

Houston Top Tier Again

Metro Houston created 86,200 jobs, a 2.8 percent increase, in the 12 months ending April '19, according to the Texas Workforce Commission (TWC). Unemployment in Houston fell to a record low for April as the region's employers added jobs for the 15th consecutive month, supported by an expanding energy industry and strong national economy. The jobless rate in the region plummeted to 3.2 percent, down from 4.2 percent in April 2018. It's the lowest April unemployment rate since the statistical series began in 1990, according to the U.S. Labor Department. The region added 6,000 jobs last month, after gaining more than 11,000 in March and 7,500 in February, the Texas Workforce Commission reported. Houston has matched the state's rate of job growth while easily outpacing that of the nation, where employment grew 1.8 percent from April 2018.

The national economy continued its remarkable run of more than 100 consecutive months of job growth in April, adding more than 260,000 jobs as the expansion, which began in June 2009, is all but certain to become the longest in U.S. history. Employment in the U.S. now stands at 3,151,300, the highest point on record. Among the nation's 20 most populous metros, Houston ranked third in job creation and rate of growth, behind New York and Dallas and ahead of Los Angeles and Chicago. That's a welcome rebound from '15 and '16 when Houston lost jobs and ranked last among its peers.

In Houston, the oil and gas industry, which drives the local economy, is chugging along. Employment in the energy sector, gained nearly 15,000 jobs from April 2018, an increase of nearly 7 percent. Sectors adding the most jobs over the past 12 months were manufacturing (14,900); professional, scientific and technical services (14,300); health care (12,900); leisure and hospitality (8,300); and administrative support (6,700). The manufacturing gains were concentrated in oil field equipment manufacturing and fabricated metal products, both beneficiaries of the surge in drilling activity. However, the rig count has slipped in recent weeks, so growth in manufacturing employment is likely to slow. The gains in professional, scientific and technical services came mainly from engineering firms working projects outside of Houston. Robust job growth has returned to health care as uncertainty over the fate of the Affordable Care Act has dissipated and the region's population continues to grow, albeit at a slower pace. Leisure and hospitality (*e.g.*, fitness centers, restaurants, bars, hotels) are also benefiting from population growth and the resurgence in the local economy. And administrative services continue to profit from firms outsourcing non-core functions. Employment fell in a few sectors, the greatest losses occurring in retail (-3,400), and information (-800), the former suffering from the inroads of online shopping, the latter from long decline in traditional media and greater efficiencies in delivering telecommunications services.

The state of Texas added 29,000 jobs last month, and more than 280,000 over the year, the Texas Workforce Commission reported. The state unemployment rate fell to 3.7 percent, returning to the record low reached in December. Professional and business services led the April employment gains, adding 8,400 jobs over the month. Construction added nearly 6,000 jobs, and education and health services gained more than 4,000 jobs. The mining and logging sector, which is dominated by the oil & gas industry, gained 2,700 jobs in April. Over the year, the sector grew by more than 16,000 jobs or 7 percent.

Labor Department's Employment Report Signals Weakening

The Labor Department released its latest estimate of hiring and unemployment Friday, June 7th. The monthly report provides one of the most reliable pictures of the American economy.

- 75,000 jobs were created last month. Analysts had expected a gain of about 175,000 jobs, according to Bloomberg.
- The unemployment rate was 3.6 percent, the same as in April.
- Average hourly earnings rose 0.2 percent, the same rate as in April. Over the past 12 months, earnings have risen by a solid 3.1 percent.

The report was a disappointing showing that will stoke fears that the economy is softening as the Trump administration's trade war with China and potentially Mexico escalates. The Federal Reserve has signaled that it would consider a rate cut in the event of economic weakness, and May's data is likely to be an important factor in its decisions. "This gives us a real sense of deceleration in the U.S. economy," said Diane Swonk, chief economist at accounting firm Grant Thornton. "We knew this was occurring, but this could be a summer of discontent. It also gives the Fed a green light to cut rates." Most analysts expect the economy to slow in the current quarter, after a growth rate of 3.1 percent in the first three months of the year. Both retail sales and factory orders declined in April, a sign that consumers and businesses are growing more cautious. However dramatic the drop in hiring was in May, it is part of a larger trend suggesting that the labor market has cooled from last year, when tax cuts provided a short-term lift. In the first five months of 2019, the economy added an average of 164,000 jobs, down from an average gain of 223,000 for all of 2018. The retail sector, battered by the rise of e-commerce, lost jobs for the fourth month in a row. The sector has given up 50,000 jobs since January. The share of Americans working or looking for a job was unchanged at 62.8 percent. Some economists had thought that number would rise as people were lured back into the labor market by signs of growth earlier this year. The report also revised employment data for April and March downward by a total of 75,000 jobs. "Overall, the economy is on a fragile footing," said Lindsey Piegza, chief economist at the investment bank Stifel. "We're still talking about solid growth at the start of the year, but that's in the rearview mirror. The name of the game is uncertainty."

