

# Metro Houston Economic Outlook

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September 2022



# Follow me for regular updates on Houston's economy.



Patrick Jankowski @PNJankowski · Aug 9

#Houston building permits totaled \$6.8 billion in the 12 months ending May '22, up \$966.0 million (16.7 percent) from \$5.8 billion issued over the same period in '21, according to the latest data released by the city's Public Works Department.



houston.org

Monthly Update: Building Permits



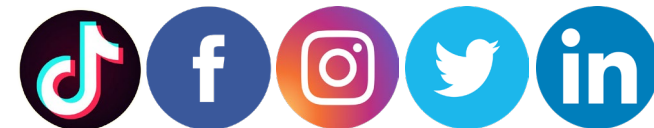
@PNJankowski



3,984



562



@GHPartnership



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# THE ECONOMY AT A GLANCE HOUSTON



A publication of the Greater Houston Partnership

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### HOUSTON AT MID-YEAR

The first half of '22 was the strongest opening on record for Houston's economy. Job growth surged. The unemployment rate fell. Houston's civilian labor force grew significantly. Exports set a record. Container traffic soared. Crude topped \$100 per barrel. The rig count approached pre-pandemic levels. And brokers leased a record amount of industrial/warehouse space.

Only a few sectors struggled. Rising interest rates and soaring prices cut into home sales. Double-digit inflation weighed on consumer spending. The apartment market began to soften. And little progress was made in reducing the glut of office space.

Even so, the positives greatly outweighed the negatives. Houston enters the second half of '22 with considerable momentum. The region should grow through the end of this year and well into next. What follows is the Partnership's assessment of the economy at mid-year.

### NONFARM PAYROLL EMPLOYMENT

Metro Houston created 84,600 jobs in the first half of '22. That's the best start on record for the region, better than any year in the '80s, when the domestic rig count topped 4,500, or the early '10s, when the Eagle Ford Shale boom lead Houston out of the Great Recession.

#### TOP TEN YEARS FOR JANUARY - JUNE JOB GROWTH

Year	Jobs Added Jan-Jun	Year	Jobs Added Jan-Jun
'22	84,600	'13	49,100
'81	67,400	'20	44,600
'11	60,300	'97	43,500
'90	55,100	'12	43,000
'06	50,100	'84	42,400

Source: U.S. Bureau of Labor Statistics and Partnership databases.

In the aggregate, Houston has recovered all the jobs lost in the pandemic. Nonfarm payroll employment topped 3.2 million in June '22. That's 75,500 above the previous employment record set in November '19.

### METRO HOUSTON EMPLOYMENT



Source: Texas Workforce Commission

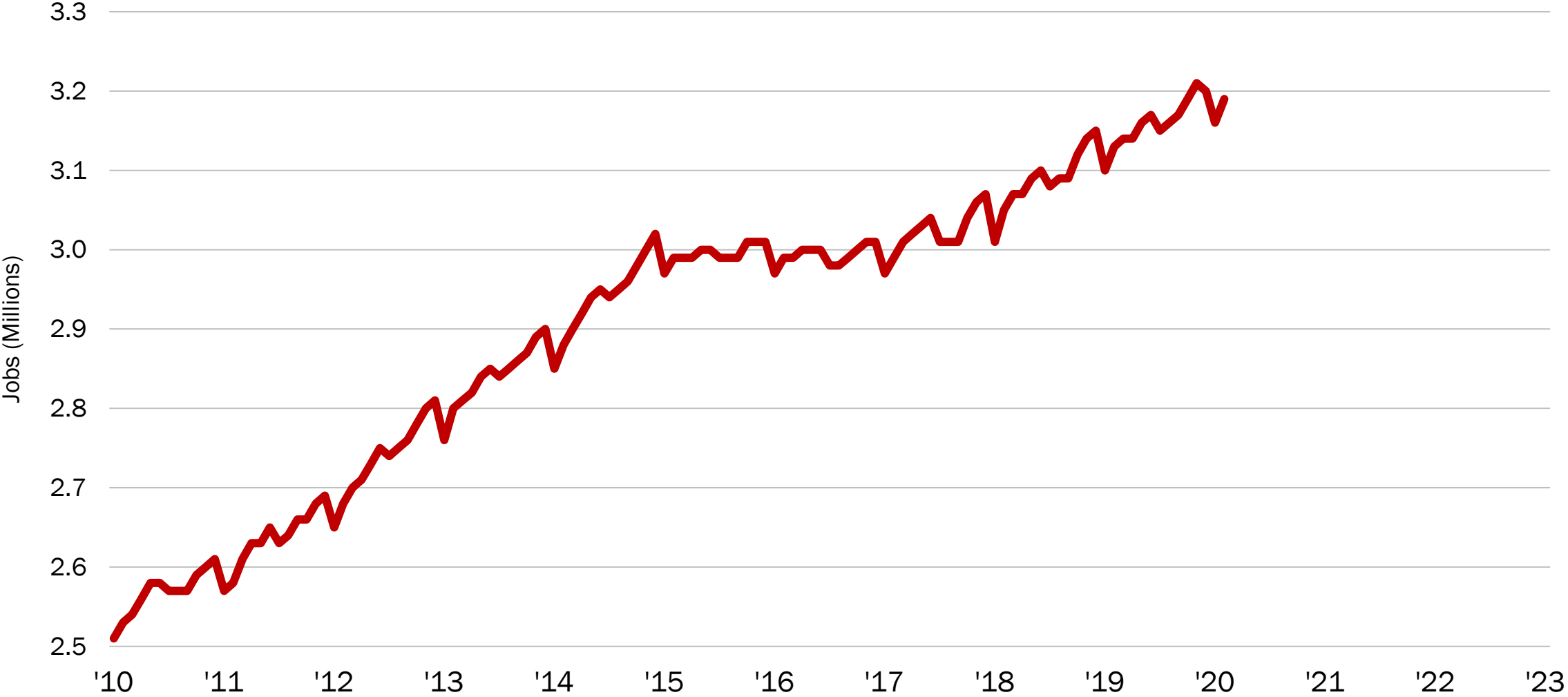
The recovery has been uneven, though. Eleven sectors have fully recovered their pandemic losses:<sup>1</sup> administrative support (37,300); arts, entertainment, and recreation (23,700); educational services (12,900); finance and insurance (6,200); government (8,600); health care (47,900); professional, scientific and technical services (16,300); restaurants and bars (111,900); retail (57,400); transportation and warehousing (20,300); and wholesale trade (12,300).

At their current pace of growth, a handful of sectors should recover their remaining losses within the next month or so (jobs needed in parenthesis): real estate and equipment rentals (200); information (700); hotels (2,300); other services (3,400); and construction (5,700)

Only two sectors still struggle: manufacturing (9,100 jobs) and energy (9,400 jobs). The bulk of the manufacturing jobs still to be recouped are in oil field equipment manufacturing. They won't return without a significant increase in drilling activity. As of mid-August, the U.S. rig count had yet to return to its pre-pandemic level.

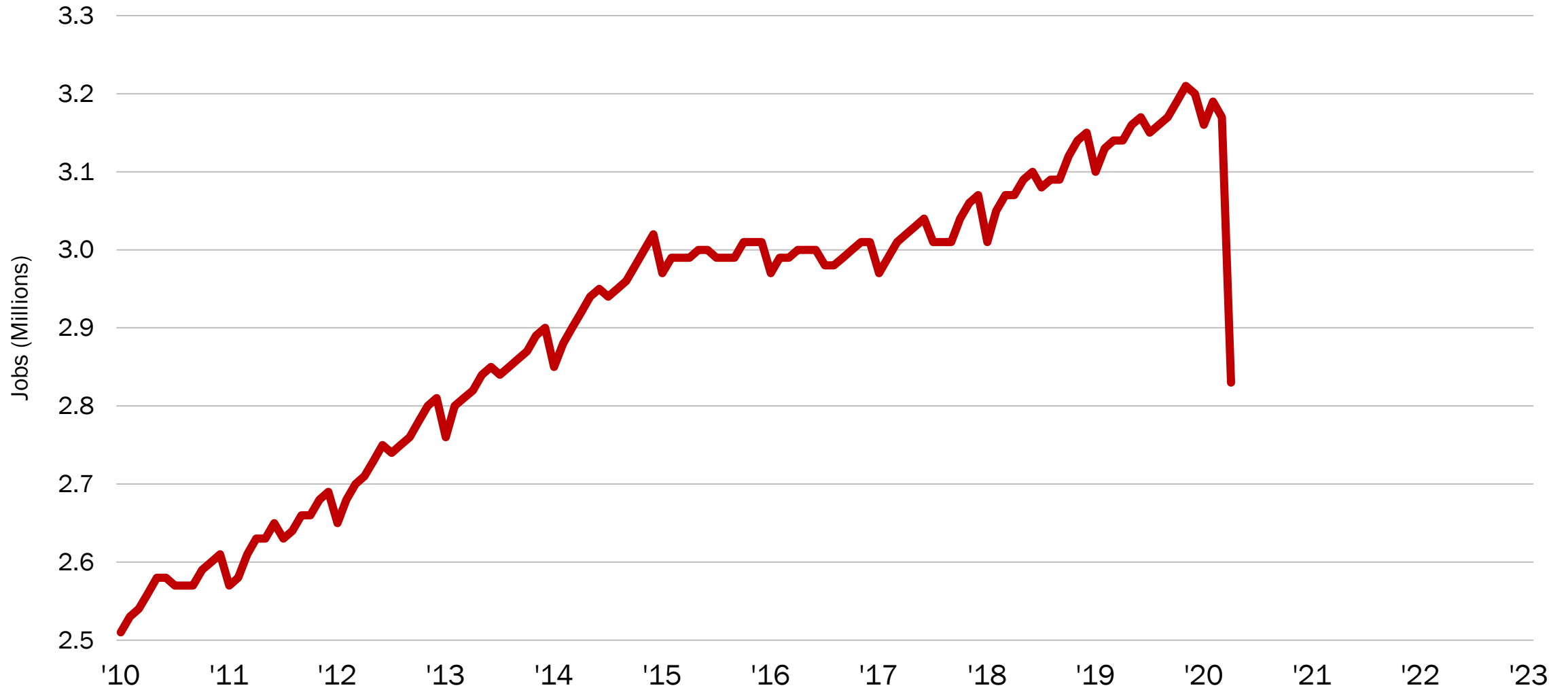
<sup>1</sup> Jobs added May '20 to June '22 in parenthesis

# Metro Houston Employment



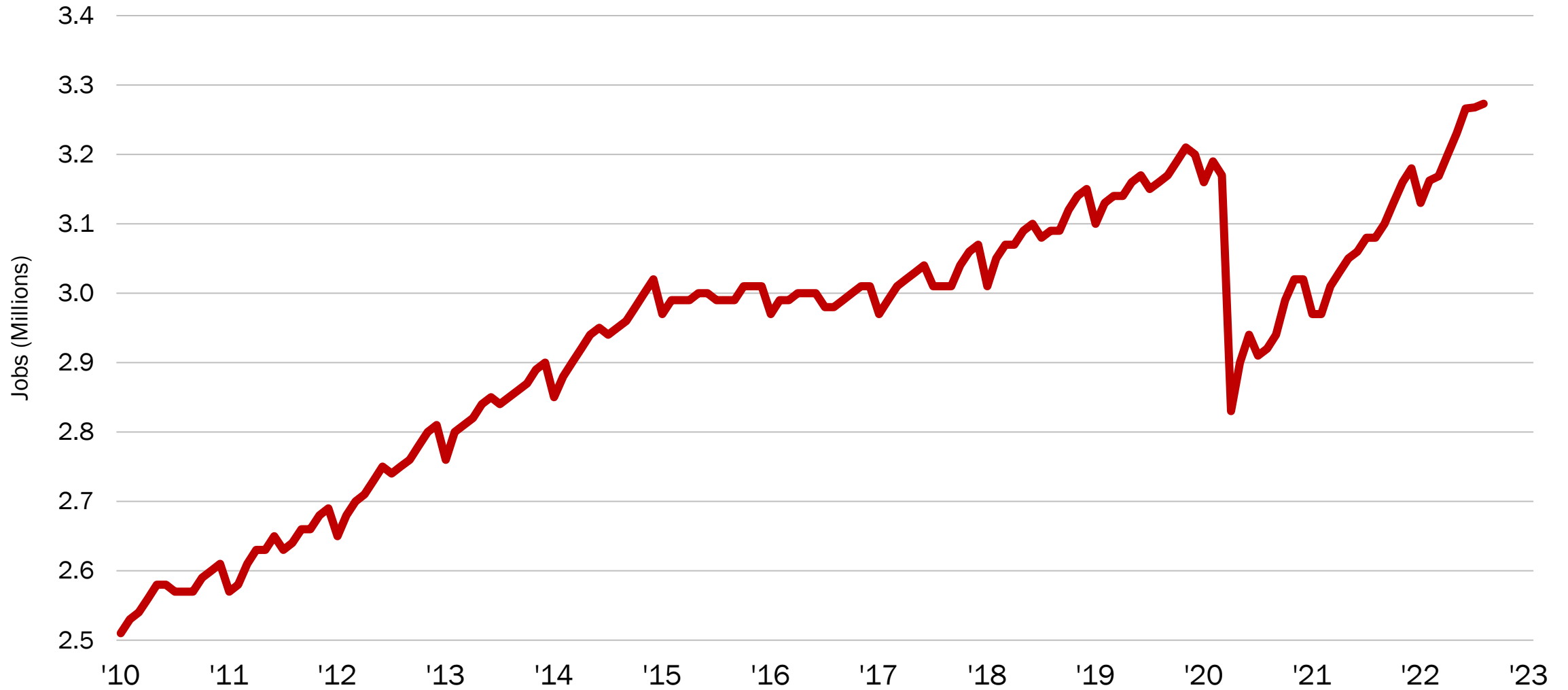
Source: Partnership calculations based on Texas Workforce Commission data

# Metro Houston Employment



Source: Partnership calculations based on Texas Workforce Commission data

# Metro Houston Employment



Source: Partnership calculations based on Texas Workforce Commission data

# Jobs Lost, March – Apr '20

359,400

Jobs Lost, March – Apr '20

359,400

Jobs Created, May '20 – Aug '22

440,300



# Sectors Fully Recovered as of August '22

Houston Industry/Sector	Jobs Lost Mar '20 – Apr '20	Jobs Added May '20 – Aug '22	Jobs Above Pre- Covid Levels
Total Jobs Lost	359,400	440,300	80,900
Restaurants, Bars	99,500	124,500	25,000
Retail	39,800	59,300	19,500
Health Care	36,800	53,900	17,100
Admin Support	28,100	44,900	16,800
Construction	23,900	29,700	5,800
Transport, Warehousing	3,300	19,900	16,600
Arts, Entertainment, Rec	17,300	20,800	3,500
Prof, Sci, Tech Services	13,200	19,500	6,300
Wholesale	8,700	14,800	6,100
Educational Services	8,200	15,300	7,100
Finance, Insurance	1,400	7,800	6,400

Source: Partnership calculations based on Texas Workforce Commission data

# Sectors Still in Recovery as of August '22

Industry/Sector	Jobs Lost Mar '20 – Apr '20	Created Since Aug '20	Left to Recoup
Real Estate, Equip Rentals	6,000	5,900	100
Information	4,400	3,900	500
Hotels	11,500	9,200	2,300
Other Services	30,400	26,100	4,300
Energy	6,300	-3,900	10,200
Manufacturing	11,300	5,600	5,700

