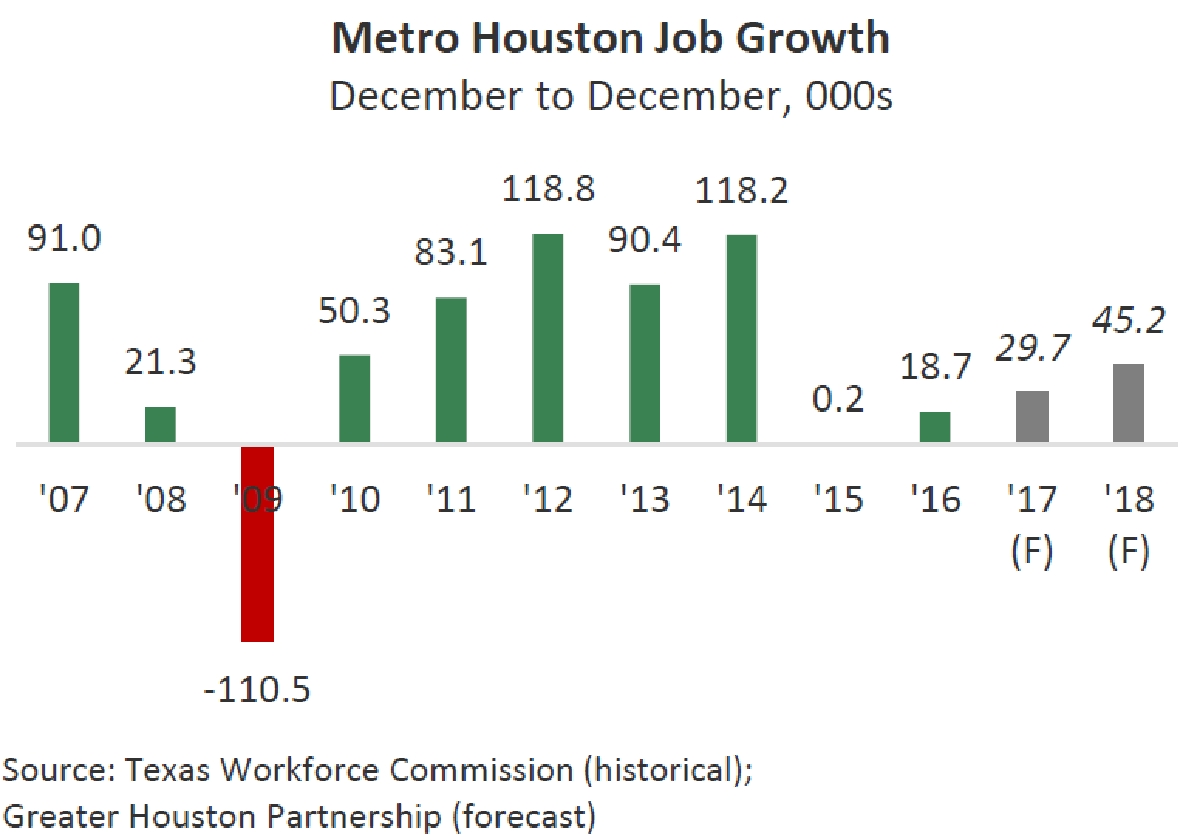
Job Growth in Houston to Pick Up

The Greater Houston Partnership's employment forecast for this year calls for the region to create approximately 45,500 jobs. Growth will be driven primarily by the strength of the U.S. and global economies and Houston's links to them. While turmoil in the energy industry has for the most part sub-sided, the forecast doesn't anticipate the sector contributing to job growth in 2018, but neither does it detract from overall expansion. Only two sectors, construction and information, are forecast to finish the year with fewer jobs than they started with. All remaining sectors are expected to expand, some robustly, others modestly, in 2018. The forecast calls for job growth in 14 sectors: oil field services, manufacturing, wholesale trade, retail trade, finance and insurance, real estate, business, professional and technical services, educational services, health care, administrative services, arts and entertainment, accommodation and food services, other services, and government.



Post-Harvey Job Growth

Metro Houston created 15,700 jobs in November, according to the Texas Workforce Commission. That's slightly above the 25-year average of 11,700 jobs for November.

When recession years are removed from the long-term average, November's job growth is typical for the month. Over the 12 months ending November, the Houston region added 48,500 jobs, a 1.6 percent increase. Retail trade recorded the strongest gains in November, adding 7,900 jobs. The increase is expected, given seasonal hiring for the holidays plus shopping related to the replacement of goods damaged in Hurricane Harvey. Transportation, warehousing and utilities grew by 2,600 jobs, the largest November job gain for the sector since 1990, the earliest data is available. The rise of online retailers has increased demand for workers to package and deliver goods. Several distribution centers recently opened in Houston, including Amazon's 855,000 square foot facility. Professional and business services also experienced strong growth in November, adding 3,400 jobs. Architectural and engineering services accounted for 1,300 of that increase. An area of concern is in employment services, which lost 2,200 jobs. It is yet to be seen if that decline is due to contract workers being converted to full-time workers or contracts being terminated. Health care posted a loss of 1,700 jobs, with ambulatory health care centers shedding 1,600 jobs. After an explosion of ambulatory care centers over the past few years, the sector is undergoing a period of contraction. Also, TWC estimated ambulatory care centers added 4,200 jobs in October, the strongest one-month gain on record, so November's data may reflect an attempt to correct for an overestimation.