President Donald Trump's escalating trade war with China and the possibility of new tariffs on Mexican imports have unsettled the financial markets. Analysts are parsing the data for any sign that his policies are hurting the economy or are making employers more cautious about adding workers. "The May jobs report gives us a taste of what's ahead if these trade threats continue to escalate", said Scott Anderson, chief economist at Bank of the West. Hiring in goods-producing industries such as manufacturing, mining and logging, along with construction, slowed to a crawl in May, while the services sector showed vigor. The professional and business services category registered 33,000 increase in payrolls, while health care added 24,000 jobs. After government reports showed substantial employment gains in March and April and a growth rate of more than 3 percent in the first quarter, it appeared that fears of a recession were overdone. Now those concerns are back. The current economic recovery has defied recession predictions several times. This month, the current expansion tied a record for longevity with the recovery of the 1990s.

Texas Manufacturing Sector Slows

Texas manufacturers, concerned with the effects of tariffs and growing uncertainty over international trade, expressed growing apprehension in the monthly industry survey conducted by the Federal Reserve Bank of Dallas. While the manufacturing sector in Texas continued to expand in May, it did so at a slower rate, and company executives told the Dallas Fed they were less sure of the outlook for their businesses and for the Texas economy in general. More executives said they felt negatively about their company's outlook than those who felt positively for the first time since December when the oil price dropped to its lowest level in 2018 near \$42 per barrel. More than a quarter of firms reported that uncertainty increased this month to the highest level since September. Executives largely pointed to trade fears as the reason for the diminished confidence in Texas' economy this month. China is due to raise tariffs on \$60 billion in US goods on June 1 after President Donald Trump hiked tariffs on \$200 billion on Chinese goods earlier this month. Local businesses are particularly exposed to the trade war. China is Houston's second biggest foreign trading partner behind Mexico accounting for more than \$20 billion in trade. The Dallas Fed's index of new orders, an indicator of demand in the manufacturing sector, dropped in May, but remained positive overall. Texas produces about 10 percent of the total manufactured goods in the U.S. While still positive, the bank's production index, a measure of state manufacturing conditions, fell to 6.4 in May from 12.4 in the previous month, indicating a slowdown after the sector accelerated last month. Positive readings of the indicator indicate an overall increase in manufacturing activity in the Texas economy. Despite the uncertainty, manufacturing and service sector business in Texas still have lots of open jobs, with more than 70 percent of firms surveyed saying they were looking to hire. However, more than 80 percent of firms surveyed with open positions reported having trouble finding qualified workers. "This naturally translates into wage pressures," said Emily Kerr, a senior business economist for the Dallas Fed. "They're increasing wages to recruit and retain employees." While raises may be on the horizon, the wages and benefits index, which measures wage increases, was slightly down, largely unchanged from the prior month.

Best Job Market in Decades Welcomes New Graduates

The college class of 2019 is graduating into one of the best job markets in decades as a soon-to-be-record economic expansion lowers unemployment, boosts wages and keeps employers hiring – if not competing – for workers. It's a welcome change for recent graduates, who have spent much of the decade since the last recession struggling to break into a labor market with far more workers than jobs. Even graduates with social sciences or humanities degrees who are typically left behind in the job market have much better odds of getting hired than three or four years ago because the demand for labor is so great right now, said Paul Harrington, a professor who studies labor markets at Drexel University in Philadelphia. "You have to go back to the 1990s or 2000s to find a labor market as strong for graduates," Harrington said. "This will be the best year in a long time. There's a lot of opportunity for every major."

The U.S. economy has created jobs from 102 consecutive months, including more than 260,000 in April, and unemployment nationally, 3.6 percent, is the lowest in a half century. The Texas and Houston economies are humming, too, with their jobless rates falling to record lows in April, 3.7 and 3.2 percent respectively. Among recent graduates, the unemployment rate nationally has slipped to 3.7 percent from 7.1 percent in 2011.

Graduates with degrees in engineering, specifically mining and chemical, as well as computer science and finance are particularly well-suited to find high paying jobs this year, said Harrington. In Houston,

graduates in recent years also had to contend with a brutal oil bust – the worst in a generation – that threw tens of thousands of energy industry employees out of work and weighed down the region’s economy. With the oil & gas sector recovering and crude prices now just below \$60 a barrel, economists say the local economy is poised to enter a period of sustained, yet moderate growth. But still, the oil and gas industry hasn’t made a full recovery, even as jobs in extraction creep back each month. Houston’s economy lost around 75,000 jobs in 2015 and 2016 during the oil bust, and only a third of those jobs have returned. While wage growth picked modestly up over the past several months as the labor market tightened, the median salary for recent graduates with a bachelor’s degree has stayed relatively flat, holding around \$44,000 for the last two decades.

The U.S. Bureau of Labor Statistics reports that industries such as leisure and hospitality, transportation and construction realized gains in January 2019. This indicates these are potentially good fields to explore for solid career prospects. Other hot prospects to look at include: engineering, operations research analysis, healthcare, personal financial advisory services, translators and interpreters, construction and technology.

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