Texas Sees Only Modest Job Gains in September

Employers added just 7,600 jobs during September. Texas once again had to deal with disruptive weather, which slowed activity in the logistics sector. The unemployment rate remains at an all-time low of 3.4%.

The Texas Economy is Losing A Bit of Momentum

Nonfarm employment growth slowed across Texas, reflecting both the continued pullback in oil & gas exploration as well as the impacts of adverse weather. Employers added 7,600 jobs over the month and have created 300,000 net new jobs over the year. September's job gain was just a little more than one third of the average monthly gain this year. Despite the smaller monthly gain in payrolls, the unemployment rate remained unchanged at 3.4%, on a seasonally adjusted basis.

While September's smaller payroll rise is consistent with the slower pace of hiring we have seen nationwide, we continue to believe that the Texas economy will prove more resilient than the nation as a whole. Nonfarm payrolls have risen 2.4% over the past year, and private sector payrolls are up 2.7%. Both are well above the nation as a whole, and job gains have been extraordinarily broad-based.

September is often a difficult period to measure nonfarm employment because the timing of the school year can often result in shifts in hiring in public education and the leisure & hospitality sector. That appears to have been the case this past month, which saw government payrolls slip by 1,100 jobs on a seasonally adjusted basis. Employment also declined in the leisure & hospitality sector, which might reflect the end of some part-time summer jobs and also the loss of business due to flooding in parts of the greater Houston area. Despite the drop, employment in the leisure & hospitality sector has risen a hearty 3.9% over the past year, resulting in 52,400 net new jobs. Trade, transportation & utilities also posted an unusually large 7,400-job loss in September, which seems out of sorts with longer-term trends. To be certain, retailers are getting clobbered by online competitors, which has resulted in many store closures. But Texas’ strong population growth has mitigated some of these losses.

One area we do know is experiencing challenges is mining & logging, which captures energy exploration jobs. Employment in that sector fell 0.4% in September and has fallen in six of the past nine months, resulting in a total net loss of 2,300 jobs. Energy extraction does not appear to be the culprit, however, with hiring still rising.

Lower energy prices are likely to continue to pull at employment in the oil & gas sector. There is still quite a bit of activity at expanding pipelines, processing centers and export facilities, however, which should keep construction rising. A trade deal with China would provide some additional relief, particularly if they sign on for more oil and gas exports.

While swings in the energy sector still tend to influence the overall pace of growth, the Texas economy is likely to continue to prove resilient. Texas continues to attract scores of new businesses and new residents, which drives demand for new homes and commercial space. Construction employment is up a whopping 7.0% over the past year, and now accounts for a cycle-high 6.1% of total payrolls.

Source: U.S. Department of Labor, Baker Hughes and Wells Fargo Securities