HOUSTON CREATES JOBS

The Houston area added the third-most jobs among U.S. metro areas for the year ended February 28, 2019, data from the Bureau of Labor Statistics show. The largest over-the-year increase in employment occurred in the New York metro area, which includes Newark and Jersey City, New Jersey, adding 107,800 jobs. The Dallas-Fort Worth-Arlington area followed New York, adding 102,500 jobs. The Metro Houston created 67,800 jobs, a 2.2 percent increase, in the 12 months ending March ’19, according to the Texas Workforce Commission (TWC). For comparison, the region created 54,400 jobs in the 12 months ending March ’18, a 1.8 percent increase. The five sectors adding the most jobs over the 12 months were durable goods manufacturing (15,600); professional, scientific and technical services (12,300); health care (9,200); other services (7,100); and wholesale trade (4,500). Employment decreased in a few sectors, the greatest losses in retail (-5,900); employment services (-3,800); and information (-800). Growth in construction employment is slowing; the sector added 2,200 jobs in the 12 months ending March ’19. In energy, exploration and production created 200 jobs, the first sign of growth after four years of job losses in the sector. Oil field services added 3,800.

HOUSTON UNEMPLOYMENT RATE HITS DECADE-PLUS LOW

The Houston unemployment rate fell to its lowest in nearly two decades as the Houston economy continued to add jobs last month, led by strong rebound in manufacturing employment. The region’s jobless rate slid to 3.7 percent in March, down from 4.5 percent in March 2018, the TWC reported. It was the lowest unemployment rate since the end of 2000. Houston employers added nearly 10,000 jobs over the month, the biggest gain since October. The region has added nearly 70,000 jobs from a year prior. Local manufacturing employment rose by 16,400 jobs from March 2018, a 7 percent increase. It’s another sign that manufacturing activity may be picking up after several months of slowing activity, in part due to trade disputes that have slapped tariffs on foreign steel, raised costs for many manufacturers and provoked retaliatory tariffs on U.S. goods, said Patrick Jankowski, an economist and SVP Research for Greater Houston Partnership. Supply chain executives in a survey earlier this month said manufacturing activity increased. But, other indicators, such as the rig count which has been dropping since the beginning of 2019, still could later this year lead to slowing in the sector, which is closely tied to the oil and gas industry, said Jankowski. “What’s good to see is with manufacturing, those are blue collar jobs, so it’s growth in the middle of the economy,” he said. The oil and gas extraction industry picked up modestly in March, adding about 200 jobs from March 2018. It was the second consecutive year-over-year employment gain for the industry after nearly five years of losses. Jankowski said even the slight increase in employment could indicate that the sector is beginning to recover from an oil bust that cost Houston thousands of energy jobs between 2015 and 2017. “It seems we are finally starting to see oil and gas pick up,” Jankowski said. It’s unlikely, however, that Houston’s energy employment will return to the levels of the last oil boom, which peaked in 2014 as prices breached $100 a barrel. Since the boom went bust, the industry has focused on increasing productivity and lowering costs, turning to automation and other technologies to produce more oil with fewer workers. The education and health services sector added 10,000 jobs from a year earlier as a population that is growing and aging increases demand for medical services. Harris County was recently ranked the third most populous county in the nation, according to Census population estimates. The metro area has added 1 million people between 2010 and 2018. Employment gains in March were broad-based, with most major sectors adding jobs over the year. One of the only ones to lose jobs was retail, which shed nearly 6,000 jobs from March 2019. The retail sector has struggled in Houston and all over the country as online giants such as Amazon undercut local prices and brick-and-mortar companies replace jobs with technology, such as self-checkout.

