

Metro Houston Forecast

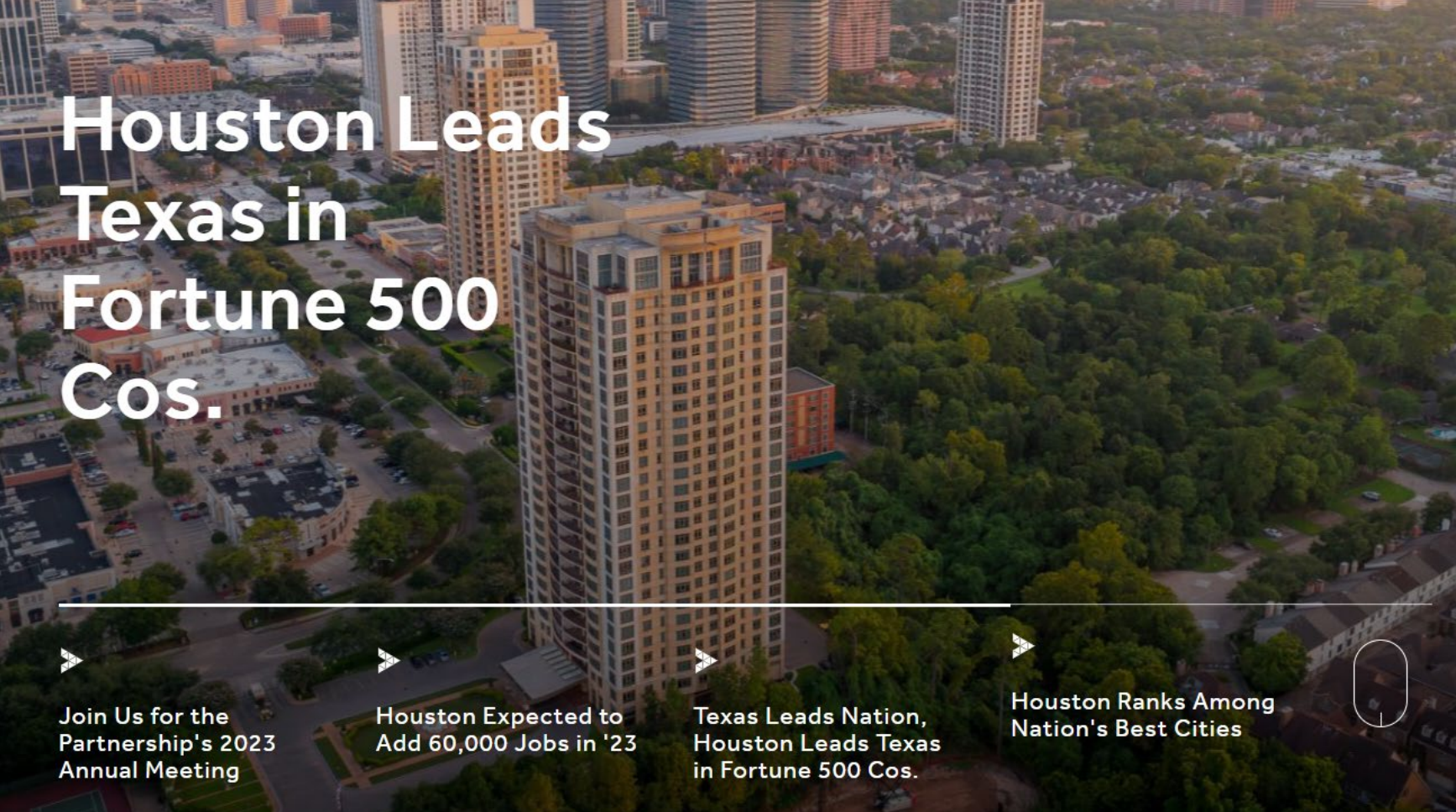
Patrick Jankowski

Chief Economist and SVP, Research

January 19, 2023



www.houston.org



Houston Leads Texas in Fortune 500 Cos.

▶ Join Us for the Partnership's 2023 Annual Meeting

▶ Houston Expected to Add 60,000 Jobs in '23

▶ Texas Leads Nation, Houston Leads Texas in Fortune 500 Cos.

▶ Houston Ranks Among Nation's Best Cities

Jobs Lost, March – April '20

359,400

Jobs Lost, March – April '20

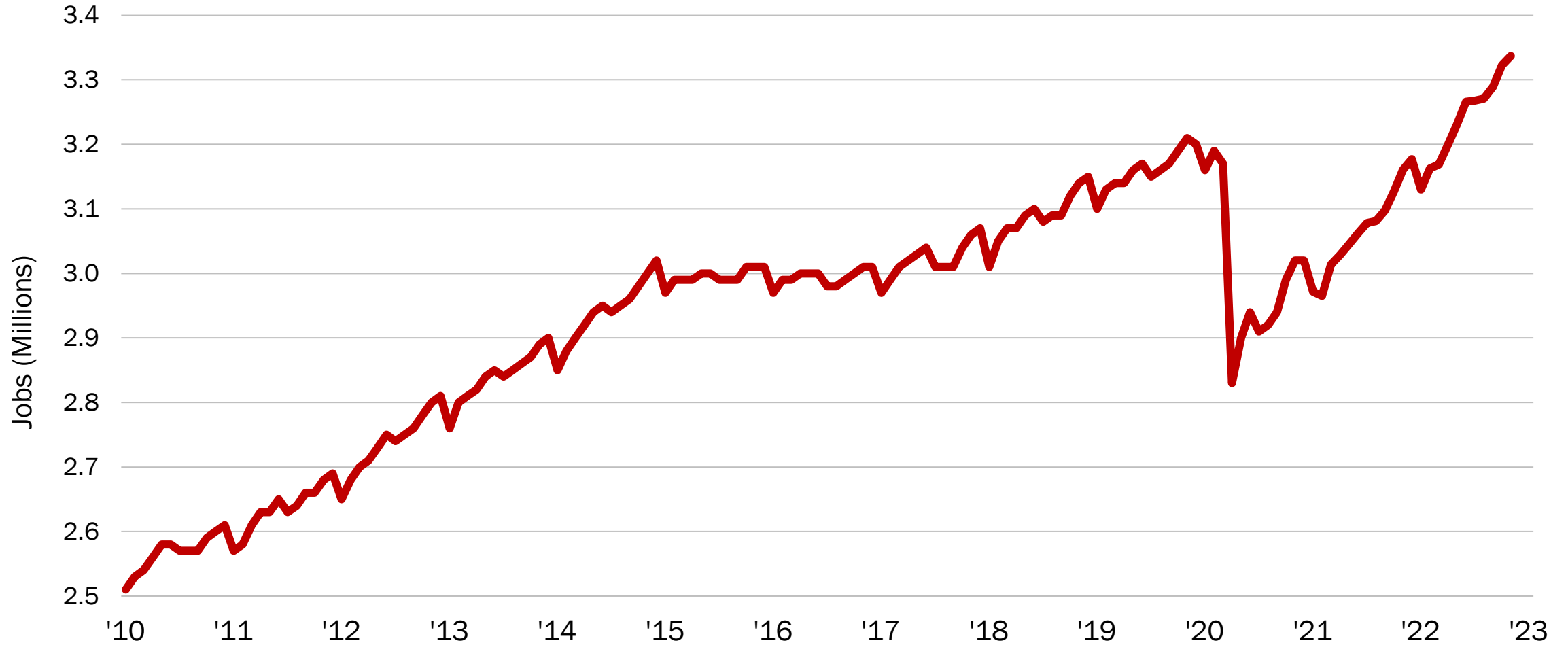
359,400

Jobs Created, May '20 – Nov '22

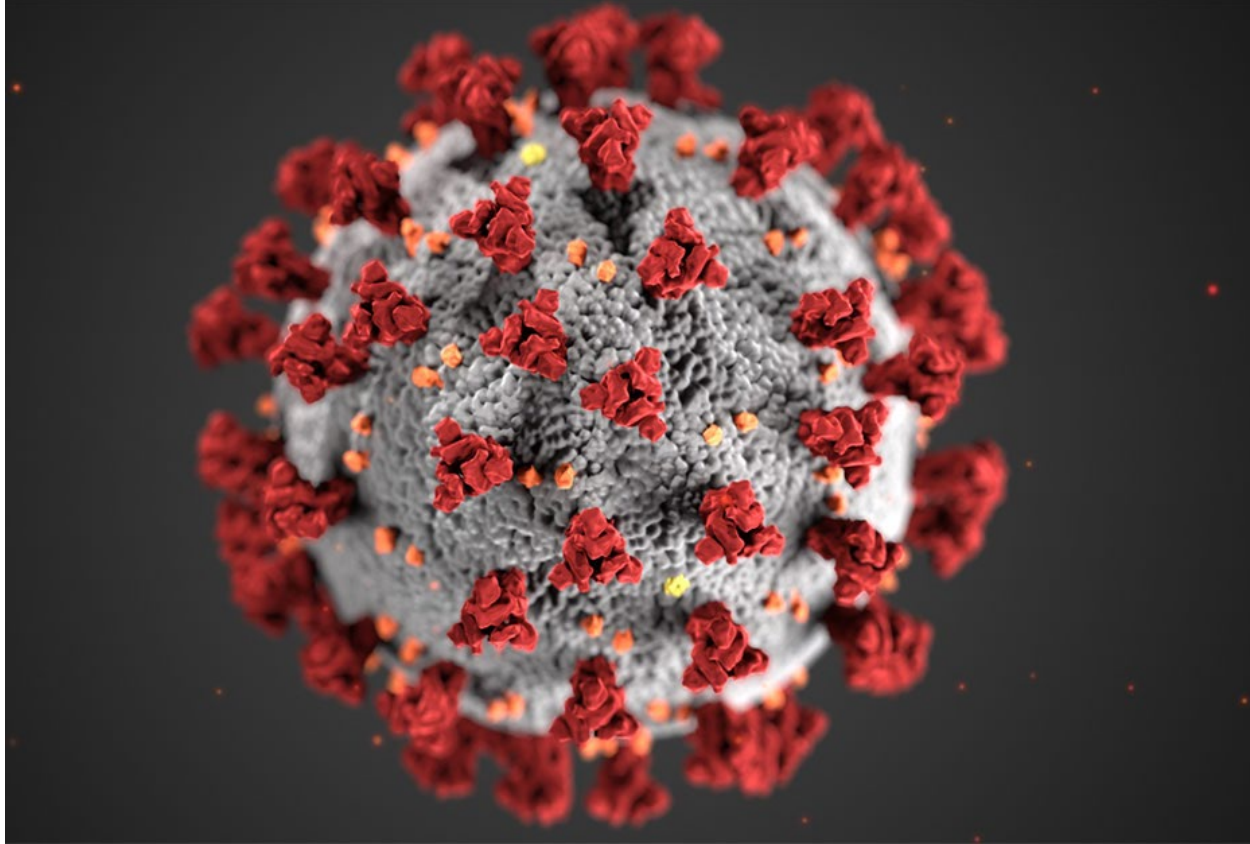
504,200

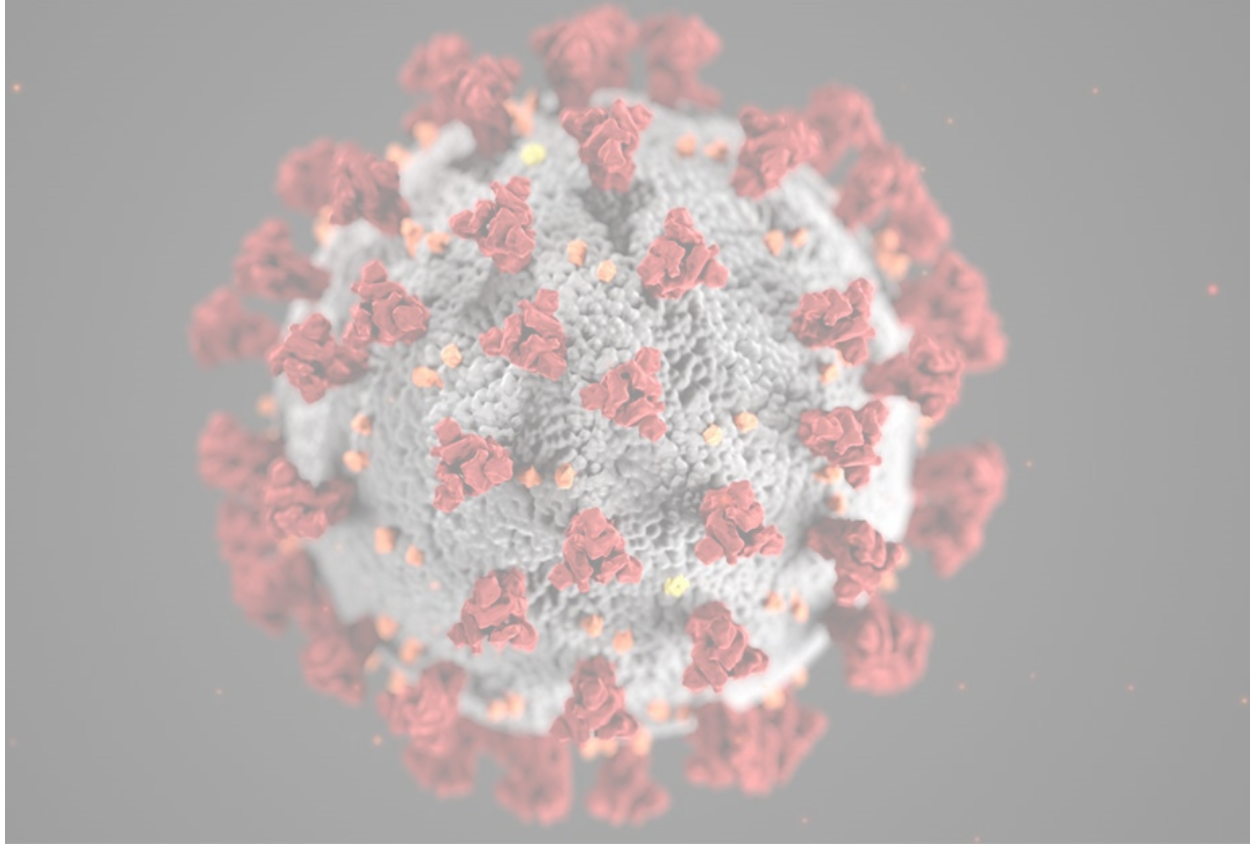
+144,800

Metro Houston Employment



Source: Texas Workforce Commission

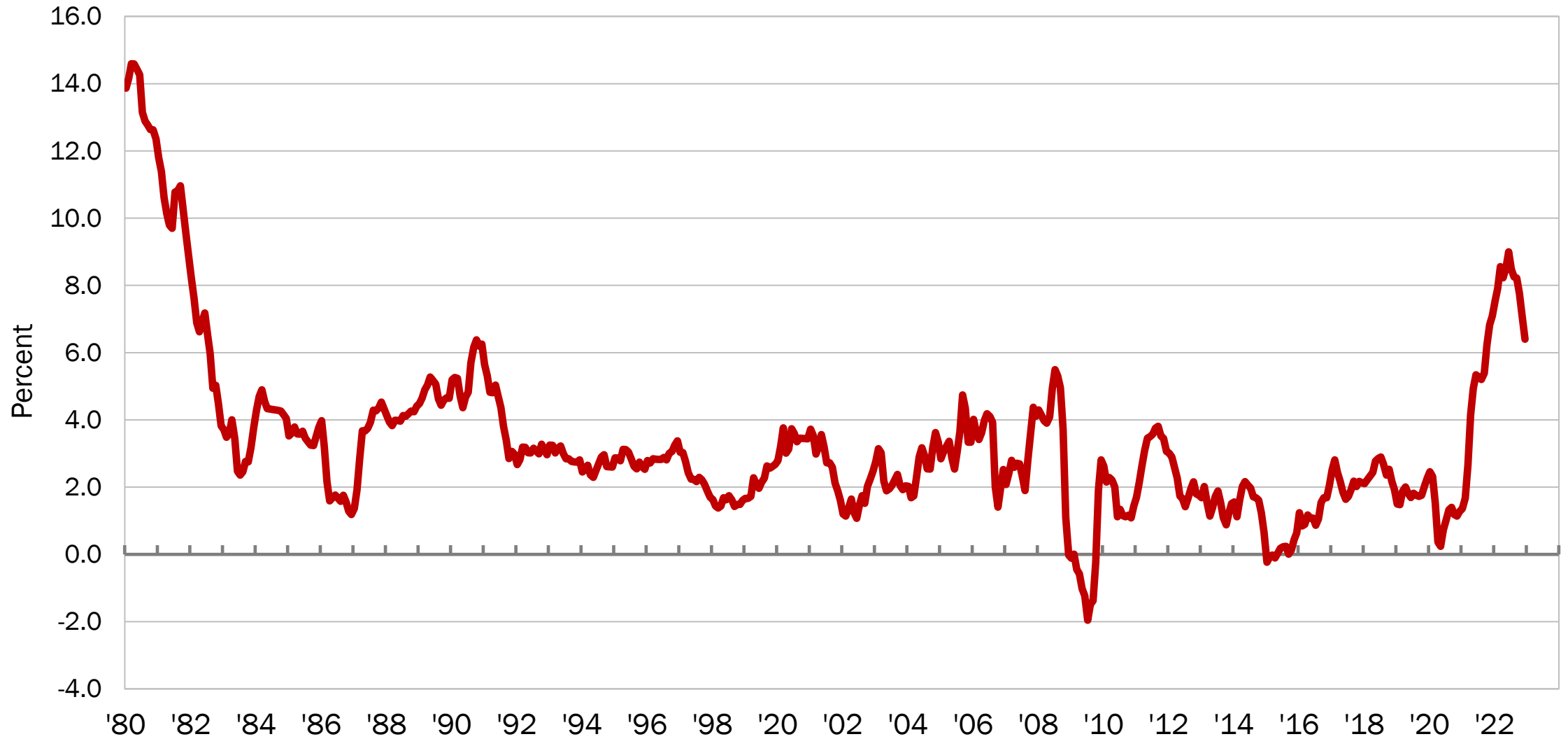




Jerome Powell
Chairman
U.S. Federal Reserve



U.S. 12-Month Inflation Rate



Source: U.S. Census Bureau

THE WALL STREET JOURNAL.

