

- **Greater Houston Partnership Sees Job Growth Late This Year** — The 10-county Houston metropolitan area posted a net loss of 92,500 jobs, or 3.5 percent, from December '08 to December '09, according to preliminary estimates by the Texas Workforce Commission. GHP's forecast for '10 job growth, issued when the preliminary estimates for October were the latest available, anticipated a December over-the-year loss of 92,900 jobs—a scant 400 more than the new official estimate released in mid-January.

Houston's eminence in international trade, normally a source of economic strength for the region, worked to its detriment in terms of jobs last year because the worldwide recession slashed import and export activity. In Houston, two sectors are tied closely to international trade: wholesale trade, which shed 17,900 jobs over the year, and a residual transportation category that includes warehousing and waterborne commerce, down 8,900. Together, they account for 29 percent of Houston's December over-the-year net loss. Because international commerce already is rebounding, these industries can expect gains this year.

Construction took a beating last year: housing starts slowed, and commercial construction was confined largely to completing buildings already under way. Over the year, construction lost 25,500 jobs—one in eight. "In '09," says Barbara Bailey Myers, senior consultant with Kiley Advisors, "contractors were working off backlogs. In '10, the backlogs are significantly diminished."

Fabricated metal products manufacturing, much of which is tied to construction, shed 6,600 jobs, or 12.0 percent, over the year. Architectural and engineering services, a portion of which is related to construction, contracted 8.3 percent, eliminating 5,600.

Mining and logging, which in Houston is almost entirely oil and gas, is a smaller but highly important part of the Houston employment story because it's the only sector with average annual pay above \$100,000. The health of this sector has a direct bearing on industries that depend heavily on discretionary spending—retail trade; restaurants; and arts, entertainment and recreation, for example. Over the year, this sector saw payroll jobs decline by 2,200, or 2.3 percent.

In its forecast for *last* year, GHP identified three industries that would experience job growth in '09. All three did. Health care and social assistance ended the year

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with a 12-month gain of 6,500 jobs, up 2.6 percent; educational services added 200 jobs, up 0.5 percent; and government gained 5,200 jobs, up 1.4 percent. (Public education expanded by 6,000 jobs, or 2.7 percent, while government other than public education lost 800 jobs, down 0.6 percent.) In addition, leisure and hospitality gained 1,600 jobs, up 0.3 percent.

Many forecasts anticipate that the nation will return to job growth in the current quarter. Because Houston's recovery depends on economic recovery elsewhere in the nation and abroad, GHP's forecast sees local job growth returning in the third quarter, yielding an over-the-year gain near year-end.

Data users familiar with the payroll employment series know that the employment estimates aren't graven in stone. Each year, when it issues preliminary estimates for January, the Texas Workforce Commission also issues revised estimates for the preceding 21 (not 12) months. The resulting picture of what happened in the year just past can differ significantly from that painted by the preliminary estimates. This "benchmark" revision for April '08-December '09, accompanied by the first estimates for January '10, is scheduled for publication on March 4.

- **Local Recovery Beginning?** — In December, according to the National Association for Purchasing Management-Houston, the Houston Purchasing Managers Index posted its ninth consecutive month of improvement and its third consecutive month of signaling production growth in the near future.

The PMI is a short-term leading indicator for regional production. Readings above 50 indicate that production gains are on tap in three or four months; readings below 50 indicate that contraction is likely. December's 51.9 is the highest reading since August '08, and represents a vast improvement from the record low 39.0 in March '09. (See first graph.) Three consecutive months in positive territory at the end of '09 indicate that production should be growing *now*.

Nonresidential electricity consumption, a rough proxy for regional industrial production, buttresses this view. The amount of electricity sold to nonresidential customers in the CenterPoint service area in '09 was just 1.7 percent below the '08 total. Given the severity of the national recession that began in December '07, a larger decline might have been expected—and, under normal circumstances, that expectation would have been correct. Hurricane Ike in September '08 caused extended disruption of service to many customers. Had nonresidential sales in September and October '08 matched those of the same months in '07, the '09 decline would have been 5.2 percent.

The tempo was picking up by year-end, though. In December, nonresidential electricity sales were just 1.1 percent less than in December '08, by which time the damage from Ike had largely ceased to affect the data. It won't be surprising to see

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over-the-year comparisons turn positive within the next few months, in tandem with rising production volumes augured by the recent PMI readings.

Large gains in the sales and production components were key to December's PMI advance. The employment component was the weakest: the proportion of respondents reporting over-the-month staff reductions exceeded that reporting expansions by 21 percent. Because employment is a lagging economic indicator, this situation isn't unexpected. When a recovery begins, employers typically respond by increasing hours worked. As that tactic approaches its limits, the next step is often to add temporary workers. Only when demand is firmly entrenched do employers begin to add permanent employees—something we expect to see in Houston in the latter half of this year.

