THE ECONOMY AT A GLANCE
HOUSTON

GREATER HOUSTON PARTNERSHIP
Making Houston Greater.

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Table of Contents

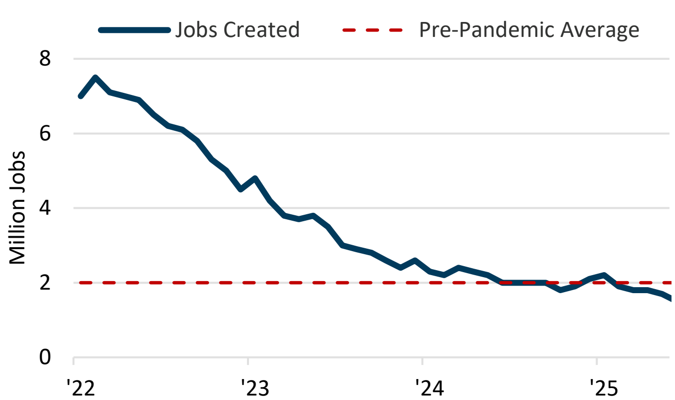
2026 ECONOMIC FORECAST

Editor's Note: The following excerpts key findings from the Partnership's '26 employment forecast released on December 11, 2025. All data are as of August '25 unless otherwise noted. The complete report provides deeper context and detailed, industry-by-industry analysis of what is expected to motivate gains and losses. The full version can be found on the Partnership's website.

U.S. Employment

The U.S. labor market has slowed down from the dramatic pace of growth experienced in the immediate pandemic rebound. Between '21 and '23, the U.S. added an average of roughly 4.7 million workers each year as the economy went into overdrive to recover lost jobs. By '24, the job growth rate came back to earth with a more typical 2.1 million jobs added during the year. In '25, job growth slowed even further, falling below the pre-pandemic trend with just 1.3 million jobs added as the labor market encountered new headwinds.

U.S. JOBS CREATED IN THE PREVIOUS 12 MONTHS



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

Macroeconomic conditions shifted early in the year, with greater business uncertainty on issues like trade policy, interest rates, and the growing prominence of new A.I. technologies. Many businesses responded to this unfamiliar landscape by pulling back on expansion and hiring, choosing instead to emphasize cost discipline and improving the productivity of existing workers. As a result of these shifts, monthly U.S. job openings fell from 7.7 million to 7.2 million between January and August, while layoffs held steady at about 1.7 million over the same period. In other words, the job market slowdown simply reflects less hiring and not more firing. This is different from a recessionary pattern: the labor market is still expanding, just modestly, with employers pulling back on new hiring while holding on to the workers they already employ.

Even as terminations remain low, the U.S. unemployment rate has ticked up from an average of 4.0 percent in '24 to 4.2 percent in '25 as new job seekers enter a workforce with fewer available openings. The U.S. unemployment rate overall averaged at 6.2 percent in the decade before the pandemic – the lower rates of around 4.0 percent during the past few years are unusual over the longer course of U.S. history. So, while national unemployment rates have ticked up slightly in '25, they remain below long-term norms.

The conditions that led to a slower job market are unlikely to fade quickly. Job growth should remain positive but subdued through the opening months of '26, with a rebound possible later in the year. The national unemployment rate is expected to rise slightly, though it should remain below 5.0 percent.

U.S. Economic Output

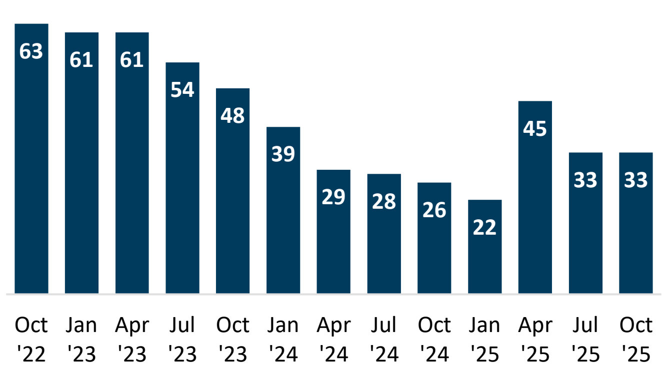
Despite the softening labor market, economic output has continued to expand through the first half of '25. Gross domestic product (GDP), the broadest measure of U.S. output, grew with the nation producing almost 24 trillion dollars of goods and services for the 12 months ending in Q2 '25. The GDP growth rate briefly turned negative in Q1 (-0.6 percent) as tariff uncertainty prompted firms to stockpile imported inventories and temporarily displace domestic production. However, growth rebounded quickly to 3.8 percent in Q2, before hitting an impressive 4.3 percent in Q3.

