



Economics Group

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Texas Payrolls Surge Again in June

Employers added 225,200 jobs during the month. The unemployment rate fell to 8.6%. The recovery continues, but COVID-19’s resurgence and continuing disarray in the energy market loom large over the state’s economy.

Texas Continues On the Long Road to Recovery

The Texas labor market took another step in the right direction during June. Employers added over 225,000 net new jobs during the month, and the unemployment rate declined to 8.6% from 13.0%. Employers are clearly making a lot of headway in recouping recent job losses. A full recovery, however, remains far off. Texas employers shed a little over 1.4 million jobs during the lockdown months of March and April, but have since added back about 475,000.

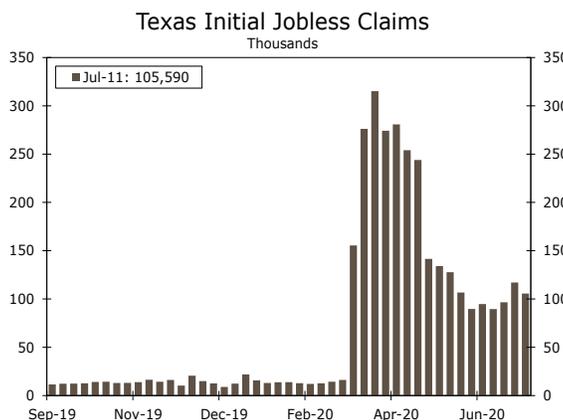
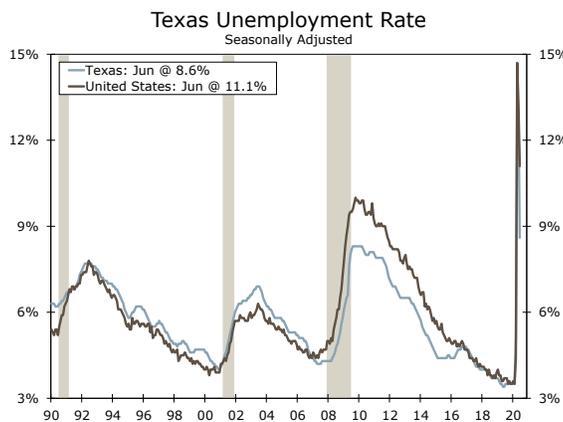
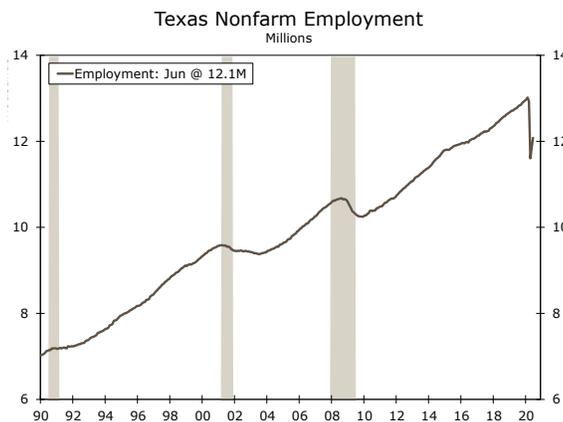
Leisure & hospitality added 142,700 jobs, the most of any major industry. The majority of that gain (114,200) occurred in the accommodation and food services subcategory. The gain is encouraging, as the hospitality industry has come under the most duress from the pandemic. Even after these gains, however, leisure & hospitality employment is still down more than 15% from last year. Retail trade, which has likewise been severely impacted by COVID-19, saw a robust 42,000-job gain. Healthcare & social assistance also saw an outsized rise in payrolls, adding almost 21,000 jobs during June.

Less-impacted industries—mostly those where workers can more easily work remotely—saw more modest job gains. Professional & business services added 16,700, however much of the increase was owed to a 12,900 rise in administrative services. Professional & technical services and management of companies & enterprises, added just 3,000 and 700 jobs, respectively. Financial activities employment grew by 5,500.

Elsewhere, gains were less robust. Manufacturers trimmed payrolls by 500 jobs. Construction registered a somewhat paltry 3,500-job gain. Hiring in transportation & utilities edged higher, with a 1,900-job gain. Considering the magnitude of the job losses in these industries, these gains are fairly underwhelming and likely connected to historically dismal conditions in the state’s oil and gas industry.

Employment in the natural resources & mining sector, which captures oil and gas extraction, fell by 6,400 jobs in June, the fourth consecutive drop. Even as West Texas Intermediate crude prices have risen to around \$40/barrel, prices remain below what many producers need to cover operating costs, which means production will continue and operators will need to cut capital spending even further. Rig counts in Texas continue to fall, hitting a fresh all-time low of 104 in July.

The labor market may soon hit a stumbling block. For the week ending July 11, the advance estimate of initial jobless claims fell slightly to 105,590, but the overall trend in recent weeks has been rising. The upturn coincides with businesses and consumers growing increasingly cautious amid a rising number of COVID-19 cases, hospitalizations and deaths. Even if the recent uptick in claims is just noise (the volume of applications has strained processing capacity, leading to reporting delays), the overall level remains elevated. In short, the increase in new jobless claims suggests the reemergence of the pandemic will weigh on hiring this summer.



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