While Houston continues to experience job losses now, unemployment claims activity suggests that a bottom is near. Both initial and continuing claims for unemployment benefits in the 13-county Gulf Coast Workforce Development Area are trending downward, according to the latest data from Workforce Solutions. Initial claims in December were up 3.3 percent from December '08, and continuing claims were up 13.7 percent. But those figures obscure the story of what happened over the course of last year. *Three-month averages*, which remove some of the statistical noise in month-to-month variations, show that initial claims have fallen 13.8 percent from the recent peak in May '09, while continuing claims have dropped 13.5 percent from the recent peak in August.

The number of insured unemployed in the region rose over the year in all industry groups, and the number of long-term unemployed—those out of work for 15 weeks or more—more than doubled. “The magnitude of initial claims being filed seems to be tapering off,” said Workforce Solutions labor market analyst Joel Wagher, “but people are staying unemployed longer.”

- **New Vehicle Sales Tumbled in '09** — The number of new cars, trucks and SUVs sold in the 10-county Houston metropolitan area last year fell 28.7 percent below the '08 total, according to *TexAuto Facts Report*, published by InfoNation, Inc. of Sugar Land. The 218,710 units sold in '09 is the smallest annual total in a series that dates to '98. In Harris County, for which the series is longer, the 175,947 vehicles sold last year represent the smallest annual total since 154,783 in '75, when the Houston market was far smaller and the '70s boom had just begun.

Houston's 28.7 percent decline in unit sales last year is steeper than the nationwide drop of 21.0 percent, but that doesn't mean Houston fared more poorly than the nation as a whole. Car sales nationwide were weak throughout '08 because the recession began in December '07, but sales in Houston held up fairly well through late summer '08, when the protection of high energy prices vanished and Houston abruptly felt the full brunt of the recession. In '09, nationwide sales fell from an

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already depressed level, while Houston sales fell from a still moderately healthy level.

In December, Houston posted an over-the-year decline of 13.0 percent in unit sales. Excluding the two months last year when “Cash for Clunkers” boosted sales, that’s the *best* monthly performance for Houston auto dealers since July ’08.

Trucks and SUVs topped 59 percent of unit sales in December for the first time in more than two years. For ’09 as a whole, trucks and SUVs averaged a 54.8 percent market share. InfoNation’s Steve McDowell attributes continued share growth for trucks and SUVs to “consumer acceptance of smaller, more fuel efficient vehicles in the SUV and crossover models of the truck segment.” McDowell notes that continued quality improvements are leading many owners to keep their vehicles longer, putting downward pressure on sales—and on sales tax revenues.

- **Foreclosures, Postings Still Rising** — Harris County postings for foreclosure and completed foreclosures *appear* to have exploded in January, up 93.4 percent and 79.0 percent, respectively.

Appearances can be deceiving, at least to some extent. Last January, federal moratoria on foreclosure activity in the wake of Hurricane Ike had been requested, and many firms honored that request—with the result that the January ’09 figures were artificially depressed.

Such anomalies in the data can’t obscure the larger picture, though. The trend for both postings and foreclosures has been upward since ’00. The number of postings for the 12 months ending January ’10 is more than four times the number for the 12 months ending January ’00, and the comparable figure for foreclosures has more than tripled over the same period. These trends received a solid boost as “teaser” mortgage rates associated with lax lending standards during ’04-’07 began to reset at higher rates, plunging households that shouldn’t have qualified for loans into foreclosure. The situation is exacerbated by recent rises in unemployment among those who properly qualified for loans. Because resets on mortgage rates will continue well into this year, don’t look for these indicators to turn around before sometime in ’11.

The good news in this otherwise dreary picture is that the ratio of foreclosures to postings is falling, indicating that a growing share of problem loans are being resolved short of actual foreclosure. The 12-month-average ratio reached its recent peak of 42.6 percent in March ’07, and since then has declined to 27.4 percent—the lowest level in 27 years.

- **Houston’s Population Still Growing** — The population of the 10-county Houston metropolitan area gained more than 1 million residents between the ’00 census and mid-’08, according to estimates just released by the Texas State Data Center. The

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metro area had an estimated population of 5,718,678 on July 1, '08, up 21.3 percent from 4,715,407 on April 1, '00. That's a healthy average of 2.37 percent per year. Statewide, population growth over the same period was 16.7 percent, or 1.89 percent per year. Houston's net population gain of 1,003,271 accounts for 28.9 percent of the state's increase.