Inflation Slowed for Sixth Straight Month in December

Updated Jan. 12, 2023 8:55 am ET



1-Pound Loaf of White Bread



December	\$ Price
----------	----------

'19 1.36

'22 1.87

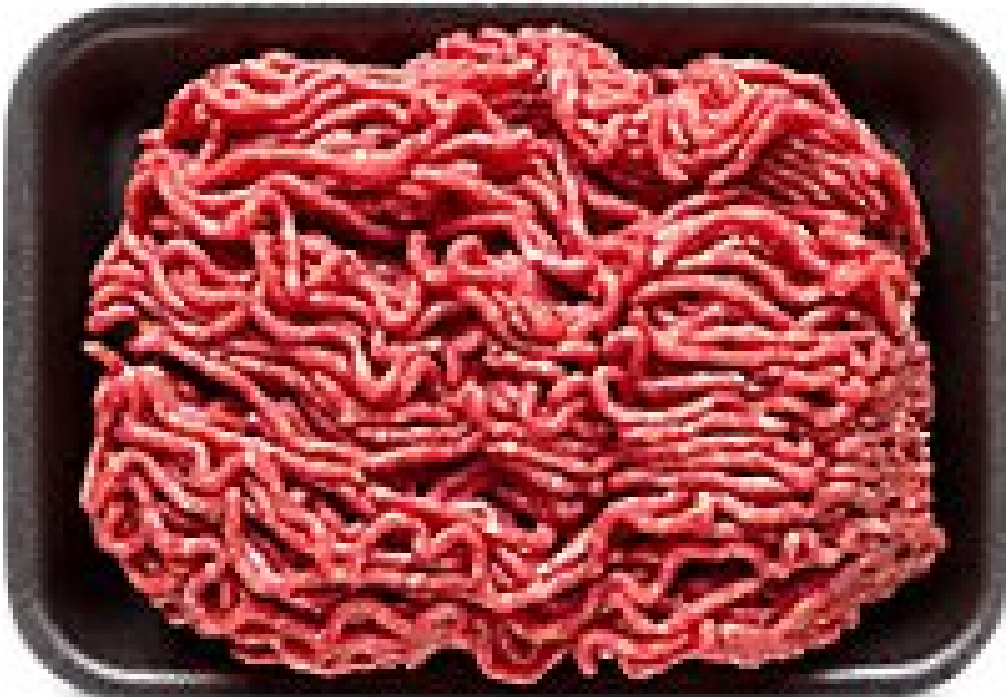
↑ 51¢ ↑ 37.4%

One Gallon Whole Milk



December		\$ Price	
'19		3.12	
'22		4.18	
↑	\$1.02	↑	32.1%

1-Pound Lean Ground Beef



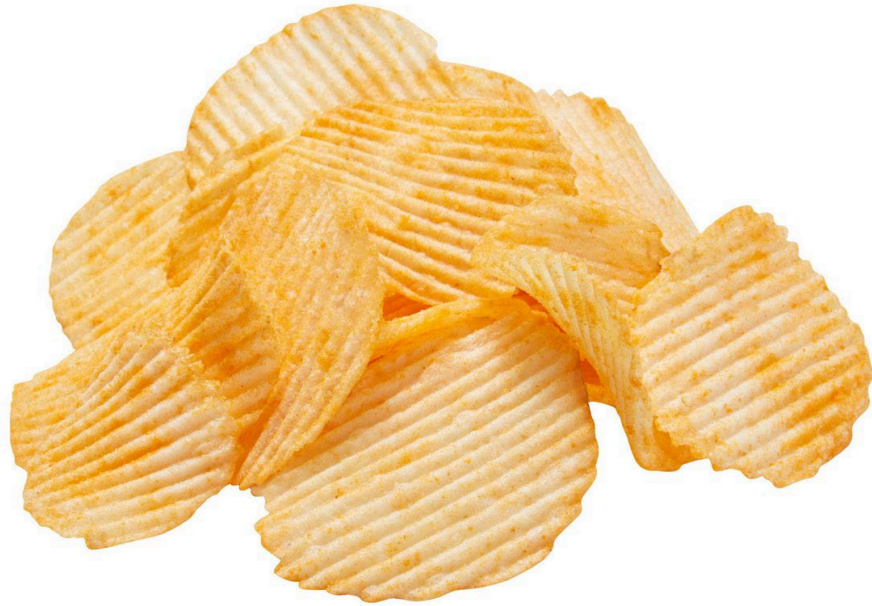
December	\$ Price
----------	----------

'19 5.52

'22 6.39

↑ 87¢ ↑ 15.7%

1-Pound Bag of Potato Chips



December	\$ Price
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'19	4.53
-----	------

'22	6.28
-----	------

↑ \$1.75 ↑ 38.7%

FINANCIAL TIMES

US inflation has not 'turned the corner yet', top IMF official warns

JANUARY 4 2023



Covid Stimulus Packages



Coronavirus Aid, Relief, and Economic Security Act (CARES)



Coronavirus Response and Consolidated Appropriations Act



American Rescue Plan

**\$6.4
Trillion**



Coronavirus Aid, Relief, and Economic Security Act (CARES)



Coronavirus Response and Consolidated Appropriations Act



American Rescue Plan

U.S. Expenditures on World War II

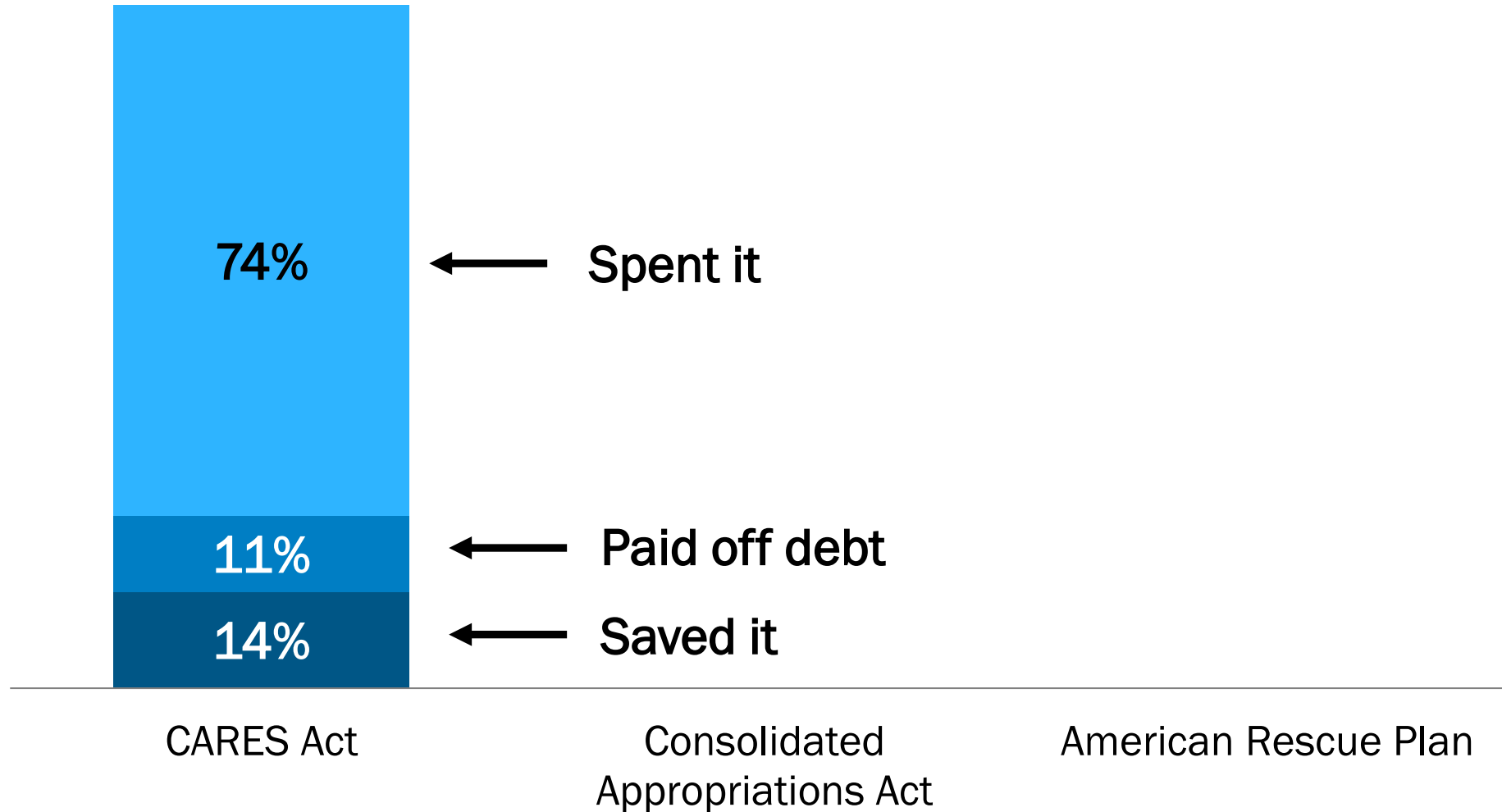


\$5.4 Trillion*

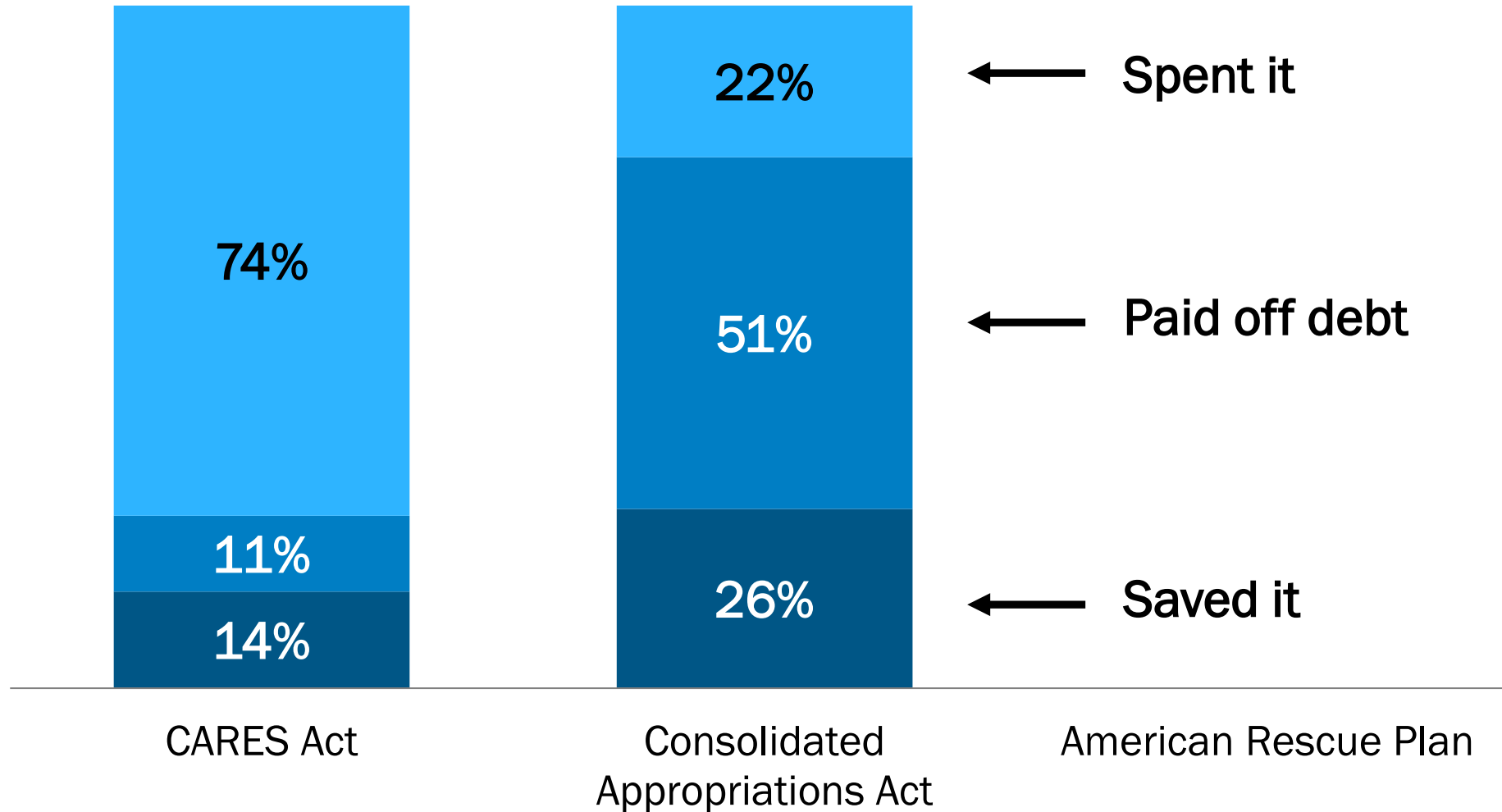
* Inflation adjusted
'22 dollars

Source: Partnership calculations based on Congressional Research Services data

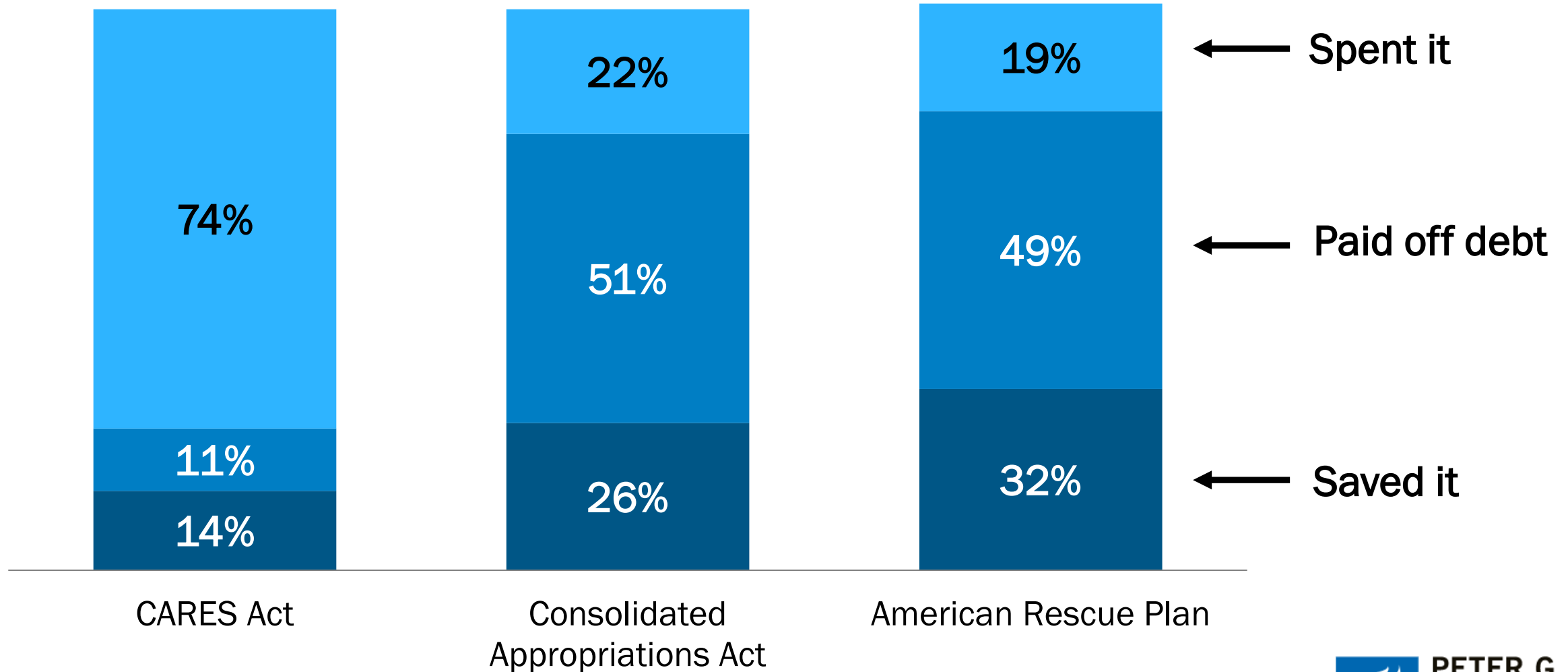
How Americans Used Their Stimulus Checks