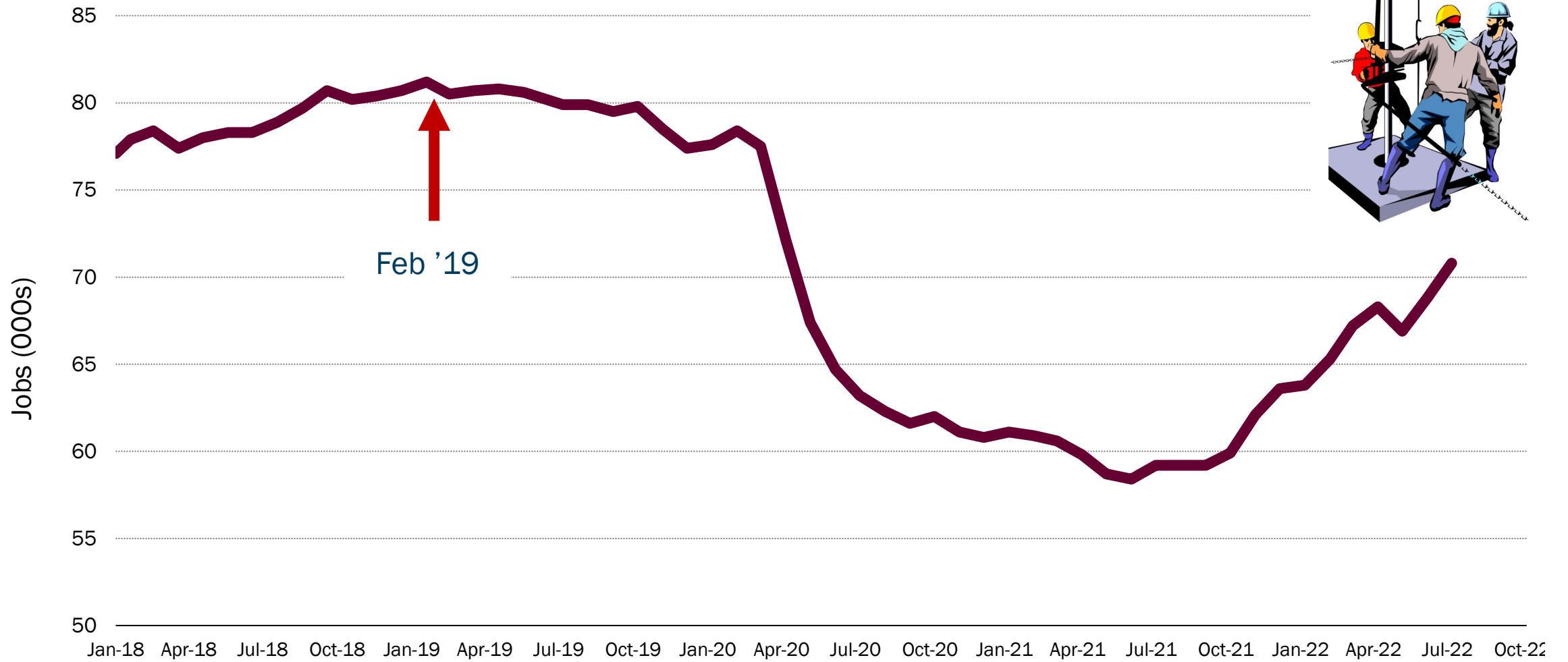
# Sectors Still in Recovery as of August '22

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Manufacturing	11,300	5,600	5,700

Why are energy and  
manufacturing so slow  
to recover?

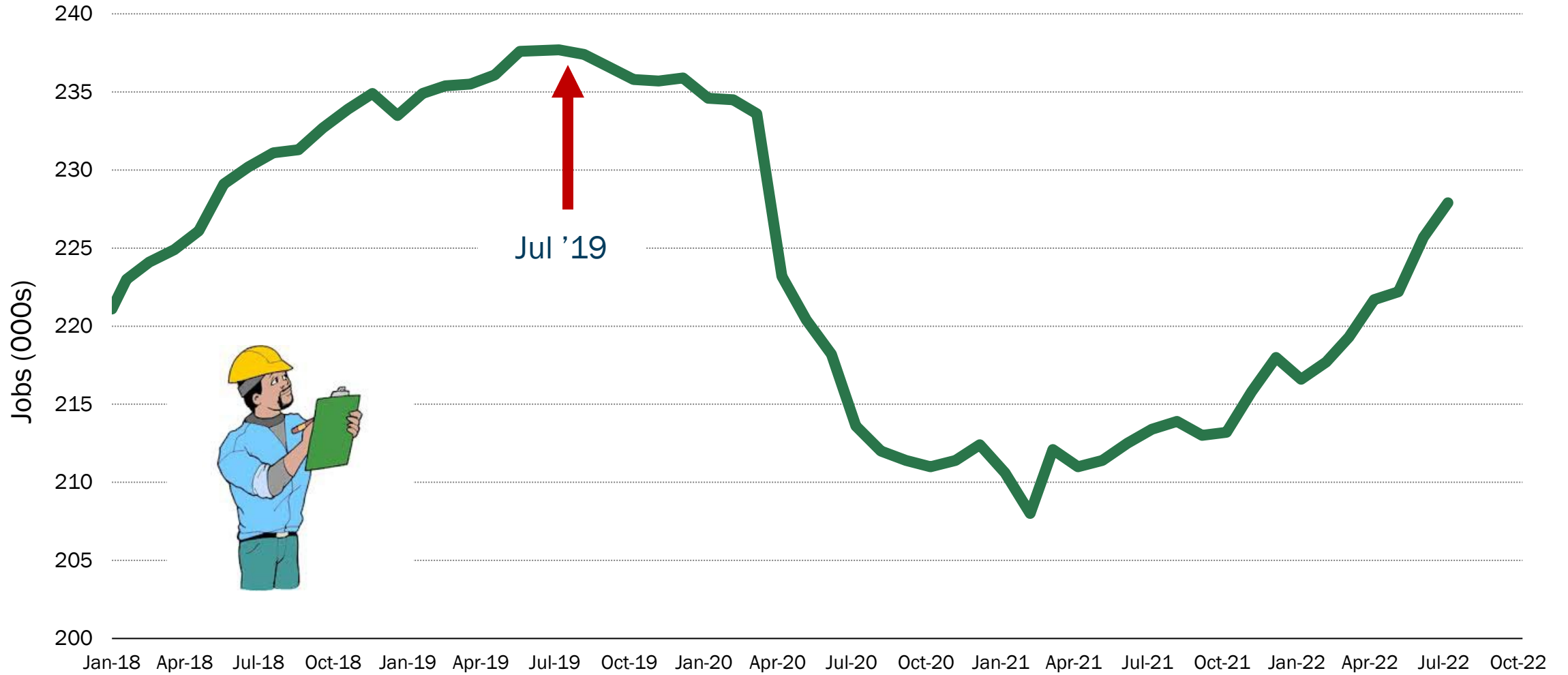


# Houston Energy Employment



Source: Texas Workforce Commission

# Houston Manufacturing Employment

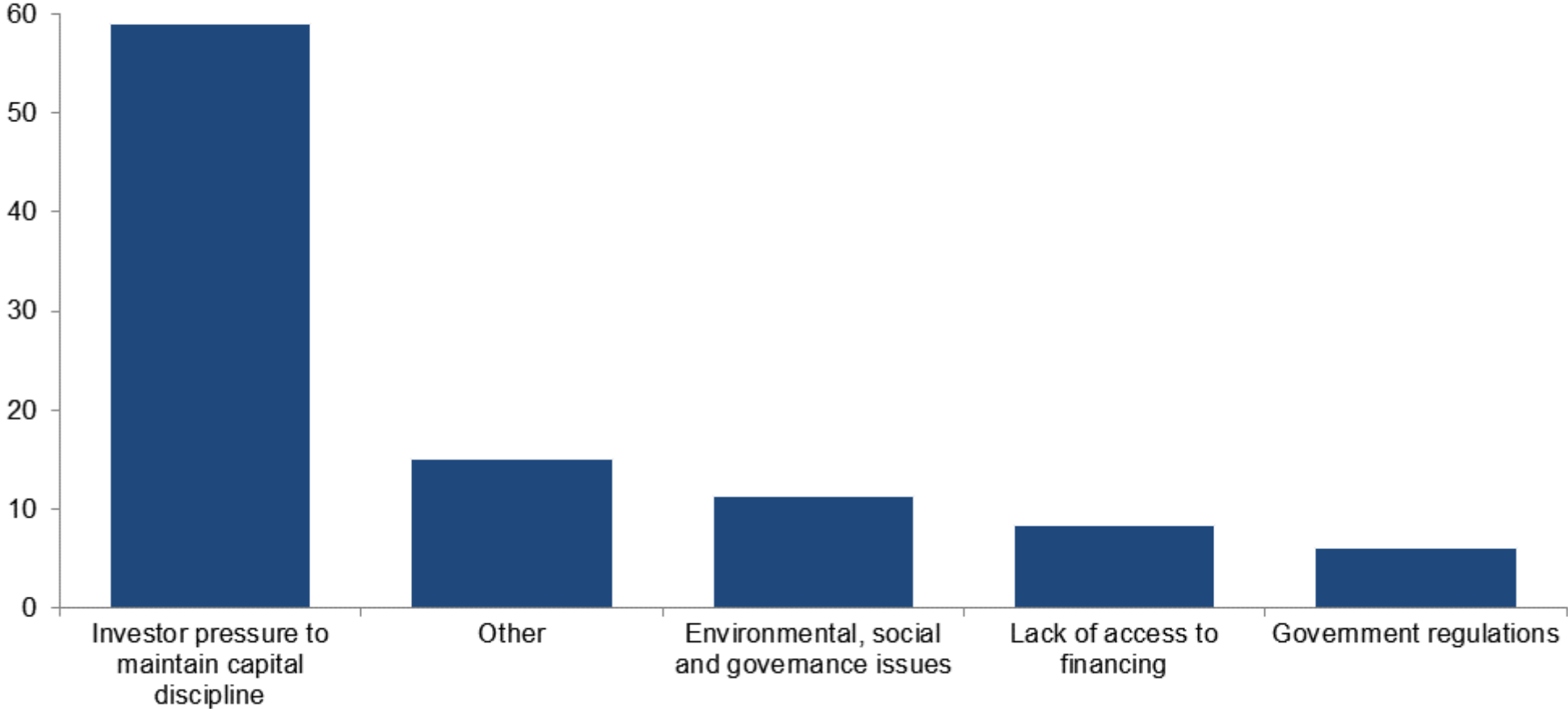


Source: Texas Workforce Commission



# Which of the following is the primary reason that publicly traded oil producers are restraining growth despite high oil prices?

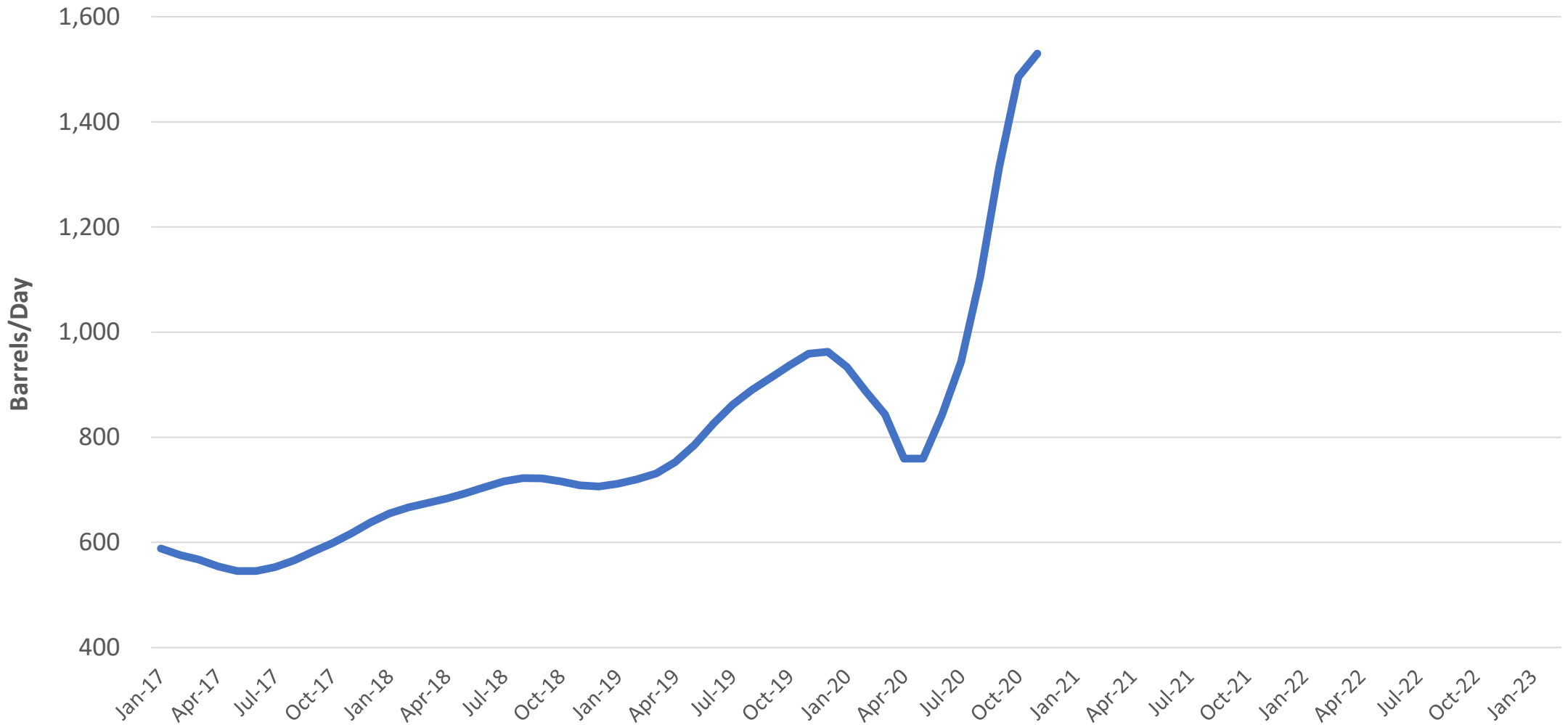
Percent of respondents



NOTE: Executives from 132 oil and gas firms answered this question during the survey collection period, March 9–17, 2022.

SOURCE: Federal Reserve Bank of Dallas.