The city of Houston gained 262,316 residents over the period, up 13.4 percent to stand at 2,215,947. That's equivalent to adding the entire population of Louisiana's Lafayette metropolitan area. Fourteen of Texas' 25 metropolitan areas have smaller *total* populations than the city of Houston's *net gain* since the '00 census.

Each of the Houston metro's 10 counties gained population between the '00 census. Growth was fastest in Fort Bend, which increased by more than half:

County	Total Population		Change	Pct Change
	4/1/2000	7/1/2008		
Austin	23,590	27,270	3,680	15.6
Brazoria	241,767	301,011	59,244	24.5
Chambers	26,031	33,043	7,012	26.9
Fort Bend	354,452	533,696	179,244	50.6
Galveston	250,158	288,154	37,996	15.2
Harris	3,400,578	3,965,716	565,138	16.6
Liberty	70,154	77,491	7,337	10.5
Montgomery	293,768	427,960	134,192	45.7
San Jacinto	22,246	25,586	3,340	15.0
Waller	32,663	38,751	6,088	18.6

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 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
ENERGY							
U.S. Active Rotary Rigs	Jan '10	1,267	1,553	-18.5	1,267 *	1,553 *	-18.5
Spot Crude Oil Price (\$/bbl, West Texas Intermediate)	Dec '09	74.96	39.51	89.7	62.08 *	99.99 *	-37.9
Spot Natural Gas (\$/MMBtu, Henry Hub)	Dec '09	5.44	5.76	-5.5	3.90 *	8.81 *	-55.7
UTILITIES AND PRODUCTION							
Houston Purchasing Managers Index	Dec '09	51.9	45.4	14.3	44.9 *	54.3 *	-17.3
Nonresidential Electric Current Sales (Mwh, CNP Service Area)	Dec '09	3,854,225	3,897,748	-1.1	49,878,428	50,730,307	-1.7
CONSTRUCTION							
Total Building Contracts (\$, Houston MSA)	Dec '09	456,276,000	544,539,000	-16.2	8,332,981,000	13,613,504,000	-38.8
Nonresidential	Dec '09	144,922,000	248,661,000	-41.7	3,652,155,000	7,179,401,000	-49.1
Residential	Dec '09	311,354,000	295,878,000	5.2	4,680,826,000	6,434,103,000	-27.2
Building Permits (\$, City of Houston)	Dec '09	261,647,938	223,855,688	16.9	3,715,307,621	5,737,658,349	-35.2
Nonresidential	Dec '09	194,397,937	149,865,331	29.7	2,835,484,119	4,083,117,457	-30.6
New Nonresidential	Dec '09	77,037,993	89,201,974	-13.6	1,295,624,354	2,281,516,837	-43.2
Nonresidential Additions/Alterations/Conversions	Dec '09	117,359,944	60,663,357	93.5	1,539,859,765	1,801,600,620	-14.5
Residential	Dec '09	67,250,001	73,990,357	-9.1	879,823,502	1,654,540,892	-46.8
New Residential	Dec '09	53,781,902	48,656,758	10.5	656,145,800	1,352,604,983	-51.5
Residential Additions/Alterations/Conversions	Dec '09	13,468,099	25,333,599	-46.8	223,677,702	301,935,909	-25.9
Multiple Listing Service (MLS) Activity							
Closings	Dec '09	5,267	5,250	0.3	63,667	69,336	-8.2
Median Sales Price - SF Detached	Dec '09	152,550	145,000	5.2	151,266 *	150,724 *	0.4
Active Listings	Dec '09	43,185	43,748	-1.3	45,286 *	50,946 *	-11.1
EMPLOYMENT (Houston-Sugar Land-Baytown MSA)							
Nonfarm Payroll Employment	Dec '09	2,535,600	2,628,100	-3.5	2,542,700 *	2,602,600 *	-2.3
Goods Producing (Natural Resources/Mining/Const/Mfg)	Dec '09	494,900	541,700	-8.6	508,900 *	535,900 *	-5.0
Service Providing	Dec '09	2,040,700	2,086,400	-2.2	2,033,800 *	2,066,700 *	-1.6
Unemployment Rate (%) - Not Seasonally Adjusted							
Houston-Sugar Land-Baytown MSA	Dec '09	8.3	5.6		7.6 *	4.8 *	
Texas	Dec '09	8.0	5.7		7.5 *	4.9 *	
U.S.	Dec '09	9.7	7.1		9.3 *	5.8 *	
Unemployment Insurance Claims (Gulf Coast WDA)							
Initial Claims	Dec '09	22,283	21,567	3.3	25,631 *	20,469 *	25.2
Continuing Claims	Dec '09	132,709	116,673	13.7	132,050 *	81,069 *	62.9
TRANSPORTATION							
Port of Houston Authority Shipments (Short Tons)	Dec '09	2,981,289	3,119,929	-4.4	36,736,334	42,737,523	-14.0
Air Passengers (Houston Airport System)	Dec '09	4,206,900	4,111,970	2.3	48,505,795	50,484,378	-3.9
Domestic Passengers	Dec '09	3,491,451	3,450,508	1.2	40,695,852	42,524,245	-4.3
International Passengers	Dec '09	715,449	661,462	8.2	7,809,943	7,960,133	-1.9
Landings and Takeoffs	Dec '09	69,777	73,116	-4.6	874,329	933,566	-6.3
Air Freight (000 lb)	Dec '09	71,642	62,230	15.1	766,259	836,319	-8.4
Enplaned	Dec '09	37,313	32,147	16.1	405,194	437,714	-7.4
Deplaned	Dec '09	34,329	30,083	14.1	361,065	398,605	-9.4
CONSUMERS							
New Car and Truck Sales (Units, Houston MSA)	Dec '09	14,818	17,023	-13.0	218,710	306,860	-28.7
Cars	Dec '09	6,065	7,069	-14.2	98,801	140,088	-29.5
Trucks, SUVs and Commercial	Dec '09	8,753	9,954	-12.1	119,909	166,772	-28.1
Total Retail Sales (\$000,000, Houston MSA, NAICS Basis)	2Q09	17,927	20,226	-11.4	35,419	39,588	-10.5
Consumer Price Index for All Urban Consumers ('82-'84=100)							
Houston-Galveston-Brazoria CMSA	Dec '09	190.932	185.93	2.7	190.496 *	189.970 *	0.3
United States	Dec '09	215.949	210.228	2.7	214.537 *	215.303 *	-0.4
Hotel Performance (Harris County)							
Occupancy (%)	Nov '09	57.9	69.4		61.7 *	71.1 *	
Average Room Rate (\$)	Nov '09	114.31	130.00	-12.1	118.83 *	164.48 *	-27.8
Revenue Per Available Room (\$)	Nov '09	66.15	90.19	-26.7	73.36 *	92.46 *	-20.7
POSTINGS AND FORECLOSURES							
Postings (Harris County)	Jan '10	4,333	2,241	93.4	4,333	2,241	93.4
Foreclosures (Harris County)	Jan '10	1,412	789	79.0	1,412	789	79.0