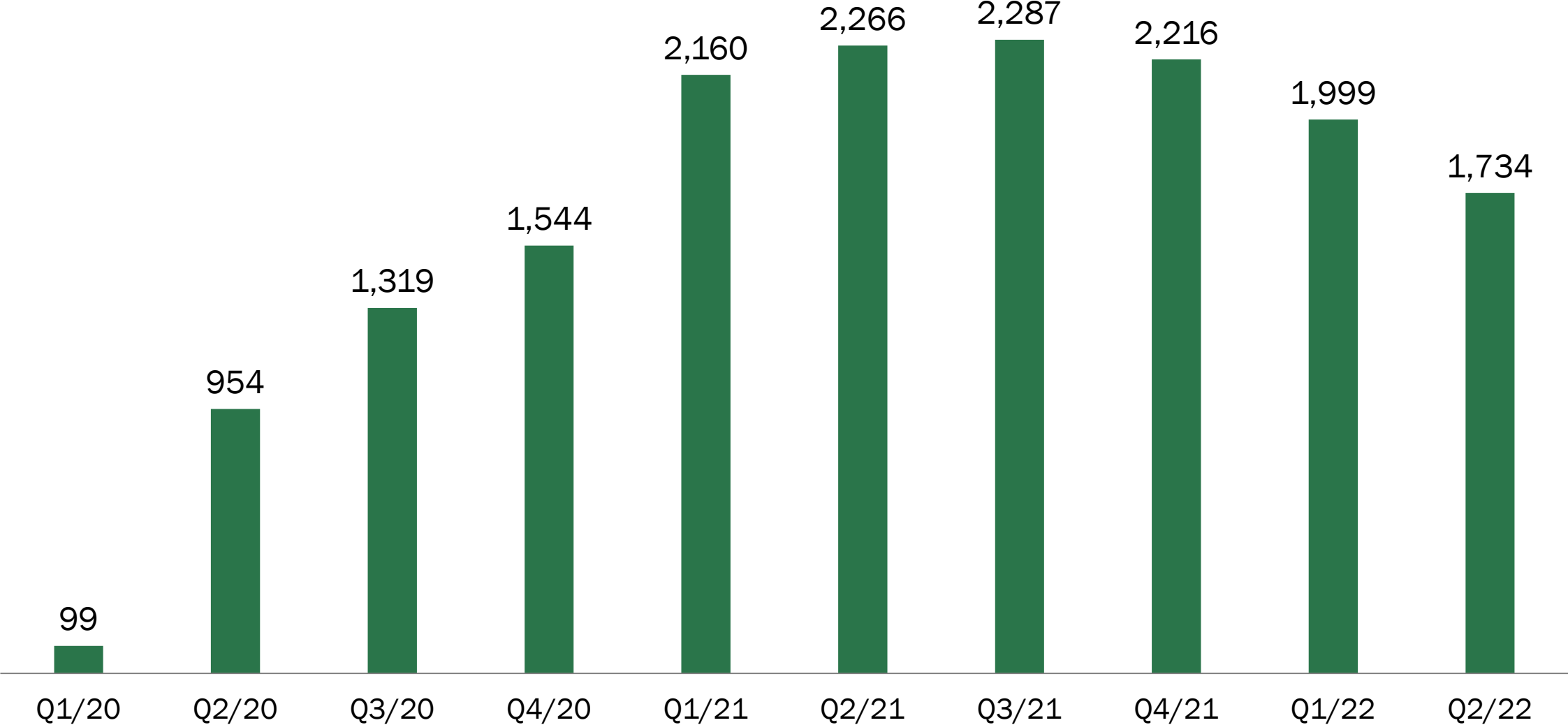
How Americans Used Their Stimulus Checks



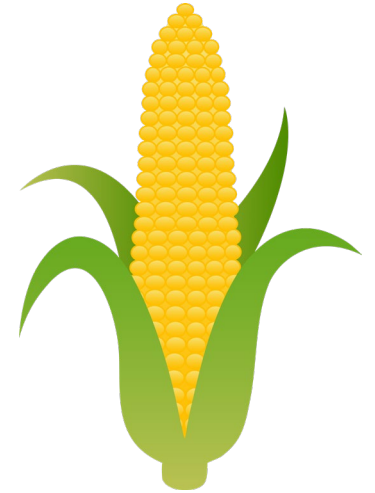
How Americans Used Their Stimulus Checks



Stock of Excess Savings in U.S. - \$ Billions

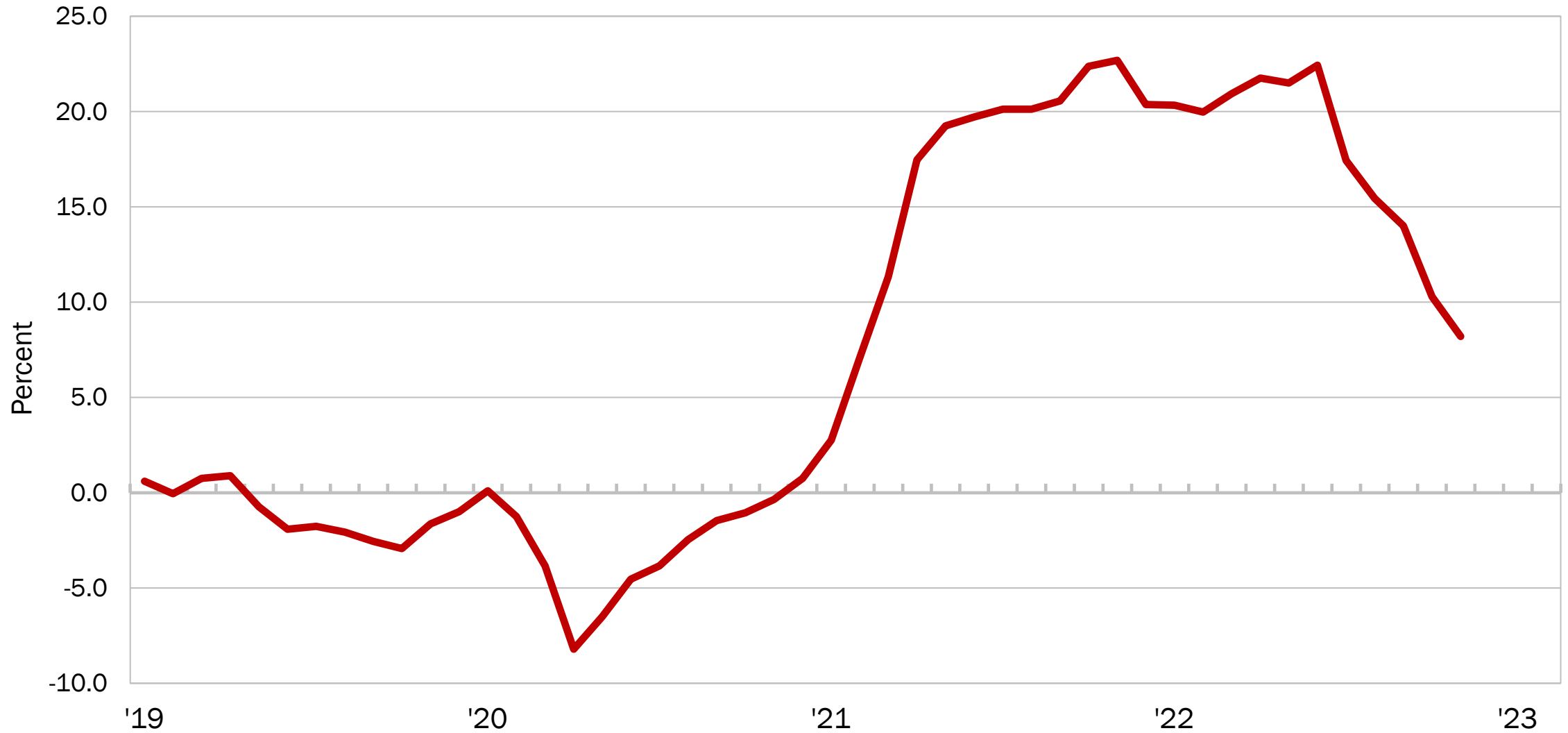








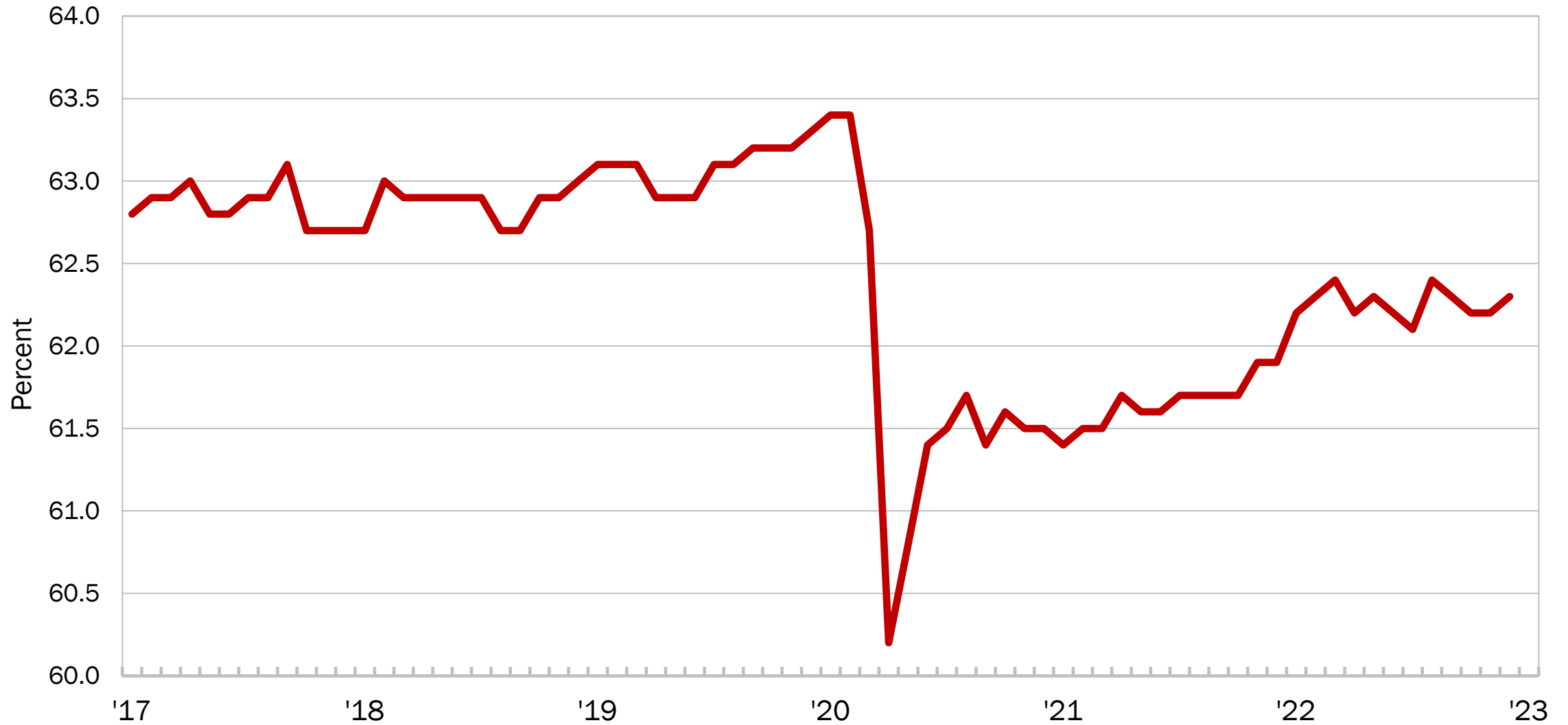
Change in Producer Price Index-All Commodities



Source: U.S. Bureau of Labor Statistics



U.S. Labor Force Participation Rate



Source: U.S. Bureau of Labor Statistics



The Cure for Higher Prices?

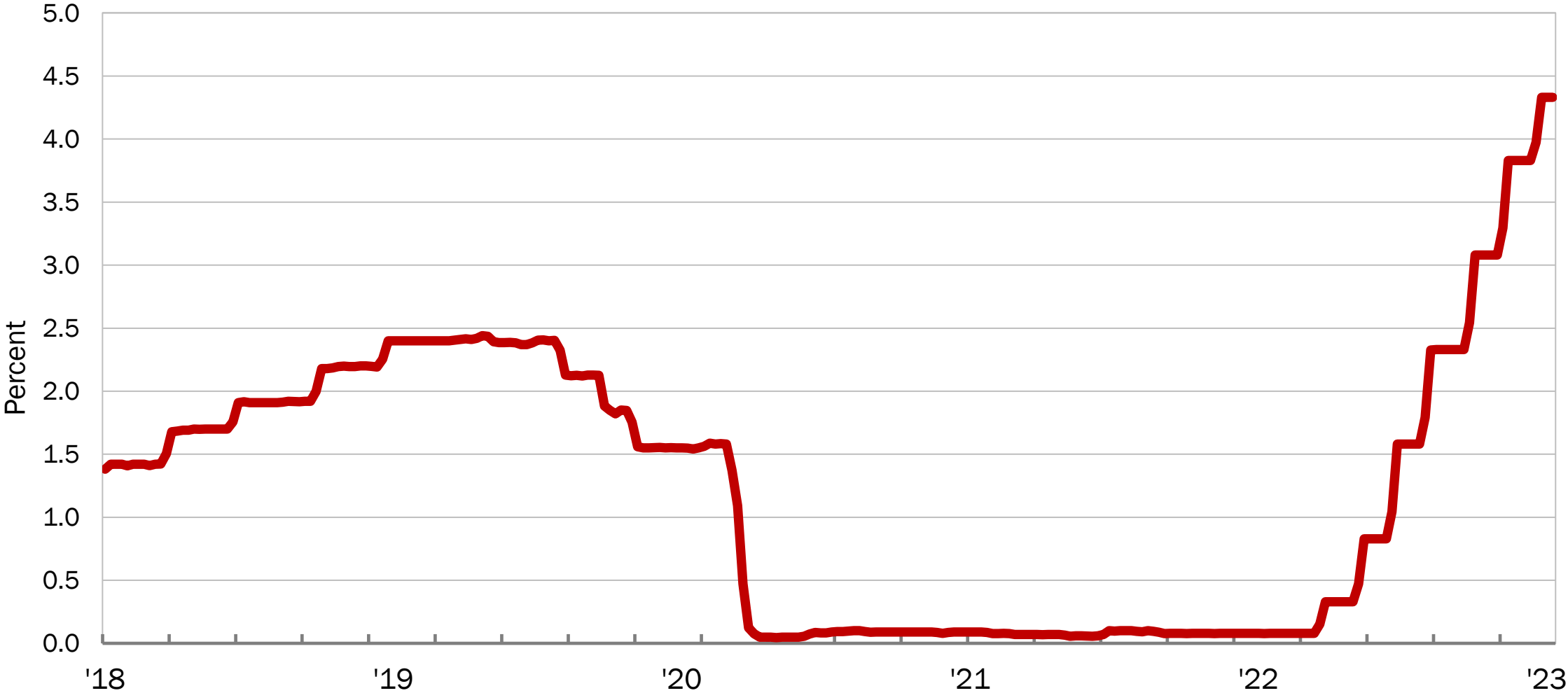


The Cure for
Higher Prices?

