THE ECONOMY AT A GLANCE
HOUSTON

GREATER HOUSTON PARTNERSHIP

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ECONOMIC UPDATE

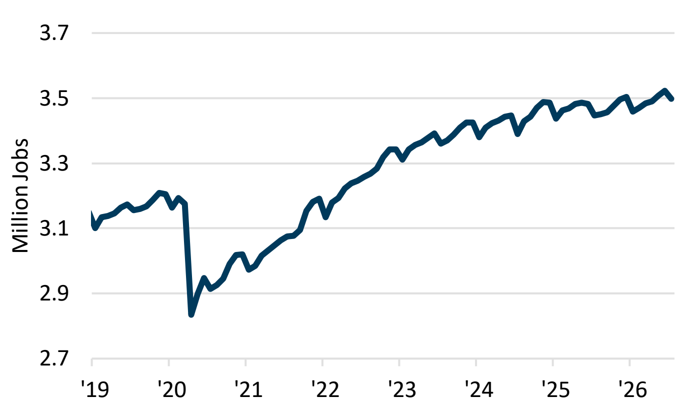
Through the first half of the year, Houston's economy has shown renewed momentum after a slower '25. The strongest signal is the labor market, where Houston's job base is growing at roughly five times the national pace and faster than any of the nation's major metros. Business conditions have also improved since the start of the year, exports have surged, and home and vehicle sales remain resilient.

There are still areas to watch. Durable goods manufacturing has been uneven, construction awards have eased from last year's record, and unemployment remains slightly elevated. Even so, the broader mix of indicators suggests Houston is entering the final quarter of '26 with firmer momentum than much of the country.

Employment

Metro Houston added 50,300 jobs in the 12 months ending July '26, bringing total nonfarm employment in the region to 3,497,700. That represents a significant rebound from the unusually soft pace of job growth in calendar year '25, when the region added just 17,500 jobs.

METRO HOUSTON NONFARM EMPLOYMENT



Source: Texas Workforce Commission

Houston's year-over-year job growth is now approaching the pace one might expect in a more typical year. Some of that apparent strength, however, reflects a soft baseline. July '25 saw an unusually large seasonal drop in education jobs, which makes the latest year-over-year comparison somewhat stronger.

Houston's improvement comes at a time when the national labor market is also showing signs of stabilizing. The U.S. ended '25 with just 69,000 jobs created over the entire year, reflecting a 0.04 percent job growth rate. But as of July '26, year-over-year growth has improved to 459,000 jobs or a 0.3 percent growth rate.

But Houston's gains have been considerably stronger. The region's 50,300 new jobs represent a 1.5 percent growth rate, roughly five times the national rate. That was the fastest pace among the nation's 20 most populous metros.

JOB GROWTH RATE, 20 MOST POPULOUS U.S. METROS JULY '25 – JULY '26

	Metro	%		Metro	%
1	**Houston**	**1.5**	11	Tampa	0.6
2	Minneapolis	1.4	12	San Diego	0.5
3	Dallas	1.3	13	Miami	0.5
4	Phoenix	1.2	14	Boston	0.4
5	Orlando	1.1	15	Denver	0.3
6	New York	1.0	16	San Francisco	0.2
7	Seattle	0.8	17	Chicago	0.2
8	Riverside	0.8	18	Detroit	0.2
9	Los Angeles	0.8	19	Atlanta	-0.1
10	Philadelphia	0.7	20	Washington	-2.2

Source: Partnership Analysis of Bureau of Labor Statistics Data

Construction and administrative support tied for the top spot in year-over-year job growth, together accounting for just over half of all jobs added. Construction hiring tied to major infrastructure projects has cooled from last year's surge, but growth has shifted toward building and specialty trade contractors. Growth in administrative support was concentrated in employment services, where stronger energy-related activity appears to be supporting demand for temporary workers.