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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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The foregoing table is updated **whenever any data change** — typically, 11 or so times per month. If you would like to receive those updates by e-mail, usually accompanied by commentary, please e-mail your request for **Key Economic Indicators** to kasdorf@houston.org with the same identifying information.

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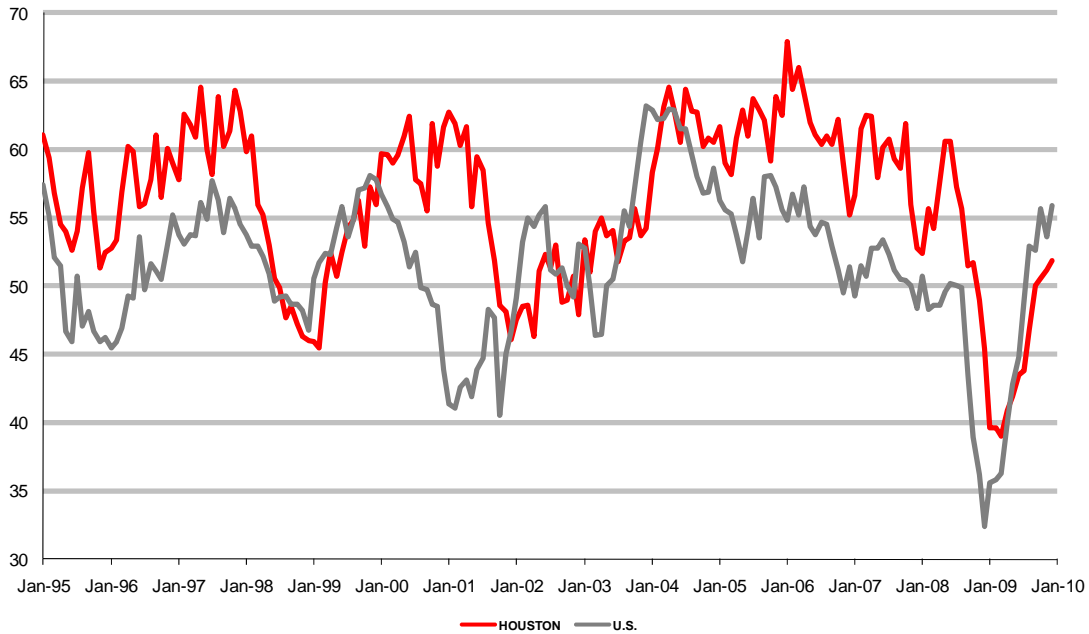
HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	Dec '09	Nov '09	Dec '08	Change from		% Change from	
				Nov '09	Dec '08	Nov '09	Dec '08
Total Nonfarm Payroll Jobs	2,535.6	2,532.9	2,628.1	2.7	-92.5	0.1	-3.5
Total Private	2,162.9	2,157.1	2,260.6	5.8	-97.7	0.3	-4.3
Goods Producing	494.9	495.0	541.7	-0.1	-46.8	0.0	-8.6
Service Providing	2,040.7	2,037.9	2,086.4	2.8	-45.7	0.1	-2.2
Private Service Providing	1,668.0	1,662.1	1,718.9	5.9	-50.9	0.4	-3.0
Mining and Logging	91.5	91.2	93.7	0.3	-2.2	0.3	-2.3
Oil & Gas Extraction	50.5	50.3	48.2	0.2	2.3	0.4	4.8
Support Activities for Mining	39.9	39.8	44.3	0.1	-4.4	0.3	-9.9
Construction	178.4	178.9	203.9	-0.5	-25.5	-0.3	-12.5
Manufacturing	225.0	224.9	244.1	0.1	-19.1	0.0	-7.8
Durable Goods Manufacturing	143.4	143.1	160.2	0.3	-16.8	0.2	-10.5
Nondurable Goods Manufacturing	81.6	81.8	83.9	-0.2	-2.3	-0.2	-2.7
Wholesale Trade	122.6	123.7	140.5	-1.1	-17.9	-0.9	-12.7
Retail Trade	270.7	266.5	277.4	4.2	-6.7	1.6	-2.4
Transportation, Warehousing and Utilities	117.1	116.1	127.2	1.0	-10.1	0.9	-7.9
Utilities	15.7	15.8	16.1	-0.1	-0.4	-0.6	-2.5
Air Transportation	25.4	25.5	25.8	-0.1	-0.4	-0.4	-1.6
