

- **Energy Outlook**— It's good news for parts of upstream energy in Houston that oil prices have climbed above \$60 per barrel after falling into the \$30s in December, January and February. That's a large step in the right direction: prices need to reach \$70 to support a solid level of international activity.

In the U.S., the price of natural gas has a large bearing on drilling activity: nearly four in five working rigs are gas-directed. And gas prices, which averaged more than \$9 per million British thermal units last year before falling below \$4 for most of the past three months, are under strong downward pressure. Natural gas in storage is at the upper end of the five-year range, 22 percent above the five-year average, and the world is awash in LNG, for which the U.S. has the only storage capacity. With the collapse of gas prices, the Baker Hughes count of active domestic rotary rigs plunged from a recent peak of 2,031 last September to 900 in late May. Industry analysts expect the rig count to bottom near 800 around mid-year.

Low natural gas prices do have a positive side for Houston because natural gas is a major feedstock for the region's petrochemicals producers. Because most production elsewhere relies on crude oil as a feedstock, Houston enjoys a competitive advantage when gas is priced inexpensively relative to oil. (A rule of thumb holds that Houston enjoys this advantage when the ratio of the price of a barrel of crude to one MMBtu of natural gas exceeds 6. The ratio, currently in the neighborhood of 14, has dipped below 6 only for brief periods over the past 19 years.)

Houston's emergence from the current recession depends not only on oil prices at least moderately higher than they are today, but also on much higher natural gas prices stemming from a resurgence in demand that can come only from recovery in the domestic economy. Houston lagged the nation entering recession, and it's likely to lag it in recovery. But even when recovery comes, don't expect the rig count to soar to 2,000 again: with moderate demand and improving technology, no more than 800 to 1,000 rigs are needed to provide ample supply.

- **Recession Affects Houston, State Job Growth** — From April '08 to April '09, according to the U.S. Bureau of Labor Statistics, the nation sustained a net loss of 5.25 million jobs, or 3.8 percent. In such a turbulent national economy, Houston thus far has fared relatively well. Nonfarm payroll employment in the 10-county

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Houston metropolitan area slipped by 1.4 percent from April '08 to April '09, a loss of 35,300 jobs, according to the Texas Workforce Commission. Houston's performance was better than that of both the state of Texas, which saw employment slide 1.6 percent over the year, and the Dallas-Fort Worth metro, where employment fell 1.7 percent. San Antonio sustained a decrease of 0.5 percent. Austin remained the sole major metropolitan area to post a gain, up 0.4 percent, but would have been negative without its 2.4 percent rise in government employment.

While oil and gas extraction held steady, support activities for mining (in Houston, largely oilfield services) declined for the fourth consecutive month. These two upstream industries together are Houston's best-paid sector, with annual incomes averaging more than \$100,000. Architectural and engineering services, another industry with high incomes, has been sliding since November.

- **Hotels Exceeding Expectations** — At a time when businesses are cutting costs and consumers are retrenching to cope with reduced wealth and large amounts of debt, hospitality industry analysts certainly expected performance indicators this year to fall short of last year. They were right — but, in Houston's case, they've been pleasantly surprised. Houston hotels saw average occupancy in Q1/09 decline less than three percentage points from Q1/08, reports PKF Consulting, which had expected a drop of 6 percent. Revenue per available room, a measure that combines demand and supply, fell 8.0 percent in Houston, a performance that compares favorably with declines of 15 to 20 percent common across the country. Lingering repairs to damage from Hurricane Ike last September are no longer bolstering the performance indicators outside a few regional submarkets well-positioned to serve both displaced households and repair workers.
- **Houston Maintains Cost of Living Advantage** — In Q1/09, the cost of living in Houston was 20 percent below the average for 26 metropolitan areas over 2 million population and 11 percent below the average for all 309 reporting places, according to the *ACCRA Cost of Living Index*. The index, produced by the Council for Community and Economic Research, measures differences in the relative cost of consumer goods and services appropriate for a professional or managerial household in the top income quintile. Houston, St. Louis and Cincinnati were in a virtual tie for lowest living costs among the major metros.

Houston's advantage over other large metro areas hinges largely on low-cost housing. In Q1/09, housing costs in Houston were 43 percent below the major metro average and 25 percent below the average for all reporting places. Since this index was introduced nearly a third of a century ago, Houston has consistently enjoyed an advantage in housing costs, thanks to a combination of low regulatory barriers, plentiful land for residential development, minimal weather-related construction delays, and relatively inexpensive labor. In Q1/09, the lowest housing prices

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among the major metros were in Houston, Pittsburgh, St. Louis and Dallas-Fort Worth, which did not differ from each other at a statistically significant level.

