Before Sept.11

Prior to Sept. 11, the Texas economy was weak but beginning to show a few signs of stabilization. Texas' nonfarm employment growth was weak in the second and third quarters of 2001 but continued to grow faster than the nation's. Private employment growth appeared to have bottomed out in April. The Texas Leading Index was predicting soft growth over the coming three to six months. Energy prices were less volatile, and the housing sector was healthy. TCPU (transportation, communication and public utilities) and services posted strong employment gains in the third quarter, while employment in the manufacturing and construction industries slipped in August and September.

After Sept. 11

As of this writing, little post-Sept. 11 data are available. The September employment data do not fully reflect the events of Sept. 11. The data are for the pay period that includes the 12th day of the month, and those industries thought to be most affected do not show any significant change from prior patterns.

Anecdotal evidence gives the best picture of Texas' new landscape since the terrorist attacks. The Beige Book reports that while not fully recovering to preattack levels, many of the hardest hit industries, such as airlines, hotels and retail trade, have bounced back a little from the steep declines they saw immediately following the attacks. At the same time, however, a broad array of industries that had seemed only slightly harmed are showing signs of increased weakness.

Immediately following the attacks, the transportation and distribution industry clearly suffered. Leisure travel declined sharply, and business travel weakened further. American Airlines and Continental Airlines announced layoffs as well as other cutbacks, such as in-flight meals and curtailed flight schedules. Hotels, restaurants and amusements all suffered in the aftermath but have since begun to level off.

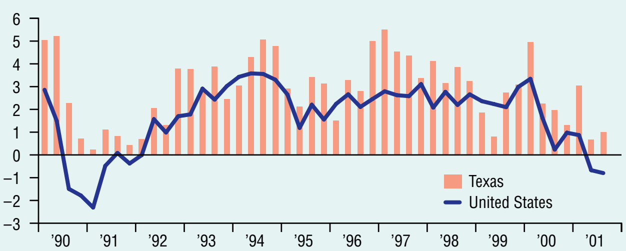
Increased border enforcement is also slowing travel between Mexico and Texas. Waiting times during rush hour have increased to three to four hours. The delays have reduced crossings and decreased retail activity by an estimated 15 to 50 percent in Texas border cities.

Weakening demand clouds the energy sector's outlook. After reaching around \$30 per barrel after Sept. 11, oil prices have settled back down to \$22 to \$23 per barrel. Drilling has weakened, with the Texas rig count falling in the last week of October to its lowest level since the first weeks of 2001. Texas well permits declined 43 percent in September.

What little data are available confirm a slipping Texas economy. Announced layoffs for the state spiked in September, and all seven of the Texas leading indicators declined in September, causing the Texas Leading Index to suffer its largest decline to date at 5.2 percent.

—Charis L. Ward

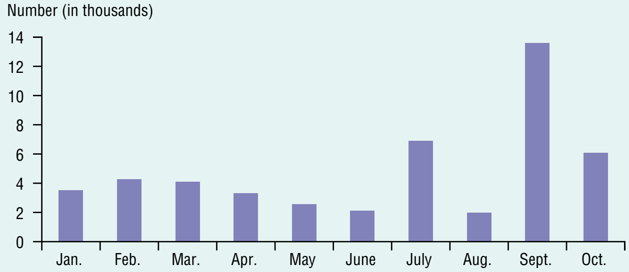
Texas and U.S. Quarterly Nonfarm Employment Growth



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

SOURCES: Bureau of Labor Statistics; Federal Reserve Bank of Dallas.

Layoffs in Texas Jumped in September



SOURCES: Texas Workforce Commission; Federal Reserve Bank of Dallas.

Regional Economic Indicators

			TEXAS EMPLOYMENT*					TOTAL NONFARM EMPLOYMENT*		
	Texas Leading Index	TIPI† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
9/01	114.2	130.6	162.6	576.6	1,064.1	1,592.3	6,226.1	9,621.7	1,933.7	759.2
8/01	120.3	131.1	163.3	576.9	1,065.4	1,588.7	6,221.9	9,616.2	1,938.9	758.7
7/01	118.7	131.7	163.2	578.1	1,070.5	1,577.0	6,208.8	9,597.6	1,936.7	757.0
6/01	118.9	131.5	162.2	578.1	1,071.3	1,585.9	6,200.2	9,597.7	1,938.4	754.7
5/01	119.8	131.0	161.2	574.9	1,074.3	1,582.9	6,193.7	9,587.0	1,941.6	754.2
4/01	118.7	131.0	160.7	572.4	1,078.1	1,583.3	6,185.2	9,579.7	1,945.8	754.2
3/01	120.0	131.1	158.6	571.1	1,081.9	1,580.7	6,189.5	9,581.8	1,948.0	753.6
2/01	121.2	131.7	156.5	567.8	1,083.3	1,579.1	6,170.8	9,557.5	1,950.5	751.0
1/01	123.9	131.2	156.1	566.6	1,083.0	1,575.4	6,155.1	9,536.2	1,946.1	750.7
12/00	122.7	131.2	155.3	564.2	1,080.8	1,570.4	6,139.8	9,510.5	1,934.8	748.9
11/00	123.2	131.1	153.6	562.6	1,083.2	1,567.4	6,129.6	9,496.4	1,931.1	748.9
10/00	124.8	131.1	152.6	559.0	1,083.2	1,564.8	6,111.3	9,470.9	1,931.0	748.2

* 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.