Solid Growth in Houston in 2018

Metro Houston created 73,300 jobs in '18, according to revised data released in early March by the Texas Workforce Commission (TWC). That's down from TWC's initial estimate of 108,300 jobs for the year. TWC revised employment data for '11, '12, '16 and '17 as well. The job reports that TWC releases throughout the year are based on a sample of area employers. The revised job counts are based on unemployment insurance premiums paid by employers, and therefore provides a more accurate picture of job growth or losses. Though growth was less robust than originally reported, '18 proved a good year for the region. The creation of 73,300 new jobs represents a 2.4 percent annual growth rate. Over the previous 20 years, job growth averaged 1.7 percent annually. The revisions also provide a better understanding of what transpired in Houston last year. Oil and gas continued to recover. Construction hiring, though not as vigorous as previously thought, was still strong. Manufacturing employment grew rapidly, as did the closely linked wholesale trade and trucking sectors. Retailers continued to battle with e-commerce for consumer wallets. The pace of job growth in healthcare slowed somewhat.

HOUSTON JOB GROWTH			
Year	**Prior Estimate**	**Revision**	**Difference**
2011	83,100	82,900	-200
2012	118,800	117,500	-1,300
2013	90,000	90,000	0
2014	116,700	116,700	0
2015	-2,500	-2,500	0
2016	-2,200	-2,400	-200
2017	62,900	54,200	-8,700
2018	108,300	73,300	-35,000

Oil and Gas - The recovery in oil and gas was not as robust as first indicated. Though daily production grew by 1.8 million barrels, the industry added only 154 rigs to the drilling fleet. Exploration and production lost 800 jobs while oil field services added 4,100. The sector remains 32,400 jobs shy of its December '14 peak. Given how efficient the industry has become at finding and extracting oil and gas, it may never return to previous employment levels in Houston.

Jobs Gained/Lost in 2018	
Initial Est.	+4,500
Revised Est.	+3,100

Construction - Though TWC revised construction job growth downward, overall employment at the end of the year of 222,900 jobs, set a record for the region. The metro area recorded $19.9 billion in construction starts in '18, the second highest level for construction starts on record. The city of Houston issued $6.1 billion in building permits, the same volume permitted in '17. While repair work for Hurricane Harvey continues, TWC likely overestimated the number of jobs tied to that work, and thus had to revise employment data down for the year.

Jobs Gained/Lost in 2018	
Initial Est.	+19,400
Revised Est.	+9,000

Manufacturing - Manufacturing activity, as measured by the Houston Purchasing Managers Index, remained strong all year. The PMI averaged 56.6 over the 12 months. Any reading above 50.0 signals growth in Houston's manufacturing sector. The downward revisions came in fabricated metal products and oil field equipment, two sectors linked to weak growth in the rig count. Drilling activity slowed in late '18, reducing the demand for rigs and spare parts. The 10,900 job gains in durable goods manufacturing ranked as the sixth best on record.

Jobs Gained/Lost in 2018	
Initial Est.	+15,600
Revised Est.	+11,600

Wholesale Trade - Since late '14, developers have delivered more than 53 million sq. ft. of industrial space. That's helped expand Houston's role as a global logistics and distribution center. Port Houston handled nearly 2.3 million loaded containers last year, up from 1.5 million five years ago. TWC likely underestimated the impact the expansion in warehouse space and container traffic had on job growth. The 6,800 jobs added in '18 rank as the fifth largest gain on record. The four best years were during the height of the fracking boom.

Jobs Gained/Lost in 2018	
Initial Est.	+4,700
Revised Est.	+6,800

Information - The sector includes print media, broadcast media, software, book, magazine and directory publishing and telecommunications, all sectors dealing with technological upheaval and change in consumer preferences. Though losses were minimal, employment still shrank in '18. The sector has cut jobs in seven of the past 10 years.