METRO HOUSTON JOBS ADDED/LOST BY SECTOR, JULY ’25 – JULY ’26

	Sector	July ’25	July ’26	Change
1	Construction	254,200	267,300	13,100
1	Admin Support	237,100	250,200	13,100
3	Health Care	396,000	405,400	9,400
4	Restaurants & Bars	299,700	308,000	8,300
5	Prof, Sci & Tech Services	284,300	289,300	5,000
6	Other Services	130,600	135,400	4,800
7	Public Education	251,100	253,400	2,300
8	Transport & Warehousing	172,400	174,100	1,700
9	Public Administration	186,500	187,700	1,200
10	Utilities	24,400	25,400	1,000
11	Private Education Services	70,000	70,400	400
12	Retail	319,700	319,800	100
12	Hotels	27,900	28,000	100
14	Misc. Business	43,800	43,400	-400
15	Oil & Gas Extraction	74,000	73,400	-600
16	Wholesale	178,800	178,000	-800
16	Real Estate & Equip Rentals	62,900	62,100	-800
18	Information	29,000	27,400	-1,600
19	Arts & Recreation	46,800	45,100	-1,700
20	Manufacturing	242,000	240,100	-1,900
21	Finance & Insurance	116,200	113,800	-2,400

Source: Partnership Analysis of Texas Workforce Commission Data

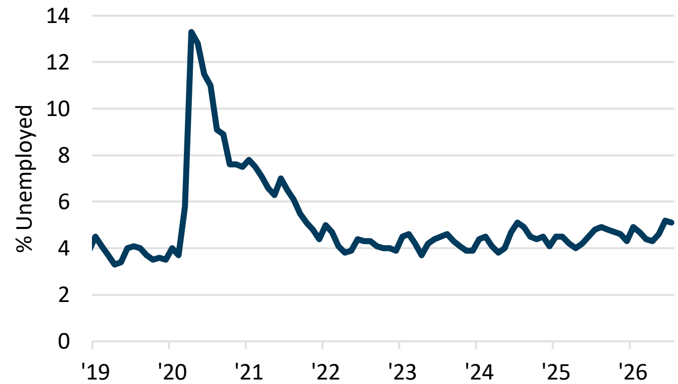
Health care and social assistance also posted solid gains, along with restaurants and bars, consistent with the needs of Houston’s growing population. Professional, scientific and technical services added 5,000 positions as business-to-business spending picked up after a slower ’25. Much of that spending appears concentrated in the energy sector, where the closure of the Strait of Hormuz and resulting spike in global oil prices have strengthened the prospects for new exploration and drilling. That set of events has increased demand for engineering, technical and other professional services tied to activity in the Permian Basin, even as drilling remains relatively stable.

Eight of the 21 sectors tracked by the Partnership lost jobs over the year, though the declines were generally modest, with no sector shedding more than 2,500 positions. Finance and insurance posted the largest decline, mirroring a national trend that partly reflects elevated mortgage rates, industry consolidation and ongoing efforts to improve efficiency.

Unemployment

Houston’s unemployment rate stood at 5.1 percent in July, somewhat higher than the levels seen in recent years but still well below the pandemic-era highs of 6 to 13 percent experienced between ’20 and ’21.

METRO HOUSTON UNEMPLOYMENT RATE

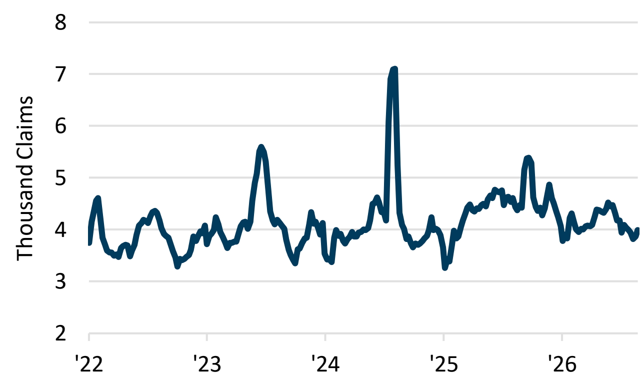


Source: Texas Workforce Commission

The rate has generally run above both the statewide and national averages in recent years. The gap partly reflects Houston’s younger, faster-growing labor force, which continues to add recent graduates and other new job seekers at a faster pace than they can find work.