Truck Transportation	20.4	20.4	20.8	0.0	-0.4	0.0	-1.9
Pipeline Transportation	8.7	8.7	8.7	0.0	0.0	0.0	0.0
Balance, incl Warehousing, Water & Rail Transport	46.9	45.7	55.8	1.2	-8.9	2.6	-15.9
Information	34.3	34.3	36.1	0.0	-1.8	0.0	-5.0
Telecommunications	18.0	18.0	18.6	0.0	-0.6	0.0	-3.2
Finance & Insurance	88.8	88.6	90.8	0.2	-2.0	0.2	-2.2
Real Estate & Rental and Leasing	52.9	52.9	53.1	0.0	-0.2	0.0	-0.4
Professional & Business Services	366.8	366.3	384.7	0.5	-17.9	0.1	-4.7
Professional, Scientific & Technical Services	180.2	179.0	186.4	1.2	-6.2	0.7	-3.3
Legal Services	23.8	23.7	23.7	0.1	0.1	0.4	0.4
Accounting, Tax Preparation, Bookkeeping	17.7	16.8	18.5	0.9	-0.8	5.4	-4.3
Architectural, Engineering & Related Services	61.6	61.5	67.2	0.1	-5.6	0.2	-8.3
Computer Systems Design & Related Services	26.0	26.0	25.2	0.0	0.8	0.0	3.2
Admin & Support/Waste Mgt & Remediation	173.8	175.2	180.2	-1.4	-6.4	-0.8	-3.6
Administrative & Support Services	165.5	166.9	170.7	-1.4	-5.2	-0.8	-3.0
Employment Services	62.0	63.1	66.4	-1.1	-4.4	-1.7	-6.6
Educational Services	41.5	41.8	40.3	-0.3	1.2	-0.7	3.0
Health Care & Social Assistance	255.1	254.4	248.6	0.7	6.5	0.3	2.6
Arts, Entertainment & Recreation	25.7	26.0	24.9	-0.3	0.8	-1.2	3.2
Accommodation & Food Services	204.9	204.0	204.1	0.9	0.8	0.4	0.4
Other Services	87.6	87.5	90.2	0.1	-2.6	0.1	-2.9
Government	372.7	375.8	367.5	-3.1	5.2	-0.8	1.4
Federal Government	28.6	29.1	29.4	-0.5	-0.8	-1.7	-2.7
State Government	75.1	76.3	71.1	-1.2	4.0	-1.6	5.6
State Government Educational Services	42.4	43.1	38.4	-0.7	4.0	-1.6	10.4
Local Government	269.0	270.4	267.0	-1.4	2.0	-0.5	0.7
Local Government Educational Services	185.8	186.9	183.8	-1.1	2.0	-0.6	1.1

