HOUSTON 2026

Employment Forecast: Mid-year Update

Workforce Solutions
GULF COAST

Executive Summary

This report presents the second iteration of the 2026 employment forecast for the Houston MSA, projecting a gain of approximately **29,900** nonfarm jobs from December 2025 to December 2026, an acceleration from the **17,500** jobs added in 2025, though roughly **25 percent** below the **40,200** projected in the first iteration last October.

The defining feature of the outlook is breadth rather than pace: 2025's growth rested almost entirely on Construction and, after benchmark revisions, a healthier-than-first-reported Professional and Business Services sector, while 2026 is expected to draw contributions from a much wider set of industries.

Health Care and Social Assistance (+8,900) and **Professional and Business Services (+8,500)** lead the projection, followed by a decelerating but still-solid **Construction sector (+5,600)** and recoveries in Leisure and Hospitality, Government, and the trade and logistics complex.

Financial Activities (–2,900), Mining and Logging (–1,900), and **Non-durable Goods manufacturing (–1,900)** remain the principal drags, reflecting the two deliberately conservative assumptions underpinning the forecast: energy drilling activity held flat through year-end and little to no relief in interest rates, an assumption the Federal Reserve's June projections have since reinforced.

Realized data through May 2026, up **21,300 jobs** over the year, are broadly tracking the projected path; the principal upside sits in Construction, whose assumed slowdown has not yet appeared, and the principal downsides sit in the still-unconfirmed Wholesale Trade turnaround, an event-dependent Leisure and Hospitality projection, and the risk that oil prices settling in the high-sixty-dollar range pull drilling activity below the flat path assumed here.

29,900
PROJECTED NONFARM JOBS
Dec. 2025 to Dec. 2026

17,500
Jobs added in 2025

25%
below the **40,200** projected in the first iteration last October.

21,300
Jobs over the year Through May 2026

LEADING SECTORS

Health Care and Social Assistance	+8,900
Professional and Business Services	+8,500
Construction sector	+5,600

PRINCIPAL DRAGS

Financial Activities	-2,900
Mining and Logging	-1,900
Non-durable Goods Manufacturing	-1,900

Introduction

At the time of writing in late-June 2026, Houston's labor market continues to expand at a moderate and uneven pace. Total nonfarm employment stood at roughly 3.51 million jobs in May 2026, up 21,300 jobs, or 0.6 percent, over the year, with seven of the eleven major sectors recording annual gains.

However, the opposite was true across the first four months of the year, with seven sectors posting over-the-year losses, suggesting that May could be an inflection point for the job market. The month of May notwithstanding, growth remains concentrated in a handful of industries, and broader conditions still favor employers: the unemployment rate was 4.6 percent in May, above both the state and national rates, and the Workforce Solutions Index, while improving, has held below its equilibrium value of 4.0 for 32 consecutive months. It is against this backdrop, stabilizing but still below historical norms, that the 2026 forecast is set.

This report serves as the second iteration of the 2026 full-year employment forecast for the Houston MSA. The first iteration was released in October 2025 using employment data available through August of that year and was included as part of the September 2025 Houston Area Employment Situation. At the time, we projected a 2026 gain of approximately 40,200 jobs. The present forecast revises that outlook using data available through March 2026 and projects each major sector's net job change on a December 2025 to December 2026 basis. Note that employment figures have since been released through May 2026, and those more recent readings are used throughout this report as an early check on whether the forecast's assumed trajectories are holding. Because monthly estimates are subject to revision and an annual benchmark revision, the May data are treated as directional confirmation rather than a reason to re-anchor the projection.

Forecast Approach

> Each sector's forecast is built from its own monthly employment history, with the underlying trend and seasonal pattern projected forward to December 2026.

For sectors with clear external sensitivities, the models also incorporate economic drivers: oil prices and a measure of energy-sector drilling activity for the energy-linked industries, and the expected path of short-term interest rates for rate-sensitive sectors such as Construction and Financial Activities. The models were estimated so that the unusually sharp swings of the pandemic period do not distort the trend and seasonal estimates, and a complementary multi-sector cross-check was used to validate the relationships among the largest industries. Results are summarized on a December-over-December basis to align with standard reporting conventions.