**Higher
Prices**

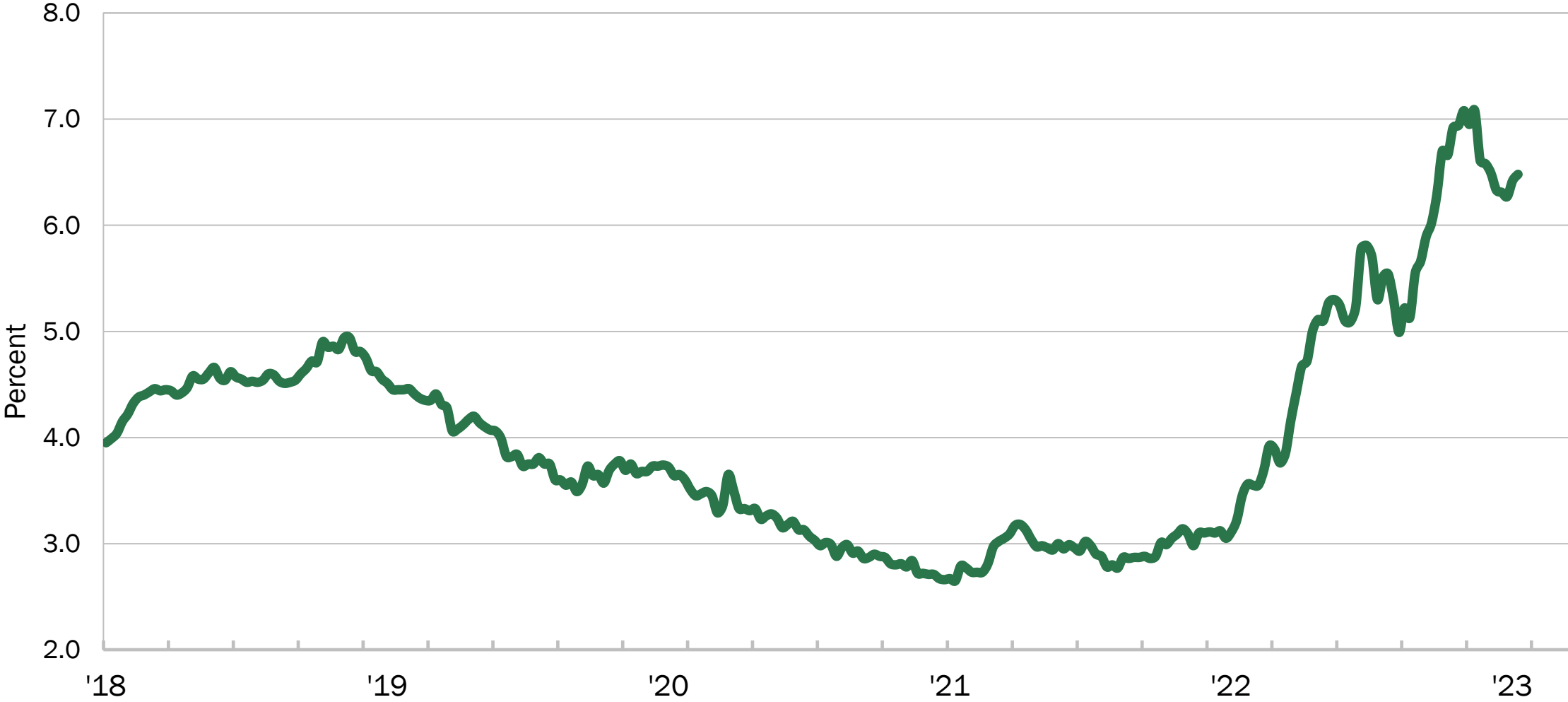


Federal Funds Effective Rate*



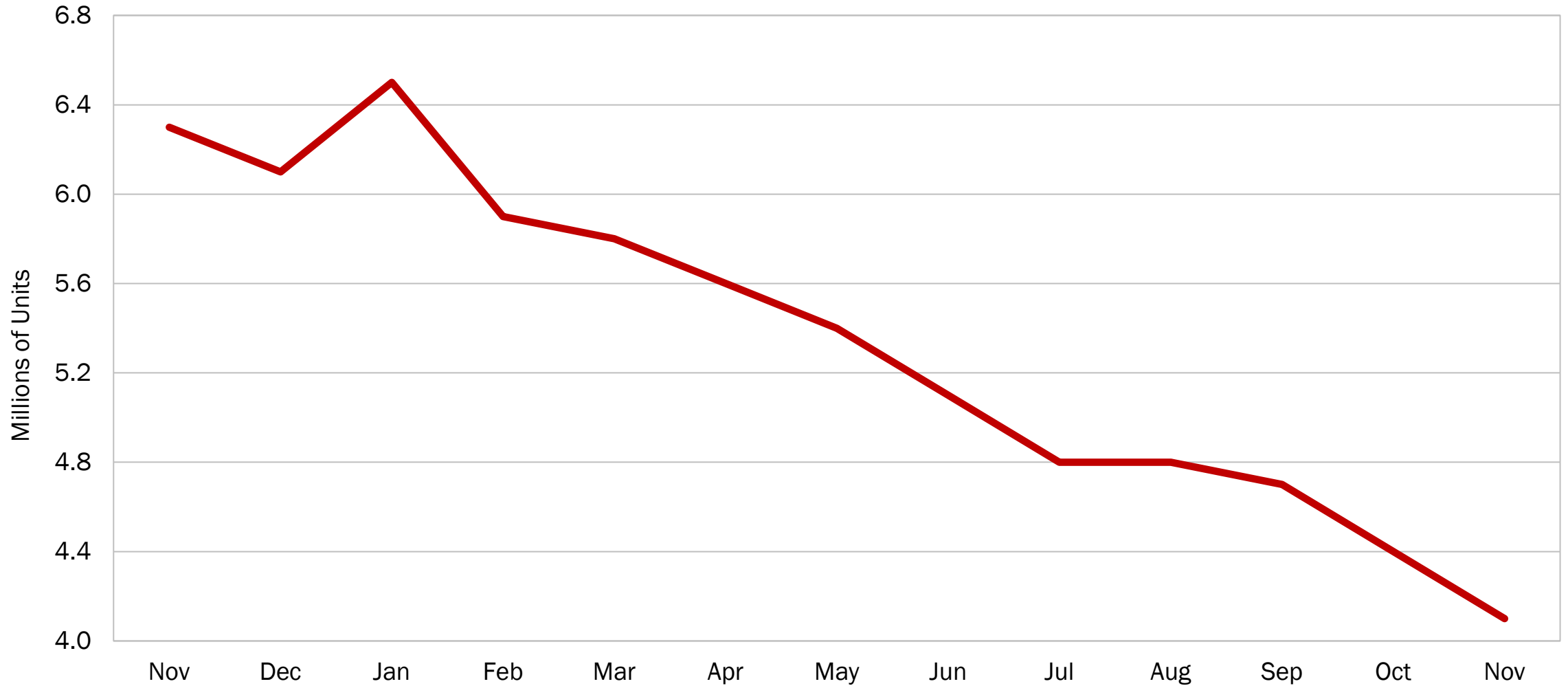
Source: Federal Reserve Bank of New York

Average 30-Year Fixed Rate Mortgage*



Source: Freddie Mac

Existing Home Sales*



Source: National Association of Realtors

* seasonally adjusted, annual rate

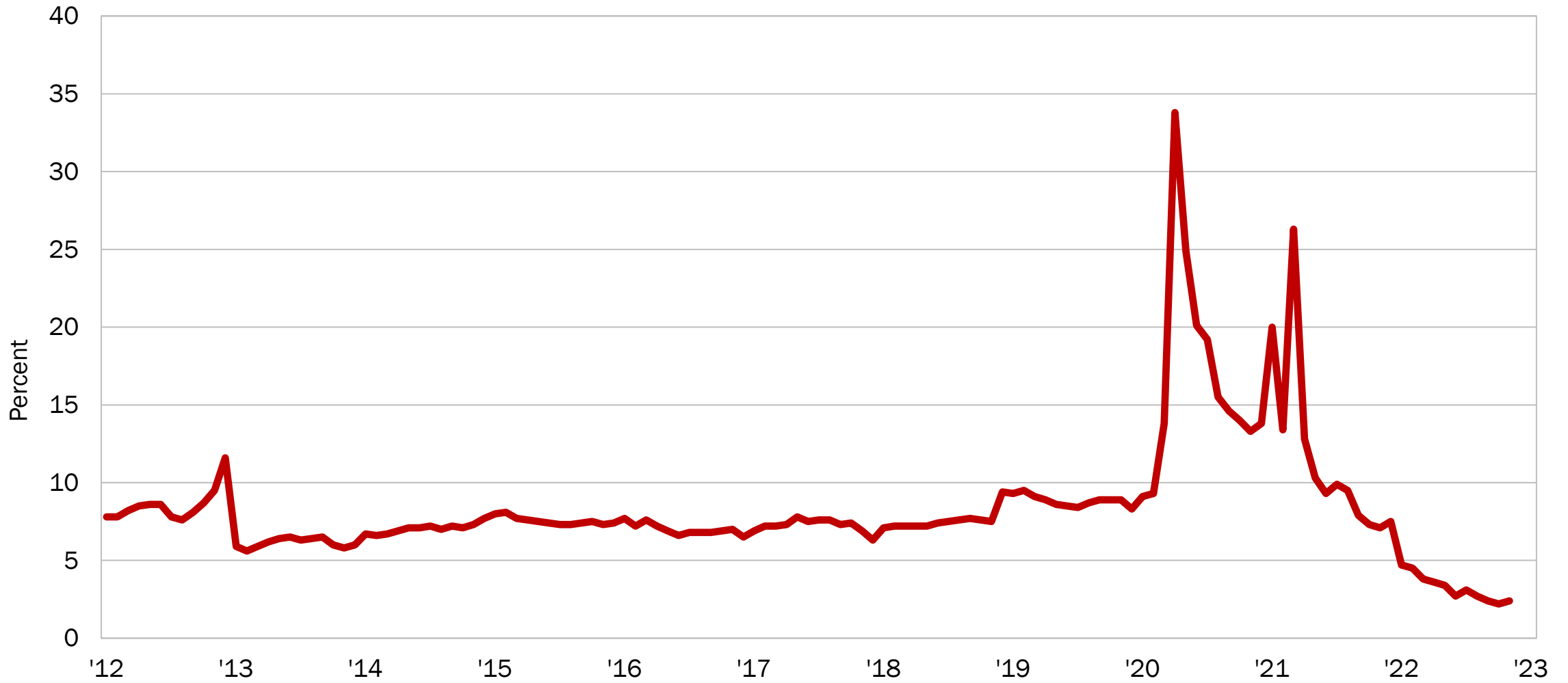
THE WALL STREET JOURNAL.

Jan. 2, 2023 5:30 am ET

Big Banks Predict Recession, Fed Pivot in 2023



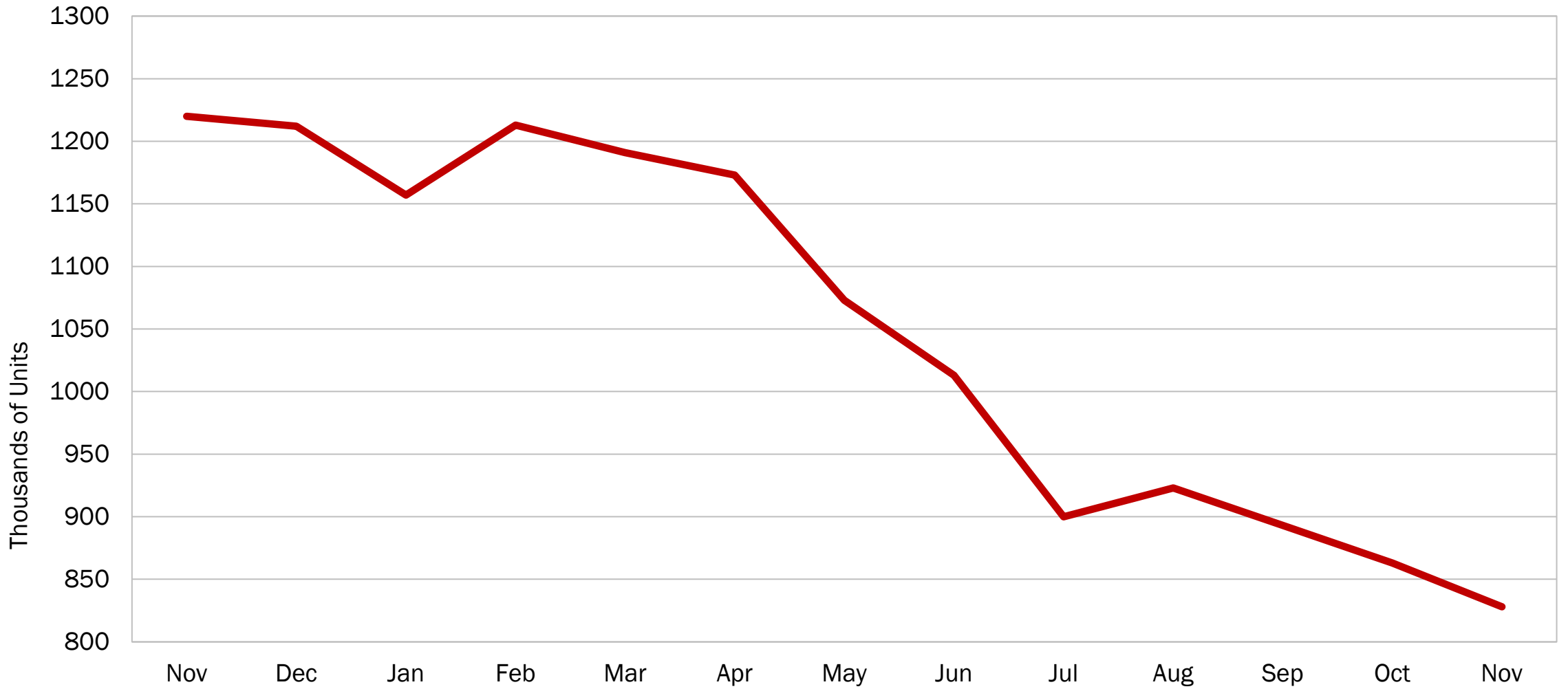
U.S. Personal Savings Rate*



U.S. Bureau of Economic Analysis

* monthly, seasonally adjusted, annual rate

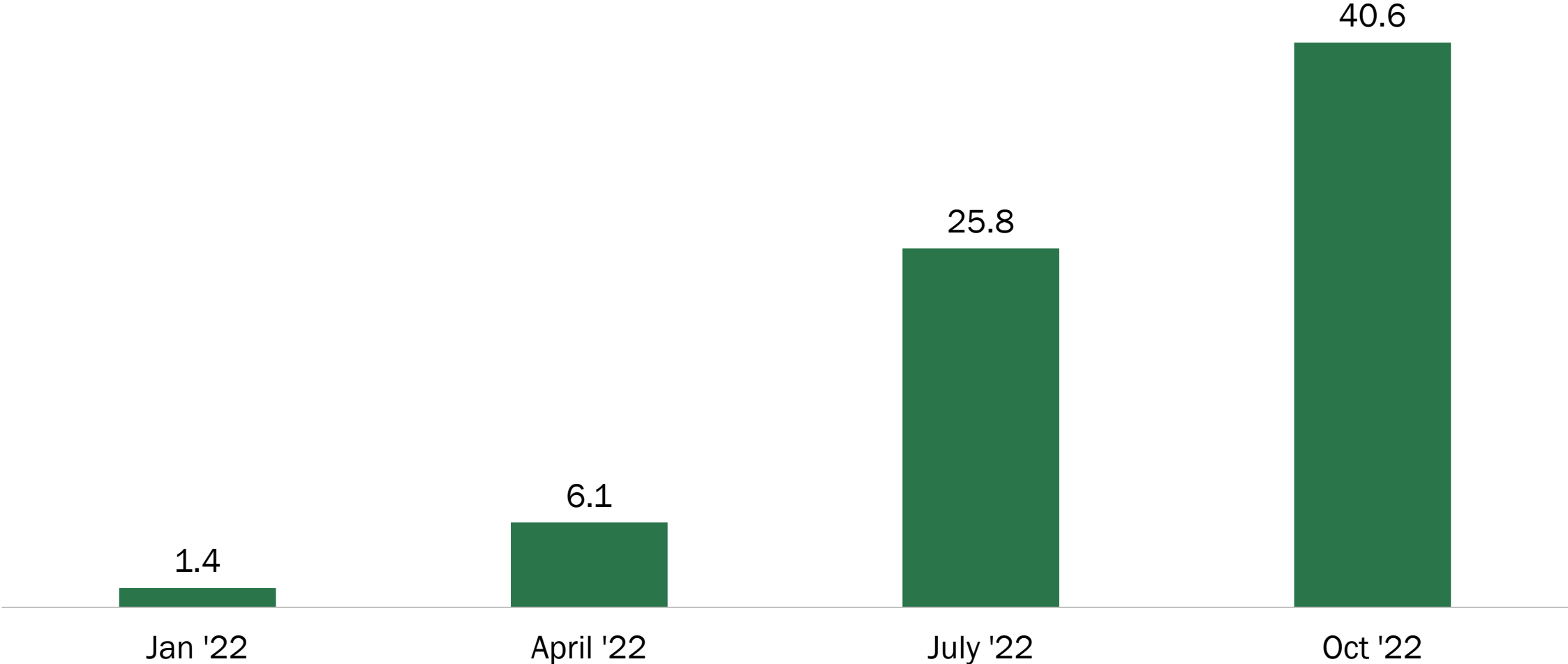
Single-Family Housing Starts*



Source: U.S. Census Bureau, HUD

* seasonally adjusted, annual rate

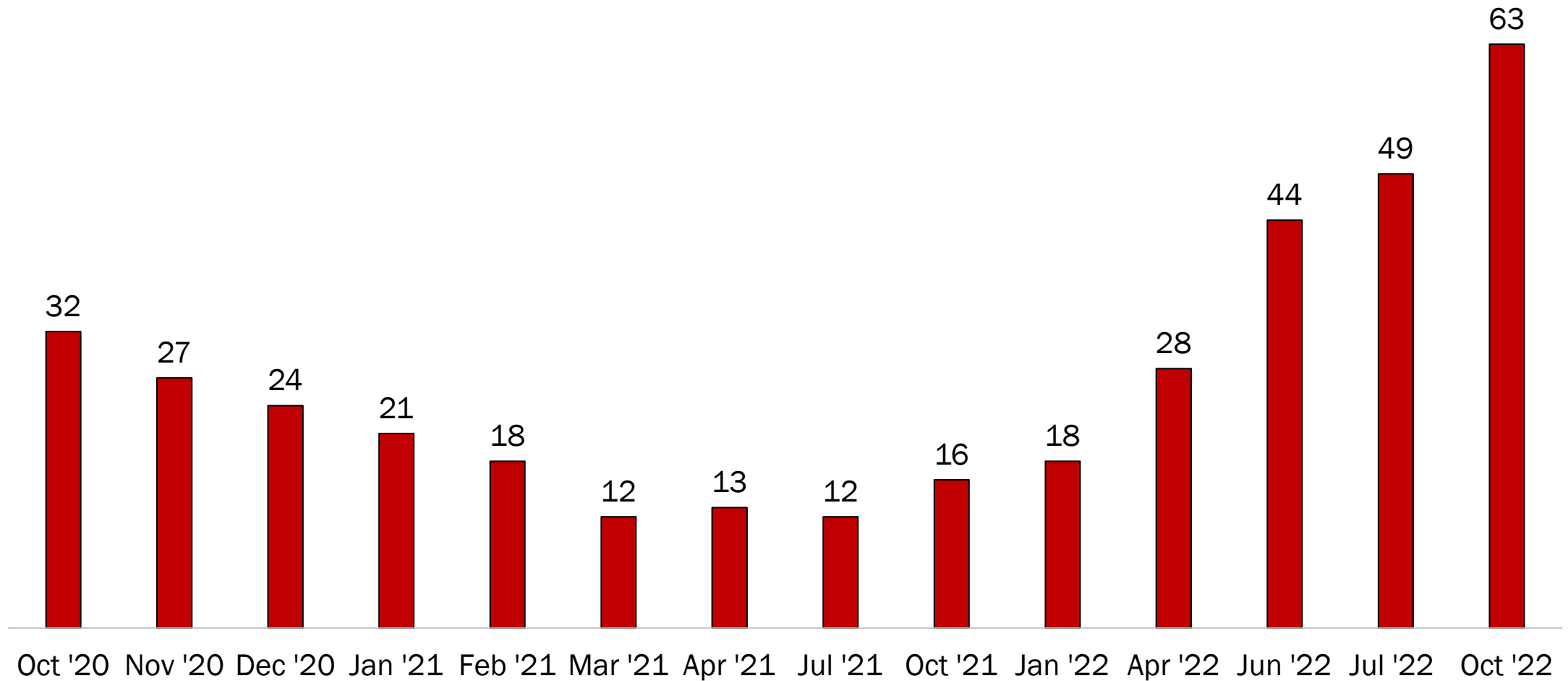
Percent U.S. Banks Tightening Lending Standards*



