

THE ECONOMY AT A GLANCE

HOUSTON



GREATER HOUSTON
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CHALLENGES AHEAD

Prospects for the global economy have darkened since the outbreak of war in Ukraine prompting economists to reassess their forecasts.

- The International Monetary Fund (IMF) projects global growth to slow from an estimated 6.1 percent in '21 to 3.6 percent in '22. This is 0.8 percentage point lower for '22 than projected in January.
- The World Trade Organization (WTO) expects merchandise trade to grow 3.0 percent this year, down from its previous forecast of 4.7 percent.
- The Organisation for Economic Cooperation and Development (OECD) predicts inflation, already elevated at the start of the year, could be 2.5 percentage points higher, on average, across the globe.
- The World Bank (WB) warns that food and energy price shocks from the Ukraine war could last for years.

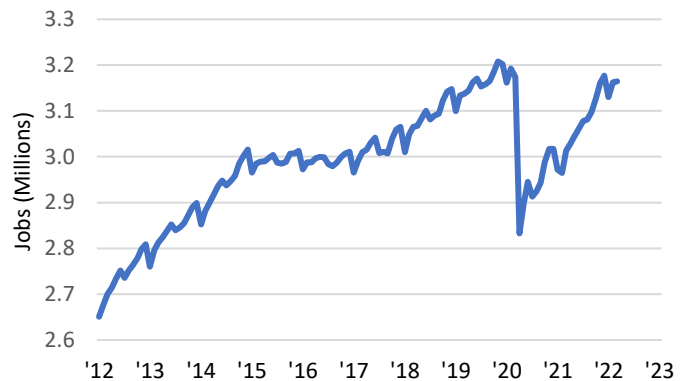
Slower global growth will impact Houston’s economy. But will it lead to a local recession? The Partnership doesn’t think so. The reasons why will be outlined at the organization’s *Global Houston* luncheon, a comprehensive look at the region’s ties to the global economy. The event, to be held Friday, May 20, at the Omni Hotel, will feature Philipp Carlsson-Szlezak, chief economist for BCG. He will deliver the keynote address on the global outlook. Patrick

Jankowski, the Partnership’s Senior Vice President of Research, will discuss how global trends will impact Houston. All attendees will receive a copy of *Global Houston 2022*, the Partnership’s analysis of international activity in the region as well as profiles of Houston’s top trading partners. To register for the event, visit Partnership’s [website](#).

INCHING CLOSER TO A FULL RECOVERY

As of March '22, Houston had recouped 331,400 jobs or 92.2 percent of the 359,400 jobs lost in the early stages of the pandemic. Only 28,000 jobs are needed to return to pre-COVID employment levels. Houston should reach that milestone soon. The region typically creates 8,000 - 12,000 jobs in April (the April employment report will be released May 20) and 12,000 - 16,000 jobs in May (the May report is due out June 17).

METRO HOUSTON EMPLOYMENT



Source: Texas Workforce Commission

If TWC revises its initial estimates for March, Houston may return to pre-COVID employment even sooner. That revision could come with April jobs report. TWC reported a gain of only 1,700 jobs in March. Typically, the region adds 10,000 to 20,000 jobs in the month. Other indicators—population growth, exports, home construction, sales tax collections, the Houston Purchasing Managers Index—indicate the region is currently enjoying robust economic growth which suggest stronger job growth.

Revisions to the jobs reports are common. TWC bases its monthly estimates on employer surveys. Like all surveys, TWC's survey is subject to sampling errors, incomplete responses, late responses and other problems. The commission tries to account for these discrepancies in the initial estimates, and issues revised estimates as additional survey data becomes available.

The revisions can go both ways, downward and upward. This can be seen in the February '22 jobs data. Originally, TWC reported the region created 45,000 jobs. The revised report indicated 32,000 were created in February. Retail created 3,500 fewer jobs than first thought; the government sector, 3,000 fewer; administrative support, 2,700 fewer; restaurants and bars, 1,800 fewer; professional, scientific, and technical services, 1,100 fewer; and transportation, 1,000 fewer. One sector saw a significant upward revision, construction which added 1,300 more jobs than first reported.

Unlike employment data, local labor force data is seldom subject to revisions. It shows Houston's unemployment rate fell from 5.3 percent in February to 4.4 percent in March. Unemployment peaked at 14.0 percent early in the pandemic. These rates are not seasonally adjusted.

On an even more positive note, Houston's civilian workforce, both seasonally adjusted and unadjusted, now exceeds pre-pandemic levels.