The local economy has been buoyed by the recovery of the energy industry and the strong national expansion that has pushed the U.S. unemployment rate, 3.8 percent, near a 50-year low. With record-low unemployment rates all over the country, Houston is no longer positioned to attract workers with the promise of jobs alone, Jankowski said. That will likely require companies to pay more. That would be welcome news for workers. Compensation in Houston has been mostly flat for the last year, according to the U.S. Labor Department, and wages and salaries here have been growing at a slower pace than the nation as a whole since September 2017. "It's going to be more difficult to get someone to pack up and move to Houston when they can find jobs in their own backyard," said Jankowski. "For companies to expand, they're going to have to increase benefits to entice workers to their firms." Texas, though, continues to draw workers. The state's labor force reached an all-time high of more than 14 million, the Texas Workforce Commission said. The state economy has been strong enough to absorb new workers without an increase in unemployment. Texas employers added nearly 23,000 jobs in March while the state's jobless rate held steady at 3.8 percent, just above its all-time low of 3.7 percent. West Texas cities again recorded record low unemployment rates as the shale boom in the Permian Basin drives demand for labor. Midland's metro area recorded the lowest unemployment rate of any Texas city at 2.1 percent, followed by the Odessa metro area, which recorded a 2.5 percent unemployment rate.

HOUSTON ECONOMY SEES STEADY CHUG BACK TO OIL BASICS

Houston's economy is likely entering a period of moderate and sustained growth, as the days of $100 oil per barrel and the rapid expansion that followed early in the decade are probably long gone. Bill Gilmer, director of the Institute for Regional Forecasting at the University of Houston's Bauer College of Business, said the local economy is back to following national trends and predicted a steady course ahead as oil prices stabilize. Gilmer said he expects the region to add about 60,000 jobs a year from 2019 until 2023. "We've gone back to the basics in Houston: oil and the U.S. economy," said Gilmer. "That's what has counted in Houston for decades." Houston and the energy sector have recovered from the downturn, but all the jobs the city had during the oil boom days of 2014 are unlikely to ever return, Gilmer said. Houston's economy lost around 75,000 jobs in 2015 and 2016 when oil prices plummeted. Only around a third of those jobs have returned, Gilmer said. Oil prices are likely to stay in the $50 to $60 per barrel range as OPEC pursues a new strategy to slow down U.S. fracking activity in order to lessen the power the United States has gained in the global oil market. "We've been through a long soap opera listening to OPEC announcements. OPEC is thinking we can slow (fracking activity) down to get less American oil in the world." U.S. oil producers have continued to drill wells, but leave them uncompleted and out of production in the Permian basin, waiting for more pipeline capacity to move their product to market. Gilmer expects those uncompleted wells will begin producing in late 2019 or early in 2020. That will keep oil prices from reaching a boom level. Improvements in oil and gas drilling technology that allows companies to drill more wells with fewer workers mean that oil jobs are increasingly being pushed out of the remote oil fields and into Houston headquarters, engineering shops and control rooms. "These rigs are bigger and more powerful with much fancier control and data systems," Gilmer said. "We engineer it and build it here in Houston. We're better equipped to hold on to those jobs in the future."

In July, the U.S. economy is likely to mark the longest economic expansion in history, with record-low unemployment. Houston is following with the local unemployment rate, 3.8 percent in March, equivalent to the U.S. rate. Still, local businesses have indicated in surveys that they're concerned about a coming recession, pointing to unstable politics and trade uncertainty. Gilmer declined to forecast the next U.S. recession, but pointed out that some economists see it coming as soon as 2020. U.S. economic growth, however, was surprisingly strong in the first three months of the year, expanding at an annual rate of more than 3 percent. The Federal Reserve is likely to continue to keep interest rates low, holding steady at a target rate of between 2.25 and 2.5 percent, through the rest of 2019, after policy makers expressed concern about the impact of international trade conflicts and tariffs, an unexpected slowing of the U.S. economy, and financial trouble in Europe. Other industries in Houston, such as healthcare, bars and restaurants, finance and retail, tend to increase activity following high oil prices in Houston, but at a delayed pace. During the last oil bust, those industries were still "playing catch-up" from the earlier expansion driven by $100 per barrel oil, so they kept adding jobs during the downturn. That catch up-phase is now over, meaning that the local economy is unlikely to get help from rapid growth in those sectors. While the recent oil price recovery allowed local industrial activity to pick up along the Houston Ship Channel and elsewhere, that growth is slowing as well. Adding the risk of a slowdown is the region's declining population growth as fewer people move to Houston from other states than in the past years.