Houston and Cincinnati essentially tied for the least costly grocery items among the major metros in Q1/09, both about 14 percent below the nationwide average. Houston and St. Louis vied for lowest transportation costs among the majors, both falling about 8 percent below the nationwide average. Houston did not differ significantly from the nationwide average on the other components — utilities, health care, and miscellaneous goods and services.

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The Greater Houston Partnership is the primary advocate of Houston's business community and is dedicated to building regional economic prosperity.

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# HOUSTON—THE ECONOMY AT A GLANCE

## Houston Economic Indicators

A Service of the Greater Houston Partnership

	Month	MONTHLY DATA			YEAR-TO-DATE TOTAL OR AVERAGE*		
		Most Recent	Year Earlier	% Change	Most Recent	Year Earlier	% Change
<b>ENERGY</b>							
U.S. Active Rotary Rigs	Apr '09	995	1,829	-45.6	1,262 *	1,784 *	-29.3
Spot Crude Oil Price (\$/bbl, West Texas Intermediate)	Apr '09	51.44	113.11	-54.5	45.40 *	101.44 *	-55.2
Spot Natural Gas (\$/MMBtu, Henry Hub)	Apr '09	3.48	10.06	-65.4	4.27 *	8.96 *	-52.3
<b>UTILITIES AND PRODUCTION</b>							
Houston Purchasing Managers Index	Apr '09	40.9	57.7	-29.1	39.8 *	55.0 *	-27.7
Nonresidential Electric Current Sales (Mwh, CNP Service Area)	Apr '09	3,675,415	4,218,860	-12.9	15,064,200	16,261,643	-7.4
<b>CONSTRUCTION</b>							
<b>Total Building Contracts (\$, Houston MSA)</b>	<b>Apr '09</b>	<b>844,777,000</b>	<b>1,211,665,000</b>	<b>-30.3</b>	<b>2,557,368,000</b>	<b>5,261,761,000</b>	<b>-51.4</b>
Nonresidential	Apr '09	367,839,000	553,412,000	-33.5	1,109,361,000	2,803,310,000	-60.4
Residential	Apr '09	476,938,000	658,253,000	-27.5	1,448,007,000	2,458,451,000	-41.1
<b>Building Permits (\$, City of Houston)</b>	<b>Mar '09</b>	<b>455,768,511</b>	<b>431,817,748</b>	<b>5.5</b>	<b>1,112,670,358</b>	<b>1,524,268,133</b>	<b>-27.0</b>
New Nonresidential	Mar '09	147,575,431	164,421,066	-10.2	274,842,978	474,901,273	-42.1
Nonresidential Additions/Alterations/Conversions	Mar '09	203,266,123	107,924,428	88.3	600,561,488	489,904,754	22.6
New Residential	Mar '09	83,867,723	141,206,873	-40.6	182,787,616	476,082,979	-61.6
Residential Additions/Alterations/Conversions	Mar '09	21,059,234	18,265,381	15.3	54,478,276	83,379,127	-34.7
<b>Multiple Listing Service (MLS) Activity</b>							
Closings	Apr '09	4,898	6,473	-24.3	17,155	22,457	-23.6
Median Sales Price - SF Detached	Apr '09	145,050	150,000	-3.3	139,218 *	148,080 *	-6.0
Active Listings	Apr '09	45,269	53,080	-14.7	44,991 *	51,842 *	-13.2
<b>EMPLOYMENT (Houston-Sugar Land-Baytown MSA)</b>							
<b>Nonfarm Payroll Employment</b>	<b>Apr '09</b>	<b>2,565,100</b>	<b>2,600,400</b>	<b>-1.4</b>	<b>2,571,900 *</b>	<b>2,583,100 *</b>	<b>-0.4</b>
Goods Producing (Natural Resources/Mining/Const/Mfg)	Apr '09	519,000	535,700	-3.1	527,000 *	529,600 *	-0.5
Service Providing	Apr '09	2,046,100	2,064,700	-0.9	2,044,900 *	2,053,500 *	-0.4
<b>Unemployment Rate (%) - Not Seasonally Adjusted</b>							
Houston-Sugar Land-Baytown MSA	Apr '09	6.3	3.9		6.5 *	4.3 *	
