

HOUSTON ECONOMY OUTLOOK LOOKS POSITIVE

Houston's economy showed signs of growth in recent months as oil and gas related employment grew and bank lending significantly outpaced growth in Texas and the United States. Trends in the Houston economy remained positive in the three months ending in February, according to the Federal Reserve Bank of Dallas, such as job growth and oil and fuel prices.

Metro Houston created 72,600 jobs, a 2.4 percent increase, in the 12 months ending February '19, according to the Texas Workforce Commission (TWC). Since last fall, the 12-month total has ranged from the low-70s to the mid-80s. The five sectors adding the most jobs over the past 12 months were durable goods manufacturing (15,200); professional, scientific and technical services (12,800); health care (10,300); other services (6,600); and wholesale trade (4,500). Employment decreased in a few sectors. The greatest losses occurring in retail (-4,600); employment services (-2,600); and restaurants and bars (-1,200). In energy, exploration and production lost 300 jobs while oil field services added 3,600.

Employment related to mining, which in Houston is dominated by the oil and gas industry, grew 8.3 percent over the three months ending in February. Fabricated metals jobs led the growth in this sector. The industry added 2,000 jobs over the period, a 15.8 percent growth as the sector continued to support the oil and gas industry. Thompson, the economist with the Dallas Fed, said the growth in jobs shows the strength of demand for drilling equipment in West Texas. "The supply chain for oil and gas runs through Houston," Thompson said. "When drilling activity or well completions is up in West Texas, equipment and fabricated metals ramp up their activity." Tariffs are having a limited impact on these companies that support oil and gas, Thompson said, even though steel is a major material. They are increasingly able to pass the cost on through to their customers, he said. The additional charge is small in comparison to all the other costs of drilling a well.

GROWTH PROJECTIONS FOR HOUSTON

Growth in metro Houston will marginally outpace that of the state and significantly outpace that of the nation through '23, according to the latest forecast from The Perryman Group. That growth will bring another 600,000 residents, 340,000 jobs and \$100 billion to real gross product (RGP) over the forecast period. Much of Houston's growth will be concentrated in the latter years of the forecast, Perryman notes. Every sector in Houston is expected to add jobs, with the greatest gains in services (209,000), wholesale and retail trade (43,000) and construction (17,000). Every sector is forecast to contribute to GDP growth as well, with largest gains from services, mining and manufacturing. The Perryman Group also released its long-term forecast for the region. Over the next 20 years, Houston's population will increase by a third, employment will increase by 40 percent, real personal income will more than double, and both real retail sales and gross product will nearly double. Houston's RGP is expected to be \$1.6 trillion dollars in '38 (\$987.2 billion in 2012 dollars). Perryman forecasts long-term growth across all sectors of the region's economy. The fastest growing sectors will be oil and gas, manufacturing, professional services and health care. The faster pace will result in those four sectors accounting for larger shares of Houston's economy 20 years from now than they do today.

A BETTER OUTLOOK FOR ENERGY

The outlook for the oil and gas industry looks brighter than it has for several years. The broader upstream energy sector—exploration and production, oil field services, equipment manufacturing, fabricated metals and engineering—lost a combined 92,400 jobs in the downturn. As of February '19, only 29,200 have been recouped. Despite the losses, the industry continues to grow production.

ENERGY EMPLOYMENT, METRO HOUSTON			
	JOBS LOST*	RECOUPED TO DATE	% RECOUPED
Exploration/Production	-21,700	0	0.0
Oilfield Services	-20,800	8,200	39.4
Oilfield Equip. Mfg.	-18,000	4,300	23.9
Fab. Metal Products	-20,700	10,100	48.8
Engineering	-11,200	6,600	58.9
Total Energy	-92,400	29,200	31.6

* Jobs lost peak to trough. Peaks and troughs vary by sector. Source: Greater Houston Partnership analysis of Texas Workforce Commission data

TECH EMPLOYMENT IN HOUSTON

Houston ranked 12th in tech employment in '18, according to *2019 Cyberstates*, the Computing Technology Industry Association's (CompTIA) assessment of the U.S. tech industry. The region's 227,800 tech jobs place it ahead of Philadelphia and Minneapolis but behind Atlanta and Detroit. The occupations considered fall under "core information technology" and include engineering, design, repair, technician and assembly positions.

Of Houston's 150,000 tech occupations, 62 percent are at non-tech companies. For example, a programmer in Houston is twice as likely to work at a non-tech firm as an internet startup. Houston's tech sector contributed \$28.1 billion to the region's gross domestic product (GDP) in '18, 5.8 percent of the total. To place that in perspective, health care contributed \$24.6 billion and transportation \$22.8 billion, 4.6 percent and 4.3 percent respectively. Houston's tech sector is the same size as Austin's, just spread over a larger economy and with most of its tech jobs outside tech companies.

CompTIA reported a loss of 2,300 tech jobs in Houston in '18. It appears the losses were modeled, not actual counts, and based on data from '16 and '17, the peak of the oil downturn. Given that a significant number of Houston's tech jobs serve the energy industry, and the industry cut nearly 90,000 jobs during the downturn, it's not surprising that CompTIA's methodology showed a slight loss. The exploration and production sector, which is more tech-oriented than people realize, cut over 21,000 jobs. That's likely where the bulk of the loss in tech occupations occurred.

