

Local Employment Continues to Recover

The Houston-The Woodlands-Sugar Land metro area created 18,700 jobs in April, according to the Texas Workforce Commission (TWC). That performance represents one of the best Aprils in the past 35 years. When Houston's economy is in a recovery or growth mode, the region typically creates between 8,000 and 12,000 jobs in April. During the fracking boom (2011–2014), growth in April averaged 15,800 jobs.

The report, however, shows that hiring in oil and gas continues to be constrained, the downshift in construction starts has begun to affect employment in that sector, and the finance and insurance sector has weakened. On the bright side, growth has returned to the transportation and wholesale trade sectors—most likely a result of the rise in the rig count and the growing volume of trade through the region's four ports.

TWC may have overestimated April job growth. Year-to-date, City of Houston sales tax collections are down 0.2 percent, air travel down 0.6 percent, city building permits down 3.7 percent, and vehicle sales down 20.2 percent. The jump in the rig count and reasonably stable oil prices have not translated into profits (and thus hiring) for the oil and gas industry. Approximately half of the large public oil and gas firms with significant Houston operations reported losses in Q1/17.

Of note in the report is that employment services, a subset of professional and business services, added 4,800 jobs in April and 14,400 jobs over the previous 12 months. This sector tends to act as a bellwether for the rest of the economy, being the first to lose jobs going into a downturn and the first to experience strong job growth as the economy recovers. Houston has seen growth in employment services in 11 of the past 12 months. The job gains in February, March and April were particularly strong, suggesting Houston's economy is well on the road to recovery.

For the 12-months ending April 2017, the region added 41,900 jobs. Four sectors account for most of the growth—employment services (14,400 jobs), government, primarily public education (12,300 jobs), health care (10,100 jobs), and food services and dining establishments (8,700 jobs). Unfortunately, growth in these sectors was somewhat offset by losses in oil and gas extraction (-5,500), construction (-7,600), engineering services (-3,500) and wholesale trade (-2,900).

Houston's April unemployment rate was 5.3 percent, down from 5.7 percent in March but up from 4.8 percent in April 2016. Texas' unemployment rate was 4.5 percent in April, down from 5.0 percent in March but up from 4.3 percent in April 2016. The U.S. rate was 4.1 percent in April, down from 4.9 percent in March and from 4.7 percent in April 2016. The rates are not seasonally adjusted.

A Half Decade of Growth

Metro Houston added more than 13,000 business establishments between 2010 and 2015. Over the past five years, the number of establishments here rose 10.9 percent, employment increased 18.4 percent, and annual payroll grew 36.7 percent. The number of establishments increased for each of the nine counties in metro Houston, with Fort Bend experiencing the largest five-year and one-year growth in 2015, 31.7 percent and 6.9 percent respectively.

Employment increased for eight of the nine counties in the Houston metro area between 2010 and 2015. The exception was Austin County, where it declined by nearly one-fifth. Chambers County stood out with five-year employment growth of 38.9 percent—significantly higher than the region's rate of 18.4 percent during the same time. More than half of this growth came from transportation, warehousing and manufacturing industries, specifically, fabricated metal manufacturing, chemical manufacturing, warehousing and storage, and pipeline transportation. This employment gain is not surprising given the recent \$60 billion investment in petrochemical expansion projects in the region.

HOUSTON EMPLOYMENT - CBP			
Geography	Employment		
	2010	2015	% Δ
Houston Metro	2,176,567	2,576,412	18.4
Austin County	9,439	7,665	-18.7
Brazoria County	70,292	86,188	22.6
Chambers County	8,176	11,356	38.9
Fort Bend County	114,920	154,307	34.3
Galveston County	77,680	82,813	6.6
Harris County	1,754,182	2,059,669	17.4
Liberty County	11,405	12,787	12.1
Montgomery	120,627	149,976	24.3
Waller County	8,820	11,651	32.1

Between 2014 and 2015, the establishment counts in metro Houston increased for all industries except finance and insurance. However, a decline in finance and insurance establishments also occurred in half of the 20 most populous metros in the country. These declines could be the aftermath of the Great Recession—in particular, persistently low interest rates, increased government oversight, and the growth of nontraditional lending sources.

Health care and social assistance added 1,344 establishments in 2015—the most among the industries. Demand for health care is closely tied to demographics, and the Houston area added more residents than any other metro in the country during this period—nearly 700,000.

Employment also grew for all industries in the Houston region between 2010 and 2015—a period of major economic boom. Oil exploration and production firms increased employment 68.6 percent during this time, dwarfing the second-highest increase of 34.4 percent in the management industry.

