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Houston The Economy at a Glance

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- **Production Recovery Under Way** — The Houston Purchasing Managers Index (PMI), a short-term leading indicator for regional production, rose to 53.2 in January, reports the National Association of Purchasing Management-Houston. January's reading is the 10th consecutive monthly rise from the record low of 39.0 last March, and is the fourth in a row to signal increased production on tap.

  The Houston PMI has a possible range of zero to 100. Readings above the neutral point of 50 indicate that regional production growth is likely in three or four months; readings below 50 signal coming contraction. Because the Houston PMI topped 50 in October and has continued to rise since, it's probable that production has begun to grow again and will continue to do so at least into Q2/10.

  The Houston PMI is based on eight components, five of which showed solid gains from December to January. The largest rises were in Purchases and in Prices Paid for Major Purchases, both indicating resumption of business investment. Sales, Production and Lead Times showed more modest gains, while both Employment and Finished Goods Inventory were little changed over the month.

  Purchased Inventory, a subtraction in calculating the PMI, had the largest over-the-month swing among the eight components. The sharp rise in this component indicates aggressive rebuilding of inventory after 14 months of inventory reduction. Had this inventory build been less robust, January's PMI would have been higher still.

  On balance, January's PMI paints the healthiest picture of Houston's economic prospects in more than a year. The weak spot is Employment, which began to falter in late '07 and continues to register contraction more than two years later. Because initial production gains can be achieved by increasing capacity utilization, this component probably won't return to positive territory for several more months.

- **Housing Market Seeking Sustainable Level** — The Houston Association of Realtors®' Multiple Listing Service tallied closings on 3,049 properties in January, down 7.4 percent from January '09. Sales of single-family homes fell 12.3 percent to 2,514.

  The decline in total closings follows four consecutive months of over-the-year gains that probably were induced by the first-time homebuyers tax credit, originally scheduled to expire last November. Prior to last September, the Houston market saw 25 consecutive months of over-the-year declines that dropped the 12-month closings total from more than 87,000 to little more than 60,000. That decline was a necessary correction to inflated housing demand during ’04-’07, when lax lending standards conferred mortgage loans on households that shouldn’t have qualified. Closings now are running at an annual rate very near the volume Houston saw in ’03.

The *median* price of single-family homes sold in Houston in January was $144,500, up 11.9 percent from an unusually low $129,110 in January ’09. Foreclosure sales account for at least part of the difference: foreclosed properties were a third of January ’09 closings, but only 27 percent of January ’10 closings. Excluding foreclosure sales, the median price of January single-family home sales rose from $156,000 in ’09 to $169,400 this year—an 8.6 percent advance. Even though Houston’s housing market has suffered far less than the nation as a whole, Houston’s overall single-family median price remains nearly 20 percent lower than the comparable nationwide figure.

The *average* price of single-family homes sold in Houston rose to $194,154 in January, up 18.4 percent from January ’09, thanks to healthy activity at the upper end of the market. The number of closings increased 21.6 percent in the $250,000-$500,000 bracket and 40.0 percent in the luxury range ($500,000+). The value of closings on all property types in January was $565 million, up 5.6 percent from $535 million a year earlier.

At the end of January, 45,210 single-family homes were available for purchase in the Houston market—an increase of 2,025 from one month earlier, and a much larger December-to-January rise than is normal. HAR says that this spurt “is thought to reflect increased activity stemming from the homebuyer tax credit that expires on April 30.” The rise in the number of active listings pushed inventory to a 6.1-month supply, up from 5.7 months a year earlier, but still well below the national figure of 7.2 months.

- **Houston Airport System Posts Gains** — HAS handled 3.76 million passengers in January, up 3.3 percent from January ’09. This January is the fifth consecutive month to post over-the-year growth in passenger volume.

  Domestic passenger volume rose 2.1 percent; international, 8.9 percent. Over many years, international passenger volume has usually grown faster than domestic. This January saw international passengers account for 18.6 percent of total passengers—by far, the highest international share in a monthly data series that dates to January ’80.