The rise in the unemployment rate does not appear to be driven by an increase in layoffs. Initial claims for unemployment benefits, a useful proxy for layoffs, have declined modestly from roughly 4,500 per week in late August ’25 to around 4,000 in the most recent readings.

METRO HOUSTON INITIAL UNEMPLOYMENT CLAIMS



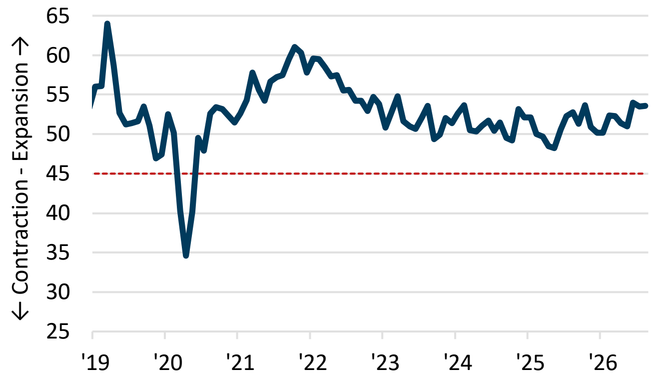
Note: Chart represents a 4-week moving average
Source: Partnership Analysis of Texas Workforce Commission Data

The combination of fewer claims and a higher unemployment rate suggests more of the increase is coming from a growing pool of job seekers taking longer to find work, rather than from a broad rise in job losses.

Purchasing Managers Index

The Houston Purchasing Managers Index (PMI), a broad gauge of local business conditions, has remained above its breakeven point of 45 for the past six years. That sustained stretch signals that the local economy has remained in expansion since the early months of the COVID-19 pandemic.

HOUSTON PURCHASING MANAGERS INDEX



Source: Institute for Supply Management Houston

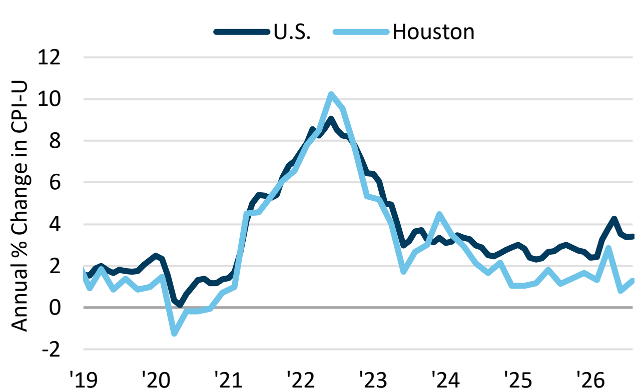
The implied pace of growth has been mostly accelerating since the start of the year, with the PMI climbing from 50.2 in January to its most recent reading of 53.5 in August. Performance of the overall index has been buoyed by consistent growth in sales, employment, purchases, and lead times since the start of the year.

A divide has emerged between Houston's manufacturing and non-manufacturing sectors, though the gap narrowed in August. Both were expanding through the spring before manufacturing slipped into contraction over the summer amid softer conditions for durable goods producers. Manufacturing returned to expansion in August, while non-manufacturing continued to post solid growth, supported by strength across Houston's service economy.

Inflation

Nationwide, inflation has picked up significantly since the start of the year, with the annual inflation rate measured by the Consumer Price Index for All Urban Consumers (CPI-U) reaching 3.4 percent in August. Much of that increase reflects higher energy costs, as oil and other fuel prices have risen sharply since the closure of the Strait of Hormuz, feeding through to broader consumer prices.

