THE ECONOMY AT A GLANCE
HOUSTON

GREATER HOUSTON PARTNERSHIP
Making Houston Greater.

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REASONS FOR HOPE

There's light at the end of the tunnel. New COVID-19 cases continue to plummet. Fewer Americans are being hospitalized. The death rate peaked in January and has declined steadily since. More people are receiving the vaccine. The logistics of the vaccine rollout continues to improve. The Biden Administration has announced plans to purchase an additional 200 million vaccine doses, bringing the total ordered by the U.S. to 600 million, which should be enough to vaccinate 300 million Americans, the entire adult population, by the end of July.

CORONA VIRUS IN THE U.S.

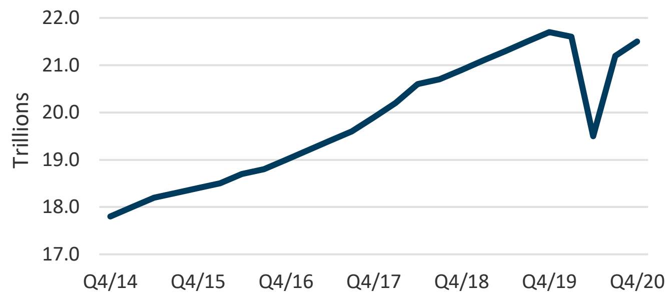
	Total Reported	On February 12	14-Day Change
Cases	27.5 million+	99,488	-38% ↓
Deaths	480,683	5,459	-6% ↓
Hospitalized		71,504	-28% ↓

Source: *The New York Times*; 14-day change based on 7-day average

But it's too soon to declare victory. Though the U.S. has struggled with its vaccine rollout, other nations have fared much worse. The global economy won't recover until more of the population is vaccinated. New variants of the virus are emerging which could lead to further outbreaks. And everyone still needs to wear a mask and practice social distancing until health officials announce the virus is under control. But the trends are headed in the right direction.

To extend the metaphor, the U.S. still has some distance to travel before the train arrives in the station. U.S. gross domestic product is $267.9 billion shy of where it stood prior to the pandemic. The consensus among economists is that GDP will reach that benchmark no later than the second quarter of this year.

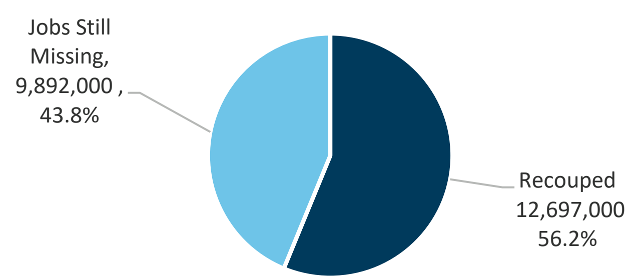
U.S. Gross Domestic Product



Source: U.S. Bureau of Economic Analysis

The nation has recouped 12.7 million of the 22.6 million jobs lost in the downturn. That leaves nearly 10 million Americans without jobs who had jobs this time last year.

U.S. Jobs Recovery



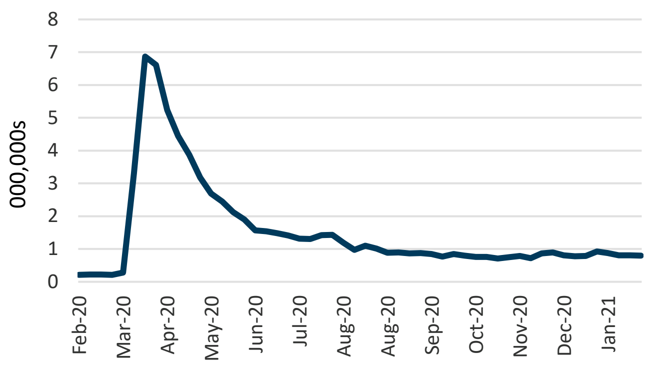
Source: U.S. Bureau of Labor Statistics

January's report, a net gain of only 49,000 jobs, has spurred concerns that the recovery may be slowing. Even so, many economists expect this to be a strong year for job growth. IHS Markit forecasts the U.S. will add 6.7 million jobs in '21, Oxford Economics predicts 5.8 million, and the consensus among economists polled by *The Wall Street Journal* is that the U.S. will add 4.8 million jobs. These forecasts suggest the nation will still finish the year 3.2 million to 5.1 million jobs shy of its pre-pandemic level.

Initial claims for unemployment benefits continue a bumpy trend downward. The U.S. Employment and Training

Administration (ETA) reports 861,000 workers filed claims the week ending February 13, 2021, well below the recession peak of 6.9 million the week ending March 28, 2020. That suggests fewer layoffs are occurring. However, recent claims remain well above the pre-recession average of 235,000 claims per week.

Initial Claims for Unemployment Benefits, U.S.



Source: U.S. Employment and Training Administration

Data from the Institute for Supply Management indicates growth continues but at a mixed pace. Its manufacturing index registered 58.7 in January, down from 60.5 in December. The services index also registered 58.7 in January, up from 57.7 the month before. Readings above 50 indicate activity is expanding across the sector while below 50 signals contraction.

