Despite looming global uncertainties, data suggest the Texas economy has improved slightly in recent months. Economic indicators are mixed, but there are positive signs going forward.

Texas payroll employment was flat throughout 2002. But while the employment situation didn’t improve, Texans’ take-home pay did. Texas personal income has risen for five consecutive quarters, with the strongest growth coming in the last two quarters for which we have data (second and third quarters of 2002). The coincident index (our timeliest measure of current conditions in Texas) has also emerged from negative territory—barely. Overall, the evidence suggests Texas may have entered a period of jobless recovery.

The leading index for Texas improved over the last quarter of 2002, which may signal a future upturn in the economy. Most of the components were positive, including higher well permits and an improved Texas value of the dollar. Declines were posted in the help-wanted index and average weekly hours. Real oil prices during the fourth quarter also put a slight strain on the Texas economy, but recent developments in the energy sector suggest this will not be the case in upcoming months.

The Texas economic climate is lukewarm at present. Energy and defense-related manufacturing are doing reasonably well, and the decline in the transportation sector has begun to slow. But telecom continues to fare poorly, and the construction sector has weakened. While the economic fundamentals are sound in Texas and there is reason for optimism, the starting date for a full-fledged recovery remains unclear.

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