

# THE ECONOMY AT A GLANCE

## HOUSTON



GREATER HOUSTON  
PARTNERSHIP.  
Making Houston Greater.

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A lower inflation rate is important for several reasons. For one, it affects consumer sentiment. The effective federal funds rate may be a difficult concept for most Americans to grasp, but everyone knows how much they pay for gas, bread, and blue jeans today versus three years ago. And when inflation declines, consumers feel better about the economy and open their wallets.

### 2025 ECONOMIC FORECAST

*Editor's Note: The following summarizes the Partnership's '25 employment forecast released December 12, 2024. The summary includes several economic indicators that have been updated since the forecast was first released. The updates did not change the outlook. The full forecast can be found at [www.houston.org/economy](http://www.houston.org/economy).*

The U.S. is doing well despite earlier reports to the contrary. In the 12 months ending November '24, the nation has created 2.3 million jobs. The unemployment rate has tracked 4.2 percent or lower in 11 of the past 12 months. And real gross domestic product (GDP) has grown 2.8 percent over the past 12 months. In fact, the U.S. has led all developing nations in recovering from the pandemic. U.S. GDP increased 10.7 percent since the end of '19, versus 5.9 percent for Canada's GDP, 3.9 percent for the Eurozone, 3.0 percent for Japan, and 0.2 percent for Germany.

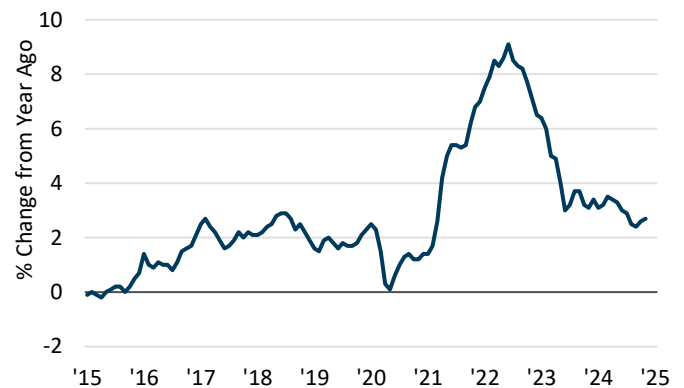
Houston is no laggard, either. The region created 62,500 jobs in the 12 months ending November '24. Our unemployment rate has averaged 4.4 percent over the year. Initial claims for unemployment benefits have fallen to pre-pandemic levels. Construction has picked up. And people and businesses continue to flock to the region.

Both the U.S. and Houston are poised for growth in '25. Whether that growth stalls or accelerates depends on the path of inflation, the level of U.S. interest rates, consumer confidence, and actions taken by Congress in the spring.

### Inflation

The annual rate of inflation peaked at 9.0 percent in June '22 and has trended down since, slipping to 2.7 percent in November '24. Various surveys forecast inflation to track between 2.0 and 2.5 percent next year. The Partnership expects inflation at the low end of the range.

### U.S. INFLATION RATE



Source: U.S. Bureau of Labor Statistics

### Interest Rates

To combat inflation, the Federal Reserve began hiking the federal funds rate in the spring of '22. In the fall of '24, seeing that inflation was nearing the Fed's 2.0 percent target, the bank began to lower the rate. Many business and consumer loans are pegged to the rate, so its decline should make buying a car, purchasing a home, or financing equipment more affordable, thus boosting economic growth.

### Consumer Confidence

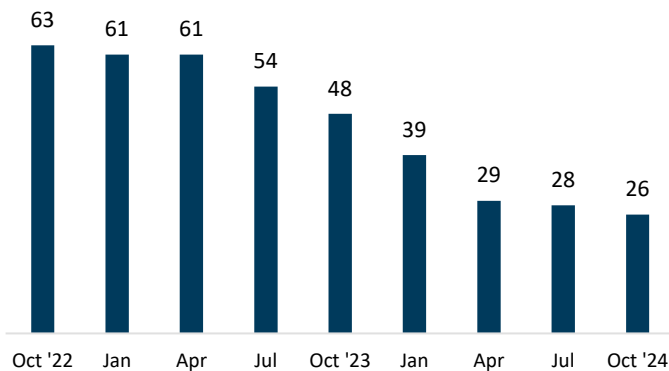
The Conference Board's October '24 Consumer Confidence Index surged to its highest level since January '24. The same month, the University of Michigan's Survey of Consumer Sentiment hit its highest level since April '24. And in the Kinder Institute for Urban Research's spring '24 survey of Houston residents, 72 percent of respondents indicated they were excited about the future. All of this bodes well for consumer spending in the coming months.