The number of landings and takeoffs in January was barely shy of the January ’09 figure, off just 0.7 percent. Air freight logged a healthy over-the-year increase of 7.3 percent.

- **New Vehicle Sales Up** — January saw sales of 23,674 new cars, trucks and SUVs in the 10-county Houston metropolitan area, according to *TexAuto Facts*, published by InfoNation, Inc. of Sugar Land. This figure is up 5.2 percent from January ’09, and—with the exception of last August, when “Cash for Clunkers” provided a one-time boost—is the highest monthly total since August ’08. This January’s figure is also 30 percent higher than the monthly *average* last year.

  January sales received a big boost from fleet sales here and nationwide. “The increase in fleet sales,” says InfoNation’s Steve McDowell, “may signal new confidence in the recovery of business, the primary user of fleet vehicles.” Fleet sales, adds McDowell, “decreased dramatically in 2009.”

- **Census is About Money and Power** — The 2010 census will count the number of people residing in the U.S. and its territories as of April 1. Census questionnaires will begin showing up in mailboxes in a few weeks. At just 10 questions, the 2010 questionnaire is the shortest since the first U.S. census in 1790. (Each question is required by federal law. The census itself is mandated by Article 1, Section 2 of the Constitution.)

  Getting a population count for Houston that’s as nearly complete as possible is important for two reasons—money and power.

  - ***Money*** — Census data are used to determine how more than $400 billion dollars of federal funding each year is spent on infrastructure and services such as hospitals, job training centers, schools, senior centers, emergency services, and bridges, tunnels and other public works projects. That’s roughly $1,300 per person per year nationwide. An undercount of just 1 percent in the Houston region could cost us more than $75 million per year in federal funding. A 2 percent undercount could mean more than $1.5 billion lost over the coming decade.

  - ***Power*** — Census data are used for Congressional redistricting, state legislature redistricting, and city council redistricting. By most estimates, Texas should gain four seats in the U.S. House of Representatives in next year’s redistricting. The Houston region, with nearly a quarter of the state’s population, stands to garner one of those. Houston could see the census count top 2.3 million—well above the 2.1 million level at which the City, under a 1979 agreement with the U.S. Department of Justice, is required to add two council seats. The extent to which individual neighborhoods approach a complete count will affect where council district boundaries are drawn.

Given what's at stake, it's not surprising that local governments, businesses, religious organizations, and a host of others are doing everything they can to encourage *all* residents—citizens or not—to complete and return the census questionnaires. Demand for services (health care, for example) and infrastructure (mass transit, for example) are determined by the number of *people* here, not by the number of *citizens*. Over more than two centuries, the courts have consistently ruled that the framers of the Constitution intended to count *everyone* residing in this nation. (The census questionnaire does not contain an item on citizenship status.)

Those who enjoy playing the rankings game are likely to see mixed results from this year's census:

- Houston will remain the nation's fourth most populous city. In mid-'08, according to Census Bureau estimates, Houston trailed third-ranked Chicago by more than 600,000 residents and led fifth-ranked Phoenix by nearly 700,000. Since the '00 census, Houston has grown an average of 33,000 per year; Phoenix, by 30,000. Chicago has averaged an annual decline of 5,300 since '00, with losses early in the decade and then gains averaging 37,000 per year since '04. It's unlikely in the extreme that the '10 census will alter the current rankings.
- Maricopa County (Phoenix) could overtake Harris County, now ranked third nationally. From the '00 census through mid-'08, Maricopa averaged an annual gain of 107,000 residents, while Harris averaged just 71,000 (*including* New Orleans residents who moved here following Hurricane Katrina in '05). In mid-'08, the Census Bureau's estimate for Maricopa was 3.95 million—less than 30,000 behind Harris. If '09 saw an extension of trends over the previous eight years in both counties, Harris will rank fourth.
- The Houston-Sugar Land-Baytown Metropolitan Statistical Area should move into fifth rank among the nation's metro areas, passing the Philadelphia-Camden-Wilmington MSA, ranked fifth in '08. Houston trailed Philadelphia by just 110,000 in mid-'08, and has been closing the gap by 105,000 per year. Fourth-ranked Dallas-Fort Worth-Arlington will retain that ranking, with a census population around 6.54 million, followed by Houston at 5.94 million and Philadelphia at 5.87 million. Atlanta-Sandy Springs-Marietta could easily vault over Miami-Fort Lauderdale-Pompano Beach to claim sixth rank.

