The Texas economy continued to expand in first quarter 2001 despite a cooling national economy. Total private employment increased 3.3 percent (annualized). Four sectors—mining, construction, services (narrowly defined) and FIRE (finance, insurance and real estate)—contributed 64.5 percent of Texas’ first-quarter growth, even though they account for only 42.1 percent of total employment.

Warning signs are still evident on the Southwest’s economic front, though. Businesses across the board report sluggish demand in recent weeks. The Texas Leading Index has continued to decline, suggesting further slowing. Unemployment rose to 4.1 percent in March, up from 3.8 percent in February. Initial unemployment claims rose.

High oil and natural gas prices spurred a 9 percent (annualized) first-quarter increase in mining employment, but such growth might not be sustainable if shortages of equipment and qualified personnel persist. Construction employment rose a healthy 5.1 percent (annualized); however, slower residential traffic, reduced demand for office space and completion of construction backlogs created by poor spring weather portend slower growth in the sector.

Although employment in narrowly defined services jumped an annualized 4.8 percent during the first three months, temporary services firms see activity slowing. Weakness in the high-tech sector continued to hamper manufacturing job growth, with first-quarter employment increasing only 1 percent (annualized).

Job growth in the Texas metro areas is generally weaker than a year ago. Austin, Dallas, Houston and El Paso saw only moderate growth in first quarter 2001.

—John Thompson