Texas	Apr '09	6.4	4.0		6.6 *	4.4 *	
U.S.	Apr '09	8.6	4.8		8.8 *	5.2 *	
<b>Unemployment Insurance Claims (Gulf Coast WDA)</b>							
Initial Claims	Apr '09	27,306	14,590	87.2	26,919 *	13,063 *	106.1
Continuing Claims	Apr '09	129,217	68,003	90.0	118,592 *	66,866 *	77.4
<b>TRANSPORTATION</b>							
<b>Port of Houston Authority Shipments (Short Tons)</b>	<b>Apr '09</b>	<b>3,107,014</b>	<b>3,536,668</b>	<b>-12.1</b>	<b>12,535,725</b>	<b>14,045,694</b>	<b>-10.8</b>
<b>Air Passengers (Houston Airport System)</b>	<b>Apr '09</b>	<b>3,968,249</b>	<b>4,307,023</b>	<b>-7.9</b>	<b>15,173,625</b>	<b>16,972,745</b>	<b>-10.6</b>
Domestic Passengers	Apr '09	3,329,264	3,645,840	-8.7	12,652,190	14,287,399	-11.4
International Passengers	Apr '09	638,985	661,183	-3.4	2,521,435	2,685,346	-6.1
<b>Landings and Takeoffs</b>	<b>Apr '09</b>	<b>73,595</b>	<b>78,738</b>	<b>-6.5</b>	<b>288,225</b>	<b>317,474</b>	<b>-9.2</b>
<b>Air Freight (000 lb)</b>	<b>Apr '09</b>	<b>62,497</b>	<b>76,681</b>	<b>-18.5</b>	<b>239,067</b>	<b>286,179</b>	<b>-16.5</b>
Enplaned	Apr '09	33,721	40,366	-16.5	128,241	150,015	-14.5
Deplaned	Apr '09	28,776	36,315	-20.8	110,826	136,164	-18.6
<b>CONSUMERS</b>							
<b>New Car and Truck Sales (Units, Houston MSA)</b>	<b>Apr '09</b>	<b>17,520</b>	<b>29,607</b>	<b>-40.8</b>	<b>69,057</b>	<b>115,955</b>	<b>-40.4</b>
Cars	Apr '09	7,669	13,197	-41.9	30,504	49,985	-39.0
Trucks, SUVs and Commercials	Apr '09	9,851	16,410	-40.0	38,553	65,970	-41.6
<b>Total Retail Sales (\$000,000, Houston MSA, NAICS Basis)</b>	<b>3Q08</b>	<b>23,903</b>	<b>21,048</b>	<b>13.6</b>	<b>68,912</b>	<b>59,166</b>	<b>16.5</b>
<b>Consumer Price Index for All Urban Consumers ('82-'84=100)</b>							
Houston-Galveston-Brazoria CMSA	Apr '09	189.701	188.795	0.5	188.365 *	187.871 *	0.3
United States	Apr '09	213.24	214.823	-0.7	212.321 *	212.781 *	-0.2
<b>Hotel Performance (Harris County)</b>							
Occupancy (%)	Mar '09	69.0	72.1		66.6 *	69.3 *	
Average Room Rate (\$)	Mar '09	123.53	128.82	-4.1	126.18 *	131.80 *	-4.3
Revenue Per Available Room (\$)	Mar '09	85.21	92.87	-8.2	84.01 *	91.31 *	-8.0
<b>POSTINGS AND FORECLOSURES</b>							
Postings (Harris County)	May '09	3,757	3,054	23.0	14,342	14,003	2.4
Foreclosures (Harris County)	May '09	1,060	1,263	-16.1	4,104	5,649	-27.3

## HOUSTON—THE ECONOMY AT A GLANCE

### Sources

Rig Count	Baker Hughes Incorporated	Port Shipments	Port of Houston Authority
Spot WTI, Spot Natural Gas	U.S. Energy Information Agency	Aviation	Aviation Department, City of Houston
Houston Purchasing Managers Index	National Association of Purchasing Management – Houston, Inc.	Car and Truck Sales	<i>TexAuto Facts Report</i> , InfoNation, Inc., Sugar Land TX
Electricity	CenterPoint Energy	Retail Sales	Texas Comptroller's Office
Building Construction Contracts	McGraw-Hill Construction	Consumer Price Index	U.S. Bureau of Labor Statistics
City of Houston Building Permits	Building Permit Department, City of Houston	Hotels	PKF Consulting/Hospitality Asset Advisors International
MLS Data	Houston Association of Realtors®	Postings, Foreclosures	Foreclosure Information & Listing Service
Employment, Unemployment	Texas Workforce Commission		