# New Oil Well Production Per Rig, Permian Basin



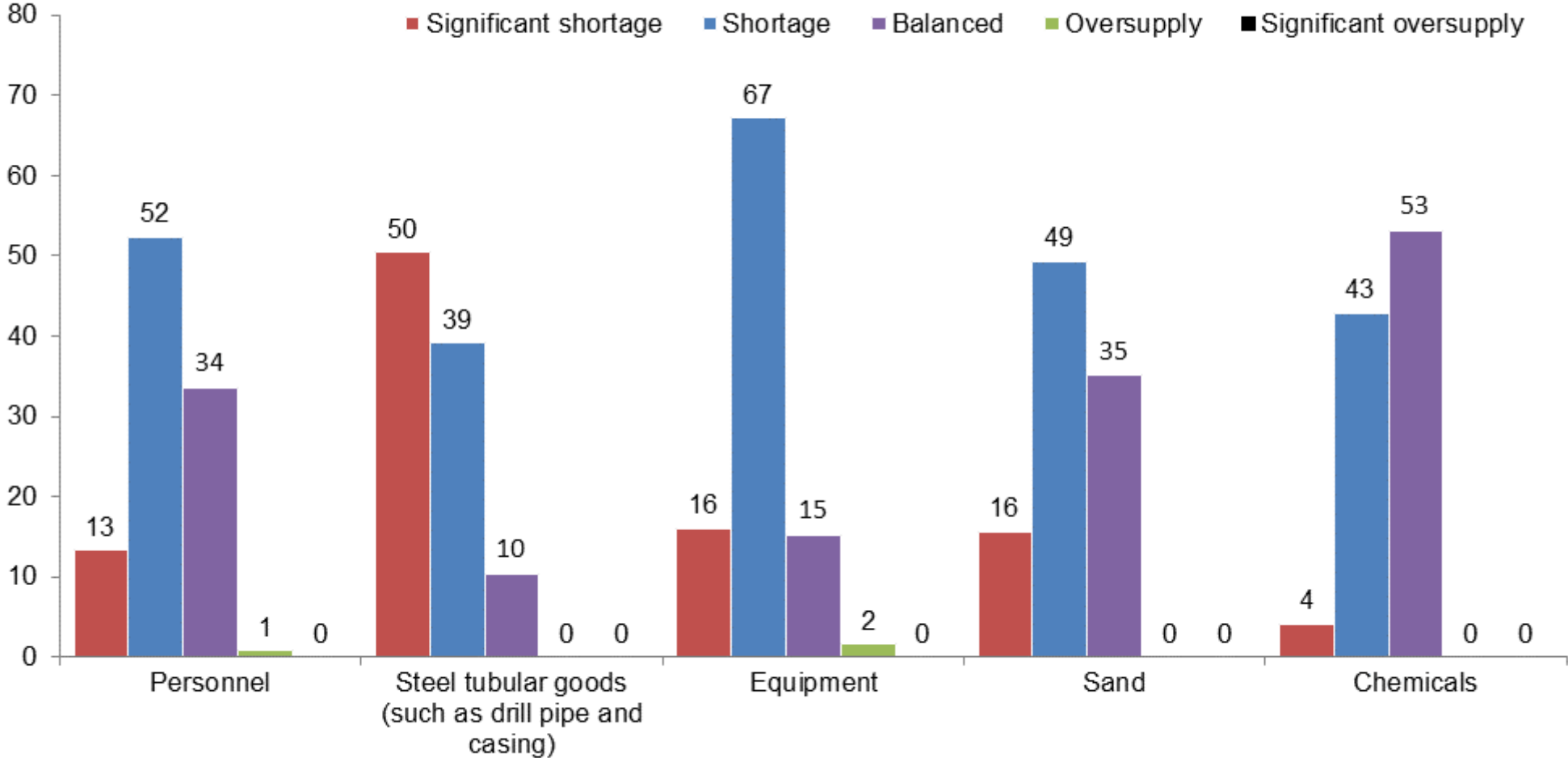
Source: U.S. Energy Information Administration

# Forbes

**The Energy Industry Wants To  
Bounce Back — All It Needs Is  
Workers**

### How would you rate the current availability to your firm of the following inputs?

Percent of respondents



NOTE: Executives from 132 oil and gas firms answered this question during the survey collection period, June 8–16, 2022.  
 SOURCE: Federal Reserve Bank of Dallas.

**Bloomberg**

**Oil Hedges Go Out of Style as FOMO  
Grips Drillers Amid \$100 Crude**



# **Demand for Oil Will Stay High. What's an ESG Investor to Do?**

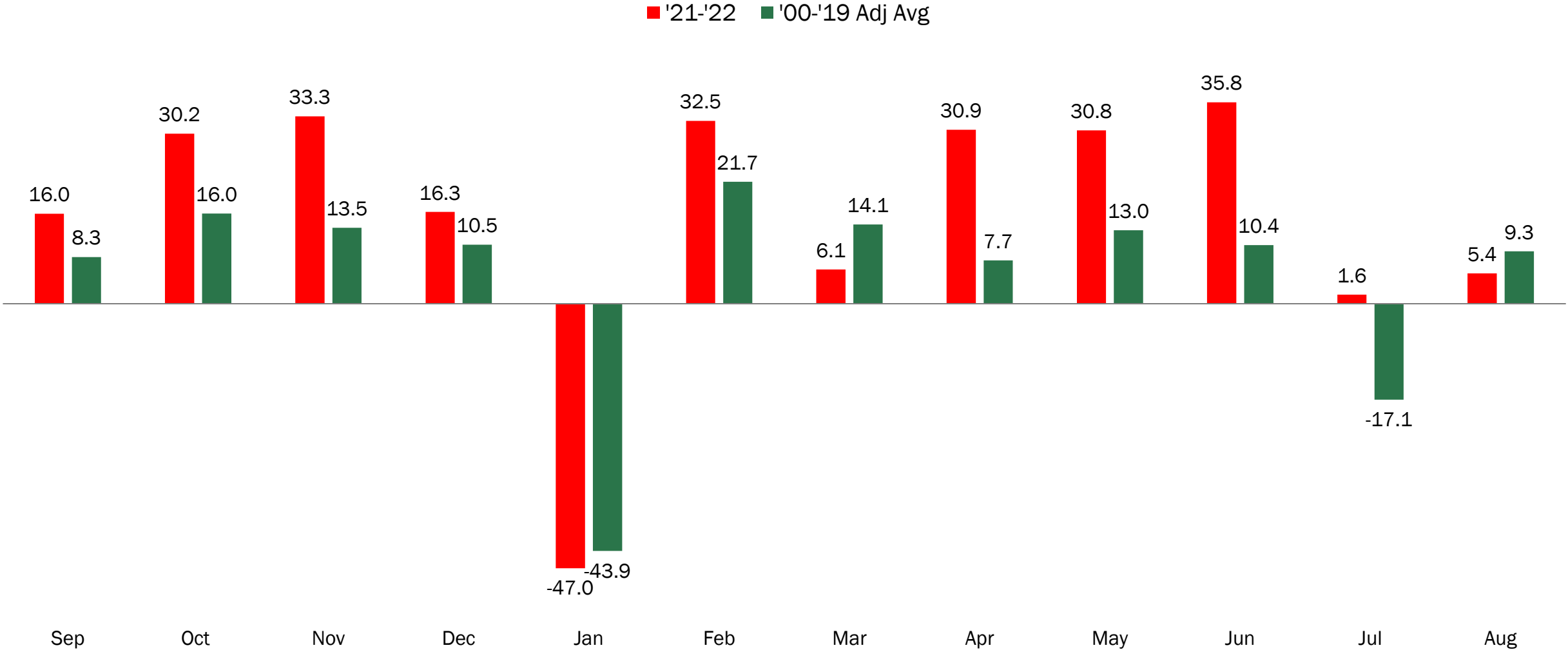
The answer involves lots of uncomfortable tradeoffs.



Overall, Houston's economy is in pretty good shape.



