NoteWorthy

QUOTABLE *"Texas' ability to grow faster than the nation as a whole has meant we've gone from 6.4 percent to 7.4 percent of the U.S. economy in the past 15 years."*

—Fiona Sigalla, Dallas Fed Economist

TEXAS TRADE: Exports Reflect Dollar's Ups and Downs

Texas exports more than any other state, so the dollar's value has a significant impact on overall economic activity.

A decade ago, the Dallas Fed created the Texas Value of the Dollar, an index that tracks the inflation-adjusted exchange rates of the 48 countries most likely to purchase the state's products.

Each currency enters the index in proportion to Texas' share of U.S. exports to the country. Mexico's peso makes up nearly 40 percent, while Canada's dollar accounts for 10 percent. The remaining 46 countries each contribute less than 5 percent.

Fluctuations in the dollar make Texas exports more expensive or cheaper in overseas markets. From 2000 through early 2003, the index rose, suggesting foreigners had to pay more for the state's goods. Texas exports, which grew rapidly in the late 1990s, declined during this period.

The index has been on a downward trend for three years, indicating Texas products have been getting less expensive for foreign customers. With the dollar weaker, state exports have been growing strongly.

The Dallas Fed includes the exchange rate measure in its Texas Leading Index, which forecasts economic activity for the next three to six months. A rise in the dollar's value affects the leading index negatively. A decline gives it a boost.

ENERGY: High Oil, Natural Gas Prices Filling Texas' Coffers

Surging energy prices and a strong economy are swelling Texas tax revenues.

Natural gas tax collections went from 1.1 percent of all revenues in 2002 to 2.5 percent in 2005. They were up almost 60 percent in the first four months of this year. At this pace, tax receipts from natural gas production would hit a record $2.6 billion in 2006 and make up 3.5 percent of projected total revenue.

Oil-related revenues have been rising, too—but not as fast. This year's estimated receipts of $861 million would be the highest in 21 years. At that rate, they would account for about 1.1 percent of total state revenue, up marginally from the 0.7 percent average of the five previous years.

While they've increased, the energy industry's contributions to the state budget remain well below what they were in the early 1980s, another period of high energy prices. Oil's share of tax collections peaked at 10.1 percent in 1980. Natural gas revenues reached their high point of 7.9 percent in 1982.

Oil prices have been hovering around $70 a barrel for most of the year. Natural gas, although off its 2005 peaks, still sells for around $6 per million Btu, well above what it was a few years ago. A drilling boom has brought new wells into production, especially for natural gas.

MAQUILADORAS: Juárez Leads Job Growth at Plants Along Border

Mexico's maquiladoras usually flourish when U.S. industrial production is rising. So with the American economy humming, it's not surprising that total employment in the assembly-for-export plants is up 46,539 over the 12 months that ended in May.

Cities along the Texas–Mexico border accounted for nearly eight of 10 new jobs—a total of 35,834. The hot spot has been Ciudad Juárez, opposite El Paso, which posted job gains of 26,498.

Employment increased by 9,991 in Ciudad Reynosa, opposite McAllen, and 1,223 in Matamoros, opposite Brownsville. Nuevo Laredo, Piedras Negras and Ciudad Acuña all lost jobs over the 12 months.

Juárez has been attracting major maquiladora projects. In June, Electrolux opened the biggest industrial building in the state of Chihuahua, a 1.5 million-square-foot refrigerator plant that employs 1,500. That number is expected to grow to 2,500 when the plant is fully operational at year's end.

The Swedish company has also started construction on a washer and dryer factory that will initially employ 800 workers when it opens in 2008. In addition, Electrolux suppliers have been moving into the city.

Recent data show Juárez's robust maquiladora growth continuing. It was the only city on the Texas–Mexico border to post significant job gains in May. Outside of Juárez, the region's maquiladora employment fell by 268 jobs for the month.