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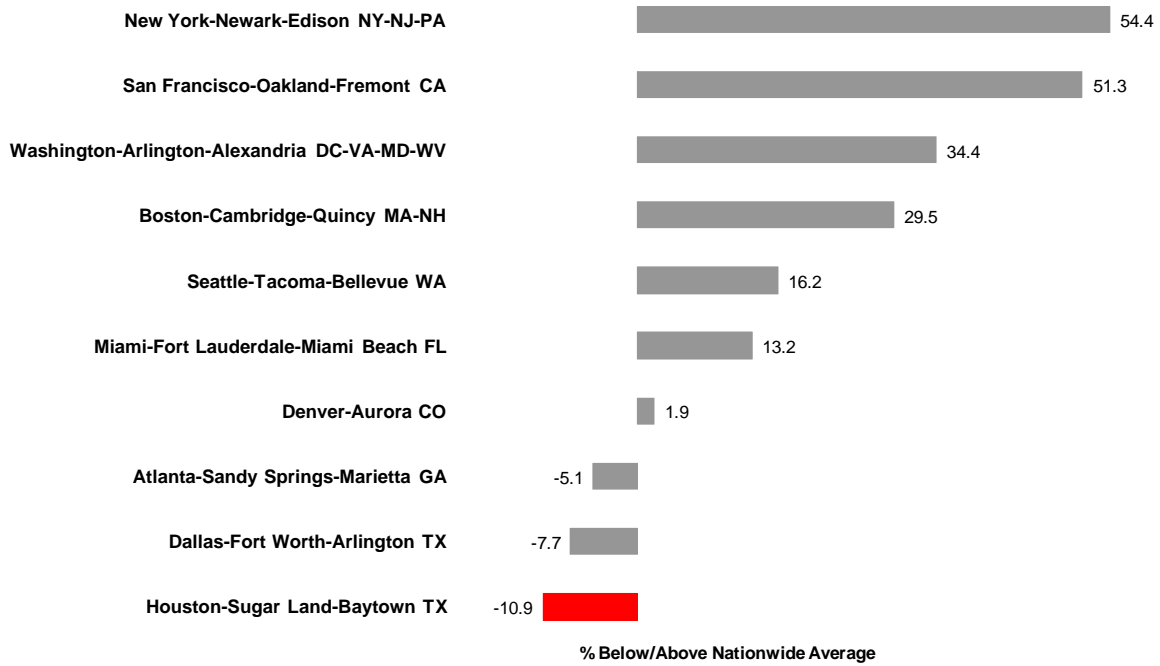
## HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	Apr '09	Mar '09	Apr '08	Change from		% Change from	
				Mar '09	Apr '08	Mar '09	Apr '08
<b>Total Nonfarm Payroll Jobs</b>	<b>2,565.1</b>	<b>2,573.9</b>	<b>2,600.4</b>	<b>-8.8</b>	<b>-35.3</b>	<b>-0.3</b>	<b>-1.4</b>
<b>Total Private</b>	<b>2,192.9</b>	<b>2,202.9</b>	<b>2,235.0</b>	<b>-10.0</b>	<b>-42.1</b>	<b>-0.5</b>	<b>-1.9</b>
<b>Goods Producing</b>	<b>519.0</b>	<b>523.8</b>	<b>535.7</b>	<b>-4.8</b>	<b>-16.7</b>	<b>-0.9</b>	<b>-3.1</b>
<b>Service Providing</b>	<b>2,046.1</b>	<b>2,050.1</b>	<b>2,064.7</b>	<b>-4.0</b>	<b>-18.6</b>	<b>-0.2</b>	<b>-0.9</b>
<b>Private Service Providing</b>	<b>1,673.9</b>	<b>1,679.1</b>	<b>1,699.3</b>	<b>-5.2</b>	<b>-25.4</b>	<b>-0.3</b>	<b>-1.5</b>
Mining and Logging	90.1	90.9	87.6	-0.8	2.5	-0.9	2.9
Oil & Gas Extraction	48.6	49.6	52.2	-1.0	-3.6	-2.0	-6.9
Support Activities for Mining	47.8	47.8	48.4	0.0	-0.6	0.0	-1.2
Construction	194.6	196.5	208.1	-1.9	-13.5	-1.0	-6.5
Manufacturing	234.3	236.4	240.0	-2.1	-5.7	-0.9	-2.4
Durable Goods Manufacturing	152.0	153.6	156.7	-1.6	-4.7	-1.0	-3.0
Nondurable Goods Manufacturing	82.3	82.8	83.3	-0.5	-1.0	-0.6	-1.2
Wholesale Trade	132.4	132.5	138.5	-0.1	-6.1	-0.1	-4.4
Retail Trade	264.6	264.9	263.2	-0.3	1.4	-0.1	0.5
Transportation, Warehousing and Utilities	123.6	123.4	126.1	0.2	-2.5	0.2	-2.0
Utilities	16.0	16.0	15.8	0.0	0.2	0.0	1.3
Air Transportation	25.7	25.6	26.2	0.1	-0.5	0.4	-1.9
Truck Transportation	20.5	20.3	20.7	0.2	-0.2	1.0	-1.0
