

Houston Racks Up Solid Job Growth Figures

Employment grew at a solid pace in Greater Houston last month as the oil recovery advanced and the state and national economies strengthened. Metro Houston created 67,100 jobs in the 12 months ending February '18, according to the Texas Workforce Commission. Total payroll employment stood at 3,058,500 in February, up 2.2 percent from February a year earlier. The pace was slightly below the state's 2.3 percent increase, but well above national employment growth rate of 1.6 percent.

The improvement follows the rebound in the region's critical energy industry as oil prices have climbed and drilling activity, particularly in West Texas' Permian Basin, has picked up. Jobs are beginning to follow the increased activity. Energy services providers added 3,500 jobs over the past year in the Houston area, a nearly 10 percent increase, according to the Workforce Commission.

Other sectors with strong job growth here included professional and business services, which added 25,000 jobs over the year, a 5 percent increase; construction which gained 9,300 jobs, a 4 percent jump; financial activities, where employment grew by 4,000 jobs or 2.5 percent; and manufacturing, which added 4,800 jobs over the year, a 2 percent increase.

The region has also benefited from strong national and state economies. Nationally, employers added more than 300,000 in February and in Texas, employers expanded payrolls for the 20th consecutive month, adding 40,500 jobs, according to the Workforce Commission. Over the past year, Texas gained 285,000 jobs. After shedding tens of thousands of jobs during a brutal energy downturn in 2015 and 2016, the Texas oil industry has gained 28,000 jobs over the past year, up 13 percent from a year ago. The industry gained 6,500 jobs in February alone.

While TWC's data suggest a robust economy, much of the growth occurred in Q4/17 as firms hired additional employees to assist with Hurricane Harvey recovery efforts. Construction, retail, restaurants, wholesale trade and employment services set hiring records in Q4.

- Oil field services added 3,500 jobs over the 12 months, supported by a rig count that rose nearly 30 percent over the same period.
- The manufacturing sector added 4,800 workers, the growth closely tied to the increase in drilling activity.
- The construction sector hired 3,700 workers in February and 9,300 for the year as hurricane recovery efforts continued.
- The 6,900 retail jobs added since February '17 include a bump from recovery.
- The need to hire workers on a temporary basis to help with Hurricane Harvey recovery and growing confidence in the local economy has added 11,400 workers to the employment services sector over the past 12 months. That's a 14.7 percent increase over February '17.

- Oil and gas firms continue to restructure, the sector cutting 2,200 workers over the past 12 months.
- Uncertainty over the Affordable Care Act, pressure to control costs, and the loss of energy jobs with generous benefits continue to weigh on the health care sector. Hospitals have cut 1,200 workers since February '17, while ambulatory health care (clinics and outpatient centers) has added 4,200.

Houston's February unemployment rate was 4.7 percent, down from 4.8 percent in January and 5.7 percent in February '17. Texas' unemployment rate was 4.1 percent in February, down from 4.2 percent in January and 4.8 percent in February '17. The U.S. rate was 4.4 percent in February, down from 4.5 percent in January and from 4.9 percent in February '17.

Houston Area Sets Pace in Construction Jobs

Houston led the state in the number of construction jobs added over the past year and ranked third in the nation, a new report showed. The Houston region added 9,200 construction jobs annually as of January, a growth rate of 4 percent, the Associated General Contractors of America reported. Rebuilding efforts after Hurricane Harvey contributed to the gains. Riverside, California added the most, 10,600 jobs, or 12 percent followed by Phoenix, with 9,900 jobs, or 9 percent. Construction employment increased in about 70 percent of the 358 metro areas, tracked by the AGC of America, which analyzed federal employment data in the report. In Texas, all but four of 26 cities tracked showed gains. Fort Worth experienced the biggest drop, losing 1,400 jobs, or 2 percent. On a percentage basis, Midland had the most job growth, adding 5,900 jobs, or 24 percent. The figures for Midland included mining and logging jobs in the oil-rich Permian Basin. Nearby Odessa added 2,800 jobs, or 19 percent.

