

# THE ECONOMY AT A GLANCE

## HOUSTON



GREATER HOUSTON  
PARTNERSHIP.

Making Houston Greater.

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### DEPENDS ON HOW YOU MEASURE

Metro Houston added 27,300 jobs in September, according to the Texas Workforce Commission (TWC). That's well above the 20-year average of 13,100 jobs for the month.

Job gains were concentrated in two sectors, public education (19,800) and employment services (11,200). The gains in education reflect teachers and administrators returning to campus for the new school year. The hiring in employment services suggests firms are turning to contract workers to fill in the gaps until permanent workers can be hired. However, there's a strong possibility that TWC has overestimated growth in the sector. The 11,200 jobs added in the month exceeds the annual growth for the sector in 19 of the past 20 years.

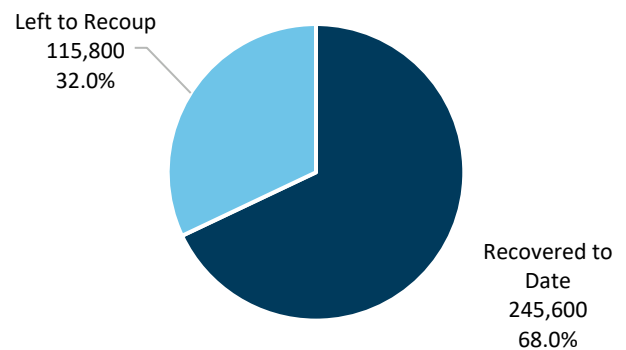
A handful of sectors reported nominal gains: ambulatory health care, energy, manufacturing, and transportation. As the pandemic wanes (hopefully), patients are scheduling doctor visits again, hence the gains in ambulatory health care. Energy is finally benefitting from higher oil prices. The need to replenish inventories has helped manufacturing. The gains in transportation/warehousing suggest local firms are making progress in resolving supply chain issues.

September saw substantial losses in restaurants and bars (7,000 jobs) and minor losses in retail (1,200). Both reflect consumers pulling back in late August and early September as the Delta variant swept through the region.

Construction of buildings shed jobs (1,900) in September, the result of office construction winding down.

To date, metro Houston has recouped 245,600 of the 361,400 jobs lost in the early stages of the pandemic. Most of the sectors impacted by Stay Home, Work Safe practices have fully recovered or soon will recover. These include ambulatory healthcare, computer systems design, employment services, general merchandise stores, insurance, legal services, refining, services to buildings, transportation/warehousing.

### PROGRESS THROUGH SEP '21, COVID JOBS RECOVERED



Source: GHP calculations based on Texas Workforce Commission data

As noted in past issues of *Glance*, four sectors continue to struggle: construction, energy, manufacturing, and wholesale trade. They account for 70,600 jobs, or 61.0 percent of what Houston needs to return to pre-COVID employment levels. Their struggles have undermined the progress Houston has made toward recovering the pandemic losses. If one excludes "the big four" from the calculations, Houston has recouped 86.4 percent of the jobs lost in the pandemic. These industries, which once drove Houston's growth, now impede its recovery.

But there's hope. Recent groundbreakings on several mega projects—TMC3, Levit Green and East River—may provide some relief to the construction industry. West Texas Intermediate has traded above \$70 per barrel since mid-September, providing additional cash flow to the oil and

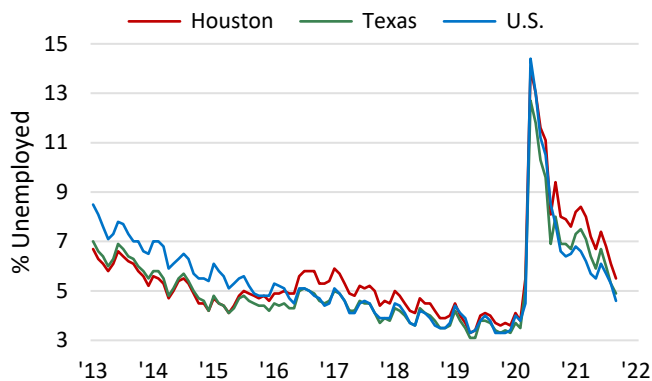
gas industry. Any improvement in energy should help local manufacturing and wholesale trade.