Pipeline Transportation	8.5	8.4	8.2	0.1	0.3	1.2	3.7
Information	35.3	35.4	36.6	-0.1	-1.3	-0.3	-3.6
Telecommunications	18.2	18.3	18.7	-0.1	-0.5	-0.5	-2.7
Finance & Insurance	89.5	90.0	90.1	-0.5	-0.6	-0.6	-0.7
Real Estate & Rental and Leasing	52.9	52.7	52.6	0.2	0.3	0.4	0.6
Professional & Business Services	363.0	368.6	382.9	-5.6	-19.9	-1.5	-5.2
Professional, Scientific & Technical Services	180.5	181.0	186.2	-0.5	-5.7	-0.3	-3.1
Legal Services	23.4	23.4	23.8	0.0	-0.4	0.0	-1.7
Accounting, Tax Preparation, Bookkeeping	17.9	18.4	19.8	-0.5	-1.9	-2.7	-9.6
Architectural, Engineering & Related Services	62.6	62.6	64.9	0.0	-2.3	0.0	-3.5
Computer Systems Design & Related Services	25.4	25.5	25.3	-0.1	0.1	-0.4	0.4
Admin & Support/Waste Mgt & Remediation	175.7	178.7	179.4	-3.0	-3.7	-1.7	-2.1
Administrative & Support Services	166.6	169.5	170.8	-2.9	-4.2	-1.7	-2.5
Employment Services	64.1	64.6	67.9	-0.5	-3.8	-0.8	-5.6
Educational Services	42.0	42.0	40.9	0.0	1.1	0.0	2.7
Health Care & Social Assistance	249.3	248.8	242.3	0.5	7.0	0.2	2.9
Arts, Entertainment & Recreation	27.1	25.3	26.3	1.8	0.8	7.1	3.0
Accommodation & Food Services	204.3	204.6	207.2	-0.3	-2.9	-0.1	-1.4
Other Services	89.9	90.9	91.6	-1.0	-1.7	-1.1	-1.9
Government	372.2	371.0	365.4	1.2	6.8	0.3	1.9
Federal Government	29.4	29.2	28.8	0.2	0.6	0.7	2.1
State Government	73.4	72.8	69.8	0.6	3.6	0.8	5.2
State Government Educational Services	41.8	41.4	37.5	0.4	4.3	1.0	11.5
Local Government	269.4	269.0	266.8	0.4	2.6	0.1	1.0
Local Government Educational Services	185.8	185.5	185.5	0.3	0.3	0.2	0.2

