The Southwest economy made a healthy showing in 1995, as growth in all three District state economies outpaced the national average. Nevertheless, District economic activity slowed from the rapid pace of 1994, a result of increased labor market tightness, a weak Mexican economy and a slowdown in the national economy. Recent movements in some indicators suggest a further slowdown in economic growth in 1996.

District jobs increased at a moderate 2.9-percent pace in 1995, near the historical-trend rate of growth but noticeably slower than the 4.3-percent rate of 1994. The fastest growing industry in 1995 was construction, which benefited from firm and employee relocations, high-tech expansions and relatively low mortgage rates. The services industry also grew at a healthy pace last year, aided by robust job growth at computer-related services firms and temporary help agencies.

Recently released data suggest the District economy expanded at a slower pace in January 1996 because of a slight employment dip in Texas. The Texas dip was a result of continued declines in energy-related employment and job losses in some service-sector industries, such as transportation, trade, real estate and hotels. Anecdotal information suggests much of the service-sector job decline is temporary and does not signal a downward trend.

One sign of strength in the January numbers was an acceleration in the growth of manufacturing jobs. The manufacturing sector has been boosted in recent months by strong demand for electronics and construction-related products. Also, Texas manufacturing output has been improving since mid-1995 and rose faster than the national average in 1995 as a whole.

The Texas Leading Index was flat in December after edging down in the previous three months. Recent movements in the Texas Leading Index suggest a slowdown in the Texas economy in 1996 from the moderate pace of last year. Nevertheless, economic growth should be positive and remain stronger than the national average.

—D’Ann M. Petersen

**FURTHER INFORMATION ON THE DATA**


Online economic data and articles are available on the Dallas Fed’s BBS, Fed Flash (214) 922-5199 or (800) 333-1953, and WWW home page: www.dallasfed.org