The Texas Economy grew strongly in the third quarter, with employment increasing at a 3.4 percent annualized rate after rising at a 1.6 percent annual rate in the first half. A strong service-producing sector, a stable energy industry and steady growth in the construction sector have all boosted the regional economy.

Employment in service-producing industries increased at an annualized 4.6 percent rate in September. The distribution, business services and FIRE (finance, insurance and real estate) sectors showed especially robust growth. The strong national economy continues to fuel the distribution sector. Employment growth in temporary worker services (a subsector of business services) was very high, with demand coming mainly from the high-tech and energy industries.

Higher oil prices have helped lift the energy industry out of the doldrums. The oil and gas extraction industry gained jobs in September for the third month in a row. The rig count, which has been on the upswing for the past six months, increased by another 12 rigs in October. While producers are more active, they are unwilling to undertake expensive or risky projects. The increased drilling remains shallow, vertical and land-based.

Employment growth in the construction sector is steady, but construction contract values have flattened, cooling from very high levels. Falling residential and nonresidential contract values are bringing the total down, while nonbuilding construction (roads) is providing the strength needed to keep statewide construction on an even keel. Construction employment grew at a 5.3 percent annualized rate in the third quarter but only 3.7 percent in September, possibly signaling a slowing of growth but also reflecting a continuing tight labor market.

—Mine Yücel