## Actions by Washington

The biggest unknown is the impact that Congress and the White House will have on the economy in '25. A more aggressive trade policy could result in higher prices on imported goods and retaliatory actions by our trading partners. Tax cuts and spending increases would compel the U.S. Treasury to issue more debt potentially raising interest rates. Reducing the immigrant workforce significantly would cause a severe labor shortage. Another budget impasse would shut down the government, reduce spending, and slow economic growth. Those are possibilities, however, not probabilities.

Barring a “black swan” event, the U.S. is unlikely to slip into recession in '25. *The Wall Street Journal's* October survey of prominent business economists rated the probability of a recession over the next 12 months at 26 percent. That's down from a 63 percent probability in the October'22 survey. The consensus from the Blue Chip Survey, another poll of the nation's economists, is for U.S. GDP to grow 2.1 percent in '25. And when the National Association for Business Economics asked its members “When will the next recession begin?” only 10 percent responded that a recession might occur in '25; 63 percent responded in '26 or later. If the U.S. avoids a recession, so will Houston.

### % PROBABILITY OF A RECESSION IN NEXT 12 MONTHS



Source: The Wall Street Journal

### Where does Houston stand toward the end of '24?

- Through the first 11 months of the year, metro Houston has created 54,400 jobs, only 3,200 shy of the Partnership's forecast of 57,600 for the year.
- Over \$39.2 billion in construction contracts have been awarded through November of '24. That's up from \$30.0 billion over the comparable period the year before.
- Over 3.8 million TEUs (twenty-foot-equivalent units) passed through Port Houston in the first 11 months of '24, an 8.6 percent increase over '23.

- Through the first nine months of '24, the Partnership identified over 500 companies that have relocated, expanded, or started a business in Houston or announced plans to do so.
- Total wages and salaries paid to area workers were up \$30.3 billion (6.1 percent) in the first half of '24 compared to the same period in '23.
- Through births and in-migration, the region has added 265,000 residents over the past two years ('22 and '23) and should add an equal number over the next two.

All forecasts are based on assumptions. The Partnership's is based on the following:

- Real U.S. GDP growth averages 2.0 percent or better in '25.
- U.S. job growth averages 150,000 or better per month as well.
- The annual rate of inflation is near 2.0 percent by December '25.
- Net gains in real income spur additional consumer spending.
- The Fed continues to lower interest rates, boosting capital expenditures.
- Talk about across-the-board tariffs on imports is just that and the U.S. avoids a trade war.
- Any appreciation of the dollar against other major currencies has a negligible impact on trade.
- Any tax law changes or environmental and business regulations that emanate from Washington have a minimal impact on the industries that drive Houston's economy.
- Oil never falls below \$60 per barrel.
- People continue to move here from other cities, other states, and other countries.
- Demand for new single-family housing holds steady.
- Houstonians remain confident about the future and there's no pullback in local spending.
- And the region avoids another natural disaster like the May '24 derecho or Hurricane Beryl.

If only one or two assumptions prove wrong, the Partnership's forecast should still hold. But if three or more prove wrong, the forecast would need to be revised.

### The Forecast

The Partnership's forecast calls for Metro Houston to create 76,100 jobs in '25. The sectors with the greatest gains (in order) will be health care, construction, professional and technical services, government, and restaurants and bars.

Only one sector, information, which includes broadcasting, publishing, and telecommunications, is forecast to shed jobs. Houston should finish '25 with over 3.5 million payroll jobs, a record for the region.