# Metro Houston Monthly Job Growth, 000s





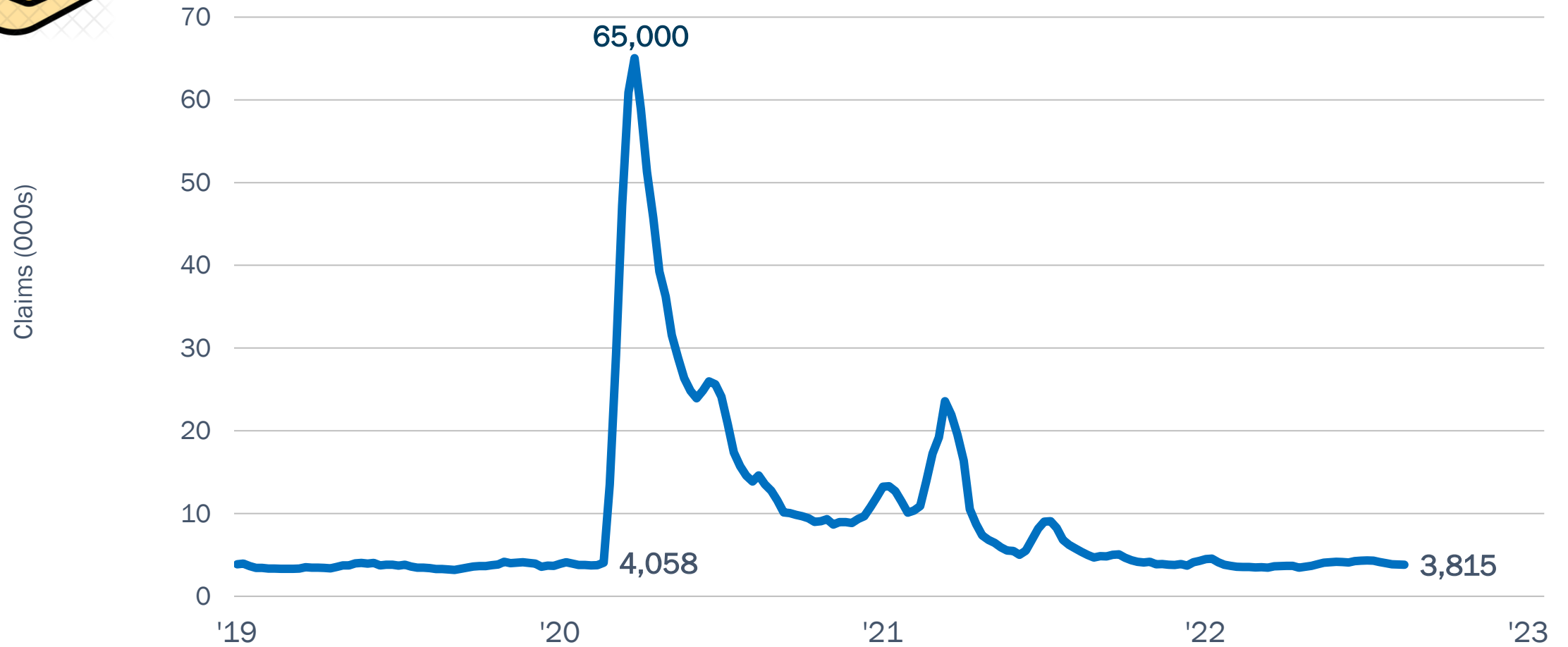
# Metro Houston Unemployment\*



\* Not seasonally adjusted



# Initial Claims for Unemployment Benefits\*

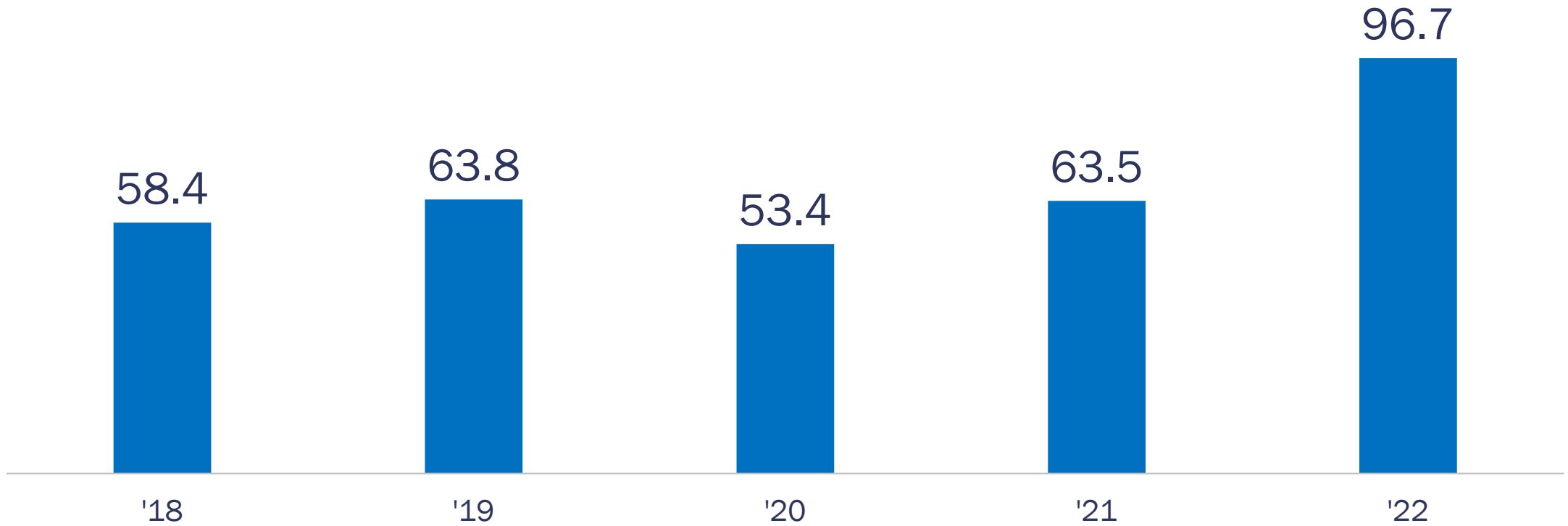


\* 4-week moving average



# Metro Houston Exports, June YTD\*

\$ Billions



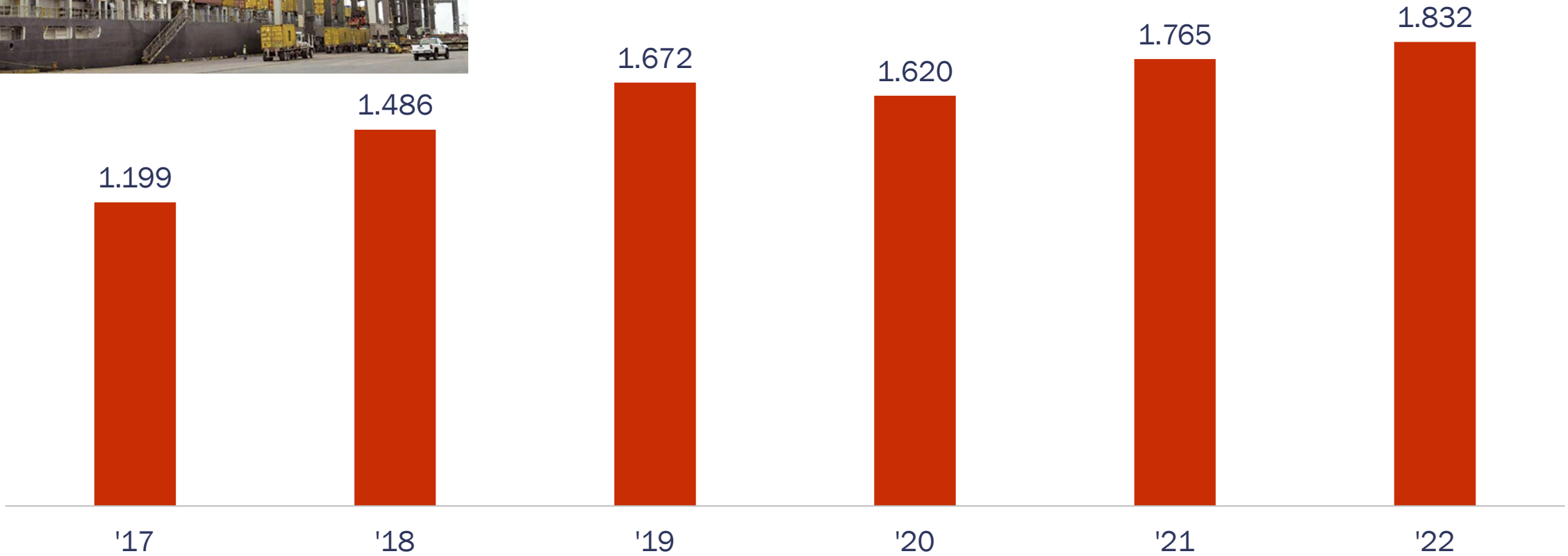
Source: U.S. Census Bureau

\*Origin of Movement Series



# Port of Houston Container Traffic

Loaded TEUs, Millions, August YTD



Source: Port of Houston





# Metro Houston Construction Awards

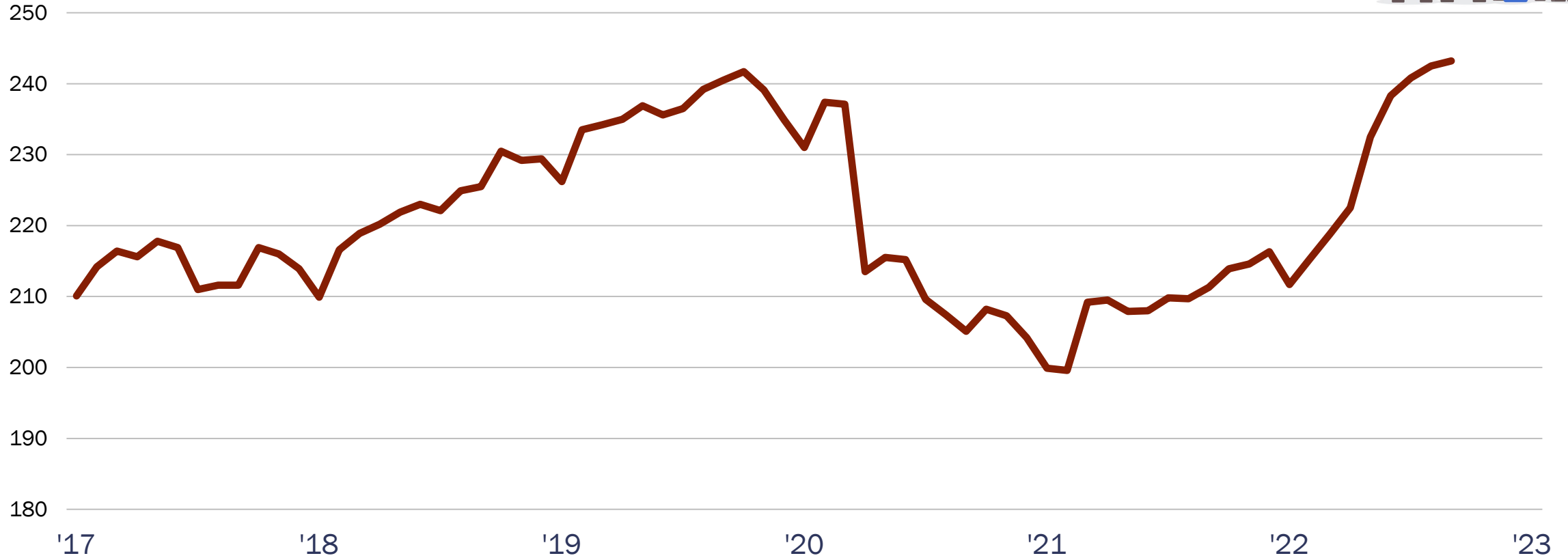
\$ Billions, July YTD



Source: Dodge Data & Analytics

# Houston Construction Employment

000s Jobs

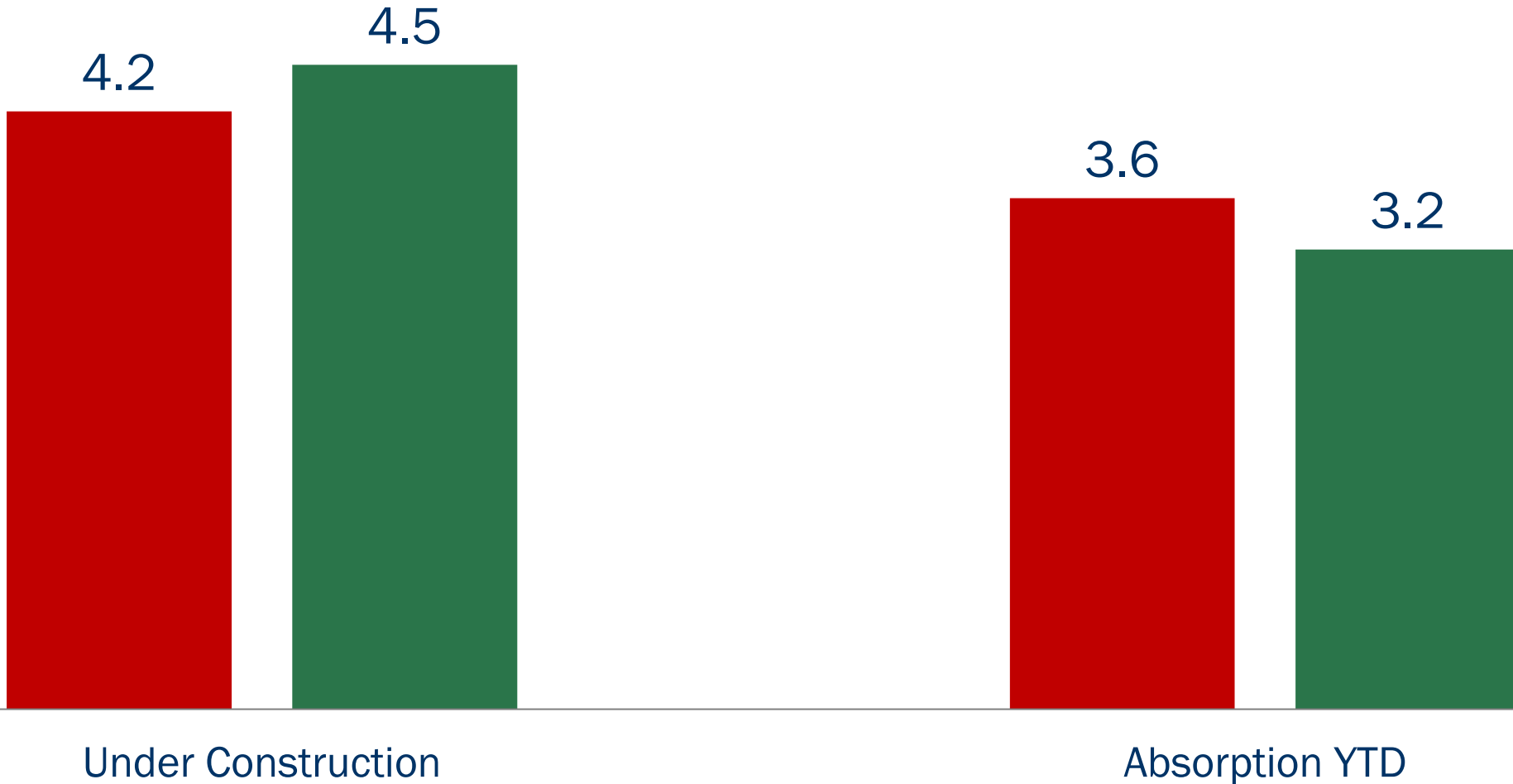