Bureau of Labor Statistics data shows U.S. manufacturing output rebounded in Q2 with 2.4 percent growth after a Q1 decline, led by greater productivity in durable goods.

A renewed focus on productivity, cost discipline, and the adoption of new A.I. technologies suggest that economic output will continue to outpace job growth. However, without broader business expansion and additional hiring, these forces are more likely to support moderate growth than to ignite a period of rapid acceleration.

While this trajectory may be slower than what we have become accustomed to in recent years, it still represents forward momentum with relatively low odds of a recession. An October '25 Wall Street Journal survey of economists puts the probability of a U.S. recession in the next 12 months at 33 percent. That figure is higher than the 22 percent reported in January, but lower than the peak of 45 percent reached in April, when uncertainty over trade policy was at its highest.

% PROBABILITY OF A RECESSION IN THE NEXT 12 MONTHS



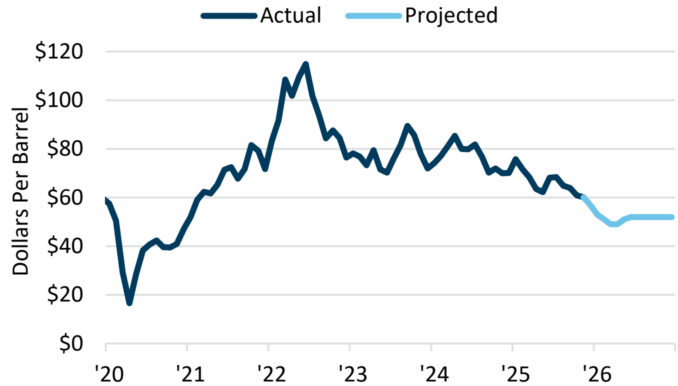
Source: The Wall Street Journal

Energy Markets

The natural gas market has demonstrated notable strength in '25. Production climbed to a record 108 billion cubic feet per day in August, a 4.7 percent increase over '24, driven largely by rising international demand. Liquefied Natural Gas (LNG) exports expanded by 35 percent between July '24 and July '25, setting a new high even as domestic consumption remained steady. Output is projected to peak in December '25 before moderating slightly in '26. Even with this modest pullback, the sector should remain a stabilizing force for Houston's economy, insulating it from volatility elsewhere.

Conditions have been less favorable for crude oil markets. The price of West Texas Intermediate (WTI), the light, sweet benchmark that reflects most Texas production, declined steadily in '25, falling below $60 per barrel in January '26 from $75 per barrel a year prior in January '25. This downward trend has reduced cash flow, capital spending, and new drilling activity among exploration and production firms, even as it has strengthened margins for refiners and processors that benefit from lower input costs.

WEST TEXAS INTERMEDIATE CRUDE OIL SPOT PRICE



Source: U.S. Energy Information Administration, STEO Dec '25

Nonetheless, U.S. crude production has continued to climb, rising from 13.1 million barrels per day in January to a record 13.7 million barrels per day in September. Productivity gains, technological improvements, and efficiencies in well management have enabled operators to extract more from existing assets, sustaining higher output levels with fewer workers, even as lower prices discourage new drilling and exploration.

If oil prices stay significantly below $60 a barrel or decline further (as the U.S. Energy Information Administration forecasts), job growth in the Houston area will face challenges. Despite decades of diversification, upstream energy companies, and the firms that support drilling, still play an important role in the regional labor market. Lower prices reduce incentives for new wells, cutting demand for engineering, oilfield services, machinery, fabricated metal products, pipeline construction, storage facilities, and administrative support services that many energy firms rely on.