U.S. JOBLESS RATE IS LOWEST IN 50 YEARS

The U.S. economy added 263,000 jobs in April, notching a record 103 straight months of job gains and signaling the current economic expansion shows little sign of stalling. The unemployment rate fell to 3.6 percent, the Labor Department said May 3, 2019, the lowest since 1969. The official unemployment rate has been at or below 4 percent for more than a year. Hiring was strong across most sectors with especially large gains in business services (76,000 jobs added), construction services (33,000 jobs added), and health care (27,000 jobs added). Economists were watching government employment closely, since the U.S. census is beginning to step up hiring ahead of the 2020 census. The federal government added 12,500 jobs in April, which likely included some boost from the census but isn't a large effect yet. "There is no denying this is a strong jobs report," said Joel Prakken, chief U.S. economist at Macroeconomic Advisors. "The only number you can point that looks disappointing is that manufacturing employment has stalled." The United States has more job openings than unemployed people a situation some economists call "full employment" since most job seekers are able to land a job. Hispanic unemployment dropped to 4.2 percent in April, a record low since the Labor Department started measuring it in the 1970s. "The job market looks good on about any measure," said Matthew Luzzetti, chief U.S. economist at Deutsche Bank. "While the unemployment rate is the lowest since 1969, a better measure it to look at the unemployment rate that includes people working part-time because they can't find a full-time job. That is low, but it's only the lowest since 2000." Low unemployment is forcing employers to raise pay and become more aggressive about hiring and training workers. Average hourly earnings rose 3.2 percent in the past year, well above inflation, and lower-wage workers enjoyed some of the largest gains as companies scrambled to fill jobs and many states have raised their minimum wage. Business leaders increasingly say their No. 1 challenge is finding enough people to fill job openings. The McClane Co. is a large trucking and warehouse firm that specializes in moving food and grocery items around the country. Its advertising truck driving jobs for $70,000 a year and a $6,000 sign on bonus in Jessup, PA, but even at that level of pay it's been tough to get enough people in the door. "The economy is good, but that's very difficult for employers," said Jo Stagnaro, President of McLane's Pennsylvania operations. "The people you want to hire are employed by someone else." Stagnaro decided to try something new in addition to the many internet job listings, billboards and newspaper ads that McLane uses to try to get the word out about openings. He just signed a deal with a truck driving school to train people to become truckers right on McLane's site, with the company picking up the tab for all the training. He has had a lot of interest from the company's warehouse workers who are eager to learn more skills, earn a commercial driver's license and transition into a higher-paying job. There's no official government measure of how much money companies are investing in training their own workers, but as unemployment remains low and wages rise, more and more managers say they're looking to grow talent internally instead of trying to poach it from other companies. The White House cheered the news as more proof President Donald Trump's stimulative policies of tax cuts and increased government spending are helping more Americans gain from the robust economy. Vice President Mike Pence and National Economic Council head Larry Kudlow both stressed that the economy is growing and wages are rising without triggering a worrisome increase in inflation. "You can grow the economy without inflation," Kudlow said. Rising inflation typically forces the Federal Reserve to boost interest rates, which can cause a downturn. But with little sign of inflation, the Fed is on hold with no plans to change rates this year. Trump repeatedly has told the Fed to cut rates, but central bank leaders see little need to lower rates given how strong the economy looks right now. Many economists call the job market "spectacular" at the moment, although they note there still are some pockets of pain where people are struggling. The United States still has 4.7 million people stuck in part-time jobs who want full-time work and 1.2 million people who have been looking for work for over half a year. "In a tight labor market, we should be able to find everyone a decent job," said Susan Houseman an economist and vice president of the W.E. Upjohn Institute for Employment Research. "As a country we need to think about how to improve our programs to get the chronically unemployed working again." Houseman urged politicians to focus on affordable child care and better transportation to help people get to work as well as expanding apprenticeships and job training programs, which can be done by both the public and private sectors. There also has been concern about the number of people working multiple jobs or feeling they had to have a "side gig" to make ends meet. According to the Labor Department, 5 million Americans work more than one job, a figure that hasn't changed much in recent years and remains lower than it was during the 1990s boom. The African-American unemployment rate is 6.7 percent, having ticked up since hitting a record low about a year ago. It remains more than double the rate for whites. "The unemployment rate isn't 3.6 percent for everybody," said Williams Rodgers, chief economist at the Heidrich Center for Workforce Development at Rutgers University. "This is a labor market that can still absorb more workers, especially young adults and minorities."

