

TWC Revisions for Houston's Job Creation

The Houston-Sugar Land-Baytown Metropolitan Statistical Area created 76,200 jobs in 2013, a 2.8 percent increase, according to the benchmark revisions recently released by the Texas Workforce Commission (TWC). Three sectors accounted for half of all jobs added last year—professional and business services; trade, transportation, and utilities; and leisure and hospitality.

TWC also revised annual employment data for Houston going back to the '90s. The revisions show:

- The region has created more than 364,000 jobs since the bottom of the recession.
- 2012 was Houston's best year for job creation in more than two decades.
- And growth slowed substantially in 2013.

The slowing does not portend a downturn. Rather, it suggests that growth is finally returning to normal.

ANNUAL JOB GROWTH – METRO HOUSTON			
Year	Jobs	Year	Jobs
1991	-10,400	2003	-11,300
1992	17,700	2004	37,600
1993	43,400	2005	89,200
1994	52,900	2006	106,000
1995	51,800	2007	89,100
1996	52,400	2008	19,900
1997	105,200	2009	-108,800
1998	90,800	2010	47,300
1999	17,400	2011	80,500
2000	59,000	2012	115,400
2001	3,600	2013	76,200
2002	-3,100		

Growth in Key Sectors

Energy: Exploration and production, oil field equipment manufacturing, and engineering compose much of Houston's economic base. The base must grow for Houston's secondary sectors (retail, restaurants, health care, government, etc.) to grow. Growth in the base began to taper in 2012. The secondary sectors felt the impact in 2013. If the base now settles into a sustainable pace of growth—somewhere above 3.0 percent—the secondary sectors should follow suit. If the base contracts, however, the secondary sectors will eventually contract. The bright spot is that exploration and production employment grew 7.0 percent and engineering 5.8 percent in 2013. Oilfield services, however, grew a tepid 1.7 percent.

Manufacturing: For the first time in the recovery, nondurables enjoyed healthy growth, adding 3,800 jobs, outperforming durables (3,200 jobs) for the first time since the end of the recession. Chemicals manufacturing added 3,000 jobs over the last three years, and such growth should continue as more plants and facilities are built to tap the inexpensive gas now available due to horizontal drilling and hydraulic fracking. Chemicals manufacturing has a high jobs multiplier. One job in a chemical plant supports between three and ten jobs elsewhere in the local economy. Tudor, Pickering, Holt & Company has identified more than \$40 billion in chemical plant expansions and startups announced or underway along the Texas and Louisiana Gulf Coast. This activity bodes well for Houston's economy beyond the construction phase.

Construction: The industry lost 46,200 jobs in the recession, of which only 16,200 have been recouped. A number of forces are pulling in opposite directions. CBRE has identified 16.3 million square feet of office space, 7.8 million square feet of industrial space, and 1.9 million square feet of retail space under construction. However, developers are building only half as many homes as they did prior to the recession. The region suffers from a shortage of residential lots to build on, yet only a handful of lenders are willing to finance the development of more lots. Contractors could employ more carpenters, welders and electricians—if there weren't a shortage of workers with the requisite skills. Construction activity will remain strong in 2014 but will be impacted by the lack of lots and skilled workers.

Wholesale Trade: Export growth, demand for oil field equipment, and the strong Houston economy in general has helped this sector perform consistently over the past three years. Wholesale trade added 6,800 jobs in 2013 and accounted for one in every twelve jobs added last year.

Finance and Insurance: In 2013, the sector gave back half the jobs it had recouped since December 2009. Uncertainty brought on by the Dodd–Frank Wall Street Reform and Consumer Protection Act and the trend to provide more services online continue to suppress employment growth. However, the real estate subsector has added 3,000 jobs over the past four years and local bank deposits topped \$208.0 billion as of June 30, 2013, nearly double where they stood five years earlier.

Professional and Business Services: The weak growth in employment services, a subsector of this industry, gives reason for concern. Growth or contraction in employment services often portends growth or contraction in the economy as a whole. After adding 8,600 jobs in 2010, 6,300 in 2011 and 6,300 in 2012, employment services added only 900 jobs in 2013.

Employment remains well below pre-recession levels in several sectors—computer manufacturing, construction, air transportation, finance and information. This far into the expansion, their lackluster job growth suggests that these sectors suffer not from the aftermath of the Great Recession, but from structural changes. If that's the case, it may take several years before employment in these sectors returns to their pre-recession levels.

Houston's Key Economic Indicators

919 W Gray | Houston, TX 77019

(713) 623-0400 phone | (713) 623-0415 fax | www.thehiringsource.com

Building Permits — City of Houston building permits reached an all-time high in January. Residential permits increased 31.1 percent from \$1.8 billion to \$2.4 billion and nonresidential permits increased 22.2 percent from \$3.1 billion to \$3.9 billion.

