Hopes of a recovery in the Texas economy are more distant than expected earlier in the year as July numbers confirmed a bleak employment picture. The 4.7 percent (seasonally adjusted, annualized rate) employment dip in July is the largest one-month decline in the past 10 years. It is important to note that large employment drops such as July’s are often revised or offset by subsequent gains. Conversely, the January employment surge is likely to be revised downward.

Throughout 2002, service-producing sectors—trade, services and government—drove employment growth. This pattern was broken in July, when all sectors, including service-producing, shed jobs. Service-producing sectors lost a total of 33,500 jobs in July, accounting for 89 percent of the month’s decline. Overall, Texas lost 37,600 jobs in July.

After enjoying two consecutive months of declining unemployment rates, all the Texas major metro areas saw jobless rates rise again in July. The increase was not unexpected because of seasonal adjustments. Of the major metro areas, Dallas registered the highest unemployment rate at 6.5 percent. Jobless rates along the border, although still the highest in Texas, continue to fall as job growth outpaces population growth. The overall Texas unemployment rate rose from 5.8 percent to 6 percent in July.

The Texas coincident and leading indexes are yet another negative indicator for the state’s economy. The Texas Coincident Index has been slipping throughout the year, falling at an annualized rate of 1.1 percent since January. Prior to July, mild upward trends in the Texas and U.S. leading indexes signaled some improvement going forward. In July, however, both indexes turned down, suggesting a less promising outlook.

With the U.S. economy still struggling, Texas has limited opportunity for a rebound. What appeared to be a nascent recovery is now looking more like resistance to further economic deterioration.

—Priscilla Caputo