fter three consecutive quarters of decline, Texas employment reversed course and grew at an annualized rate of 1.3 percent in first quarter 2002. Although employment is well below the trend established from 1998 through 2000, its growth was comparable with that achieved in first quarter 2001.

Most sectors showed signs of improvement from the fourth quarter, but growth rates across industries were uneven. Transportation, communications and public utilities (TCPU) experienced the sharpest reversal, going from an 11.2 percent decline in fourth quarter 2001 to a positive 1.3 percent growth in first quarter 2002. Air transportation accounted for most of the gain, as the industry began its recovery from the effects of September 11.

Three service-producing sectors—trade, services and government—drove first-quarter growth, collectively contributing 42,300 jobs. In contrast, durable goods manufacturing fell by 8,100 jobs. The finance, insurance and real estate (FIRE) sector is still shedding jobs, but generally less than last year. Overall, total job gains were a modest 30,900.

The most striking inconsistency in the Texas recovery is the unemployment rate, which rose by a tenth of a percent from fourth quarter 2001 to the current 5.8 percent. Because the unemployment rate is a lagging indicator of economic activity, such an increase is typical in the early stages of a recovery, when rises can reflect an increase in the number of job seekers and the extension of unemployment benefits. More encouraging evidence can be found in the initial claims for unemployment, which declined by a marked 9.2 percent from the previous quarter.

—Stephen Brown
Priscilla Caputo