

Regional Update

THE TEXAS ECONOMY continues to rebound from weakness in the first half of 1999, getting a healthy boost from rising exports and energy prices. Recovering Asian economies are benefiting manufacturing industries. Texas manufacturing employment rose 0.6 percent in January. Manufacturing jobs fell 2 percent in 1999, the first employment drop since 1991.

Oil prices doubled in the past year, rising to the highest levels in nine years. On net, high oil prices benefit the Eleventh District and are helping the energy industry recover from the low oil prices of a year ago. Texas employment in mining and oil and gas extraction has stabilized after falling over the past two years.

Although high oil prices are helping the energy industry, drilling activity has been lackluster. As reported in the Beige Book, the industry remains unimpressed by high oil prices and is unwilling to take significant risks, choosing instead to

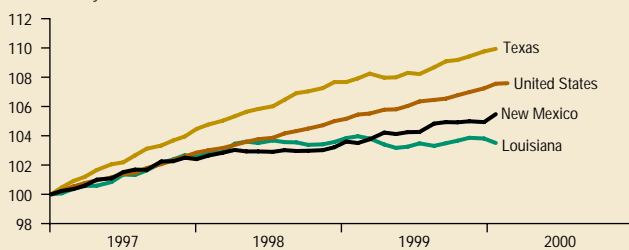
pay down debt with the increased cash flow. One respondent stressed the financial and psychological damage caused by oil prices at \$10 per barrel and said firms need to clean up their financial problems before moving forward.

The Texas Leading Index declined slightly in January, pulled down mostly by a drop in the stock price index. Between November 1999 and January 2000, seven components of the index increased and only one—average hours worked—showed weakness. Texas' 1999 job growth was recently revised down and now appears to incorporate more negative effects from low oil prices. Data currently suggest that Texas jobs grew more slowly in the first half of 1999 than originally reported, ending the year up 1.9 percent. Job growth this year will be stronger and, based on current information, may exceed 2.5 percent.

—Fiona Siggalla

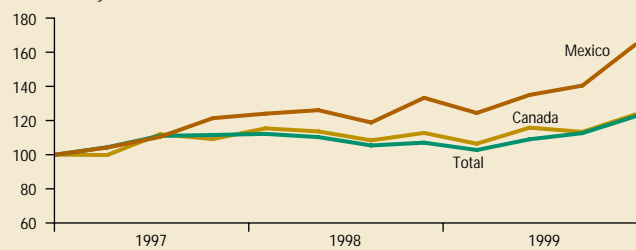
Total Nonfarm Employment

Index, January 1997 = 100



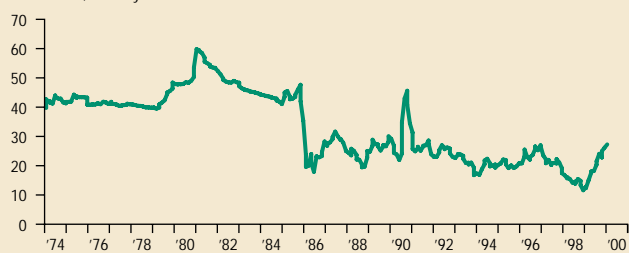
Texas Exports Continue to Bounce Back

Index, January 1997 = 100



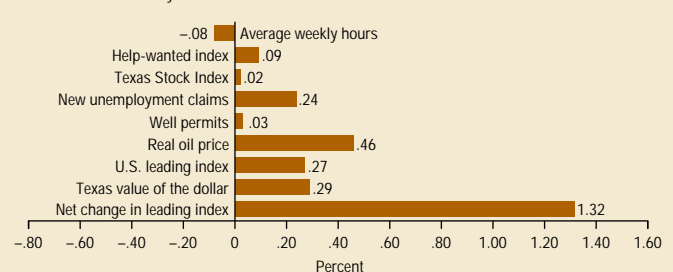
Real Oil Price

Real dollars, January 2000



Net Contributions of Components to Change in Leading Index

November 1999–January 2000



Regional Economic Indicators

	Texas Leading Index	TIPI† total	Texas employment*					Total nonfarm employment*		
			Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
1/00	125.9	127.8	144.1	542.8	1,081.3	1,557.9	5,939.9	9,266.0	1,890.0	737.9
12/99	126.5	128.0	143.8	536.8	1,080.8	1,552.0	5,938.0	9,251.4	1,895.6	734.1
11/99	124.7	127.9	143.6	534.8	1,080.8	1,548.6	5,914.9	9,222.7	1,896.5	734.5
10/99	124.3	127.5	144.0	532.9	1,081.4	1,546.2	5,897.9	9,202.4	1,892.9	734.0
9/99	123.4	126.7	144.2	531.5	1,080.3	1,551.3	5,887.0	9,194.3	1,889.7	734.1
8/99	123.9	126.7	143.8	529.5	1,081.0	1,536.5	5,869.1	9,159.9	1,886.4	733.4
7/99	124.2	126.3	143.7	527.0	1,081.9	1,518.1	5,850.3	9,121.0	1,889.5	729.4
6/99	124.2	125.2	144.4	525.6	1,080.7	1,534.0	5,843.1	9,127.8	1,885.4	729.3
5/99	123.3	125.9	145.3	520.9	1,082.1	1,533.7	5,820.1	9,102.1	1,883.9	728.4
4/99	123.7	125.5	147.3	524.6	1,084.6	1,532.6	5,810.9	9,100.0	1,888.1	729.1
3/99	122.0	126.5	150.7	523.0	1,093.6	1,532.2	5,823.9	9,123.4	1,895.6	725.9
2/99	121.8	127.2	152.2	521.5	1,095.3	1,528.8	5,798.1	9,095.9	1,898.4	724.1

* 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.