The Texas economy remains in a mild but prolonged recession, during which its employment has grown at roughly the same rate as the nation’s. Absent a sharp drop in oil prices, such a development is unusual for Texas. Since 1992, Texas employment has grown at an annual rate 0.7 percent faster than the nation’s. Interestingly, only 0.2 percentage point of that growth was due to Texas having larger shares of fast-growing industries. The other 0.5 percentage point was the result of Texas industries growing faster than their national counterparts.

Following sharp losses in 2001, Texas employment contracted slightly in 2002. The manufacturing sector has taken the brunt of the job losses. In October 2002, weekly hours worked in Texas manufacturing fell to 41.7, the lowest level since February 1991. The energy industry continues to contribute little; high energy prices are hurting other sectors but not doing much for oil field activity because the prices are not seen as sustainable. The construction sector continues to cool. The number of homes in inventory has risen to six months, the highest level since 1997. Total Texas mortgage loans past due rose to 6.4 percent in October, roughly the level of early 1991.

The Texas recovery could remain jobless until mid-2003. Texas’ typical sources of strength—high tech, exports to Mexico, construction and energy—are unlikely to show much vigor in the early part of the year. In addition, many Texas industries are suffering from overcapacity and structural changes and are not responding to lower interest rates.

—Fiona Sigalla