Source: U.S. Federal Reserve, Senior Loan Officer Opinion Survey on Bank Lending Practices

* For large and middle-market firms

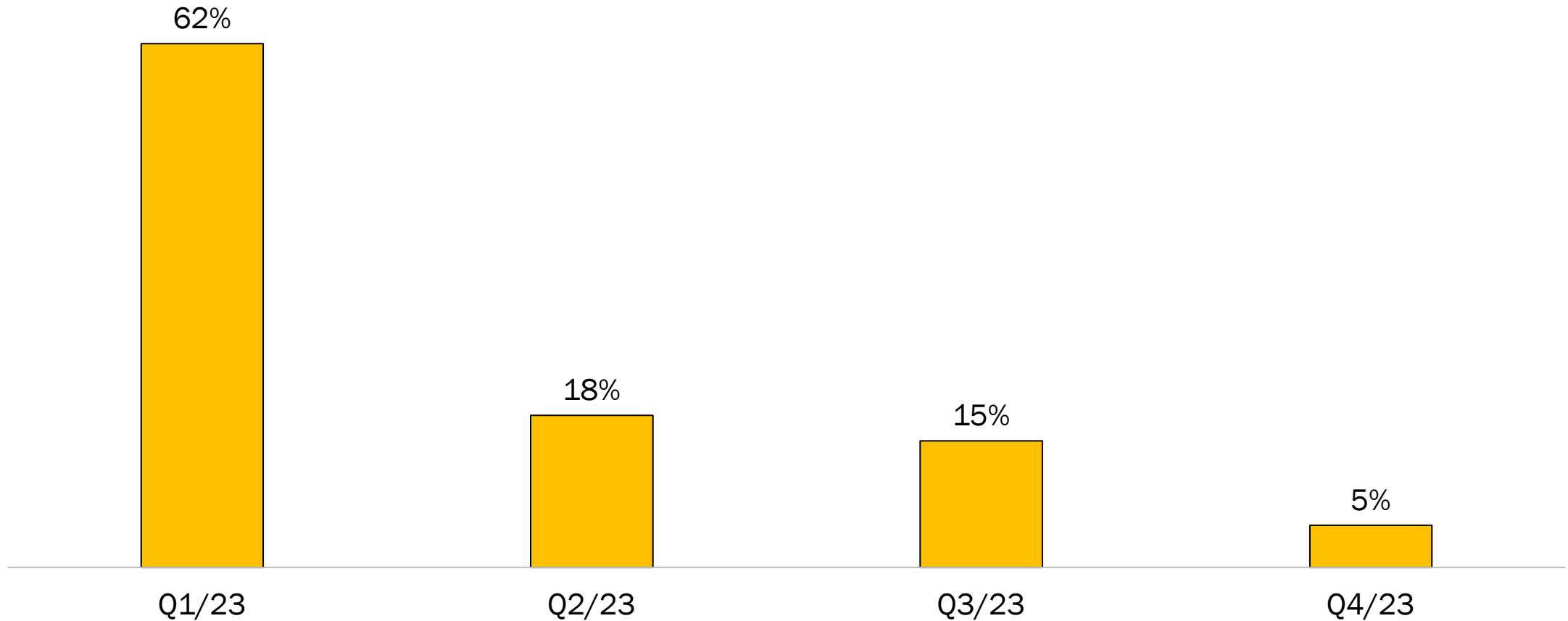
% Probability of a Recession in the Next 12 Months



Source: *The Wall Street Journal*

If a recession in '23, when will it start?

% of Respondents



Is a recession inevitable?



✓ YES



✗ NO

Bloomberg

Russian Wins in Eastern Ukraine Spark Debate Over Course of War

May 28, 2022 at 2:00 AM CDT



How the impending red wave could become a tsunami

10/31/22 9:30 AM ET



Forbes

Jul 17, 2021, 07:10pm EDT

Crypto Price Prediction: Bitcoin 'To Overtake' The Dollar By 2050 And Soar To \$66,000 By The End Of 2021



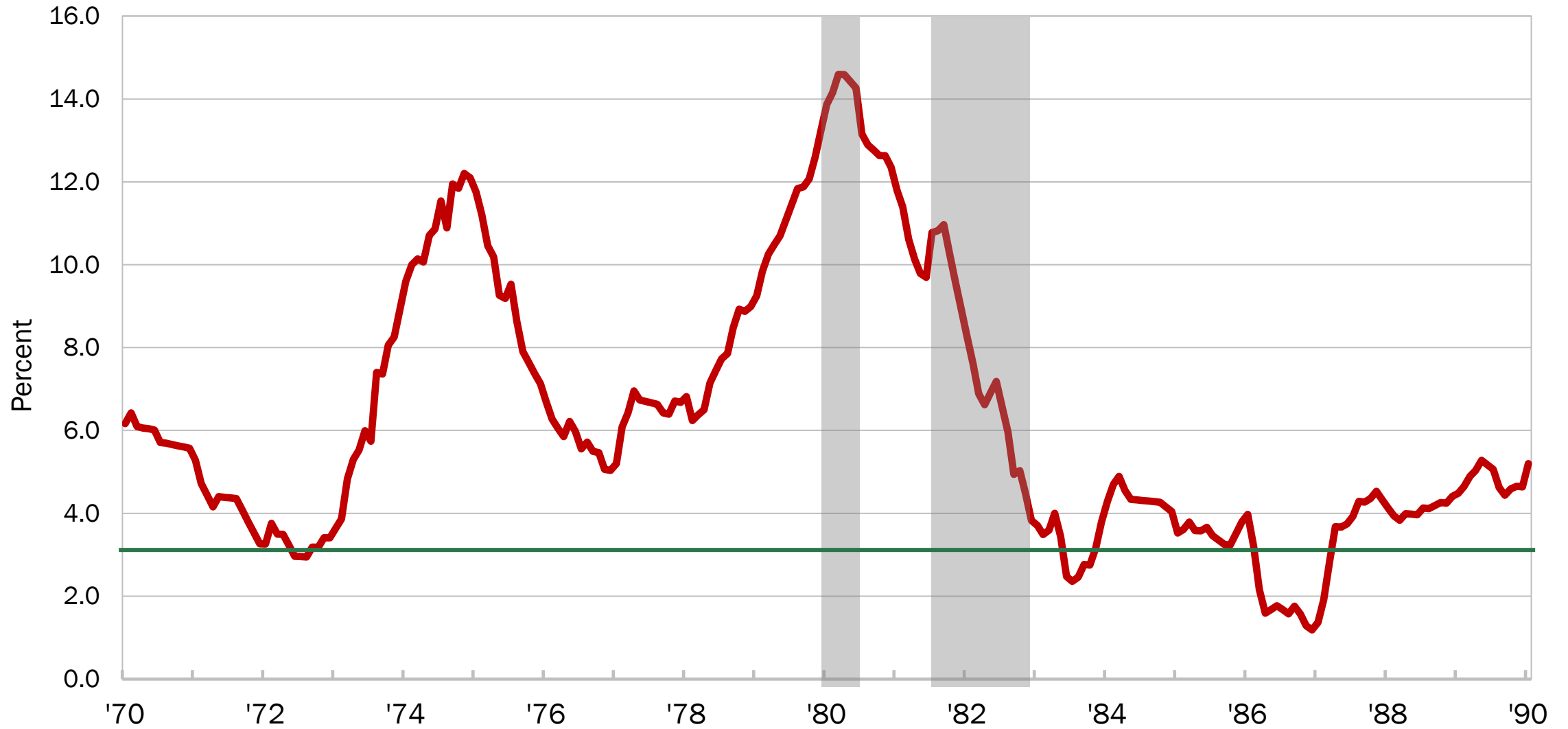
Three possible outcomes

- ✓ Mild Recession
- ✓ Near Miss
- ✓ Deep and Protracted



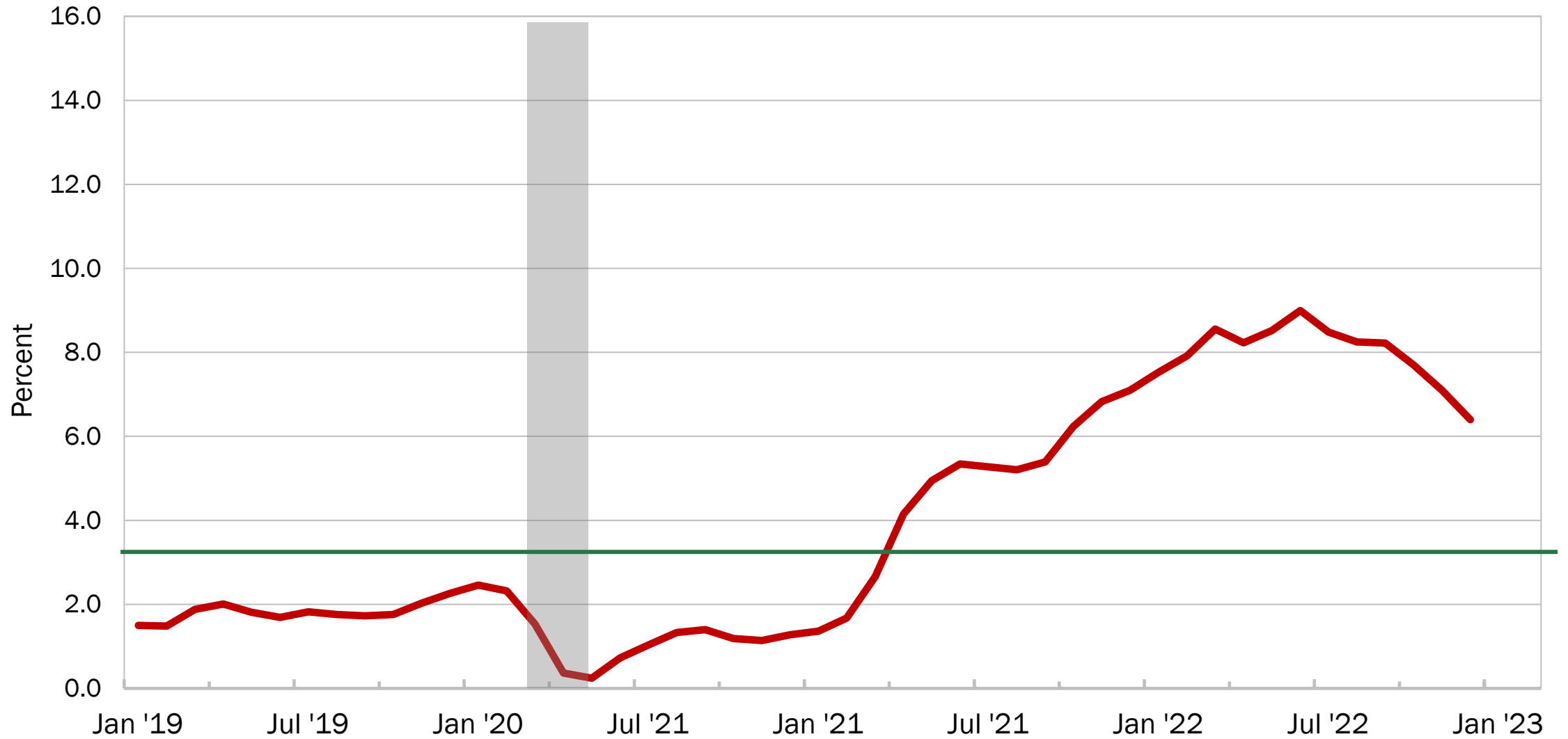
Mild Recession

U.S. 12-Month Inflation Rate*



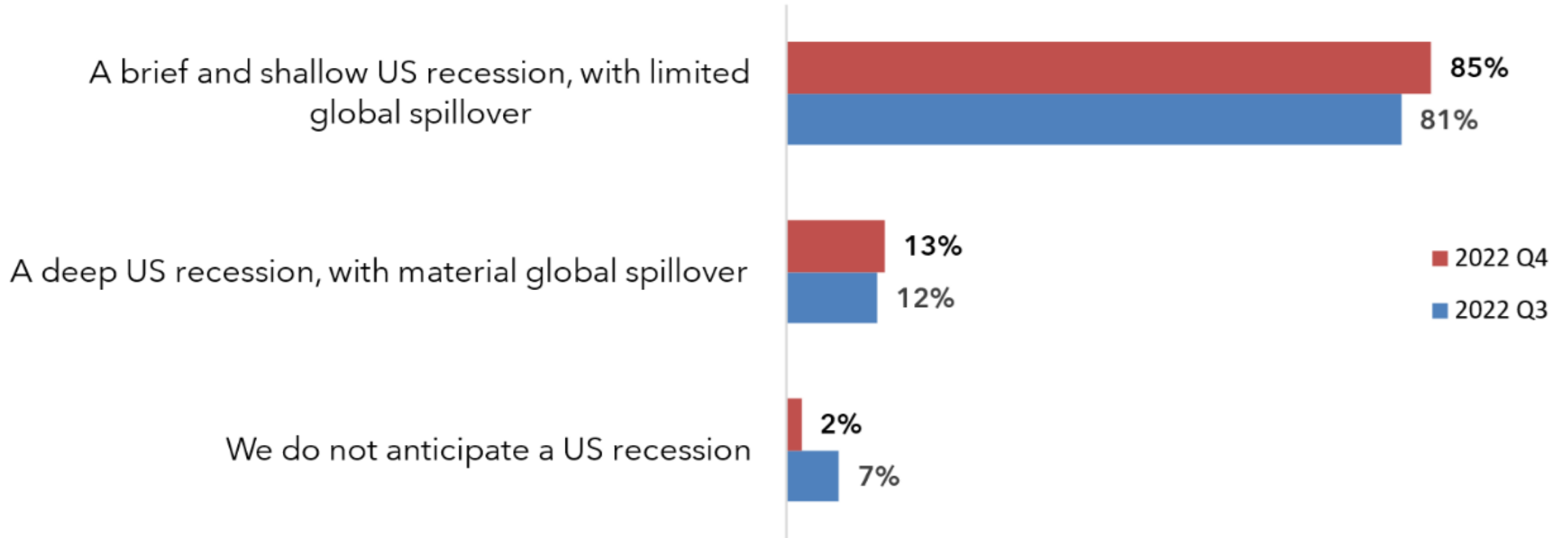
Source: U.S. Bureau of Labor Statistics

U.S. 12-Month Inflation Rate*



Source: U.S. Bureau of Labor Statistics

Over the next 12-18 months, are you preparing for...



Source: Q4/22 survey of 136 U.S. CEOs



Employment: 44% of CEOs expect to expand their workforce over the next 12 months, down from 50% in Q3

Source: Q4/22 survey of 136 U.S. CEOs

U.S. Job Openings

Millions

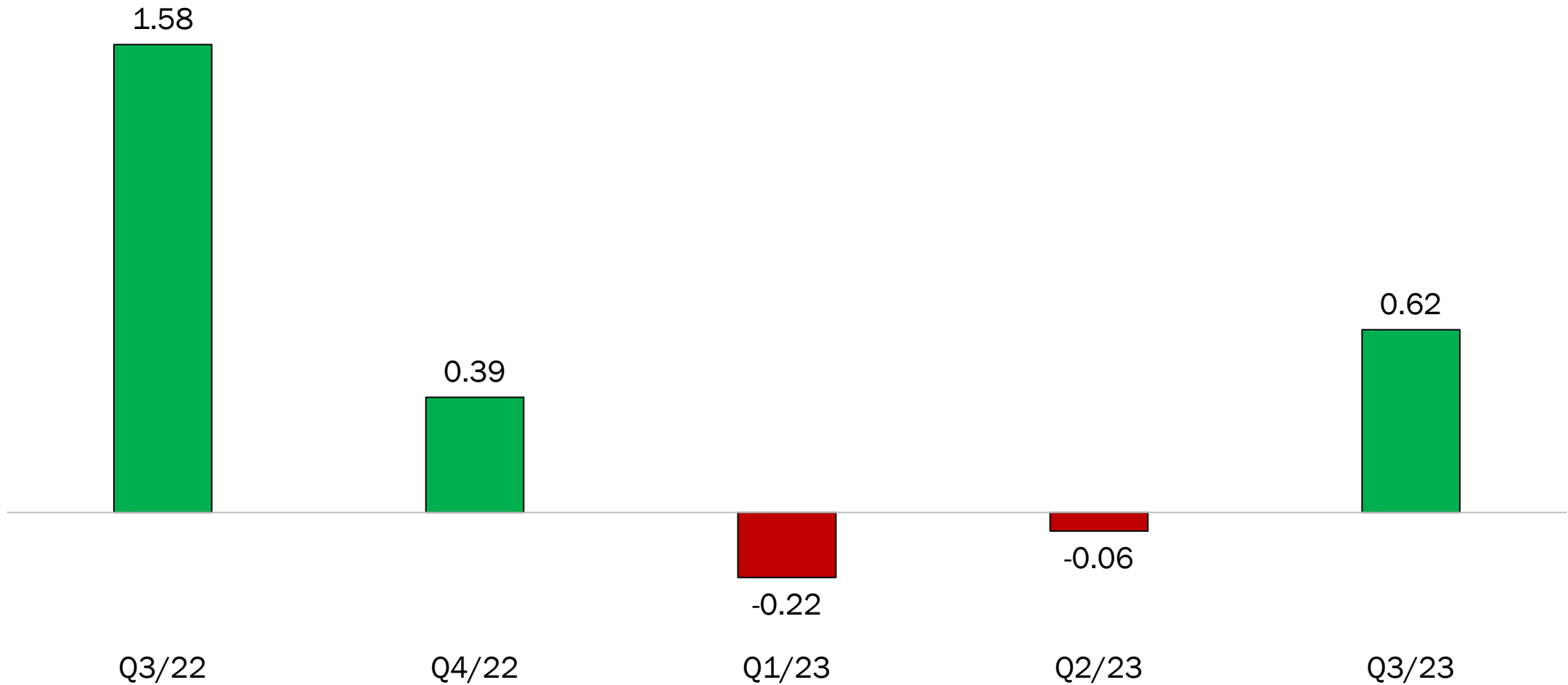


Source: U.S. Bureau of Labor Statistics

Capital Spending: 86% of CEOs expect their capital budgets to increase or remain the same over the next year, versus 82% in Q3.