Source: Texas Workforce Commission



# Houston Retail Market, Million Sq. Ft.

■ Aug '22 ■ Aug '21





# Houston Industrial Market, Million Sq. Ft.

■ Aug '22 ■ Aug '21

24.6



16.0



Under Construction

18.5

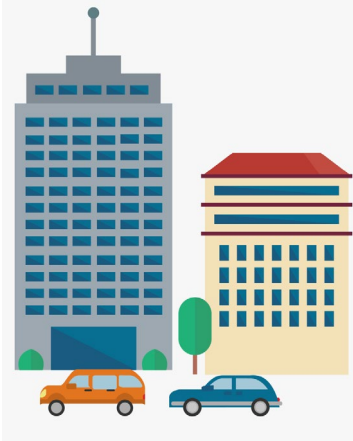


17.6



Absorption YTD

# Houston Office Market, Million Sq. Ft.

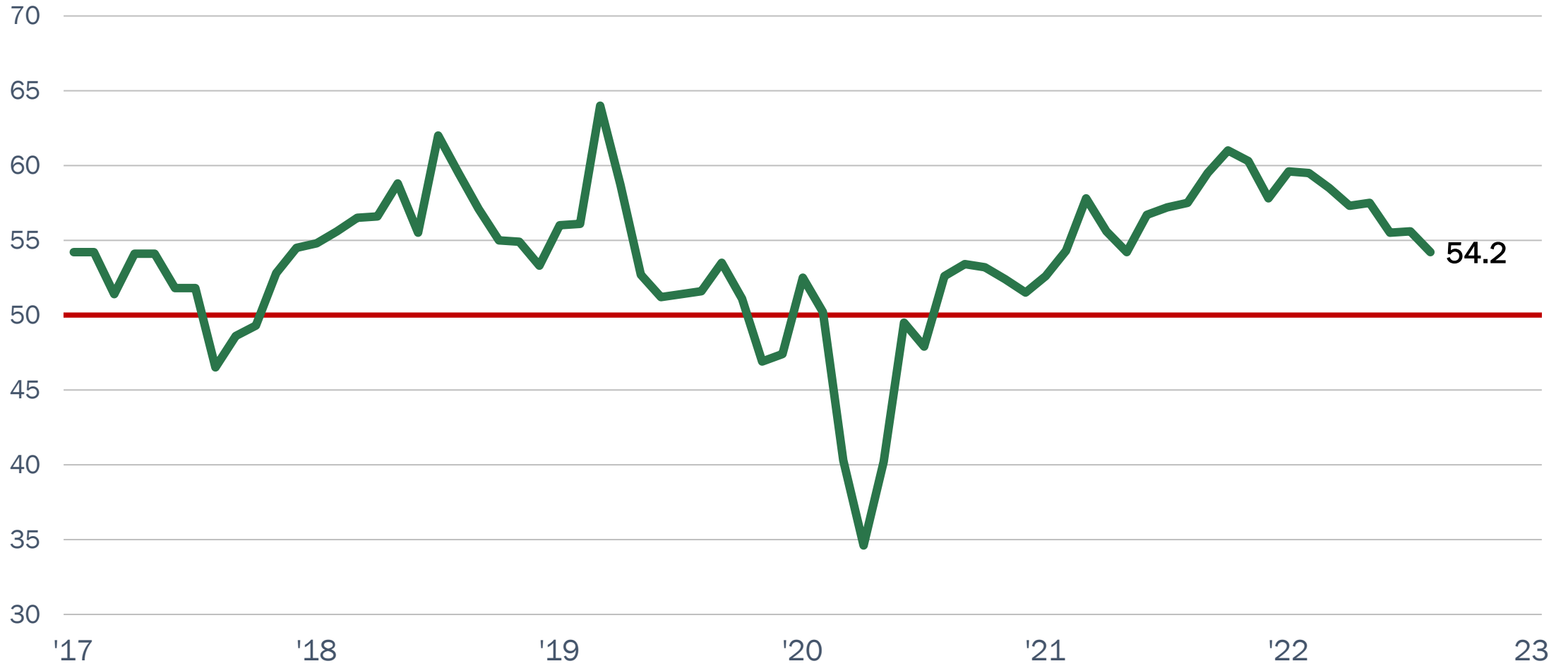


■ Aug '22 ■ Aug '21

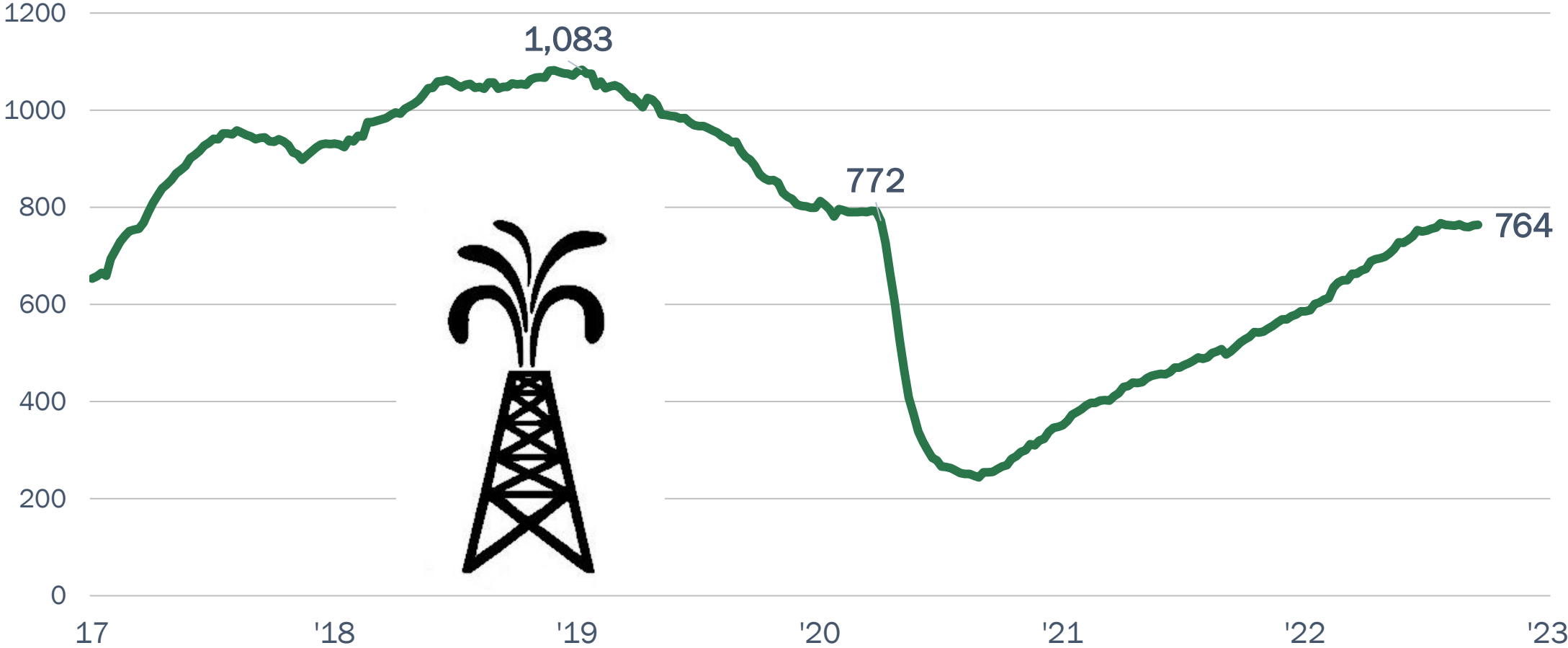




# Houston Purchasing Managers Index



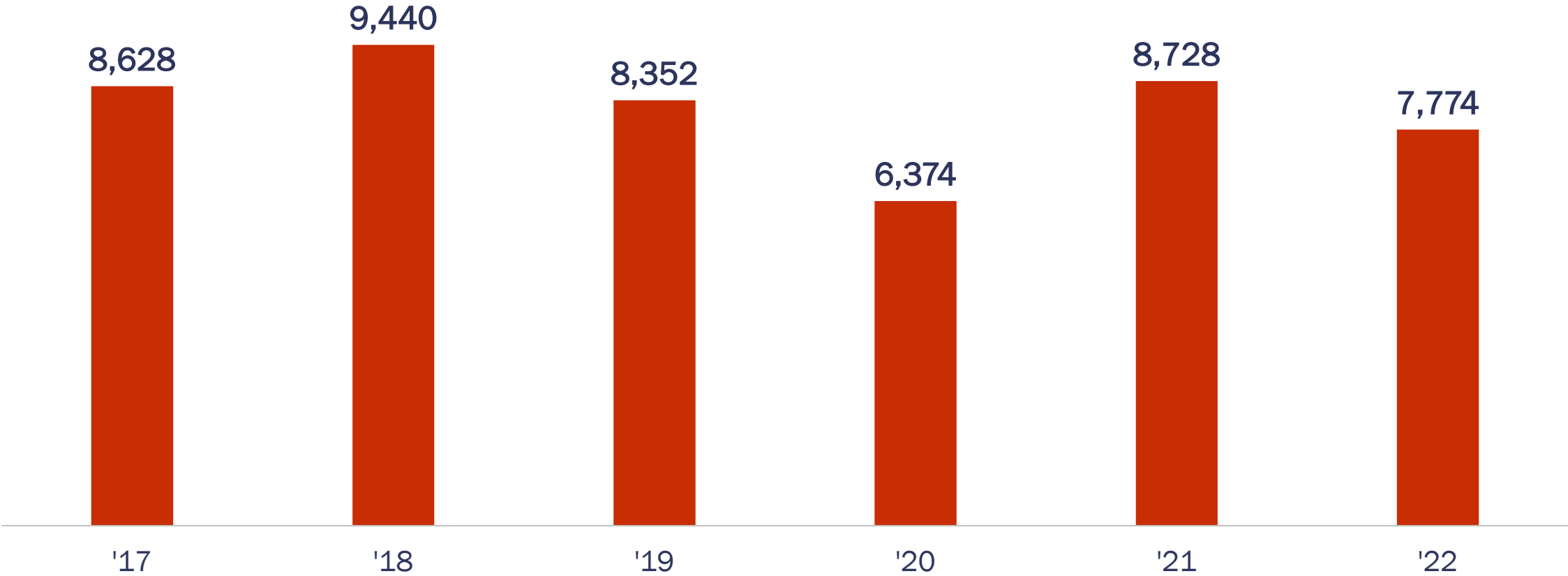
# Baker Hughes Rig Count



Source: Baker Hughes

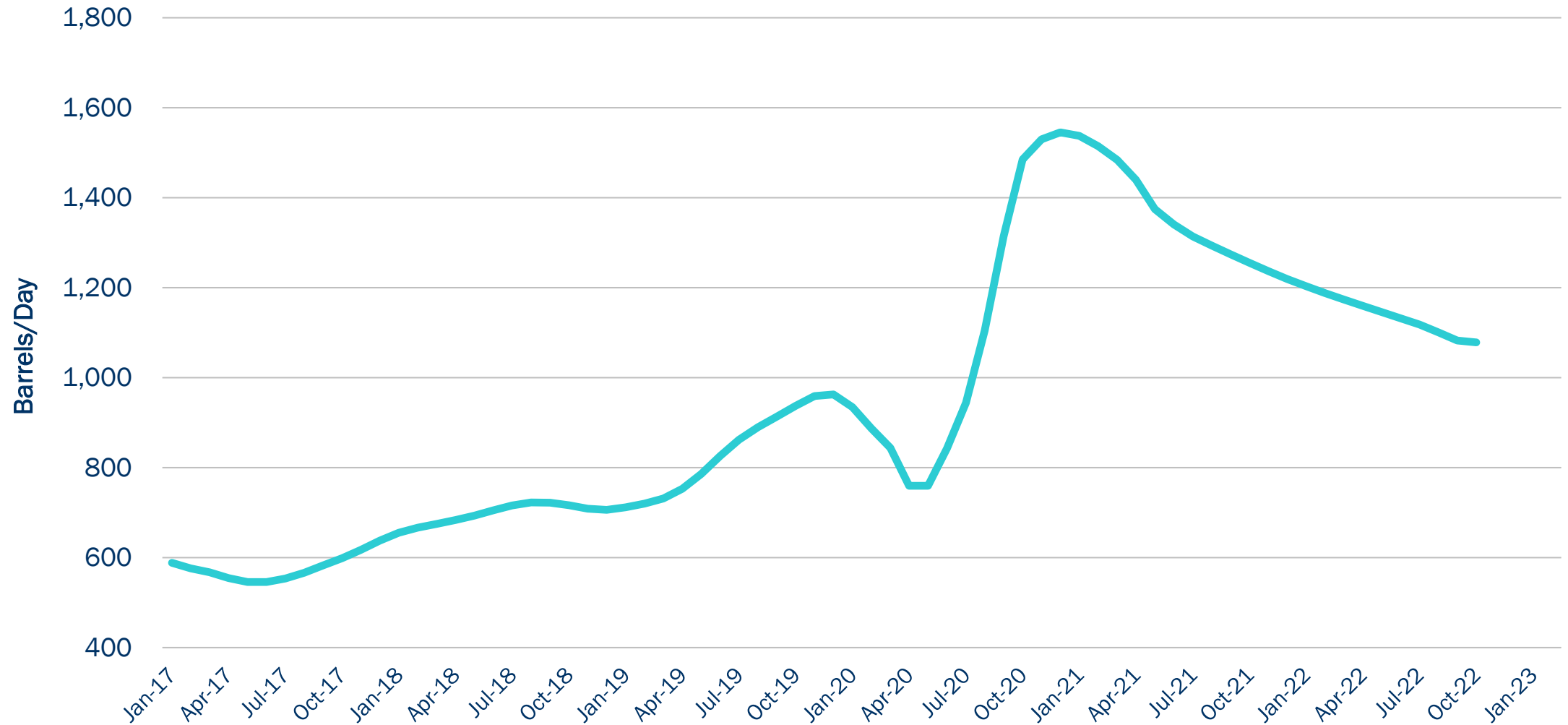


# Texas Drilling Permits Issues, August YTD



Source: Texas Railroad Commission

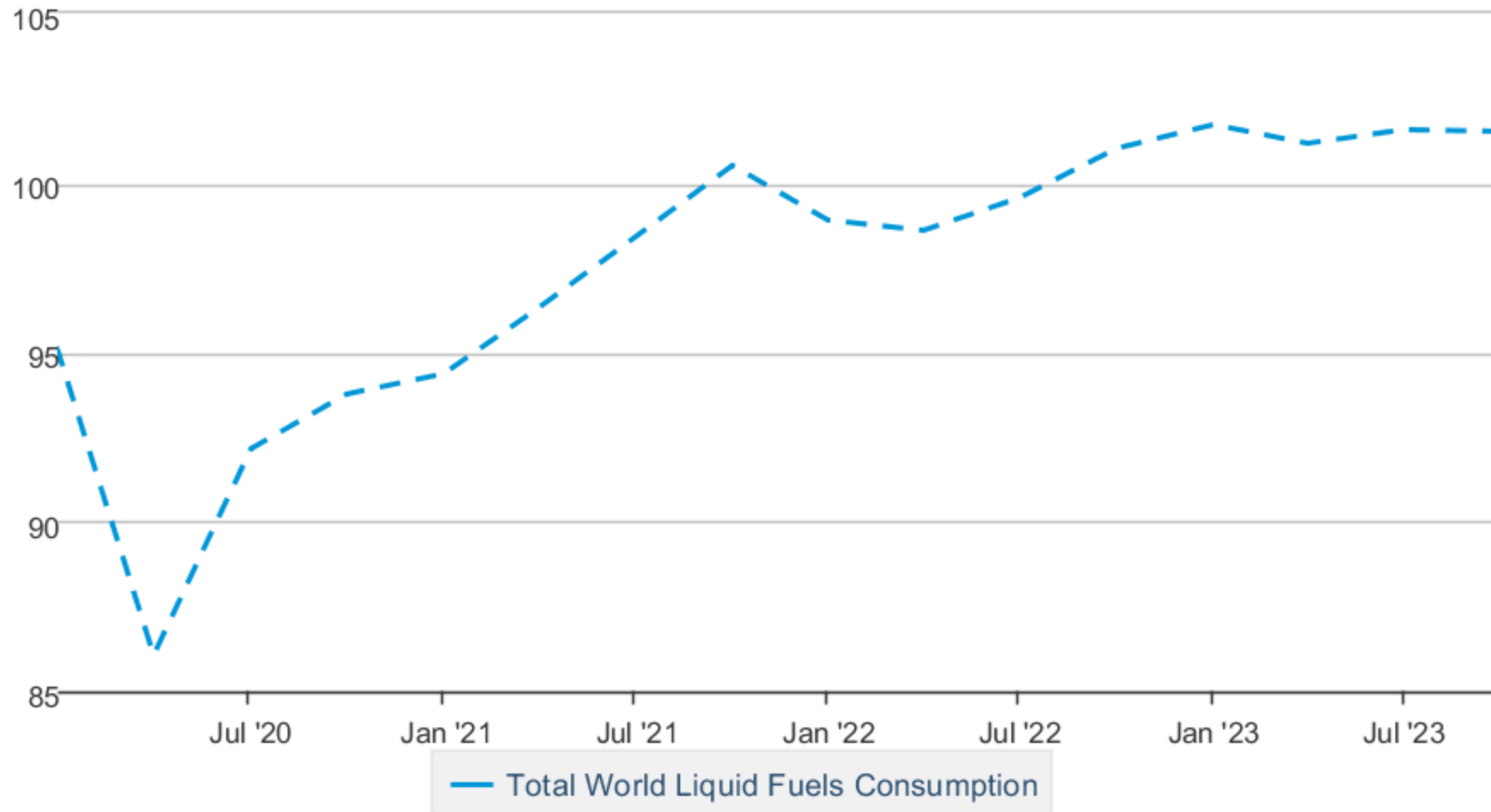
# New Oil Well Production Per Rig, Permian Basin