Jobs Gained/Lost in 2018	
Initial Est.	-600
Revised Est.	-200

Financial Activities - TWC originally reported a gain of 500 jobs in banking but revised that to a loss of 400. Banks continue to automate functions, streamline tasks and close branches. Insurance originally showed a loss of 800 jobs, but revised to a gain of 400. The revisions also show weaker growth in real estate and rentals and leasing, which includes the rental of furniture, equipment and appliances as well as property transactions. Activity in residential sales and leasing remains near an all-time high. Commercial leasing has picked up. But post-Harvey recovery efforts are winding down, so less construction equipment is being rented. TWC originally estimated 3,500 new jobs for the subsector, but scaled that back to 700. In summary, financial activities created fewer than a third of the jobs originally posted.

Jobs Gained/Lost in 2018	
Initial Est.	+4,100
Revised Est.	+1,100

Professional and Business Services - The largest revisions to the jobs data for the region came in professional and business services. Other indicators, such as the negative absorption of office space, hinted that job growth in this sector was much weaker than first reported. The administrative services subsector (employment services, landscaping, security guards, back office support) created 12,600 fewer jobs than first reported. The professional, scientific, and technical services subsector did see a healthy increase in architectural and engineering employment, up 5,550 jobs. Growth in design work is often a precursor to an increase in construction projects or a boost in capital spending in the energy sector.

Jobs Gained/Lost in 2018	
Initial Est.	+28,500
Revised Est.	+14,300

Health Care - Health care grew, but at a pace more like that of the '90s than the current decade. Hospital construction appears to be slowing and the industry still faces pressure from insurers, patients and the federal government to control costs. Ambulatory health care added 2,700 jobs and hospitals 2,000, with the remainder in social assistance and other health-related services.

Jobs Gained/Lost in 2018	
Initial Est.	+2,800
Revised Est.	+5,800

January Employment in Houston

Along with the benchmark revisions, TWC issued employment estimates for January '19. Metro Houston lost 44,400 jobs in the month. The seasonal loss was to be expected. Job losses occur every January without exception due to the conclusion of holiday-related seasonal jobs and adjustments to population estimates by the Bureau of Labor Statistics. Historically, Houston loses an average of 43,900 jobs in January, which indicates this year's loss was on par with the long-term average.

Hiring Lull Taps Brake on Growth Nationwide

The breakneck pace of hiring slumped in February, a sign that U.S. growth is cooling, though strong wage growth and earlier robust job gains suggest the economy's near decade long expansion will endure. U.S. nonfarm payrolls rose a seasonally adjusted 20,000 in February, the Labor Department said Friday, marking the slowest pace for job growth since September 2017 - when hurricanes skewed hiring patterns – and falling well below economists' expectations for 180,000 new jobs. Some of February's weak job growth might have been a response to strong hiring in previous months. Payrolls grew 311,000 in January and 227,000 in December. The three-month average for job gains clocked in at 186,000, near the average for much of the expansion. The unemployment rate dropped to 3.8% in February from 4% the month before, returning to a level last seen in October. Wages grew at the fastest pace in nearly a decade. For months, strong U.S. job growth has been a counterpoint to other economic disturbances, including a partial federal government shutdown in late December and January, a sputtering U.S. housing sector and a global economic slowdown. "The labor market has really stood out as the lone bright spot in a sea of more mixed measures," said Scott Anderson, chief economist at Bank of the West. The latest report, he said, "is just catching up" to the mixed economic picture. Jobs were weak in some seasonal industries that snapped back from big gains in previous months, including construction, retail, and hospitality. Construction employment fell 31,000 after rising 53,000 the month before. Leisure and hospitality jobs were flat after rising 89,000 the month before. Manufacturing employment stayed positive for the 19th straight month, the longest run of gains since the mid-1990s. But payroll growth in the sector slowed, possibly reflecting crimping effects from global trade tensions. Some economists said the report exaggerated the extent of weakness sweeping the job market. Federal workers might have been counted twice in January, when payrolls were strong, if they took additional part-time work during the shutdown, said Diane Swonk, chief economist at Grant Thornton. Those same workers who returned to their jobs in February would only be counted once, depressing the overall number. The payroll estimate is closely watched by investors because it is one of the most comprehensive numbers produced by the government on how the economy is performing and it is timely, coming just a few days after month end. The Labor Department report was striking in part because it happened as new signs flashed of a global slowdown, worrying central banks. The Federal Reserve Bank of Atlanta estimates economic output is growing at an annual rate of 0.5% in the first quarter, well below growth near 3% in 2018. There were other signs within the report that the job market wasn't as soft in February as payrolls suggested. The jobless rate, which is based on a different survey than the hiring estimate, has stabilized between 3.7% and 4% for 12 straight months after a long march lower that started in late 2009. At 3.8%, the jobless rate remains near lows rarely seen in the past half-century. At the same time, the fact that it hasn't fallen further alleviates Fed officials of the worry that it might get so low that it ignites inflation pressures. Another silver lining was hourly worker wages, which were up 3.4% from a year earlier in February, the strongest pace since April 2009. For much of the expansion, wage growth that has been anemic. It is now outpacing inflation, meaning workers are keeping more of what they bring home. Income gains for households could help sustain consumer spending and overall economic growth in the months ahead.

