

REGIONAL UPDATE

THE REGION'S ECONOMY continues to grow at a healthy pace. Although employment growth was a robust 4.1 percent annual rate in July, quarterly growth has been trending down since the fourth quarter of 1997, as can be seen in the chart below. The Texas Leading Index declined in July for the third month in a row. Most indicators were negative, as shown in the Net Contributions of Components to Change in Leading Index chart.

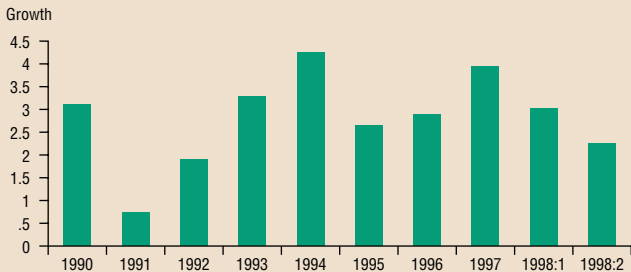
Despite the health of the regional economy, some industries have weakened recently. The hot, dry weather is taking its toll on the farming sector. The energy and high-tech industries continue to be weak, battered by low prices. High supply and low demand have kept oil prices near \$14 per barrel, leading to declines in the rig count and layoffs in the oil and gas extraction sector. The weakness in the high-tech in-

dustry led to falling earnings in the second quarter for many of the region's high-tech companies and caused some layoffs.

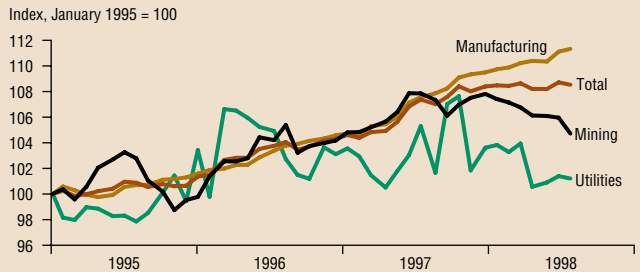
The construction and service industries continue to show strong growth. Construction industry activity was vigorous in the second quarter, buoyed by residential building. Despite much new construction, apartment occupancy rates are up in all major metro areas. The single-family housing market also remains hot in all major metro areas. The Texas Housing Price Index increased 4.6 percent in the first quarter (year over year). Employment in the private service-producing sector (which makes up 63 percent of total Texas employment) increased 4.1 percent in July (annual rate), led by growth in trucking and warehousing, communications, finance, insurance and real estate, business services and trade.

—Mine K. Yücel

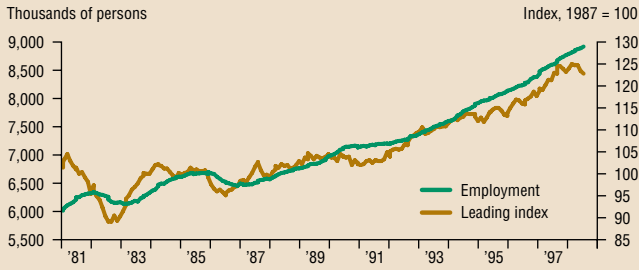
EMPLOYMENT GROWTH IN DISTRICT STATES



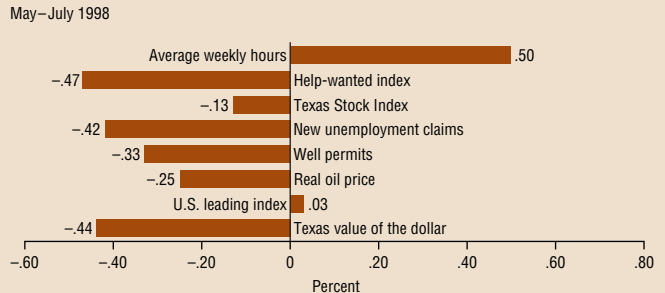
TEXAS INDUSTRIAL PRODUCTION INDEX



TEXAS LEADING INDEX AND NONFARM EMPLOYMENT



NET CONTRIBUTIONS OF COMPONENTS TO CHANGE IN LEADING INDEX



REGIONAL ECONOMIC INDICATORS

	Texas Leading Index	TIPI** total	Texas employment*				Total nonfarm employment*			
			Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
7/98	122.8	129.0	171.1	488.5	1,099.5	1,499.5	5,660.9	8,919.5	1,878.4	720.1
6/98	123.4	129.2	171.7	486.8	1,101.0	1,494.9	5,635.6	8,890.0	1,876.0	718.7
5/98	124.7	128.6	171.2	485.2	1,099.4	1,495.3	5,622.6	8,873.7	1,872.3	717.3
4/98	124.8	128.6	171.6	482.8	1,098.5	1,495.3	5,605.5	8,853.7	1,869.8	716.1
3/98	124.7	129.1	171.7	480.3	1,097.9	1,493.2	5,593.9	8,837.0	1,868.9	714.9
2/98	125.0	128.9	172.4	478.1	1,096.4	1,489.8	5,579.2	8,815.9	1,862.6	714.1
1/98	124.0	128.9	172.2	474.8	1,094.1	1,489.4	5,560.1	8,790.6	1,857.0	714.2
12/97	123.2	128.8	171.4	470.3	1,096.6	1,488.1	5,541.8	8,768.2	1,854.9	712.8
11/97	123.9	128.4	170.8	469.1	1,092.8	1,482.4	5,522.2	8,737.3	1,852.1	712.0
10/97	124.5	128.8	169.9	468.0	1,089.6	1,479.6	5,504.0	8,711.1	1,849.4	711.3
9/97	124.6	127.9	168.9	465.7	1,087.9	1,475.1	5,478.3	8,675.9	1,845.4	708.5
8/97	122.8	127.2	168.4	465.5	1,084.4	1,481.6	5,448.2	8,648.1	1,839.4	709.7

* in thousands
** Texas Industrial Production Index

FURTHER INFORMATION ON THE DATA

For more information on employment data, see "Reassessing Texas Employment Growth" (*Southwest Economy*, July/August 1993). For TIPI, see "The Texas Industrial Production Index" (Dallas Fed *Economic Review*, November 1989). For 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 Internet Web site, www.dallasfed.org.