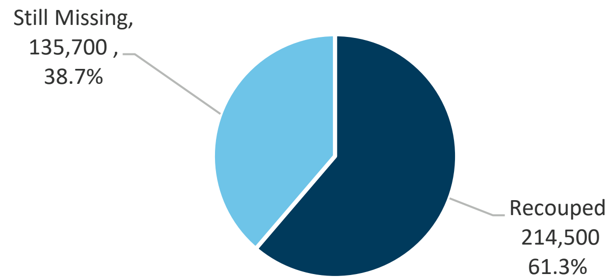
A few other positive signs:

- Industrial production, the output of all mines, utilities and manufacturing plants in the U.S., rose 1.6 percent in December, the largest gain since July. The gain was well above Wall Street expectations of 0.5 percent.
- Household income, what families received from wages, investments and government-aid programs, climbed 0.6 percent in December compared to the prior month.
- Jerome Powel, chair of the U.S. Federal Reserve, has signaled the Fed will continue bolstering the U.S. economy through low interest rates and hefty asset purchases well into the future.
- Though Democrats and Republicans disagree on the specifics, both agree additional U.S. stimulus is needed. A package will likely pass both the U.S. House of Representatives and the Senate in the next few weeks.

THE HOUSTON STORY

Houston's economy is following a similar path. The metro area* lost 350,200 jobs last March and April but has since recouped roughly 60 percent of those losses.

Metro Houston Jobs Recovery

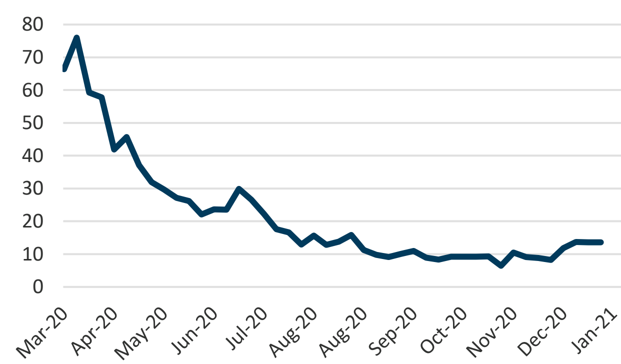


Source: Texas Workforce Commission

Employment in several sectors, notably professional, scientific, and technical services, finance and insurance, and nondurables manufacturing now exceeds pre-pandemic levels. Sectors closely tied to energy—exploration and production, oil field services, equipment manufacturing and wholesale trade—have yet to recoup their losses.

Data from the Texas Workforce Commission (TWC) show that initial claims for unemployment benefits filed in early February '21 were one-fifth those filed in early April '20, the height of the pandemic. Claims, however, remain elevated and have ticked up in recent weeks.

Initial Claims for Unemployment Benefits, Metro Houston



Source: Texas Workforce Commission

The Houston Purchasing Managers Index (PMI), a short-term indictor of local growth, registered 52.6 in January, having fallen to 34.6 last April. The local PMI has tracked above 50 since August.

A few other positive signs for Houston:

- Sales tax collections for the City Houston were down 3.7 percent in December '20 compared to December the year before. In April, collections were down 17.2 percent compared to the same month the prior year.
- Container traffic at the Port of Houston was up 9.1 percent in December, compared to December the year

before. That's a dramatic improvement since June '20 when traffic slipped 12.8 percent compared to June '19.

- The unemployment rate in December was 8.0 percent, down from 8.9 percent in November and 14.3 percent at the height of the pandemic.
- Houston-area realtors sold 6,088 single-family homes in January '21, up 27.7 percent from the same month last year, making a record for the month of January.
- The price of West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, averaged $55.39 the first week of February. That's up from $47.98 the first week of January and $21.94 the first week of April last year.

Looking back, '20 was an awful year. The outbreak of COVID-19 forced the world into isolation and slashed the demand for everything from air travel to haircuts. Energy demand plunged, taking oil prices with it. The rig count followed. Companies told their employees to work from home. Day care centers shut down. Restaurants were restricted to carry-out only. Concerts were cancelled. Movie theatres went dark. Construction trailed off through most of the year. And the metro area experienced steep job losses. Bottom line—last year was one of the worst on record for Houston's economy.

Employment

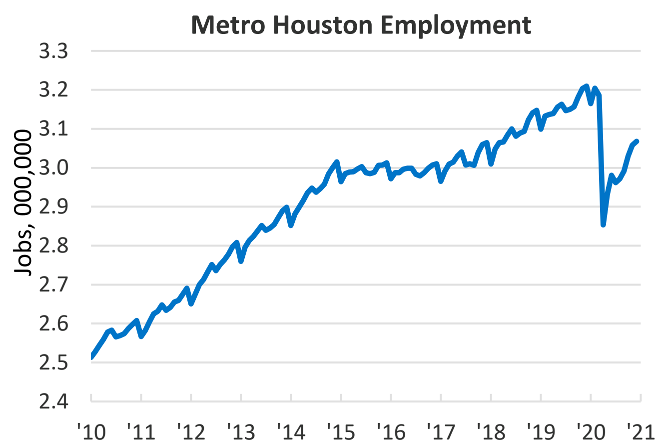
The year began with strong job gains, Houston benefitting from the longest economic expansion in U.S. history. February set a record for job growth, adding 38,900 jobs and nearly offsetting the 44,500 jobs lost the month before. Houston always loses jobs in January as workers hired for the holiday season are let go and layoffs that had been postponed until after the holidays are finally implemented. The region was on pace to add more than 70,000 jobs in '20 before the arrival of COVID-19 disrupted this growth.

On March 4, health officials announced they'd identified the first COVID-19 case in Houston. A week later Houston Mayor Sylvester Turner declared a public health emergency for the city. The Houston Livestock Show and Rodeo quickly shut down. Employers sent employees home. The virus quickly took its toll on the economy.