U.S. & METRO HOUSTON INFLATION RATES



Source: Partnership Analysis of Bureau of Labor Statistics Data

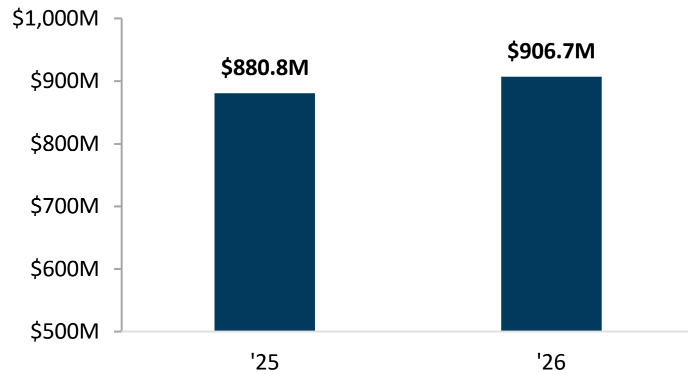
The pickup in inflation has complicated the outlook for interest rates. With price pressures moving further above the Federal Reserve's 2 percent target, policymakers may need to keep rates higher for longer or consider another increase if inflation remains elevated. Much will depend on whether higher energy costs continue to spread to prices elsewhere in the economy.

But Houston residents are seeing much less inflation pressure than consumers nationally. The local inflation rate stands at just 1.3 percent, well below the U.S. rate. Much of that gap comes down to housing costs. Housing-related prices are up 3.1 percent from a year earlier nationwide, while they have been essentially flat in the Houston area, helping keep overall local inflation subdued.

Sales & Use Tax Collections

Local sales and use taxes collected by the 132 Houston-area cities that levy them totaled $906.7 million during the first six months of '26, up 2.9 percent from the $880.8 million collected over the same period in '25.

SALES AND USE TAX COLLECTIONS JUNE YTD, METRO HOUSTON CITIES



Source: Partnership Analysis of Texas State Comptroller Data

These collections, which cover purchases made by consumers and businesses, are a proxy for spending in the region. The increase points to modest growth in spending over the period. Some of that gain, however, reflects higher prices, meaning growth in underlying purchasing activity is smaller than the increase in collections suggests.

International Trade

International trade moving through Metro Houston's six ports (Port Houston, Port Freeport, Port Texas City, Port Galveston, George Bush Intercontinental Airport and Sugar Land Regional Airport) totaled $186.6 billion through July, up 16.6 percent from the same period last year. The increase was overwhelmingly driven by exports, which jumped 26.2 percent to $119.3 billion, while imports rose a more modest 2.8 percent.

METRO HOUSTON INTERNATIONAL TRADE, JULY YTD

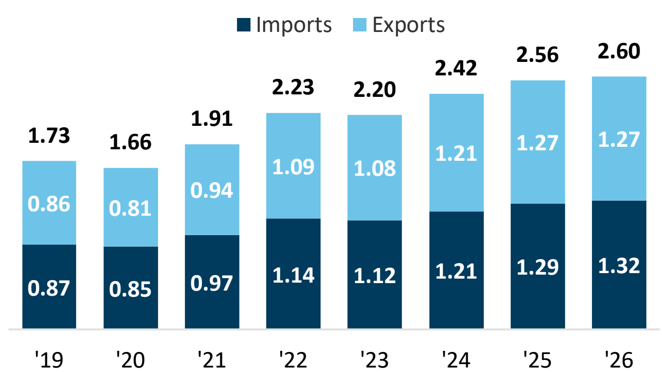
	$ Billions		Change '25 - '26	
	'25 YTD	'26 YTD	$ Billions	%
Imports	$65.4	$67.3	$1.9	2.8
Exports	$94.6	$119.3	$24.8	26.2
TOTAL	$160.0	$186.6	$26.6	16.6

Note: Reflects trade passing through all six ports in metro Houston
Source: Partnership Analysis of U.S. Census Bureau Trade Data

Global energy markets have been the main driver of the region's trade growth. Disruptions through the Strait of Hormuz pushed oil prices higher and increased demand for alternative supplies of crude oil and refined fuels. Houston is especially well positioned to benefit from that shift, with a significant share of U.S. energy exports moving through the region's seaports. Higher export volumes, combined with higher prices, have sharply increased the value of oil and liquid fuel shipments passing through the metro area.

Growth has not been limited to petroleum products. Port Houston handled 2.60 million twenty-foot equivalent units (TEUs) through July, up from 2.56 million over the same period last year and putting the port on pace to surpass its '25 record. Both imports and exports increased, pointing to continued strength across containerized trade. Sustaining that growth will depend in part on continued improvements to terminal capacity and infrastructure surrounding the Houston Ship Channel.