METRO HOUSTON LABOR FORCE

	Civilian Labor Force		Unemployment Rate	
	Adjusted	Unadjusted	Adjusted	Unadjusted
Feb '20	3,470,306	3,438,910	3.8	3.7
Mar '20	3,407,361	3,385,672	5.6	5.9
Feb '22	3,475,804	3,485,178	5.2	5.3
Mar '22	*	3,470,740	*	4.4

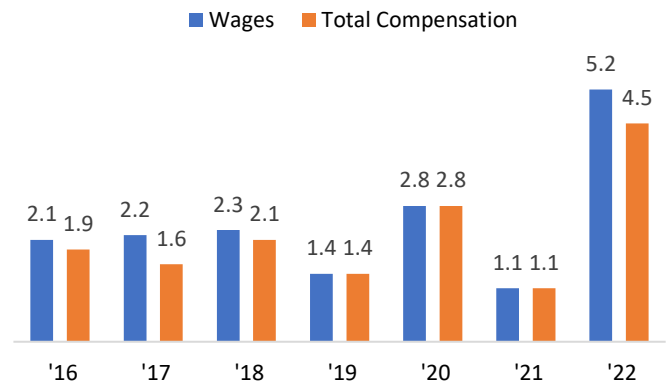
* There's a one-month lag in the adjusted workforce data.

Source: Texas Workforce Commission

COMPENSATION COSTS RISING

Compensation costs for private sector workers in metro Houston rose 4.5 percent in the 12 months ending March '22, according to the U.S. Bureau of Labor Statistics (BLS). That's the highest bump in recent years. A year ago, compensation costs jumped a mere 1.1 percent. Compensation includes wages, salaries, health insurance and other benefits. Separately, wages and salaries, the largest component of compensation, rose 5.2 percent, slightly above the national average of 4.8 percent.

% CHANGE IN COMPENSATION COSTS Metro Houston, 12-Months Ending in March



Source: U.S. Bureau of Labor Statistics

HOME OWNERSHIP MORE DIFFICULT

Housing affordability in Houston has declined significantly over the past two years, according to a study recently released by the Houston Association of Realtors (HAR). Only 47 percent of households in metro Houston earned the minimum annual income (\$73,400) required to purchase the median-priced Houston home (\$330,800) in Q1/22. That's down from 58 percent in Q1/21. Houston is not unique.

All the state's major metro areas saw similar declines over the past year. Metro Austin has suffered the worst drop.

HOUSING AFFORDABILITY – MAJOR TEXAS METROS

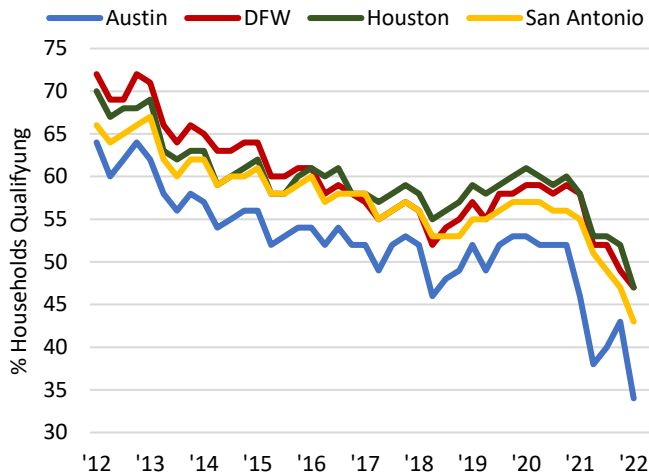
	Median Price Q1/22	Monthly Payment Q1/22*	Min. Income To Qualify		% Households Qualifying	
			Q1/22	Q1/21	Q1/22	Q1/21
Houston	330,80	1,840	73,600	58,000	47	58
Austin	540,70	3,010	120,40	90,000	34	46
Dallas	365,40	2,030	81,200	61,600	47	58
San Antonio	321,10	1,790	71,600	54,800	43	55
Texas	328,99	1,830	73,200	56,400	45	56
U.S.	368,20	1,860	74,400	58,800	45	55

* 30-year fixed-rate mortgage at 3.82 percent, assumes 20 percent down payment, monthly note includes insurance and taxes

Source: Houston Association of Realtors

This is not a recent phenomenon. The Texas metros that HAR studied have seen steady declines in affordability over the past 10 years. In Q1/12, 70 percent of Houston households qualified for the median-priced home, compared to 47 percent today. For Austin, the share fell from 64 to 34 percent, in Dallas 72 to 47 percent, and San Antonio, 66 percent to 34 percent.

