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NEWS RELEASE

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HOUSTON – As President-elect Barack Obama unveils his economic team and calls on Congress for quick action on the nation's economy, the importance of the recently enacted financial rescue plan is clear.

While just-released U.S. economic data are grave and the financial crisis is challenging all of us, we are confident it will improve thanks to the actions of leaders such as Senators Kay Bailey Hutchison and John Cornyn and Representatives Sheila Jackson Lee and Kevin Brady. We may not see this improvement for some time to come. But it's obvious where we would be if this action were not taken. This response by our local leaders also shows the value of Congress setting aside its often-rancorous differences for the good of the nation and just how important it is for the Obama administration to reach across the aisle with a steady, self-assured hand. Still, Houston will feel financial pain, but now it won't be as sharp or long-lasting.

As a leader in job growth and creation, the Houston region is vital to the rest of the nation. We at the Greater Houston Partnership represent businesses – small and large – that employ one in every five of the Houston metropolitan area's more than 2.6 million workers and generate annual combined sales and receipts that exceed \$1.9 trillion.

Data show that Americans are leery of spending their hard-earned dollars. Thanks to the financial rescue plan, Wall Street made some steep gains at the end of October. Had the rescue plan not occurred, those increases surely would not have happened, and just-released employment and manufacturing data would certainly have been worse.

Houston's economy was once ultra-dependent on traditional energy companies. Today, the economic base includes health care, nanotechnology, aerospace, biotechnology and information technology, to name a few. For the 12 months ending in September, Houston-Sugar Land-Baytown gained the most jobs among the nation's 39 major metro areas with more than 1.5 million residents with a growth rate of 2.2 percent, or 55,700 jobs, according to US. Bureau of Labor Statistics.

In other parts of the country, signs of recession during that period were much more evident, as 22 of those 39 large metro areas posted over-the-year job losses. In fact, the nation as a whole saw employment fall by 0.4 percent.

Even though Houston was showing net gains, the growth paled in comparison with what the region had seen recently. In June 2007, the 12-month increase was 117,200 jobs, or 4.8 percent. We have been feeling some pain; for most of us it just hasn't yet been acute.

But three key external factors that for several years have set the course for Houston's economy have sharply changed: the national economy, energy prices and the value of the dollar against major foreign currencies. We have some rough seas ahead of us.

--Current estimates for the U.S. gross domestic product show a steep decline and many analysts expect at least three more quarters of negative growth.

--In just three months, the price of oil has dropped from the mid-\$140s a barrel to the low \$60-a barrel, the same prices we saw in June 2007. Natural gas prices have followed suit and are now flirting with levels approaching the breakeven point for some unconventional operations. Oil prices, coupled with the credit crunch, could plunge the number of domestic drilling rigs in operation by 200 – about 10 percent – in the next few months.

--The value of the dollar against major foreign currencies has ballooned by more than 12 percent in the past three months and currently stands near its highest level since 2006. A stronger dollar makes Houston's exports and services less attractive to foreign investment.

These factors, combined with the credit crisis and its economic fallout, point to a weaker economy in 2009. But because of its strong, diverse economic base, Houston will still outperform the national economy.

We encourage the Obama administration to follow the example of our local leaders and steer a unified effort to keep our economy moving forward.

Onward,

Jeff Moseley
President and CEO
Greater Houston Partnership

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The Greater Houston Partnership is the primary advocate of the Houston-area business community and is dedicated to building regional economic prosperity. It represents 10 counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller. With about 2,000 Member organizations, the Partnership represents approximately one-fourth of the region's work force. Visit the Greater Houston Partnership on the World Wide Web at houston.org.

Greater Houston Partnership
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