SOURCE: Texas Workforce Commission

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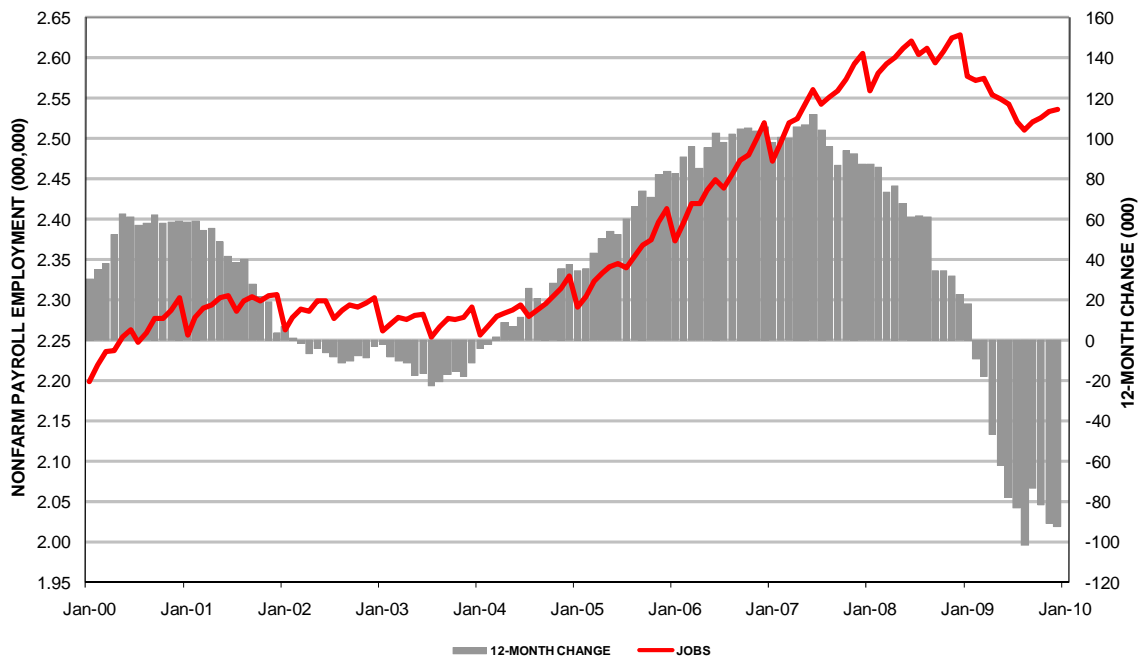
PURCHASING MANAGERS INDEX HOUSTON & U.S. 1995-2010



Note: The Houston and U.S. PMIs are conceptually similar but not identical.

Sources: National Association for Purchasing Management-Houston, Inc.; Institute for Supply Management