### TRENDING IN THE RIGHT DIRECTION

Houston’s unemployment rate fell to 5.5 percent in September, the lowest level since March ’20. The rate remains above that for Texas (4.9 percent) and the U.S. (4.6 percent). The rates are not seasonally adjusted.

Two decades ago, Houston could claim its unemployment rate consistently tracked below that of the nation. Since the mid-’10s, that claim is no longer valid. Now Houston’s rate typically aligns with or exceeds that of the U.S.

#### UNEMPLOYMENT RATES



Source: Texas Workforce Commission

Metro Houston averaged 5,000 initial weekly claims for unemployment benefits in the month of October. That’s down from 9,800 the same month in ’20 and from 65,000 per week in April ’20. Prior to the pandemic, initial claims averaged just under 4,000 per week.

#### INITIAL CLAIMS FOR UNEMPLOYMENT BENEFITS

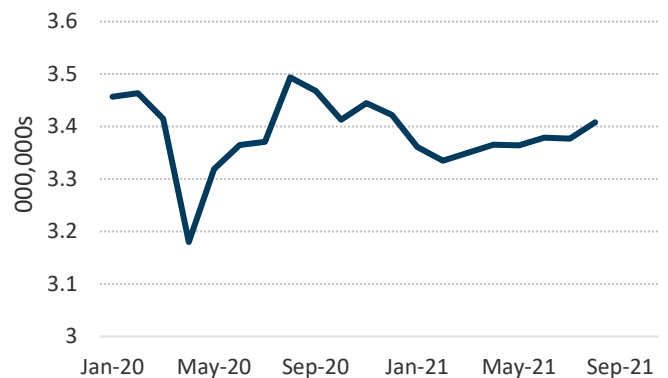


Source: Texas Workforce Commission

Fewer workers are filing continued claims for benefits as well, just over 28,000 in September ’21, plummeting from 195,000 in September ’20. The ranks of Houston’s unemployed are approaching pre-pandemic levels.

The region’s workforce continues to recover. Approximately 280,000 Houstonians (on net) dropped out of the labor force in the early stages of the pandemic. All but 55,000 have returned. Houstonians who stood on the sidelines are rejoining the workforce. Young adults coming of age are entering the labor market. And workers from other metros and other countries are moving here for job opportunities.

#### CIVILIAN LABOR FORCE, SEASONALLY ADJUSTED



Source: Texas Workforce Commission

### OUTLOOK FOR '22

As this newsletter arrives in subscribers’ inboxes, the Partnership is putting the finishing touches on its ’22 employment outlook. In developing the forecast, three themes rose to the top:

- Of all the jobs lost in the pandemic, the easiest ones to recover have already been recouped.
- Construction, energy, manufacturing, and wholesale trade, as noted earlier, are holding back the recovery.
- How well local businesses manage supply chain disruptions and worker shortages will determine the path of Houston’s recovery in ’22.

The forecast will be released at the Partnership’s 2022 Economic Outlook event, scheduled for December 1 at the Royal Sonesta Hotel. The event begins at 9:30 a.m. with a panel discussion among experts from Houston’s major industries. The panelists and their areas of expertise include:

- Energy - Eric Mullins, Chairman and Co-CEO, Lime Rock Resources
- Healthcare - David L. Callender, President and CEO, Memorial Hermann Health System
- Small Business - Alex López Negrete, President and CEO, Lopez Negrete Communications
- Real Estate/Construction - Daniel G. Bellow, President, Houston, JLL
- Banking/Finance - Julie Sudduth, Regional President, Houston, PNC

KHOU-11 anchor Shern-Min Chow will moderate the panel discussion.

The luncheon portion of the event convenes at noon. Carl Tannenbaum, chief economist for Northern Trust, will deliver the keynote speech. Tannenbaum recently received Arizona State University's Lawrence R. Klein Award for being the most accurate forecaster over the past four years. At the Partnership's event, he will offer his forecast for the U.S. and global economies.