Two assumptions shape the energy- and rate-sensitive sectors and are worth stating plainly. First, energy-sector drilling activity is held roughly flat through the end of 2026, reflecting the absence of a clear catalyst for renewed expansion and the more capital-disciplined, muted employment response to energy-market movements observed in the beginning of this year. Second, the forecast assumes only limited or no relief in interest rates over the horizon, which tempers the rate-sensitive components of Construction and Financial Activities. Both assumptions are deliberately conservative; the principal risks around them are discussed in the report's conclusion. The rate assumption has since been reinforced: at its mid-June meeting the Federal Reserve held the federal funds rate at 3.50–3.75 percent, and its updated projections removed the rate cut previously penciled in for 2026 and pushed any reductions into 2027, with roughly half of policymakers now anticipating at least one hike before year-end.

The forecast projects Houston to add approximately 29,900 nonfarm jobs from December 2025 to December 2026, a meaningful acceleration from the 17,500 jobs added over the prior year but a roughly 25 percent decrease compared to the previous iteration of the forecast. The story of the forecast is less about the pace than the breadth: growth is expected to broaden well beyond the narrow base of two or three industries that carried 2025. The clearest feature is the reordering of contributors. Professional and Business Services and Wholesale Trade, both of which were contracting or flat through December 2025, are projected to turn positive, while Construction, the dominant driver of 2025, is expected to slow from its recent pace. Even with the acceleration, the projected expansion for 2026 remains below the stronger, broad-based growth of the post-pandemic period. The table below sets the current forecast against last year's performance and the latest realized annual change through May 2026 (Table 1).

Table 1: Houston Labor market Details:
2026 Forecast vs Last year and Current Performance

Major Sector	Dec 2024-Dec 2025 (2025 Benchmark)	Current 2026 Forecast (Dec/Dec)	Latest 12-mo. Actual (thru May 2026)
Health Care and Social Assistance	+7,900	+8,900	+7,600
Professional and Business Services	-600	+8,500	+7,000
Construction	+13,600	+5,600	+12,100
Leisure and Hospitality	+700	+4,200	+900
Government	+3,700	+4,100	+1,400
Transportation, Warehousing, and Utilities	+1,700	+2,800	+1,600
Durable Goods	+1,700	+1,400	+2,700
Wholesale Trade	-600	+1,100	-1,700
Other Services	-500	+700	+1,400
Private Educational Services	+500	+500	-1,100
Information	- 1,100	-500	-1,200
Retail Trade	-2,400	-700	+300
Non-durable Goods	-1,800	-1,900	-4,000
Mining and Logging	- 3,500	-1,900	-2,800
Financial Activities	-1,700	-2,900	-2,900
Total Nonfarm	**+17,500**	**+29,900**	**+21,300**

Note: The actual column (May 2025–May 2026) and the forecast column (December-over-December) cover different but overlapping twelve-month windows and are presented together to gauge current momentum against the projected path. Full year 2025 data after annual benchmark revisions are also shown for comparison with the projected growth; detailed-industry components may not sum exactly to Total Nonfarm because of independent rounding in the published series.

Our headline projection for full-year 2026 job growth has been revised down from the prior forecast's 40,200 jobs to 29,900, a reduction of roughly 10,300. That net change, however, masks substantial movement in both directions. When the first forecast was produced, based on estimates preceding the 2025 benchmark revisions, Professional and Business Services appeared to be in steep decline, down 13,700 jobs over the year as of September 2025 with losses extending as far back as March of the same year, and the prior outlook extrapolated that weakness. Since then, revisions have revealed that losses in Professional and Business Services were far less severe in terms of depth and duration, with the sector bottoming in the fourth quarter of 2025 followed by a sharp recovery throughout the first and second quarters of 2026. The current forecast reflects that improvement. Construction tells a parallel story: the benchmark revision revealed that the sector had added 13,600 jobs over the year through December 2025, its strongest calendar-year gain since 2014, rather than the essentially flat pace shown in the pre-benchmark data on which the first forecast was built. That stronger realized base, together with continued momentum into early 2026, lifted the current projection for the sector to 5,600 jobs, up from 3,200 in the prior iteration.

SECTOR-SPECIFIC OUTLOOKS

Private Education and Health Services

is projected to be the region's largest source of job growth in 2026, adding roughly 9,400 jobs. Nearly all of this comes from Health Care and Social Assistance, forecast to add about 8,900 jobs, up from 7,900 over the prior year, with Private Educational Services contributing a modest 500. Through May 2026 the broader sector was up 6,500 jobs over the year, with health care adding 7,600 and private education down 1,100, a profile fully consistent with the forecast. Within Health Care and Social Assistance, the gains are concentrated in Ambulatory Health Care Services and Hospitals, which through May were up 2,200 and 2,600 jobs over the year respectively, reflecting the continued build-out of the Texas Medical Center complex and steady demand from an aging and in-migrating population. Private Educational Services, by contrast, is a small and volatile component that has been shedding jobs, so its modest projected gain assumes stabilization rather than renewed growth. Because health-care demand is largely insulated from the energy and interest-rate cycles that drive much of the Houston economy, the sector functions as a structural stabilizer for regional employment, reflecting its standing as the region's most reliable employment anchor along with public education.

