there is now little question that Texas has come out of the recession. Nonetheless, May data suggest the recovery so far has been weak. Labor markets appear generally stagnant, with essentially zero job growth since January. During May, manufacturing and mining employment fell, while jobs in government and other service-producing sectors rose. Employment of temporary personnel increased in both April and May, however. This mirrored developments at the national level and should be a sign that more robust employment growth is in the short-term outlook for our region.

As the Texas employment level has remained flat, so has the state unemployment rate. The unemployment rate was revised upward to 6.2 percent in April and remained there in May. Employment growth must pick up soon to absorb the growing Texas labor force; otherwise the unemployment rate is likely to rise further. One interesting pattern in metropolitan unemployment rates within Texas is that San Antonio and Houston, which typically have had the highest unemployment rates among major Texas cities, now have the lowest. They are, however, the only major Texas cities that did not see improved unemployment rates in May.

An unusual aspect of the current recovery is how well Texas’ economic activity is tracking the nation’s. This change in the post–World War II relationship between the Texas and U.S. economies is explained by an increasingly diversified Texas economy and its decreased reliance on the volatile energy sector. Economic indicators such as the coincident and leading indexes for both the region and the nation depict similar conditions—a continuing but slow recovery. The Texas Leading Index has increased over the last few months, suggesting recovery will pick up in the second half of the year. Strengthening of the Mexican economy and export growth will further aid the Texas recovery.

—Anna L. Berman