Losses in tech manufacturing jobs that pay less than \$75,000 per year were offset by gains of tech jobs that pay more than \$100,000 per year. Houston had 8,206 tech establishments in '18. Tech employment accounted for 7.2 percent of Houston's total jobs. Tech occupation job postings totaled 62,009 in '18. Emerging tech job postings were up 140 percent in Houston last year.

TEXAS CONTINUING TRAJECTORY

The state economy added 17,700 positions over the month, according to Texas Workforce Commission. Texas' unemployment rate remained unchanged at 3.8 percent in February, according to the Labor Department, which is close to its historic low. About 12.6 million people are employed in the state, with 3.1 million in Houston. State employment was up 2.2 percent year-over-year in February. In February, Texas' education and health industry saw a slight decrease in seasonally adjusted jobs compared to January, but employment in the industry was up over the year. Private annual employment in Texas grew 2.5 percent in February and has held above 2 percent since October 2017. "Texas continues a growth trajectory resulting in high-paying jobs in essential industries like manufacturing, professional services, and financial activities," Julian Alvarez, the Texas Workforce Commissioner representing labor, said in a statement. West Texas cities again recorded record low unemployment rates as the shale boom in the Permian Basin drives demand for labor. Midland's metro area recorded February's lowest unemployment rate among Texas cities, a non-seasonally adjusted rate of 2.2 percent. Odessa, just outside of Midland, had the second lowest rate in the state.

UNEMPLOYMENT AID APPLICATIONS FALL TO 49 YEAR LOW

The number of people seeking U.S. unemployment benefits fell to its lowest level since late 1969, a sign that employers are holding on to their workers despite signs of a slowing economy. Weekly applications for jobless aid fell 10,000 to a seasonally adjusted 202,000, the Labor Department said. Applications are a proxy for layoffs, so the drop to such a low number indicates that companies are cutting very few workers. That's a reassuring sign as other data, such as weak consumer and business spending, and sluggish growth overseas, points to slower U.S. growth this year. "We see the initial claims data as consistent with healthy labor market conditions and in line with the widely anticipated rebound in the pace of payroll employment in March," Jonathan Miller, an economist at Barclays, said. Analysts forecast that a solid 170,000 jobs were added, enough to lower the unemployment rate over time. The unemployment rate likely remained near a five decade low of 3.8%. Growth has slowed since it topped 4% at an annual rate in the April-June quarter of last year, decelerating to just 2.2% in the final three months of 2018. The Federal Reserve Bank of Atlanta projects the U.S. economy expanded at a 2.1% pace in the first three months of this year.

EDUCATION PAYS IN MULTIPLE WAYS

Over time, the U.S. Department of Labor has been the "go to" source for reliable information regarding how educational attainment influences workforce participation. Using education attainment levels, Bureau of Labor Statistics (BLS) data can tell us how much various members of the workforce are likely to earn, as well as their likelihood to be employed. Data collected and disseminated by BLS over a multi-decade period have come to one conclusion---"the more you learn...the more you earn" and "the more you learn, the greater your likelihood of being employed."

BLS figures, released in 2018, offer the following salary information and employment participation rates for the U.S. workforce population 25 and older:

EDUCATION LEVEL	MEDIAN WEEKLY EARNINGS	MEDIAN ANNUAL EARNINGS
Less than High School Diploma	\$553	\$28,756
High School Graduate	\$730	\$37,960
Some College, No Degree	\$802	\$41,704
Associate Degree-2 yr	\$862	\$41,704
Bachelor's Degree-4 yr	\$1,198	\$62,296
Master's Degree	\$1,434	\$74,568
Doctoral Degree	\$1,825	\$94,900
Professional Degree	\$1,884	\$97,968

As general unemployment numbers continue downward nationally in recent months, it is noteworthy that the education attainment continues to influence participation in the workforce:

Unemployment Rate for those with (by percentage):	
Less than High School Diploma	5.6%
High School Graduate	4.1%
Some College, No Degree	3.7%
Associate Degree-2 yr	2.8%
Bachelor's Degree-4 yr	2.2%
Master's Degree	2.7%
Doctoral Degree	1.6%
Professional Degree	1.5%

EMPLOYERS WANT CANDIDATES WITH SOFT SKILLS

A study conducted last fall by Cengage discovered that employers are looking for candidates who possess "soft skills," but they are having difficulty finding them. The online study stated that the most in-demand talents were listening skills (74%), attention to detail (70%) and effective communication (69%). Critical thinking skills are in high demand in the workplace. 68% of employers say it's very important at their organizations. 74% of employers say critical thinking is very important to gain leadership positions. Critical thinking skills are often considered even more important than job-specific technical skills. We asked employers which of the following is more important: critical thinking or technical skills? 52% of employers believe a candidate who can learn quickly and think critically even though he/she may not have the technical skills required. 40% believe critical thinking skills and technical skills are equally important, and 7% believe a candidate who has the technical skills required, though may not have critical skills. Which play a role in critical thinking? According to employers critical thinking is: creative outside-the-box problem solving; executing on projects with little to no guidance, and demonstrated history of problem solving.

Sources: Littler Mendelson P.C.; Houston Chronicle; Houston Business Journal; Wall Street Journal; Greater Houston Partnership; National Association of Personnel Consultants