Professional and Business Services

is forecast to add 8,500 jobs, one of the sharpest turnarounds in the outlook given that the sector was down 600 jobs over the year through December 2025. The swing assumes that the stabilization in Administrative and Support services is sustained and that the more cyclically sensitive Professional, Scientific, and Technical Services component, closely tied to energy, engineering, and corporate investment cycles, continues to recover. The May data support this trajectory: the sector was up 7,000 jobs over the year, led by Administrative and Support (+5,600), with Professional, Scientific, and Technical Services back in positive territory year-over-year. Because this turnaround accounts for a large share of the headline improvement, it is also one of the forecast's key dependencies.

Construction

is projected to add 5,600 jobs, still a substantial contribution, but a clear deceleration from the 13,600 jobs added through December 2025, when it was the region's fastest-growing major sector. The slowdown is driven by the assumption of limited interest-rate relief, which tempers the residential component, even as petrochemical facilities, energy infrastructure, LNG export projects, and population-driven demand continue to support the sector. This is also the forecast line the May data most complicate: through May, Construction was still up 12,100 jobs over the year and posted its second-largest May monthly gain on record, with all three subsectors expanding. The projected deceleration to 5,600 is therefore heavily weighted to the second half of 2026, and if the slowdown fails to materialize on that timetable, this sector represents a meaningful source of upside to the total.

Leisure and Hospitality

is expected to add 4,200 jobs, a notable improvement from the nearly flat 700-job gain through December 2025. A portion of the projected pickup is event-related—Houston hosts seven 2026 FIFA World Cup matches between mid-June and mid-July—and that demand is treated as transitory rather than a structural shift. The May data show the tension this creates: the sector was up only 900 jobs over the year, yet posted a strong 5,400-job monthly gain consistent with employers staffing up ahead of summer events. Beneath the event-driven surface the underlying trend is soft: on a year-over-year basis the sector had decelerated to near-flat by spring 2026 as the post-pandemic travel and dining recovery matured and as elevated consumer prices weighed on discretionary spending. The forecast therefore treats 2026 as a year in which a temporary events calendar masks an otherwise mature, slow-growing sector. The national June employment report reinforces this read: US Leisure and Hospitality shed jobs in June on weaker-than-usual seasonal hiring, suggesting the event shifts the timing of hiring more than its annual total. This is a pattern that places the sector's 4,200-job projection toward the optimistic end unless underlying demand firms in the fall, with hiring lifting the annual figure through mid-year before activity returns toward more normal seasonal patterns.

Government

is projected to add 4,100 jobs, broadly in line with the 3,700 added through December 2025. Growth is assumed to remain concentrated in Local Government, tied to public education and population-driven demand for public services, while Federal Government continues its gradual decline. The May reading was softer in the near term, as Government was up 1,400 jobs over the year and slipped slightly over the month, so the forecast implies some firming in the back half of the year, with the slowing pace of regional population growth a gradual risk to this projection over time.

Trade, Transportation, and Utilities

is forecast to add about 3,200 jobs on net, the product of three diverging components. Transportation, Warehousing, and Utilities is expected to add 2,800 jobs, building on its 1,700-job gain through December 2025 as logistics and distribution activity continues to stabilize; Wholesale Trade is projected to swing to a gain of 1,100 jobs after declining 600 over the prior year; and Retail Trade is expected to remain slightly negative at roughly 700 jobs. Each component reflects a distinct driver. Transportation, Warehousing, and Utilities, the strongest piece, is supported by Warehousing and Storage, which added roughly 3,100 jobs in 2025, about three-fifths of the Transportation and Warehousing gain, as e-commerce fulfillment and distribution-center expansion continued. Utilities employment, however, fell on the year as electric power generation shed jobs even amid growing regional power demand, but showed improvement in the second quarter of 2026. Wholesale Trade's projected swing to positive is closely linked to the energy supply chain and durable-goods distribution, and its recovery has lagged. Wholesale Trade's 2025 weakness was concentrated in durable-goods distribution, while petroleum products wholesalers continued to add jobs, so the projected swing to positive rests on those durable lines stabilizing. Through May 2026 it was still down 1,700 over the year, making it the clearest unconfirmed assumption in the forecast. Retail Trade's projected softness reflects the squeeze that inflation running near four percent has placed on real household spending, compounded by the ongoing shift toward e-commerce fulfillment that is captured elsewhere in warehousing (warehouse clubs and supercenters added roughly 3,100 jobs over the year while department stores shed more than 4,200); the recent retreat in oil and gasoline prices is a modest tailwind for household purchasing power, and with Retail in fact up slightly (+300) over the year through May, the small projected decline is a deliberately cautious read rather than an extrapolation of current momentum. On balance, while transportation and utilities are adding jobs, the Wholesale Trade turnaround has not yet begun and remains, alongside Professional and Business Services, one of the swings the headline number depends on.

