The Texas economy is sending mixed signals. The Texas Coincident Index, which gauges current economic conditions, suggests that Texas has emerged from recession. Yet the Texas Leading Index declined during the first quarter, implying that near-term gains in economic activity are unlikely.

In comparison with the overall leading index, the components offer a more optimistic outlook. Variables that depend more on a national recovery, such as the U.S. leading index, Texas Stock Index and Texas value of the dollar, weakened, while more Texas-specific components—real oil price, well permits and average weekly hours worked—increased. The boost in the latter component offers strong evidence that a pickup in Texas manufacturing could be in the works.

State employment growth provides further evidence that the Texas economy is accelerating. During the first quarter, Texas employment grew at an annualized rate of 0.7 percent, while U.S. employment contracted by 0.8 percent. Service-producing sectors accounted for the mild increase in employment. Goods-producing sectors continued to shed jobs, but at a more moderate pace.

Although Texas employment growth has outperformed the nation’s, the state’s unemployment rate remains high. The Texas unemployment rate climbed to 6.7 percent in March, while the nation’s jobless rate was 5.8 percent in March and 6 percent in April. The Texas unemployment rate has escalated because new job creation is failing to keep up with the continued strong growth of the Texas labor force.

Texas is still waiting for an acceleration of the U.S. economy to bolster some of the state’s key industries—air travel, telecommunications services, high-tech products and energy production. Until the U.S. economy improves, the Texas economy is likely to remain sluggish.

—Priscilla Caputo