

Regional Update

The Eleventh District economy grew at a healthy pace in the fourth quarter of 1995. Fourth-quarter data showed that employment growth slowed in Louisiana, accelerated in New Mexico and remained quite strong in Texas. In early January, Beige Book respondents reported continued economic expansion but at a more moderate pace. Recent movements in leading economic indicators also suggest that the District economy is likely to grow at a slightly slower pace in 1996 than in 1995.

District nonfarm employment increased at a 3.8-percent annual rate in the fourth quarter, a healthy increase from the 2.8-percent annual average during the first nine months of 1995 but slower than the very strong 4.8-percent posted in 1994.

Employment growth was concentrated in the private sector, which grew at a 4.5-percent annual rate in the fourth quarter, up from the 2.8-percent annual rate of the first nine months of the year. In contrast, the volatile government sector grew at 0.7-percent annual rate in the fourth quarter, after posting a 2.8-percent growth rate in the first nine months of 1995.

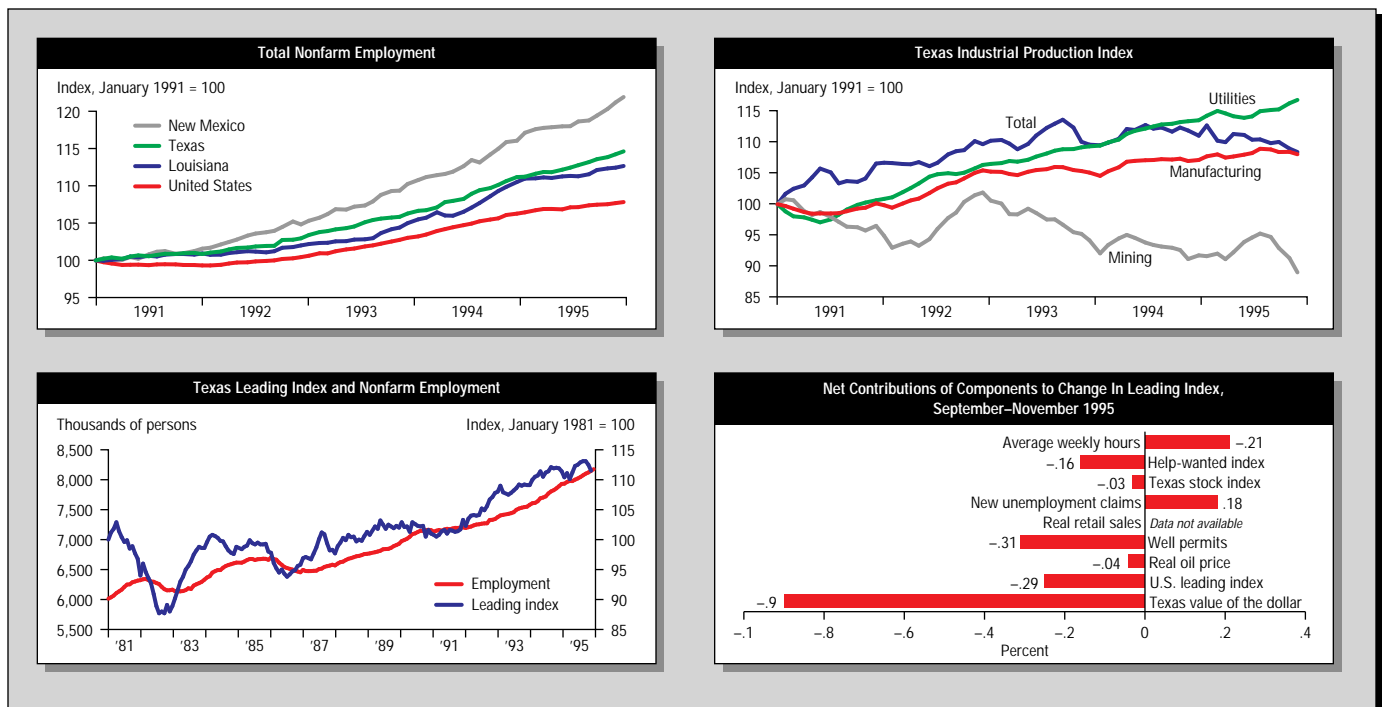
Fourth-quarter employment grew strongly in construction, trade, business, health and transportation industries. Trucking deregulation, which took effect in January 1995, likely contributed to the pickup in transportation industry jobs in Texas. District construction activity continued to increase at a healthy pace. Construction employment increased strongly

in the fourth quarter, jumping 12.2 percent. Recent gains in housing permits suggest continued strength in home building over the next several months.

Employment continued to decline in apparel and transportation equipment and posted anemic growth in finance and real estate. Texas industrial production declined in November due to declines in mining and utilities.

While prospects remain good for the Eleventh District, the January Beige Book suggests three trends that might dampen growth in 1996. First, contacts expressed concern about less stimulus from a slower growing national economy. Second, labor market tightness is reported to have recently begun to push up wages. Finally, an expected consolidation of retailers might slow employment growth in that sector as well as nonresidential construction.

—Keith R. Phillips



REGIONAL ECONOMIC INDICATORS

Texas Leading Index	Texas Employment							Total Nonfarm Employment		
	TUPI total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico	
12/95	—	154.5	428.3	1,040.4	1,469.8	5,083.4	8,176.4	1,809.0	709.4	
11/95	111.5	119.2	154.5	423.4	1,036.9	1,467.9	8,148.7	1,805.4	705.2	
10/95	112.5	119.5	155.7	421.9	1,033.6	1,464.4	8,121.2	1,803.8	700.1	
9/95	113.1	119.5	155.9	417.7	1,033.1	1,469.0	8,101.6	1,800.3	694.9	
8/95	113.1	119.9	155.2	411.6	1,032.0	1,469.8	8,073.9	1,791.2	691.1	
7/95	112.9	120.0	155.6	409.3	1,029.7	1,461.9	8,044.2	1,786.8	690.3	
6/95	112.5	119.3	156.8	408.2	1,030.2	1,455.3	8,020.6	1,787.6	686.6	
5/95	112.3	119.1	156.9	407.0	1,029.5	1,446.7	8,001.0	1,786.5	686.5	
4/95	111.2	118.8	156.1	402.2	1,031.3	1,443.7	7,977.0	1,783.2	685.8	
3/95	110.1	118.7	156.8	405.8	1,032.0	1,441.4	7,979.1	1,784.4	685.3	
2/95	111.1	119.1	157.3	405.7	1,029.9	1,438.4	7,962.4	1,782.4	684.3	
1/95	110.4	118.9	157.6	401.7	1,026.6	1,433.4	7,933.7	1,781.8	681.5	

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).

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