

A Clearer Picture Emerges for Houston

Metro Houston created 18,700 jobs in 2016, according to the benchmark revisions issued in early March by the Texas Workforce Commission (TWC). That's up from TWC's initial estimate of 14,800 jobs for the year. Houston had a brief spell—June, July and August of last year—when job growth turned slightly negative. The region lost 3,800 jobs in the 12 months ending August 2016, the lowest point of the downturn. Job growth has trended upward since. The revised employment data show that the worst is over. Other indicators support that point.

- The Houston Purchasing Managers Index registered 54.2 in February, signaling economic expansion in metro Houston for the fifth consecutive month.
- February home sales set a record for the month. The 12-month moving sales total is at an all-time high, and foreclosures are near their lowest point since 2009, when the Partnership first began tracking the data.
- The North American rig count has risen 90 percent over the past 10 months, from 404 in May 2016 to 768 the first week of March 2017.
- Houston finished the year with 3,036,000 jobs, the highest level of employment in Houston's history.

Hiring Boom in the U.S.

U.S. businesses added the most jobs in three years last month, a private survey found, a sign that hiring may be accelerating from last year's modest levels. ADP said businesses added 298,000 jobs in February, up from 261,000 the previous month. The gains were led by a huge 66,000 increase in construction, the most in 11 years, and 32,000 manufacturing jobs, the most in five years. The hiring boom in construction was likely driven by unseasonably warm weather in much of the country. Construction sites typically shut down in snow or freezing weather. Still, job gains were broad-based and suggest that increased business optimism may have led to more hiring. January and February's job gains are above last year's average of about 185,000 per month. The ADP covers only private businesses and often diverges from official figures. Economists forecast that the government's jobs report will show an increase of 186,000.

TWC Revises Employment Data

Each month, when Texas Workforce Commission reports employment data, the estimates come from a sampling of businesses known as the Current Employment Survey (CES). Like all surveys, the CES is subject to error. Throughout the year, TWC gathers data from records based on unemployment insurance tax reports. TWC uses these data to revise its job estimates and issues its "benchmark revisions," which contain a more accurate depiction of employment trends over the past 21 months. Trends evident in this year's revisions:

- Energy job losses in the downturn proved to be worse than initially reported. From December 2014 to December 2016, the sector cut 81,100 jobs, which is 13,700 more than first reported. The total loss equates to one in every four jobs in Houston's energy sector. Two-thirds of those losses occurred in 2015, the remainder in 2016.
- Oilfield services employment appears to have stabilized, adding 1,100 jobs since August 2016, but exploration still struggles, cutting 3,000 jobs over the same period.
- Construction employment peaked at 222,600 in October 2015. Contractors have cut 14,300 jobs since then.
- The recent boom in chemical construction has begun to pay dividends. As those plants start up, they have begun to add jobs—1,600 since December 2014. These jobs have a high multiplier, each supporting five to eight additional jobs in the community.
- Wholesale trade, trucking and employment services (sectors closely tied to energy) lost 9,100 jobs in the downturn.
- Real estate and finance have combined for an additional 6,000 jobs over the past two years. The bulk of those jobs were in finance.
- If not for the loss of nearly 11,000 engineering jobs, professional and business services would have recorded job gains during the downturn. Employment in this field is down 2,700 jobs since December 2014.
- Job growth in retail, health care, and accommodation and food services was less robust than previously thought: 76,800 jobs in the initial reports, 55,700 jobs in the revisions.
- Hiring in employment services (i.e., contract workers) has trended upward since January 2016. Growth in employment services tends to lead growth in other sectors. As the economy improves, employers often bring on contract workers prior to hiring permanent staff.
- The government sector added 22,400 employees over the past two years, three-fourths of them at school districts and state-funded colleges and universities.
- The first year of the oil price collapse proved to be worse than originally thought. TWC revised job growth downward, from 15,200 initially to 200 jobs in the benchmarks. Given that the energy sector cut more than 50,000 jobs that year, and that wholesale trade, trucking and employment services cut another 9,000, the fact that Houston finished the year without a net job loss is remarkable.
- The year finished with the local unemployment rate at 5.3 percent, up from 4.6 percent in December 2015. The rate is not seasonally adjusted.