SOURCE: Texas Workforce Commission

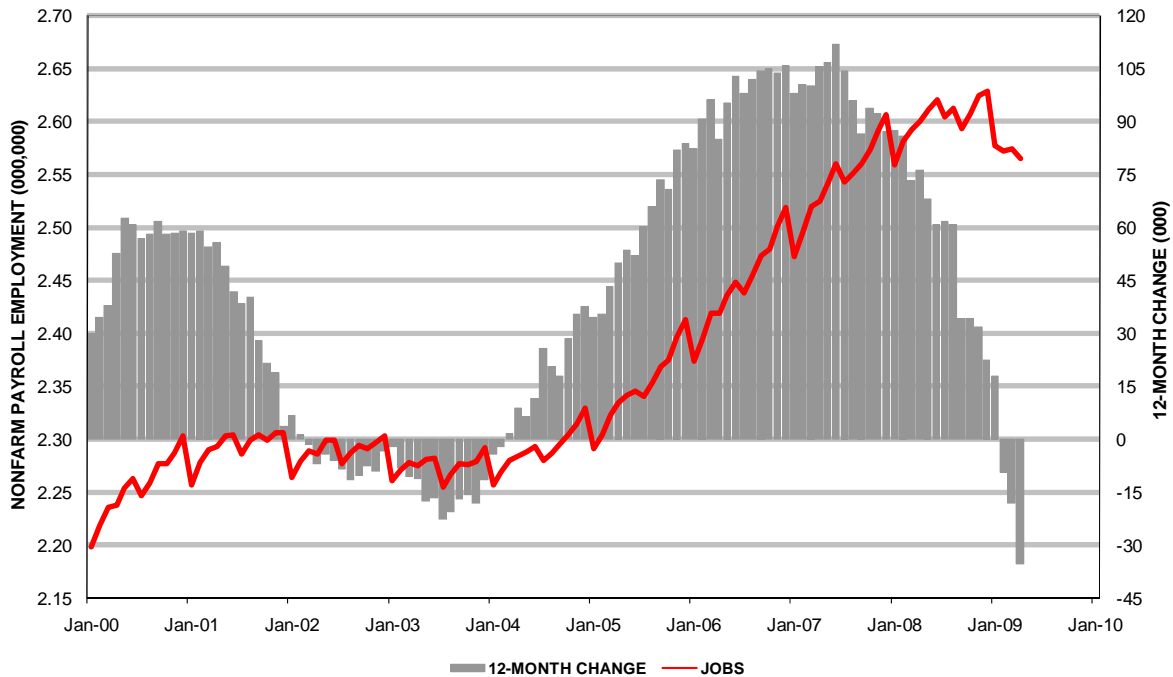
# HOUSTON—THE ECONOMY AT A GLANCE

## Q1/09 COST OF LIVING COMPARISONS: SELECTED METROS



Source: ACCRA Cost of Living Index, Council for Community & Economic Research

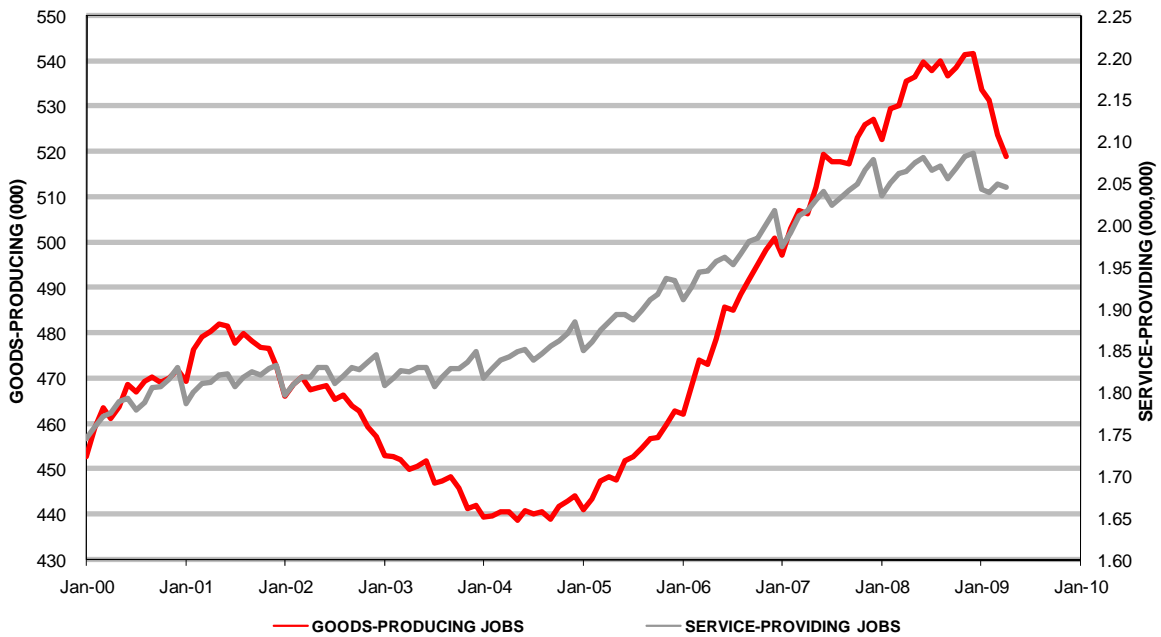