After the disruption from Hurricane Harvey, the region's job market has rebounded. From September 2017 to November 2017, Houston gained 40,500 jobs, more than the 37,300 jobs added in the same period a year earlier. Some sectors still have not fully regained their footing. In particular, leisure and hospitality lost 11,400 jobs from September to November this year, when typically, the sector loses only 5,600 jobs during these months. Houston's unemployment rate was 4.3 percent in November, up from 4.1 percent in October but down from 5.2 percent in November 2016. Unemployed persons must be actively seeking work to be counted as unemployed. Houston's unemployment rate fell from 4.8 percent in September to 4.1 percent in October, the region's largest September to October drop on record. The sharp drop in the rate in October and the subsequent uptick in November most likely reflect people whose job searches were interrupted in the wake of Harvey but were resumed a month later.

Texas Economy Gets Sunny Forecast

The Texas economy is expected to gain more momentum this year and add hundreds of thousands of jobs as the energy and manufacturing sectors rebound amid higher oil prices, according to a forecast by the Federal Reserve Bank of Dallas. The forecast, released January 9th, coincided with another jump in crude prices to nearly $63 a barrel amid growing optimism in energy markets that supplies are tightening after a three-year oil glut. The Energy Department, meanwhile, predicted that U.S. oil production, centered in West Texas, will soon exceed 10 million barrels a day for the first time ever as energy demand reaches record levels. "The Texas economy is firing on all cylinders going into 2018," Dallas Fed senior economist Keith Phillips said. The state's economy is forecast to grow 3 percent this year, accelerating from 2.5 percent in 2017, and add some 366,000 jobs, up from an estimated 306,000 jobs in 2017, according to the Dallas Fed. In Houston, economic growth also is expected to accelerate, with the metropolitan area projected to add some 75,000 jobs in 2018 if crude prices stay above $60 a barrel.

The state and local economies have picked up speed in recent months as the region began rebuilding from Hurricane Harvey and oil prices climbed toward $60 a barrel from their June low of about $43 a barrel. The state unemployment rate fell to a record low of 3.8 percent in November; in Houston unemployment slid to 4.3 percent, down nearly a percentage point from the 5.2 percent the previous year, according to the Labor Department. The key factor in the state's improving outlook has been the recovery of its most important industry, energy, after the brutal oil bust that began more than three years ago. Texas drillers have steadily put more rigs into operation over the past year, increasing the state's rig count by nearly 40 percent to 454, according to Baker Hughes. Crude on January 9th settled at $62.96 a barrel – its highest close in more than three years – amid signs that OPEC is largely sticking to its production cuts and global supplies are tightening. In the U.S., commercial crude inventories are down more than 100 million barrels from their peak in March, as the expanding economy lifts income, industrial production and energy consumption.

U.S. Job Market's Strength

The bustling U.S. economy is beginning to benefit some American workers who have not gotten a taste of the recovery and have been most in need of relief. That picture was reinforced by a report January 5th from the Labor Department, which showed an increase of 148,000 jobs last month. The figure fell short of economists' expectations, but some of the most impressive job gains in the past year were in blue-collar and service industries that pay a decent salary. Overall, average hourly earnings were 2.5 percent higher in December compared with the year before, scarcely keeping up with inflation. But other data shows that wages have increased most for the least educated workers and for people in many industries that are generally low-paying. Manual labor positions are the kinds of jobs that President Donald Trump has promised to bring back in droves, so progress could be politically important. Hiring picked up fastest in construction and mining. Manufacturing, which lost jobs in 2016, expanded last year at a respectable clip, part of a global resurgence. Reflecting the economy's resilience, overall hiring in 2017 was only slightly lower than in 2016 – and it has risen for 87 consecutive months, a remarkable feat. The unemployment rate was steady at 4.1 percent, a 17 year low. The numbers point to an economy that still has some room to grow. In a Twitter post Wednesday, Trump cited the unemployment rate as evidence that the economy is "only getting better"! When he took office last January, the rate was 4.8 percent.

More Oil Produced with Fewer Workers

U.S. oil fields are gushing again as crude prices rise, but the oil industry's diminished workforce isn't expected to return to its former size anytime soon. The nation's oil production surged to a 46 year record in October, rising 1.8 percent to 9.64 million barrels a day, just higher than it was in April 2015, according to the Energy Department. That's up about 15 percent from the summer of 2016, when output fell to its lowest point in more than two years. But in Texas, the state that pumps the most crude oil, drillers hit that milestone with a workforce roughly a third of the size of the one it had when crude prices hovered above $100 a barrel in 2014. "We are supplying the needs of the market with way fewer jobs," said Karr Ingham, an Amarillo-based economist who studies the Texas oil industry. Morgan Stanley said shale drillers in Texas and other oil-rich states pumped at the fastest rate in nearly three years that month. The number of rigs drilling for oil in October was 737, less than half the number in October 2014, according to Baker Hughes.

Texas oil companies cut one in three oil field jobs after crude prices collapsed. But those producers and service companies have replaced only 32,000 jobs of the 103,000 they eliminated from early 2015 to late 2016, bringing the size of the state's oil and gas workforce to about 220,000, according to the Texas Alliance of Energy Producers. Yet Texas oil production has climbed almost 20 percent since December 2016 to 3.7 million barrels a day. The Energy Department expects U.S. oil production to reach an all-time record next year. But unless oil prices surge to at least $80 a barrel, oil producers have no reason to hire back all the workers they laid off, Ingham said. Higher oil prices could stimulate job growth in Houston's oil-centric economy. Estimates vary, but local economists believe the city could add between 65,000 and 75,000 jobs this year if U.S. crude prices hold around $60 a barrel.

Sources: Greater Houston Partnership; Houston Chronicle; Houston Business Journal