THE TEXAS ECONOMY continues to expand, but at a slower pace. Employment grew at a 2 percent annualized rate in January 1998, down from a 4.2 percent rate in 1997. January’s growth was led by a 4.2 percent annualized growth rate in goods-producing industries. Service-producing industries, though, only managed a 1.4 percent annualized growth rate, with severe contractions in business and personnel services and slow growth in government. Retail trade and the finance, insurance and real estate sector showed continued strength with better than 6 percent employment growth in January.

Construction contract values softened but remain high, with January showing $960 million of residential and $635 million of nonresidential construction in Texas. Construction employment swelled at a 14.6 percent annualized rate. Energy prices have hit a recent dip, as oil prices declined to below $15 a barrel. When adjusted for inflation, the current price of oil is lower than the price during the 1986 bust. However, energy industry growth remained robust with energy employment increasing at a 12.8 percent annualized rate in January.

There are reports that prices and wages are beginning to increase. While overall wages held steady near the end of the year, some sectors claim substantial increases. The wage increases are beginning to be passed along in modest price increases in business services, construction and manufacturing. The strongest inflation has come in office rents and the housing price index. However, these increases seem to be counterbalanced by stable or decreasing product prices, especially in imports from Asia.

—John Benedetto