% HOUSEHOLDS QUALIFYING FOR MEDIAN PRICED HOME



Source: Houston Association of Realtors

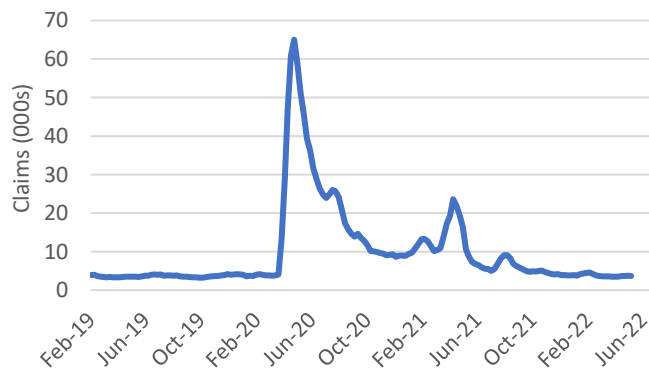
Home prices and interest rates are rising faster than wages, so even fewer families may be able to afford to purchase a home in the future. Prices are expected to appreciate at a double-digit rate this year. And as of mid-May, the average 30-year fixed-rate mortgage was 5.3 percent, 1.5 points higher than the rate in HAR’s study. Rates will likely rise another one to two percentage points by the end of this year.

JOBLESS CLAIMS BACK TO PREPANDEMIC LEVELS

Initial claims for unemployment benefits in metro Houston have fallen below pre-pandemic levels. In March '22 (latest data available), 22,450 area residents filed continued claims for benefits, down from 66,500 in March of '21 and 276,000 at the July '20 peak.

Initial claims have fallen below pre-pandemic levels as well. In April '22, initial claims averaged 3,620 per week. In February '20, the month prior to the COVID-19 pandemic, they averaged 3,880.

INITIAL CLAIMS FOR UNEMPLOYMENT BENEFITS Four-Week Moving Average



Source: Partnership Calculations based on Texas Workforce Commission data.

May 2022 Economy at a Glance ©2022, Greater Houston Partnership

Economists are closely watching initial claims for a sign the labor market is softening. The U.S. Federal Reserve has signalled it will continue to raise interest rates to tame inflation. Many worry this will push the U.S. into a recession. The Partnership disagrees. Consumer spending, job growth, business investment, and industrial production show no signs of a recession. And businesses are struggling to find workers. According to BLS, the nation had 11.5 million job openings in March, compared to an average of 6.4 million in the five years prior to the pandemic. Texas employer had 899,000 openings, compared to a monthly average of 522,000 prior to the pandemic. With labor in such short supply, employers are likely to hold onto existing workers even in a downturn.

PERRYMAN’S OUTLOOK ON THE FUTURE

The economic outlook remains bright for Houston this year and into next, according to the latest projections from The Perryman Group, the Waco-based think tank that’s been analyzing and forecasting for U.S., Texas, and Texas metro growth since the early '80s.

Perryman calls for Houston’s real gross product (RGP) to grow 6.5 percent this year (December to December) and 4.1 percent next year. The region should add 131,500 jobs in '22 and 73,400 in '23. And Houston should welcome 87,300 new residents this year and 90,200 next.

EMPLOYMENT PROJECTIONS, METRO HOUSTON

Sector	'22		'23	
	Jobs	% Δ	Jobs	% Δ
Agriculture	46	1.3	23	0.6
Mining	12,859	19.2	5,254	6.6
Utilities	258	1.5	227	1.3
Construction	3,609	1.7	3,084	1.4
Manufacturing	6,676	3.2	2,665	1.2
Retail/Wholesale	15,667	3.3	10,257	2.1
Transport/Warehouse	10,169	6.6	4,765	2.9
Information	2,169	7.2	616	1.9
F.I.R.E.	6,997	4.0	2,554	1.4
Other Services	74,080	5.3	33,646	2.3
Total	131,566	0.2	73,418	2.2

Note: F.I.R.E includes finance, insurance, and real estate. Other services includes professional services, management of companies, administrative support, educational services, health care, arts and entertainment, accommodation and food services, and personal and repair services.

Source: The Perryman Group, www.perrymangroup.com

Perryman projects Texas GDP to grow 7.2 percent this year and 4.2 percent next after adjusting for inflation. The state should add 551,700 jobs, a 4.2 percent increase in '22, and 272,900 jobs in '23, a 2.0 percent increase.

KEY ECONOMIC INDICATORS



Aviation — The Houston Airport System (HAS) handled 4.4 million passengers in March '22, up 1.3 million (43.3 percent) from March '21. This still falls below the 4.9 million handled in March '19. Even though air fares have risen this year, travel is expected to increase this summer, driven by pent-up demand and the easing of coronavirus travel restrictions.