Inflation — The Consumer Price Index for All Urban Consumers (CPI-U) grew 1.6 percent nationwide from January 2013 to January 2014 and core inflation rose 1.6 percent over that period. The energy index increased 2.1 percent, food prices grew 1.1 percent, and the shelter index rose 2.4 percent.

Home Sales — Houston-area realtors sold 89,050 homes in the 12 months ending January 2014, an 18.4 percent increase over the 75,205 homes sold in the 12 months ending January 2013, according to the Houston Association of REALTORS® (HAR).

Purchasing Managers Index — The Houston Purchasing Managers Index (PMI), a short-term leading indicator for regional production, registered 58.7 in February, up from 57.1 in January, according to the latest report from the Institute for Supply Management-Houston. PMI readings above the neutral point of 50 indicate likely growth in production over the next three to four months. PMI has held at or above 50 for 54 consecutive months.

Vehicle Sales — Houston-area auto dealers sold 345,874 vehicles in the 12 months ending January 2014, up 6.7 percent from the 324,256 sold in the 12 months ending January 2013, according to TexAuto Facts, published by InfoNation, Inc. of Sugar Land.

Houston Is Hot for Millennials

Between 2009 and 2012, Millennials chose Houston as an ideal destination according to U.S. Census Bureau and Brookings Institution. The data defines Millennials as Americans aged 25 to 34 and Houston ranked No. 4 on the list. Other attractive cities include Denver, Portland, and Washington D.C. Austin came in just below Houston at No. 5 and Dallas/Fort Worth ranked ninth on the list. On the flip side, Americans 55 and older are starting to shy away from the Bayou city and landing in places like Arizona, California & Florida. Houston ranked No. 18 on that list, Austin No. 6 and Dallas/Ft. Worth No. 14. This generation – born between 1946 and 1964 – is aligned with the “empty nester” point of view in that they want their living situation to be an easy turn-key lifestyle which involves less hassle and shorter commutes and includes trash picked up at the door and groceries a call away.

Texas Job Growth

Houston led the state in job growth in 2013, with Dallas-Fort Worth-Arlington (67,900 jobs) ranking second and Austin-Round Rock-San Marcos (34,800 jobs) ranking third. Midland led the state in growth rate (5.4 percent), followed by College Station-Bryan (4.3 percent) and Austin-Round Rock-San Marcos (4.1 percent). Houston, with a 2.8 percent rate, tied for fifth with Tyler and San Angelo. Houston can boast it has led the state in job growth for three consecutive years.

TWC released revised employment data for the state as a whole and for all metros. Between 2010 and 2013, Texas job growth proved marginally weaker than originally thought. The commission revised job creation downward in two of the past four years, removing 33,000 jobs from the four-year total. The state had 11.4 million nonfarm payroll jobs at the end of 2013, an increase of 1.1 million (10.6 percent) since December 2009.

Texas Is Leader In Creation of Green Jobs (Alternative Energy)

Texas, California and New York were among the nation's leaders in adding green energy jobs during the final months of 2013. Texas led the tally, with 3,286 jobs announced during the fourth quarter in building efficiency, alternative energy, public transportation and other clean energy jobs, the report by the non-partisan business group Environmental Entrepreneurs said. That's more than double the 1,265 clean energy jobs announced in New York during the same time frame, and the 1,112 added in California. Arizona ranked No. 2 in the fourth quarter line-up because of a single project support 1,585 clean energy jobs. Overall, fourth quarter clean energy job announcements – which totaled 13,000 nationwide – fell by about 30 percent from the same period in 2012. Environmental Entrepreneurs attributed much of the decline to stiff competition from low-priced natural gas as well as efforts to roll back some state policies that encourage renewable power investments. A suite of federal tax credits that helps drive energy efficiency and renewable power investments expired at the end of 2013. The analysis released March 12, 2014 found that California topped the nation in new clean energy jobs for all of 2013, with Texas ranking No. 2.

Hopes Rise as U.S. Jobs Report Healthier than Expected

The U.S. economy stirred to life last month, creating more jobs than in the previous two winter months and raising hopes that momentum in the labor market would pick up as the cold in many parts of the country eases with the arrival of spring. The report from the Labor Department for February eased fear that the economy was downshifting to a slower pace. The data led some experts to conclude that weather, not a fundamental slowdown, was a major factor behind the recent shortfalls. With employers hiring 175,000 workers, the payroll gain in February was hardly cause for celebration – it was still well short of the pace needed to return the economy to full employment in the next few years. But it was twice the number added in December when the cold and snow arrived. The unemployment rate rose 0.1 percentage point to 6.7 percent, a reversal of the sharp downward trend recorded since last summer. Some experts argued that was not cause for alarm, but rather a sign that more people were moving back into the labor force and searching for jobs as openings increased.

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