### METRO HOUSTON EMPLOYMENT FORECAST DECEMBER '24 - DECEMBER '25

Sector	Jobs Gained/Lost
Health Care	12,800
Construction	10,200
Prof, Sci, Tech Services	6,900
Government	5,500
Restaurants	5,200
Retail	4,500
Transportation, Warehousing	4,500
Wholesale	4,300
Manufacturing	3,500
Oil and Gas	2,200
Finance & Insurance	2,100
Other Services	2,100
Admin Support, Waste Mgmt	1,900
Arts & Entertainment	1,800
Priv. Educational Services	1,700
Real Estate, Equip Rentals	1,600
Hotels	600
Information	-200
<b>Total Employment Gains</b>	<b>71,200</b>

Several factors will support Houston's job growth—the ongoing U.S. expansion, the continued decline in interest rates, increasing consumer confidence, a steady stream of domestic and foreign companies establishing operations here, a deep backlog of construction projects, and local income and population growth.

A detailed discussion about what will drive each sector can be found in the forecast which is posted at the Partnership's [website](#).

### SOLID GDP GROWTH

Houston's gross domestic product (GDP), the broadest measure of economic activity, hit \$697.0 billion in '23, according to recent estimates by the U.S. Bureau for Economic Analysis. That ranks metro Houston as the seventh largest economy in the U.S., ahead of Boston and Atlanta but behind Washington, D.C. and Dallas-Fort. Worth.

### GROSS DOMESTIC PRODUCT, TOP 20 METROS, '23

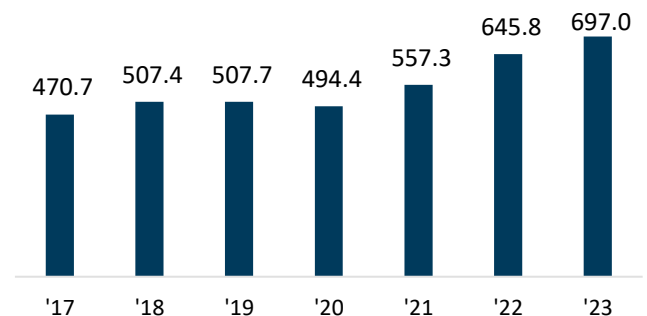
Rank	Metro	GDP*	Rank	Metro	GDP*
1	New York	2,298.9	11	Philadelphia	557.6
2	Los Angeles	1,295.4	12	Miami	533.7
3	Chicago	894.9	13	San Jose	422.8
4	San Francisco	778.9	14	Phoenix	398.1
5	Dallas-Ft Worth	744.7	15	Minneapolis	350.7
6	Washington, DC	714.7	16	Detroit	331.3
7	Houston	697.0	17	San Diego	314.9
8	Boston	610.5	18	Denver	311.9
9	Atlanta	570.7	19	Baltimore	259.7
10	Seattle	566.7	20	Riverside	256.9

\*Billion dollars

Source: U.S. Bureau for Economic Analysis

In nominal dollars, Houston's GDP has grown 48.1 percent since '17. Adjusted for inflation, the region's GDP has grown 17.0 percent over the period.

### METRO HOUSTON GDP, \$ BILLIONS



Source: U.S. Bureau of Economic Analysis

Readers should note the data reflect BEA's *estimates* of regional GDP, not an actual measure of economic activity. As such, the data is subject to revision. BEA declined to publish data reflecting the contribution of Houston's key industries to GDP. For example, BEA did not disclose its estimates for the size of Houston's wholesale trade, information, professional services, and hospitality sectors.

Though the data has flaws, it does help put in perspective the enormous size of Houston's economy. If Houston were an independent nation, it would have had the 23<sup>rd</sup> largest economy in the world in '23, ahead of Belgium and Sweden and just behind Poland and Taiwan.

### NATION/METRO GDP, '23

Rank	Country/Region	\$ Billions
21	Poland	915.5
22	Taiwan	814.4
23	<b>Metro Houston</b>	697.0
24	Belgium	689.4
25	Sweden	638.8

Source: International Monetary Fund and U.S. Bureau of Economic Analysis

## Key Economic Indicators



**Aviation** — The Houston Airport System (HAS) handled 57.5 million passengers through November '24, up 4.7 percent from 54.9 million over the comparable period in '23. Through the first 11 months, air cargo traffic totaled 502,615 metric tons, up 3.3 percent from 534,122 over the same period in '23.