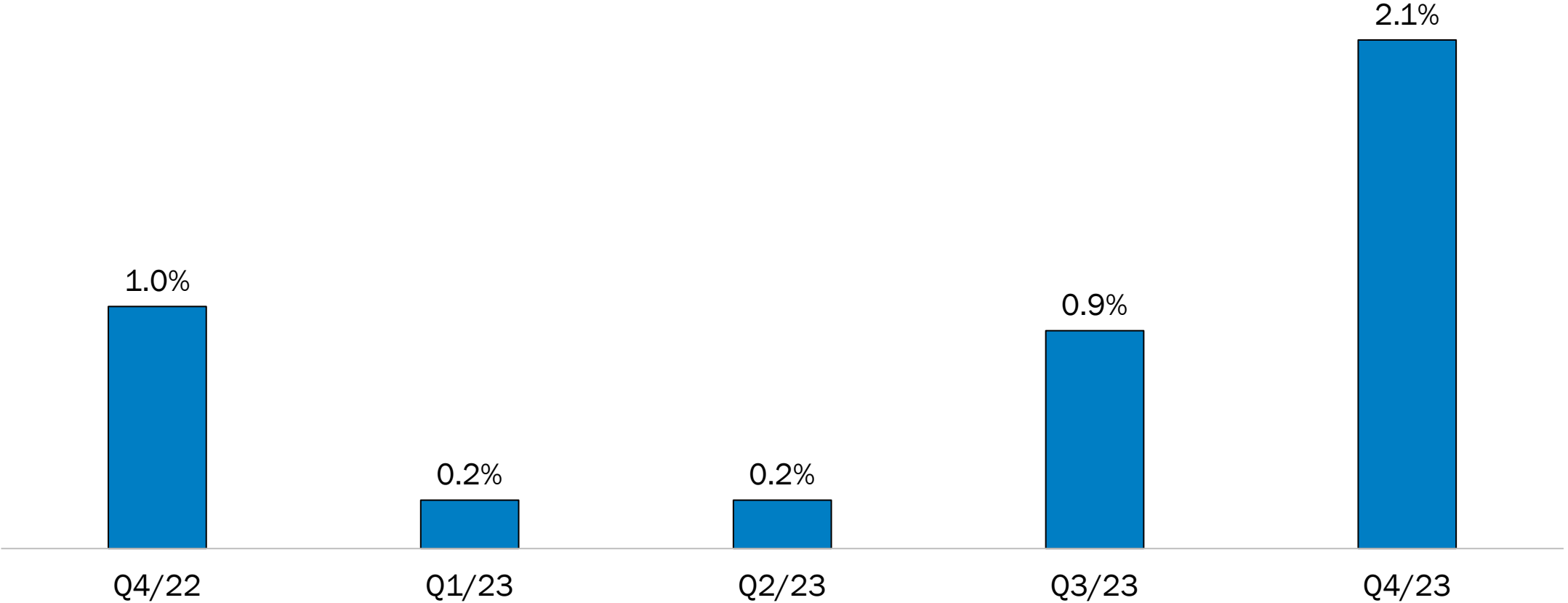
Source: Q4/22 survey of 136 U.S. CEOs

GDP (Quarterly, Annualized Growth Rate)



Source: *The Wall Street Journal*

GDP (Quarterly, Annualized Growth Rate)*



Source: Federal Reserve Bank of Philadelphia Survey of Professional Forecasters

* median forecast



Near Miss

Third-Quarter U.S. Growth Was Stronger Than Previously Thought

+ 3.2%



Unemployment Claims Fell During Holiday Week

Updated Jan. 5, 2023 9:55 am ET

218K



Consumer confidence improves in December, a hopeful sign for the economy

Updated 11:07 AM EST, Wed December 21, 2022



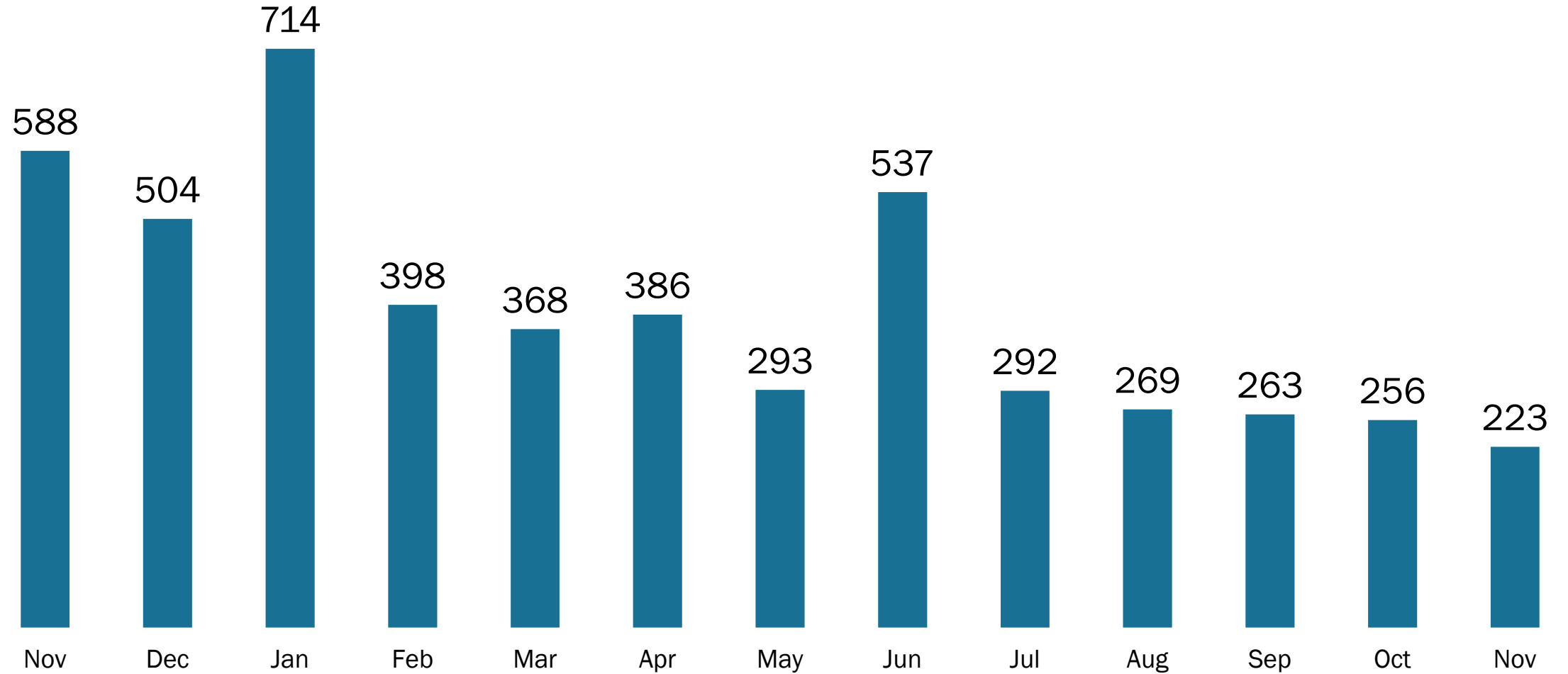
Bloomberg

Fed Gets 'Goldilocks' in Jobs Report: Slower Wage Growth, Solid Hiring

January 6, 2023 at 11:03 AM CST



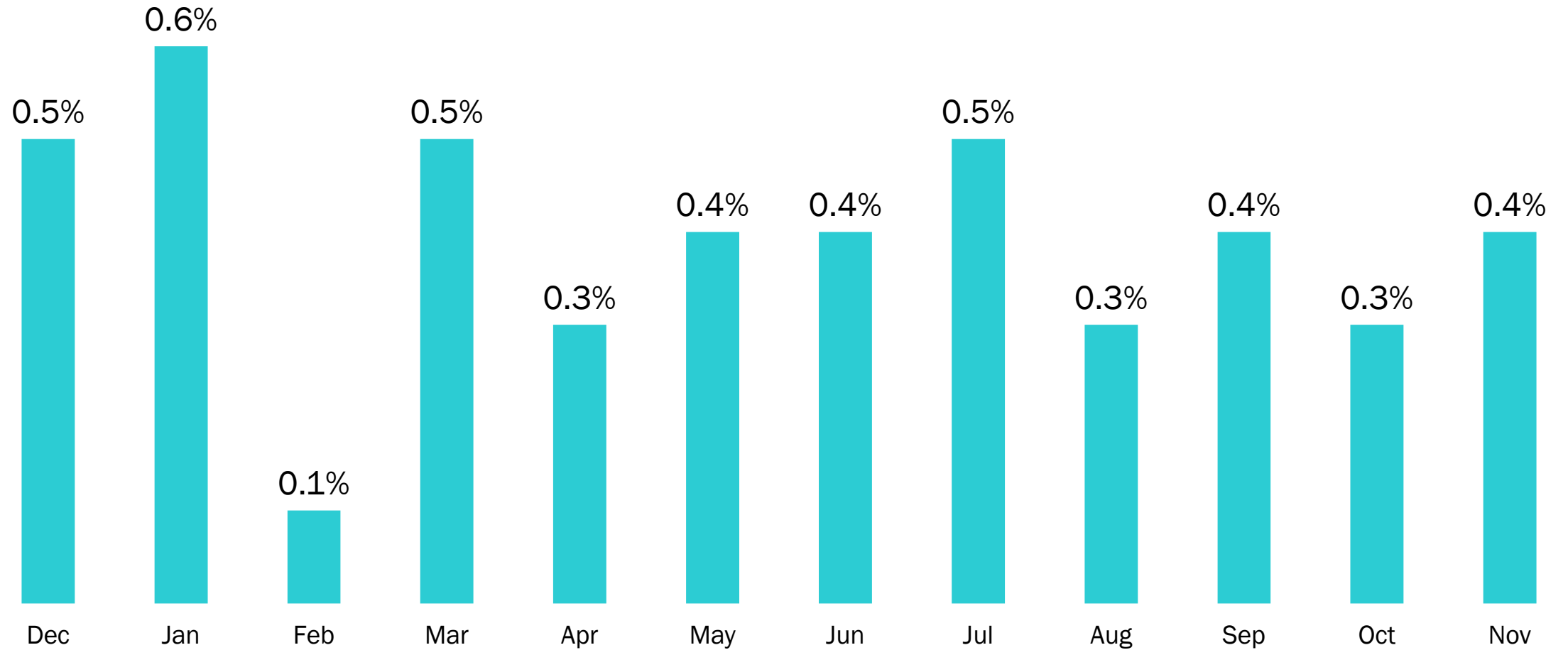
U.S. Job Growth, '000s*



Source: U.S. Bureau of Labor Statistics

* seasonally adjusted

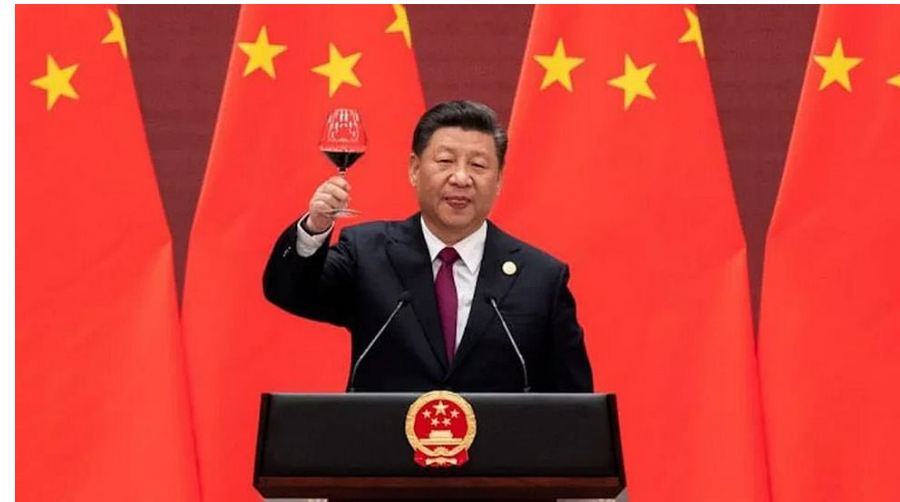
Percent Change, Avg Hourly Wage*



Source: U.S. Bureau of Labor Statistics

* seasonally adjusted

✓ Deep and
Protracted



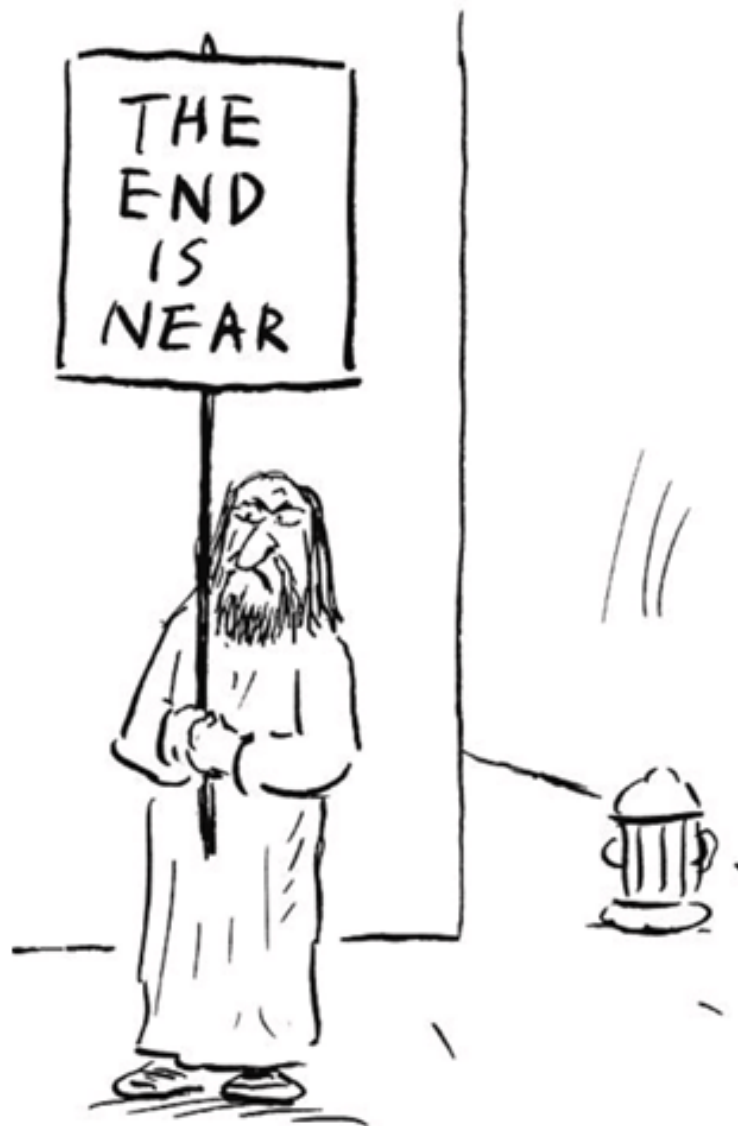
The probabilities:

50% Mild Recession

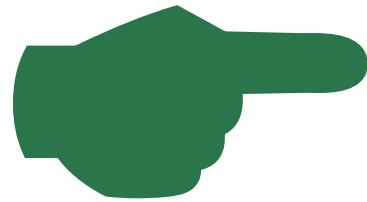
30% Near Miss

20% Deep and Protracted

If...



