

Regional Update

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

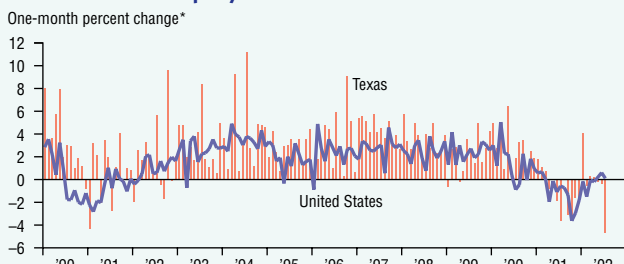
because of seasonal adjustments. Of the major metro areas, Dallas registered the highest unemployment rate at 6.5 percent. Jobless rates along the border, although still the highest in Texas, continue to fall as job growth outpaces population growth. The overall Texas unemployment rate rose from 5.8 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.

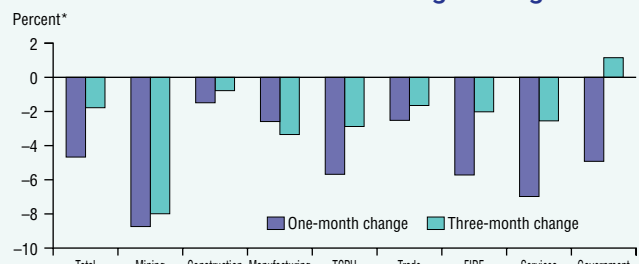
—Priscilla Caputo

Total Nonfarm Employment



*Seasonally adjusted, annualized rate.

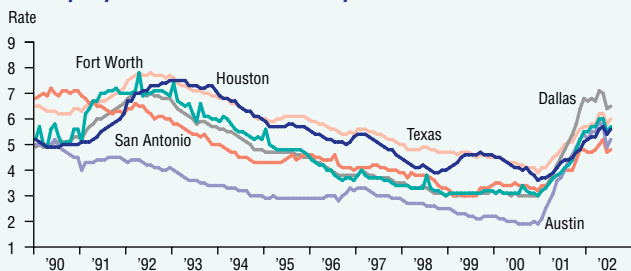
Government and Service Sectors No Longer Driving Growth



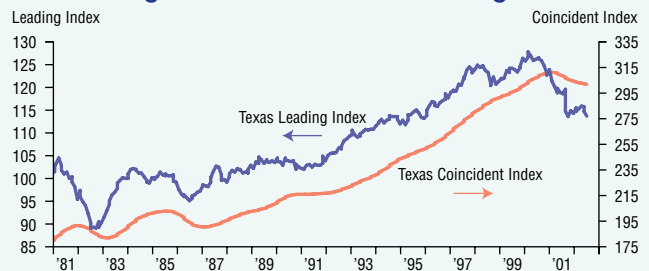
*Seasonally adjusted, annualized rate.

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

Unemployment Rates Rise in July



Texas Leading and Coincident Indexes Pointing Down



Regional Economic Indicators

TEXAS EMPLOYMENT*

TOTAL NONFARM EMPLOYMENT*

	Texas Leading Index	TIPI† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
7/02	113.7	—	156.8	558.6	1,004.0	1,614.9	6,085.6	9,419.9	1,913.6	761.1
6/02	114.7	125.4	158.0	559.3	1,006.2	1,621.7	6,112.3	9,457.5	1,916.7	762.5
5/02	115.8	125.3	159.3	559.9	1,009.7	1,614.4	6,117.2	9,460.5	1,919.9	761.0
4/02	115.9	124.7	160.1	559.7	1,012.6	1,610.3	6,119.6	9,462.3	1,921.4	761.1
3/02	115.3	124.1	159.5	560.0	1,014.0	1,609.8	6,117.6	9,460.9	1,923.5	762.5
2/02	114.7	124.4	160.8	559.4	1,018.0	1,606.7	6,113.9	9,458.8	1,922.9	762.9
1/02	115.5	124.5	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	125.9	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	126.8	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	129.0	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	130.0	164.5	564.0	1,047.6	1,584.3	6,148.4	9,508.8	1,928.2	756.3

* 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.