**Energy** — The spot price for West Texas Intermediate, the U.S. benchmark for light sweet crude, averaged \$70.51 per barrel the last week of '24, down 4.2 percent from \$73.52 the same week in '23. Natural gas prices averaged \$2.93 per million British thermal units (MMBtu) the last week of December, up 14.8 percent from \$2.56 at the end of '23. The Baker Hughes count of rigs active in the U.S. finished the year at 589, down 32 rigs from the same week the year before.

A recent survey by the Federal Reserve Bank of Dallas found that most industry executives expect their firm's capital spending to rise in '25 compared with '24. Forty-three percent said they expect capital spending to increase slightly, 14 percent anticipate a significant increase, 19 percent expect spending to remain close to '24 levels, and 23 percent anticipate reductions in spending.



**Home Sales** — Brokers closed on 6,559 single-family homes in November '24, a 6.0 percent increase over November '23. That includes 4,281 existing and 2,278 newly constructed homes sold through the Houston Association of Realtors Multiple Listing Service (MLS). Existing single-family home sales are up 10.6 percent.



**Inflation** — Inflation, as measured by the Consumer Price Index for all Urban Consumers (rose 2.7 percent nationwide over the 12 months ending in November '24.

Housing, electricity, vehicle insurance, vehicle repairs, and restaurant meals saw price increases of three percent or more. Household furnishings, apparel, recreation, groceries, utility gas, and alcoholic beverages saw modest increases of two percent or less. Gasoline, airfare, and new and used vehicles saw price declines.



**Purchasing Managers Index** — Economic growth in Houston improved in November, according to the most recent Houston Purchasing Managers Index (PMI). The overall PMI rose from 49.2 in October to 53.2 in November. The non-manufacturing PMI improved from 49.5 to 54.0. Manufacturing, at 49.1, was just below the neutral point of 50 but has been improving since September.



**Sales and Use Tax** — Sales and use taxes raised by the 122 Houston-area cities that collect them totaled \$1.68 billion during the first ten months of '24, up 1.8 percent from the \$1.65 billion collected over the comparable period in '23. Adjusted for inflation, however, collections are down 0.8 percent.



**Unemployment** — Metro Houston's unemployment rate was 4.5 percent in November, unchanged from October. Texas' rate was 4.2 percent, an uptick from 4.1 percent the prior month. The U.S. rate was 4.0 percent, a nudge up from 3.9 in October. The rates are not seasonally adjusted.

Initial claims for unemployment benefits ticked up after Hurricane Beryl hit Houston this summer but have since returned to normal levels. Claims averaged 3,991 per week in November, nominally up from 3,779 in October.



**Vehicle Sales** — Houston-area dealers sold 357,467 new cars, trucks, and SUVs for the 12-month period ending in November '24. This represents a small increase over the 356,293 vehicles sold during the comparable 12-month period ending in November '23.

The average retail price for all new vehicles was \$51,396, up from \$50,934 in November '23. The average for a new car was \$41,183, up from \$39,453 in November '23. The average for a new truck/SUV was \$53,956 down from \$54,196 in November '23

