Houston's February Job Gains

The Houston-The Woodlands-Sugar Land metro area created 16,700 jobs in February and 19,300 jobs over the previous 12 months, according to the Texas Workforce Commission (TWC). February job gains outpaced those from a year ago. Last February, Houston posted a monthly increase of 15,600 jobs and an over-the-year increase of 5,700 jobs. Houston's total nonfarm employment now stands at 3,011,700, returning above the three million mark after briefly dipping below it in January.

The government sector recorded the strongest job gains and experienced above-average growth. Government, primarily school districts and state-funded universities, added 8,400 jobs over the month and 13,200 jobs over the year. The 20-year average for February job growth in government is 6,300 jobs for the month and 5,500 jobs over the year.

Leisure and hospitality posted the second largest increase, but its gains were below the long-term average. The sector gained 4,400 jobs in February and 10,800 jobs over the year. During the past 20 years, leisure and hospitality averaged increases of 3,600 jobs in February and 7,800 jobs over the year.

Manufacturing added 4,200 jobs, the sector's largest one-month gain for February, but lost 3,500 jobs over the year. After shedding 17 percent of its workers during the energy downturn, the sector still has a long road to recovery. Two promising signs: the Houston Purchasing Managers Index has signaled expansion for five consecutive months and the U.S. active rig count has more than doubled since bottoming out in May 2016.

The largest monthly decline in February occurred in trade, transportation and utilities. Although the sector typically sheds jobs in February, the 7,800-job loss was the largest for the month in nearly three decades. Declines in employment in retail trade (4,400 jobs) and wholesale trade (2,000 jobs) contributed to the drop. The largest over-the-year decline was in mining and logging (in Houston, almost entirely oil and gas), which lost 6,600 jobs, a 7.0 percent decrease. Over the month, employment in mining and logging fell by 400 jobs.

Houston's February unemployment rate was 5.9 percent, up from 5.7 percent in January and 4.8 percent in February 2016. Texas' unemployment rate was 5.1 percent in February, up from 4.9 percent in January and 4.4 percent in February 2016. The U.S. rate was 4.9 percent in February, down from 5.1 percent in January and from 5.2 percent in February 2016. The rates are not seasonally adjusted.

Houston continues to lag behind the rest of the state, with job growth essentially flat over the past year. Analysts said that the unemployment rate in Houston climbing is an indicator of workers coming off the sidelines to look for jobs as the market comes back, although the economy is not yet growing fast enough to absorb them. Local economic conditions have shown slow but consistent improvement in recent months.

Hiring Shows Vigor across Texas

Job growth in Texas surged in January as conditions in the oil and gas industry improved and optimism among employers increased. Texas employers added more than 51,000 jobs in January, led by hiring in professional and business services, which gained 14,000 jobs, as well as manufacturing, which added 7,300 positions, the state Workforce Commission reported. It was the biggest monthly gain in manufacturing since 1990.

Oil and gas added 1,900 jobs in January, as the rig count continued to increase, although the industry's payrolls are still 10 percent lower than a year ago. The number of rigs in Texas has more than doubled to 390 since hitting bottom in May, with the state accounting for more than half the 748 rigs in operation across the U.S., according to Baker Hughes. In surveys by the Dallas Federal Reserve, businesses in the state have reported hiring and sales increases in recent months, buoyed by the yet-unrealized promise of regulatory rollbacks on energy production, agriculture and manufacturing coming from the administration of President Donald Trump. Dallas Fed economists wrote this week they expect the Texas economy to shift into a higher gear this year, projecting annual employment growth will accelerate to as much as 2.5 percent.

U.S. Employers Pull Back Sharply on Hiring

U.S. employers posted more open positions in February, but the number of people getting hired and the number quitting jobs fell. The overall figures suggest that the job market remains healthy, although it has yet to take off during the early stages of the Trump presidency. Job openings rose 2.1 percent in February and hiring fell 2 percent compared with January. Job openings have increased 3.2 percent over the past 12 months. More than 2.5 million people quit their jobs in February, but that was a sharp 19.6 percent decline from January. This may be a sign that workers have mixed confidence about the economy, since workers typically quit when they have another job or are optimistic they can find one. An increased pace of departures can also boost wages because most people quit for new jobs at higher pay. It also indicates that employers may be recruiting workers from other jobs by offering bigger paychecks.

After two months of stellar job creation that convinced administration officials that President Donald Trump's policies were paying off immediately, employers pulled back sharply on hiring in March. The economy added 98,000 jobs, the Labor Department reported, fewer than half the monthly number for January and February.
The number of new jobs was jarring for the administration, and well below what economists had expected. It comes as the stock market surge that followed the November election subsides, and amid signs that economic growth in the year's first quarter will prove weak. Economic perception, as well, may not be playing out in reality. Sentiment among consumers and businesses rose after Trump's election, but so far, it has not been matched by a comparable increase in spending by either group.

