

# Regional Update

**T**HE TEXAS ECONOMY has cooled slightly from a strong first quarter but remains more robust than a year ago. High energy prices and continued strength in the high-tech sector have combined to sustain economic growth in recent months. Anecdotal evidence suggests, however, that higher interest rates are slowing construction activity.

Crude prices remained high throughout June at around \$30 per barrel. Oil exploration and extraction continue to increase in response to the price rise. The Texas rotary rig count has increased at an annual rate of 43.4 percent since the beginning of 2000.

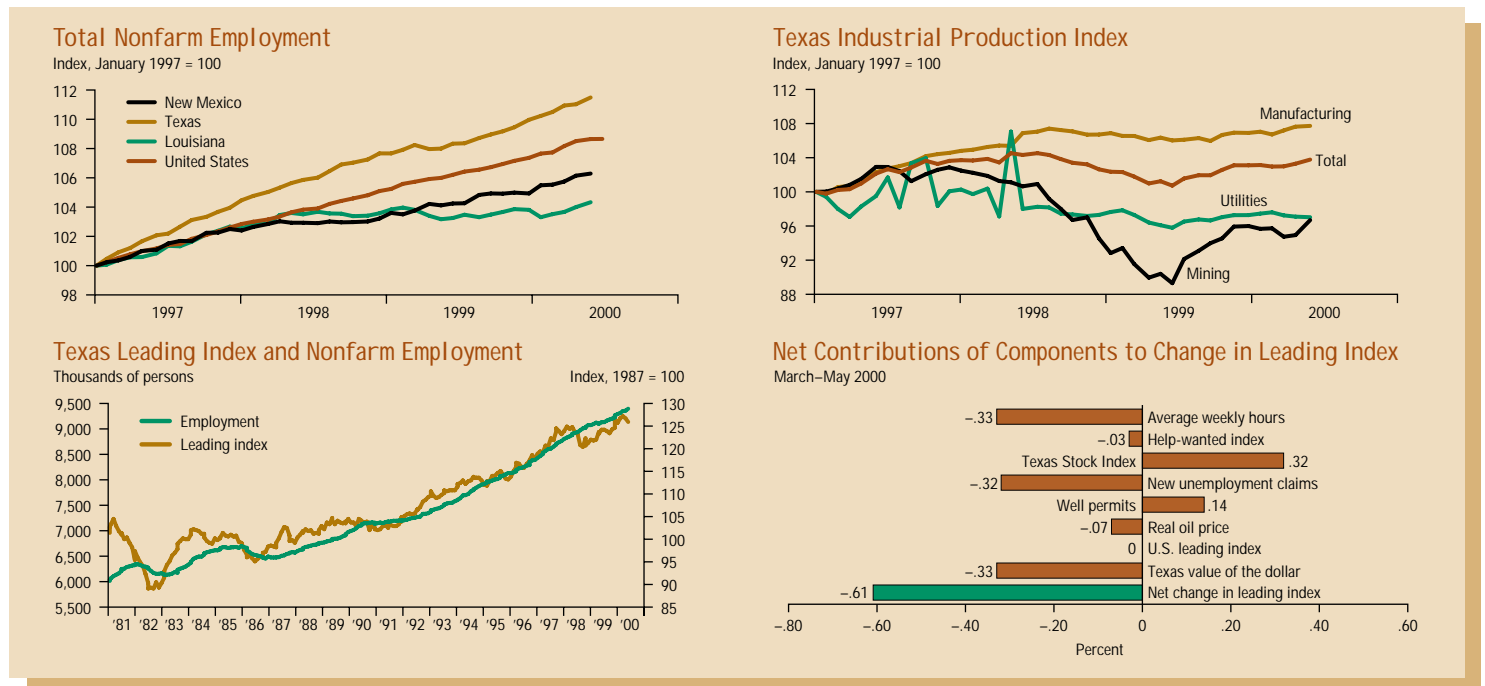
Manufacturing activity expanded in April and May. Productivity gains and extended working hours led to output growth of 4.7 percent (annual rate) over the two-month period. Manufacturing employment grew at a strong 2.7 percent in May after declining for most of the past year.

Construction activity is showing signs of cooling from a very strong pace. Nonresidential construction contract values declined in May. Growth of residential sales slowed from an annual rate of 20.1 percent in April to 5.5 percent in May. Construction employment declined by 700 jobs in May after posting strong growth the first four months of this year.

The Texas labor market remains very tight and was further squeezed by the hiring of census workers. The Texas unemployment rate dropped from 4.5 percent in April to 4.4 percent in May. The energy, manufacturing and service sectors have all reported difficulty in increasing and maintaining payroll levels.

After rising in February and March, the Texas leading index fell in April and May. This dampening in the leading index suggests a possible cooling in employment growth over the next six months.

—John Thompson



## Regional Economic Indicators

	Texas Leading Index	TIPI† total	Texas employment*				Total nonfarm employment*			
			Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
5/00	125.9	129.0	146.6	559.0	1,078.8	1,591.5	6,020.7	9,396.6	1,905.1	743.6
4/00	126.7	128.4	146.4	559.7	1,076.4	1,563.6	6,011.4	9,357.5	1,899.0	742.6
3/00	127.2	128.0	146.7	554.8	1,081.8	1,560.3	6,006.7	9,350.3	1,893.0	739.8
2/00	126.7	128.0	146.1	552.0	1,081.8	1,553.2	5,979.9	9,313.0	1,890.2	738.3
1/00	125.7	128.2	146.2	548.5	1,081.4	1,551.6	5,962.7	9,290.4	1,886.4	738.0
12/99	126.4	128.2	145.9	542.5	1,079.4	1,544.1	5,956.3	9,268.2	1,895.6	734.1
11/99	124.6	128.2	145.8	537.6	1,077.7	1,534.8	5,929.3	9,225.2	1,896.5	734.5
10/99	124.3	127.5	145.6	532.9	1,077.9	1,533.6	5,911.6	9,201.6	1,892.9	734.0
9/99	123.4	126.7	144.4	532.1	1,080.5	1,535.1	5,891.6	9,183.7	1,889.7	734.1
8/99	123.9	126.7	144.0	526.5	1,081.1	1,532.1	5,879.5	9,163.2	1,886.4	733.4
7/99	124.2	126.3	143.5	527.0	1,083.3	1,514.7	5,864.2	9,132.7	1,889.5	729.4
6/99	124.2	125.2	144.4	525.6	1,080.8	1,534.0	5,845.8	9,130.6	1,885.4	729.3

\* 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](http://www.dallasfed.org).