U.S.
Recession



Short
Shallow

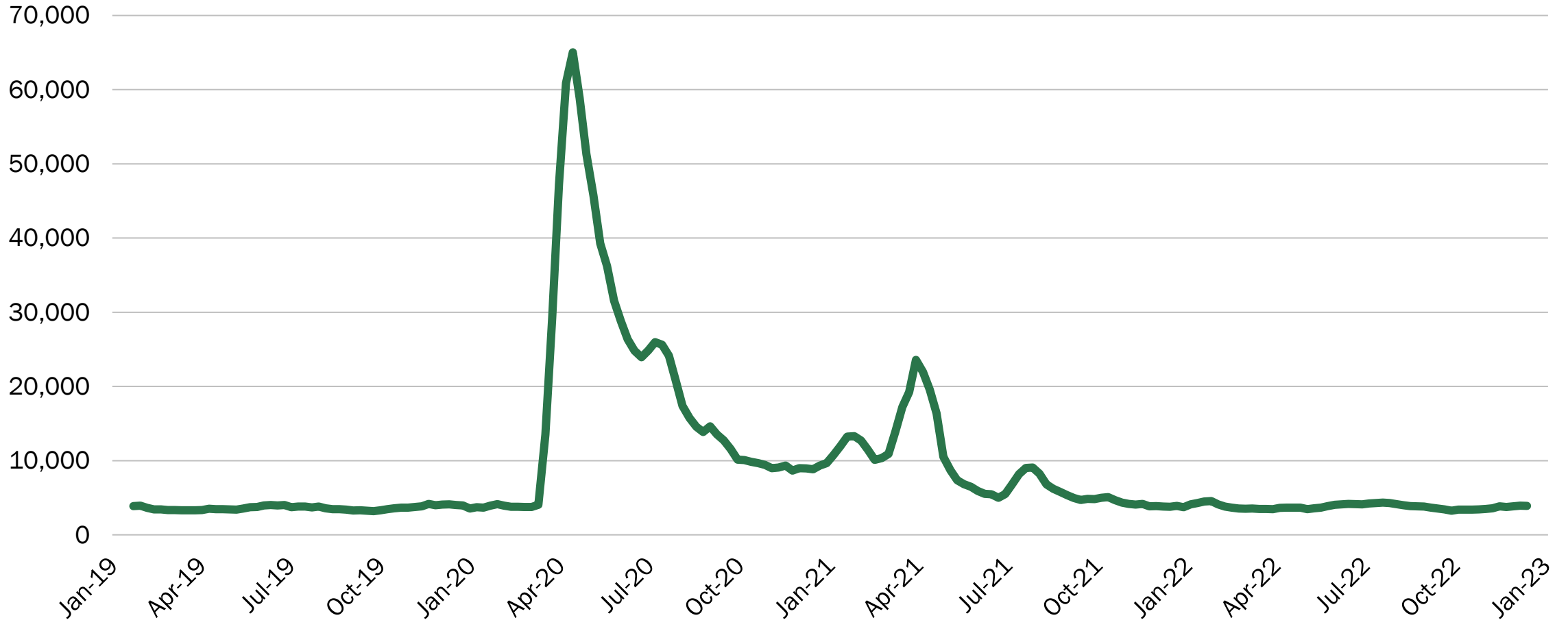


GREATER HOUSTON **PARTNERSHIP.**

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



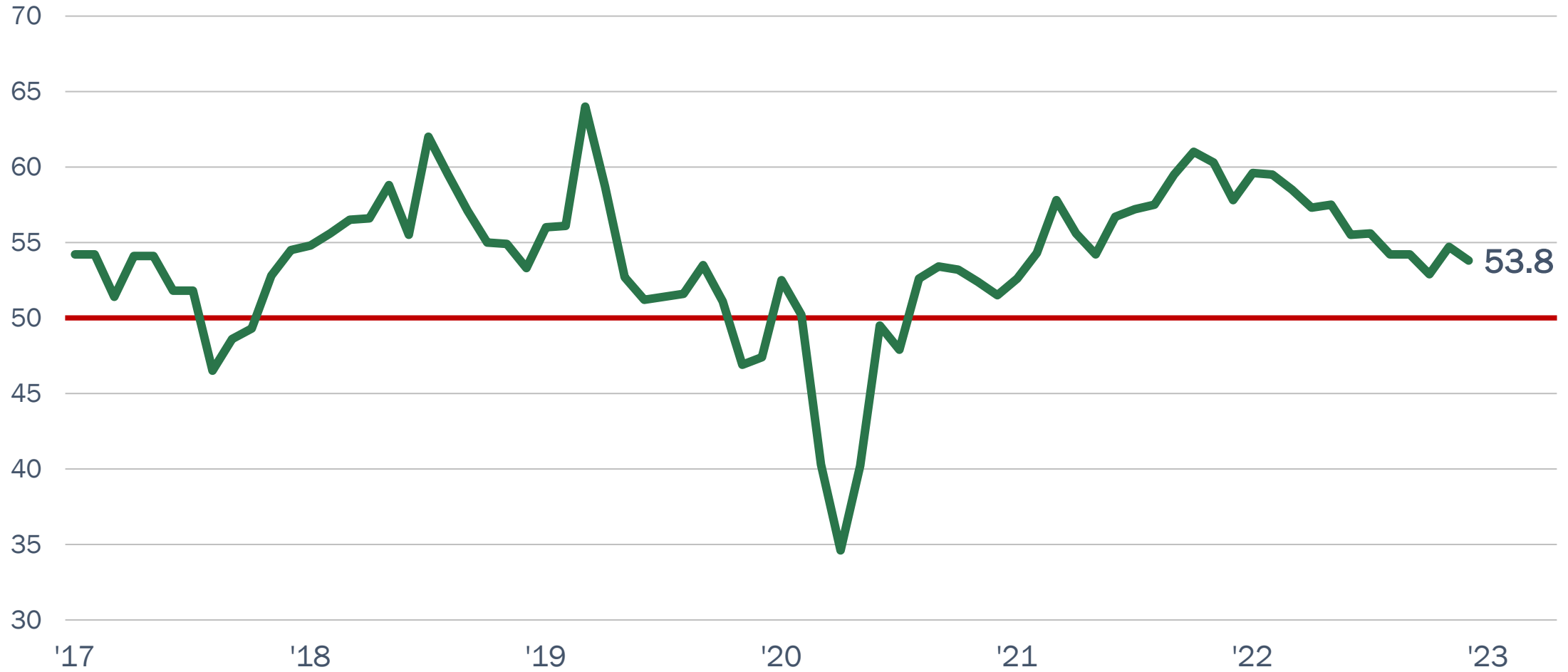
Initial Claims for Unemployment Benefits



Source: Texas Workforce Commission

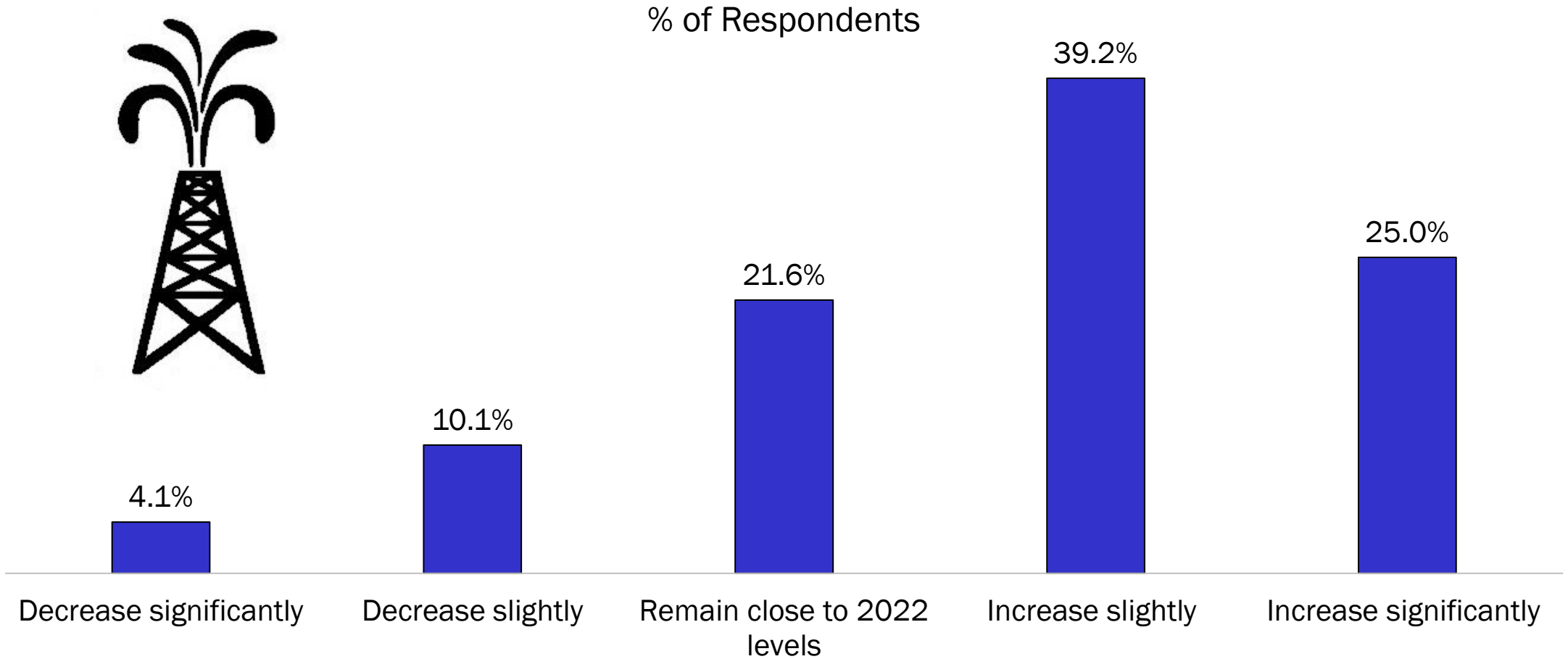
Houston Purchasing Managers Index

+50 = Expansion



Source: Institute for Supply Management - Houston

Expectations for your firm's capital spending in '23 v '22?



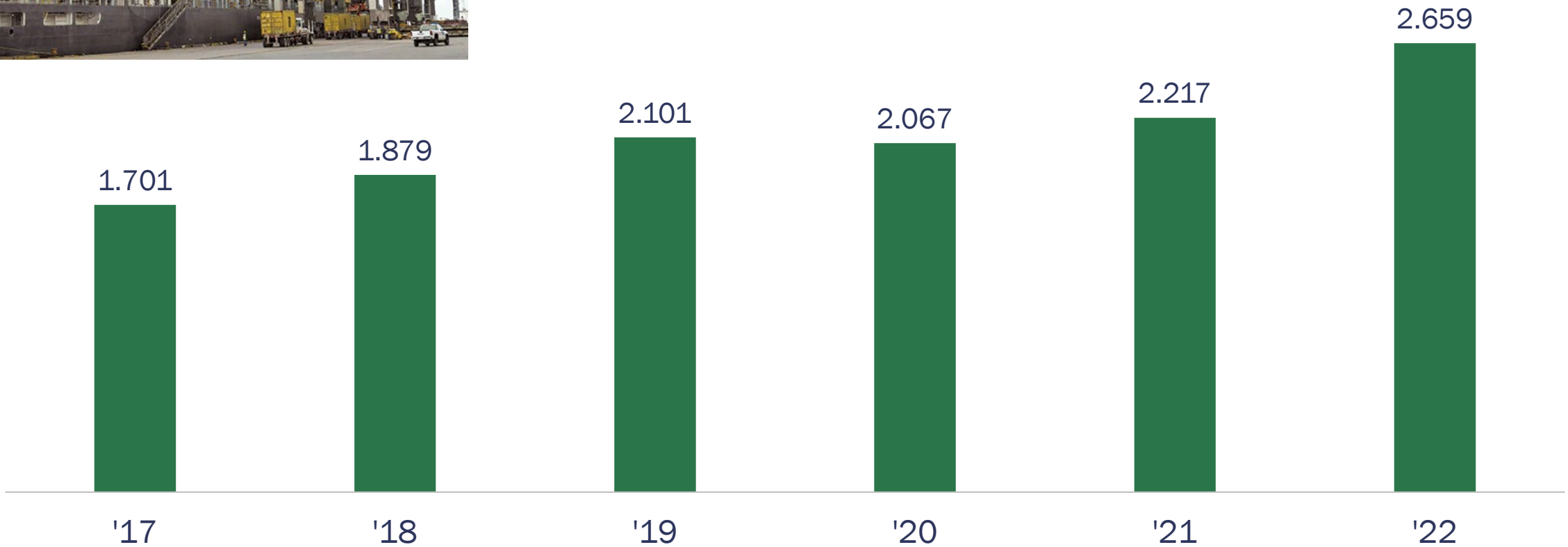
Source: Federal Reserve Bank of Dallas

* Based on a survey of executives from 95 exploration and production firms and 53 oil and gas support services firms conducted December '22.