Source: U.S. Energy Information Administration

# Total World Liquid Fuels Consumption

million barrels per day

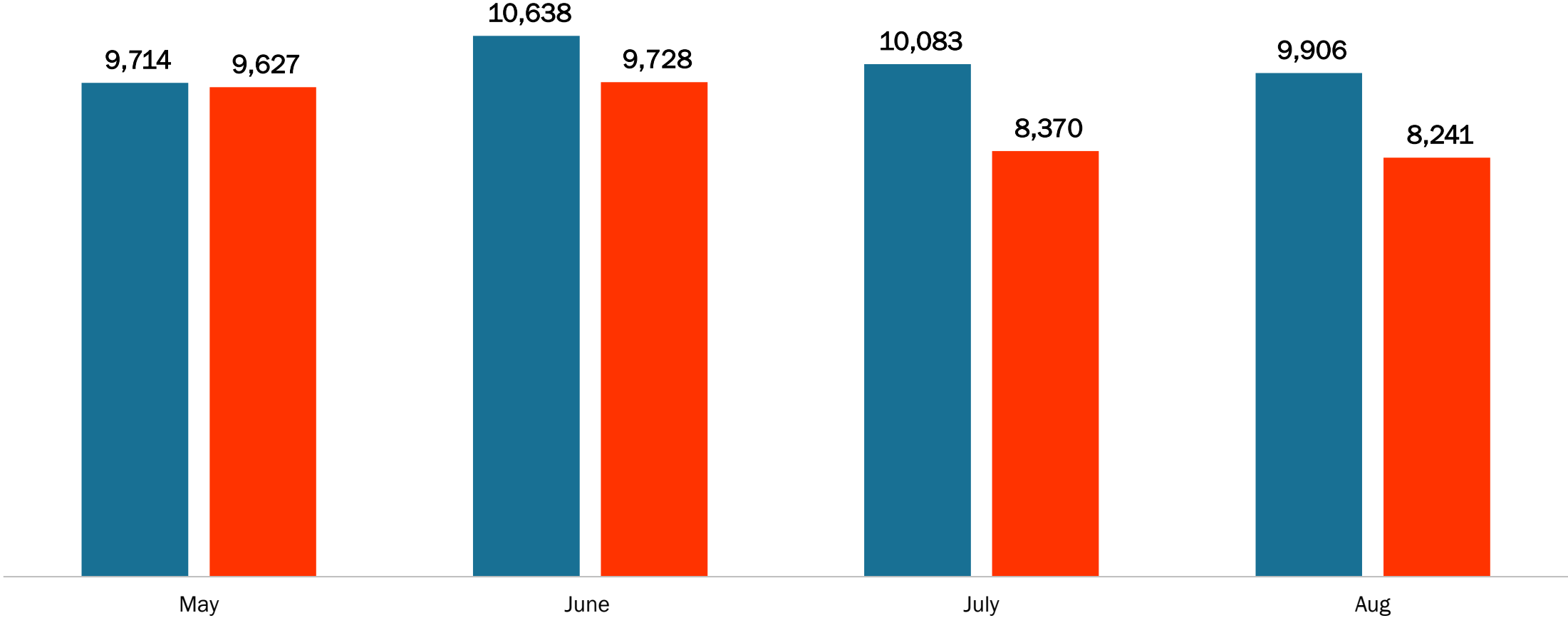


Source: U.S. Energy Information Administration



# Houston Existing Single-Family Home Sales

■ '21 ■ '22



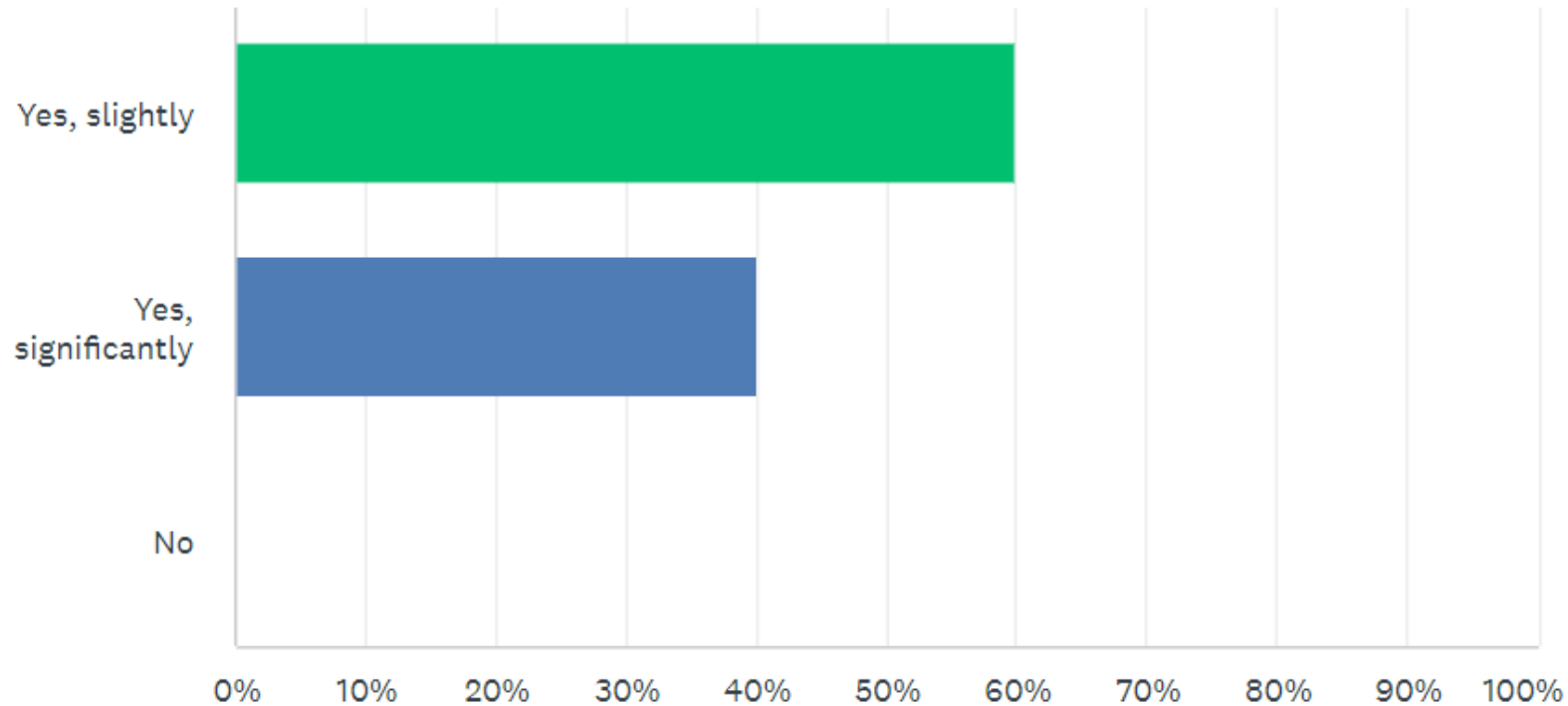
Source: Houston Association of Realtors

Q4



Do you anticipate slowing down new housing starts this year in response to changes in the market?

Answered: 15 Skipped: 0

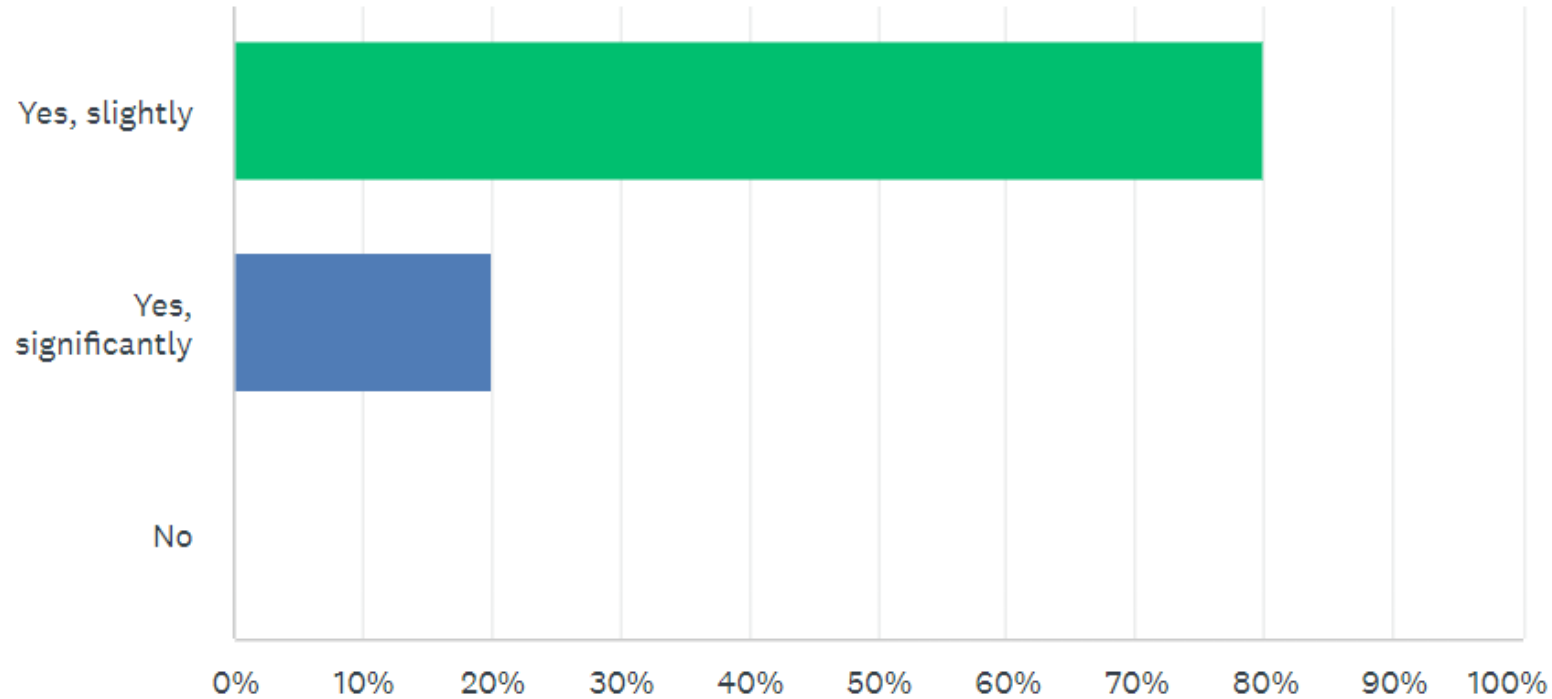


Q5



Do you anticipate slowing down new housing starts next year in response to the changes in the market?

Answered: 15 Skipped: 0

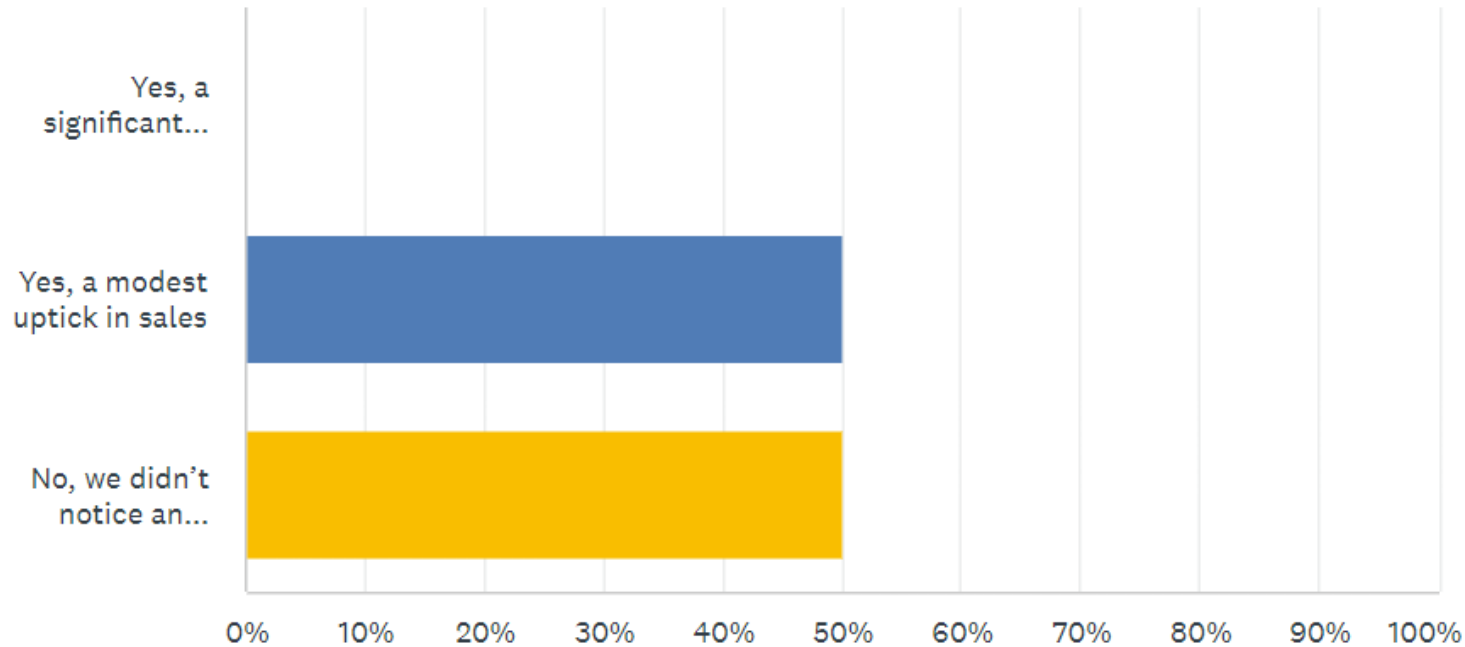


Q9

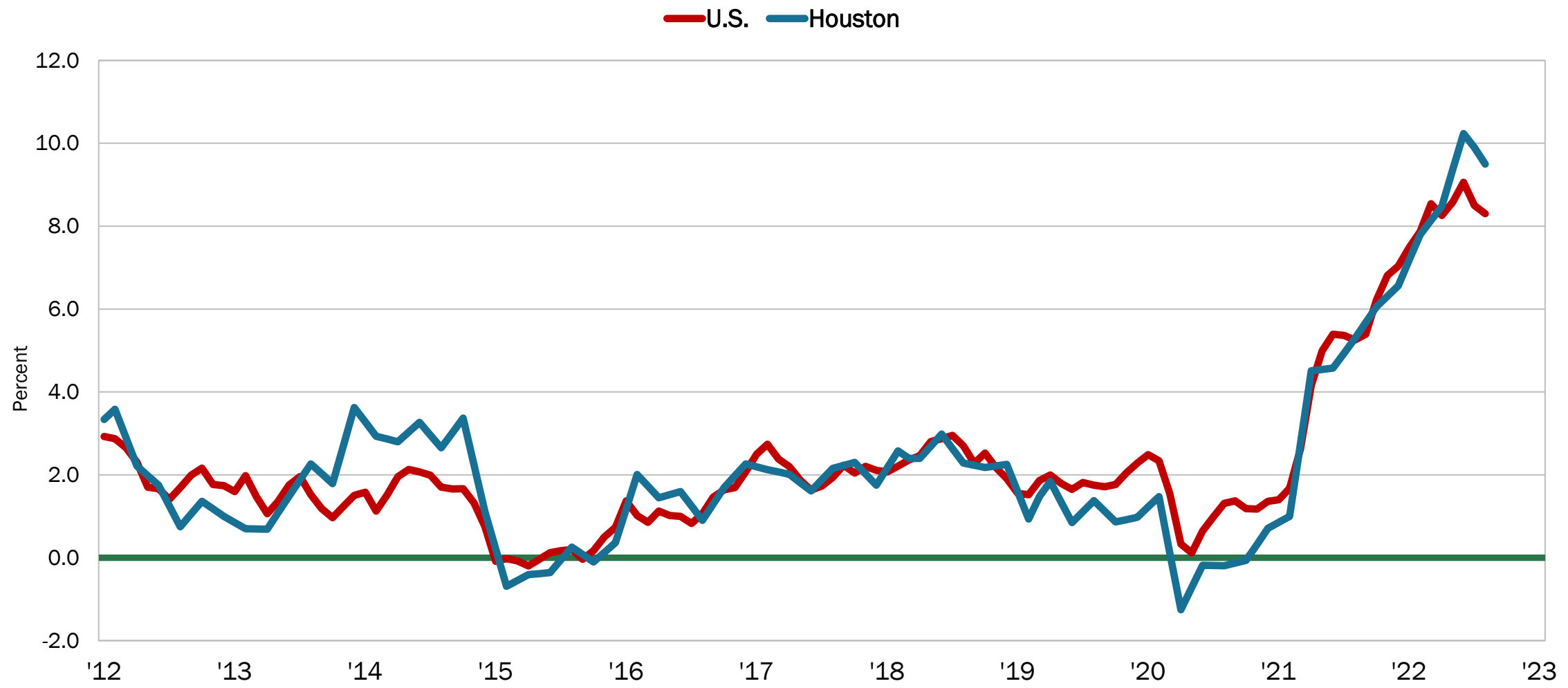


If you lowered base prices, did you see a resulting uptick in sales?

