

Slowing of the Eleventh District economy intensified in April and May, with job growth falling below 1 percent and unemployment rising to 4.5 percent. The sharp downturn in job growth results from the spread of troubles in the manufacturing and high-tech areas to the larger trade and services sectors—developments consistent with the national economy.

Hardest hit are the high-tech and manufacturing centers, including Austin, Dallas, El Paso and Fort Worth. Because the slowdown is no longer limited to just high-tech and manufacturing firms, however, most major Texas metro areas are also feeling the pain, including Houston, San Antonio and the border cities of Brownsville, McAllen and Laredo.

The broad-based slowing stems from sluggish to negative growth in the three largest job sectors: narrowly defined services, wholesale and retail trade, and manufacturing. This sug-

gests current downward trends are now impacting consumer spending as well as production. The four smaller sectors—TCPU (transportation, communications and public utilities), FIRE (finance, insurance and real estate), construction and mining—are holding up.

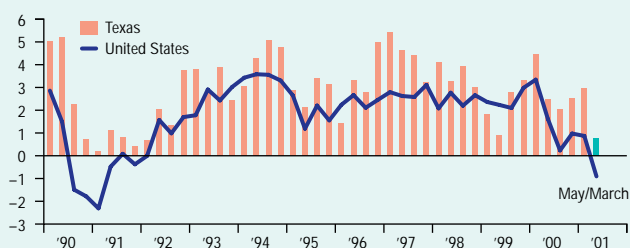
The flagging economy abroad is also affecting the District. Exports have declined for two consecutive quarters. With housing demand softening and mortgage rates stalled, construction and real estate markets have slackened. Since March, only the energy sector has seen accelerating activity.

The District's slower growth should continue into the third quarter. Labor market uncertainty may be undermining consumer confidence, without which recovery is unlikely. We expect 2001 job growth to fall below 2 percent—the lowest in nine years.

—Pia Orrenius

Texas Job Growth Slows in April and May

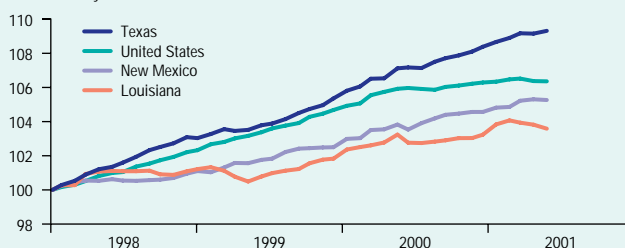
Percent, total nonfarm*



*Quarter-over-quarter, seasonally adjusted, annualized rate.

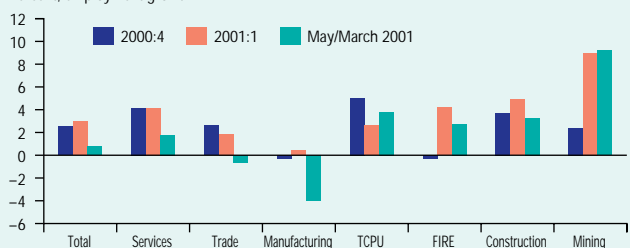
Total Nonfarm Employment

Index, January 1998 = 100



Slowdown Spreads to Trade and Services

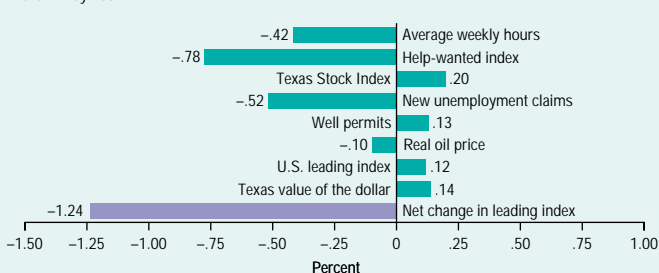
Percent, employment growth*



*Quarter-over-quarter, seasonally adjusted, annualized rate.

Net Contributions of Components to Change in Leading Index

March–May 2001



Regional Economic Indicators

TEXAS EMPLOYMENT*

	Texas		Private				TOTAL NONFARM EMPLOYMENT*			
	Leading Index	TIPI† total	Mining	Construction	Manufacturing	Government	service-producing	Texas	Louisiana	New Mexico
5/01	119.9	131.1	157.7	581.4	1,078.8	1,583.3	6,221.7	9,622.9	1,941.4	753.9
4/01	118.9	131.1	157.6	579.6	1,082.2	1,583.3	6,205.8	9,608.5	1,945.8	754.2
3/01	120.2	131.0	155.4	578.3	1,086.2	1,580.7	6,209.7	9,610.3	1,948.0	753.6
2/01	121.3	131.7	153.4	575.2	1,087.6	1,579.1	6,191.1	9,586.4	1,950.5	751.0
1/01	124.0	131.2	153.0	574.3	1,087.2	1,575.4	6,175.8	9,565.7	1,946.1	750.7
12/00	122.7	131.2	152.1	571.4	1,085.0	1,570.4	6,161.9	9,540.8	1,934.8	748.9
11/00	123.2	131.1	152.0	568.7	1,085.7	1,567.4	6,142.2	9,516.0	1,931.1	748.9
10/00	124.8	131.1	151.6	567.2	1,085.5	1,564.8	6,127.3	9,496.4	1,931.0	748.2
9/00	125.9	131.3	151.2	566.2	1,085.4	1,566.8	6,112.3	9,481.9	1,928.6	747.7
8/00	126.3	131.4	150.7	564.3	1,084.6	1,563.0	6,100.9	9,463.5	1,927.2	746.2
7/00	126.5	131.1	150.1	561.1	1,085.8	1,564.9	6,069.2	9,431.1	1,925.6	744.2
6/00	126.2	130.1	149.9	563.1	1,088.6	1,568.2	6,064.4	9,434.2	1,926.0	741.5

* In thousands. † Texas Industrial Production Index.

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.