PORT HOUSTON CONTAINER TRAFFIC, JULY YTD
MILLION TEUs

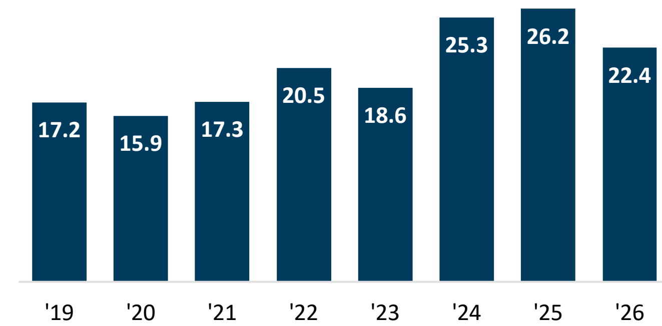


Source: Partnership Analysis of Port Houston Data

Construction

Construction contract awards, an indicator of future construction activity, came in at $22.4 billion during the first seven months of '26. This represents a 14.3 percent decrease from last year's record $26.2 billion over the same period.

METRO HOUSTON CONSTRUCTION AWARDS, JULY YTD
$ Billions



Source: Dodge Data & Analytics

Construction contracts have eased from their recent record high, even as construction employment and activity remain strong. The two measures do not move in lockstep, since contracts can be awarded months or even years before work begins. That lag means today's construction activity still reflects projects approved earlier. The decline in new contracts could point to a more moderate pace of construction in the months and years ahead, but the existing pipeline should continue to support the industry in the near term.

Most of the pullback has come from residential construction, which is more sensitive to elevated borrowing costs and financing conditions. Houston's continued population growth should support housing demand over the longer term, but developers have become more cautious about starting new projects in the short run. Nonresidential awards have also eased, while infrastructure-related projects continue to show momentum.

METRO HOUSTON AWARDS BY SECTOR, JULY YTD

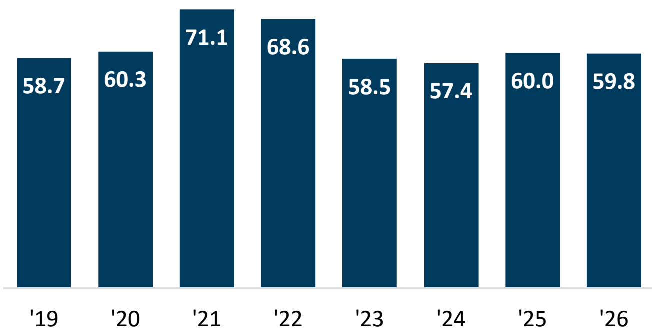
	$ Billions		Change '25 - '26	
	'25 YTD	'26 YTD	$ Billions	%
Residential	$11.6	$8.4	-$3.2	-27.4
Non-Residential	$8.6	$7.8	-$0.8	-8.7
Non-Building	$6.0	$6.2	$0.2	3.2
TOTAL	$26.2	$22.4	-$3.7	-14.3

Source: Dodge Data & Analytics

Home Sales

Metro Houston recorded 59,800 single-family home sales through August, essentially unchanged from last year and above the pace seen in '23 and '24. Sales remain below the unusually strong levels of '21 and '22, when low borrowing costs and pandemic-era demand fueled activity. Even with mortgage rates still elevated, steady sales suggest housing demand remains resilient.

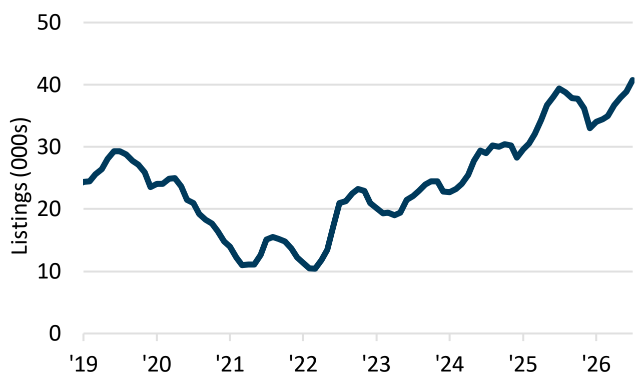
METRO HOUSTON SINGLE-FAMILY HOME SALES, AUGUST YTD (000s)