Industries that Trump emphasized in his campaign – particularly manufacturing – continued to add jobs last month, but at a slower pace. Payrolls in the retail sector, meanwhile, declined further, shedding tens of thousands of jobs. The response from the

White House, which crowed last month after more than 200,000 jobs were produced in Trump's first full month in office, was muted Friday, April 7th. The March report represents a snapshot of the economy, not an oil painting. And snow and cold weather in many parts of the country clearly took a toll on the construction sector, which barely grew after gaining more than 90,000 jobs in January and February. "January and February were abnormally warm, so they were pumped up, and you had some payback in March exacerbated by the harsh weather," Joshua Shapiro, chief U.S. economist at MFR, a research firm said. "The economy clearly should be generating higher job growth," said Representative Pat Tiber, R-Ohio, Chairman of the Joint Economic Committee. "However, the unemployment rate fell to the lowest rate since before the recession." "Today's jobs numbers show there are still challenges ahead that this administration must address," Senator Martin Heinrich of New Mexico said. "President Trump promised that he would be the greatest jobs producer that God ever created."

The tepid numbers for March mask pockets of strength. For example, a few white collar sectors like professional and business services are holding up well, adding 56,000 jobs last month. On the other hand, new technologies are upending venerable industries like retailing, as consumers shift to shopping online and department stores are shuttering. The retail sector lost almost 30,000 jobs last month, after a decline of nearly 31,000 in February. Average hourly earnings climbed 2.7 percent over the past year, not much of a win for workers. And after factoring in inflation in the past year, paychecks are essentially flat.

Report Sees another Oil Boom Ahead

If oil prices hold above $50 a barrel, the fledging comeback in U.S. drilling could crescendo into another oil boom over the next two years. In a report April 11th, the Energy Information Administration said it believes a second burst of shale drilling could bring U.S. oil production close to an all-time record by the end of 2018. That analysis, if correct, would mark a swift turnaround for an industry devastated by low oil prices in recent years, and challenge OPEC's efforts to rein in the global oil glut. "OPEC knew the likelihood of U.S. shale picking up, but what they didn't know – and what none of us know – is how strong it will come back," said Neil Atkinson, head of the oil markets division of the International Energy Agency. The EIA projected the nation's output could vault above 10 million barrels a day by the fourth quarter next year, an increase of 1.2 million from current levels. A surge of that size would put U.S. oil production within 30,000 barrels a day of the nation's record, set in November 1970. One big reason the EIA expects output to climb is that companies are shelling out more money to pump oil. Another reason is that shale drillers have likely already seen the worst of the sharp oil production declines that come with drilling wells into dense, stubborn shale rock. Typically, shale oil production drops sharply after a well has been actively pumping for a year or two, but because U.S. drilling fell off dramatically in 2015 and 2016, the shale industry's oil production declines have largely played out. In the U.S., the drilling surge has already begun. Last month, the number of new U.S. drilling permits issued by Texas, California, Oklahoma, Colorado and other states surged by nearly 4,000, the largest monthly increase in 18 months, according to data compiled by investment bank Evercore ISI.

Oilfield services companies are hiring again, posting job ads and putting recruiters back to work to fill openings, particularly in North America, according to a report from an energy consulting firm. The activity is another sign that the nascent oil and gas recovery is gaining traction after a two-year oil bust that proved to be the deepest industry downturn in 30 years. The services segment, which supplies crews, equipment, and materials for drilling and hydraulic fracturing, was perhaps the hardest hit, with the 50 largest services firms slashing 300,000 jobs worldwide, or one of every three positions, according to Rystad Energy, a Norwegian consultancy.

But the worst of it is likely over. Energy services companies with ties to the U.S. shale business have begun putting out more job ads and started recruiting efforts again. Some of those postings have come from Nabors, Precisions Drilling and Weatherford. Halliburton, the world's second-biggest oilfield services company behind Schlumberger, announced plans to hire 2,000 workers for its U.S. pressure pumping and cementing business. The Federal Reserve Bank reported that Houston's goods-producing sectors, which include manufacturing, construction and natural resources extraction industries, such as oil and gas, added jobs at a solid pace in the first few months of 2017. Goods-producing jobs in March were up 4.1 percent over a moving average from November to February. These jobs are thought to be the bedrock of the local economy, because the work is typically higher-paid and brings in money from outside the region to sustain jobs in service sectors like healthcare, retail and education. The U.S. rig count has more than doubled to 824 after hitting a low of 404 in May, according to Baker Hughes.

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