In March and April, employers laid off 350,200 workers in Houston. That exceeded the combined losses of the '80s energy bust (226,100 jobs) and the Great Recession (120,500 jobs). Houston saw a surge in applications for unemployment benefits, from fewer than 3,000 the first week of March to over 70,000 the first week of April.In early May, believing the worst to be over, elected officials allowed some businesses to reopen and furloughed employees were called back to the office. The region added 78,200 jobs in May and another 48,500 in June. Those were the best and second-best months on record for job growth. As of December, Houston had recouped 214,500 jobs, nearly two-thirds of the losses, leaving the metro area 135,700 jobs shy of where it stood in February '20. But, as noted earlier, Houston always loses 40,000 or more jobs in January. Those losses have yet to show up in the data. Once those losses are factored in, Houston will likely be 175,000 or more jobs shy of its previous peak.

In a typical year, one in which high oil prices aren't overstimulating the economy nor low oil prices impeding growth, the region creates 60,000 to 70,000 jobs. This suggests it may take Houston two to three years of normal growth to return to pre-COVID employment levels. Anything which can speed up growth, like a robust federal stimulus package or significant investment in local infrastructure, could help shorten the timeline.

A Caveat



Source: Texas Workforce Commission

Each March, the TWC releases what it refers to as "benchmark revisions" to employment data reported over the previous 21 months. The initial job estimates are based on employer surveys, which produce timely but less accurate results. The revisions are based on administrative records, which produce delayed but more accurate results. Those revisions will capture gains and losses not reflected in the initial monthly reports and thus a more accurate picture of what happened during the pandemic. Given this caveat, here's what the preliminary data says about Houston employment last year.

- Ambulatory health care (i.e., outpatient services) struggled early in the pandemic but finished the year with healthy job growth as Houstonians rescheduled clinical, doctor and dentist visits. The sector added 9,400 jobs.
- The surge in online shopping boosted demand for delivery services, fueling employment growth at courier

and messenger companies. This was enough to offset loss in other transportation subsectors. Transportation and warehousing gained 7,500 jobs in ’20.

- Professional, scientific and technical services, typically white-collar occupations which can be done remotely, continued to grow. The sector added 6,400 jobs.
- A near-record pace of home construction and a surge in remodeling activity for existing homes boosted sales, thus adding 3,8000 jobs at building materials and hardware stores.
- The need for deeper cleaning and more frequent disinfecting of work areas boosted demand for services to buildings, i.e., janitorial services. The sector added 2,900 jobs.
- The boom in mortgage refinancing, combined with Payroll Protection Program (PPP) loan applications submitted by local employers kept the finance and insurance sectors busy. The sector added 1,500.
- The chemical industry benefitted from newly constructed plants coming online and export demand holding steady through much of the pandemic, then ticking up toward year’s end. The sector finished the year with a net gain 700 jobs.

Any job gains, however, were weighed down by heavy losses in energy, construction, manufacturing, and arts, entertainment and recreation, and the hospitality sector.

- Upstream energy shed 14,000 jobs, nearly one in six jobs in the sector, the bulk in oil field services.
- Over half of manufacturing’s 21,800 job losses were in fabricated metal products (pipes, valves, flanges, structural steel) and oil field equipment.
- Wholesale trade cut 19,000 workers. The sector is closely tied to energy and manufacturing and followed their trajectory throughout the year.
- Employment services (i.e., workers hired through a staffing agency) shed 5,900 jobs. The pandemic decline reduced the need for temporary help.
- Restrictions on public gatherings initially costs the arts, entertainment, and recreation sector 18,000 jobs, which may seem small in comparison to other losses but represented 49 percent of all jobs in the sector. The year ended with the sector down 12,500 jobs, 33.8 percent, the highest percentage loss of any sector.
- Though the outlook for hotels, restaurants and bars has improved substantially since April, the sector finished the year with 23,800 fewer jobs than it started.

AIR TRAFFIC

COVID-19 forced many nations to close their borders, states to impose travel restrictions, and consumers to be wary of air travel. At the height of the pandemic, U.S. airlines were carrying less than 10 percent of their normal traffic volumes.

The initial hit came in April, when the Houston Airport System (HAS) handled less than five percent of the traffic it directs in a normal month. Passenger volume began to improve in May but remained well below pre-pandemic levels though the summer. Those improvements began to taper off in the fall as the U.S. experienced a new surge in COVID cases.

Nationwide, the industry shed 106,000 jobs during the pandemic, about 20 percent of its workforce. Houston lost 2,200 jobs, about 11 percent of the workforce, but TWC has likely understated the full extent of the losses. Bush Intercontinental Airport (IAH) is a major hub for United Airlines. Systemwide, United has shed 25,500 jobs, about 23 percent of its workforce. And Houston Hobby Airport (HOU) is a major hub for Southwest Airlines. Through voluntary separations, Southwest has shed 4,000 employees, about 7 percent of its pre-COVID workforce. Another 10,000 are on “emergency extended time off.”

Though there’s considerable pent-up demand for air travel, the aviation industry may be one of the last to recover. The International Air Travel Association (IATA) doesn’t expect passenger volumes to return to ’19 levels until ’24.

