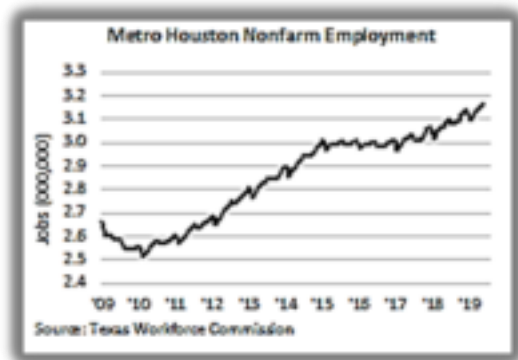


Houston Creating Jobs

Houston's economy keeps adding jobs and lowering its unemployment rate even as the rest of the nation has begun to show signs of a slowdown in the economic expansion. The Houston Metro area in May saw among the nation's largest decreases in the unemployment rate among large metropolitan areas, according to the Labor Department. The local unemployment rate hit 3.2 percent in May, down 0.9 percentage point from a month prior, the largest decline in the nation, along with Cleveland, Ohio metro area, which experienced the same decline.

Metro Houston created 79,800 jobs, a 2.6 percent increase, in the 12 months ending May '19, according to the Texas Workforce Commission (TWC). Employment now stands at 3,163,600, the highest point on record. At the current pace of growth, the region should top 3.2 million jobs by year's end. Job gains in the Houston metro area were beat only by those in the New York area, which added 114,000 jobs from last May, and Dallas-Fort Worth, which added 107,000 jobs. Most U.S. metro areas, however, posted few job gains in May. The sectors adding the most jobs over the past 12 months were professional, scientific, and technical services (18,000); durable goods manufacturing (13,300); health care (9,100); and other services (6,800). Employment decreased in a few sectors. The greatest losses occurred in retail (-6,100); employment services (-2,400); and information (-1,100). The metro area created 12,100 jobs in May, in line with the 30-year average of 12,500 jobs typical for the month. If the remainder of the year follows historic patterns, the region should end the year with a net gain of 68,000 jobs.



While Houston employment is growing at a strong pace, concerns continue to rise about a slowing U.S. economy. In May, the nation added just 75,000 jobs, the lowest employment gains in nearly two years, and the Federal Reserve is considering the first cut in its benchmark rate since 2008. While Houston and the rest of Texas appear to be escaping a slowdown for now, experts say it's only a matter of time that national trends catch up with the state. In recent years, the strong national economy has supported activity in Houston and Texas, but if it weakens, it would eventually hurt economic activity here. "Texas business cycle has always been a bit out of sync with the rest of the country," said Jesse Thompson, a senior business economist for the Federal Reserve Bank of Dallas. "Texas is normally the last in and first out (of a recession). We have a different industry mix here."

A report from ADP estimated that U.S. private sector employment increased by 102,000 in June, a figure that fell short of already conservative analysts' expectations of a gain of 135,000 increase in private sector jobs, according to a survey by the Wall Street Journal. Economists said the less than robust number is just another sign of a cooling job market as the tax cuts from 2017 run out of steam and trade tensions drag on with China. "The job market continues to throttle back," said Mark Zandi, chief economist at Moody's Analytics. "Job growth has slowed sharply in recent months as businesses have turned more cautious in their hiring. Small businesses are the most nervous, especially in the construction sector and at bricks-and-mortar retailers." Economic activity in the service sector, the largest sector of the economy which includes industries such as real estate, finance, and health care, is also slowing, according to a survey by the Institute of Supply Management. But again, the slowdown hasn't appeared to have hit Texas yet. The state's service sector grew at a much faster pace in June than in May, a survey of businesses by the Federal Reserve Bank of Dallas recently found. While executives surveyed still reported feeling uncertain about the economy, broader business conditions were positive. Experts said the local service sector, which includes health care, is likely to remain steady. "There's no policy change on the horizon (in health care), and it doesn't sound like there's going to be until 2020, so that'll remain a healthy part of the economy," said Steven Craig, an economist at the University of Houston. "Houston remains a good place to do business."

Oil Humming Along

Oil and gas companies posted their biggest annual job gains for May in six years as the local economy keeps humming and the unemployment rate remains at an all-time low. Employment in the oil and gas extraction industry increased by 1,100 jobs last month from May 2018, the biggest year-over-year gain for a May since 2013, according to the Texas Workforce Commission. Energy service jobs, meanwhile, jumped by 4,900 jobs, or 12 percent over the year. The energy sector remains a key driver of the local economy, and its recovery from the two-year oil bust that ended in 2016 has propelled Houston's economic growth over much of the past two years. Houston employers have added jobs for 16 consecutive months while the unemployment has fallen to a record low. Oil prices are down since mid-May and job growth in oil and gas is heavily dependent on the price of oil so the sector might see smaller gains when June statistics are reported next month.

Job growth has occurred throughout the region. Since December '14, the region has created 183,800 jobs, according to the TWC. Five sectors account for 75 percent of those gains: professional and business services (37,200 jobs, comprising 20.2 percent of gains); health care and social assistance (35,700 jobs, 19.4 percent); food services (34,300 jobs, 18.7 percent); local education (15,500 jobs, 8.4 percent); and construction (15,000 jobs, 8.2 percent). Population growth has driven job growth in health care, food services, and local education. Pipelines, chemical plants, industrial construction, and housing are driving the need for more construction workers. Professional services is benefiting from the general increase in business activity. Population growth hasn't helped retail, though. The sector remains 7,200 jobs shy of where it was in December '14.

Manufacturing Employment has Surged

Harris County added the most manufacturing jobs of any county in the nation over the last two years, boosted by its energy sector. Among states, Texas added the most manufacturing jobs, a total of 56,300 over the two year period from the end of 2016 to the end of 2018, according to an analysis of government data by The Economic Innovation Group, a Washington think tank. The gains in manufacturing followed the rebound in the oil and gas industry after the nearly two-year oil bust that ended in 2016. Manufacturing in Houston is closely tied to the energy sector.

Across the nation, manufacturing employment has surged since the end of 2016, adding more than 465,000 jobs. Manufacturing employment grew at the fastest rate in western regions while the South added the largest number of jobs. Harris County gained about 11,600 jobs over the past two years. While the nation's manufacturing job growth was the most of any two year period since the last recession, the nation is still far from recovering all of the jobs lost between 2000 and 2010, the study found. The recession, automation and the shifting of manufacturing overseas took such a toll on the sector that it would take more than two decades to regain all of the 5.7 million manufacturing jobs it lost during that period at the current rate of growth. Recently, the sector has showed signs of slowing down. Since February, the United States has added 13,000 manufacturing jobs, compared to 93,000 in the prior four-month period. Manufacturing is sensitive to developments in the global economy and market sentiment, both of which have tempered outlooks due to an escalating trade war between the United States, and China and fears of a global economic slowdown. In Houston, a three-month forecast for manufacturing activity in the region fell in May compared to the prior month.

Sources: Littler Mendelson P.C.; Houston Chronicle; Houston Business Journal; Wall Street Journal; Greater Houston Partnership