Answered: 12 Skipped: 3



# U.S. & Houston Inflation Rates\*

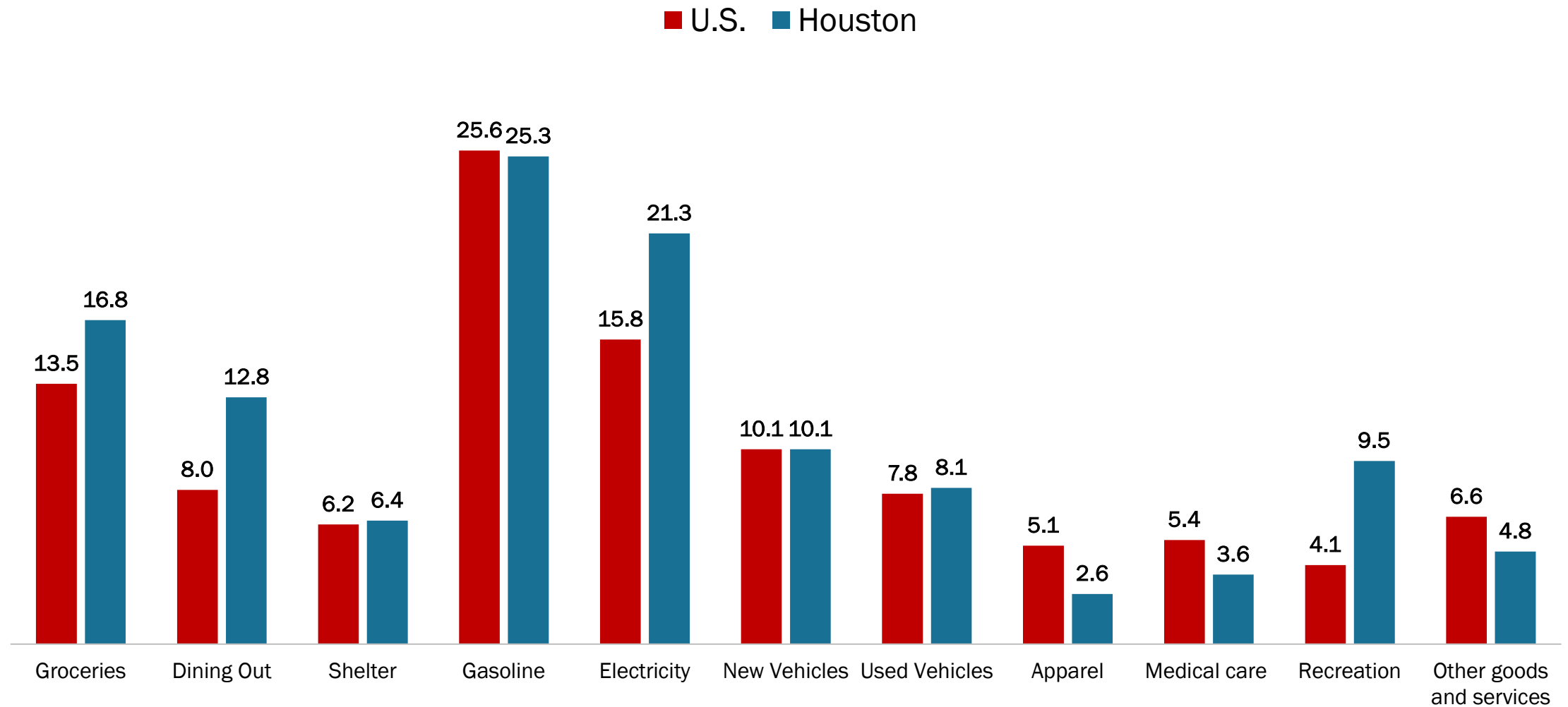


U.S. Bureau of Labor Statistics

\*12 months ending

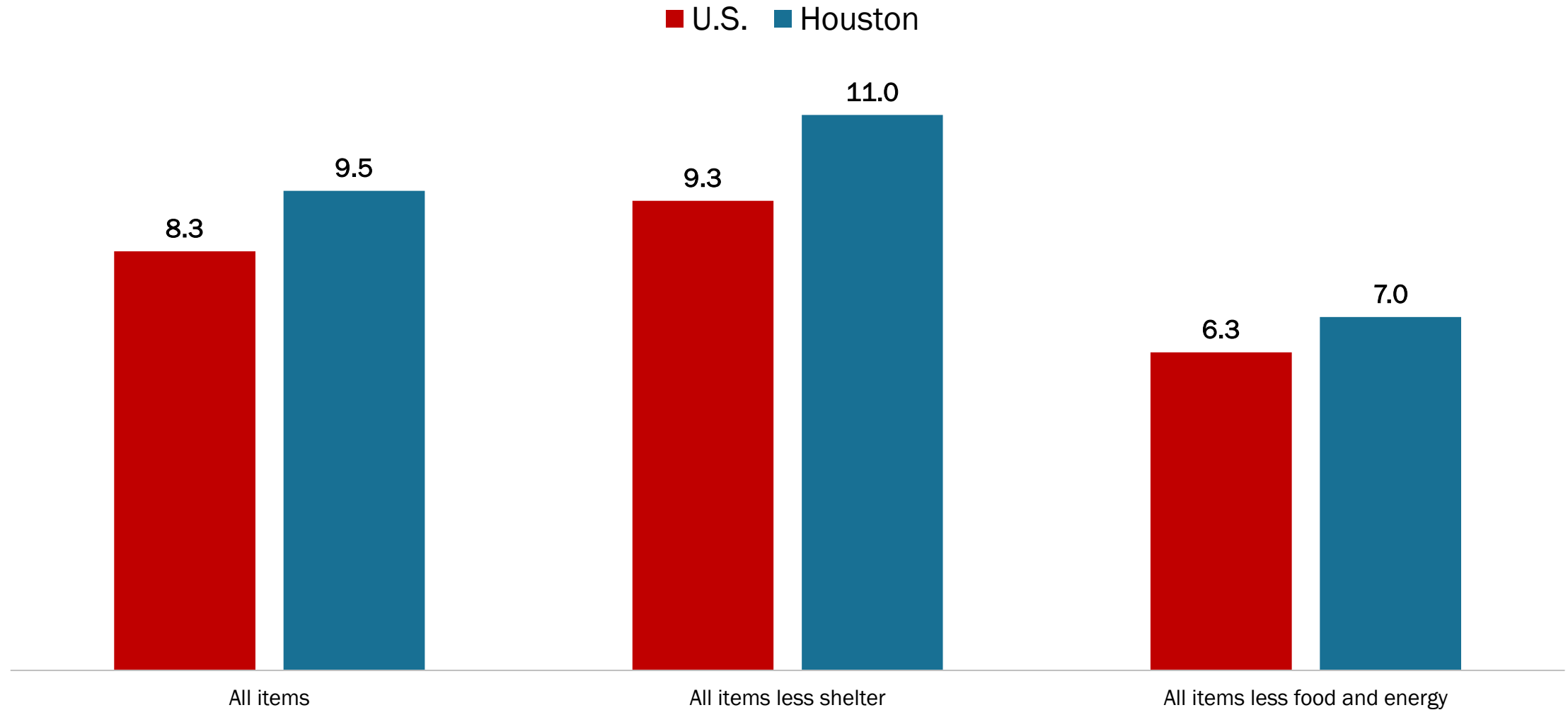


# Percent Change, Consumer Price Index, 12 Months Ending August '22, US vs Houston



Source: U.S. Bureau of Labor Statistics

# Percent Change, Consumer Price Index, 12 Months Ending August '22, US vs Houston

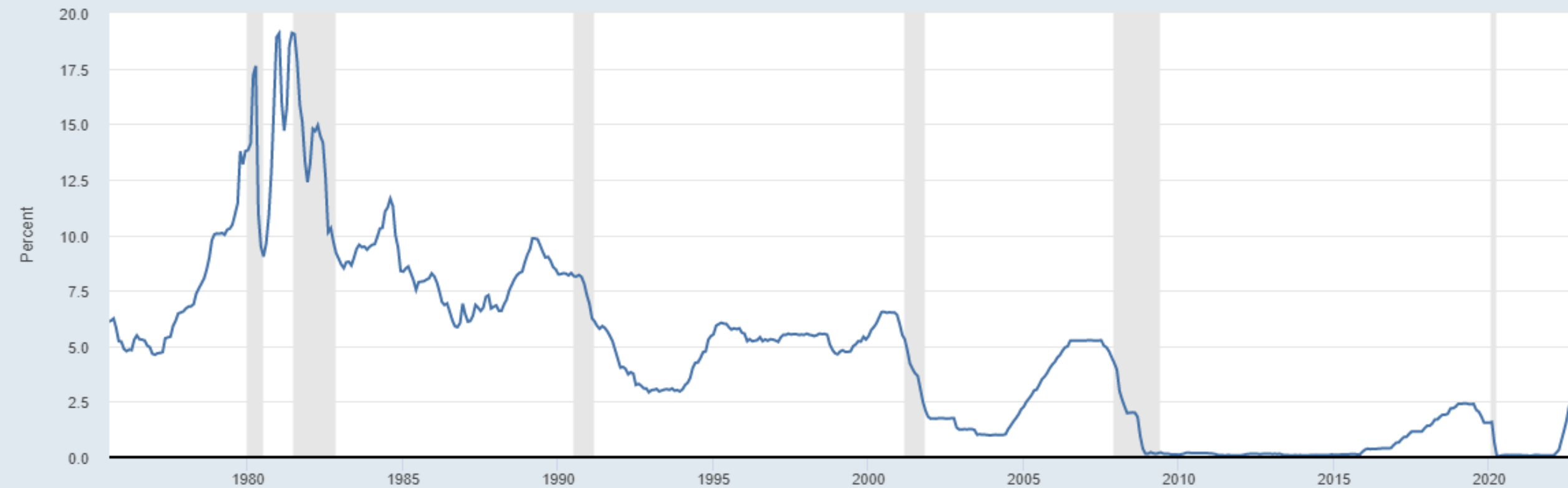


Source: U.S. Bureau of Labor Statistics

**PBS**   
**NEWS  
HOUR**



# Federal Reserve Chair Jerome Powell says inflation fight may cause a recession

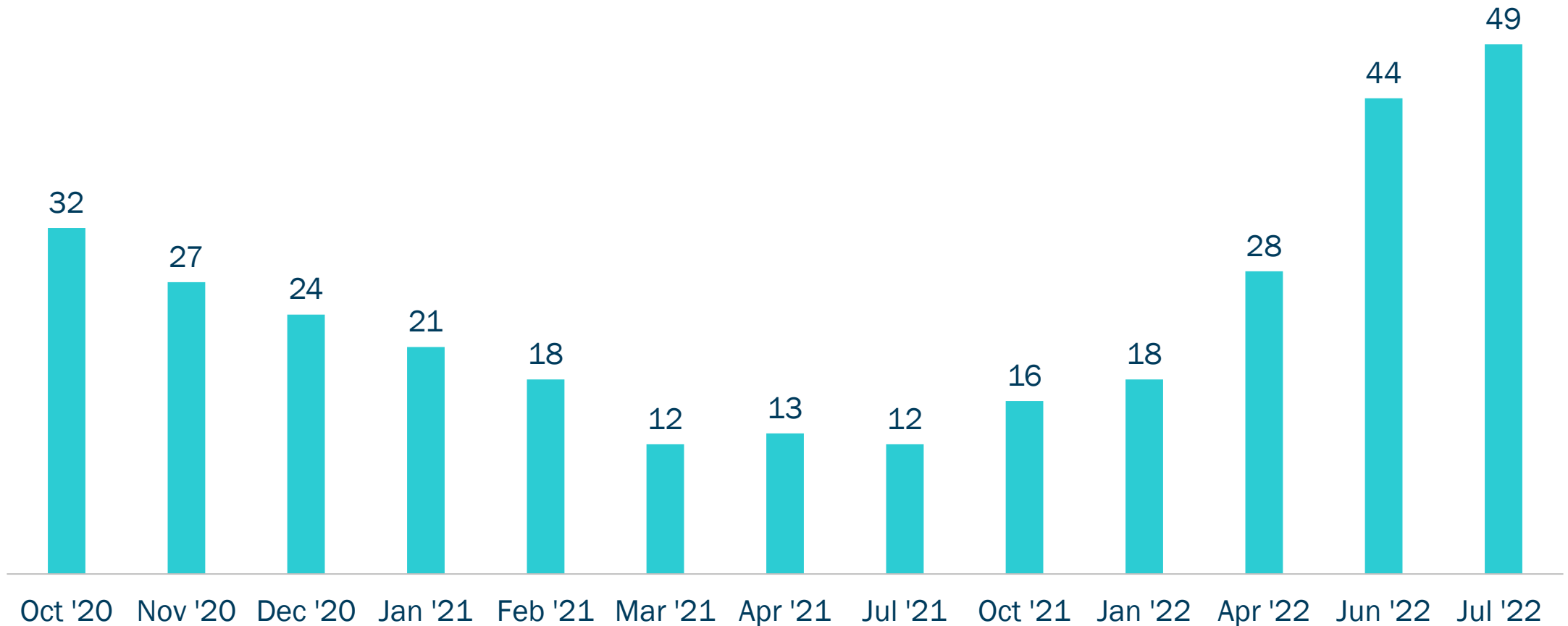


Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

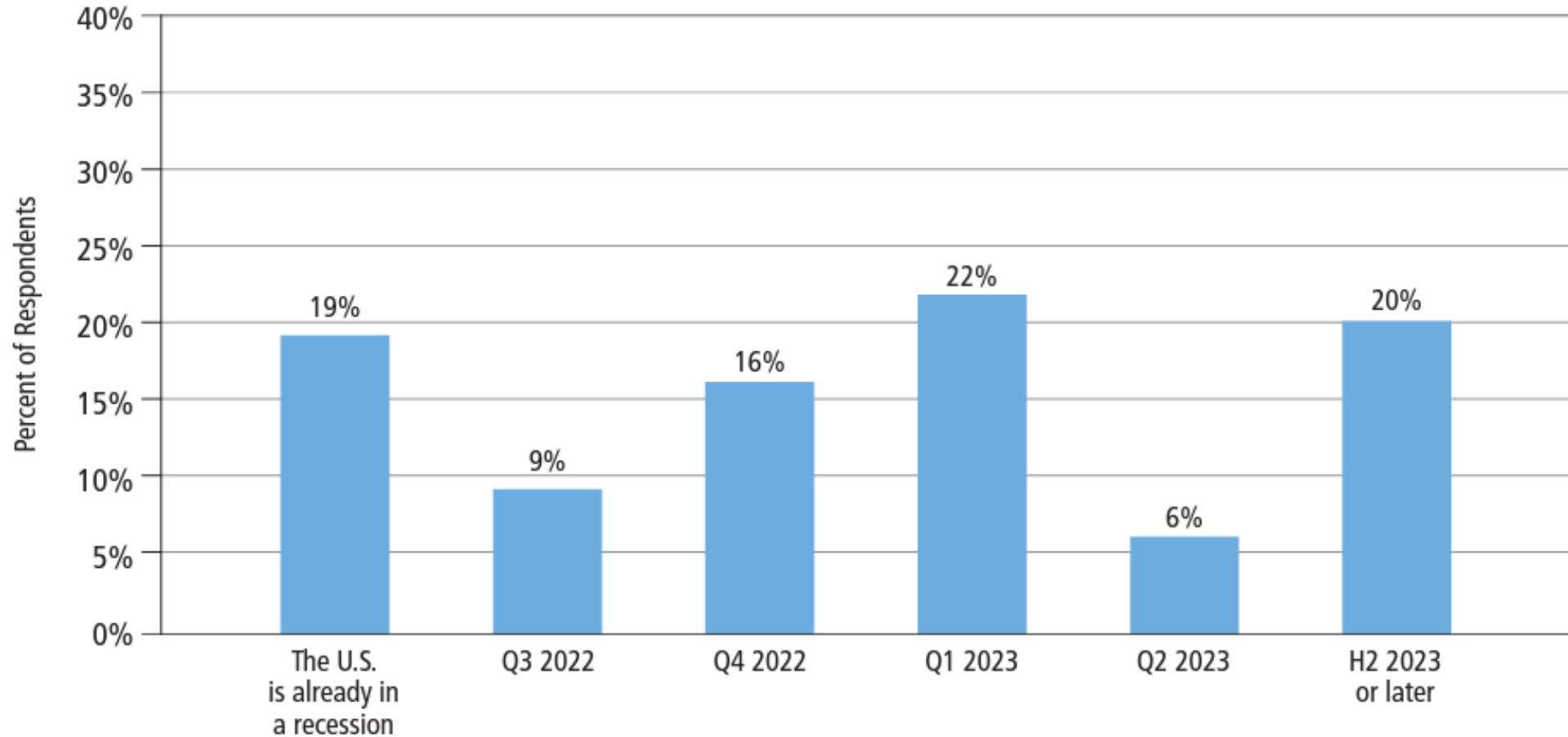
fred.stlouisfed.org

# % Probability of a Recession in the Next 12 Months



Source: *The Wall Street Journal*

## When will the next recession (as determined by the NBER) commence in the U.S.?



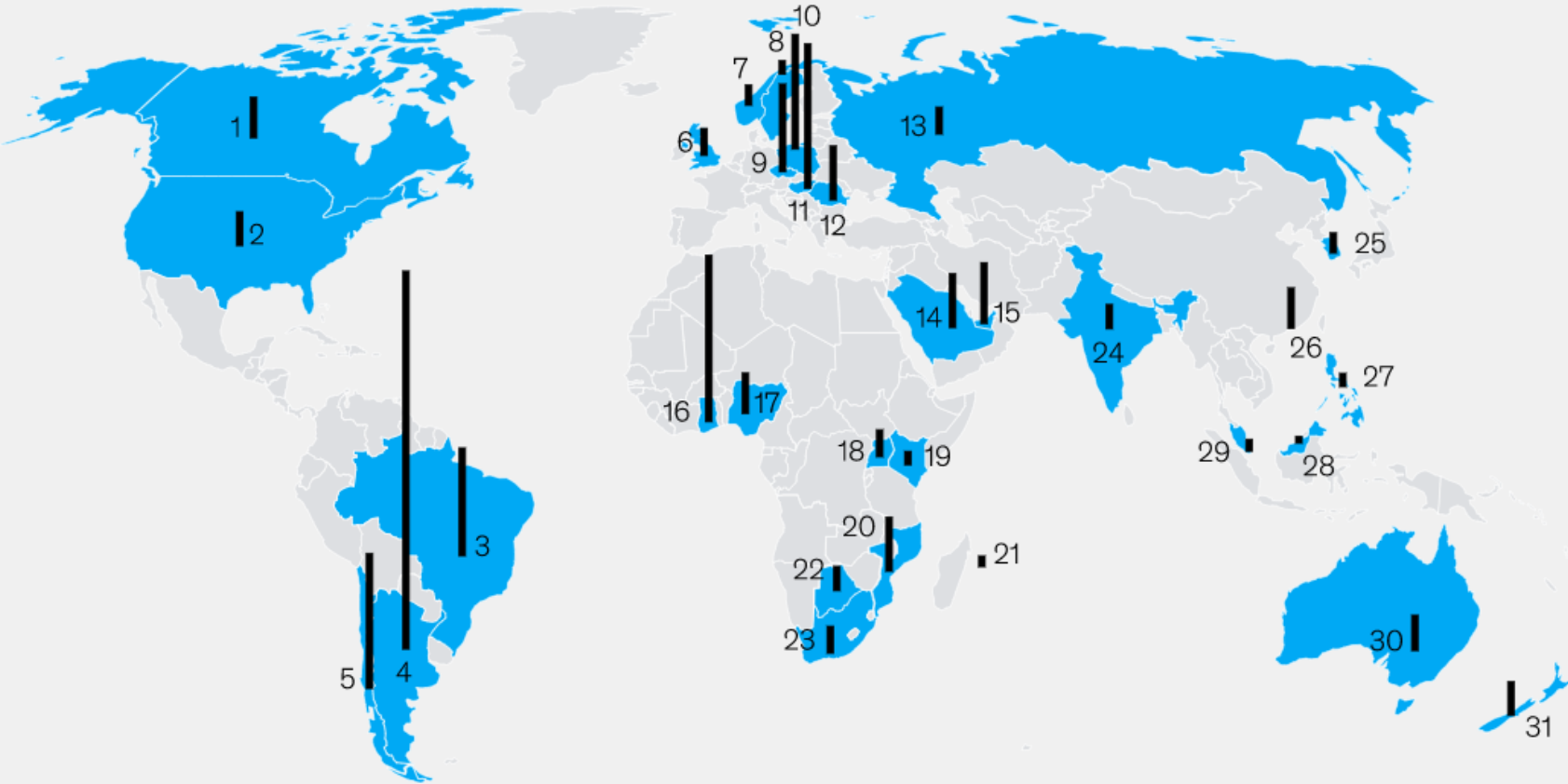
Note: "Don't know/no opinion" percentages are omitted.

# BUSINESS INSIDER

**Central banks around the world are willing to risk recession to fight inflation — and early signs suggest widespread pain for everyone, everywhere**

# Central banks worldwide are raising rates.

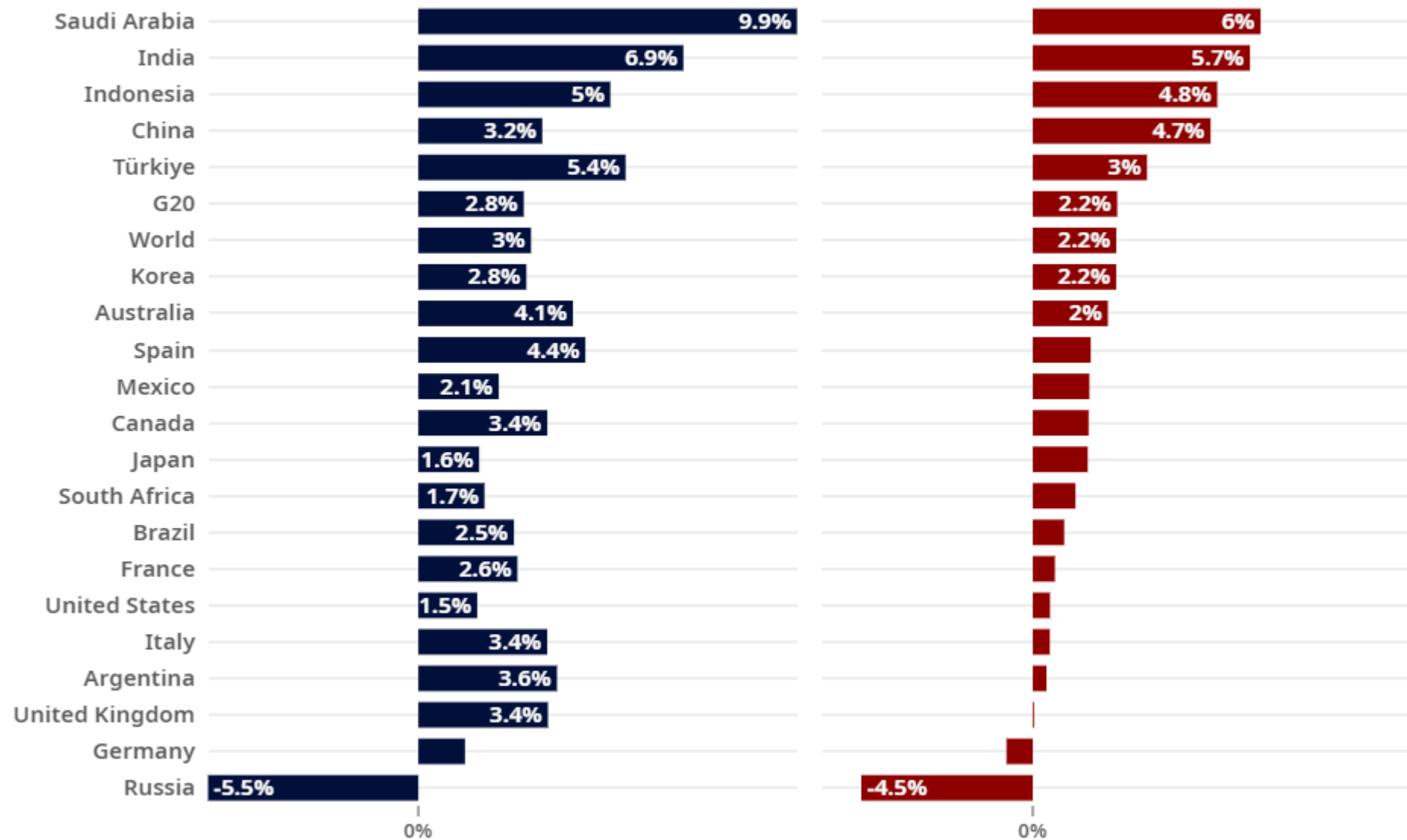