HOUSTON AIRPORT SYSTEM – CY ’19 vs. ’20

	IAH	HOU	Total
’20	24,690,225	6,476,309	31,166,534
’19	45,276,595	14,455,307	59,731,902
Change	-20,586,370	-7,978,998	-28,565,368
%	-45.5	-55.2	-47.8

Source: Houston Airport System

CONSTRUCTION

City of Houston building permits totaled $6.5 billion in ’20, down 9.7 percent from $7.3 billion in ’19. Commercial permit values fell by double digits while residential permits experienced a negligible slip.

CITY OF HOUSTON BUILDING PERMITS, $ MILLIONS

Year	Total	Commercial	Residential
’20	6,546.2	3,763.1	2,783.1
’19	7,252.9	4,464.9	2,788.0
Difference - $	-706.8	-701.8	-5.0
Difference - %	-9.7	-15.7	-0.2

Source: City of Houston

Permit activity fell for churches, office buildings, parking garages and retail centers but rose for hospitals, schools, and education buildings. An increase in single-family permits helped offset a drop in multi-family permits.

Dodge Data & Analytics, which covers the entire metro area, reports construction activity fell 19.1 percent in ’20, with the decline concentrated in commercial and infrastructure projects. Residential construction slipped marginally with a $1.4 billion drop in single-family construction nearly offsetting a $1.5 billion drop in multi-family activity.

METRO HOUSTON CONSTRUCTION STARTS

	’20	’19	$	%
Commercial	8.1	11.3	-3.2	-28.3
Residential	12.1	12.2	-0.1	-0.8
Infrastructure	4.1	6.5	-2.4	-36.9
Totals	24.3	30.0	-5.7	-19.1

Source: Dodge Market Report

Though brokerage firms differ on how they define the market, the consensus is that construction activity in Houston has tapered off.

- Industrial/warehouse construction fell from 23.3 million square feet (msf) in Q4/19 to 8.0 msf in Q4/20.
- Retail fell from around 4.4 msf in Q4/19 to 2.2 msf in Q4/20.
- 23,600 apartment units were under construction in December ’19 compared to 17,600 today.
- Office construction is flat, with 3.9 msf under construction in January ’21 compared to 3.3 msf in January ’20.

New home construction is expecting a modest slip this year, with Zonda forecasting 33,000 to 34,000 single-family starts in ’21, down from 36,700 in ’20. A lack of lots on which to build, not a slump in demand, will cause the drop.

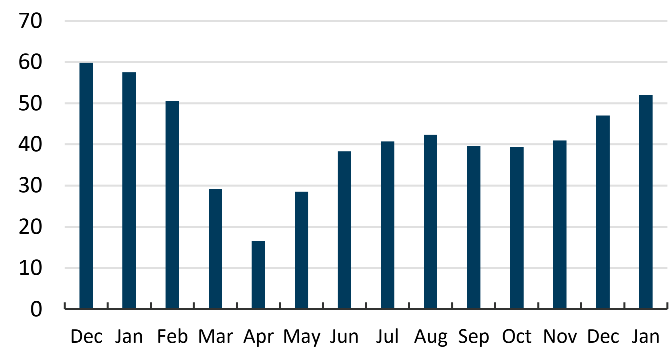
Several big projects are in the works that will eventually impact local construction, such as the rerouting of I-45 around downtown, the groundbreaking for TMC3 in the Texas Medical Center, and the MetroNext transit development program.

ENERGY

The oil and gas industry struggled through much of ’20. The year began well enough, with WTI averaging $62 per barrel the first week of January. But a feud between Saudi Arabia and Russia over production cuts lead to both countries flooding global markets with crude. By the first week of March, WTI fell to $45 per barrel. Then COVID-19 took over and demand for crude fell by about 20 million barrels a day, taking prices, the rig count, production, and local energy employment with it. By mid-April crude averaged $15 per barrel. By mid-August, the rig count had plummeted 75 percent from year-ago levels. By December, the industry had shed 27,000 jobs.

Like so many other sectors, the outlook for oil and gas began to improve as the economy reopened. Prices inched up throughout the year. As of the second week of February ’21, WTI traded at $58 per barrel on the spot market.

WTI Spot Price, Monthly Average, Dec ’19 – Jan ‘21



Source: U.S. Energy Information Administration

The North American rig count, a barometer of exploration activity, has recovered, albeit marginally, from its recession nadir. Baker Hughes reports there were 397 rigs working in the U.S. as of early February. That’s up from a low of 244 in mid-August. And demand appears to be recovering faster than first anticipated. This has helped draw down global inventories. Saudi Arabia has agreed to hold an additional 1 million barrels per day off the market.

But the industry still faces headwinds, including Executive Orders from President Joe Biden temporarily banning any new drilling leases on federal land; moves by major automakers like to General Motors toward producing more electric vehicles; the return of Iranian crude to global markets; and crude demand that is not expected to return to pre-COVID levels for another two to three years.

FOREIGN TRADE

In April, the World Trade Organization (WTO) issued a dire warning. Global trade was expected to fall by 13 to 32 percent in ’20 as the COVID-19 pandemic disrupted normal economic activity and life around the world. Whether the prediction came true for Houston depends upon how you measure trade, by tonnage or by value. Over 341 million metric tons of cargo passed though the Houston-Galveston Customs District in ’20, a 7.5 percent increase over ’19. The cargo was valued at $196 billion, a 16.5 percent decrease over the previous year. Though tonnage was up, weak oil prices depressed the value of those shipments, thus accounting for most of the drop in value.

