

The Eleventh District experienced a broad-based slowing in employment growth in the second quarter and into July. Texas employment growth slowed to 1.8 percent (July over May). The August Beige Book also reported signs of cooling. However, after bottoming out in April, private month-over-month employment growth picked up again and was a healthy 4.4 percent in July. At the same time, the Texas unemployment rate fell to 4.1 percent—the lowest rate in 26 years. These developments suggest that tight labor markets are playing a role in slowing the District economy.

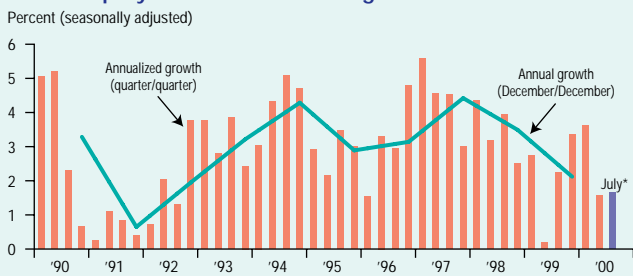
Part of the moderation in growth, however, is simply a return to “average” growth rates following the breakneck pace of late 1999 and early 2000. Texas exports, for example, grew at an annualized rate of 9.5 percent in the first half of 2000—

down from 29 percent in 1999. Slower growth in interest-rate-sensitive sectors such as construction are also a factor. Employment grew only 0.7 percent (annualized rate, July over May) in this sector, down from yearly averages around 6 percent.

Any softening of the Texas economy, however, is moderated by continued growth in the high-tech sector and the recovery of the oil and gas industry, a recovery that is still in its early stages. Oil and natural gas prices remain at very high levels. Employment growth in this sector—1.5 percent for July 2000 over July 1999—should pick up speed in the second half of 2000. Overall, despite the second-quarter slowing, the Texas economy is growing faster in 2000 than in 1999—a trend we expect to continue.

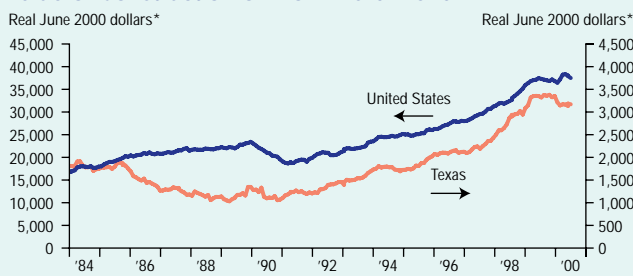
—Pia M. Orrenius

Texas Employment Growth Slowing



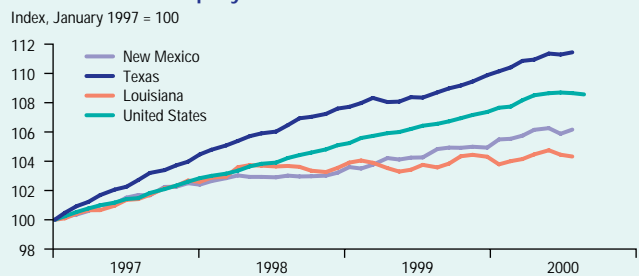
* July 2000 data are annualized.

Value of Construction on Downward Trend

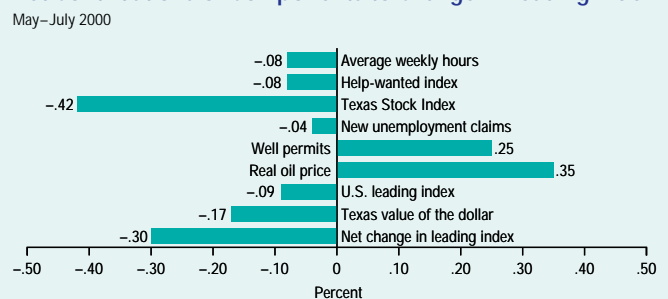


* Six-month moving average, seasonally adjusted.

Total Nonfarm Employment



Net Contributions of Components to Change in Leading Index



Regional Economic Indicators

TEXAS EMPLOYMENT*

	Texas Leading Index	TIPI† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
7/00	126.6	130.7	145.5	559.4	1,082.2	1,554.7	6,048.0	9,389.8	1,903.9	742.7
6/00	126.1	129.6	146.7	557.5	1,079.7	1,569.8	6,023.2	9,376.9	1,906.1	740.7
5/00	125.8	129.0	146.3	555.7	1,078.1	1,589.9	6,012.6	9,382.6	1,911.7	743.4
4/00	126.9	128.4	146.2	558.4	1,075.5	1,562.7	6,004.9	9,347.7	1,906.5	742.6
3/00	127.9	128.4	146.5	553.4	1,081.0	1,559.4	6,000.2	9,340.5	1,900.7	739.8
2/00	126.7	128.0	145.9	550.7	1,080.7	1,552.4	5,973.3	9,303.0	1,898.1	738.3
1/00	125.8	128.2	146.0	547.1	1,080.5	1,550.7	5,956.3	9,280.6	1,894.1	738.0
12/99	126.4	128.2	145.7	541.2	1,078.2	1,543.3	5,949.7	9,258.1	1,903.6	734.1
11/99	124.6	128.2	145.4	537.4	1,077.1	1,535.2	5,926.3	9,221.4	1,906.0	734.5
10/99	124.3	127.5	145.2	533.4	1,077.8	1,534.3	5,908.0	9,198.7	1,904.2	734.0
9/99	123.4	126.7	144.1	531.9	1,079.2	1,535.8	5,891.3	9,182.3	1,895.1	734.1
8/99	123.9	126.7	143.8	527.2	1,080.1	1,531.5	5,876.6	9,159.2	1,890.3	733.4

TOTAL NONFARM EMPLOYMENT*

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.

* In thousands. † Texas Industrial Production Index.