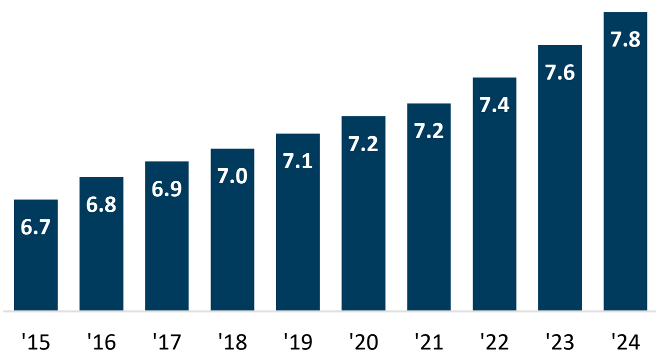
A Snapshot of Houston

While the broader U.S. economy faces mounting challenges and energy markets show signs of softening, Houston has several strengths that help keep the regional economy resilient. It currently has the fastest-growing economy of any major U.S. metro: from '21 to '23, Houston's GDP surged 25.1 percent, the strongest gain among the 20 most populous metros. That growth rate was nearly double the pace seen in leading coastal economies such as New York, Los Angeles, and San Francisco.

Houston's dynamism stems from several key strengths, beginning with its diverse industrial base. While the "Energy Capital of the World" title is well earned, the region is far more than an oil and gas hub. Over recent decades, Houston has broadened its economy, with major job gains in health care, advanced manufacturing, and professional and technical services, among other sectors. With shifting trade policies influencing more onshoring, Houston could capture even more of this activity.

Houston also benefits from a young and growing population. It is the youngest major metro in the U.S., with more than one in four residents under age 18. Over the past decade, the region has added more than one million residents, a 20.1 percent increase.

METRO HOUSTON POPULATION GROWTH



Source: U.S. Census Bureau Metro Population Estimates

Among the nation's 20 largest metros, only Orlando grew faster at 26.7 percent, though Houston's gains of roughly 1.3 million people were far larger in absolute terms. In '24, Houston led all major metros in both birth rates and net migration, attracting newcomers from across the country and around the globe. Unlike retiree destinations such as Florida, most people move to Houston to work, supplying a steady pipeline of young talent that will help power the region's workforce in '26 and beyond.

Forecast Model

This year's employment forecast is based on a new statistical model that analyzes how broad macroeconomic forces like consumer spending, industrial production, and energy prices have historically influenced the region's labor market. By examining these relationships, the model can detect recurring patterns and turning points, helping predict how local employment will evolve based on macroeconomic expectations for the months ahead. While the underlying methods are technical, the goal is simple: to create a clearer, data-driven picture of where Houston's job market is likely to head.

The model incorporates forecasts of national economic drivers developed by S&P Global, the U.S. Energy Information Administration, and the Partnership's own analysis. These forecasts act as guiding signals, helping the model account for broad economic forces that shape the region's employment landscape. By weaving these expectations into the analysis, the model is better able to anticipate shifts in the local economy rather than simply extending past trends forward.

In keeping with the analysis provided in earlier sections, the employment forecast assumes that the macroeconomic environment in '26 will feature:

- **Modest U.S. job growth**, slower than in recent years and below the long-term trend. Hiring is expected to remain soft through spring before strengthening in the summer, with year-over-year gains still below one percent by December.
- **A steady U.S. unemployment rate** near 4.4 percent, with sluggish hiring not resulting in broad layoffs.
- **Stable economic output**, with growth in Texas and nearby states easing slightly in the second half of the year but remaining positive.
- **Flat manufacturing activity** through the spring, followed by a summer rebound.
- **Steady growth in consumer spending**, as household demand remains resilient despite softer hiring and business investment.
- **Elevated inflation** near 3 percent year-over-year.
- **Gradual increases to business inventories**, without major shortages or stockpiling, and fewer supply-chain disruptions than in '25.
- **Steady U.S. natural gas production**, at around 107 billion cubic feet per day – a minor dip that still provides stability for Houston's energy sector.
- **A moderate decline in U.S. oil production** to between 13.6 and 13.4 million barrels per day for most of the year, with efficiency gains preventing steeper declines and a rebound expected by year-end.
- **Falling WTI crude oil prices**, expected to average at about $58 a barrel for the duration of the year. While the EIA expects a steeper drop closer to $50 a barrel, futures markets have traded around $58 as of October '25– an outlook the model takes as the more relevant signal on where prices will settle.