The biggest question mark over these expected outcomes is how the recession may have affected migration patterns. The possible change in county rankings is the iffiest. In the preliminary employment estimates to be revised early this month, metropolitan Houston saw a 3.5 percent job loss in '09, while the Phoenix metro sustained a 5.0 percent loss. That differential could have reduced net migration growth for Maricopa County more than for Harris County.

HOUSTON—THE ECONOMY AT A GLANCE

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HOUSTON—THE ECONOMY AT A GLANCE

Houston Economic Indicators
A Service of the Greater Houston Partnership

		MONTHLY DATA			YEAR-TO-DATE TOTAL OR AVERAGE*		
	Month	**Most Recent**	**Year Earlier**	**% Change**	**Most Recent**	**Year Earlier**	**% Change**
ENERGY							
U.S. Active Rotary Rigs	Feb '10	1,350	1,320	2.2	1,308 *	1,450 *	-9.8
Spot Crude Oil Price ($/bbl, West Texas Intermediate)	Jan '10	76.95	41.82	84.0	76.95 *	41.82 *	84.0
Spot Natural Gas ($/MMBtu, Henry Hub)	Jan '10	5.78	5.12	12.9	5.78 *	5.12 *	12.9
UTILITIES AND PRODUCTION							
Houston Purchasing Managers Index	Jan '10	53.2	39.6	34.3	53.2 *	39.6 *	34.3
Nonresidential Electric Current Sales (Mwh, CNP Service Area)	Jan '10	3,971,083	3,948,300	0.6	3,971,083	3,948,300	0.6
CONSTRUCTION							
Total Building Contracts ($, Houston MSA)	**Jan '10**	**556,508,000**	**554,456,000**	**0.4**	**556,508,000**	**554,456,000**	**0.4**
Nonresidential	Jan '10	196,566,000	258,624,000	-24.0	196,566,000	258,624,000	-24.0
Residential	Jan '10	359,942,000	295,832,000	21.7	359,942,000	295,832,000	21.7
Building Permits ($, City of Houston)	**Jan '10**	**223,851,611**	**242,016,358**	**-7.5**	**223,851,611**	**242,016,358**	**-7.5**
Nonresidential	Jan '10	144,771,342	163,904,447	-11.7	144,771,342	163,904,447	-11.7
New Nonresidential	*Jan '10*	*50,131,289*	*61,348,729*	*-18.3*	*50,131,289*	*61,348,729*	*-18.3*
Nonresidential Additions/Alterations/Conversions	*Jan '10*	*94,640,053*	*102,555,718*	*-7.7*	*94,640,053*	*102,555,718*	*-7.7*
Residential	Jan '10	79,080,269	78,111,911	1.2	79,080,269	78,111,911	1.2
New Residential	*Jan '10*	*64,188,667*	*61,629,628*	*4.2*	*64,188,667*	*61,629,628*	*4.2*
Residential Additions/Alterations/Conversions	*Jan '10*	*14,891,602*	*16,482,283*	*-9.7*	*14,891,602*	*16,482,283*	*-9.7*
Multiple Listing Service (MLS) Activity							
Closings	Jan '10	3,049	3,292	-7.4	3,049	3,292	-7.4
Median Sales Price - SF Detached	Jan '10	144,500	129,110	11.9	144,500 *	129,110 *	11.9
Active Listings	Jan '10	45,210	44,178	2.3	45,210 *	44,178 *	2.3
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)	**Jan '10**	**2,868,395**	**3,397,462**	**-15.6**	**2,868,395**	**3,397,462**	**-15.6**
Air Passengers (Houston Airport System)	**Dec '09**	**3,758,226**	**3,638,502**	**3.3**	**3,758,226**	**3,638,502**	**3.3**
Domestic Passengers	Dec '09	3,057,743	2,995,246	2.1	3,057,743	2,995,246	2.1
International Passengers	Dec '09	700,483	643,256	8.9	700,483	643,256	8.9
Landings and Takeoffs	**Dec '09**	**71,851**	**72,357**	**-0.7**	**71,851**	**72,357**	**-0.7**
Air Freight (000 lb)	**Dec '09**	**64,106**	**59,720**	**7.3**	**64,106**	**59,720**	**7.3**
Enplaned	Dec '09	34,277	32,646	5.0	34,277	32,646	5.0
Deplaned	Dec '09	29,829	27,074	10.2	29,829	27,074	10.2
CONSUMERS							
New Car and Truck Sales (Units, Houston MSA)	**Jan '10**	**23,674**	**22,503**	**5.2**	**23,674**	**22,503**	**5.2**
Cars	Jan '10	10,731	9,698	10.7	10,731	9,698	10.7
Trucks, SUVs and Commercials	Jan '10	12,943	12,805	1.1	12,943	12,805	1.1
Total Retail Sales ($000,000, Houston MSA, NAICS Basis)	**2Q09**	**17,927**	**20,226**	**-11.4**	**35,419**	**39,588**	**-10.5**
Consumer Price Index for All Urban Consumers ('82-'84=100)							
Houston-Galveston-Brazoria CMSA	Jan '10	190.932	185.93	2.7	190.496 *	189.970 *	0.3
United States	Jan '10	216.687	211.143	2.6	216.687 *	211.143 *	2.6
Hotel Performance (Harris County)							
Occupancy (%)	Nov '09	57.9	69.4		61.7 *	71.1 *	
Average Room Rate ($)	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