Other Services

is projected to add 700 jobs, a modest but positive contribution from this locally oriented sector of repair, personal, and civic services. The forecast is essentially a continuation of trend. The May data ran somewhat stronger, up 1,400 over the year with an outsized monthly gain, but given the volatility of this sector and the absence of detailed subsector data at the metro from the Current Employment Statistics survey, that strength is best treated cautiously until additional months confirm it.

Manufacturing

is expected to be roughly flat on net, down about 500 jobs, masking a familiar split: Durable Goods is projected to add 1,400 jobs, modestly below its 1,700-job gain through December 2025, while Non-durable Goods is forecast to decline by 1,900. The split is economically meaningful. Durable Good including fabricated metals, machinery, and computer and electronic products, is tied to the industrial and energy-capital-goods base and was in fact still adding jobs through May (up 2,700 over the year), so the modest projected gain of 1,400 is a deliberately conservative read. Non-durable Goods, centered on petroleum and coal products and chemical manufacturing, is the source of the weakness: even as Gulf Coast refining and petrochemical output and exports remain near record levels, employment in these highly capital-intensive operations continues to decline under automation, refining rationalization, and compressed chemical margins amid global oversupply. This divergence, rising output alongside falling headcount, is a defining feature of Houston's manufacturing base and explains why survey readings of manufacturing activity can appear firmer than the payroll trend. The May data are consistent in direction, with Manufacturing down 1,300 over the year as the 2,700-job gain in Durable Goods was more than offset by a 4,000-job decline in Non-durable Goods, and survey indicators pointing to continued caution among manufacturers.

Information

is projected to decline by 500 jobs, extending a long-running structural contraction in the region's smallest major sector. The forecast assumes no change in that trajectory. The decline is consistent with a national contraction in telecommunications and traditional media employment, and the sector is now small enough that its movements have little bearing on the regional total. The May data showed the sector down 1,200 jobs over the year, the steepest percentage decline among major sectors, reinforcing the projection of continued, albeit modest, losses.

Mining and Logging

is forecast to decline by 1,900 jobs, still negative, but an improvement from the 3,500-job decline through December 2025. The projection follows directly from the flat energy-drilling assumption and the muted, capital-disciplined employment response of energy firms to recent price movements. The two components tell the same story: Oil and Gas Extraction and Support Activities for Mining were both down over the year through May, and neither responded materially to the spike in oil prices above one hundred dollars a barrel in the spring. That non-response is the crux of the outlook, Houston's upstream employment has structurally decoupled from the oil price, held down by extraordinary gains in production per rig and by producers' continued preference for shareholder returns over volume growth. Absent a sustained, expectations-driven increase in drilling, the sector stabilizes at a lower employment base rather than rebounding. The May data are consistent with a sector that is stabilizing but not recovering: down 2,800 over the year, yet posting stronger-than-usual recent monthly gains concentrated in support activities. A sustained increase in drilling activity beyond the flat assumption is the most direct upside risk to this line. With WTI now trading in the high sixties, however, the nearer-term risk runs the other way: a sustained stretch below typical shale-development breakevens could push the rig count below the flat path assumed here, as occurred in mid-2025 when prices last sat at these levels, though the same decoupling that muted the upside response would also cushion the employment downside.