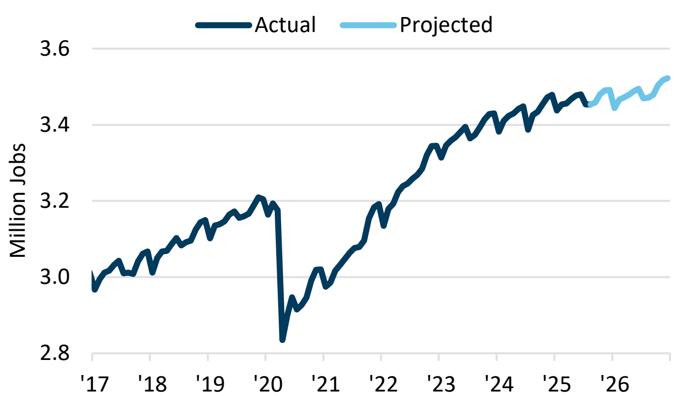
If a few assumptions prove slightly off, the forecast's core conclusions should still hold. But if there are larger discrepancies, observed conditions may vary significantly from the forecast.

No model can anticipate every twist and turn of the real world. Major shocks, like a hurricane or sudden policy shift, can disrupt trends in ways the available data simply can't predict. A key uncertainty for Houston lies in immigration. Without clear data on the effects of recent policy changes, the model may not fully capture emerging shifts in the region's labor supply. Still, it offers a reasonable guide on how events may unfold based on historical patterns.

Forecast Predictions

The Partnership forecasts that metro Houston will add **30,900** positions in '26, reaching a record 3.52 million jobs by the end of the year. Although this falls below Houston's recent average of roughly 50,000 jobs added annually, it is broadly in line with the muted national outlook described above. Lower oil prices will remain a headwind and weigh more heavily on our region. Even so, Houston's young, skilled workforce and strong pipeline of major new projects should help offset energy sector pressures and keep regional growth on pace with the nation.

METRO HOUSTON EMPLOYMENT FORECAST



Source: Greater Houston Partnership Research

The strongest job gains are expected in health care, construction, public education, public administration, professional and technical services, and restaurants and bars. Most of these sectors serve Houston's growing population and feature work that is more labor-intensive and difficult to automate.

In contrast, sectors that are strongly linked to upstream oil production, like oil and gas extraction, manufacturing, and administrative support services, are projected to weaken and shed jobs as lower oil prices curb new drilling, revenues, and business expansion.

FORECASTED JOB GAINS/LOSSES BY SECTOR
December '25 – December '26

Industry	Jobs Added/Lost
Health Care	14,000
Construction	6,100
Public Education	5,800
Public Administration	5,000
Professional, Scientific & Technical Services	3,300
Restaurants & Bars	2,800
Other Services	2,800
Arts & Entertainment	1,600
Utilities	1,300
Misc Business	1,300
Private Education	1,300
Finance & Insurance	1,200
Hotels	900
Wholesale	100
Transportation & Warehousing	0
Real Estate & Rentals	0
Information	-700
Retail	-1,800
Oil & Gas Extraction	-3,200
Manufacturing	-3,400
Administrative Support	-7,500
TOTAL	**30,900**

Source: Greater Houston Partnership Research

Houston's outlook for '26 reflects a year of steady, sustainable progress. While job growth may be slower during the start of the year, the region is still expected to reach a new employment record of over 3.5 million jobs by year-end, evidence that Houston remains on solid footing even in a cooler national economy.

Houston has repeatedly shown it can adapt, diversify, and emerge stronger from periods of uncertainty. With solid fundamentals in place, the region is well positioned to navigate what may be a modest year and accelerate once national conditions improve. The trajectory remains positive, and Houston's long-term story is still one of strong growth and opportunity.

To read the full forecast, including in-depth, sector-by-sector analysis and additional context on the drivers shaping the outlook, please visit the Partnership's website.

HOUSTON'S FOREIGN-BORN WORKFORCE

Representing over a quarter (25.4 percent) of the local population, foreign-born Houstonians are central to the region's communities and culture. But they play an especially outsize role in the local economy. Foreign-born workers now make up nearly one-third (31.8 percent) of the region's total workforce, up from 30.2 percent a decade ago, as Houston has added more than a quarter-million foreign-born residents to its employment base during that period.

FOREIGN-BORN SHARE OF RESIDENTS & WORKERS

	'24		'14	
	Count	Share of Total (%)	Count	Share of Total (%)
Residents	1,979,300	25.4	1,498,072	23.1
Workers	1,212,307	31.8	939,711	30.2

Source: Partnership analysis of U.S. Census Bureau 1-yr ACS data

In addition to their growing share of the workforce, foreign-born residents also have a consistently higher labor force participation rate than the native population. Overall labor force participation has remained fairly steady in the region, but the trends for native and foreign-born populations have diverged since '22. Native-born which was flat in the preceding years edged down in '24. By contrast, foreign-born participation has risen for three straight years, consistent with new migrants coming to Houston primarily to work.