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	*TexAuto Facts Report*, 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.

You may request ***Glance*** and ***Indicators*** in the same e-mail.

HOUSTON—THE ECONOMY AT A GLANCE

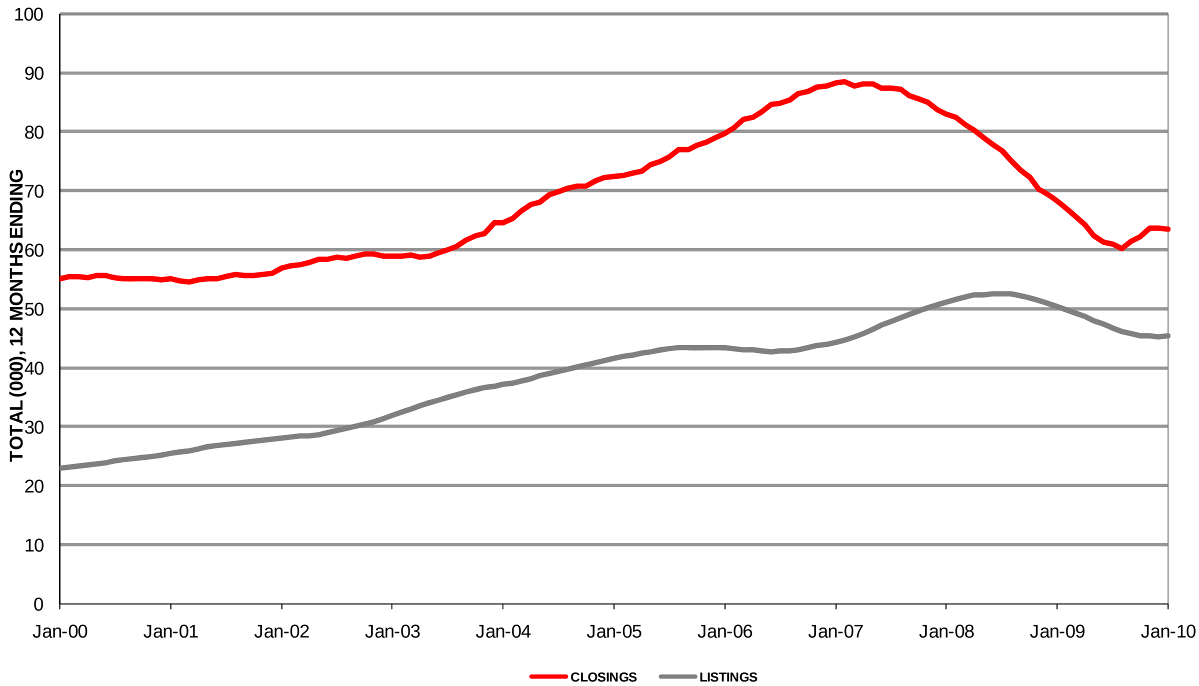
HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	Dec '09	Nov '09	Dec '08	Change from Nov '09	Change from Dec '08	% Change from Nov '09	% Change from 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