Still, it was a good year for Houston, which handled more tonnage than any other customs district. New Orleans ranked second (222.4 million metric tons) and Los Angeles third (102.3 million). Houston ranked sixth in value of cargo handled, behind Los Angeles ($405.3 billion), New York ($394.4 billion), Laredo ($291.1 billion), Chicago ($268.9 billion) and Detroit ($225.4 billion).

HOUSTON-GALVESTON CUSTOMS DISTRICT

	Value - $ Billions	Metric Tons – Millions
Year	Total Value	Total Tonnage
’20	196.9	341.6
’19	235.8	318.7
Δ value	-38.9	+22.9
Δ %	-16.5	+7.2

Source: WISERTrade from US Census Bureau data

For the eighth consecutive year, the Houston customs district handled more exports than imports. Houston remains one of only a handful that can make that claim.

HOUSTON-GALVESTON CUSTOMS DISTRICT

	Value - $ Billions		Metric Tons – Millions	
Year	Exports	Imports	Exports	Imports
’20	129.5	67.4	266.6	75.0
’19	150.5	85.3	234.9	83.8
Δ value	-21.0	-17.9	+31.7	-8.8
Δ %	-14.0	-21.0	+13.5	-10.5

Source: WISERTrade from US Census Bureau data

China ranked as Houston’s top trading partner, knocking Mexico out of the top spot. Brazil held onto third place.

TOP TRADING PARTNERS – ’20*

Rank	Country	$ Billions	% of Total
1	China	19.3	9.8
2	Mexico	14.5	7.4
3	Brazil	11.9	6.1
4	Korea	9.5	4.8
5	Germany	9.5	4.8
6	Netherlands	9.5	4.8
7	India	8.0	4.1
8	Japan	7.7	3.9
9	United Kingdom	7.6	3.9
10	Italy	5.7	2.9
	Total Top 10	103.3	52.5
	All Others	93.6	47.5
	Total Trade	**196.9**	**100.0**

* Combined imports and exports

Colombia, which had been one of Houston’s top 10 trading partners, fell to #11. It was replaced by Italy. The remaining trading partners were unchanged from the previous year.

The district handled goods and commodities from 97 different broad categories—everything from diesel fuel to steel plate to silk.

Five commodity groups account for 82 percent of the value of all *exports*: crude and refined products, chemicals, industrial machinery, plastics and vehicles and parts.

Five account for 57 percent of the value of all *imports*: crude and refined products, industrial machinery, iron and steel, vehicles and parts, and electrical machinery.

The top exported commodities and top five imported commodities remain unchanged from the previous year.

HOME SALES

The pandemic briefly interrupted home sales, with April and May home sales falling to their lowest levels since ’12. Sales rebounded quickly, with July being the best month on record and June being the third best. The year closed strong, with December being the third best month on record for home sales.

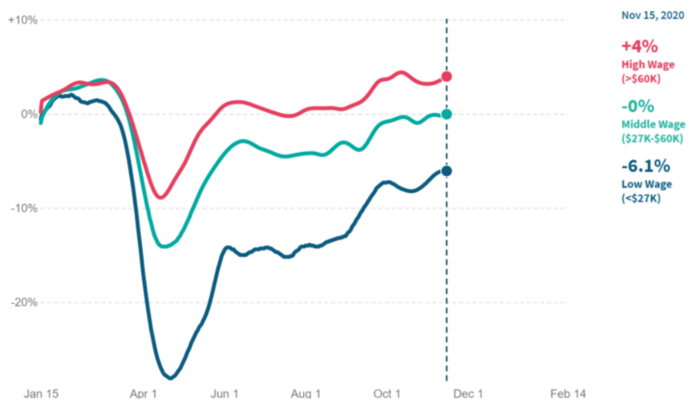
Despite the pandemic, Houston set several records for home sales in ’20.

- Brokers closed on 96,151 single-family homes last year. The previous record of 86,996 was set in ’19.
- The year ended with 115,523 properties of all types (single-family, duplexes, townhomes, and condos) being sold. The previous record was 103,513 sold in ’19. also last year.
- The value of all homes sold through the Houston Association of Realtors Multiple Listing Services (MLS) topped $35.5 billion. The previous record was $30.0 billion in ’19.
- The year ended with the median price for homes sold through MLS at $273,443, up from $251,600 at the end of ’19.
- Single-family listings fell to 15,118 in December, the lowest level of the past 20 years.

Several factors have supported robust home sales. Interest rates are at historic lows. The year started with the interest rate on a 30-year conventional mortgage at 3.72 percent and finished at 2.67 percent. At the end of ’18, the rate was 4.55 percent.

The recession has had less of an impact on high-wage earners than low wage earners, the former being more likely to buy a home, the latter more likely to rent an apartment. According to Harvard University's [Opportunity Insights Electronic Tracker](), by early August the recession had ended for high-wage earners in Harris County, by mid-November for middle-wage earners, but job losses still persist for low-wage earners, as seen in the chart below.

Percent Change in Employment, Harris County



Source: Opportunity Insights Electronic Tracker

And the expectation that after the pandemic subsides employees will continue working remotely has motivated many would-be buyers to seek houses more conducive to a work-from-home environment.

The main impediment to Houston setting new records in '21 will be lack of supply. Housing inventory dropped to 1.9 months of supply in December, the lowest level on record. A balanced market typically has 6.0 months of supply. Houston's inventory has fluctuated between three and four months of supply for the past three years.