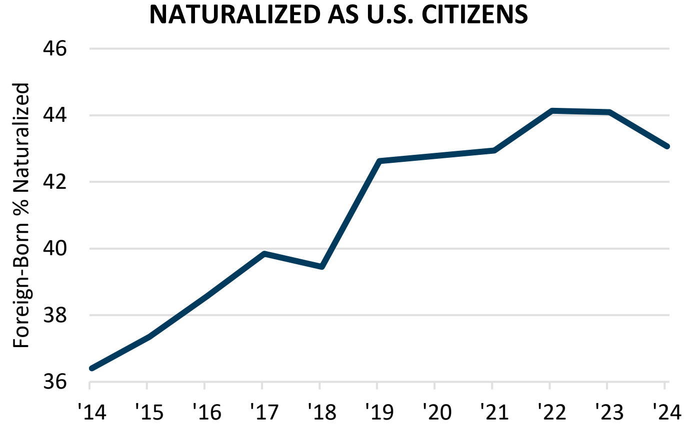
LABOR FORCE PARTICIPATION RATE (%)

	'24	'22	Change
Native	65.6	66.1	-0.5
Foreign-Born	69.4	67.7	+1.7
OVERALL	**66.8**	**66.6**	**+0.2**

Note: Represents participation rate for population that is 16+
Source: Partnership analysis of U.S. Census Bureau 1-yr ACS data

As foreign-born residents have become a larger part of Houston's workforce, the share who are naturalized U.S. citizens has also risen, reflecting their deeper roots and increasing civic participation. In '14, just over one-third (36.4 percent) of the region's foreign-born residents were naturalized citizens. That share climbed steadily to 44.1 percent by '23 before easing slightly to 43.1 percent in '24.

SHARE OF FOREIGN-BORN RESIDENTS NATURALIZED AS U.S. CITIZENS



Source: Partnership analysis of U.S. Census Bureau 1-yr ACS data

Compared with native-born residents, foreign-born Houstonians are more concentrated at both ends of the education spectrum. The foreign-born population has a significantly higher share of residents without a high school diploma, reflecting in part the region's draw for workers seeking hands-on, blue-collar opportunities. At the other end, foreign-born residents are also more likely to hold graduate or professional degrees, underscoring their contributions in technical professions, research, and other specialized fields.

HIGHEST EDUCATIONAL ATTAINMENT (%)

Education Level	Native	Foreign-Born	Overall
No H.S. Diploma	7.3	29.1	**14.6**
H.S. Diploma or Equiv	23.7	20.5	**22.6**
Some College/Assoc Deg	30.5	15.6	**25.5**
Bachelor's Degree	24.6	19.7	**23.0**
Grad or Prof Degree	13.9	15.1	**14.3**

Source: Partnership analysis of U.S. Census Bureau '24 1-yr ACS data

Foreign-born representation varies widely by industry. Construction stands out, with over half (50.2 percent) of the local workforce being foreign-born. Manufacturing, professional and administrative services, and leisure and hospitality also show strong representation, with foreign-born workers making up roughly one-third of their respective employment bases. Broadly, foreign-born workers are woven throughout Houston's economy, representing more than one-quarter of the workforce in every sector except public administration.

INDUSTRIES RANKED BY SHARE OF FOREIGN-BORN WORKERS

	Industry	Foreign-Born Workers	Share of Industry Total (%)
1	Construction	175,785	50.2
2	Other	80,012	39.0
3	Manufacturing	128,505	35.2
4	Professional & Admin Services	184,271	33.9
5	Leisure & Hospitality	101,834	32.3
6	Mining & Agriculture	25,458	31.8
7	Transport, Warehouse & Utilities	93,348	31.2
8	Wholesale	26,671	29.9
9	Information	13,335	26.8
10	Retail	101,834	26.2
11	Health Care & Education	204,880	25.7
12	Finance, Insurance & Real Estate	55,766	25.4
13	Public Administration	18,185	16.3
	OVERALL	**1,212,307**	**31.8**

Note: Industry counts may not sum to overall due to rounding error
Source: Partnership analysis of U.S. Census Bureau '24 1-yr ACS data

Colin Baker, Holly Heard, and Clara Richardson contributed to this issue of Houston: The Economy at a Glance.

