are seasonally adjusted.

Source: Partnership analysis based on Dallas Fed industry survey data

Executives expressed concern that inflation could be higher than expected and tariffs could be implemented that would disrupt existing supply chains and raise input costs.

Manufacturing

Business slowed for Texas manufacturing firms in February, with a larger share of executives saying overall business activity was decreasing (26.1 percent) rather than increasing (17.8 percent).

PERCENTAGE OF TEXAS MANUFACTURING EXECUTIVES REPORTING CHANGES TO BUSINESS IN FEB '25

Business Indicator	Increasing	Decreasing	No Change
Business Activity	17.8	26.1	56.1
New Orders	25.8	29.3	44.8
Employment	11.7	12.4	75.9
Capital Expenditure	19.7	11.1	69.2
Company Outlook	19.2	24.4	56.5
Uncertainty	12.4	41.6	46.1

All values are seasonally adjusted.

Source: Dallas Fed Texas Manufacturing Outlook Survey

New orders and company outlook were slightly negative as a sizable number of executives (41.6 percent) expressed growing uncertainty about the future. Capital expenditure was positive but growing at a slower pace than in January. Employment was flat with a large majority of executives (75.9 percent) reporting no change in headcount.

Services

Business ticked up in the Texas service sector, with a bigger share of executives saying month-to-month business activity had increased (18.2 percent) rather than decreased (13.6 percent). This growth was moderate with over two-thirds of respondents reporting no change.

PERCENTAGE OF TEXAS SERVICE SECTOR EXECUTIVES REPORTING CHANGES TO BUSINESS IN FEB '25

Business Indicator	Increasing	Decreasing	No Change
Business Activity	18.2	13.6	68.2
Revenue	27.4	19.2	53.4
Employment	12.0	12.1	75.9
Capital Expenditure	13.8	3.4	82.8
Company Outlook	19.1	18.0	62.9
Uncertainty	29.8	15.6	54.6

All values are seasonally adjusted.

Source: Dallas Fed Texas Service Sector Outlook Survey

Revenue and capital expenditure were also modestly positive. Employment was flat with almost equal shares of executives reporting increasing and decreasing headcounts.

Retail

Sales were moderately up in February with more executives reporting an increase (26.8 percent) than a decrease (24.7 percent) in sales revenue.

PERCENTAGE OF TEXAS RETAIL EXECUTIVES REPORTING CHANGES TO BUSINESS IN FEB '25

Business Indicator	Increasing	Decreasing	No Change
Business Activity	10.7	15.6	73.7
Revenue	26.8	24.7	48.5
Employment	8.2	9.7	82.1
Capital Expenditure	9.7	2.9	87.4
Company Outlook	16.0	19.2	64.8
Uncertainty	27.9	13.9	58.2

All values are seasonally adjusted.

Source: Dallas Fed Texas Retail Outlook Survey

Broader business activity fell with growing uncertainty about the future. Capital expenditure and employment were largely flat with over 80 percent of executives reporting no change in those measures.

Inflation and rising wholesale prices continue to be a top concern with 40.4 percent of retail executives saying their input prices had increased in February. A large share (46.2 percent) believe that prices will be higher six months in the future (August '25).

KEY ECONOMIC INDICATORS

Clicking on the hyperlinks below will provide additional details on that indicator.



Aviation — The Houston Airport System (HAS) handled a record-high 63.1 million passengers in '24. That represents a 4.9 percent increase over the previous record of 60.1 million handled in '23 and a continued improvement over pre-pandemic levels of travel. Domestic and international travel both hit new highs with 50.0 million and 13.1 million passengers respectively. A new impact study shows Houston's airports contributed \$40.6 billion in economic output and helped support 207,787 jobs in '24.



Construction — Dodge Data & Analytics reports that \$43.8 billion in construction contracts were awarded in the Houston area in '24. That's an increase of over 31 percent from the \$33.3 billion awarded in '23. January '25 brought an additional \$4.4 billion in new construction awards. While strong, January '25 fell short of the \$5.4 billion awarded in January '24, the third-best month on record.



Foreign Trade — Foreign trade through Houston-area ports was valued at \$286.0 billion in '24 according to the U.S. Census Bureau. This represents a 2.5 percent increase over '23, but a slight decrease from the record high of \$296.7 billion set in '22. Exports increased by \$9.9 billion (6.3 percent) year-over-year while imports fell by \$2.9 billion (2.3 percent). Trade with China and Mexico decreased slightly in '24, but they remained metro Houston's top two trading partners with \$47.1 billion in combined imports and exports.



Home Sales — Home sales in metro Houston were strong in January despite a rare winter snowstorm. Brokers closed on 5,064 single-family homes, a moderate 1.2 percent increase over sales in January '24. Sales of all property types (including single-family, duplexes, condos, townhomes, and high rises) increased 1.3 percent from 6,093 units in January '24 to 6,173 units in January '25.



Inflation — Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), rose 3.0 percent nationwide over the 12 months ending in January '25. Core inflation, which excludes the volatile food and energy categories, rose 3.3 percent during the same period. Annual inflation was slightly higher than the 2.9 percent expected by economists in a recent Reuters survey.



