

After 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.

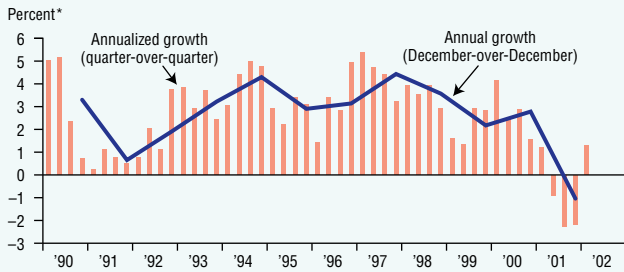
Three service-producing sectors—trade, services and government—drove first-quarter growth, collectively contributing

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.

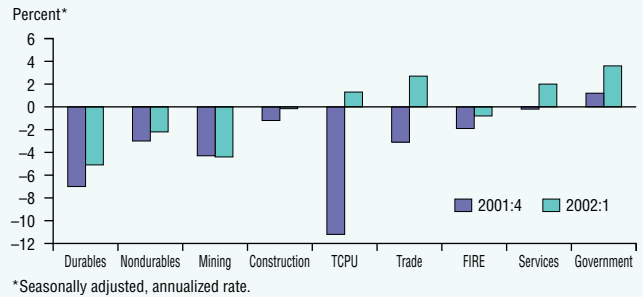
The most striking inconsistency in the Texas recovery is the unemployment rate, which rose by a tenth of a percent from fourth quarter 2001 to the current 5.8 percent. Because the unemployment rate is a lagging indicator of economic activity, such an increase is typical in the early stages of a recovery, 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

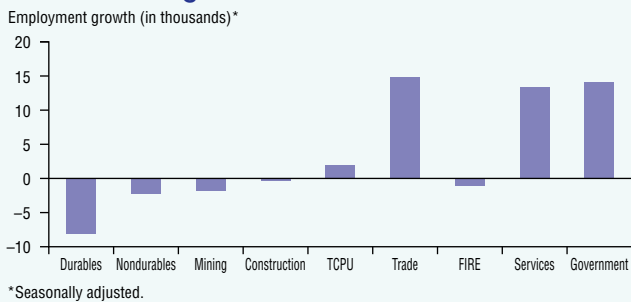
Texas Employment Grows in First Quarter



Employment Growth Rates Uneven During First Quarter



Service-Producing Sectors Drive First-Quarter Growth



Texas Unemployment Rate Steady in March



Regional Economic Indicators

	TEXAS EMPLOYMENT*		TOTAL NONFARM EMPLOYMENT*							
	Texas Leading Index	TIPI† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
3/02	116.0	—	160.1	559.6	1,014.2	1,611.3	6,117.3	9,462.5	1,922.8	762.7
2/02	114.6	125.6	160.8	559.4	1,018.0	1,606.7	6,113.9	9,458.8	1,922.9	762.9
1/02	114.9	126.7	161.7	561.1	1,024.8	1,603.4	6,112.3	9,463.3	1,926.1	762.2
12/01	114.3	125.4	161.9	559.7	1,024.5	1,597.2	6,088.3	9,431.6	1,925.5	758.3
11/01	114.9	126.8	162.7	559.4	1,027.9	1,594.4	6,101.5	9,445.9	1,925.7	758.1
10/01	113.6	127.1	163.0	559.0	1,033.1	1,592.7	6,111.3	9,459.1	1,926.7	758.5
9/01	114.8	129.8	163.7	561.4	1,038.9	1,592.4	6,127.3	9,483.7	1,924.0	756.3
8/01	119.6	130.6	164.5	564.0	1,047.6	1,584.3	6,148.4	9,508.8	1,928.2	756.3
7/01	118.6	131.5	164.1	561.7	1,053.0	1,584.9	6,144.7	9,508.4	1,925.4	756.4
6/01	118.9	131.5	164.2	565.6	1,063.0	1,584.2	6,161.0	9,538.0	1,927.0	757.5
5/01	119.8	131.0	162.7	567.8	1,070.1	1,578.8	6,173.6	9,553.0	1,927.6	757.3
4/01	118.8	131.0	161.3	567.5	1,075.3	1,576.6	6,172.7	9,553.4	1,927.4	755.9

* 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.