

Regional Update

Throughout much of 2003, a recovery of the Texas economy has been debatable, but the most recent data provide sound evidence the economy has turned up. During the third quarter, job growth in most Texas industries was either positive or flat and the unemployment rate dropped. Both the Texas Coincident and Leading indexes suggest that the state's economy is out of the woods.

Most Texas industries' payrolls rose in the third quarter. Manufacturing and information continue to lose jobs, but at a slower pace. The most encouraging evidence in employment is the end to job losses in the trade, transportation and utilities sector. The sector is the biggest in Texas and accounts for almost 21 percent of total employment. A turnaround in this sector could offset the losses in high tech and provide the boost needed in a job-starved Texas.

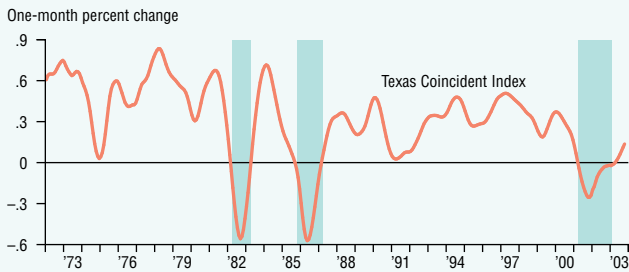
Another encouraging sign is the Texas unemployment rate. In October the rate dropped to 6.5 percent from 6.6 per-

cent. Nonetheless, it remained well above the nation's, which declined to 5.9 percent in November. Continued improvement of the national economy should help drive down the Texas unemployment rate.

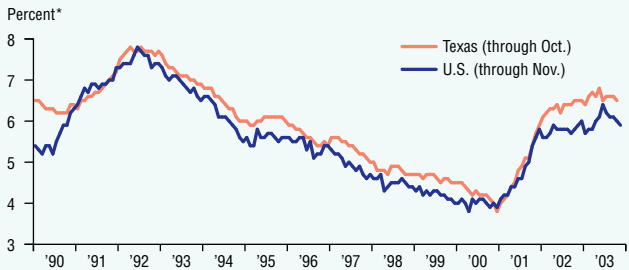
Although it was revised downward in September, the Texas Coincident Index has remained in positive territory since May and is accelerating. The Texas Leading Index also grew during the August–October period, suggesting the pickup in the region's economy will continue. The index also provides evidence of a recovery in the Texas job market as all the employment components of the index—average weekly hours, help wanted index and new unemployment claims—improved. Throughout the year, the Texas recovery has been regarded as a jobless recovery. The latest employment figures indicate this is no longer the case.

—Priscilla Caputo

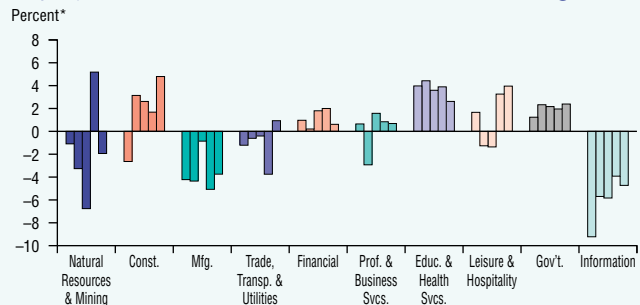
Texas Out of Recession



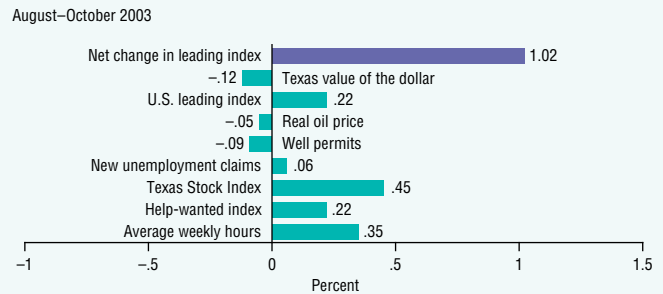
Texas and U.S. Unemployment Rate



Employment in Most Texas Industries Stable or Growing



Leading Index Increases



Regional Economic Indicators

TEXAS EMPLOYMENT*

	Texas Leading Index		TEXAS EMPLOYMENT*					TOTAL NONFARM EMPLOYMENT*		
	TIPI† total	TIPI† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
10/03	115.5	127.1	139.3	582.2	903.6	1,667.6	6,168.5	9,464.3	1,895.1	778.3
9/03	114.4	127.9	139.5	583.9	907.4	1,664.4	6,165.2	9,463.4	1,894.9	778.5
8/03	114.5	127.4	139.9	581.0	908.1	1,648.7	6,170.9	9,451.5	1,895.8	779.2
7/03	114.3	127.5	140.5	577.5	910.0	1,640.6	6,154.8	9,425.5	1,894.1	780.1
6/03	113.9	127.2	141.2	577.2	915.9	1,654.6	6,146.1	9,437.2	1,898.5	779.1
5/03	114.1	127.6	141.7	576.4	923.1	1,651.3	6,153.9	9,448.3	1,897.6	779.0
4/03	112.7	127.5	141.5	577.8	925.4	1,649.4	6,142.3	9,437.5	1,896.5	778.9
3/03	112.0	127.1	139.8	574.8	927.9	1,646.6	6,141.5	9,432.4	1,895.7	775.8
2/03	112.3	126.8	139.5	573.2	928.7	1,642.3	6,141.4	9,426.4	1,897.9	776.7
1/03	113.4	125.7	140.0	574.2	930.5	1,639.3	6,146.0	9,431.0	1,903.2	773.2
12/02	112.4	125.1	140.4	571.1	929.9	1,637.8	6,137.3	9,420.2	1,898.4	772.0
11/02	112.6	124.9	141.4	569.8	934.7	1,643.3	6,143.7	9,436.3	1,896.9	770.6

* 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.