INFLATION

The pandemic helped to tamp down inflation. Consumer prices in the Houston-The Woodlands-Sugar Land metro area rose 0.7 percent in '20, compared to 1.0 percent in '19 and 2.2 percent in '18.

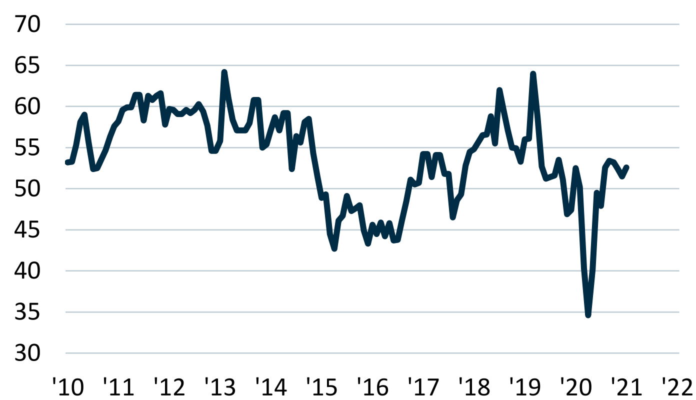
Core inflation, all items less food and energy, also increased 0.7 percent. The shelter index grew 1.3 percent.

The local energy index has fallen 3.8 percent since December '19, due to an 18.4 percent decline in motor fuel prices and a 1.7 percent decrease in natural gas prices. Offsetting some of the decrease, electricity costs have risen 13.4 percent since December '19. Food prices climbed 3.0 percent. The cost of dining out grew 4.3 percent and grocery prices increased 1.7 percent. The cost of shelter rose 2.5 percent.

PURCHASING MANAGERS INDEX

The Houston Purchasing Managers Index (PMI), a short-term leading indicator for regional production, already began signaling weakness in the regional economy in '19. Readings above 50 indicate expansion in the goods producing side of the economy, readings above 45 expansion in the services providing side. The PMI fell below 50 in November and December of '19, briefly rebounded above 50 in January and February, then plummeted in March. By April, the PMI had fallen to 34.6, the lowest reading in the history of the series and a signal that a strong contraction was underway.

Houston Purchasing Managers Index



Source: Institute for Supply Management-Houston

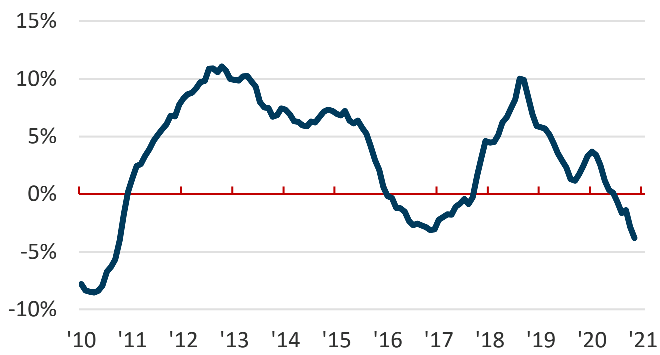
The PMI ticked up in May as the economy gradually reopened. By August, it was above 50, signaling Houston's economy was on the mend. The January '21 PMI of 52.6 is the sixth consecutive month above 50, a sign Houston's recovery continues.

TAX COLLECTIONS

Sales tax collections mirror trends in the overall economy, rising as the economy expands, slowing as growth stalls, and plunging as the economy contracts. On a 12-month basis, collections had begun to soften in the fall of '18, about the same time the oil and gas industry started to scale back operations. But by the fall of '19, collections had begun to grow again, Houston again benefiting from the ongoing U.S. expansion.

The year began with January '20 collections 8.0 percent above January '19 collections. But in February, initial weakness set in with collections down 1.5 percent. By April, they were down nearly 15 percent compared to April the prior year, not surprising considering all bars, most restaurants and many stores had shut down, and businesses, which pay sales taxes as well, pulled back on spending. Collections followed an uneven path through most of the year, down some months and slightly positive in others. Though data for the full year is not yet available, the region is on track to finish '20 with collections down three to four percent, a definite sign of improvement in the local economy.

Sales Tax Collections, 12-Month Change
12 Most Populous Houston-Area Cities



Source: Texas Comptroller of Public Accounts

UNEMPLOYMENT

In January of ’20, Houston’s unemployment rate was 4.1 percent, low by historic norms but not a record. The record low was 3.1 percent in April of ’81. Over the past 10 years, the rate had ranged as high as 8.7 percent, as low as 3.2, and averaged 5.6 percent. Houston’s workforce was clearly benefitting from the long U.S. expansion.

The impact of COVID-19 was felt rather quickly. In February, there were only 135,000 unemployed workers in metro Houston. By April, that had jumped to nearly 465,000. The unemployment rate skyrocketed to 14.3 percent. Texas’ rate topped out at 13.3, the U.S. rate at 14.4. (*Note: The data on job losses and unemployment come from different reports using different methodologies, hence the different numbers.*)

Unemployment Data, Metro Houston – CY ‘20

Month	Labor Force	Employed	Unemployed	%
January	3,461,219	3,319,680	141,539	4.1
February	3,494,246	3,359,710	134,536	3.9
March	3,434,119	3,243,750	190,369	5.5
April	3,185,290	2,730,500	454,790	14.3
May	3,324,817	2,861,054	463,763	13.9
June	3,380,586	3,052,552	328,034	9.7
July	3,394,536	3,071,583	322,953	9.5
August	3,490,697	3,206,497	284,200	8.1
September	3,475,458	3,143,166	332,292	9.6
October	3,426,109	3,163,741	262,368	7.7
November	3,461,909	3,152,198	309,711	8.9
December	3,445,575	3,169,170	276,405	8.0

Source: Texas Workforce Commission, Local Area Unemployment Statistics

Houston’s rate began to drop as soon as the economy began to reopen but remains stubbornly high—8.0 percent as of December ’20. The rate for Texas was 7.1, the U.S. rate 6.5. The rates are not seasonally adjusted.