## HOUSTON MSA EMPLOYMENT 2000-2010



Source: Texas Workforce Commission

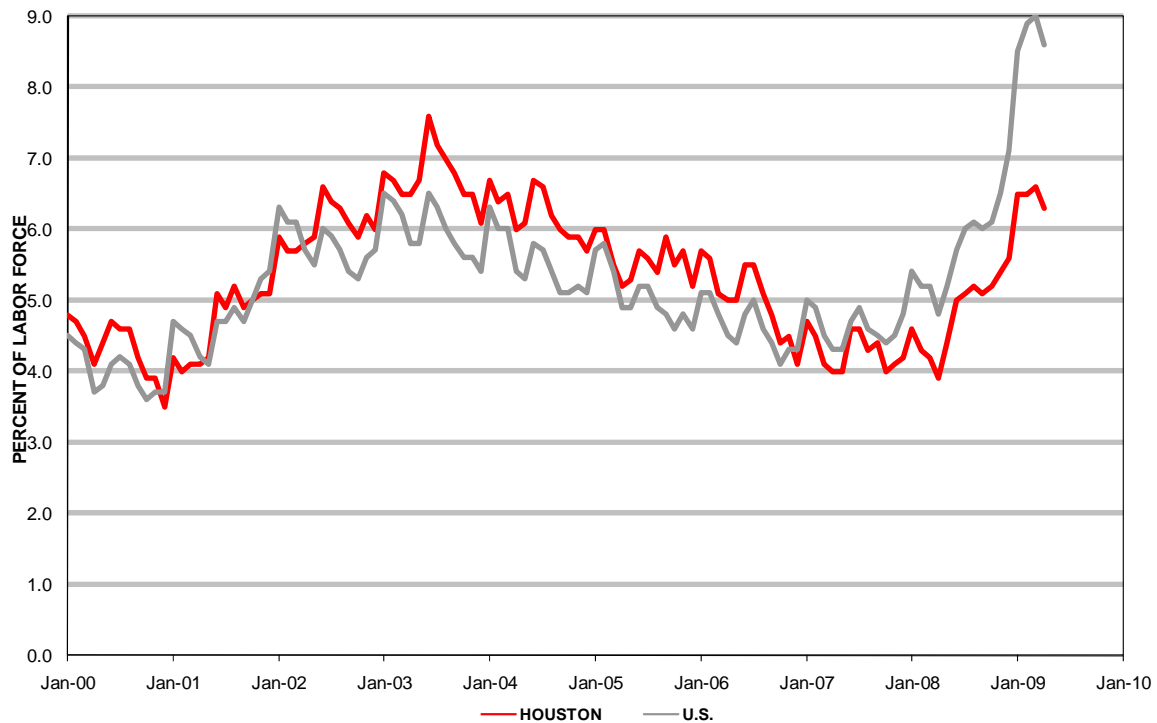
# HOUSTON—THE ECONOMY AT A GLANCE

## GOODS-PRODUCING AND SERVICE-PROVIDING EMPLOYMENT HOUSTON MSA 2000-2010



Source: Texas Workforce Commission

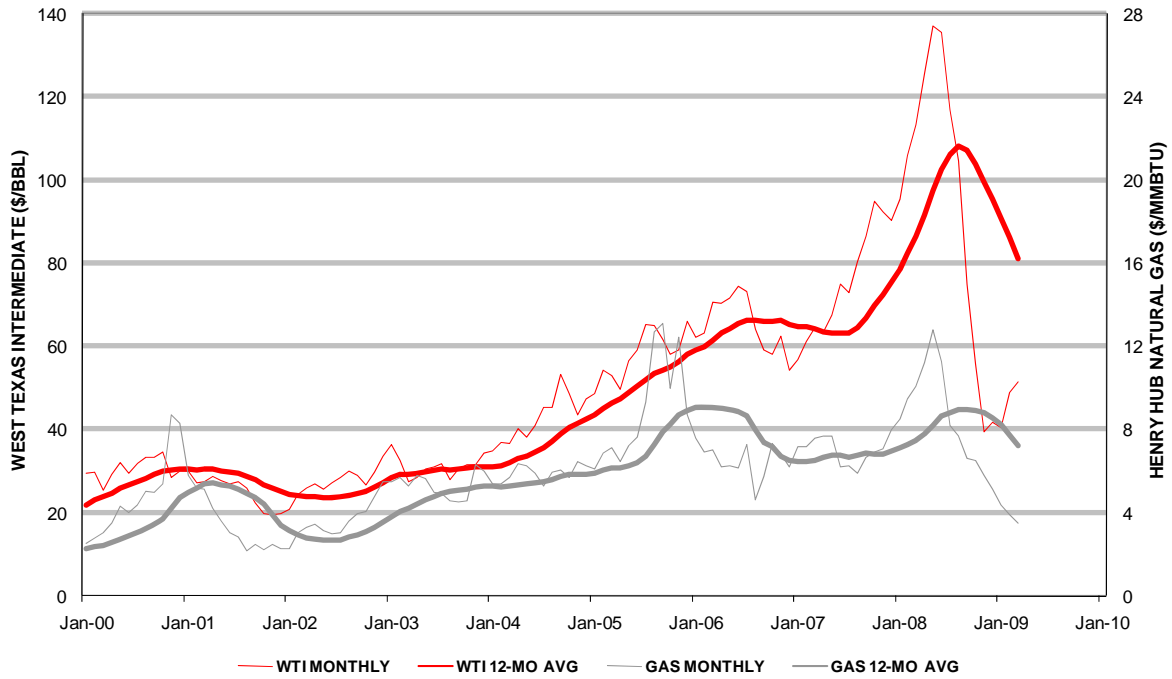