Construction — City of Houston building permits totaled \$1.8 billion the first three months of this year, from \$1.4 billion during the comparable period in '21. Dodge Data & Analytics reports that construction contracts awarded in the nine-county metro area topped \$8.4 billion through March, up from \$6.5 billion for the same period in '21. The Dodge data includes commerce and residential construction as well as infrastructure work. Contractors expect activity to remain high over the next six months.



Crude Oil — The closing spot price for West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, averaged \$101.78 per barrel in April '22, up from \$61.72 in April '21, according to the U.S. Energy Information Administration (EIA). The outlook for crude prices remains highly uncertain. Russia's invasion of the Ukraine, OPEC's reluctance to boost production, the slow pace of U.S. drilling, and low global inventories are putting upward pressure on prices. COVID lockdowns across China and concerns about a global recession are somewhat counterbalancing those pressures. EIA forecasts WTI to average \$98.20 per barrel this year and \$93.24 next.



Foreign Trade — The Houston-Galveston Customs District handled foreign trade valued at \$88.3 billion through March of this year, up 66.1 percent from \$53.2 billion over the same period in '21. Shipments of crude, fuels and refined products have jumped 25.8 percent by weight and 93.4 percent in value. Russia ranks 19th among Houston's trading partners, Ukraine ranks 60th. The ongoing war between the two countries has had no noticeable impact on the metro area's global trade.



Natural Gas — In April, the Henry Hub natural gas spot price averaged \$6.59 per million British thermal units (MMBtu), which was up from \$2.66/MMBtu in April of last year. Inventories remain below five-year averages, which continues to put pressure on prices as the nation moves into the high-demand summer cooling season. Natural gas-fired generators provide roughly 36 percent of the nation's electricity.



Purchasing Managers Index — The Houston Purchasing Managers Index (PMI) fell from 58.5 in March to 57.3 in April. Readings above 50 signal overall expansion in Houston's economy. Non-manufacturing activities expanded at modestly slower rate while manufacturing activities expanded at a somewhat higher pace. Healthcare, construction, oil and gas extraction, professional and management services, manufacturing, and transportation, trade, and warehousing reported strong expansion. Leisure and hospitality, and real estate reported modest expansion.



Rig Count — The Baker Hughes count of active domestic rotary rigs stood at 714 the week ending May 13, up from 453 the same week in May '21, according to data recently released by the company. Drilling has picked up substantially since the Russia invasion, adding 64 rigs within that period. Even though the rig count has climbed for a record 21 consecutive months, weekly increases have mostly been in single digits. U.S. oil production remains below pre-pandemic levels as the industry focuses on returning money to investors and paying down debt rather than boosting output.



Sales Tax — Sales tax collections for the 12 most populous Houston-area cities totaled \$1.2 billion in the 12 months ending March '22, up 19.4 percent from \$971.4 million in the same period last year. The strongest growth was in sectors driven by business spending, particularly oil and gas, construction, manufacturing, and wholesale trade. Among sectors driven by consumer spending, the strongest growth is in arts and recreation services, with receipts from sporting events, music and live entertainment, fitness and restaurants doing well.

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The Key Economic Indicators are **updated whenever any data change** — typically, ten 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)