Patrick Jankowski, the Partnership's Senior Vice President of Research, will present the Partnership's employment forecast for '22.

To register for the event, go to the Events section of the Partnership's webpage, [www.houston.org](http://www.houston.org), or [click here](#).

### ONE PLUS TWO PLUS THREE

Q3/21 marked the first quarter since Q4/19 that Houston's office market logged positive absorption. The amount was small, less than 600,000 square feet, a tiny step but one in the right direction.

Currently, just under 30 percent of all office space in Houston is either vacant or available for lease. To cut that in half and return to 15 percent, a rate typical for a healthy market, the Houston needs to absorb another 35.0 million square feet (MSF) of space. Over 71 MSF of the 243 million in the market is available for lease.

#### HOUSTON OFFICE MARKET INDICATORS

	Q3/21	Q3/20
Vacant	24.6%	23.2%
Available Total	29.3%	27.3%
Net Absorption	+0.6 MSF	-1.6 MSF
Leasing Activity	2.8 MSF	3.1 MSF
Under Construction	3.7 MSF	4.1 MSF
Asking Rent	\$29.42	\$29.36

Source: NAI Partners

Q3/21 marked the second consecutive quarter in three years that demand for industrial space (11.6 MSF) outpaced supply (6.0 MSF). Leasing was robust, with the market recording its fourth consecutive quarter of 9 MSF or more of leasing activity. The quarterly average of the past 10 years has been 7.7 MSF. Over 15 MSF is currently under construction and another 30 MSF planned through '22.

#### HOUSTON INDUSTRIAL MARKET INDICATORS

	Q3/21	Q3/20
Vacant	7.9%	8.3%
Available Total	10.8%	12.0%
Net Absorption	+11.6 Mil	+2.4 MSF
Leasing Activity	9.1 Mil	7.2 MSF
Under Construction	14.7 Mil	18.6 MSF
Asking Rent	\$0.64	\$0.64

Source: NAI Partners

For the third consecutive quarter, the vacancy rate for retail space has dropped. The Q3/21 vacancy rate of 5.8 percent has returned to where it stood in Q1/20 prior to the pandemic. Vacancy continues to tighten, leasing activity to pick up, and rental rates are inching higher. With 3.3 MSF delivered YTD, 3.3 MSF under construction, and another 5.3 MSF planned through '22, the demand for retail real estate may continue to outpace supply.

#### HOUSTON RETAIL MARKET INDICATORS

	Q3/21	Q3/20
Vacant	5.8%	6.3%
Net Absorption	+1.3 MSF	+0.9 MSF
Leasing Activity	2.1 MSF	1.8 MSF
Under Construction	3.3 MSF	3.1 MSF
Asking Rent NNN	\$19.02	\$18.23

Source: NAI Partners

### STILL #1

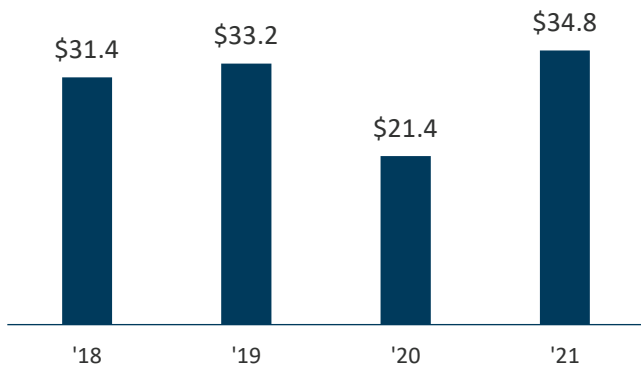
Houston continues to lead the nation in exports, shipping more goods and commodities (\$63.4 billion) abroad in the first six months of '21 than New York (\$51.6 billion), Los Angeles (\$29.1 billion) or Chicago (\$26.1 billion), according to data recently released by the U.S. Census Bureau.