METRO HOUSTON POPULATION UPDATE

Metro Houston added nearly 92,000 residents last year, boosting the region's population to nearly 7.0 million. Since the April '10 census, Houston has added nearly 1.1 million residents, a gain comparable to what the region saw in the '00s. Houston's population should exceed 7.1 million by the end of the decade. Last year's growth, however, was the weakest in 20 years. It came on the heels of tepid growth the year before. The region saw fewer births last year, an uptick in deaths, and a significant number of residents leaving Houston. If not for a surge in international migration, Houston's population growth would have been weaker still.

For the second consecutive year, Houston recorded negative domestic migration in '18. In layman's terms, more people left Houston than moved here from other parts of the U.S. The U.S. Census Bureau estimates the loss at 19,500 residents over the two years. Earlier in the decade, domestic migration annually exceeded 60,000. The loss in '17 can be blamed on a weak economy. Houston shed jobs in '15 and '16 and didn't begin growing again until mid-'17. Unemployed Houstonians, unable to find work here, left for places offering better opportunities. The loss in ’18 was due to Hurricane Harvey. The storm destroyed or significantly damaged nearly 100,000 homes. Rather than rebuild those houses, many residents chose to relocate to less-flood-prone cities. Harvey’s impact has since abated, and Houston is creating jobs again—67,800 in the 12 months ending March ’19. But there’s a lag between job growth and domestic migration. First, news of Houston’s prosperity must reach other cities. Then, residents of those cities must decide their job prospects are better in Houston than at home. Both tasks were easier immediately after the Great Recession. In ’12, when New York, Chicago and Los Angeles struggled with unemployment rates of 8.7, 9.1 and 10.2 percent, Houston created 117,000 jobs. *The Wall Street Journal* and *The Economist* touted Houston’s economic miracle. The energy industry recruited workers from across the nation and *Forbes* declared Houston “the coolest city in America.” Luring residents to Houston isn’t as easy as it once was. Among the nation’s metros, 184 have unemployment rates equal to or lower than Houston’s, currently 3.7 percent. Another 118 have rates within one percentage point of ours. The local energy industry, having just laid off one quarter of its workforce, is unlikely to go on a recruiting binge. *The Economist, WalletHub* and CBRE have recently issued reports or published articles unfavorable to Houston, and the chemical plant fires in the region have made national headlines. Domestic migration may remain below trend for some time.

While the region’s job market isn’t the draw as it once was, other factors (warmer weather, affordable housing, family ties, and friendly business climate) will draw people to the region and Houston should continue to draw residents from abroad. Immigrants prefer metros that already have large populations of their fellow countrymen. Houston already has a large foreign-born population—nearly one in four Houstonians was born abroad. The region also has a reputation for welcoming newcomers, whether they’re from New York or New Zealand, and Houston has become a global city with 90 consulates, two international airports, the second busiest seaport in the nation, and nearly 1,000 foreign-owned companies with operations in Houston. Though Houston’s natural increase rate may be slowing, it can still be counted on to add another 50,000 or more residents each year. How many residents might Houston add in the coming decade? The Perryman Group forecasts the nine-county metro area to reach 8.4 million by ’30.

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