	Mar 22	Feb 22	Mar 21	Change from		% Change from	
				Feb 22	Mar 21	Feb 22	Mar 21
Total Nonfarm Payroll Jobs	3,164.2	3,162.5	3,013.8	1.7	150.4	0.1	5.0
<i>Total Private</i>	<i>2,729.7</i>	<i>2,727.9</i>	<i>2,590.5</i>	<i>1.8</i>	<i>139.2</i>	<i>0.1</i>	<i>5.4</i>
<i>Goods Producing</i>	<i>503.9</i>	<i>498.3</i>	<i>481.9</i>	<i>5.6</i>	<i>22.0</i>	<i>1.1</i>	<i>4.6</i>
<i>Service Providing</i>	<i>2,660.3</i>	<i>2,664.2</i>	<i>2,531.9</i>	<i>-3.9</i>	<i>128.4</i>	<i>-0.1</i>	<i>5.1</i>
<i>Private Service Providing</i>	<i>2,225.8</i>	<i>2,229.6</i>	<i>2,108.6</i>	<i>-3.8</i>	<i>117.2</i>	<i>-0.2</i>	<i>5.6</i>
Mining and Logging	66.8	65.3	60.6	1.5	6.2	2.3	10.2
Oil & Gas Extraction	31.5	31.0	29.4	0.5	2.1	1.6	7.1
Support Activities for Mining	33.0	32.0	29.8	1.0	3.2	3.1	10.7
Construction	218.5	215.3	209.2	3.2	9.3	1.5	4.4
Manufacturing	218.6	217.7	212.1	0.9	6.5	0.4	3.1
Durable Goods Manufacturing	135.5	136.0	128.3	-0.5	7.2	-0.4	5.6
Nondurable Goods Manufacturing	83.1	81.7	83.8	1.4	-0.7	1.7	-0.8
Wholesale Trade	165.3	166.5	158.1	-1.2	7.2	-0.7	4.6
Retail Trade	319.2	318.1	299.4	1.1	19.8	0.3	6.6
Transportation, Warehousing and Utilities	168.9	169.6	160.6	-0.7	8.3	-0.4	5.2
Utilities	17.3	17.2	17.6	0.1	-0.3	0.6	-1.7
Air Transportation	18.8	18.7	17.7	0.1	1.1	0.5	6.2
Truck Transportation	28.3	28.3	26.8	0.0	1.5	0.0	5.6
Pipeline Transportation	12.5	12.4	11.9	0.1	0.6	0.8	5.0
Information	31.4	31.5	27.9	-0.1	3.5	-0.3	12.5
Telecommunications	12.3	12.2	12.0	0.1	0.3	0.8	2.5
Finance & Insurance	110.8	110.4	106.2	0.4	4.6	0.4	4.3
Real Estate & Rental and Leasing	60.2	60.5	60.3	-0.3	-0.1	-0.5	-0.2
Professional & Business Services	504.4	513.7	493.6	-9.3	10.8	-1.8	2.2
Professional, Scientific & Technical Services	244.0	246.2	236.6	-2.2	7.4	-0.9	3.1
<i>Legal Services</i>	<i>29.4</i>	<i>29.6</i>	<i>28.2</i>	<i>-0.2</i>	<i>1.2</i>	<i>-0.7</i>	<i>4.3</i>
<i>Accounting, Tax Preparation, Bookkeeping</i>	<i>27.1</i>	<i>27.1</i>	<i>26.5</i>	<i>0.0</i>	<i>0.6</i>	<i>0.0</i>	<i>2.3</i>
<i>Architectural, Engineering & Related Services</i>	<i>67.4</i>	<i>67.3</i>	<i>64.7</i>	<i>0.1</i>	<i>2.7</i>	<i>0.1</i>	<i>4.2</i>
<i>Computer Systems Design & Related Services</i>	<i>37.9</i>	<i>38.1</i>	<i>35.6</i>	<i>-0.2</i>	<i>2.3</i>	<i>-0.5</i>	<i>6.5</i>
Admin & Support/Waste Mgt & Remediation	217.0	224.1	214.3	-7.1	2.7	-3.2	1.3
<i>Administrative & Support Services</i>	<i>207.6</i>	<i>212.4</i>	<i>203.0</i>	<i>-4.8</i>	<i>4.6</i>	<i>-2.3</i>	<i>2.3</i>
<i>Employment Services</i>	<i>83.9</i>	<i>85.8</i>	<i>80.3</i>	<i>-1.9</i>	<i>3.6</i>	<i>-2.2</i>	<i>4.5</i>
Educational Services	72.6	71.7	62.7	0.9	9.9	1.3	15.8
Health Care & Social Assistance	353.1	353.7	340.3	-0.6	12.8	-0.2	3.8
Arts, Entertainment & Recreation	31.4	30.8	27.3	0.6	4.1	1.9	15.0
Accommodation & Food Services	297.2	293.2	264.7	4.0	32.5	1.4	12.3
Other Services	111.3	109.9	107.5	1.4	3.8	1.3	3.5
Government	434.5	434.6	423.3	-0.1	11.2	0.0	2.6
Federal Government	31.8	31.8	30.6	0.0	1.2	0.0	3.9
State Government	95.7	95.5	92.6	0.2	3.1	0.2	3.3
<i>State Government Educational Services</i>	<i>55.7</i>	<i>55.6</i>	<i>52.9</i>	<i>0.1</i>	<i>2.8</i>	<i>0.2</i>	<i>5.3</i>
Local Government	307.0	307.3	300.1	-0.3	6.9	-0.1	2.3
<i>Local Government Educational Services</i>	<i>215.5</i>	<i>215.8</i>	<i>207.1</i>	<i>-0.3</i>	<i>8.4</i>	<i>-0.1</i>	<i>4.1</i>

SOURCE: Texas Workforce Commission