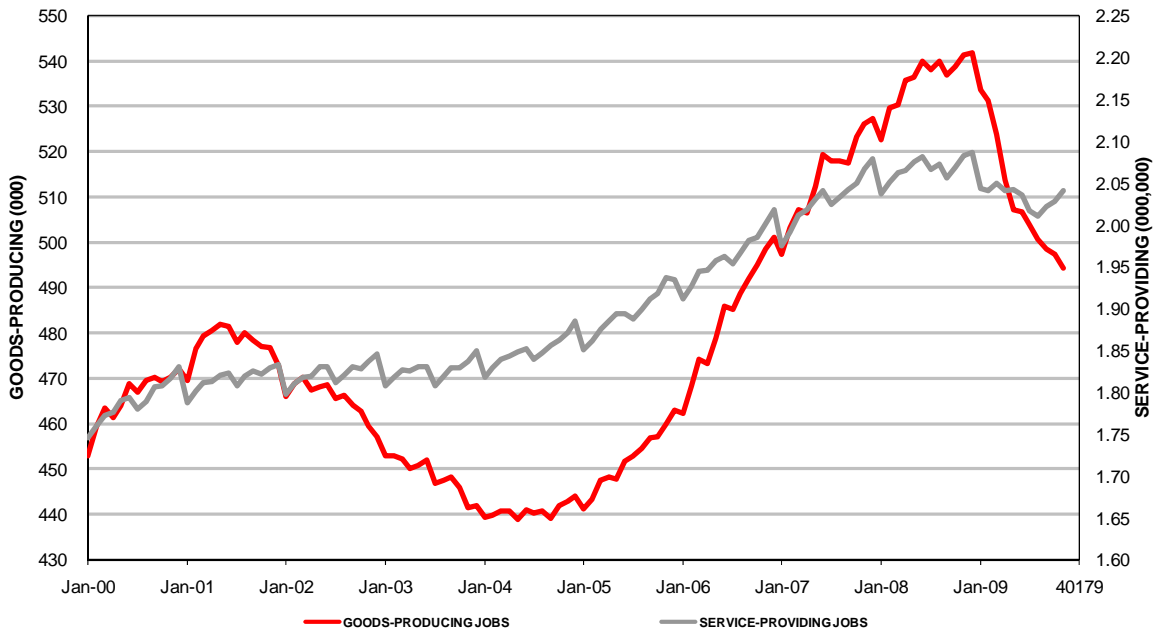
HOUSTON MSA EMPLOYMENT 2000-2010



Source: Texas Workforce Commission

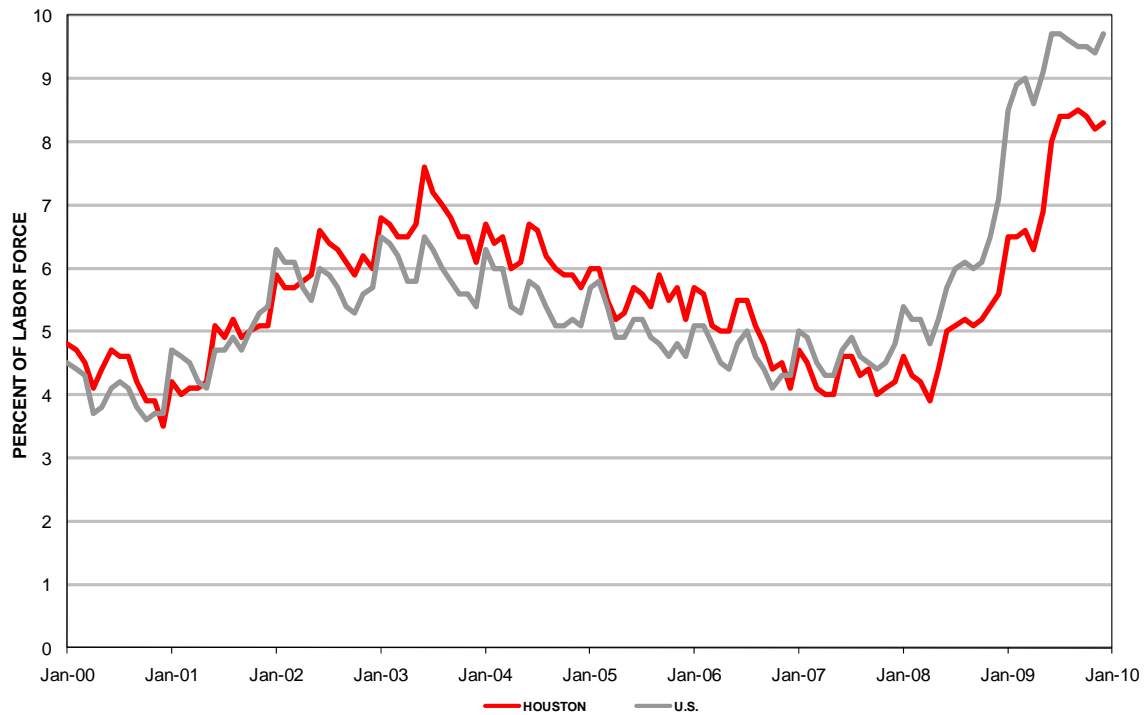
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GOODS-PRODUCING AND SERVICE-PROVIDING EMPLOYMENT HOUSTON MSA 2000-2010