Rise in central bank lending rates in 2022, percentage points (as of Jun 30, 2022)





# Real GDP growth projections for 2022 and 2023

Year-over-year, %



Source: [OECD Economic Outlook, Interim Report September 2022](#)

If...



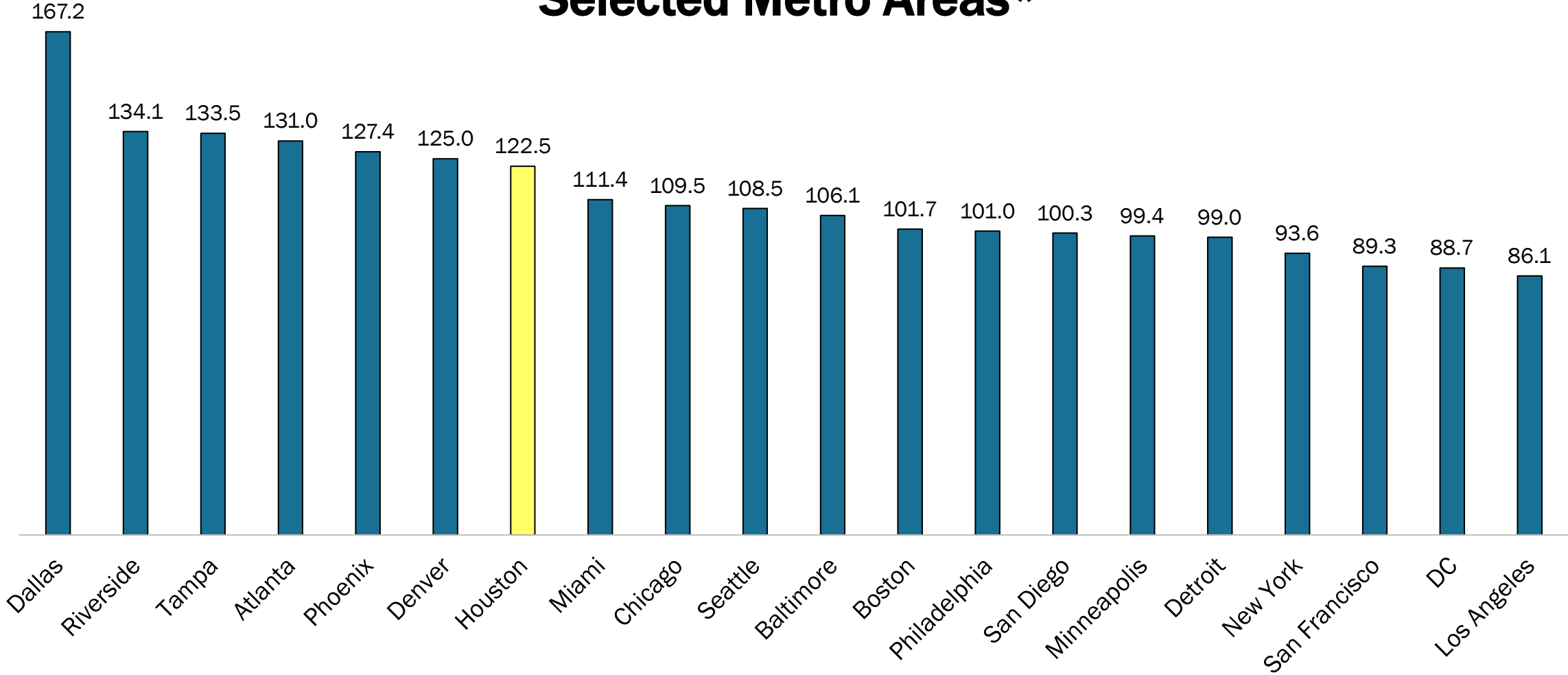
# Recent U.S. Recessions

Dates	Duration (months)	Drop in GDP (%)	Job Losses (millions)	Unemp Peak (%)
Jan '80 - Jul '80	6	2.2	1.154	7.8
Jul '81 - Nov '82	16	2.6	2.684	10.8
Jul '90 - Mar '91	8	1.4	1.560	7.8
Mar '01 - Nov '01	8	0.4	2.560	6.3
Dec '07 - Jun '09	18	4.0	8.705	10.0
Feb '20 - Apr '20	2	10.1	21.991	14.7

Sources: National Bureau for Economic Research, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and Partnership calculations

# Percent Pandemic Jobs Losses Recovered

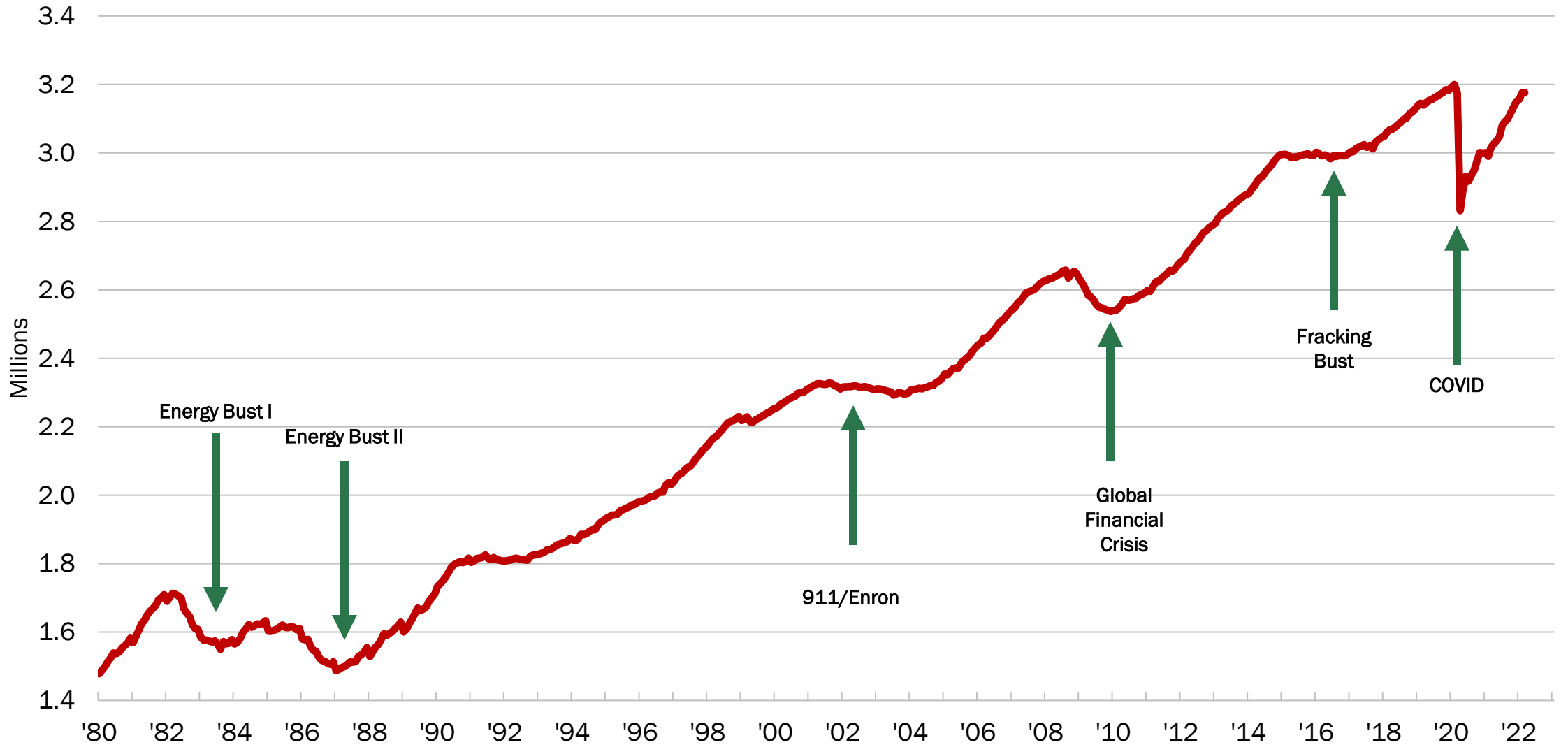
## Selected Metro Areas\*



Source: Greater Houston Partnership calculations based on Bureau of Labor Statistics data

\* As of August '22

# Metro Houston Employment



# Metro Houston Economic Outlook

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