

Regional Update

Despite a summer slowdown in the nation's economic recovery, Texas' moderate recovery remains on track. Employment continues to rise modestly, and other regional indicators point to continued expansion. The Texas Coincident Index—based on employment, gross state product and the unemployment rate—has been on the upswing since September 2003, reflecting the state's rebound.

Texas added 71,000 jobs in the first seven months of the year, for a 1.3 percent annualized rate. Major sectors driving the gains include educational and health services, professional and business services, trade, transportation and utilities, and government. While the recent surge in oil prices may not translate into large job gains for the state, Texas is a major producer and exporter of oil and stands to benefit from increases in oil company profitability, well royalties and tax revenues.

Although manufacturing overall has not seen a significant turnaround, high-tech manufacturing may be showing inklings

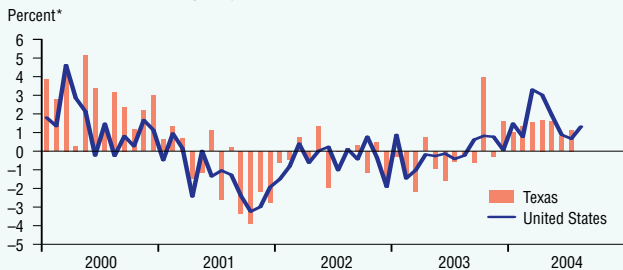
of recovery. High-tech manufacturing employment rose five of the first seven months of the year, largely due to hiring by semiconductor manufacturers. (For charts showing employment in individual high-tech industries, see "Hot Stats" at www.dallasfed.org.)

Texas' inflation-adjusted exports rose 15.1 percent in the second quarter, reflecting growing strength in the economies of the state's trading partners. The increase marked the fourth straight quarter of export growth. While real exports to Mexico edged down slightly in the second quarter, they were up 9.2 percent from a year earlier and should strengthen as Mexico's economy continues to improve.

The Texas Leading Index suggests continued recovery in the state's economy. The index currently forecasts moderate growth for Texas, much like that seen so far this year.

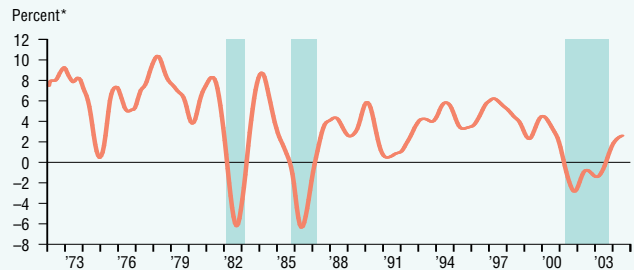
—D'Ann Petersen

Total Nonfarm Employment



*Month-over-month, seasonally adjusted, annualized rate.

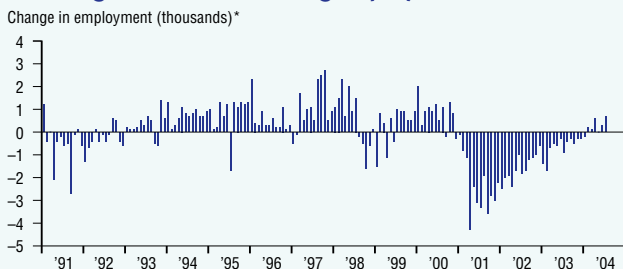
Texas Coincident Index



*Month-over-month, seasonally adjusted, annualized rate.

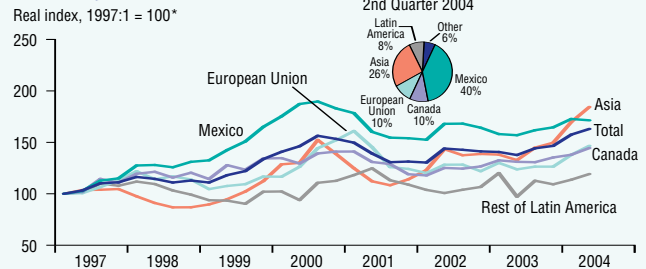
NOTE: Shaded areas indicate recession.

Texas High-Tech Manufacturing Employment



*Data are seasonally adjusted.

Texas Exports



*Seasonally adjusted.

Regional Economic Indicators

TEXAS EMPLOYMENT*

	TEXAS EMPLOYMENT*		TOTAL NONFARM EMPLOYMENT*							
	Texas Leading Index	TIP1† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
7/04	117.1	128.2	147.2	546.4	886.4	1,653.7	6,224.4	9,462.1	1,913.9	790.4
6/04	117.4	128.2	147.2	546.8	887.5	1,653.2	6,214.8	9,453.2	1,910.8	790.6
5/04	117.9	128.6	146.6	548.7	888.1	1,653.1	6,206.3	9,446.9	1,908.5	789.0
4/04	118.2	128.4	146.4	547.4	886.6	1,652.2	6,197.9	9,434.6	1,913.5	786.6
3/04	117.4	128.1	146.6	549.3	886.3	1,650.6	6,184.4	9,421.5	1,910.5	785.4
2/04	117.3	128.3	146.2	548.9	886.7	1,647.6	6,175.9	9,409.4	1,909.7	782.2
1/04	117.3	127.6	145.1	550.3	887.4	1,647.0	6,165.0	9,399.0	1,910.5	780.4
12/03	117.8	127.2	146.0	547.2	888.8	1,645.2	6,160.2	9,391.1	1,900.7	782.4
11/03	116.9	127.2	145.5	545.9	890.3	1,644.2	6,149.3	9,378.8	1,904.7	779.8
10/03	116.0	127.8	145.3	548.8	891.1	1,644.2	6,148.3	9,380.9	1,905.9	778.1
9/03	114.7	127.8	145.4	548.2	892.4	1,640.8	6,121.6	9,350.7	1,900.0	776.3
8/03	114.5	127.4	145.3	547.4	893.7	1,648.7	6,118.1	9,355.3	1,894.7	776.7

* 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.