Source: Houston Association of Realtors

Listings, meanwhile, have climbed sharply, giving buyers more choices than they have had in several years. The added supply is bringing the market into better balance after the tight conditions of the pandemic period, when limited inventory gave sellers the upper hand. Buyers now have more room to compare options and negotiate, while the increase in available homes should help keep home price growth in check.

METRO HOUSTON SINGLE-FAMILY HOME LISTINGS



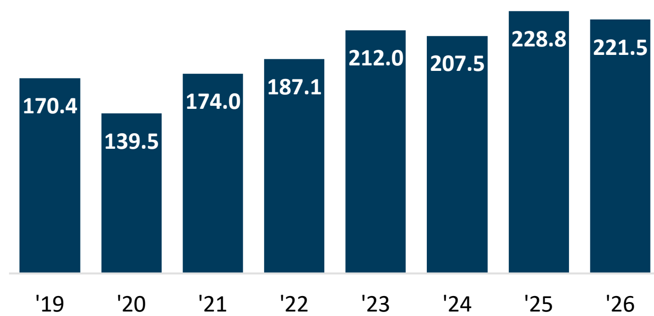
Source: Houston Association of Realtors

Vehicle Sales

Houston-area dealers sold 221,458 new cars, trucks and SUVs during the first seven months of ’26, down 3.2 percent from 228,827 over the same period last year. The comparison is against an unusually strong ’25, when vehicle sales set an all-time record as buyers accelerated purchases ahead of anticipated tariff-related price increases.

Even after some demand was pulled earlier into last year, sales have remained close to that record pace. Vehicle purchases are a major discretionary expense, so the continued strength suggests consumers remain willing to make large purchases despite higher borrowing costs and uncertainty around the economic outlook.

METRO HOUSTON NEW VEHICLES SOLD, JULY YTD (000s)

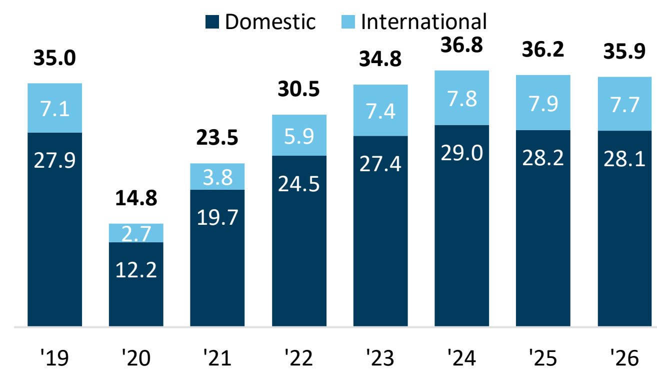


Source: TexAuto Facts Published by InfoNation, Inc.

Aviation

Passenger traffic at Houston’s airports remained essentially flat year to date through July, with 35.9 million travelers, down less than one percent from last year. Domestic traffic held steady, while international travel remained below last year’s pace. The World Cup provided a temporary lift, with international arrivals up more than 2 percent during the tournament travel period, but that was not enough to offset softer international traffic earlier in the year.

HOUSTON AIRPORTS, MILLION PASSENGERS, JULY YTD



Source: Houston Airport System

SAVE THE DATE

Mark your calendars for Wednesday, September 30, for the Partnership’s Economy Series event hosted at the Federal Reserve Bank. Speakers will share timely, data-driven insights into current economic conditions, emerging trends and the opportunities ahead.

To register, go to the events page of the Partnership’s website or click here.

Colin Baker contributed to this issue of Houston: The Economy at a Glance.