HOUSTON AREA CLOSINGS AND ACTIVE LISTINGS

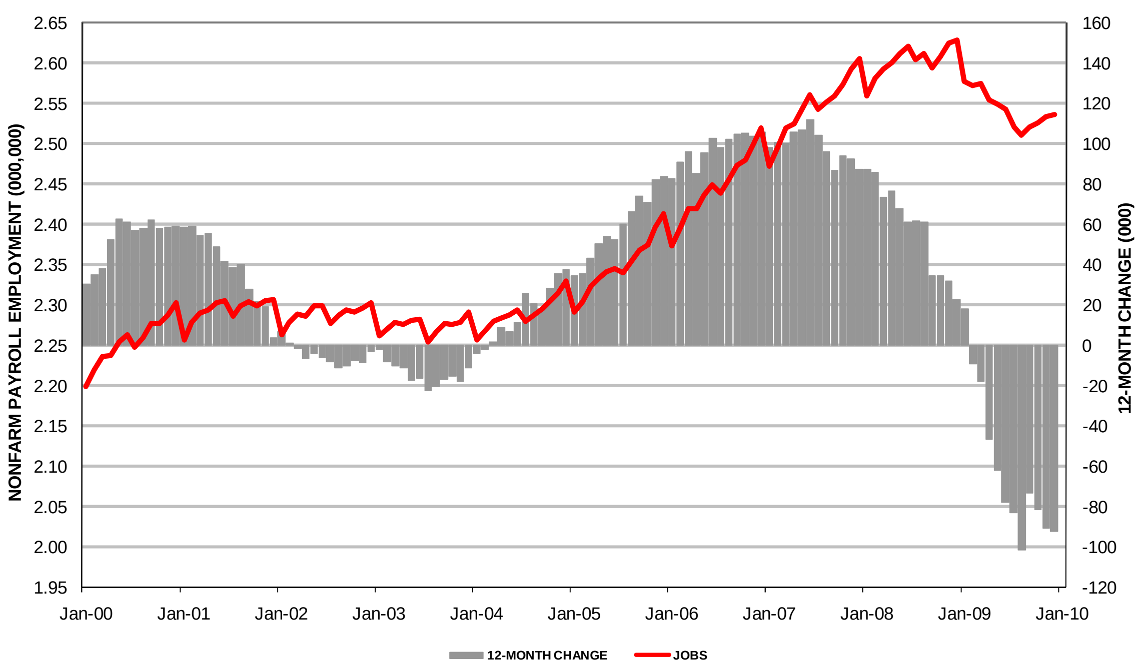