Port Houston Container Traffic

Loaded TEUs, Millions, October YTD



Source: Port of Houston

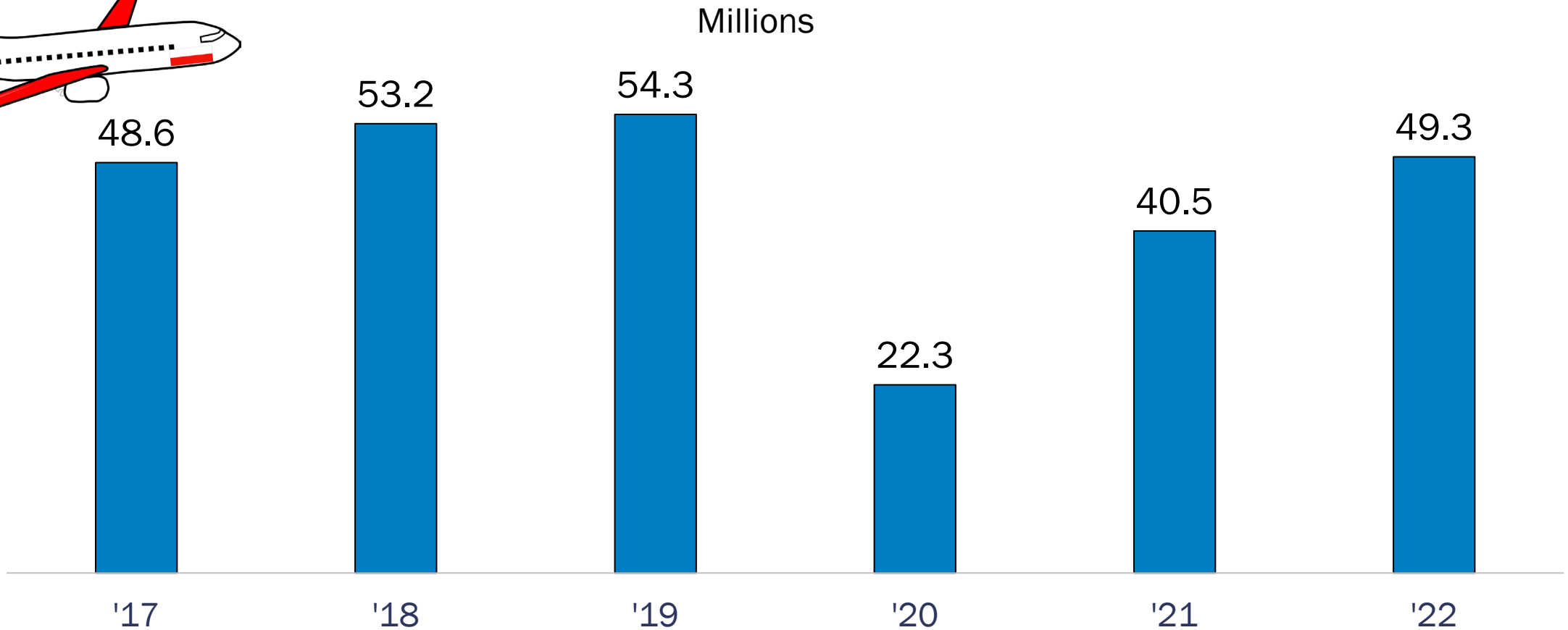


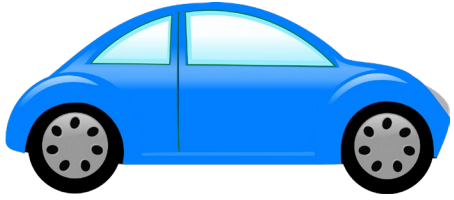
Metro Houston Construction Awards

\$ Billions, November YTD

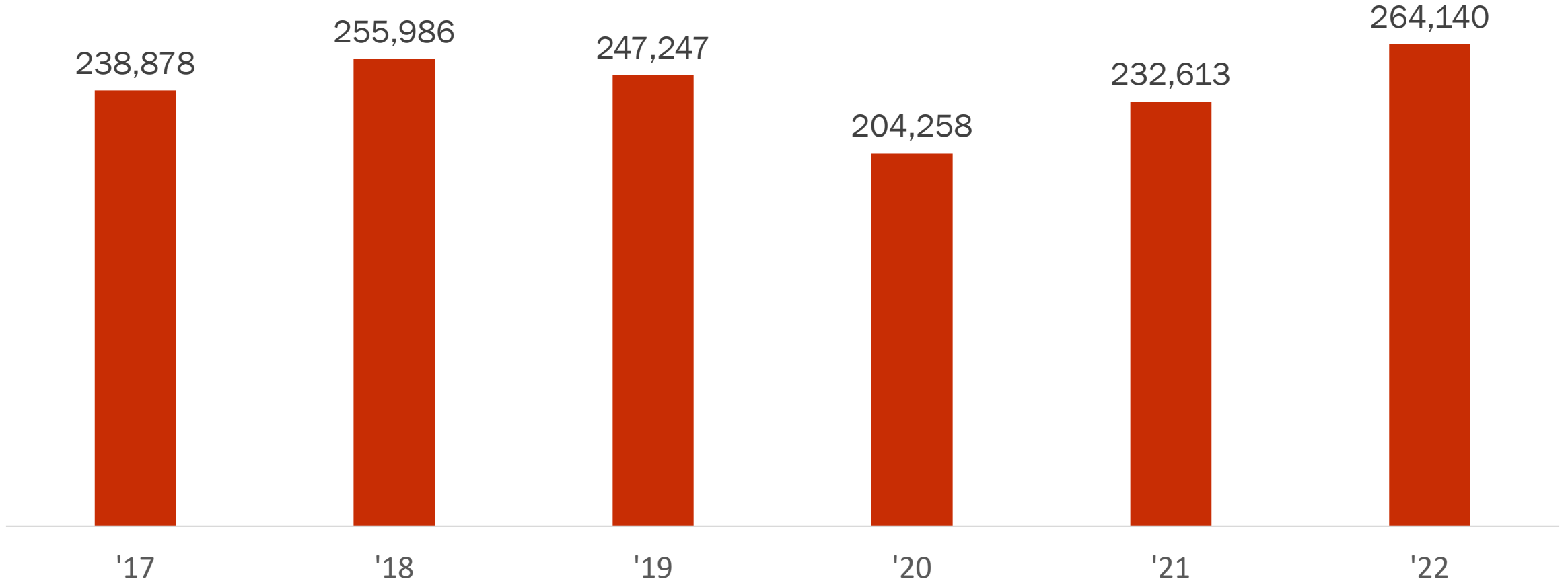


Houston Airport System Passenger Traffic, Nov YTD



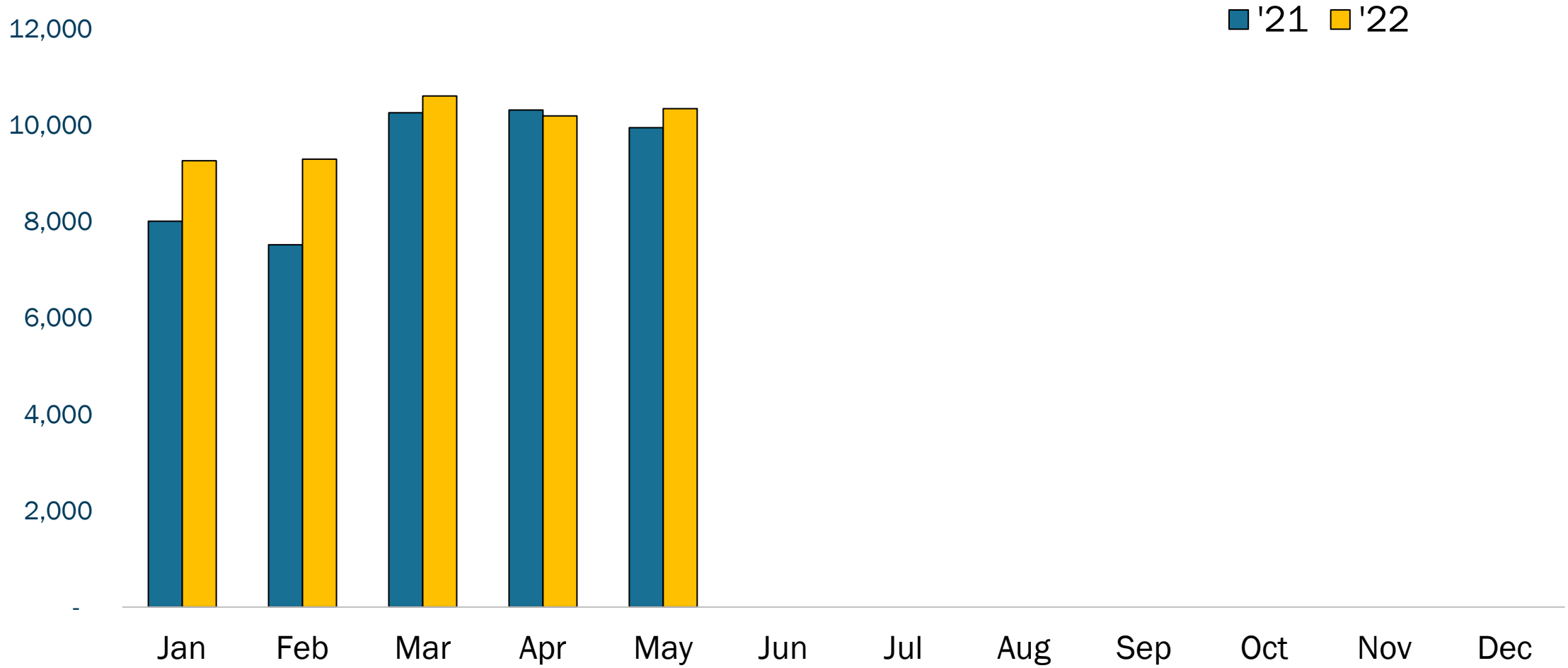


Houston Vehicle Sales, Oct YTD





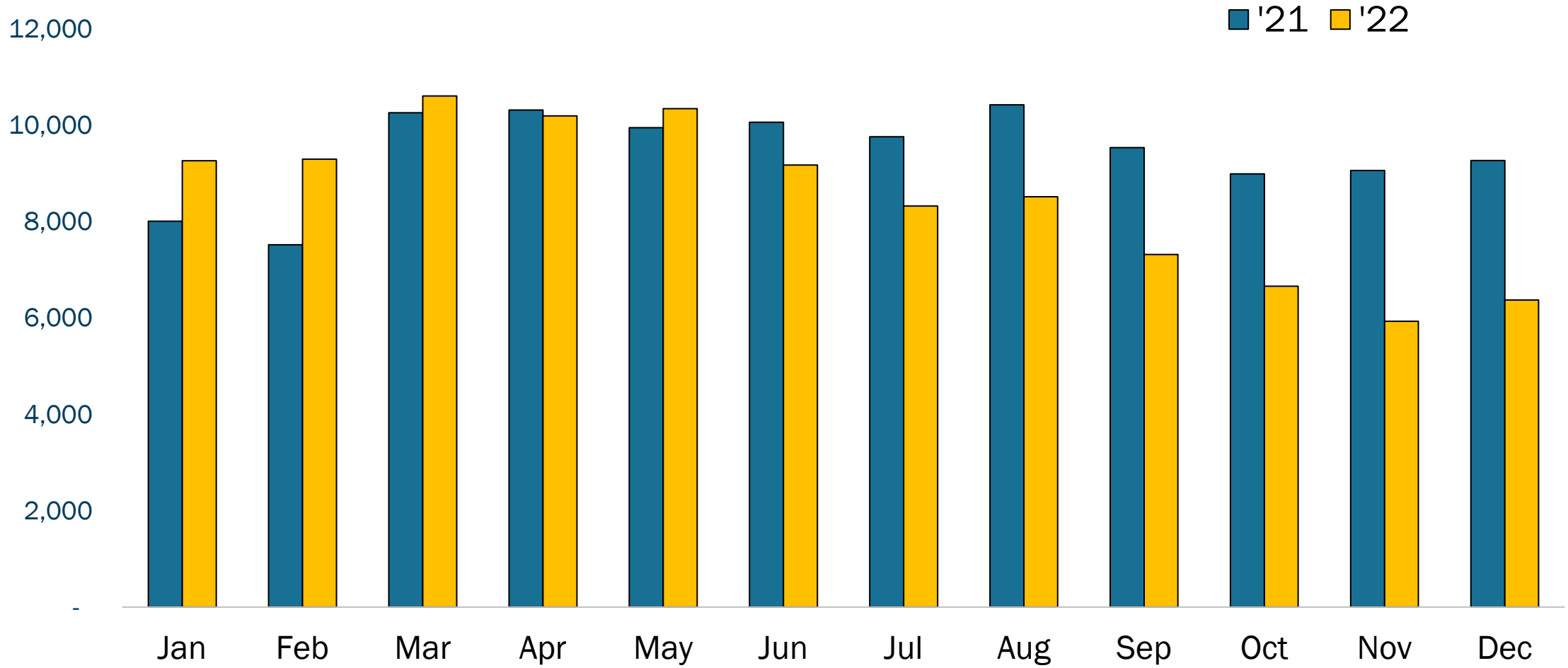
Existing Single-Family Home Sales



Source: Houston Association of Realtors

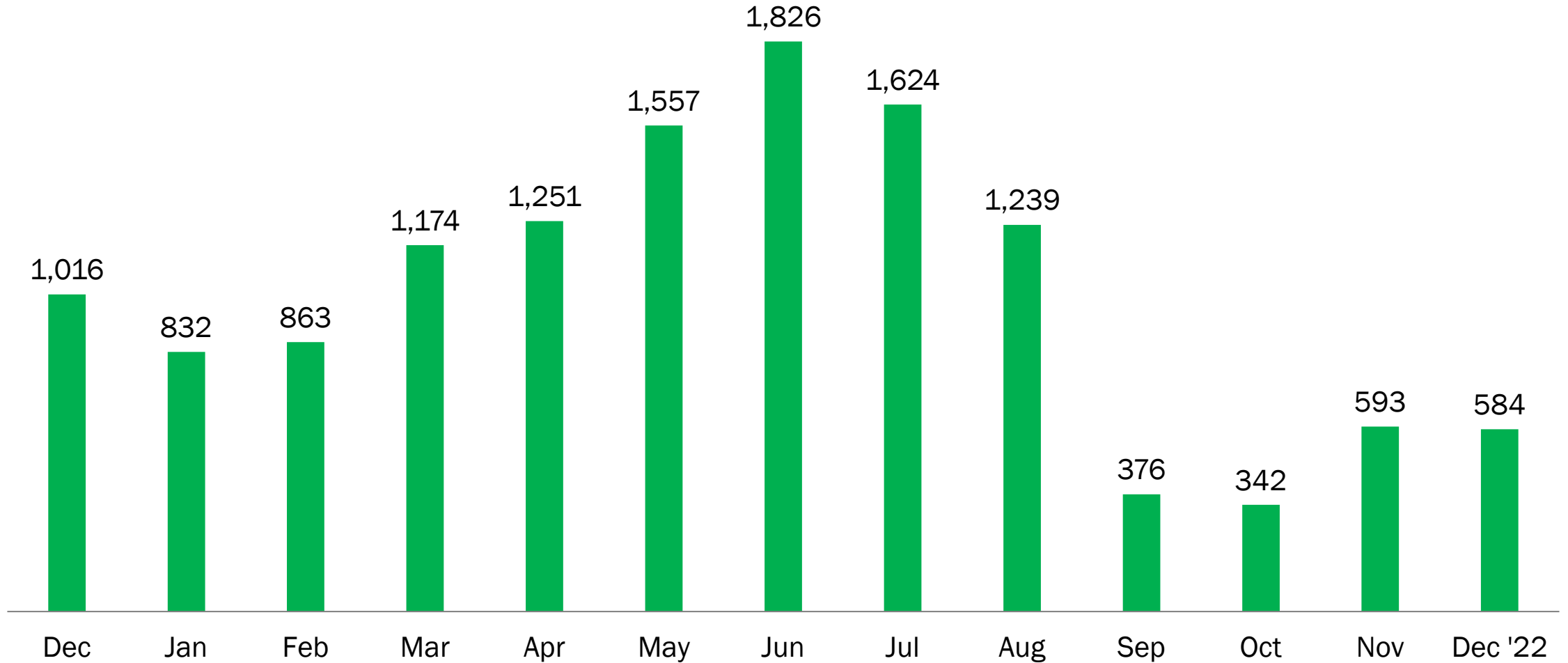


Existing Single-Family Home Sales

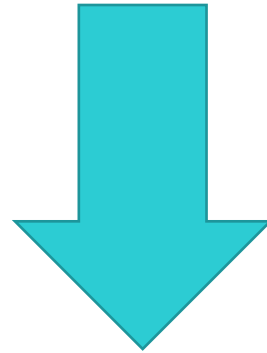


Source: Houston Association of Realtors

Absorption, Class A Apartments



Momentum



'23

Houston Employment Forecast for '23

Scenario	Probability
Mild Recession (Baseline)	50%
Near Miss	30%
Something Deeper	20%

Source: Greater Houston Partnership Research

Houston Employment Forecast for '23

Scenario	Probability	Job Gains
Mild Recession (Baseline)	50%	60,000
Near Miss	30%	80,000
Something Deeper	20%	30,000

Source: Greater Houston Partnership Research

Best performing sectors in '23*

- ✓ Health Care
- ✓ Government
- ✓ Construction
- ✓ Prof, Sci, Tech Srvcs
- ✓ Restaurants, Bars
- ✓ Admin Support
- ✓ Manufacturing
- ✓ Energy

* Forecast to create 5,000 or more jobs

Recession Math



Recessions Since WW II



Recessions Since WW II

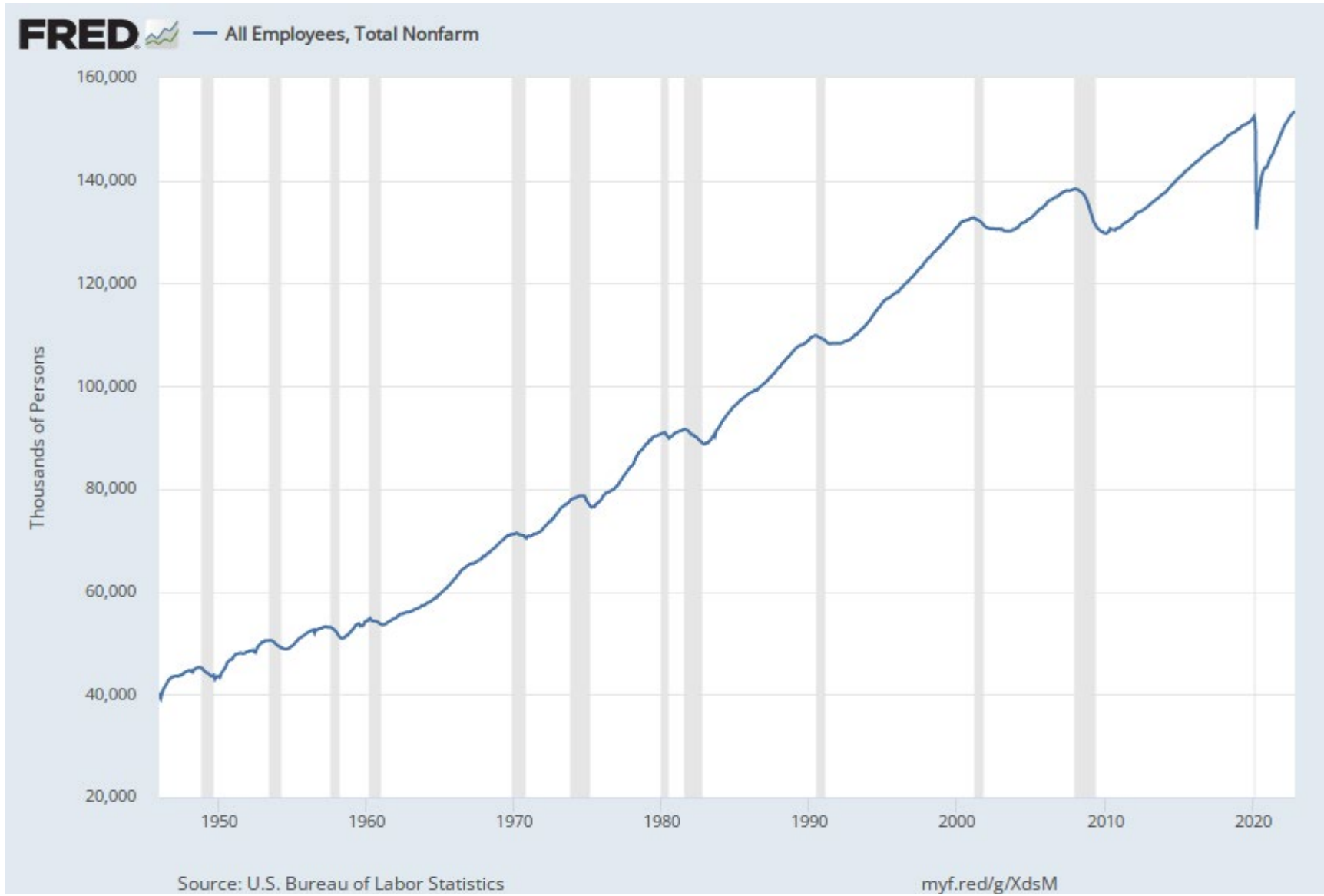
12

Recoveries Since WW II



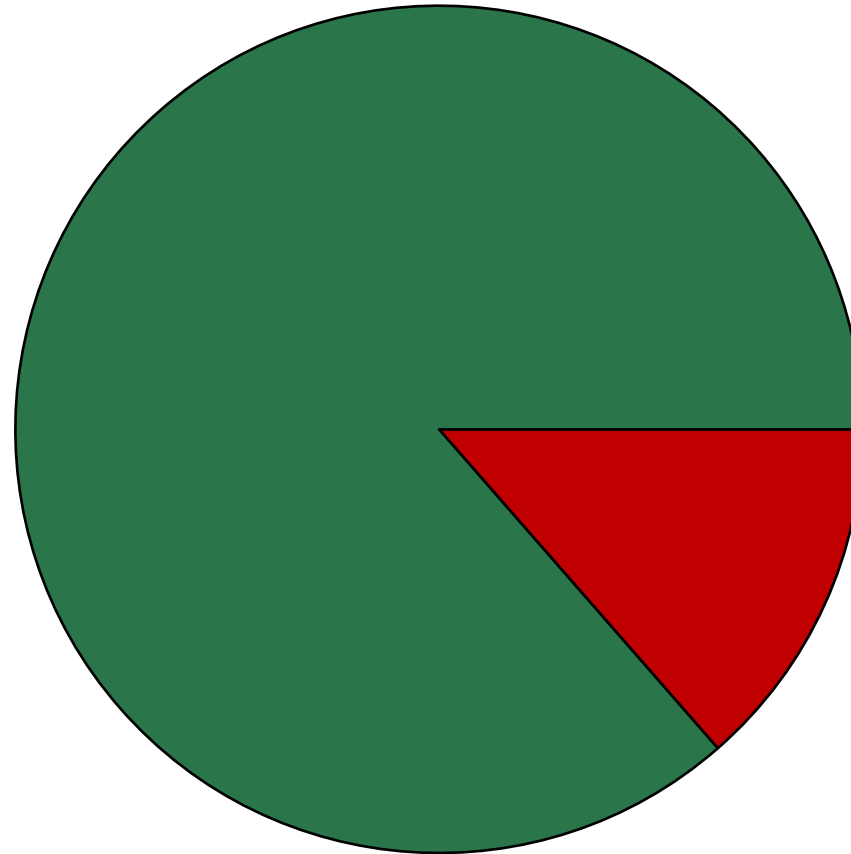
Recoveries Since WW II

12



U.S. Economy Since WW II

Recovery/Expansion
790 Months
86.4%



Recession/Contraction
124 Months
13.6%

Source: National Bureau for Economic Research

Short-Term Outlook



Long-Term Outlook



Metro Houston Forecast

Patrick Jankowski

Chief Economist and SVP, Research

January 19, 2023

