

Regional Update

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.

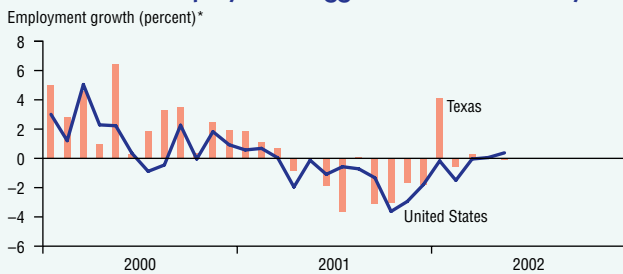
As the Texas employment level has remained flat, so has the state unemployment rate. The unemployment rate was revised upward to 6.2 percent in April and remained there in May. Employment growth must pick up soon to absorb the growing Texas labor force; otherwise the unemployment rate is likely to rise 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.

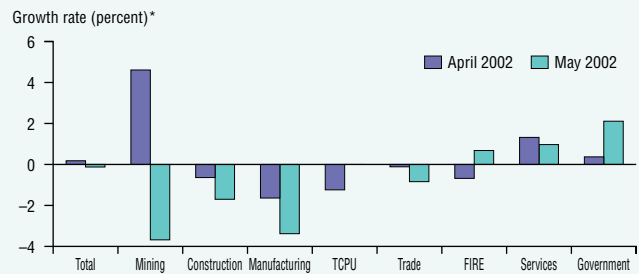
—Anna L. Berman

Total Nonfarm Employment Suggests Jobless Recovery



*Seasonally adjusted, annualized rate.

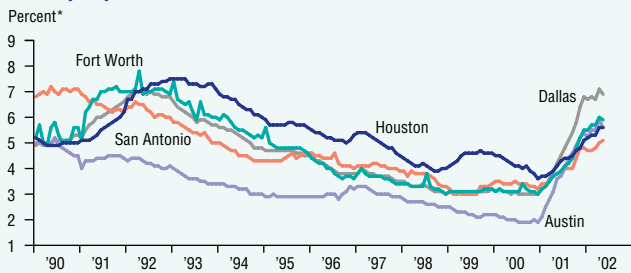
Government and Service Sectors Drive Job Growth in Texas



*Month-over-month, seasonally adjusted, annualized rate.

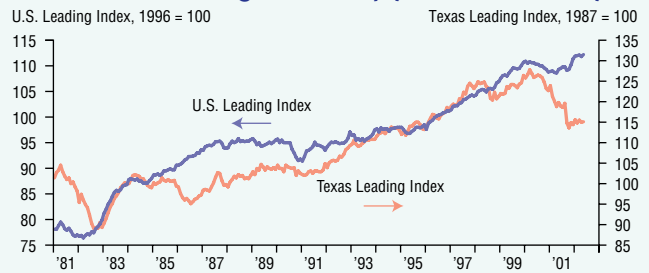
NOTE: TCPU is transportation, communications and public utilities; FIRE is finance, insurance and real estate.

Unemployment Rates in Texas Cities



*Seasonally adjusted.

U.S. and Texas Leading Indexes Imply a Slower Recovery



Regional Economic Indicators

TEXAS EMPLOYMENT*

TOTAL NONFARM EMPLOYMENT*

	Texas Leading Index	TIPI† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
5/02	115.1	—	159.6	558.9	1,009.7	1,613.1	6,120.5	9,461.8	1,917.4	759.9
4/02	115.0	125.7	160.1	559.7	1,012.6	1,610.3	6,119.6	9,462.3	1,921.4	761.1
3/02	115.5	125.3	159.5	560.0	1,014.0	1,609.8	6,117.6	9,460.9	1,923.5	762.5
2/02	114.8	125.7	160.8	559.4	1,018.0	1,606.7	6,113.9	9,458.8	1,922.9	762.9
1/02	115.6	126.0	161.7	561.1	1,024.8	1,603.4	6,112.3	9,463.3	1,926.1	762.2
12/01	114.4	127.0	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

* 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.