MULTIPLE LISTING SERVICE



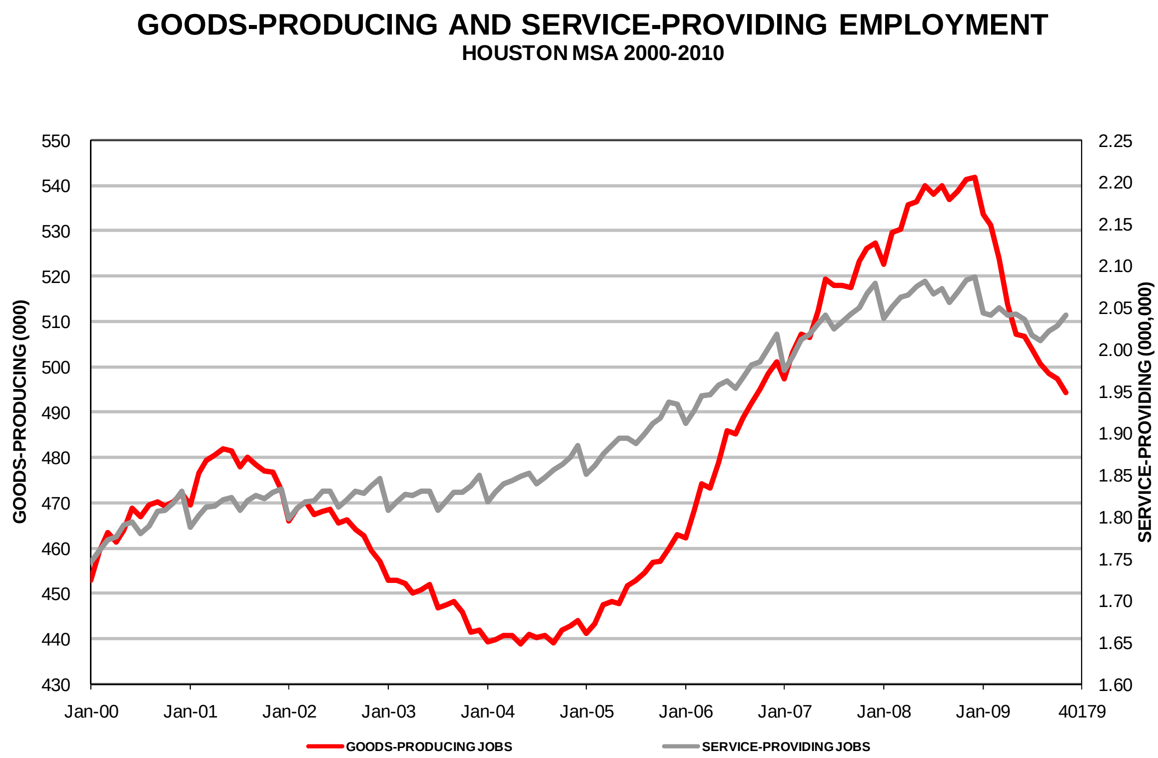
Source: Houston Association of Realtors®