Based on the current size of the workforce, another 60,000 or more Houstonians will need to find jobs for the unemployment rate to fall below 6.0 percent. If the workforce expands, as it’s likely to do as the population grows and residents re-enter the job market, the number of new jobs needed to bring the unemployment rate below 6.0 percent would grow considerably.

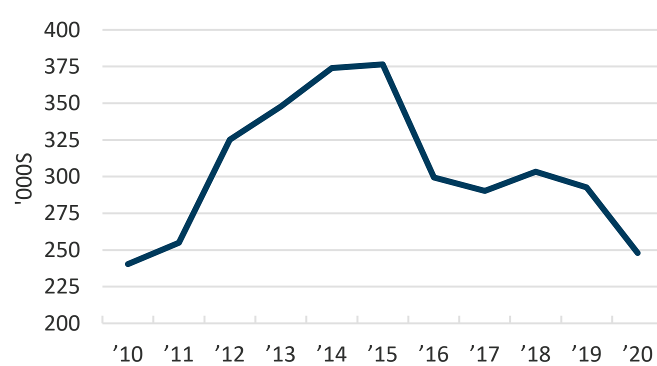
VEHICLE SALES

Vehicle sales had been trending down in recent years. For the first three months of ’20, vehicle sales were already off the previous year’s pace. Once the pandemic hit, sales fell dramatically. Dealers sold 8,300 fewer vehicles in April ’20 than they did the year before and 9,700 fewer in May ’20 than in May the year before.

Though sales began to recover in June, the damage had been done. Each month, dealers sold fewer vehicles than the same month the previous year. Houston-area auto dealers closed the year with a total of 248,034 vehicles sold, a 15.2 percent drop from ’19 and the worst year since ’10 when sales totaled 240,354 vehicles.

Dealers continue to face challenges, the current being a potential inventory shortage. *The Wall Street Journal* recently reported that several U.S. and European manufacturers have shut down production due to a global computer chip shortage, delaying shipments of components to their plants.

Vehicle Sales, Metro Houston



Source: TexAuto Facts published by InfoNation, Inc.

BEFORE COVID

Metro Houston’s gross domestic product (GDP) exceeded half a trillion dollars in ’19, according to data recently released by the U.S. Bureau of Economic Analysis. Data for ’20 won’t be available until next December ’21, but BEA’s estimates for ’19 provides a benchmark against which to measure the impact of the pandemic on Houston when data for ’20 is released. A few of the more significant points revealed in the current data:

Houston had the seventh largest economy in the U.S. in '19, ahead of metro Boston but behind Dallas-Fort Worth.

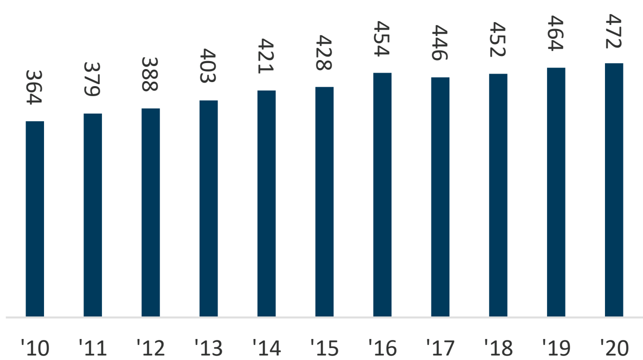
Gross Domestic Product, Top 10 Metros – '19

Rank	Metro	$ Billions
1	New York	1,861.10
2	Los Angeles	1,088.70
3	Chicago	709.2
4	San Francisco	591.9
5	Washington	559.1
6	Dallas-Fort Worth	523.9
7	Houston	512.2
8	Boston	484.6
9	Philadelphia	454.7
10	Seattle	424.8

Source: U.S. Bureau of Economic Analysis

Adjusted for inflation, Houston's economy grew by more than $100 billion over the decade. Growth was strongest in the first half of the decade but slowed significantly in the second half. From '10 to '14, the compound annual growth rate (CAGR) was 2.47 percent. From '15 to '19, the CAGR was 0.79 percent.

Metro Houston GDP, '12 Constant Dollars, Billions



Source: U.S. Bureau of Economic Analysis

The fracking bust dropped metro Houston from fifth place to seventh place among the nation's major economies.

Change in GDP Rank, '14 – '19, Top 10 Metros

Metro	'14 Rank	'19 Rank
New York	1	1
Los Angeles	2	2
Chicago	3	3
San Francisco	6	4
Washington	4	5
Dallas-Fort Worth	7	6
Houston	5	7
Boston	9	8
Philadelphia	8	9
Seattle	11	10

Source: U.S. Bureau of Economic Analysis

Finally, if Houston were a sovereign nation it would have the world's 25th largest economy, ahead of Venezuela but behind Sweden.