Payroll in the region grew from \$116.5 billion in 2010 to \$159.2 billion in 2015, a 36.7 percent increase. Payroll grew for all counties except in Austin County, where it fell by nearly one-fifth, consistent with its employment declines.

Upstream energy witnessed major expansion during 2010 and 2014, and payroll in mining increased 72.7 percent. Then the price of oil dropped precipitously, and payroll declined 5.2 percent between 2014 and 2015. Oil and gas companies and the region's professional firms and transportation companies are heavily connected. Declines in the former affect the latter. As a result, payroll declined 2.3 percent among professional firms and 4.1 percent in transportation from 2014 to 2015.

Employment Growth Speeds Up in Texas

The Texas economy accelerated in April, more than doubling the job growth of the past two months as the recovery of the energy industry continued to gain traction. Texas employers added 30,400 jobs in April, after gaining 14,000 in March, and just 12,000 in February, the Texas Workforce Commission reported. Over the past year, the state economy has created nearly 260,000 jobs as employment grew at an annual rate of 2.2 percent, up from 1.9 percent in the beginning of the year.

The number of oil and gas jobs in the state has pushed up to 205,000, an increase of 3 percent from the same period a year ago and the first year over year increase since February 2015, said Karr Ingham, an economist who created the Texas Petro Index. The mining and logging sector, dominated by oil and gas in Texas, added 3,300 jobs in April and 4,700 from a year ago, the state Workforce Commission reported. The Permian accounts for about half of all oil drilling rigs in the country. The number of rigs in both the Permian and nationally has more than doubled since hitting their low in May 2016, a few months after oil prices hit bottom at just over \$26 a barrel. The number of oil and gas rigs across the country rose to 916 the week of May 29th, up from 404 in May, marking the 20th consecutive increase in the weekly rig count. Every rig put back into operation creates about 30 jobs, said John Graves, an energy consultant at Graves & Co. in Houston. The state's oil and gas workforce is still a third smaller than it was in December 2014, before drillers began cutting jobs dramatically. At that point, Texas oil producers had about 306,000 employees.

ENERGY INDUSTRY OVERVIEW			
	Peak	Trough	Current
U.S. Rig Count	1,931 Sep 2014	404 May 2016	916 May 2017
Well Starts YTD	16,714 2014	4,355 2016	7,609 2017
Spot Crude Price	\$107.95 June 2014	\$26.19 Feb 2016	\$47.66 May 2017
U.S. Production	9.6 M April 2015	8.6 M Sep 2016	9.3 M May 2017
Energy Employment	301,700 December 2014	222,000 January 2017	225,700 April 2017

The oil and gas recovery has likely boosted the manufacturing sector, which has long been tied to the fortunes of the energy industry. Manufacturing added more than 8,000 jobs in April. Education and health services led the state's job gains in April, boosting payrolls by more than 10,000 positions. In Houston, job growth was not as robust as it has been statewide. Over the past year, Houston-area employers added 41,900 jobs, for a 1.4 percent increase. The region's oil and gas industry shed 2,400 jobs, reflecting Houston's role as a headquarters for the energy industry and center for the offshore sector, which has not recovered as quickly as onshore shale drilling.

U.S. Jobless Rate Falls to 16-Year Low

The unemployment rate fell to its lowest level in 16 years in May, a fresh sign the slow and long-running U.S. economic expansion has entered a new stage that has left businesses struggling to find qualified workers. At 4.3 %, the jobless rate is at a point it hasn't seen since May 2001, the Labor Department said June 2nd, and is below the trough it reached in the previous economic expansion from 2001 to 2007. Job creation, though, has cooled. Employers added a seasonally adjusted 138,000 jobs from the prior month. After a robust start to the year, the economy has added an average 121,000 jobs over the past three months. That is about two-thirds of the growth rate recorded last year. The drop in unemployment suggests the labor market is at or near full employment – a point where most workers who are seeking a job can find one in short order and those who are unemployed are part of the natural churn. Federal Reserve officials see a higher jobless rate over the long run, between 4.7% and 5%. A jobless rate below this mark suggests pressures are building on employers to cope with the problem of finding qualified workers. That possibility explains the slowdown in hiring. Some businesses say they are adding workers more slowly and accepting less growth than they might otherwise achieve, while others are adjusting pay scales, boosting overtime shifts or accepting high turnover. "Job openings are near all-time highs," said Beth Ann Bovino, chief U.S. economist for S&P Global Ratings.

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