HOUSTON MSA EMPLOYMENT

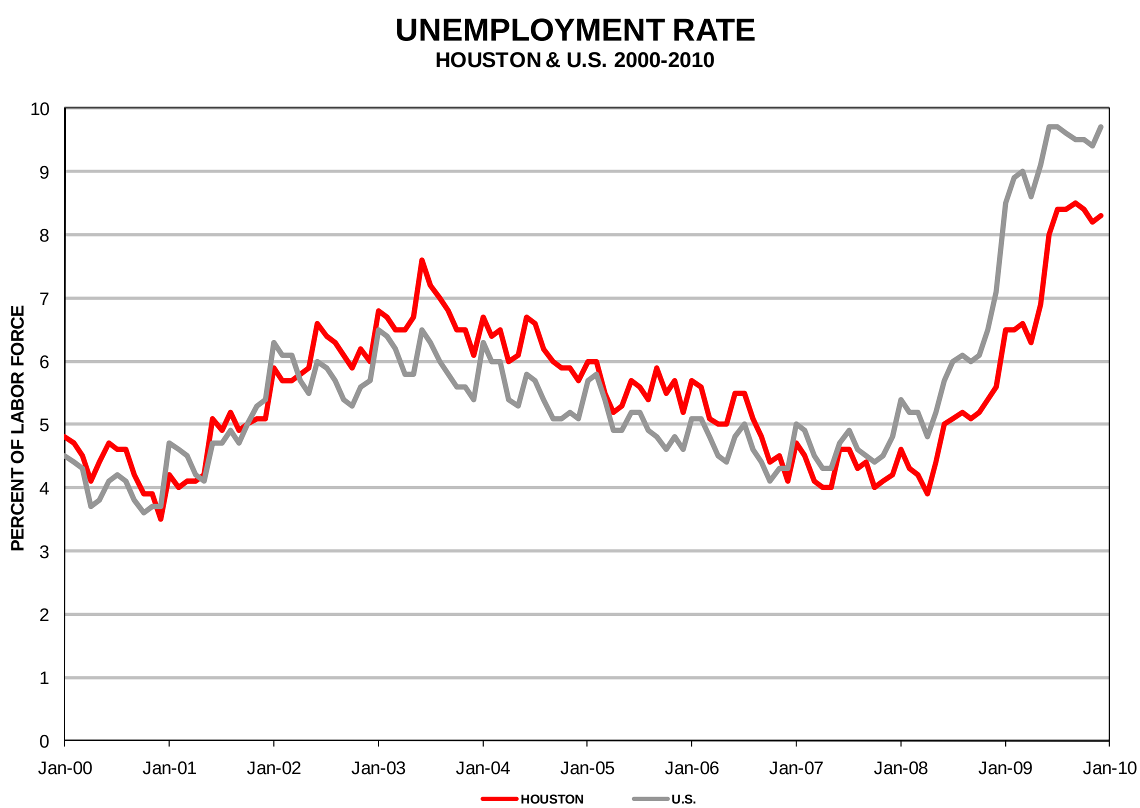
2000-2010



Source: Texas Workforce Commission



Source: Texas Workforce Commission



Source: Texas Workforce Commission