Financial Activities

is projected to post the largest decline in the outlook at 2,900 jobs, deepening from the 1,700-job decline through December 2025. The projection reflects continued pressure from elevated borrowing costs and subdued real estate activity across finance, insurance, and rental and leasing. The weakness is broad within the sector: credit intermediation has contracted as elevated interest rates suppress lending and drive bank consolidation, while real estate, rental, and leasing employment reflects a subdued housing market and continued stress in commercial real estate. A pivot to rate cuts would be the clearest catalyst for stabilization, but under the forecast's higher-for-longer assumption the sector remains the largest projected drag on regional employment in 2026. The May data match almost exactly: the sector was down 2,900 jobs over the year, the largest annual decline among major sectors.

Current Conditions vis-à-vis the Outlook

The forecast carries meaningful two-sided risk concentrated in a few areas. Energy is the largest: a sustained increase in drilling activity beyond the flat assumption would lift Mining and Logging, Durable Goods, and the energy-linked portion of Professional and Business Services above the central path, while a renewed decline would pull them lower. Interest-rate policy is the second: the forecast assumes limited easing, so a more dovish path would support Construction and Financial Activities, the two sectors where the outlook is deliberately most conservative, while persistently restrictive conditions would weigh on both. A further external consideration is the round trip in oil prices. After spiking above one hundred dollars a barrel in the spring amid the Middle East conflict, WTI retreated to the high-sixty-dollar range by early July, its lowest level since February, as the ceasefire has held and OPEC+ has raised production targets amid ample global supply. Prices have thus fallen faster and further than the forecast's glide path assumed, which cuts both ways: it validates the muted-employment-response view embedded in the flat drilling assumption, but a sustained stretch below seventy dollars would tilt the risk to drilling activity, and therefore to Mining and Logging and Durable Goods, to the downside rather than the upside, while easing energy-driven inflation pressure on consumers.

The projected acceleration to 29,900 jobs leans importantly on two forecast turnarounds actually materializing. Professional and Business Services is tracking the projection well through May, but Wholesale Trade had not yet swung positive, and together these account for a substantial share of the year-over-year improvement in the headline. If their recent stabilization proves temporary rather than the start of sustained recovery, total growth would fall short of the central estimate. Working in the other direction, Construction's continued strength through May is the most visible upside: the forecast's assumed deceleration has not yet appeared in the data, and a later or shallower slowdown would lift the total. The national backdrop also counsels some caution in reading May's local strength as a durable inflection: national payroll growth slowed sharply to 57,000 in June, and the prior two months were revised down by a combined 74,000, so the summer data will need to confirm that Houston's improvement is more than a single strong month.

Finally, the recent deceleration in Houston's population growth poses a gradual, lagged risk to population-driven sectors like Health Care, Government, and education-related activity. The immediate effect on the 2026 forecast is limited, but it may become more visible toward the end of the horizon and into 2027. Taken together, the forecast describes a labor market expected to add jobs somewhat faster than in 2025, with growth broadening beyond its recent narrow base. Health care and a recovering Professional and Business Services sector are projected to lead, supported by Leisure and Hospitality and a still-positive but decelerating Construction sector, while Financial Activities, Mining and Logging, Non-durable manufacturing, and Information continue to face structural and cyclical headwinds, keeping the overall expansion moderate and uneven.

Conclusion

Taken as a whole, this second iteration describes a Houston labor market moving from narrow to broad-based growth: a projected 29,900-job gain in 2026 that, while smaller than October's estimate, rests on firmer footing, benchmark-revised data, five months of realized 2026 experience, and deliberately conservative energy and interest-rate assumptions that subsequent events have validated rather than undermined. The composition of the forecast tells the region's larger economic story: Houston's growth engine is rotating away from the interest-rate–sensitive and purely energy-extractive segments of the economy toward health care, business services, and the industrial construction complex tied to the Gulf Coast's LNG and petrochemical build-out, with the traditional oil-price channel to employment continuing to weaken even as energy output sets records.

The forecast's reliability will be tested quickly. The summer data will reveal whether May's breadth marks a durable inflection or a single strong month; the Wholesale Trade turnaround and the persistence of the Professional and Business Services recovery are the swing factors to watch on the downside, while Construction's refusal so far to decelerate is the clearest source of upside. Externally, the two variables that matter most are the ones this forecast deliberately held constant: a rig count that may face renewed pressure with WTI in the high sixties, and a Federal Reserve whose next move is now debated between holding and hiking rather than the timing of cuts. The incoming data through the summer and fall will show whether the projection and the assumptions beneath it hold and each monthly employment report will serve as a running scorecard against this outlook. For now, the central message is that Houston should add jobs meaningfully faster than in 2025, with more of the economy participating in the expansion, but with the pace still moderate by historical standards and dependent on a handful of recoveries staying on script.

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