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

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## HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	November 24	October 24	November 23	Change from		% Change from	
				October 24	November 23	October 24	November 23
<b>Total Nonfarm Payroll Jobs</b>	<b>3,474.0</b>	<b>3,461.9</b>	<b>3,413.8</b>	<b>12.1</b>	<b>60.2</b>	<b>0.3</b>	<b>1.8</b>
<b>Total Private</b>	<b>3,014.1</b>	<b>3,008.0</b>	<b>2,960.1</b>	<b>6.1</b>	<b>54.0</b>	<b>0.2</b>	<b>1.8</b>
<b>Goods Producing</b>	<b>562.3</b>	<b>561.0</b>	<b>539.4</b>	<b>1.3</b>	<b>22.9</b>	<b>0.2</b>	<b>4.2</b>
<b>Service Providing</b>	<b>2,911.7</b>	<b>2,900.9</b>	<b>2,874.4</b>	<b>10.8</b>	<b>37.3</b>	<b>0.4</b>	<b>1.3</b>
<b>Private Service Providing</b>	<b>2,451.8</b>	<b>2,447.0</b>	<b>2,420.7</b>	<b>4.8</b>	<b>31.1</b>	<b>0.2</b>	<b>1.3</b>
Mining and Logging	72.9	72.3	71.6	0.6	1.3	0.8	1.8
Oil & Gas Extraction	32.5	32.3	31.8	0.2	0.7	0.6	2.2
Support Activities for Mining	38.7	38.4	38.5	0.3	0.2	0.8	0.5
Construction	250.2	249.3	232.4	0.9	17.8	0.4	7.7
Manufacturing	239.2	239.4	235.4	-0.2	3.8	-0.1	1.6
Durable Goods Manufacturing	149.3	149.7	146.6	-0.4	2.7	-0.3	1.8
Nondurable Goods Manufacturing	89.9	89.7	88.8	0.2	1.1	0.2	1.2
Wholesale Trade	185.1	183.8	178.5	1.3	6.6	0.7	3.7
Retail Trade	320.4	317.1	320.4	3.3	0.0	1.0	0.0
Transportation, Warehousing and Utilities	191.6	191.3	193.5	0.3	-1.9	0.2	-1.0
Utilities	23.4	23.4	22.7	0.0	0.7	0.0	3.1
Air Transportation	22.4	22.5	22.4	-0.1	0.0	-0.4	0.0
Truck Transportation	30.4	30.3	30.3	0.1	0.1	0.3	0.3
Pipeline Transportation	14.4	14.4	14.0	0.0	0.4	0.0	2.9
Information	32.5	32.3	33.0	0.2	-0.5	0.6	-1.5
Telecommunications	11.3	11.3	11.4	0.0	-0.1	0.0	-0.9
Finance & Insurance	123.9	123.0	119.9	0.9	4.0	0.7	3.3
Real Estate & Rental and Leasing	69.4	69.1	67.7	0.3	1.7	0.4	2.5
Professional & Business Services	563.0	563.8	564.3	-0.8	-1.3	-0.1	-0.2
Professional, Scientific & Technical Services	286.0	282.3	279.8	3.7	6.2	1.3	2.2
<i>Legal Services</i>	33.4	32.7	32.5	0.7	0.9	2.1	2.8
<i>Accounting, Tax Preparation, Bookkeeping</i>	29.5	28.9	29.3	0.6	0.2	2.1	0.7
<i>Architectural, Engineering &amp; Related Services</i>	78.9	78.2	76.0	0.7	2.9	0.9	3.8
<i>Computer Systems Design &amp; Related Services</i>	41.6	41.0	41.7	0.6	-0.1	1.5	-0.2
Admin & Support/Waste Mgt & Remediation	229.6	234.0	237.8	-4.4	-8.2	-1.9	-3.4
<i>Administrative &amp; Support Services</i>	216.5	220.7	225.0	-4.2	-8.5	-1.9	-3.8
<i>Employment Services</i>	80.1	81.8	82.7	-1.7	-2.6	-2.1	-3.1
Private Educational Services	74.4	74.1	73.0	0.3	1.4	0.4	1.9
Health Care & Social Assistance	395.6	396.7	385.3	-1.1	10.3	-0.3	2.7
Arts, Entertainment & Recreation	40.8	40.5	39.2	0.3	1.6	0.7	4.1
Accommodation & Food Services	321.8	321.8	317.9	0.0	3.9	0.0	1.2
Other Services	133.3	133.5	128.0	-0.2	5.3	-0.1	4.1
Government	459.9	453.9	453.7	6.0	6.2	1.3	1.4
Federal Government	34.6	34.7	33.5	-0.1	1.1	-0.3	3.3
State Government	98.0	97.4	95.7	0.6	2.3	0.6	2.4
<i>State Government Educational Services</i>	53.4	52.7	52.8	0.7	0.6	1.3	1.1
Local Government	327.3	321.8	324.5	5.5	2.8	1.7	0.9
<i>Local Government Educational Services</i>	225.0	220.1	225.9	4.9	-0.9	2.2	-0.4

SOURCE: Texas Workforce Commission