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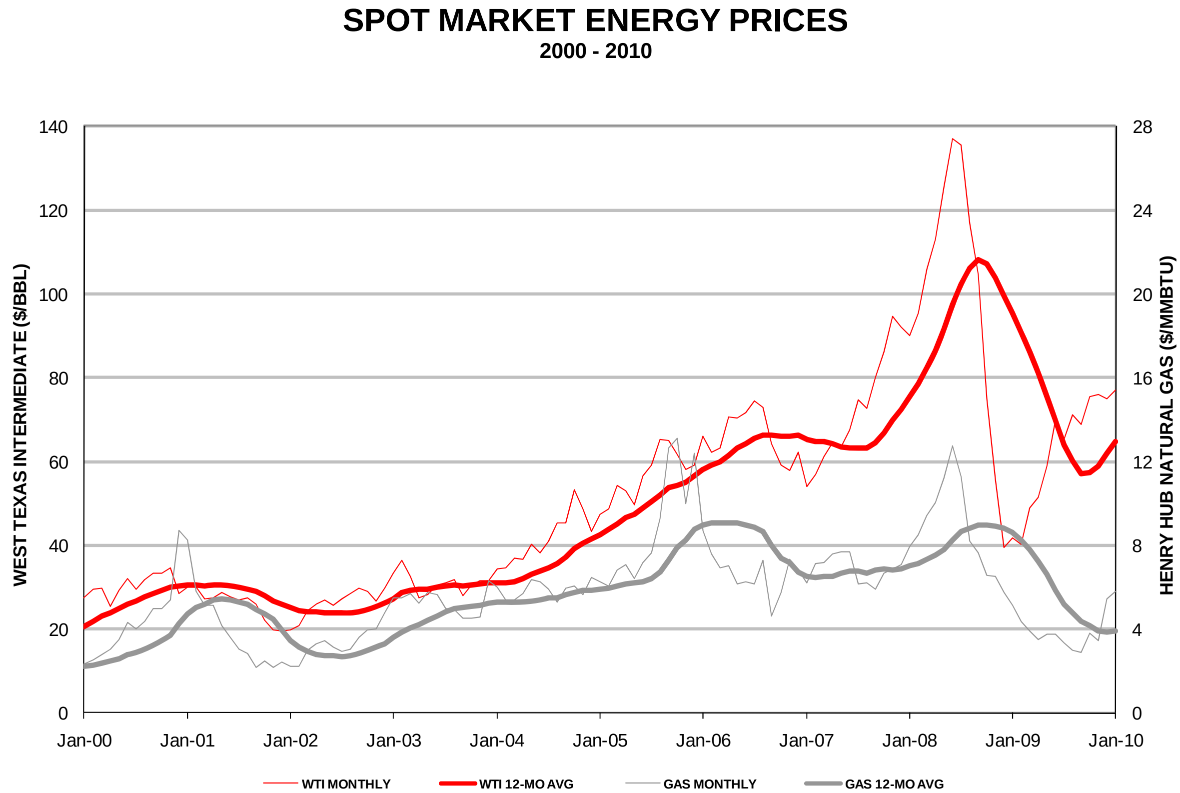
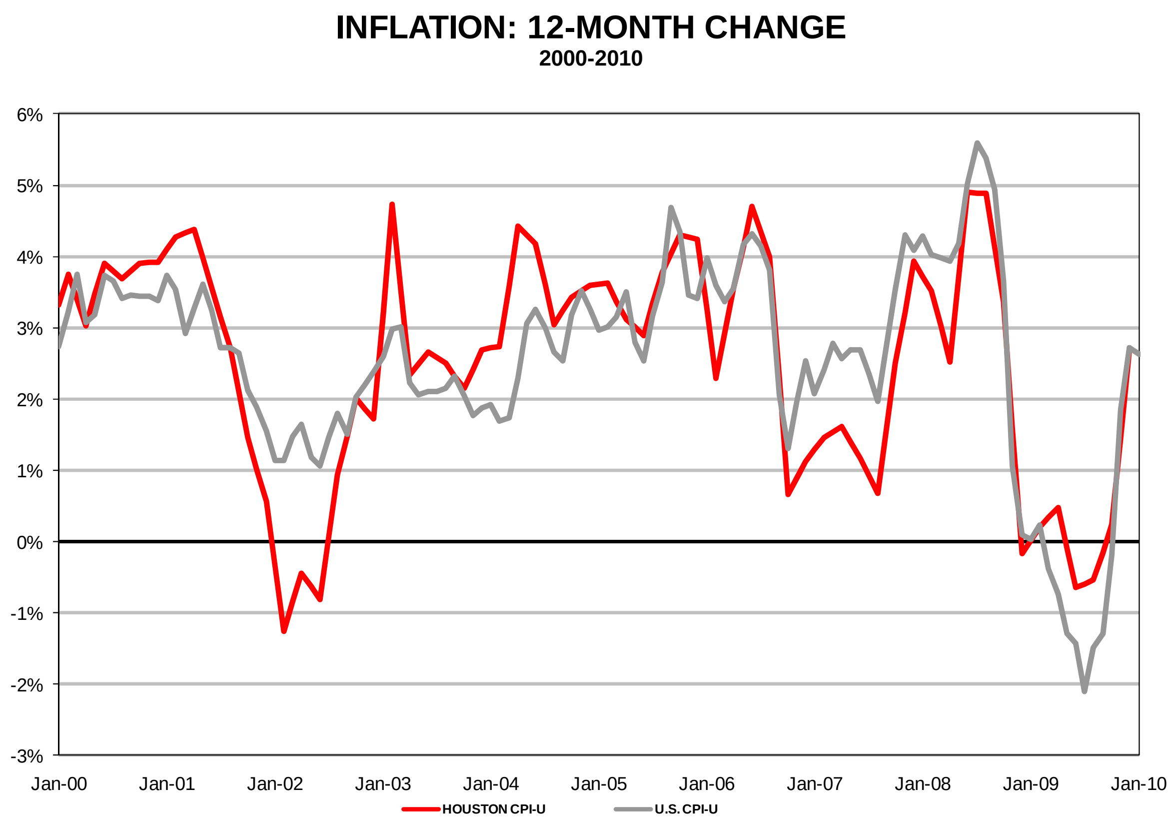


Source: U.S. Energy Information Administration



Source: U.S. Bureau of Labor Statistics