HOUSTON MSA NONFARM PAYROLL EMPLOYMENT

	November '25	October '25	November '24	Change From		% Change From	
				October '25	November '24	October '25	November '24
Total Nonfarm Payroll Jobs	**3,490,300**	**3,480,600**	**3,471,800**	**9,700**	**18,500**	**0.3**	**0.5**
Total Private	3,019,700	3,012,500	3,005,600	7,200	14,100	0.2	0.5
Goods Producing	557,200	558,600	553,100	-1,400	4,100	-0.3	0.7
Service Providing	2,933,100	2,922,000	2,918,700	11,100	14,400	0.4	0.5
Private Service Providing	2,462,500	2,453,900	2,452,500	8,600	10,000	0.4	0.4
Mining & Logging	79,800	81,300	78,000	-1,500	1,800	-1.8	2.3
Oil & Gas Extraction	38,200	38,700	37,200	-500	1,000	-1.3	2.7
Support Activities for Mining	40,100	41,100	39,500	-1,000	600	-2.4	1.5
Construction	240,300	239,100	234,600	1,200	5,700	0.5	2.4
Manufacturing	237,100	238,200	240,500	-1,100	-3,400	-0.5	-1.4
Durable Goods Manufacturing	146,800	147,400	149,300	-600	-2,500	-0.4	-1.7
Nondurable Goods Manufacturing	90,300	90,800	91,200	-500	-900	-0.6	-1.0
Wholesale Trade	182,000	181,600	180,000	400	2,000	0.2	1.1
Retail Trade	328,800	322,200	329,400	6,600	-600	2.0	-0.2
Transportation, Warehousing & Utilities	203,700	198,300	199,800	5,400	3,900	2.7	2.0
Utilities	25,400	25,100	24,600	300	800	1.2	3.3
Air Transportation	22,500	22,100	21,300	400	1,200	1.8	5.6
Truck Transportation	32,000	31,600	31,000	400	1,000	1.3	3.2
Pipeline Transportation	14,800	14,700	13,900	100	900	0.7	6.5
Information	28,500	28,800	29,900	-300	-1,400	-1.0	-4.7
Telecommunications	10,300	10,300	10,900	0	-600	0.0	-5.5
Finance & Insurance	117,200	117,300	117,800	-100	-600	-0.1	-0.5
Real Estate & Rental & Leasing	65,200	64,400	64,000	800	1,200	1.2	1.9
Professional & Business Services	553,200	556,200	570,700	-3,000	-17,500	-0.5	-3.1
Professional, Scientific & Technical Services	280,000	281,300	289,000	-1,300	-9,000	-0.5	-3.1
Legal Services	33,700	33,900	34,300	-200	-600	-0.6	-1.7
Accounting, Tax Preparation & Bookkeeping	27,600	27,700	28,300	-100	-700	-0.4	-2.5
Architectural, Engineering & Related Services	78,200	78,500	79,600	-300	-1,400	-0.4	-1.8
Computer Systems Design & Related Services	42,000	42,300	43,900	-300	-1,900	-0.7	-4.3
Admin & Support, Waste Mgt & Remediation	227,400	228,900	233,900	-1,500	-6,500	-0.7	-2.8
Administrative & Support Services	214,400	215,800	221,200	-1,400	-6,800	-0.6	-3.1
Employment Services	75,200	75,400	80,200	-200	-5,000	-0.3	-6.2
Private Educational Services	75,100	74,800	72,800	300	2,300	0.4	3.2
Health Care & Social Assistance	401,500	401,100	391,100	400	10,400	0.1	2.7
Arts, Entertainment & Recreation	42,200	42,700	40,600	-500	1,600	-1.2	3.9
Accommodation & Food Services	327,800	328,900	323,000	-1,100	4,800	-0.3	1.5
Other Services	137,300	137,600	133,400	-300	3,900	-0.2	2.9
Government	470,600	468,100	466,200	2,500	4,400	0.5	0.9
Federal Government	35,900	35,400	37,700	500	-1,800	1.4	-4.8
State Government	103,500	103,000	99,900	500	3,600	0.5	3.6
State Government Educational Services	55,800	55,600	54,400	200	1,400	0.4	2.6
Local Government	331,200	329,700	328,600	1,500	2,600	0.5	0.8
Local Government Educational Services	226,700	225,200	224,900	1,500	1,800	0.7	0.8

Source: Texas Workforce Commission