Oil Patch Update

The earnings season is about over and most publicly traded oil and gas firms have released their results for 2016. It should surprise no one that last year was a difficult one for the industry. Nineteen of the two dozen energy firms listed in the table below reported losses for the year. The firms included in the table were chosen because they are representative of Houston's upstream energy industry.

SELECTED HOUSTON ENERGY FIRMS, EARNINGS PER SHARE, FULLY DILUTED, CALENDAR YEARS

Firm	Earnings Per Share - \$		Firm	Earnings Per Share - \$		Firm	Earnings Per Share - \$	
	'16	'15		'16	'15		'16	'15
Anadarko	-5.90	-13.18	FMC	1.56	3.66	Oceaneering	0.25	2.34
Apache	-3.71	-27.4	Halliburton	-6.69	-0.79	Oil States	-0.92	0.56
Baker Hughes	-6.31	-4.49	Hess	-4.94	-3.93	Schlumberger	-1.24	1.63
BP	0.60	-35.39	Marathon	-0.85	-1.28	Shell	0.58	0.31
Chevron	-0.27	-2.45	Nabors	-3.64	-1.29	Southwestern	-6.32	-12.25
ConocoPhillips	-2.66	-1.40	Newfield Exp	-6.36	-21.18	Superior Energy	-5.85	-12.33
EOG	-1.98	-8.29	NOV	-6.41	-1.99	Tesco	-2.73	-3.43
ExxonMobil	1.88	3.85	Occidental	-0.75	-10.23	Weatherford	-3.82	-2.55

The industry responded by cutting jobs. Outplacement firm Challenger Gray & Christmas estimates the industry has shed more than 300,000 jobs worldwide during the downturn. In Houston, the industry cut more than 80,000 jobs. 2017 promises to be a better year for the industry.

Houston Back in the Top 10

Houston exhibited strong economic growth in the aftermath of the Great Recession, according to a new report by the Brookings Institution. The study, released by the Brookings Metropolitan Policy Program, measured economic performance in three categories—growth, prosperity and inclusion—between 2010 and 2015 in the largest 100 metropolitan areas. Among these, Houston ranked fifth in growth, second in prosperity and 64th in inclusion. Each category is measured by the percent change in the following indicators:

Between 2010 and 2015, Houston's gross metropolitan product (GMP) increased 28.5 percent, the second-highest rate in the country. The job count grew 16.7 percent and the number of jobs at young firms, suggesting strong entrepreneurial impact, increased by 11.3 percent.

Houston ranked among the top 10 metros across each indicator in the prosperity category, which captures changes in wealth and income. Houston's productivity increased 10.1 percent, the standard of living, 14.9 percent, and average annual wage, 8.4 percent.

The only category where Houston failed to rank among the top 10 was under inclusion, where it ranked 64th. Inclusion indicators measure how the benefits of growth and prosperity are distributed among individuals. While Houston's employment rate increased by 3.1 percent and median wages increased by 7.5 percent, the relative poverty rate also increased by 5.3 percent—the fifth worst rate among all metros.

The good news is that the employment rate increased for all racial/ethnic groups and for those in all educational attainment levels (e.g., high school diploma only, some college/associate degree or bachelor's degree or higher). The bad news is that the relative poverty rate increased for all racial/ethnic groups except Asians, and for those whose highest level of education is a high school diploma, some college, or an associate degree.

Overall, Brookings found that metros with a focus on advanced industries and research/technology, such as energy, tended to fare better than others. And even though Houston showed strong performance in GMP, job growth, wage increases, productivity and employment rates, some groups were left behind.

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