Multifamily — The multifamily market in metro Houston was stable in January '25, with modestly increasing occupancy and rents and declining construction compared to last year. Overall apartment occupancy ticked up slightly from 88.4 to 88.7 percent between January '24 and '25, according to MRI Apartment Data. Average rents increased by \$8 during that time – a 0.6 percent change that is below the rate of inflation. Class A apartments are driving absorption, while all other classes are shedding occupied units.



Purchasing Managers Index — Economic growth in the Houston area expanded at a steady pace in January, according to the most recent Houston Purchasing Managers Index (PMI) prepared by the Institute for Supply Management-Houston. The overall PMI, which measures broad economic activity according to the responses of surveyed supply chain executives, was 52.1 in January '25, identical to its value in December '24, and above the neutral point of 45 indicating growth. Manufacturing saw strong growth with a PMI of 56.5, while non-manufacturing grew moderately with a PMI of 51.3.

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

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Editor's Note: The table below is reproduced from the February '25 issue of *Glance*, as no new employment data have been released since its publication. The Texas Workforce Commission will release January '25 employment data along with benchmark revisions for '24 on March 14th.

HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	December 24	November 24	December 23	Change from		% Change from	
				November 24	December 23	November 24	December 23
Total Nonfarm Payroll Jobs	3,499.9	3,494.2	3,442.1	5.7	57.8	0.2	1.7
Total Private	3,035.9	3,030.9	2,982.5	5.0	53.4	0.2	1.8
Goods Producing	561.9	562.0	543.4	-0.1	18.5	0.0	3.4
Service Providing	2,938.0	2,932.2	2,898.7	5.8	39.3	0.2	1.4
Private Service Providing	2,474.0	2,468.9	2,439.1	5.1	34.9	0.2	1.4
Mining and Logging	72.6	72.9	72.2	-0.3	0.4	-0.4	0.6
Oil & Gas Extraction	32.3	32.5	32.3	-0.2	0.0	-0.6	0.0
Support Activities for Mining	38.6	38.7	38.3	-0.1	0.3	-0.3	0.8
Construction	249.7	250.1	234.5	-0.4	15.2	-0.2	6.5
Manufacturing	239.6	239.0	236.7	0.6	2.9	0.3	1.2
Durable Goods Manufacturing	149.9	149.1	147.6	0.8	2.3	0.5	1.6
Nondurable Goods Manufacturing	89.7	89.9	89.1	-0.2	0.6	-0.2	0.7
Wholesale Trade	187.2	185.6	179.3	1.6	7.9	0.9	4.4
Retail Trade	329.7	325.8	333.9	3.9	-4.2	1.2	-1.3
Transportation, Warehousing and Utilities	198.0	196.6	197.9	1.4	0.1	0.7	0.1
Utilities	23.5	23.5	23.2	0.0	0.3	0.0	1.3
Air Transportation	22.5	22.4	22.5	0.1	0.0	0.4	0.0
Truck Transportation	30.6	30.6	30.5	0.0	0.1	0.0	0.3
Pipeline Transportation	14.6	14.6	14.0	0.0	0.6	0.0	4.3
Information	33.3	32.7	33.1	0.6	0.2	1.8	0.6
Telecommunications	11.6	11.4	11.4	0.2	0.2	1.8	1.8
Finance & Insurance	124.3	124.6	119.6	-0.3	4.7	-0.2	3.9
Real Estate & Rental and Leasing	70.8	70.1	67.1	0.7	3.7	1.0	5.5
Professional & Business Services	565.2	565.8	563.7	-0.6	1.5	-0.1	0.3
Professional, Scientific & Technical Services	287.5	288.3	280.5	-0.8	7.0	-0.3	2.5
Legal Services	33.3	33.4	32.6	-0.1	0.7	-0.3	2.1
Accounting, Tax Preparation, Bookkeeping	29.4	29.5	29.4	-0.1	0.0	-0.3	0.0
Architectural, Engineering & Related Services	79.4	79.4	76.1	0.0	3.3	0.0	4.3
Computer Systems Design & Related Services	41.5	41.7	41.5	-0.2	0.0	-0.5	0.0
Admin & Support/Waste Mgt & Remediation	230.1	229.9	236.7	0.2	-6.6	0.1	-2.8
Administrative & Support Services	216.5	216.4	223.9	0.1	-7.4	0.0	-3.3
Employment Services	79.9	80.6	81.6	-0.7	-1.7	-0.9	-2.1
Private Educational Services	74.1	74.5	73.2	-0.4	0.9	-0.5	1.2
Health Care & Social Assistance	398.3	399.3	389.1	-1.0	9.2	-0.3	2.4
Arts, Entertainment & Recreation	39.2	40.0	38.4	-0.8	0.8	-2.0	2.1
Accommodation & Food Services	321.6	322.9	315.7	-1.3	5.9	-0.4	1.9
Other Services	132.3	131.0	128.1	1.3	4.2	1.0	3.3
Government	464.0	463.3	459.6	0.7	4.4	0.2	1.0
Federal Government	35.2	35.1	34.1	0.1	1.1	0.3	3.2
State Government	98.4	98.4	96.1	0.0	2.3	0.0	2.4
State Government Educational Services	53.6	53.7	53.1	-0.1	0.5	-0.2	0.9
Local Government	330.4	329.8	329.4	0.6	1.0	0.2	0.3
Local Government Educational Services	227.3	227.1	229.9	0.2	-2.6	0.1	-1.1

SOURCE: Texas Workforce Commission