Ranking of World's Economies, '19 GDP

Global Rank	Nation	$ Billions
22	Thailand	543.5
23	Belgium	533.1
24	Sweden	530.9
25	**Houston**	**512.2**
26	Venezuela	482.4
27	Iran	454.0
28	Nigeria	448.1

Source: U.S. Bureau of Economic Analysis and The World Bank

**Note: The nine-county Census designated metropolitan statistical area of Houston-The Woodlands-Sugar Land, TX.*

Elizabeth Balderrama, Heath Duran, Annaissa Flores, Patrick Jankowski, Roel Martinez and Josh Pherigo contributed to this issue of Houston, The Economy at a Glance.

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

HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	Dec '20	Nov '20	Dec '19	Change from Nov '20	Change from Dec '19	% Change from Nov '20	% Change from Dec '19
Total Nonfarm Payroll Jobs	**3,068.2**	**3,056.2**	**3,209.5**	**12.0**	**-141.3**	**0.4**	**-4.4**
Total Private	***2,647.6***	***2,636.7***	***2,782.7***	***10.9***	***-135.1***	***0.4***	***-4.9***
Goods Producing	***494.7***	***495.6***	***555.0***	***-0.9***	***-60.3***	***-0.2***	***-10.9***
Service Providing	***2,573.5***	***2,560.6***	***2,654.5***	***12.9***	***-81.0***	***0.5***	***-3.1***
Private Service Providing	***2,152.9***	***2,141.1***	***2,227.7***	***11.8***	***-74.8***	***0.6***	***-3.4***
Mining and Logging	64.5	63.9	78.5	0.6	-14.0	0.9	-17.8
Oil & Gas Extraction	35.0	34.6	37.6	0.4	-2.6	1.2	-6.9
Support Activities for Mining	28.1	28.0	39.2	0.1	-11.1	0.4	-28.3
Construction	217.1	220.0	241.6	-2.9	-24.5	-1.3	-10.1
Manufacturing	213.1	211.7	234.9	1.4	-21.8	0.7	-9.3
Durable Goods Manufacturing	128.9	128.0	150.4	0.9	-21.5	0.7	-14.3
Nondurable Goods Manufacturing	84.2	83.7	84.5	0.5	-0.3	0.6	-0.4
Wholesale Trade	158.4	159.0	177.4	-0.6	-19.0	-0.4	-10.7
Retail Trade	309.3	308.0	313.9	1.3	-4.6	0.4	-1.5
Transportation, Warehousing and Utilities	169.2	164.9	161.6	4.3	7.6	2.6	4.7
Utilities	17.3	17.3	17.2	0.0	0.1	0.0	0.6
Air Transportation	17.9	17.9	20.2	0.0	-2.3	0.0	-11.4
Truck Transportation	28.3	28.3	28.2	0.0	0.1	0.0	0.4
Pipeline Transportation	11.4	11.7	12.1	-0.3	-0.7	-2.6	-5.8
Information	29.9	29.9	32.7	0.0	-2.8	0.0	-8.6
Telecommunications	13.6	12.9	14.0	0.7	-0.4	5.4	-2.9
Finance & Insurance	105.6	105.9	104.1	-0.3	1.5	-0.3	1.4
Real Estate & Rental and Leasing	58.2	59.1	64.7	-0.9	-6.5	-1.5	-10.0
Professional & Business Services	517.6	515.4	512.7	2.2	4.9	0.4	1.0
Professional, Scientific & Technical Services	253.4	253.3	247.0	0.1	6.4	0.0	2.6
Legal Services	*27.4*	*27.8*	*27.4*	*-0.4*	*0.0*	*-1.4*	*0.0*
Accounting, Tax Preparation, Bookkeeping	*29.6*	*29.2*	*27.3*	*0.4*	*2.3*	*1.4*	*8.4*
Architectural, Engineering & Related Services	*74.1*	*74.0*	*75.2*	*0.1*	*-1.1*	*0.1*	*-1.5*
Computer Systems Design & Related Services	*35.6*	*34.1*	*35.4*	*1.5*	*0.2*	*4.4*	*0.6*
Admin & Support/Waste Mgt & Remediation	219.8	217.6	219.2	2.2	0.6	1.0	0.3
Administrative & Support Services	*206.1*	*204.0*	*207.2*	*2.1*	*-1.1*	*1.0*	*-0.5*
Employment Services	*71.1*	*70.5*	*77.0*	*0.6*	*-5.9*	*0.9*	*-7.7*
Educational Services	64.6	64.7	64.6	-0.1	0.0	-0.2	0.0
Health Care & Social Assistance	340.8	339.7	346.5	1.1	-5.7	0.3	-1.6
Arts, Entertainment & Recreation	24.5	24.3	37.0	0.2	-12.5	0.8	-33.8
Accommodation & Food Services	271.4	266.4	295.2	5.0	-23.8	1.9	-8.1
Other Services	103.4	103.8	117.3	-0.4	-13.9	-0.4	-11.8
Government	420.6	419.5	426.8	1.1	-6.2	0.3	-1.5
Federal Government	31.7	31.2	30.9	0.5	0.8	1.6	2.6
State Government	83.3	84.8	88.7	-1.5	-5.4	-1.8	-6.1
State Government Educational Services	*45.7*	*47.2*	*51.2*	*-1.5*	*-5.5*	*-3.2*	*-10.7*
Local Government	305.6	303.5	*307.2*	2.1	-1.6	0.7	-0.5
Local Government Educational Services	*209.8*	*208.0*	*215.1*	*1.8*	*-5.3*	*0.9*	*-2.5*

SOURCE: Texas Workforce Commission