The shipments reflect the Bureau's Origin of Movement (OEM) series, which captures the metro from which a good begins its export journey. This differs from the data that Census compiles for customs districts, which captures the value of goods which pass through a region's ports on their way to markets overseas. The advantage of the OEM series is that it better reflects how much of a region's economy is tied to global exports. The disadvantage is that it's only

updated quarterly. Customs district data is updated monthly.

Despite supply chain issues and transportation bottlenecks, Houston's exports have recovered from the pandemic. Exports in Q1/21 were well above the comparable quarter of the past three years.

### HOUSTON EXPORTS, SECOND QUARTER, BILLIONS



Source: U.S. Census Bureau

Details on the specific commodities that Houston exports are only available annually, but quarterly exports are likely to follow historic patterns and reflect the region's industrial base. Houston's exports in '20 can be seen in the accompanying table.

### '20 METRO HOUSTON EXPORTS, OEM SERIES

Commodity	Value \$B	% of Total
Oil & Gas (Upstream)	30.1	28.8
Petroleum & Refined Products	24.7	23.6
Chemicals	28.1	26.9
Industrial Machinery	5.2	5.0
Computer & Electronic Products	5.1	4.8
All Others	11.3	10.8
<b>Totals</b>	<b>\$104.5</b>	<b>100.0%</b>

Source: U.S. Census Bureau

Texas leads the nation in exports, with shipments through June '21 valued at \$142.5 billion. Houston accounted for 44.5 percent of the state's exports, followed by Dallas/Fort Worth with 14.5 percent and El Paso with 10.9 percent.

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

## KEY ECONOMIC INDICATORS



**Aviation** — The Houston Airport System (HAS) handled 3.8 million passengers in September '21, up from 1.7 million in September '20. This marked the seventh consecutive month with passenger volume exceeding 3.0 million.



**Inflation** — The cost of consumer goods and services rose 6.1 percent in metro Houston from October '20 to October '21.



**Crude Oil** — The closing spot price for West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, averaged \$81.75 per barrel in October '21, up from \$39.45 for the same period in '20. This marked the first time since October '14 when prices averaged over \$80.



**Home Sales** — For the 12 months ending in October '21, realtors sold 106,405 single-family homes, up 14.9 percent from the same 12-month period in '20.



**Natural Gas** — October's natural gas prices averaged \$5.54 per million British thermal units (MMBtu), up 129.9 percent from \$2.41 in October the year before.



**Purchasing Managers Index** — Economic activity expanded at a strong pace in October, according to the Houston Purchasing Managers Index (PMI). The October '21 PMI registered 61.0, up from 59.5 in September. Readings above 50 correlate with expansion of the Houston's economy.



**Rig Count** — Baker Hughes reports 544 drilling rigs were working in the U.S. during the last week of October '21. That's up from 296 rigs the same week in October last year.



**Sales Tax** — Sales and use tax collections for the 12 most populous Houston-area cities totaled \$1.1 billion in the 12 months ending September '21, up 10.0 percent from \$972.6 million for the same period a year ago. This rise in collections is the largest 12-month increase since September '18.



**Vehicle Sales** — Houston-area auto dealers sold 19,346 new vehicles in October '21, a decrease of 15.6 percent from October '20, according to TexAuto Facts, published by InfoNation, Inc. of Houston.

## HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	Sept '21	Aug '21	Sept '20	Change from		% Change from	
				Aug '21	Sept '20	Aug '21	Sept '20
<b>Total Nonfarm Payroll Jobs</b>	<b>3,076.4</b>	<b>3,049.1</b>	<b>2,928.3</b>	<b>27.3</b>	<b>148.1</b>	<b>0.9</b>	<b>5.1</b>
<b>Total Private</b>	<b>2,665.0</b>	<b>2,660.2</b>	<b>2,519.2</b>	<b>4.8</b>	<b>145.8</b>	<b>0.2</b>	<b>5.8</b>
<b>Goods Producing</b>	<b>487.5</b>	<b>484.8</b>	<b>476.7</b>	<b>2.7</b>	<b>10.8</b>	<b>0.6</b>	<b>2.3</b>
<b>Service Providing</b>	<b>2,588.9</b>	<b>2,564.3</b>	<b>2,451.6</b>	<b>24.6</b>	<b>137.3</b>	<b>1.0</b>	<b>5.6</b>
<b>Private Service Providing</b>	<b>2,177.5</b>	<b>2,175.4</b>	<b>2,042.5</b>	<b>2.1</b>	<b>135.0</b>	<b>0.1</b>	<b>6.6</b>
Mining and Logging	71.1	69.6	62.0	1.5	9.1	2.2	14.7
Oil & Gas Extraction	35.1	34.7	33.2	0.4	1.9	1.2	5.7
Support Activities for Mining	33.8	32.9	27.4	0.9	6.4	2.7	23.4
Construction	204.1	204.3	204.6	-0.2	-0.5	-0.1	-0.2
Manufacturing	212.3	210.9	210.1	1.4	2.2	0.7	1.0
Durable Goods Manufacturing	130.8	129.7	129.0	1.1	1.8	0.8	1.4
Nondurable Goods Manufacturing	81.5	81.2	81.1	0.3	0.4	0.4	0.5
Wholesale Trade	163.0	163.4	157.8	-0.4	5.2	-0.2	3.3
Retail Trade	295.7	296.9	292.4	-1.2	3.3	-0.4	1.1
Transportation, Warehousing and Utilities	172.2	170.8	156.9	1.4	15.3	0.8	9.8
Utilities	17.0	17.1	17.1	-0.1	-0.1	-0.6	-0.6
Air Transportation	18.3	18.4	18.3	-0.1	0.0	-0.5	0.0
Truck Transportation	27.3	27.3	26.5	0.0	0.8	0.0	3.0
Pipeline Transportation	11.5	11.5	12.0	0.0	-0.5	0.0	-4.2
Information	28.8	29.0	28.2	-0.2	0.6	-0.7	2.1
Telecommunications	12.4	12.5	12.6	-0.1	-0.2	-0.8	-1.6
Finance & Insurance	106.7	106.3	103.5	0.4	3.2	0.4	3.1
Real Estate & Rental and Leasing	58.2	57.9	59.0	0.3	-0.8	0.5	-1.4
Professional & Business Services	512.5	504.4	478.6	8.1	33.9	1.6	7.1
Professional, Scientific & Technical Services	245.2	245.1	230.3	0.1	14.9	0.0	6.5
Legal Services	28.4	28.6	27.6	-0.2	0.8	-0.7	2.9
Accounting, Tax Preparation, Bookkeeping	23.7	23.9	23.4	-0.2	0.3	-0.8	1.3
Architectural, Engineering & Related Services	66.5	67.0	66.0	-0.5	0.5	-0.7	0.8
Computer Systems Design & Related Services	37.7	37.8	33.8	-0.1	3.9	-0.3	11.5
Admin & Support/Waste Mgt & Remediation	222.6	214.3	204.0	8.3	18.6	3.9	9.1
Administrative & Support Services	209.1	200.9	192.5	8.2	16.6	4.1	8.6
Employment Services	83.0	72.8	69.5	10.2	13.5	14.0	19.4
Educational Services	65.0	64.4	60.2	0.6	4.8	0.9	8.0
Health Care & Social Assistance	344.0	343.5	332.9	0.5	11.1	0.1	3.3
Arts, Entertainment & Recreation	31.1	32.6	26.9	-1.5	4.2	-4.6	15.6
Accommodation & Food Services	283.0	290.3	245.9	-7.3	37.1	-2.5	15.1
Other Services	117.3	115.9	100.2	1.4	17.1	1.2	17.1
Government	411.4	388.9	409.1	22.5	2.3	5.8	0.6
Federal Government	31.4	31.1	36.5	0.3	-5.1	1.0	-14.0
State Government	89.9	89.6	88.5	0.3	1.4	0.3	1.6
State Government Educational Services	51.5	51.0	50.9	0.5	0.6	1.0	1.2
Local Government	290.1	268.2	284.1	21.9	6.0	8.2	2.1
Local Government Educational Services	193.6	173.8	190.9	19.8	2.7	11.4	1.4

SOURCE: Texas Workforce Commission