## UNEMPLOYMENT RATE HOUSTON & U.S. 2000-2010



Source: Texas Workforce Commission

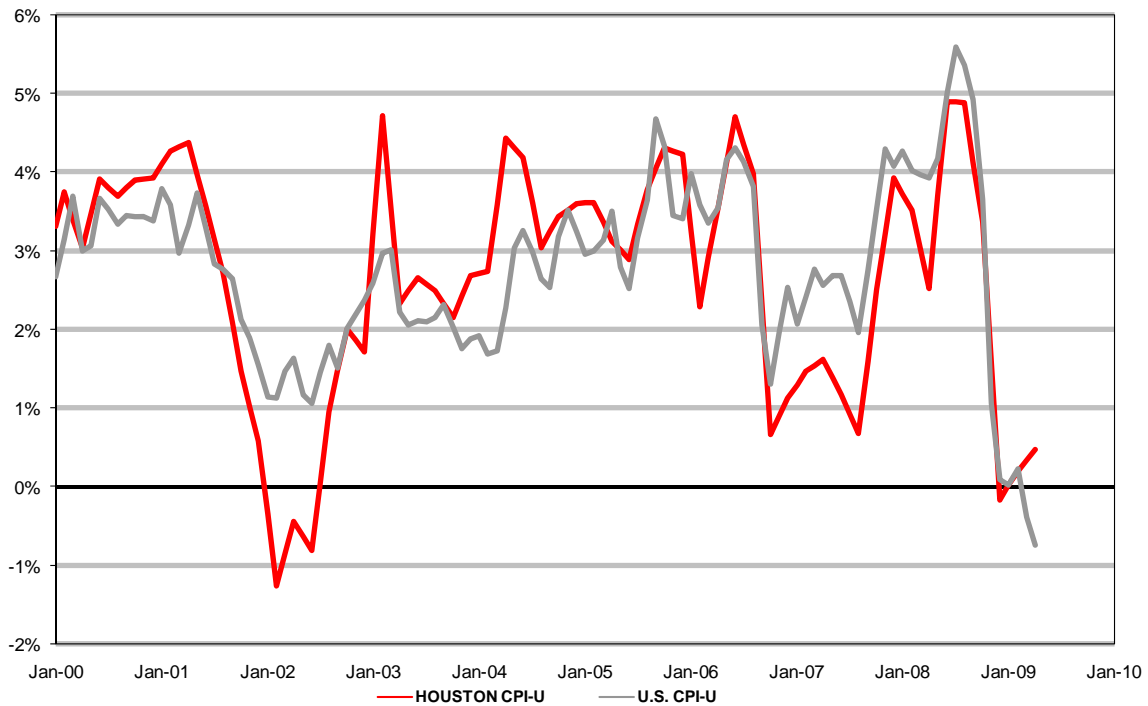
# HOUSTON—THE ECONOMY AT A GLANCE

## SPOT MARKET ENERGY PRICES 2000 - 2010



Source: U.S. Energy Information Administration

## INFLATION: 12-MONTH CHANGE 2000-2010



Source: U.S. Bureau of Labor Statistics