Regional Update

The economy of the Eleventh District is continuing a gradual slowdown that began earlier in the year. After growing at an annualized rate of 2.6 percent in the first quarter of 1995, employment in Louisiana, New Mexico and Texas slowed further in April and May, to an annual growth rate of 1.9 percent for the two-month period.

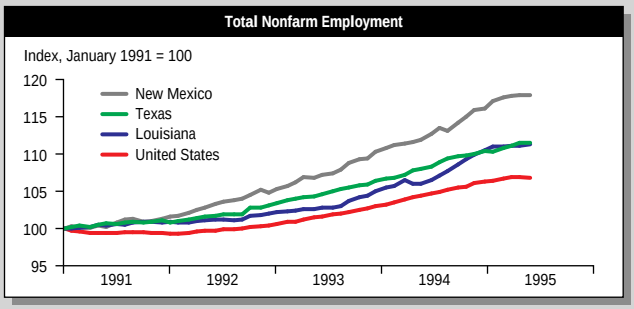
The slowdown in employment growth became evident in the service sector during the first quarter and has now spread to manufacturing. In May, manufacturing employment fell 3 percent in Texas and 7.4 percent in New Mexico. Manufacturing employment in Louisiana accelerated in May to 4.5 percent. Much of the slower growth in manufacturing has been centered in sectors supplying single-family construction, such as lumber, furniture, brick, glass and primary metals. Employment has declined as well in other industries, such as paper, apparel, and food products. Employment in fabricated metals and computer-related industries continues to grow strongly. Texas industrial production in manufacturing fell 1.3 percent in March and 4.9 percent in April, the first two months of consecutive decline since June of 1991.

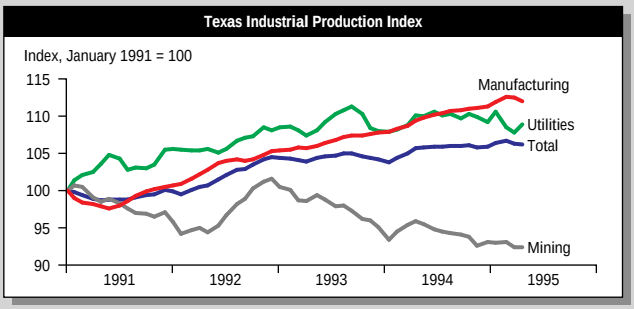
Despite the recent slowing in employment, the District economy still shows signs of strength. Falling mortgage rates have sparked a rebound in District residential construction. After declining in April, single-family permits rose in May to their highest level since January 1994.

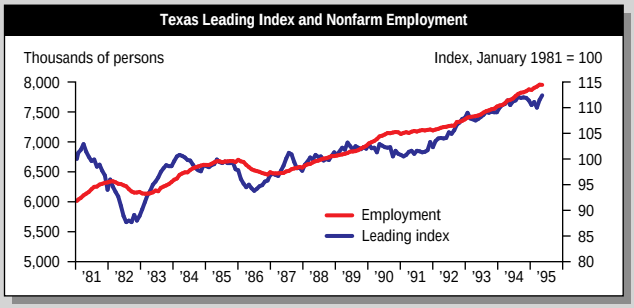
The recent decline in the Texas value of the dollar is another sign of regional economic strength. After surging from November to March, the real peso–dollar exchange rate dropped sharply in April and May. While the real peso–dollar exchange rate was 36 percent higher in May than in November 1994, the depreciation of the dollar relative to Texas' other export markets has resulted in only a 7.7-percent appreciation in the Texas-export weighted value of the dollar.

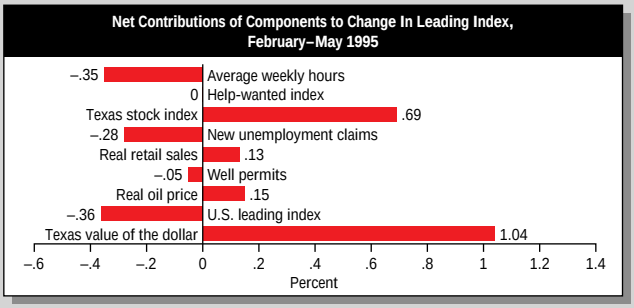
The Texas index of leading economic indicators rebounded in April and May, following a decline in the index since last November. Recent movements in the index suggest that the District economy's gradual slowing will continue in the second half of 1995 but that growth will remain positive.

—Fiona Sigalla









REGIONAL ECONOMIC INDICATORS

	Texas Leading Index	TIPI Total	Texas Employment: Mining	Construction	Manufacturing	Government	Private Service-Producing	Total Nonfarm Employment: Texas	Louisiana	New Mexico
5/95	112.4	118.5	156.4	399.5	1,030.3	1,435.1	4,930.1	7,951.4	1,787.0	686.0
4/95	111.5	118.5	156.8	400.5	1,032.9	1,434.2	4,930.7	7,955.1	1,783.2	685.8
3/95	110.0	118.6	157.3	403.1	1,031.4	1,430.5	4,900.5	7,922.8	1,784.4	685.3
2/95	111.1	119.1	157.0	404.8	1,028.8	1,430.8	4,880.7	7,902.1	1,782.4	684.3
1/95	110.5	118.9	157.0	405.4	1,024.5	1,429.2	4,851.4	7,867.5	1,781.8	681.5
12/94	111.4	118.3	157.8	398.5	1,022.7	1,426.1	4,870.8	7,875.9	1,774.5	675.3
11/94	111.9	118.2	159.7	393.3	1,021.1	1,420.7	4,851.5	7,846.3	1,764.0	674.2
10/94	112.0	118.5	160.7	389.9	1,020.2	1,418.3	4,838.9	7,828.0	1,755.1	669.0
9/94	111.9	118.4	163.1	387.9	1,017.7	1,417.9	4,834.4	7,821.0	1,743.8	664.5
8/94	112.1	118.4	162.9	383.1	1,014.3	1,423.5	4,817.7	7,801.5	1,729.3	658.3
7/94	111.4	118.3	162.5	380.3	1,010.6	1,414.4	4,797.2	7,765.0	1,719.4	660.2
6/94	111.2	118.3	162.8	376.9	1,007.4	1,417.0	4,759.5	7,723.6	1,710.3	655.4

FURTHER INFORMATION ON THE DATA

For more information on employment data, see "Reassessing Texas Employment Growth" (*Southwest Economy*, July/August 1993). For more information on TIPI, see "The Texas Industrial Production Index" (Dallas Fed *Economic Review*, November 1989). For more information on the Texas Leading Index and its components, see "The Texas Index of Leading Indicators: A Revision and Further Evaluation" (Dallas Fed *Economic Review*, July 1990).

On-line economic data and articles are available on the Dallas Fed's electronic bulletin board, FEDFLASH (214-922-5199 or 800-333-1953).