Midland Crushes Nation in Creating Jobs

Midland led the nation in job growth, with employment in West Texas county surging by nearly 12 percent –more than seven times the national average, the Labor Department reported. The surge was driven by the oil production boom in the Permian Basin, where output is breaking records and billions of dollars are being invested in pipelines and storage to move crude to Gulf Coast refining and export markets. The flood of money and workers coming into the county is not only creating jobs in the oil field, but also in the sectors, from construction to hospitality to transportation that provide goods and services to the energy industry.   Average weekly wages in Midland also rose by a staggering 7.4 percent, more than double the national average of 3.3 percent and triple that of Houston, which increased by 2.1 percent, according to the Labor Department. "It's a tremendous opportunity for someone at the beginning of their career, in the middle of their career or even to rehabilitate their career," said Bobby Burns, a former three-term mayor of Midland who is currently President and CEO of the city's chamber of commerce. "The jobs are here." The Permian Basin is one of the world's most prolific oil fields, nearing production of 4 million barrels a day and accounting for about one-third of U.S. output. More than 470 drilling rigs, about half the operating rigs in the continental United States, are in the Permian Basin. Oil and gas employment has surged nearly 24 percent. The unemployment rate in Midland County has plunged to 2.1 percent, compared to 4 percent in the United States and Texas, and 4.1 percent in Houston. Burns said that what makes this boom different is big players are dominating the market, instead of seat-of-the-pants wildcatters. Companies such as Exxon Mobil, Chevron, Royal Dutch Shell and BP are establishing large beachheads in the Permian, which in turn should provide greater economic stability as the companies can more easily weather fluctuating oil prices. But as in the past, the city's schools, roads, housing, and childcare are struggling to keep pace with the rapid expansion. "When you have this much growth and that much employment it has an impact on the city," Burns said. The Labor Department data, based on a census of more than 10 million U.S. employers, captures employment in the third quarter of 2018. Data in the report compares average county employment numbers in September 2018 to the same month in 2017, and wages by third quarters of each of those years. Employment increased year-over-year in 295 of the 349 largest U.S. counties. Houston continues to grow, albeit at a much slower pace than its West Texas cousin. Harris County employment rose 2.1 percent, ranking it 85% for job growth among U.S. counties. "Harris County still benefits from increased oil and gas drilling year-over-year, and Harris County continues to ride the wave of refinery conversions and expansions due to increased production," said Ed Hirs, an economist at the University of Houston. "The low natural gas prices continue to drive petrochemicals and the construction of LNG export facilities in the area. All of this activity is positive for Harris County." The natural resources and mining sector, which is predominantly represented by the oil and gas industry, also rose 2.1 percent in Harris County; weekly wages rose 2.1 percent as well. The construction sector saw an employment increase of 3.4 percent. Construction wages here rose 5.2 percent as salaries are steadily increasing to compete for a shortage of workers.

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