Source: Texas Workforce Commission

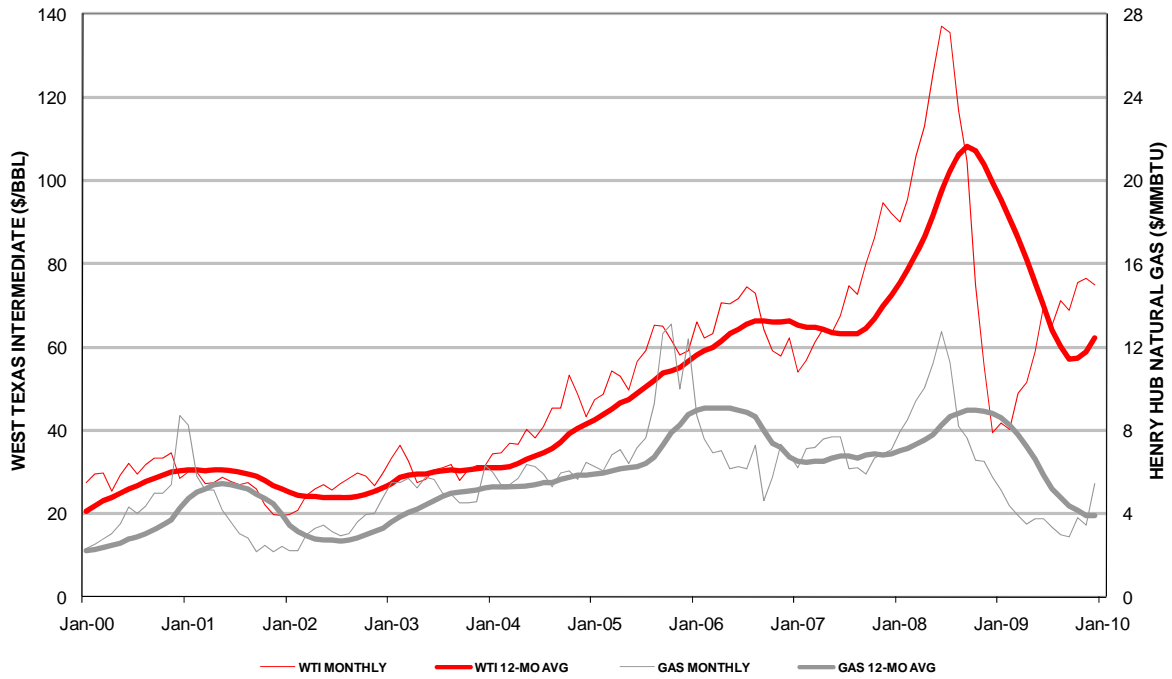
UNEMPLOYMENT RATE HOUSTON & U.S. 2000-2010



Source: Texas Workforce Commission

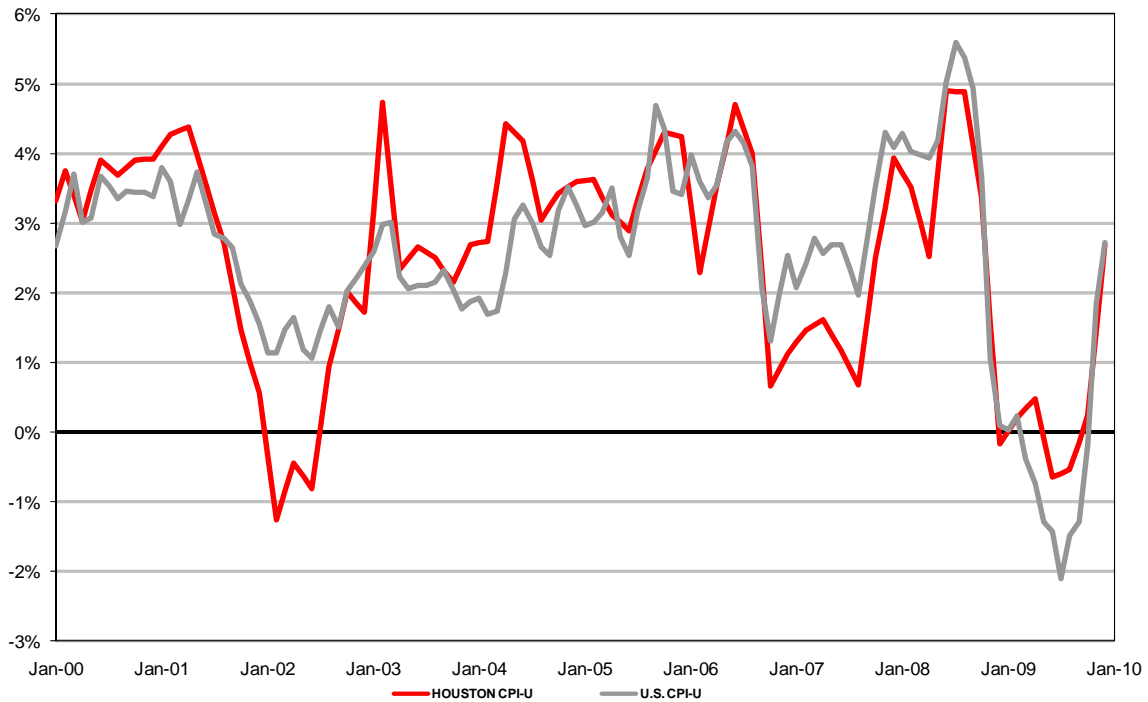
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SPOT MARKET ENERGY PRICES 2000 - 2010



Source: U.S. Energy Information Administration

INFLATION: 12-MONTH CHANGE 2000-2010



Source: U.S. Bureau of Labor Statistics