The state’s economic recovery remains on track as employment continues to post gains. While the unemployment rate increased and the Texas Leading Index weakened, these indicators don’t cast doubt on the state’s continuing recovery.

Since the beginning of the year, Texas’ labor market has added 21,500 jobs. Driving these gains is the trade, transportation and utilities sector, which alone contributed 11,300 jobs. The information sector appears to have finally turned the corner; it experienced no job losses in January and February and grew 2 percent in March.

The Texas Coincident Index has remained in positive territory since October 2003 and has picked up pace, growing 2.2 percent in March. Because the index is constructed using payroll employment, gross state product and the unemployment rate, it provides an overall assessment of how the Texas economy is faring. The direction and momentum of the index strongly suggest the region’s economy is improving.

Although the Texas unemployment rate increased in March from 6.1 percent to 6.2 percent, it is overshadowed by more encouraging evidence in initial unemployment claims, which declined by 24.3 percent.

Improvements in new unemployment claims and the help wanted index also lessen concern about the downswing in average weekly hours, which is mainly responsible for the recent weakening of the leading index. Given that losses in the leading index are not broad based, the weakening does not pose a serious threat to an ongoing recovery.

—Priscilla Caputo