HOUSTON MSA NONFARM PAYROLL EMPLOYMENT

	July '26	June '26	July '25	Change From June '26	Change From July '25	% Change From June '26	% Change From July '25
Total Nonfarm Payroll Jobs	**3,497,700**	**3,522,700**	**3,447,400**	**-25,000**	**50,300**	**-0.7**	**1.5**
Total Private	3,056,600	3,058,000	3,009,800	-1,400	46,800	0.0	1.6
Goods Producing	580,800	583,900	570,200	-3,100	10,600	-0.5	1.9
Service Providing	2,916,900	2,938,800	2,877,200	-21,900	39,700	-0.7	1.4
Private Service Providing	2,475,800	2,474,100	2,439,600	1,700	36,200	0.1	1.5
Mining & Logging	73,400	73,400	74,000	0	-600	0.0	-0.8
Oil & Gas Extraction	35,500	35,500	36,100	0	-600	0.0	-1.7
Support Activities for Mining	36,300	36,300	36,400	0	-100	0.0	-0.3
Construction	267,300	268,900	254,200	-1,600	13,100	-0.6	5.2
Manufacturing	240,100	241,600	242,000	-1,500	-1,900	-0.6	-0.8
Durable Goods Manufacturing	153,000	153,900	151,400	-900	1,600	-0.6	1.1
Nondurable Goods Manufacturing	87,100	87,700	90,600	-600	-3,500	-0.7	-3.9
Wholesale Trade	178,000	178,700	178,800	-700	-800	-0.4	-0.4
Retail Trade	319,800	321,200	319,700	-1,400	100	-0.4	0.0
Transportation, Warehousing & Utilities	199,500	199,100	196,800	400	2,700	0.2	1.4
Utilities	25,400	25,300	24,400	100	1,000	0.4	4.1
Air Transportation	21,800	21,800	21,400	0	400	0.0	1.9
Truck Transportation	31,100	30,900	30,500	200	600	0.6	2.0
Pipeline Transportation	16,000	15,800	15,500	200	500	1.3	3.2
Information	27,400	27,400	29,000	0	-1,600	0.0	-5.5
Telecommunications	9,800	9,800	10,200	0	-400	0.0	-3.9
Finance & Insurance	113,800	114,400	116,200	-600	-2,400	-0.5	-2.1
Real Estate & Rental & Leasing	62,100	63,000	62,900	-900	-800	-1.4	-1.3
Professional & Business Services	582,900	580,300	565,200	2,600	17,700	0.4	3.1
Professional, Scientific & Technical Services	289,300	286,900	284,300	2,400	5,000	0.8	1.8
Legal Services	35,800	35,500	35,300	300	500	0.8	1.4
Accounting, Tax Preparation & Bookkeeping	26,900	26,500	27,400	400	-500	1.5	-1.8
Architectural, Engineering & Related Services	80,800	80,300	79,500	500	1,300	0.6	1.6
Computer Systems Design & Related Services	42,200	41,600	42,600	600	-400	1.4	-0.9
Admin & Support, Waste Mgt & Remediation	250,200	250,000	237,100	200	13,100	0.1	5.5
Administrative & Support Services	235,700	235,500	223,300	200	12,400	0.1	5.6
Employment Services	86,400	87,400	75,600	-1,000	10,800	-1.1	14.3
Private Educational Services	70,400	71,700	70,000	-1,300	400	-1.8	0.6
Health Care & Social Assistance	405,400	403,100	396,000	2,300	9,400	0.6	2.4
Arts, Entertainment & Recreation	45,100	44,700	46,800	400	-1,700	0.9	-3.6
Accommodation & Food Services	336,000	335,500	327,600	500	8,400	0.1	2.6
Other Services	135,400	135,000	130,600	400	4,800	0.3	3.7
Government	441,100	464,700	437,600	-23,600	3,500	-5.1	0.8
Federal Government	35,400	35,100	37,100	300	-1,700	0.9	-4.6
State Government	103,200	104,000	100,400	-800	2,800	-0.8	2.8
State Government Educational Services	55,300	56,200	53,700	-900	1,600	-1.6	3.0
Local Government	302,500	325,600	300,100	-23,100	2,400	-7.1	0.8
Local Government Educational Services	198,100	221,400	197,400	-23,300	700	-10.5	0.4

Source: Texas Workforce Commission