Labor Shortage Worsens in Booming West Texas

The latest shale drilling boom is driving unemployment to the lowest levels in years in many of the areas that encompass the Permian Basin, a 17-county region that spans West Texas and eastern New Mexico. Reeves and Ward counties, in the heart of Permian sub-basin called the Delaware, are seeing unprecedented growth in oil and gas development; Winkler County, also in the Delaware, has become a sand mining hub, driven by demand from hydraulic fracturing, which pumps water and sand under high pressure to crack shale rock and release oil and natural gas. In February, the Permian Basin Regional Planning Commission examined the workforce in the Permian region and found that its unemployment rate is at 2.9 percent, much lower than the Texas rate of 4 percent and national average of 4.1 percent. Unemployment in the region has plunged nearly 2 percentage points over the past year, pushing the rate to levels not seen since the end of 2014, a year when oil passed \$100 barrel. Nearly every county in the region has unemployment rates below the state average. But there is a downside to the Permian's boom, namely acute labor shortages. Nearly all of the workers who want jobs in the Permian's 17 counties are employed, according to the Planning Commission. This has been good for workers, who are getting more hours and earning more money. As oil production rises, companies need even more workers, but

fewer people are looking for oil industry jobs, according to a survey by the Federal Reserve Bank of Dallas. As one unnamed company summed it up in the survey, "The labor shortage in West Texas is only getting worse." Some of this labor shortage is coming from a drain of workers and equipment after 2016, when oil prices tanked, companies scaled back operations and many workers in the industry left the boom-and-bust industry for good. As oil prices picked up in December, services companies still reported a shortage of workers for 50-person fracking crews, forcing companies to leave hundreds of wells untapped for months. Unemployment rates in Midland and Odessa, two Texas cities at the heart of the Permian, gauge how quickly the labor market has tightened. In August, Midland and Odessa had 3.2 percent and 4.3 percent unemployment rates, respectively. Six months later unemployment in Midland slid to 2.5 percent and Odessa's to 3.2 percent. As labor remains in short supply, companies are going farther afield to find workers and paying them more increasing production costs and shrinking profit margins. With oil trading between \$60 and \$65 a barrel, lower jobless rates in the area could mean that output in the Permian will slow.

Second Place Finish

Metro Houston ranked as one of the nation's top metros for new and expanded facilities in '17, according to *Site Selection* magazine, which produced the rankings as part of the annual "Governor's Cup" competition. The Houston region logged 196 projects, behind metro Chicago but ahead of Dallas-Fort Worth. Texas earned the top spot in the magazine's state rankings. *Site Selection's* rankings focused on new projects with significant impact, including headquarters, manufacturing plants, R&D operations and logistics sites. Retail, government, school and hospital projects are not included. Projects included in the analyses meet at least one of three criteria: (a) involve a capital investment of at least \$1 million, (b) create at least 20 new jobs or (c) add at least 20,000 sq. ft. of new floor area. Since '11, metro Houston has garnered the top spot twice, second place four times, and third place once.

Metro Houston Details

During the fracking boom ('11-'14), Harris County added 80,000 to 90,000 residents per year. The county led the nation in population growth in '11, '12, '13, '14 and '15, slipping to second in '16. Over those six years, Harris County added just shy of half a million residents. It accounted for just over half the region's growth during that period. Last year, the trend reversed. More residents left the county than arrived. They didn't simply move elsewhere in the region, they left the metro area altogether. International in-migration offset some of the losses, but "net" migration was still negative. If not for the 73,000 babies born last year, the county would have lost population. As a result, population gains for Harris County in '17 were the weakest since '95. But this is a transitory phenomenon. As noted earlier, population growth depends heavily on employment growth, and the region has started to add jobs again. The bulk of those jobs will be added in the county. According to the U.S. Census Bureau, 73 percent of all businesses in the region and 80 percent of all payroll jobs are in Harris County. Net migration was positive for the remaining eight counties, and all nine counties did gain in total population, but the rate of growth slowed for Austin, Fort Bend, Galveston and

Harris. Harris still commands the largest share of the region’s population, but that margin has slipped in recent years. In '10, Harris accounted for 68.8 percent of the region’s population. Today, it accounts for 67.5.

The out-migration from Harris County may foreshadow a similar trend for the City of Houston. Ninety-eight percent of the city’s land mass lies within Harris County, and if the county suffered out-migration, it’s likely the city did as well. The Census Bureau will release its population estimates for U.S. cities later this month.

POPULATION ESTIMATES – AS OF 7/1/17
Houston Metro Area

County	Population	Metro Share
Austin	29,786	0.4%
Brazoria	362,457	5.3
Chambers	41,441	0.6
Fort Bend	764,828	11.1
Galveston	335,036	4.9
Harris	4,652,980	67.5
Liberty	83,658	1.2
Montgomery	570,934	8.3
Waller	51,307	0.7
Total	6,892,427	100.0%

Source: U.S. Census Bureau

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